

Management Strategy of HOKKOKU FINANCIAL HOLDINGS, Inc. And Summary of second quarter financial results of FY2022.

October 29, 2021

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company

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company

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Outline of the 2Q of the fiscal year ended March 31, 4.2022

Bank

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1. Summary of Financial Results

Outline of the 2Q of the fiscal year ended March 31, 2022

[Non-Consolidated Overview]

<Operating profits from core business: JPY6.344 billion, YoY +JPY622 million>

<Ordinary income JPY15.255 billion +JPY6.976 billion YoY>

<Interim net income JPY9.618 billion +JPY4.973 billion YoY>

Interest and dividends on securities and gains (losses) on securities transactions increased YoY.

The cost of disposing of non-performing loans also declined YoY, resulting in higher sales and profits.

Bank

(1) Outline of profit and loss

【Non-consolidated】

	End of Sep.2020	End of Sep.2021	Change	Change(%)
Ordinary income	37,143	39,486	2,343	6.3%
Ordinary profit	8,279	15,255	6,976	84.2%
Profit	4,645	9,618	4,973	107.0%
Net business profit	5,722	6,344	622	10.8%

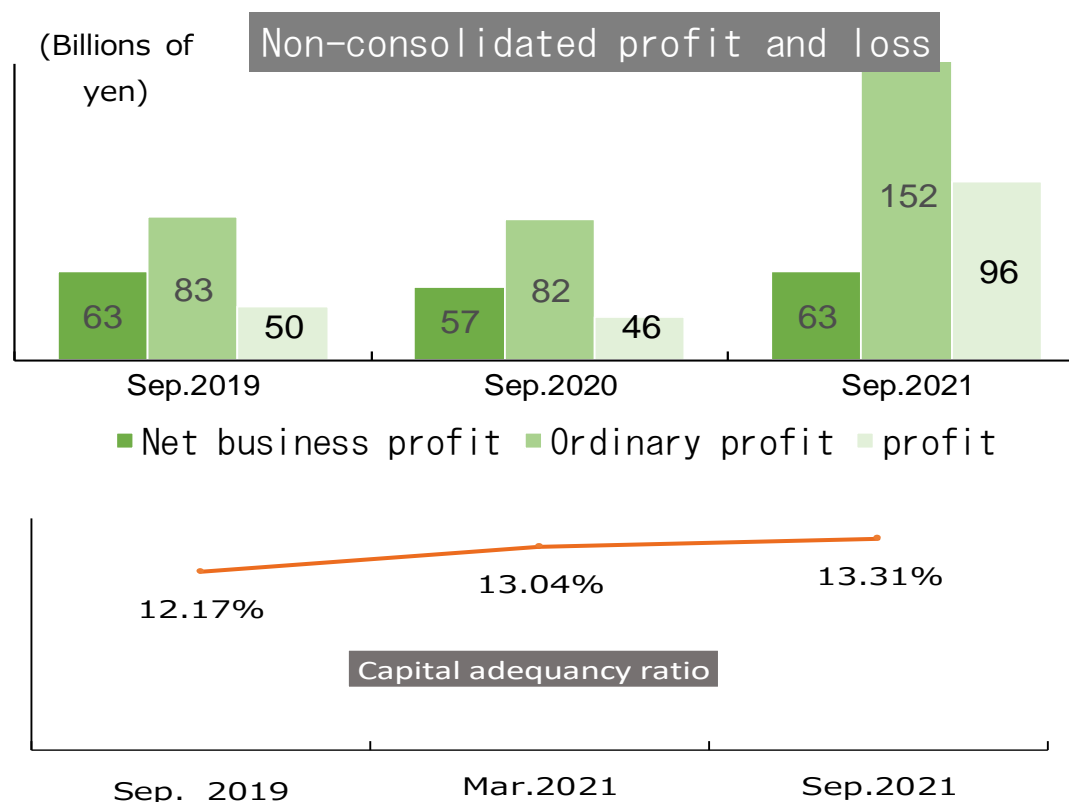
【Consolidated】

	End of Sep.2020	End of Sep.2021	Change	Change(%)
Ordinary income	42,451	44,736	2,285	5.3%
Ordinary profit	9,049	15,817	6,768	74.7%
Profit	5,054	9,875	4,821	95.3%

* Profit attributable to owners of parent

(2) Capital adequacy ratio

	End of Mar.2019	End of Mar.2020	End of Sep.2021	Change
Consolidated capital adequacy ratio	12.17%	13.04%	13.31%	0.27%

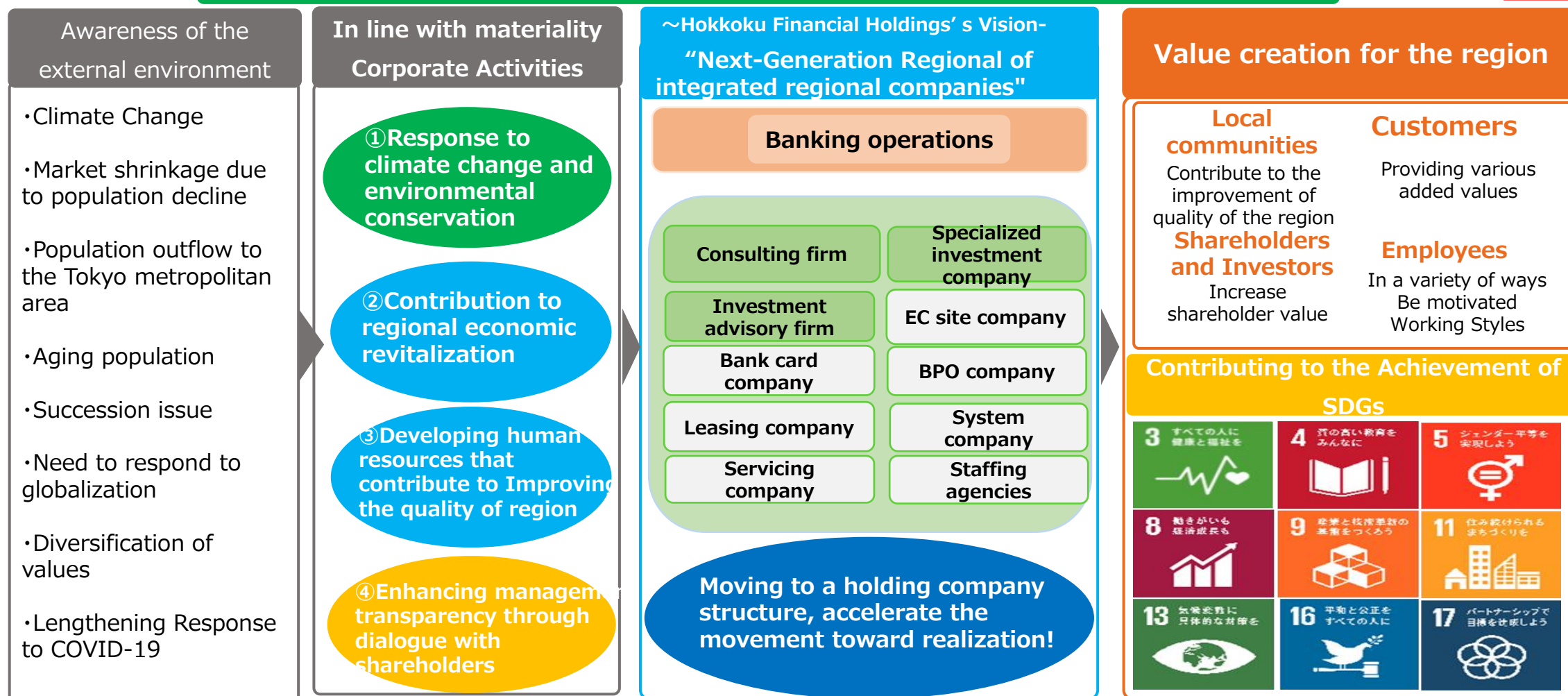


2. Business Model and Medium-to Long-Term Management Strategy

Hokkoku Financial Holdings' Business Model

**Holding
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Corporate Philosophy, Brand, and ESG Initiative Policies



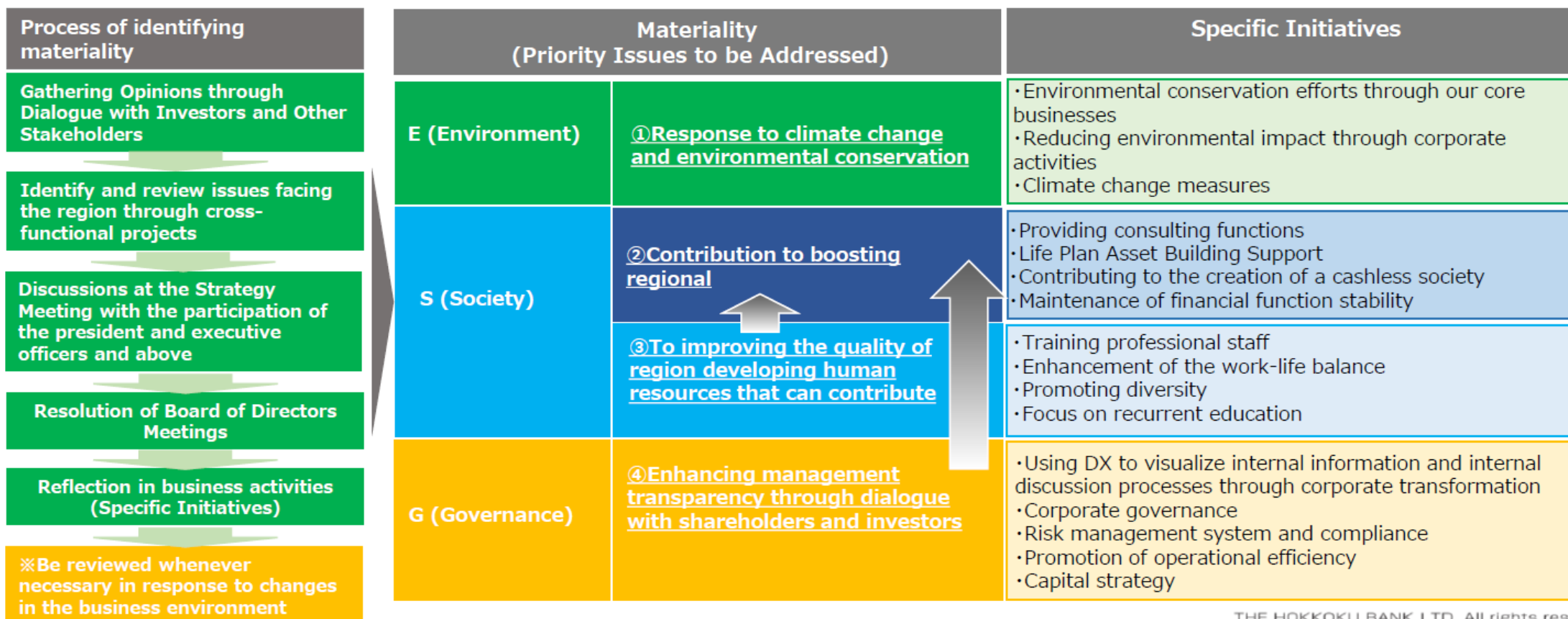
Foundation to support value creation, Strengthening of corporate governance and the risk & compliance system

ESG Initiative Policies and Materiality

[ESG Initiative Policy]

- Hokkoku Financial Holdings aims to work together with all stakeholders, including local communities, to realize a sustainable society by actively working to resolve ESG (Environmental, Social, and Governance) issues through its business activities.
- We believe that the resolution of ESG issues through our business activities and the virtuous cycle of sustained improvement in earnings brought about by them will lead to the realization of our corporate philosophy "To be a prosperous future, expand the circle of mutual trust, and build a prosperous future together with the community."

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3 Pillars for Realizing Business Models

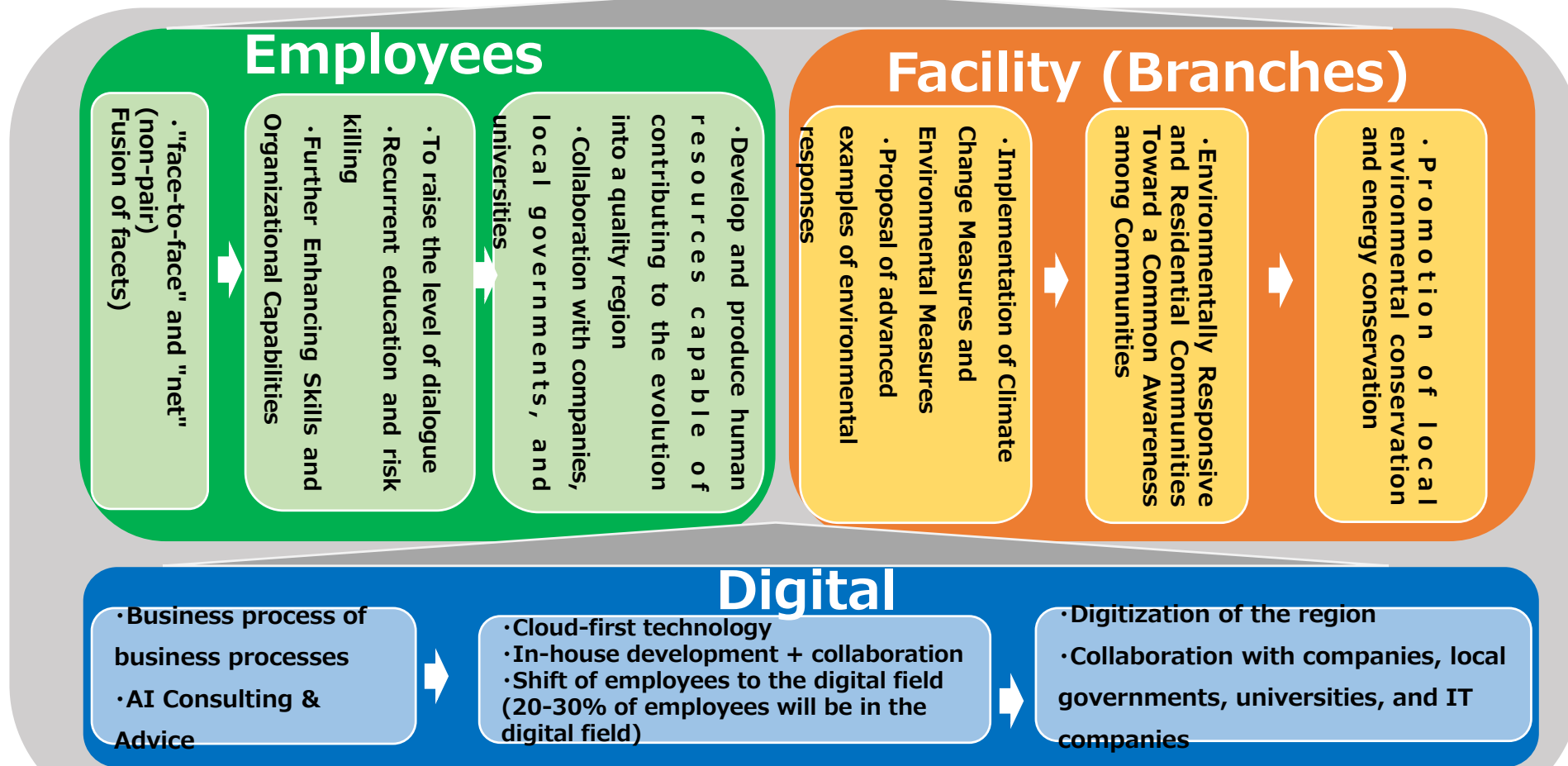
Creating Value and Achieving Sustainable Growth in Local Communities-Realizing a Sustainable Society-

[Digital] Penetration of digital banks ⇒ Convenience and high productivity for all customers

[Employees] Consulting, Advice, Study Meetings ⇒ What People Can Do

[Branches] Saturday, business, and residence-oriented design ⇒ To consulting, advising, collaborating, and educational venues in face to face

All customers



3 pillars to 1-[Digital] for realizing business model

Common "digital bank"

- ✓ Realizing speedy development by narrowing down target customers and functions

Digital bank (Internet Branch)

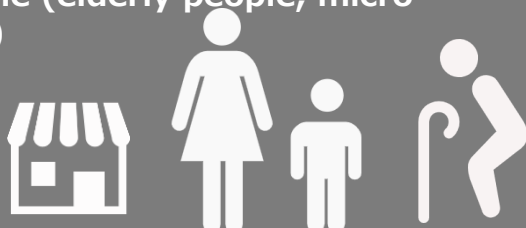


- Targeted only for highly digital literate individuals and companies
- Have limited functions

Traditional banks (Products and Services)



- Complex but necessary operations as social infrastructure (Account transfer, etc.)
- Digital vulnerable (elderly people, micro enterprises, etc.)



Change in Business Model

- ✓ Opened a 24-hour web account
- ✓ No hang
- ✓ No passbook
- ✓ No need for brick-and-mortar stores
- ~Change in the raison d'etre of stores ~

Our idea of "digital bank"

- ✓ Digitization of products and services to all customers
- ✓ Promote the digitization of the entire region

Hokkoku Cloud Banking (Individuals) Hokkoku Digital Banking (Corporate)



- Digitize all users
- Digitize all functions

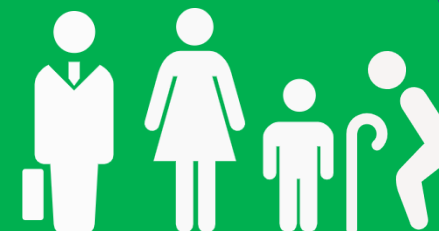
Digital Benefits for All Customers in the Region!

