



Business strategy of Hokkoku Financial Holdings And the second quarter of the fiscal year ended March 31, 2023.

October 28, 2022

Quality Company, Good Company.



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1. Summary of Financial Results

Overview of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023

[Hokkoku Financial Holdings Consolidated Profile]

<Ordinary income 20.463 billion yen YOY +4.646 billion yen>

<Interim net income 12.895 billion yen +3.02 billion yen YoY>

Revenues increased year-on-year due to the recording of gains on the sale of securities, including strategic shareholdings, while losses on the sale of securities were also recorded.

Despite the booking of a loss on the disposal of some software, profits rose YoY due to a decrease in bad debt disposal costs due to a change in the reserve method.

(1) SUMMARY

【CONSOLIDATED】

	2021.9	2022.9	Fluctuation	Rate of increase or decrease
Ordinary income	44,736	51,328	6,592	14.7%
Ordinary profit	15,817	20,463	4,646	29.3%
Profit *	9,875	12,895	3,020	30.5%

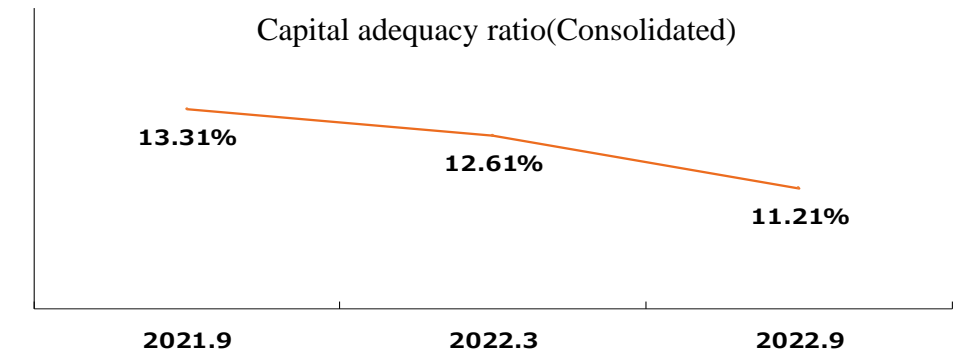
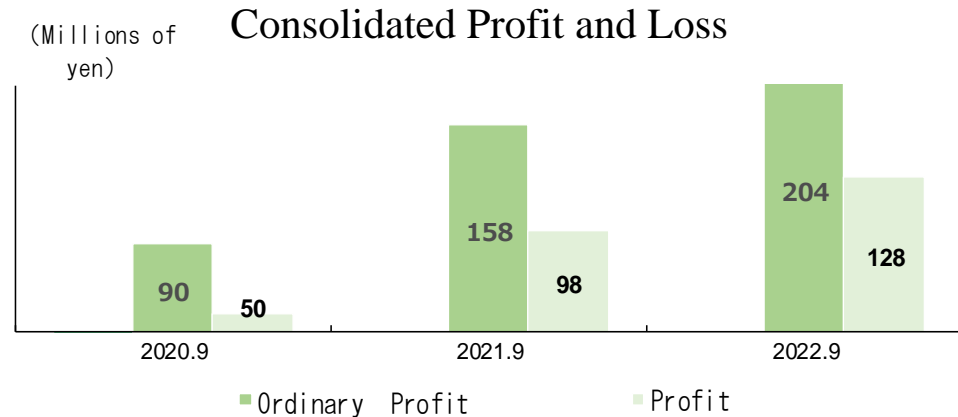
* Profit attributable to owners of parent

【Hokkoku Bank】

	2021.9	2022.9	Fluctuation	Rate of increase or decrease
Ordinary income	39,486	45,167	5,681	14.3%
Ordinary profit	15,255	19,996	4,741	31.0%
Profit	9,618	12,819	3,201	33.2%
Ordinary profit	6,344	7,343	999	15.7%

(2) Capital adequacy ratio

	2021.9	2022.3	2022.9	Fluctuation
Capital adequacy ratio(Consolidated)	13.31%	12.61%	11.21%	△ 1.40%



2. The Medium-Long Term Business Strategy ~Progress-

Medium-to Long-Term Targets

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

※2022.4.28 Published

Item	FYE March 2022 Actual	FYE Mar. 2025 Three years later	FYE Mar. 2027 5 years from now	FY3/2032 About 10 years later
Consolidated Operating Income	19.2 billion yen	21 billion yen	23.1 billion yen	37.7 billion yen
Consolidated Net Income	9.4 billion yen	12.9 billion yen	14.4 billion yen	24 billion yen
Revenues from Key Initiatives (Consolidated) (New Business Revenues, Including Card- Leasing Consulting)	3.2 billion yen	7.9 billion yen	9.5 billion yen	12.5 billion yen
ROE (Consolidated)*	4.2%	5.7%	5.9%	8.0%

※ ROE is calculated by the amount of net income attributable to owners of the parent to Basel III Core Equity on a domestic base bank basis.

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

※2022.4.28 Published

Item	FYE March 2022 Actual	FYE Mar. 2025 Three years later	FYE Mar. 2027 5 years from now	FY3/2032 About 10 years later
Interest on loans and deposits	23.8 billion yen	24 billion yen	24.3 billion yen	24.8 billion yen
Fees and commissions	7.2 billion yen	11.4 billion yen	13.3 billion yen	17.4 billion yen
Card Business	1.2 billion yen	3 billion yen	3.3 billion yen	3.4 billion yen
Leasing Business	1.2 billion yen	1.8 billion yen	2 billion yen	2.7 billion yen
Consulting & advisory	600 million yen	2.4 billion yen	3 billion yen	4 billion yen
Market management	29.4 billion yen	19 billion yen	16 billion yen	22.1 billion yen
Total Credit Cost	11.8 billion yen	3 billion yen	3 billion yen	3 billion yen
General and administrative expenses	30.3 billion yen	31 billion yen	28.9 billion yen	25.4 billion yen
Of which, system costs*	6.9 billion yen	8 billion yen	6.3 billion yen	4.3 billion yen
Net income	9.4 billion yen	12.9 billion yen	14.4 billion yen	24 billion yen

※:Total of software development costs (depreciation expenses) and running costs (office outsourcing expenses, etc.)

