



Investor Meeting
~ Financial Results for FY 2016 ~
(Ended March 31, 2017)



Hokuhoku Financial Group, Inc.



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Management Philosophy

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

Prospering together with the region

We execute social mission to prosper mutually with customers and local community.

Fair & Steady Management

We aim at fair and steady management to respond to social confidence.

Progressive & Innovative Services

We pursue creativity and innovation in vital workplace to provide attractive services.

I . Financial Results for FY 2016

Financial Highlight for FY2016



Net income attributable to owner of the parent was ¥28.1Bn,
an increase of ¥1.50 per share compared with FY2015

Net Income	Interest income on loans and interest and dividend income on securities decreased because negative interest rate policy caused the decline in market interest rate, and sales of investment trusts and insurance products also decreased. On the other hand, net income attributable to owners of parent decreased moderately compared to the previous year and exceeded our initial plan due to the reduction of G&A expenses and credit costs. Accordingly, the year-end dividend is planned to be ¥44.00 (increase by ¥1.50) .
Deposits Loans Securities	Deposits increased due to the steady increase in individual deposits and corporate deposits. Loans increased due to the increase in business loans and consumer loans. Securities increased due to the increase in foreign bonds and investment trusts, while Japanese yen bonds decreased.
Net credit cost /NPL	Net credit costs decreased and recorded a reversal of allowance for doubtful receivables due to the decline in the rate of provision of allowance for loan losses. Non performing loans continued to decrease .
Capital	Consolidated capital adequacy ratio decreased due to the redemption of subordinated loans (¥32.5Bn) , and the increase in risk assets caused by increase in loans.

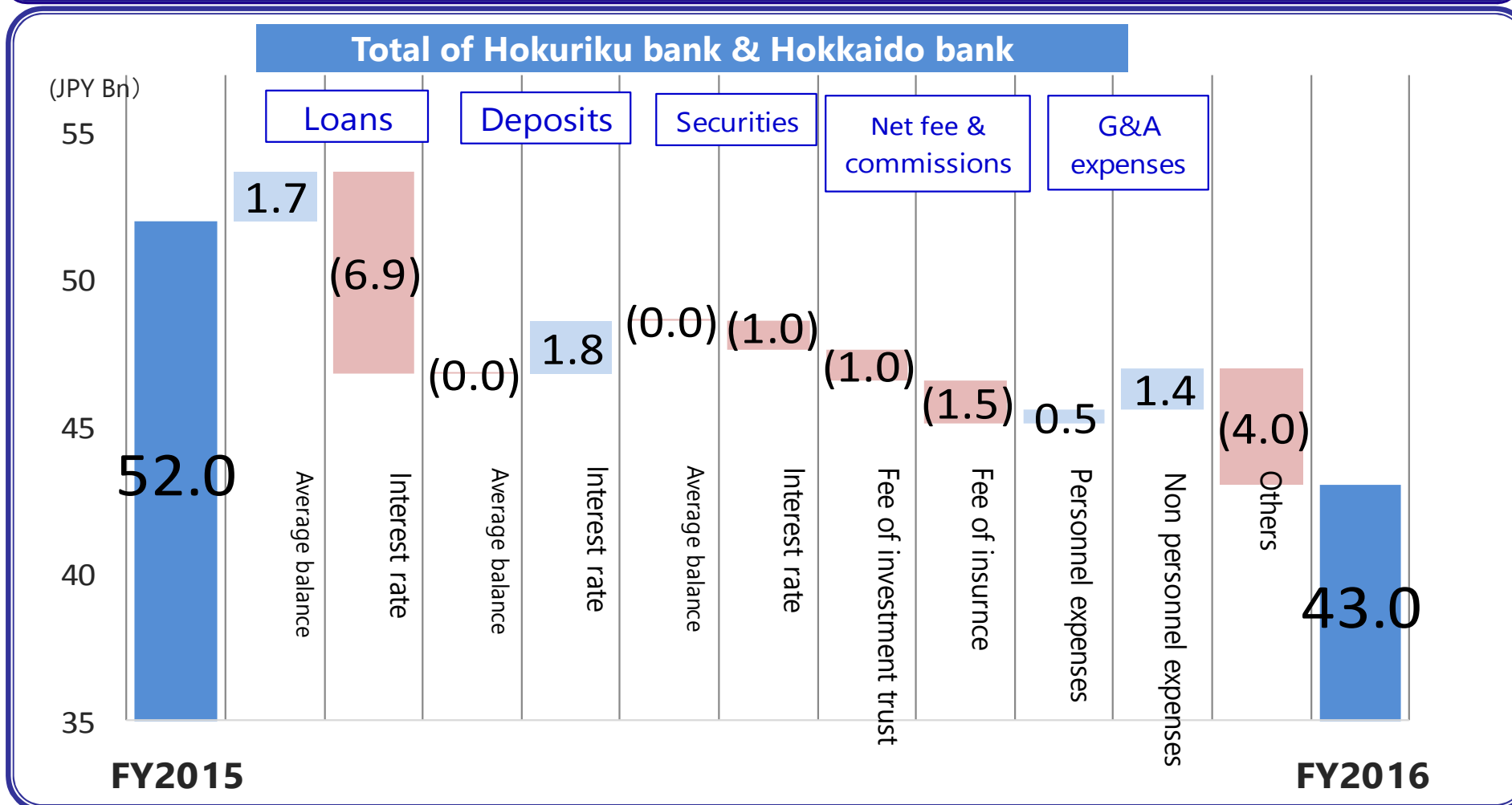
Financial Highlight for FY2016

(Reason for change in core net business profits)



- Core net business profits decreased by ¥8.9Bn to ¥43.0Bn compared to the previous year due to the decline in interest rate of loans, and was ¥1.0Bn below the initial plan.

Reason for change in core net business profits

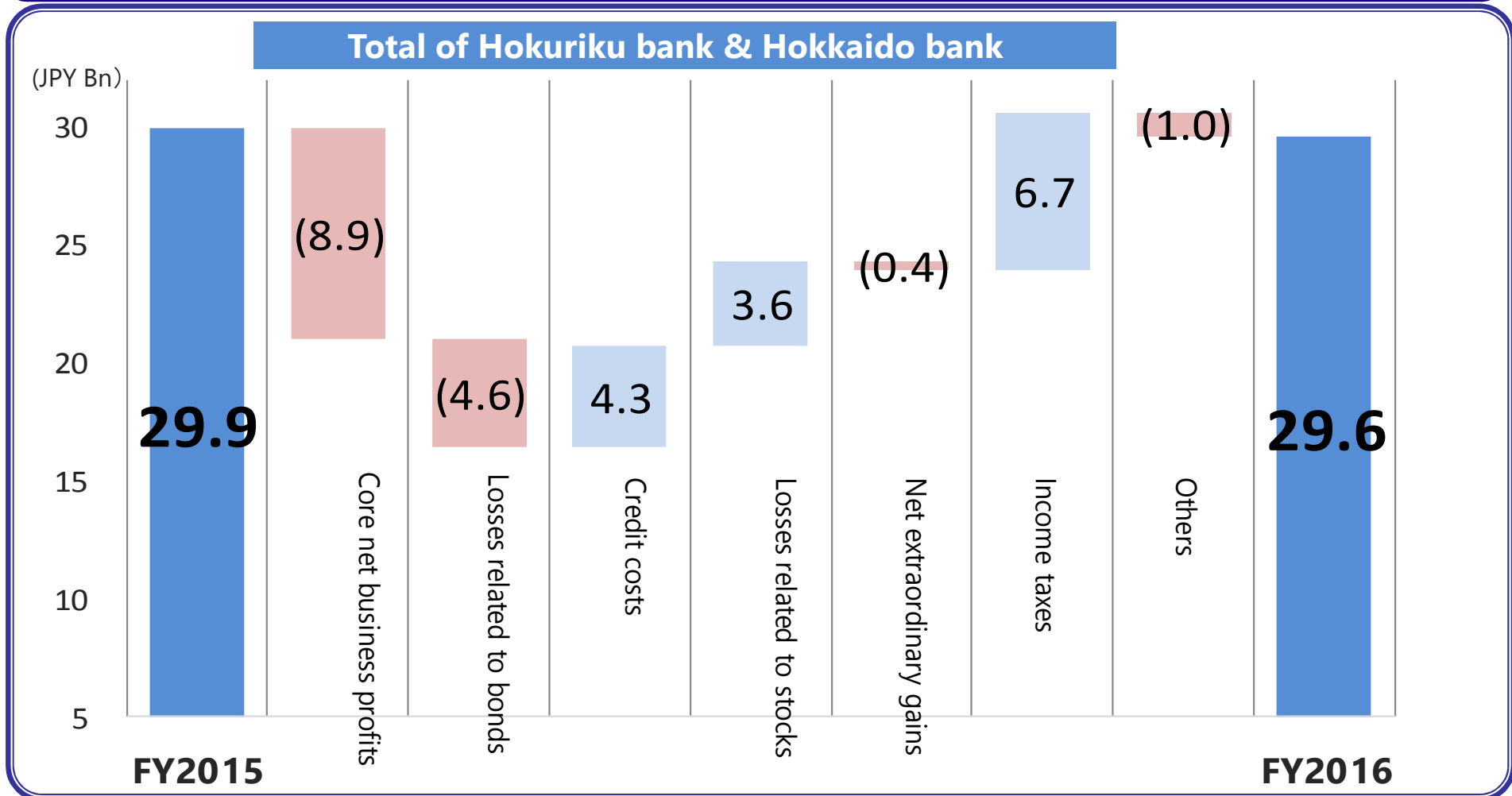


Financial Highlight for FY2016

(Reason for change in net income)

- Net income kept almost the same level as that at the end of FY2015, because the decrease in credit costs and income taxes as well as increase in gains related to stocks compensated for the decrease in core net business profits.

Reason for change in net income



Summary of Financial Results



(JPY Bn)

【Hokuhoku FG consolidated】	FY16	change	Compared to plan	FY15
Ordinary income	187.4	(5.1)	7.4	192.5
Ordinary profits	39.4	(6.9)	4.4	46.4
Net income attributable to owners of the parent ①	28.1	(0.6)	5.1	28.8
【Total of two banks】	FY16	change	Compared to plan	FY15
Core gross business profits	132.9	(10.0)	(3.0)	143.0
Net interest income	115.2	(5.6)		120.9
Net fees & commissions	17.8	(2.1)		20.0
Net trading income	0.0	(0.0)		0.1
Net other income (※1)	(0.2)	(2.1)		1.8
G&A expenses (-)	89.8	(1.0)	(2.1)	90.9
Core net business profits	43.0	(8.9)	(0.9)	52.0
Gains (losses) related to bonds	(3.8)	(4.6)		0.8
Net business profits (※2)	39.2	(13.6)		52.9
Net transfer to general allowance for loan losses (-)	—	5.5		(5.5)
Net business profits	39.2	(19.2)		58.4
Other non-recurring gains (losses)	0.9	12.7		(11.7)
Credit related costs (-)	(0.6)	(9.9)		9.2
Gains (losses) related to stocks	3.1	3.6		(0.5)
Ordinary profits	40.2	(6.5)	4.7	46.7
Net extraordinary gains (losses)	(0.9)	(0.4)		(0.4)
Income taxes (-)	9.6	(6.7)		16.3
Net income ②	29.6	(0.2)	5.6	29.9
Credit costs	(0.6)	(4.3)	(6.6)	3.7

※1: Excluding gains (losses) related to bonds

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

【Hokuhoku FG consolidated】

Ordinary profits ¥39.4Bn

(-¥6.9Bn compared to FY15)

Net income

attributable to owners of the parent: ¥28.1Bn

(-¥0.6Bn compared to FY15)

【Total of two banks】

Core net business profits ¥43.0Bn

(-¥8.9Bn compared to FY15)

- Decrease in net interest income and net fees & commissions

- Decrease in G&A expenses

Ordinary profits ¥40.2Bn

(-¥6.5Bn compared to FY15)

- Decrease in Credit costs

- Increase in gains related to stocks

Net income ¥29.6Bn

(-¥0.2Bn compared to FY15)

- Decrease in income taxes

Difference between ① and ② (JPY Bn)

	FY16	change	FY15
Difference ((①)-(②))	(1.5)	(0.4)	(1.1)
Net income of subsidiaries	2.1	0.4	1.7
Amortization of the goodwill	(2.9)	(0.8)	(2.1)
Others	(0.7)	0.0	(0.7)

Summary of Financial Results (Hokuriku bank · Hokkaido bank)



	【Hokuriku bank】				【Hokkaido bank】			
	FY16	change	compared to plan	FY15	FY16	change	compared to plan	FY15
(JPY Bn)								
Core gross business profits	72.9	(2.3)	0.9	75.3	60.8	(6.8)	(3.1)	67.6
Net interest income	62.8	(0.6)		63.4	53.3	(4.1)		57.4
Net fees & commissions	9.0	(1.5)		10.6	8.7	(0.5)		9.3
Net trading income	0.0	(0.0)		0.1	—	—		—
Net other income (※1)	1.0	(0.0)		1.0	(1.3)	(2.1)		0.7
G&A expenses (-)	48.2	(0.4)	(0.7)	48.6	41.5	(0.6)	(1.4)	42.2
Core net business profits	24.7	(1.9)	1.7	26.6	19.2	(6.1)	(1.7)	25.3
Gains (losses) related to bonds	(3.2)	(3.6)		0.4	(1.4)	(1.8)		0.3
Net business profits (※2)	21.4	(5.6)		27.1	17.7	(8.0)		25.7
Net transfer to general allowance for loan losses (-)	—	—		—	—	0.8		(0.8)
Net business profits	21.4	(5.6)		27.1	17.7	(8.9)		26.6
Other non-recurring gains (losses)	3.3	3.7		(0.3)	(2.3)	4.2		(6.6)
Credit related costs (-)	(0.6)	0.4		(1.1)	(0.0)	(5.7)		5.7
Gains (losses) related to stocks	3.5	3.5		(0.0)	(0.4)	0.1		(0.5)
Ordinary profits	24.8	(1.9)	4.8	26.7	15.3	(4.6)	(0.1)	20.0
Net extraordinary gains (losses)	(0.7)	0.1		(0.8)	(0.2)	(0.6)		0.3
Income taxes (-)	5.4	(3.9)		9.4	4.2	(2.7)		6.9
Net income ②	18.7	2.2	5.2	16.5	10.9	(2.4)	0.4	13.4
Credit costs	(0.6)	0.4	(3.6)	(1.1)	(0.0)	(4.8)	(3.0)	4.8

※1: Excluding gains (losses) related to bonds

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

【Hokuriku bank】

Core net business profits: ¥24.7Bn (-¥1.9Bn compared to FY15)

•Decrease in fee of insurance

Ordinary profits: ¥24.8Bn (-¥1.9Bn compared to FY15)

•Decrease in credit costs

【Hokkaido bank】

Core net business profits: ¥19.2Bn (-¥6.1Bn compared to FY15)

•Decrease in net interest income and net other income

Ordinary profits: ¥15.3Bn (-¥4.6Bn compared to FY15)

•Decrease in credit costs

Net Interest Income

- Interest income on loans decreased by ¥5.1Bn due to the decline in interest rate, although the average balance increased.
- Net interest income decreased by ¥5.6Bn due to the decrease in income on loans, although interest on deposits decreased.

Breakdown of net interest income

	(JPY Bn)		
【Total of two banks】	FY16	change	FY15
Net interest income	115.2	(5.6)	120.9
Loans	93.0	(5.1)	98.2
Securities(※)	25.7	(1.1)	26.9
Deposits & NCDs (-)	1.8	(1.8)	3.6

※Gains on cancellation of investment trusts: -¥1.2Bn
(-¥4.0Bn compared to FY15)

〈Increase/decrease factors in net interest income〉

	(JPY Bn)	
【Total of two banks】	Avg. balance	Rate
Loans	1.7	(6.9)
Securities	(0.0)	(1.0)
Deposits & NCDs (-)	0.0	(1.8)

Avg. balance

	(JPY Bn)		
【Total of two banks】	FY16	change	FY15
Loans	7,684.8	139.0	7,545.7
Securities	2,372.1	(8.5)	2,380.6
Deposits & NCDs	10,655.7	16.7	10,638.9

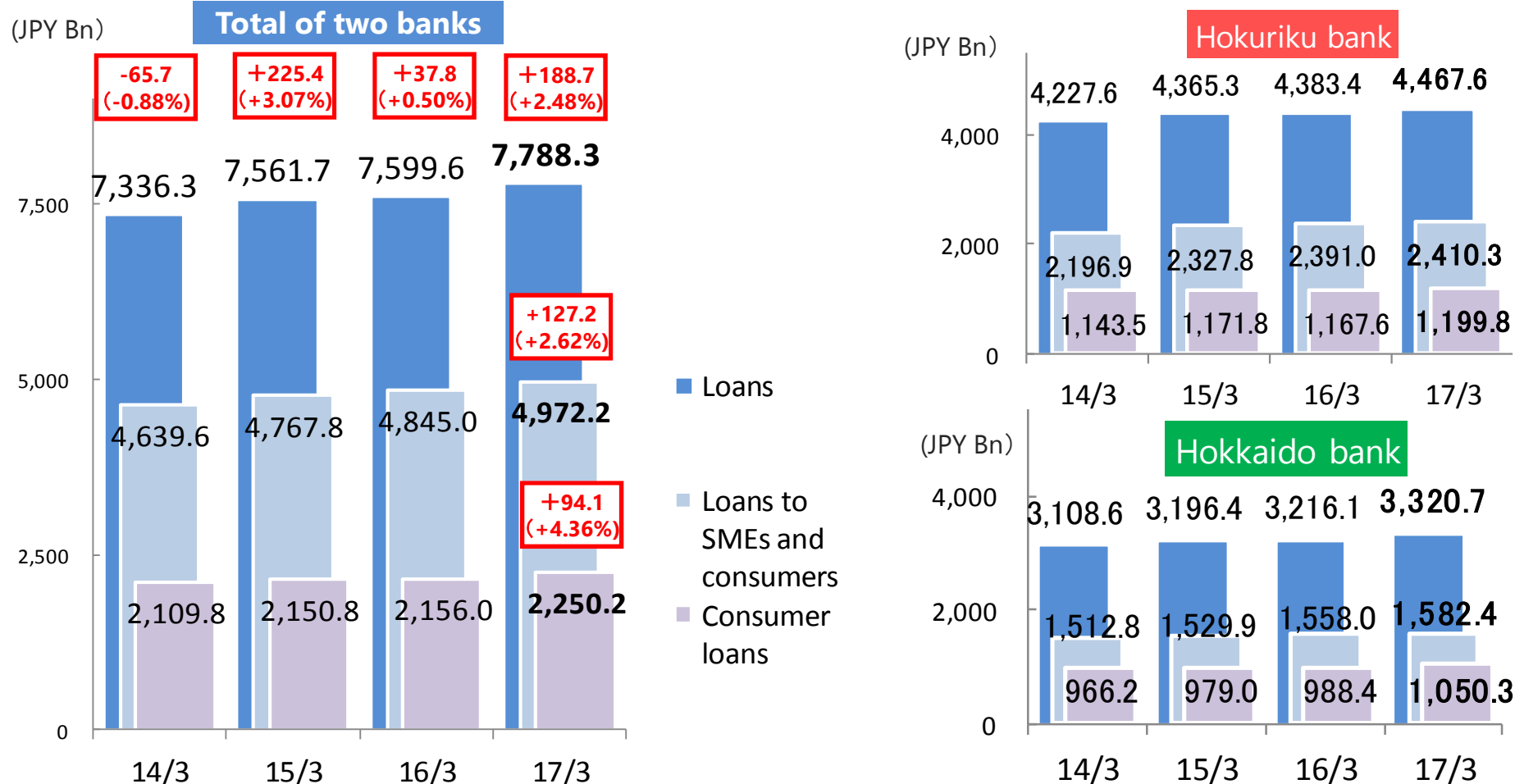
Avg. rate

	FY16	change	FY15
Loans	1.21%	-0.09%	1.30%
Securities	1.08%	-0.05%	1.13%
Deposits & NCDs	0.01%	-0.02%	0.03%

Loan Portfolio

- Balance of loans increased by ¥188.7Bn to ¥7,788.3Bn due to the increase in business loans, consumer loans and public loans.

