

Our Profile

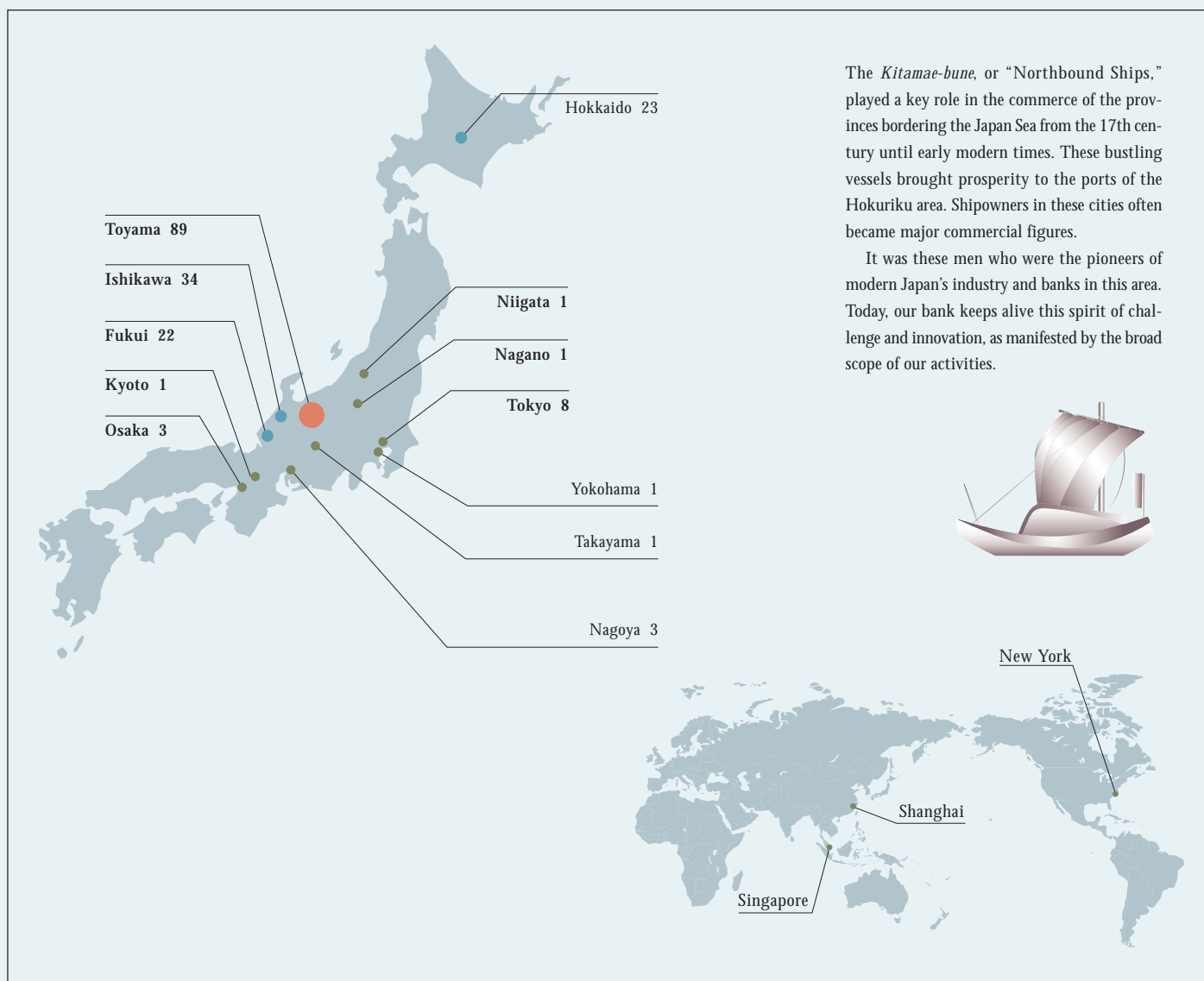
(As of March 31, 2004)

Hokugin Financial Group, Inc.	
Company Name	Hokugin Financial Group, Inc.
Established	September 26, 2003
Head Office	2-26 Tsutsumicho-dori 1-chome, Toyama City, Toyama 930-8637, Japan
Paid-in Capital	¥50 billion
Number of Shares Issued and Outstanding	Common shares: 987,146,185 shares Class I preferred stock: 150,000,000 shares
Business Activities	Holding company Management and oversight of Group companies Other activities incidental to the foregoing
Stock Listing	Tokyo Stock Exchange, Osaka Stock Exchange
Capital Adequacy Ratio (Domestic standard)	8.27%
Number of Employees	34

(As of March 31, 2004)

The Hokuriku Bank, Ltd.	
Company Name	The Hokuriku Bank, Ltd.
Founded	1877
Total Assets	¥5,628.6 billion
Deposits	¥5,115.9 billion
Loans and Bills Discounted	¥4,325.2 billion
Number of Shares Issued and Outstanding	Common shares: 987,146,185 shares Class I preferred stock: 150,000,000 shares
Capital Adequacy Ratio (Domestic standard)	8.10%
Number of Employees	2,926
Service Network	187 (Domestic: Head Office, 137 branches and 50 sub-branches); 4 (Overseas: 3 representative offices, and 1 overseas affiliated company); 5,280 off-branch ATM locations (5,055 E-net ATM locations at convenience stores)

Our Service Network



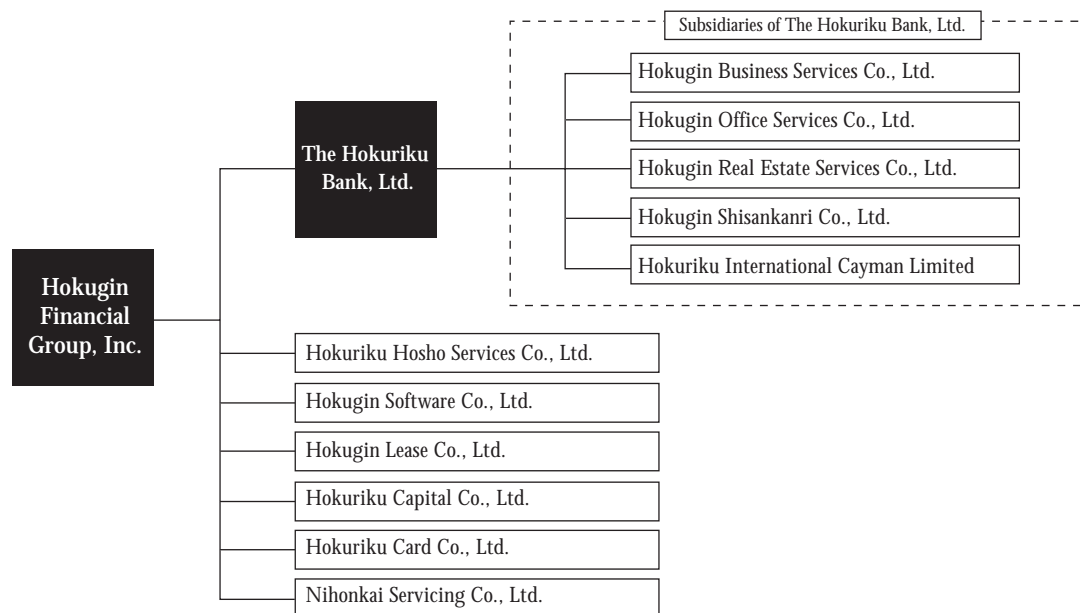
The *Kitamae-bune*, or “Northbound Ships,” played a key role in the commerce of the provinces bordering the Japan Sea from the 17th century until early modern times. These bustling vessels brought prosperity to the ports of the Hokuriku area. Shipowners in these cities often became major commercial figures.

It was these men who were the pioneers of modern Japan's industry and banks in this area. Today, our bank keeps alive this spirit of challenge and innovation, as manifested by the broad scope of our activities.

