

FINANCIAL HIGHLIGHTS

The Hokuetsu Bank, Ltd.

(CONSOLIDATED)

	Year ended March 31		
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. Dollars)
For the Year:			
Total income	¥47,202	¥50,489	\$446,608
Total expenses	41,187	47,888	389,696
Income (Loss) before special items, income taxes and minority interest	6,014	2,601	56,902
Net income (Loss)	1,808	434	17,107
At Year end:			
Deposits	¥1,785,461	¥1,757,807	\$16,893,377
Loans and bills discounted	1,104,185	1,121,479	10,447,393
Securities	607,892	538,909	5,751,651
Total assets	1,904,197	1,899,794	18,016,813
Total stockholder's equity	62,492	53,922	591,276
Capital adequacy ratio	8.41%	8.05%	

(Non- CONSOLIDATED)

	Year ended March 31		
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. Dollars)
For the Year:			
Total income	¥39,399	¥42,709	\$372,779
Total expenses	34,715	40,733	328,461
Income (Loss) before income taxes	7,634	3,786	72,230
Net income (Loss)	1,602	320	15,158
At Year end:			
Deposits	¥1,786,967	¥1,759,207	\$16,907,626
Loans and bills discounted	1,112,615	1,130,154	10,527,155
Securities	607,105	538,377	5,744,205
Total assets	1,890,381	1,886,150	17,886,091
Total stockholder's equity	62,382	54,118	590,467
Capital adequacy ratio	8.47%	8.15%	
Number of employees	1,485	1,584	
Number of Offices	90	96	

Notes: 1. Yen amounts of less than one million yen have omitted.

2. U.S. Dollar amounts are translated from yen, solely for convenience, at the rate of ¥ 105.69 per U.S. \$1.00, the rate prevailing on March 31, 2004.

Review of 2003 Fiscal Result

Led by the export drive to China and the expansion in investment, the Japanese economy in the previous fiscal year shows some favourable economic figures. On the other hand, there still remain severe employment condition or low income level. The prefecture, where the main business base of the Bank is located, is surrounded in the same environment.

Under this condition, as a result of effective fund management, cut in banking cost and rapid disposal of non- performing assets, the Bank could record 1.6 billion net income for fiscal 2003, making the capital adequacy ratio to 8.47%, a rise in 0.32 point compared with the previous fiscal year.

The Bank's essential policy is to contribute to the development of the community by serving customers with satisfactory banking activities.

Based on "Action Program concerning Strengthening Relationship Banking", disclosed in August 2003, the Bank confirmed to take the role as a regional bank. In this spirit, we reinforce loans especially to Small and Medium- Sized corporate customers.

Management Strategy in the Future

The Bank instituted three- year term Management Plan in fiscal 2002 in order to strengthen the banking structure.

In the final phase of this Plan, we are going forward to accomplish its goals;

- 1) the net business profits: 10 billion yen,
- 2) the capital adequacy ratio: above 8%,
- 3) the non- performing assets ratio: less than 6% and
- 4) the ratio of deferred tax assets to Tier I : less than 40%.

Risk management

Today risk management is one of the most important issues the Bank faces, and to cope with various risks, we instituted "Contingency Risk Management Guidance", under which each risk is monitored and controlled.

<Credit Risk Management>

"Credit Rating" system is now introduced. The purpose of this introduction is

to supervise each credit objectively.

<Market- Related Risk management>

Approaches of Basis Point Value and Value at risk are applied to predict the volume of market- related risks, and the outcome of this prediction is monthly argued in the Committee of Asset and Liability Management.

<Liquidity Risk Management>

The structure to administer daily cash flow and to control cash flow position is established and well functioned.

<Operational Risk Management>

To promote efficient operation, the training schedule is arranged. Moreover, operational records are regularly investigated by a independent division to avoid misconduct.

<System Risk Management>

The Bank built a Operation Center and commenced new system facility, with which we have constructed a plan toward contingent risks arisen from disaster.

<Reputation Risk Management>

The Bank's information is frankly disclosed so that the public are well informed of our situation without misunderstanding.

Compliance

Because of public responsibility, banks must accurately comply with legal requirements in a high quality of corporate governance. These requirements range in not only domestic but global standards.

In 1999, the Bank instituted "The Hokuetsu Bank Ethics Charter", which prescribes legal and social requirements to us.

Accompanied with this charter, compliance manuals are formed to pursue "Know Your Customer" requirements, or to cope with anti- money laundering or other illegal activities.

Treatment of non-performing loans

Non-Performing Loans

Credit cost

100m illions of yen

	Mar2004	Mar2003	Increase/ Decrease
Provision for general reserves for possible loan losses	-	58	58
Write off	65	113	48
Reversal of general reserves for possible loan losses	23	-	23
Total amount of credit cost	42	54	12

Breakdown of reserves for possible loan losses

100m illions of yen

	Mar2004	Mar2003	Increase/ Decrease
Reserves for possible loan losses	171	260	88
General reserve for possible loan losses	72	83	10
Specific reserve for possible loan losses	98	177	78
Reserves for supporting specific borrowers	1	2	1
Total(+)	172	262	189

Disclosure of non-performing loans

Disclosure of claims under the Financial Revitalization Law

Non-consolidation

100m illions of yen

	Mar2004 A	Amount secured B	Specific reserve for loan losses C	Total D=B+C	Cover ratio D/A
Bankrupt and quasi-bankrupt assets	217	195	22	217	100.00%
Doubtful assets	512	356	76	433	84.48%
Substandard loans	177	81	20	101	57.33%
Total(+ +)	908	633	119	753	82.89%
Total credits	11,268				
ratio of non-performing assets	8.06%				

Consolidation

100m illions of yen

Bankrupt and quasi-bankrupt assets	228
Doubtful assets	513
Substandard loans	178
Total(+ +)	920
Total credits	11,230
ratio of non-performing assets	8.19%

Disclosure of risk-monitored assets

100m illions of yen

Items	Mar2004	
	Non-consolidated	consolidated
Loans to bankrupt customers	39	40
Non-accrual loans	680	691
Loans past due for three months or more	5	5
Restructured loans	172	172
Total of risk-monitored loans	897	909

The Hokuetsu Bank, Ltd.

