

# Financial Results for FY2022 (Ended March 31, 2023)

## Financial Results for FY2022

<b>Summary of Financial Results</b>	<b>5-6</b>
<b>Net Interest Income</b>	<b>7</b>
<b>Securities</b>	<b>8</b>
<b>Net Fee and Commission Income</b>	<b>9</b>
<b>G&amp;A expenses</b>	<b>10</b>
<b>Net Credit Cost and Non-Performing Loans</b>	<b>11</b>
<b>Capital Adequacy Ratio and Shareholder Return</b>	<b>12</b>
<b>Earnings Forecast</b>	<b>13</b>
<b>Analysis of the current status and evaluation related to PBR</b>	<b>14</b>

## Management Strategy

<b>Improvement of Comprehensive Consulting Ability</b>	
Corporate consulting	<b>16</b>
Cooperation between the two banks, consulting for individuals	<b>17</b>
<b>DX Strategy</b>	
Overview of DX strategy	<b>18</b>
Various initiatives	<b>19-20</b>
<b>GX Strategy</b>	
Overview of the environmental strategy	<b>21</b>
Promoting the decarbonization of banks	<b>22-23</b>
Strengthening decarbonization support for business partners	<b>24-25</b>
Promoting the decarbonization of the region	<b>26</b>
Enhancing response to TCFD	<b>27</b>
<b>HR Strategy</b>	
Overview of HR strategy	<b>28-29</b>
Continuous creation of self-directed human resources	<b>30</b>
Empowering diverse human resources and creating a better working environment	<b>31</b>
<b>Strengthening governance</b>	
Reduction in cross-shareholdings	<b>32</b>

## Financial Results

- The top line was maintained as an increase in net fees and commissions and cost reductions offset a decline in net interest income.  
Net fees and commissions increased steadily (by ¥1.6 billion from the previous fiscal year) due to the strengthening of consulting-related services.  
G&A expenses decreased (by ¥4 billion from the previous fiscal year) mainly due to a reduction in personnel expenses by streamlining operations.
- In securities management, JPY-denominated and foreign bonds were sold in light of interest rate risk.  
¥44.1 billion valuation gains were retained on the overall securities portfolio.  
The balance of JPY-denominated and foreign bonds was controlled from the perspective of mitigating the impact of unrealized losses on equity capital and interest rate risk.
- Shareholder return enhancement  
We announced an increase in common stock dividend and acquisition of treasury stock in light of robust main business profit and earnings outlook.  
(Common stock dividend from ¥35 to ¥37, acquisition of treasury stock up to ¥4 billion)

## Management Strategy

- Strengthen comprehensive consulting capabilities  
Number of consultations and consulting fees increased steadily  
Fee revenue ratio rose to 16.14% from 15.14%
- DX Strategy  
Supporting business partners: Starting external sales of ERP packages  
More app features  
FG: Business transformation using data integration platform  
Establishing database for advanced marketing
- Green Transformation (GX) strategy  
Supporting business partners: Finance and consultation grew sharply  
FG: Received a “B” rating in the CDP Climate Change Survey  
Alliance: Joining the GX League, stronger ties with MEJAR banks
- HR Strategy  
Establishing various KPIs centered on the three pillars of human capital management after sorting out issues to realize human capital management linked to management strategy
- Strengthening governance  
Developed reduction target for cross-shareholdings  
(reduction equivalent to 25% of book value over three years)

# Financial Results for FY2022

# Summary of Financial Results

## Financial Summary for FY2022

[Group Consolidated]	Plan	Result	Change
Ordinary profits	31.0	26.3	(3.8)
Net income attributable to owners of the parent	19.0	21.4	0.9

(JPN Bn)

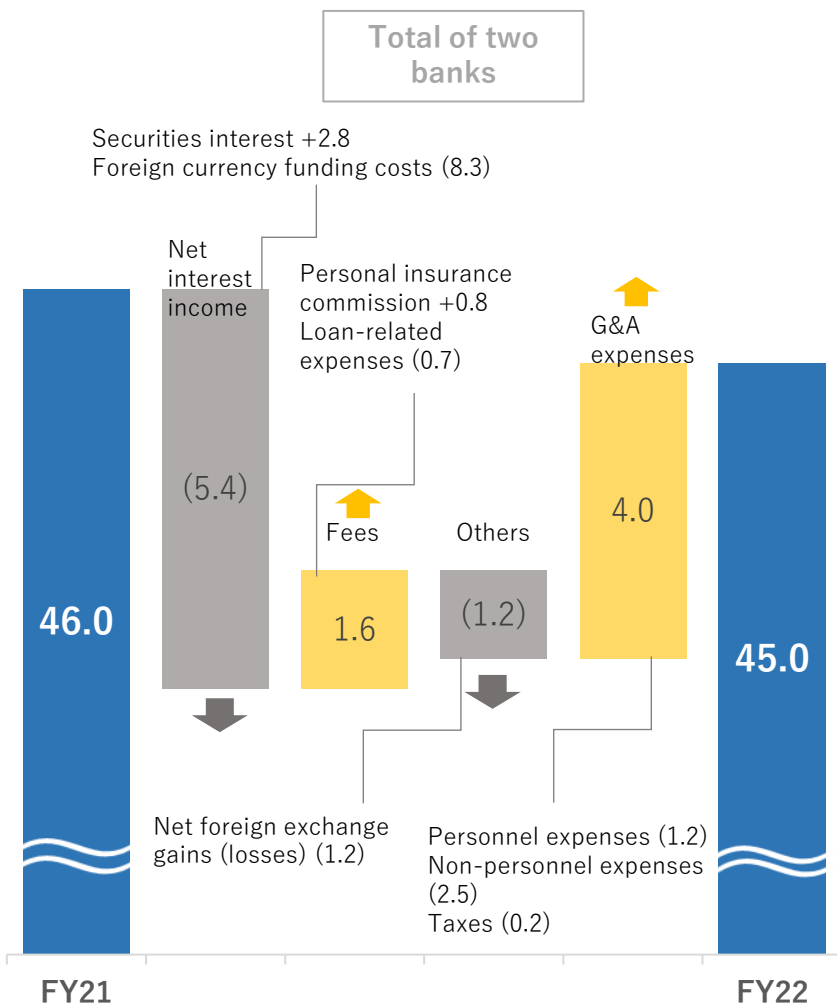
[Total of two banks]	Hokuriku Bank			Hokkaido Bank					
	Plan	Result	Change	Plan	Result	Change			
<b>Core gross business profits</b>	124.5	119.8	(4.9)	69.0	65.2	(3.1)	55.5	54.6	(1.8)
Net Interest Income		100.5	(5.4)		50.9	(5.3)		49.5	(0.0)
Loans		82.6	0.0		41.3	0.1		41.3	(0.1)
Securities		21.7	2.8		12.9	0.3		8.7	2.5
Net fees & commissions		19.4	1.6		12.6	1.2		6.7	0.3
Net other income (excluding gains (losses) related to bonds)		(0.0)	(1.2)		1.5	0.8		(1.6)	(2.1)
<b>G&amp;A expenses (-)</b>	78.5	74.7	(4.0)	41.5	39.4	(2.2)	37.0	35.3	(1.8)
(Reference) OHR		62.39%	(0.76%)		60.46%	(0.46%)		64.69%	(1.17%)
<b>Core net business profits</b>	46.0	45.0	(0.9)	27.5	25.8	(0.9)	18.5	19.2	0.0
(excluding gains (losses) related to cancellation of investment trusts)		44.1	(0.6)		24.9	(0.6)		19.2	(0.0)
Gains (losses) related to bonds		(18.9)	(14.6)		(10.5)	(8.5)		(8.3)	(6.0)
<b>Net business profits*</b>		26.1	(15.5)		15.2	(9.4)		10.8	(6.0)
Net credit cost (-)	14.5	7.7	(5.8)	9.0	9.3	0.8	5.5	(1.6)	(6.6)
Gains (losses) related to stocks		10.5	7.6		9.6	5.4		0.9	2.2
<b>Ordinary profits</b>	32.0	26.9	(3.4)	18.5	14.5	(6.3)	13.5	12.4	2.8
<b>Net income</b>	20.5	23.0	1.1	11.5	14.3	1.2	9.0	8.7	(0.0)

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

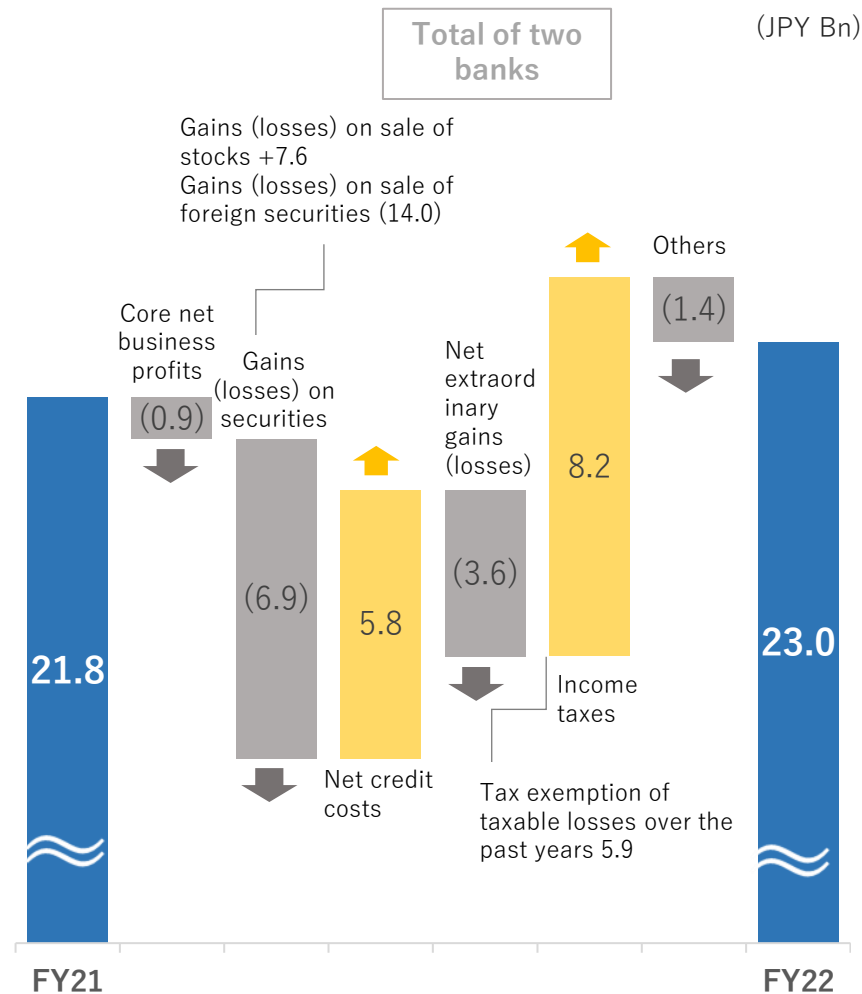
# Summary of Financial Results

**An increase in net fees and commissions and cost reductions offset the decrease in net interest income resulting from an increase in foreign currency funding costs.**

## Factors contributing to the change in top line (core net business profits)



## Factors contributing to the change in bottom line (net income)



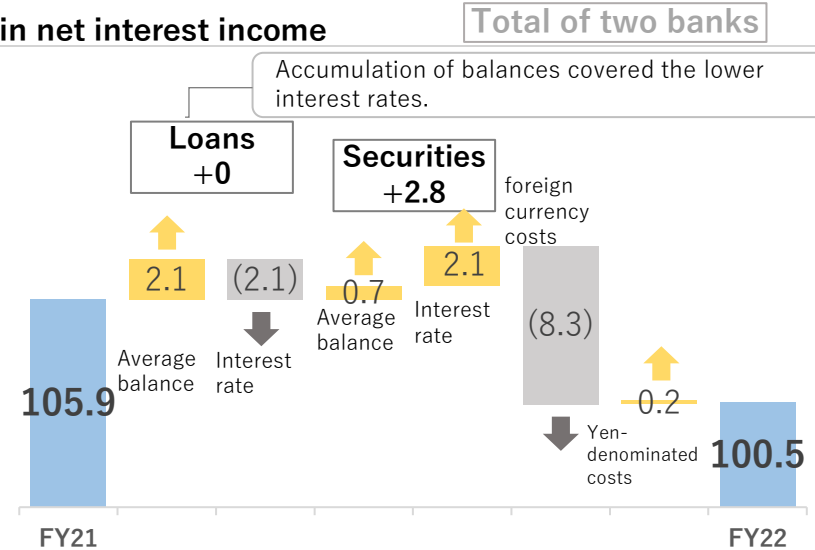
Loan balance increased mainly in prime areas, resulting in the interest on loans remaining at the same level as the previous fiscal year.

