

Financial Results for FY 2019 (Ended March 31, 2020)



Hokuhoku Financial Group, Inc.



The Hokuriku bank, Ltd.



The Hokkaido bank, Ltd.

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“Hokuhoku Financial Group SDG’s Declaration” (April 1, 2019)

Based on the management philosophy “Prospering together with the region”, “Fair & Steady Management” and “Progressive & Innovative Services,” Hokuhoku Financial Group aims to improve the sustainability of the local economy and community by actively working on “SDG’s” activities advocated by the United Nations.

Introduction

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



Management Philosophy

Left: **Eishin Ihori**
President

(concurrently serving as president of
The Hokuriku Bank, Ltd.)

Right: **Masahiro Sasahara**
Deputy President

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

Prospering together with the region: We execute social mission to prosper mutually with customers and local community.

Fair & Steady Management: We aim at fair and steady management to respond to social confidence.

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

Profile

(As of March 31, 2020)



Incorporation : 2003

Location of head office : Toyama City, Toyama

Capital : ¥ 70.8 billion

Capital adequacy ratio : (consolidated) 8.94 %

Ratings : A (R&I)



Incorporation : 1943 (founded in 1877)

Location of head office : Toyama City, Toyama

Branches : Domestic 188 (145 branches, 43 sub-branches)
Overseas 6

Employees : 2,524

Capital : ¥ 140.4 billion

Capital adequacy ratio : (non-consolidated) 8.59 %

Ratings : A (R&I) • A- (S&P)



Incorporation : 1951

Location of head office : Sapporo City, Hokkaido

Branches : Domestic 144 (136 branches, 8 sub-branches)
Overseas 3

Employees : 2,242

Capital : ¥ 93.5 billion

Capital adequacy ratio : (non-consolidated) 8.76%

Ratings : A (R&I)

I . Financial Results for FY 2019

Summary of Financial Results

Core net business profits was ¥37.8Bn, exceeding the plan. Despite of an increase in credit costs of ¥7.4Bn, due to an increase in gains related to bonds and other factors, consolidated net income amounted to ¥20.2Bn, exceeding the plan.

FY19 Profit and loss

(JPY Bn)

【Hokuhoku FG consolidated】	Plan	Result	change	compared to plan
Ordinary profits	31.5	31.6	(3.6)	0.1
Net income attributable to owners of the parent	19.5	20.2	(4.1)	0.7

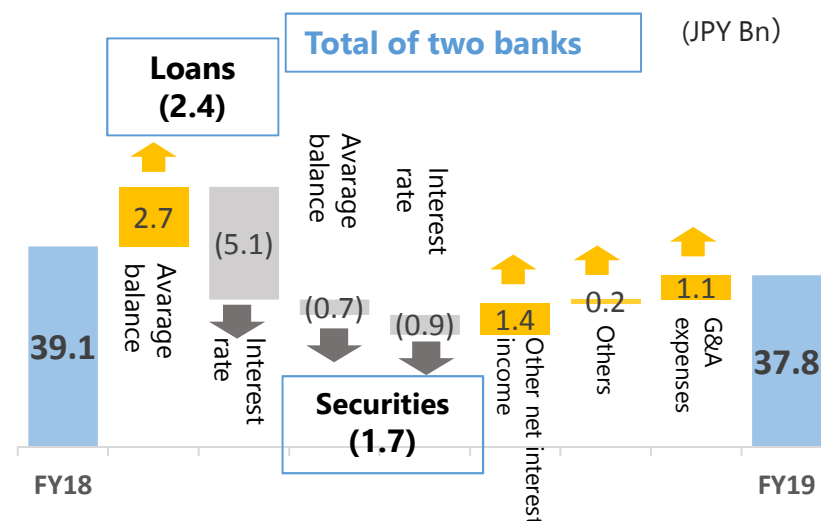
【Total of two banks】	Plan	Result	change	compared to plan
Core gross business profits	124.0	123.2	(2.4)	(0.8)
Net interest income		105.4	(2.7)	
Loans		84.2	(2.4)	
Securities		23.2	(1.7)	
Net fees & commissions		16.5	(0.0)	
Net trading income		0.1	0.0	
Net other income(※1)		1.1	0.1	
G&A expenses(-)	87.0	85.3	(1.1)	(1.6)
Core net business profits	37.0	37.8	(1.2)	0.8
Core net business profits(※2)		34.5	(2.4)	
Gains (losses) related to bonds		8.4	6.3	
Net business profits (※3)		46.3	5.0	
Net transfer to general allowance for loan losses(-)		2.8	2.8	
Other non-recurring gains (losses)		(12.0)	(7.4)	
Credit related costs (-)		(9.2)	4.5	
Gains (losses) related to stocks		(1.8)	(2.8)	
Ordinary profits	33.0	31.4	(5.2)	(1.5)
Net extraordinary gains (losses)		(1.0)	0.1	
Income taxes (-)		9.5	0.6	
Net income	22.0	20.8	(5.7)	(1.1)
Net credit costs (-)	8.5	12.0	7.4	3.5

※1: Excluding gains (losses) related to bonds

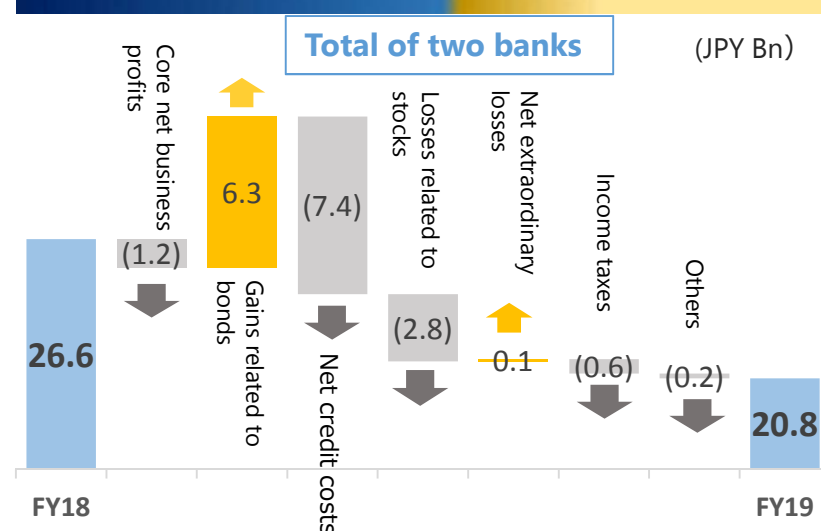
※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

※3: Before provision (reversal) of general allowance for loan losses

Factors contributing to change in core net business profits



Factors contributing to change in net income



Summary of Financial Results(Hokuriku bank・Hokkaido bank)

FY19 Profit and loss

(JPY Bn)				
	Hokuriku Bank		Hokkaido Bank	
		change		change
Core gross business profits	66.8	(2.2)	56.3	(0.1)
Net interest income	55.2	(2.9)	50.1	0.1
Loans	42.8	(1.5)	41.3	(0.8)
Securities	14.2	(2.1)	9.0	0.4
Net fees & commissions	10.5	0.6	5.9	(0.6)
Net trading income	0.1	0.0	-	-
Net other income(※1)	0.8	(0.0)	0.2	0.2
G&A expenses(-)	45.7	(0.7)	39.6	(0.4)
Personnel	22.6	(0.9)	17.8	(0.4)
Non-personnel	19.7	0.1	18.7	(0.0)
Taxes	3.3	0.0	3.0	0.1
Core net business profits	21.1	(1.5)	16.7	0.2
Core net business profits(※2)	19.9	(1.2)	14.6	(1.2)
Gains(losses)related to bonds	4.8	3.1	3.6	3.2
Net business profits(※3)	25.9	1.5	20.3	3.5
Net transfer to general allowance for loan losses(-)	2.1	2.7	0.6	0.1
Other non-recurring gains (losses)	(6.0)	(3.2)	(5.9)	(4.2)
Credit related costs(-)	7.1	3.7	2.1	0.8
Gains(losses) related to stocks	0.1	(0.2)	(2.0)	(2.6)
Ordinary profits	17.7	(4.4)	13.7	(0.7)
Net extraordinary gains(losses)	(0.8)	0.1	(0.1)	(0.0)
Income taxes(-)	5.5	0.0	3.9	0.5
Net income	11.2	(4.3)	9.5	(1.4)
Net credit costs(-)	9.2	6.4	2.7	1.0

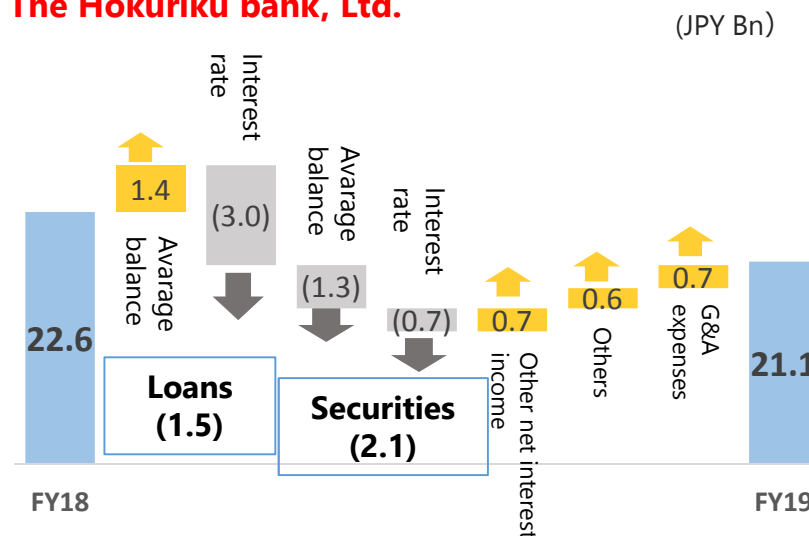
※1: Excluding gains (losses) related to bonds

※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

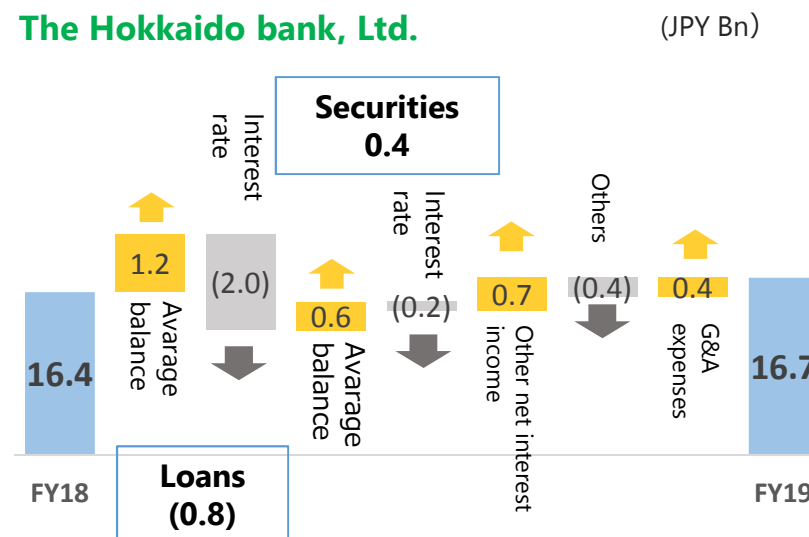
※3: Before provision (reversal) of general allowance for loan losses

Factors contributing to change in core net business profits

The Hokuriku bank, Ltd.



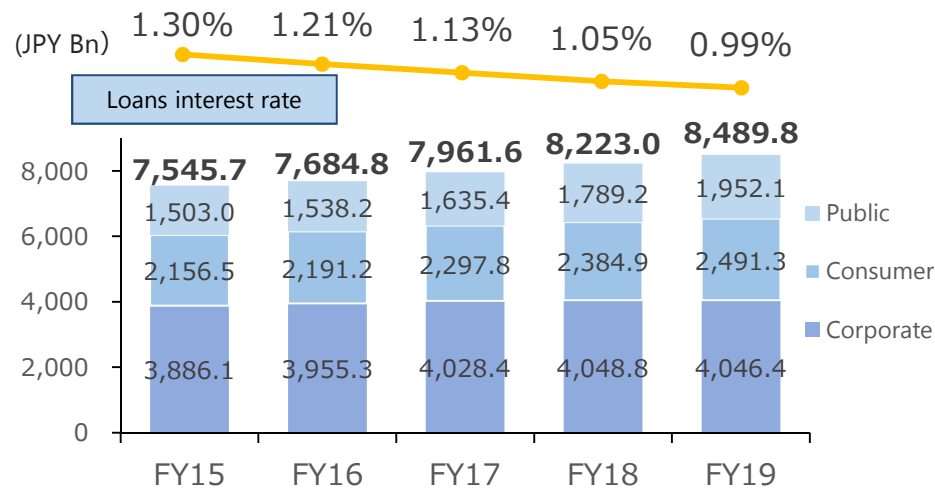
The Hokkaido bank, Ltd.



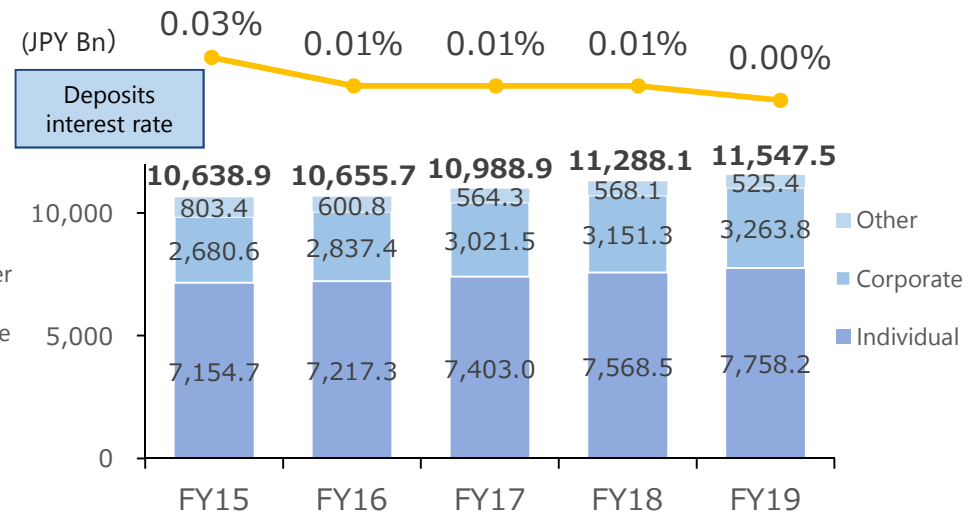
Net Interest Income

Net interest income of the two banks decreased by ¥2.7Bn from the previous fiscal year to ¥105.4Bn.