Consolidated Balance Sheets

	March 31,		March 31,
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Cash and due from banks	¥ 103,833	¥ 143,044	\$ 982,430
Call loans and bills purchased	1,712	11,322	16,198
Other debt purchased	125	125	1,183
Trading account securities <i>(Note 12)</i>	1,546	1,607	14,628
Money Held in Trust <i>(Note 12)</i>	1,977	2,000	18,706
Securities <i>(Notes 5 and 13)</i>	607,892	538,909	5,751,651
Loans and bills discounted <i>(Note 4)</i>	1,104,185	1,121,479	10,447,393
Foreign exchange	1,207	1,478	11,420
Other assets	15,421	12,403	145,908
Premises and equipment <i>(Note 6)</i>	49,229	49,941	465,787
Deferred tax assets <i>(Note 15)</i>	23,617	30,456	223,455
Customers' liabilities for acceptances and guarantees	12,167	14,263	115,120
Reserve for possible loan losses	(18,719)	(27,236)	(177,112)
Total assets	<u>¥1,904,197</u>	<u>¥1,899,794</u>	<u>\$18,016,813</u>
Liabilities, minority interests and stockholders' equity			
Liabilities:			
Deposits <i>(Note 5)</i>	¥1,785,461	¥1,757,807	\$16,893,377
Certificates of deposits	260	22,960	2,460
Borrowed money <i>(Notes 5 and 7)</i>	20,315	24,449	192,213
Foreign exchange	41	38	388
Bonds <i>(Note 8)</i>	1,300	1,300	12,300
Other liabilities	9,533	13,347	90,198
Accrued bonus	622	466	5,885
Accrued retirement benefits <i>(Note 16)</i>	8,418	7,982	79,648
Deferred income taxes for revaluation	2,863	2,778	27,089
Acceptances and guarantees	12,167	14,263	115,120
Total liabilities	<u>1,840,983</u>	<u>1,845,393</u>	<u>17,418,706</u>
Minority interests	722	478	6,831
Stockholders' equity:			
Common stock	21,271	21,271	201,258
Capital surplus	13,697	13,697	129,596
Retained earnings <i>(Note 10)</i>	18,715	17,601	177,074
Unrealized gain from re-evaluation of land held for use	4,224	4,098	39,966
Unrealized holding gain/loss on securities	4,690	(2,640)	44,375
Treasury Stock	(107)	(106)	(1,012)
Total stockholders' equity	<u>62,492</u>	<u>53,922</u>	<u>591,276</u>
Total liabilities, minority interests and stockholders' equity	<u>¥1,904,197</u>	<u>¥1,899,794</u>	<u>\$18,016,813</u>

See accompanying notes to consolidated financial statements.

The Hokuetsu Bank, Ltd.

Consolidated Statements of Income and Retained Earnings

	Year ended March 31,		Year ended
	2004	2003	March 31, 2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Income:			
Interest on:			
Loans and bills discounted	¥25,611	¥26,977	\$242,322
Call loans and bills purchased	22	40	208
Receivables under resale agreements	2	3	19
Deposits	7	6	66
Other	35	83	331
Interest and dividends on securities	4,626	5,967	43,770
Fees and commission	6,370	6,031	60,271
Other operating income	8,943	9,639	84,615
Other income	1,582	1,738	14,968
Total income	47,202	50,489	446,608
Expenses:			
Interest on:			
Deposits	558	987	5,280
Certificates of deposits	0	0	0
Call money and bills sold	45	16	426
Payables under repurchase agreements	-	0	-
Borrowed money	492	607	4,655
Bonds	37	37	350
Other	522	618	4,939
Fees	1,665	1,683	15,754
Other operating expenses	6,793	7,945	64,273
General and administrative expenses	23,998	24,659	227,060
Other expenses (Note 10)	7,072	11,333	66,913
Total expenses	41,187	47,888	389,696
Income before special items, income taxes and minority interests	6,014	2,601	56,902
Special income	2,527	1,639	23,910
Special loss	(581)	(145)	(5,497)
Income taxes:			
Current	118	328	1,116
Deferred	5,904	3,213	55,861
Minority interests	128	117	1,211
Net income	1,808	434	17,107
Retained earnings:			
Balance at beginning of the year	17,601	18,282	166,534
Additions:			
Reversal of unrealized gain from re-evaluation of land held for use	-	21	-
	-	21	-
Deductions:			
Cash dividends	568	1,137	5,374
Reversal of unrealized gain from re-evaluation of land held for use	125	-	1,183
Loss on disposal of treasury stock	0	-	0
	694	1,137	6,566
Balance at end of the year	¥18,715	¥17,601	\$177,074
	2004	2003	2004
	<i>(Yen)</i>		<i>(U.S. dollars) (Note 3)</i>
Amounts per share (Note 18):			
Net income – basic	¥ 7.94	¥ 1.91	\$0.08
Net assets	274.62	236.95	2.60

See accompanying notes to consolidated financial statements.

The Hokuetsu Bank, Ltd.

Consolidated Statements of Cash Flows

	Year ended March 31,		Year ended
	2004	2003	March 31,
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash flows from operating activities:			
Income before income taxes	¥ 7,961	¥ 4,095	\$ 75,324
Depreciation	5,701	5,923	53,941
Amortization of goodwill	11	1	104
Provision for reserve for possible loan losses	(1,674)	884	(15,839)
Provision for accrued bonus	156	(455)	1,476
Net increase in accrued retirement benefits	435	561	4,116
Interest and dividends income	(30,305)	(33,079)	(286,735)
Interest expenses	1,657	2,267	15,678
Net (gain) losses related to securities transactions	(1,665)	2,673	(15,754)
Net losses (gains) on money held in trust	44	(34)	416
Net foreign exchange gain	(9)	(8)	(85)
Net loss on disposal of premises and equipment	248	141	2,346
Net decrease in loans and bills purchased	10,451	73,117	98,884
Net increase (decrease) in deposits	27,653	(5,500)	261,643
Net (decrease) increase in certificates of deposits	(22,700)	20,800	(214,779)
Net decrease in borrowings (other than subordinated borrowings)	(1,633)	(1,579)	(15,451)
Net (increase) decrease in due from banks (other than the Bank of Japan)	(2,125)	264	(20,106)
Net decrease (increase) in call loan and others	9,610	(9,356)	90,926
Net decrease in call money and bills sold	–	(1,732)	–
Net decrease in foreign exchange (assets)	270	175	2,555
Net increase (decrease) in foreign exchange (liabilities)	3	(51)	28
Interest and dividends received	32,108	36,263	303,794
Interest paid	(2,100)	(2,670)	(19,869)
Other, net	527	(59)	4,986
Subtotal	34,626	92,642	327,619
Income taxes paid	(305)	(545)	(2,886)
Net cash provided by operating activities	34,320	92,097	324,723
Cash flows from investing activities:			
Expenditures on purchases of securities	(356,794)	(601,714)	(3,375,854)
Proceeds from sales of securities	247,296	449,562	2,339,824
Proceeds from redemption of securities	42,298	92,753	400,208
Decrease in money held in trust	(22)	(20,000)	(208)
Increase in money held in trust	–	18,034	–
Expenditures on purchases of premises and equipment	(6,063)	(4,766)	(57,366)
Proceeds from sales of premises and equipment	697	661	6,595
Net cash used in investing activities	(72,588)	(65,468)	(686,801)
Cash flows from financing activities:			
Repayment of subordinated borrowings	(2,500)	(2,000)	(23,654)
Dividends paid	(569)	(1,137)	(5,384)
Dividends paid to minority shareholders	(0)	(0)	(0)
Expenditures on purchases of treasury stock	(10)	(47)	(95)
Proceeds from sale of treasury stocks	3	–	28
Net cash used in financing activities	(3,077)	(3,185)	(29,113)
Translation adjustments of cash and cash equivalents	9	8	85
(Decrease) increase in cash and cash equivalents	(41,335)	23,452	(391,097)
Cash and cash equivalents at beginning of the year	142,653	119,200	1,349,730
Cash and cash equivalents at end of the year	¥ 101,317	¥ 142,653	\$ 958,624

See accompanying notes to consolidated financial statements.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Hokuetsu Bank, Ltd. (the “Bank”) maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan, the Commercial Code of Japan and the Banking Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements filed with the Prime Minister as required by the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged to conform to the current year’s presentation.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The Bank has consolidated all its subsidiaries. The consolidated financial statements include the accounts of the Bank and six consolidated subsidiaries.

