

## FIVE-YEAR SUMMARY (CONSOLIDATED)

The Hokkaido Bank, Ltd. and Subsidiary  
Years Ended March 31

	Millions of Yen				
	2004	2003	2002	2001	2000
Total Income .....	¥ 84,911	¥ 82,674	¥ 85,748	¥ 101,714	¥ 100,846
Total Expenses .....	71,896	134,335	72,924	91,560	87,675
Income (Loss) before Income Taxes .....	13,015	(51,661)	12,823	10,153	13,170
Income Taxes .....	2,066	3,367	8,187	3,802	5,829
Net Income (Loss) .....	10,948	(55,028)	4,635	6,351	7,341
Investment Securities .....	¥ 622,307	¥ 590,531	¥ 563,684	¥ 537,439	¥ 568,097
Loans and Bills Discounted .....	2,562,179	2,511,603	2,507,064	2,624,688	2,596,687
Total Assets.....	3,504,171	3,448,342	3,608,513	3,727,569	3,611,850
Deposits .....	¥3,195,010	¥3,089,330	¥3,191,931	¥3,369,451	¥3,295,831
Capital Stock .....	93,524	93,524	93,524	93,524	71,009
Shareholders' Equity .....	126,023	108,452	157,046	164,281	114,789

## FIVE-YEAR SUMMARY (NON-CONSOLIDATED)

The Hokkaido Bank, Ltd.  
Years Ended March 31

	Millions of Yen				
	2004	2003	2002	2001	2000
Total Income .....	¥ 84,765	¥ 82,569	¥ 85,566	¥ 101,651	¥ 100,719
Total Expenses .....	71,848	134,280	72,875	91,237	87,510
Income (Loss) before Income Taxes .....	12,917	(51,711)	12,691	10,413	13,209
Income Taxes .....	2,065	3,365	8,186	4,278	5,436
Net Income (Loss) .....	10,851	(55,076)	4,504	6,134	7,772
Investment Securities .....	¥ 622,312	¥ 590,650	¥ 563,812	¥ 537,693	¥ 568,091
Loans and Bills Discounted .....	2,562,179	2,511,603	2,507,064	2,624,688	2,597,832
Total Assets.....	3,504,173	3,448,459	3,608,638	3,727,815	3,612,309
Deposits .....	¥3,195,110	¥3,089,431	¥3,192,024	¥3,369,535	¥3,295,907
Capital Stock .....	93,524	93,524	93,524	93,524	71,009
Shareholders' Equity .....	125,970	108,503	157,108	164,469	115,194

## CONSOLIDATED BALANCE SHEETS

The Hokkaido Bank, Ltd. and Subsidiary  
March 31, 2004 and 2003

	Millions of Yen	
	2004	2003
<b>ASSETS</b>		
Cash and Due from Banks .....	¥ 235,328	¥ 267,472
Call Loans and Bills Purchased .....	353	50
Monetary Claims Bought .....	3	3
Trading Account Securities (Note 18) .....	4,073	5,447
Money Held in Trust (Note 19) .....	20,903	4,978
Investment Securities (Notes 3, 13 and 18) .....	622,307	590,531
Loans and Bills Discounted (Note 4) .....	2,562,179	2,511,603
Foreign Exchange (Note 5) .....	4,086	3,934
Other Assets .....	14,011	11,310
Premises and Equipment (Note 6) .....	29,475	29,827
Deferred Tax Assets (Note 14) .....	55,419	61,910
Customers' Liabilities for Acceptances and Guarantees .....	37,325	50,137
Reserve for Possible Loan Losses .....	(81,296)	(88,865)
<b>Total Assets</b> .....	<b>¥3,504,171</b>	<b>¥3,448,342</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Liabilities:</b>		
Deposits (Notes 7 and 13) .....	¥3,195,010	¥3,089,330
Call Money and Bills Sold (Note 13) .....	52,200	86,400
Pledged Money for Securities Lending Transactions (Note 13) .....	70,219	87,924
Foreign Exchange (Note 5) .....	102	22
Other Liabilities .....	13,098	14,256
Reserve for Retirement Benefits (Note 20) ...	10,190	10,546
Reserve for Possible Losses on Collateralized Real Estate Loans Sold (to CCPC) .....	—	1,270
Acceptances and Guarantees .....	37,325	50,137
<b>Total Liabilities</b> .....	<b>3,378,147</b>	<b>3,339,889</b>

### Shareholders' Equity (Notes 8 and 21):

<b>Capital Stock:</b>		
Preferred Stock .....	49,373	49,373
Common Stock .....	44,151	44,151
Additional Paid-in Capital .....	16,795	58,928
Retained Earnings (Deficit) .....	10,940	(42,141)
Net Unrealized Gains (Losses) on Available-for-Sale Securities .....	4,828	(1,802)
Treasury Stock—at cost .....	(64)	(55)
<b>Total Shareholders' Equity</b> .....	<b>126,023</b>	<b>108,452</b>
<b>Total Liabilities and Shareholders' Equity</b> ...	<b>¥3,504,171</b>	<b>¥3,448,342</b>

	Yen	
Net Shareholders' Equity per Common Share .....	¥67.26	¥25.96

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

The Hokkaido Bank, Ltd. and Subsidiary  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen	
	2004	2003
<b>Income:</b>		
Interest on Loans and Bills Discounted .....	¥54,889	¥ 56,388
Interest and Dividends from Securities .....	5,291	4,823
Other Interest Income .....	293	203
Fees and Commissions .....	14,929	13,695
Other Operating Income (Note 9) .....	2,067	833
Other Income (Note 10) .....	7,440	6,730
<b>Total Income</b> .....	<b>84,911</b>	<b>82,674</b>
<b>Expenses:</b>		
Interest on Deposits .....	1,830	2,261
Interest on Borrowings and Rediscounts ...	6	6
Other Interest Expenses .....	8	6
Fees and Commissions .....	4,768	4,247
Other Operating Expenses (Note 11) .....	254	768
General and Administrative Expenses .....	38,673	39,674
Other Expenses (Note 12) .....	26,355	87,370
<b>Total Expenses</b> .....	<b>71,896</b>	<b>134,335</b>
<b>Income (Loss) before Income Taxes</b> ...	<b>13,015</b>	<b>(51,661)</b>
<b>Income Taxes (Note 14):</b>		
Current .....	64	68
Deferred .....	2,001	3,298
<b>Net Income (Loss)</b> .....	<b>¥10,948</b>	<b>¥(55,028)</b>