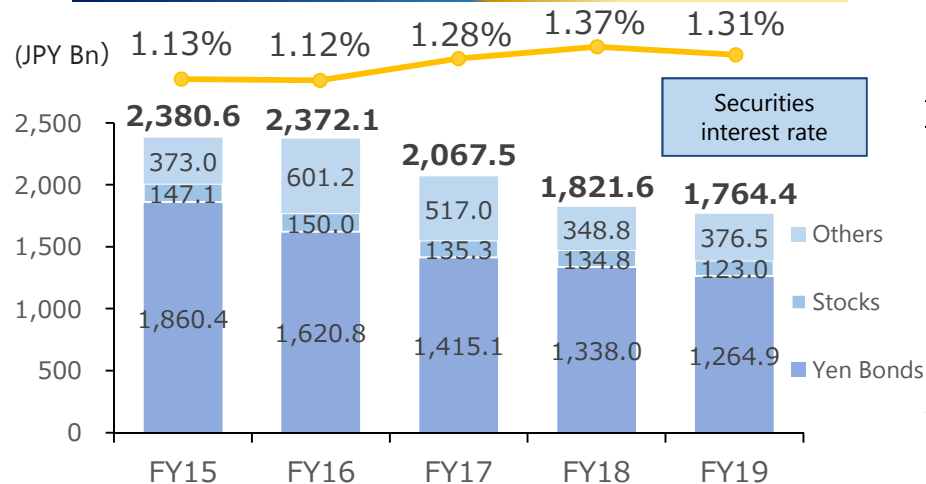
Ave. balance and rate of Loans



Ave. balance and rate of deposits



Ave. balance and rate of securities



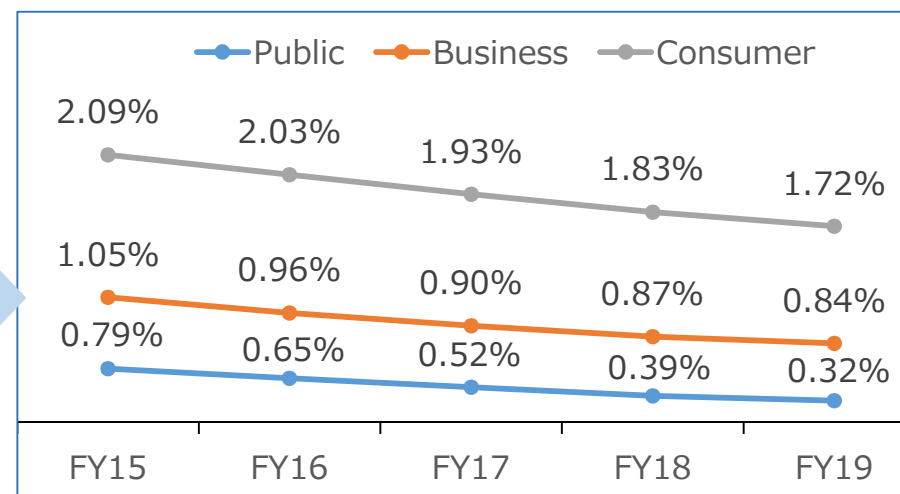
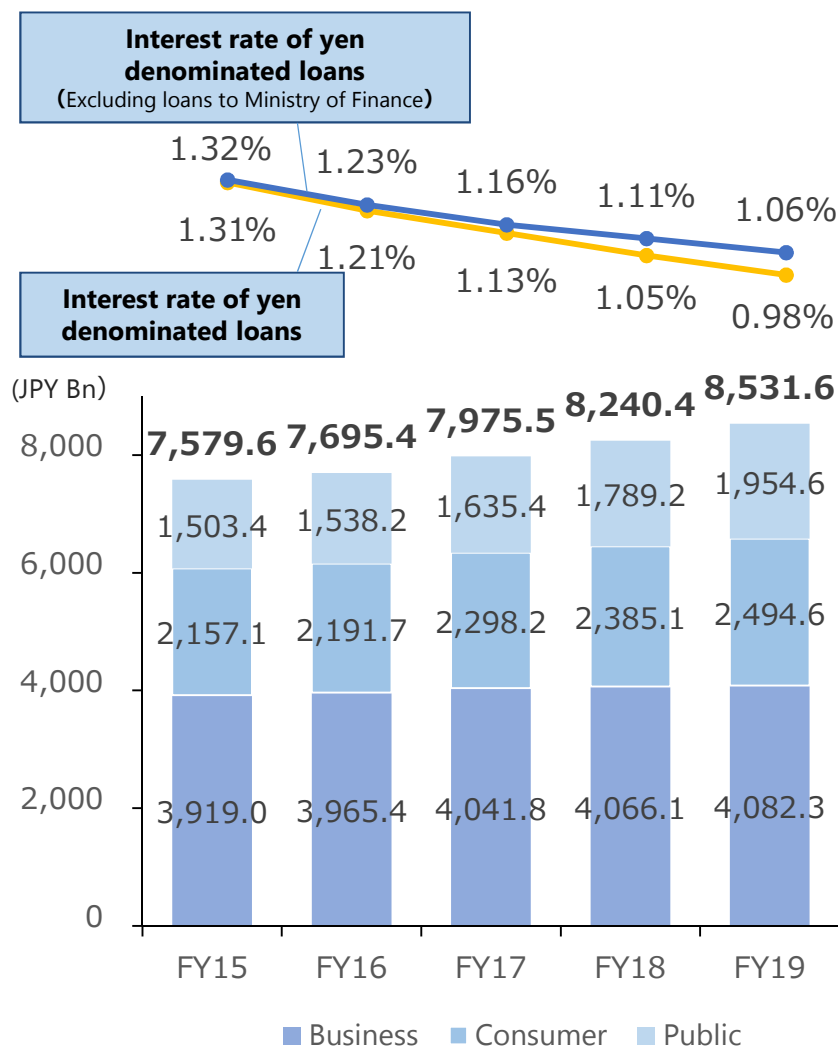
Net Interest Income

FY19	Total of two banks	change	Hokuriku bank	change	Hokkaido bank	change
Net interest income	105.4	(2.7)	55.2	(2.9)	50.1	0.1
Loans	84.2	(2.4)	42.8	(1.5)	41.3	(0.8)
Avg.balance	8,489.8	266.8	4,810.6	162.0	3,679.2	104.7
Avg.rate	0.99%	(0.06%)	0.89%	(0.06%)	1.12%	(0.06%)
Deposits(-)	1.0	(0.2)	0.7	(0.1)	0.3	(0.0)
Avg.balance	11,547.5	259.4	6,651.5	134.9	4,896.0	124.5
Avg.rate	0.00%	(0.01%)	0.01%	0.00%	0.00%	0.00%
Securities	23.2	(1.7)	14.2	(2.1)	9.0	0.4
Avg.balance	1,764.4	(57.1)	1,100.7	(103.7)	663.7	46.5
Avg.rate	1.31%	(0.06%)	1.29%	(0.07%)	1.35%	(0.04%)

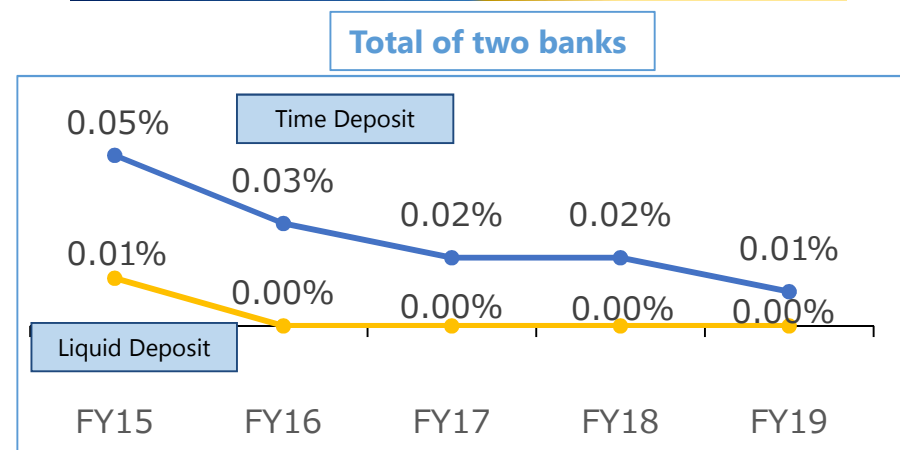
Interest Yields

The decline in yields on business loans is gradually slowing down.

Ave. balance and interest rate of yen denominated loans and deposits



Interest rate of yen denominated deposits

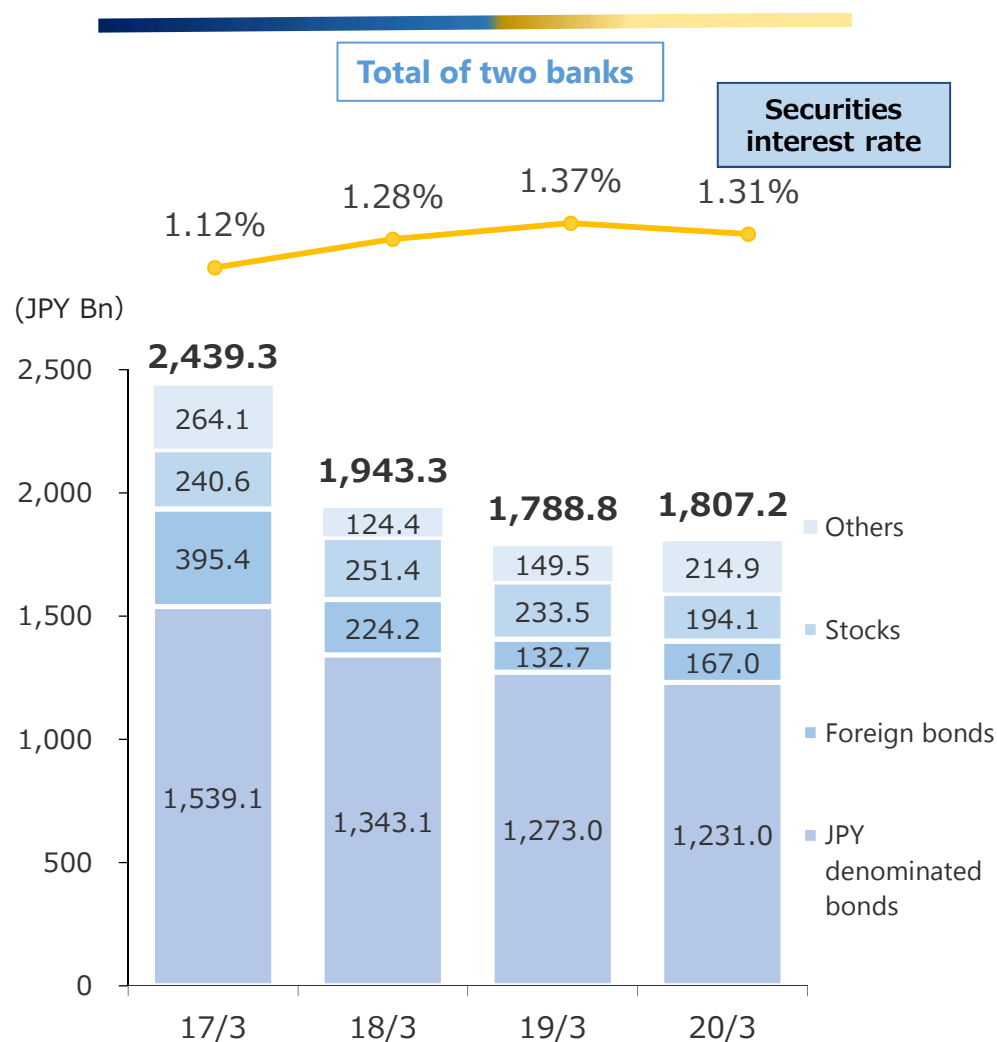


Securities Portfolio

The balance of securities increased by ¥18.3Bn to ¥1,807.2Bn due to the reinvestment of JGB redemption funds into local bonds and investment trusts.

Valuation difference of Available-for-sale Securities decreased by ¥49.2Bn, to ¥76.7Bn, mainly due to the drop in the stock market caused by the spread of COVID-19.

Balance of securities



Revenue and Valuation difference

Total of two banks

(JPY Bn)

	FY19	change	FY18
Securities interest	23.2	(1.7)	24.9
Bonds	7.9	(1.5)	9.4
Stocks	5.1	(0.7)	5.9
Others	10.1	0.5	9.5
Net sale profit/loss	6.6	3.4	3.1
Bonds	8.4	6.3	2.1
Stocks	(1.8)	(2.8)	1.0
Valuation difference of Available-for-sale Securities	76.7	(49.2)	126.0
Bonds	6.7	(8.1)	14.9
Stocks	74.8	(30.8)	105.6
Others	(4.8)	(10.2)	5.4

Duration of yen denominated bonds

Total of two banks

(year)

17/3	18/3	19/3	20/3
3.14	3.08	3.08	4.46

Net Fee and Commission Income

Net fees and commissions amounted to ¥16.5Bn, the same level as the previous fiscal year, due to an increase in solution-related commissions, making up for a decrease in personal insurance sales commissions.