Three Measures for increasing corporate value

1.To improve capital efficiency

- ◆ Creation of surplus capital by conversion to domestic banks
- ◆ PBR of the highest level among regional banks with a total return ratio of 40% or more
- Stock repurchases up to
 - ◆ For 50% in three years with a policy of not holding strategic stocks
- Sell off

2.Identification of incentives for management, employees, and shareholders

- ◆ Aiming for ROE5.0% in two years and ROE8.0% in ten years, Introduced a compensation system linked to ROE

3.Supporting Growth through Private Equity

- ◆ Through 100% owned subsidiary QR Investment Co., Ltd., Aggressively investing capital

<Progress>

P.9~10

P.11

P.12

Surplus Capital

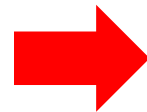
**The core capital required to maintain an equity ratio of 8.0% is ¥178.4 billion.
Aim to invest in growth by taking into account shareholder returns and the cost of capital with 105.9 billion yen in surplus capital.**

FYE Mar. 2022

FYE Mar. 2023 (Forecast)

International standard line basis

Total capital	286.4 billion yen
Unrealized gain on available-Unfor-sale securities	36.7 billion yen
Subordinated bonds	20 billion yen



Domestic banks basis

	49.2 billion yen
Surplus capital	105.9 billion yen
	36.7 billion yen
	20 billion yen
Core capital	178.4 billion yen

Growth investment	37.6 billion yen
Shareholder Returns	11.6 billion yen

Unrealized gain on available-for-sale securities	36.7 billion yen
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Repayment of subordinated debentures	20 billion yen
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Growth investment	37.6 billion yen
M&A	15 billion yen
Inauguration of the new company	15 billion yen
QRI's PE spending	7.6 billion yen

Shareholder Returns	11.6 billion yen
Share buyback	9 billion yen
Dividends	2.6 billion yen

Considered at 5% to 7% cost of capital

= 12.6%

= 8.0%

Risk Assets
2.2715 trillion yen

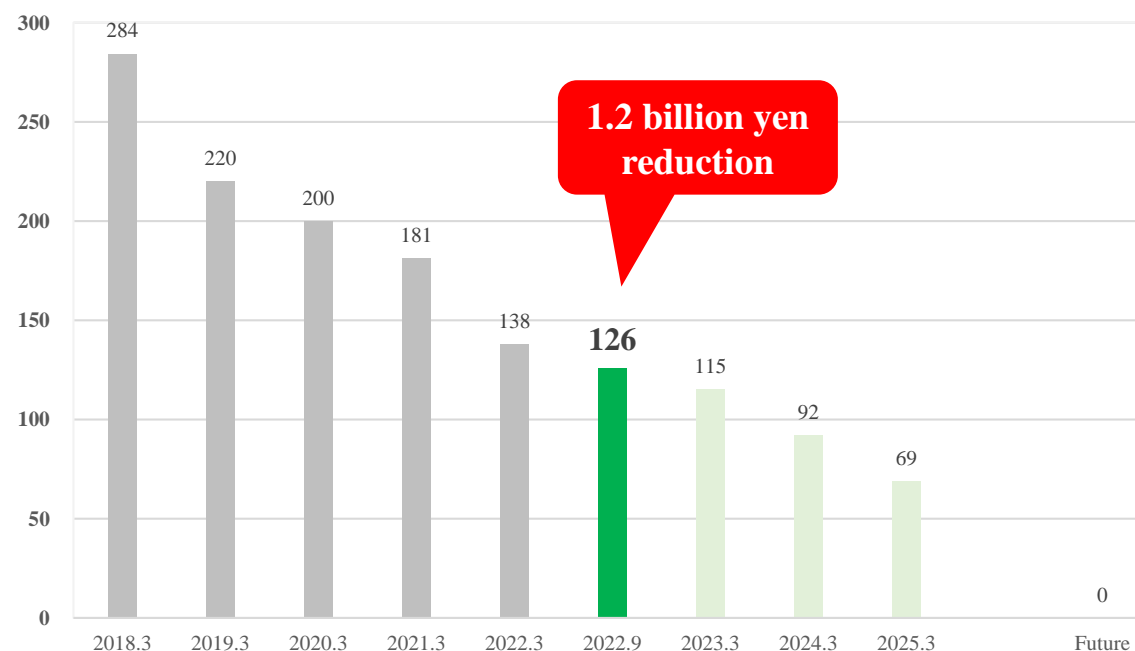
Risk Assets
2.2308 trillion yen

Reduction of strategic stockholdings

The plan to cut 6.9 billion yen in three years is to reduce it by 1.2 billion yen in six months (18% progress rate)

Verify the appropriateness of the holdings to be commensurate with our cost of capital.

Book Value of Listed Strategic Stockholdings (Billions of yen)



Reduction in strategic stockholdings for listing

	Number of stocks	Book value (Billions of yen)
2022.3	50	138
2022.9	43	126
Reduction	▲ 8 (including some buyers)	▲ 12
Three-year KPI	—	▲ 69
Progress rate	—	18%

Shareholder Return Policy and ROE Targets

Advance ROE8.0% target 10 years from now.