	Yen	
<b>Per Share Data:</b>		
Net Income (Loss) per Common Share .....	¥23.58	¥(147.13)
Diluted Net Income per Common Share ...	12.16	—
<b>Cash Dividends:</b>		
Common Stock .....	1.00	—
Preferred Stock (Class I) .....	6.62	—
Preferred Stock (Class II) .....	15.00	—

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

The Hokkaido Bank, Ltd. and Subsidiary  
For the Years Ended March 31, 2004 and 2003

	Thousands		Millions of Yen						
	Issued Number of Shares of Common Stock	Issued Number of Shares of Preferred Stock	Capital Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Net Unrealized Losses on Available-for- Sale Securities	Treasury Stock	Total
			Common Stock	Preferred Stock					
Balance at March 31, 2002 .....	374,354	186,432	¥44,151	¥49,373	¥58,928	¥15,395	¥(10,798)	¥ (3)	¥157,046
Cash Dividends .....	—	—	—	—	—	(2,508)	—	—	(2,508)
Change in Valuation .....	—	—	—	—	—	—	8,995	—	8,995
Purchase .....	—	—	—	—	—	—	—	(51)	(51)
Net Loss .....	—	—	—	—	—	(55,028)	—	—	(55,028)
Balance at March 31, 2003 .....	374,354	186,432	44,151	49,373	58,928	(42,141)	(1,802)	(55)	108,452
Change in Valuation .....	—	—	—	—	—	—	6,631	—	6,631
Transfer .....	—	—	—	—	(42,133)	42,133	—	—	—
Purchase .....	—	—	—	—	—	—	—	(9)	(9)
Net Income .....	—	—	—	—	—	10,948	—	—	10,948
Balance at March 31, 2004 .....	374,354	186,432	¥44,151	¥49,373	¥16,795	¥10,940	¥ 4,828	¥(64)	¥126,023

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hokkaido Bank, Ltd. and Subsidiary  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen	
	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Income (Loss) before Income Taxes.....	¥ 13,015	¥(51,661)
Adjustment for:		
Depreciation and Amortization .....	1,507	1,595
Investment Losses (Gains) under the Equity Method .....	(112)	455
Increase (Decrease) in Reserve for Possible Loan Losses .....	(7,569)	42,924
Decrease in Reserve for Possible Losses on the Sale of Credit ...	(1,270)	(1,353)
Increase (Decrease) in Reserve for Retirement Benefits.....	(356)	1,267
Increase (Decrease) in other Reserves....	7	(1)
Interest and Dividend Income.....	(60,474)	(61,415)
Interest Expense .....	1,845	2,274
Securities Losses (Income)–Net .....	(3,017)	20,837
Money Held in Trust Loss (Income)–Net.....	(189)	14
Foreign Exchange Losses–Net .....	1,610	1,257
Premises and Equipment Loss (Gains).....	189	(4,392)
Net Increase in Loans.....	(50,576)	(4,538)
Net Increase (Decrease) in Deposits.....	105,680	(102,601)
Net (Increase) Decrease in Due from the Banks, Excluding Due from the Bank of Japan.....	407	(18)
Net (Increase) Decrease in Call Loans, Bills Purchased and Monetary Claims Bought .....	(303)	49,958
Net Decrease in Call Money and Bills Sold .....	(34,200)	(71,700)
Net Increase (Decrease) in Pledged Money for Securities Lending Transactions .....	(17,705)	68,292
Net Increase in Foreign Exchange (Assets).....	(151)	(376)
Net (Decrease) Increase in Foreign Exchange (Liabilities).....	80	(50)
Interest and Dividend Income–Received ...	60,500	63,733
Interest Expenses–Paid .....	(2,147)	(3,087)
Net Decrease in Trading Account Securities.....	1,374	993
Other–Net .....	(3,399)	741
Sub-Total.....	4,745	(46,849)
Cash Paid for Income Taxes.....	(69)	(65)
Net Cash (Used in) Provided by Operating Activities.....	4,675	(46,914)
<b>Cash Flows from Investing Activities:</b>		
Purchases of Investment Securities .....	(267,515)	(240,361)
Proceeds from Sales of Investment Securities.....	131,014	96,718
Proceeds from Maturities of Investment Securities .....	117,385	109,811
Purchases of Money Held in Trust.....	(15,883)	(154)
Purchases of Premises and Equipment...	(1,956)	(2,130)
Proceeds from Sales of Premises and Equipment .....	612	5,743
Net Cash Used in Investing Activities .....	(36,342)	(30,372)
<b>Cash Flows from Financing Activities:</b>		
Redemption of Convertible Bonds.....	—	(106)
Cash Dividend Paid.....	—	(2,508)
Purchases for Retirement of Treasury Stock...	(9)	(14)
Net Cash Used in Financing Activities .....	(9)	(2,630)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>	(59)	(45)
<b>Net Decrease in Cash and Cash Equivalents .....</b>	(31,736)	(79,963)
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	264,880	344,843
<b>Cash and Cash Equivalents at End of Year .....</b>	¥233,144	¥264,880

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Hokkaido Bank, Ltd. and Subsidiary

### 1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain reclassification 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.

The Japanese yen amounts are presented in millions of yen. Actual amounts are rounded down to the nearest million yen, except for per share data and, accordingly, certain totals may not match due to such rounding down.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (1) Consolidation

The consolidated financial statements include the accounts of the Bank and, The Dogin Business Service Limited, its subsidiary over which substantial control is exercised either by majority ownership of voting stock and/or other means.