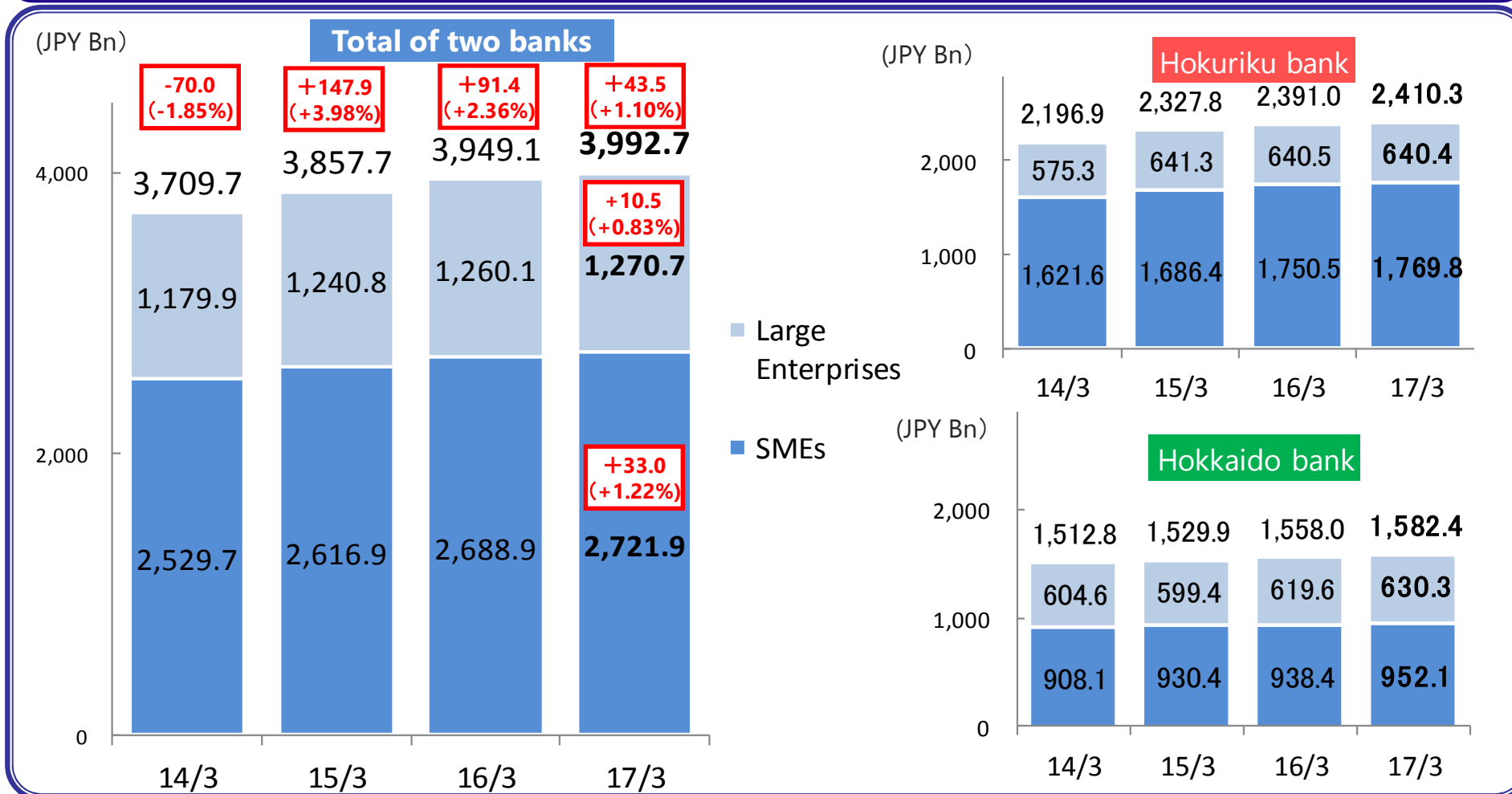
Balance of loans



Loan portfolio (Business loans)

- Business loans increased by ¥43.5Bn to ¥3,992.7Bn as a result of positive efforts to support SMEs in financing.

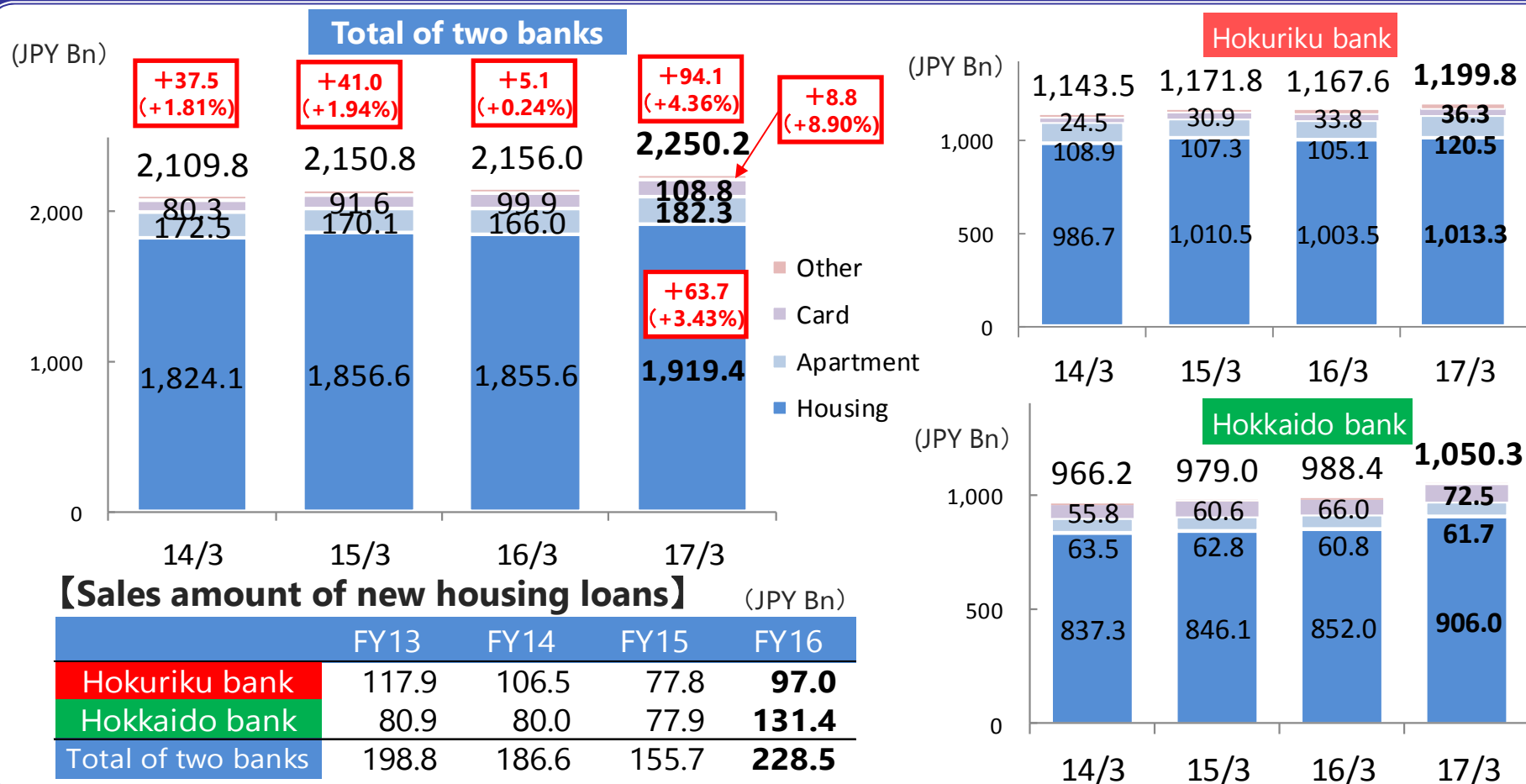
Balance of business loans



Loan Portfolio (Consumer loans)

- Consumer loans increased by ¥94.1Bn to ¥2,250.2Bn as a result of positive efforts in promoting housing loans.
- Housing loans increased by ¥63.7Bn to ¥1,919.4Bn.

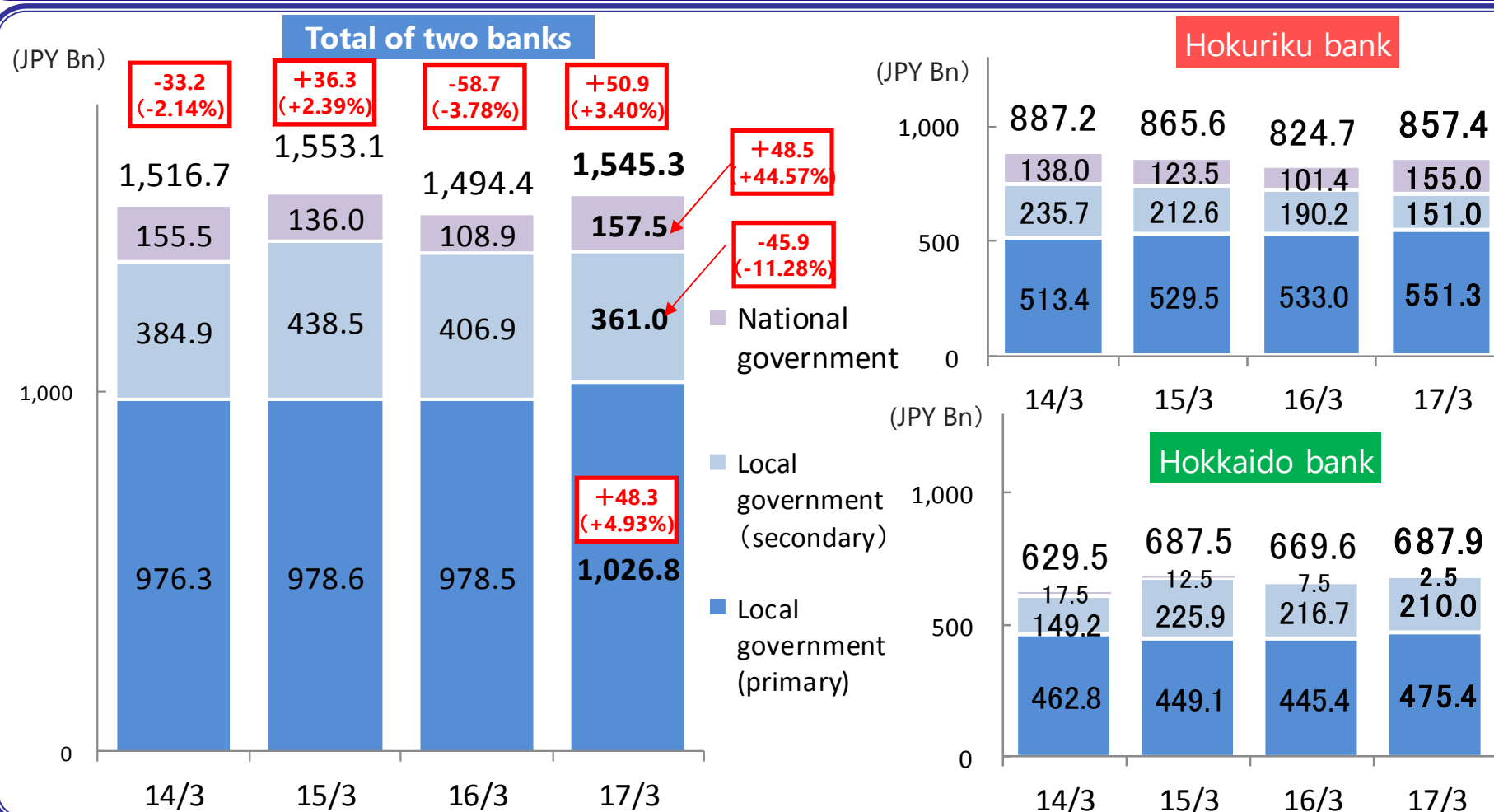
Balance of consumer loans



Loan Portfolio (Public loans)

- Public loans increased by ¥50.9Bn to ¥1,545.3Bn due to the increase in loans to national governments and primary loans to local governments.

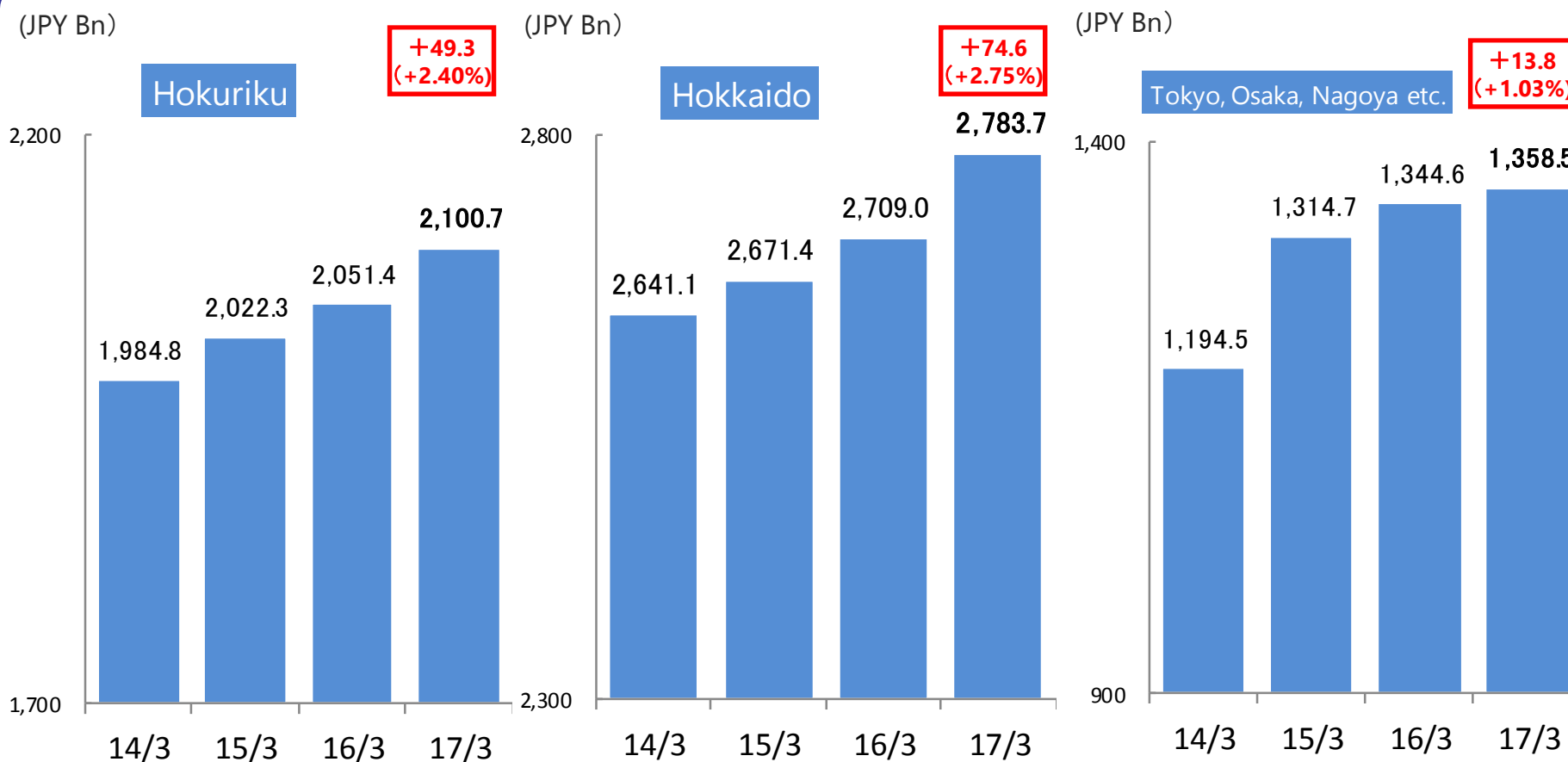
Balance of public loans



Loan Portfolio (By region)

- Hokuhoku FG has 308 branches in its main market of Hokuriku (Toyama, Ishikawa and Fukui) and Hokkaido, and 20 branches mainly in the metropolitan area. We promote loans in each area through this branch network.

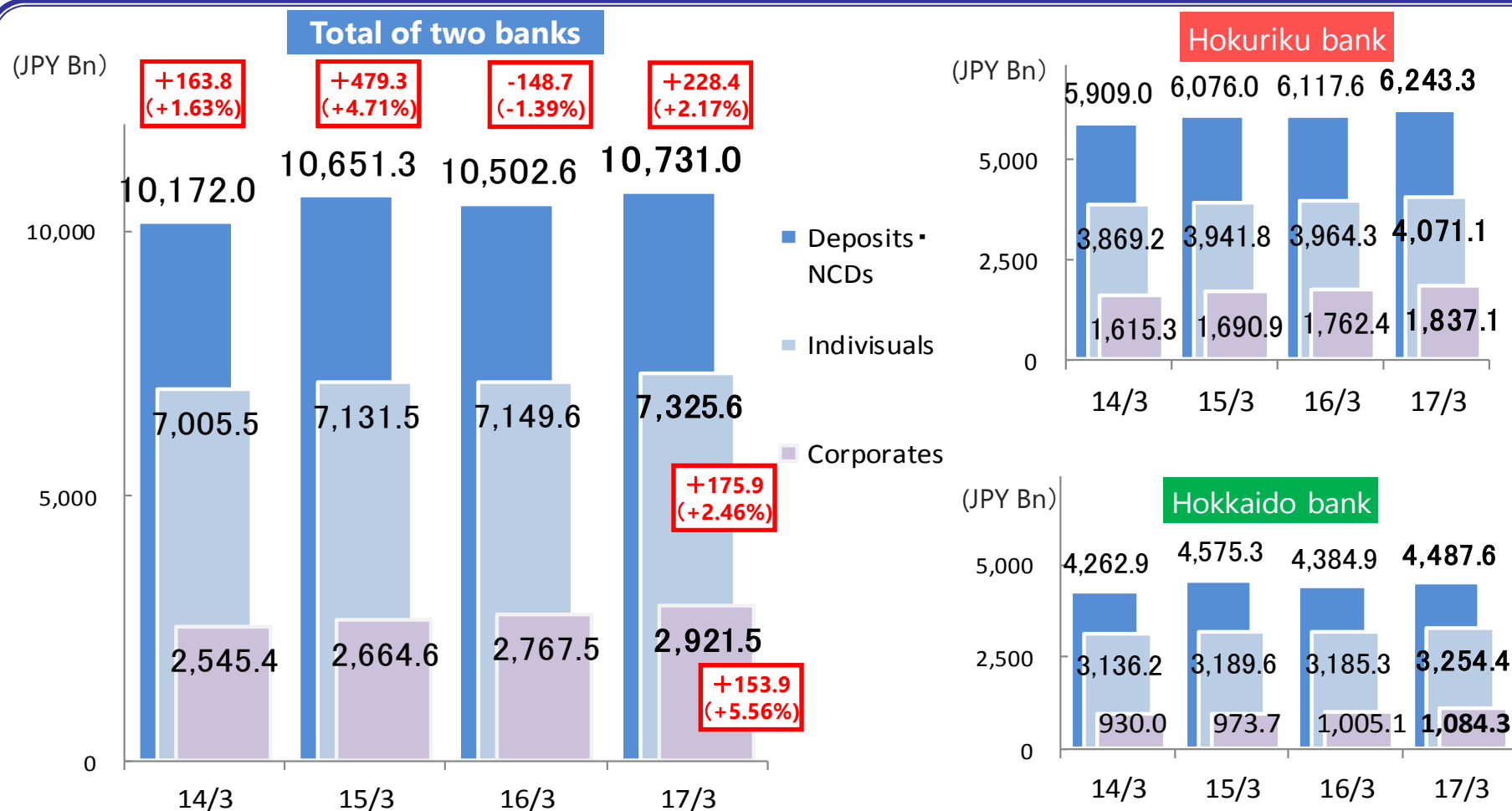
Balance of loans by region (Except loans for national and local governments)



Deposits & NCDs

- Balance of deposits increased by ¥228.4Bn to ¥10,731.0Bn due to the increase in individual and corporate deposits.

