

Hokkoku Financial Holdings

Summary of Financial Results for the Second Quarter of the

Fiscal Year Ending March 2025



HOKKOKU FINANCIAL HOLDINGS

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Executive Summary

Executive Summary

Key business	<ul style="list-style-type: none"> • Consulting and cashless businesses nearly to cruise speed • In the investment business, issues such as the impact on budget performance and volatility are summarized, Strengthening the system
Business loan	<ul style="list-style-type: none"> • Spread negotiations are in the final phase. Transition from short-term plastics linked to market linked is also expected to be completed in the current fiscal year. • Increase in large-lot borrowers in the Tokyo metropolitan area and syndication of some existing borrowers (No change in passive attitude toward structured lending & investment real estate lending)
Impact of the Noto Peninsula Earthquake	<ul style="list-style-type: none"> • Credit costs are scheduled to be posted in the previous fiscal year and this fiscal year. Continued support for reconstruction.
Market investment in the world with interest rates	<ul style="list-style-type: none"> • 2-year JGB (short-term cash flow, satellite management) ¥200 billion • Purchase of held-to-maturity medium-to long-term bonds 300 billion yen
Three years from the transition to a holding company	<ul style="list-style-type: none"> • The new framework was completed in the current fiscal year. From next fiscal year to accelerated implementation phase New brand strategy and further evolution of business model disclosed in April next spring • Current position of the Arena project ①Clarification and targets of public and external support ②Consolidation of opinions through dialogue with investors and supporters

1. Financial Highlights

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2025

■ Hokkoku Financial Holdings Consolidated

(Millions of yen)

	FY09/23	FY09/24	Change	Rate of change
Ordinary income	48,007	44,884	△ 3,123	△ 6.5%
Ordinary income	9,862	8,933	△ 929	△ 9.4%
Net income	6,846	5,659	△ 1,187	△ 17.3%

■ Generalize

- Hokkoku FHD consolidated: Decrease in sales and profits for the second consecutive year
- Hokkoku Bank on a non-consolidated basis: Decreased sales and profits for the second consecutive year
- Operating profits from core business increased for the first time in two fiscal years

■ Hokkoku Bank on a non-consolidated basis

(Millions of yen)

	FY09/23	FY09/24	Change	Rate of change
Ordinary income	41,257	36,817	△ 4,440	△ 10.7%
Ordinary income	9,645	8,218	△ 1,427	△ 14.7%
Net income	6,940	5,401	△ 1,539	△ 22.1%
Core net operating profit	2,901	4,730	1,829	63.0%

■ Summary

- Operating profits from core business increased compared with the same period of the previous fiscal year due to an increase in net interest income due to a rise in yen interest rates and a decrease in foreign currency funding costs due to the sale of foreign bonds.
- Lower gains on sales of strategic shares held led to a year-on-year decline in realized gains/losses on securities.
- In the disposal of non-performing loans, improvement in business conditions of low-rated borrowers and reversal of provisions due to a decrease in borrowings were recorded. Ordinary income decreased year on year due to a decrease in realized gains/losses on securities.

■ Equity ratio

	End of Sep. 23	End of Mar. 24	End of Sep. 24
Consolidated	10.14%	10.37%	10.48%

2. Progress of Key Business

Progress of Priority Businesses

(Unit: billion yen)

Item		2023/9	2024/9	YoY	Planning	Progress rate
Key Businesses ・ ・ ・ ①		20.7	18.1	▲2.6	39.0	46%
	Business loans and Leasing	7.2	7.3	0.1	14.6	50%
	Cashless	0.7	0.8	0.1	1.6	50%
	Consulting & advisory	0.6	1.0	0.4	2.0	47%
	Investment advisory	0.2	0.2	-	0.5	35%
	Investment funds	0.1	▲1.2	▲1.3	2.8	▲43%
	Market operations	12.0	10.0	▲2.0	17.4	57%
Other income (consumer loans, etc.), ・ ・ ・ ②		7.4	7.4	-	15.0	49%
Total Credit Cost(▲) ・ ・ ・ ③		2.2	▲0.2	▲2.4	5.5	▲4%
Expenses (▲) ・ ・ ・ ④		16.2	16.8	0.6	33.4	50%
	Of which, system costs*	3.4	3.9	0.3	7.5	52%
Ordinary profit (①+②-③+④)		9.9	8.9	▲1.0	15.2	58%

Progress of Key Businesses

Item	
Business loans and Leasing	<ul style="list-style-type: none"> • Although the balance decreased, the yield improved and profits increased by 161 million yen year-on-year. Loans outstanding (year-on-year basis) ¥1117.8 billion (year-on-year △ ¥24.9 billion)
Cashless	<ul style="list-style-type: none"> • Year-on-year increase in both the number of franchised stores and the value of payments Number of card merchants: 7081 (YoY +429) Debit settlement: 6.23 billion yen/month (+848 year-on-year) • Number of "Tochi-Tsuka" users surpassed 6000
Consulting & advisory	<ul style="list-style-type: none"> • In corporate consulting, the number of consulting contracts increased year on year. Number of consultants: 349 (+44 YoY)
Investment advisory	<ul style="list-style-type: none"> • The amount outstanding under Investment advisory was 380 billion yen (+30 billion yen YoY).
Investment funds	<ul style="list-style-type: none"> • June 2024: 85 investees, 28.9 billion yen (+11 investments, +8.3 billion yen compared to December 2023)
Market operations	<ul style="list-style-type: none"> • The outstanding amount of yen-denominated bonds increased to about 920 billion yen as yen interest rates rose • Continued to sell foreign bonds, and the outstanding amount of foreign bonds decreased to about ¥130 billion • Gain on sale of shares held by the policy was ¥1.9 billion/13.

Shareholder Return Policy and Share Repurchase

- Maintain a total return ratio of 50% or more (at the same time as reinforcing capital to take on further risks)
- Planned share buyback 3 billion yen (acquisition amount up to the end of September 2024: Approx. 2 billion yen (66.4%) for 395,300 shares)

