Investor Meeting Financial Results for FY 2017 ~ (Ended March, 2018)



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"Hokuhoku Financial Group" will engage actively with the issue of "ESG" and disclose the activities, to achieve the sustainable growth and to create the long-term corporate value. Also we disclose the activities of "SDGs" which the United Nations adopted to achieve the sustainable development by 2030. We use logos that the United Nations shows, and disclose the activities that correspond with the 17 goals.

Introduction



"Hokuhoku Financial Group" will continue to deliver comprehensive financial services with its extensive regional network to contribute to mutual prosperity with customers and the region.



Management Philosophy

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

Right: Masahiro Sasahara

Deputy President
(concurrently serving as president of
The Hokkaido Bank, Ltd.)

<u>Prospering together with the region</u>: We execute social mission to prosper mutually with customers and local community. <u>Fair & Steady Management</u>: We aim at fair and steady management to respond to social confidence.

Progressive & Innovative Services: We pursue creativity and innovation in vital workplace to provide attractive services.

Profile

(As of March 31, 2018)





Incorporation: 2003

Location of head office: Toyama City, Toyama

Capital : ¥ 70.8 billion

Capital adequacy ratio: (consolidated) 9.49 %

Ratings : A (R&I)





The Hokuriku bank, Ltd.







Incorporation: 1943 (founded in 1877)

Location of head office: Toyama City, Toyama

Branches: Domestic 187 (145branches, 42sub-branches)

Overseas 6

Employees: 2,754

Capital: ¥ 140.4 billion

Capital adequacy ratio: (non-consolidated) 9.02 %

Ratings : A $(R\&I) \cdot A - (S\&P)$



The Hokkaido bank, Ltd.





Incorporation: 1951

Location of head office: Sapporo City, Hokkaido Branches: Domestic 142 (136branches, 6sub-branches)

Overseas 3

Employees: 2,357

Capital : ¥ 93.5 billion

Capital adequacy ratio: (non-consolidated) 9.28%

Ratings : A (R&I) · A (JCR)



I . Financial Results for FY 2017

Summary of Financial Results



Net interest income decreased mainly because of a decline in interest income on loans and securities, and sale loss of foreign bonds. As a result, net income (total of two banks) decreased by ¥5.6Bn compared to the previous year.

				(JPY Bn)
【Hokuhoku FG consolidated】		FY17		FY16
THORUHOKU FG Consolidated	Plan	Result	change	FIIO
Ordinary income		180.9	(6.5)	187.4
Ordinary profits	35.5	31.7	(7.6)	39.4
Net income attributable to owners of the parent ①	23.5	21.1	(6.9)	28.1
【Total of two banks】	FY17			FY16
[Total of two banks]	Plan	Result	change	FYIO
Core gross business profits	132.0	130.7	(3.0)	133.8
Net interest income		112.5	(3.6)	116.1
Loans		90.0	(3.0)	93.0
Securities		26.5	(0.1)	26.6
Net fees & commissions		16.7	(1.1)	17.8
Net trading income		0.0	(0.0)	0.0
Net other income(※1)		1.5	1.8	(0.2)
G&A expenses (-)	92.5	88.8	(1.0)	89.8
Core net business profits	39.5	41.9	(1.9)	43.9
Gains (losses) related to bonds		(13.8)	(9.1)	(4.7)
Net business profits (※2)		28.1	(11.1)	39.2
Net transfer to general allowance for loan losses (-)		1.0	1.0	-
Net business profits		27.0	(12.1)	39.2
Other non-recurring gains (losses)		6.0	5.1	0.9
Credit related costs (-)		(0.4)	0.2	(0.6)
Gains (losses) related to stocks		6.7	3.6	3.1
Ordinary profits	36.0	33.1	(7.0)	40.2
Net extraordinary gains (losses)		0.3	1.2	(0.9)
Income taxes (-)	245	9.4	(0.1)	9.6
Net income ②	24.5	24.0	(5.6)	29.6
Credit costs	4.0	0.5	1.2	(0.6)

Net interest income decreased by ¥3.6Bn due to a decline in interest income on loans.

Net fees & commissions decreased by ¥1.1Bn due to an increase in payment of loan guarantee charges and loan insurance premium.

Net other income increased by ¥1.8Bn due to gains from sales of loan asset and foreign exchange transactions.

Losses related to bonds recorded ¥13.8Bn due to loss on sale of foreign bonds. On the other hand, gains related to stocks recorded ¥6.7Bn.

Net credit costs increased to ¥0.5Bn due to an increase in loan losses, from ¥0.6Bn gain in previous year.

Net income decreased by ¥5.6Bn due to a decline in interest income, and losses related to securities.

Financial Highlight for FY2017

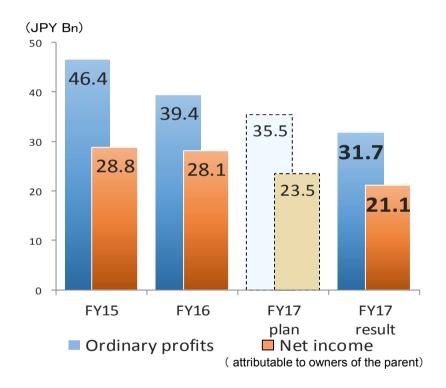
X1: Excluding gains (losses) related to bonds

^{※2:} Before provision (reversal) of general allowance for loan losses

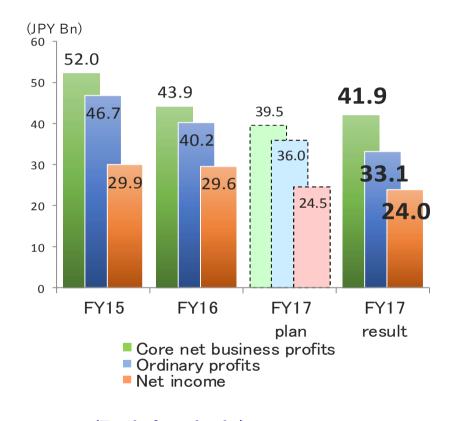
Summary of Financial Results



Financial Results < FG consolidated >



Financial Results < Total of two banks >



(-¥5.6Bn compared to FY16)

Summary of Financial Results



Net income (Total of two banks) was ¥0.4Bn lower than shown in the initial plan mainly because of a decline in interest income on securities, although G&A expenses decreased. Losses related to bonds were ¥13.8Bn due to loss on sales of foreign bonds to dissolve the unrealized loss. As a result, valuation difference of securities improved by ¥10.9Bn to ¥124.0Bn.

Compare to plan

(JPY Bn)

【Total of two banks】		FY17 Plan	FY17 Result	compared to plan
Core gro	ss business profits	132.0	130.7	(1.2)
Net int	erest income	115.9	112.5	(3.4)
Loans	5	89.9	90.0	0.0
Secur	ities	31.9	26.5	(5.4)
Net fee	es & commissions	17.7	16.7	(1.0)
Incon	ne of fees and commissions	34.0	33.4	(0.5)
Exper	nses of fees and commissions	16.2	16.7	0.4
Net oth	ner income(include trading income)	(1.2)	1.5	2.7
G&A exp	enses (-)	92.5	88.8	(3.6)
Core net business profits		39.5	41.9	2.4
Gains (losses) related to bonds		_	(13.8)	(13.8)
Gains (losses) related to stocks %1		2.0	9.2	7.2
Credit costs (-)		4.0	0.5	(3.4)
Net inco	me	24.5	24.0	(0.4)

X1 include gain on contribution of securities to retirement benefit trust

Valuation difference

(JPY Bn)

【Total of two banks】		18/3	change	17/3
	vailable-for-sale ecurities	124.0	10.9	113.0
	Stocks	106.4	9.3	97.0
	Bonds	19.5	(8.1)	27.6
	Others	(1.9)	9.7	(11.6)



Summary of Financial Results (Hokuriku bank)



(JPY Bn)

				(JE I DII/	
【Hokuriku Bank】		FY17		FY16	
[HOKUTIKU Bank]	plan	result	change	FIIO	
Core gross business profits	70.5	71.2	(1.6)	72.9	
Net interest income		61.1	(1.6)	62.8	
Loans		46.5	(2.2)	48.8	
Securities		18.1	1.0	17.0	
Net fees & commissions		9.1	0.0	9.0	
Net trading income		0.0	(0.0)	0.0	
Net other income(※1)		0.9	(0.1)	1.0	
G&A expenses (-)	49.0	47.5	(0.7)	48.2	
Core net business profits	21.5	23.7	(0.9)	24.7	
Gains (losses) related to bonds		(2.3)	0.9	(3.2)	
Net business profits (×2)		21.4	(0.0)	21.4	
Net transfer to general allowance for loan losses (-)		1.0	1.0	-	
Net business profits		20.3	(1.0)	21.4	
Other non-recurring gains (losses)		3.7	0.3	3.3	
Credit related costs (-)		0.8	1.4	(0.6)	
Gains (losses) related to stocks		4.4	0.9	3.5	
Ordinary profits	21.5	24.1	(0.6)	24.8	
Net extraordinary gains (losses)		(1.8)	(1.1)	(0.7)	
Imcome taxes (-)		6.4	1.0	5.4	
Net income	14.5	15.7	(2.9)	18.7	
Credit costs	2.0	1.8	2.5	(0.6)	
Capital adequacy ratio		9.02%	0.28%	8.74%	

Point of Financial Results

[Hokuriku bank]

Core net business profits: ¥23.7Bn

(-¥0.9Bn compared to FY16)

- •Net interest income: Decreased by ¥1.6Bn due to the decrease in interest on loans, partly offset by an increase in interest on securities
- •G&A expenses: Decreased by ¥0.7Bn because both personnel expenses and property expenses declined

Ordinary profits: ¥24.1Bn

(-¥0.6Bn compared to FY16)

- •Gains (losses) related to bonds: Recorded ¥2.3Bn loss due to loss on sales of foreign securities, etc.
- •Net credit costs: Recorded ¥1.8Bn cost changed from ¥0.6Bn gain from reversal of allowance in the previous year

X1: Excluding gains (losses) related to bonds

^{※2:} Before provision (reversal) of general allowance for loan losses

Summary of Financial Results (Hokkaido bank)