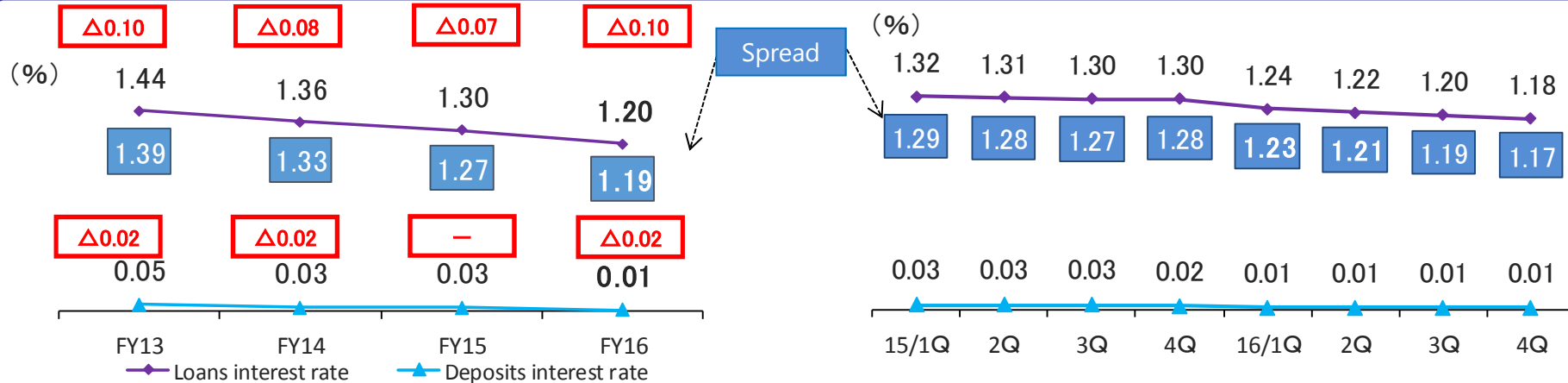
Balance of deposits & NCDs



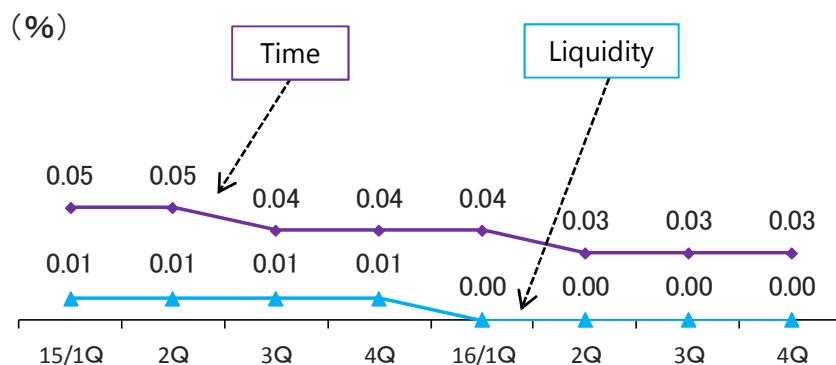
Interest Margins (Total of two banks)

- Average interest rates of loans decreased by 0.09 points to 1.21% due to the decline in the market interest rate caused by the negative interest rate policy. However, the rate decline is in line with the initial projection.

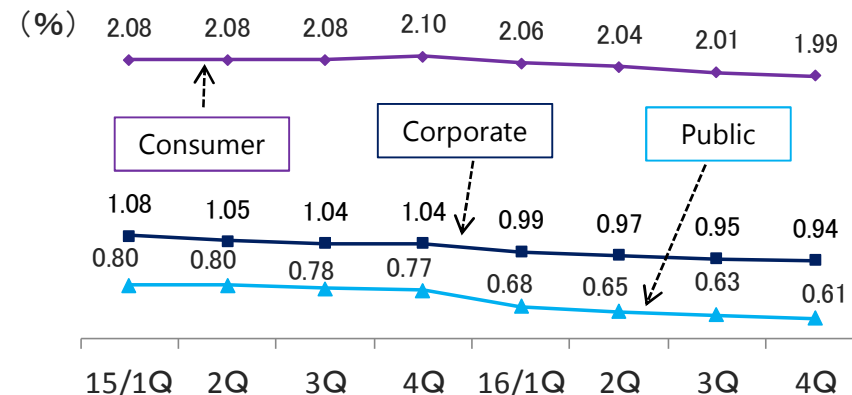
Interest rate of yen denominated loans and deposits



Interest rate of yen denominated deposits



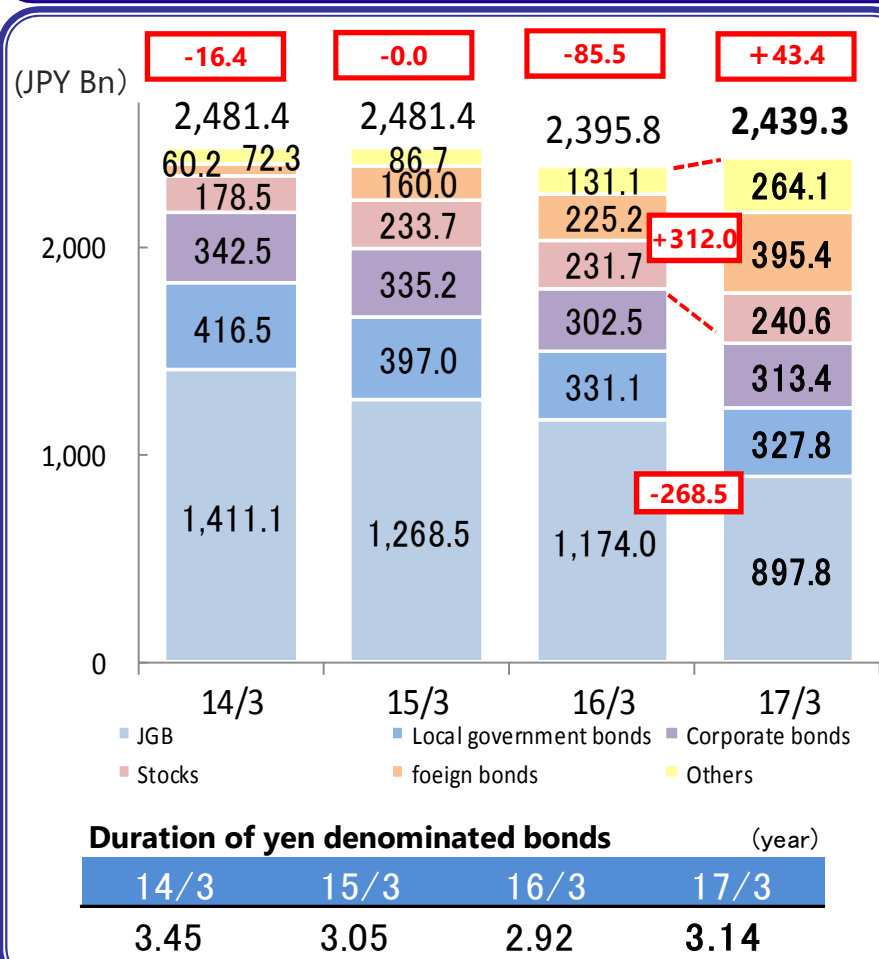
Interest rate of yen denominated loans



Securities Portfolio

- Balance of securities increased by ¥43.4Bn to ¥2,439.3Bn due to the increase in foreign bonds and investment trusts, although Japanese yen bonds decreased.
- Unrealized gains decreased by ¥3.5Bn to ¥113.0Bn due to redemption of yen bonds and decline of foreign bond prices.

Balance of securities



Valuation difference

(JPY Bn)

【Total of two banks】	17/3	change	16/3
Available-for-sale securities	113.0	(3.5)	116.6
Stocks	97.0	23.4	73.5
Bonds	27.6	(12.1)	39.8
Others	(11.6)	(14.8)	3.2

Balance, Yield, and Value at risk of yen denominated bonds

(JPY Bn)

【Total of two banks】	FY16	change	FY15
Balance	1,539.1	(268.5)	1,807.7
Floating-rate JGBs (CMT)	272.6	(104.6)	377.2
Avg. yield	0.67%	0.04%	0.63%
VaR	13.2	(0.5)	13.8

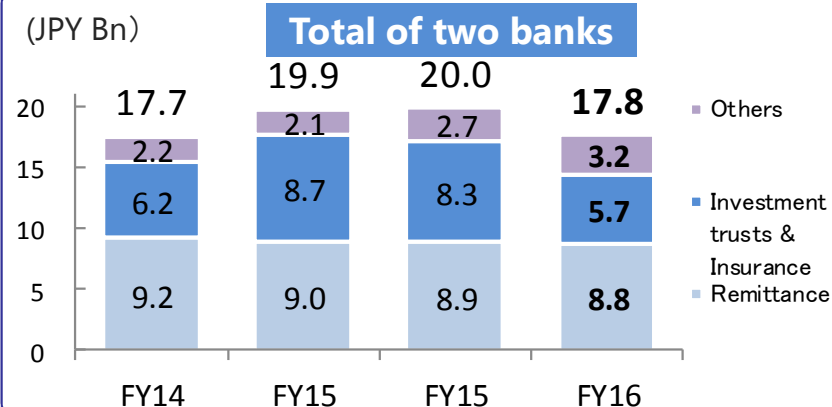
Net Fee and Commission Income

- Net fees and commissions decreased by ¥2.1Bn due to the decrease in sales of investment trusts and insurance. Fee revenue decreased by ¥4.4Bn to ¥17.6Bn due to the decrease in net fees and commissions and net other income.

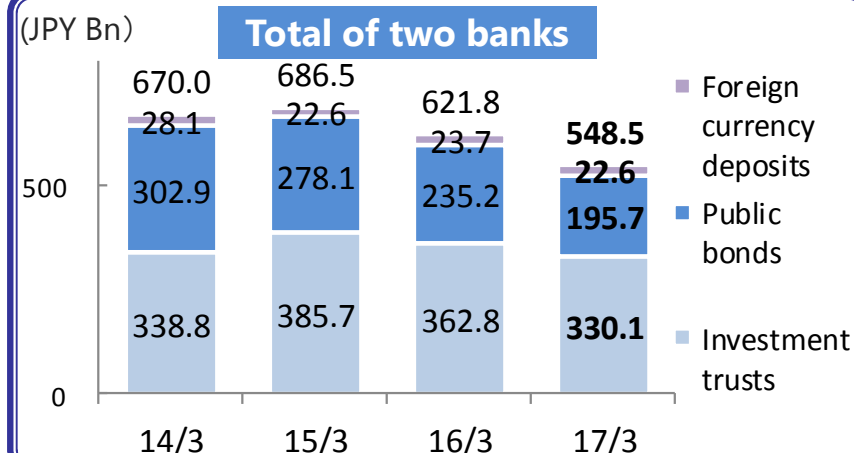
Fee revenue

【Total of two banks】	(JPY Bn)		
	FY16	change	FY15
① Net fees and commissions	17.8	(2.1)	20.0
Fees and commissions	33.2	(1.7)	34.9
Remittance	10.6	(0.1)	10.8
Investment trusts	3.4	(1.0)	4.4
Insurance	2.3	(1.5)	3.8
Fees and commissions payments	15.4	0.4	14.9
Remittance	1.8	(0.0)	1.8
Loan related expenses	9.9	0.4	9.5
② Net trading income	0.0	(0.0)	0.1
③ Net other income(excluding gains (losses) related to bonds)	(0.2)	(2.1)	1.8
Gains on foreign exchange transaction	(0.2)	(1.3)	1.0
Net income (expenses) on derivatives	(0.0)	(0.8)	0.8
④ Fee revenue ①+②+③	17.6	(4.4)	22.0
⑤ Core gross business profits	132.9	(10.0)	143.0
⑥ Fee revenue ratio ④/⑤	13.25%	-2.15%	15.40%

Net fees and commissions



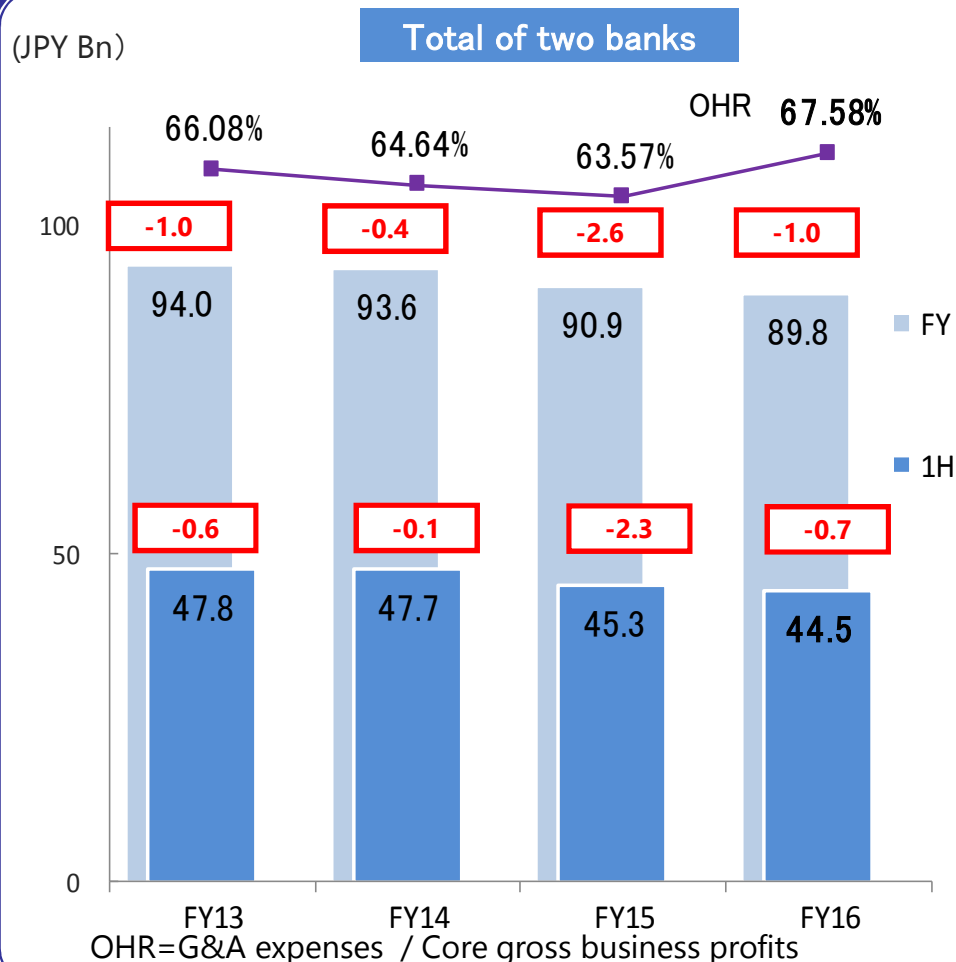
Balance of investment products for individuals



G&A Expenses

- G&A expenses decreased by ¥1.0Bn to ¥89.8Bn due to the decrease in non-personnel expenses. OHR increased by 4.01 points due to the decrease in core gross business profits, although G&A expenses decreased.

G&A expenses and OHR



Increase/decrease factors in G&A expenses

(JPY Bn)

【Total of two banks】	FY16	change	FY15
Personnel	43.3	(0.5)	43.8
Non-personnel	39.9	(1.4)	41.3
Taxes	6.5	0.8	5.6
G&A expenses	89.8	(1.0)	90.9

Number of employees

【Total of two banks】	17/3	change	16/3
Employees (excluding temporary)	5,070	(8)	5,078
Temporary staffs	2,955	(94)	3,049

Net Credit Costs

- Credit costs decreased by ¥4.3Bn to ¥-0.6Bn because the financial condition of clients was stable.

