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## Financing Based on an Understanding of Business Prospects

True resolution of issues that begins from understanding the customers.

**Haruhiko Kometani**

Managing Executive Officer,  
General Manager of Corporate Banking Department  
The Hokkoku Bank, Ltd.



### Resolution of issues based on an understanding of business prospects —Financing as one means of resolving issues—

The first step in corporate sales at Hokkoku Bank is to develop a deep understanding of customer businesses. In our Group, we call this the “understanding of business prospect” (generally known as “business prospect assessment”), and we continuously devote our efforts into this task, positioning it as the starting point of all activities.

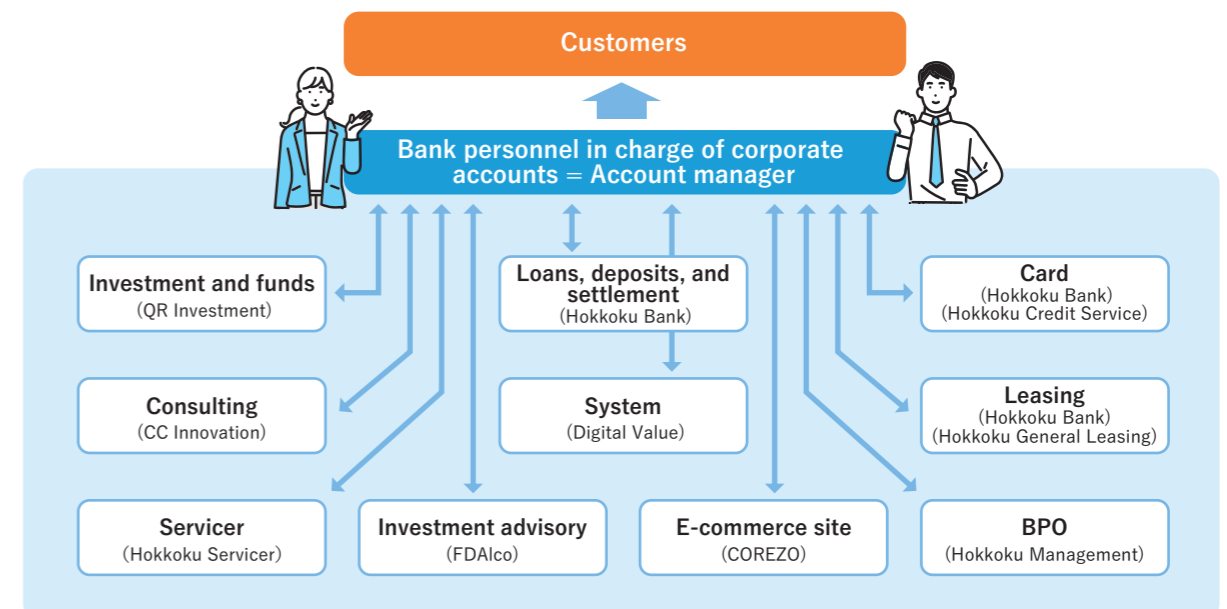
Why do we put so much effort into understanding business prospect? The answer is because it is impossible to uncover the true issues and needs of our customers without an understanding of their business conditions, as well as their organizational structure and other traits. Conducting sales without this understanding

is nothing more than mere “push style sales.” We believe that true sales can only be achieved through the proper understanding of customer businesses and organizational structure, and to this end, we work continuously to share a common notion with our customers regarding their issues and needs.

For this, we engage in daily activities to improve our relationships with customers. In fact, these activities are at the very root of our corporate sales.

As we engage in dialogues with our customers to “understand business prospects,” we gain information on their business models, supply chains, and business plans. Based on this information, we discuss their ideals for the future. If their issues involve financing, we help them find a solution by proposing a loan or a lease arrangement as a one-stop shop.

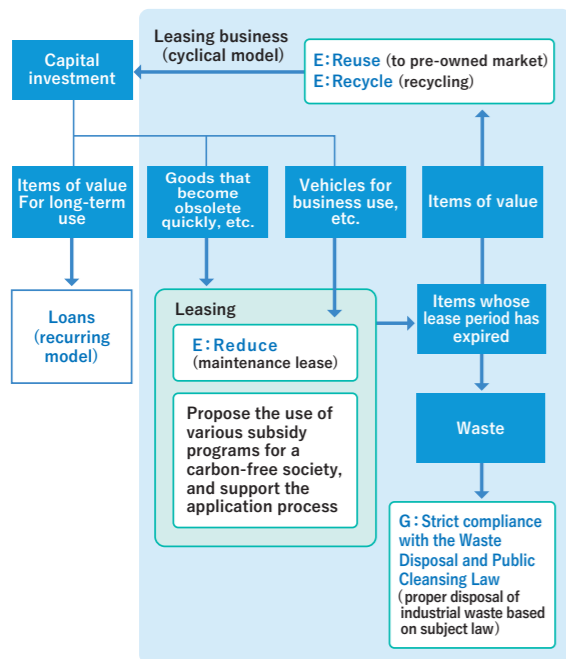
Generally speaking, many customers go to a bank for





loans and a leasing company for leases. In our Group, however, corporate account managers at Hokkoku Bank serve as the central contact point through which both loan and leasing proposals are made and all steps from application to contract-related paperwork can be handled. Recently, we have seen more cases of customers taking up leases due to concerns for the environment and risks associated with owning equipment. In this sense, leasing is gaining stronger presence as a viable means of financing. To address the uptick in leasing needs, we have stepped up internal collaborations by stationing employees of group company Hokkoku General Leasing at our sales branches and having them visit customers together with the account managers. In these ways, we hope to respond to our customers with greater speed and convenience.

**Schematic illustration of the 3Rs (reduce, reuse, recycle) initiatives through the leasing business**

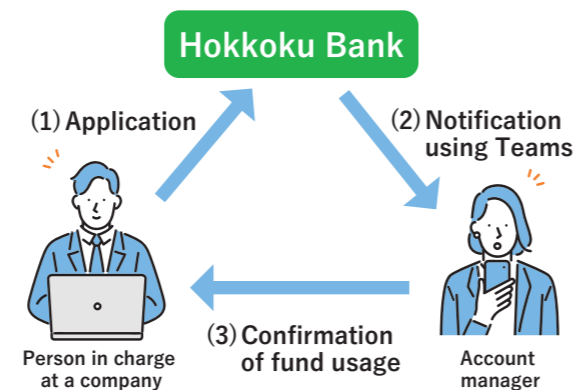


We consider financing as one means of resolving issues, and provide loans and leases to meet the funding needs of those customers experiencing capital-related problems. We never engage in sales activities that are not aligned with customers' needs, such as asking for business as a favor and conducting mere push style sales.

**Initiatives to improve productivity**  
—Achieving speed and efficiency by going digital—

To enhance convenience for our customers, we decided to incorporate Microsoft Teams into our overdraft service for daily cash management, launching a system that enables paperless application online.

To date, customers seeking to use the overdraft service had to fill out an application form, affix their seals, and hand-deliver the form to a bank counter or pass it on to a bank representative in charge.

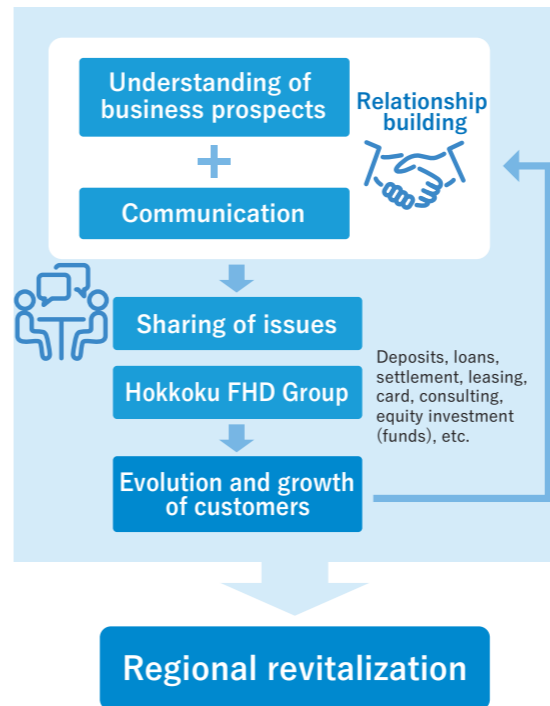


The launch of this system eliminated the physical paperwork for both customers and the Bank and minimized the burden of clerical tasks. In the spring of 2024, we will begin operation of our new corporate internet banking system to which we plan to introduce an overdraft function by around the summer. Customers will be able to manage the process from borrowing to repayment using our internet banking service, and we hope that this will further improve convenience and productivity.



**The understanding of business prospect and communication**

Communication between our team and our customers is indispensable to the effective sharing and resolution of customer issues based on the understanding of business prospect. We believe communication, or deepening our dialogue with customers, fosters relationships and leads to the true sharing and resolution of issues, which in turn contributes to the development and growth of our customers. By building up such cases, we hope to support the revitalization of our region as well. How does Hokkoku Bank's "understanding of business prospects" work specifically? As the first step, the account manager, including branch managers at our sales branches,



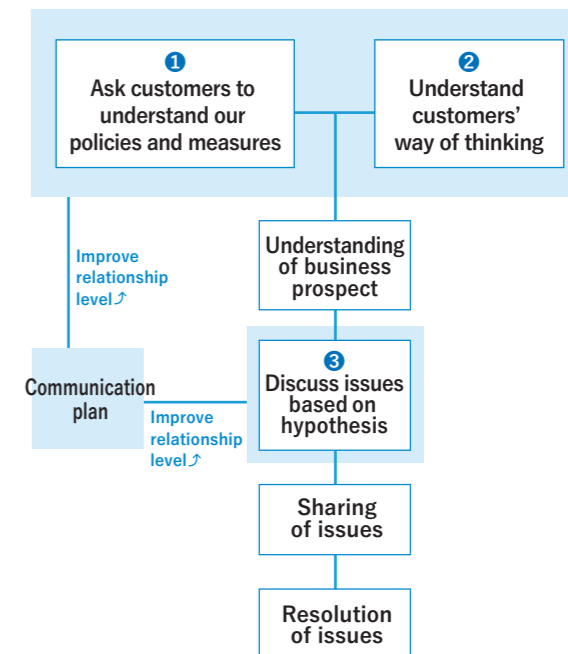
takes the lead in gathering customer information. These, for instance, include information on the business model, supply chain, business plan, management team, products and services, organization, and ESG and SDG initiatives.

Based on the gathered information, we conduct thorough internal discussions, and sound the customer out on any new perspectives and queries, deepening our dialogue along the way. By repeating this cycle, we hope to accelerate mutual understanding and sharing.

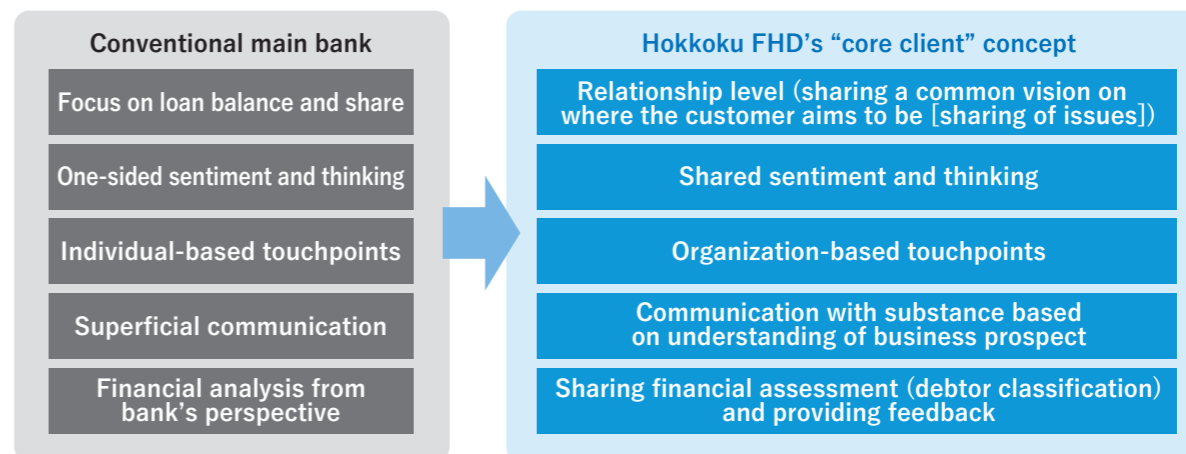
This leads us to the next step, which is to internally discuss our vision on how the customer ideally ought to be, identify the gaps between the vision and the reality, including hypotheses, and draft corresponding measures. Then, through dialogue with the customer, we share our insights and build a framework to work together in resolving the issues. The process allows us to hone our "understanding of business prospects."

In terms of communication, which is another important factor, we develop a communication plan depending on the actual level of relationship with the customer, and

work to improve the relationship. As the first step, we seek to improve the relationship level by asking the customer to understand our policies and measures, while also working to understand the customer's way of thinking. Then, based on the relationship developed, we deepen our understanding of customer's business prospect, and engage in a hypothesis-based discussion with the customer, which involves the discussion of customer's management issues as perceived by us. We believe that this allows us to help



enhance the customer's corporate value and improve our relationship level at the same time. We introduced a new "core client" concept (see diagram below), redefining the traditional concept of "main bank," to highlight our intent to prioritize relationship levels with our customers, delving into the existing gap with reality through hypothesis-based discussions, among other means. We believe the amount and quality of communication, along with the counterparty (who communicates with whom) will be key in increasing the "core clients" whom we value.

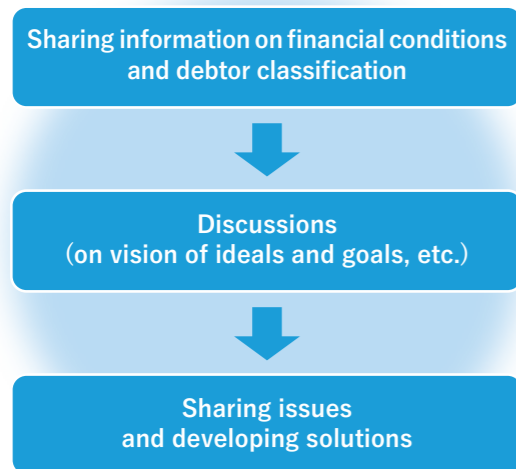


## Sharing of financials

In addition to our initiatives to understand customers' business prospect, we also began what we call the "sharing of financials" from 2022. This involves the sharing of information on financial conditions and debtor classification (see note below) with our customers, based on which discussions on ideals and goals are conducted.

We have been sharing information on financial conditions from before, but rarely did we consider explaining to our customers their debtor classification. This caused a disconnect in perception between us and the customers with regard to the situation at hand, hindering our discussions on the future in some cases. This conversation could be at times uncomfortable for some customers, but unless both parties share an accurate understanding of the state at hand, any in-depth analysis and implementation of measures are meaningless. At Hokkoku FHD, we believe true relationship-building is only attainable through an open and honest dialogue between both parties.

**Debtor classification** : Customer classification into the categories of "normal," "requiring attention," "at risk of bankruptcy," etc. following assessment of their repayment ability based on financial conditions, cash flow, profitability, and other factors



## Actions toward appropriate credit risks

We believe that devoting our efforts to the understanding of business prospect, communication, and sharing of financials can also substantially contribute to the reduction of our credit risks.

To date, we have moved ahead of other banks in promoting loans that do not rely heavily on collaterals and guarantees, and our dependence on personal guarantees by business owners has been among the lowest nationwide. In November 2022, we discontinued business owners' personal guarantee obligations for direct loans newly extended to corporate customers. We are working toward lending that is not reliant on collaterals and guarantees.

### Status of initiatives on business owners' personal guarantee guideline (October 2022 to end-March 2023)

Item	Number of transactions
New loan transactions	6,708
New loans provided without a guarantee (ratio)	5,823 (86.81%)

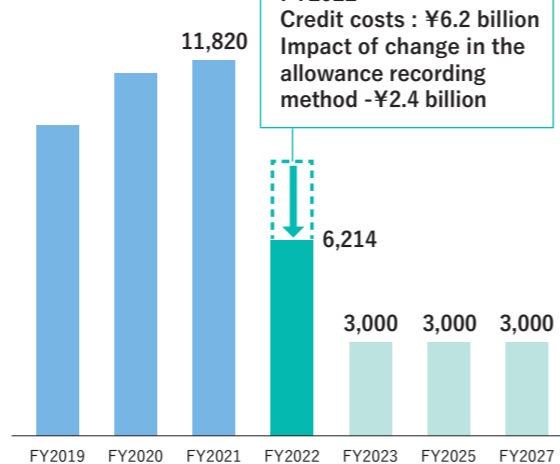
● Status details on initiatives regarding business owners' personal guarantee guidelines are available on our website (Japanese only)



(<https://www.hokkokuibank.co.jp/company/fsm/>).

For customers requiring our early involvement due to their weak business performance, we have established a structure that allows us to share their true issues based on a deeper understanding of business prospect, and to work side by side toward resolution of such issues. Specifically, we increased the number of general managers in corporate banking from three to five so that both branch managers and these general managers can visit customers on a regular basis. The Corporate Banking Department is working as one to build relationships, share issues, and deepen dialogue with our customers. Through these efforts, we hope to reduce our credit costs to about ¥3.0 billion.

### Credit costs (¥ mn)

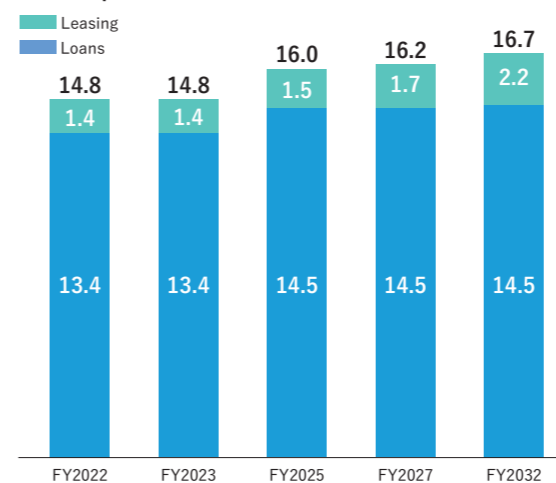


## Earnings plan

We formulated an income plan for our loans and leasing businesses at the time we updated the medium- to long-term business strategy.

The business model of expanding loan market share, common in past eras when funding demand was robust, will no longer be sustainable. Accordingly, we will continuously work toward improving customers' convenience by, for instance, using the power of digital technology, with the hope of becoming a company of choice for our customers. We also believe that steadily expanding the number of "core clients" will lead to income growth, and for this, we will step up activities focused on dialogue, both in quality and quantity, more than ever before.

### Income plan (¥ bn)



Eight years have passed since we did away with sales quotas. Nonetheless, we have been able to secure stable income because we devoted our efforts to the resolution of issues based on a customer-centric approach. We believe that continuing and deepening these efforts that start with the understanding of business prospect is the only way to our progress.

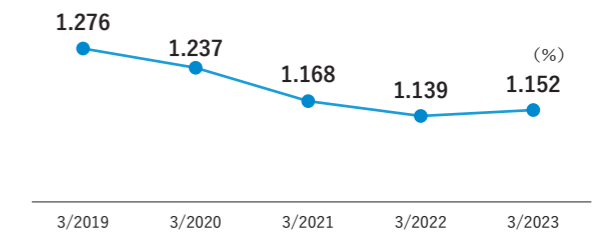
We switched our focus from volume to profitability (volume to quality), and duly shifted to loans primarily targeting small and medium-sized enterprises (SMEs) in the three prefectures of the Hokuriku region. Low-spread lending, mostly in urban areas, has decreased as did our loans outstanding as we became more conscious of profitability. However, the lending ratio to SMEs has been on the rise every year, reaching 77.5% as of the end of March 2023. We have been able to sufficiently meet the funding needs of the region, even during the spread of COVID-19.

Also, the loan yield has bottomed out and turned upward as a result of our cost-conscious efforts.

### Average interest rate of newly executed loans (by type) (%)

	FY2019	FY2020	FY2021	FY2022
Business loans	1.127	0.899	0.894	1.174

### Yield on business loans



## Moving forward

To address the increasingly complex issues and specialized needs of our customers, in March 2023, we introduced industry-based sales in select regions, on a trial basis. We aim to provide added value collectively as a Group and with a sense of speed, by generating synergies through collaboration with CC Innovation—our Group's consulting arm.

Additional time generated from productivity improvements should be devoted to dialogue with our customers. This has been our belief, which has been put to practice from before. Moving forward, we will continue to create time for dialogue by pursuing productivity, and will work together with our customers to resolve more issues. We hope to improve the corporate value of our customers and ourselves more than ever, and thereby contribute to the development of local community.



# 2

## Consulting and Advisory



We will contribute to the innovation of our customers, the local community, and society by deepening collaboration and customer communication.

**Takayasu Tada**

President and Representative Director  
The CC Innovation, Ltd.



### Consulting for corporate customers

#### Introduction

Hokkoku Bank has historically supported customers' business growth by meeting their funding needs through loans, among other services.

However, amid low growth and unpredictability of the Japanese economy, companies are now finding it difficult to even maintain their existing business models, and dramatic changes are under way in the environment surrounding companies and local economies. In line with this trend, customer needs have transcended the traditional demand for funding, becoming more diverse. For instance, a company may need to enhance its operational efficiency and use ICT to raise productivity, or pursue

overseas development and M&A to expand its business. It may want to build a new personnel system and develop human resources to bolster organizational strength. In such ways, the types of support our customers seek from financial institutions have changed substantially.

Against this backdrop, in 2015, Hokkoku Bank launched a consulting business to resolve customers' issues, leveraging the expertise it gained through years of internal reforms. In April 2017, the Bank established the Consulting Department with a mission to develop the local community through the resolution of customer issues. It widened the scope of consulting work and increased staffing of specialists. With the expansion of the scope of operations, a system that made it possible to address all manner of customer issues was put in place.

In 2020, Hokkoku Bank began offering consulting services at each of the sales branches. By increasing



#### Resolving issues through collaboration with external partners

**2010**  
Began efforts to resolve issues by referring customers to external partners

**2013**  
Launched a proprietary advisory business in the M&A field

#### Resolving issues through tailor-made services leveraging our knowledge

**2015**  
Began providing paid consulting services in the areas of business succession, ICT use, and human resources

**2016**  
Expanded coverage to include consultation on overseas business

**2017**  
Established a department dedicated to consulting, and expanded operations. Expanded coverage to include consultation for improving business management

**2020**  
Staff in charge at the sales bases began providing consulting services

#### Expanding our network across Japan and overseas using our accumulated expertise

**2021**  
Established CC Innovation and began approaching new customer base  
Established local subsidiaries in Thailand and Vietnam

**2022**  
Established a local subsidiary in Singapore, expanding our reach to the entire Southeast Asia region  
Began consulting services for financial institutions

**2023**  
Established a local subsidiary in Shenzhen, China

touchpoints with more customers, it laid the groundwork for a system enabling consultation with all types of customers. While the scope of operations as the corporate consulting arm of Hokkoku Bank expanded steadily, there were also rising sentiments among the staff. We wanted to respond to rapidly changing customer needs with promptness and accuracy. We also wanted to expand our sales areas beyond the three Hokuriku prefectures and be of service to more customers. Accordingly, in pursuit of further growth, we established The CC Innovation, Ltd. as a consulting company of Hokkoku Financial Holdings in June 2021.

Currently, corporate account managers at Hokkoku Bank serve as the contact point representing Hokkoku FHD. These managers carefully identify the obvious and latent needs of the customers, and gain a shared understanding of their management issues. Since these managers can offer solutions on behalf of CC Innovation and other group companies, this framework allows us, as Hokkoku FHD Group, to work alongside our customers and support them from a medium- to long-term perspective.

### Vision and traits of CC Innovation

CC Innovation's consulting work is still based on the expertise Hokkoku Bank has gained through its long history of internal reforms and the trial and error experienced in the process. In addition, we consistently incorporate the latest knowledge by actively training our consultants, and seek to provide hands-on support that prioritizes dialogue with our customers.

#### Vision

1. We consistently incorporate the latest knowledge to help our customers resolve all manner of issues.
2. We support the growth of all types of customers, from small businesses to major corporations.
3. We support the accomplishment of customer vision by working side by side.

#### Traits

##### ● Supporting all types of customers

To support customers of all business sizes, from startups to large corporations, we provide consulting services with a team of about 100 people. In the future, we look to increase this number to 200.

We believe that individual customer's growth drives the development of local communities and the society at large, so we do not limit the scope of our customers by business size or their locations. We have also extended our reach abroad where we have multiple bases, and can provide seamless support in Japan and overseas.

We are able to approach all types of customers because some 300 corporate account managers at the Hokkoku

Bank's sales bases communicate deeply with the customers based on the understanding of business prospect.

Without ongoing discussions, we cannot share an understanding of customers' issues. This is true certainly for issues already in customers' minds (obvious issues), but more so for issues concerning future growth or for essential issues the customers are not yet even aware of (latent issues).

By having the Bank's account managers and CC Innovation's consultants jointly engage in dialogue with the customers, we can provide consulting that focuses on the most effective initiatives toward corporate growth and improved management. We believe this will ultimately enhance our effectiveness, raise customer satisfaction, and lead to repeat consulting assignments.



##### ● Helping resolve all manner of issues

Customers face a wide range of issues and they often carry multiple issues simultaneously. For this reason, CC Innovation offers an extensive consulting service menu and is ready to provide comprehensive support to help its customers resolve their issues.

Relying on standardized consulting alone does not always lead to effective resolution of issues even with the introduction of systems and tools. This is because some customers are reluctant to change their long-standing workflows and work methods. For this reason, we do not offer a standardized and packaged menu. Instead, we provide fully tailor-made or semi-custom consulting services catering to customers' internal policies, organizational culture, and employee skill levels, which vary from company to company.

We provide support underpinned by thorough dialogue and communication so that our consulting services can be of value to our customers.

##### ● Working alongside our customers to provide long-term support

Rather than merely offering our knowledge, we provide thorough and long-term support until our customers experience the benefits of our consulting work through the changes and growth seen at their companies. Just making proposals in response to inquiries is not enough. For us, it is most important to assist our customers responsibly through the execution phase.

We discuss and share with our customers their vision (goals for their companies) for the short term as well as

five to 10 years into the future, as this process clarifies what needs to be done and in what order. We believe that this is the first step toward the realization of customer vision.

##### Scope of support

Business strategy	Business succession planning, restructuring
ICT	BPR, introduction of groupware, system renewal
Human resources	Development of personnel system, training
Management strategy	Formulation of business plan, plan execution
Overseas business	Establishment of local subsidiary, cultivation of overseas sales channels
Other	Support on subsidy application, etc.
M&A advisory	Intermediation, sell-side and buy-side financial advisory

##### ● Providing paid services to clarify where the responsibility lies

We have consistently charged fees to our customers since the time we provided consulting services through Hokkoku Bank. When we first started the business, we received comments such as "bank employees are not fit to provide consulting work" and "why is there a fee when the service is being provided by a bank?" However, we had a theory that as long as we engaged in each consultation with sincerity, maintained high quality, and continued to provide value to our customers, we would eventually gain people's understanding.

For fees, we combine various fee systems to recommend terms that best suit the customer. These include, for instance, fee calculation based on the formula "hourly rate × number of hours," a success fee-based arrangement, a subscription fee-based arrangement, and a value-based system.

We believe our customers came to accept using paid consulting services because we offered flexible and multiple fee options.

In fact, from our signed customers, we have received comments like "paid services are better since they clarify where the responsibility lies and create a healthy sense of focus." We overcame various hurdles in providing paid consulting services as a bank. CC Innovation inherited this foundation and is now working closely with its customers as a specialist consulting company.

##### ● Realizing vision based on the understanding of business prospect

In working alongside our customers, we place the utmost importance on dialogue. The relationship of trust built between Hokkoku Bank and its customers is based on many years of communication. We engage in

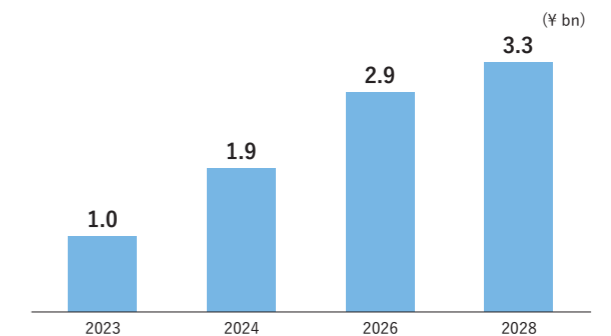
high-quality dialogue and deepen our understanding of customers to tackle their essential issues and provide appropriate proposals. Repeated discussions enable us to make proposals on the true issues that customers are not even aware of, and we can be highly effective. Because the effects can be quite visible, customers' satisfaction levels also rise, making us better positioned to provide consulting work on multiple issues on an ongoing basis.

In working alongside our customers on a long-term basis, we witness changes in customers' social environment and management challenges on a daily basis. Therefore, the services we provide must also continue to evolve. We aim for our employees in charge of customers to be always attuned to the latest knowledge, so that they can make optimal proposals. As a company, we consistently provide in-house training opportunities and hold study sessions inviting outside lecturers to raise our employees' skills as consultants.

#### KPIs

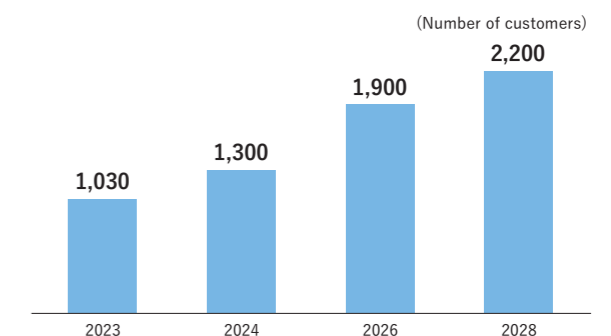
##### ● Consulting income

We understand that our consulting income in part reflects the value we provide to our customers and the local community. In other words, we think that providing higher quality value to our customers and the local community, and supporting companies will lead to a better society as well as our income growth.



##### ● Customers with contracts (cumulative)

The rising number of corporate customers to which we have provided consulting and support reflects our contribution to overall regional growth and the extent of our penetration. We will continue to approach and support a wide range of companies and contribute to further development of the regional economy.



Note: Excludes M&A advisory and business matching

## Provision of diverse service menu utilizing proprietary framework

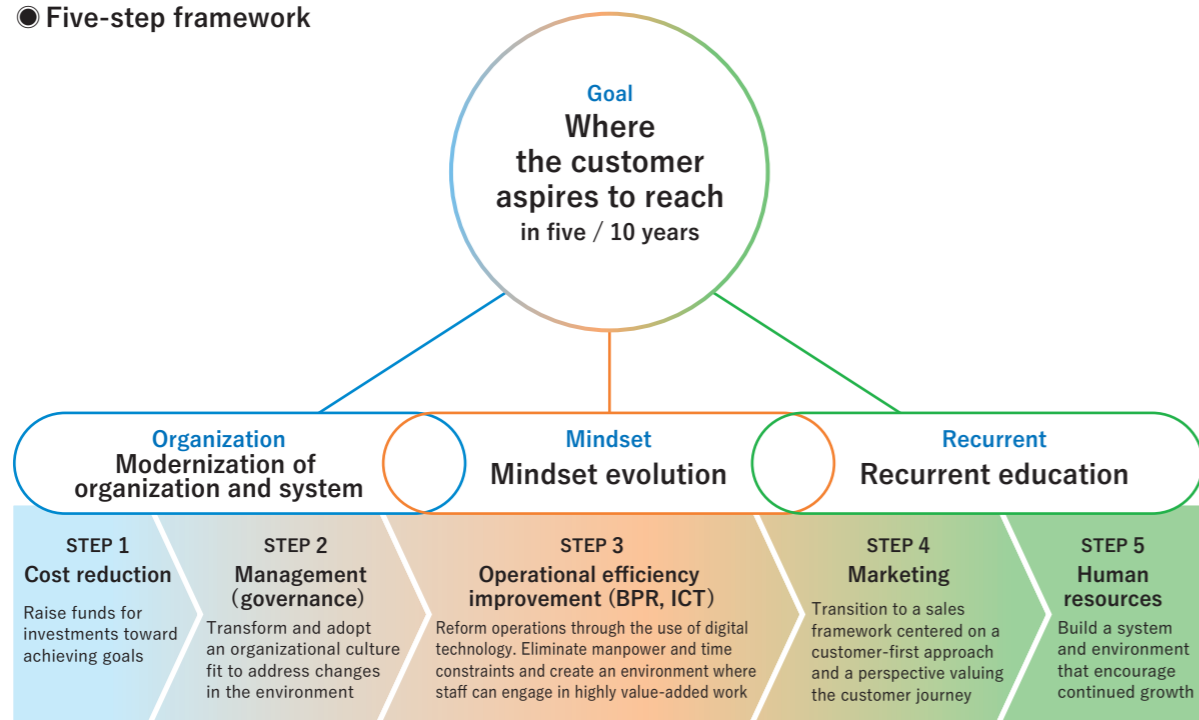
The consulting services we offer are tailor-made for each customer. Therefore, before providing the services, we establish with our customers a common notion on their current state and the state they aspire to reach (goals) in five and 10 years' time.

