



# Annual Report 2015

Year ended March 31, 2015

Hokuhoku Financial Group, Inc.

## Company outline (as of March 31, 2015)

**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.

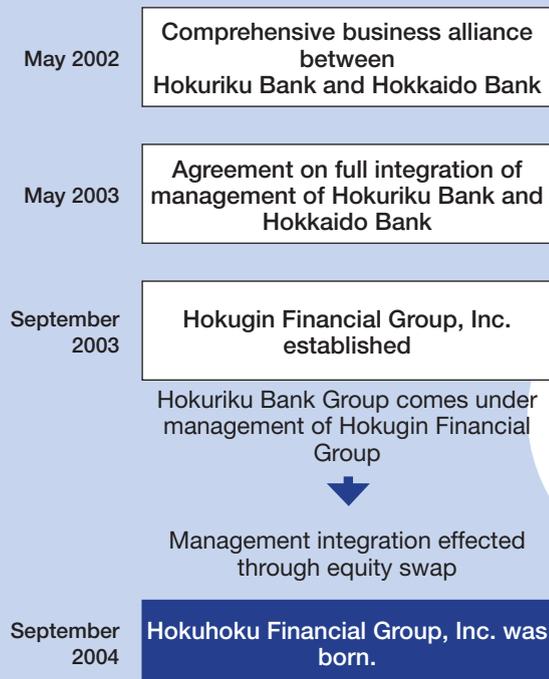
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## Profile

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

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



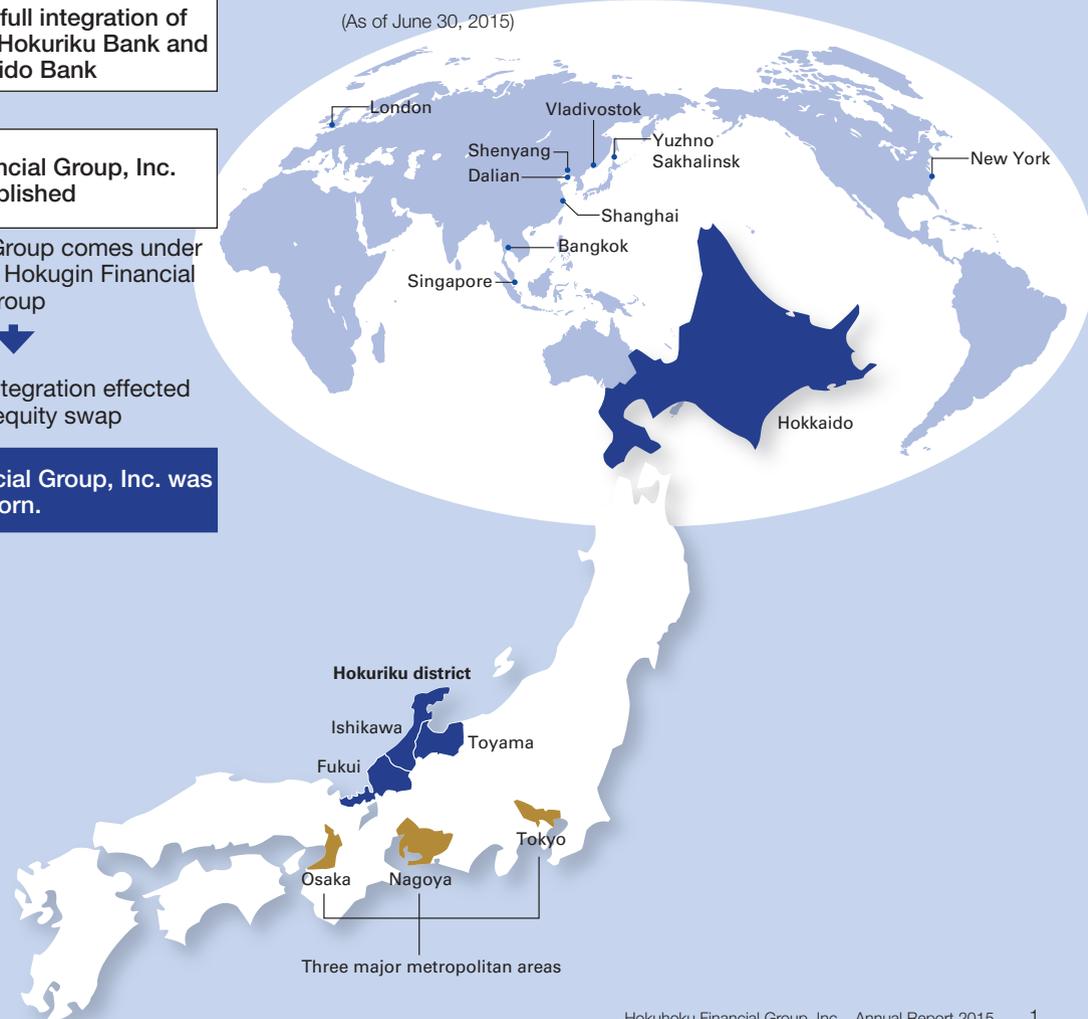
## The operations of the Hokuhoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

<b>Hokuriku district</b> .....	<b>149 branches</b>
Toyama prefecture.....	91 branches
Ishikawa prefecture .....	36 branches
Fukui prefecture.....	22 branches
<b>Hokkaido</b> .....	<b>159 branches</b>
<b>Three major metropolitan areas</b> .....	<b>16 branches</b>
Tokyo and Yokohama .....	9 branches
Nagoya .....	3 branches
Osaka and Kyoto .....	4 branches
<b>Others (Sendai, Niigata, Nagano, Takayama) ...</b>	<b>4 branches</b>
<b>Overseas</b> .....	<b>9 offices</b>

- New York Representative Office (Hokuriku Bank)
- Yuzhno-Sakhalinsk Representative Office (Hokkaido Bank)
- Vladivostok 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, 2015)



## MESSAGE FROM THE MANAGEMENT



Left: Eishin Ihori  
*President*  
*(concurrently serving as president of*  
*The Hokuriku Bank, Ltd.)*

Right: Masahiro Sasahara  
*Deputy President*  
*(concurrently serving as president of*  
*The Hokkaido Bank, Ltd.)*

We would like to express our sincere appreciation to all of you for your continued support of the Hokuhoku Financial Group and its group companies. We are pleased to present this report for the Hokuhoku Financial Group for the fiscal year ended March 31, 2015. The report covers our operating performance in the fiscal year ended March 31, 2015, and introduces the various initiatives that we are undertaking.

The Japanese economy is currently benefitting from the gradual settling in of the positive effects from the various policies enacted under Abenomics, and regional economies are also enjoying modest recoveries. In the Hokuriku area (Toyama, Ishikawa and Fukui prefectures), the Hokuhoku Financial Group's primary operating region, the Hokuriku bullet train began operating, and seizing this as a new business opportunity, corporate activity has been revitalized in a wide range of sectors, including tourism and manufacturing. Expectations for ripple effects to the local economy are also increasing in Hokkaido, where the Hokkaido bullet train will begin operating within under a year. In addition to providing funding support to local companies, the Group is proactively supporting local companies' efforts to expand sales. The Group's initiatives include business-matching leveraging the Group's expansive network, as well as promoting products from regional areas in the Tokyo metropolitan area.

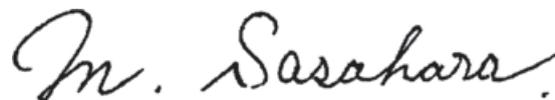
The Hokuhoku Financial Group was formed in September 2004, through a management integration of Hokuriku Bank and Hokkaido Bank, and celebrated its 10th anniversary in fiscal 2014. This is entirely due to the warm support we have received from all of our customers and shareholders, and we are extremely grateful for this. Going forward, we will continue to refine our wide-area financial group business model to provide our customers with quality financial services, and pursue the advantages of group management.

Fiscal 2015 is the final fiscal year of the "GO for IT!" medium-term management plan. During fiscal 2015, aiming to be a "close and reliable financial group for local customers," as expressed in the plan, we will continue to strive to boost our corporate value as we endeavor to invigorate the regional economy. We ask for your continued support and encouragement.

July 2015



Eishin Ihori  
President



Masahiro Sasahara  
Deputy President

# MEDIUM-TERM MANAGEMENT PLAN

In April 2013, the Group launched the “GO for IT!” medium-term management plan, and positioned the three-year period of the plan as a period for optimizing the business strategy with an eye towards sustainable growth. In addition to further advancing the existing management policies of “Strengthening Marketing Capabilities” and “Improving Management Efficiency”, we will work on “Cementing Management Foundation”, and work to raise our corporate value by gaining the trust of local communities 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 the business strategy for sustainable growth
Target Corporate Profile	Close and Reliable Financial Group for Local Customers
Basic Policies in Management Plan	<ol style="list-style-type: none"> <li>1. Establish solid management foundation for sustainable growth under changing business circumstances by constructing close relationship with regional customers and effective internal control.</li> <li>2. Keep on “Strengthening Marketing Capabilities” and “Improving Management Efficiency” and “Cementing Management Foundation.”</li> <li>3. Raise our corporate value by obtaining the trust of local customers and contributing to the revitalization of the regional economy.</li> </ol>

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

Develop Proper Measures		
Strengthening Marketing Capabilities	Improving Management Efficiency	Cementing Management Foundation
<ul style="list-style-type: none"> <li>■ Expand customer base</li> <li>■ Strengthen consultation service</li> <li>■ Take advantages of our extensive network</li> <li>■ Improve marketing strategy for personal customers</li> <li>■ Increase investments in securities</li> </ul>	<ul style="list-style-type: none"> <li>■ Consolidation and pooling of operations</li> <li>■ Take advantages of shared use of banking systems</li> <li>■ Enhance operational effectiveness Reconsider resource allocation of headquarters and branches</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve quality of capital in line with Basel III</li> <li>■ Enhance asset quality</li> <li>■ Strengthen corporate revitalization</li> </ul>

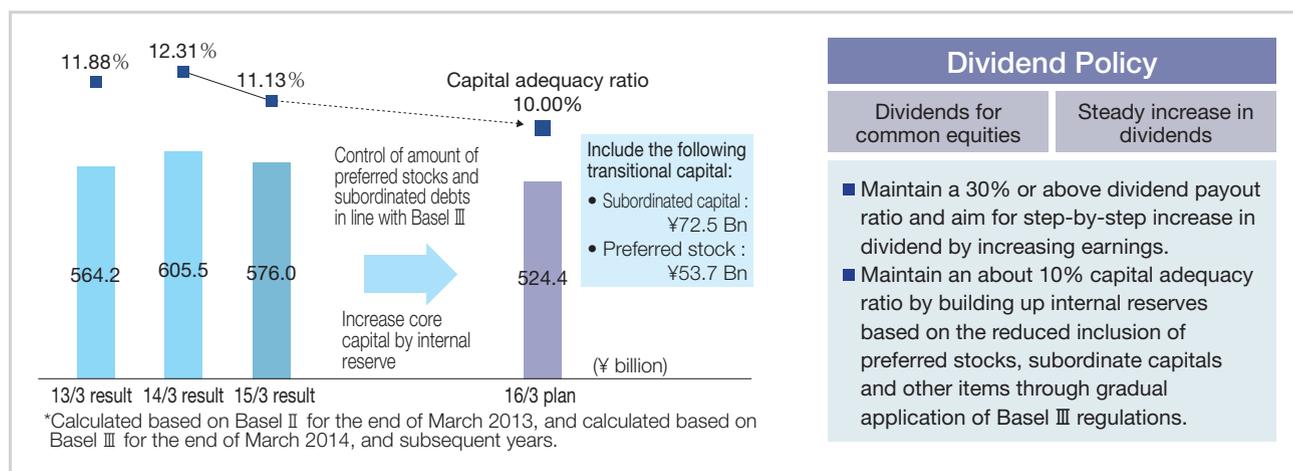
Establish Solid Internal Controls		
Training Employees	Reallocate Management Resources	Accelerate Synergies
Reorganize Risk Management Framework	Strengthen Compliance	

## Fiscal 2015 Numerical Targets (Total of 2 Banks, Consolidated)

	FY2013 (Result)	FY 2014 (Result)	FY2015 (Target)
Deposits (Average Balance)	¥10,129.2bn	¥10,433.6bn	¥10,110.0bn
Loans and Bills Discounted (Average Balance)	¥7,344.0bn	¥7,452.0bn	¥7,480.0bn
Core Net Business Profits	¥48.2bn	¥51.2bn	¥47.0bn
Net Income (Consolidated)	¥27.3bn	¥28.2bn	¥18.5bn
Capital Adequacy Ratio (Consolidated)	12.31%	11.13%	10% or above
OHR (Core Gross Business Profit Basis)	66.08%	64.64%	67%
NPL Ratio	2.67%	2.43%	Below 3%

<b>Strengthening Marketing Capabilities</b>	<b>Strategies</b>
Expand customer base	<ul style="list-style-type: none"> <li>Further increase customer accounts</li> <li>Become the main bank and promote cross sale of various financial products</li> </ul>
Strengthen consultation service	<ul style="list-style-type: none"> <li>Accumulate knowledge and promote sales in priority industries (Agriculture, Healthcare, Welfare, Environment, Renewable energy)</li> <li>Private Banking, M&amp;A, Business Succession</li> </ul>
Take advantages of our extensive network	<ul style="list-style-type: none"> <li>Enhance business-matching information services and support of customers' overseas business development</li> </ul>
Improve marketing strategy for personal customers	<ul style="list-style-type: none"> <li>Effective sales promotion based on account-holder category</li> <li>Activate service channels other than face-to-face transactions</li> <li>Review organizational structure and strengthen our sales system for investment trust and insurance products</li> </ul>
Increase investments in securities	<ul style="list-style-type: none"> <li>Supplement decreased interest revenue from corporate loans</li> </ul>
<b>Improving Management Efficiency</b>	<b>Strategies</b>
Consolidation and pooling of operations	<ul style="list-style-type: none"> <li>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)</li> <li>Improve operational efficiency through integrated management</li> </ul>
Take advantages of shared use of banking systems	<ul style="list-style-type: none"> <li>Increase number of banks sharing use of banking system (3 banks &gt;&gt; 4 banks) and pursue additional cost reduction</li> <li>Joint development of subsystems and continuous integration of business process</li> </ul>
Enhance operational effectiveness Reconsider resource allocation of headquarters and branches	<ul style="list-style-type: none"> <li>Optimize business process in branches and headquarters</li> <li>Redeploy strategically key personnel to priority areas</li> </ul>
<b>Cementing Management Foundation</b>	<b>Strategies</b>
Capital management	<ul style="list-style-type: none"> <li>Improve quality of capital in line with Basel III</li> <li>Develop capital operations for higher equity value</li> </ul>
Enhance asset quality	<ul style="list-style-type: none"> <li>Raise proportion of asset with a low risk-weighting</li> </ul>
Strengthen corporate revitalization	<ul style="list-style-type: none"> <li>Alliance with external organizations</li> <li>Active use of regional revitalization fund</li> </ul>

## Capital Adequacy Ratio (Consolidated Financial Group)



## 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 an about 10% 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.

# PERFORMANCE HIGHLIGHTS

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

(¥ billion)

	FY2014		FY2013
		Y-o-Y Change	
Ordinary income	193.9	2.9	190.9
Ordinary profits	48.1	(1.3)	49.4
Net income	28.2	0.9	27.3
Capital adequacy ratio	11.13%	(1.18)%	12.31%

In the fiscal year ended March 31, 2015, Hokuhoku FG recorded net income of ¥28.2 billion, a ¥0.9 billion year-on-year increase.

The capital adequacy ratio was 11.13% on a consolidated basis at the end of the fiscal year.

The Group paid a fiscal year-end dividend of the designated ¥7.50 per share to shareholders of preferred stock (Type 5). While an interim dividend was not paid, a fiscal year-end dividend of ¥4.25 per share, marking an increase of ¥0.25 from the previous year, was paid to common shareholders.

## Summary of Operations (Hokuriku Bank and Hokkaido Bank)

Total of both banks (¥ billion)

	FY2014		FY2013
		Y-o-Y Change	
Ordinary income	179.4	1.4	178.0
Core gross business profits	144.8	2.5	142.2
Expenses (excluding temporarily processed portion)	93.6	(0.4)	94.0
Core net business profits	51.2	2.9	48.2
Credit costs	6.0	7.4	(1.3)
Ordinary profits	47.1	(1.4)	48.5
Net income	28.2	0.7	27.5

■ Core gross business profits.....¥144.8 billion

Core gross business profits increased by ¥2.5 billion year-on-year, due to the increase in both net interest income as well as net fees and commissions.

■ Expenses.....¥93.6 billion

Expenses fell by ¥0.4 billion year-on-year, due to the drop in both personnel expenses and property expenses.

■ Core net business profits.....¥51.2 billion

■ Ordinary profits.....¥47.1 billion

Ordinary profits declined by ¥1.4 billion year-on-year, as an increase in net gains related to bonds was offset by an increase in credit costs.

■ Net income.....¥28.2 billion

Net income increased by ¥0.7 billion year-on-year, due to a decline in income taxes.

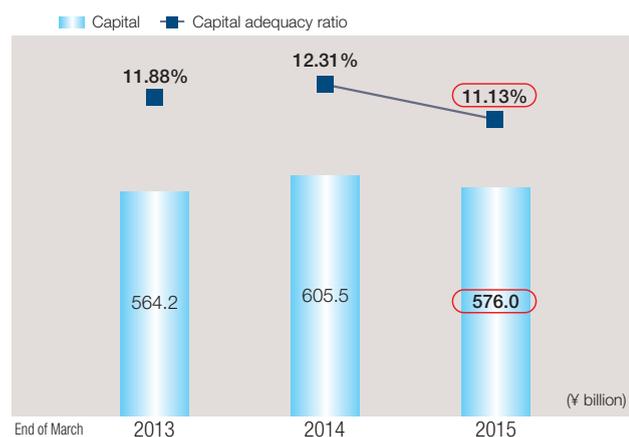
(¥ billion)

	Hokuriku Bank		
	FY2014	Y-o-Y Change	FY2013
Ordinary income	94.0	(3.7)	97.7
Core gross business profits	76.5	(0.5)	77.0
Expenses (excluding temporarily processed portion)	50.4	(0.1)	50.5
Core net business profits	26.0	(0.4)	26.4
Credit costs	1.7	6.0	(4.2)
Ordinary profits	24.5	(5.9)	30.4
Net income	14.6	(3.1)	17.8
Capital adequacy ratio	10.61%	(1.79)%	12.40%

(¥ billion)

Hokkaido Bank		
FY2014	Y-o-Y Change	FY2013
85.4	5.2	80.2
68.3	3.0	65.2
43.1	(0.3)	43.4
25.1	3.3	21.7
4.2	1.4	2.8
22.6	4.5	18.0
13.5	3.8	9.6
10.75%	(0.01)%	10.76%

## Capital Adequacy Ratio <On a consolidated basis>

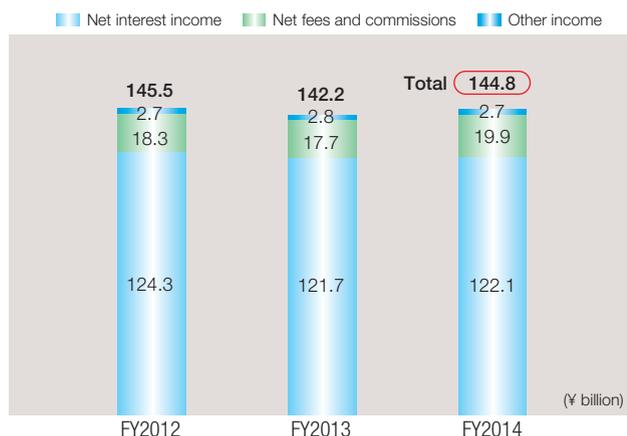


■ Capital adequacy ratio.....11.13%

The capital adequacy ratio fell by 1.18 percentage points compared with the end of the previous fiscal year, as the accumulation of profits was offset by the repayment of subordinated loans, etc.

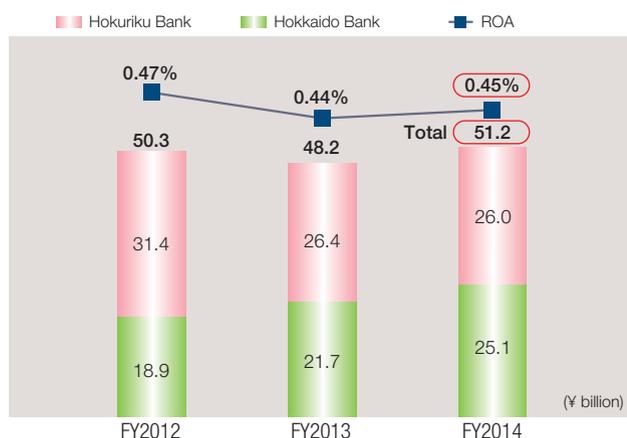
\*Calculated based on Basel II for the end of March 2013, and calculated based on Basel III for the end of March 2014, and subsequent years.

## Core Gross Business Profits <Total of both banks>

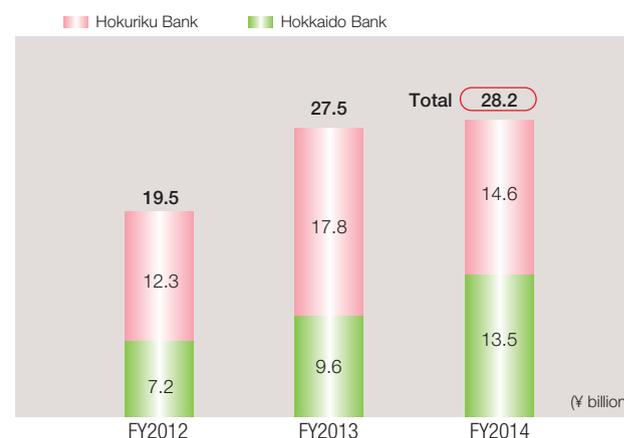


- Net interest income.....¥122.1 billion  
Net interest income increased by ¥0.4 billion year-on-year, as the decline in interest on loans was offset by an increase in interest and dividends on securities.
- Net fees and commissions.....¥19.9 billion  
Net fees and commissions increased ¥2.1 billion year-on-year, due to an increase in commissions on sales of investment trusts and insurance.
- Other income.....¥2.7 billion  
Other income was roughly flat year-on-year, as the increase in gains on derivatives was offset by a decline in gain on foreign exchange transactions.