Increase/decrease factors in net credit costs

(JPY Bn)

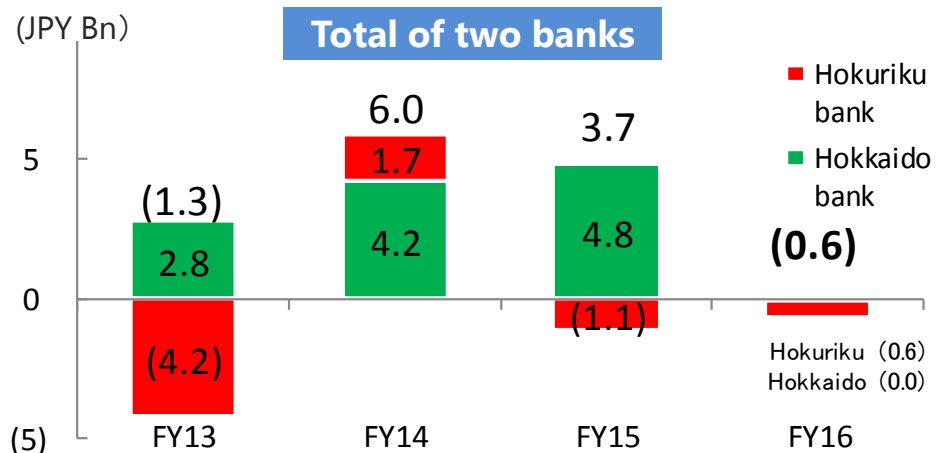
	FY16	change	FY15
Net credit costs	(0.6)	(4.3)	3.7
Net transfer to general allowance for loan losses	-	5.5	(5.5)
Credit related costs	(0.6)	(9.9)	9.2
Net transfer to specific allowance for loan losses	1.1	(7.4)	8.5

〈Increase/decrease factors in specific allowance for loan losses〉

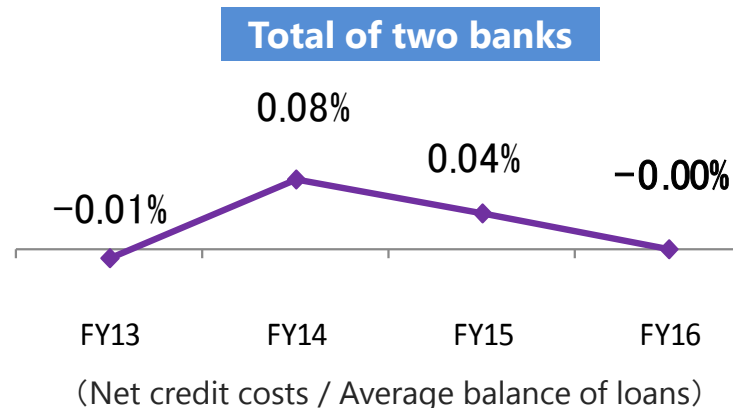
(JPY Bn)

	FY16	change	FY15
New downgrades	6.3	(2.3)	8.7
New upgrades	(1.4)	(0.1)	(1.3)
Decrease in collateral value, etc.	0.5	(0.3)	0.9
Collections, etc.	(4.1)	(5.0)	0.9

Net credit costs



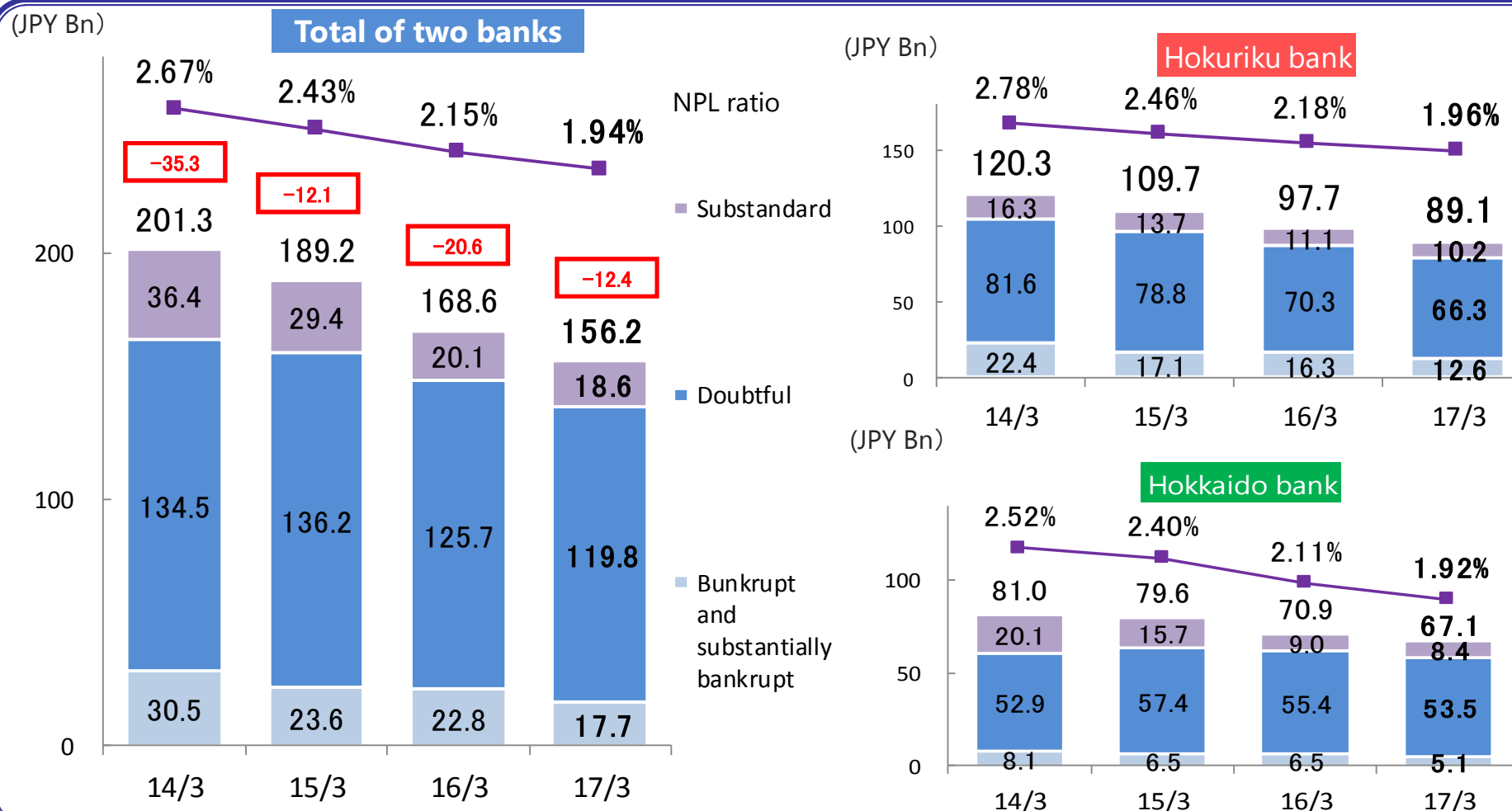
Credit cost ratio



Non-Performing Loan

- Balance of Non performing loans decreased by ¥12.4Bn to ¥156.2Bn, and NPL ratio decreased by 0.21 points to 1.94%.

Balance of non-performing loan



Non-Performing Loan

- Rate of preservation of doubtful loans was about 90%, and that of substandard loans was about 80%.

Coverage on Disclosed Claims under the Financial Reconstruction Law

(JPY Bn)

【Total of two banks】		Loans	Collateral · Guarantee	Allowance for loan losses	Rate of allowance	Rate of preservation
Bankrupt and substantially bankrupt	17/3	17.7	15.5	2.1	100.00%	100.00%
	16/3	22.8	19.8	2.9	100.00%	100.00%
	change	(5.0)	(4.3)	(0.7)	-	-
Doubtful	17/3	119.8	73.7	34.2	74.41%	90.16%
	16/3	125.7	78.4	34.4	72.89%	89.81%
	change	(5.8)	(4.7)	(0.1)	1.52%	0.35%
Substandard	17/3	18.6	14.5	0.3	9.31%	79.98%
	16/3	20.1	15.5	0.7	15.89%	80.88%
	change	(1.4)	(1.0)	(0.3)	-6.58%	-0.90%
Total	17/3	156.2	103.8	36.8	70.37%	90.06%
	16/3	168.6	113.8	38.0	69.58%	90.13%
	change	(12.4)	(10.0)	(1.2)	0.79%	-0.07%

- Capital adequacy ratio decreased by 0.87 points to 9.43% due to the redemption of subordinated loans(¥32.5Bn) and increase in risk assets, despite of capital accumulation by profits.

Capital and risk-weighted assets

〈Basel III, Domestic Standard〉

【Consolidated】	Transitional arrangements			Full implementation
	17/3	change	16/3	17/3
Capital	531.0	(16.9)	548.0	426.1
Instruments and reserves	550.5	(17.3)	567.8	448.0
Regulatory adjustments(-)	19.4	(0.3)	19.7	21.8
Risk-weighted assets	5,630.9	312.5	5,318.3	5,615.8
Capital adequacy ratio	9.43%	-0.87%	10.30%	7.58%

(JPY Bn)

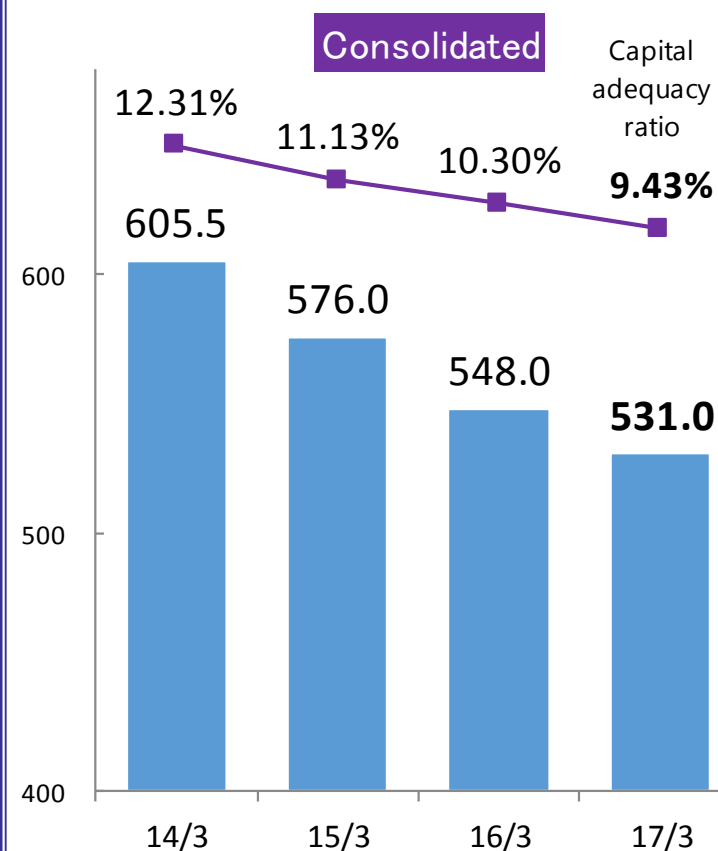
Interest rate risk in banking book

【Total of two banks】	Transitional arrangements		
	17/3	change	16/3
Interest rate risk amount	35.1	22.0	13.0

(JPY Bn)

Capital adequacy ratio

(JPY Bn)



The Progress of The Medium-term Management Plan



	The Medium-term Management Plan (From Apr-16 to Mar-19)				
	(Bn JPY)	FY2015	FY2016	FY2017 forecast	FY2018 plan
Ave.balance of deposits		10,163.4	10,409.6	10,611.9	10,560.0
Ave.balance of loans		7,545.7	7,684.8	7,871.3	7,760.0
Core gross business profits		143.0	132.9	132.0	134.5
G&A expenses		90.9	89.8	92.5	93.0
Core net business profits		52.0	43.0	39.5	41.5
Credit related costs		3.7	(0.6)	4.0	6.0
Net income attributable to owners of the parent (Consolidated)		28.8	28.1	23.5	23.0
Capital adequacy ratio		10.30%	9.43%	9% latter half	9.55%
OHR		63.57%	67.58%	70.07%	69.14%

II . Management Strategy

Personal Clients ~Housing Loans~

- Hold consultation meetings for customers and build solid relationships with house constructors.

Policy

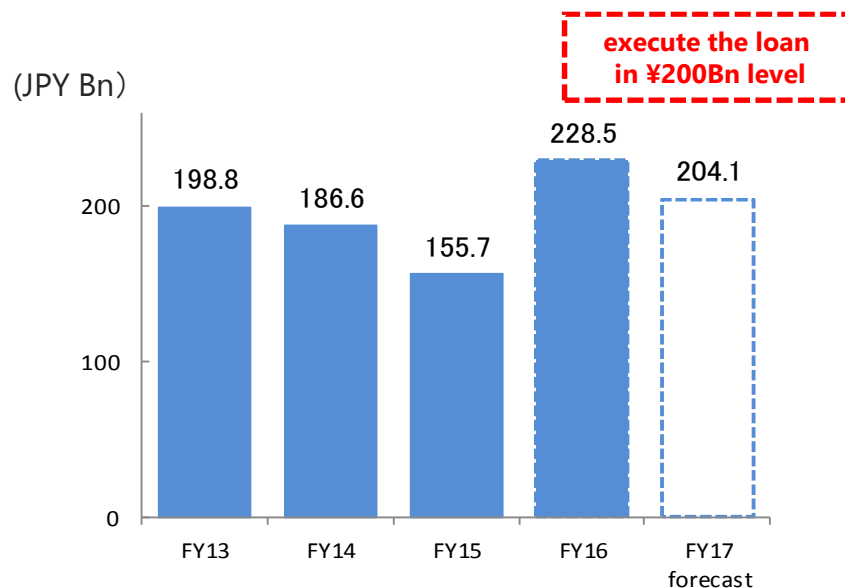
Improve functions of Housing Loan Plazas by expanding business days on public holidays and increasing consulting staffs

Provide with loans with superior life insurance

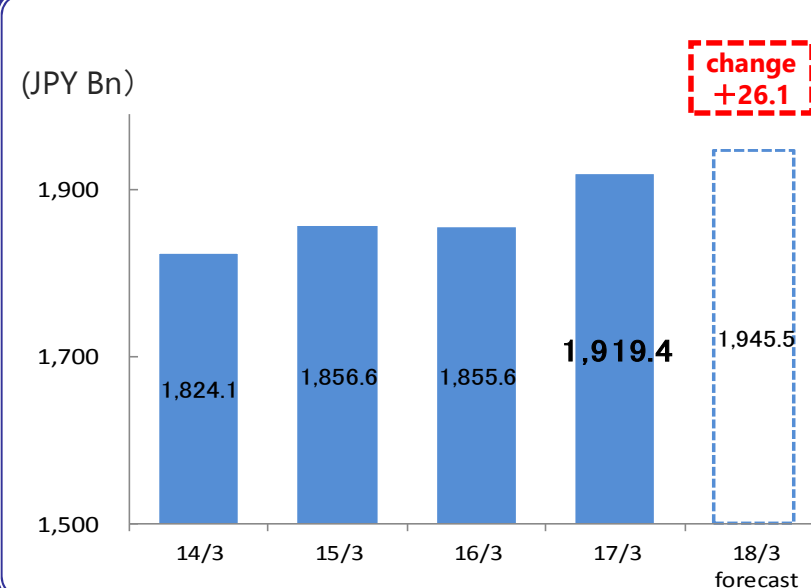
Improve user conveniences of Internet banking and websites

Build solid relationships with house constructors

Sales amount of new housing loans



Balance of housing loans



Personal Clients ~Investment products~

- Support the customers' asset formation by selling investment products based on the customers' view point

Policy

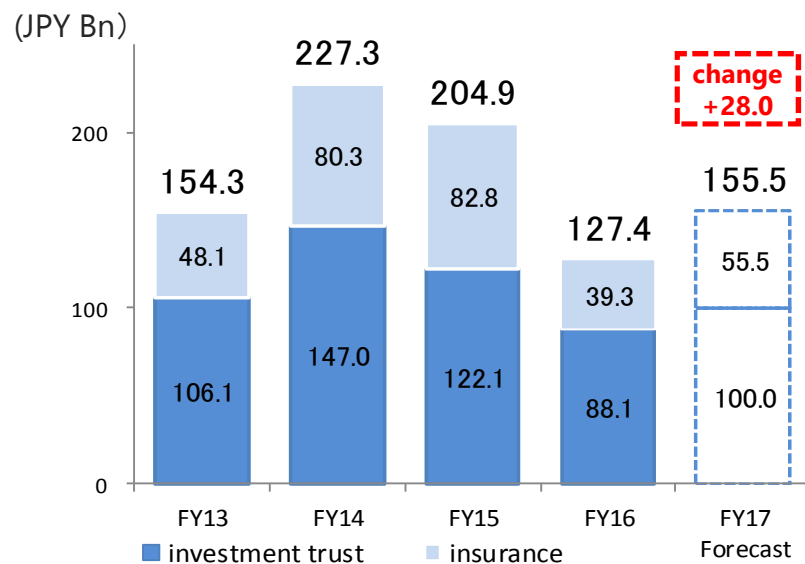
Recommend long-term investment in line with customers' life plan

Improve consulting skills by employee training program and effective use of sales support system

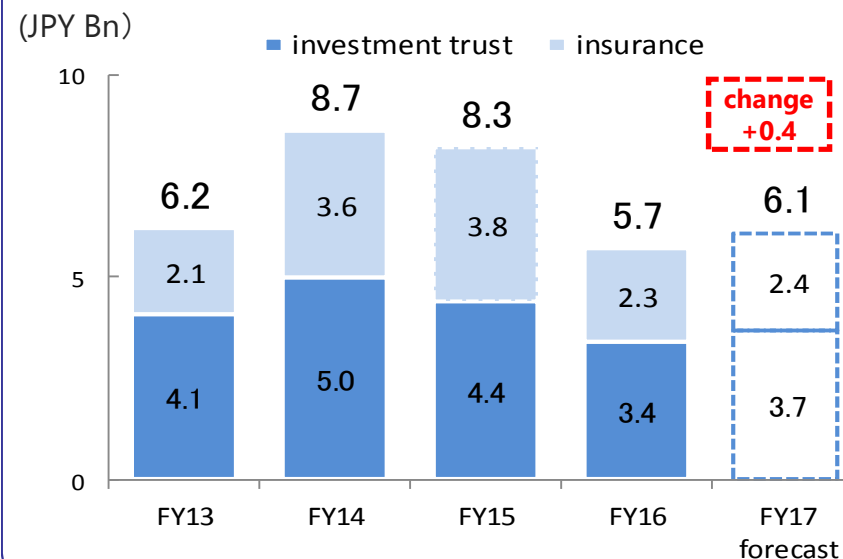
Promote the use of "core funds", "regular investment", "iDeCo" (Defined Contribution)

Provide with services according to the needs of each customer through "Plazas(open holidays)" and "Hokuhoku Tokai Tokyo Securities"

Sales amounts of investment products



Fees from investment products



Personal Clients ~Defined Contribution~

- Promote personal-type defined contribution “iDeCo” to support customers’ future asset formation and to have lifelong business with customers

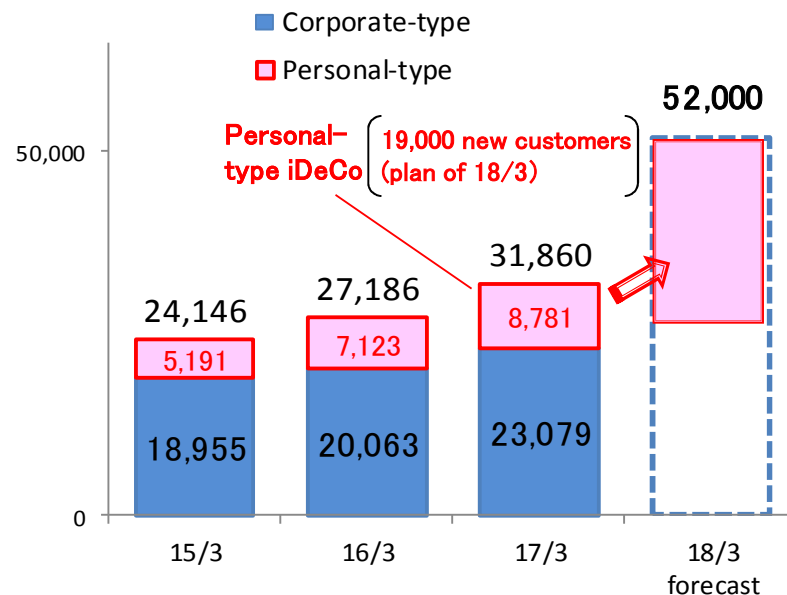
Policy

Advertise “iDeCo” to our customers to let them know its description and advantage
~New contract campaign , advertise on salary statements of public officials

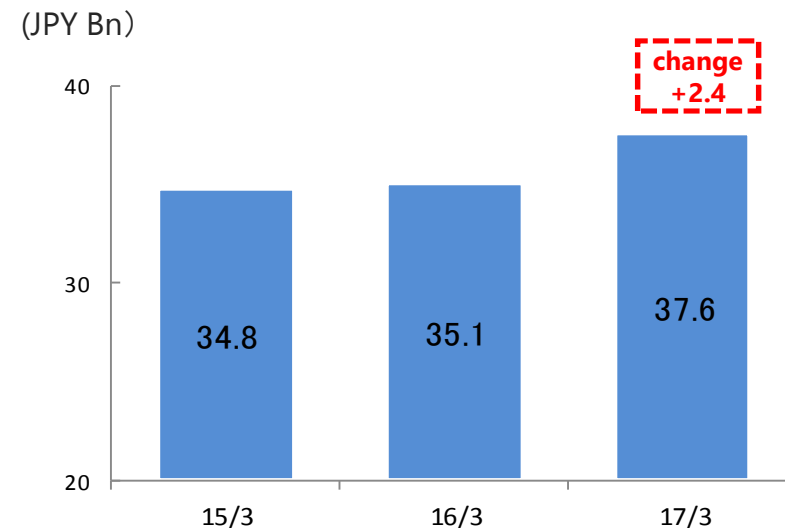
Hold “iDeCo” seminars by branch managers

