

# Financial Results for FY 2021 (Ended March 31, 2022)



Hokuhoku Financial Group, Inc.



The Hokuriku bank, Ltd.



The Hokkaido bank, Ltd.

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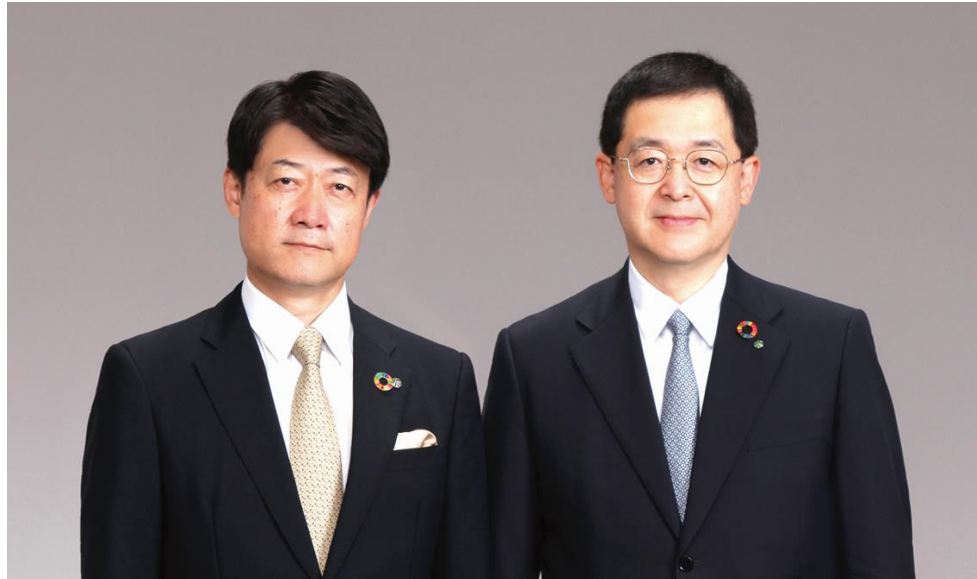
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### “Hokuhoku Financial Group SDG’s Declaration” (April 1, 2019)

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.

**“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.**



Left: **Hiroshi Nakazawa**  
**President**  
(concurrently serving as president of  
The Hokuriku Bank, Ltd.)

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

## Management Philosophy

**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.



## ほくほくフィナンシャルグループ Hokuhoku Financial Group, Inc.

Incorporation : 2003  
Location of head office : Toyama City, Toyama  
Capital : ¥ 70.8 billion  
Capital adequacy ratio : (consolidated) 9.54 %  
Ratings : A (R&I)



## 北陸銀行 The Hokuriku bank, Ltd.



Incorporation : 1943 (founded in 1877)  
Location of head office : Toyama City, Toyama  
Branches : Domestic 188 (145 branches, 43 sub-branches)  
Overseas 6  
Employees : 2,265  
Capital : ¥ 140.4 billion  
Capital adequacy ratio : (non-consolidated) 9.31 %  
Ratings : A (R&I) • A- (S&P)



## 北海道銀行 The Hokkaido bank, Ltd.



Incorporation : 1951  
Location of head office : Sapporo City, Hokkaido  
Branches : Domestic 144 (136 branches, 8 sub-branches)  
Overseas 3  
Employees : 2,118  
Capital : ¥ 93.5 billion  
Capital adequacy ratio : (non-consolidated) 8.94%  
Ratings : A (R&I)

# I . Financial Results for FY 2021

# Summary of Financial Results

Consolidated ordinary profit was ¥30.2Bn due to an increase in corporate consulting fees and income from individual assets in custody, despite of decrease in gains on bonds and gains on stock. Consolidated net income was ¥20.5Bn, exceeding the forecast by ¥0.5Bn.

## FY21 Profit and loss

	[JPY Bn]			
[Hokuhoku FG consolidated]	Plan	Result	change	compared to plan
Ordinary profits	32.0	<b>30.2</b>	(1.9)	(1.7)
Net income attributable to owners of the parent	20.0	<b>20.5</b>	(0.8)	0.5

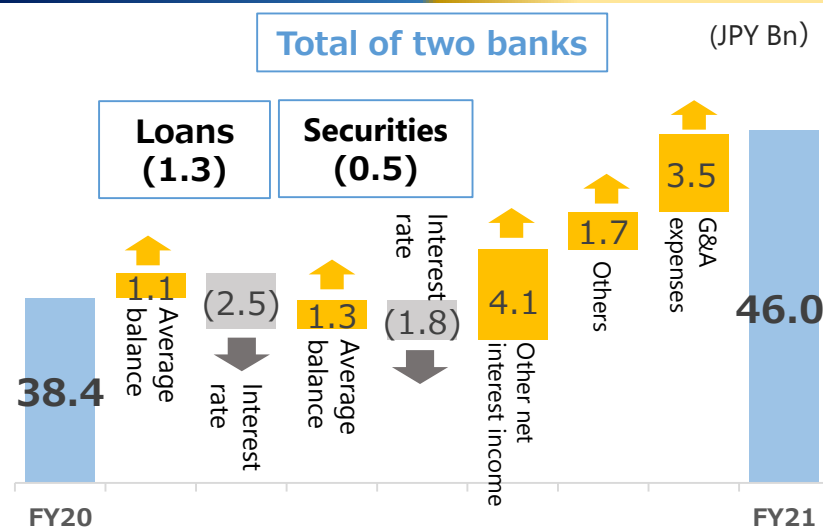
	[JPY Bn]			
[Total of two banks]	Plan	Result	change	compared to plan
Core gross business profits	124.5	<b>124.8</b>	4.0	0.3
Net interest income		<b>105.9</b>	2.2	
Loans		<b>82.6</b>	(1.3)	
Securities		<b>18.8</b>	(0.5)	
Net fees & commissions		<b>17.7</b>	1.7	
Net trading income		<b>0.0</b>	(0.0)	
Net other income(※1)		<b>1.1</b>	0.1	
G&A expenses(-)	81.0	<b>78.8</b>	(3.5)	(2.1)
Core net business profits	43.5	<b>46.0</b>	7.5	2.5
Core net business profits(※2)		<b>44.8</b>	7.1	
Gains (losses) related to bonds		<b>(4.3)</b>	(6.3)	
Net business profits (※3)		<b>41.6</b>	1.2	
Net transfer to general allowance for loan losses(-)		<b>6.2</b>	3.3	
Other non-recurring gains (losses)		<b>(4.9)</b>	0.5	
Credit related costs (-)		<b>7.3</b>	(2.9)	
Gains (losses) related to stocks		<b>2.8</b>	(2.6)	
Ordinary profits	33.0	<b>30.4</b>	(1.5)	(2.5)
Net extraordinary gains (losses)		<b>2.9</b>	3.9	
Income taxes (-)		<b>11.5</b>	3.0	
Net income	22.0	<b>21.8</b>	(0.6)	(0.1)
Net credit costs (-)	14.0	<b>13.5</b>	0.4	(0.4)

※1: Excluding gains (losses) related to bonds

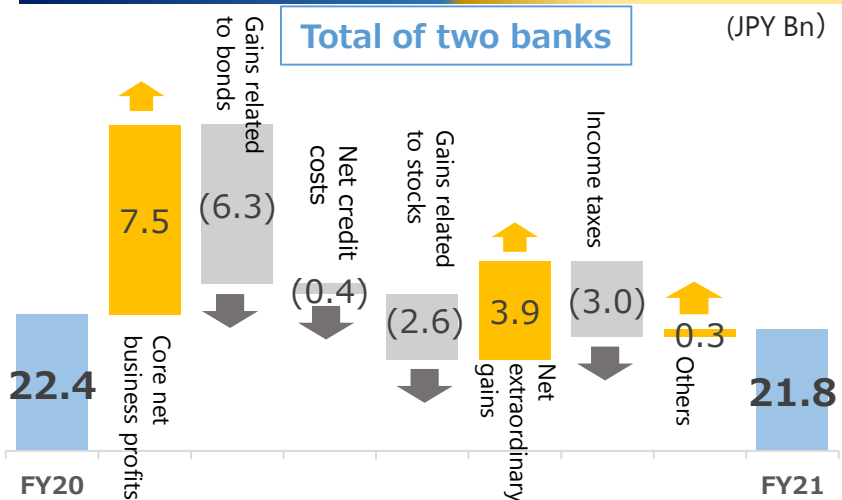
※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

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

## Factors contributing to the change in core net business profits



## Factors contributing to the change in net income



# Summary of Financial Results(Hokuriku bank・Hokkaido bank)

## FY21 Profit and loss

(JPY Bn)

	Hokuriku Bank		Hokkaido Bank	
		change		change
Core gross business profits	68.4	1.7	56.4	2.3
Net interest income	56.3	0.5	49.6	1.6
Loans	41.1	(1.2)	41.4	(0.1)
Securities	12.6	(0.7)	6.2	0.1
Net fees & commissions	11.3	1.2	6.3	0.5
Net trading income	0.0	(0.0)	-	-
Net other income(※1)	0.7	(0.0)	0.4	0.1
G &A expenses(-)	41.7	(2.2)	37.1	(1.3)
Personnel	20.7	(1.1)	16.7	(0.6)
Non-personnel	17.9	(0.7)	17.5	(0.4)
Taxes	3.0	(0.2)	2.8	(0.1)
Core net business profits	26.7	3.9	19.2	3.6
Core net business profits(※2)	25.5	4.0	19.2	3.1
Gains(losses)related to bonds	(2.0)	(3.9)	(2.2)	(2.3)
Net business profits(※3)	24.6	(0.0)	16.9	1.2
Net transfer to general allowance for loan losses(-)	4.4	2.6	1.7	0.6
Other non-recurring gains (losses)	0.6	3.0	(5.5)	(2.5)
Credit related costs(-)	4.1	(2.5)	3.1	(0.3)
Gains(losses) related to stocks	4.2	0.3	(1.3)	(2.9)
Ordinary profits	20.9	0.3	9.5	(1.9)
Net extraordinary gains(losses)	(0.8)	0.0	3.8	3.9
Income taxes(-)	6.9	1.6	4.6	1.4
Net income	13.1	(1.1)	8.7	0.5
Net credit costs(-)	8.5	0.1	4.9	0.3

※1: Excluding gains (losses) related to bonds

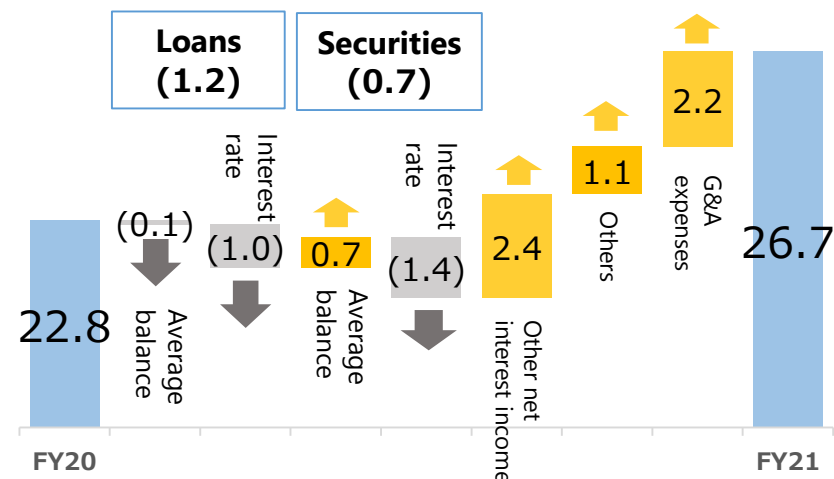
※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

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

## Factors contributing to change in core net business profits

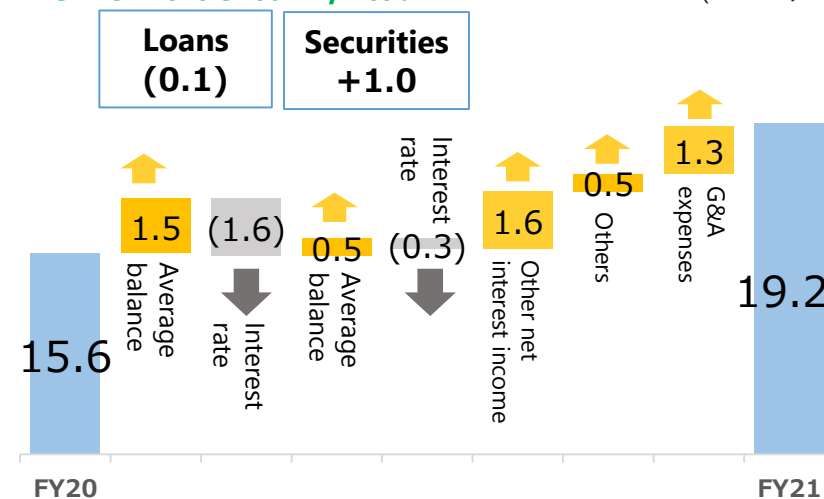
### The Hokuriku bank, Ltd.

(JPY Bn)



### The Hokkaido bank, Ltd.

(JPY Bn)

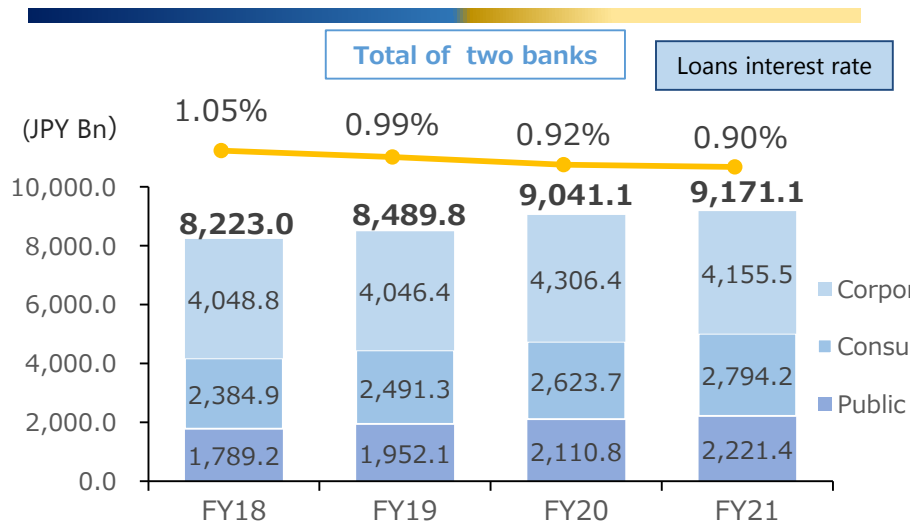




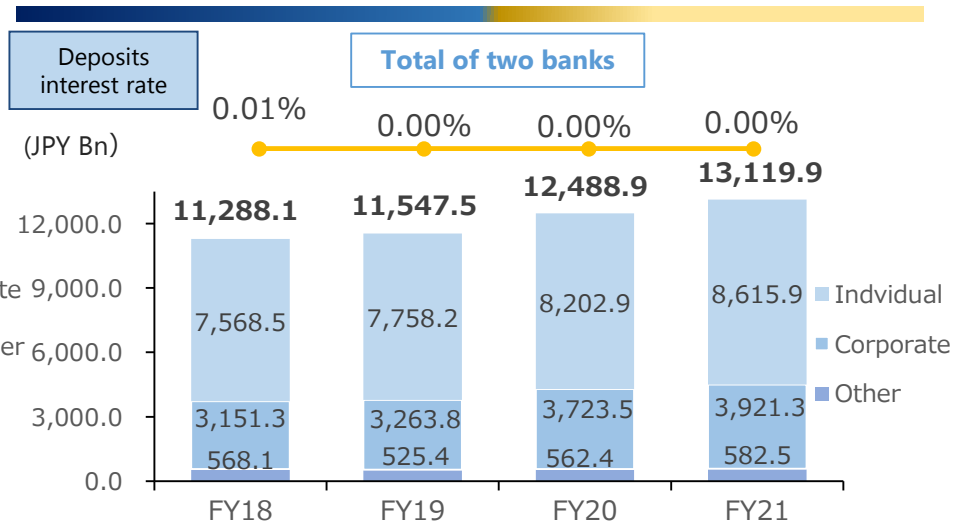
# Net Interest Income

Net interest income increased by ¥2.2Bn from the previous fiscal year to ¥105.9Bn as an increase in interest on deposits covered the decline in interest on loans and securities.