## Net Interest Income

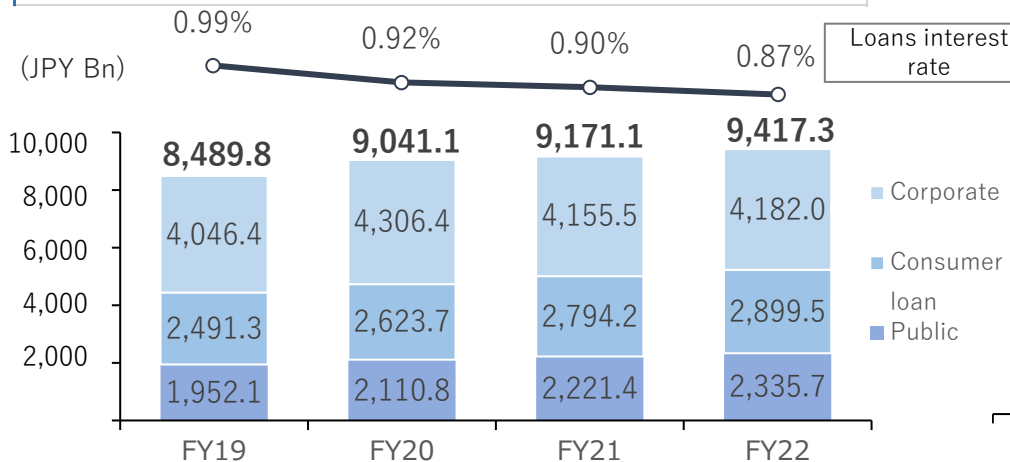
(JPN Bn)

	Total of two banks		Hokuriku Bank		Hokkaido Bank	
	FY22	Change	FY22	Change	FY22	Change
<b>Net Interest Income</b>	100.5	(5.4)	50.9	(5.3)	49.5	(0.0)
<b>Loans</b>	82.6	0.0	41.3	0.1	41.3	(0.1)
Avg. balance	9,417.3	246.1	5,173.9	145.9	4,243.4	100.2
Interest rate	0.87% (0.03%)		0.79% (0.02%)		0.97% (0.03%)	
<b>Securities</b>	21.7	2.8	12.9	0.3	8.7	2.5
Avg. balance	2,080.7	72.3	1,204.4	20.1	876.2	52.1
Interest rate	1.04%	0.10%	1.07%	0.01%	0.99%	0.24%

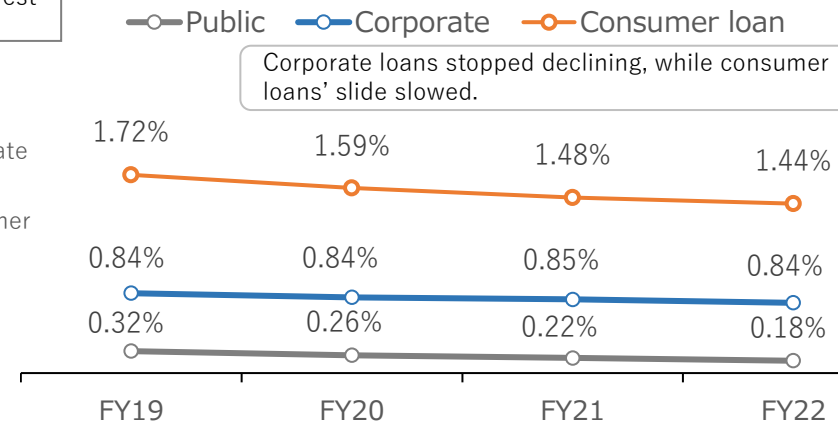
## Factors contributing to the change in net interest income



## Ave. balance and rate of loans



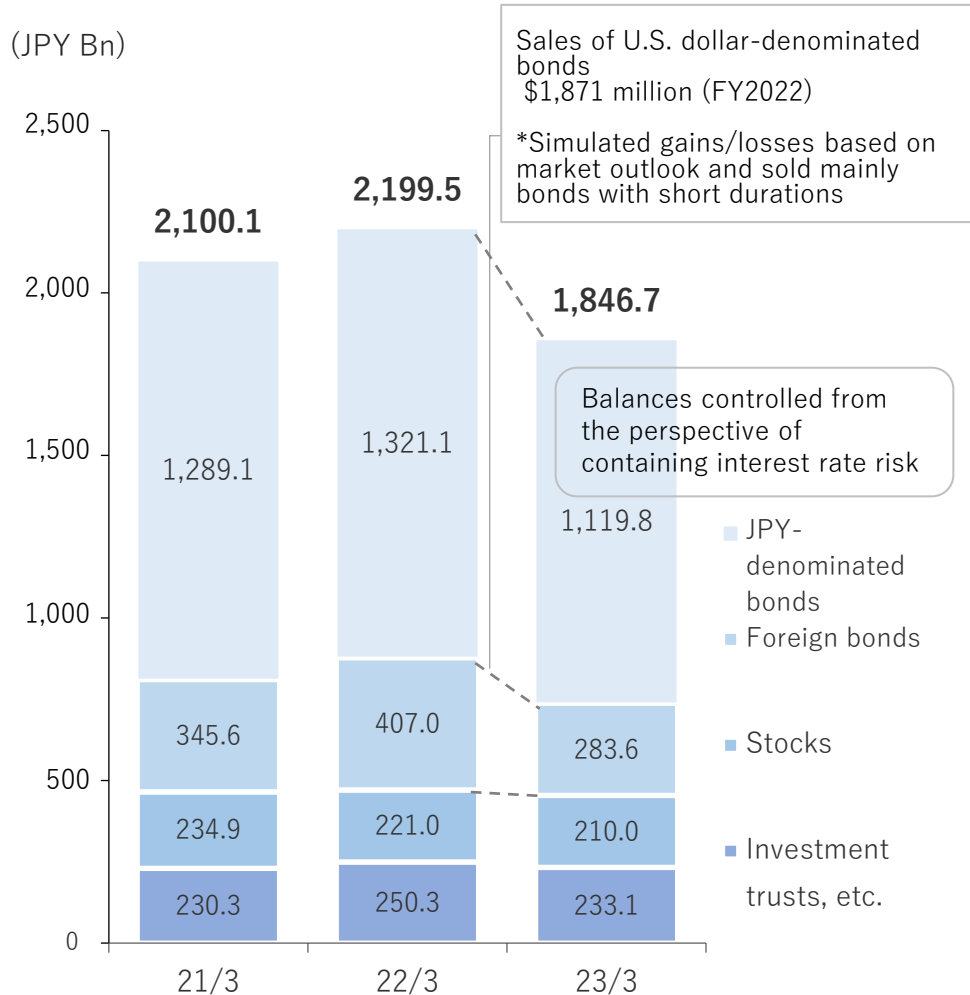
## Interest rate by segment



Valuation gains on the overall securities portfolio were maintained, and bond balances were controlled in light of interest rate risk.

## Securities portfolio

Total of two banks

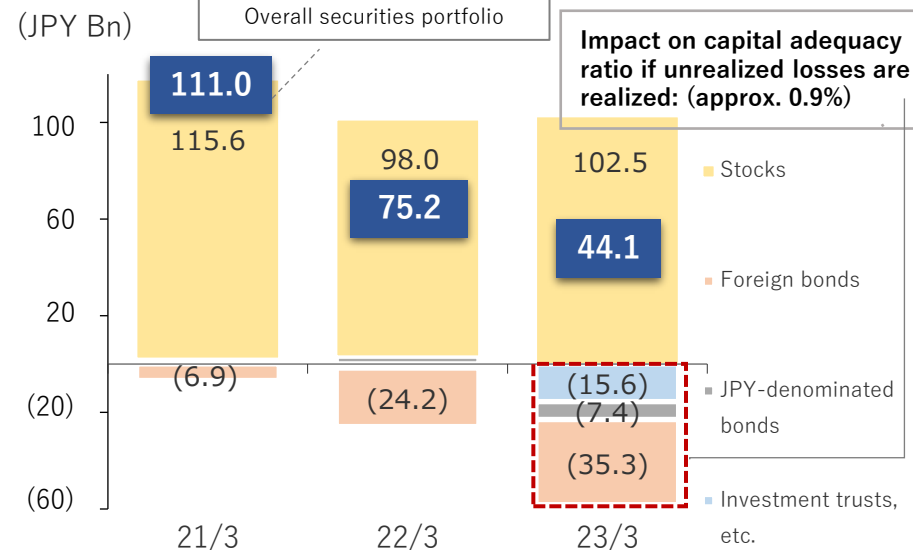


## Revenue and valuation difference

Total of two banks

(JPY Bn)

	FY22	Change
<b>Gains (losses) related to bonds</b>	<b>(18.9)</b>	<b>(14.6)</b>
Gain on sale	6.4	0.2
Loss on sale (-)	25.4	16.4
<b>Net sales profit/loss on stocks</b>	<b>10.5</b>	<b>7.6</b>
Gain on sale	18.1	8.0
Loss on sale (-)	1.0	(1.6)
Amortization (-)	6.6	2.0





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

See pages 15 and 16 for the related initiatives

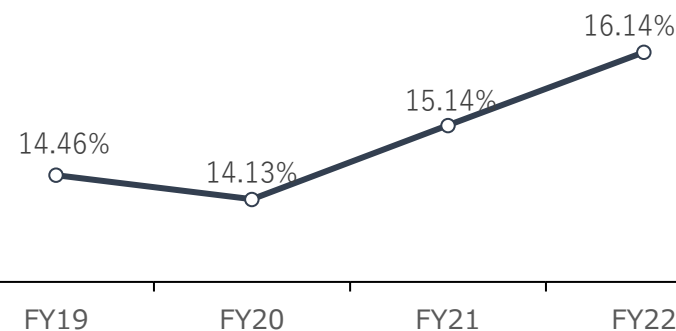
## Net Fee and Commission Income

Total of two banks

	(JPY Bn)	
	FY22	Change
<b>(1) Net fees and commissions</b>	<b>19.4</b>	1.6
<b>Fees and commissions</b>	<b>35.1</b>	0.1
Remittance	9.2	(0.5)
Assets under custody	6.3	0.1
Solution services	5.0	0.2
Private placement bond, syndicated loan	2.3	0.1
M & A support, business succession support, etc.	1.4	0.1
Business matching	0.9	0.1
<b>Fees and commissions payments (-)</b>	<b>15.6</b>	(1.4)
Remittance (-)	0.9	(0.4)
Loan related expenses (-)	12.1	(0.9)
<b>(2) Net trading income</b>	<b>0.0</b>	0.0
<b>(3) Net other income</b>	<b>(0.0)</b>	(1.2)
(excluding gains (losses) related to bonds)		
Gains (losses) on foreign exchange transaction	(0.0)	(1.2)
<b>(4) Fee revenue (1)+(2)+(3)</b>	<b>19.3</b>	0.4
<b>(5) Core gross business profits</b>	<b>119.8</b>	(4.9)
<b>(6) Fee revenue ratio (4)/(5) (%)</b>	<b>16.14</b>	1.00

## Fee revenue ratio

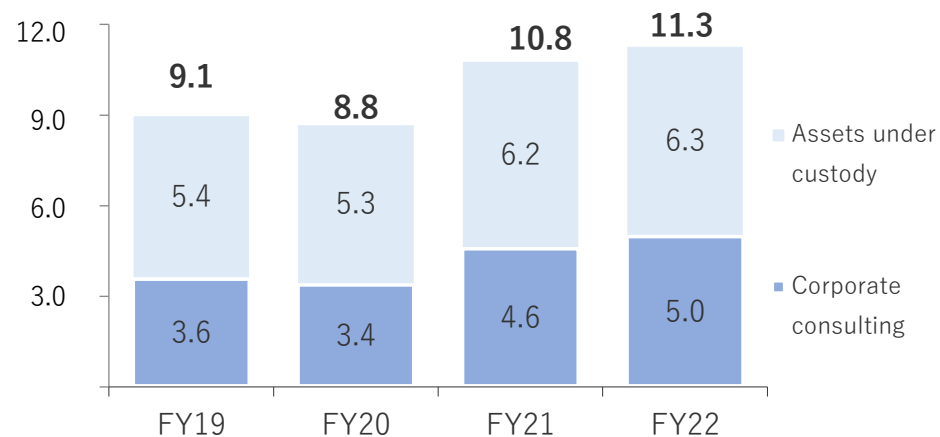
Total of two banks



Long-term goal: Over 18%

## Consulting-related service revenue

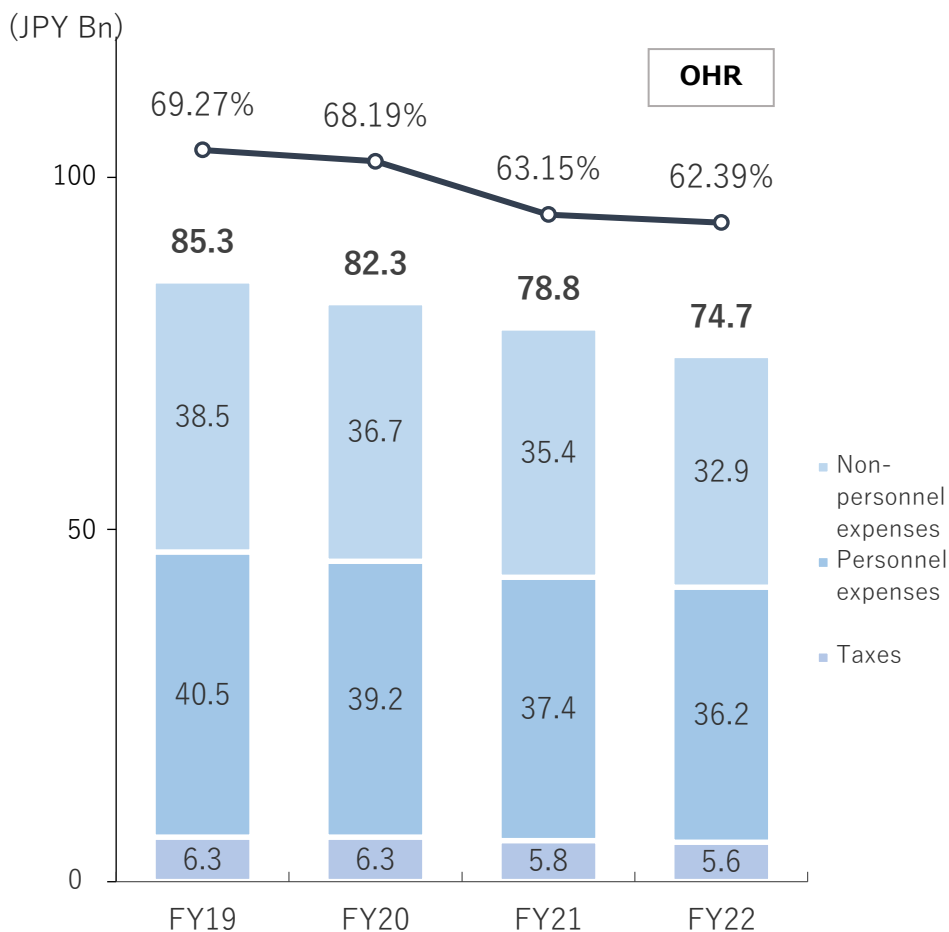
Total of two banks



**Steady reduction in expenses; expect to increase due to several factors such as investment in systems and relocation of the Hokuhoku Sapporo Building this fiscal year.**