Item	FYE March 2022 Actual	FYE Mar. 2023 A year later	FYE Mar. 2024 Two years later	FYE Mar. 2025 Three years later	FYE Mar. 2027 5 years from now	FY3/2032 About 10 years later
Total return ratio	60%	115%	40% or more			
Total dividends	24 Billion yen	26 Billion yen	Dividend increase policy			
Repurchase of the Company's stock	30 Billion yen	90 Billions of yen (*)	Continuously implement			
Consolidated equity ratio (Domestic Standards)	9.94%	9.66%	8.0% or more			
Consolidated ROE (Domestic Standards)	4.2%	4.5%	5.0%	5.0%~8.0%		8.0%

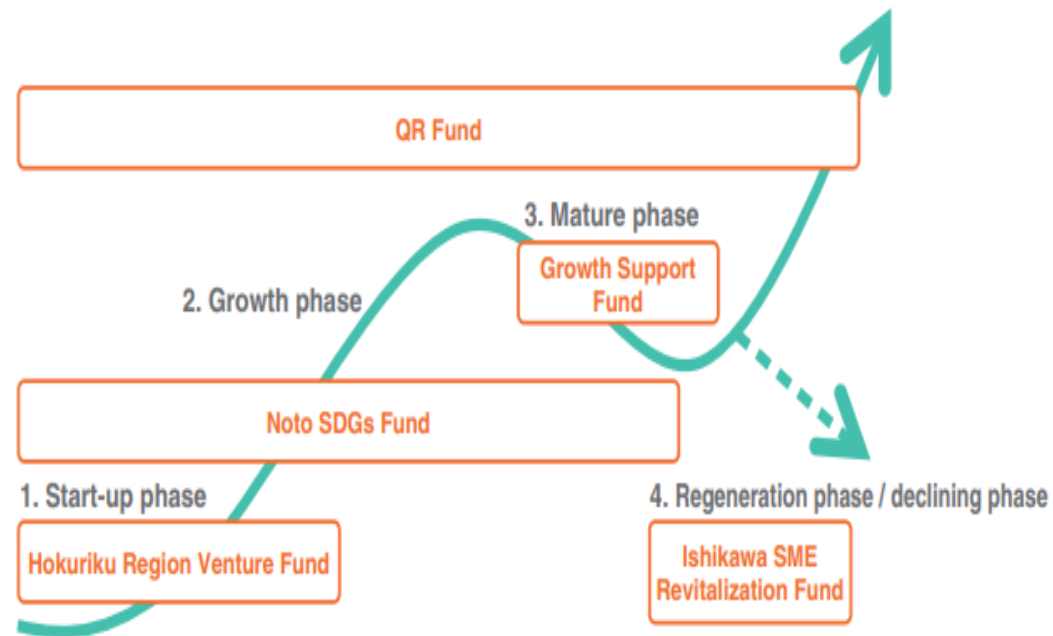
※ Acquisition of treasury stock by the end of September 2022: 400,500 shares approx. 1.8 billion yen

Supporting Growth through Private Equity

QR Investment, five funds for each life stage
Operates (total over 17 billion yen), with a IRR of about 5% to 10%.



Positioning of each fund



Fund Investment Status (as of 2022.9)

Fund name	Total (Billions of yen)	Number of cases	Issue amount (bil)
Hokuriku Region Venture Fund	—	1	1.0
Noto SDGs Fund	7	7	2.6
QRI Growth Support Fund	10	1	0.5
Ishikawa SME Revitalization Fund	50	27	23.8
QR Fund	100	2	5.1
Total	—	38	33.0

Plan (number of investments and total fund amount)

	Three years later	5 years from now	About 10 years later
Number of investments	185	400	805
Total fund amount (billion yen)	500	1,000	2,000

Established a subsidiary in Singapore

■As a subsidiary of consulting firm The CC Innovation, Ltd., Established a subsidiary in Singapore and started 2022.10 businesses

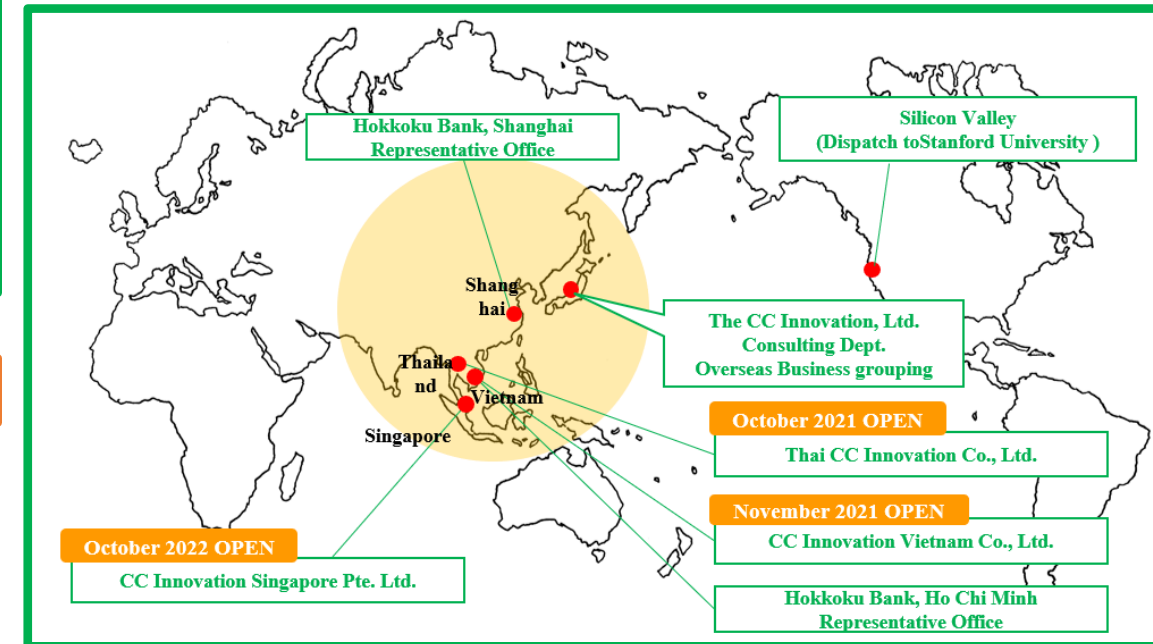
[Background and Purpose of Establishment]

- Focus on strengthening consulting functions in line with financial functions as part of FHD Group-wide strategy
- Compared to the branch format, it is easier to exercise consulting functions
- Loans and other operations can be covered by local corporations and domestic banking operations.