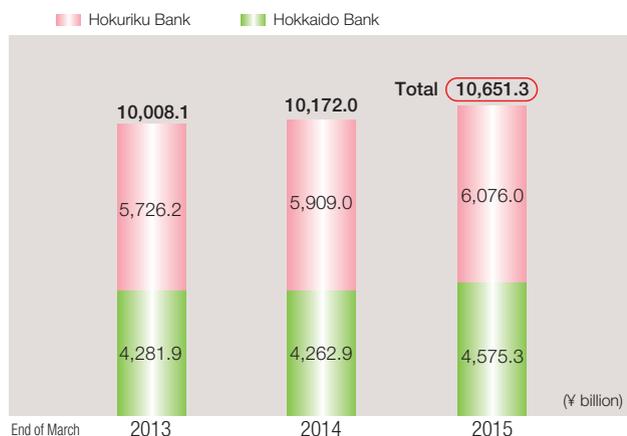
## Core Net Business Profits <Total of both banks>



## Net Income <Total of both banks>

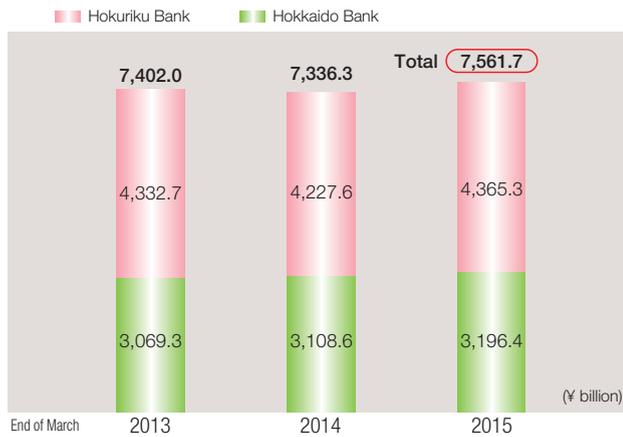


## Deposits (Including negotiable certificates of deposit) <Total of both banks>



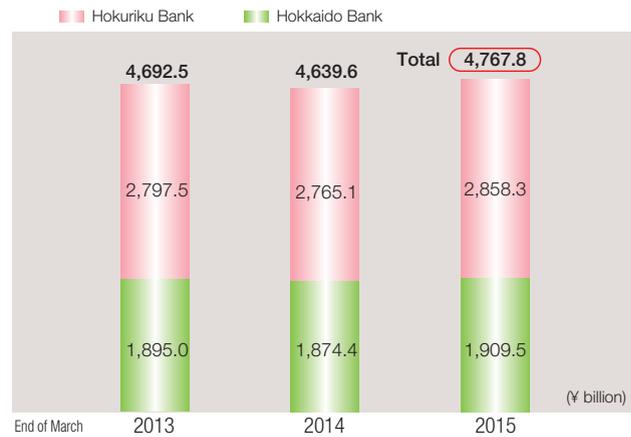
- Deposits (Including negotiable certificates of deposit).....¥10,651.3 billion  
Deposits increased by ¥479.3 billion compared with the end of the previous fiscal year, due to the steady increase in both individual deposits and corporate deposits, as well as an increase in negotiable certificates of deposit.

**Loans and Bills Discounted <Total of both banks>**



Loans and bills discounted.....¥7,561.7 billion  
Loans and bills discounted increased by ¥225.4 billion compared with the end of the previous fiscal year, attributable to increases in all segments of corporate loans, individual loans, and loans to regional public bodies.

**Outstanding Loans to Small- and Medium-sized Enterprises (SMEs) <Total of both banks>**



Outstanding loans to SMEs.....¥4,767.8 billion  
Outstanding loans to SMEs increased by ¥128.2 billion compared with the end of the previous fiscal year, due to our proactive efforts to be a leader in regional financial services.

**Disposed Claims under the Financial Reconstruction Law <Total of both banks>**

- Disclosed claims under the Financial Reconstruction Law.....¥189.2 billion  
Disclosed claims under the Financial Reconstruction Law fell by ¥12.1 billion compared with the end of the previous fiscal year.
- NPL ratio.....2.43%  
The NPL ratio declined by 0.24 percentage points compared with the end of the previous fiscal year.



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 acceptance and guarantees, foreign exchanges, accrued interest, suspense payments, securities loaned, private bonds with the Bank's own guarantees (regarding claims on obligors requiring caution, loans and private bonds with the Bank's own guarantees only).

**Substandard claims** This category is defined as claims on borrowers requiring caution under asset self-assessment. This category comprises past due loans (three months or more) and restructured loans under the Banking Law.

**Doubtful claims** This category is defined as claims on potentially bankrupt borrowers under asset self-assessment. The execution of contracts on repayment of the principal and payments of interest is highly doubtful.

**Bankrupt and substantially bankrupt claims** This category is defined as the sum of claims on bankrupt borrowers and effectively bankrupt borrowers.

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

**Ratings**



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

Hokuhoku Financial Group Inc., Hokuiku Bank and Hokkaido Bank have obtained "A" ratings from Rating and Investment Information, Inc. (R&I), and are considered as being highly creditworthy. Hokuiku Bank also has obtained "A-" rating from Standard & Poor's Ratings Japan K. K. and Hokkaido Bank also has obtained "A" rating from Japan Credit Rating Agency Ltd.

## We will increase management transparency and enhance our corporate governance.

### Basic approach

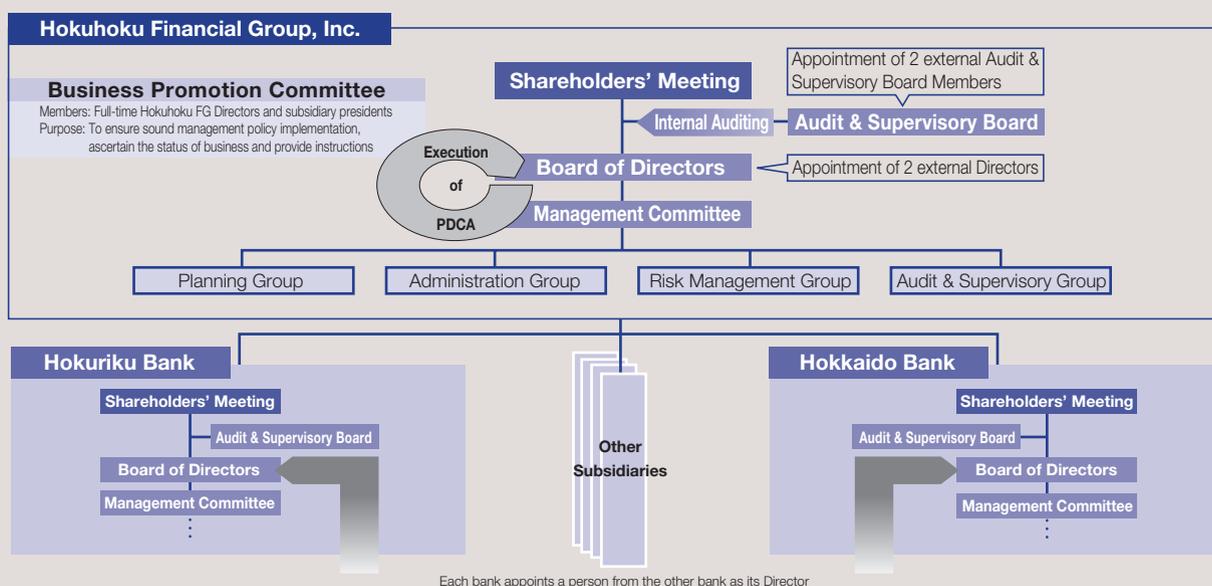
The Company and all group companies regard strengthening and enhancing corporate governance as one of the most important management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including the formulation of management strategies and making management decisions. We share basic values and a sense of ethics through the Hokuhoku Financial Group Code of Conduct, and endeavor to increase corporate value and realize solid management aimed at contributing to the development of the Hokuriku and Hokkaido regions.

### Corporate governance

We have established a framework that enables quick decision-making, with the Shareholders' Meeting and Board of Directors at the top of the framework, and day-to-day operational authority delegated in accordance with internal rules. Bodies such as the Management Committee are able to respond quickly to specific and expert matters based on basic policies established by the Board of Directors. Furthermore, separate from the Management Committee, we have established a Business Promotion Committee which ensures that business policies are correctly carried out among group companies.

We use the Audit & Supervisory Board Member system and also appoint external Director. Additionally, in order to bolster our group governance framework and, as a holding company, to ensure that operations are managed appropriately, people from each of our principal subsidiaries, Hokuriku Bank and Hokkaido Bank, are appointed as Directors at the other bank to promote mutual understanding and mutual checks and balances.

In this way, in addition to having established this framework to cyclically enable effective decision-making, implementation, evaluation, and improvements, the Board of Directors decides the basic policy on internal controls, to create an effective internal control system.



### Overview of key bodies

#### 1. Board of Directors

Responsible for decisions related to important policies for management of the Group as a whole, and for overseeing the business management, risk management and auditing carried out by the holding company and its subsidiaries. Two Directors are appointed and oversight is strengthened by incorporating perspectives that are independent from management.

#### 2. Audit & Supervisory Board

Determines matters related to auditing policies and the performance of duties by Audit & Supervisory Board Members, and monitors the performance of duties by Directors.

#### 3. Management Committee

Comprising full-time Directors of the Company, this body

makes decisions — in accordance with the basic policies laid down by the Board of Directors — on matters relating to business execution policies for the entire Group and matters related to the implementation of particularly important tasks by specific divisions.

#### 4. Business Promotion Committee

Comprising full-time Directors of the Company and presidents of subsidiaries, this body is responsible for making sure that important issues and management policies for the entire Group are widely known and understood, as well as for keeping track of business results at each company to ensure that business is carried out appropriately.

## Basic policy on internal controls

### 1. System to ensure that executives and employees of the Company and group companies perform their duties in conformity with laws and ordinances, as well as in conformity with our articles of incorporation

- In addition to setting matters pertaining to laws and ordinances, or the articles of incorporation, the Board of Directors decides on basic management policies and important issues related to the execution of operations, establishes organizations and systems, and supervises performance of duties by Directors.
- It also recommends external Directors for appointment at Shareholders' Meetings, to ensure a stronger system of checks and balances.
- Audit & Supervisory Board Members attend important meetings including Board of Directors meetings, investigate the Company's operations and financial position, and audit the performance of duties by Directors as an independent body.
- The Board of Directors views compliance as one of the most important management issues, and fully recognizes the fact that a lack of compliance can weaken the management base. Based on this understanding, the Board of Directors formulates the rules that form the foundation of compliance, such as the basic compliance policy and the compliance charter.
- In accordance with the aforementioned basic rules, the Company and group companies work together to ensure honest and fair corporate activities.
- The Board of Directors establishes basic rules for the management of customer protection, and puts in place a management policy and management framework for the protection of customers' interests.
- A whistleblower system is put in place whereby an executive or an employee who discovers illegal or inappropriate actions can report to a whistleblower contact point established in advance.
- The Company is determined to avoid relationships with anti-social forces which threaten order and safety in society, and works to prevent doing business with such groups.
- The Company is aware that money transacted through financial institutions may be used for various crimes or acts of terrorism, and is therefore committed to the prevention of money laundering.

### 2. System related to the storage and management of information related to the performance of duties by Directors

- Based on the Board of Directors rules as well as document management rules and other regulations, the Board of Directors creates systems for the storage and management of information related to performance of duties by Directors.

### 3. Rules and other systems related to the management of risk of losses

- Recognizing the existence of various risks surrounding the Company and group companies, and fully aware of the importance of controlling such risks, the Board of Directors decides the basic risk management policy and risk management regulations. By accurately recognizing the various risks accompanying group company management and by carrying out appropriate management and operations, the Board of Directors establishes systems to ensure the soundness of group management.

- A contingency plan has been formulated, and a crisis management system has been established to prepare for unexpected events and risks such as natural disasters.
- Each group company carries out appropriate risk management in close partnership with each group company's risk management department, following the Group's basic policy.

### 4. System to ensure that Directors, etc. of the Company and group companies perform duties efficiently

- The Board of Directors sets overall organizational standards for basic tasks, operational entities, and assignment of duties, and ensures a system in which the Company and all group companies perform well-organized and efficient business operations.
- The Management Committee executes business operations promptly and efficiently, based on delegation of authority and assignment of duties by the Board of Directors.
- Teleconferencing systems and other IT tools are proactively utilized.

### 5. System to ensure the appropriateness of operations within the corporate group

- The Board of Directors is responsible for overall group management. It establishes the group management regulations, prepares frameworks for agenda-setting and reporting for each group company with regard to important matters, and receives reports from internal audit departments on the findings of audits into the status of legal compliance, risk management, and the appropriateness and effectiveness of business operations at the Company and all group companies.
- We also have in place mechanisms to ensure the propriety of financial reporting, ensuring honest and clear statements of the Group's financial position and business results.

### 6. Matters related to employees in the case that Audit & Supervisory Board Members request the assignment of employees to assist with duties

- When Audit & Supervisory Board Members request the assignment of employees to assist them in the conduct of their duties, the Board of Directors shall respect the Audit & Supervisory Board Member's views and provide the necessary personnel based on the required expertise.
- In addition, to ensure the independence of these employees from Directors as well as their effectiveness, the Company shall place employees who carry out this work only and to whom Audit & Supervisory Board Members may directly give directions and orders, and prior consent from the Audit & Supervisory Board is required for personnel transfers and disciplinary measures regarding such employees.

### 7. System for Company and group company executives and employees to report to Audit & Supervisory Board Members

- Executives and employees shall report to Audit & Supervisory Board Members if they discover matters that could cause significant losses to the Company or group companies.
- An effective and flexible reporting system shall be established for matters reported to the Audit & Supervisory Board by executives and employees as designated in advance by the Audit & Supervisory Board Members and Directors.
- The Audit & Supervisory Board Members may request reports from executives and employees as needed.

- A system shall be established to ensure that executives and employees of the Company or group companies are not mistreated as a result of having consulted with or reported to Audit & Supervisory Board Members.

#### 8. Other systems to ensure 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 shall give due consideration if the Audit & Supervisory Board Members request creation of a system for smoother and more effective performance of auditing duties.

- The Audit & Supervisory Board shall regularly meet with the representative Directors and outside accounting auditors.
- The Audit & Supervisory Board may invoice the Company for any expenses deemed necessary in order to perform its duties.

## We are strengthening internal auditing mechanisms to ensure sound management of the Group

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### Basic approach

The Group believes that establishment of internal auditing mechanisms that effectively meet requirements according to the scale and nature of operations, laws and regulations applied to the Group's businesses and categories of risk, is indispensable for enabling due legal and regulatory compliance by the Group, customer protection and risk management. Based on this conviction, the Company and its subsidiary banks, Hokuriku Bank and Hokkaido Bank have established internal auditing departments.

The internal auditing departments of each Group company develop mechanisms of checks and balances, which thereby ensure that those departments function independently of other departments.

### Group-wide measures

The Company verifies the appropriateness and effectiveness of Group company internal management mechanisms, and has accordingly established the Audit & Supervisory Group, tasked with overseeing the internal audit function of those companies. In line with basic policy and rules on internal audits compiled by the Board of Directors, the Audit & Supervisory Group carries out internal audits on the Company and its non-banking subsidiaries and affiliates, and also receives reports from Hokuriku Bank and Hokkaido Bank that include results of internal audits and progress made on matters requiring improvement. Furthermore, when necessary, the Audit & Supervisory Group centrally assesses and manages the implementation of internal audits within Group companies 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 have been put in place for prompt reporting to the Board of Directors with respect to events that could significantly impact management of the Group.

Also at Hokuriku Bank and Hokkaido Bank, operational and asset audits are performed involving head offices, branches and subsidiaries of each bank, based on the policy and rules for internal audits of the respective banks. Conducting these audits involves assessing legal and regulatory compliance, customer protection, and risk management at each entity subject to audit, and then making efficient and effective internal audit plans taking into account factors such as the frequency and extent of such audits.

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

# MEASURES FOR COMPLIANCE

## The Group rigorously ensures compliance with laws, regulations and social norms.

### Basic policy

At Hokuhoku Financial Group, we regard compliance as one of our most important management priorities, thereby fully recognizing that shortfalls with respect to compliance could weaken our business foundations. Therefore, the Board of Directors has established basic compliance policies which underpin our efforts to engage in business activities in a fair and honest manner.

### Systems

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

The Risk Management Group acts as the Compliance General Department responsible for overseeing compliance within the Group, and the head of the Risk Management Group acts as the officer in charge of compliance.

Compliance officers and other such managers are deployed to each branch of subsidiary banks and each Group company in order to aggressively implement training and awareness-raising initiatives regarding compliance in the workplace. Subsidiary banks have established Compliance General Departments and Compliance Committees, which work to assess progress in compliance measures and make improvements.

### Basic compliance policy

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

As a regional financial institution, the Group recognizes its public duties and social responsibilities, and accordingly 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 enabling stable economic and social development of its operating regions, while facilitating better lives for its customers.

#### 3. Strict observance of laws, regulations and rules

The Group strictly observes all relevant laws, regulations and rules, and conducts business in a fair and prudent manner, in adherence with its own standards of corporate ethics and social norms.

#### 4. Rejection of all 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.

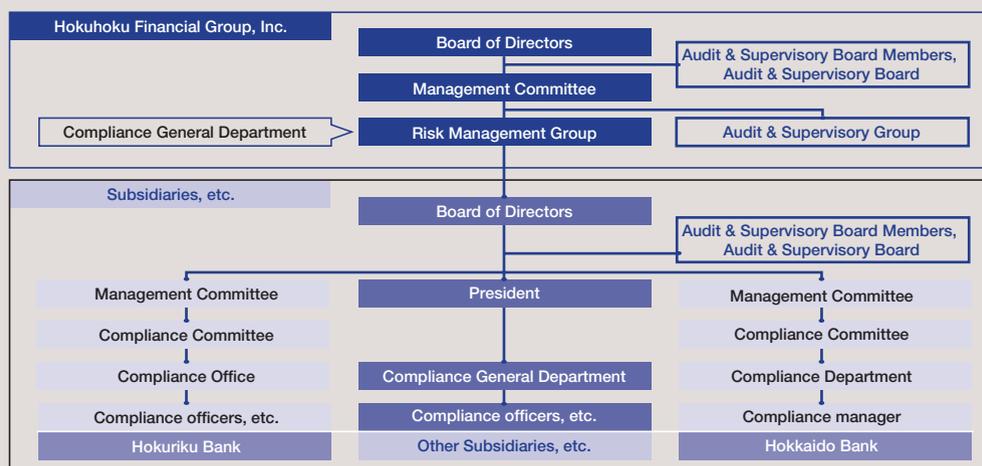
#### 5. Ensuring management transparency

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

### Compliance manual and compliance programs

To ensure rigorous compliance, we have formulated a compliance manual (code of conduct) compiling all fundamental considerations which executive officers and employees need to observe. The manual is distributed to all executive officers and employees, and in-house seminars and training sessions are conducted to ensure thorough familiarity with its content.

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



## Measures for better customer protection and greater customer convenience

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

Furthermore, we have formulated protocols and appropriate response structures based on five separate considerations, 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 grievances and inquiries through a customer consultation office set up to serve as a point of customer contact.

Moreover, the Compliance General Departments of respective Group companies act as offices responsible for overall customer protection management, and in partnership with each department in charge, they operate through a framework that

enables them to draft and implement various improvement measures through efforts that involve ongoing review geared toward ensuring proper functioning of management systems, problem resolution and data analysis.

## Measures for protection of personal information

In the financial industry, ensuring the safety of information assets is of utmost importance in terms of gaining customer trust. As such, we are committed to rigorously protecting and using 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, and to gain the full trust of our customers in acting as a financial institution that contributes to local communities.

### Basic rules for management of customer protection

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

### Policies for management of customer protection

In line with laws and regulations, we will adequately and sufficiently explain financial products and provide information when carrying out transactions with our customers.
We will listen carefully to customer grievances and give advice in an appropriate manner.
We will lawfully acquire and securely manage all information concerning our customers.
When outsourcing operations relating to transactions with customers, we will duly supervise service providers to protect customer information and interests.
We will appropriately manage transactions involving customers where conflict of interest could be an issue so as to prevent customer interests from becoming unduly impaired.

## Measures for dealing with anti-social elements

The Group has established basic policies for dealing with anti-social elements, with the aim of earning the public's trust and maintaining appropriate and sound financial services.

Our initiatives in this regard also involve deploying officers to respective Group companies in order to address issues regarding organized crime syndicates, coordinating with law enforcement, implementing firm measures for dealing with anti-social elements, and severing all relations with anti-social elements that threaten the peace and security of social order.

## Whistleblower protection systems

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

## Anti-money laundering and measures to deal with financial crime

In recent years, bank card theft and "Furikome" fraud (bank transfer scams) have been on the rise. As such, our subsidiary banks have bolstered security measures to prevent such occurrences, while taking proper action with respect to victims of such scams, such that includes reimbursing them in accordance with Japan's Furikome Fraud Relief Act.

The Group regards its pursuit of measures for preventing money laundering and other financial crimes as an important management challenge. Accordingly, we have been working to clarify divisions of internal roles on the basis of our anti-money laundering policy, while building a control system that enables us to implement effective measures at the right time with regard to verifying transactions, reporting suspicious transactions and managing correspondent relationships. Moreover, we have been educating our executive officers and employees through training, and striving to improve relevant mechanisms through initiatives that include performing audits to evaluate compliance of our anti-money laundering policies.

## Measures for financial alternative dispute resolution (ADR) system

In order to promptly and properly respond to customer feedback and grievances, our subsidiary banks have concluded agreements with the Japanese Bankers Association, which is a designated dispute resolution organization that works to resolve disputes from a fair and impartial position.