Northern
DX
Cashless
Fund

Cloud banking
classes at all
stores

Web access
(corporate IB)
classes from
scratch

For no basic
fees for both
corporations
and
individuals



3 pillars to 2-[People] for realizing business model

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Human Resources Strategy Framework of the FHD

- Develop professional human resources who can support career autonomy and contribute to value creation
- Improving the level of dialogue and enhancing collaboration

With a high degree of satisfaction Career Review and Wage Structure

- Performance Evaluation + Personnel Evaluation → Career Review
- Supporting Career Autonomous and Human Resource Development
- Wage system that emphasizes skills, roles, and contributions
- Bonus: Stable payment + Performance-linked stock grants

Respect for Diverse Values Support career autonomy

- Treatment and staffing with respect to career plans
- Lifting of the ban on side business
- To create an environment in which people with disabilities can work together

Organization that can leverage
human resources

Realizing
corporate ideals

Creating Value for
Local Communities
• Improving Quality

Ideal working
environment

Framework for
improving skills

Shared values - a
common
philosophy

Producing human
resources

- Contributing to the Creation of Value in the Region with the Knowledge Acquired at Hokkoku FHD

Recruitment

Flexible hiring

- Strengthen year-round hiring and mid-career hiring
- Implementation of advance payment of retirement allowance
- Increase wage base for young mid-level employees, including starting salaries

Sophistication of the human
resource development system

- Effectively Utilizing Advanced External Knowledge
- Support for MBA acquisition
- Visualization of skills through in-house developed HRM system (flexible arrangement possible)

3 pillars to 3-[Facility ①] to realize business model

"Real" Stores in the "Digital" Thinking of Northern FHD

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Do not sell "goods"

For each individual of our
customers
Place to provide services

Place to maximize
CX/UX

※CX: Customer Experience
UX: User Experience

Digital bank
+ Branches



※OMO: Online Merges with Offline (a globally integrated on-line and offline)

Providing value (useful) information through digital = Providing value

3 pillars to 3-[Facility ②] to realize business model

Initiatives for carbon neutrality

- ▶ Introducing the "ZEB" concept to store design-Taking the lead in implementing ESG management in the region-

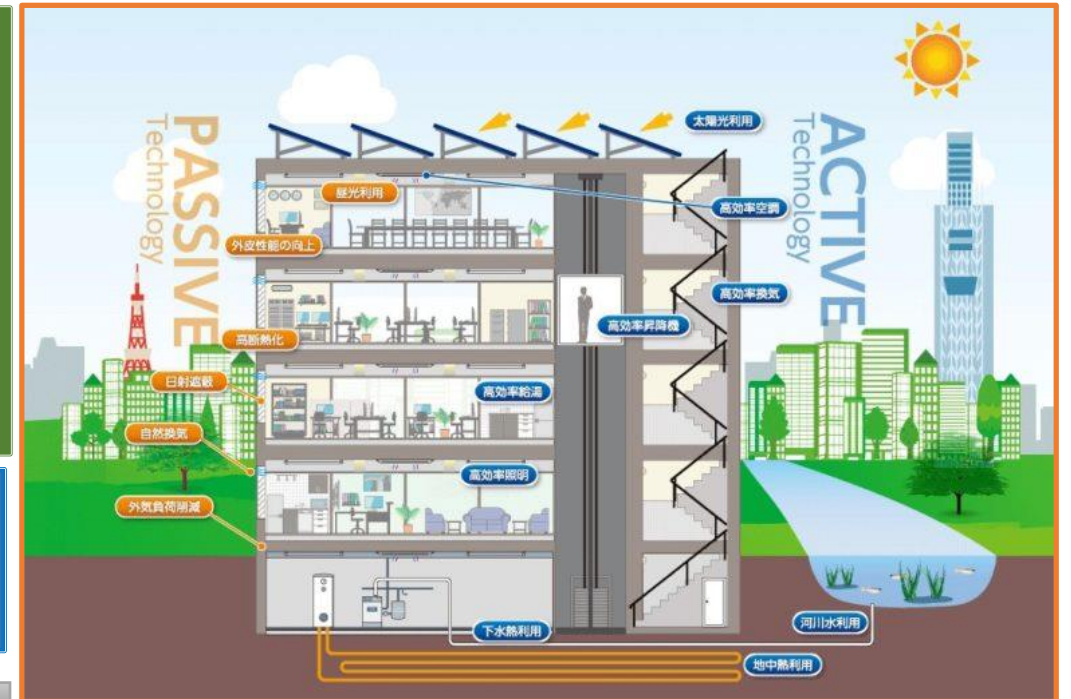
Full Banking Branches

- Basic policy: Nearly ZEB
(Reduce primary energy consumption by 75% or more)
- Installation facilities
Photovoltaic power generation, high-efficiency air conditioning and ventilation, natural light
Enhancement of external performance, sunlight shielding, and use of groundwater



Retail Branches

- Basic policy: ZEB Ready
(Reduce primary energy consumption by 50% or more)



- Conservation of local environments
- Promotion of energy saving

Realization of a sustainable society

Longer-Term Management Strategy 2021※2021.4.28 announced

Medium-to Long-Term Management Strategy-Update Plans-

※An update is planned at the time of the announcement of the financial results for the FY2022.3

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- -Formulated a medium-term management plan that specifies a period of about 3 years
- -Updated every fiscal year the level, strategy, and policy for initiatives that should be targeted in the medium-to long-term

[Background of formulation]

- Need to have a medium-to long-term awareness of major direction
- Necessity of responding to rapid changes in social and business conditions
 ~Progress of measures in project format and agile working styles ~

Taking account of the rapidly changing social and environmental situations, formulate plans more flexibly and in line with actual conditions.

The need to decide and implement strategies more rapidly is increasing, and medium-to long-term strategies will be announced in line with the agile-type strategic policies of the project team.

Basic formulation policy

- ①Image of Our Vision for the Next 5-and 10-Years as Medium-to Long-Term Targets
- ②Present policies and strategies for achieving the vision
- ③Keep abreast of changes in society and the market environment and constantly update
 - ※It will be updated every fiscal year after showing the changes in the environment that form the assumption.

Medium-to Long-Term Targets

~Level of image over the medium to long term based on future environmental expectations and action policies-

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Item	FYE March. 2021 Actual	FYE March. 2026 5 years from now	FY3/2031 About 10 years later
Consolidated Operating Income	JPY12.8 billion	JPY16 billion	JPY21 billion
Consolidated Net Income	JPY6.7 billion	JPY10 billion	JPY13 billion
New Business Revenues (Consolidated) (New business revenue including card leasing and consulting)	JPY3.9 billion	JPY7.5 billion	JPY11 billion
OHR (consolidated)*1	70.7%	65.0%	Latter half of 50%
ROE (Consolidated)*2	2.5%	3.5%	4.5%

*1 1 OHR is the ratio of general and administrative expenses to gross operating profit, defined as gross operating profit minus 5 fixed income accounts.

*2 2 ROE is calculated as: (Total net assets at the beginning of the period + Total net assets at the end of the period)/Net income attributable to owners of the parent to 2

Medium-to Long-Term Target Levels (Details and Consolidated)

Item	FYE March. 2021 Actual	FYE March. 2026 5 years from now	FY3/2031 About 10 years later
Net interest income, etc. *1	JPY34.6 billion	JPY33.5 billion	JPY33 billion
Fees and commissions	JPY8.1 billion	JPY12 billion	JPY15.5 billion
Card Business	JPY1.5 billion	JPY3.4 billion	JPY4 billion
Leasing business	JPY1.8 billion	JPY1.9 billion	JPY2.5 billion
Consulting business	JPY600 million	JPY2 billion	JPY4 billion
Other New Businesses*2	JPY0	JPY200 million	JPY500 million
Personnel expenses	JPY14.5 billion	JPY13.5 billion	JPY13 billion
Property costs	JPY13.4 billion	JPY14 billion	JPY13 billion
System-related expenses	JPY5.8 billion	JPY6.3 billion	JPY4.8 billion
Net income	JPY6.7 billion	JPY10 billion	JPY13 billion

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※1 Investment income of QR Investment Co., Ltd. is recorded in net interest income, etc.

※2 Recorded business revenues from FD Advisory Co., Ltd., EC mall business, etc.

Key Strategy Framework

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Expansion of business axis

- Expansion of business axes (business domains) by the new company
- Expand customer base by deepening existing operations

Sophistication of credit risk management and support systems

- Awareness of issues and appropriate risk management through understanding of business potential and strengthening of relationships
- Management improvement support by strengthening consulting functions

Maximize group synergy

- Improving the quality of services provided to local communities (speeding up decision-making and efficient business operations)
- Improve management efficiency by maximizing group synergies (governance, effective use of management resources)

Developing Human Resources That Contribute to Improving the Quality of Local Communities

- Mobilization of human resources within the Group and the development of next-generation managers (Development of high-value-added, highly productive human resources capable of responding to increasingly diverse and sophisticated needs)

Forecasts for the fiscal year ended March 2022

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- The company revised its performance forecast for the fiscal year ended March 31, 2022 upward in response to a substantial increase in gains and losses related to marketable stocks in the fiscal year ended September 2021, which was higher than originally expected. However, the full-year results are expected to be on a par with the previous fiscal year, assuming that the impact of the new Corona viral infectious disease on the overall economy will continue to some extent.
- The dividend forecast is JPY80, an increase of JPY10 per share, in line with the upward revision to the earnings forecast.

○Forecast of Results for the Fiscal Year Ending March 2022 (Millions of yen)

【The Hokkoku Bank - Non-consolidated】 (Full year) (Interim period)

	FY2020 result	FY2021 forecast		FY2020 interim result	FY2021 interim result
Ordinary profit	11,283	12,000	Ordinary profit	8,279	15,255
Profit	5,954	6,500	Interim net Profit	4,645	9,618
Net business profit	11,778	12,000	Net business profit	5,722	6,344

【Hokkoku Financial Holdings - Consolidated】 (Full year) (Interim period)

	FY2020 result	FY2021 forecast		FY2020 interim result	FY2021 interim result
Ordinary profit	12,890	13,000	Ordinary profit	9,049	15,817
Profit*1	6,752	7,000	Interim net profit*1	5,054	9,875

* 1: Profit attributable to owners of parent

○Dividend per share

	FY2017*2	FY2018	FY2019	FY2020 interim result	(Forecast) FY2021 interim result*3
Annual dividends	-	80.00 yen	70.00 yen	80.00 yen	80.00 yen
Interim dividends	4.00 yen	40.00 yen	35.00 yen	30.00 yen	40.00 yen
Year-end dividends	50.00 yen	40.00 yen	35.00 yen	50.00 yen	40.00 yen

* 2 : On October 1, 2017, the Bank conducted consolidation of shares at the ratio of ten shares of its common stock into one share.
The impact of this stock consolidation is taken into consideration in the amount presented for FY2017, and the amount for the annual dividend per share for the same fiscal year is shown as a dash.

* 3 : For the fiscal year ending March 2022, the interim dividend forecast by The Hokkoku Bank and the year-end dividend forecast by Hokkoku Financial Holdings are shown.

Policy on Distributing Profits to Shareholders

- Shareholder Return Policy: Clarify the policy of returning profits to shareholders from the dividend payout ratio to the total return ratio (Revised 2021.1)
- Continue to repurchase and amortize treasury stock

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Before
review

Stable dividend JPY60
+
Performance-linked
dividend
Dividend payout ratio
25-30%

Shareholder benefit program

After
review

Stable dividend JPY70
(Including performance-linked
dividends)

Share buybacks

→ Total return ratio
40%

Share buybacks

	Number of shares(in thousand)	Total value(in million yen)
Nov2007	4,185	2,268
Feb-Mar2011	5,000	1,548
May-Jul2011	5,000	1,392
Jan-Feb2012	5,000	1,492
May-Jul2012	5,000	1,488
Jan-Feb2013	4,785	1,700
May2013	2,800	1,218
Feb2015	10,000	3,780
Feb-May2016	5,000	1,511
Aug2017	8,500	4,122
Oct2019-Feb2020	991	3,200
Mar2021-Jul	200	477
(Plan)Nov2021~Mar2022	(upper limit)1,000	(upper limit)2,800

Cancellations

	Number of shares(in thousand)	Total value(in million yen)
2011	9,000	3,707
2012	10,000	2,980
2013	10,000	3,236
2014	2,800	1,161
2016	14,700	5,202
2019	880	4,222
2020	995	3,225
2021	206	497

	2018.3(※)	2019.3	2020.3	2021.3	2022.3 (planned)
Net income	JPY9.479 billion	JPY8.023 billion	JPY6.676 billion	JPY5.954 billion	JPY6.5 billion
Annual dividends	90 yen	80 yen	70 yen	80 yen	JPY80 (forecast)
Dividend payout ratio	27.8%	28.8%	29.9%	37.5%	-
Acquisition of treasury stock	850,000 shares	-	991,000 shares	-	Undecided
Retirement of Treasury Stock	-	880,000 shares	-	995,000 shares	Undecided
Total return ratio	71.1%	28.8%	77.9%	37.5%	-

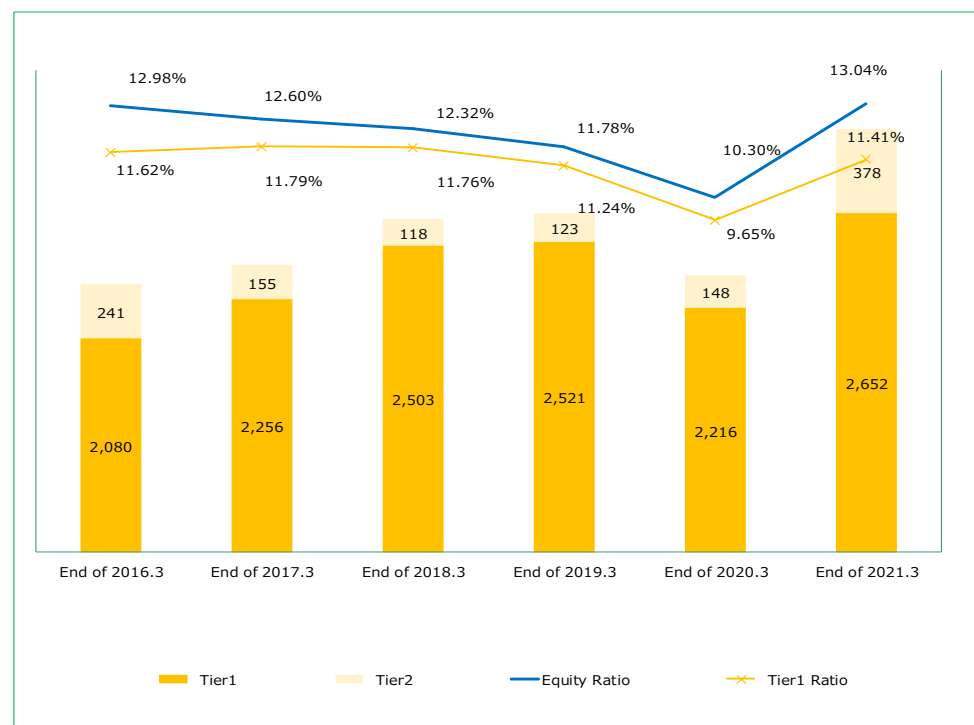
※The Company implemented a 1-for-10 reverse stock split of its common shares on October 1, 2017.

Shareholders' Equity Ratio and ROE

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•Aiming to increase the total return ratio and ROE while emphasizing a balance with the equity ratio (maintained at the 11% level)

<Consolidated> Equity Ratio



<Non-consolidated> Return on Equity (ROE)



3. Management Strategy

~Details of Strategy~

Purpose of Transition to a Holding Company Structure

- Aim to provide value to customers and improve management efficiency by further advancing group governance and maximizing group synergies.
- Continue to provide even higher-quality services by expanding the scope of operations.

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[Purpose] Transition to a holding company structure ⇒ Further accelerating the realization of the next-generation of integrated regional companies

Objective ①: Maximize group synergy

Holding company

- Consolidation of Group management functions in HD
(Strategy, Governance, Risk Management, Management Resource Allocation, etc.)



- Subsidiaries specialize in business promotion
- ↓
- To improve the management efficiency of the Group as a whole
 - Mobility of personnel within the group
 - Cultivating next generation of management

Objective ②: Expansion of business axis

Expansion of the business axis of the current subsidiary

<The Digital Value, Ltd.> (system company)

- Expand customer base to other financial institutions and general business companies

<The Hokkoku Servicer, Ltd> (servicer)

- Strengthening the purchase of receivables from other financial institutions that do not have a servicing function as a subsidiary

Expansion of business scale through the establishment of a new company

<The CC Innovation, Ltd. _ Established in June 2021> (consulting company)

- Development of The Hokkoku Bank consulting department into a corporate organization
- Develop consulting services for industries and regions, etc.

