Annual Report 2013

Year ended March 31, 2013

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2013)

Company name: Hokuhoku Financial Group, Inc.

Date of establishment: September 26, 2003

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

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	1,351,630,146
Preferred stock (Type 5)	107,432,000

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

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

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

CONTENTS

Profile

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

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

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

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

September 2003 — Hokugin Financial Group, Inc. established

Hokuriku Bank Group comes under management of Hokugin Financial Group

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Management integration effected through equity swap

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

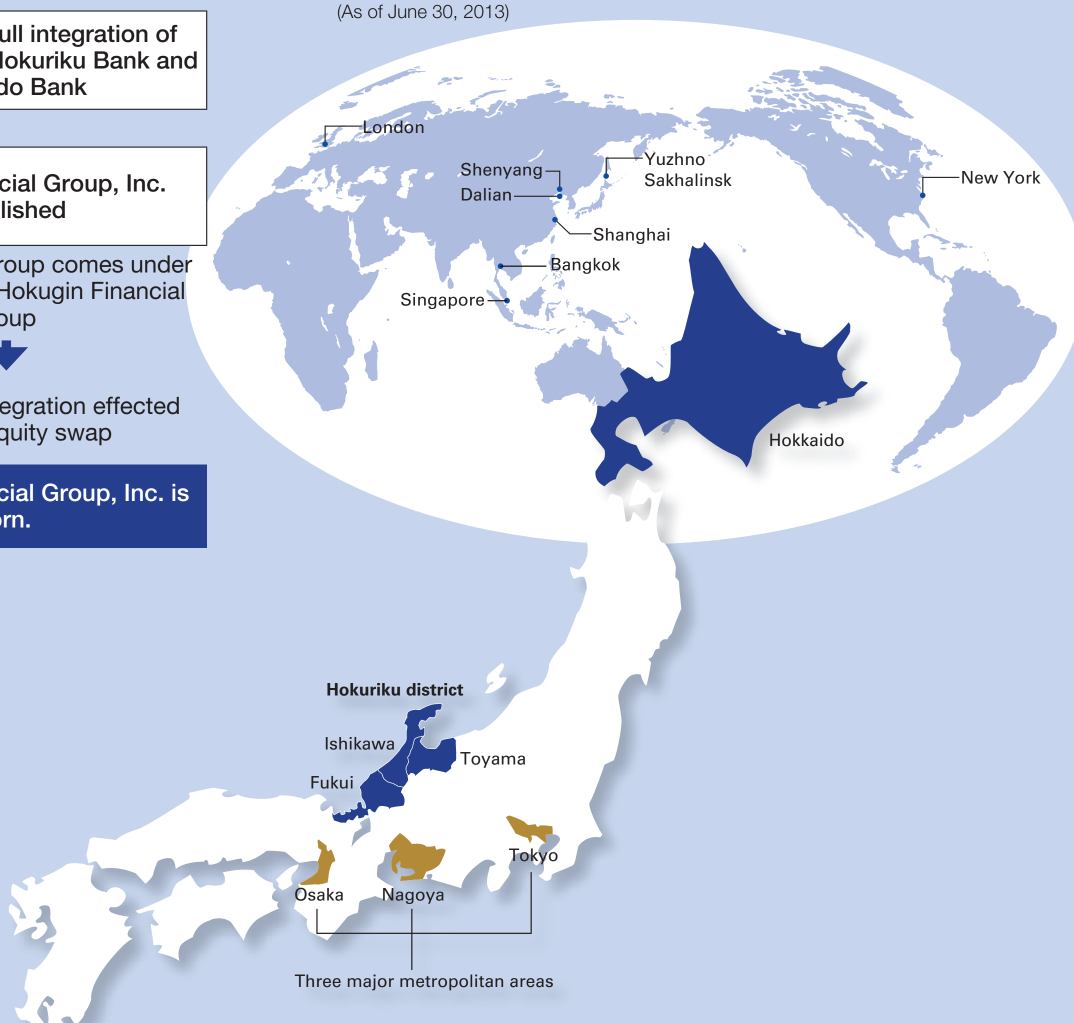
The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

Hokuriku district	**149 branches**
Toyama prefecture	91 branches
Ishikawa prefecture	36 branches
Fukui prefecture	22 branches
Hokkaido	**158 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, 2013)



(from left)

Yoshihiro Sekihachi

Chairman
(concurrently serving as president of The Hokkaido Bank, Ltd.)

Eishin Ihori

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

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

Hereunder, we present Annual Report 2013 of the Hokuhoku Financial Group. The report includes the Group's business performance for fiscal 2012, an outline of our current medium-term management plan, and an introduction to the various business strategies we have been pursuing. We hope that it will assist you in understanding the Group's present situation and future prospects.

For the Japanese economy, there have been a number of signs of improvement recently, including a likely recovery in business performance figures, centered on export-oriented companies, under the influence of the yen's depreciation since the inauguration of the Abe administration. At the same time, however, interest rates appear increasingly likely to maintain their present low levels, and financial institutions will thus continue to face a difficult earnings environment for some time to come.

Amid these circumstances, from fiscal 2013 the Hokuhoku Financial Group commenced its latest medium-term management plan, dubbed "GO for IT!." Our achievements under the previous medium-term plan include further expanding the number of customer accounts, increasing deposits to ¥10 trillion, and realizing stable operation of a joint IT system for three banks (the Hokuriku Bank, the Hokkaido Bank, and the Bank of Yokohama). On the negative side, however, we have been faced with a number of serious obstacles to achieving adequate earnings, most notably low growth in interest and non-interest revenues, and expenses hovering at a high level. There is also the need to create a system for nurturing the desired job skills in an increased number of young bank employees, as well as the necessity for enhanced compliance and more rigorous internal control.

Under our new medium-term management plan, covering the three-year period from April 2013 to March 2016, we aim to become a trustworthy financial group that enjoys friendly relations with all members of its local communities. To this end, we have dedicated this three-year period to establishing an optimized business strategy for sustainable growth by deploying a market strategy that involves strengthening our relationships with local customers. We also plan to reallocate the Group's management resources to improve management efficiency, reinforce our employee training systems, cultivate a corporate culture of fair and stable banking, and strengthen our internal control systems.

The scheduled commencement of services on the Hokuriku Shinkansen (Bullet Train) and Hokkaido Shinkansen lines is expected to stimulate economic growth in the operational areas of the Group's two banking subsidiaries – the Hokuriku Bank and the Hokkaido Bank. The Hokuhoku Financial Group intends to play an important role in revitalizing these banks' local economies by leveraging its strengths in information collection to offer a business-matching service as well as enhanced support for clients' overseas business developments.

At the Hokuhoku Financial Group, we will work to enhance our enterprise value by earning the trust of our regional communities and helping revitalize local economies. We ask for your continued support and encouragement in our business endeavors going forward.

July 2013

Y. Sekihachi

Yoshihiro Sekihachi
Chairman

Eishin Ihori
President

The Hokuhoku Financial Group took measures to solidify its position as a financial group with ¥10 trillion in deposits promoted under the previous medium-term management plan “Road to 10” (fiscal 2010–fiscal 2012). Despite falling short of earnings targets in light of severe business circumstances, we have built a transaction platform for future growth by achieving ¥10.0081 trillion in deposits as of March 31, 2013, surpassing our ¥10 trillion target. In addition, we improved management efficiency through stable operation of a joint IT system for three banks (the Hokuriku Bank, the Hokkaido Bank, and the Bank of Yokohama). Reaching our capital adequacy ratio target level, we implemented a new capital policy to enhance stock value, which includes the purchase of 50 million shares of treasury stock in fiscal 2012.

The business circumstances currently surrounding the Hokuhoku Financial Group are forecasted to increase in severity. This is attributable to market shrinkage accompanying decreases in regional population and households; ongoing low interest rates; intensifying competition with other banks; and uncertainties mainly involving nuclear issues and sluggish growth in emerging countries.

Under these circumstances, we will strengthen relationships with regional customers and establish effective internal control in order to maintain sustainable growth under changing business circumstances. To this end, we have positioned the next three-year period as “a term for establishing an optimized business strategy of sustainable growth.” We remain committed to the existing management policies of “Strengthening Marketing Capabilities” and “Improving Management Efficiency” along with “Cementing Management Foundation.” In addition, we will raise our corporate value by obtaining the trust of local customers and contributing to the revitalization of the regional economy.

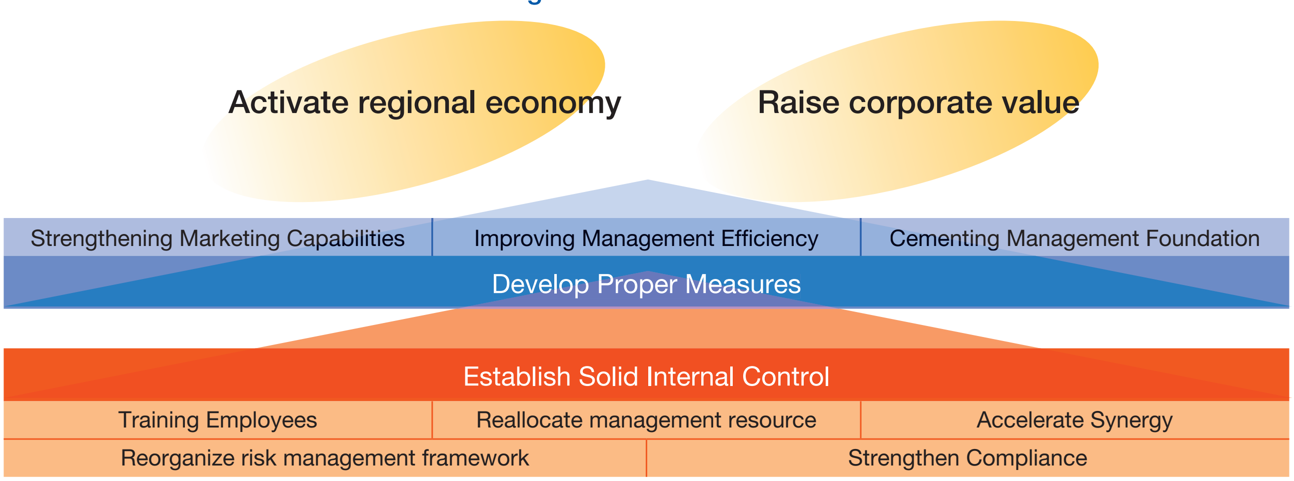
Overview of the Medium-Term Management Plan

Title	GO for IT!
Period	3 Years (April 2013–March 2016)
Position	A term for establishing an optimized business strategy of sustainable growth
Target Corporate Profile	Close and Reliable Financial Group for Local Customers
Basic Policies in Management Plan	1. Establish solid management foundation for sustainable growth under changing business circumstances by constructing close relationship with regional customers and effective internal control 2. Keep on “Strengthening Marketing Capabilities” and “Improving Management Efficiency” and “Cementing Management Foundation” 3. Raise our corporate value by obtaining the trust of local customers and contributing to the revitalization of the regional economy.

Fiscal 2015 Numerical Targets
(Total of 2 banks)

Deposits	¥10,110.0 Bn
Loans	¥7,480.0 Bn
Core net business profits	¥47.0 Bn
Net income (Consolidated)	¥18.5 Bn
Capital adequacy ratio (Consolidated)	10% or above
OHR (Core gross business profit basis)	67%
NPL Ratio	Below 3%

Basic Policies of New Medium-Term Management Plan “GO for IT!”



Strengthening Marketing Capabilities

	▼Strategies
Expand customer base	• Further increase customer accounts • Become the main bank and promote cross sale of various financial products
Strengthen consultation service	• Accumulate knowledge and promote sales in priority industries (Agriculture, Healthcare, Welfare, Environment, Renewable energy) • Private Banking, M&A, Business Succession
Take advantage of our extensive network	• Enhance business-matching information services and support of customers' overseas business development
Improve marketing strategy for personal customer	• Effective sales promotion based on account-holder category • Activate service channels other than face-to-face transactions • Review organizational structure and strengthen our sales system for investment trust and insurance products
Increase investment in securities	• Supplement decreased interest revenue from corporate loans

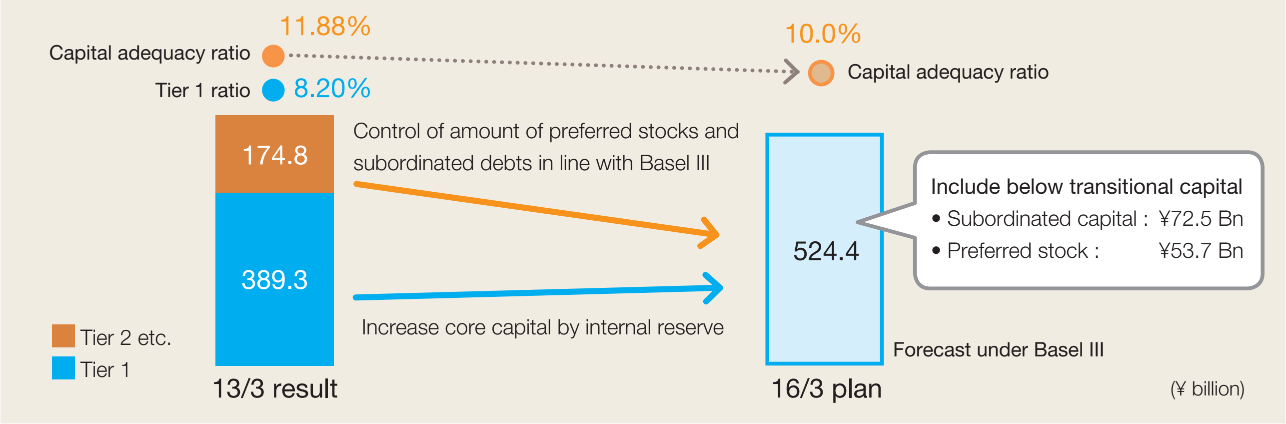
Improving Management Efficiency

	▼Strategies
Consolidation and pooling of operation	• Establish more efficient cost structure as a top-level financial group among regional banks (Consolidation of operation in headquarters, Shared back office, Collaboration in product development and advertising) • Improve operational efficiency through integrated management
Take advantage of shared use of banking system	• Increase number of banks sharing use of banking system (3 banks >> 4 banks) and pursue additional cost reduction • Joint development of subsystems and continuous integration of business process
Enhance operational effectiveness Reconsider resource allocation of headquarters and branches	• Optimize business process in branches and headquarters • Redeploy strategically key personnel to priority areas

Cementing Management Foundation

	▼Strategies
Capital management	• Improve quality of capital in line with Basel III • Develop capital operations for higher equity value
Enhance asset quality	• Raise proportion of asset with a low risk-weighting
Strengthen corporate revitalization	• Alliance with external organizations • Active use of regional revitalization fund

Capital adequacy ratio



Dividend Policy

Dividends for common equities	Steady increase in dividends

- Maintain a 30% or above dividend payout ratio and aim for step-by-step increase in dividend by increasing earnings.
- Maintain a 9% or above capital adequacy ratio by building up internal reserves based on the reduced inclusion of preferred stocks, subordinate capitals and other items through gradual application of Basel III regulations.

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

(¥ billion)

	FY2012	Change	FY2011
Ordinary income	199.1	(8.8)	207.9
Ordinary profits	29.3	(9.5)	38.8
Net income	18.1	3.9	14.1
Capital adequacy ratio	11.88%	+0.16%	11.72%

In the fiscal year ended March 31, 2013, Hokuhoku FG recorded ordinary income of ¥199.1 billion, a year-on-year decrease of ¥8.8 billion, on a consolidated basis. Ordinary profits likewise decreased ¥9.5 billion to ¥29.3 billion, while net income rose ¥3.9 billion to ¥18.1 billion.

Our capital adequacy ratio stood at 11.88% at the term-end on a consolidated basis, an increase of 0.16 percentage points from the previous term-end.

Regarding the fiscal year-end dividend for 2012, the Group paid ¥7.5 per share for shareholders of preferred stock (type 5), the same amount as specified in advance. Regarding common stock shareholders, although an interim dividend was not paid, a fiscal year-end dividend of ¥3.75 per share was paid, the same amount as at the end of fiscal 2011.

Summary of Operations (Hokuriku Bank and Hokkaido Bank)

(¥ billion)

	Hokuriku Bank and Hokkaido Bank		
	FY2012	Change	FY2011
Ordinary income	184.6	(8.3)	193.0
Core gross business profits	145.5	(10.8)	156.3
Expenses	95.1	(5.5)	100.6
Core net business profits	50.3	(5.3)	55.7
Credit costs	17.0	6.6	10.4
Income (loss) on marketable securities	0.4	1.8	(1.4)
Ordinary profits	30.0	(10.5)	40.5
Net income	19.5	2.8	16.6

Due to a decline in interest income and earnings from financial derivative products, core gross business profits fell ¥10.8 billion year-on-year to ¥145.5 billion. Core net business profits decreased ¥5.3 billion year-on-year to ¥50.3 billion, despite a reduction in expenses of ¥5.5 billion as the cost surge caused by a computer system upgrade in the previous fiscal year petered out. Ordinary profits decreased ¥10.5 billion year-on-year to ¥30.0 billion, due to a ¥6.6 billion increase in credit costs.

Net income increased ¥2.8 billion to ¥19.5 billion, due to the decrease in deferred income taxes.