Fee revenue

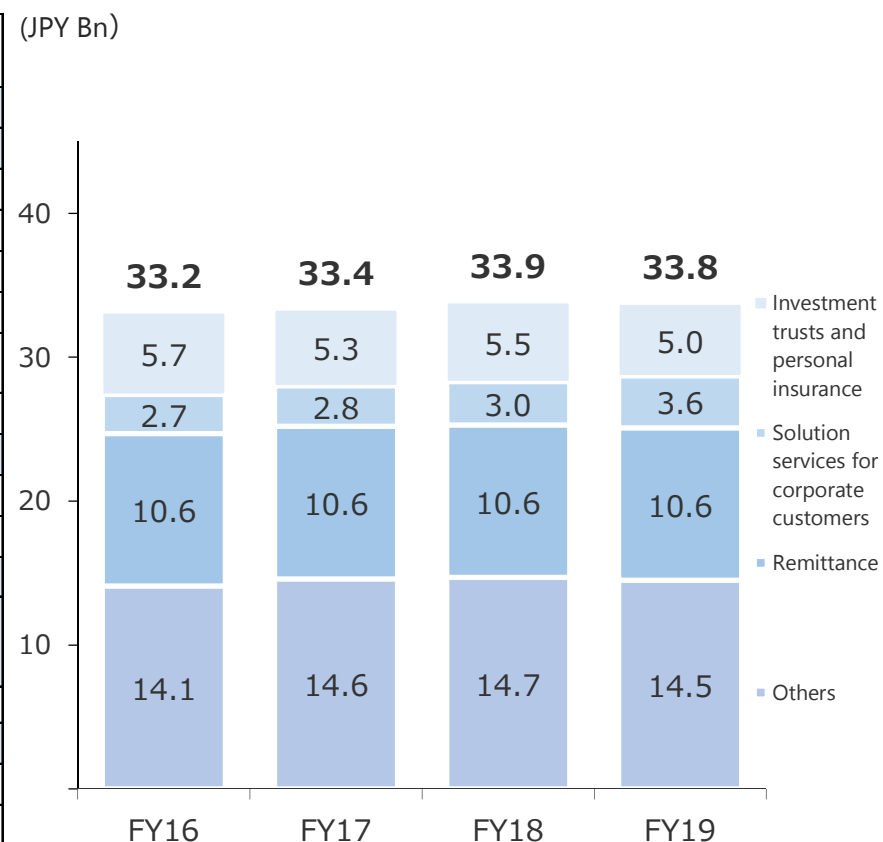
Total of two banks

	FY19	change	FY18
(JPY Bn)			
① Net fees and commissions	16.5	(0.0)	16.5
Fees and commissions	33.8	(0.0)	33.9
Remittance	10.6	0.0	10.6
Investment trusts/Personal insurance	5.0	(0.5)	5.5
Solution services*	3.6	0.6	3.0
Private placement bond/syndicated loan	2.1	0.4	1.7
M&A support, Business succession support, etc	1.0	0.1	0.8
Business matching	0.5	0.0	0.4
Fees and commissions payments	17.3	(0.0)	17.3
Remittance	1.8	(0.0)	1.8
Loan related expenses	12.3	0.4	11.9
② Net trading income	0.1	0.0	0.0
③ Net other income (excl. gains(losses) related to bonds)	1.1	0.1	0.9
Gains on foreign exchange transaction	1.1	0.1	0.9
④ Fee revenue ①+②+③	17.8	0.2	17.5
⑤ Core gross business profits	123.2	(2.4)	125.7
⑥ Fee revenue ratio ④/⑤ (%)	14.46	0.47	13.99

*(for corporate customers) Fees related to Private placement bond, syndicated loan, M&A support, Business succession support, Business matching, etc.

Net fees and commissions

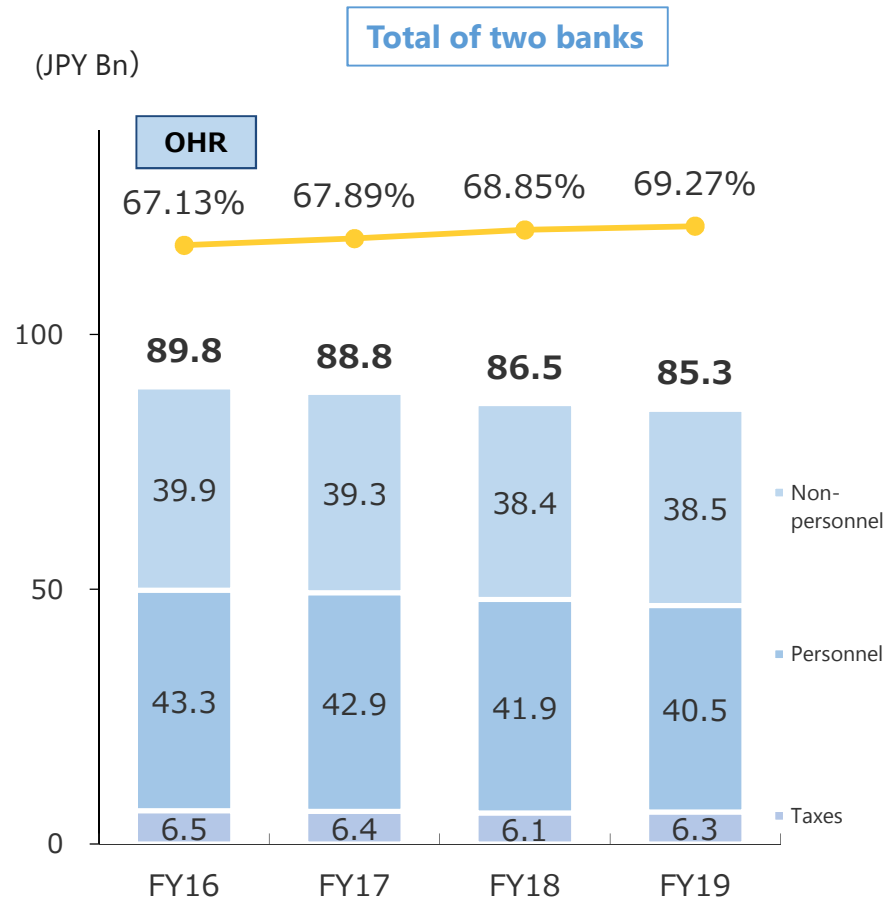
Total of two banks



G&A Expenses

G&A expenses decreased by ¥1.1Bn to ¥85.3Bn due to a decrease in personnel expenses through efforts to streamline business operations.

G&A expenses and OHR



OHR = G&A expenses/Core gross business profits

Increase/decrease factors in G&A expenses

(JPY Bn)

Hokuriku Bank	FY19	change	FY18
Personnel	22.6	(0.9)	23.5
Non-Personnel	19.7	0.1	19.6
System related	7.5	0.0	7.4
Taxes	3.3	0.0	3.2
G&A expenses	45.7	(0.7)	46.4

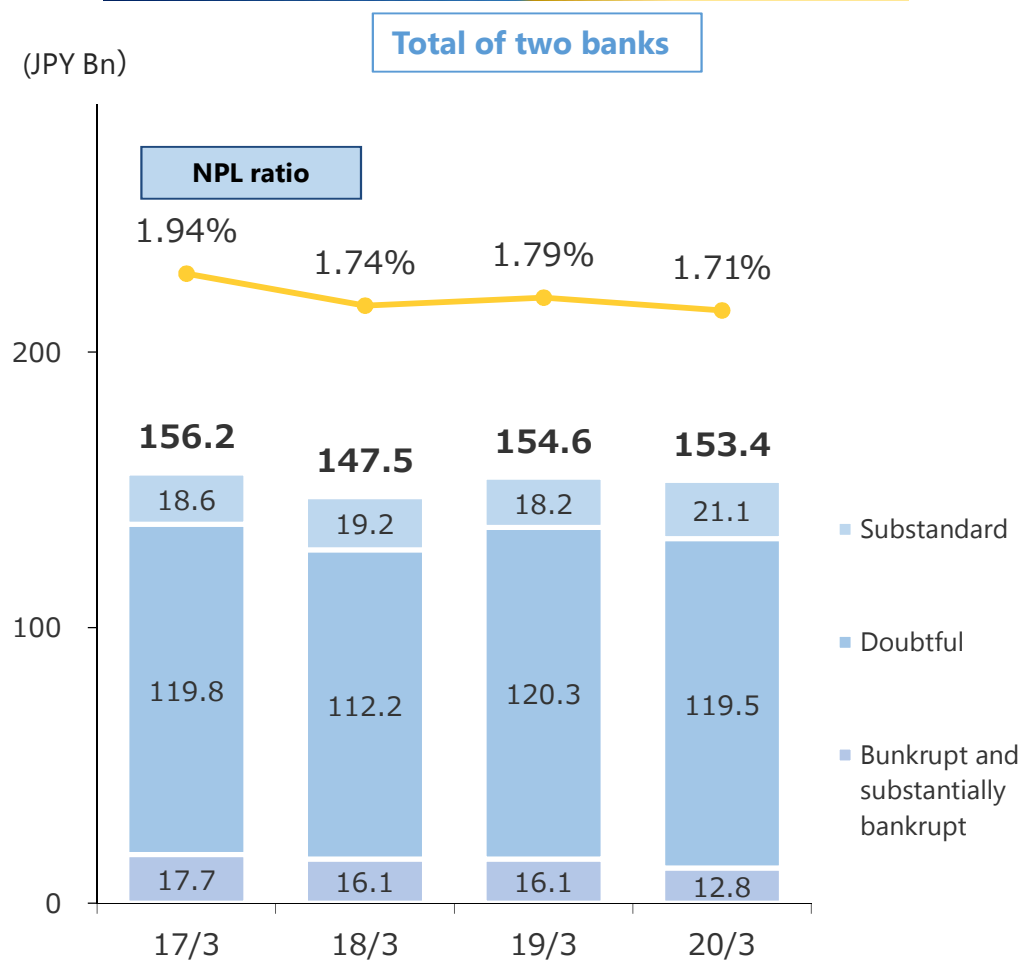
(JPY Bn)

Hokkaido Bank	FY19	change	FY18
Personnel	17.8	(0.4)	18.3
Non-Personnel	18.7	(0.0)	18.8
System related	6.5	0.2	6.3
Taxes	3.0	0.1	2.9
G&A expenses	39.6	(0.4)	40.1

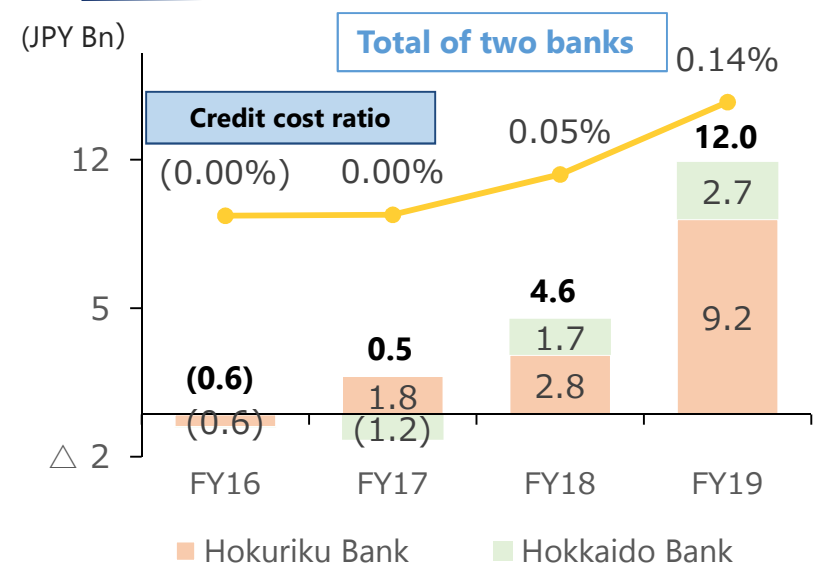
Non-Performing Loan • Net Credit Costs

Balance of Non-Performing loans decreased by ¥1.2Bn to ¥153.4Bn.
Net Credit Costs increased by ¥7.4Bn to ¥12.0Bn.

Balance of non-performing loan



Net credit costs



Increase/decrease factors in net credit costs

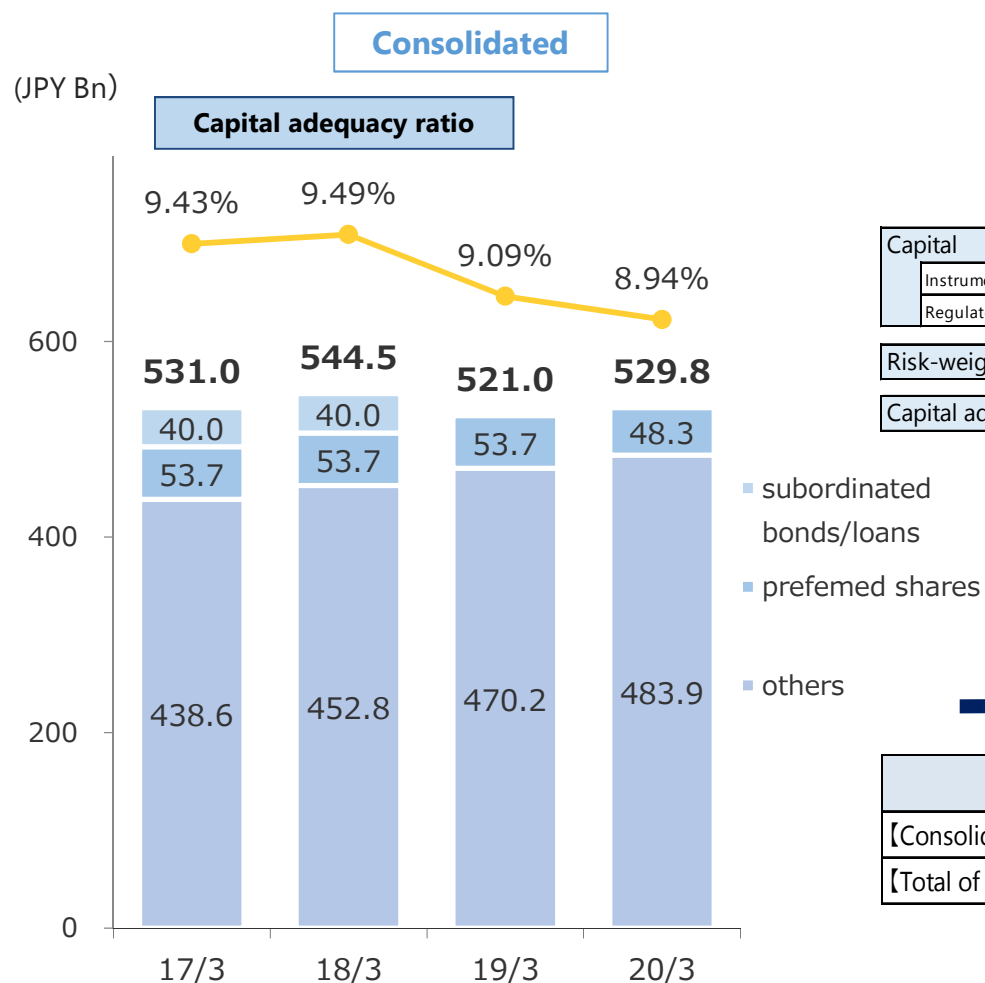
(JPY Bn)

	FY19	change	FY18
Net credit costs	12.0	7.4	4.6
Net transfer to general allowance for loan losses	2.8	2.8	△ 0.0
Credit related costs	9.2	4.5	4.6
Reversal of general allowance for loan losses	-	-	-
Net transfer to individual allowance for loan losses	8.7	4.2	4.4

Capital Adequacy ratio・ROE

Capital Adequacy ratio fell 0.15 percentage points to 8.94% due to the partial redemption of preferred shares in October 2019 and an increase in risk assets.