<The QR Investment, Ltd. _ Established in June 2021> (specialized investment company)

- Wide range of business partners, including business revitalization companies, business succession companies, and regional revitalization companies provided capital support

<The FD advisory, Ltd _ Established in May 2021> (investment advisory company)

- Developing investment advisory businesses for individuals and corporations

<Thai CC Innovation Co., Ltd> (Overseas Subsidiaries (Thailand))

<CC Innovation(Vietnam)Co., Ltd> (Overseas Subsidiaries (Vietnam))

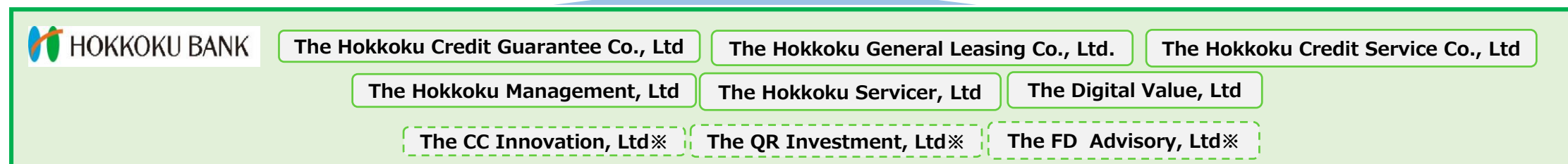
- Strengthening local consulting for business partners' local subsidiaries

Governance Structure of the Holding Company

- Made the holding company a company with an Audit and Supervisory Committee and strengthened governance by separating group management from business execution
- Aiming to maximize Group synergies by accelerating decision-making and building an efficient business management system

**Holding
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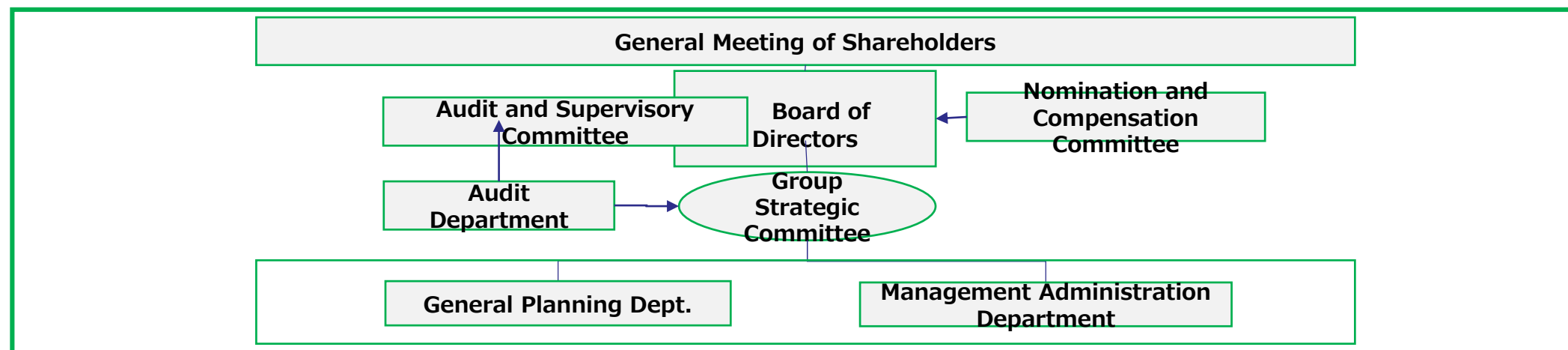
Customers



Reporting and consultation

Instructions and management

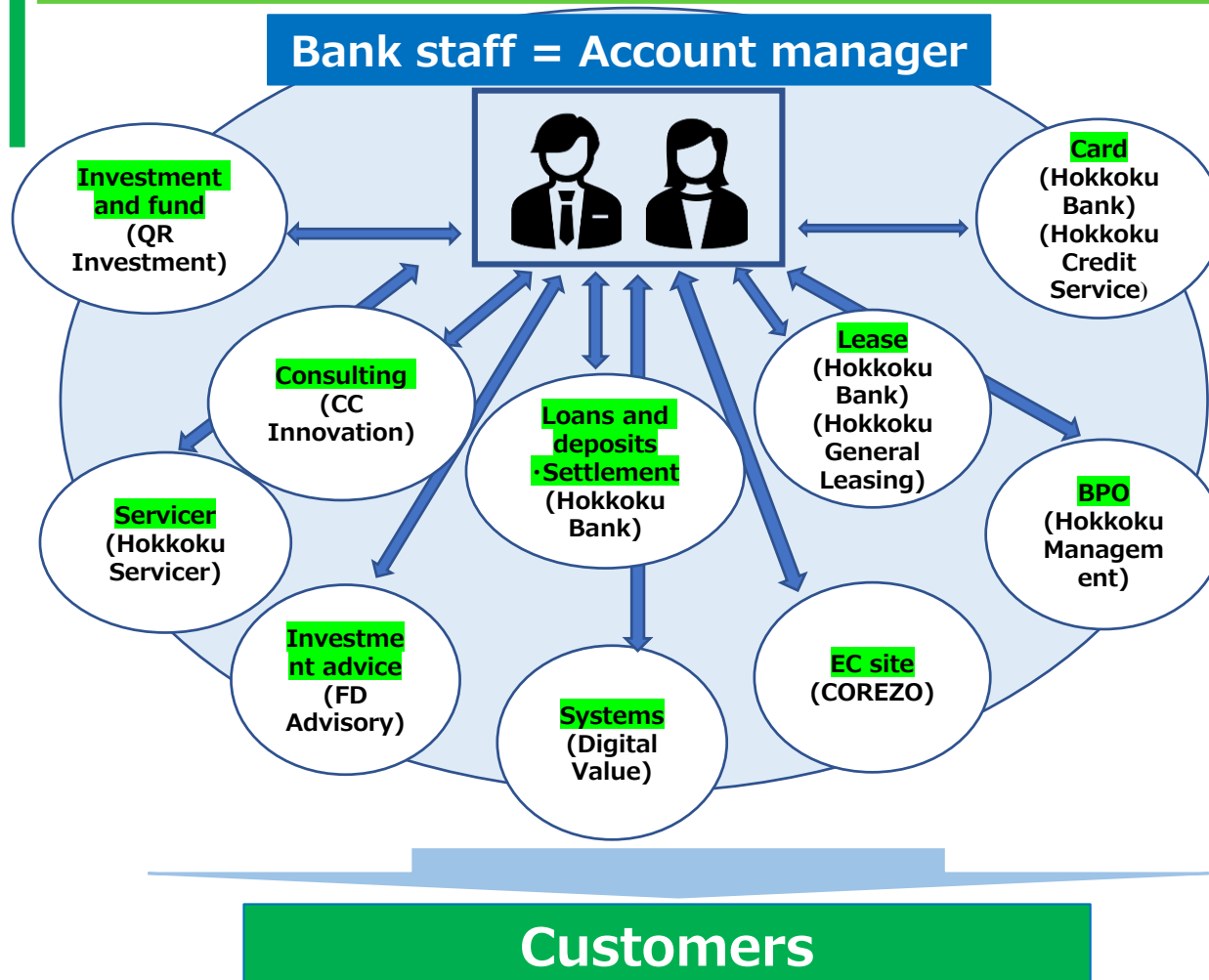
The Hokkoku Financial Holdings Co. Ltd.



Group Synergy and Growth Strategy

- As an account manager, bankers effectively utilize the functions of Hokkoku Financial Holdings to provide customers with high-quality services
- The functions of consulting, investment advisory, regional investment banking, management advisory, card and cashless, and system development and operation from Hokuriku to Japan and the world
- Contribute to the creation of an open ecosystem for new regional financial institutions by expanding and sharing with other financial institutions with different values

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Main functions of the northern FHD

Banks (Hokkoku Bank)

Leasing (Hokkoku Bank and Hokkoku General Leasing)

Consulting (CC Innovation)

Regional Investment Banks (QR Investment)

Investment Advisory (FD Advisory)

System Development and Operation (Digital Value)

Card cashless

Business Domain

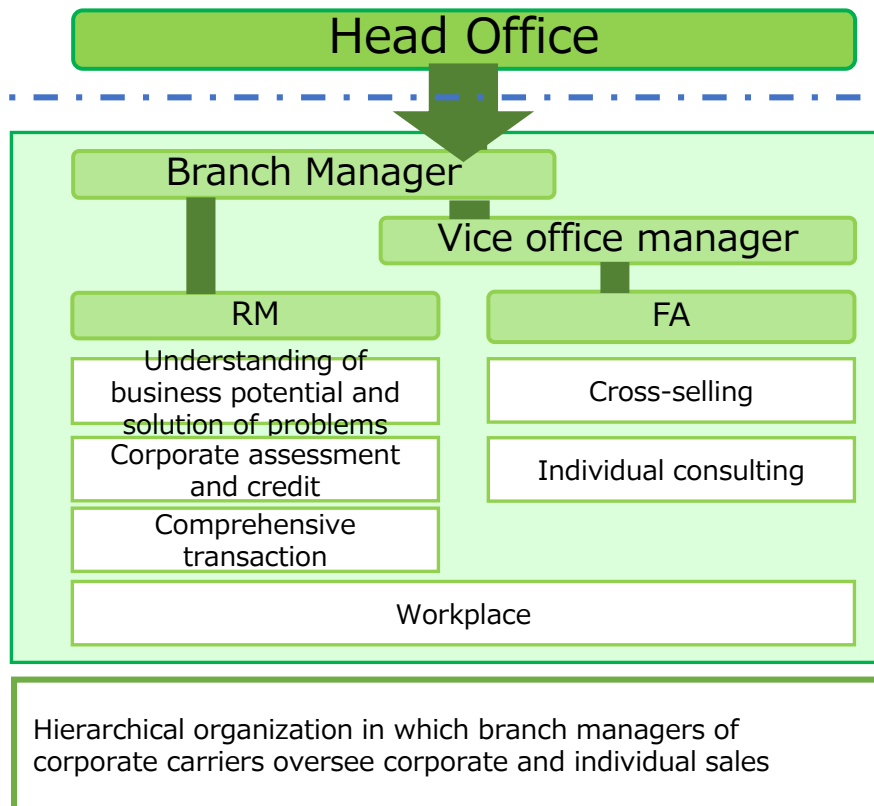
■ Mainly in the 3 prefectures of Hokuriku

■ From the 3 prefectures of Hokuriku
Expansion to Japan and the world
■ Other Financial Institutions

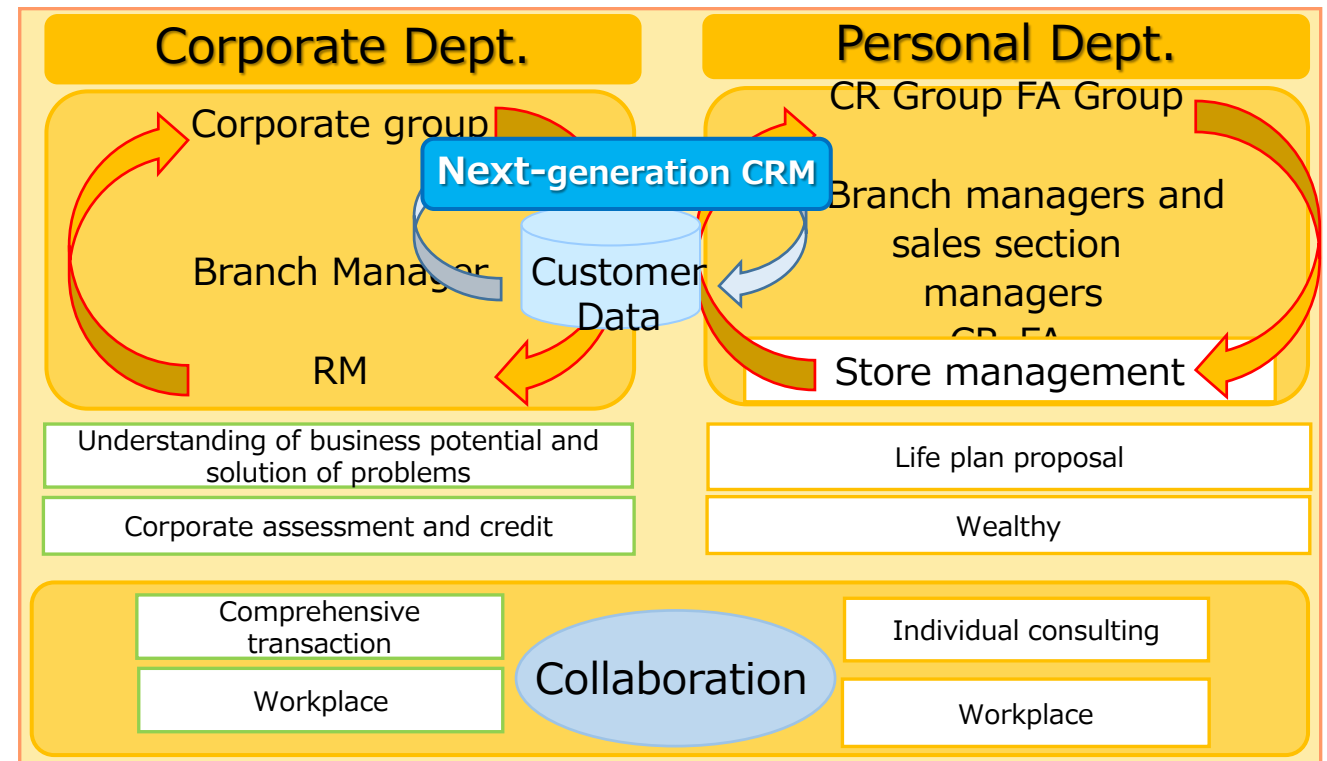
Renovation of the Sales Structure -Breaking Out of the Head Office and Sales Branch Structure-

- Specialize in the corporate and individual divisions to improve the skills of each division and accelerate measures.
- Toward an organization that is aware of customer journey design and customer segments through collaboration by a flat, streamlined, and highly productive organization and next-generation CRM.

Previous sales structure



Future sales structure



Achieve optimal information provision by strengthening proposal capabilities and optimal timing

Evolution from CRM to Integrated Business Platform

• Breaking out of CRM and developing an integrated business platform based on a new concept that transcends CRM

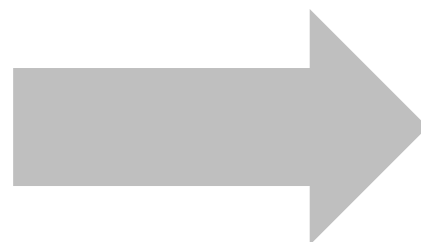
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Common "CRM"

- ✓ System for managing customers on a bank basis
- Customer Relationship Management

Functional

1. Customer information management
2. Sales activity management
3. Opportunity management
4. Identification of prospective customers
5. Data Analysis



**Scheduled to start
operation in FY2022**

Thinking of Hokkoku Financial Holdings "Unified Business Platform"

- ✓ Complete all customer-oriented business processes
- ✓ Linked to back-office functions, accounting systems, Internet banking Datalake, etc.

Function

- | | |
|--|--|
| 1. Customer information management | 9. Financial product sale |
| 2. Sales activity management | 10. Collateral management |
| 3. Opportunity management | 11. Individualized connection |
| 4. Identification of prospective customers | 12. Call center |
| 5. Data Analysis | 13. Contract Management |
| 6. Loan support | 14. Concentration of administrative work |
| 7. Automatic audit | 15. IB data linkage |
| 8. Electronic contract | |

Consulting ①

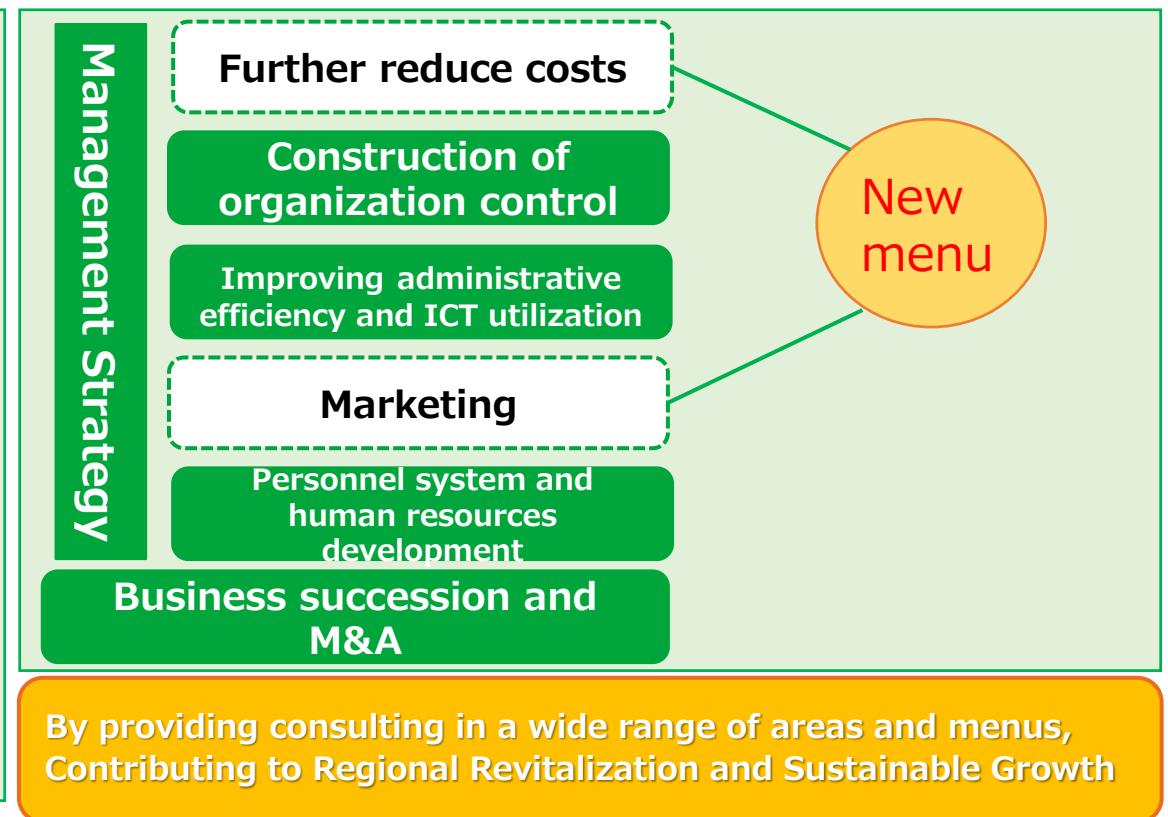
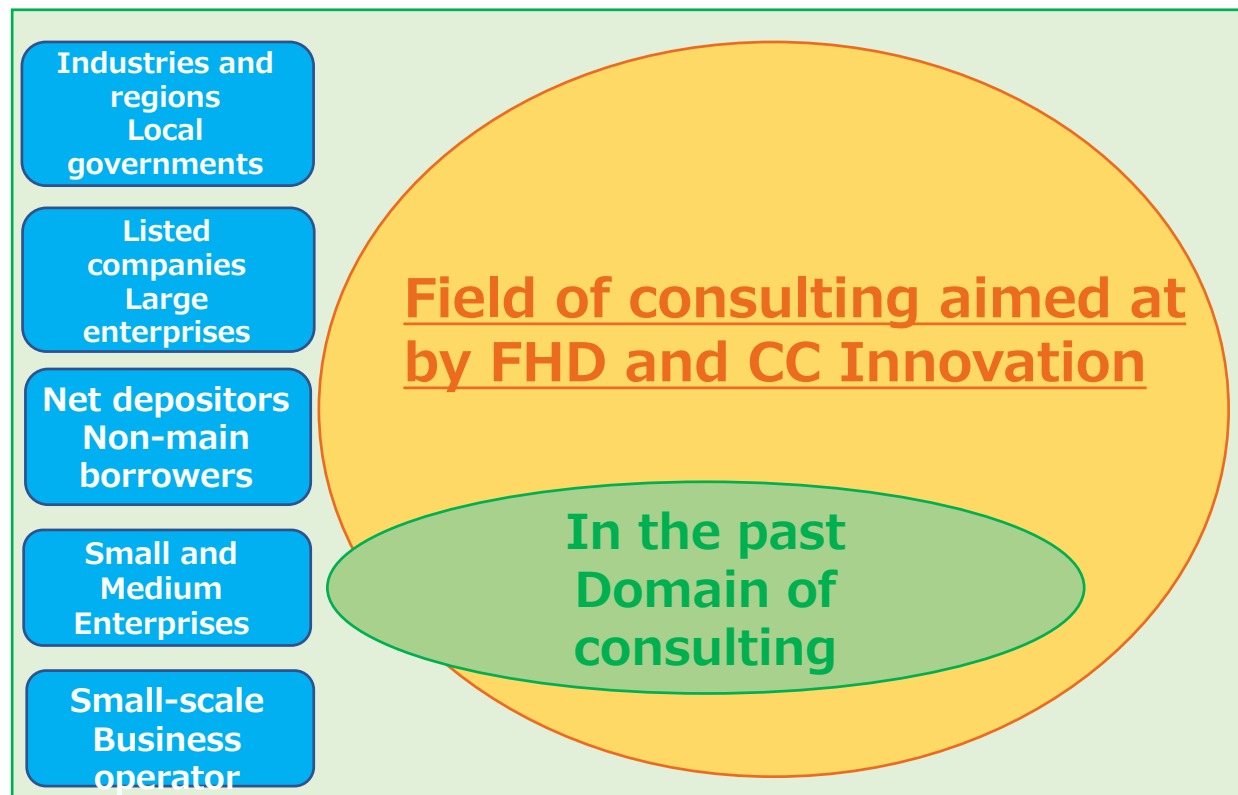
~ Direction of consulting for Hokkoku Financial Holdings ~