Name of designated dispute resolution organization: Japanese Bankers Association Inquiries: Japanese Bankers Association Customer Relations Center
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# MEASURES FOR RISK MANAGEMENT

## We are upgrading our risk management systems to ensure that they properly address the type and scale of risk to which we are exposed.

### General risk management system

Financial services are becoming increasingly diversified and complex, as financial institutions remain exposed to a wide range of risk. As such, the Group recognizes that risk management — ensuring proper resource allocation and risk taking in balance with earnings targets while keeping overall levels of risk within the Group’s managerial capacity to address such risk — is one of our most important management tasks. As such, the Group is working to upgrade risk management systems in order to protect customer deposits and earn the trust of our shareholders and creditors.

The Company and companies of the Group have each taken steps that include creating basic risk management policies that address various risks, establishing risk management departments, and preparing regulations. The companies are also working closely together to ensure integrated risk management within the Group.

At our subsidiary banks, which have the highest risk exposure within the Group, we categorize risk for management purposes as: credit risk, market risk, liquidity risk and operational risk, which we manage through our Asset Liability Management (ALM) Committees and Comprehensive Risk Management Committees. Meanwhile we further divide operational risk into administrative and system risk, and engage in fine-tuned management of such risk through our Operational Risk Subcommittees. Additionally, the audit departments conduct inspections to verify the appropriateness and effectiveness of the risk management systems.

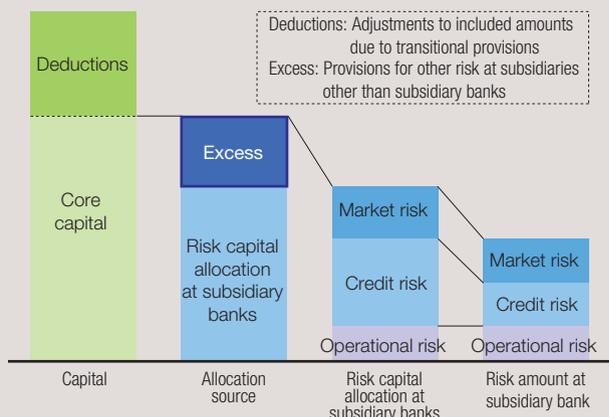
The Company’s Risk Management Group handles risk management oversight for the entire Hokuhoku Financial Group, and accordingly ensures sound operations. To that end, the Risk Management Group aims to manage risk in line with the type and scale of risk encountered by each Group company, through operations that involve receiving risk management status reports, then issuing Group companies appropriate instructions such as for improvement of regulations and systems, and also discussing and reporting to the Board of Directors and other senior management with respect to details on risk facing the Group and points of concern in that regard, along with policies for addressing such risk.



### Allocation of risk capital

The Group’s risk management practices involve taking a unified approach to the extent possible in terms of quantifying the various risks that emerge with respect to its operations, and then taking steps to ensure that overall levels of risk are kept within the Group’s capacity to take on such risk.

The subsidiary banks control and manage risk with the aim of ensuring that levels of risk remain within a range permissible for banking operations. To that end, they estimate maximum potential loss through a process that involves quantifying credit risk, market risk and operational risk. They then allocate risk capital by using core capital as allocation source, with the aim of making effective use of capital resources.



Meanwhile, the Company ensures that excessively large risks are not taken relative to capital on a Group-wide basis, through initiatives that include checking risk allocation plans of subsidiary banks, verifying that amounts in excess of risk capital allocations are sufficient to cover risk conceivably affecting subsidiaries other than the subsidiary banks as well as risk not included in the risk assumptions, and monitoring actual levels of risk.

In addition, we perform stress tests to calculate the extent of potential losses that would be anticipated in the case of normally inconceivable deterioration of business conditions, excessive market fluctuations and other such scenarios. In this way, we periodically examine the substantiality of our capital position against risk that cannot be easily perceived.

## Credit risk management

### Basic approach

Credit risk involves, for instance, the threat that deterioration of a customer's financial health might make it impossible to recover principal or receive interest of loans and bills discounted, etc. as initially contracted. Although this is an unavoidable risk when it comes to banks whose role is to act as financial intermediaries, the Group endeavors to maintain and enhance asset soundness by developing and strengthening its credit risk management systems.

### Credit risk management systems

To maintain and enhance asset integrity, the Group applies a unified system of internal ratings and asset self-assessment, promptly and accurately appraises credit risk, and performs write-offs and provisions to reserves for possible loan losses as appropriate.

Subsidiary banks each have their own credit risk management systems, while the Company manages such risk on a Group-wide basis.

Subsidiary banks divide duties such that executive officers and organizational units that handle credit screening are not involved in business promotion, thereby helping to ensure that credit decisions and management are made on an individual basis, with credit screening and management carried out rigorously and in a manner not influenced by business promotion.

When making individual judgements on granting credit, rigorous screening is carried out in accordance with standards and principles stated in our credit policy. For this purpose, we actively work to upgrade screening systems, such as through efforts to fortify our screening capabilities by enhancing system support and providing training in that regard.

More specifically, we perform detailed analysis and screening of individual loan applications at each bank branch, and in cases where a manager lacks the authority for approvals, 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 departments, thereby ensuring a system of consultation and guidance tailored to the needs of individual branches, based on borrower characteristics.

### Internal ratings systems

To enable objective appraisal of credit risk of loans and bills discounted, etc., our subsidiary banks have introduced internal ratings systems. Using 15 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in ratings.

Based on the ratings generated by the internal ratings systems 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 Group-wide management rules for credit limits, we seek to enhance credit risk management by such means as curbing risk on a Group-wide basis of credit concentration in terms of the aggregate of marketable and off-balance-sheet credits.

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

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

The Group has established asset self-assessment standards by which it performs assessments of loans and bills discounted, and other assets.

The self-assessments are performed in order to gain a true picture of the assets and to enhance asset integrity. Self-assessment is a prerequisite for appropriate write-offs and provisions to reserves for possible loan losses, as required by corporate accounting principles in Japan.

Under unified Group standards established for write-offs and provisions to reserves for possible loan losses, provisions are made to the general reserve for possible loan losses with respect to loans to normal borrowers and borrowers requiring caution, 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 for possible loan losses,

in the amount deemed necessary, excluding amounts that may be recoverable through collateral and guarantees. For loans to substantially bankrupt and bankrupt borrowers, we either amortize amounts in full or recognize a provision of the full amount in the specific reserve for possible loan losses, excluding amounts that may be recoverable through collateral and guarantees.

## Corporate rehabilitation

After making a loan to a corporate customer, we endeavor to prevent such loans from becoming designated as bad debt by assessing business conditions faced by our borrowers and performing follow-up reviews of the borrower's business plans. Meanwhile, we strive to ensure asset integrity through creation of a framework for dedicated management of bad debt and enhanced support for corporate rehabilitation.

## Market risk management

### Basic approach

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

The Group endeavors to properly control market risk and manage operations in a manner that ensures stable earnings. To that end, at the subsidiary banks that mainly handle transactions involving market risk, we have created regulations for market risk management and comprehensively manage assets and liabilities by employing asset-liability management (ALM) practices.

### Main types of risk and management systems

#### (1) Interest-rate risk

Bonds, other securities, deposits and loans and bills discounted are exposed to the risk of declining profits or losses due to interest rate fluctuations amid situations involving interest rate asset-liability mismatch or duration mismatch. Our subsidiary banks have established regulations on interest rate management to diversify risk, and their ALM Committees appropriately control interest-rate risk.

The risk management departments assess risk level daily, using such indicators as value-at-risk (VaR), which measures the largest conceivable loss possible given fixed probabilities, and also periodically run gap analysis and interest rate sensitivity analysis 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-rate risk, we set various investment ceilings for bonds and other securities under risk capital allocation based on VaR, etc., and manage both balances and risk levels of securities. We have also set rules for taking action when faced with mounting losses (unrealized and realized).

For market transactions, we have established a system of mutual checks and balances on the departments carrying out transactions (front office), the processing departments (back office) and the risk management departments (middle office). The front office conducts operations in strict observance of policies and ceiling amounts stipulated by the Management Committee. The middle office continuously monitors risk levels and the status of compliance with various rules. It also sets "alarm points" to enable early diffusion of risk issues, discusses measures to respond to these issues at ALM Committees, and regularly reports such matters to the Management Committee.

Furthermore, we periodically perform stress testing to determine the extent of conceivable losses under certain scenarios in cases where it is not possible to accurately measure levels of risk due to substantial market fluctuations, and given the threat that an unforeseen risk may materialize.

#### (2) Price fluctuation risk

Among marketable securities, stocks are exposed to the risk of declining asset prices arising from fluctuations in market prices. However, as with interest-rate risk management, we stringently manage risk of stock price

fluctuations through efforts that include setting ceilings, monitoring at-risk amounts, and regularly reporting such matters to the Management Committee and other relevant bodies.

We also perform pre-acquisition screening with respect to shareholdings, monitor market conditions and financial positions of individual corporations after acquiring stocks, and hold regular discussions regarding our shareholdings.

### (3) Foreign exchange rate risk

Foreign currency assets and liabilities are exposed to risk involving the threat of losses incurred due to a foreign exchange price being different to that initially planned for. To reduce such risk, we regularly monitor the international affairs and major indicators in Europe and the US, conduct risk management with due consideration to the maturity of

individual assets and liabilities, and mitigate forex risk through currency swaps and other such transactions.

### (4) Derivative transactions risk

To meet the various needs of customers, as well as those of our respective banks for ALM and risk hedging, our subsidiary banks engage in currency swaps and options, currency forward contracts and other currency-related derivative transactions, as well as interest rate swaps, caps, forward interest-rate-related derivatives and other interest-rated based derivatives.

Meanwhile, because derivatives are exposed to various kinds of market risk, we manage such risk on a daily basis to ensure that losses remain within certain thresholds, by performing fair value assessments of our positions and measuring risk levels.

## Liquidity risk management

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Liquidity risk refers to fund procurement risk involving the threat of losses that may be incurred due to a fall in creditworthiness or the like diminishing an entity's financing availability and forcing it to procure funds at significantly higher interest rates than normal. Liquidity risk also refers to market liquidity risk involving the threat of losses that may be incurred due to market disruptions or the like preventing an entity from engaging in transactions and forcing it to engage in transactions on considerably less favorable terms than normal.

The subsidiary banks, which account for a majority of the Group's liquidity risk, stipulate regulations on liquidity risk management and maintain adequate levels of government bonds and other payment reserve assets that are readily convertible into cash. They also set various control indices pertaining to liquidity risk and monitor those on a daily basis. Developments regarding liquidity risk are regularly reported in meetings of the ALM Committees and other such bodies, and discussions are held in that regard, to ensure that we will be able to take action to address any crisis, should one emerge, appropriate to the stage of the particular situation.

By precisely assessing management and procurement levels at subsidiary banks, we ensure that fund procurement can proceed smoothly.

## Operational risk management

### Basic approach

Operational risk refers to the threat of losses arising from inappropriate operational processes, improper conduct of executive officers and employees, unsuitable computer systems, or adverse external events.

The Group categorizes operational risk as follows. We take ongoing measures to correctly recognize, appraise and manage each type of risk, while avoiding or reducing losses that could significantly affect business operations.

<b>Administrative risk</b>	Risk of losses due to executive officers and employees failing to carry out administrative work correctly, causing an accident, or committing an illegal act
<b>System risk</b>	Risk of losses due to computer system downtime, malfunction or other system deficiencies, or illicit computer use
<b>Legal risk</b>	Risk of losses due to breaches of obligations resulting from negligence toward customers
<b>Personnel risk</b>	Risk of losses due to unfair or discriminatory behavior in personnel management
<b>Tangible asset risk</b>	Risk of losses due to natural disasters or other such events damaging tangible assets
<b>Reputational risk</b>	Risk of losses due to diminished trust in the Group caused by deterioration of its reputation or spreading of unjustified rumors

### Management structure

The Company has established rules for management of operational risk stipulating categories of risk and setting forth basic processes for the management of such risk.

Upon compiling instances of various operational risks having materialized in the form of administrative errors, grievances, leaked information, system failures and “Furikome” fraud, operating risk panels at our subsidiary banks meet on a monthly basis to analyze the causes of such incidents and to review measures for preventing recurrence. They also anticipate potential risk, identify preventative measures and otherwise review means of reducing risk.

Whereas management teams of our subsidiary banks and the Company are provided with reports on the status of operational risk and outcomes of reviews in that regard, the Company also maintains a framework for enabling proper risk management by comparing actual losses incurred as a consequence of operational risk and allocated risk capital.

In performing internal audits, we ensure mutual checks and balances, establish measures to prevent administrative errors from reoccurring and verify the effectiveness of such measures, and also report results of audits to management and relevant departments. In that way, we strive to establish Plan, Do, Check and Act (PDCA) cycle frameworks that will help improve operations.

### Risk management systems by major category

#### • Administrative risk management

The Group painstakingly analyzes causes of administrative errors and other incidents, and discusses measures to prevent recurrence, with the aims of preventing accidents,

grievances and other issues involving administrative operations and maintaining swift and accurate office operations. At the same time, we endeavor to raise administrative standards by developing sets of rules, 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

Increasingly sophisticated financial business operations and the growth in transaction volumes mean that it is becoming ever more crucial that computer systems which are essential to business operate reliably.

As such, the Group has formulated rules for system risk management, established a robust management and operating structure, and implements a variety of security management measures that include backup systems.

### Crisis management

To minimize the impact of any large-scale disaster or other emergency, should one occur, the Group has compiled a crisis management manual with contingency plans and other such content, and has also established a contingency framework that includes mechanisms for information-gathering as well as centralized crisis instruction and command.

In particular, at our subsidiary banks, we have drawn up a Business Continuity Plan (BCP), which enables us to continue to perform our settlement functions and other operations required of financial institutions in the event of an earthquake, outbreak of a new strain of influenza or other such crisis, and have otherwise established a framework that enables a full-scale response to crisis situations.

# CHARACTERISTICS OF OUR MAIN BUSINESS AREA

## Population and Square Measure\*1

	Toyama Prefecture a	Ishikawa Prefecture b	Fukui Prefecture c	Total a + b + c	Hokkaido
Population (Proportion)	1.08Mn (0.8%)	1.16Mn (0.9%)	0.80Mn (0.6%)	3.04Mn (2.3%)	5.43Mn (4.2%)
Square Measure (Proportion) km <sup>2</sup>	4,248 (1.1%)	4,186 (1.1%)	4,190 (1.1%)	—	83,457 (22.0%)

## Number of businesses\*1 (Thousand)

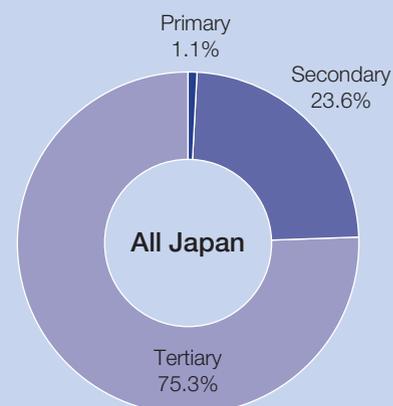
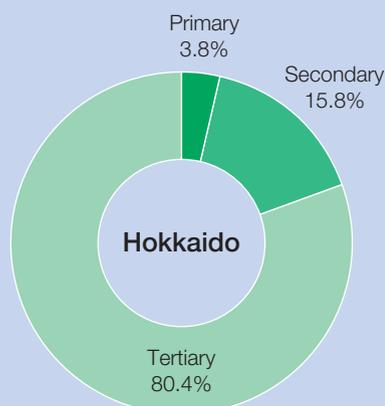
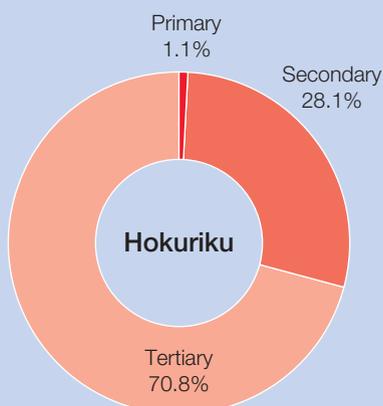
Hokkaido	242
Hokuriku	163
Toyama	55
Ishikawa	64
Fukui	44

## Gross Prefectural Product\*\*1,2

(JPY Bn)

	Toyama a	Ishikawa b	Fukui c	Total a + b + c	Hokkaido
GPP (Proportion) (Ranking)	4,383.9 (0.88%) (31st)	4,426.4 (0.88%) (29th)	3,089.8 (0.62%) (42nd)	11,900.3 (2.38%)	18,124.1 (3.62%) (8th)

## Industrial Structure\*2

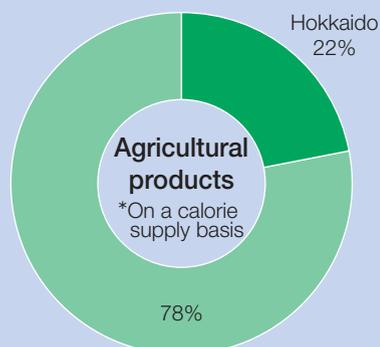
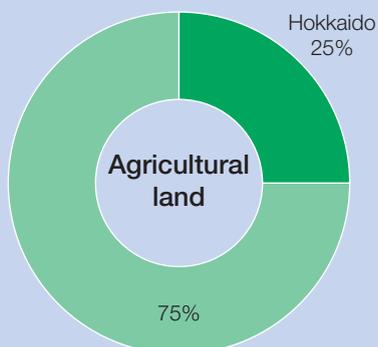


Data source : \*1 Ministry of Internal Affairs and Communications,\*2 Cabinet Office

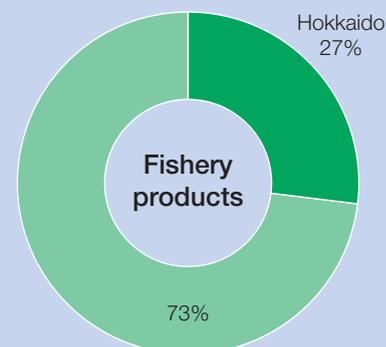
## Hokkaido

- With vast expanses of land and ample fishing areas in the ocean surrounded on all sides, Hokkaido has thriving primary industries such as agriculture and fisheries compared to the rest of Japan. As a result, Hokkaido is called the largest food supply base of Japan.
- It is also popular as a tourist destination, and receives many visitors both from Japan and overseas.

## Abundant Natural Resources



Wheat / Potato / Onion / Milk etc.



Atka mackerel / Tangle / Salmon / Cod / Scallops etc.

Data source : Ministry of Agriculture, Forestry and Fisheries / Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Regional Development Bureau / Department of Agriculture, Hokkaido Government

### Increasing Numbers of Tourists Visiting Hokkaido

Data source : Bureau of Tourism, Department of Economic Affairs, Hokkaido Government



### Renewable Energy

#### No.1 presence of resources

Hydroelectric power / Geothermal energy / Wind power / Solar power



### Hokuriku

- The Hokuriku region is bordered by the Japan Sea to its front, and flanked by steep mountains, such as the Tateyama mountain range, to its back. This creates a topography in which massive amounts of meltwater from snow flow into rivers, and this water is used for hydroelectric power generation, and also plays a role in attracting manufacturing companies to the region. (The Hokuriku region has a higher ratio of secondary industries compared to Japan as a whole.)
- The 3 prefectures of Hokuriku have each developed industries that match their distinctive characteristics.

### Toyama Prefecture's Pharmaceutical Product Production

Data source: Ministry of Health, Labour and Welfare, Statistics of Production by Pharmaceutical Industry (¥ billion)



Toyama Prefecture, which forms the medicine capital known as Medicine city Toyama, is home to a diverse range of pharmaceutical companies, from the allocated drug sales industry of the past, to new drug developers, generic drug manufacturers, and over-the-counter drug manufacturers. In addition, peripheral industries, such as plastic container packaging and printing, are well developed in the prefecture. Toyama Prefecture is home to highly-distinctive pharmaceuticals companies, such as a pioneer company in the field of transdermal absorption-type medications, and the first company in the world to develop intraoral film-type medications.

### Fukui Prefecture's Eyeglasses Production

Data source: Ministry of Economy, Trade and Industry, Census of Manufactures (¥ billion)



Fukui Prefecture (Sabae City in particular) has more than a 100-year history as a manufacturing base for eyeglasses, and boasts the top share in the eyeglasses manufacturing industry (including frames) in Japan. The prefecture is a global hub for frame manufacturing in particular, on par with Italy and China. Leveraging its excellent technological capabilities, the prefecture is working to increase value-added, including enhancing its brand power, with an eye towards capturing demand in the growing Asian market.

### Many Global Niche Top Companies in Ishikawa Prefecture

Ishikawa Prefecture has a developed industrial sector, centered on the textile and machinery industries. In 2014, the Ministry of Economy, Trade and Industry's Manufacturing Industries Bureau selected 4 machinery and processing-related companies, and 2 textiles-related companies from Ishikawa Prefecture to be included in the "Global Niche Top Companies." Companies were selected based on a determination that they were strong in such areas as: [i] Compatibly achieving both global share and profits; [ii] Having unique and independent characteristics; [iii] Addressing approaches to risk of losing out to competitors; and [iv] Maintaining sustainability of their global share.

## Fundamental approach to group CSR

### 1. Basic stance

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

### 2. Definitions

#### 1) CSR

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

#### 2) Our Stakeholders

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

## To meet diversifying customer needs

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

### Enhancing the Hokkaido Bank's Home Renovation Loan Product (Hokkaido Bank)

To respond to all of its customers' home renovation loan-related needs, the product was expanded to raise the maximum loan amount to ¥10 million, whereas the ceiling had previously been ¥5 million.

In addition, to provide financial support for the environment, preferred interest rates are offered in cases where home renovations involve eco-friendly related work, such as the installation of heat pump-type hot water heaters or heaters, or the installation of solar panels.

### Giving customers round the clock access at convenience store ATMs (Hokuriku Bank)

We extended ATM service hours to a maximum of 24 hours a day for convenience store ATMs offered by Seven Bank, E-net and Lawson nationwide. When combined with BankTime ATMs in the 3 Hokuriku prefectures which have already been offering 24-hour service, this brings the total number of 24-hour service convenience store ATMs to 44,000, which has boosted the level of convenience both in terms of time and location. This service is the first of its kind by a regional bank or credit association headquartered in one of the 3 prefectures in Hokuriku.