All significant intercompany accounts and transactions have been eliminated in consolidation.

The balance sheet date of all the consolidated subsidiaries is March 31.

(b) Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end, cost of sold being determined principally by the moving average method.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(c) Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as securities available for sale are carried at cost. Cost of securities sold is determined by the moving average method.

Securities held in money trust are stated at market value.

(d) Derivatives

Derivatives are stated at market value.

(e) Foreign Exchange Accounting

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the consolidated balance sheet date.

In the year ended March 31, 2003, the Bank adopted the transitional treatment prescribed in the Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" issued by the Japanese Institute of Certified Public Accountants (the "JICPA") on July 29, 2002. Effective the year ended March 31, 2004, in accordance with the standard treatment of the Industry Audit Committee Report No. 25, hedge accounting is applied to currency-swaps and exchange swaps etc. that are contracted for the purpose of the conversion of funding in Japanese yen to foreign-currency-denominated lending. Summary of the hedge accounting is described in Note 2.(k), "Hedge Accounting."

Under the hedge accounting, these currency-swaps and exchange swaps designated as hedging instruments, which were accounted for on an accrual basis under the transitional treatment, are marked to market, and net asset and liability after the revaluation are included in "Other assets" and "Other liabilities," respectively. As a result, "Other assets" and "Other liabilities" decreased by ¥152 million (\$1,438 thousand), respectively.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(e) Foreign Exchange Accounting (continued)

In the year ended March 31, 2003, the translation adjustments of forward exchange transactions and other relevant transactions in the Bank were reported as others in “Other assets” or others in “Other liabilities” on a net basis by applying the transitional treatments prescribed in the Industry Audit Committee Report No. 25. Effective the year ended March 31, 2004, they are reported as derivatives included in “Other assets” and “Other liabilities” on a gross basis in accordance with the standard treatments of the Report No. 25. As a result, “Other assets” and “Other liabilities” increased by ¥82 million (\$776 thousand), respectively.

(f) Depreciation of Premises and Equipment

(1) Premises and Equipment

Depreciation of the Bank’s premises and equipment is determined by the declining-balance method based on the estimated useful lives of the respective assets, and other assets are depreciated by the straight-line method over twenty years.

The estimated useful lives principally applied are as follows:

Buildings	10 to 50 years
Personal estates	3 to 15 years

Depreciation of premises and equipment owned by the consolidated subsidiaries is mainly determined by the declining-balance method over the estimated useful lives of the respective assets.

Depreciation of leased assets held by the consolidated subsidiaries is calculated by the straight-line method over the term of each lease.

(2) Software

Depreciation of the Bank’s softwares which are used in-house is determined by the straight-line method based on the estimated useful lives which is applied by the Bank and consolidated subsidiaries (the estimated useful lives is mainly 5 years).

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(g) Reserve for Possible Loan Losses

The Bank provided a reserve for possible loan losses as detailed below in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (due to bankruptcy, special clearance, etc.) or who are deemed substantially bankrupt, a reserve is provided based on the amount of claims, net of the amounts expected to be collected through the disposal of collateral or by execution of guarantees.

For claims to debtors who are not currently bankrupt but are likely to become bankrupt, the reserve is provided based on the amount considered necessary as a result of an overall solvency assessment, out of the amount of the claims net of the amounts expected to be collected through the disposal of collateral or by execution of guarantees. For other claims, a reserve is provided based on the loan-loss amount in the past certain period.

No specific overseas loans existed at March 31, 2004 and 2003.

All claims are assessed by the Bank's Self-assessment Department with the help of Sales Department and Credit Department as well as all branches based on the Bank's internal rules for self-assessment of asset quality. The Bank's Asset Appraisal Department, which is independent from these Departments, subsequently conducts audits of these assessments, and the reserve is provided based on their audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or substantially bankrupt, the amount of claims exceeding the estimated value of the collateral or guarantees which is deemed uncollectible has been charged off in the aggregate amount of ¥61,845 million (\$585,155 thousand).

The general reserve for possible loan losses of consolidated subsidiaries is provided based on the past loan-loss ratio. In addition, the specific reserve for possible loan losses of consolidated subsidiaries is provided by determining the possible collectibility of individual receivables judging from the financial position of the debtors who are not currently bankrupt but are likely to become so.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(h) Accrued Bonus

The allowance for employees' bonuses represents the provision for the future payment of employees' bonuses. The allowance is provided at the amount which is expected to be paid. The amount of the current year's allowance is calculated based on the amount which belongs to the current fiscal period.

(i) Retirement Benefits

The reserve for retirement allowance for employees at March 31, 2004 and 2003 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2004 and 2003.

Transition difference, amounted to ¥3,793 million (\$35,888 thousand), is being amortized by the straight-line method in 10 years.

Actuarial gain and loss amortized in the each year following the year in which the gain or loss is recognized primarily by the straight-line method in the period (15 years) that is shorter than the average remaining period of service of the employees.

On April 15, 2003, the Bank obtained an approval of exemption from the substitutional portion of its future pension obligations by the Minister of Health, Labor and Welfare, according to the enactment of the Defined Benefit Corporate Pension Plan Law. The Bank recognized extinguishment of the retirement benefit obligation and plan assets as of the date of approval in accordance with a transitional treatment prescribed in Article 47-2 of Practical Guidelines for Accounting for Retirement Benefits (Accounting Committee Report No. 13), issued by the JICPA.

As a result, losses of ¥309 million (\$2,924 thousand) were recorded for the year ended March 31, 2004. The substitutional portion of the plan assets which will be transferred to the government was amounted to ¥9,028 million (\$85,420 thousand) as of March 31, 2004.

(j) Leases

Non-cancelable lease transactions of the Bank and the consolidated subsidiaries are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, except for those finance leases, the ownership of which can be transferred to the lessee.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(k) Hedge Accounting

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method as a hedge accounting. In the year ended March 31, 2003, the Bank applied the transitional treatment prescribed in the Industry Audit Committee Report No. 25. Effective the year ended March 31, 2004, in accordance with the standard treatment of the Industry Audit Committee Report No. 25, hedge accounting is applied to currency-swaps and foreign exchange swaps etc. that are contracted for the purpose of converting Japanese yen to foreign currencies.

Effectiveness of those currency-swaps and foreign exchange swaps hedging the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies is assessed by comparing foreign currency position of the hedged financial assets and liabilities to the hedging instruments.

(l) Consumption Tax

Transactions are recorded at amounts exclusive of consumption tax and local consumption tax.