(JPY Bn)

				(JPT DII)	
【Hokkaido bank】		FY17		FY16	
[Hokkaido bank]	plan	result	change	1110	
Core gross business profits	61.5	59.5	(1.3)	60.8	
Net interest income		51.3	(2.0)	53.3	
Loans		43.4	(0.7)	44.2	
Securities		8.4	(1.2)	9.6	
Net fees & commissions		7.6	(1.1)	8.7	
Net trading income		-	-	_	
Net other income(※1)		0.5	1.9	(1.3)	
G&A expenses (-)	43.5	41.3	(0.2)	41.5	
Core net business profits	18.0	18.2	(1.0)	19.2	
Gains (losses) related to bonds		(11.5)	(10.0)	(1.4)	
Net business profits (※2)		6.6	(11.1)	17.7	
Net transfer to general allowance for loan losses (-)		_	_	_	
Net business profits		6.6	(11.1)	17.7	
Other non-recurring gains (losses)		2.3	4.7	(2.3)	
Credit related costs (-)		(1.2)	(1.2)	(0.0)	
Gains (losses) related to stocks		2.3	2.7	(0.4)	
Ordinary profits	14.5	8.9	(6.3)	15.3	
Net extraordinary gains (losses)		2.2	2.4	(0.2)	
Imcome taxes (-)		2.9	(1.2)	4.2	
Net income	10.0	8.2	(2.6)	10.9	
Credit costs	2.0	(1.2)	(1.2)	(0.0)	
Capital adequacy ratio		9.28%	-0.06%	9.34%	

[Hokkaido bank]

Core net business profits: ¥18.2Bn

(-¥1.0Bn compared to FY16)

•Net fees & commissions : Decreased by ¥1.1Bn due to an increase in loan related expenses

Ordinary profits: ¥8.9Bn

(-¥6.3Bn compared to FY16)

•Gains (losses) related to bonds:

Recorded ¥11.5Bn loss due to loss on sales of foreign securities, etc.

•Net credit costs : Recorded ¥1.2Bn gain from reversal of allowance for doubtful accounts

Point of Financial Results

X1: Excluding gains (losses) related to bonds

^{※2:} Before provision (reversal) of general allowance for loan losses

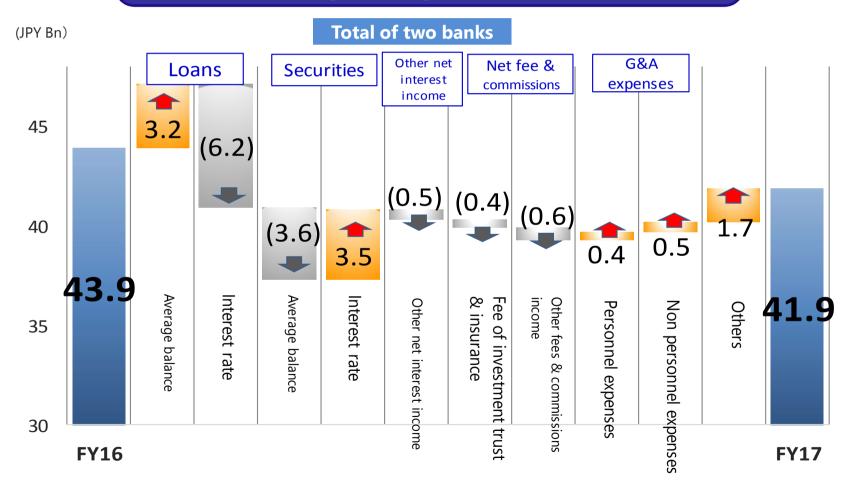
Financial Highlight for FY2017





Core net business profits declined by ¥1.9Bn year on year to ¥41.9Bn, primarily caused by decline in interest income due to the lower loan interest rate.

Factors contributing to change in core net business profits



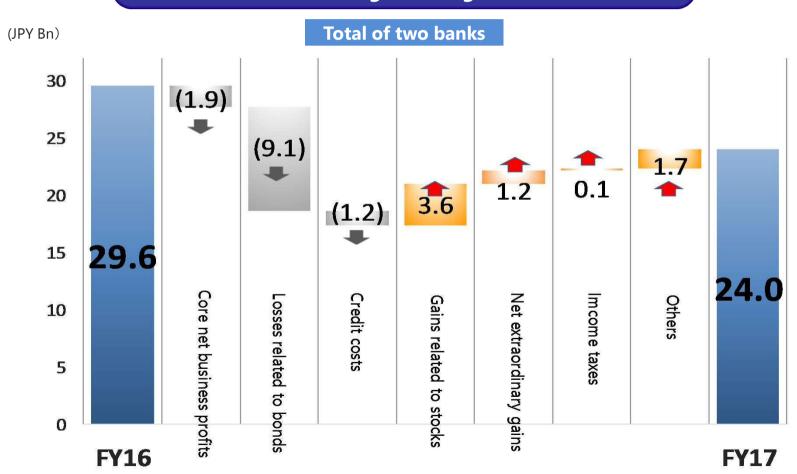
Financial Highlight for FY2017

(Reason for change in net income)



Net income declined by ¥5.6Bn to ¥24.0Bn mainly caused by losses related to bonds due to loss on sales of foreign securities, although gains related to stocks partially covered the losses.

Factors contributing to change in net income



Net Interest Income



Despite an increase in average loans outstanding ,as the loan yield continued to decline, net interest income decreased by ¥3.0Bn year on year.

Total of two banks (JPY Bn) 122.1 120.9 116.1 112.5 Interest on loans and discounts

93.0

26.6

(1.8)

FY16

90.0

26.5

(1.5)

FY17

Interest and

Interest on

deposits

dividends on securities

98.2

26.9

(3.6)

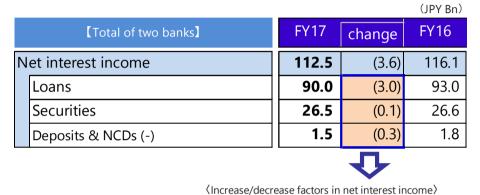
FY15

101.8

25.1

FY14

(5)



 (JPY Bn)

 (Total of two banks)
 Avg. balance
 Rate

 Loans
 3.2
 (6.2)

 Securities
 (3.6)
 3.5

 Deposits & NCDs (-)
 0.0
 (0.3)

(JPY Bn)

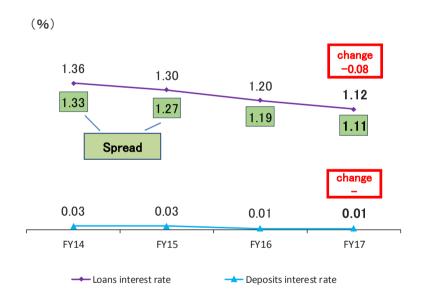
【Total of two banks】		FY17	change	FY16
1	Avg. balance	7,931.5	291.6	7,639.9
Loans	Avg. rate	1.12%	-0.08%	1.20%
C. a	Avg. balance	1,752.6	(256.4)	2,009.1
Securities	Avg. rate	1.14%	0.18%	0.96%
Danasita & NCDa	Avg. balance	10,926.4	347.6	10,578.7
Deposits & NCDs	Avg. rate	0.01%	_	0.01%

Net Interest Income

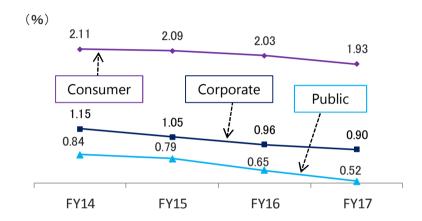


Average yield on loans declined by 0.08% to 1.12%, due to the negative interest rate policy of the BOJ.

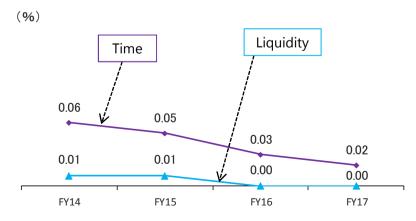
Interest rate of yen denominated loans and deposits



Interest rate of yen denominated loans



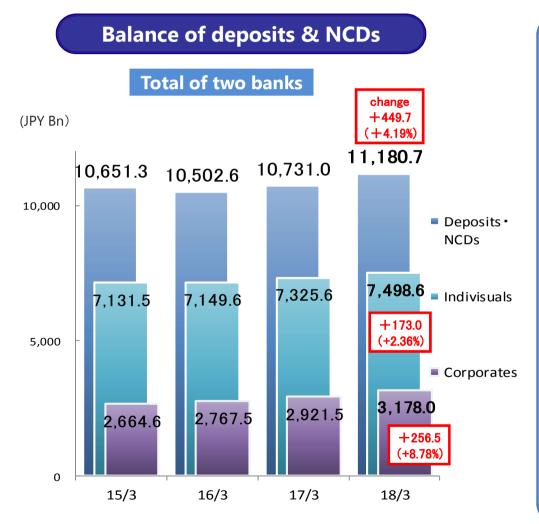
Interest rate of yen denominated deposits

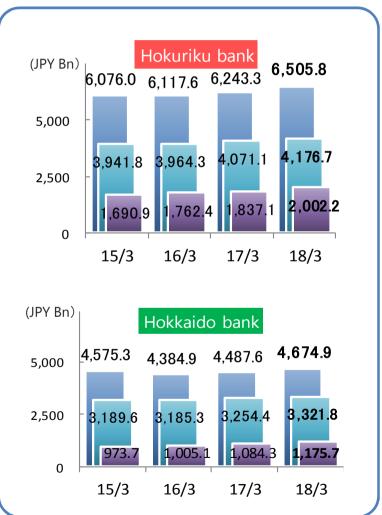


Deposits & NCDs



Balance of deposits increased by ¥449.7Bn to ¥11,180.7Bn due to increase in both individual and corporate deposits.