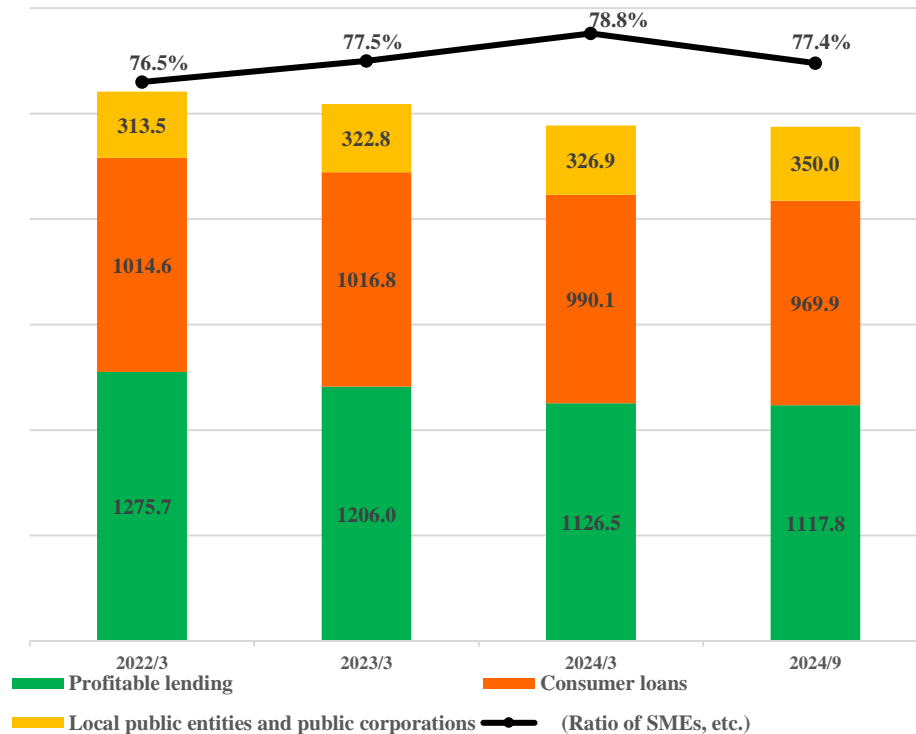
Item	FYE March 2024 Actual	FYE March 2025	FYE March 2026 Three years later	FYE March 2028 5 years later	FYE March 2033 About 10 years later
Total return ratio	138.3%	56.7%	Total return ratio: 50% or more The Company will periodically review and implement share buybacks and increases in dividends in light of its capital adequacy ratio and strategic investment opportunities.		
Total dividends	2.6 billion yen	2.7 billion yen			
Purchase of treasury stock	9.9 billion yen	3.0 billion yen			
Cost of capital		Approx. 6% (our calculated value)			
ROE	4.1%	4.5%	5.0%or more	7%or more	8%or more
Core capital	220.9 billion yen	224.1 billion yen	232.5 billion yen	255.5 billion yen	330.0 billion yen
Risk assets	2129.3 billion yen	2133.1 billion yen	2374.0 billion yen	2550.7 billion yen	3000.0 billion yen
Equity ratio	10.4%	10.5%	Approx. 9% to 10%		
PBR	0.5	0.6or more	0.7or more	1.0or more	1.0or more

Business of loan money

■ Loans outstanding and yields were generally in line with forecasts. The balance for urban areas and large enterprises increased.

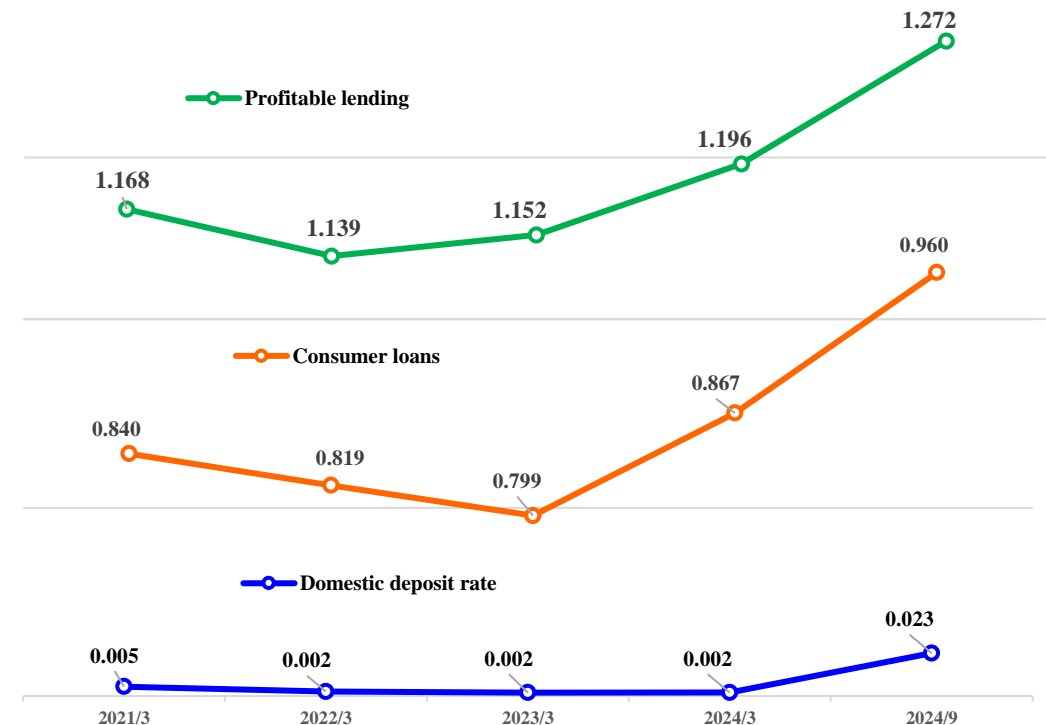
Loans and bills discounted (term-end balance)

(Billions of yen)



Yield Transition

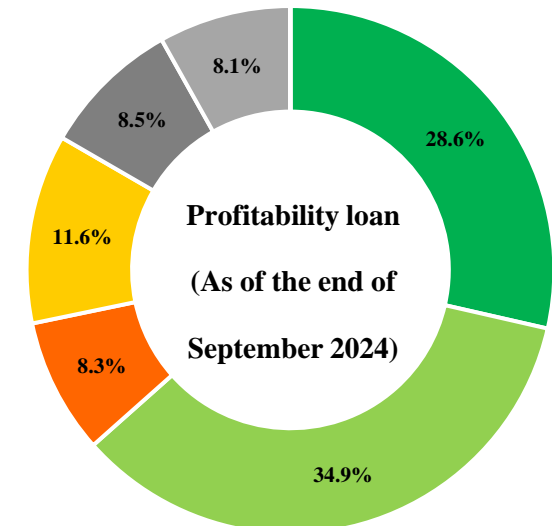
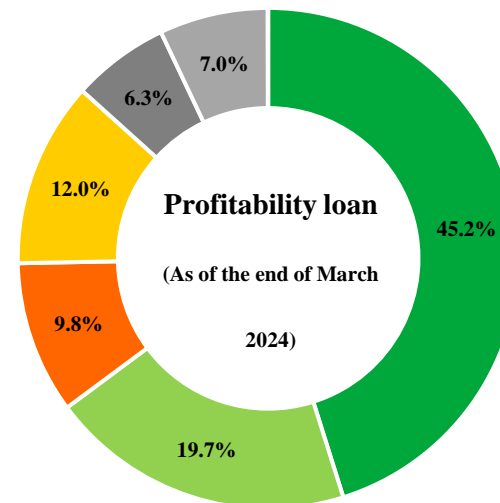
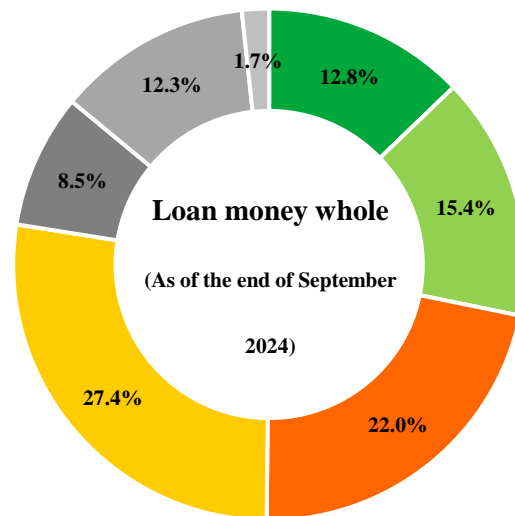
(%)



