

# Interim Financial Results for FY2023 (Ended September 30, 2023)

## I. Interim Financial Results for FY2023

Summary of Financial Results	5-6
Net Interest Income	7
Impact of Rise in Interest Rates	8
Securities Portfolio	9
Net Fee and Commission Income	10
G&A expenses	11
Net Credit Cost and Non-Performing Loans	12
Capital Adequacy Ratio and Shareholder Return	13
Earnings Forecast	14

## II. Enhancement of Corporate Value

Initiatives to Increase Corporate Value	16-17
Toward RORA Improvement	18
Earning power enhancement	19
Cost control	20

## III. Management Strategy

### SX Strategy

Overview of GX strategy	22
Promoting the decarbonization of banks	23-25
Strengthening decarbonization support for business partners	26-27
Promoting the decarbonization of the region	28-29
Enhancing response to TCFD recommendations	30
Support for next-generation industries	31

### DX Strategy

Overview of DX strategy	32
Various initiatives	33

### HR Strategy

Overview of HR strategy	34
Various initiatives	35
Value creation process	36

## Financial results

- Core net business profits fell below the previous interim period, but progressed in line with the plan.  
Net interest income decreased (by ¥5.0 billion year on year) due to an increase in foreign currency funding costs.  
Net fees and commissions increased steadily (by ¥0.5 billion year on year) due to the strengthening of consulting-related services.
- Interim profit on a consolidated basis ended up significantly exceeding the earnings forecast.  
Net credit costs were (¥2.8 billion), decreasing ¥9.8 billion year on year due to the recording of a provision reversal.  
Interim profit on a consolidated basis increased ¥6.7 billion year on year to ¥16.0 billion.

## Management Strategy

### ● SX Strategy

Supporting business partners: Finance and consultation  
grew sharply

FG: Established the SX Promotion Department  
(April 2023)

Raised the carbon neutrality goals  
Newly established the Hokuhoku Solar Park

Alliance: Joined Team Sapporo-Hokkaido

### ● HR Strategy

Shifted to an ecosystem for recruitment through talent  
pooling

Introduced a talent management system

Assisted employees in obtaining qualifications

### ● DX Strategy

Established the DX Promotion Department  
(June 2023)

More app features

Started a demonstration test for utilizing  
generative AI

Improved efficiency through adopting in-  
house FAQ tools

# **Interim Financial Results for FY2023**

# Summary of Financial Results

## Financial summary for interim results for FY2023

[Group Consolidated]	Initial forecast	Results	Change
Ordinary profits	12.0	14.1	(0.4)
Net income attributable to owners of the parent	7.0	16.0	6.7

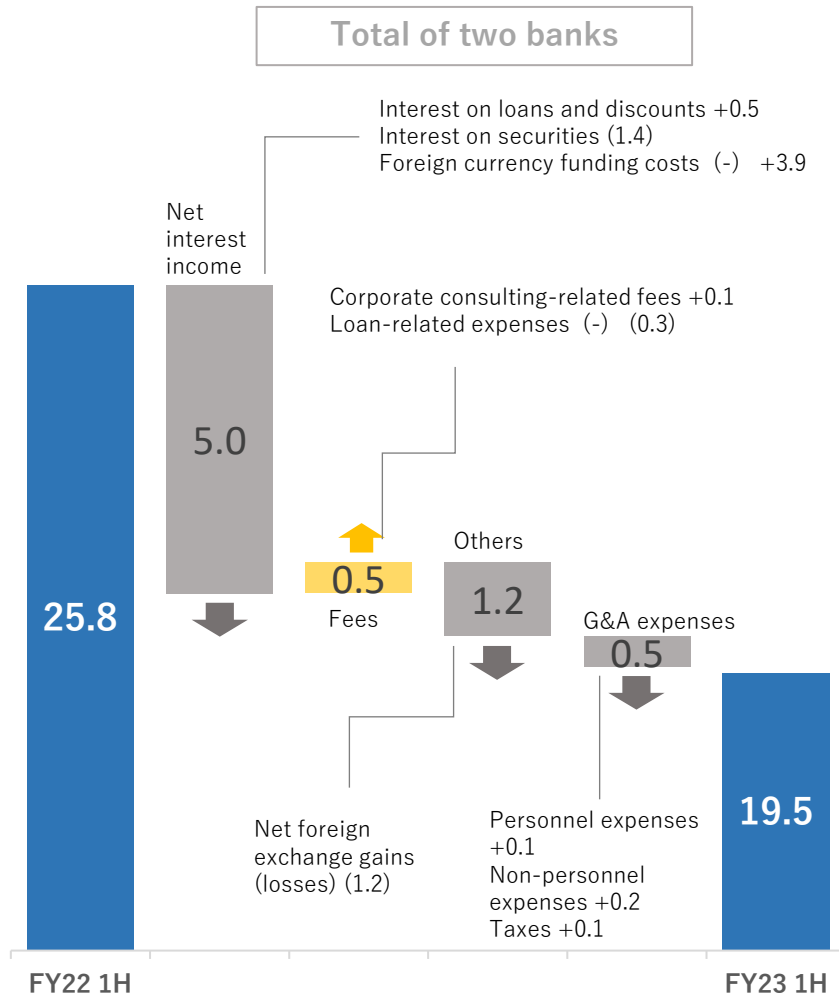
(JPN Bn)

[Total of two banks]				Hokuriku Bank			Hokkaido Bank		
	Initial forecast	Results	Change	Initial forecast	Results	Change	Initial forecast	Results	Change
<b>Core gross business profits</b>	<b>57.0</b>	<b>57.9</b>	<b>(5.7)</b>	<b>31.0</b>	<b>32.3</b>	<b>(2.2)</b>	<b>26.0</b>	<b>25.6</b>	<b>(3.5)</b>
Net Interest Income		48.0	(5.0)		25.3	(1.8)		22.6	(3.2)
Interest on loans and discounts		41.5	0.5		20.8	0.3		20.6	0.1
Securities		10.6	(1.4)		7.0	0.1		3.5	(1.5)
Net fees & commissions		10.4	0.5		6.6	0.0		3.8	0.4
Net other income (excluding gains (losses) related to bonds)		(0.6)	(1.2)		0.2	(0.4)		(0.9)	(0.7)
<b>G&amp;A expenses (-) (excluding extraordinary treatment)</b>	<b>39.5</b>	<b>38.3</b>	<b>0.5</b>	<b>21.0</b>	<b>20.1</b>	<b>0.0</b>	<b>18.5</b>	<b>18.2</b>	<b>0.4</b>
(Reference) OHR		66.27%	6.83%		62.48%	4.19%		71.05%	10.26%
<b>Core net business profits</b>	<b>17.5</b>	<b>19.5</b>	<b>(6.3)</b>	<b>10.0</b>	<b>12.1</b>	<b>(2.2)</b>	<b>7.5</b>	<b>7.4</b>	<b>(4.0)</b>
(excluding gains (losses) related to cancellation of investment trusts)		19.1	(6.0)		11.7	(1.9)		7.4	(4.0)
Gains (losses) related to bonds		(13.3)	(3.9)		(6.6)	(0.6)		(6.6)	(3.3)
<b>Net business profits (*)</b>		<b>6.2</b>	<b>(10.2)</b>		<b>5.4</b>	<b>(2.9)</b>		<b>0.7</b>	<b>(7.3)</b>
Net credit cost (-)	4.0	(3.2)	(9.9)	2.0	(0.6)	(8.8)	2.0	(2.5)	(1.0)
Gains (losses) related to stocks		6.9	0.2		5.4	(1.0)		1.5	1.3
<b>Ordinary profits</b>	<b>13.0</b>	<b>14.9</b>	<b>(0.3)</b>	<b>7.5</b>	<b>10.9</b>	<b>4.7</b>	<b>5.5</b>	<b>4.0</b>	<b>(5.0)</b>
<b>Interim net income</b>	<b>8.5</b>	<b>17.4</b>	<b>6.7</b>	<b>4.5</b>	<b>12.0</b>	<b>7.8</b>	<b>4.0</b>	<b>5.3</b>	<b>(1.0)</b>

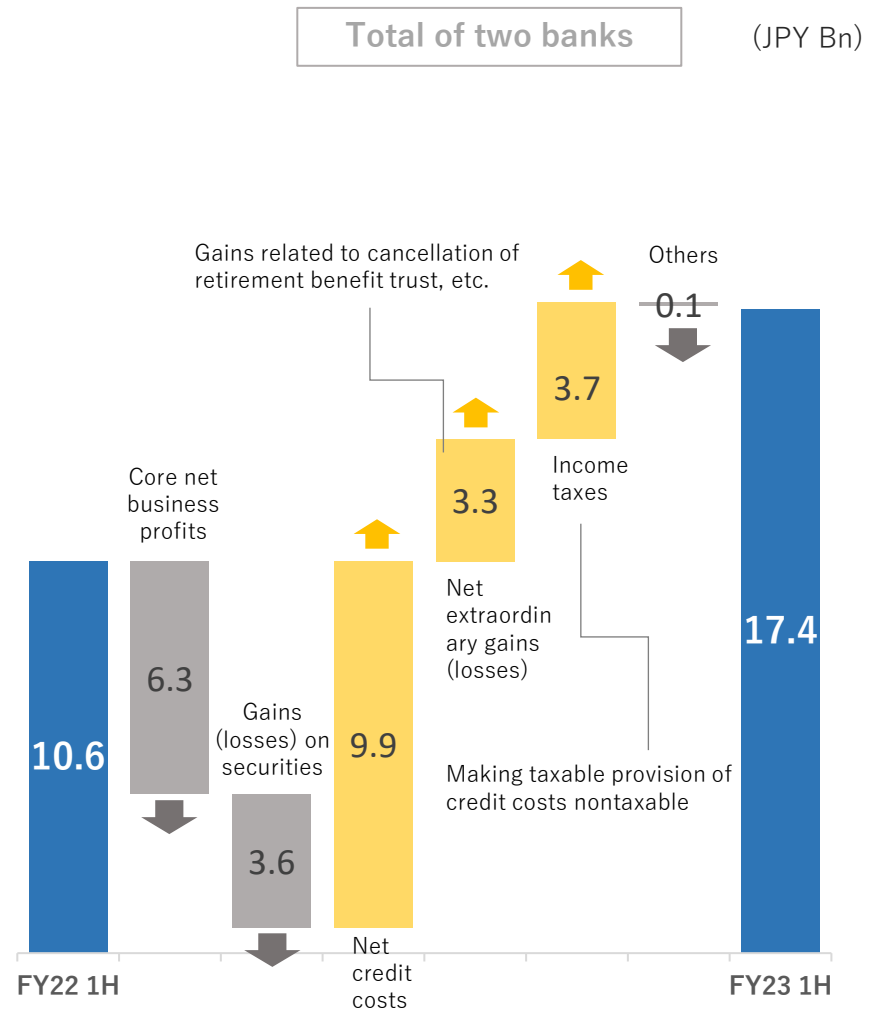
\*Before provision (reversal) of general allowance for loan losses

## Interim profit ended up significantly exceeding the previous interim period

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



### Factors contributing to the change in interim profit



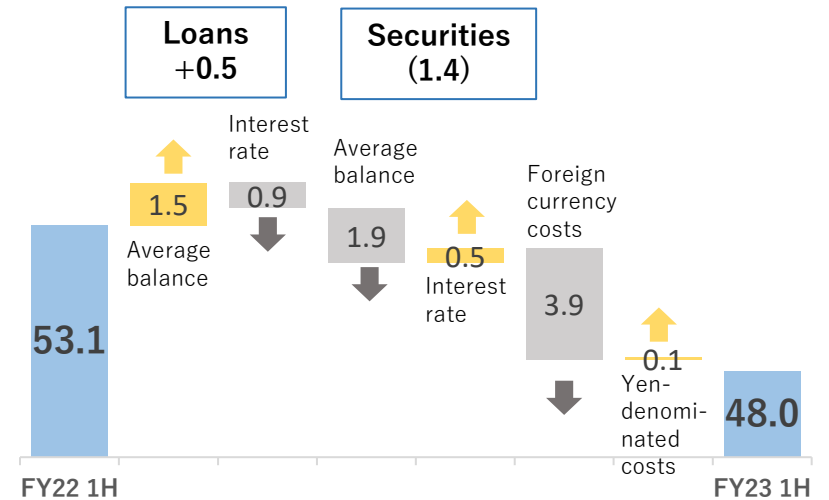
Loan balance increased mainly in prime areas, resulting in the interest on loans surpassing the previous interim period.