Investments in its affiliate company over which significant influence is exercised, Dogin Card Co., Ltd. are accounted for under the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary is charged to income at the date of acquisition.

All significant intercompany balances and transactions, and unrealized profit included in assets resulting from intercompany transactions have been eliminated in consolidation.

Appropriations of retained earnings approved by the shareholders after the end of the year are recorded in the consolidated financial statements in the year of approval.

#### (2) Trading Account Securities and Investment Securities

The accounting standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

*D*) trading account securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings. *II*) held-to-maturity debt securities, which are held with the positive intent and ability to hold to maturity, are reported at amortized cost, and *III*) available-for-sale securities, which are not classified as either trading securities or held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Securities held in individually managed money trusts for trading purposes are stated at fair market value and the related unrealized gains and losses are included in earnings. Other securities held in trust are accounted for by the same method applied for available-for-sale securities.

### *(3) Depreciation*

a. Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of premises and equipment of the Bank is computed using the declining-balance method. However, buildings acquired after April 1, 1998 are depreciated using the straight-line method. The estimated useful lives of the assets are mainly 6-50 years and 3-20 years for buildings and equipment, respectively.

Depreciation of premises and equipment of the consolidated subsidiary is recorded using the straight-line method in 2004 and the declining-balance method in 2003 based on the estimated useful lives.

b. Amortization of costs of computer software for internal use is computed by the straight-line method based on estimated useful lives (mainly five years).

### *(4) Translation of Foreign Currency (Accounting Change)*

For the previous financial year, the Bank applied the transition measures of 'Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.25). Effective April 1, 2003, the Bank applied hedge accounting for currency swap and foreign exchange swap transactions under the basic provisions of the Report No.25. The hedge accounting is outlined in Note 2(9).

Net receivables and net payables on currency swap and foreign exchange swap transactions as of March 31, 2004, which were formerly accounted for on an accrual basis, are stated at market value under the new accounting policy. The effect of the change was to increase other assets and other liabilities by ¥131 million as of March 31, 2004 but had no effect on net income for the year then ended.

### *(5) Reserve for Possible Loan Losses*

Reserve for possible loan losses is provided in accordance with the Bank's policies regarding write-offs and reserves. The reserve for loans to borrowers who are classified as substantially bankrupt or legally bankrupt is equivalent to the amount remaining after deduction of the anticipated proceeds from sales of collateral pledged against such loans and the anticipated amounts recoverable under guarantees. In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in the legal sense, are experiencing serious management difficulties and whose failure is judged to be imminent. In such cases, a portion of the reserve is provided based on the amount remaining after deduction of the anticipated proceeds from sales of collateral pledged against such loans and the anticipated amounts recoverable under guarantees, and the balance of this reserve is provided after giving full consideration to the amount the borrower is capable of repaying.

In the case of all other loans, the amount provided as a reserve is based on the ratio of actual defaults occurring during a certain period in the past.

The Bank charged off the unsecured portion of loans to borrowers who are classified as substantially bankrupt or who are legally bankrupt from the consolidated balance sheet rather than recording reserves. The amounts of charged-off loans were ¥74,061 million and ¥79,443 million at March 31, 2004 and 2003, respectively.

### *(6) Reserve for Retirement Benefits*

Under the accounting standard, "Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits" (Business Accounting Deliberation Council, June 16, 1998), the liabilities and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiary provided the reserve for retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date. Prior service costs are recognized as expenses using the straight-line method over nine years within estimated average remaining service life commencing from the succeeding period. Actuarial gains or losses are amortized using the straight-line method over nine years. The remaining net transition obligation amounting to ¥17,303 million is recognized as an expense in equal amounts primarily over 15 years commencing with the year ended March 31, 2001.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Bank decided to restructure its Employees' Pension Fund under the Welfare Pension Insurance Scheme of the government and was permitted by the Minister of Health, Labor and Welfare on March 26, 2004 to be released from their future obligation for payments of the substitutional portion of the Scheme.

The Bank recognized the effect of transferring the substitutional portion on the date of permission. As a result, the Bank recorded gains on the release amounting to ¥2,287 million as other income for the year ended March 31, 2004.

Pension assets for the substitutional portion, amounting to ¥11,039 million as of March 31, 2004, are to be transferred back to the government's scheme.

The transition obligation related to the substitutional portion, amounting to ¥4,192 million, was charged to income, the remaining balance of the transition obligation decreased to ¥8,497 million as of March 31, 2004.

#### *(7) Reserve for Possible Losses on Collateralized Real Estate Loans Sold*

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company, Limited ("CCPC") is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of the real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, the Bank is required to cover certain portions of losses incurred as defined in the contract, when CCPC disposes of real estate in satisfaction of debt.

#### *(8) Leases*

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessees are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

#### *(9) Derivatives and Hedge Accounting*

The Bank uses derivative financial instruments in trading activities to generate trading revenues and fee income. Also, in order to manage its exposures to fluctuations in interest and foreign exchange rates associated with its assets and liabilities, the Bank uses derivative financial instruments. The Bank enters into interest rate swaps as a means of hedging its interest rate risk on certain loans. The Bank also enters into currency swaps and foreign exchange forward contracts to hedge exchange risks associated with its assets and liabilities

denominated in foreign currencies and to meet the needs of its clients.

#### a. Interest risk hedge

As for the hedge accounting method applied to hedging transactions against interest rate risk arising from financial assets and liabilities, the Bank applies deferred hedge accounting.

In deferred hedge accounting, if derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

#### b. Currency exchange risk hedge

As for the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting. For the previous financial year, the Bank applied the transition measures of 'Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.25). Effective April 1, 2003, the Bank applies the basic provisions of the Report No.25 to currency swap and foreign exchange swap transactions.

The Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for offsetting the risk of changes in currency exchange rates by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

However, the interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

#### *(10) Consumption Taxes*

Consumption tax and municipal consumption tax are primarily accounted for using the tax-excluded method.

