



**Quality Company,  
Good Company.**

**Together into the future**

# 2024

INTEGRATED REPORT

 HOKKOKU FINANCIAL HOLDINGS





# Quality Company, Good Company.

## Together into the future

To meet the diversifying needs of the times,  
we always consider matters from a customer perspective.  
We aim to become a “Quality Company, Good Company”  
that seeks to make higher-quality proposals and take action  
to achieve a better society.

We will continue to fully utilize the expertise and combined  
strengths of our Group companies and move forward into  
a prosperous future, together with the community.



Thank you for your ongoing support of Hokkoku Financial Holdings.  
We are pleased to announce the publication of *Integrated Report 2024*.

“Trust—a bridge to a fruitful regional future.” Hokkoku Bank has cherished this corporate philosophy over the 80 years since its founding.

In 2021, we established Hokkoku Financial Holdings to provide new value to the region.

“Hokkoku Financial Holdings exists to act for the benefit of people and the world, enriching the lives of individuals and society as a whole.”

This is the brand philosophy set forth when we established the holding company. This publication illustrates how we plan to achieve what we envisioned in our corporate and brand philosophy.

With “Quality Company, Good Company. Together into the future” as our slogan, we are committed to actively communicating and collaborating with you.

We kindly request the continued support and patronage of our customers, shareholders, and local residents.

November 2024





# Contents

## 6 Message from the President

“We are speeding up communication and collaboration toward innovation, and working with you to create added value.”



- 12 Our Cultivated Strengths as an Integrated Regional Company
- 14 Sustainability Policy and Materiality
- 16 Value Creation Process
- 18 Impact of the Noto Peninsula Earthquake and Efforts Toward Reconstruction

## 01

### Sustainable Growth and Corporate Value Enhancement over the Medium to Long Term

#### POINT

We believe that enhancing corporate value relates to how we can build high-quality and sustainable profits and thereby contribute to society.

In 2024, we updated our initiatives toward corporate value enhancement (medium- to long-term business strategy). In the following sections, we will explain these initiatives along three key themes: control of shareholders’ equity, profit quality improvement, and capital cost containment. We will also explain our performance in market operations, which is one of the priority business areas.

- 21 Message from the General Manager of the Corporate Planning Department
- 22 Medium- to Long-Term Business Strategy
- 26 Market Operations
- 29 Summary of Priority Businesses

## 02

### The Types of Value We Hope to Deliver

#### POINT

All our initiatives are based on a thorough commitment to being customer-driven. We strive to provide further added value collectively as a group to realize a quality region. In the following sections, we will explain the types of value we hope to deliver by focusing on three areas: solutions grounded in the understanding of business prospects, lifestyle enrichment support aligned with life plans, and the creation of a more advanced and unique region.

#### Solutions Grounded in the Understanding of Business Prospects

- 31 Financing and Understanding of Business Prospects
- 36 Consulting and Advisory
- 42 Investment Advisory
- 44 “COREZO” Information Platform

#### Lifestyle Enrichment Support Aligned with Life Plans

- 48 Consulting for Individual Customers

#### Creation of a More Advanced and Unique Region

- 52 Investment Business
- 56 Cashless Payment and Digitalization

## 03

### Management Foundation that Supports Value Creation

#### POINT

In this section, we cover our initiatives on human capital-oriented management that is central to our operations. We also cover DX and system modernization, which are indispensable to the continued improvement of the entire region’s productivity. Further, we explain the Group’s governance structure, which will serve as the foundation of our new business model, as well as various measures for the environment—an increasingly important priority issue (materiality) for us.

- 67 Human Capital-Oriented Management
- 92 DX and System Modernization
- 98 Environmental Initiatives
- 106 Corporate Governance
- 118 Internal Audit System
- 120 Risk Management System Initiatives
- 122 Compliance Initiatives

#### Data

- 124 Financial and Non-Financial Highlights
- 126 Group Financial Data, Group Non-Financial Data



## Message from the President



**We are speeding up communication and collaboration toward innovation, and working with you to create added value.**

杖村 修司

Shuji Tsuemura  
President & Chief Executive Officer  
Representative Director

### Introduction

More than six months have passed since the Noto Peninsula Earthquake that struck on New Year's Day 2024. We would like to once again express our deepest condolences to those who have lost their lives and our heartfelt sympathy to those affected by the disaster.

Hokkoku Bank's sales bases also sustained extensive damage from the earthquake. Sixteen branches could not open on January 4, normally the first day of business after the New Year's holidays, and most of our employees living in Noto had to move to evacuation shelters. Through mid-March, we mobilized a 10-team shift of 150 employees, including our staff in Kanazawa, who made round trips of over 10 hours to maintain branch operations. In such a way, we somehow managed to resume business. The nearly 30 employees who evacuated from Noto still have no choice but to work in Kanazawa, and there remains a shortage of company housing and apartments to accommodate Kanazawa employees appointed to work in Noto. Partly due to this situation, some branches still have shortened business hours, and we apologize again for the inconvenience this is causing our customers. Although there are various challenges ahead, we are fully committed to promptly establishing a more advanced operating structure in Noto. We will also make every effort to drive the earliest possible recovery of Noto in concert with the ¥10 billion Noto Peninsula Earthquake Reconstruction Assistance Fund that we have helped to launch.

We expect to record approximately ¥4 billion in additional earthquake-related credit costs over FY03/24 and FY03/25. Due to the disaster, we have faced an extremely difficult business environment since January 2024, including our daily operations. Nonetheless, in FY03/24 we were able to secure ¥9 billion in consolidated profit after tax. We owe the results to the long-standing trust extended by our customers, shareholders, employees, and many other stakeholders and would like to express our sincere gratitude. Much to our regret, we were unable to meet the minimum ROE target of 5%. However, we plan to clear this target promptly and accelerate business development toward achieving the goal of an 8% ROE. In the current fiscal year, we expect to record an annual profit after tax of roughly ¥10 billion and increase cash dividends by ¥10 per share to ¥120.

**"I am convinced that advocating regional conglomerate-style management is helping us achieve a new business model with greater probability."**

### Probability of the new business model

The financial holding company, Hokkoku Financial Holdings, will mark its third anniversary in October 2024.

We seek to further advance our banking functions while simultaneously pursuing business management as an integrated regional company and a regional conglomerate. In the Hokuriku region, we are expanding our business domains by deepening communication and widening the collaborative network with startups and other partners outside the industry. Meanwhile, in major metropolitan areas in Japan and at overseas subsidiaries, we are expanding our investment business and consulting and advisory services, in addition to the lending business. Looking back at the past year, I am convinced that we have developed a clearer image of the new business model, and our probability of realizing it

is greater. As outlined below, I would like to go over the specific progress, focusing on six points.

### From digital transformation (DX) to system modernization

Hokkoku Financial Holdings has moved from the DX phase to the phase of modernizing its legacy systems and migrating to systems based on the latest architecture (system modernization). In addition to the internet banking service for individual customers—Hokkoku Cloud Banking—released five years ago, we launched the public cloud-based Hokkoku Digital Banking service for corporate customers this spring. The nearly 100 internal subsystems are also beginning to operate as a single integrated system, thanks to the steady progress achieved through in-house development. As a result, we now have in place an infrastructure where we can frequently upgrade various systems in response to customer needs. We expect our capability to develop and operate systems in-house will allow us to provide even greater convenience moving forward. As the final phase of system modernization, we are planning a migration to a next-generation core banking system in 2027. We have already decided on the architecture and are about to enter the full-scale development phase utilizing generative AI. I am proud to say that the system truly suits the functionality of banking services moving forward in terms of low-cost development and operation and the ease of internal and external connectivity and scalability centered around APIs. We have already received inquiries from customers in various other industries wishing to utilize our system. In July 2024, we announced our first project on this front. We plan to accelerate business development with a view to including full-fledged banking as a service (BaaS) in our lineup of offerings as well.

### Consulting and advisory that transcend the region

Nearly 10 years have passed since we started providing paid consulting and advisory services. Our consulting company, CC Innovation, now has more than 100 staff members. I am pleased to say that our services are gaining the acknowledgement of listed companies and other customers in the Tokyo metropolitan area. We expect customers outside the Hokuriku region to account for approximately 20% of CC Innovation's revenue in the current fiscal year. That being said, CC Innovation was founded mainly to provide services to small and medium-sized companies in the Hokuriku region. We, therefore, also plan to deploy management resources actively to Hokuriku, our home base, and offer more refined and higher-quality services in the region.

**"With the two-pronged strategy of Visa debit and Japan's first deposit-type stablecoin, we will generate further momentum in the region for going cashless."**

### A two-pronged approach to further promote cashless payments

The Hokuriku region has made steady progress toward going cashless since our introduction of Visa debit cards in 2016. The number of our Visa card-affiliated merchants exceeded 7,000, and debit cards, which were still a rarity in 2016, are becoming a major cashless payment option across Japan. Still, we estimate the current cashless payment ratio in the



Hokuriku region to be about 30%. Leveraging the Super Cashless Region initiative, a collaborative project with Visa Japan, we aim to raise the cashless payment ratio in the region to 90% or more. Meanwhile, Japan’s first deposit-type stablecoin, Tochika, was launched full-scale in April 2024. Tochika falls under the category of tokenized deposits and stands out for its 0.5% processing fee—the lowest in the industry—charged to affiliate merchants per transaction. In just three months since the launch, the number of affiliated merchants accepting Tochika has neared 1,500. We are working to raise this number to over 5,000 by the end of the current fiscal year. We plan to spread cashless payments with greater momentum based on a two-pronged approach focusing on Visa debit cards and Tochituka (Tochipo + Tochika) operated in collaboration with the local government bodies.



“Over 300,000 individual customers and 30,000 companies currently use our in-house-developed internet banking services. We will expand the amount of sticky deposits by elevating convenience through detailed upgrades.”

Settlement deposits and convenience

Over 300,000 customers use Hokkoku Cloud Banking, our internet banking service for individuals, which was launched nearly five years ago. Meanwhile, Hokkoku Digital Banking service for corporate customers, introduced in April this year after a full revamp, already has a customer base of approximately 30,000 companies. The service charges no basic handling fees and allows unconditional and unlimited free transfers of funds between Hokkoku Bank accounts. For this reason, the number of corporate customers using Hokkoku Digital Banking as their main settlement account has been growing. Our efforts to enhance service convenience through detailed upgrades have boosted the so-called “sticky deposits,” with Hokkoku Bank’s deposit balance on track to reach a record high of nearly ¥5 trillion. In addition to the pursuit of convenience, however, security enhancement is now an essential prerequisite, given the dramatic increase in fraud and system hacking. We will continue to allocate management resources actively so that we can make full use of our advanced technological capabilities to consistently provide safe, secure, and highly

reliable systems.

Investment advisory and market operations

In addition to applying the bank deposits to the loans extended to customers, we also seek to build a stable earnings base through capital markets investment via a diversified portfolio, with our Capital Market Department conducting stringent risk management. Moving forward, we aim to further improve our market operations and ensure stable investment, by making daily efforts to determine expected returns and risk tolerance more precisely. The Group’s investment advisory company FDALco provides investment advice to Hokkoku Bank as well as other financial institutions, general corporations, organizations, and individuals. FDALco will continue to expand its business so that, much like Hokkoku Bank, corporate and individual customers can secure appropriate gains in the medium to long term while tolerating a certain level of risk.

Pure investment by an investment company

Hokkoku Bank launched its corporate revitalization fund business a decade ago. Since then, we have formed three revitalization funds and invested a total of ¥10 billion to support our customers’ business rehabilitation. Since the establishment of the holding company, this function has been transferred to QR Investment, an investment company newly founded for this purpose. In addition to the original revitalization funds, we are actively forming other funds, such as those for startups and companies in their growth phase, for companies in the Noto region, and for listed companies. We are looking to achieve a total investment balance of ¥100 billion in 10 years. Further, after the Noto Peninsula Earthquake, we decided to participate in the ¥10 billion Noto Peninsula Earthquake Reconstruction Assistance Fund as a joint GP and also the Noto Beyond Reconstruction Fund as a GP to support the recovery and further evolution of Noto.

Working to achieve the goals we envision

Over the past 80 years, Hokkoku Bank has wholeheartedly embraced the corporate philosophy, “Trust—a bridge to a fruitful regional future.” At the time we shifted to a holding company structure, we additionally introduced the brand philosophy: “Hokkoku Financial Holdings exists to act for the benefit of people and the world, enriching the lives of individuals and society as a whole.” We also established the brand slogan, “Quality Company, Good Company.” To achieve the ideal business model under our philosophy and brand, we believe there are three key measures to implement. The first measure is to invest in human capital. The second is to spread governance-oriented management. The third is to further sophisticate risk management and the legal compliance structure. We are now making every effort to implement these measures at an accelerated pace.

Investment in human capital

Over the past five years, we have accelerated our investment in human capital. We have completely rebuilt our personnel system from the ground up, shifting to a career-oriented system that focuses on the careers of individual employees. We discontinued the lump-sum retirement payment scheme that strongly reflected length-of-service-based seniority and instead adopted a system where a portion of the retirement payment is added to monthly wages. Furthermore, we

introduced a restricted stock program for our employees and performance-linked compensation for our officers. For both schemes, the amounts granted are determined based on our ROE. In the area of recurrent education and reskilling, we have partnered with external educational institutions to put in place a program where officers and employees can acquire a wide range of skills.

Spreading governance-oriented management

We have implemented various governance reforms. For instance, we established a nine-member Board of Directors (including five outside directors), promoted female officers, and appointed an outside director as the chairperson of the Board. Our investment in human capital and reforms of the governance structure were not only propelled by the demands of society and our investors. We prioritized these initiatives for strategic purposes.

“Governance-oriented management that we have worked on as a top priority is the foundation for our new business model.”

The external environment has become increasingly complex and diverse, and greater speed is imperative in today’s business world. Under these circumstances, the traditional pyramid-shaped organization based on top-down management no longer works, and needless to say, a company that cannot meet the needs of its customers fails to be an enduring enterprise. This is precisely why we aim to be a flat and agile organization and a company that is easy to work in and rewarding to work for. We value working as a team where our people think, decide, and work in a self-driven manner while sharing common values and objectives. For this, it is important to design a governance structure for the entire organization, in addition to focusing on governance at the management level. An organization that is merely free and easy carries the risk of falling apart. Therefore, we must clearly define the roles expected of each employee, set the scope within which each employee can act independently, and modify this framework as necessary while maintaining dialogue. Our personnel system, recurrent education programs, and work-life balance initiatives are strategically linked. This governance-oriented management is precisely the foundation on which we establish our new business model.

Further sophistication of risk management and the legal compliance structure

The recent Noto Peninsula Earthquake taught us the need to further strengthen our business continuity planning (BCP) structure, which we had thought was flawless. Risks such as pandemics, landslides, information leaks, and system failures will likely increase moving forward. The reinforcement of our legal compliance structure and risk management are both key to bolstering and improving our defense. We will continue to deploy our management resources abundantly, adopt generative AI and other latest tools, and seek support and guidance from innovative outside advisors.

Addressing environmental issues

Environmental issues present serious challenges to the Earth’s survival. This is a notion shared widely across our Group. As a leader in the Hokuriku region, Hokkoku Financial

Holdings has thus far proactively engaged in various environmental initiatives with strong commitment. We formulate an action plan setting environmental targets based on our latest status, evaluate the results regularly, and consider and execute improvement measures as necessary. We are now working to accomplish our goal of reducing CO<sub>2</sub> emissions ahead of schedule to reach effectively zero emissions in 2030. Further, we are speeding up the construction of bases that qualify for “Nearly ZEB” or “ZEB Ready” certifications, in addition to the adoption of electric vehicles (including hybrid vehicles). To expand initiatives to include our supply chain, we regularly present case studies that can be shared with our customers. From this fiscal year onward, we will focus on involving individual companies and the region as a whole to build an overarching foundation for green transformation (GX) and to achieve carbon neutrality. Specifically, we will accelerate our efforts to transcend boundaries, sharing information and data and driving actions jointly with local governments and peers in the financial sector and other industries. We will make continued efforts so that the local community at large can achieve carbon neutrality in the near future.



In closing

The earthquake that struck the Noto Peninsula just after 4 pm on New Year’s Day caused extensive damage in Ishikawa Prefecture and the entire Hokuriku region. As reconstruction continues, in addition to serving as a bank, we are assembling the strengths of all Group companies to confront this difficult situation and turn the crisis into an opportunity. The key phrase in this endeavor is “communication and collaboration.” We believe the most powerful solution comes from sharing the struggles, thinking together, and creating added value jointly with various counterparties. We are also communicating the importance of open innovation within our organization. I am deeply proud of the fact that, despite the difficulties following the earthquake, a positive atmosphere fills our workplace and that more and more employees are thinking and making decisions independently. As one of the leading companies in the region, Hokkoku Financial Holdings has been accelerating communication and collaboration, and innovation is budding within the Company and throughout the region as a result. With renewed resolve, I will make every effort to create a bright and wonderful future together with our customers, shareholders, management and employees, and other stakeholders.



In the following section, I would like to respond to inquiries from our stakeholders in a Q&A format.

**Q How has this January's Noto Peninsula Earthquake impacted your business? What role will you play in the reconstruction efforts?**

**A** The Noto area suffered severe damage; Hokkoku Bank's branches and employees were also affected, so the disaster had a large impact on our business. However, as of July 2024, operations have resumed at all branches. As for the impact on our financials, we recorded related credit costs of approximately ¥1.4 billion in FY03/24 and project additional credit costs of roughly ¥2.5 billion in FY03/2. For the reconstruction of Noto, we are providing financial support through loans, investment funds, and other means. Additionally, a Group company, The COREZO, Ltd., is directly purchasing and selling customers' inventory items, which would otherwise be discarded due to the earthquake's impact. CC Innovation—the Group's consulting company—is also making proposals to local governments on the grand design of the future Noto. The entire Group remains committed to playing its role in the reconstruction and evolution of the Noto area.

→ P. 18 Impact of the Noto Peninsula Earthquake and efforts toward reconstruction

**Q Tell us about your current assessment of and future efforts toward implementing management that is conscious of the cost of capital and stock price.**

**A** In FY03/24, ROE and the Price-to-Book (P/B) Ratio fell short of our targets at roughly 4.1% and 0.5x, respectively, due in part to the Noto Peninsula Earthquake. We believe the ROE coming in lower than the cost of capital was the reason behind our low P/B ratio. In the current fiscal year, we plan to improve ROE by promoting our priority businesses while controlling shareholders' equity and focusing on profit quality. To improve our corporate value (P/B ratio), we will implement measures to curb our cost of capital through enhanced governance, information disclosure, and other means.

→ P. 22 Medium- to Long-Term Business Strategy

**Q Tell us about your current assessment of and future efforts toward implementing management that is conscious of the cost of capital and stock price.**

**A** Up to now, we have used a portion of the gains on sale of our strategic shareholdings to invest in human capital. The various measures we have implemented on the human capital front are necessary to make the company a comfortable and rewarding workplace for our employees. To meet the needs of our customers in an increasingly complex and diverse society, it is essential that our employees actively work of their own free will in a flat and agile organization. In May 2024, Hokkoku FHD ranked 12th in the Nikkei's top 100 Platinum Employer rankings. We are indeed becoming recognized as a Platinum Employer, offering a

workplace that is both easy to work in and rewarding to work for. Further, the many new business models we have established to date are founded on the organizational culture fostered over the years. This is also a testament to the success of our human capital-related efforts.

→ P. 67 Human Capital-Oriented Management

**Q Mr. Uda, an outside director, was appointed the chairperson of your Board of Directors. What is the background and objective of his appointment?**

**A** Mr. Uda, one of our outside directors, was appointed the Board chairperson in June 2024. We have always engaged in active Q&A-format discussions at our Board meetings. Personally, however, I felt that my dual role there as the top management, answering our outside directors' questions and the chairperson summarizing the overall discussions, was an issue. I believe that appointing Mr. Uda, who has previous experience as a Board chairperson, can further strengthen the oversight function of our Board. We hope to more effectively manage the Board meetings by requesting Mr. Uda's involvement in setting the meeting agenda.

→ P. 106 Corporate Governance

**Q Given the increased uptake of internet banking services for corporate and individual customers, how will the roles of the branches change? Please also tell us about your branch strategy moving forward.**

**A** Until now, Hokkoku Bank's sale bases (branches) primarily served as a place to process transactions such as deposits, withdrawals, and transfers.

With the progress in digitalization, including the spread of our internet banking services for corporate and individual customers, there is less need for customers to visit the branches for banking transactions. In fact, such a need is becoming infinitely smaller. The number of customers visiting our branches has declined by roughly 50% over the past 10 years.

Meanwhile, in this era of rapid change, the need for face-to-face consultations on all kinds of financial matters is also rising among certain customers. We intend to enhance the functions of each branch to address these various consultation needs, while keeping the number of branches at an appropriate level.

When constructing new branches, we plan to strengthen our BCP measures based on lessons from the Noto Peninsula Earthquake. In principle, we will obtain environmentally friendly ZEB certifications and step up other environmental initiatives.

→ P. 22 Medium- to Long-Term Business Strategy

→ P. 98 Environmental Initiatives

**Q For the second year in a row, the consulting and advisory business has failed to meet the earnings plan under the medium- to long-term business strategy. What is your outlook versus this fiscal year's targets, and what are the future plans for this business?**



**A** We were unable to meet the targets, in part because we had set high targets for this business and also due to the impact of the Noto Peninsula Earthquake (CCI staff participated in on-site support as well). This fiscal year, we are working to increase contracts in urban areas, raise pricing, and improve productivity. As orders are currently firm, we expect to accomplish the targets. We are receiving many inquiries from customers in this region; urban customers, mainly in the Tokyo metropolitan area, are also coming to us with their many needs. We believe that, by responding to such needs in a highly productive and solid manner, we will also be able to fulfill our medium- to long-term earnings plan.

→ P. 36 Consulting and Advisory

**Q Do you expect any cannibalization as you work on the uptake of both Hokkoku Visa debit cards and Tochika to raise the cashless payment ratio in the region to 90% or more?**

In terms of tourists, the Visa brand cards have an advantage. Meanwhile, Tochika's 0.5% processing fee makes it burden-free for merchant customers who were previously reluctant to adopt cashless payment because of high processing fees. Therefore, I think we can ensure the differentiation of these services sufficiently while still raising the cashless payment ratio in the region. In particular, Tochika offers a system for users to receive points from local governments; in turn, the local governments can

obtain data on how these points are being used and apply their findings to new measures. With the 20% cashback campaign kicking off in July, we will step up our efforts and encourage more customers and affiliated merchants to use Tochika.

→ P. 56 Cashless Payment and Digitalization

**Q Hokkoku FHD has modernized its systems through in-house development and used them as a driving force to transform its business model. What is your system strategy moving forward?**

**A** To provide highly convenient services with speed, we have actively developed our systems in-house, utilizing agile development methods and the latest digital technologies. In addition to the internet banking services and smartphone apps our customers use today, other important systems crucial to the achievement of our business model are taking shape steadily. These include the card settlement system and banking as a service (BaaS), which provides banking functionalities to business companies.

Moving forward, we will have a mechanism in place for other financial institutions that share our values to use the systems we developed. As several financial institutions have already shown interest, we hope to contribute to the development of other regions as well by fully using our systems.

→ P. 92 DX and System Modernization



# Our Cultivated Strengths as an Integrated Regional Company—History of Hokkoku FHD

Hokkoku Bank, with a business foundation in the three Hokuriku prefectures

Today, Hokkoku Financial Holdings operates as an integrated regional company comprising 11 Group companies.

“Without truly customer-centric management, we will not survive as an enduring company.”

Faced with a sense of urgency, we have spent a long time implementing step-by-step reforms.

We will continue to drive initiatives that help enhance the region’s quality while building on the various strengths gained from strategic cost reduction and the establishment of a new business model.

## Our cultivated strengths

Expertise in operational reforms

In-house system development capability

Customer-centric strategies

Ability to transform corporate culture

Ability to foster professional talent

Ability to enhance organizational capabilities

1943  
● Hokkoku Bank established



2000

- Introduced an area-specific sales structure
- Began branch consolidation

2007

- Established the Information Systems Department and began strategic investment into systems

2009

- Integrated General Affairs Department into the Planning Department to strategically reduce non-personnel costs

2010

- Introduced a credit line system (as a strategic credit initiative and for speedy response)
- Reduced administrative tasks for loan operations, centralizing work at the headquarters

2014

- New head office building completed



2015

- Introduced a new core banking system, BankVision
- Launched the consulting business
- Eliminated sales quotas and targets

2016

- Opened the Singapore Branch
- Began free distribution of card terminals
- Became the first domestic bank to offer card settlement services for affiliated merchants

2017

- Began handling corporate Visa debit cards



2018

- Began handling the trust business

2019

- Opened the COREZO e-commerce mall
- Announced a project to migrate the core banking system to the cloud
- Began handling Hokkoku Cloud Banking
- Established The Digital Value, Ltd.

10/2020

- Established the Hokkoku DX Cashless Fund

2/2021

- Launched the HOKKOKU LIFE+ service



- Began considering in-house development of a new-type ATM

5/2021

- Established The FD Advisory, Ltd.
- Began operation of BankVision on Azure, Japan's first full banking system on a public cloud

6/2021

- Established The CC Innovation, Ltd.
- Established The QR Investment, Ltd.

7/2021

- Hokkoku Bank and Visa jointly launched the Super Cashless Region project
- Created the Noto SDGs Fund

9/2021

- Obtained DX certification (Hokkoku Bank)

10/2021

- Established Hokkoku Financial Holdings, Inc.
- In-house ATM development (installed from 4/2023)

12/2021

- Introduced a sales department structure



3/2022

- Introduced a new personnel system
- Launched the HOKKOKU LIFE+ PRIME service
- Certified as a White 500 company under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Hokkoku Bank)

4/2022

- Established The COREZO, Ltd. (renamed from The Hokkoku Management, Ltd.)
- Obtained DX certification (Hokkoku FHD)

10/2022

- Eliminated commissions on purchases of all investment trust products

11/2022

- For new loans, removed personal guarantee obligations by business owners

1/2023

- Began considering a project to build a next-generation regional digital platform
- Received the Human Capital Leaders 2022 award

3/2023

- Certified as a White 500 company under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program
- Received the Minister of Regional Revitalization award at the 13th “Companies that Deserve to be Valued the Most in Japan” Awards

4/2023

- Began considering circulation of digital regional currency in Suzu, Ishikawa

6/2023

- Established The FALCO, Ltd. (through a merger of The FD Advisory, Ltd. and ALCOLAB, Ltd.)

9/2023

- Launched the Tochtuka digital regional currency service

4/2024

- Established the Noto Peninsula Earthquake Reconstruction Assistance Fund
- Released Hokkoku Digital Banking, a new internet banking service for corporate customers
- Launched Tochtuka, Japan's first deposit-type stablecoin service



## Strategic Cost Reduction Based on Our System Strategy

As the first phase of our reforms, in around 2000, we launched a strategic cost reduction project based on our system strategy. We saw the need to boost our resources (people, goods, and money) to pursue a genuinely customer-centric approach. We significantly reduced standard tasks by making full use of technology. This involved a fundamental reassessment of traditional administrative tasks, groupware updates, and the adoption of tablets, among other actions. We were able to consolidate our branches at an early stage by improving operational efficiency. Through these efforts, we accomplished a total cost reduction of ¥6 billion over 20 years. We also worked to bring system development in-house so that we could make the investments necessary for improved system operation and provide high-value digital solutions with speed on an ongoing basis.

## Sales Strategy Transformation to Become Truly Customer-Driven

Fraudulent loans and fraudulent transactions concerning insurance payouts have been a frequent problem in Japan for some time. We believe that the common root cause of these issues lies in quotas and performance evaluations. In 2015, we did away with quotas and sales targets. This was based on our belief that to become genuinely customer-driven, the improvement of organizational capabilities and the shift in employee mindset from a profit- and performance-based approach to a customer-centric one were imperative. From there on, we devoted our efforts to developing an in-depth understanding of the customers’ businesses and to sharing their issues and needs. In October 2021, we established Hokkoku Financial Holdings. The objective was to have an infrastructure in place to support customers with their various issues, in addition to offering traditional banking services such as financing. With newly established subsidiaries such as the consulting and advisory arm CC Innovation and e-commerce operator The COREZO, Ltd. in our Group, we are serving diverse functions as an integrated regional company.

## Introduction of a New Personnel System —A Human Resource Strategy Aligned with Our Management Strategy

In 2022, we introduced a career-oriented personnel system built from the ground up. We saw the need to bolster and optimize our human resources in both quantity and quality to realize our corporate philosophy and prepare ourselves for an entirely new business model. In fostering human resources, we aim to develop people who can think from the standpoints of society and customers rather than from the perspective of the Company and can also generate new value. For our employees, we advocate the importance of recurrent education—the opportunity to continue learning independently. Additionally, we partially subsidize the cost of self-development courses. Supporting and investing in the careers of our employees ensures their growth, which in turn leads to the Company’s growth and the realization of its corporate philosophy. We will also contribute to further improving the quality of the overall region by having our human resources take active roles in various fields within our community.



# Sustainability Policy and Materiality

## Sustainability Policy

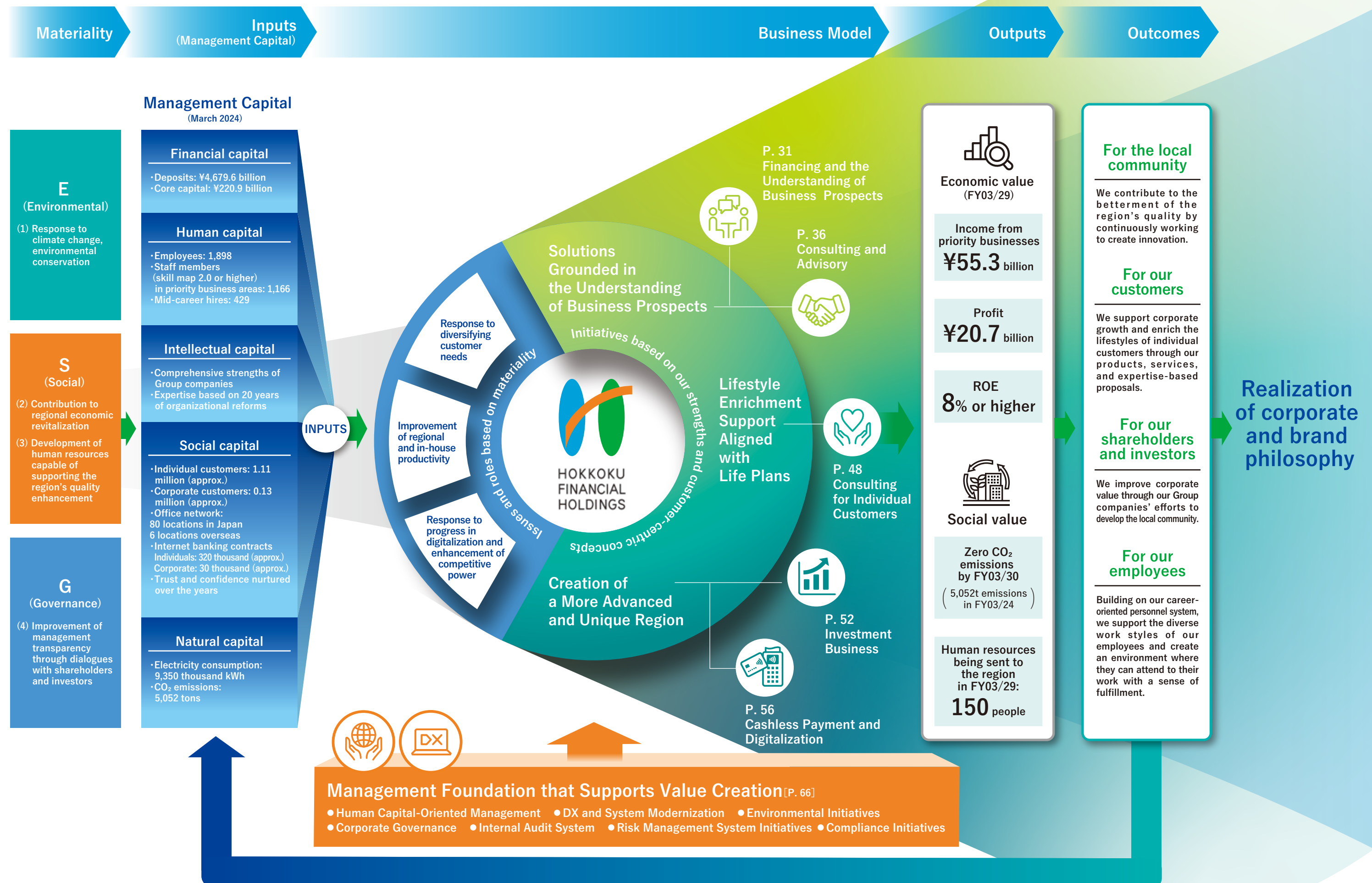
Hokkoku Financial Holdings seeks to realize a sustainable society together with the local community and all other stakeholders by actively working to resolve environmental, social, and governance (ESG) issues through its business activities.

## Materiality Identification Process





# Value Creation Process





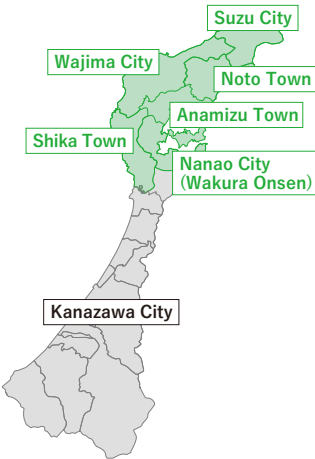
Impact of the Noto Peninsula Earthquake and Efforts Toward Reconstruction

The Noto Peninsula Earthquake, which struck on January 1, 2024, caused extensive damage to the lives of residents and the region's economic activities. Hokkoku Financial Holdings has worked to provide financial services smoothly to the customers affected by the disaster, and each Group company has also stepped up efforts toward reconstruction. Moving forward, we will press on collectively as a group to drive initiatives aimed at reconstruction and an even more advanced Noto and Ishikawa, thereby helping create a more attractive region.

Damage inflicted on the region

Following the earthquake, the water supply to some 6,700 households was cut off, and roughly 40,000 households suffered from power outages. In addition, mobile phone and other telecom networks were disrupted in some locations in the Noto area, including the cities of Nanao, Wajima, and Suzu and the towns of Shika, Anamizu, and Noto.

Ten sections of the Noetsu Expressway, and parts of the Hokuriku Expressway and the National Routes 160 (Nanao), 249, and 471, as well as 48 sections of the prefectural roads in Ishikawa and Toyama, were closed to traffic. Railroad services were suspended on the Nanao Line (JR West and Noto Railway) and the Himi Line due to partial damage.



Seismic intensity by location		
Prefecture	City and Town	Intensity
Ishikawa	Shika Town	7
	Wajima City	
	Nanao City	
	Suzu City	6 upper
	Anamizu Town	
	Noto Town	
	Nakanoto Town	6 lower
	Kanazawa City	
	Komatsu City	
	Kaga City	5 upper
	Hakui City	
	Kahoku City	
	Nomi City	
	Houdatsushimizu Town	

Our business operation

We have, for some time, actively used IT tools to offer our employees the ability to work from anywhere. For instance, we have distributed PCs to each employee so that information sharing and internal communication for project management and other matters can be completed via Microsoft Teams. To confirm the safety of our employees during emergencies, we have built a system where employees can input their status from their mobile phones and have conducted drills regularly. In communication, we have emphasized the importance of a flat and psychologically safe environment.

Thanks to this organizational culture, on January 1 and 2, shortly after the earthquake, we were able to collect various information and make judgments and decisions smoothly in a fully remote setting, while also confirming the status of our employees. On January 3, we held our first face-to-face task force meeting to decide on branch operations.

On January 4, we confirmed the safety of all employees. However, we were unable to open 16 branches due to extensive damage and water outages.

From that point onward, we have explored ways to reopen the branches while placing the highest priority on the safety of our customers and employees. Many of the employees working at the branches in the Noto area were affected by the disaster. As such, we organized and deployed 10 teams comprising 150 employees from outside the affected areas to reopen the branches. We already had in place a system enabling all branches to take on the operations of other branches. This setup made it relatively easy to work cross-organizationally.

To resume operations as soon as possible, we also opened temporary branches in government buildings with the support of the municipalities.



Damage in our Wajima Branch, including a raised parking lot and toppled office cabinets

Damage and operation status by branch (as of April 30)				
Branch	Damage	Resumed operation	Shortened hours	Place of operation (other than branches)
Wajima	Building damage	1/17	Yes	City hall (1/22-2/8)
Monzen		2/6	Yes	Monzen office of Wajima city hall (through 3/6)
Anamizu		1/31	Yes	Town hall
Matsunami		3/8	Yes	Suzu branch
Ushitsu		2/1	Yes	Concert Noto (through 3/4)
Suzu		1/17	Yes	
Kahoku	Water outage	1/5	No	
Hakui		1/9	No	
Oshimizu		1/5	No	
Takahama		1/22	No	
Togi		2/6	Yes	Togi office of Shika town hall
Nanao		1/9	No	
Wakura		2/16	Yes	
Nakajima		2/19	Yes	
Nakanoto		1/15	No	
Kaga		1/9	No	

Impact on our financials

We made additional provisions of ¥1.4 billion in FY03/24 due to the earthquake. We set aside provisions for business loans to borrowers in areas where the damage was likely severe. For personal loans such as housing loans, we made provisions based on the level of damage per city and town.

Loan balance by individual cities and towns (FY03/24)		
	Business loans	Loans for individual customers
Suzu City	Approx. ¥1.8bn	Approx. ¥2.3bn
Wajima City	Approx. ¥5.5bn	Approx. ¥5.2bn
Noto Town	Approx. ¥4.4bn	Approx. ¥3.4bn
Anamizu Town	Approx. ¥0.6bn	Approx. ¥2.4bn
Shika Town	Approx. ¥3.6bn	Approx. ¥4.8bn
Nanao City	Approx. ¥20.7bn	Approx. ¥18.0bn
Total	818 borrowers/approx. ¥36.6bn	6,378 borrowers/approx. ¥36.1bn
% of total	Approx. 3%	Approx. 3%

Initiatives toward reconstruction

Main actions taken in the wake of the earthquake

Items such as a bankbook, personal seal, and ID are typically necessary to withdraw deposits, but as an exception, we accepted withdrawals even when customers who came to our branches were missing one of these items. For customers who did not have any of these items, we responded with flexibility, allowing them to withdraw up to a certain amount upon conducting a thorough interview.

On January 4, the first day of business, we set up a consultation desk and began providing individual consultations in the respective districts. To date, we have responded to the needs of those customers affected by the disaster. Our actions spanned providing emergency loans, waiving fees for changing the loan terms, and distributing information on and supporting utilization of the so-called Nariwai subsidy (up to ¥1.5 billion), among other measures.

Within the branches, we also made PCs and other equipment available to those customers unable to access our internet banking services due to damage or loss of their PCs and smartphones. In addition, since we have an infrastructure to handle the paperwork at all branches, regardless of where our customers hold their accounts, we were also able to flexibly respond to customers who had evacuated from the Noto area.

Business and financial support utilizing COREZO

Our Group company, The COREZO, Ltd., accepted donations on behalf of those affected by the disaster. In addition, it supported businesses in Noto by helping them sell their products, which would have otherwise been disposed of due to the disruption caused by the earthquake.

Additionally, to help our customers rebuild their businesses, we raised money from supporters across Japan, using the crowdfunding site COREZO FAMILY FUNDING. The support we received far exceeded our goals.



"Support Noto by enjoying premium Noto beef!"



2024 Noto Peninsula Earthquake Disaster Relief (donation program)



Crowdfunding campaign—"Wish to continue delivering authentic shochu from Oku-Noto that withstood three earthquakes!"

Establishment of reconstruction funds

Our Group company, QR Investment, has established or is considering establishing the following two funds to support the recovery of businesses affected by the disaster. We plan to help resolve the so-called "double-debt problem" such businesses confront, and also aid entrepreneurs who are starting new businesses with a vision for the future. In such ways, we will contribute to the full recovery and reconstruction of the region.

●Noto Peninsula Earthquake Reconstruction Assistance Fund (fund size: ¥10.0 billion)

The objective of the fund is to resolve the double-debt problem of the businesses affected by the disaster. The fund will support the recovery and reconstruction of these businesses through actions such as purchasing pre-earthquake debts to improve financial health and providing new financial aid.

●Noto Beyond Reconstruction Fund

The objective of the fund is to support business operators taking steps toward achieving the SDGs while looking ahead to Noto's reconstruction and beyond. We will seek new investors and simultaneously continue our preparation efforts.



# 01

## Sustainable Growth and Corporate Value Enhancement over the Medium to Long Term

### Contents

- 21 Message from the General Manager of the Corporate Planning Department
- 22 Medium- to Long-Term Business Strategy
- 26 Market Operations
- 29 Summary of Priority Businesses



## Message from the General Manager of the Corporate Planning Department

**We will generate sustainable and high-quality profits to improve ROE.**

**Naotaka Terai**

Managing Executive Officer  
General Manager of Corporate Planning Department  
Hokkoku Financial Holdings, Inc.



Since 2021, we have been annually updating our strategies, policies, and the target levels we seek to achieve in the medium to long term. Behind this exercise is our belief that we should promptly grasp changes in the social and market environment, assess the external environment on which these changes are premised, and implement updates as necessary.

As a major change from last year, we revised downward our plans for FY03/24 and FY03/25, factoring in the impact of the Noto Peninsula Earthquake. Meanwhile, in light of rising prices and the Bank of Japan's lifting of the negative interest rate policy, among other factors, we now plan to further upgrade our businesses and achieve an ROE of 8% by March 2029, ahead of schedule.

As of the end of June 2024, our P/B ratio remained low, below 1x. The ROE (4.1% in FY03/24) coming in lower than the expected cost of capital of 6–9% is what we believe to be the main reason why our P/B ratio trends at around 0.5x. To address this issue, we intend to “control shareholders’ equity” through shareholder returns and reduction of strategic shareholdings and “improve profit quality” by promoting priority businesses and creating new revenue engines. We will also “contain capital costs” by further improving governance and actively conducting information disclosure and dialogue with shareholders. Through these measures, we will aim to raise the equity spread from negative to positive territory and improve our corporate value (P/B ratio).