## G&A expenses and OHR

Total of two banks

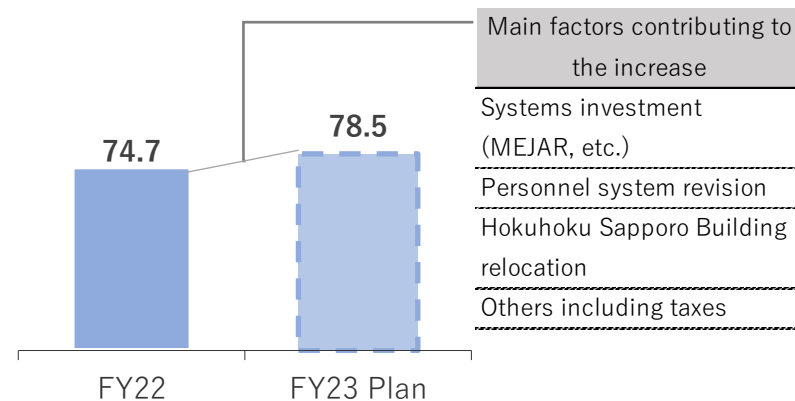


## Main factors contributing to the change in G&A expenses

Total of two banks

	FY22	Change	Main factors contributing to the change
Non-personnel expenses	¥32.9 billion	(¥2.5 bn)	Decrease in deposit insurance premiums and depreciation
Personnel expenses	¥36.2 billion	(¥1.2 bn)	Fewer employees due to operational efficiency
Taxes	¥5.6 billion	(¥0.2 bn)	
<b>Total</b>	<b>¥74.7 billion</b>	<b>(¥4.0 bn)</b>	

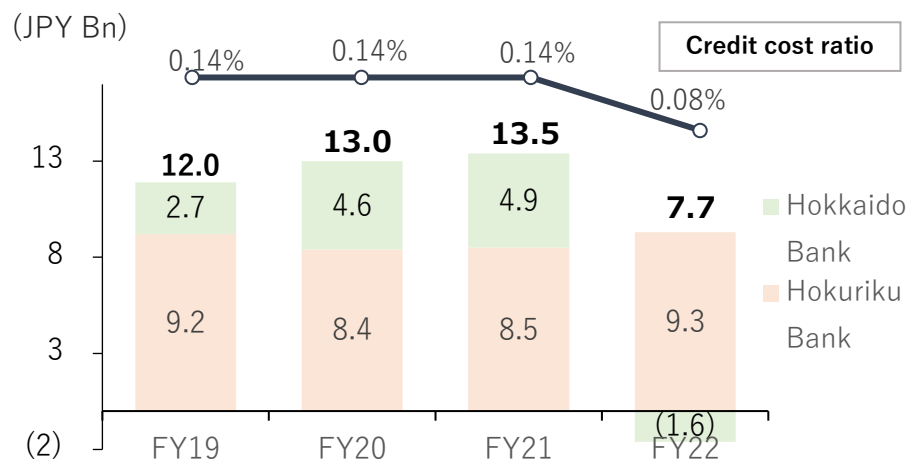
## Investment outlook



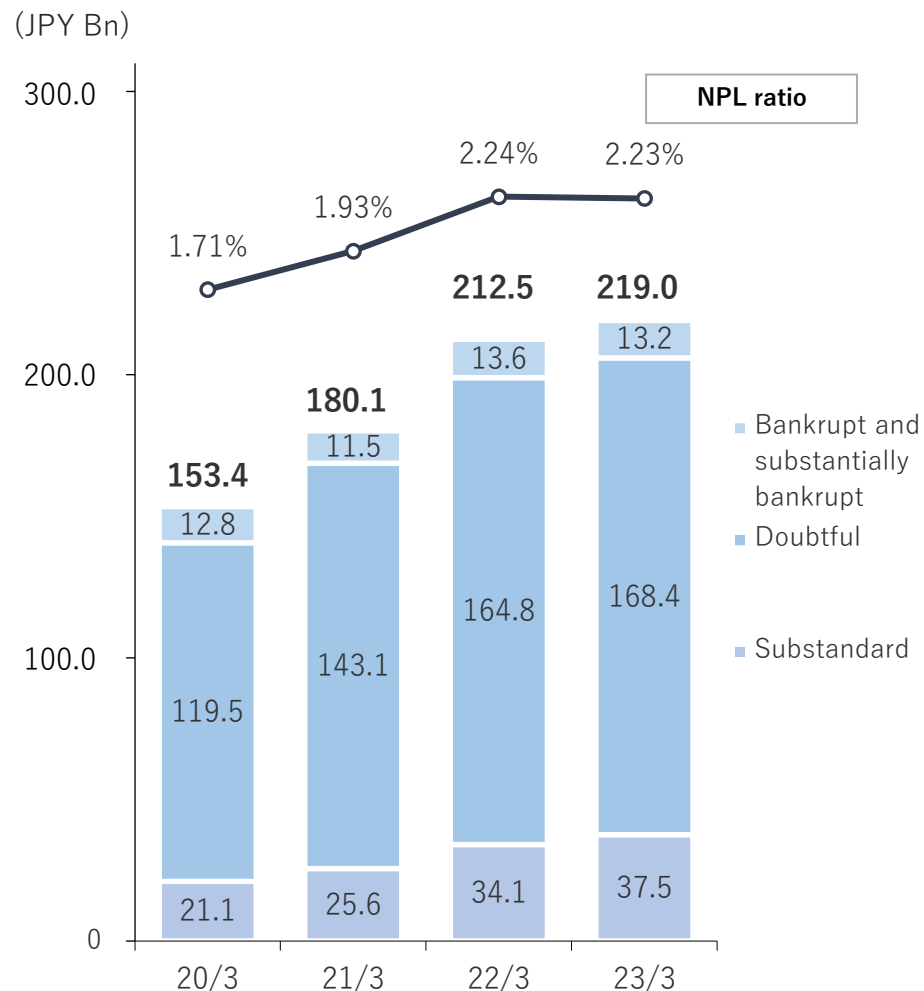
# Net Credit Cost and Non-Performing Loans

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

## Net credit costs



## Balance of non-performing loans Total of two banks

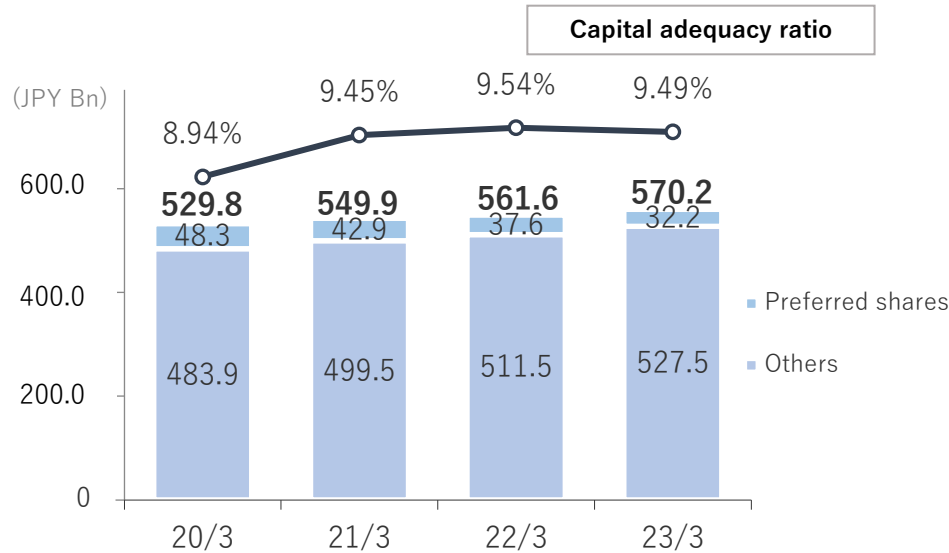


## Breakdown of net credit costs

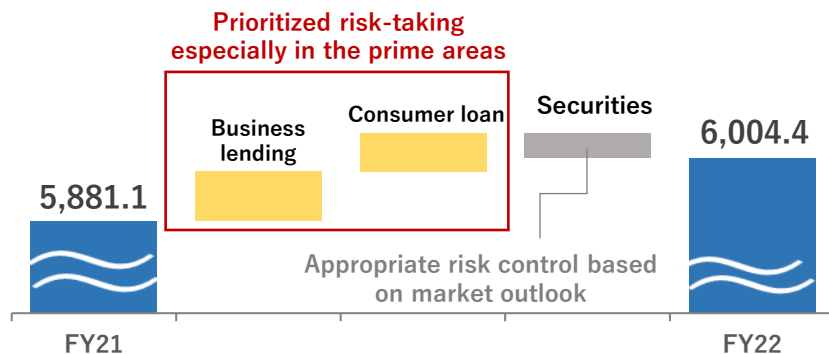
	(JPY Bn)		
FY22	Total of two banks	Hokuriku	Hokkaido
<b>Net credit costs</b>	<b>7.7</b>	9.3	(1.6)
General allowance for loan losses	(2.4)	(2.4)	-
Specific allowance for loan losses and others	<b>10.2</b>	11.8	(1.6)

## Shareholder returns strengthened while balancing capital

### Consolidated capital adequacy ratio

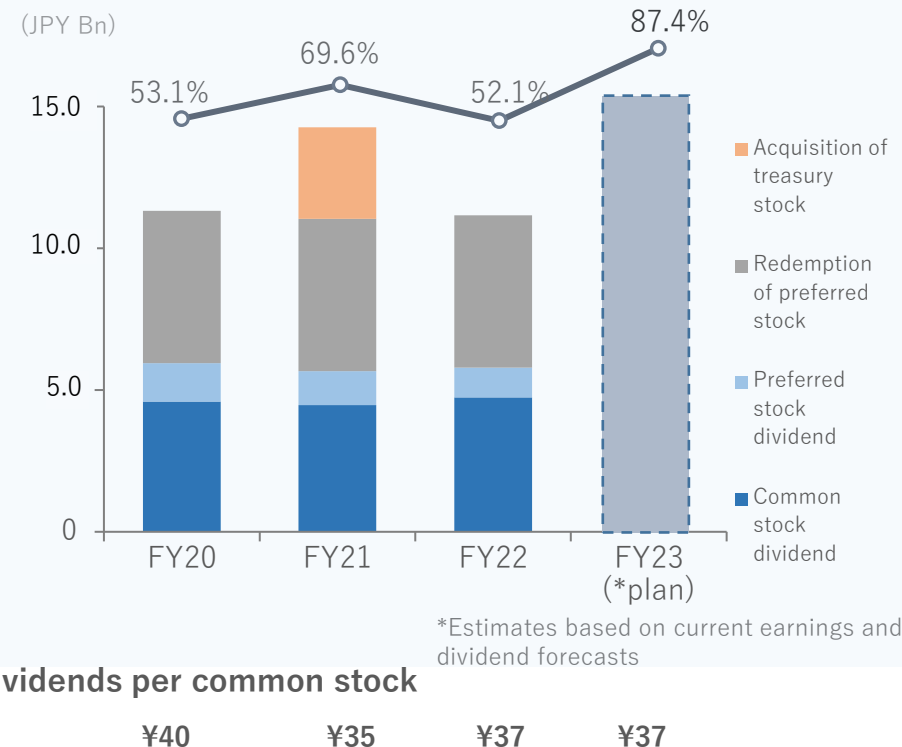


### Factors contributing to the change in risk-weighted assets



### Shareholder return

We announced an increase in common stock dividends and share repurchases.  
(Common stock dividend from ¥35 to ¥37, acquisition of treasury stock up to ¥4 billion)



### Dividends per common stock

¥40      ¥35      ¥37      ¥37

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

**Ordinary profits are expected to be in line with the previous year, although a decrease in net interest income is factored in due to an increase in foreign currency funding costs.**

## Forecasts for FY23

(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 FY23

	Interim	Year-end	Annual
Dividend per common share	—	¥37.00	¥37.00
Dividend per preferred share	¥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)

## Analysis of current status and evaluation

- Hokuhoku FG (Hokuriku Bank and Hokkaido Bank) is the fifth-largest regional bank in terms of total assets.
- PBR and its components, ROE and PER, are in the middle and low end of the regional banks.
- We assess that this is mainly due to a lower return on risk-weighted assets (RORA) than other banks.

$$\begin{array}{ccc}
 \text{(Market capitalization/net assets)} & & \text{(Net income/net assets)} & & \text{(Market capitalization/net income)} \\
 \text{PBR } \mathbf{0.24 \text{ times}} & = & \text{ROE } \mathbf{3.0\%} & \times & \text{PER } \mathbf{8.1 \text{ times}} \\
 \text{Price/book value ratio} & & \text{Return on equity} & & \text{Price-earnings ratio} \\
 = \text{Adequacy of stock price level} & & = \text{Efficiency} & & = \text{Growth potential}
 \end{array}$$

$$\begin{array}{ccc}
 \text{ROE} & = & \text{RORA (Return on Risk-Weighted Assets) } \mathbf{0.3\%} & \times & \text{Financial leverage } \mathbf{10.4 \text{ times}} \\
 & & \text{(Net income/RWA)} & & \text{(RWA/Net assets)}
 \end{array}$$

### Growth Strategy

- Consulting ability × large geographic customer base + initiatives in new fields  
 = Expanding revenue base and improving productivity at the same time
- Strengthening consulting functions and group collaboration (pp. 16–17)
  - Expanding business in GX and DX fields (pp. 18–27)
  - Investing human capital to secure human resources who can drive sustainable growth (pp. 28–31)

### Capital Strategy

- Improving capital efficiency
- Reduction in cross-shareholdings (p. 32)
  - Acquisition of treasury stock
  - Redemption of preferred stock

- Sequentially improving RORA, ROE/PER, and PBR by increasing profitability and growth expectations through growth and capital strategies.

# Management Strategy

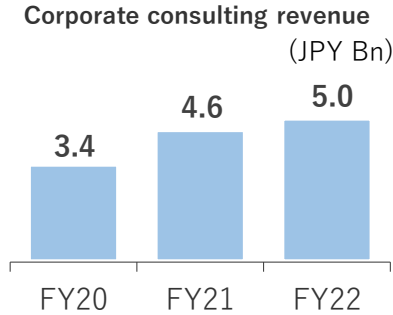
## Strengthening corporate consulting

A steady increase in the number of consulting service contracts with the development of human resources and the enhancement of non-face-to-face tools

**Existing consulting area**

**Expansion**  
Temporary staffing business  
DX & IT introduction support  
Support for decarbonization

**Development of the systems**



### Development of the systems

### Development of highly skilled human resources by dispatching personnel to outside companies

A measure to cultivate a high level of expertise and practical skills, as well as to build personal networks  
Number of personnel dispatched in FY22: **16** (total of two banks)

### Development of training system

Establishing a training system to enhance expertise and develop more practical skills  
Participants in related training in FY22: **1,150** (total of two banks)

### Assistance in obtaining qualifications

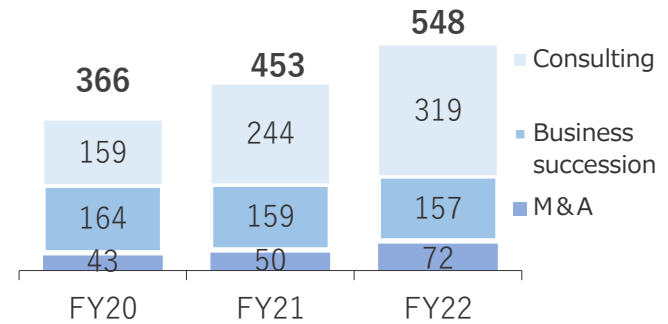
Developing a support system for the acquisition of qualifications, mainly through the expansion of incentives, to raise the level of consulting capabilities  
Number of consulting-related qualification holders: **315** (total of two banks)

### Leveraging non-face-to-face tools

Providing non-face-to-face communication tools equipped with chat, web interview, and document exchange functions to customers from March 2023.