At times, it takes more than just partial measures for a company to achieve its goals. When company-wide reforms are called for, we support the process based on our five-step framework.

These five steps are the very steps Hokkoku FHD Group followed when implementing company-wide reforms.

We will continue to utilize our own unique mechanisms and offer a diverse consulting menu tailored to each customer's individual situation.

### ● Five-step framework



### ● Main service offerings

<p><b>Management strategy formulation</b></p> <p>Track record: <b>735</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Formulate management philosophy, business plan</li> <li>Build cost management system</li> <li>Support plan execution</li> </ul>	<p><b>Operational efficiency improvement / ICT utilization</b></p> <p>Track record: <b>381</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Optimize operational processes</li> <li>Improve efficiency of various operations</li> <li>Introduce various systems, support utilization</li> </ul>	<p><b>Human resource development / human capital</b></p> <p>Track record: <b>432</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Design personnel evaluation system, wage system</li> <li>Provide training sessions based on job level, foster candidates for executive positions</li> <li>Introduce diverse talent</li> </ul>
<p><b>Business succession / capital strategy / M&amp;A</b></p> <p>Track record: <b>194</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Formulate business succession plan</li> <li>Support organizational restructuring</li> <li>M&amp;A intermediation, financial advisory</li> </ul>	<p><b>Overseas business</b></p> <p>Track record: <b>93</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Cultivate overseas sales channels</li> <li>Establish overseas bases</li> <li>Resolve various issues faced by local subsidiaries</li> </ul>	<p><b>Other</b></p> <p>Track record: <b>76</b> cases (cumulative)</p> <ul style="list-style-type: none"> <li>Support ESG and SDG initiatives</li> <li>Management advisory</li> <li>Consulting services for financial institutions</li> </ul>

## Establishment of robust overseas network enabling seamless support in Japan and overseas

The Hokkoku FHD Group has built its own network in Southeast Asia and China, and uses this network effectively to achieve its vision, which is to "meet every need of every customer." Through collaboration between our domestic and overseas bases, we seek to further enhance our consulting functions and strengthen our efforts to resolve customers' issues.

Much like the setup at our domestic bases, the overseas network enables us to address various customer needs, including those to improve the organizational capabilities of overseas subsidiaries, cultivate sales channels and suppliers for overseas expansion, and conduct M&A transactions overseas.

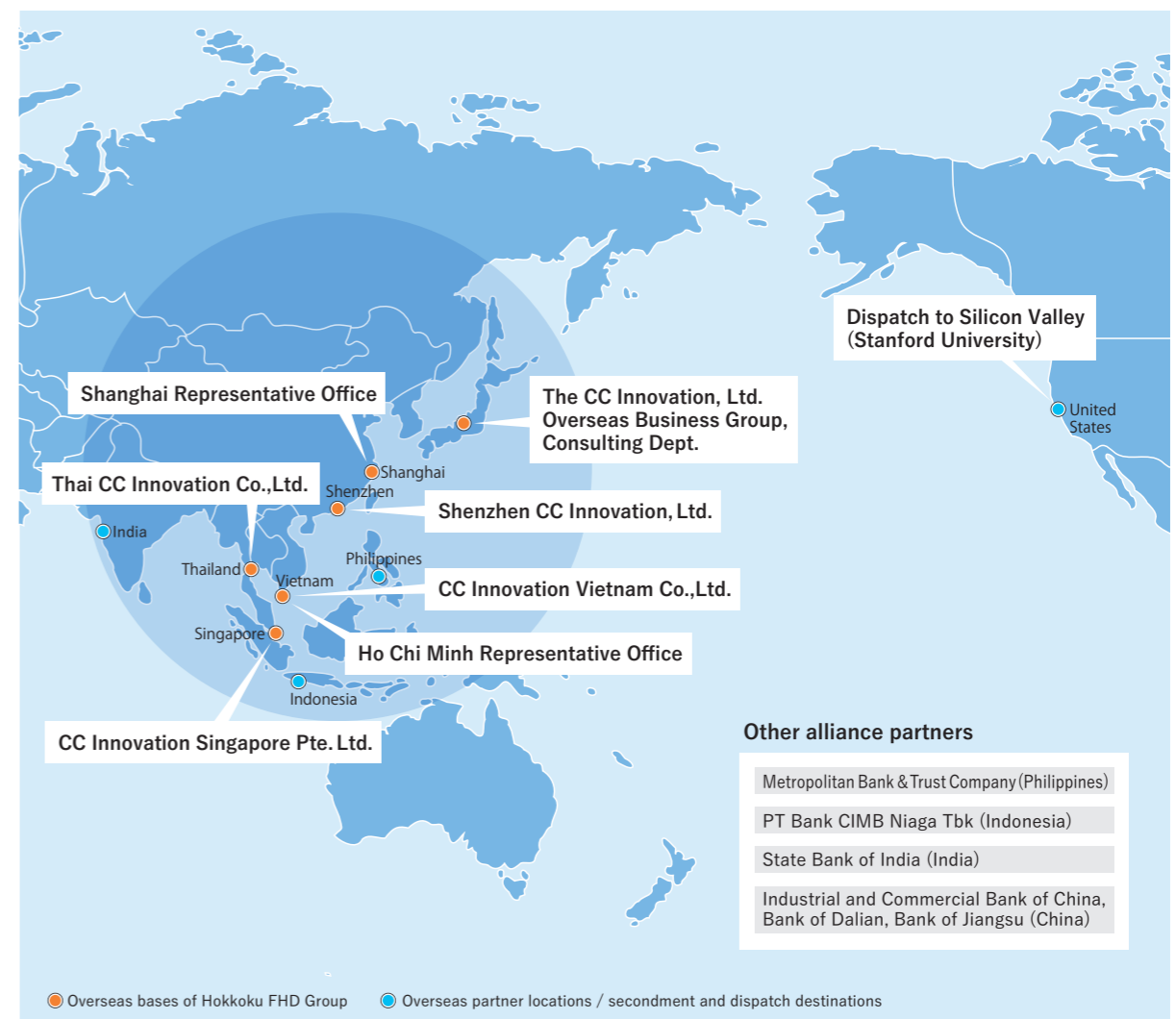
In 2021, we established bases in Thailand (Thai CC Innovation Co., Ltd.) and Vietnam (CC Innovation Vietnam Co., Ltd.). In 2022, the Singapore Branch of Hokkoku Bank was converted into a local subsidiary. In June 2023, we further expanded our consulting

functions by opening a new base in Shenzhen, China (Shenzhen CC Innovation, Ltd.). Additionally, Hokkoku Bank's representative offices in Shanghai and Ho Chi Minh City and the Overseas Business Group in Japan work closely together to step up services and support customers' business expansion abroad, especially in Southeast Asia and China.



Thai CC Innovation's local staff member providing consultation

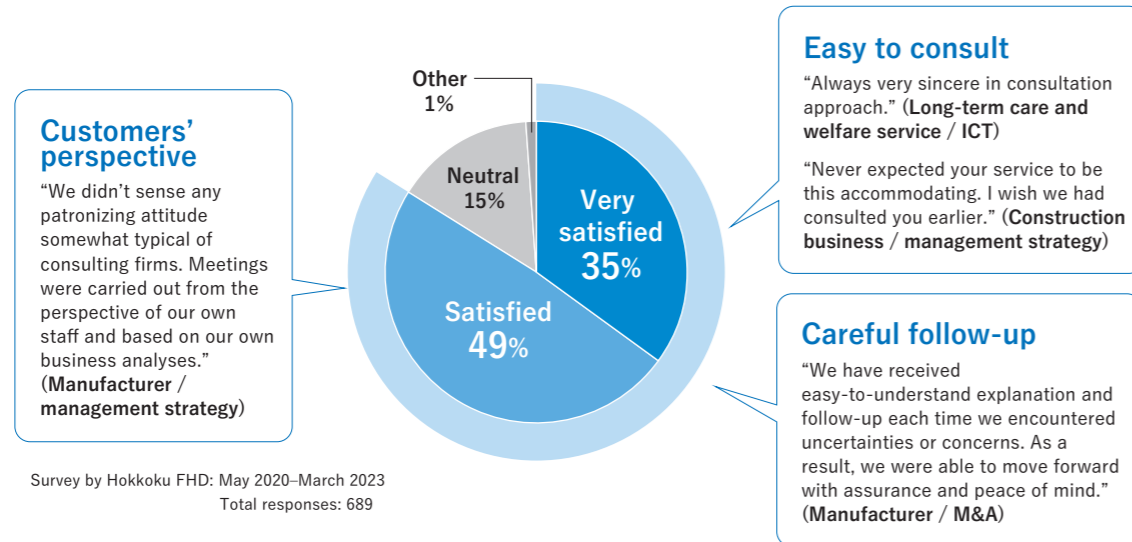
### ● Overseas network of Hokkoku Financial Holdings



## High customer ratings

### “Never expected your service to be this accommodating.”

We have received various positive feedback from our customers. In a survey conducted from May 2020 to March 2023 with 689 customers, 84% responded that they were “satisfied” with our consulting services.



## Customer review

### Strengthened organizational capabilities through detailed personnel development initiatives based on job levels

**Mr. Manabu Ueda** President and Representative Director  
Yonezawa Electrical Engineering Co., Ltd.

#### The background leading up to consultation

We had worked on personnel development in the past, but could not see any results since there was a disconnect between the training content and our daily operations. In my opinion, the reason for this was that we had not set any training objectives and goals. Participation in training became the objective in and of itself and the training did not contribute to participants' growth.

Hokkoku Bank's sales representative, with whom we do business on a regular basis, introduced us to the consulting services of CC Innovation. We felt that since CC Innovation understood our business well, it may be able to propose a resource development plan that would suit our needs. So, we decided to seek their input.

#### Impressions and changes after receiving consultation

We were not offered a cookie-cutter-style training menu. Although CC Innovation knew our business from before, it took the time to interview us first to understand our current issues, and then provided a training proposal based on the findings. Thanks to this, we have been able to implement additional measures, such as setting pre- and post-training objectives, that would help these sessions gain traction. The feedback from participants has been positive, and we are seeing changes in our organization.

The issues we face vary depending on job levels, so we have also received a proposal for highly effective options other than training, such as workshops, to address job-level-specific issues. CC Innovation can also accommodate matters in the peripherals of human resource development, including HR system modification and response to harassment. In this respect, it is a very reliable advisor for us.

For our staff in the Human Resource Development Division as well, conducting training alongside CC Innovation's consultants has allowed them to better convey our company's thoughts and ideas to the training participants. I believe the effects well exceed what we normally expect from simple participation in training.

Moving forward, we want to respond to labor shortage and reduce overtime by improving our ability to effectively manage frontline operations. We will continue to welcome proposals that are in line with our current situation.



## Future vision —Toward expansion of business domains—

### Consulting services for municipalities and extended reach to entire industries

Moving forward, we find it important to support growth of the entire region, rather than limiting ourselves to the resolution of issues faced by individual companies. As a specific initiative, we are thinking of offering consulting services to municipalities. There are also issues that cannot be solved by a single company, such as bottlenecks in industry supply chains. We hope to step up our efforts in this area through wide-reaching consulting work, leveraging our unique perspective honed through relationships with many business partners.

We will also provide tailor-made support addressing individual needs, regardless of the customer's business size or industry. This is so that companies indispensable for regional development can improve their productivity and provide better services to the local community.

### Cultivating urban customers through collaboration with financial institutions, and consulting services for financial institutions

Shinkin banks and some other financial institutions are likely to face difficulty developing their own consulting business as there are hurdles in securing staff and acquiring expertise. We plan to collaborate with these entities and thereby cultivate customers in urban areas where we have limited access.

Through consulting, we hope to offer our Group's accumulated expertise to those financial institutions that share our goals and values. We think that, in this way, we can support the revitalization of regions where our Group does not have a presence, and contribute to the betterment of local communities extensively.

We are committed to securing income through all our efforts in achieving a better society and providing value to other financial institutions.

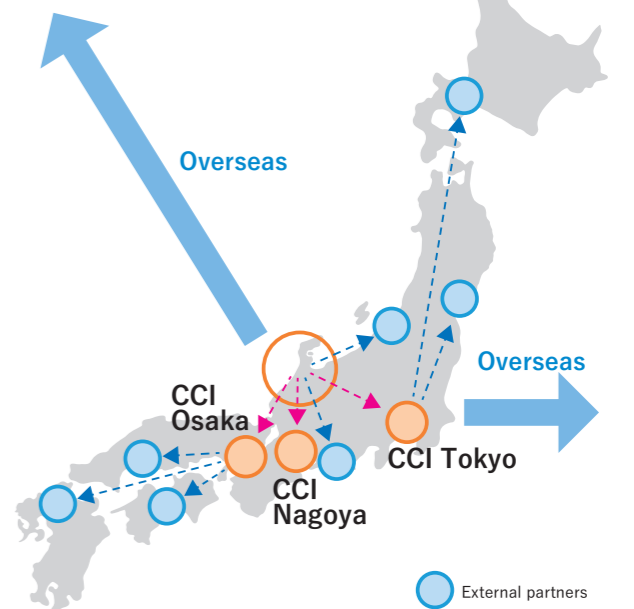


## Widening the customer base through collaboration with external partners nationwide

We plan to expand our collaboration with financial institutions, consulting firms, licensed professionals, and other external partners across Japan, particularly in urban areas, with whom we share common values.

To create opportunities to approach customers outside the three Hokuriku prefectures and capture a new customer base, we will collaborate with our partners and make full use of each other's strengths to provide high value to customers on both sides.

### Future image of CCI's network expansion



## Contributing to the enrichment and betterment of lifestyles through our customer-driven initiatives.

### Yutaka Imai

Executive Officer, General Manager of Life Planning Department,  
The Hokkoku Bank, Ltd.  
President and Representative Director,  
The FDIco, Ltd.



## Consulting for individual customers

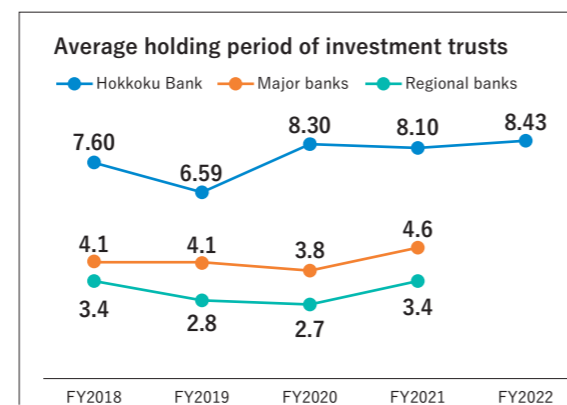
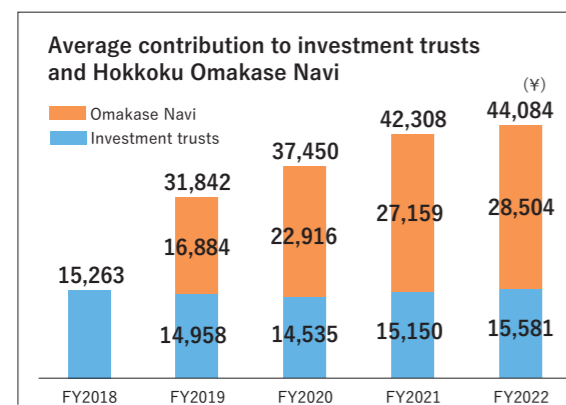
### Aiming for transformation to a customer-centric asset management business

Since 1998, when banks were first permitted to sell investment trusts over the counter, Hokkoku Bank has been selling these financial instruments as part of its asset management operations for customers. In the early days, the interest rates on deposits were declining, so even customers without any experience in investment trusts did not hesitate to buy the products, especially those that offered monthly distribution. Meanwhile, back then, the performances of the bank's sales branches and salespeople were evaluated based on the sales and income amounts they brought in. While we were supposed to propose the right product for the right budget to help our customers reach their dreams and goals, we had our doubts that in some cases, investment trust sales were overly focused on sales amounts and commissions. We had to question whether

we were truly prioritizing our customers' interest over the bank's interest.

As such, since 2013, we have been reassessing our business structure from various angles to transform our asset management business into a customer-centric one.

For our product lineup, we have progressively switched to products suitable for long-term asset building such as those with a diversified portfolio and those that call for regular contributions. In 2014, we also began handling no-load investment trusts for which we do not charge handling fees at the time of purchase. In 2015, we changed the evaluation system of our branches and employees considerably. The quota system was discontinued, being replaced by a system in which performance was evaluated based on criteria such as whether or not a proposal was in line with the customer's life plan. In 2019, we started offering Hokkoku Omakase Navi, a fully automated asset management service that allows even beginners in asset management to start investments easily. Although the makings of a prosperous life vary from customer to customer, we are committed to helping our customers build their assets and achieve their dreams and goals. To this end, we focus on asset management proposals centered on long-term, regular, and diversified investments that are



\* Based on an analysis of quantitative data on distributors of investment trusts, etc., prepared by the Financial Services Agency

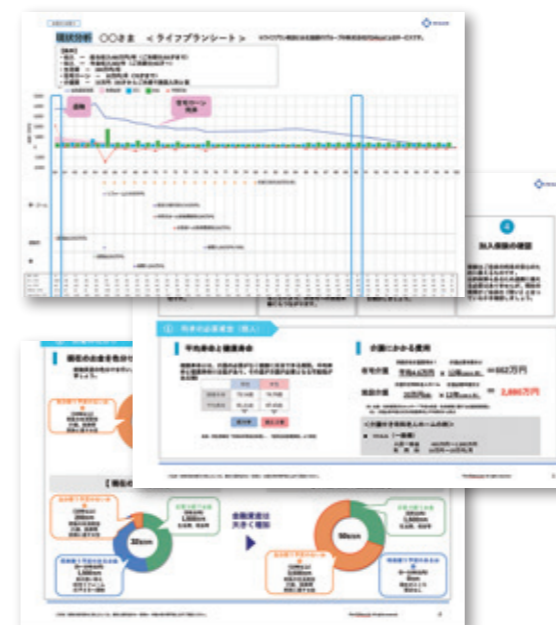
not easily swayed by market trends. As a result of these efforts, the average contribution and holding period for investment trusts and Hokkoku Omakase Navi are trending steadily. We will continue to support our customers in their asset building by focusing on long-term, regular, and diversified investments.

In 2018, we launched a trust business at Hokkoku Bank to provide customer-oriented services for both asset building and asset succession to the next generation. We also provide consulting services where we support our customers through their life stages. Specifically, we seek to gain a firm grasp of our customers' life plans and issues at hand, present this information in a visual context for better understanding, and offer support in preparing wills and developing inheritance measures.

### Established FD Advisory, further deepening our customer-centric approach

Customers' values have diversified, and it is no exaggeration to say there are as many life plans and solutions toward dreams and goals, as there are customers. To meet the diverse needs of the customers, we found it necessary to develop a business model, which allowed us to provide comprehensive advice from a neutral standpoint, rather than just offering the products and services of Hokkoku Bank. Accordingly, we established The FD Advisory, Ltd. in 2021. (In 2023, FD Advisory changed its name to The FDIco, Ltd. following an absorption-type merger with ALCOLAB, Ltd.) The business model of FD Advisory is unique in that this company itself does not sell financial instruments. Instead, it specializes in providing advice for which it receives fees from the customers. Since there is no need for FD Advisory to sell products, it can pick a

#### Life plan analysis (briefing material)



We use in-house developed tools to create a visual outline of each customer's life plan and to propose solutions.

financial instrument most suitable for the customer out of all products available in the market and recommend it as a means to resolve issues. There is no risk of a conflict of interest between FD Advisory and its customers.

As another feature, FD Advisory focuses on holistic and optimal advice on asset management, asset succession, and business succession based on life planning. Depending on customer needs, we can provide advice on solutions for entire families, rather than for just one person. We also follow up on our advice by offering lifelong support services. In addition, we seek to provide higher value-added advice, fully utilizing the expertise of our staff with previous work experience in the securities investment department of Hokkoku Bank.

Paying fees for advice is uncharted waters for individual customers, even more so than for corporate customers. However, from a survey targeting those who have received our services, we were pleased to see a growing number of customers appreciating our approach of personalizing the advice based on individual life plans, and not being overly eager to sell financial products. We also started receiving requests from company owners to provide life planning consultation services as part of their employee benefit programs. Moving forward, we will continue to step up our customer-driven efforts and contribute to the enrichment and betterment of our customers' lifestyles.



Hosted the Second Life Plan Seminar inviting CEO Satoshi Nojiri of FinWell Research LLC to lecture on life planning after retirement (May 2023)

#### KPI results (as of end-March 2023)

##### Asset building-related

- Investment trusts, Omakase Navi  
Number of accounts **43,435**
- Investment trusts, Omakase Navi, 401k  
Total contributions **¥583 million**
- Investment trusts, Omakase Navi, 401k  
Balance **¥98.6 billion**

##### Inheritance-related

- Testamentary trust **46 cases**
- Estate settlement **23 cases**
- Inheritance seminars, individual consultation sessions **57 times**

##### Individual consultation-related (FDIco)

- Consultation on life planning **17 cases**
- FP course, WM course **20 cases**



# Our strategy for regional financial institutions

## Investment advisory to regional financial institutions

On June 1, 2023, The FDIAlco, Ltd. began business operations following the merger between Hokkoku Bank's investment advisory company FD Advisory and ALCOLAB, Ltd., which had been providing investment advisory to regional financial institutions. FDIAlco will be providing investment advisory to individuals, general corporations, and regional financial institutions across Japan that share our values.

For many regional financial institutions, market operations have become an important component of their business. Many of these institutions are now bolstering their market division and fostering specialist talent as part of their priority measures. Strengthening the market division is not a task that can be completed in the market division alone. Decisions on expected returns, risk tolerance, and asset allocation are management issues for regional financial institutions. Furthermore, structural improvements such as increasing the staff count and boosting administrative efficiency must be implemented at the same time.

The operations of FDIAlco will not be limited to investment advisory. It will provide solutions centered on management issues, working closely with CC Innovation and other group companies of Hokkoku FHD.



## Development of advisors

Through our investment advisory to regional financial institutions and our own investment operations at Hokkoku FHD, we have accumulated knowledge and expertise, which we plan to apply to our customers' asset building.

We also intend to further polish our specialist skills to better meet the needs of our customers by developing a program to foster advisors capable of leading our investment advisory business into the future.



**Japan will transform into an "asset management-oriented nation." FD aims to become an investment advisory firm befitting of this change.**

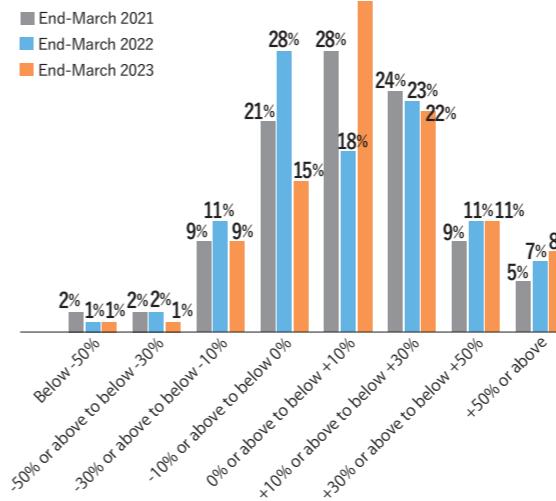
**Akemi Tanaka** Chairperson and Representative Director The FDIAlco, Ltd.

For a long time, banks have been the front runners of Japan's financial industry. Structurally, funding demand for forward-looking investments has not grown in the industry, and surplus capital continues to build up in companies, households, and financial institutions. Japan is now entering a stage where it aims to prosper by utilizing the accumulated financial assets, and the financial service driving this significant trend is investment advisory. The Japanese government will expand the scope of preferential tax treatment for investments, positioning its plan to double the country's asset-based income as a priority policy. Financial authorities have also submitted to the National Diet amendments to the Financial Instruments and Exchange Act, calling for financial business operators to reshape their operations focusing on their roles as fiduciaries. In such ways, efforts are under way to lay the groundwork for transforming Japan into an "asset management-oriented nation." I believe this year will be the year for all financial business operators to fundamentally rethink their

business approach. Fiduciary duty is the core principle in investment advisory, and the mission of an investment advisor is to generate profits in alignment with the customers' interests. Investment advisory differs from banks and brokerage houses in origin, required skillsets, and culture, even though they are all financial businesses. The competitive strength of an investment advisory business lies in its high level of expertise, rather than the volume of assets under its management or the number of customers. The expertise allows investment advisory companies to thoroughly understand customers' issues, elevate the quality of their analyses and views, and provide appropriate proposals and explanations to customers. FDIAlco is committed to fostering specialists who understand the unique attributes of investment advisory, and to establishing a business model befitting Japan's new standing as an "asset management-oriented nation." Through these efforts, we will strive to be recognized and supported by our customers and the society at large.

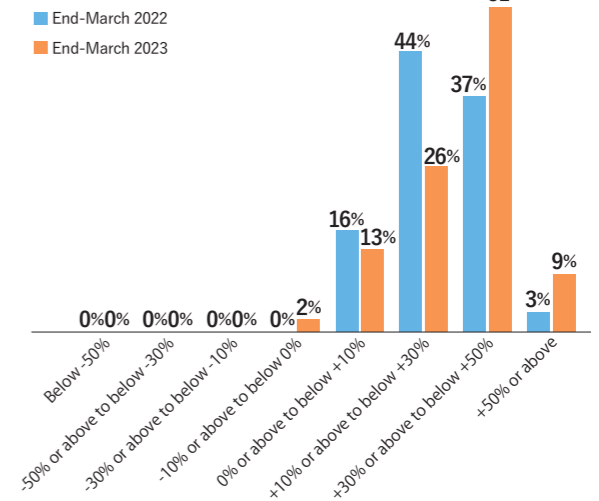
# Data

Ratio of customers by investment gains/losses in investment trusts



• Target customers: Individual customers holding investment trusts as of the record date  
 • Target transactions: Transactions through investment trust accounts at Hokkoku Bank and through financial intermediary accounts at other companies  
 • Investment gain / loss ratio = total return ÷ fair value

Ratio of customers by investment gains/losses in foreign currency-denominated insurance



• Target customers: Individual customers holding foreign currency-denominated single premium insurance policies as of the record date  
 • Target transactions: Policies for which Hokkoku Bank conducted insurance sales. Policies cancelled as of the record date and annuity contracts for which annuity payments have already started (including contracts with a deferment period) are excluded.  
 • Investment gain/loss ratio = (surrender value as of the record date + paid-in amount as of the record date) - lump-sum premium as of the policy date (all amounts are in yen)  
 Lump-sum premium as of the policy date (in yen)

# Topics

Lately, we often see news on complaints and problems associated with structured bond and foreign currency-denominated insurance sales to investment beginners. Hokkoku Bank does not propose nor sell these products to its customers based on the following philosophy.

## Our stance on sales of structured bonds

For the following reasons, Hokkoku Bank considers structured bonds to be products unsuitable for individual customers' asset building and investments, and has not sold any since 2018.

- (1) Structured bonds have a complex structure that uses financial derivatives, and were originally developed as products for institutional and other professional investors.
- (2) As such, it is difficult for individual customers to understand, for instance, under what conditions a loss of principal could occur, and we believe this presents a significant risk.
- (3) We also believe product descriptions regarding costs are in part unclear, making it difficult for customers to understand.

## Our stance on sales of foreign currency-denominated insurance policies

Hokkoku Bank believes that insurance products should be used for the purposes of protection and inheritance planning, rather than as investment tools. We do not position insurance products as instruments for investment because they are not an efficient means of investment when considering the cost burden of handling fees.

For the aforementioned purposes, there is little rationale to choose foreign currency-denominated insurance with foreign exchange risk, for the following two reasons. Accordingly, we have not sold any since 2020.

- (1) For protection, should the amount to be received fluctuate due to exchange rate movements, there is a risk of a customer not receiving sufficient payment relative to the economic loss meant to be protected by the policy.
- (2) If the purpose is inheritance planning, should the amount to be received fluctuate due to exchange rate movements, there is a risk of a customer not being able to develop a reliable plan for annual gifting.

● Status details on initiatives regarding our customer-oriented business operations are available on our website (QR code to the right). (Japanese only)

[https://www.hokkoku.co.jp/company/about/fiduciary\\_duty.html](https://www.hokkoku.co.jp/company/about/fiduciary_duty.html)



# 3

## Progress in Cashless Payment and Digitalization



Toward creation of a seamless cashless and digital society.

**Naotaka Terai**

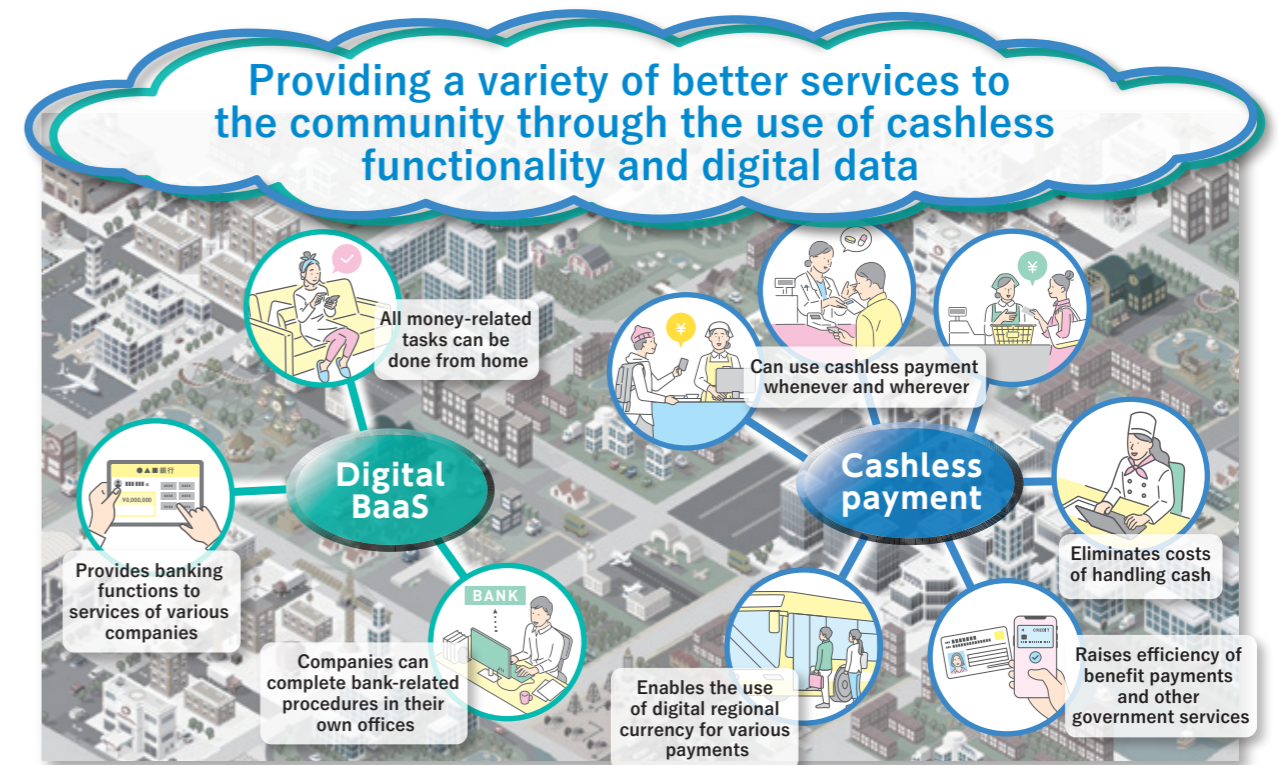
Managing Executive Officer  
General Manager of Digital Department  
The Hokkoku Bank, Ltd.