### Launch of Hokkaido Bank Education Card Loan (Hokkaido Bank)

Hokkaido Bank launched a card loan-type education loan targeting all types of education-related funds through graduation. Customers are able to borrow money in ATM as much as they need, whenever they need to, on a repeated basis up to a maximum of ¥10 million. Customers can apply

for the loan at bank branches, or via the Internet, post or FAX, thereby being approved for the loan without even visiting a branch.

### Remodeled branches reopen for business (Hokuriku Bank)

The Takaokaminami Branch reopened as the new Takaokaminami Chuo Branch following the relocation of the Takaokasogoichiba Sub-Branch and Loan Plaza Takaokaminami Chuo (formerly Takaokaminami) and a name change. The branch is located close the Shin-takaoka Station of the Hokuriku Shinkansen, and going forward this branch will contribute to the development of the local society as the central branch in the southern part of Takaoka City, where growth is anticipated.

The Higashitoyama Sub-Branch and the Echizenmachi Branch/Nishidenjigata Sub-Branch each relocated to newly constructed buildings. The Higashitoyama Sub-Branch uses a lot of aluminum, which is a core industry in Toyama, and offers a larger space for customers and an expanded parking lot. The Echizenmachi Branch/Nishidenjigata Sub-Branch was moved to the Ichibanmachi Square Building. It is an eco-friendly space featuring LED lighting and high-efficiency air conditioning equipment. In addition, the facility is barrier-free, enabling all people to use the branch with ease.



Reopening ceremony of Takaokaminami Chuo Branch



The Ichibanmachi Square Building

## More dialog and better disclosure

We continuously communicate with investors and analysts for better disclosure.

### IR meetings for investors and analysts

November 2014: Fiscal 2014 interim results (Tokyo)  
May 2015: Fiscal 2014 results (Tokyo)

### IR overseas roadshow

July 2015: Europe (London, Edinburgh)  
North America (New York, Boston, San Francisco)

### IR meetings for individual investors

June 2015: Two cities in Hokuriku (Toyama and Kanazawa) and two cities in Hokkaido (Sapporo and Asahikawa)

### General meeting of shareholders

June 2015: 12th ordinary general meeting of shareholders (Sapporo, with live broadcast to Toyama)

## Advancing with regional communities

We take part in social contribution activities.

### Financial education

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

### Support for industry-academia cooperation

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

### Support for arts and culture

- Arranging and supporting concerts
- Establishment of art galleries



Lilac Concert



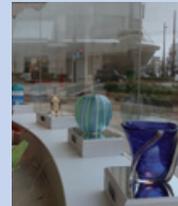
### Presentation of the Dogin Art and Culture Promotion Award (Hokkaido Bank)

Hokkaido Bank honors and awards grants to artists and artistic organizations possessing the potential for future greatness through outstanding art and culture activities and who are expected to contribute to the development of Hokkaido's art and culture.

In fiscal 2014, awards were presented to one artist in the music category and one artist in the arts category. Great things are expected of both artists in the future.

### Establishment of the Ichibanmachi Square Building Art Promenade (Hokuriku Bank)

Hokuriku Bank established the Ichibanmachi Square Building Art Promenade in conjunction with the opening of the newly built Echizen-machi Branch and Nishidenjigata Sub-Branch. At night, this space is lit up, which creates an even more vivid exhibit, adding beautiful color to the town streets.



### Support for HOKKAIDO BANK FORTIUS (Hokkaido Bank)

Hokkaido Bank is the main sponsor of the women's curling team, the HOKKAIDO BANK FORTIUS.

The team won its first championship at the Japan Curling Championships, and represented Japan at the World Women's Curling Championship held in Sapporo.



## Helping conserve the regional environment

### Measures undertaken as a financial institution

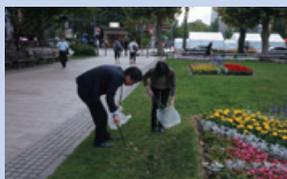
Environmentally-friendly housing loans, intermediary role in carbon-rights trading, lending based on environmental ratings.

### 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.

### Odori Park Clean-Up (Hokkaido Bank)

Every year, employees working near Odori Park take part in a volunteer clean-up event. The clean-up event takes place before and after events held at Odori Park, such as the YOSAKOI Soran Festival, creating a clean environment to allow people to enjoy their time in the park.



### Participation in the Sakuragaikie Eco-Village Sakura Full Bloom Project (Hokuriku Bank)

Approximately 100 new bank employees participated, for a social contribution activity, in the Sakuragaikie Eco-Village Sakura Full Bloom Project carried out by Nanto City in Toyama Prefecture. The participants helped with cleaning and planting trees.



# Hokuhoku Financial Group

## Business Meeting to Support the “Sixth Industrialization” of Companies based in Hokkaido, Tohoku and Hokuriku

Hokuriku Bank, Hokkaido Bank and 10 Tohoku regional banks which are partnering to promote exchange between Tohoku and Hokkaido held a business meeting in Tokyo in order to expand sales channels for client companies. At the event, 17 buyers primarily from the Tokyo metropolitan area and 36 exhibiting companies held a total of 100 individual business talks aimed at raising the value-added of products and to promote the sixth industrialization.

In addition, a business event about the sixth industrialization for customers in Tohoku and Hokkaido was held in Sapporo.



## Business-Matching Event for ASIA

Due to a lack of experience with export operations, it has not been uncommon for business transactions with overseas buyers to ultimately fall through despite having reached an agreement at business meetings. At this event, in order to raise the transaction closing rate of companies with no prior exporting experience, we invited buyers, primarily Japanese trading companies possessing overseas sales channels, to allow companies to export overseas via domestic transactions following the completion of business negotiations. At the event, a total of 94 business negotiations between the 21 exhibiting companies and the 13 buyers took place.



## Heads of Overseas Representative Office Deliver Briefing in Japan

The head of Hokuriku Bank’s New York Representative Office and the head of Hokkaido Bank’s Vladivostok Representative Office held a joint briefing in Sapporo. At the briefing, the two heads reported to clients about the latest information and economic trends in each location. Going forward, we will continue to work to improve the level of service to clients by utilizing the resources of our overseas offices.



## Business Tie-Up with CTBC Financial Holding Co., Ltd.

We concluded a business tie-up with CTBC Financial Holding Co., Ltd., a leading Taiwan-based financial services group. Under this tie-up, we will provide information about Taiwan, including its economy and investment environment, to customers who are entering the Taiwanese market, as well as customers who are considering an entry into the Taiwanese market, and will be able to provide financial support through CTBC Bank Co. Ltd., a subsidiary of CTBC Financial Holding Co., Ltd.



# Hokuriku Bank

## Using the Launch of the Hokuriku Shinkansen to Invigorate the Region

In order to help the March 2015 launch of the Hokuriku Shinkansen contribute to revitalizing the region, branches in the Tokyo metropolitan area and the Nagano Branch put up promotional posters produced by municipalities in the 3 prefectures comprising the Hokuriku region, played tourism DVDs produced by Toyama Prefecture and Kanazawa City, and carried out other PR activities to promote the region.



Toyamaekimae Branch

Also, based on the Comprehensive Agreement on Partnering and Collaborating with Toyama Prefecture, the Toyamaekimae Branch installed an electric countdown sign which counted down the days until the launch of service and built up excitement for the start of operations.



Introduction of Hokuriku in the Tokyo metropolitan area

## Helping Customers Exhibit at Ito-Yokado's "Hokuriku Fair"

In January 2015, we held individual business meetings with customers interested in exhibiting at the "Hokuriku Fair" put on by general merchandise store and supermarket operator Ito-Yokado Co., Ltd., as a way to help local companies expand their sales channels and to serve as a bridge between Hokuriku and the Tokyo metropolitan area.

A total of 36 companies participated in the event, where they showcased specialties from Hokuriku, a region which received much attention ahead of the launch of the Hokuriku Shinkansen.

Ten of the participating companies exhibited at the "Hokuriku Fair" which was held at approximately 150 stores nationwide during March.



## Three Hokuriku Universities Send Students to Dalian in China

In March 2015, based on the "Memorandum of Understanding about a Comprehensive Partnership and Cooperation Agreement," Kanazawa University and Toyama University each sent 10 students to Dalian in China for training, while Toyama Prefectural University likewise sent 2 students to Dalian for training.

During the training, the trainees learned about the situation in China, and visited Hokuriku companies which have entered the market in Dalian for the purpose of developing personnel who possess the global mindset to succeed on the global stage, and the head of the Hokuriku Bank Dalian Representative Office delivered a talk, etc. In addition, a lively debate was held with local university students during the roundtable discussion.



## Signing of MOU on Business Alliance and Cooperation with Japan Finance Corporation

We concluded a memorandum of understanding with the Toyama Branch, Kanazawa Branch, and Fukui Branch of the Japan Finance Corporation, which supports the development of small- and medium-sized enterprises and as well as people in the agriculture, forestry and fishing industries in the 3 prefectures comprising the Hokuriku region. This agreement pertains to help businesses get started, support for start-up companies, cooperation between agriculture, commerce and industry, and the provision of financing and information for management innovation. By complementing one another's expertise, the Hokuriku Bank and the Japan Finance Corporation will be able to give small- and medium-sized enterprises more detailed support, and contribute to the revitalization of the regional economy.



# Hokkaido Bank

## Hokkaido Bank Holds Russia Business Event

Hokkaido Bank held business networking events in both Vladivostok and Sapporo to help Hokkaido companies grow their businesses in far eastern Russia.

In Vladivostok, we promoted Hokkaido through efforts in observation tours of local Japanese companies and Russian companies, presentations delivered by participating companies, and individual company networking.



Individual business talk with clients (Sapporo)

At the Sapporo event, Russian companies from Yuzhno-Sakhalinsk and Vladivostok were invited to give presentations and to engage in individual business talks with clients. Also, tours of Hokkaido companies were given to deepen the level of mutual understanding.



Presentations to clients (Vladivostok)

## Three Hokkaido Municipalities Hold Joint Business Seminar

The three towns of Kuriyama, Shiraoi, and Tobetsu jointly held a business seminar in Tokyo to attract companies to the region. As companies increasingly look to location of resources, 61 companies participated in the event, centered on food-related companies looking for ingredients produced in Hokkaido. The three municipalities were pleased with the event, as together they were able to hold this type of seminar to attract companies as suggested by the bank, which would have been difficult for any one of these small municipalities to hold on its own.



## Support for Wind Power Generation Projects

In accordance with the Tohoku and Hokkaido Area Partnership Agreement concluded in March 2013, we worked Hokuto Bank to together provide financing for a project finance for a wind power project carried out by a wind power company.

Going forward, we will step up our efforts in the environment field, centered on renewable energy, and to utilize a diverse range of techniques to reinvigorate the regional economy.



Sample image

## Working with Recruit Hokkaido Jalan to Promote the Appeal of Southern Hokkaido

With the aim of contributing to the revitalization of Hokkaido's economy ahead of the launch of the Hokkaido Shinkansen in the spring of 2016, we are working with Recruit Hokkaido Jalan Co., Ltd., with which we have concluded a partnership and cooperation agreement, to place feature articles entitled "The Hakodate and Southern Hokkaido Amazement Discovery Team" in the *Hokkaido Jalan* magazine, beginning with the February 2015 edition.



**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEET**

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks (Notes 3 and 30).....	¥ 1,210,607	¥ 844,182	\$10,074,122
Call loans and bills bought (Note 30).....	94,599	85,734	787,215
Monetary claims bought (Note 30).....	72,524	80,161	603,512
Trading assets (Note 4).....	4,508	5,007	37,515
Money held in trust (Note 5).....	7,947	7,759	66,134
Securities (Notes 6, 12 and 30).....	2,493,601	2,493,619	20,750,618
Loans and bills discounted (Notes 7, 12, 13 and 30).....	7,546,819	7,323,290	62,801,192
Foreign exchanges (Note 8).....	14,533	14,506	120,938
Other assets (Note 12).....	91,952	98,254	765,187
Tangible fixed assets (Note 9).....	101,878	103,563	847,789
Intangible fixed assets (Note 10).....	28,076	32,905	233,641
Asset for retirement benefits (Note 17).....	2,069	—	17,218
Deferred tax assets (Note 27).....	462	11,378	3,848
Customers' liabilities for acceptances and guarantees (Note 11).....	68,711	73,661	571,789
Allowance for loan losses.....	(55,290)	(59,218)	(460,105)
<b>Total assets</b> .....	<b>¥11,683,001</b>	<b>¥11,114,807</b>	<b>\$97,220,613</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits (Notes 12, 14 and 30).....	¥10,627,748	¥10,147,805	\$88,439,279
Call money and bills sold (Note 12).....	58,454	57,273	486,431
Payables under securities lending transactions (Note 12).....	27,809	—	231,419
Trading liabilities (Note 4).....	1,184	1,434	9,856
Borrowed money (Notes 12, 15 and 30).....	125,680	121,797	1,045,852
Foreign exchanges (Note 8).....	179	151	1,495
Bonds payable (Note 16).....	43,000	58,000	357,826
Other liabilities.....	126,322	123,643	1,051,200
Liability for retirement benefits (Note 17).....	8,930	14,961	74,314
Reserve for directors' and audit & supervisory board members' retirement benefits....	277	328	2,310
Reserve for contingent losses.....	1,970	2,499	16,398
Reserve for reimbursement of deposits.....	1,366	1,252	11,373
Deferred tax liabilities.....	12,313	—	102,464
Deferred tax liabilities for revaluation.....	6,064	6,872	50,470
Acceptances and guarantees (Note 11).....	68,711	73,661	571,789
<b>Total liabilities</b> .....	<b>11,110,014</b>	<b>10,609,681</b>	<b>92,452,476</b>
<b>Equity (Notes 18, 19 and 21)</b>			
Capital stock.....	70,895	70,895	589,956
Capital surplus.....	148,197	148,193	1,233,230
Stock acquisition rights (Note 20).....	266	191	2,218
Retained earnings.....	242,701	222,995	2,019,655
Treasury stock.....	(1,514)	(1,529)	(12,603)
Accumulated other comprehensive income.....			
Valuation difference on available-for-sale securities (Note 6).....	101,033	61,301	840,751
Deferred gains (losses) on hedges.....	(845)	(194)	(7,035)
Revaluation reserve for land (Note 9).....	8,502	8,182	70,754
Defined retirement benefit plans (Note 17).....	2,473	(6,077)	20,587
<b>Total</b> .....	<b>571,710</b>	<b>503,957</b>	<b>4,757,513</b>
Minority interests.....	1,276	1,168	10,624
<b>Total equity</b> .....	<b>572,987</b>	<b>505,125</b>	<b>4,768,137</b>
<b>Total liabilities and equity</b> .....	<b>¥11,683,001</b>	<b>¥11,114,807</b>	<b>\$97,220,613</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	¥102,254	¥106,400	\$ 850,919
Interest and dividends on securities .....	24,322	22,053	202,398
Interest on receivables under resale agreements .....	6	2	54
Interest on deposits with other banks .....	1,017	819	8,466
Other interest income .....	867	992	7,220
Fees and commissions .....	39,505	37,067	328,749
Trading income .....	388	573	3,230
Other ordinary income (Note 23) .....	17,273	15,072	143,745
Other income (Note 25) .....	8,422	8,171	70,090
<b>Total income .....</b>	<b>194,059</b>	<b>191,153</b>	<b>1,614,871</b>
<b>Expenses</b>			
Interest expense:			
Interest on deposits .....	4,250	5,359	35,371
Interest on payables under securities lending transactions .....	42	0	354
Interest on borrowings and rediscounts .....	1,484	2,114	12,356
Interest on bonds payable .....	586	655	4,879
Other interest expense .....	800	744	6,659
Fees and commissions .....	14,392	14,342	119,768
Other ordinary expenses (Note 24) .....	9,203	8,753	76,591
General and administrative expenses .....	106,048	105,212	882,486
Provision of allowance for loan losses .....	4,202	—	34,972
Other expenses (Note 26) .....	6,140	6,636	51,097
<b>Total expenses .....</b>	<b>147,152</b>	<b>143,820</b>	<b>1,224,533</b>
Income before income taxes and minority interests .....	46,906	47,333	390,338
Income taxes (Note 27):			
Current .....	9,360	5,875	77,895
Deferred .....	9,231	14,062	76,821
Net income before minority interests .....	28,314	27,394	235,622
Minority interests in net income .....	79	61	660
<b>Net income .....</b>	<b>¥ 28,235</b>	<b>¥ 27,332</b>	<b>\$ 234,962</b>
	Yen		U.S. dollars
<b>Per share of common stock</b> (Notes 2-t and 22)			
Basic net income .....	¥19.87	¥19.20	\$0.17
Diluted net income .....	19.84	19.18	0.17
Cash dividends applicable to the year .....	4.25	4.00	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		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net income before minority interests .....	¥28,314	¥27,394	\$235,622
Other comprehensive income (Note 28) .....	48,288	8,795	401,833
Valuation difference on available-for-sale securities .....	39,726	8,642	330,587
Deferred gains (losses) on hedges .....	(650)	106	(5,413)
Revaluation reserve for land .....	626	—	5,211
Defined retirement benefit plans .....	8,551	—	71,158
Share of other comprehensive income of associates accounted for using equity method .....	34	46	290
<b>Total comprehensive income .....</b>	<b>¥76,603</b>	<b>¥36,190</b>	<b>\$637,455</b>
Comprehensive income attributable to owners of the parent .....	76,493	36,110	636,547
Comprehensive income attributable to minority interests .....	109	79	908

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
<b>BALANCE, APRIL 1, 2013</b> .....	1,351,630	107,432	¥70,895	¥148,197	¥107	¥201,138	¥(1,547)
Cash dividends.....						(6,634)	
Net income.....						27,332	
Purchases of treasury stock .....							(17)
Disposals of treasury stock.....				(4)			35
Reversal of revaluation reserve for land.....						1,158	
Net changes in the year .....					83		
<b>BALANCE, MARCH 31, 2014 (APRIL 1, as previously reported)</b> .....	1,351,630	107,432	¥70,895	¥148,193	¥191	¥222,995	¥(1,529)
Cumulative effects of accounting change.....						(1,864)	
<b>BALANCE, APRIL 1, 2014 (as restated)</b> .....	<b>1,351,630</b>	<b>107,432</b>	<b>70,895</b>	<b>148,193</b>	<b>191</b>	<b>221,130</b>	<b>(1,529)</b>
Cash dividends.....						(6,970)	
Net income.....						28,235	
Purchases of treasury stock .....							(17)
Disposals of treasury stock.....				3			32
Reversal of revaluation reserve for land.....						305	
Net changes in the year .....					75		
<b>BALANCE, MARCH 31, 2015</b> .....	<b>1,351,630</b>	<b>107,432</b>	<b>¥70,895</b>	<b>¥148,197</b>	<b>¥266</b>	<b>¥242,701</b>	<b>¥(1,514)</b>

	Millions of yen						
	Accumulated other comprehensive income				Total	Minority interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans			
<b>BALANCE, APRIL 1, 2013</b> .....	¥ 52,630	¥(301)	¥9,340	¥ —	¥480,461	¥1,089	¥481,550
Cash dividends.....					(6,634)		(6,634)
Net income.....					27,332		27,332
Purchases of treasury stock .....					(17)		(17)
Disposals of treasury stock.....					30		30
Reversal of revaluation reserve for land.....					1,158		1,158
Net changes in the year .....	8,671	106	(1,158)	(6,077)	1,626	79	1,705
<b>BALANCE, MARCH 31, 2014 (APRIL 1, as previously reported)</b> .....	¥ 61,301	¥(194)	¥8,182	¥(6,077)	¥503,957	¥1,168	¥505,125
Cumulative effects of accounting change.....					(1,864)		(1,864)
<b>BALANCE, APRIL 1, 2014 (as restated)</b> .....	<b>61,301</b>	<b>(194)</b>	<b>8,182</b>	<b>(6,077)</b>	<b>502,093</b>	<b>1,168</b>	<b>503,261</b>
Cash dividends.....					(6,970)		(6,970)
Net income.....					28,235		28,235
Purchases of treasury stock .....					(17)		(17)
Disposals of treasury stock.....					36		36
Reversal of revaluation reserve for land.....					305		305
Net changes in the year .....	39,731	(650)	320	8,551	48,027	108	48,136
<b>BALANCE, MARCH 31, 2015</b> .....	<b>¥101,033</b>	<b>¥(845)</b>	<b>¥8,502</b>	<b>¥2,473</b>	<b>¥571,710</b>	<b>¥1,276</b>	<b>¥572,987</b>

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
<b>BALANCE, MARCH 31, 2014</b>					
<b>(APRIL 1, as previously reported)</b> .....	\$589,956	\$1,233,199	\$1,593	\$1,855,669	\$(12,726)
Cumulative effects of accounting change.....				(15,517)	
<b>BALANCE, APRIL 1, 2014 (as restated)</b> .....	<b>589,956</b>	<b>1,233,199</b>	<b>1,593</b>	<b>1,840,152</b>	<b>(12,726)</b>
Cash dividends.....				(58,004)	
Net income.....				234,962	
Purchases of treasury stock .....					(148)
Disposals of treasury stock.....		31			271
Reversal of revaluation reserve for land.....				2,545	
Net changes in the year .....			625		
<b>BALANCE, MARCH 31, 2015</b> .....	<b>\$589,956</b>	<b>\$1,233,230</b>	<b>\$2,218</b>	<b>\$2,019,655</b>	<b>\$(12,603)</b>