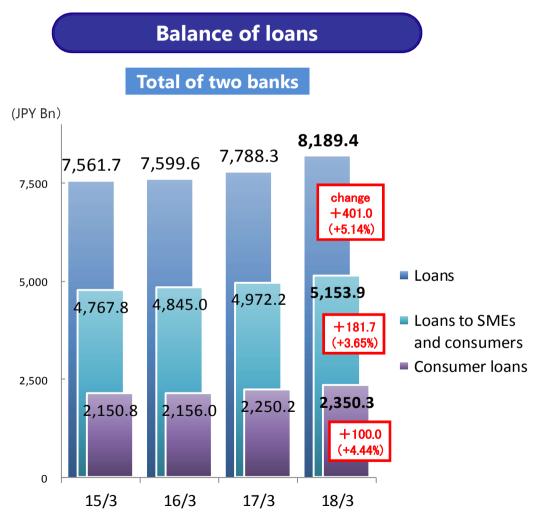


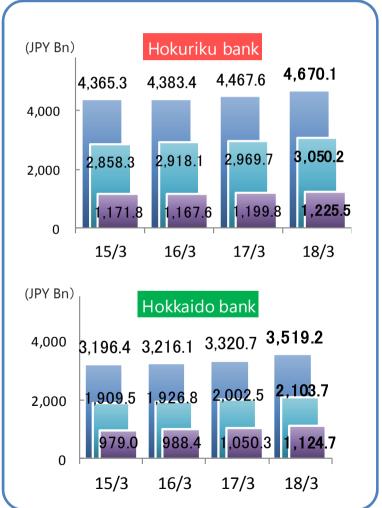


Loan Portfolio



Balance of loans increased by ¥401.0Bn to ¥8,189.4Bn due to increase in business loans, consumer loans and public loans.

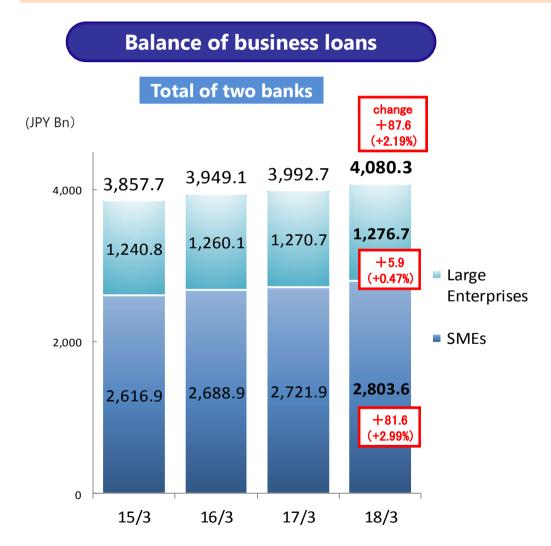


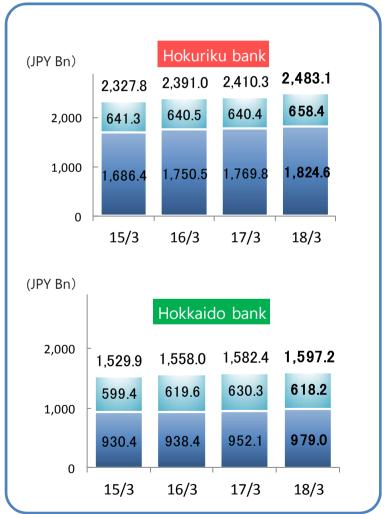


Loan Portfolio (Business loans)



Business loans increased by ¥87.6Bn to ¥4,080.3Bn, mainly due to an increase in loans to SMEs, as a result of strengthening contact points with local companies through assessment of their business profiles.

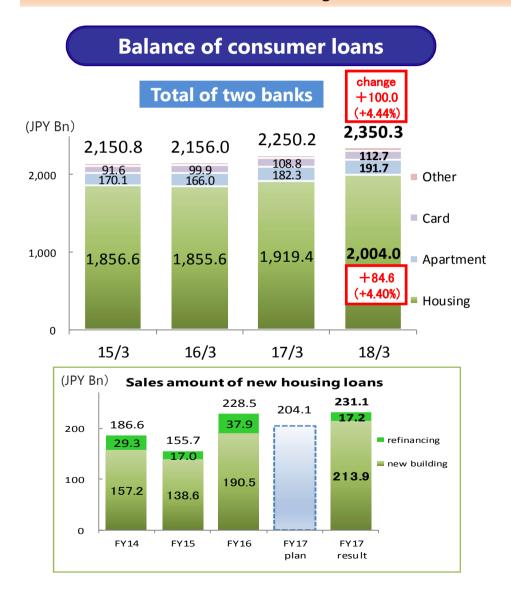


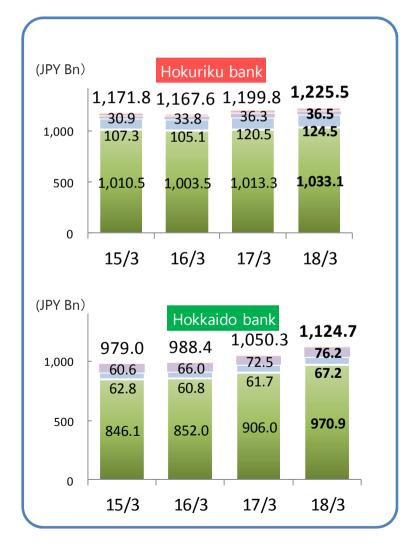


Loan Portfolio (Consumer loans)



Consumer loans increased by ¥100.0Bn to ¥2,350.3Bn as a result of positive efforts in promoting housing loans. Sales amount of new housing loans was ¥231.1Bn, far greater than initially planned amount.



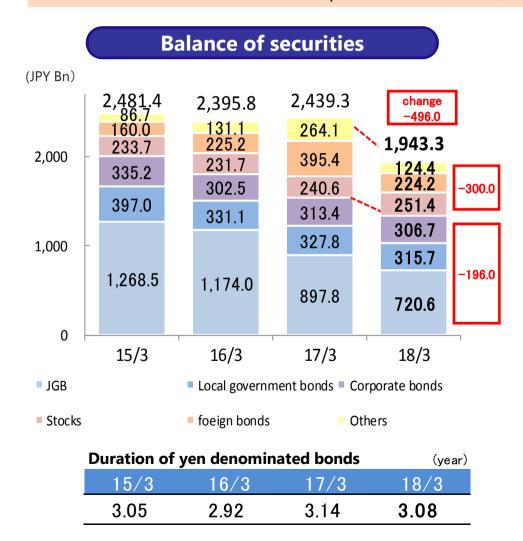


Securities Portfolio



(IDV Dn)

Balance of securities declined sharply by ¥496.0Bn to ¥1,943.3Bn due to a suppression of new purchase of yen bonds and sales of foreign bonds and investment trusts in light of the rise in US interest rates, while valuation difference of securities improved to ¥124.0Bn (¥10.9Bn increase year-on-year).



Revenue and Valuation difference

			(JPY Bn)
【Total of two banks】	18/3	change	17/3
Securities interest	26.5	(0.1)	26.6
Stocks	10.0	(0.9)	10.9
Bonds	5.9	(0.0)	6.0
Others	10.5	0.8	9.6
sale income Securties	(4.5)	(2.9)	(1.6)
Bonds	(13.8)	(9.1)	(4.7)
Stocks	9.2	6.1	3.1
Available-for-sale Securities	124.0	10.9	113.0
Stocks	19.5	(8.1)	27.6
Bonds	106.4	9.3	97.0
Others	(1.9)	9.7	(11.6)

Net Fee and Commission Income



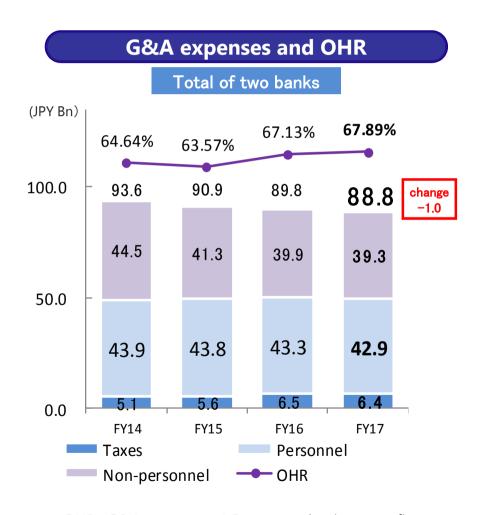
Net fees and commissions decreased by ¥1.1Bn year on year to ¥16.7Bn due to an increase in loan related expenses.

Net fees and commissions Fee revenue (JPY Bn) Total of two banks [Total of two banks] **FY17** FY16 (JPY Bn) change 34.9 (1) Net fees and commissions 16.7 (1.1)17.8 _{33.2} **→** 33.4 Fees and commissions 33.4 0.1 33.2 Others 10.6 (0.0)10.6 Remittance 3.3 (0.0)3.4 Investment trusts 13.9 1.9 (0.3)2.3 Insurance 14.0 14.5 Business support 2.9 0.2 2.7 Business 0.5 Others 14.5 14.0 support 1.9 20.0 Fees and commissions payments 16.7 1.2 15.4 2.7 2.9 1.8 (0.0)1.8 Remittance 11.2 9.9 8.3 Loan related expenses 1.3 Investment 5.7 5.3 0.0 0.0 2 Net trading income (0.0)trusts and 1.5 1.8 (0.2)3 Net other income(excluding gains (losses) related to bonds) Insurance Gains on foreign exchange transaction 0.3 0.5 (0.2)1.2 10.8 10.6 10.6 Remittance Net income (expences) on derivatives 1.2 0.0 4 Fee revenue 1+2+318.2 0.6 17.6 **5** Core gross business profits 126.7 (6.1)132.9 0.0 6 Fee revenue ratio 4/5 1.17% 14.42% 13.25% **FY15** FY16 **FY17**

G&A Expenses



G&A expenses decreased by ¥1.0Bn to ¥88.8Bn due to reduction of personnel expenses and non-personnel expenses. OHR increased by 0.76 points due to a decrease in core gross business profits.