(¥ billion)

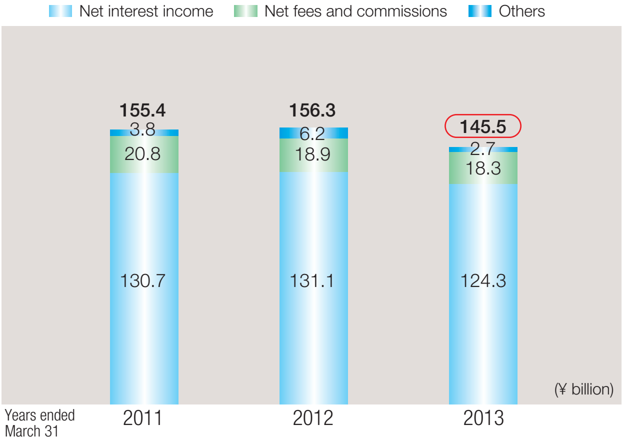
	Hokuriku Bank		
	FY2012	Change	FY2011
Ordinary income	103.0	(2.3)	105.4
Core gross business profits	82.3	(6.1)	88.5
Expenses	50.9	(3.3)	54.2
Core net business profits	31.4	(2.8)	34.3
Credit costs	9.3	4.9	4.4
Ordinary profits	18.3	(9.1)	27.4
Net income	12.3	0.9	11.4
Capital adequacy ratio	11.78%	(0.07)%	11.85%

(¥ billion)

Hokkaido Bank		
FY2012	Change	FY2011
81.6	(5.9)	87.5
63.1	(4.6)	67.8
44.2	(2.2)	46.4
18.9	(2.4)	21.4
7.6	1.6	5.9
11.6	(1.4)	13.1
7.2	1.9	5.2
11.23%	+0.43%	10.80%

Core Gross Business Profits (Both banks)

Net interest income decreased ¥6.8 billion year-on-year to ¥124.3 billion, due to a decrease in interest on loans and in interest and dividends on securities.

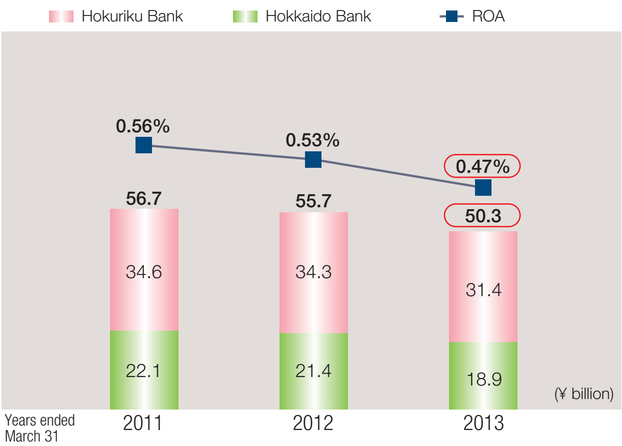


Net fees and commissions decreased ¥0.5 billion to ¥18.3 billion, reflecting a decline in commissions from investment trust sales and an increase in loan insurance and other fees.

Other net operating income decreased ¥3.4 billion year-on-year to ¥2.7 billion, due to a decrease in earnings from derivatives. As a result, core gross business profits decreased ¥10.8 billion to ¥145.5 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

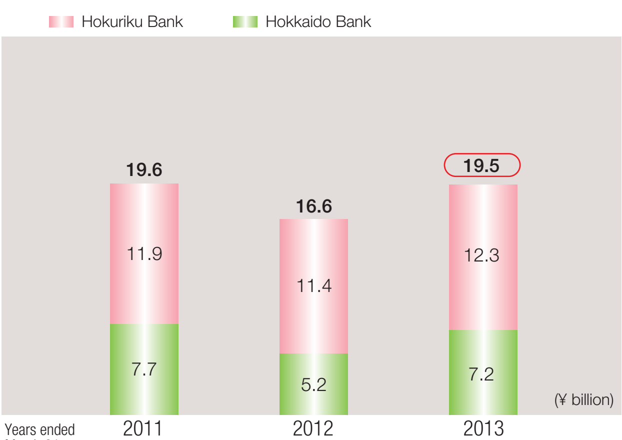
Core Net Business Profits (Both banks)



Although core gross business profits fell ¥10.8 billion year-on-year to ¥145.5 billion, the reduction in expenses of ¥5.5 billion meant that core net business profits decreased only ¥5.3 billion year-on-year, to ¥50.3 billion.

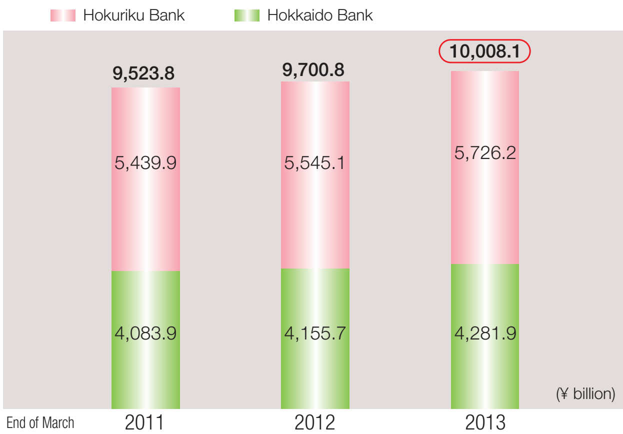
- Core net business profits = core gross business profit minus expenses Equivalent to operating income in the case of companies other than banks, this indicates a bank's achievements in its core banking field.
- ROA = Core net business profits divided by total assets (average for the term) This figure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

Net Income (Both banks)



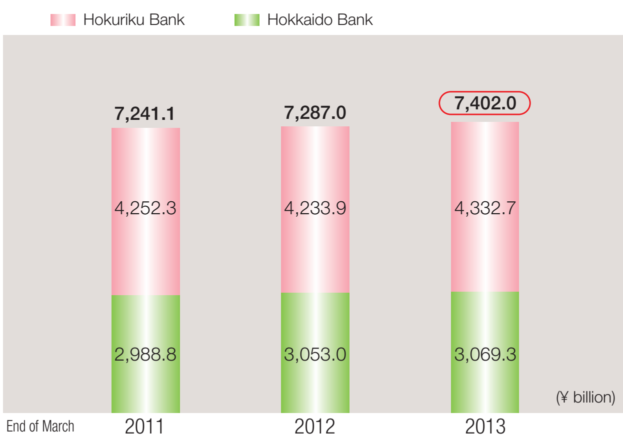
Ordinary profits fell ¥10.5 billion to ¥30.0 billion, due largely to an increase in credit costs and in losses on devaluation of stocks and others. Net income increased ¥2.8 billion to ¥19.5 billion, due to the decrease in deferred income taxes.

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



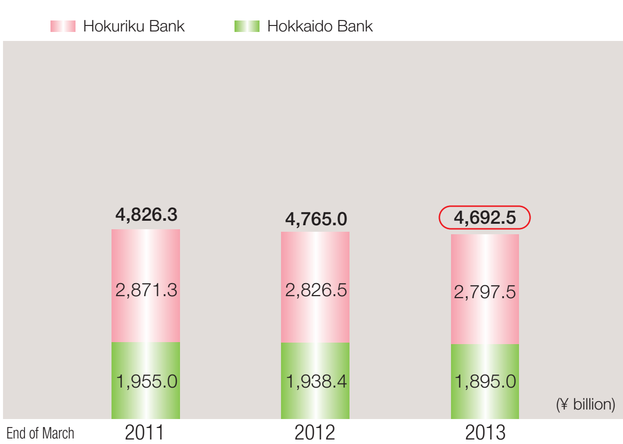
Deposits increased by ¥307.3 billion to ¥10,008.1 billion, due to an increase in individual and corporate customers.

Loans and Bills Discounted (Both banks)



Loans increased ¥115.0 billion from the end of March 2012 to ¥7,402.0 billion, due to an increase in lending mainly to local governments, and in housing loans.

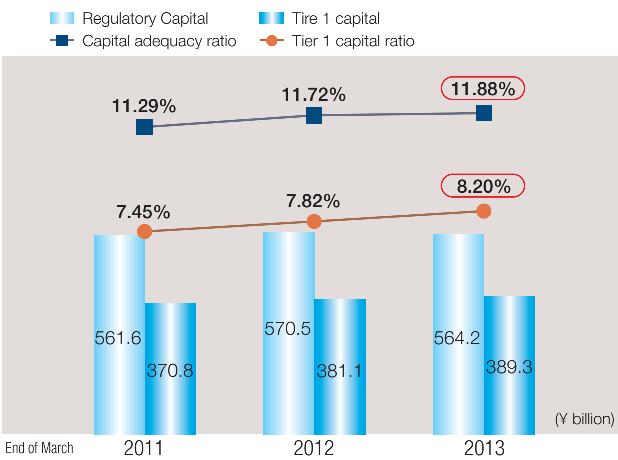
Outstanding Loans to SMEs (Both banks)



Outstanding loans to SMEs totaled ¥4,692.5 billion, a decrease of ¥72.4 billion from the end of March 2012.

We actively continued our initiatives to facilitate financing for regional borrowers, in the belief that this is a key role for the bank, but the balance of outstanding loans decreased due to slower growth in business funding needs resulting from the weak economic recovery.

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



Our capital adequacy ratio, a key indicator of financial soundness, rose 0.16 percentage points from the end of March 2012, to 11.88%, due to a reduction in risk assets.

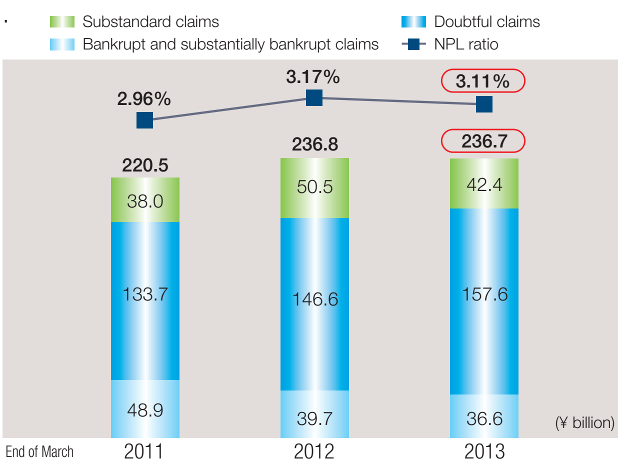
An increase in retained earnings due to accumulation of earnings enabled us to increase our Tier 1 capital by ¥8.1 billion compared with March 2012, to ¥389.3 billion. Regulatory capital declined ¥6.2 billion year-on-year to ¥564.2 billion, due to a decrease in Tier 2 capital from repayment of subordinated loans.

- 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)

Disclosed Claims under the Financial Reconstruction Law came to ¥236.7 billion at the end of March 2013, almost unchanged year-on-year, but the NPL ratio fell 0.06 percentage point to 3.11%.



- 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

Japan Credit Rating Agency, Ltd. JCR	Rating and Investment Information, Inc. R&I
A	A

"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

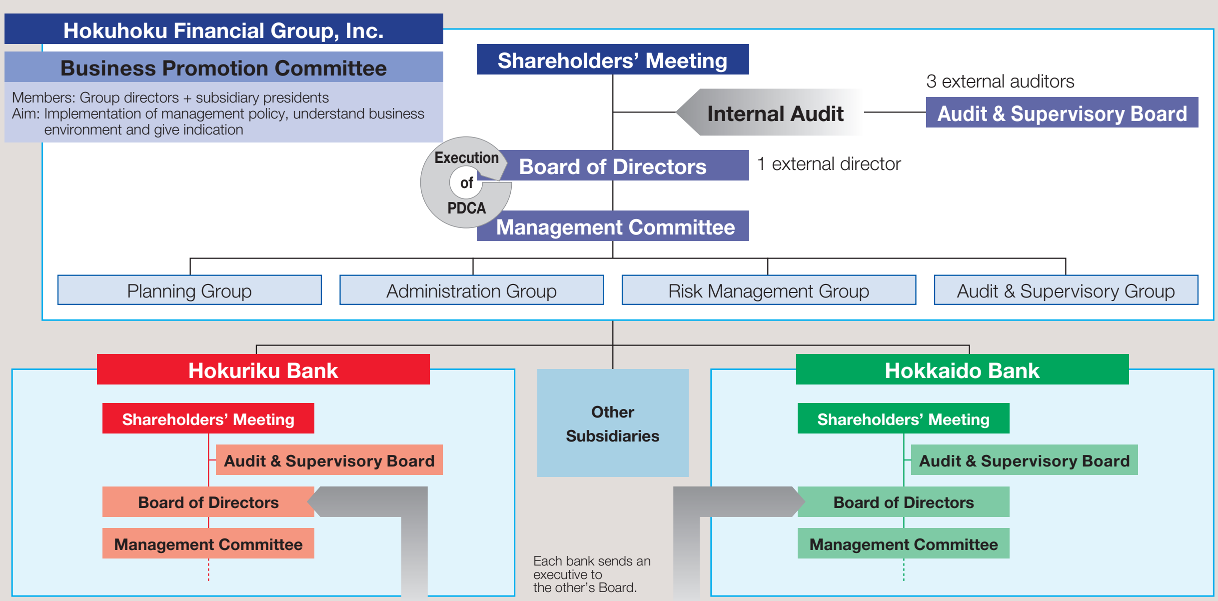
The holding company and all its member companies regard strengthening and upgrading corporate governance as one of its top management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including management strategy-setting and decision-making. We share 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. Audit & Supervisory Board

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.

Audit & Supervisory Board Members 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, and in a fair and honest way.

Additionally, the Board of Directors determines basic customer protection management policies, and develops management policies and structures for the 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. In addition, the Company makes every effort to prevent money laundering, ever mindful of the possibility that monetary transactions conducted through financial institutions could be used for criminal or terrorist purposes.

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 Audit & Supervisory Board Members

When receiving a request from a Audit & Supervisory Board Members 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 required expertise. In addition, to ensure the independence of these employees vis a vis the Board of Directors, prior agreement of the Audit & Supervisory Board is required for personnel transfers and disciplinary measures.

8. Reporting by the Board of Directors and employee assistants to the Audit & Supervisory Board Members, and other reporting to the Audit & Supervisory Board Members

Board of directors sets reporting system to the Audit & Supervisory Board Members by directors as below.

(1) Directors shall report to the Audit & Supervisory Board 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 Audit & Supervisory Board by directors and employees, on the matters designated in advance by the Audit & Supervisory Board Members and directors.

(3) The Audit & Supervisory Board Members may request reports from the directors or employees as needed.

9. Ensuring effective auditing by Audit & Supervisory Board Members

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

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

Basic philosophy

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

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

Groupwide Measures

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

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

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

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

We ensure more rigorous observance of laws and social norms

Basic policy

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

System

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

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

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

Basic policy on compliance

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

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

2. Providing quality financial services

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

3. Strict observance of laws and regulations

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

4. Elimination of ties with anti-social elements

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

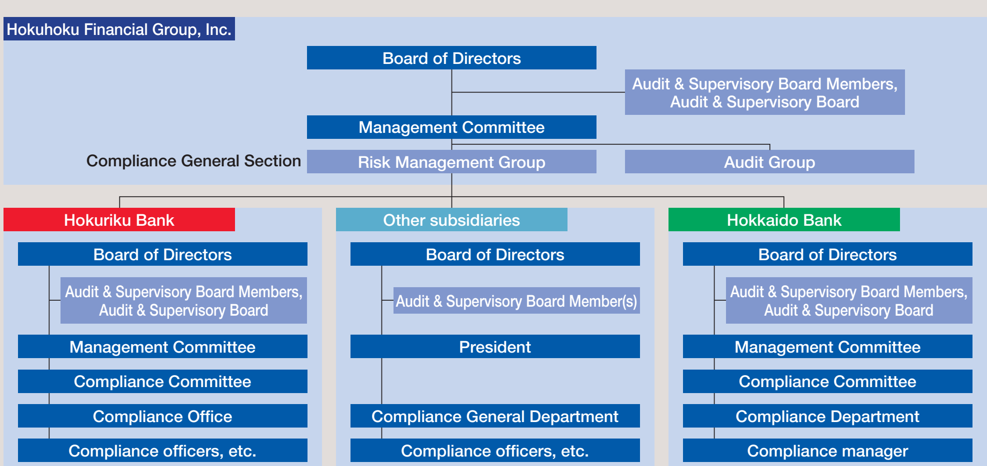
5. Ensuring management transparency

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

Compliance manual and compliance program

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

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



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

Measures to accelerate customer protection and customer convenience

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

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

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

Measures for protection of personal information

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

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

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

Measures to deal with anti-social elements

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

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

Whistleblower protection system

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

Measures to deal with financial crime

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

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

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

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.

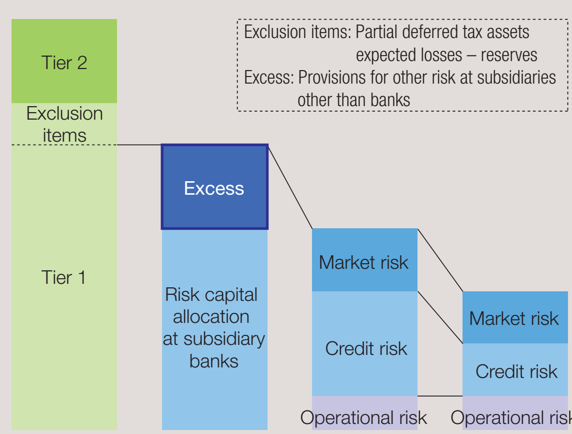
At our subsidiary banks, which have the highest risk exposure within the Group, we have categorized risk for management purposes as: credit risk, market risk, liquidity risk and operational risk, which we manage through our Asset Liability Management Committees and Comprehensive Risk Management Committees. 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	—
A	Normal borrowers
B	
C	
D	
E	
F	
N	
J	
G	Borrowers requiring caution
H	
I	Substandard borrowers
X	Borrowers threatened with bankruptcy
Y	Substantially bankrupt borrowers
Z	Bankrupt borrowers

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

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

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

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

Corporate rehabilitation

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

Market risk management

Basic policy

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

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

Types of risk and management system

(1) Interest-Rate Risk

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

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

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

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

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

(2) Stock Price Fluctuation Risk

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

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

(3) Foreign Exchange Rate Risk

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

(4) Derivative Transactions Risk

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

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

Liquidity risk management

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

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

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

Operational risk management

Basic policy

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

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

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

Management structure

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

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

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

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

Risk management systems by major category

• Administrative risk management

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

• System risk management

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

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

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.