Impact of Rising Interest Rates ①

- Steady shift of commercial loans to a system linked to the market
- Housing loans are fixed for 2-3 years, accounting for 90%. Fixed rate increase of 0.1% from October 2024

Composition of interest rates on loans and discounts



- Floating rate (short-term prime)
- Floating rate (market-linked)
- Fixed rate (less than one year)
- Fixed rate (1 year or more but less than 3 years)
- Fixed rate (3 years or more but less than 5 years)
- Fixed rate (5 years or more)

Impact of Rising Interest Rates ②

- August 2024: Increased interest rates on deposits by 0.1% and 0.15% respectively
- September 2024 Increased the fixed interest rate on housing loans by 0.1% for each term.

Impact on revenues up to FY3/2025

(Billions of yen)

	Initial plan	Landing forecast	Amount of impact
Loan money Revenue	24.3	24.6	+0.3
Deposit expenses	▲0.7	▲2.3	▲1.6
Income from deposits and held-to-maturity bonds	0.8	1.8	+1.0
Total	24.4	24.1	▲0.3

Impact of Rising Interest Rates ③

Revenue impact from April 2025 onward

■Pattern ① Policy rate rose 1% in April 2025

(Billions of yen)

	First year	Second year	Third year
Loan money Revenue	+9.4	+15.1	+19.5
Deposit expenses	▲16.3	▲18.0	▲18.6
Income from deposits and held-to-maturity bonds	+5.4	+6.4	+6.9
Total	▲1.5	+3.5	+7.8

■Pattern ② Policy rate increases by 0.25% semiannually from April 2025 (up 1% in total)

	First year	Second year	Third year
Loan money Revenue	+3.5	+10.0	+16.5
Deposit expenses	▲7.5	▲14.9	▲18.2
Income from deposits and held-to-maturity bonds	+3.4	+5.6	+6.9
Total	▲0.6	+0.7	+5.2

(Estimation Conditions)

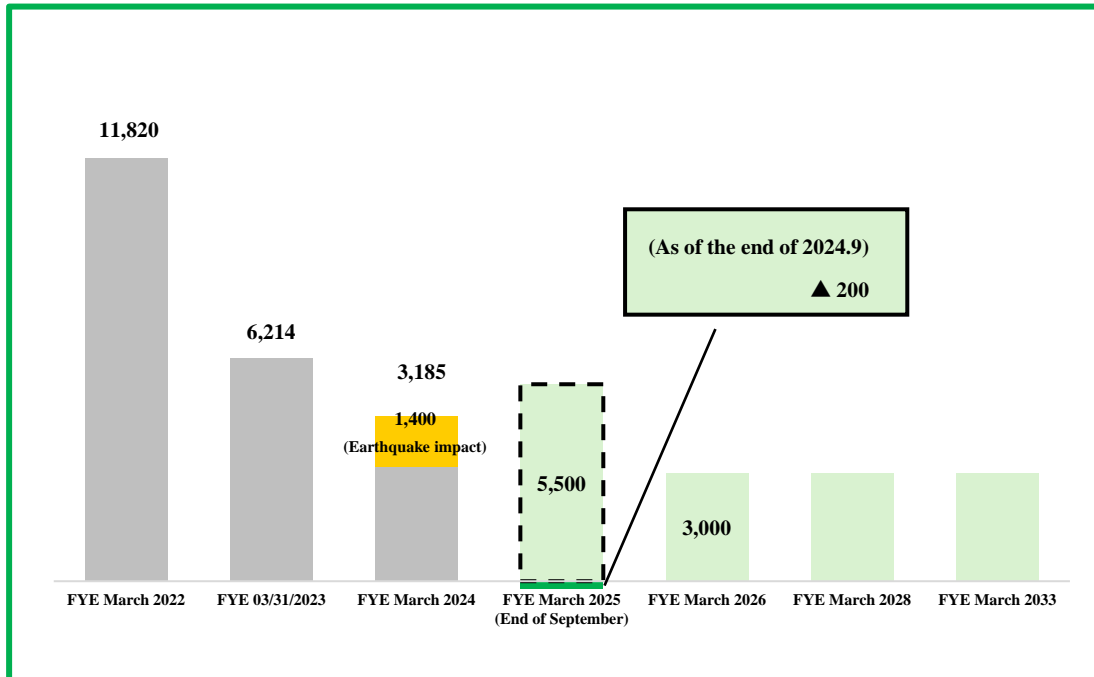
- Loans outstanding and deposits outstanding are estimated based on the amount outstanding at the end of September 2024. Interest rates on loans are assumed to track 100% for both market-linked loans and short-term loans against the increase in interest rates.
- Deposit interest rates are assumed to follow 40% of the increase in interest rates (a 0.4% increase in deposit interest rates due to a 1% increase in policy interest rates).

Credit Cost Results and Future Prospects

- In the first half of the fiscal year, the company booked a gain on reversal of reserves due to improvements in business conditions at low-rated borrowers and a decline in borrowing.
- In the second half of the fiscal year, we anticipate full-scale reconstruction measures in the Noto area, including the utilization of funds by individual companies. Full-year forecast (5.5 billion yen) remains unchanged.

Changes in credit costs

(Millions of yen)