## Net Interest Income

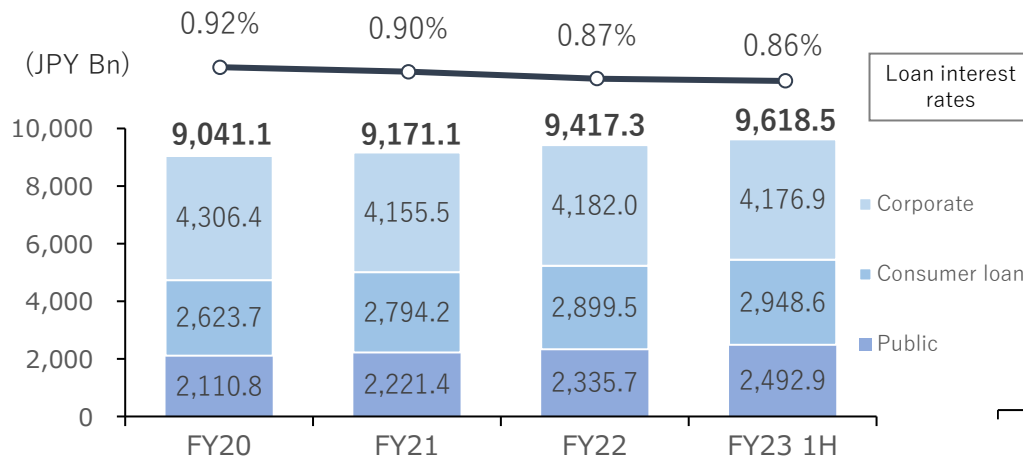
(JPN Bn)

	Total of two banks		Hokuriku Bank		Hokkaido Bank	
	FY23 1H	Change	FY23 1H	Change	FY23 1H	Change
<b>Net Interest Income</b>	48.0	(5.0)	25.3	(1.8)	22.6	(3.2)
<b>Loans</b>	41.5	0.5	20.8	0.3	20.6	0.1
Avg. balance	9,618.5	343.5	5,202.8	82.6	4,415.7	260.9
Interest rate	0.86%	(0.02%)	0.79%	0.00%	0.93%	(0.05%)
<b>Securities</b>	10.6	(1.4)	7.0	0.1	3.5	(1.5)
Avg. balance	1,784.9	(339.0)	1,106.7	(110.8)	678.2	(228.1)
Interest rate	1.18%	0.05%	1.27%	0.13%	1.04%	(0.08%)

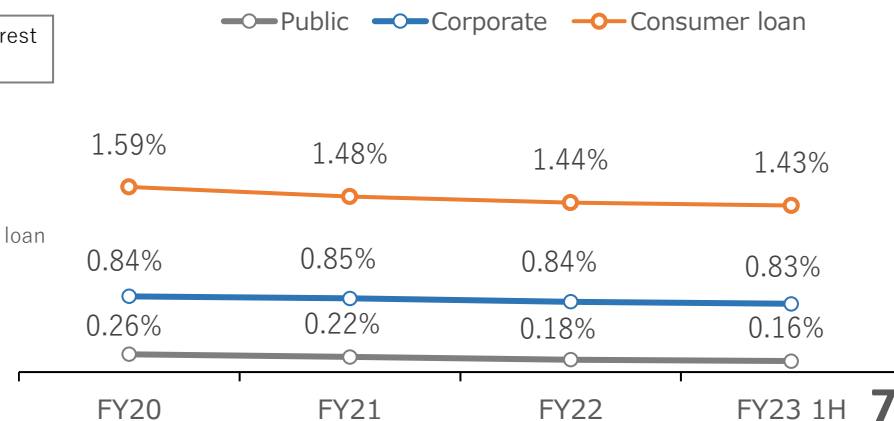
## Factors contributing to the change in net interest income



## Ave. balance and rate of loans



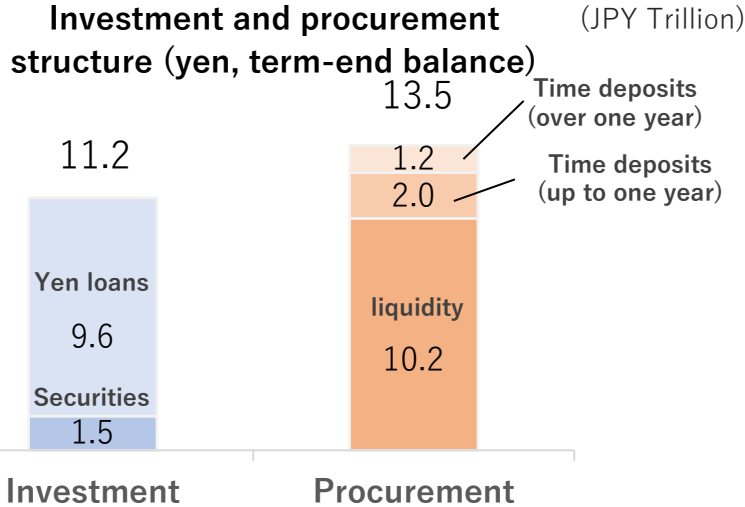
## Interest rate by segment



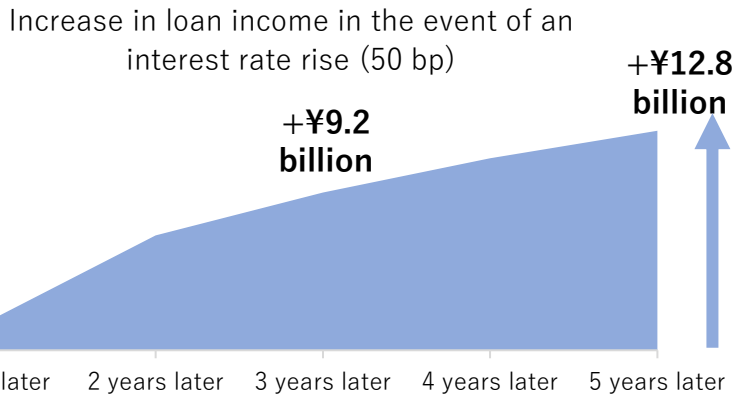
# Impact of Rise in Interest Rates

**Short-term and floating interest rates account for 47% of loans, with a period of three years or less making up 61% of fixed interest rates.**

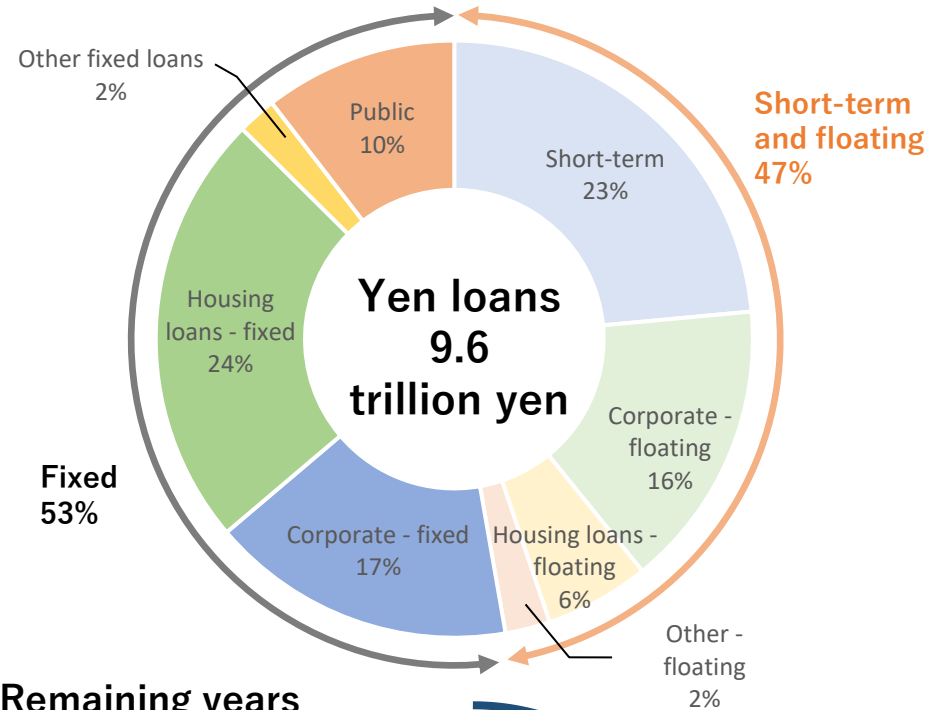
## Investment and procurement structure



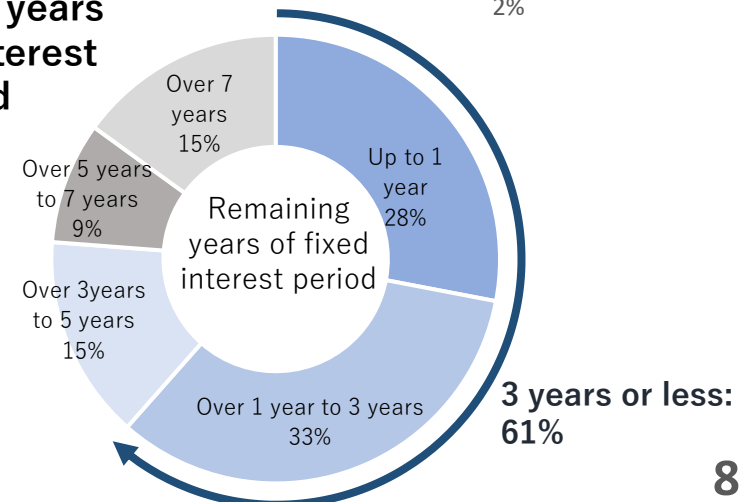
## Simulation of an increase in loan profit in the event interest rates rise



\*An increase in loan profit in the event market interest rates make a parallel shift and rise by 50 basis points (trial calculation)



## Remaining years of fixed interest period



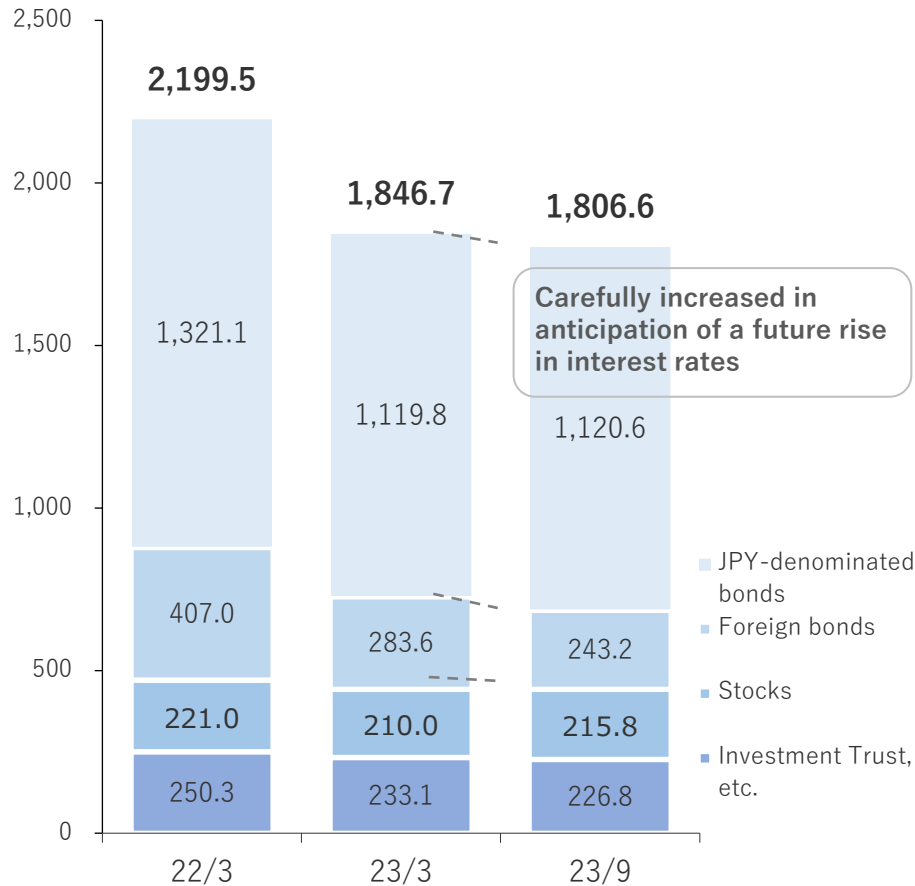


## Foreign bonds were sold off and reshuffled. Yen-denominated bonds were carefully increased in anticipation of a future rise in interest rates

### Securities portfolio

Total of two banks

(JPY Bn)