Capital adequacy ratio



Capital and risk-weighted assets

Consolidated (JPY Bn)

	Transitional arrangements			Full implementation		
	20/3	change	19/3	20/3	change	19/3
Capital	529.8	8.7	521.0	477.4	14.9	462.5
Instruments and reserves	544.7	5.2	539.5	492.3	12.3	480.9
Regulatory adjustments (-)	14.8	(3.5)	18.4	14.8	(3.5)	18.4
Risk-weighted assets	5,923.2	194.0	5,729.1	5,909.8	194.3	5,715.5
Capital adequacy ratio	8.94%	(0.15%)	9.09%	8.07%	(0.02%)	8.09%

ROE

	FY13	FY14	FY15	FY16	FY17	FY18	FY19
【Consolidated】	5.9%	5.5%	5.3%	5.1%	3.6%	4.0%	3.4%
【Total of two banks】	6.4%	5.9%	5.9%	5.7%	4.4%	4.9%	3.9%

Earnings Forecast

Forecasts for FY20

Consolidated

(JPY Bn)

	FY20 forecasts	change
Ordinary profits	26.0	(5.6)
Net income attributable to owners of the parent	16.5	(3.7)

(JPY Bn)

	【Total of two banks】		【Hokuriku bank】		【Hokkaido bank】	
	FY20 forecast	change	FY20 forecast	change	FY20 forecast	change
Core gross business profits	121.0	(2.2)	64.5	(2.3)	56.5	0.1
G&A expenses	85.5	0.1	45.5	(0.2)	40.0	0.3
Core net business profits	35.5	(2.3)	19.0	(2.1)	16.5	(0.2)
Net credit costs	12.0	0.0	7.0	(2.2)	5.0	2.2
Ordinary profits	27.0	(4.4)	15.5	(2.2)	11.5	(2.2)
Net income	18.0	(2.8)	10.0	(1.2)	8.0	(1.5)

Dividend forecasts for FY20

	Interim	Year-end	Annual
Dividend per common share	—	¥35.00	¥35.00
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

FY10~FY12	FY13	FY14~FY15	FY16~FY18	FY19	FY20 forecast
37.50	40.00	42.50	44.00	40.00	35.00

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

transition of Net income attributable to owners of the parent (JPY Bn)

FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 forecast
18.4	14.1	18.1	27.3	28.2	28.8	28.1	21.1	24.3	20.2	16.5

II . Management Strategy

《Medium-term Management Plan》 「ALL for the Region」

Medium-term Management Plan(FY19～FY21)

Targeted Corporate Profile

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

Contribution to community development

Evolution and change to the future

Exercise the group's comprehensive strength

Creating common values

We contribute to customers and local communities by providing No.1 financial service and solution, and achieve growth and development together with them

Financial Targets

(JPY Bn)

	FY18 Result	FY19 Result	change
Main business profit*	18.0	16.9	(1.0)
Net income attributable to owners of the parent	24.3	20.2	(4.1)
(Consolidated) Capital adequacy Ratio	9.09%	8.94%	△0.15%
(Core gross business profit basis) OHR	68.85%	69.27%	0.42%

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

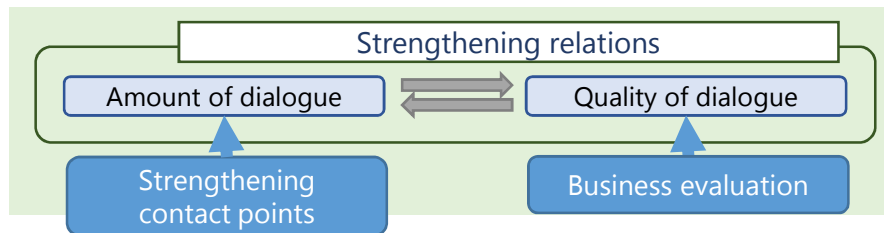
Strategy for corporate customers



Exercise financial intermediation function

- Promote financing based on business evaluation
- Clarify measures to improve customers' management

Financing based on business evaluation



Business continuity planning support

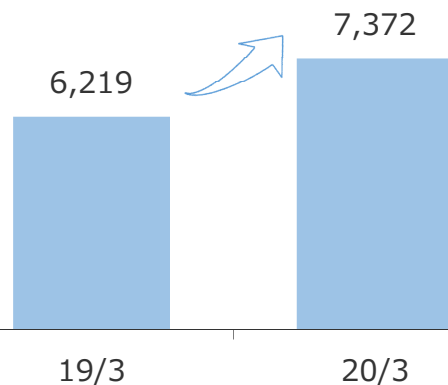
- Providing "loans with special agreement of repayment exemption in the event of an earthquake" (amount financed was ¥9.7Bn in FY2019)
- Set up an emergency charging station in the event of a disaster (Hokuriku Bank)
- Implementation of business continuity plan formulation support consulting (Hokkaido Bank)

ESG/SDGs related investment and financing

- Contributing to the realization of a sustainable society through our core business
- Promotion of eco-private bonds and SDGs private bonds

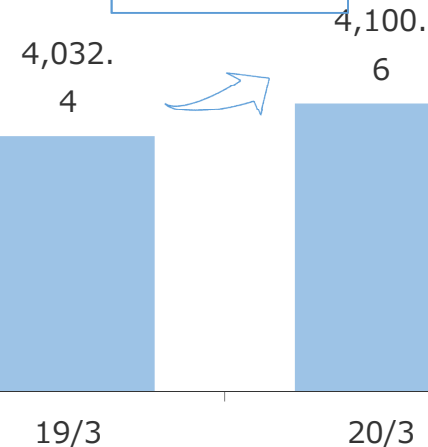
Number of corporate customers financed based on business evaluation

Total of two banks



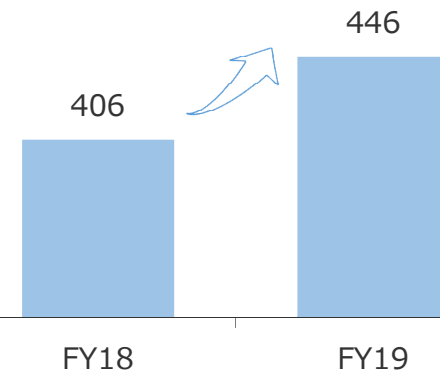
Balance of business loans (JPY Bn)

Total of two banks



Number of ESG/SDGs-related investments and loans

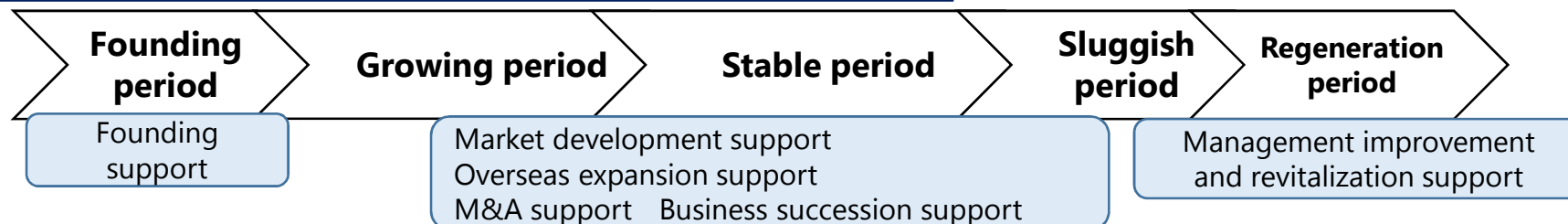
Total of two banks



Strategy for corporate customers



Providing solutions according to life stages



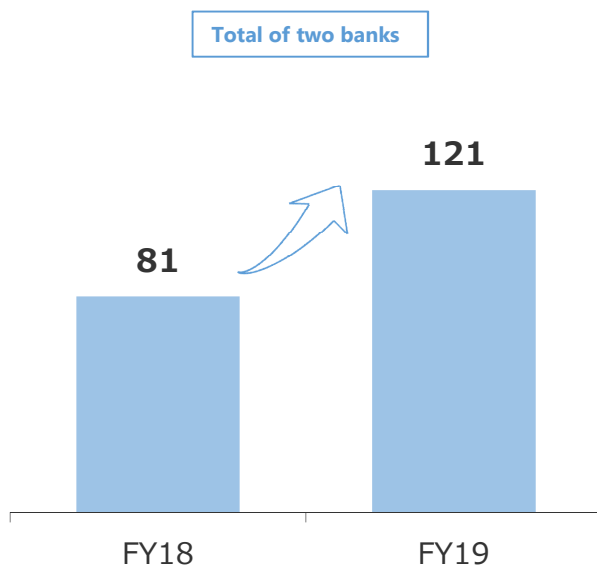
Founding support

- Conduct start-up support seminars and management seminars
- Support application of public subsidy
(The number of companies we supported in applying for manufacturing subsidies in FY2019 was 69.)

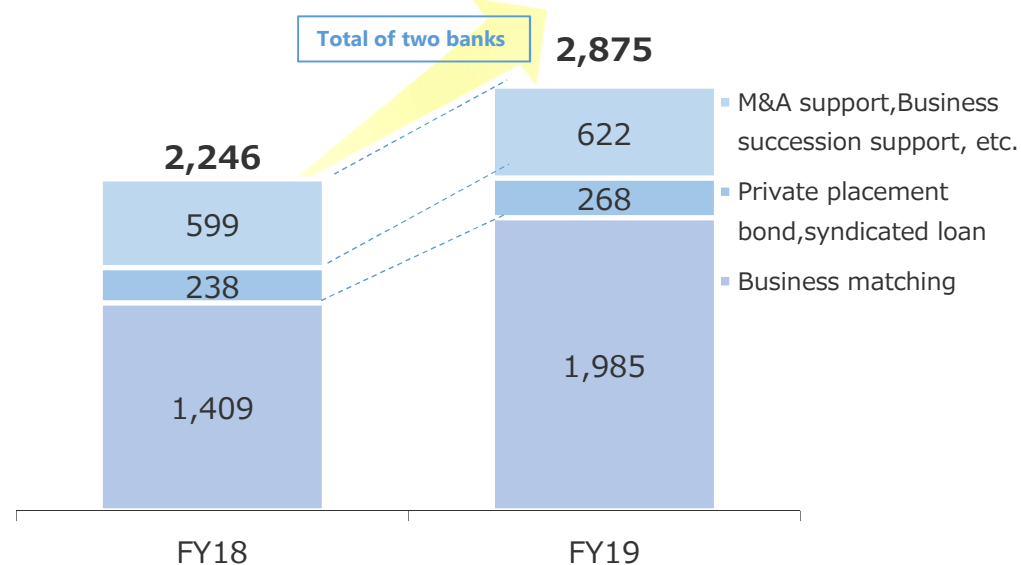
Corporate consulting support

- Increase personnel in the consulting department
- Conduct M & A and business succession seminars
(The number of companies we supported in business succession was 101 in FY2019)

Number of M&A advisory contracts



Number of contracts for solution proposals to corporate customers



Strategy for individual customers



Enhancement of consulting tools utilizing AI

Introduction of "Insurance policy analysis system"

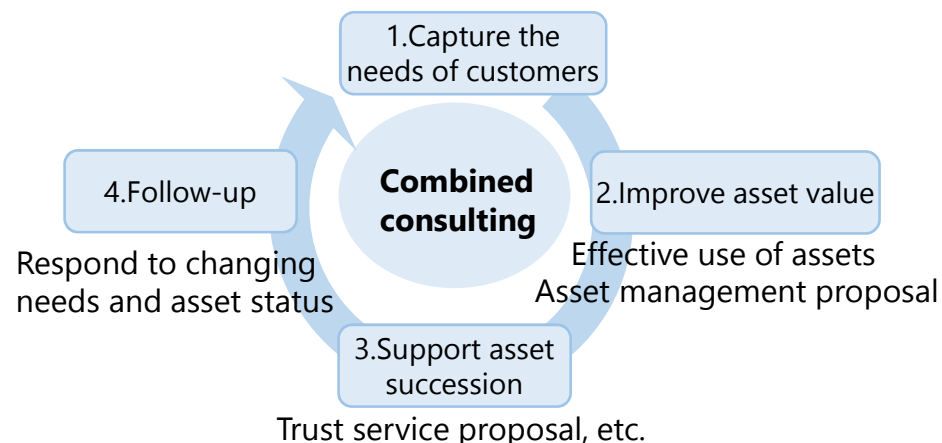
Hokuriku Bank and Hokkaido Bank have jointly introduced the "insurance policy analysis system" utilizing AI that enables more optimal proposals to customers.

Introduction of "Public pension calculation tool"

Hokkaido Bank has introduced the "Public pension calculation tool" that allows customers to calculate the amount of their public pension. Utilizing this tool, we can propose optimal asset formation to our customers even faster.