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income					Total	Minority interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans				
<b>BALANCE, MARCH 31, 2014</b>								
<b>(APRIL 1, as previously reported)</b> .....	\$510,121	\$(1,622)	\$68,088	\$(50,571)	\$4,193,707	\$9,720	\$4,203,427	
Cumulative effects of accounting change.....					(15,517)		(15,517)	
<b>BALANCE, APRIL 1, 2014 (as restated)</b> .....	<b>510,121</b>	<b>(1,622)</b>	<b>68,088</b>	<b>(50,571)</b>	<b>4,178,190</b>	<b>9,720</b>	<b>4,187,910</b>	
Cash dividends.....					(58,004)		(58,004)	
Net income.....					234,962		234,962	
Purchases of treasury stock .....					(148)		(148)	
Disposals of treasury stock.....					302		302	
Reversal of revaluation reserve for land.....					2,545		2,545	
Net changes in the year .....	<b>330,630</b>	<b>(5,413)</b>	<b>2,666</b>	<b>71,158</b>	<b>399,666</b>	<b>904</b>	<b>400,570</b>	
<b>BALANCE, MARCH 31, 2015</b> .....	<b>\$840,751</b>	<b>\$(7,035)</b>	<b>\$70,754</b>	<b>\$20,587</b>	<b>\$4,757,513</b>	<b>\$10,624</b>	<b>\$4,768,137</b>	

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>1. Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥ 46,906	¥ 47,333	\$ 390,338
Depreciation.....	8,290	8,564	68,990
Impairment losses.....	1,013	2,142	8,434
Amortization of goodwill.....	2,102	2,102	17,494
Equity in losses (gains) of affiliates.....	(27)	(1)	(232)
Increase (decrease) in allowance for loan losses.....	(3,927)	(14,523)	(32,686)
Increase (decrease) in reserve for contingent losses.....	(528)	(534)	(4,400)
Increase (decrease) in reserve for employee retirement benefits.....	—	(9,829)	—
Decrease (increase) in asset for retirement benefits.....	(2,069)	—	(17,218)
Increase (decrease) in liability for retirement benefits.....	(6,030)	14,961	(50,186)
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits.....	(50)	(356)	(420)
Increase (decrease) in reserve for reimbursement of deposits.....	113	(3)	948
Interest income.....	(128,468)	(130,268)	(1,069,057)
Interest expense.....	7,164	8,875	59,619
Losses (gains) on securities.....	(6,914)	(2,097)	(57,538)
Losses (gains) on money held in trust.....	(72)	41	(602)
Losses (gains) on foreign exchange.....	(5,443)	(960)	(45,296)
Losses (gains) on sales of fixed assets.....	258	154	2,150
Net decrease (increase) in trading assets.....	498	2,221	4,152
Net increase (decrease) in trading liabilities.....	(249)	(618)	(2,080)
Net decrease (increase) in loans and bills discounted.....	(223,529)	64,644	(1,860,108)
Net increase (decrease) in deposits.....	228,035	94,168	1,897,603
Net increase (decrease) in negotiable certificates of deposit.....	251,907	70,771	2,096,262
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)...	33,882	(125,754)	281,957
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)...	38,669	14,348	321,793
Net decrease (increase) in call loans, bills bought, commercial paper and other debt purchased.....	(1,227)	56,395	(10,218)
Net increase (decrease) in call money and bills sold.....	1,180	16,928	9,824
Net increase (decrease) in payables under securities lending transactions.....	27,809	—	231,419
Net decrease (increase) in foreign exchanges (assets).....	(26)	(3,890)	(219)
Net increase (decrease) in foreign exchanges (liabilities).....	28	27	235
Interest income-cash basis.....	104,365	110,504	868,480
Interest expense-cash basis.....	(6,248)	(10,814)	(51,996)
Other, net.....	5,580	42,505	46,435
<b>Subtotal.....</b>	<b>372,992</b>	<b>257,038</b>	<b>3,103,877</b>
Income taxes paid.....	(5,671)	(5,753)	(47,194)
<b>Net cash provided by (used in) operating activities.....</b>	<b>367,321</b>	<b>251,285</b>	<b>3,056,683</b>
<b>2. Cash flows from investing activities:</b>			
Purchases of securities.....	(457,336)	(333,634)	(3,805,744)
Proceeds from sales of securities.....	305,749	169,289	2,544,305
Proceeds from redemption of securities.....	224,051	193,526	1,864,456
Purchases of money held in trust.....	(15,362)	(13,719)	(127,842)
Proceeds from sales of money held in trust.....	15,175	9,910	126,280
Proceeds from fund management.....	24,394	22,053	203,000
Purchases of tangible fixed assets.....	(3,756)	(3,654)	(31,257)
Proceeds from sales of tangible fixed assets.....	113	43	945
Purchases of intangible fixed assets.....	(1,426)	(1,186)	(11,872)
<b>Net cash provided by (used in) investing activities.....</b>	<b>91,602</b>	<b>42,628</b>	<b>762,271</b>
<b>3. Cash flows from financing activities:</b>			
Proceeds from issuance of subordinated borrowed money.....	—	15,000	—
Repayment of subordinated borrowed money.....	(30,000)	(20,000)	(249,646)
Proceeds from issuance of subordinated bonds.....	—	25,000	—
Repayment of subordinated bonds.....	(15,000)	—	(124,823)
Expenditures for fund procurement.....	(1,908)	(2,539)	(15,883)
Dividends paid.....	(6,970)	(6,634)	(58,004)
Dividends paid to minority shareholders.....	(0)	(0)	(4)
Purchases of treasury stock.....	(17)	(17)	(149)
Proceeds from disposals of treasury stock.....	0	0	5
<b>Net cash provided by (used in) financing activities.....</b>	<b>(53,896)</b>	<b>10,808</b>	<b>(448,504)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>67</b>	<b>64</b>	<b>561</b>
<b>5. Net increase (decrease) in cash and cash equivalents.....</b>	<b>405,094</b>	<b>304,786</b>	<b>3,371,011</b>
<b>6. Cash and cash equivalents at beginning of the period.....</b>	<b>743,974</b>	<b>439,187</b>	<b>6,191,018</b>
<b>7. Cash and cash equivalents at end of the period (Note 3).....</b>	<b>¥1,149,068</b>	<b>¥743,974</b>	<b>\$9,562,029</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

## 1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, 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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.17 to U.S. \$1, the rate of exchange at March 31, 2015. 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, 2015 include the accounts of the Company and its 11 subsidiaries (together, the "Group").

Under the control and influence concepts, 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 also 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 cap-

ture 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-sale 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.

### 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 their 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."

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Banks fully provide the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided as necessary for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For borrowers classified as possible bankruptcy or holding restructured loans with which the unsecured portion of claims or credit exceeds a certain amount, if cash flows from collection of principal and interest can be reasonably estimated, the Banks provide the difference between the present values of these cash flows discounted at the initial contractual interest rate and the book values of the loans (the "DCF" method).

For other loans, a general allowance is provided based on the historical loan loss ratio.

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 ¥79,071 million (\$658,000 thousand) and ¥84,264 million at March 31, 2015 and 2014, respectively.

#### **j. Accounting Method for Retirement Benefits**

In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year.

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

The unrecognized actuarial (gains) losses are 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 transitional obligation from the initial application of the new accounting standard for employee retirement benefits of ¥28,196 million (\$234,640 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.

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**

The companies are required 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 companies are also required 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.

#### **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 income tax rates 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 hedge 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 Banks 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” (The Japanese Institute of Certified Public Accountants (“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. Consumption Taxes**

The Company and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax exclusion

method, whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions. However, consumption taxes on tangible fixed assets that are not tax-deductible are expensed in the fiscal year under review.

#### **s. Finance Lease**

Sales and cost of sales are accounted for when lease payments are paid.

#### **t. 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 statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the fiscal year.

#### **u. Changes in Accounting Policies**

**Accounting Standard for Retirement Benefits** — In May 17, 2012, the Accounting Standards Board of Japan (“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 were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the revised accounting standard, actuarial gains or losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (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 are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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, are treated as reclassification adjustments (see Note 28).

- (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, 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, all 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a yield curve equivalent approach, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥2,885 million (\$24,009 thousand), retained earnings as of April 1, 2014, decreased by ¥1,864 million (\$15,517 thousand), and income before income taxes and minority interests for the year ended March 31, 2015, increased by ¥227 million (\$1,894 thousand).

### 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks.....	¥ 1,210,607	¥844,182	\$10,074,122
Due from banks except for deposits with the Bank of Japan .....	(61,538)	(100,208)	(512,093)
Cash and cash equivalents .....	¥ 1,149,068	¥743,974	\$ 9,562,029

### 4. Trading Assets and Liabilities

Trading assets and liabilities as of March 31, 2015 and 2014 consisted of the following:

Trading Assets	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Trading securities.....	¥2,898	¥2,835	\$24,124
Trading-related financial derivatives .....	1,609	2,171	13,391
Total.....	¥4,508	¥5,007	\$37,515

Trading Liabilities	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Trading-related financial derivatives .....	¥1,184	¥1,434	\$9,856
Total.....	¥1,184	¥1,434	\$9,856

### 5. Money Held in Trust

Money held in trust for trading purposes as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amounts recorded in the consolidated balance sheet .....	¥7,947	¥7,759	\$66,134
Valuation gain (loss) included in consolidated statement of income.....	41	12	344

There was no money held in trust for other purposes as of March 31, 2015 and 2014.

## 6. Securities

Securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japanese national government bonds .....	¥1,280,622	¥1,423,713	\$10,656,753
Japanese local government bonds .....	397,008	416,514	3,303,721
Japanese corporate bonds.....	330,217	337,568	2,747,920
Japanese corporate stocks .....	237,508	182,149	1,976,441
Other securities .....	248,245	133,674	2,065,783
Total.....	¥2,493,601	¥2,493,619	\$20,750,618

As of March 31, 2015 and 2014, securities included equity investments in non-consolidated subsidiaries that amounted to ¥593 million (\$4,936 thousand) and ¥669 million, respectively.

In the following description, in addition to “Securities,” also presented are trading account securities which are classified as “Trading assets” in the consolidated balance sheet and beneficiary claims on loan trusts which are classified as “Monetary claims bought” in the consolidated balance sheet.

Valuation gain or loss on trading account securities included in income before income taxes and minority interests was ¥6 million (\$54 thousand) and ¥3 million as of March 31, 2015 and 2014, respectively.

The amounts on the consolidated balance sheet, aggregate fair value and unrealized gains (losses) on held-to-maturity debt securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
<b>March 31, 2015</b>			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 71,608	¥ 78,509	¥6,901
Japanese corporate bonds.....	71,746	72,475	729
Total.....	¥143,354	¥150,985	¥7,630
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 500	¥ 499	¥ (0)
Japanese corporate bonds.....	14,344	14,290	(54)
Total .....	14,845	14,790	(55)
Grand total .....	¥158,199	¥165,775	¥7,575

	Millions of yen		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2014			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 75,114	¥ 78,372	¥3,257
Japanese corporate bonds.....	43,904	44,243	339
Total.....	¥119,018	¥122,616	¥3,597
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 2,504	¥ 2,498	¥ (5)
Japanese corporate bonds.....	25,567	25,461	(105)
Total.....	28,071	27,960	(110)
Grand total .....	¥147,090	¥150,576	¥3,486

	Thousands of U.S. dollars		
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
<b>March 31, 2015</b>			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	\$ 595,893	\$ 653,324	\$57,431
Japanese corporate bonds .....	597,039	603,108	6,069
Total .....	<u>\$1,192,932</u>	<u>\$1,256,432</u>	<u>\$63,500</u>
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	\$ 4,163	\$ 4,157	\$ (6)
Japanese corporate bonds .....	119,372	118,920	(452)
Total .....	<u>123,535</u>	<u>123,077</u>	<u>(458)</u>
Grand total .....	<u>\$1,316,467</u>	<u>\$1,379,509</u>	<u>\$63,042</u>

The amounts on the consolidated balance sheet, acquisition or amortized cost and unrealized gains (losses) on available-for-sale securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
<b>March 31, 2015</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks .....	¥ 203,028	¥ 113,621	¥ 89,407
Bonds:			
Japanese government bonds .....	1,114,750	1,088,608	26,142
Japanese local government bonds .....	370,844	363,372	7,472
Japanese corporate bonds .....	218,486	214,429	4,056
Total bonds .....	<u>1,704,080</u>	<u>1,666,410</u>	<u>37,670</u>
Other securities .....	264,349	252,243	12,105
Total .....	<u>¥2,171,459</u>	<u>¥2,032,275</u>	<u>¥139,183</u>
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks .....	¥ 4,288	¥ 5,267	¥ (978)
Bonds:			
Japanese government bonds .....	93,762	93,981	(218)
Japanese local government bonds .....	26,164	26,219	(55)
Japanese corporate bonds .....	25,640	25,712	(72)
Total bonds .....	<u>145,566</u>	<u>145,912</u>	<u>(345)</u>
Other securities .....	48,282	49,261	(978)
Total .....	<u>198,138</u>	<u>200,441</u>	<u>(2,302)</u>
Grand total .....	<u>¥2,369,598</u>	<u>¥2,232,717</u>	<u>¥136,881</u>

	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
<b>March 31, 2014</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks .....	¥ 128,738	¥ 83,961	¥44,777
Bonds:			
Japanese government bonds .....	1,339,592	1,311,426	28,166
Japanese local government bonds .....	393,063	384,497	8,565
Japanese corporate bonds.....	241,696	237,897	3,798
Total bonds.....	1,974,352	1,933,821	40,531
Other securities .....	153,601	145,678	7,922
Total.....	¥2,256,692	¥2,163,461	¥93,230
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks .....	¥ 23,484	¥ 27,704	¥ (4,220)
Bonds:			
Japanese government bonds .....	6,502	6,503	(0)
Japanese local government bonds .....	23,451	23,490	(39)
Japanese corporate bonds.....	26,400	26,504	(104)
Total bonds.....	56,353	56,498	(144)
Other securities .....	51,905	54,254	(2,348)
Total.....	131,743	138,457	(6,714)
Grand total .....	¥2,388,435	¥2,301,919	¥86,516

	Thousands of U.S. dollars		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
<b>March 31, 2015</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks .....	\$ 1,689,513	\$ 945,502	\$ 744,011
Bonds:			
Japanese government bonds .....	9,276,446	9,058,904	217,542
Japanese local government bonds .....	3,085,996	3,023,817	62,179
Japanese corporate bonds.....	1,818,142	1,784,388	33,754
Total bonds.....	14,180,584	13,867,109	313,475
Other securities .....	2,199,799	2,099,059	100,740
Total.....	\$18,069,896	\$16,911,670	\$1,158,226
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks .....	\$ 35,691	\$ 43,832	\$ (8,141)
Bonds:			
Japanese government bonds .....	780,251	782,068	(1,817)
Japanese local government bonds .....	217,725	218,185	(460)
Japanese corporate bonds.....	213,366	213,966	(600)
Total bonds.....	1,211,342	1,214,219	(2,877)
Other securities .....	401,788	409,934	(8,146)
Total.....	1,648,821	1,667,985	(19,164)
Grand total .....	\$19,718,717	\$18,579,655	\$1,139,062

Information on available-for-sale securities, which were sold during the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		
	Proceeds	Realized gains	Realized losses
<b>March 31, 2015</b>			
Japanese corporate stocks .....	¥ 72,238	¥3,948	¥ 933
Bonds:			
Japanese government bonds .....	119,782	2,662	14
Japanese local government bonds .....	4,307	7	—
Japanese corporate bonds.....	9,180	87	—
Total bonds.....	133,269	2,757	14
Other securities .....	44,911	1,566	198
Total.....	¥250,419	¥8,272	¥1,146

March 31, 2014	Millions of yen		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks .....	¥ 16,394	¥1,242	¥693
Bonds:			
Japanese government bonds .....	102,429	1,295	31
Japanese local government bonds .....	31,023	0	5
Japanese corporate bonds.....	9,367	43	—
Total bonds.....	142,820	1,339	37
Other securities .....	5,762	380	—
Total.....	¥164,977	¥2,962	¥730

March 31, 2015	Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks .....	\$ 601,135	\$32,860	\$7,768
Bonds:			
Japanese government bonds .....	996,773	22,158	124
Japanese local government bonds .....	35,843	61	—
Japanese corporate bonds.....	76,392	725	—
Total bonds.....	1,109,008	22,944	124
Other securities .....	373,734	13,036	1,648
Total.....	\$2,083,877	\$68,840	\$9,540

Impairment losses on available-for-sale securities amounted to ¥244 million (\$2,038 thousand) and ¥176 million as of March 31, 2015 and 2014, respectively.

An impairment of securities is recognized if the decline in fair value is substantial and the decline is determined to be other-than-temporary. The assessment of whether or not a decline in fair value is other-than-temporary by classification of the security issuer which is used in the self-assessment of asset quality is as follows:

(1) For issuers who are classified as borrowers under “in need of caution,” “possible bankruptcy,” “virtual bankruptcy,” “legal bankruptcy.”

Stocks: where the fair value is lower than the acquisition cost.

Bonds: where the fair value declines by over 30% compared to the amortized cost or acquisition cost.

(2) For issuers who are classified as borrowers under “normal.”

Stocks and bonds: where the fair value declines by 50% or more compared to the amortized cost or acquisition cost, or the fair value declines by over 30% but less than 50% compared to the amortized cost or acquisition cost and market prices remaining below a certain level.

Reconciliation of valuation difference on available-for-sale securities to the amounts included in “valuation difference on available-for-sale securities,” presented as a separate component of net assets as of March 31, 2015 and 2014, in the consolidated balance sheet, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference before taxes on available-for-sale securities .....	¥136,881	¥86,516	\$1,139,062
Deferred tax liabilities .....	(35,865)	(25,227)	(298,457)
Valuation difference on available-for-sale securities (before adjustment) .....	101,015	61,288	840,605
Amounts attributable to minority interests .....	(90)	(60)	(754)
The Company's portion of valuation difference on available-for-sale securities of equity method investees.....	108	73	900
Amounts recorded in the consolidated balance sheet .....	¥101,033	¥61,301	\$ 840,751

## 7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bills discounted.....	¥ 49,555	¥ 52,979	\$ 412,381
Loans on bills .....	330,670	345,643	2,751,688
Loans on deeds .....	6,242,549	6,061,731	51,947,651
Overdrafts .....	924,043	862,935	7,689,472
Total.....	¥7,546,819	¥7,323,290	\$62,801,192

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
	2015	2014	2015
Loans to borrowers in bankruptcy....	¥ 5,269	¥ 8,475	\$ 43,847
Past due loans .....	154,483	159,017	1,285,542
Past due loans (three months or more).....	1,217	585	10,129
Restructured loans .....	28,185	35,814	234,545
Total.....	¥189,155	¥203,892	\$1,574,063

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) on 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 above, 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 for 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.

Bills discounted are accounted for as financial transactions in accordance with “Accounting and Auditing treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Banks have a right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, were ¥53,025 million (\$441,250 thousand) and ¥55,489 million as of March 31, 2015 and 2014, respectively.

As of March 31, 2015 and 2014, loans and bills discounted included the portion of loans extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, in the amount of ¥1,500 million (\$12,482 thousand) and ¥1,500 million, respectively.

## 8. Foreign Exchanges

Foreign exchanges as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets</b>			
Due from foreign banks.....	¥ 9,964	¥10,221	\$ 82,923
Foreign exchange bills bought.....	3,469	2,510	28,869
Foreign exchange bills receivable ....	1,099	1,775	9,146
Total .....	¥14,533	¥14,506	\$120,938
<b>Liabilities</b>			
Due to foreign banks.....	¥ 32	¥ 22	\$ 274
Foreign exchange bills sold.....	99	93	829
Foreign exchange bills payable.....	47	35	392
Total .....	¥ 179	¥ 151	\$ 1,495

## 9. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings.....	¥ 33,505	¥ 33,637	\$278,818
Land .....	61,645	62,521	512,989
Lease assets.....	651	774	5,421
Construction in progress.....	187	360	1,560
Other tangible fixed assets.....	5,888	6,269	49,001
Total .....	¥101,878	¥103,563	\$847,789

Accumulated depreciation amounted to ¥104,849 million (\$872,514 thousand) and ¥103,784 million as of March 31, 2015 and 2014, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥3,895 million (\$32,416 thousand) and ¥3,875 million as of March 31, 2015 and 2014, 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 ¥20,505 million (\$170,640 thousand) and ¥21,379 million as of March 31, 2015 and 2014, respectively.

## 10. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Software.....	¥ 7,291	¥ 9,960	\$ 60,673
Goodwill .....	19,796	21,898	164,736
Lease assets.....	190	296	1,584
Other intangible fixed assets.....	798	749	6,648
Total.....	¥28,076	¥32,905	\$233,641

## 11. 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 ¥114,428 million (\$952,218 thousand) and ¥105,129 million as of March 31, 2015 and 2014, respectively.

## 12. Assets Pledged

Assets pledged as collateral and their relevant liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets pledged as collateral:			
Securities.....	¥399,850	¥386,711	\$3,327,375
Loans and bills discounted.....	123,512	150,249	1,027,817
Relevant liabilities to the above assets:			
Deposits .....	¥ 28,713	¥ 26,962	\$ 238,941
Call money and bills sold	20,000	30,000	166,431
Payables under securities lending transactions .....	27,809	—	231,419
Borrowed money .....	53,532	19,415	445,470

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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities.....	¥146,095	¥144,350	\$1,215,740
Other assets.....	219	210	1,826

In addition to the above, initial margins for futures transactions, cash collateral paid for financial instruments and guarantee deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Initial margins for futures transactions .....	¥ 10	¥ 6	\$ 85
Cash collateral paid for financial instruments.....	200	200	1,664
Guarantee deposits .....	4,014	3,767	33,408

## 13. Loan Commitments

Overdraft facility and loan commitment contracts with customers to lend up to the prescribed limits in 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 totaled ¥2,321,927 million (\$19,322,022 thousand) and ¥2,244,753 million as of March 31, 2015 and 2014, respectively, of which amounts with original agreement terms of less than one year are ¥2,275,702 million (\$18,937,360 thousand) and ¥2,206,638 million as of March 31, 2015 and 2014, 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.

## 14. Deposits

Deposits as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current deposits, ordinary deposits, saving deposits and deposits at notice .....	¥ 5,867,009	¥ 5,452,672	\$48,822,584
Time deposits and installment savings.....	4,142,065	4,322,884	34,468,385
Negotiable certificates of deposits ...	487,347	235,439	4,055,485
Other deposits.....	131,324	136,808	1,092,825
Total.....	¥10,627,748	¥10,147,805	\$88,439,279

## 15. Borrowed Money

As of March 31, 2015 and 2014, the weighted-average annual interest rates applicable to borrowed money were 0.86% and 1.39%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money includes ¥70,500 million (\$586,669 thousand) and ¥100,500 million of subordinated borrowed money as of March 31, 2015 and 2014, respectively.

