



Annual Report 2021

Year ended March 31, 2021

Hokuhoku Financial Group, Inc.

Company outline (as of March 31, 2021)

Company name: Hokuhoku Financial Group, Inc.

Date of establishment: September 26, 2003

Location of head office: 1-2-26 Tsutsumicho-dori, Toyama City

Purpose of business: Management and control of subsidiaries and affiliates and ancillary and related business

Capital: ¥70,895 million

Shares issued and outstanding:

| | |
|--------------------------------|-------------|
| Common stock | 132,163,014 |
| Preferred stock (Type 5) | 85,955,000 |

Exchange listings: Tokyo Stock Exchange (First Section)

Sapporo Securities Exchange

This document contains forward-looking statements. Statements of this kind do not constitute guarantees of future performance, as factors such as changes in the operating environment may cause actual performance to differ.

The figures stated in this document are, in principle, rounded down to the nearest whole unit.

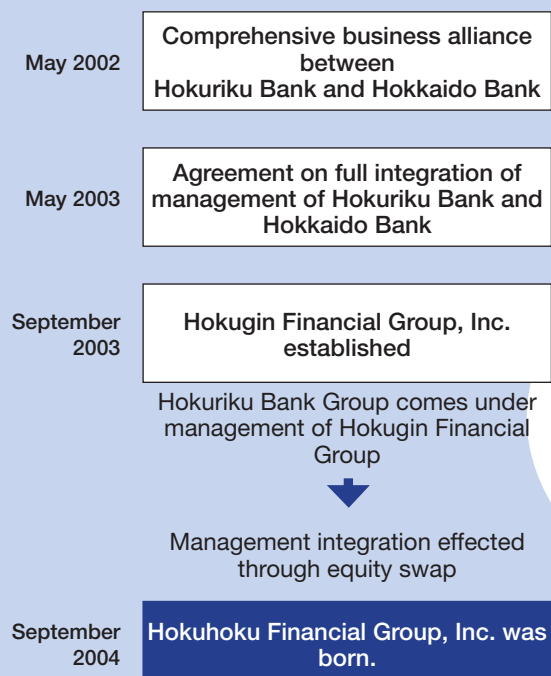
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Profile

Since its establishment in 1877, Hokuriku Bank has developed an extensive network of branches throughout the Hokuriku district. On account of trade through the Kitamae-bune or “Northbound Ships,” branches extended to the major cities of Hokkaido, enabling the bank to meet customers’ needs. The Hokkaido Bank, which was established in 1951, has developed a network of branches throughout Hokkaido, and built a firm business structure centered on individuals and small and medium-sized enterprises.

The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd. underwent management integration in September 2004 to form the Hokuohoku Financial Group Inc., which today operates a super-regional financial network that encompasses the Hokuriku region, Hokkaido, and Japan’s three major metropolitan areas (Tokyo, Osaka, and Nagoya areas).



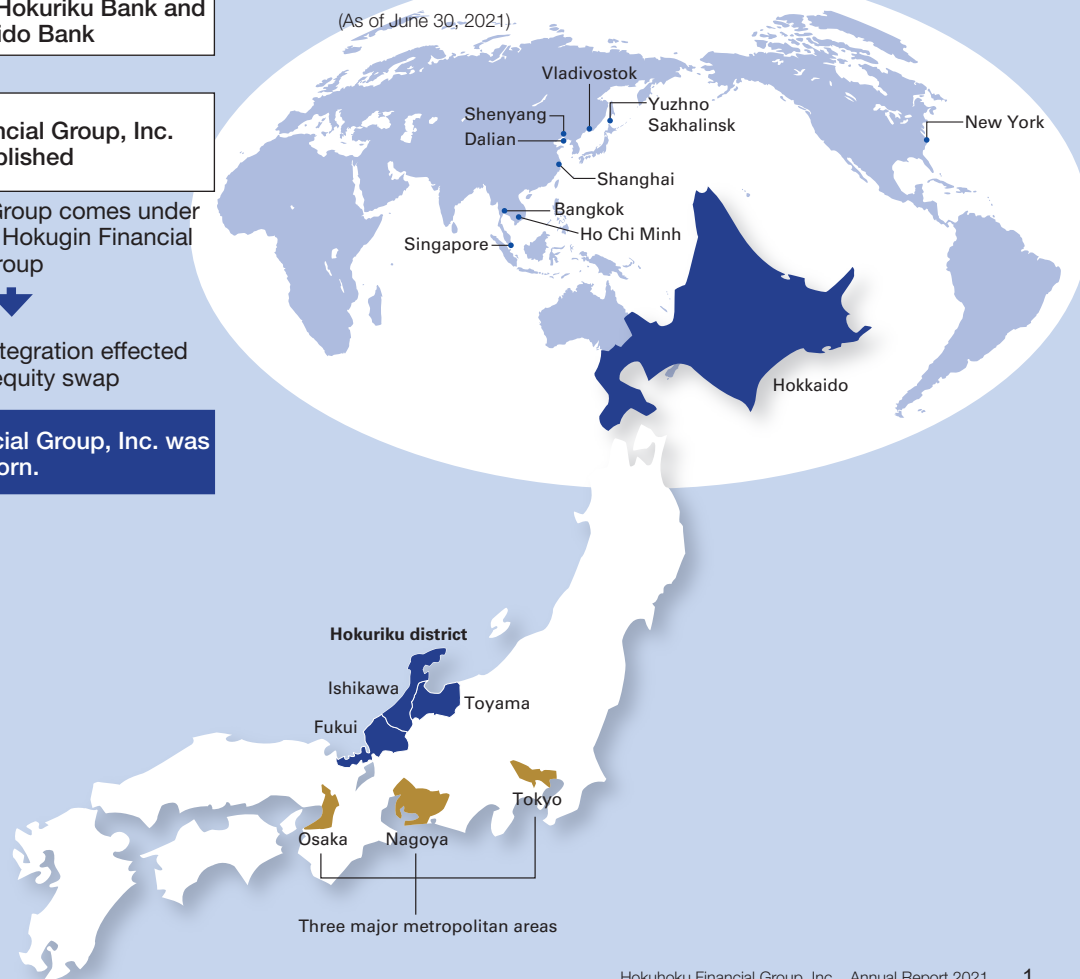
The operations of the Hokuohoku Financial Group extend beyond the limits of a single district.

Our extensive network is outlined below.

| | |
|---|---------------------|
| Hokuriku district | 151 branches |
| Toyama prefecture | 93 branches |
| Ishikawa prefecture | 36 branches |
| Fukui prefecture | 22 branches |
| Hokkaido | 161 branches |
| Three major metropolitan areas | 16 branches |
| Tokyo and Yokohama | 9 branches |
| Nagoya | 3 branches |
| Osaka and Kyoto | 4 branches |
| Others (Sendai, Niigata, Nagano, Takayama) ... | 4 branches |
| Overseas | 8 offices |

New York Representative Office (Hokuriku Bank)
 Yuzhno-Sakhalinsk Representative Office (Hokkaido Bank)
 Vladivostok Representative Office (Hokkaido Bank)
 Singapore Representative Office (Hokuriku Bank)
 Bangkok Representative Office (Hokuriku Bank)
 Dalian Representative Office (Hokuriku Bank)
 Shanghai Representative Office (Hokuriku Bank)
 Shenyang Representative Office (Hokkaido Bank)
 Ho Chi Minh Representative Office (Hokuriku Bank)
 (Scheduled to be established in 2021)

(As of June 30, 2021)



MESSAGE FROM THE MANAGEMENT



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

Right: Yuji Kanema
Deputy President
(concurrently serving as president of
The Hokkaido Bank, Ltd.)

We would like to express our sincere gratitude for your continued patronage of Hokuhoku Financial Group and its subsidiaries.

While the rapid economic slowdown caused by the outbreak of the COVID-19 has been eased, the future outlook of business environment surrounding regional financial institutions is still uncertain due to the re-spread of the viruses and to the negative impact on the local economy, especially in some business sectors such as tourism.

In such an environment, we will continue to make efforts to offer optimal solutions which will meet the various needs of our customers suffering from the COVID-19 and to support the sustainable growth of the local communities by pursuing our basic three policies, "Contribution to community development", "Evolution and change to the future" and "Exercise of the group's comprehensive strength", all of which are held in our medium-term management plan "ALL for the Region".

We would like to ask for your continued support and patronage.

July 2021

A stylized, cursive signature in black ink, likely belonging to Eishin Ihori.

Eishin Ihori
President

A stylized, cursive signature in black ink, likely belonging to Yuji Kanema.

Yuji Kanema
Deputy President

Our Strengths

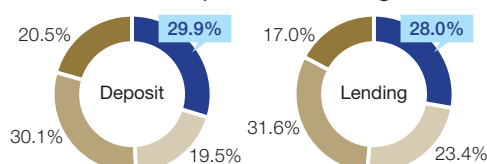
We contribute to the regions with our strengths and strive to grow sustainably.

Our solid customer base built over our long history

- Hokuriku Bank and Hokkaido Bank were established in 1877 and 1951, respectively.
- It has been 16 years since the Group was formed in 2004.
- Our solid customer base in Hokuriku and Hokkaido has been built over our long history.

Market Share in Hokuriku (Toyama, Ishikawa, Fukui)

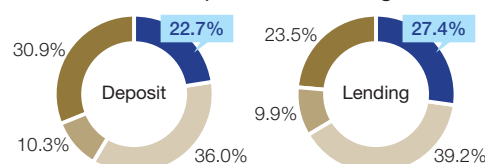
#1 in deposit and lending



■ Hokuhoku Financial Group ■ Regional competitors ■ Other banks ■ Community banks

Market Share in Hokkaido

#2 in deposit and lending

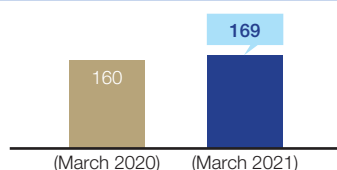


*Market shares are as of September 2020. They were calculated by the Group based on statistical data from Bank of Japan, think tanks and others. They exclude Japan Post Bank.
*The market shares of regional competitors and other banks are our estimates.

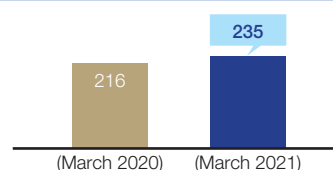
Our competent people

- Our people have diligence and pioneering spirits, each of which represents key characteristics of Hokuriku and Hokkaido, respectively.
- We believe diversity makes us stronger, and we are dedicated to building a diverse workforce.
- Our people have industry-leading expertise in such areas as business succession, agriculture, and cross-border businesses.

Women in management roles



CFP and 1st level FP holders



Extensive branch network across multiple regions

- Our branch network spreads extensively across multiple regions, including Hokuriku, Hokkaido, Tokyo, Osaka and Aichi. We also have global offices in foreign countries.
- Our extensive branch network gives us a unique advantage in the industry in promoting business matching for our customers.
- We are constantly optimizing our branches in terms of number, size, functions and operating hours.

Number of branches (June 2021)

332 branches in Japan

171

branches in Honshu

(Hokuriku, Tokyo, Osaka, Aichi and others)

161

branches in Hokkaido

127

Leads

41

closed deals

8 global offices outside of Japan

1. New York 2. Bangkok 3. Singapore 4. Shanghai 5. Dalian
6. Shenyang 7. Vladivostok 8. Yuzhno-Sakhalinsk 9. Ho Chi Minh City*

*We plan to open a new office in Ho Chi Minh City in 2021.

Strategic partnerships with key players

- We help our clients find technology partners from universities in our operating areas.
- We help our clients expand their businesses in foreign countries.

Number of partnerships with municipalities and universities
(March 2021)

47

Municipalities

22

Universities

Number of partnerships with government-sponsored banks and other
international banks outside of Japan (March 2021)

63

partnerships

CHARACTERISTICS OF OUR MAIN BUSINESS AREA

Population and Square Measure*1

| | Toyama Prefecture a | Ishikawa Prefecture b | Fukui Prefecture c | Total a + b + c | Hokkaido |
|---|------------------------|--------------------------|-----------------------|--------------------|-----------------|
| Population (Ranking) | 1.04Mn (37th) | 1.13Mn (33th) | 0.76Mn (43rd) | 2.95Mn | 5.25Mn (8th) |
| Square Measure (Ranking) km ² | 4,248 (33rd) | 4,186 (35th) | 4,191 (34th) | — | 83,424 (1st) |

Number of businesses*1 (Thousand)

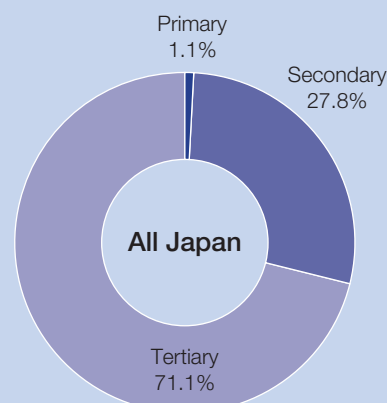
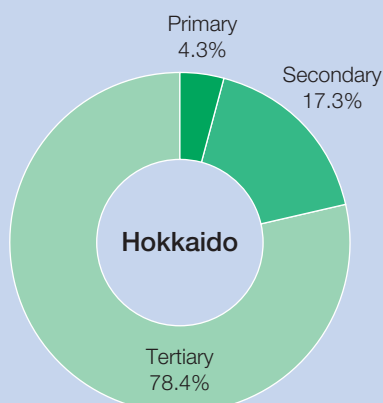
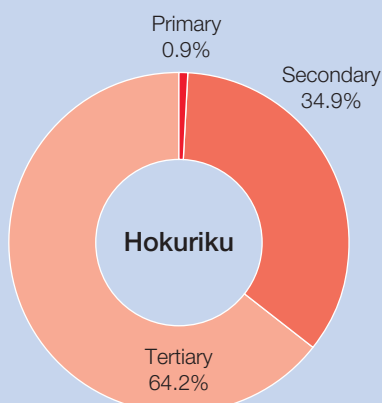
| | Hokkaido |
|----------|----------|
| Hokkaido | 259 |
| Hokuriku | 167 |
| Toyama | 56 |
| Ishikawa | 65 |
| Fukui | 45 |

Gross Prefectural Product*1,2

(JPY Bn)

| | Toyama a | Ishikawa b | Fukui c | Total a + b + c | Hokkaido |
|----------------------------------|------------------------------|------------------------------|------------------------------|---------------------|------------------------------|
| GPP (Proportion) (Ranking) | 4,824.7 (0.85%) (28st) | 4,768.7 (0.84%) (29th) | 3,459.5 (0.61%) (42nd) | 13,052.9 (2.30%) | 19,652.8 (3.47%) (9th) |

Industrial Structure*2

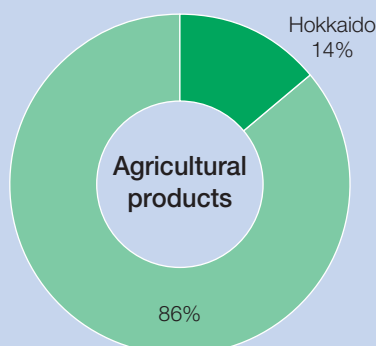
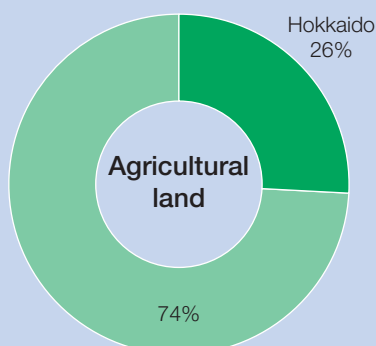


Data source : *1 Ministry of Internal Affairs and Communications,*2 Cabinet Office

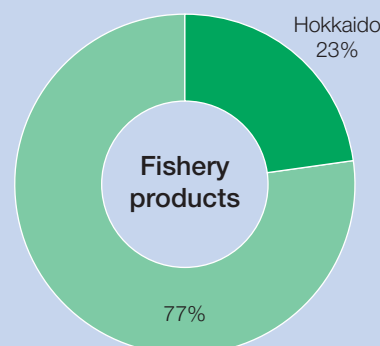
Hokkaido

- With vast expanses of land and ample fishing areas in the ocean surrounded on all sides, Hokkaido has thriving primary industries such as agriculture and fisheries compared to the rest of Japan. As a result, Hokkaido is called the largest food supply base of Japan.
- It is also popular as a tourist destination, and receives many visitors both from Japan and overseas.

Abundant Natural Resources



Wheat / Potato / Onion /
Milk etc.



Atka mackerel / Tangle /
Salmon / Cod / Scallops etc.

Data source : Ministry of Agriculture, Forestry and Fisheries / Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Regional Development Bureau / Department of Agriculture, Hokkaido Government

Increasing Numbers of Tourists Visiting Hokkaido

Data source : Bureau of Tourism, Department of Economic Affairs, Hokkaido Government



Renewable Energy

Hydroelectric power / Geothermal energy / Wind power / Solar power

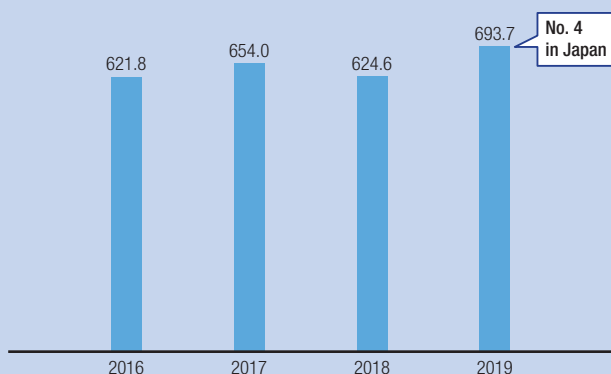


Hokuriku

- The Hokuriku region is bordered by the Sea of Japan to its front, and flanked by steep mountains, such as the Tateyama mountain range, to its back. This creates a topography in which massive amounts of meltwater from snow flow into rivers, and this water is used for hydroelectric power generation, and also plays a role in attracting manufacturing companies to the region. (The Hokuriku region has a higher ratio of secondary industries compared to Japan as a whole.)
- The 3 prefectures of Hokuriku have each developed industries that match their distinctive characteristics.

Toyama Prefecture's Pharmaceutical Product Production

Data source: Ministry of Health, Labour and Welfare, Statistics of Production by Pharmaceutical Industry (¥ billion)



Toyama Prefecture, which forms the medicine capital known as Medicine city Toyama, is home to a diverse range of pharmaceutical companies, from the allocated drug sales industry of the past, to new drug developers, generic drug manufacturers, and over-the-counter drug manufacturers. In addition, peripheral industries, such as plastic container packaging and printing, are well developed in the prefecture. Toyama Prefecture is home to highly-distinctive pharmaceuticals companies, such as a pioneer company in the field of transdermal absorption-type medications, and the first company in the world to develop intraoral film-type medications.

Fukui Prefecture's Eyeglasses Production

Fukui Prefecture (Sabae City in particular) has more than a 100-year history as a manufacturing base for eyeglasses, and boasts the top share in the eyeglasses manufacturing industry (including frames) in Japan. The prefecture is a global hub for frame manufacturing in particular, on par with Italy and China. Leveraging its excellent technological capabilities, the prefecture is working to increase value-added, including enhancing its brand power, with an eye towards capturing demand in the growing Asian market.

Many Global Niche Top Companies in Ishikawa Prefecture

Ishikawa Prefecture has a developed industrial sector, centered on the textile and machinery industries. In 2020, the Ministry of Economy, Trade and Industry's Manufacturing Industries Bureau selected 2 machinery and processing-related companies, and 1 electrical and electronic-related companies from Ishikawa Prefecture to be included in the "Global Niche Top Companies." Companies were selected based on a determination that they were strong in such areas as: [i] Compatibly achieving both global share and profits; [ii] Having unique and independent characteristics; [iii] Addressing approaches to risk of losing out to competitors; and [iv] Maintaining sustainability of their global share.

PERFORMANCE HIGHLIGHTS

Summary of Operations (Hokuhoku Financial Group, Inc.; on a consolidated basis)

| | FY2020 | | FY2019 |
|---|--------|--------------|--------|
| | | Y-o-Y Change | |
| Ordinary income | 175.9 | (6.4) | 182.4 |
| Ordinary profits | 32.2 | 0.5 | 31.6 |
| Net income attributable to owners of the parent | 21.3 | 1.0 | 20.2 |
| Capital adequacy ratio | 9.45% | 0.51% | 8.94% |

With regard to the Company's operating performance in the fiscal year ended March 31, 2021, consolidated ordinary income fell by ¥6.4 billion year-on-year to ¥175.9 billion. Consolidated ordinary profits increased by ¥0.5 billion to ¥32.2 billion.

Net income attributable to owners of the parent increased by ¥1.0 billion to ¥21.3 billion.

The capital adequacy ratio was 9.45% on a consolidated basis at the end of the fiscal year.

With regard to the payment of dividends for the fiscal year ended March 31, 2021, dividends for common stock were ¥35.00 per share, paid once as the year-end dividends, and dividends for preferred stock (Type 5) were the designated ¥7.50 per share (¥15 annually) paid respectively as the interim and year-end dividends.

Summary of Operations (Hokuriku Bank and Hokkaido Bank) <Total of both banks>

| | FY2020 | | FY2019 |
|---|--------|--------------|--------|
| | | Y-o-Y Change | |
| Ordinary income | 157.9 | (5.5) | 163.5 |
| Core gross business profits | 120.7 | (2.4) | 123.2 |
| Expenses (excluding temporarily processed portion) | 82.3 | (3.0) | 85.3 |
| Core net business profits | 38.4 | 0.5 | 37.8 |
| Excluding gains (losses) on cancellation of investment trusts | 37.6 | 3.0 | 34.5 |
| Credit costs | 13.0 | 1.0 | 12.0 |
| Ordinary profits | 32.0 | 0.5 | 31.4 |
| Net income | 22.4 | 1.6 | 20.8 |

Total ordinary income for both banks was ¥157.9 billion, down ¥5.5 billion year-on-year, while net income increased by ¥1.6 billion to ¥22.4 billion.

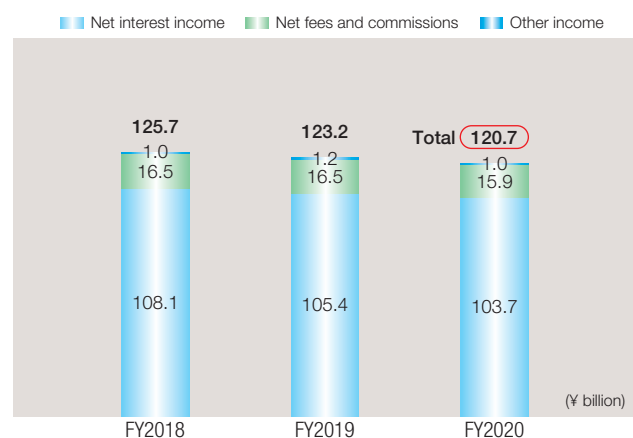
At Hokuriku Bank, ordinary income decreased by ¥2.1 billion to ¥86.4 billion and net income increased by ¥3.0 billion year-on-year to ¥14.2 billion.

At Hokkaido Bank, ordinary income decreased by ¥3.4 billion to ¥71.5 billion and net income decreased by ¥1.3 billion year-on-year to ¥8.1 billion.

| | FY2020 | | FY2019 |
|---|--------|--------------|--------|
| | | Y-o-Y Change | |
| Ordinary income | 86.4 | (2.1) | 88.5 |
| Core gross business profits | 66.7 | (0.1) | 66.8 |
| Expenses (excluding temporarily processed portion) | 43.9 | (1.8) | 45.7 |
| Core net business profits | 22.8 | 1.6 | 21.1 |
| Excluding gains (losses) on cancellation of investment trusts | 21.5 | 1.5 | 19.9 |
| Credit costs | 8.4 | (0.8) | 9.2 |
| Ordinary profits | 20.5 | 2.7 | 17.7 |
| Net income | 14.2 | 3.0 | 11.2 |
| Capital adequacy ratio | 9.14% | 0.55% | 8.59% |

| | FY2020 | | FY2019 |
|---|--------|--------------|--------|
| | | Y-o-Y Change | |
| Ordinary income | 71.5 | (3.4) | 74.9 |
| Core gross business profits | 54.0 | (2.3) | 56.3 |
| Expenses (excluding temporarily processed portion) | 38.4 | (1.1) | 39.6 |
| Core net business profits | 15.6 | (1.1) | 16.7 |
| Excluding gains (losses) on cancellation of investment trusts | 16.1 | 1.4 | 14.6 |
| Credit costs | 4.6 | 1.8 | 2.7 |
| Ordinary profits | 11.5 | (2.1) | 13.7 |
| Net income | 8.1 | (1.3) | 9.5 |
| Capital adequacy ratio | 8.88% | 0.12% | 8.76% |

Core Gross Business Profits <Total of both banks>



■ Net interest income.....¥103.7 billion

Due to a fall in interest and dividends on securities, net interest income declined by ¥1.7 billion year on year.

■ Net fees and commissions.....¥15.9 billion

Due to a fall in commissions on sales of insurance, net fees and commissions declined by ¥0.5 billion year on year.

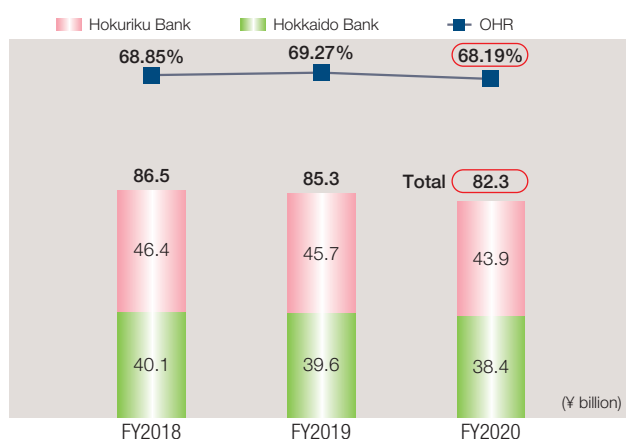
■ Other income.....¥1.0 billion

Due to a fall in gain on foreign exchange transactions, other income declined by ¥0.1 billion year on year.

■ Core gross business profits.....¥120.7 billion

As a result of the above, core gross business profits decreased by ¥2.4 billion year on year.

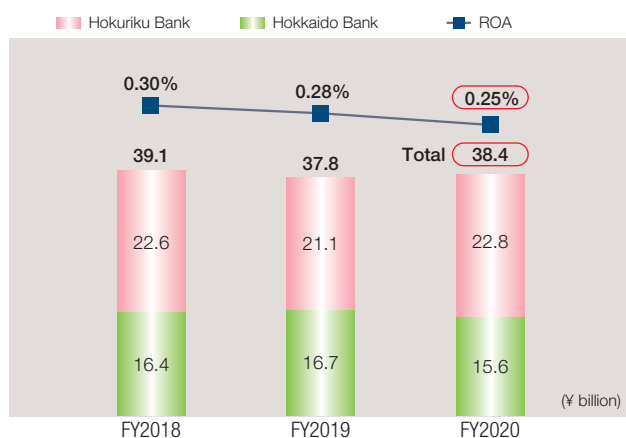
Expenses <Total of both banks>



■ Expenses.....¥82.3 billion

Through efforts to improve operational efficiency, expenses fell by ¥3.0 billion year on year.

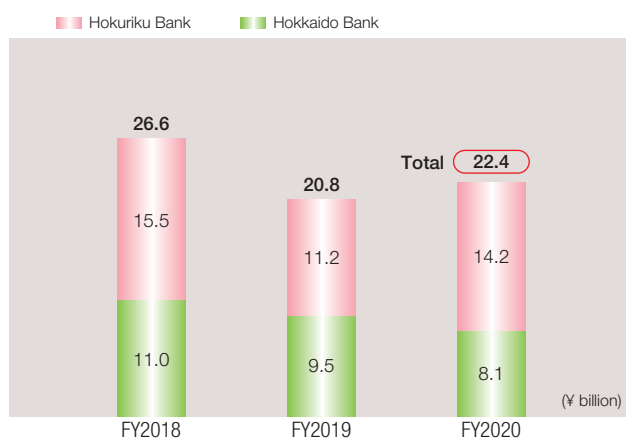
Core Net Business Profits <Total of both banks>



■ Core net business profits.....¥38.4 billion

Due to a fall in expenses, core net business profits increased by ¥0.5 billion year on year.

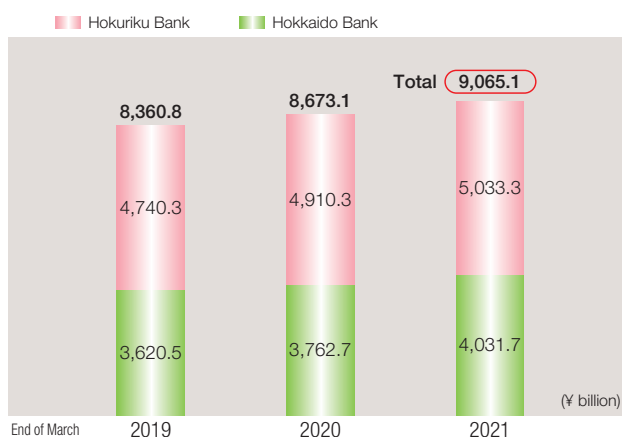
Net Income <Total of both banks>



■ Net Income.....¥22.4 billion

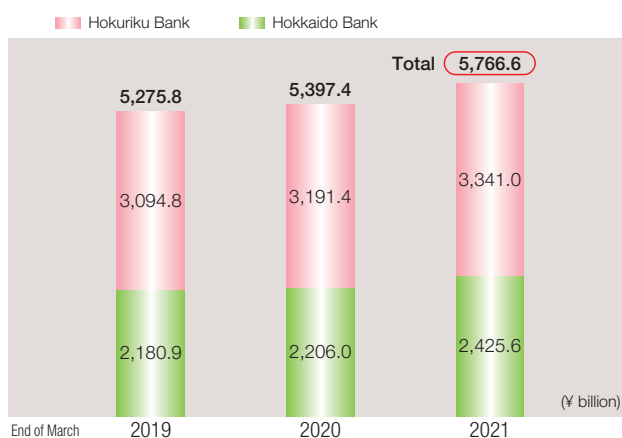
Although credit costs increased, net income increased by ¥1.6 billion year on year due to an increase in core net business profits.

Loans and Bills Discounted <Total of both banks>



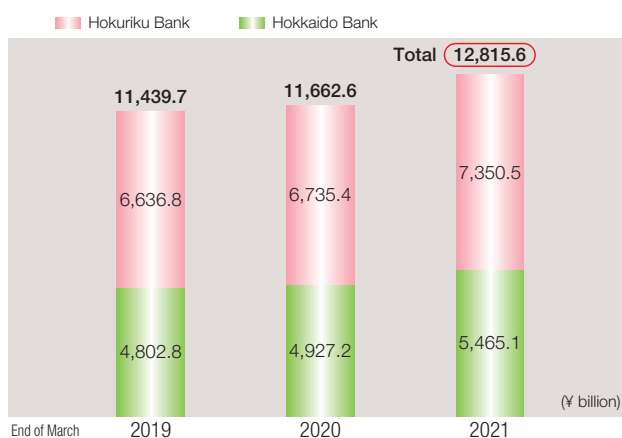
- Loans and bills discounted.....¥9,065.1 billion
Due to the increase in loans to enterprises, individuals and publics, there was an increase of ¥392.0 billion compared with the end of the previous fiscal year.

Loans to Small- and Medium-sized Enterprises (SMEs) <Total of both banks>



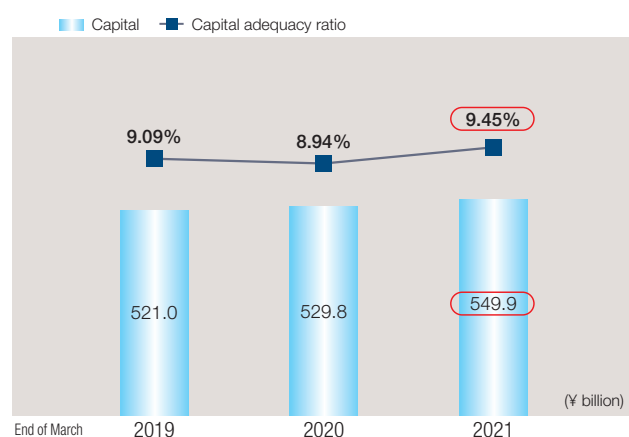
- Loans to SMEs.....¥5,766.6 billion
As a result of efforts to support financing for customers affected by COVID-19, loans to SMEs increased by ¥369.2 billion compared with the end of the previous fiscal year.

Deposits (Including negotiable certificates of deposit) <Total of both banks>



- Deposits (including negotiable certificates of deposit).....¥12,815.6 billion
Due to increases in individual deposits and corporate deposits, deposits increased by ¥1,152.9 billion compared with the end of the previous fiscal year.

Capital Adequacy Ratio <On a consolidated basis>



Capital adequacy ratio.....9.45%

Although 10% of the ¥53.7 billion in preferred stock (Type 5) was the subject of a partial redemption on October 1, 2020, capital adequacy on a consolidated basis stayed securely in the 9% level at 9.45%, 0.51 points upper than the end of the previous fiscal year, owing to the accumulation of retained earnings.