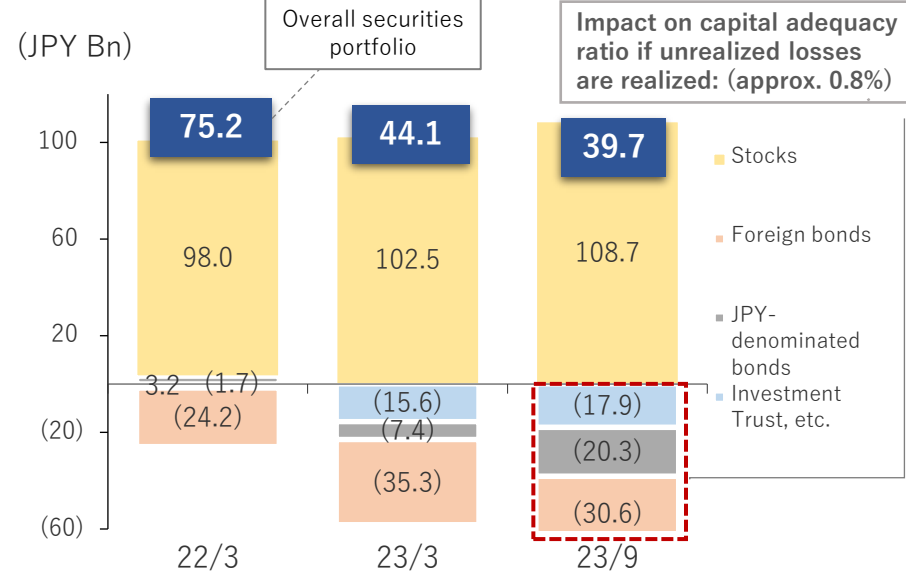
### Revenue and valuation difference

Total of two banks

(JPY Bn)

	FY23 1H	Change
<b>Gains (losses) related to bonds</b>	<b>(13.3)</b>	<b>(3.9)</b>
Gain on sale	3.4	2.5
Loss on sale (-)	16.1	5.8
<b>Net sales profit/loss on stocks</b>	<b>6.9</b>	<b>0.2</b>
Gain on sale	8.5	(4.6)
Loss on sale (-)	0.9	0.5
Amortization (-)	0.6	(5.4)

(JPY Bn)

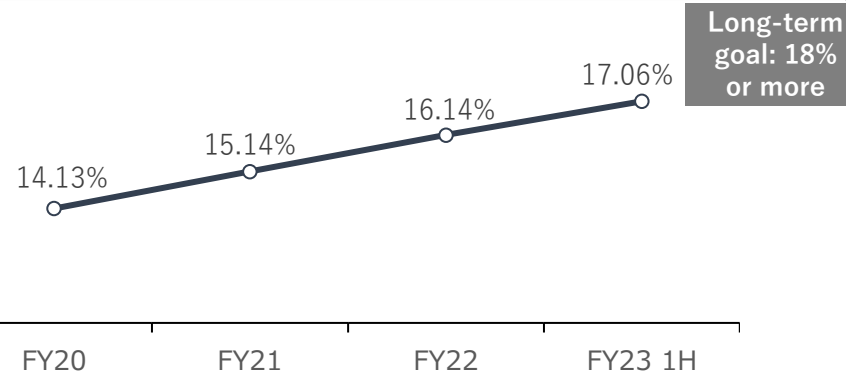


Non-interest income ratio rose steadily due to enhanced consulting capabilities.

Net Fee and Commission Income		Total of two banks	
(JPY Bn)			
	FY23 1H	Change	
(1) Net fees and commissions	10.4	0.5	
<b>Fees and commissions</b>	<b>17.6</b>	<b>0.1</b>	
Remittance	4.5	0.0	
Assets under custody	3.1	(0.0)	
Solution services	2.5	0.1	
Private placement bond, syndicated loan	1.0	0.0	
M&A support, business succession support, etc.	0.7	(0.1)	
Business matching	0.6	0.2	
<b>Fees and commissions payments (-)</b>	<b>7.2</b>	<b>(0.3)</b>	
Remittance (-)	0.4	(0.0)	
Loan related expenses (-)	5.4	(0.3)	
(2) Net trading income	0.0	0.0	
(3) Net other income (excluding gains (losses) related to bonds)	(0.6)	(1.2)	
Gains (losses) on foreign exchange transaction	(0.6)	(1.2)	
(4) Fee revenue (1)+(2)+(3)	9.8	(0.7)	
(5) Core gross business profits	57.9	(5.7)	
(6) Fee revenue ratio (4)/(5) (%)	17.06	0.42	

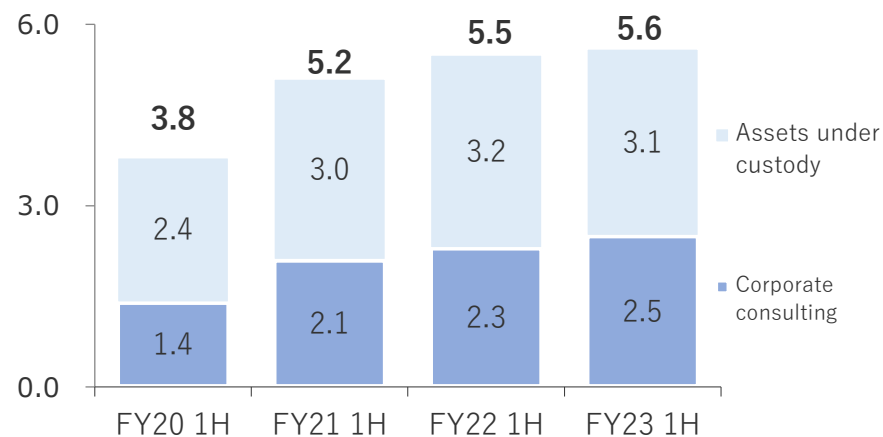
## Fee revenue ratio

Total of two banks



## Consulting-related service revenue

Total of two banks

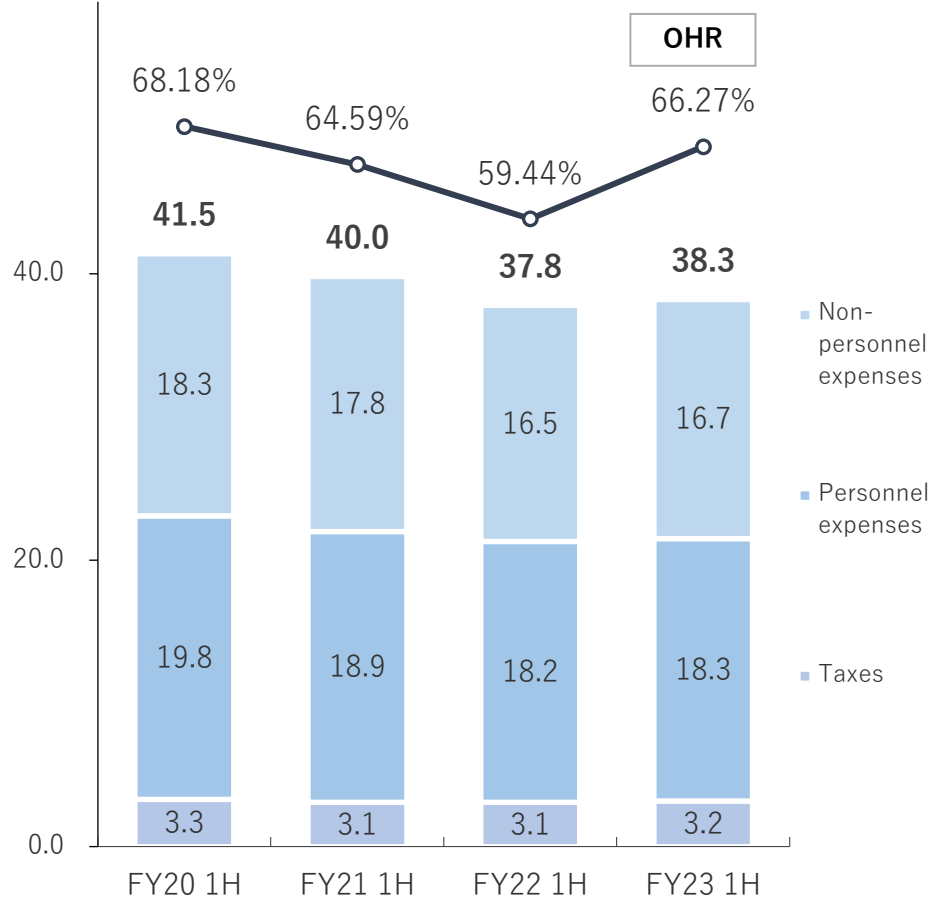


Expected to increase for this fiscal year due to factors such as investment in systems and relocation of the Hokuhoku Sapporo Building.

## G&A expenses and OHR

Total of two banks

(JPY Bn)



## Main factors contributing to the change in G&A expenses

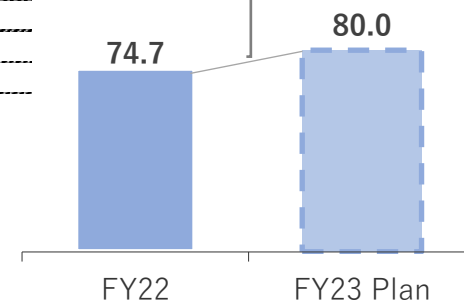
Total of two banks

	FY23 1H	Change	Main factors contributing to the change
Non-personnel expenses	¥16.7 billion	+¥0.2 billion	Increases in administrative outsourcing expenses and heating and lighting expenses
Personnel expenses	¥18.3 billion	+¥0.1 billion	Increase in salary due to personnel system revision
Taxes	¥3.2 billion	+¥0.1 billion	Increase in consumption tax
<b>Total</b>	<b>¥38.3 billion</b>	<b>+¥0.5 billion</b>	

## Investment outlook

### Main factors contributing to the increase

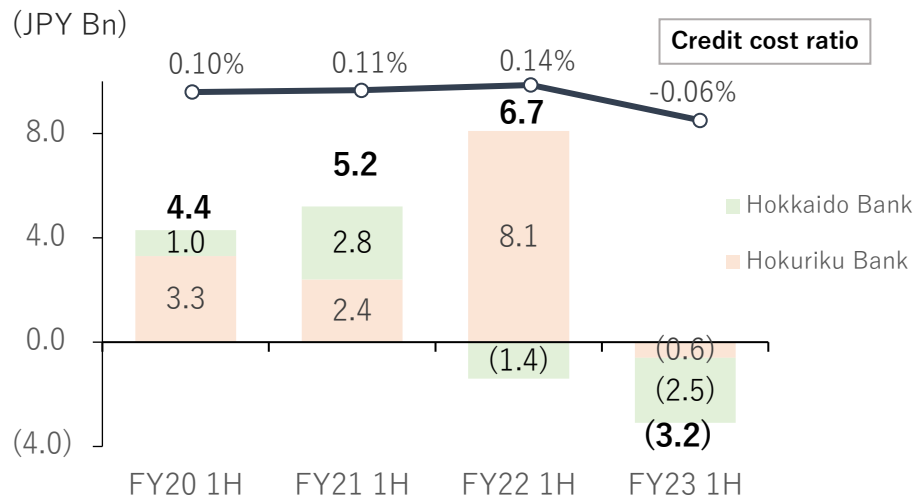
- Systems investment (MEJAR, etc.)
- Personnel system revision
- Hokuhoku Sapporo Building relocation
- Others including taxes



# Net Credit Cost and Non-Performing Loans

Net credit cost fell despite the accumulation of loans, and the NPL ratio remains unchanged from the previous interim period.

## Net credit costs



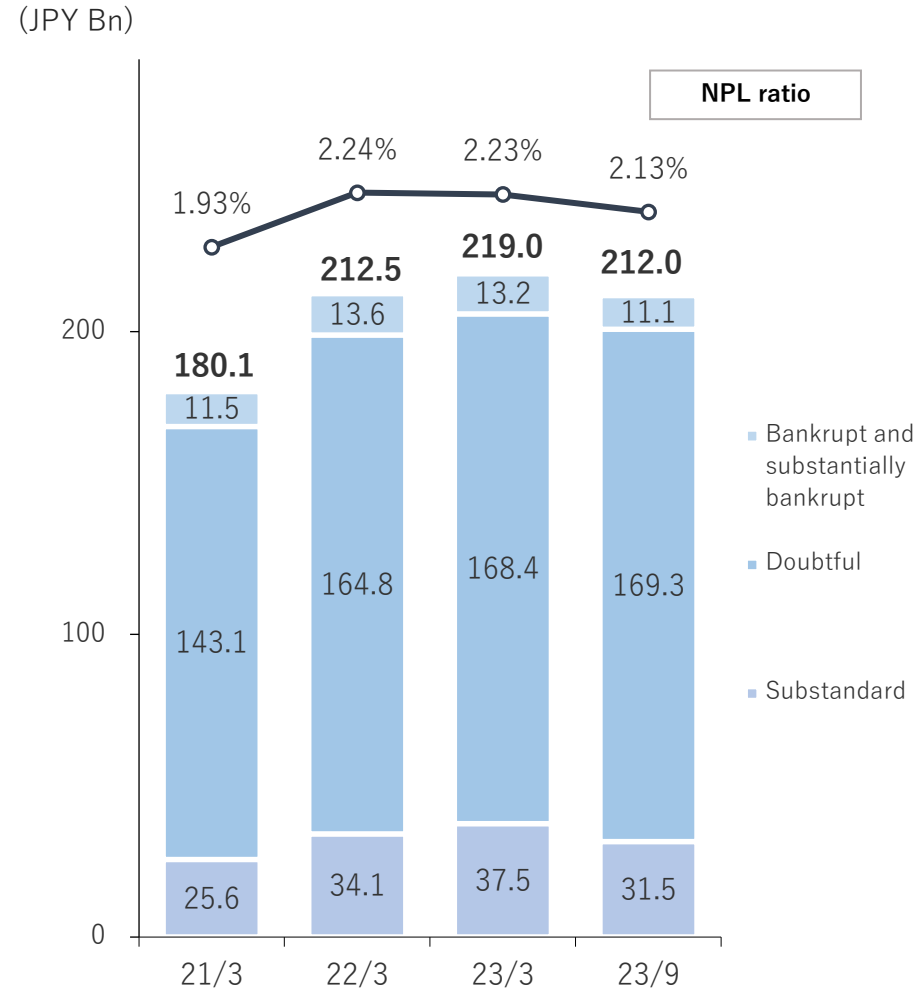
## Breakdown of net credit costs

(JPY Bn)