Conversion to domestic banks allows for more flexible Capital strategy

Overview of the Singapore subsidiary

Trade Name	CC Innovation Singapore Pte. Ltd.
Opening	October 2022 (Established July 2022)
Main Operations	Consulting, investment and loan operations, etc.

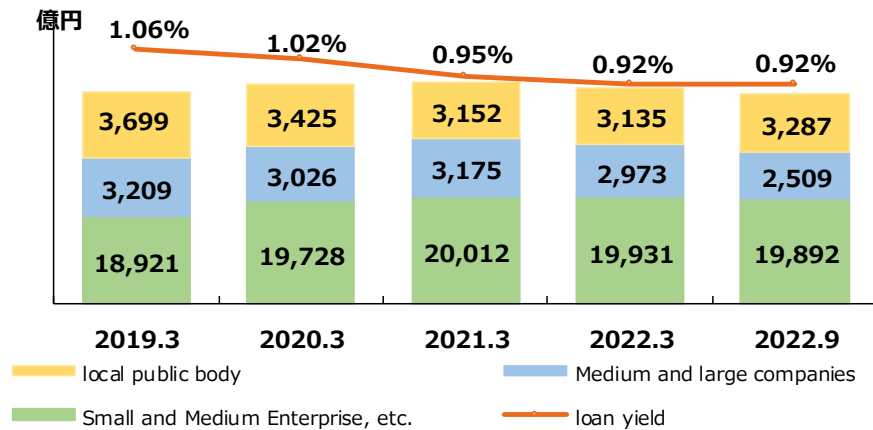


3. 2Q FY2023

Loans Outstanding and Yields by Segment ~

- In loans to individuals, housing loans increased. Commercial loans declined slightly, but the ratio of loans to SMEs was at a high level of 77.4%.
- Overall yields were largely unchanged as a result of improved yields as a result of more pricing-oriented dialogue with business loans.

Loans outstanding and yields



Breakdown by size

	End of Sep. 21	End of March 22	End of Sep. 22	Compared to September 21 Increase/Decrease	Compared to September 21 Rate of change
Meter Loan	26,165	26,039	25,688	△477	△1.8%
Of which, SMEs, etc.	19,926	19,931	19,892	△34	△0.2%
(Ratio of SMEs, etc.)	76.2%	76.5%	77.4%	—	—
Of which, medium-and large-sized companies, etc.	2,949	2,973	2,509	△440	△14.9%
Of which, local governments and public corporations	3,290	3,135	3,287	△3	△0.1%

Stores by region

	2021.9	2022.3	2022.9	Comparison with 2021.9	Percentage change from 2021.9
Total of three	23,931	23,956	23,852	△ 79	△ 0.3%
Hokuriku					
Ishikawa	18,066	18,119	18,062	△ 4	△ 0.0%
Prefecture					
Toyama	4,674	4,645	4,608	△ 66	△ 1.4%
Prefecture					
Fukui	1,191	1,190	1,181	△ 10	△ 0.8%
Prefecture					
Other	2,234	2,083	1,836	△ 398	△ 17.8%

Breakdown by Attribute

	2021.9	2022.3	2022.9	Comparison with 2021.9	Percentage change from 2021.9
Commercial loan	12,802	12,757	12,219	△ 583	△ 4.6%
Consumer loans	10,072	10,146	10,181	109	1.1%
Housing loans	9,728	9,819	9,870	142	1.5%
Other loans	344	327	310	△ 34	△ 9.9%
local governments and public	3,290	3,135	3,287	△ 3	△ 0.1%

Loans and bills discounted ~ Yield by segment ~

Yield by segment

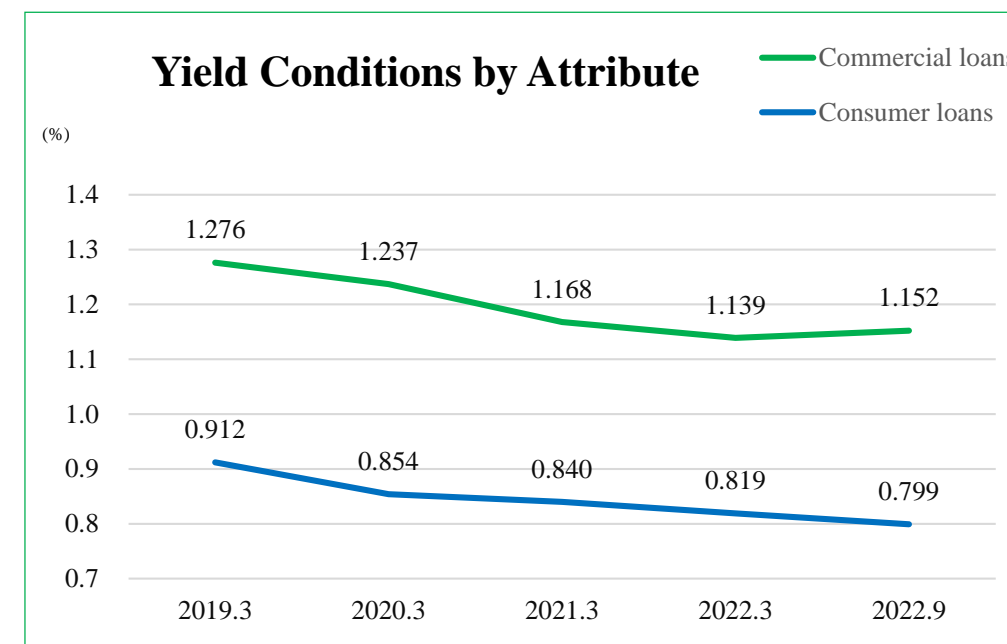
	2020.3	→	2021.3	→	2022.3	→	2022.9
Business loans	1.237	-0.069	1.168	-0.029	1.139	0.013	1.152
Consumer loans	0.854	-0.014	0.840	-0.021	0.819	-0.020	0.799
Secured	0.724	0.005	0.729	-0.008	0.721	-0.013	0.708
Un secured	3.305	-0.078	3.227	-0.054	3.173	-0.004	3.169
Local governments	0.519	-0.140	0.379	-0.075	0.304	-0.020	0.284