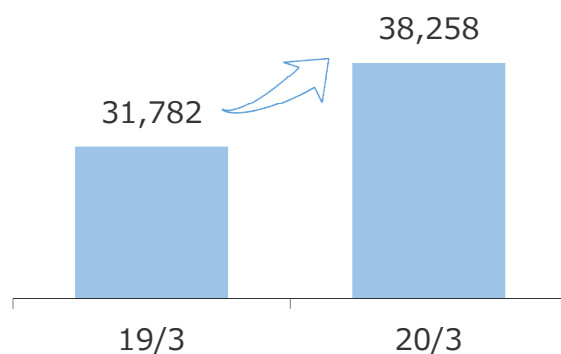
Efforts to contribute to the formation of customers' assets

- Make appropriate suggestions according to customers' lifestyle and life stage
- Provide combined consulting services to meet the various needs of customers
- Enhance lineup of trust products



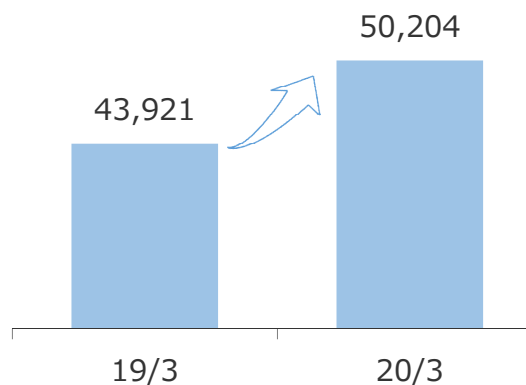
Number of dollar-cost averaging mutual fund holders

Total of two banks



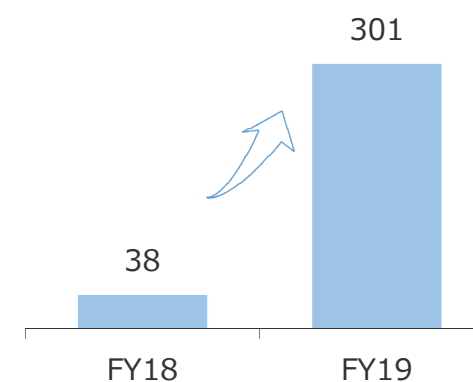
Number of level premium insurance holders

Total of two banks



Number of trust service transactions

Total of two banks



Strategy for individual customers



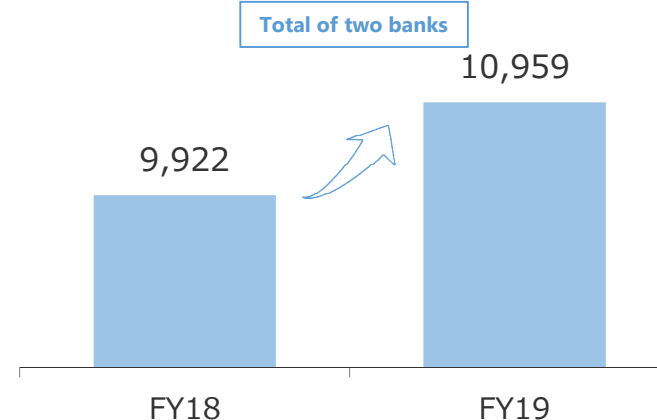
Improvement of housing loan products

- Launched electronic contract service for housing loan
- Conduct housing loan consultation
- Improved housing loan product (Elimination of prepayment guarantee, extension of maximum loan period, etc.)

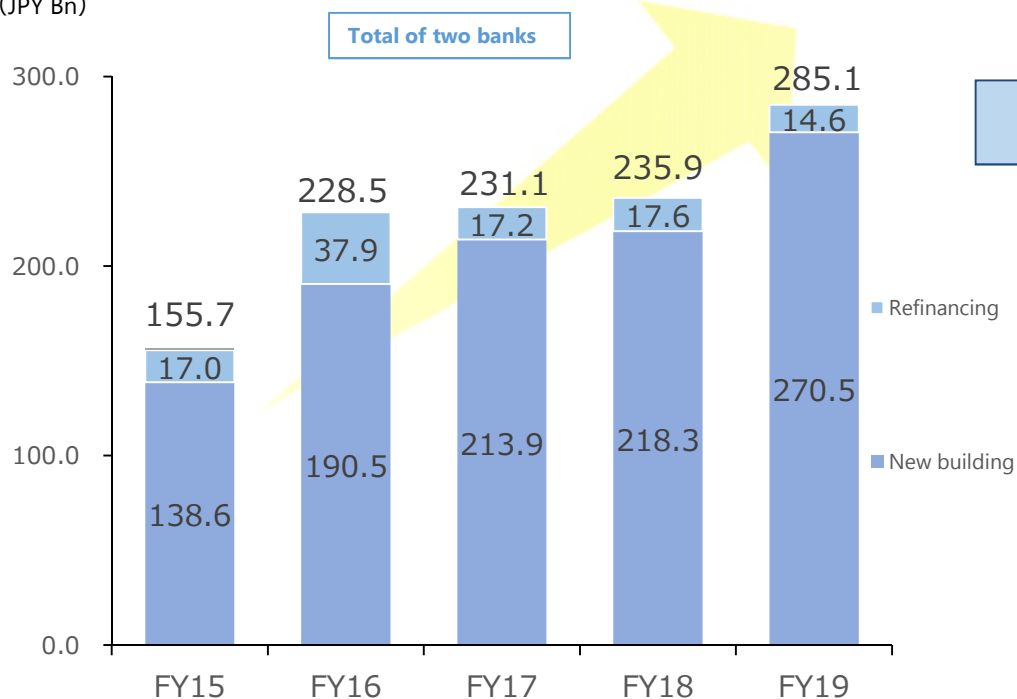
Amount of housing loans provided

Amount of housing loan provided in FY2019 reached a new record high due to the improvement of product and convenience.

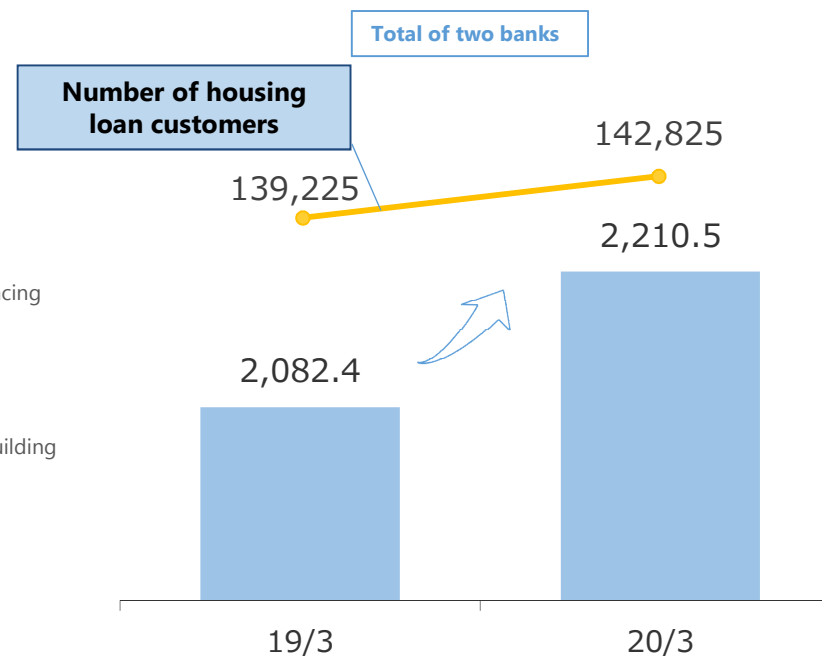
Number of housing loans provided



(JPY Bn)



Balance of housing loan (JPY Bn)



Promotion of cashless settlement in the region

• In order to promote cashless settlement in the region, Hokuriku Bank and Hokkaido Bank started providing smartphone payment services such as "Hokuhoku Pay" and "StarPay", as well as agency services for QR code payment, including a cooperation with other payment services.

Improve convenience by partnering with other payment services



ほくほくPay



ほくほくPay

×

TOYOTA
wallet



Smart Code

Main initiatives in FY2019

July 2019, Start of contract agency for "StarPay"

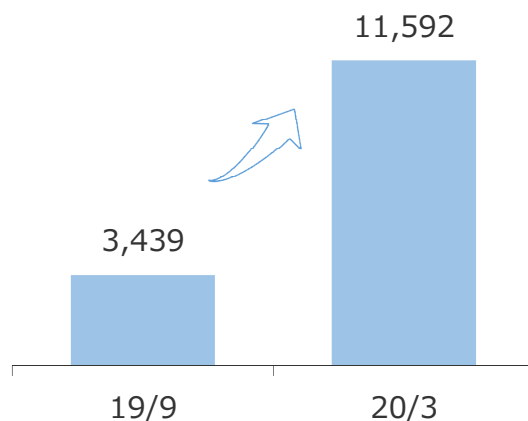
November 2019, Start of "Hokuhoku Pay" service

March 2020, Start of code payments service in partnership with JCB

April 2020, Cooperation between "Hokuhoku pay" and "TOYOTA Wallet"

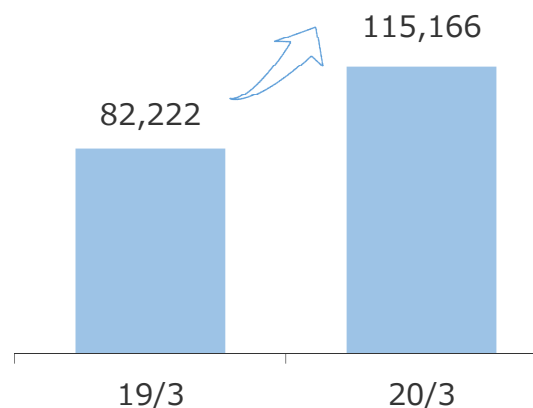
Number of merchants of cashless payment service

Total of two banks



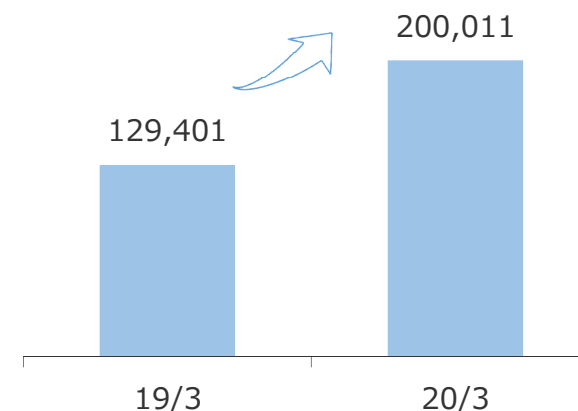
Number of WEB account holders

Total of two banks



Number of smartphone app users

Total of two banks



Community revitalization strategy~Initiatives for ESG/SDGs~

Realization of sustainable community

- Promotion of investments and loans that contribute to solve ESG/SDGs problems
- Support application of public subsidy
- Market development support
- Overseas business support
- Strengthen collaboration with various organizations
- Business continuity plan support

Initiatives for environmental issues

- Purchase "Green Bond" to contribute to the resolution of environmental problems
- Promotion of paperless
- Participate in tree planting activities
- Environmentally friendly branch equipment
- Introduction of eco-car



Improved convenience for all customers

- Accepting applications for financial products using tablet terminals
- Launched electronic contract service for housing loan
- Improved convenience through non-face-to-face services such as internet banking and apps
- Start of various cashless payment services

Workplace that leads to improved productivity

- Certification of "Excellent Enterprise of Health and Productivity Management 2020(white 500)"
- Promotion of diversity
- Promotion of operational efficiency through RPA



Improving financial literacy in the region



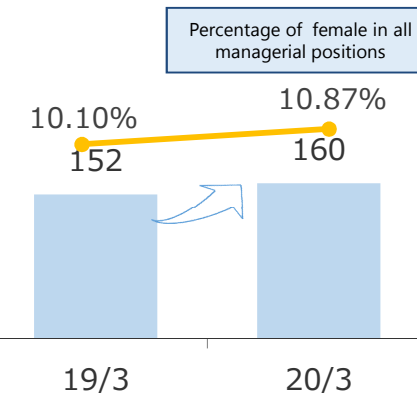
- Support asset formation by promoting dollar-cost averaging mutual fund, NISA, and iDeCo
- Conducting financial and economics classes

Community issues

Low birthrate and aging
Population decline
Concentration in urban areas

	Hokuriku Bank	Hokkaido Bank
Number of participants in financial economics classes/seminars	9,459	2,808

Number of Female Managers



Community revitalization strategy~Initiatives for ESG/SDGs~

Realizing a sustainable community



Supporting SDGs promotion through public-private partnership projects (Hokuriku Bank)

Hokuriku Bank, in cooperation with the Development Bank of Japan, provided project financing to a company established to outsource public-private partnership projects in Toyama City.

It is an initiative that contributes to the development of compact city in Toyama City.

Hokuriku Bank will contribute to the revitalization of the regional economy by exerting the financial intermediary function.



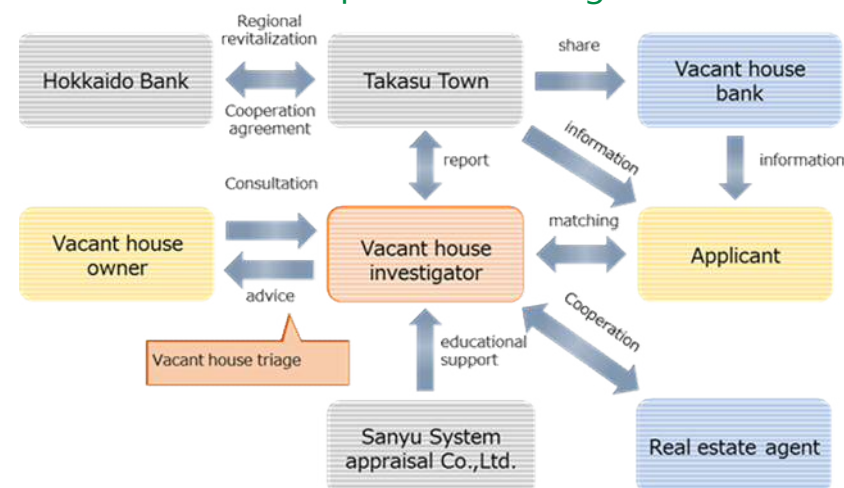
Coordinating measures for Vacant Houses Issue through public-private partnerships (Hokkaido Bank)

Coordinated by the Hokkaido Bank, Takasu Town and Sanyu System Appraisal Co.,Ltd. have signed a "Cooperation Agreement on Countermeasures for Vacant Houses problem".

The purpose of this agreement is to build a scheme to solve the problem of Vacant houses, and it will be an effort to contribute to the solution of the problems facing the region.

Hokkaido Bank will continue to provide support for promoting public-private partnerships.