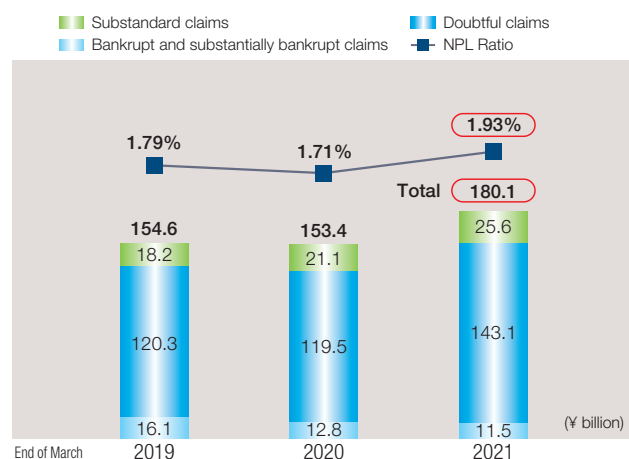
Disclosed Claims under the Financial Reconstruction Law <Total of both banks>

Disclosed claims under the Financial Reconstruction Law.....¥180.1 billion

Disclosed claims under the Financial Reconstruction Law rose by ¥26.7 billion compared with the end of the previous fiscal year.

NPL ratio.....1.93%

The NPL ratio rose by 0.22 percentage points compared with the end of the previous fiscal year.



● Disclosed Claims under the Financial Reconstruction Law: The bank classifies both loans and other assets in line with the stipulations of the Financial Reconstruction Law.

● Claims subject to disclosure: loans, customers' liabilities for acceptance and guarantees, foreign exchanges, accrued interest, suspense payments, securities loaned, private bonds with the Bank's own guarantees (regarding claims on obligors requiring caution, loans and private bonds with the Bank's own guarantees only).

Substandard claims This category is defined as claims on borrowers requiring caution under asset self-assessment. This category comprises past due loans (three months or more) and restructured loans under the Banking Law.

Doubtful claims This category is defined as claims on potentially bankrupt borrowers under asset self-assessment. The execution of contracts on repayment of the principal and payments of interest is highly doubtful.

Bankrupt and substantially bankrupt claims This category is defined as the sum of claims on bankrupt borrowers and effectively bankrupt borrowers.

● NPL ratio: Indicates NPLs (under the Financial Reconstruction Law) as a percentage of total credit. The lower the ratio, the sounder the credit portfolio.

Ratings

Rating and Investment
Information, Inc.

R&I



"Ratings" are determined by ratings agencies, third-party institutions with no vested interest in the companies they rate, and indicate a company's creditworthiness and ability to fulfill obligations in concise signs.

Hokuhoku Financial Group Inc., Hokuriku Bank and Hokkaido Bank have obtained "A" ratings from Rating and Investment Information, Inc. (R&I), and are considered as being highly creditworthy. Hokuriku Bank also has obtained "A-" rating from Standard & Poor's Ratings Japan K. K.

Contributing to the sustainable growth of Hokuriku and Hokkaido regions

The Hokuuoku Financial Group aims to contribute to the sustainable growth of Hokuriku and Hokkaido regions by providing solutions to the local economies facing a lot of challenges and by creating new added values in the regions.

Eishin Ihori, President

(President of the Hokuriku Bank, Ltd.)



Our strengths

First of all, I would like to explain our strengths and the potential of our prime areas, Hokuriku and Hokkaido. Our strengths are the strong customer base built over our history, the network of branches operating in wider areas than other regional banks, our people with diligence and pioneering spirits, each of which represents a value in Hokuriku and Hokkaido respectively, and the partnerships with many municipalities and universities aiming to solve issues in local economies.

Next, I would like to refer to the characteristics of Hokuriku and Hokkaido regions, which are the business

foundation of the Group. Hokuriku region is located in the center of three major metropolitan areas. It has a high-quality educational environment and forms the best industrial area facing the Sea of Japan. It also has abundant water resources with good quality. Hokkaido region has strong branding strategy. It is the largest food production area in Japan and is one of the leading suppliers of new types of energy. It has the world's leading tourism resources as well. Such characteristics are priceless strengths for the regions, which should be protected and succeeded in the future.

Looking back on 2020 -Issues in Hokuriku and Hokkaido-

Looking back on 2020, I would like to talk about the business environment and issues surrounding the Group. In 2020, the spread of Covid-19 had negative impact on our business activities. Despite the steady progress of vaccination, the spread of new mutant viruses has prevented convergence of the infection and the Japanese economy has been stagnant. In addition, the

local economies have been facing difficult issues such as the decline of working population due to the low birthrate combined with aging and as abnormal weather caused by climate change. Hokuriku and Hokkaido, our prime areas, have been subject to government emergency declaration and various economic activities have been constrained. Due to the outflow of the

younger population to metropolitan areas, the manufacturing sector in Hokuriku and the primary sector in Hokkaido have been facing difficulties in retaining and developing human resources that will succeed their

businesses in the future. Furthermore, natural disasters and climate change pose a constant threat to these sectors, which could have negative impact on the local economies.

Toward 2030-Pursuit of Management Philosophy-

Every time we start senior management meetings, we recite our Management Philosophy, “Prospering Together with the Region”, “Fair & Steady Management” and “Progressive & Innovative Services”. Our Management Philosophy are the guiding principles in the Group. Based on these principles, we aim to contribute to customers and local communities by providing No.1 financial services and solutions and to achieve growth and development together with them. To move forward to that aim, we have established our corporate vision for

2030 that we strive to contribute to the sustainable growth of Hokuriku and Hokkaido regions in the future. In order to achieve this, we have been practicing the medium-term management plan “ALL for the Region” as well as providing “ESG financial services” in the region, by which we help the industries solve their ESG issues and achieve their sustainable growth. I believe that we can achieve our corporate vision for 2030 and our Management Philosophy.



Strive to realize sustainable growth of Hokuriku and Hokkaido regions

I would like to explain our strategies and initiatives to achieve our corporate vision 2030, in which we aim to contribute to the sustainable growth of Hokuriku and Hokkaido regions in the future.



Medium-term management plan “ALL for the Region”

The Group has been practicing the medium-term management plan “ALL for the Region” from FY2019 to FY2021. In the plan, we aim to contribute to customers and local communities by providing No.1 financial services and solutions, and to achieve growth and development together with them. In order to achieve this, all executive officers and employees of the Group are making efforts to provide our customers with “Face to Face and attractive financial services” and with “Digital financial services”.

For corporate customers, we focused on financial support for customers who were affected by Covid-19. In February 2020, when Covid-19 began to spread in Japan, we launched help desks at all branches offering loan and started to support our customers' working capital needed to ease the impact of Covid-19. In addition, in order to support our customers' businesses, we promoted business-matching that introduces new buyers or suppliers to them and provided consulting services to find optimal solutions to their business issues. While we experienced difficulties in business meetings with our customers due to the spread of Covid-19, we utilized tools such as web meeting to understand the various needs of our customers.

For individual customers, as the need for non-face-to-face transactions increased after the spread of Covid-19, the number of online transactions increased significantly. We established a structure to meet a wide range of our customers' needs according to their life stage. For instance, we expanded the lineup of investment trusts that can be purchased online, strengthened cooperation between banks and the securities subsidiary for wealth

management consulting, and expanded inheritance-related consulting services. In addition, we worked further to improve customer satisfaction in retail loans, renewing mortgage products, starting corporate credit life insurance with cancer insurance for private car loans, and introducing electronic contracts.

We also worked to improve our cost structure. We reduced expenses by making branch operation more efficient, by digitalizing some operations of branches and by consolidating them back into headquarters. As for Covid-19, we thoroughly implemented measures to prevent the spread of infection and to continue our business smoothly, including encouraging remote work and reviewing business hours. We also actively engaged in health and productivity management with the aim of improving the vitality and productivity of employees. In FY 2020, both Hokuriku Bank and Hokkaido Bank were certified as one of the White 500 enterprises for the fourth consecutive year.

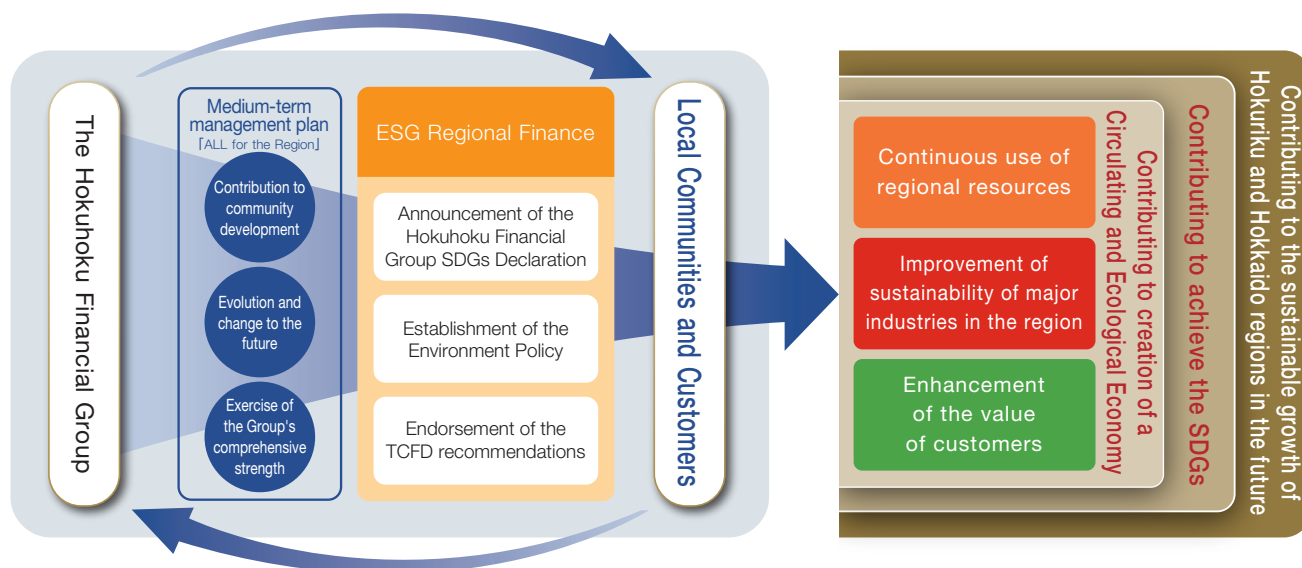
As for the Group governance system, the Corporate Governance Committee and the Board of Directors actively incorporated the objective opinions of outside directors to enhance discussion on medium and long-term strategies. In addition, we strived to disclose information in a highly transparent manner under our disclosure policy. As part of this effort, the Group issued the Integrated Report 2020 for the first time last year. In order to improve shareholder value, we aim to maintain a stable dividend with a total return ratio of more than 50%, including redemption of preferred shares, taking our capital adequacy ratio into account. We are also working to keep our capital enough to supply funds to our customers in the local economies.

Practice of ESG Regional Finance

In recent years, various environmental and social issues such as climate change and human rights violations in supply chains have arisen on a global scale, and the role expected to financial institutions, which play an important role in global business, is becoming extremely large. In February 2021, the Group established the Environment Policy and endorsed the TCFD recommendations. In addition, in order to reduce our own emissions, we set a target of 46% to reduce CO2 emissions by FY2030. At the same time, we established an “Investment and Loan Policy for Specified Businesses”, clearly stating that we will promote sustainability through finance as a regional financial institution. In addition, both Hokuriku Bank and Hokkaido Bank were chosen as partner of the “ESG Regional Finance Promotion Program” conducted by the Ministry of the Environment, and researched and analyzed physical and transition risks related to climate change. In FY2020, we recognized the importance of addressing climate-related issues through this program. In particular, through interviews with business partners, it became clear that most companies recognized the importance to solve the issues, but they did not know

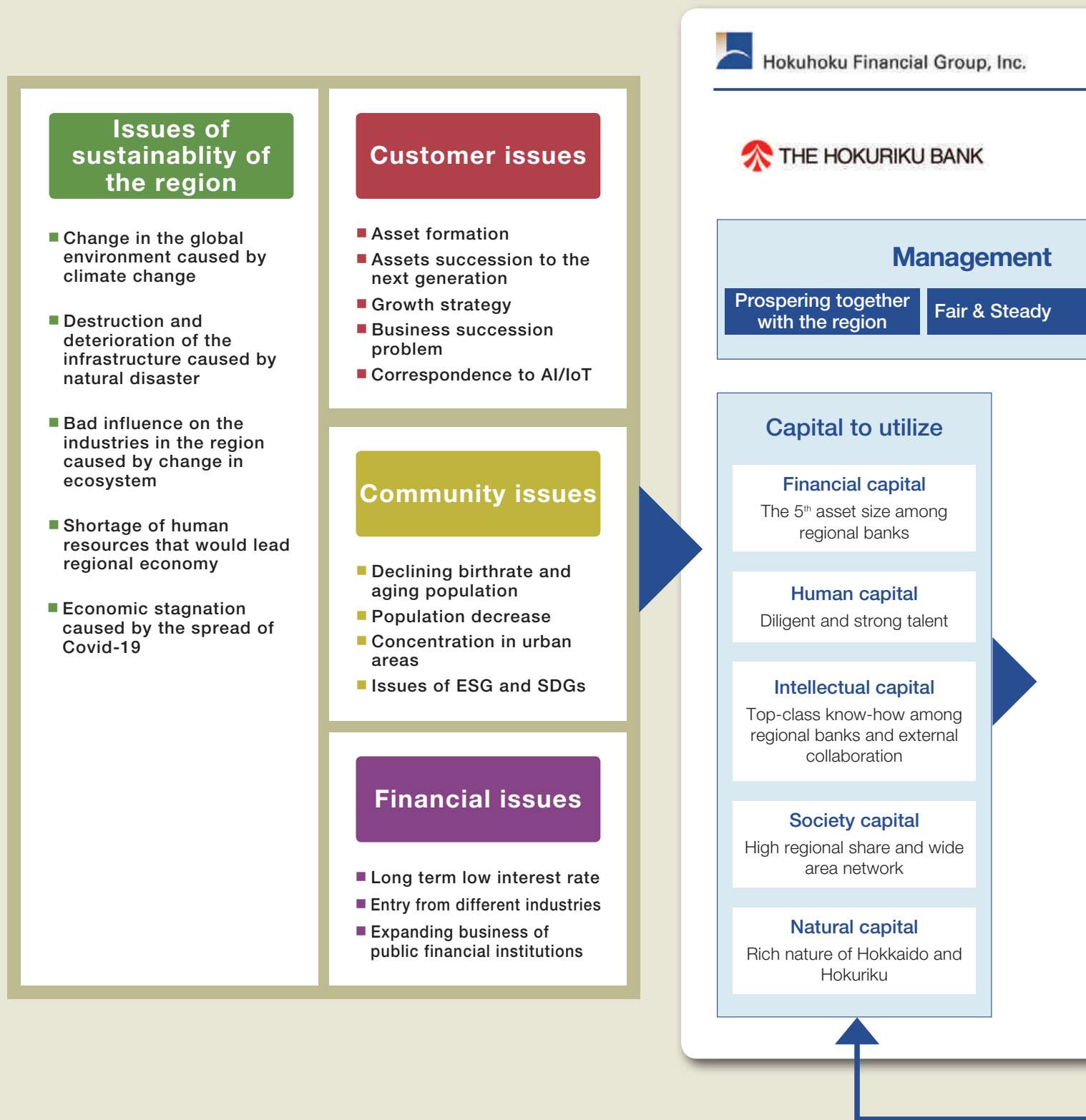
how to tackle them. In order to solve the problems of climate change for our business partners, we need to first be aware of the current issues. Secondly, we need to provide solutions and financial support based on business evaluation incorporating the external environment. With regard to such solutions, we believe that it is important to work together with companies, local governments, and other banks with technical capabilities and know-how, rather than to try to provide solutions by the Group alone. Currently, we are working to build a system that supports the resolution of climate change issues faced by local companies. Through these initiatives, we would like to realize our vision by building and materializing our optimal “ESG Regional Finance”.

I believe that if we steadily implement these strategies I explained, we will surely be able to open up a bright future for Hokuriku and Hokkaido together with local communities and customers. I myself will take the lead in making every effort with all executive officers and employees of the Group. We look forward to your continued support and patronage.



PROCESS FOR VALUE CREATION

Create common values by providing service that respond to customer and



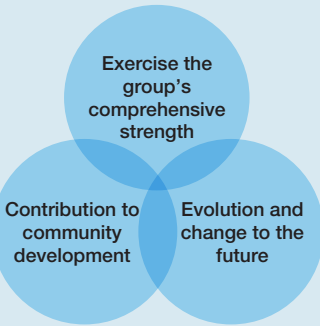
community issues



philosophy

Management Progressive & Innovative Services

Medium-term Management Plan



Practice of ESG Regional Finance

- Hokuhoku Financial Group SDGs Declaration
- The Environment Policy
- Endorsement of the TCFD recommendations

Value provided to each stakeholder

Shareholder

- Enrichment of shareholder returns
- Creating shareholder value over the medium to long term
- High transparency information disclosure

Community

- Regional activation
- Promote responsible investment and loan
- Improvement of financial literacy
- Reduction of environmental burden
- Realization of recycling-based society

Customer

- Activate financial assets
- Successful business and asset succession
- Business growth support
- Regional core industry support
- Provision of highly convenient and fulfilling services

Employee

- Fulfilling workplace
- Promotion of diversity
- Promotion of work-life balance

Return to community/Sharing issues through dialogue with stakeholders

Solving customer and community issues

HOKUHOKU FINANCIAL GROUP SDGs DECLARATION AND KEY CSR ACTIVITY THEMES

The Hokuohoku Financial Group discusses the issues and initiatives regarding CSR including SDGs/ESG at the Management Committee and the Board of Directors regularly.

| Management philosophy | Key themes | |
|-------------------------------------|---|---|
| Prospering Together with the Region | Realization of sustainable community |  |
| | Contribute to responsible investment and financing as a regional financial institution by promoting constructive dialogue based on issues including SDGs and ESG, stable job creation by actively supporting startup companies and growth companies in the region, and the realization of sustainable local communities by promoting collaboration with local governments and customers |  |
| | Strive to reduce environmental burden, including promoting the use of renewable energy and reducing greenhouse gas emissions |   |
| | Improving financial literacy in the region |  |
| | Work to improve the financial literacy of customers and children through financial and economic education and financial consulting, and support asset formation and smooth business and asset succession for the future |  |
| Fair & Steady Management | Building a sound and resilient management foundation |  |
| | Enhance transparency by promoting dialogue with stakeholders, build a stronger management base by enhancing governance, thoroughly managing various risks, and further strengthening compliance |  |
| Progressive & Innovative Services | Improving convenience for all customers |  |
| | Strive to further improve convenience by providing advanced financial products and services that all customers can easily access and use with peace of mind |   |
| | Ensuring good work environment leading to better productivity |  |
| | Work to create rewarding and fulfilling workplaces by promoting the active participation of diverse personnel, promoting work style reform including a balance between work and childcare/nursing care, and developing personnel who will lead the Group in the future |   |

Hokuhoku Financial Group SDGs Declaration

Based on our management philosophy of “Prospering Together with the Region”, “Fair & Steady Management”, and “Progressive & Innovative Services”, Hokuhoku Financial Group aims to improve the sustainability of the regional economy and regional communities by proactively engaging in CSR initiatives based on the SDGs advocated by the United Nations.



| Programs: | Targets in FY2021 | Our performance in FY2020 | | | | | | | | |
|---|--|--|--------|-------------|---|-------------|---|--------|---|-------|
| <p>We commit to improve the sustainability of the regional economy and regional communities.</p> <ul style="list-style-type: none">■ Corporate loans designed to promote ESG/SDGs (ESG/SDGs corporate loans)■ Sophisticated consulting services■ Conferences for entrepreneurs and corporate leaders■ Corporate loans designed to support companies with middle-risk profiles■ Business matching through our extensive network■ Partnerships with key players in the regions■ Adoption of environmentally-friendly products or services that use less energy | <p>ESG/SDGs corporate loans: 500 loans (FY2021)</p> <p>Corporate borrowers that received our business assessments: 9,800 borrowers (cumulative from FY2019)</p> <p>Contracts of corporate solution services: 2,400 contracts (FY2021)</p> | <table><tr><th>Target</th><th>Performance</th></tr><tr><td>ESG/SDGs corporate loans: 500 loans</td><td>383</td></tr><tr><td>Corporate borrowers that received our business assessments: 9,800 borrowers</td><td>8,848</td></tr><tr><td>Contracts of corporate solution services: 2,400 contracts</td><td>4,406</td></tr></table> | Target | Performance | ESG/SDGs corporate loans: 500 loans | 383 | Corporate borrowers that received our business assessments: 9,800 borrowers | 8,848 | Contracts of corporate solution services: 2,400 contracts | 4,406 |
| Target | Performance | | | | | | | | | |
| ESG/SDGs corporate loans: 500 loans | 383 | | | | | | | | | |
| Corporate borrowers that received our business assessments: 9,800 borrowers | 8,848 | | | | | | | | | |
| Contracts of corporate solution services: 2,400 contracts | 4,406 | | | | | | | | | |
| <p>We enhance financial literacy in the regions.</p> <ul style="list-style-type: none">■ Education programs about economy and finance for students■ Engagement with investment beginners with auto-investment of mutual funds, NISA and iDeCo■ Intensive training programs for financial advisors■ Seminars for corporate executives | <p>Participants in financial literacy seminars: 8,000 people (FY2021)</p> <p>Contracts of retail trust banking services: 450 contracts (FY2021)</p> | <table><tr><th>Target</th><th>Performance</th></tr><tr><td>Participants in financial literacy seminars: 8,000 people</td><td>4,605</td></tr><tr><td>Contracts of retail trust banking services: 450 contracts</td><td>548</td></tr></table> | Target | Performance | Participants in financial literacy seminars: 8,000 people | 4,605 | Contracts of retail trust banking services: 450 contracts | 548 | | |
| Target | Performance | | | | | | | | | |
| Participants in financial literacy seminars: 8,000 people | 4,605 | | | | | | | | | |
| Contracts of retail trust banking services: 450 contracts | 548 | | | | | | | | | |
| <p>We build and maintain strong governance.</p> <ul style="list-style-type: none">■ Governance through Audit and Supervisory Committee and Corporate Governance Committee■ Continuous updates and implementation of compliance programs■ Transparent disclosure by annual reports | <p>Ratio of independent board members out of all board members: ≥ 1/3 (after a general meeting of shareholders in June 2022)</p> | <table><tr><th>Ratio</th><th>Count</th></tr><tr><td>27.2%</td><td>3 out of 11</td></tr></table> | Ratio | Count | 27.2% | 3 out of 11 | | | | |
| Ratio | Count | | | | | | | | | |
| 27.2% | 3 out of 11 | | | | | | | | | |
| <p>We innovate customer experiences.</p> <ul style="list-style-type: none">■ Hokuhoku Pay (smartphone payment)■ Expansion of online product offerings■ UX/UI improvement in our smartphone apps■ Branch functions optimized for customer needs | <p>App users: 375,000 users (cumulative from FY2019)</p> <p>Web account holders: 75,000 holders (cumulative from FY2019)</p> | <table><tr><th>Target</th><th>Performance</th></tr><tr><td>App users: 375,000 users</td><td>299,866</td></tr><tr><td>Web account holders: 75,000 holders</td><td>37,234</td></tr></table> | Target | Performance | App users: 375,000 users | 299,866 | Web account holders: 75,000 holders | 37,234 | | |
| Target | Performance | | | | | | | | | |
| App users: 375,000 users | 299,866 | | | | | | | | | |
| Web account holders: 75,000 holders | 37,234 | | | | | | | | | |
| <p>We seek to make our work place better to increase our productivity.</p> <ul style="list-style-type: none">■ Training programs to encourage our staff to earn professional certificates■ Training programs designed by position and career type■ Supports for women to take managerial positions■ Installment and promotion of health benefits and child-bearing benefits | <p>Use ratio of child-bearing holidays by men: 100.0% (FY2021)</p> <p>Women in management roles: 150 women (FY2021)</p> | <table><tr><th>Target</th><th>Performance</th></tr><tr><td>Use ratio of child-bearing holidays by men: 100.0%</td><td>91.8%</td></tr><tr><td>Women in management roles: 150 women</td><td>169</td></tr></table> | Target | Performance | Use ratio of child-bearing holidays by men: 100.0% | 91.8% | Women in management roles: 150 women | 169 | | |
| Target | Performance | | | | | | | | | |
| Use ratio of child-bearing holidays by men: 100.0% | 91.8% | | | | | | | | | |
| Women in management roles: 150 women | 169 | | | | | | | | | |

We support the recommendations of TCFD

In April 2019, we publicly announced “Hokuhoku Financial Group SDGs Declaration” followed by the establishment of “Hokuhoku FG Environment Policy” as well as our expression of support for the recommendations of the Task Force Climate-related Financial Disclosure (TCFD) in February 2021. As one of the leading companies in Hokuriku and Hokkaido, we aspire to lead regional communities in transition to a carbon-free society, especially taking initiatives to address issues related to climate change.

Governance

We discuss our issues and initiatives regarding SDGs/ESG at the Management Committee and the Board of Directors regularly as well as periodically. With our primary focus on addressing issues related to climate change, we are considering to incorporate our in-depth analysis of risks and opportunities related to climate change in our reports at those meetings.

Strategy

As stated in our “CSR Initiatives” announced with the SDGs declaration, we place our primary focus on addressing issues related to climate change. We are deepening our analysis of risks and opportunities related to climate change. For your reference, our carbon-related business loan assets account for 1.31%* of the total business loan assets.

*Carbon-related business loan assets refer to the remaining balance of business loans to the energy and utility sector, excluding the following businesses: water and sewerage, renewable energy and power generation. The loan balance is a sum of Hokuriku Bank and Hokkaido Bank.

Transition risks

- Our credit costs may increase due to new regulations or technology innovations that affect our portfolio companies.

Physical risks

- Our credit costs may increase due to natural disasters, including typhoons, torrential rain and flooding, that could drop the values of our collateral.

Opportunities

- Demands for business loans may grow if companies increase investments to reduce carbon emissions.
- Demands for new types of products or services to address climate change may increase.
- Our operational costs may decrease if we adopt new materials or innovative technologies.

Risk Management

We recognize that transition risks and physical risks related to climate change may affect our operation, strategy and financial performance. We are considering to implement in-depth analysis of these risks to take appropriate measures and mitigate their potential negative impacts on the Group.



Investment and Loan Policy for Specified Businesses

We strive to support businesses that could make a positive impact on the environment or communities while we maintain our credit policy regarding some types of businesses that could harm them.

1. Fossil fuel power generation

In principle, we do not finance investments for new fossil fuel power plants. If we consider such finance in some exceptional cases, we carefully assess its environmental impact based on various factors such as energy efficiency in respect of international guidelines.

2. Arms Manufacturing

We will not finance any type of business involved with arms manufacturing, including nuclear weapons, chemical weapons, biological weapons, landmines and cluster bombs.

3. Oil Palm Plantation Development

When we consider financing businesses involved with oil palm plantation development, we carefully assess their environmental and societal impact based on various factors such as internationally-recognized certificates given to the manufacturing process that takes care of the environment and biological diversity.

4. Deforestation

When we consider financing businesses involved with deforestation, we carefully assess their impact on the environment and society based on various factors such as internationally-recognized certificates, their considerations for the environment and local communities.

5. Human Rights Violations and Forced Labor

We will not finance any type of business involved with activities that violate human rights such as human trafficking, child labor and forced labor.

Targets and Metrics

We aim to improve the sustainability of the regional economy and communities through our product and service offerings as well as our own efficient use of resources, energies and recycling to address climate change.

Targets

1. ESG/SDGs Corporate Loans: 500 loans (FY2021)
2. CO₂ Emission Reduction Rate of Hokuriku Bank and Hokkaido Bank: 46% in FY2030 vs in FY2013

Metrics and Our performance

1. ESG/SDGs/CSR Private Offering Bonds, Environment Assessment Loans: 383 loans (FY2020)
2. CO₂ Emission Reduction Rate* (Scope1, Scope2) of Hokuriku Bank and Hokkaido Bank: 33% (FY2020 vs FY2013)

Heading for a new stage

I assumed the role of Vice President of Hokuhoku Financial Group and President of Hokkaido Bank in June this year. I believe that my mission is to “realize the evolution of the Group to a new stage” and to “provide new value to our stakeholders”. I will explain our initiatives in “adaptation to the new normal”, “enhancement of group synergies”, “digitalization”, and “human resource management”, which I believe are particularly important in order to realize that evolution.

Yuji Kanema, Deputy President

(President, The Hokkaido Bank, Ltd.)



Adaptation to the new normal

The impact of the spread of Covid-19 changed our behavior and values. This had a major impact on the way we work and interact with people, and we were also required to make significant changes in our operations relying on face-to-face business practice. In FY2020, we strengthened our efforts to adapt to the new normal, working together with government-affiliated financial institutions to help client companies improve management and enhancing non-face-to-face services utilizing digital or online

tools. Under the medium-term management plan “ALL for the Region”, all executive officers and employees of the Group are making efforts to provide our customers with “Face to Face and attractive financial services” and with “Digital financial services”, I believe that such efforts are the best solutions to respond to the new normal, and we will continue such endeavors.

Group Synergies

Under the medium-term management plan “ALL for the Region”, the Group focused on strengthening group collaboration more than ever as a priority. In June 2019, the Headquarters launched a new initiative in which our staff at the Corporate Planning Groups of both Hokuiku Bank and Hokkaido Bank got together and worked at the same office in the same location. In addition, we assigned our staff to promote marketing collaboration between the two banks. Various progress have been made in this two years. In order to further speed up our progress, we restructured our organization and established Corporate Planning Department, Business Planning

Department, Risk Management Department, and Audit Department at the Hokuhoku Financial Group in June 2021. Under the name “Hokuhoku Collaboration”, we are promoting solutions such as cofinancing and business matching that utilize the wide-area network of both banks. We will continue to provide new added values to our customers by strengthening our unique collaboration. We are also accelerating collaboration with subsidiary companies such as the securities company, the credit card company, and the leasing company. We will continue to strengthen our capabilities as the group that offers comprehensive financial services.

Digitalization

Operating in wide areas throughout Japan, the Hokuhoku Financial Group developed IT infrastructure for business operations earlier than other financial institutions, such as PCs integrated with web conference system and online work flows in which documents for approval are accepted without any seal. For our customers, we provided a variety of online services such as smartphone apps and online banking. In FY2020, we improved customer experience as well as our operational efficiency by introducing the electronic communication channel that enables us to exchange information and documents with companies and the property management system that manages the

delivery of property between our customer and our sales staff on the tablet PCs. As the MEJAR project, a system operated by five partnering banks, we have begun to develop a next-generation customer relations management system and loan approval system, which are scheduled to start to operate in 2024, aiming to centrally manage the data of each system that is now separate and to improve the quantity and quality of our business proposals for customers. We will continue to promote digitalization that balances face-to-face financial services and digital financial services.

Human Resource Management

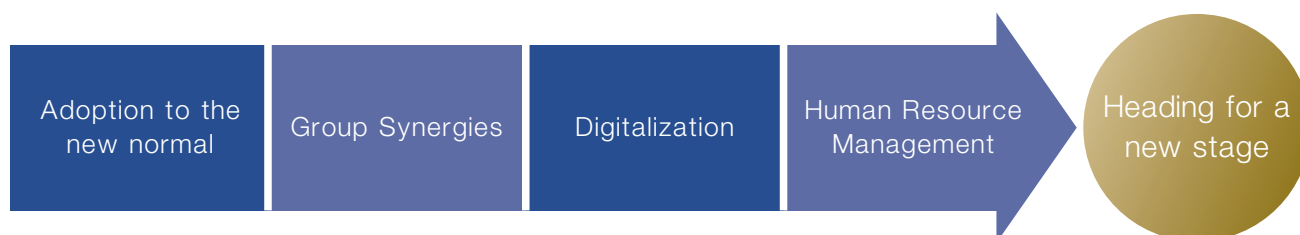
In order to advance these initiatives, it is essential to optimize human resource management in a way that all employees, including young people and women, can work with satisfaction. The Group has worked to promote health and diversity in the working environment, to change work style, and to review our

personnel system to ensure that diverse talents can work flexibly. We will continue to make improvements and aim to be a highly sustainable organization by utilizing digital tools and changing our ways of thinking.

Heading for a new stage



This fiscal year is the final year of the current medium-term management plan “ALL for the Region”. I would like to make it a year to lay the groundwork for a new stage. In the new stage, we will provide new value to all stakeholders, including customers and local communities through the No.1 financial services in the region under our management philosophy of “Prospering Together with the Region”, “Fair & Steady Management”, and “Progressive & Innovative Services”. I will lead this effort as Deputy President of Hokuhoku Financial Group and President of Hokkaido Bank.



MEDIUM-TERM MANAGEMENT PLAN

The Medium-Term Management plan “ALL for the Region” positions the three years from FY2019 to FY2021 as a “Period during which all employees of the Group evolve in terms of both ‘services that empathize with Face to Face customers’ and ‘digital financial services pursuing convenience’ and in which we will continue to contribute to the local community.” All of the Group’s executives and employees will work as one to become a comprehensive financial services group that contributes to customers and local communities by providing No. 1 financial services and solutions, creates shared value, and achieves growth and development together with them.