Yield by region (business loans)

	2020.3	→	2021.3	→	2022.3	→	2022.9
Total of 3 prefectures in Hokuriku area	1.365	-0.080	1.285	-0.035	1.248	0.002	1.250
Ishikawa	1.351	-0.077	1.274	-0.021	1.239	0.014	1.253
Toyama	1.430	-0.097	1.333	-0.072	1.287	-0.026	1.261
Fukui	1.287	-0.066	1.221	-0.044	1.196	-0.019	1.177
Others	0.552	-0.018	0.534	0.022	0.526	0.030	0.556

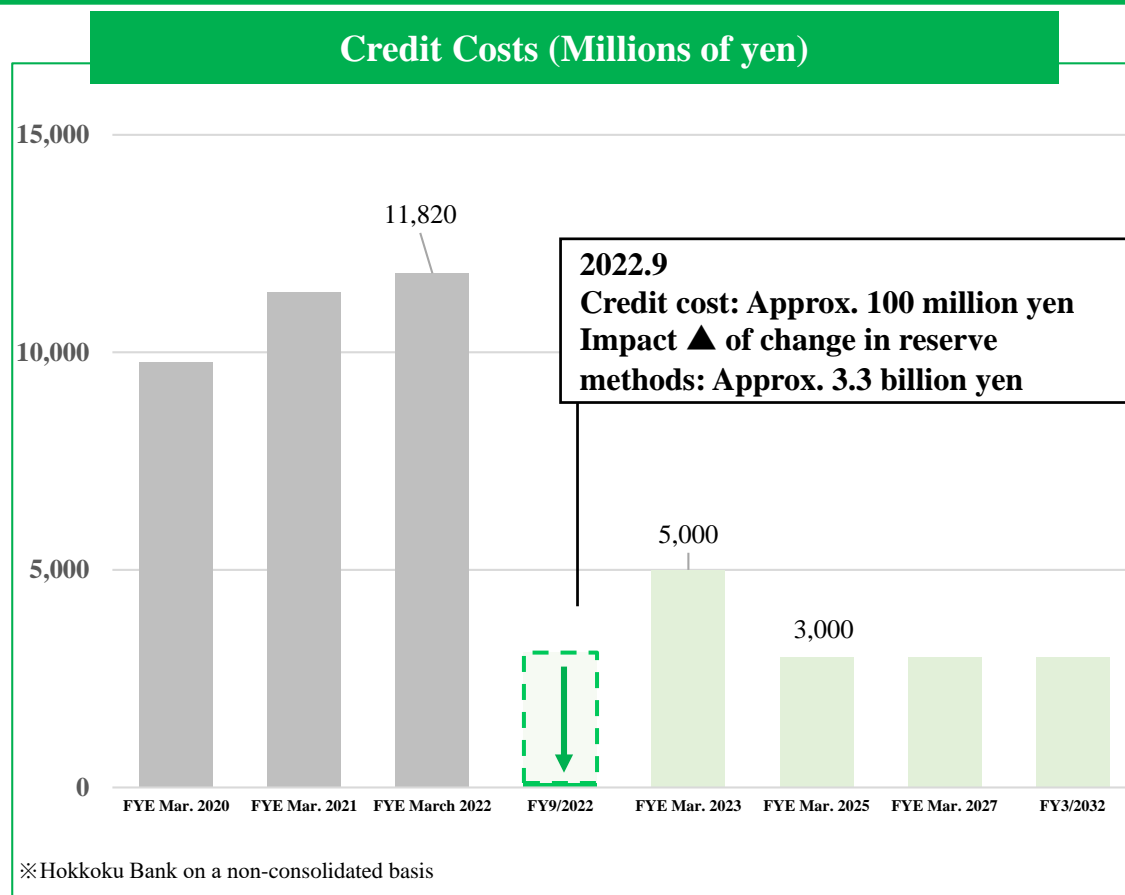
Average Newly Disbursed Interest Rates (by Attribute)

	2021.3	2021.9	2022.3	2022.9
Business loans	1.127	0.899	0.894	1.278
Consumer loans	0.694	0.575	0.547	0.507



Trends and Forecasts of Credit Costs

- In FY9/2022, credit costs were only about 100 million yen, partly due to the effect of the change in allowance methods (▲ of about 3.3 billion yen).
- The forecast for FY3/2023 is unchanged from the initial forecast of ¥5 billion.
- We intend to continue to maintain a high coverage ratio and reduce the risk of future impact on earnings through the implementation of adequate provisions.