(m) Appropriation of Retained Earnings

Cash dividends and bonuses to the directors and corporate auditors are recorded in the fiscal year in which the proposed appropriations of retained earnings are approved by at the general meeting of the stockholders.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(n) Definition of Cash and Cash Equivalents

Cash and cash equivalents are defined as those amounts of cash and deposits to the Bank of Japan included in cash and due from banks. The reconciliation of the cash and due from banks in the consolidated balance sheets to the cash and cash equivalents at March 31, 2004 and 2003 were as follows:

	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and due from banks	¥103,833	¥143,044	\$982,430
Time deposits	(100)	(130)	(946)
Current deposits	(62)	(70)	(587)
Ordinary deposits	(106)	(106)	(1,003)
Special deposits	(0)	(0)	(0)
Postal savings	(207)	(82)	(1,959)
Foreign currency deposits	(38)	–	(360)
Other deposits	(2,000)	–	(18,923)
Cash and cash equivalents	¥101,317	¥142,653	\$958,624

3. U.S. Dollar Amounts

Amounts in U.S. dollars are translated from Japanese yen, solely for convenience, at ¥105.69 = U.S.\$1.00, the exchange rate prevailing on March 31, 2004.

4. Loans and Bills Discounted

Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥4,028 million (\$38,111 thousand) and ¥69,111 million (\$653,903 thousand), respectively, at March 31, 2004, and ¥8,602 million and ¥86,904 million, respectively, at March 31, 2003. A bankruptcy loan is recognized whether the collectibility of its principal and interest is substantially doubtful with the reason for past due for a certain period or other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance of the Corporation Income Tax Law, after the charge-offs of loans deemed uncollectible.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

4. Loans and Bills Discounted (continued)

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due for 3 months or more totaled ¥573 million (\$5,422 thousand) and ¥664 million at March 31, 2004 and 2003, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrower under bankruptcy procedures or delinquent loans.

Restructured loans totaled ¥17,232 million (\$163,043 thousand) and ¥18,600 million at March 31, 2004 and 2003, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount, a deferral of interest/principal payments or debt forgiveness, in order to assist the restructuring of the borrowers. Excluded from restructured loans are loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥90,946 million (\$860,498 thousand) and ¥114,771 million at March 31, 2004 and 2003, respectively.

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry” issued by the JICPA. The Bank has rights to sell or to pledge bills discounted including banker’s acceptance bills, commercial bills, documentary bills and foreign exchange bills bought without any restriction. The aggregate face value of those bills was ¥35,892 million (\$339,597 thousand) and ¥37,551 million as of March 31, 2004 and 2003, respectively.

Agreements for overdraft and for loan commitment line are those the Bank loans to customers within credit line by customer’s request. At March 31, 2004, the amount of outstanding credit lines, in which agreements would be cancelable unconditionally or the original agreement would terminate within a year, was ¥458,329 million (\$4,336,541 thousand). Since most agreements will expire without customers’ request for loan, outstanding credit lines do not necessarily affect the future cash flows of the Bank and the consolidated subsidiaries.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Pledged Assets

Pledged assets and liabilities related to pledged assets as of March 31, 2004 and 2003 were summarized as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Pledged assets:			
Securities	¥18,841	¥18,833	\$178,267
Receivables from lease agreement	6,592	7,026	62,371
Liabilities related to the above pledged assets:			
Deposits	¥8,008	¥12,524	\$75,769
Borrowed money	6,507	6,938	61,567

In addition, securities totaling ¥51,068 million (\$483,187 thousand) were pledged as collateral for settlement of exchange and futures transactions.

6. Premises and Equipment

Accumulated depreciation of premises and equipment was ¥55,456 million (\$524,704 thousand) and ¥55,160 million at March 31, 2004 and 2003, respectively.

In accordance with the Law Concerning the Revaluation of Land, the Bank has revalued its land held for operations at March 31, 1998. Due to a revision to the Law enacted on March 31, 1998, the resulting land valuation differences, which were recorded in liabilities at March 31, 1998, have been included in shareholders' equity at an amount, net of the tax effect, at March 31, 2004 and 2003. The corresponding income taxes have been included in liabilities at March 31, 2004 and 2003 as "Deferred income taxes for revaluation."

The difference between the market value and the book value of the land after revaluation was ¥8,988 million (\$85,041 thousand) and ¥7,829 million at March 31, 2004 and 2003, respectively.

7. Borrowed Money

Subordinated borrowed money of ¥12,000 million (\$113,540 thousand) and ¥14,500 million in the aggregate at March 31, 2004 and 2003, respectively, have been included in Borrowed Money.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

8. Bonds

Bonds at March 31, 2004 consisted of the following:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
The Hokuetsu Bank, Ltd.:		
2.90% subordinate bond, payable in yen, due 2010	¥1,300	\$12,300

9. Write-Off

Writing off of loans totaled ¥6,249 million (\$59,126 thousand) and writing off of stocks totaled ¥47 million (\$445 thousand) were included in the account of other expenses for the year ended March 31, 2004.

10. Special Income and Special Loss

Reversal of reserve for possible loan losses totaled ¥1,475 million (\$13,956 thousand) was included in the account of special income for the year ended March 31, 2004.

Loss on exemption from the substitutional portion of its pension obligations totaled ¥309 million (\$2,924 thousand) and writing off of premises based on the Bank's internal rules for self-assessment of asset quality totaled ¥142 million (\$1,344 thousand) were included in the account of special loss for the year ended March 31, 2004.

11. Leases

(1) Lessors

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2004 and 2003, which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousand of U.S. dollars)</i>
Acquisition costs	¥20,207	¥18,176	\$191,191
Accumulated depreciation	9,402	9,016	88,958
Net book value	¥10,804	¥ 9,160	\$102,223

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

(1) Lessors (continued)

Lease income relating to finance leases accounted for as operating leases amounted to ¥3,864 million (\$36,560 thousand) and ¥3,601 million for the years ended March 31, 2004 and 2003, respectively. The depreciation expense of leased assets amounted to ¥3,420 million (\$32,359 thousand) and ¥3,109 million for the years ended March 31, 2004 and 2003, respectively.

Interest income relating to finance lease transactions is calculated by deducting the acquisition cost of the leased assets from the sum of lease fee and estimated remaining asset value, and divided over the respective lease terms, and amounted to ¥493 million (\$4,665 thousand) and ¥470 million for the years ended March 31, 2004 and 2003, respectively.

Future minimum lease income subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases is summarized as follows:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2005	¥ 3,165	\$ 29,946
2006 and thereafter	7,800	73,801
Total	¥10,966	\$103,756

(2) Lessees

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2004 and 2003, which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousand of U.S. dollars)</i>
Acquisition costs	¥15	¥15	\$142
Accumulated depreciation	7	5	66
Net book value	¥ 7	¥10	\$ 66

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

(2) Lessees (continued)

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2 million (\$19 thousand) and ¥2 million for the years ended March 31, 2004 and 2003, respectively. The depreciation expense of leased assets was computed by the straight-line method over the respective lease terms, with scrap values of zero, and amounted to ¥2 million (\$19 thousand) and ¥2 million for the years ended March 31, 2004 and 2003, respectively.