Increase/decrease factors in G&A expenses

(IPV Rn)

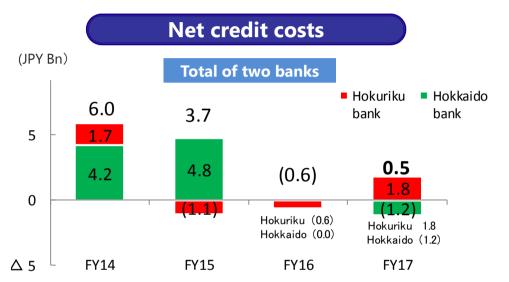
		(ווט זיזנ)	
【Total of two banks】	FY17	change	FY16
Personnel	42.9	(0.4)	43.3
Non-personnel	39.3	(0.5)	39.9
Taxes	6.4	(0.0)	6.5
G&A expenses	88.8	(1.0)	89.8

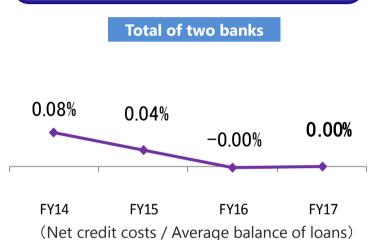
OHR=G&A expenses / Core gross business profits

Net Credit Costs



Although credit cost increased by ¥1.2Bn to ¥0.5Bn, it still remained at low level indicating stable financial condition of our clients.





Credit cost ratio

Increase/decrease factors in net credit costs

(JPY Bn)

	Total of two banks
١	let credit costs
	Net transfer to general allowance
	for loan losses
	Credit related costs

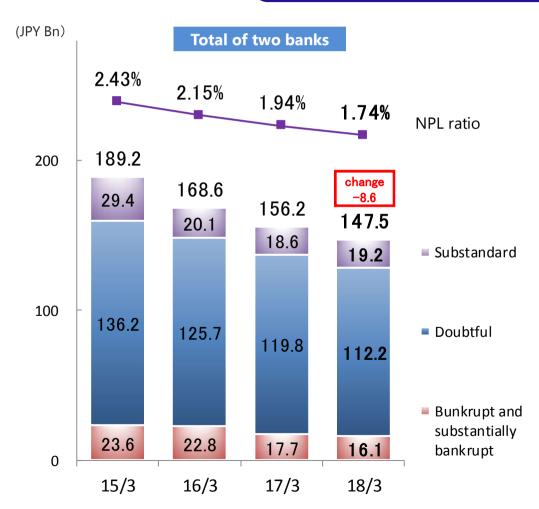
FY17	change	FY16
0.5	1.2	(0.6)
1.0	1.0	-
(0.4)	0.2	(0.6)

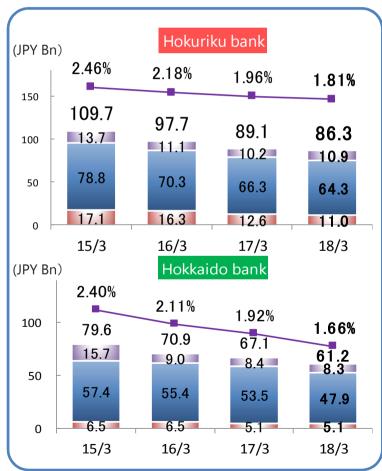
Non-Performing Loan



Balance of Non-Performing loans decreased by ¥8.6Bn to ¥147.5Bn, and NPL ratio decreased by 0.20 points to 1.74%.

Balance of non-performing loan





Capital



Capital adequacy ratio increased by 0.06 points to 9.49 % mainly due to a capital accumulation by profits.

(IDV Rn)

Capital and risk-weighted assets

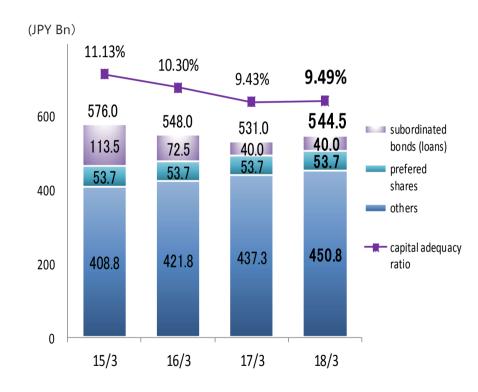
⟨Basel Ⅲ, Domestic Standard⟩

	(JPY DII)					
	【Consolidated】	Transitio	Transitional arrangements			
[Consolidated]		18/3	change	17/3	18/3	
Capital		544.5	13.4	531.0	442.7	
	Instruments and reserves	564.6	14.1	550.5	464.4	
	Regulatory adjustments (-)	20.1	0.6	19.4	21.7	
Risk-weighted assets		5,735.2	104.3	5,630.9	5,720.4	
Cá	apital adequacy ratio	9.49%	0.06%	9.43%	7.73%	

ROE

FY12	FY13	FY14	FY15	FY16	FY17
4.0%	5.8%	5.5%	5.3%	5.1%	3.6%

Capital adequacy ratio

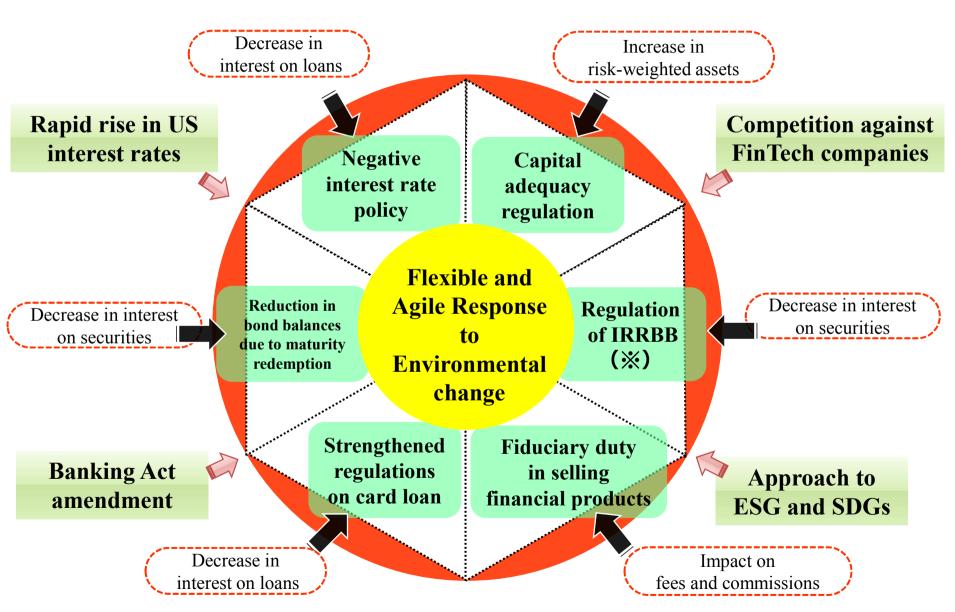




II. Management Strategy

Changes in External Environment / Financial Regulation Environment





Medium-term Management Plan "BEST for the Region"



Fiscal 2018 is the final year of the third medium-term management plan, and we will steadily implement the total finish of the three concepts mentioned in the basic strategy.

3 basic policies	FY16	FY17	FY18
Strengthening Marketing Capabilities (Exceed customers'	Strengthen consulting sales	◆Collaboration agreement with Tokyo Stock Exchange	• Improve customers' value by providing solutions • Strengthening M&A and business succession consulting
expectations)	◆Increased housing loans products	◆Enhancement of life insurance for housing loans	· Establishment assessment of custmers business profiles skills, Promotion of sales to house makers
 Strengthen consulting Sales Enhancement of housing loan Strengthen sales of investment products and Increase in 	◆ Hokuhoku Tokai Tokyo securities opening business(Toyama, Sapporo, Kanazawa)	◆Opening Asahikawa and Hukui branch (Hokuhoku tokai Tokyo securities)	·Collaboration with securities subsidiaries ·Strategic placement of person in charge
customers	Strengthen sales of investment products ar	nd "Fiducary duty" thoroughly	Promotion of regular saving of investment products
	◇Increase in customers	♦Introduction of "One Piece" cash card	· Promotion utilizing animation characters
Improving Management Efficiency (Enhance competitiveness by establishing efficient operations)	 ◇Approach to BPR ◆ Establishment of business reform planning division ◇Utilization of tablet divices 	◆Paperlessization of meeting ◆Paperlessization of imvestment trust sales	Work-style reform, Streamline business process, Consideration of RPA Paperlessization of insurance sales
Business process re- engineering, Group synergy	◆Reduction of branch office work, Consolidation of branch work by "Support Office" ◆Staff consolidation to "Private Banking Center"(Hokkiado Bank)		• Expanding target business and area • Expanding target area
·Branch strategy	Review of branch office management style, Promoted consolodation		• Minimize the number of branch office staffs
• Human resource development	♦ Human resource development and personnel relocation to strategic area or division		- Enhancing consulting sales
	♦ Gender equality and women's empowerment, Enhancing health and productivity management		Promotion of female managerial positions
Strengthening Management	♦Flexible operation of securities, Increase operation	nal efficiency by diversified investment	· Flexible operation that captures market trends
(Earn trust from local community and customers)	♦Strengthening risk management	⇒Strengthening risk management	•ALM management to adapt to market changes •Appropriate control of risk assets •Strengthen system risk management
•Securities investment management	♦Strengthen governance	◆Through adoption of the Company with Audit and Supervisory Committee System	• Incorporate objective opinions of outside directors into management
•Risk management	♦Stable dividends	◆Increase dividend(42.5→44.0)	· Maintaining a devidend of 44 yen
•Strengthen governance	◆Redemption of subordinated loans by 32.5 Bn, consolidation of shares		•Scheduled redemption of subordinated loans by 40.0 Bn

Strengthening Marketing Capabilities (Consulting Services)



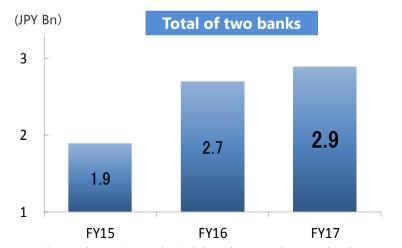
- **Solution offering to improve corporate value of client companies**
 - → Support for recruitment, successor training, productivity improvement.
- **◆** Enhancing consulting sales through support for M & A and business succession etc.
 - → Established consulting sales department. (Hokuriku Bank in June 2018)
- **◆** Increasing the number of borrower companies through assessment of their business profiles
 - → Entrench know-how of business assessment. (Implementation of individual company review meeting and utilization of external consulting company)



Enhance fee business by strengthening consulting capabilities.