FY23 1H	Total of two banks		
	Hokuriku	Hokkaido	
<b>Net credit costs</b>	<b>(3.2)</b>	(0.6)	(2.5)
General allowance for loan losses	(4.4)	(2.5)	(1.8)
Specific allowance for loan losses	1.2	1.8	(0.6)

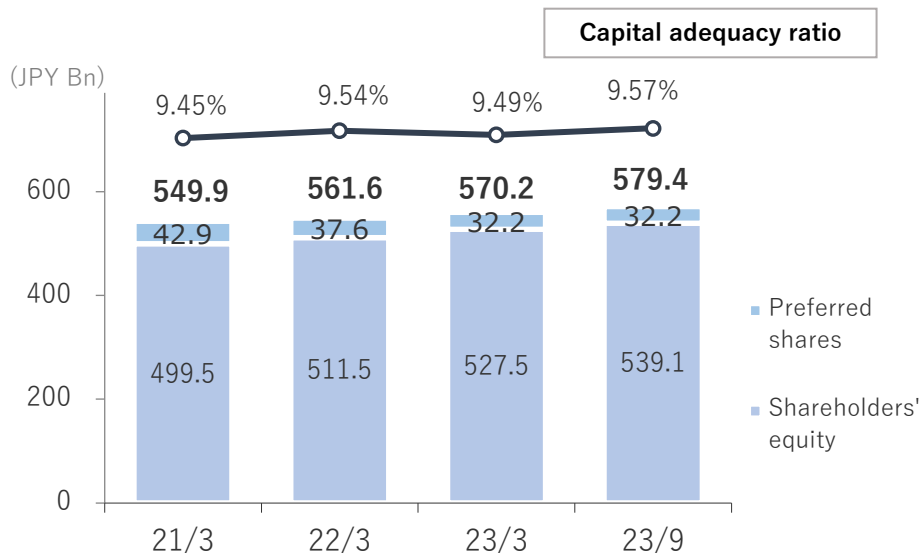
## Balance of non-performing loans

Total of two banks



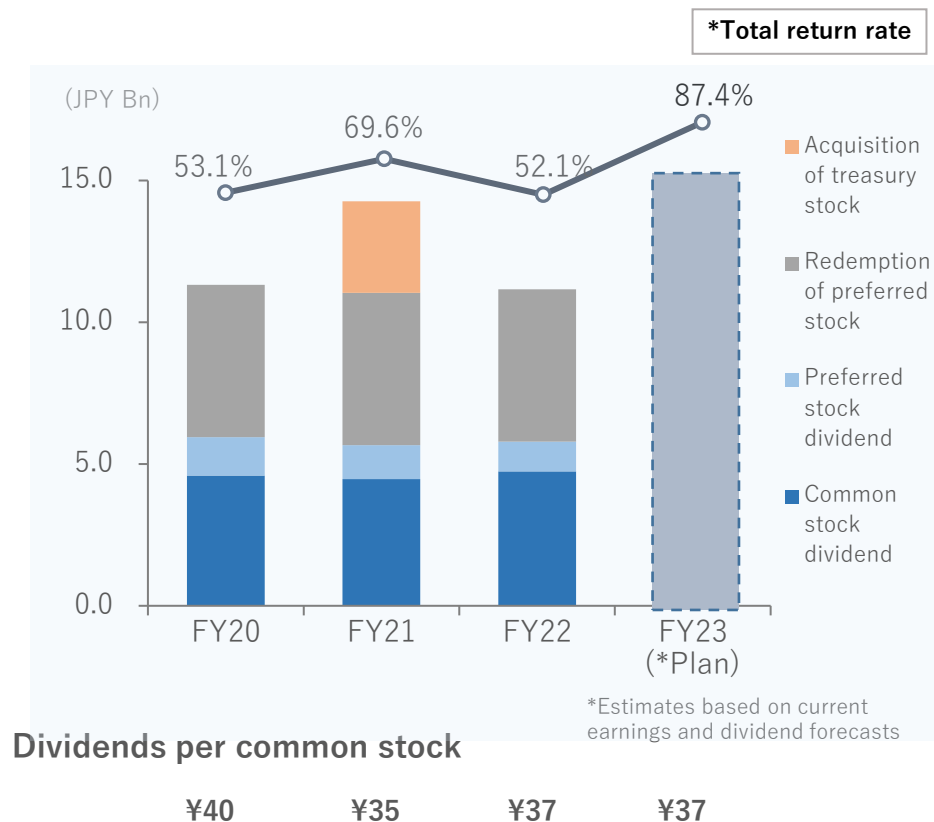
## Shareholder returns strengthened while balancing capital

### Consolidated capital adequacy ratio

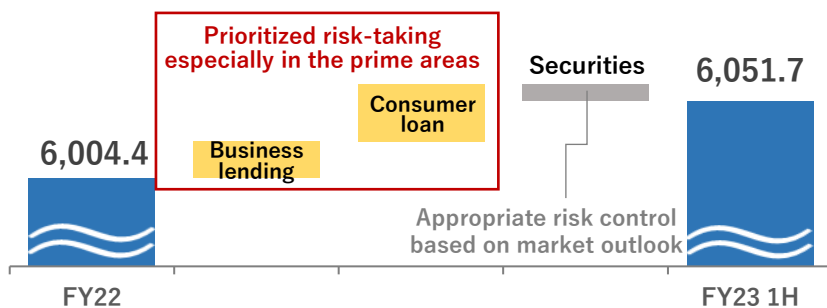


### Shareholder return

**Increase in common stock dividends (¥35 to ¥37)  
Acquisition of treasury stock (May to July 2023) ¥4 billion**



### Factors contributing to the change in risk assets



### Dividends per common stock

¥40      ¥35      ¥37      ¥37

$$*Total\ return\ rate = \frac{(\text{Dividends} + \text{Redemption} + \text{Purchase of Treasury Stock})}{\text{Net income attributable to owners of the parent}}$$

**Given the uncertain outlook for the economy and markets,  
the full-year earnings forecast remains unchanged.**

## Forecasts for FY2023

	(JPY Bn)	
	FY23 forecast	Change
Ordinary profits	26.0	(0.3)
Net income*	17.0	(4.4)

\*Net income attributable to owners of the parent

## Dividend forecasts for FY2023

	Interim	Year-end	Annual
Dividend per common share	—	¥37.00	¥37.00
Dividend per preferred share (Type 5)	¥7.50	¥7.50	¥15.00

(JPY Bn)

	Total of two banks		Hokuriku Bank		Hokkaido Bank	
	FY23 forecast	Change	FY23 forecast	Change	FY23 forecast	Change
Core gross business profits	115.0	(4.8)	63.0	(2.2)	52.0	(2.6)
G&A expenses	80.0	5.2	42.5	3.0	37.5	2.1
Core net business profits	35.0	(10.0)	20.5	(5.3)	14.5	(4.7)
Net credit costs	8.0	0.2	4.5	(4.8)	3.5	5.1
Ordinary profits	27.5	0.5	15.0	0.4	12.5	0.0
Net income	19.5	(3.5)	11.0	(3.3)	8.5	(0.2)

# Initiatives to Increase Corporate Value

## Breakdown of PBR index

**PBR**

=

**ROE**

×

**PER**

=

**RORA ↑**



× **Financial leverage control ↑**

×

$\frac{1}{\text{Cost of equity ↓} - \text{Profit growth rate ↑}}$

(Cost of equity in a broad sense)

**Enhancement of corporate value**

**ROE improvement**

RORA improvement

Financial leverage control

**PER improvement**

Lower cost of equity

Increase profit growth rate

**[Earning power enhancement]**

- Boost fees and commissions and asset allocation

**[Cost control]**

- Support for business operators for strategic investments and credit cost control

- Redeem preferred shares and reduce the total number of common shares issued, both of which are issues related to capital structure

CAPM = Government bond rate + Beta x TOPIX risk premium



Risk premium beta decline

Secure stable profit levels and actively disclose information, including shareholder return and non-qualitative information



## ROE logic tree

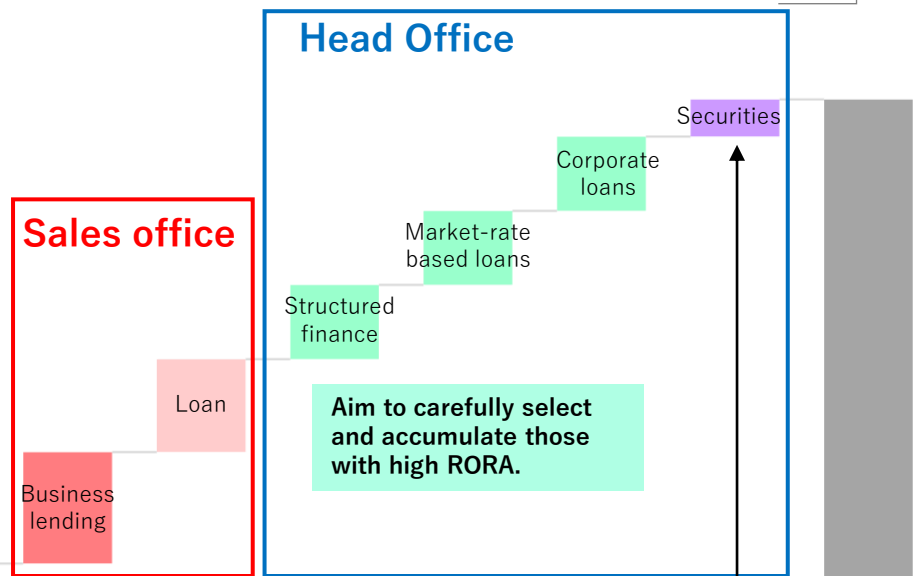
**ROE**  
 Medium- to long-term goals  
6%  
 Level of the top-ranking local banks with a market capitalization of ¥100 billion or more

$$\begin{array}{c}
 \text{RORA improvement} \\
 \underline{0.6\%} \\
 \hline
 \text{Net income} \\
 \hline
 \text{Risk assets} \\
 \times \\
 \hline
 \text{Risk assets} \\
 \hline
 \text{Shareholders' equity} \\
 \hline
 \text{Financial leverage control} \\
 \underline{10 \text{ times}}
 \end{array}$$

Earning power enhancement	Strengthen asset allocation P18	Build a medium- to long-term portfolio with RORA in mind
	Boost fees and commissions P19	Expand solution revenue by reinforcing human capital
Cost control	Expenses and credit costs P20	Strategic mechanization, capital investment, and productivity improvement
		Strengthening of business operator support and discernment skills
Risk asset control	Balance between profitability and soundness	Increase or decrease in risk assets based on the premise of financial leverage control
Optimal allocation of capital	Focused investment of capital in growth areas P18	Focused investment of capital in next-generation industrial fields
	Strategic investment and effective use of financial and non-financial capital	Growth investment based on capital surplus and target ROE
Strengthening shareholder returns	Stock dividend Flexible share repurchase	Dividend levels that bring the total return rate to 50% or more, acquisition of treasury stock, and partial redemption of preferred shares  Reduction of cross-shareholdings

## Strengthen asset allocation

Conceptual presentation of increase (decrease) in risk assets (Two banks combined)



Build a portfolio that ensures stable earnings from a medium- to long-term perspective.

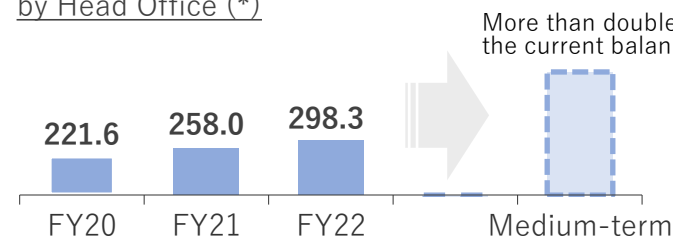
Strengthen loans relating to next-generation industrial fields that will lead to the sustainable growth of the Group and the region, especially in prime areas.

### TOPICS

#### June 2023: Established the Structured Finance Office

In June 2023, established the Structured Finance Office under the Market Finance Department of the Hokuriku Bank

Plan for the balance of loans operated by Head Office (\*) (JPY Bn)



\*Structured finance, market-rate based loans, etc.