**Holding
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- Conventional banking business has become a [corporation RM=consultant] system due to the progress of digitization.
- Provide consulting services to industries, regions, and municipalities in line with previous consulting services focused on loan business partners and SMEs
- Development of a subsec-type consulting menu for micro businesses

Image Targeted by the FHD and CC Innovation in North Korea

Supporting the Solutions of Issues Necessary to Corporate Growth



Consulting ② -From the perspective of investors and consulting, rather than from the perspective of creditors-

Form of new "corporate support" to be addressed by regional financial institutions

Holding
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Expectations for support for business partners to increase corporate value as a sustainable business model even under low interest rates and future population decline

Multifaceted Supply of Growth Funds

Loan support and investment support, each business has a phase in which it takes the lead/Loans and investments are complementary

Management support that leads to the enhancement of corporate value

Building a model that organically links management advice and support menu can be effective

Management support
system that integrates
finance and consulting

Corporate Stage and Consulting Overview

Banking, CCI, QRI
•the servicer
Works

2. Period of growth and stability

- ICT・BPR・M&A
- Business Succession and Personnel Systems
- Overseas expansion and recruitment

Loans

Business
succession
Fund

4. Regrowth and exit

- Business succession and exit M&A
- Asset sales support
- Bulk sale
- Debt Collection

Regrowth
fund

1. Founding period

- Startup support loans
- Business planning
- Subsidy consulting
- Opening a settlement account

Loans

Venture
Fund

3. Stagnation and recovery

- Business due diligence
- Support for formulation and implementation of improvement plans
- Rescheduling
- DDS and credit cut

Revitalization
fund

Servicer

Consulting ③ -Establishment of QR Investment, a specialized investment company-

- Established 2021.6 to meet diversifying funding needs related to business growth, such as business succession and business model transformation
- Organize funds from time to time that are unique to regional investment companies that support various stages of the company

**Holding
company**

Characteristics of QR Investment (Fund)

- Establish a fund according to the stage from startup to revitalization, with the investment stance of supporting the region as a leader in the region, rather than having no earnings returns.
- External specialist funds focus on large-scale projects, while this fund focuses on regional development and supports business partners regardless of the scale of investment

Acquisition of status as general partner of the “Ishikawa SME Revitalization Fund” (June 15, 2021)

- Acquired the status of general partner of the Corporate Recovery Fund, which was operated by Hokkoku Management Co., Ltd., The Hokkoku Bank Group (Total: JPY4 billion)

Establishment of QRI Business Succession Fund No. 1 (July 1, 2021)

- Established a business succession fund (JPY2 billion) with the aim of increasing the value of investee companies in collaboration with the CC Innovation, The Hokkoku Bank

Establishment of “Noto SDGs Fund” with July 26, 2021

- Part of efforts in a collaboration agreement with an enterprise that has relocated its head office from Tokyo to the Okunoto region
- Invests in unlisted companies and start-up companies that conduct businesses that contribute to the achievement of SDGs of the Noto region
- Subsequently, the Kyoei Shinkin Bank with the local Shinkin Bank will also invest.

Consulting ④ ~ Overseas Business Support ~

On its own Overseas Network

Established a local subsidiary (consulting company) in Thailand and Vietnam in FY2021
Beyond the framework of representative offices, enabling sales activities and consulting services

Holding
company

•Shanghai
Hokkoku Bank Shanghai
representative office



Established in
October 2021

Bangkok, Thailand
Thai CC Innovation Co., Ltd



Capital: 8 million baht
(Approx. JPY28
million)

1 Japanese employee
4 Thai people

Business Activities
Consulting services



**CC Innovation Co.,
LTD.**

•Hanoi
Transferred from the Hokkoku Bank to
the Vietnamese Investment and
Development Bank



Scheduled to be established in
November 2021

Ho Chi Minh City, Vietnam
CC Innovation Vietnam Co., Ltd



Capital \$250 thousand
(Approx. JPY27
million)

2 Japanese employees
1 Vietnamese

Business Activities
Consulting services



•Silicon Valley
(Stanford
University)
Dispatch of bank
employees from the
Hokkoku Bank



•Singapore
Hokkoku Bank
Singapore Branch



Leasing business

- A system that enables account managers to propose loans and leases on a 1-stop basis
- In order to strengthen the system, the leasing business section was newly established to supervise the leasing business of 2020.4 groups. Organizational revision to 2021.3 lease departments

**Holding
company**

Initiatives in the Leasing Business

Customers

**Hokkoku
Bank**

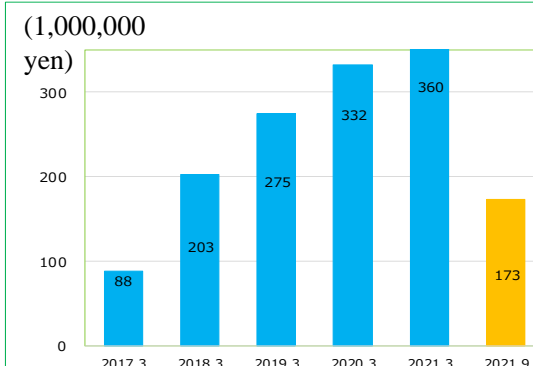
**Hokkoku
General Leasing
(Affiliates)**

**On a 1-stop
basis
Procedurable**

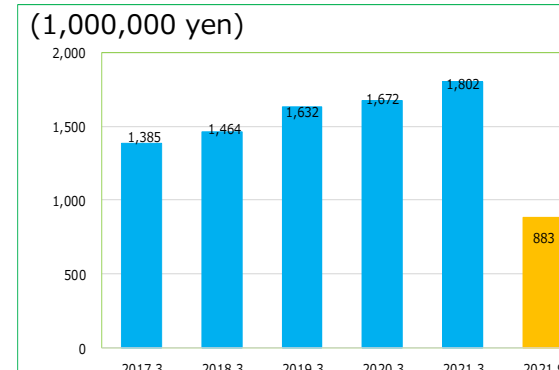
- Loans
- Non-Transfer of Ownership Finance leases
- Ownership transfer Finance leases
- Residual value setting lease
- Maintenance lease

**We can
Realize the best mix proposal**

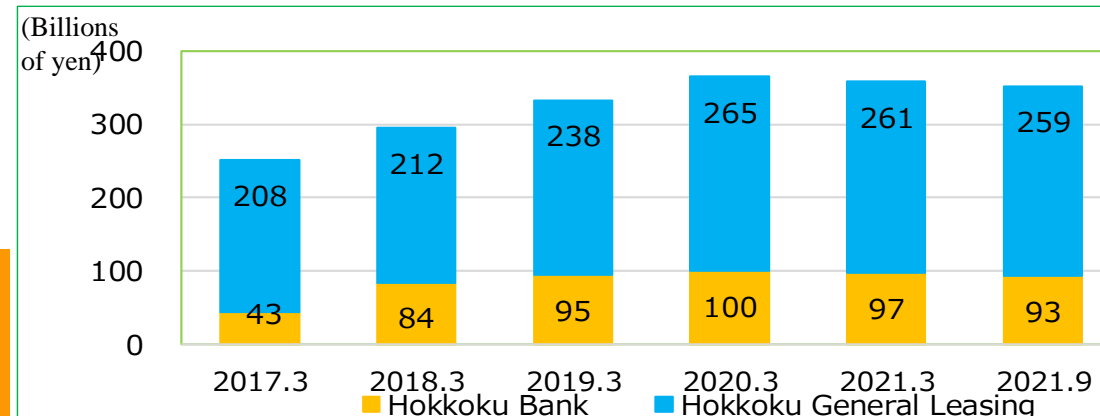
Trends in Leasing Operating Income (Non-Consolidated)



Trends in Leasing Operating Income (Consolidated)



Lease Investment Assets (Consolidated)



Efforts to Create a DX Cashless Society ①-Strategy Overview-

- Regional Quality Improvement Needs a Significant Improvement in the Productivity of Both Customers and **Holding company**
- Internet banking is an essential infrastructure for the digitization of the region. * The fee strategy is to invest in the region!
- Toward a more selective commission structure to accelerate DX and cashless operations

What can Hokkoku FHD do to create a DX and cashless society

- ◆Supporting the shift to DX in local communities using paperless and cashless solutions
- ◆Utilizing the Hokkoku DX Cashless Fund (*) to support operational efficiency and improvement of the cashless environment
 - ※Examples of Utilization of the Hokkoku DX Cashless Fund
 - Introduction of ticket vending machines (with cashless settlement functions) at restaurants
 - Introduction of automatic dispensers (with cashless settlement function) at hospitals
 - Introduction of various cloud services, etc.

Major Initiatives

- ◆Free supply of card merchant terminals from 2016 onward
- ◆Launch of HOKKOKU LIFE + for Individual Customers
- ◆<For corporate customers> Free corporate Internet banking fees

Super Cashless Region

- ◆Collaborative project with Visa Worldwide
- ◆Hokuriku region into Japan's "cashless digital advanced region"

Commission strategy

- Commission to be reduced
(Implementation date:
October 2021)

Corporate Internet Banking

Basic commission JPY3.3
thousand/month
Hokkoku Bank
Remittance fees JPY110/case

→ **0
yen**

- Fees raised (newly established)
(Implementation date: October 2022)

Bank counter and cash-related

To other financial institutions
Remittance fees JPY660/case → JPY1.1
thousand/case

Commission for deposit of large
coins (newly established) → 0 to JPY770
per case
Money exchange fees 0 to JPY660/case

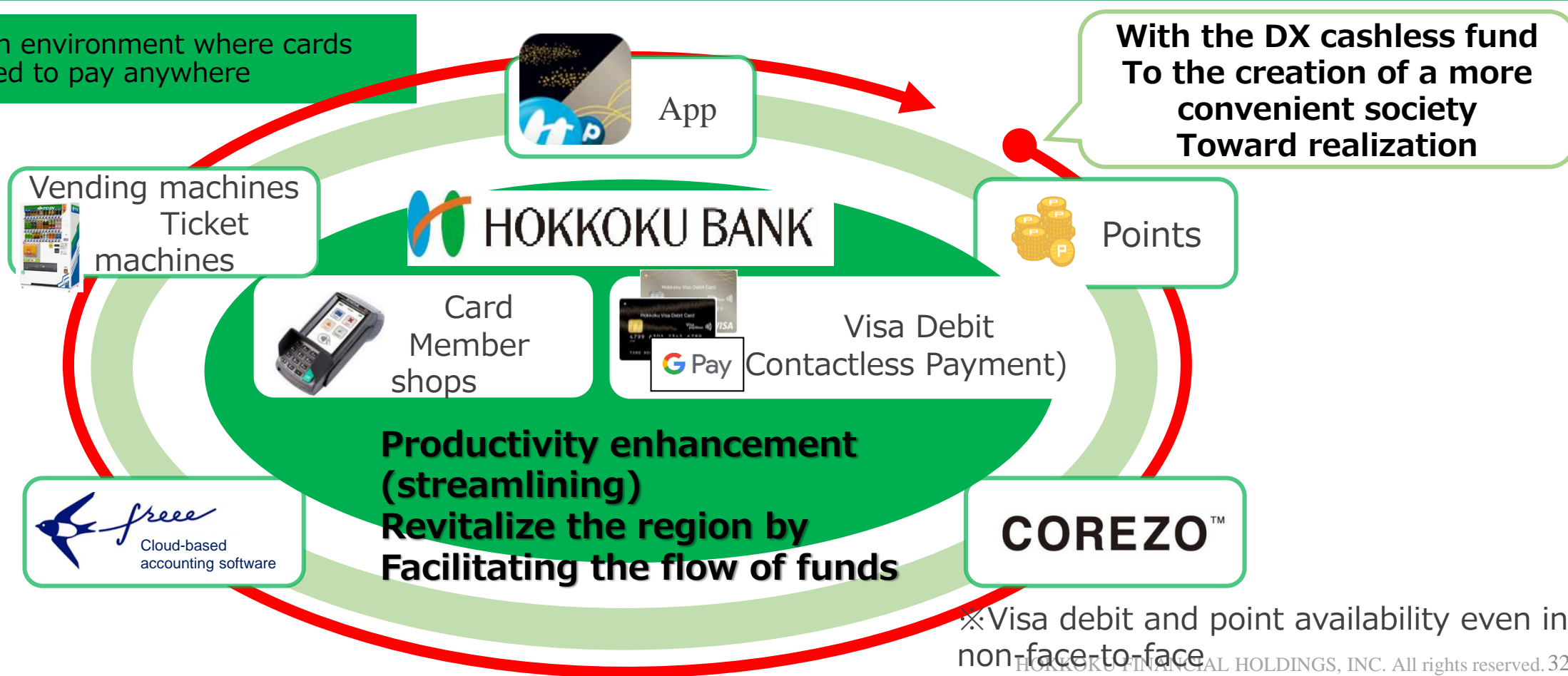
Efforts to Create a DX Cashless Society ②

-Regional Revitalization through Flow of Funds-

- Creating a new base in order to move toward a cashless society in the Hokuriku region and contributing to revitalize the region by facilitating the flow of funds
- Making fast business development possible by providing both terminals to member shops and debit cards
- Established the Hokkoku DX Cashless Fund (JPY1 billion) to further cashless operations and revitalize local communities.

Holding
company

Building an environment where cards
can be used to pay anywhere



※ Visa debit and point availability even in non-face-to-face

Efforts to Create a DX-Cashless Society

③-HOKKOKU LIFE +-

<Product description>

Internet banking and Visa debit in passbook-less and seal-less accounts
Digital account with a card

<Concept>

New Lifestyle Base Accounts for Customers to Realize Better Lives

- Improve convenience for customers' money by digitizing and cashless bank accounts
- Easy to use by anyone without being limited to store locations (free to transfer to another bank or use ATMs at convenience stores)



Digital Contact Acquisition

Cashless payments and digital transactions completed

Acquisition of consumption, sales data, and income and expenditure data

Timely and appropriate proposals and support for individual employees

HOKKOKU LIFE+
All of which are the starting points

Expanding services as needed

2021.9 (starting 8 month)
Subscribers: 29,000

FY2024
Subscribers:
280,000
Selection rate:
70%

System Strategy ① -Target Direction-

**Holding
company**

▶ Japan's financial environment

- Population decline, negative interest rate policy, and the cashless policy
- Recession associated with the expansion of COVID-19
- Decline in customer visits and completion of transactions

**Deterioration of profit environment
Changing in profit structure
IT's accelerated evolution**

▶ Direction of Hokkoku Financial Holdings

Direction

- Implementation of management strategies triggered by the system
- IT investment in systems for customers as well as in-house

As the basis of our transformation
"Operations" and "IT"
I spent 15 years building this!

**Ultimate
goal**

- Construction of an ecosystem for data linkage involving regions
- Creating new services that are highly convenient through the provision of BaaS(Banking as a Service)

To regional development by posting solid profits in a challenging business environment Aiming for Further Evolution to Continuously Contribute

System Strategy ② -Shift to Strategic Investment-

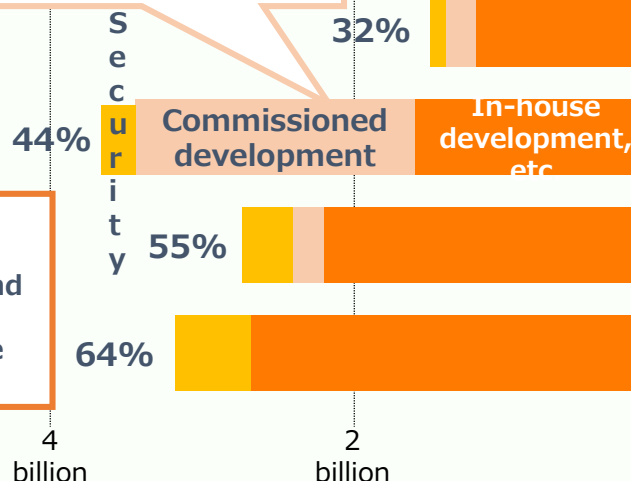
Holding
company

• Accelerate strategic investment to build a system foundation capable of responding quickly to rapid changes in the market.