Annual maturities of borrowed money as of March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016.....	¥ 24,156	\$ 201,021
2017.....	315	2,621
2018.....	388	3,232
2019.....	30,230	251,560
2020.....	90	749
2021 and thereafter.....	70,500	586,669
Total.....	¥125,680	\$1,045,852

## 16. Bonds Payable

Bonds payable as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Issued by the Company:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due January 2021, 1.27% interest.....	¥10,000	¥10,000	\$ 83,215
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due December 2021, 1.50% interest.....	8,000	8,000	66,572
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due October 2023, 0.75% interest.....	25,000	25,000	208,039
Issued by Hokkaido Bank, Ltd.:			
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due September 2019, 2.18% interest.....	—	15,000	—
<b>Total.....</b>	<b>¥43,000</b>	<b>¥58,000</b>	<b>\$357,826</b>

Annual maturities of bonds payable as of March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021 and thereafter.....	¥43,000	\$357,826

## 17. Retirement Benefits

### Overview of the Group's retirement benefit plans

The Hokuriku Bank, Ltd. which previously 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, Labour and Welfare approved on February 17, 2003 that Hokuriku Bank Ltd. would be relieved of the obligation to administer the future payment service of the government mandated portion of its 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 Hokkaido Bank, Ltd. was further approved on March 31, 2006 to switch from an employee pension fund to an 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.

### (a) Defined benefit plan

(1) The changes in defined benefit obligations for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (as previously reported).....	¥88,836	¥90,289	\$739,254
Cumulative effects of accounting change.....	2,885	—	24,009
Balance at beginning of year (as restated).....	91,721	90,289	763,263
Service cost.....	2,105	2,002	17,521
Interest cost.....	1,368	1,787	11,386
Actuarial (gains) losses.....	2,101	(412)	17,485
Benefits paid.....	(5,008)	(4,926)	(41,679)
Others.....	90	94	755
<b>Balance at end of year.....</b>	<b>¥92,378</b>	<b>¥88,836</b>	<b>\$768,731</b>

(2) The changes in plan assets for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year.....	¥73,875	¥66,326	\$614,755
Expected return on plan assets ...	2,307	2,173	19,199
Actuarial (gains) losses.....	8,964	4,982	74,601
Contributions from the employer ...	4,026	4,009	33,504
Benefits paid.....	(3,746)	(3,711)	(31,178)
Others.....	90	94	755
<b>Balance at end of year.....</b>	<b>¥85,517</b>	<b>¥73,875</b>	<b>\$711,636</b>

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligation....	<b>¥76,491</b>	¥72,726	<b>\$636,524</b>
Plan assets .....	<b>(77,839)</b>	(66,950)	<b>(647,748)</b>
	<b>(1,348)</b>	5,776	<b>(11,224)</b>
Unfunded defined benefit obligation...	<b>15,887</b>	16,109	<b>132,208</b>
Plan assets .....	<b>(7,677)</b>	(6,924)	<b>(63,888)</b>
	<b>8,210</b>	9,184	<b>68,320</b>
Net liability (asset) arising from defined benefit obligation .....	<b>¥ 6,861</b>	¥14,961	<b>\$ 57,096</b>

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits .....	<b>¥8,930</b>	¥14,961	<b>\$74,314</b>
Asset for retirement benefits .....	<b>(2,069)</b>	—	<b>(17,218)</b>
Net liability (asset) arising from defined benefit obligation.....	<b>¥6,861</b>	¥14,961	<b>\$57,096</b>

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost .....	<b>¥2,105</b>	¥2,002	<b>\$17,521</b>
Interest cost .....	<b>1,368</b>	1,787	<b>11,386</b>
Expected return on plan assets .....	<b>(2,307)</b>	(2,173)	<b>(19,199)</b>
Recognized actuarial (gains) losses ...	<b>4,530</b>	3,082	<b>37,702</b>
Amortization of prior service costs ...	<b>(46)</b>	(46)	<b>(389)</b>
Amortization of transitional obligation .....	<b>1,693</b>	1,939	<b>14,095</b>
Others .....	<b>102</b>	119	<b>854</b>
Net periodic benefit costs .....	<b>¥7,446</b>	¥ 6,712	<b>\$61,970</b>

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost .....	<b>¥ (46)</b>	¥ —	<b>\$ (389)</b>
Actuarial gains (losses) .....	<b>11,394</b>	—	<b>94,818</b>
Transitional obligation .....	<b>1,693</b>	—	<b>14,093</b>
Total .....	<b>¥13,041</b>	¥ —	<b>\$108,522</b>

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost .....	<b>¥ (187)</b>	¥ (233)	<b>\$ (1,557)</b>
Unrecognized actuarial (gains) losses..	<b>(3,452)</b>	7,942	<b>(28,728)</b>
Unrecognized transitional obligation....	—	1,693	—
Total .....	<b>¥(3,639)</b>	¥9,401	<b>\$(30,285)</b>

(7) Plan assets

• *Components of plan assets*

	2015	2014
Bonds.....	<b>28.61%</b>	38.99%
Stocks .....	<b>50.06%</b>	48.42%
Cash and deposits .....	<b>4.23%</b>	0.45%
General accounts.....	<b>4.87%</b>	5.54%
Other.....	<b>12.23%</b>	6.60%
Total .....	<b>100.00%</b>	100.00%

Note: Plan assets include retirement benefit trusts of 23.70% and 23.17% as of March 31, 2015 and 2014, respectively.

• *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014 were set forth as follows:

	2015	2014
Discount rate.....	<b>1.4%–1.6%</b>	2.0%
Expected rate of return on plan assets .....	<b>3.5%</b>	3.5%

(b) *Defined contribution pension plan*

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Contribution .....	<b>¥274</b>	¥277	<b>\$2,285</b>

## 18. 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 a 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.

## 19. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2015 and 2014 is as follows:

	2015	2014
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	1,351,630,146
Preferred (Type 5).....	107,432,000	107,432,000
Treasury stock:		
Common.....	11,887,214	12,067,668
Preferred (Type 5).....	1,420	1,420

### 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.

The changes in the number of treasury stock for the fiscal years ended March 31, 2015 and 2014 were as follows:

2015	As of April	Changes during the fiscal year		As of March
	1, 2014	Increase* <sup>1</sup>	Decrease* <sup>2</sup>	31, 2015
Common.....	12,067,668	79,487	259,941	11,887,214
Preferred (Type 5).....	1,420	—	—	1,420

\*1 The increase of common represents the acquisition of odd-lot shares.

\*2 The decrease of common represents the disposal of 1,341 shares of odd-lot shares and 258,600 shares exercised of stock options.

2014	As of April	Changes during the fiscal year		As of March
	1, 2013	Increase* <sup>1</sup>	Decrease* <sup>2</sup>	31, 2014
Common.....	12,266,448	82,606	281,386	12,067,668
Preferred (Type 5).....	710	710	—	1,420

\*1 The increase of common and preferred (Type 5) represents the acquisition of odd-lot shares.

\*2 The decrease of common represents the disposal of 1,686 shares of odd-lot shares and 279,700 shares exercised of stock options.

## 20. Stock Acquisition Right

Stock acquisition right as of March 31, 2015 and 2014 consisted of stock options.

## 21. 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 ¥111 million (\$927 thousand) and ¥114 million were recorded under general and administrative expenses for the years ended March 31, 2015 and 2014, respectively.

The stock options outstanding as of March 31, 2015 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
2013 Stock Option	19 directors 22 executive officers	629,500	August 13, 2013	¥1	From August 14, 2013 to August 13, 2043
2014 Stock Option	19 directors 21 executive officers	554,000	July 11, 2014	¥1	From July 12, 2014 to July 11, 2044

The stock option activity was as follows:

Year ended March 31, 2015	2012 stock option (Shares)	2013 stock option (Shares)	2014 stock option (Shares)
<b>Non-vested:</b>			
March 31, 2014—outstanding ....	—	—	—
Granted .....	—	—	554,000
Canceled .....	—	—	—
Vested .....	—	—	554,000
March 31, 2015—outstanding ....	—	—	—
<b>Vested:</b>			
March 31, 2014—outstanding ....	715,700	627,300	—
Vested .....	—	—	554,000
Exercised .....	154,800	97,800	6,000
Canceled .....	—	—	2,900
March 31, 2015—outstanding ....	560,900	529,500	545,100
Exercise price .....	¥1	¥1	¥1
	\$0.01	\$0.01	\$0.01
Average stock price at exercise .....	¥220	¥220	¥282
	\$1.83	\$1.82	\$2.35
Fair value price at grant date .....	¥108	¥182	¥201
	\$0.90	\$1.51	\$1.67

The Assumptions Used to Measure the Fair Value of the 2014 Stock Options

Estimate method .....	Black-Scholes option-pricing model
Volatility of stock price .....	31.508%
Estimated remaining outstanding period ...	Two years and one month
Estimate dividend .....	¥4.00 per share
Interest rate with risk free .....	0.061%

In estimating the vested number of stock options, the Company basically reflects only the actual forfeited number, since it is difficult to make a reasonable estimate on the future forfeited number.

## 22. Per Share Information

(1) Net income per share of common stock

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
<b>Year ended March 31, 2015</b>		Weighted-average shares		EPS
Basic EPS – Net income available to common shareholders	¥26,623	1,339,706	¥19.87	\$0.17
Effect of dilutive securities		1,555		
Diluted EPS – Net income for computation	¥26,623	1,338,151	¥19.84	\$0.17
	Millions of yen	Thousands of shares	Yen	
<b>Year ended March 31, 2014</b>		Weighted-average shares		EPS
Basic EPS – Net income available to common shareholders	¥25,721	1,339,539	¥19.20	
Effect of dilutive securities		1,171		
Diluted EPS – Net income for computation	¥25,721	1,340,710	¥19.18	

(2) Net assets per share of common stock

Net assets per share of common stock as of March 31, 2015 and 2014 were as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets per share of common stock .....	¥385.83	335.36	\$3.21

Net assets per share of common stock as of March 31, 2015 and 2014 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total equity .....	¥572,987	¥505,125	\$4,768,137
Deductions from total equity:			
Stock acquisition rights .....	266	191	2,218
Minority interests .....	1,276	1,168	10,624
Preferred stock .....	53,715	53,715	446,994
Preferred dividends .....	805	805	6,705
Net assets attributable to common stock at the end of the fiscal year .....	516,922	449,245	4,301,596
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock (shares in thousands) .....	1,339,742	1,339,562	

Because of the change of the accounting standard for retirement benefits, net assets per share of common stock decreased by ¥1.28 (\$0.01), basic EPS increased by ¥0.11 (\$0.00) and diluted EPS increased by ¥0.10 (\$0.00) (see Note 2u. "Changes in Accounting Policies").

## 23. Other Ordinary Income

Other ordinary income for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on foreign exchange transactions – net.....	¥ 1,437	¥ 1,698	\$ 11,963
Gains on sales and redemption of bonds and other securities.....	3,739	1,547	31,119
Gains on derivatives.....	1,034	809	8,611
Lease receipts.....	6,496	6,742	54,057
Other.....	4,565	4,274	37,995
Total.....	¥17,273	¥15,072	\$143,745

## 24. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on sales, redemption and devaluation of bonds and other securities.....	¥ 257	¥ 47	\$ 2,146
Lease costs.....	5,742	5,902	47,789
Other.....	3,203	2,803	26,656
Total.....	¥9,203	¥8,753	\$76,591

## 25. Other Income

Other income for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gains on sales of stocks.....	¥4,598	¥ 1,480	\$38,264
Reversal of allowance for loan losses.....	—	2,839	—
Gains on sales of tangible fixed assets.....	38	5	318
Other.....	3,786	3,845	31,508
Total.....	¥8,422	¥8,171	\$70,090

## 26. Other Expenses

Other expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on write-offs of loans and bills discounted.....	¥ 590	¥ 616	\$ 4,913
Losses on sales of stocks.....	1,131	693	9,416
Losses on impairments of stocks and other securities.....	33	189	282
Losses on sales of loans.....	297	512	2,474
Losses on impairments and disposals of fixed assets.....	1,310	2,302	10,902
Other.....	2,777	2,322	23,110
Total.....	¥6,140	¥6,636	\$51,097

## 27. 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 35.37% and 37.75% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for loan losses.....	¥ 34,052	¥40,874	\$283,371
Depreciation.....	1,066	1,186	8,874
Liability for retirement benefits....	13,755	17,862	114,469
Loss on valuation of securities.....	13,718	15,109	114,158
Other.....	5,698	4,936	47,424
Operating loss carryforwards.....	240	6,702	1,997
Subtotal.....	68,532	86,672	570,293
Less: Valuation allowance.....	27,507	34,861	228,905
Total deferred tax assets.....	41,024	51,811	341,388
Deferred tax liabilities:			
Valuation difference on available-for-sale securities.....	42,969	30,218	357,574
Book-value correction for securities.....	4,779	4,593	39,771
Land transfer through merger.....	2,911	3,212	24,232
Other.....	2,214	2,409	18,427
Total deferred tax liabilities.....	52,875	40,433	440,004
Net deferred tax assets.....	¥(11,850)	¥11,378	\$(98,616)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Normal effective statutory tax rate.....	35.37%	37.75%
Change in valuation allowance.....	(0.44)	0.37
Permanently non-taxable income.....	(2.21)	(1.42)
Per capita portion of inhabitants' taxes.....	0.34	0.34
Permanently non-deductible expenses.....	0.35	0.38
Decrease in deferred tax assets due to changes in tax rate...	5.60	1.75
Other.....	0.62	2.95
Actual effective tax rate.....	39.63%	42.12%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.82% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.06%. The effect of this change in the consolidated balance sheet and the consolidated statement of income as of March 31, 2015 is as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease deferred tax assets.....	¥ 28	\$ 239
Decrease deferred tax liabilities.....	1,179	9,814
Increase valuation difference on available-for-sale securities.....	3,698	30,780
Increase income taxes—deferred.....	2,625	21,851
Decrease deferred tax liabilities for revaluation and increase revaluation for land.....	626	5,211

## 28. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Amount incurred during the fiscal year.....	¥55,464	¥13,137	\$461,549
Reclassification adjustment.....	(5,099)	(3,161)	(42,438)
Prior to deducting tax effect...	50,364	9,975	419,111
Tax effect.....	(10,637)	(1,332)	(88,524)
Total.....	39,726	8,642	330,587
Deferred gains (losses) on hedges:			
Amount incurred during the fiscal year.....	(1,668)	(477)	(13,882)
Reclassification adjustment.....	725	642	6,039
Prior to deducting tax effect...	(942)	165	(7,843)
Tax effect.....	291	(58)	2,430
Total.....	(650)	106	(5,413)
Revaluation reserve for land:			
Amount incurred during the fiscal year.....	—	—	—
Reclassification adjustment.....	—	—	—
Prior to deducting tax effect...	—	—	—
Tax effect.....	626	—	5,211
Total.....	626	—	5,211
Defined retirement benefit plans:			
Amount incurred during the fiscal year.....	6,863	—	57,117
Reclassification adjustment.....	6,177	—	51,405
Prior to deducting tax effect...	13,041	—	108,522
Tax effect.....	(4,489)	—	(37,364)
Total.....	8,551	—	71,158
Share of other comprehensive income of associates accounted for using the equity method:			
Amount incurred during the fiscal year.....	87	61	725
Reclassification adjustment.....	(23)	(10)	(192)
Prior to deducting tax effect...	64	51	533
Tax effect.....	(29)	(4)	(243)
Total.....	34	46	290
Total other comprehensive income .....	¥48,288	¥ 8,795	\$401,833

## 29. 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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Within one year .....	¥2	¥2	\$21
Over one year.....	2	5	23
Total.....	¥5	¥7	\$44

## 30. 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 fundraising by the expansion and upgrading of financial services for all customers in the region. Borrowed money and corporate bonds are used mainly for 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, the Group is exposed to interest-rate fluctuation risk in the financial markets. For this reason, the Group conducts comprehensive asset liability management ("ALM") to appropriately control such market risk and ensure stable earnings.

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

The financial assets held by the Group consist primarily of securities and loans to domestic customers. Loans are subject to credit risks 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 managed 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 the 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 such risk 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 such as 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 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 derivative positions, and measure gains and losses as well as risk levels. Derivative transactions are carefully managed in such a way that losses never exceed a predetermined maximum.

#### ***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 ¥54 million (\$449 thousand) and ¥17 million as of March 31, 2015 and 2014, 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 was ¥30,894 million (\$257,086 thousand) and ¥30,730 million as of March 31, 2015 and 2014, respectively. Hokkaido Bank's VaR of the financial instruments in the banking account was ¥16,081 million (\$133,819 thousand) and ¥27,929 million as of March 31, 2015 and 2014, respectively. Hokkaido Bank's trading account securities totaled ¥10 million (\$83 thousand) and ¥8 million as of March 31, 2015 and 2014, respectively. Hokkaido Bank's specified fund trust totaled ¥9 million (\$75 thousand) and ¥5 million as of March 31, 2015 and 2014, 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. In particular, the Banks calculate 100BPV (100 Basis Point 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 ¥14,039 million decrease (\$116,826 thousand decrease) and a ¥21,180 million decrease as of March 31, 2015 and 2014, respectively. Hokkaido Bank's 100BPV was a ¥22,724 million decrease (\$189,099 thousand decrease) and a ¥18,116 million decrease as of March 31, 2015 and 2014, 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 value of financial instruments

The fair values of the main financial instruments at March 31, 2015 and 2014 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

March 31, 2015	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and due from banks.....	¥ 1,210,607	¥ 1,210,605	¥ (2)
Call loans and bills bought.....	94,599	94,599	—
Monetary claims bought *1 .....	64,390	64,390	—
Securities			
Bonds classified as held-to-maturity.....	158,199	165,775	7,575
Available-for-sale securities .....	2,305,207	2,305,207	—
Loans and bills discounted.....	7,546,819		
Allowance for loan losses *1 .....	(52,601)		
	7,494,217	7,581,622	87,405
Total assets.....	¥11,327,222	¥11,422,201	¥94,978
Deposits .....	¥10,627,748	¥10,628,638	¥ 890
Borrowed money .....	125,680	126,923	1,243
Total liabilities.....	¥10,753,428	¥10,755,562	¥ 2,134
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting ...	¥ 1,714	¥ 1,714	¥ —
Derivative transactions qualifying for hedge accounting .....	(4,549)	(4,549)	—*3
Total derivative transactions .....	¥ (2,834)	¥ (2,834)	¥ —

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and due from banks.....	¥ 844,182	¥ 844,184	¥ 1
Call loans and bills bought.....	85,734	85,734	—
Monetary claims bought *1 .....	71,835	71,835	—
Securities			
Bonds classified as held-to-maturity.....	147,090	150,576	3,486
Available-for-sale securities .....	2,316,600	2,316,600	—
Loans and bills discounted .....	7,323,290		
Allowance for loan losses *1 .....	(56,601)		
	7,266,688	7,339,354	72,666
Total assets .....	¥10,732,130	¥10,808,285	¥76,154
Deposits.....	¥10,147,805	¥10,148,619	¥ 814
Borrowed money.....	121,797	123,913	2,116
Total liabilities .....	¥10,269,602	¥10,272,533	¥ 2,930
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting ...	¥ 3,733	¥ 3,733	¥ —
Derivative transactions qualifying for hedge accounting .....	(1,654)	(1,654)	—*3
Total derivative transactions.....	¥ 2,079	¥ 2,079	¥ —

March 31, 2015	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and due from banks.....	\$10,074,122	\$10,074,104	\$ (18)
Call loans and bills bought.....	787,215	787,215	—
Monetary claims bought *1 .....	535,829	535,829	—
Securities			
Bonds classified as held-to-maturity.....	1,316,467	1,379,508	63,041
Available-for-sale securities .....	19,182,889	19,182,889	—
Loans and bills discounted.....	62,801,192		
Allowance for loan losses *1 .....	(437,725)		
	62,363,467	63,090,812	727,345
Total assets.....	\$94,259,989	\$95,050,357	\$790,368
Deposits .....	\$88,439,280	\$88,446,692	\$ 7,412
Borrowed money .....	1,045,852	1,056,199	10,347
Total liabilities.....	\$89,485,132	\$89,502,891	\$ 17,759
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting ...	\$ 14,265	\$ 14,265	\$ —
Derivative transactions qualifying for hedge accounting .....	(37,855)	(37,855)	—*3
Total derivative transactions .....	\$ (23,590)	\$ (23,590)	\$ —

\*1. Allowance for loan losses shown in 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 rates, taking into account the credit risk involved.

### 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.

For more detailed information regarding the different types of securities classified according to holding purpose, see "6. 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 approximates the value stated

on the consolidated balance sheet as of the settlement date, minus the present value of estimated bad debt, this figure is 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 deemed to approximate 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 deemed to approximate the fair value and is therefore treated as such.

#### Borrowed money

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

For money borrowed through loans carrying fixed rates, the current value of such 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 deemed to approximate 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

March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Monetary claims bought (subordinated beneficiary rights in securitization of mortgage loans) *1	¥ 8,132	¥ 8,325	\$ 67,671
Unlisted stocks *1,2	30,193	29,929	251,259
Unlisted foreign securities *1	0	0	3
Total	¥38,326	¥38,255	\$318,933

\*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 ¥32 million (\$267 thousand) and ¥22 million as of March 31, 2015 and 2014, respectively.