To control shareholders’ equity, we will maintain a total return ratio of 50% or higher as we have in the past and simultaneously bolster capital for risk-taking in order not to miss further revenue opportunities. We plan to increase risk-weighted assets in marketable securities and equity investments while sustaining the capital adequacy ratio at around 9–10% on a consolidated basis. We have already halved the investment book value of strategic shareholdings one year in advance versus the initial target of end-FY03/25 and will continue our efforts toward achieving zero strategic shareholdings at an early stage.

In terms of improving profit quality, to generate sustainable profits, we will grow the priority businesses we have been working on thus far. We will also launch new businesses through what we call a “new advanced company” and accumulate high-quality profits. Unfortunately, in FY03/24, our results fell short of the earnings plan for priority businesses, and our costs increased due to upfront investments. However, we have also made progress, brushing up on our measures with greater speed and enhancing our ability to solve problems during execution. I am, therefore, confident that we will accomplish our earnings plans from here on without fail.

To contain capital costs, we aim to establish a more advanced governance structure. To separate business execution and management oversight more effectively, we replaced the Board of Directors chairperson and the Nomination and Compensation Committee chairperson with outside directors. We look forward to vigorous discussions at the Board of Directors meetings to create value from a medium- to long-term standpoint and achieve an ROE of 8%. We will also formulate a succession plan, which has been requested by many investors, and advance initiatives toward implementing the plan. By determining the criteria for key positions, setting a candidate pool, and making efforts to develop successors, we hope to ensure sustainable growth for the Company. In business, Hokkoku FHD places the utmost priority on dialogue. We hold over 50 one-on-one meetings between our president and institutional investors and host online briefing sessions for individual investors. Serious consideration of investors’ opinions, internal and external information disclosure, and business process visualization to improve our profit quality—we believe these actions will help us establish a sound and positive corporate culture. They will also have a significant effect on our efforts to develop an agile organization and instill a customer-centric approach, as well as on our risk management. We will work toward a strong governance structure that can support our sustainable growth. To this end, we will make transparent information disclosures and deepen our dialogue with various counterparties.

On the environmental front, as a leader in the region, we have thus far implemented various initiatives to help build a sustainable society. Moving forward, we intend to demonstrate leadership in promoting regional green transformation (GX). We will collaborate with the local governments and other financial institutions and bring in local business operators to make GX a region-wide project.

Based on the belief that it is our people who support these various initiatives, we have launched medium- to long-term measures to optimize our human resource portfolio and are stepping up efforts to recruit and develop diverse professional talent.

We will continue to press on collectively as a group to create innovation through communication and collaboration, enhance our corporate value over the medium to long term, and fulfill the expectations of our stakeholders.



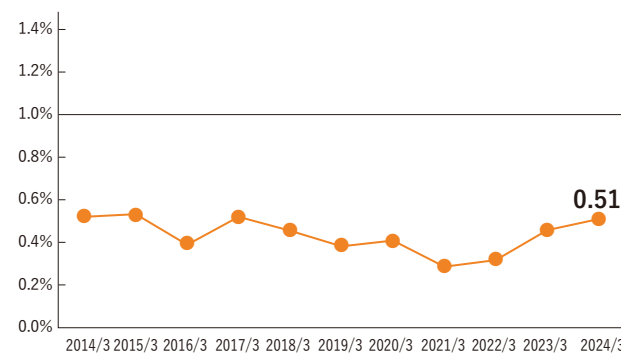
## Initiatives toward Corporate Value Enhancement —Updates to the Medium- to Long-Term Business Strategy

To date, we have worked to enhance our corporate value by reducing strategic shareholdings, strengthening shareholder return measures, and rebuilding the business portfolio, without limiting ourselves to the traditional banking business model. To further enhance our corporate value, we will make every effort to improve ROE, contain our cost of capital, and thereby achieve a P/B ratio of 1x or higher at an early stage.

### Analysis and assessment of current status

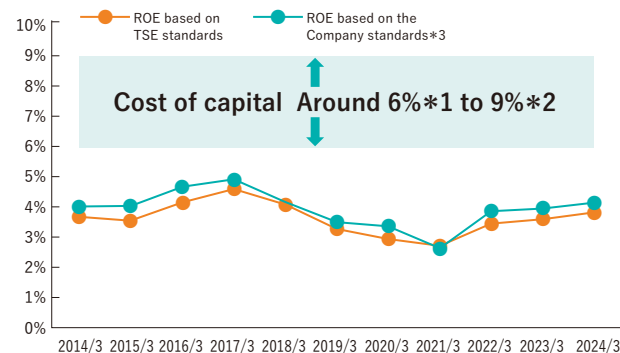
Our P/B ratio has trended at a low of less than 1x. This performance is due to a lower ROE than our expected cost of capital.

#### P/B ratio



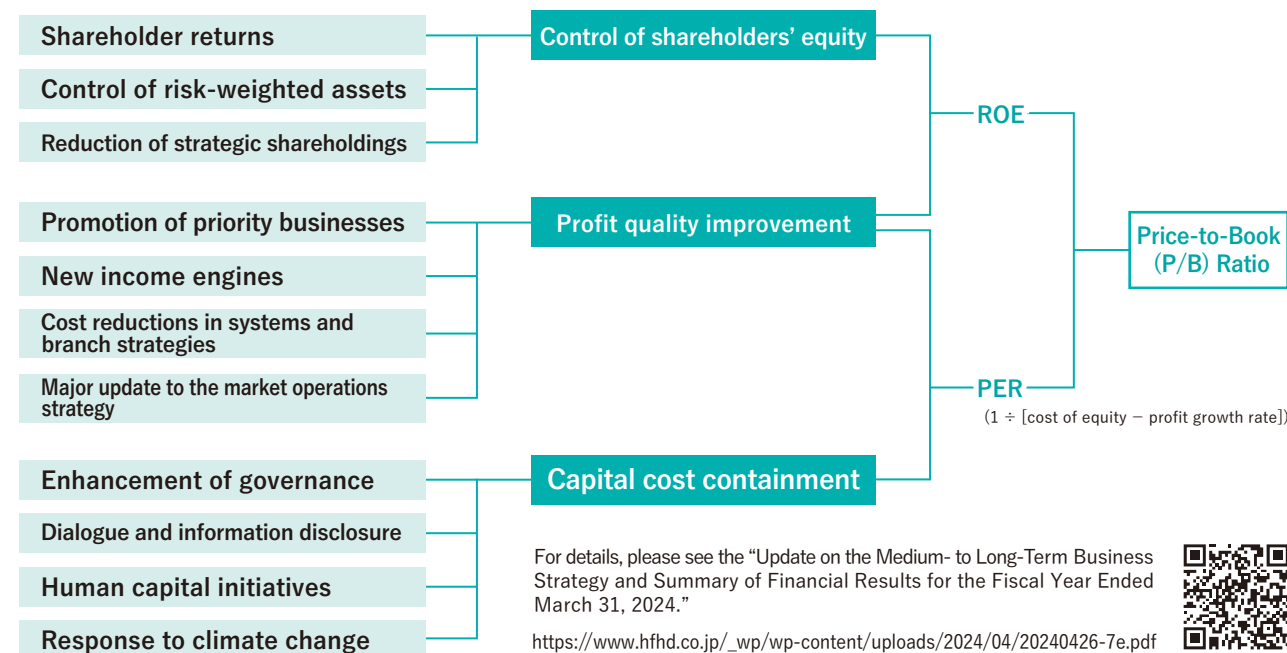
\*1: Calculated by the Group using CAPM as reference (5.7%) \*2: Inverse of the expected PER at end-March, assuming a growth rate of 0% (9.4%)  
\*3: ROE is calculated as the ratio of profit attributable to owners of parent to the Basel III core capital applicable to domestically active banks

#### ROE and cost of capital



### Policies and initiatives

We believe implementing the Group's various measures will allow us to control shareholders' equity, improve profit quality, and contain capital costs. We will enhance our corporate value by bringing the equity spread (ROE minus the cost of capital) to positive territory.



## Shareholder returns Control of shareholders' equity

- Will maintain a total return ratio of 50% or higher and simultaneously bolster capital for further risk-taking
- Planning on share repurchase of ¥3 billion and dividend distribution of ¥120 per share (¥10 increase) in FY03/25

Item	FY03/24 Actual	FY03/25 (In 1 year)	FY03/27 (In 3 years)	FY03/29 (In 5 years)	FY03/34 (In 10 years)
Total return ratio	138.3%	56.7%	<b>Total return ratio of 50% or higher</b> We will regularly review and conduct share repurchases and dividend hikes while considering the capital adequacy ratio and strategic investment opportunities.		
Total dividends	¥2.6 billion	¥2.7 billion			
Share repurchases	¥9.9 billion	¥3.0 billion			

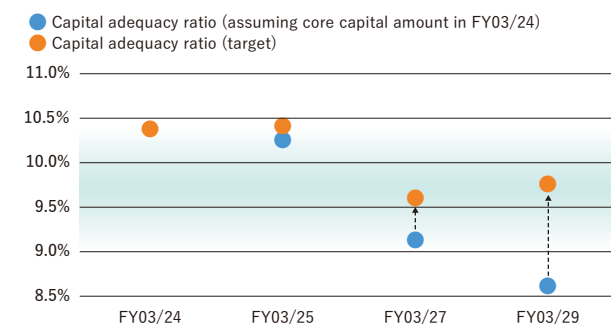
Cost of capital	Around 6% (Company estimate)				
ROE	4.1%	4.5%	5.0% or higher	7% or higher	8% or higher
Core capital	¥220.9 billion	¥224.1 billion	¥232.5 billion	¥255.5 billion	¥330.0 billion
Risk-weighted assets	¥2,129.3 billion	¥2,133.1 billion	¥2,374.0 billion	¥255.5 billion	¥3,000.0 billion
Capital adequacy ratio	10.4%	10.5%	Around 9–10%		
P/B ratio	0.5x	0.6x or above	0.7x or above	1.0x or above	1.0x or above

## Control of risk-weighted assets Control of shareholders' equity

- Will control risk-weighted assets, targeting a capital adequacy ratio of around 9–10% (financial leverage of approximately 10x\*)  
\* Inverse of the capital adequacy ratio
- Planning to keep traditional loan assets at current level, while increasing marketable securities and equity investments
- Will slightly hold back shareholder returns in preparation for an increase in risk-weighted assets partly due to the finalization of Basel III reforms

#### Core capital plan and tolerable level of risk-weighted assets (¥ bn)

	FY03/24	FY03/25	FY03/27	FY03/29
Core capital	220.9	224.1	232.5	255.5
Financial leverage	Approx. 10x			
Tolerable level of risk-weighted assets	2,100.0~2,300.0	2,100.0~2,300.0	2,200.0~2,400.0	2,400.0~2,600.0



#### Risk-weighted asset plan (¥ bn)

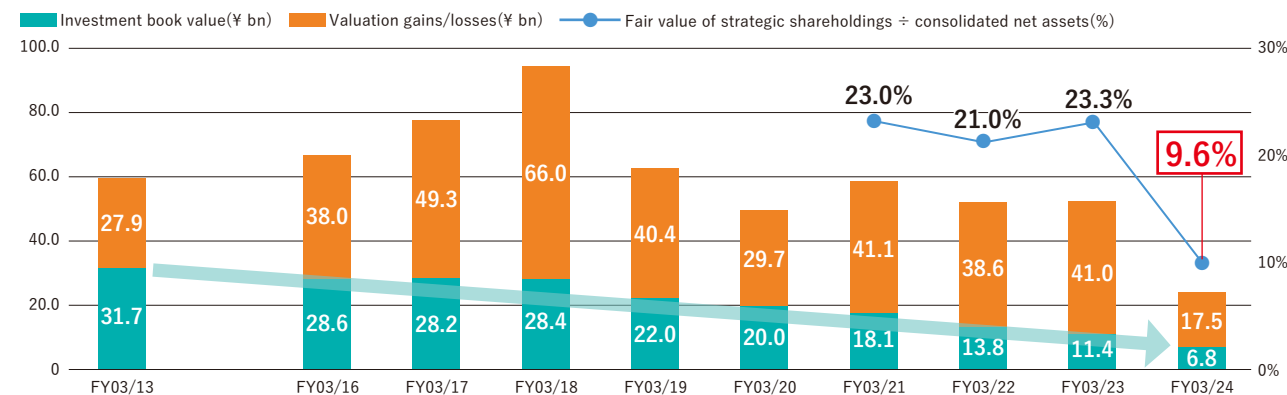
	FY03/24	FY03/25	FY03/27	FY03/29
Overall	2,129.3	2,133.1	2,374.0	2,550.7
Marketable securities	202.1	279.8	415.2	550.7
Equity investments	44.1	60.1	106.8	129.6
Loans	1,665.1	1,598.2	1,642.0	1,660.3
Other	218.0	195.0	210.0	210.0



## Reduction of strategic shareholdings **Control of shareholders' equity**

- Achieved the plan to halve investment book value (versus FY03/22) by end-FY03//25, ahead of schedule
- Continue efforts toward zero strategic shareholdings and deepen dialogue with business partners on topics such as their capital policies and corporate value enhancement

Balance of strategic shareholdings in listed companies(¥ bn)



### Use of gains on sale of strategic shareholdings

Since approximately four years ago, Hokkoku FHD has been working to dissolve cross-shareholdings in earnest.

When we announced our financial results for FY03/22, we unveiled a plan to halve our strategic shareholdings on a book value basis by the end of FY03/25. Through careful and repeated dialogue with the counterparties, we have made speedy progress, as evidenced by achieving the plan one year ahead of the original schedule.

The gains on sale of strategic shareholdings have been used to fund the following major reforms.

- 1) Fundamental restructuring of the business loan framework, including changes to the method of posting reserves for possible loan losses based on an understanding of business prospects
  - 2) DX and system modernization through bold investment in systems
  - 3) Establishment of a market operation infrastructure, covering our investment system and portfolio reassessment
- Through these actions, we are making progress in building a new business model.

## Promotion of priority businesses **Profit quality improvement**

In last year's update to our medium- to long-term business strategy, we set forth a goal to generate ¥55.3 billion in income from priority businesses in five years (+¥21.0 billion from FY03/24). We will make every effort to meet this goal by executing strategies that elevate the functional synergies among our Group companies.

(¥ bn)

Item	FY03/24			FY03/25	FY03/27	FY03/29	FY03/34
	Target	Actual	Achievement ratio	Target	Target	Target	Target
Priority businesses	35.1	34.3	98%	39.1	42.3	55.3	69.7
Business loans and leasing	14.8	14.4	97%	14.6	16.9	18.2	20.5
Cashless	1.7	1.5	88%	1.6	2.2	3.1	7.2
Consulting	2.0	1.2	60%	2.1	3.1	3.8	5.1
Investment advisory	0.2	0.3	150%	0.5	1.0	1.2	1.6
Investment funds	0.4	0.1	25%	2.8	2.2	8.6	11.3
Market operations	16.1	16.8	104%	17.4	16.9	20.4	24.0

## New revenue engines **Profit quality improvement**

We also believe it is important to create new revenue engines for us to generate sustainable profits, help revitalize the region, and resolve social issues. Within the framework of a “new advanced company,” which we are currently considering, we plan to sell systems to customers in and outside our industry and support Ishikawa Prefecture's redesign and growth strategy toward a quality region that is advanced and unique.

### New business concepts

#### System construction, support for developing advanced IT talent, system sales (incl. to other industries)

- ➔ Managed services  
(maintenance, operation, and development aimed at system enhancement)
- ➔ Develop business featuring SaaS platforms  
(Core banking system, integrated subsystems, internet banking for individual and corporate customers, stablecoins, digital cards, Kintone app, other apps)

\* Potential collaboration with major system partners with whom we share a common value

### Creating new energy and appeal in the region

Komatsu Arena project; real estate utilization

### Proactive involvement in local resources and infrastructure

## Enhanced governance, dialogue and information disclosure, human capital initiatives, and climate initiatives **Capital cost containment**

We are working to strengthen governance, build a sustainable management foundation, and contain the cost of capital. For this, we have replaced the Board of Directors chairperson; we are stepping up efforts to develop successors based on a succession plan, continue dialogue with various counterparties, and implement compensation raises and other human capital initiatives. Additionally, we are promoting GX initiatives to reduce CO2 emissions throughout the region.

### Medium- to long-term targets

Item	FY03/24 Actual	FY03/25 (In 1 year)	FY03/27 (In 3 years)	FY03/29 (In 5 years)	FY03/34 (In 10 years)
Ordinary profit (consolidated)	¥14.5 billion	¥15.2 billion	¥21.2 billion	¥31.3 billion	¥45.7 billion
Profit (consolidated)	¥9.1 billion	¥10.2 billion	¥13.4 billion	¥20.7 billion	¥30.5 billion
Income from priority business (consolidated)	¥34.3 billion	¥39.1 billion	¥42.3 billion	¥55.3 billion	¥69.7 billion
ROE (consolidated)*	4.1%	4.5%	5% or higher	8% or higher	8% or higher

\*ROE is calculated as the ratio of profit attributable to owners of parent to the Basel III core capital applicable to domestically active banks

[Reference: Based on shareholders' equity] ROE (consolidated)	4.2%	4.6%	5% or higher	8% or higher	8% or higher
--	------	------	--------------	--------------	--------------



## Major Update to the Market Operation Strategy

### Track records and traits of our market operations

The balance of our marketable securities stood at ¥1,414.2 billion in FY03/24, finishing at a similar level as the previous fiscal year.

We continued to struggle with foreign bond investments as overseas interest rates remained persistently high, particularly in the US. Nonetheless, thanks to the appropriate scope of our priority initiatives\*, we were able to achieve an overall profit/loss ratio of +2.8%, surpassing our target of +2%.

In FY03/25 as well, we will execute our investment strategies based on our own market outlook and from a medium- to long-term perspective, while being mindful of the performance of our overall securities portfolio. In addition to improving the quality of our portfolio, we intend to use the year as a springboard for the next leap forward as we seek to further expand the scale of our investments.

In its medium- to long-term business strategy for 202, Hokkoku FHD also positions market operations as one of its priority businesses.

We will continue to work on a major update to our market operation strategy to build a securities portfolio that can flexibly respond to ongoing changes in the market environment.

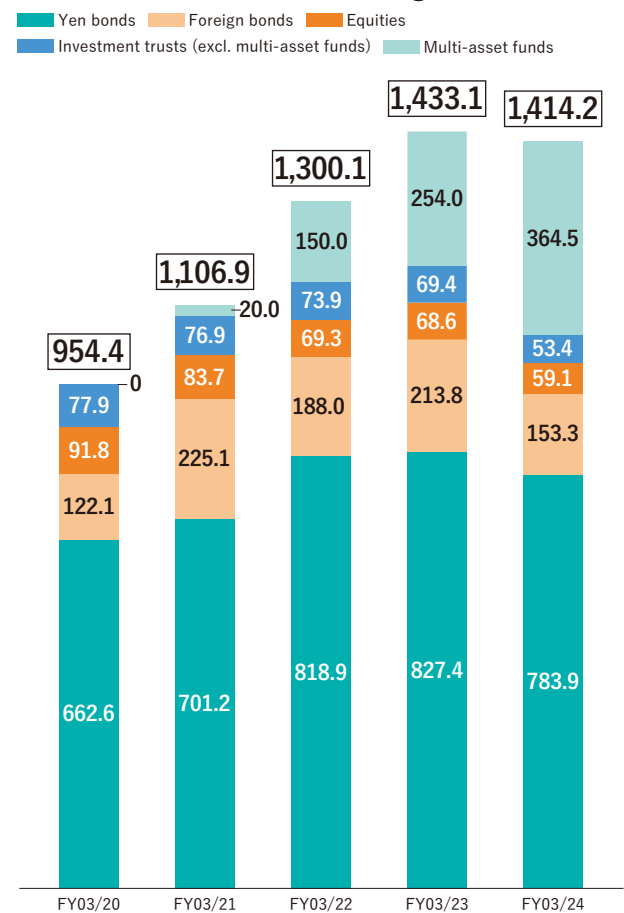
\*Scope of our priority initiatives

- Formulation of an investment plan based on a model portfolio
- Investment activities based on a house view
- Portfolio improvement initiatives

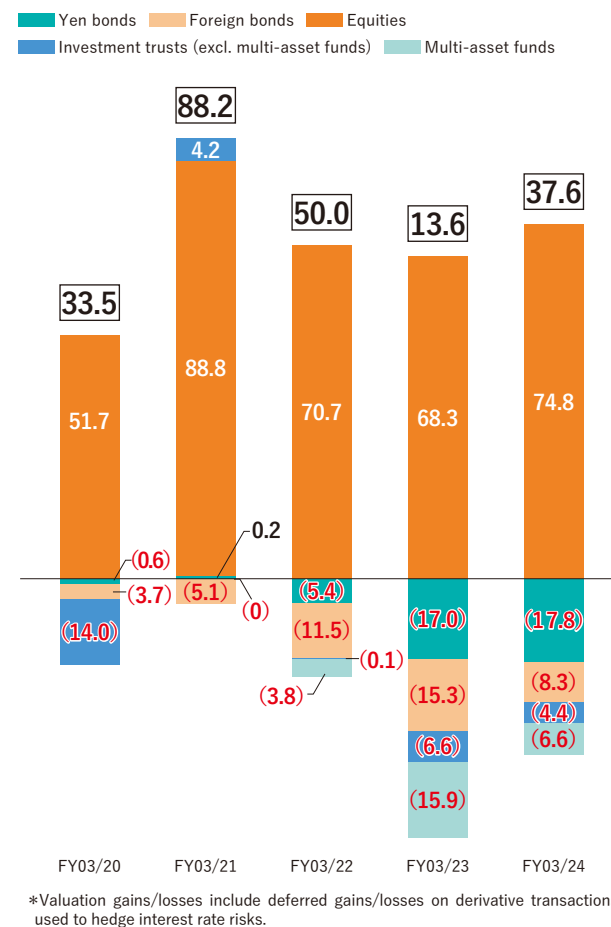


Seiichi Sagiike  
Managing Executive Officer,  
General Manager of Capital Market Department  
The Hokkoku Bank, Ltd.

#### Marketable securities outstanding (book value) (¥ bn)



#### Gains/losses on valuation of securities (¥ bn)



### Formulation of an investment plan based on a model portfolio

In FY03/24, we began efforts to formulate a model portfolio so as to elevate our ability to manage the securities portfolio. In formulating an investment plan, we first devise a portfolio with the best risk-return efficiency from a medium- to long-term perspective—the model portfolio we should aim for. We then formulate an investment plan and strategy, focusing on the performance of the overall portfolio rather than the performance of individual assets.

Thereafter, we create a budget that factors in our market outlook over the next year or so and formulate monthly and daily investment plans based on short-term market scenarios. In such a way, we create a portfolio that is in line with the latest environment.

This exercise prepares us to better explain the process of building a portfolio. At the same time, it enables us to manage our portfolio based on a medium- to long-term model portfolio while responding flexibly to changes in the outlook and sudden shifts in the market.

Throughout the process, we receive advice from FDALco, the investment advisory arm of Hokkoku FHD.

The model portfolio is reviewed annually in consideration of the state of the economy and market trends.

Ongoing efforts are also being made to improve the process of building the model portfolio. In FY03/25 and beyond as well, we will seek to further enhance the formulation processes of our model portfolio and investment plan.

### Investment activities based on a house view

An accountable market outlook that provides a clear basis for investment activities is indispensable to the flexible management of a portfolio.

FDALco formulates its own market outlook (house view) under the direction of several economists and analysts on staff.

In FY03/24, we formulated assumed ranges of interest rates and stock market movements based on FDALco's market outlook and conducted our investment activities accordingly.

This system has ensured accountability even for agile portfolio management and now serves as a foundation for investment activities that can be reviewed and verified.

In FY03/25, we will continue our efforts to maximize the overall performance of our portfolio by practicing highly accountable investment activities.

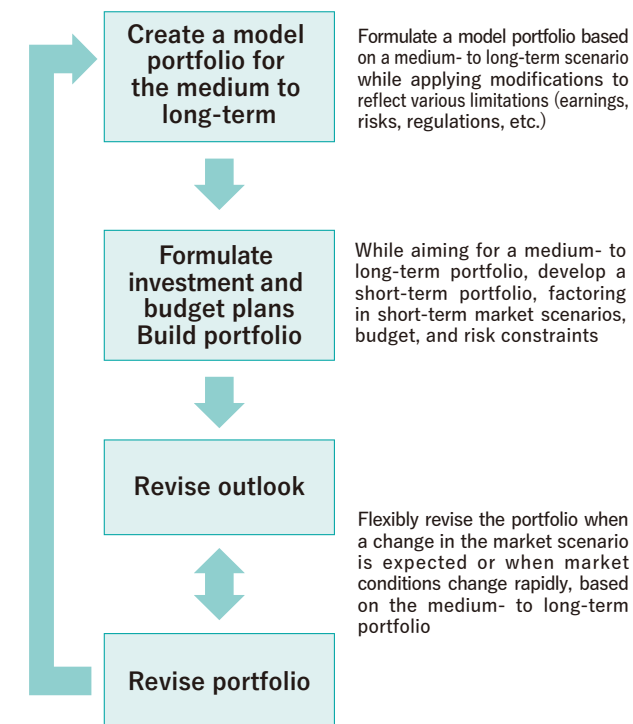
### Portfolio improvement initiatives

In FY03/24, we worked to improve the efficiency of our portfolio by reducing and reallocating foreign bonds.

We will continue to enhance portfolio efficiency in FY03/25 with the aim of building a stable earnings base.

We plan to invest in yen bonds, which are becoming an appealing investment option due to the Bank of Japan's policy revisions. We will also boost investment in Japanese equity, an area where we have been working to elevate our capabilities. In addition, we will reduce and reallocate foreign bonds, for which there are concerns that interest rates will remain high for a prolonged period. Through these efforts, we aim to improve our portfolio's investment yield and the state of valuation gains and losses.

#### Portfolio management flow

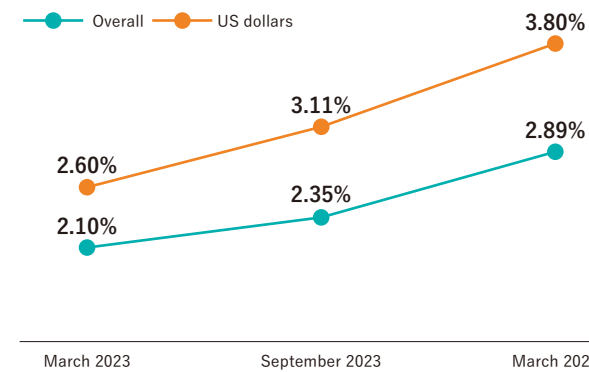


#### Foreign bond book value and valuation gains/losses





## Book yield on foreign bonds



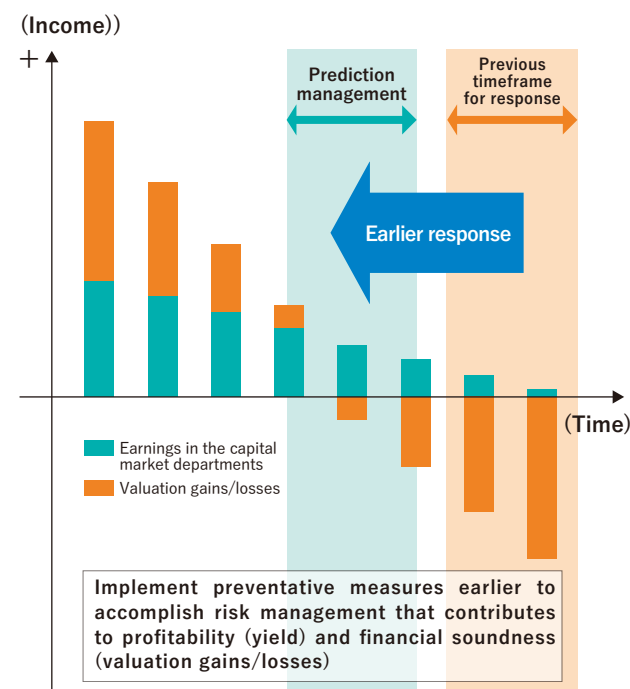
## Sophistication of market risk management

To further sophisticate our securities investment, we must manage market risks at a more advanced level.

In FY03/25, we will accelerate our efforts toward establishing a forward-looking market risk management approach. In such a way, we hope to further enliven internal discussions concerning securities investment.

In FY03/24, we initiated prediction management aimed at clarifying in advance our future risk scenarios and action plans. In addition to this initiative, we plan to build a risk management system that supports the prompt implementation of preventative measures and contributes to both profitability (yield on securities) and financial soundness (valuation gains/losses on securities).

## Forward-looking prediction management (image)

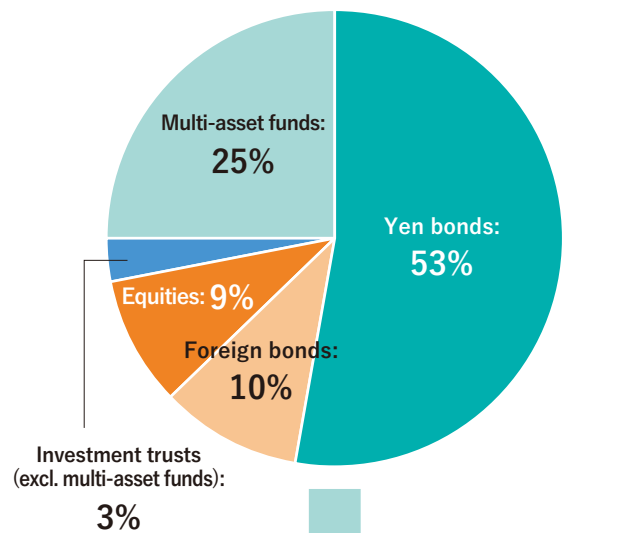


## Multi-asset funds

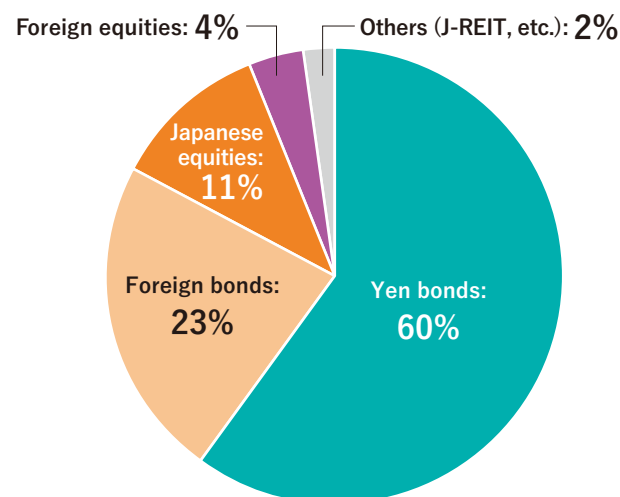
Since FY03/22, we have positioned multi-asset funds, which enable diversified investment with a focus on global asset allocation, as one of our core assets. Accordingly, we have been increasing our holdings of multi-asset funds. (FY03/24 balance of ¥364.5 billion on a book value basis)

The portfolio assets of the multi-asset funds Hokkoku FHD invests in are bonds and equities from advanced countries, primarily Japan and the US. These funds are financial instruments that are simple and designed at low cost, taking into account Hokkoku FHD's investment policy and its overall asset allocation of marketable securities, as per the advice of FIDAco.

Holding multi-asset funds over the medium to long term ensures benefits in risk management because it curbs the risk of stock price fluctuations and enables flexible risk control. At the same time, there are also benefits on the investment front, as stable income generation and the expansion of valuation gains strengthen our securities portfolio.

Our securities portfolio  
[Before look-through]

## [After look-through]



## Summary of Priority Businesses



## Financing and the understanding of business prospects

Understanding customers' business prospects is the starting point of corporate sales at the Hokkoku FHD Group. Rather than engaging in mere quantitative analysis, we interview our customers about their business models and other topics to gain an in-depth understanding, based on which we provide solutions to their issues. Among other initiatives, we have introduced a sector coverage system to further elevate our level of specialization.



## Consulting and advisory

We launched our consulting services in 2015, and have since enjoyed the patronage of many customers. We apply the so-called five-step framework—the Group's method of driving corporate reforms—to help customers resolve their issues. Efforts are underway to expand segments to urban areas and widen the scope of consultation as we seek to achieve further growth in this business.



## Consulting for individual customers

Having transformed our business stance from a bank-centric to a customer-centric approach, we are providing consulting services tailored to individual customers' life plans. To offer optimal proposals that suit customer needs, we have introduced three engagement models (tech-touch, low-touch, and high-touch) for customer communication.



## Investment business

Using revitalization funds and startup funds, among other vehicles, Hokkoku FHD provides risk money to help raise the value of local companies and promote regional economic growth through equity investments. Our mission is to bring in knowledge from within and outside the local community to create innovations originating from the region. We plan to invest nationwide and overseas actively, with a view to realizing a quality region.



## Cashless payment and digitalization

We aim to create a cashless and digital society. To this end, we offer cashless payment services featuring the digital regional currency Tochika, Japan's first deposit-type stablecoin, as well as Visa debit cards. We also provide in-house-developed internet banking services and banking as a service (BaaS) platform for fintech companies. Through these services, we hope to contribute to the region, improving productivity, circulating funds efficiently, and creating innovations.



## Human capital-oriented management

We foster employees and encourage their career independence to enhance the value of the region at large. We execute diverse strategies aligned with the progression of one's career, from recruitment and training to thriving in the workplace and being deployed to support the local community. Central to our activities is a career-oriented personnel system that is truly unique to Hokkoku FHD. We will continue to drive initiatives that allow our employees to work with a sense of fulfillment and high motivation, which will, in turn, energize our organization and add value to the community.



## DX and system modernization

We develop high-value digital solutions by utilizing the latest technologies, such as cloud computing and AI. We also seek to reduce costs by bringing system development and operation in-house and by optimally allocating human resources. In addition, we have strengthened our consulting functions to share our accumulated expertise with customers and financial institutions in the region. We have also enhanced our security measures, focusing on a good balance between ensuring stable services and providing highly convenient services with speed.

## KPIs

	FY03/24 target	FY03/24 actual	FY03/25 target
Number of core clients	1,470	1,334	1,470
Yield on business loans	1.196%	1.197%	1.252%

	FY03/24 target	FY03/24 actual	FY03/25 target
Number of contracts	650	580	570

	FY03/24 target	FY03/24 actual	FY03/25 target
Number of investment trusts, Omakase Navi, and defined contribution plan (corporate/individual) accounts	46,350	41,470	45,000
Monthly contributions to investment trusts, Omakase Navi, and defined contribution plans (corporate/individual)	¥617mn	¥759mn	¥750mn

	FY03/24 target	FY03/24 actual	FY03/25 target
Number of investments made	23	42	—
Invested amount	¥7,300mn	¥20,281mn	—
Multiple of cost (MoC)	—	—	1.10x

	FY03/24 target	FY03/24 actual	FY03/25 target
Number of Visa debit card members	320,000	315,600	342,500
Number of card-affiliated merchants	7,000 stores	6,678 stores	7,200 stores
Tochituka affiliated merchants	—	—	5,000 stores

	FY03/24 actual	Target
Human resource portfolio	Percentage of employees in priority businesses: 39.2%	Percentage of employees in priority businesses: 50.0% (FY03/34 target)
Women in management positions	21.2%	25.0% (FY03/26 target)



## 02

## Contents

## The Types of Value We Hope to Deliver

### Solutions Grounded in the Understanding of Business Prospects

- 31 Financing and Understanding of Business Prospects
- 36 Consulting and Advisory
- 42 Investment Advisory
- 44 “COREZO” Information Platform

### Lifestyle Enrichment Support Aligned with Life Plans

- 48 Consulting for Individual Customers

### Creation of a More Advanced and Unique Region

- 52 Investment Business
- 56 Cashless Payment and Digitalization



**“We understand our customers well and provide diverse values as a good partner.”**

**Haruhiko Kometani**

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

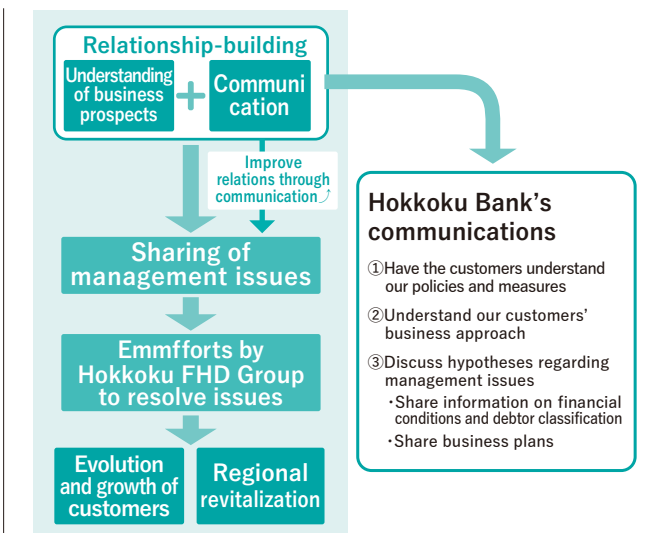
## Corporate Sales Begin with the Understanding of Business Prospects

### Communication and the understanding of business prospects

The first step in corporate sales at Hokkoku Bank is to engage in dialogue with our customers so that we can develop an in-depth understanding of their businesses, internal systems, and other aspects of their operations. We call this practice the “understanding of business prospects” (generally known as “business prospect assessment”). In addition to obtaining the financials and other quantitative data, we try to gain a firm grasp of the qualitative aspects of our customers by understanding their business prospects. For this, we maintain dialogue and engage in various communications. We believe that through these efforts, we can identify our customers’ true management challenges and issues that need to be resolved as a priority.

Understanding the business prospects involves several steps. First, the account managers, including the heads of sales and branch managers of the sales branches, conduct interviews with the customers to gather information. The scope of information spans customers’ business models, products and services, supply chains, management and organizational structures, and ESG and SDGs initiatives, among other matters. The account managers also speak with the customers’ top management to hear their aspirations for the future, including their business plans, so they can clearly assess the gap between the customers’ goals and the current state of affairs. Based on the gathered information, we engage in thorough internal discussions regarding the issues uncovered and potential solutions. Through this exercise, we develop our own hypotheses, which are shared and discussed with the customers in depth. We then offer solutions collectively as the Hokkoku FHD Group. By repeating this cycle, from the various communications exchanged day to day to the provision of solutions based on the understanding of business prospects, we strive to further strengthen our relations with the customers and become their true partner worthy of being consulted on any matter of concern.

The aforementioned “various communications” primarily entail three objectives: (1) to have the customers understand



our policies and measures, (2) to understand the customers’ business approach and visions for the future, and (3) to discuss management issues with the customers. Through these communications and the actual provision of solutions, we work to elevate relationships with our customers. Hokkoku Bank believes that the state of these relationships greatly impacts the sustainability of companies. In fact, in addition to being an important factor on the sales front, the state of our relationships is vital to our credit management efforts, to the extent that we have introduced it in our standards for posting reserves in the books.

### Sharing business plans and conducting in-depth discussions that cover debtor-classification disclosure and visions for the medium to long term

Among the communications that contribute greatly to relationship-building and the sharing and resolution of customers’ management issues are the “sharing of financial





conditions and debtor classification” and the “sharing of business plans.” These involve having dialogues with the customers about the past, present, and future based on their financials and business plans and providing thorough feedback on how we view their companies.

We have regularly asked our customers to share information on their financial conditions and business plans with us. However, we rarely went so far as to disclose to them their debtor classification or delve into their medium- to long-term visions. The lack of this conversation caused a disconnect in perception between us and the customers regarding the situation at hand, hindering our discussions about the future in some cases. At times, the conversation could be uncomfortable for some customers, but unless both parties share an accurate understanding of the actual state, 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. Hence, we intend to continue these efforts proactively moving forward.

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

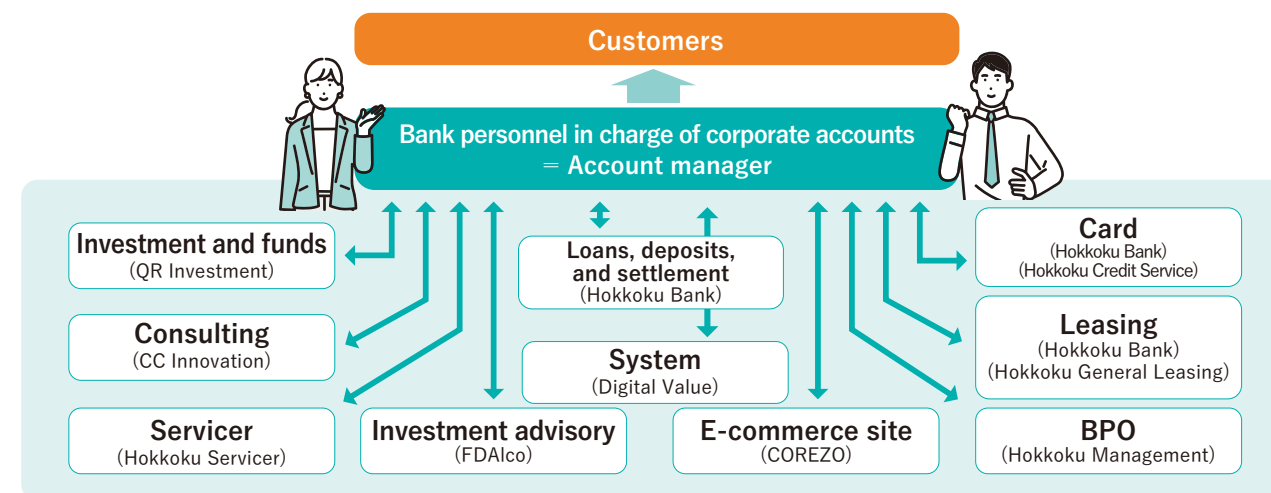
## The mission of account managers and the sector coverage system

Account managers are the staff members of Hokkoku Bank handling corporate accounts; they also serve as the central contact point for introducing the various services offered by the entire Hokkoku FHD Group. Needless to say, acquiring an in-depth understanding of customers’ business prospects—as previously mentioned—is important to providing appropriate services to our customers, as is gaining their trust and building genuine relationships. To accomplish these tasks, a wealth of knowledge, experience, and information is necessary. A high level of communication skills, the ability to bring in and mobilize people, and the ability to resolve customers’ issues are also called for. In FY03/25, we introduced a sector coverage system mainly in the Kanazawa area to further hone our specializations. Our account managers now cover customers in specific businesses and industries. We have received many positive comments from customers who say this arrangement promotes more in-depth dialogue and makes it easier for them to consult us. In the future, we are considering expanding this framework to a wider geographical area.