IT Investment-Related Costs (Cash Out Basis by Fiscal Year)

Strategic investments

Accounting cloud computing
Corporate cloud banking
New CRM, etc.



Almost account-
based
OS Expenses

Maintenance, operation, etc.

Communicati
on cost

Renewal of IT infrastructure
ATM upgrades, etc.

2011.3 fiscal year
(actual)

2016.3 fiscal year
(actual)

FY2021.3
(Actual)

2026.3 fiscal year
(forecast)

2031.3 fiscal year
(forecast)

Development
and operation
outsourcing

HW purchase
and
maintenance

Li
c
e
n
s
e

Through in-house
development and
operation
Operations and
maintenance costs
reduced
On the other hand,
due to an increase
in cloud usage
Increase in licensing
costs

SW
maintenance

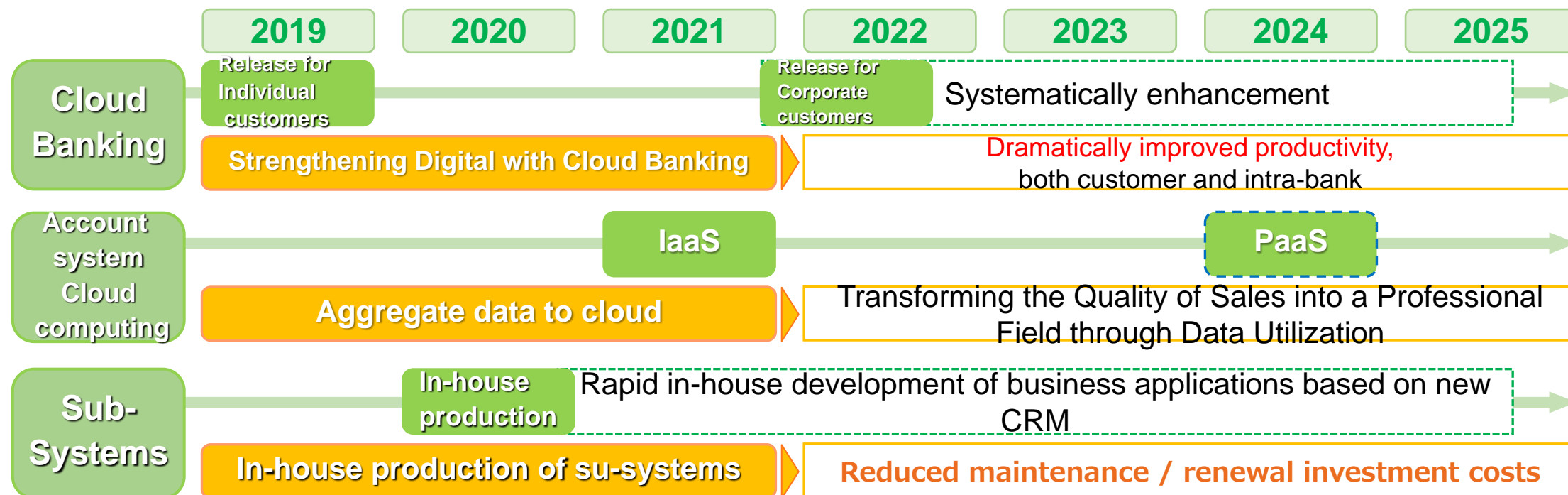
In-house development and operation
for the future,
Strengthening Strategic Investment in Security
and Other Areas

- Currently, the company is building a next-generation foundation, including account-based cloud computing, corporate cloud banking, and the next-generation CRM system.
- Costs also rose due to the renewal of ATM equipment and other factors.

System Strategy ③ ~ Future Development ~

Holding
company

- Transition of strategic systems to cloud services - Enhancing sales and reducing costs using information technology -



Collaboration among regional financial institutions that share values and strategies

Holding
company

1 Aiming to become a world of "cloud-first in-house development and operation"

[Question]

- First, it will take time to reform the organization and structure...

2 If you can't start immediately, start by setting the target date

[Question]

- There is a shortage of personnel and skills capable of in-house development and operation in the cloud...

3 System subsidiary The Digital Value, Ltd supports as an IT partner to the goal

Hokkoku FHD aims for "open digital regionalism"
Creating an Open Ecosystem for New Regional Financial Institutions!

System Strategy ⑤ ~ Strategy Story of Digital Banks ~



Modernize the system

- Personal Cloud Banking
- Transition to core cloud
→ Digitalization

Transformation into a FinTech

- FHD transforms itself into a FinTech company
- Collaboration with FinTech companies that share common values

Supply value-added products

Holding company

- Differentiation through high-value-added comprehensive services
- Realize the philosophy of returning high-quality services to local communities

General financial institutions

To expand existing systems

- Extension of existing system functions
→ Digitization

Cooperation with FinTech

- FinTech data linkages, which are not strategic, FinTech companies hold portal data. Banks are transformed into "soil pipe."

Commoditization

- Difficult to differentiate services due to commoditization of systems

Securities Investment Strategy ①-Transition of Investment Strategy-

Reflecting changes in the market environment, we have reformed our investment style since 2014.

Holding
company

Change in the financial
environment
Zero interest rate
Corporate Governance Code

2014

- Strengthen procurement at the Singapore branch

2015

- Breaking away from BUY & HOLD of yen-denominated bonds
- Switch loans to large corporations to net investment

2016

- Rebalancing of net investment equity

2017

2018

- J-REIT from privately placed investment trusts
- Switched to domestic and overseas ETFs

2019

- Strengthen corporate bond investment
- Reduction of strategic stockholdings

2020

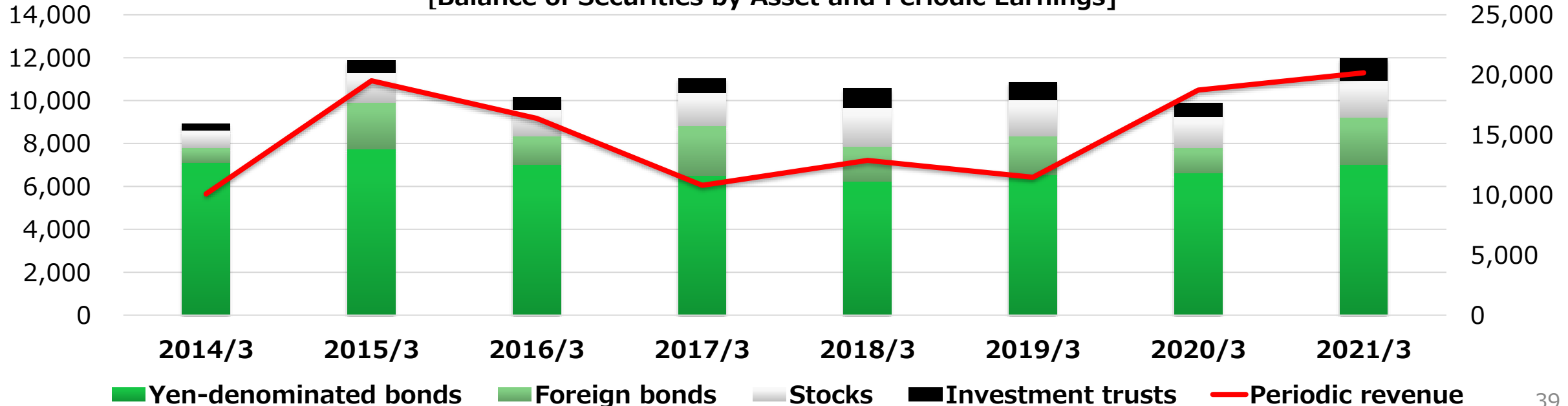
2021

- Super-long-term JGB investment
- Multi-asset investment

Balance of securities
(Unit: 100 million yen)

[Balance of Securities by Asset and Periodic Earnings]

Periodic
revenue
(Millions of yen)



Securities Investment Strategy ② ~ Investment Policy ~

Current issues

- ① Decrease in net interest income on bonds due to the long-term low interest rate environment
- ② Decline in fund efficiency due to increase in surplus funds
- ③ Corporate Governance and Response to Stricter Basel Regulations

Operational Policies for FY2021

Investment of super-long-term JGBs

Amid expectations of a prolonged low interest rate environment and stable interest rates,

Aim to increase net interest income through interest rate risk

Reinforcement of investment through investment trusts

Stable management with restrained risk through the adoption of multiasset funds

[Investment Policy by Investment Asset]

Investment assets	Investment policy
Yen-denominated bonds	Taking Interest Rate Risk with Super-Long-Term JGBs
Stocks	Risk optimization
Foreign bonds	Reinforcement of profits through long-term and short-term spreads
Investment trusts	Aiming for Stable Earnings through Multi-Asset Strategy

Super-long-term JGB investment + carry roll-down strategy

Holding company

In addition to investing in super-long-term JGBs in the 2020-year zone, the Company sells bonds in the 11-2013-year zone after holding them for a certain period of time to lock in a profit from the decline in yields (carry-down strategy).



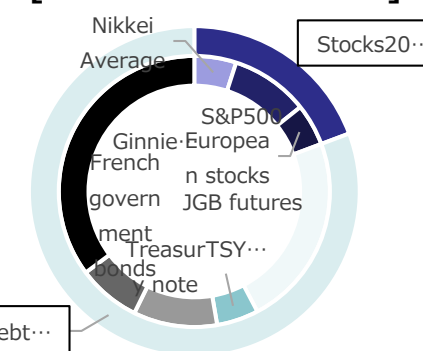
Investments in multiasset strategic funds

Using total return swaps, achieve performance similar to that of cash investments while controlling risk assets.

[Overview of Multi-Asset Funds]

Amount Invested	Up to JPY50 billion
Investment target	Japanese, U.S., European, and British stocks Bond futures and U.S. MBS
Expected returns	1.65% per annum (before costs)
Risk (standard deviation)	2.73% per annum
Worst drawdown	6.8%

[Portfolio of the fund]



Securities Investment Strategy ③-Future Investment Strategy-

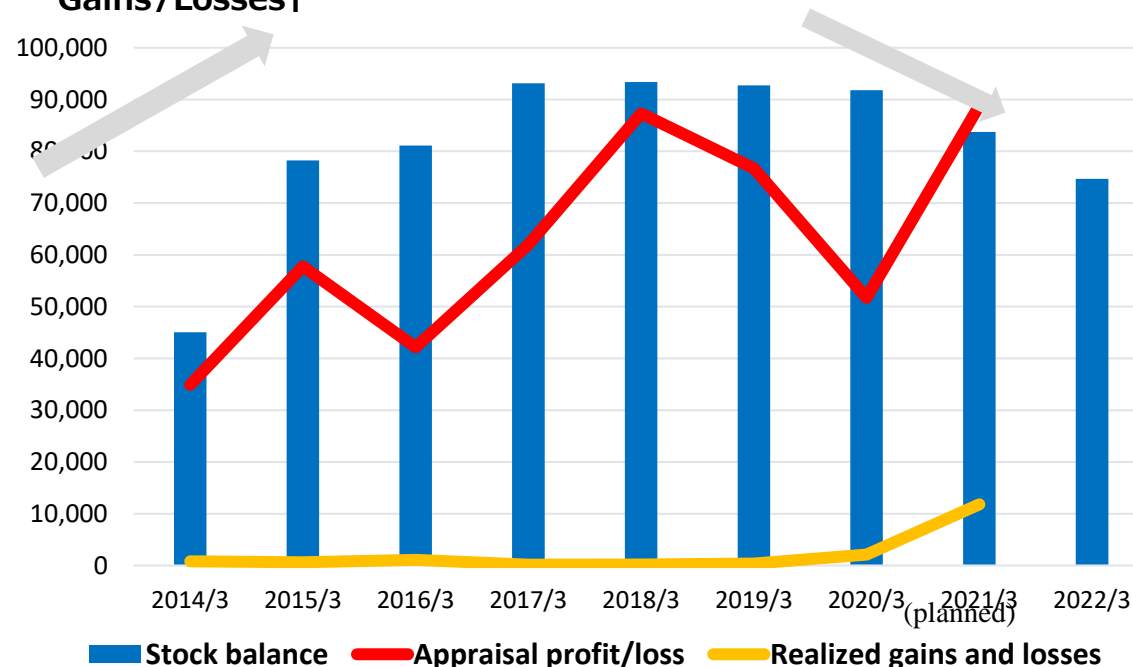
- Optimize risk by reducing stock balance. Unrealized gains are allocated to system and other structural reform expenses.
- Private placement funds created within the Group. Secure stable earnings by investing in funds with low risk and cost.

Holding
company

Equity risk optimization

- Reduce stock balances and optimize equity risk
- Strengthen profitability through regular maintenance based on multi-faceted analysis

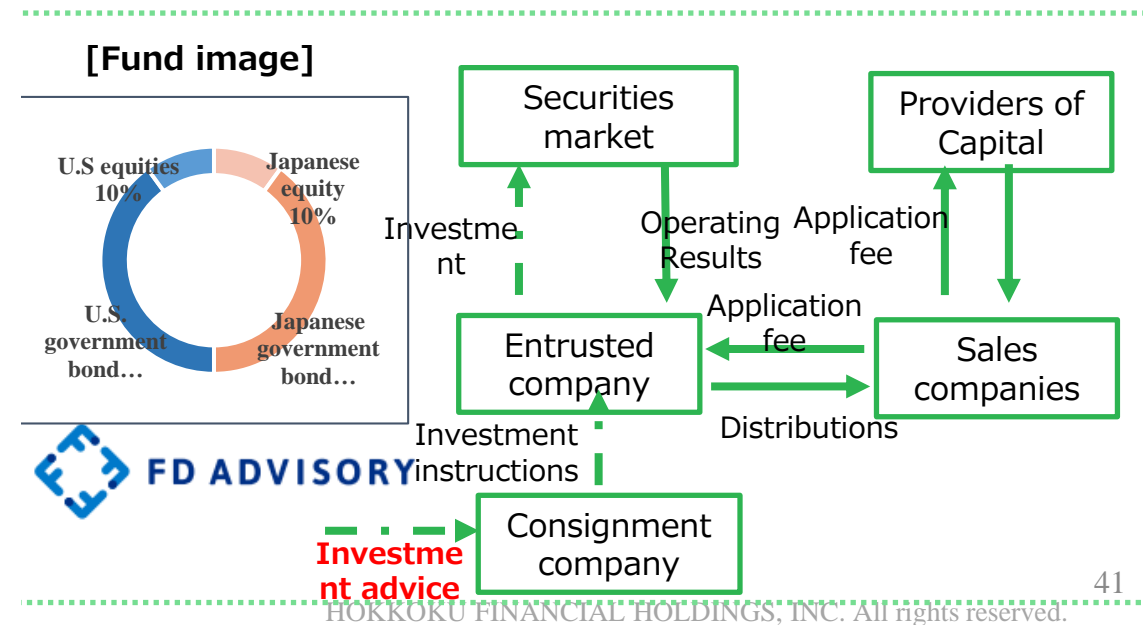
(Millions of yen) [Book Value Balance, Valuation Gains/Losses, Realized Gains/Losses]



In-house production of private funds

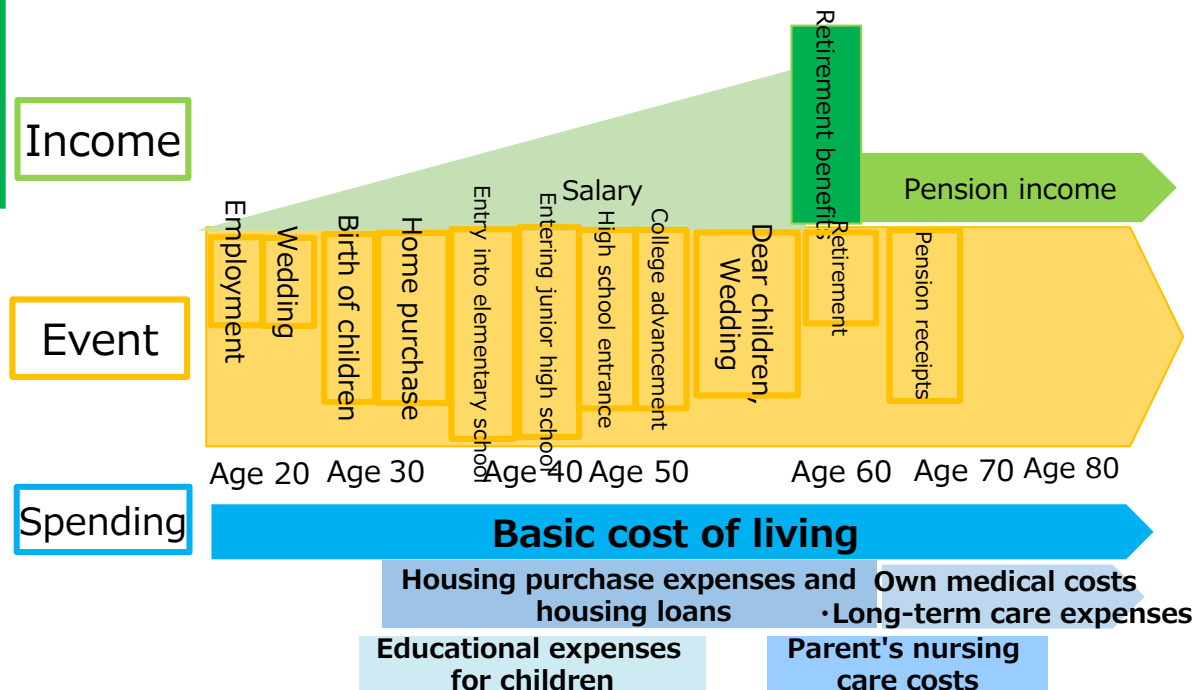
- Formed a private placement fund advised by FD Advisory.
- Reduce costs and improve operational know-how by increasing in-house production within the Group.