Sales promotion for workplace

The number of DC subscribers



Balance of DC



- Provide with highly specialized asset management consulting service and support the wide range of customer's needs

Started business on Jan. 2017

Policy

Expand the customer base by holding seminars for customers

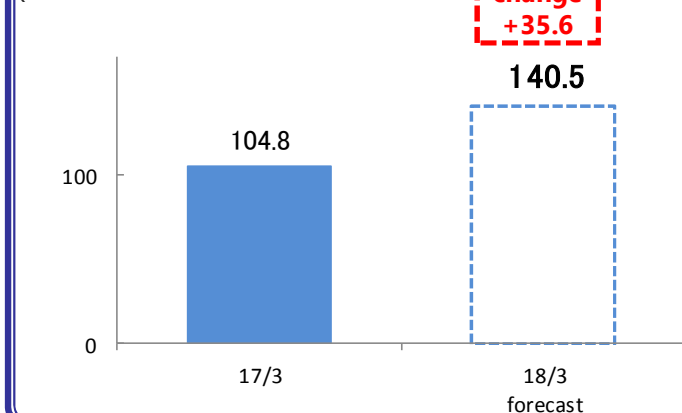
Enhance the transaction with customers introduced by Hokuriku bank and Hokkaido bank

Planning to open new stores (Asahikawa , Fukui) and improve user conveniences of websites

Improve sales ability of employees through training program and by encouraging to acquire certification

Balance of investment products (Hokuhoku Tokai Tokyo Securities)

(JPY Bn)



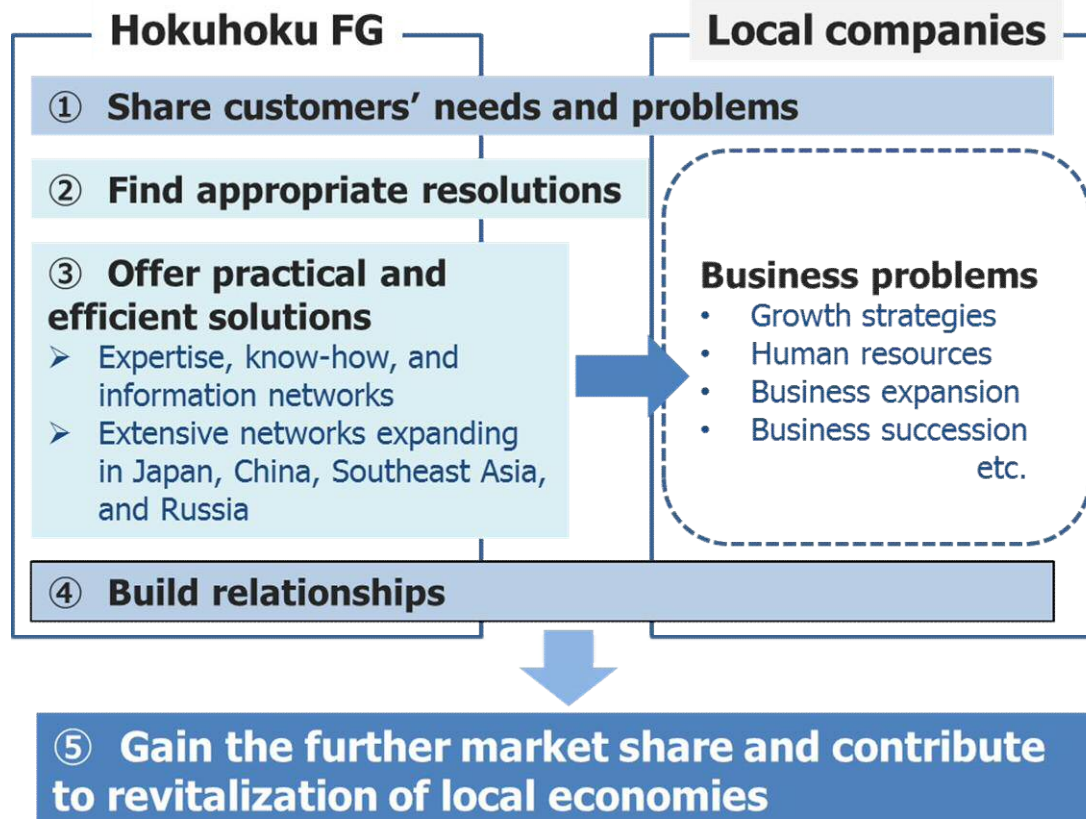
- Offer solutions and loans based on the business evaluation to build relationships with local companies, consequently revitalizing local economies

Policy

Expand the organization to practice the customer's business evaluation

Utilize the analyzing system of the business evaluation (Value Chain Finance)

Hold competitions and seminars to improve employee's ability of the business evaluation



Competition of business evaluation judgement

- Offer practical and efficient solutions commensurate with the life stages and business challenges of companies

Policy

Support business start-ups cooperating with JFC and providing with special funding

Support development of domestic and overseas markets

Hold the competition of ideas for new businesses

Support business succession and M&A in cooperation with outside specialists

Offer solutions by using our wide area group network

Case examples

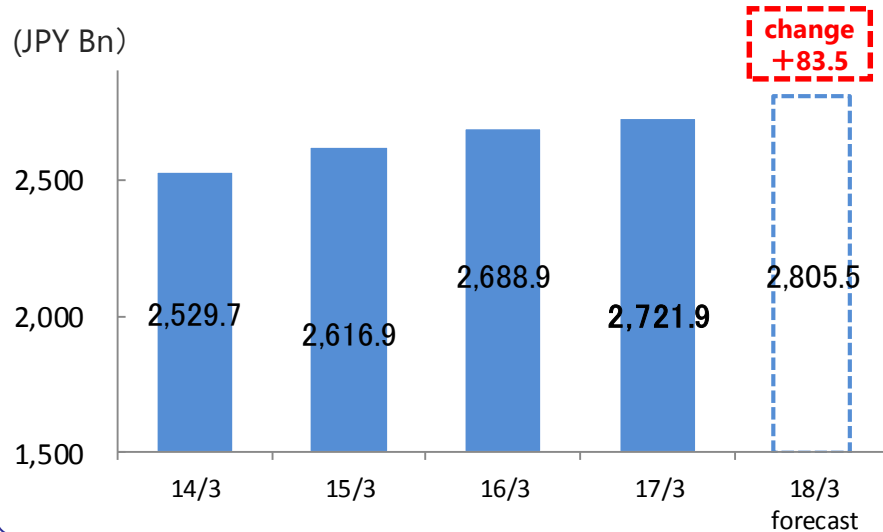
- Business matching of “poultry farms with successor shortages” and “restaurant franchises”
- Business matching of “drug manufactures” and “drug wholesalers”
- Introduce supplier of agricultural products to food manufacturer
- Hold the business convention prospecting the 6th industrialization
- Hold the business convention for food business



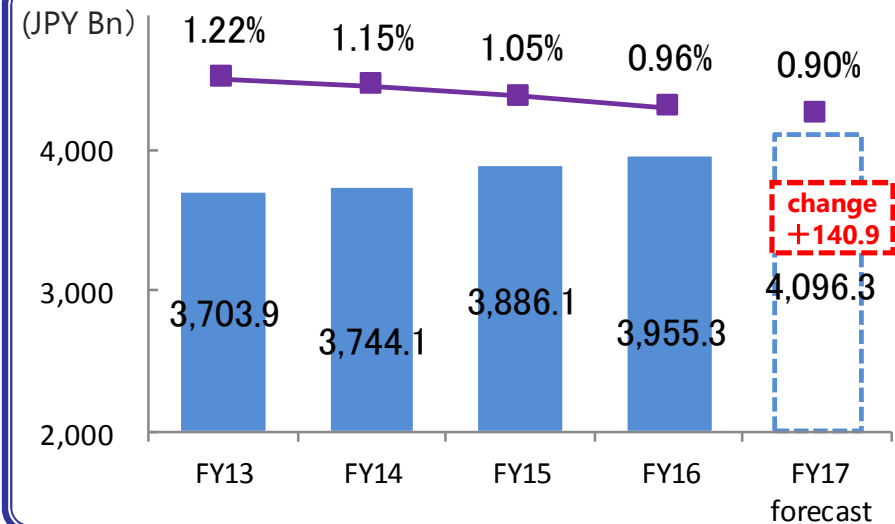
Business convention in
Dalian China

Corporate Clients

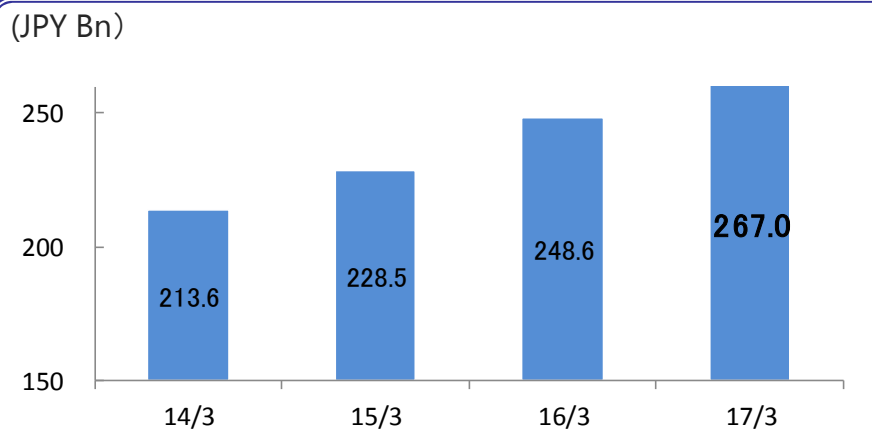
Balance of Loans to SMEs



Ave. balance and rate of business loans

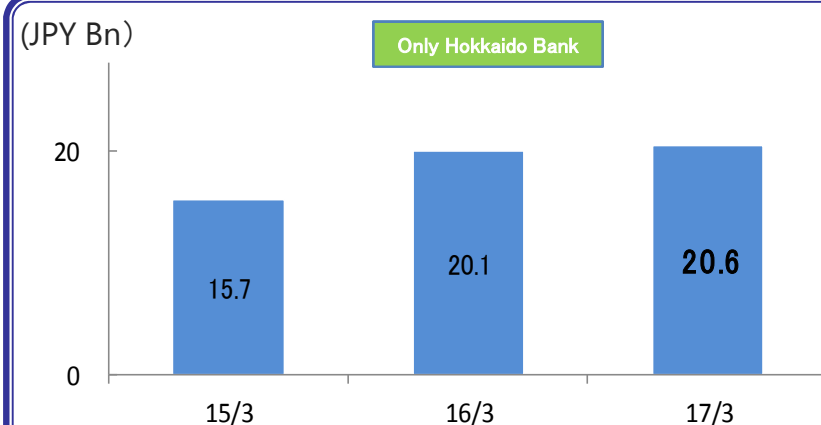


Medical and Welfare



- Expand supports and offer business solutions to medical and welfare businesses based on business evaluation.

Agriculture etc.



- Support "6th industrialization" in which agricultural and food companies expand their business.

- Support expanding high-quality Hokkaido food exports by the cooperation between overseas representative offices and community-based trading company

Policy

Support Hokkaido goods export cooperating with community-based trading company

Hold the Food business meeting

Development of export Hokkaido Brand Foods

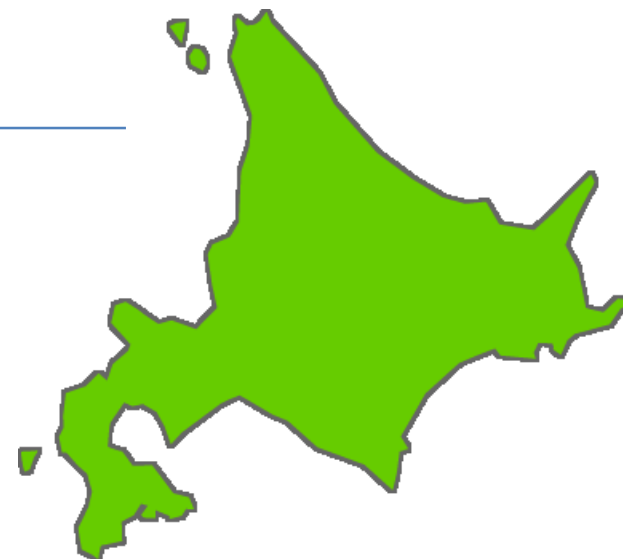
- The Hokkaido foods fair in Bangkok (Jul. 2016)
- Arranged visit to Russian Far East to watch Russian firms and grocery stores
- Started the greenhouse cultivation in Russia



Inspect Russian grocery store



Hokkaido foods fair in Bangkok



- Increase the ripple effect to the local economy by improving foreign tourists' conveniences

Policy

Support to improve foreign tourists convenience by installing international ATMs and supporting tourism promotions

Improve the convenience of foreign tourists

- Install the international ATMs
- Install the foreign currency exchange machines
- Open a representative office in NISEKO



comprehensive tie-up with Kutchan city and Niseko city

The economic effect of the tourists consumption in Hokkaido exceed 2 trillion yen



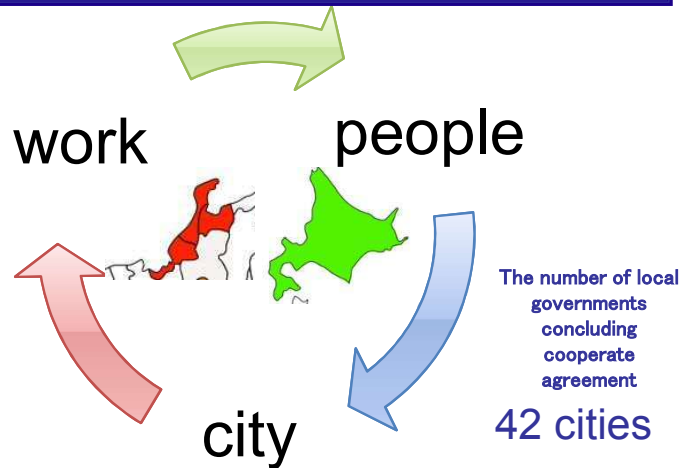
International ATM



foreign currency exchange machines

Activities for regional revitalization

Cooperate with local governments



	theme	Support menu
City	Emigration・settlement	Use JTI system, loans for emigration
	Management of public institutions	Support introduction of PPP/PFI・consulting
People	Support founding	Regional revitalization funds・seminars of support founding
	Business matching	Maker matching system
	Human resources matching	Cooperate with staff agencies
Work	Invite corporations	Business seminars cosponsored by local government
	Expand markets	Business meetings related to food, food fairs
	Overseas business	Utilize oversea network, hold business meetings

Local social contribution activities

Primary school children bank experience



Support marathon races



All Japan High School Economy Quiz Tournament

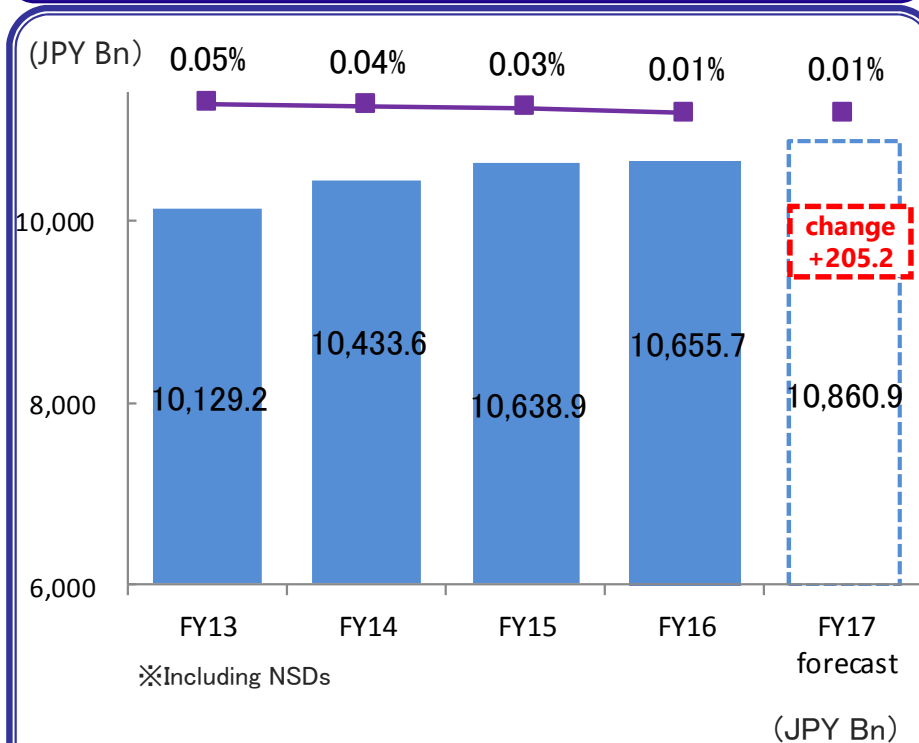


Support futsal team



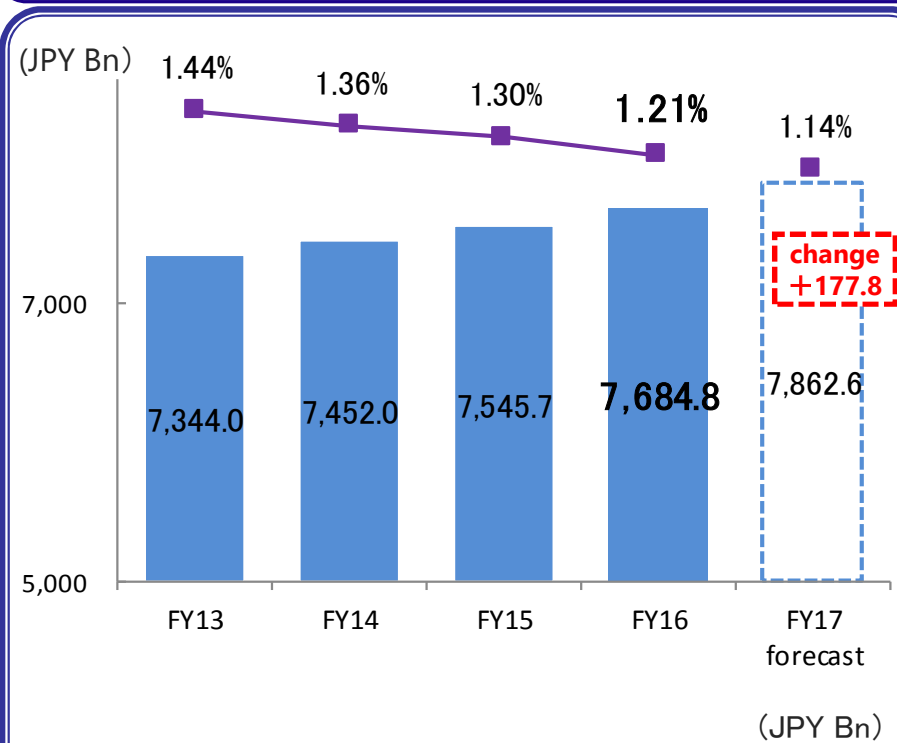
Forecast for Deposits & Loans

Ave. balance and rate of deposits



【Total of two banks】	FY2016	FY2017 forecast	change
Ave. balance	10,655.7	10,860.9	205.2
Ave. rate	0.01%	0.01%	-
Interest expense	1.8	1.6	(0.2)