Moving forward, our account managers will continue to work alongside our customers, aiming to understand them well, serve as good partners, and provide diverse value for customers’ growth and regional development.

### The account managers make full use of the functions of our Group companies

The account managers, who are staff members of Hokkoku Bank, serve as the central contact point of Hokkoku FHD, meeting the wide-ranging needs of customers and the region by leveraging the many functions the Group companies offer.



#### Each sales branch covers its own corporate accounts

Head Office Sales Department	Corporate accounts, Head Office Sales Department
Korinbo Branch	Corporate accounts, Korinbo Branch
Saigawa Chuo Branch	Corporate accounts, Saigawa Chuo Branch
Kanaiwa Branch	Corporate accounts, Kanaiwa Branch
Toiyamachi Branch	Corporate accounts, Toiyamachi Branch
Kanazawa Johoku Branch	Corporate accounts, Kanazawa Johoku Branch
Kodatsuno Branch	Corporate accounts, Kodatsuno Branch
Morimoto Branch	Corporate accounts, Morimoto Branch
Uchinada Branch	Corporate accounts, Uchinada Branch
Daitoku Branch	Corporate accounts, Daitoku Branch
Kanazawa Seibu Branch	Corporate accounts, Kanazawa Seibu Branch
Fushimidai Branch	Corporate accounts, Fushimidai Branch
Nonoichi Branch	Corporate accounts, Nonoichi Branch

#### Consolidated the corporate sales bases (13 locations → 1 location); introduced a sector coverage system

Teams by sector	Sales structure
Real estate, construction, etc.	GM of Sales—AM in charge
Science, fibers, energy, etc.	GM of Sales—AM in charge
Machinery manufacture, etc.	GM of Sales—AM in charge
Food, restaurants, etc.	GM of Sales—AM in charge
Transport, automotive, gas stations, etc.	GM of Sales—AM in charge
Medical care, welfare, etc.	GM of Sales—AM in charge
Telecommunications, printing, broadcasting, etc.	GM of Sales—AM in charge
Services, retail, etc.	GM of Sales—AM in charge

Corporate accounts in the Kanazawa area

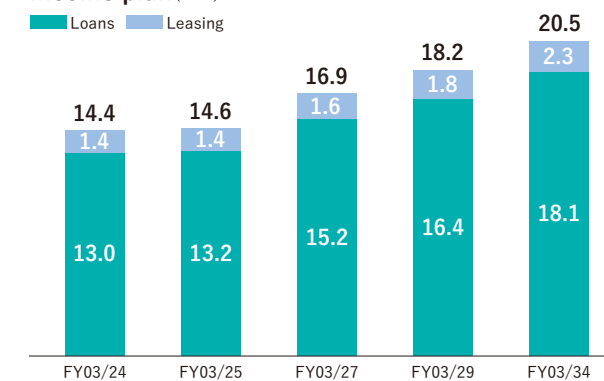
\*In the case of a conglomerate customer operating across multiple industries, the team handling the industry of the core company covers the account.

## Shift in financing from volume to quality

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

Unlike in the past, when funding demand was robust, the business model of expanding loan market share will no longer be sustainable. Accordingly, this fiscal year, we will focus on (1) resolving customers’ issues such as financing and cash management based on the understanding of business prospects, (2) continuing dialogue on pricing and making switches to market interest rate-based loans, and (3) improving customer convenience and productivity through the provision of digital banking overdraft facilities.

#### Income plan (¥ bn)



Nine years have passed since we eliminated sales quotas. Nonetheless, we were able to secure stable income because we devoted our efforts to being thoroughly customer-centric in resolving our customers’ issues. We believe that continuing and deepening these efforts, which start with understanding business prospects, is the only way toward our progress.

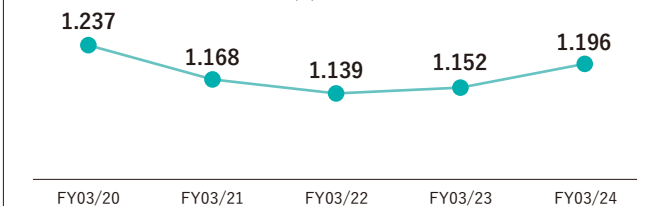
We switched our focus from volume to profitability (volume to quality) and duly shifted to loans targeting small and medium-sized companies primarily in the three prefectures of the Hokuriku region. Although low-spread lending, mostly in urban areas, has decreased, as did our loans outstanding as we became more conscious of profitability, we were able to sufficiently meet the funding needs of the region, even during the COVID-19 pandemic.

Furthermore, our loan yields have bottomed out and are trending upward as a result of our cost-conscious initiatives.

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

	FY03/21	FY03/22	FY03/23	FY03/24
Business loans	0.899	0.894	1.174	1.304
Consumer loans	0.575	0.548	0.489	0.679

#### Yields on business loans (%)



#### Impact of yen interest rate rise on annual interest

First year	Second year	Third year
¥0.9 billion	¥2.9 billion	¥4.2 billion

#### Reflected in the latest updates to the medium- to long-term business strategy

##### [Assumptions]

- Assuming the lifting of yield curve control and negative interest rate policy, followed by a rise in the policy rate to 0.25% and 10-year government bond yield to around 1.00% by the end of fiscal 2025
- Loans outstanding calculated using the annual targets outlined in the medium- to long-term business strategy

## Appropriate responses to credit risks

We believe that advancing our efforts in the understanding of business prospects, communication, and sharing of financials will also substantially contribute to reducing credit risks.

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

For customers requiring our early involvement due to weak performances, we have in place a system for sharing their actual issues with them based on a more in-depth understanding

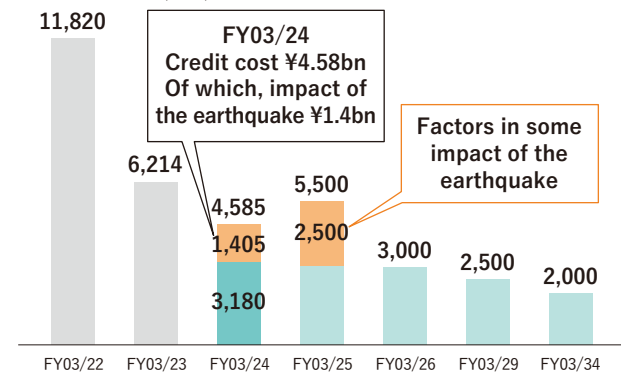
#### Yields by region (business loans) (%)

	FY03/21	→	FY03/22	→	FY03/23	→	FY03/24
Total of the three Hokuriku prefectures	1.285	-0.042	1.248	- 0.005	1.243	+0.015	1.258
Ishikawa Prefecture	1.274	-0.030	1.239	+0.005	1.244	+0.008	1.252
Toyama Prefecture	1.333	-0.073	1.287	- 0.027	1.260	+0.026	1.286
Fukui Prefecture	1.221	-0.045	1.196	- 0.020	1.176	+0.040	1.216
Other	0.534	+0.040	0.526	+0.048	0.574	+0.136	0.710



of business prospects and working together to solve those issues. Specifically, the Corporate Banking Department is working as one to build relationships, share issues, and deepen dialogue with the customers. For instance, four general managers in corporate banking have been allocated to cover the branches so that both the branch managers and these general managers can visit the customers regularly. As a new initiative, we have also devised an alert system that uses customer account data on deposits and withdrawals to identify cash management issues. Additionally, we began handling debtor-in-possession financing to step up our business revitalization initiatives. Through these efforts, we aim to maintain our credit costs at around ¥3.0 billion, excluding the direct impact of the Noto Peninsula Earthquake. For those customers affected by the earthquake, we are committed to supporting the reconstruction and revitalization of the region through the Noto Peninsula Earthquake Reconstruction Assistance Fund and our consulting work, among other means.

Credit costs (¥ mn)



Status of initiatives on business owners' personal guarantee guideline (October 2023 to end-March 2024)

Item	Number of transactions
New loan transactions	6,603
New loans provided without a guarantee (ratio)	5,686 (86.11%)

●Status details on initiatives regarding business owners' personal guarantee guidelines are available on our website (Japanese only).  
(<https://www.hokkokuibank.co.jp/company/fsm/>)



## Improving customer productivity through our corporate internet banking service

In April 2024, we released Hokkoku Digital Banking—a new corporate internet banking service—to help further improve the operational efficiency and productivity of our corporate customers. The service design, operability, and security were substantially enhanced from the previous version. We also introduced a full in-house development capability within our Group to enable flexible and prompt upgrading of the service functionality. In the winter of 2024, we plan to add an overdraft facility to the service. Thereafter, we will continue to expand its functionality in stages to offer transaction lineups similar to those available at our brick-and-mortar branches.

On the cost front, since October 2021, we have stopped charging base handling fees and lowered the fees for money transfers. In this way, we are working to reduce our customers' costs and support further digitalization.

### Characteristics of Hokkoku Digital Banking

#### High-operability design and robust security

"A platform that all customers can use free of charge, as a matter of course." With this concept in mind, we completely renewed the screen design to improve visibility and operability. We also introduced robust security features to ensure even safer use.

#### Adoption of a public cloud platform

By adopting the Microsoft Azure\* public cloud platform, we reduced operating and management costs and achieved speedy service enhancement, while ensuring robust security.

\*Microsoft Azure is a trademark or registered trademark of Microsoft Corporation in the US and other countries.

#### Establishment of in-house development capability

We established an in-house capability to conduct agile development together with The Digital Value, Ltd., a Hokkoku FHD group company, and to promptly enhance our service in accordance with our customers' diverse needs.

## Moving forward

To address our customers' increasingly complex issues and specialized needs, we intend to generate synergies with our Group's consulting arm, CC Innovation, and provide added value collectively as a Group with a sense of speed.

We have always believed that the time freed up, thanks to improved productivity, should be used for dialogue with our customers. We have put it into practice. Through continued pursuit of productivity, we will create more time for dialogue and 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 contribute to regional development.

## Reference data

### Deposits: Balance by segment

	FY03/21	FY03/22	FY03/23	FY03/24	Change vs FY03/23 (¥)	Change vs FY03/23 (%)
Individuals	2,662.6	2,781.2	2,870.9	2,951.9	+81.0	+2.8%
Corporate entities	1,111.7	1,155.4	1,143.4	1,230.3	+86.9	+7.6%
Public funds, financial institutions	277.5	336.0	369.7	529.3	+159.6	+43.2%
Total	4,052.0	4,272.7	4,384.1	4,711.6	+327.5	0.5%

### Efforts to expand deposits

We will work to expand sticky deposits by further improving our core service, LIFE+, and payment services, such as Hokkoku Digital Banking.



#### ■Service for individual customers

- No fees for the use of ATMs at affiliated convenience stores\*
- No fees for money transfers to other banks\*
- No fees for money transfers to Hokkoku Bank
- \*Up to three transactions per month



#### ■Hokkoku Digital Banking

- No base handling fees
- No fees for money transfers to Hokkoku Bank
- Low fees for money transfers to other banks
- Available around the clock, 365 days a year

### Loans: Balance by segment

#### Loans outstanding (by borrowers)

	FY03/21	FY03/22	FY03/23	FY03/24	Change vs FY03/23 (¥)	Change vs FY03/23 (%)
SMEs, etc.	2,001.2	1,993.1	1,971.9	1,926.7	-45.2	-2.3%
(ratio of SMEs)	75.9%	76.5%	77.5%	78.8%	—	+1.3%
Large and medium-sized corporations	317.5	297.3	250.9	189.9	-61.0	-24.3%
Local public bodies, public corporations	315.2	313.5	322.8	326.9	+41	+1.3%
Total	2,633.9	2,603.9	2,545.6	2,443.6	-102.0	-4.0%

#### Loans outstanding (by region)

	FY03/21	FY03/22	FY03/23	FY03/24	Change vs FY03/23 (¥)	Change vs FY03/23 (%)
Total of the three Hokuriku prefectures	2,408.9	2,395.6	2,379.4	2,306.7	-72.7	-3.1%
Ishikawa Prefecture	1,816.7	1,811.9	1,813.9	1,775.8	-38.1	-2.1%
Toyama Prefecture	471.8	464.5	451.1	422.7	-28.4	-6.3%
Fukui Prefecture	120.2	119.0	114.4	108.1	-6.3	-5.5%
Other	225.0	2s08.3	166.2	136.8	-29.4	-17.7%

#### Loans outstanding (by loan type)

	FY03/21	FY03/22	FY03/23	FY03/24	Change vs FY03/23 (¥)	Change vs FY03/23 (%)
Business loans	1318.0	1,275.7	1,206.0	1,126.5	-79.5	-6.6%
Consumer loans	1,000.6	1,014.6	1,016.8	990.1	-26.7	-2.6%
Secured	964.2	981.9	986.7	960.9	-25.8	-2.6%
Unsecured	36.3	32.7	30.1	29.1	-1.0	-3.3%
Local public bodies, public corporations	315.2	313.5	322.8	326.9	4.1	1.30%



**“We will contribute to the innovation of our customers, region, and society by deepening communication and collaboration with customers.”**

**Tomohiko Kikuzawa**

President and Representative Director  
The CC Innovation, Ltd.

## Consulting and Advisory

### Where we aspire to reach

The business environment surrounding regional companies has become increasingly severe and complex due to the soaring costs of raw materials, the uptick in personnel expenses, and the difficulty in securing a workforce, including foreign workers. The situation is further compounded by higher interest rates and the need to focus on ESG initiatives such as decarbonization, among other factors.

Against this backdrop, companies are now finding it difficult even to maintain their existing business models, and the issues our customers face have diversified beyond their traditional needs to increase sales or secure funding. Specific areas of their interest now include formulating a business strategy in line with changes in the market environment, forming a cost management system that ensures profits based on appropriate pricing, and achieving operational efficiency and using technology to enhance productivity. Customers are also keen to expand their businesses through M&A and entry into overseas markets or to strengthen their organizations by building a personnel system, developing talent, and enhancing the governance structure. Since all these challenges are often intertwined in a complex manner, there is rarely a single universal strategy for a fundamental resolution of issues.

In light of these changes in the environment, we will step up our efforts to resolve the essential issues of more customers by delving further into their needs. By doing so, we hope to support the growth of our customers, the overall region, and our Group.

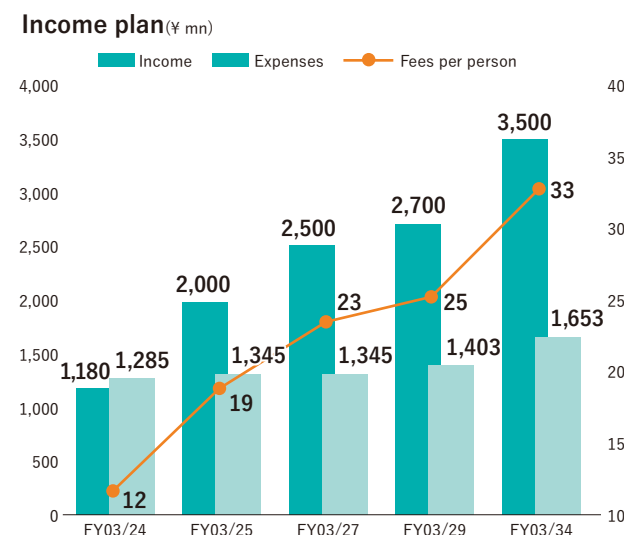
### Vision

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.

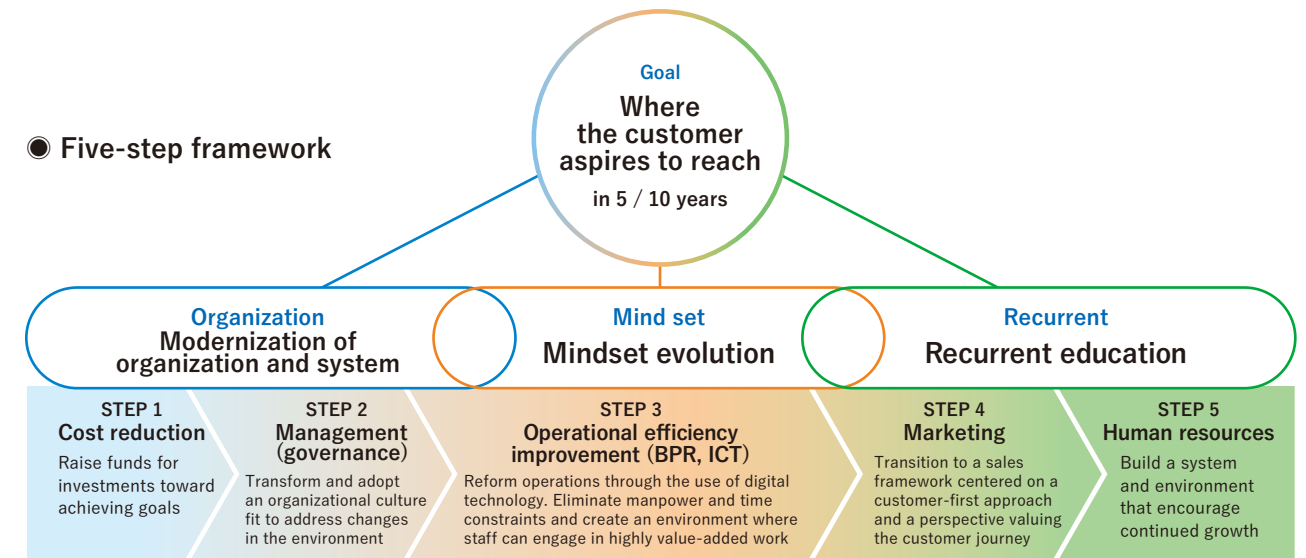
To this end, we will consistently take on a customer-centric approach, contribute to the innovation of our customers, the region, and society through communication and collaboration with our business partners, and create new value.

### Our strengths and traits

We apply what we call a “five-step framework” to resolve our customers’ issues. These five steps are the very steps Hokkoku FHD followed in its corporate reforms. Specifically, we first establish with our customers a common notion of their current state of affairs and their goal—namely, where they aspire to reach in five years’ and 10 years’ time. We then support our customers in their efforts toward organization-wide reforms based on the five-step framework. We believe that having dialogues with our customers is most important to the optimization of this framework. In fact, our strength lies in our ability to understand our customers and engage in communication with them to resolve their true issues.



### Five-step framework



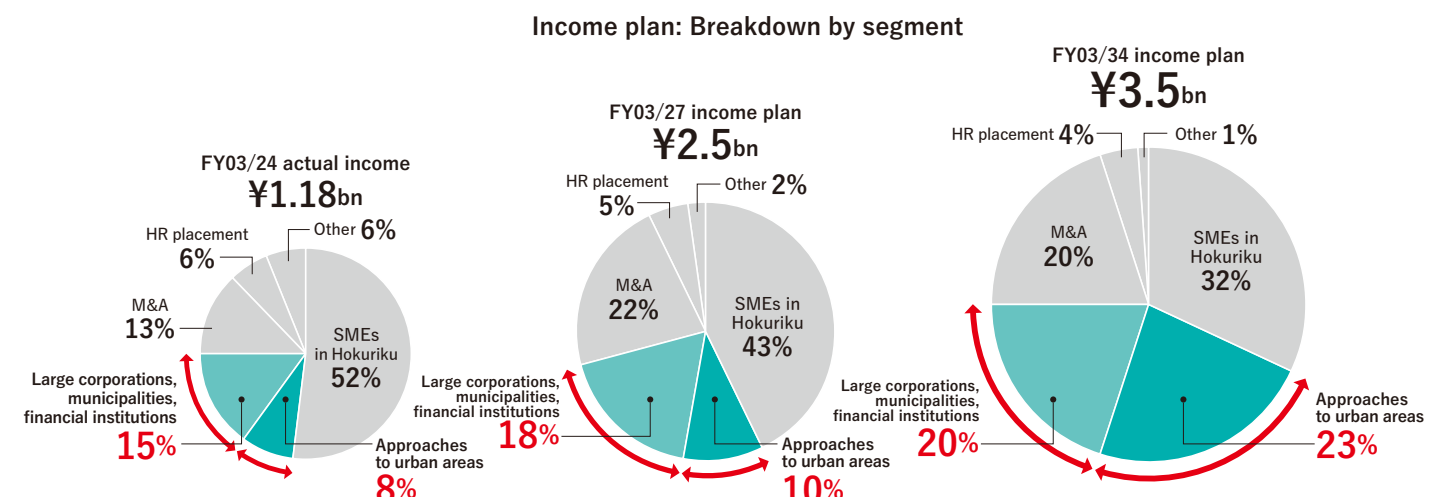
### Main service offerings

<b>Management strategy formulation</b> Track record: <b>934 cases (cumulative)</b> <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>	<b>Operational efficiency improvement / ICT utilization</b> Track record: <b>496 cases (cumulative)</b> <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>	<b>Human resource development / human capital</b> Track record: <b>613 cases (cumulative)</b> <ul style="list-style-type: none"> <li>Design personnel evaluation system, wage system</li> <li>Provide training sessions based on job levels, foster candidates for executive positions</li> <li>Introduce diverse talent</li> </ul>
<b>Business succession / capital strategy / M&amp;A</b> Track record: <b>208 cases (cumulative)</b> <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>	<b>Overseas business</b> Track record: <b>118 cases (cumulative)</b> <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>	<b>Other</b> Track record: <b>120 cases (cumulative)</b> <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>

### Roadmap to expand strategy for Consulting and Advisory

Expanding our offerings in the Consulting and Advisory business is indispensable to resolving the diverse issues our customers face. We also believe that, to elevate the quality of our services in this business, we must expand transactions with the existing customers of Hokkoku Bank as well as the customers without any previous dealings, such as those in urban areas.

Meanwhile, to effectively utilize our current human resources, we need to improve productivity, develop talent swiftly, and achieve operational efficiency.



Many of the customers on a consulting contract with us are small and medium-sized enterprises (SMEs) whose initial touchpoints with our Group were banking transactions with Hokkoku Bank. The corporate account managers there engage in dialogue with the customers to carefully identify their issues based on the understanding of business prospects so that we can support them with solutions. CC Innovation's service generally begins with the formulation of a management strategy to achieve set goals, but the customers also often ask for guidance on the specific measures necessary to advance the strategy. The topics on this front cover digitalization and efficiency improvement through the use of technology, personnel strategy in line with human capital-oriented management, M&A for a further leap forward, and entry into overseas markets, among other themes.

Large corporations, on the other hand, face challenges different from those of SME customers. Therefore, CC Innovation seeks to win projects from large corporations by deploying its own partners (consultants) to initiate strategic dialogue. We also work to develop customers in new sectors by engaging in dialogue with entities such as local governments and other financial institutions to understand their issues.

In line with the widening customer base, we are expanding our consulting services lineup to meet each customer segment's diverse needs. We will step up our efforts moving forward so that we can also handle more advanced issues, such as enhancing governance.



## Initiatives for customers outside the Hokuriku region

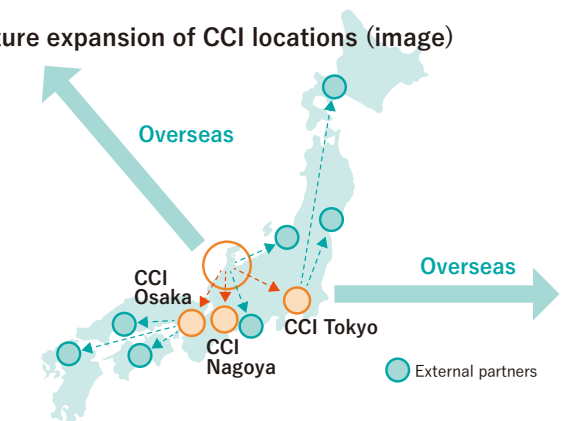
To date, we have worked primarily with customers in the three Hokuriku prefectures, looking to resolve their issues by understanding their businesses. Our approach has been to work alongside the customers, sharing a common notion of what needs to be done to achieve the goals and tackling each issue step by step.

Moving forward, we plan to provide consulting services to startups in urban areas—mainly Tokyo, Osaka, and Nagoya, where Hokkoku FHD has sales bases. We also aim to win projects through collaborations with other financial institutions.

Some startups approach Hokkoku Bank's urban bases to inquire about loans or investments. We can make use of these touchpoints and offer these startups a combination of funding and consultation to help them accelerate growth. With Hokkoku FHD being a bank group, we also encounter strong needs among our customers to develop a governance structure. By leveraging the collective strengths of Hokkoku FHD, we are making efforts to secure consulting assignments as a follow-on to loans and equity investment projects.

In addition, we are working to have financial institutions in urban areas refer us to their customers facing challenges. We currently have partnerships with four financial institutions, resulting in multiple consultations and contracts. We intend to win projects by, for instance, hosting regular study sessions to increase partner financial institutions and deepen collaborations with them.

## Future expansion of CCI locations (image)



## Consulting work for municipalities

### Kanazawa City, Ishikawa Prefecture



#### ▼Consulting service content

Workshop for boosting the ability to improve operations (administrative BPR)

#### ▼Reasons for consultation and key deciding factors

CC Innovation has a track record of hosting workshops for other municipalities. We also learned from our staff member in charge, who previously participated in your workshop, that the content of the workshop and the way you conducted it were very easy to understand.

#### ▼Post-project feedback

The workshop was very beneficial. In group work, the participants learned the BPR process—how to visualize daily problems and what to take away from the visualization—in detail and in an easy-to-understand manner. In particular, the evaluations following the presentations were extremely relevant and very useful for us. Furthermore, the participants were thrilled to take part in an office tour of Hokkoku FHD, as government employees rarely have the opportunity to see the offices of private-sector companies.

### Hakusan City, Ishikawa Prefecture



#### ▼Consulting service content

Administrative BPR at a local public body

#### ▼Reasons for consultation and key deciding factors

Our employees did not have the expertise to implement digital transformation, even if they wanted to. We also felt that external support was necessary to change our mindset. So, we were uplifted to learn of Hokkoku Bank's history of reforms and its track record in consulting work. That was the deciding factor.

#### ▼Post-project feedback

Through case studies of actual reforms and a tour of the head office, we learned about the work styles that utilized digital tools and the approaches to operational reforms. The workshops, which were grouped according to the participants' job levels, delivered messages tailored to each job level. This made it easier for participants to more clearly understand their individual roles within our organization.

### Nomi City, Ishikawa Prefecture



#### ▼Consulting service content

Development of and operational support for a system linking medical care and nursing care

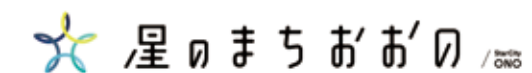
#### ▼Reasons for consultation and key deciding factors

We determined that the use of Kintone would be effective in building a mechanism to systematically share medical and nursing care information within the government. Your track record and expertise in Kintone were the deciding factors.

#### ▼Post-project feedback

During the construction phase of the system linking medical and nursing care, CC Innovation conducted thorough interviews with the medical and nursing care professionals and sorted out the issues and requests concerning information linkage. CC Innovation was very reliable even after the system launch. You supported us through a difficult project, accommodating the IT skill levels of diverse professionals, managing schedules, and providing the information necessary for important decisions. We look forward to your continued support.

### Ono City, Fukui Prefecture



#### ▼Consulting service content

Administrative BPR and groupware utilization

#### ▼Reasons for consultation and key deciding factors

Hokkoku Bank is registered as a specialist in the "Regional Future Concept 20 Open Lab." When Ono City registered as a municipality interested in digitalizing administrative operations, Hokkoku Bank contacted us. We decided to ask for your advice after learning about Hokkoku Bank's own initiatives to achieve operational efficiency and the thinking behind such efforts.

#### ▼Post-project feedback

The final goal was clear to us from the time of the project launch, but we were unsure of the path to that goal. Through consulting, CC Innovation flexibly responded to our sudden requests. A new endeavor to utilize the unused functions of the existing groupware and devise operations using an in-house-developed app gave us the confidence to press on with operational reforms.



## Initiatives at overseas bases

Our regional expansion is not limited to Japan; we are also building our reach overseas. We have opened sales bases in Singapore, Thailand, Vietnam, and Shenzhen so that SMEs in our region can also access Southeast Asia, which has been the center of growth since the 2010s.

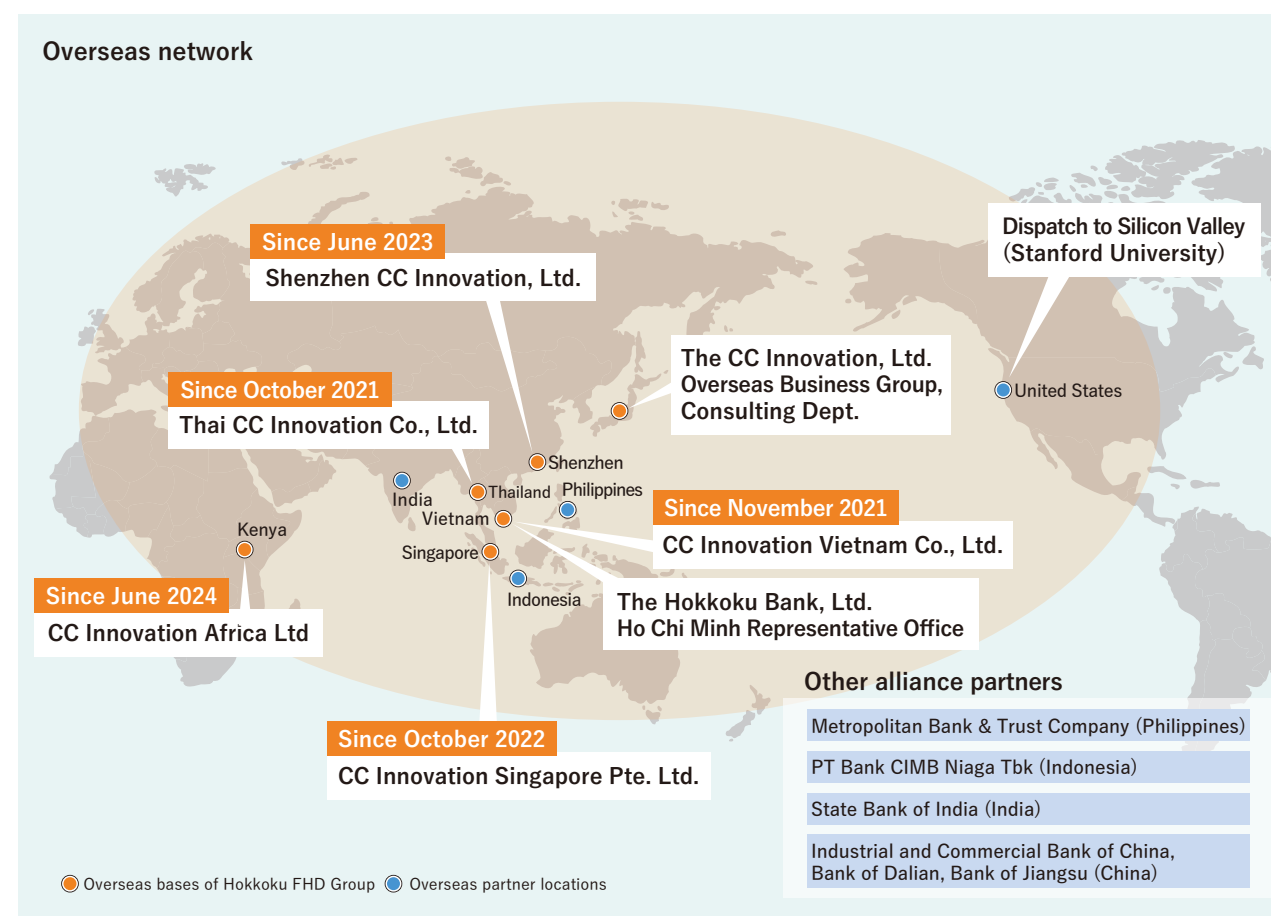
In the past, our customers primarily needed support for their overseas expansion, establishing local subsidiaries, and expanding sales channels. Today, their needs have somewhat shifted. For instance, some customers want to improve the productivity of their existing local subsidiaries in response to rising labor costs and other changes in the local environment. More specifically, we are seeing an increase in inquiries concerning the introduction of a cost management system for local subsidiaries, the development of locally hired staff, and the formulation of a business strategy for local subsidiaries. We have been successful in winning various assignments, thanks to the joint efforts of our consultants who accumulated experiences in Japan and our locally hired staff.

To pursue further growth, in June 2024, we established a subsidiary in Kenya to have a base in Africa, where long-term

growth is expected. We will continue to keep our antenna up to catch global trends, consistently considering regional expansion opportunities.



Snapshot from the opening of CC Innovation Africa Ltd (President Tsuemura of Hokkoku FHD [second from left] and local staff, Mr. Shimizu [center] and Ms. Koyama [second from right])



## Expanding consulting service lineup to cover the diverse needs of each customer segment



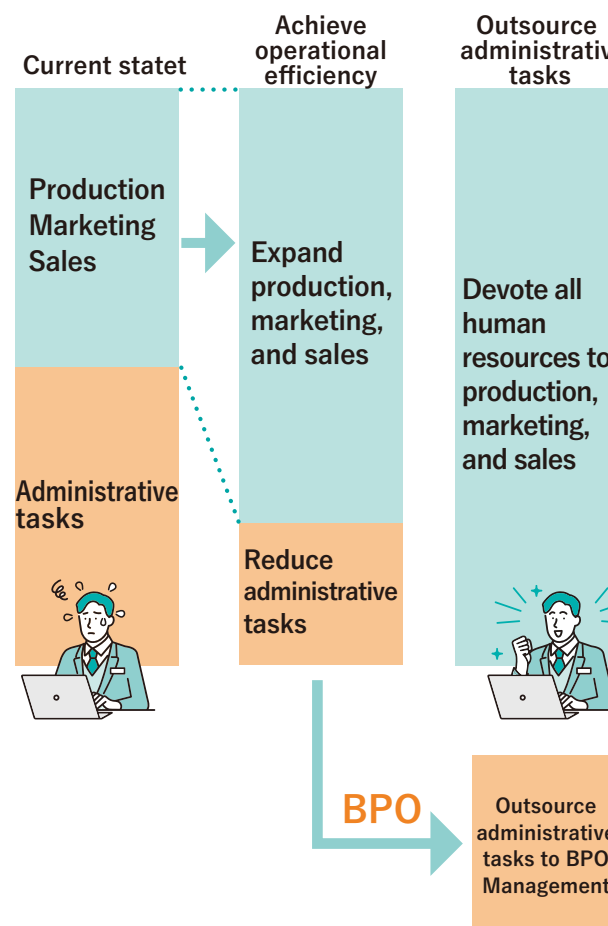
## Expansion of consulting service lineup

We plan to further expand our consulting service lineup to meet the diverse needs of our customers. To date, we have added various levels of consulting work for decarbonization, support for health and productivity management initiatives, as well as guidance on establishing a governance structure and BCP systems for disaster response.

Furthermore, amid an increasingly severe labor shortage, we have thus far worked on initiatives to improve customers' productivity through operational efficiency enhancement and the use of technology. In addition to these services, we now have BPO Management—a group company—handling customers' back-office functions via an outsourcing contract to further boost customer productivity.

## Efforts to improve productivity

Toward further growth, we plan to improve our own productivity and to promptly develop talent capable of providing value to our customers. To this end, we have stepped up efforts to promote active communication by creating opportunities for internal dialogue so that the expertise of individuals can be shared widely. We also encourage learning and output. Additionally, we aim to achieve information visualization through the use of digital tools such as our in-house-developed CRM system (IB Platform) while simultaneously enhancing operational efficiency.



## In closing

The Noto Peninsula Earthquake, which struck on January 1, 2024, caused extensive damage. We would like to express our heartfelt sympathy to those affected by the disaster.

The environment surrounding the region and our customers has changed dramatically due to the earthquake. As the reconstruction progresses, various issues that concern individuals as well as the entire region will undoubtedly manifest themselves.

Precisely for this reason, we are committed to addressing the various challenges, utilizing the functions of CC Innovation and the collective strengths of the Hokkoku FHD Group. In times like these, we must do our utmost to support our customers and local communities. With communication and collaboration in mind, we will strive to fulfill the Group corporate philosophy of "trust—a bridge to a fruitful regional future."



## Investment advisory to general corporations

In FY03/25, we will focus on providing investment advice and solutions to general corporations. Amid the macroeconomic shift from capital shortage to surplus, the ratio of debt-free companies is rising. The number of companies going out of business or being dissolved is also increasing due to the aging of top management and lack of successors.

As we transition to an environment with rising interest rates, there is a growing demand for investment advice among corporations with surplus funds that are contemplating capital market investments while securing working capital and funding for their existing and growth businesses. Meanwhile, corporations facing issues such as the aging of top management and the lack of successors have long needed measures for inheritance and succession planning; such needs are now increasing further.

### Characteristics of investment advisory to general corporations

#### Investment planning and structure-building support

We support our customers in investment planning based on an analysis of their current situations (financial analysis and understanding of business plans). We also help them build a structure for their investment activities.

#### Hands-on support after beginning investments

Once customers begin their investments, we offer market trend analyses and advice on portfolio management and maintenance. Through these means, we help raise their probability of achieving target gains (expected returns).

#### Human resource development

We aim to help customers improve their financial literacy through investment planning and hands-on support, ultimately enabling them to manage their assets on their own.

In response to the aforementioned needs, this fiscal year, we will step up our advisory efforts in such areas as the investment of surplus funds and inheritance and succession planning for company owners. Last fiscal year, we began stationing expert advisors at our main locations to bolster customer touchpoints. To further build these touchpoints, this year, we will boost the number of advisors covering general corporations and also strengthen cooperation with the Hokkoku FHD Group companies. By doing so, we intend to further promote, both internally and externally, FDALco's services and cultivate demand more extensively. In addition, as we have honed our expertise through our own securities investment activities, we will apply such expertise to our investment advisory services for general corporations.

In terms of listed companies, in March 2023, the Tokyo Stock Exchange published a request titled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.” Partly as a result of this, listed companies are now more actively exploring growth strategies that are mindful of both the PL and the BS. We are seeing a shift toward cost-of-capital-conscious management and a growing momentum for management planning and corporate value enhancement measures that are mindful of investors. Amid the need for speedy action, advisory demand in these areas is rising. In the last fiscal year, we began offering consulting work on corporate value enhancement to listed companies in cooperation with a fellow Group company, CC Innovation. As for actual projects with listed companies, we have assisted in formulating a long-term vision and a medium-term management plan and provided support for these plans' implementation.

## Investment advisory to regional financial institutions

FDALco was established on June 1, 2023, following the merger of Hokkoku FHD's investment advisory arm—FD Advisory—

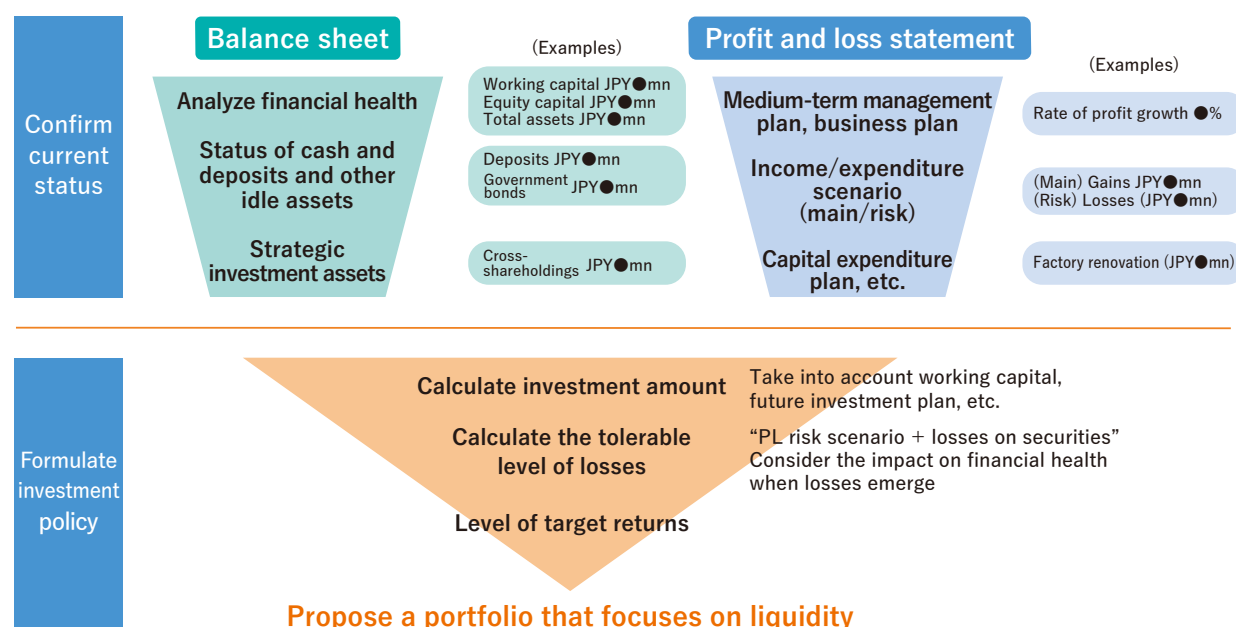
and ALCOLAB, which primarily provided investment advisory to regional financial institutions. (ALCOLAB provided investment advisory focusing on global asset allocation, helped financial institutions strengthen their operational structures to make securities investment a core business, and supported their business model transformation based on adopting and utilizing a risk appetite framework.) To date, regional financial institutions across the country have come to us to discuss their various management challenges.

To ensure a smooth conversation with our investment advisory customers, we provide market trend-related information to their investment department staff. We also help them formulate income plans based on an analysis of their overall portfolio and discuss with them the actual implementation of these plans.