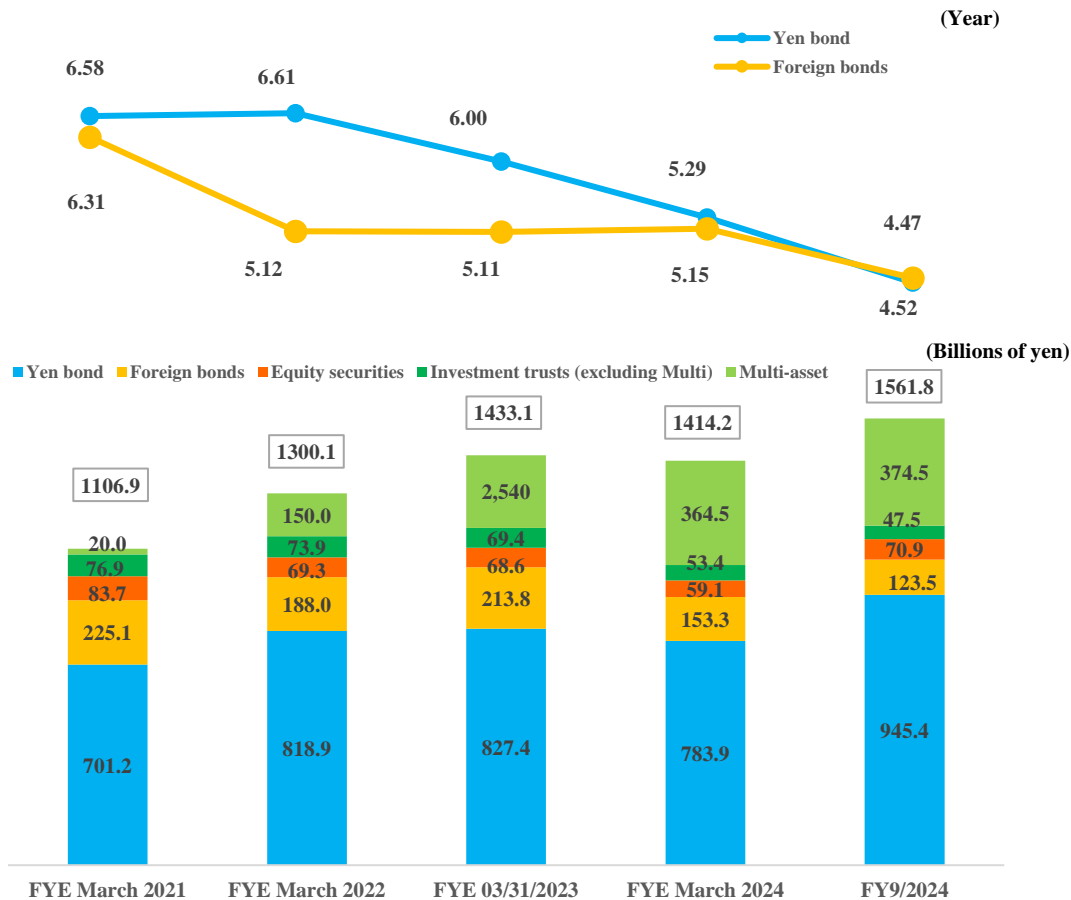


<Preservation Status>	2021.3	2022.3	2023.3	2024.3	2024.9
Disclosed claims under the financial reconstruction law (Billions of yen)	56.1	60.8	75.8	73.4	68.1
Conservation amount (Billions of yen)	53.4	58.7	65.9	70.6	63.8
Coverage ratio (%)	95.1	96.5	86.9	96.2	93.6

Status of Securities Management and Future Investment Strategies ①

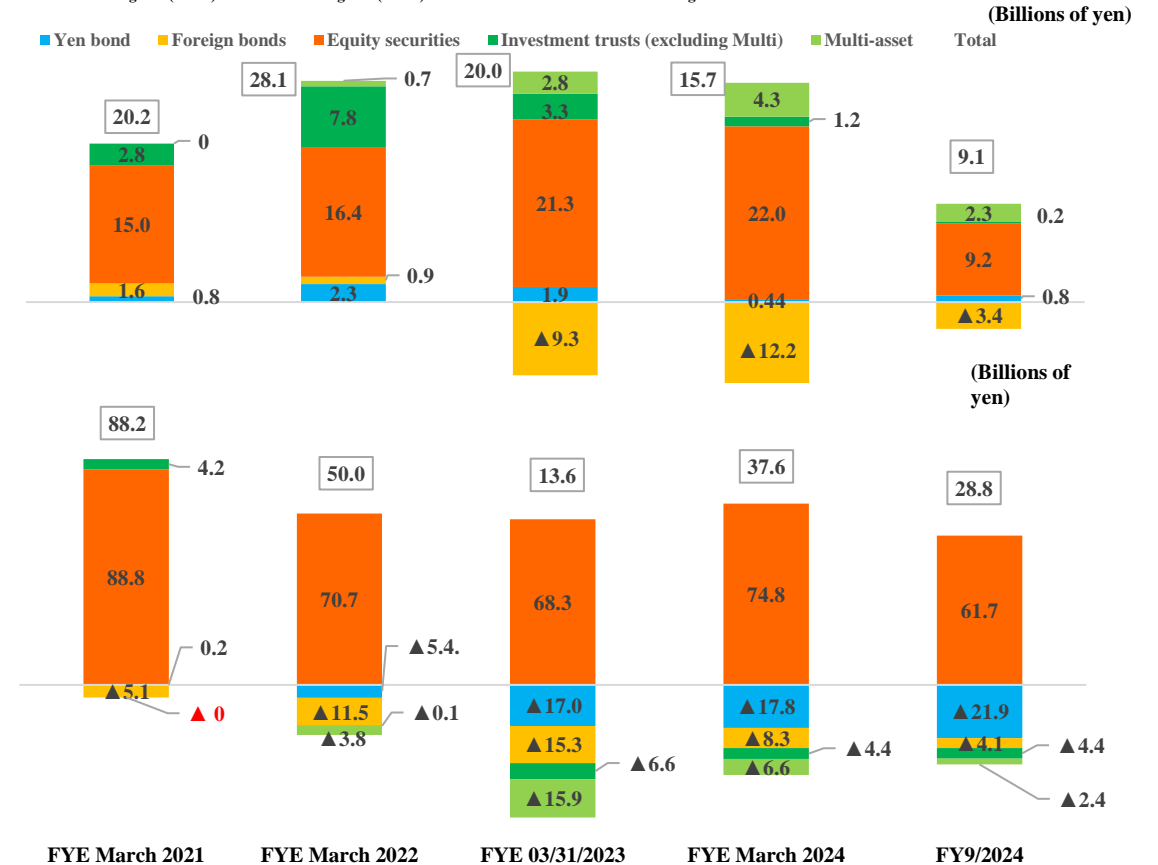
■ Promoting an increase in net interest income and an improvement in the portfolio by reducing foreign bonds and strengthening yen-denominated bond investment in fiscal 2024

Balance of Securities (Book Value) and Duration



Changes in Realized Gains/Losses (Upper Line) and Unrealized Gains/Losses on Securities (Lower Line) by Asset