【vacant house problem solving scheme】



Community revitalization strategy~Initiatives for ESG/SDGs~

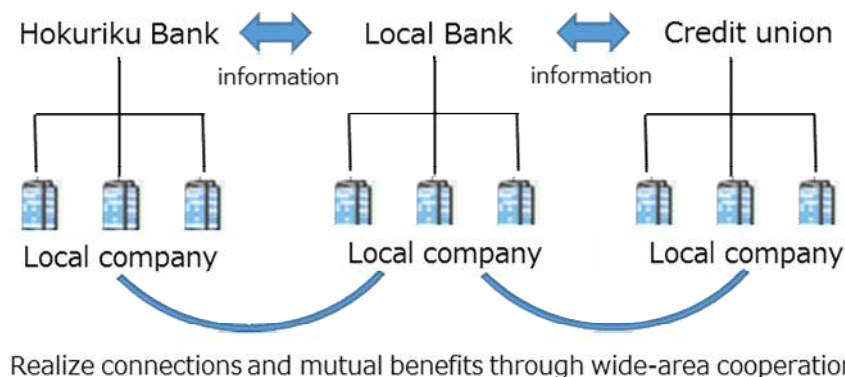
Realizing a sustainable community

Start of management support platform operation

Hokuriku Bank have started operation of the management support platform "Hokuriku Big Advance" that allows customers to access and use the website.



Financial institution collaboration platform "Big Advance"



More than 400 large corporations and financial institutions participate in this platform. By utilizing this platform, it has become possible to provide one-stop solutions to various management issues faced by regional companies, such as expanding sales channels, securing human resources, improving operational efficiency, and taking over businesses.

Supporting the "sixth industrialization" of agriculture

The OMEGA Farmers LLC's cooking oil manufacturing plant began operations in March 2020.

The OMEGA Farmers LLC, which was established by the Hokkaido Bank with direct investment and dispatch of representative employees, aims to contribute to solve the problems of Hokkaido agriculture.

The Hokkaido Bank will continue to support the sixth industrialization.



Production

Processing

Marketing

Support for tourism-related industries

Hokkaido Bank held a business meeting to further develop the tourism industry in Hokkaido.

This business meeting was held to connect businesses that provide products and services for foreign visitors to Japan with tourism-related businesses in Hokkaido.



Business efficiency



Improving branch convenience and efficiency

- Branch management that meets customer needs
- Integration of branches, change of business hours

Efforts to improve customer convenience

- Hokuriku Bank has opened a sub-branch in one of the largest commercial facilities in the Toyama area.
- Customers can now consult on asset management and inheritance according to their life stage even on weekday nights and holidays.

- Hokkaido Bank is working to improve customer convenience by opening a "bank account opening plaza" at the subway station and operating on holidays.



Number of branches

Number of branches(Total of two banks)	16/3	17/3	18/3	19/3	20/3
Number of domestic branches (A)	329	328	329	330	332
Branch-in-branch etc. (B)	25	31	37	42	48
Actual number of branches (A-B)	304	297	292	288	284
Branches that implement flexibility in business hours	0	0	7	28	42

Business efficiency・Productivity improvement

- Promotion of operational efficiency through RPA(Robotic Process Automation)
- Promotion of diversity

Promotion of operational efficiency

By expanding the scope of office work to be reviewed by RPA, Hokuriku Bank and Hokkaido Bank are reducing office work and focusing on consulting activities.

Simple work on RPA

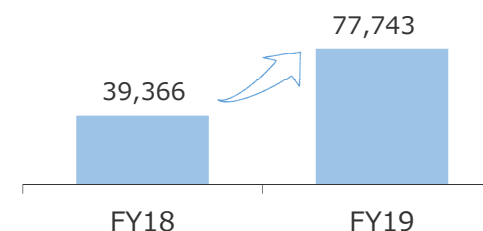


Increase sales personnel Focus on consulting



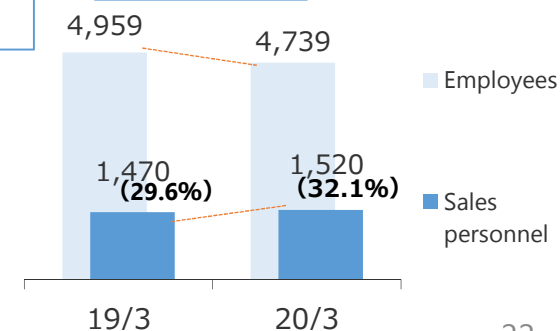
Working hours reduced by RPA(hours)

Total of two banks



Number of employees

Total of two banks



Hokuhoku Financial Group cooperation strategy



Building a functional organizational structure

Reorganization of headquarters

Fiscal year 2019

- Integrated operation of some headquarters such as planning department and risk management department
- Standardize the names and roles of all departments and committees of both banks



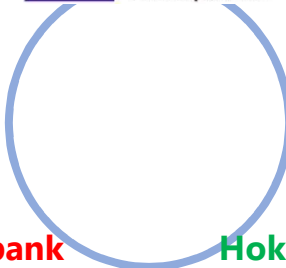
Fiscal year 2020

- Planning to shift the general operations department and system management department to integrated management

Accelerate decision making
Integrated operation of business

Unification of office procedure and system
Advancement of products and services
Optimization of capital investment

Promotion of financial group planning
Joint use of consulting function and financial service function



Hokuriku bank

Hokkaido bank

Strengthening cooperation in the Hokkaido area

【Headquarters】

- Consolidation of back office operations in Hokkaido
- Pursuing synergies in marketing and branch strategies in the Hokkaido area

【Branch】

- Held a conference to strengthen cooperation between the branches of both banks in the Hokkaido area



Unification of business matching system

- April 1, 2020 Hokkaido Bank introduced business matching system jointly developed by Hokuriku Bank and Linkers Co., Ltd.
- With the introduction of this system, it is possible to make proposals that meet customer needs more quickly than before, and cooperation between the two banks has become faster.

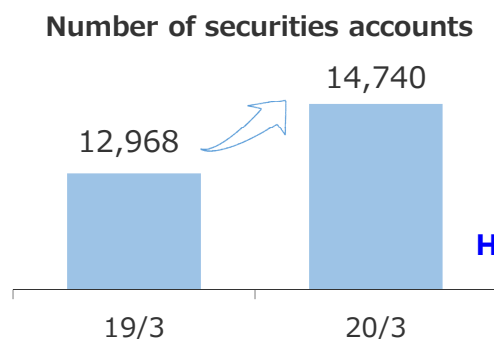


Hokuhoku Financial Group cooperation strategy

Providing financial services as a comprehensive financial group

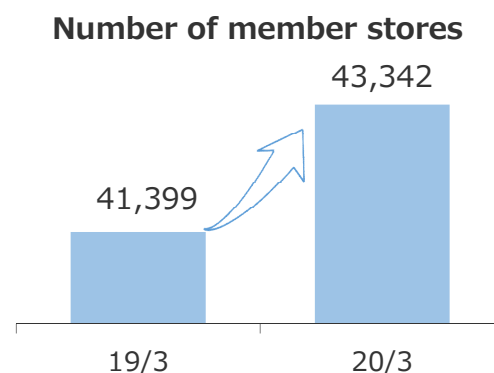
Hokuhoku Tokai Tokyo Securities Co., Ltd.

- Providing comprehensive proposals to customers in cooperation with banks



Hokuriku Card Co., Ltd Dogin Card Co., Ltd

- Expand member stores in cooperation with banks' cashless promotion



The Hokuriku Bank, Ltd.
The Hokkaido Bank, Ltd.

Hokuhoku Tokai Tokyo
Securities Co., Ltd.

Financial securities
business

Hokuhoku Capital
Co., Ltd.

Venture capital
business

Hokugin Software Co., Ltd.

Software
business



Hokuhoku Financial Group, Inc.

Hokuhoku Services Co., Ltd.

Servicer
business

Hokuriku Card Co., Ltd.
Dogin Card Co., Ltd.

Credit card
business

Hokugin Lease
Co., Ltd.

Leasing
business

Hokuriku Hoshu
Services Co., Ltd.

Credit guarantee
service

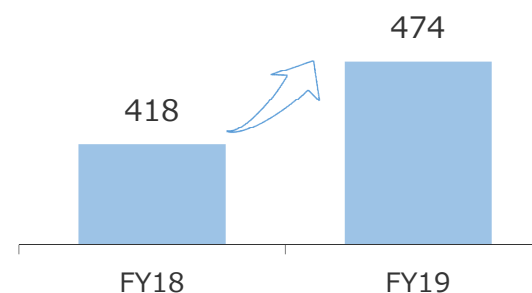
Hokuhoku Capital Co., Ltd.

- In cooperation with Toyama Prefecture and banks, support local venture companies using "support fund" etc.
- Strengthen promotion of various funds in collaboration with banks

Hokugin Lease Co., Ltd.

- Providing comprehensive proposals using subsidies, etc. to expand the range of customers' financing methods

Number of leasing agencies from banks



Ordinary profits of affiliated companies

	FY16 (A)	FY17	FY18	FY19 (B)	(B-A)
Ordinary profits	3.0	2.7	1.9	3.2	0.1
Credit costs	0.0	0.7	1.5	0.3	0.2
Ordinary income (excluding credit costs)	3.1	3.4	3.5	3.5	0.4

(Bn)

Appendix

About Hokuhoku FG

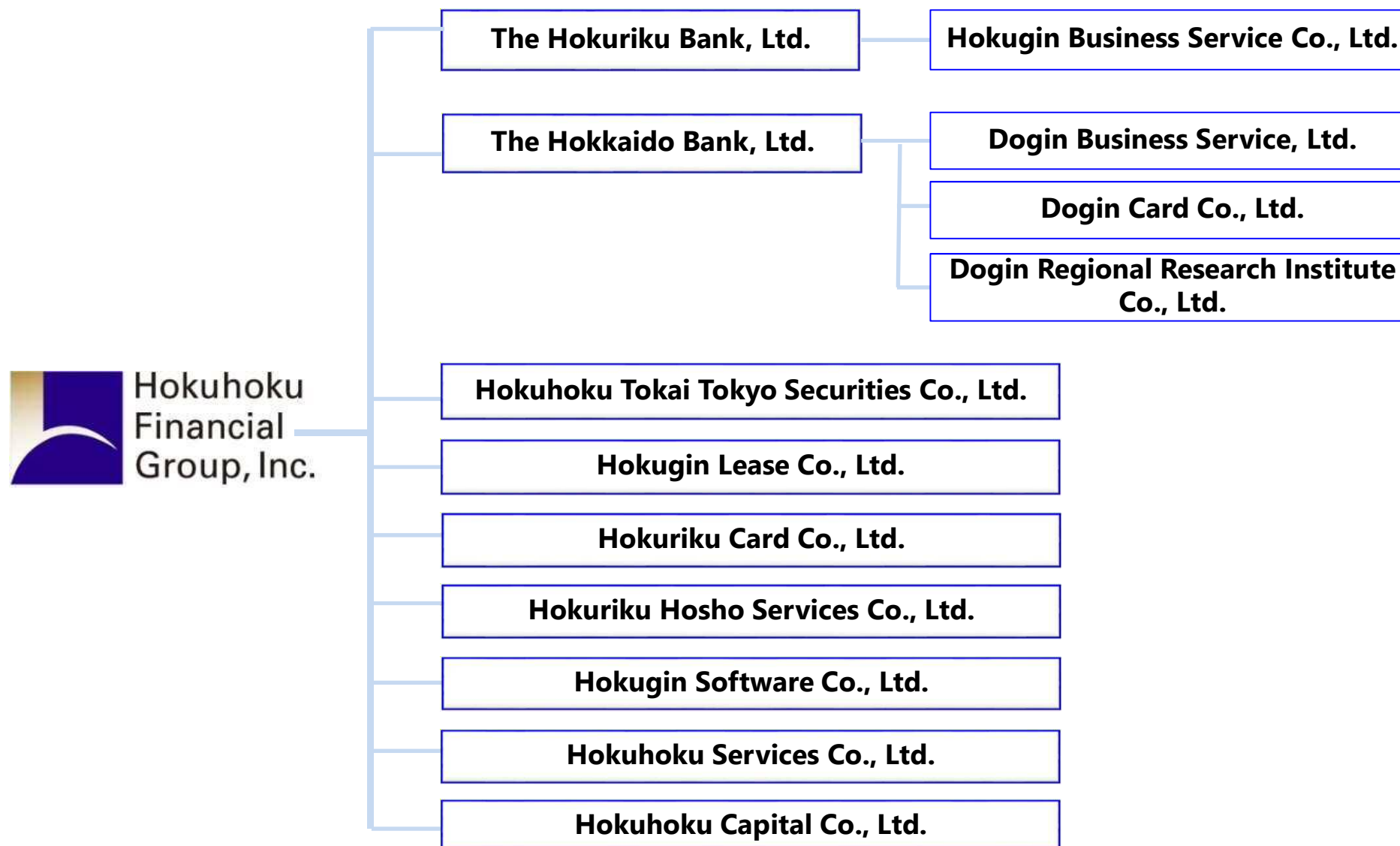
Outline of Hokuhoku FG and Two Banks ①



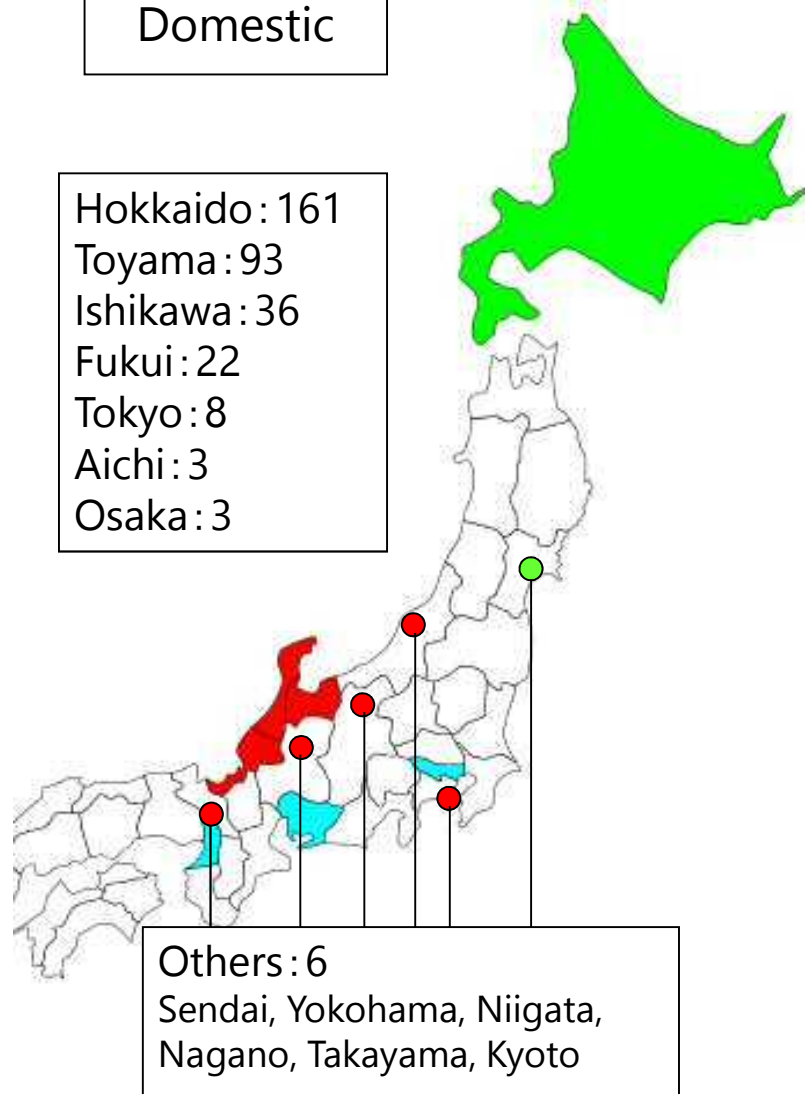
(As of March 31, 2020)