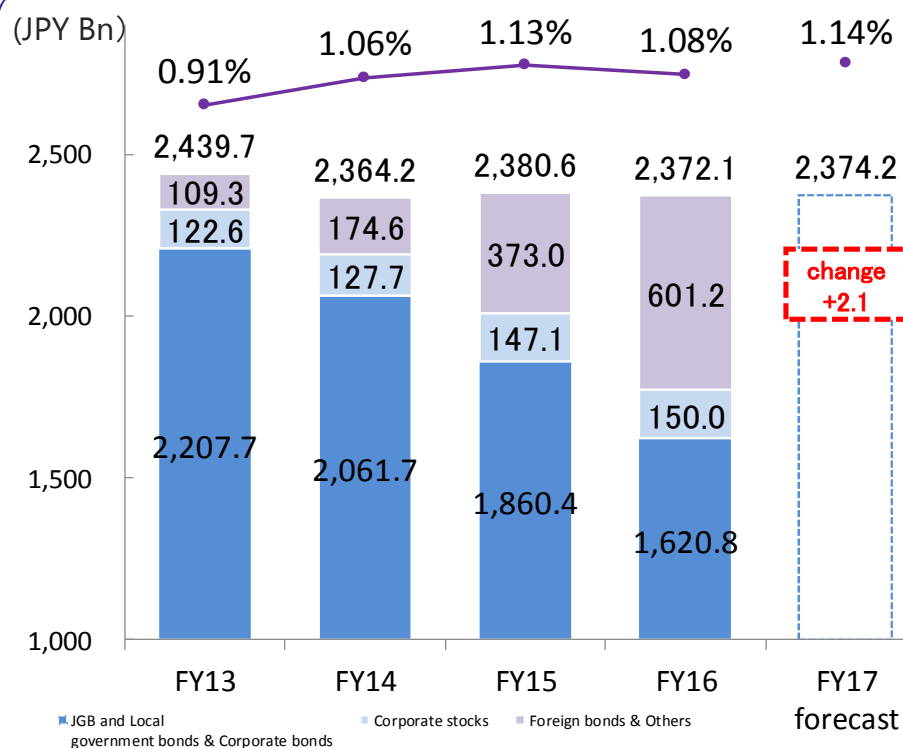
Ave. balance and rate of Loans



【Total of two banks】	FY2016	FY2017 forecast	change
Ave. balance	7,684.8	7,862.6	177.8
Ave. rate	1.21%	1.14%	-0.07%
Interest income	93.0	89.9	(3.1)

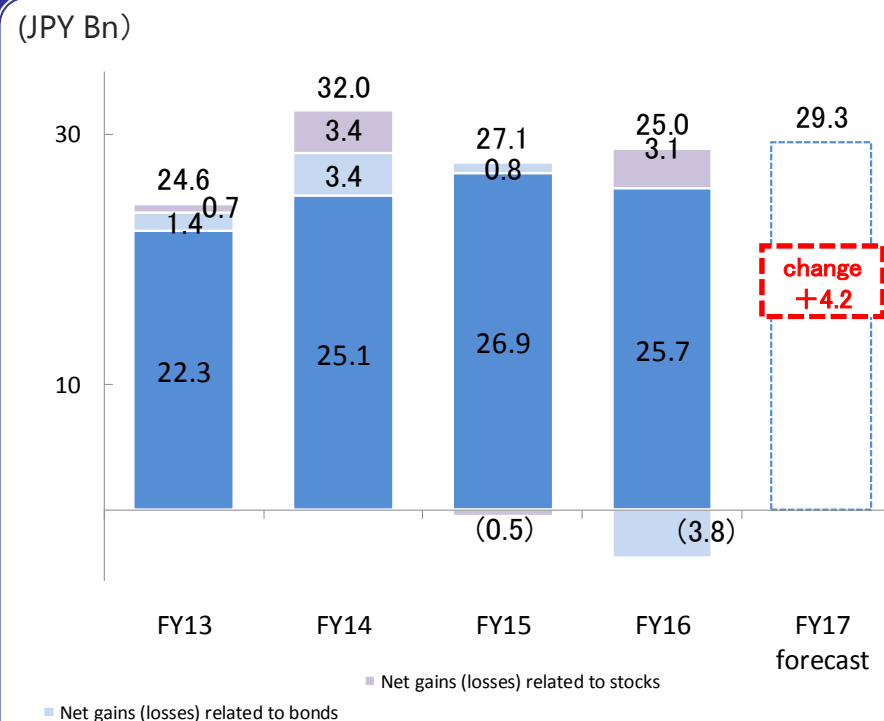
Securities Operation

Ave. balance and rate of securities



【Total of two banks】	FY2016	FY2017 forecast	change
Ave. balance	2,372.1	2,374.2	2.1
Ave. rate	1.08%	1.14%	0.06%
Interest income	25.7	27.2	1.5

Profits on securities



Policy

Increase and diversify the investment in securities, appropriately covering market risk including interest rate risk, etc.

G&A Expenses Operation

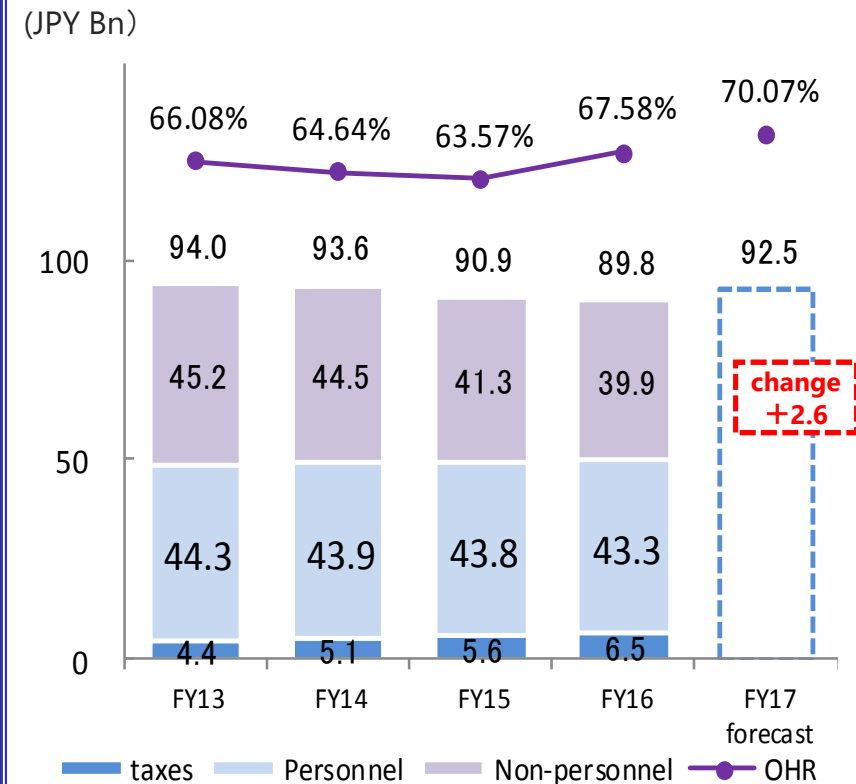
Improve efficiency

- Increase efficiency through IT investment
- Expand centralized back office operations
- Realize group synergies (integrate operational rules, facility and system managements, etc.)

- Increase the number of contacts with customers
- Shift personnel to sales departments
- Maintain needed branches and services in countryside

**Improvement of
customer satisfaction
and cost competitiveness**

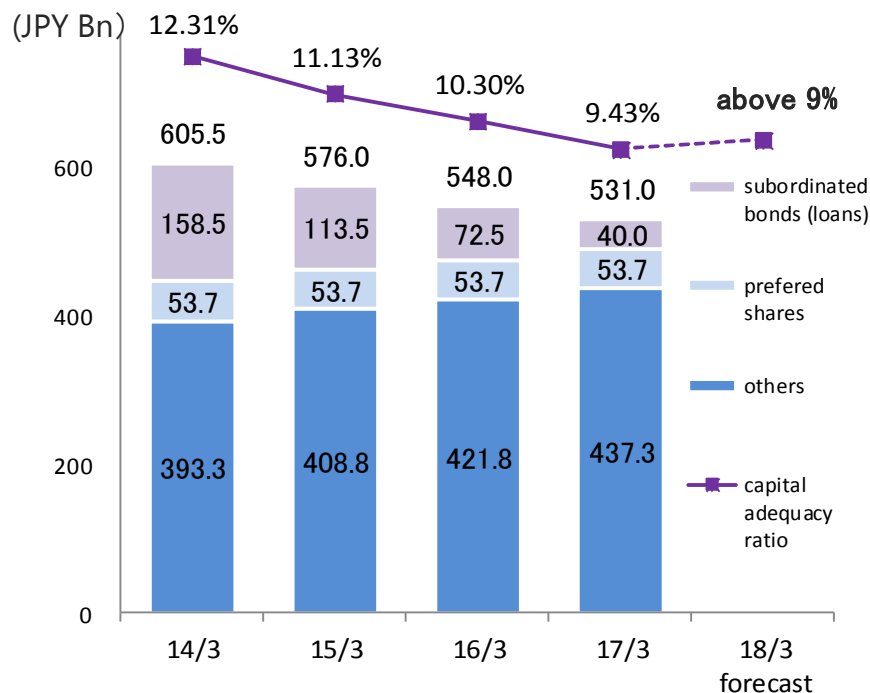
G&A Expenses - OHR



OHR = G&A expenses / Core gross business profits

Capital Policy / Capital adequacy ratio

- Consolidated capital adequacy ratio is expected to be in 9% level at the end of Mar, 2019



ROE

12/3	13/3	14/3	15/3	16/3	17/3	18/3 forecast
3.2%	4.0%	5.8%	5.5%	5.3%	5.1%	4% latter half

Dividends per common share

- We will continuously focus on making steady dividend payments, while paying attention to the capital adequacy ratio under the future profit plan and expected changes in regulations.

FY10~12	FY13	FY14~15	FY16	FY17 forecast
¥37.50	¥40.00	¥42.50	¥44.00	¥44.00

- Hokuhoku Financial Group, Inc. implemented a common stock consolidation at a ratio of ten stocks to one stock on October 1, 2016.
- The above dividends including those of past years are calculated taking this stock consolidation into account.

<Share buyback>

In July, 2016

30 million stocks

Total amount of acquisition : ¥3.58Bn

Forecasts for FY2017

Forecasts for FY2017

(JPY Bn)

【Consolidated】	FY17 forecast	change
Ordinary profits	35.5	(3.9)
Net income attributable to owners of the parent	23.5	(4.6)

Dividend forecasts for FY17

	Interim	Year-end	Annual
Dividend per common share	—	¥44.00	¥44.00
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

- Hokuhoku Financial Group, Inc. implemented a common stock consolidation at a ratio of ten stocks to one stock on October 1, 2016. The above dividend forecast for Fiscal 2016 is calculated taking this stock consolidation into account.

Forecasts for FY2017 【Hokuriku bank / Hokkaido bank】

(Bn JPY)

	【Total of two banks】		【Hokuriku bank】		【Hokkaido bank】	
	FY17 forecast	change	FY17 forecast	change	FY17 forecast	change
Core gross business profits	132.0	(0.9)	70.5	(2.4)	61.5	0.6
G&A expenses	92.5	2.6	49.0	0.7	43.5	1.9
Core net business profits	39.5	(3.5)	21.5	(3.2)	18.0	(1.2)
Net credit costs	4.0	4.6	2.0	2.6	2.0	2.0
Ordinary profits	36.0	(4.2)	21.5	(3.3)	14.5	(0.8)
Net income	24.5	(5.1)	14.5	(4.2)	10.0	(0.9)

Transition to a “Company with Audit and Supervisory Committee”

to strengthen the audit and supervisory functions and to enhance the management efficiency

The Company will make transition to a “Company with Audit and Supervisory Committee” on June 2017 to further reinforce its corporate governance by achieving following changes.

◆ Four Outside Directors who are Audit and Supervisory Committee Members

⇒ execute their voting rights at the meetings of the Board of Directors over important business issues

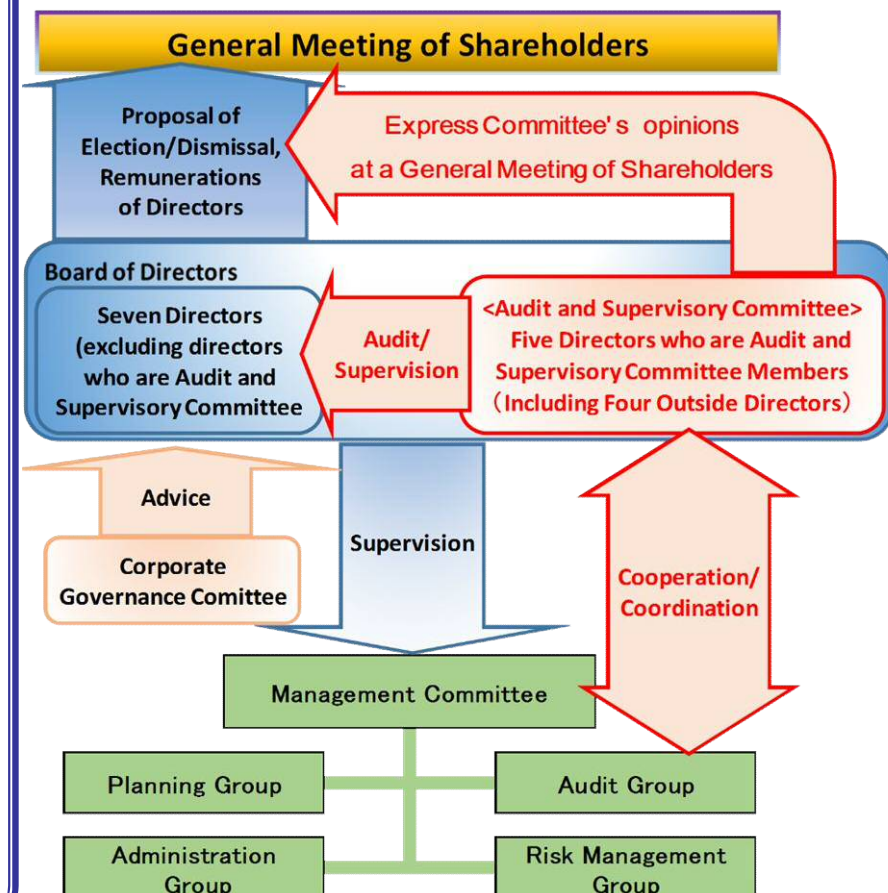
⇒ express Committee’s opinions on the election of directors and on the remunerations of directors (excluding directors who are Audit and Supervisory Committee Members) at the shareholders meeting.

◆ Delegation of decisions on the execution of important operations to directors

⇒ enables the Board of Directors to focus on the supervision of the execution of duties by Executives

⇒ enables the Executive Directors to make prompt and flexible decisions regarding the business execution

Corporate Governance Chart after the transition to a Company with an Audit and Supervisory Committee



Appendix

About Hokuhoku FG

Outline of Hokuhoku FG and Two Banks ①

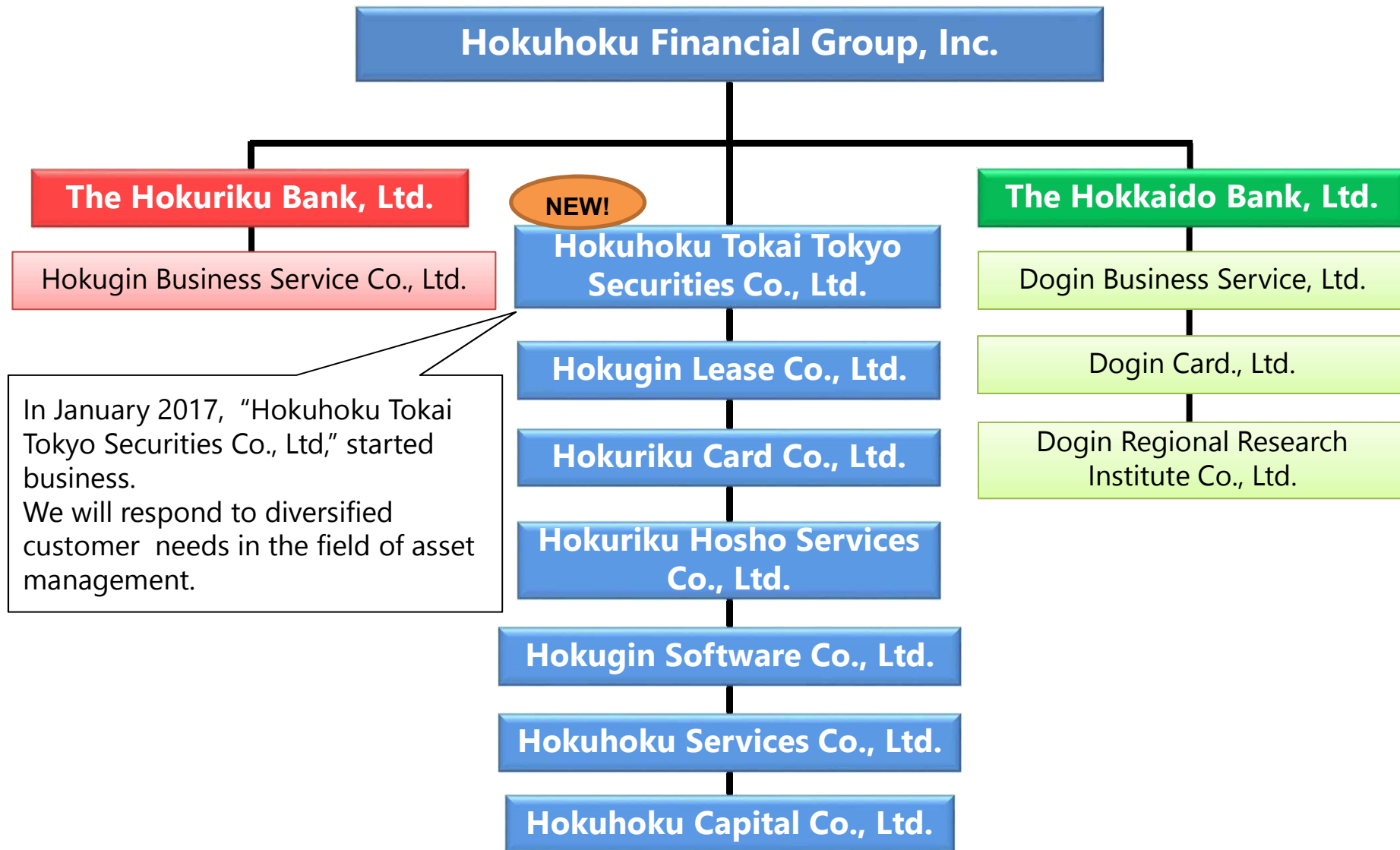


(As of March 31, 2017)

	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	¥ 93,524.01 million
Shares issued and outstanding	<ul style="list-style-type: none"> ▪ Common stock 132,163,014 ▪ Preferred stock (Type5) 107,432,000 	<ul style="list-style-type: none"> ▪ Common stock 1,047,542,335 	<ul style="list-style-type: none"> ▪ Common stock 486,634,512 ▪ Preferred stock (Type2) 107,432,000
Total assets	(consolidated) ¥ 12,429.4 billion	¥ 7,329.3 billion	¥ 5,051.6 billion
Deposits & NCD	(consolidated) ¥ 10,701.2 billion	¥ 6,243.3 billion	¥ 4,487.6 billion
Loans	(consolidated) ¥ 7,771.3 billion	¥ 4,467.6 billion	¥ 3,320.7 billion
Capital adequacy ratio	(consolidated) 9.43 %	(non-consolidated) 8.74 %	(non-consolidated) 9.34 %
Employees	13 (fulltime workers)	2,779	2,291
Ratings	A(R&I)	A(R&I)、A-(S&P)	A(R&I)、A(JCR)