#### *(11) Income Taxes*

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

### (12) Per Share Information

Net income per common share is computed by deducting dividends for preferred stock from net income, divided by the weighted average number of shares of common stock outstanding during the fiscal year.

Net shareholders' equity per common share is computed by deducting the number of shares of preferred stock outstanding at the fiscal year-end multiplied by the issue price from shareholders' equity, divided by the number of shares of common stock outstanding at the fiscal year-end.

Diluted net income per common share for the year ended March 31, 2003 is not disclosed because of anti-dilutive effects.

### (13) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash and demand deposits with The Bank of Japan included in the consolidated balance sheets under the title Cash and Due from Banks.

## 3. INVESTMENT SECURITIES

	Millions of Yen	
	2004	2003
National Government Bonds .....	¥232,924	¥236,053
Local Government Bonds .....	41,178	27,713
Corporate Bonds .....	219,659	216,671
Corporate Stock .....	51,463	40,033
Foreign Securities .....	37,324	38,133
Other Securities .....	39,756	31,926
Total .....	¥622,307	¥590,531

The amount of shares of affiliated companies included in the corporate stock above was ¥136 million and ¥22 million at March 31, 2004 and 2003, respectively.

## 4. LOANS AND BILLS DISCOUNTED

(1) The breakdown of loans and bills discounted are as follows:

	Millions of Yen	
	2004	2003
Bills Discounted .....	¥ 49,051	¥ 58,037
Loans on Notes.....	438,035	451,835
Loans on Deeds.....	1,677,216	1,638,303
Overdrafts .....	397,876	363,426
Total .....	¥2,562,179	¥2,511,603

(2) Non-Performing Loans:

	Millions of Yen	
	2004	2003
Loans to Bankrupt Borrowers .....	¥ 9,714	¥ 14,361
Non-Accrual Delinquent Loans .....	147,364	161,901
Loans Past Due 3 Months or more.....	—	—
Restructured Loans .....	57,065	107,723
Total .....	¥214,144	¥283,987

### a. Loans to Bankrupt Borrowers

Loans to Bankrupt Borrowers consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (does not include charged-off loans). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

### b. Non-Accrual Delinquent Loans

Non-Accrual Delinquent Loans are non-interest accrual loans, other than loans to bankrupt borrowers and loans on which the payment of interest has been suspended for the purpose of business rehabilitation or debtor assistance.

### c. Loans Past Due 3 Months or more

Loans Past Due 3 Months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to bankrupt borrowers and the balance of non-accrual delinquent loans are not included in this category.

### d. Restructured Loans

Restructured Loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring collections of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to bankrupt borrowers, the balance of non-accrual delinquent loans and the balance of loans past due 3 months or more.

## 5. FOREIGN EXCHANGE

	Millions of Yen	
	2004	2003
Assets:		
Due from Foreign Correspondents .....	¥3,056	¥2,773
Foreign Exchange Bills Bought .....	80	120
Foreign Exchange Bills Receivable .....	949	1,040
Total .....	¥4,086	¥3,934

	Millions of Yen	
	2004	2003
Liabilities:		
Due to Foreign Correspondents .....	¥ 9	¥—
Foreign Exchange Bills Sold .....	74	22
Foreign Exchange Bills Payable .....	18	0
Total .....	¥102	¥22

## 6. PREMISES AND EQUIPMENT

	Millions of Yen	
	2004	2003
Land, Buildings and Equipment .....	¥26,713	¥27,273
Construction in Progress .....	—	—
Lease Deposits .....	2,761	2,554
Total .....	¥29,475	¥29,827

The balances of accumulated depreciation at March 31, 2004 and 2003 were ¥34,033 million and ¥35,007 million, respectively. Besides premises and equipment in the consolidated balance sheets, electronic computers and cars are used through lease contracts in part.

## 7. DEPOSITS

	Millions of Yen	
	2004	2003
Current Deposits .....	¥ 198,112	¥ 170,005
Ordinary Deposits .....	1,391,324	1,343,765
Deposits at Notice .....	22,517	19,258
Time Deposits .....	1,429,433	1,395,246
Other Deposits .....	150,123	161,053
Sub-total .....	3,191,510	3,089,330
Negotiable Certificates of Deposit .....	3,500	—
Total .....	¥3,195,010	¥3,089,330

## 8. SHAREHOLDERS' EQUITY

### (1) Capital Stock

Information with respect to shares of the Bank's capital stock as of March 31, 2004 and 2003 is as follows:

#### (Common Stock)

	Thousands of Shares	
	2004	2003
Number of Shares:		
Authorized .....	1,263,000	1,263,000
Issued .....	374,354	374,354
Outstanding .....	374,094	374,170

#### (Preferred Stock)

	Thousands of Shares	
	2004	2003
Number of Shares:		
(Class I)		
Authorized .....	79,000	79,000
Issued and Outstanding .....	79,000	79,000
(Class II)		
Authorized .....	108,000	108,000
Issued and Outstanding .....	107,432	107,432

### (2) Preferred Stock

The Bank is authorized to issue 79 million shares of Class I preferred stock and 108 million shares of Class II preferred stock, with no par value.

All classes of preferred stock to be issued are non-voting and have equal preference over the Bank's common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of the Bank. They are all non-cumulative and non-participating for dividend payments. Preferred stock shareholders receive a liquidation distribution at ¥570 (Class I) or ¥500 (Class II) per share and do not have the right to participate in any further liquidation distributions.

Class I preferred stock is convertible into common stock at the option of preferred stock shareholders during a conversion period. The conversion is mandatorily required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed ¥37.50 per share), and conversion terms, including a conversion period.

Class II preferred stock is redeemable at the option of the Bank. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed ¥50.00 per share), and redemption terms, including a redemption price.

On July 30, 1999, the Bank issued 107,432 thousand shares of Class II preferred stock at ¥500 per share (¥53,716 million in the aggregate). Annual dividends are ¥15.00 per share.