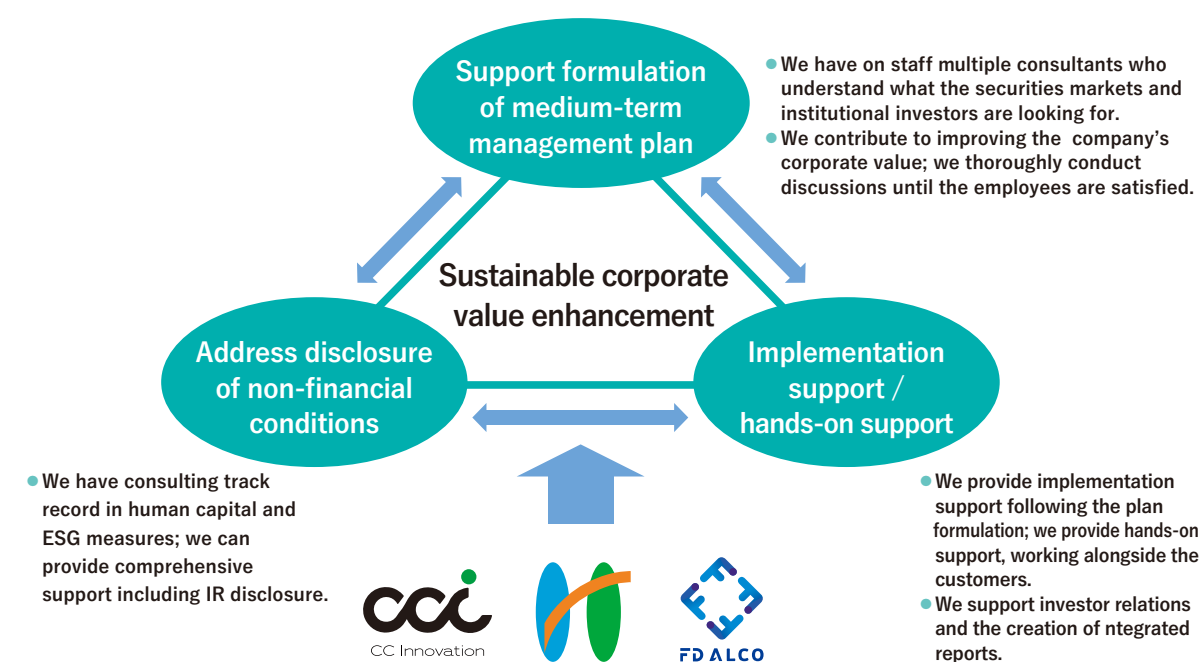
This fiscal year, FDALco will step up cooperation with CC Innovation, QR Investment, and other Hokkoku FHD Group companies to provide services to regional financial institutions that have points of contact with the urban sales departments of Hokkoku FHD. We will deepen dialogue aimed at resolving the management issues of these financial institutions and strengthen efforts to identify their needs so that we can provide solutions that could, in time, strengthen their investment advisory and capital market departments.



### Investment planning and structure-building support



### Characteristics of consulting work for listed companies





**“We want to dazzle the world with the best of Hokuriku through COREZO.”**

**Satoshi Sono**

President and Representative Director  
The COREZO, Ltd.



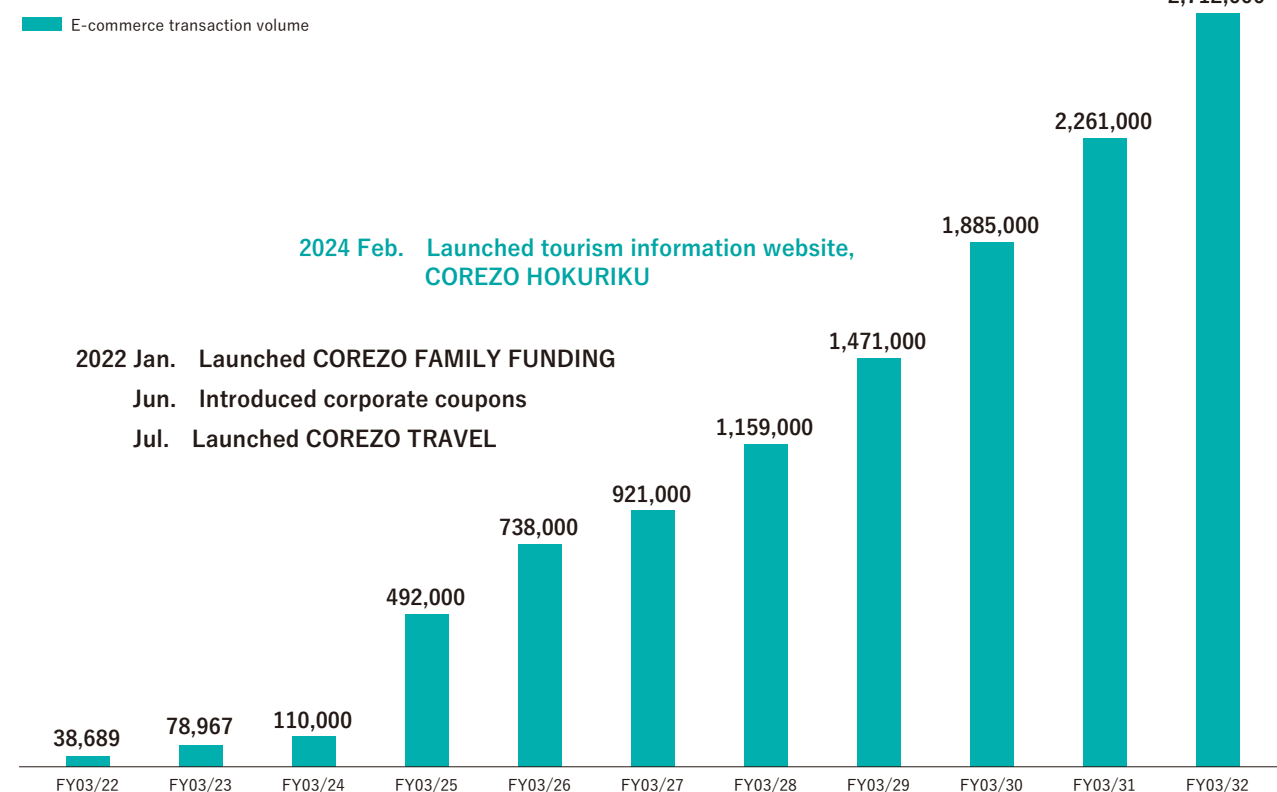
## The COREZO Website Showcases the Charms of Hokuriku and Delivers Them to the World

### COREZO's goals

The COREZO, Ltd. seeks to revitalize the Hokuriku region by polishing the information Hokkoku Bank receives from many customers in the process of understanding their business prospects and by properly delivering such information to the world. As a member of Hokkoku FHD, a regional integrated company, we have been deeply involved in the lives, histories, thoughts, and concerns of our customers in the region. We will continue to do what only we can do, which is to deliver the yet-to-be-discovered charms of Hokuriku to the rest of Japan and the world.

We will provide exciting information that exceeds everyone's expectations and dazzle the world with the best of Hokuriku. As people taking on this endeavor, we will have pride in our work and love Hokuriku more strongly. Continuing this virtuous cycle, we hope to grow together with the local community.

### Past initiatives and future growth



### The concept of COREZO

In May 2019, we launched the e-commerce site COREZO MALL, which offers outstanding goods and experiences in Hokuriku. Thereafter, we started the crowdfunding platform COREZO FAMILY FUNDING in January 2022 and the lodging reservation service COREZO TRAVEL in July of the same year. In February 2024, we launched COREZO HOKURIKU, a website for delivering information on the charms of Hokuriku.

Moving forward, we will use COREZO HOKURIKU as a springboard to promote access to our other digital offerings (e-commerce mall, crowdfunding, and travel sites) and encourage actual purchases and lodging reservations.

We will also work to create new value by integrating regional events. Through these efforts, we aim to dazzle the world and revitalize the Hokuriku region in a sustainable manner.

### Disseminate Hokuriku tourism information



### COREZO's businesses

#### ●COREZO HOKURIKU—an information website that disseminates the charms of Hokuriku

With the opening of the Hokuriku Shinkansen bullet train line between Tokyo and Kanazawa in 2015 and its extension to Tsuruga in 2024, the Hokuriku region has been gaining even more attention nationwide.

In February 2024, we released COREZO HOKURIKU as a tourism website, delivering in-depth information about the three Hokuriku prefectures.

The website covers information collected and reported by none other than the employees of Hokkoku FHD.





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

COREZO MALL is not an online shopping site that merely sells goods. It is unique because it also attaches intangible additional value, like experiences, to the merchandise. In addition to promoting sales, the site also encourages participation and co-creation, offering new opportunities for product and business development. We believe this is only possible because Hokkoku FHD is deeply rooted in the local community.

The concept of COREZO MALL is to discover, nurture, and introduce the wonderful things, charming people, and unique experiences found only in Hokuriku, together with the local community. COREZO MALL is a website Hokkoku FHD creates jointly with the participating vendors to showcase the rich offerings of Hokuriku.



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

COREZO FAMILY FUNDING is a place (service) to draw attention to the endeavors of business operators in Hokuriku and to match such operators with supporters across Japan.

It differs significantly from other crowdfunding sites in that the Hokkoku FHD employees who are in regular contact with the business operators work together with them, offering face-to-face support.

As of July 2024, we had raised funds for 32 projects. We will continue to improve the service so that more businesses can make good use of the platform.



## ●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. In addition to introducing lodging facilities, the website offers information on nearby shops as well as stay plans incorporating various activities.

It is a lodging reservation site that welcomes visitors from all around Japan, joining hands with the local lodging facilities and businesses.



## ●Other (regional trading company, event planning and operation)

The COREZO, Ltd. also serves as a regional trading company, directly sourcing attractive merchandise from Hokuriku and delivering the goods nationwide to advertise the region's appeal.



## Recent activities

On January 1, 2024, the Noto Peninsula Earthquake struck Ishikawa Prefecture, where Hokkoku FHD's headquarters are located.

In particular, the Okunoto area, which suffered devastating damage, is still undergoing restoration and reconstruction, making progress in small steps with support from across the country.

Amid these circumstances, we have been working alongside local business operators to implement various measures for Noto's swift recovery.



### ▼“Support Noto by enjoying premium Noto beef!”

This is a project to maintain the production of the rare Noto beef by sourcing a whole “Noto premium beef” cow and selling the meat to consumers. 5% of total purchases will be donated to Ishikawa Prefecture.



### ▼2024 Noto Peninsula Earthquake Disaster Relief

We are collecting donations for the Noto Peninsula Earthquake Disaster Relief Program in cooperation with the Hokkoku Shimbun. The full donation amount, excluding credit card transaction fees, will be sent to the disaster victims via Ishikawa Prefecture.



### ▼Crowdfunding for the Takarayu hot-spring bathhouse in Suzu

The Takarayu bathhouse, rich in history and culture, was one of the exhibition sites of the 2017 Okunoto Triennale, an international art festival held every three years in Suzu, Ishikawa. Crowdfunding was used to raise money to repair the areas of the building damaged by the earthquake.



### ▼Crowdfunding for Noto Shochu

Noto Shochu (Nihon Hakko Kasei Co., Ltd.) is the only shochu manufacturer in Ishikawa Prefecture. Crowdfunding was used to raise money to repair the facilities that became unusable due to the earthquake.

## Message from the president

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 properly and without embellishments.

A space for expression where consumers living in Hokuriku and the employees of Hokkoku FHD can join hands to revitalize the region.

To make COREZO the platform for that space, The COREZO, Ltd. and the employees of Hokkoku FHD are committed to growing together with the local community.





## “We aim to provide consulting services with value through optimal channels for our customers.”

### Hideaki Yabuno

Executive Officer,  
General Manager of the Marketing Department  
The Hokkoku Bank, Ltd.  
Director and Executive Officer,  
General Manager of the RIA Department  
The FDLco, Ltd.

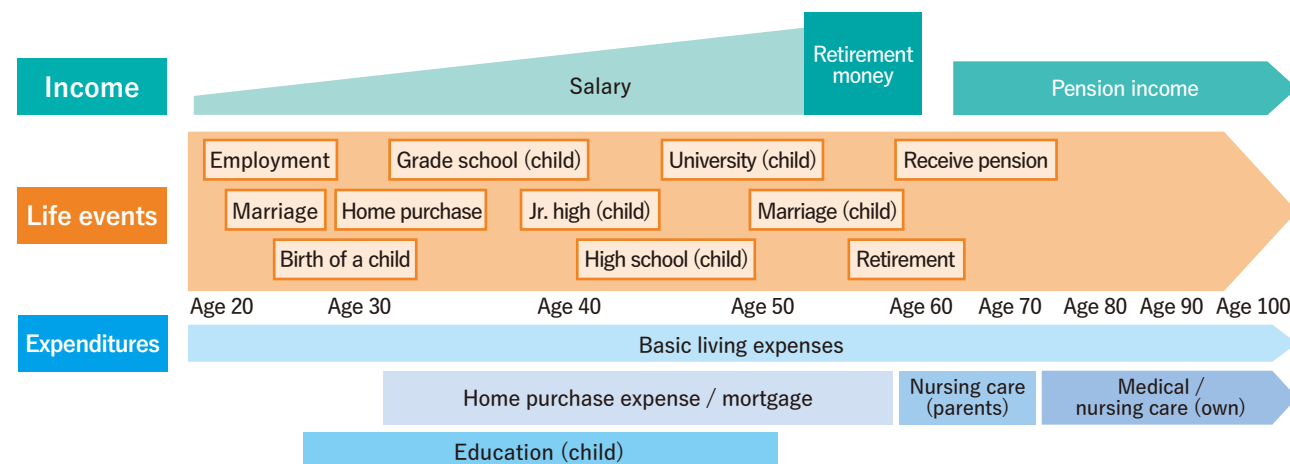


## Consulting for Individual Customers

### Offering advice and services that are in line with customers' life stages

To transform our business structure into one that truly prioritizes our customers' interests over our bank's interests, we have thus far eliminated sales quotas and sought to change the mindsets of our staff. We also did away with handling fees for investment funds at the time of purchase and introduced funds suitable for long-term asset building, such as those with a diversified portfolio and those that call for regular contributions. Additionally, we began offering a testamentary trust service to resolve our customers' concerns regarding inheritance.

At our Group, when we provide services to individual customers, we first try to envision their life plans based on their dreams and goals. From there, we lay out the customers' current situations on paper and work together with them to draft an actual plan, considering various life events. Today, our 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 establish relations with the customers and provide optimal proposals and advice for their individual needs, our Group makes every effort to offer high-quality consulting services. We also strive to build a communication framework based on three types of “touches” to stay connected with our customers through their life journeys.



These are some examples of life events. A chronological look shows that the sources of income are regular salaries from work and the retirement benefit received when retiring. Expenditures include basic living expenses, housing costs, and funds to cover education, medical care, and nursing care. As one can see, our lives are full of various events that could result in substantial spending. Therefore, consumers need to systematically save money and build assets to prepare for the future.

### Paid consulting services with value

At our Group, we provide high-quality consulting services tailored to customers' life plans, for a fee.

Much like the products in other industries, financial instruments have evolved into commodities in recent years,

with their handling fees on a constant decline. The competition to reduce commissions has intensified, particularly for index funds, and this trend will likely not change moving forward.

Traditionally, the Japanese financial industry relied on product commissions to sustain business operations, but this system is becoming increasingly difficult to keep up. That being said,

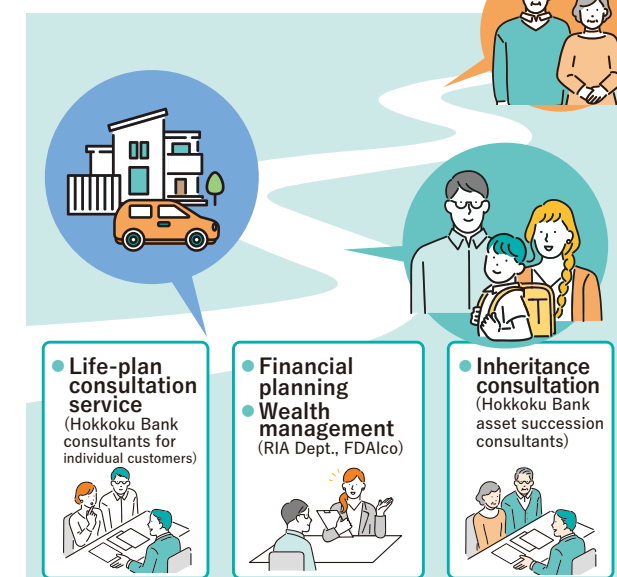
moving forward, we believe it is possible to build an earnings model where we provide valuable advice in exchange for consulting fees. In such a way, we can create an environment where our customers can benefit from useful services. We also believe that being exposed to the strict scrutiny of our customers regarding fees will drive us to constantly enhance our quality and value as a service provider, which will positively impact our service quality. In part to build this type of sustainable business model, we are offering a diverse lineup of paid consulting services.

For example, for customers with concerns about their household finances, savings, post-retirement, and other issues, we offer a paid life-plan consultation service to help them sort out their life events and receive advice to live with peace of mind concerning money. This service entails analyzing the current state of customers' household income and expenditures, having the customers envision the kind of life they wish to lead, sharing their challenges, and thinking together about how to achieve their goals.

For customers seeking more advanced advice from a neutral standpoint, we offer Group company FDLco's financial planning service, which covers asset management and inheritance. For business owners, we offer a wealth management service, which covers consultations on personal asset management and inheritance, as well as consultations regarding business succession at the owners' company. Here, we identify issues from both individual and corporate perspectives and take action to resolve them. Since business owners have a wide range of issues to consider, taking partial measures does not lead to an all-encompassing solution. To ensure business stability as well as peace of mind for the owners' entire family, it is important to formulate measures for the issues uncovered and set priorities to tackle them.

For seniors, our consultants with expertise and rich experience in asset succession can offer advice on inheritance measures utilizing the testamentary trust system. We are also working on estate settlement and other consulting domains aimed at supporting customers throughout their life journeys.

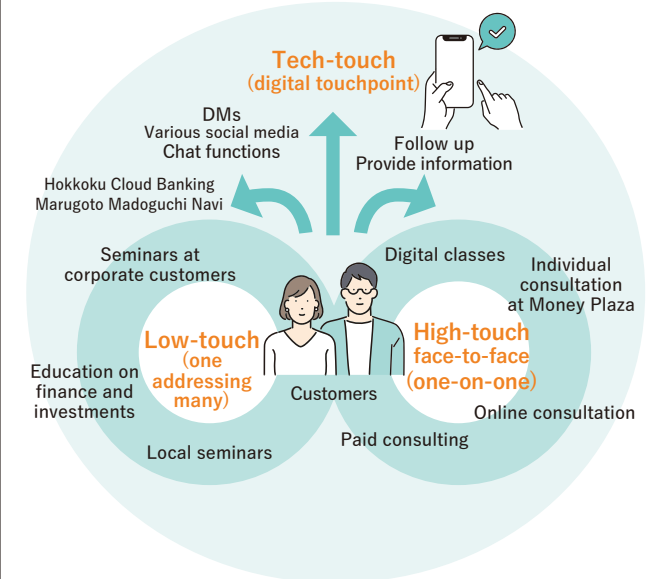
### Providing high-quality paid consulting services to meet diversifying customer needs



### Three types of communication: Tech-touch, low-touch, and high-touch

We aim to create an environment in which offline is integrated into online channels, with our customers at the center and having the freedom to select an appropriate channel whenever they please.

### Three types of communication modes (triple loop)



#### ●Tech-touch

In the all-encompassing tech-touch domain, we have created a world where services are available anytime and anywhere. These services include LIFE+, which offers a package of convenient digital services, and Hokkoku Marugoto Madoguchi Navi, which enables contact-free processing of the paperwork that is typically done over the counter. As an added function, customers can now apply for an unsecured loan, conclude a contract, and receive payment via the Hokkoku Marugoto Madoguchi Navi. In such a way, we are adding new functions to this service in stages. We are also working to manage customer success by analyzing the data collected through these digital transactions and offering useful proposals and information to our customers.

#### ●Low-touch

In the low-touch domain, where we approach a group of customers at a time in an offline setting, our specialized teams host weekend seminars and seminars targeting the employees of corporate customers. Through these events, we seek to communicate with those customers who have time constraints or are uncomfortable with one-on-one offline settings.

The number of customers visiting our branches has declined due to rapid digitalization stemming from the spread of COVID-19. Under such circumstances, seminars targeting the employees of our corporate customers are an important opportunity for us to contact a demographic in the asset-building phase. We proactively use these seminars as a channel to expand our services; we try to foster a mindset for asset building and introduce LIFE+ and other digital services as well as services that contribute to asset building.

(630 seminars on asset building were held last fiscal year, with a total of approximately 6,600 participants.) As another approach, we offer companies paid seminars on requested themes as part of their employee benefit programs. For



Hosted a seminar on how to utilize NISA (June 2024)

corporate customers, we are stepping up efforts to further improve customer satisfaction by launching Workplace NISA and corporate financial planner services.

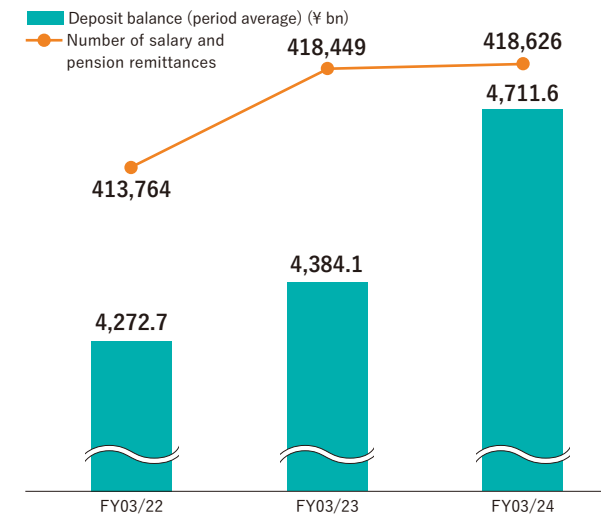
### ●High-touch

In the high-touch domain, where we engage in in-depth one-on-one dialogue with customers in an offline setting, we offer regular consultations and advice as well as the aforementioned high-quality paid consulting services. We also use video-calling systems to conduct online consultations with remote areas. We try to fathom the thoughts and feelings of our customers, uncover their apparent and latent needs, and provide solutions.

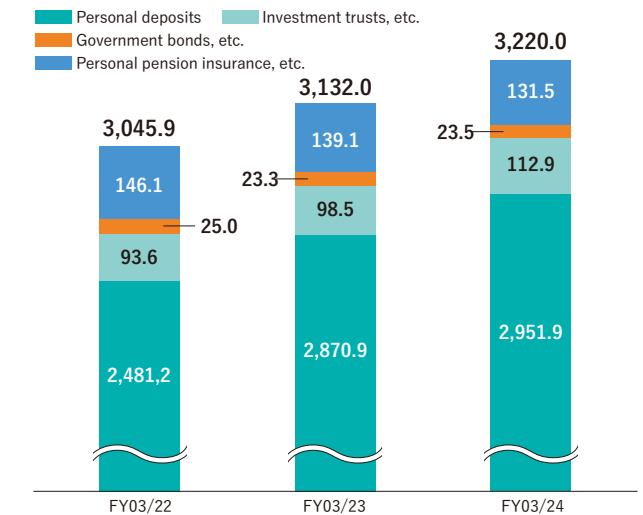
We will continue to stay connected with our customers through a triple loop of the communication modes described above. We will make every effort to provide various services and communicate with the customers to enrich their lives and deliver more convenience and peace of mind.

## Reference data

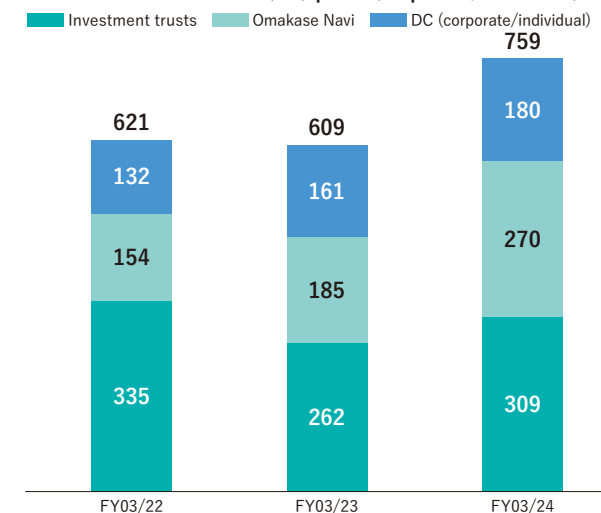
### Deposit balance (period average); number of salary and pension remittances



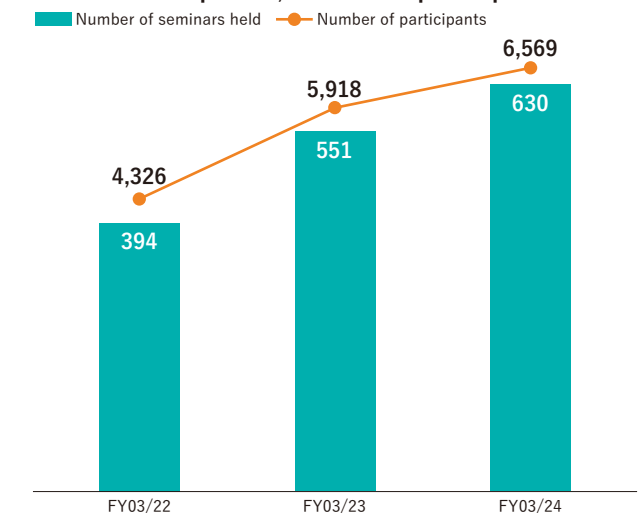
### Personal assets under management (¥ bn)



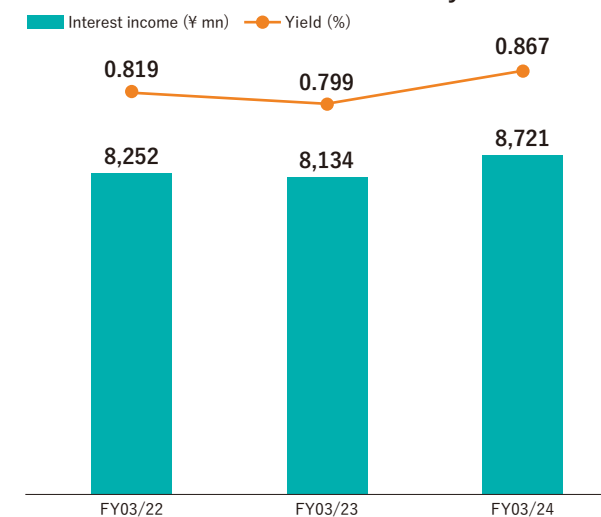
### Monthly contributions to investment trusts, Omakase Navi, and defined contribution (DC) plans (corporate/individual) (¥ mn)



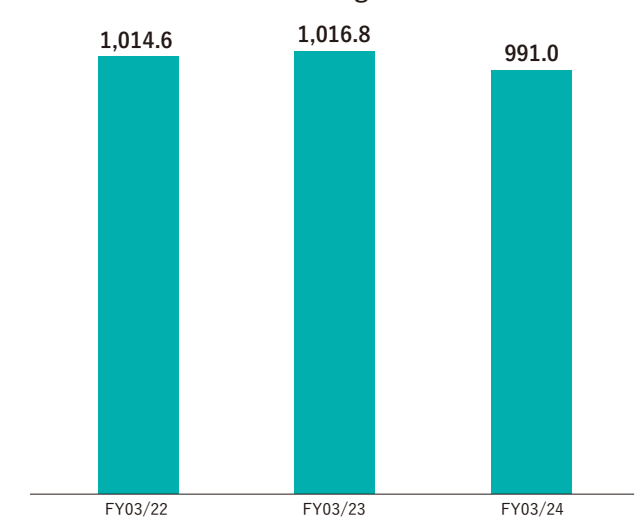
### Number of asset-building seminars held for customer companies; number of participants



### Consumer loan interest income and yield



### Consumer loans outstanding (¥ bn)



## 〈TOPICS ①〉 We will remain thoroughly customer-driven and propose, from a neutral standpoint, the best solutions aligned with our customers' wishes.

Customers' values have diversified, and solutions for achieving their life plans, dreams, and goals now differ from customer to customer. To meet these diverse needs, we found it necessary to develop a business model that allowed us to provide comprehensive advice from a neutral standpoint. Accordingly, we established The FD Advisory, Ltd. in 2021 (the company name was changed to The FDALco, Ltd. in 2023).

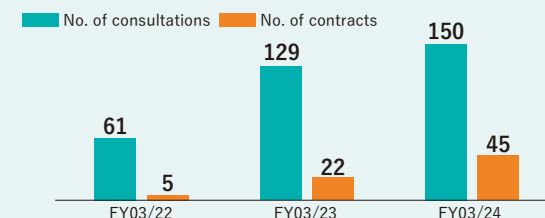
FDALco's business model is unique in that the company does not sell financial instruments. Instead, it specializes in providing advice, for which it receives fees from customers. We believe this system eliminates potential conflicts of interest, enabling FDALco to offer truly customer-driven services that pursue customers' best interests.

FDALco provides holistic and optimal advice on asset management, asset succession, and business succession based on the life plans of customers, helping them and their families resolve challenges. For this, FDALco believes it is of utmost importance to sincerely address the issues the customers face and to enhance the quality of its analysis and opinions. To this end, it works to develop highly specialized professionals who also understand the

nature of investment advisory. Furthermore, through collaboration with the Hokkoku FHD Group companies specializing in various fields, FDALco intends to verify and consider issues from multiple angles to provide services with greater added value.

Moving forward, FDALco remains committed to enriching customer lives through customer-driven advice, raising local financial literacy, and revitalizing the local economy.

### FDALco: Number of consultations and contracts



In March 2023, the RIA Department began stationing staff at sales bases; the number of consultations and contracts increased as a result.

## 〈TOPICS ②〉 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 see 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 following two reasons, there is little rationale to choose foreign currency-denominated insurance with foreign exchange risk as an instrument for investment. As such, we have not sold any since 2020. (Note: Existing contracts as

of March 2024 are all posting investment gains.)

(1) In terms of 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 that is 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.



## “We invest in a better future to make Hokuriku a quality region.”

### Fumio Hamano

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



## Investment Business

### Introduction

QR Investment was founded in June 2021, shortly before the amendments to the Banking Act came into effect in November 2021. Our predecessor company was The Hokkoku Management, Ltd., which managed the Ishikawa SME Revitalization Fund. With a 15-year history of managing funds, we have now expanded to handle business succession, venture, and other funds in addition to revitalization funds. We are a specialized investment company launched in earnest as a wholly owned subsidiary of Hokkoku FHD following Hokkoku Bank's transition to a holding company structure in October 2021.

QR Investment aims to improve the value of local companies and boost the economic growth of the overall region by providing risk money through equity investments. We also actively take part in social impact investments in the region.

We aim to become a bridge linking the regional ecosystems and contribute to regional revitalization and qualitative growth so that we can ultimately create a quality region. To this end, we transcend the boundaries of the three Hokuriku prefectures to proactively invest across Japan and overseas. We believe our mission is to stir region-originated innovations by bringing in outside expertise.

### KPIs

	FY03/24 actual	FY03/25 target	FY03/29 target
Number of investees (cumulative)	74	100	150
Total investment amounts (cumulative)	¥27.9 billion	¥50.0 billion	¥95.0 billion
Multiple of cost (MoC)	1.08x	1.10x	1.20x

### Vision

1. Revival of quality region (QR)
2. Contribution to regional ecosystems
3. Provision of risk money to social impact investments

Without the growth of the Hokuriku region, there is no growth for Hokkoku FHD. QR Investment invests to enhance the regional quality of the three Hokuriku prefectures centered around Ishikawa.

Today, Ishikawa Prefecture only represents a small economy with a total population of 1.1 million as of 2024 and a GDP of approximately ¥4 trillion, less than 1% of Japan's total. However, according to the first Japan Imperial Statistical Yearbook published in 1880, Ishikawa Prefecture boasted the largest population in Japan at 1.83 million. At the time, the country's total population was 35.92 million, of which Tokyo accounted for 0.95 million. We understand that Ishikawa Prefecture was once a quality region that enjoyed the greatest economic prosperity in Japan, continuing from the times when the region was referred to as “Kaga Hyakumangoku” for its exceptionally high rice production. 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. Our mission is to make this region a globally recognized quality region.

### Business areas

Our investments cover all life stages of a company, from the start-up and growth phases to the mature and regeneration phases. We offer a full range of funds aligned with the life stages of investee companies.

- Start-up support
- Growth support
- Business succession support
- Revitalization support
- Engagement-focused investment in listed stock
- LP investment in domestic and overseas funds

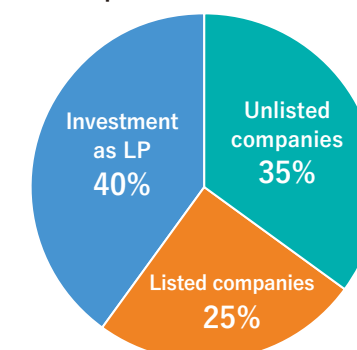
### ● Making Hokuriku a quality region and promoting it nationwide

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

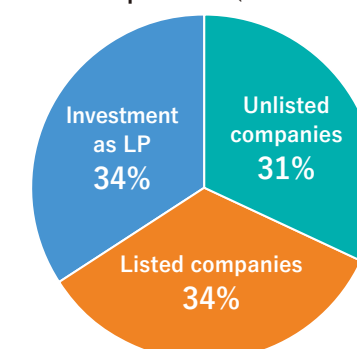
The quality region we pursue is a region where new value emerges ahead of the rest of Japan and a region that sparks innovations. Take, for instance, an innovative project that is nearly impossible to accomplish on a nationwide scale. We envision such a project starting off small in the Hokuriku region,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

QR Investment aspires to be a home for trailblazers.

Investee portfolio (December 2023)



Investee portfolio (March 2024)



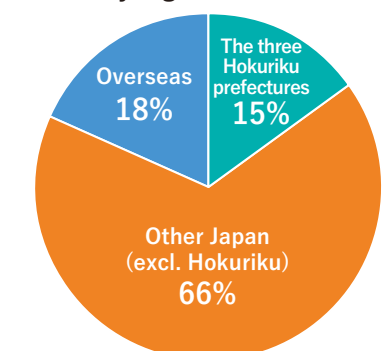
### Target investment region

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

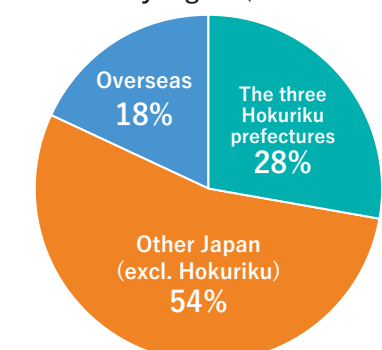
We also invest abroad. In overseas investments, we can expect high growth rates that are difficult to achieve in Japan. In addition, we can diversify our portfolio risks by holding US dollar-denominated assets.

We believe investments outside the Hokuriku region will deliver us economic gains, collaborative opportunities with diverse talent, and innovations arising from such opportunities.

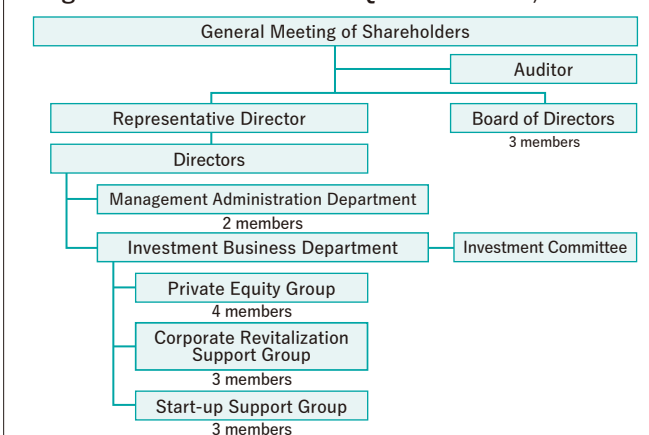
Portfolio by region (December 2023)



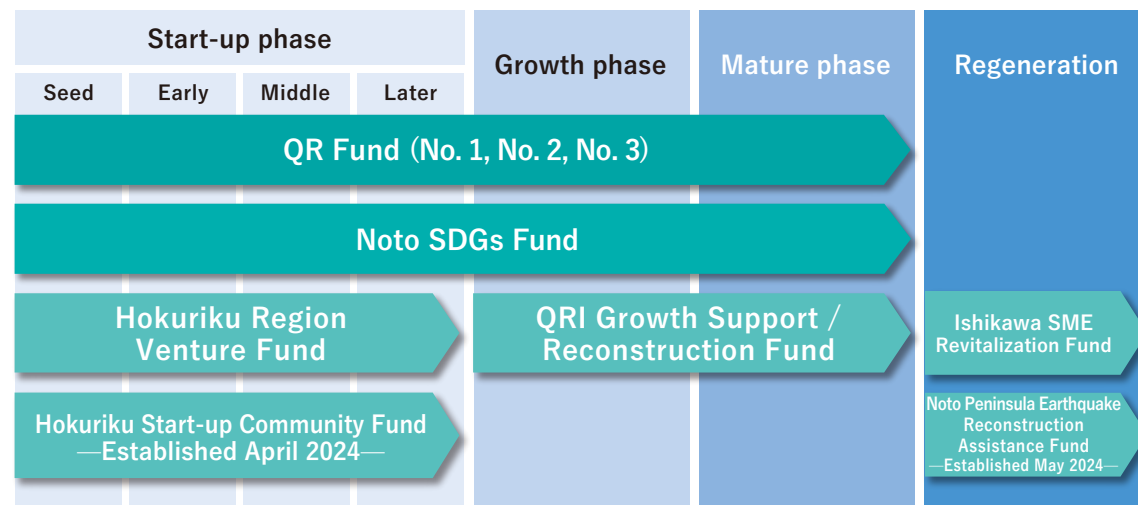
Portfolio by region (March 2024)



### Organizational chart of The QR Investment, Ltd.



## List of funds



## ●QR Fund Since July 2021

- Target phase: Start-up, growth, mature, regenerati
- Fund size: ¥60.0 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.

## ●Hokuriku Region Venture Fund Since April 2022

- 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.

## ●Hokuriku Start-up Community Fund Since April 2024

- Joint GP: HED LLP
- Target phase: Start-up
- Fund size: Targeting ¥3.0 billion

The fund invests in startups operating in the Hokuriku region. It aims to bring new vitality to the region and invigorate the economy.

## ●Noto SDGs Fund Since July 2021

- 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 changes and SDGs from Noto.

## ●QRI Growth Support / Reconstruction Fund

Since October 2021

- 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.

## ●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 Peninsula Earthquake Reconstruction Assistance Fund Since May 2024

- Joint GP: REVIC
- Target phase: Regeneration
- Fund size: ¥10.0 billion

A public-private fund whose largest investors are the Regional Economy Vitalization Corporation of Japan (REVIC) and SME Support Japan. Ishikawa Prefecture and regional financial institutions also invest in the fund. Its purpose is to resolve the double-debt problem faced by business operators affected by the 2024 Noto Peninsula Earthquake. The fund will support the recovery and reconstruction of businesses by purchasing their pre-earthquake debts to improve their financial health and providing new financial aid.

## Customer review

## QR Investment supports us as a partner, working together with us to grow our company.

## Yuki Yamamoto

Representative Director and CEO  
Drone Show Japan, Inc.

As a startup from Kanazawa, Drone Show Japan embraces the mission of "entertaining the world" and seeks to bring new value to the regional society by utilizing innovative drone technology. Thanks to the funding from the Hokuriku Region Venture Fund, we were able to spread awareness of drone shows by holding events nationwide while also stepping up activities in our hometown, Kanazawa. We are committed to providing first-of-a-kind audience experiences with the support of QR Investment. For this, we are organizing larger events and working to develop a new business model.

In addition to contributing to the local economy, we plan to collaborate with many partners within and outside Japan to expand the potential of drone shows. We will continue to pursue technological innovation and further expand the business based on our strong relationship with QR Investment.

Finally, we hope our efforts will bring new delight and excitement to the people of Kanazawa and the world. We will join hands with QR Investment and take a large step forward into the future.



## Customer review

## The presence of a reliable partner enabled a successful MBO.



## Nobuyuki Oshima

President and Representative Director  
Toyo Sekkei Co., Ltd.

Since its founding in 1970, Toyo Sekkei has served as a general construction consultant based in Kanazawa. We have devoted our efforts to planning and designing social infrastructure and to conducting associated surveys and measurements to create local communities that are safe and comfortable to live in. Our projects have spanned roads, rivers, water supply and sewage systems, and various energy plants. In the aftermath of the recent Noto Peninsula Earthquake, Toyo Sekkei has been working to fulfill its social mission, driving restoration and reconstruction efforts as a united force.

In November 2022, we implemented a management buyout (MBO) with the support of the Hokkoku FHD Group.

None of our officers had any experience in MBO, but given the high confidentiality of the matter, the transaction was discussed only among a limited number of officers within the company. Being able to receive hands-on support from QR Investment in various

aspects of the deal, such as the scheme, terms of the agreement, and the way to proceed, was truly a guiding light for us. The presence of a reliable partner was instrumental to the successful completion of this MBO, and we are deeply grateful.

Since the MBO, we have made progress in managing our business with both freedom and speed. "Self-driven independence," where our management team and employees drive themselves to take on challenges on their own responsibility, is taking root. Furthermore, as we carefully nurture this momentum, having exposure to a different perspective through hearing the opinions of an outside director from QR Investment adds depth to our discussions and leads to new insights. As a result, we now often feel that our strength as an organization has grown steadily and that we are becoming a company with strong vitality.

With QR Investment as our partner, we will continue to enhance our corporate value moving forward.



**“We will contribute to revitalizing the entire region through innovative productivity improvements.”**

### Naotaka Terai

Managing Executive Officer,  
General Manager of the Corporate Planning  
Department and the Digital Department  
The Hokkoku Bank, Ltd.