Interest expense relating to finance lease transactions is calculated by the interest method over the respective lease terms, and amounted to ¥0 million (\$0 thousand) and ¥0 million for the years ended March 31, 2004 and 2003, respectively.

Future minimum lease payments subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases is summarized as follows:

<u>Year ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2005	¥2	\$19
2006 and thereafter	5	47
Total	<u>¥7</u>	<u>\$66</u>

12. Trading Account

Information regarding trading account securities as of March 31, 2004 is as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Trading account securities	¥1,546	\$14,628
Realized loss	5	47

Information regarding trading money held in trust as of March 31, 2004 is as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Trading account money held in trust	¥1,955	\$18,497
Realized gain	—	—

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2004 is as follows:

Marketable held-to-maturity debt securities

	<u>Carrying value</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>	<u>Acquisition cost</u>	<u>Carrying value</u>	<u>Unrealized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Debt securities:						
National government bonds	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -
Local government bonds	4,276	4,271	(4)	40,458	40,411	(38)
Corporate bonds	600	599	(0)	5,677	5,668	(0)
Subtotal	4,876	4,870	(4)	46,135	46,079	(38)
Other	1,000	1,000	-	9,462	9,462	-
Total	<u>¥5,876</u>	<u>¥5,871</u>	<u>¥(4)</u>	<u>\$55,597</u>	<u>\$55,549</u>	<u>\$(38)</u>

Marketable other securities

	<u>Acquisition cost</u>	<u>Carrying value</u>	<u>Unrealized gain (loss)</u>	<u>Acquisition cost</u>	<u>Carrying value</u>	<u>Unrealized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Stock	¥ 26,384	¥ 36,538	¥10,153	\$ 249,636	\$ 345,709	\$ 96,064
Debt securities:						
National government bonds	395,112	390,999	(4,112)	3,738,405	3,699,489	(38,906)
Local government bonds	77,071	78,155	1,083	729,218	739,474	10,247
Corporate bonds	31,634	31,728	93	299,309	300,199	880
Subtotal	503,818	500,882	(2,935)	4,766,941	4,739,162	(27,770)
Other	53,340	54,092	751	504,684	511,799	7,106
Total	<u>¥583,543</u>	<u>¥591,513</u>	<u>¥ 7,970</u>	<u>\$5,521,270</u>	<u>\$5,596,679</u>	<u>\$ 75,409</u>

Carrying values were carried at market value as of March 31, 2004.

The Bank judges “current prices fell remarkably” when the current price at the end of year falls 30% or more compared with the book value. The Bank judges the recovery possibility of the current price of stocks of each brand and write off the stocks, the current price of which are judged to have fallen remarkably.

No sales of securities classified as held-to-maturity debt securities were made in the year ended March 31, 2004.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Securities (continued)

Marketable other securities (continued)

Sales of securities classified as other securities amounted to ¥247,296 million (\$2,339,824 thousand) with aggregate gain and loss of ¥1,981 million (\$18,743 thousand) and ¥250 million (\$2,365 thousand), respectively, for the year ended March 31, 2004.

No reclassification of the securities was made in the year ended March 31, 2004.

The redemption schedule for securities with maturities classified as other securities and securities held to maturity as of March 31, 2004 is as follows:

	<u>Due in one year or less</u>	<u>Due after one year through five years</u>	<u>Due after five years through ten years</u>	<u>Due after ten years</u>
	<i>(Millions of yen)</i>			
National government bonds	¥19,815	¥194,539	¥31,421	¥145,223
Local government bonds	15,944	53,212	13,273	–
Corporate bonds	11,854	24,639	3,557	263
Other	2,837	37,475	8,569	4
Total	<u>¥50,452</u>	<u>¥309,866</u>	<u>¥56,821</u>	<u>¥145,491</u>

	<u>Due in one year or less</u>	<u>Due after one year through five years</u>	<u>Due after five years through ten years</u>	<u>Due after ten years</u>
	<i>(Thousands of U.S. dollars)</i>			
National government bonds	\$187,482	\$1,840,657	\$297,294	\$1,374,047
Local government bonds	150,856	503,472	125,584	–
Corporate bonds	112,158	233,125	33,655	2,488
Other	26,843	354,575	81,077	38
Total	<u>\$477,358</u>	<u>\$2,931,838</u>	<u>\$537,619</u>	<u>\$1,376,582</u>

Information regarding marketable securities classified as other securities as of March 31, 2003 is as follows:

Marketable held-to-maturity debt securities

None.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Securities (continued)

Marketable other securities

	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stock	¥ 26,273	¥ 24,373	¥(1,899)
Debt securities:			
National government bonds	334,358	332,797	(1,561)
Local government bonds	92,610	94,752	2,142
Corporate bonds	31,239	31,712	472
Subtotal	458,208	459,261	1,053
Other	47,931	48,340	409
Total	¥532,413	¥531,976	¥ (437)

Sales of securities classified as other securities amounted to ¥449,562 million with aggregate gain and loss of ¥3,411 million and ¥252 million, respectively, for the year ended March 31, 2003.

No sales of securities classified as held-to-maturity debt securities were made in the year ended March 31, 2003.

No reclassification of the securities was made in the year ended March 31, 2003.

The redemption schedule for securities with maturities classified as other securities as of March 31, 2003 is as follows:

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Millions of yen)</i>			
National government bonds	¥10,947	¥169,186	¥ 12,763	¥139,900
Local government bonds	15,163	63,110	16,479	-
Corporate bonds	3,761	27,828	4,776	42
Other	4,387	33,691	8,003	39
Total	¥34,258	¥293,816	¥42,023	¥139,982

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Derivatives

(1) Interest Rate-Related Transactions

None.

(2) Currency-Related Transactions

	March 31, 2004					
	<u>Notional amounts</u>	<u>Fair value</u>	<u>Realized gain (loss)</u>	<u>Notional amounts</u>	<u>Fair value</u>	<u>Realized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Thousand of U.S. dollars)</i>		
Over the counter:						
Forward foreign exchange contracts:						
Sell	¥2,391	¥ 80	¥ 80	\$22,623	\$ 757	\$ 757
Buy	2,137	(75)	(75)	20,220	(710)	(710)
Currency swaps:						
Sell	6,855	(326)	(29)	64,859	(3,084)	(274)
Buy	6,855	326	45	64,859	3,084	426

Derivatives applied hedge accounting in accordance with the standard treatment of the Industry Audit Committee Report No. 25 and reflected in the consolidated balance sheets or eliminated as intercompany transactions are not included in these amounts. Forward foreign exchange and currency options whose gains or losses were realized at the year-end and accounted for in the consolidated statements of income until last fiscal year are included in these amounts.

There were no other currency-related transactions.

(3) Stock-Related Transactions

None.

(4) Bond-Related Transactions

None.

(5) Commodity-Related Transactions

None.

(6) Credit Derivative Transactions

None.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Derivatives (continued)

Summarized below are the notional amounts and estimated fair value of the derivative transactions outstanding at March 31, 2003:

(1) Interest Rate-Related Transactions

None.