Upgrading of three Hokuriku Bank sub-branches into branches

In November 2012, Hokuriku Bank upgraded the Toyota (Toyama), Takaokashimizumachi (Takaoka) and Nishioka (Sapporo) sub-branches into branches. Equipped with full banking functions and offering services specializing in retail services mainly to individuals and family businesses, these three new branches aim to help Hokuriku Bank become an even closer and more reliable partner for local customers in their respective regions.

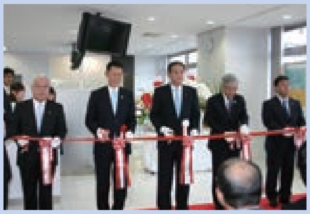
Toyota Branch

Takaokashimizumachi Branch

Nishioka Branch

Opening of the new Hokkaido Bank Soen Branch

In April 2013, Hokkaido Bank opened the Soen Branch in front of Sapporo's JR Soen Station. Featuring a dedicated consultation room and booths along with specialists in charge of asset management and mortgage loans, the Soen Branch's enhanced systems is meeting the consultation needs of individual customers.



Commencing consulting services at the Dogin Insurance Plaza Odori

In April 2013, Hokkaido Bank opened the Dogin Insurance Plaza Odori on the sixth floor of the Hokkaido Bank Headquarters, the first channel in Hokkaido specializing in insurance service. Beginning with life insurance, this new plaza offers wide-range services to meet various customer needs of each life stage.

The plaza in operation

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*				
	6	■ Shenyang Municipal Tourism Administration				
	6	■ Liaoning Provincial Bureau of SMEs				
	8	■ Shaoxing City				
2013	1	■ The Board of Investment of Thailand				
	4	■ Amur Oblast				

* 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	■ Deutche Bank
	12	■ Vietcombank
2010	8	■ Liaoning Radio and Television
2011	4	■ Nippon Export and Investment Insurance
	4	■ Bank Negara Indonesia
	6	■ KASIKORNBANK (Thailand)
	10	■ Tokio Marine & Nichido Fire Insurance Co., Ltd.
	11	■ Bank of shanghai
	12	■ Nippon Export and Investment Insurance
2012	5	■ Sberbank
	5	■ The Yamaguchi Bank, Ltd.
	6	■ Aioi Nissay Dowa Insurance Co., Ltd.
	6	■ Sompo Japan Insurance Inc.
	6	■ Tokio Marine & Nichido Fire Insurance Co., Ltd.
	6	■ NIPPONKOA Insurance Company, Limited
	6	■ Mitsui Sumitomo Insurance Company, Limited
	9	■ Ernst & Young ShinNihon LLC
2013	5	■ VTB 24 Bank
	7	■ VTB Bank

Business-matching events (fiscal 2012-2013)

Year	Month	Location	Industry	Exhibiting companies (No. of business meetings)
■ Hokuhoku FG, ■■ Both Bank				
2012	9	Shanghai	Manufacturing	582 (17,500)
■ Hokuriku Bank				
2012	7	Ishikawa	Food	36 (63)
	7	Ningbo	Manufacturing	85
	9	Nagoya	All industry types	224 (c. 1,200)
	10	Tokyo	Food	620
	11	Tokyo	Food	50 (230)
2013	2	Bangkok	All industry types	131 (400)
■ Hokkaido Bank				
2012	6	Sapporo	All industry types	128 (c. 500)
	6	Hakodate, Others	Food	98 (189)
	9	Sapporo	Food	71 (330)
	10	Sapporo	Agriculture	27
2013	2	Yuzhno-Sakhalinsk	Construction	6 (23)

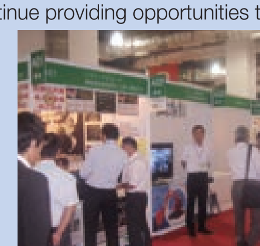
Association of bank clients (as of March 31, 2013)

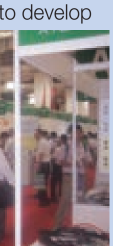
	No. of companies
■ Hokuriku Bank	
Hokuriku Choujou Association	1,120
Hokuhoku ASEAN Association	152
Shanghai Choujou Association	510
Dalian Choujou Association	70
■ Hokkaido Bank	
Hokkaido Choujou Association	241

Support of customers expanding overseas business

2012 China-Japan Manufacturing Business Conference held in Shanghai

Hokuriku Bank and Hokkaido Bank held the 2012 China-Japan Manufacturing Business Conference jointly with 39 Japanese regional banks and municipalities in September 2012 and hosted by Factory Network China (a company that supports business matching for manufacturers in China). Greatly anticipated by both exhibitors and visitors, this conference featured exhibits from a record 582 companies. A total of 15 of our clients exhibited, including four participating for the first time. We will continue providing opportunities to develop sales and supply channels in China.





More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

IR meetings for investors and analysts

November 2012: Fiscal 2012 interim results (Tokyo)
May 2013: Fiscal 2012 results (Tokyo)

IR meetings for individual investors

June 2013: Two cities in Hokuriku (Toyama and Kanazawa) and two cities in Hokkaido (Sapporo and Asahikawa)

General meeting of shareholders

June 2013: 10th ordinary general meeting of shareholders (Toyama, with live broadcast to Sapporo)

Advancing with regional communities

We take part in social contribution activities.

Financial education

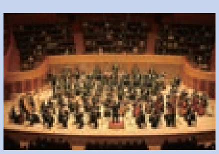
- All-Japan high-school quiz in finance and economy "Economics Koshien," in Hokkaido, Toyama and Fukui prefectures
- Management school for the managers who will form the next generation of business leaders
- Dispatch of lecturers to high schools and universities
- Internships

Support for industry-academia cooperation

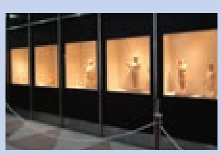
The Group has concluded cooperation agreements with universities in the region, and is supporting industry-academia cooperation by taking on an intermediary role in joint research and use of its results with local companies, and by promoting business matching based on intellectual property assets.

Support for arts and culture

- Arranging and supporting concerts
- Establishment of art galleries



Lilac Concert

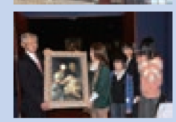


Head Office Sales Department, Hokuriku Bank

- Opening of the Hokugin Galerie Millet art gallery

  In September 2012, the Hokugin Galerie Millet art gallery located on Toyama City's Chuo-dori Street opened its doors with the aim of attracting interest in the downtown core. The gallery exhibits art work of such artists as Jean-François Millet and other members of the Barbizon school, a group of French painters who were active in the mid-19th century in the suburbs of Paris.

  Beyond art lovers, numerous visitors from across Japan, including shoppers, tourists and those on business trips, have visited Hokugin Galerie Millet. Since opening seven months ago, over 10,000 people have visited the gallery. Looking ahead, Hokugin Galerie Millet will hold distinctive exhibits as an art gallery beloved by everyone.



A commemorative gift being given to the gallery's 10,000th visitor

- Opening of the Hokkaido Bank Curling Stadium

  In September 2012, the Hokkaido Bank Curling Stadium opened after Hokkaido Bank acquired the naming rights. Japan's first public curling-oriented facility, Hokkaido Bank Curling Stadium is home to the Hokkaido Bank Fortius, a women's curling team for which Hokkaido Bank is the main sponsor. This facility also hosts the JCA's World Curling Championships.

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 2012, the 4th tree-planting was held in "Dogin Forest." Branches also cooperated with local governments in tree-planting activities.

Forest campaign

Hokuriku Bank

1. Conference Held in Ningbo City, Zhejiang Province, China

In July 2012, Hokuriku Bank held a business matching conference in Ningbo City, with which the Bank has signed an economic cooperation agreement. Ningbo City's main industry is manufacturing, which includes automobile components, equipment, home appliances and molds. Accordingly, the strengthening business relationship between Ningbo City and the Hokuriku region is boosting the component supply needs of the Bank's clients. This year's conference was held with the purpose of identifying new buyers as well as contract and subcontract factories.

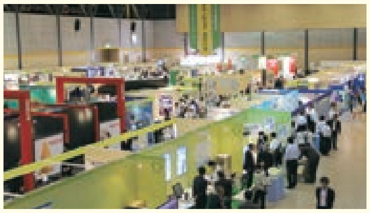
2. Agreement Concluded with The Ogaki Kyoritsu Bank, Ltd. to Provide Mutual Assistance during Disasters

Hokuriku Bank concluded an agreement with its general business partner Ogaki Kyoritsu Bank to provide mutual, comprehensive assistance during disasters. In the event of a disaster, both banks will provide each other with relief supplies, dispatch employees and deploy mobile financial service vehicles equipped with ATMs in order to maintain banking services in disaster-affected areas. Headquartered in Ogaki City, Ogaki Kyoritsu Bank operates branches throughout Gifu Prefecture and Nagoya City. Since Hokuriku Bank's headquarters are located in Toyama City, a significant distance from Ogaki City, both banks have developed a system that enables effective cooperation during disasters.

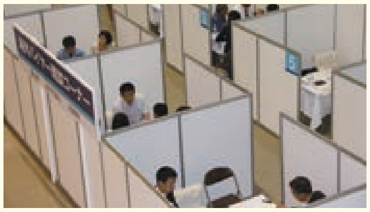
Signing ceremony

3. The 2012 Toyama General Manufacturing Industry Trade Fair Held for Overseas Buyers

In September 2012, Hokuriku Bank held a conference in cooperation with Toyama Prefecture and the Japan External Trade Organization (JETRO) Toyama Trade Information Center to help develop and expand overseas marketing channels for Toyama and other Hokuriku-based businesses. In conjunction with this conference, we held the Toyama General Manufacturing Industry Trade Fair, which showcases manufacturing technologies developed in Toyama Prefecture, the rest of Japan and overseas. This event invited buyers from five countries, including India and the ASEAN nations.



Venue



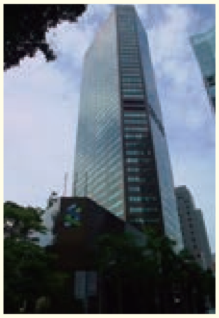
Conference

4. Ceremony Held to Commemorate the 15th Anniversary of the Singapore Representative Office's Establishment

In November 2012, Hokuriku Bank held a ceremony to commemorate the 15th anniversary of the Singapore Representative Office's establishment at the Four Seasons Hotel Singapore. Approximately 100 guests attended this lavish ceremony, including the Japanese minister to Singapore, the Deputy CEO of International Enterprise Singapore and local clients.

This ceremony served as an opportunity to strengthen the Bank's business support system in the ASEAN region, which is experiencing major demand for "China plus one" business expansion.

Ceremony



The building where the Singapore Representative Office is located

5. Toyama Prefecture Bangkok Business Support Desk Opened

Entrusted by the prefecture to run its local business support operations, Hokuriku Bank opened the Toyama Prefecture Bangkok Business Support Desk in December 2012 within the Bank's Bangkok Representative Office. This support desk's services include offering order-made matching assistance through individual consultations, promoting Toyama Prefecture in Thailand, providing buyer dispatches and developing local personnel networks.

The Bangkok Representative Office

6. Economic Exchange Memorandum Concluded with the Board of Investment (BOI) of Thailand

In January 2013, Hokuriku Bank became the first regional bank in Hokuriku to conclude an economic exchange memorandum with the BOI Thailand, a governmental agency in charge of attracting investment in Thailand. This memorandum enables the Bank to provide accurate local information and introduce the BOI to client businesses considering expanding into Thailand.

Hokuriku Bank has already concluded a business partnership agreement with Kasikorn Bank, a major Thai commercial bank, making it possible to provide clients with both investment and financial assistance.

Hokkaido Bank

1. Third Hokkaido Tourism Special Business Meet Up with China Event

In June 2012, Hokkaido Bank held the Third Hokkaido Tourism Special Business Meet Up with China Event as part of efforts to promote Hokkaido as a tourist destination. During this event, 90 Hokkaido-based businesses were joined by 30 travel companies from Shenyang, Dalian, Beijing, Shanghai, Suzhou, Hangzhou and Guangzhou, with which they had over 500 business meetings. This event offered assistance to clients in Hokkaido's tourist industry and the organization of various sightseeing tours.

2. Dogin Regional Research Institute Co., Ltd. Commences Operations

In October 2012, Dogin Regional Research Institute Co., Ltd. commenced operations as a subsidiary of Hokkaido Bank. The Institute consists of the Consultation Department—which conducts various seminars and consultations—the Regional Strategic Research Department—which supports the formulation of regional strategies, individual surveys on consignment and commercialization—and the Economic Survey Department—which conveys information mainly through macroeconomic surveys that contributes to regional economic development. The Hokkaido Bank Group will leverage

The Institute's operations

its think tank functions underpinned by these three departments to meet a wide array of regional needs and, in turn, contribute to Hokkaido's development and revitalization.

3. Agribusiness Forum 2012

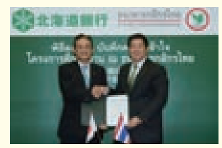
The Agribusiness Forum 2012 was held in October 2012 under the theme, "crop factories," and provided the latest information on this new field. Crop factories have attracted attention as a stable means for ensuring safe and reliable food. For farmers using conventional methods, crop factories enable them to grow crops year round, including the winter. For regular businesses, crop factories represent new opportunities to expand their operations. Looking ahead, we will aggressively support customers who are planning to enter the agricultural field.

4. JETRO Regional Industry Tie-Up (RIT) Russia Far East Cold Climate Housing Business Networking Event Held

In the Russian Far East, there is great interest in Hokkaido-based companies that possess superior technologies and products used in cold climate housing construction as well as residential building materials and equipment. Against this backdrop, in February 2013, Hokkaido Bank jointly held with JETRO a networking event in Sakhalin to promote technological and industrial exchanges on cold climate housing construction. Six Hokkaido-based businesses participated in this event, which featured presentations and lively discussions with Russian companies.

5. Personnel Exchange Memorandum Signed with Thailand's Kasikorn Bank and the Hokkaido Business Seminar Held

In February 2013, Hokkaido Bank signed a personnel exchange memorandum with its business partner, Kasikorn Bank. In addition, the Hokkaido Business Seminar was held in Thailand on the same day as the signing, with Hokkaido Bank President Yoshihiro Sekihachi showcasing the Hokkaido's appeal and business opportunities in such areas as tourism, agricultural products and food. A lively question-and-answer session was held during the seminar that revealed the Thai participants' keen interest in Hokkaido.



Signing ceremony

Seminar

6. Agricultural Memorandum Signed with the Russian Federation's Amur Oblast

In April 2013, Hokkaido Bank and the government of Amur Oblast signed a memorandum to promote agricultural cooperation. This agreement will provide assistance in such areas as cold climate agricultural research and technology dissemination along with farmer exchanges in order to develop agriculture and related industries, key sectors for both Hokkaido and Amur Oblast.

The signing ceremony was held in Moscow, with Japanese Prime Minister Shinzo Abe and Russian President Vladimir Putin in attendance. At the Japan-Russia Forum convened on the following day, President Sekihachi gave a speech on the role that agriculture is playing in developing new business models and fostering economic exchanges.

In fiscal 2013, Hokkaido Bank plans to establish a representative office in Vladivostok with the aim of further strengthening systems that support Russian agribusiness.