## Next-Generation Regional Digital Platform

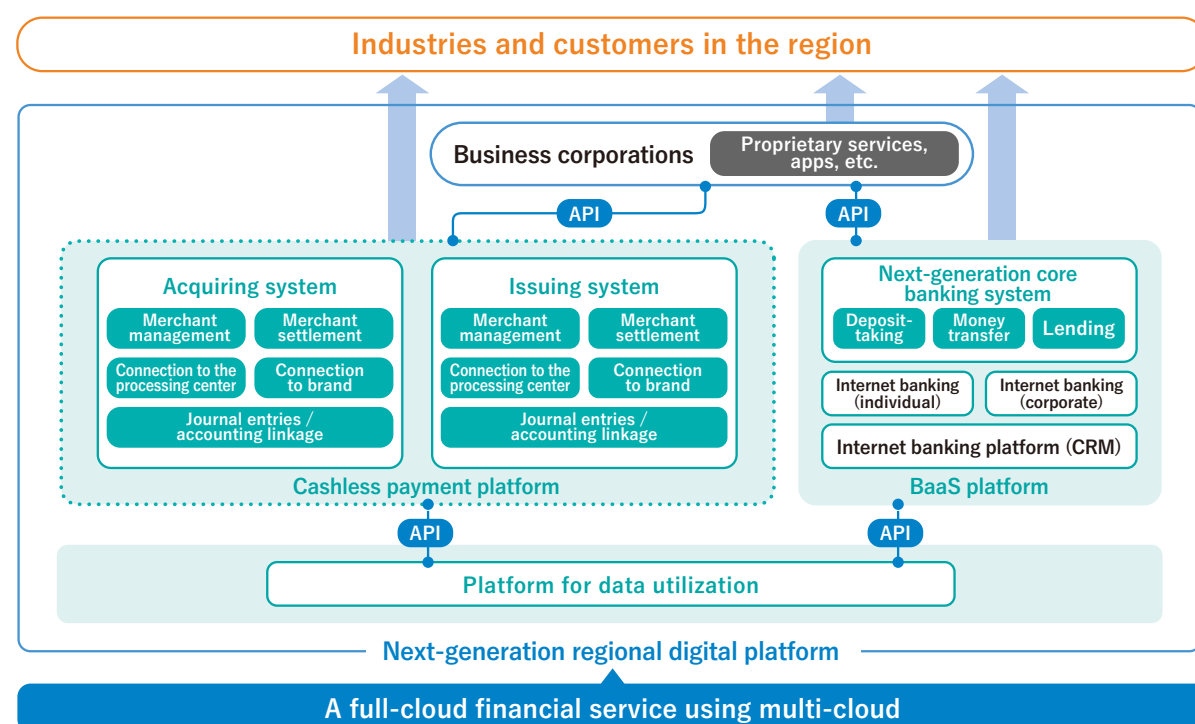
### Introduction

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

We believe that establishing 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.

In January 2023, Hokkoku FHD began considering a project to build a multi-cloud, next-generation regional digital platform equipped with a full-cloud financial service functionality. The objective is to develop better financial services and further enhance the efficiency of bank operations.

## Full picture of the project to build a next-generation regional digital platform



As part of this endeavor, we have been working together with Infcurion, Inc. in the card domain, and the development of two brand-new cloud-based card systems is underway.

- A brand-new issuing system enabling debit card issuance and management that enhances the convenience of our account holders
- A brand-new acquiring system for affiliated merchant management and operation; the system can be used in-house as well as by outside business operators

### A new issuing system that can issue virtual debit cards

This system enables virtual debit card issuance, management, and payment through a smartphone banking app.

Customers holding a Hokkoku Bank account can be issued an international-branded virtual debit card online for cashless and cardless payments without having to complete the paperwork over the counter. We believe we can offer customers a high level of convenience through this service.

### A full-cloud acquiring system utilizing Visa solutions

This is a full-cloud acquiring system that utilizes Visa Cloud Connect \*1 and Visa Platform Connect\*2, which are solutions the Visa Group offers globally.

\*1:State-of-the-art solution for Visa clients to connect to VisaNet via a cloud environment  
\*2:A solution where requests for payment processing are sent directly to VisaNet for process optimization

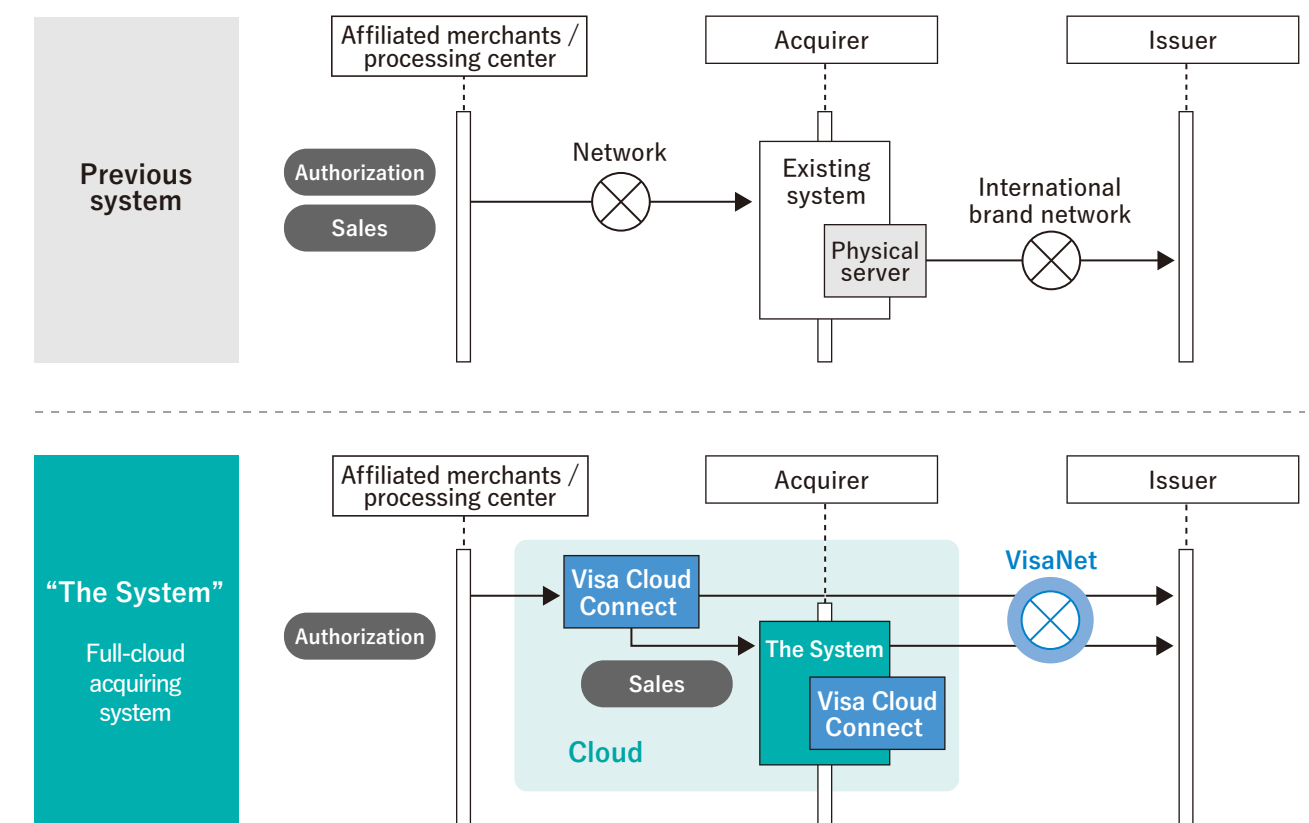
This cloud-based system is equipped with the functions necessary for acquiring operations. These include authorization and clearing, affiliated merchant settlement and management, and ensuring connectivity with the payment processing center and the international brand. In addition to its use in Hokkoku Bank's card business, the system can also be provided to external business operators.

For international brand connectivity, we became the first domestic company to use Visa Cloud Connect to ensure a secure connection to VisaNet via the cloud. For functions such as processing center connectivity and authorization, we aim to achieve the following three points through the use of Visa Platform Connect, a payment solution with various functions that enhance consumers' payment experience.

1) Provide a card payment processing service at a lower cost than before by reducing the network costs incurred during authorization

2) Provide a wide range of advanced technologies in areas such as encrypted tokens, fraudulent payment detection, and NFC contactless payments using smartphones and tablets

3) Provide high-level processing performance, robust security, and the capability to flexibly improve system functions through a payment system aligned with international standards



## Toward a Society in which Anyone Can Make Cashless Payments Anytime and Anywhere with Peace of Mind

Hokkoku FHD has been participating in a joint project with Visa Worldwide Japan to revitalize the region through Visa cashless payments. The project touts “Super Cashless Region” as a slogan for building a society where anyone can make cashless payments anytime and anywhere with peace of mind across the entire Hokuriku region.



We aim for a safe and secure cashless and digital society through cashless payments where all manners of activities in our day-to-day lives interconnect smoothly and without delay. 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 will revitalize the local communities through improved productivity and efficient circulation of funds.



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

To create a “Super Cashless Region,” we are implementing various measures, such as supporting the uptake of cashless-compatible devices in the Hokuriku region. We are continuing our efforts to promote cashless payments by encouraging the use of Visa debit cards and distributing card payment devices free of charge.

#### Hokkoku DX Cashless Fund

In October 2020, we launched the Hokkoku DX Cashless Fund, totaling ¥1.0 billion, to support the digital transformation (DX) of local companies and municipalities and spread

cashless payments in the region. In addition to supporting the uptake 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 cashless-compatible ticket machines at pools and hot spring facilities. These rollouts have enhanced user convenience.

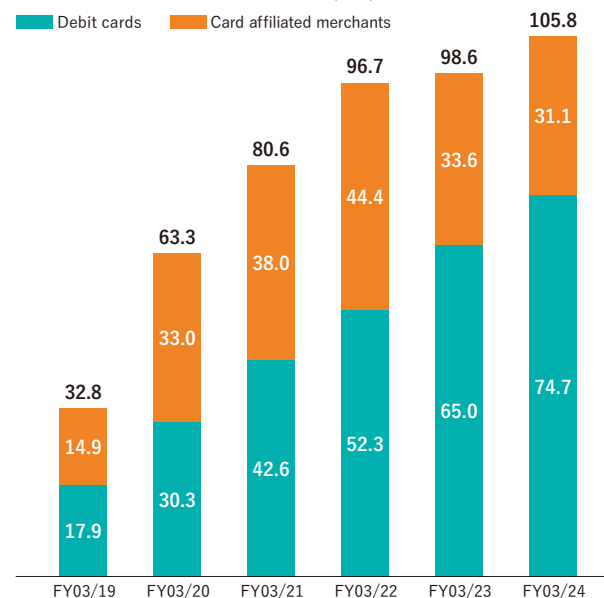
#### Promoting issuance of Hokkoku Visa debit cards

To boost the number of cashless payment users, we explain the convenience of cashless payments to local residents and encourage the use of various services. As one of our core services, we promote the issuance of Hokkoku Visa debit cards. 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 stores globally. Currently, one out of every 10 residents in the three Hokuriku prefectures, one out of every five residents in Ishikawa Prefecture in particular, owns a Hokkoku Visa debit card. Transaction amounts are also growing steadily.

#### Promoting the uptake of card payment devices

To increase the number of businesses accepting cashless payments, we offer card settlement services to affiliated merchants and support the uptake of various cashless-compatible devices. Much like our efforts to promote the use of Hokkoku Visa debit cards, we hope to encourage more businesses to adopt cashless-compatible devices. In this way, we will help create a society where people can make cashless payments anytime and anywhere.

Annual transaction amount (¥ bn)



#### Introduction of a new device and plan under card settlement services for affiliated merchants (July 2023)

We began offering a new payment device and plan under our card settlement services for affiliated merchants, introducing the PAX A920 terminal, which has Wi-Fi connectivity and accepts QR code payments. The device’s capability to process payments in and outside stores, electronically save receipts, and log data, among other functions, contributes to operational efficiency. The new device and plan have provided affiliated merchants more savings and convenience.

#### Launch of the Hokkoku Debit App service (September 2023)

We launched the smartphone app service—Hokkoku Debit App—for Hokkoku Visa debit card members. The app was developed within our Group so that we can flexibly load the functions necessary to accommodate matters such as the spread of cashless payments in the region and changes in customer lifestyles. Moving forward, we will continue to add functions more flexibly and speedily, incorporating customers’ requests.



#### Launch of recurring billing service for card-affiliated merchants (September 2023)

We launched a recurring billing service for card-affiliated merchants. For transactions that involve regular payment collection, this service enables merchants to meet their customers’ diverse payment needs by allowing them to pay by card.

#### The Kanazawa Go Go Curry Stadium goes fully cashless (February 2024)

The Kanazawa Go Go Curry Stadium fully adopted cashless payments during the soccer games hosted by Zweigen Kanazawa, a J-League professional soccer club. The system improves convenience for stadium visitors as various cashless payment options, including payment by Visa card, are now available. The endeavor was put into effect with the full cooperation of the Hokkoku FHD Group.

#### Introduction of cashless boarding system at Hokuriku Railroad (March 2024)

The Hokuriku Railroad Group introduced a cashless boarding service to its fixed-route buses, allowing passengers to pay fares using cards and smartphones with tap-to-pay functions. The service was first made available on March 16, 2024, in the Kaga area and on the circle-route bus operating in Kanazawa; it will be expanded in stages to all areas of Ishikawa Prefecture. The service will help improve convenience for tourists and other passengers and also propel cashless payment in the region.

#### Customer review

### We will contribute to the local communities with Hokkoku Visa debit cards, which are well-established in the region.

#### Takeshi Miyagishi

President and Representative Director  
Hokuriku Railroad Co., Ltd.



As the tap-to-pay option continues to spread in transportation systems nationwide, the Hokuriku Railroad Group decided to introduce tap-and-pay on the fixed-route buses in the Komatsu and Kaga areas in FY2023. We also plan to introduce

it on fixed-route and express buses in the Kanazawa area in FY2024 and on our rail lines in FY2025. While contactless payment has various features, the Hokkoku Visa debit card stands out for having a large membership in this area. Although the number of public transport passengers is falling due to a low birthrate and an aging and shrinking population, we have high hopes that this cashless option will lower the barrier to the use of public transportation. Rather than sitting back and waiting for cardholders to use our services, we plan to actively promote the use of public transportation by collaborating with businesses in other sectors, such as retailers and event operators. These efforts are in line with Hokkoku FHD’s “Super Cashless Region” initiative. As a transportation company that supports people’s mobility, we will continue to contribute to the local community, utilizing cashless payment to enliven and enrich the entire region.



## Provision of a digital regional currency service

In October 2023, we launched the Tochipo point service under the Tochtuka digital currency service; then, in April 2024, we launched Tochika—Japan's first deposit-type stablecoin. As a result, Tochtuka app users now have access to two regional currencies: Tochipo, which are points issued by the municipalities, and Tochika, Japan's first deposit-type stablecoin issued by Hokkoku Bank.

**TOCHIPO**  
トチポ

Tochipo was first introduced to the city of Suzu in October 2023, and we plan to launch the service in other municipalities within Ishikawa Prefecture. We plan to integrate and digitize the local governments' analog programs for reward points and gift certificates, making a shift to digital points that can be issued, circulated, and consumed within each municipality.

**TOCHIKA**  
トチカ

Tochika is circulated throughout the Ishikawa Prefecture. Customers can open a Tochika account via the Tochtuka app by registering a bank deposit account for loading. Once the app is topped up, Tochika can be used for payments at Tochtuka-affiliated merchants at a conversion rate of "1 Tochika = 1 yen." For merchants, Tochika provides access to a cashless payment system that only charges a processing fee of 0.5% (incl. tax), which is the lowest level even based on international standards.

Based on blockchain technology, we have built a financial system that integrates Tochika, a deposit-type stablecoin issued by Hokkoku Bank, with a point service digitizing the points and gift certificate benefits issued by municipalities, under a single payment app. We understand that this type of payment service is the first of its kind in Japan.

## 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 Hokkoku Visa debit cards, we aim for a 100% cashless payment ratio in Ishikawa Prefecture. We hope to promote 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, Japan's cashless payment ratio 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 allow 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.

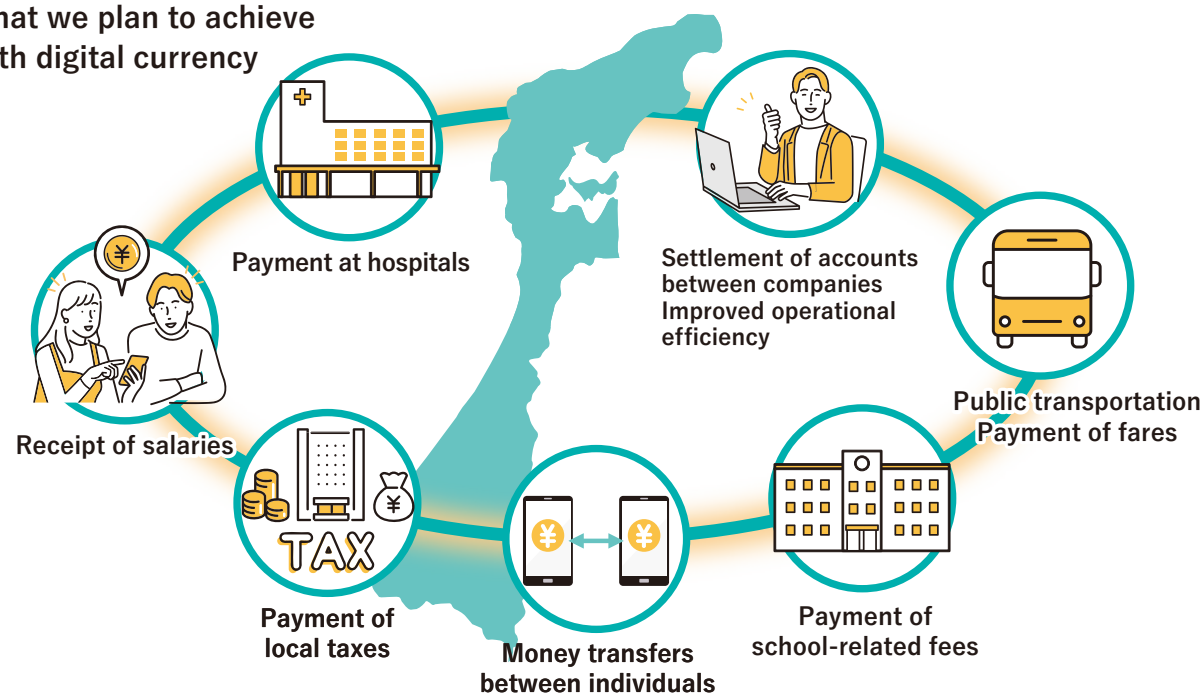
\*1:Based on "Cashless Roadmap 2022" (2022) by Payments Japan Association

### Creating a service with value

We look to provide new value to local residents by leveraging the digital regional currency service's originality, which is underpinned by several elements.

Firstly, the service enables the integration of reward points, digital currency (stablecoins), and other applications under one app.

### What we plan to achieve with digital currency



The availability of multiple services within a single app makes it a highly convenient tool for users.

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

Furthermore, users are able to convert the already topped-up Tochika digital currency (stablecoins issued by Hokkoku Bank) back to cash. For most electronic payment services, topped-up funds typically cannot be converted back to cash. However, with Tochika, users can convert them back to cash as necessary, making it a safe tool even for those hesitant to top up payment apps and go cashless.

The most attractive feature of this service for participating stores could be the low payment processing fee. We believe that the heavy burden of processing fees is one of the factors hindering the uptake of cashless payments. Therefore, in this service, we have reduced the payment processing fee for participating stores to 0.5%, the lowest level even based on international standards.

This rate is substantially lower than the typical card payment processing fee of 3.0%. By enabling all businesses handling cash, including hospitals, to use this service, we hope to reduce their processing fee costs, improve their operational efficiency, and free up 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 our phased efforts to offer 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. In five years, we will aim to boost the number of affiliated merchants to approximately 20,000 stores and the user count to 400,000. We also aim to enhance security and elevate the user experience by adding biometric authentication. Additionally, we plan to add other functionalities in stages, including the ability to use our digital regional currency for salary payments at local companies and the ability to exchange it with other digital regional currencies. Furthermore, we hope to support the uptake of cashless payments and digitalization in regions other than Hokuriku by having other prefectures utilize the scheme we developed. Through this project 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.

#### Phase 1.0 Summer FY03/24

- Authentication via the introduction of decentralized IDs verified by My Number digital certificates
- Launch of Tochtuka, a digital regional currency service enabling inexpensive QR-code payments at stores
- Issuance of digital gift certificates and various points in Tochipo issued by the city of Suzu

#### Phase 2.0 By the end of FY03/24

- Begin handling Tochika stablecoins
- Loading of Tochika from bank accounts (issuance of Tochika)
- Conversion to cash (remitted to a savings account) for an inexpensive fee

#### Phase 3.0 In one to three years

- Enable payment of local taxes, utility bills, and hospital and school expenses with digital regional currency
- Spread the use of digital regional currency to other cities and towns in the prefecture
- Link functions and services to apps of municipalities

#### Phase 4.0 Three years from now and beyond

- Make Hokuriku known as a trailblazer in cashless payments and digitalization
- Use of digital regional currency for the settlement of accounts between companies
- Utilization for digital salary payments by local companies
- Enable exchange with other regional digital currencies
- Roll out the scheme to other prefectures

#### Anticipated effects from the use of digital regional currency

#### "Making Ishikawa Prefecture Japan's No. 1 quality region"

- Data utilization
- Improved convenience for residents
- Improved productivity and the emergence of innovations in the entire region, thanks to going cashless and digital

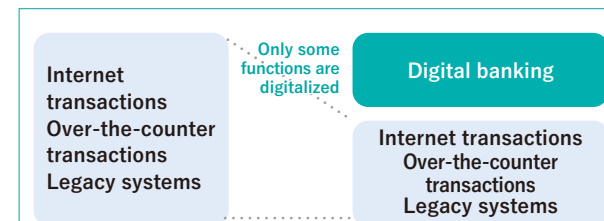
## Toward Becoming a Leading-Edge Digital Bank

We are working towards the realization of a digital bank in which all banking transactions are digitalized.

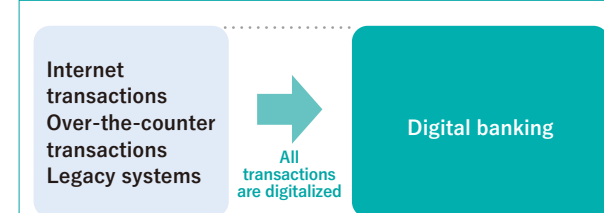
### Internet banking

At a typical financial institution, digital banking involves the digitalization of only some 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 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 to ensure a more prosperous and more convenient lifestyle for individual customers through cashless payments and digitalized bank accounts. HOKKOKU LIFE+ packages a Visa debit card with the Hokkoku Cloud Banking service; neither a passbook nor a personal seal is required 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 2024

HOKKOKU LIFE+ membership: **124,751** people

### Business expansion across Japan using a BaaS platform

We are also working to develop a banking-as-a-service (BaaS) platform to provide banking functionalities to financial services operated by fintech companies. The 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 bring transformation to regions and contribute to their sustainable growth.

### BaaS business objectives: Reach out to new customers and contribute to regional enhancement

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

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 regional economic growth and financial inclusion by utilizing our BaaS platform to provide financial solutions that meet local needs.

### Difference from existing services

Our service gives fintech companies free rein to modify the front end of the financial services they provide to end users. This is the most significant difference between our service and the services 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 optimize the service screens in line with their strategies and business targets to implement original marketing strategies and win new customers. Since the service screens are easily modifiable, fintech companies can flexibly respond to market trends and user feedback as well. We will seek to maintain competitiveness and raise customer satisfaction by promptly loading functions and improvements to provide a more user-friendly interface and value-added functions based on user feedback. In such ways, rather than merely offering standardized services, we will apply our banking capabilities toward continued innovations, collaborating to build more optimal customer services.

### Benefits of the BaaS business

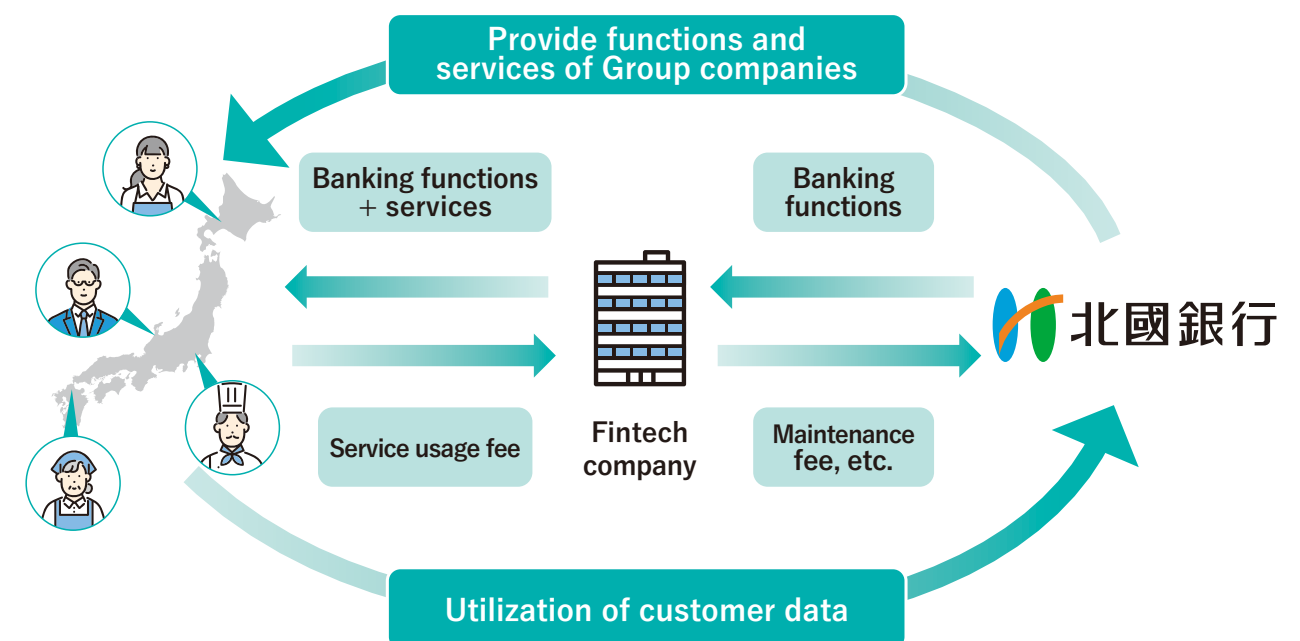
In the BaaS business, we manage the information on customer deposits, loans, and profiles acquired by the fintech companies. This allows us to obtain customer data on startups and other businesses, especially those based in Greater Tokyo. Currently, we expect roughly 200 corporate account openings per month. Such expansion of the customer base creates more opportunities for the Hokkoku FHD Group to propose various solutions, including consulting by CC Innovation, investment advisory by FDALco, and potential investment and support from QR Investment. Furthermore, through other initiatives, such as matching 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 we can gain various benefits from our accumulation of knowledge on advanced technologies for BaaS platform development and the continuous horizontal rollout of our expertise in this area. This strategy is important in that it also focuses on the penetration and improvement of technology in addition to the pursuit of income growth.

Accumulation of knowledge means gathering information on the latest technological trends and best practices in BaaS platform development from internal and external sources, and accumulating such information as our 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 encouraging other companies to use such technologies. By working together with other companies through the sharing of technologies, we aim to elevate the technological level of the industry as a whole.



#### BaaS platform utilization (image)





## Creating a Local Center that Serves as a Bridge for Innovation

### Hirooka Terrace—a hub for new and creative businesses

The construction of Hirooka Terrace, next to Hokkoku Bank's head office, is scheduled to be completed at the end of July 2025. In addition to transferring some of our banking functions to the new building, we also plan to lease some office space.

Innovations emerge when people interact with each other naturally and when companies interact with each other naturally. As a hub for such new and creative businesses, we hope everyone will utilize Hirooka Terrace well.



Architectural designs of Hirooka Terrace (right) and Hokkoku Bank head office (left; completed in 2014)

### ●A sustainable workplace that ensures the well-being of those who work there



Common lounge area of the shared office (4F)

It is generally believed that the larger the building, the more difficult it is to qualify for ZEB certification. However, as evidenced by Hirooka Terrace being Japan's first tenanted office building with a floor space of over 20,000sqm to obtain a Nearly ZEB certification, we have been devoting efforts to reducing the building's environmental impact. Moving forward, we also plan to obtain a LEED Gold certification and a WELL Health-Safety Rating\* for Hirooka Terrace. We will aim to make it a place where people gathering there can enrich their daily lives with good health and spirit.

\*WELL Health-Safety Rating: A third-party evaluation system to verify whether a building or a facility meets certain global standards regarding health and safety, including the readiness of various measures against infectious diseases and other emergencies.

### Cross Garden Kaga—a place where local residents can come together, creating a lively atmosphere

At Cross Garden Kaga, which opened in May 2023, our Kaga Sales Department and local economic organizations, such as the Kaga Chamber of Commerce and Industry and the Junior Chamber International Kaga, occupy the same building. This is a rare model case in Japan. A local business operator runs a café in the common area, and rental conference rooms are also available to the public.

Cross Garden Kaga is not just an office for our Kaga Sales Department. It can be utilized by many. This design encourages much communication and collaboration and enlivens the community at large.



The exterior of Cross Garden Kaga



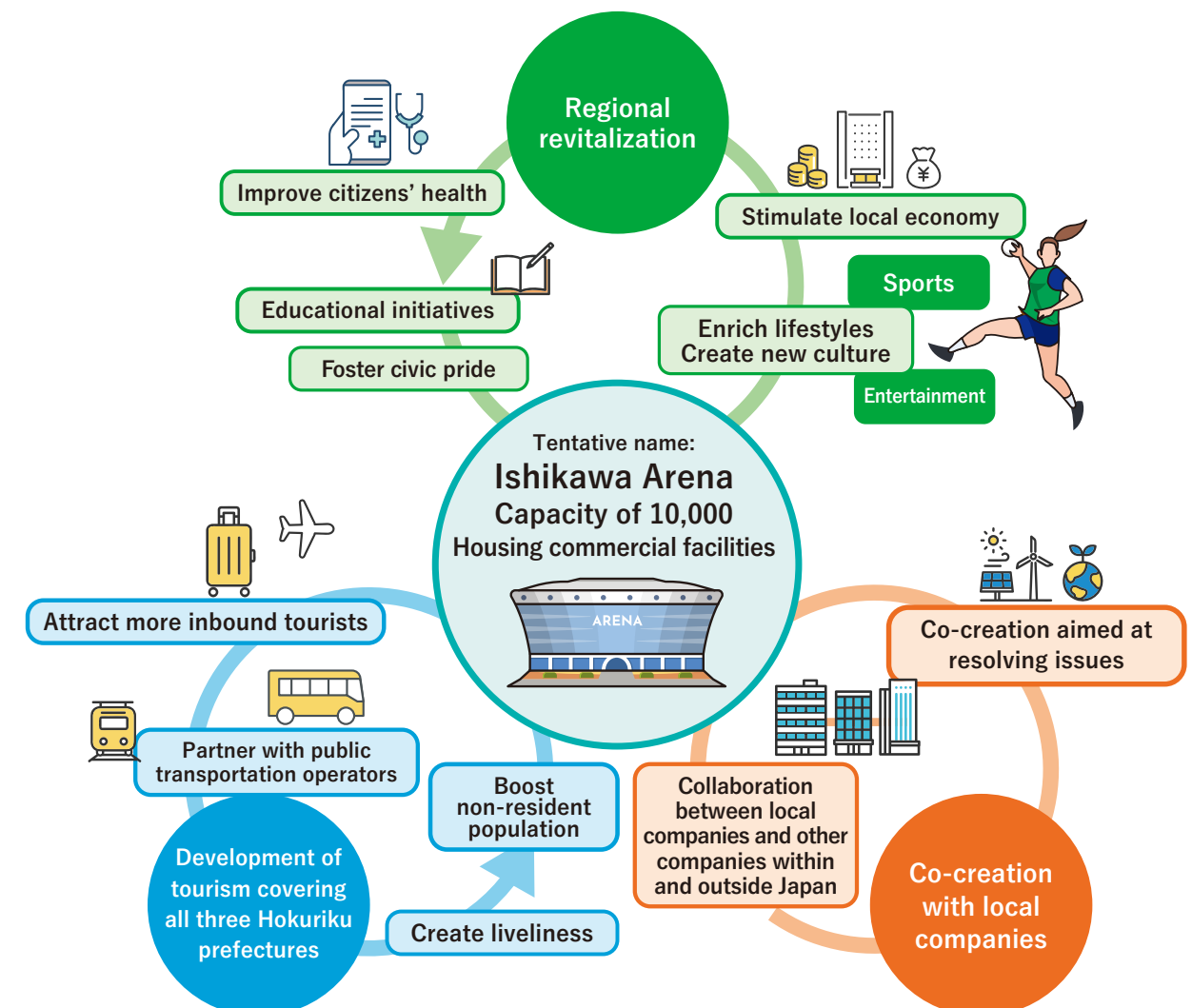
Komeko Chiffon Kokone, a café tenant in the common area

## Bringing New Lifestyles to Hokuriku

We are currently planning a large development project to build an arena, along with a hotel and a commercial facility, on the land adjacent to Komatsu Airport. As the arena is expected to be one of the largest in Hokuriku with a capacity of 10,000 people, we hope to generate a substantial economic ripple effect by capturing the growth potential of sports and entertainment events in the region. We also plan to take advantage of its proximity to the airport and the extension of the bullet train line to make the area a new gateway to Hokuriku, attracting domestic and international tourists and increasing the region's non-resident population. We intend to make this area a place where businesses within and outside the region can embrace new challenges and where local residents can enrich their lifestyles. In such ways, we will aim to develop the area into a platform for creating new value, both economically and socially.



### Generate a ¥24 billion economic impact per year





## 03

## Management Foundation that Supports Value Creation

### Contents

- 67 Human Capital-Oriented Management
- 92 DX and System Modernization
- 98 Environmental Initiatives
- 106 Corporate Governance
- 118 Internal Audit System
- 120 Risk Management System Initiatives
- 122 Compliance Initiatives

**“We will support the careers of each employee and contribute to improving the region’s quality.”**

**Aki Yokogoshi**

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



### Human Capital-Oriented Management

The terms “human capital-oriented management” and “human capital investment” are being covered by newspapers and other media daily and are becoming widely known. Hokkoku Financial Holdings has long expressed internally and externally that “people are at the center of its business operations.” In the early 2000s, Hokkoku Bank employees used to work late hours buried in piles of paperwork and pressured to meet sales targets, but this is no longer a common sight at the offices of Hokkoku Financial Holdings. The career-oriented personnel system introduced in 2022 unquestionably changed our employees’ work styles and mindsets. This personnel system, which is unique to us, comprises three central pillars.

The first pillar is “autonomous career development.” This means that our employees can design their own careers based on the various work opportunities available at the Group’s 11 companies and in new businesses. Our employees are highly motivated to pursue advanced education proactively and achieve the careers they have envisioned for themselves. More than 60 employees have thus far enrolled in university and graduate school programs to study while working. Further, the open discussions among those employees who have gained corporate management skills or knowledge of new technologies serve to motivate other employees.

The second pillar is our wage determination method, where we focus on dialogue to determine wages that are in line with employees’ roles and the values they provide. In FY03/24, we reviewed the salaries of all employees from scratch for the first time. This exercise incorporated cross-departmental evaluations on a company-wide scale; a total of 1,490 employees in management positions participated in the process, and 39 discussion sessions (dialogue) were held. During these sessions, the managers discussed their own subordinates as well as members of other departments. As a result of this process, we have made progress in shifting from a wage system based on seniority by length of service to a more cogent system based on employees’ skills and levels of contribution.

The third pillar is the “elimination of the lump-sum retirement payment scheme” to address the greater labor market fluidity anticipated in the future. The lump-sum retirement payment scheme premised on lifetime employment is a system where the payment for labor is, in effect, deferred

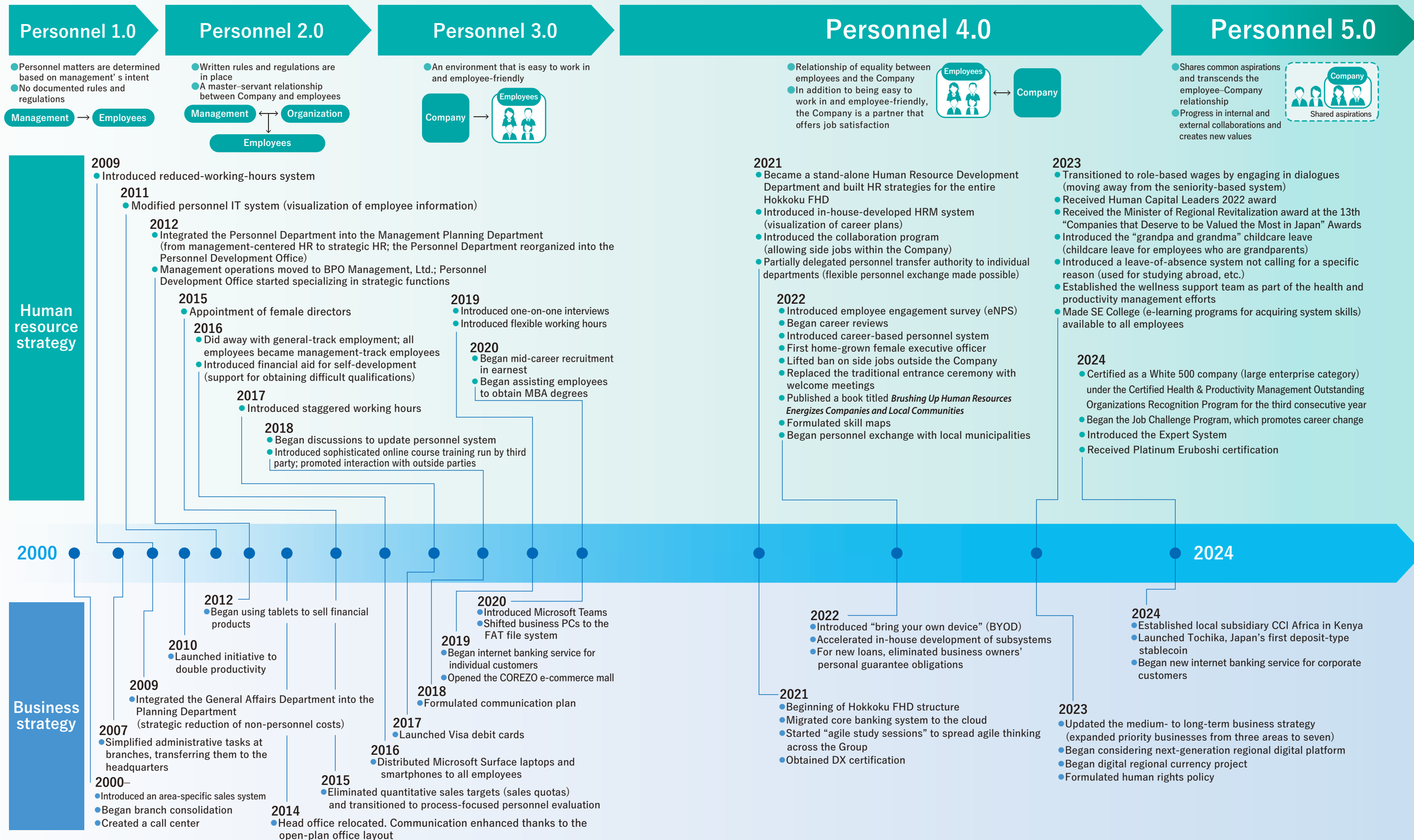
until one’s retirement. We decided to eliminate the scheme and instead add the appropriate portion of what would have been the lump-sum retirement payment to employees’ monthly salaries as career support incentives. The employees are free to use these incentives to invest in themselves or apply them to asset-building. The system is meant to help our employees proactively pursue their own careers, including personal life plans.

Introducing the career-oriented personnel system has been a driving force for change among our employees. That being said, the complete change in our organizational culture had an even greater impact in terms of allowing us to change dramatically. In the current workplace, there are no physical or informational barriers. Work is conducted as cross-departmental projects, and all discussions concerning these projects are shared openly via Microsoft Teams. Management meetings are no exception to our openly shared discussions that take place across departments and job positions. All employees can participate remotely in the management meetings (strategic meetings) (archived feeds are also available). Although this approach may appear highly unconventional, it encourages our employees to promptly tackle initiatives with confidence in our policies and also elevates employee engagement. In the past, we gained attention for offering a comfortable workplace (for instance, with little overtime work), as evidenced by our ranking among the so-called White 500 companies. More recently, we have been recognized as a Platinum Employer, offering a workplace that is also rewarding to work for (see p.10).

Moving forward, the professionals we have fostered within the Group will contribute to improving our region’s quality by playing active roles in local companies and municipalities. Hokkoku FHD and its employees are also thoroughly committed to supporting the Noto Peninsula Earthquake reconstruction efforts and making the entire region thrive more brightly.



## Story of Personnel System Reforms —Progress of the human resource strategy aligned with our business strategy—



## Organizational Culture and Engagement

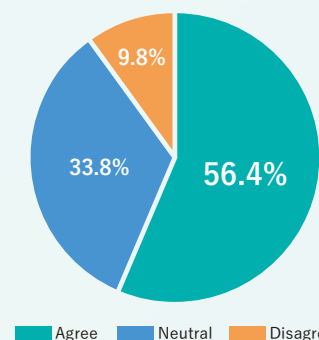
### Information visualization

Hokkoku FHD seeks to make its organizational goals and the strategies and policies toward those goals widely known, both internally and externally. By gaining an understanding in this way, we strive to work collectively as one firm to reach where we aspire to be and ultimately provide value to the local community.

The prerequisite for this effort is to correct information asymmetries within the organization and make internal information visible. Therefore, we openly share information using the online tool Microsoft Teams, which is accessible to all job categories—employees and part-timers alike. The information being shared spans a wide range of matters, from strategic project discussions at individual departments to the real-time streaming of management meeting deliberations.

Ensuring information transparency leads to a common understanding of the Company's goals and strategic directions, enables cross-departmental collaborations, and helps improve innovations as an organization.

**“The Company shares important information with me.”**  
(July 2023 survey) n=1,802



↑ In the employment engagement survey, over half of the employees agreed to the statement, “The Company shares important information with me.”

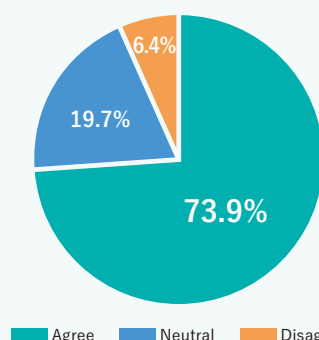
### A flat and psychologically secure workplace

Innovation emerges from an environment with better information visibility, where free and active discussions can take place regardless of one's position.