Outline of the Plan

| | | | |
|----------------|--|--|--|
| Title | ALL for the Region | | |
| Positioning | Period during which all employees of the Group evolve in terms of “services closely attracting customers at Face to Face” and “digital financial services pursuing convenience” and will continue to contribute to the local community | | |
| Basic policies | <p>The diagram illustrates three basic policies as blue boxes on the left, each with a corresponding bullet point in a grey box in the middle, and a large yellow box on the right labeled 'Creating common values'. Arrows point from each policy box to the 'Creating common values' box.</p> <ul style="list-style-type: none"> Contribution to community development <ul style="list-style-type: none"> • Face problems together and work to provide solutions that contribute to the development of the region and customers Evolution and change to the future <ul style="list-style-type: none"> • Provide financial services that capture technological innovation and changes in needs to meet customer expectations Exercise the group’s comprehensive strength <ul style="list-style-type: none"> • Strengthen group collaboration and establish optimum business promotion and management system | | |

The Medium-term Management Plan’s priority indicator (Total of 2 banks, consolidated)

| | FY2019 Result | FY2020 Result | FY2021 Target |
|-------------------------|---------------|---------------|--------------------------|
| Main business profit* | ¥16.9 billion | ¥19.6 billion | Over ¥22 billion |
| Consolidated net income | ¥20.2 billion | ¥21.3 billion | Over ¥22 billion |
| Capital Adequacy Ratio | 8.94% | 9.45% | Maintain 8% level |
| OHR | 69.27% | 68.19% | Maintain under 70% level |

* We calculate main business profit in line with our own standard

MEDIUM-TERM MANAGEMENT PLAN "ALL FOR THE REGION"

Key initiatives in each strategic area and progress report

Overview

In the short term, we are taking measures to compensate for the decrease in profits due to the decline in interest on loans and to the mass redemption of yen bonds.

In the long term, we are working to strengthen the Group's business foundation so that we can contribute to the sustainable growth of the local communities and create shared value between them and the Group.

Strategy for corporate customers



■ Exercise financial intermediation function

- Bolster strategies and promotion system according to the characteristics of sales areas and the business stages of customers, and develop a lending strategy based on assessing business possibilities.

■ Strengthen corporate consulting

- Expand the lineup of solution services, and offer consulting services according to the business stage of each customer

| | FY18 | FY19 | FY20 |
|---|---------|---------|---------|
| Balance of loans in primary areas (JPY Bn) ^(※) | 5,159.7 | 5,254.1 | 5,709.8 |
| Number of corporate customers financed based on business evaluation | 6,219 | 7,372 | 8,848 |

※:Total of business loans and housing loans in Hokuriku and Hokkaido

| | FY18 | FY19 | FY20 |
|--|------|------|------|
| Fees for solution services for corporate customers (JPY Bn) ^(※) | 3.0 | 3.6 | 3.2 |
| Net trading income (JPY Bn) | 1.6 | 1.7 | 1.4 |

※:Business matching, private placement bond, syndicated loan, M&A support, succession support

Strategy for individual customers



■ Strengthen consulting to individual customers and expand individual customer base

- Expand products for various life stages and the face-to-face as well as non-face-to-face channels, support asset formation, enhance services for wealthy customers, better address various financing needs, and grow the business base

| | FY18 | FY19 | FY20 |
|-----------------------------------|---------|---------|---------|
| Balance of housing loans (JPY Bn) | 2,082.4 | 2,210.5 | 2,391.3 |

Digitalization & Fintech strategy



■ Enhance digital banking functions

- Enhance digital banking channels by expanding functions for non-face-to-face channels, such as smartphone apps
- Improve customer convenience by phasing out the use of personal seals, paper documents, and cash cards.

■ Contribute to development of cashless society

- Build an infrastructure to promote a cashless environment in the region

| | FY18 | FY19 | FY20 |
|--------------------------------------|--------|--------|---------|
| Number of internet banking contracts | 83,019 | 93,008 | 117,275 |

Community revitalization strategy



■ Contribute to regional revitalization and respond to issues of ESG and SDGs

- Revitalize the regional economy in cooperation with local governments, local companies and educational institutions
- Aim for sustainable development of the local economy and local communities through CSR activities based on ESG and SDGs

| | FY18 | FY19 | FY20 |
|--|------|------|------|
| Number of ESG/SDGs-related investments and loans | 406 | 446 | 383 |

Strategy for security investment

■ Increase and stabilize investment return

- Increase returns through diversified investments in diverse investment asset classes, as well as strategic and flexible investments
- Enhance risk control system by emphasizing comprehensive profit/loss and enhancing the ability to respond to sudden and rapid market movements

Risk management



■ Strengthen governance using Risk Appetite Framework (RAF) and respond to diversifying risks

- Formulate management strategy and improve risk control system utilizing RAF
- Foster a risk culture for appropriate risk-taking and eliminating legal violations, etc. through employee training
- Enhance the risk control system by improving simulations and stress tests to respond immediately to changes in the market environment

Business reform, optimization of branch store network and strategy for utilization of human resources

■ Improve management efficiency, productivity and work environment

- Streamline operations by slimming down operations, centralizing headquarters operations, and promoting outsourcing
- Promote business rationalization by utilizing ICT (digitalization, RPA, elimination of paper)
- In order to maintain regional financial infrastructure, improve the branch network by clarifying the roles and functions of each branch and reviewing ATM operations
- Develop human resources with a goal of improving customer service, expertise and management ability
- Create and maintain a work environment in which diverse human resources can play an active role



| | FY18 | FY19 | FY20 |
|-----------------------|------|------|------|
| G&A expenses (JPY Bn) | 86.5 | 85.3 | 82.3 |
| Non-Personnel | 38.4 | 38.5 | 36.7 |
| Personnel | 41.9 | 40.5 | 39.2 |

Hokuhoku FG Group strategy

■ Strengthen and expand collaboration in Hokkaido area

- Strengthen sales promotion capabilities through joint use of consulting and financial service functions
- Advance the joint use of branches that both banks will renovate going forward in Hokkaido
- Expand joint use of offices in Hokkaido, including headquarters and back office functions

■ Centralization of headquarters operations

- Pursue additional synergies by consolidating functions into holding company Hokuhoku FG

■ Strengthen cooperation with banks and affiliates

- Provide financial services through cooperation between subsidiary banks and affiliates, and exercise integrated capabilities

■ Efforts to improve shareholder value

- Maintain stable dividends while accumulating profits to bolster capital

| | FY18 | FY19 | FY20 |
|--|---------|---------|---------|
| Balance of loans in Hokkaido (JPY Bn) ^(※) | 2,958.2 | 2,993.8 | 3,258.6 |

※:Total of business loans and housing loans

| | FY18 | FY19 | FY20 |
|---|------|------|------|
| Ordinary profits of affiliated companies (JPY Bn) | 1.9 | 3.2 | 3.5 |

STAKEHOLDER COMMUNICATION

Relationship with stakeholders

<Shareholders and Investors>

Hokuhoku Financial Group values dialogue with shareholders and investors.

In FY 2020, we hosted a conference call for institutional investors in May and online meetings for individual investors in June. In November, we hosted an investor meeting at Tokyo. We explained the Group's profile, highlights of business performance and strategies in the conference and meetings.



<Environment>

Hokuriku Bank and Hokkaido Bank were chosen as partner of the "ESG Regional Finance Promotion Program" conducted by the Ministry of the Environment. The report of the work was introduced as part of the "Guidance for ESG Regional Finance" published and announced by the Ministry of the Environment. In April 2020, the work of Hokuriku Bank was introduced at the "4th ESG Finance High Level Panel" hosted by the Ministry of the Environment. The executive officer of the bank explained the roll regional financial institution should play in supporting the regions to work on their ESG issues.



<Community>

Hokkaido Bank actively contributes to the promotion of various sports in Hokkaido. In FY 2020, the Hokkaido Bank Fortius, a women's curling team the bank supported as the main sponsor, won the 38th Zen-Noh Women's Curling Japan Tournament for the second time in six years.



<Municipalities, Educational Institutions and Industry Associations>

Hokuriku Bank and Hokkaido Bank proactively cooperate with municipalities, educational institutions, and other various organizations to promote academia-industry collaboration and to improve financial and SDGs literacy in the region. By the end of FY 2020, the banks concluded cooperation agreement with 47 municipalities and 22 universities.

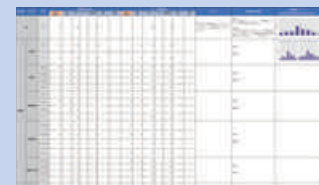


<Customers>

Hokuriku Bank and Hokkaido Bank conduct surveys of customers engaged in asset management transactions to listen sincerely to the opinions of customers, which are useful for proposing better services and products.

The survey utilizes the NPS® (Net Promoter Score®), which provides a score for "How likely is it that you would recommend our company/product/service to a friend or colleague?," measuring the level of interest that a customer has in a corporate brand, product and person in charge.

In FY 2020, as in FY2019, both banks received ratings that exceeded the average of the 50 regional banks that participated in the survey.



<Employees>

Hokuriku Bank and Hokkaido Bank have been holding the "Hokuhoku Young Forum" since 2014 to strengthen links and to promote dialogue between young employees and executive officers.

While we have postponed the Young Forum in FY 2020 to prevent the spread of Covid-19, we are planning to promote such dialogue, utilizing video conference if needed, to help young employees deepen their understanding about the Group.



CORPORATE GOVERNANCE

Basic approach

The Company and all group companies regard strengthening and enhancing corporate governance as one of the most important management priorities. We have drawn up a basic policy — our management philosophy — covering all our activities including the formulation of management strategies and making management decisions. We share basic values and a sense of ethics through the Hokuuoku Financial Group Code of Conduct, and endeavor to increase corporate value and realize solid management aimed at contributing to the development of the Hokuriku and Hokkaido regions.

Corporate governance

We have established a framework that enables quick decision-making, with the Shareholders' Meeting and Board of Directors at the top of the framework, and day-to-day operational authority delegated in accordance with internal rules. Bodies such as the Management Committee are able to respond quickly to specific and expert matters based on basic policies established by the Board of Directors. Furthermore, separate from the Management Committee, we have established a Business Promotion Committee which ensures that business policies are correctly carried out among group companies.

We use a company with Audit and Supervisory Committee system and also appoint external Director. Additionally, in order to bolster our group governance framework and, as a holding company, to ensure that operations are managed appropriately, people from each of our principal subsidiaries, Hokuriku Bank and Hokkaido Bank, are appointed as Directors at the other bank to promote mutual understanding and mutual checks and balances.

In this way, in addition to having established this framework to cyclically enable effective decision-making, implementation, evaluation, and improvements, the Board of Directors decides the basic policy on internal controls, to create an effective internal control system.

Overview of key bodies (times of meetings held during FY2020)

1. Board of Directors (11 times)

Responsible for decisions related to important policies for management of the Group as a whole, and for overseeing the business management, risk management and auditing carried out by the holding company and its subsidiaries. Three Directors are appointed and oversight is strengthened by incorporating perspectives that are independent from management.

2. Audit and Supervisory Committee (10 times)

Determines matters related to auditing policies, plans and methods, and matters related to the execution of duties of the appointed Director serving as Audit and Supervisory Committee Member. Also, monitors the performance of duties by Directors, and carries out determinations of opinions related to the nomination, compensation, etc., of Directors who are not serving as Audit and Supervisory Committee Members.

3. Corporate Governance Committee (5 times)

The Committee, which is composed of three external Directors and one full-time Director serving as Audit and Supervisory

Committee Member, aims to secure sustainable growth and boost long-term corporate value of the Group through exchanging information and sharing perceptions among external Directors and by offering advice on the Company's important issues.

4. Management Committee (41 times)

Comprising full-time Directors of the Company, this body makes decisions — in accordance with the basic policies laid down by the Board of Directors — on matters relating to business execution policies for the entire Group and matters related to the implementation of particularly important tasks by specific divisions.

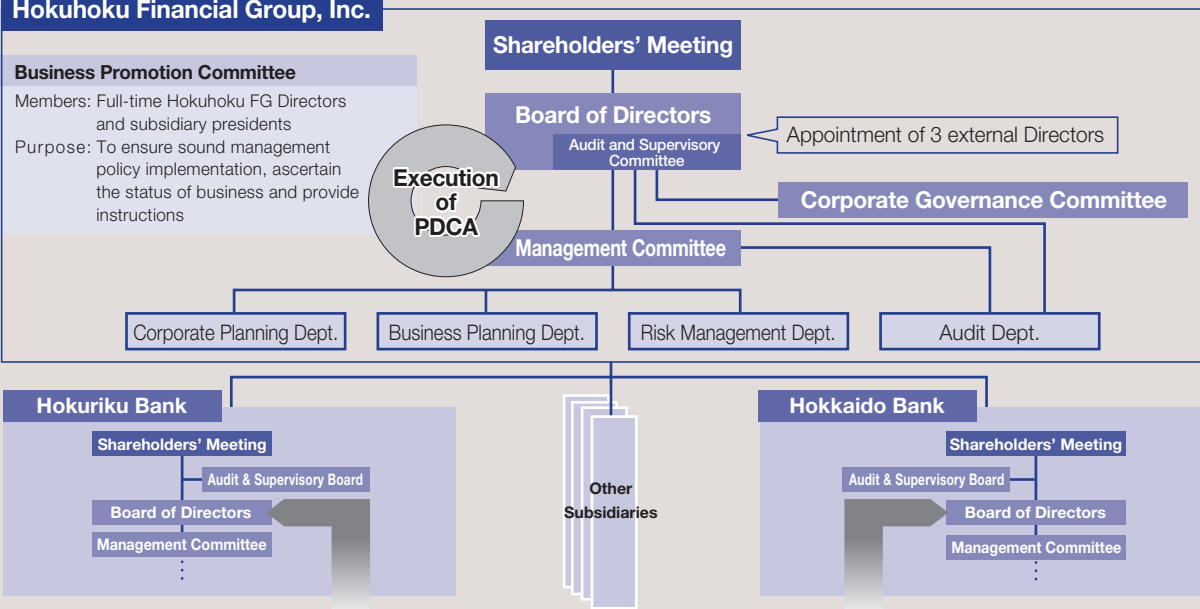
5. Business Promotion Committee (4 times)

Comprising full-time Directors of the Company and presidents of subsidiaries, this body is responsible for making sure that important issues and management policies for the entire Group are widely known and understood, as well as for keeping track of business results at each company to ensure that business is carried out appropriately.

Hokuuoku Financial Group, Inc.

Business Promotion Committee

Members: Full-time Hokuuoku FG Directors and subsidiary presidents
Purpose: To ensure sound management policy implementation, ascertain the status of business and provide instructions



Each bank appoints a person from the other bank as its Director

Reason for appointment as external Director

In the selection of candidates for external Directors, in addition to the knowledge, experience and capabilities to perform the role, the Company places great importance on ensuring independence to meet the requirements for external directors provided by the Companies Act and to exercise the management supervisory function.

| Name | Reason for appointment | Attendance at Board of Directors meetings and Audit and Supervisory Committee meetings for FY2020 |
|----------------|--|---|
| Masaaki Manabe | He is well versed in management and local economies as a business manager and he is expected to strengthen the supervisory function of the Company's overall management, so he has been appointed an external Director. In addition, he does not breach the criteria for independence prescribed in Securities Listing Regulations, etc., meets the "criteria for judging independence" prescribed by the Company, does not present any concern about conflicts of interest with general shareholders, is judged to have adequate neutrality, and has been designated an independent director. | Board of Directors meetings 11/11 Audit and Supervisory Committee meetings 10/10 |
| Nobuya Suzuki | He has extensive experience in the management of financial institutions (life insurance) and he is expected to strengthen the supervisory function of the Company's overall management, so he has been appointed an external Director. In addition, he does not breach the criteria for independence prescribed in Securities Listing Regulations, etc., meets the "criteria for judging independence" prescribed by the Company, does not present any concern about conflicts of interest with general shareholders, is judged to have adequate neutrality, and has been designated an independent director. | Board of Directors meetings 11/11 Audit and Supervisory Committee meetings 10/10 |
| Kaoru Funamoto | Due to his extensive experience and broad insight at National Police Agency and The Resolution and Collection Corporation, he is expected to strengthen the supervisory function of the Company's overall management, so he has been appointed an external Director. In addition, he does not breach the criteria for independence prescribed in Securities Listing Regulations, etc., meets the "criteria for judging independence" prescribed by the Company, does not present any concern about conflicts of interest with general shareholders, is judged to have adequate neutrality, and has been designated an independent director. | New appointment |

| | Expertise of external Directors | | | |
|----------------|---------------------------------|---------|-----|-----------------------|
| | Corporate management | Finance | Law | Public administration |
| Masaaki Manabe | ● | | | |
| Nobuya Suzuki | ● | ● | | |
| Kaoru Funamoto | | ● | ● | ● |

Assessment of the effectiveness of the Board of Directors

The Company's Board of Directors conducts analysis and assessment of the overall corporate governance system including the overall effectiveness of the Board of Directors each year in light of the purpose of our Corporate Governance Guidelines, discloses an overview of the results and aims to make the necessary improvements.

Overview of the analysis and assessment results concerning the effectiveness of the FY2019 Board of Directors

The assessment is that the composition and management of the Board of Directors and the Corporate Governance Committee, which is established with external Directors as key members under the Board of Directors, are appropriate and the effectiveness of the Board of Directors has been secured.

Note that in the discussion about the assessment, opinions were shared about the need to further improve meeting materials and to provide more information to external Directors to enable enhanced discussion to increase corporate value and we plan to take the necessary actions in the future.

Initiatives in FY2020

We improved the meeting materials, and also reported variety of topics including important management issues and changes in the external environment of our business to enhance discussion at the meetings.

Overview of the analysis and assessment process concerning the effectiveness of the FY2020 Board of Directors

Assessment concerning the effectiveness was conducted at the Board of Directors meeting in May after registered self-assessment survey was conducted for all directors and suggestions were put forward from the Corporate Governance Committee based on the survey results.

[Items in the self-assessment survey (headings)]

- 1) Composition of the Board of Directors
- 2) Operation of the Board of Directors
- 3) Operation of the Corporate Governance Committee
- 4) Role and responsibilities of Directors, support system of external Director, etc.
- 5) Relationship with shareholders and investors
- 6) Corporate governance system and overall effectiveness of the Board of Directors
- 7) Status of improvements since the previous fiscal year

Overview of the analysis and assessment results concerning the effectiveness of the FY2020 Board of Directors

The assessment is that the composition and management of the Board of Directors and the Corporate Governance Committee, which is established with external Directors as key members under the Board of Directors, is appropriate and the effectiveness of the Board of Directors has been secured.

Note that in the discussion about the assessment, opinions were shared about the need to fulfill information and to improve meeting materials to provide the members of the Board of Directors further, as well as to enhance discussion about business strategies of the Group and we plan to take the necessary action in the future.

Director training

In order for Directors to appropriately perform the roles and responsibilities expected of persons in charge of important governance bodies, the Company's Board of Directors encourages and supervises efforts of Directors to study for the acquisition of the necessary knowledge and appropriate updates to deepen their understanding of such roles and responsibilities.

(Key initiatives in FY2020)

Shared information relating to the Financial Services Agency's Financial Services Policy with external Directors at the meeting of Corporate Governance Committee

Directors' remuneration

The Company has established the Corporate Governance Guidelines at the Board of Directors and the Company prescribes the policy concerning the determination of amounts such as Directors' remuneration, etc. and its calculation method, and the method and procedures for determining such policy in the Guidelines as follows.

- i The Company determines the level and composition of Directors' remuneration to function as an incentive for the Group's sustained growth and the medium to long-term improvement in corporate value.
- ii The remuneration, etc. of Directors excluding Directors serving as Audit and Supervisory Committee Members shall comprise the following basic remuneration and share remuneration, with the respective amounts within the upper limits of the annual remuneration approved at the General Meeting of Shareholders, and be determined by the Board of Directors in an objective and transparent manner upon the recommendation from the Corporate Governance Committee concerning the appropriateness and validation of the amounts calculated in accordance with separately prescribed Directors' remuneration provisions and share remuneration-type stock option provisions.
 - (a) Basic remuneration
Basic remuneration shall be a fixed amount of remuneration prescribed for each position.
 - (b) Share remuneration
Share remuneration shall be share remuneration-type stock options equivalent to amounts prescribed for each position.
- iii The remuneration, etc. of Directors serving as Audit and Supervisory Committee Members shall comprise only basic remuneration in light of the role to direct and audit the execution of business from a neutral and independent perspective, and be determined by discussion of Directors serving as Audit and Supervisory Committee Members in accordance with the separately prescribed Directors' remuneration provisions, within the upper limits of the annual remuneration approved at the General Meeting of Shareholders.

The details of resolutions concerning Directors' remunerations, etc. at the General Meeting of Shareholders are as follows.

- i Resolution was made at the Ordinary General Meeting of Shareholders held on June 27, 2017.
- ii The amount of remuneration including bonuses for Directors (excluding Directors serving as Audit and Supervisory Committee Members) shall be an amount not exceeding 250 million yen per year (not including the salaries of employees serving concurrently as Directors).
- iii The amount of remuneration for Directors serving as Audit and Supervisory Committee Members shall be an amount not exceeding 80 million yen per year.
- iv In addition to the upper limit of the amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) there shall be a separate allocation of stock acquisition rights as share remuneration-type stock options for Directors (excluding Directors serving as Audit and Supervisory Committee Members and external Directors) for an amount not exceeding 45 million yen per year (not including the salaries of employees serving concurrently as Directors).

Total amounts of remuneration (FY2020)

| Category of executives | Total amounts of remuneration (millions of yen) | Total amounts by category of remuneration (millions of yen) | | | Number of eligible executives |
|--|---|---|-----------------------|--|-------------------------------|
| | | Fixed remuneration (Basic remuneration) | Variable remuneration | Share remuneration-type stock-options (Share remuneration) | |
| Directors (excluding Directors serving as Audit & Supervisory Committee Members) (excluding Outside Directors) | 139 | 118 | – | 20 | 7 |
| Directors serving as Audit & Supervisory Committee Members (excluding Outside Directors) | 25 | 25 | – | – | 1 |
| Outside Directors | 22 | 22 | – | – | 4 |

Response to cross-shareholdings

The Company and its core subsidiaries (Hokuriku Bank and Hokkaido Bank) have prescribed the policy concerning cross-shareholdings of listed companies and standards for exercising voting rights as follows. With regard to issues that are not deemed appropriate to hold, we will proceed with the sale after adequate dialogue with the business partners. In addition, we may sell cross-held shares even if it is deemed appropriate to hold them, taking into consideration market environments, management and financial strategies, etc.

Policy on cross-shareholdings

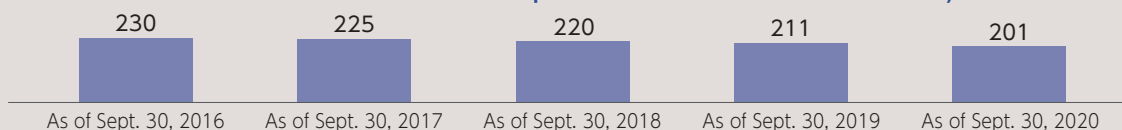
- (1) Cross-shareholdings are held on a limited basis in cases where it is judged that such cross-shareholdings will contribute to the enhancement of the corporate value of the subject company and the Group by maintaining and strengthening a long-term and stable relationship with the subject company and enjoying advantages in terms of business strategy.
- (2) For cross-shareholdings, the risk/return associated with holding is measured for each individual issue based on an index that takes into account the cost of capital. In addition, the Company shall conduct a comprehensive review of the purpose of holding such shares at the Board of Directors, etc. each year, to determine whether or not to hold them in light of their economic rationality based on future prospects, business strategies such as business relationships and business alliances, and relevance to the regional economy.

Standards on exercising voting rights

When exercising voting rights for cross-shareholdings, the following points shall be confirmed for each agenda item, and if necessary, a comprehensive decision for approval or disapproval shall be made through dialogue with the business partner.

- (1) Will it contribute to increasing the medium to long-term corporate value and sustainable growth of the partner company?
- (2) Will it contribute to increasing the medium to long-term economic benefits of the Group?

Changes in cross-shareholdings (the number of listed issues) (From Sep. 30, 2018, shares contributed to the retirement benefit trusts are included. The number represents the total of the two banks.)



Basic policy on internal controls

1. System to ensure that executives and employees of the Company and group companies perform their duties in conformity with laws and regulations, as well as in conformity with our articles of incorporation

- In addition to setting matters pertaining to laws and regulations, or the articles of incorporation, the Board of Directors decides on basic management policies and important issues related to the execution of operations, establishes organizations and systems, and supervises performance of duties by Directors.
- The Board of Directors selects multiple external Directors in positions independent from the Group in the selection of candidates for the Board of Directors, working to boost the mutual checks and balances function.
- The Board of Directors establishes the Corporate Governance Committee, creating a system to provide the appropriate advice and involvement in important items to the Company through coordination with the external Directors.

- The Board of Directors, positioning compliance as one of the most important management issues, draws up both basic compliance policy and the compliance charter. It furthermore establishes control departments to maintain and enhance the compliance system of the Company and group companies.
- The Board of Directors draws up a Compliance Program as each fiscal year's action plan, thoroughly implementing honest and fair corporate activities, rejecting all relationships with antisocial forces, and preventing money laundering, etc.
- The Board of Directors establishes a whistleblower system whereby an executive or an employee who discovers illegal or inappropriate actions can report to a whistleblower contact point established in advance.
- Every fiscal year the Board of Directors draws up an Audit Policy and has the internal audit department, in accordance with this, conduct audits of the state of compliance to laws and regulations, etc. of the Company and group companies, and report these results to the Board of Directors and the

Audit and Supervisory Committee, etc.

2. System related to the storage and management of information related to the performance of duties by Directors

- Based on the Board of Directors rules as well as document management rules and other regulations, the Board of Directors creates systems for the storage and management of information related to performance of duties by Directors. Directors can access the documents at any time.

3. Rules and other systems related to the management of risk of losses of the Company and group companies

- Recognizing the existence of various risks surrounding the Company and group companies, and fully aware of the importance of controlling such risks, the Board of Directors formulates the basic risk management policies and risk management rules.
It furthermore establishes control departments, establishing a system to accurately recognize and gauge individual risk associated with Group company management, and to ensure the soundness of Group management through appropriate management and operations.

- The Board of Directors have formulated contingency plans, etc. and established a crisis management system to prepare for unexpected events and risks such as natural disasters.
- Each group company carries out appropriate risk management in close partnership with each group company's risk management department, following the Group's basic policy.
- Every fiscal year the Board of Directors draws up an Audit Policy and has the internal audit department, in accordance with this, conduct audits of the state of risk management of the Company and group companies, and report these results to the Board of Directors and the Audit and Supervisory Committee, etc.

4. System to ensure that Directors, etc. of the Company and group companies perform duties efficiently

- The Board of Directors draws up a management plan to clarify the Group's desired vision and its performance goals.
- The Board of Directors sets overall organizational standards for basic tasks, operational entities, and assignment of duties, and establishes a system in which the Company and all group companies perform well-organized and efficient business operations.
- The Management Committee executes business operations promptly and efficiently, based on the delegation of authority by the Board of Directors with regard to the execution of business operations, and on the predetermined assignment of duties.

5. System to ensure the appropriateness of financial reporting

- The Board of Directors draws up a basic policy related to the internal control evaluation of financial reporting, establishing a system to ensure the suitability of financial reporting and to provide true and clear reporting on both financial conditions and management results.

6. System to ensure the appropriateness of operations within the corporate group which consists of the Company and group companies

- The Board of Directors is responsible for overall group management. It establishes the group management rules, prepares frameworks for agenda-setting and reporting to the Company for each group company with regard to important matters, and receives reports from internal audit departments on the findings of audits into the state of compliance to laws and regulations, etc., risk management, and the appropriateness and effectiveness of business operations.

- The Board of Directors draws up Regulations for Intra-Group Transactions with the aims of clarifying the control system for intra-group transactions, etc. and of carefully maintaining the soundness of management practices for the Group as a whole. The Board of Directors performs its duties of management and administration based on these regulations.

7. Matters related to employees required to assist with duties of the Audit and Supervisory Committee

- In order to assist the Audit and Supervisory Committee in the conduct of their duties, the Board of Directors shall place employees who carry out this work only and to whom Audit and Supervisory Committee Members may directly give directions and orders based on their independence and effectiveness etc.
- The Board of Directors requires prior consent from the Audit and Supervisory Committee for personnel transfers and disciplinary measures regarding such employees.

8. System for the Company and group company executives and employees to report to the Audit and Supervisory Committee and other systems related to reporting to the Audit and Supervisory Committee

- If executives and employees of the Company or group companies discover matters that could cause significant losses to the Company or group companies, they shall directly or indirectly report such matters to the Audit and Supervisory Committee.
- The Board of Directors establishes a system to report to the appointed Directors serving as Audit and Supervisory Committee Members for reports carried out in accordance with rules, including such reports within the Company and such reports from group companies to the Company.
- Either the Audit and Supervisory Committee or appointed Director serving as Audit and Supervisory Committee Member may request reports from executives and employees of the Company or group companies as needed.
- The Board of Directors shall establish a system to ensure that executives and employees of the Company or group companies are not mistreated as a result of having reported to, consulted or investigated with the Audit and Supervisory Committee.

9. Other systems to ensure effective auditing by the Audit and Supervisory Committee

- The Board of Directors shall give due acknowledgement to the importance and usefulness of auditing by the Audit and Supervisory Committee, and shall discuss and take responsive action appropriately if the Audit and Supervisory Committee requests creation of a system for smoother and more effective performance of auditing duties.
- The appointed Director serving as Audit and Supervisory Committee Member may attend important meetings such as the Management Committee.
Furthermore, either the Audit and Supervisory Committee or appointed Director serving as Audit and Supervisory Committee Member shall regularly meet with the representative Directors and outside accounting auditors, in addition to which it shall maintain close collaboration and cooperative relations with internal audit departments and other departments with internal control functions, receiving reports both on a regular basis and as required, and requesting explanations as and when necessary.
- Directors serving as Audit and Supervisory Committee Members may invoice the Company for any expenses deemed necessary in order to perform duties of the Audit and Supervisory Committee.

Internal auditing mechanisms

Basic approach

The Group believes that establishment of internal auditing mechanisms that effectively meet requirements according to the scale and nature of operations, laws and regulations applied to the Group's businesses and categories of risk, is indispensable for enabling due legal and regulatory compliance by the Group, customer protection and risk management. Based on this conviction, the Company and its subsidiary banks, Hokuriku Bank and Hokkaido Bank have established internal auditing departments.

The internal auditing departments of each Group company develop mechanisms of checks and balances, which thereby ensure that those departments function independently of other departments.

Group-wide measures

The Company has established the Audit Dept., which is expected to verify the appropriateness and effectiveness of internal management mechanisms of the subsidiaries and to oversee the internal audit function of those companies. In line with basic policy and rules on internal audits compiled by the Board of Directors, the Audit Dept. carries out internal audits on the Company and its non-banking subsidiaries and affiliates, and also receives reports from Hokuriku Bank and Hokkaido Bank that include results of internal audits and progress made on matters requiring improvement. Furthermore, when necessary, the Audit Dept. centrally assesses and manages the implementation of internal audits within Group companies through on-site bank investigations, guidance and reports.

Results of internal audits at Group companies are periodically reported to the Board of Directors promptly

when needed. In particular, mechanisms have been put in place for prompt reporting to the Board of Directors with respect to events that could significantly impact management of the Group.

Also at Hokuriku Bank and Hokkaido Bank, operational and asset audits are performed involving head offices, branches and subsidiaries of each bank, based on the policy and rules for internal audits of the respective banks. Conducting these audits involves assessing legal and regulatory compliance, customer protection, and risk management at each entity subject to audit, and then making efficient and effective internal audit plans taking into account factors such as the frequency and extent of such audits.

When necessary, the audit departments of both banks and the Audit Dept. of the Company conduct joint audits in order to strengthen and streamline overall Group auditing.

MEASURES FOR RISK MANAGEMENT

General risk management systems

The Group has created basic risk management policies that address various risks and is working to upgrade general risk management systems to ensure proper resource allocation and risk taking in balance with earnings targets while keeping overall levels of risk within the Group's managerial capacity to address such risk and in order to protect customer deposits and earn the trust of our shareholders and creditors.

In addition, the Group has established a general risk management department to integrate and manage the various risks while also conducting internal audits by an independent audit department with a structure to verify the appropriateness and effectiveness of the risk management system.



Allocation of risk capital

The Group's risk management practices involve taking a unified approach to the extent possible in terms of quantifying the various risks that emerge with respect to its operations, and then taking steps to ensure that overall levels of risk are kept within the Group's capacity to take on such risk.

The subsidiary banks control and manage risk with the aim of ensuring that levels of risk remain within a range permissible for banking operations. To that end, they estimate maximum potential loss through a process that involves quantifying credit risk, market risk and operational risk. They then allocate risk capital by using core capital as allocation source, with the aim of making effective use of capital resources.

Meanwhile, the Company ensures that excessively large risks are not taken relative to capital on a Group-wide basis,

through initiatives that include checking risk allocation plans of subsidiary banks, verifying that amounts in excess of risk capital allocations are sufficient to cover risk conceivably affecting subsidiaries other than the subsidiary banks as well as risk not included in the risk assumptions, and monitoring actual levels of risk.

In addition, we perform stress tests to calculate the extent of potential losses that would be anticipated in the case of normally inconceivable deterioration of business conditions, excessive market fluctuations and other such scenarios. In this way, we periodically examine the substantiality of our capital position against risk that cannot be easily perceived.