### Introduction

We aim to innovatively improve the productivity of our entire region, including local residents, businesses, and municipalities, by promoting cashless payment and digital transformation. For businesses and municipal bodies, we will help simplify their business operations, reduce cash circulation costs, and enable data utilization, thereby creating an environment where they can concentrate on providing high-value-added services. Going cashless and digital enables businesses to explore new opportunities, enabling municipalities to implement policies and provide public services more effectively. Local residents can enjoy a wide variety of convenient services offered by such businesses and municipalities.

We believe that fostering such an environment improves the productivity of local communities and ultimately revitalizes the overall region. We also plan to bolster the security and network infrastructure and strengthen our economic infrastructure to ensure a stable environment for business transactions. In this way, we will build a highly reliable business environment and win the trust of companies and investors in Japan and abroad.



## Toward a society in which anyone can make cashless payments anytime and anywhere with peace of mind

Hokkoku Bank has been taking part in a joint project with Visa Worldwide Japan to revitalize the region based on cashless payments using Visa cards. The project touts “Super Cashless Region” as a slogan to build a society across the entire Hokuriku region in which anyone can make cashless payments anytime and anywhere with peace of mind.



Our Company aims for a safe and secure cashless and digital society in which all activities in our day-to-day lives fall in place smoothly and without delay through cashless payments. Based on our various initiatives, we will lead the way in making the Hokuriku region one of the most advanced cashless and digital regions in Japan, and thereby revitalize the local community through improved productivity and efficient circulation of funds.

### Various initiatives toward a “Super Cashless Region”

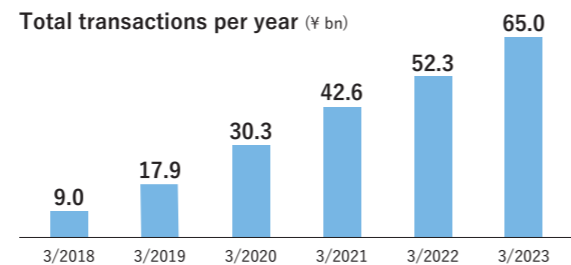
To create a “Super Cashless Region,” we have promoted various initiatives, such as supporting the uptake of cashless-compatible devices in the Hokuriku region and implementing projects together with the local transportation company Hokuriku Railroad Co., Ltd. In October 2020, we established a ¥1.0 billion Hokuriku DX Cashless Fund. We continue working to promote cashless payments by encouraging the use of Visa debit cards and distributing card payment devices free of charge.



### For local residents

#### ● Promoting issuance of Hokkoku Visa debit cards

To boost the number of cashless payment users, we explain the convenience of cashless payments to local residents and encourage their use of various services. For instance, we promote the issuance of Hokkoku Visa debit cards—one of our core services. These debit cards, which can be used like cash and grant reward points based on the payment amount, are accepted around the clock, 365 days a year, at any Visa-affiliated store globally. Currently, one out of every 10 residents in the three Hokuriku prefectures and one out of every five residents in Ishikawa Prefecture owns a Hokkoku Visa debit card, and transaction amounts are also growing steadily.



#### ● Convenient use of earned points

The points earned based on the amount paid with a Hokkoku Visa debit card can be used at the stores of Hokkoku Bank card-affiliated merchants and on the COREZO e-commerce website (recommending things and experiences unique to Hokuriku), at a conversion rate of one yen per point. We believe that creating a virtuous cycle of using the points earned through cashless payment generates new consumption opportunities in the region, helps cashless payment take root as an ordinary option thanks to its convenience, and leads to the spread of a cashless society.

### For businesses

#### ● Promoting uptake of card payment devices

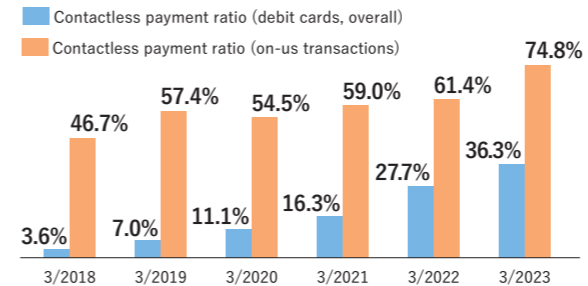
To increase the number of businesses accepting cashless payment, we have offered card settlement services to affiliated merchants and supported the introduction of various cashless-compatible devices. Much like in our efforts to promote the use of Hokkoku Visa debit cards, we hope to encourage as many businesses to take up such devices, and thereby help create a society in which people can make cashless payments anytime and anywhere.

Since 2016, we have been offering card payment devices free of charge. The uptake of our devices and the number of affiliated merchants have grown steadily, with the counts of installed devices and affiliated merchants reaching 7,286 and 6,628, respectively, as of March 2023.

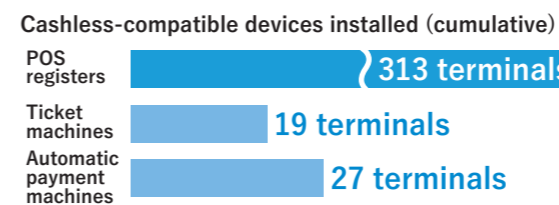
### Contactless payment ratio

Our payment devices are compatible with Visa’s tap-to-pay function, which allows quick and smooth payment. Contactless payment reduces waiting time at the cash register and improves store efficiency. Businesses can also expect higher customer satisfaction thanks to the smooth payment experience. In Ishikawa Prefecture, the contactless payment ratio of the city of Suzu is particularly high. Moving forward, we hope to further expand the use of contactless payment that is beneficial for both businesses and local residents.

#### Contactless payment ratio



In addition to card payment devices, we support the introduction of other tools such as POS registers, ticket machines, and automatic payment machines as part of an all-round effort to promote cashless and enhance convenience for customers and productivity for businesses.



### Customer review

#### Card payment devices have boosted convenience for our customers.

**Mr. Motoki Utsunomiya**  
President and Representative Director  
Utsunomiya Co., Ltd.

At our bookstore, we feel that the momentum for going cashless has accelerated in recent years, driven mainly by the Japanese government’s point reward program for cashless payments implemented in 2019 and the spread of COVID-19 thereafter.

Contactless payment, which allows hygienic and speedy payment via tap-and-go, also provides peace of mind because money is deducted from the bank account on the spot. For this reason, it is also used by elderly customers. In some of our branches, the staff actively encourages customers to use the tap-and-go function, and in fact, over 90% of Hokkoku Visa debit card users choose contactless payment. Many of our customers also use reward points for payment with their Hokkoku Visa debit cards.

### ● Hokkoku DX Cashless Fund

In October 2020, we established a ¥1.0 billion Hokkoku DX Cashless Fund to support the digital transformation (DX) of local companies and municipalities and encourage the spread of cashless payment in the region. In addition to supporting the introduction of card payment devices, the fund’s capital has been used to install automatic payment machines in hospitals, semi-self-checkout registers in supermarkets, and ticket machines with cashless payment functions in pools and hot spring facilities, enhancing convenience for their users.

#### Model case: Introduction of card payment devices Kurikara Fudoji Temple

In February 2023, we helped introduce card payment devices to the Kurikara Fudoji Temple (in the main hall on the mountaintop and Ho-o Hall) located in Tsubatamachi, Kahokugun, Ishikawa, using the Hokkoku DX Cashless Fund. This was our first case of supporting device installation at a shrine or a temple.

With the payment devices in place, the temple can now accept various means of cashless payment, including Visa and other debit cards, credit cards, e-money, and QR codes, for contributions in exchange for a talisman, seal stamp, amulet, and other items. The temple has also installed semi-self-checkout registers, which improve the efficiency of accounting and tabulation tasks.



Points earned from shopping and dining at other affiliated merchant stores can be used to buy books. We believe the customers find much joy in this.

The introduction of card payment devices gave our customers more payment options, and the ability to use reward points for purchases further enhanced convenience. In the future, we hope to see the arrival of a device that is compatible with a wide array of payment methods.

# Launch of a digital regional currency service

## Efforts to achieve a 100% cashless payment ratio in Ishikawa Prefecture

In the summer of 2023, Hokkoku Bank will begin offering a digital regional currency service named Suzu Tochtuka, together with the city of Suzu, Kono Shinkin Bank, and Digital Platformer Corp. Following the service introduction in Suzu, we plan to collaborate with other local government bodies in Ishikawa and use blockchain interoperability to issue Ishikawa Tochtika, a digital regional currency to be circulated across the entire prefecture.

This summer, Suzu Tochipo points issued by the city of Suzu will also become usable in stores and other locations within Suzu. Additionally, we are working to build a financial system based on blockchain technology, with an aim to circulate Suzu Tochtika—stablecoins issued by Hokkoku Bank—within Ishikawa Prefecture.

While there have been cases of digitizing points and gift certificate benefits issued by local governments, we understand this is the first time in Japan that a project to circulate stablecoins has been implemented in collaboration with a local financial institution.



## Working together with regional financial institutions to spread usage

To promote the uptake of this service, we plan to create an open digital regional currency that can be also loaded from accounts of financial institutions other than Hokkoku Bank. In this way, we hope to raise the cashless payment ratio of the overall region.

The service in Suzu is a joint project with Kono Shinkin Bank. In April 2023, we held a press conference together with the city of Suzu, Ishikawa Prefecture, and Kono Shinkin Bank, messaging our hope that the service will be used as a tool to facilitate mutual support among local residents and enhance convenience in Suzu, which faces declining childbirth and aging population.



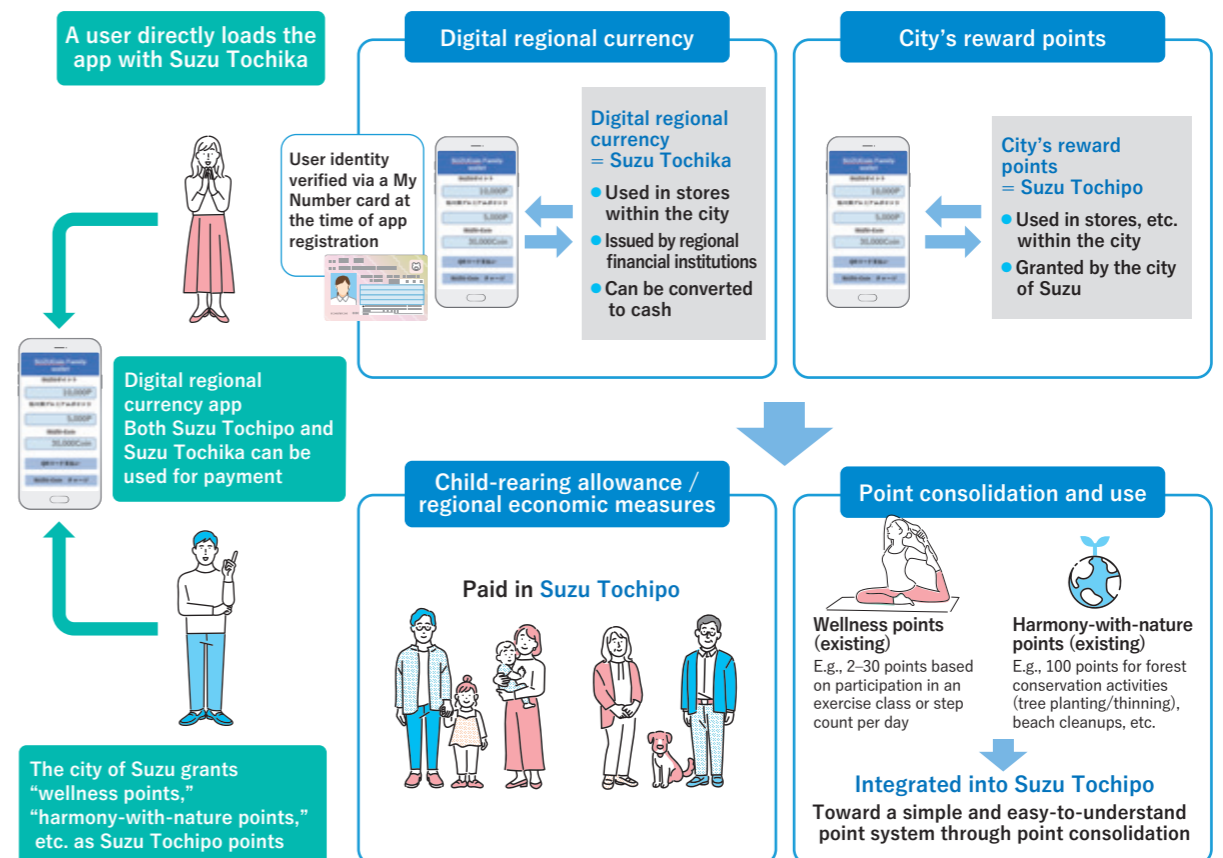
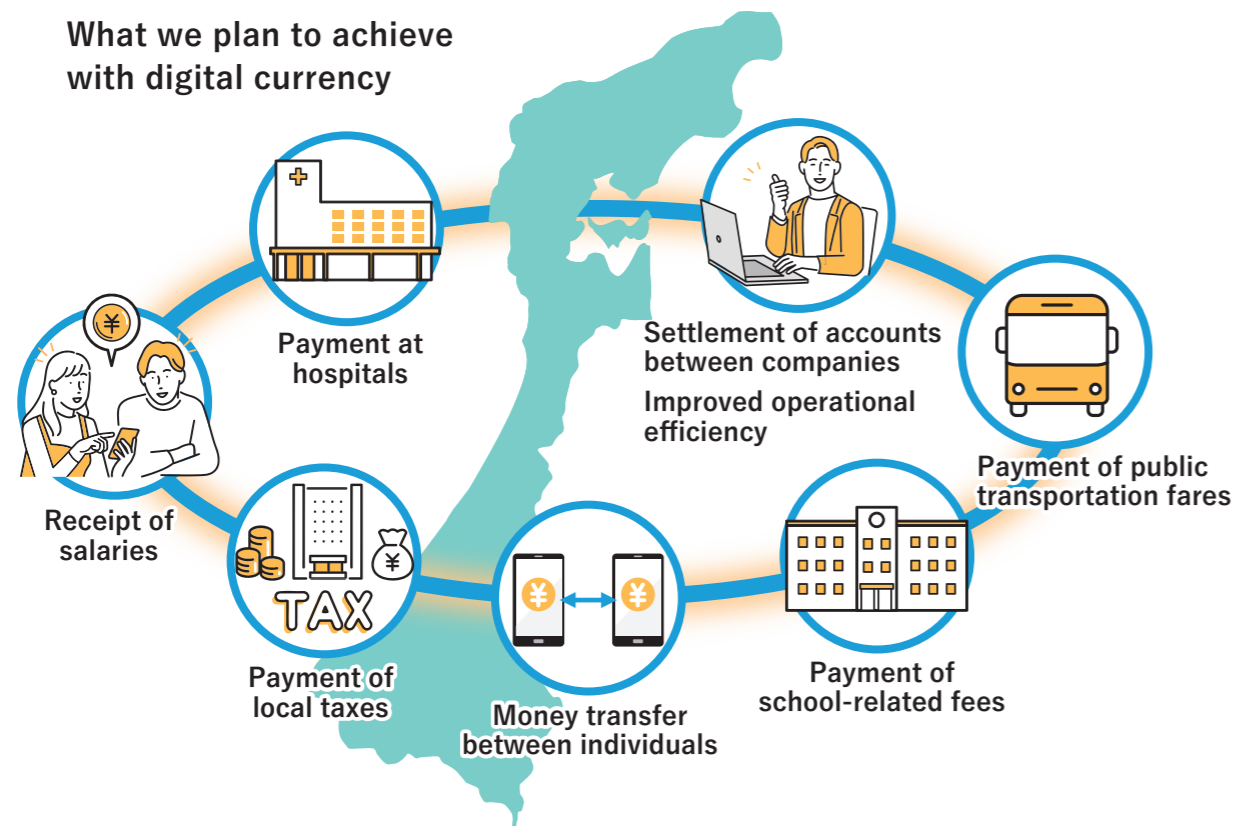
At the press conference

As the first step in promoting the circulation of funds within Suzu, we will work on the issuance of Suzu Tochipo points from the summer of 2023 and expand the number of stores (hereinafter “participating stores”) accepting the points. We will also work to improve the convenience of these points by integrating Suzu’s existing point programs into Suzu Tochipo and making the points usable as a digital regional currency. We plan to support participating stores by enabling the use of payment data to help revitalize the local economy and improve services for local residents.

For areas other than Suzu, we plan to build a structure in which Hokkoku Bank (the issuer of stablecoins) can join hands with regional financial institutions that support this project to collectively drive the endeavor. By collaborating with regional financial institutions, we aim to achieve a seamless payment system usable by local residents and participating stores, regardless of which financial institutions they do business with.

Our digital regional currency service can also authenticate user identity by linking the digital currency app with decentralized IDs that are verified by My Number digital certificates. Recording and managing transactions using blockchains make the service tamper-proof, safe and secure, and highly transparent. SHIKI, a blockchain technology platform developed by Digital Platformer Corp. to issue digital currencies and decentralized IDs, is used to record and manage the payment data in this project. Blockchain encryption technology ensures a secure and highly traceable payment system.

### What we plan to achieve with digital currency



## Purpose of offering a digital regional currency service

### Toward achieving a 100% cashless payment ratio in Ishikawa Prefecture

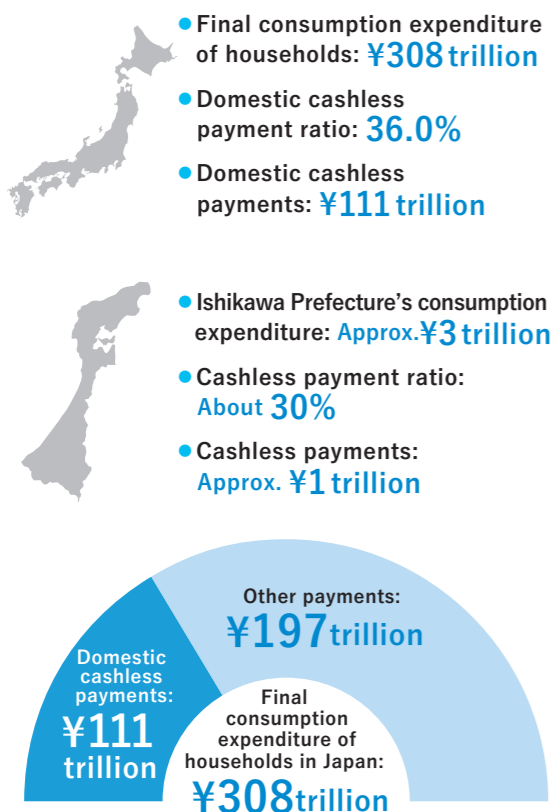
We are working on various initiatives to develop a “Super Cashless Region” with the goal of creating a seamless cashless society. Through the combination of this project to circulate digital regional currency and our efforts to spread card payments centered on Visa debit cards, we aim for a 100% cashless payment ratio in Ishikawa Prefecture. We hope to promote new innovations by having the entire prefecture go cashless and digital and also improve overall productivity.

Currently, the annual cost of handling cash in Japan is estimated at about ¥3 trillion. The cashless payment ratio in Ishikawa Prefecture is over 30%, but considering that over 90% of payments in South Korea are already cashless, the cashless payment ratio in Japan is still relatively low\*1.

We believe raising the domestic cashless payment ratio to nearly 100% can enhance the productivity of our society at large and encourage companies to invest in human capital and business growth. We also hope to help improve public services by supporting the digitalization of local government operations.

\*1 Based on “Cashless Roadmap 2022” (2022) by Payments Japan Association

#### Data for reference



Source: Hokkoku FHD based on data from FY2019 Summary of Ishikawa Prefectural Accounts, METI website, and Bank of Japan website

### Creating a service with value

We look to provide new value to local residents, leveraging the originality of this service, which is underpinned by multiple elements.

First of all, in this service, reward points, digital currency (stablecoins), and other applications can be integrated into one application.

Users gain access to a highly convenient tool since multiple services are available within the same application.

We also believe that a new economic ecosystem can be created moving forward, once the digital local currency used in the prefecture and the existing point programs of cities and towns of the prefecture are placed in circulation together within the same region.

Users will also be able to convert the Tochika digital currency (stablecoins issued by Hokkoku Bank) back to cash even after topping up their apps. Generally speaking, for most electronic payment services, topped-up funds cannot be converted back to cash. However, with Tochika, users can convert it back to cash as necessary, making it a safe tool even for those hesitant to top up payment apps and go cashless.

For participating stores, the most attractive feature of this service is the low payment processing fee. We believe that the heavy burden of processing fees is a factor hindering the uptake of cashless payments. Therefore, in this service, we plan to reduce the payment processing fee for participating stores to 0.5%, the lowest level even based on international standards.

#### Lower the payment processing fee

**3.0% → 0.5%**



Processing fees borne by businesses in the prefecture

**Approx. ¥30.0 billion**



**Approx. ¥5.0 billion**

**Reduction by ¥25.0 billion**

This fee rate is substantially lower than the typical card payment processing fee, which is 3.0%. By allowing all businesses that handle cash, including hospitals and other entities, to use this service, we hope to reduce their processing payment costs, improve their operational efficiency, and ultimately free up the funds and time for them to create new services of value.

### Future outlook

To achieve a 100% cashless payment ratio in Ishikawa Prefecture, we have laid out the details of each phase of our efforts toward offering convenience to service users, businesses, and the region at large.

In three years, we plan to enable payment of local taxes, utility bills, and hospital and school expenses with digital regional currency.

We also intend to enhance security and improve the user experience by adding biometric authentication for user identity verification. Additionally, we plan to add other functionalities in stages, including the ability to use digital regional currency for salary payments at local companies, and the ability to exchange it with other regional digital currencies.

Furthermore, we hope to support the uptake of cashless payment and digitalization in regions other than Hokuriku by having other prefectures utilize the schemes we developed.

Through this business that aims for the circulation and further progress of digital regional currency, we will improve local productivity and convenience via cashless payments and digitalization, and work to make Hokuriku a quality region.



<p><b>Phase 1.0</b> Summer FY2023</p>	<ul style="list-style-type: none"> <li>• Authentication via the introduction of decentralized IDs verified by My Number digital certificates</li> <li>• Launch of Suzu Tochtuka, a digital regional currency service enabling inexpensive QR-code payments at stores</li> <li>• Issuance of digital gift certificates and various points in Suzu Tochtipo issued by the city of Suzu</li> </ul>
<p><b>Phase 2.0</b> By end of FY2023</p>	<ul style="list-style-type: none"> <li>• Begin handling Suzu Tochtika stablecoins</li> <li>• Loading of Suzu Tochtika from bank accounts (issuance of Suzu Tochtika)</li> <li>• Conversion to cash (remitted to a savings account) for an inexpensive fee</li> <li>• Payment of benefits using Suzu Tochtipo</li> </ul>
<p><b>Phase 3.0</b> In one to three years</p>	<ul style="list-style-type: none"> <li>• Enable payment of local taxes, utility bills, and hospital and school expenses with digital regional currency</li> <li>• Spread the use of digital regional currency to other cities and towns in the prefecture</li> <li>• Link functions and services to apps of municipalities</li> </ul>
<p><b>Phase 4.0</b> Three years from now and beyond</p>	<ul style="list-style-type: none"> <li>• Make Hokuriku known as a trailblazer in cashless payments and digitalization</li> <li>• Use digital regional currency for settlement of accounts between companies</li> <li>• Use in digital salary payments at local companies</li> <li>• Enable exchange with other regional digital currencies</li> <li>• Roll out the scheme to other prefectures</li> </ul>
<p><b>Anticipated effects from the use of digital regional currency</b></p>	<p><b>“Making Ishikawa prefecture Japan’s No. 1 quality region”</b></p> <ul style="list-style-type: none"> <li>• Data utilization</li> <li>• Improved convenience for residents</li> <li>• Improved productivity and emergence of innovations in the entire region, thanks to going cashless and digital</li> </ul>

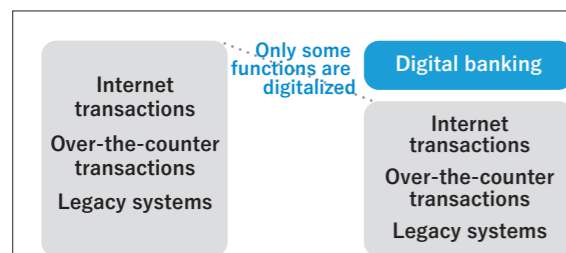
## Toward becoming a leading-edge digital bank

We are working to create a digital bank in which all banking transactions are digitalized.

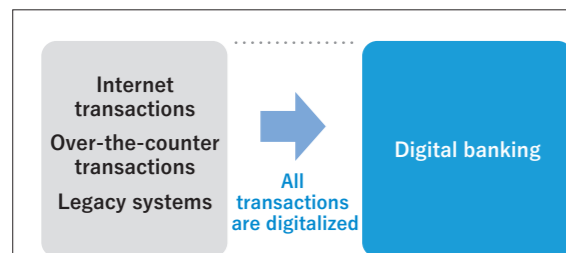
### Internet banking

At a typical financial institution, digital banking involves the digitalization of only some of the functions within banking transactions. However, Hokkoku Bank seeks to modernize all of its banking functionalities through the in-house development of internet banking services, including Hokkoku Digital Banking for corporate use and Hokkoku Cloud Banking for individual use. We offer these digital platforms to our corporate and individual customers without charging any base handling fees.

### Digital banking offered by a typical financial institution



### Digital banking envisioned by Hokkoku FHD



### Promotion of HOKKOKU LIFE+

In February 2021, we began offering HOKKOKU LIFE+ as a service ensuring a richer and more convenient lifestyle for individual customers through cashless payment and digitalized bank accounts. HOKKOKU LIFE+ packages a Visa debit card with the Hokkoku Cloud Banking service, and does not require a passbook nor a personal seal to conduct transactions.



There are many benefits for service users, including the elimination of fees for the use of ATMs at partner banks and affiliated convenience stores across Japan and for remittances to other financial institutions via Hokkoku Cloud Banking.

As of end-March 2023

HOKKOKU LIFE+ membership: **87,884** people

### Reducing the burden on customers through corporate internet banking

In October 2021, we eliminated the base handling fee and also lowered the remittance fee in our corporate internet banking service. We are working to reduce the burden on customers and support the further progress of their digitalization efforts.

In the spring of 2024, we plan to release a new corporate internet banking service with upgraded design, operability, and security. Once the service is in operation, we intend to expand functionalities in stages, including the addition of an overdraft function, so that customers will be able to conduct online the full range of transactions offered at bank branches.

### Business expansion across Japan using a BaaS platform

We are also working to develop a banking-as-a-service (BaaS) platform to offer banking functionalities to financial services operated by fintech companies. BaaS development signifies the creation of a next-generation financial platform for companies and individuals nationwide. We believe we can help improve regional productivity by offering a low-cost and easy-to-use BaaS platform to providers of services that enhance customer productivity and convenience. By laying the groundwork for an environment where local companies can rapidly develop digital services, we will seek to transform the region and contribute to its sustainable growth.

### BaaS business objectives: Reach out to new customers and contribute to the region

We believe that by providing a BaaS platform to fintech companies, we can expand our customer base and contribute to the region. Fintech companies offer new and innovative banking services not bound by the existing framework of the banking industry. Having fintech companies use our BaaS platform allows us to gain access to the customer base we cannot reach out to directly.

Furthermore, fintech companies focus on offering innovative financial services to communities and people lacking sufficient access to traditional banking services. We hope to contribute to economic growth and financial inclusion of the local communities by utilizing our BaaS platform to provide financial solutions that meet local needs.

### Difference from existing services

Our service gives fintech operators free rein to modify the front end of the financial services they provide to end users. This is the greatest difference between our

service and those already offered by other companies. The front end refers to the service screen used by the end user. With our service, fintech companies can freely design their own service screens to showcase their unique identity and brand value, customizing the user experience and providing attractive services that differ from their competition. They can also implement original marketing strategies and win new customers by optimizing the service screens based on their strategies and business targets. Additionally, since the service screens can be easily modified, fintech companies are able to flexibly respond to market trends and user feedback. The ability to promptly add functions and make improvements, providing a more user-friendly interface and value-added functions based on user feedback, allows these companies to maintain competitiveness and raise customer satisfaction levels as well.

In these ways, we will continue to innovate using our banking capabilities, collaborate with fintech companies to transcend standardized services, and work to build more optimal customer services.

### Benefits of the BaaS business

In the BaaS business, we manage the information on deposits, loans, and profiles of the customers acquired by the fintech companies. This allows us to obtain customer data on startups and other businesses, especially those based in Greater Tokyo. Currently, we expect roughly 200 account openings per month. The expansion of the customer base will lead to more opportunities for Hokkoku FHD Group to propose various solutions, including consulting by CC Innovation,

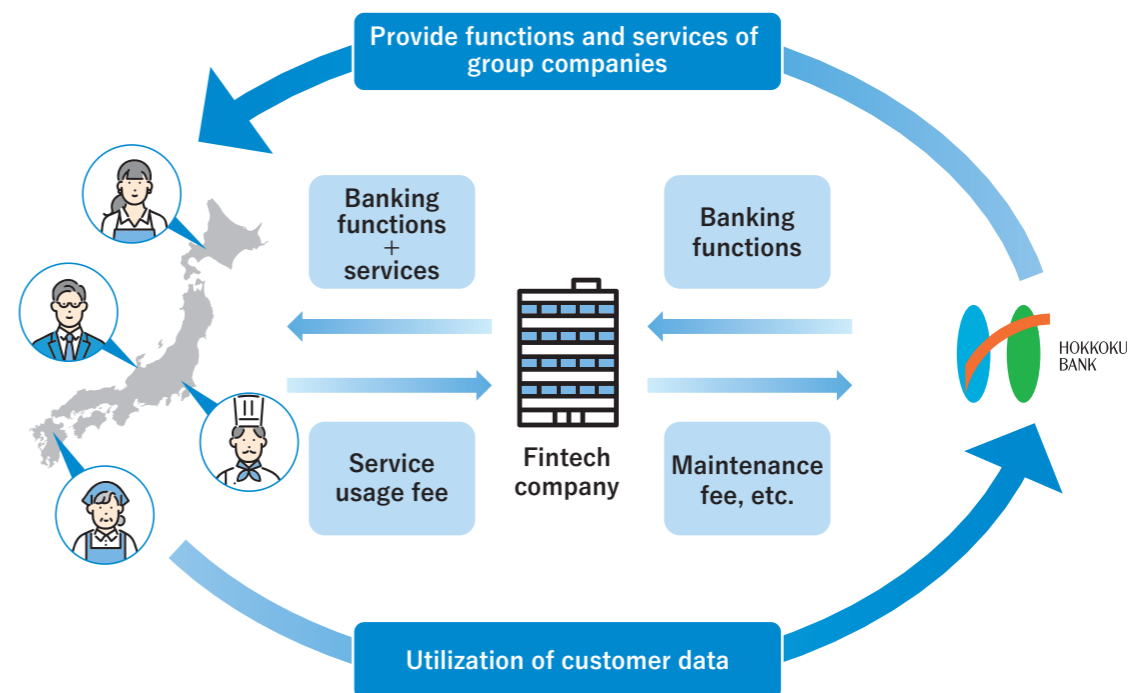
investment advisory by FDIco, and potential investment and support from QR Investment. Furthermore, through other initiatives, such as matching the end-user startups with companies in the Hokuriku region, we hope to encourage the mutual growth of these companies and create new business opportunities.

We also believe that the accumulation of knowledge on advanced technologies for BaaS platform development and the continuous horizontal rollout of our expertise in this area will bring about various benefits. This strategy is important in that it also focuses on the penetration and improvement of technology on top of pursuing simple income growth.

Accumulation of knowledge means gathering information on the latest technological trends and best practices on BaaS platform development from internal and external sources, and accumulating such information as our own knowledge. We will pursue the best means to meet market and customer needs by cooperating with specialist teams and partners. Horizontal rollout means making full use of our existing technologies and services, and offering such technologies to other companies. We hope to elevate the technological level of the industry as a whole by collaborating with other companies through the sharing of technology.