### TOPICS

#### June 2023: Newly established the GX and Next-Generation Industry Support Group

[Purpose]

Establish a support system for the semiconductor industry and next-generation industries, including renewable energy. Provide useful information to local customers in a way that leads to enhancement of the Group's value and aim to make such initiative a foundation for earnings five or ten years from now.

Anticipate the possibility of making investments or loans at a scale of ¥ 1 trillion in the next ten years in the semiconductor industry and next-generation industrial fields, including renewable energy.

Long-term goals	Investment/Loan Type	Amount
	Sustainability-related investments and loans	1.5 trillion yen
	Environment-related investments and loans	700 billion yen

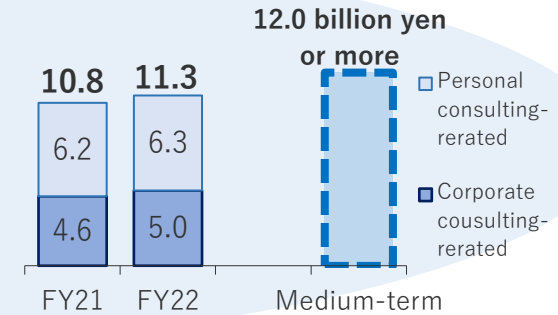
Cumulative amount disbursed from FY2021 to FY2030

## Boost fees and commissions (provision of high-value-added services)

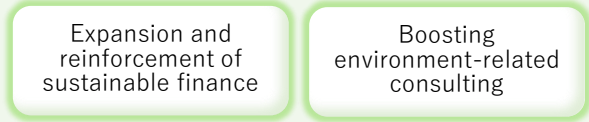
### Enhancing consulting functions



Consulting fee plan (JPY Bn)



### GX Strategy P22



### Provision of high value-added services by linking strategies

Relocation and optimization of resources

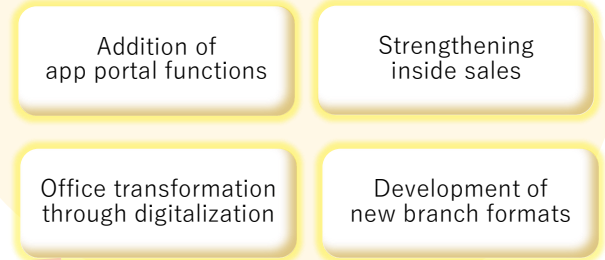
### HR Strategy P36

Experts Consulting talent  
DX talent SX talent  
Talent for Head Office operation

Creating experts by putting human capital management into practice

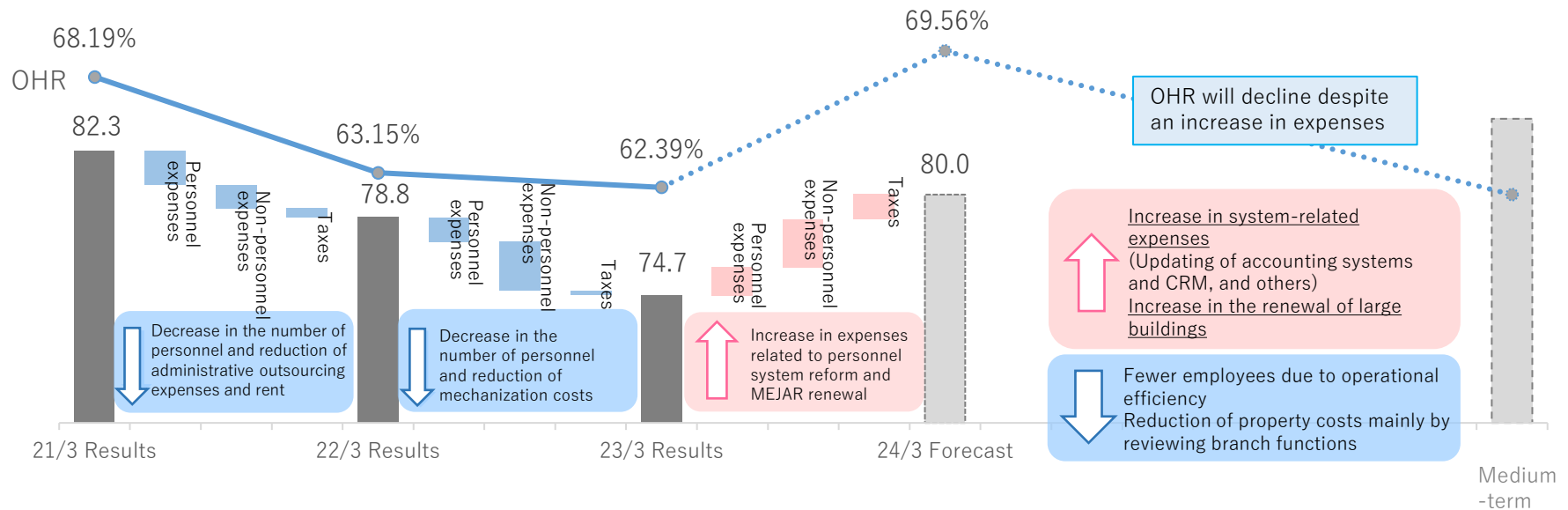
Diversification of touchpoints  
Higher operational efficiency

### DX Strategy P33



Make personnel available

## Trends in and outlook for expenses

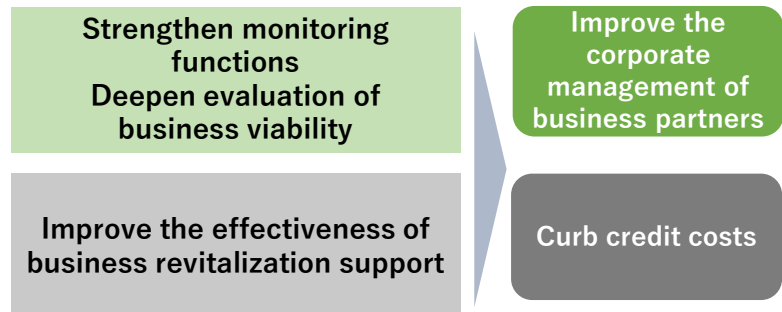


- **Expenses are scheduled to rise** due to anticipatory investments in system updating and digitalization, as well as the renewal of buildings
- Continue the reduction of clerical workload
- Attempt to improve core net business profits per employee

The clerical workload in sales offices **decreased** considerably as a result of making progress in digitalization and labor-saving  
 Core net business profits per employee **rose** due to higher productivity

	FY2013	FY2022	Change
Administrative workload in sales offices	1,189,893	754,188	Down 36%
Core net business profits per employee (JPY million)	9.4	10.7	+1.3

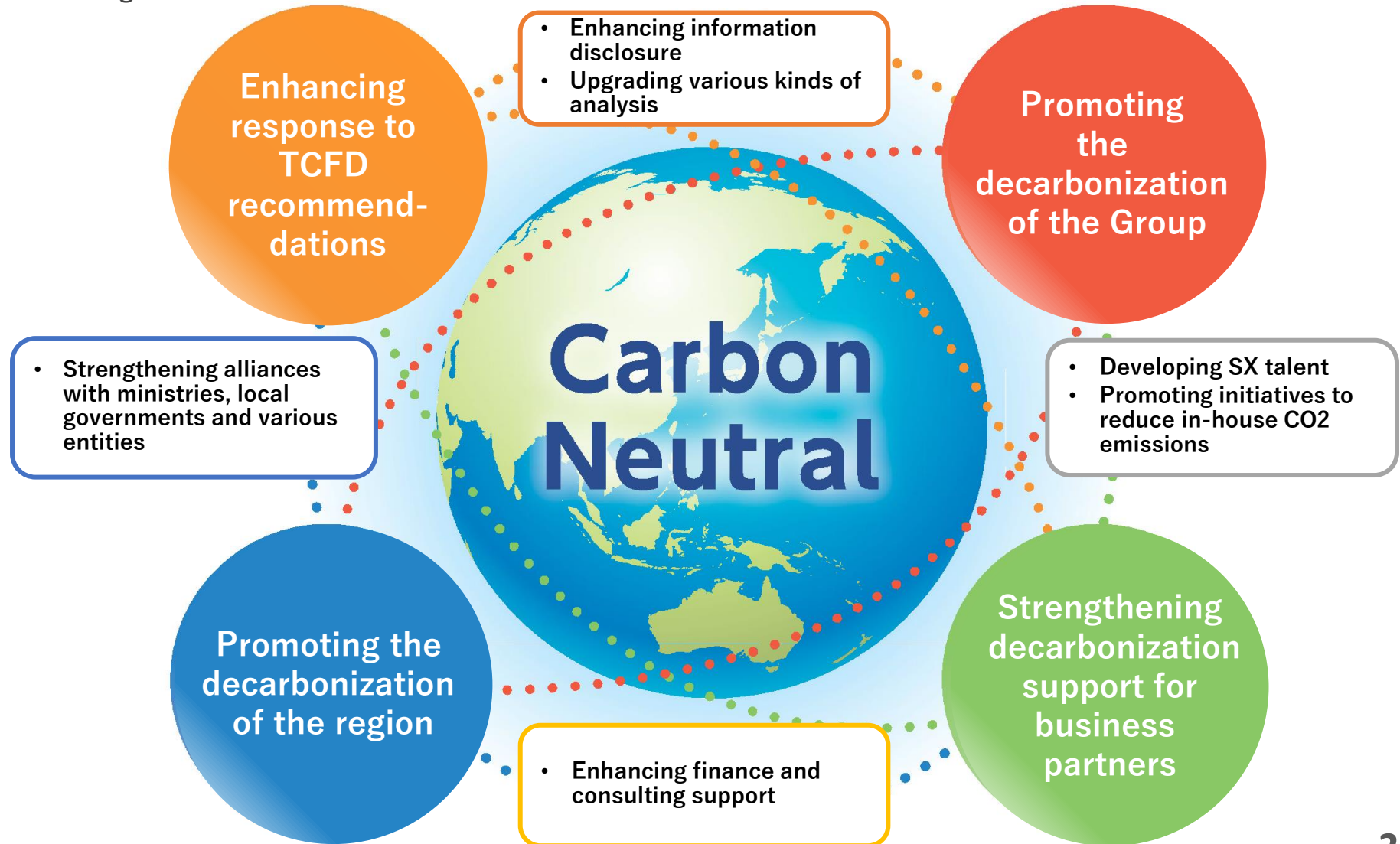
## Curb credit costs



# Management Strategy

## Overview of GX strategy

Aiming to become an environmentally advanced financial group, we will achieve decarbonization by working as a group while linking each of our initiatives

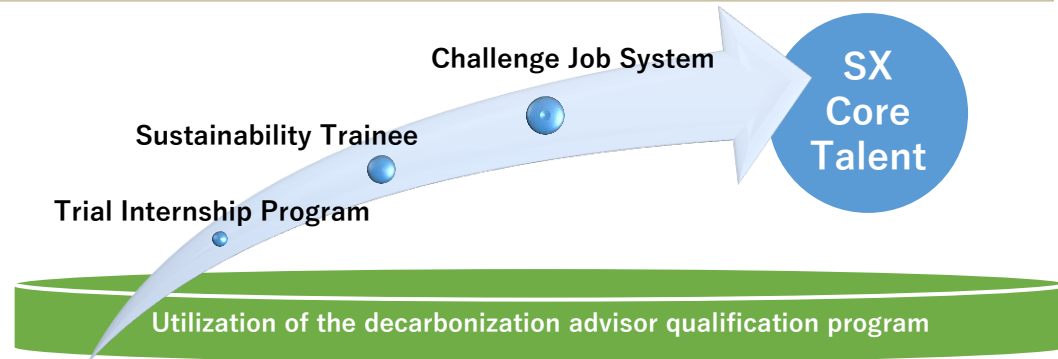


## Promoting the decarbonization of the Group

### Developing SX talent

#### Expansion of the programs to develop SX talent

Programs	Overview
Trial Internship Program	Offering opportunities to experience HQ operations for a minimum of one week
Sustainability Trainee	Classroom lectures and on-the-job training
Challenge Job System	Employees can request to work in the SX Promotion Department



#### Trial Internship Program

The SX Promotion Department has received trial interns since May 2023. Twelve members from Hokuriku Bank took part in the program during the first half of FY2023. They experienced tasks performed in the SX Promotion Department for three to five days for the purpose of having the bank utilize the program in order to start developing SX core talent.



#### Sustainability Trainee

A Sustainability Trainee session was held in May 2023 mainly for staff in charge of customer relations with the aim of developing employees equipped with knowledge, experience and performance capability in the sustainability field. A total of six employees from Hokuriku Bank and Hokkaido Bank participated in the training during the first half of FY2023.