Credit risk management

Basic approach

Credit risk involves, for instance, the threat that deterioration of a customer's financial health might make it impossible to recover principal or receive interest of loans and bills discounted, etc. as initially contracted. Although this is an unavoidable risk when it comes to banks whose role is to act as financial intermediaries, the Group endeavors to maintain and enhance asset soundness by developing and strengthening its credit risk management systems.

Credit risk management systems

To maintain and enhance asset integrity, the Group applies its internal ratings system and asset self-assessment, promptly and accurately appraises credit risk, and performs write-offs and provisions to reserves for possible loan losses as appropriate.

When making individual judgements on granting credit, rigorous screening is carried out in accordance with standards and principles stated in our credit policy.

Internal ratings systems

To enable objective appraisal of credit risk of loans and bills discounted, etc., our subsidiary banks have introduced internal ratings systems. Using 15 credit ratings based on financial data and qualitative information regarding borrower creditworthiness, the system enables ongoing monitoring of changes in ratings.

In addition, we monitor the credit concentration status

of large borrowers based on the Group-wide management rules for credit limits and manage so that no excessive credit concentration risk materializes.

Asset self-assessment standards

Self-assessments are strictly performed by the asset assessment departments in the subsidiary banks according to the asset self-assessment standards and the appropriateness is verified by the risk management department and independent internal management department.

Corporate rehabilitation

After making a loan to a corporate customer, we endeavor to prevent such loans from becoming designated as bad debt by assessing business conditions faced by our borrowers and performing follow-up reviews of the borrower's business plans. Meanwhile, we strive to ensure asset integrity through creation of a framework for dedicated management of bad debt and enhanced support for corporate rehabilitation.

Market risk management

Basic approach

Market risk involves the threat of incurring losses due to fluctuations in the value of assets and liabilities held by the Group, or in the earnings generated by the Group, such that may be caused by fluctuations in various market risk factors, such as interest rates, stock prices, and foreign exchange rates.

The Group endeavors to properly control market risk and manage operations in a manner that ensures stable earnings. To that end, at the subsidiary banks that mainly handle transactions involving market risk, we have created regulations for market risk management and comprehensively manage assets and liabilities by employing asset-liability management (ALM) practices.

Liquidity risk management

Liquidity risk refers to fund procurement risk involving the threat of losses that may be incurred due to a fall in creditworthiness or the like diminishing an entity's financing availability and forcing it to procure funds at significantly higher interest rates than normal. Liquidity risk also refers to market liquidity risk involving the threat of losses that may be incurred due to market disruptions or the like preventing an entity from engaging in transactions and forcing it to engage in transactions on considerably less favorable terms than normal.

The subsidiary banks, which account for a majority of the Group's liquidity risk, stipulate regulations on liquidity risk management and maintain adequate levels of government bonds and other payment reserve assets that are readily convertible into cash. They also set various control indices pertaining to liquidity risk and monitor those on a daily basis. Developments regarding liquidity risk are regularly reported in meetings of the ALM Risk Management Committees and other such bodies, and discussions are held in that regard, to ensure that we will be able to take action to address any crisis, should one emerge, appropriate to the stage of the particular situation.

By precisely assessing management and procurement levels at subsidiary banks, we ensure that fund procurement can proceed smoothly.

Operational risk management

Basic approach

Operational risk refers to the threat of losses arising from inappropriate operational processes, improper conduct of executive officers and employees, unsuitable computer systems, or adverse external events.

The Group categorizes operational risk into seven categories as prescribed in the "Rules for management of operational risk": 1) Administrative risk, 2) System risk, 3) Legal risk, 4) Personnel risk, 5) Tangible asset risk, 6) Reputational risk, and 7) Other risks. The status of these risks is monitored at the Operational Risk Specialist Committee, which convenes monthly at the subsidiary banks, and we strive to establish Plan, Do, Check and Act (PDCA) cycle frameworks by grasping potential risks through risk assessments, etc. and the evaluation of preventative measures.

Risk management systems by major category

- Administrative risk management

Through the analysis of the causes of administrative errors and other incidents, the Group discusses measures to prevent reoccurrence, while advancing improved efficiencies and centralization of headquarter administrative operations from the perspective of consolidation and mutual checks and endeavoring to implement initiatives that will reduce administrative risk.

- System risk management

The Group has formulated “rules for system risk management” as well as “a basic policy on ensuring the safety of information assets (security policy)”, has established a robust management and operating structure, and implements a variety of security management measures, including backup systems. In addition, the Group is working to strengthen its security management system in order to promptly address cyberattacks which have been on the rise in recent years.

Crisis management

To minimize the impact of any large-scale disaster or other emergency, should one occur, the Group has compiled a crisis management manual with contingency plans and other such content, and has also established a contingency framework that includes mechanisms for information-gathering as well as centralized crisis instruction and command.

In particular, at our subsidiary banks, we have drawn up a Business Continuity Plan (BCP), which enables us to continue to perform our settlement functions and other operations required of financial institutions in the event of an earthquake, outbreak of a new strain of influenza or other such crisis, and have otherwise established a framework that enables a full-scale response to crisis situations.

MEASURES FOR COMPLIANCE

Basic policy

At Hokuohoku Financial Group, we regard compliance as one of our most important management priorities, thereby fully recognizing that shortfalls with respect to compliance could weaken our business foundations. Therefore, the Board of Directors has established basic compliance policies which underpin our efforts to engage in business activities in a fair and honest manner.

Basic compliance policy

1. Recognition of the Group’s basic mission and social responsibilities

As a regional financial institution, the Group recognizes its public duties and social responsibilities, and accordingly strives to gain greater trust through the conduct of sound business operations.

2. Providing quality financial services

By providing high-quality, integrated financial services, the Group will contribute to enabling stable economic and social development of its operating regions, while facilitating better lives for its customers.

3. Strict observance of laws, regulations and rules

The Group strictly observes all relevant laws, regulations and rules, and conducts business in a fair and prudent manner, in adherence with its own standards of corporate ethics and social norms.

4. Rejection of all ties with anti-social elements

The Group contributes to a healthy society by resolutely refusing to associate or work with anti-social elements that threaten social peace and security.

5. Ensuring management transparency

The Group aims to achieve a highly transparent management and organizational culture through accurate and swift disclosure and decision making.

Systems

To establish compliance systems, the Group has established a compliance charter, put in place organizational structures and arranged joint measures by involving the Company and each Group company.

The Risk Management Dept. acts as the Compliance General Department responsible for overseeing compliance within the Group, and the head of the Risk Management Dept. acts as the officer in charge of compliance.

Compliance officers and other such managers are deployed to each branch of subsidiary banks and each Group company in order to aggressively implement training and awareness-raising initiatives regarding compliance in the workplace. Subsidiary banks have established Compliance General Departments and Compliance Committees, which work to assess progress in compliance measures and make improvements.

Measures for dealing with anti-social elements

The Group has established basic policies for dealing with anti-social elements, with the aim of earning the public's trust and maintaining appropriate and sound financial services.

Our initiatives in this regard also involve deploying officers to respective Group companies in order to address issues regarding organized crime syndicates, coordinating with law enforcement, implementing firm measures for dealing with anti-social elements, and severing all relations with anti-social elements that threaten the peace and security of social order.

Internal notification system

The Group has set up a whistleblower and consultation hot line and developed a framework for strengthening the compliance system by incorporating checks and balances in order to promptly detect and counteract any unlawful and wrongful behavior.

Anti-money laundering and measures to deal with financial crime

In recent years, bank card theft, exploitation and "Furikome" fraud (bank transfer scams) have been on the rise. As such, our subsidiary banks have bolstered security measures to prevent such occurrences, while taking proper action with respect to victims of such scams, such that includes reimbursing them in accordance with Japan's Furikome Fraud Relief Act.

The Group regards its pursuit of measures for preventing money laundering and other financial crimes as an important management challenge. Accordingly, we have been working to clarify divisions of internal roles on the basis of our anti-money laundering policy, while building a control system that enables us to implement effective measures at the right time with regard to verifying transactions, reporting suspicious transactions and managing correspondent relationships. Moreover, we have been educating our executive officers and employees through training, and striving to improve relevant mechanisms through initiatives that include performing audits to evaluate compliance of our anti-money laundering policies.

Measures for financial alternative dispute resolution (ADR) system

In order to promptly and properly respond to customer feedback and grievances, our subsidiary banks have concluded agreements with the Japanese Bankers Association, which is a designated dispute resolution organization that works to resolve disputes from a fair and impartial position.

Banking

Name of designated dispute resolution organization:

Japanese Bankers Association

Inquiries:

Japanese Bankers Association Customer Relations Center

Financial instruments business

Name of designated dispute resolution organization:

Financial Instruments Mediation Assistance Center

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

| March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|--------------------|--------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Assets | | | |
| Cash and due from banks (Notes 5 and 31) | ¥ 5,096,491 | ¥ 2,725,025 | \$ 46,034,609 |
| Call loans and bills bought (Note 31) | — | 59,795 | — |
| Monetary claims bought (Notes 8 and 31) | 27,985 | 32,684 | 252,783 |
| Trading assets (Notes 6, 8, and 32) | 3,407 | 3,790 | 30,782 |
| Money held in trust (Note 7) | 18,545 | 16,054 | 167,517 |
| Securities (Notes 8, 14, and 31) | 2,107,290 | 1,815,484 | 19,034,332 |
| Loans and bills discounted (Notes 9, 14, 15, and 31) | 9,050,446 | 8,656,450 | 81,749,134 |
| Foreign exchanges (Note 10) | 22,385 | 19,014 | 202,198 |
| Other assets (Notes 14 and 32) | 202,694 | 194,483 | 1,830,857 |
| Tangible fixed assets (Note 11) | 95,784 | 96,905 | 865,181 |
| Intangible assets (Note 12) | 13,568 | 17,320 | 122,559 |
| Assets for retirement benefits (Note 18) | 3,084 | — | 27,859 |
| Deferred tax assets (Note 28) | 3,596 | 6,456 | 32,488 |
| Customers' liabilities for acceptances and guarantees (Note 13) | 52,921 | 56,099 | 478,017 |
| Allowance for loan losses (Note 3) | (62,731) | (54,703) | (566,630) |
| Total assets | ¥16,635,471 | ¥13,644,861 | \$150,261,686 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Deposits (Notes 14, 16, and 31) | ¥ 12,788,914 | ¥ 11,638,618 | \$115,517,244 |
| Call money and bills sold (Notes 14 and 31) | 280,517 | 68,264 | 2,533,804 |
| Payables under repurchase agreements | 24,670 | 11,877 | 222,842 |
| Payables under securities lending transactions (Note 14) | 307,787 | 294,641 | 2,780,124 |
| Trading liabilities (Notes 6 and 32) | 349 | 497 | 3,156 |
| Borrowed money (Notes 14, 17, and 31) | 2,385,969 | 827,574 | 21,551,531 |
| Foreign exchanges (Note 10) | 447 | 113 | 4,042 |
| Borrowed money from trust account | 2,942 | 534 | 26,580 |
| Other liabilities (Note 32) | 120,203 | 119,799 | 1,085,755 |
| Liability for retirement benefits (Note 18) | 3,566 | 12,199 | 32,215 |
| Reserve for directors' and audit & supervisory board members' retirement benefits | 192 | 190 | 1,735 |
| Reserve for contingent losses | 755 | 1,025 | 6,824 |
| Reserve for reimbursement of deposits | 1,629 | 1,978 | 14,723 |
| Reserve under the special laws | 7 | 5 | 70 |
| Deferred tax liabilities (Note 28) | 20,966 | 10,919 | 189,383 |
| Deferred tax liabilities for revaluation | 5,123 | 5,201 | 46,277 |
| Acceptances and guarantees (Note 13) | 52,921 | 56,099 | 478,017 |
| Total liabilities | 15,996,966 | 13,049,541 | 144,494,322 |
| Equity (Notes 19, 20, and 22) | | | |
| Capital stock | 70,895 | 70,895 | 640,367 |
| Capital surplus | 133,905 | 139,269 | 1,209,515 |
| Stock acquisition rights (Note 21) | 538 | 497 | 4,866 |
| Retained earnings | 344,103 | 329,343 | 3,108,150 |
| Treasury stock | (1,180) | (1,237) | (10,662) |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities (Note 8) | 80,937 | 55,525 | 731,078 |
| Deferred gains (losses) on hedges | (61) | (1,076) | (553) |
| Revaluation reserve for land (Note 11) | 8,088 | 8,211 | 73,062 |
| Defined retirement benefit plans (Note 18) | (1,986) | (9,049) | (17,940) |
| Total | 635,241 | 592,378 | 5,737,883 |
| Non-controlling interests | 3,263 | 2,941 | 29,481 |
| Total equity | 638,504 | 595,319 | 5,767,364 |
| Total liabilities and equity | ¥16,635,471 | ¥13,644,861 | \$150,261,686 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

| Year ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥84,053 | ¥85,027 | \$759,223 |
| Interest and dividends on securities | 18,554 | 22,817 | 167,596 |
| Interest on receivables under resale agreements | (1) | (4) | (18) |
| Interest on deposits with other banks | 1,432 | 878 | 12,942 |
| Other interest income | 463 | 518 | 4,190 |
| Trust fees | 42 | 6 | 385 |
| Fees and commissions | 37,817 | 38,820 | 341,591 |
| Trading income | 1,625 | 1,270 | 14,684 |
| Other ordinary income (Note 24) | 20,049 | 24,303 | 181,098 |
| Other income (Note 26) | 11,994 | 9,127 | 108,340 |
| Total income | 176,032 | 182,765 | 1,590,031 |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 623 | 1,047 | 5,629 |
| Interest on payables under repurchase agreements | 27 | 37 | 245 |
| Interest on payables under securities lending transactions | 216 | 1,162 | 1,958 |
| Interest on borrowings and rediscounts | 37 | 340 | 341 |
| Other interest expense | 858 | 1,807 | 7,757 |
| Fees and commissions | 15,356 | 15,416 | 138,713 |
| Other ordinary expenses (Note 25) | 14,970 | 12,544 | 135,225 |
| General and administrative expenses | 91,511 | 94,962 | 826,586 |
| Provision of allowance for loan losses | 12,815 | 11,463 | 115,755 |
| Other expenses (Note 27) | 8,436 | 13,390 | 76,207 |
| Total expenses | 144,854 | 152,172 | 1,308,416 |
| Income before income taxes | 31,177 | 30,593 | 281,615 |
| Income taxes (Note 28): | | | |
| Current | 10,646 | 9,226 | 96,164 |
| Deferred | (1,066) | 972 | (9,637) |
| Net income | 21,598 | 20,393 | 195,088 |
| Net income attributable to non-controlling interests | 263 | 141 | 2,380 |
| Net income attributable to owners of the parent | ¥21,334 | ¥20,252 | \$192,708 |

| | Yen | U.S. dollars |
|---|----------------|---------------|
| Per share of common stock (Notes 2-u and 23) | | |
| Basic net income | ¥152.17 | ¥142.74 |
| Diluted net income | 151.68 | 142.37 |
| Cash dividends applicable to the year | 35.00 | 40.00 |
| | | \$1.37 |
| | | 1.37 |
| | | 0.31 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

| Year ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| Net income | ¥21,598 | ¥20,393 | \$195,088 |
| Other comprehensive income (loss) (Note 29) | 33,549 | (40,440) | 303,043 |
| Valuation difference on available-for-sale securities | 25,343 | (36,012) | 228,919 |
| Deferred gains (losses) on hedges | 1,014 | (165) | 9,168 |
| Defined retirement benefit plans | 7,063 | (4,183) | 63,800 |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 127 | (78) | 1,156 |
| Total comprehensive income (loss) | ¥55,148 | ¥(20,046) | \$498,131 |
| Comprehensive income (loss) attributable to owners of the parent | 54,825 | (20,180) | 495,214 |
| Comprehensive income (loss) attributable to non-controlling interests | 322 | 133 | 2,917 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

| | Thousands | | Millions of yen | | | | |
|---|--|---|------------------|--------------------|--------------------------------|----------------------|-------------------|
| | Issued number of shares of common stock | Issued number of shares of preferred stock | Capital stock | Capital surplus | Stock acquisition rights | Retained earnings | Treasury stock |
| BALANCE, APRIL 1, 2019 | 132,163 | 107,432 | ¥70,895 | ¥144,622 | ¥443 | ¥316,329 | ¥(1,281) |
| Cash dividends | | | | | | (7,381) | |
| Net income attributable to owners of the parent | | | | | | 20,252 | |
| Purchases of treasury stock | | | | | | | (5,380) |
| Disposals of treasury stock | | | | 13 | | | 56 |
| Retirement of treasury stock | | (10,734) | | (5,367) | | | 5,367 |
| Reversal of revaluation reserve for land | | | | | | 142 | |
| Net changes in the year | | | | | 53 | | |
| BALANCE, MARCH 31, 2020 | 132,163 | 96,698 | ¥70,895 | ¥139,269 | ¥497 | ¥329,343 | ¥(1,237) |
| Cash dividends | | | | | | (6,697) | |
| Net income attributable to owners of the parent | | | | | | 21,334 | |
| Purchases of treasury stock | | | | | | | (5,375) |
| Disposals of treasury stock | | | | 7 | | | 61 |
| Retirement of treasury stock | | (10,743) | | (5,371) | | | 5,371 |
| Reversal of revaluation reserve for land | | | | | | 122 | |
| Net changes in the year | | | | | 41 | | |
| BALANCE, MARCH 31, 2021 | 132,163 | 85,955 | ¥70,895 | ¥133,905 | ¥538 | ¥344,103 | ¥(1,180) |

| | Millions of yen | | | | | | |
|---|--|---|------------------------------------|--|-----------------|----------------------------------|-----------------|
| | Accumulated other comprehensive income | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Revaluation reserve for land | Defined retirement benefit plans | Total | Non- controlling interests | Total equity |
| BALANCE, APRIL 1, 2019 | ¥91,608 | ¥(910) | ¥8,354 | ¥(4,865) | ¥625,196 | ¥2,807 | ¥628,004 |
| Cash dividends | | | | | (7,381) | | (7,381) |
| Net income attributable to owners of the parent | | | | | 20,252 | | 20,252 |
| Purchases of treasury stock | | | | | (5,380) | | (5,380) |
| Disposals of treasury stock | | | | | 70 | | 70 |
| Retirement of treasury stock | | | | | — | | — |
| Reversal of revaluation reserve for land | | | | | 142 | | 142 |
| Net changes in the year | (36,083) | (165) | (142) | (4,183) | (40,522) | 133 | (40,389) |
| BALANCE, MARCH 31, 2020 | ¥55,525 | ¥(1,076) | ¥8,211 | ¥(9,049) | ¥592,378 | ¥2,941 | ¥595,319 |
| Cash dividends | | | | | (6,697) | | (6,697) |
| Net income attributable to owners of the parent | | | | | 21,334 | | 21,334 |
| Purchases of treasury stock | | | | | (5,375) | | (5,375) |
| Disposals of treasury stock | | | | | 68 | | 68 |
| Retirement of treasury stock | | | | | — | | — |
| Reversal of revaluation reserve for land | | | | | 122 | | 122 |
| Net changes in the year | 25,412 | 1,014 | (122) | 7,063 | 33,409 | 322 | 33,731 |
| BALANCE, MARCH 31, 2021 | ¥80,937 | ¥(61) | ¥8,088 | ¥(1,986) | ¥635,241 | ¥3,263 | ¥638,504 |

| Thousands of U.S. dollars (Note 1) | | | | | |
|---|------------------|--------------------|--------------------------|--------------------|-------------------|
| | Capital stock | Capital surplus | Stock acquisition rights | Retained earnings | Treasury stock |
| BALANCE, MARCH 31, 2020 | \$640,367 | \$1,257,965 | \$4,490 | \$2,974,827 | \$(11,177) |
| Cash dividends | | | | (60,495) | |
| Net income attributable to owners of the parent | | | | 192,708 | |
| Purchases of treasury stock | | | | | (48,555) |
| Disposals of treasury stock | | 68 | | | 552 |
| Retirement of treasury stock | | (48,518) | | | 48,518 |
| Reversal of revaluation reserve for land | | | | 1,110 | |
| Net changes in the year | | | 376 | | |
| BALANCE, MARCH 31, 2021 | \$640,367 | \$1,209,515 | \$4,866 | \$3,108,150 | \$(10,662) |

| Thousands of U.S. dollars (Note 1) | | | | | | | |
|---|---|-----------------------------------|------------------------------|----------------------------------|--------------------|---------------------------|--------------------|
| Accumulated other comprehensive income | | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains (losses) on hedges | Revaluation reserve for land | Defined retirement benefit plans | Total | Non-controlling interests | Total equity |
| BALANCE, MARCH 31, 2020 | \$501,539 | \$(9,720) | \$74,172 | \$(81,740) | \$5,350,723 | \$26,568 | \$5,377,291 |
| Cash dividends | | | | | (60,495) | | (60,495) |
| Net income attributable to owners of the parent | | | | | 192,708 | | 192,708 |
| Purchases of treasury stock | | | | | (48,555) | | (48,555) |
| Disposals of treasury stock | | | | | 620 | | 620 |
| Retirement of treasury stock | | | | | — | | — |
| Reversal of revaluation reserve for land | | | | | 1,110 | | 1,110 |
| Net changes in the year | 229,539 | 9,167 | (1,110) | 63,800 | 301,772 | 2,913 | 304,685 |
| BALANCE, MARCH 31, 2021 | \$731,078 | \$(553) | \$73,062 | \$(17,940) | \$5,737,883 | \$29,481 | \$5,767,364 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

| Year ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-------------------|-------------------|---------------------------------------|
| | 2021 | 2020 | 2021 |
| 1. Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 31,177 | ¥ 30,593 | \$ 281,615 |
| Depreciation | 6,743 | 7,159 | 60,914 |
| Impairment losses | 685 | 915 | 6,190 |
| Amortization of goodwill | 2,102 | 2,102 | 18,989 |
| Equity in losses (gains) of affiliates | (12) | 1 | (113) |
| Increase (decrease) in allowance for loan losses | 8,028 | 1,799 | 72,516 |
| Increase (decrease) in reserve for contingent losses | (269) | (64) | (2,435) |
| Decrease (increase) in asset for retirement benefits | (3,084) | 398 | (27,859) |
| Increase (decrease) in liability for retirement benefits | (8,633) | 5,205 | (77,981) |
| Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits | 1 | 6 | 17 |
| Increase (decrease) in reserve for reimbursement of deposits | (348) | (265) | (3,150) |
| Interest income | (104,502) | (109,237) | (943,933) |
| Interest expense | 1,763 | 4,395 | 15,930 |
| Losses (gains) on securities | (7,089) | (6,213) | (64,041) |
| Losses (gains) on money held in trust | 7 | 68 | 64 |
| Losses (gains) on foreign exchange | (6,357) | 2,053 | (57,422) |
| Losses (gains) on sales of fixed assets | 402 | 174 | 3,637 |
| Net decrease (increase) in trading assets | 382 | 281 | 3,454 |
| Net increase (decrease) in trading liabilities | (147) | (47) | (1,336) |
| Net decrease (increase) in loans and bills discounted | (393,996) | (312,312) | (3,558,815) |
| Net increase (decrease) in deposits | 1,166,557 | 261,483 | 10,537,054 |
| Net increase (decrease) in negotiable certificates of deposit | (16,261) | (33,193) | (146,883) |
| Net increase (decrease) in borrowed money (excluding subordinated borrowed money) | 1,558,395 | 214,909 | 14,076,375 |
| Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan) | (6,676) | (488) | (60,303) |
| Net decrease (increase) in call loans, bills bought, commercial paper, and other debt purchased | 64,493 | 24,761 | 582,547 |
| Net increase (decrease) in call money and bills sold | 225,045 | 52,928 | 2,032,748 |
| Net increase (decrease) in payables under securities lending transactions | 13,146 | (58,009) | 118,746 |
| Net decrease (increase) in foreign exchanges (assets) | (3,370) | (3,307) | (30,447) |
| Net increase (decrease) in foreign exchanges (liabilities) | 333 | (681) | 3,016 |
| Net increase (decrease) in borrowed money from trust account | 2,408 | 534 | 21,752 |
| Interest income—cash basis | 84,791 | 87,943 | 765,890 |
| Interest expense—cash basis | (2,016) | (4,468) | (18,215) |
| Other, net | 2,498 | 54,043 | 22,565 |
| Subtotal | 2,616,197 | 223,469 | 23,631,086 |
| Income taxes paid | (7,977) | (9,727) | (72,056) |
| Net cash provided by (used in) operating activities | 2,608,220 | 213,741 | 23,559,030 |
| 2. Cash flows from investing activities: | | | |
| Purchases of securities | (945,725) | (1,036,495) | (8,542,370) |
| Proceeds from sales of securities | 449,479 | 621,687 | 4,059,973 |
| Proceeds from redemption of securities | 250,893 | 368,078 | 2,266,226 |
| Purchases of money held in trust | (20,013) | (25,463) | (180,775) |
| Proceeds from sales of money held in trust | 20,156 | 20,295 | 182,065 |
| Proceeds from fund management | 18,554 | 22,817 | 167,596 |
| Purchases of tangible fixed assets | (3,549) | (3,343) | (32,065) |
| Proceeds from sales of tangible fixed assets | 138 | 965 | 1,248 |
| Purchases of intangible assets | (1,309) | (1,379) | (11,830) |
| Net cash provided by (used in) investing activities | (231,376) | (32,838) | (2,089,932) |
| 3. Cash flows from financing activities: | | | |
| Dividends paid | (6,697) | (7,381) | (60,495) |
| Dividends paid to non-controlling shareholders | (0) | (0) | (4) |
| Purchases of treasury stock | (5,375) | (5,380) | (48,555) |
| Proceeds from disposals of treasury stock | 0 | 0 | 0 |
| Net cash provided by (used in) financing activities | (12,073) | (12,761) | (109,054) |
| 4. Effect of exchange rate changes on cash and cash equivalents | 19 | (23) | 175 |
| 5. Net increase (decrease) in cash and cash equivalents | 2,364,789 | 168,118 | 21,360,219 |
| 6. Cash and cash equivalents at beginning of the period | 2,721,353 | 2,553,235 | 24,580,922 |
| 7. Cash and cash equivalents at end of the period (Note 5) | ¥5,086,143 | ¥2,721,353 | \$45,941,141 |

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Enforcement Regulation for the Banking Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items. The U.S. dollar amounts are then rounded to thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hokuhoku Financial Group, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to U.S. \$1, the rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2021 include the accounts of the Company and its 12 subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

An investment in one associated company is accounted for by the equity method.

Assets and liabilities of newly consolidated subsidiaries are valued at fair value at the respective dates of acquisition, and goodwill is amortized using the straight-line method over 20 years.

b. Cash and Cash Equivalents

For the purpose of reporting cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

c. Trading Purpose Transactions

"Transactions for trading purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are

included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the balance sheet date. Income and losses on trading purpose transactions are recognized on a trade-date basis and recorded as "Trading income" or "Trading losses."

Trading income and losses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the balance sheet dates.

d. Securities

Securities are classified and accounted for, based principally on the Group's intent, as follows: (a) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed by the straight-line method and (b) available-for-sale securities, which are not classified as trading purpose securities or held-to-maturity securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The fair values of equity securities with quoted market prices are determined based on the average quoted market prices in the last month of the fiscal year. Available-for-sale securities for which fair value is not reliably determined are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are recorded in the same manner as securities mentioned above.

e. Tangible Fixed Assets (excluding Lease Assets)

Tangible fixed assets are stated at cost less accumulated depreciation. The Company and its consolidated banking subsidiaries (the subsidiaries hereafter referred to as the "Banks") depreciate their equipment based on the declining-balance method and their premises principally based on the straight-line method. The estimated useful lives of major assets are as follows: (1) buildings: 6 to 50 years and (2) equipment: 3 to 20 years.

Consolidated non-banking subsidiaries depreciate their equipment and premises principally based on the declining-balance method over their expected useful lives.

f. Intangible Assets (excluding Lease Assets)

Intangible assets are amortized based on the straight-line method. Capitalized software for internal use owned by consolidated subsidiaries is amortized using the straight-line method over its estimated useful life (mainly five years).

g. Lease Assets

Lease assets under non-transfer ownership finance lease contracts (in which the ownership of leased assets is not transferred to the lessee; included in tangible fixed assets and intangible assets) are depreciated on a straight-line basis over the lease period with a residual value of zero, excepting when contracted amounts for residual value are specified.

h. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Allowance for Loan Losses

The Banks provide an allowance for loan losses which is determined based on management's judgment and an assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality, and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

The Banks have implemented a self-assessment system to determine the quality of their assets. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Banks' policy and guidelines for the self-assessment of asset quality.

The Banks have established a credit rating system under which customers are classified into five categories based on their financial condition, cash flows, earnings ability and other considerations. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "Normal," "In need of caution" ("Substandard" borrowers with substandard loans or other borrowers in need of caution), "Possible bankruptcy," "Virtual bankruptcy," and "Legal bankruptcy."

The definitions of these categories are as follows:

Normal:

A "Normal" borrower has strong results and no particular problems with its financial position.

In need of caution:

An "In need of caution" borrower has problems with lending conditions, has problems with fulfillment, has poor results or is unstable, has problems with its financial position, or otherwise requires special attention in future management.

Substandard:

A "Substandard" borrower has substandard loans.

"Substandard" loans are loans to "In need of caution" borrowers that are "three months or more in arrears" or have restructured loans.

Possible bankruptcy:

A "Possible bankruptcy" borrower is not bankrupt now but is facing business difficulties and has failed to make adequate progress on its business improvement plan, etc., such that there is a strong possibility of it going into bankruptcy in the future.

Virtual bankruptcy:

A "Virtual bankruptcy" borrower is not yet legally and formally bankrupt, but is in serious business difficulties from which it is considered impossible to rebuild. In other

words, the borrower is practically bankrupt.

Legal bankruptcy:

A "Legal bankruptcy" borrower is legally and formally bankrupt. This would include bankruptcy, liquidation, corporate reorganization, civil-rehabilitation, composition, and deposition by suspension of business in the clearing house.

For loans to borrowers classified as "Legal bankruptcy" or "Virtual bankruptcy," the Banks fully provide the net amount of loans and estimated collectible amounts by collateral or guarantees.

For borrowers classified as "Possible bankruptcy" with which the unsecured portion of claims exceeds a certain amount, or a large lot borrowers holding substandard loans, if cash flows from collection of principal and interest can be reasonably estimated, the Banks provide the difference between the present values of these cash flows discounted at the initial contractual interest rate and the book values of the loans (the "DCF" method).

For borrowers classified as "Possible bankruptcy" or holding substandard loans without using the "DCF" method, a specific reserve or a general allowance is provided based on three-year expected loan losses. Expected loan losses are measured based on three-year historical loan loss ratio and forward-looking information.

For borrowers classified as "Normal" or "In need of caution" loans, the Banks segregate the loans into two categories "Business loan" or "Consumer loan." General allowance for these categories is provided based on one-year expected loan losses, respectively. Expected loan losses are measured by each categories based on one-year historical loan loss ratios and forward-looking information.

The Company and its consolidated non-banking subsidiaries determine the allowance for loan losses by a similar self-assessment system as that of the Banks.

For collateralized or guaranteed claims to borrowers who are in "Virtual bankruptcy" or "Legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. The deducted amounts were ¥37,109 million (\$335,193 thousand) and ¥38,565 million at March 31, 2021 and 2020, respectively.

j. Accounting Method for Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year.

The unrecognized actuarial (gains) losses are amortized using the straight-line method over eight or nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

k. Reserve for Directors' and Audit & Supervisory Board Members' Retirement Benefits

A reserve for directors' and audit & supervisory board members' retirement benefits is provided for payment of retirement benefits to directors and audit & supervisory board members in the amount deemed accrued at the fiscal year end, based on the estimated amount of benefits.

The Company and the Banks abolished their directors' and audit & supervisory board members' retirement benefits system at the Board of Directors' meeting on May 11, 2012, and resolved to provide a lump-sum payment of retirement benefits of directors and audit & supervisory board members at the general meeting of shareholders on June 26, 2012. According to these resolutions, the lump-sum payment of retirement benefits of directors and audit & supervisory board members shall be effectuated upon the retirement of each individual director and audit & supervisory board member. Reserve for directors' and audit & supervisory board members' retirement benefits was ended in June 2012, and the entire remaining amount is included in "reserve for directors' and audit & supervisory board members' retirement benefits."

l. Reserve for Contingent Losses

A reserve for contingent losses is provided for possible losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations and possible losses from contingencies not covered by other specific reserves.

m. Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits which were not previously recognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

n. Reserve under the Special Laws

A reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities related transactions or derivative transactions in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act.

o. Stock Options

The companies are required to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The companies are also required to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. Income Taxes

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

q. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing as of the balance sheet date.

r. Derivatives and Hedging Activities

Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gains (losses) on hedge accounting in a separate component of equity.

The Banks hedge interest rate risks arising from their financial assets and liabilities by employing the technique known as "individual hedging" that establishes a specific position to directly hedge a particular item. Such hedges, limited to certain assets and liabilities, are accounted for by the deferred method or, where appropriate interest rate swaps are involved, by the special rule method.

The effectiveness of hedges is assessed as follows: the Banks specify the hedged items according to their risk management regulations, with the aim of centralizing hedging instruments, and verify the extent to which the exposure of interest rate risks on hedged items is mitigated.