Our Business Activities

The Hokugin Financial Group comprises Hokugin Financial Group, Inc., 11 consolidated subsidiaries and one affiliated company. The Group is primarily engaged in banking, leasing activities and other financial services. The structure of the Group's operations is summarized below.

The Structure of Hokugin Financial Group



Subsidiaries and Affiliate Companies of Hokugin Financial Group, Inc.

Name	Line of Business	Capital (Millions of yen)	Hokugin FG's Capital Share (%)	Established	Consolidated
The Hokuriku Bank, Ltd.	Commercial bank	140,409	100	1943	✓
Hokuriku Hosho Services Co., Ltd.	Credit guarantees	50	100	1978	✓
Hokugin Software Co., Ltd.	Software development	30	100	1986	✓
Hokugin Lease Co., Ltd.	Leasing	100	70	1983	✓
Hokuriku Capital Co., Ltd.	Venture capital, IPO consulting	250	5	1985	—
Hokuriku Card Co., Ltd.	Credit card operations, loan guarantees	36	87	1983	✓
Nihonkai Servicing Co., Ltd.	Servicer	500	100	2003	✓

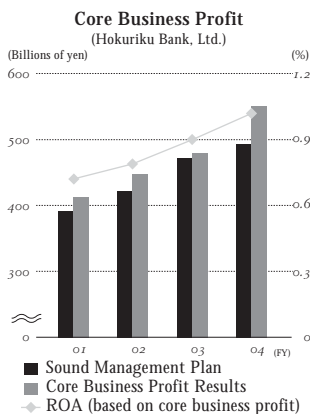
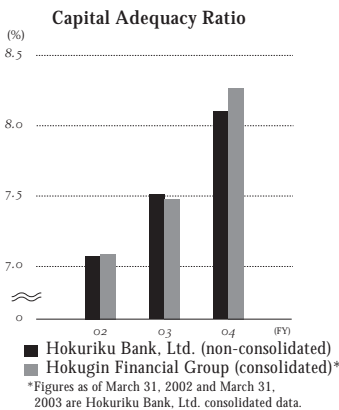
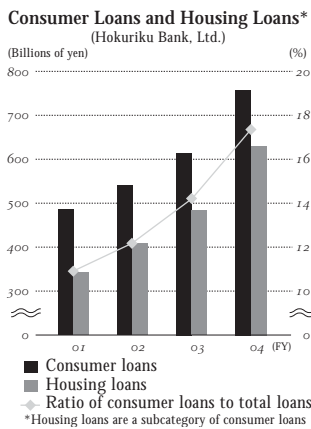
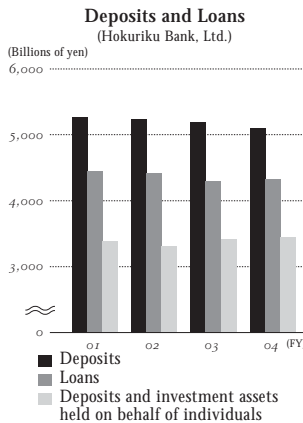
Subsidiaries of The Hokuriku Bank, Ltd.

Name	Line of Business	Capital (Millions of yen)	Hokuriku Bank's Capital Share (%)	Established	Consolidated
Hokugin Business Services Co., Ltd.	Printing, printed matter management, cash management, ATM/CD maintenance/operation, outsourcing of branch operations	30	100	1953	✓
Hokugin Office Services Co., Ltd.	Human resource solutions	20	100	1986	✓
Hokugin Real Estate Service Co., Ltd.	Property management	100	100	1988	✓
Hokugin Shisankanri Co., Ltd.	Auctioning pledged properties	300	100	2000	✓
Hokuriku International Cayman Limited	Finance	US\$1 thousand	100	1993	✓

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A Message from the Management



Organizational Changes (Hokugin Financial Group, Inc.)

Hokugin Financial Group, Inc. was established on September 26, 2003, as a holding company for The Hokuriku Bank, Ltd. by means of stock transfer with amid restructuring of Group companies. Through integrated management, Hokugin Financial Group strives to efficiently and effectively provide comprehensive financial services while fulfilling its central role of ensuring stability in regional financial markets.

Hokugin Financial Group has seven companies under its umbrella comprising The Hokuriku Bank, Hokuriku Hosho Services Co., Ltd., Hokugin Software Co., Ltd., Hokugin Lease Co., Ltd., Hokuriku Capital Co., Ltd., Hokuriku Card Co., Ltd. and Nihonkai Servicing Co., Ltd. As a financial holding company, Hokugin Financial Group mainly focuses on management and administration such as the formulation of Group business strategies, as well as work peripheral to these operations.

Dividend Policy

The Company's fundamental policy on dividends is to consistently distribute dividends to shareholders while working to ensure a stable management foundation over the long term. In accordance with this policy, the Company has set year-end dividends at ¥1 per share of common stock for the fiscal year ended March 31, 2004. Dividends for shareholders of the first series Class I preferred stock are ¥7.70 yen for face values of ¥500.

For the fiscal year ending March 31, 2005, Hokugin Financial Group plans to distribute full-term dividends of more than ¥1 per share of common stock with a view to management integration with The Hokkaido Bank, Ltd.

Review of Operations (The Hokuriku Bank, Ltd.)

Central to the operations of Hokugin Financial Group, The Hokuriku Bank is beginning to handle savings-type disability insurance with monthly pension payments and lump sum pension insurance that invests in US dollar-denominated assets with payments denominated in yen, in addition to foreign currency deposits with exchange rate protection to meet the diversifying asset management needs of individual customers. The Hokuriku Bank also started offering Web Account as a comprehensive account without a bankbook, and "Core 1" as an all-in-one cash card, loan card and credit card.

For corporate customers, The Hokuriku Bank provides products and services that fulfill a wide range of financial needs for businesses, and began selling the Hokugin Relationship Fund: ACT Series of lending products with floating interest rates and financial covenants.

To rebuild an efficient bank branch structure in tune with the market and changes in the operating environment, The Hokuriku Bank closed the Higashi-Kanagawa branch, three other bank branches and the Kushiro-Minami sub-branch, turned the Nomachi branch and three other bank branches into sub-branches, made the Aburaden sub-branch into a Hokugin Loan Plaza, and opened the Kanazawa-Minami Chuo branch as the main bank of the southern district of Kanazawa City during the fiscal year under review. Consequently, as of March 31, 2004, The Hokuriku Bank had 137 main bank branches, including the Raicho branch, Hokugin Direct branch and international operations center, and 50 sub-branches.

As of March 31, 2004, The Hokuriku Bank had ¥5,100.3 billion in deposits, a

Management Integration

Management Integration with The Hokkaido Bank, Ltd.

The Hokuriku Bank, Ltd., a subsidiary of Hokugin Financial Group, Inc., has focused efforts on improving management efficiency and customer services in line with its Plan for Restoring Sound Management. Since partnering with The Hokkaido Bank, Ltd. in May 2002 in our mutual service areas in Hokkaido, we have made concerted efforts to improve customer convenience, such as not charging for ATM usage and offering preferential rates for ATM transfers between the banks. Financial markets are changing considerably, and the needs of local customers are diversifying and becoming more sophisticated. To ensure a stable management foundation in the future, we aim to strengthen our partnership, and decided on the merger as a necessary step to increasing management efficiency and marketing capabilities through a mutual marketing strategy.

In September 2003, the Hokuriku Bank Group moved to a holding company management structure. On the occasion of the merger with The Hokkaido Bank, we decided to change the holding company's name to Hokuhoku Financial Group, Inc., and welcomed The Hokkaido Bank as a new member to the holding company group.

Merger Method

The merger will take place on September 1, 2004 through a stock-to-stock exchange. Stock held by The Hokkaido Bank shareholders will be exchanged for Hokuhoku Financial Group shares. Hokuhoku Financial Group will acquire all of the shares in The Hokkaido Bank, making it a wholly owned consolidated subsidiary.