(2) Currency-Related Transactions

	March 31, 2003		
	Notional amounts	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Over the counter:			
Currency swaps:			
US\$ settlements	¥33,055	¥364	¥364

Forward foreign exchange and currency options whose gains or losses were realized at the year-end and accounted for in the consolidated statements of income or reflected in the consolidated balance sheets or eliminated as intercompany transactions are not included in these amounts. The contracts amount of currency-related transactions whose gains or losses were realized are as follows:

	March 31, 2003
	Notional amounts
	<i>(Millions of yen)</i>
Over-the-counter:	
Forward foreign exchange contracts:	
Sell	¥2,700
Buy	2,492
Currency option:	
Sell	6,526
Buy	6,526

There were no other currency-related transactions.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Derivatives (continued)

(3) Stock-Related Transactions

None.

(4) Bond-Related Transactions

None.

(5) Commodity-Related Transactions

None.

(6) Credit Derivative Transactions

None.

15. Deferred Taxes

The major components of deferred tax assets and liabilities at March 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousand of U.S. dollars)</i>
Deferred tax assets:			
Reserve for possible loan losses	¥ 21,338	¥26,116	\$201,892
Accrued retirement benefits	3,084	2,722	29,180
Depreciation	958	1,014	9,064
Devaluation on securities	2,331	2,781	22,055
Net operating loss carryforwards	1,961	478	18,554
Other	1,123	1,030	10,625
Subtotal: deferred tax assets	<u>30,799</u>	34,144	<u>291,409</u>
Allowance	(3,818)	(1,300)	(36,125)
Total: deferred tax assets	<u>26,980</u>	32,844	<u>255,275</u>
Deferred tax liabilities:			
Unrealized holding gain on securities	(3,220)	(2,199)	(30,466)
Other	(143)	(188)	(1,353)
Total: deferred tax liabilities	<u>(3,363)</u>	(2,387)	<u>(31,819)</u>
Net deferred tax assets	<u>¥23,617</u>	¥30,456	<u>\$223,455</u>

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

15. Deferred Taxes (continued)

Breakdown of major items causing a major difference between the statutory tax rates and effective tax rates reflected in the consolidated statement of income for the year ended March 31, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Statutory tax rate	41.7%	41.7%
(Adjustments)		
Valuation allowance	34.0	28.6
Decrease in deferred tax assets at year end due to the change of tax rate	1.7	20.0
Entertainment expense and other nondeductible items	0.5	1.1
Inhabitant tax per capita	0.5	0.9
Deferred income tax assets for prior years	(2.3)	(4.9)
Dividend and other exclusive items	(0.7)	(1.5)
Other	0.3	0.6
Effective tax rate	<u>75.7%</u>	<u>86.5%</u>

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 41.7% to 40.4% effective for fiscal years beginning after March 31, 2004. The effect of this tax rate change was to decrease deferred tax assets by ¥803 million at the end of March 31, 2003, to increase income taxes – deferred by ¥820 million for the year, to decrease deferred income taxes for revaluation and increase land revaluation excess by ¥89 million and to increase unrealized gain on securities by ¥17 million.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

16. Retirement Benefit Plans

The Bank and Hokuetsu System Development K.K., a consolidated subsidiary, have defined benefit plans, i.e., welfare pension fund plans and lump-sum payment plans. In addition, other consolidated subsidiaries have lump-sum payment plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2004 and 2003 for the Bank's and the consolidated subsidiaries' defined benefit plans:

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousand of U.S. dollars)</i>
Retirement benefit obligation	¥(27,266)	¥(42,552)	\$(257,981)
Plan assets at fair value	<u>8,892</u>	<u>16,747</u>	<u>84,133</u>
Unfunded retirement benefit obligation	(18,373)	(25,805)	(173,839)
Unrecognized net retirement benefit obligation at transition	3,251	6,271	30,760
Unrecognized actuarial gain or loss	6,720	11,566	63,582
Unrecognized prior service cost	-	-	-
Net retirement benefit obligation	<u>(8,401)</u>	<u>(7,967)</u>	<u>(79,487)</u>
Prepaid pension cost	16	14	151
Accrued retirement benefits	<u>¥ (8,418)</u>	<u>¥ (7,982)</u>	<u>\$ (79,648)</u>

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table until the fiscal year ended March 31, 2003.

On April 15, 2003, the Bank obtained an approval of exemption from the substitutional portion of its future pension obligations by the Minister of Health, Labor and Welfare, according to the enactment of the Defined Benefit Corporate Pension Plan Law. The Bank recognized extinguishment of the retirement benefit obligation and plan assets as of the date of approval in accordance with a transitional treatment prescribed in Article 47-2 of Practical Guidelines for Accounting for Retirement Benefits (Accounting Committee Report No. 13), issued by the JICPA. The substitutional portion of the plan assets which will be transferred to the government was amounted to ¥9,028 million (\$85,420 thousand) as of March 31, 2004.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

16. Retirement Benefit Plans (continued)

The components of retirement benefit expenses for the year ended March 31, 2004 and 2003 are outlined as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousand of U.S. dollars)</i>
Service cost	¥ 810	¥1,001	\$ 7,664
Interest cost	643	1,138	6,084
Expected return on plan assets	(173)	(548)	(1,637)
Amortization of net retirement benefit obligation at transition	541	895	5,119
Amortization of actuarial gain or loss	424	343	4,012
Amortization of prior service cost	-	-	-
Other	95	206	899
Total retirement benefit expenses	<u>2,341</u>	<u>3,037</u>	<u>22,150</u>
Loss on transfer of substitutional portion of pension obligation	309	-	2,924
Total	<u>¥2,650</u>	<u>¥3,037</u>	<u>\$25,073</u>

The assumptions used in accounting for the above plans were as follows:

	<u>2004</u>	<u>2003</u>
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.3%	3.0%

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

17. Segment Information

(1) Business Segment Information

The Bank and its subsidiaries entered into the market with the below mentioned business segments in the years ended March 31, 2004 and 2003.