The Banks hedge currency exchange fluctuation risks arising from their foreign currency denominated financial assets and liabilities. Such hedges are accounted for by the deferred method specified in the "Accounting and Auditing Treatments in Banking Business in Accounting for Foreign Currency Denominated Transactions and Others" (The Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidelines No. 25).

The effectiveness of these hedges is assessed as follows: where currency swap transactions and exchange swap transactions are used as hedging instruments to offset exchange fluctuation risks arising from foreign currency denominated financial assets and liabilities, hedge effectiveness is assessed by verifying the agreement of the amounts of the designated hedging instruments corresponding to the hedged foreign currency financial assets and liabilities.

The Company and consolidated non-banking subsidiaries are not engaged in hedging operations using derivative transactions.

s. Consumption Taxes

The Company and its domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax exclusion method, whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions. However, consumption taxes on tangible fixed assets that are not tax-deductible are expensed in the fiscal year under review.

t. Finance Lease

Sales and cost of sales are accounted for when lease payments are paid.

u. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

v. New Accounting Pronouncements

Accounting standards for Revenue Recognition

The ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" on March 31, 2020 and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition" on March 26, 2021. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Accounting standards for Fair Value Measurement

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the current accounting standards, nonmarketable available-for-sale securities are stated at cost.

The New Accounting Standards are effective for annual periods beginning on or after April 1, 2021.

The Company expects to apply the New Accounting Standards for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the New Accounting Standards in future applicable periods.

3. Significant Accounting Estimate

The significant accounting estimate that can significantly affect the consolidated financial statements for the next fiscal year is as follows:

Allowance for loan losses

- (1) Carrying amount on the consolidated financial statements of fiscal year ended March 31, 2021

Allowance for loan losses ¥62,731 million (\$566,630 thousand)

- (2) Information on the significant accounting estimate

- (a) Methodology for estimate

The Banks estimate the allowance for loan losses according to the methodology described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses" to the consolidated financial statements.

- (b) Principal assumption

The Banks' development of the prospects for recovery of borrowers' business performance in the future periods and the achievability of the borrowers' medium-term to long-term business improvement plans largely contributes to the assumption for the allowance. The Banks frequently determine the borrower classifications based on the prospects for recovery of the borrowers' business performance in the future periods and the achievability of the borrowers' medium-term to long-term business improvement plans, in addition to the borrowers' historical business performance. Furthermore, the Banks assess whether to change the borrower classifications, as necessary, reflecting the changes in the borrowers' business conditions, including the impact of the novel coronavirus disease ("COVID-19").

In addition, the Group's current expectation is that the majority of the impact of COVID-19 on our society will manifest in the next 1 to 2 years, and that during this period, there will be a distinct impact on the financial health of borrowers. At the end of current fiscal year, allowance for loan losses is provided assessing whether to change the borrower classifications, as necessary, reflecting the changes in the borrowers' business conditions, based on the expectation including the impact of COVID-19.

- (c) The risk that might affect carrying amount to the consolidated financial statements in next financial year
If borrowers' business performance changes or COVID-19 lasts for longer than the Group's current assumption, it is possible that the situation will have a significant impact on allowance for loan losses

4. Change in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Group has initially applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Guidance No. 31 on March 31, 2020) to the consolidated financial statements as of the end of and for the current fiscal year and included note regarding significant accounting estimate in the consolidated financial statements.

However, in accordance with transitional treatment provided in Section 11 of "Accounting Standard for Disclosure of Accounting Estimates," the note related to the fiscal year ended March 31, 2020 has not been included.

5. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Cash and due from banks | ¥5,096,491 | ¥2,725,025 | \$46,034,609 |
| Due from banks except for deposits with the Bank of Japan | (10,347) | (3,671) | (93,468) |
| Cash and cash equivalents | ¥5,086,143 | ¥2,721,353 | \$45,941,141 |

6. Trading Assets and Liabilities

Trading assets and liabilities as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Trading Assets | | | |
| Trading securities | ¥2,926 | ¥3,139 | \$26,433 |
| Trading-related financial derivatives | 481 | 650 | 4,349 |
| Total | ¥3,407 | ¥3,790 | \$30,782 |
| | | | |
| | Millions of yen | | Thousands of U.S. dollars |
| | 2021 | 2020 | 2021 |
| Trading Liabilities | | | |
| Trading-related financial derivatives | ¥349 | ¥497 | \$3,156 |
| Total | ¥349 | ¥497 | \$3,156 |

7. Money Held in Trust

Money held in trust for trading purposes as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Amounts recorded in the consolidated balance sheet | ¥14,045 | ¥14,204 | \$126,870 |
| Valuation gain (loss) included in consolidated statement of income | 12 | (53) | 111 |

Money held in trust for other purposes as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Amounts recorded in the consolidated balance sheet | ¥4,500 | ¥1,850 | \$40,647 |
| Valuation gain (loss) included in consolidated statement of income | — | — | — |

8. Securities

Securities as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-------------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Japanese national government bonds | ¥ 448,020 | ¥ 452,102 | \$ 4,046,797 |
| Japanese local government bonds | 551,450 | 476,500 | 4,981,037 |
| Japanese corporate bonds | 288,519 | 303,771 | 2,606,084 |
| Japanese corporate stocks | 238,941 | 197,884 | 2,158,267 |
| Other securities | 580,358 | 385,225 | 5,242,147 |
| Total | ¥2,107,290 | ¥1,815,484 | \$19,034,332 |

As of March 31, 2021 and 2020, securities included equity investments in non-consolidated subsidiaries that amounted to ¥1,334 million (\$12,058 thousand) and ¥1,194 million, respectively.

In the following description, in addition to "Securities," also presented are trading account securities which are classified as "Trading assets" in the consolidated balance sheet and beneficiary claims on loan trusts which are classified as "Monetary claims bought" in the consolidated balance sheet.

Valuation gain or loss on trading account securities included in income before income taxes was ¥(29) million (\$268) thousand and ¥(27) million as of March 31, 2021 and 2020, respectively.

The amounts on the consolidated balance sheet, aggregate fair value, and unrealized gains (losses) on held-to-maturity debt securities as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | |
|--|--------------------------------------|----------------------|-------------------------------|
| | Amount on consolidated balance sheet | Estimated fair value | Net unrealized gains (losses) |
| March 31, 2021 | | | |
| Fair value exceeding amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | ¥61,496 | ¥70,316 | ¥8,819 |
| Japanese local government bonds | 2,500 | 2,518 | 18 |
| Japanese corporate bonds | 107,714 | 108,364 | 650 |
| Total | ¥171,710 | ¥181,199 | ¥9,488 |
| Fair value below amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | ¥ — | ¥ — | ¥ — |
| Japanese local government bonds | — | — | — |
| Japanese corporate bonds | 27,171 | 27,066 | (104) |
| Total | 27,171 | 27,066 | (104) |
| Grand total | ¥198,881 | ¥208,265 | ¥9,383 |

| | Millions of yen | | |
|--|--------------------------------------|----------------------|-------------------------------|
| | Amount on consolidated balance sheet | Estimated fair value | Net unrealized gains (losses) |
| March 31, 2020 | | | |
| Fair value exceeding amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | ¥64,026 | ¥73,740 | ¥9,713 |
| Japanese local government bonds | 1,500 | 1,519 | 19 |
| Japanese corporate bonds | 118,983 | 119,803 | 819 |
| Total | ¥184,510 | ¥195,063 | ¥10,553 |
| Fair value below amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | ¥ — | ¥ — | ¥ — |
| Japanese local government bonds | 1,000 | 999 | (0) |
| Japanese corporate bonds | 20,784 | 20,689 | (95) |
| Total | 21,784 | 21,688 | (96) |
| Grand total | ¥206,294 | ¥216,751 | ¥10,456 |

| | Thousands of U.S. dollars | | |
|--|--------------------------------------|----------------------|-------------------------------|
| | Amount on consolidated balance sheet | Estimated fair value | Net unrealized gains (losses) |
| March 31, 2021 | | | |
| Fair value exceeding amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | \$ 555,473 | \$ 635,141 | \$79,668 |
| Japanese local government bonds | 22,581 | 22,748 | 167 |
| Japanese corporate bonds | 972,942 | 978,816 | 5,874 |
| Total | \$1,550,996 | \$1,636,705 | \$85,709 |
| Fair value below amount on consolidated balance sheet: | | | |
| Held-to-maturity debt securities: | | | |
| Japanese government bonds | \$ — | \$ — | \$ — |
| Japanese local government bonds | — | — | — |
| Japanese corporate bonds | 245,426 | 244,478 | (948) |
| Total | 245,426 | 244,478 | (948) |
| Grand total | \$1,796,422 | \$1,881,183 | \$84,761 |

The amounts on the consolidated balance sheet, acquisition or amortized cost, and unrealized gains (losses) on available-for-sale securities as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | |
|---|--------------------------------------|-----------------------------|-------------------------------|
| | Amount on consolidated balance sheet | Acquisition/ amortized cost | Net unrealized gains (losses) |
| March 31, 2021 | | | |
| Amount on consolidated balance sheet exceeding acquisition or amortized cost: | | | |
| Japanese corporate stocks | ¥ 186,287 | ¥ 68,158 | ¥ 118,129 |
| Bonds: | | | |
| Japanese government bonds | 177,332 | 176,297 | 1,035 |
| Japanese local government bonds | 323,798 | 322,674 | 1,124 |
| Japanese corporate bonds | 122,143 | 120,440 | 1,703 |
| Total bonds | 623,275 | 619,411 | 3,863 |
| Other securities: | | | |
| Foreign securities | 132,027 | 122,450 | 9,576 |
| Other | 114,931 | 104,440 | 10,491 |
| Total other securities | 246,958 | 226,890 | 20,067 |
| Total | ¥1,056,521 | ¥914,460 | ¥142,060 |
| Amount on consolidated balance sheet below acquisition or amortized cost: | | | |
| Japanese corporate stocks | ¥ 23,191 | ¥ 29,177 | ¥ (5,986) |
| Bonds: | | | |
| Japanese government bonds | 209,191 | 210,399 | (1,207) |
| Japanese local government bonds | 225,151 | 225,761 | (609) |
| Japanese corporate bonds | 31,490 | 31,629 | (139) |
| Total bonds | 465,833 | 467,790 | (1,956) |
| Other securities: | | | |
| Foreign securities | 217,934 | 230,169 | (12,234) |
| Other | 143,446 | 153,694 | (10,248) |
| Total other securities | 361,380 | 383,863 | (22,482) |
| Total | 850,405 | 880,831 | (30,425) |
| Grand total | ¥1,906,926 | ¥1,795,292 | ¥111,634 |

| | Millions of yen | | |
|---|--------------------------------------|-----------------------------|-------------------------------|
| | Amount on consolidated balance sheet | Acquisition/ amortized cost | Net unrealized gains (losses) |
| March 31, 2020 | | | |
| Amount on consolidated balance sheet exceeding acquisition or amortized cost: | | | |
| Japanese corporate stocks | ¥ 131,254 | ¥ 51,407 | ¥79,846 |
| Bonds: | | | |
| Japanese government bonds | 344,350 | 340,467 | 3,883 |
| Japanese local government bonds | 271,621 | 269,956 | 1,664 |
| Japanese corporate bonds | 116,305 | 114,096 | 2,208 |
| Total bonds | 732,277 | 724,521 | 7,756 |
| Other securities: | | | |
| Foreign securities | 154,875 | 143,077 | 11,797 |
| Other | 102,271 | 96,204 | 6,066 |
| Total other securities | 257,146 | 239,282 | 17,863 |
| Total | ¥1,120,678 | ¥1,015,210 | ¥105,467 |
| Amount on consolidated balance sheet below acquisition or amortized cost: | | | |
| Japanese corporate stocks | ¥37,111 | ¥46,171 | ¥(9,059) |
| Bonds: | | | |
| Japanese government bonds | 43,725 | 43,957 | (231) |
| Japanese local government bonds | 202,379 | 202,918 | (539) |
| Japanese corporate bonds | 47,697 | 48,111 | (414) |
| Total bonds | 293,802 | 294,987 | (1,185) |
| Other securities: | | | |
| Foreign securities | 15,352 | 15,507 | (155) |
| Other | 145,405 | 164,756 | (19,350) |
| Total other securities | 160,758 | 180,264 | (19,506) |
| Total | 491,672 | 521,423 | (29,751) |
| Grand total | ¥1,612,350 | ¥1,536,634 | ¥75,715 |

| | Thousands of U.S. dollars | | |
|---|--------------------------------------|-----------------------------|-------------------------------|
| | Amount on consolidated balance sheet | Acquisition/ amortized cost | Net unrealized gains (losses) |
| March 31, 2021 | | | |
| Amount on consolidated balance sheet exceeding acquisition or amortized cost: | | | |
| Japanese corporate stocks | \$1,682,662 | \$615,648 | \$1,067,014 |
| Bonds: | | | |
| Japanese government bonds | 1,601,776 | 1,592,422 | 9,354 |
| Japanese local government bonds | 2,924,748 | 2,914,591 | 10,157 |
| Japanese corporate bonds | 1,103,279 | 1,087,888 | 15,391 |
| Total bonds | 5,629,803 | 5,594,901 | 34,902 |
| Other securities: | | | |
| Foreign securities | 1,192,549 | 1,106,050 | 86,499 |
| Other | 1,038,130 | 943,367 | 94,763 |
| Total other securities | 2,230,679 | 2,049,417 | 181,262 |
| Total | \$9,543,144 | \$8,259,966 | \$1,283,178 |
| Amount on consolidated balance sheet below acquisition or amortized cost: | | | |
| Japanese corporate stocks | \$209,475 | \$263,548 | \$(54,073) |
| Bonds: | | | |
| Japanese government bonds | 1,889,548 | 1,900,453 | (10,905) |
| Japanese local government bonds | 2,033,707 | 2,039,213 | (5,506) |
| Japanese corporate bonds | 284,438 | 285,700 | (1,262) |
| Total bonds | 4,207,693 | 4,225,366 | (17,673) |
| Other securities: | | | |
| Foreign securities | 1,968,519 | 2,079,031 | (110,512) |
| Other | 1,295,692 | 1,388,259 | (92,567) |
| Total other securities | 3,264,211 | 3,467,290 | (203,079) |
| Total | 7,681,379 | 7,956,204 | (274,825) |
| Grand total | \$17,224,523 | \$16,216,170 | \$1,008,353 |

Information on available-for-sale securities, which were sold during the years ended March 31, 2021 and 2020 is as follows:

| | Millions of yen | | |
|---------------------------------|-----------------|----------------|-----------------|
| | Proceeds | Realized gains | Realized losses |
| March 31, 2021 | | | |
| Japanese corporate stocks | ¥47,367 | ¥8,053 | ¥1,059 |
| Bonds: | | | |
| Japanese government bonds | 49,097 | 81 | 96 |
| Japanese local government bonds | 42,103 | 241 | 207 |
| Japanese corporate bonds | 70 | 0 | — |
| Total bonds | 91,271 | 323 | 303 |
| Other securities: | | | |
| Foreign securities | 149,578 | 4,111 | 1,012 |
| Other | 90,638 | 2,745 | 5,921 |
| Total other securities | 240,217 | 6,856 | 6,934 |
| Total | ¥378,856 | ¥15,233 | ¥8,297 |

| | Millions of yen | | |
|---------------------------------|-----------------|----------------|-----------------|
| | Proceeds | Realized gains | Realized losses |
| March 31, 2020 | | | |
| Japanese corporate stocks | ¥49,437 | ¥4,176 | ¥3,991 |
| Bonds: | | | |
| Japanese government bonds | 25,214 | 124 | 44 |
| Japanese local government bonds | 34,602 | 237 | 22 |
| Japanese corporate bonds | 1,754 | 9 | — |
| Total bonds | 61,570 | 371 | 66 |
| Other securities: | | | |
| Foreign securities | 220,473 | 5,531 | 249 |
| Other | 124,414 | 4,976 | 1,266 |
| Total other securities | 344,888 | 10,508 | 1,516 |
| Total | ¥455,897 | ¥15,056 | ¥5,575 |

| March 31, 2021 | Thousands of U.S. dollars | | |
|---------------------------------|---------------------------|------------------|-----------------|
| | Proceeds | Realized gains | Realized losses |
| Japanese corporate stocks | \$427,851 | \$72,741 | \$9,571 |
| Bonds: | | | |
| Japanese government bonds | 443,478 | 732 | 870 |
| Japanese local government bonds | 380,305 | 2,181 | 1,872 |
| Japanese corporate bonds | 638 | 6 | — |
| Total bonds | 824,421 | 2,919 | 2,742 |
| Other securities: | | | |
| Foreign securities | 1,351,088 | 37,139 | 9,144 |
| Other | 818,701 | 24,796 | 53,490 |
| Total other securities | 2,169,789 | 61,935 | 62,634 |
| Total | \$3,422,061 | \$137,595 | \$74,947 |

Impairment losses on available-for-sale securities amounted to ¥116 million (\$1,054 thousand) and ¥3,389 million as of March 31, 2021 and 2020, respectively.

An impairment of securities is recognized if the decline in fair value is substantial and the decline is determined to be other-than-temporary. The assessment of whether or not a decline in fair value is other-than-temporary by classification of the security issuer which is used in the self-assessment of asset quality is as follows:

(1) For issuers who are classified as borrowers under “In need of caution,” “Possible bankruptcy,” “Virtual bankruptcy,” “Legal bankruptcy.”

Stocks: where the fair value is lower than the acquisition cost.

Bonds: where the fair value declines by over 30% compared to the amortized cost or acquisition cost.

(2) For issuers who are classified as borrowers under “Normal.”

Stocks and bonds: where the fair value declines by 50% or more compared to the amortized cost or acquisition cost, or the fair value declines by over 30% but less than 50% compared to the amortized cost or acquisition cost and market prices remaining below a certain level.

Reconciliation of valuation difference on available-for-sale securities to the amounts included in “valuation difference on available-for-sale securities,” presented as a separate component of net assets as of March 31, 2021 and 2020, in the consolidated balance sheet, was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Valuation difference before taxes on available-for-sale securities | ¥111,634 | ¥75,715 | \$1,008,353 |
| Deferred tax liabilities | (30,674) | (20,098) | (277,068) |
| Valuation difference on available-for-sale securities (before adjustment) | 80,960 | 55,616 | 731,285 |
| Amounts attributable to non-controlling interests | (218) | (159) | (1,977) |
| The Company's portion of valuation difference on available-for-sale securities of equity method investees | 195 | 67 | 1,770 |
| Amounts recorded in the consolidated balance sheet | ¥ 80,937 | ¥55,525 | \$ 731,078 |

9. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------|-------------------|------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Bills discounted | ¥19,701 | ¥29,563 | \$177,955 |
| Loans on bills | 172,132 | 225,441 | 1,554,810 |
| Loans on deeds | 7,797,266 | 7,282,401 | 70,429,648 |
| Overdrafts | 1,061,345 | 1,119,043 | 9,586,721 |
| Total | ¥9,050,446 | ¥8,656,450 | \$81,749,134 |

Loans and bills discounted include loans to borrowers in bankruptcy, past due loans, past due loans (three months or more), and restructured loans. The amounts of these loans were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Loans to borrowers in bankruptcy | ¥3,124 | ¥3,196 | \$28,219 |
| Past due loans | 153,218 | 131,319 | 1,383,959 |
| Past due loans (three months or more) | 428 | 367 | 3,871 |
| Restructured loans | 25,123 | 20,767 | 226,931 |
| Total | ¥181,894 | ¥155,651 | \$1,642,980 |

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Order for Enforcement of the Corporation Tax Act.

Past due loans are nonaccrual loans which include loans classified as "Possible bankruptcy" and "Virtual bankruptcy."

Nonaccrual loans are defined as loans (after the partial write-off of claims deemed uncollectible) on which the Banks have stopped accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "Possible bankruptcy" or "Virtual bankruptcy" under the Banks' self-assessment guidelines.

In addition to past due loans as defined above, certain other loans classified as "In need of caution" under the Banks' self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Group relaxes lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

These amounts represent the gross amounts before deduction of the allowance for loan losses.

Bills discounted are accounted for as financial transactions in accordance with "Accounting and Auditing treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Committee Practical Guidelines No. 24). The Banks have the right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, were ¥21,346 million (\$192,811 thousand) and ¥33,036 million as of March 31, 2021 and 2020, respectively.

10. Foreign Exchanges

Foreign exchanges as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Assets | | | |
| Due from foreign banks | ¥19,040 | ¥13,912 | \$171,987 |
| Foreign exchange bills bought | 1,644 | 3,473 | 14,856 |
| Foreign exchange bills receivable | 1,700 | 1,628 | 15,355 |
| Total | ¥22,385 | ¥19,014 | \$202,198 |
| Liabilities | | | |
| Due to foreign banks | ¥227 | ¥21 | \$2,051 |
| Foreign exchange bills sold | 0 | 22 | 3 |
| Foreign exchange bills payable | 220 | 69 | 1,988 |
| Total | ¥447 | ¥113 | \$4,042 |

11. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Buildings | ¥32,612 | ¥32,963 | \$294,579 |
| Land | 56,597 | 56,927 | 511,219 |
| Lease assets | 847 | 846 | 7,651 |
| Construction in progress | 221 | 260 | 2,003 |
| Other tangible fixed assets | 5,505 | 5,907 | 49,729 |
| Total | ¥95,784 | ¥96,905 | \$865,181 |

Accumulated depreciation amounted to ¥105,989 million (\$957,362 thousand) and ¥103,037 million as of March 31, 2021 and 2020, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥5,824 million (\$52,612 thousand) and ¥5,738 million as of March 31, 2021 and 2020, respectively.

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revalued its own land for business operations as of March 31, 1998. The revaluation gain is included in net assets as "Revaluation reserve for land." The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥16,422 million (\$148,342 thousand) and ¥16,982 million as of March 31, 2021 and 2020, respectively.

12. Intangible Assets

Intangible assets as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Software | ¥5,404 | ¥7,038 | \$48,820 |
| Goodwill | 7,182 | 9,285 | 64,879 |
| Lease assets | 259 | 325 | 2,348 |
| Other intangible assets | 720 | 671 | 6,512 |
| Total | ¥13,568 | ¥17,320 | \$122,559 |

13. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in liabilities on the consolidated balance sheet. As a contra account, customers' liabilities for acceptances and guarantees are also shown in assets, which represent the Banks' right of indemnity from the applicants.

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥168,245 million (\$1,519,699 thousand) and ¥170,406 million as of March 31, 2021 and 2020, respectively.

14. Assets Pledged

Assets pledged as collateral and their relevant liabilities as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Assets pledged as collateral: | | | |
| Securities | ¥1,141,336 | ¥749,462 | \$10,309,241 |
| Loans and bills discounted | 2,331,618 | 653,398 | 21,060,595 |
| Relevant liabilities to the above assets: | | | |
| Deposits | 29,281 | ¥28,280 | 264,484 |
| Call money and bills sold | 78,000 | 45,000 | 704,543 |
| Payables under securities lending transactions | 307,787 | 294,641 | 2,780,124 |
| Borrowed money | 2,380,313 | 822,015 | 21,500,442 |

In addition to the assets presented above, the following assets were pledged as collateral relating to transactions on exchange settlements or as substitutes for futures transaction margins as of March 31, 2021 and 2020:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Securities | ¥ 2,056 | ¥ 2,006 | \$ 18,576 |
| Other assets | 105,219 | 105,219 | 950,406 |

In addition to the above, initial margins for futures transactions, cash collateral paid for financial instruments, and guarantee deposits that are included in "Other assets" in the consolidated balance sheet as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Cash collateral paid for financial instruments | ¥7,203 | ¥6,151 | \$65,065 |
| Guarantee deposits | 4,057 | 4,348 | 36,651 |

15. Loan Commitments

Overdraft facility and loan commitment contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totaled ¥2,492,147 million (\$22,510,594 thousand) and ¥2,447,305 million as of March 31, 2021 and 2020, respectively, of which amounts with original agreement terms of less than one year are ¥2,337,027 million (\$21,109,452 thousand) and ¥2,320,671 million as of March 31, 2021 and 2020, respectively.

Since the majority of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Group to refuse customers' applications for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Group obtains collateral including real estate, securities, etc., if considered necessary. Subsequently, the Group performs a periodic review of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

16. Deposits

Deposits as of March 31, 2021 and 2020 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|-------------|---------------------------|
| | 2021 | 2020 | 2021 |
| Current deposits, ordinary deposits, saving deposits and deposits at notice | ¥9,144,928 | ¥7,953,259 | \$82,602,555 |
| Time deposits and installment savings | 3,443,341 | 3,479,486 | 31,102,355 |
| Negotiable certificates of deposit | 64,238 | 80,500 | 580,244 |
| Other deposits | 136,404 | 125,371 | 1,232,090 |
| Total | ¥12,788,914 | ¥11,638,618 | \$115,517,244 |

17. Borrowed Money

As of March 31, 2021 and 2020, the weighted-average annual interest rates applicable to borrowed money were 0.02% and 0.03%, respectively.

Annual maturities of borrowed money as of March 31, 2021 were as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|----------------------|-------------------|---------------------------|
| 2022 | ¥1,650,985 | \$14,912,707 |
| 2023 | 68,842 | 621,832 |
| 2024 | 362,103 | 3,270,741 |
| 2025 | 303,059 | 2,737,417 |
| 2026 | 471 | 4,259 |
| 2027 and thereafter | 506 | 4,575 |
| Total | ¥2,385,969 | \$21,551,531 |

18. Retirement Benefits

Overview of the Group's retirement benefit plans

The Hokuriku Bank, Ltd. which previously provided three defined benefit retirement programs, corporate pensions, and tax qualified pension and retirement bonuses, terminated the tax qualified pension and migrated a portion of the retirement bonus to a defined contribution pension in March 2011. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity with the standards for accounting for retirement benefits. The Minister of Health, Labour and Welfare approved on February 17, 2003 that Hokuriku Bank Ltd. would be relieved of the obligation to administer the future payment service of the government mandated portion of its employee pension fund. The Hokuriku Bank, Ltd. was further approved on March 1, 2005 to switch from an employee pension fund to a corporate pension fund.

The Hokkaido Bank, Ltd. provides defined benefit arrangements that combine a retirement lump sum grant and an employee pension fund plan, and also provides a defined contribution pension since fiscal year 2016. The Hokkaido Bank, Ltd. was approved by the Minister of Health, Labour and Welfare on March 26, 2004 to be relieved of the obligation to administer the future payment service of the government mandated portion of the employee pension fund. The Hokkaido Bank, Ltd. was further approved on March 31, 2006 to switch from an employee pension fund to a corporate pension fund.

The consolidated domestic subsidiaries, other than the two noted above, provide retirement lump-sum grants.

The Company's employees are all on loan from its subsidiaries and are covered by the retirement benefit program of the subsidiaries from which they each come.

The Banks have established retirement benefit trusts.

(a) Defined benefit plan

(1) The changes in defined benefit obligations for the years ended March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Balance at beginning of year | ¥96,454 | ¥97,879 | \$871,232 |
| Service cost | 2,255 | 2,339 | 20,369 |
| Interest cost | 593 | 602 | 5,362 |
| Actuarial (gains) losses | 776 | 985 | 7,014 |
| Benefits paid | (5,298) | (5,440) | (47,858) |
| Others | 83 | 87 | 754 |
| Balance at end of year | ¥94,864 | ¥96,454 | \$856,873 |

(2) The changes in plan assets for the years ended March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Balance at beginning of year | ¥84,254 | ¥91,283 | \$761,035 |
| Expected return on plan assets | 2,395 | 2,651 | 21,641 |
| Actuarial (gains) losses | 9,699 | (6,300) | 87,612 |
| Contributions from the employer | 2,031 | 443 | 18,347 |
| Benefits paid | (4,082) | (3,910) | (36,872) |
| Others | 83 | 87 | 754 |
| Balance at end of year | ¥94,382 | ¥84,254 | \$852,517 |

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Funded defined benefit obligation | ¥80,622 | ¥81,729 | \$728,231 |
| Plan assets | (83,706) | (74,845) | (756,090) |
| | (3,084) | 6,884 | (27,859) |
| Unfunded defined benefit obligation | 14,242 | 14,724 | 128,642 |
| Plan assets | (10,675) | (9,408) | (96,427) |
| | 3,566 | 5,315 | 32,215 |
| Net liability (asset) arising from defined benefit obligation | ¥ 482 | ¥12,199 | \$ 4,356 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Liability for retirement benefits | ¥3,566 | ¥12,199 | \$32,215 |
| Asset for retirement benefits | (3,084) | — | (27,859) |
| Net liability (asset) arising from defined benefit obligation | ¥ 482 | ¥12,199 | \$ 4,356 |

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Service cost | ¥2,255 | ¥2,339 | \$20,369 |
| Interest cost | 593 | 602 | 5,362 |
| Expected return on plan assets | (2,395) | (2,651) | (21,641) |
| Recognized actuarial (gains) losses | 1,229 | 1,272 | 11,106 |
| Others | 118 | 56 | 1,069 |
| Net periodic benefit costs | ¥1,800 | ¥1,619 | \$16,265 |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Actuarial gains (losses) | ¥10,152 | ¥(6,014) | \$91,703 |
| Total | ¥10,152 | ¥(6,014) | \$91,703 |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Unrecognized actuarial (gains) losses | ¥2,856 | ¥13,008 | \$25,798 |
| Total | ¥2,856 | ¥13,008 | \$25,798 |

(7) Plan assets

• *Components of plan assets*

Plan assets as of March 31, 2021 and 2020 consisted of the following:

| | 2021 | 2020 |
|-------------------|----------------|---------|
| Bonds | 29.13% | 35.14% |
| Stocks | 45.43 | 34.11 |
| Cash and deposits | 2.75 | 11.86 |
| General accounts | 7.11 | 7.88 |
| Other | 15.58 | 11.01 |
| Total | 100.00% | 100.00% |

Note: Plan assets include retirement benefit trusts of 19.28% and 19.15% as of March 31, 2021 and 2020, respectively.

• *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020 were set forth as follows:

| | 2021 | 2020 |
|--|--------------------|-------------|
| Discount rate | 0.61%–0.63% | 0.61%–0.63% |
| Expected rate of return on plan assets | 2.7%–3.0% | 3.0%–3.3% |

(b) *Defined contribution pension plan*

| | Millions of yen | | Thousands of U.S. dollars |
|--------------|-----------------|------|---------------------------|
| | 2021 | 2020 | 2021 |
| Contribution | ¥345 | ¥353 | \$3,123 |

19. Equity

Japanese banks are subject to the Banking Act and the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 27, 2017. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve, and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 100% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On October 1, 2016, the Company implemented a common stock consolidation at a ratio of ten stocks to one stock based on the resolution of the General Shareholders' meeting held on June 24, 2016.

(d) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2021 will be approved at the Company's general shareholders' meeting held on June 25, 2021:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Cash dividends, ¥35.00 (\$0.32) per share of common stock | ¥4,592 | \$41,485 |
| Cash dividends, ¥7.50 (\$0.07) per share of preferred stock (Type 5) | 644 | 5,822 |

20. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|-------------------------|-------------|-------------|
| Number of shares: | | |
| Authorized: | | |
| Common | 280,000,000 | 280,000,000 |
| Preferred (Type 5) | 110,000,000 | 110,000,000 |
| Issued and outstanding: | | |
| Common | 132,163,014 | 132,163,014 |
| Preferred (Type 5) | 85,955,000 | 96,698,000 |
| Treasury stock: | | |
| Common | 953,838 | 999,658 |
| Preferred (Type 5) | 11,128 | 11,144 |

Preferred stock (Type 5)

Preferred stock (Type 5) is noncumulative and nonparticipating. Shareholders of the preferred stock (Type 5) are not entitled to vote at the general meeting of shareholders, except when the proposal to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 5) are paid to shareholders at ¥15.00.

The changes in the number of treasury stock for the fiscal years ended March 31, 2021 and 2020 were as follows:

| | As of April 1, 2020 | Changes during the fiscal year | | As of March 31, 2021 |
|--------------------|------------------------|--------------------------------|------------|-------------------------|
| | | Increase*1 | Decrease*2 | |
| 2021 | | | | |
| Common | 999,658 | 4,120 | 49,940 | 953,838 |
| Preferred (Type 5) | 11,144 | 10,742,984 | 10,743,000 | 11,128 |

*1 The increase of common represents primarily the acquisition of odd-lot shares.

The increase of preferred (Type5) represents the acquisition of treasury stock.

*2 The decrease of common represents primarily the exercise of stock options.

The decrease of preferred (Type5) represents the retirement of treasury stock.

| | As of April 1, 2019 | Changes during the fiscal year | | As of March 31, 2020 |
|--------------------|------------------------|--------------------------------|------------|-------------------------|
| | | Increase*1 | Decrease*2 | |
| 2020 | | | | |
| Common | 1,038,191 | 7,777 | 46,310 | 999,658 |
| Preferred (Type 5) | 2,160 | 10,742,984 | 10,734,000 | 11,144 |

*1 The increase of common represents primarily the acquisition of odd-lot shares.

The increase of preferred (Type5) represents the acquisition of treasury stock.

*2 The decrease of common represents primarily the exercise of stock options.

The decrease of preferred (Type5) represents the retirement of treasury stock.

21. Stock Acquisition Rights

Stock acquisition rights as of March 31, 2021 and 2020 consisted of stock options.