One share of common stock in The Hokkaido Bank will be exchanged for 0.8 share of common stock in Hokuhoku Financial Group. One share of preferred stock in The Hokkaido Bank will be exchanged for one share of preferred stock in Hokuhoku Financial Group.

Measures Following Management Integration

Management integration is centered on three measures comprising increasing management efficiency, strengthening marketing capabilities and stabilizing the management foundation. The holding company builds cooperative relationships among Group companies and formulates Group policies as a headquarters for increasing efficiency in management and allocating management resources.

1. Increasing Management Efficiency

From May 2004, we began to increase efficiency in back office operations including the sharing of mail and consigning of bill collection and office work to The Hokkaido Bank. In integrating the branches of both banks, we are reviewing the independent branch networks of each bank from the customers' perspective instead of simply consolidating branches.

2. Strengthening Marketing Capabilities

Combining the Hokkaido branch network of The Hokkaido Bank and the wide-area branch network of The Hokuriku Bank creates a network of 144 branches in Hokuriku, 149 branches in Hokkaido, and 19 branches in the major cities like Tokyo, Nagoya and Osaka. Using this expansive network, we

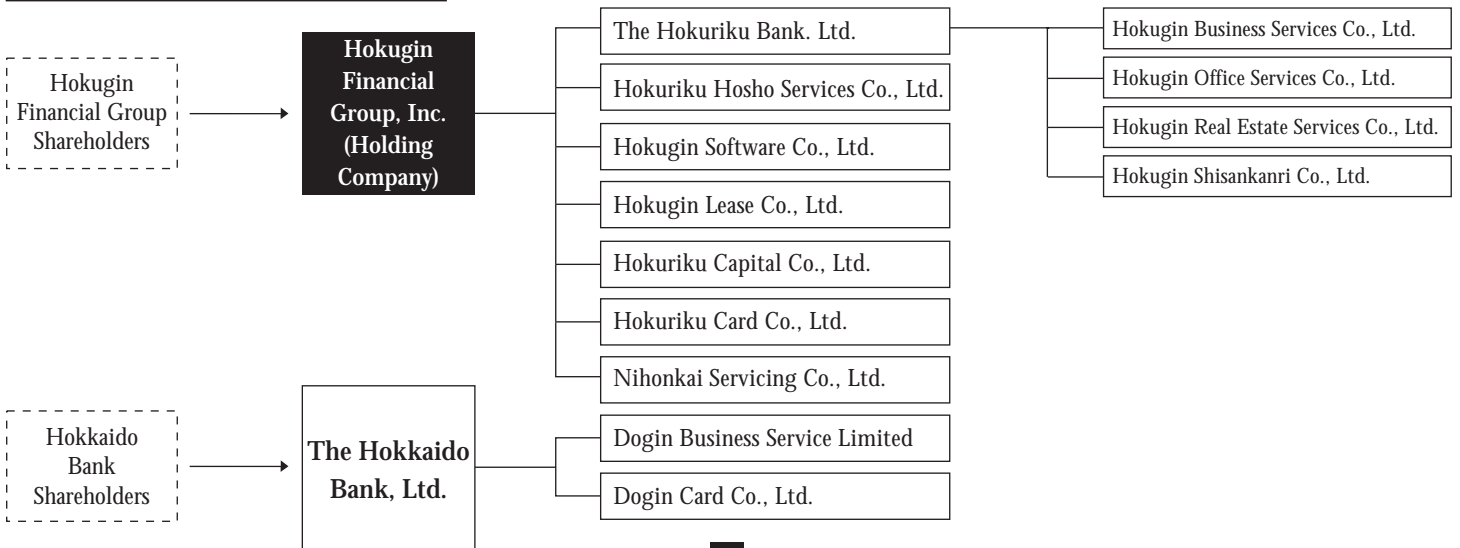
aim to increase convenience for regional customers. Gathering our collective information networks, expertise and experience for M&A and corporate rehabilitation support, we are focusing efforts on bolstering business matchmaking through joint consulting services and introductions. Moreover, we launched the CYOJYOKAI Committee as an organization for customers with operations in China. We make an effort to provide knowledge through the provision of information from overseas bases and holding of joint seminars for customers who are examining making a move into China.

3. Enhancing Management Stability

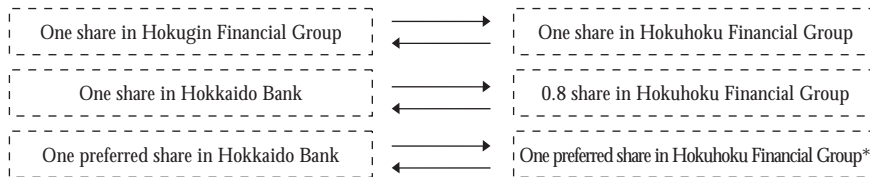
To expand our customer base by region, industry and segment for the entire Group, especially major regional companies, small and medium-scale businesses, and retail transactions with individual customers such as employees, the Company is striving to maximize the effect of its dispersed asset portfolio while reducing and stabilizing credit risk. Moreover, we are offering joint support to similar customers through the sharing of corporate rehabilitation know-how of both banks and making concerted efforts to control credit risk by improving debt collection capabilities through servicers and boosting risk management capabilities through the integration of self-assessment, amortization and reserve standards.

Management Integration

Prior to Management Integration

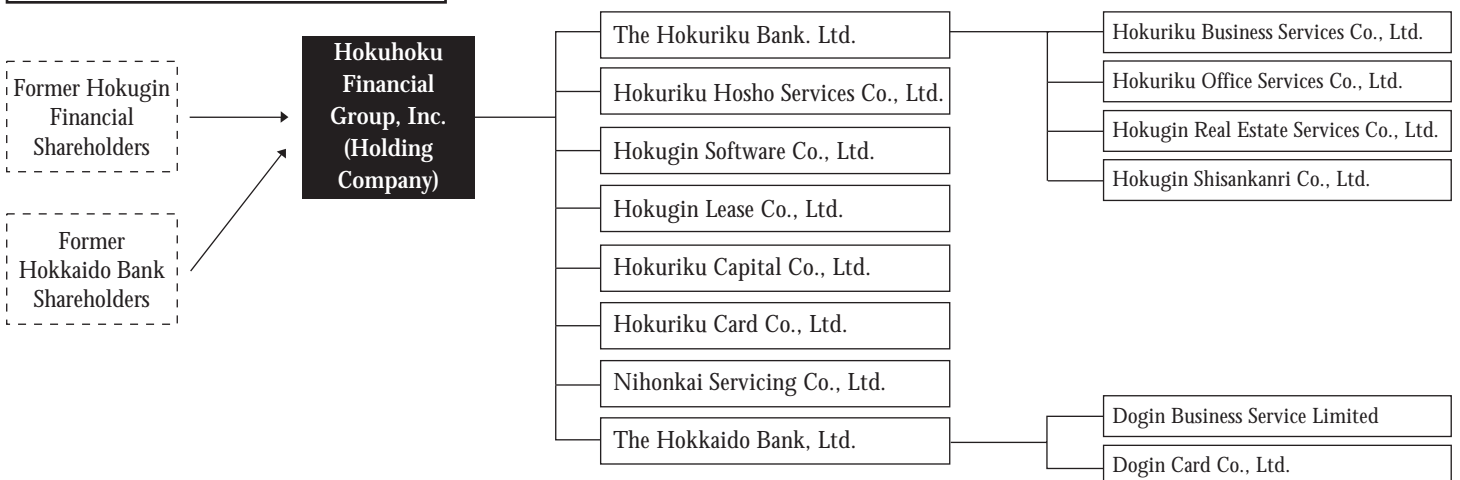


Stock-to-stock exchange: company name change (September 1, 2004)