	Year ended or as of March 31, 2004						
	Commercial banking	Leasing	Credit guarantee	Other	Combined total	Eliminations or corporate	Consolidated
	<i>(Millions of yen)</i>						
I. Total income							
(1) Customers	¥ 39,192	¥ 6,708	¥ 502	¥ 798	¥ 47,202	¥ –	¥ 47,202
(2) Intersegment	202	855	432	617	2,108	(2,108)	–
	<u>39,395</u>	<u>7,563</u>	<u>935</u>	<u>1,415</u>	<u>49,310</u>	<u>(2,108)</u>	<u>47,202</u>
Total expenses	<u>33,942</u>	<u>7,021</u>	<u>915</u>	<u>1,415</u>	<u>43,294</u>	<u>(2,106)</u>	<u>41,187</u>
Ordinary profit	<u>¥ 5,453</u>	<u>¥ 542</u>	<u>¥ 19</u>	<u>¥ 0</u>	<u>¥ 6,015</u>	<u>¥ (1)</u>	<u>¥ 6,014</u>
II. Assets, depreciation and capital expenditures							
Assets	¥ 1,889,964	¥ 19,718	¥ 2,302	¥ 4,777	¥ 1,916,762	¥ (12,564)	¥ 1,904,197
Depreciation	1,177	4,503	5	16	5,701	–	5,701
Capital expenditures	463	5,661	1	6	6,132	–	6,132
	<i>(Thousands of U.S. dollars)</i>						
I. Total income							
(1) Customers	\$ 370,820	\$ 63,469	\$ 4,750	\$ 7,550	\$ 446,608	\$ –	\$ 446,608
(2) Intersegment	1,911	8,090	4,087	5,838	19,945	(19,945)	–
	<u>372,741</u>	<u>71,558</u>	<u>8,847</u>	<u>13,388</u>	<u>466,553</u>	<u>(19,945)</u>	<u>446,608</u>
Total expenses	<u>321,147</u>	<u>66,430</u>	<u>8,657</u>	<u>13,388</u>	<u>409,632</u>	<u>(19,926)</u>	<u>389,696</u>
Ordinary profit	<u>\$ 51,594</u>	<u>\$ 5,128</u>	<u>\$ 180</u>	<u>\$ 0</u>	<u>\$ 56,921</u>	<u>\$ (9)</u>	<u>\$ 56,902</u>
II. Assets, depreciation and capital expenditures							
Assets	\$17,882,146	\$ 186,564	\$ 21,781	\$ 45,198	\$18,135,699	\$(118,876)	\$18,016,813
Depreciation	11,136	42,606	47	151	53,941	–	53,941
Capital expenditures	4,381	53,562	9	57	58,019	–	58,019

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

17. Segment Information (continued)

(1) Business Segment Information (continued)

	Year ended or as of March 31, 2003						
	Commercial banking	Leasing	Credit guarantee	Other	Combined total	Eliminations or corporate	Consoli- dated
	<i>(Millions of yen)</i>						
I. Total income							
(1) Customers	¥ 42,438	¥ 6,527	¥ 279	¥ 1,244	¥ 50,489	¥ -	¥ 50,489
(2) Intersegment	266	1,033	604	242	2,146	(2,146)	-
	<u>42,704</u>	<u>7,561</u>	<u>883</u>	<u>1,487</u>	<u>52,636</u>	<u>(2,146)</u>	<u>50,489</u>
Total expenses	<u>40,787</u>	<u>7,273</u>	<u>639</u>	<u>1,333</u>	<u>50,033</u>	<u>(2,144)</u>	<u>47,888</u>
Ordinary profit	<u>¥ 1,916</u>	<u>¥ 287</u>	<u>¥ 244</u>	<u>¥ 153</u>	<u>¥ 2,602</u>	<u>¥ (1)</u>	<u>¥ 2,601</u>
II. Assets, depreciation and capital expenditures							
Assets	¥ 1,885,683	¥ 19,343	¥ 2,527	¥ 4,948	¥ 1,912,503	¥ (12,708)	¥ 1,899,794
Depreciation	1,292	4,608	5	17	5,923	-	5,923
Capital expenditures	404	4,443	3	4	4,855	-	4,855

Notes: 1. Business segments were segregated corresponding to consolidated companies business.

2. Total income and ordinary profit (loss) are used instead of sales and operating profit (loss) of ordinary business enterprises.

(2) Geographic Segment Information

As all consolidated subsidiaries and all balances are located in Japan, geographic segment information has not been presented.

(3) Total Income from International Operations

As total income from international operations was less than 10% of the total consolidated income, total income from international operations has not been presented.

The Hokuetsu Bank, Ltd.

Notes to Consolidated Financial Statements (continued)

18. Net Income Per Share

Net income – basic and net assets per share are computed based on the weighted average number of shares of common stock outstanding during each year and on the number of shares of common stock outstanding at each balance sheet, except for treasury stock, respectively.

In accordance with the accounting standard for earnings per share which became effective April 1, 2002, net income per share for the year ended March 31, 2004 and March 31, 2003 was computed based on the net income available for distribution to stockholders and the number of shares of common stock outstanding during each year.

Net income per share and net assets per share were computed as follows:

	<u>2004</u>	<u>2003</u>
Net income per share	¥7.94	¥1.91
Net income	¥1,808 million	¥434 million
Net income not for common stock		
shareholders	–	–
Bonus for directors	–	–
Dividends to preferred stock		
shareholders	–	–
Net income for common stock		
shareholders	¥1,808 million	¥ 434 million
Weighted average number of common		
stock	227,575 thousand	227,667 thousand

19. Other Financial Information (Unaudited)

Capital Adequacy Ratio

	<u>March 31,</u>		<u>March 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Basic capital	¥ 53,100	¥ 49,729	\$ 502,413
Supplementary capital	18,610	20,217	176,081
Deduction	50	50	473
Total capital	<u>¥ 71,660</u>	<u>¥ 69,895</u>	<u>\$ 678,021</u>
Total risk-adjusted assets	<u>¥851,414</u>	<u>¥867,549</u>	<u>\$8,055,767</u>
Capital adequacy ratio	8.41%	8.05%	

The above amounts and figures for 2004 and 2003 are based on Japanese standards.

20. The Hokuetsu Bank, Ltd. (Parent Company only)

Non-Consolidated Balance Sheets

	<u>March 31,</u>		<u>March 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Assets			
Cash and due from banks	¥ 103,727	¥ 142,937	\$ 981,427
Call loans	1,712	11,322	16,198
Other debt purchased	125	125	1,183
Trading account securities	1,546	1,607	14,628
Money Held in Trust	1,955	2,000	18,497
Securities	607,105	538,377	5,744,205
Loans and bills discounted	1,112,615	1,130,154	10,527,155
Foreign exchange	1,207	1,478	11,420
Other assets	9,928	6,594	93,935
Premises and equipment	33,573	34,618	317,655
Deferred tax assets	21,944	28,785	207,626
Customers' liabilities for acceptances and guarantees	12,097	14,181	114,457
Reserve for possible loan losses	(17,157)	(26,032)	(162,333)
Total assets	<u>¥1,890,381</u>	<u>¥1,886,150</u>	<u>\$17,886,091</u>
Liabilities and stockholders' equity			
Liabilities:			
Deposits	¥1,786,967	¥1,759,207	\$16,907,626
Certificates of deposits	260	22,960	2,460
Borrowed money	12,000	14,500	113,540
Foreign exchange	41	38	388
Bonds	1,300	1,300	12,300
Other liabilities	3,355	8,428	31,744
Accrued bonus	586	430	5,545
Accrued retirement benefits	8,389	7,956	79,374
Reserve for specific borrowers under support	136	250	1,287
Deferred tax liability for revaluation	2,863	2,778	27,089
Acceptances and guarantees	12,097	14,181	114,457
Total liabilities	<u>1,827,998</u>	<u>1,832,031</u>	<u>17,295,846</u>
Stockholders' equity:			
Common stock	21,271	21,271	201,258
Capital surplus	13,697	13,697	129,596
Legal reserve	12,443	12,443	117,731
Unrealized gain on re-evaluation of land held for use	4,224	4,098	39,966
Retained earnings	6,220	5,313	58,851
Unrealized holding gain on available-for-sale securities	4,591	(2,646)	43,438
Treasury stock	(65)	(59)	(615)
Total stockholders' equity	<u>62,382</u>	<u>54,118</u>	<u>590,236</u>
Total liabilities and stockholders' equity	<u>¥1,890,381</u>	<u>¥1,886,150</u>	<u>\$17,886,091</u>