<Preservation Status>	2020.3	2021.3	2021.9	2022.3	2022.9
Disclosed claims under the financial reconstruction law(Billions of yen)	561	608	645	758	778
Amount of preservation (Billions of yen)	534	587	619	659	677
Coverage ratio (%)	95.1	96.5	95.8	86.9	86.9

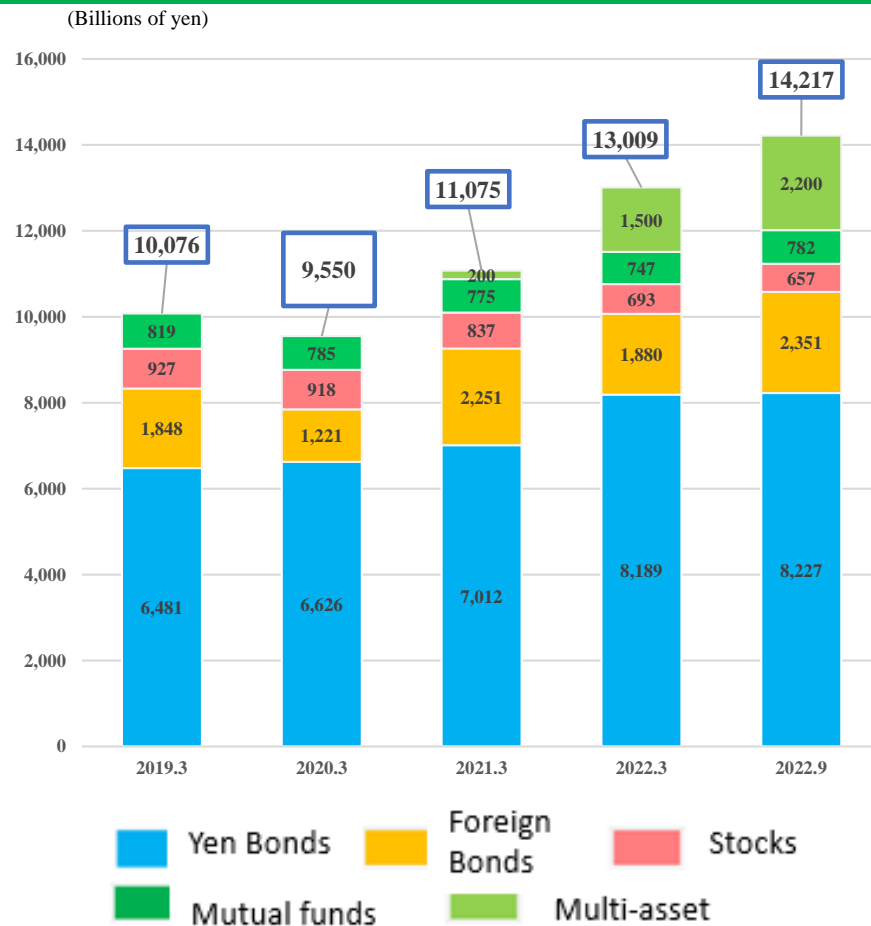
※Hokkoku Bank on a non-consolidated basis

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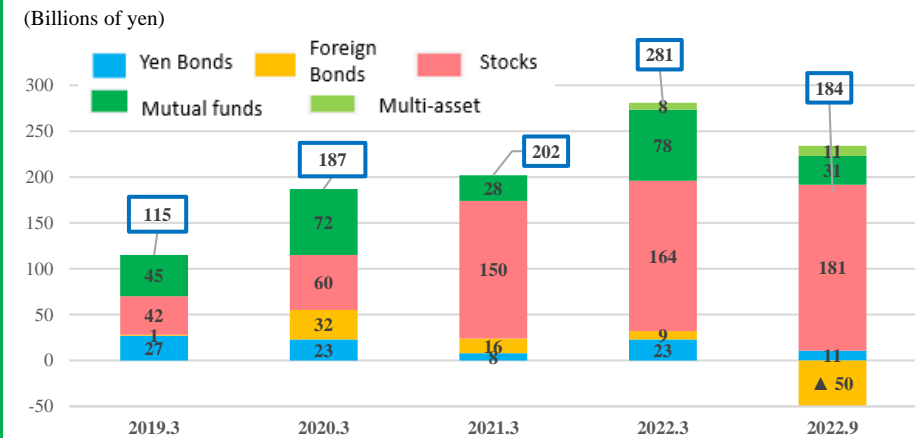
Operation of negotiable securities

- We will diversify investments from a medium-to long-term perspective and secure profits through flexible trading.
- In the period ending September 2022, the company secured a gain on sales of net stock and policy-held stock. Recorded a loss on sales due to the replacement of foreign bonds.

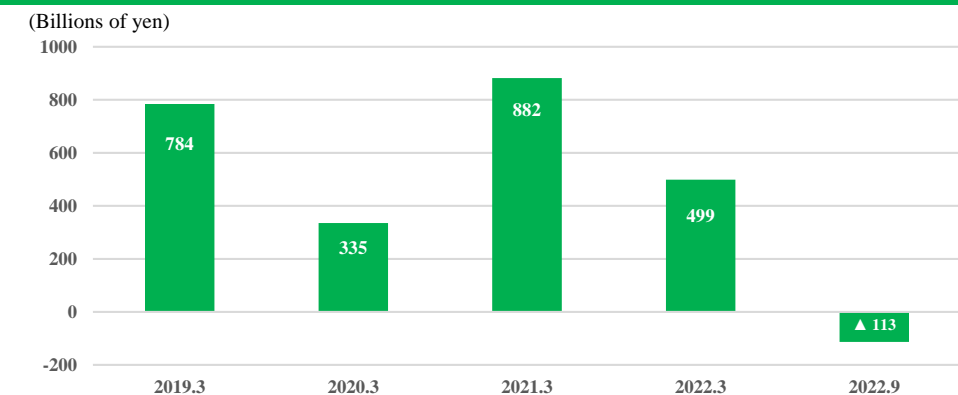
Balance of securities (book value)



