

Affirmed A-/Stable on Sapporo Hokuyo HD and North Pacific Bank

April 27, 2011

<Rationale>

Sapporo Hokuyo Holdings, Inc. and North Pacific Bank operating beneath the holding company as a group is a second regional bank group which has its head office in Sapporo. It ranks top among the second regional banks in terms of fund volume which amounts 6,800 billion yen. It has thick customer base because it took over business of a now defunct city bank, The Hokkaido Takushoku Bank, Ltd. and merged with The Sapporo Bank, which had strength in retail banking. Its presence in its locality is high as indicated by the fact that it is a designated financial institution for local public bodies as well as its largest market share in Hokkaido. The rating on North Pacific Bank, Ltd. is supported by its firm business base, relatively good asset quality and a certain level of earnings power. On the other hand, large ratios of publicly issued preferred shares and deferred tax assets to the equity capital are the constraining factors for the rating. JCR considers it highly likely that it can secure a certain level of net income stably hereafter, given room for reductions in expenses and prospects for credit costs based on its loan portfolio. A progress in accumulation of retained earnings and core earnings power which can support the accumulation will be important elements in the future rating determination for the Bank. The structurally subordinated nature of a holding company relative to its Group in the ratings is not reflected in the rating for the holding company, given its level of double leverage ratio and income and outgo status.

Issuer: Sapporo Hokuyo Holdings, Inc. (8328)

<Affirmation>

Senior debts: A-/Stable

Issuer: North Pacific Bank, Ltd.

<Affirmation>

Senior debts: A-/Stable