Hokkoku FHD has created an open and flat structure by eliminating top-down and obligatory targets (quotas) and enhancing the physical environment (open workplace) through the head office relocation. The monthly one-on-one interviews that all employees participate in are another effort along this line. In addition to setting up meetings with the direct superiors (leaders) of employees, we actively arrange opportunities for conversation with diverse members without fixing the scope of counterparties. For instance, an interview could be with another team member of a particular project or a superior (leader) from a different department.

In project development, we shape our projects through discussions among employees with diverse values and perspectives, not setting limits by job positions. By making information visible through online and other tools, we promote an approach that focuses on dialogue to create an open environment that accepts individual voices and opinions. Through these efforts, we now have in place a flat and psychologically secure workplace where lively discussions are carried on.

**“Leaders and members listen carefully to my opinions and ideas.”**  
(July 2023 survey) n=1,802



↑ In the employment engagement survey, over 70% of the employees agreed to the statement, “Leaders and members listen carefully to my opinions and ideas.”

### Autonomous career development

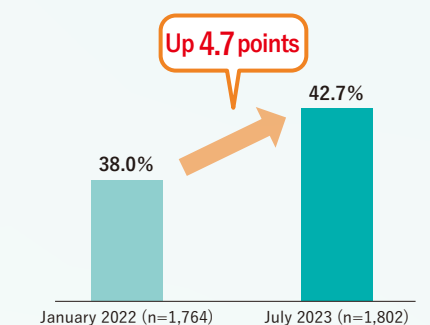
We want our employees to contribute value to the local community and feel rewarded for their work in an organization free of information asymmetry and whose environment is flat and psychologically secure. To this end, we promote autonomous career development.

We believe our employees should design their own career plans and work proactively and enthusiastically toward fulfilling their visions.

Careers come in multiple shapes, and there is no one correct answer. We hope to see our employees constantly explore their career goals and answers, choose their careers according to their own will, and work proactively to develop them. By supporting their efforts, we aim to build an innovative organization rich in diversity and creativity.

For the employees to develop their careers, we find it important to help them understand themselves, understand their work, and explore opportunities to communicate with a wide variety of people. For this, we work to establish various systems while introducing new initiatives. Moving forward, we will continue to support our employees so that they can select their careers, proactively make efforts in their career journeys, and achieve personal growth along the way.

**“The Company provides abundant support for the realization of my career plan.”**



↑ In the employment engagement survey, the ratio of employees who responded positively to the statement “The Company provides abundant support for the realization of my career plan” increased.

### Employees' sense of work satisfaction observed through an engagement survey

In January 2022, we adopted the Employee Net Promoter Score (eNPS) as a metric of employee job satisfaction (ease of working and satisfaction) and have since conducted four eNPS surveys. The scores have been rising as a result of our efforts in making information visible, ensuring a psychologically secure workplace, and promoting autonomous career development. According to the 2023 eNPS survey\* conducted by EmotionTech, Inc., which supports employee engagement surveys, the engagement level of our employees exceeded the industry average. 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.

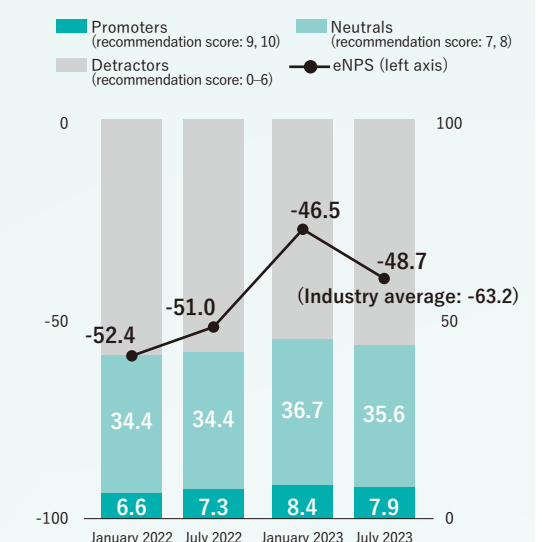
\*Industry average: eNPS of financial and insurance companies with 1,001 or more employees  
\*From October 21 to 24, 2023, EmotionTech, Inc. conducted an online survey of 6,484 people who work for companies in 15 major industries, including finance and insurance.

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)

\*eNPSM is a service mark of Bain & Company, Fred Reichheld, and Nice Systems, Inc.

eNPS calculation method: Promoter (%) – Detractor (%)  
Survey scope: All employees of the Group (including executive officers, local employees at overseas bases, and business staff, but excluding directors)  
Number of those who responded: 1,764 (January 2022); 1,838 (July 2022); 1,634 (January 2023); 1,802 (July 2023)

#### Our eNPS<sup>SM</sup>





## Hokkoku FHD's career-oriented personnel system, which forms the foundation of the Company's human resource strategy

In March 2022, we completely revamped our personnel system to make it career-oriented. The objective of the upgrade was for us to become an organization that can flexibly respond to current changes in the social environment and contribute to value creation in the region. Through the new personnel system, we have built an infrastructure where individual careers are respected and where the efforts of those employees working with a sense of fulfillment result in the betterment of the local community.

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

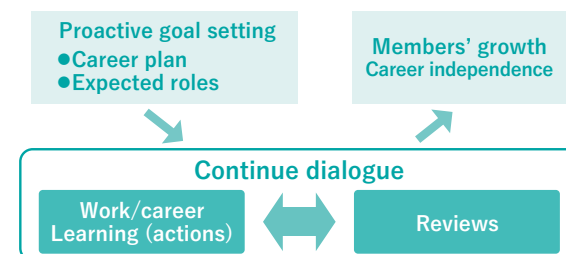
Career reviews to foster employees and encourage autonomous career development

Dialogue-centered wage determination process to move away from a method based on seniority by length of service

Reform of lump-sum retirement payment scheme to suit greater labor market fluidity

### (1) Career reviews to foster employees and encourage autonomous career development

For an organization to grow in times of rapid changes, the individual growth of its employees is important. Employees are expected to proactively think of their own career plans and use them to achieve personal growth. To support this, we have introduced career reviews, which are a mechanism for reviewing each employee's work (action) to help them fulfill their expected roles in the Company and realize their goals. The most dominant feature of our career-oriented personnel system is its focus on dialogue for employee growth and autonomous career development. For this, we eliminated the conventional performance appraisal and personnel evaluation systems, moving away from assessments based on quantitative metrics.



### (2) Dialogue-centered wage determination process to break away from a method based on seniority by length of service

For our employees to grow into professional talent and feel motivated and rewarded for their work, it was essential for us to break away from the traditional wage system that emphasized seniority based on length of service.

As the first step in breaking away from the traditional wage system, we established new standards for wage determination and reviewed the wages, focusing on the four elements of skill, role, productivity, and level of contribution.

Applying the same wages across the board in line with the so-called "ability-based grading system" is unsuitable for Hokkoku FHD, which operates in diverse business areas. Therefore, we transitioned to a system of individually evaluating our employees, whose work duties and skill sets are diverse. Under this framework, we collect feedback on each employee from multiple superiors (leaders) and determine wages based on

company-wide dialogue. This evaluation system, through which the wages of roughly 2,000 employees are assessed through dialogue involving the Personnel Department, direct leaders, and leaders from other departments, is an evaluation method that leverages our unique organizational culture. By breaking away from wage determination based on seniority by length of service, we will seek to establish a more cogent evaluation method and enhance employee motivation. In such a way, we will build an unparalleled system that is unique and innovative.

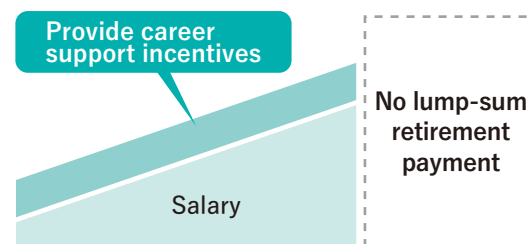
### (3) Reform of lump-sum retirement payment scheme to suit greater labor market fluidity

Under the previous personnel system, the trace of length-of-service-based seniority stood out even more prominently in the lump-sum retirement payment scheme than in wages.

With the labor market becoming more fluid, we had to fundamentally change the scheme to attract talent with diverse backgrounds. When we broke away from the wage system that emphasized seniority based on length of service, we also made a bold change to the retirement payment scheme. Under the new framework, we add to the monthly wages a certain percentage of what would have been the lump-sum retirement payment.

Seniority based on length of service is no longer reflected in our wages, and this fact is also true for the portion of the retirement payment added to monthly salaries. This has allowed us to establish a wage structure in which mid-career hires can work without being disadvantaged by their shorter length of service. In this way, we were able to lay the groundwork for welcoming diverse talent.

We named the portion added to the monthly salaries "career support incentives." Employees can now use the additional funds, for instance, to enroll in a defined contribution pension plan in preparation for future life plans or to invest in various learning opportunities. The system has truly transformed into one that supports each employee's career.



## Challenges and initiatives concerning human capital

To address environmental changes and promote a human resource strategy that is in line with our management and business strategies, we have set forth measures to support the development and career independence of our employees. We strive to polish our human resource strategy and overcome challenges step by step so that our employees feel satisfied and highly motivated to work and to become professionals who can contribute to the local community. Through this effort, we will promote employee growth and enhance innovations as an organization.

### Human capital challenges—Three-pronged efforts focusing on quality, volume, and allocation—

The challenges surrounding our human capital-oriented management can be largely divided into three areas: quality, volume, and allocation. For each challenge, we will assess the gap between our goals and the current state of affairs and drive appropriate initiatives to enhance the quality of our region.

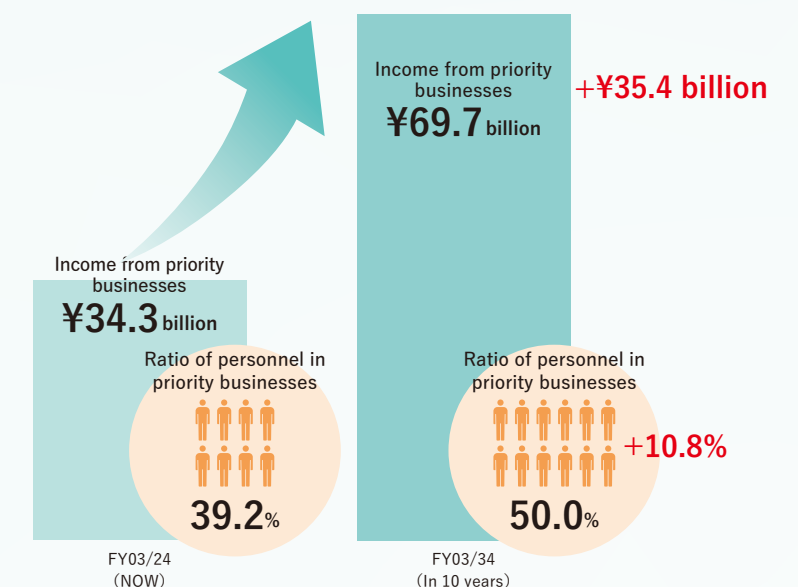
Challenges	(KPIs)	Details
<b>Quality</b> Development of diverse human resources; moving away from homogeneity *Development based on skill maps and base skills	Skill map data	Development P. 78
<b>Volume</b> Recruitment of professional talent Dispatch human resources who can play active roles in the local community	Hire ratios of new graduate and mid-career hires Number of human resources dispatched	Recruitment P.76 Dispatch P.90
<b>Allocation</b> Modification of human resource portfolio Diverse talent playing active roles (Break away from the seniority-based system; diversity and inclusion)	Modification of human resource portfolio Gender pay gap Ratio of women in management positions	Thriving P. 82

### Modifying the human resource portfolio in line with our efforts to strengthen priority businesses

As one of the key agendas of our medium-to long-term business strategy, we plan to bolster income from the priority businesses.  
\*Income from priority businesses: ¥69.7 billion in 10 years (+¥35.4 billion from FY03/24)

To bolster income from priority businesses, we must develop an appropriate human resource portfolio. We will seek to modify the composition of our human resource portfolio to achieve appropriate resource allocation and deploy the right talent to the right place at the right time in line with our business strategy. In 10 years, we plan to raise the ratio of personnel in priority businesses to 50% of the total (+10.8% from FY03/24).

→See p.82 for details



## Hokkoku FHD's human resource ecosystem to develop people who can contribute to improving the region's quality



### Synergy effects from the integrated implementation of business and human resource strategies

The mission of Hokkoku FHD is to realize its corporate philosophy, “Trust—a bridge to a fruitful regional future; enrich interaction and growth in the region.” Enhancing our region’s quality is at the core of our business strategy. As measures to enhance our corporate value under our medium- to long-term business strategy, we aim to improve ROE and contain capital costs to achieve a P/B ratio of 1x or higher at an early stage. At the same time, we will seek to control shareholders’ equity to ensure greater freedom in executing our business strategy while improving the quality of our profits through the expansion of priority businesses.

To accomplish these key measures, it is crucial to have a human resource strategy that is closely aligned with our business strategy. Through our human resource strategy, we will seek to achieve diversity and inclusion, creating a workplace that accepts diverse perspectives and enables all employees to thrive. We will also cultivate an ownership mindset so that our employees can engage in projects and initiatives, seeing the big picture from a management standpoint. Furthermore, we aim to develop professional talent to achieve our corporate philosophy.

To grow innovatively as a group and have our business and human resource strategies work in harmony, we are actively promoting human resource development and career independence based on the human resource ecosystem framework.

### Developing people who can contribute to raising the region’s value

Hokkoku FHD adopts and advocates the human resource ecosystem framework to build a platform for developing human resources who can play active roles in the local community. For the human resource ecosystem to work successfully, several basic conditions must be met. The first is a flat organizational culture that ensures psychological security. The second is the existence of a workforce where all employees are equipped with base skills and integrity. The third is the achievement of physical, mental, and social wellness for each employee.

With these conditions underpinning the ecosystem at its foundation, we drive the cycle from recruitment to dispatch, generating professionals who can take on active roles in the local community.

The starting point of our human resource ecosystem is the recruitment of people who can firmly relate to our corporate philosophy and brand philosophy and share our aspirations. As the next step, we seek to develop professionals who can proactively pursue learning and challenges. It is also important to provide opportunities for the developed resources with skills and experience to play active roles. For this, we establish an environment and systems that ensure a comfortable workplace, and appoint our employees to positions that match their career plans, encouraging those who pursue their careers to work with high motivation and a sense of fulfillment. Finally, we dispatch to the region the professional resources who have gained diverse experience at Hokkoku FHD. By having these individuals take on management roles at local companies, we directly contribute to the region’s value enhancement.

### Organizational culture (psychological security, a flat organization)

Organizational culture is an integral component of our human resource ecosystem. Hokkoku FHD values an environment in which all employees—regardless of age, gender, or position—can speak their minds freely and engage in dialogue. We believe such an environment can be a driving force for creating new values. Starting with the revamp of the physical environment with the head office relocation in 2014, we have worked to change the organization and employee mindsets by making internal discussions and management meetings more visible through the use of Microsoft Teams. We also promoted communication that focused on dialogue. As a result of these efforts, we were able to create a flat organizational culture that ensures psychological security, which has, in turn, propelled innovation.



### Base skills and integrity

We define base skills as the basic skills necessary to create value at Hokkoku FHD. They comprise integrity and other soft skills, the ability to envision, the ability to resolve issues, and the ability to execute. We position these base skills as the source of added value offered to our stakeholders, and we make every effort to have all employees obtain and further hone these skills.

We define the required skill levels for each of the base skill items. All employees undergo skill checks, which enable them to know where they stand and to take action toward improvement. Personality assessments and 360-degree surveys also help our employees objectively evaluate their skills, allowing them to deepen their self-awareness and make efforts to reach the required skill levels.

A person with integrity is someone who is honest, sincere, earnest, and noble. These are the qualities the employees of Hokkoku FHD must strive for. We believe that integrity enables our employees to make the correct decisions based on their own convictions amid a rapidly changing era in which it is difficult to foresee the future.

The base skills and integrity allow our employees to be highly motivated, contribute more strongly to the team, and support our efforts to boost innovation in the organization and provide added value to the region.

### Human resource framework, from recruitment to dispatch

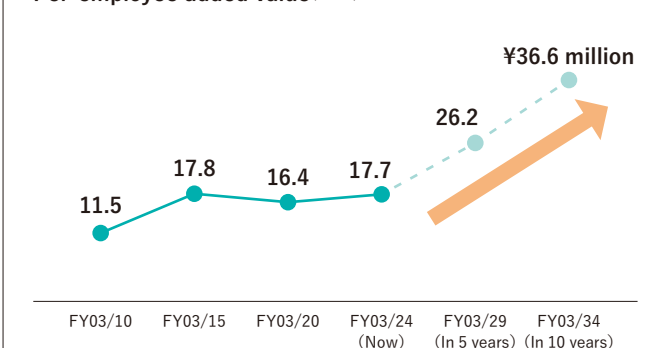
Hokkoku FHD has a human resource framework in place for developing professionals who can contribute to regional quality improvement toward achieving the Company’s mission and vision. The recruitment of people who firmly relate to our corporate philosophy and brand philosophy and share our aspirations is the starting point of this framework. We hire people who aspire to jointly fulfill our brand philosophy: “Hokkoku FHD exists to act for the benefit of people and the world, enriching the lives of individuals and society as a whole.” We also hire people with the ability to learn persistently.

For the hired individuals to become professionals who can contribute to regional quality improvement, human resource development and autonomous career development are indispensable. In today’s rapidly changing world, where it is difficult to foresee the future, we must seek to develop human resources who can pursue their careers independently through learning and a sense of career ownership. To this end, we offer learning opportunities in a wide range of fields applicable to our diverse business domains. We help our employees proactively hone their abilities to envision and become the talent who can create new value, stir innovation, and bring added value to the region.

In addition to developing human resources, it is also important to create a workplace where the employees can work energetically with a sense of fulfillment. For this, we must provide support in the areas of resource allocation, work-style options, and rules. Our goal is for the Company and individual employees to have an equal relationship, for the employees to be highly engaged and motivated in their work, and for the organization as a whole to grow as a result. We will step up efforts to offer our employees a workplace that is both comfortable and rewarding by flexibly responding to changes in the social environment as well.

We position the dispatch of talent to the region as the final step of our human resource ecosystem framework. Our critical role is to abundantly deliver professionals capable of improving the region’s quality and thereby become a leading company directly contributing to the enhancement of regional value. By sending out to the region those individuals whom we hired, developed, and provided opportunities to take on active roles in the Company, we will share our knowledge with the local community and create value in the region. In such a way, we will strive to realize our mission.

Per-employee added value (¥ mn)



↑ We will strengthen human capital and increase our per-employee added value over the medium to long term.



## Quality Company, Good Company.

Human resources who can contribute to  
improving the region's quality

## Recruitment

Hiring people who can firmly relate to our corporate philosophy, brand philosophy, and slogan is the starting point of our human resource ecosystem. Said differently, recruitment is the initial step in the process of developing resources that can contribute to improving the region's quality and drive sustainable growth, allowing them to thrive in the Company, and ultimately sending them out to strengthen the region.

Ideal candidates are those who have high integrity, share our values, and are motivated to help improve the quality of society at large. In other words, we are searching for people who share our aspirations.

Additionally, to stir innovation and create new businesses, we are also hiring talent with diverse backgrounds and experiences.

## ▼Goal

- To hire people who can contribute to the improvement of the region's quality (focus on integrity, persistence in learning, diversity, and professionalism)

## ▼Current state

- Made progress in hiring specialized talent thanks to the increase in mid-career hires; achieved a more diverse workforce
- Hiring at the management level is insufficient
- Not enough specialized talent

## ▼Challenges

- Hiring of specialized talent
- Hiring of people who can learn and take on challenges with persistence
- Need to improve the onboarding of new hires (expand the fields where new hires can work actively)

## Breaking away from the traditional new graduate bulk hiring program

Human resources with diverse backgrounds are a source of innovation.

In addition to the traditional program of bulk hiring of new graduates each year, Hokkoku FHD also focuses on mid-career hires, the recruitment of people with disabilities, and the recruitment of foreign nationals.

We determine our hiring policy in line with our business strategy, specifying the number of hires and the types of individuals we wish to hire. We then recruit those who are truly necessary, thereby supporting the expansion of our priority businesses.

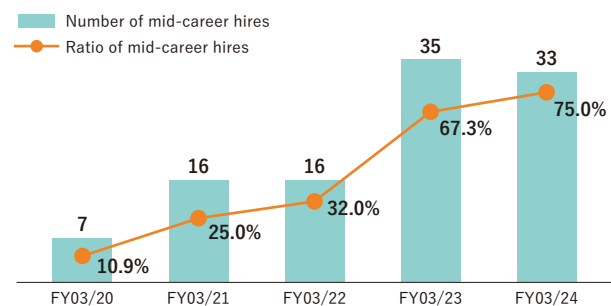
Specialists in diverse business domains—particularly in corporate consulting, digitalization, and systems—have joined the Company, with a shared passion for our activities. As a result, the ratio of mid-career hires has been rising annually, reaching 75.0% of all hires in FY03/24.

## Welcome meeting for new graduates and career hires

In FY03/23, we did away with the ceremonial entrance event, replacing it with welcome meetings, which provide an opportunity for new hires to have discussions with our president shortly after joining the Company.



## Mid-career hires and hire ratio



## Recruitment of new graduates

We are undertaking various initiatives to recruit students who share the Company's aspirations and are motivated to learn.

## Newly established a specialist-track recruiting program (Expert Course)

Despite the diversification and sophistication of our operations, students still view us as a traditional bank in many cases. To establish touchpoints with target students interested in fields other than the financial industry, we started a specialist-track recruiting program in FY03/24.

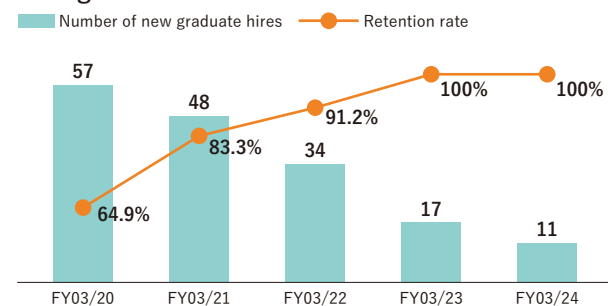
By posting positions in five job areas, including the Systems Department, Market Operations Department, and Equity Investment Department, we aim to hire diverse human resources who would not have applied if we only had the conventional career-track recruiting program.

## Students from abroad

To create innovation, working with individuals coming from different cultural backgrounds is also important.

In FY03/24, Hokkoku FHD began a recruiting program for students from abroad in earnest. By hosting recruitment events for international students together with Kanazawa University and hiring year-round to accommodate these students' graduation season, we are bringing in international students from diverse backgrounds and with a strong desire to learn.

## New graduate hires and retention rate



## Recruitment of mid-career hires

With the introduction of the career-oriented personnel system, we have created an environment where human resources with diverse backgrounds can thrive. This has boosted the number of mid-career hires, and human resources rich in knowledge and experience have increased as a result.

Many of our new hires—regardless of gender, place of origin, age, or nationality—have a keen interest in the Company's philosophy and policies and join Hokkoku FHD with a shared sense of passion. For instance, in FY03/24, 16 of the new hires came from areas outside Hokuriku, and two were foreign nationals. They also covered a wide age range, with people in their 20s and 30s as well as those in their 50s and 60s.

On top of diversity by age and nationality, specialists suitable for Hokkoku FHD's wide-ranging businesses constitute a large group of the Company's mid-career hires. In FY03/24, individuals with job experiences in various areas, including systems, consulting, and planning, have joined the Company and are playing active roles, utilizing their knowledge and experiences gained elsewhere.

When we hire, we first clarify the requirements for the resources we lack internally and use skill maps (see p.79) to clearly outline the skill levels we are searching for. In this way, we eliminate any mismatch between the applicant's skills and the skill sets we are seeking.

Breakdown of FY03/24 mid-career hires  
by business areas

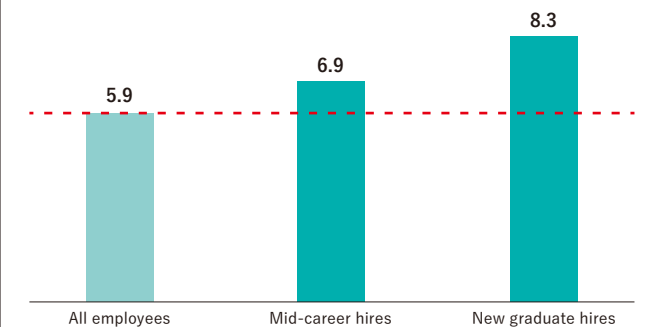
## Enhancing the onboarding system and improving engagement

Starting with the class of 2022 new graduates, we have been assigning new graduate hires to a wide range of job fields based on their preferences. As a result, all new graduate hires from the class of 2022 onward have thus far remained with the Company.

The Human Resource Development Department conducts one-on-one meetings with new graduate and mid-career hires once they come on board. Through this process, we help our employees realize their full potential while simultaneously contributing to our organization's goals.

This effort has produced a certain level of positive effects, as evidenced by the higher engagement index of new graduate and mid-career hires than the overall average.

## eNPS average recommendation score (0–10)



## TOPICS

## Support for those affected by the Noto Peninsula Earthquake

While factoring in individual circumstances, we posted job openings exclusively for the victims of the January 2024 Noto Peninsula Earthquake who faced difficulty sustaining their previous jobs.

As of July, six people applied, of whom three were hired.

We will continue to support the employment of those who have been forced to relocate due to the disaster, assigning them jobs that match their skills and living environments and helping them develop their careers.

## Contributing to DX promotion as a professional

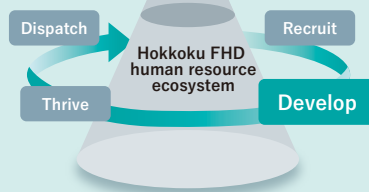
In my previous job, I was a system engineer, handling system design, development, delivery, and maintenance. I began job hunting, wanting to find a workplace where I could take part in the entire process, from upstream to downstream, and gain the experience I could not get through the development work at my previous job. Additionally, I was looking for an opportunity to work directly with customers to provide hands-on support and gain exposure to diverse industries. In my job interview with Hokkoku FHD, the Company evaluated me as a resource fit to operate from day one, leaving a strong impression on me. I had envisioned myself as a work-ready asset, so I was grateful that the Company thoroughly understood my capabilities and placed me in a position I essentially wished for. My team members have been very welcoming, and the workplace has ensured psychological security. I am thoroughly enjoying the current work environment and the diverse work styles available, taking advantage of teleworking, flexible work hours, and other work options.

As a member of the ICT Consulting Department at CC Innovation, I currently help customers solve their issues by supporting their adoption of Kintone. Moving forward, I will continue to devote my efforts to solving issues in the local community and helping promote DX in the region.



**Yusuke Matsubara**  
ICT Group  
CC Innovation

Quality Company, Good Company.  
Human resources who can contribute to  
improving the region's quality



## Development

Learning is an essential factor in developing professionals who can contribute to improving the region's quality. Our employees attend to their own career plans, eagerly engage in the necessary learning, acquire skills and expertise, and apply them to benefit the local community.

We emphasize learning that matches the era of volatility, uncertainty, complexity, and ambiguity (VUCA) without overly focusing on the banking business. We work proactively to enhance the value of our human capital by encouraging our employees to acquire highly specialized skills suited for our diverse businesses and to obtain knowledge and experience from a management perspective.

### ▼Goal

- To contribute to the progress of our diverse operations, including the priority businesses, and develop professionals who can provide high added value to the local community

### ▼Current state

- Made progress in fostering awareness of learning, and the number of employees actively taking courses and enrolling in graduate programs has increased
- A shortage of human resources with the highly specialized skills necessary to address diverse regional needs

### ▼Challenges

- Elevate skill levels in priority business areas
- Shorten the lead time for human resource development
- Expand investment in employee learning

## Human resource development policy

To realize our slogan, “Quality Company, Good Company,” we must develop professionals who can address and contribute to the diverse regional needs. Hokkoku FHD has formulated a human resource development policy to foster such professionals.

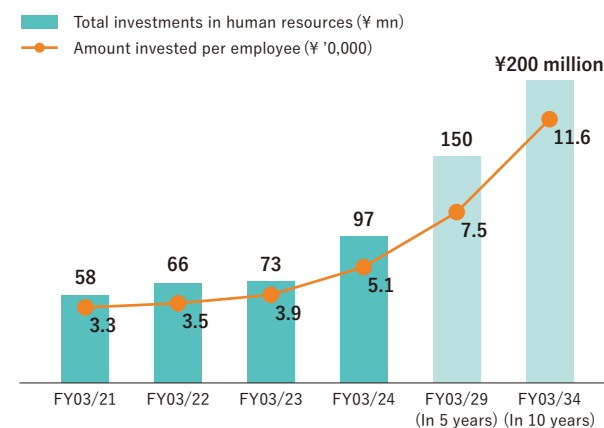
“We will encourage our employees to proactively drive their careers and obtain skills in diverse areas. We will develop professionals who can contribute to regional value creation.”

Based on this development policy, we will build an environment where our employees can think of their careers independently, update their knowledge, and actively engage in learning. We will press on with our initiatives, aiming to develop employees who can respond promptly to changes in our business model and add further value to the region.

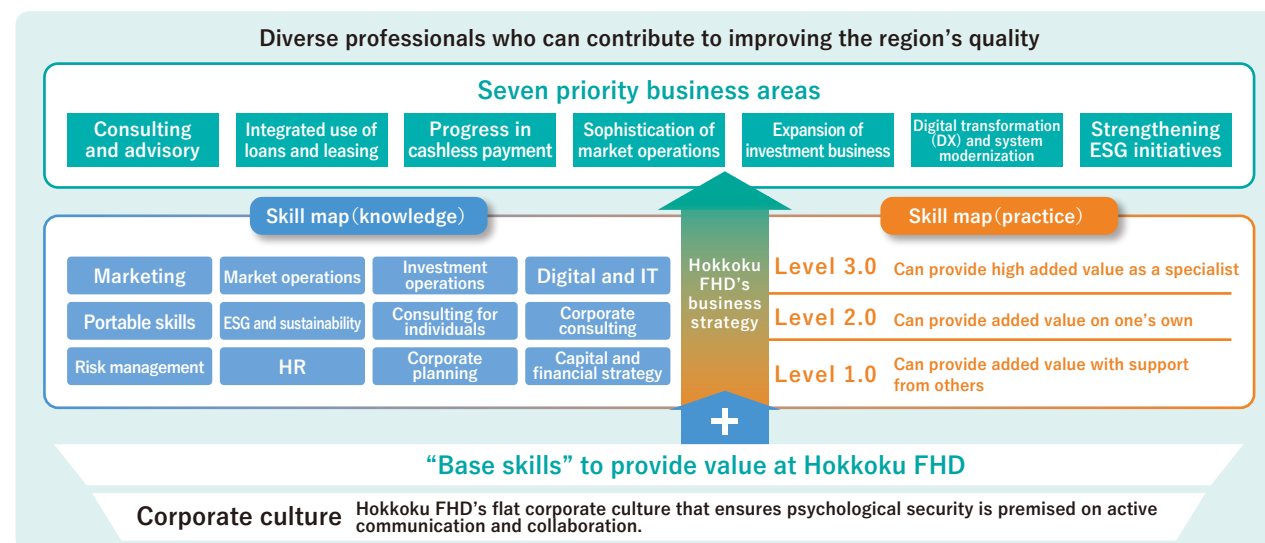
We believe that honing distinctive skills as a specialist and accumulating a broad range of skills and experiences as a generalist both serve to foster professionals who can contribute to regional quality improvement. To create further innovations in Hokkoku FHD's new and existing business areas, we need employees pursuing their careers as specialists in their own business fields. Employees seeking to become generalists who can contribute in any business domain are also important. By our definition, specialists and generalists

are equally professionals, and we intend to further bolster our support for their learning.

### Total human resource investment and investment per employee



In 10 years, we will increase our investment in human resource development from the current ¥97 million to ¥200 million as we continue to focus on fostering talent.



## Human resource development in our priority businesses through the use of skill maps

Hard skills pertaining to our business operations are also an important factor in developing professional talent.

As a company expanding into various new business areas in addition to the traditional banking operations, Hokkoku FHD formulates skill maps, clearly laying out the hard skills necessary in each of its diverse business fields.

We have introduced skill maps in a total of 12 areas, adding five areas, such as planning and HR, to the seven priority business domains: consulting and advisory, business loans and leasing, cashless payment, investment advisory, investment funds, market operations, and DX and system modernization.

The skill map system allows our employees to understand the skill sets necessary in their current business domains, as well as in those domains they hope to take part in moving forward. The employees get an idea of what they need to learn and experience; this promotes growth and fosters a sense of career ownership. From the Company's perspective, the system reveals the actual skill levels of its employees. As a result, we can optimize our human resource portfolio, allocate the right resources to the right places, pursue human resource development that is in line with our business strategy, and enable our employees to thrive in the workplace.

At Hokkoku FHD, employees categorized as level 2.0 or higher in knowledge and practice are considered as resources with enough business knowledge and experience to provide value on their own. According to our current analysis, we are 32.6% short of priority business personnel in the level 2.0 or higher category compared to the necessary staffing outlined in our medium- to long-term business plan. In particular, we are short by 17% in the financing and consulting/advisory fields, and by 42% in the DX business field.

## Shortening the lead time for human resource development

The skill maps are intended to help our employees gain both knowledge and practice in a well-balanced manner through a combination of on-the-job training, off-the-job training, and self-development. Skill levels of 1.0 to 3.0 in both knowledge and practice are designated in the skill maps to measure the professional levels of our employees.

The speedy development of human resources is essential to realizing our business strategy. To shorten the lead time for human resource development, we support the growth of our employees, aiming for them to reach skill level 2.0 within two to three years after onboarding.

Through this initiative, we aim to shorten the lead time for human resource development and simultaneously focus on developing junior staff from an early stage. In this way, we will seek to drive our business strategy faster, flexibly respond to changes in the environment, and ultimately bolster innovations in our organization.

## Utilization of the “second job” system

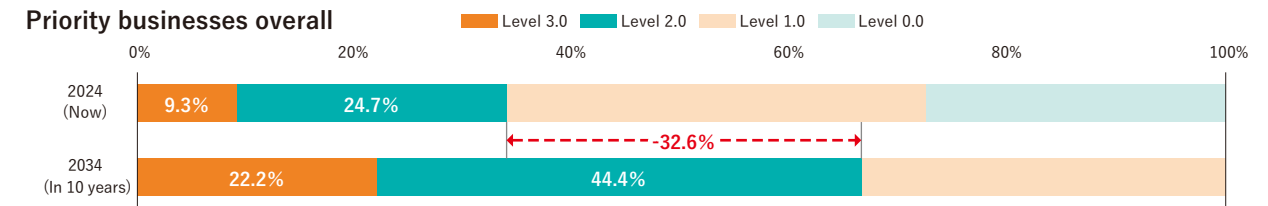
We seek to raise employee skill levels and boost our organizational strength by improving the productivity of individual employees so that they can take on a “second job” in addition to their main responsibilities.

We ask our employees to get involved in work outside their main businesses so those with the right skills can play a more active role in the organization. We have created a system that allows all employees to demonstrate their abilities to the fullest. Along with the introduction of this “second job” system, we have also improved work-style flexibility to support employees on both the career and working environment fronts.

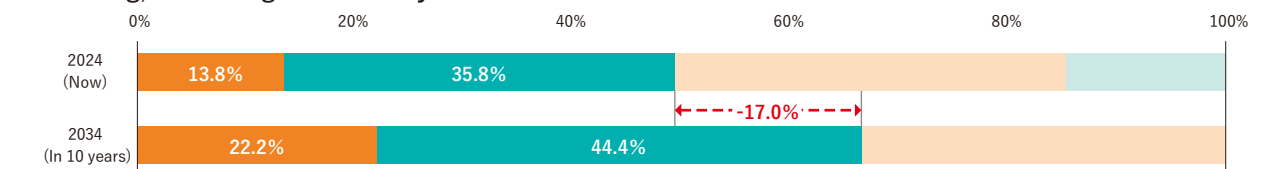
For example, we have an employee who handles teller operations in the morning and works as an ICT consultant (app development work) at CC Innovation in the afternoons.

We will continue to focus on employee development, encouraging more employees to take on “second jobs.”

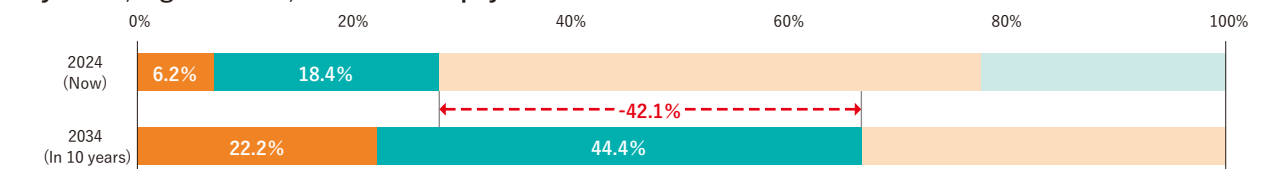
### Priority businesses overall



### Financing, consulting and advisory



### Systems, digitalization, and cashless payment





## Learning and impact from graduate school and online courses

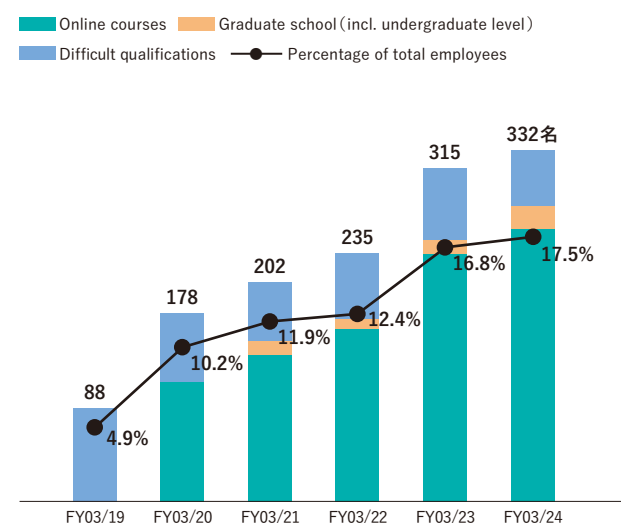
A professional who can contribute to regional quality improvement is a person who can keenly detect trends in rapidly changing times and propel businesses in demand with a sense of speed. For this, one must have the appropriate operational skills, be up-to-date with information on the latest technologies, and also be equipped with advanced skills such as the ability to think logically and envision.

Hokkoku FHD offers its employees diverse learning opportunities. These include enrollment in undergraduate and graduate school programs (MBA), participation in online courses, and the acquisition of difficult qualifications in addition to the typical banking-related qualifications. These opportunities allow our employees to interact with people within and outside the Company, providing them the chance to keenly respond to changes in the social environment and come in touch with diverse values.

In FY03/24, the number of our employees who have completed or are working to complete graduate school programs exceeded 60. This group covers a wide range of employees, from the management level to junior staff. For their graduation research, they typically design new and highly creative business concepts, for instance, focusing on businesses relevant to the Company or ones that solve social issues. In fact, the new business concepts originating from such graduation research have been adopted and launched as our new in-house projects. In such ways, our employees' accomplishments at the graduate schools lead right back to Hokkoku FHD, sowing the seed for new business and helping create innovations.

The number of employees enrolling in graduate school and undergraduate programs, taking online courses, or working toward difficult qualifications has increased year by year, exceeding 1,300 in total as of FY03/24. Our culture of learning has fostered professionals who can thrive in various business areas, created diverse careers, and served as the underpinning for our wide-ranging business domains.

### Number of online course participants, graduate program enrollees, and challengers of difficult qualifications



## Conducting surveys that promote self-awareness and growth

Hokkoku FHD seeks to create a truly diverse organization that respects the collaborations of people with various backgrounds, personalities, characteristics, and values.

In November 2023, we conducted a company-wide personality assessment test to promote the self-awareness and career development of our employees and to analyze the human resource trends of our organization. While the assessment was conducted on a voluntary basis, of all 2,135 employees, approximately 1,900, or 90% of the total, took the test. This proved to be a good opportunity for our employees to think about personal growth and work styles through self-understanding. The test also clarified employee traits in terms of work and organizational aptitude.

To encourage the active engagement of diverse talent and stir innovation in the organization, we intend to conduct more data-driven recruitment and resource allocation moving forward. To this end, we also plan to analyze the trends of employees who thrive as well as those who leave the Company.

While we encourage our people to deepen their self-understanding through the personality assessment test, we also believe that our employees can grow from knowing how they are viewed by those around them. For this purpose, we conduct a 360-degree survey once a year to promote our employees' self-growth while optimizing resource allocation. In FY03/24, we collected over 12,000 comments as feedback concerning a total of 950 officers, managers, and chiefs.

By understanding the matches and mismatches between their own perceptions and those of others, employees can objectively assess their own thought patterns and behaviors and change their actions as necessary. From the Company's standpoint, the survey can be applied to the appropriate allocation of human resources to ensure that each employee thrives in their position and to enhance our organizational strength.

In FY03/25, we will further expand the survey pool and conduct a 360-degree survey across the Company, aiming to promote our employees' personal growth and improve their motivation.

### Personality assessment feedback sheets



## Realization of career plans through the collaboration program (internal side jobs)

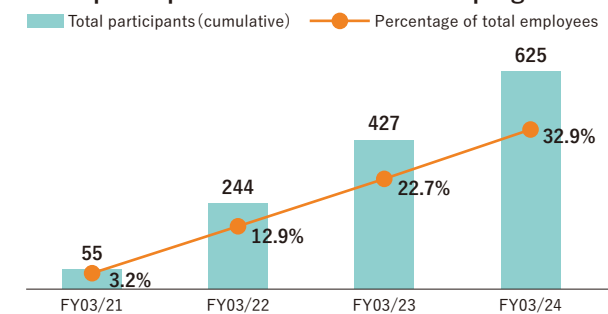
With the collaboration program launched in October 2020, our employees can take on side jobs within the Company in addition to their main jobs. The program allows our employees to get an in-depth understanding of business operations in various departments and gain practical experience through participation in real projects. As such, the program supports our employees' career development.

To avoid a mismatch between the work and the participants' skills, we present the required skill sets to the prospective participants and have them and the business departments communicate in advance through briefing sessions and other means. This process allows the participants to take part in the projects smoothly.