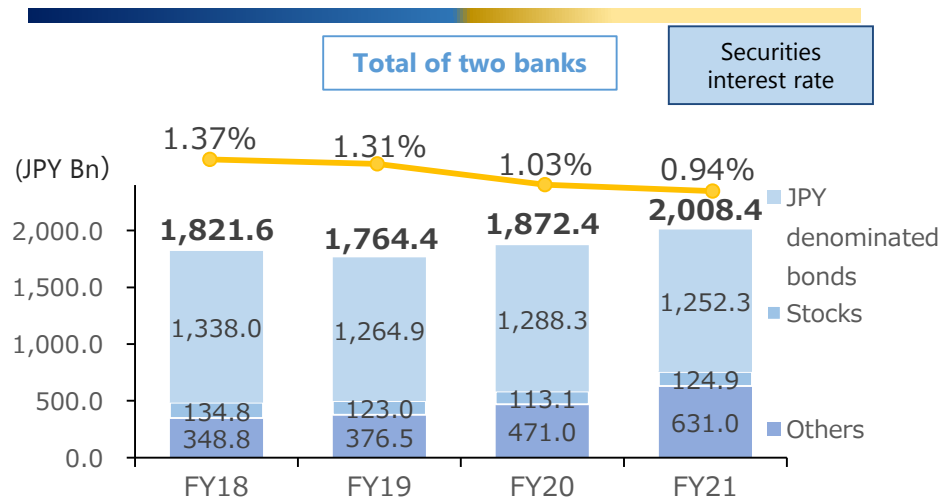
## Ave. balance and rate of Loans



## Ave. balance and rate of deposits



## Ave. balance and rate of securities



## Net Interest Income

FY21	Total of two banks		Hokuriku bank		Hokkaido bank	
	change		change		change	
<b>Net interest income</b>	105.9	2.2	56.3	0.5	49.6	1.6
<b>Loans</b>	82.6	(1.3)	41.1	(1.2)	41.4	(0.1)
Avg. balance	9,171.1	130.0	5,028.0	(23.4)	4,143.1	153.4
Avg. rate	0.90%	(0.02%)	0.81%	(0.03%)	1.00%	(0.04%)
<b>Deposits(-)</b>	0.4	(0.1)	0.3	(0.1)	0.1	(0.0)
Avg. balance	13,119.9	631.0	7,463.2	307.0	5,656.7	323.9
Avg. rate	0.00%	(0.00%)	0.00%	(0.00%)	0.00%	(0.00%)
<b>Securities</b>	18.8	(0.5)	12.6	(0.7)	6.2	0.1
Avg. balance	2,008.4	135.9	1,184.3	69.9	824.0	65.9
Avg. rate	0.94%	(0.09%)	1.06%	(0.13%)	0.75%	(0.04%)



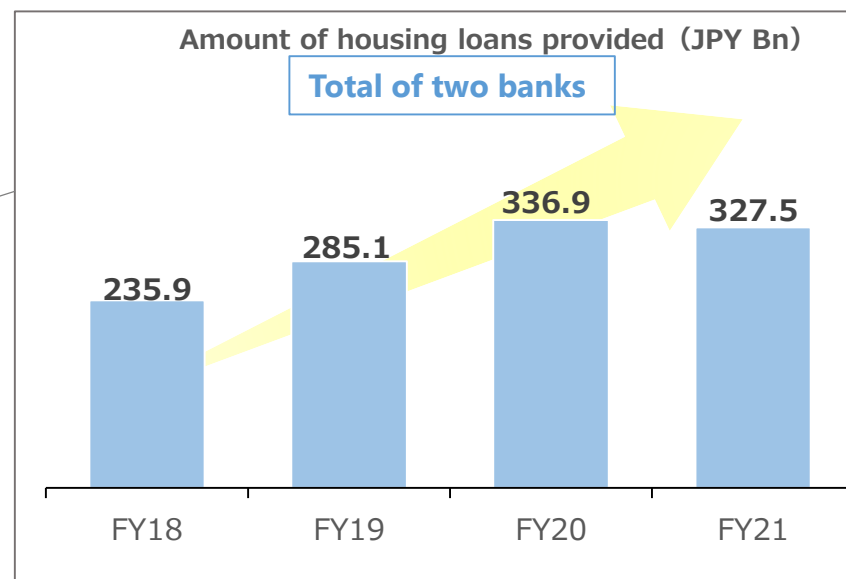
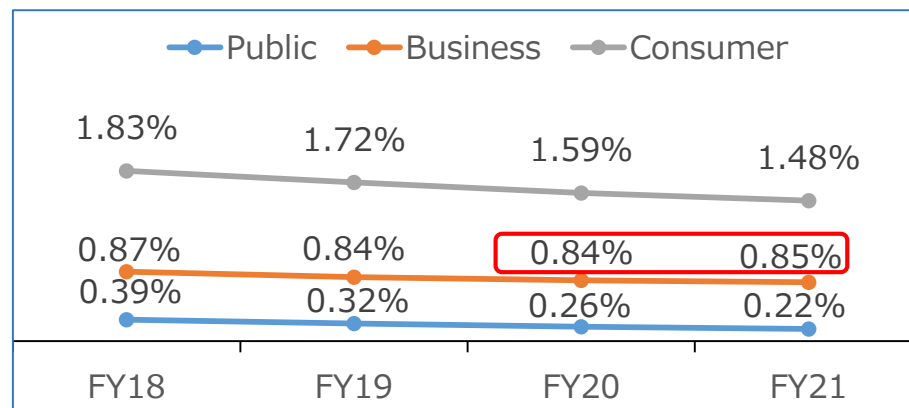
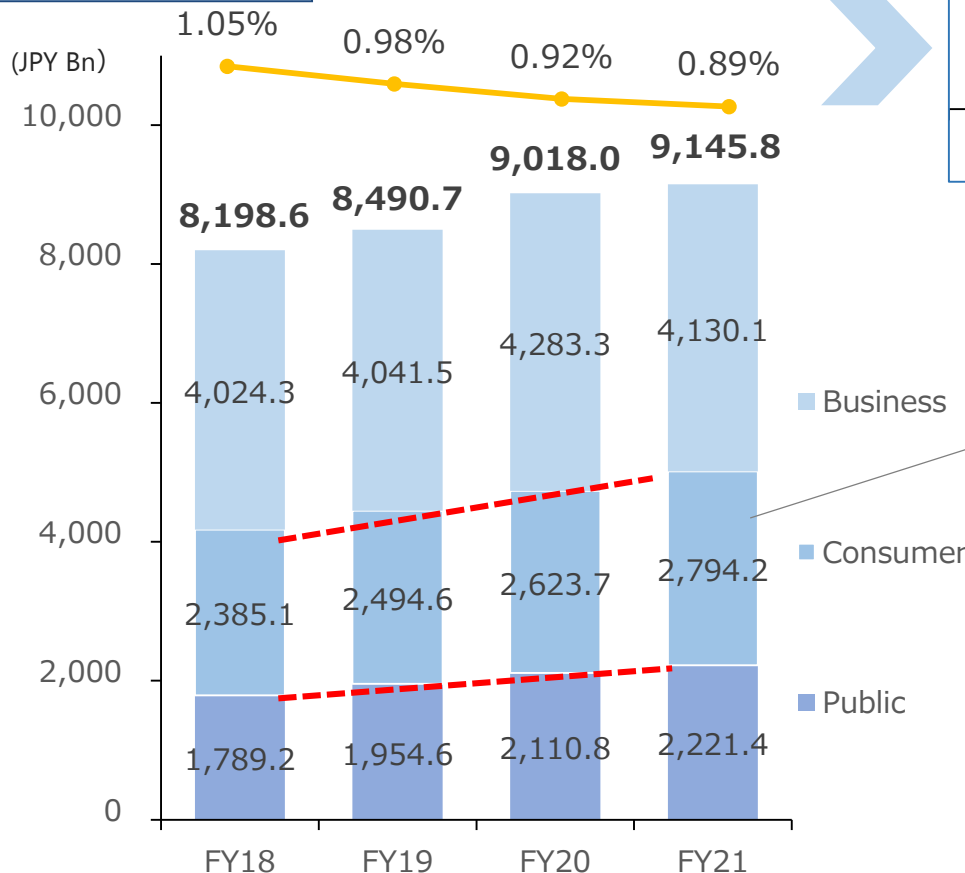
# Interest Yields

The yen-denominated average loan balance remained solid, mainly due to the accumulation of housing loans, although business loans decreased slightly. Yields on business loans turned upward from the previous fiscal year.

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

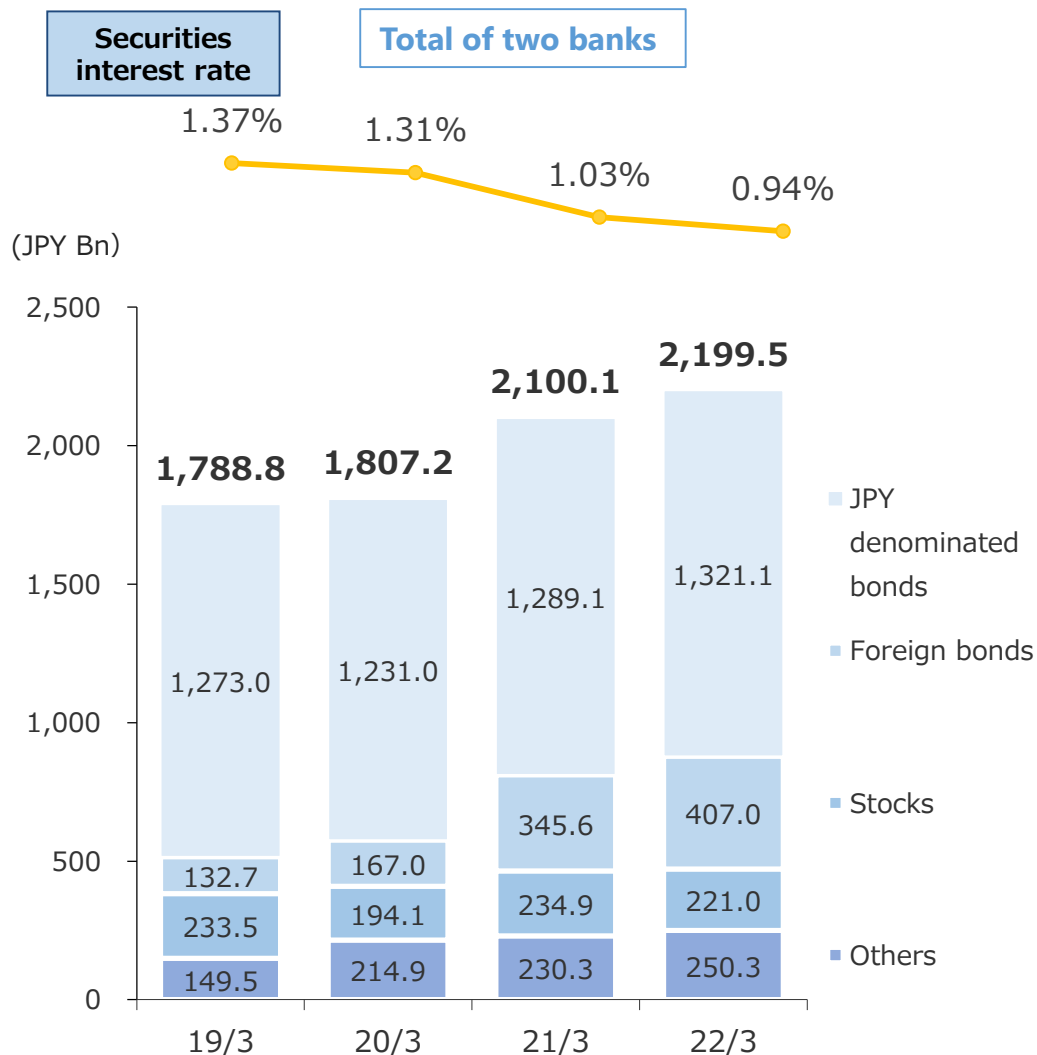
Total of two banks

Interest rate of yen denominated loans



Interest on securities decreased by ¥0.5Bn from the previous fiscal year to ¥18.8Bn due to the decline in yields. Net trading profit decreased by ¥8.9Bn from the previous fiscal year to -¥1.4Bn due to the sale of some foreign bonds with low yields.

## Balance of securities



## Revenue and Valuation difference

(JPY Bn)

	FY21	change	FY20
<b>Securities interest</b>	<b>18.8</b>	(0.5)	19.3
Bonds	4.3	(1.7)	6.1
Stocks	6.1	0.8	5.3
Others	8.3	0.3	7.9

	FY21	change	FY20
<b>Net sale profit/loss</b>	<b>(1.4)</b>	(8.9)	7.5
Bonds	(4.3)	(6.3)	2.0
Stocks	2.8	(2.6)	5.4

	FY21	change	FY20
<b>Valuation difference of Available-for-sale Securities</b>	<b>75.2</b>	(35.7)	111.0
Bonds	3.2	1.1	2.0
Stocks	98.0	(17.6)	115.6
Others	(25.9)	(19.2)	(6.7)

## Balance of cross-shareholdings

	19/3	20/3	21/3	22/3
<b>Number of stocks</b>	223	211	203	176
<b>Book value balance (JPY Bn)</b>	91.9	85.3	84.2	75.8

# Net Fee and Commission Income(Corporate)

Non-interest income increased by ¥1.7Bn from the previous fiscal year to ¥17.7Bn as a result of strengthening the corporate and individual consulting division, which was a key strategy of the previous medium-term management plan.