Business support fees and commissions



Fees and commissions obtained through private placement bonds underwriting and syndicated loans, consulting such as M & A and business succession support, and business matching etc.

Total of two banks 4,208.3 4,000 4,000 3,949.1 3,857.7

17/3

18/3

19/3

forecast

15/3

16/3

balance of Business Loans

Strengthening Marketing Capabilities (Housing Loans)



- **◆** Promotion by "Housing Loan Plaza"
 - →Strengthen cooperation between Housing Loan Plazas and housing builders.
- **♦** Housing Loans consultation
 - →Strengthen contact points with customers through housing loan consultation meetings.



Expand individual customer base by taking share of housing loans



Housing Loan Plazas

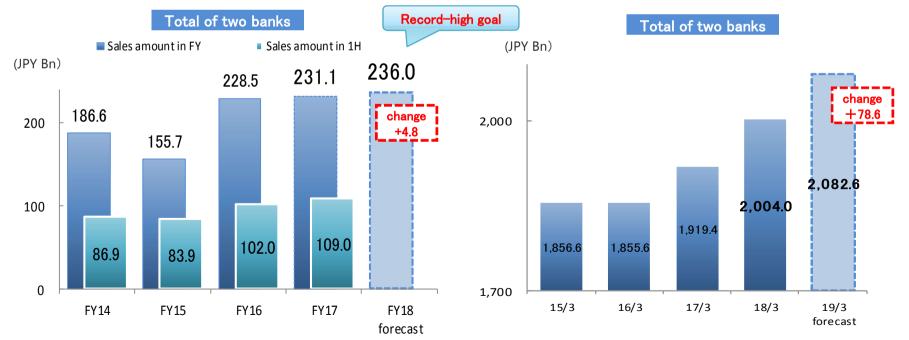
Hokuriku	49 plazas
Bank	(21 plazas open on weekends)
Hokkaido	12 plazas
Bank	(2 plazas open on weekends)





Sales amount of new housing loans

Balance of housing loans



Strengthening Marketing Capabilities

(Extend Customer Base and Sales of Investment Trusts and Insurance)



- ◆ Collaboration of securities subsidiary "Hokuhoku Tokai Tokyo Securities with Hokuriku Bank and Hokkaido Bank
 - → Expand sales of investment products through cooperation of 5 sales bases of Hokuhoku Tokai Tokyo Securities and branches of the banks.
- **♦** Strategic allocation of sales representatives
 - → Enhance sales capability by aggregating sales force at "Private Banking Center".
- **♦** Promotion of regular savings of investment trust
 - → Support customers' asset formation using regular savings of investment trust.
- **◆** Promotion utilizing animation characters
 - ightarrow Enhance contact points with young customers to be provider of their main accounts such as payroll accounts.

(thousand)		
18/3	change	17/3
23.4	7.7	15.7
47.3	4.8	42.4
1.2	-	-
40.8	9.0	31.8
	23.4 47.3 1.2	18/3 change 23.4 7.7 47.3 4.8 1.2 -

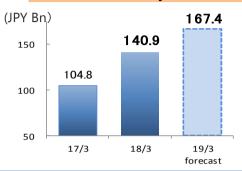
Increased customers steadily through our effort to promote regular savings of investment products



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Balance of investment products

Hokuhoku Tokai Tokyo Securities

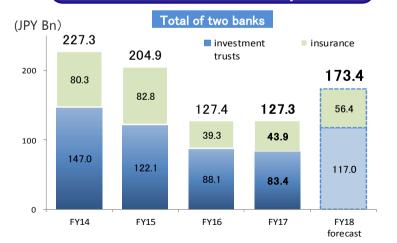


Head office and branch of Hokuhoku Tokai Tokyo securities

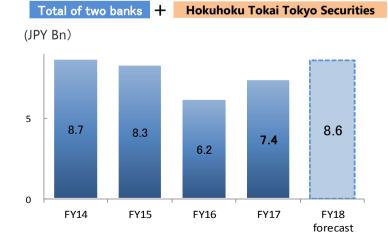
Head office (Toyama city)
Sapporo office
Kanazawa branch
Asahikawa branch
Fukui branch

Opened in January 2017 Opened in January 2017 Opened in January 2017 Opened in December 2017 Opened in February 2018

Sales amounts of investment products



Fees from investment products







Improving Management Efficiency





- **♦** Work-style reform
 - →Streamline business process, strengthen time management and improve efficiency by RPA(Robotic Process Automation).
- **♦** Effective use of tablet devices
 - → Utilize tablet devices for internal meetings and sales of financial products implementing paperless procedures.







Improvement of productivity

Improvement of job satisfaction



- Awareness reform
- Streamlining work process
- •Time management



Redistribution

- Strategic business areaImprovement
- Improvement of employee treatment

Improve efficiency of headquarter operations

- Review and abolishment of routine work
- Automation of routine work by introducing "RPA"
- Paperless meeting by utilizing intranet terminals



Unification of business process and systems among Hokuhoku Financial Group

Implementation of "RPA" (Hokuriku Bank)

Work	Contents	
Making data on interest rate resetting procedure for loan	 Extract target, create list. Acquire information, interest rate table. (Efficiency improvement of 3,342 hours per year) 	
Confirmation of BIS qualified housing loans	•Confirm BIS qualification of new housing loans. (Efficiency improvement of 436 hours per year)	
Answering for tax examination by the authority	 Confirm whether there is a transaction. Create response form. (Efficiency improvement of 15,756 hours per year) 	

Improve efficiency of branch operations

- Centralization of branch office work
- Utilization of new branch system to improve efficiency and accuracy
- Expansion of consolidated bases of sales force for financial products
- Implementation of electronic contract procedures for insurance sales



Improving Management Efficiency (Branch Network Strategy)



- **♦** Reduction of branch office work
 - →Promote centralization of branch office work to central support office.
- **♦** Personnel relocation to strategic area
 - →Relocate personnel to consulting business and investment products sales.
- Review of branch office management style
 - →Improve efficiency by consolidating branch offices, implementing group branch management structure and minimum-operation branch in order.

Hokuriku Bank	Consulting sales division was newly established in June, 2018. The number of staff in the consulting section will be increased by 32 to 140 by March 2020.
Hokkaido Bank	110 personnel assigned to "Private Banking Center" and 8 PBCs will cover the entire Sapporo area in fiscal year 2018.

Number of employees



Branch office staffs decreased due to centralization of branch work. Overall staffs increased, mainly to enhance sales of housing loan and investment products business.

Number of Branch Offices

Hokuriku Bank	18/3	change	14/3
Branch Offices	187	(1)	188
Branch-in-Branch	17	16	1
Virtual Branch	10	(1)	11
Physical Offices	160	(16)	176

Hokkaido Bank		18/3	change	14/3
Branch Offices		142	1	141
Branch-in-Branch		4	-	4
Virtual Branch		6	-	6
Physical Offices		132	1	131
Ī	Minimum-Operation Branch	16	-	16

Centralization of branch office work to central "Support Office"

Example of centralized works	Call receipt, Cash management, Payment exchange settlement, Customer notifications, Check of antisocial forces, Address registration for new saving deposit, Inheritance operation, Seizure, Expense payment, Post-payment commission management, Document binding, etc.
Target branch offices	Hokuriku Bank : All branch offices Hokkaido Bank : 31 branch offices (expanding target)
Human resource transfer	By 2018, 280 staffs will be consolidated to the "Support Office".



Strengthen sales capabilities by shifting manpower

Improving Management Efficiency (Human Resource Development)



- **♦** Strengthening consulting skills
 - →Encourage acquisition of Financial Planner and M&A Senior Expert certification. Foster Money Advisers and Inheritance Advisors.
- **◆** Gender equality and women's empowerment
 - →Advance in appointing female managers and promote work-life balance.
- **♦** Enhancing health and productivity management
 - →Establishment of declaration, Mental health seminar, Health promotion campaign.







"Eruboshi" "Platinum Kurumin"

Hokuriku Bank received a national certification as a company actively promoting gender equality and women's empowerment and child rearing support.







5 GENDER EQUALITY



The 2018 Certified Health and Productivity Management Company (White 500)

Hokuriku Bank and Hokkaido Bank were certified as The 2018 Certified Health and Productivity Management Company (White 500) certified by the Ministry of Economy, Trade and Industry in February 2018

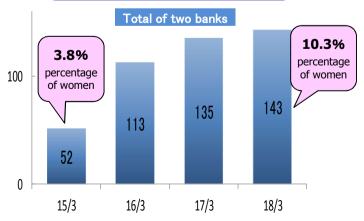
Number of external qualified persons

Total of two banks

	18/3	15/3
Financial Planner*	3,639	2,659
Agricultural Management Advisor	81	73
Healthcare Management Consultant	4	1
Medical Management Specialist	33	25
M&A Senior Expert	13	5

^{*}Affiliated or Certified Financial Planner, and 2nd grade or 3nd grade Certified Skilled Professional of Financial Planning

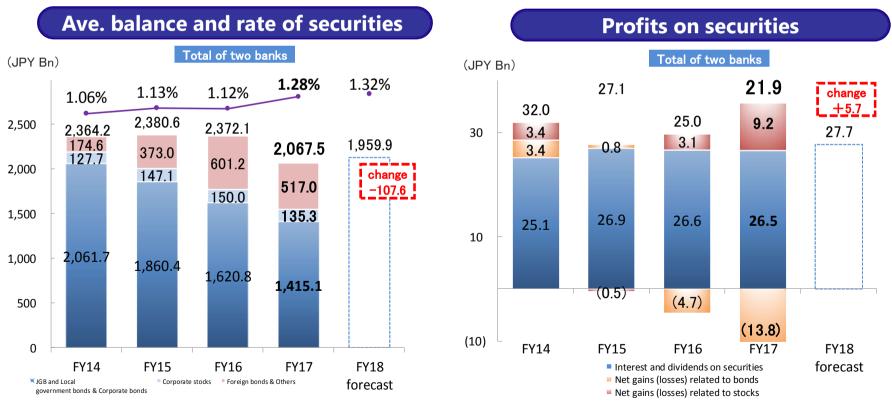
Number of female managers or senior managers



Strengthening Management Foundation (Securities Investment Management)



- **◆** <u>Diversified investment to improve earnings</u>
 - →Increase return on investment by diversifying portfolio including foreign bonds, taking mass redemption of yen bonds into account.
- **♦** Flexible operation responding to market trends
 - → Carry out flexible investment operation responding to market trends such as rise in US interest rate and increase in geopolitical risks.