[Image of fund formation by FD Advisory]

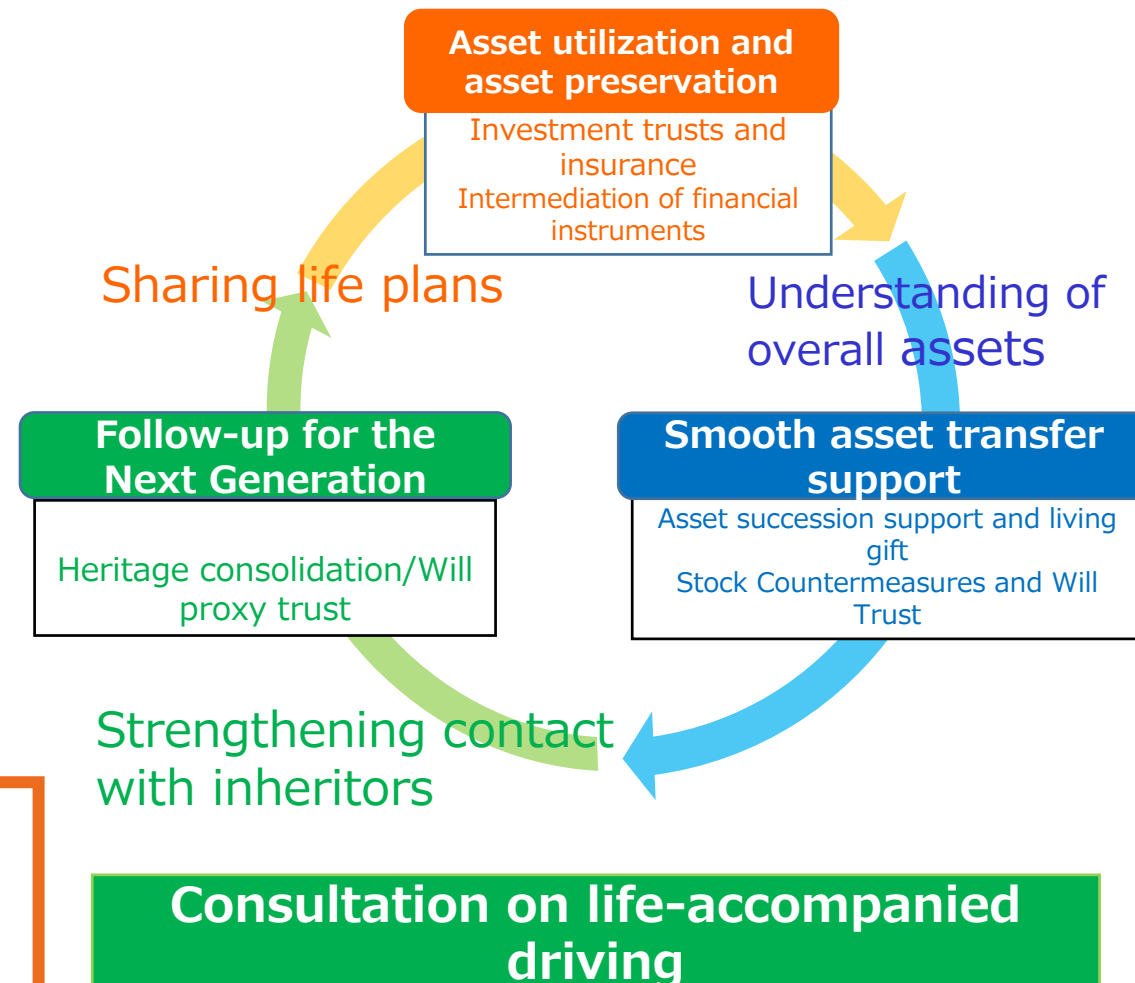


Life planning support

◆ To the life events and needs of each customer
Providing optimal advice and services



◆ Strengthening Relationships with Next Generations to Encourage People to Have a Long-Term, Reliable Life



- Life plan consultations and holding of seminars tailored to each generation
- Smart lifestyles (LIFE+・Visa debit, cloud banking, various types of loans)
- Asset building (iDeCo, investment trusts, Omakase Navi)
- Succession to the Next Generation (Life Insurance, Will Trust, and Heritage Resolution)

Investment Advisory Company: Establishment of FD Advisory

Description of Businesses

① For Individuals Life planning

- Asset Management
- Asset succession and business succession
- Insurance and real estate
- Will trust, family trust, etc.

② Consulting for Financial Institutions and Other Specific Investors

- Providing Operational Solutions
- Support for establishment of operational systems
- Support for review of business processes

③ Fund structuring Advice

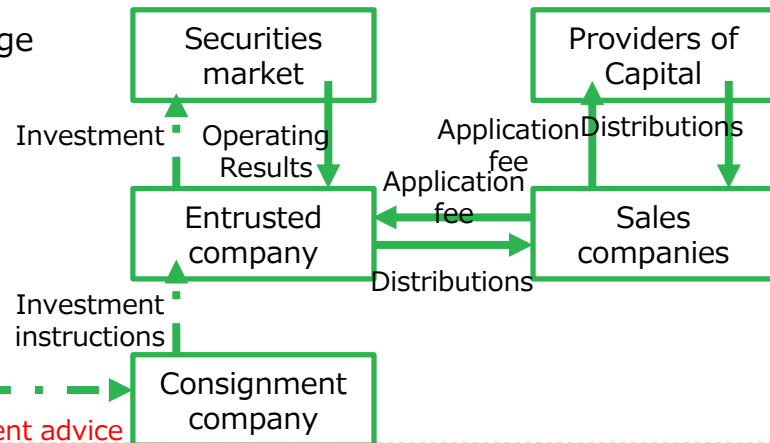
- Advising on fund management strategies
- Advice on fund investment decisions

Investment strategy proposal

Investment advisory policy

- ✓ Aim to contribute to customer asset formation by enjoying the fruits of medium-to long-term economic growth.
- ✓ Contribute to the development of a sustainable society and sustainable growth of the market as a whole through investment.

Fund structuring image through investment advice



Consulting services

Basic consulting policy

- ✓ Return to regional financial institutions the knowledge gained through operational reforms and organizational reforms practiced by the Hokkoku Bank Market FinanceDepartment.

Menu provided

Portfolio review

Sophistication and efficiency of budget management

Support for operational efficiency

Support to systematization



2021.10 Formation of new fund to realize FD (Fiduciary Duty)
FDA advises on management and investment decisions

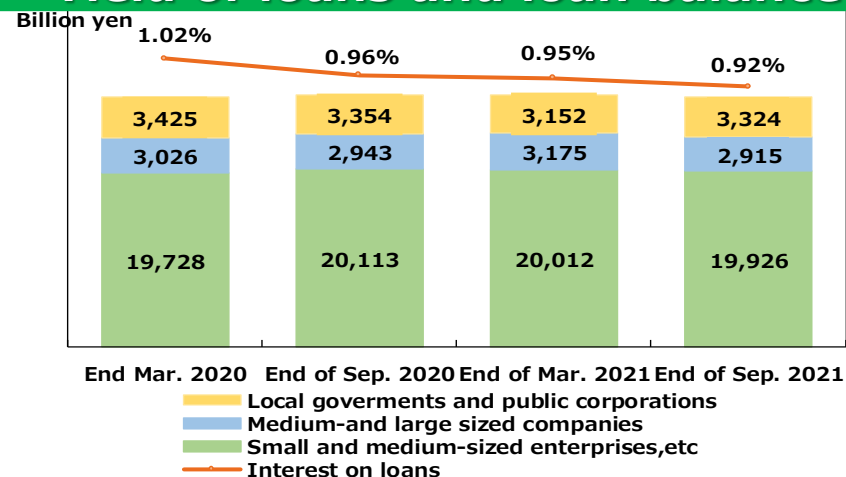
4. Outline of the 2Q of the fiscal year ended March 31, 2022

Loans Outstanding and Yields by Segment ~

- Loans to individuals increased. Commercial loans declined slightly, but the ratio of loans to SMEs was at a high level of 76.1%.
- Yields declined further due to the execution of the countermeasure fund for corona (low-interest system loan).

Bank

Yield of loans and loan balance



Breakdown by company size

	End of September. 2020	End of March. 2021	End of September. 2021	Compared to September 2020 Increase/Decrease	Compared to September 2020 Rate of change
Meter Loan	26,410	26,339	26,165	△245	99.0%
Of which, SMEs, etc.	20,113	20,012	19,926	△187	99.0%
(Ratio of SMEs, etc.)	76.1%	75.9%	76.1%	—	—
Of which, medium-and large-sized companies, etc.	2,943	3,175	2,915	△28	99.0%
Of which, local governments and public corporations	3,354	3,152	3,324	△30	99.1%

Breakdown by area

	End of Sep.2020	End of Mar. 2021	End of Sep. 2021	Change from Sep.2020	Change from Sep.2020
Total of 3 prefectures in Hokuriku area	24,123	24,089	23,931	△ 192	△ 0.8%
Ishikawa	18,228	18,167	18,066	△ 162	△ 0.9%
Toyama	4,702	4,718	4,674	△ 28	△ 0.6%
Fukui	1,192	1,202	1,191	△ 1	△ 0.1%
Others	2,289	2,250	2,234	△ 55	△ 2.4%

Breakdown by type

	End of Sep.2020	End of Mar.2021	End of Sep.2021	Change from Sep.2020	Change from Sep.2020
Business loans	13,099	13,180	12,768	△ 331	97.5%
Consumer loans	9,957	10,006	10,072	115	101.2%
Housing loans	9,578	9,642	9,728	150	101.6%
Other loans	379	363	344	△ 35	90.8%
Local governments and public corporations	3,354	3,152	3,324	△ 30	99.1%

Loans and bills discounted ~ Yield by segment ~

Bank

Yield by Segment

(%)

	FY2019	→	FY2020	→	FY2021	→	Sep.2021
Business loans	1.276	-0.039	1.237	-0.069	1.168	-0.025	1.143
Consumer loans	0.912	-0.058	0.854	-0.014	0.840	-0.014	0.826
Secured	0.768	-0.044	0.724	0.005	0.729	-0.004	0.725
Unsecured	3.359	-0.054	3.305	-0.078	3.227	-0.050	3.177
Local governments	0.581	-0.062	0.519	-0.140	0.379	-0.063	0.316

Yield by region (business loans)

(%)

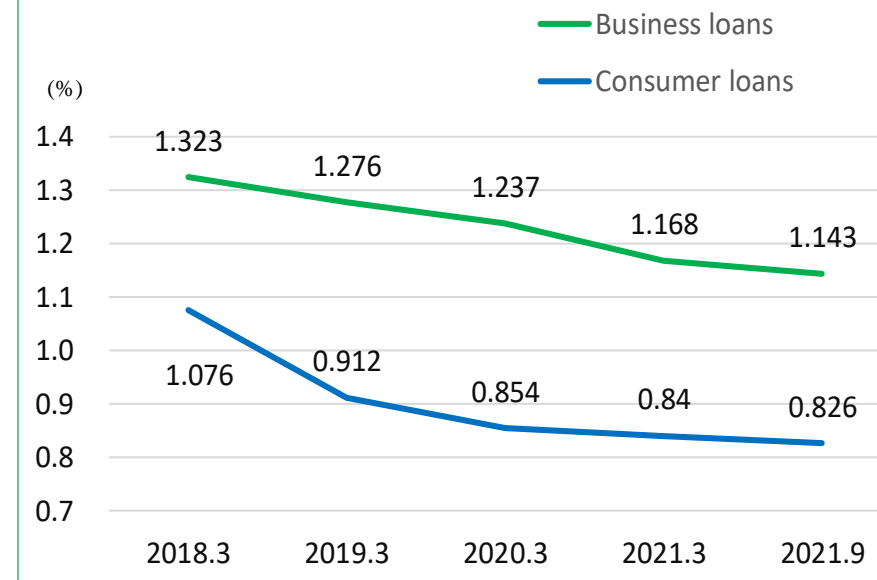
	FY2019	→	FY2020	→	FY2021	→	Sep.2021
Total of 3prefectures	1.428	-0.063	1.365	-0.080	1.285	-0.076	1.209
Ishikawa	1.41	-0.059	1.351	-0.077	1.274	-0.078	1.196
Toyama	1.506	-0.076	1.430	-0.097	1.333	-0.077	1.256
Fukui	1.375	-0.088	1.287	-0.066	1.221	-0.036	1.185
Others	0.553	-0.001	0.552	-0.018	0.534	-0.007	0.527

Average Contract Interest Rate

(%)

	FY2019	FY2020	FY2021	Sep. 2021
Business loans	1.157	1.127	0.899	0.831
Consumer loans	0.646	0.694	0.575	0.548

Yield by Segment

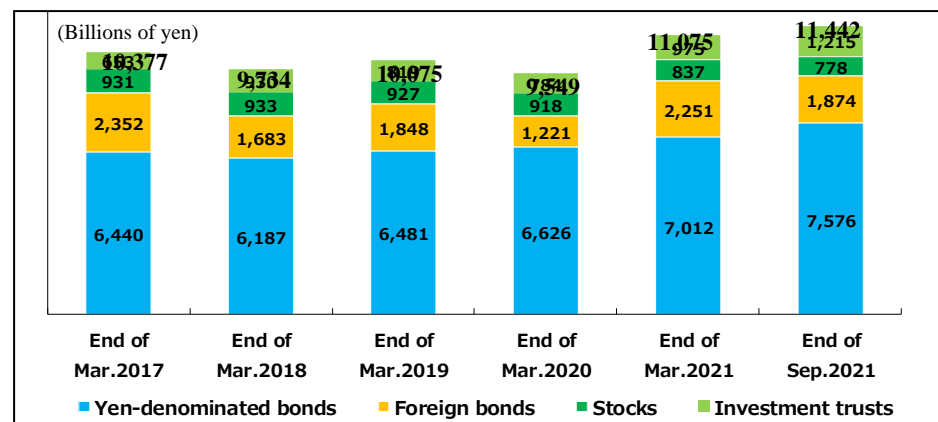


Securities Investment

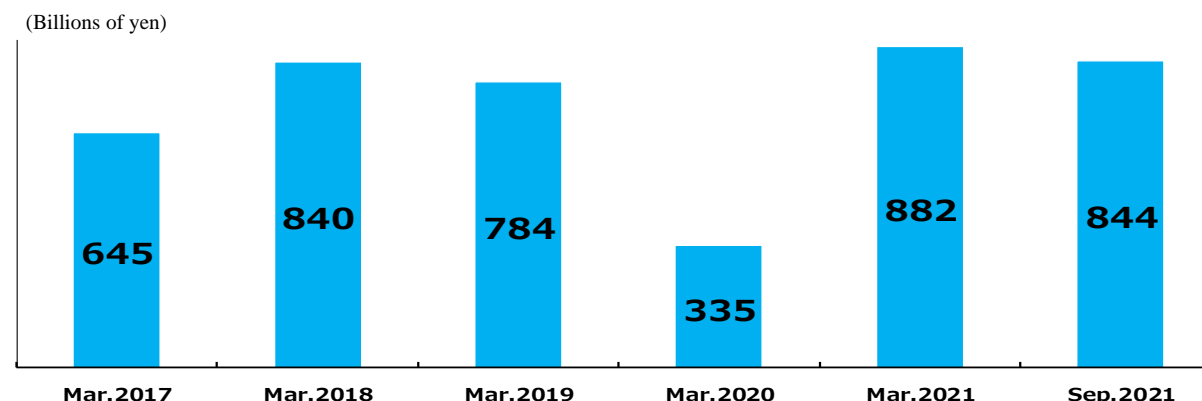
- Diversify investments from a medium-to long-term perspective and secure earnings through flexible trading
- Seek to secure stable realized profits by capturing profit opportunities in response to changes in the investment environment

Bank

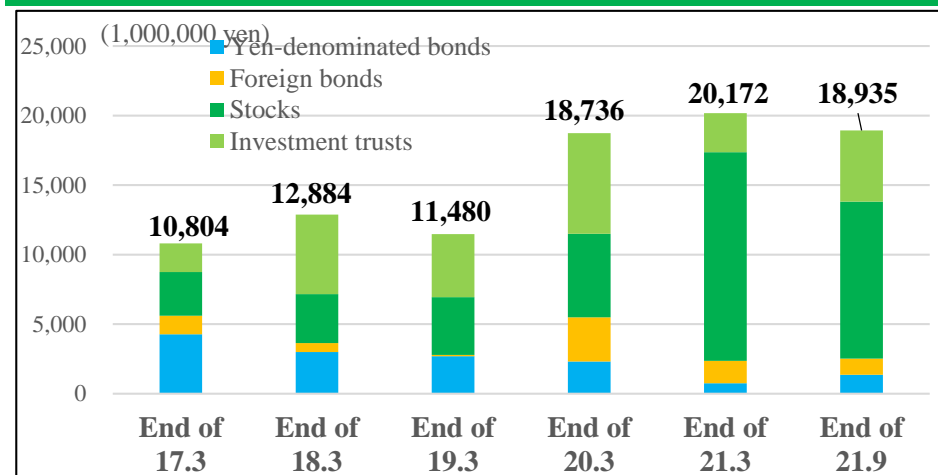
Balance of securities (book value)