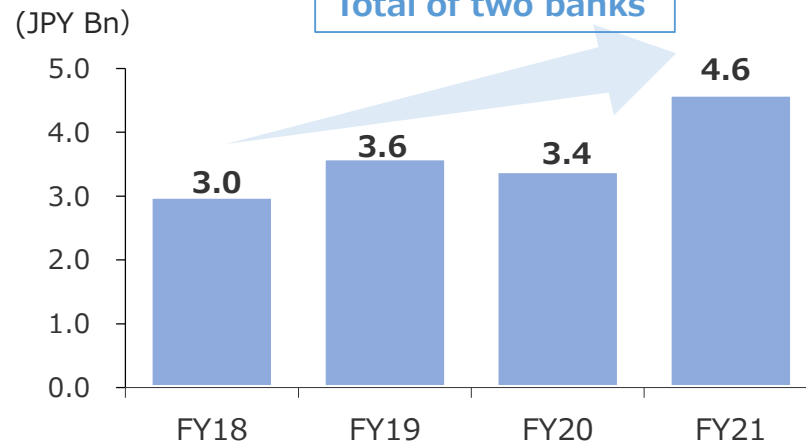
## Fee revenue

Total of two banks

	(JPY Bn)		
	FY21	change	FY20
① Net fees and commissions	17.7	1.7	15.9
Fees and commissions	34.9	1.6	33.2
Remittance	9.7	(0.6)	10.4
Investment trusts/Personal insurance	5.6	0.8	4.7
Solution services	4.6	1.1	3.4
Private placement bond, Syndicated loan	2.2	0.3	1.9
M&A support, Business succession support, etc	1.2	0.3	0.8
Business matching	0.7	0.0	0.6
Fees and commissions payments	17.1	(0.1)	17.2
Remittance	1.3	(0.4)	1.8
Loan related expenses	12.9	0.3	12.5
② Net trading income	0.0	(0.0)	0.0
③ Net other income (excluding gains(losses) related to bonds)	1.1	0.1	1.0
Gains on foreign exchange transaction	1.1	0.2	0.9
④ Fee revenue ①+②+③	18.9	1.8	17.0
⑤ Core gross business profits	124.8	4.0	120.7
⑥ Fee revenue ratio ④/⑤ (%)	15.14	1.01	14.13

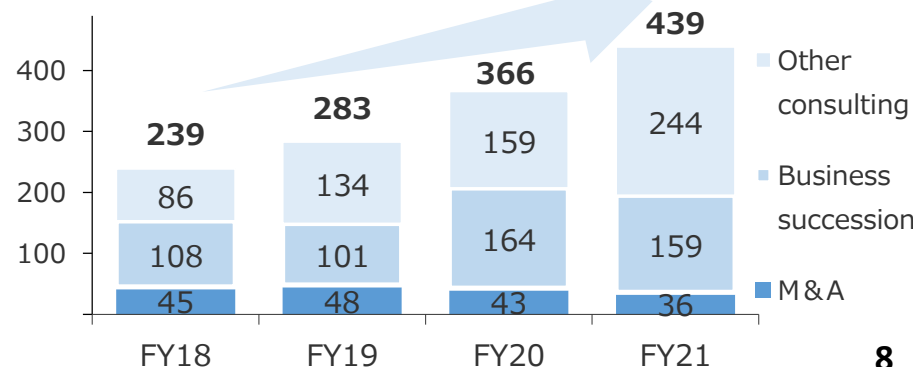
## Corporate Consulting-related Service Revenue

Total of two banks



## Number of various consulting contracts

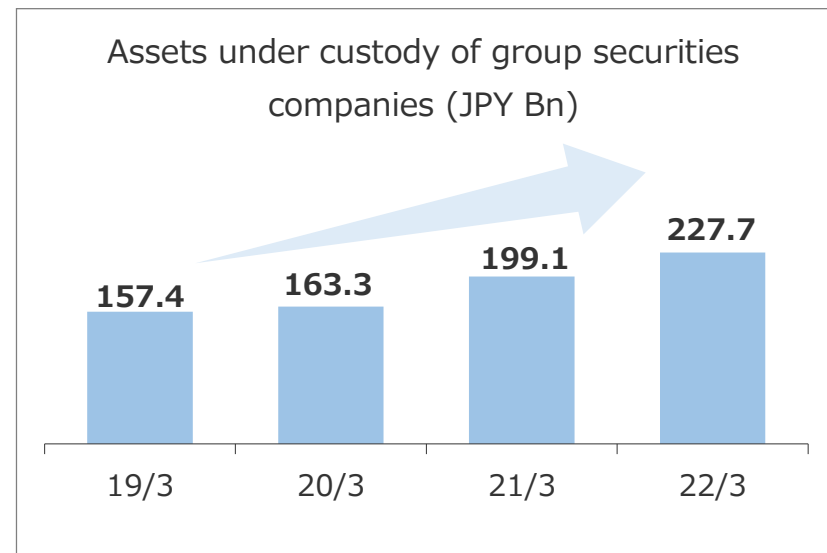
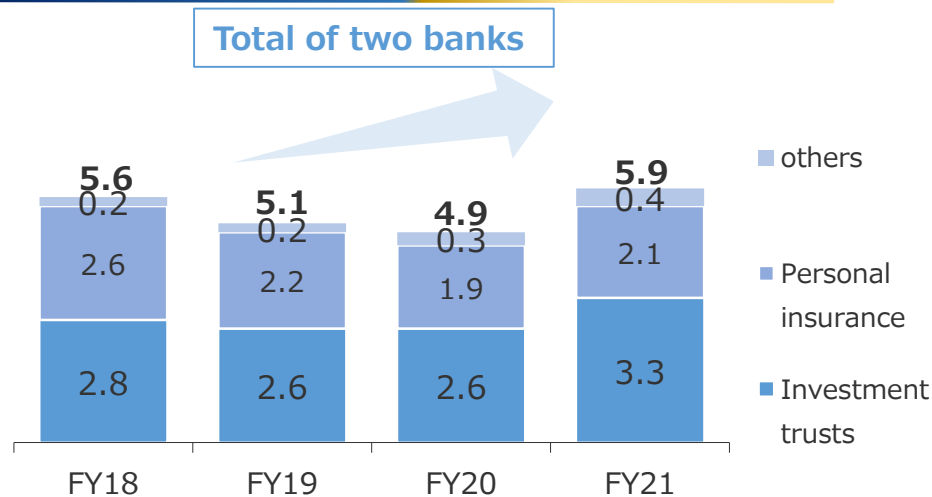
Total of two banks



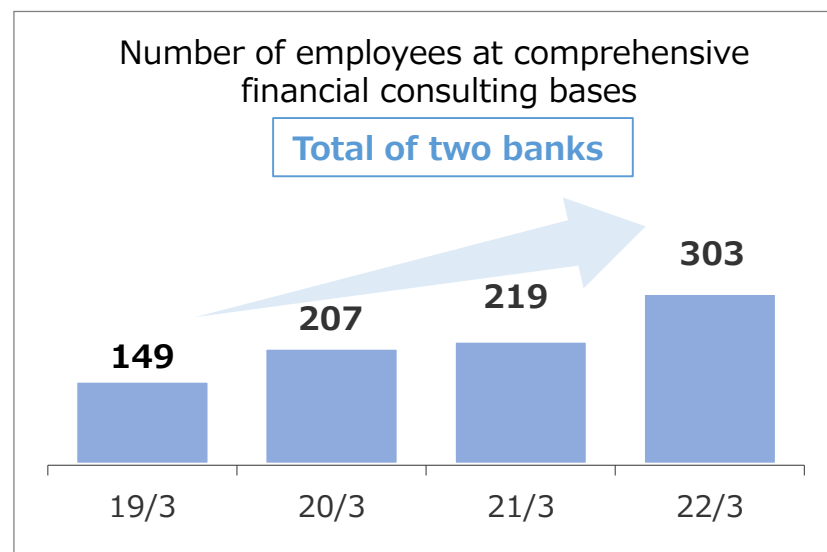
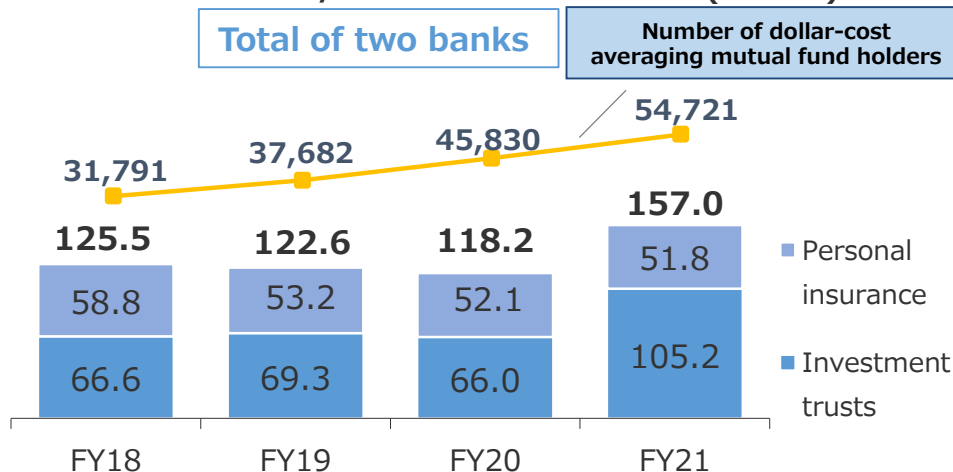
# Net Fee and Commission Income(Individual)

Revenue from services related to individual consulting increased by ¥1.0Bn from the previous fiscal year to ¥5.9Bn, due to the expansion of comprehensive financial consulting bases for individuals and the strengthening of sales systems such as cooperation with group securities companies.

## Individual Consulting-related Service Revenue(JPY Bn)



## Investment trust/insurance sales amount(JPY Bn)

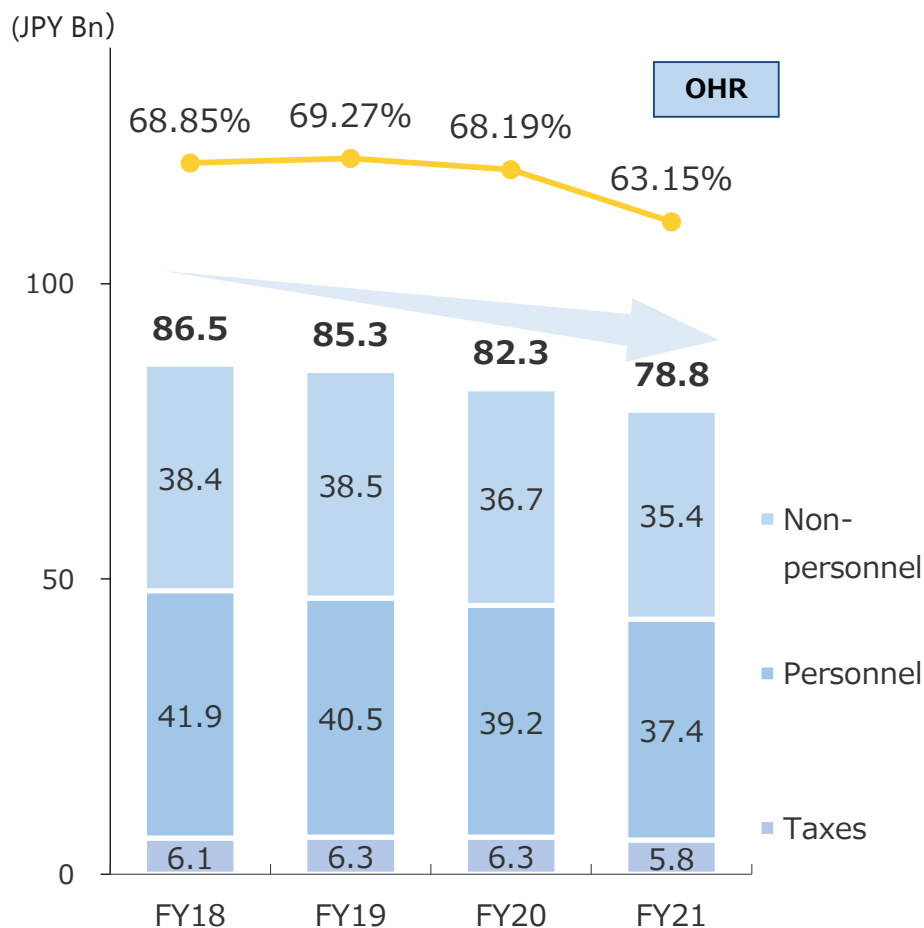


# G&A Expenses · OHR

G & A expenses decreased by ¥3.5Bn from the previous fiscal year to ¥78.8Bn due to the streamlining of operations through digitization. OHR improved by 5.04 points.

## G&A expenses and OHR

Total of two banks



## Number of branches · Systematization related expenses

	19/3	20/3	21/3	22/3
Number of domestic branches (A)	330	332	332	332
Branch-in-branch etc. (B)	42	48	51	56
Actual number of branches (A-B)	288	284	281	276

	FY18	FY19	FY20	FY21
Systematization related expenses (JPY Bn)	13.7	14.0	13.6	13.6

## Number of employees · Core net business profit per employee

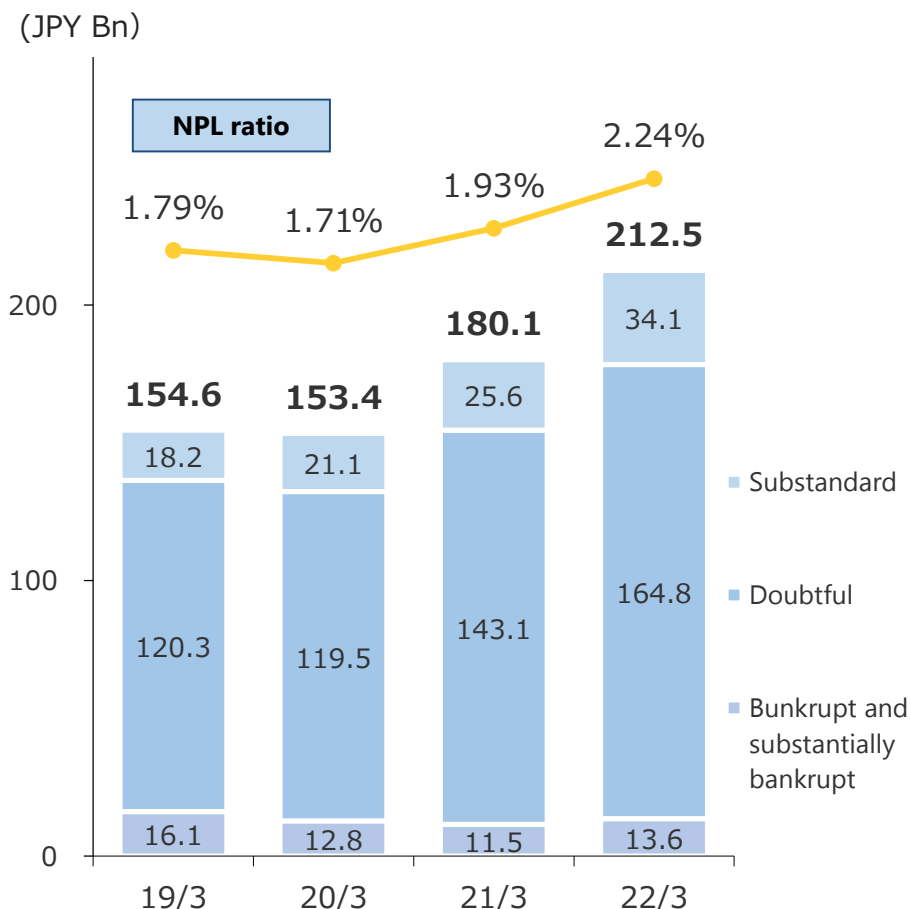
	19/3	20/3	21/3	22/3
Number of employees	7,639	7,313	7,042	6,760
Core net business profits (JPY Bn)	39.1	37.8	38.4	46.0
Core net business profits per employee (JPY M)	5.12	5.17	5.45	6.80

# Non-Performing Loan • Net Credit Costs

The balance of non-performing loan increased by ¥32.3Bn from previous year to ¥212.5Bn, and the NPL ratio was 2.24%. Net credit costs increased by ¥0.4Bn from previous year to ¥13.5Bn, and the credit cost ratio was 0.14%.