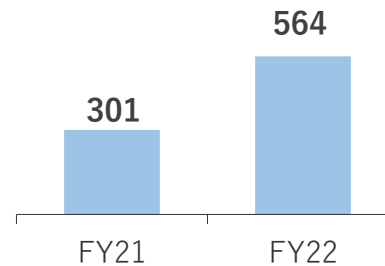
## Existing consulting area

### Number of M&A, business succession and consulting contracts

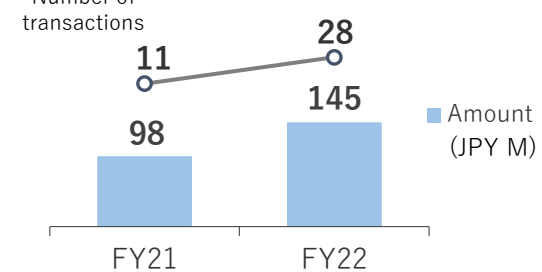


## Expansion of consulting area

### Number of cases of DX support



### Number and amount of ESG leases executed



Promote ESG leasing in partnership with Hokugin Lease  
Designated as an excellent business operator since FY2022



## Strengthening cooperation between the two banks

Reinforcing the system through collaboration meetings between the two banks, standardization of the business-matching (72 collaboration meetings held in FY22)

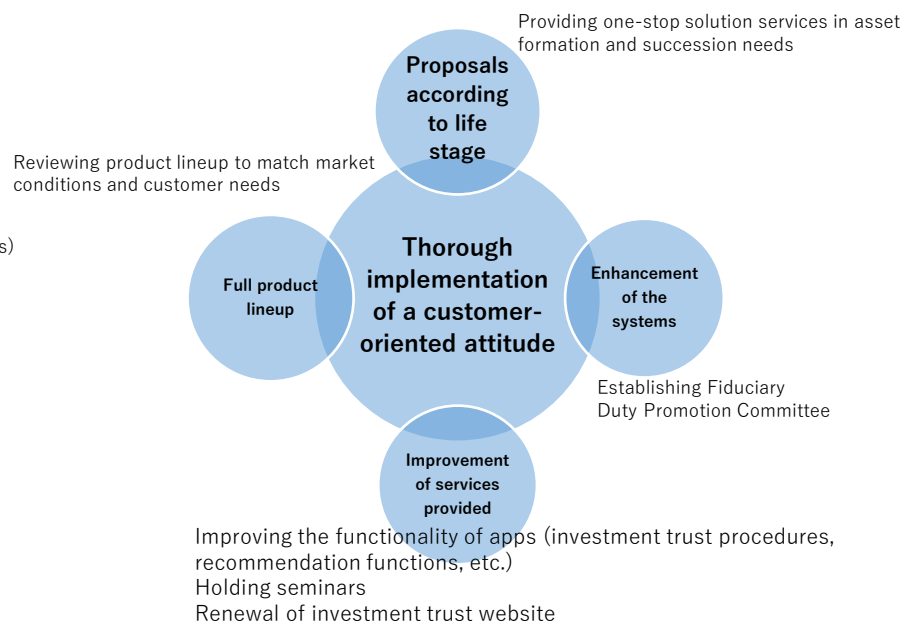
Broadening the range of proposals for business partners by sharing resources



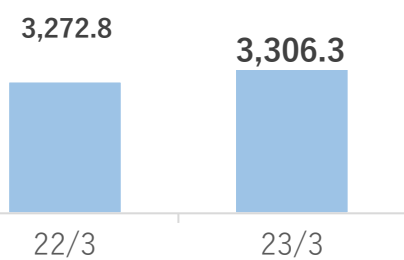
**Hokuriku Bank and Hokkaido Bank collaborate to promote wide-area business-matching and co-financing**

## Strengthening consulting for individuals

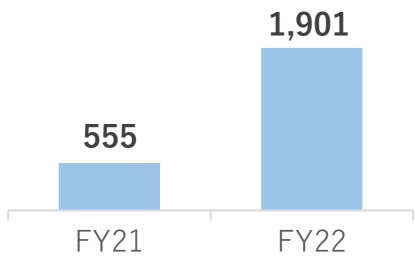
Delivering optimal proposals according to customer needs and life stages  
Contributing to customers' asset formation and portfolio construction by strengthening consulting functions



**Hokkaido-area loan balance** (JPY Bn)

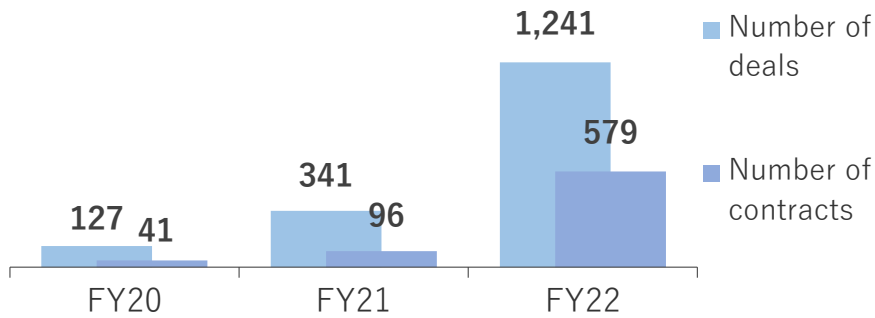


**Number of achievements** (Number of contracts)

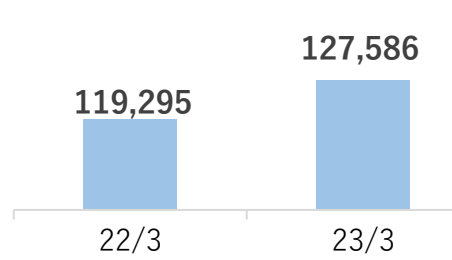


\*Initiatives to help resolve customer issues through collaboration between the two banks (co-financing within the group, wide-area business-matching, etc.)

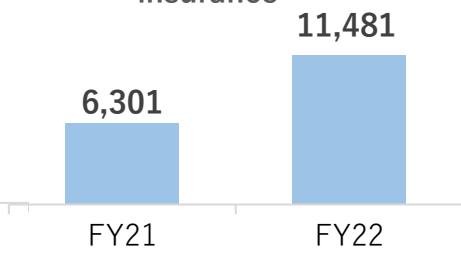
**Number of business-matching cases in which two banks cooperated**



**Number of funded product contracts** (Number of policyholders)



**Number of cases of Trust / One-time payment insurance** (Number of contracts)



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

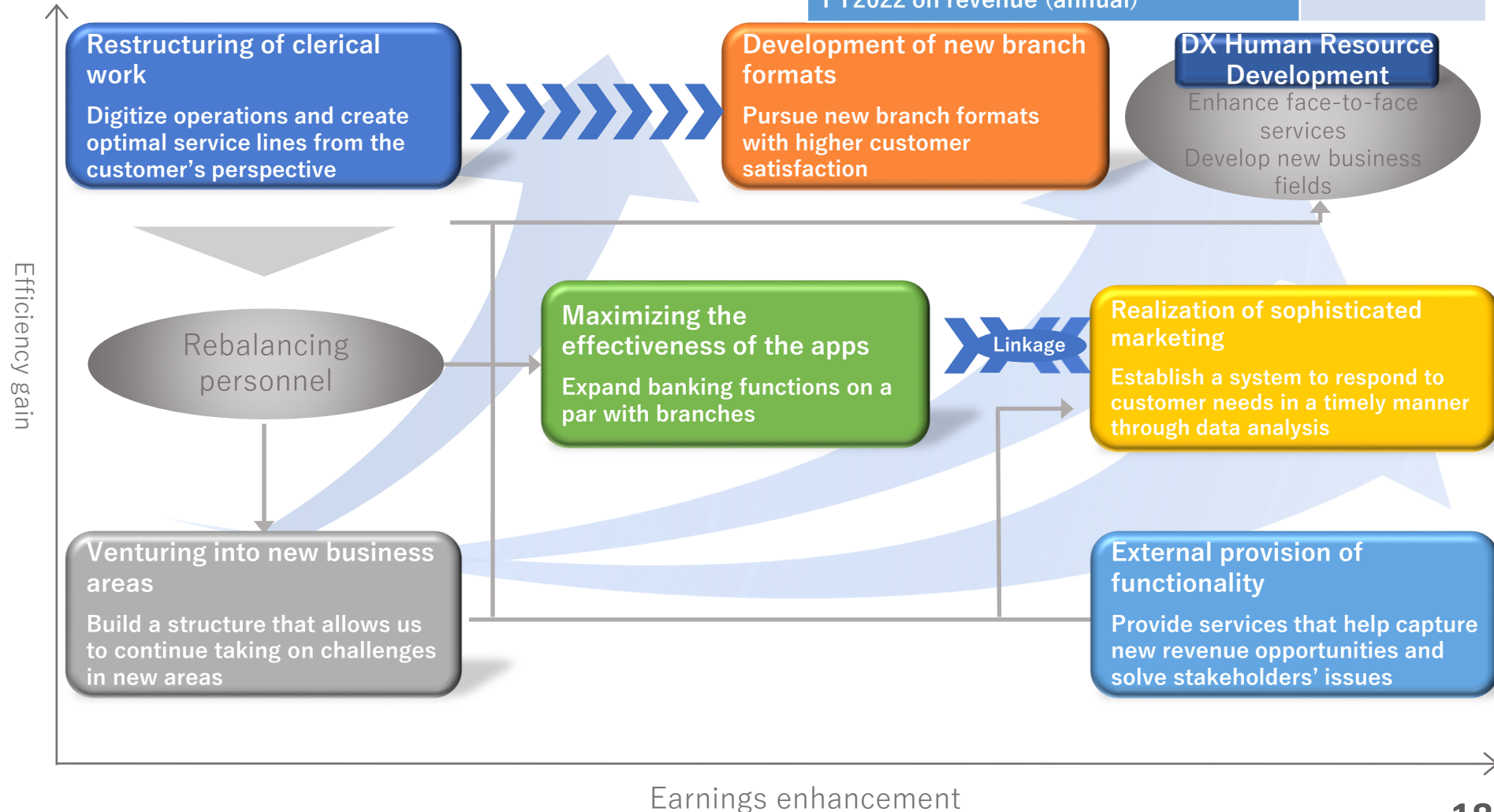
\*Number of contracts for trust products and one-time payment life insurance

## Overview of DX strategy

Improve profitability by increasing productivity through streamlining and boosting the top line through earnings enhancement

Estimated impact of initiatives taken in FY2022 on revenue (annual)

¥385 million



## Various initiatives (clerical work restructuring, maximization of application effectiveness, marketing sophistication, external provision of functions)

### Restructuring of clerical work

- Over-the-counter digital interface
- Data integration platform
- Electronic receipt and execution
- Remote consultation function
- Advanced ATM functions

Aim to increase the value as a financial service provider by digitizing operations and creating optimal service lines from the customer's perspective.

#### TOPICS

#### Improved efficiency of back-office operations through digitalization (use of data integration platform)

We have introduced a system that eliminates and streamlines paperwork at the branches, making it possible to process a variety of transactions without making customers wait. We are expanding the scope of digitalized operations as needed.  
(Example of digitalized operations)

Automated address change, account opening, and back-office operations for foreign exchange  
⇒ Estimated reduction in administrative work hours: 22,000 hours

Estimated effects on revenue

¥66 million

### Maximizing the effectiveness of the apps

- Personal app & IB
- Corporate portal
- Corporate IB
- Open API
- Functions for non-financial fields

Aim to increase customer convenience and diversify customer contact points by implementing banking functions in apps and Internet banking (IB) that are equivalent to those in branches.

#### TOPICS

#### Enhancing personal app functions

⇒ Adding the "COTRA" service (taxes, public funds and remittances) to the menus of both banks' apps

**Remittances using COTRA are useful on various occasions!**

#### Enhancing corporate portal functions

Initiatives taken to expand the number of users

Estimated effects on revenue

¥11 million

## Realization of sophisticated marketing

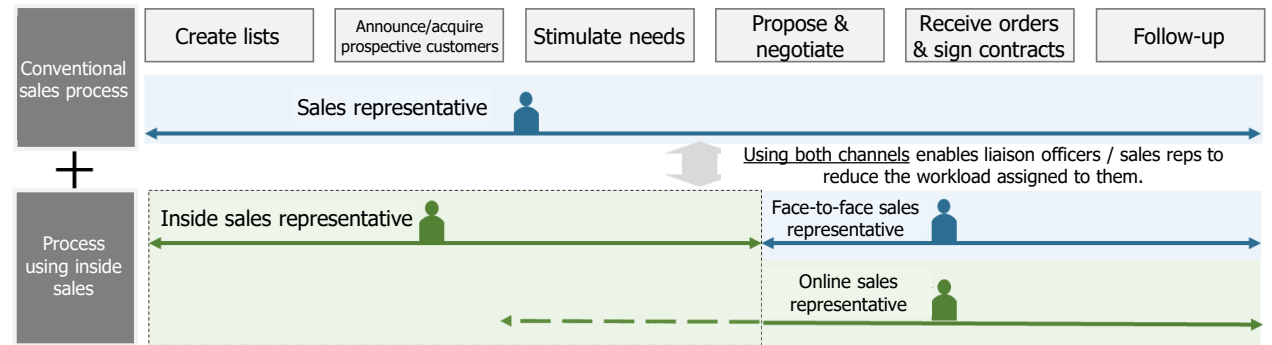
- Personal e-newsletters
- Corporate e-newsletters
- SNS and advertising strategy
- CRM & SFA
- CDP/MA Tools
- Data Science
- Data Engineering & AI

Aim to diversify customer contact points and build a structure that can respond to customer needs in a more timely manner through data analysis

### TOPICS

#### Developing database for inside sales to corporates

Build a business card information database to incorporate “inside sales” into the corporate sales process and use it to identify and nurture more lead customers and strengthen brand power.