	Hokuhoku FG	Hokuriku Bank	Hokkaido Bank
Date of establishment	September 26, 2003	July 31, 1943 (Started business in 1877)	March 5, 1951
Location of head office	Toyama City, Toyama	Toyama City, Toyama	Sapporo City, Hokkaido
Capital	¥ 70,895 million	¥ 140,409.52 million	¥ 93,524.01million
Shares issued and outstanding	<ul style="list-style-type: none"> ▪ Common stock 132,163,014 ▪ Preferred stock (Type5)* 96,698,000 	<ul style="list-style-type: none"> ▪ Common stock 1,047,542,335 	<ul style="list-style-type: none"> ▪ Common stock 486,634,512 ▪ Preferred stock(Type2)* 96,688,800
Total assets	(consolidated) ¥ 13,644.8 billion	¥ 8,108.9billion	¥ 5,496.6 billion
Deposits & NCD	(consolidated) ¥ 11,638.6 billion	¥ 6,735.4 billion	¥ 4,927.2 billion
Loans	(consolidated) ¥ 8,656.4 billion	¥ 4,910.3 billion	¥ 3,762.7 billion
Capital adequacy ratio	(consolidated) 8.94 %	(non-consolidated) 8.59 %	(non-consolidated) 8.76 %
Employees	5 (fulltime workers)	2,524	2,242
Ratings	A(R&I)	A(R&I) 、 A-(S&P)	A(R&I)

*The preferred stock of Hokuhoku FG and Hokkaido bank acquired 10% of the outstanding shares as treasury shares on October1,2019.



Domestic



Oversea



• Representative offices

- | | |
|--------------|----------------------|
| 1. New York | 6. Dalian |
| 2. London | 7. Shenyang |
| 3. Bangkok | 8. Vladivostok |
| 4. Singapore | 9. Yuzhno-Sakhalinsk |
| 5. Shanghai | |

About Hokuhoku FG ②

Historical Data (Hokuhoku FG)

(JPY Bn)

	FY2015 Full year	FY2016 Interim	FY2016 Full year	FY2017 Interim	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year
<Consolidated>									
Ordinary income	192.5	93.9	187.4	91.7	180.9	91.8	183.6	90.6	182.4
Ordinary profits	46.4	23.7	39.4	18.0	31.7	19.4	35.3	17.4	31.6
Net income attributable to owners of the parent	28.8	16.7	28.1	11.1	21.1	13.9	24.3	11.6	20.2
Capital adequacy ratio	10.30%	10.28%	9.43%	9.73%	9.49%	9.78%	9.09%	9.29%	8.94%
<Total of two banks>									
Core gross business profits	143.0	69.4	133.8	65.0	130.7	64.0	125.7	61.3	123.2
General & administrative expenses	90.9	44.5	89.8	44.5	88.8	43.7	86.5	43.0	85.3
Core net business profits	52.0	24.8	43.9	20.5	41.9	20.3	39.1	18.3	37.8
Net gains(losses) related to securities	0.2	(1.2)	(1.6)	1.3	(7.1)	1.1	3.1	4.2	6.6
Credit costs	3.7	(1.1)	(0.6)	2.3	0.5	0.5	4.6	5.1	12.0
Ordinary profits	46.7	23.7	40.2	19.1	33.1	20.6	36.7	17.7	31.4
Net income	29.9	17.2	29.6	12.5	24.0	15.5	26.6	12.4	20.8
ROA	0.45%	0.42%	0.37%	0.33%	0.34%	0.31%	0.30%	0.28%	0.28%
OHR	63.57%	64.21%	67.13%	68.46%	67.89%	68.30%	68.85%	70.11%	69.27%
Loans	7,599.6	7,700.4	7,788.3	7,946.3	8,189.4	8,150.5	8,360.8	8,456.5	8,673.1
Deposits (including NCD)	10,502.6	10,526.6	10,731.0	11,013.3	11,180.7	11,307.1	11,439.7	11,429.8	11,662.6
Securities	2,395.8	2,452.2	2,439.3	2,126.3	1,943.3	1,991.5	1,788.8	1,848.6	1,807.2
Non performing loan	168.6	160.6	156.2	154.6	147.5	151.0	154.6	158.8	153.4
NPL ratio	2.15%	2.02%	1.94%	1.88%	1.74%	1.79%	1.79%	1.82%	1.71%

About Hokuhoku FG ③

Historical Data (Hokuriku Bank)



(JPY Bn)

	FY2015 Full year	FY2016 Interim	FY2016 Full year	FY2017 Interim	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year
Ordinary income	93.3	45.8	92.9	45.6	91.1	45.4	90.2	44.7	88.5
Core gross business profits	75.3	36.8	72.9	35.3	71.2	35.0	69.1	33.3	66.8
General & administrative expenses	48.6	23.8	48.2	23.8	47.5	23.5	46.4	23.0	45.7
Core net business profits	26.6	12.9	24.7	11.5	23.7	11.4	22.6	10.2	21.1
Net gains(losses) related to securities	0.4	0.6	0.3	0.8	2.1	0.9	2.1	2.9	5.0
Credit costs	(1.1)	(1.0)	(0.6)	1.7	1.8	(0.0)	2.8	4.2	9.2
Ordinary profits	26.7	14.5	24.8	10.8	24.1	12.6	22.1	9.9	17.7
Net income	16.5	10.7	18.7	6.5	15.7	9.2	15.5	6.5	11.2
Capital adequacy ratio	9.78%	9.48%	8.74%	9.04%	9.02%	9.21%	8.79%	8.92%	8.59%
ROA	0.40%	0.37%	0.35%	0.32%	0.32%	0.30%	0.29%	0.26%	0.27%
OHR	64.57%	64.77%	66.12%	67.44%	66.67%	67.33%	67.19%	69.24%	68.43%
Loans	4,383.4	4,446.0	4,467.6	4,567.9	4,670.1	4,646.4	4,740.3	4,823.4	4,910.3
Deposits (including NCD)	6,117.6	6,106.6	6,243.3	6,363.7	6,505.8	6,553.1	6,636.8	6,597.2	6,735.4
Securities	1,343.9	1,384.2	1,457.6	1,364.6	1,317.1	1,319.0	1,197.0	1,194.4	1,158.0
Non performing loan	97.7	91.3	89.1	88.9	86.3	87.8	91.4	94.9	96.2
NPL ratio	2.18%	2.01%	1.96%	1.91%	1.81%	1.85%	1.89%	1.93%	1.92%

About Hokuhoku FG ④

Historical Data (Hokkaido Bank)

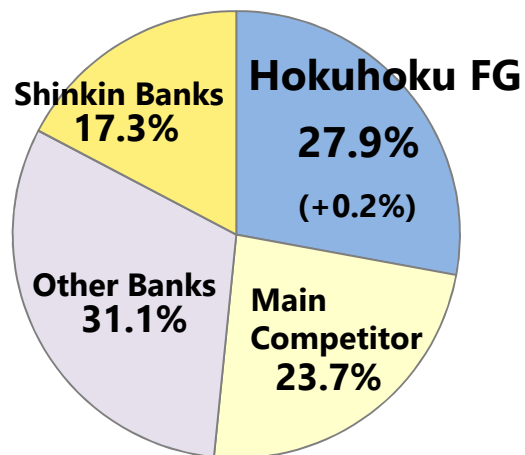
(JPY Bn)

	FY2015 Full year	FY2016 Interim	FY2016 Full year	FY2017 Interim	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year
Ordinary income	85.5	40.5	78.9	38.7	78.2	38.2	75.5	36.5	74.9
Core gross business profits	67.6	32.5	60.8	29.6	59.5	29.0	56.5	28.0	56.3
General & administrative expenses	42.2	20.7	41.5	20.6	41.3	20.1	40.1	19.9	39.6
Core net business profits	25.3	11.8	19.2	9.0	18.2	8.8	16.4	8.0	16.7
Net gains(losses) related to securities	(0.1)	(1.8)	(1.9)	0.4	(9.2)	0.1	0.9	1.3	1.5
Credit costs	4.8	(0.0)	(0.0)	0.6	(1.2)	0.6	1.7	0.8	2.7
Ordinary profits	20.0	9.2	15.3	8.2	8.9	8.0	14.5	7.8	13.7
Net income	13.4	6.5	10.9	5.9	8.2	6.3	11.0	5.8	9.5
Capital adequacy ratio	10.23%	10.05%	9.34%	9.53%	9.28%	9.44%	8.69%	8.98%	8.76%
ROA	0.52%	0.49%	0.40%	0.35%	0.36%	0.33%	0.31%	0.29%	0.30%
OHR	62.47%	63.57%	68.33%	69.67%	69.35%	69.47%	70.89%	71.14%	70.27%
Loans	3,216.1	3,254.3	3,320.7	3,378.3	3,519.2	3,504.1	3,620.5	3,633.0	3,762.7
Deposits (including NCD)	4,384.9	4,420.0	4,487.6	4,649.5	4,674.9	4,753.9	4,802.8	4,832.5	4,927.2
Securities	1,051.9	1,068.0	981.6	761.6	626.2	672.4	591.8	654.2	649.2
Non performing loan	70.9	69.3	67.1	65.6	61.2	63.2	63.3	63.9	57.2
NPL ratio	2.11%	2.03%	1.92%	1.85%	1.66%	1.71%	1.66%	1.68%	1.45%

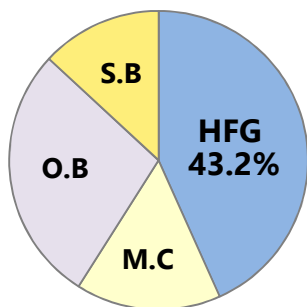
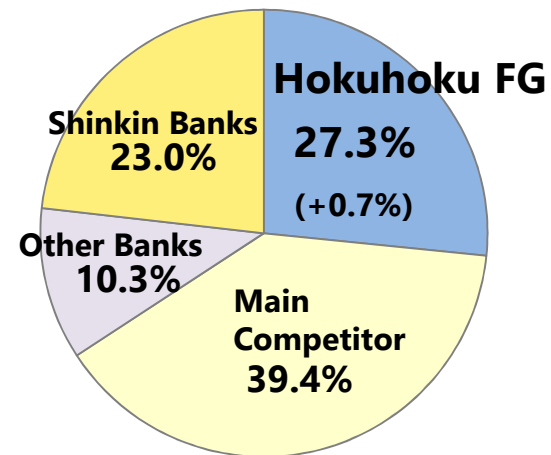
About Hokuhoku FG ⑤

Market Share in Our Home Market (Loans, Sep-19)

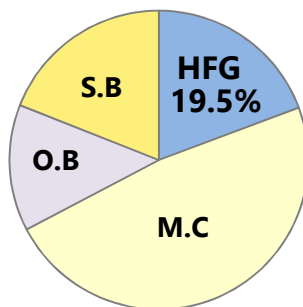
Hokuriku Area



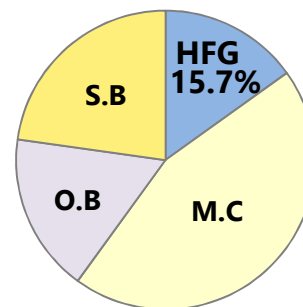
Hokkaido Area



Toyama



Ishikawa



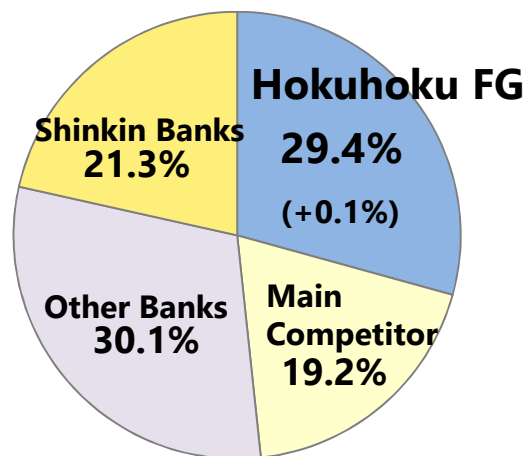
Fukui

*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

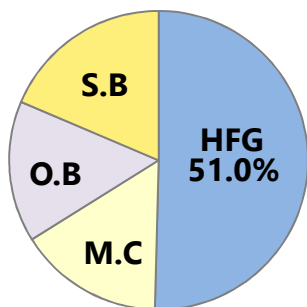
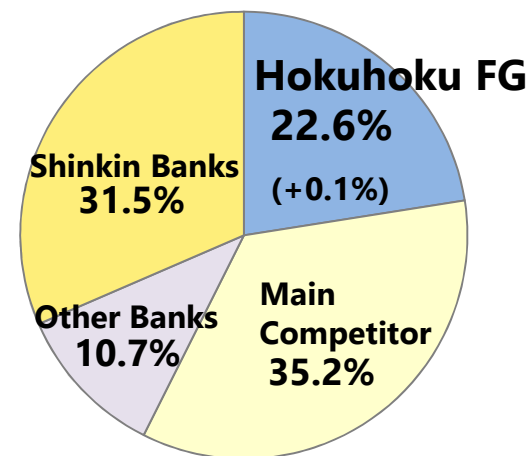
About Hokuhoku FG ⑥