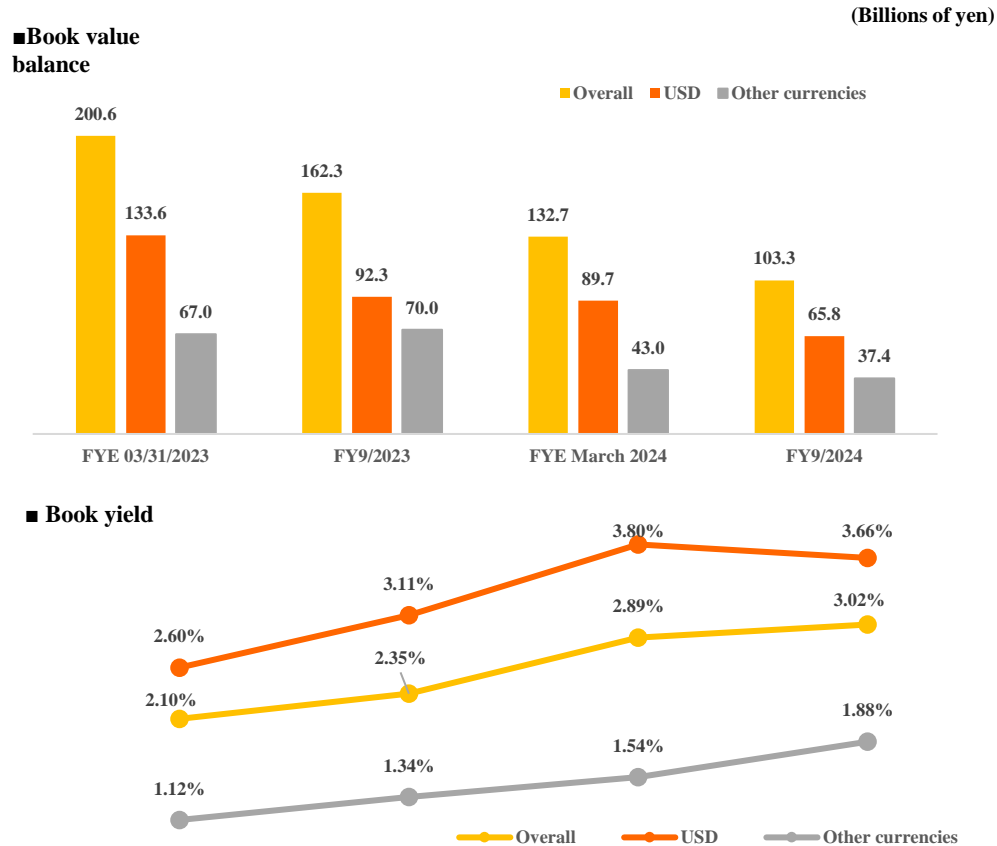
※ Unrealized gains (losses) include deferred gains (losses) on derivative transactions used to hedge interest rate risks.



Status of Securities Management and Future Investment Strategies ②

■Sales of low-yield bonds for foreign bonds and accumulation of net interest income for yen-denominated bonds with short maturities in preparation for future interest rate rises

Investment in Foreign Bonds



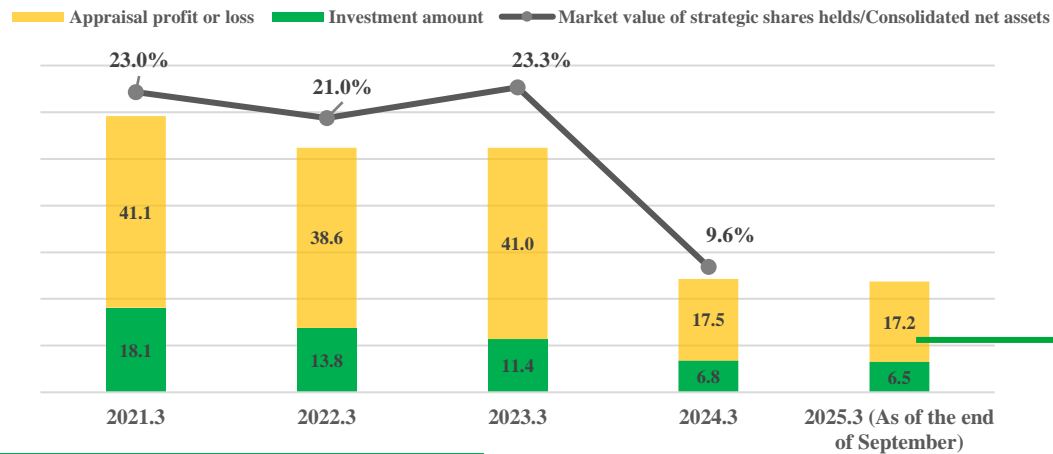
Investment in yen-denominated bonds



Status of strategic shareholdings

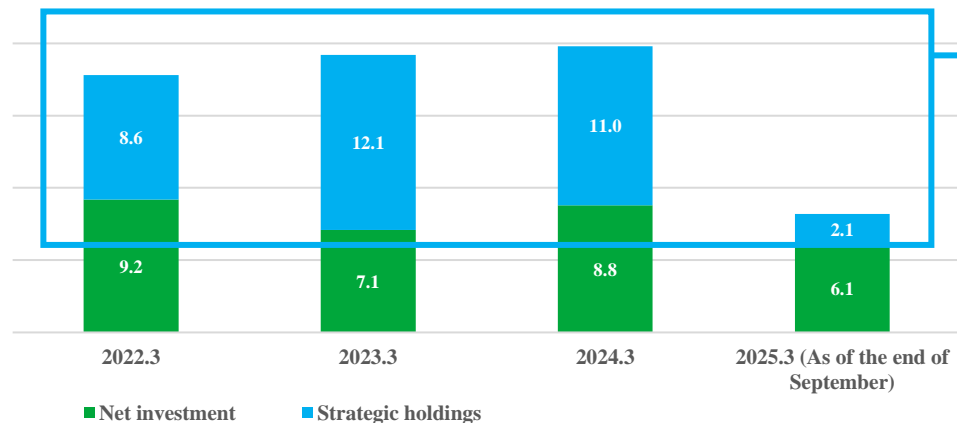
Outstanding amount of strategic shares holds

(Billions of yen)



Trends in gain on sales of stocks

(Billions of yen)



Sales Results, Reduce and Negotiations

■Sales in FYE March 2025

13 brands/gain on sale 2.1 billion yen

■Status of reductions and negotiations

	Number of borrowers	Book value (Billions of yen)
Acceptance for sale	1	0.4
Projected sale by FY3/2025	3	0.4
Projected sale after April 2025	13	3.9
Ongoing negotiators	2	1.9

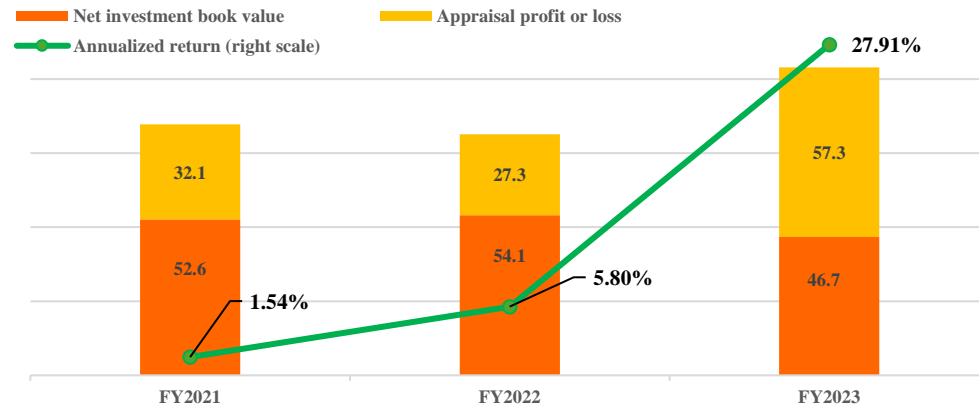
Utilization of gains on sales of strategic shares holds Four Major Reforms to Build a New Business Model

- ① Fundamental restructuring of understanding of business prospect according based financing system
- ② Complete abolition of the zero-based Personnel system transformation and severance payment system
- ③ DX and system modernization through bold system investment
- ④ Establishment of a market operation system, including portfolio reviews

Status of shares for net investment purposes

- The proceeds from the sale of strategic shares helds are also actively invested in net investment equities.
- Annualized returns have improved and have also contributed to improving the profitability of the portfolio.