22. Stock Options

The stock option plans grant options to the Company's directors and the Banks' directors and executive officers to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

Stock option expenses in the amount of ¥110 million (\$1,000 thousand) and ¥123 million were recorded under general and administrative expenses for the years ended March 31, 2021 and 2020, respectively.

The stock options outstanding as of March 31, 2021 were as follows:

| Stock options | Persons granted | Number of options granted (Shares) | Date of grant | Exercise price | Exercise period |
|-------------------|---------------------------------------|------------------------------------|-------------------|----------------|---|
| 2012 Stock Option | 19 directors 23 executive officers | 105,850 | November 28, 2012 | ¥1 | From November 29, 2012 to November 28, 2042 |
| 2013 Stock Option | 19 directors 22 executive officers | 62,950 | August 13, 2013 | ¥1 | From August 14, 2013 to August 13, 2043 |
| 2014 Stock Option | 19 directors 21 executive officers | 55,400 | July 11, 2014 | ¥1 | From July 12, 2014 to July 11, 2044 |
| 2015 Stock Option | 18 directors 24 executive officers | 41,730 | July 14, 2015 | ¥1 | From July 15, 2015 to July 14, 2045 |
| 2016 Stock Option | 19 directors 25 executive officers | 106,200 | August 12, 2016 | ¥1 | From August 13, 2016 to August 12, 2046 |
| 2017 Stock Option | 20 directors 25 executive officers | 75,960 | July 14, 2017 | ¥1 | From July 15, 2017 to July 14, 2047 |
| 2018 Stock Option | 19 directors 24 executive officers | 87,420 | July 11, 2018 | ¥1 | From July 12, 2018 to July 11, 2048 |
| 2019 Stock Option | 19 directors 24 executive officers | 114,610 | July 10, 2019 | ¥1 | From July 11, 2019 to July 10, 2049 |
| 2020 Stock Option | 19 directors 23 executive officers | 138,000 | July 10, 2020 | ¥1 | From July 11, 2020 to July 10, 2050 |

The stock option activity was as follows:

| Year ended March 31, 2021 | 2012 stock option (Shares) | 2013 stock option (Shares) | 2014 stock option (Shares) | 2015 stock option (Shares) |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Non-vested: | | | | |
| March 31, 2020 | | | | |
| —outstanding | — | — | — | — |
| Granted | — | — | — | — |
| Canceled | — | — | — | — |
| Vested | — | — | — | — |
| March 31, 2021 | | | | |
| —outstanding | — | — | — | — |
| Vested: | | | | |
| March 31, 2020 | | | | |
| —outstanding | 18,770 | 16,700 | 15,600 | 16,960 |
| Vested | — | — | — | — |
| Exercised | — | — | 820 | 2,560 |
| Canceled | — | — | — | — |
| March 31, 2021 | | | | |
| —outstanding | 18,770 | 16,700 | 14,780 | 14,400 |
| Exercise price | ¥1 | ¥1 | ¥1 | ¥1 |
| | \$0.01 | \$0.01 | \$0.01 | \$0.01 |
| Average stock price at exercise | ¥— | ¥— | ¥905 | ¥905 |
| | \$— | \$— | \$8.17 | \$8.17 |
| Fair value price at grant date | ¥1,080 | ¥1,820 | ¥2,010 | ¥2,650 |
| | \$9.76 | \$16.44 | \$18.16 | \$23.94 |

| Year ended March 31, 2021 | 2016 stock option (Shares) | 2017 stock option (Shares) | 2018 stock option (Shares) | 2019 stock option (Shares) |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Non-vested: | | | | |
| March 31, 2020 | | | | |
| —outstanding | — | — | — | — |
| Granted | — | — | — | — |
| Canceled | — | — | — | — |
| Vested | — | — | — | — |
| March 31, 2021 | | | | |
| —outstanding | — | — | — | — |
| Vested: | | | | |
| March 31, 2020 | | | | |
| —outstanding | 54,390 | 46,130 | 76,460 | 114,610 |
| Vested | — | — | — | — |
| Exercised | 9,900 | 8,960 | 12,040 | 15,660 |
| Canceled | — | — | — | 330 |
| March 31, 2021 | | | | |
| —outstanding | 44,490 | 37,170 | 64,420 | 98,620 |
| Exercise price | ¥1 | ¥1 | ¥1 | ¥1 |
| | \$0.01 | \$0.01 | \$0.01 | \$0.01 |
| Average stock price at exercise | ¥898 | ¥900 | ¥900 | ¥900 |
| | \$8.11 | \$8.13 | \$8.13 | \$8.13 |
| Fair value price at grant date | ¥1,170 | ¥1,717 | ¥1,353 | ¥1,080 |
| | \$10.57 | \$15.51 | \$12.22 | \$9.76 |

| Year ended March 31, 2021 | 2020 stock option (Shares) |
|---------------------------------|-------------------------------|
| Non-vested: | |
| March 31, 2020 | |
| —outstanding | — |
| Granted | 138,000 |
| Canceled | — |
| Vested | 138,000 |
| March 31, 2021 | |
| —outstanding | — |
| Vested: | |
| March 31, 2020 | |
| —outstanding | — |
| Vested | 138,000 |
| Exercised | — |
| Canceled | — |
| March 31, 2021 | |
| —outstanding | 138,000 |
| Exercise price | ¥1 |
| | \$0.01 |
| Average stock price at exercise | ¥802 |
| | \$7.24 |
| Fair value price at grant date | ¥— |
| | \$— |

Shares and per share figures have been restated, as appropriate, to reflect a one-for-ten stock consolidation effective October 1, 2016.

The Assumptions Used to Measure the Fair Value of the 2020 Stock Options

| | |
|--|------------------------------------|
| Estimate method | Black-Scholes option-pricing model |
| Volatility of stock price | 32.931% |
| Estimated remaining outstanding period | One years and four months |
| Estimate dividend | ¥40.00 per share |
| Risk-free interest rate | (0.175)% |

In estimating the vested number of stock options, the Company basically reflects only the actual forfeited number, since it is difficult to make a reasonable estimate on the future forfeited number.

23. Per Share Information

(1) Net income per share of common stock

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020 was as follows:

| Year ended | Millions of yen | Thousands of shares | Yen | U.S. dollars |
|---|---|-------------------------|----------------|---------------|
| | Net income attributable to owners of parent | Weighted-average shares | | EPS |
| March 31, 2021 | | | | |
| Basic EPS – Net income available to common shareholders | ¥19,964 | 131,200 | ¥152.17 | \$1.37 |
| Effect of dilutive securities | | 419 | | |
| Diluted EPS – Net income for computation | ¥19,964 | 131,620 | ¥151.68 | \$1.37 |

| Year ended | Millions of yen | Thousands of shares | Yen | U.S. dollars |
|---|---|-------------------------|----------------|--------------|
| | Net income attributable to owners of parent | Weighted-average shares | | EPS |
| March 31, 2020 | | | | |
| Basic EPS – Net income available to common shareholders | ¥18,721 | 131,153 | ¥142.74 | |
| Effect of dilutive securities | | 338 | | |
| Diluted EPS – Net income for computation | ¥18,721 | 131,492 | ¥142.37 | |

(2) Net assets per share of common stock

Net assets per share of common stock as of March 31, 2021 and 2020 were as follows:

| | Yen | U.S. dollars |
|--------------------------------------|------------------|----------------|
| | 2021 | 2021 |
| Net assets per share of common stock | ¥4,504.91 | \$40.69 |

Net assets per share of common stock as of March 31, 2021 and 2020 were calculated based on the following:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| | 2021 | 2021 |
| Total equity | ¥638,504 | \$5,767,364 |
| Deductions from total equity: | | |
| Stock acquisition rights | 538 | 4,866 |
| Non-controlling interests | 3,263 | 29,481 |
| Preferred stock | 42,971 | 388,149 |
| Preferred dividends | 644 | 5,822 |
| Net assets attributable to common stock at the end of the fiscal year | 591,085 | 5,339,046 |
| Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock (shares in thousands) | 131,209 | 131,163 |

24. Other Ordinary Income

Other ordinary income for the years ended March 31, 2021 and 2020 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| | 2021 | 2021 |
| Gain on foreign exchange transactions – net | ¥ 980 | \$8,852 |
| Gains on sales and redemption of bonds and other securities | 5,955 | 53,794 |
| Gains on derivatives | 75 | 686 |
| Lease receipts | 11,606 | 104,840 |
| Other | 1,431 | 12,926 |
| Total | ¥20,049 | \$181,098 |

25. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2021 and 2020 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| | 2021 | 2021 |
| Losses on sales, redemption and devaluation of bonds and other securities | ¥3,951 | \$35,690 |
| Lease costs | 10,689 | 96,555 |
| Other | 329 | 2,980 |
| Total | ¥14,970 | \$135,225 |

26. Other Income

Other income for the years ended March 31, 2021 and 2020 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2021 | 2020 | 2021 |
| Gains on sales of stocks | ¥9,612 | ¥5,797 | \$86,823 |
| Gains on sales of tangible fixed assets | 25 | 362 | 231 |
| Other | 2,356 | 2,967 | 21,286 |
| Total | ¥11,994 | ¥9,127 | \$108,340 |

27. Other Expenses

Other expenses for the years ended March 31, 2021 and 2020 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Losses on write-offs of loans and bills discounted | ¥466 | ¥458 | \$4,214 |
| Losses on sales of stocks | 4,427 | 4,982 | 39,995 |
| Losses on impairments of stocks and other securities | 98 | 3,081 | 891 |
| Losses on sales of loans | 193 | 404 | 1,747 |
| Losses on impairments and disposals of fixed assets | 1,113 | 1,452 | 10,058 |
| Other | 2,136 | 3,011 | 19,302 |
| Total | ¥8,436 | ¥13,390 | \$76,207 |

28. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in the normal effective statutory tax rate of approximately 30.45% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|------------------|----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Deferred tax assets: | | | |
| Allowance for loan losses | ¥27,639 | ¥25,366 | \$249,657 |
| Depreciation | 696 | 755 | 6,292 |
| Liability for retirement benefits | 8,116 | 12,199 | 73,311 |
| Loss on valuation of securities | 10,805 | 11,451 | 97,605 |
| Other | 5,193 | 5,878 | 46,914 |
| Operating loss carryforwards | 47 | 52 | 427 |
| Subtotal | 52,499 | 55,702 | 474,206 |
| Less: Valuation allowance | 27,231 | 28,280 | 245,974 |
| Total deferred tax assets | 25,267 | 27,421 | 228,232 |
| Deferred tax liabilities: | | | |
| Valuation difference on available-for-sale securities | 37,170 | 26,443 | 335,743 |
| Land transfer through merger | 2,765 | 2,765 | 24,982 |
| Other | 2,701 | 2,675 | 24,402 |
| Total deferred tax liabilities | 42,637 | 31,884 | 385,127 |
| Net deferred tax assets | ¥(17,369) | ¥(4,462) | \$(156,895) |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|---------------|--------|
| Normal effective statutory tax rate | 30.45% | 30.45% |
| Change in valuation allowance | (1.65) | 1.87 |
| Permanently non-taxable income | (1.08) | (1.05) |
| Per capita portion of inhabitants' taxes | 0.46 | 0.52 |
| Permanently non-deductible expenses | 0.21 | 0.37 |
| Other | 2.33 | 1.17 |
| Actual effective tax rate | 30.72% | 33.33% |

29. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2021 | 2020 | 2021 |
| Valuation difference on available-for-sale securities: | | | |
| Amount incurred during the fiscal year | ¥42,800 | ¥(39,879) | \$386,601 |
| Reclassification adjustment | (6,881) | (9,355) | (62,156) |
| Prior to deducting tax effect | 35,919 | (49,234) | 324,445 |
| Tax effect | (10,575) | 13,222 | (95,526) |
| Total | 25,343 | (36,012) | 228,919 |

Deferred gains (losses) on hedges:

| | | | |
|--|--------------|---------|----------------|
| Amount incurred during the fiscal year | 401 | (1,713) | 3,629 |
| Reclassification adjustment | 843 | 1,689 | 7,621 |
| Prior to deducting tax effect | 1,245 | (24) | 11,250 |
| Tax effect | (230) | (141) | (2,082) |
| Total | 1,014 | (165) | 9,168 |

Defined retirement benefit plans:

| | | | |
|--|----------------|---------|-----------------|
| Amount incurred during the fiscal year | 8,922 | (7,286) | 80,597 |
| Reclassification adjustment | 1,229 | 1,272 | 11,106 |
| Prior to deducting tax effect | 10,152 | (6,014) | 91,703 |
| Tax effect | (3,089) | 1,830 | (27,903) |
| Total | 7,063 | (4,183) | 63,800 |

Share of other comprehensive income (loss) of associates accounted for using the equity method:

| | | | |
|--|-------------|-------|--------------|
| Amount incurred during the fiscal year | 183 | (120) | 1,661 |
| Reclassification adjustment | (0) | 8 | (1) |
| Prior to deducting tax effect | 183 | (112) | 1,660 |
| Tax effect | (55) | 34 | (504) |
| Total | 127 | (78) | 1,156 |

Total other comprehensive income (loss)

| | | |
|----------------|-----------|------------------|
| ¥33,549 | ¥(40,440) | \$303,043 |
|----------------|-----------|------------------|

30. Leases

(1) Finance lease transactions

(Lessee)

The Group leases ATMs, computer equipment, software, and other assets.

(2) Operating lease transactions

(Lessee)

The minimum rental commitments under noncancelable operating leases as of March 31, 2021 and 2020 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|------|------------------------------|
| | 2021 | 2020 | 2021 |
| Within one year | ¥3 | ¥3 | \$35 |
| Over one year | 9 | 13 | 89 |
| Total | ¥13 | ¥17 | \$124 |

31. Financial Instruments and Related Disclosures

(1) Group policy on financial instruments

The Group provides a wide variety of financial services, centered on banking services such as deposit-taking and lending.

The Group's lending activities are aimed at achieving co-prosperity with the regional economy and the Group endeavors to manage the Group's lending in a sound and appropriate manner, while simultaneously working to strengthen credit risk management.

Investments in securities are strictly managed based on the Group's risk management policies and regulations. Regarding deposit-taking operations, the Group aims to ensure stable fundraising by the expansion and upgrading of financial services for all customers in the region. Borrowed money and corporate bonds are used mainly for medium- to long-term fundraising.

Given the different term structures of the Group's financial assets such as loans and financial liabilities such as deposits, the Group is exposed to interest-rate fluctuation risk in the financial markets. For this reason, the Group conducts comprehensive asset liability management ("ALM") to appropriately control such market risk and ensure stable earnings.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group consist primarily of securities and loans to domestic customers. Loans are subject to credit risks that could cause financial loss to the Group, such as declines or losses in asset value resulting from a possible deterioration in the financial condition of borrowers. With regard to securities, the Group is exposed to the credit risk of issuers, interest-rate risk, and market price volatility risk. However, the Group takes adequate steps to mitigate these risks.

Financial liabilities, including deposits and borrowed money, are exposed to liquidity risk arising from the possibility that the Group may be obliged to procure funds at interest rates significantly higher than normal owing to a sudden change in the market environment or a deterioration in the Group's financial position.

The Banks make use of currency-related derivatives such as currency swaps, forward exchange contracts, and currency options, as well as interest-related derivatives such as interest-rate swaps, interest-rate futures, and interest-rate caps, to meet the ALM needs of the Banks as well as the various needs of the

Banks' customers. These derivatives are exposed to the following risks among others: interest-rate risk, the risk of exchange rate fluctuations, price volatility risk, and credit risk.

However, none of the Group's financial assets and liabilities are attended by notably high risk levels, nor do they include any particular derivatives with high market price volatility.

The Banks apply hedge accounting to hedge the value of some of its assets and liabilities against interest-rate fluctuations. When applying hedge accounting, the Banks adopt integrated management in both hedging instruments and hedged items as long as hedging is managed and evaluates the effectiveness of the hedges.

(3) Risk management for financial instruments

The Banks have established risk management departments and have stipulated basic regulations for risk management and other regulations pertaining to risk. In addition, the Banks have established an ALM Committee and a Comprehensive Risk Management Committee, where qualified risks and administration matters are discussed regularly to ensure that all categories of risk are managed effectively. Changes in regulations and organizational structures of the Banks are revised or supervised by the Company to ensure conformance to the Group's policies and the results of the above committees are reported to the Company.

(a) Credit Risk Management

The Group's fundamental policy is to strive for improved earnings and ensure sound business operations through the appropriate management of credit risk. In line with this policy, the Company and the Banks collaborated in establishing various regulations, including Credit Risk Management Regulations, and ensuring the effective operation of internal checking functions by separating business promotion departments from credit risk management departments. Rigorous screening is also conducted and credit ratings are granted based on Credit Policy. Additionally, the setting of credit limits is managed on an individual customer basis to avoid the risk of an overconcentration of loans in particular sectors. Finally, the Banks carry out self-assessment and credit risk quantification procedures and the risk situation is regularly reported to the Banks' board of directors.

As for the loan screening process of the Banks, the branches concerned carefully analyze each loan application and screen each customer involved. In the event that the decision exceeds the limits of authority of the branch manager, the appropriate loan screening departments at the headquarters of the Banks carry out their own analysis and screening. Specialized staff members in place within the screening departments are responsible for particular industries and geographical areas. These specialists provide the appropriate advice and guidance to the branches based on the particular features of the customer.

Concerning the creditworthiness of security issuers and counterparty risk in derivative transactions, credit information and the state of transactions are regularly monitored and managed by the risk management departments of the Banks.

(b) Market Risk Management

Having stipulated regulations such as Market Risk Management

Regulations and an arranged organizational structure including ALM and other committees, the Banks appropriately control market risk associated with lending and deposit-taking in order to ensure stable earnings.

Interest Rate Risk Management

The risk management departments of the Banks regularly and comprehensively monitor the interest rates and time-frames involved in the Banks' financial assets and liabilities and monitor interest rate risk levels through methods such as gap analysis and sensitivity analysis of interest rates, based on the Banks' Interest Rate Risk Management Regulations and other related regulations where the methods and procedures to be employed for risk management are described in detail.

The Banks set ceiling amounts for each type of interest rate risk to control such risk appropriately. Derivatives such as interest-rate swaps and interest-rate caps are employed from an ALM perspective so that the Banks reduce interest rate risk by hedging against interest rate fluctuations.

Foreign Exchange Risk Management

Using measures such as currency swaps to reduce foreign exchange risk, the Banks manage exchange risk arising from fluctuations in foreign exchange rates that affect the values of assets and liabilities denominated in foreign currencies.

Price Volatility Risk Management

Regarding investments in instruments such as securities, the Banks carry out prior screening and set investment ceilings, and then constantly monitor the investment status to minimize price volatility risk. Every process above has to be strictly managed under the supervision of the Banks' Board of Directors and to be in line with policies laid down by Management Committees. A high percentage of the stocks held by the Banks are acquired and held for long-term strategic purposes. The Banks monitor the market conditions and financial positions of the securities issuers. Value at Risk ("VaR") and other methods are used to determine the amount of market risk for each security held. The staff members of the responsible departments provide regular reports to the Banks' Board of Directors and Management Committees to confirm that price risk is controllable and all rules pertaining to market risk management are being followed correctly.

Derivatives

The Banks arrange their organizational structures securing the separation and internal check-and-balance mechanisms among front sections (specializing in market transactions), middle sections (engaging in risk management), and back sections (responsible for book entries and settlements). Management sections confirm the validity of transactions, value the Banks' daily derivative positions, and measure gains and losses as well as risk levels. Derivative transactions are carefully managed in such a way that losses never exceed a predetermined maximum.

Quantitative Information Related to Market Risk

Hokuriku Bank and Hokkaido Bank measure quantitative information related to market risk.

• Financial instruments in the trading account

In calculating VaR for trading securities and a portion of currency-related and interest-related derivative transactions held in the trading account, Hokuriku Bank adopts the historical simulation method (a holding period of 1 business

day, a confidence interval of 99%, and a main observation period of 1,250 business days).

The market risk amounts (VaR) of the trading business of Hokuriku Bank were ¥179 million (\$1,617 thousand) and ¥119 million as of March 31, 2021 and 2020, respectively.

Hokkaido Bank has no financial instruments in the trading accounts.

• Financial instruments in the banking account

In the Banks, the main financial instruments affected by interest rate risk are monetary claims bought, loans and bills discounted, bonds, deposits, borrowed money, and transactions of interest rate swaps, interest swaptions, and interest rate caps held in derivative transactions. The main financial instruments affected by market value are listed stocks and investment trust. The Banks use VaR for integrated management of these financial instruments.

For calculating VaR, the Banks adopted the historical simulation method (a holding period of 120 business days, a confidence interval of 99% and main observation period of 1,250 business days) and consider the correlations between interest and the fluctuation of prices of the listed stocks. In addition, Hokkaido Bank has set a holding period of 10 business days for trading account securities (including public bonds traded over the counter) and for specified fund trust as investment securities. Hokkaido Bank also considers the correlation between interest rates and the fluctuation of prices of the listed stocks in calculating VaR of specified fund trust as investment securities.

Hokuriku Bank's VaR of the financial instruments in the banking account was ¥48,751 million (\$440,349 thousand) and ¥57,954 million as of March 31, 2021 and 2020, respectively. Hokkaido Bank's VaR of the financial instruments in the banking account was ¥13,527 million (\$122,184 thousand) and ¥15,622 million as of March 31, 2021 and 2020, respectively. Hokkaido Bank's trading account securities totaled ¥13 million (\$117 thousand) and ¥14 million as of March 31, 2021 and 2020, respectively. Hokkaido Bank's specified fund trust totaled ¥2 million (\$18 thousand) and ¥2 million as of March 31, 2021 and 2020, respectively.

The Banks perform back testing of the VaR measurement model at fixed intervals. VaR measures the amount of market risk by certain occurrence probabilities that are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in markets beyond normal circumstances.

VaR shows the maximum loss during the holding period of the financial instruments under a confidence interval (99%) that is statistically calculated based on past market movements. In particular, the Banks calculate 100BPV (100 Basis Point Value) as supplements of the assets and liabilities and change in their present value on the assumption that index interest rate rises by 1.00%.

Hokuriku Bank's 100BPV was a ¥70,800 million increase (\$639,509 thousand increase) and a ¥70,325 million increase as of March 31, 2021 and 2020, respectively. Hokkaido Bank's 100BPV was a ¥6,977 million increase (\$63,021 thousand increase) and a ¥18,061 million increase as of March 31, 2021 and 2020, respectively.

For calculating 100BPV, the correlations between interest rates and the other parameters are not considered because the 100BPV is measured on the assumption that risk parameters other than interest rate remain unchanged. Actual risk can exceed the calculated 100BPV in the case of a drastic change in interest rates beyond reasonable prior expectations.

(c) Liquidity Risk Management

In accordance with the Banks' rules for management of liquidity risk, the Banks form an accurate appraisal of fund operations and procurement, and take measures to ensure smooth cash flows. Specifically, the Banks set benchmarks in various different categories to check liquidity risk on a daily basis, and maintain adequate levels of high-liquidity assets that are readily convertible into cash, such as government bonds.

The Banks have in place mechanisms for periodically assessing and managing liquidity risk through ALM committees, to prepare for every possible scenario.

(4) Supplementary explanation relating to fair values of financial instruments

The fair values of financial instruments include, in addition to values determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Certain assumptions are used in the calculations of such amounts. Accordingly, the results of such calculations may vary if different assumptions are used.

(5) Fair value of financial instruments

The fair values of the main financial instruments at March 31, 2021 and 2020 are as follows. These amounts do not include unlisted stocks whose fair values are extremely difficult to determine (see (b) Financial instruments whose fair values are deemed to be extremely difficult to determine).

(a) Fair value of financial instruments

| March 31, 2021 | Millions of yen | | |
|---|-----------------|-------------|------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and due from banks | ¥5,096,491 | ¥5,096,491 | ¥— |
| Call loans and bills bought | — | — | — |
| Monetary claims bought *1 | 27,985 | 27,985 | — |
| Securities | | | |
| Bonds classified as held-to-maturity | 198,881 | 208,265 | 9,383 |
| Available-for-sale securities | 1,878,941 | 1,878,941 | — |
| Loans and bills discounted | 9,050,446 | | |
| Allowance for loan losses *1 | (61,071) | | |
| | 8,989,375 | 9,086,869 | 97,493 |
| Total assets | ¥16,191,675 | ¥16,298,553 | ¥106,877 |
| Deposits | ¥12,788,914 | ¥12,789,094 | ¥180 |
| Call money and bills sold | 280,517 | 280,517 | — |
| Payables under securities lending transactions | 307,787 | 307,787 | — |
| Borrowed money | 2,385,969 | 2,386,764 | 794 |
| Total liabilities | ¥15,763,189 | ¥15,764,163 | ¥974 |
| Derivative transactions *2 | | | |
| Derivative transactions not qualifying for hedge accounting | ¥(626) | ¥(626) | ¥— |
| Derivative transactions qualifying for hedge accounting*3 | (2,311) | (2,311) | *4 — |
| Total derivative transactions | ¥(2,937) | ¥(2,937) | ¥— |

| March 31, 2020 | Millions of yen | | |
|---|-----------------|-------------|------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and due from banks | ¥2,725,025 | ¥2,725,025 | ¥— |
| Call loans and bills bought | 59,795 | 59,795 | — |
| Monetary claims bought *1 | 32,683 | 32,683 | — |
| Securities | | | |
| Bonds classified as held-to-maturity | 206,294 | 216,751 | 10,456 |
| Available-for-sale securities | 1,579,666 | 1,579,666 | — |
| Loans and bills discounted | 8,656,450 | | |
| Allowance for loan losses *1 | (52,904) | | |
| | 8,603,545 | 8,708,651 | 105,105 |
| Total assets | ¥13,207,011 | ¥13,322,574 | ¥115,562 |
| Deposits | ¥11,638,618 | ¥11,638,722 | ¥104 |
| Call money and bills sold | 68,264 | 68,264 | — |
| Payables under securities lending transactions | 294,641 | 294,641 | — |
| Borrowed money | 827,574 | 828,429 | 855 |
| Total liabilities | ¥12,829,099 | ¥12,830,058 | ¥959 |
| Derivative transactions *2 | | | |
| Derivative transactions not qualifying for hedge accounting | ¥176 | ¥176 | ¥— |
| Derivative transactions qualifying for hedge accounting | (1,304) | (1,304) | *4 — |
| Total derivative transactions | ¥(1,127) | ¥(1,127) | ¥— |

| March 31, 2021 | Thousands of U.S. dollars | | |
|---|---------------------------|---------------|------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and due from banks | \$46,034,609 | \$46,034,609 | \$— |
| Call loans and bills bought | — | — | — |
| Monetary claims bought *1 | 252,783 | 252,783 | — |
| Securities | | | |
| Bonds classified as held-to-maturity | 1,796,422 | 1,881,183 | 84,761 |
| Available-for-sale securities | 16,971,740 | 16,971,740 | — |
| Loans and bills discounted | 81,749,134 | | |
| Allowance for loan losses *1 | (551,632) | | |
| | 81,197,502 | 82,078,125 | 880,623 |
| Total assets | \$146,253,056 | \$147,218,440 | \$965,384 |
| Deposits | \$115,517,244 | \$115,518,876 | \$1,632 |
| Call money and bills sold | 2,533,804 | 2,533,804 | — |
| Payables under securities lending transactions | 2,780,124 | 2,780,124 | — |
| Borrowed money | 21,551,531 | 21,558,703 | 7,172 |
| Total liabilities | \$142,382,703 | \$142,391,507 | \$8,804 |
| Derivative transactions *2 | | | |
| Derivative transactions not qualifying for hedge accounting | \$(5,658) | \$(5,658) | \$— |
| Derivative transactions qualifying for hedge accounting*3 | (20,878) | (20,878) | *4 — |
| Total derivative transactions | \$(26,536) | \$(26,536) | \$— |

*1. Allowance for loan losses shown in this table represents the general allowance and specific allowance for loan losses. Figures for allowance for loan losses on monetary claims bought are directly deducted from the balance of monetary claims bought as the amount concerned is insignificant.

*2. Derivative transactions included in trading assets and liabilities and other assets and liabilities are shown together. Assets and liabilities arising from derivative transactions are shown within parentheses with respect to net liabilities.

*3. Transactions to which hedge accounting is applied include interest rate swap transactions designated as hedging instrument for the purpose of balancing interest rate fluctuations in loans, securities, etc. Deferred hedge accounting is applied to these transactions. Of these hedge relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, September 29, 2020) applies are accounted for under the standard.

*4. As interest-rate swaps subject to exceptional treatment are accounted for together with the loans being hedged by the swaps, their fair value is included in the loans in question on the consolidated balance sheet.

Cash and due from banks

The fair values of due from banks with no maturity are considered to be equal to the book value since the book values of these items approximate their fair values. The fair values of due from banks with maturity are calculated using the total cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This calculation is performed separately for each maturity length. In the event that the terms of due from banks are one year or less, the book values are regarded as approximate to the fair values and are therefore treated as such.

Call loans and bills bought

The fair values of call loans and bills bought are considered to be equal to the book value since the contractual terms are one year or less and book values of these items approximate their fair values.

Monetary claims bought

The fair values of trust beneficiary rights relating to mortgage loans purchased by the Banks and relating to loan claims are determined based on the quoted prices obtained from counterparty financial institutions. The fair values of small-lot monetary claims resulting from asset liquidations are determined by discounting the cash flows at the market interest rates, taking into account the credit risk involved.

Securities

The fair values of stocks are calculated on the basis of the average price of the stocks on the stock market for the one-month period immediately preceding the last day of the accounting term. The fair values of bonds are calculated using the price indicated on the securities market or other officially announced prices. In the event that neither of these fair values are available, the price is based on a reasonable estimate. For investment trusts, the fair value is calculated on the basis of a publicly available benchmark price.

For privately-placed bonds guaranteed by one of the Banks, the present value is separately calculated using the present value discounted by a market interest rate where the credit risk of each bond issuer and the remaining period of the bonds are considered.

For more detailed information regarding the different types of securities classified according to holding purpose, see "6. Securities."

Loans and bills discounted

As loans with variable interest rates reflect short-term market interest rates, the book value will approximate the fair value unless the creditworthiness of the borrower changes subsequent to the grading of the loan. Because of this, the book value is employed as the fair value.

For loans with fixed interest rates, the fair value is calculated using the total future cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This calculation is performed separately for each different category of loans, classified by type of loan, internal credit ratings, and maturity length. For loans whose repayment period is one year or less, the book value is a close approximation of the fair value and is therefore employed as such.

Regarding the fair value of claims on "Legal bankruptcy" borrowers, "Virtual bankruptcy" borrowers, and "Possible bankruptcy" borrowers, credit losses are estimated based on the present value of estimated future cash flows or the estimated value recoverable from collateral and guarantees. Since the book value stated on the consolidated balance sheet as of the consolidated balance sheet date, minus the present value of estimated bad debt, approximates the fair value, this figure is treated as the fair value.

For the category of loans whose maturity is not fixed because of the loan ceiling set within the estimated value recoverable from the collateral, the book value is deemed to approximate the fair value because of the expected period for repayment and the interest rates applied. The book value is therefore employed as the fair value.

Deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. In addition, the fair value of time deposits is calculated by discounting the estimated future cash flows for each of the specified periods. This calculation is performed separately as per the remaining maturity of time deposits. The discount rate employed is the interest rate that would be applied to newly accepted deposits. In the event that the deposit term is one year or less, the book value is deemed to approximate the fair value and is therefore treated as such.

Call money and bills sold and Payables under securities lending transactions

The fair values of Call money and bills sold and Payables under securities lending transactions are considered to be equal to the book value since the contractual terms are one year or less and fair values of these items approximate their book values.

Borrowed money

Borrowed money with floating interest rates reflects market interest rates and because the credit standing of the Company and its consolidated subsidiaries has changed little since taking out such loans, the book value is deemed to approximate the fair value and is therefore treated as such.

For money borrowed through loans carrying fixed rates, the current value of such loans is determined by discounting the total of their principal plus interest (separately for each specific period) at the rate currently applied to other loans of the same duration and terms. For loans whose repayment period is one year or less, the book value is deemed to approximate the fair value and is therefore treated as such.

Derivative transactions

Derivative transactions include interest rate-related transactions (futures, options, swaps, and others), foreign exchange-related transactions (futures, options, swaps, and others), and commodity-related transactions and are based on the prices on securities exchanges, discounted value of future cash flows, option pricing models, and others.

(b) Financial instruments whose fair values are deemed to be extremely difficult to determine

Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below, and are not included in "Monetary claims bought" and "Available-for-sale securities" in the fair value information of financial instruments.

Consolidated balance sheet amounts

| March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
| | 2021 | 2020 | 2021 |
| Unlisted stocks *1,2 | ¥29,467 | ¥29,522 | \$266,166 |
| Unlisted foreign securities *1 | 0 | 0 | 4 |
| Total | ¥29,467 | ¥29,523 | \$266,170 |

*1. These items are excluded from "fair value information of financial instruments" on the basis that no market price is available and a determination of the fair value would be extremely difficult.

*2. Unlisted stocks were written down by ¥21 million (\$198 thousand) and ¥6 million as of March 31, 2021 and 2020, respectively.