Estimated effects on revenue

¥170 million

## External provision of functionality

- BaaS features
- BPO contracts
- External sales of systems (ERP, etc.)
- Regional collaboration platform (PF)

Leveraging digital technology to provide services that help capture new revenue opportunities and solve stakeholders' issues

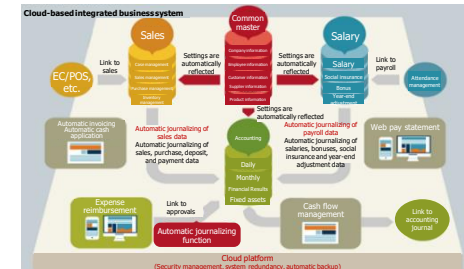
### TOPICS

#### Launch of Hokuhoku Biz-Management\*, a SaaS ERP package for corporations and sole proprietors

Achieving company-wide back-office optimization

\*Overview of the system

- Optimized management of cumbersome back-office operations, such as systemization of order management and automation of cash application through linkage with Internet banking.
- Linkage function with other third-party accounting systems allows existing accounting systems to be used without modification.
- Support for the Qualified Invoice and E-Preservation Act, agenda the companies need to address.
- Electronic Data Interchange (EDI) document exchange between the system and other compatible systems is also available.

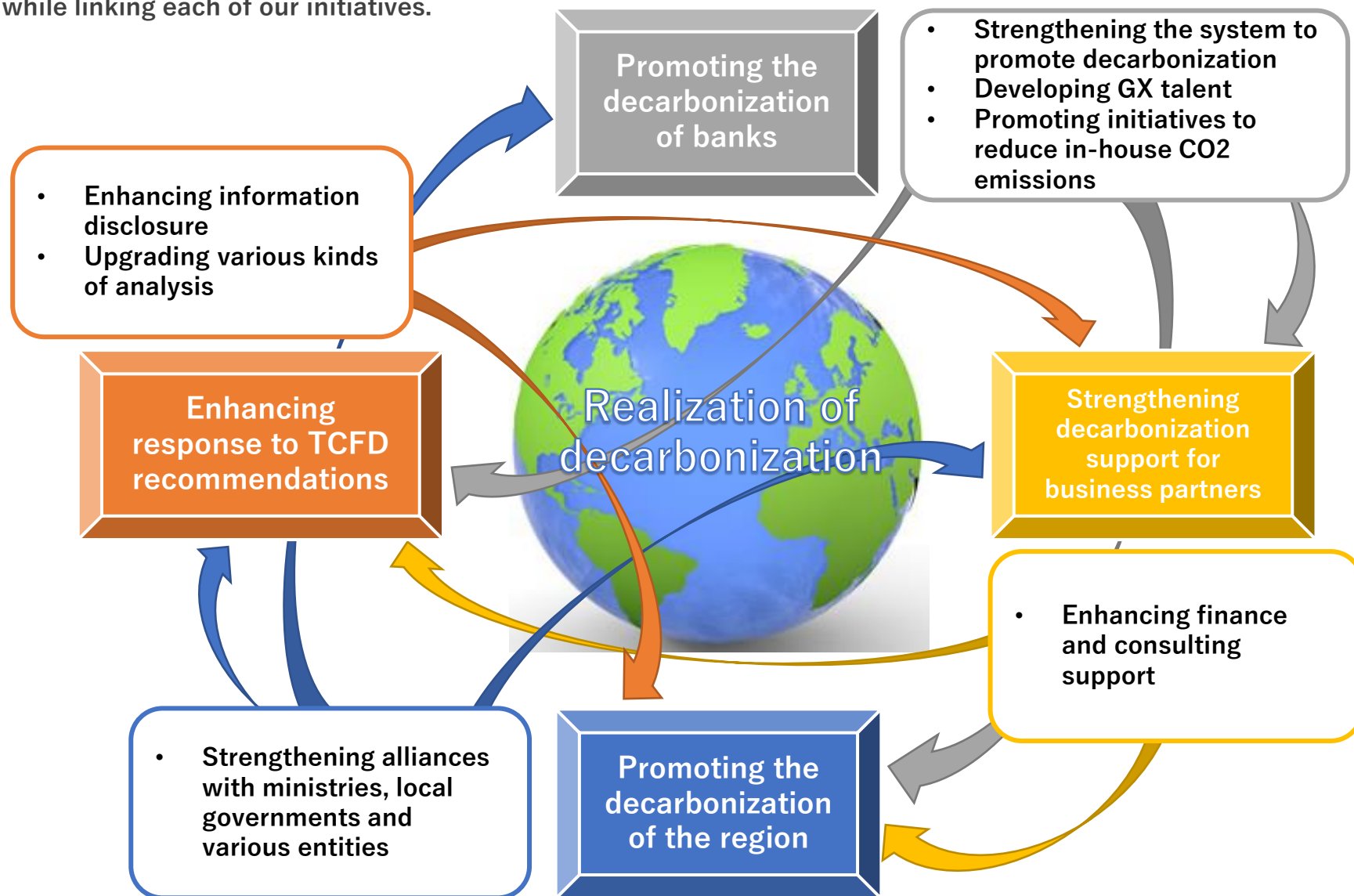


Estimated effects on revenue

¥138 million

## Overview of the environmental 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 banks

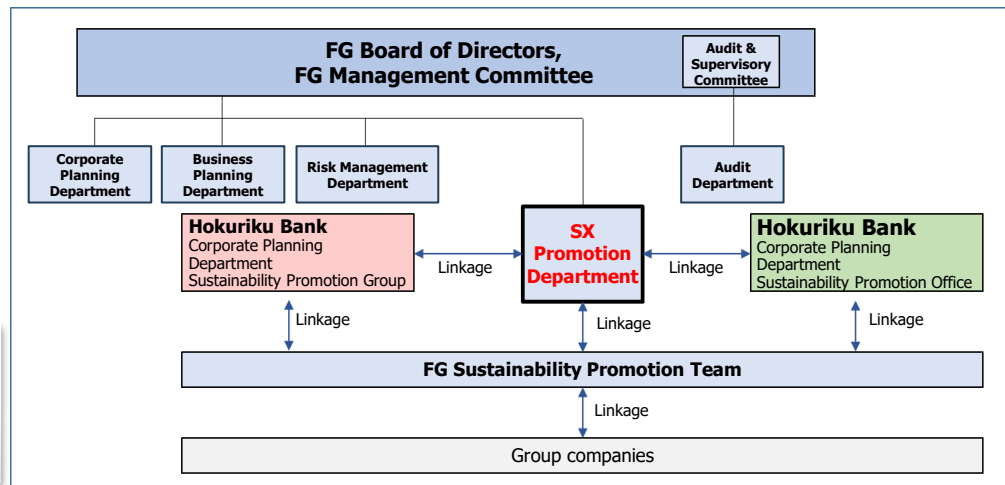
### Strengthening the system to promote decarbonization

#### Establishment of SX Promotion Department

<b>Date</b>	April 1, 2023
<b>Officer in charge</b>	Deputy President Yuji Kanema
<b>Mission</b>	Aiming to solve key sustainability issues for our stakeholders, including our group, business partners, and local communities



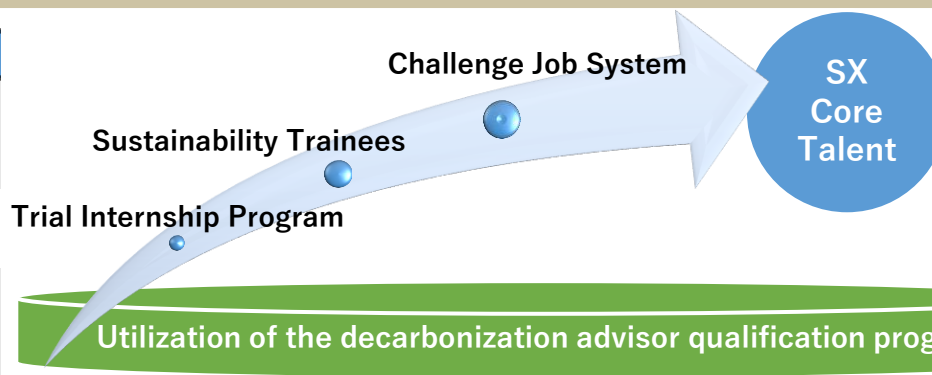
**New organization established at Hokuhoku FG to promote group-wide SX**



### 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 Trainees	Classroom lectures and on-the-job training
Challenge Job System	Employees can request to work in the SX Promotion Department



## Promoting the decarbonization of banks

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

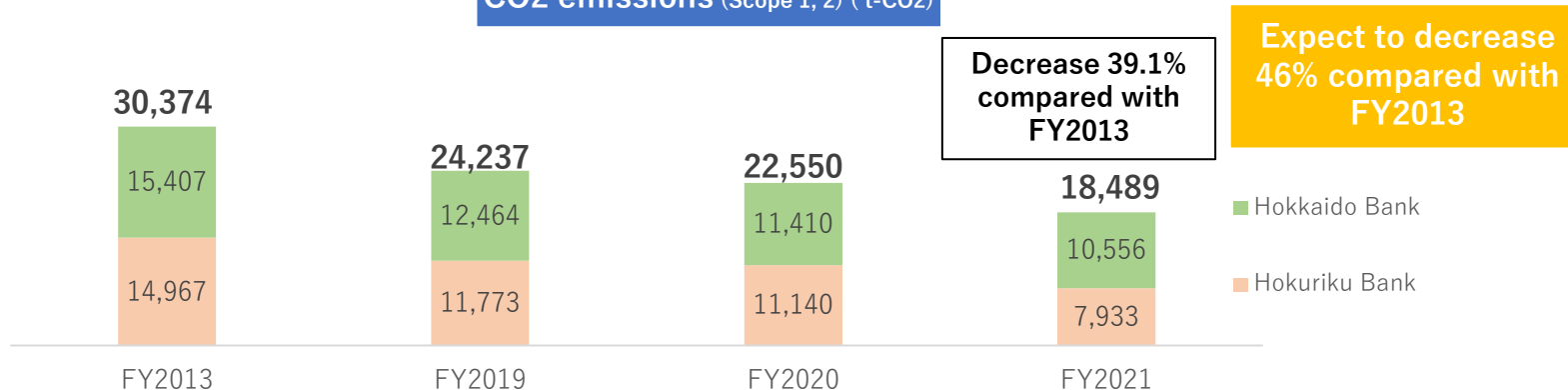
#### Long-term goals

CO2 emissions in our Scope 1 and 2 \*

FY2030: decrease 46% compared with FY2013  
Carbon neutral by FY2050

\*CO2 emission (adjusted) reduction targets at Hokuriku Bank and Hokkaido Bank's domestic branches

#### CO2 emissions (Scope 1, 2) (t-CO2)



## Introduction of ZEB branches and electric vehicles

<b>New building opening</b>	April 2023
<b>Branch</b>	Nonoichi Branch, Hokuriku Bank
<b>Overview</b>	Aiming to construct zero emission buildings (ZEB's) for new branches in order to reduce in-house CO2 emissions Increasing the number of electrically powered business vehicles gradually



## Strengthening decarbonization support for business partners

### Long-term goals

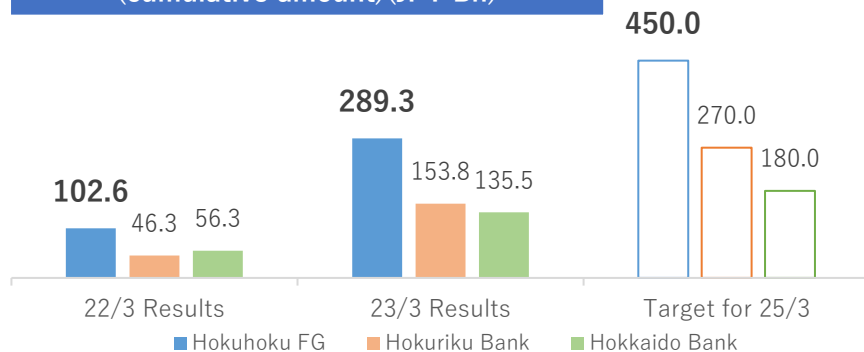
Sustainability-related investments and loans (\*1)  
Environment-related investments and loans (\*2)

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

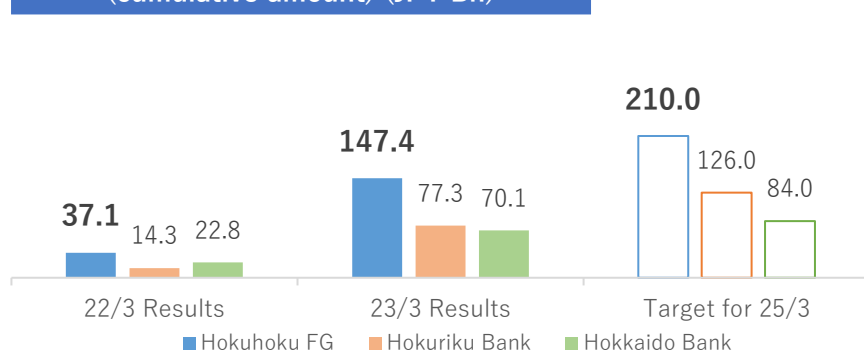
- (\*1) Investments and loans to business partners who work toward achieving the SDGs, as well as investments and loans for medical care, health care, education, fisheries, agriculture, business start-ups, business succession, resilience, and environment-related activities, etc.
- (\*2) Investments and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

#### Hokuhoku sustainable finance products lineup

Evaluation report	Goals	Hokuhoku sustainable finance
With report	S P T s	Sustainability Linked Loan (Hokuhoku SLL-type) <small>Launched on Sept. 16, 2021</small> Green loan (Hokuhoku GL-type) <b>Launched on Mar. 24, 2023</b> Positive Impact Finance (Hokuhoku PIF-type)
	K P I	
Without report	Standard goals	Hokuhoku Three Targets (Hokuhoku standard goal-type) <small>Launched on Apr. 1, 2022</small>
Use of funds		Working capital Equipment financing

**Positive Impact Finance (PIF)** loan is newly added to the product lineup as it is relatively easy to introduce, has no restrictions on the use of funds, and comes with an evaluation report.