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

March 31, 2015	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
Due from banks	¥1,083,655	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	94,599	—	—	—	—
Monetary claims bought	1,778	—	400	7,210	54,788
Securities	289,325	619,632	682,734	351,873	226,172
Bonds classified as held-to-maturity	17,396	37,700	35,823	5,784	61,815
Japanese government bonds	1,520	3,500	3,000	2,520	61,500
Japanese corporate bonds	15,876	34,200	32,823	3,264	315
Available-for-sale securities with maturities	271,929	581,932	646,911	346,089	164,357
Japanese government bonds	93,600	375,900	364,900	288,400	55,000
Japanese local government bonds	100,258	87,450	145,177	36,839	19,335
Japanese corporate bonds	60,830	66,856	36,630	10,882	64,852
Other	17,239	51,725	100,202	9,966	25,169
Loans and bills discounted	2,210,851	1,473,159	973,098	649,796	2,047,566
Total	¥3,680,210	¥2,092,792	¥1,656,233	¥1,008,879	¥2,328,526

March 31, 2014	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
Due from banks .....	¥ 713,434	¥ 4,000	¥ —	¥ —	¥ —
Call loans and bills bought .....	85,734	—	—	—	—
Monetary claims bought .....	1,872	—	—	3,056	66,649
Securities .....	190,170	643,701	465,295	553,716	370,396
Bonds classified as held-to-maturity .....	19,069	28,138	31,512	6,627	61,850
Japanese government bonds .....	7,000	4,020	2,500	2,520	61,500
Japanese corporate bonds .....	12,069	24,118	29,012	4,107	350
Available-for-sale securities with maturities .....	171,101	615,563	433,783	547,089	308,546
Japanese government bonds .....	65,000	333,100	269,100	437,800	205,500
Japanese local government bonds .....	61,574	136,942	93,919	92,113	22,462
Japanese corporate bonds .....	38,925	101,952	41,399	13,900	68,027
Other .....	5,602	43,569	29,364	3,276	12,556
Loans and bills discounted .....	2,055,024	1,481,807	1,008,910	620,555	1,954,943
<b>Total .....</b>	<b>¥3,046,235</b>	<b>¥2,129,508</b>	<b>¥1,474,205</b>	<b>¥1,177,328</b>	<b>¥2,391,988</b>

March 31, 2015	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 .....	\$ 9,017,690	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought .....	787,215	—	—	—	—
Monetary claims bought .....	14,800	—	3,328	60,000	455,921
Securities .....	2,407,634	5,156,300	5,681,410	2,928,129	1,882,102
Bonds classified as held-to-maturity .....	144,762	313,722	298,103	48,132	514,396
Japanese government bonds .....	12,649	29,125	24,965	20,970	511,775
Japanese corporate bonds .....	132,113	284,597	273,138	27,162	2,621
Available-for-sale securities with maturities .....	2,262,872	4,842,578	5,383,307	2,879,997	1,367,706
Japanese government bonds .....	778,897	3,128,068	3,036,534	2,399,933	457,685
Japanese local government bonds .....	834,309	727,723	1,208,105	306,565	160,900
Japanese corporate bonds .....	506,207	556,348	304,826	90,560	539,670
Other .....	143,459	430,439	833,842	82,939	209,451
Loans and bills discounted .....	18,397,698	12,258,962	8,097,684	5,407,307	17,038,917
<b>Total .....</b>	<b>\$30,625,037</b>	<b>\$17,415,262</b>	<b>\$13,782,422</b>	<b>\$8,395,436</b>	<b>\$19,376,940</b>

#### Loans and bills discounted

Claims on bankrupt borrowers, substantially bankrupt borrowers, and potentially bankrupt borrowers amounted to ¥159,752 million (\$1,329,388 thousand) and ¥167,492 million as of March 31, 2015 and 2014, respectively, and loans with no contractual maturities amounted to ¥32,594 million (\$271,237 thousand) and ¥34,555 million as of March 31, 2015 and 2014, respectively. They are not included in the table above.

#### (7) Maturity analysis for financial liabilities with contractual maturities

March 31, 2015	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 .....	¥9,363,586	¥1,064,416	¥191,418	¥ 3,124	¥ 5,202
Borrowed money .....	24,156	703	30,320	55,500	15,000
<b>Total .....</b>	<b>¥9,387,743</b>	<b>¥1,065,119</b>	<b>¥221,738</b>	<b>¥58,624</b>	<b>¥20,202</b>

March 31, 2014	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 .....	¥8,766,223	¥1,096,413	¥277,865	¥ 2,586	¥ 4,717
Borrowed money .....	20,150	784	362	61,000	39,500
<b>Total .....</b>	<b>¥8,786,373</b>	<b>¥1,097,197</b>	<b>¥278,228</b>	<b>¥63,586</b>	<b>¥44,217</b>

March 31, 2015	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 .....	\$77,919,501	\$8,857,590	\$1,592,897	\$ 25,997	\$ 43,295
Borrowed money .....	201,021	5,853	252,309	461,846	124,823
<b>Total .....</b>	<b>\$78,120,522</b>	<b>\$8,863,443</b>	<b>\$1,845,206</b>	<b>\$487,843</b>	<b>\$168,118</b>

#### Deposits

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

### 31. Derivatives

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

With respect to derivatives to which hedge accounting is not applied, notional principal or contract amount, fair value at the balance sheet date by transaction type and related unrealized gain or loss and computation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

##### • Interest Rate-Related Transactions

March 31, 2015	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating .....	¥367,101	¥339,965	¥6,609	¥6,609
Receive/floating and pay/fixed .....	370,082	339,563	(3,830)	(3,830)
Options/sell .....	194,848	91,382	(1,239)	336
Options/buy .....	198,575	91,951	1,258	1,258
Others/sell .....	427	90	(0)	45
Others/buy .....	2	—	0	(4)
Total .....	/	/	¥2,798	¥4,414

March 31, 2014	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating .....	¥517,383	¥471,044	¥9,346	¥9,346
Receive/floating and pay/fixed .....	520,067	473,475	(5,776)	(5,776)
Options/sell .....	280,217	126,822	(2,978)	(799)
Options/buy .....	285,914	127,153	2,982	2,982
Others/sell .....	1,923	707	(0)	103
Others/buy .....	12	12	0	(4)
Total .....	/	/	¥ 3,573	¥ 5,851

March 31, 2015	Thousands of U.S. dollars			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating .....	\$3,054,851	\$2,829,035	\$55,000	\$55,000
Receive/floating and pay/fixed .....	3,079,654	2,825,693	(31,874)	(31,874)
Options/sell .....	1,621,436	760,439	(10,311)	2,797
Options/buy .....	1,652,457	765,175	10,471	10,471
Others/sell .....	3,558	750	(1)	381
Others/buy .....	21	—	0	(38)
Total .....	/	/	\$23,285	\$36,737

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

##### • Foreign Exchange-Related Transactions

March 31, 2015	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps .....	¥ 1,074	¥ 43	¥ 2	¥ 2
Forward contracts/sell .....	68,228	—	(1,221)	(1,221)
Forward contracts/buy .....	12,738	28	117	117
Options/sell .....	175,151	109,574	(6,898)	9,620
Options/buy .....	175,151	109,574	6,898	(7,997)
Total .....	/	/	¥(1,101)	¥ 521

March 31, 2014	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps.....	¥ 5,203	¥ 990	¥ 7	¥ 7
Forward contracts/sell.....	20,091	54	(236)	(236)
Forward contracts/buy.....	11,380	72	347	347
Options/sell.....	250,439	172,141	(10,130)	16,304
Options/buy.....	250,439	172,141	10,130	(13,431)
Total.....	/	/	¥ 118	¥ 2,992

March 31, 2015	Thousands of U.S. dollars			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps.....	\$ 8,942	\$ 365	\$ 22	\$ 22
Forward contracts/sell.....	567,767	—	(10,161)	(10,161)
Forward contracts/buy.....	106,003	241	975	975
Options/sell.....	1,467,531	911,833	(57,408)	80,060
Options/buy.....	1,457,531	911,833	57,407	(66,554)
Total.....	/	/	\$ (9,165)	\$ 4,342

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the discounted value of future cash flows.

• Commodity Related Transactions

March 31, 2015	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixd and pay/floating.....	¥340	¥295	¥(13)	¥(13)
Receive/floating and pay/fixd.....	340	295	30	30
Total.....	/	/	¥ 17	¥ 17

March 31, 2014	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixd and pay/floating.....	¥749	¥519	¥(28)	¥(28)
Receive/floating and pay/fixd.....	749	519	68	68
Total.....	/	/	¥ 40	¥ 40

March 31, 2015	Thousands of U.S. dollars			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixd and pay/floating.....	\$2,834	\$2,459	\$(111)	\$(111)
Receive/floating and pay/fixd.....	2,834	2,459	257	257
Total.....	/	/	\$ 146	\$ 146

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the price of the underlying asset, terms of contract and other factors which structure the contract.  
3. The above derivative transactions consist of those for oil, copper, aluminum, etc.

## (2) Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, notional principal or contract amount and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

### • Interest Rate-Related Transactions

March 31, 2015			Millions of yen		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		¥55,000	¥55,000	¥(1,200)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		5,061	773	(Note)
Total.....			/	/	¥(1,200)

March 31, 2014			Millions of yen		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		¥50,000	¥50,000	¥(379)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		15,934	12,934	(Note)
Total.....			/	/	¥(379)

March 31, 2015			Thousands of U.S. dollars		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Yen-based bond			
	Receive/floating and pay/fixed		\$457,685	\$457,685	\$(9,988)
Exceptional treatment for interest swaps	Swaps	Loans and bills discounted			
	Receive/floating and pay/fixed		42,116	6,437	(Note)
Total.....			/	/	\$(9,988)

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Audit Committee Report No. 24.

2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

3. 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 "30. Financial Instruments and Related Disclosures."

### • Foreign Exchange-Related Transactions

March 31, 2015			Millions of yen		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans and foreign securities	¥ 14,781	¥14,652	¥(1,296)
	Forward contracts	Call loans and due from banks (foreign currencies)	76,601	—	(2,052)
Total.....			/	/	¥(3,348)

March 31, 2014			Millions of yen		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans	¥ 630	¥630	¥ (76)
	Forward contracts	Call loans and due from banks (foreign currencies)	119,469	—	(1,198)
Total.....			/	/	¥(1,274)

March 31, 2015			Thousands of U.S. dollars		
Hedge accounting method	Type	Hedged item	Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans and foreign securities	\$ 123,008	\$121,931	\$(10,791)
	Forward contracts	Call loans and due from banks (foreign currencies)	637,439	—	(17,076)
Total.....			/	/	\$(27,867)

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Audit Committee Report No. 25.

2. The fair value is determined using the discounted value of future cash flows.

### 32. Segment Information

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

A 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

The method of calculation applied to the reportable segments is the same as that described in "Significant Accounting Policies." Profits of reportable 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, 2015 and 2014 are as follows:

	Millions of yen						
	Reportable segments			Other segment	Total	Reconciliation	Consolidated
	Hokuriku Bank	Hokkaido Bank	Subtotal				
	2015						
Ordinary income							
Ordinary income from outside customers.....	¥ 92,974	¥ 84,477	¥ 177,452	¥16,479	¥ 193,932	¥ 4	¥ 193,936
Ordinary income from intersegment transactions .....	1,073	932	2,005	4,993	6,998	(6,998)	—
Total.....	94,047	85,410	179,458	21,472	200,930	(6,993)	193,936
Segment profit.....	14,680	13,573	28,253	2,858	31,111	(2,876)	28,235
Segment assets.....	6,712,709	4,915,851	11,628,561	79,609	11,708,171	(25,170)	11,683,001
Segment liabilities.....	¥6,386,844	¥4,709,393	¥11,096,238	¥63,447	¥11,159,685	¥ (49,671)	¥11,110,014
Others							
Depreciation .....	¥ 4,515	¥ 3,480	¥ 7,995	¥ 274	¥ 8,269	¥ 20	¥ 8,290
Amortization of goodwill .....	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill.....	—	—	—	—	—	19,796	19,796
Increase in tangible fixed assets and intangible fixed assets .....	¥ 3,567	¥ 1,493	¥ 5,061	¥ 212	¥ 5,273	¥ 4	¥ 5,278
	2014						
Ordinary income							
Ordinary income from outside customers.....	¥ 96,777	¥ 79,723	¥ 176,501	¥16,263	¥ 192,765	¥ (1,798)	¥ 190,966
Ordinary income from intersegment transactions .....	1,019	482	1,501	5,207	6,709	(6,709)	—
Total.....	97,797	80,206	178,003	21,471	199,474	(8,508)	190,966
Segment profit.....	17,833	9,693	27,527	2,465	29,992	(2,660)	27,332
Segment assets.....	6,460,371	4,599,042	11,059,414	79,765	11,139,179	(24,372)	11,114,807
Segment liabilities.....	¥6,170,022	¥4,415,948	¥10,585,970	¥66,072	¥10,652,043	¥ (42,361)	¥10,609,681
Others							
Depreciation .....	¥ 4,499	¥ 3,720	¥ 8,219	¥ 301	¥ 8,520	¥ 43	¥ 8,564
Amortization of goodwill .....	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill.....	—	—	—	—	—	21,898	21,898
Increase in tangible fixed assets and intangible fixed assets .....	¥ 2,712	¥ 2,245	¥ 4,957	¥ 103	¥ 5,061	¥ (1)	¥ 5,059

	Thousands of U.S. dollars						
	2015			Other segment	Total	Reconciliation	Consolidated
	Reportable segments						
	Hokuriku Bank	Hokkaido Bank	Subtotal				
Ordinary income							
Ordinary income from outside customers.....	\$ 773,694	\$ 702,986	\$ 1,476,680	\$ 137,135	\$ 1,613,815	\$ 40	\$ 1,613,855
Ordinary income from intersegment transactions .....	8,930	7,758	16,688	41,550	58,238	(58,238)	—
Total.....	782,624	710,744	1,493,368	178,685	1,672,053	(58,198)	1,613,855
Segment profit.....	122,161	112,949	235,110	23,789	258,899	(23,937)	234,962
Segment assets.....	55,860,115	40,907,476	96,767,591	662,476	97,430,067	(209,454)	97,220,613
Segment liabilities.....	\$53,148,411	\$39,189,428	\$92,337,839	\$527,983	\$92,865,822	\$(413,346)	\$92,452,476
Others							
Depreciation .....	\$ 37,574	\$ 28,959	\$ 66,533	\$ 2,286	\$ 68,819	\$ 171	\$ 68,990
Amortization of goodwill .....	—	—	—	—	—	17,494	17,494
Unamortized balance of goodwill.....	—	—	—	—	—	164,736	164,736
Increase in tangible fixed assets and intangible fixed assets .....	\$ 29,690	\$ 12,425	\$ 42,115	\$ 1,766	\$ 43,881	\$ 41	\$ 43,922

Because of the change of the accounting standard for retirement benefits, segment profit of Hokuriku Bank increased by ¥153 million (\$1,279 thousand) and segment profit of Hokkaido Bank decreased by ¥6 million (\$55 thousand) (see Note 2u. "Changes in Accounting Policies").

#### (4) Information about services

Year ended March 31, 2015	Millions of yen			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from outside customers.....	¥113,558	¥38,777	¥41,601	¥193,936

Year ended March 31, 2014	Millions of yen			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from outside customers .....	¥117,792	¥30,298	¥42,875	¥190,966

Year ended March 31, 2015	Thousands of U.S. dollars			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from outside customers.....	\$944,978	\$322,685	\$346,192	\$1,613,855

#### (5) Geographic segment information

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

#### (6) Information by major customer

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

### 33. Related Party Transactions

Related party transactions as of March 31, 2015 and 2014 were as follows:

- Officers and principal individual shareholders of the company submitting consolidated financial statements

#### March 31, 2015

Related party	Account Classification	Transaction amount *3		Balance at end of year	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Nakamura-tome Precision Industry co., Ltd.*2	Loans and bills discounted	¥950	\$7,905	¥950	\$7,905
NAKAMURA-TOME HOLDING CO., LTD.*2	Loans and bills discounted	¥783	\$6,516	¥783	\$6,516

#### March 31, 2014

Related party	Account Classification	Transaction amount *3		Balance at end of year	
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nakamura-tome Precision Industry co., Ltd.*2	Loans and bills discounted	¥950	¥950	¥950	¥950
NAKAMURA-TOME HOLDING CO., LTD.*2	Loans and bills discounted	¥783	¥783	¥783	¥783

Notes: 1. Terms and conditions of the transactions are similar to those with unrelated parties.

2. A member of the Hokuriku Bank's audit & supervisory board and his close relatives own the majority of the voting rights, and he is the president of these companies.

3. Transaction amount was reported at the average balance for the period.

### 34. Subsequent Event

#### (1) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2015 were approved at the Company's general shareholders' meeting held on June 26, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥4.25 (\$0.04) per share of common stock .....	¥5,694	\$47,387
Cash dividends, ¥7.50 (\$0.06) per share of preferred stock (Type 5) .....	805	6,705

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

Deloitte Touche Tohmatsu LLC  
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Japan

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## 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, 2015, 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, 2015, 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 Touche Tohmatsu LLC*

June 23, 2015

Member of  
Deloitte Touche Tohmatsu Limited

## NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks .....	¥ 790,579	¥ 696,147	\$ 6,578,845
Call loans and bills bought .....	84,599	85,734	704,000
Monetary claims bought .....	72,522	80,160	603,499
Trading assets .....	2,475	3,169	20,598
Securities .....	1,275,498	1,238,326	10,614,122
Loans and bills discounted .....	4,365,302	4,227,696	36,326,063
Foreign exchanges .....	9,133	7,172	76,001
Other assets .....	17,690	24,065	147,212
Tangible fixed assets .....	78,109	78,867	649,990
Intangible fixed assets .....	4,340	5,784	36,116
Deferred tax assets .....	—	749	—
Customers' liabilities for acceptances and guarantees .....	35,080	36,148	291,925
Allowance for loan losses .....	(22,622)	(23,651)	(188,256)
<b>Total assets</b> .....	<b>¥6,712,709</b>	<b>¥6,460,371</b>	<b>\$55,860,115</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits .....	¥6,076,043	¥5,909,098	\$50,562,066
Call money and bills sold .....	58,454	52,642	486,431
Payables under securiteis lending transactions .....	27,809	—	231,419
Trading liabilities .....	1,184	1,434	9,856
Borrowed money .....	114,185	111,942	950,204
Foreign exchanges .....	111	119	930
Other liabilities .....	52,981	49,051	440,885
Reserve for employee retirement benefits .....	1,616	105	13,452
Reserve for directors' and audit & supervisory board members' retirement benefits....	57	89	481
Reserve for contingent losses .....	1,344	1,675	11,188
Reserve for reimbursement of deposits .....	909	842	7,567
Deferred tax liabilities .....	11,000	—	91,537
Deferred tax liabilities for land revaluation .....	6,064	6,872	50,470
Acceptances and guarantees .....	35,080	36,148	291,925
<b>Total liabilities</b> .....	<b>6,386,844</b>	<b>6,170,022</b>	<b>53,148,411</b>
<b>Equity</b>			
Capital stock .....	140,409	140,409	1,168,424
Capital surplus .....	14,998	14,998	124,814
Retained earnings .....	89,459	80,377	744,445
Valuation and translation adjustments .....			
Valuation difference on available-for-sale securities .....	73,340	46,576	610,302
Deferred gains (losses) on hedges .....	(845)	(194)	(7,035)
Revaluation reserve for land .....	8,502	8,182	70,754
<b>Total equity</b> .....	<b>325,865</b>	<b>290,349</b>	<b>2,711,704</b>
<b>Total liabilities and equity</b> .....	<b>¥6,712,709</b>	<b>¥6,460,371</b>	<b>\$55,860,115</b>

# NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	¥54,858	¥57,923	\$456,505
Interest and dividends on securities .....	12,327	12,304	102,585
Interest on deposits with other banks .....	842	710	7,009
Other interest income .....	674	800	5,609
Fees and commissions .....	17,695	16,220	147,251
Trading income .....	230	309	1,917
Other ordinary income .....	5,209	2,738	43,352
Other income .....	2,236	6,795	18,611
Total income .....	94,073	97,802	782,839
<b>Expenses</b>			
Interest expenses:			
Interest on deposits .....	2,509	3,222	20,879
Interest on payables under securities lending transactions .....	42	—	354
Interest on borrowings and rediscounts .....	1,285	1,460	10,696
Other interest expenses .....	797	740	6,633
Fees and commissions .....	7,124	7,097	59,283
Other ordinary expenses .....	—	5	—
General and administrative expenses .....	55,251	53,974	459,782
Provision of allowance for loan losses .....	1,350	—	11,240
Other expenses .....	2,287	2,926	19,034
Total expenses .....	70,648	69,427	587,901
Income before income taxes .....	23,425	28,374	194,938
Income taxes:			
Current .....	1,747	1,106	14,543
Deferred .....	6,997	9,434	58,234
<b>Net income</b> .....	<b>¥14,680</b>	<b>¥17,833</b>	<b>\$122,161</b>

## NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets</b>			
Cash and due from banks .....	¥ 418,619	¥ 146,774	\$ 3,483,559
Call loans and bills bought .....	10,000	—	83,215
Trading account securities .....	2,032	1,837	16,916
Money held in trust .....	7,947	7,759	66,134
Securities .....	1,205,913	1,243,120	10,035,060
Loans and bills discounted .....	3,196,487	3,108,677	26,599,710
Foreign exchanges .....	5,400	7,333	44,937
Other assets .....	33,537	38,199	279,086
Tangible fixed assets .....	28,948	29,792	240,896
Intangible fixed assets .....	3,696	5,008	30,759
Deferred tax assets .....	2,214	8,778	18,428
Customers' liabilities for acceptances and guarantees .....	24,611	26,143	204,810
Allowance for loan losses .....	(23,557)	(24,383)	(196,034)
<b>Total assets</b> .....	<b>¥4,915,851</b>	<b>¥4,599,042</b>	<b>\$40,907,476</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits .....	¥4,575,314	¥4,262,953	\$38,073,682
Call money and bills sold .....	—	4,631	—
Borrowed money .....	52,884	51,000	440,077
Foreign exchanges .....	67	32	565
Bonds payable .....	—	15,000	—
Other liabilities .....	45,512	45,169	378,730
Reserve for employee retirement benefits .....	9,810	9,659	81,642
Reserve for directors' and audit & supervisory board members' retirement benefits ...	108	124	906
Reserve for contingent losses .....	626	823	5,210
Reserve for reimbursement of deposits .....	457	410	3,806
Acceptances and guarantees .....	24,611	26,143	204,810
<b>Total liabilities</b> .....	<b>4,709,393</b>	<b>4,415,948</b>	<b>39,189,428</b>
<b>Equity</b>			
Capital stock .....	93,524	93,524	778,264
Capital surplus .....	16,795	16,795	139,761
Retained earnings .....	64,613	54,060	537,684
Valuation and translation adjustments			
Valuation difference on available-for-sale securities .....	31,525	18,714	262,339
<b>Total equity</b> .....	<b>206,457</b>	<b>183,094</b>	<b>1,718,048</b>
<b>Total liabilities and equity</b> .....	<b>¥4,915,851</b>	<b>¥4,599,042</b>	<b>\$40,907,476</b>

# NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

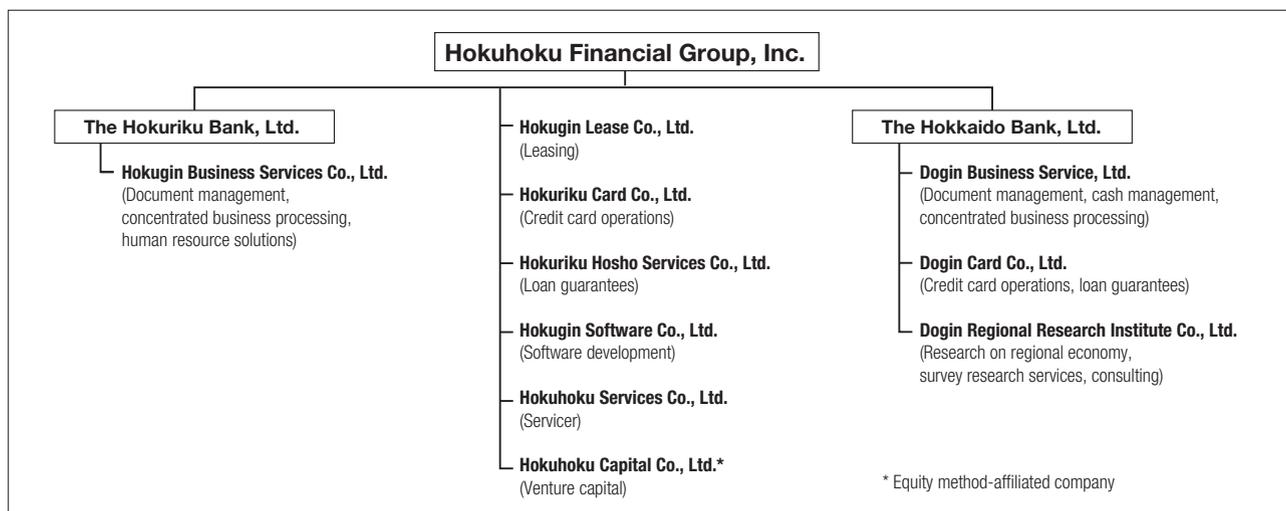
The Hokkaido Bank, Ltd.