Balance of Net Investment Shares (Billions of yen)



Sophistication of the operation system

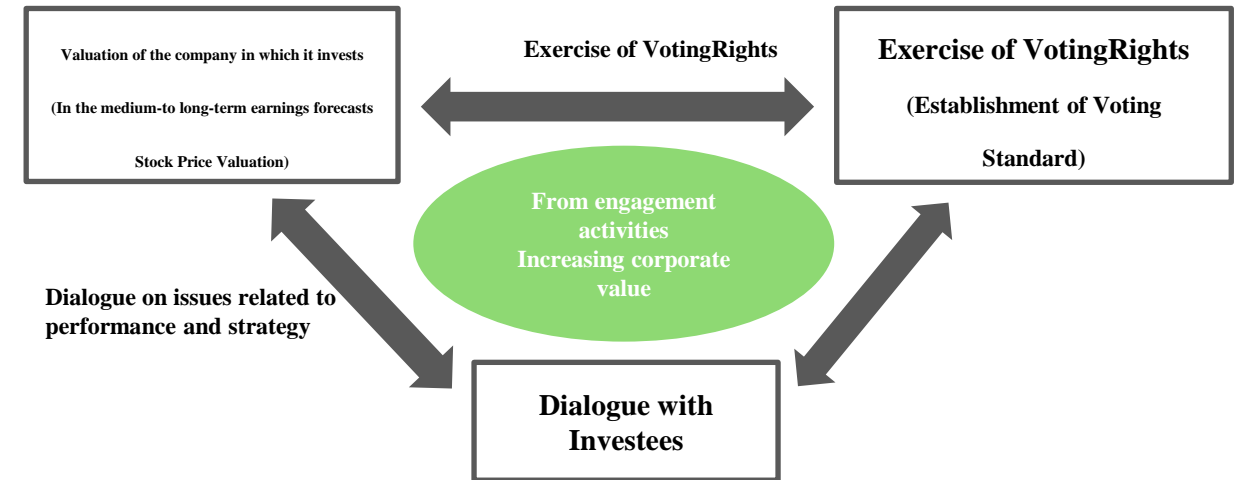
Specialist personnel

Recruiting specialist personnel through mergers with Investment advisory companies and mid-career recruitment of experienced stock managers at management companies

Investment strategy

Invest in companies with high profit generation capabilities and high profit growth potential in the medium to long term. The company aims to improve risk-adjusted returns by controlling risk to the extent that it includes TOPIX dividends.

Engagement initiatives



Dialogue with Investees

Conducted constructive dialogue with companies in the period of earnings announcement
FY2023 results: 175 cases

Exercise criteria of VotingRights

Established standards for the appointment of directors, remuneration for directors, capital policy, appropriation of surplus, preliminary takeover defense measures, etc.

Status of Investment Business

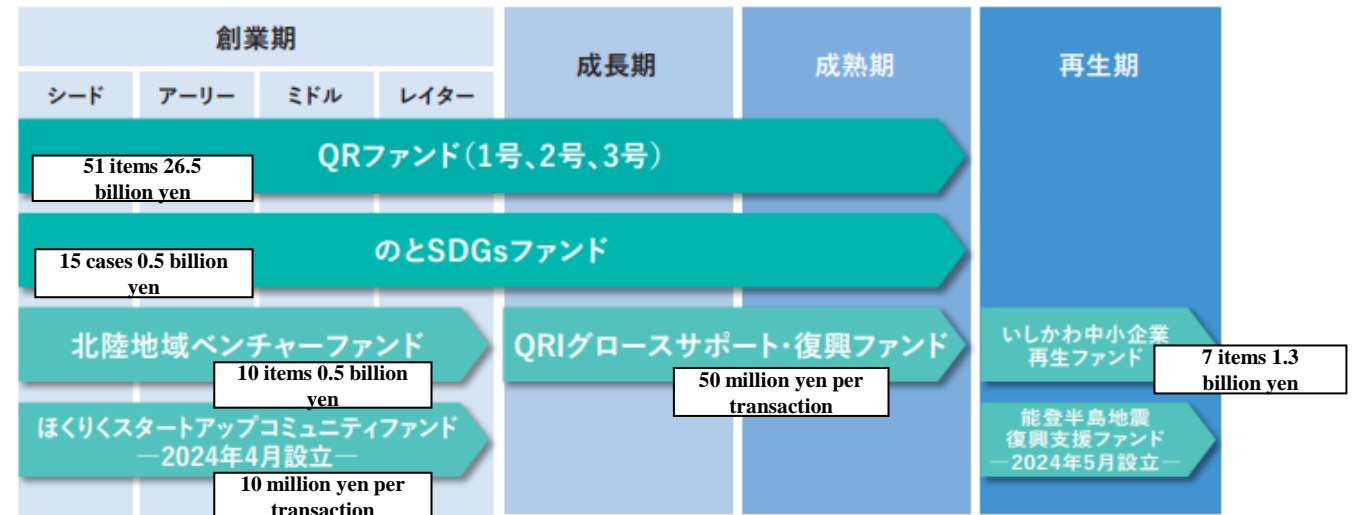
■ Operates seven funds. Implement diversified investment that emphasizes the local community but does not specialize in the region.

Investment Results and Plans

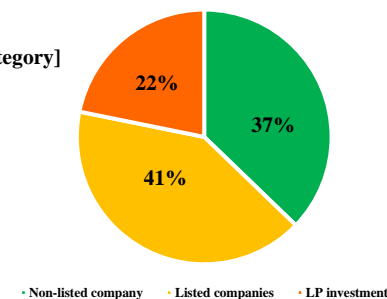
	(Billions of yen)	
	2024/6 Actual	2029/3 Planning
Number of investments	8.5	15.0
Investment balance	28.9	95.0
Amount of impairment	▲1.5	▲2.0
Market value	31.5	93.5

- QR Fund recorded impairments of ¥1.5 billion at a star-up company in the deeptech field (seeding period) invested in, but QR Fund as a whole had a positive investment multiple.
- Strengthen the risk management system and continue to supply risk money.