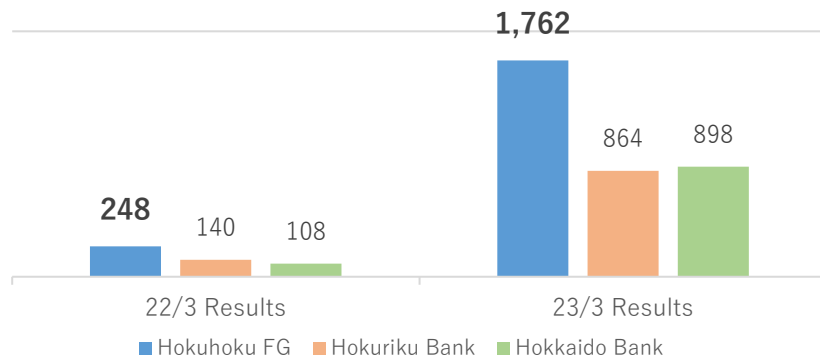
**Dogin Regional Research Institute** conducted an evaluation report on the Hokuhoku Sustainable Finance PIF-type framework.



## Strengthening decarbonization support for business partners

### Enhancing consulting support

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



### Revenue from sustainability-related solutions\*

	FY2022
Finance-related fees	¥756 million
Consulting-related fees	¥122 million
<b>Total</b>	<b>¥878 million</b>

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

## Reinforcing solutions for business partners

Business partners' needs

### Understand

- Dispatching experts • Holding seminars
- Card game • Energy-saving evaluation

### Measure

- GHG emissions calculation • LCA/CFP calculation
- GHG Visualization • ESG Assessment
- Carbon Accounting PF

### Reduce

- Self-consumption • On-site PPA
- Off-site PPA • Non-fossil certificate
- Energy-saving equipment

### Disclose

- Support for environmental management
- Support for TCFD disclosure
- Support for answering CDP questionnaire
- Support for SBT certification



Venture capital investment in the Hokuhoku Innovation Co-Creation No. 1 Investment Limited Partnership operated by [Hokuhoku Capital](#)

Investee

## WOTA

Founded in 2014  
 Company Profile: Aim to realize a small-scale, decentralized water-circulating society for the sustainable use of water by humankind.

We will strengthen collaboration with various solution providers and companies that have been invested in when developing solutions that meet the needs of our business partners.

## Promoting the decarbonization of the region

### Strengthening the alliances

#### Participation in the GX League

Hokuriku Bank and Hokkaido Bank participate in the “GX League,” an initiative of the Ministry of Economy, Trade and Industry to create a credit market to be fully operational by 2026.

Aiming to achieve emission reduction targets voluntarily set and disclosed as members of Group X



#### Hiroshima Bank joins MEJAR Sustainability Solutions Collaboration

Hiroshima Bank participates in the MEJAR Sustainability Solutions Collaboration, which was concluded on September 26, 2022, by Hokuhoku FG, Concordia FG and the 77 Bank.

<b>Purpose</b>	To support the sustainability management of each bank’s customers and contribute to the development of the local economy by sharing information on initiatives in the sustainability field and collaborating to evolve the products and services.
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Agenda for collaboration	Actions
<b>Sustainable finance</b>	Sharing case studies and information on sustainable finance such as Sustainability Linked Loan and Positive Impact Finance, collaboration for product introduction, joint use of evaluation institutions, etc.
<b>Awareness-raising activities inside and outside the banks</b>	Sharing training and education content for employees, co-hosting of external seminars, joint ordering of external consulting services, etc.
<b>Decarbonization-related solutions</b>	Support for visualization of greenhouse gas emissions, sharing information on solutions for GHG emission reduction, sharing information on specialized vendors for decarbonization, etc.

### TOPICS

#### Action taken: Co-hosting of Decarbonization Management Seminar

<b>Date and time</b>	May 19, 2023, 3–5 p.m. Online
<b>Lecture topic</b>	Part 1: Carbon Neutrality in Enterprises, Part 2: Trends in Carbon Credit and GX Speaker: Takeshi Nakanishi, CEO of Carbon Free Consulting Corporation

## Enhancing response to TCFD recommendations

### Initiatives to sophisticate various analyses

## Received a “B” rating in the CDP Climate Change Survey (FY2022)

“B” rating, the highest among financial institutions headquartered in the three Hokuriku prefectures (Toyama, Ishikawa and Fukui) and Hokkaido, was given mainly for its risk management processes and efforts to reduce CO2 emissions. We aim for a rating of B or higher this fiscal year



Your CDP score

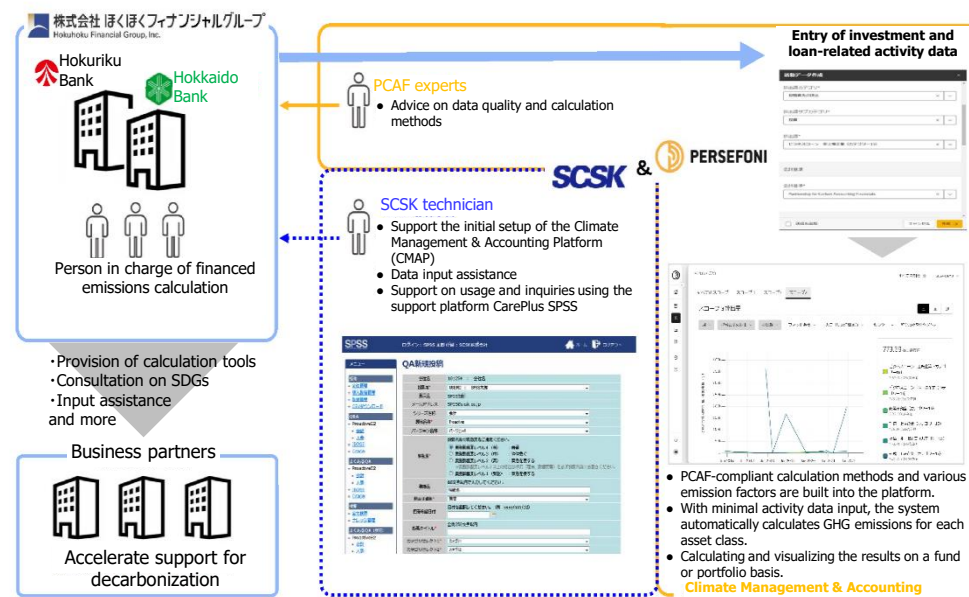


## Launched efforts to advance the calculation of in-house GHG emissions and financed emissions.

With the support of SCSK Corporation, we became the first regional bank in Japan to use Persefoni's greenhouse gas (GHG) emissions calculation platform, which provides a climate management and carbon accounting platform (CMAP) for corporations, financial institutions, and government agencies and began efforts to make its calculation more advanced.

### Objective

- By collectively calculating GHG for many investees and borrowers, we will significantly streamline the calculation process, maintain sustainability in measurement, and reallocate resources to implement more necessary reduction initiatives.
- By working to advance the analysis and management of financed emissions, we can implement more impactful decarbonization initiatives.



## Overview of HR strategy

We will promote human capital management so that individuals, organizations, and regions can grow together based on the vitality generated by maximizing the potential of diverse human resources.

[Long-term vision]

We achieve sustainable growth together with local communities and customers through problem-solving.

[Human capital management policy]

**Developing human resources who lead value creation by connecting communities and business partners**

Continuous creation of self-directed professionals that embody management strategies

Empowering diverse human resources for innovation (DE&I)

Creating an environment that encourages challenge and growth and maximizes ability

**Policy on human resource development and internal environment development**

Clarification of required talent

Human resource development

Strengthening recruitment

**Specific actions**

Empowering women

Corporate culture that encourages challenges

Realizing well-being

Organize issues from three perspectives (As is)

### [Securing the required talent]

The number of employees is declining due to difficulties in recruiting new graduates due to several factors, including the aging society with fewer children and the turnover of young employees and others resulting from increasing job mobility.



### [Nurturing the required talent]

Defining the human resources required to realize priority strategies, understanding the number of personnel needed, and developing a training system fall behind the curve.

### [Organizational Culture]

There need to be more mechanisms and a better environment for fostering a corporate culture that responds to diversifying values and work styles and fosters self-directed personnel.

The Three Pillars of **Human Capital Management**  
(To be)

**Continuous creation of self-directed professionals that embody management strategies**

**Empowering diverse human resources for innovation (DE&I)**

**Creating an environment that encourages challenge and growth and maximizes ability**

## Policy on human resource development and internal environment development

Our basic policy is to “create a virtuous cycle of value creation with our customers and develop human resources capable of contributing to the sustainable growth of the region” and “create an environment in which diverse human resources can work autonomously to enhance their value while feeling satisfaction in their work.”

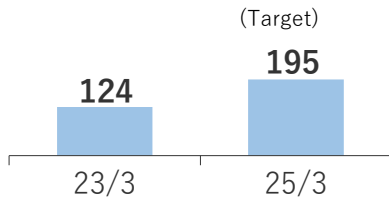
## Continuous creation of self-directed professionals that embody management strategies

### Clarification of required talent

Define the talent needed to realize the strategy and set a target number of people.

#### DX personnel

##### Middle and core talents



(Core talent)

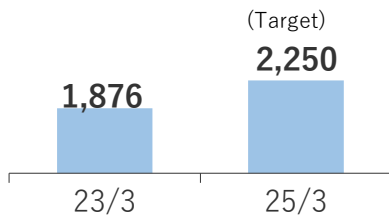
Those who can plan and drive business strategies by utilizing IT and other digital technologies

(Middle talent)

Those who are capable of promoting each DX measure

#### Consulting personnel

##### Middle and core talents



(Core talent)

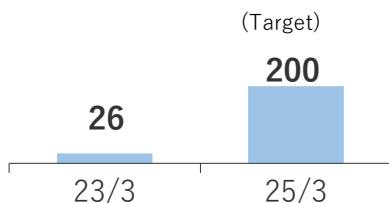
Those who are capable of planning and making proposals using their expert knowledge

(Middle talent)

Those who can propose solutions that meet customers' needs

#### SX personnel

##### Middle and core talents



(Core talent)

Those who are capable of planning for the realization of decarbonized management for regions, customers, and banks

(Middle talent)

Those who can provide comprehensive advice to customers on their decarbonization needs

### Human resource development

Develop highly skilled human resources by dispatching personnel to outside companies.

We actively dispatch employees to outside companies through open recruitment to acquire advanced expertise, foster practical skills and a sense of management, and form personal networks.

KPI	FY22 Results	FY24 Target
Number of employees dispatched to outside companies	16	50

### Enhanced support for self-directed learning and reskilling

We have introduced e-learning for various kinds of self-development support and reskilling tools covering various subjects, from professional knowledge to business skills. In addition to utilizing the knowledge for business purposes, we have established a system that encourages personal growth and the realization of each individual's career goals by deepening insight into areas they wish to learn about.

KPI	FY22 Results	FY24 Target
Total education and training expenses	¥222 million	¥330 million
Number of IT Passport certification holders	1,247	3,300
Number of FP1/CFP holders	294	490
Number of decarbonization-related certification holders	172	800

## Empower diverse human resources for innovation

### Strengthening recruitment

#### ○ Strengthening the ability to disseminate information

- Strengthening information dissemination through diverse channels such as SNS and commercials
- Renewal of recruitment website

#### ○ Placement of career recruiter

- Increasing the number of career recruiters to strengthen recruitment of professional personnel and alumni.

KPI	FY22 Results	FY24 Target
Number of career hires	14	55

### Empowering women

#### ○ Promoting the active participation of women

- Creating an environment that enables a good work-life balance
- Appointment of career advisors and enhanced support for employees on leave who return to work

#### ○ Creating an environment in which diverse human resources can thrive

- Development of various systems such as course conversion and employee recruitment.
- Planning to revise personnel system to further foster a vibrant corporate culture in which diverse members of the workforce can play an active role.

KPI	FY22 Results	FY24 Target
Ratio of female managers	18.7%	24.0%

## Creating an environment that encourages people to take on challenges and growth and maximizes ability

### Realizing well-being

#### ○ Enhancing work-life balance

- Improve well-being through the development and promotion of various leave systems in accordance with life events

#### ○ Promotion of health management

- Promote health management, including certification of White 500 (large enterprise category) under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program.

KPI	FY22 Results	FY24 Target
Percentage of paid leave taken	75.6%	75% or over

### Corporate culture that encourages challenges

#### ○ Expanding the Job Challenge program, training and other opportunities through open application

- In order to encourage employees to work with a sense of fulfillment and to design their careers, we have introduced an open job application system for Job Challenge and other in-house side jobs. We encourage people to take on challenges and foster an organizational culture in which employees take initiative and act.