Along with sustainable growth, we will seek to resolve social issues through collaboration with other companies to promote mutual progress. One of our major goals in building a BaaS platform is to provide financial capabilities to the local community. Improving convenience for the end-users by looking beyond the businesses receiving our services will lead to the revitalization of the region as a whole. Based on this thinking, we will strive to achieve innovations for the entire region, based on the success of local businesses.

### Image of BaaS platform utilization



# Operation of COREZO, a Hokuriku information platform

We want to introduce the best of Hokuriku to Japan and the world to revitalize the region in a sustainable manner.

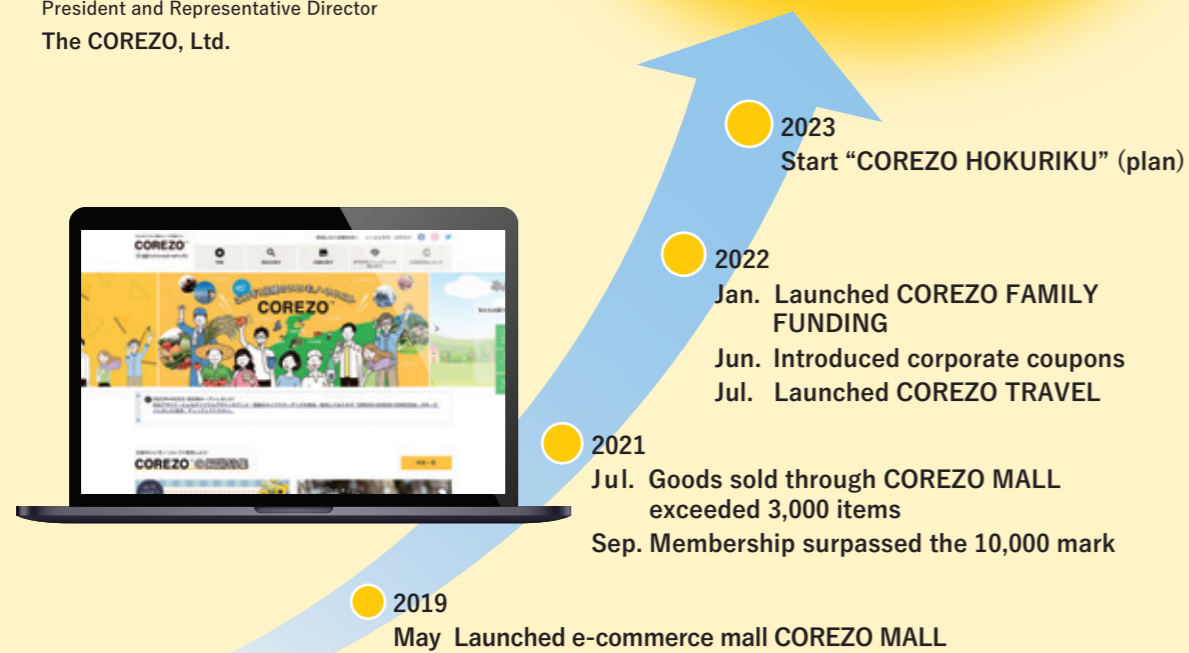


**Satoshi Sono**  
President and Representative Director  
The COREZO, Ltd.

In May 2019, we launched COREZO as an e-commerce mall that showcases the outstanding goods and experiences Hokuriku has to offer. Thereafter, we started a crowd funding site COREZO FAMILY FUNDING in January 2022 and opened a lodging reservation site COREZO TRAVEL in July of the same year. In autumn 2023, we plan to launch COREZO HOKURIKU, a portal site for various information on the Hokuriku region.

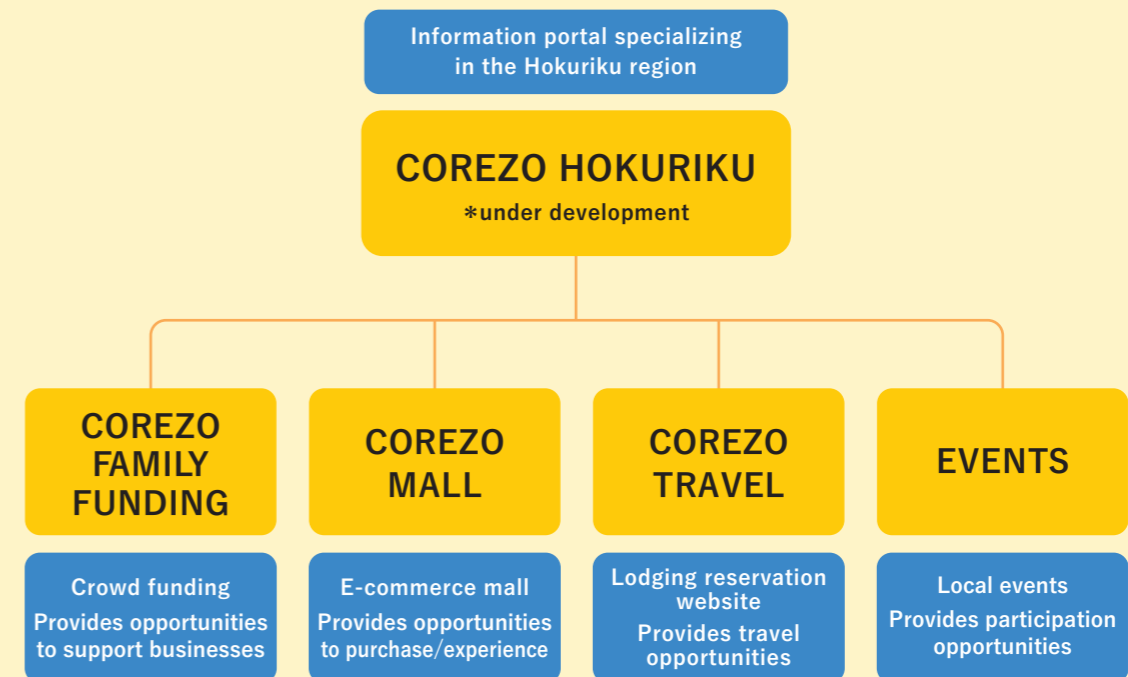
The company COREZO was created to have Hokkoku FHD staff discover and nurture the best of Hokuriku together with local residents and introduce their findings widely throughout Japan. To revitalize the Hokuriku region in a sustainable manner, we will engage in lasting activities, mobilizing the strengths of Hokkoku FHD group companies.

Showcasing the charms of the Hokuriku region to the world



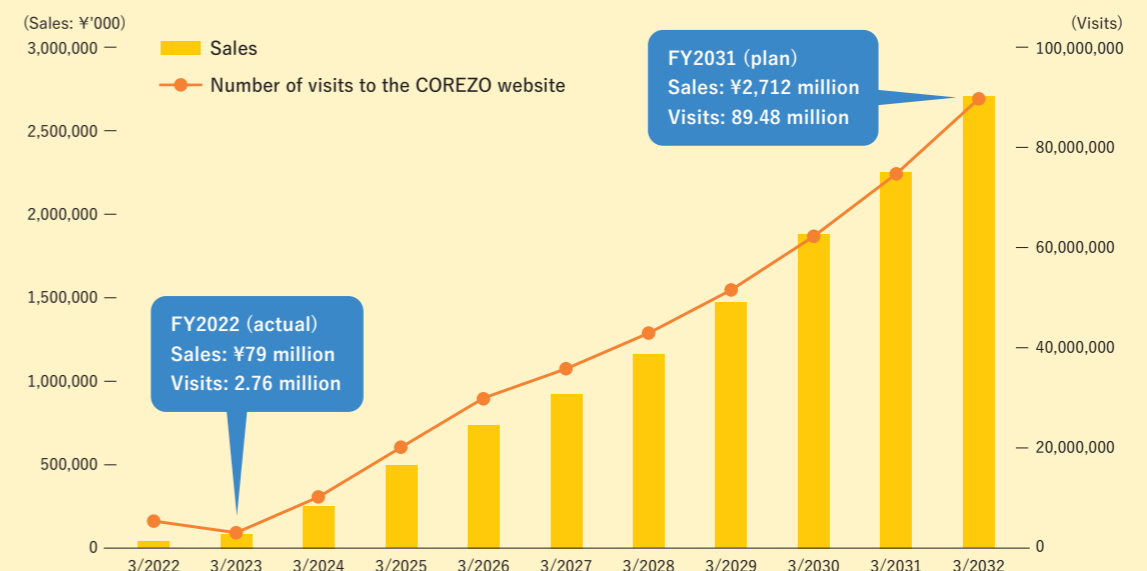
## Our vision of COREZO

The company COREZO seeks to create new value by integrating various digital content, including the e-commerce mall, with community events. One such effort is the launch of COREZO HOKURIKU, an information portal dedicated to the Hokuriku region, slated for autumn 2023. COREZO HOKURIKU will feature in-depth information on Hokuriku gathered by Hokkoku FHD staff, and introduce the outstanding things and experiences offered by the region widely to the world. The information gathered by the staff will also be used to plan cross-content projects within the COREZO franchise, and develop collaborations among the various digital content and between digital content and regional events.



Since the opening of the Hokuriku Shinkansen high-speed railway between Tokyo and Kanazawa in 2015, the Hokuriku region has become increasingly popular throughout Japan. We hope to work together with the local residents and develop the COREZO HOKURIKU portal site into an "information platform of Hokuriku," thereby sustainably revitalizing the region. We will also work to enhance COREZO's various content and achieve overall growth as a company.

## Website sales and traffic (actual / plan)



## COREZO MALL—an e-commerce mall where the best of Hokuriku can be purchased

The concept of COREZO MALL is “creating things and experiences in Hokuriku together.”

COREZO MALL is not an online shopping site that simply sells physical goods. It is unique in that it also sells intangible items like special programs and experiences, attaching additional value to merchandise. Furthermore, in addition to promoting sales, the shopping site encourages participation and collaboration, offering new business opportunities in product and business development. We believe this format can only be accomplished by a regional banking group.



Snapshot of an internal meeting

The Hokuriku region still offers many wonderful things and experiences that are just waiting to be discovered. To find them, we visit vendors directly, engage in dialogue, and try out the items first-hand. This process allows us to properly introduce the merchandise to consumers, along with their individual stories.

On some occasions, Hokkoku FHD matches up business operators so that they can jointly create new products.

We want to discover, nurture, and introduce the wonderful things, charming people, and unique experiences found only in Hokuriku, together with the local community. We want to make people across Japan fall in love with the Hokuriku region. COREZO MALL is a website created jointly by the participating vendors and Hokkoku FHD to showcase the rich offerings of Hokuriku.

Example of an experience-oriented merchandise

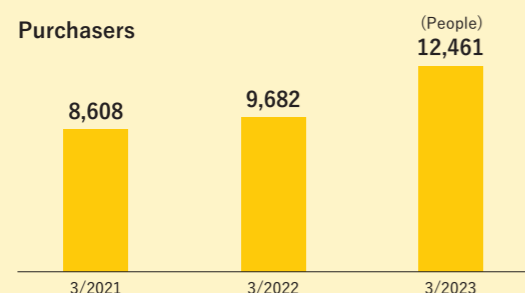
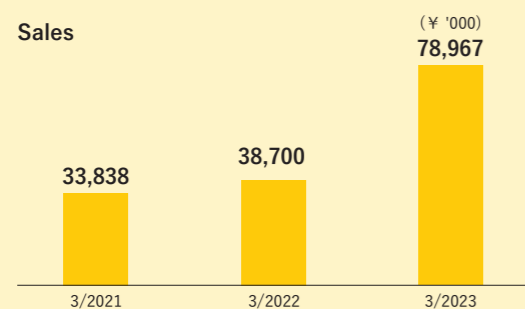
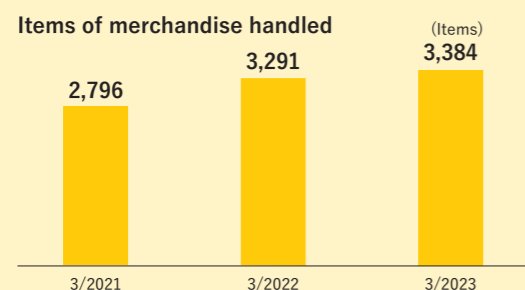
### Sale of ownership right to a shiitake mushroom log



This program, available since the launch of COREZO, involves the sale of ownership rights to log-grown shiitake mushrooms called Noto 115.

Noto 115 is the common name for a shiitake mushroom variety called Kinko No. 115. Within this variety, the highest quality mushrooms that meet the criteria of 8cm or more in cap diameter, 3cm or more in cap thickness, and 1cm or more in edge curl are shipped to the market as Nototemari premium-brand shiitake mushrooms.

The vendor decided to offer the program on COREZO MALL to highlight the rarity and value of Nototemari, rather than just selling the product.



## COREZO FAMILY FUNDING supports the endeavors of business operators in Hokuriku

COREZO FAMILY FUNDING is a place to match business operators in Hokuriku with supporters across Japan. It differs significantly from other crowdfunding sites in that employees of Hokkoku FHD who have regular contact with the businesses are able to provide face-to-face support. Hokkoku FHD employees work with business operators to structure projects based on their individual needs, such as marketing, promotion, and financing needs associated with new product development.

COREZO FAMILY FUNDING is a crowdfunding platform where business operators, local communities, and the employees of Hokkoku FHD work as one team in support of the endeavors of the business operators.



## COREZO TRAVEL provides a chance to visit Hokuriku



COREZO TRAVEL is a lodging reservation site specializing in tourism and travel in the three Hokuriku prefectures of Ishikawa, Toyama, and Fukui. In addition to introducing lodging facilities, the website offers information on nearby shops as well as stay plans incorporating various activities. A lodging reservation site that welcomes visitors from all around Japan, together with the local lodging facilities and businesses.

Number of registered lodging facilities: **36** (as of June 2023)

## COREZO will grow together with the local community

Hokuriku has wonderful people, nature, and culture. COREZO is a website that features the good things and experiences that emerge from such an environment, presenting them to the world in a proper manner without any embellishments. A place for expression where consumers living in Hokuriku, the businesses, and the employees of Hokkoku FHD can join hands to revitalize the region. To become such a platform, COREZO is committed to growing together with the local community.





# 4

## Expansion of Investment Business

### Investing toward a better future and leading the way to a quality region

#### Fumio Hamano

President & Chief Executive Officer  
Representative Director  
The QR Investment, Ltd.



#### Introduction

QR Investment was established in June 2021 to support the diversifying financing needs of corporate customers in all life stages of a company.

The economic environment in Japan and overseas has changed dramatically in recent years, and the challenges companies face have also diversified. For sustainable growth, it is now indispensable for companies to take measures for the medium to long term, modifying the business model, implementing company-wide organizational reforms, restructuring businesses, and strengthening the financial base, among other means.

Meanwhile, regardless of the changes surrounding companies, individual depositors are being encouraged by the slogan “from savings to investments” to channel their surplus funds directly to corporate stock and other investments, without making bank deposits. Banks may also need to rethink their business model of generating income from the interest rate spread

between deposits and loans, and redirect the flow of capital from loans to investments. In the lending business, it is important to recover the principal safely while securing margins, but in the investment business, we believe it is most important to enhance the value of the investee companies.

The business model of QR Investment is such that it makes gains when the corporate value of the companies it invests in rises. Through our investment business, we hope to contribute to the region in a way that complements Hokkoku Bank’s loan operations.

By providing capital support through equity investment, we will supply funding to our customers and also raise corporate value. By doing so, we intend to drive growth of the entire region. Through each of our projects, we will become a bridge that connects the region’s ecosystems, and make Hokuriku a quality region underpinned by the qualitative growth of each local community and the revitalization of the overall region.

#### KPIs

	FY2023	FY2027
Size (total of all funds)	¥50.0 billion	¥120.0 billion
Total investments	¥35.0 billion	¥90.0 billion
Multiple of cost (MoC)	1.0×	1.6×
Number of investees (cumulative)	65 deals	170 deals

## Vision and purpose of QR Investment —toward corporate value enhancement, together with the customers—

### Vision

1. We will provide our business partners with a package of thorough funding and hands-on support as a shareholder, incorporating our equity investment and the collective capabilities of the Hokkoku FHD Group, including lending and consulting functions.
2. We uphold a balanced investment policy that seeks to support investees' growth and contribution to local communities, rather than just focusing on returns.
3. We will help develop management-level talent and work toward sending out resources to companies within the region.

Without the growth of the Hokuriku region, there is no growth for the Hokkoku FHD Group. QR Investment invests to enhance the regional quality of the three Hokuriku prefectures centered around Ishikawa. Our mission is to make Hokuriku a quality region recognized around the world.

Known as "Kaga Hyakumangoku," which meant it had an exceptionally high rice production on its land, Ishikawa Prefecture was once a quality region that enjoyed great economic prosperity. Even today, traditional industries existing since the Edo period, as well as textile, construction machinery, and electronics industries that developed after World War II, continue to deliver quality from Ishikawa to the world.



### ● Making Hokuriku a quality region and delivering a message across Japan

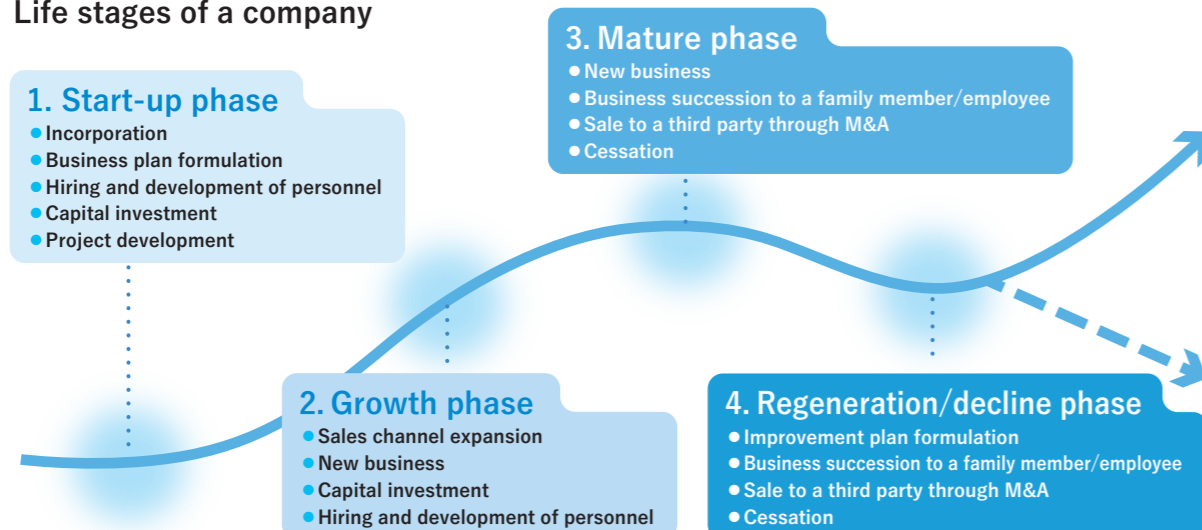
What initiatives are necessary for Hokuriku to be a quality region in a sustainable manner? We think attracting tourists from within Japan and overseas through active investment in food culture and the tourism industry could be one approach.

We pursue quality as a region where new value is created ahead of the rest of Japan and innovation occurs. Take, for instance, an innovative project that is nearly impossible to accomplish on a nationwide scale. We envision such a project starting off small in the Hokuriku region, and then spreading throughout Japan.

## Funds under management—responding to all life stages of a company

The needs of our customers vary according to their corporate life stages, from start-up to growth, maturity, and regeneration or decline. Their needs are also diverse. QR Investment offers a full range of funds to address the varying life stages of individual companies and responds to those needs that a bank cannot meet.

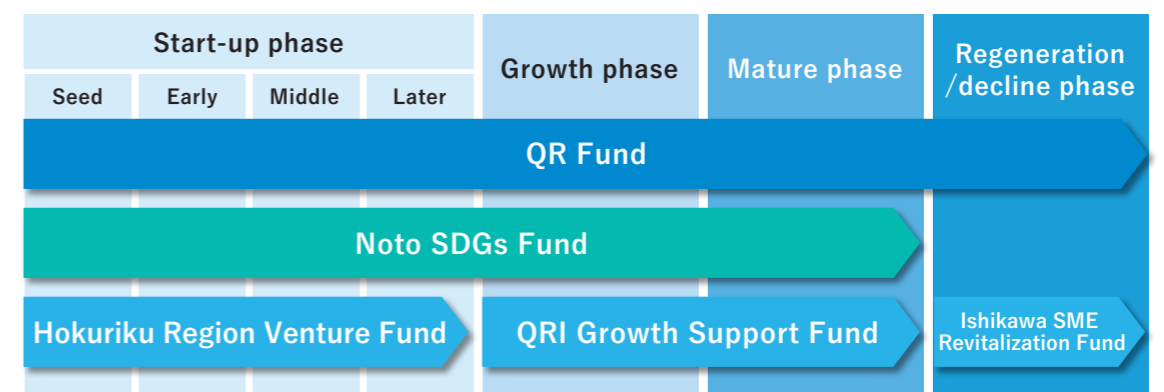
### Life stages of a company



## Our support service lineup



## List of funds



### ● QR Fund

- Target phases: Start-up, growth, mature, regeneration
- Fund size: ¥50.0 billion

To meet diverse customer needs, the fund invests in a wide array of fields not covered by existing funds. It contributes to the sustainable growth of companies and local communities by providing management support that flexibly utilizes the Group's functions.

### ● QRI Growth Support Fund

- Joint GP: DBJ Regional Investment Inc.
- Target phase: Growth, mature
- Fund size: ¥1.0 billion

The fund seeks to support the sustainable growth of local companies pursuing further growth by providing risk money and a variety of solutions to their management issues.

### ● Hokuriku Region Venture Fund

- Joint GP: Carbon Ventures Co., Ltd.
- Target phase: Start-up
- Fund size: undisclosed

The fund invests in startups that operate in the Hokuriku region or are expected to contribute to the region's revitalization. It aims to bring new vitality to the Hokuriku region and invigorate the economy.

### ● Ishikawa SME Revitalization Fund

- Target phase: Regeneration
- Fund size: ¥2.0 billion (No. 2), ¥2.0 billion (No. 3)

As a public-private fund whose largest investor is SME Support Japan, the fund—while ensuring neutrality and fairness—supports traditional local industries having difficulty recovering due to debt overhang but are reasonably profitable in their core businesses, as well as SMEs with technological strengths. By providing support, the fund seeks to invigorate the local economy.

### ● Noto SDGs Fund

- Joint GP: BP CAPITAL, Inc.
- Target phase: Start-up, growth, mature
- Fund size: ¥700 million

The fund seeks to support companies that use the assets and resources of Ishikawa's Noto region to create sustainable businesses, and those companies that engage in businesses contributing to the SDGs. By creating this model, it aims to take the first step in achieving social change and SDGs from Noto.

## From loans to investments—the advantages of utilizing investments

Loans and investments differ substantially in their mechanisms and the advantages and disadvantages they pose to customers. As a group, Hokkoku FHD has the capacity to assess customer needs and provide options to use either of these financing methods as necessary. Loans are low-cost but require repayment. Investments are relatively high cost, but the investee company has no repayment obligation since the target business will take on a joint-management structure with QR Investment. Through its various initiatives, QR Investment will provide customer solutions that cannot be achieved through bank loans.

	Loans	Investments
Summary	<ul style="list-style-type: none"> <li>Method of securing funds from financial institutions, etc., as debts.</li> <li>Loans due within one year are recorded in the financial statements as current liabilities, and those payable over a term exceeding one year are recorded as non-current liabilities.</li> <li>Collaterals and guarantees are required in some instances.</li> </ul>	<ul style="list-style-type: none"> <li>Method of raising funds through stock issuance.</li> <li>Investments are accepted as capital, and are therefore recorded in the financial statements as net assets.</li> <li>Soliciting capital broadly from the public is called a public offering, and accepting additional capital from a specific investor is called a capital increase through a third-party allotment.</li> </ul>
Advantages	<ul style="list-style-type: none"> <li>As long as the debtor continues to fulfill its debt obligations (repayment/interest payment), the creditor does not get involved in management except when otherwise provided.</li> <li>A relatively low-cost financing is possible under the current interest rate environment.</li> </ul>	<ul style="list-style-type: none"> <li>As there is no repayment involved, investments have the effect of stabilizing the investee's financial base and improving its creditworthiness.</li> <li>In many cases, the investee can receive management and operational support from the shareholder.</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>Repayment must be made according to the repayment terms, regardless of whether the business is doing well.</li> <li>Without creditworthiness, a company cannot borrow.</li> </ul>	<ul style="list-style-type: none"> <li>When the new shareholder gains voting and other rights, its involvement in management, rights to preferred dividends, etc., could minimize the investee's business flexibility, inflicting a heavy burden.</li> </ul>
Main use of funds	<ul style="list-style-type: none"> <li>Ordinary working capital, capital investment (additional investment for existing businesses)</li> </ul>	<ul style="list-style-type: none"> <li>Investment for new initiatives (new business, business expansion, etc.) and business transformation (revitalization, etc.)</li> </ul>

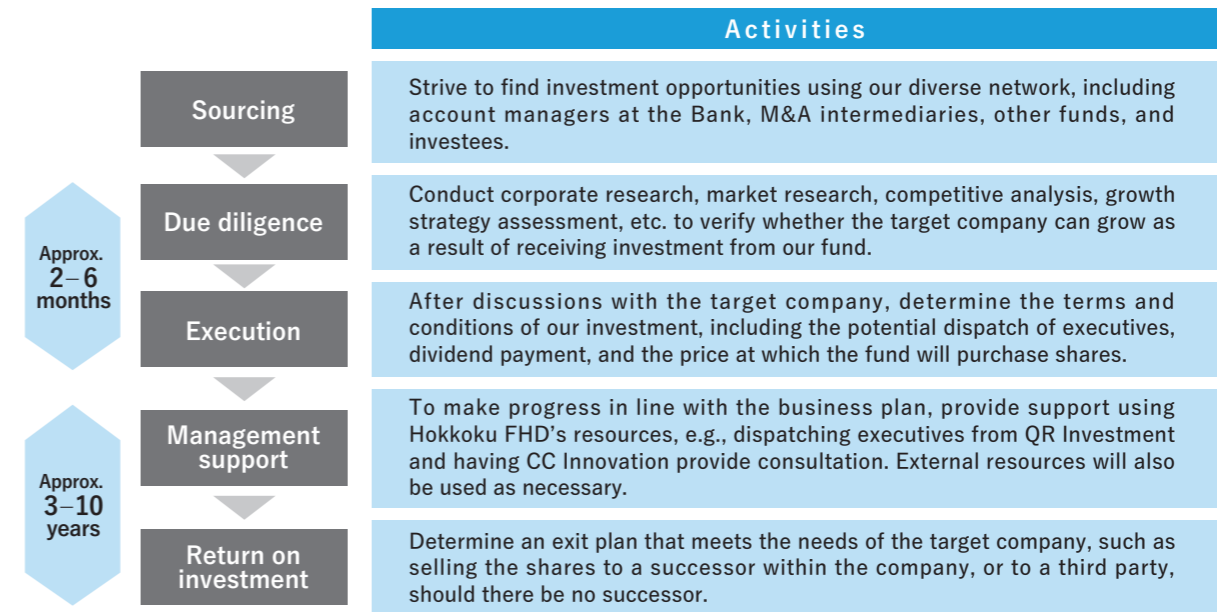
## Difference between consulting services and funds

There is an overlap between our business and the consulting services of Hokkoku FHD group company, CC Innovation, in that we both confront the issues our customers face and work together with them toward resolution. However, we differ substantially in our relationship with the customer (company) and the scope and duration of our involvement. After confirming the status and needs of the customer, we coordinate within the Hokkoku FHD Group and propose what we find to be the optimal way to provide support.

	Consulting services	Funds
Relationship with target company	Client	Shareholder
Scope of involvement	Within the scope of assigned themes E.g., business strategy formulation, ICT, personnel system formulation	All aspects of management
Duration of involvement	Short term	Medium to long term
Decision maker	Target company (shareholders)	Target company (shareholders) + Fund

## Flow and overview of the fund business

Our business model calls for medium- to long-term involvement from deal discovery (sourcing) to exit from the deal (return on investment), which is when the fund generates gains.



## Target areas—expanding nationwide and globally without limiting ourselves to the Hokuriku region

Since we base our business on our strength, which is the trust we have earned from the local community, most of our investee companies are in the Hokuriku region. However, we are not keen on settling comfortably just in Hokuriku. The economy has globalized and is now borderless, and we find it necessary to take on challenges transcending regional boundaries.

We also intend to invest abroad. In overseas investments, we can expect high growth rates that are difficult to achieve in Japan. Additionally, we can diversify our portfolio risks through the conversion of Japanese yen cash holdings to US dollars and ownership of dollar-denominated assets.

We believe investments outside the Hokuriku region will bring to QR Investment economic gains, collaborative opportunities with diverse talent, and innovations created through such interactions.

### Customer review

#### QR Investment supports us as a partner in our company's growth

**Mr. Katsuhiko Tsujimoto**  
President and Representative Director **Tedori Kanko K.K.**

As the largest operator of an amusement park and comprehensive pet business in the Hokuriku region, we have been operating since our founding in 1967, aiming to become a theme park loved by customers in the region. Meanwhile, in recent years, we have faced many challenges associated with aging facilities, digitalization needs, staffing shortages, and business succession issues. To formulate and implement a medium-term management plan, we decided to accept investment from the QRI Growth Support Fund and receive support from QR Investment internally from its position as a shareholder.

We also have an outside director from QR Investment who is giving us advice on overall business management at various meetings and helping us update our personnel system and introduce systems to raise operational efficiency. The outside director has been instrumental in the implementation of our business plan.

We hope to continue partnering with QR Investment, aiming together for further business growth.



# 5

## Further Sophistication of Market Operations



### Toward portfolio optimization through a diversified investment strategy that positions multi-asset funds as core assets



#### Seiichi Sagiike

Managing Executive Officer,  
General Manager of Capital Market Department  
The Hokkoku Bank, Ltd.

#### Reorganization of the market operations structure

Hokkoku FHD is working toward further sophistication of its market operations. To this end, it added market operations to its priority business areas in the 2023 medium- to long-term business strategy unveiled in May 2023.

In March 2023, we transferred the core market operation tasks and functions, including the formulation of investment strategies and plans, to The FD Advisory, Ltd.—the investment advisory arm of the Hokkoku FHD Group. Personnel specializing in market operations were also consolidated to FD Advisory.

In June 2023, FD Advisory merged with ALCOLAB, Ltd., which provided investment advisory to regional financial institutions, changed the name to The FDALco, Ltd., and kicked off a new business. ALCOLAB has long provided investment advisory focusing on global asset allocation\*1 and has helped regional financial institutions strengthen their operational structure to pursue securities investment as a core business. It also supported introducing and utilizing the risk appetite

framework\*2. In these ways, it helped regional financial institutions transform their business models.

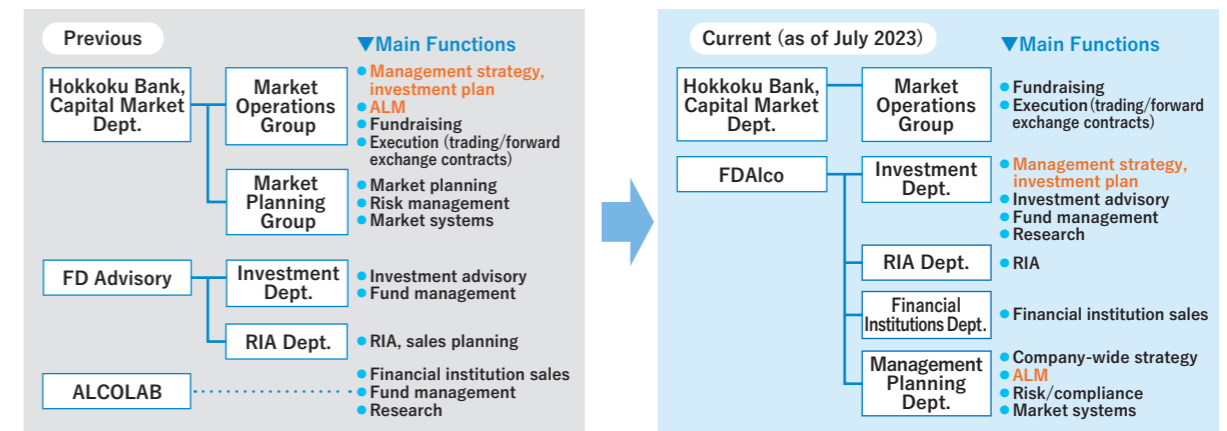
Going forward, we will step up our efforts to achieve further sophistication in market operations and risk management by combining ALCOLAB's expertise with Hokkoku FHD's business footing.