## Balance of non-performing loan

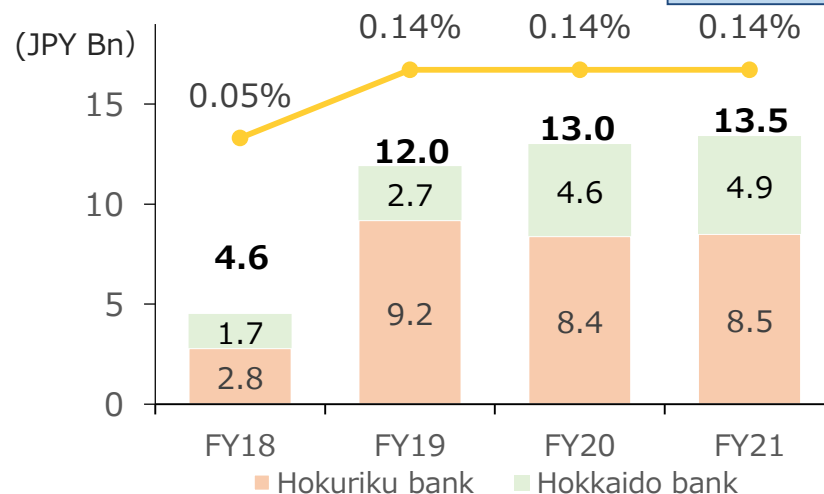
Total of two banks



## Net credit costs

Total of two banks

Credit cost ratio



## Increase/decrease factors in net credit costs

Total of two banks

	(JPY Bn)		
	FY21	change	FY20
Net credit costs	13.5	0.4	13.0
Net transfer to general allowance for loan losses	6.2	3.3	2.8
Credit related costs	7.3	(2.9)	10.2
Reversal of general allowance for loan losses	-	-	-
Net transfer to individual allowance for loan losses	6.8	(3.1)	9.9

# Capital Adequacy ratio • ROE

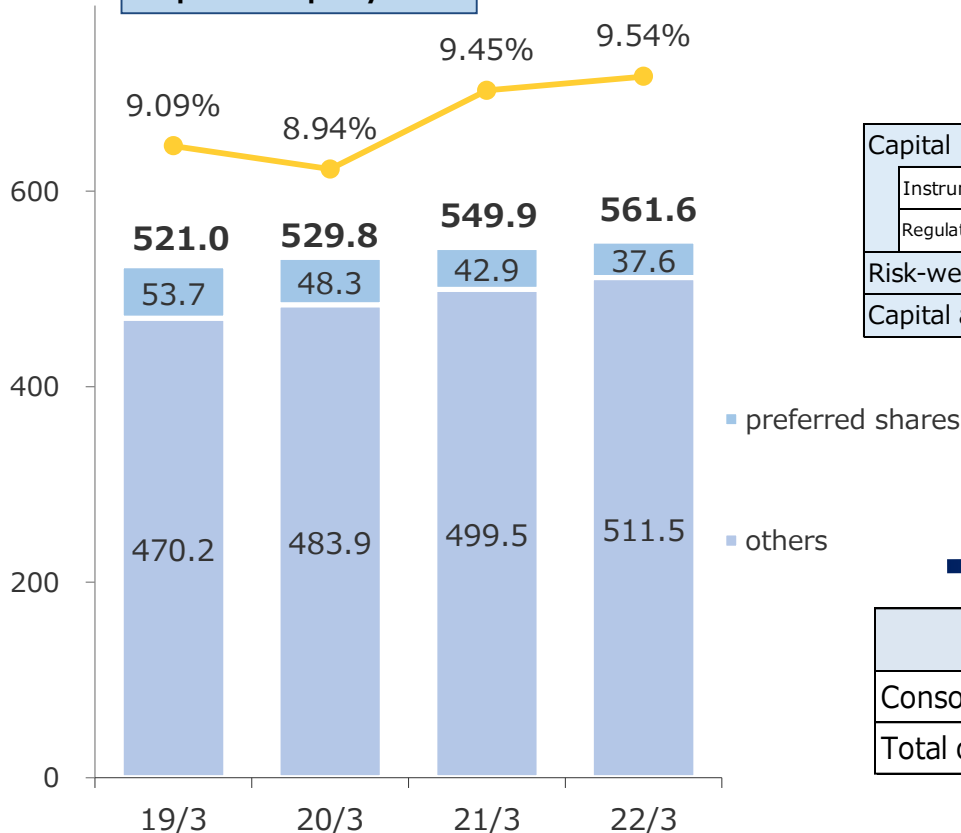
Capital adequacy ratio increased by 0.09 percentage points from the end of the previous fiscal year to 9.54% due to an increase in capital resulting from the accumulation of retained earnings

## Capital adequacy ratio

Consolidated

(JPY Bn)

### Capital adequacy ratio



## Capital and risk-weighted assets

Consolidated

(JPY Bn)

	Transitional arrangements			Full implementation		
	22/3	change	21/3	22/3	change	21/3
Capital	561.6	11.6	549.9	521.5	17.8	503.6
Instruments and reserves	577.9	14.1	563.7	537.8	20.3	517.4
Regulatory adjustments (-)	16.2	2.4	13.7	16.2	2.4	13.7
Risk-weighted assets	5,881.1	65.0	5,816.0	5,868.3	65.5	5,802.8
Capital adequacy ratio	9.54%	0.09%	9.45%	8.88%	0.21%	8.67%

## ROE

	FY17	FY18	FY19	FY20	FY21
Consolidated	3.6%	4.0%	3.4%	3.5%	3.3%
Total of two banks	4.4%	4.9%	3.9%	4.1%	3.9%



## Forecasts for FY22

### Consolidated

(JPY Bn)

	FY22 forecasts	change
Ordinary profits	31.0	0.7
Net income attributable to owners of the parent	19.0	(1.5)

## Dividend forecasts for FY22

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

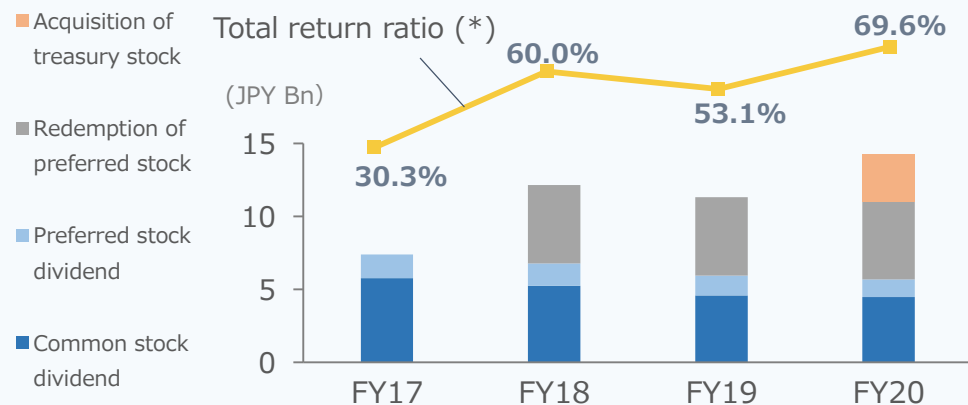
Dividend per common stock(JPY yen)

(JPY Bn)  
[Total of two banks] [Hokuriku bank] [Hokkaido bank]

	FY22 forecast	change	FY22 forecast	change	FY22 forecast	change
Core gross business profits	124.5	(0.3)	69.0	0.5	55.5	(0.9)
G&A expenses	78.5	(0.3)	41.5	(0.2)	37.0	(0.1)
Core net business profits	46.0	(0.0)	27.5	0.7	18.5	(0.7)
Net credit costs	14.5	0.9	9.0	0.4	5.5	0.5
Ordinary profits	32.0	1.5	18.5	(2.4)	13.5	3.9
Net income	20.5	(1.3)	11.5	(1.6)	9.0	0.2

## Shareholder return

### Status of return of profits to shareholders



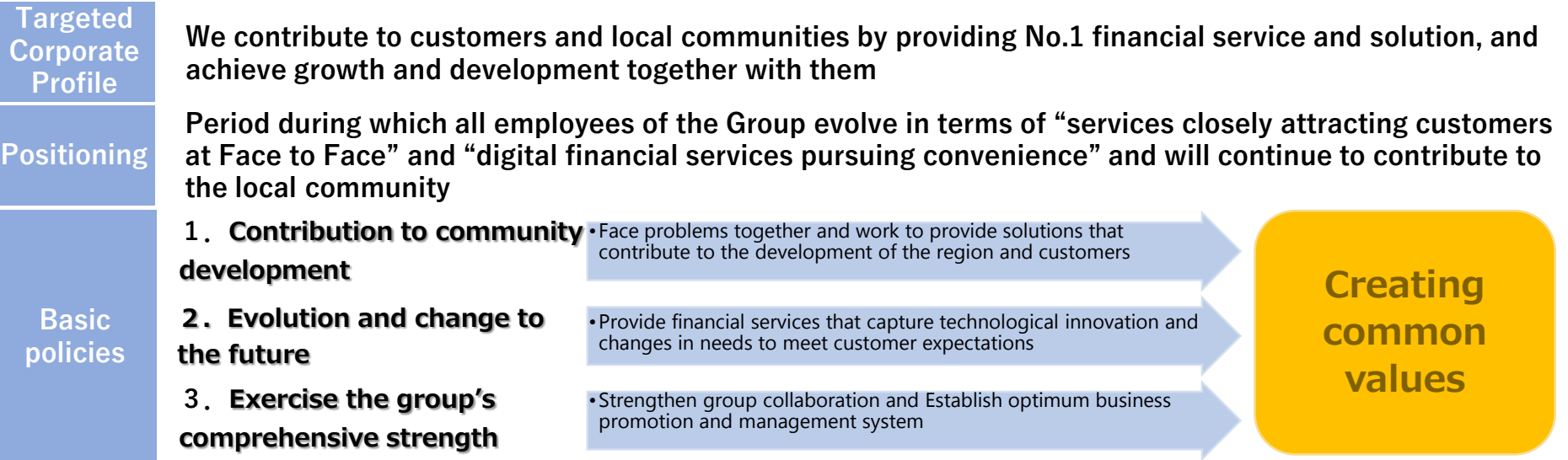
FY17 FY18 FY19 FY20

(\*)Includes redemption and dividends of preferred stock

## II . Management Strategy

# 1-1 Review of the previous medium-term management plan

## previous medium-term management plan 「ALL for the Region」 (FY2019~FY2021)



	FY18 Result	FY2021 Target	FY2021 Result	Compared to FY2018
Key indicators	Main business profit *	¥18.0Bn	Over ¥22.0Bn	¥27.7Bn + ¥9.7Bn
	Net income attributable to owners of the parent	¥24.3Bn	Over ¥22.0Bn	¥20.5Bn - ¥3.8Bn
	(Consolidated) Capital Adequacy Ratio	9.09%	Maintain 8% level	9.54% +0.45%
	(Core gross business profit basis) OHR	68.85%	Maintain under 70% level	63.15% -5.70%

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

# 1-2 Review of the previous medium-term management plan

Priority measures	Initiatives in the previous medium-term management plan	Future tasks	Key strategies of the new medium-term management plan
Strategy for corporate customers	<ul style="list-style-type: none"> <li>● Loans related to COVID-19</li> <li>● Strengthening consulting functions (M &amp; A, business matching, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Conversion from quantity to quality</li> <li>● Further strengthening of consulting functions</li> <li>● Continued support for COVID-19 effects</li> </ul>	Improvement of comprehensive consulting ability
Strategy for individual customers	<ul style="list-style-type: none"> <li>● Strengthening consulting functions (Expansion of consulting bases, Strengthening cooperation with group securities companies)</li> <li>● Thorough of fiduciary duty</li> </ul>	<ul style="list-style-type: none"> <li>● Providing total solutions according to life stage</li> </ul>	
Community revitalization strategy	<ul style="list-style-type: none"> <li>● SDGs Declaration · Formulation of environmental policy, Support for TCFD recommendations</li> <li>● Started providing SDGs evaluation service and sustainable finance</li> </ul>	<ul style="list-style-type: none"> <li>● Further strengthening of initiatives for climate change and decarbonization</li> </ul>	Initiatives in the environmental field
Digitalization & Fintech strategy	<ul style="list-style-type: none"> <li>● Improved functionality of apps and personal internet banking</li> <li>● Expansion of passbook-less accounts</li> </ul>	<ul style="list-style-type: none"> <li>● Functional expansion of non-face-to-face services</li> <li>● Further operational reforms through digitization</li> <li>● Digitalization support for regions and customers</li> </ul>	Promotion of Digital Transformation
Group cooperation strategy	<ul style="list-style-type: none"> <li>● Strengthening cooperation between the two banks (Business matching and financing, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Providing comprehensive services by expanding cooperation with group companies</li> </ul>	Strengthening group comprehensive capabilities

# New medium-term management plan 「Go forward with Our Region」

- 1-1 External environment
- 1-2 Long-term vision and strategy
- 1-3 Outline of the Plan
- 1-4 Key indicators
- 1-5 Roadmap for financial target

## 2. Strategic priorities

- 2-1 Improvement of comprehensive consulting ability
- 2-2 Initiatives in the environmental field
- 2-3 Promotion of Digital Transformation
- 2-4 Well-being work style
- 2-5 Strengthening group comprehensive capabilities
- 2-6 Strengthening governance

# 1-1 External environment

## Assumed future

### Society

- The problem of population decline
- The rise of digital natives
- Changes in lifestyle
- Diversity
- Transition to a decarbonized society

### Economy

- Regional economy shrinking
- Widening regional disparities
- Labor shortage
- Changes in industrial structure
- Continuation of low interest rates

### Technology

- Digital transition
- Cashless progress
- Expansion of AI utilization
- Entry from different industries

## Request to our company

### Community

- Contributing to development of regional economy and industry
- Support for efforts to achieve SDGs
- Leading industry-academia-government collaboration

### Customer

- Providing highly convenient services
- Customer-oriented proposals
- Contribution to sustainable business growth
- Smooth business succession support

### Employee

- Choosing the best work style
- A rewarding work environment
- Improvement of employment conditions
- Support for skill improvement

### Shareholders

- Medium- to long-term improvement of corporate value
- Enriching shareholder returns
- Highly transparent information disclosure
- Practice of sustainability management

# 1-2 Long-term vision and strategy

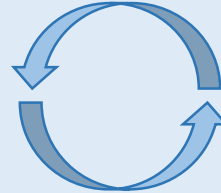
## Long-term vision

### Sustainable growth together with local communities and customers through problem solving

#### To be attractive

- ✓ Development of regional economy and industry
- ✓ Comfortable and prosperous life
- ✓ Sustainable society

Local communities and customers



Hokuhoku FG

#### To be attractive

- ✓ Selected and loved company
- ✓ Active and diverse human resources
- ✓ Improving shareholder value and corporate value

## Long-term strategy

### Solving more challenges by expanding business domain

- Providing the best consulting services in the region
- Improving services utilizing digital technologies
- Diversification of services by expanding business domain

### Strengthening sales force

### Strengthening profitability

### Developing a corporate culture through the active participation of employees

- Create a workplace where diverse human resources can play an active role
- Increase work satisfaction and pride in work
- Creation of highly specialized personnel

Developing a corporate culture

### Investing in human resources

Building a business base

### Building a management base that supports sustainable growth

- Realization of efficient group management structure
- Building a sales system with an eye on the future
- Improve productivity through business reforms

Long-term vision



# 1-3 Outline of the Plan

## Practice of management philosophy

### Long-term vision

Sustainable growth together with local communities and customers through problem solving

Medium-term Management Plan (FY2022~FY2024)

Title

Go forward with Our Region

Positioning

A period to challenge priority strategies toward the realization of a long-term vision

#### Improvement of comprehensive consulting ability

- Sophistication and expansion of solution menu
- Improvement of transaction profitability by segment strategy
- Strengthening support for COVID-19
- Strengthening proposal capability

### 6 crucial strategies

Consulting

Environmental field

#### Initiatives in the environmental field

- Response to TCFD recommendations
- Reduce our company's CO2 emissions
- Strengthen solutions to business partners
- Strengthen cooperation with local governments and various entities

#### Strengthening governance

- Enhancement of equity capital and shareholder returns
- Sophistication and diversification of operations
- Advanced risk management system

Governance

Digital Transformation

#### Promotion of Digital Transformation

- Strengthen digital banking function
- Business reform utilizing digital technologies

Contribution to the local community

#### Strengthening group comprehensive capabilities

- Expansion of resource sharing between the two banks
- Providing comprehensive financial services in collaboration