On September 29, 2000, the Bank issued 79,000 thousand shares of Class I preferred stock at ¥570 per share (¥45,030 million in the aggregate). Annual dividends are ¥6.62 per share.

In accordance with the provisions of the Japanese Commercial Code (the "Code"), the issuance was accounted for by crediting equal amounts of the issue price to capital stock account and to the additional paid-in capital account.

### (3) Legal Reserve

In accordance with the Japanese Banking Law, an amount equal to at least 20% of the term's cash dividends and certain other appropriations of retained earnings must be put aside as a legal reserve to bring the cumulative total of legal reserve and additional paid-in capital up to an amount equal to the paid-up capital. Although this reserve is not available for dividends, it may be used to reduce a deficit by resolution of the shareholders or may be transferred to the capital account by resolution of the Board of Directors. The Bank's reserve amount is included in retained earnings, the remaining amount was ¥0 million and ¥1,171 million at March 31, 2004 and 2003, respectively.

## 9. OTHER OPERATING INCOME

	Millions of Yen	
	2004	2003
Gains on Sales of		
Trading Account Securities.....	¥ —	¥156
Gains of Sales of Bonds.....	1,235	132
Gains on Redemption of Bonds.....	1	3
Gains on Foreign Exchange Transactions...	739	475
Gains on Derivatives Transactions.....	32	—
Others .....	58	65
<b>Total .....</b>	<b>¥2,067</b>	<b>¥833</b>

## 10. OTHER INCOME

	Millions of Yen	
	2004	2003
Gains on Sales of Stock		
and Other Securities .....	¥3,275	¥ 42
Gains on Dispositions of Premises		
and Equipment.....	202	4,537
Recoveries of Charged-off Claims .....	39	197
Gain on Return of Substitutional Portion		
of the Welfare Pension Insurance.....	2,287	—
Other .....	1,635	1,952
<b>Total .....</b>	<b>¥7,440</b>	<b>¥6,730</b>

## 11. OTHER OPERATING EXPENSES

	Millions of Yen	
	2004	2003
Losses on Sales of Trading		
Account Securities.....	¥ 83	¥ —
Losses on Sales of Bonds.....	120	22
Losses on Derivatives Transactions.....	—	33
Losses on Devaluation of Bonds.....	—	658
Other .....	49	55
<b>Total .....</b>	<b>¥254</b>	<b>¥768</b>

## 12. OTHER EXPENSES

	Millions of Yen	
	2004	2003
Provision for Possible Loan Losses .....	¥21,436	¥65,842
Write-offs of Loans .....	234	—
Losses on Sales of Stock		
and Other Securities .....	745	53
Losses on Devaluation of Stock		
and Other Securities .....	296	19,848
Other .....	3,642	1,625
<b>Total .....</b>	<b>¥26,355</b>	<b>¥87,370</b>

## 13. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral at March 31, 2004 and 2003 were as follows:

	Millions of Yen	
	2004	2003
Assets Pledged as Collateral:		
Investment Securities .....	¥204,312	¥238,056
The Above Pledged Assets Secure		
the Following Liabilities:		
Pledged Money for Securities Lending		
Transactions .....	¥ 70,219	¥ 87,924
Bills Sold.....	52,200	86,400
Deposits.....	11,381	12,780

Besides the above-mentioned, investment securities amounting to ¥81,770 million and ¥85,612 million, respectively, at March 31, 2004 and 2003, were pledged as collateral for settlement of exchange at The Bank of Japan and the reserve funds for forward dealings.

## 14. INCOME TAXES

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets at March 31, 2004 and 2003 were as follows:

	Millions of Yen	
	2004	2003
Deferred Tax Assets:		
Reserve for Possible Loan Losses.....	¥50,472	¥53,953
Tax Loss Carryforwards .....	8,252	18,798
Reserve for Retirement Benefit.....	3,842	3,810
Loss on Securities Devaluation.....	1,624	1,692
Depreciation .....	1,178	1,289
Net Unrealized Losses (Gains) on		
Available-for-Sale Securities .....	(3,271)	1,218
Other .....	865	1,452
Sub-total.....	62,965	82,215
Valuation Allowance .....	(7,545)	(20,305)
<b>Net Deferred Tax Assets .....</b>	<b>¥55,419</b>	<b>¥61,910</b>

The major reasons for the significant differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2004 and 2003 are summarized as follows:

	2004	2003
Statutory Tax Rate .....	41.7%	41.7%
Gains and Losses on Equity-method		
Investment in Affiliate.....	0.3	(0.8)
Items Not Permanently Included in Income,		
such as Dividends Received.....	(1.1)	(0.6)
Items Not Permanently Included in Expense,		
such as Corporate Entertainment Expenses ....	0.4	0.2
Decrease of Valuation Allowance .....	(28.5)	(39.3)
Decrease in Statutory Tax Rate.....	3.0	(3.2)
Other .....	(0.0)	(4.5)
<b>Effective Tax Rate.....</b>	<b>15.8%</b>	<b>(6.5)%</b>

The Bank and its subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 41.70% for the years ended March 31, 2004 and 2003. On March 24, 2003, the Japanese Diet approved amendments to local tax laws which will reduce the standard tax rates for the income-based business tax, as well as add business tax based on corporate size, effective for the years beginning on or after April 1, 2004.

Consequently, the effective statutory tax rate will be reduced to 40.40% for the years beginning on or after April 1, 2004.

## 15. LEASES

### (1) Finance Leases

Total lease payments, for finance leases other than those where the ownership of leased property is transferred, were ¥123 million and ¥145 million for the years ended March 31, 2004 and 2003, respectively.