We also intend to transcend regional and existing business boundaries and share the knowledge and expertise gained through the securities investment activities at Hokkoku FHD with individuals, general corporations, and regional financial institutions across Japan. By doing so, we hope to enrich the lifestyles of individual customers and contribute to the sustainable growth of corporate customers.

\*1 Global asset allocation: An asset allocation method in which assets are allocated in a diversified manner, avoiding concentration in a specific investment product or country/region, to efficiently secure returns while reducing/controlling risks. An asset management technique based on the concept of diversified investment.

\*2 Risk appetite framework: A framework for managing business and risks through clarification of the "risk appetite" vis-à-vis the accomplishment of management goals, business strategies, and financial plans. Here, "risk appetite" refers to long-term guidelines on the type of work to be undertaken, the type and level of risks to be taken, and the level of profits to be generated.

#### Organizational structure of capital market departments



Consolidate Hokkoku FHD Group's capital markets functions to FDALco to further enhance expertise in market operations and bolster the risk management function

## Track records and traits of our market operations

Our balance of marketable securities has reached ¥1,449.1 billion and is maintaining an uptrend. In line with the risk appetite framework, we have adopted a diversified investment strategy, moved away from the buy-and-hold approach, strengthened our risk management structure, and worked to boost income from market operations.

In terms of our investment characteristics, we place emphasis on equity and multi-asset funds. From 2014, we have increased our holdings in shares (Japanese equities) for pure investment. Our move was driven by the growing focus on corporate governance, and expectations toward proactive shareholder return policies and corporate value enhancement. While there were challenges, such as the spread of COVID-19 and an uptick in overseas interest rates, most recently, we were able to record valuation gains on our equity holdings, which significantly contributed to our income.

From 2021, we have bolstered investments in multi-asset funds. These funds have become core assets that can bring in stable income over the long term, as they reinforce our diversified investment strategy. Over the past two years, we have expanded our holdings in multi-asset funds to ¥254.0 billion, and we plan to further build up our holdings going forward.

In FY2022, our foreign bond investments were adversely impacted by the sudden increase in interest rates, and we closed some of our losing positions and posted realized losses. The challenging environment for foreign bond investments is expected to linger for the next year or so, and the global economy is becoming increasingly uncertain.

Even in such an environment, we will assess interest rate cycles and build a portfolio centered on global asset allocation that captures stock market growth. Our policy is to avoid short-sightedness and work toward portfolio optimization with a long-term perspective, while appropriately controlling risks.

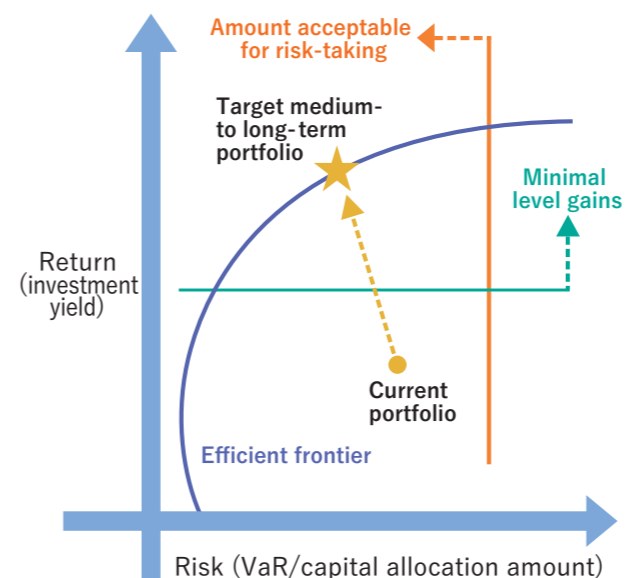
## Initiatives for portfolio optimization

In the 2023 medium- to long-term business strategy announced in May 2023, we have set a goal of building a portfolio with an expected return of around 2%. Accordingly, we are stepping up our efforts toward portfolio optimization.

We intend to clarify our model portfolio, which presents the best risk-return efficiency from a long-term perspective, and formulate investment plans and strategies focusing on the overall portfolio's performance, rather than individual assets. We will visualize expected returns and the portfolio formation process to improve our ability to explain the portfolio and encourage active internal and external discussions.



Furthermore, we will engage in forward-looking management of portfolios and risks, for instance, through preventive rebalancing of the portfolio based on a certain scenario or changes in the market environment, without necessarily adhering to our model portfolio. By doing so, we will seek to raise the level of our portfolio management.



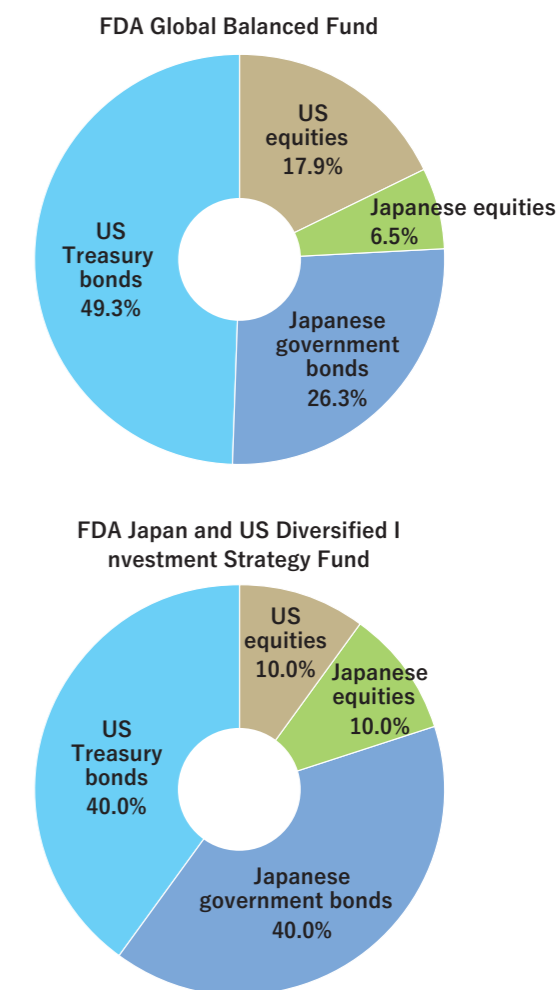
## Multi-asset funds

To improve the yield on securities and the Sharpe ratio, we have incorporated FDAIco's multi-asset funds (those for which FDAIco provides investment advisory to the funds' asset managers) into our overall portfolio as core assets. Having FDAIco provide investment advisory is essentially the same as being able to internally develop simple and low-cost multi-asset funds that are aligned with Hokkoku FHD's investment strategies.

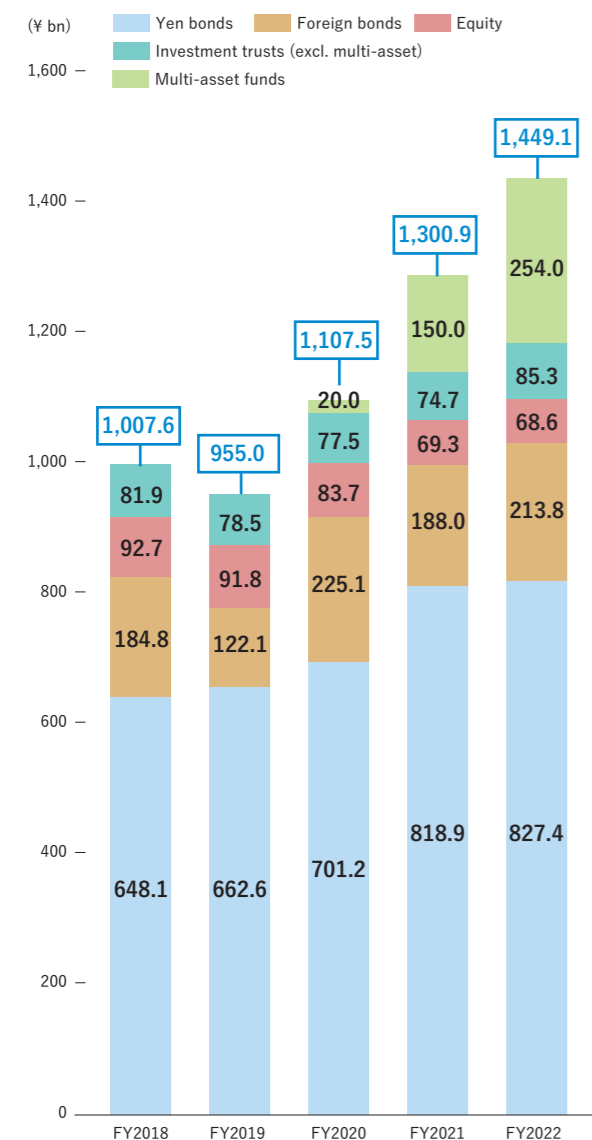
Even during challenging periods of tight overseas funding conditions or significant market fluctuations, having multi-asset funds in our portfolio allows us to expect stable returns and achieve long-term capital gains while mitigating price volatility. Additionally, the ability to generate stable returns enhances the flexibility of our investments, for instance, enabling portfolio rebalancing to improve each asset's yield over the holding period.

Aside from Hokkoku FHD, other regional financial institutions and business companies also invest in these multi-asset funds. We will continue to strengthen our efforts in multi-asset funds that contribute to stable income generation and long-term expansion of valuation gains.

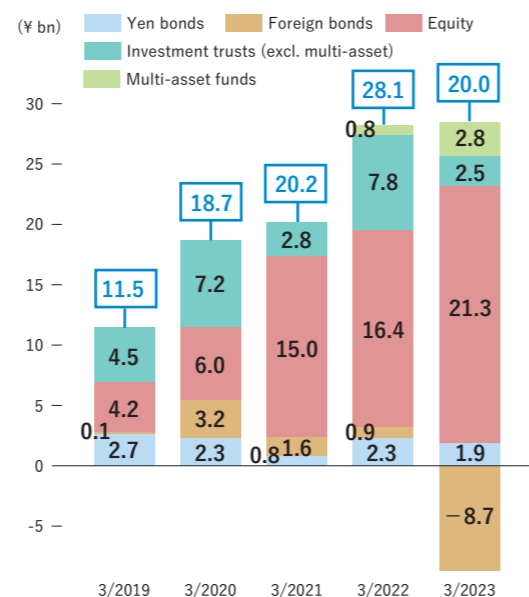
### Multi-asset funds—asset allocation



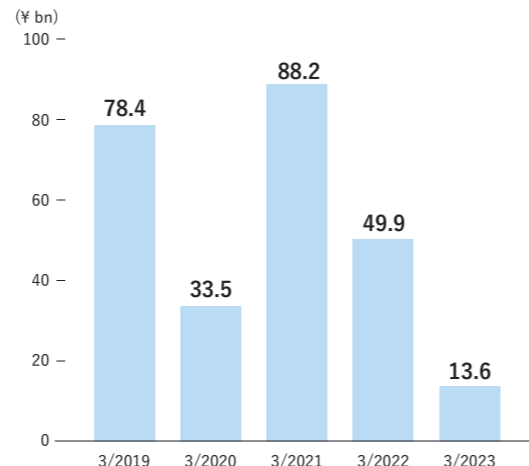
Marketable securities outstanding (book value)



Realized gains/losses by asset class



Gains/losses on valuation of securities



# 6

## DX and System Modernization

We will contribute to the digital transformation of our entire region, making full use of digital technologies.



**Takeshi Igawa**

Managing Executive Officer,  
General Manager of Information Systems Department  
The Hokkoku Bank, Ltd.

### Vision and strategy

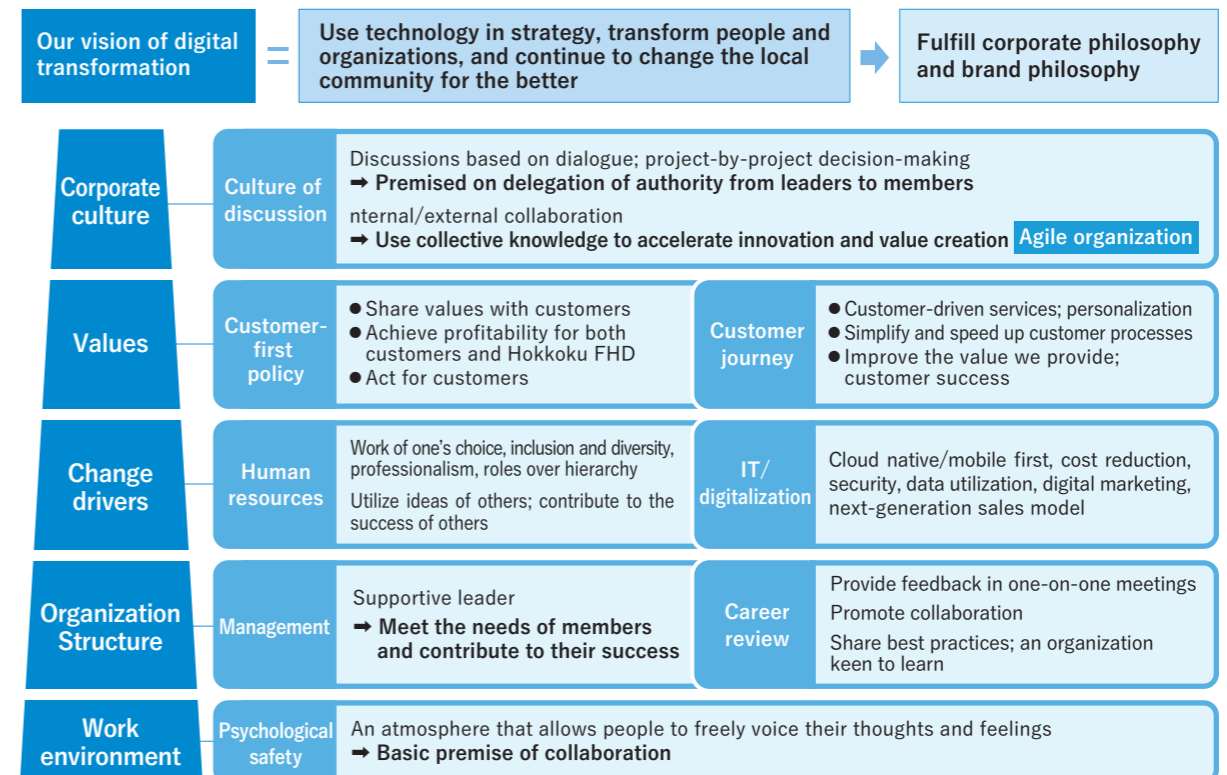
Amid dramatic changes in our social environment due to the spread of COVID-19 and the declining and aging population, among other factors, digital transformation (DX) has become indispensable for addressing the rapid evolution of digital technologies and the speed at which the world moves and for continuously improving the value of our entire region.

To meet the diversifying needs of our customers and the local community, we transformed from a conventional

bank to a “next-generation integrated regional company.”

We are working to fundamentally change our corporate culture and work styles while actively utilizing cutting-edge digital technologies to reshape our business model and speedily deliver new high-value services necessary for regional DX.

While helping to improve regional productivity using the digital solutions developed through these efforts, we hope to promote the DX of our entire region, making full use of our consulting and advisory services.



## Why we insist on developing systems in-house

In-house system development cannot be avoided if we want to continue providing high-value digital solutions in a speedy manner.

Conventional outsourced system development always involved the processes of defining requirements, getting quotes, comparing and evaluating the IT partners, negotiating, and signing the contract. The long lead time up to actual development and the vulnerability to specification changes were disadvantages.

Outsourced development based on a waterfall model would not have been an issue if the pace of change in the world were moderate and if the “correct answer” to the product being made were clear. However, in the era of volatility, uncertainty, complexity, and ambiguity (VUCA), in-house development must remain flexible to start small and create a product that is close to the “correct answer,” and nurture growth from there. To generate high-value products from a customer-oriented perspective, we also need to collaborate with our employees on the frontline and tackle development as one team. It is important, even for engineers, to understand our corporate philosophy and the value that our customers seek. We need engineers who have superior digital knowledge, understand our company, and can engage in development as one team. As such, we came to the conclusion that outsourcing was difficult and that in-house development was our only option.



However, in-house development does not necessarily mean developing everything ourselves. New products, technologies, and concepts are constantly generated in this world. Rather than developing everything ourselves, we plan to actively utilize what is already available and vigorously collaborate with external IT partners in areas where we lack the expertise. In this way, we hope to release products promptly while also improving the capability of our in-house development team.

### Active hiring of digital talent

Although I mentioned that in-house development did not necessarily mean developing everything ourselves, reducing system development costs is also an important point. Even if our own employees lead the in-house team, if the majority of the team members are deployed from our IT partners, costs will inevitably be high.

Contracted engineers also undergo rotation. This means that engineers who have taken the time to understand our environment and products could randomly leave the team. Furthermore, since technology evolves quickly these days, even those engineers sent from our IT partners are often required to learn new skills from scratch or go through reskilling.

Rather than training expensive external engineers ourselves, we thought it would be more beneficial to hire regular employees (engineers) who have ample room for growth and can work for many years with a solid understanding of our company’s business direction. Accordingly, in November 2019, we established Digital Value as an IT company within the Group. Digital Value practices team-based agile development, recruiting engineers from across Japan and even overseas to work remotely. It brings to the fore such work options as fully remote development, a performance-based annual salary scheme, and a discretionary work-hour system, which have been difficult to introduce at traditional banks. It is generally believed that the competition in hiring digital talent is fierce. However, as a result of implementing these systems and work styles, we successfully hired 57 employees over the three and a half years up to June 2023. We intend to continue leading the DX of the entire Hokkoku FHD Group while stepping up efforts to increase homegrown engineers.

## DX initiatives to date

The history of our DX initiatives goes back more than 15 years.

After establishing the Information Systems Department in 2007, we have moved away from outsourcing our core banking system, shifting to full-fledged in-house system development, including the development of subsystems.

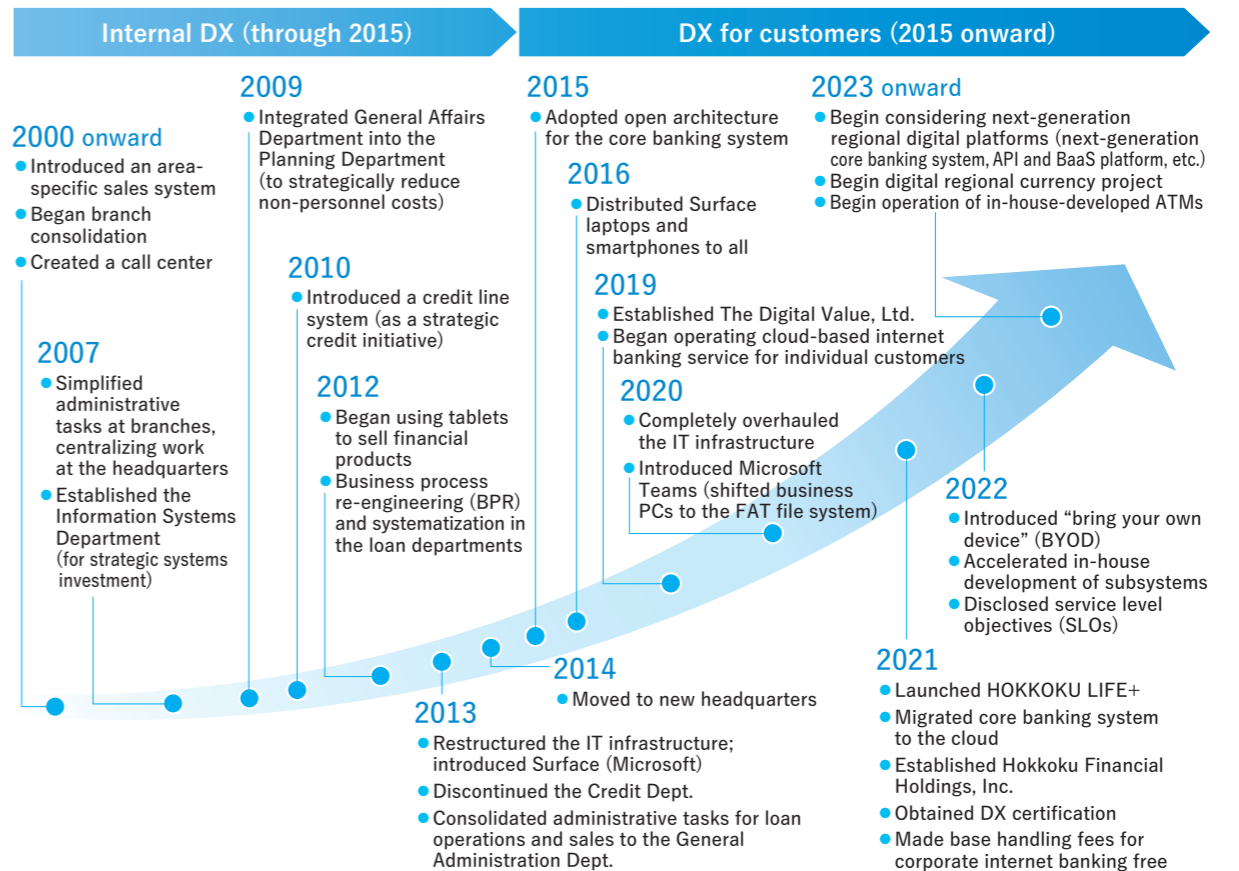
In 2013, we distributed tablet PCs to all employees so that they can work freely without being restricted to a location. We also increased information transparency through the use of groupware, which helped us create a flat organization and improve productivity.

In 2019, following the release of a public cloud-based internet banking service for individual customers, we established an IT company, Digital Value, to further accelerate digital transformation (DX). Thereafter, we pressed on with in-house product development based on the concept of “agile + cloud” and with the participation of IT engineers from across Japan. In 2021, we reduced costs by migrating our full banking system to a public cloud service, the first endeavor of its kind in Japan. As the next step, we have begun developing a banking-as-a-service (BaaS) platform to provide banking functionalities to other systems via API, centering on a next-generation core banking system that operates in a more cloud-native environment.

Over the years, our corporate culture and the mindset of our employees have changed substantially. Some 15 years ago, the organization was highly vertical and hierarchical, but it is now flat and agile thanks to the initiatives outlined on the right.

These long-standing initiatives have nurtured our ability to build products using digital technology and an organizational culture of DX that underpins such ability.

## DX initiatives to date



Consistently deliver messages from top management and planning departments to all employees to change mindsets and promote reskilling

Improve information transparency and achieve nonhierarchical communication through the use of groupware and communication tools including Teams

Practice agile thinking and actions by having employees from business departments participate in development teams

Implement DevOps and agile training for all employees and new hires

Increase diversity by actively promoting mid-career hires and collaboration with outside partners

Obtain latest knowledge on DX and innovation by dispatching personnel to Silicon Valley

## DX and modernization

### Modernization

“Modernization,” as we see it, refers to the fundamental revamp of legacy systems, and even businesses and operations, done together with the dramatic improvement of system development productivity through the adoption of modern

technology, architecture, and agile and other development methods attuned to the rapidly changing VUCA era.

### Cloud strategy envisioned by Hokkoku FHD

Since 2017, we have actively utilized public cloud services, embracing a cloud-first approach. Among the parties concerned, there was much attention on whether public cloud was suitable for financial institutions. Against this backdrop, in September 2019, we launched our internet banking service for individual customers on Microsoft Azure. In May 2021, we migrated our core banking system to the same cloud platform. These moves simplified infrastructure procurement and development and helped us speed up the implementation of our IT initiatives. Even in terms of quality aspects such as security and availability, we were able to improve our operations compared to the past when we handled matters with limited in-house resources. That said, we have yet to fully harness all the potential of cloud technology and there is so much more to pursue. We plan to step up our efforts in cloud-native development exemplified by keywords like microservices, containers, and CI/CD, and optimize our system infrastructure, adopting both the multi-cloud strategy that takes advantage of multiple public clouds, and the hybrid cloud strategy that leverages on-premises. We will simultaneously accelerate and enhance the quality of our system development by focusing on cloud-native, multi-cloud, and hybrid cloud.

Hokkoku FHD's cloud strategies

Phase	Cloud 1.0 (through 2015)	Cloud 2.0 (2016-2019)	Cloud 3.0 (2020-2022)	Cloud 4.0 (2023-2025)	Cloud 5.0 (2026 and beyond)
<b>Mindset</b>	Try to migrate part of the subsystem	Exclude important systems from the scope of migration Migrate to cloud, starting with subsystems	Cloud first Migrate all systems to the cloud	Use the cloud appropriately	Spread the use of cloud in the region
<b>Internet connection</b>	Use of PC dedicated to internet access Perimeter network	Perimeter network using thin clients	Use of FAT /internet connection Introduction of zero trust architecture	Active internet use Full-scale introduction of zero trust architecture	Active internet use Full adoption of zero trust architecture
<b>Core banking system</b>	Adopted on-premises and open architecture	Adopted virtualization and open architecture	Operating on IaaS	Active utilization of PaaS Partially in-house developed and agile	Multi-cloud and hybrid cloud Evolve to BaaS; two-way API connection In-house developed and agile
<b>Subsystems</b>	Testing cloud at the proof-of-concept level	Migrated subsystems to IaaS via lift and shift	Active utilization of PaaS Partially in-house developed and agile	Cloud native development In-house developed and agile	Multi-cloud and hybrid cloud In-house developed and agile

Use of cutting-edge technology

Generative AI, as represented by ChatGPT, is poised to have a profound impact on system development and business efficiency optimization. To improve development productivity and quality, we have also begun using AI to automatically generate programming codes and fix bugs in our projects for a corporate internet banking service and an internal web system. However, so far, we have identified benefits only in a few standardized program areas, so we are looking forward to further AI evolution.

We also think AI can be used to train our new engineers, by having it generate model program codes. Additionally, the use of AI is likely to expand for Q&As within the company and with customers. In the past, employees had to manually draft anticipated questions and corresponding answers, but from now on, responses can be generated automatically using a generative AI engine with internal data as input. This would allow the inquirer to obtain the required information more quickly and with certainty. We have already started an initiative to improve operational efficiency as well by loading an AI engine to the chat tool we use internally.

Key strategic systems

We will enhance the value we provide to our customers and the local community through our strategic systems defined by cloud utilization and agile in-house development.

● Hokkoku Cloud Banking

Internet banking service for individual customers, Hokkoku Cloud Banking, has been used primarily through a smartphone app since 2019. We developed this service in-house using cloud technology and agile methodology. Since the previous internet banking service was on-premises and we outsourced the development, it was difficult to consistently capture customer needs

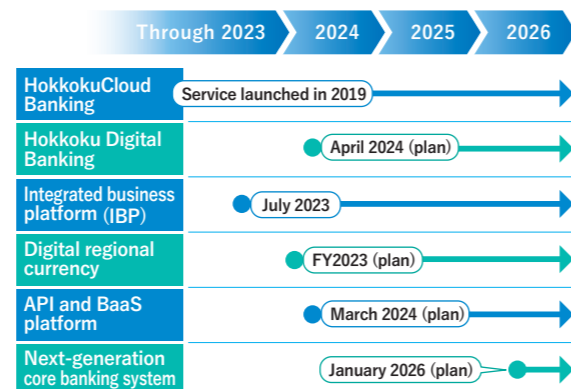
and promptly reflect them in the product. Moving forward, we will push ahead with in-house development and build the service into a platform that transcends conventional banking capabilities, offering diverse value to individual customers of the region.

● Hokkoku Digital Banking (Release planned for April 2024)

Hokkoku Digital Banking is an internet banking service for corporate customers, and the project is under way to make the service available in April 2024. As we are developing this service in-house using cloud technology and agile methodology, just like Hokkoku Cloud Banking, we expect it to be a platform that can consistently provide better services.

● Integrated business platform (IBP) (Released in July 2023)

Integrated business platform (IBP) is an in-house system that centrally manages customer information and workflows. It is a web-based platform that allows us to develop hypotheses based on data analysis and other means to provide better proposals and services to local customers. We have adopted cloud-native architecture as



the design methodology for IBP, and our engineers and members of the business departments are tackling agile development together as one team to provide value to our customers. Going forward, we intend to roll out IBP's development style and architecture to other in-house systems and create high-value products while implementing operational reforms.

● Digital regional currency (Release planned in FY2023)

We have partnered with Digital Platformer Corp. to introduce stablecoins that use blockchain technology. Users can load stablecoins from their bank accounts, use them for purchases at participating merchants' stores, and also convert the digital regional currency back to cash deposits. Additionally, we are looking into the possibility of enabling exchange with other digital regional currencies in the future. By expanding the uptake of an inexpensive cashless payment method, we will seek to raise the cashless payment ratio in the region, digitalize point systems, and thereby achieve efficient circulation of funds and improved productivity.

● API and BaaS platform (Release planned for March 2024)

Banking as a service (BaaS) refers to the provision of banking functionalities and services to business operators via the cloud by opening up the application programming interface (API) to external parties. We plan to expand our service offerings in stages, starting with remote account opening and fund transfer functions. We will also provide financial functionality-embedded apps tailored to specific industries (including restaurants, various retail businesses, etc.).

● Next-generation core banking system (Release planned for January 2026)

Our current core banking system already runs on a public cloud, but since the software emulates the architecture of the on-premises era, we are unable to take full advantage of the potential of cloud technology. As such, we began developing a next-generation core banking system to deliver products of value to our customers more quickly and to increase development productivity. We plan to build from scratch a core banking system that continues to grow with the latest technology, employing modern programming languages, microservices, and multi-clouds.

Initiatives for data utilization

We are also actively working on data utilization. In the past, efficient data use was difficult because data was dispersed across the core banking system and subsystems. As we make progress developing various systems in-house, we will centralize data management in the cloud and propose optimal products and services to our customers by integrating data with AI and other tools that continue to evolve. We also plan to utilize data to prevent and deter fraudulent use of services.

At the same time, we are focusing on fostering engineers who handle data. We have also established a

structure that allows appropriate analyses of aggregated data by having employees from our business departments take on reskilling to learn statistical analysis methods along with programming languages such as Python.

System risk management

Basic policy

To provide peace of mind to customers using the Group's services, Hokkoku FHD Group positions risk management of the systems supporting its services as a top priority. Under the leadership of our management, we have put in place a framework for managing system risks, and are working to elevate the level of our system risk management, including a focus on cyber security.



Stable service operation and convenience

We seek to provide both stable services and speedy and highly convenient services that utilize IT, so that our customers can use our Group's services with greater convenience, ease, and peace of mind. As part of this effort, we have posted the latest availability status of the Group's services on our website since November 2021. In January 2023, we started an initiative to promptly announce system failures via X(formerly Twitter). We also focus on business continuity planning (BCP) for our services in the event of a system failure, providing alternative means and promptly restoring the system to minimize the impact on our customers. Additionally, since FY2021, we have disclosed our service availability targets and results categorized by the importance of respective systems. We strive to improve our service quality by proactively disseminating service availability results and information on system failures and taking remedial measures against such failures.

● Constant disclosure of service availability status

In the event of a system failure, we provide guidance on alternative means, in addition to posting the latest service availability status. We also post logs on past failures at all times to promote visualization of systems-related information.

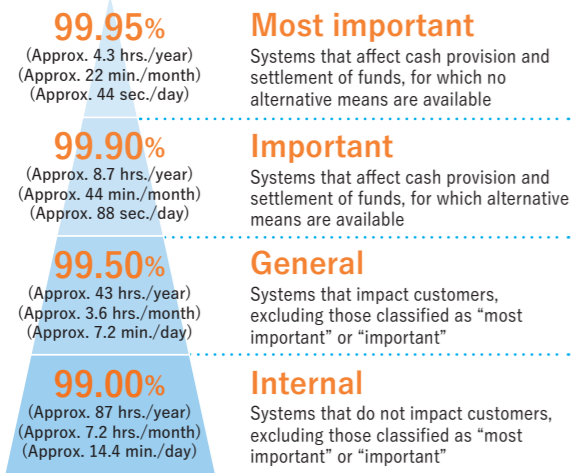
Hokkoku Bank website (Japanese only)  
<https://www.hokkokubank.co.jp/other/notice/index.html>



● Service availability targets and FY2022 results

To meet the diverse needs of our customers, we believe it is important to maintain a balance between the provision of stable services and the provision of speedy and highly convenient services leveraging IT. Accordingly, we have set targets on service availability categorized by the importance of respective systems. By sharing with our stakeholders this information, together with the results, we will seek to provide services of value that are both stable and convenient.