Group comprehensive capabilities

Well-being

#### Well-being work style

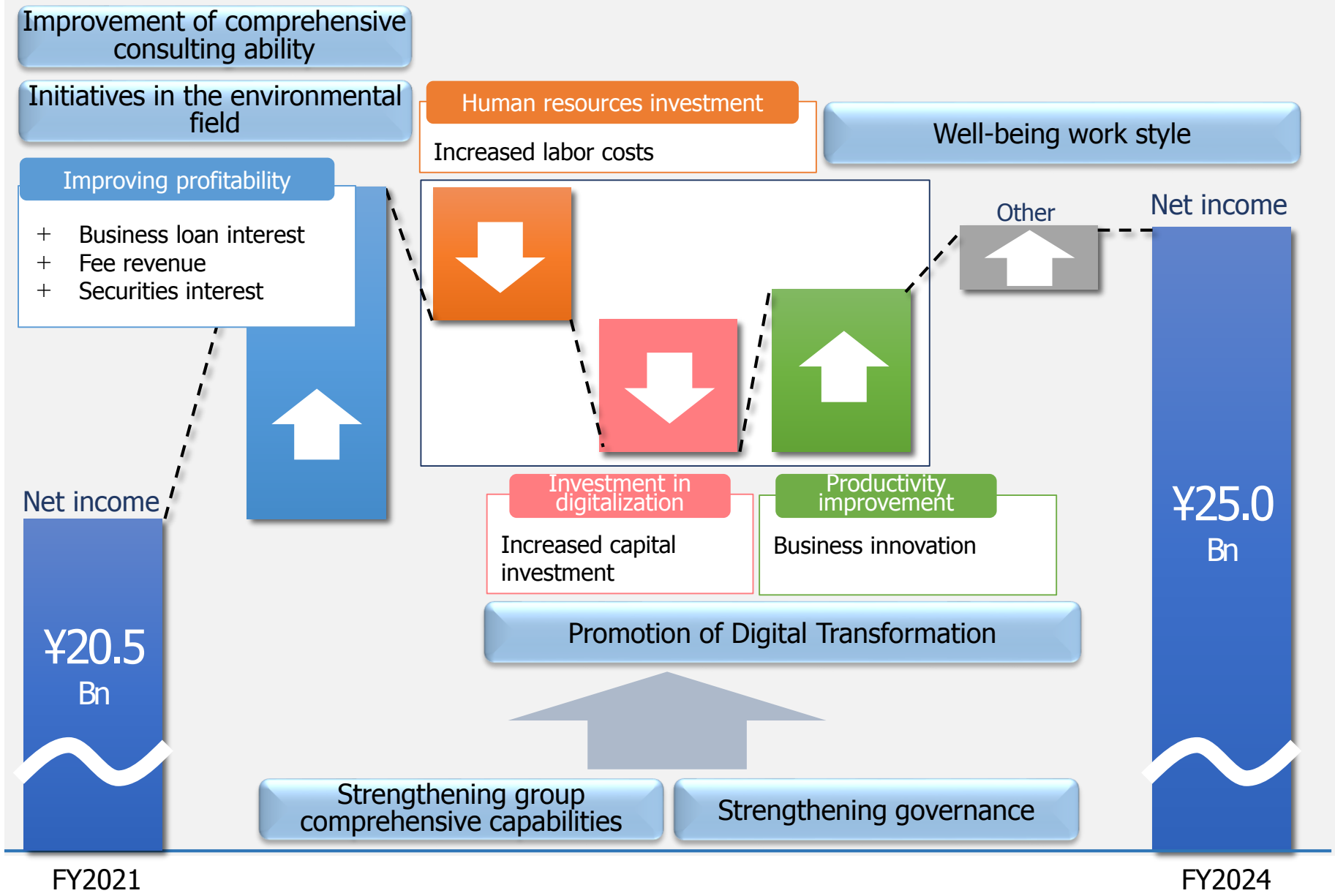
- Improvement of working environment
- Realization of diverse work styles
- Improving the skills of executives and employees

# 1-4 Key indicators

Key indicators	FY2021 (Result)	FY2024 (3 years later)	Long-term goals (10 years later)
Consolidated Net income	¥20.5 Bn	<b>Over ¥25 Bn</b>	Over ¥35 Bn
Consolidated Capital adequacy ratio	9.54%	<b>In the higher 9% range</b>	Over 12%
OHR*	63.15%	<b>In the lower 60% range</b>	50% level
Non Interest Revenue ratio* (Non Interest Revenue)	15.14% (¥18.9 Bn)	<b>16% level (Over ¥20 Bn)</b>	Over 18% (Over ¥25 Bn)
Environment related investment and loan*	¥37.1 Bn	<b>¥210 Bn</b>	¥700 Bn

\*Total of two banks

# 1-5 Roadmap for financial target



FY2021

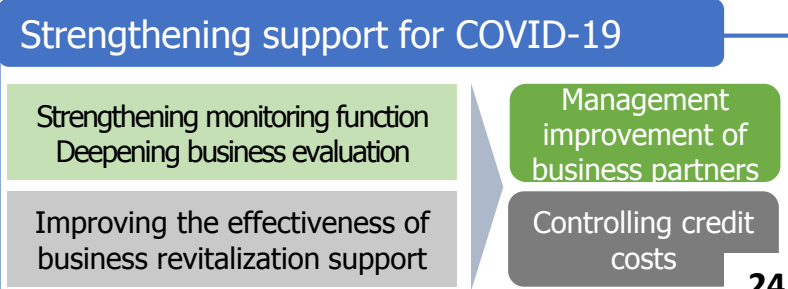
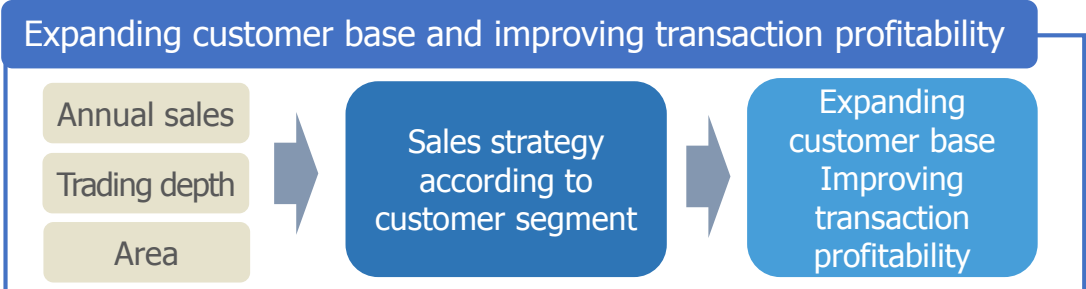
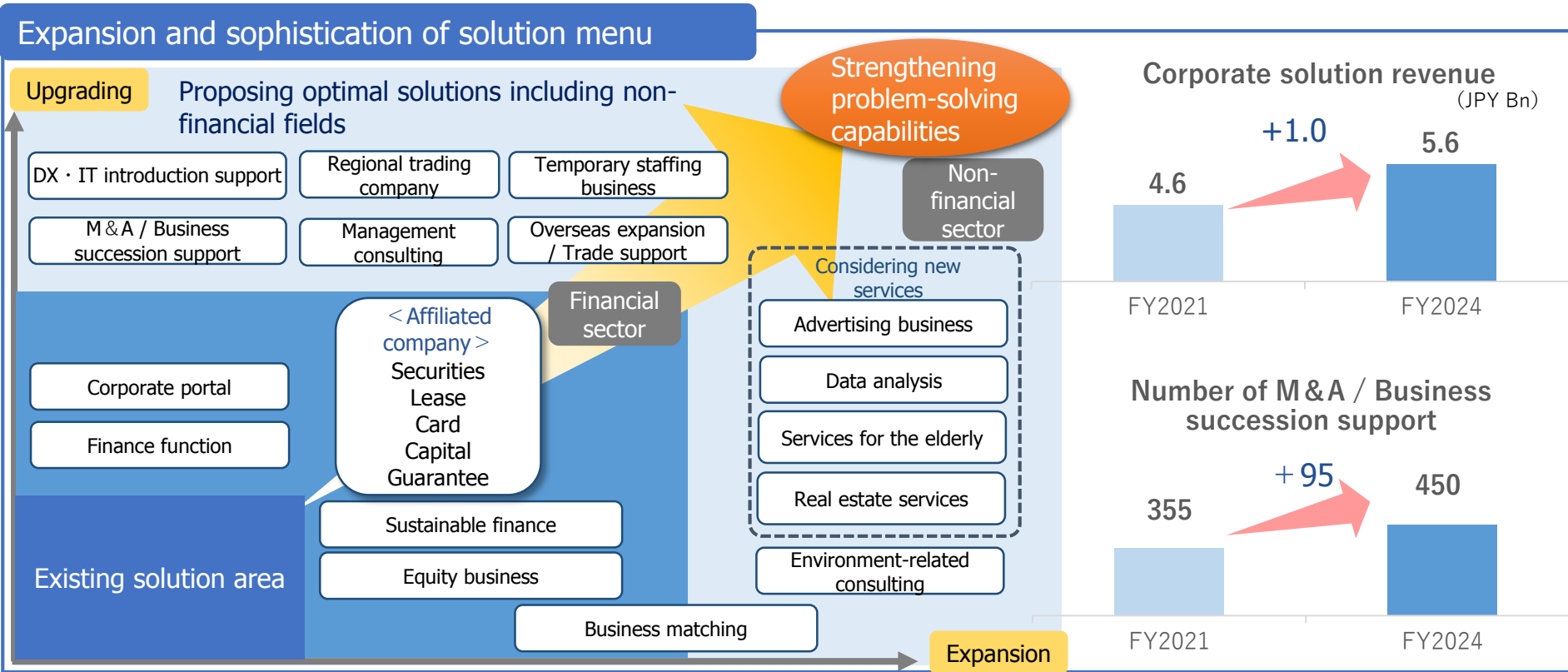
FY2024

The background features several decorative elements: a large blue-to-orange gradient arc in the top right, a smaller blue-to-orange gradient circle in the middle right, a blue-to-orange gradient circle in the bottom right, a blue-to-orange gradient arc in the bottom center, a blue-to-orange gradient circle in the bottom left, and a blue-to-orange gradient circle in the middle left. The text is centered in a bold, black, serif font.

## **2 . Strategic priorities**

# 2-1 Improvement of comprehensive consulting ability

- ◆ Strengthening problem-solving capabilities by expanding and enhancing solution menus
- ◆ Expanding customer base and improving transaction profitability by building sales strategies according to customer segments
- ◆ Strengthening management improvement support customers impacted by COVID-19

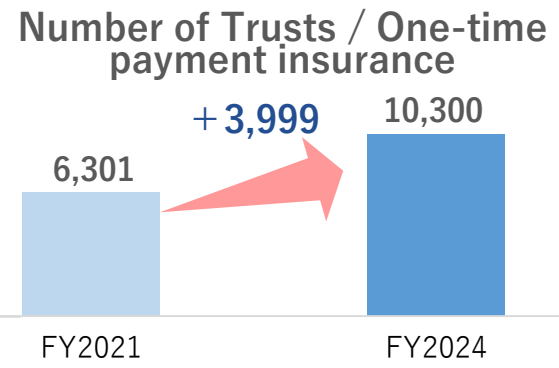
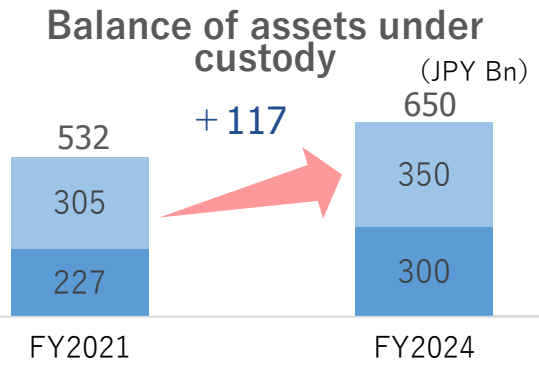
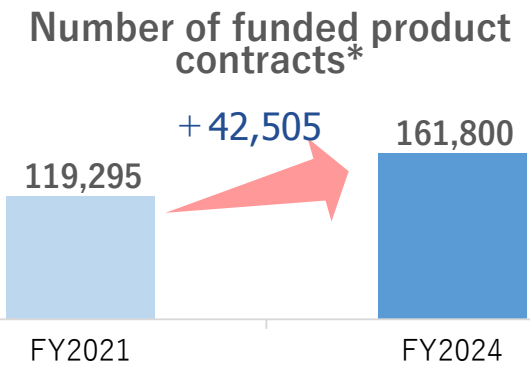


# 2-1 Improvement of comprehensive consulting ability

- ◆ Deliver optimal proposals according to customer needs and life stages
- ◆ Contribute to customer asset formation and portfolio construction by strengthening consulting functions



- Suggestion**
- Active generation:**
    - Asset formation support based on life planning
    - Establishing a consultation system tailored to lifestyle
  - Retirement generation:**
    - Asset management support based on retirement planning
    - Practice of portfolio proposals according to risk tolerance
    - Responding to diverse needs by cooperating with affiliated company
  - Senior / Wealthy class:**
    - Fostering professional human resources
    - Consulting utilizing trusts and reverse mortgages
    - Expansion of non-financial consulting menu



\*Dollar-cost averaging mutual fund holders, and level premium insurance contracts

■ Investment trust balance  
■ Assets under custody by affiliated company

# 2-2 Initiatives in the environmental field

- ◆ In anticipation of a carbon-free society, implement in-house efforts in advance
- ◆ Contribute to the decarbonization of the region by improving the corporate value of our business partners
- ◆ Collaborate with stakeholders and lead regional initiatives

Aiming to become an environmentally advanced financial group

Actively promote research and disclosure in line with TCFD recommendations



Feb. 2021 Supported TCFD recommendations

- July 2021 Raised our target of CO2 emissions
- Nov. 2021 The "Sustainability Promotion committee" was newly established



Sophistication of governance  
Strengthening strategy and risk management by conducting scenario analysis

Strengthen cooperation with local governments and various entities

Contribute to the realization of sustainable local communities in collaboration with stakeholders



Number of participants in financial economy / SDGs related education



Cooperation with the region

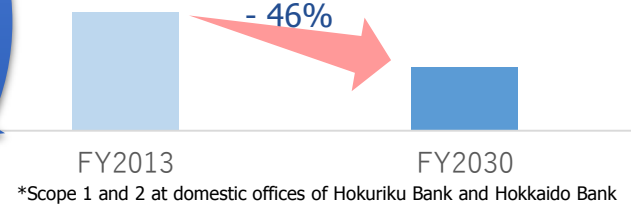
In-house efforts

Support for business partners

Reduce our company's CO2 emissions

Aiming for early realization of the 2030 reduction target

CO2 emissions\* (t-CO2)

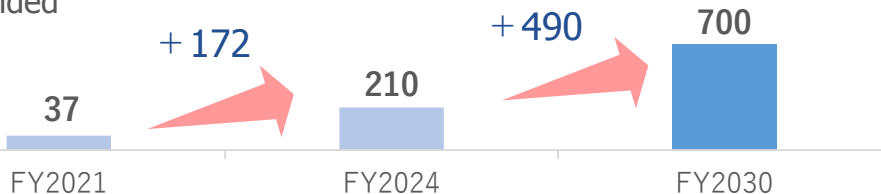


\*Scope 1 and 2 at domestic offices of Hokuriku Bank and Hokkaido Bank

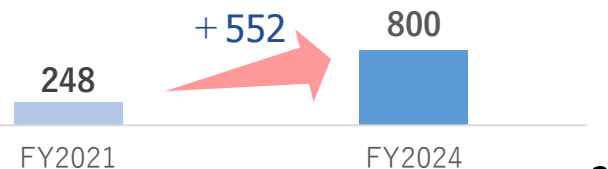
Strengthen solutions to business partners

Amount of environmental finance and investment provided

(JPY Bn)



Number of SDGs / environment-related services used





# 2-2 Initiatives in the environmental field

Aiming to be a leading financial group in the fields of "decarbonization" and "SDGs"



## Customer needs

Recognition motivation	Needs arousal
Understanding the current situation①	Arrangement of action items
Understanding the current situation②	Calculation method of CO2 emissions
Strategy formulation	Securing human resources Strategy formulation
Strategy execution	How to execute a strategy and how to raise funds