(6) Maturity analysis for financial assets and securities with contractual maturities

| March 31, 2021 | Millions of yen | | | | |
|---|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| Due from banks | ¥4,959,360 | ¥— | ¥— | ¥— | ¥— |
| Call loans and bills bought | — | — | — | — | — |
| Monetary claims bought | 1,003 | — | — | — | 26,788 |
| Securities | 180,391 | 284,199 | 240,394 | 189,488 | 859,460 |
| Bonds classified as held-to-maturity | 37,362 | 61,450 | 42,361 | 6,985 | 50,725 |
| Japanese government bonds | — | 1,500 | 10,000 | — | 50,000 |
| Japanese local government bonds | — | 500 | 500 | 1,500 | — |
| Japanese corporate bonds | 37,362 | 59,450 | 31,861 | 5,485 | 725 |
| Available-for-sale securities with maturities | 143,028 | 222,748 | 198,032 | 182,503 | 808,735 |
| Japanese government bonds | 94,000 | 52,000 | — | 12,000 | 227,500 |
| Japanese local government bonds | 26,525 | 85,122 | 95,409 | 58,964 | 281,703 |
| Japanese corporate bonds | 13,652 | 24,846 | 37,359 | 13,743 | 62,540 |
| Other | 8,850 | 60,780 | 65,263 | 97,795 | 236,990 |
| Loans and bills discounted | 2,825,811 | 1,449,373 | 1,137,331 | 793,060 | 2,667,890 |
| Total | ¥7,966,566 | ¥1,733,572 | ¥1,377,725 | ¥982,548 | ¥3,554,139 |

| March 31, 2020 | Millions of yen | | | | |
|---|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| Due from banks | ¥2,589,878 | ¥— | ¥— | ¥— | ¥— |
| Call loans and bills bought | 59,795 | — | — | — | — |
| Monetary claims bought | 1,127 | 5,000 | — | — | 26,310 |
| Securities | 275,712 | 331,628 | 236,445 | 121,948 | 510,645 |
| Bonds classified as held-to-maturity | 39,016 | 65,345 | 35,630 | 15,976 | 50,615 |
| Japanese government bonds | 2,520 | 1,000 | 500 | 10,000 | 50,000 |
| Japanese local government bonds | — | — | 1,000 | 1,500 | — |
| Japanese corporate bonds | 36,496 | 64,345 | 34,130 | 4,476 | 615 |
| Available-for-sale securities with maturities | 236,696 | 266,283 | 200,815 | 105,971 | 460,030 |
| Japanese government bonds | 160,400 | 146,600 | — | — | 76,500 |
| Japanese local government bonds | 47,000 | 66,086 | 101,593 | 51,762 | 204,720 |
| Japanese corporate bonds | 15,175 | 26,514 | 32,861 | 15,557 | 72,155 |
| Other | 14,120 | 27,081 | 66,359 | 38,652 | 106,654 |
| Loans and bills discounted | 2,877,722 | 1,370,996 | 1,101,553 | 725,964 | 2,417,153 |
| Total | ¥5,804,237 | ¥1,707,625 | ¥1,337,998 | ¥847,912 | ¥2,954,109 |

| | Thousands of U.S. dollars | | | | |
|---|---------------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| March 31, 2021 | | | | | |
| Due from banks | \$44,795,954 | \$— | \$— | \$— | \$— |
| Call loans and bills bought | — | — | — | — | — |
| Monetary claims bought | 9,063 | — | — | — | 241,973 |
| Securities | 1,629,405 | 2,567,062 | 2,171,385 | 1,711,576 | 7,763,167 |
| Bonds classified as held-to-maturity | 337,483 | 555,059 | 382,636 | 63,097 | 458,179 |
| Japanese government bonds | — | 13,549 | 90,326 | — | 451,630 |
| Japanese local government bonds | — | 4,516 | 4,516 | 13,549 | — |
| Japanese corporate bonds | 337,483 | 536,994 | 287,794 | 49,548 | 6,549 |
| Available-for-sale securities with maturities | 1,291,922 | 2,012,003 | 1,788,749 | 1,648,479 | 7,304,988 |
| Japanese government bonds | 849,065 | 469,696 | — | 108,391 | 2,054,918 |
| Japanese local government bonds | 239,595 | 768,880 | 861,793 | 532,600 | 2,544,522 |
| Japanese corporate bonds | 123,321 | 224,424 | 337,453 | 124,138 | 564,904 |
| Other | 79,941 | 549,003 | 589,503 | 883,350 | 2,140,644 |
| Loans and bills discounted | 25,524,449 | 13,091,622 | 10,273,066 | 7,163,402 | 24,098,012 |
| Total | \$71,958,871 | \$15,658,684 | \$12,444,451 | \$8,874,978 | 32,103,152 |

Loans and bills discounted

Claims on "Legal bankruptcy" borrowers, "Virtual bankruptcy" borrowers, and "Possible bankruptcy" borrowers amounted to ¥156,342 million (\$1,412,178 thousand) and ¥134,317 million as of March 31, 2021 and 2020, respectively, and loans with no contractual maturities amounted to ¥20,636 million (\$186,404 thousand) and ¥28,743 million as of March 31, 2021 and 2020, respectively. They are not included in the table above.

(7) Maturity analysis for financial liabilities with contractual maturities

| | Millions of yen | | | | |
|--|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| March 31, 2021 | | | | | |
| Deposits | ¥11,904,909 | ¥724,147 | ¥152,074 | ¥4,689 | ¥3,094 |
| Call money and bills sold | 280,517 | — | — | — | — |
| Payables under securities lending transactions | 307,787 | — | — | — | — |
| Borrowed money | 1,650,985 | 430,946 | 303,530 | 428 | 77 |
| Total | ¥14,144,199 | ¥1,155,093 | ¥455,605 | ¥5,118 | ¥3,172 |

| | Millions of yen | | | | |
|--|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| March 31, 2020 | | | | | |
| Deposits | ¥10,683,960 | ¥787,429 | ¥157,866 | ¥4,637 | ¥4,725 |
| Call money and bills sold | 68,264 | — | — | — | — |
| Payables under securities lending transactions | 294,641 | — | — | — | — |
| Borrowed money | 139,324 | 325,347 | 362,387 | 471 | 45 |
| Total | ¥11,117,925 | ¥1,112,776 | ¥520,253 | ¥5,108 | ¥4,770 |

| | Thousands of U.S. dollars | | | | |
|--|---------------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years |
| March 31, 2021 | | | | | |
| Deposits | \$107,532,374 | \$6,540,936 | \$1,373,627 | \$42,354 | \$27,953 |
| Call money and bills sold | 2,533,804 | — | — | — | — |
| Payables under securities lending transactions | 2,780,124 | — | — | — | — |
| Borrowed money | 14,912,708 | 3,892,572 | 2,741,676 | 3,875 | 700 |
| Total | \$127,759,010 | \$10,433,508 | \$4,115,303 | \$46,229 | \$28,653 |

Deposits

Demand deposits are included in "Due in 1 year or less."

32. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, notional principal or contract amount, fair value at the balance sheet date by transaction type, and related unrealized gain or loss and computation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

• Interest Rate-Related Transactions

| | Millions of yen | | | |
|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gain (loss) |
| March 31, 2021 | | | | |
| Over-the-counter transactions | | | | |
| Swaps | | | | |
| Receive/fixed and pay/floating | ¥67,512 | ¥55,140 | ¥1,275 | ¥1,275 |
| Receive/floating and pay/fixed | 67,500 | 55,092 | (820) | (820) |
| Others/sell | 510 | 510 | (0) | 10 |
| Others/buy | 510 | 510 | 0 | (4) |
| Total | / | / | ¥455 | ¥461 |

| | | Millions of yen | | | |
|-------------------------------|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | | Notional principal or contract amount | | | |
| March 31, 2020 | | Total | Due after 1 year | Fair value | Unrealized gain (loss) |
| Over-the-counter transactions | | | | | |
| Swaps | | | | | |
| | Receive/fixed and pay/floating | ¥86,722 | ¥73,817 | ¥1,912 | ¥1,912 |
| | Receive/floating and pay/fixed | 86,700 | 73,809 | (1,315) | (1,315) |
| | Others/sell | 541 | 541 | (1) | 9 |
| | Others/buy | 541 | 541 | 1 | (3) |
| Total | | / | / | ¥597 | ¥603 |

| | Thousands of U.S. dollars | | | |
|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gain (loss) |
| March 31, 2021 | | | | |
| Over-the-counter transactions | | | | |
| Swaps | | | | |
| Receive/fixed and pay/floating | \$609,817 | \$498,061 | \$11,524 | \$11,524 |
| Receive/floating and pay/fixed | 609,706 | 497,626 | (7,410) | (7,410) |
| Others/sell | 4,610 | 4,610 | (6) | 93 |
| Others/buy | 4,610 | 4,610 | 6 | (38) |
| Total | / | / | \$4,114 | \$4,169 |

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

• Foreign Exchange-Related Transactions

| | Millions of yen | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | | |
| March 31, 2021 | Total | Due after 1 year | Fair value | Unrealized gain (loss) |
| Over-the-counter transactions | | | | |
| Swaps | ¥2,100 | ¥2,100 | ¥1 | ¥1 |
| Forward contracts/sell | 76,774 | 509 | (2,223) | (2,223) |
| Forward contracts/buy | 62,726 | 553 | 1,074 | 1,074 |
| Options/sell | 39,851 | 18,716 | (656) | 833 |
| Options/buy | 39,851 | 18,716 | 655 | (625) |
| Total | / | / | ¥(1,148) | ¥(939) |

| March 31, 2020 | Millions of yen | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Swaps | ¥5,456 | ¥1,231 | ¥4 | ¥4 |
| Forward contracts/sell | 43,525 | 523 | (155) | (155) |
| Forward contracts/buy | 44,753 | 450 | (323) | (323) |
| Options/sell | 38,971 | 16,208 | (837) | 1,478 |
| Options/buy | 38,971 | 16,208 | 835 | (1,254) |
| Total | / | / | ¥(476) | ¥(250) |

| | Thousands of U.S. dollars | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | | |
| March 31, 2021 | Total | Due after 1 year | Fair value | Unrealized gain (loss) |
| Over-the-counter transactions | | | | |
| Swaps | \$18,971 | \$18,971 | \$12 | \$12 |
| Forward contracts/sell | 693,478 | 4,600 | (20,088) | (20,088) |
| Forward contracts/buy | 566,588 | 5,000 | 9,704 | 9,704 |
| Options/sell | 359,967 | 169,057 | (5,926) | 7,533 |
| Options/buy | 359,967 | 169,057 | 5,923 | (5,646) |
| Total | / | / | \$(10,375) | \$(8,485) |

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the discounted value of future cash flows.

• Commodity-Related Transactions

| March 31, 2021 | Millions of yen | | | |
|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Swaps | | | | |
| Receive/fixed and pay/floating | ¥842 | ¥832 | ¥(79) | ¥(79) |
| Receive/floating and pay/fixed | 842 | 832 | 145 | 145 |
| Total | / | / | ¥66 | ¥66 |

| March 31, 2020 | Millions of yen | | | |
|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Swaps | | | | |
| Receive/fixed and pay/floating | ¥331 | ¥250 | ¥170 | ¥170 |
| Receive/floating and pay/fixed | 331 | 250 | (113) | (113) |
| Total | / | / | ¥56 | ¥56 |

| March 31, 2021 | Thousands of U.S. dollars | | | |
|--------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Swaps | | | | |
| Receive/fixed and pay/floating | \$7,608 | \$7,517 | \$(714) | \$(714) |
| Receive/floating and pay/fixed | 7,608 | 7,517 | 1,317 | 1,317 |
| Total | / | / | \$603 | \$603 |

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the price of the underlying asset, terms of contract, and other factors which structure the contract.
3. The above derivative transactions consist of those for oil, copper, aluminum, etc.

• Others

| March 31, 2021 | Millions of yen | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Earthquake derivatives | | | | |
| Sell | ¥9,015 | ¥— | ¥(58) | ¥— |
| Buy | 9,015 | — | 58 | — |
| Total | / | / | ¥— | ¥— |

| March 31, 2020 | Millions of yen | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Earthquake derivatives | | | | |
| Sell | ¥8,615 | ¥— | ¥(55) | ¥— |
| Buy | 8,615 | — | 55 | — |
| Total | / | / | — | — |

| March 31, 2021 | Thousands of U.S. dollars | | | |
|-------------------------------|---------------------------------------|------------------|------------|------------------------|
| | Notional principal or contract amount | | Fair value | Unrealized gain (loss) |
| | Total | Due after 1 year | | |
| Over-the-counter transactions | | | | |
| Earthquake derivatives | | | | |
| Sell | \$81,429 | \$— | \$(526) | \$— |
| Buy | 81,429 | — | 526 | — |
| Total | / | / | \$— | \$— |

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The fair value is determined using the price of the underlying asset, terms of contract, and other factors which structure the contract.

(2) Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, notional principal or contract amount and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

• Interest Rate-Related Transactions

March 31, 2021

| Hedge accounting method | Type | Hedged item | Millions of yen | | |
|--|---|----------------------------|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | Fair value |
| | | | Total | Due after 1 year | |
| Accounting method employed in principle | Swaps Receive/floating and pay/fixed | Yen-based bond | ¥73,000 | ¥68,000 | ¥(199) |
| Exceptional treatment for interest swaps | Swaps Receive/floating and pay/fixed | Loans and bills discounted | 37,670 | 37,670 | *3 |
| Total | | | / | / | ¥(199) |

March 31, 2020

| Hedge accounting method | Type | Hedged item | Millions of yen | | |
|--|---|----------------------------|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | Fair value |
| | | | Total | Due after 1 year | |
| Accounting method employed in principle | Swaps Receive/floating and pay/fixed | Yen-based bond | ¥65,883 | ¥65,883 | ¥(1,449) |
| Exceptional treatment for interest swaps | Swaps Receive/floating and pay/fixed | Loans and bills discounted | 38,545 | 38,531 | *3 |
| Total | | | / | / | ¥(1,449) |

March 31, 2021

| Hedge accounting method | Type | Hedged item | Thousands of U.S. dollars | | |
|--|---|----------------------------|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | Fair value |
| | | | Total | Due after 1 year | |
| Accounting method employed in principle | Swaps Receive/floating and pay/fixed | Yen-based bond | \$659,380 | \$614,217 | \$(1,804) |
| Exceptional treatment for interest swaps | Swaps Receive/floating and pay/fixed | Loans and bills discounted | 340,260 | 340,260 | *3 |
| Total | | | / | / | \$(1,804) |

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Committee Practical Guidelines No. 24.

2. The fair value is determined using the discounted value of future cash flows, option pricing models, etc.

3. Amounts resulting from interest swaps with exceptional treatment are accounted for together with the financial instruments hedged. As a result, the fair value is included in the fair value of the loans stated in Note 31, "Financial Instruments and Related Disclosures."

• Foreign Exchange-Related Transactions

March 31, 2021

| March 31, 2021 | | | Millions of yen | | |
|---|-------------------|--|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | |
| Hedge accounting method | Type | Hedged item | Total | Due after 1 year | Fair value |
| Accounting method employed in principle | Swaps | Foreign loans and foreign securities | ¥34,665 | ¥239 | ¥(2,111) |
| | Forward contracts | Call loans and due from banks (foreign currencies) | — | — | — |
| Total | | | / | / | (2,111) |

March 31, 2020

| March 31, 2020 | | | Millions of yen | | |
|---|-------------------|--|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | |
| Hedge accounting method | Type | Hedged item | Total | Due after 1 year | Fair value |
| Accounting method employed in principle | Swaps | Foreign loans and foreign securities | ¥34,135 | ¥298 | ¥39 |
| | Forward contracts | Call loans and due from banks (foreign currencies) | 27,287 | — | 105 |
| Total | | | / | / | ¥145 |

March 31, 2021

| March 31, 2021 | | | Thousands of U.S. dollars | | |
|---|-------------------|--|---------------------------------------|------------------|------------|
| | | | Notional principal or contract amount | | |
| Hedge accounting method | Type | Hedged item | Total | Due after 1 year | Fair value |
| Accounting method employed in principle | Swaps | Foreign loans and foreign securities | \$313,123 | \$2,164 | \$(19,074) |
| | Forward contracts | Call loans and due from banks (foreign currencies) | — | — | — |
| Total | | | / | / | \$(19,074) |

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Committee Practical Guidelines No. 25.

2. The fair value is determined using the discounted value of future cash flows.

33. Segment Information

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors and Management Committees is being performed in order to decide how resources are allocated among the Group and assess performance.

The Group comprehensively conducts banking business as its core business and other financial services under the control of the Company.

The Company recognized each of its consolidated subsidiaries as an operating segment. Therefore, Hokuriku Bank and Hokkaido Bank are reportable segments.

(2) Methods of measurement for the amounts of ordinary income, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Profits of reportable segments are the same as net income. Ordinary income from intersegment transactions is based on transaction prices determined in the same manner as ordinary income from external customers.

(3) Information about ordinary income, profit (loss), assets, liabilities, and other items

Segment results for the years ended March 31, 2021 and 2020 are as follows:

| | Millions of yen | | | | | | |
|---|--------------------|---------------|-------------|---------|-------------|-----------------|--------------|
| | 2021 | | | | | | |
| | Reportable segment | | | Other | Total | Reconciliations | Consolidated |
| | Hokuriku Bank | Hokkaido Bank | Total | | | | |
| Ordinary income | | | | | | | |
| Ordinary income from external customers | ¥85,281 | ¥70,337 | ¥155,619 | ¥20,518 | ¥176,137 | ¥(174) | ¥175,963 |
| Ordinary income from intersegment transactions | 1,145 | 1,234 | 2,380 | 4,671 | 7,052 | (7,052) | — |
| Total | 86,427 | 71,572 | 157,999 | 25,190 | 183,189 | (7,226) | 175,963 |
| Segment profit | 14,297 | 8,192 | 22,490 | 2,408 | 24,898 | (3,563) | 21,334 |
| Segment assets | 9,857,292 | 6,737,566 | 16,594,859 | 95,160 | 16,690,020 | (54,548) | 16,635,471 |
| Segment liabilities | ¥9,473,122 | ¥6,514,085 | ¥15,987,208 | ¥66,948 | ¥16,054,156 | ¥(57,190) | ¥15,996,966 |
| Others | | | | | | | |
| Depreciation | ¥3,957 | ¥2,515 | ¥6,473 | ¥268 | ¥6,741 | ¥1 | ¥6,743 |
| Amortization of goodwill | — | — | — | — | — | 2,102 | 2,102 |
| Unamortized balance of goodwill | — | — | — | — | — | 7,182 | 7,182 |
| Increase in tangible fixed assets and intangible assets | ¥2,817 | ¥2,170 | ¥4,988 | ¥60 | ¥5,048 | ¥6 | ¥5,055 |

| | Millions of yen | | | | | | |
|---|--------------------|---------------|-------------|---------|-------------|-----------------|--------------|
| | 2020 | | | | | | |
| | Reportable segment | | | Other | Total | Reconciliations | Consolidated |
| | Hokuriku Bank | Hokkaido Bank | Total | | | | |
| Ordinary income | | | | | | | |
| Ordinary income from external customers | ¥87,353 | ¥74,206 | ¥161,560 | ¥21,118 | ¥182,678 | ¥(275) | ¥182,402 |
| Ordinary income from intersegment transactions | 1,175 | 775 | 1,951 | 4,767 | 6,718 | (6,718) | — |
| Total | 88,528 | 74,982 | 163,511 | 25,885 | 189,397 | (6,994) | 182,402 |
| Segment profit | 11,238 | 9,592 | 20,831 | 2,455 | 23,286 | (3,034) | 20,252 |
| Segment assets | 8,108,929 | 5,496,607 | 13,605,537 | 93,104 | 13,698,642 | (53,780) | 13,644,861 |
| Segment liabilities | ¥7,754,187 | ¥5,278,836 | ¥13,033,024 | ¥67,258 | ¥13,100,282 | ¥(50,740) | ¥13,049,541 |
| Others | | | | | | | |
| Depreciation | ¥4,271 | ¥2,571 | ¥6,842 | ¥309 | ¥7,152 | ¥6 | ¥7,159 |
| Amortization of goodwill | — | — | — | — | — | 2,102 | 2,102 |
| Unamortized balance of goodwill | — | — | — | — | — | 9,285 | 9,285 |
| Increase in tangible fixed assets and intangible assets | ¥3,085 | ¥1,849 | ¥4,935 | ¥150 | ¥5,085 | ¥3 | ¥5,088 |

| | Thousands of U.S. dollars | | | | | | |
|---|---------------------------|---------------|---------------|-----------|---------------|-----------------|---------------|
| | 2021 | | | | | | |
| | Reportable segment | | | Other | Total | Reconciliations | Consolidated |
| | Hokuriku Bank | Hokkaido Bank | Total | | | | |
| Ordinary income | | | | | | | |
| Ordinary income from external customers | \$770,317 | \$635,331 | \$1,405,648 | \$185,331 | \$1,590,979 | \$(1,572) | \$1,589,407 |
| Ordinary income from intersegment transactions | 10,347 | 11,152 | 21,499 | 42,200 | 63,699 | (63,699) | — |
| Total | 780,664 | 646,483 | 1,427,147 | 227,531 | 1,654,678 | (65,271) | 1,589,407 |
| Segment profit | 129,141 | 74,004 | 203,145 | 21,752 | 224,897 | (32,189) | 192,708 |
| Segment assets | 89,037,059 | 60,857,794 | 149,894,853 | 859,551 | 150,754,404 | (492,718) | 150,261,686 |
| Segment liabilities | \$85,567,002 | \$58,839,179 | \$144,406,181 | \$604,721 | \$145,010,902 | \$(516,580) | \$144,494,322 |
| Others | | | | | | | |
| Depreciation | \$35,748 | \$22,722 | \$58,470 | \$2,428 | \$60,898 | \$16 | \$60,914 |
| Amortization of goodwill | — | — | — | — | — | 18,989 | 18,989 |
| Unamortized balance of goodwill | — | — | — | — | — | 64,879 | 64,879 |
| Increase in tangible fixed assets and intangible assets | \$25,452 | \$19,606 | \$45,058 | \$545 | \$45,603 | \$60 | \$45,663 |

(4) Information about services

| | | Millions of yen | | | |
|---|--|-----------------------------|-----------------------|------------------|--------------------|
| | | Deposit and loan operations | Investment operations | Other | Total |
| Year ended March 31, 2021 | | | | | |
| Ordinary income from external customers | | ¥96,141 | ¥39,914 | ¥39,907 | ¥175,963 |
| | | Millions of yen | | | |
| | | Deposit and loan operations | Investment operations | Other | Total |
| Year ended March 31, 2020 | | | | | |
| Ordinary income from external customers | | ¥96,631 | ¥43,484 | ¥42,287 | ¥182,402 |
| | | Thousands of U.S. dollars | | | |
| | | Deposit and loan operations | Investment operations | Other | Total |
| Year ended March 31, 2021 | | | | | |
| Ordinary income from external customers | | \$868,404 | \$360,532 | \$360,471 | \$1,589,407 |

(5) Information about geographical areas

There is no geographical segment outside Japan accounting for 10% or more of ordinary income and tangible fixed assets.

(6) Information about major customers

There are no major customers individually accounting for 10% or more of ordinary income.

34. Related Party Transactions

Related party transactions as of March 31, 2021 and 2020 were as follows:

- Officers and principal individual shareholders of the company submitting consolidated financial statements

March 31, 2021

| | | Transaction amount *5 | | Balance at end of year | |
|---|----------------------------|-----------------------|---------------------------|------------------------|---------------------------|
| Related party | Account Classification | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Nakamura-Tome Precision Industry Co., Ltd. *2 | Loans and bills discounted | ¥950 | \$8,581 | ¥950 | \$8,581 |
| NAKAMURA-TOME HOLDING CO., LTD. *2 | Loans and bills discounted | ¥500 | \$4,516 | ¥500 | \$4,516 |

March 31, 2020

| | | Transaction amount *5 | | Balance at end of year | |
|---|-------------------------------|-----------------------|---------------------------|------------------------|---------------------------|
| Related party | Account Classification | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Nakamura-Tome Precision Industry Co., Ltd. *2 | Loans and bills discounted | ¥950 | | ¥950 | |
| NAKAMURA-TOME HOLDING CO., LTD. *2 | Loans and bills discounted | ¥1,013 | | ¥500 | |
| YUGEYA Inc.*3 | Loans and bills discounted *6 | ¥320 | | ¥311 | |
| Kimito Tsurui *4 | Loans and bills discounted *6 | ¥11 | | ¥10 | |

Notes: 1. Terms and conditions of the transactions are similar to those with unrelated parties.

2. A member of the Hokuriku Bank's audit & supervisory board and his close relatives own the majority of the voting rights, and he is the president of these companies.

3. A close relative of an ex-member of the Group's directors owns the majority of this company's voting rights.

The transaction amount is the average balance during the period in which the Group had a related party relationship with the company. Balance at the end of the year is the balance outstanding on the date when the related party relationship ceased to exist.

4. Mr. Tsurui is a close relative of a member of the Group's directors.

5. Transaction amount was reported at the average balance for the period.

6. Land and buildings were pledged as collateral for the loans.

35. Subsequent Events

There are no applicable matters.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hokuhoku Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Hokuhoku Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

| Determination of Borrower Classifications in the Estimation of Allowance for Loan Losses | |
|--|--|
| Key Audit Matter Description | How the Key Audit Matter Was Addressed in the Audit |
| <p>As of March 31, 2021, the Group recorded loans and bills discounted of ¥9,050,446 million (\$81,749,134 thousand), representing 54% of total assets, and allowance for loan losses of ¥62,731 million (\$566,630 thousand) on the consolidated balance sheet.</p> <p>The subsidiaries of the Group ("Banks"), which provide banking services, classify borrowers into categories, namely "Normal," "In need of caution" ("Substandard" borrowers with substandard loans or other borrowers in need of caution), "Possible bankruptcy," "Virtual bankruptcy," and "Legal bankruptcy," based on the borrowers' financial condition, cash flows, earnings ability and other considerations, and estimate the allowance for loan losses for each category as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses" to the consolidated financial statements. In case the borrowers whose business results or financial position is currently unfavorable or unstable, the Banks frequently determine the borrower classifications based on the prospects for recovery of their business performance in the future periods and the achievability of the borrowers' medium-term to long-term business improvement plans ("Business improvement plans"), in addition to the borrowers' historical business performance. Furthermore, the Banks assess whether to change the borrower classifications, as necessary, reflecting the changes in the borrowers' business conditions, including the impact of the novel coronavirus disease ("COVID-19") as described in Note 3, "Significant Accounting Estimate" to the consolidated financial statements.</p> | <p>Our audit procedures to address the key audit matter included the following, among others:</p> <p>(1) Tests of the effectiveness of controls</p> <p>In accordance with the Banks' policies and guidelines for internal controls, borrower classifications are determined by the branches. The branches regularly determine borrower classifications based on their financial statements. If necessary, the branches also determine whether to change borrower classifications reflecting their interim financial information and the latest business conditions, including the impact of COVID-19.</p> <p>The asset review and inspection division, which is independent from the branches, evaluates the appropriateness of such determination.</p> <p>We tested the design, and operating effectiveness of the controls over the branches' determination of the borrower classifications, including the asset review and inspection division's review of borrowers' classifications.</p> <p>(2) Tests of the borrower classifications</p> <p>1) Determination of the borrower classifications based on evaluation the borrowers' future prospects, including their Business improvement plans</p> |

| | |
|--|---|
| <p>Loans and bills discounted is the most significant line item on the consolidated balance sheet as of March 31, 2021. The account balance and allowance for loan losses involve significant estimates that could have a significant impact on the consolidated financial statements. The determination of borrower classifications based on the evaluation of the borrowers' future prospects, including the borrowers' Business improvement plans, requires the Banks to have a detailed understanding of the borrowers' internal and external environments as well as advanced financial analytical abilities. Additionally, the evaluation of the borrowers' future prospects including the borrowers' Business improvement plans involves judgment made by the Banks' management. In particular, changes in the borrower classifications reflecting the changes in the borrowers' business conditions, including the impact of COVID-19, require judgment made by the Banks' management as to the impact of the changes in the borrowers' business conditions on their repayment ability and the prospects for recovery in the borrowers' business performance.</p> <p>We identified the determination of borrower classifications as a key audit matter because of the significant judgments management makes when evaluating the borrowers' future prospects, including Business improvement plans or determining whether to change the borrower classifications based on the changes in business conditions of the borrowers, including the impact of COVID-19.</p> | <p>We evaluated the management's assessment of the borrowers' future prospects, including Business improvement plans, by:</p> <ul style="list-style-type: none"> —Comparing the Business improvement plans with historical results —Inspecting supporting documents —Discussing with the responsible personnel of the Banks on the conclusion reached —Inspecting analysis of external and internal environments, and financial analysis <p>2) Determination whether to change the borrower classifications reflecting changes in business conditions of the borrowers, including the impact of COVID-19</p> <p>We evaluated whether the change in borrower classifications determined by the Banks reflected the changes in business conditions of the borrowers, including the impact of COVID-19, by:</p> <ul style="list-style-type: none"> —Inquiring of management of their determination —Inspecting the borrowers' interim financial information —Inspecting the analyses over the borrowers' capacity of repayment and the prospects for recovery based on their business performance, which were used by the Banks in assessing the credit ratings —Inspecting analysis of external and internal environments, and financial analysis |
|--|---|

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2021

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

| March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2021 | 2020 | 2021 |
| Assets | | | |
| Cash and due from banks | ¥3,368,633 | ¥1,780,569 | \$30,427,546 |
| Call loans and bills bought | — | 59,795 | — |
| Monetary claims bought | 27,985 | 32,683 | 252,783 |
| Trading assets | 793 | 1,067 | 7,167 |
| Money held in trust | 4,947 | 4,939 | 44,689 |
| Securities | 1,268,165 | 1,158,001 | 11,454,839 |
| Loans and bills discounted | 5,033,384 | 4,910,354 | 45,464,591 |
| Foreign exchanges | 13,597 | 9,840 | 122,822 |
| Other assets | 66,840 | 66,187 | 603,744 |
| Tangible fixed assets | 73,176 | 74,202 | 660,972 |
| Intangible assets | 3,363 | 4,369 | 30,378 |
| Prepaid pension cost | 3,786 | 3,900 | 34,205 |
| Customers' liabilities for acceptances and guarantees | 25,950 | 29,419 | 234,401 |
| Allowance for loan losses | (33,332) | (26,400) | (301,078) |
| Total assets | 9,857,292 | ¥8,108,929 | 89,037,059 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Deposits | ¥7,350,562 | ¥6,735,467 | \$66,394,748 |
| Call money and bills sold | 280,517 | 68,264 | 2,533,804 |
| Payables under repurchase agreements | 24,670 | 11,877 | 222,842 |
| Payables under securities lending transactions | 221,036 | 285,243 | 1,996,535 |
| Trading liabilities | 349 | 497 | 3,156 |
| Borrowed money | 1,485,575 | 547,987 | 13,418,618 |
| Foreign exchanges | 92 | 47 | 832 |
| Borrowed money from trust account | 2,942 | 534 | 26,580 |
| Other liabilities | 53,158 | 54,044 | 480,164 |
| Reserve for employee retirement benefits | 368 | 443 | 3,327 |
| Reserve for directors' and audit & supervisory board members' retirement benefits | 43 | 43 | 392 |
| Reserve for contingent losses | 495 | 703 | 4,472 |
| Reserve for reimbursement of deposits | 1,138 | 1,473 | 10,285 |
| Deferred tax liabilities | 21,097 | 12,937 | 190,569 |
| Deferred tax liabilities for land revaluation | 5,123 | 5,201 | 46,277 |
| Acceptances and guarantees | 25,950 | 29,419 | 234,401 |
| Total liabilities | 9,473,122 | 7,754,187 | 85,567,002 |
| Equity | | | |
| Capital stock | 140,409 | 140,409 | 1,268,264 |
| Capital surplus | 14,998 | 14,998 | 135,479 |
| Retained earnings | 151,491 | 144,299 | 1,368,362 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | 69,269 | 47,899 | 625,680 |
| Deferred gains (losses) on hedges | (87) | (1,076) | (790) |
| Revaluation reserve for land | 8,088 | 8,211 | 73,062 |
| Total equity | 384,170 | 354,742 | 3,470,057 |
| Total liabilities and equity | ¥9,857,292 | ¥8,108,929 | 89,037,059 |

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 2021 | 2020 | 2021 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥42,557 | ¥43,722 | \$384,406 |
| Interest and dividends on securities | 13,369 | 14,257 | 120,758 |
| Interest on deposits with other banks | 1,003 | 606 | 9,065 |
| Other interest income | 318 | 356 | 2,877 |
| Trust fees | 42 | 6 | 385 |
| Fees and commissions | 17,523 | 17,961 | 158,286 |
| Trading income | 50 | 136 | 458 |
| Other ordinary income | 4,063 | 6,064 | 36,708 |
| Other income | 7,522 | 5,778 | 67,950 |
| Total income | 86,452 | 88,889 | 780,893 |
| Expenses | | | |
| Interest expenses: | | | |
| Interest on deposits | 436 | 740 | 3,946 |
| Interest on payables under repurchase agreements | 27 | 37 | 245 |
| Interest on payables under securities lending transactions | 155 | 791 | 1,400 |
| Interest on borrowings and rediscounts | 6 | 274 | 54 |
| Other interest expenses | 850 | 1,800 | 7,681 |
| Fees and commissions | 7,397 | 7,397 | 66,821 |
| Other ordinary expenses | 1,450 | 314 | 13,099 |
| General and administrative expenses | 44,738 | 46,609 | 404,105 |
| Provision of allowance for loan losses | 8,330 | 9,004 | 75,245 |
| Other expenses | 3,403 | 5,097 | 30,741 |
| Total expenses | 66,795 | 72,067 | 603,337 |
| Income before income taxes | 19,657 | 16,821 | 177,556 |
| Income taxes: | | | |
| Current | 6,453 | 5,185 | 58,293 |
| Deferred | (1,093) | 396 | (9,878) |
| Net income | ¥14,297 | ¥11,238 | \$129,141 |

NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

| March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2021 | 2020 | 2021 |
| Assets | | | |
| Cash and due from banks | ¥1,725,165 | ¥942,323 | \$15,582,745 |
| Trading account securities | 2,614 | 2,722 | 23,615 |
| Money held in trust | 9,098 | 9,265 | 82,182 |
| Securities | 832,023 | 649,217 | 7,515,342 |
| Loans and bills discounted | 4,031,781 | 3,762,756 | 36,417,498 |
| Foreign exchanges | 8,787 | 9,174 | 79,376 |
| Other assets | 86,138 | 76,957 | 778,059 |
| Tangible fixed assets | 28,009 | 28,038 | 253,000 |
| Intangible assets | 2,809 | 3,378 | 25,375 |
| Prepaid pension cost | 978 | — | 8,836 |
| Deferred tax assets | 5,626 | 6,830 | 50,822 |
| Customers' liabilities for acceptances and guarantees | 26,966 | 26,674 | 243,580 |
| Allowance for loan losses | (22,433) | (20,732) | (202,636) |
| Total assets | ¥6,737,566 | ¥5,496,607 | \$60,857,794 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Deposits | ¥5,465,108 | ¥4,927,225 | \$49,364,178 |
| Payables under securities lending transactions | 86,751 | 9,398 | 783,589 |
| Borrowed money | 895,500 | 274,600 | 8,088,700 |
| Foreign exchanges | 355 | 65 | 3,209 |
| Other liabilities | 36,981 | 37,739 | 334,041 |
| Reserve for employee retirement benefits | 1,589 | 2,213 | 14,360 |
| Reserve for directors' and audit & supervisory board members' retirement benefits | 93 | 93 | 841 |
| Reserve for contingent losses | 248 | 321 | 2,243 |
| Reserve for reimbursement of deposits | 491 | 504 | 4,438 |
| Acceptances and guarantees | 26,966 | 26,674 | 243,580 |
| Total liabilities | 6,514,085 | 5,278,836 | 58,839,179 |
| Equity | | | |
| Capital stock | 93,524 | 93,524 | 844,766 |
| Capital surplus | 16,795 | 16,795 | 151,703 |
| Retained earnings | 101,751 | 98,929 | 919,077 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | 11,384 | 8,522 | 102,832 |
| Deferred gains (losses) on hedges | 26 | — | 237 |
| Total equity | 223,480 | 217,771 | 2,018,615 |
| Total liabilities and equity | ¥6,737,566 | ¥5,496,607 | \$60,857,794 |

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

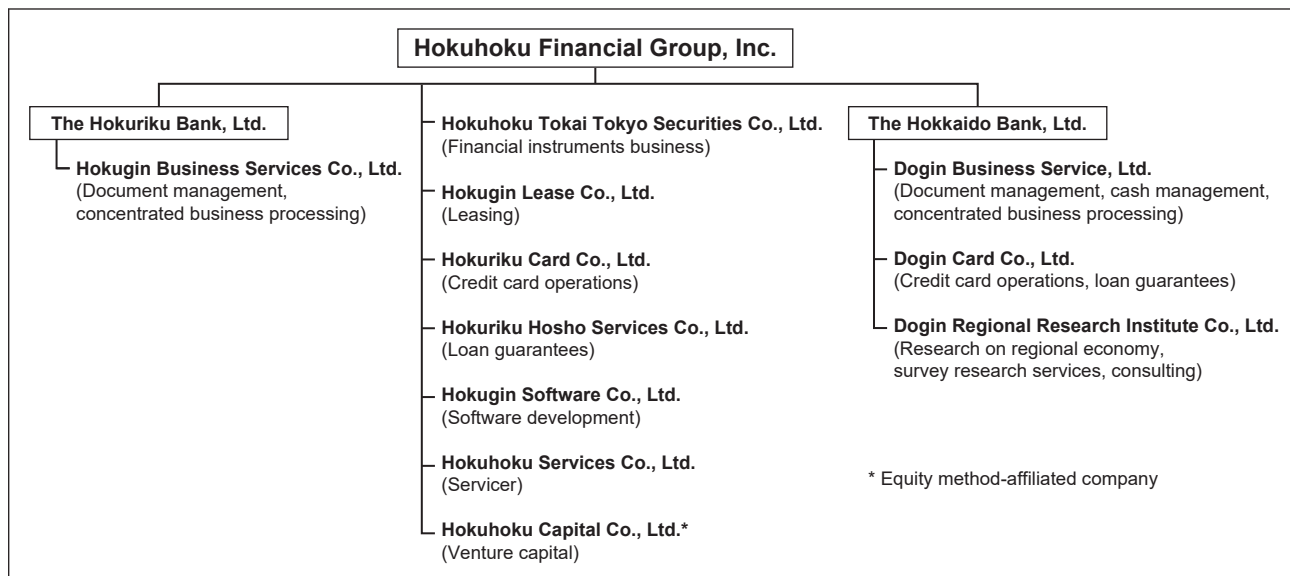
The Hokkaido Bank, Ltd.

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 2021 | 2020 | 2021 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥41,568 | ¥41,367 | \$375,475 |
| Interest and dividends on securities | 6,041 | 9,024 | 54,567 |
| Interest on receivables under resale agreements | (1) | (4) | (18) |
| Interest on deposits with other banks | 428 | 270 | 3,870 |
| Other interest income | 143 | 161 | 1,298 |
| Fees and commissions | 15,709 | 15,907 | 141,898 |
| Other ordinary income | 2,947 | 4,471 | 26,625 |
| Other income | 4,778 | 3,786 | 43,163 |
| Total income | 71,615 | 74,984 | 646,878 |
| Expenses | | | |
| Interest expenses: | | | |
| Interest on deposits | 187 | 308 | 1,690 |
| Interest on payables under securities lending transactions | 61 | 370 | 558 |
| Interest on borrowings and rediscounts | (5) | (0) | (53) |
| Other interest expenses | 8 | 6 | 73 |
| Fees and commissions | 9,895 | 9,907 | 89,386 |
| Other ordinary expenses | 2,514 | 614 | 22,712 |
| General and administrative expenses | 38,977 | 40,212 | 352,073 |
| Provision of allowance for loan losses | 4,488 | 2,556 | 40,541 |
| Other expenses | 4,082 | 7,436 | 36,875 |
| Total expenses | 60,210 | 61,412 | 543,855 |
| Income before income taxes | 11,405 | 13,572 | 103,023 |
| Income taxes: | | | |
| Current | 3,115 | 3,242 | 28,138 |
| Deferred | 97 | 736 | 881 |
| Net income | ¥8,192 | ¥9,592 | \$74,004 |

Business activities

The Hokuohoku Financial Group is composed of the holding company and 12 consolidated subsidiaries and one affiliate. Our core business is banking, and we also provide a wider range of financial services including leases, credit cards, loan guarantees and venture capital. The following is a diagram of our business.

Business diagram



Major subsidiaries

| (units: millions of yen, %) | | | | | | |
|---|--|--|-------------------|---------|-----------------------------|----------|
| Company name | Address | Main business activities | Established | Capital | FG's share of voting rights | Dividend |
| The Hokuriku Bank, Ltd. | 1-2-26 Tsutsumicho-dori, Toyama City | Banking | July 31, 1943 | 140,409 | 100.00 | 7,228 |
| The Hokkaido Bank, Ltd. | 4-1 Odori Nishi, Chuo-ku, Sapporo City | Banking | March 5, 1951 | 93,524 | 100.00 | — |
| Hokuohoku Tokai Tokyo Securities Co., Ltd. | 1-8-10 Marunouchi, Toyama City | Financial instruments business | April 21, 2016 | 1,250 | 60.00 | — |
| Hokugin Lease Co., Ltd. | 2-21 Aramachi, Toyama City | Leasing | July 21, 1983 | 100 | 70.25 | — |
| Hokuriku Card Co., Ltd. | 1-2-1 Shintomi-cho, Toyama City | Credit card operations | March 2, 1983 | 36 | 87.39 | 3 |
| Hokuriku Hosho Services Co., Ltd. | 1-2-26 Tsutsumicho-dori, Toyama City | Loan guarantees | December 12, 1978 | 50 | 100.00 | — |
| Hokugin Software Co., Ltd. | 1-5-25 Higashidenjigata, Toyama City | Software development | May 1, 1986 | 30 | 100.00 | — |
| Hokuohoku Services Co., Ltd. | 1-6-8 Chuo-dori, Toyama City | Servicer | December 5, 2003 | 500 | 100.00 | — |
| Hokugin Business Services Co., Ltd. | 1883 Hiyodorijima, Toyama City | Document management, concentrated business processing | March 25, 1953 | 30 | (100.00) | — |
| Dogin Business Service, Ltd. | Higashisapporo Dogin Building, Higashisapporo 3-1-2-33, Shiroishi-ku, Sapporo City | Document management, cash management, concentrated business processing | June 8, 1979 | 50 | (100.00) | — |
| Dogin Card Co., Ltd. | 2-2-14 Chuo-ku Minami, Sapporo City | Credit card operations, loan guarantees | June 13, 1977 | 120 | (100.00) | — |
| Dogin Regional Research Institute Co., Ltd. | Dogin Annex Building, 4-1 Odori Nishi, Chuo-ku, Sapporo City | Research on regional economy, survey research services, consulting | August 8, 2002 | 100 | (100.00) | — |
| Hokuohoku Capital Co., Ltd. | 1-6-8 Chuo-dori, Toyama City | Venture capital | January 11, 1985 | 250 | 5.00 (38.75) | — |

() Indicates voting rights involving shares held by subsidiaries

The Hokuriku Bank, Ltd.

<https://www.hokugin.co.jp/>

Establishment

The Hokuriku Bank has its origins as the Kanazawa 12th National Bank, which was established on August 26, 1877, with the House of Kaga-Maeda providing 70% of the capital. The bank was the creation of the family established by Maeda Toshiie, the founder of the Kaga clan.

Since its founding, the bank has worked hand-in-hand with customers in the region, and grown into a bank with a wide branch network covering Hokuriku, Hokkaido, as well as Japan's three major metropolitan areas. Based on the bank's management philosophy of "Prospering Together with the Region," "Fair & Steady Management", and "Progressive & Innovative Services," Hokuriku Bank draws fully on its management resources to provide high-quality comprehensive financial services, aiming to become the bank preferred and relied on by local communities.

Company outline (as of March 31, 2021)

| | |
|--|--|
| Company name: | The Hokuriku Bank, Ltd. |
| Business: | Banking |
| Incorporation: | July 31, 1943 (founded in 1877) |
| Location of headquarters: | 1-2-26 Tsutsumicho-dori, Toyama City, Toyama |
| Total assets: | ¥9,857.2 billion |
| Deposits (including NCDs): | ¥7,350.5 billion |
| Loans and bills discounted: | ¥5,033.3 billion |
| Issued shares: | |
| Common stock: | 1,047,542,335 |
| Capital adequacy ratio (non-consolidated): | 9.14% |
| Employees: | 2,365 |
| Branches (as of June 30, 2021) | |
| Domestic: | 188 (145 branches, 43 sub-branches) |
| Overseas: | 5 representative offices |

History

| | |
|----------------|--|
| August 1877 | Kanazawa 12th National Bank founded |
| February 1879 | Toyama 123rd National Bank founded |
| January 1884 | Kanazawa 12th National Bank and Toyama 123rd National Bank merged to form Toyama 12th National Bank with headquarters in Toyama City |
| July 1897 | Toyama 12th National Bank changed name to 12th Bank |
| July 1943 | Four banks, 12th, Takaoka, Chuetsu, and Toyama Bank, merged to form Hokuriku Bank |
| January 1950 | Launched foreign exchange operations (first regional bank to do so) |
| September 1961 | Listed on the Tokyo Stock Exchange |
| November 1961 | Completed present head office |
| January 1971 | Received blanket approval to engage in correspondent banking services |
| November 1973 | Launched first online system |
| March 1974 | Received blanket approval to engage in foreign exchange business |
| July 1978 | Received blanket approval to handle yen-denominated and foreign-denominated syndicated loans |
| October 1979 | Launched second online system |
| November 1981 | Launched online foreign exchange system |
| January 1984 | Launched firm banking service |
| May 1987 | Introduced VI (visual identity) |
| August 1990 | Launched third online system |
| November 1993 | Launched investment trust agent operations |
| December 1998 | Launched over-the-counter sales of securities investment trusts |
| June 2000 | Launched Internet and mobile banking services |
| July 2000 | Completed new computer center (Alps building) |
| January 2001 | Launched new computer system |
| April 2001 | Launched over-the-counter sales of casualty insurance |
| February 2002 | Third-party allocation worth ¥39.1 billion, brought new capital to ¥140.4 billion |
| February 2002 | Launched convenience store ATM service |
| October 2002 | Launched over-the-counter sales of life insurance |
| March 2003 | Took over part of the Ishikawa Bank's operations |
| September 2003 | Established Hokugin Financial Group, Inc. through share transfer, then became a subsidiary of the Hokugin Financial Group, Inc. |
| September 2004 | Integrated management with Hokkaido Bank, name of parent company changed to Hokuohoku Financial Group, Inc. |
| December 2004 | Launched securities agency operations |
| March 2006 | Entered into a contract on joint system use with Hokkaido Bank and the Bank of Yokohama |
| May 2011 | Commenced use of joint IT system with Hokkaido Bank and the Bank of Yokohama |
| December 2013 | The head office building was registered as a Tangible Cultural Property (structures) |
| October 2015 | Opened an individual consulting base "Hokugin Plaza" |
| April 2019 | Launched Trust Business Service |
| July 2019 | Launched Recruitment Service |

OUTLINE OF SUBSIDIARIES - THE HOKKAIDO BANK, LTD.

The Hokkaido Bank, Ltd.

<https://www.hokkaidobank.co.jp/>

Establishment

Hokkaido Bank was established on March 5, 1951, in response to the strong demand for financing from small and medium-sized corporations in Hokkaido accompanying the sudden increase in population and development of new industries in Hokkaido during the post-war recovery period.

Based on this background, and as a bank deeply rooted in Hokkaido, Hokkaido Bank considers it its mission to contribute to regional economic growth by smoothly providing financing and quality financial services to its customers in Hokkaido. Going forward, Hokkaido Bank will never abandon the spirit with which it was created, and will continue to move forward together with its customers in Hokkaido.

Company outline (as of March 31, 2021)

| | |
|--|--|
| Company name: | The Hokkaido Bank, Ltd. |
| Business: | Banking |
| Incorporation: | March 5, 1951 |
| Location of headquarters: | 4-1 Odori Nishi, Chuo-ku, Sapporo City |
| Total assets: | ¥6,737.5 billion |
| Deposits (including NCDs): | ¥5,465.1 billion |
| Loans and bills discounted: | ¥4,031.7 billion |
| Issued shares: | |
| Common stock: | 486,634,512 |
| Preferred stock (Type 2): | 85,945,600 |
| Capital adequacy ratio (non-consolidated): | 8.88% |
| Employees: | 2,137 |
| Branches (as of June 30, 2021) | |
| Domestic: | 144 (136 branches, 8 sub-branches) |
| Overseas: | 3 representative offices |

History

| | |
|----------------|---|
| March 1951 | Hokkaido Bank established |
| April 1961 | Launched foreign exchange operations |
| May 1962 | Listed on the Sapporo Stock Exchange |
| August 1964 | Completed present head office |
| June 1971 | Launched first online system |
| July 1976 | Launched second online system |
| December 1980 | Received blanket approval to engage in correspondent banking services |
| April 1981 | Hokkaido Small and Medium Corporation Human Resource Development Fund established |
| June 1986 | Launched online foreign exchange system |
| September 1987 | Listed on the first section of the Tokyo Stock Exchange |
| October 1990 | Completed the Higashi Sapporo Dogin Building |
| March 1991 | Established Dogin Cultural Foundation |
| October 1991 | Launched a new foreign exchange online system |
| November 1991 | Completed Dogin Building Annex |
| January 1993 | Launched third online system |
| April 1994 | Launched investment trust agent operations |
| December 1998 | Launched over-the-counter sales of securities investment trusts |
| July 1999 | Issued preferred stock (Type 2) (issuance amount was ¥53.716 billion) |
| November 1999 | Launched telephone banking service |
| June 2000 | Launched Internet mobile banking |
| April 2001 | Launched over-the-counter sales of casualty insurance |
| October 2002 | Launched over-the-counter sales of life insurance |
| December 2003 | Opened Business Loan Plaza |
| April 2004 | Launched convenience store ATM service |
| September 2004 | Came under management of Hokugin Financial Group, Inc., parent of Hokuriku Bank; Hokuohoku Financial Group, Inc. launched |
| April 2005 | Launched securities agency operations |
| March 2006 | Entered into a contract on joint system use with Hokuriku Bank and the Bank of Yokohama |
| August 2006 | Opened representative office in Shenyang, China |
| March 2009 | Opened representative office in Yuzhno-Sakhalinsk, Russia |
| January 2010 | Taiwan ATM/SmartPay Debit Service started |
| May 2011 | Commenced use of joint IT system with Hokuriku Bank and the Bank of Yokohama |
| March 2014 | Opened representative office in Vladivostok, Russia |
| March 2019 | Opened Account Opening Plaza "Odori Subway Station Sub-Branch" |
| April 2019 | Opened the NISEKO Sub-Branch |

Hokuhoku Financial Group, Inc.

President:
Eishin Ihori

Deputy President:
Yuji Kanema

Directors:
Hidenori Mugino
Yoshimasa Takada
Hiroshi Nakazawa
Masahiko Kobayashi
Akira Sakai

*Directors serving as
Audit and Supervisory
Committee Members:*
Hirokuni Kitagawa
Masaaki Manabe
Nobuya Suzuki
Kaoru Funamoto

The Hokuriku Bank, Ltd.

Chairman:
Hidenori Mugino

President:
Eishin Ihori

Managing Directors:
Hiroshi Nakazawa
Hiroyuki Jogan
Masahiko Kobayashi

Directors:
Yoshikazu Sakamoto
Akira Sakai

*Audit & Supervisory
Board Members:*
Masahiro Numada
Kenichi Nakamura
Isao Nagahara
Katsusuke Watanuki
Seiichiro Yagi

The Hokkaido Bank, Ltd.

Chairman:
Masahiro Sasahara

President:
Yuji Kanema

Deputy President:
Takashi Ohki

Managing Directors:
Yoshimasa Takada
Tsuyoshi Sasaki

Directors:
Tetsuya Yamazaki
Naoki Minami

*Audit & Supervisory
Board Members:*
Takashi Ogura
Ken Ebina
Shuji Iwamura
Satoshi Chiba

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北北金融控股集团简要

企业名称：北北金融控股集团股份有限公司

设立日期：2003年9月26日

总行地址：富山县富山市堤町通1丁目2番26号

经营目的：集团伞下的子公司的经营管理，以及连带的相关业务

资本金：708亿9,500万日元

发行股份：普通股 132,163,014股

第一次第5种优先股 85,955,000股

上市交易所：东京证券交易所（第一部）

札幌证券交易所

简介

自从1877年北陆银行成立以来已经在北陆地区设立了广域性的经营网点。

从“北前船”或者说“北航船（北上的经济圈）”的交易关系和客户的需要出发还在北海道各个主要城市内设立了自己的经营网点。

北海道银行成立于1951年，以支援中小企业和个人业务为中心在北海道道内的各个地区都设有营业网点。

北陆银行和北海道银行于2004年9月进行了经营统合，成立了（控股公司）北北金融控股集团股份有限公司。现在，北北金融控股集团已经形成了覆盖日本北陆地区北海道以及日本三大都市圈（东京，名古屋，大阪）的巨大的地方金融网络。

2002年5月 北陆银行和北海道银行缔结了全面业务协助协议

2003年5月 北陆银行和北海道银行对经营统合取得一致意见

2003年9月 设立北银金融控股集团股份有限公司

北陆银行成为北银金融控股集团伞下的银行

通过股份交换实现经营统合

2004年9月 北北金融控股集团股份有限公司诞生

注：北银金融控股集团股份有限公司改名为北北金融控股集团股份有限公司。

北北金融集团的经营活动范围不是限于一个地域，而是在广泛的地域内展开着。

我们广泛的营业网点分布在下列地区范围里：

北陆地区..... 151分行（或支行）

富山县 93分行（或支行）

石川县 36分行（或支行）

福井县 22分行（或支行）

北海道地区 161分行（或支行）

三大都市圈 16分行（或支行）

东京、横滨 9分行（或支行）

名古屋 3分行（或支行）

大阪、京都 4分行（或支行）

其他地区（仙台、新潟、长野、高山）..... 4分行（或支行）

海外..... 8代表处

纽约代表处 （北陆银行）

南萨哈林斯克代表处 （北海道银行）

符拉迪沃斯托克代表处 （北海道银行）

新加坡代表处（北陆银行）

曼谷代表处 （北陆银行）

大连代表处 （北陆银行）

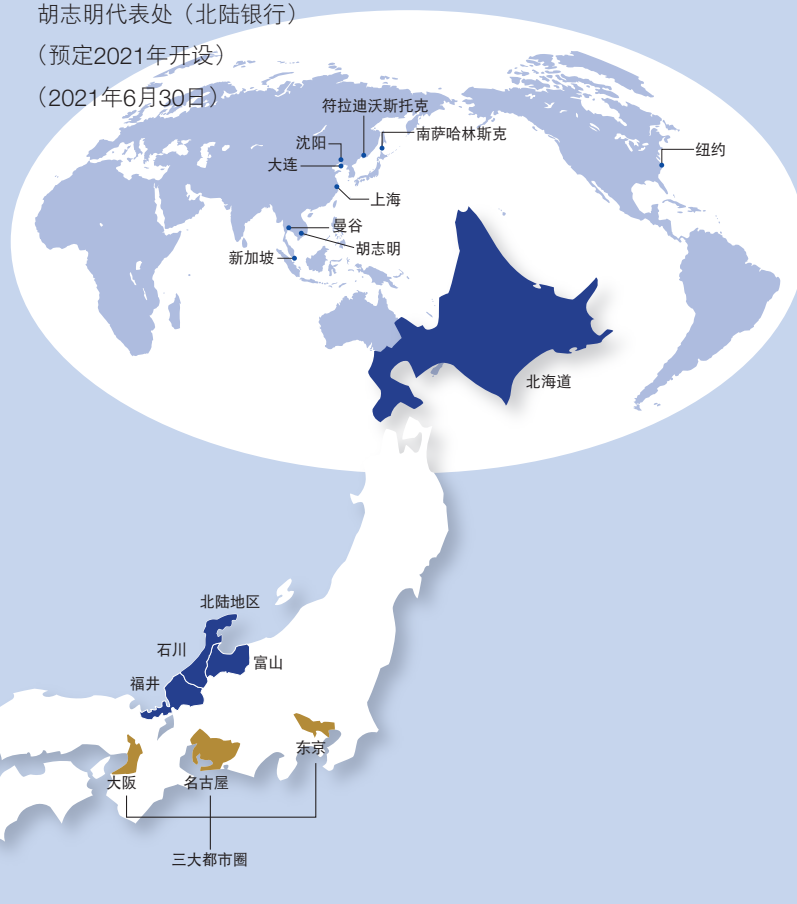
上海代表处 （北陆银行）

沈阳代表处 （北海道银行）

胡志明代表处（北陆银行）

（预定2021年开设）

（2021年6月30日）





(相片左边)
董事长
庵 荣伸 (北陆银行 总行长)

(右边)
董事副社长
兼间 祐二 (北海道银行 总行长)

大家好！承蒙各位平时对北北金融控股集团以及本集团公司的厚爱，在此表示深深的感谢。

我们地方金融机构所处的经营环境非常严峻。新冠病毒导致的经济急速倒退即使可以看到一些重塑经济的行动，但是各地方新冠病毒的反复感染和扩大，使得观光业（旅游业）为代表的一部分行业受到严重冲击，前景不透明的状态将继续。

在如此严峻的环境下，本集团公司于2019年4月开始的中期经营计划【ALL for the Region】中提出的3个基本方针，在“为地方（地域）社会做贡献”“面向未来的进化·改革”“发挥集团的综合能力”的基础上，以地方（地域）金融集团为立足点，直面新冠病毒的祸害，通过为客户解决课题，行员上下团结一致为地方（地域）经济的继续成长做贡献。

请大家继续关注并惠顾，拜托了！

董事长

庵 荣伸

2021年7月

中期经营计划

新中期经营计划“ALL for the Region”是指，从2019年4月开始的3年时间，同时把这3年定位为“本公司集团全体职员将推进‘Face to Face的贴近客户的服务’和‘追求便利性的数字金融服务’等两方面的服务，为持续致力于为地域做贡献的体制构筑期间”。

本公司集团的全体职员团结一致，通过提供地域第一的金融服务，为客户和地域社会做贡献，创造共同价值，我们将致力于成为与地域共同成长、发展的综合金融集团。

■ 计划的概要

| | | | |
|------|--|--|--|
| 名称 | ALL for the Region | | |
| 定位 | 本公司集团的全体职员推进“Face to Face的贴近客户的服务”和“追求便利性的数字金融服务”等两方面的服务，持续地致力于为地域做贡献的体制构筑期间。 | | |
| 基本方针 | <div> <div>“对地域社会发展做贡献”</div> <div>· 共同面对课题，努力提供有助于地域和客户发展的解决方案。</div> </div> <div> <div>“对未来的进化变革”</div> <div>· 提供反映技术革新和需求变化的金融服务，不辜负客户的期望。</div> </div> <div> <div>“集团综合实力的发挥”</div> <div>· 在加强集团合作的同时，构筑集团最佳的推进、管理体制。</div> </div> <div>创造共同价值</div> | | |

■ 新中期经营计划的重点指标(2家银行合算、联结)

| | 2019年度业绩 | 2020年度业绩 | 2021年度 (最终) |
|----------------|----------|----------|----------------|
| 主要业务利润(2家银行合算) | 169亿日元 | 196亿日元 | 220亿日元以上 |
| 本期净利润(联结) | 202亿日元 | 213亿日元 | 220亿日元以上 |
| 资本充足率(联结) | 8.94% | 9.45% | 维持高于8% |
| OHR(2家银行合算) | 69.27% | 68.19% | 维持高于60% |

根据基本方针而定的各战略区分重点措施

| | 重点措施 |
|------------------|---|
| 法人市场战略 | <ul style="list-style-type: none"> ◆金融中介功能的发挥 <ul style="list-style-type: none"> · 完善与营业区域的特性以及顾客的商业舞台等对应的战略、推进体制，根据事业性评价，展开融资战略。 ◆加强法人咨询 <ul style="list-style-type: none"> · 扩充解决方案菜单，推进与顾客的商业舞台对应的咨询建议。 |
| 个人市场战略 | <ul style="list-style-type: none"> ◆加强个人咨询，扩大个人交易基础 <ul style="list-style-type: none"> · 扩充与生活舞台以及面对面、非面对面渠道对应的商品，支援资产形成，应对富裕阶层，加强应对各种资金需求，实现扩大交易基础。 |
| 数字化、Fintech战略 | <ul style="list-style-type: none"> ◆增强数字银行功能 <ul style="list-style-type: none"> · 强化智能手机应用程序等非面对面渠道的功能，推进数字银行化 · 提高顾客的便利性（无印章、无纸化、无现金卡） ◆推进地域的无现金化 <ul style="list-style-type: none"> · 致力于推进地域无现金化的基础设施建设 |
| 地域社会活性化战略 | <ul style="list-style-type: none"> ◆对地方再生的贡献和ESG、SDGs课题的对应 <ul style="list-style-type: none"> · 通过与地方公共团体、地域企业、教育机关的合作，实现地域经济的活性化 · 通过基于ESG、SDGs的CSR活动，以地域经济、地域社会的持续发展为目标 |
| 市场、有价证券运用战略 | <ul style="list-style-type: none"> ◆运用收益的增强和稳定化 <ul style="list-style-type: none"> · 通过运用对象的多样化形成的分散投资以及战略性的、机动灵活的运用，来实现收益的增强。 · 通过建立重视综合损益的管理体制，强化行情突变时的对应力，来完善风险控制体制。 |
| 加强风险管理、合规守法 | <ul style="list-style-type: none"> ◆强化对活用RAF（风险偏好框架）的治理以及应对多样化风险 <ul style="list-style-type: none"> · 活用RAF来实现制定经营战略，强化风险管理体制 · 通过职员教育，构建切实杜绝风险行为和违法行为的风险文化 · 通过充实各种模拟和压力测试，强化适应环境变化的风险管理体制 |
| 业务改革、店铺优化、人财活用战略 | <ul style="list-style-type: none"> ◆兼顾经营效率化、生产性向上以及工作价值 <ul style="list-style-type: none"> · 通过业务简化、总部集中化、促进外部资源，推进业务合理化。 · 通过活用ICT（数字化、RPA、无纸化），推动业务的效率化。 · 为了维持地域的金融基础设施，通过明确职责和功能，来实现改善店铺体制和ATM运营。 · 为提高顾客对应能力、专业性、管理能力，进行人财育成。 · 打造一个能够有多种人才活跃的职场环境。 |
| 北北金融控股集团 集团战略 | <ul style="list-style-type: none"> ◆加强和扩大在北海道地区的合作 <ul style="list-style-type: none"> · 通过共同活用咨询和金融服务功能，强化营业推进力 · 两行今后将在北海道内共同推进店铺的重建 · 扩大包括总部功能以及后勤管理部门在内的北海道内据点的共同化 ◆通过对控股公司北北金融控股集团的功能集中，来追求更大的协同效果 ◆子银行、关联公司合作并发挥综合实力，提供金融服务 ◆致力于提高股东价值 <ul style="list-style-type: none"> · 在维持稳定的分红的同时，通过利益积累来充实资本。 |

营业概况（北北金融控股集团联结）

（单位：亿日元）

| | 2020年度 | | 2019年度 |
|--------------|--------|-------|--------|
| | | 变动 | |
| 经常收益 | 1,759 | -64 | 1,824 |
| 经常利润 | 322 | -5 | 316 |
| 归属于母公司股东的净利润 | 213 | 10 | 202 |
| 资本充足率 | 9.45% | 0.51% | 8.94% |

本公司2021年3月期的业绩，联合结算的经常收益与上一期相比减少64亿日元为1,759亿日元；联合结算的利益比上一期增加5亿日元为322亿日元。归母公司的本期纯利益增加10亿日元为213亿日元。

联合结算的自有资本比例为9.45%

2021年3月期的分红：普通股票期末1股为35日元；第一回5种优先股的中期・末期为1股7.5日元（一年为15日元）。

营业概况（北陆银行, 北海道银行）

（单位：亿日元）

| | 2家银行合算 | | 2019年度 |
|--------------|--------|-----|--------|
| | 2020年度 | 变动 | |
| 经常收益 | 1,579 | -55 | 1,635 |
| 主营业务毛利润 | 1,207 | -24 | 1,232 |
| 经费(临时处理部分除外) | 823 | -30 | 853 |
| 主营业务净利润 | 384 | 5 | 378 |
| 扣除投资信托解约损益后 | 376 | 30 | 345 |
| 信贷相关成本 | 130 | 10 | 120 |
| 经常利润 | 320 | 5 | 314 |
| 本期净利润 | 224 | 16 | 208 |

北陆银行・北海道银行（2行合算）

2行合算：经常收益比上一期减少55亿日元为1,579亿日元。本期纯利益比上一期增加16亿日元为224亿日元。

北陆银行：经常收益比上一期减少21亿日元为864亿日元，本期纯收益比上一期增加30亿日元为142亿日元。

北海道银行：经常收益比上一期减少34亿日元为715亿日元，本期纯利益比上一期减少13亿日元为81亿日元。

（单位：亿日元）

| | 北陆银行 | | 2019年度 |
|--------------|--------|-------|--------|
| | 2020年度 | 变动 | |
| 经常收益 | 864 | -21 | 885 |
| 主营业务毛利润 | 667 | -1 | 668 |
| 经费(临时处理部分除外) | 439 | -18 | 457 |
| 主营业务净利润 | 228 | 16 | 211 |
| 扣除投资信托解约损益后 | 215 | 15 | 199 |
| 信贷相关成本 | 84 | -8 | 92 |
| 经常利润 | 205 | 27 | 177 |
| 本期净利润 | 142 | 30 | 112 |
| 资本充足率 | 9.14% | 0.55% | 8.59% |

（单位：亿日元）

| 北海道银行 | | |
|--------|-------|--------|
| 2020年度 | 变动 | 2019年度 |
| 715 | -34 | 749 |
| 540 | -23 | 563 |
| 384 | -11 | 396 |
| 156 | -11 | 167 |
| 161 | 14 | 146 |
| 46 | 18 | 27 |
| 115 | -21 | 137 |
| 81 | -13 | 95 |
| 8.88% | 0.12% | 8.76% |



Hokuhoku Financial Group, Inc.