## Promoting the decarbonization of the Group

### Promoting initiatives to reduce in-house CO2 emissions

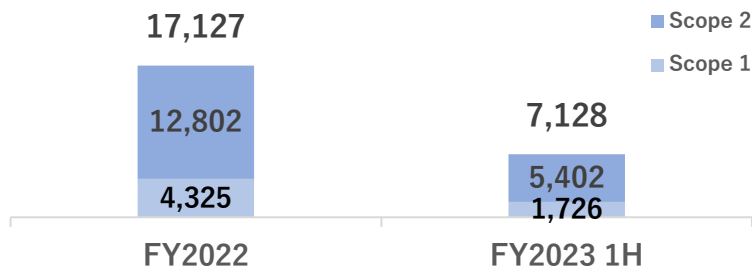
#### Long-term goals

CO2 emissions in our Scopes 1 and 2 (\*)

Carbon neutrality by FY2030

Goals for reducing CO2 emissions (after adjustment) at the domestic business sites of all companies of the Hokuhoku Financial Group

#### Trend in Scopes 1 and 2 CO2 emissions of the Group(t-CO2)



### Raising the goals toward carbon neutrality

The Hokuhoku Financial Group has raised the CO2 emissions reduction goals for the Group in order to further drive decarbonization

	Current status	After the raise
Goals	FY2030: Down 46% compared with FY2013 FY2050: Carbon neutrality	FY2030: Carbon neutrality
Subjects	*Scopes 1 and 2 at domestic business sites of Hokuriku Bank and Hokkaido Bank, which are major companies of the Group	Scopes 1 and 2 at domestic sites of <u>all companies of the Group</u>

## Operation and new establishment of the Hokuhoku Solar Park, utilizing off-site corporate PPA

Hokuriku Bank and Hokkaido Bank constructed the solar power plant Hokuhoku Solar Park by leveraging the off-site corporate PPA. Branches of Hokuriku Bank and Hokkaido Bank utilize renewable energy.

#### [Hokuhoku Solar Park Osawano, Toyama]

Location	Nishi-Osawa, Toyama-city, Toyama Prefecture
Assumed annual power generation	Approx. 3,300 MWh
Start of operation	September 2023
Assumed CO2 emission reduction effect (year)	Approx. (1,600 t-CO2)



First in the regional banking sector and one of the largest in size

#### [Hokuhoku Solar Park Shiranuka, Hokkaido]

Location	Shiranuka-cho, Shiranuka-gun, Hokkaido
Assumed annual power generation	Approx. 2,400 MWh
Start of operation	Around the spring of 2024
Assumed CO2 emission reduction effect (year)	Approx. (1,300 t-CO2)





## Promoting the decarbonization of the Group

### Promotion of environmentally-friendly branches (ZEB stores)

#### Tsuruga Branch, Hokuriku Bank

Hokuriku Bank plans to relocate its Tsuruga branch to a new building in November 2023. The new branch will be located in a building that contributes to forest conservation in the region by employing recycled wood louvers that use wood from forest thinning in Fukui Prefecture as part of its construction materials and that has achieved ZEB, which considerably curbs the energy consumption of the entire building.



First among financial institutions in Hokkaido

#### Rumoi Branch, Hokkaido Bank

Hokkaido Bank plans to relocate its Rumoi Branch to a new building in November 2024. The new branch will be constructed with the aim of acquiring ZEB certification, which is linked to a reduction in GHG emissions. The bank will also introduce EVs as part of the fleet of its business-use cars.



### Shift to carbon neutrality using credits

#### Carbon neutral city gas

First among financial institutions

Hokuriku Bank entered into a contract with KJ-Energy Co., Ltd. and started using carbon neutral gas from June 2023.

Number of applicable branches	Nine branches of Hokuriku Bank in the city of Kanazawa
Estimated reduction of CO2 emissions	Approx. 112 t-CO2 per year



#### Carbon neutral LP gas

First in the private sector

Hokuriku Bank entered into a contract with Daijyo Energy K.K. and started using carbon neutral LP gas from August 2023.

Number of applicable branches	Nomi Branch, Hokuriku Bank
Estimated reduction of CO2 emissions	Approx. 6 t-CO2 per year

## Strengthening decarbonization support for business partners

### Long-term goals

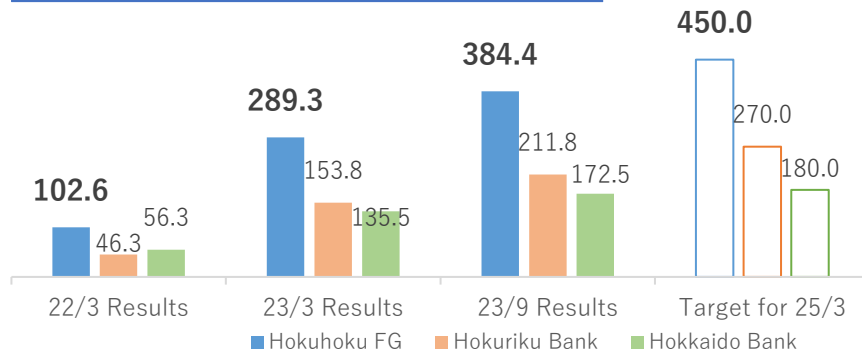
Sustainability-related investments and loans (\*1)  
 Environment-related investments and loans (\*2)

Cumulative amount disbursed from FY2021 to FY2030: ¥1.5 trillion  
 Cumulative amount disbursed from FY2021 to FY2030: ¥700 billion

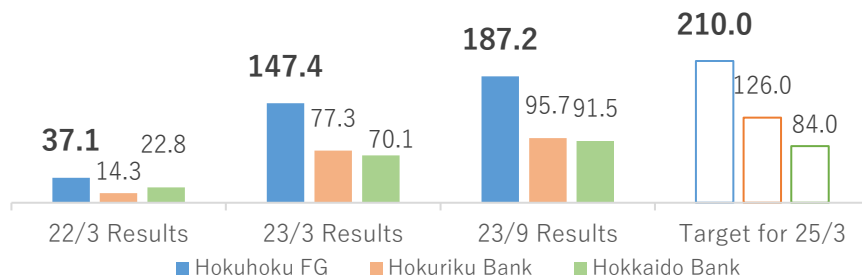
- (\*1) Investments and loans to business partners who work toward achieving the SDGs, as well as investments and loans for medical care, health care, education, fisheries, agriculture, business start-ups, business succession, resilience, and environment-related activities, etc.
- (\*2) Investments and loans to support environmentally friendly initiatives, such as addressing climate change

### Reinforcing the financial support

#### Sustainability-related investments and loans (cumulative amount) (JPY Bn)



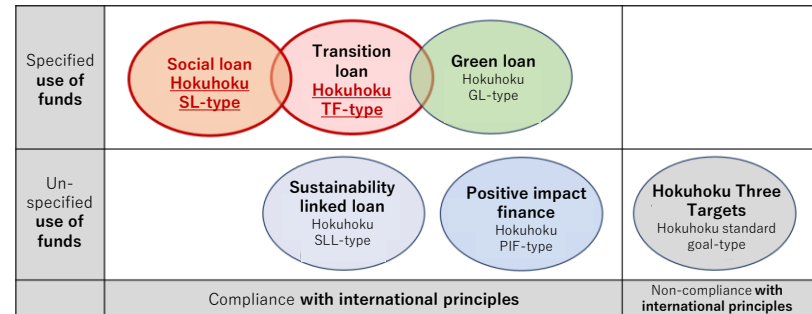
#### Environment-related investments and loans (cumulative amount) (JPY Bn)



### Enhancing sustainable finance products

#### Transition Finance and Social Loans

Hokuriku Bank and Hokkaido Bank have started handling Hokuhoku Sustainable Finance “Transition finance-type” (hereinafter referred to as Hokuhoku TF-type) and Hokuhoku Sustainable Finance “Social loan-type” (hereinafter referred to as Hokuhoku SL-type) as common loan products.



#### “ESG lease”

#### One of a kind as a company headquartered in Hokuriku

Hokugin Lease Co., Ltd. was recognized by the Ministry of the Environment as a designated lease operator for the subsidy for project expenses for reducing carbon dioxide emissions for 2023 (“ESG lease subsidization program” for building a decarbonized society). Moreover, the company was one of only 11 operators certified by the Minister of the Environment as making excellent environmentally-friendly efforts, and has started handling ESG leases for FY2023.

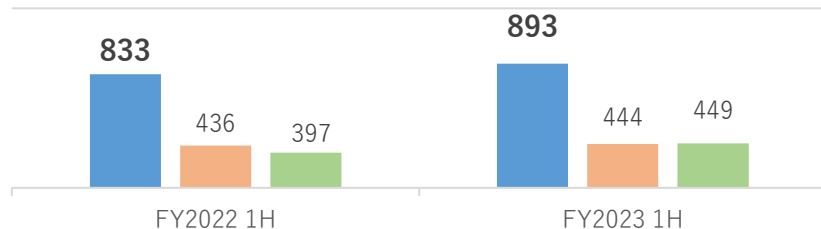


## Strengthening decarbonization support for business partners

### Enhancing consulting support

Number of SDGs / environment-related services used (number of cases)

■ Hokuhoku FG ■ Hokuriku Bank ■ Hokkaido Bank

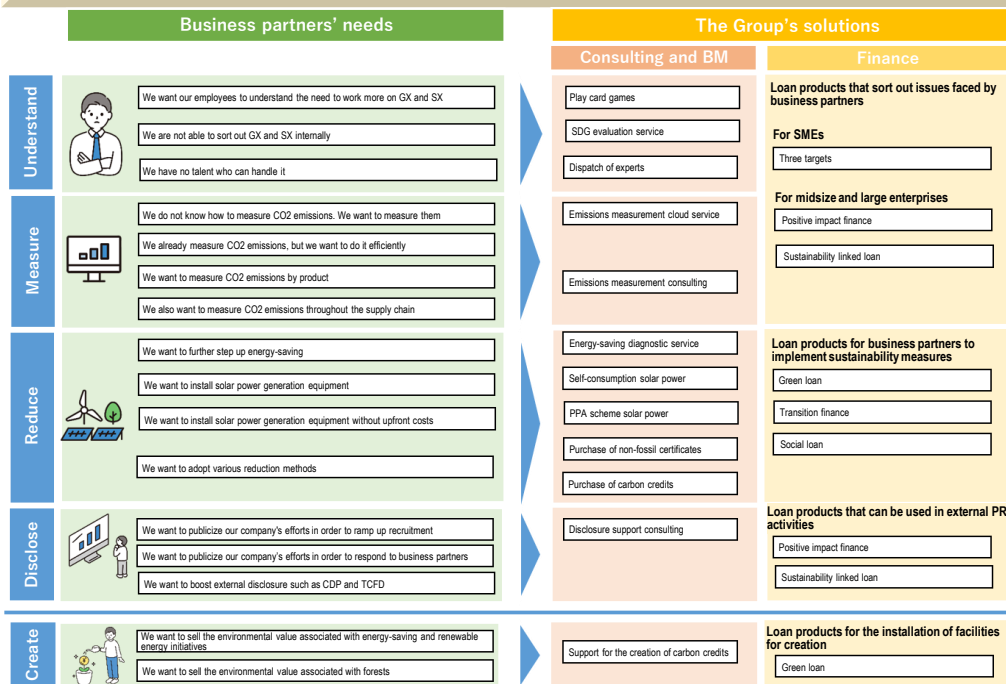


### Revenue from sustainability-related solutions\*

	FY2022	FY2023 1H
Finance-related fees	¥756 million	¥362 million
Consulting-related fees	¥122 million	¥89 million
<b>Total</b>	<b>¥878 million</b>	<b>¥451 million</b>

\*Revenue from sustainability-related finance and consulting fees only

### Reinforcing solutions for business partners



### Business matching contract with BYWill, inc.

In June 2023, Hokuriku Bank and Hokkaido Bank concluded a business matching contract with BYWILL, inc., which supports Japanese companies in pursuing sustainability management through carbon credit-related services.

### Business matching contract with Green Carbon, inc.

In November 2023, Hokuriku Bank and Hokkaido Bank concluded a business matching contract with Green Carbon, Inc., which creates and trades agriculture-derived CO2 credits.

## Promoting the decarbonization of the region

### Strengthening the alliances

## Stepping up efforts for MEJAR Sustainability Solutions Collaboration

### Joint seminar

In May 2023, Hokuriku Bank and Hokkaido Bank held the "Decarbonization Management Seminar" for corporate clients that engage in management issues toward carbon neutrality. This seminar was hosted jointly by six banks as a collaborative measure based on the MEJAR Sustainability Solutions Collaboration.