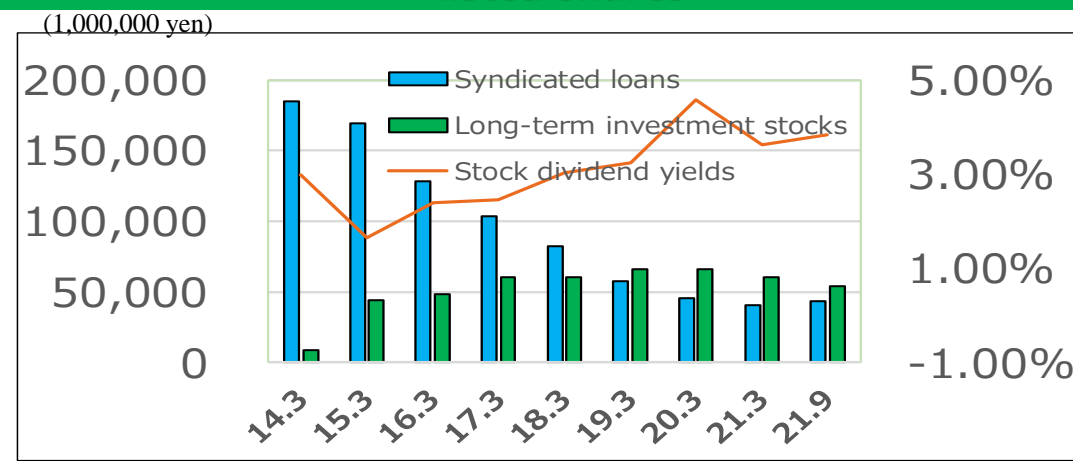
Valuation gains on securities



Changes in Realized Gains/Losses by Asset



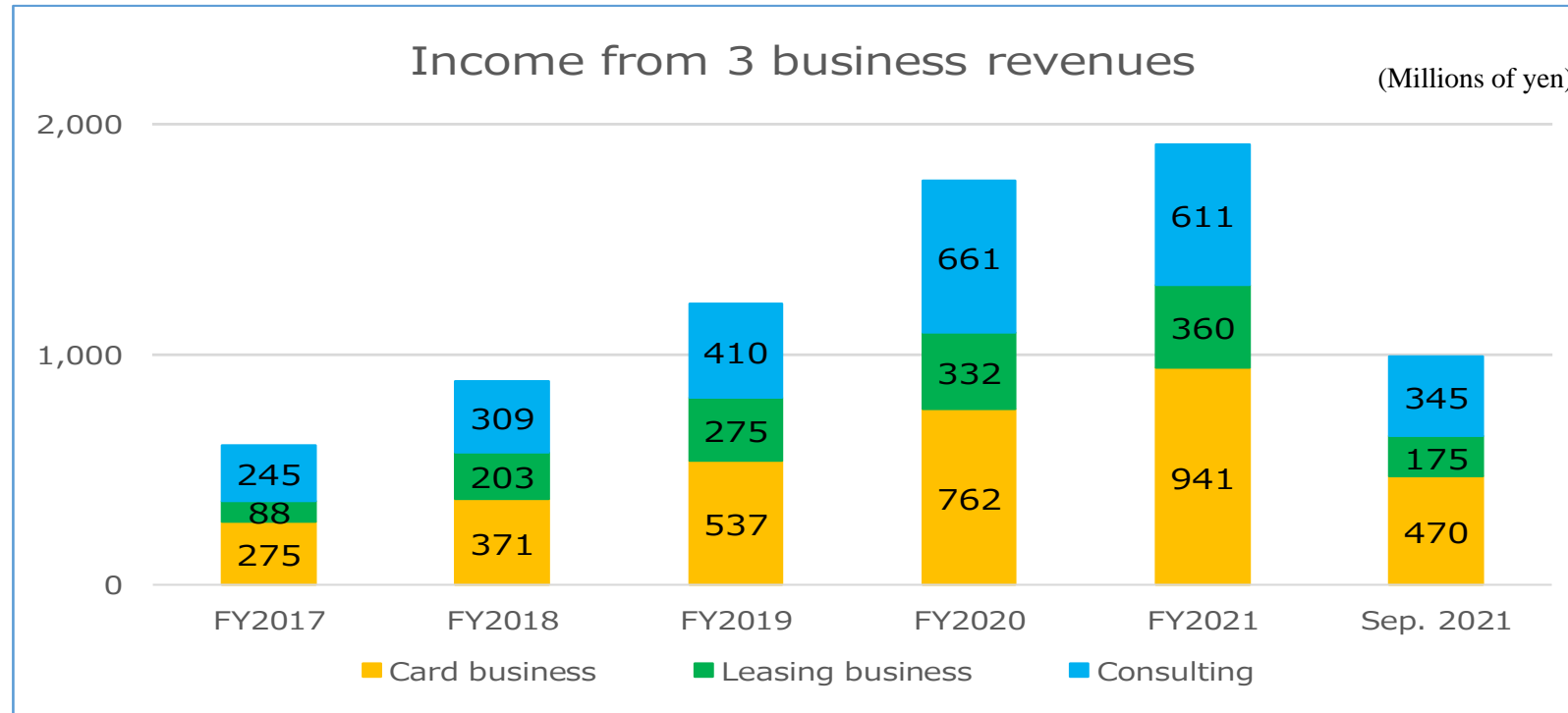
Loans to large enterprises (syndicated loans) → listed shares



3 Business Revenues

~Bank cards business, Leasing business, Consulting~

Bank



(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021	Sep. 2021
Consulting	245	309	410	661	611	345
Leasing business	88	203	275	332	360	175
Card Business	275	371	537	762	941	470
Total	608	884	1,224	1,756	1,912	990

Card Business

- Small businesses have also benefited from the cost advantages of conducting their own card merchant operations, and the cashless environment in the region is steadily expanding.

Bank

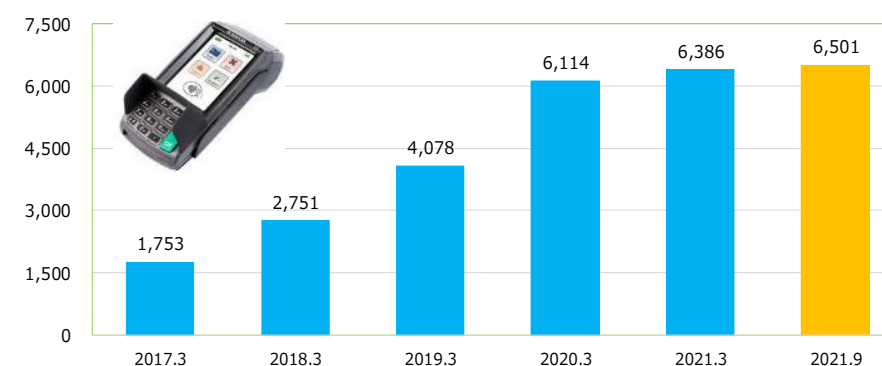
Number of debit cards issued (aggregate)

(Thousands of sheets)



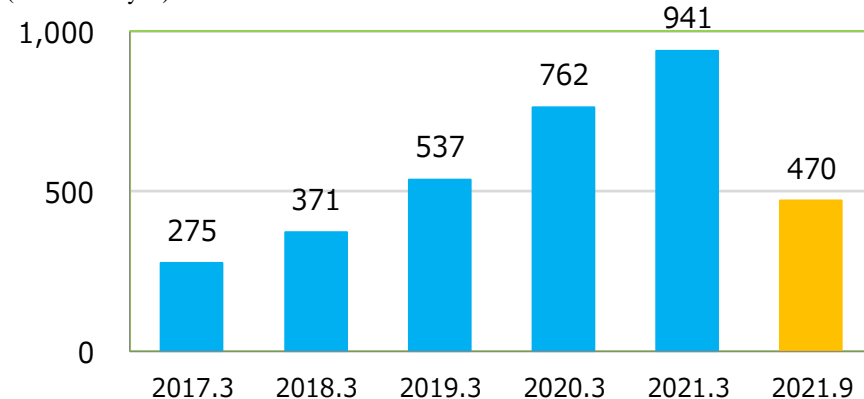
Number of card merchants (aggregate)

(Stores)



Operating Profit from Card

(Millions of yen)

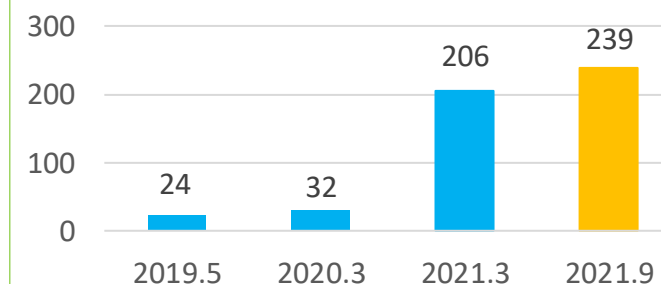


E-commerce malls (COREZO)



※2019.5.20 Open
Operated by
subsidiary Hokkoku
Management Co.,
Ltd.

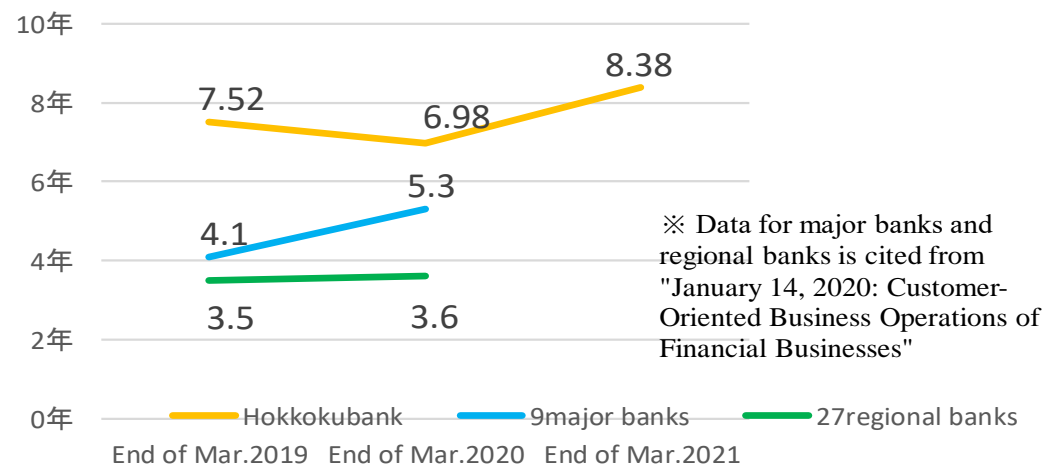
Changes in the number of store



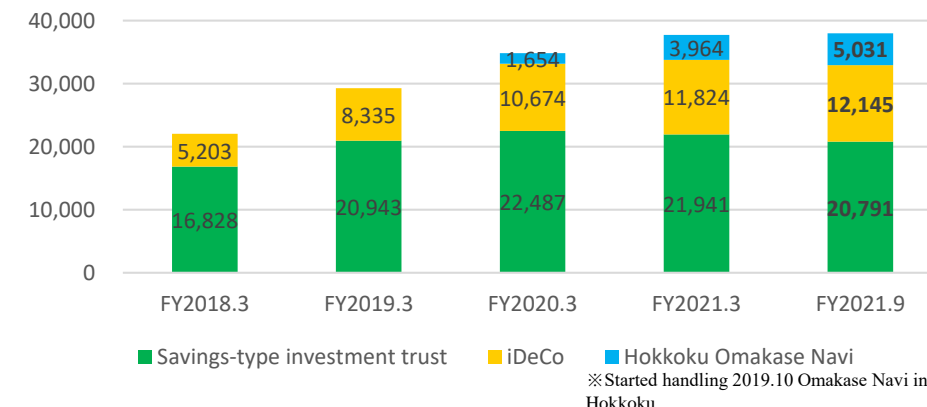
Sales of risky financial products

Bank

Average holding period of Mutual fund

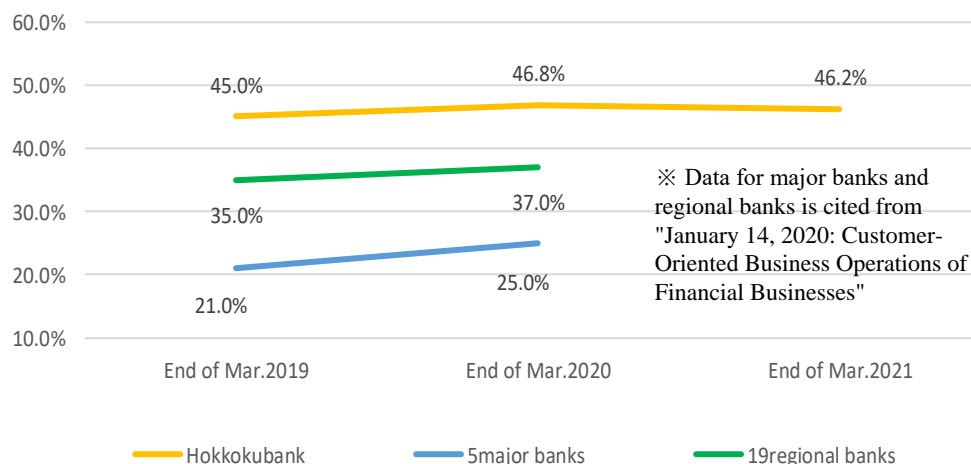


Number of savings-type financial product contracts



※ For savings-type investment trusts, the average number of investment trusts per year is recorded because the end of the month is a holiday, etc. and it is difficult to make an accurate comparison.

Ratio of customers who conduct savings-type investment trusts



- Continue providing services and advice for customers' stable lifestyles, enriched lifestyles, and happy lives.
- The sales of risk financial products are predicated on contributing to the asset formation of customers over the medium to long term.



- Continue to sell risk financial products based on the above concept.
- This has led to an average holding period for investment trusts, an increase in the percentage of customers who conduct savings-type investment trusts, and an increase in the number of contracts for savings-type financial products.

Trends and Forecasts of Credit Costs

Bank

- Credit costs for the first half of FY2021 were JPY5 billion, approximately JPY1 billion higher than the initial forecast
- The forecast for the fiscal year ending March 2022 has also been revised to around JPY9 billion, which is JPY1 billion higher than the initial forecast
- The Company's policy is to maintain a high coverage ratio and reduce the risk of future impact on profits and losses through the implementation of adequate provisions in the future.

<Credit costs>	End of Mar.2019	End of Mar.2020	End of Mar.2021	End of Sep.2021	2022.3 Forecast
Total credit costs (Billions of yen)	33	98	113	50	90
General reserve for possible loan losses (Billions of yen)	2	27	30	14	15
Disposal of non-performing loans (Billions of yen)	31	71	83	36	75
<Breakdown of Credit Costs>	End of Mar.2019	End of Mar.2020	End of Mar.2021	End of Sep.2021	2022.3 Forecast
Commercial loans (Billions of yen)	20	83	104	46	80
Consumer loans (Billions of yen)	12	14	9	4	10

<Preservation Status>	End of Mar.2018	End of Mar.2019	End of Mar.2020	End of Mar.2021	End of Sep.2021
Receivables disclosed under the Financial Reconstruction Act (billion yen)	564	553	561	608	645
Amount of preservation (Billions of yen)	534	524	534	587	619
Coverage ratio	94.7%	94.7%	95.1%	96.5%	95.8%

- In the first half of FY2021, results exceeded initial expectations due to the downgrading of some major customers.
- It is expected to exceed the initial forecast for the full FY2021, but it is expected to fall below the previous year's level.