The pro forma information on the leased property under such finance leases as lessee at March 31, 2004 and 2003 assuming that they were capitalized, was as follows:

	Millions of Yen	
	2004	2003
Acquisition Cost:		
Equipment .....	¥1,175	¥380
Other .....	—	—
Total .....	1,175	380
Accumulated Depreciation:		
Equipment .....	(153)	(165)
Other .....	—	—
Total .....	(153)	(165)
Net Leased Property:		
Equipment .....	1,021	215
Other .....	—	—
Total .....	¥1,021	¥215

Depreciation expense, which was not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥123 million and ¥145 million for the years ended March 31, 2004 and 2003, respectively.

The related obligations under such finance leases at March 31, 2004 and 2003, were as follows:

	Millions of Yen	
	2004	2003
Due within One Year.....	¥ 211	¥ 85
Due after One Year.....	810	130
Total .....	¥1,021	¥215

### (2) Operating Leases

Obligations under operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen	
	2004	2003
Due within One Year.....	¥21	¥15
Due after One Year.....	7	3
Total .....	¥28	¥19

## 16. DERIVATIVES

The Bank enters into: currency swaps and options and foreign exchange forward contracts; interest rate futures and options, swaps, and caps; stock price index futures and options; and bond futures and their options.

It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

Derivatives are subject to market risk and credit risk.

Market risk is the exposure created by potential fluctuations of market conditions, including interest and foreign exchange rates. The Bank sets limits for credit risk by limiting the counterparties to those derivatives to domestic or foreign exchanges and major financial institutions.

Derivatives transactions entered into by the Bank have been made in accordance with its risk management policies and procedures. Limits for allowable maximum risk exposures and losses are established by the Assets and Liabilities Committee periodically.

The Bank's positions, gain-and-loss amounts, risk amounts and other information regarding the status of trading transactions are reported daily to the management board.

### (1) Interest Rate Derivatives as of March 31, 2004 and 2003

#### a. Interest Rate Derivatives as of March 31, 2004

	Millions of Yen		
	Notional or Contract Amount	Market Value	Unrealized Gains (Losses)
<b>2004</b>			
Over-the-Counter Transactions:			
Interest Rate Swaps:			
Fixed Rate Receipt,			
Floating Rate Payment .....	¥21,386	¥196	¥196
Floating Rate Receipt,			
Fixed Rate Payment.....	41,386	(135)	(135)
Other:			
Selling .....	100	(0)	0
Buying .....	100	0	(0)
Total.....	¥ —	¥ 61	¥ 62

b. Interest Rate Derivatives as of March 31, 2003

	Millions of Yen		
	Notional or Contract Amount	Market Value	Unrealized Gains (Losses)
2003			
Over-the-Counter Transactions:			
Interest Rate Swaps:			
Fixed Rate Receipt,			
Floating Rate Payment .....	¥13,986	¥ 217	¥ 217
Floating Rate Receipt,			
Fixed Rate Payment.....	28,986	(396)	(396)
Total.....	¥ —	¥(178)	¥(178)

(2) Currency Swaps as of March 31, 2004 and 2003

a. Currency Swaps as of March 31, 2004

	Millions of Yen		
	Notional or Contract Amount	Market Value	Unrealized Gains
2004			
Over-the-Counter Transactions:			
Currency Swaps .....	¥ 3,408	¥ 6	¥ 6
Forward Contracts:			
Selling .....	6,582	144	144
Buying .....	1,806	(9)	(9)
Currency Options:			
Selling .....	18,153	(754)	110
Buying .....	21,208	755	64
Total.....	¥ —	¥140	¥315

b. Currency Swaps as of March 31, 2003

	Millions of Yen		
	Notional or Contract Amount	Market Value	Unrealized Gains
2003			
Over-the-Counter Transactions:			
Currency Swaps .....	¥360	¥1	¥1

Note: Foreign exchange forward contracts and currency options are excluded from the above table, because they are revalued at the end of the fiscal year and their related profits or losses are reflected in the consolidated statements of operations.

Currency derivatives, formerly re-evaluated at the year-end, are included in the above amounts as of March 31, 2004.

## 17. COMMITMENT LINE

Loan agreements and commitment line agreements relating to loans are agreements which oblige the Bank to lend funds up to a certain limit, agreed to in advance. The Bank makes the loan upon the request of an obligor to draw down funds under such a loan agreement, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements at March 31, 2004 and 2003 amounted to ¥790,787 million and ¥803,069 million, respectively. This amount relates to loans where the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

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

## 18. SECURITIES INFORMATION

a. Trading Securities

	Millions of Yen	
	2004	2003
Book Value .....	¥4,073	¥5,447
Revaluation Difference		
Recognized in Income Statement.....	¥ (5)	¥ 35

b. Available-for-Sale Securities

	Millions of Yen		
	Cost	Book Value	Valuation Difference
March 31, 2004			
Stock .....	¥ 36,956	¥ 46,359	¥9,402
Bond:			
National Government Bonds...	234,545	232,924	(1,620)
Local Government Bonds.....	41,447	41,178	(268)
Corporate Bonds.....	206,764	208,079	1,315
Other.....	57,689	56,923	(765)
Total.....	¥577,403	¥585,466	¥8,063

	Millions of Yen		
	Cost	Book Value	Valuation Difference
March 31, 2003			
Stock .....	¥ 41,099	¥ 36,346	¥(4,753)
Bond:			
National Government Bonds...	234,456	236,053	1,596
Local Government Bonds.....	26,725	27,713	987
Corporate Bonds.....	207,173	209,861	2,688
Other.....	59,475	55,942	(3,533)
Total.....	¥568,931	¥565,916	¥(3,014)

c. Total Sales of Available-for-Sale Securities

For the years ended March 31, 2004 and 2003, proceeds from sales of available-for-sale securities amounted to ¥130,185 million and ¥96,715 million, respectively. For the years ended March 31, 2004 and 2003, the related gross gains amounted to ¥4,511 million and ¥174 million, respectively, and the related gross losses amounted to ¥866 million and ¥74 million, respectively.