Market Share in Our Home Market (Deposits, Sep-19)

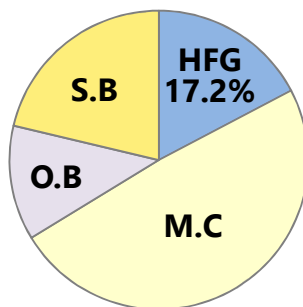
Hokuriku Area



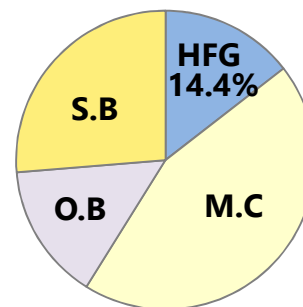
Hokkaido Area



Toyama



Ishikawa



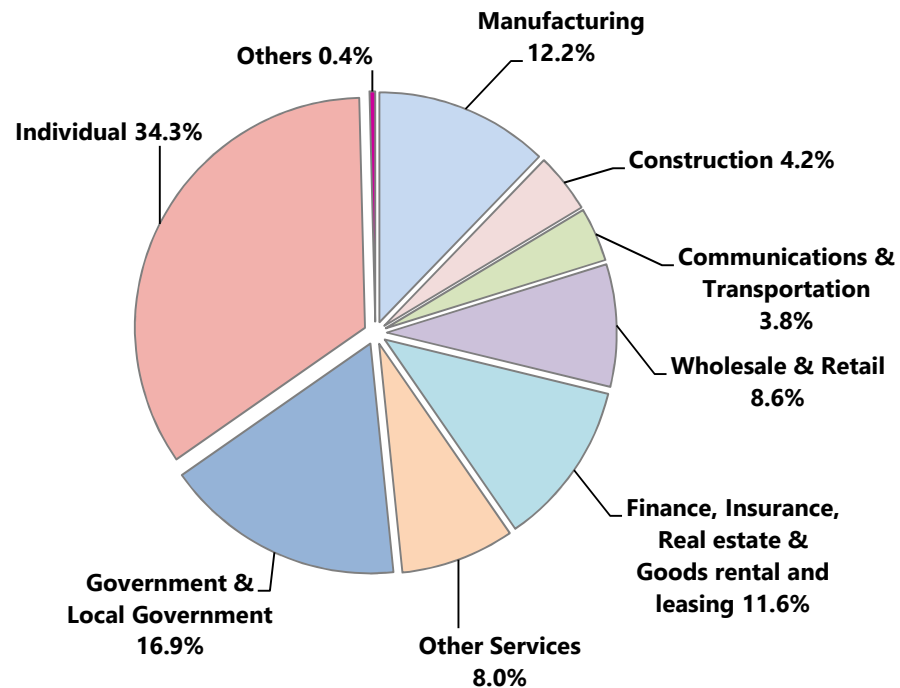
Fukui

*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

About Hokuhoku FG ⑦

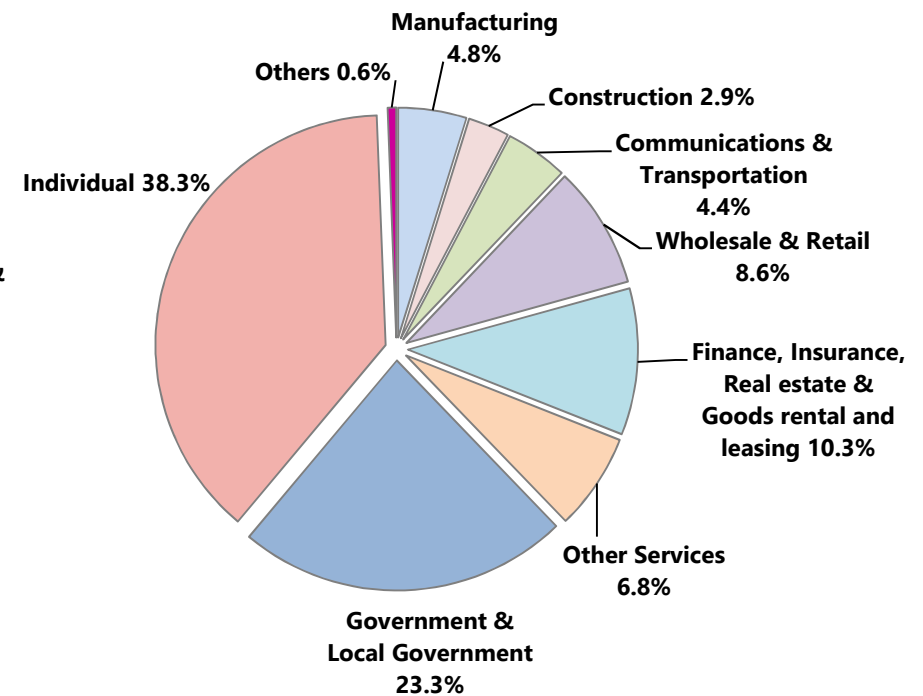
Lending in the Region by Industry (Mar-20)

Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

Hokkaido Bank

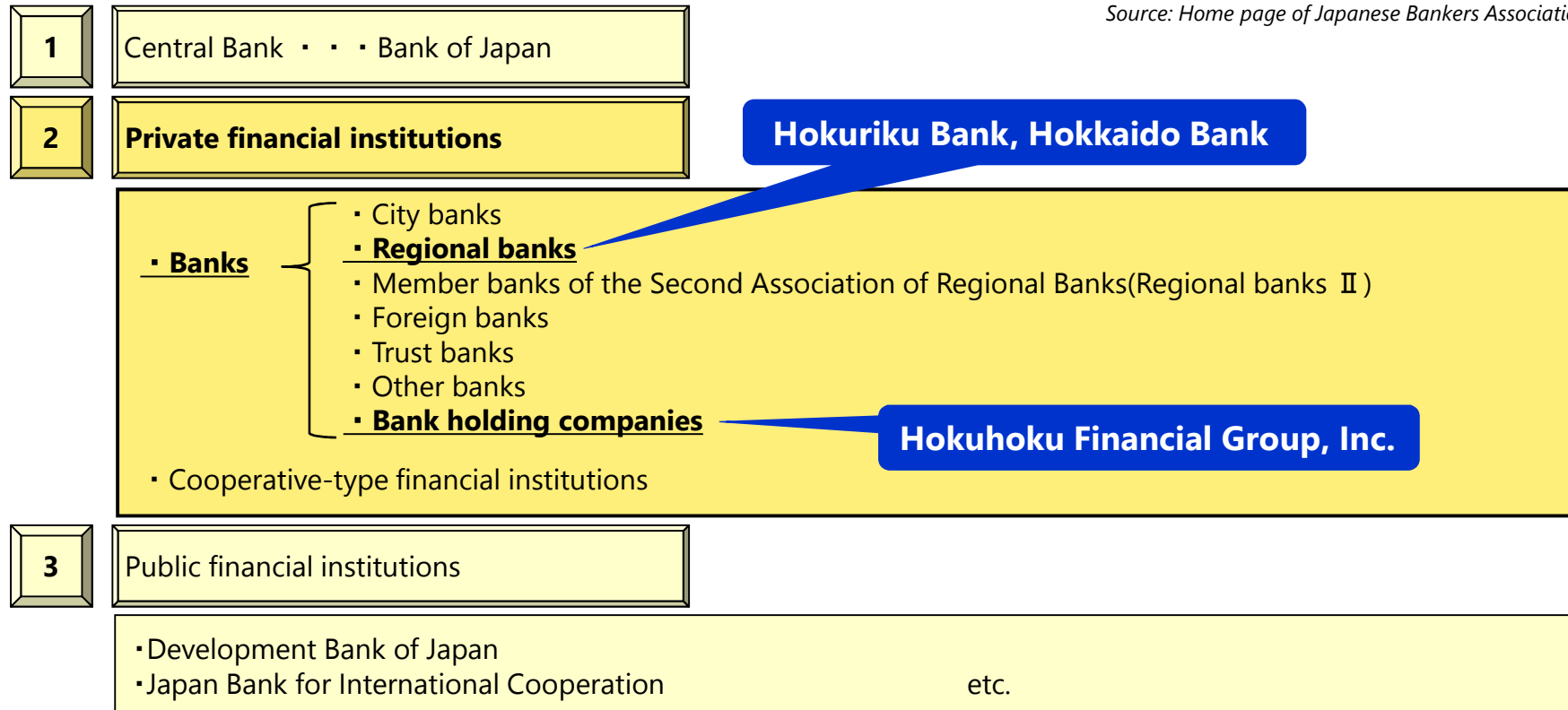


Region: Hokkaido

About Japanese Regional Banks ①

Financial Institutions in Japan

Source: Home page of Japanese Bankers Association of Japan



Changes in Number of banks

End of March	1990	1995	2000	2005	2010	2015	2017	2018	2019
City banks	13	11	9	7	6	5	5	5	5
Regional banks	64	64	64	64	64	64	64	64	64
Regional banks II	68	65	60	48	42	41	41	40	39
Trust banks	16	23	33	26	19	16	16	15	14
Other banks	3	3	3	10	16	15	15	13	15
Bank holding companies	0	0	0	12	15	17	20	22	25

About Japanese Regional Banks ②

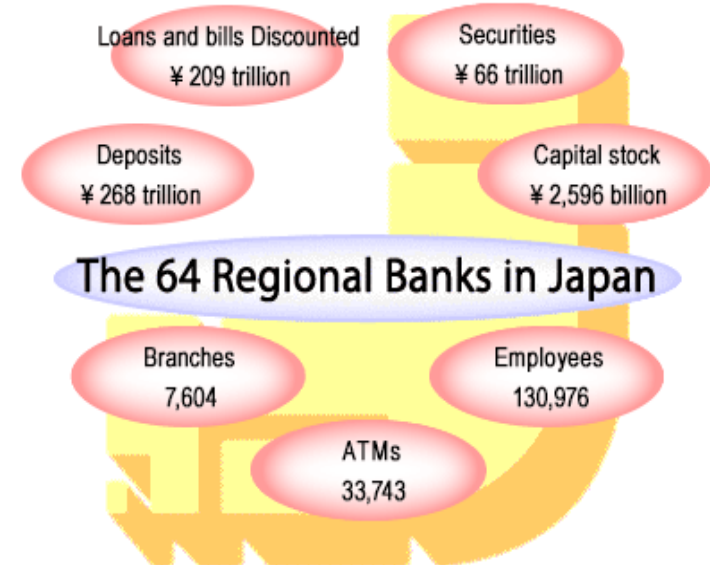
Outline of Regional Banks

Outline of Regional Banks

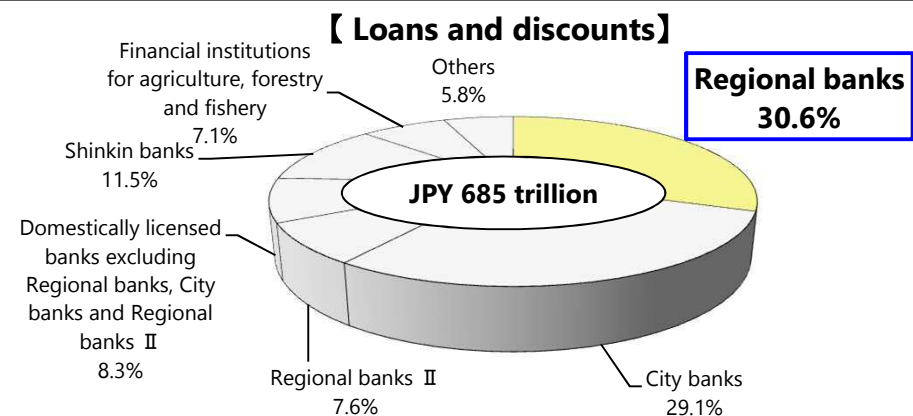
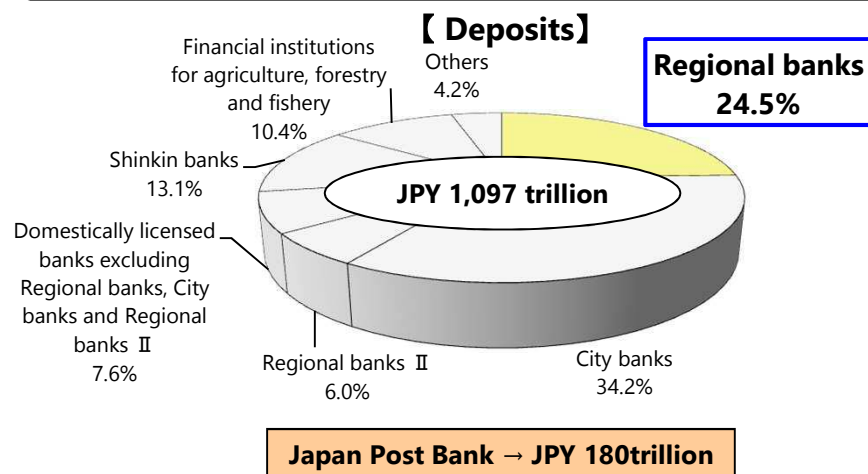
The 64 regional banks in Japan, as leading banks in the regions, serve the diverse financial needs of local clients such as individuals, companies, and local governments, through a dense branch networks and ATMs in the regions.

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

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



Shares of Deposits and Loans of Private Financial Institutions (Mar-19)



Source: Home page of Regional Banks Association of Japan

The Present Condition of the Regional Economy

Economic Conditions

April-20	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	ALL JAPAN	Hokuriku Area	Hokkaido Area
Economic Trend	Getting worse rapidly	Relatively weak	Strong downward pressure
Public Investment	Firm	Increasing	Increasing
Business Investment	Almost flat	More or less flat at high level	Increasing moderately
Private consumption	Decreasing rapidly	Relatively weak	Weak
Housing construction	In a weak tone	Some weakness has been observed in part	Relatively weak
Production	Decreasing	Relatively weak	Relatively weak
Employment & income	Some weak movements	A pause in the movement for improvement	Labor supply and demand is tight
Consumer prices	Flat	Rising	Above the previous year's level
The number of bankrupt companies	Increasing	Calm movement	Calm movement

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