Speech given by President Sekihachi

CONSOLIDATED BALANCE SHEET

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31	2013	2012	2013
Assets			
Cash and due from banks (Notes 3 and 27)	¥ 553,744	¥ 326,031	$ 5,887,772
Call loans and bills bought (Note 27)	135,426	67,397	1,439,947
Monetary claims bought (Note 27)	86,864	112,788	923,598
Trading assets (Note 4)	7,228	8,002	76,858
Money held in trust	4,000	3,948	42,531
Securities (Notes 5, 11 and 27)	2,509,794	2,483,485	26,685,748
Loans and bills discounted (Notes 6, 11 and 27)	7,387,934	7,272,698	78,553,269
Foreign exchanges (Note 7)	10,616	10,691	112,880
Other assets (Note 11)	109,182	141,301	1,160,902
Tangible fixed assets (Note 8)	106,211	108,320	1,129,310
Intangible fixed assets (Note 9)	38,098	43,386	405,092
Deferred tax assets (Note 24)	24,141	41,667	256,684
Customers' liabilities for acceptances and guarantees (Note 10)	79,728	89,049	847,721
Allowance for loan losses	(73,742)	(79,452)	(784,074)
Total assets	¥10,979,231	¥10,629,316	$116,738,238
Liabilities and equity			
Liabilities			
Deposits (Notes 11, 13 and 27)	¥ 9,982,864	¥ 9,670,262	$106,144,230
Call money and bills sold (Note 11)	40,345	64,273	428,979
Trading liabilities (Note 4)	2,052	2,190	21,825
Borrowed money (Notes 11, 14 and 27)	252,551	187,286	2,685,294
Foreign exchanges (Note 7)	123	72	1,316
Bonds payable (Note 15)	33,000	34,500	350,877
Other liabilities	84,703	109,343	900,623
Reserve for employee retirement benefits (Note 16)	9,829	9,211	104,515
Reserve for directors' and audit & supervisory board members' retirement benefits	684	673	7,277
Reserve for contingent losses	3,033	2,974	32,255
Reserve for reimbursement of deposits	1,256	1,403	13,356
Deferred tax liabilities for revaluation	7,506	7,513	79,818
Acceptances and guarantees (Note 10)	79,728	89,049	847,721
Total liabilities	10,497,680	10,178,754	111,618,086
Equity (Notes 17, 18 and 19)			
Capital stock	70,895	70,895	753,801
Capital surplus	148,197	153,188	1,575,735
Stock acquisition rights	107	—	1,143
Retained earnings	201,138	189,845	2,138,637
Treasury stock	(1,547)	(605)	(16,452)
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	52,630	26,898	559,598
Deferred gains (losses) on hedges	(301)	(15)	(3,207)
Revaluation reserve for land (Note 8)	9,340	9,351	99,317
Total	480,461	449,557	5,108,572
Minority interests	1,089	1,003	11,580
Total equity	481,550	450,561	5,120,152
Total liabilities and equity	¥10,979,231	¥10,629,316	$116,738,238

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Income			
Interest income:			
Interest on loans and discounts	¥112,396	¥117,817	$1,195,069
Interest and dividends on securities	21,058	23,719	223,905
Interest on receivables under resale agreements	2	17	26
Interest on deposits with other banks	352	873	3,746
Other interest income	1,063	1,421	11,303
Fees and commissions	37,396	37,676	397,627
Trading income	325	614	3,456
Other ordinary income (Note 21)	23,503	23,193	249,909
Other income	3,038	2,647	32,310
Total income	199,136	207,982	2,117,351
Expenses			
Interest expense:			
Interest on deposits	7,608	9,845	80,900
Interest on payables under securities lending transactions	2	2	28
Interest on borrowings and rediscounts	2,319	2,381	24,665
Interest on bonds payable	588	929	6,257
Other interest expense	350	676	3,728
Fees and commissions	13,876	13,414	147,540
Other ordinary expenses (Note 22)	9,543	11,126	101,471
General and administrative expenses	106,185	110,515	1,129,028
Provision of allowance for loan losses	16,058	10,133	170,744
Other expenses (Note 23)	13,841	12,752	147,175
Total expenses	170,374	171,777	1,811,536
Income before income taxes and minority interests	28,761	36,204	305,815
Income taxes (Note 24):			
Current	4,119	7,184	43,803
Deferred	6,467	14,833	68,766
Net income before minority interests	18,174	14,186	193,246
Minority interests in net income	69	56	739
Net income	¥ 18,105	¥ 14,129	$ 192,507

	Yen 2013	Yen 2012	U.S. dollars 2013
Per share of common stock (Notes 2-r and 20)			
Basic net income	¥12.19	¥9.00	$0.13
Diluted net income	12.19		0.13
Cash dividends applicable to the year	3.75	3.75	0.04

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 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Net income before minority interests	¥18,174	¥14,186	$193,246
Other comprehensive income (Note 25)	25,461	16,138	270,719
Valuation difference on available-for-sale securities	25,741	15,509	273,699
Deferred gains (losses) on hedges	(286)	(18)	(3,048)
Revaluation reserve for land	—	668	—
Share of other comprehensive income of associates accounted for using equity method	6	(21)	68
Total comprehensive income	¥43,635	¥30,324	$463,965
Comprehensive income attributable to owners of the parent	43,550	30,258	463,054
Comprehensive income attributable to minority interests	85	65	911

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen				
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of April 1, 2011	1,391,630	107,432	¥70,895	¥153,188	¥ —	¥182,131	¥(600)
Changes during the period							
Cash dividends	—	—	—	—	—	(6,822)	—
Net income	—	—	—	—	—	14,129	—
Purchases of treasury stock	—	—	—	—	—	—	(6)
Disposals of treasury stock	—	—	—	(0)	—	—	0
Reversal of revaluation reserve for land	—	—	—	—	—	406	—
Net changes in the year	—	—	—	—		—	—
Balance as of March 31, 2012	1,391,630	107,432	¥70,895	¥153,188	¥ —	¥189,845	¥ (605)
Changes during the period							
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(6,822)**	**—**
Net income	**—**	**—**	**—**	**—**	**—**	**18,105**	**—**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(5,932)**
Disposals of treasury stock	**—**	**—**	**—**	**(0)**	**—**	**—**	**0**
Retirement of treasury stock	**(40,000)**	**—**	**—**	**(4,990)**	**—**	**—**	**4,990**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**10**	**—**
Net changes in the year	**—**	**—**	**—**	**—**	**107**	**—**	**—**
Balance as of March 31, 2013	**1,351,630**	**107,432**	**¥70,895**	**¥148,197**	**¥107**	**¥201,138**	**¥(1,547)**

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total	Minority interests	Total equity
Balance as of April 1, 2011	¥11,419	¥ 3	¥8,683	¥425,720	¥ 938	¥426,658
Changes during the period						
Cash dividends	—	—	—	(6,822)	—	(6,822)
Net income	—	—	—	14,129	—	14,129
Purchases of treasury stock	—	—	—	(6)	—	(6)
Disposals of treasury stock	—	—	—	0	—	0
Reversal of revaluation reserve for land	—	—	—	406	—	406
Net changes in the year	15,478	(18)	668	16,129	65	16,194
Balance as of March 31, 2012	¥26,898	¥ (15)	¥9,351	¥449,557	¥1,003	¥450,561
Changes during the period						
Cash dividends	**—**	**—**	**—**	**(6,822)**	**—**	**(6,822)**
Net income	**—**	**—**	**—**	**18,105**	**—**	**18,105**
Purchases of treasury stock	**—**	**—**	**—**	**(5,932)**	**—**	**(5,932)**
Disposals of treasury stock	**—**	**—**	**—**	**0**	**—**	**0**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**10**	**—**	**10**
Net changes in the year	**25,731**	**(286)**	**(10)**	**25,541**	**85**	**25,627**
Balance as of March 31, 2013	**¥52,630**	**¥(301)**	**¥9,340**	**¥480,461**	**¥1,089**	**¥481,550**

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of March 31, 2012	$753,801	$1,628,796	$ —	$2,018,556	$ (6,439)
Changes during the period					
Cash dividends	—	—	—	(72,539)	—
Net income	—	—	—	192,507	—
Purchases of treasury stock	—	—	—	—	(63,078)
Disposals of treasury stock	—	(1)	—	—	5
Retirement of treasury stock	—	(53,060)	—	—	53,060
Reversal of revaluation reserve for land	—	—	—	113	—
Net changes in the year	—	—	1,143	—	—
Balance as of March 31, 2013	$753,801	$1,575,735	$1,143	$2,138,637	$(16,452)

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total	Minority interests	Total equity
Balance as of March 31, 2012	$286,003	$ (160)	$99,430	$4,779,987	$10,674	$4,790,661
Changes during the period						
Cash dividends	—	—	—	(72,539)	—	(72,539)
Net income	—	—	—	192,507	—	192,507
Purchases of treasury stock	—	—	—	(63,078)	—	(63,078)
Disposals of treasury stock	—	—	—	4	—	4
Retirement of treasury stock	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	113	—	113
Net changes in the year	273,595	(3,047)	(113)	271,578	906	272,484
Balance as of March 31, 2013	$559,598	$(3,207)	$99,317	$5,108,572	$11,580	$5,120,152

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended March 31	**2013**	2012	**2013**
1. Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 28,761**	¥ 36,204	**$ 305,815**
Depreciation	**9,090**	10,295	**96,655**
Impairment losses	**405**	1,087	**4,312**
Amortization of goodwill	**2,113**	2,102	**22,471**
Equity in losses (gains) of affiliates	**(0)**	(0)	**(10)**
Increase (decrease) in allowance for loan losses	**(5,710)**	(1,498)	**(60,715)**
Increase (decrease) in reserve for contingent losses	**59**	202	**631**
Increase (decrease) in reserve for employee retirement benefits	**618**	1,431	**6,577**
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits	**11**	143	**120**
Increase (decrease) in reserve for reimbursement of deposits	**(147)**	(447)	**(1,566)**
Interest income	**(134,872)**	(143,850)	**(1,434,049)**
Interest expense	**10,870**	13,834	**115,578**
Losses (gains) on securities	**(414)**	1,681	**(4,411)**
Losses (gains) on money held in trust	**(67)**	49	**(723)**
Losses (gains) on foreign exchange	**(1,357)**	2	**(14,432)**
Losses (gains) on sales of fixed assets	**164**	366	**1,753**
Net decrease (increase) in trading assets	**774**	1,300	**8,234**
Net increase (decrease) in trading liabilities	**(138)**	(499)	**(1,471)**
Net decrease (increase) in loans and bills discounted	**(115,236)**	(48,062)	**(1,225,265)**
Net increase (decrease) in deposits	**250,620**	220,519	**2,664,755**
Net increase (decrease) in negotiable certificates of deposit	**61,982**	(42,000)	**659,033**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**77,765**	(144,951)	**826,849**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**(14,706)**	(7,109)	**(156,371)**
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased	**(42,105)**	18,322	**(447,693)**
Net increase (decrease) in call money and bills sold	**(23,928)**	44,273	**(254,422)**
Net decrease (increase) in foreign exchanges (assets)	**74**	2,543	**796**
Net increase (decrease) in foreign exchanges (liabilities)	**51**	(58)	**545**
Interest income-cash basis	**113,605**	117,332	**1,207,929**
Interest expense-cash basis	**(12,600)**	(18,551)	**(133,979)**
Other, net	**10,020**	1,894	**106,547**
Subtotal	**215,703**	66,559	**2,293,493**
Income taxes paid	**(4,506)**	(5,081)	**(47,916)**
Net cash provided by (used in) operating activities	**211,196**	61,477	**2,245,577**
2. Cash flows from investing activities:			
Purchases of securities	**(937,155)**	(1,735,224)	**(9,964,440)**
Proceeds from sales of securities	**695,672**	1,357,350	**7,396,840**
Proceeds from redemption of securities	**255,911**	229,771	**2,721,019**
Purchases of money held in trust	**(51)**	(5)	**(544)**
Proceeds from fund management	**21,126**	23,719	**224,628**
Purchases of tangible fixed assets	**(3,176)**	(3,315)	**(33,770)**
Proceeds from sales of tangible fixed assets	**29**	168	**310**
Purchases of intangible fixed assets	**(1,096)**	(9,546)	**(11,660)**
Purchases of stocks of subsidiaries	**(17)**	—	**(191)**
Net cash provided by (used in) investing activities	**31,242**	(137,081)	**332,192**
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowed money	**—**	24,500	**—**
Repayment of subordinated borrowed money	**(12,500)**	(20,000)	**(132,908)**
Proceeds from issuance of subordinated bonds	**—**	8,000	**—**
Repayment of subordinated bonds	**(1,500)**	(15,000)	**(15,949)**
Expenditures for fund procurement	**(2,752)**	(2,979)	**(29,262)**
Dividends paid	**(6,822)**	(6,822)	**(72,539)**
Dividends paid to minority shareholders	**(0)**	(0)	**(4)**
Purchases of treasury stock	**(5,932)**	(6)	**(63,078)**
Proceeds from disposals of treasury stock	**0**	0	**4**
Net cash provided by (used in) financing activities	**(29,506)**	(12,308)	**(313,736)**
4. Effect of exchange rate changes on cash and cash equivalents	**74**	(13)	**792**
5. Net increase (decrease) in cash and cash equivalents	**213,006**	(87,926)	**2,264,825**
6. Cash and cash equivalents at beginning of the period	**226,181**	314,107	**2,404,902**
7. Cash and cash equivalents at end of the period (Note 3)	**¥ 439,187**	¥ 226,181	**$4,669,727**

See notes to consolidated financial statements.

1. Basis of Presentation

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items. The U.S. dollar amounts are then rounded to thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hokuhoku Financial Group, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to U.S. $1, the rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 12 subsidiaries (together, the "Group").

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.

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.

An investment in one associated company is accounted for by the equity method.

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 20 years.

b. Cash and Cash Equivalents

For the purpose of reporting cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

c. Trading Purpose Transactions

"Transactions for trading purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the balance sheet date.

Income and losses on trading purpose transactions are recognized on a trade date basis and recorded as "Trading income" or "Trading losses."

Trading income and losses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the balance sheet dates.

d. Securities

Securities are classified and accounted for, based principally on the Groups' intent, as follows: (a) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed by the straight-line method and (b) available-for-sale securities, which are not classified as trading purpose securities or held-to-maturity securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-securities for which fair value is not reliably determined are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

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

e. Tangible Fixed Assets (excluding Lease Assets)

Tangible fixed assets are stated at cost less accumulated depreciation. 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: (1) buildings: 6 to 50 years and (2) 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.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries have applied the depreciation method based on the revised Corporation Tax Act to tangible fixed assets newly booked on or after April 1, 2012 beginning with that interim period. The effect of this application on the consolidated statement of income is immaterial.

f. Intangible Fixed Assets (excluding Lease Assets)

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

g. 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.

h. 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.

i. Allowance for Loan Losses

The Banks provide an allowance for loan losses which is determined based on management's judgment and an assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

The Banks have implemented a self-assessment system to determine the quality of its assets. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Banks' policy and guidelines for the self-assessment of asset quality.

The Banks have established a credit rating system under which customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

The allowance for loan losses is calculated based on actual historical loss ratio for normal and in need of caution categories, with the fair value of the collateral for collateral-dependent loans and other factors of solvency, including future cash flows, for the other self-assessment categories.

The Company and its consolidated non-banking subsidiaries determine the allowance for loan losses by a similar self-assessment system as that of the Banks.

For collateralized or guaranteed claims to borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. The deducted amounts were ¥106,892 million ($1,136,554 thousand) and ¥114,746 million at March 31, 2013 and 2012, respectively.

j. Reserve for Employee Retirement Benefits

A 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.

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

The 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.

The unrecognized net transitional obligation from the initial application of the new accounting standard for employee retirement benefits of ¥28,196 million ($299,805 thousand) is amortized primarily using the straight-line method over 15 years.

k. Reserve for Directors' and Audit & Supervisory Board Members' Retirement Benefits

A reserve for directors' and audit & supervisory board members' retirement benefits is provided for payment of retirement benefits to directors and audit & supervisory board members in the amount deemed accrued at the fiscal year-end, based on the estimated amount of benefits.

(Additional Information)

The Company and the Banks abolished their directors' and audit & supervisory board members' retirement benefits system at the board of directors' meeting on May 11, 2012, and resolved to provide a lump-sum payment of retirement benefits of directors and audit & supervisory board members at the general meeting of shareholders on June 26, 2012. According to these resolutions, the lump-sum payment of retirement benefits of directors and audit & supervisory board members shall be effectuated upon the retirement of each individual director and audit & supervisory board member.

Reserve for directors' and audit & supervisory board members' retirement benefits was ended in June 2012, and the entire remaining amount is included in "reserve for directors' and audit & supervisory board members' retirement benefits."

l. Reserve for Contingent Losses

A reserve for contingent losses 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.

m. Reserve for Reimbursement of Deposits

A 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 historical reimbursement experience.

n. Stock Options

In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. This standard requires companies to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

o. 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.

p. Translation of Foreign Currencies

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

q. Derivatives and Hedging Activities

Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gains (losses) on hedges accounting in a separate component of equity.

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 the hedged items according to their risk management regulations, with the aim of centralizing hedging instruments, and verify the extent to which the exposure of interest rate risks on hedged items is mitigated.

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 these 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, hedge effectiveness is assessed by verifying the agreement of the amounts of the designated hedging instruments corresponding to the hedged foreign currency financial assets and liabilities.

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

r. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at time of issuance) with an applicable adjustment for interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

s. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains or losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or assets (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and due from banks	**¥553,744**	¥326,031	**$5,887,772**
Due from banks except for deposits with the Bank of Japan	**(114,557)**	(99,850)	**(1,218,045)**
Cash and cash equivalents	**¥439,187**	¥226,181	**$4,669,727**

4. Trading Assets and Liabilities

Trading assets and liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Trading Assets	**2013**	2012	**2013**
Trading securities	**¥3,971**	¥3,723	**$42,222**
Trading-related financial derivatives	**3,257**	4,279	**34,636**
Total	**¥7,228**	¥8,002	**$76,858**

	Millions of yen		Thousands of U.S. dollars
Trading Liabilities	**2013**	2012	**2013**
Trading-related financial derivatives	**¥2,052**	¥2,190	**$21,825**
Total	**¥2,052**	¥2,190	**$21,825**

5. Securities

Securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japanese national government bonds	**¥1,463,775**	¥1,435,521	**$ 15,563,801**
Japanese local government bonds	**460,528**	462,450	**4,896,631**
Japanese corporate bonds	**338,492**	347,436	**3,599,069**
Japanese corporate stocks	**145,237**	131,180	**1,544,261**
Other securities	**101,760**	106,895	**1,081,986**
Total	**¥2,509,794**	¥2,483,485	**$ 26,685,748**

In the following description, in addition to "Securities," also presented are beneficiary claims on loan trusts which are classified as "Monetary claims bought" in the consolidated balance sheet.