*Preferred shares retain the same conditions after the stock-to-stock exchange

After Management Integration



Note: Excluding overseas subsidiaries

Consolidated Balance Sheet

Hokugin Financial Group, Inc. and Consolidated Subsidiaries As of March 31, 2004

	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 1)
	2004	2004
ASSETS		
Cash and Due from Banks	¥ 199,306	\$ 1,885,769
Call Loans	50,000	473,082
Commercial Paper and Other Debt Purchased	13,832	130,879
Trading Assets (Note 4)	3,803	35,983
Money Held in Trust	2,414	22,845
Securities (Notes 5 and 10)	739,442	6,996,333
Loans and Bills Discounted (Notes 6 and 10)	4,287,399	40,565,796
Foreign Exchanges (Note 7)	10,878	102,927
Other Assets (Note 10)	89,343	845,336
Premises and Equipment (Notes 8 and 10)	100,480	950,707
Deferred Tax Assets (Note 16)	96,492	912,975
Customers' Liabilities for Acceptances and Guarantees (Note 9)	118,287	1,119,195
Reserve for Possible Loan Losses	(116,431)	(1,101,631)
Total Assets	¥5,595,249	\$52,940,196
 LIABILITIES, MINORITY INTERESTS, AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits (Notes 10 and 11)	¥5,091,026	\$48,169,422
Call Money and Bills Sold (Note 10)	13,800	130,571
Pledged Money for Securities Lending Transactions (Note 10)	31,051	293,796
Trading Liabilities (Note 4)	946	8,958
Borrowed Money (Note 12)	56,723	536,696
Foreign Exchanges (Note 7)	176	1,667
Corporate Bonds (Note 13)	32,750	309,868
Other Liabilities (Note 10)	47,059	445,256
Reserve for Employee Bonuses	21	208
Reserve for Employee Retirement Benefit	711	6,736
Deferred Tax Liabilities for Land Revaluation	8,204	77,627
Consolidation Difference	622	5,886
Acceptances and Guarantees (Note 9)	118,287	1,119,196
Total Liabilities	5,401,381	51,105,887
Minority Interests	175	1,657
Shareholders' Equity		
Capital Stock (Note 14)	50,000	473,082
Capital Surplus	105,408	997,336
Retained Earnings	27,228	257,626
Land Revaluation Excess	12,088	114,376
Net Unrealized Losses on Available-for-Sale Securities	370	3,503
Treasury Stock	(1,402)	(13,271)
Total Shareholder's Equity	193,692	1,832,652
Total Liabilities, Minority Interests, and Shareholders' Equity	¥5,595,249	\$52,940,196

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Income and Retained Earnings

Hokugin Financial Group, Inc. and Consolidated Subsidiaries For the year ended March 31, 2004

	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 1)
	2004	2004
Income		
Interest Income:		
Interest on Loans and Discounts	¥ 86,073	\$ 814,400
Interest and Dividends on Securities	11,558	109,365
Other Interest Income	997	9,436
Fees and Commissions	19,582	185,279
Trading Revenue (Note 15)	2,327	22,018
Other Operating Income	36,076	341,339
Other Income	23,433	221,718
Total Income	180,048	1,703,555
Expenses		
Interest Expenses		
Interest on Deposits	6,425	60,792
Interest on Borrowings and Rediscounts	1,538	14,555
Other Interest Expenses	3,161	29,909
Fees and Commissions	4,339	41,054
Other Operating Expenses	18,922	179,038
General and Administrative Expenses	56,693	536,410
Other Expenses (Note 16)	84,796	802,313
Total Expenses	175,875	1,664,071
Income before Income Taxes	4,173	39,484
Income Taxes (Note 17)		
Current	366	3,471
Deferred	(1,314)	(12,434)
Minority Interests in Net Income	89	844
Net Income	¥ 5,031	\$ 47,603
Capital Surplus		
Balance, Beginning of Year	¥ 14,998	\$ 141,914
Additions	90,409	855,422
Increase from Stock Transfer	90,409	855,422
Balance, End of Year	¥105,408	\$ 997,336
Retained Earnings		
Balance, Beginning of Year	¥ 20,675	\$ 195,622
Additions	7,801	73,811
Net Income	5,031	47,603
Transfer from Land Revaluation Excess	2,769	26,208
Deductions	1,247	11,807
Cash Dividends	1,155	10,928
Losses on Sales of Treasury Stock	92	879
Balance, End of Year	¥ 27,228	\$ 257,626

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

Hokugin Financial Group, Inc. and Consolidated Subsidiaries For the year ended March 31, 2004

	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 1)
	2004	2004
I. Cash Flows from Operating Activities		
Net Income Before Adjustments (Taxes, etc.)	¥ 4,173	\$ 39,485
Depreciation	15,316	144,918
Amortization of Consolidation Difference	(155)	(1,472)
Increase in Reserve for Possible Loan Losses	61,077	577,897
Increase in Reserve for Losses on Sales of Loans	(1,094)	(10,351)
Increase in Reserve for Employee Bonuses	(3)	(33)
Increase in Reserve for Employee Retirement Benefit	(883)	(8,360)
Income from Lending Activities	(98,630)	(933,202)
Funding Costs	11,124	105,256
Loss (Gain) Related to Securities	(9,175)	(86,815)
Loss (Gain) on Money Held in Trust	88	840
Loss (Gain) on Foreign Exchange Translations	32	310
Loss (Gain) on Sales of Premises and Equipment	3,204	30,324
Decrease (Increase) in Trading Account Assets	(1,383)	(13,094)
Increase (Decrease) in Trading Account Liabilities	441	4,175
Net Decrease (Increase) in Loans and Bills Discounted	(82,375)	(779,405)
Net Increase (Decrease) in Deposits	(106,468)	(1,007,369)
Net Increase (Decrease) in NCD	12,980	122,812
Net Increase (Decrease) in Borrowed Money (excluding subordinated loans)	2,151	20,352
Net Decrease (Increase) in Deposit with Banks (excluding Central Bank)	2,797	26,473
Net Decrease (Increase) in Call Loans	94,972	898,597
Net Increase (Decrease) in Call Money	13,800	130,570
Net Increase (Decrease) in Funds Held as Collateral for Securities Lent Out	31,051	293,796
Net Decrease (Increase) in Foreign Exchanges (Assets)	2,027	19,186
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	48	459
Revenue from Lending Activities	86,334	816,864
Payments for Funding Expenses	(8,622)	(81,585)
Other	(20,285)	(191,938)
Subtotal	12,544	118,690
Corporate and Other Taxes Paid	(102)	(966)
Net Cash Provided by (Used in) Operating Activities	12,442	117,724
II. Cash Flows from Investing Activities		
Purchases of Securities	(490,181)	(4,637,918)
Proceeds from Sales of Securities	424,548	4,016,926
Proceeds from Redemption of Securities	58,393	552,500
Revenue from Investment Activities	11,735	111,039
Proceeds from Sales of Premises and Equipment	(3,513)	(33,239)
Purchases of Premises and Equipment	4,546	43,021
Purchases of Equity of Subsidiary Resulting in Change in the Scope of Consolidation ...	(942)	(8,922)
Net Cash Provided by (Used in) Investing Activities	4,587	43,407
III. Cash Flows from Financing Activities		
Payments to Financing Activities	(2,089)	(19,769)
Dividends Paid	(1,155)	(10,928)
Dividends Paid to Minority Interests Stockholders	(153)	(1,452)
Purchases of Treasury Stock	(75)	(716)
Proceeds from Sales of Treasury Stock	482	4,566
Net Cash Provided by Financing Activities	(2,990)	(28,299)
IV. Effects of Changes in Exchange Rates on Cash and Cash Equivalents	(32)	(311)
V. Net Increase (Decrease) in Cash and Cash Equivalents	14,006	132,521
VI. Cash and Cash Equivalents at Beginning of Period	170,301	1,611,334
VII. Cash and Cash Equivalents at End of Period (Note 17)	¥ 184,308	\$ 1,743,855

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Hokugin Financial Group, Inc. and Consolidated Subsidiaries For the year ended March 31, 2004

1. Basis of presentation

The accompanying consolidated financial statements of Hokugin Financial Group, Inc. (the "Group") and its consolidated subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Group as required by the Securities and Exchange Law of Japan.