## Consulting menu

- Information provision
  - Business evaluation
  - SDGs evaluation service
  - Support for measuring CO2 emissions
  - Environmental strategy formulation consulting
  - Temporary staffing
  - Sustainable finance
  - Environment-related business matching
- The number of contracts is 248** (FY2021)
- In February 2022, we started providing a CO2 emissions calculation cloud service**
- ¥102.6Bn in FY2021**
- Target sustainable finance and investment amount is **¥1.5trillion** (from FY2021 to FY2030)
- In September 2021, we started offering sustainability-linked loans and green loans**  
**In April 2022, we started offering target-based environmental financing products**
- Enhancement of business matching destinations related to saving and renewable energy**

# 2-3 Promotion of Digital Transformation

- ◆ Expanding and evolving digital banking functions with the aim of providing more convenient and familiar services for customers
- ◆ Improve efficiency through digital business reforms and realize sophisticated customer services

## Our goal

Providing new value and experience to all stakeholders by utilizing digital technology and drastically transforming operations and services

## Change the behavior of customers and employees

Safe and convenient procedure for anyone, anytime, anywhere

- Simpler and easier to use
- Services offered at our branches are also available on our app

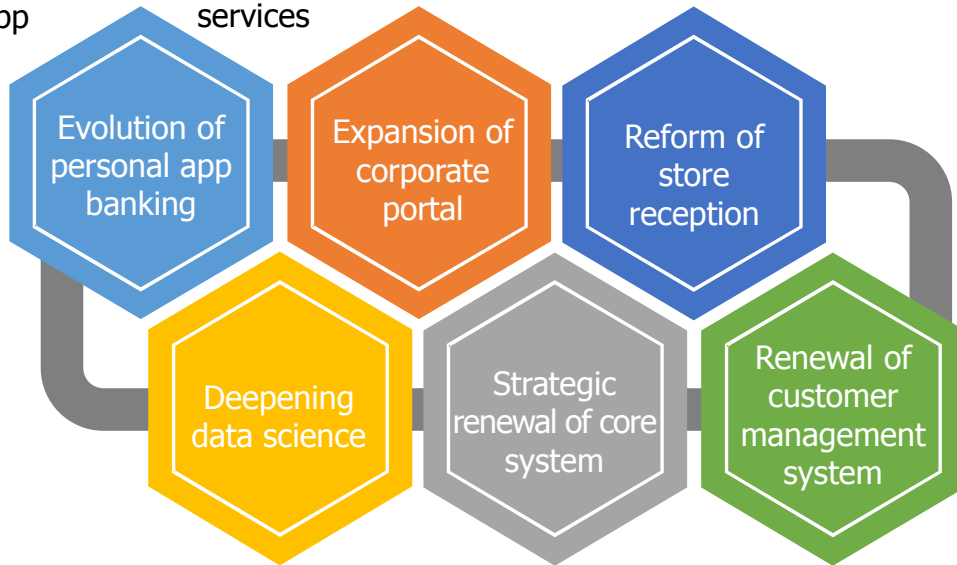
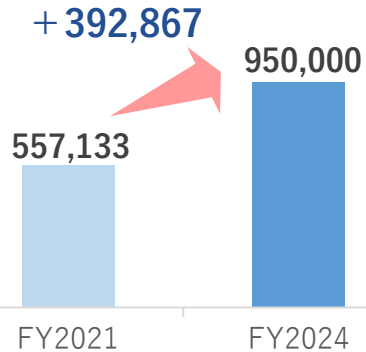
Transform business communication and become a closer partner

- Aim for the entrance to all services, including non-financial services

Transform the roles of employees by minimizing simple office work and improve services

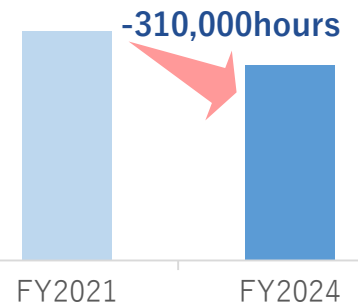
- From clerical professionals to consulting professionals

Number of IB / App subscribers



Reduction effect equivalent to 150 employees

Office work reductions time



Capture customer's thoughts and needs with data

- Personalized proposals
- Automation and sophistication of various monitoring

Taking on the challenge of further cost reduction while ensuring stability and reliability

- Promotion of investment in strategic areas

Centralized and comprehensive management and utilization of information

- Promptly respond to customers' needs and realize useful proposals

# 2-4 Well-being work style

◆ Build a work environment where employees can experience well-being in order to create a strong organization that realizes sustainable growth

- Improvement of working environment**
- Rebuilding personnel system
  - Promotion of utilization of leave system
  - Environment where seniors can play an active role
  - Eradication of harassment
  - Investing in employee health

Improving work satisfaction

Strong organization that realizes sustainable growth

Service / productivity improvement

**Well-being work style**

Performance improvement

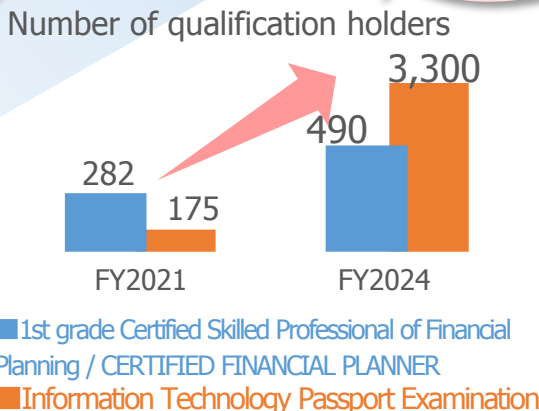
Skill improvement

Investing in human resources

Improved ease of work

- Realization of diverse work styles**
- Supporting women's career development and flexible working styles
  - Active recruitment of professional human resources
  - Promote employment of people with disabilities
  - Working environment anywhere

**Female manager ratio 20% or more (FY2024)**



- Improving the skills of executives and employees**
- Expansion of in-house certification system, training, teaching materials, etc.
  - Improvement of consulting ability and IT literacy
  - Introduction of training system in other departments
  - Development of highly-skilled human resources by secondment

# 2-4 Well-being work style

- ◆ We will build new headquarters buildings, which will be our symbol, in Sapporo and Toyama to create a comfortable office environment.
- ◆ Further improve productivity by responding to the diverse work styles of staff. In addition, we will achieve both business continuity and environmental friendliness.





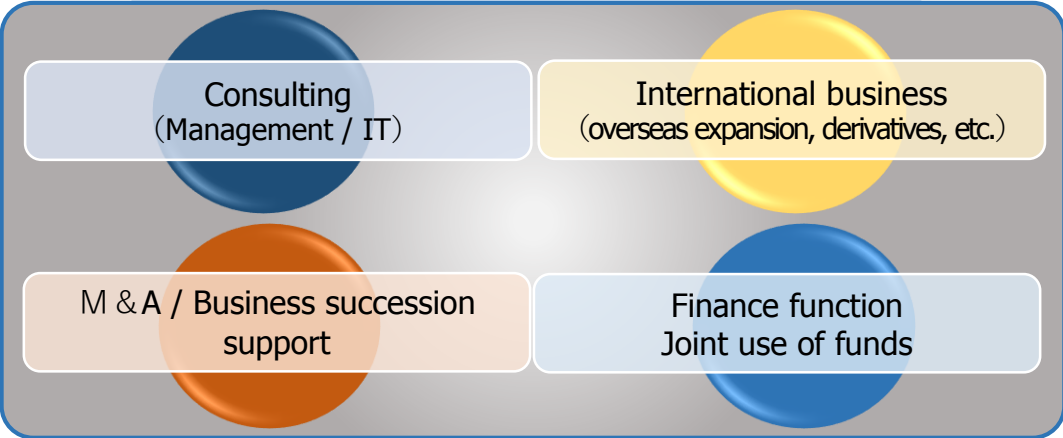
# 2-5 Strengthening group comprehensive capabilities

- ◆ Contribute to solving the problems of our business partners by utilizing our sales base over a wide area

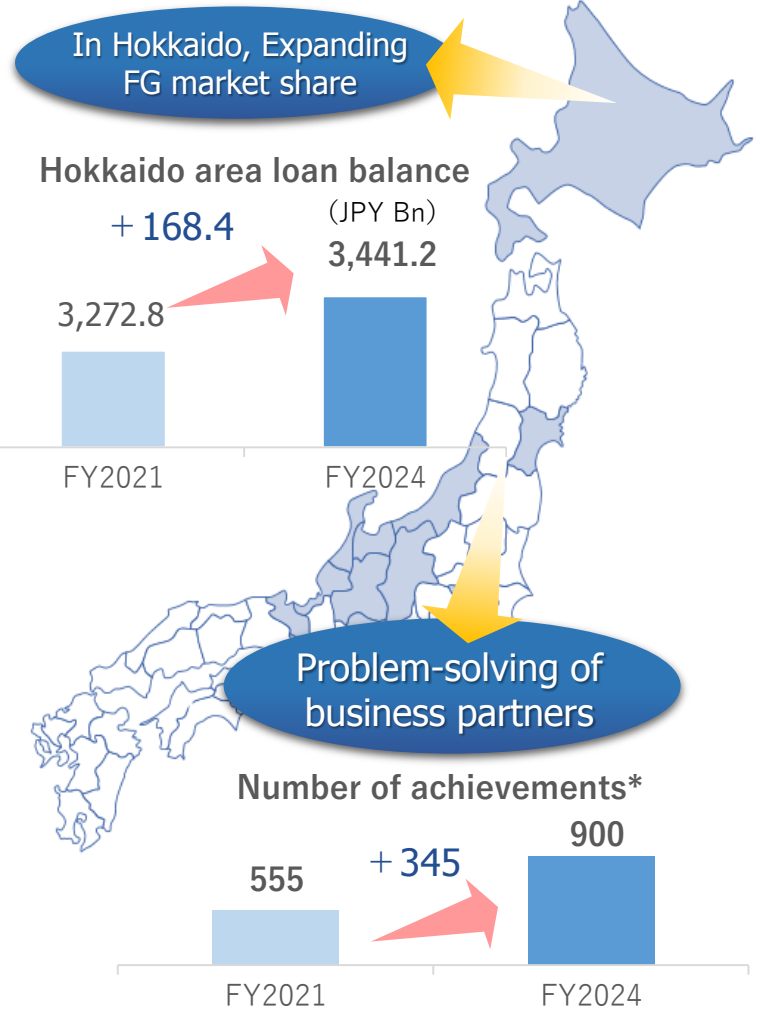
Support for both banks' business partners



Further sharing of resources between the two banks



Expansion of resource sharing between the two banks

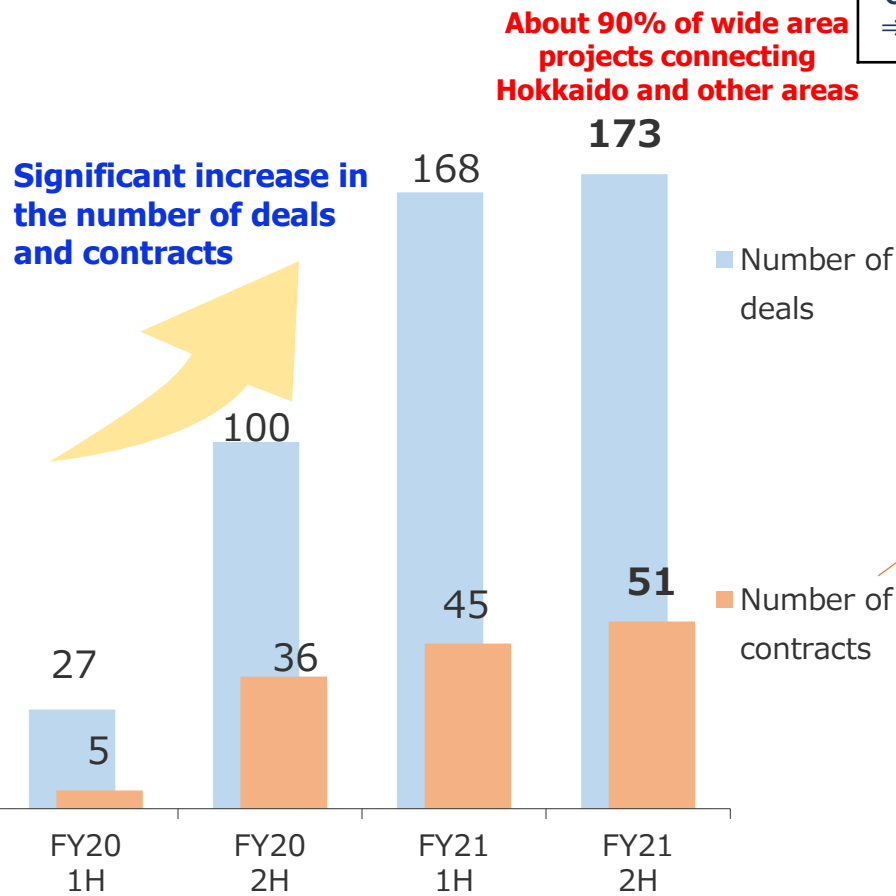


\*Co-financing within the group, wide area business matching, etc.

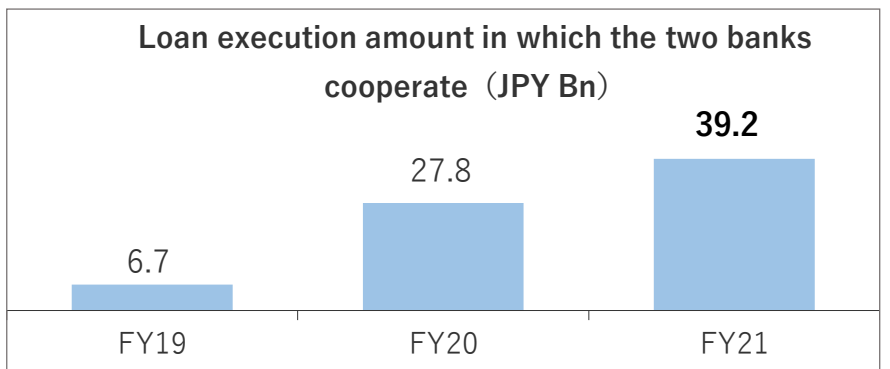
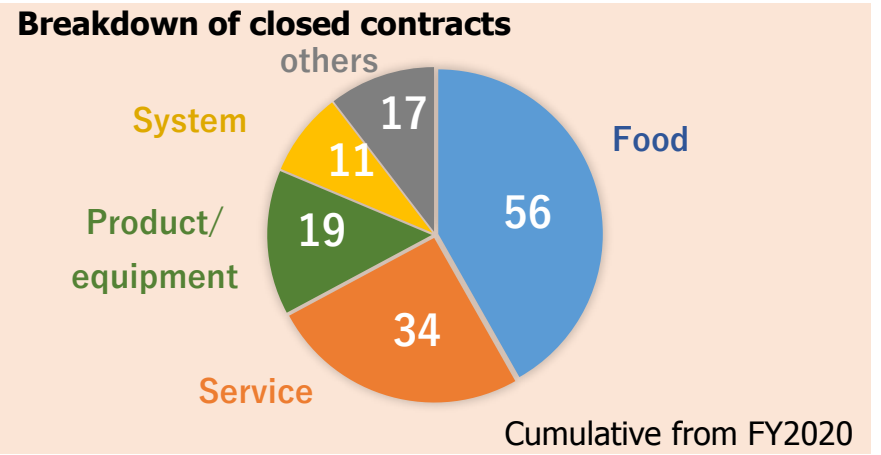
# 2-5 Strengthening group comprehensive capabilities

◆ Positioning group cooperation as a key strategy and strengthening the system. Significant increase in the number of business matching cases utilizing our strength in wide-area sales base