Service availability targets



Availability of main services in FY2022

Name	Priority	Availability	Evaluation
Core banking system	Most important	99.99%	○
Hokkoku Cloud Banking	Important	99.92%	○
Hokkoku Web Access	Important	99.98%	○
Affiliated merchant terminals for Hokkoku Visa debit cards	Important	99.97%	○
Wallet app	Important	99.97%	○
ATM	Important	99.95%	○
Passbook updating machine	General	99.96%	○

\* All other services were available 100%.

Cyber security

Hokkoku FHD Group has been strengthening and promoting security-related efforts to protect customers' valuable assets and information. We have internally shared our vision on cyber security through what we call the "security strategy story" to create an organization where each employee takes security measures as a personal responsibility. We also intend to help improve the overall IT security of our local community by sharing the Group's initiatives with our customers and local residents.

Security strategy story

Phase	Security 1.0 (through 2013)	Security 2.0 (2014-2019)	Security 3.0 (2020-2021)	Security 4.0 (2022-2024)	Security 5.0 (2025 and beyond)
<b>Vision</b>	Pursue security through complete separation from the outside	Accept partial connection with the outside with convenience in mind	Accomplish both convenience and security	Enable collaboration within the entire supply chain including group companies and IT partners	Contribute to regional DX through security
<b>Technology</b>	Separation-type defense Shared terminals	Perimeter defense Terminals lent out for individual use Thin client architecture	Introduction of zero trust architecture*1 Terminals lent out to all employees Use of third-party SOC*2	Full implementation of zero trust architecture Consider introduction of SASE*3 Bring SOC in-house	Beyond zero trust and SASE (use of cutting-edge technology)
<b>Human resource development</b>	Minimum training for internet PC users	One-off security training for all employees	Regular security training and bolstered information dissemination	Strengthen supply chain management (boost group literacy, promote education of outside contractors, etc.)	Promote security to the region
<b>Development method</b>	Security was low in priority	Security considered individually	Trial run of "shift left"*4 (considering security from an early stage of a project)	Full implementation of "shift left" Promote DevSecOps	Share expertise on security development
<b>Organizational structure</b>	Handled in a similar manner as a natural disaster	Built CSIRT framework*5	Strengthened CSIRT activities by establishing the Security Group	External activities by the Security Group on a trial basis	Initiatives to share information within the region

\*1 Zero trust: the concept of verifying each communication without distinguishing between internal and external communications and not trusting any. \*2 SOC: short for "security operation center." Refers to a center that monitors and handles security incidents around the clock, 365 days a year. \*3 SASE: short for "secure access secure edge," which is a security model proposed by Gartner, Inc. in 2019. An architecture for managing network and security functions together in the cloud. \*4 Shift left: an initiative to shift to the left side of the system development process flow (i.e., define requirements→design→develop→test→operate), for instance, by designing with security in mind from the initial stage of the project, and bringing in-house or automating the security diagnosis process (for the developed systems) from the development stage. \*5 CSIRT: short for "computer security incident response team." The team handles the processes of "identify, protect, detect, respond, and recover" as defined by the NIST Cyber Security Framework. Priority and depth of response are determined in consideration of the structure we have in place. Our CSIRT was established in April 2016.

Our security philosophy

Amid the constant evolution of cyberattack methods, it is becoming increasingly difficult to fully protect systems and information from malicious attacks with only conventional perimeter defense measures. For this reason, the Group is working to implement security measures based on zero trust architecture, which allows flexible responses to the evolution of attack methods without hampering user productivity. Depending on the system and information we want to protect, we take on a hybrid approach of using both perimeter defense and zero trust as necessary to ensure security.

To improve productivity while simultaneously bolstering security, we have shifted our approach to IT environment control from a rule-based approach to one that is based on principles. We will improve employee IT literacy, a prerequisite for the principle-based approach, by providing support through continued education and motivational activities, and at the same time enhance detective controls such as log monitoring and behavior detection based on the zero trust approach. Through these measures, we will build a safe and convenient IT environment.

Cyber security management structure

We address security risks through close daily communication, utilizing the reporting system we established within the Group and the collaborative framework we formed with external parties. In the unlikely event of an incident, a task force will be established and the Group-wide CSIRT will take actions to quickly bring the situation under control.

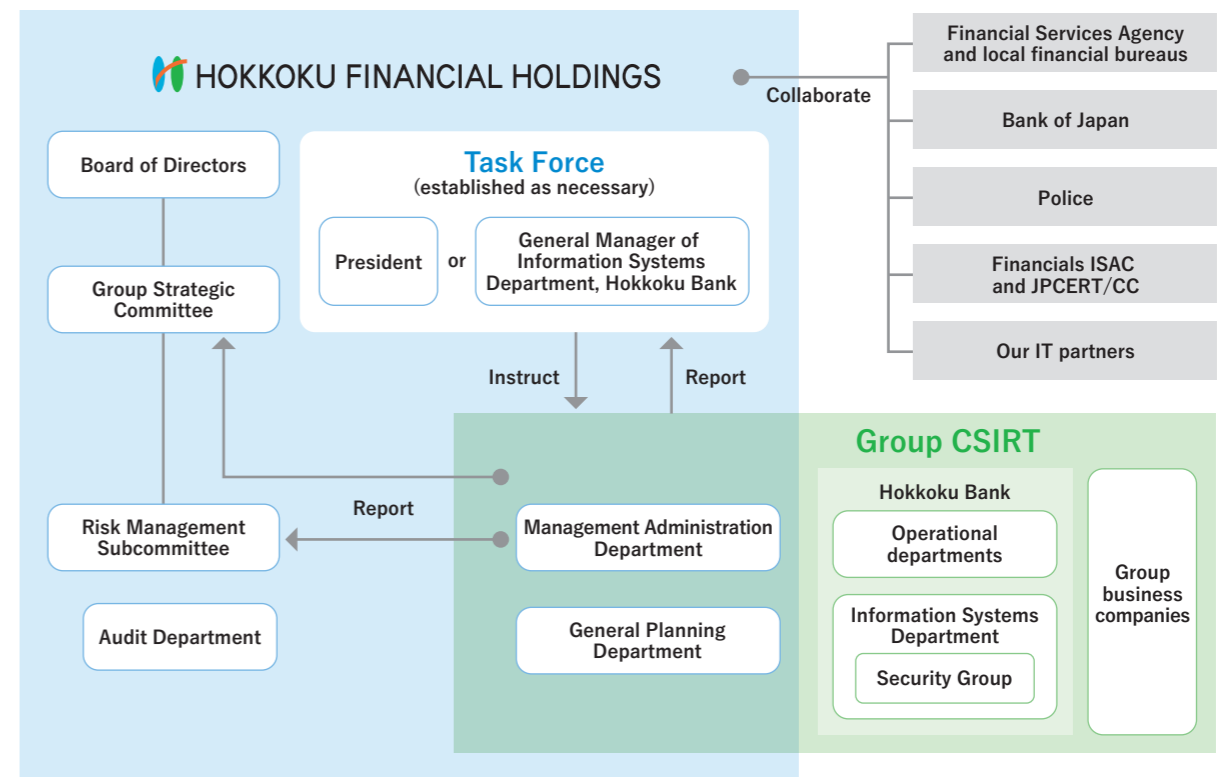


Approach to other financial institutions

The use of digital technology is indispensable to the fulfillment of our corporate philosophy and brand philosophy. Since our system strategy is an important roadmap in this journey, we update it annually to keep it in line with the constantly changing world and our company's state of affairs.

Many regions in Japan share the same conditions and are equally aware of the issues at hand. The challenges are certainly not limited to Hokuriku, where we are based. Regional financial institutions that lead their respective localities are expected to take the initiative in resolving regional issues.

To raise the quality of each region, we hope to collaborate with financial institutions that share the same values, providing our digital solutions and exchanging human resources with a view to mutually enhancing corporate value.



# 7

## Initiatives for Human Capital-Oriented Management



### Aiming to develop human resources that can contribute to improving the quality of the region

#### Aki Yokogoshi

Managing Executive Officer, General Manager of Human Resource Development Department  
Hokkoku Financial Holdings, Inc.



#### When human capital-oriented management bears fruit

There were a number of welcome news items in the spring of 2023.

In February, we received the Human Capital Leaders 2022 award, being selected as one of the top 10 companies out of over 530 companies nationwide for our efforts in human capital-oriented management and information disclosure.

In March, following the certification of Hokkoku Bank in 2022, Hokkoku FHD was certified as a White 500 company under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program. As a result, we became widely known as a Group that values the physical and mental health of its employees.

Furthermore, around the same time, we received the Minister of Regional Revitalization award at the 13th “Companies that Deserve to be Valued the Most in Japan” Awards. This award recognized us as a company that valued its employees and their families, as well as its customers, the local community, and shareholders.

Over the past 20 years, we worked to improve our systems strategy and organizational capabilities, while reforming our sales strategy. Following these efforts, we finally embarked on measures for our people, a key endeavor, and introduced a career-based personnel system. The accolades we received were a testament to this endeavor bearing fruit, albeit gradually, and to its positive reception by people outside the Company.

The book, *Brushing Up Human Resources Energizes Companies and Local Communities*, published in August 2022, is the fourth book co-written by our employees. It gives the details on our performance evaluation and personnel system reforms, along with the background and the essentials that made our transformation possible. We used to receive many questions regarding these areas in the past. Today, we are receiving an increasing amount of feedback noting that the book well explained why Hokkoku was able to accomplish digital transformation (DX) and other advanced initiatives at such a rapid pace. We are delighted that our

efforts have become widely known and are contributing to the improvement of our organizational capabilities.

#### Business strategy and human resource development strategy

Needless to say, human resources is the most important factor in accomplishing our mission of becoming a “Quality Company, Good Company.” As we continue to update our business strategy on a daily basis, the level of resources we require becomes more sophisticated and specialized. Hokkoku FHD has updated its human resource development strategy in line with the business strategy, engaging in various initiatives aimed at developing talent who can contribute to improving the region’s quality (see p. 100, “Story of personnel system reforms”).

Corporate culture is an indispensable element for our employees to perform to the best of their abilities.

A flat organization where employees can thrive regardless of job level or age, and a corporate culture that ensures employee the psychological safety to engage in discussions freely have underpinned our endeavors in new businesses. As a result, Hokkoku FHD, once considered an overly cautious company, is now known for being an advanced and leading example of DX.

We have evolved from an organization of the Showa period (1926–1989) that valued a top-down and vertical culture to a flat and agile organization of the Reiwa period (2019 onward). We are expected to think on our own and reach answers based on the constant communication we engage in across teams and companies. As long as each employee embraces integrity and has abundant soft skills, the focus of our discussions is on “what was said” rather than “who said it.” This approach leads to more meaningful discussions, which serve as the driving force behind the Company’s ability to rapidly advance innovations.

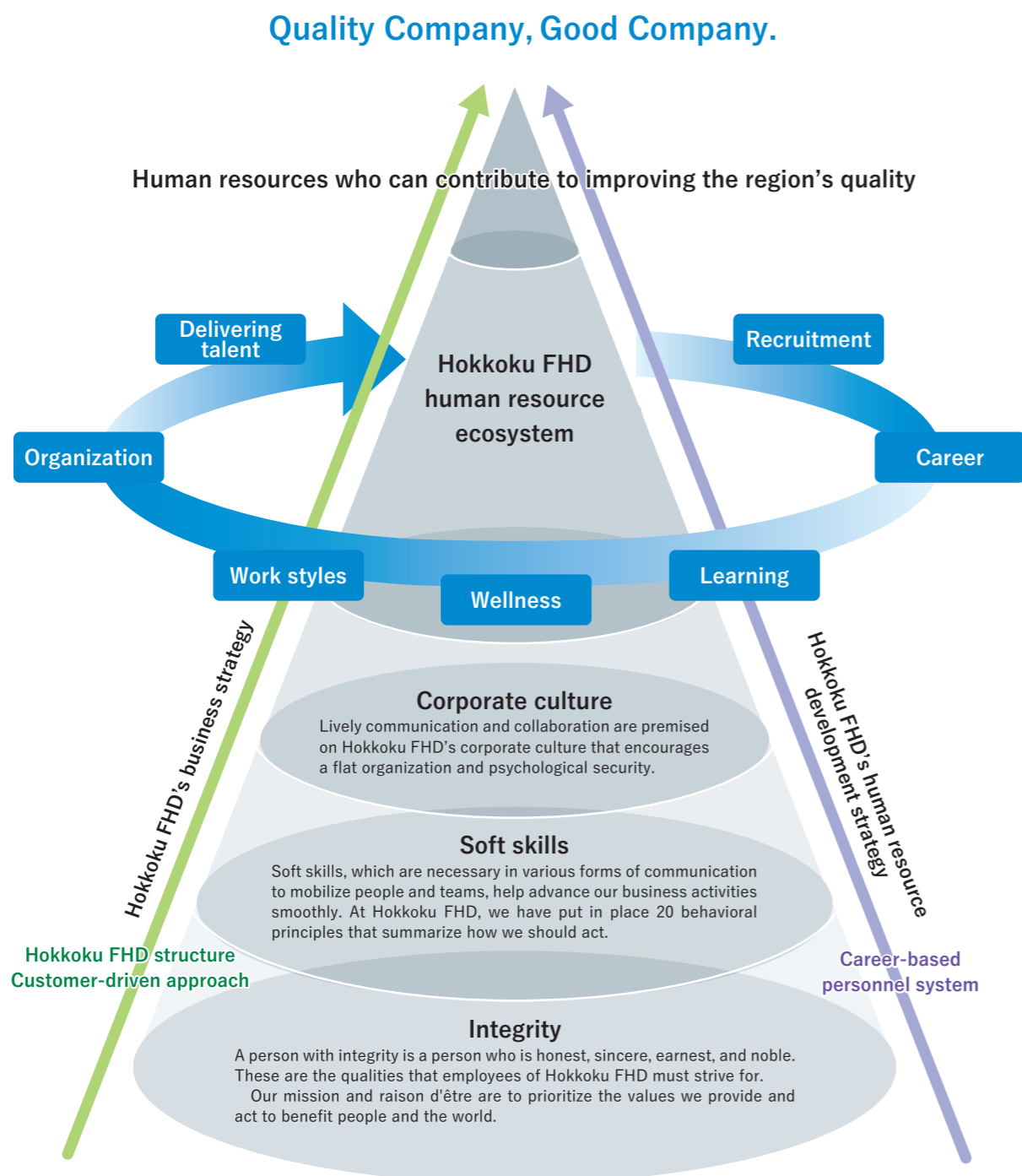
As we seek to improve the quality of the overall region, we have introduced a unique career-based personnel system and have put in motion a “human resource ecosystem” to nurture professional talent who share and can contribute to our mission.

## Hokkoku FHD's human resource ecosystem

We define our human resource ecosystem as a comprehensive framework for human resource development spanning recruitment to development and preparation for a second career after retirement.

Integrity forms the foundation of our human resource development strategy. In hiring and utilizing human resources, integrity becomes an indispensable element. Furthermore, personnel with the soft skills embodied in our 20 behavioral principles create a corporate culture rich in communication and collaboration. Only with this corporate culture can our human resource ecosystem work effectively.

The starting point of our human resource ecosystem is the recruitment of people with diverse values who have an affinity with our corporate philosophy and brand philosophy. As the people we hire tackle their own career plans, we provide them with opportunities for learning and help them maintain their physical and mental health (wellness). To enable more flexible work styles, we continue to update related systems with a view to creating a flat organization where everyone can thrive. As a result, those talent who have acquired various experience and skills at the Company take off as top executives of local companies to exert their strengths and improve the quality of the region.



## Hokkoku FHD's career-based personnel system

In March 2022, we updated our personnel system to a career-based personnel system.

In light of the changes in our social environment, we began discussions to update our personnel system from around 2018. This developed into a full-scale project in the spring of 2020. What kind of personnel system matches the rapidly changing times that pose no clear answer? What kind of human resource development should we pursue? We explored answers to these questions one by one and created a personnel system from scratch, rather than reworking the system at hand. During the creation process, we devoted attention to the framework for supporting each employee's career. This is a one-of-a-kind personnel system aimed at the efficient operation of our human resource ecosystem, the improvement of the region's quality, and the fulfillment of our philosophies.

### Reasons for upgrading the personnel system

In recent years, the social environment surrounding the Company has changed owing to the aging population and dwindling birthrate, as well as progress in digitalization and globalization. Corporate business models have also evolved. Against this backdrop, customer needs have also diversified and specialized. In the past, we were expected to perform traditional banking operations with accuracy and certainty. Today, we are expected to see the customer's business model from a bird's eye view and provide specialized support and other highly value-added services based on each customer's conditions. To address such needs, we had to move away from a traditional seniority-based organization and build one that could create innovations through the collaboration of diverse talent. We needed to create a system through which diverse personnel could hone their skills and exert their strengths to improve the region's quality.

#### Three key features of the career-based personnel system

- Career reviews to foster employees and encourage autonomous career development
- Wage determination based on dialogues focusing on roles and provided values
- Reform of retirement payment scheme to suit greater labor market fluidity

#### ● Career reviews to foster employees and encourage career independence

For an organization to grow in times of rapid changes, its employees' individual growth becomes important. Employees are expected to proactively think of their own career plans and use them to achieve personal growth.

In support of this, we have introduced career reviews, a mechanism for reviewing each employee's work (actions) to help them fulfill their expected roles in the Company and realize their career goals. We eliminated the conventional performance appraisal and personnel evaluation systems. Instead, we created a system that focuses on dialogues for growth and autonomous career development, rather than evaluating employees based on quantitative metrics.



#### ● Wage determination based on dialogues focusing on roles and provided values

Under the previous personnel system, we adopted a wage structure in which the concept of role-based grading was partially incorporated into the so-called ability-based grading system. However, we did away with the previous scheme and transitioned to a wage structure that focused on the four elements of skill, role, productivity, and level of contribution. Under the new framework, we determined final wages based on company-wide dialogue, collecting feedback from the leader (superior) in the employee's own department as well as leaders and related parties of other departments the employee had interactions with. Through this transition, we were able to eliminate the trace of seniority based on length of service prevalent in the ability-based grading system, and moved closer to a wage system that is based on roles and the values provided.



#### ● Reform of retirement payment scheme to suit greater labor market fluidity

Under the previous personnel system, the trace of length-of-service-based seniority stood out even more in the lump-sum retirement payment scheme than in the wage structure. Today, resources are moving with greater fluidity, and to attract talent with diverse backgrounds, we had to fundamentally change the system.

In line with the elimination of length-of-service-based seniority from wage determination, we made a bold amendment to add a certain percentage of the retirement payment (originally slated for lump-sum payment) to monthly wages. Since wages no longer reflect seniority based on length of service, this aspect also holds true for the portion of retirement payment added onto monthly wages. This has enabled us to put in place a wage structure in which mid-career hires can play an active role without being disadvantaged by their shorter service years. In this way, we were able to lay the groundwork for welcoming diverse talent.

We named the portion added to the monthly wages "career support incentives." By contributing the sum to a defined contribution pension plan, employees can now prepare for their future life plans or invest in various learning opportunities for themselves. The framework has truly transformed into one that supports the career of each employee.

# Recruitment

We seek to broaden our scope of collaboration and create innovation by hiring people who can have an affinity with our corporate and brand philosophies.

We do not necessarily depend on new graduate hires. Instead, we consciously focus on mid-career hires based on the belief that diverse backgrounds can be a force that drives innovation.

Ideal candidates for the Company are those who possess integrity and firmly relate to our corporate and brand philosophies. In other words, we are looking for teammates who share our aspirations and will work together with us for the betterment of society and people's lives. It is also important for them to be true professionals with the expertise and visionary thinking to contribute to the enhancement of the region's quality, and with the persistence to consistently hone their skills toward the creation of new values.

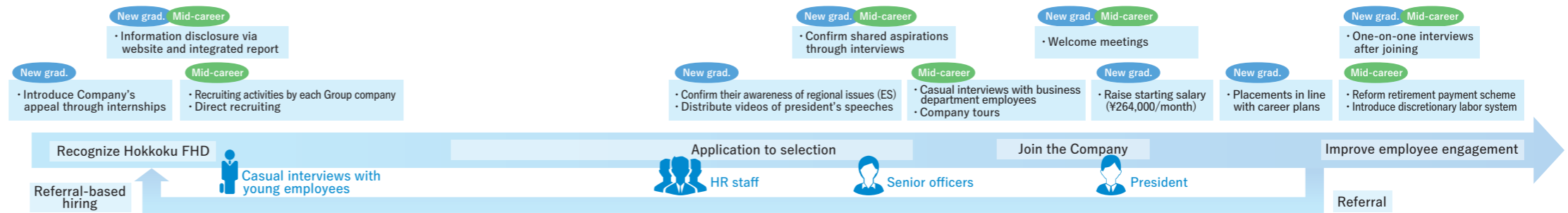


## Story of Recruitment



## Establishing various contact points during the hiring process

During the process from application to selection and joining the Company, we aim to establish multiple touchpoints between the candidates and our people, including our president, to confirm whether the candidates truly have an affinity with our corporate and brand philosophies, or said differently, share our aspirations. Through this effort, we ensure that the candidates remain highly motivated and perform to the best of their abilities after joining the Company.



## Hosting welcome meetings

Instead of holding a traditional entrance ceremony, in April 2022, we began hosting welcome meetings, which allow new hires of each group and our president to communicate interactively in an informal atmosphere.

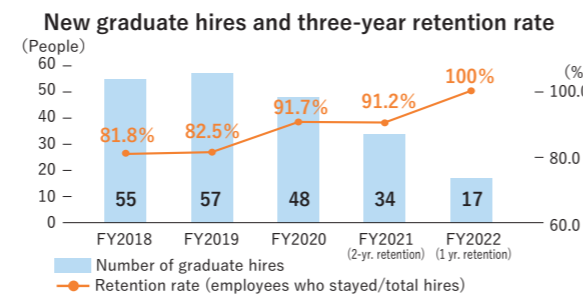
The welcome meetings have taken root as an opportunity for new hires to engage in dialogue and deepen their understanding of the Group's goals and strategic objectives.



Welcome meetings with new graduate hires (top photo; April 2023) and with mid-career hires (bottom photo; May 2023)

## Placements in line with career plans

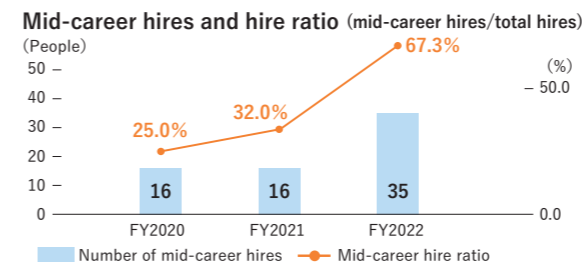
In line with the career-based personnel system, which enables employees to map out their own careers, in 2022, we introduced an initiative to assign new graduate hires to jobs of their choice after having dialogues with them. As a result, new graduate hires in 2022 showed high engagement with a one-year retention rate of 100%.



## Introduction of career-based personnel system

Amid increasing labor market fluidity, we have changed our retirement payment scheme, introduced a system to determine wages based on dialogue (eliminate length-of-service-based seniority), and put in place an environment where employees of diverse backgrounds can take on active roles without being disadvantaged by their shorter service years.

In terms of job categories, we are receiving many applications from people in the systems, consulting, and design fields, and a diverse group of talent continues to join our team with a view to enhancing the region's quality. We make a conscious effort to achieve a mid-career hire ratio of at least 50%.



## Introduction of discretionary labor system for specialized work

When Hokkoku FHD shifted to the career-based personnel system in March 2022, it made the rules of employment and compensation systems uniform throughout the Group.

Additionally, some Group companies have adopted the so-called discretionary labor system for specialized work to attract specialist talent with advanced skills. The intent is to have in place a flexible hiring structure that meets the work styles, compensation schemes, and other needs of the desired candidates.

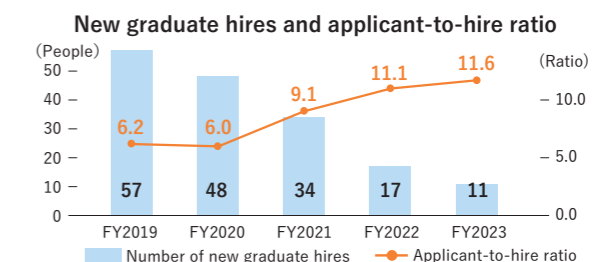
## Efforts in the selection phase

In recruiting new graduates with abundant potential, we emphasize whether what the candidate wants to accomplish through work matches the corporate and brand philosophies of Hokkoku FHD, and whether we share the same aspirations.

We check candidates' aspirations from different angles as we go through the application sheets and conduct interviews. We want to meet students who consider regional issues as their own personal matters and are keen to confront such issues. Hiring new graduates is a long-term investment for us. Since they are the source of our future creativity, we also place importance on their attitude and willingness to continue learning.

## Increasing contact points with students

The applicant-to-hire ratio serves as a metric to assess the Company's recognition. Our applicant-to-hire ratio for new graduate hires has been on the rise in recent years, but according to our analysis, the figure reflects both the declining number of hires and the lack of interest in regional financial institutions on the part of students. We plan to further promote Hokkoku FHD's appeal as a company where employees can participate in projects that transcend the traditional banking framework.



### To the job of my choice in the Audit Department following department presentations

**Shuto Okada** (joined in 2022)  
 Audit Department, Hokkoku FHD



I decided to join Hokkoku FHD, thinking that it would most allow me to contribute to the progress of the region where I was born and raised.

During the training period, the Company held department presentations to explain the operations of each Group company and department. This opportunity gave me a good idea of the actual work involved.

The Audit Department was my first choice for the

assignment because, considering my future career, I wanted to see with my own eyes the resources Hokkoku FHD had to offer in its entirety.

I had thought that all new graduate hires would be assigned to corporate sales (Corporate Banking Department of Hokkoku Bank), so I was very surprised when I found out that the Company accepted my wishes and assigned me to the Audit Department.

As I lack work experience, I need to make continuous efforts to hone my skills. That said, I am very satisfied with my work and sense that I am growing every day.

In the future, I hope to use my experience in the Audit Department and work to improve the corporate value of our customers. By doing so, I would like to contribute to the sustainable growth of our region.

# Careers

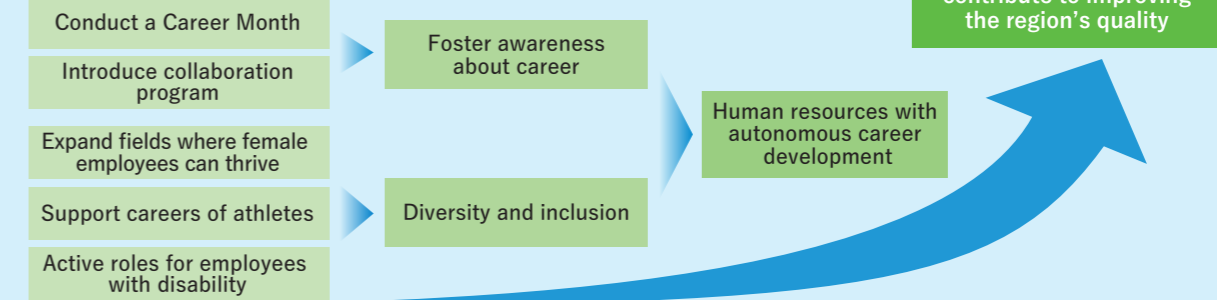
The coming era is one that focuses on individual careers. In times of dramatic changes, there is no one right career. People are expected to come to grips with their own careers, constantly keeping them in thought. At Hokkoku FHD, we value each employee's wish to explore areas of interest, and do not take the lead in deciding the career direction. Instead, we seek to provide support by working alongside our employees in their career development efforts.

We also believe that progress in the career development of diverse resources maximizes the energy generated in collaborations. As such, we are also working to support career development from the perspectives of female empowerment, active roles for athletes, and active roles for people with disabilities.

By supporting career development, we hope to motivate our employees, generate high engagement, and contribute to the betterment of our local community.



## Story of Career



## Employees' autonomous career development

For an organization to grow amid changes in the social environment and the diversification and specialization of customer needs, it is necessary to develop professionals who can contribute to improving the quality of the region. To accomplish this task, we believe that employees must design their own career plans and work toward fulfilling their visions proactively and with great enthusiasm.

There is more than one career direction, and there is no one right answer. If we liken careers to a mountain, each person's choice of which mountain to climb (high, low, or steep), the route to the summit, the speed of the climb, and necessary preparations will differ considerably based on the person's values and perspectives. Likewise, we hope to see all our employees constantly explore their goals and answers, make their own decisions, and take the initiative in developing their own careers. Through such efforts, we believe the Company can become an innovative organization rich in diversity and creativity.

For employees to develop their own careers, we find it important to help them understand themselves, understand their work, and have opportunities to communicate with a wide variety of people. To this end, we are working to establish various systems and introduce new initiatives.

Moving forward, we will continue to support our employees so that they can choose their own careers, proactively make efforts in their career journeys, and achieve personal growth along the way.



## One-on-one interviews with all employees

As the first step toward autonomous career development, in 2019, we began conducting one-on-one interviews with all employees, thinking that it was important for them to first understand themselves and to learn how to make the most of who they are.

According to our records, we conducted over 42,000 one-on-one interviews in FY2022. Our efforts in promoting autonomous career development for each and every employee are taking root.

One-on-one interviews are regular meetings between leaders and members, conducted at least once a month. In these meetings, it is important to give members an opportunity for discovery. We see these meetings as opportunities for members to understand their own interests, thoughts, and values. Accordingly, we provide support so members can learn about themselves, envision their own goals and aspirations, and take action to accomplish them.

## Career visualization via My Career, an in-house-developed HRM system

To foster our resources and promote autonomous career development, in February 2021, we introduced "My Career," an HRM system developed in-house. My Career allows us to consolidate and visualize various information, including employee profiles, skills, career plans, and work experience. Since everyone can look at their colleagues' career plans and their efforts toward achieving them, the system greatly stimulates our employees. Also, information on individual departments and the required skill sets, as well as hints on self-development, are posted on My Career, and it serves as a tool for our employees to contemplate their career moves.



## Career Month

To provide regular opportunities for our employees to give serious thought to their careers, we hosted our first Career Month in November 2022, designating it as a period to think and act on career issues in a focused manner. During the month, we offered career design training and disseminated career-related information. Our second Career Month, held in May 2023, featured career-related roundtable talks and tailor-made career interviews where employees could have a one-on-one meeting with anyone in the Company.

## Career design training

We held career design training sessions to provide an opportunity for employees to give serious thought to their careers and map out their career plans proactively and strategically. In this training, attended by about 130 employees, the participants reviewed their own careers to date and took part in group discussions with other employees with whom they have little interaction in their regular jobs. Many participants commented that the training gave them a fresh opportunity to reflect on their past and see their own progress and growth. They also said that in the group discussions, they heard the ideas of people from different departments and age groups and were exposed to perspectives different from their own. We will continue to foster career awareness and nurture personnel who can drive their own careers.

## Tailor-made career interviews

We provided opportunities for one-on-one meetings between our employees, calling them tailor-made career interviews, so that our employees can learn about Hokkoku FHD's wide range of business operations and gain hints for their own career plans.

Based on an application system, a sales department employee, for instance, could have an interview with a systems department employee, or a regular employee could have an interview with managers in other departments. In such a way, these meetings provided an effective opportunity for dialogue between employees in different positions and roles.

Gaining diverse knowledge on other employees' values, experiences, skills, and job areas has motivated our people to envision their own careers and take the first step toward the achievement of career goals.

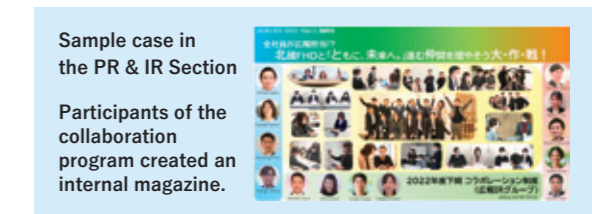
## Collaboration program

To support employees' careers and encourage them to test their own potential, we have introduced what we call a collaboration program through which employees can take on side jobs within the Company. Since the launch of this program in October 2020, a total of 526 employees have taken on side jobs in 47 projects.