The carrying amounts and aggregate fair value of securities as of March 31, 2013 and 2012 were as follows:

	Millions of yen			
March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 91,587**	**¥29,650**	**¥6,155**	**¥ 115,082**
Debt securities	**2,085,332**	**47,742**	**997**	**2,132,077**
Other securities	**173,713**	**8,039**	**1,738**	**180,014**
Held-to-maturity	**130,718**	**3,751**	**240**	**134,230**

	Millions of yen			
March 31, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 98,241	¥15,748	¥13,041	¥ 100,948
Debt securities	2,138,961	38,857	730	2,177,088
Other securities	193,949	2,104	3,346	192,707
Held-to-maturity	70,320	1,093	170	71,243

	Thousands of U.S. dollars			
March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 973,818**	**$315,258**	**$65,445**	**$ 1,223,631**
Debt securities	**22,172,590**	**507,631**	**10,607**	**22,669,614**
Other securities	**1,847,031**	**85,484**	**18,486**	**1,914,029**
Held-to-maturity	**1,389,887**	**39,891**	**2,557**	**1,427,221**

Information on available-for-sale securities, which were sold during the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		
March 31, 2013	Proceeds	Realized gains	Realized losses
Equity securities	**¥ 4,509**	**¥ 335**	**¥203**
Debt securities	**676,035**	**9,854**	**528**
Other securities	**2,031**	**94**	**1**
Total	**¥682,576**	**¥10,284**	**¥733**

	Millions of yen		
March 31, 2012	Proceeds	Realized gains	Realized losses
Equity securities	¥ 2,777	¥ 210	¥ 785
Debt securities	1,344,016	5,120	975
Other securities	2,718	169	115
Total	¥1,349,512	¥5,500	¥1,876

	Thousands of U.S. dollars		
March 31, 2013	Proceeds	Realized gains	Realized losses
Equity securities	**$ 47,946**	**$ 3,562**	**$2,168**
Debt securities	**7,188,046**	**104,780**	**5,616**
Other securities	**21,599**	**1,005**	**19**
Total	**$7,257,591**	**$109,347**	**$7,803**

Impairment losses on available-for-sale securities amounted to ¥9,024 million ($95,957 thousand) and ¥4,583 million as of March 31, 2013 and 2012, respectively.

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bills discounted	¥ 61,971	¥ 67,623	$ 658,918
Loans on bills	355,627	393,293	3,781,265
Loans on deeds	6,140,092	5,928,681	65,285,405
Overdrafts	830,243	883,099	8,827,681
Total	¥7,387,934	¥7,272,698	$78,553,269

Loans and bills discounted include loans to borrowers in bankruptcy, past due loans, past due loans (three months or more) and restructured loans. The amounts of these loans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans to borrowers in bankruptcy	¥ 12,049	¥ 9,886	$ 128,121
Past due loans	184,445	179,590	1,961,146
Past due loans (three months or more)	101	706	1,081
Restructured loans	42,310	49,818	449,876
Total	¥238,908	¥240,001	$2,540,224

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Order for Enforcement of the Corporation Tax Act.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy."

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Banks have stopped accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "possible bankruptcy" or "virtual bankruptcy" under the Banks' self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "in need of caution" under the Banks' self-assessment guidelines include past due loans (three months or more) which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Group relaxes lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

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

7. Foreign Exchanges

Foreign exchanges as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets			
Due from foreign banks	¥ 7,379	¥ 6,092	$ 78,460
Foreign exchange bills bought	1,589	2,123	16,903
Foreign exchange bills receivable	1,647	2,474	17,517
Total	¥10,616	¥10,691	$112,880
Liabilities			
Due to foreign banks	¥ 28	¥ 30	$ 299
Foreign exchange bills sold	60	29	645
Foreign exchange bills payable	34	12	372
Total	¥ 123	¥ 72	$ 1,316

8. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Buildings	¥ 34,449	¥ 35,466	$ 366,293
Land	64,443	64,385	685,201
Lease assets	756	903	8,048
Construction in progress	45	464	488
Other tangible fixed assets	6,515	7,100	69,280
Total	¥106,211	¥108,320	$1,129,310

Accumulated depreciation amounted to ¥101,975 million ($1,084,272 thousand) and ¥99,632 million as of March 31, 2013 and 2012, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,886 million ($41,320 thousand) and ¥3,886 million as of March 31, 2013 and 2012, respectively.

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revalued its own land for business operations as of March 31, 1998. The revaluation gain is included in net assets as "Revaluation reserve for land." The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥23,364 million ($248,421 thousand) and ¥23,281 million as of March 31, 2013 and 2012, respectively.

9. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Software	¥12,877	¥15,878	$ 136,920
Goodwill	24,000	26,103	255,193
Lease assets	462	644	4,919
Other intangible fixed assets	758	760	8,060
Total	¥38,098	¥43,386	$ 405,092

10. Customers' Liabilities for Acceptances and Guarantees

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

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥101,131 million ($1,075,297 thousand) and ¥94,327 million as of March 31, 2013 and 2012, respectively.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets pledged as collateral:			
Securities	¥390,030	¥444,777	$ 4,147,058
Loans and bills discounted	314,064	311,147	3,339,337
Relevant liabilities to above assets:			
Deposits	¥ 27,139	¥ 26,709	$ 288,569
Call money and bills sold	30,000	60,000	318,979
Borrowed money	145,703	67,840	1,549,217

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, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Securities	¥157,563	¥187,744	$ 1,675,314
Other assets	210	210	2,237

Other assets included guarantee deposits of ¥3,900 million ($41,473 thousand) and ¥3,937 million as of March 31, 2013 and 2012, respectively.

12. Loan Commitments

Overdraft facility and loan commitment contracts with customers to lend up to prescribed limits response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totals ¥2,260,093 million ($24,030,763 thousand) and ¥2,318,844 million as of March 31, 2013 and 2012, respectively, of which amounts with original agreement terms of less than one year are ¥2,221,859 million ($23,624,236 thousand) and ¥2,288,023 million as of March 31, 2013 and 2012, respectively.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Group to refuse customers' applications for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Group obtains collateral including real estate, securities, etc., if considered to be necessary. Subsequently, the Group performs a periodic review of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

13. Deposits

Deposits as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current deposits, ordinary deposits, saving deposits and deposits at notice	¥5,237,507	¥4,946,290	$ 55,688,548
Time deposits and installment savings	4,455,603	4,505,638	47,374,843
Negotiable certificates of deposits	164,667	102,685	1,750,856
Other deposits	125,084	115,647	1,329,983
Total	¥9,982,864	¥9,670,262	$106,144,230

14. Borrowed Money

As of March 31, 2013 and 2012, the weighted-average annual interest rates applicable to borrowed money were 0.85% and 1.22%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money includes ¥105,500 million ($1,121,744 thousand) and ¥118,000 million of subordinated borrowed money as of March 31, 2013 and 2012, respectively.

Annual maturities of borrowed money as of March 31, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥146,408	$1,556,709
2015	375	3,987
2016	138	1,472
2017	75	797
2018	55	585
2019 and thereafter	105,500	1,121,744
Total	¥252,551	$2,685,294

15. Bonds Payable

Bonds payable as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Issued by the Company:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due January 2021, 1.27% interest	**¥10,000**	¥10,000	**$106,326**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due December 2021, 1.50% interest	**8,000**	8,000	**85,061**
Issued by Hokkaido Bank, Ltd.:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due September 2019, 2.18% interest	**15,000**	15,000	**159,490**
Issued by: Hokuriku International Cayman Ltd.:			
Unsecured floating perpetual subordinated bonds, payable in Japanese yen, 1.93586% interest	**—**	1,500	—
Total	**¥33,000**	¥34,500	$350,877

Annual maturities of bonds payable as of March 31, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2019 and thereafter	¥33,000	$ 350,877

16. Retirement Benefits

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

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

The Hokkaido Bank, Ltd. provides defined benefit arrangements that combine a retirement lump sum grant and an employee 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 employee 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
	2013	2012	**2013**
Projected benefit obligations	**¥(90,289)**	¥(90,981)	**$(960,021)**
Plan assets at fair value	**66,326**	59,711	**705,225**
Projected benefit obligations in excess of plan assets	**(23,963)**	(31,269)	**(254,796)**
Unrecognized net transitional obligation	**3,633**	5,573	**38,635**
Unrecognized net actuarial loss	**16,419**	24,554	**174,586**
Unrecognized prior service costs	**(280)**	(744)	**(2,984)**
Net projected benefit obligations recognized on the consolidated balance sheet	**(4,190)**	(1,886)	**(44,559)**
Prepaid pension costs	**5,638**	7,324	**59,956**
Reserve for employee retirement benefits	**¥(9,829)**	¥(9,211)	**$(104,515)**

(c) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs	**¥1,987**	¥1,862	**$21,129**
Interest costs on projected benefit obligations	**1,801**	1,961	**19,150**
Expected return on plan assets	**(1,986)**	(1,923)	**(21,121)**
Amortization of prior service costs	**(463)**	(463)	**(4,934)**
Amortization of net actuarial loss	**3,217**	2,215	**34,207**
Amortization of net transitional obligation	**1,939**	1,939	**20,626**
Other (additional payments, including premium retirement benefits)	**492**	444	**5,235**
Net periodic retirement benefit expenses	**¥6,987**	¥6,038	**$74,292**

(d) Assumptions for calculation of projected benefit obligations

	2013	2012
Discount rate	**2.0%**	2.0%
Expected rate of return on pension assets	**3.5%**	3.5% – 4.0%
Method of benefit attribution	**Straight-line method**	Straight-line method
Amortization period of prior service costs	**8 years**	8 years
Amortization period of actuarial gain/loss	**8 or 9 years**	8 or 9 years
Amortization period of net transitional obligation	**Mainly 15 years**	Mainly 15 years

17. Equity

Japanese banks are 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 an Audit & Supervisory Board 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 a certain limitation 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 are 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.

18. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2013 and 2012 are as follows:

	2013	2012
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	**1,351,630,146**	1,391,630,146
Preferred (Type 5)	**107,432,000**	107,432,000
Treasury stock:		
Common	**12,266,448**	2,230,039
Preferred (Type 5)	**710**	710

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 the 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 at ¥15.00.

19. Stock Options

The stock option plans grant options to the Company's directors and the Banks' directors and executive officers to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

Stock option expenses in the amount of ¥107 million ($1,143 thousand) were recorded under general and administrative expenses for the year ended March 31, 2013.

The stock options outstanding as of March 31, 2013 were as follows:

Stock option	Persons granted	Number of options granted (Shares)	Date of grant	Exercise price	Exercise period
2012 Stock Option	19 directors 23 executive officers	1,058,500	November 28, 2012	¥1	From November 29, 2012 to November 28, 2042

The stock option activity was as follows:

Year ended March 31, 2013	2012 stock option (Shares)
Non-vested:	
March 31, 2012–outstanding	—
Granted	1,058,500
Canceled	—
Vested	1,058,500
March 31, 2013–outstanding	—
Vested	
March 31, 2012–outstanding	—
Vested	1,058,500
Exercised	—
Canceled	63,100
March 31, 2013–outstanding	995,400
Exercise price	¥1
	$ 0.01
Average stock price at exercise	—
	—
Fair value price at grant date	¥108
	$1.15

The Assumptions Used to Measure the Fair Value of the 2012 Stock Options

Estimate method	Black-Scholes option-pricing model
Volatility of stock price	30.896%
Estimated remaining outstanding period	One year and one month
Estimate dividend	¥3.75 per share
Interest rate with risk free	0.095%

20. Per Share Information

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended March 31, 2013	Net income	Weighted-average shares	EPS	
Basic EPS – Net income available to common stockholders	**¥16,493**	**1,352,326**	**¥12.19**	**$ 0.13**
Effect of dilutive securities		**354**		
Diluted EPS – Net income for computation	**¥16,493**	**1,352,680**	**¥12.19**	**$ 0.13**

	Millions of yen	Thousands of shares	Yen
Year ended March 31, 2012	Net income	Weighted-average shares	EPS
Basic EPS – Net income available to common stockholders	¥12,518	1,389,416	¥9.00

21. Other Ordinary Income

Other ordinary income for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gain on foreign exchange transactions – net	**¥ 1,391**	¥ 1,590	**$ 14,798**
Gains on sales and redemption of bonds and other securities	**9,998**	5,290	**106,305**
Gains on derivatives	**1,086**	4,159	**11,550**
Lease receipts	**7,016**	7,643	**74,607**
Other	**4,011**	4,509	**42,649**
Total	**¥23,503**	¥23,193	**$249,909**

22. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 945**	¥ 1,711	**$ 10,055**
Lease costs	**6,070**	6,566	**64,541**
Other	**2,527**	2,848	**26,875**
Total	**¥9,543**	¥11,126	**$101,471**

23. Other Expenses

Other expenses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on write-offs of loans and bills discounted	**¥ 659**	¥ 797	**$ 7,008**
Losses on sales of stocks	**205**	785	**2,187**
Losses on impairments of stocks and other securities	**8,824**	4,685	**93,832**
Losses on sales of loans	**725**	692	**7,711**
Losses on impairments and disposals of fixed assets	**570**	1,459	**6,065**
Losses on contribution of securities to retirement benefit trust	**—**	1,195	**—**
Other	**2,856**	3,137	**30,372**
Total	**¥13,841**	¥12,752	**$147,175**

24. 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 37.75% and 40.43% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for loan losses	¥50,842	¥ 57,421	$ 540,586
Depreciation	1,320	1,405	14,042
Reserve for employee retirement benefits	14,419	15,940	153,316
Loss on valuation of securities	14,939	13,647	158,846
Other	5,513	5,392	58,618
Operating loss carryforwards	10,583	11,772	112,529
Subtotal	97,618	105,579	1,037,937
Less: Valuation allowance	36,501	39,715	388,102
Total deferred tax assets	61,117	65,863	649,835
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	26,795	¥ 12,686	284,912
Book-value correction for securities	4,651	4,694	49,460
Land transfer through merger	3,212	3,212	34,159
Other	2,315	3,602	24,620
Total deferred tax liabilities	36,975	24,196	393,151
Net deferred tax assets	¥24,141	¥ 41,667	$ 256,684

25. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Amount incurred during the fiscal year	¥37,235	¥19,618	$395,908
Reclassification adjustment	(285)	2,661	(3,039)
Prior to deducting tax effect	36,949	22,279	392,869
Tax effect	(11,207)	(6,770)	(119,170)
Total	25,741	15,509	273,699
Deferred gains (losses) on hedges:			
Amount incurred during the fiscal year	(668)	(601)	(7,112)
Reclassification adjustment	226	572	2,405
Prior to deducting tax effect	(442)	(29)	(4,707)
Tax effect	156	11	1,659
Total	(286)	(18)	(3,048)
Revaluation reserve for land:			
Amount incurred during the fiscal year	—	(718)	—
Reclassification adjustment	—	—	—
Prior to deducting tax effect	—	(718)	—
Tax effect	—	1,387	—
Total	—	668	—
Share of other comprehensive income of associates accounted for using equity method:			
Amount incurred during the fiscal year	23	(22)	246
Reclassification adjustment	(11)	(12)	(118)
Prior to deducting tax effect	12	(34)	128
Tax effect	(5)	13	(60)
Total	6	(21)	68
Total other comprehensive income	¥25,461	¥16,138	$270,719

26. Leases

(1) Finance lease transactions

(Lessee)

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

(2) Operating lease transactions

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 2	¥108	$ 27
Over one year	7	10	82
Total	¥10	¥118	$109

27. 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 by 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 primary of securities and loans to domestic customers. Loans are subject to credit risks that 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 mitigate 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 as well as the various needs of the Banks' customers. These derivatives are exposed to the following risks among others: interest-rate risk, the risk of exchange rate fluctuations, price volatility risk, and credit risk.

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

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

(3) Risk management for financial instruments

The Banks have established risk management departments and have stipulated basic 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 revised or supervised by the Company to ensure conformance to the Group's policies and the results of the 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 and credit risk quantification procedures 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 their 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 derivative transactions, credit information and the state of transactions are regularly monitored and managed by 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 monitor the interest rates and time-frames involved in the Banks' financial assets and liabilities and monitor interest risk levels through methods such as gap analysis and sensitivity analysis of interest rates, 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 an 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

Regarding investments 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 security held. The staff members of the responsible departments provide regular reports to the Banks' Board of Directors and Management Committees so to confirm that price risk is controllable and all rules pertaining to market risk management are being followed correctly.

Derivatives

The Banks arrange their organizational structures securing the separation and internal check-and-balance mechanisms 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 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 derivative transactions held in the 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).

  The market risk amounts (VaR) of the trading business of Hokuriku Bank were ¥80 million ($851 thousand) and ¥63 million as of March 31, 2013 and 2012, respectively.

  Hokkaido Bank has no financial instruments in the trading accounts.

- Financial instruments in the banking account

  In the Banks, the main financial instruments 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 derivative transactions. The main financial instruments affected by market value are listed stocks and investment trust. The Banks use VaR for integrated management of 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 a 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. Hokkaido Bank also considers the correlation between interest rates and the fluctuation of prices of the listed stocks in calculating VaR of specified fund trust as investment securities.

  Hokuriku Bank's VaR of the financial instruments in the banking account were ¥66,928 million ($711,621 thousand) and ¥23,969 million as of March 31, 2013 and 2012, respectively. Hokkaido Bank's VaR of the financial instruments in the banking account were ¥48,366 million ($514,258 thousand) and ¥12,181 million as of March 31, 2013 and 2012, respectively. Hokkaido Bank's trading account securities totaled ¥19 million ($202 thousand) and ¥9 million as of March 31, 2013 and 2012, respectively. Hokkaido Bank's specified fund trust totaled ¥5 million ($53 thousand) and ¥9 million as of March 31, 2013 and 2012, respectively.

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

  VaR shows the maximum loss during the holding period of the financial instruments under the confidence interval (99%) that 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%.

  Hokuriku Bank's 100BPV was a ¥24,241 million increase ($257,746 thousand increase) and a ¥33,423 million decrease as of March 31, 2013 and 2012, respectively. Hokkaido Bank's 100BPV was a ¥19,832 million increase ($210,867 thousand increase) and a ¥19,560 million decrease as of March 31, 2013 and 2012, respectively.

  For calculating 100BPV, the correlations between interest rates 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 the case of a drastic change in interest rates beyond reasonable prior expectations occur.