The yen amounts of respective accounts included in the accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding amounts less than ¥1 million. Therefore, total or subtotal amounts appearing in the accompanying consolidated financial statements and notes thereto do not necessarily correspond to the aggregation of such account balances.

The U.S. dollar amounts, included solely for convenience, represent the arithmetical results of translating original Japanese yen amounts to U.S. dollars at the rate of ¥105.69 to \$1.00, the exchange rate prevailing at the end of March 2004. The U.S. dollar amounts are then rounded to thousands.

2. Consolidation

On September 26, 2003, Hokugin Financial Group, Inc. was formed as a holding company for the Hokuriku Bank by way of stock transfers ("kabusiki-iten"), and on September 29, Hokugin Lease Co., Ltd., Hokuriku Card Co., Ltd., Hokuriku Hosho Services Co., Ltd. and Hokugin Software Co., Ltd. came under the control of the Group. Nihonkai Servicing Co., Ltd. was formed as wholly-owned subsidiary of the Group on December 25, 2003.

The consolidated financial statements include the account of the Group and its consolidated subsidiaries listed below after the elimination of all the significant intercompany transactions, balances and unrealized profit.

Consolidated subsidiaries	Capital (¥mil)	Ownership	Fiscal year-end
Hokuriku Bank	140,409	100.00	March
Hokugin Lease Co., Ltd.	100	70.25	March
Hokuriku Card Co.	36	87.39	March
Hokuriku Hosho Services Co., Ltd.	50	100.00	March
Hokugin Software Co., Ltd.	30	100.00	March
Nihonkai Servicing Co., Ltd.	500	100.00	March
Hokugin Business Services Co., Ltd.	30	(100.00)	March
Hokugin Office Services Co., Ltd.	20	(100.00)	March
Hokugin Real Estate Services Co.	100	(100.00)	December
Hokugin Shisankanri Co., Ltd.	300	(100.00)	March
Hokuriku International Cayman Ltd.	US\$1,000	(100.00)	December

Notes: 1. Ownership figures in parentheses are inclusive of cross-shareholdings.

2. Two subsidiaries, whose fiscal year-end is December 31, are consolidated after making appropriate adjustments for the significant transactions periods from their year-end to the date of the consolidated financial statements.

The Group applies capital consolidation procedures based on Accounting System Committee Research Report No. 6, "Capital Consolidation Procedure for Establishment of Entire Parent and Subsidiary Relationship using Stock-to-Stock Exchange and Stock-Transfer methods," and the capital consolidation was accounted for by the pooling-of-interests method.

Assets and liabilities of consolidated subsidiaries are valued at fair value at the respective dates of acquisition, and the consolidation difference is amortized using the straight-line method over 5 years.

The equity method is not applied to affiliate Hokuriku Capital Co., Ltd., as this would not have a significant impact on the consolidated financial statements.

Consolidated Statement of Retained Earnings is prepared based on the profit appropriation effected during the consolidated fiscal year.

3. Summary of significant accounting policies

(a) Trading accounts

Securities and monetary claims held by the Bank are stated at market value, and financial derivatives, such as swaps, futures and options held by the Bank, are stated at estimated value assuming that they were settled at the date of the statement.

There are no trading assets held by the subsidiaries.

(b) Basis and method of evaluation of securities

Stocks of affiliated companies are stated at cost determined by the moving-average method. Available-for-sale securities that have a market value are stated at mark-to-market on a current value basis at the fiscal year-end (the cost of sales, in principle, is computed by the moving-average method). Provided, stocks that have market value are stated at average current-value basis one month prior to the fiscal year-end. Unrealized gains and losses on available-for-sale securities are included shareholders' equity, net of income taxes.

Available-for-sale securities without market value are stated at cost or at amortized cost computed by the moving-average method.

Securities managed as trust assets in individually operated money trusts, mainly invested in securities, are stated at mark-to-market on a current value basis.

(c) Basis and method of evaluation of derivatives transactions

Derivative transactions (excluding transactions for trading purposes) are stated at mark-to-market on a current value basis.

(d) Method of calculating depreciation

Equipment is depreciated using the declining-balance method and premises are depreciated using the straight-line method. The estimated ranges of useful lives are principally as follows:

Premises: 15-39 years

Equipment: 5-6 years

Depreciation of lease assets of the consolidated subsidiaries, which are included in other assets in the consolidated balance sheets, is recorded using the straight-line method based on the lease commitments.

In accordance with the Law for Revaluation of Land (Law 34, issued on March 31, 1998), the Hokuriku Bank, Ltd. revalued land held for business purposes. The unrealized gain on the revaluation of land, net of deferred tax, was reported as "Land Revaluation Excess" within shareholders' equity, and the relevant deferred tax was included in liabilities as "Deferred Tax Liabilities for Land Revaluation."

Revaluation date: March 31, 1998

Revaluation method as stated in Article 3-3 of the Law Concerning Land Revaluation: The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments.

As of March 31, 2004, the book value of the land after revaluation was ¥20,030 million less than its above-mentioned value.

(e) Software

Costs of computer software developed or obtained for internal use are principally deferred and amortized using the straight-line method over the estimated useful life of 6 years.

(f) Reserve for possible loan losses

Reserve for possible loan losses of Hokuriku Bank, Ltd. has been set aside as follows, in accordance with its internal reserve and charge-off policy. For borrowers that are actually in legal bankruptcy proceedings (hereafter "formal bankruptcy") or borrowers in a similar situation (hereafter, "de facto bankruptcy"), the reserve in the amount equivalent to the amount outstanding, after subtracting the possible disposal amount of collateral and possible recovery amount from guarantees, is provided. For borrowers that are not yet in bankruptcy, but have a high possibility of becoming so hereafter, the possible disposal amount of collateral and possible recovery amount from guarantees are subtracted from the amount of the outstanding loans. The necessary amount is then set aside as reserve, after determining the payment capabilities of the borrower, from the amount remaining. For borrowers other than those indicated above, the amount set aside as reserve is based on several factors, including the percentage of the credit losses as calculated based upon the specific actual past loss ratio.

All claims of the Bank are subject to asset quality reviews conducted by the business units, using the guidelines the Bank has adopted for its 'self-assessment,' and the results of such reviews are also subject to further review audit by the credit review section, which is independent from these business units.

For the other subsidiaries, reserves are set aside in accordance with the Bank's own reserve and charge-off policy.

With respect to loans with collateral and/or guarantees extended to borrowers in formal bankruptcy or borrowers in de facto bankruptcy, the unrecoverable amount is estimated by deducting from the loan amount the realizable value of collateral or the amount likely to be recovered based on guarantees. The outstanding amount thus determined is then directly charged off from the loan amount as the amount that is not likely to be recovered, which was ¥155,552 million at March 31, 2004.

(g) Reserve for employee bonuses

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this fiscal term.

(h) Reserve for employee retirement benefit

Liabilities for this account are provided for the payments of employee retirement benefit obligation and the pension assets.

Prior service costs are amortized using the straight-line method over 9 years. Unrecognized actuarial gain or loss is amortized using the straight-line-method over 9 years commencing from the next fiscal year.

(i) Foreign currency translation

Foreign currency accounts are translated into Japanese yen at the exchange rates in effect at the year-end date.

With regard to fund swap transactions and currency transactions for the purpose of funds lending or borrowing, hedge accounting is applied, in accordance with the Industry Audit Committee Report No. 25 issued by the Japanese Institute of Certified Public Accountants.

(j) Finance leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases.

(k) Hedge accounting

In connection with the basis and method of hedge accounting, the Hokuriku Bank, Ltd. utilizes individual hedging for certain assets and liabilities which are effectively matched with hedging instruments on an individual basis. Individual hedges are accounted for by the deferral method of hedge accounting or accounting for interest swaps, in special circumstances.