For the business departments, the program serves as an opportunity to hear the perspectives of diverse employees and create innovations through collaboration. For the participating employees, the program opens doors to expanding career possibilities. Thus far, 21 employees have been reassigned to their preferred departments as a result of the collaboration program.

We plan to continue this program and enhance it further to foster the autonomous career development of our employees and the nurturing of professional talent.

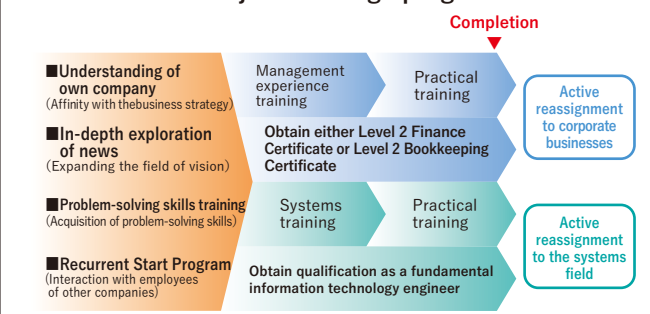
### Total participants in the collaboration program



## Introduction of the job challenge program that encourages career changes

In response to the AI revolution and changes in the business and social environment due to digitalization, Hokkoku FHD is promoting digital transformation (DX) and consolidating its branches strategically. In line with this initiative, we will need to ask roughly 150 employees in the front office and operations to change careers over the next 10 years (see p.82). To redistribute our human resources to priority business domains such as corporate consulting and systems/digitalization over the next 10 years, we introduced the job challenge program in June 2024. A total of 41 employees have voluntarily signed up for the program, the majority of whom are female employees handling deposits, money transfers, consumer loans, and other banking operations, mainly as tellers. The program provides participants with the opportunity to acquire specialist skills, problem-solving skills, and logical thinking. Those employees who complete the one-year job challenge program will be actively reassigned to another position so that they can advance their careers. Through this initiative, we aim to fulfill our business strategy by realizing the human resource portfolio we hope to achieve while supporting our employees' autonomous career development. We will also seek to empower our female employees and reduce the gender pay gap.

### Curriculum of the job challenge program



## From teller operations to the Market Operations Department —A career change utilizing the collaboration program—

Under the collaboration program, I could observe and experience the actual work in the Market Operations Department. I also held discussions based on my analysis of the trends in the financial markets, including the factors that cause market fluctuations. During group work, we studied and presented a plan for improving the financial market awareness of all employees.

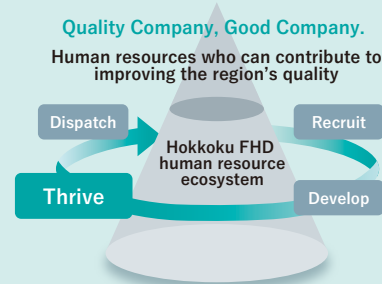
I had my concerns about taking on a challenge in an entirely new field, making a shift from teller operations at a sales branch to the Market Operations Department. However, participating in the collaboration program gave me more opportunities to exchange views about my career plan with other employees. I also learned first-hand how interesting the financial markets were and became more committed to making a positive career change.

After completing the six-month collaboration program, I worked further to enhance my skills. For instance, I took it upon myself to disseminate information on financial market trends and economic indicators to the members of my sales branch. I also began studying to obtain a securities analyst qualification.

Since being assigned to FDIco's Investment Department, everything has been new to me. I face the daily challenge of balancing my family life, work, and studies. Nonetheless, I spend my days meaningfully, happy to be involved in the work I wanted to pursue and to belong to a workplace where I can hone my skills.



**Manami Takayasu**  
Investment Department, FDIco



## Thriving

Hokkoku FHD is committed to ensuring that our employees work with high motivation, fully utilizing their robust skills and experiences. Firstly, we have built an environment where employees can work in good health, both mentally and physically, and with peace of mind. We also have in place an infrastructure that places importance on employees' professional careers as well as their family lives and needs associated with childcare and long-term care. Based on these underpinnings, we plan to support the autonomous career development of our employees, promote a human resource strategy focusing on diversity and inclusion, and allocate our resources appropriately so that everyone can thrive in the workplace.

At the same time, improving employee compensation is another important factor. By combining these initiatives, we will seek to improve employee motivation and performance and drive further progress for the organization as a whole.

### ▼Goal

- A state in which all employees are giving their best performances with high motivation and a sense of fulfillment

### ▼Current state

- Changing human resource portfolio and skill requirements due to changes in our business strategy
- While the gender gap has narrowed overall, it still remains in terms of pay and the ratio of management positions

### ▼Challenges

- Allocate human capital based on a human resource portfolio aligned with our business strategy
- Reduce gender gap and have diverse talent play active roles

## Toward achievement of a human resource portfolio linked to our business strategy

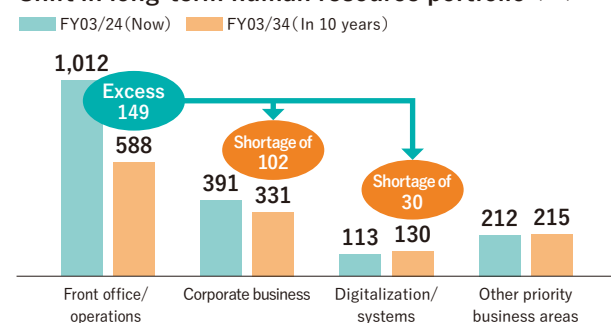
To realize our corporate philosophy of improving the region's quality, it is essential that a diverse range of human resources play an active role in the workplace. We seek to bolster our organizational strength by integrating individual career plans with the roles required of our employees within the organization. For this, we recognize the need to build a human resource portfolio that emphasizes the linkage between our business and human resource strategies and to be attentive to the mobility of human resources.

In the medium- to long-term business strategy, we have expanded our priority business domains from the traditional banking operations to seven key areas (see p.24) as we work toward further enhancement of our corporate value. On the other hand, our current human resource portfolio mainly comprises personnel versed in traditional banking operations, which makes it difficult for us to press on with our priority businesses moving forward. We must bolster our efforts to promote career change and career advancement for our employees in line with organizational strategies and changes. To achieve the human resource portfolio we aim for, we are committed to eliminating bias based on age and gender and introducing a wage system where employees' compensations are determined by their levels of skills and contribution. We will step up our efforts to create an organization where everyone can thrive and to further develop mechanisms that support the mental and physical well-being of our employees.

### Human resource surplus or shortage in 10 years

- ▶Corporate consulting and digitalization/systems domains  
Shortage of 132 people  
(Reason) Lack of high-skilled talent to accommodate the sophistication of operations
- ▶Front-office and operations domains  
Surplus of 149 people  
(Reason) Fewer bases due to branch consolidation and enhanced operational efficiency from the use of AI

### Shift in long-term human resource portfolio (people)



## Toward average annual compensation of ¥10 million through the new personnel system and the RS granting plan\*

Improving compensation is also an essential measure that can encourage employees to take on active roles in the workplace.

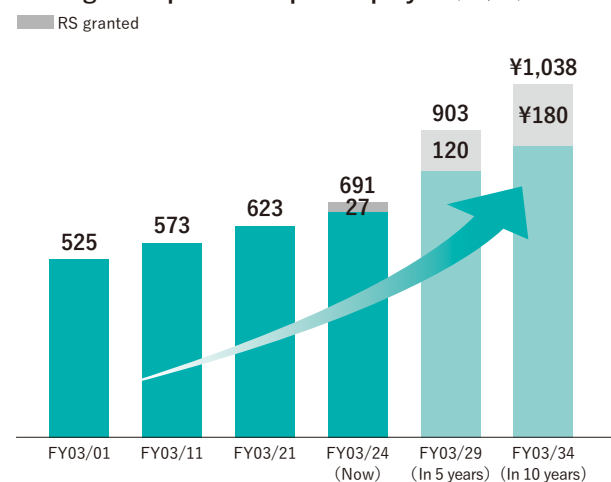
At the time we introduced the career-oriented personnel system in March 2022, we raised the starting salary of new graduate hires (from ¥205,000 to ¥266,000/month; currently ¥27,7000) and changed the retirement payment scheme to improve the financial treatment of our employees, particularly our junior staff. In FY03/23, we adopted a restricted stock (RS) granting plan for employees and distributed a total of ¥0.49 billion worth of RS in FY03/24 (¥270,000 per employee on average) to boost compensation.

In the medium to long term, we plan to substantially increase the amount of RS granted. When our ROE rises to 8% or higher, we hope to raise the average annual compensation per employee to over ¥10 million, the highest level in the industry.

We aim to enhance operational productivity, heighten the level of our employees' contribution to the Company, and, in turn, raise the budget for our personnel expenses per staff member. In this way, we hope to better motivate our employees, foster their desire for further growth, and encourage them to demonstrate their abilities to the fullest. By doing so, we will ultimately boost our strength as an organization.

\*Restricted stock granting plan for employees

### Average compensation per employee (¥ '0,000)

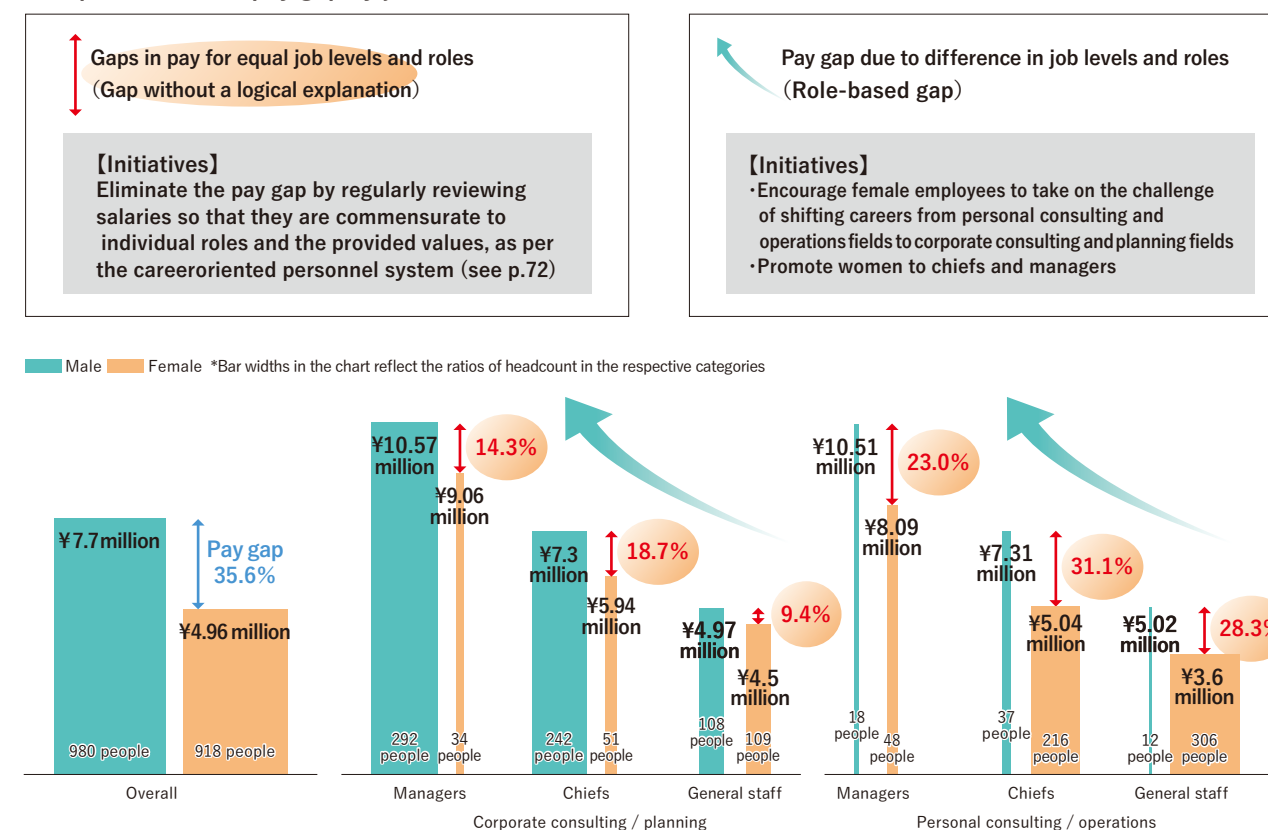


## Analysis of the gender pay gap

Together with improving compensation, reducing the gender pay gap is another important measure for us. At Hokkoku FHD, the difference in pay between male and female employees amounts to 35.6%, which is smaller than the industry average\* of 40.5%. Nonetheless, the gap is still substantial. There are several reasons for this. One is the difference in job levels (low rate of female promotion to management positions). Another is the difference in job responsibilities (the heavy weighting of female employees in job areas such as personal consulting and operations). The latter factor has its roots in the previous personnel system based on job tracks (career and non-career track; discontinued in 2016), which exhibited a strong trace of seniority by length of service. That being said, there are also pay differences for reasons apart from these factors, even in pay for equal job levels and responsibilities. To reduce the gender pay gap, we intend to implement the following initiatives.

\*Financial and insurance industry average according to the 2022 Basic Survey on Wage Structure

### Compensation and pay gap by job level



### TOPICS

## Expanding the open application system to encourage junior staff and female employees to take on challenges

We have adopted an open application system to support the autonomous career development of our employees. In FY03/24, participants for assignments to CC Innovation Africa and Stanford University were determined through open applications. In such ways, we provide opportunities widely to many employees.

From the time I joined the Company, I had a goal of working at an overseas office. I was very interested in our establishment of the first local company in Africa as a Japanese financial institution, and I applied for the position thinking, "Now is the time." In Africa, I spend about half of my week at the venture capital I am seconded to, to find and monitor investees and create new businesses. I consider investments and also analyze the market. I am working to establish a business foundation here, finding joy in exploring the possibilities and transformations of the African market.

As we hope to roll out the business in regions outside Kenya as well, I would like to make the most of this opportunity and prepare for my medium- to long-term career.

**Mizuki Koyama**  
CC Innovation Africa.  
(Right in the photo)





## Diversity and inclusion —Toward women's empowerment—

We are advancing diversity and inclusion initiatives to expand business domains and enhance our quality. Women comprise 48.4% of all employees at Hokkoku FHD, and our highest priority is to ensure that they work actively with a sense of fulfillment, free of gender bias. For this, we seek to create an environment where female employees can maintain a balance between family life and work. At the same time, we are making efforts to establish a corporate culture that encourages women to take on challenges in new fields; we are also working to allocate resources flexibly based on the career plans of individual employees.

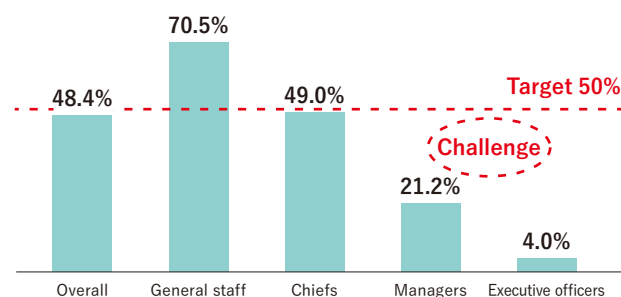
### Issues surrounding promotion to management positions

As a result of our efforts to date, the ratio of female chiefs serving as leaders has reached 49.0% (+2.7% YoY), and the ratio of female managers rose to 21.2% (+0.9% YoY). However, the ratio of female officers at our Group companies lags at a mere 4.0%, requiring a proactive measure toward our goal of 50%.

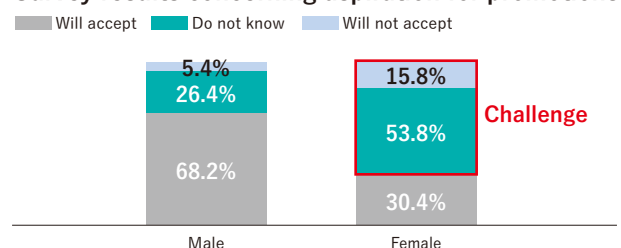
According to the engagement survey conducted in FY03/24, 30.4% of our female employees responded that they would accept a promotion, should they be offered one. This was significantly lower than the ratio of male employees who responded the same way, which was 68.2%. Compared with promotions to the position of chief, the gender gap in employee motivation is increasingly prevalent in promotions to managers, and this is becoming an issue in appointing people to management positions.

Moving forward, we plan to actively promote the career development of motivated employees while also supporting learning. By increasing the number of female employees with rich experience and a positive attitude toward career advancement, we intend to actively appoint women to positions closer to the front lines of management and thereby make progress toward true diversity and inclusion.

#### Ratio of female employees by job level



#### Survey results concerning aspiration for promotions



### Getting inspired by female managers from other companies through cross-industry interactions

As a step toward promoting women to management positions in the future, we must encourage our female talent to hone the ability to think from a broad perspective, transcending industries. Hokkoku FHD has been holding joint training sessions with female executives and employees from other industries to provide opportunities for interaction.

These training sessions are designed to bring out the various real-life experiences of the participating female officers, focusing on the theme “leadership from a management perspective.” Covering topics such as communication skills and the role of a leader in human resource development, the sessions have served as an arena for practical learning.

At the same time, these sessions have enabled the participants to discuss common concerns transcending industry boundaries and gain new insights for personal growth.



Networking event with the executives and employees of NTT Docomo, Inc.

### Discussion meetings with outside directors

An opportunity for casual discussions with the two female outside directors of Hokkoku FHD was arranged by our female group leaders, who bear the torch of the Company's next-generation management. The outside directors have led diverse careers, for instance, working for foreign financial institutions, studying abroad, teaching at a university, and serving on various government agency committees. The discussion session provided an opportunity to learn about their experiences and turning points, and to hear their real-life professional challenges.

The stories told by the two directors, who are role models with diverse experiences, inspired the participants to actively take on challenges moving forward.

We plan to provide more opportunities for dialogue in the future and provide company-wide support for the appointment of women in management positions.

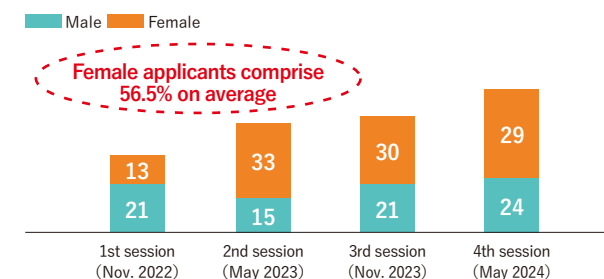


### Tailor-made one-on-one interviews

To provide our employees more opportunities to think about their careers, we host Career Months twice a year in May and November. As one of the initiatives during Career Month, we also arrange what we call a “tailor-made one-on-one interview,” which enables employees to hold a one-on-one meeting with anyone in the Company, regardless of department or job level.

These meetings are arranged on an application basis where employees place requests, for instance, to “have a meeting with a female employee in her 30s working in XYZ,” or to “have a meeting with Executive Officer XYZ.” To date, a total of 186 employees have utilized this system, of whom 105 were female employees. With each round, the number of applicants has increased, particularly among female employees, reflecting their growing interest and motivation in career development.

#### Number of applicants for the tailor-made one-on-one interviews



### Resource allocation based on career plans

At Hokkoku FHD, we openly disclose the career plans of all employees via the in-house-developed “My Career” HRM system. The purpose is to encourage proactive career development for our employees and create opportunities for their career advancement. The career plans of each employee are considered thoroughly when determining job placements. At the time of personnel reshuffling in March 2024, of the employees slated for internal transfers, the ratio of those assigned to their preferred departments rose to 94% as a result. The system has also had a positive impact on our female employees, with those in the front office and operations making career changes to other fields, such as the Planning Department in

the head office or the systems and digitalization fields. In such ways, it is helping our employees pursue their career plans.

### Conversion of part-timers to full-time employees

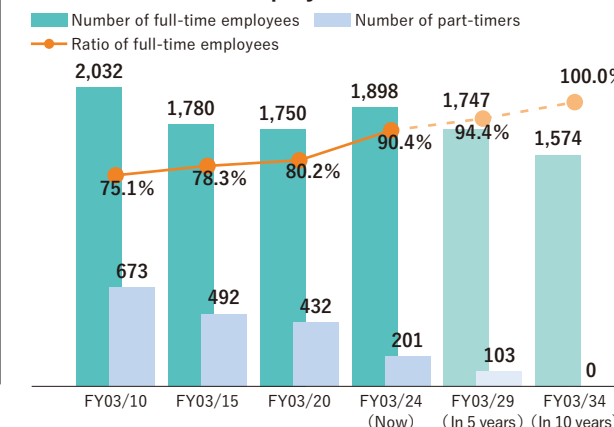
To flexibly respond to diversifying businesses and enhance our strength as an organization, we are making every effort to ensure that all highly motivated employees play active roles to the fullest. As one such initiative, we promote the conversion of part-timers to full-time positions. Currently, the ratio of full-time employees stands at 90.4%, substantially higher than the 63.0% of typical offices\*. We hope to raise this ratio to 100% in 10 years.

The so-called “barrier of annual income” has been a hurdle in converting part-timers to full-time positions. We have been working to clear this issue through ongoing dialogue with our employees, focusing on their money plans and asset building based on future life plans rather than prioritizing short-term changes in income amounts. We also expanded the scope of employees eligible for the reduced working hour program (see p.86) to further improve work-style flexibility. This has served as an additional tailwind to the conversion of part-timers to full-time employees.

By making the shift from part-time to full-time, employees can realize their career plans and broaden the fields in which they can thrive. Some of the employees who made this shift have actually taken on challenges in new business fields or have advanced their careers and become chiefs and managers, proving that the system is energizing the organization.

\*2023 Labour Force Survey (Basic Tabulation)

#### Ratio of full-time employees



## Proactive pursuit of possibilities boosted career —From part-timer to group leader

I joined the Company as a part-timer in 2002 and became a full-time employee in 2013. As I continued my daily work, I gradually felt a growing desire to take on new challenges. Hence, I applied for a conversion to a full-time position. The aspiration to meet a new version of myself was the driving force behind my decision. The balance between work and family life proved to be my biggest headache after making the transition. However, rather than aiming for perfection, I prioritized the time for communication with my children and asked for help from my family as necessary. As a result, I was gradually able to find a good balance.

After gaining experience working in a sales branch, I was transferred to the Branch Management Department, which was my first assignment in the head office. There, I accompanied the staff from each branch to support their pitches on life plans for our customers. It was hard work communicating with members I had not met before and thinking daily of ways to help customers understand us. Nonetheless, it was a very rewarding and enjoyable experience.

My own position changed from a regular employee to chief, then manager, and now I am a group leader in the Personal Banking Department. My responsibilities have expanded. By actively communicating with the members, I hope to work happily, stay true to my color, and help create an environment where people can fully demonstrate their abilities.



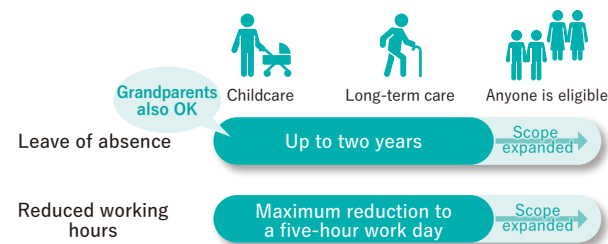
**Yasuko Oyama**  
Personal Banking Group,  
Personal Banking Dept.  
Hokkoku Bank

## Diversity and inclusion—Systems that ensure a comfortable workplace for everyone

To create a comfortable workplace for everyone, we have expanded the scope of employees eligible for the reduced working hour program and the leave of absence system by not limiting their usage to childcare and long-term care.

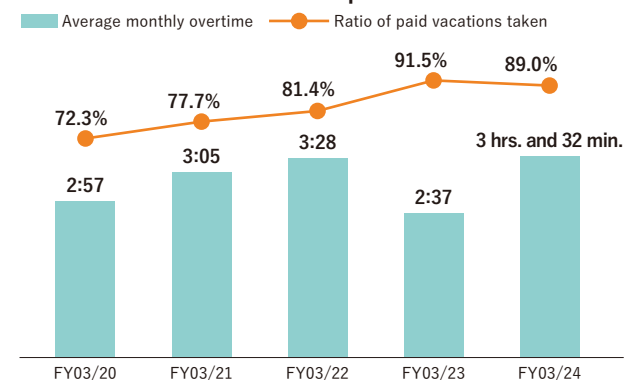
We can now address diverse work styles. For instance, employees can take a leave of absence to accompany their spouses assigned to overseas posts or to study abroad themselves. We also offer what we call the “grandpa and grandma” childcare leave (a childcare leave program for grandparents) as a means to contribute to child-rearing in the region.

Furthermore, without waiting for the revision of the Childcare and Family Care Act in April 2025, we raised the upper limit of children who can be cared for using the paid nursing-care leave to third grade in elementary school. In such a way, we are working to further enhance our systems.



Thanks to our efforts to boost productivity through operational efficiency improvements, we are successfully building a comfortable-to-work environment, as evidenced by our average monthly overtime of around three hours. The ratio of paid vacations taken also trends at roughly 90%; however, we are looking to raise this to 100% by encouraging more productive ways to work. We will continue to promote well-balanced work habits.

### Overtime hours and ratio of paid vacations taken

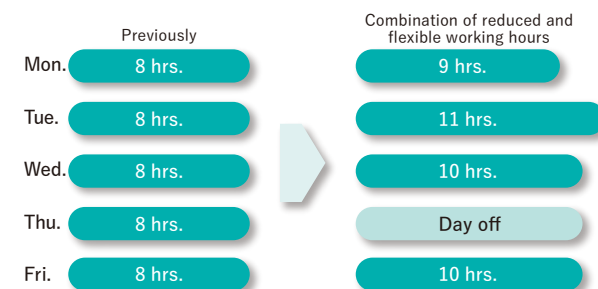


### Expanding the scope of employees eligible for the flexible working hour program

In March 2024, we expanded the scope of employees who are eligible for working flexible hours, deciding own work hours proactively without being bound to regular office hours. Currently, 569 employees are using this system. By eliminating obligatory “core hours” and making the system super-flexible, we have further accelerated productivity and improved efficiency.

Additionally, employees can now combine the reduced working hour program and the flexible working hour program. They can adjust their work hours and create a day off (flexible

holiday) on weekdays, and they can work just four days a week. The new work styles we offer are being utilized for child-rearing and long-term care, as well as for career development, including learning and taking on side jobs.



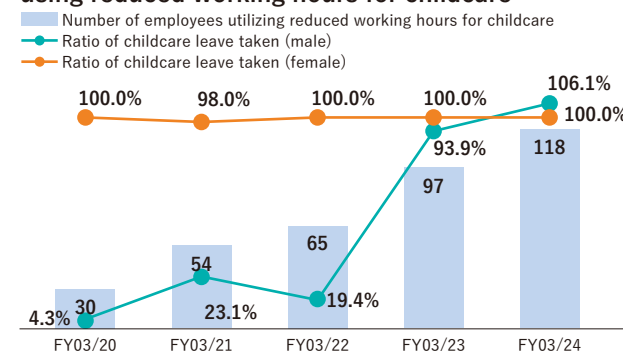
### Promoting childcare leave—Encouraging male participation in child-rearing

Active male involvement in household chores and childcare within the family is indispensable to self-driven career development for female employees. In March 2022, we increased the number of paid days off exclusively for childcare from the previous five days to 10. To promote the uptake of childcare leave by male employees, the general manager of the Human Resource Development Department has been taking the lead, sending chat messages to eligible employees and their superiors, explaining the program, and encouraging its use.

As a result, the percentage of men taking childcare leave rose to 106.1%, with the uptake by the management level also increasing. However, the total number of days of childcare leave taken has remained at 10.4 days on average.

Meanwhile, according to a survey of male employees in their 20s and 30s, roughly 70% showed a desire to take more than 10 days of childcare leave. Hence, we will step up efforts to create an environment where male employees can take longer leaves.

### Childcare leave take-up rate/number of employees using reduced working hours for childcare



### Striking a balance between long-term care and work

In addition to childcare, balancing work and long-term care is another challenge our employees will likely face moving forward. When we amended our employment rules in the previous fiscal year, we extended the term of long-term care leave from a maximum of one year to two years. In July 2024, we changed the days off used exclusively for long-term care from an unpaid vacation to a paid vacation to make our system associated with long-term care more user-friendly. Moving forward, we also plan to proactively disseminate information to our employees so they can handle their responsibilities in the workplace while maintaining a balance between long-term care and work.

## Diversity and inclusion—Active roles for employees with disabilities

In accordance with our employment policy for people with disabilities, we are working to hire, develop, and appropriately place people with disabilities so that they can work with high motivation in a way that suits their individuality. Upon hiring, they are assigned to appropriate positions based on the nature of their disabilities. Our employees with disabilities bear diverse roles in administrative departments as well as in the planning department, systems department, call centers, and other locations. Since raising awareness of disabilities in the workplace is also important, we seek to create a corporate culture receptive to diversity by organizing opportunities to discuss reasonable accommodation.

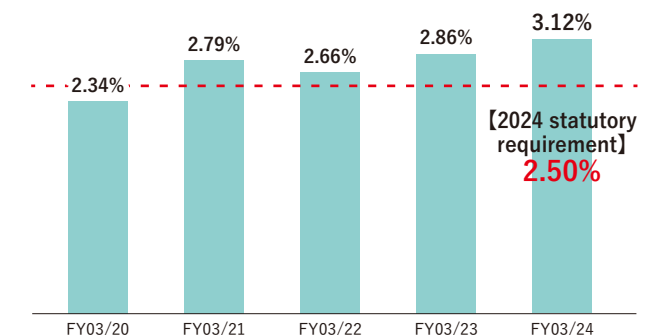
It is important to support our employees with disabilities and the members who work with them so that they can take on active roles in the workplace. Hence, we are also stepping up efforts to provide care to the entire team. For example, the mental health workers from our wellness support team (see p.88) regularly hold meetings with the employees with disabilities and the members working around them.

Through these efforts, the ratio of employees with disabilities reached 3.12% in March 2024, exceeding the 3% mark, which had been our target for the foreseeable future. This is a testament to our success in building a comfortable work environment and a corporate culture that respects individuality. Systems and infrastructure that encourage employees to grow and thrive are also in place. We will continue to accept disabilities as part of our uniqueness and nurture an environment where diverse human resources can thrive and everyone can work with peace of mind.

### Employment policy for people with disabilities

- **Promoting employment of people with disabilities and diversifying human resources**  
Build a structure that accepts diverse values by promoting the employment of people with disabilities and diversifying human resources
- **Respecting 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



### Outstanding worker with disability (received Ishikawa Prefectural Governor's Award)—An environment where people can thrive over the long term

Since joining in 2010, I have been with the Company for 14 years. In a large department with 300 employees and 25 teams, I have so far worked in seven different teams, steadily widening the scope of my work. I try to actively communicate with people around me during work. I also seek to learn proactively, for instance, by obtaining qualifications in legal and tax affairs within the banking business proficiency test framework and acquiring an IT passport.

I am thrilled to receive this award and hope to continue working enthusiastically on everything.



Operation Center, Operations Department  
Hokkoku Bank

**Hiroaki Hori**(Right in the photo)

Mr. Hori attended the award ceremony with his wife, Naomi (left), who also works at Hokkoku FHD.

### Taking on a challenge in a new field—Recruitment and assignment that focuses on individuality

I joined the Company in 2024 to take on a new challenge. Currently, I work at the Direct Center within our call center operations, supporting the card team, which is part of Hokkoku FHD's cashless payment services. I find the Company to be a very comfortable workplace, thanks to its organizational culture, which values proactive communication, along with its willingness to embrace diversity.

I had no prior experience handling administrative work or call center duties. I am working hard in a new field, getting support from my team members, and using the computer skills I recently acquired before joining the Company. Although our work requires effort on my part to obtain knowledge and learn, the support from peers and the training environment here are excellent. I find the Company to be a rewarding workplace with the proper infrastructure, even for inexperienced workers.



**Kaoru Tochiori**

Direct Center, Customer Service Department,  
Hokkoku Bank



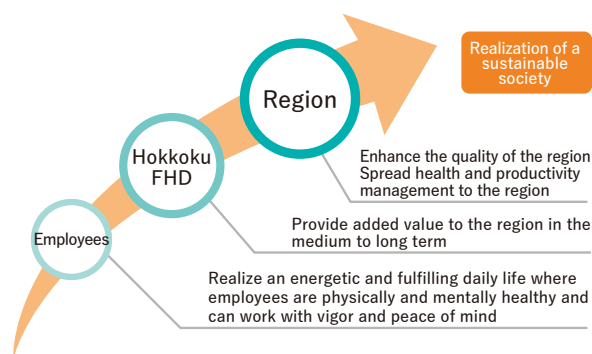
## Employee health and well-being aligned with our business strategy

Mental and physical health form an indispensable foundation for our human resources, who contribute to improving the quality of the region.

The Company, its health insurance association, and the employees' union work together to implement group-wide initiatives to ensure that our employees maintain their health proactively.

As one such initiative, in 2023, we established the wellness support team of eight specialists, including an industrial physician, a commissioned mental health doctor, a public health nurse, a nutritionist, a mental health worker, and an industrial counselor. In April 2024, we added a mental health trainer to the team to provide more robust support for mental health.

The wellness support team is well utilized by our employees. It conducts 2,500 interviews with our employees annually to address their mental and physical health issues. The team has been effective as a bridge between the Company and employees, for instance, providing health advice and supporting absentees during their absence and returning to the workplace. It helps build an environment where employees can work with peace of mind. It also enhances our organizational strength by boosting employee performance.



## Certified as a White 500 company for the third consecutive year

Our philosophy, framework, and initiatives for health and productivity management have gained positive recognition, and for three 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.

Successful health and productivity management hinges on the collaborative efforts of the Company, its health insurance association, and the employees' union, as well as each employee's awareness and proactive commitment. Being certified as a White 500 company for the third consecutive year is a testament to our group-wide efforts. We will continue to step up our measures for health and productivity management, while also actively encouraging local companies to further enhance their efforts on this front.



\*Hokkoku Bank was certified in 2022 and Hokkoku FHD was certified in 2023 and 2024

## For our employees to work energetically

For our employees to work in good health, it is essential for them to improve their own health literacy and take the initiative to change their behaviors. There is room for improvement in lifestyle indicators, and there are many issues to be addressed, such as prevention and population approach, which require medium- to long-term efforts.

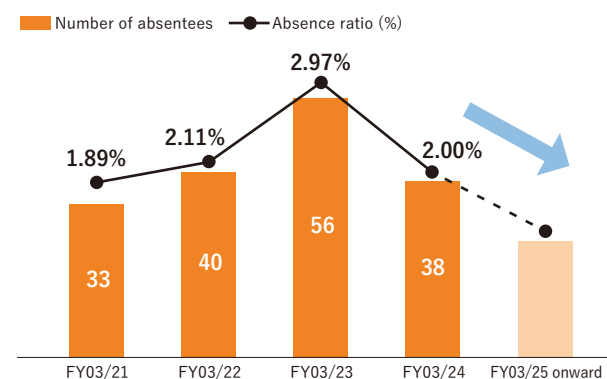
### Key indicators in health and productivity management

Smoking rate	Actual	13.5%	(Immediate target: 12.0%)
Proper eating habits	Actual	58.4%	(Immediate target: 60.0%)
Proper exercising habits	Actual	32.7%	(Immediate target: 35.0%)
Proper sleeping habits	Actual	72.5%	(Immediate target: 80.0%)

## Improvement in employee absenteeism—reduction in absentee rate

With the active involvement of the wellness support team in employee health, the number of absentees and the ratio of absences in the workplace have decreased, reducing overall absenteeism at Hokkoku FHD.

### Number of absentees and the absence ratio

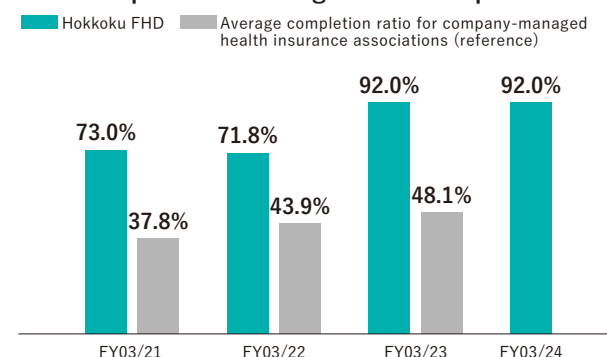


## Ratio of specialized health guidance completed remains high

The provision of specialized health guidance is an essential measure for preventing lifestyle diseases.

We will continue to provide health guidance to help our employees maintain their health and perform well in the workplace.

### Ratio of specified health guidance completed



## Efforts to improve financial wellness

As part of the career-oriented personnel system introduced to diversify our human resources, we eliminated the lump-sum retirement payment scheme, adding instead the appropriate portion of what would have been the lump-sum retirement payment to employees' monthly salaries (see p.72).

For individual employees to lead the lives they envision, they must proactively think and take action, rather than depending on life plans that rely on an employer-driven career and a lump-sum payment at the time of retirement.

We define "financial wellness" as a state in which individual employees can fulfill their financial obligations, feel secure about their future finances, and make choices to enjoy life. Accordingly, we are working to improve the financial wellness of our employees.

To this end, we have introduced a financial wellness check sheet, which helps our employees gain a clear understanding of their current household finances and expected future income and expenditures. This allows them to review their current activities. Our employees can also receive a free life-plan consultation, where they get professional advice using the financial wellness check sheet.

Additionally, we offer a household budgeting app and a service that facilitates the drafting of life plans as simple tools to help our employees improve their financial wellness.

For mid-career hires without any prior experience working at a bank, we communicate the importance of financial wellness at the welcome meeting hosted at the time they come on board (see p.76). In such a way, we encourage them to use the relevant services freely at any time.



## Psychological and social aid associated with the Noto Peninsula Earthquake

As a new mental health management initiative, we introduced disaster-related psychological first aid (PFA) in the wake of the earthquake swarm that occurred off the coast of the Noto Peninsula in May 2023.

Following the Noto Peninsula Earthquake in January 2024, we applied the lessons learned in 2023 and collaborated with Ishikawa Prefecture and academia to provide prompt support to all our officers, employees, and their families affected by the disaster.

The magnitude of stress caused by disasters varies significantly depending on the environment in which individuals are placed. Stress leads to various reactions in terms of psychology, the body, thoughts, and behavior. We devoted our efforts to addressing the stress from natural disasters and catastrophes, taking care of employees' mental and physical health, and managing hygiene. As specific actions, we encouraged viewing mental health-related videos covering self-care and disaster PFA. We also conducted industrial counseling and disaster PFA training.

To provide care for working teams, we conducted group counseling on mental healthcare, particularly for employees handling customer support, which involves regular interaction with customers impacted by the disaster.

We are committed to caring for the mental, physical, and financial health of our employees so that they can provide customer services, standing alongside and serving as supporters of those who were affected by the disaster. In this way, we will aim for the early recovery of the local economy.



A snapshot of group counselling by an industrial counselor

## Health support for working energetically

As public health nurses on the wellness support team, we approach physical health from various angles.

We follow up on individual cases to ensure disease prevention and early detection. Additionally, we disseminate health-related knowledge using the online tool Microsoft Teams.

We also focus on standing alongside employees who require treatment to facilitate mutual understanding between such employees and the workplace. Through this, we help the employees find a balance between their job responsibilities and treatment so that they can work with peace of mind.

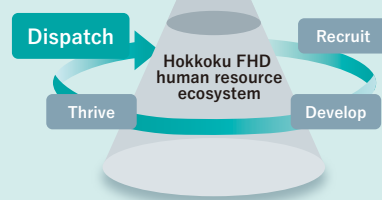
Consultations are available both in person and remotely. We have in place a system that allows all employees to consult with us freely, regardless of where they work.

By supporting all employees to work with vigor and in good health, we hope to energize the local community at large.



Yoshimi Kitamura (Photo left) Ayano Takashima (Right)  
Wellness support team (public health nurses)

## Quality Company, Good Company.

Human resources who can contribute to  
improving the region's quality

## Dispatching talent

Our human resource ecosystem aims to send out employees with various experiences, expertise, and skills to the local community, rather than keeping them within the organization. By having them take on management and top executive roles at local companies, we want them to contribute to improving our region's quality. Having our employees thrive at local companies using their experience at Hokkoku FHD is an important value-provision method that directly contributes to enhancing regional quality. For our employees, it is an 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 talent to the local community, we promote two-way exchanges by accepting human resources from municipalities and other parties. Hokkoku FHD hopes to be a leader in the region by sharing expertise and human resources with the local community.

## ▼Goal

- To share Hokkoku FHD's values with the local community and dispatch professional talent to diverse and wide-ranging business domains

## ▼Current state

- Fifty-one employees have taken on active management roles, mainly at local companies
- Ongoing human resource exchange with municipalities

## ▼Challenges

- Must make a push toward involvement in diverse fields, as the business domains to which we dispatch talent are still limited
- Insufficient sharing of values with the local community for the objective of improving regional quality

## Toward dispatching talent to diverse businesses

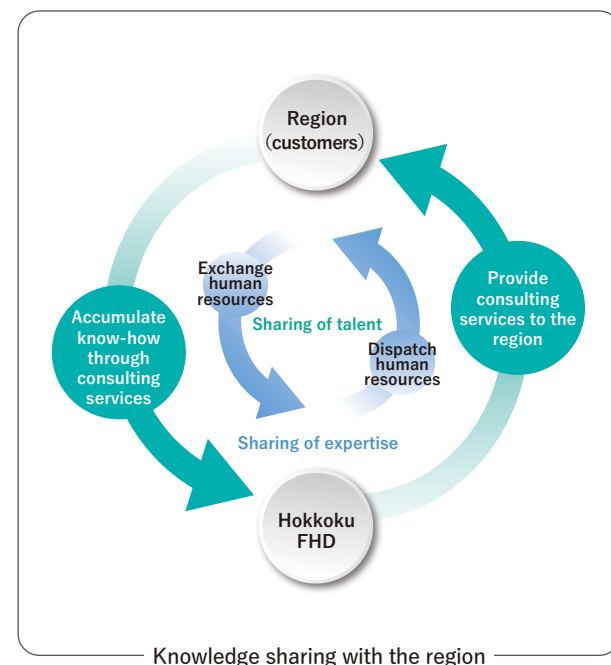
Hokkoku FHD contributes to improving the region's quality by dispatching talent to the local community.

Through seminars and other events, we have had more opportunities to inform the local community about our past initiatives on this front. This has led to a greater understanding of the concept of "knowledge sharing with the local community."