(Including gains on retirement benefit trust in net gains (losses) related to stocks)

Strengthening Management Foundation (Risk Management and Corporate Governance)



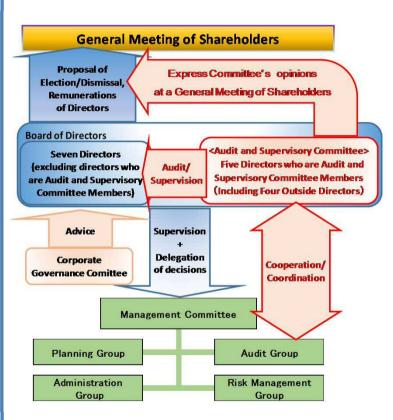
- **◆** ALM management to adapt to market changes
 - →Maintain management control to respond appropriately to changes in the market, mainly using ALM Committee. Establish a stable reporting system to correspond to IRRBB regulation.
- Maximizing profit with appropriate control of risk assets
 - →Suppress excessive risk take by controlling balance of loans and securities depending on their risks.
- **♦** Strengthening system risk management
 - →Continue cyber security measures and management of outsourcing parties.
- **◆** Incorporate objective opinions of outside directors into management
 - → Actively utilize knowledge and objective viewpoints of outside directors for bank management.

Governance utilizing outside officers

- 2015.9 Establishment of Corporate Governance Committee.
- 2017.6 Through adoption of the Company with Audit and Supervisory Committee System, we increased the number of outside directors (2→4), and 4 out 12 directors become external officers.



Corporate Governance Chart



Adoption of the Company with Audit and Supervisory Committee System (2017/06~)

ESG Initiatives (Environmental Activities)



- **♦** Supporting business of environment-conscious companies
 - → Provide interest rate preferential products such as Eco private placement bond, Environmental rating loan and Eco renovation loan.
- **◆** Paperless business process
 - →Provide maturity notice of time deposit, transaction report of investment trust and some other documents on website instead of sending paper documents.
- **Environment future city**
 - →Collaboration with local public bodies aiming for certification of environmental future cities and SDGs future cities.
- **♦** Internal dissemination of ESG and SDGs
 - →Impress on the employees the importance of ESG and SDGs through company newsletter.









"Interest rate preferential products"

Eco private placement bond	Private placement bond with preferential issuing conditions for environment-conscious companies.
Environmental rating loan "Eco-Leadmaster"	Loan for environment-conscious companies with preferential interest rate in accordance with Hokuriku Bank's environmental rating.
Eco renovation loan	Renovation loan which provides preferential interest rate under certain condition such as all-electrification or usage of solar power generation.

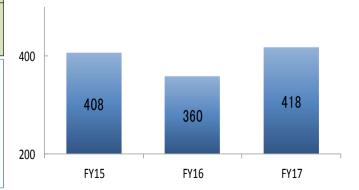
"Environmental activity guidelines" Hokkaido Bank

- 1. We comply with laws about environment and conduct environment-conscious activities.
- 2. We raise awareness of environmental issues and reduce environmental load in our business activities and in our daily life.
- 3. We provide community customers with financial products and services that help conservation and improvement of environment.



Number of Eco-Private Placement Bond arranged

Total of two banks



ESG Initiatives (Social Contribution)



- Financial intermediation to support local customers' **business**
 - →Regional revitalization through supporting local customers.
- Utilizing a wide range of networks of the Group →Business matching and overseas advancement support.
- Global network utilizing overseas representative offices and regional trading companies
 - →Cooperate with overseas representative offices and regional trading companies to disseminate information to expand customers' overseas sales channels.











"Construction of Hokugin Business Matching System"

Hokuriku Bank commenced operation of "Hokugin Business Matching System" jointly developed with Linkers Corp. The bank provide customers with the system that can support the expansion of sales channels of business partners for free.



"Using regional trading companies to cultivate sales channels in Russia"

Hokkaido Bank is promoting support for expanding sales channels of business partners through a regional trading company "Hokkaido General Trading Co., Ltd.", and we succeeded in exporting Kitami onion to Russia and got results.



"Mirai Innovation Hokuriku"

Hokuriku Bank, as part of its 140th anniversary project, held a business contest "Mirai Innovation Hokuriku – New Design & Technology – ". Based on the theme of major industries in Hokuriku and local communities, we selected a recipient company awarded 5 in the final selection from 94 applications.



"Become a PPP agreement partner with the Ministry of Land, Infrastructure and Transport"

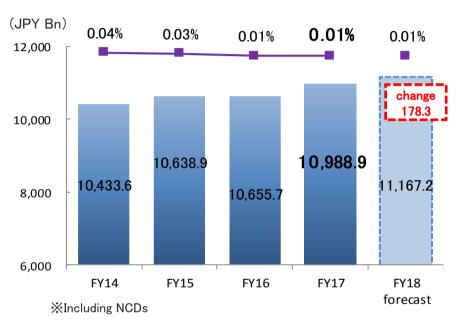
Hokkaido Bank is appointed to "PPP agreement" partner with the Ministry of Land, Infrastructure and Transport. We provide useful information for local governments and business operators by holding seminars in cooperation with the Ministry of Land, Infrastructure and Transport concerning fund procurement etc. for social capital improvement.

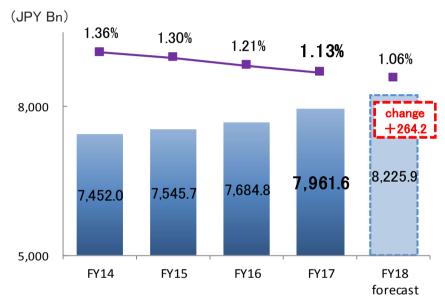
Forecast for Deposits & Loans



Ave. balance and rate of deposits

Ave. balance and rate of Loans





(JPY Bn)

【Total of two banks】	FY17	FY18 forecast	change
Ave. balance	10,988.9	11,167.2	178.3
Ave. rate	0.01%	0.01%	-
Interest expense	1.5	1.2	(2.0)

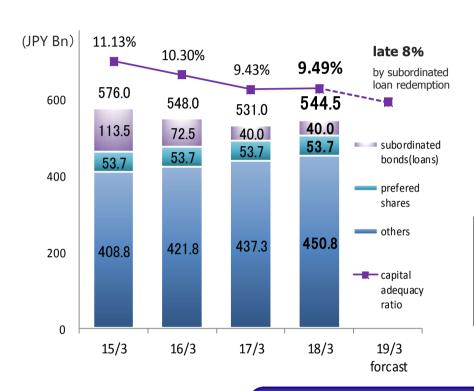
【Total of two banks】	FY17	FY18 forecast	change
Ave. balance	7,961.6	8,225.9	264.2
Ave. rate	1.13%	1.06%	(0.07%)
Interest income	90.0	87.7	(2.2)

Capital Policy • Earnings Forecast



Capital Policy / Capital adequacy ratio

Forecasts for FY18



		(JPY Bn)
<consolidated></consolidated>	FY18	
	forcasts	change
Ordinary profits	33.0	1.2
Net income attributable to owners of the parent	21.0	(0.1)

	【Total of tw	o banks	【Hokuriku	ı bank]	【Hokkaido bank】	
(JPY Bn)	FY18 change		FY18 forecast	change	FY18 forecast	change
Core gross business profits	128.0	(2.7)	70.0	(1.2)	58.0	(1.5)
G&A expenses	89.5	0.6	48.5	0.9	41.0	(0.3)
Core net business profits	38.5	(3.4)	21.5	(2.2)	17.0	(1.2)
Net credit costs	5.0	4.4	3.0	1.1	2.0	3.2
Ordinary profits	34.0	0.8	20.0	(4.1)	14.0	5.0
Net income	23.0	(1.0)	13.0	(2.7)	10.0	1.7

Dividend forecasts for FY18

	Interim	Year-end	Anuual
Dividend per common share	_	¥44.00	¥44.00
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

FY09~FY12	FY13	FY14~FY15	FY16~FY17	FY18
				forecast
37.50	40.00	42.50	44.00	44.00

[•]Hokuhoku Financial Group, Inc. implemented a common stock consolidation at a ratio of ten stocks to one stock on October 1, 2016. To enable comparison, the above dividend for previous years are calculated taking this stock consolidation into account.