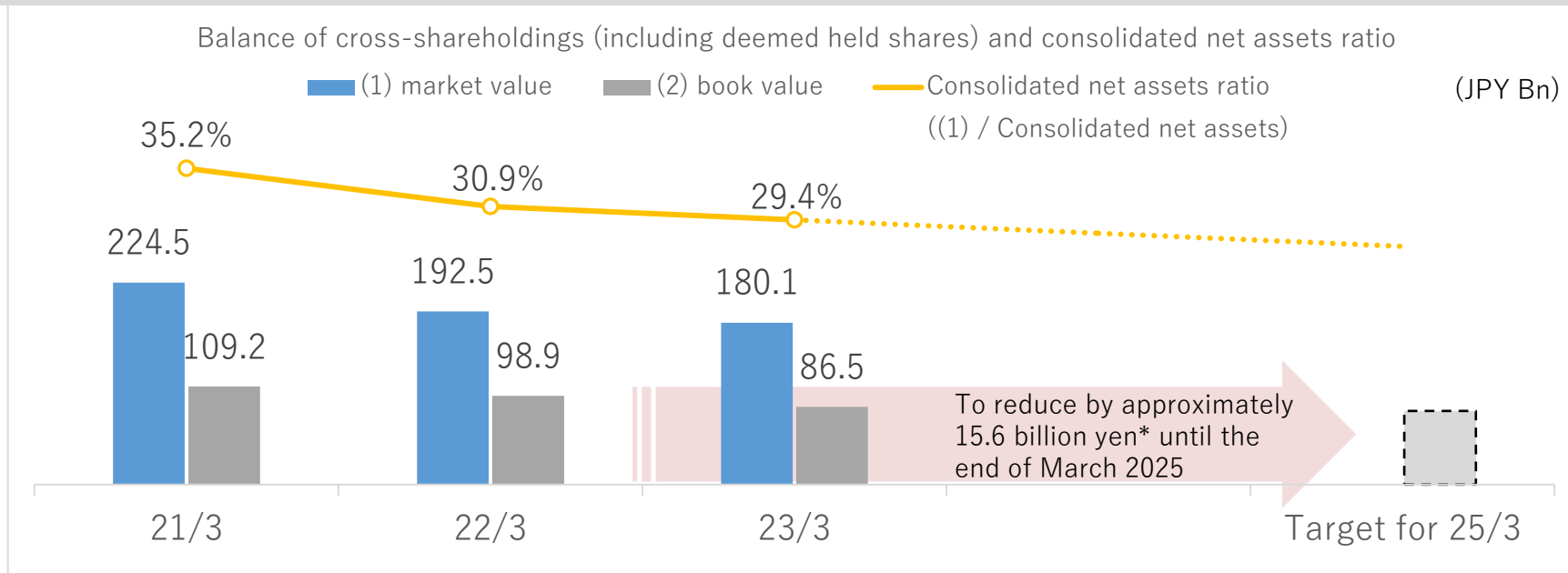
KPI	FY22 Results	FY24 Target
Number of applicants for open positions	156	255

## Reduction of cross-shareholdings

### Formulating targets for reducing cross-shareholdings

#### Policy on cross-shareholdings in FY2023

- (1) Cross-shareholdings shall be made when it is judged that they will maintain and strengthen long-term and stable relationships with the target company and benefit the bank's business strategy, thereby helping to enhance the corporate value of the target company and the Group.
- (2) For cross-shareholdings, the risk and return of holding the shares shall be measured for individual stock based on an index considering the cost of capital.  
The Board of Directors will then conduct a comprehensive review each year to determine whether or not to hold the shares in light of the economic rationale based on prospects, business strategies such as business relationships and business alliances, and the significance of holding the shares in light of their relevance to the local economy.
- (3) Overall, our policy is to reduce cross-shareholdings by 25% (about ¥15.6 billion) of the book value of cross-shareholdings over the three years from FY2022.



\*The target amount (approximately ¥15.6 billion) is calculated at book value, excluding deemed held shares, to eliminate the effect of market value.



# *Appendix*

# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ①

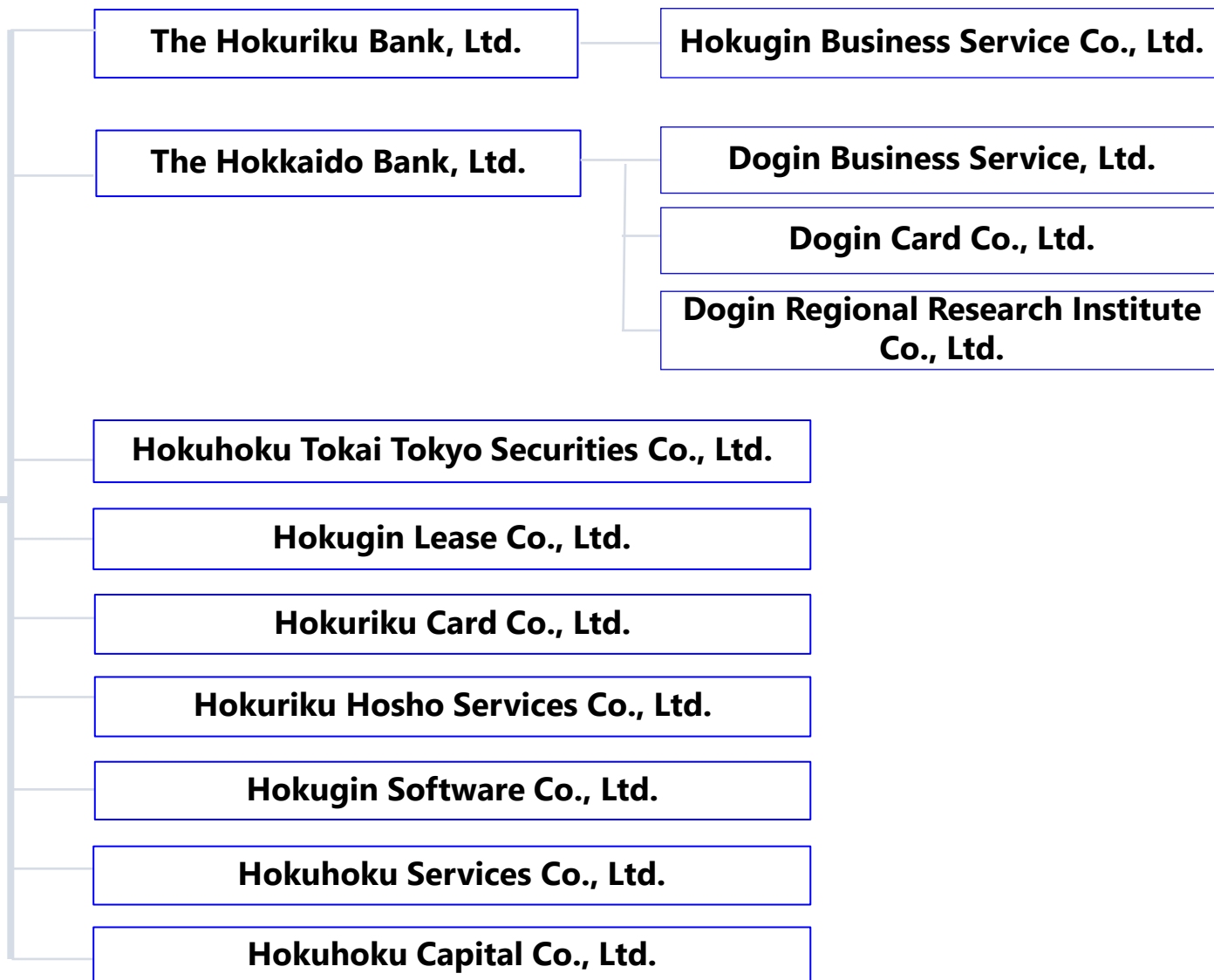
(As of September 30, 2022)

	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)* 64,469,000</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)* 64,459,200</li> </ul>
Total assets	(consolidated) ¥ 16,172.7 billion	¥ 9,477.3 billion	¥ 6,655.6 billion
Deposits & NCD	(consolidated) ¥ 13,513.7 billion	¥ 7,680.3 billion	¥ 5,860.3 billion
Loans	(consolidated) ¥ 9,533.4 billion	¥ 5,186.3 billion	¥ 4,358.7 billion
Capital adequacy ratio	(consolidated) 9.49 %	(non-consolidated) 9.06 %	(non-consolidated) 8.99 %
Employees	88 (Concurrent person)	2,163	2,052
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 October1,2022.

# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ②

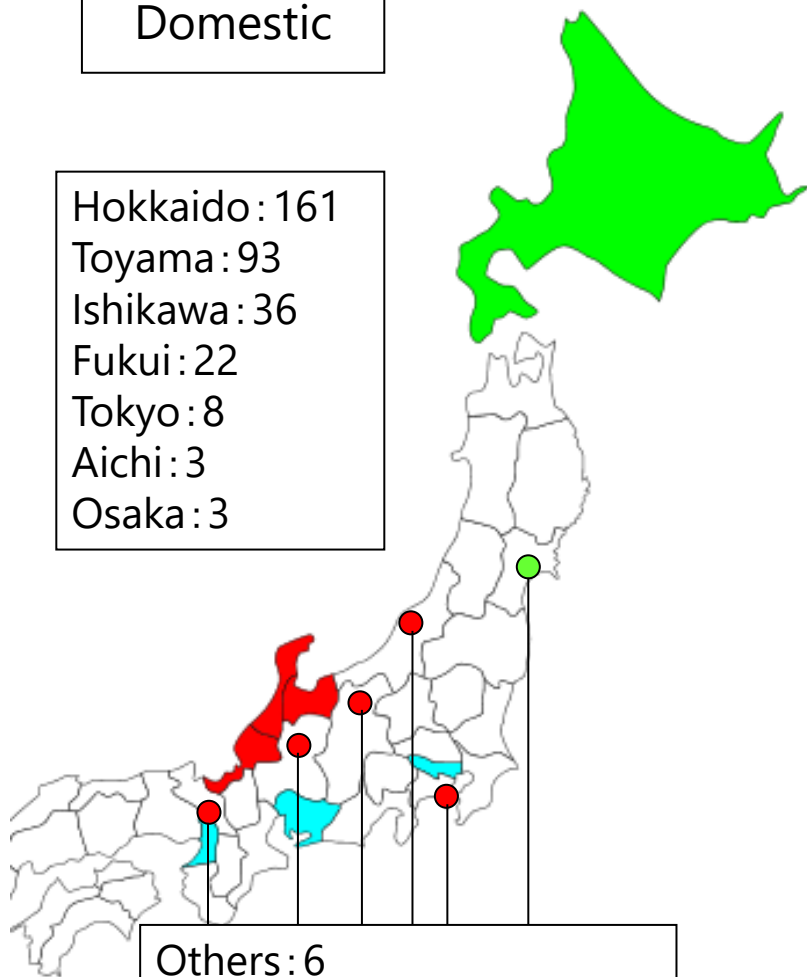


# About Hokuhoku FG

## Outline of Hokuhoku FG and Two Banks ③

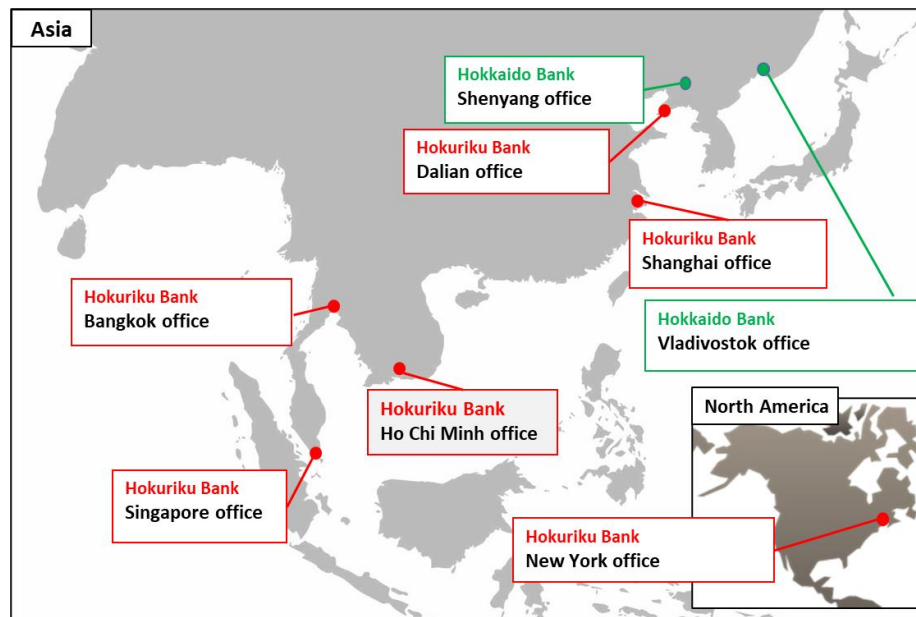
### Domestic

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  | 5. Dalian      |
| 2. Bangkok   | 6. Shenyang    |
| 3. Singapore | 7. Vladivostok |
| 4. Shanghai  | 8. Ho Chi Minh |

# About Hokuhoku FG ②

## Historical Data (Hokuhoku FG )

(JPY Bn)

	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year	FY2022 Interim	FY2022 Full year
<b>&lt;Consolidated&gt;</b>									
Ordinary income	183.6	90.6	182.4	87.9	175.9	87.8	177.7	96.9	187.8
Ordinary profits	35.3	17.4	31.6	18.1	32.2	19.0	30.2	14.5	26.3
Net income attributable to owners of the parent	24.3	11.6	20.2	13.0	21.3	13.1	20.5	9.3	21.4
Capital adequacy ratio	9.09%	9.29%	8.94%	9.32%	9.45%	9.79%	9.54%	9.61%	9.49%

### <Total of two banks>

Core gross business profits	125.7	61.3	123.2	60.9	120.7	61.9	124.8	63.7	119.8
General & administrative expenses	86.5	43.0	85.3	41.5	82.3	40.0	78.8	37.8	74.7
Core net business profits	39.1	18.3	37.8	19.3	38.4	21.9	46.0	25.8	45.0
Net gains(losses) related to securities	3.1	4.2	6.6	3.9	7.5	3.3	(1.4)	(2.7)	(8.4)
Credit costs	4.6	5.1	12.0	4.4	13.0	5.2	13.5	6.7	7.7
Ordinary profits	36.7	17.7	31.4	18.7	32.0	19.8	30.4	15.3	26.9
Net income	26.6	12.4	20.8	14.1	22.4	14.5	21.8	10.6	23.0
ROA	0.30%	0.28%	0.28%	0.27%	0.25%	0.25%	0.26%	0.29%	0.27%
OHR	68.85%	70.11%	69.27%	68.18%	68.19%	64.59%	63.15%	59.44%	62.39%
Loans	8,360.8	8,456.5	8,673.1	8,993.8	9,065.1	9,111.8	9,211.1	9,321.5	9,545.1
Deposits (including NCD)	11,439.7	11,429.8	11,662.6	12,451.4	12,815.6	12,982.4	13,233.3	13,309.8	13,540.6
Securities	1,788.8	1,848.6	1,807.2	1,959.7	2,100.1	2,056.6	2,199.5	2,108.5	1,846.7
Non performing loan	154.6	158.8	153.4	163.3	180.1	194.3	212.5	230.5	219.0
NPL ratio	1.79%	1.82%	1.71%	1.76%	1.93%	2.07%	2.24%	2.40%	2.23%

# About Hokuhoku FG ③

## Historical Data (Hokuriku Bank )

(JPY Bn)