Number of business matching cases in which two banks cooperated

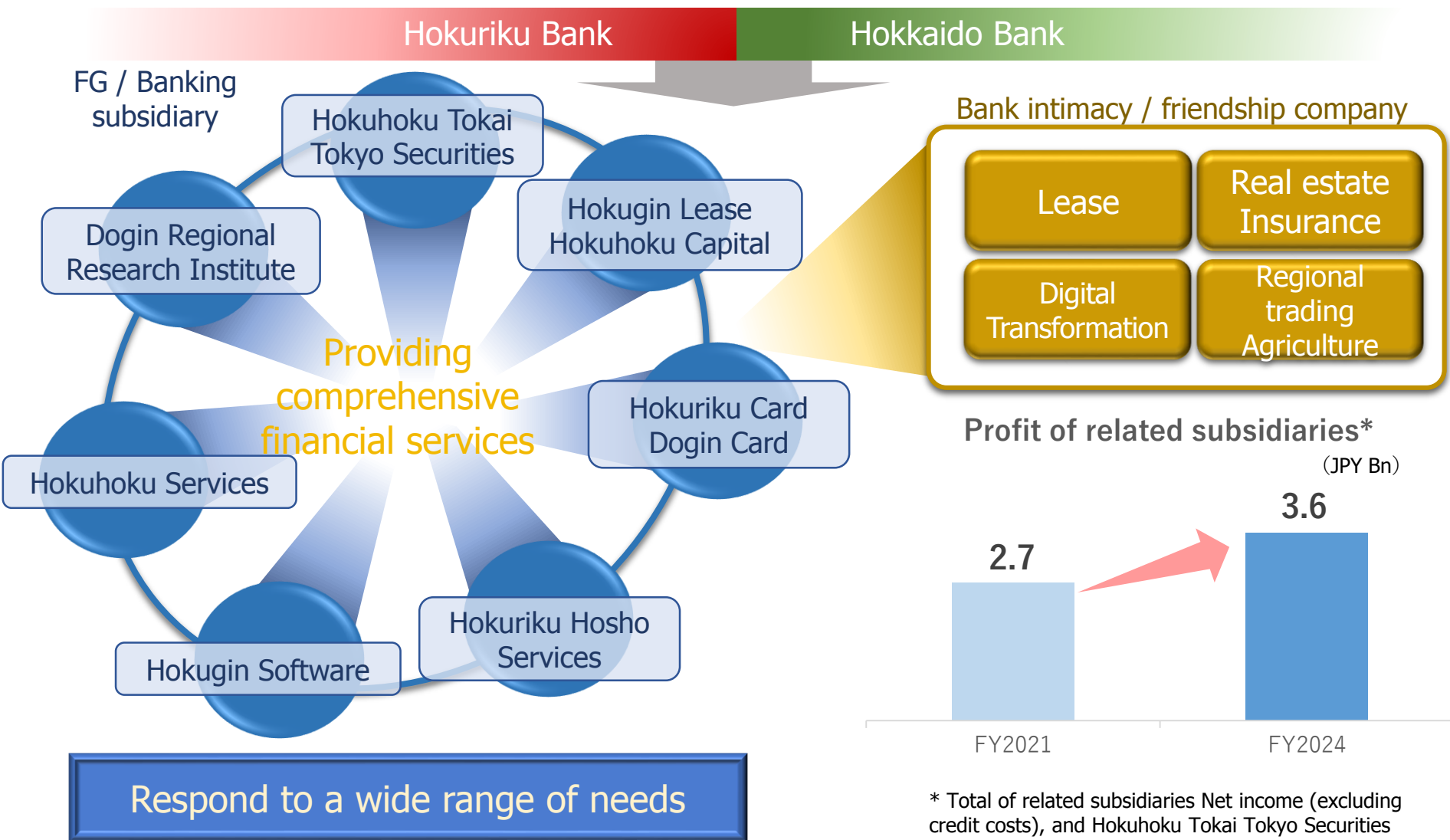


Example	Increase in consultations on expanding sales channels from customers of two banks
Hokkaido ⇒ Other are	Introduced Hokkaido ingredients to supermarkets in other regions and closed contracts
Other area ⇒ Hokkaido	Introduced Hokuriku Bank's business partners to local governments in Hokkaido and concluded disaster agreements



# 2-5 Strengthening group comprehensive capabilities

- ◆ Expansion of group profits by utilizing resources of related subsidiaries
- ◆ Providing comprehensive financial services in collaboration with intimate friendship companies



\* Total of related subsidiaries Net income (excluding credit costs), and Hokuhoku Tokai Tokyo Securities Referral Fee

# 2-6 Strengthening governance

- ◆ Enhancement of equity capital and shareholder returns by improving profitability
- ◆ Sophistication and diversification of operations by utilizing "RAF"
- ◆ Response to diversifying risks via sophistication of risk management system

## Enhancement of equity capital and shareholder returns

- Steady accumulation of retained earnings
- Redemption of preferred stock
- Reduction of strategically held shares through dialogue



\* Includes redemption and dividends of preferred stock

## Sophistication and diversification of operations

- **Utilization of "RAF"**  
Portfolio construction based on risk appetite policy
- **Diversification of investment and expansion of new investment destinations**  
Equity fund / Structured finance  
Sustainable and environment-related investment
- **Pursuit of group synergies**  
Examination of business collaboration between the two banks' market divisions  
Investment policy, market analysis, sharing of new investment fields  
Early development of professional human resources

## Advanced risk management system



## Responding to various risks

- **Look ahead and properly grasp the risk**  
Utilization of various simulations and stress tests
- **Strengthening risk visualization and root cause analysis**  
Understanding and monitoring essential problems and potential risks
- **Response to new risks**  
System renewal , cyber security response, climate change risk



# *Appendix*

# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ①

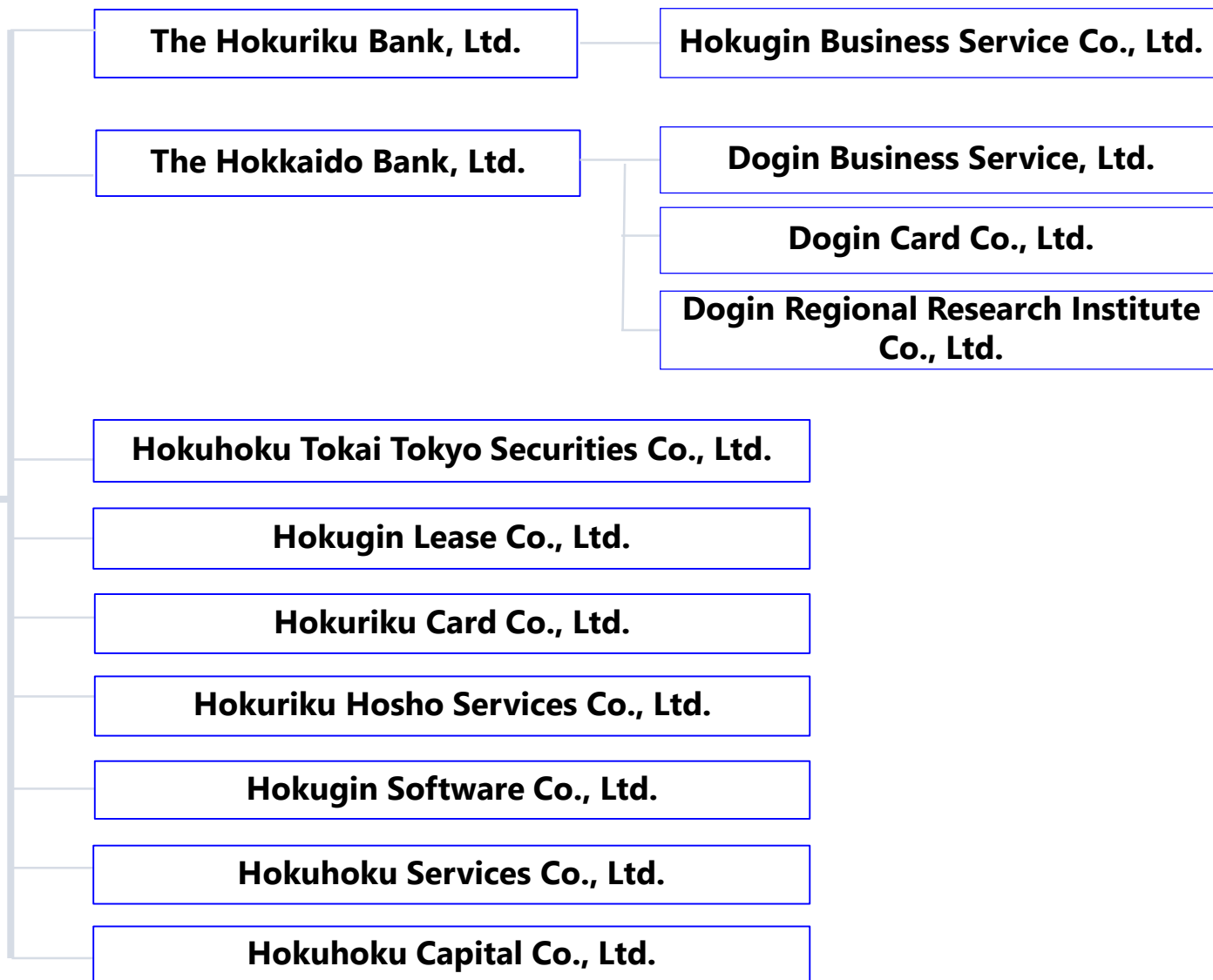
(As of March 31, 2022)

	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"> <li>▪ Common stock 128,770,814</li> <li>▪ Preferred stock (Type5)* 75,212,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ Common stock 1,047,542,335</li> </ul>	<ul style="list-style-type: none"> <li>▪ Common stock 486,634,512</li> <li>▪ Preferred stock(Type2)* 75,202,400</li> </ul>
Total assets	(consolidated) ¥ 17,280.0 billion	¥ 10,178.1 billion	¥ 7,065.2 billion
Deposits & NCD	(consolidated) ¥ 13,202.6 billion	¥ 7,536.9 billion	¥ 5,696.4 billion
Loans	(consolidated) ¥ 9,193.2 billion	¥ 5,061.6 billion	¥ 4,149.5 billion
Capital adequacy ratio	(consolidated) 9.54 %	(non-consolidated) 9.31 %	(non-consolidated) 8.94 %
Employees	73 (Concurrent person)	2,265	2,118
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 October1,2021.

# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ②

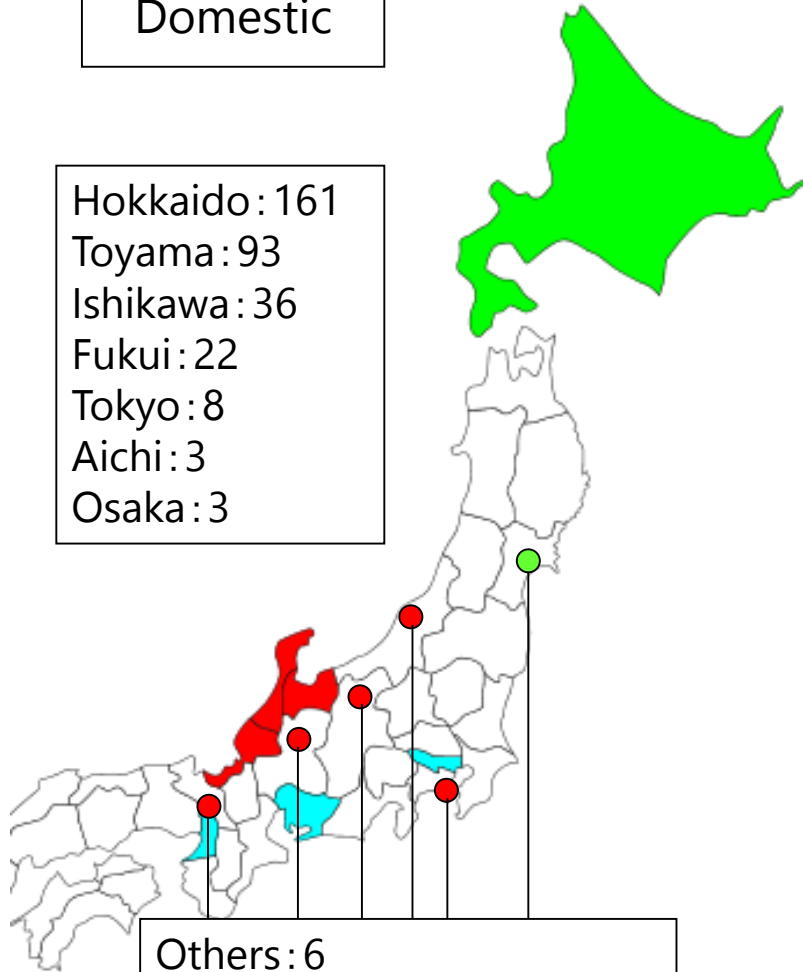


# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ③

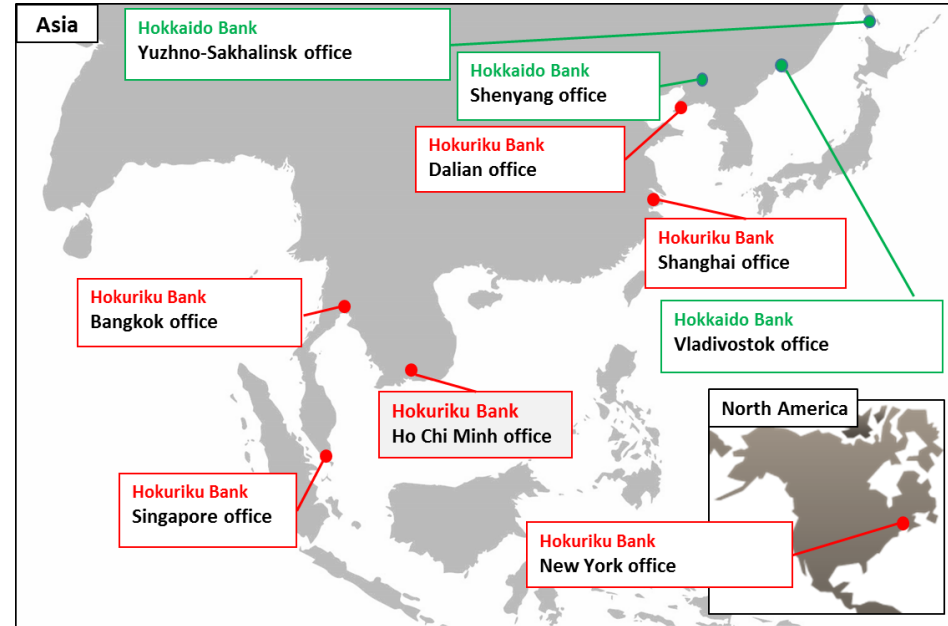
### Domestic

Hokkaido: 161  
 Toyama: 93  
 Ishikawa: 36  
 Fukui: 22  
 Tokyo: 8  
 Aichi: 3  
 Osaka: 3



Others: 6  
 Sendai, Yokohama, Niigata,  
 Nagano, Takayama, Kyoto

### Oversea



### Representative offices

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

# About Hokuhoku FG ②

## Historical Data (Hokuhoku FG )

(JPY Bn)

	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year
<b>&lt;Consolidated&gt;</b>									
Ordinary income	180.9	91.8	183.6	90.6	182.4	87.9	175.9	87.8	177.7
Ordinary profits	31.7	19.4	35.3	17.4	31.6	18.1	32.2	19.0	30.2
Net income attributable to owners of the parent	21.1	13.9	24.3	11.6	20.2	13.0	21.3	13.1	20.5
Capital adequacy ratio	9.49%	9.78%	9.09%	9.29%	8.94%	9.32%	9.45%	9.79%	9.54%