Non-Consolidated Statements of Income and Retained Earnings

	Year ended March 31,		Year ended
	2004	2003	March 31, 2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Income:			
Interest on:			
Loans and discounts	¥ 25,478	¥ 26,857	\$ 241,063
Call loans	21	40	199
Repurchase	2	3	19
Notes discounted	0	0	0
Deposits	0	0	0
Other	35	83	331
Interest and dividends on securities	4,615	5,960	43,665
Fees and commissions	5,664	5,163	53,591
Other operating income	2,248	3,124	21,270
Other income	1,330	1,474	12,584
Total income	39,399	42,709	372,779
Expenses:			
Interest on:			
Deposits	558	987	5,280
Certificates of deposits	0	0	0
Call money and bills sold	45	16	426
Resale	-	0	-
Borrowed money	327	411	3,094
Bonds	37	37	350
Interest rate swap	516	-	4,882
Other	0	618	0
Fees	2,364	2,171	22,367
Other operating expenses	230	1,206	2,176
General and administrative expenses	23,906	24,803	226,190
Other expenses	6,728	10,479	63,658
Total expenses	34,715	40,733	328,461
Special income	3,523	1,955	33,333
Special loss	(573)	(144)	(5,422)
Income before income taxes	7,634	3,786	72,230
Income taxes:			
Current	26	80	246
Deferred	6,006	3,386	56,827
Net income	1,602	320	15,158
Retained earnings:			
Balance at beginning of the year	5,313	(9,111)	50,270
Transfer from voluntary reserves	-	15,223	-
Reversal of unrealized gain from re-evaluation of land held for use	(125)	21	(1,183)
	5,188	6,133	49,087
Appropriations:			
Transfer to legal reserve	-	-	-
Cash dividends	569	1,138	5,384
	569	1,138	5,384
Balance at end of the year	¥ 6,220	¥ 5,313	\$ 58,851
	2004	2003	2004
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Amounts per share:			
Net income – basic	¥ 7.03	¥ 1.40	\$0.07
Net assets	273.96	237.64	2.59

Notes

1. Basis of Presentation

The Hokuetsu Bank, Ltd. (the "Bank") maintains its accounting records and prepares its non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, the Commercial Code of Japan, the Banking Law of Japan and the Rules for Bank Accounting issued by the Ministry of Finance, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the non-consolidated financial statements filed with the Prime Minister as required by the Banking Law and the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original non-consolidated financial statements have been reclassified and rearranged to conform to the current year's presentation.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying non-consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Subsequent Event

On June 29, 2004, the Bank's stockholders approved the following appropriations of retained earnings:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Transfer to legal reserve	¥ –	\$ –
Year-end cash dividends (¥2.50 per share)	1,138	10,767

3. Other Financial Information (Unaudited)

Capital Adequacy Ratio

	March 31,		March 31,
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Basic capital	¥ 52,428	¥ 49,450	\$ 496,054
Supplementary capital	18,517	20,125	175,201
Deductions	(50)	(50)	(473)
Total capital	¥ 70,895	¥ 69,525	\$ 670,782
Total risk-adjusted assets	¥836,528	¥852,890	\$7,914,921
Capital adequacy ratio	8.47%	8.15%	

The above amounts and figures for 2004 and 2003 are based on Japanese standards.

Report of Independent Auditors

The Board of Directors
The Hokuetsu Bank,Ltd.

We have audited the accompanying consolidated balance sheets of The Hokuetsu Bank, Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hokuetsu Bank, Ltd. and consolidated subsidiaries at 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience, and the translation of Japanese yen amounts into U.S. dollar amounts is on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

Niigata, Japan
June 29, 2004

Hokuetsu Bank's Subsidiaries (As Of March 31,2004)

Name	Line of Business	Capital(Millions of yen)	Equity(%)*
The Hokuetsu Business Co.,Ltd	Banking services on a commission basis	10	100.00
The Hokuetsu Leasing Co.,Ltd	Leasing	560	80.80
The Hokuetsu System Depelopment Co.,Ltd	Date processing service on consignment	20	100.00
The Hokuetsu Card Co.,Ltd	Credit card business	20	70.60
The Hokuetsu Credit Guarantee Co.,Ltd	Credit guarantee business	10	73.30
The Hokugin Economic Research institute,Ltd	Research into and provision of report on economy & society	30	53.00

Note:The parent bank's equity percentage in the subsidiary's capital shares issued.

CORPORATE DATA

BOARD OF DIRECTORS AND AUDITORS

President

Kuniaki Nozaki

Senior Managing Director

Takashi Kusumi

Managing Directors

Tomio Hasegawa

Kouichi Takahashi

Yoshikazu Kazamaki

Directors

Toru Yamamoto

Sadamu Sakai

Michio Hosaka

Kazuaki Horii

Soichirou Ohya

Standing Corporate Auditors

Iwao Yamada

Haruo Seki

Corporate Auditors

Iwao Tamura

Ryouzou Kondou

(as of July 1, 2004)

Date of Incorporation:

December 7, 1942

Authorized Shares:

600,000,000

Issued and Outstanding Shares:

227,954,201

Paid-in Capital:

¥ 21,271 million

Stockholders:

6,855

Employees:

1,646

Stock Listings:

First Section of Tokyo Stock Exchange

(as of March 31, 2004)

SERVICE NETWORK

Head Office:

2-14,Otedori-2-chome,Nagaoka,Niigata
940-8650

Telephone:(0258)35-3111

International Business Department:

Adress:same as head office

Cable Address:HOKUETSUBK

SWIFT:HETS JPJT

Foreign Exchange Offices:

Head Office Business Department

2-14,Otedori-2-chome,Nagaoka,Niigata
940-8650

Telephone:(0258)35-3111

Ichinokido Branch

3-21,Hayashicho 1-chome,Sanjo,Niigata
955-0061

Kashiwazaki Branch

6-7,Nishi-honcho 1-
chome,Kashiwazaki,Niigata 945-0066

Ken-oh Tsubame Branch

2,Butsuryu center 1-
chome,Tsubame,Niigata 959-1277

Mitsuke Branch

1-1,Honcho 2-chome,Mitsuke,Niigata
954-0053

Niigata Branch

1300,Kamiokawamaedori Hachibancho,
Niigata 951-8068

Niigata Ekimae Branch

2-25,Higashiodori 1-chome,Niigata
950-0087

Sanjo Branch

2-21,Honcho 4-chome,Sanjo,Niigata
955-0071

Shibata Branch

2-22,Chuocho 3-chome,Shibata,Niigata
957-0053

Tokyo Branch

16-1,Nihonbashi koamicho Chuo-ku,
Tokyo 104-0016

Tsubame Branch

3026,Oaza Tsubame,Tsubame,Niigata
959-1200

Number of Offices by Area:

Niigata	85
Tokyo	1
Saitama	2
Gunma	2
Total	90

(as of July 1, 2004)