Of this number, 15 participants have moved to the departments where they engaged in side jobs via the collaboration program and started their new careers.

The program serves as a good stimulus for the departments accepting applicants for side jobs as well, because it helps generate concepts and ideas that cannot be created by the departments' own staff alone.

We plan to regularly implement this program to help employees grow and accomplish their career plans, and to contribute to active discussions and innovations within the organization by encouraging collaboration of diverse talent.



## Career support team

In May 2021, we established a career support team to support our employees' autonomous career development through the professional perspectives of career counselors. We have put in place a system that enables career counseling with qualified career counselors within the Company, providing employees with opportunities to receive advice on career-related worries and concerns from a third-person point of view.

The career support team uses dialogue to extract information on the counselees' interests and concerns, encourages self-reflection, and works alongside the counselees so that they can envision their career goals and take action.

Through this initiative, we support our employees in their individual endeavors to live actively, being satisfied with their work and private lives, and to pursue their vision with enthusiasm.

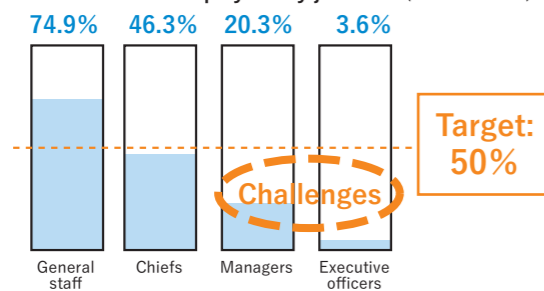
## Expanding fields where female employees can thrive

Bringing together people of diverse values and perspectives gives rise to multifaceted and creative ideas that lead to innovations. We support women's empowerment so motivated employees can perform to the best of their abilities regardless of gender. We will contribute to value enhancement by allowing everyone to maximize their potential and thrive, maintaining a balance between work and personal life without putting careers on hold even during childbirth and other important life events.

The percentage of female chiefs in management roles as leaders has reached 46.3%, accounting for nearly half of the total, reflecting a year-by-year increase in women taking active roles within the Company. The ratio of female managers stood at 20.3%, which is less than half of the total, but still an 11.1% uptick from five years ago. This also indicates a steady increase in fields where female employees can thrive. Meanwhile, there were only two female executive officers (3.6% of the total) as of March 2023, and we understand this to be an issue to be addressed going forward in the area of female empowerment.

We believe a greater representation of women taking on active roles and a diverse workforce lead to innovation. Accordingly, we intend to increase the number of female employees involved in decision-making within the organization, and continue to promote their growth into professionals equipped with a management perspective. We will not limit the scope of opportunities for motivated and ambitious women, and instead provide them the necessary support to take on career-oriented challenges and gain diverse experiences.

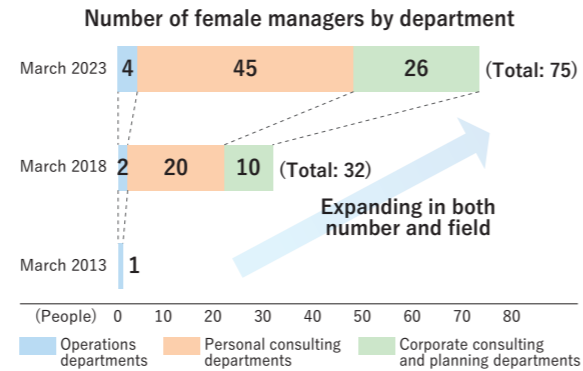
Ratio of female employees by job level (March 2023)



## Female managers active in diverse job areas

In addition to job levels, diversity in job areas is another important factor for female empowerment in the workplace. We had our first female manager in April 2012, and today, the number has increased to 75. The scope of job fields in which our female managers take on active roles has expanded, starting with the operations departments, and moving into the personal and corporate consulting departments, as well as project planning departments. That said, we feel that the relatively high concentration of female managers in the traditional banking and personal consulting space remains an issue.

To increase the ratio of female executive officers (management talent), a challenging endeavor, we see the need to create opportunities in the project planning departments that are considered to be closer to management, and we hope to achieve this through resource placements going forward.



## Training to develop soft skills

We conducted soft skills development training because many female employees face challenges in soft skills, including those in communication, facilitation, and logical thinking.

Some 66 participants, mostly female managers, engaged in a curriculum designed to improve communication and facilitation abilities, as well as the ability to resolve problems based on hypothesis-based verification and logical thinking. The knowledge acquired through the training has been applied to developing team strategies, contributing to team management.

## Aiming to become a top executive or entrepreneur thanks to an opportunity for learning

### Fumiha Araki

Accounting and Administration Department, BPO Management, Ltd.

When I became a group leader, which is a management position, I began carrying a vague sense of anxiety toward my future career. At that time, I came across an internal posting regarding enrolment in a graduate school (MBA program), and decided to apply, hoping to systematically learn about management.

Attending graduate school while raising a child was a major challenge, but with the support of my family, I am looking to graduate next spring.

There is a virtuous cycle of input and output as I put the knowledge I gained at school into practice. The most rewarding aspect of my MBA experience has been the exposure to diverse perspectives and values through discussions with my classmates outside the Company. Such exposure has widened my viewpoint.

I have also listened to the stories of top executives who are professionals in corporate revitalization, and schoolmates who plan to start up their own businesses. These opportunities have brought me closer to the possibility of becoming a top executive or an entrepreneur and I began envisioning this path as my career plan. Currently, I am making efforts to exhibit ownership in a side job involving social contribution activities. Within the Company as well, I hope to show ownership and entrepreneurship and become a leader capable of providing value to society.

## Supporting the careers of athletes

Hokkoku FHD is home to a handball team called Hokkoku Bank Honey Bee, which has won the Japan Handball League title for nine consecutive seasons. The players work in the office during the daytime and spend time on the handball court during the evenings, serving as both business people and athletes. To ensure a smooth transition following their retirement as athletes, we support their career development as business people.

## Athlete engineer—from aspiration to reality

### Yuki Yoshidome

Information Systems Department, Hokkoku Bank Hokkoku Bank Honey Bee #17



### Q1. Why did you want to work in the Information Systems Department?

When I was considering job options in the office, I was attracted to the word "athlete engineer." It sounded interesting and I genuinely wanted to give it a try. When faced with making a choice, I have always chosen what sparked joy. I had great expectation in exploring uncharted waters and applied for a position in the Information Systems Department.

### Q2. What does your job in the Information Systems Department entail?

During the first year after being placed in the department, I was enrolled in an engineer development curriculum created for athletes. I started with simple training tasks, writing some programming codes and displaying and adjusting images, while also learning the basic knowledge required for systems work. As the next step, I created a travel website, and as the final project, I developed my own web system. As the curriculum progressed, I came across programming languages that I had never seen before, and struggled to understand their meanings and functions. I had zero knowledge of systems when I started, but by the end of the curriculum, I felt confident that I had acquired the skills and perspective on an engineer.

### Q3. How do you envision your future career?



I have been playing handball for 14 years, devoting more than half of my life to the game. Therefore, my original wish was to become a teacher and teach handball after retiring as an athlete, but now, I am also considering a future as an engineer. Becoming a teacher had been my only choice in the past, but after joining the Company, I was introduced to systems work and was able to discover new potential within myself as I continued my studies to work as an engineer. Moving forward, I would like to utilize my strong communication skills and grow further as an employee of Hokkoku FHD.

## Active roles for employees with disabilities

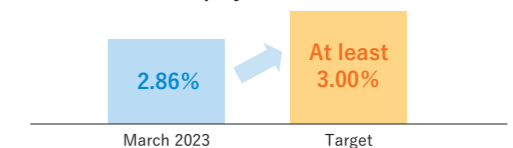
We have in place an environment where both people with and without disabilities can take on active roles in the workplace together, and where employees with diverse traits can work in a manner that suits their individual aptitudes.

We do not consider disability as a handicap, and seek to support people with disabilities from recruitment to empowerment in the workplace, based on our employment policy for people with disabilities.

### Employment policy for people with disabilities

- **Promoting employment of people with disabilities and diversifying human resources**  
Build structure that accepts diverse values by promoting employment of people with disabilities and diversifying human resources
- **Addressing the individuality of people with disabilities**  
Develop a rewarding work environment that allows people with disabilities to work in a manner that suits their individual aptitudes.
- **Understanding and spreading employment of people with disabilities**  
Build an organization that regards disability as a uniqueness, recognizes people with disabilities individually, and provides opportunities for them to thrive

Ratio of employees with disabilities



## Making full use of an environment where anyone can take on challenges

### Hiroki Uzuhashi

Operations Department, Hokkoku Bank

I decided to join Hokkoku FHD because many people with disabilities worked at the Company, as it offered physical accessibility, such as barrier-free facilities, as well as understanding and consideration for people with disabilities.

After joining, I was assigned to the operations center that oversees Hokkoku Bank's administrative operations. There, I handle administrative work associated with loans for individual customers, taking care of the series of tasks from checking customers' application details for various loans to wiring the funds. I had no prior work experience at a financial institution, so I became confused at times during the first few months. However, thanks to my colleagues' kind and thorough support, I became accustomed to the job and now find it enjoyable and fulfilling.

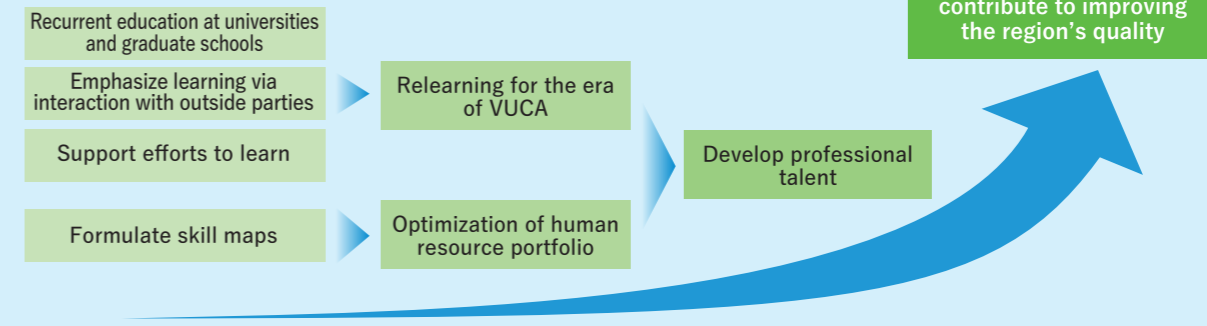
In addition to banking, Hokkoku FHD has Group companies in a variety of fields and offers a wide range of services. In the future, I hope to build on the skills I have cultivated to date and explore various job areas, stepping up my efforts so that I can contribute to the local community.

# Learning

Learning is an essential factor in creating human resources who can contribute to improving the region's quality. Hokkoku FHD offers its employees a place for learning based on the career plan designed by each individual. We emphasize learning that match the era of volatility, uncertainty, complexity, and ambiguity (VUCA), moving away from being overly focused on the banking business. We also actively encourage interaction with outside parties. In addition, we support employees who take on recurrent education proactively, and more than 30 employees are currently engaged in relearning at universities and graduate schools. What they learn is shared and accumulated within our organization as collective knowledge, which leads to innovations. In 2022, we launched an initiative to achieve a more sophisticated level of skill visualization, which would allow us to know where and what kind of skilled personnel exists within the Company. We plan to use this information to optimize our personnel portfolio in line with our business strategies and develop our human resources strategically.



## Story of Learning



## Development of professional talent

Human resources who can contribute to improving the region's quality: Hokkoku FHD defines such talent as professional talent, and positions it as a goal for its employees.

Said differently, professional talent is a person who possesses the knowledge and experience to generate new values in the region, and can continue to learn so that such knowledge can be updated to match the times.

In our definition, learning comes with the keyword "autonomous." We encourage our employees to engage in learning on their own initiative rather than being urged to do so by the Company.

## Recurrent education at universities and graduate schools

We believe that the typical skillsets required in banking operations are not enough to develop employees who are highly marketable in society and can be sent out to the local community as management talent. In fact, these individuals will need to obtain a wide range of skills. At Hokkoku FHD, we focus on developing talent fit for the VUCA era by expanding the field of learning to universities and graduate schools (MBA programs) as well.

Learning at universities and graduate schools is diverse, spanning themes from management strategy, marketing, and business plans, to leadership, allowing our employees to obtain a wide range of skills.

Our employees also have opportunities to output the results of their learning, through giving a presentation on the business plan they worked on in their graduation research and other projects. At times, the Company gets ideas for new business development from these presentations, so these initiatives lead to innovation and the sharing of learning within the organization.

### Number of employees currently enrolled in or have completed university or graduate school (MBA) programs

	Currently enrolled	Completed
March 2021	13	0
March 2022	22	5
March 2023	22	11

## Graduate study that helps career development

### Hideaki Yabuno

Executive Officer and General Manager of Life Planning Department, Hokkoku Bank  
Director and Executive Officer, FDALco, Ltd.  
(Completed an MBA program in March 2022)



It was incredibly difficult to balance my MBA studies with work and family life. Still, the input and output of knowledge and the deep analysis and reflection I continued during the program allowed me to grow, and the experience was very meaningful to my career design, so I am very happy that I took on this challenge. The MBA education gave me the ability to see things from a bird's eye view and grasp the essence, instead of being trapped in the details. This skill has proven extremely valuable in my current position. I can confidently recommend this learning experience to my colleagues. Additionally, the Company's tuition subsidy\* program pushed my back to pursue education, and I am deeply grateful for the wonderful initiative.

\*Tuition subsidy: The Company subsidizes two-thirds of the graduate school tuition (over ¥2.0 mn)

## Learning that focuses on interaction with outside parties

To become marketable, a person must have business skills that are applicable anywhere. We actively utilize external content so that our employees can acquire such business skills. We seek to achieve innovation by giving our employees the business skills needed for value provision within and outside the Company, such as the ability to build ideas and derive answers.

We also believe that these types of business skills are mostly obtainable through interaction with people outside the Company. Such external learning is likened to "matches between different schools." Our employees acquire knowledge and also gain the ability to put things into practice by repeatedly engaging in discussions with and providing output to outside parties.

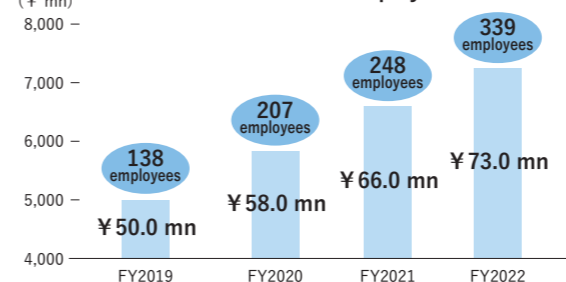
The personal networks developed through these interactions continue on even after the learning sessions, allowing our employees to remain inspired by talent across a variety of industries.

## Supporting efforts to learn

### Partial subsidies for the cost of learning

We have been able to secure the time for learning by reducing overtime through improved productivity. To develop professional talent, we also have in place a partial subsidy program. Under this program, the Company subsidizes around half to two-thirds of the tuition for proactive learning efforts, including the acquisition of difficult qualifications and participation in external learning opportunities. The remaining portion is covered by the employee. We believe that an appropriate financial burden on the individual will engender a more proactive stance toward learning and result in greater success.

### Total human resource development expenses\* and number of assisted employees



\*Total human resource development expenses: Total subsidies for the cost of learning and fees

## Open application-based and portable skills-oriented training

Since we emphasize self-driven learning, in principle, we post training opportunities publicly and expect our employees to apply on their own. By having them proactively choose what to learn, we encourage learning that is in line with the achievement of individual career plans.

Examples of Hokkoku FHD's training include sessions to acquire problem-solving skills or to understand and practice DevOps to improve team performance. Furthermore, in addition to acquiring portable skills, we believe that studying liberal arts such as social sciences and humanities can improve one's free thinking and actions concerning business management and organizations. Accordingly, these disciplines are also included in our training lineup.

## Establishment of skill maps

Needless to say, portable skills are important. However, to develop professional talent, it is also important to improve the hard skills that directly impact one's work.

Hokkoku FHD has established a system called skill maps that clearly indicate the hard skills required in a particular job area. In this system, an employee's hard skill levels, for instance, in corporate consulting, personal consulting, or digital/IT are determined based on the two axes of knowledge and the ability to put the skills into practice.

Skill maps give a clear image of the required skills vis-à-vis the career plans of individuals, so based on this information, employees can find out exactly what they need to learn.

From the Company's perspective, the system can be used to optimally align the human resource portfolio with management strategies or to plan personnel development strategies.

Since the system has only been in operation for a short period, the current scope of skill maps is limited to only certain business areas, but we intend to gradually expand the coverage to optimize our human resource portfolio and implement strategic personnel development.

## Status of learning activities

At Hokkoku FHD, each employee proactively engages in learning to fulfill their career plans.

A study conducted in January 2023 showed that roughly 85% of employees took part in learning activities in their areas of interest. For us to contribute to the improvement of the region's quality, learning is essential. Moving forward, we will press on with our efforts to strengthen learning activities for our employees in terms of both quality and volume.

### Status of learning activities (people)

January 2023 survey with 1,634 participants (multiple answers accepted)

Obtained qualification	728
Took courses	628
Engaged in reading	931
Other	261
None	239

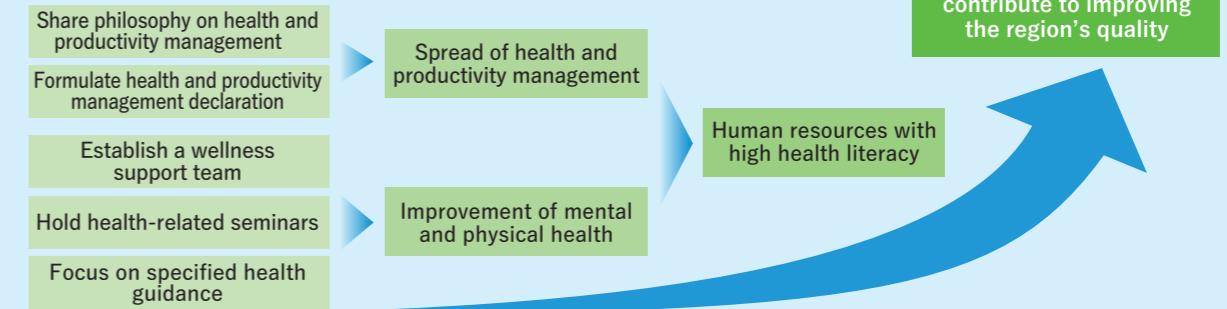
# Wellness

For our employees to perform to the best of their abilities as people serving the region, they must be healthy in both mind and body. To achieve this, the Company, including the management team, the Hokkoku FHD Health Insurance Association, and the Hokkoku FHD Employees' Union have been working together closely to spread awareness on the importance of good health, encourage work-life balance, prevent illness, and improve the Company's work environment. In the spring of 2023, we bolstered the staffing of specialists and created a wellness support team to accelerate our efforts toward ensuring the mental and physical health of our employees.

We intend to ultimately upgrade our health-related initiatives into activities that promote good health for the entire region. We will improve health literacy in the region and achieve evolution in the maintenance and promotion of good health.



## Story of Wellness



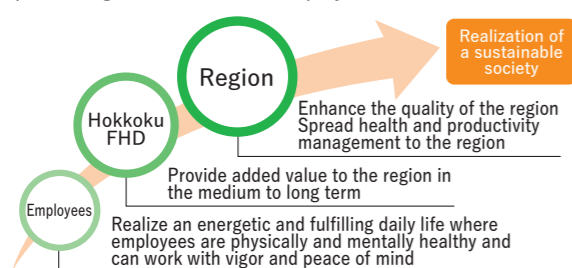
## Sharing of health and productivity management philosophy

Hokkoku FHD views the health of its employees from a management perspective. By investing in employee health, it seeks to maximize the organization's performance, improve the region's quality, and ultimately accomplish a sustainable society. To this end, the Company promotes health and productivity management.

The achievement of health and productivity management leads to improved corporate value, starting with the good health of our employees. It is one of our priority measures tied to our business strategy.

As such, health and productivity management is included in the discussion agenda for the Board of Directors and other management-level meeting bodies to clearly establish the involvement of our management. At the same time, we focus on initiatives that encourage employee participation, including the walk campaign held regularly.

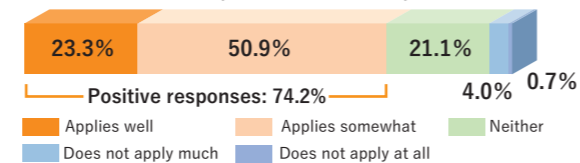
Our group-wide approach has resulted in the sharing of health and productivity management philosophy within the organization. Initiatives in this area are viewed as a growth strategy to achieve the Company's goals beyond simply protecting the health of its employees.



According to an in-house survey conducted to evaluate the penetration of health and productivity management within the Company, 74.2% of the respondents gave a positive response to the statement, "the Company cares about employee health." Including the neutral responses ("neither"), over 95% of the respondents showed a certain level of understanding of the Company's efforts toward employee health.

We will continue our efforts and announcements regarding health and productivity management so that the number of employees giving negative responses can be reduced to as close to zero as possible. We believe that this PDCA cycle will enhance the proactiveness of our employees who are central to this effort and lead to a more effective implementation of health and productivity management.

Responses as to whether the statement, "the Company cares about employees' health," applies to Hokkoku FHD (January 2023 internal survey)



## Formulation of health and productivity management declaration

We formulated the Hokkoku FHD health and productivity management declaration, and have disclosed the correlation between health and productivity management and our corporate philosophy, brand philosophy, and vision, as well as on the policies we pursue. The declaration is meant to clearly demonstrate our stance and show our commitment toward health and productivity management, both internally and externally. It serves as the foundation of our efforts in health and productivity management.

### Hokkoku FHD's health and productivity management declaration

Hokkoku FHD hereby declares that it will promote health and productivity management under the belief that employee health is the key driver of actions to enrich the lives of individuals and the society at large, as per the corporate philosophy of "trust—a bridge to a fruitful regional future."

#### Vision

To contribute to improving the region's quality as a next-generation integrated regional company by operating businesses in a wide variety of fields and from a customer-centric perspective

#### Action policy

- 1. Provide active support for the maintenance and promotion of good health**  
We will commit to the achievement of health and productivity management and drive forward the maintenance and further improvement of employee health through collaboration with the health insurance association and employees' union.
- 2. Create a comfortable work environment**  
We will strive to create a work environment that is rewarding both professionally and personally, by helping employees achieve a harmonious work-life balance.
- 3. Promote awareness of health and productivity management**  
We will spread the significance of health and productivity management among our employees and implement various initiatives to support them in their efforts to be physically and mentally healthy.

## Establishment of a wellness support team

Specialists including public health nurses, nutritionists, mental health workers, and industrial counselors are regularly stationed at the Company. Gathering these specialists, we have established the wellness support team, which collaborates with the Human Resource Development Department, and our health insurance association and employees' union. The team holds regular meetings on employee health and drives the PDCA cycle to promote health and productivity management.

The team also works closely with industrial physicians and commissioned mental health doctors. The collaboration allows it to provide more specialized support for the mental and physical health of our employees, even in a work environment that is becoming increasingly diverse and complex.



## Offering health seminars

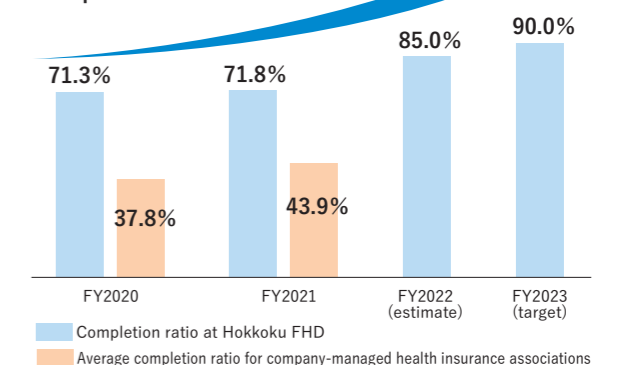
To encourage our employees to proactively engage in health and productivity management, we plan health seminars regularly hosted by our health insurance association and employees' union. In FY2022, 11 seminars were held, covering various themes from periodontal diseases and lifestyle diseases to stress management. In recent years, we have used IT tools to conduct online seminars, which are also archived for later viewing. As this system allows our employees to take the seminars regardless of place or time, it has significantly contributed to raising employee health literacy.



## Focus on specialized health guidance

We focus on providing our employees with specialized health guidance through our in-house public health nurses and nutritionists. Through this guidance, we seek to promote daily health awareness and prevent our employees from serious illnesses by encouraging them to improve their lifestyles. We significantly raised the ratio of completed guidance by ensuring flexibility in terms of time and location through online sessions, among other means.

Ratio of specified health guidance completed



## A base for human capital-oriented management

Health and productivity management can be viewed as the foundation of our human capital-oriented management in the sense that it seeks to fulfill our corporate and brand philosophies through the betterment of employee health. In recent years, our philosophy, framework, and initiatives for health and productivity management have gained positive recognition, and for two consecutive years, we were certified as a White 500 company\*, which is an upper-level certification of the Health & Productivity Management Outstanding Organizations Recognition Program

\*Hokkoku Bank was certified in 2022 and Hokkoku FHD was certified in 2023





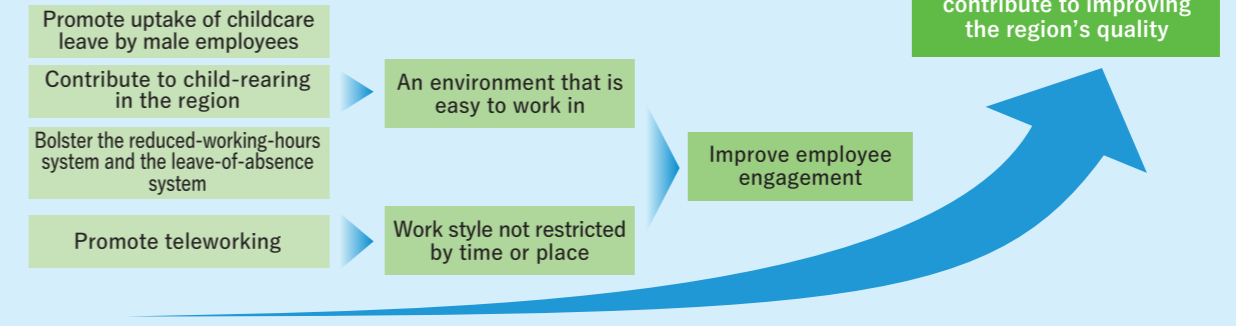
## Work styles

To be able to work without time and location constraints—this is a common wish among all our employees. At Hokkoku FHD, we utilize communication tools such as Microsoft Teams and groupware to achieve a paperless work environment with improved information transparency, laying the groundwork for work styles not constrained by time or location. We also believe that a comfortable workplace leads to an improvement in operational productivity and employee engagement. Accordingly, we listen to feedback from our employees and polish our in-house systems on an ongoing basis to offer more flexible and diverse work styles.

In March 2023, we established a childcare leave program for grandparents (dubbed the “grandpa and grandma” childcare leave). This marked the start of an initiative to support the child-rearing efforts of the overall region through our employees by encouraging parents and grandparents to take part in raising children.



### Story of Work styles

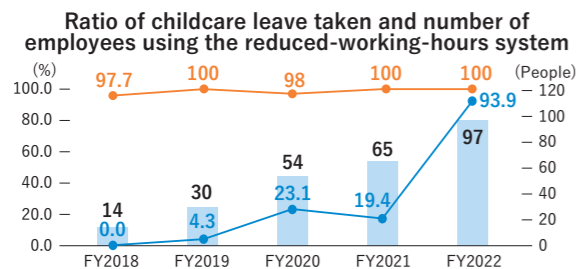


### Promoting uptake of childcare leave by male employees

We understand that low male participation in childcare is a social issue. Rather than having women take on the full responsibility, we encourage both spouses to take an active role in parenting. We believe that active male involvement in household chores and childcare within the family leads to good family relationships and also raises motivation at work.

We began actively encouraging our male employees to take childcare leave from around 2020. In March 2022, we expanded the special paid vacation period from the previous five days to 10. To promote uptake, the general manager of the Human Resource Development Department has been taking the lead in explaining the program details, including how to take the leave.

These efforts are steadily bearing fruit, and the percentage of men taking childcare leave rose to 93.9% in FY2022. We will continue to promote male participation in childcare, which remains a social issue.



\*Data through FY2019 reflect those who chose to reduce their working hours at the time their childcare leave ended.

■ Employees using the reduced-working-hours system  
● Childcare leave taken (female) ● Childcare leave taken (male)

### Contribution to child-rearing in the region

In March 2023, we introduced a childcare leave program for grandparents (dubbed the “grandpa and grandma” childcare leave), expanding the scope of our child-rearing support to include both parents and grandparents. This initiative allows us to support the child-rearing generation within and outside the Company, and contribute to the child-rearing efforts of the local community. The sense of fulfillment gained through child-rearing also has a positive impact on employee motivation and engagement. Since its introduction in March 2023, seven employees have already used the program, and we have received positive feedback, with both employees and their families expressing their delight.

### Utilized “grandpa and grandma” childcare leave together as grandparents

**Toshiyuki and Keiko Takenaka**

Personal Banking Department, Hokkoku Bank



The atmosphere in the Company toward taking childcare leave has improved dramatically compared to when we were of child-rearing age. We had hoped that proactively using the program would promote its uptake in the Company, so with the encouragement from our office, we decided to take the leave together.

While we gave our grandchild milk and changed diapers, our daughter was able to rest or go shopping, etc., so her burden was alleviated. We also enjoyed the time together with our grandchild as it brought back memories of the days when we were busy taking care of our twins. The program was well received by our daughter who said she was able to rely on us without any hesitation thanks to the system.

### Expansion of the reduced-working-hours system and the leave-of-absence system

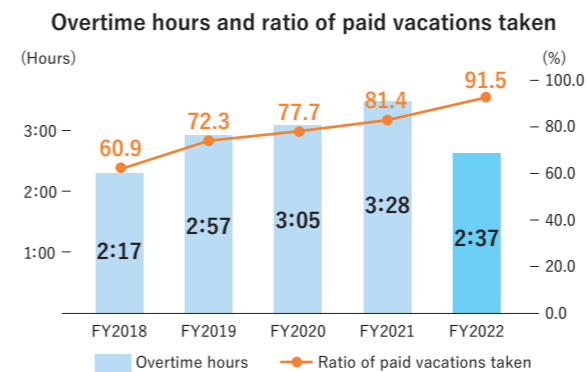
At Hokkoku FHD, we seek to create an environment that is easy to work in by providing work styles unrestricted by time or location. In March 2023, we bolstered our systems for reduced work hours, leave of absence, and long-term-care leave (beyond what is required by law) to make them more useful. Thanks to this initiative, we were able to provide work styles suited to each employee’s approach, create time for learning and experience within and outside the Company, and promote the conversion of part-timers to full-time employees.

#### Systemic changes made in March 2023

- Expanded options for the reduced-working-hours system (employees can now select the length of work hours between five to seven hours per day in 30-minute increments)
- Established a leave-of-absence system and a reduced-working-hours system that do not require a specific reason
- Extended the period during which long-term-care leave can be taken (one year ⇒ two years)
- Established the “grandpa and grandma” childcare leave

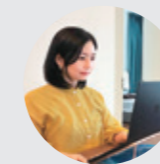
### Toward a more comfortable work environment

For many years, we implemented corporate culture reforms and pressed on with industry-leading IT investments and digitalization to ensure a better work environment for our employees. As a result, in FY2022, the average monthly overtime declined to two hours and 37 minutes, and the ratio of paid vacations taken reached 91.5%, marking a new record high.



### Promotion of teleworking

Teleworking and other flexible work styles have taken root at the Company. We have introduced hotdesking at our main office and our people also conduct online business negotiations and meetings actively. Our systems development company Digital Value has adopted fully remote working as a basic policy, and its engineers living across Japan and even overseas are thriving at work.