	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year	FY2022 Interim	FY2022 Full year
Ordinary income	90.2	44.7	88.5	42.9	86.4	42.5	88.9	53.0	97.2
Core gross business profits	69.1	33.3	66.8	32.9	66.7	33.5	68.4	34.5	65.2
General & administrative expenses	46.4	23.0	45.7	22.1	43.9	21.1	41.7	20.1	39.4
Core net business profits	22.6	10.2	21.1	10.7	22.8	12.4	26.7	14.4	25.8
Net gains(losses) related to securities	2.1	2.9	5.0	3.0	5.7	1.8	2.1	0.4	(0.9)
Credit costs	2.8	4.2	9.2	3.3	8.4	2.4	8.5	8.1	9.3
Ordinary profits	22.1	9.9	17.7	10.6	20.5	12.4	20.9	6.1	14.5
Net income	15.5	6.5	11.2	8.4	14.2	9.2	13.1	4.2	14.3
Capital adequacy ratio	8.79%	8.92%	8.59%	9.00%	9.14%	9.49%	9.31%	9.36%	9.06%
ROA	0.29%	0.26%	0.27%	0.25%	0.25%	0.24%	0.26%	0.28%	0.26%
OHR	67.19%	69.24%	68.43%	67.34%	65.81%	62.99%	60.92%	58.29%	60.46%
Loans	4,740.3	4,823.4	4,910.3	5,058.4	5,033.3	4,978.9	5,061.6	5,167.6	5,186.3
Deposits (including NCD)	6,636.8	6,597.2	6,735.4	7,168.1	7,350.5	7,381.3	7,536.9	7,511.1	7,680.3
Securities	1,197.0	1,194.4	1,158.0	1,203.8	1,268.1	1,261.0	1,294.3	1,229.4	1,185.4
Non performing loan	91.4	94.9	96.2	104.1	114.6	123.4	136.4	149.9	141.3
NPL ratio	1.89%	1.93%	1.92%	2.02%	2.24%	2.43%	2.64%	2.84%	2.67%

# About Hokuhoku FG ④

## Historical Data (Hokkaido Bank )

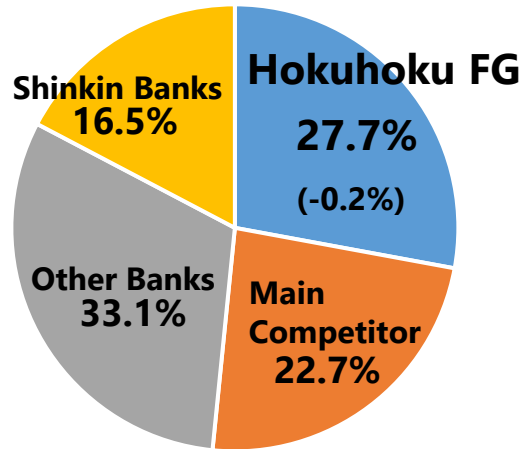
(JPY Bn)

	FY2018 Full year	FY2019 Interim	FY2019 Full year	FY2020 Interim	FY2020 Full year	FY2021 Interim	FY2021 Full year	FY2022 Interim	FY2022 Full year
Ordinary income	75.5	36.5	74.9	36.4	71.5	37.1	72.9	37.4	76.9
Core gross business profits	56.5	28.0	56.3	28.0	54.0	28.3	56.4	29.1	54.6
General & administrative expenses	40.1	19.9	39.6	19.3	38.4	18.8	37.1	17.7	35.3
Core net business profits	16.4	8.0	16.7	8.6	15.6	9.5	19.2	11.4	19.2
Net gains(losses) related to securities	0.9	1.3	1.5	0.9	1.7	1.4	(3.6)	(3.1)	(7.4)
Credit costs	1.7	0.8	2.7	1.0	4.6	2.8	4.9	(1.4)	(1.6)
Ordinary profits	14.5	7.8	13.7	8.0	11.5	7.4	9.5	9.1	12.4
Net income	11.0	5.8	9.5	5.7	8.1	5.2	8.7	6.3	8.7
Capital adequacy ratio	8.69%	8.98%	8.76%	9.06%	8.88%	9.21%	8.94%	9.08%	8.99%
ROA	0.31%	0.29%	0.30%	0.29%	0.25%	0.26%	0.26%	0.31%	0.27%
OHR	70.89%	71.14%	70.27%	69.15%	71.12%	66.48%	65.86%	60.79%	64.69%
Loans	3,620.5	3,633.0	3,762.7	3,935.4	4,031.7	4,132.9	4,149.5	4,153.8	4,358.7
Deposits (including NCD)	4,802.8	4,832.5	4,927.2	5,283.3	5,465.1	5,601.0	5,696.4	5,798.6	5,860.3
Securities	591.8	654.2	649.2	755.9	832.0	795.5	905.2	879.1	661.2
Non performing loan	63.3	63.9	57.2	59.2	65.5	70.8	76.1	80.6	77.7
NPL ratio	1.66%	1.68%	1.45%	1.44%	1.56%	1.64%	1.76%	1.86%	1.72%

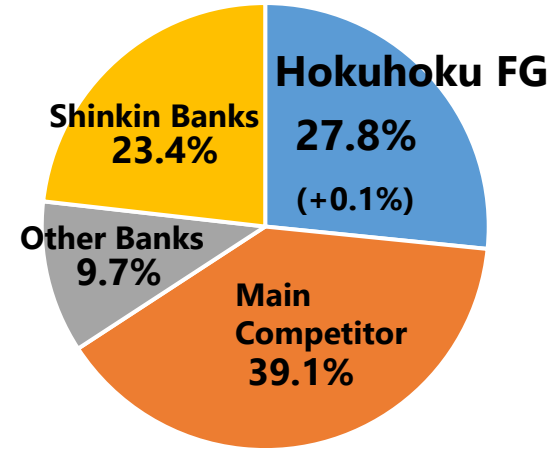
# About Hokuhoku FG ⑤

## Market Share in Our Home Market (Loans, Sep-22)

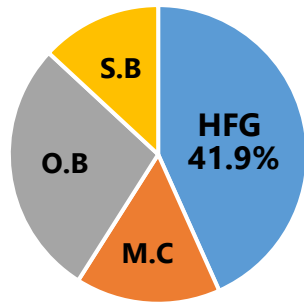
### Hokuriku Area



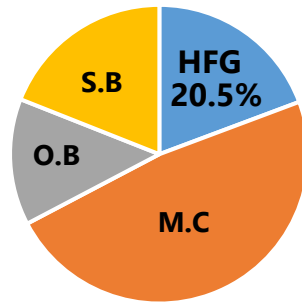
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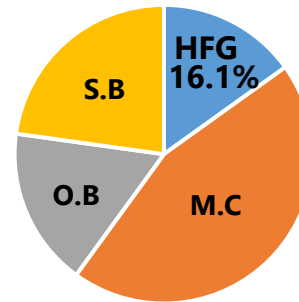
(vs. Sep-21)



Toyama



Ishikawa

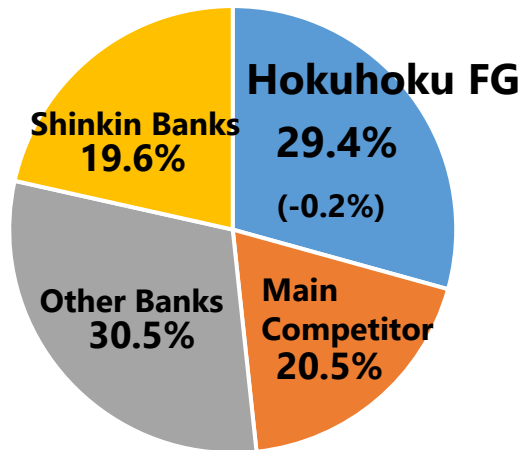


Fukui

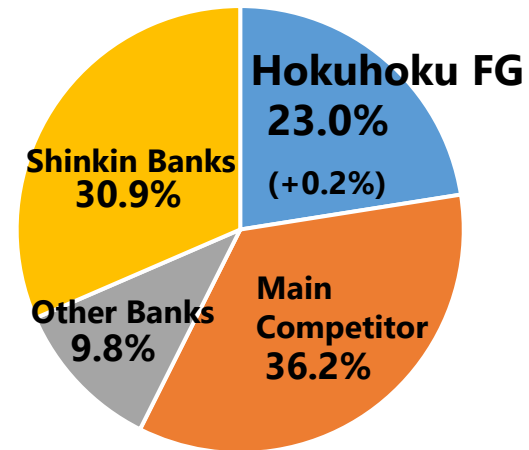
\*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.



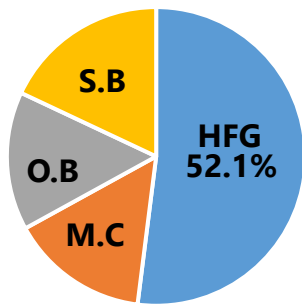
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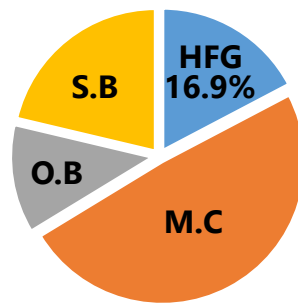
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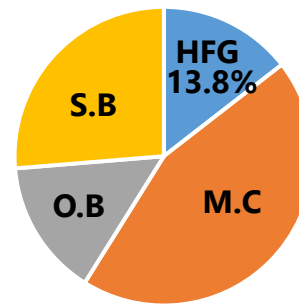
(vs. Sep-21)



Toyama



Ishikawa



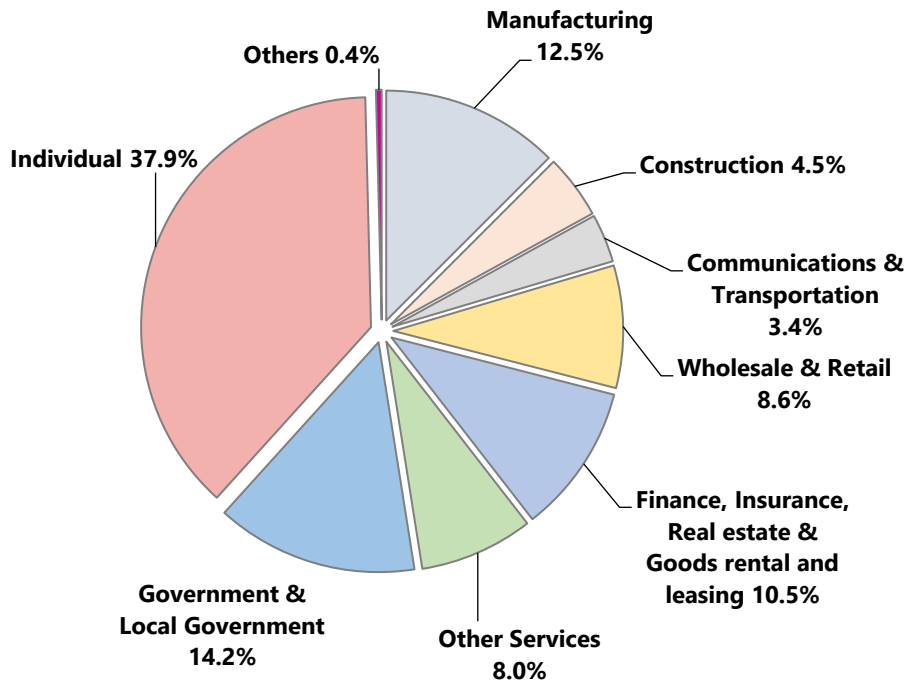
Fukui

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

# About Hokuhoku FG ⑦

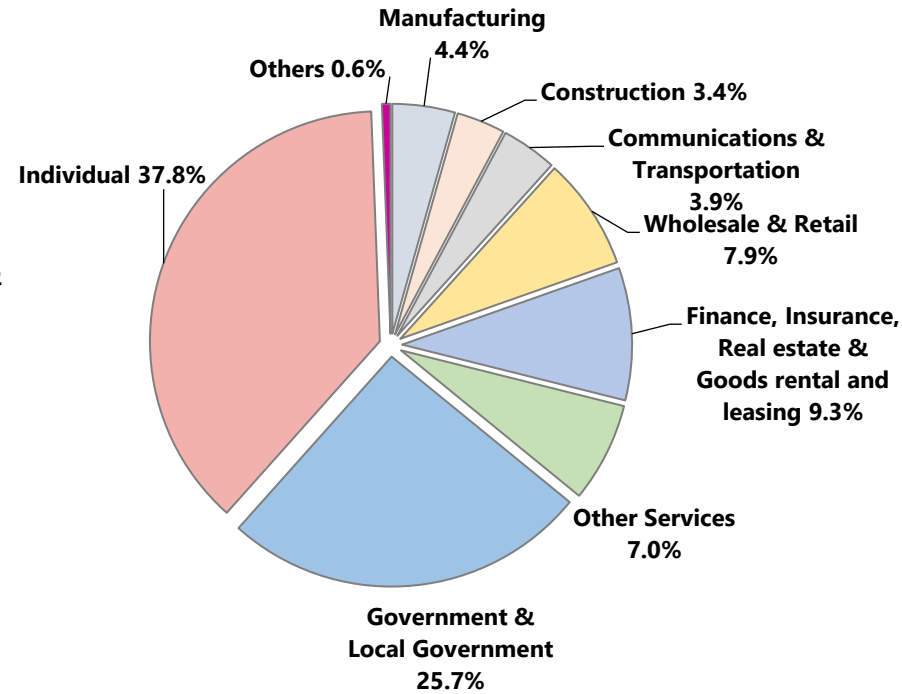
## Lending in the Region by Industry (Mar-23)

### Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

### Hokkaido Bank



Region: Hokkaido

# The Present Condition of the Regional Economy

## Economic Conditions

Apr-23	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	ALL JAPAN	Hokuriku Area	Hokkaido Area
Economic Trend	Picking up moderately, Although some weaknesses are seen	Picked up	Picking up moderately
Public Investment	Holds firm	Has been relatively weak	Has been relatively weak
Business Investment	Picking up	Increasing	Picking up moderately
Private consumption	Picking up moderately	Picking up steadily	Increasing moderately
Housing construction	Shown a steady undertone	Declining	Declining
Production	Weak tone recently	Weakening	Has been more or less flat
Employment & income	Picking up	Picking up moderately	Has been improving moderately, although some weakness has been seen in part
Consumer prices	Rising	Rising	Year-on-year change exceeded previous month
The number of bankrupt companies	Appears to be increasing	Compared to the previous year, although the number of cases decreased, the total amount of liabilities exceeded	Remains at a low level

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