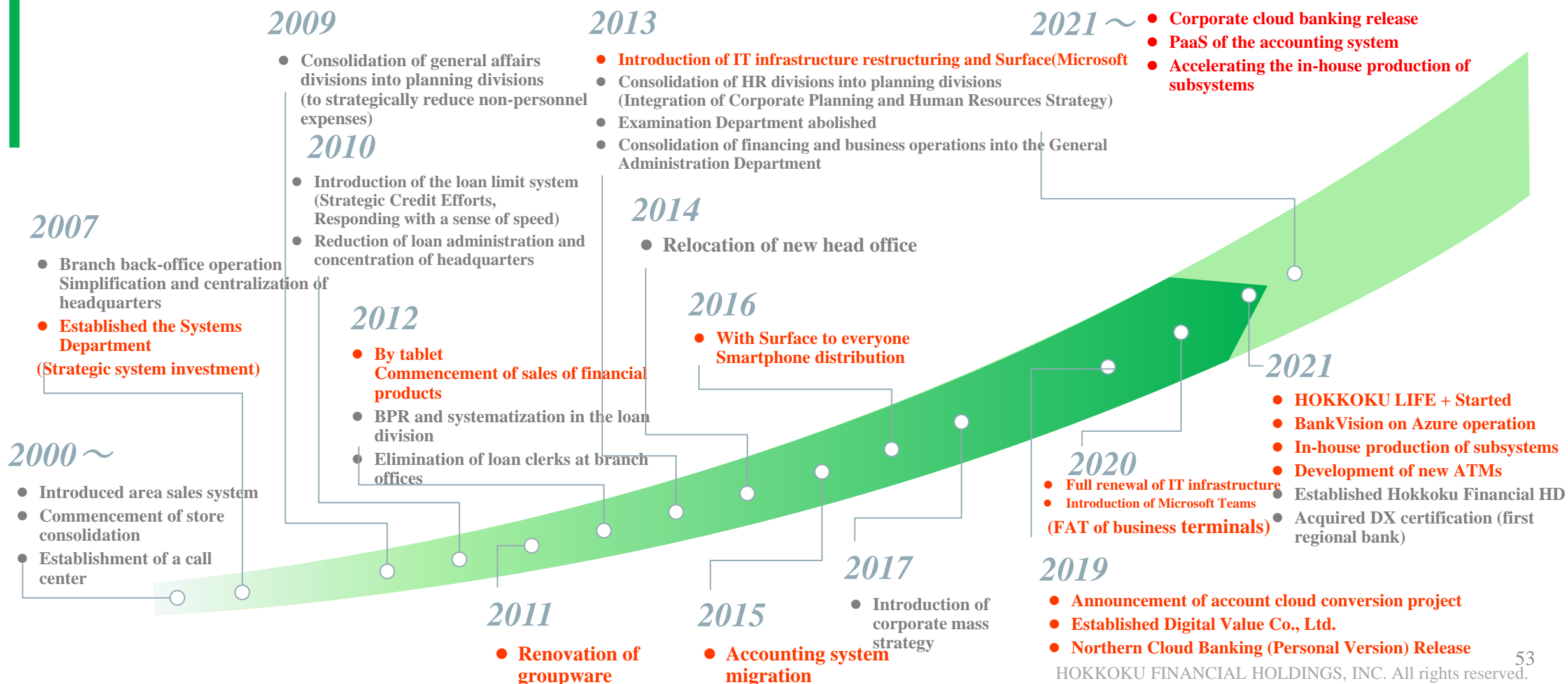
5. Reference Materials

Efforts to Reform Operations and Improve Productivity

**Holding
company**

Within DX to 2015

2015~ Customer DX

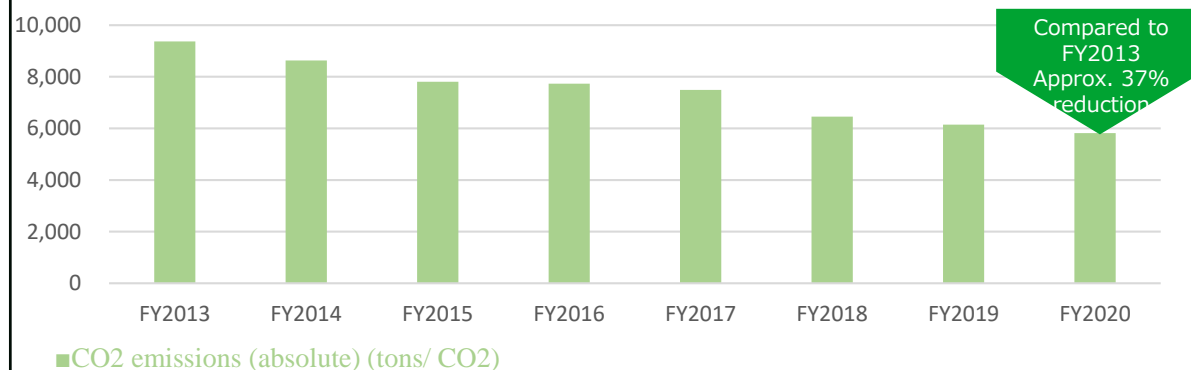


ESG Initiatives (E)

- "Climate Change Response and Environmental Conservation" set as materiality
- We plan to reflect this in the menu of ESG-compliant consulting for customers and regions, and we plan to work toward contributing to the fostering of ESG momentum in the region.

Endorsement of TCFD recommendations, investment and financing policies, and sector policies

- ◆ The Hokkoku Bank announced its endorsement to TCFD's recommendations to 2021.5.
- ◆ In FY2020, CO2 emissions were reduced by approximately 37% compared to FY2013 due to reduced electricity consumption, mainly due to the relocation of the head office building in 2014.
- ◆ Targets for reducing CO2 emissions in FY2030 set at a Δ of 60% compared to FY2013 through initiatives such as store consolidations and closures and efforts to convert rebuilt stores to ZEBs



Investment and Loan Policy and Sector Policy

The Hokkoku Bank considers that business feasibility evaluation (understanding of business potential according to the Bank's definition) is the starting point for all transactions and sales activities. Improving the level of our relationships with customers and connecting this to sharing and solution of issues will lead to development of local communities. In addition, as a regional financial institution, we believe that it is our mission to spread ESG and SDGs initiatives to local customers.

We have formulated our Investment and Loan Policy and Sector Policy based on the ESG Initiative Policies and materiality, and when determining the level of relationships and conducting business feasibility evaluation, we obtain anecdotal information from customers on their approach to ESG and SDGs initiatives and promote their understanding.

Investment and Loan Policy

Businesses to Support Actively

- Environmental, social and governance initiatives and businesses of customers

Businesses in/for Which Investments and Loans Are Prohibited

- Anti-social forces and their business
- Businesses engaging in child labor or forced labor
- Businesses which develop and manufacture weapons of mass destruction such as nuclear weapons and chemical weapons, or inhumane weapons such as cluster munitions

Specified Sectors

- Coal-fired power generation sector, cluster munitions manufacturing sector, forestry sector and palm oil plantation development sector

Sector Policy

Covered sector	Description
Coal-fired power generation business	We consider investment in or provision of loans for coal-fired power generation businesses carefully on a case-by-case basis based on their response to climate change risk and initiatives toward environment protection and sustainable energy.
Cluster munitions manufacture-related business	In light of the inhumanity of cluster munitions, we prohibit investment and loans to companies that manufacture cluster munitions.
Deforestation business	We consider investment in or provision of loans for large-sized deforestation business customers based on their status of consideration to the environment and society and an impact on the local environment and community.
Palm oil plantation development business	We prohibit investment in or provision of loans for palm oil plantation development businesses from the perspective of preservation of forest resources and biodiversity as well as protection of human rights.

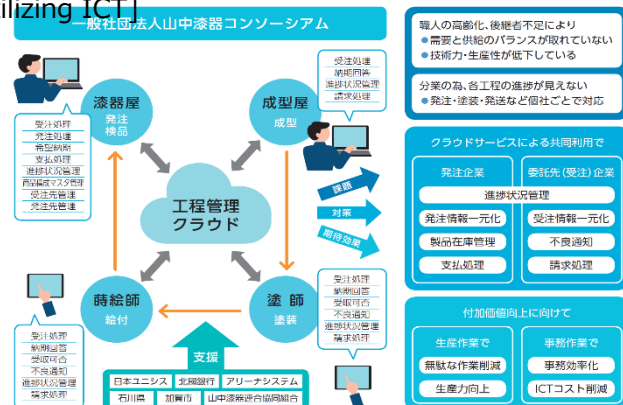
ESG Initiatives (S)

- Contribute to solving ESG issues through business activities aimed at becoming a next-generation regional comprehensive company.
- Establish an organizational structure that can respond flexibly to changes in the times, foster a corporate culture, and respond to a variety of work styles.

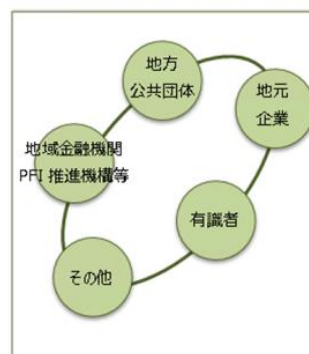
Holding company

Consulting not only for individual companies but also for the entire region, including industry and public interest groups

[Yamanaka lacquer productivity improvement project [Efforts for the IKAWA PPP/PFI Regional Platform] utilizing ICT]



■ 地域プラットフォームとは



地域の企業、金融機関、地方公共団体等が集まり、PPP/PFI事業のノウハウ習得と案件形成能力の向上を図り、具体的な案件形成を目指した取組み

主な取り組み

- 事例研究を通じたノウハウ習得
- 異業種間のネットワーク形成
- 具体案件の官民対話
- 民間提案の試行 等

Solving issues such as improving regional productivity through the creation of a cashless environment

[Creation of cashless environment based on card business]



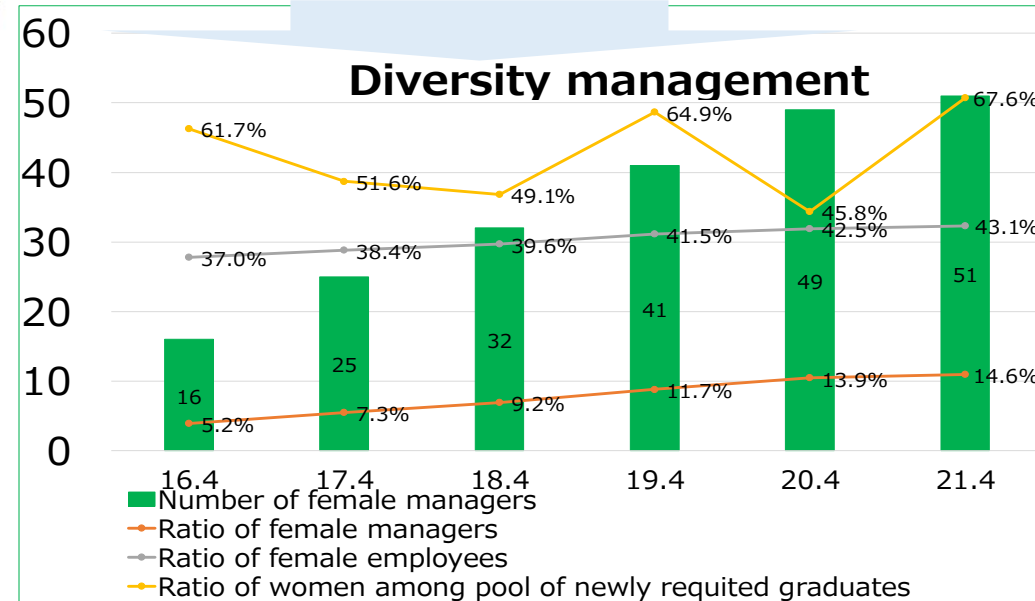
[Platform for regional revitalization (EC mall)]



Efforts to create an environment in which

Main Initiatives

- Shortened working hours for childcare (up to the third year of elementary school)
- Extension of childcare leave (2 years allowed)
- Recommendation of staggered hours system
- Training for returning to work
- Enhancement of home learning tools



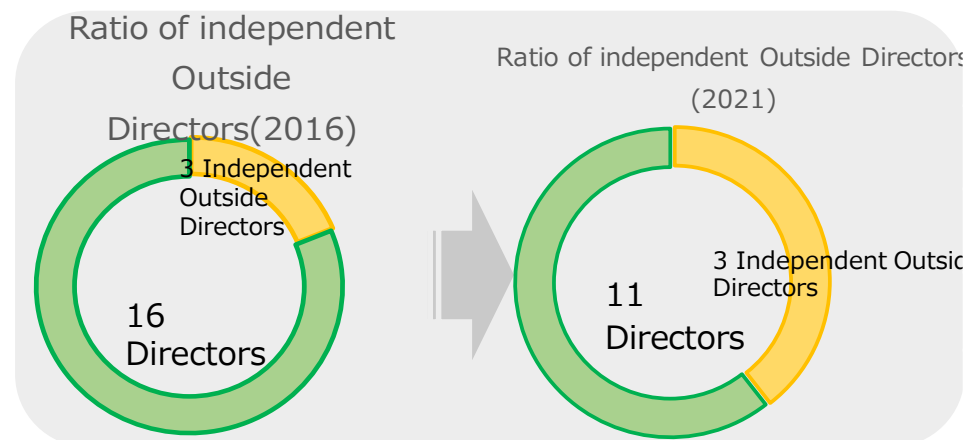
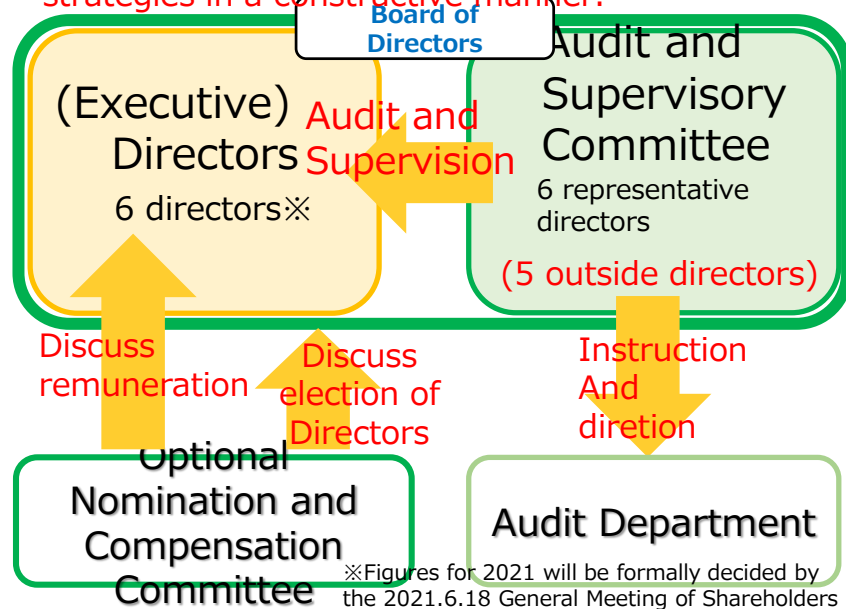
ESG Initiatives (G)

- The Bank has improved the transparency of the business decision-making process as a result of the participation in management by outside directors. The ratio of Independent Outside Directors is 45.5%.
- Selected a system that further clarifies the link between the share value of the Bank and the remuneration for Directors

Corporate Governance Structure

Delegation of part of business execution decision to directors

The → Board of Directors discusses management strategies in a constructive manner.



	2016	2017	2018	2019	2020	2021 (※)
Directors (persons)	16	17	17	17	15	11
Outside Directors (persons)	4	4	4	5	5	5
Independent Outside Directors (persons)	3	3	3	5	5	5
Ratio of Independent Outside Directors (%)	18.7	17.6	17.6	29.4	33.3	45.4

※Figures for 2021 will be formally decided by the 2021.6.18 General Meeting of Shareholders

System of compensating directors

Directors and Executive Officers who are not Audit and Supervisory Committee Members	Base salary + Performance-linked payment + Stock distribution Trust
Executive Officers	※Current Composition Ratio of Executive Compensation 6 : 2 : 2 (FY2020 Results)
Directors who are Audit and Supervisory Committee Members	Only base salary

Fiscal Year	Main Initiatives
2006	Introduced a system of executive officers
2009	Stock compensation-type stock option plan introduced
2015	Transitioned to a company with an audit and supervisory committee
	Outside directors are elected.
	Appointed 1 female director (outside)
	Set up nominating and compensation committees
2016	Introduction of a system for evaluating the effectiveness of the Board of Directors
2017	Introduced a stock grant trust
2019	Appointed 2 female directors (outside)
	Increased from 3 independent outside directors to 5
2020	33% of independent outside directors
2021	Independent Outside Directors Ratio to 45%(*)

Changes in Key Figures①

Bank

Changes in gain/loss(Non-consolidated)		FY2017	FY2018	FY2019	FY2020	FY2021	YOY Change
Gross profit		44,004	43,911	42,882	47,538	38,727	△ 8,811
(Excluding gain/loss on bonds)		(43,949)	(45,041)	(41,509)	(41,584)	(40,954)	△ 630
Net interest income		38,457	39,197	35,556	34,876	34,259	△ 617
Fees & commissions		5,071	5,332	5,604	5,938	5,737	△ 201
Other business profit		475	△ 618	1,722	6,723	△ 1,269	△ 7,992
Gain/loss on bonds		55	△ 1,129	1,372	5,953	△ 2,226	△ 8,179
Expenses	(△)	28,806	28,346	28,256	29,422	29,175	△ 247
Personnel cost		14,284	14,441	14,372	14,261	13,958	△ 303
Non-personnel cost		12,702	11,958	12,004	13,062	12,975	△ 87
Taxes		1,819	1,946	1,879	2,098	2,241	143
Net business profit		15,142	16,694	13,253	12,162	11,778	△ 384
Provision of reserve for possible loan losses①	(△)	1,037	△ 469	203	2,674	3,060	386
Net business profit(after reserve)		14,160	16,034	14,422	15,441	6,491	△ 8,950
Expenses related to portfolio problems		△ 140	△ 1,293	△ 1,642	△ 3,464	4,792	8,256
Gain/loss on equity		378	1,636	1,309	3,975	13,239	9,264
Amount of credit costs②	(△)	754	2,095	3,062	7,103	8,335	1,232
Recoveries of written off claims③		692	63	69	17	72	55
Ordinary profit		14,020	14,741	12,780	11,977	11,283	△ 694
Extraordinary gain/loss		△ 333	△ 629	△ 710	△ 1,154	△ 897	257
Profit before income taxes		13,687	14,112	12,070	10,823	10,385	△ 438
Profit		10,107	9,479	8,023	6,676	5,954	△ 722

Changes in Key Figures②

(Billions of yen, %)

Bank

Average balance, yield, etc.		FY2017		FY2018		FY2019		FY2020		FY2021	
		Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield
Assets	Loans	22,867	1.23	23,456	1.13	24,655	1.06	25,577	1.02	26,215	0.95
	Securities	9,899	1.19	9,803	1.52	10,080	1.31	9,389	1.09	9,857	0.93
	Call loans, etc.	5,441		7,752		10,676		11,058		11,666	
Total interest-earning assets		38,208	1.06	41,012	1.03	45,412	0.88	46,025	0.80	47,739	0.73
Liabilities	Deposits	31,135	0.01	32,507	0.01	33,833	0.01	35,077	0.00	38,252	0.00
	Negotiable certificates of deposit	1,031	0.02	1,036	0.02	919	0.01	1,164	0.00	976	0.00
	Call money, etc.	5,161		7,528		10,704		9,883		9,062	
Total interest-bearing liabilities		37,327	0.05	41,071	0.07	45,458	0.10	46,126	0.04	48,290	0.01

(%)

	FY2017	FY2018	FY2019	FY2020	FY2021	YOY Changes
Interest margin for total fund interest rate	0.24	0.27	0.16	0.12	0.11	△ 0.01
Gap on yields of deposits and loans	1.22	1.12	1.05	1.01	0.95	△ 0.06
Expense ratio	0.89	0.84	0.81	0.81	0.74	△ 0.07
OHR	65.54	62.93	68.07	70.75	71.24	0.49
ROA (based on net business profit)	0.24	0.20	0.16	0.13	0.11	△ 0.02
ROE (based on profit)	4.33	3.81	3.12	2.75	2.39	△ 0.36

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