About Hokuhoku FG

Outline of Hokuhoku FG and Two Banks ②

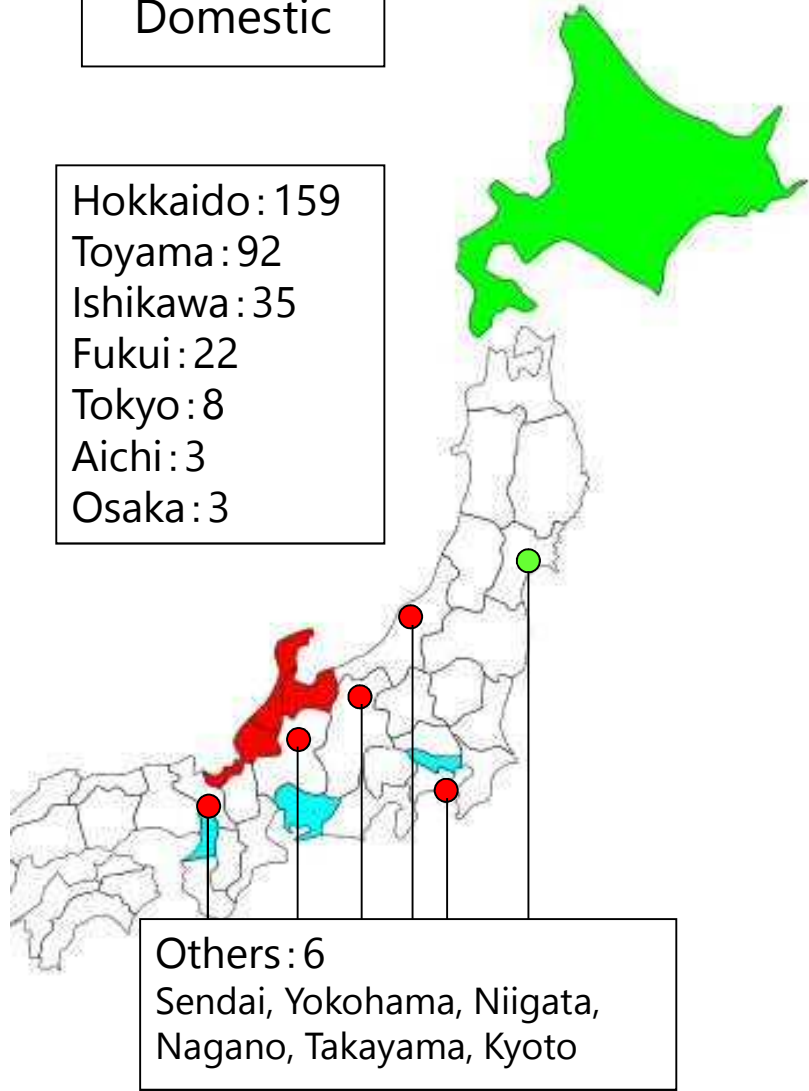


About Hokuhoku FG

Outline of Hokuhoku FG and Two Banks ③

Domestic

- Hokkaido: 159
- Toyama: 92
- Ishikawa: 35
- Fukui: 22
- Tokyo: 8
- Aichi: 3
- Osaka: 3



Oversea



• Representative offices

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

About Hokuhoku FG ③

Historical Data (Hokuhoku FG)



(JPY Bn)

	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year	FY2015 Interim	FY2015 Full year	FY2016 Interim	FY2016 Full year
<Consolidated>									
Ordinary income	199.1	95.2	190.9	96.4	193.9	99.1	192.5	93.9	187.4
Ordinary profits	29.3	23.5	49.4	21.8	48.1	26.1	46.4	23.7	39.4
Net income attributable to owners of the parent	18.1	12.3	27.3	13.8	28.2	16.6	28.8	16.7	28.1
Capital adequacy ratio	11.88%	12.04%	12.31%	11.38%	11.13%	10.89%	10.30%	10.28%	9.43%
<Total of two banks>									
Core gross business profits	145.5	71.5	142.2	72.0	144.8	72.9	143.0	69.4	132.9
General & administrative expenses	95.1	47.8	94.0	47.7	93.6	45.3	90.9	44.5	89.8
Core net business profits	50.3	23.7	48.2	24.3	51.2	27.5	52.0	24.8	43.0
Net gains(losses) related to securities	0.4	1.0	2.2	3.2	6.9	1.8	0.2	(1.2)	(0.7)
Credit costs	17.0	0.0	(1.3)	3.0	6.0	1.6	3.7	(1.1)	(0.6)
Ordinary profits	30.0	23.3	48.5	22.3	47.1	26.8	46.7	23.7	40.2
Net income	19.5	12.6	27.5	14.8	28.2	17.8	29.9	17.2	29.6
ROA	0.47%	0.43%	0.44%	0.43%	0.45%	0.48%	0.45%	0.42%	0.36%
OHR	65.37%	66.87%	66.08%	66.17%	64.64%	62.18%	63.57%	64.21%	67.58%
Loans	7,402.0	7,369.6	7,336.3	7,480.1	7,561.7	7,519.2	7,599.6	7,700.4	7,788.3
Deposits (including NCD)	10,008.1	10,089.4	10,172.0	10,489.0	10,651.3	10,635.7	10,502.6	10,526.6	10,731.0
Securities	2,497.8	2,540.4	2,481.4	2,433.8	2,481.4	2,423.1	2,395.8	2,452.2	2,439.3
Non performing loan	236.7	216.1	201.3	196.9	189.2	176.3	168.6	160.6	156.2
NPL ratio	3.11%	2.85%	2.67%	2.56%	2.43%	2.28%	2.15%	2.02%	1.94%

About Hokuhoku FG ④

Historical Data (Hokuriku Bank)



(JPY Bn)

	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year	FY2015 Interim	FY2015 Full year	FY2016 Interim	FY2016 Full year
Ordinary income	103.0	48.5	97.7	48.0	94.0	46.3	93.3	45.8	92.9
Core gross business profits	82.3	38.9	77.0	38.1	76.5	37.8	75.3	36.8	72.9
General & administrative expenses	50.9	25.8	50.5	25.9	50.4	24.3	48.6	23.8	48.2
Core net business profits	31.4	13.0	26.4	12.2	26.0	13.4	26.6	12.9	24.7
Net gains(losses) related to securities	(1.2)	0.6	1.6	2.7	3.6	1.0	0.4	0.6	0.3
Credit costs	9.3	(0.9)	(4.2)	0.8	1.7	0.8	(1.1)	(1.0)	(0.6)
Ordinary profits	18.3	13.9	30.4	12.5	24.5	12.9	26.7	14.5	24.8
Net income	12.3	7.2	17.8	7.8	14.6	8.2	16.5	10.7	18.7
Capital adequacy ratio	11.78%	11.95%	12.40%	10.98%	10.61%	10.31%	9.78%	9.48%	8.74%
ROA	0.52%	0.42%	0.42%	0.38%	0.40%	0.40%	0.40%	0.37%	0.35%
OHR	61.84%	66.39%	65.65%	67.98%	65.94%	64.31%	64.57%	64.77%	66.12%
Loans	4,332.7	4,271.2	4,227.6	4,292.7	4,365.3	4,332.9	4,383.4	4,446.0	4,467.6
Deposits (including NCD)	5,726.2	5,796.8	5,909.0	5,905.9	6,076.0	6,006.7	6,117.6	6,106.6	6,243.3
Securities	1,269.6	1,296.1	1,238.3	1,219.1	1,275.4	1,272.1	1,343.9	1,384.2	1,457.6
Non performing loan	148.4	134.2	120.3	114.1	109.7	102.9	97.9	91.3	89.1
NPL ratio	3.34%	3.06%	2.78%	2.60%	2.46%	2.33%	2.18%	2.01%	1.96%

About Hokuhoku FG ⑤

Historical Data (Hokkaido Bank)



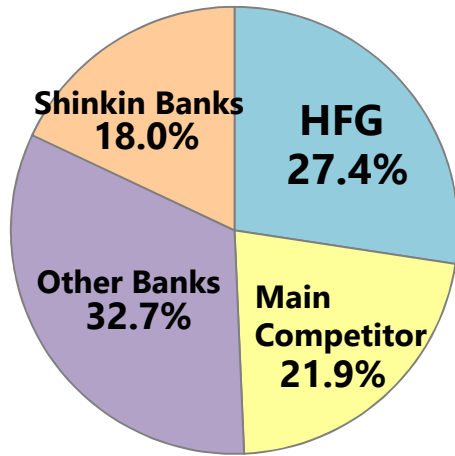
(JPY Bn)

	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year	FY2015 Interim	FY2015 Full year	FY2016 Interim	FY2016 Full year
Ordinary income	81.6	40.2	80.2	41.6	85.4	45.4	85.5	40.5	78.9
Core gross business profits	63.1	32.6	65.2	33.9	68.3	35.0	67.6	32.5	60.8
General & administrative expenses	44.2	21.9	43.4	21.7	43.1	21.0	42.2	20.7	41.5
Core net business profits	18.9	10.6	21.7	12.1	25.1	14.0	25.3	11.8	19.2
Net gains(losses) related to securities	1.7	0.3	0.6	0.5	3.2	0.8	(0.1)	(1.8)	(1.9)
Credit costs	7.6	0.9	2.8	2.1	4.2	0.7	4.8	(0.0)	(0.0)
Ordinary profits	11.6	9.4	18.0	9.8	22.6	13.9	20.0	9.2	15.3
Net income	7.2	5.4	9.6	7.0	13.5	9.6	13.4	6.5	10.9
Capital adequacy ratio	11.23%	11.08%	10.76%	10.79%	10.75%	10.45%	10.23%	10.05%	9.34%
ROA	0.41%	0.45%	0.47%	0.51%	0.53%	0.58%	0.52%	0.49%	0.40%
OHR	69.98%	67.44%	66.60%	64.14%	63.18%	59.88%	62.47%	63.57%	68.33%
Loans	3,069.3	3,098.4	3,108.6	3,187.4	3,196.4	3,186.3	3,216.1	3,254.3	3,320.7
Deposits (including NCD)	4,281.9	4,292.6	4,262.9	4,583.0	4,575.3	4,628.9	4,384.9	4,420.0	4,487.6
Securities	1,228.2	1,244.3	1,243.1	1,214.6	1,205.9	1,150.9	1,051.9	1,068.0	981.6
Non performing loan	88.2	81.9	81.0	82.8	79.6	73.3	70.9	69.3	67.1
NPL ratio	2.79%	2.56%	2.52%	2.50%	2.40%	2.21%	2.11%	2.03%	1.92%

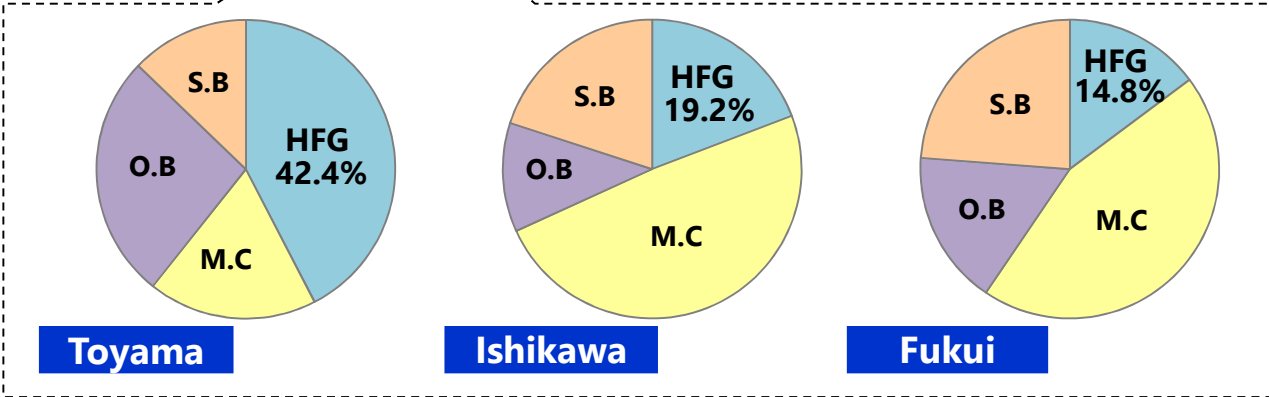
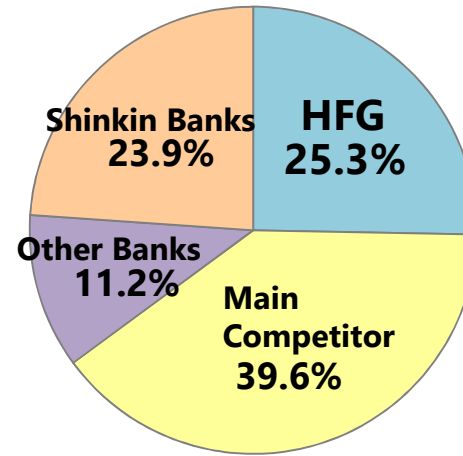
About Hokuhoku FG ⑥

Market Share in Our Home Market (Loans, Sep-16)

Hokuriku Area



Hokkaido Area

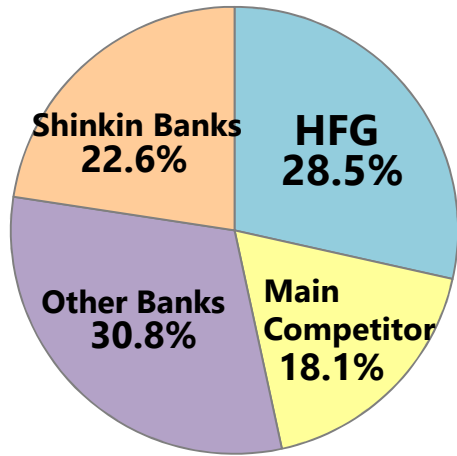


*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

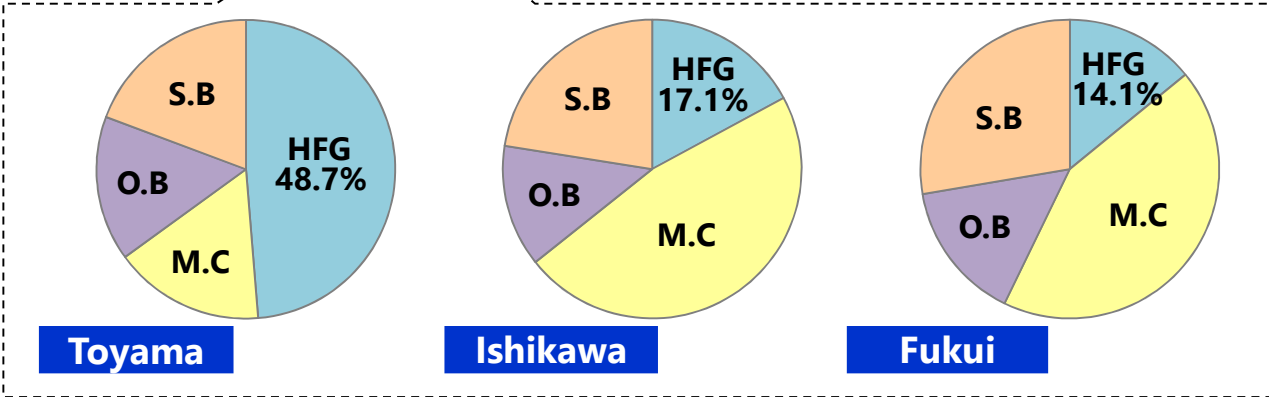
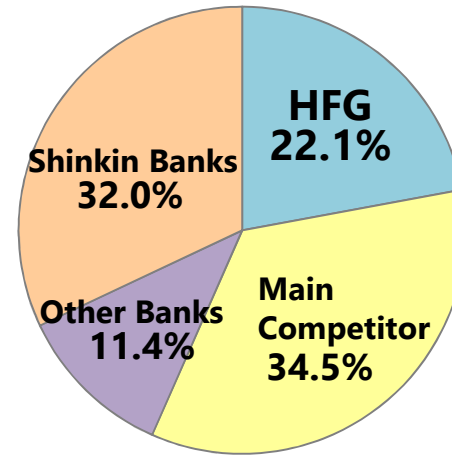
About Hokuhoku FG ⑦

Market Share in Our Home Market (Deposits, Sep-16)

Hokuriku Area



Hokkaido Area



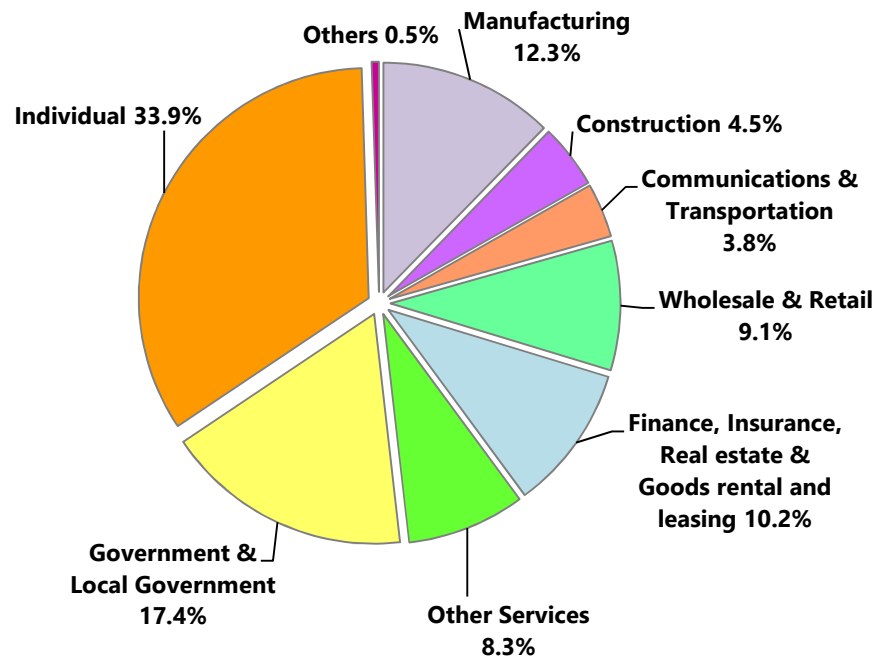
*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

About Hokuhoku FG ⑧

Lending in the Region by Industry (Mar-17)