### <Total of two banks>

Core gross business profits	130.7	64.0	125.7	61.3	123.2	60.9	120.7	61.9	124.8
General & administrative expenses	88.8	43.7	86.5	43.0	85.3	41.5	82.3	40.0	78.8
Core net business profits	41.9	20.3	39.1	18.3	37.8	19.3	38.4	21.9	46.0
Net gains(losses) related to securities	(7.1)	1.1	3.1	4.2	6.6	3.9	7.5	3.3	(1.4)
Credit costs	0.5	0.5	4.6	5.1	12.0	4.4	13.0	5.2	13.5
Ordinary profits	33.1	20.6	36.7	17.7	31.4	18.7	32.0	19.8	30.4
Net income	24.0	15.5	26.6	12.4	20.8	14.1	22.4	14.5	21.8
ROA	0.34%	0.31%	0.30%	0.28%	0.28%	0.27%	0.25%	0.25%	0.26%
OHR	67.89%	68.30%	68.85%	70.11%	69.27%	68.18%	68.19%	64.59%	63.15%
Loans	8,189.4	8,150.5	8,360.8	8,456.5	8,673.1	8,993.8	9,065.1	9,111.8	9,211.1
Deposits (including NCD)	11,180.7	11,307.1	11,439.7	11,429.8	11,662.6	12,451.4	12,815.6	12,982.4	13,233.3
Securities	1,943.3	1,991.5	1,788.8	1,848.6	1,807.2	1,959.7	2,100.1	2,056.6	2,199.5
Non performing loan	147.5	151.0	154.6	158.8	153.4	163.3	180.1	194.3	212.5
NPL ratio	1.74%	1.79%	1.79%	1.82%	1.71%	1.76%	1.93%	2.07%	2.24%

# About Hokuhoku FG ③

## Historical Data (Hokuriku Bank )

(JPY Bn)

	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year
Ordinary income	91.1	45.4	90.2	44.7	88.5	42.9	86.4	42.5	88.9
Core gross business profits	71.2	35.0	69.1	33.3	66.8	32.9	66.7	33.5	68.4
General & administrative expenses	47.5	23.5	46.4	23.0	45.7	22.1	43.9	21.1	41.7
Core net business profits	23.7	11.4	22.6	10.2	21.1	10.7	22.8	12.4	26.7
Net gains(losses) related to securities	2.1	0.9	2.1	2.9	5.0	3.0	5.7	1.8	2.1
Credit costs	1.8	(0.0)	2.8	4.2	9.2	3.3	8.4	2.4	8.5
Ordinary profits	24.1	12.6	22.1	9.9	17.7	10.6	20.5	12.4	20.9
Net income	15.7	9.2	15.5	6.5	11.2	8.4	14.2	9.2	13.1
Capital adequacy ratio	9.02%	9.21%	8.79%	8.92%	8.59%	9.00%	9.14%	9.49%	9.31%
ROA	0.32%	0.30%	0.29%	0.26%	0.27%	0.25%	0.25%	0.24%	0.26%
OHR	66.67%	67.33%	67.19%	69.24%	68.43%	67.34%	65.81%	62.99%	60.92%
Loans	4,670.1	4,646.4	4,740.3	4,823.4	4,910.3	5,058.4	5,033.3	4,978.9	5,061.6
Deposits (including NCD)	6,505.8	6,553.1	6,636.8	6,597.2	6,735.4	7,168.1	7,350.5	7,381.3	7,536.9
Securities	1,317.1	1,319.0	1,197.0	1,194.4	1,158.0	1,203.8	1,268.1	1,261.0	1,294.3
Non performing loan	86.3	87.8	91.4	94.9	96.2	104.1	114.6	123.4	136.4
NPL ratio	1.81%	1.85%	1.89%	1.93%	1.92%	2.02%	2.24%	2.43%	2.64%

# About Hokuhoku FG ④

## Historical Data (Hokkaido Bank )

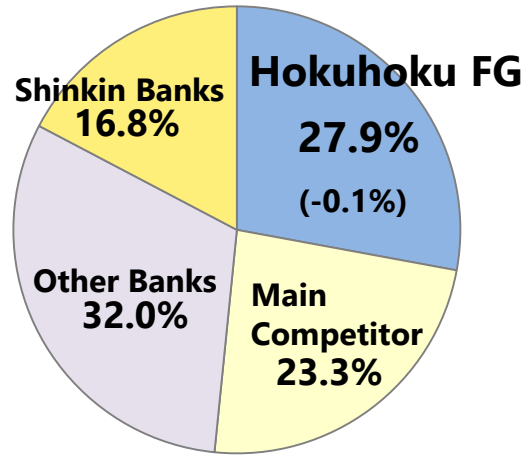
(JPY Bn)

	FY2017 Full year	FY2018 Interim	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year
Ordinary income	78.2	38.2	75.5	36.5	74.9	36.4	71.5	37.1	72.9
Core gross business profits	59.5	29.0	56.5	28.0	56.3	28.0	54.0	28.3	56.4
General & administrative expenses	41.3	20.1	40.1	19.9	39.6	19.3	38.4	18.8	37.1
Core net business profits	18.2	8.8	16.4	8.0	16.7	8.6	15.6	9.5	19.2
Net gains(losses) related to securities	(9.2)	0.1	0.9	1.3	1.5	0.9	1.7	1.4	(3.6)
Credit costs	(1.2)	0.6	1.7	0.8	2.7	1.0	4.6	2.8	4.9
Ordinary profits	8.9	8.0	14.5	7.8	13.7	8.0	11.5	7.4	9.5
Net income	8.2	6.3	11.0	5.8	9.5	5.7	8.1	5.2	8.7
Capital adequacy ratio	9.28%	9.44%	8.69%	8.98%	8.76%	9.06%	8.88%	9.21%	8.94%
ROA	0.36%	0.33%	0.31%	0.29%	0.30%	0.29%	0.25%	0.26%	0.26%
OHR	69.35%	69.47%	70.89%	71.14%	70.27%	69.15%	71.12%	66.48%	65.86%
Loans	3,519.2	3,504.1	3,620.5	3,633.0	3,762.7	3,935.4	4,031.7	4,132.9	4,149.5
Deposits (including NCD)	4,674.9	4,753.9	4,802.8	4,832.5	4,927.2	5,283.3	5,465.1	5,601.0	5,696.4
Securities	626.2	672.4	591.8	654.2	649.2	755.9	832.0	795.5	905.2
Non performing loan	61.2	63.2	63.3	63.9	57.2	59.2	65.5	70.8	76.1
NPL ratio	1.66%	1.71%	1.66%	1.68%	1.45%	1.44%	1.56%	1.64%	1.76%

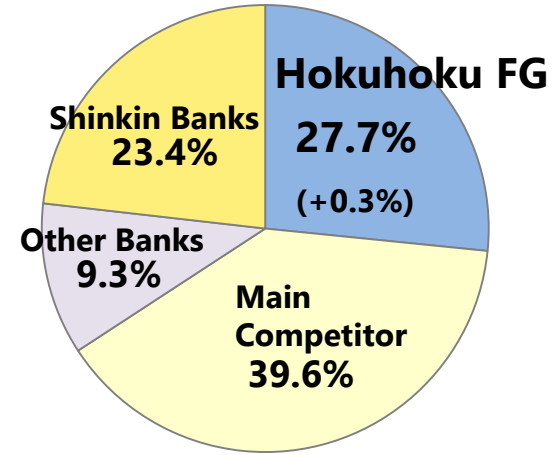
# About Hokuhoku FG ⑤

## Market Share in Our Home Market (Loans, Sep-21)

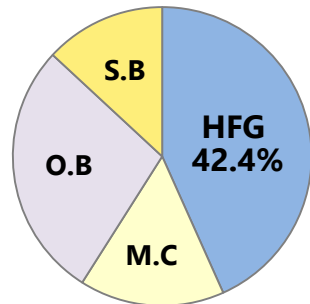
### Hokuriku Area



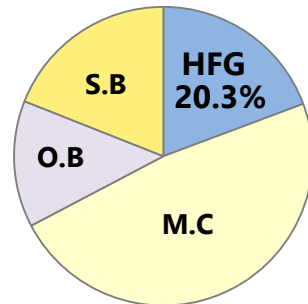
### Hokkaido Area



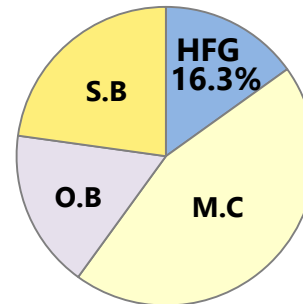
(vs. Sep-20)



Toyama



Ishikawa

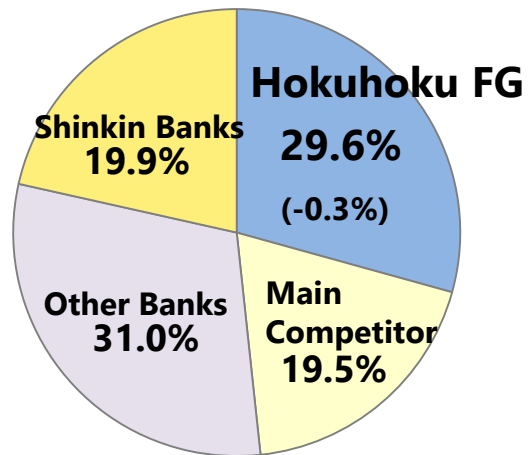


Fukui

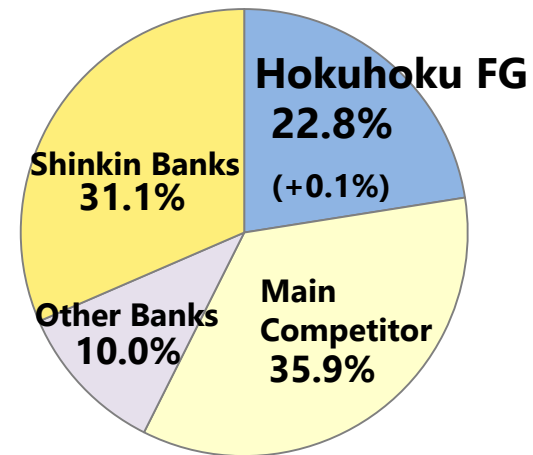
\*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.



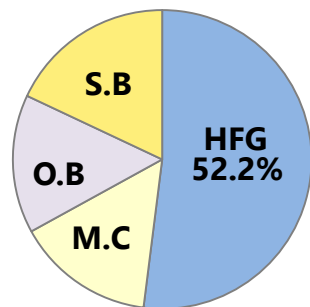
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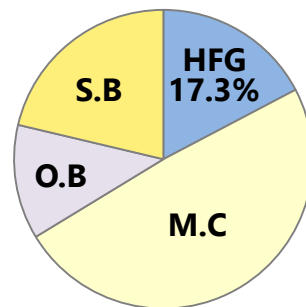
### Hokkaido Area



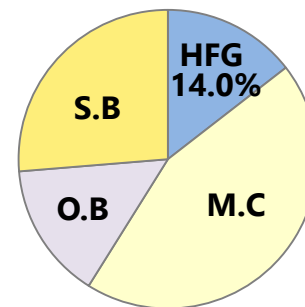
(vs. Sep-20)



Toyama



Ishikawa



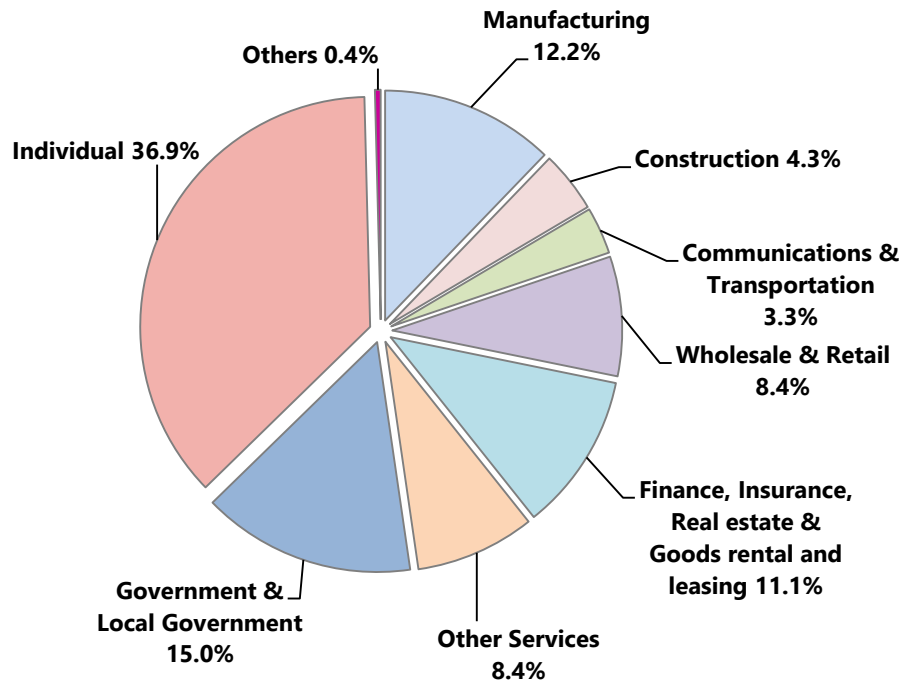
Fukui

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

# About Hokuhoku FG ⑦

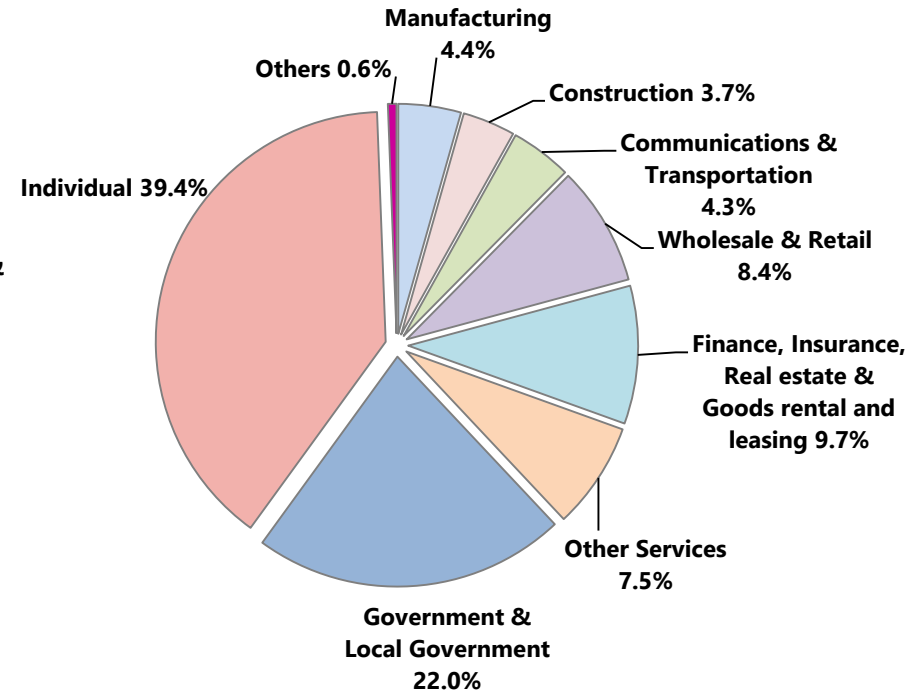
## Lending in the Region by Industry (Mar-22)

### Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

### Hokkaido Bank



Region: Hokkaido

# The Present Condition of the Regional Economy

## Economic Conditions

Apr-22	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	ALL JAPAN	Hokuriku Area	Hokkaido Area
Economic Trend	Shows movements of picking up	Seen a pause in signs of a pick-up	Seen a pause in signs of a pick-up as downward pressure has been strong
Public Investment	Shown a steady undertone recently	Has been relatively weak	Has been relatively weak despite being at a high level
Business Investment	Shows movements of picking up	Picking up	Picking up moderately
Private consumption	Shows movements of picking up	Has seen a pause in signs of a pick-up	Has seen a pause in signs of a pick-up
Housing construction	Weak tone recently	Shows movement of picking up	Has been more or less flat
Production	Shows movement of picking up	Has seen a pause in signs of a pick-up	Has been more or less flat
Employment & income	Shows picking up, while weakness remains	Has been picking up moderately	Show some weakness
Consumer prices	Rising moderately recently	Rising	Surpasses previous year
The number of bankrupt companies	Generally flat	Surpasses previous year	Remains at a low level

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