The Progress of The Medium-term Management Plan

The Medium-term Management Plan (From Apr-16 to Mar-19)									
(JPY Bn)	FY16	FY17	FY18 plan	FY18 forecast					
Ave.balance of deposits	10,409.6	10,768.7	10,560.0	10,990.2					
Ave.balance of loans	7,684.8	7,961.6	7,760.0	8,225.9					
Core gross business profits	133.8	130.7	134.5	128.0					
G&A expenses	89.8	88.8	93.0	89.5					
Core net business profits	43.9	41.9	41.5	38.5					
Credit related costs	(0.6)	0.5	6.0	5.0					
Net income attributable to owners of the parent	28.1	21.1	23.0	21.0					
(Consolidated) Capital adequacy ratio	9.43%	9.49%	9.55%	Late-8%					
OHR	67.13%	67.89%	69.14%	69.92%					



Appendix

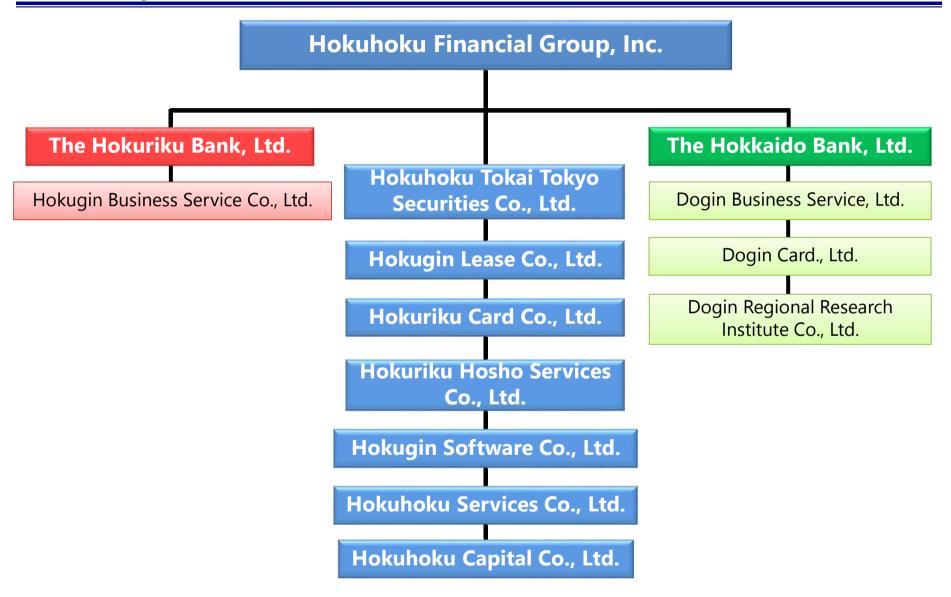
About Hokuhoku FG Outline of Hokuhoku FG and Two Banks ①



(As of March 31, 2018)	Hokuhoku FG	Hokuriku Bank	Hokkaido Bank
Date of establishment	September 26, 2003	July 31, 1943 (Started business in 1877)	March 5, 1951
Location of head office	Toyama City, Toyama	Toyama City, Toyama	Sapporo City, Hokkaido
Capital	¥ 70,895 million	¥ 140,409.52 million	¥ 93,524.01million
Shares issued and outstanding	 Common stock 132,163,014 Preferred stock (Type5) 107,432,000 	•Common stock 1,047,542,335	•Common stock 486,634,512 •Preferred stock(Type2) 107,432,000
Total assets	(consolidated) ¥ 12,996.2 billion	¥ 7,732.9 billion	¥ 5,220.0 billion
Deposits & NCD	(consolidated) ¥ 11,151.2 billion	¥ 6,505.8 billion	¥ 4,674.9 billion
Loans	(consolidated) ¥ 8,172.8 billion	¥ 4,670.1 billion	¥ 3,519.2 billion
Capital adequacy ratio	(consolidated) 9.49 %	(non-consolidated) 9.02 %	(non-consolidated) 9.28 %
Employees	12 (fulltime workers)	2,754	2,357
Ratings	A(R&I)	A(R&I), A-(S&P)	A(R&I)、A(JCR)

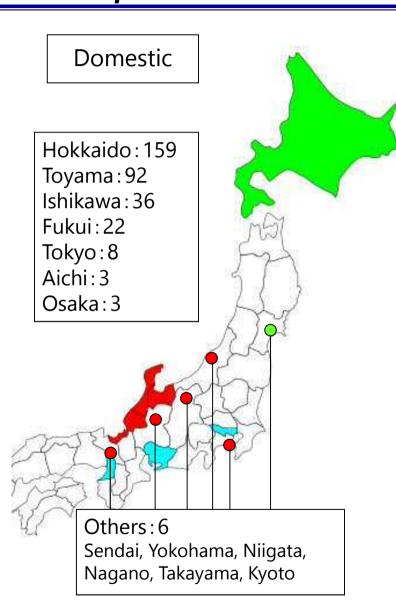
About Hokuhoku FG Outline of Hokuhoku FG and Two Banks 2





About Hokuhoku FG Outline of Hokuhoku FG and Two Banks 3





Oversea



Representative offices

- 1. New York
- 2. London
- 3. Bangkok
- 4. Singapore
- 5. Shanghai

- 6. Dalian
- 7. Shenyang
- 8. Vladivostok
- 9. Yuzhno-Sakhalinsk

About Hokuhoku FG 3 Historical Data (Hokuhoku FG)



									(31 1 011)
	FY2013	FY2014	FY2014	FY2015	FY2015	FY2016	FY2016	FY2017	FY2017
<consolidated></consolidated>	Full year	Interim	Full year						
Ordinary income	190.9	96.4	193.9	99.1	192.5	93.9	187.4	91.7	180.9
Ordinary profits	49.4	21.8	48.1	26.1	46.4	23.7	39.4	18.0	31.7
Net income attributable to owners of the parent	27.3	13.8	28.2	16.6	28.8	16.7	28.1	11.1	21.1
Capital adequacy ratio	12.31%	11.38%	11.13%	10.89%	10.30%	10.28%	9.43%	9.73%	9.49%
<total banks="" of="" two=""></total>									
Core gross business profits	142.2	72.0	144.8	72.9	143.0	69.4	133.8	65.0	130.7
General & administrative expenses	94.0	47.7	93.6	45.3	90.9	44.5	89.8	44.5	88.8
Core net business profits	48.2	24.3	51.2	27.5	52.0	24.8	43.9	20.5	41.9
Net gains(losses) related to securities	2.2	3.2	6.9	1.8	0.2	(1.2)	(1.6)	1.3	(7.1)
Credit costs	(1.3)	3.0	6.0	1.6	3.7	(1.1)	(0.6)	2.3	0.5
Ordinary profits	48.5	22.3	47.1	26.8	46.7	23.7	40.2	19.1	33.1
Net income	27.5	14.8	28.2	17.8	29.9	17.2	29.6	12.5	24.0
ROA	0.44%	0.43%	0.45%	0.48%	0.45%	0.42%	0.37%	0.33%	0.34%
OHR	66.08%	66.17%	64.64%	62.18%	63.57%	64.21%	67.13%	68.46%	67.89%
Loans	7,336.3	7,480.1	7,561.7	7,519.2	7,599.6	7,700.4	7,788.3	7,946.3	8,189.4
Deposits (including NCD)	10,172.0	10,489.0	10,651.3	10,635.7	10,502.6	10,526.6	10,731.0	11,013.3	11,180.7
Securities	2,481.4	2,433.8	2,481.4	2,423.1	2,395.8	2,452.2	2,439.3	2,126.3	1,943.3
Non performing loan	201.3	196.9	189.2	176.3	168.6	160.6	156.2	154.6	147.5
NPL ratio	2.67%	2.56%	2.43%	2.28%	2.15%	2.02%	1.94%	1.88%	1.74%

About Hokuhoku FG 4 Historical Data (Hokuriku Bank)



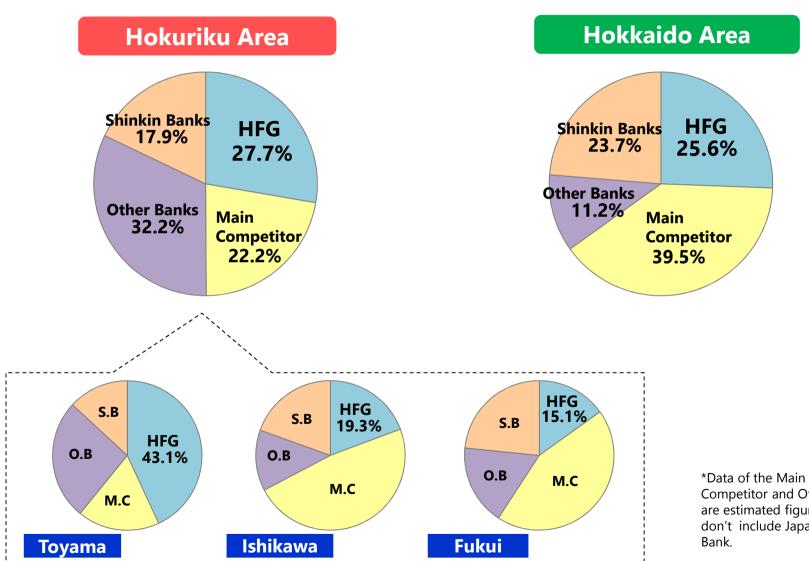
									(31 1 511)
	FY2013	FY2014	FY2014	FY2015	FY2015	FY2016	FY2016	FY2017	FY2017
	Full year	Interim	Full year						
Ordinary income	97.7	48.0	94.0	46.3	93.3	45.8	92.9	45.6	91.1
Core gross business profits	77.0	38.1	76.5	37.8	75.3	36.8	72.9	35.3	71.2
General & administrative expenses	50.5	25.9	50.4	24.3	48.6	23.8	48.2	23.8	47.5
Core net business profits	26.4	12.2	26.0	13.4	26.6	12.9	24.7	11.5	23.7
Net gains(losses) related to securities	1.6	2.7	3.6	1.0	0.4	0.6	0.3	0.8	2.1
Credit costs	(4.2)	8.0	1.7	8.0	(1.1)	(1.0)	(0.6)	1.7	1.8
Ordinary profits	30.4	12.5	24.5	12.9	26.7	14.5	24.8	10.8	24.1
Net income	17.8	7.8	14.6	8.2	16.5	10.7	18.7	6.5	15.7
Capital adequacy ratio	12.40%	10.98%	10.61%	10.31%	9.78%	9.48%	8.74%	9.04%	9.02%
ROA	0.42%	0.38%	0.40%	0.40%	0.40%	0.37%	0.35%	0.32%	0.32%
OHR	65.65%	67.98%	65.94%	64.31%	64.57%	64.77%	66.12%	67.44%	66.67%
Loans	4,227.6	4,292.7	4,365.3	4,332.9	4,383.4	4,446.0	4,467.6	4,567.9	4,670.1
Deposits (including NCD)	5,909.0	5,905.9	6,076.0	6,006.7	6,117.6	6,106.6	6,243.3	6,363.7	6,505.8
Securities	1,238.3	1,219.1	1,275.4	1,272.1	1,343.9	1,384.2	1,457.6	1,364.6	1,317.1
Non performing loan	120.3	114.1	109.7	102.9	97.7	91.3	89.1	88.9	86.3
NPL ratio	2.78%	2.60%	2.46%	2.33%	2.18%	2.01%	1.96%	1.91%	1.81%