(c) Liquidity Risk Management

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

We have in place mechanisms for periodically assessing and managing liquidity risk through ALM committees, to prepare for every possible scenario.

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

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

(5) Fair values of financial instruments

The fair value of the main financial instruments at March 31, 2013 and 2012 are as follows. These amounts do not include unlisted stocks whose fair values are extremely difficult to determine (see (b) Financial instruments whose fair values are deemed to be extremely difficult to determine).

(a) Fair value of financial instruments

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**¥ 553,744**	**¥ 553,741**	**¥ (3)**
Call loans and bills bought	**135,426**	**135,426**	**—**
Monetary claims bought (*1)	**78,259**	**78,259**	**—**
Securities			
Bonds classified as held-to-maturity	**130,718**	**134,230**	**3,511**
Available-for-sale securities	**2,348,917**	**2,348,917**	**—**
Loans and bills discounted	**7,387,934**		
Allowance for loan losses (*1)	**(70,201)**		
	7,317,733	**7,404,733**	**87,000**
Total assets	**¥10,564,800**	**¥10,655,309**	**¥90,508**
Deposits	**¥ 9,818,196**	**¥ 9,820,010**	**¥ 1,813**
Negotiable certificates of deposits	**164,667**	**164,698**	**30**
Borrowed money	**252,551**	**253,632**	**1,080**
Total liabilities	**¥10,235,416**	**¥10,238,341**	**¥ 2,924**
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	**¥ 4,879**	**¥ 4,879**	**¥ —**
Derivative transactions qualifying for hedge accounting	**(968)**	**(968)**	**(*3) —**
Total derivative transactions	**¥ 3,911**	**¥ 3,911**	**¥ —**

	Millions of yen		
March 31, 2012	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 326,031	¥ 326,031	¥ —
Call loans and bills bought	67,397	67,397	—
Monetary claims bought (*1)	87,824	87,824	—
Securities			
Bonds classified as held-to-maturity	70,320	71,243	922
Available-for-sale securities	2,382,929	2,382,929	—
Loans and bills discounted	7,272,698		
Allowance for loan losses (*1)	(73,847)		
	7,198,851	7,282,405	83,553
Total assets	¥10,133,355	¥10,217,831	¥84,476
Deposits	¥ 9,567,576	¥ 9,571,026	¥ 3,450
Negotiable certificates of deposits	102,685	102,728	42
Borrowed money	187,286	188,163	876
Total liabilities	¥ 9,857,549	¥ 9,861,919	¥ 4,369
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	¥ 7,304	¥ 7,304	¥ —
Derivative transactions qualifying for hedge accounting	(3,990)	(3,990)	(*3) —
Total derivative transactions	¥ 3,314	¥ 3,314	¥ —

	Thousands of U.S. dollars		
March 31, 2013	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**$ 5,887,771**	**$ 5,887,736**	**$ (35)**
Call loans and bills bought	**1,439,947**	**1,439,947**	**—**
Monetary claims bought (*1)	**832,102**	**832,102**	**—**
Securities			
Bonds classified as held-to-maturity	**1,389,887**	**1,427,221**	**37,334**
Available-for-sale securities	**24,975,200**	**24,975,200**	**—**
Loans and bills discounted	**78,553,269**		
Allowance for loan losses (*1)	**(746,429)**		
	77,806,840	**78,731,883**	**925,043**
Total assets	**$112,331,747**	**$113,294,089**	**$962,342**
Deposits	**$104,393,374**	**$104,412,659**	**$ 19,285**
Negotiable certificates of deposits	**1,750,856**	**1,751,178**	**322**
Borrowed money	**2,685,294**	**2,696,780**	**11,486**
Total liabilities	**$108,829,524**	**$108,860,617**	**$ 31,093**
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	**$ 51,887**	**$ 51,887**	**$ —**
Derivative transactions qualifying for hedge accounting	**(10,293)**	**(10,293)**	**(*3) —**
Total derivative transactions	**$ 41,594**	**$ 41,594**	**$ —**

*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 fair values of due from banks with no maturity are considered to be equal to the book value since the fair values of these items approximate their book values. The fair values of due from banks with maturity are calculated using the total cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This calculation is performed separately for each maturity length. In the event that the terms of due from banks are one year or less, the book values are regarded as approximate to the fair values and are therefore treated as such.

Call loans and bills bought

The fair values of call loans and bills bought are considered to be equal to the book value since the contractual terms are one year or less and fair values of these items approximate their book 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 counterparty financial institutions. The fair values of small-lot monetary claims resulting from asset liquidations are 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 market or other officially announced prices. 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 the bonds are considered.

As of March 31, 2012, 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 Standards Board of Japan). In this way, compared with the consolidated balance sheet amounts based on market prices, the values have been increased for the reporting term by ¥2,429 million for securities and by ¥1,570 million for valuation difference on available-for-sale securities, and the values have decreased by ¥858 million 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 bonds.

For more detailed information regarding the different types of securities classified according to holding purpose, see "5. Securities."

Loans and bills discounted

As loans with variable interest rates reflect short-term market interest rates, the fair value will approximate the book value unless the creditworthiness of the borrower changes subsequent to the grading 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 into 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 of 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 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 reflect market interest rates and because the credit standing of the Company and its consolidated subsidiaries have 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 currently applied to other loans of the same duration and terms. For loans whose repayment period is one year or less, the book value is regarded as being approximate to the fair value and is therefore treated as such.

Derivative transactions

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

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

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

Consolidated balance sheet amounts	Millions of yen		Thousands of U.S. dollars
March 31	**2013**	2012	**2013**
Monetary claims bought (subordinated beneficiary rights in securitization of mortgage loans) (*1)	**¥ 8,604**	¥24,962	**$ 91,486**
Unlisted stocks (*1) (*2)	**30,157**	30,234	**320,657**
Unlisted foreign securities (*1)	**0**	0	**4**
Total	**¥38,762**	¥55,197	**$412,147**

*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 ¥217 million ($2,313 thousand) and ¥149 million as of March 31, 2013 and 2012, respectively.

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

	Millions of yen				
March 31, 2013	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	**¥ 430,591**	**¥ 4,000**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**135,426**	**—**	**—**	**—**	**—**
Monetary claims bought	**1,997**	**—**	**—**	**400**	**75,351**
Securities	**179,321**	**495,583**	**549,225**	**457,197**	**604,245**
Bonds classified as held-to-maturity	**9,463**	**28,625**	**24,777**	**4,151**	**63,875**
Japanese government bonds	**3,010**	**8,520**	**2,500**	**—**	**63,520**
Japanese corporate bonds	**6,453**	**20,105**	**22,277**	**4,151**	**355**
Other	**—**	**—**	**—**	**—**	**—**
Available-for-sale securities with maturities	**169,858**	**466,958**	**524,448**	**453,046**	**540,370**
Japanese government bonds	**42,100**	**190,800**	**369,900**	**328,900**	**415,600**
Japanese local government bonds	**58,218**	**162,380**	**80,971**	**102,402**	**44,120**
Japanese corporate bonds	**54,784**	**89,191**	**52,009**	**17,613**	**67,130**
Other	**14,755**	**24,586**	**21,567**	**4,129**	**13,519**
Loans and bills discounted	**2,213,331**	**1,483,240**	**1,056,814**	**568,593**	**1,833,849**
Total	**¥2,960,668**	**¥1,982,824**	**¥1,606,039**	**¥1,026,190**	**¥2,513,446**

	Millions of yen				
March 31, 2012	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	¥ 208,747	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	67,397	—	—	—	—
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	¥2,834,369	¥1,815,127	¥1,585,114	¥817,236	¥2,644,408

March 31, 2013	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Due from banks	$ 4,578,323	$ 42,530	$ —	$ —	$ —
Call loans and bills bought	1,439,947	—	—	—	—
Monetary claims bought	21,243	—	—	4,253	801,181
Securities	1,906,658	5,269,365	5,839,720	4,861,215	6,424,729
Bonds classified as held-to-maturity	100,617	304,359	263,445	44,136	679,160
Japanese government bonds	32,004	90,590	26,582	—	675,385
Japanese corporate bonds	68,613	213,769	236,863	44,136	3,775
Other	—	—	—	—	—
Available-for-sale securities with maturities	1,806,041	4,965,006	5,576,275	4,817,079	5,745,569
Japanese government bonds	447,634	2,028,708	3,933,014	3,497,079	4,418,926
Japanese local government bonds	619,015	1,726,539	860,943	1,088,814	469,113
Japanese corporate bonds	582,503	948,340	552,997	187,275	713,777
Other	156,889	261,419	229,321	43,911	143,753
Loans and bills discounted	23,533,563	15,770,766	11,236,727	6,045,647	19,498,670
Total	$31,479,734	$21,082,661	$17,076,447	$10,911,115	$26,724,580

Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥196,495 million ($2,089,267 thousand) and ¥189,476 million as of March 31, 2013 and 2012, respectively, and loans with no contractual maturities amounted to ¥35,610 million ($378,629 thousand) and ¥38,952 million as of March 31, 2013 and 2012, respectively. They are not included in the table above.

(7) Maturity analysis for financial liabilities with contractual maturities

March 31, 2013	Millions of yen Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥8,308,886	¥1,173,522	¥329,555	¥ 2,076	¥ 4,154
Negotiable certificates of deposits	164,227	440	—	—	—
Borrowed money	146,408	513	130	50,000	55,500
Total	¥8,619,523	¥1,174,476	¥329,685	¥52,076	¥59,654

March 31, 2012	Millions of yen Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥8,065,385	¥1,123,446	¥373,746	¥ 1,868	¥ 3,129
Negotiable certificates of deposits	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, 2013	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	$88,345,422	$12,477,647	$3,504,051	$ 22,079	$ 44,175
Negotiable certificates of deposits	1,746,178	4,678	—	—	—
Borrowed money	1,556,709	5,459	1,382	531,632	590,112
Total	$91,648,309	$12,487,784	$3,505,433	$ 553,711	$634,287

Deposits

Demand deposits are included in the "Due in 1 year or less."

28. Derivatives

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

• Interest Rate-Related Transactions

	Millions of yen			
March 31, 2013	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	**¥610,524**	**¥559,504**	**¥11,887**	**¥11,887**
Receive/floating and pay/fixed	**614,867**	**562,325**	**(6,969)**	**(6,969)**
Options/sell	**333,845**	**266,332**	**(3,868)**	**(1,221)**
Options/buy	**339,287**	**266,982**	**3,869**	**3,869**
Others/sell	**4,088**	**2,359**	**(1)**	**189**
Others/buy	**462**	**22**	**0**	**(13)**
Total	**/**	**/**	**¥ 4,918**	**¥ 7,742**

	Millions of yen			
March 31, 2012	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥774,917	¥674,744	¥10,787	¥10,787
Receive/floating and pay/fixed	772,456	673,312	(3,950)	(3,950)
Options/sell	393,154	229,710	(2,542)	764
Options/buy	396,905	230,175	2,543	2,543
Others/sell	7,578	4,789	(3)	319
Others/buy	2,612	552	0	(46)
Total	/	/	¥ 6,834	¥10,418

	Thousands of U.S. dollars			
March 31, 2013	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	**$6,491,484**	**$5,949,010**	**$126,400**	**$126,400**
Receive/floating and pay/fixed	**6,537,664**	**5,979,006**	**(74,100)**	**(74,100)**
Options/sell	**3,549,660**	**2,831,813**	**(41,128)**	**(12,989)**
Options/buy	**3,607,527**	**2,838,729**	**41,143**	**41,143**
Others/sell	**43,471**	**25,086**	**(16)**	**2,017**
Others/buy	**4,918**	**239**	**1**	**(146)**
Total	**/**	**/**	**$ 52,300**	**$ 82,325**

• Foreign Exchange-Related Transactions

	Millions of yen			
March 31, 2013	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps	**¥ 15,742**	**¥ 4,984**	**¥ 21**	**¥ 21**
Forward contracts/sell	**28,148**	**141**	**(827)**	**(827)**
Forward contracts/buy	**19,677**	**—**	**690**	**690**
Options/sell	**300,094**	**222,524**	**(12,143)**	**21,787**
Options/buy	**300,094**	**222,524**	**12,142**	**(17,436)**
Total	**/**	**/**	**¥ (116)**	**¥ 4,235**

March 31, 2012	Millions of yen Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps	¥ 30,946	¥ 14,712	¥ 45	¥ 45
Forward contracts/sell	13,961	—	215	215
Forward contracts/buy	13,851	—	96	96
Options/sell	353,635	258,725	(34,366)	8,440
Options/buy	353,635	258,725	34,366	(1,587)
Total	/	/	¥ 356	¥7,210

March 31, 2013	Thousands of U.S. dollars Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps	**$ 167,385**	**$ 52,996**	**$ 228**	**$ 228**
Forward contracts/sell	**299,294**	**1,500**	**(8,798)**	**(8,798)**
Forward contracts/buy	**209,228**	**—**	**7,338**	**7,338**
Options/sell	**3,190,798**	**2,366,024**	**(129,113)**	**231,657**
Options/buy	**3,190,798**	**2,366,024**	**129,109**	**(185,392)**
Total	**/**	**/**	**$ (1,236)**	**$ 45,033**

• Commodity Related Transactions

March 31, 2013	Millions of yen Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	**¥1,407**	**¥1,407**	**¥ (88)**	**¥ (88)**
Receive/floating and pay/fixed	**1,407**	**1,407**	**166**	**166**
Total	**/**	**/**	**¥ 77**	**¥ 77**

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

March 31, 2013	Thousands of U.S. dollars Contract amount	Contract amount due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	**$ 14,966**	**$ 14,966**	**$ (946)**	**$ (946)**
Receive/floating and pay/fixed	**14,966**	**14,966**	**1,769**	**1,769**
Total	**/**	**/**	**$ 823**	**$ 823**

(2) Derivative transactions to which hedge accounting is applied

• Interest Rate-Related Transactions

March 31, 2013			Millions of yen		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Accounting method employed in principle	Swaps Receive/floating and pay/fixed	Yen-based bond	**¥50,000**	**¥50,000**	**¥(525)**
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	**24,522**	**24,522**	**(Note)**
Total			**/**	**/**	**¥(525)**

March 31, 2012			Millions of yen		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	¥34,012	¥33,012	(Note)
Total			/	/	—

March 31, 2013			Thousands of U.S. dollars		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Accounting method employed in principle	Swaps Receive/floating and pay/fixed	Yen-based bond	**$531,632**	**$531,632**	**$(5,591)**
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	**260,735**	**260,735**	**(Note)**
Total			**/**	**/**	**$(5,591)**

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

• Foreign Exchange-Related Transactions

March 31, 2013			Millions of yen		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Accounting method employed in principle	Swaps	Foreign loans	**¥ 534**	**¥534**	**¥(126)**
	Forward contracts	Call loans and due from banks (foreign currencies)	**58,275**	**—**	**(315)**
Total			**/**	**/**	**¥(442)**

March 31, 2012			Millions of yen		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Accounting method employed in principle	Forward contracts	Call loans and due from banks (foreign currencies)	¥62,283	¥—	¥(3,990)
Total			/	/	¥(3,990)

March 31, 2013			Thousands of U.S. dollars		
Hedge accounting method	Type	Hedged item	Contract amount	Contract amount due after 1 year	Fair value
Accounting method employed in principle	Swaps	Foreign loans	**$ 5,682**	**$5,682**	**$(1,346)**
	Forward contracts	Call loans and due from banks (foreign currencies)	**619,618**	**—**	**(3,356)**
Total			**/**	**/**	**$(4,702)**

29. 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.

(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 its core business and other financial services under the control of the Company.

The Company recognized each of its 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 other 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 net income. Ordinary income from intersegment transactions is based on transaction prices determined in the same manner as ordinary income from outside customers.

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

Segment results for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen						
	2013						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	¥ 101,908	¥ 81,227	¥ 183,135	¥16,037	¥ 199,173	¥ (36)	¥ 199,136
Ordinary income from intersegment transactions	1,177	382	1,560	5,654	7,215	(7,215)	—
Total	103,086	81,609	184,696	21,691	206,388	(7,251)	199,136
Segment profit	12,315	7,270	19,586	1,108	20,695	(2,590)	18,105
Segment assets	6,276,045	4,647,435	10,923,481	76,746	11,000,228	(20,997)	10,979,231
Segment liabilities	¥6,007,408	¥4,472,758	¥10,480,167	¥65,380	¥10,545,547	¥(47,866)	¥10,497,680
Others							
Depreciation	¥ 4,494	¥ 4,078	¥ 8,573	¥ 331	¥ 8,904	¥ 185	¥ 9,090
Amortization of goodwill	—	—	—	—	—	2,113	2,113
Unamortized balance of goodwill	—	—	—	—	—	24,000	24,000
Increase in tangible fixed assets and intangible fixed assets	¥ 3,020	¥ 1,218	¥ 4,239	¥ 99	¥ 4,338	¥ 1	¥ 4,340

	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

	Thousands of U.S. dollars						
	2013						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers	$ 1,083,561	$ 863,658	$ 1,947,219	$170,517	$ 2,117,736	$ (385)	$ 2,117,351
Ordinary income from intersegment transactions	12,525	4,071	16,596	60,121	76,717	(76,717)	—
Total	1,096,086	867,729	1,963,815	230,638	2,194,453	(77,102)	2,117,351
Segment profit	130,946	77,309	208,255	11,791	220,046	(27,539)	192,507
Segment assets	66,730,952	49,414,519	116,145,471	816,023	116,961,494	(223,256)	116,738,238
Segment liabilities	$63,874,625	$47,557,242	$111,431,867	$695,169	$112,127,036	$(508,950)	$111,618,086
Others							
Depreciation	$ 47,790	$ 43,366	$ 91,156	$ 3,527	$ 94,683	$ 1,972	$ 96,655
Amortization of goodwill	—	—	—	—	—	22,471	22,471
Unamortized balance of goodwill	—	—	—	—	—	255,193	255,193
Increase in tangible fixed assets and intangible fixed assets	$ 32,118	$ 12,958	$ 45,076	$ 1,058	$ 46,134	$ 21	$ 46,155

(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.