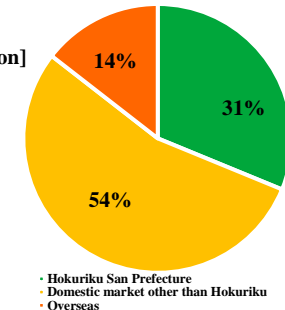
Fund Investment Status (as of June 2024)



[Investment by Category]



[Investment by Region]



3. Three years since the establishment of the holding company ～Outlook～

Progress in digitalization and number of stores

■ The final phase of store consolidation through digitization: 50 bases, with stores shifting to consultation centers

Personal Internet banking

320000 subscribers
(of which 170000 were supplied)

(Major Possible Transactions)

Inquiries (transaction details), transfers, automatic remittances, time deposits, and foreign currency deposits

Mutual funds, loans, Pay-easy, account transfers, and address changes

Internet banking for corporate clients

30000 contracted companies
(Number of companies in Hokuriku: Approx. 90000)

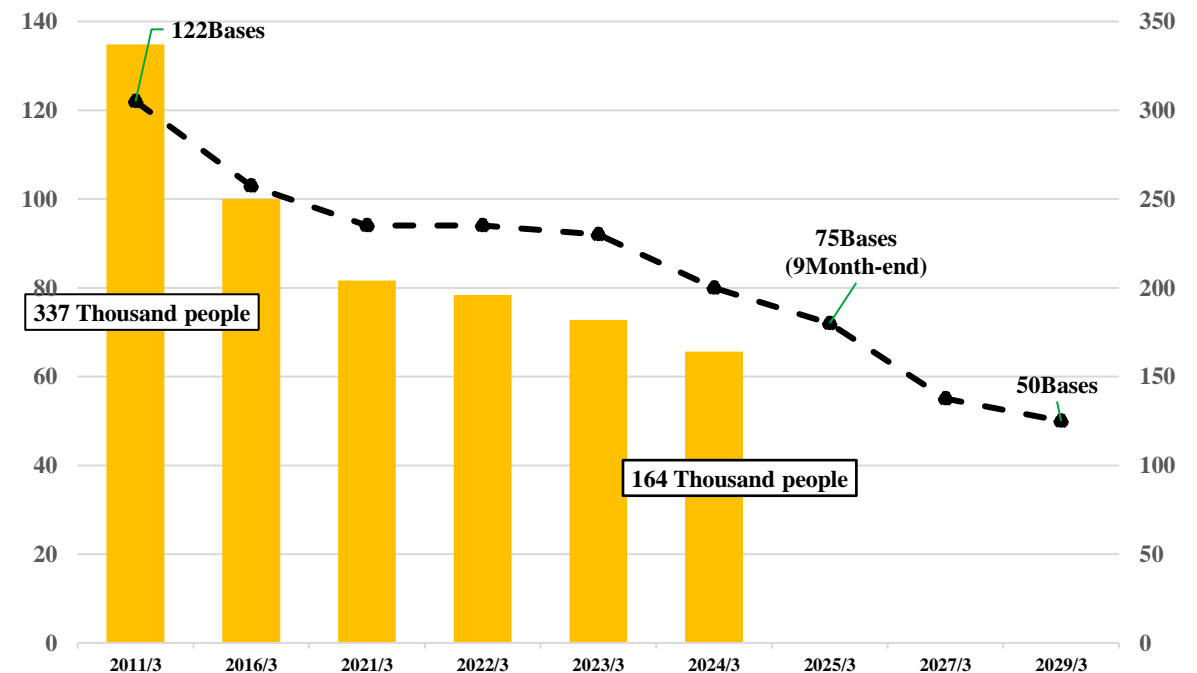
(Major Possible Transactions)

Inquiries (transaction details) Individual remittance and total remittance remittance pay remittance service

Pay-easy account transfer address change overdraft (scheduled for January 2025)

(Number of bases: bases)

(Number of customers visiting stores: million)



Number of customers visiting stores

Number of bases

Business development by companies such as new upgrading

- With The CC Innovation, Ltd. as a comprehensive consulting firm (and a large sophistication and other company)
Consolidate operations and develop new businesses



Existing consulting business

System construction and advanced IT Human resource development support, system sales (including in other industries)

BPO company (planned to merge with BPO Management Co., Ltd.)

Expansion into other industries and sales of systems in the same industry (personals, corporate invans, etc.)

Expand customer development of Digima Consulting (Promotional Consulting)

Generate business synergies with existing consulting

Proactive involvement in regional resources and regional infrastructure

Toward advanced and distinctive quality regions

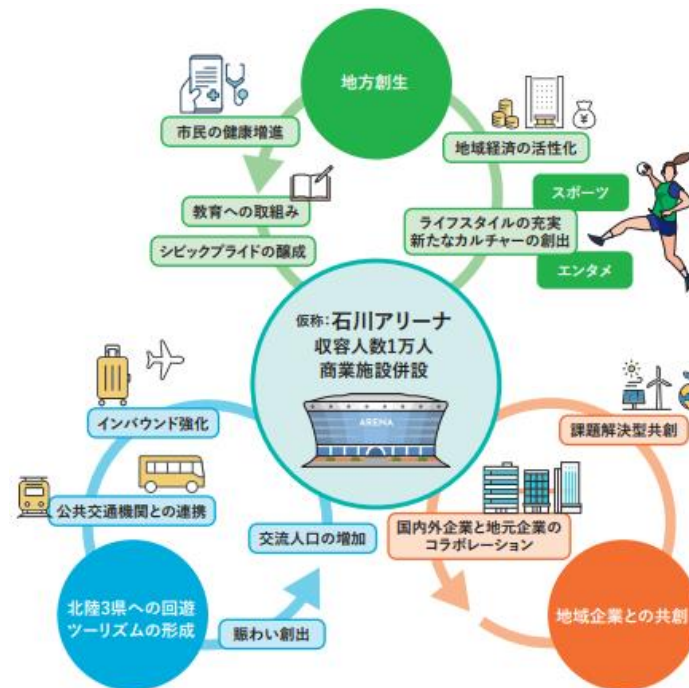
Support for redesign and growth strategies in Ishikawa Prefecture

Current location of the Arena project

■ Projects are under consideration as one of Ishikawa Prefecture's Remake Plans for advanced and distinctive

Project Overview	
Address	Komatsu, Ishikawa Prefecture (adjacent to Komatsu Airport)
Site area	55,201m ²
Total floor area	Approx. 30,000m ²
Capacity	10,000 persons
Amount Invested	28 billion yen

- Estimated economic effect of 18 to 24 billion yen/year
- This is a project that has a major effect on the region, and is collaborating with the national, prefectural, and municipal governments.
- Create positive impacts on regions linked to Ishikawa Prefecture's growth strategy



Ishikawa Prefecture Growth Strategy Policies and Indicators (Selected)