In April 2002, the Bank ceased the application of the macro-hedge method adopted to manage the overall interest rate risk inherent in various financial assets and liabilities, such as loans and deposits, using derivatives. An unrealized valuation loss of ¥5,088 million, applicable to deferred hedge instruments, calculated at the time the application of hedge accounting was suspended is being amortized over the remaining period (4.5 years) in accordance with JICPA Industry Audit Committee Report No. 24 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry."

(l) Cash and cash equivalents

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

4. Trading accounts

Assets	Millions of yen	Thousands of U.S. dollars
	2004	2004
Trading Securities	¥1,741	\$16,476
Trading-Related Financial Derivatives	2,061	19,507
Total	¥3,803	\$35,983

Liabilities	Millions of yen	Thousands of U.S. dollars
	2004	2004
Trading-Related Financial Derivatives	¥946	\$8,958
Total	¥946	\$8,958

5. Securities

	Millions of yen	Thousands of U.S. dollars
	2004	2004
National Government Bonds	¥193,471	\$1,830,558
Local Government bonds	105,505	998,253
Corporate Bonds	223,956	2,118,994
Stocks	126,498	1,196,883
Other Securities	90,010	851,645
Total	¥739,442	\$6,996,333

6. Loans and bills discounted

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Bills Discounted	¥ 116,658	\$ 1,103,778
Loans on Bills	740,171	7,003,233
Loans on Deeds	2,763,988	26,151,844
Overdrafts	666,580	6,306,941
Total	¥4,287,399	\$40,565,796

Loans and Bills Discounted include loans to borrowers under bankruptcy proceedings, overdue loans, loans overdue for at least three months and restructured loans.

The amounts of these loans are as follows:

Loans to borrowers under bankruptcy proceedings	¥50,795 million
Overdue loans	¥202,049 million
Loans overdue for at least three months	¥1,566 million
Restructured loans	¥98,642 million

The total of the above loans amounted to ¥353,053 million.

This amount represents the amount before deduction of the reserve for possible loan losses.

7. Foreign exchanges

Assets	Millions of yen	Thousands of U.S. dollars
	2004	2004
Due from Foreign Banks	¥ 2,752	\$ 26,040
Foreign Exchange Bills Bought	2,259	21,380
Foreign Exchange Bills Receivable	5,866	55,507
Total	¥10,878	\$102,927

Liabilities	Millions of yen	Thousands of U.S. dollars
	2004	2004
Due to Foreign Banks	¥ 0	\$ 7
Foreign Exchange Bills Sold	116	1,100
Foreign Exchange Bills Payable	59	560
Total	¥176	\$1,667

8. Premises and equipment The accumulated depreciation as of March 31, 2004 amounted to ¥67,372 million (U.S.\$637,456 thousand).

9. Customers' liabilities for acceptances and guarantees All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liability for acceptances and guarantees is also shown on the assets side, which represents the Bank's right of indemnity from the applicants.

10. Pledged assets Assets that are pledged as collateral as of March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Assets that are pledged as collateral:		
Securities	¥ 98,576	\$ 932,699
Loans and Bills Discounted	184,147	1,742,331
Obligations corresponding to collateral assets:		
Deposits	¥ 42,564	\$ 402,730
Pledged Money for Securities Lending		
Transactions	31,051	293,796
Call Money and Bills Sold	13,800	130,571

In addition to the above, as collateral relating to transactions on exchange settlements or as substitutes for futures transaction margins, securities of ¥75,816 million (U.S.\$717,347 thousand) and other assets of ¥12 million (U.S.\$119 thousand) are deposited items. Of equipment and premises, ¥2,898 million (U.S.\$27,425 thousand) consists of guarantee deposits.

11. Deposits

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current Deposits, Ordinary Deposits, Saving Deposits and Deposits at Notice	¥2,175,636	\$20,585,074
Time Deposits and Installment Savings	2,742,676	25,950,197
Other Deposits	157,153	1,486,928
Subtotal	5,075,466	48,022,199
NCDs	15,560	147,223
Total	¥5,091,026	\$48,169,422

12. Borrowed money Borrowed money includes ¥45,000 million (U.S.\$425,773 thousand) in subordinated borrowings as of March 31, 2004.

13. Corporate bonds Corporate bonds include ¥31,900 million (U.S.\$301,826 thousand) of subordinate bonds as of March 31, 2004.

14. Capital stock

Information with respect to capital stock of the Bank as of March 31, 2004 is as follows:

	2004
Number of Shares:	
Authorized:	
Common	1,700,000,000
Preferred	300,000,000
Issued and Outstanding	
Common	987,146,185
Preferred	150,000,000
Per Share Information	
Net Assets per Share:	119.86
Basic Earnings per Share:	3.94
Diluted Earnings per Share:	3.55

15. Trading revenue and expenses*(a) Trading revenue*

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Revenue from Trading Securities	¥ 81	\$ 771
Revenue from Trading Derivatives	2,245	21,247
Total	¥2,327	\$22,018

(b) Trading expenses

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Expenses on Trading Securities	¥—	\$—
Total	¥—	\$—

16. Other expenses

Included in other expenses for the fiscal year ended March 31 were provision for reserve for possible loan losses of 35,719 million, write off of loans and bills discounted of ¥35,344 million, and losses on sales of stocks and other securities of 6,624 million.

17. Income taxes

Significant components of deferred tax assets and liabilities for the year ended March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Deferred Tax Assets		
Reserve for Possible Loan Losses	¥ 91,423	\$ 865,019
Depreciation	1,477	13,983
Employee Retirement Benefit	10,547	99,800
Other	11,593	109,698
Operating Loss Carryforwards	38,234	361,761
Subtotal	153,278	1,450,261
Less: Valuation Allowance	55,898	528,889
Deferred Tax Assets	97,379	921,372
Deferred Tax Liabilities	887	8,396
Net of Deferred Tax Assets	¥ 96,492	\$ 912,976

18. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows excluding due from banks except for deposits with the Bank of Japan are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Cash and due from banks in balance sheet	¥199,306	\$1,885,769
Due from banks except for deposits with the Bank of Japan	(14,998)	(141,914)
Cash and cash equivalents in the statements of cash flows	¥184,308	\$1,743,855

19. Commitment lines

Loan agreements and commitment line agreements relating to loans are agreements, which oblige the Group to lend funds up to a certain limit agreed in advance. The Group and its consolidated subsidiaries make the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements at March 31, 2004 amounted to ¥1,180,313 million (\$11,167,693 thousand). Of this amount, ¥1,178,593 million (\$11,151,419 thousand) 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 Group either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial condition, or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group and its consolidated subsidiaries in the form of real estate, securities etc. on signing the loan agreement, or in accordance with the Group's established internal procedures confirming the obligor's financial condition etc. at regular intervals.

20. Segment information

(a) Segment information by business

For the fiscal year ended March 31, 2004 on a consolidated basis is as follows:

	Millions of yen				Elimination or corporate	Consolidated
	Banking	Lease	Other business	Total		
I Ordinary Revenue						
(1) Ordinary Revenue from						
Outside Customers	¥ 153,705	¥18,786	¥ 6,954	¥ 179,445	¥ —	¥ 179,445
(2) Ordinary Revenue from						
Intersegment						
Transactions	4,185	812	10,470	15,468	15,468	—
Total	157,890	19,598	17,424	194,914	15,468	179,445
Ordinary Expenses	151,303	18,659	10,154	180,117	7,746	172,370
Ordinary Income (Loss)	¥ 6,587	¥ 939	¥ 7,269	¥ 14,797	¥ 7,722	¥ 7,074
II Identifiable Assets						
Depreciation Expenses ...	2,960	11,976	378	15,316	—	15,316
Capital Expenditures	2,628	14,981	884	18,494	—	18,494

	Thousands of U.S. dollars					
	Banking	Lease	Other business	Total	Elimination or corporate	Consolidated
I Ordinary Revenue						
(1) Ordinary Revenue from						
Outside Customers	\$ 1,454,301	\$177,752	\$ 65,797	\$ 1,697,850	\$ —	\$ 1,697,850
(2) Ordinary Revenue from						
Intersegment						
Transactions	39,603	7,686	99,070	146,359	146,359	—
Total	1,493,904	185,438	164,867	1,844,209	146,359	1,697,850
Ordinary Expenses	1,431,576	176,546	96,083	1,704,205	73,294	1,630,911
Ordinary Income (Loss)	\$ 62,328	\$ 8,892	\$ 68,784	\$ 140,004	\$ 73,065	\$ 66,939
II Identifiable Assets	\$53,392,437	\$472,488	\$2,584,975	\$56,449,900	\$3,509,704	\$52,940,196
Depreciation Expenses ...	28,014	113,321	3,583	144,918	—	144,918
Capital Expenditures	24,868	141,753	8,371	174,992	—	174,992

(b) Segment information by location

As operations in Japan, in terms of all segments and total assets for all segments, accounted for more than 90% of total ordinary income, information by location has been omitted.