d. Book Values of Non-Marketable Securities

	Millions of Yen	
	Book Value	
	2004	2003
Held-to-Maturity Debt Securities:		
Non-Public Offering Corporate Bonds....	¥11,579	¥6,809
Available-for-Sale Securities:		
Unlisted Stock.....	4,970	3,667

e. Available-for-Sale Securities with Maturities and Held-to-Maturity Debt Securities are as follows:

	Millions of Yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
<b>March 31, 2004</b>				
Bonds:				
National Government				
Bonds .....	¥30,721	¥ 77,177	¥ 52,757	¥72,267
Local Government				
Bonds .....	493	19,415	21,270	—
Corporate Bonds .....	28,365	169,912	21,381	—
Other.....	8,605	17,895	21,314	1,047
<b>Total .....</b>	<b>¥68,187</b>	<b>¥284,400</b>	<b>¥116,723</b>	<b>¥73,315</b>

	Millions of Yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
March 31, 2003				
Bonds:				
National Government				
Bonds .....	¥ 68,378	¥103,486	¥22,614	¥41,572
Local Government				
Bonds .....	2,567	6,667	18,478	—
Corporate Bonds .....	56,866	141,112	18,692	—
Other.....	6,617	22,460	15,740	1,625
<b>Total .....</b>	<b>¥134,429</b>	<b>¥273,728</b>	<b>¥75,526</b>	<b>¥43,197</b>

f. Net Unrealized Gains (Losses) on Available-for-Sale Securities

	Millions of Yen	
	2004	2003
Net Valuation Difference on		
Available-for-Sale Securities .....	¥8,098	¥(3,014)
Deferred Tax Assets (Liabilities).....	(3,271)	1,218
Net Valuation Difference Excluding		
Minority Interests .....	4,827	(1,796)
Minority Interests.....	—	—
The Bank's Portion of Net Unrealized		
Gains (Losses) on Available-for-Sale		
Securities Held by Equity Method		
Affiliate .....	1	(6)
Net Unrealized Gains (Losses) on		
Available-for-Sale Securities .....	¥4,828	¥(1,802)

19. MONEY HELD IN TRUST

Money held in trust for asset management purposes was as follows:

	Millions of Yen	
	2004	2003
Book Value.....	¥5,000	¥4,978
Revaluation Gain (Loss) Recognized		
in Income Statement.....	101	(5)

Other Money Held in Trust:

	cost	Book Value	Valuation Difference
<b>March 31, 2004</b>			
Other Money Held in Trust ....	¥15,867	¥15,903	¥35

	cost	Book Value	Valuation Difference
March 31, 2003			
Other Money Held in Trust ....	—	—	—

20. RETIREMENT BENEFITS

*Outline of current system of retirement benefits*

The Bank has unfunded lump-sum payment and defined benefit pension plans.

Most of the employees of the Bank are covered by a pension plan. The plan provides for a lump-sum payment to terminated employees with less than 15 years of participation in the plan. For those employees with participation of 15 years or more, either a lump-sum payment or an annuity are available at the option of the employee. Retirement and pension benefits are determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

The consolidated subsidiary has also adopted a lump-sum payment system for retirement benefits. The following table sets forth the changes in benefit obligations, plan assets and funded status of the Bank and its consolidated subsidiary at March 31, 2004 and 2003.

	Millions of Yen	
	2004	2003
Projected Benefit Obligation		
at End of Year .....	<b>¥(38,693)</b>	¥(61,484)
Fair Value of Plan Assets		
at End of Year .....	<b>19,710</b>	28,444
Benefit Obligation in Excess of		
Plan Assets .....	<b>(18,982)</b>	(33,040)
Unrecognized Net Transitional		
Obligation.....	<b>8,497</b>	13,842
Unrecognized Actuarial Loss .....	<b>6,702</b>	16,172
Unrecognized Prior Service Costs .....	<b>(6,406)</b>	(7,521)
Accrued Retirement Benefits		
in the Consolidated Balance Sheet .....	<b>(10,190)</b>	(10,546)
Reserve for Retirement Benefits .....	<b>¥(10,190)</b>	¥(10,546)

*Note: The Bank's consolidated subsidiary has adopted the allowed alternative treatment of the accounting standards for retirement benefits for small business entities.*

Expenses for retirement benefits of the Bank and its consolidated subsidiary included the following components for the years ended March 31, 2004 and 2003.

	Millions of Yen	
	2004	2003
Service Cost .....	<b>¥1,212</b>	¥1,102
Interest Cost.....	<b>1,536</b>	1,692
Expected Return on Plan Assets.....	<b>(1,137)</b>	(1,299)
Amortization:		
Amortization of Net		
Transitional Obligation.....	<b>1,153</b>	1,153
Amortization of Prior Service Costs.....	<b>(1,114)</b>	(1,114)
Amortization of Unrecognized		
Actual Loss .....	<b>1,956</b>	974
Gain on return of substitutional portion		
of the Welfare Pension Insurance.....	<b>(2,287)</b>	—
Net Periodic Retirement Benefit Cost.....	<b>¥1,319</b>	¥2,509

*Note: Contributions of employees to the funded contributory pension plan are deducted from service costs. Retirement benefit expenses for the consolidated subsidiary are included in service cost.*

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2004 and 2003, are as follows:

	2004	2003
Discount Rate .....	<b>2.50%</b>	2.50%
Long-Term Rate of Return		
on Plan Assets.....	<b>4.00%</b>	4.00%
Method of Attributing Benefit		
to Periods of Service .....	<b>Straight-line basis</b>	Straight-line basis
Amortization Period for Prior		
Service Cost.....	<b>9 years</b>	9 years
Amortization Period for		
Actuarial Loss.....	<b>9 years</b>	9 years
Amortization Period for		
Transitional Obligation at		
Date of Adoption.....	<b>15 years</b>	15 years

## 21. SUBSEQUENT EVENTS

### (1) Appropriation

On June 29, 2004, the shareholders of the Bank authorized appropriation of retained earnings as follows:

	Millions of Yen
Cash Dividends:	
Common Stock .....	¥ 374
Preferred Stock (Class I) .....	522
Preferred Stock (Class II) .....	1,611

### (2) Establishment of Holding Company

On May 21, 2004 the Bank and Hokugin Financial Group, Inc. agreed that Hokugin Financial Group, Inc. shall become a parent company, holding all shares of the Bank, by means of an exchange of shares as scheduled on September 1, 2004. On June 29, 2004, the general shareholders' meeting and each preferred stock shareholders' meeting of the Bank authorized the agreement. The company name of Hokugin Financial Group, Inc. shall be changed to Hokuhoku Financial Group, Inc. on the date of exchanging shares.