About Hokuhoku FG 5 Historical Data (Hokkaido Bank)

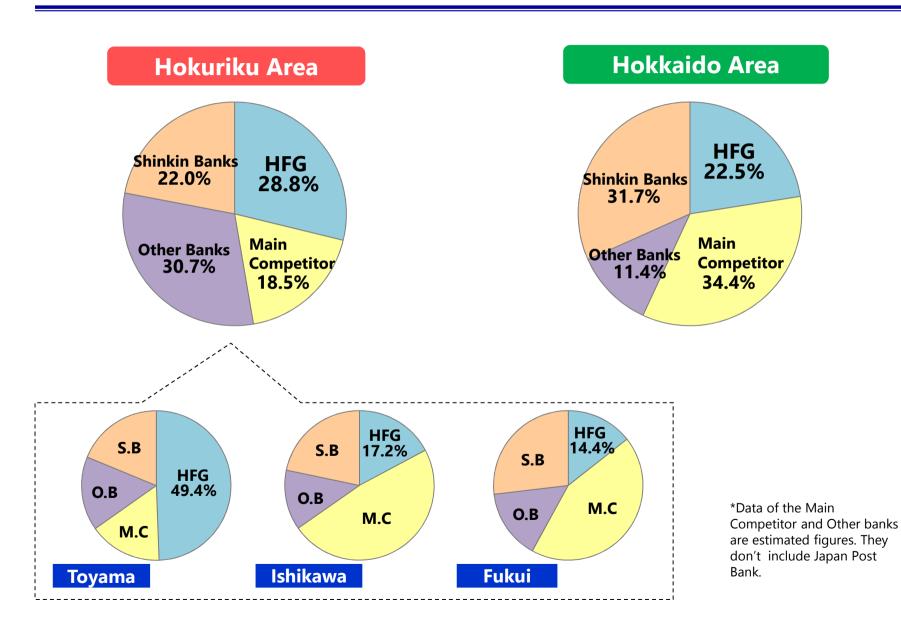


									(31 1 211)
	FY2013	FY2014	FY2014	FY2015	FY2015	FY2016	FY2016	FY2017	FY2017
	Full year	Interim	Full year						
Ordinary income	80.2	41.6	85.4	45.4	85.5	40.5	78.9	38.7	78.2
Core gross business profits	65.2	33.9	68.3	35.0	67.6	32.5	60.8	29.6	59.5
General & administrative expenses	43.4	21.7	43.1	21.0	42.2	20.7	41.5	20.6	41.3
Core net business profits	21.7	12.1	25.1	14.0	25.3	11.8	19.2	9.0	18.2
Net gains(losses) related to securities	0.6	0.5	3.2	0.8	(0.1)	(1.8)	(1.9)	0.4	(9.2)
Credit costs	2.8	2.1	4.2	0.7	4.8	(0.0)	(0.0)	0.6	(1.2)
Ordinary profits	18.0	9.8	22.6	13.9	20.0	9.2	15.3	8.2	8.9
Net income	9.6	7.0	13.5	9.6	13.4	6.5	10.9	5.9	8.2
Capital adequacy ratio	10.76%	10.79%	10.75%	10.45%	10.23%	10.05%	9.34%	9.53%	9.28%
ROA	0.47%	0.51%	0.53%	0.58%	0.52%	0.49%	0.40%	0.35%	0.36%
OHR	66.60%	64.14%	63.18%	59.88%	62.47%	63.57%	68.33%	69.67%	69.35%
Loans	3,108.6	3,187.4	3,196.4	3,186.3	3,216.1	3,254.3	3,320.7	3,378.3	3,519.2
Deposits (including NCD)	4,262.9	4,583.0	4,575.3	4,628.9	4,384.9	4,420.0	4,487.6	4,649.5	4,674.9
Securities	1,243.1	1,214.6	1,205.9	1,150.9	1,051.9	1,068.0	981.6	761.6	626.2
Non performing loan	81.0	82.8	79.6	73.3	70.9	69.3	67.1	65.6	61.2
NPL ratio	2.52%	2.50%	2.40%	2.21%	2.11%	2.03%	1.92%	1.85%	1.66%









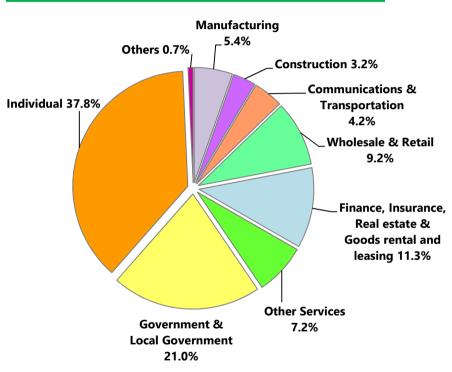
About Hokuhoku FG 8 Lending in the Region by Industry (Mar-18)





Manufacturing 12.2% Others 0.5% Individual 33.2% Construction 4.2% Communications & **Transportation** 3.8% Wholesale & Retail 9.1% Finance, Insurance, Real estate & Goods rental and Government &_ leasing 10.9% **Local Government** 17.7% **Other Services** 8.4%

Hokkaido Bank

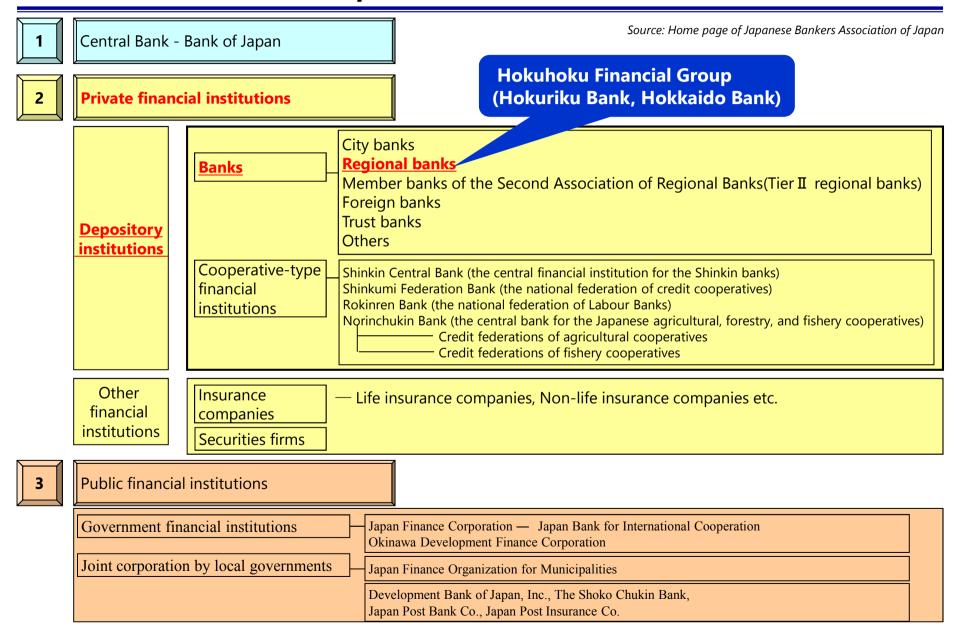


Region: Toyama, Ishikawa, Fukui, Hokkaido

Region: Hokkaido

About Japanese Regional Banks ① Financial Institutions in Japan





About Japanese Regional Banks ② Outline of Regional Banks

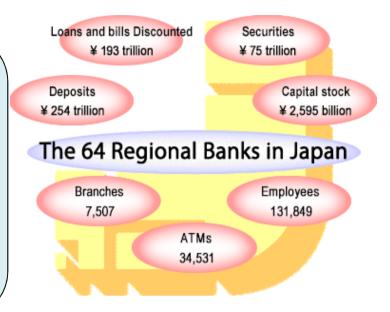


Outline of Regional Banks

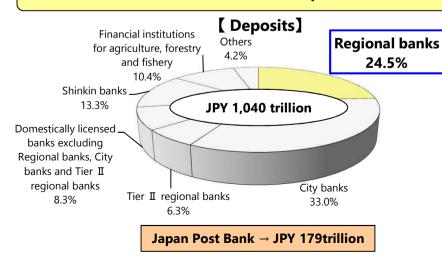
The 64 regional banks in Japan, as leading banks in the regions, serve the diverse financial needs of local clients such as individuals, companies, and local governments, through a dense branch networks and ATMs in the regions.

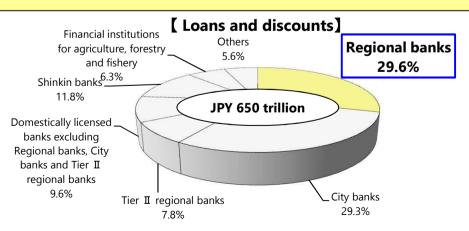
In order to contribute to strengthening industrial competitiveness in the region, the regional banks also support business improvement and business expansion of client companies by demonstrating their consulting function.

Moreover, in order to provide stable financial service even when facing various changes in environment, regional banks work to maintain sound management and reinforce financial bases, strengthening corporate, governance. Regional banks also comply with international banking regulations.



Shares of Deposits and Loans of Private Financial Institutions (Mar-17)





The Present Condition of the Regional Economy *①* Economic Conditions



April-18	Monthly Economic Report (By the Cabinet Office)		nomic Report of Japan)
	All Japan	Hokuriku Area	Hokkaido Area
Economic Trend	Recovering at a moderate pace	Expanding	Recovering moderately
Public Investment	Firm	Increasing	Turned downward
Business Investment	Increasing moderately	Increasing	Increasing moderately
Private consumption	Picking up	Picking up steadily	Recovering as a trend
Housing construction	Weak tone	More or less flat	Declining moderately
Production	Increasing moderately	More or less flat at a high level	More or less flat
Employment & income	Improving steadily	Improving steadily	Recovering
Consumer prices	Rising moderately	Rising	Above the previous year's level
The number of bankrupt companies	Almost flat	Calm movement	Calm movement

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