30. Subsequent Event

(1) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2013 were approved at the Company's general stockholders' meeting held on June 21, 2013:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥3.75 ($0.04) per share on common stock	¥5,023	$53,410
Cash dividends, ¥7.50 ($0.08) per share on preferred stock (Type 5)	805	8,567

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan
Tel:+81(3)3457 7321
Fax:+81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S 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 its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, 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 accordance 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 misstatement, 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Toche Tohmatsu LLC

June 17, 2013

Member of
Deloitte Touche Tohmatsu Limited

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
March 31	**2013**	2012	**2013**
Assets			
Cash and due from banks	**¥ 394,219**	¥ 224,048	**$ 4,191,594**
Call loans and bills bought	**45,426**	5,753	**483,009**
Monetary claims bought	**86,860**	112,777	**923,560**
Trading assets	**4,499**	5,659	**47,845**
Securities	**1,269,622**	1,315,428	**13,499,440**
Loans and bills discounted	**4,332,774**	4,233,960	**46,068,842**
Foreign exchanges	**5,594**	6,415	**59,487**
Other assets	**31,571**	46,278	**335,686**
Tangible fixed assets	**81,257**	81,817	**863,979**
Intangible fixed assets	**7,345**	8,768	**78,102**
Deferred tax assets	**11,485**	24,340	**122,122**
Customers' liabilities for acceptances and guarantees	**38,481**	40,987	**409,160**
Allowance for loan losses	**(33,093)**	(38,878)	**(351,875)**
Total assets	**¥6,276,045**	¥6,067,357	**$66,730,951**
Liabilities and equity			
Liabilities			
Deposits	**¥5,726,249**	¥5,545,102	**$60,885,167**
Call money and bills sold	**38,464**	64,109	**408,979**
Trading liabilities	**2,052**	2,190	**21,825**
Borrowed money	**165,061**	119,236	**1,755,044**
Foreign exchanges	**62**	31	**666**
Other liabilities	**26,102**	40,620	**277,544**
Reserve for employee retirement benefits	**113**	143	**1,206**
Reserve for directors' and audit & supervisory board members' retirement benefits	**294**	304	**3,135**
Reserve for contingent losses	**2,169**	2,294	**23,064**
Reserve for reimbursement of deposits	**848**	803	**9,017**
Deferred tax liabilities for land revaluation	**7,506**	7,513	**79,817**
Acceptances and guarantees	**38,481**	40,987	**409,160**
Total liabilities	**6,007,408**	5,823,337	**63,874,624**
Equity			
Capital stock	**140,409**	140,409	**1,492,924**
Capital surplus	**14,998**	14,998	**159,478**
Retained earnings	**64,632**	58,277	**687,215**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	**39,557**	20,997	**420,601**
Deferred gains (losses) on hedges	**(301)**	(15)	**(3,208)**
Revaluation reserve for land	**9,340**	9,351	**99,317**
Total equity	**268,637**	244,019	**2,856,327**
Total liabilities and equity	**¥6,276,045**	¥6,067,357	**$66,730,951**

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Income			
Interest income:			
Interest on loans and discounts	**¥ 61,739**	¥ 65,662	**$ 656,456**
Interest and dividends on securities	**13,318**	14,349	**141,613**
Interest on deposits with other banks	**298**	855	**3,177**
Other interest income	**860**	1,234	**9,148**
Fees and commissions	**17,712**	18,758	**188,335**
Trading income	**152**	516	**1,621**
Other ordinary income	**7,452**	2,920	**79,237**
Other income	**1,551**	1,162	**16,499**
Total income	**103,086**	105,460	**1,096,086**
Expenses			
Interest expenses:			
Interest on deposits	**4,315**	5,923	**45,885**
Interest on borrowings and rediscounts	**1,563**	1,919	**16,624**
Other interest expenses	**345**	668	**3,671**
Fees and commissions	**7,089**	7,069	**75,376**
Other ordinary expenses	**407**	—	**4,332**
General and administrative expenses	**54,143**	55,908	**575,692**
Provision of allowance for loan losses	**8,487**	3,274	**90,247**
Other expenses	**8,803**	5,680	**93,608**
Total expenses	**85,156**	80,443	**905,435**
Income before income taxes	**17,930**	25,017	**190,651**
Income taxes:			
Current	**270**	45	**2,880**
Deferred	**5,344**	13,563	**56,825**
Net income	**¥ 12,315**	¥ 11,407	**$ 130,946**

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Assets			
Cash and due from banks	¥ 158,344	¥ 101,656	$ 1,683,616
Call loans and bills bought	90,000	61,643	956,938
Trading account securities	2,728	2,342	29,012
Money held in trust	4,000	3,948	42,531
Securities	1,228,276	1,156,403	13,059,829
Loans and bills discounted	3,069,307	3,053,067	32,634,849
Foreign exchanges	5,021	4,276	53,393
Other assets	40,519	57,950	430,824
Tangible fixed assets	29,900	31,187	317,924
Intangible fixed assets	6,497	8,200	69,091
Deferred tax assets	13,836	18,236	147,120
Customers' liabilities for acceptances and guarantees	26,533	26,110	282,125
Allowance for loan losses	(27,531)	(26,615)	(292,733)
Total assets	¥4,647,435	¥4,498,409	$49,414,519
Liabilities and equity			
Liabilities			
Deposits	¥4,281,922	¥4,155,748	$45,528,147
Call money and bills sold	1,881	164	20,000
Borrowed money	104,180	86,130	1,107,709
Foreign exchanges	61	41	650
Bonds payable	15,000	15,000	159,490
Other liabilities	32,414	42,984	344,651
Reserve for employee retirement benefits	9,317	8,692	99,068
Reserve for directors' and audit & supervisory board members' retirement benefits	176	169	1,872
Reserve for contingent losses	864	680	9,191
Reserve for reimbursement of deposits	408	599	4,339
Acceptances and guarantees	26,533	26,110	282,125
Total liabilities	4,472,758	4,336,320	47,557,242
Equity			
Capital stock	93,524	93,524	994,408
Capital surplus	16,795	16,795	178,576
Retained earnings	47,000	41,341	499,744
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	17,356	10,427	184,549
Total equity	174,676	162,088	1,857,277
Total liabilities and equity	¥4,647,435	¥4,498,409	$49,414,519

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Income			
Interest income:			
Interest on loans and discounts	**¥50,602**	¥51,985	**$538,044**
Interest and dividends on securities	**8,146**	10,699	**86,622**
Interest on receivables under resale agreements	**2**	17	**26**
Interest on deposits with other banks	**53**	17	**565**
Other interest income	**202**	187	**2,155**
Fees and commissions	**15,768**	14,885	**167,656**
Other ordinary income	**5,176**	8,199	**55,036**
Other income	**1,660**	1,596	**17,652**
Total income	**81,612**	87,589	**867,756**
Expenses			
Interest expenses:			
Interest on deposits	**3,299**	3,929	**35,081**
Interest on payables under securities lending transactions	**2**	2	**28**
Interest on borrowings and rediscounts	**995**	1,045	**10,585**
Interest on bonds payable	**327**	327	**3,477**
Other interest expenses	**1**	1	**13**
Fees and commissions	**8,045**	7,648	**85,549**
Other ordinary expenses	**538**	1,743	**5,723**
General and administrative expenses	**46,022**	48,790	**489,342**
Provision of allowance for loan losses	**7,051**	5,821	**74,980**
Other expenses	**3,851**	5,351	**40,956**
Total expenses	**70,136**	74,661	**745,734**
Income before income taxes	**11,476**	12,927	**122,022**
Income taxes:			
Current	**3,215**	6,410	**34,188**
Deferred	**989**	1,232	**10,525**
Net income	**¥ 7,270**	¥ 5,284	**$ 77,309**

The Hokuhoku Financial Group is composed of the holding company and 12 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of financial services including leases, credit cards, credit guarantees and venture capital. The following is a diagram of our business.

Business diagram

Hokuhoku Financial Group, Inc.

- **The Hokuriku Bank, Ltd.**
  - **Hokugin Business Services Co., Ltd.** (document management, concentrated business processing)
  - **Hokuriku International Cayman Limited** *1 (Finance)
- **Hokugin Lease Co., Ltd.** (Leasing)
- **Hokuriku Card Co., Ltd.** (Credit card operations, loan guarantees)
- **Hokuriku Hosho Services Co., Ltd.** (Credit guarantees)
- **Hokugin Software Co., Ltd.** (Software development)
- **Hokuhoku Services Co., Ltd.** (Servicer)
- **Hokuhoku Capital Co., Ltd.** *2 (Venture capital, IPO consulting)
- **The Hokkaido Bank, Ltd.**
  - **Dogin Business Service, Ltd.** (Document management, cash management, concentrated business processing)
  - **Dogin Card Co., Ltd.** (Credit card operations, loan guarantees)
  - **Dogin Regional Research Institute Co., Ltd.** (Research on regional economy, survey research services, consulting)

*1. Liquidation was completed on July 19, 2013.
*2. Equity method-affiliated company

Major subsidiaries

(units: millions of yen, %)

Company name	Address	Main business activities	Established	Capital	FG's share of voting rights	Dividend
The Hokuriku Bank, Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Banking	July 31, 1943	140,409	100.00	5,970
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	1,611
Hokugin Lease Co., Ltd.	2-21 Aramachi, Toyama City	Leasing	July 21, 1983	100	70.25	—
Hokuriku Card Co., Ltd.	1-2-1 Shintomi-cho, Toyama City	Credit card operations, loan guarantees	March 2, 1983	36	87.39	3
Hokuriku Hosho Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Credit guarantees	December 12, 1978	50	100.00	—
Hokugin Software Co., Ltd.	1-5-25 Higashidenjigata, Toyama City	Software development	May 1, 1986	30	100.00	—
Hokuhoku Services Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Servicer	December 5, 2003	500	100.00	—
Hokugin Business Services Co., Ltd.	1883 Hiyodorijima, Toyama City	Document management, concentrated business processing, human resource solutions	March 25, 1953	30	(100.00)	—
Hokuriku International Cayman Limited	P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies	Finance	April 27, 1993	US$1,000	(100.00)	—
Dogin Business Service, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Document management, cash management, concentrated business processing	June 8, 1979	50	(100.00)	—
Dogin Card Co., Ltd.	2-2-14 Chuo-ku Minami, Sapporo City	Credit card operations, loan guarantees, credit guarantees	June 13, 1977	120	(100.00)	—
Dogin Regional Research Institute Co., Ltd.	Dogin Annex Building, 4-1 Odori Nishi, Chuo-ku, Sapporo City	Research on regional economy, survey research services, consulting	August 8, 2002	100	(100.00)	—
Hokuhoku Capital Co., Ltd.	1-6-8 Chuo-dori, Toyama City	Venture Capital	January 11, 1985	250	5.00 (38.75)	—

( ) Indicates voting rights involving shares held by subsidiaries

The Hokuriku Bank, Ltd.

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

Establishment

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

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

Company outline (as of March 31, 2013)

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	
Total assets:	¥6,276.0 billion	
Deposits (including NCDs):	¥5,726.2 billion	
Loans:	¥4,332.7 billion	
Issued shares:		
	Common stock	1,047,542,335
Capital adequacy ratio		
(non-consolidated):	11.78%	
Employees:	2,889	
Branches (as of June 30, 2013)		
Domestic:	188 (143 branches, 45 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

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, 2013)

Company name:	The Hokkaido Bank. Ltd.	
Business:	Banking	
Incorporation:	March 5, 1951	
Location of headquarters:	4-1 Odori Nishi, Chuo-ku, Sapporo City	
Total assets:	¥4,647.4 billion	
Deposits (including NCDs):	¥4,281.9 billion	
Loans:	¥3,069.3 billion	
Issued shares:		
	Common stock:	486,634,512
	Preferred stock (Type 2):	107,432,000
Capital adequacy ratio		
(non-consolidated):	11.23%	
Employees:	2,347	
Branches (as of June 30, 2013)		
Domestic:	140 (133 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; Hokuhoku Financial Group, Inc. launched
April 2005	Launched securities agency operations
March 2006	Entered into a contract on joint system use with Hokuriku Bank and the Bank of Yokohama
August 2006	Opened representative office in Shenyang, China
March 2009	Opened representative office in Yuzhno-Sakhalinsk, Russia
January 2010	Taiwan ATM/SmartPay Debit Service Started
May 2011	Commenced use of joint IT system with Hokuriku Bank and the Bank of Yokohama

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Hokuhoku Financial Group, Inc.

Chairman:
Yoshihiro Sekihachi

President:
Eishin Ihori

Directors:
Hidenori Mugino
Masahiro Sasahara
Takashi Nakano
Tsutomu Morita
Hirotaka Nikaido
Yuji Oshima

Audit & Supervisory Board Members:
Koichi Sugawa
Norikiyo Hayashi
Yozo Maeizumi
Tatsuo Kawada

The Hokuriku Bank, Ltd.

Chairman:
Hidenori Mugino

President:
Eishin Ihori

Senior Managing Directors:
Tatsuya Kaseda
Tetsuji Mitsuzuka
Takashi Nakano

Managing Director:
Tsutomu Morita

Director:
Hirotaka Nikaido

Audit & Supervisory Board Members:
Masaru Nanbu
Kenichi Nakamura
Isao Nagahara
Katsusuke Watanuki

The Hokkaido Bank, Ltd.

President:
Yoshihiro Sekihachi

Deputy President:
Masahiro Sasahara

Senior Managing Director:
Akihiko Soma

Managing Directors:
Toshihiro Katayama
Tetsuya Kitani
Noriyoshi Murakami

Director:
Takashi Nakano

Audit & Supervisory Board Members:
Hiroshi Sagayama
Tatsuhiro Ishikawa
Ken Ebina
Atsuhito Mito

Addresses

Hokuhoku Financial Group, Inc.
1-2-26, Tsutsumicho-dori Toyama City,
Toyama 930-8637, Japan
Telephone: +81-76-423-7331
http://www.hokuhoku-fg.co.jp/
E-mail: honsha2@hokuhoku-fg.co.jp

The Hokuriku Bank, Ltd.

International Department
1-2-26, Tsutsumicho-dori Toyama City,
Toyama 930-8637, Japan
Telephone: +81-76-423-7815
Facsimile: +81-76-423-7561
E-mail: kokusaibu@hokugin.co.jp

International Operations Center
3-2-10, Nihonbashi-muromachi,
Chuo-ku, Tokyo 103-0022, Japan
Telephone: +81-3-3231-7329
Facsimile: +81-3-3270-5028
E-mail: b.office@hokugin.co.jp
SWIFT Address: RIKBJPJT

Treasury and Securities Department
3-2-10, Nihonbashi-muromachi,
Chuo-ku, Tokyo 103-0022, Japan
Telephone: +81-3-3231-7360
Facsimile: +81-3-3246-1255
E-mail: shikintky@hokugin.co.jp

Overseas Offices (Hokuriku Bank)

- New York Representative Office
780 Third Avenue, 28th Floor,
New York, NY 10017, U.S.A.
Telephone: +1-212-355-3883
Facsimile: +1-212-355-3204
E-mail: newyork@hokugin.com
- Shanghai Representative Office
Shanghai International Trade Center,
602, Yan'an West Road 2201,
Changning, Shanghai 200336, P.R. of China
Telephone: +86-21-6270-8108
Facsimile: +86-21-6270-8338
E-mail: shanghai@hokugin.net
- Dalian Representative Office
Mori Building 7F, 147 Zhongshan,
Xigang District, Dalian, Liaoning, P.R. of China
Telephone: +86-411-3960-8018
Facsimile: +86-411-3960-8019
E-mail: dalian@hokugin-zg.com
- Singapore Representative Office
6 Battery Road # 15-02 Singapore 049909
Telephone: +65-6534-0010
Facsimile: +65-6534-0070
E-mail: hokuriku@singnet.com.sg
- London Representative Office
Level 12, City Tower, 40 Basinghall
Street, London EC2V 5DE UK
Telephone: +44-20-7374-6028
Facsimile: +44-20-7374-6055
E-mail: london@hokugin.co.uk
- Bangkok Representative Office
No.209, K-Tower A, 9th Floor, Unit 2/1,
Sukhumvit 21 Road (Asoke), Klongtoey
Nua, Wattana Bangkok 10110, Thailand
Telephone: +66-2-261-8495
Facsimile: +66-2-261-8497
E-mail: bangkok@hokugin.asia

The Hokkaido Bank, Ltd.