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	¥47,422	¥48,447	\$394,628
Interest and dividends on securities .....	12,811	10,104	106,612
Interest on receivables under resale agreements.....	6	2	54
Interest on deposits with other banks .....	174	108	1,451
Other interest income .....	193	192	1,611
Fees and commissions .....	17,622	16,944	146,646
Other ordinary income .....	1,016	1,317	8,456
Other income.....	6,261	3,276	52,102
<b>Total income .....</b>	<b>85,508</b>	<b>80,393</b>	<b>711,560</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits .....	1,746	2,142	14,533
Interest on payables under securities lending transactions .....	—	0	—
Interest on borrowings and rediscounts .....	608	961	5,065
Interest on bonds payable .....	151	327	1,264
Other interest expenses.....	1	1	14
Fees and commissions .....	8,259	8,321	68,732
Other ordinary expenses.....	257	51	2,147
General and administrative expenses.....	44,746	45,253	372,363
Provision of allowance for loan losses .....	4,150	2,588	34,535
Other expenses .....	3,054	2,653	25,421
<b>Total expenses.....</b>	<b>62,977</b>	<b>62,300</b>	<b>524,074</b>
Income before income taxes.....	22,530	18,093	187,486
Income taxes:			
Current .....	6,748	3,916	56,155
Deferred .....	2,209	4,483	18,382
<b>Net income.....</b>	<b>¥13,573</b>	<b>¥ 9,693</b>	<b>\$112,949</b>

## Business activities

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

## Business diagram



## Major subsidiaries

(units: millions of yen, %)

Company name	Address	Main business activities	Established	Capital	FG's share of voting rights	Dividend
The Hokuriku Bank, Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Banking	July 31, 1943	140,409	100.00	4,085
The Hokkaido Bank, Ltd.	4-1 Odori Nishi, Chuo-ku, Sapporo City	Banking	March 5, 1951	93,524	100.00	2,974
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	March 2, 1983	36	87.39	3
Hokuriku Hosho Services Co., Ltd.	1-2-26 Tsutsumicho-dori, Toyama City	Loan 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)	—
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	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

# OUTLINE OF SUBSIDIARIES - THE HOKURIKU BANK, LTD.

## The Hokuriku Bank, Ltd.

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

### Establishment

The Hokuriku Bank has its origins as the Kanazawa 12th National Bank, which was established on August 26, 1877, with the House of Kaga-Maeda providing 70% of the capital. The bank was the creation of the family established by Maeda Toshiie, the founder of the Kaga clan. The bank celebrated its 138<sup>th</sup> anniversary this year.

Since its founding, the bank has worked hand-in-hand with customers in the region, and grown into a bank with a wide branch network covering Hokuriku, Hokkaido, as well as Japan's three major metropolitan areas. Based on the bank's management philosophy of "Prospering Together with the Region," "Fair & Steady Management" and "Progressive & Innovative Services," Hokuriku Bank draws fully on its management resources to provide high-quality comprehensive financial services, aiming to become the bank preferred and relied on by local communities.

### Company outline (as of March 31, 2015)

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:	¥6,712.7 billion
Deposits (including NCDs):	¥6,076.0 billion
Loans and bills discounted:	¥4,365.3 billion
Issued shares:	
Common stock:	1,047,542,335
Capital adequacy ratio (non-consolidated):	10.61%
Employees:	2,806
Branches (as of June 30, 2015)	
Domestic:	187 (145 branches, 42 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	Completed present head office
January 1971	Received blanket approval to engage in correspondent banking services
November 1973	Launched first online system
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 identity)
August 1990	Launched third online system
November 1993	Launched investment trust agent operations
December 1998	Launched over-the-counter sales 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 a 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
December 2013	The head office building was registered as a Tangible Cultural Property (structures)

# OUTLINE OF SUBSIDIARIES - THE HOKKAIDO BANK, LTD.

## The Hokkaido Bank, Ltd.

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

### Establishment

Hokkaido Bank was established on March 5, 1951, in response to the strong demand for financing from small and medium-sized corporations in Hokkaido 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 it its mission to contribute to regional economic growth by smoothly providing financing and quality financial services to its customers in Hokkaido. Going forward, Hokkaido Bank will never abandon the spirit with which it was created, and will continue to move forward together with its customers in Hokkaido.

### Company outline (as of March 31, 2015)

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:	¥4,915.8 billion
Deposits (including NCDs):	¥4,575.3 billion
Loans and bills discounted:	¥3,196.4 billion
Issued shares:	
Common stock:	486,634,512
Preferred stock (Type 2):	107,432,000
Capital adequacy ratio (non-consolidated):	10.75%
Employees:	2,275
Branches (as of June 30, 2015)	
Domestic:	141 (135 branches, 6 sub-branches)
Overseas:	3 representative offices

### History

March 1951	Hokkaido Bank established
April 1961	Launched foreign exchange operations
May 1962	Listed on the Sapporo Stock Exchange
August 1964	Completed present head office
June 1971	Launched first online system
July 1976	Launched second online system
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	Listed on the first section of the Tokyo Stock Exchange
October 1990	Completed the Higashi Sapporo Dogin Building
March 1991	Established Dogin Cultural Foundation
October 1991	Launched a new foreign exchange online system
November 1991	Completed Dogin Building Annex
January 1993	Launched third online system
April 1994	Launched investment trust agent operations
December 1998	Launched over-the-counter sales of securities investment trusts
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	Launched over-the-counter sales of casualty insurance
October 2002	Launched over-the-counter sales of life insurance
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
March 2014	Opened representative office in Vladivostok, Russia

# BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

## Hokuhoku Financial Group, Inc.

*President:*  
Eishin Ihori

*Deputy President:*  
Masahiro Sasahara

*Directors:*  
Hidenori Mugino  
Hiroyuki Yamakawa  
Takashi Nakano  
Tsutomu Morita  
Takashi Ogura  
Yuji Oshima  
Ryoji Nakagawa

*Audit & Supervisory Board Members:*  
Junichi Inaba  
Yozo Maeizumi  
Tatsuo Kawada

## The Hokuriku Bank, Ltd.

*Chairman:*  
Hidenori Mugino

*President:*  
Eishin Ihori

*Senior Managing Director:*  
Takashi Nakano

*Director:*  
Takashi Ogura

*Audit & Supervisory Board Members:*  
Satoshi Kikushima  
Kenichi Nakamura  
Isao Nagahara  
Katsusuke Watanuki

*Managing Directors:*  
Takafumi Nishida  
Tsutomu Morita

## The Hokkaido Bank, Ltd.

*Chairman:*  
Yoshihiro Sekihachi

*President:*  
Masahiro Sasahara

*Deputy President:*  
Hiroyuki Yamakawa

*Senior Managing Director:*  
Toshihiro Katayama

*Director:*  
Takashi Nakano

*Audit & Supervisory Board Members:*  
Hiroshi Sagayama  
Ken Ebina  
Shuji Iwamura  
Atsuhito Mito

*Managing Directors:*  
Makoto Uesugi  
Hideki Nishiyama

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E-mail: temma@hbvl.ru

企业名称：北北金融控股集团股份有限公司  
 设立日期：2003年9月26日  
 总行地址：富山县富山市堤町通1丁目2番26号  
 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：

<b>北陆地区</b> .....	<b>149分行（或支行）</b>
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）
<b>北海道地区</b> .....	<b>159分行（或支行）</b>
<b>三大都市圈</b> .....	<b>16分行（或支行）</b>
东京、横滨 .....	9分行（或支行）
名古屋 .....	3分行（或支行）
大阪、京都 .....	4分行（或支行）
<b>其他地区（仙台、新潟、长野、高山）</b> .....	<b>4分行（或支行）</b>
<b>海外</b> .....	<b>9代表处</b>

- 纽约代表处（北陆银行）
- 南萨哈林斯克代表处（北海道银行）
- 符拉迪沃斯托克代表处（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）

(2015年6月30日)





(相片左边)  
董事长  
庵 荣伸 (北陆银行 总行长)

(右边)  
董事副社长  
笹原晶博 (北海道银行 总行长)

承蒙各位平日对我北北金融控股集团以及我集团子公司的特别关照，谨向各位表示衷心的感谢。在此，将我集团的《信息公开微型杂志（2015年3月期·营业报告）》送给大家。本杂志介绍了我集团2014年度的业绩以及各类活动，敬请阅读。通过这本杂志，如果能够增加您对我集团的理解，我们将十分荣幸。

目前国内经济在安倍经济学的推行下，各种政策正在逐渐成效，地方经济也在缓慢恢复。在我集团的主要营业地区北陆地区随着“北陆新干线”的开通，旅游业、制造业等各种行业都在瞄准这个商业契机，因此企业活动也变得越来越活跃。在北海道，“北海道新干线”还有1年即将开通，这对地方经济的波及效果也是指日可待的。我集团不局限于支援当地企业在资金方面的需求，同时也在致力于利用广域网来进行商务洽谈，并对首都圈地区的产品进行宣传活动等，为了使当地企业的销路拓宽，我们正在进行着积极的支援活动。

我集团是在2004年9月由北陆银行和北海道银行合并经营而诞生的，2014年正好迎来了成立10周年。在此，谨向给予我们厚爱 and 大力支持的各位客户以及各位股东深表感谢。今后，我们也将不断磨砺“广泛领域的地方金融集团”这一商业模式，在为地方的各位提供充实的金融服务的同时，我们将追求集团经营的优势。

2015年度是中期经营计划“GO for IT!”的最后一年。我们会向着计划中所提到的《为地区所信赖，能够依靠的金融集团》这一目标，为活跃地方经济而竭尽全力，并且从中实现企业价值。敬请各位一如既往地支持和惠顾本公司。谢谢！

董事长

庵 荣伸

庵 荣伸

2015年7月

# 中期经营计划

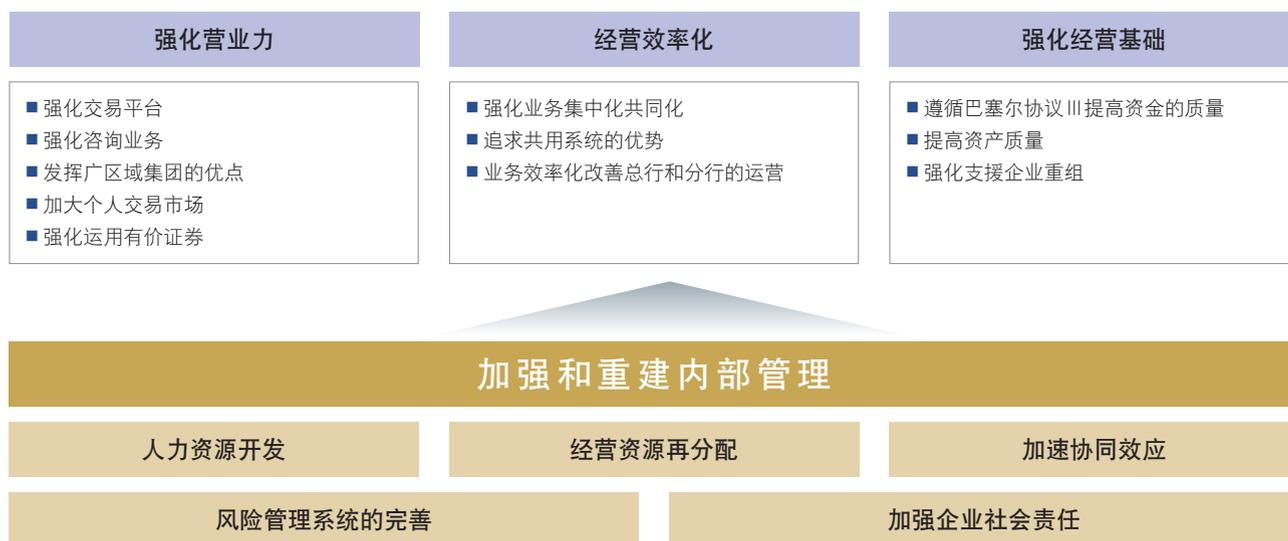
本集团将2013年4月份以后的未来3年定位为“朝着持续发展而奋斗的崭新的事业战略的最佳努力期间”，开始着手了中期经营计划“GO for IT！”。坚持强力推进“强化营业力”，“经营效率化”的经营措施，并且同时“强化经营基础”，通过取得地方客户的信任，激活该地区经济来提高全企业的价值。

## 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	<ol style="list-style-type: none"> <li>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。</li> <li>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”。</li> <li>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。</li> </ol>

## 中期经营计划“GO for IT！”基本方针

### 展开措施方案

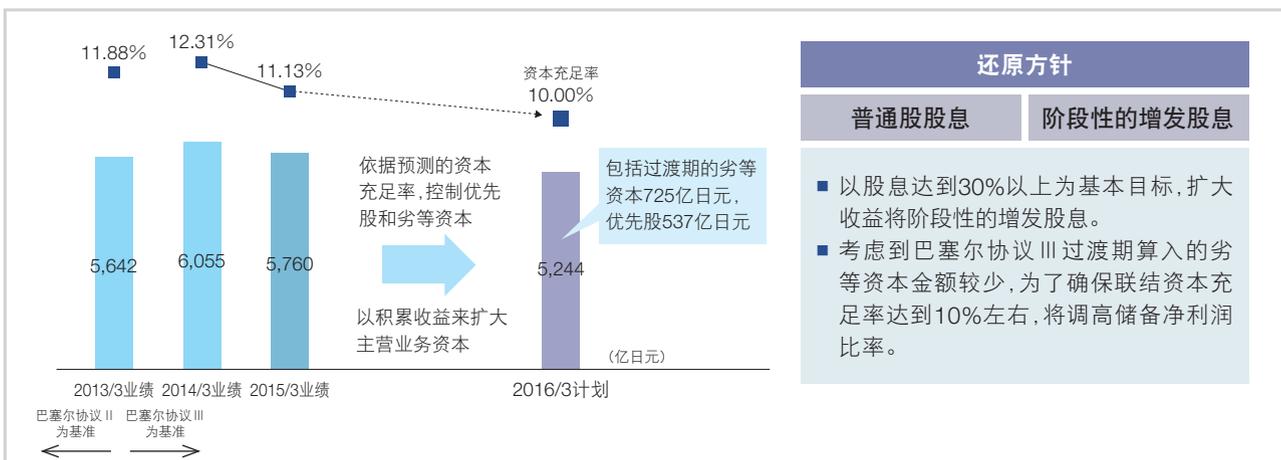


## 2016年3月期的目标计数（2行合算,联结）

	2014年3月期（业绩）	2015年3月期（业绩）	2016年3月期（目标）
总存款平均余额	10兆1,292亿日元	10兆4,336亿日元	10兆1,100亿日元
贷款平均余额	7兆3,440亿日元	7兆4,520亿日元	7兆4,800亿日元
主营业务净利润	482亿日元	512亿日元	470亿日元
联结本期净利润	273亿日元	282亿日元	185亿日元
联结资本充足率	12.31%	11.13%	10%以上
OHR（以主营业务毛利润为基础）	66.08%	64.64%	67%
不良贷款率	2.67%	2.43%	2%多

<p><b>强化营业力</b></p> <p>强化交易平台</p> <p>强化咨询业务</p> <p>发挥广区域集团的优点</p> <p>加大个人交易市场</p> <p>强化运用有价证券</p>	<p><b>措施</b></p> <ul style="list-style-type: none"> <li>■ 进一步增加客户数</li> <li>■ 争取成为客户的首要交易银行,扩大金融产品的营销</li> <li>■ 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)</li> <li>■ 强化推行私人银行,收购,事业继承等业务</li> <li>■ 创新商贸洽谈的内容,提高成交率</li> <li>■ 提高支援海外投资业务的办公水平</li> <li>■ 针对每个细节展开各种措施</li> <li>■ 灵活运用非面对面的营销形势</li> <li>■ 完善和强化投资信托和保险营销体系</li> <li>■ 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</li> </ul>
<p><b>经营效率化</b></p> <p>强化业务集中化 共同化</p> <p>追求共用系统的优势</p> <p>业务效率化 改善总行和分行的运营</p>	<p><b>措施</b></p> <ul style="list-style-type: none"> <li>■ 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)</li> <li>■ 强化集体化管理的基础</li> <li>■ 从3行共同利用改为4行共同利用,从而降低成本</li> <li>■ 继续推行集团内部的辅助系统和业务集体化</li> <li>■ 合理调整总行和分行业务,实现有效运营</li> <li>■ 战略性的把人员配置到重点营业地区</li> </ul>
<p><b>强化经营基础</b></p> <p>资本政策</p> <p>提高资产质量</p> <p>强化支援企业重组</p>	<p><b>措施</b></p> <ul style="list-style-type: none"> <li>■ 遵循巴塞尔协议III提高资金的质量</li> <li>■ 实行了为了提高股东价值的政策</li> <li>■ 积累风险比重较低的良好资产</li> <li>■ 与外部机构的协作</li> <li>■ 灵活运用地方的重组基金</li> </ul>

**资本充足率(北北金融控股集团联结)**



## 营业概况 (北北金融控股集团联结)

(货币单位: 亿日元)

	2014年度		2013年度
		变动	
经常收益	1,939	+29	1,909
经常利润	481	-13	494
本期净利润	282	+9	273
资本充足率	11.13%	-1.18%	12.31%

我集团的本期联结会计年度的业绩：本期净利润与上年度相比增加了9亿日元,为282亿日元。

联结资本充足率达到了11.13%。

2014年度期末的第1回第5种优先股按照原定计划发放了每股7.50日元股息。另外,虽然普通股的中期股息没有发放,但是期末每股发放了4.25日元股息,这与上年度相比增加了0.25日元。

## 营业概况 (北陆银行, 北海道银行)

(货币单位: 亿日元)

	2行合算		
	2014年度		2013年度
		变动	
经常收益	1,794	+14	1,780
主营业务毛利润	1,448	+25	1,422
经费(临时处理部分除外)	936	-4	940
主营业务净利润	512	+29	482
信贷相关成本	60	+74	-13
经常利润	471	-14	485
本期净利润	282	+7	275

主营业务毛利润：由于资金利润以及劳务交易等业务的增加,主营业务毛利润与上年度相比增加了25亿日元,为1,448亿日元。

经费：人工费和店铺物业费用减少,经费与上年度相比减少了4亿日元,为936亿日元。

主营业务净利润：为512亿日元。

经常利润：国债等债券收益有所增加,但是由于信贷成本的提高,经常利润与上年度相比减少了14亿日元,为471亿日元。

本期净利润：随着法人税的减少,本期净利润与上年度相比增加了7亿日元,为282亿日元。

(货币单位: 亿日元)

	北陆银行		
	2014年度		2013年度
		变动	
经常收益	940	-37	977
主营业务毛利润	765	-5	770
经费(临时处理部分除外)	504	-1	505
主营业务净利润	260	-4	264
信贷相关成本	17	+60	-42
经常利润	245	-59	304
本期净利润	146	-31	178
资本充足率	10.61%	-1.79%	12.40%

(货币单位: 亿日元)

	北海道银行		
	2014年度		2013年度
		变动	
经常收益	854	+52	802
主营业务毛利润	683	+30	652
经费(临时处理部分除外)	431	-3	434
主营业务净利润	251	+33	217
信贷相关成本	42	+14	28
经常利润	226	+45	180
本期净利润	135	+38	96
资本充足率	10.75%	-0.01%	10.76%





Hokuhoku Financial Group, Inc.