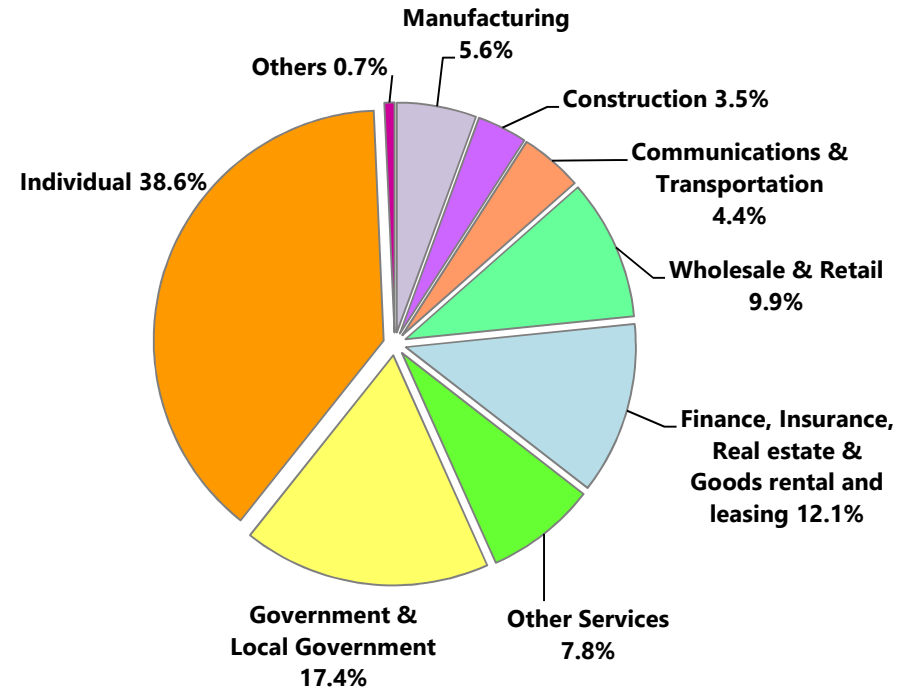


Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

Hokkaido Bank



Region: Hokkaido

About Japanese Regional Banks ①

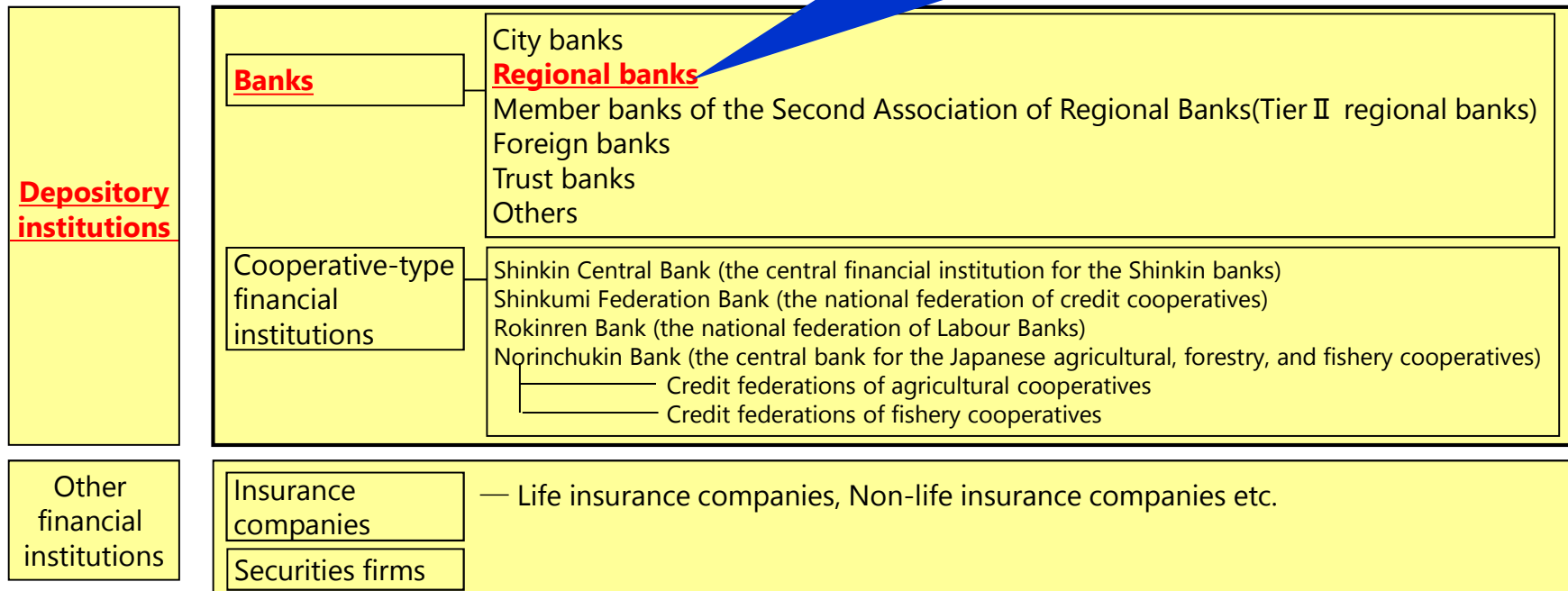
Financial Institutions in Japan

Source: Home page of Japanese Bankers Association of Japan

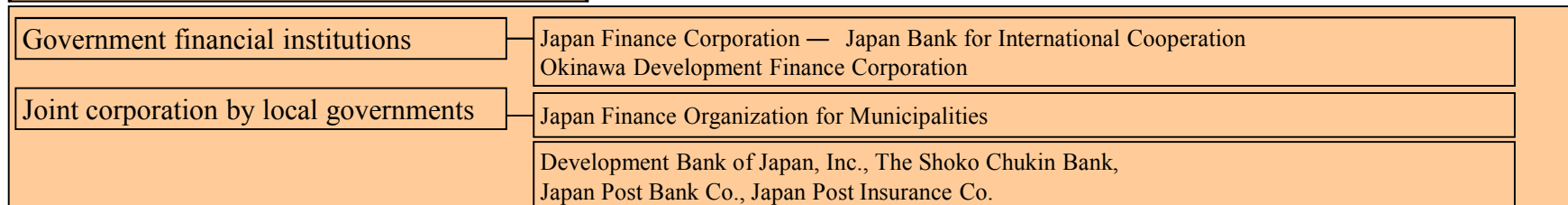
1 Central Bank - Bank of Japan

2 Private financial institutions

**Hokuhoku Financial Group
(Hokuriku Bank, Hokkaido Bank)**



3 Public financial institutions



About Japanese Regional Banks ②

Outline of Regional Banks

Outline of Regional Banks

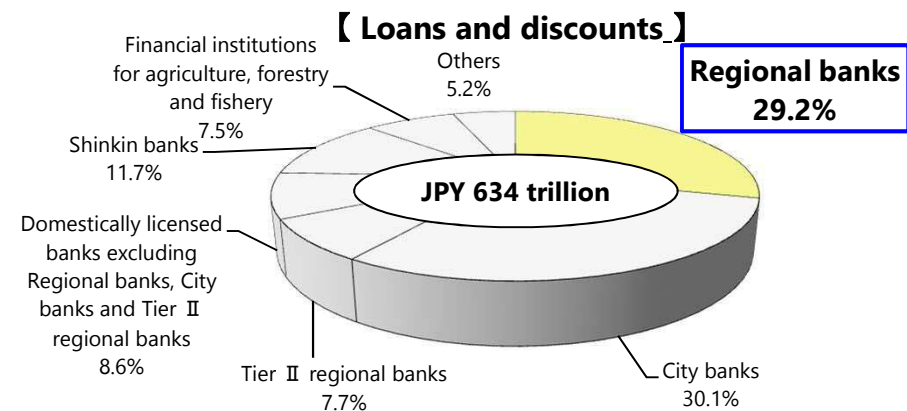
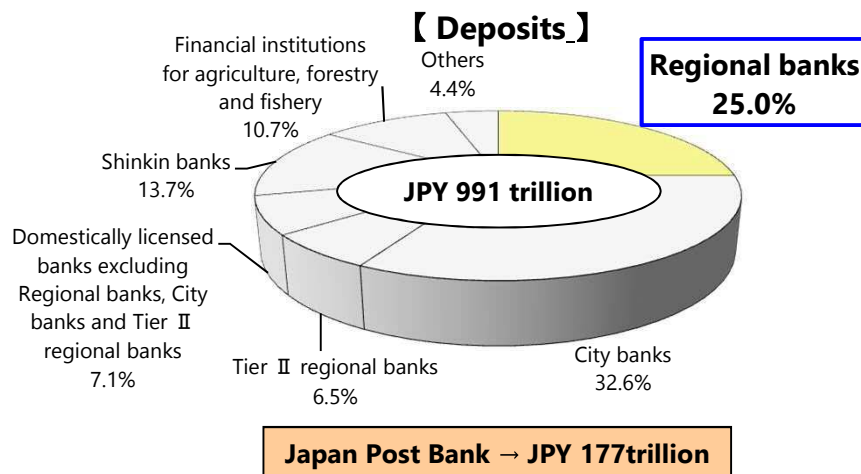
The 64 regional banks in Japan, as leading banks in the regions, serve the diverse financial needs of local clients such as individuals, companies, and local governments, through a dense branch networks and ATMs in the regions.

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

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



Shares of Deposits and Loans of Private Financial Institutions (Mar-16)



The Present Condition of the Regional Economy ①

Economic Conditions

April-17	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	All Japan	Hokuriku Area	Hokkaido Area
Economic Trend	On a moderate recovery	Expanding moderately	Recovering moderately
Public Investment	Holds firm	Increasing	Increasing moderately
Business Investment	Shows movements of picking up	Increasing steadily	Has turned upward
Private consumption	In pickup as a whole	Picking up steadily	Recovering
Housing construction	In a weak tone	Increasing steadily	Picking up moderately
Production	Picking up	Increasing steadily	Virtually flat
Employment & Income	Improving	Improving steadily	Improving steadily
Consumer prices	Flat	Turning to a rise	Above the previous year's level
The number of bankrupt companies	Almost flat	Calm movement	Calm movement

The Present Condition of the Regional Economy ②

Characteristics of Our Main Business Area

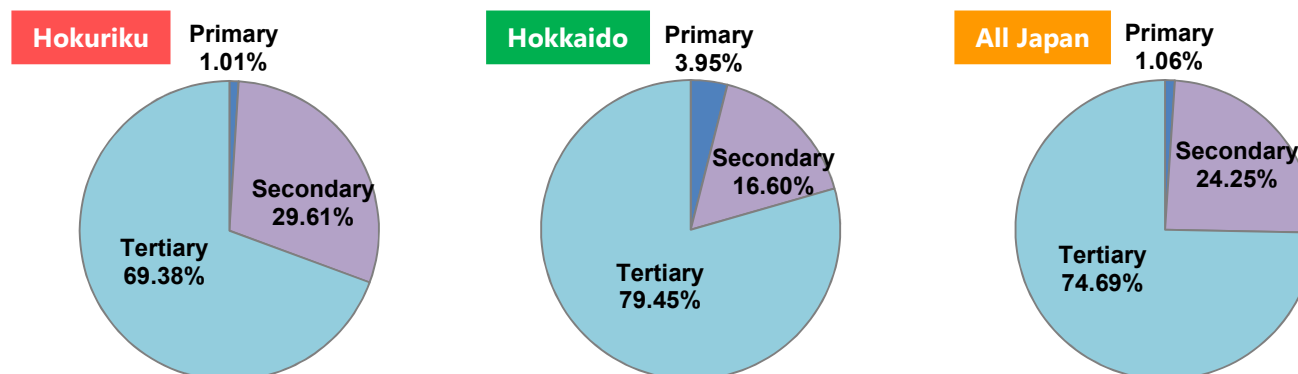
Population and Square Measure *1

	Toyama Prefecture a	Ishikawa Prefecture b	Fukui Prefecture c	Total a+b+c	Hokkaido	Total
Population (Ranking)	1.07Mn (37th)	1.15Mn (34th)	0.79Mn (43rd)	3.01Mn	5.38Mn (8th)	8.39Mn
Square Measure (Ranking) km ²	4,248 (33rd)	4,186 (35th)	4,190 (34th)	—	83,457 (1st)	—

Gross Prefectural Product *1,2

	Toyama a	Ishikawa b	Fukui c	Total a + b + c	Hokkaido	Total (JPY Bn)
GPP (Proportion) (Ranking)	4,356.5 (0.86%) (32nd)	4,544.8 (0.89%) (28th)	3,127.0 (0.61%) (42nd)	12,028.5 (2.36%)	18,268.7 (3.59%) (8th)	30,297.3 (6.00%)

Industrial Structure *2



Number of businesses *1

	(Thousand)
Hokkaido	242
Hokuriku	161
Toyama	54
Ishikawa	63
Fukui	43

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

The Present Condition of the Regional Economy ②

Characteristics of Our Main Business Area

Sightseeing

Hokuriku Shinkansen started in March 2015 and Hokkaido Shinkansen started in March 2016 !

Hokuriku

- Number of overnight guests staying in Hokuriku area increased due to the effect of Hokuriku Shinkansen.

Total Number of overnight guests (2015)

Toyama : 3.9million (+14.3%)
Ishikawa : 8.7million (+15.7%)
Fukui : 4.1million (+9.8%)

Growth rate of overnight guests staying in Toyama is 4th rank in Japan, after opening Hokuriku Shinkansen. (Ishikawa is 5th rank.)

Hokkaido

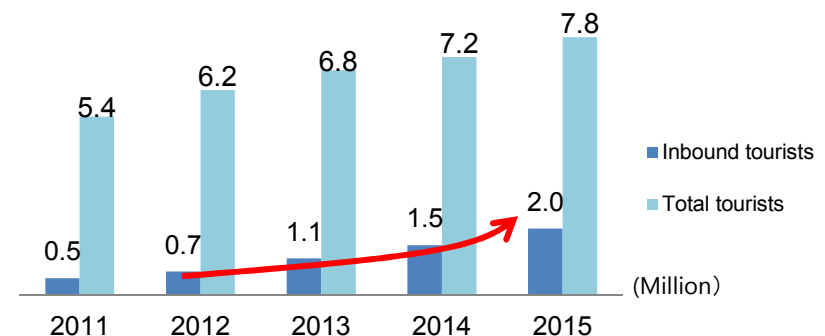
- Economic ripple effect of Hokkaido Shinkansen on whole Hokkaido was around 20.0 billion yen in a year from its opening. (Effect on southern part of Hokkaido was 16.9 billion yen.)
- In the first half of 2016, the number of tourists to southern part of Hokkaido increased by 16% compared to same term of previous year. Especially, tourists from Tokyo area and Tohoku area who took Hokkaido Shinkansen increased.



Main tourist attractions and events in Hokuriku area

Toyama	Ishikawa	Fukui
Tateyama Kurobe Alpine Route	Kenroku-en	Tojinbo Cliffs
Kurobe Gorge	Yamashiro Onsen	Ichijodani Asakura Clan Ruins
Owara-bon	21st Century Museum of Contemporary Art	Fukui Prefecture Dinosaur Museum

Numbers of tourists visiting Hokkaido



The Present Condition of the Regional Economy ②

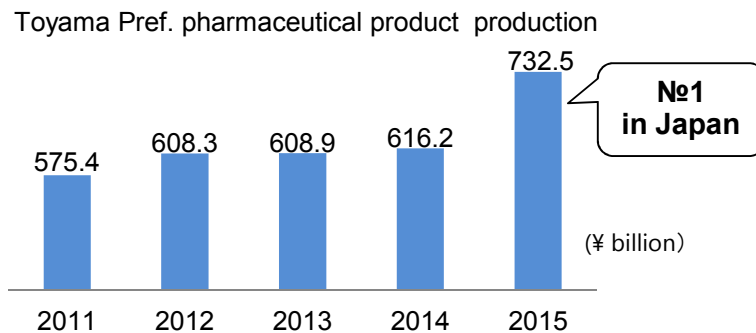
Characteristics of Our Main Business Area

Manufacturing

Weight of secondary industry in Hoku-riku area is high compared to the national average.

Toyama

- Pharmaceuticals account for a high proportion of the chemical industry. There are many local medium-sized pharmaceutical companies and major pharmaceutical company factories.
- There are also major aluminum building material companies and related subcontractors. Toyama has the largest share of the Japanese shipment value of aluminum sash.



Fukui

- Fukui is known as a textile producing area as well as Ishikawa. Electronic component & device industry has high weight in Fukui industry.
- Fukui is also famous for the glass frame producing.

Ishikawa

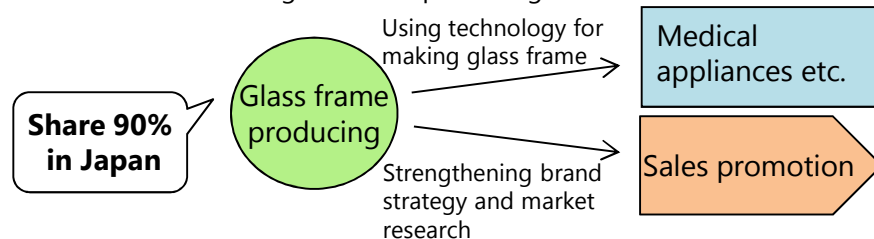
- Textile industry is a main industry from a long time ago. Recently, textile products made in Ishikawa has been decreased due to the competition with foreign products and production reduction of major textile companies. However, share of synthetic fiber fabric accounts for 30% in domestic market.
- 6 companies in Ishikawa were selected as global niche top companies.

*Global niche top companies have achieved excellent results in developing business overseas.

Number of companies selected "Global niche top companies"

1st	Tokyo (24 companies)
2nd	Osaka (18 companies)
3rd	Aichi (8 companies)
4th	Ishikawa (6 companies)

Activities to flourish glass frame producing in Fukui



The Present Condition of the Regional Economy ②

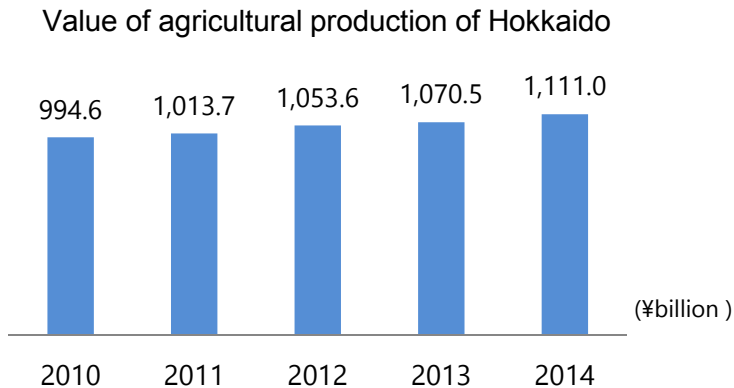
Characteristics of Our Main Business Area

Agriculture・Fishing industry

Agriculture, forestry and fisheries in Hokkaido, which supply approximately 20% of domestically-supplied calories, significantly contribute to a stable food supply in Japan.

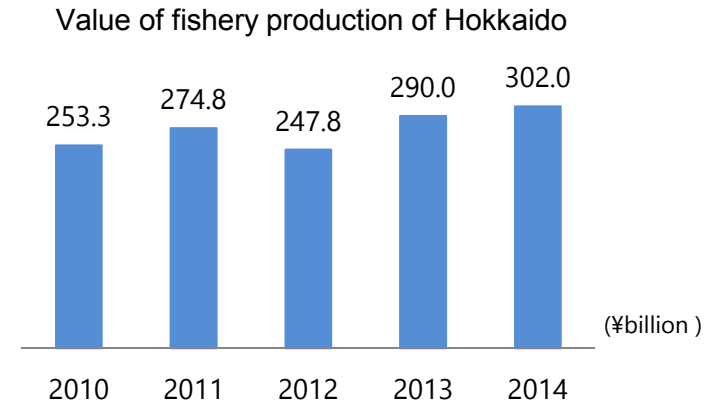
Agriculture

- In Hokkaido, agriculture makes use of a large area of cultivated acreage, which accounts for 25% of Japan's total cultivated area. Hokkaido contributes 13.2% of the total agricultural output of Japan.



Fishing industry

- Fishing industry is a core industry in Hokkaido.
- Fisheries and aquaculture productions amount in Hokkaido is No.1 in Japan, with No.1 quality.



- “Food Cluster” Activities . . . The activities promote to create an integrated food industry unique to Hokkaido.

Transition of businesses related agriculture

	Processing of agricultural products	Farm stand	Tourist farm	Farm guesthouse	Farm restaurant
2012	1,170	1,240	450	300	170
2013	1,220	1,320	480	320	170

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