International Division
4-1, Odori Nishi, Chuo-ku,
Sapporo City 060-8676, Japan
Telephone: +81-11-233-1093
Facsimile: +81-11-231-3133
E-mail: sckikaku@cello.ocn.ne.jp

Market and International Administration Center
2-33, Higashi Sapporo 3-jyo 1-chome,
Shiroishi-ku, Sapporo City, 003-0003,
Japan
Telephone: +81-11-815-1315
Facsimile: +81-11-815-2237
SWIFT Address: HKDBJPJT

Treasury and Securities Department
3-2-10, Nihonbashi-muromachi,
Chuo-ku, Tokyo 103-0022, Japan
Telephone: +81-3-3241-3457
Facsimile: +81-3-3245-1779

Overseas Offices (Hokkaido Bank)

- Shenyang Representative Office
Fangyuan Mansion, No. 1106
Yuebin Street No. 1, Shenhe District,
Shenyang City 110013, P.R. of China
Telephone: +86-24-2250-5350
Facsimile: +86-24-2250-5351
E-mail: dogin_shenyang@yahoo.co.jp
- Yuzhno-Sakhalinsk Representative Office
Diplomat Office No.404 Chekhova street
1A, Yuzhno-Sakhalinsk 693020, Russia
Telephone: 7-4242-46-1774
Facsimile: 7-4242-46-1775
E-mail: mikami@hbkys.ru

北北金融控股集团简要

（截至 2013 年 3 月 31 日）

企业名称：北北金融控股集团股份有限公司

设立日期： 2003 年 9 月 26 日

总行地址：富山县富山市堤町通 1 丁目 2 番 26 号

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 .... 1,351,630,146 股

第一次第 5 种优先股......... 107,432,000 股

上市交易所： 东京证券交易所（第一部）

札幌证券交易所

简历

自从 1877 年北陆银行成立以来已经在北陆地区设立了广域性的经营网点。

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

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

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

2002 年 5 月　北陆银行和北海道银行缔结了全面业务协助协议

2003 年 5 月　北陆银行和北海道银行对经营统合取得一致意见

2003 年 9 月　设立北银金融控股集团股份有限公司

北陆银行成为北银金融控股集团伞下的银行

↓

通过股份交换实现经营统合

2004 年 9 月　北北金融控股集团股份有限公司诞生

注：北银金融控股集团股份有限公司改名为北北金融控股集团股份有限公司。

北北金融集团的经营活动范围不是限于一个地域，而是在广泛的地域内展开着。

我们广泛的营业网点分布在下面所写的地区范围里：

北陆地区 .... 149 分行（或支行）

富山县 .... 91 分行（或支行）

石川县 .... 36 分行（或支行）

福井县 .... 22 分行（或支行）

北海道地区 .... 158 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、新泻、长野、高山) .... 4 分行（或支行）

海外 .... 8 代表处

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）

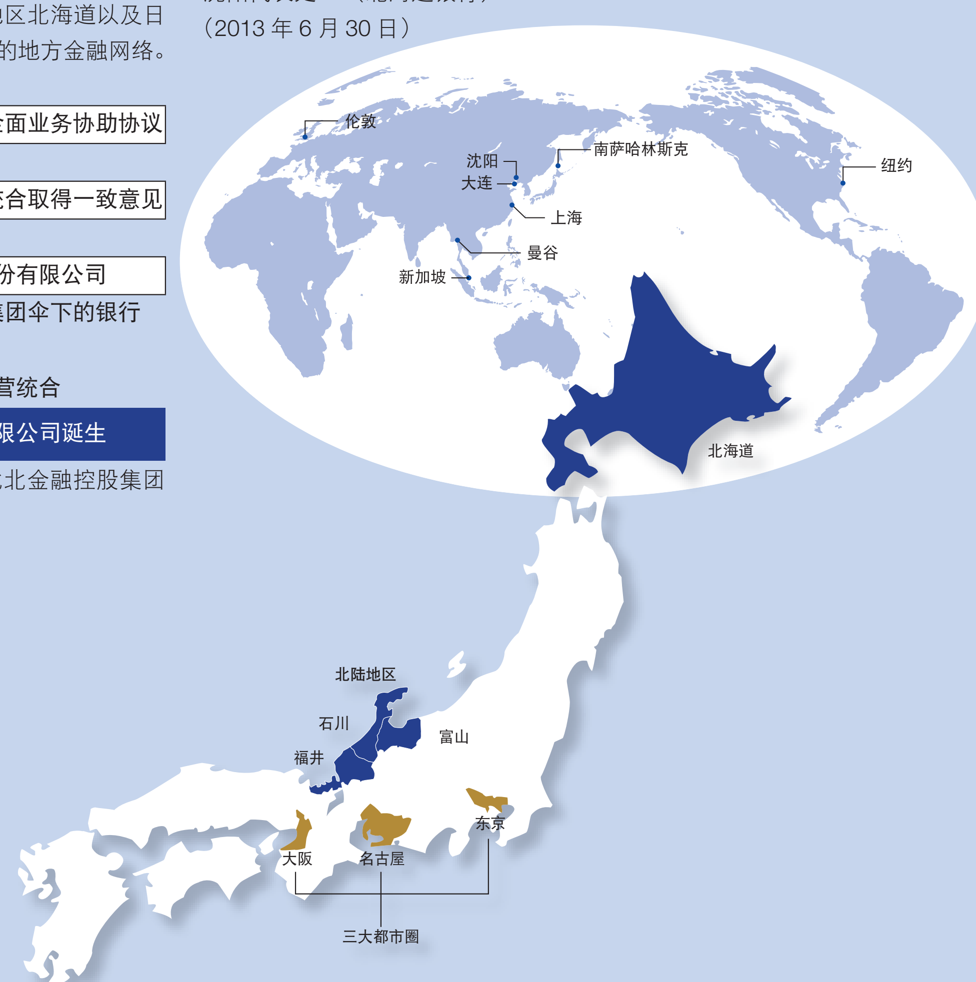
曼谷代表处　（北陆银行）

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）

（2013 年 6 月 30 日）



北北金融控股集团 董事致辞

（相片左边）
董事长
堰八义博 *（北海道银行 总行长）*

（右边）
总裁
庵　荣伸 *（北陆银行 总行长）*

承蒙大家平时对我公司以及集团公司的惠顾及提拔，不胜感谢。

日本的经济自安倍政府上台以来，日元继续贬值，可以预见以出口为主业的企业的业绩会逐渐恢复；但同时低利息的金融政策不会改变的预测也越来越强，对金融机构来说，可以预见到将来比较长的一段时间内收益环境会比较严酷。

在此大环境下，本公司 2013 年度的中期经营计划“GO for IT !”出炉了。在前中期计划中，扩大客户数以及存款达到 10 兆日元的基础上，稳定运转三行共同利用系统，前中期务实的努力取得了应有的成果。但另一方面，由于存贷款差幅的缩小和手续费用等劳务利润的增长的困难，各种经营费率的居高不下等收益方面的挑战；还有由于年轻行员的增加，所需的人才培养，以及合规性应对的强化的必要性等内部应对方面的问题也反映了出来。

新中期计划，从现在至 2015 年度为止的三年间，是实现本集团公司的持续性成长事业战略成为《为地区所信赖，能够依靠的金融集团》的最佳努力期间；展开加强与地区客户的联系的市场战略；提高经营能力进行经营资源再分配；培养人才，创造公正坚实的企业文化以及加强内部统一管理。

另外，伞下的北陆银行和北海道银行的经营区域内，广受关注的北陆新干线和北海道新干线在不久的将来会开通，这二条线被期待作为区域经济发展的起爆器；本集团公司作为地区经济的活性剂被寄予极大的厚望。本集团充分发挥大地域金融机构的优点，灵活运用对接洽谈会的形式积极展开对客户的海外商务活动的支援。

本集团将取得地区的信赖，为恢复地区活力而作贡献，我们将通过这些努力，提高本企业的价值。今后，请各位继续支持惠顾本公司，请多多关照。

总裁
庵 栄伸
庵　荣伸

2013 年 7 月

我集团在上次的中期经营计划“Road to 10”（2010 年 4 月到 2013 年 3 月）中，为了成为“存款额 10 兆日元的金融集团”这一目标努力着。在严峻的经营环境下，收益项目虽然未达成计划，但在 2013 年 3 月末存款余额为 10 兆 81 亿日元，从而达到了 10 兆日元这一目标。这些为未来的发展建立了一个交易平台。另外，三行共同利用系统的稳定运行等在提高经营效率方面也取得了一定的成绩。资本充足率也超过了目标水平，2012 年还实现了获得 5,000 万股的库存股等，在资金政策方面，为了增加股东价值我们一直在努力推行新措施。

当前，围绕着我公司的经营环境是，由于地方人口和家庭数量的减少而导致的市场萎缩，低利率的持续存在，加上银行之间的竞争加剧，也包括核电站问题及新兴国的发展放缓等不确定性因素，我们的经营环境将比以往任何时候还要严峻。

在这样的环境中，我们将未来 3 年定位为“朝着持续发展而奋斗的崭新的事业战略的最佳努力期间”，为了在不断变化的环境中可持续发展，我们将加强与地方客户的关系，并努力加强和重建内部管理。经营措施上，在进一步推行“强化营业力”、“经营效率化”的同时，坚持进行“强化经营基础”，通过取得地方社会的信任，激活该地区经济来提高企业的价值。

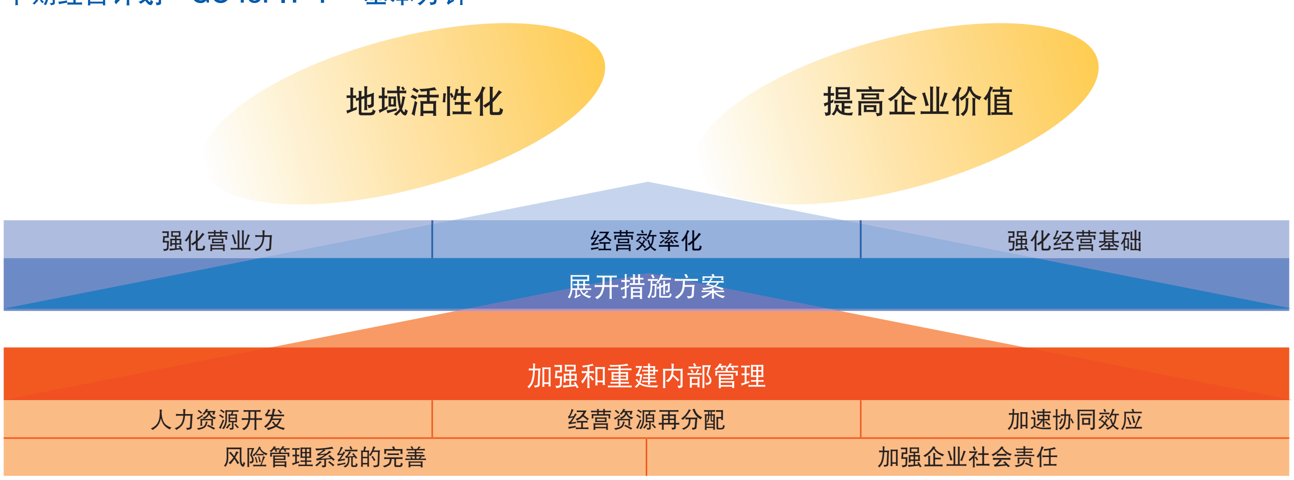
计划的概要

名　称	中期经营计划“GO for IT ！”
期　间	3 年（2013 年 4 月～ 2016 年 3 月）
定　位	朝着持续发展而奋斗的崭新的事业战略的最佳努力期间
集团的目标	成为地方可值得亲近和信赖的金融集团
基本方针	1. 加强与地方客户的关系，加强和重建内部管理，从而做好在不断变化的环境中可持续发展的准备。 2. 在进一步推行“强化营业力”、“经营效率化”措施的同时，坚持进行“强化经营基础”。 3. 通过取得地方社会的信任，激活该地区经济来提高企业的价值。

2016 年 3 月期的目标计数（2 行合算，联结）

总存款平均余额	10 兆 1,100 亿日元
贷款平均余额	7 兆 4,800 亿日元
主营业务净利润	470 亿日元
联结本期净利润	185 亿日元
联结资本充足率	10% 以上
OHR（以主营业务毛利润为基础）	67%
不良贷款率	2% 多

中期经营计划“GO for IT ！”基本方针



强化营业力

	▼措施
强化交易平台	• 进一步增加客户数 • 争取成为客户的首要交易银行，扩大金融产品的营销
强化咨询业务	• 加强在重点领域的知识深度（农业，医疗，福利，环境和再利用能源领域） • 强化推行私人银行，收购，事业继承等业务
发挥广区域集团的优点	• 创新商贸洽谈的内容，提高成交率 • 提高支援海外投资业务的办公水平
加大个人交易市场	• 针对每个细节展开各种措施 • 灵活运用非面对面的营销形势 • 完善和强化投资信托和保险营销体系
强化运用有价证券	• 在对企事业资金需求冷缩而导致资金收益减少方面起到补充效果

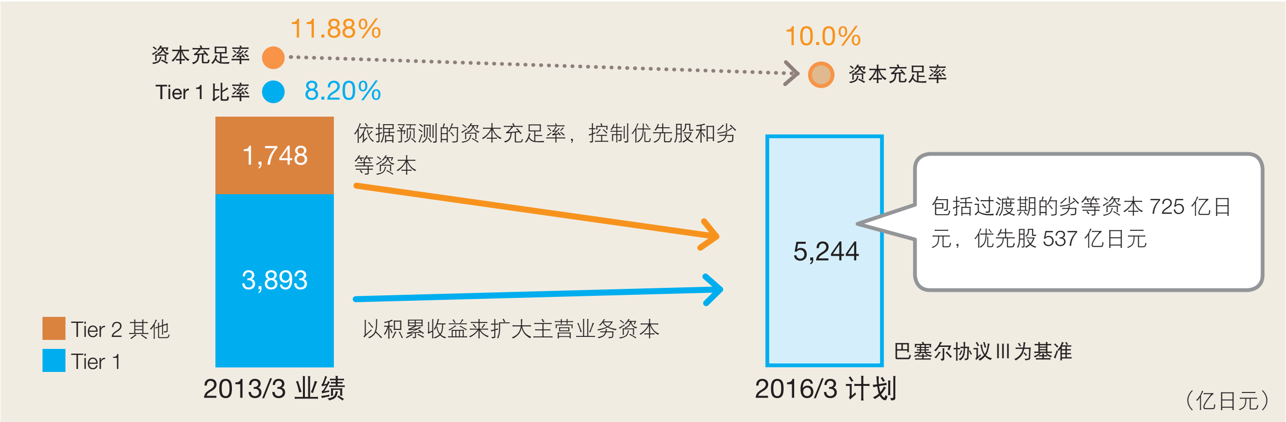
经营效率化

	▼措施
强化业务集中化 共同化	• 构建符合北北金融控股集团规模的成本体系 （总行机能的集中化，后勤办公业务的共同化，商品和广告等共同化） • 强化集体化管理的基础
追求共用系统的优势	• 从 3 行共同利用改为 4 行共同利用，从而降低成本 • 继续推行集团内部的辅助系统和业务集体化
业务效率化 改善总行和分行的运营	• 合理调整总行和分行业务，实现有效运营 • 战略性的把人员配置到重点营业地区

强化经营平台

	▼措施
资本政策	• 遵循巴塞尔协议 III 提高资金的质量 • 实行为了提高股东价值的政策
提高资产质量	• 积累风险比重较低的良好资产
强化支援企业重组	• 与外部机构的协作 • 灵活运用地方的重组基金

资本充足率（北北金融控股集团联结）



还原方针	
普通股股息	阶段性的增发股息

• 以股息达到 30% 以上为基本目标，扩大收益将阶段性的增发股息。

• 考虑到巴塞尔协议 III 过渡期算入的劣等资本金额较少，为了确保联结资本充足率达到 10% 左右，将调高储备净利润比率。

营业概况（北北金融控股集团联结）

（货币单位：亿日元）

	2012 年度	变动	2011 年度
经常收益	1,991	－ 88	2,079
经常利润	293	－ 95	388
本期净利润	181	＋ 39	141
资本充足率	11.88%	＋ 0.16%	11.72%

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 88 亿日元，为 1,991 亿日元。联结经常利润与上年度相比减少 95 亿日元，为 293 亿日元。联结本期净利润与上年度相比增加 39 亿日元，为 181 亿日元。

联结资本充足率与上年度相比提高了 0.16 个百分点，达到 11.88%。

2012 年度期末的第 1 回第 5 种优先股，按照原定计划每股支付了 7.50 日元股息。另外，普通股虽然未能支付期中的股息，但是到了期末每股支付了 3.75 日元股息，这与上年度股息同额。

营业概况（北陆银行、北海道银行）

（货币单位：亿日元）

	2 行合算		
	2012 年度	变动	2011 年度
经常收益	1,846	－ 83	1,930
主营业务毛利润	1,455	－ 108	1,563
经费（临时处理部分除外）	951	－ 55	1,006
主营业务净利润	503	－ 53	557
信贷相关成本	170	＋ 66	104
有价证券等相关盈亏	4	＋ 18	－ 14
经常利润	300	－ 105	405
本期净利润	195	＋ 28	166

主营业务毛利润：因为资金利润以及金融衍生商品利润的减少，与上年度相比减少了 108 亿日元，为 1,455 亿日元。今年与上年度不同的是今年没用更新系统方面的因素，所以经费与上年度相比只减少了 55 亿日元。随之，主营业务净利润与上年度相比减少了 53 亿日元，为 503 亿日元。

经常利润：信贷成本与上年度相比增加了 66 亿日元，因此，经常利润与上年度相比减少了 105 亿日元，为 300 亿日元。

本期净利润：随着法人税等调整额的减少，本期净利润与上年度相比增加了 28 亿日元，为 195 亿日元。

（货币单位：亿日元）

	北陆银行			北海道银行		
	2012 年度	变动	2011 年度	2012 年度	变动	2011 年度
经常收益	1,030	－ 23	1,054	816	－ 59	875
主营业务毛利润	823	－ 61	885	631	－ 46	678
经费（临时处理部分除外）	509	－ 33	542	442	－ 22	464
主营业务净利润	314	－ 28	343	189	－ 24	214
信贷相关成本	93	＋ 49	44	76	＋ 16	59
经常利润	183	－ 91	274	116	－ 14	131
本期净利润	123	＋ 9	114	72	＋ 19	52
资本充足率	11.78%	－ 0.07%	11.85%	11.23%	＋ 0.43%	10.80%

Hokuhoku Financial Group, Inc.

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