## Endorsement of the establishment of the general incorporated association Sustainability Data Standardization Center (SDSC)

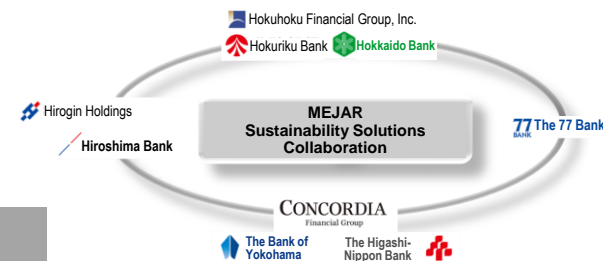
Hokuriku Bank and Hokkaido Bank endorsed the establishment of the general incorporated association Sustainability Data Standardization Center (SDSC) (hereinafter referred to as Sustainability Data Standardization Center), which was founded in August 2023 to strengthen sustainability management.

### Sustainability Data Standardization Center

As an organization aimed at raising the standards for disclosure of sustainability-related information at all companies in Japan, the Center will have the banking industry take the lead at an early stage in preparing a framework for disclosing information on various initiatives of mid-level small and medium-sized companies from a financial perspective. In the future, the Center aims to prepare guidance that will become a standard in Japan.

### Joint questionnaire

Hokuriku Bank and Hokkaido Bank conducted a customer questionnaire survey for corporate customers from August 2023 with the aim of understanding the situation of companies that make efforts for carbon neutrality. The questionnaire was jointly conducted by five MEJAR banks, which received answers from approximately 1,000 companies. The banks will link the answer results to joint product planning within the framework of the MEJAR Sustainability Collaboration.



## Participation in the carbon credit market

Hokuriku Bank and Hokkaido Bank have entered the carbon credit market, which opened in October 2023, as an effort toward the achievement of carbon neutrality by 2030.

### Carbon credit market

A market that the Tokyo Stock Exchange will open in preparation for introducing an emission trading scheme, which is presented in the government's Basic Policy for Realization of GX as a system designed based on carbon pricing. The market plans to start pilot trading from FY2023 and full-scale operation from FY2026.

## Promoting the decarbonization of the region

### Realization of decarbonization in the region

#### Joining Team Sapporo-Hokkaido

In June 2023, the Group joined Team Sapporo-Hokkaido, a consortium consisting of industry, government, academia and finance, which was established to tap into Hokkaido's renewable energy potential and realize an Asian and global financial center that accumulates information, human resources and funds relating to GX in Sapporo, Hokkaido. This consortium aims to attract funds of 30 to 40 trillion yen from among public and private investment in GX, which some say will surpass 150 trillion yen in the coming decade, to Sapporo, Hokkaido. The Group is actively involved therein as the leader of the Fund Finance Working Group. We will also proactively support efforts for carbon neutrality in Hokkaido as a regional financial institution and extend examples of successful cases there to Hokuriku and other regions in a way that harnesses the strengths of the Group, which has a network of broad-area branches.



#### Holding GX Seminar in Toyama

The GX Seminar for Sustainability Management for our business partners was held in Toyama as an effort toward regional decarbonization in September 2023. Approximately 400 members from our business partners attended the seminar. In addition to a keynote speech by Mr. Nishimura, the head of the Personnel Division of the Ministry of the Environment, a panel discussion was held with guests from three companies actively engaged in GX in Toyama Prefecture.



## Enhancing response to TCFD recommendations

### Initiatives to sophisticate various analyses

## Launching efforts to advance the calculation of in-house GHG emissions and financed emissions

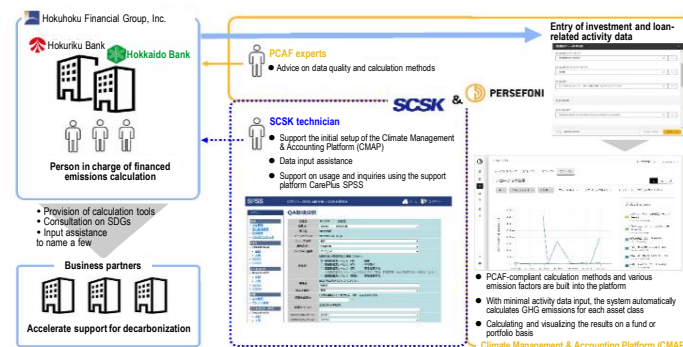
The Group started ascertaining and calculating Scope 3 from the current fiscal year. We will also focus on reducing Scope 3 alongside the carbon neutrality of Scopes 1 and 2

GHG emissions (Excluding Scope 3: Category 15) Note: 1		51,874 t-CO2
Category 1 (Purchased goods and services) Note: 2		20,125 t-CO2
Category 2 (Capital goods)		13,490 t-CO2
Category 3 (Fuel and energy-related activities not included in Scopes 1 and 2) Note: 3		1,679 t-CO2
Category 4 (Transport and delivery [upstream])		2,009 t-CO2
Category 5 (Waste from business operations)		273 t-CO2
Category 6 (Business trip)		596 t-CO2
Category 7 (Commuting of employees)		1,528 t-CO2
Category 13 (Leased assets [downstream]) Note: 4		12,175 t-CO2
GHG emissions (Scope 3: Category 15 [Investment]) Note: 5		22.695M t-CO2

### Utilization of greenhouse gas (GHG) emissions calculation platform

### First in the regional banking sector

With the support of SCSK Corporation, the Group has launched an effort to further enhance the calculation of emissions by utilizing the GHG emissions calculation platform of Persefoni, which offers a climate management and carbon accounting platform (CMAP) for companies, financial institutions and government agencies. The platform calculated emissions of loans based on the business feasibility of about 60,000 business partners of Hokuriku Bank and Hokkaido Bank. We plan to link the utilization of emissions data to our support for our business partners' decarbonization.

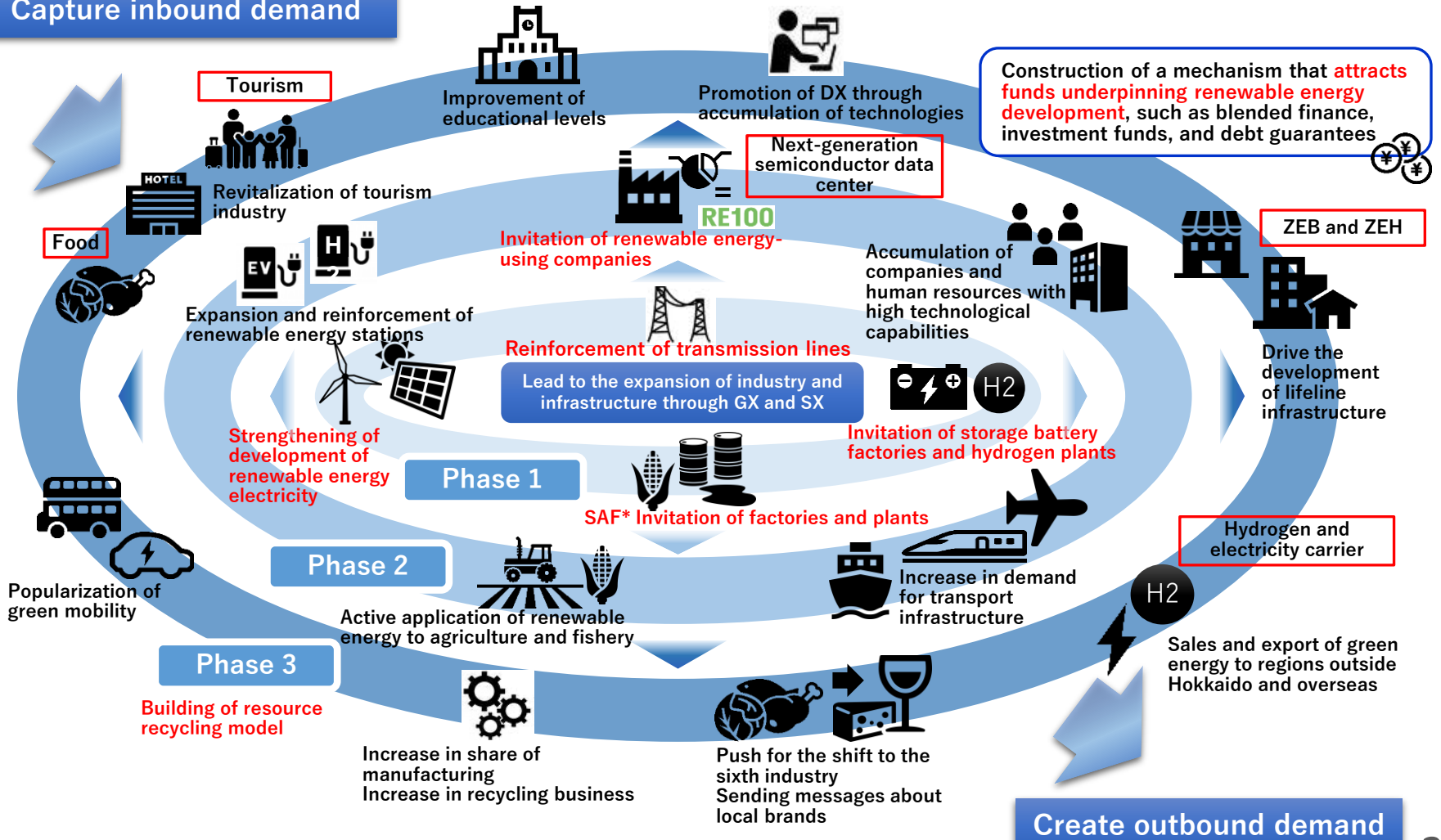


Note 1: Categories 8, 9, 10, 11, 12, and 14 in Scope 3 are not applicable.  
 Note 2: Calculated using repair costs, administrative expenses for movable and immovable property, printing expenses, stationery expenses, equipment expenses, books and subscriptions, communication expenses, vehicle equipment and repair costs, and administrative outsourcing expenses  
 Note 3: Calculated using electricity consumption  
 Note 4: Calculated using the speculated energy consumption based on a standard usage scenario by deeming all lease and sublease contracts of Hokugin Lease as lease contracts for information-related devices (tablet PCs) and hypothesizing the number of operational devices for each contract amount  
 Note 5: Emissions relating to loans based on business feasibility at Hokuriku Bank and Hokkaido Bank were calculated (Loans based on business feasibility correspond to Business loans under the first section of Business loans and unlisted equity among asset classes classified in PCAF)

## Support for next-generation industries

Strengthen support for next-generation industries toward a society realized by GX and SX. First, consider support measures for the semiconductor field, which is essential for realizing such a society.

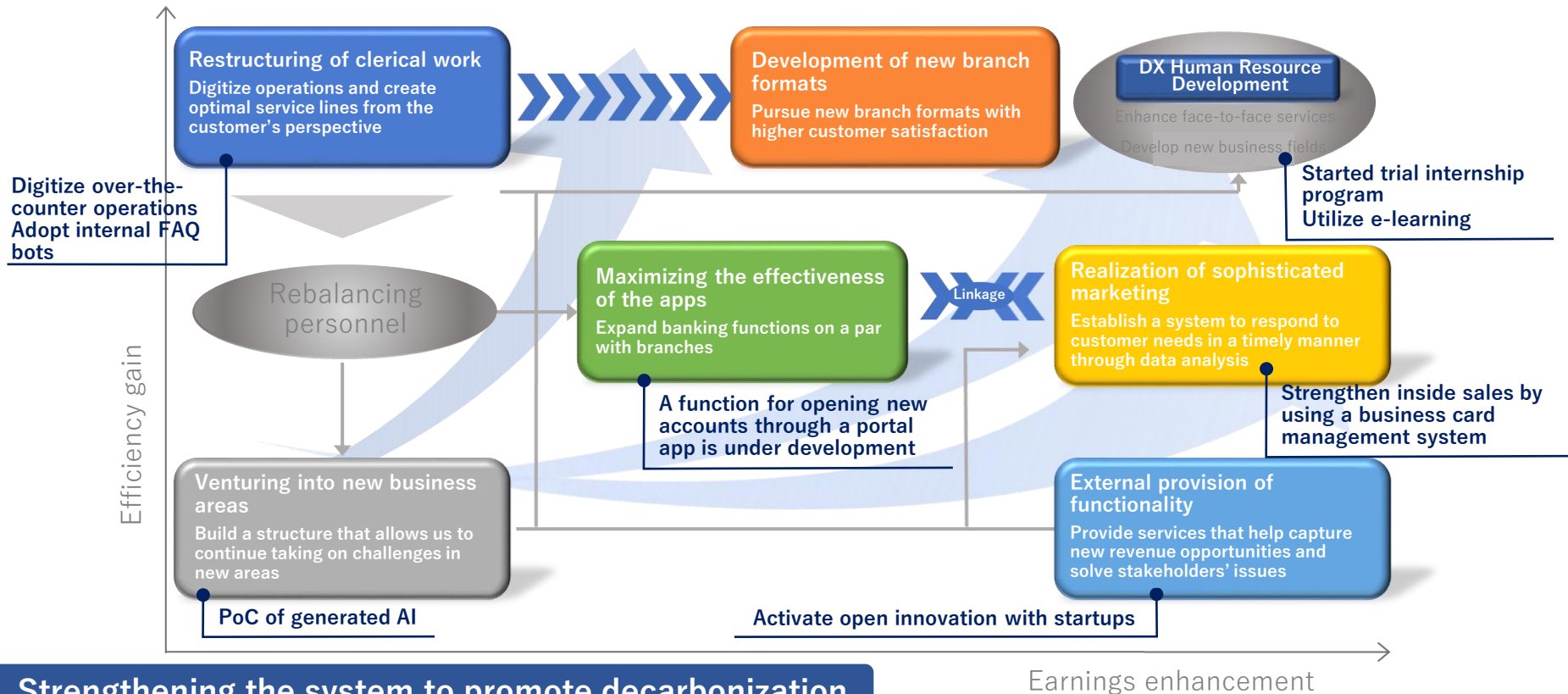
### Capture inbound demand



\*SAF: Aviation fuel that reduces CO2 in terms of life cycle more effectively than conventional fuels that use vegetable oil and waste oil

### Create outbound demand

## Overview of DX strategy



## DX Promotion Department was established (June 2023)

### ■ Purpose

Advance group-wide DX by developing services that contribute to enhancing convenience and improving operational efficiency inside and outside the Group.