### Working fully remotely from Malaysia

**Miho Asao** Technology Department, Digital Value, Ltd.

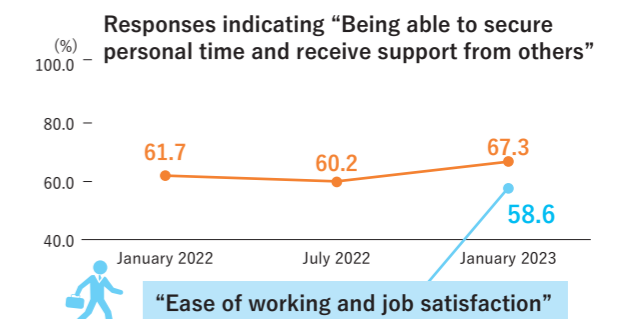
As a full-stack engineer at Digital Value, I design and develop business systems for Hokkoku Bank. At the timing of my daughter’s enrolment in junior high school, we moved to Malaysia for her education. Although I now work fully remotely, I work in much the same way as I used to in Japan, without feeling any inconvenience communicating with other members, as I can easily report progress and share information with the team. I am learning English now and my daughter is gaining diverse experience. I am very grateful for the work environment that allows me to work fully remotely from overseas.

### A comfortable work environment improves engagement

The establishment of a comfortable work environment, not restricted by time or location, improves employee engagement.

Since January 2022, we have implemented the eNPS survey to assess employee engagement. In another survey conducted together with the eNPS survey, we also inquire about the work environment. To the question, “Are you able to secure private time and receive support from others?” 67.3% of our employees gave positive responses in the January 2023 survey. This indicates that our employees appreciate their current situation to a certain extent.

In the January 2023 survey, we also added the question, “Does the Company provide ease of working and satisfaction?” to which 58.6% of our employees gave positive responses. This showed that we still needed some work in this area. Accordingly, we will continue to work toward ensuring further flexibility of work styles to improve employee engagement.



“Ease of working and job satisfaction”

# Organization

We believe that an organization that can contribute to improving the region's quality is one whose employees have a strong sense of ownership and are capable of fulfilling their roles. We felt the need for a transformation that involved everyone. Therefore, when we transitioned to a career-based personnel system in March 2022, we made the bold move of having all employees leave their respective companies at once to join Hokkoku FHD. In this way, we drastically changed employee mindsets literally in a new company.

For our employees to fulfill their roles, we must ensure a flat organization that provides psychological security. We are working to become a sound organization by advancing information visualization and implementing surveys to listen to the voices of our employees. We also seek to create an organization that is open and free of discrimination by establishing a human rights policy and conducting compliance training.



## Story of Organization



## Visualization of information using Teams

We believe that our employees' collective effort to improve the region's quality is premised on correcting internal information asymmetries and making information visible.

Hokkoku FHD utilizes Microsoft Teams, an online tool that is accessible to all, to conduct discussions openly, whether they are on strategic projects at individual departments or deliberations at management meetings. Ensuring information transparency leads to a common understanding of the Company's goals and strategic directions, enables cross-departmental collaboration, and establishes a direct link between each employee's performance and the organization's performance.

## Providing space to discuss openly using Microsoft Teams

### ▶ Message from the president

Space where the president personally shares with all employees the Company's direction and approach

### ▶ Management meetings accessible to all (excluding insider information)

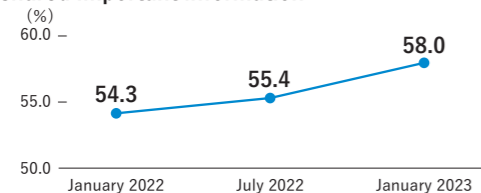
All employees can participate in and speak freely at the weekly management meeting



Online participation in a management meeting

In an in-house survey conducted together with the employee engagement survey, more than half of the employees responded that the Company shared important information with them in a reliable manner. This shows that we are being able to share information openly.

### Ratio of those who responded that the Company shared important information



## Frank discussions

We believe that a flat and psychologically secure work environment serves as the underpinning of innovation.

We have thus far implemented various measures aimed at transforming the corporate culture and employee mindsets. These included the elimination of quantitative sales targets (sales quotas) and enhancement of the physical environment (open workplace) beginning with the relocation of our main office.

Through these measures, we have created an open environment that emphasizes dialogue and accepts various opinions and comments, and a non-hierarchical workplace that ensures psychological safety and provides space for lively discussions.

Our employees engage in cross-departmental discussions on various measures and projects, and speak freely and openly using Microsoft Teams that is accessible to all.

In the in-house survey conducted in January 2023, 76.2% of our employees responded positively to the statement, "Leaders and members listen carefully to my opinions and ideas." This indicated that many of our employees considered our workplace organizationally flat and psychologically secure, which suggests that the environment is serving as a source of innovation.

## Human rights policy and LGBTQ

In March 2023, we established our human rights policy to promote a deeper understanding of diversity and to create an environment where everyone is respected. By clearly defining our approach to human rights, we hope to foster respect for human rights in our people's minds, and demonstrate leadership in achieving a regional society that respects human rights.

Particularly with regard to LGBTQ awareness, in May 2023, we conducted video viewing and discussion sessions targeting all workplaces and employees to promote deeper understanding.

Additionally, we have always been working on compliance with keen awareness. Here, we regularly conduct training and comprehension tests targeting all workplaces and employees.

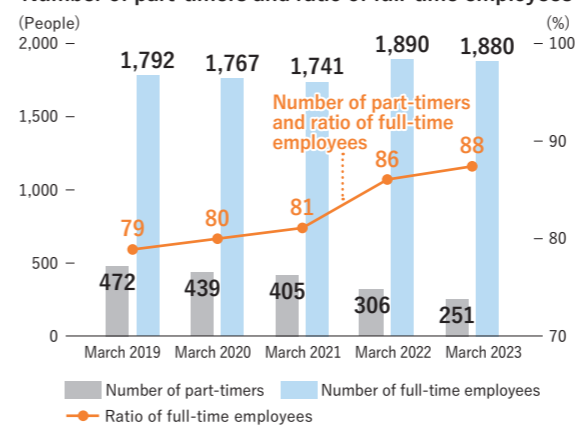
We believe that respect for human rights and strict compliance are prerequisites for our business activities. To maintain a high level of awareness, we will continue to conduct training and discussions involving all employees.

## Revitalizing the organization and expanding profitability

We are accelerating our efforts to convert part-timers into full-time employees.

We have helped expand the fields in which motivated part-timers can thrive by improving their terms of employment. We also revisited the working hours, which had been a hurdle for converting part-timers into full-time employees, and provided more options so that people could work more flexibly in a way that suited their lifestyles. As of March 2023, the ratio of full-time employees had risen to 88%, revitalizing the organization.

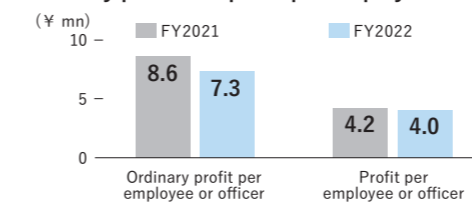
### Number of part-timers and ratio of full-time employees



We place emphasis on ordinary profit and profit per employee or officer\* as indicators of the state of our economic engine. The distribution amount of our newly launched restricted stock plan for all employees is also determined based on ROE. Each individual will continue to strive in their work going forward, being mindful of profitability and productivity.

\*Employees and officers include directors (excluding outside directors), executive officers, employees, and part-timers.

### Ordinary profit and profit per employee or officer

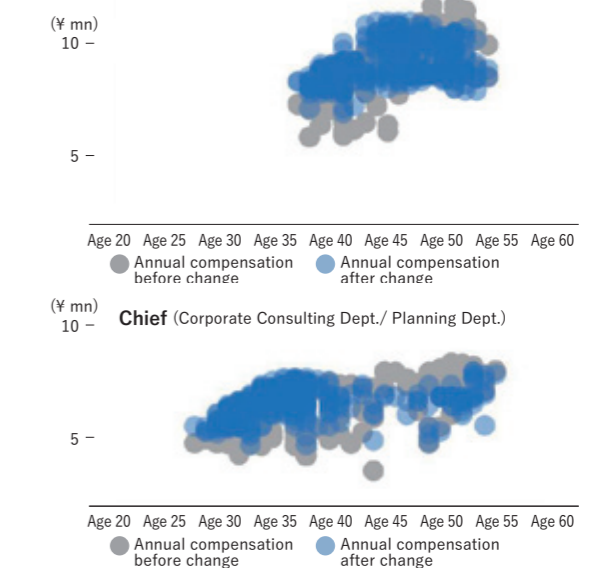


## Transition from wages based on seniority by length of service to one that is based on roles

In conjunction with the introduction of a career-based personnel system, we revised our wage structure and the method of determining wages. From January to June 2023, we engaged in company-wide dialogues on wage determination for the first time in the Company's history. Although there was some confusion as it was the first time we took on this challenge, through continuous dialogue, we were able to revise the wage structure from one based on seniority by length of service to a more satisfactory structure that focused on job roles and degree of contribution to the organization. We held company-wide dialogues (meetings) 39 times with 1,490 participants in total.

The graphs below illustrate the wage levels before and after the revision, by job roles. The vertical axis represents annual compensation and the horizontal axis represents age. The length-of-service-based seniority model shows the plotting points steadily rising in line with age, but the revised model shows that annual compensations are being determined regardless of age. The results of the wage revisions were delivered to all employees in a one-on-one setting to ensure better understanding.

### Image of the wage structure transition before and after change Management positions (Corporate Consulting Dept./ Planning Dept.)



## Implementation of an employee engagement survey (eNPS)

In January 2022, we adopted eNPS as a metric of employee job satisfaction (ease of working and satisfaction), and have conducted three eNPS surveys to date. The results showed that both eNPS and average recommendation scores have increased, suggesting that we are maintaining a certain level of employee engagement. Meanwhile, according to the 2022 eNPS survey\* conducted by EmotionTech, Inc., which supports the improvement of employee experience using eNPS, the average eNPS of financial and insurance sector companies with 1,001 or more employees was -69.8%. Although a simple comparison cannot be made since the survey method is different from ours, it can be said that the engagement of our employees is relatively high.

We will continue to conduct our survey regularly to hear the voices of each employee and build an environment where employees can work with a sense of fulfillment.

\*From July 13 to August 9, 2022, EmotionTech, Inc. conducted an online survey of 6,187 people who work for companies in 15 major industries including finance and insurance.

### Question:

How much would you want to recommend that your close friends and acquaintances work at your current workplace?

(= Recommendation score regarding workplace)  
(On an 11-point scale ranging from 0 to 10)

\*eNPS<sup>SM</sup> is a service mark of Bain & Company, Fred Reichheld, and Nice Systems, Inc.

### eNPS score calculation method:

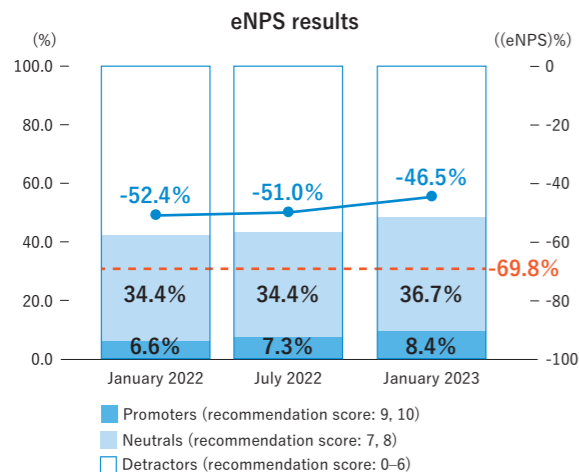
Promoters (%) – Detractors (%)

### Survey scope:

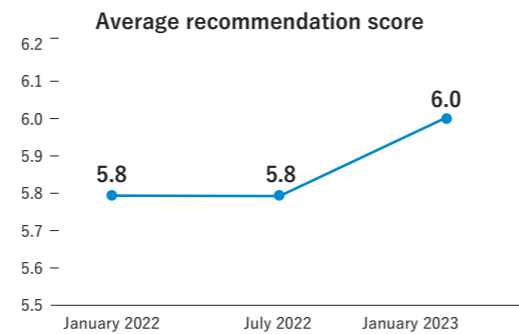
All employees of the Group  
(including executive officers, local employees at bases, and business staff, but overseas excluding directors)

### Number of employees who responded:

1,764 (January 2022), 1,838 (July 2022),  
1,634 (January 2023)

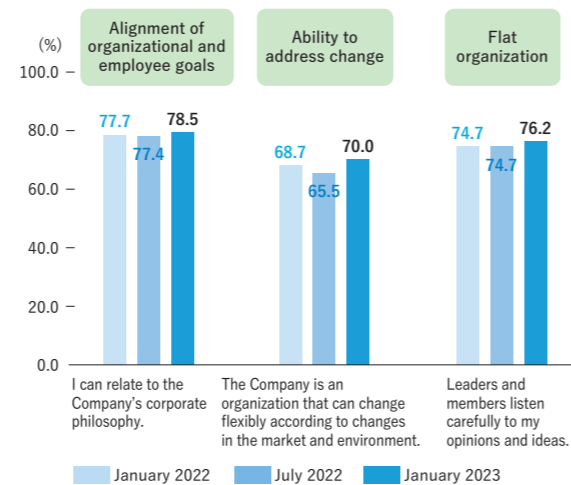


\* Average eNPS of financial/insurance-sector companies with 1,001 or more employees



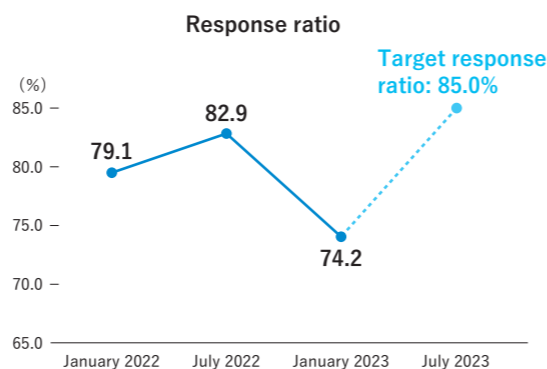
## Our organizational traits revealed through surveys

At the time of the eNPS survey, we also conduct a survey on Hokkoku FHD's corporate culture. We believe both surveys have generated results portraying the Company's traits.



## Issues to be addressed going forward

While the average recommendation score improved for our eNPS survey conducted in January 2023, the response ratio fell. We are paying attention to this because the response ratio can be viewed as proof of trust and confidence in the Company. We will continue to strive for an organization that involves all employees by reflecting in various measures the employee opinions gathered through eNPS surveys.



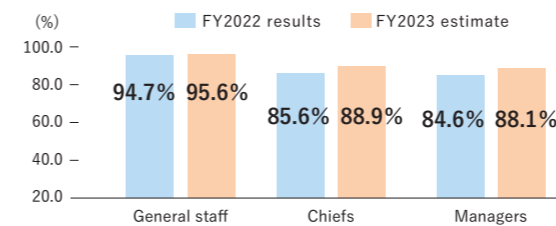
## Improvement of gender pay gap

In our annual securities report for FY2022 (ended March 31, 2023), we disclosed that our gender pay gap was 57.5% when taking all of our workers into account. We have been working to eliminate the gender pay gap, and one such initiative was the transition to a wage structure based on roles and provided values, implemented in line with the introduction of a career-based personnel system. Looking at the gender pay gap by roles and job levels, the differences are narrowing, particularly among younger employees. The company-wide dialogue and wage determination conducted between January and June 2023 have also helped narrow the pay gap in all roles and job levels.

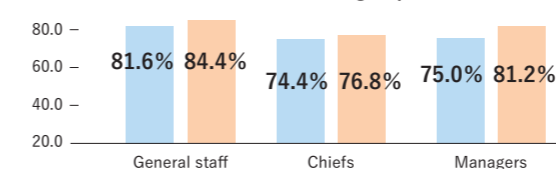
The gender pay gap remains at Hokkoku FHD, partly because it used to hire new graduates based on a dual-track personnel system (management track and general track). However, we believe we can bring the gap down to zero by pressing on with our efforts to establish a wage structure based on roles and the provided values.

### Pay gap by role and job level\* (Corporate Consulting Dept./Planning and Operations Depts.)

\*Pay gap: Average annual compensation (female)/average annual compensation (male)



### Wage gap by role and job level (Personal Consulting Dept.)



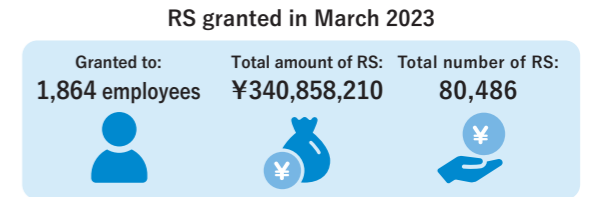
## Introduction of a restricted stock (RS) granting plan for all employees

As part of our benefits package, in FY2022, we introduced a restricted stock-granting plan for all employees.

The plan, which grants shares to employees for long-term holding, is aimed at nurturing a sense of ownership among the employees, encouraging them to share common values and the mission to improve the Company's corporate value with all stakeholders, including the shareholders.

The amount to be granted to employees is determined based on ROE. In March 2023, when we made our first distribution, RS amounting to a total of approximately ¥340 million was granted to 1,864 employees.

Through a profit-sharing program for our employees, we hope to raise their awareness toward contribution to teams and the organization and enhance employee motivation and engagement.



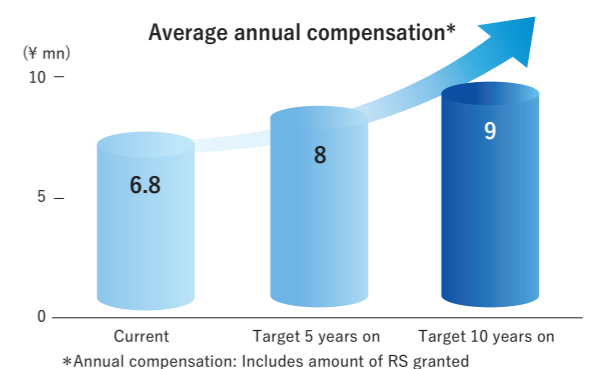
ROE	Profit estimate	Amount of RS granted	Target
8% or higher	¥18.0 billion or more	¥3.0 billion	Long-term target
7% or higher, but lower than 8%	¥16.0-18.0 billion	¥2.2 billion	Medium-term target
6% or higher, but lower than 7%	¥13.5-16.0 billion	¥1.5 billion	
5% or higher, but lower than 6%	¥11.5-13.5 billion	¥0.7 billion	
4% or higher, but lower than 5%	¥9.0-11.5 billion	¥0.35 billion	
3% or higher, but lower than 4%	¥7.0-9.0 billion	¥0.35 billion	
2% or higher, but lower than 3%	¥5.0-7.0 billion	¥0.17 billion	
1% or higher, but lower than 2%	¥2.5-5.0 billion	—	
Lower than 1%	Less than ¥2.5 billion	—	

## Improving the financial strength of employees through direct investment in human resources

We believe that improving compensation is an important measure to enhance employee motivation.

At the time we introduced the career-based personnel system in March 2022, we raised the starting salary of new graduate hires (from ¥205,000 to ¥264,000/month) and changed the retirement payment scheme to improve the financial treatment of our employees, particularly our young workforce. In addition, in FY2022, we adopted an RS granting plan for employees to enhance compensation. In the medium to long term, we hope to substantially increase the amount of RS to be granted, in line with our profit level, and bring our average annual compensation to the highest level in the industry by the time our ROE reaches 8% or above.

As we strive to improve our employees' financial conditions, financial wellness also becomes important. We encourage our people to expand their self-investment in recurrent education and reskilling and develop a money plan focusing on asset building from a young age. We will continue to help improve employee financial wellness by hosting asset management seminars, among other means.



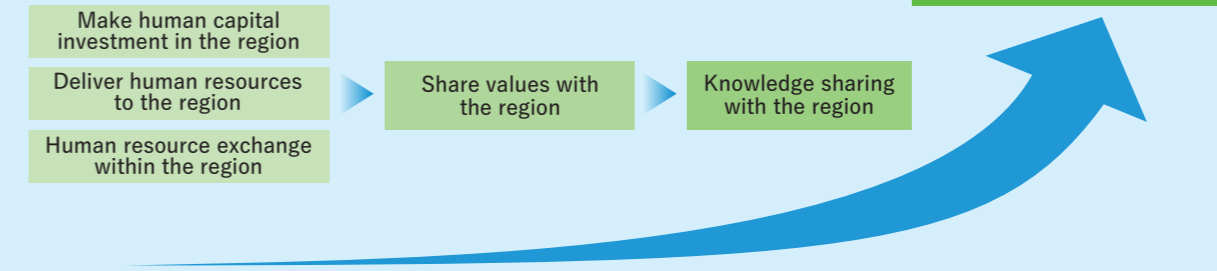
\*Annual compensation: Includes amount of RS granted

# Delivering talent

For employees who have gained various experiences, knowledge, and skills through the human resource ecosystem of Hokkoku FHD, we provide a career stage where they can contribute to the improvement of our region's quality by becoming the top executives of local companies. Having our employees take on active roles in local companies using their experiences at Hokkoku FHD is an important way of providing value as they can directly contribute to improving regional quality. The employees gain the opportunity to showcase themselves as a brand of their own and build a career outside the Company as management talent. In addition to sending out our own employees, we also accept people from municipalities and other organizations, promoting two-way exchanges. Hokkoku FHD is committed to humbly leading the region by sharing expertise and human resources with the local community.



## Story of Delivering talent



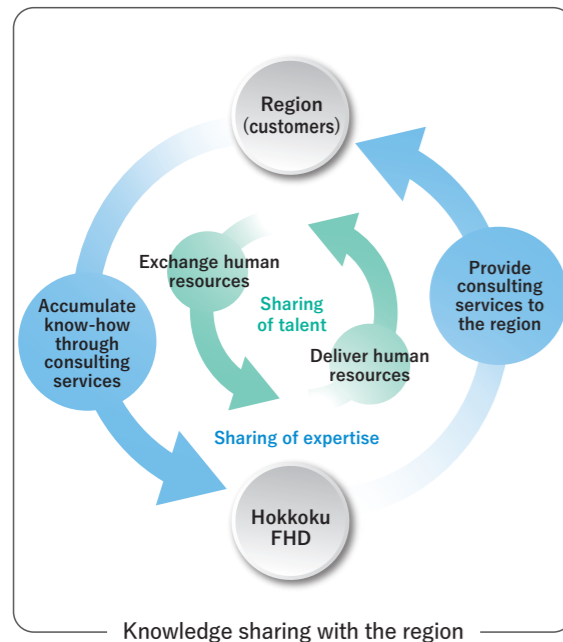
## Human capital investment in the region

As a company that is consistently working toward the region's progress, we think of our company and also the region at large when investing in human capital.

Providing consulting services to the local community enhances the value of the region, and ultimately leads to the accumulation of know-how at the Company. This can be described as the sharing of expertise through the circulation of expertise within the region. Likewise, delivering and exchanging human resources can be seen as the sharing of talent through the circulation of resources within the region.

The sharing of expertise and talent goes hand in hand, and can be described as knowledge sharing with the region.

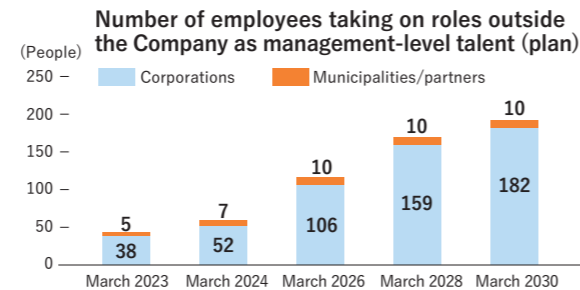
This knowledge sharing can be accomplished by considering expertise and the Company's human resources as capital, investing in them, and returning them to the region once they are bolstered. This represents a true human capital investment in the region, and we will continue to focus on it as an important measure in our mission to improve the region's quality.



## Delivering human resources to the region

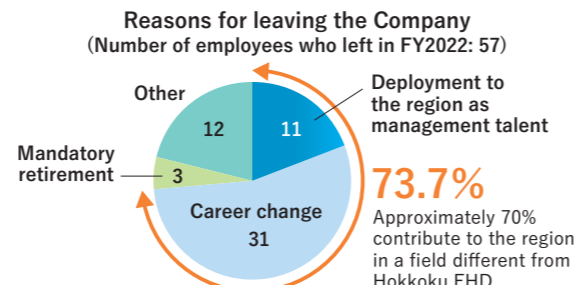
### Producing management talent

We have built a resource circulation model where our people can directly apply the expertise and skills honed through their experiences at Hokkoku FHD in their management-level roles at local companies, and thereby contribute to improving the region's quality from outside the Company. This model is meaningful in that it creates regional value using the Company's human resources. At the same time, it benefits our employees, because they can enrich their careers by continuing to be active outside the Company. It also gives them the opportunity to reaffirm the importance of recurrent education to "keep learning" regardless of age.



### Other means of delivering resources

We value the careers of each and every employee. As such, even when employees decide to leave the Company to pursue endeavors elsewhere, we send them off with encouragement. For those who have made career changes, we also have in place a point of contact for alumni recruitment so that employees can take on various challenges, including the option to leave the Company.



## Human resource exchange within the region

To promote digital transformation (DX) within the region, in April 2023, we began exchanging human resources with the Ishikawa Prefecture and the city of Kanazawa. This initiative allows us to accelerate regional DX, which is one of our goals. Furthermore, having the resources we hosted take home and reapply the expertise they gained also leads to the enhancement of the region's quality. As such, we are working on this initiative, viewing it as another way to deliver talent.

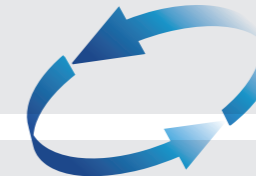
### Local government → Secondment to Hokkoku FHD



**Mr. Tatsuya Miyamoto**  
Ishikawa Prefectural Office  
**Mr. Hiroyuki Togashi**  
Kanazawa City Hall  
Digital Department, Hokkoku Bank  
(seconded from April 2023)

Working at the Company, we have recognized the following about Hokkoku FHD.

1. Flat corporate culture and the use of digital technology allow prompt sharing of information. People can express their own ideas regardless of their positions.
  2. The Company abundantly invests in developing human resources and has in place a system that supports the learning of many employees who are highly motivated to improve their skills.
  3. Employees appear to be working with an awareness of the need to work with speed and precision.
  4. The Company has established an environment where employees can pursue solutions by interacting with each other and discussing matters openly.
- The opportunity for employees of different municipalities to work together at a private company is in itself a great stimulus. The work experience at Hokkoku FHD provides an opportunity to consider things from multiple angles, so we hope to brush up this skill and learn to think from various points of view without being bound by preconceptions.



I use my private-sector expertise and assist the governor and vice governor (CDO) in digital policies to resolve regional issues and improve public services.

My main job areas include (1) promoting digitalization of the prefectural office (reform of employee work styles and awareness, etc.), (2) developing and utilizing wide-area data linkage infrastructure (digital regional currency, etc.), and (3) supporting cities and towns within the prefecture (standardization of business systems, etc.).

I am making a great effort and feeling great joy every day in utilizing the skills and perspectives I honed at Hokkoku FHD to contribute to the community from the position of a public servant. I can make maximum use of the know-how and expertise of the Hokkoku FHD Group by collaborating with relevant staff at the Company as necessary. This set-up is very reassuring and allows me to take on challenges with peace of mind despite the new environment and job responsibilities.

**Yoshiaki Kitajima** General Planning Department, Hokkoku Bank  
Assistant Executive Director of Ishikawa Prefecture (in charge of digital), Executive Advisor for CDO (seconded from November 2022)



### Hokkoku FHD → Secondment to local government

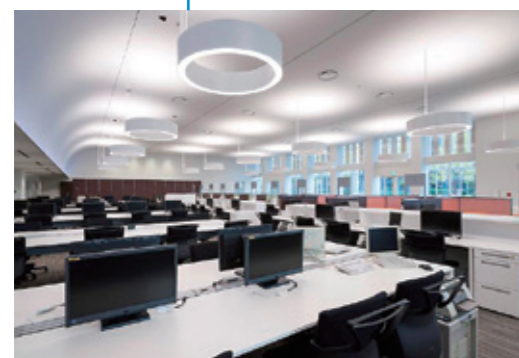
# Story of personnel system reforms

## —From management to strategy, and autonomous career development—

“Providing the place and opportunities in which everyone can feel fulfilment from work, and giving support so that people can thrive.” This is the value that the Human Resource Development Department at Hokkoku FHD aims to provide. Since the time of the predecessor unit, the Personnel Department of Hokkoku Bank, we have consistently created something new by closely integrating the Company’s business strategy with our human resource development strategy. To date, the department itself has also embraced change and continued to take on challenges.

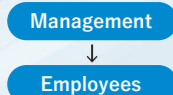
The career-based personnel system introduced in March 2022 is an unprecedented system that focuses on the career of each individual. However, it goes without saying that the introduction of a personnel system is not the end of the process. What is important is its operation. Hokkoku FHD’s Human Resource Development Department will continue to move forward as it aims to provide places and opportunities where employees sharing the same aspirations to improve regional quality can feel satisfaction from working under the corporate culture of a flat organization and agile thinking.

- [2014] Relocation of head office. Internal cooperation enhanced due to open-plan office layout
- [2015] Appointment of female directors
- [2015] Eliminated quantitative sales targets (sales quotas) and transitioned to process-focused personnel evaluation
- [2016] Did away with general-track employment; all employees became management-track employees
- [2016] Introduced financial aid for self-development (support for obtaining difficult qualifications)
- [2017] Introduced flexible working hours and staggered working hours
- [2018] Began discussions to update personnel system
- [2018] Introduced sophisticated online course training run by third party
- [2018] Formulated communication plan
- [2019] Introduced one-on-one interviews
- [2020] Introduced Microsoft Teams
- [2020] Began focusing on mid-career recruitment in earnest
- [2020] Began assisting employees to obtain MBA degrees



### Personnel 1.0

- Personnel matters are determined based on management’s intent
- No documented rules and regulations



### Personnel 2.0

- Written rules and regulations are in place
- A master-servant relationship between Company and employees



- [2009] Introduced reduced-working-hours system
- [2010] Launched initiative to double productivity
- [2011] Modified personnel IT system (visualization of employee information)
- [2012] Integrated Personnel Department into the Management Planning Department (from management-centered HR to strategic HR; Personnel Department reorganized into the Personnel Development Office)
- [2012] Management operations moved to BPO Management, Ltd.; Personnel Development Office started specializing in strategic functions

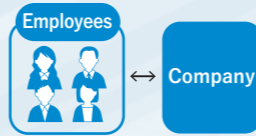
### Personnel 3.0

- An environment that is easy to work in and employee-friendly



### Personnel 4.0

- Relationship of equality between employees and the Company
- In addition to being easy to work in and employee-friendly, the Company is a partner that offers job satisfaction



- [2021] Became a stand-alone Human Resource Development Department and built HR strategies for the entire Hokkoku FHD
- [2021] Beginning of Hokkoku FHD structure
- [2021] Introduced in-house-developed HRM system (visualization of career plans)
- [2021] Introduced the collaboration program (allowing side jobs within the Company)
- [2021] Partially delegated personnel transfer authority to individual departments (flexible personnel exchange made possible)



- [Jan.-Jun. 2023] Transitioned to wages based on roles by engaging in dialogues away (moving from seniority based on length of service)
- [Feb. 2023] Received Human Capital Leaders 2022 award
- [Mar. 2023] Expanded options for the reduced-working-hours system
- [Mar. 2023] Lifted ban on side jobs outside the Company
- [Mar. 2023] Certified as a White 500 company (large enterprise category) under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program
- [Mar. 2023] Received the Minister of Regional Revitalization award at the 13th “Companies that Deserve to be Valued the Most in Japan” Awards
- [Mar. 2023] Formulated human rights policy
- [Mar. 2023] Introduced the “grandpa and grandma” childcare leave (childcare leave for employees who are grandparents)

## Toward a group of talent with truly autonomous career development

### Personnel 5.0

- Shares common aspirations and transcends the employee-Company relationship
- Progress in internal and external collaborations creates new values



- [January 2022] Introduced employee engagement survey (eNPS)
- [Mar. 2022] Began career reviews
- [Mar. 2022] Introduced career-based personnel system
- [Mar. 2022] First home-grown female executive officer
- [Apr. 2022] Shifted from a traditional new-hire welcoming ceremony to welcome meetings
- [Aug. 2022] Published a book titled Brushing Up Human Resources Energizes Companies and Local Communities
- [Oct. 2022] Formulated skill maps
- [Nov. 2022] Began personnel exchange with local municipalities