(c) Segment information about the ordinary income from international operations

As ordinary income from international operations accounted for less than 10% of total ordinary income, information about the ordinary income from international operations has been omitted.

21. Lease transactions

Finance lease transactions that do not transfer ownership of the leased property to the lessee for the year ended March 31, 2004 are as follows:

(Lessee)

• Pro forma information with respect to the leased property, such as acquisition cost, accumulated depreciation and net book value at March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Acquisition Cost	¥23	\$224
Accumulated Depreciation	3	33
Net Book Value	¥20	\$191

• Pro forma amounts of obligations under finance lease at March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Within one year	¥ 5	\$ 56
Over one year	14	135
Total	¥20	\$191

- Pro forma information concerning lease payment and depreciation expenses for the year ended March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Lease payments	¥3	\$33
Depreciation expenses	3	33

- The method of calculating the pro forma amounts of depreciation expenses for the year ended March 31, 2004 is as follows:

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

(Lessor)

- Acquisition cost, accumulated depreciation and balance at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Acquisition Cost	¥57,045	\$539,746
Accumulated Depreciation	27,668	261,794
Balance at Year-End	¥29,376	\$277,952

- The pro forma amounts of lease receivable under finance lease at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Within one year	¥11,614	\$109,888
Over one year	20,821	197,007
Total	¥32,435	\$306,895

- Lease payment received and depreciation expenses for the year ended March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Lease payments received	¥13,932	\$131,828
Depreciation expenses	11,976	113,321

22. Retirement benefits

(a) Overview of retirement benefit system

The Hokuriku Bank, Ltd. has a welfare pension fund, a qualified retirement pension fund, and an unfunded lump-sum benefit plan, all operated as defined benefit plans.

The Bank has established an employee pension trust.

The other domestic consolidated subsidiaries maintain unfunded lump-sum pension benefit plans.

(b) Retirement benefit

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Retirement benefit obligations (A)	¥(54,196)	\$(512,790)
Pension assets (B)	39,421	372,992
Retirement benefit obligations in excess of pension assets (C)=(A)+(B)	(14,775)	(139,798)
Unrecognized transitional obligation (D)	12,392	117,249
Unrecognized actuarial differences	3,910	37,000
Unrecognized prior service costs (F)	(2,239)	(21,187)
Net retirement benefit obligations recognized on consolidated balance sheets (G)=(C)+(D)+(E)+(F)	(711)	(6,736)
Prepaid pension costs (H)	—	—
Reserve for employee retirement benefit (G)-(H)	¥ (711)	\$ (6,736)

(c) Retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Prior service costs	¥1,329	\$12,580
Interest costs on projected benefit obligations	1,613	15,269
Estimated return on pension assets	(658)	(6,230)
Amortization of unrecognized prior service costs	(373)	(3,531)
Amortization of unrecognized actuarial gain or loss	1,379	13,053
Amortization of transitional obligation	1,126	10,655
Other (additional payments, including premium retirement benefits)	945	8,946
Net periodic benefit expenses	¥5,362	\$50,742

(d) Basis for calculation of retirement benefit obligations

	Consolidated fiscal year, as of March 31
	2004
(1) Discount rate	2.5%
(2) Expected rate of return on pension assets	2.5%
(3) Method of benefit attribution	Straight-line method using “benefit/year- of-service” approach
(4) Period of amortization of unrecognized prior service costs	9 years
(5) Period of amortization of unrecognized actuarial gain or loss	9 years
(6) Period amortization of transitional obligation	15 years

23. Subsequent events

At a Board of Directors meeting held on May 21, 2004, Hokugin Financial Group, Inc. (the "Group") resolved to add The Hokkaido Bank, Ltd. to its scope of consolidation for the management integration as a wholly owned subsidiary through Stock-to-Stock Exchange with newly issued shares in accordance with article 352 of the Commercial Code of Japan. This resolution was approved at the Annual General Meeting of Shareholders held on June 29, 2004. Brief details are outlined as follows.

1. Profile of Counterparty in Connection the Exchange of Shares

(1) Name	The Hokkaido Bank, Ltd.
(2) Head Office	Sapporo, Hokkaido
(3) President	Yoshihiro Sekihachi
(4) Capital	¥93,524,017,000
(5) Business	Banking

2. Method for Exchange of Shares

Shareholders of The Hokkaido Bank, Ltd. shall receive by way of allocation new shares issued by the Group in accordance with the proposed exchange of shares. At the same time, shareholders of The Hokkaido Bank, Ltd. shall transfer their shareholding in The Hokkaido Bank, Ltd. to the Group. As a result, The Hokkaido Bank, Ltd., shall become a wholly owned subsidiary of the Group.

3. Class and Number of Shares to be Issued

Common Stock	299,483,961 shares
Class IV Preferred Stock	79,000,000 shares
Class V Preferred Stock	107,432,000 shares

4. Method for the Issue of Shares

Excluding the Group as shareholder, shareholders of The Hokkaido Bank, Ltd. shall receive 0.8 shares of the Group's newly issued common stock in exchange for 1.0 share of The Hokkaido Bank, Ltd., 1.0 newly issued Class IV preferred stock of the Group for 1.0 first series Class I preferred stock of The Hokkaido bank, Ltd., and 1.0 newly issued Class V preferred stock of the Group for 1.0 first series Class II preferred stock of The Hokkaido Bank, Ltd. The amount of capital shall remained unchanged.

5. Date of Issue

September 1, 2004

6. Place of Stock Listing

(1) Common stock	Tokyo Stock Exchange, Osaka Securities Exchange
(2) Class IV preferred stock and Class V preferred stock	Not applicable

7. Hokugin Financial Group, Inc. Capital and Number of Shares Issued and Outstanding

Capital	¥50,000,000,000
Number of shares issued and outstanding	
Common stock	987,146,185 shares
First series Class I preferred stock	150,000,000 shares

Market Value Information (Consolidated Financial Data)

1. Securities

Securities transactions in trading accounts are excluded from the table below because they are revalued at the end of the fiscal year and evaluation gains or losses are recognized in the Financial Statements.