### ■ Main missions

- (1) Plan DX projects in coordination with Group companies to speed up reforms (Including the use of new technologies such as Web 3.0, Stablecoins, and generative AI; sophistication of channels and convenience improvement)
- (2) Engage in DX projects of the banks as a whole to seek total optimization as FG
- (3) Plan and operate data marketing in an integrated manner
- (4) Develop DX talent in coordination with external organizations and companies



## Various initiatives

### Maximizing the effectiveness of the apps

#### Add a function for performing tasks associated with a heavy over-the-counter workload to apps

Adopt a system for development of customer reception services to enhance UI/UX and save labor for back-office work  
As a starter, install a function for opening new accounts (Scheduled for March 2024)

#### Conceptual presentation of the flow



- ✓ Jump from the portal app top page to the application screen
- ✓ My Number Card can be read with a tap!

- Upcoming development plan
  - Second phase (Scheduled for September 2024)
    - Change of address and account holder's name
    - Application for various cards
  - Third phase (During FY2024)
    - Procedures for closing accounts and the case of losing savings passbooks

### Restructuring of clerical work

#### Adopt search tools for various FAQ cases within banks

Make the search for Q&A relating to clerical work at banks faster and simpler

⇒ By integrating existing Q&A cases and presenting related Q&A cases as soon as a search term is entered, the investigation time can be shortened, and the time necessary for dealing with referrals from branches of the head office can be reduced



### Venturing into new business areas

#### Starting a demonstration experiment for utilizing generative AI for tasks at banks

#### [Outline of the Joint Demonstration Experiment]

Conduct an experiment with Fujitsu Limited to demonstrate the utilization of generative AI for banking tasks at Hokuriku Bank and Hokkaido Bank

- Operations utilizing generative AI (planned)
  - Aggregation of answers to questionnaires
  - Obtain inspiration in preparing documents and studying strategies
  - Bug check of programs and preparation of test cases
- Upcoming schedule
  - Based on the outcome of the experiment, proceed with the verification with the aim of applying the said generative AI to actual operations

### Restructuring of clerical work

#### Conducted a demonstration experiment (PoC) toward a semi-self-service customer counter

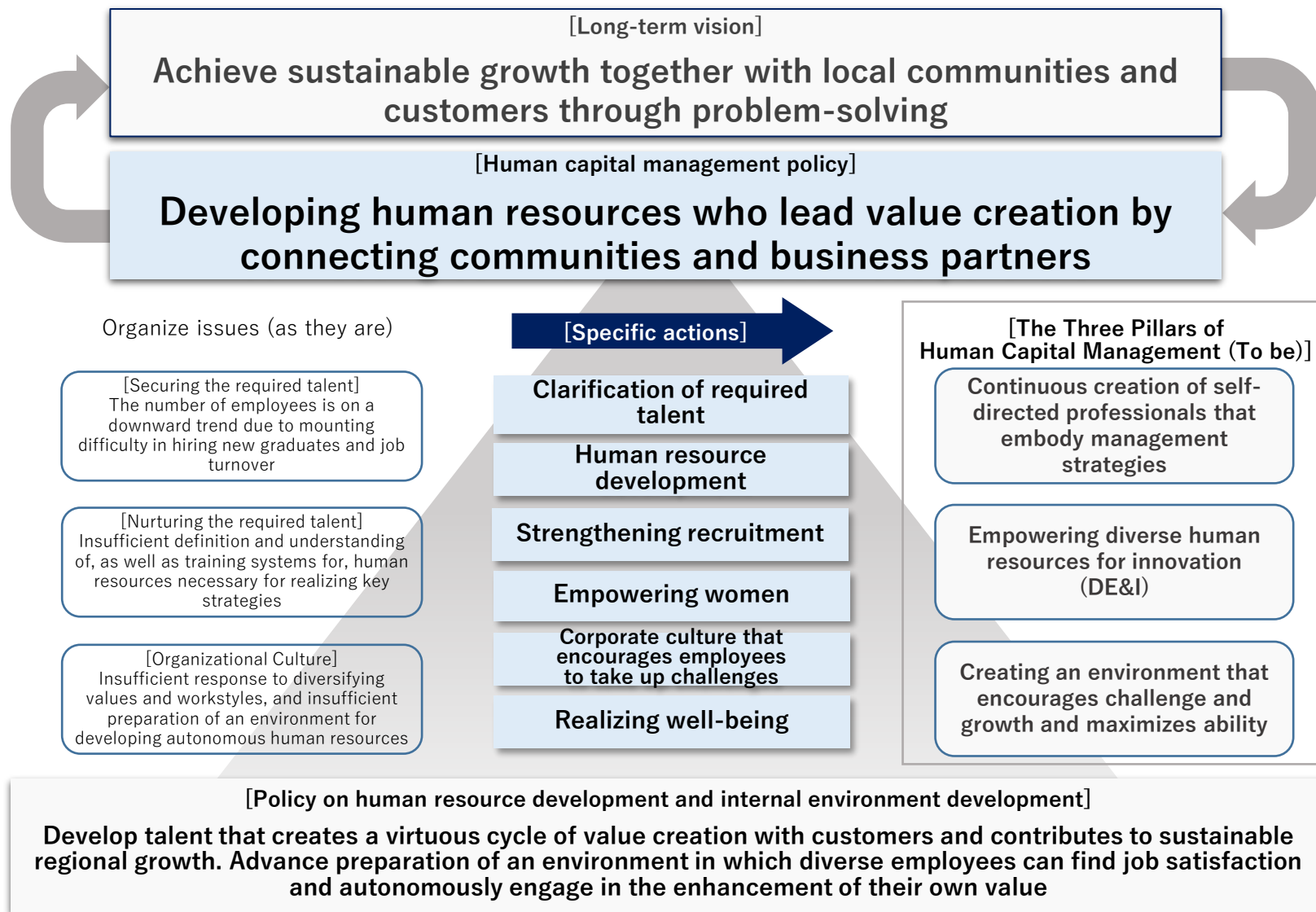
Hokkaido Bank conducted a demonstration experiment (PoC) jointly with NTT Data toward the shift to a semi-self-service system using auto-change cash registers

We will continue proceeding with a variety of verifications and initiatives to improve customer convenience and reduce clerical workload



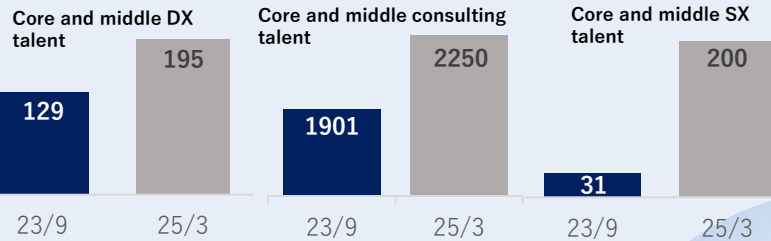
## Overview of HR strategy

Conduct six concrete actions based on the Human Capital Management Policy formulated in FY2023



## Various Initiatives to Realize Human Capital Management

### Clarification of required talent



### Human resource development

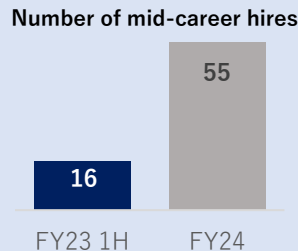
- ◆ Develop experts and improve the system
- ◆ Dispatch employees to places outside the bank
- ◆ Upgrade training
- ◆ In-house side job
- ◆ Trial internship program
- ◆ Support employees in reskilling

Holding "trial internships" in which employees experience their desired jobs for three to five days. During the first half of FY2023, 115 people participated.



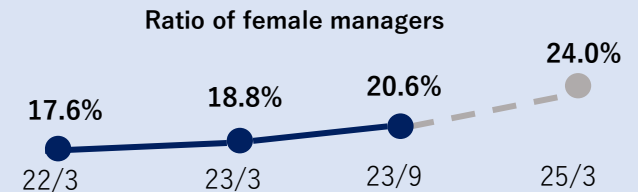
### Strengthening recruitment

- ◆ Step up recruitment of people with work experience
- ◆ Recruitment of alumni
- ◆ Recruitment through referrals
- ◆ Recruitment of high school graduates



### Empowering women

- ◆ Expanding the field for women to play an active role



Realization of human capital management

### Corporate culture that encourages employees to take up challenges

- ◆ Challenge job system
- ◆ In-house invitation to receive training and gain work experience
- ◆ One-on-one meeting
- ◆ Creation of opportunities for dialogue with top management

A town hall meeting was held with President Nakazawa and **mid-career hires** (October)



### Realizing well-being

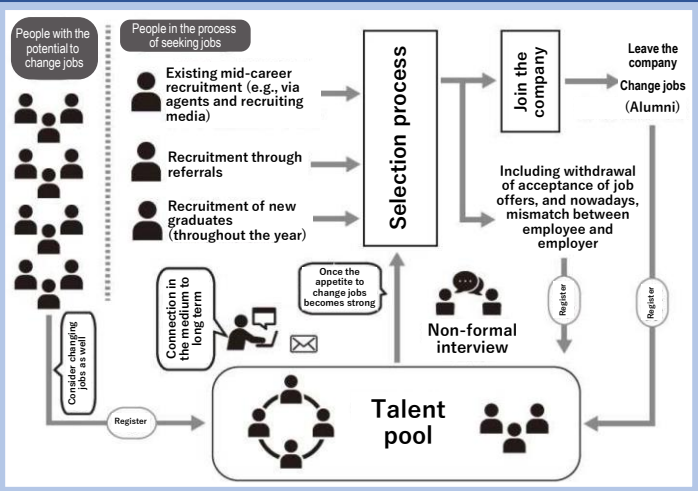
- ◆ 360° survey
- ◆ Career advisor
- ◆ Financial wellness

Prepare an environment in which employees can work with peace of mind through Career Advisors – one mentor assigned to one employee.



## Value Creation Process in Human Capital Management

### A shift to an ecosystem for recruitment through talent pooling



#### Number of employees dispatched to outside companies

FY23 1H	FY24 Target
20 people	50 people

#### Number of applicants for in-house invitation to positions

FY23 1H	FY24 Target
154 people	255 people

**Improving organizational strength and profitability**

**Development and assignment**

**Hiring**

### Introduction of a talent management system

We will attempt to visualize skills across the Group and further advance its active application to the support for autonomous career formation and HR strategy.

**Hokuriku Bank**  
and  
**Hokkaido Bank**  
introduced the system from August 2023



#### Number of IT Passport certification holders

23/9 <b>1,507</b> people	25/3 <b>3,300</b> people
--------------------------------	--------------------------------

#### Number of FP 1st class/CFP holders

23/9 <b>291</b> people	25/3 <b>490</b> people
------------------------------	------------------------------

#### Number of decarbonization-related certification holders

23/9 <b>237</b> people	25/3 <b>800</b> people
------------------------------	------------------------------

#### Sustainable Management Support

A qualification that is operated by the Economic Legal Research Institute to provide basic knowledge for promoting sustainability.

Once an applicant passes the exam, the person will be certified as a **Basic-Level Advisor for Decarbonization under the certification system by the Ministry of the Environment.**

Number of prospective applicants as of Dec. 2023

**1,502** people

**Inquiries related to this material should be addressed to**

**Hokuhoku Financial Group, Inc.  
Managing Planning Division (Wada, Otake, Taniguchi)**

**TEL: (+81) 76-423-7331**

**FAX: (+81) 76-423-9545**

**E-MAIL: [info@hokuhoku-fg.co.jp](mailto:info@hokuhoku-fg.co.jp)**

**<https://www.hokuhoku-fg.co.jp/>**

This document may not be reproduced or distributed to any third party without prior approval of Hokuhoku Financial Group, Inc. This document has been prepared for information purposes only and does not form part of a solicitation to sell or purchase any securities. The information contained herein may be changed or revised without prior notice. This document may contain forecasts of the results of operations. No forecasts are guaranteed and actual results of operations may differ from those projected.