Gross prefectural products

Tourism consumption

Number of users of Komatsu Airport

Number of users of sports facilities

Maintenance and development of the region, including the relevant population

4.Reference Materials

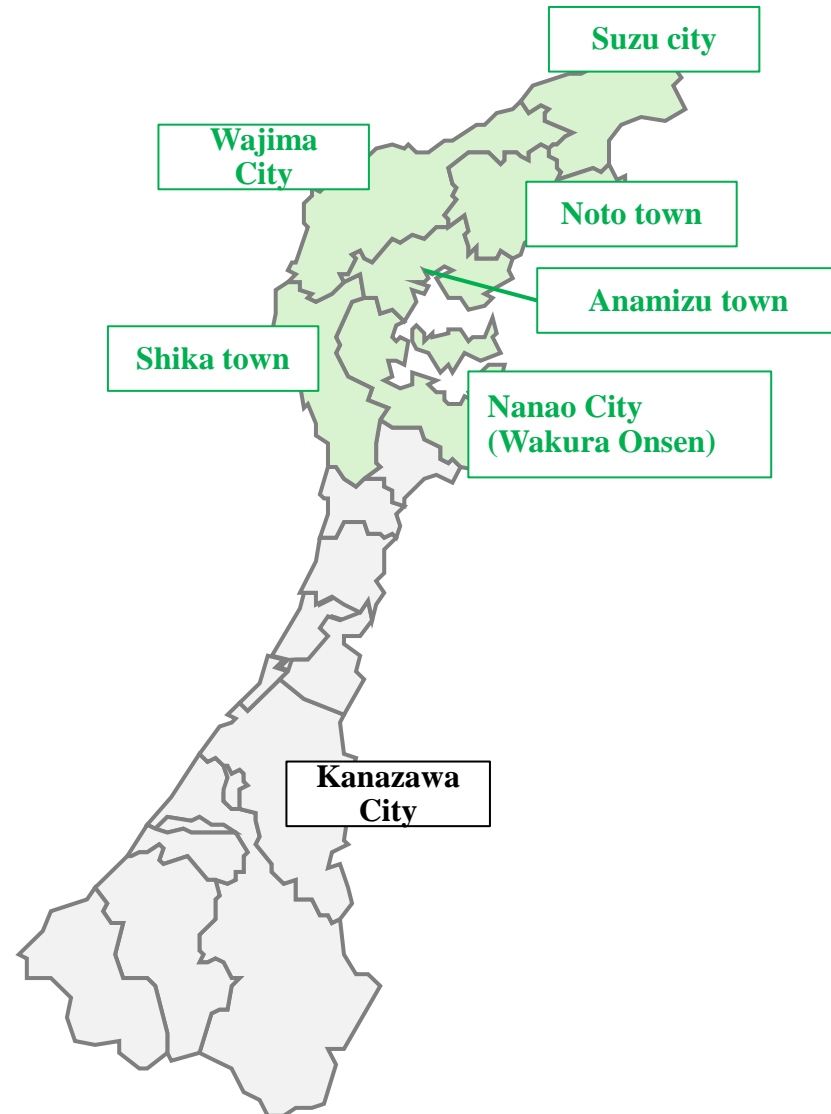
Loans and Bills Outstanding by Segment

Loans Outstanding by Attributes (Billions of yen)						
	2022/3	2023/3	2024/3	2024/9	Compared to 24/3 Change	Compared to 24/3 Rate of change
Small and medium-sized enterprises, etc.	1993.1	1971.9	1926.7	1886.8	▲39.9	▲2.0%
(Ratio of SMEs, etc.)	76.5%	77.5%	78.8%	77.3%	—	▲1.5%
Medium-sized and large companies	297.3	250.9	189.9	200.9	+11.0	+5.7%
Local public entities and public corporations	313.5	322.8	326.9	350.0	+23.1	+1.3%
Overall	2603.9	2545.6	2443.6	2437.8	▲5.8	▲4.0%

Loans Outstanding by Region (Billions of yen)						
	2022/3	2023/3	2024/3	2024/9	Compared to 24/3 Change	Compared to 24/3 Rate of change
Hokuriku 3 prefectures total	23,956	23,794	23,067	22,641	▲426	▲1.8%
In Ishikawa Prefecture	18,119	18,139	17,758	17,550	▲208	▲1.1%
In Toyama Prefecture	4,645	4,511	4,227	4,018	▲209	▲4.9%
Including Fukui Prefecture	1,190	1,144	1,081	1,072	▲9	▲0.8%
Other	2,083	1,662	1,368	1,737	+369	+26.9%

Loans Outstanding by Type (Billions of yen)						
	2022/3	2023/3	2024/3	2024/9	Compared to 24/3 Change	Change from 24/3
Profitable lending	1275.7	1206.0	1126.5	1117.8	▲8.7	▲0.7%
Consumer loans	1014.6	1016.8	990.1	969.9	▲20.2	▲2.0%
Of which, secured	981.9	986.7	960.9	941.3	▲19.6	▲2.0%
Of which, unsecured	32.7	30.1	29.1	28.6	▲0.5	▲1.7%
Local public entities and public corporations	313.5	322.8	326.9	350.0	+23.1	+7.0%

Credit Status of the Noto Peninsula Earthquake



• Credit status of each municipality (as of the end of March 2024)

	Profitable lending	Loans to individuals
Suzu city	Approx. 1.8 billion yen	Approx. 2.3 billion yen
Wajima City	Approx. 5.5 billion yen	Approx. 5.2 billion yen
Noto town	Approx. 4.4 billion yen	Approx. 3.4 billion yen
Anamizu town	Approx. 0.6 billion yen	Approx. 2.4 billion yen
Shika town	Approx. 3.6 billion yen	Approx. 4.8 billion yen
Nanao City	Approx. 20.7 billion yen	Approx. 18.0 billion yen
Total	818 borrowers/approx. ¥36.6 billion	6378 borrowers/approx. ¥36.1 billion
Percentage of total	About 3%	About 3%

• Initiatives for Reconstruction

- Establishment of consultation desks, individual consultations and emergency financing responses in the areas in charge, etc.
- Providing and supporting the use of Iwai Subsidy (up to 1.5 billion yen)
- Support for elimination of double loans through the Noto Peninsula Earthquake Recovery Support Fund
- Investing money to grow through Beyond Reconstruction Fund with

Deposits-Balance by Segment ~

Deposit Balance by Attribute

(Billions of yen)

	2022/3	2023/3	2024/3	2024/9	Compared to 24/3 Change	Change from 24/3
Individuals	2781.2	2870.9	2951.9	2987.8	+35.9	+1.2%
CORPORATION	1155.4	1143.4	1230.3	1234.7	+4.4	+0.4%
Public money and financial	336.0	369.7	529.3	408.7	▲120.6	▲22.8%
Overall	4272.7	4384.1	4711.6	4631.2	▲80.4	▲1.7%

Initiatives

- Increase sticky deposits by enhancing payment services such as LIFE+, Hokkoku

Digital Banking, our core services

■Personal services



■Corporate Internet banking



- Affiliated convenience store fee free(*)
- Free transfer fees to other banks (*)
- Free bank transfer fees
- ※Up to three times a month
- Free basic fees
- Free bank transfer fees
- Low-priced transfer fees to other banks
- Available 24 hours/365 days a year

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Good Company.**



HOKKOKU FINANCIAL HOLDINGS