To the Board of Directors and Shareholders of  
The Hokkaido Bank, Ltd.:

We have audited the consolidated balance sheets of The Hokkaido Bank, Ltd. and its subsidiary as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hokkaido Bank, Ltd. and its subsidiary as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 21 (2), on May 21, 2004 the Bank and Hokugin Financial Group, Inc. agreed that Hokugin Financial Group, Inc. shall become a parent company, holding all shares of the Bank, by means of an exchange of shares as scheduled on September 1, 2004. On June 29, 2004 the general shareholders' meeting and each preferred stock shareholders' meeting of the Bank authorized the agreement.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

Sapporo, Japan  
June 29, 2004

## NON-CONSOLIDATED FINANCIAL STATEMENTS (SUPPLEMENTARY INFORMATION)

### Non-consolidated Balance Sheets

The Hokkaido Bank, Ltd.  
March 31, 2004 and 2003

	Millions of Yen	
	2004	2003
<b>ASSETS:</b>		
Cash and Due from Banks.....	¥ 235,328	¥ 267,472
Call Loans and Bills Purchased.....	353	50
Monetary Claims Bought.....	3	3
Trading Account Securities .....	4,073	5,447
Money Held in Trust .....	20,903	4,978
Investment Securities .....	622,312	590,650
Loans and Bills Discounted .....	2,562,179	2,511,603
Foreign Exchange.....	4,086	3,934
Other Assets.....	14,009	11,308
Premises and Equipment .....	29,474	29,826
Deferred Tax Assets .....	55,419	61,910
Customers' Liabilities for Acceptances and Guarantees.....	37,325	50,137
Reserve for Possible Loan Losses .....	(81,296)	(88,865)
<b>Total Assets.....</b>	<b>¥3,504,173</b>	<b>¥3,448,459</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits .....	¥3,195,110	¥3,089,431
Pledged Money for Securities Lending		
Transactions .....	70,219	87,924
Call Money and Bills Sold.....	52,200	86,400
Foreign Exchange.....	102	22
Other Liabilities .....	13,068	14,234
Reserve for Retirement Benefits .....	10,175	10,533
Reserve for Possible Losses		
on Collateralized Real Estate		
Loans Sold (to CCPC) .....	—	1,270
Acceptances and Guarantees.....	37,325	50,137
<b>Total Liabilities .....</b>	<b>3,378,203</b>	<b>3,339,955</b>
<b>Shareholders' Equity:</b>		
Capital Stock.....	93,524	93,524
Additional Paid-in Capital .....	16,795	58,928
Legal Reserve .....	—	1,171
Retained Earnings (Deficit).....	10,851	(43,304)
Net Unrealized Gains (Losses) on		
Available-for-Sale Securities .....	4,827	(1,796)
Treasury Stock .....	(28)	(18)
<b>Total Shareholders' Equity .....</b>	<b>125,970</b>	<b>108,503</b>
<b>Total Liabilities and Shareholders' Equity ...</b>	<b>¥3,504,173</b>	<b>¥3,448,459</b>
	Yen	
Net Shareholders' Equity		
per Common Share.....	¥67.07	¥26.08

### Non-consolidated Statements of Operations and Retained Earnings (Deficit)

The Hokkaido Bank, Ltd.  
For the Years Ended March 31, 2004 and 2003

	Millions of Yen	
	2004	2003
<b>Income:</b>		
Interest on Loans and Bills Discounted.....	¥54,889	¥ 56,388
Interest and Dividends from Securities .....	5,295	4,828
Other Interest Income .....	293	203
Fees and Commissions .....	14,927	13,694
Other Operating Income .....	2,009	768
Other Income.....	7,350	6,686
<b>Total Income .....</b>	<b>84,765</b>	<b>82,569</b>
<b>Expenses:</b>		
Interest on Deposits .....	1,830	2,261
Interest on Borrowings and Rediscounts .....	6	6
Other Interest Expenses .....	8	6
Fees and Commissions .....	4,768	4,247
Other Operating Expenses .....	204	713
General and Administrative Expenses.....	38,674	39,690
Other Expenses.....	26,355	87,355
<b>Total Expenses.....</b>	<b>71,848</b>	<b>134,280</b>
<b>Income (Loss) before Income Taxes .....</b>	<b>12,917</b>	<b>(51,711)</b>
<b>Income Taxes:</b>		
Current .....	64	66
Deferred .....	2,001	3,298
<b>Net Income (Loss) .....</b>	<b>¥10,851</b>	<b>¥(55,076)</b>
Retained Earnings (Deficit),		
Beginning of the Year.....	(43,304)	14,791
Reversal of Additional Paid-in Capital.....	42,133	—
Reversal of Legal Reserve .....	1,171	—
Transfer to Legal Reserve .....	—	(510)
Cash Dividends.....	—	(2,508)
<b>Retained Earnings (Deficit),</b>		
<b>    End of the Year .....</b>	<b>¥10,851</b>	<b>¥(43,304)</b>
	Yen	
<b>Per Share Data:</b>		
Net Income (Loss) per Common Share.....	¥ 23.30	¥(147.16)
Diluted Net Income per Common Share .....	12.03	—
<b>Cash Dividends:</b>		
Common Stock .....	1.00	—
Preferred Stock (Class D) .....	6.62	—
Preferred Stock (Class II) .....	15.00	—