Changes in Realized Gains/Losses by Asset



Valuation gains (devaluation losses) on securities



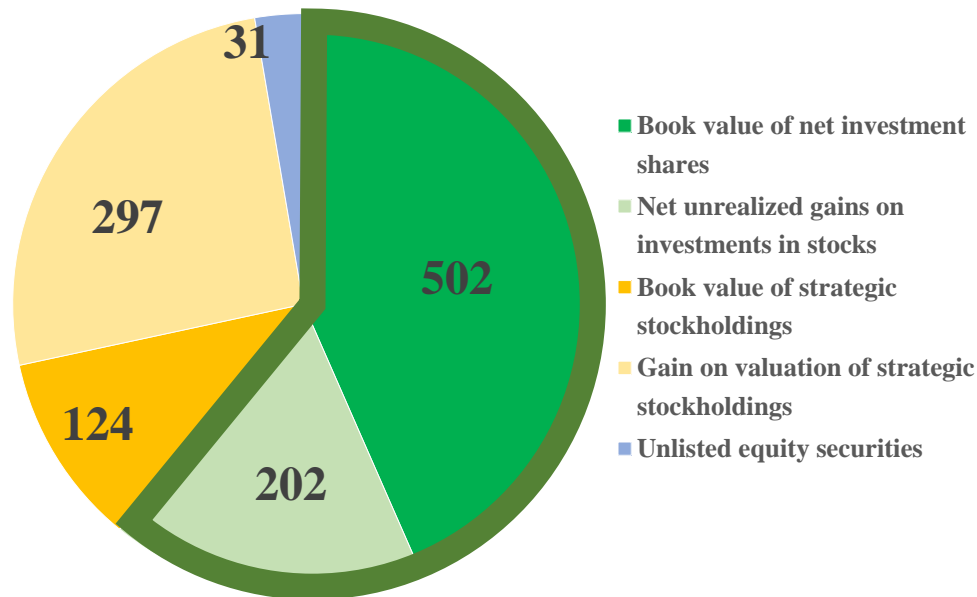
Portfolio of Market Sectors (Excluding Strategic Stockholdings)

- Equity securities held for net investment account for about 60% (based on market value)
- The portfolio of the market sector excluding strategic stockholdings becomes unrealized losses on the whole due to the impact of the rise in interest rates.
- Increase investment in multi-asset funds to strengthen diversification and stabilize net interest income.

Stock Investment as of the end of September 2022

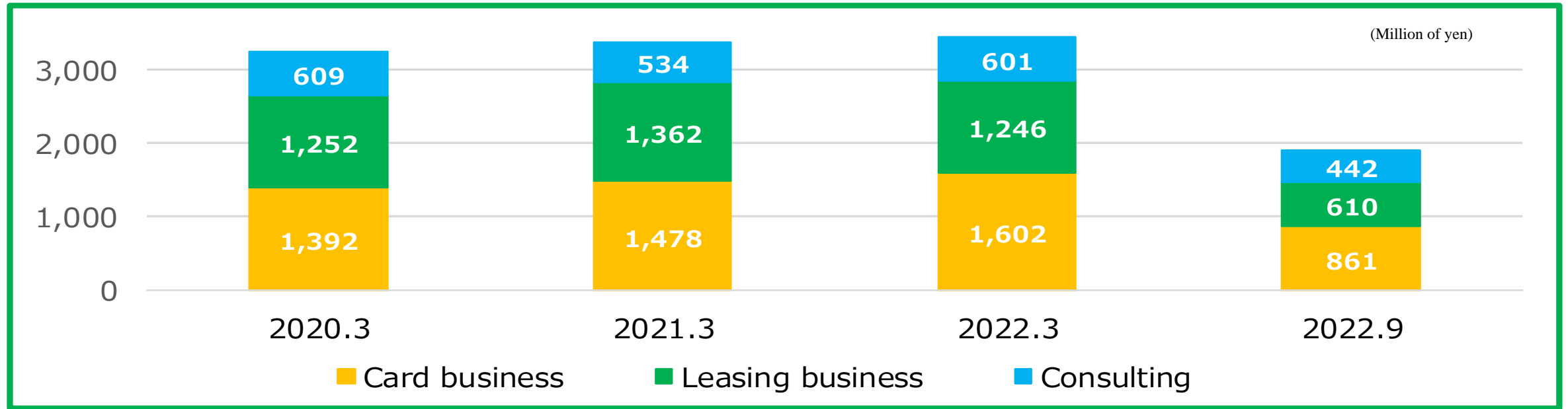
Stock balance (market value) 115.6 billion yen

Of which, net investment of ¥70.4 billion



Operational status as of the end of September 2022 (Excluding strategic stockholdings)			Forecast for March 2023
	Book value at the end of the period (Billions of yen)	Appraisal profit/loss (Billions of yen)	Balance at the end of the period (Billions of yen)
Net investment Purpose shares	502	202	576
Yen-denominated bonds	8,227	▲126	8,537
Foreign bonds	2,351	▲218	2,496
Investment trusts	782	▲72	745
Multi-Asset	2,200	▲196	2,500
Total	14,062	▲410	14,854

Key Initiatives Business Revenues: Card-Leasing Consulting-



(Million of yen)