- Available-for-Sale Securities that have a Market Value

As of March 31, 2004

	Millions of yen				
	Acquisition Cost	Book Value	Net (A)-(B)	Unrealized Gain	Unrealized Loss (B)
Stock	¥ 96,496	¥107,668	¥11,172	¥16,832	¥ 5,660
Bond:	487,797	480,510	(7,287)	3,600	10,887
Japanese Government Bonds ...	197,968	193,471	(4,497)	488	4,985
Local Government Bond	106,455	105,505	(950)	1,478	2,428
Japanese Corporate Bonds	183,372	181,533	(1,839)	1,633	3,473
Other	97,521	94,281	(3,240)	175	3,415
Total	¥681,815	¥682,460	¥ 645	¥20,608	¥19,963

	Thousands of U.S. dollars				
	Acquisition Cost	Book Value	Net (A)-(B)	Unrealized Gain (A)	Unrealized Loss (B)
Stock	\$ 913,014	\$1,018,722	\$105,708	\$159,266	\$ 53,558
Bond:	4,615,360	4,546,412	(68,948)	34,064	103,012
Japanese Government Bonds ...	1,873,109	1,830,558	(42,551)	4,618	47,169
Local Government Bond	1,007,244	998,253	(8,991)	13,988	22,979
Japanese Corporate Bonds	1,735,007	1,717,601	(17,406)	15,458	32,864
Other	922,712	892,056	(30,656)	1,663	32,319
Total	\$6,451,086	\$6,457,190	\$ 6,104	\$194,993	\$188,889

- Available-for-Sale Securities Sold during The Year

Millions of yen			Thousands of U.S. dollars		
Sales amount	Gain	Loss	Sales amount	Gain	Loss
¥501,912	¥20,537	¥7,759	\$4,748,908	\$194,318	\$73,417

- Securities for which market value is Not Readily Determinable

	Millions of yen	Thousands of U.S. dollars
Non-listed Stocks	¥18,701	\$176,950
Others	42,439	401,550
Total	¥61,141	\$578,500

• Repayment Schedule of Bonds Held

	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds	¥44,975	¥238,150	¥215,828	¥23,978
Others	6,473	56,326	26,913	16
Total	¥51,449	¥294,476	¥242,741	¥23,995

	Thousands of U.S. dollars			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds	\$425,546	\$2,253,293	\$2,042,087	\$226,879
Others	61,254	532,936	254,647	158
Total	\$486,800	\$2,786,229	\$2,296,734	\$227,037

2. Derivatives

The Hokuriku Bank, Ltd. use swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates or securities prices.

The purpose for using derivative finance products are 1) to respond to the hedging needs of customers, 2) to reduce market risks related to the assets and liabilities and 3) for trading purposes under the strict risk management structure.

Derivative transactions are accompanied by losses arising from credit risk and losses resulting from market risk.

Derivatives transactions entered into by the Bank have been made in accordance with its risk management policies and procedures, and positions, gain-and-loss amounts, risk amounts and other information regarding the status of trading transactions are reported daily to the management board.

• Interest Rate-Related Transactions

	Millions of yen			Thousands of U.S. dollars		
	Contract Value	Market Value	Recognized Gain (Loss)	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter Transactions						
Swaps						
Receive/fixed and pay/floating	¥47,720	¥1,014	¥1,014	\$451,512	\$ 9,602	\$ 9,602
Receive/floating and pay/fixed	40,889	(103)	(103)	386,880	(980)	(980)
Others/Sell	79,358	(326)	2,014	750,862	(3,089)	19,060
Others/Buy	46,323	398	(167)	438,300	3,774	(1,588)

• Foreign Exchange-Related Transactions

	Millions of yen			Thousands of U.S. dollars		
	Contract Value	Market Value	Recognized Gain (Loss)	Contract Value	Market Value	Recognized Gain (Loss)
Over-the-counter Transactions						
Swaps	¥102,974	¥ 131	¥ 131	\$974,311	\$ 1,242	\$ 1,242
Forward contracts/sell	15,169	436	436	143,526	4,134	4,134
Forward contracts/buy	52,900	(718)	(718)	500,524	(6,798)	(6,798)
Options/sell	94,523	(4,338)	47	894,343	(41,052)	450
Options/buy	94,523	4,336	910	894,343	41,034	8,618

At March 31, 2004, the Group and its consolidated subsidiaries had no outstanding contracts in stock related transactions, bond related transactions, product related transactions and credit derivative transactions.

Report of Independent Auditors

The Board of Directors
Hokugin Financial Group, Inc.

We have audited the accompanying consolidated balance sheet of Hokugin Financial Group, Inc. and consolidated subsidiaries as of March 31, 2004, and the related consolidated statements of income and retained earnings, and cash flows for the year then ended, all expressed in 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 Hokugin Financial Group, Inc. and consolidated subsidiaries at March 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 23, at a Board of Directors meeting held on May 21, 2004, Hokugin Financial Group, Inc. resolved to add The Hokkaido Bank, Ltd. to its scope of consolidation for the management integration as a wholly owned subsidiary through Stock-to-Stock Exchange with newly issued shares in accordance with article 352 of the Commercial Code of Japan. This resolution was approved at the Annual General Meeting of Shareholders held on June 29, 2004.

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. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 29, 2004

Shin Nihon & Co.

(Supplemental Information)
Balance Sheets of The Hokuriku Bank, Ltd.
As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
ASSETS			
Cash and Due from Banks	¥ 197,957	¥ 186,621	\$ 1,872,998
Call Loans	50,000	150,000	473,082
Commercial Paper and Other Debt Purchased	13,832	8,803	130,879
Trading Assets	3,803	2,419	35,983
Money Held in Trust	2,414	2,506	22,845
Securities	763,559	716,934	7,224,522
Loans and Bills Discounted	4,325,230	4,292,627	40,923,745
Foreign Exchanges	10,878	12,906	102,927
Other Assets	38,316	29,805	362,535
Premises and Equipment	77,233	86,101	730,752
Deferred Tax Assets	95,917	106,107	907,531
Customers' Liabilities for Acceptances and Guarantees	160,155	151,070	1,515,331
Reserve for Possible Loan Losses	(110,696)	(100,527)	(1,047,369)
Total Assets	¥5,628,601	¥5,645,377	\$53,255,761
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits	¥5,115,901	¥5,196,137	\$48,404,780
Call Money and Bills Sold	13,800	—	130,571
Pledged Money for Securities Lending Transactions	31,051	—	293,796
Trading Liabilities	946	505	8,958
Borrowed Money	76,963	76,987	728,199
Foreign Exchanges	176	127	1,667
Other Liabilities	31,341	31,656	296,541
Reserve for Employee Retirement Benefit	558	1,456	5,289
Reserve for Possible Losses on Sales of Loans	—	1,094	—
Deferred Tax Liabilities for Revaluation	8,204	10,084	77,627
Acceptances and Guarantees	160,155	151,070	1,515,331
Total Liabilities	5,439,099	5,469,120	51,462,759
Shareholders' Equity			
Capital Stock	140,409	140,409	1,328,504
Capital Surplus	14,998	14,998	141,914
Retained Earnings	23,184	20,168	219,359
Revaluation Excess	12,088	14,858	114,376
Net Unrealized Losses on Other Securities	(1,178)	(14,120)	(11,151)
Less, Treasury Stock	—	(56)	—
Total Shareholder's Equity	189,502	176,257	1,793,002
Total Liabilities and Shareholders' Equity	¥5,628,601	¥5,645,377	\$53,255,761

Statements of Income of The Hokuriku Bank, Ltd.

For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Income			
Interest Income:			
Interest on Loans and Discounts	¥ 86,143	¥ 87,748	\$ 815,061
Interest and Dividends on Securities	13,240	11,829	125,278
Other Interest Income	996	902	9,432
Fees and Commissions	17,932	14,260	169,671
Trading Revenue	2,327	1,025	22,018
Other Operating Income	16,419	7,399	155,360
Other Income	21,412	18,902	202,599
Total Income	158,473	142,068	1,499,419
Expenses			
Interest Expenses:			
Interest on Deposits	6,425	8,162	60,795
Interest on Borrowings and Rediscounts	2,057	1,978	19,464
Other Interest Expenses	2,361	1,904	22,344
Fees and Commissions	4,781	3,619	45,241
Trading Expenses	—	—	—
Other Operating Expenses	1,515	1,093	14,336
General and Administrative Expenses	55,120	55,725	521,532
Other Expenses	82,447	77,688	780,086
Total Expenses	154,708	150,172	1,463,798
Income before Income Taxes	3,764	(8,104)	35,621
Income Taxes			
Current	97	249	926
Deferred	(1,272)	(11,095)	(12,044)
Net Income	¥ 4,939	¥ 2,741	\$ 46,739

Service Network

(As of July 31, 2004)

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187 Domestic Branches

(including 43 Foreign Exchange Offices and
47 Foreign Money Exchange Offices)

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