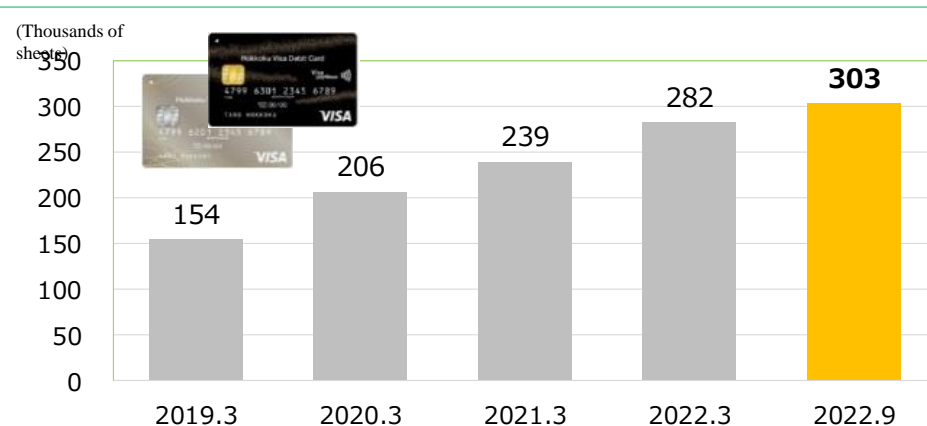
	2020.3	2021.3	2022.3	2022.9
Consulting	609	534	601	442
Leasing Business	1,252	1,362	1,246	610
Card Business [※]	1,392	1,478	1,229	675
Total	3,253	3,374	3,076	1,727

※In the card business from fiscal 2022.3 onward, the effect of the change in accounting standards was taken into account. Figures for fiscal 2022.3 were ¥373 million and ¥186 million for fiscal 2022.9.

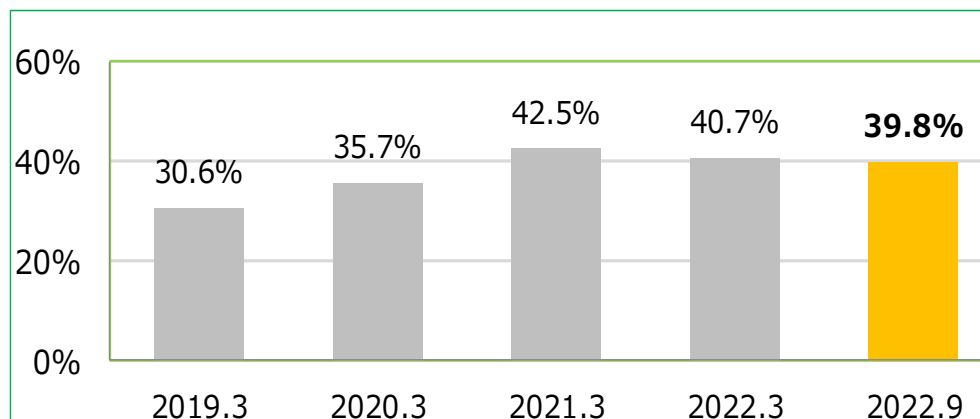
Card Business

- Since the Hokkoku Bank itself handles the card merchant business, micro businesses can also enjoy cost benefits,
The cashless environment in the region is steadily expanding.

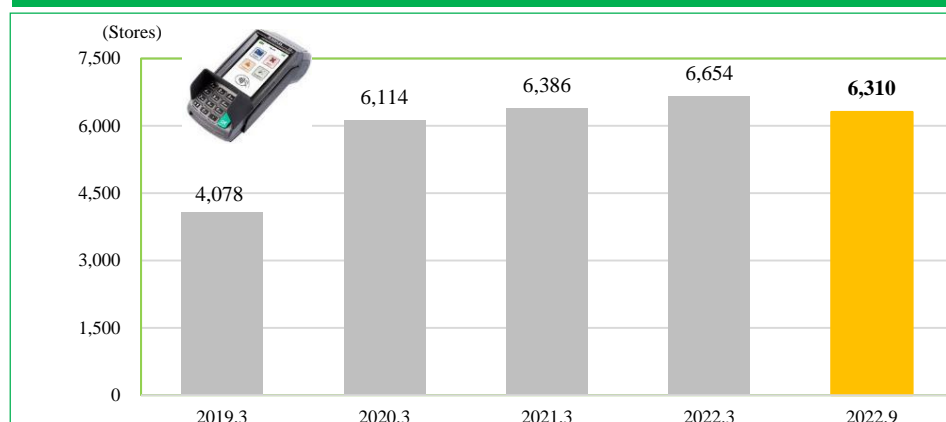
Number of debit cards issued (cumulative)



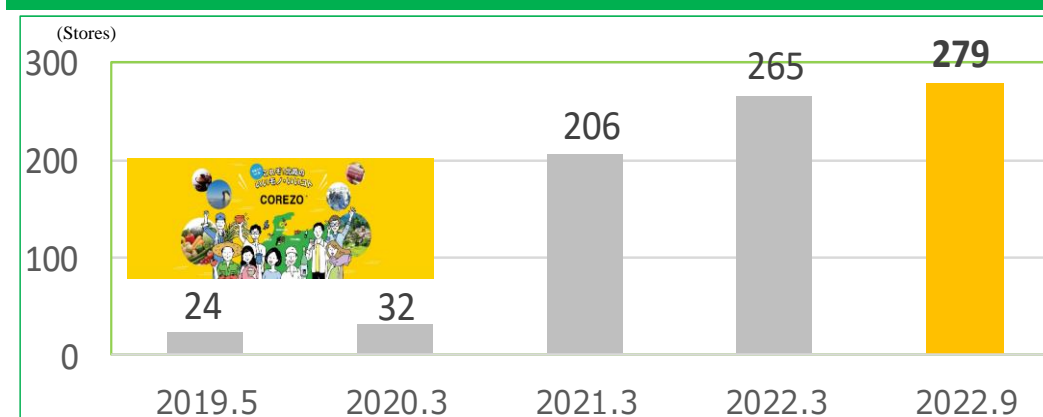
Debit card utilization rate



Number of Card Member Stores



EC mall openings (COREZO)



※2019.5.20 Open

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