As a result, local companies' demand for our human resources is now greater than ever, and the scope of roles they are expected to play is broader and at higher levels.

Hokkoku FHD develops its employees based on their career plans and implements measures to dispatch professional talent in diverse business domains.

We have expanded the range of secondments to include diverse formats. For instance, in addition to the traditional secondment of employees to administrative departments of outside companies, we now dispatch our resources to fill management positions, take on hands-on roles, serve as specialists, or play active roles in municipalities.

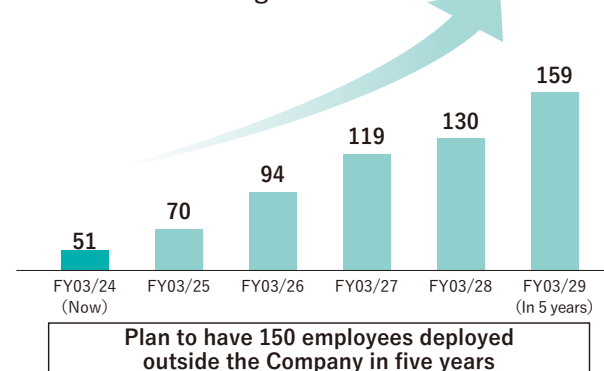


## Career plans and learning opportunities for dispatched talent

For our resources at local companies to meet the needs and provide value, obtaining the skills useful outside the Company is important, as is the mindset that allows them to positively envision their career plans at the local companies. For this, we have provided career training to a total of 184 employees since FY03/24. The training is designed to have our employees see the significance of dispatching talent to the local community as per the human resource ecosystem framework and understand the types of personnel in demand in the region. The training also allows the participants to share the skill sets needed at local companies and encourages them to think about their own career plans and take action.

When dispatching talent, Hokkoku FHD considers the human resource requirements of the region and matches individual employees with the receiving companies, taking into account their respective careers. With a sense of mission, we send out our employees as professionals representing the Company.

We also value connections with those employees dispatched to local companies. For this, we have in place an environment where the employees can keep abreast of Hokkoku FHD's initiatives and the corporate mindset of taking on challenges without fear of change. We provide support so they can update their knowledge and continue learning. Through such efforts, we maintain the connection between the Company and the resources playing active roles in the local community and also contribute to enhancing innovations in the region.

Number of Hokkoku FHD employees taking on active roles in the region<sup>(plan)</sup>

## Human resource exchange with municipalities

To promote digital transformation (DX) within the region, in April 2023, we began exchanging human resources with municipalities.

Currently, Hokkoku FHD exchanges resources with the cities of Kanazawa and Komatsu. We view such an exchange program as one way to help improve the region's quality. Municipalities face the need to digitalize and streamline administrative tasks and services to enhance regional productivity. They also require the ability to envision the future design of the local community. By combining our collective expertise and generating synergies, we support innovative initiatives that have a broad impact on the region.

Seconded to Hokkoku Bank's Digital Department:

**Mr. Noritsugu Nakamura** Komatsu City Hall (Photo left)

I am working to expand the functionality of the digital regional currency service, Tochituka, to improve its convenience and achieve monetization.

Hokkoku FHD's proactive use of digital tools facilitates the sharing of business information; I feel that decisions are made quickly as a result. The Company's organizational structure is not hierarchical but flat, prompting active discussions and communication. I also get the impression that the Company actively offers learning opportunities to those employees eager to elevate their skills. High work-style flexibility makes it easy for employees to pursue work-life balance. While Hokkoku FHD is a listed company that chases revenue and profits, it shows a strong commitment to supporting the local community and economy, and the top management regularly sends out messages.



Seconded to Hokkoku Bank's Digital Department:

**Mr. Futoji Takemura** Kanazawa City Hall (Photo right)

I am a member of the e-mail and internet-based customer service team and the Company website team in the Digital Department.

Employees of Hokkoku FHD communicate mainly through Microsoft Teams, and various discussions are held there. I was surprised that the Company's sense of speed was entirely different from that of a city hall. Further, I have seen the president speak frankly with the junior staff on many occasions. I was impressed by the fact that the president himself was working to create a flat organization and that the Company has established a culture where opinions can be expressed freely and easily.

## Knowledge sharing with the region

Employees who provide value outside the Company make full use of their expertise and experience at Hokkoku FHD, advance their careers while sharing knowledge, and ultimately contribute to improving our region's quality. There are high expectations for such employees to play an active role in a wide range of business areas moving forward. Hence, individual employees must continue to step up their learning.

## Active role of talent with a diverse perspective

Over the course of our association's 70-year history, we have developed our health examination service from the same viewpoint as Hokkoku FHD, namely focusing on providing value to our customers in the local community. In the so-called "era of rapid change" and the "era with no right answer" as of late, we have felt the need to conduct business from a more diverse perspective. That is when I heard about Hokkoku FHD's human resources from a peer business owner and decided to make an inquiry.

Although we had heard about other companies accepting human resources from Hokkoku FHD, we had no idea what kind of impact someone from an entirely different field would have on our operations. However, Mr. Teramoto fit in very well with our General Affairs Department, and his addition led to new discoveries for us. Seeing how the department's performance has improved, we feel that accepting human resources from Hokkoku FHD was the right decision. Mr. Teramoto is now involved in many areas on top of the responsibilities in his department, and we have high hopes that he will continue to bring something new to our organization.

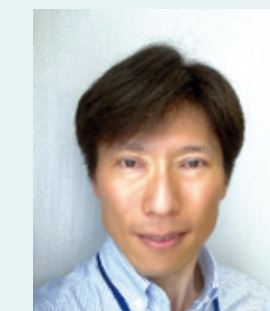


**Mr. Mitsuoki Matsuzaki**  
Chairman  
Ishikawa Health Service Association

## Contributing to the region by leveraging my career

I have been seconded to the Ishikawa Health Service Association since spring 2024. As the person in charge of general affairs, I mainly handle overall back-office operations. At the same time, I am also involved in various activities of the association, such as cross-organizational projects.

My current job is akin to the health and productivity management initiatives I handled at Hokkoku FHD. Much like at Hokkoku, the current workplace embodies



**Yoshikazu Teramoto**  
General Manager of the General  
Affairs Department  
Ishikawa Health Service Association

the idea that "improving the work performance of employees through health management leads to regional quality improvement." Hence, I am tackling my work with the same aspirations I had at Hokkoku FHD.

The skills and way of thinking I honed at Hokkoku FHD will continue to be my foundation, regardless of the change in environment. Through continued learning, I hope to consistently provide value in my own way.



“We will contribute to the sustainable progress of the region by providing innovative systems.”

### Takeshi Igawa

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



## DX and System Modernization

### Vision and strategy

Our social environment is changing dramatically due to the effects of the COVID-19 pandemic and the declining and aging population, among other factors. Against this backdrop, digital transformation (DX) is indispensable to address the fast-paced world and the rapid evolution of digital technologies and to continuously improve the value of our entire region.

To meet the diverse needs of customers and the local community, Hokkoku FHD operates as a “next-generation integrated regional company,” transcending the conventional framework of a bank.

We focus on revamping our business model by actively utilizing cutting-edge digital technologies and thereby providing new, high-quality services speedily. We aim to have the digital solutions we develop in-house help improve the productivity of the local community and also promote DX in the entire region through our consulting and advisory. Through these efforts, we hope to contribute to the sustainable progress of regional society.

### System modernization

“System modernization,” as we see it, refers to the dramatic improvement of speed, productivity, and flexibility of system development through the adoption of modern technology, architecture, and agile and other development methods attuned to the rapidly changing VUCA era. The goal is to have in place an infrastructure where our business strategy can be promptly reflected in and actualized via our systems.

The use of cloud and generative AI, along with the automation of the process from testing to release, are some of the examples of this approach. Through these initiatives, we are working to develop efficient and innovative systems to maximize our business results.

### Cloud strategy envisioned by Hokkoku FHD

Since 2017, we have been actively utilizing the public cloud, embracing a cloud-first approach. This initiative began in September 2019 when 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. Then, we released our internet banking service for corporate customers in April 2024. The cloud-first approach has simplified infrastructure procurement and development, allowing us to implement our IT measures with greater speed. Even in terms of quality aspects such as security and availability, we were able to enhance our operations substantially compared to the past, when we handled matters with limited in-house resources.

Additionally, we have been making progress using cloud-native development represented by keywords such as microservices, containers, and CI/CD. Moving forward, we plan to 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. Through this, we aim to simultaneously accelerate and enhance the quality of our system development.

\*Microsoft Azure is a trademark or registered trademark of Microsoft Corporation in the US and other countries.

### Use of cutting-edge technology

AI is having a major impact on the world of system development and on improving operational efficiency. At Hokkoku FHD as well, we are enhancing our development productivity and quality in the corporate internet banking service and internal web system projects by using AI to, for instance, automatically generate program codes and fix bugs. We are also working to create an environment where more engineers can participate in development by converting COBOL and other legacy languages to Java.

Since many of our systems already run in a cloud environment, they are well-suited to AI services, which are also cloud-based. Below are some examples of our initiatives that have already produced results.

### Cloud strategy envisioned by Hokkoku FHD

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)
Mindset	Try to migrate part of the subsystem	Exclude important systems from the scope of migration Migrate to the cloud, starting with subsystems	Cloud first Migrate all systems to the cloud	Use the cloud appropriately	Spread the use of cloud in the region
Internet connection	Use of PC dedicated to internet access Perimeter-based network	Perimeter-based 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
Core banking system	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
Subsystems	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

#### (1)Incorporation of AI into the customer management system

- We have incorporated AI into our internal customer management system, installing the system with the functionality to analyze the data of registered customers and recommend matching business partners.

#### (1)Automated generation of programming codes using AI

- We have doubled our productivity by using GitHub Copilot for programming and using the code recommendations it generates.

#### (3)Use of AI in training new engineers

- We apply the model program codes generated by AI to train new engineers.

#### (4)Use of AI in Q&A

- We also use AI for in-house Q&A and Q&A with customers. In the past, our employees manually created a set of answers to expected questions. Through the use of AI, we can now automatically generate answers based on our internal data inputs, which enables quick and reliable outputs of the required information.

#### (5>Loading AI to our chat tool

- We are working to improve operational efficiency by installing AI on the chat tool already being used in-house.

maintain speed and flexibility through in-house development to start small, create a solution close to the “correct answer,” and nurture growth from there. We must also thoroughly follow up with in-house operations. To generate high-value products from a customer-centric perspective, we also need to collaborate with our employees on the frontlines and tackle development as one team. Even for engineers, it is essential to understand our corporate philosophy and the value that our customers demand. We need engineers who have superior digital knowledge, understand our Company, and can engage in development as one team. Based on this thinking, we came to the conclusion that systems pertaining to the Company’s business strategy should be handled in-house.

That being said, handling systems in-house does not mean developing and operating everything by ourselves. New products, technologies, and concepts are constantly being introduced in today’s society. Rather than handling everything ourselves, we plan to actively utilize what is already available and vigorously collaborate with external IT partners in areas where we lack expertise. In this way, we hope to release products promptly while also improving the capability of our in-house development and operation teams. At the same time, we aim to reduce costs by using offshore development in Vietnam to handle portions of product development that can be standardized.

### ●Strategy 2: Proper allocation of systems talent

I mentioned that handling systems in-house did not mean developing and operating everything ourselves. The reduction of system development costs is also an important point. Even when our own employees spearhead the in-house development team, if we have to rely on our IT partners to supply the majority of the team members, costs will inevitably rise. Contracted engineers also undergo rotation frequently. 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 engineers from our IT partners often need to learn new skills from scratch or go through reskilling. Hence, rather than training expensive external engineers, we thought hiring junior engineers with ample room for growth who can work for many years with a solid understanding of the Company’s business direction would be more beneficial.

### System strategies

#### ●Strategy 1: In-house development and operation

In-house system development and operation cannot be avoided if we want to consistently deliver high-value digital solutions speedily.

Conventional outsourced system development has always involved defining requirements, getting quotes, comparing and evaluating the IT partners, negotiating, and signing the contract. Its long lead time up to the actual development phase and vulnerability to specification changes proved to be disadvantages.

In a rapidly evolving world, a waterfall-model development method that works toward a known “correct answer,” along with total dependence on outsourced development, is no longer sufficient. In an era of high uncertainty, we must

Given these circumstances, in November 2019, we established Digital Value as an IT company within the Group. Digital Value practices team-based agile development, offering an environment that welcomes 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 offer at traditional banks. It is generally believed that the competition for hiring digital talent is fierce. However, as a result of implementing these systems and work styles, we successfully hired roughly 60 employees over the four and a half years through March 2024. We intend to continue leading the DX of the entire Hokkoku FHD Group while stepping up efforts to increase homegrown engineers.

Moving forward, we plan to improve development productivity through the use of AI and other means and accordingly streamline the Systems Department. We plan to temporarily boost our systems team from roughly 350 members (as of March 2024) to about 440 in 2027, when the development work for our strategic systems will reach its peak. However, we plan to reduce the headcount to 270 in 10 years (by 2034), a reduction of around 30% from the current level.

### ●Strategy 3: Strengthening our consulting capability

Until now, a Group company, CC Innovation, was primarily charged with providing consulting services. From now on, however, Hokkoku FHD hopes to contribute to the promotion of DX in the region by also having Digital Value and Hokkoku Bank's Information Systems Department actively take part in the consulting business.

Recently, we have been hearing more and more voices from local customers and other financial institutions regarding DX and systems. Among these voices are comments like, "We know we need DX but don't know where to start," "We are interested in agile development but don't know where to start," and "We are already developing our systems in-house but are struggling with engineer turnover." To address these issues, we are utilizing our accumulated expertise to provide the following consulting services in collaboration with CC Innovation.

- Supporting the reform of customer's organizational culture based on our expertise in agile and DevOps
- Introducing digital tools, which we have used and found to be useful, in a package with use cases
- Supporting systems creation and the establishment of development teams that are attractive to engineers
- Offering the web products developed by Digital Value and supporting skills training and team building that are necessary for agile in-house development

As the trend toward DX accelerates, we expect the demand for these types of consulting services to expand. Particularly in terms of the consulting service involving the group-wide rollout of our products, we are now setting up an infrastructure that would allow us to introduce solutions to other regional financial institutions that share our values.

### Outlook on system costs

To vigorously promote digital transformation, we must invest in systems consistently. However, it is also necessary to reduce costs at the same time. Our cost reduction efforts

mainly comprise the following three measures.

#### (1) In-house development and operations

- Reduce the cost of engineers by shifting to homegrown resources in the Information Systems Department while accumulating knowledge

#### (2) Use of modern technologies

- Improve productivity and reduce overall headcount while not sacrificing output quality and volume, by proactively using AI, the cloud, and other modern technologies

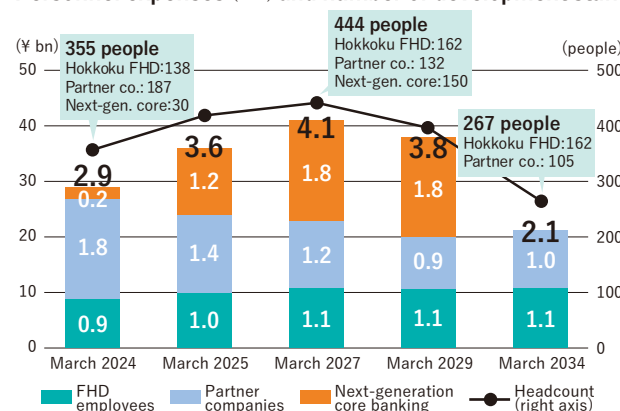
#### (3) Use of offshore development

- Reduce the cost of engineers involved in regular development and operations by using offshore development

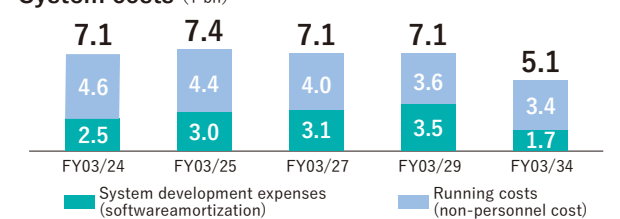
### Use of homegrown resources in the Information Systems Department and systems cost reduction

Reduce headcount and personnel expenses by about 30% through productivity improvement via AI and system modernization (Through FY03/29, concentrated investment in next-generation core banking system)

#### Personnel expenses (¥ bn) and number of development staff



#### System costs (¥ bn)



\*Costs of administrative equipment and ATMs are excluded from the calculation of system costs.

Starting with the launch of our corporate internet banking service—Hokkoku Digital Banking—in April 2024, we will be releasing a series of strategic systems, such as the next-generation core banking system. Accordingly, we expect to record depreciation of roughly ¥3.0–¥3.5 billion and system costs of around ¥7.1 billion annually through FY03/29. Our system costs per year are projected to fall to around ¥5.1 billion by FY03/34.

## Progress in system modernization

Our history of system modernization goes back more than 15 years. The following are the details of our key initiatives.

#### (1) Establishment of the Information Systems Department (2007)

- Established the Information Systems Department in 2007

- Broke away from outsourced development of the core banking system and shifted to full-scale in-house development, including that of subsystems

#### (2) Distribution of tablet PCs and introduction of "location-free" work styles (2014)

- Distributed tablet PCs to all employees in 2014
- Created a flat organization and enhanced productivity by introducing a flexible work style not bound to a certain location and by elevating information transparency through the use of groupware

#### (3) Establishment of Digital Value and the promotion of "agile + cloud" (2019)

- Established IT company Digital Value in 2019
- Promoting in-house product development based on the concept of "agile + cloud" with the participation of IT engineers from across Japan

#### (4) Migration of full banking system to the public cloud (2021)

- Reduced costs by migrating our full banking system to the public cloud in 2021, the first endeavor of its kind in Japan
- Currently developing a banking-as-a-service (BaaS) platform to provide a next-generation core banking system and other financial functionalities via API

Through these initiatives, Hokkoku FHD is advancing system modernization and building a more efficient and flexible environment.

### Strategic systems currently under development

We are committed to enhancing the value we provide to customers and the local community through our strategic systems characterized by the use of the cloud and agile in-house development.

#### ●API & BaaS platform (Release planned for December 2024)

Banking as a service (BaaS) refers to the provision of banking functionalities and services to business operators via the cloud by making the application programming interface (API) available 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.).

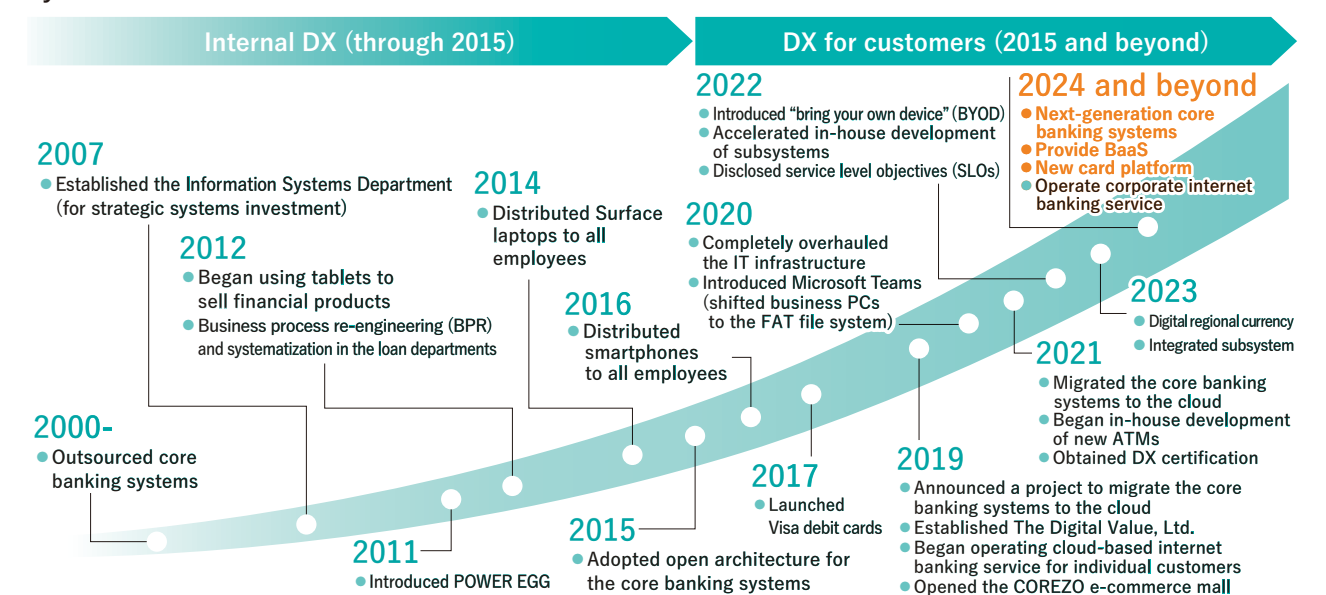
#### ●New card platform: Affiliated merchant system, card-issuing system (Release planned for March 2025)

Since we are building a fully cloud-based card-issuing system and an affiliated merchant system, we can begin operating these systems earlier and at lower costs than the previous systems.

For the card-issuing system, in principle, we will issue virtual cards on smartphones instead of conventional plastic cards.

For the affiliated merchant system, we will enable payment processing via tablets and smartphones instead of providing conventional dedicated devices.

### System modernization initiatives to date





### ●Next-generation core banking system (Release planned for January 2027)

Our current core banking system already runs on the public cloud, but since the software follows the architecture of the on-premises era, we are unable to take full advantage of the potential of cloud technology. To address this issue, we began developing a next-generation core banking system to deliver products of value to our customers more quickly and to increase development productivity. In this endeavor, 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 (Microsoft Azure, Google Cloud).

Additionally, by using GitHub Copilot and other AI tools, we hope to dramatically improve code conversion from COBOL to Java and also raise the productivity of new coding work.

## 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 cybersecurity.

### 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 a specific initiative, we have regularly disclosed information on the Group's service availability status on our website since November 2021.

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.

Since FY03/22, we have been disclosing our service availability targets and annual results based on our standards regarding the importance of each system. We will continue improving our service quality by proactively communicating service availability results and system failure information and taking measures against system failures.

### ●Regular 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 make the history of past system failures public at all times so that our system-related information remains visible. Furthermore, regarding the customer responses to our communication of system failure information, we seek to reflect customer opinions and requests in our future service improvement measures. In this way, we will step up efforts to improve the user experience.

Hokkoku Bank website

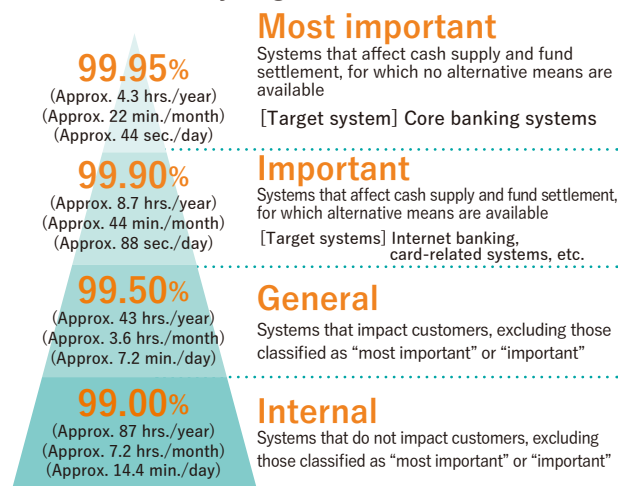
<https://www.hokkokubank.co.jp/other/notice/index.html>  
(Japanese only)

### ●Service availability targets and FY03/24 results

We believe that balancing stable service delivery with the timely provision of highly convenient, IT-driven services is essential to meeting the diverse needs of our customers. By setting service availability targets based on the importance of each system and sharing these targets, along with actual performance results, with stakeholders, we aim to deliver valuable services that seamlessly combine stability and convenience.

Although we were unable to meet the availability targets for some services in FY03/24, we have worked to revamp the structure for restoring service failures and improve messaging to our customers.

#### Service availability targets



#### Availability of main services in FY03/24

Priority	Name	Availability	Evaluation	Service enhancement measures
Important	Branch counter devices	99.99%	○	—
	ATM	99.96%	○	—
	Clearing system	99.95%	○	—
	Tochituka (digital regional currency)	99.77%	×	Prepare checklist for launch
General	Passbook updating machine	99.99%	○	—
	Investment trust sales support system	99.95%	○	—
	Electronic contract system for housing loans	99.93%	○	—
	Acceptance system for online applications	99.76%	○	—
	Customer survey system	99.73%	○	—
	Hokkoku debit app	98.25%	×	Send clearer system failure information on our app and website by improving our mechanism for restoring and reporting system outages during holidays and night hours.

Note: ○ indicates services have been evaluated; × that they have not been  
\*All other services were available 100%.

### 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)
Vision	Pursue security through complete separation from the outsi	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
Technology	Separation-type defense Shared terminals	Perimeter-based defense Terminals lent out for individual use Thin client architecture	Introduction of zero-trust architecture*1 Terminals lent out to all employees Use of SOC*2 (external center)	Full implementation of zero-trust architecture Introduction of SASE*3 Sophisticate SOC	Beyond zero trust and SASE (use of cutting-edge technology)
Human resource development	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, educate outside contractors, etc.)	Promote security o the region
Development method	Security was low in priority	Security considered individually	Trial run of Shift Left*4	Full implementation of Shift Left Promote DevSecOps	Share security development expertise
Organizational structure	Handled in a similar manner as a natural disaster	Built CSIRT*5 framework	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 "govern, identify, protect, detect, respond, and recover" as defined by the NIST Cybersecurity Framework. Priority and depth of response are determined considering the structure we have in place. In our Company, CSIRT was established in April 2016.

## Cybersecurity

Hokkoku FHD Group has been strengthening and promoting security-related efforts to protect customers' valuable assets and information.We share internally our vision for ideal cybersecurity through what we call the "security strategy story." Through this, we aim to become an organization where each employee takes security measures as a personal responsibility. We also aim to improve the overall IT security of our local community by sharing the Group's initiatives with our customers and local residents.

### Our approach to security

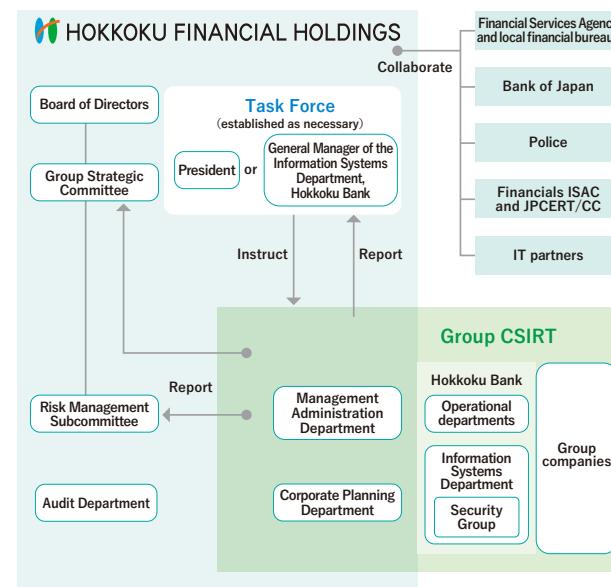
Amid the constant evolution of cyberattack methods, it is becoming increasingly difficult to fully protect systems and information from malicious attacks with only conventional perimeter defense measures. For this reason, the Group is working to implement security measures based on zero trust architecture, 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.

### Cybersecurity 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.

During normal times, we conduct threat-led penetration testing (TLPT), as well as various exercises and training, to improve our CSIRT's skills and raise the literacy of the Group's officers and employees.



## Environmental Initiatives

Hokkoku FHD has designated the “response to climate change and environmental conservation” as one of its priority issues (materiality). Accordingly, it recognizes the risks and opportunities outlined below and is advancing specific initiatives. We aim to lead regional efforts toward climate change and environmental conservation by cultivating environmental awareness in the local community and providing consultation to address climate change and other environmental issues.

Risks	Opportunities	Specific initiatives
<ul style="list-style-type: none"><li>● Credit cost increase due to worsening corporate performance resulting from delayed responses to technological innovation for a carbon-free society and behavioral changes of investees and borrowers</li><li>● Opportunity losses due to lack of solutions offered to investees and borrowers</li><li>● Erosion of stakeholders’ trust due to insufficient response to climate change; deterioration of corporate brand</li></ul>	<ul style="list-style-type: none"><li>● Cultivation of environmental awareness in the region through leadership in environmental conservation efforts</li><li>● Provision of consulting that leads to solutions for climate change and environmental conservation</li><li>● Corporate brand enhancement through the handling of climate-related information and promotion of disclosure</li></ul>	<ul style="list-style-type: none"><li>● Environmental conservation efforts through our core businesses</li><li>● Reduction of environmental impact through corporate activities; tree planting, tree thinning, and other reforestation efforts</li><li>● Climate change response based on the framework of TCFD recommendations</li><li>● Support for customers’ transition to a carbon-free society through consulting</li><li>● Dialogue with municipalities and local companies toward the green transformation (GX) of the entire region</li></ul>

### TOPICS

- To achieve regional GX, we began communicating with stakeholders in the region. (Details on p. 102)
- We calculated the Scope 3 Category 15 emissions for the first time. (Details on p. 101)
- We will begin a conversation to make the measurement of CO<sub>2</sub> emissions a condition for choosing contractors when we construct our buildings. (Details on p. 102)
- We obtained Japan’s first Nearly ZEB certification for a multistory tenanted office building with a floor space of over 20,000sqm. (Details on p. 104)

## Environmental policy

The corporate philosophy of Hokkoku Financial Holdings is “trust—a bridge to a fruitful regional future. Enrich interaction and growth in the region.” We embrace this philosophy and take action for the betterment of local society and our customers in the region. Additionally, in our 20 guiding principles for corporate activities, we pledge to engage in conservation and protect the environment, which forms the foundation of our daily lives and businesses.



For details, see→

<https://www.hfhd.co.jp/sustainability/environment/environmentpolicy/> (Japanese only)



## Responses to TCFD recommendations (p. 99)

Hokkoku Financial Holdings endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 (Group company Hokkoku Bank endorsed the recommendations in May 2021). Since the endorsement, we have been disclosing information based on the TCFD disclosure framework.

## Initiatives concerning our customers (p. 103)

- Contribute to a recycling-oriented society through lease transactions
- Support customers’ transition to a carbon-free society through consulting
- Spread awareness of environmental initiatives

## Environment-friendly initiatives (p. 104)

- Meet ZEB requirements when building new branches
- Convert facilities at existing branches to energy-saving facilities
- Install photovoltaic systems on branch rooftops
- Reduce vehicles for business use and replace current vehicles with EVs (HVs)
- Drive initiatives contributing to the reduction of CO<sub>2</sub> emissions in society at large
- Make reforestation efforts such as tree planting and thinning

## Responses to TCFD recommendations

Since designating “response to climate change and environmental conservation” as one of our priority issues (materiality) and endorsing the TCFD recommendations, we have made disclosures in the categories of governance, strategy, risk management, and metrics and targets, as per the TCFD disclosure framework.

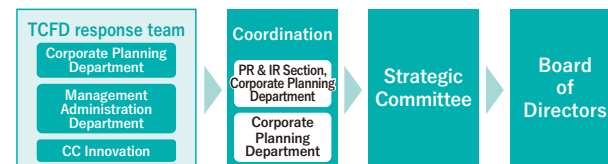
\*Task Force on Climate-related Financial Disclosures (TCFD): A private-sector-led task force established by the Financial Stability Board (FSB) in December 2015 to encourage companies to disclose climate-related information

### 1. Governance

#### Hokkoku FHD’s governance concerning climate-related risks and opportunities

- While we do not have a committee dedicated to climate change issues, we have a system in place to identify and discuss climate change and other sustainability issues in the form of cross-departmental projects led by the Corporate Planning Department (PR & IR Section) and including the Management Administration Department and our consulting subsidiary, The CC Innovation, Ltd.
- In accordance with Hokkoku FHD Environmental Policies, the Board of Directors receives reports and maintains oversight pertaining to climate change, including related risks and opportunities.
- We have in place a management structure in which our policies and other important matters concerning climate change, including the assessment of climate-related risks and opportunities, are first discussed at the Strategic Committee meetings attended by the president and other members of the management. These matters are then resolved at our Board of Directors meetings.

#### TCFD governance structure



### 2. Strategy

#### The actual and potential impacts of climate-related risks and opportunities on our organization's operations, strategy, and financial planning

- We have identified the following as our climate-related transition risks, physical risks, and opportunities.

Transition risks (assuming risks will become most apparent in the 1.5 – 2°C scenarios)	
Policy and regulatory risks	<ul style="list-style-type: none"><li>● Earnings decline and impairment of existing assets, etc., at borrowers and investees due to an increase in costs to control carbon emissions</li><li>● Increased costs to address climate change-related regulations in Japan and overseas</li></ul>
Technology risks	<ul style="list-style-type: none"><li>● Earnings decline and impairment of existing assets, etc., at borrowers and investees due to failures and delays in developing decarbonization technologies</li></ul>
Market risks	<ul style="list-style-type: none"><li>● Earnings decline and impairment of existing assets, etc., at borrowers and investees due to changes in the supply-demand environment of their products and services</li></ul>
Reputational risks	<ul style="list-style-type: none"><li>● Deteriorating reputation and corporate brand due to delayed responses</li><li>● Worsening evaluation by outside parties due to lack of information disclosure</li><li>● Deteriorating reputation due to continued transactions with business partners whose responses to climate change are insufficient</li></ul>

Physical risks (assuming risks will become most apparent in the 4°C scenario, etc.)	
Acute risks	<ul style="list-style-type: none"><li>● Risk of becoming unable to continue operations due to damage to sales bases and other property holdings; risk of cost increases related to countermeasures and restoration work</li><li>● Increased credit costs accompanying deteriorating performance and collateral impairment at borrowers and investees due to natural disasters</li><li>● Fluctuating value of securities and other holdings due to worsening market and investment environment as well as declining credibility of investees as a result of climate-related disasters</li></ul>
Chronic risks	<ul style="list-style-type: none"><li>● Higher facility and energy costs accompanying efforts to strengthen business continuity</li></ul>

#### Opportunities

Resource efficiency	<ul style="list-style-type: none"><li>● Reduced operation costs thanks to efforts to improve operational efficiency, such as going paperless</li><li>● Achievement of highly efficient energy use owing to the introduction of energy-saving facilities</li><li>● Efficient operation of owned facilities</li></ul>
Energy source	<ul style="list-style-type: none"><li>● Lower procurement costs thanks to a shift in energy sources</li></ul>
Products and services	<ul style="list-style-type: none"><li>● Expanded financing and leasing opportunities fueled by rising needs for capital investment in renewables and decarbonization</li><li>● Expanded opportunities for consulting work related to decarbonization</li><li>● Expanded consulting opportunities to address increasing needs for operational efficiencies, such as going paperless</li><li>● Expanded consulting opportunities to address increasing needs for formulating management strategies to transform businesses</li></ul>
Market	<ul style="list-style-type: none"><li>● Improved corporate image through promotion of climate-related information disclosure</li></ul>
Resilience	<ul style="list-style-type: none"><li>● Expanded financing opportunities fueled by infrastructure investment, etc., to ensure disaster preparedness</li><li>● Expanded consulting opportunities to address increasing needs for business continuity planning as part of disaster preparedness</li></ul>

- We utilize scenario analyses to assess the impacts of climate-related risks on our organization’s operations, strategy, and financial planning. For scenario analyses, we referred to the scenarios released by the Intergovernmental Panel on Climate Change (IPCC) and conducted two scenario analyses, primarily based on the Paris Agreement and the agreements reached at the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) in November 2021.

#### Scenario analyses (transition risks, physical risks)

- In terms of the scenario analyses for transition risks, we have expanded the scope of those industries that are likely to have a substantial impact on the Company and the customers in the region to six industries. Accordingly, we calculated the transition risks based on the following flow chart.

#### Flow chart for calculating transition risks





Results of analyses	Transition risks
Risk event analyzed	Financial deterioration of borrowers due to a decrease in sales and an increase in costs associated with the transition to a carbon-free society
Target sectors	Metals and mining; food products; land transportation, railway, air cargo, and logistics services; machinery; textiles, apparel, and luxury goods; construction and civil engineering
Scenario	Risk events likely to become most apparent under the 1.5°C to 2°C scenario
Analysis method	For each target sector's top 10 companies by the amount of credit granted (a total of 60 companies), we forecast future performance changes based on the transition scenario and analyzed the impact on their ratings and credit costs
Results	A roughly ¥4.0 billion increase in credit costs through 2050

- Regarding the scenario analyses for physical risks, we expanded the target region to the three Hokuriku prefectures and calculated the risks based on IPCC's 4°C and 2°C scenarios.

Results of analyses	Physical risks
Risk event analyzed	Deterioration of customers' business conditions, and the impairment of offices, collaterals, and Company-owned properties in the three Hokuriku prefectures, should a once-in-a-century wind and flood disaster occur due to climate change
Target sectors	Debtors and business locations within the three Hokuriku prefectures, in areas susceptible to flooding depths of 0.5 meters or more
Scenario	The IPCC 4°C and 2°C scenarios
Analysis method	In the above risk event and upon considering the probability of flooding under each scenario, we estimated the increase in credit-related costs and the amount of damage to Company-owned properties anticipated in the event a flood disaster occurs in the period through 2050
Results	● Monetary impact on Company-owned properties (¥500 million at most under the 4°C scenario and ¥200 million at most under the 2°C scenario) ● Expected increase in credit costs (¥5.5 billion at most under the 4°C scenario and ¥1.8 billion at most under the 2°C scenario)

3. Risk management

On how the organization identifies, assesses, and manages climate-related risks

(1)Sustainability-related risks under our integrated risk management

The basic matters concerning risk management are outlined in the Company's Integrated Risk Management Rules. The administrative departments of our Group companies engage in risk management, while the Management Administration Department of the holding company serves as the supervising department, managing overall risks in an integrated manner. More specifically, we regularly identify sustainability-related and various other risks our Group companies face. Upon evaluating the scale and characteristics of the risks identified, we determine those risks that should be included in our scope of risk management.

The specific processes of identifying, assessing, and managing sustainability-related risks and opportunities are shown below.

(2)The process of identifying and assessing sustainability-related risks and opportunities

Hokkoku FHD identifies and evaluates sustainability-related risks by forming cross-departmental projects led by the Corporate Planning Department and the Management

Administration Department and including the Group's consulting subsidiary, The CC Innovation, Ltd. We then proceed to identify and evaluate opportunities against these risks.

(3)The process of managing sustainability-related risks and opportunities

The risks and opportunities identified and evaluated in (2) are managed within the frameworks of the aforementioned projects, and we hold discussions on our responses as necessary. The matters are regularly deliberated during the Group's Strategic Committee meetings and reported to the Board of Directors.

The main methods for managing sustainability-related risks and opportunities are as follows.

• Scenario analyses

We seek to analyze and understand in advance the impact of crises on the Group through the use of stress tests, so that we can formulate and implement forward-looking business strategies.

For sustainability-related risks, we anticipate and assess their financial impact on the Company by conducting scenario analyses of transition and physical risks using the stress test methodology.

• Risk control by sector

Hokkoku FHD sets forth an investment and loan policy and sector policy in accordance with its sustainability policy and materiality. Through this, we seek to reduce and avoid investments and loans that are highly likely to have an adverse environmental and social impact.

Investment and loan policy

Businesses we support actively	Customers' environmental, social, and governance-related initiatives and businesses
Businesses for which we prohibit investments and loans	・Antisocial forces and businesses ・Businesses that engage in child labor and/or forced labor ・Businesses that develop and/or manufacture nuclear, chemical, or other weapons of mass destruction, or inhumane weapons such as cluster munitions
Specified sectors (determined based on our sector policy)	Coal-fired power generation sector, cluster munitions manufacturing sector, forestry sector, and palm oil plantation development sector

Sector policy

Coal-fired power generation business	In light of our efforts concerning climate change risks, environmental protection, and renewable energy, we carefully consider investments and loans to coal-fired power generation businesses on a project-by-project basis.
Cluster munitions manufacturing -related business	In light of the inhumane nature of cluster munitions, we prohibit investments and loans to companies that manufacture cluster munitions.
Deforestation business	Regarding investments and loans to large-scale deforestation businesses, we carefully consider our approach, factoring in the status of customers' consideration of the environment and local community and the actual impact on the environment and community.
Palm oil plantation development business	We prohibit investments and loans in palm oil plantation development projects to preserve forest resources and biodiversity and protect human rights.

4. Metrics and targets

The metrics and targets used to assess and manage climate-related risks and opportunities

To assess and manage climate-related risks and opportunities and to raise regional awareness of climate change, we utilize metrics such as greenhouse gas (GHG) emissions and the results of interviews with business partners about their approaches toward ESG and SDGs.

● Our approach toward GHG emissions

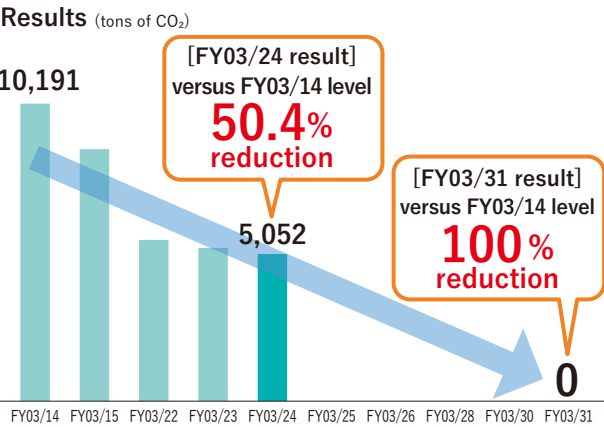
We target achieving a 100% reduction in GHG emissions (Scopes 1 and 2) in FY03/31 compared to our results in FY03/14. To this end, we are making efforts to capture precise emission volumes at the Company and the bases of its consolidated subsidiaries in Japan and overseas in line with the GHG Protocol and to implement reduction measures.

● Scopes 1 and 2

Our CO<sub>2</sub> emissions reduction volume stood at 5,052 tons in FY03/24, down 50.4% from FY03/14.

Target

FY03/31 CO<sub>2</sub> emissions reduction target of -100% from FY03/14



Action plan

Adopt the ZEB* concept when building new offices Convert existing office facilities to energy-saving facilities *ZEB:Short for net zero energy building; environmentally friendly offices
Convert existing office facilities to energy-saving facilities and install photovoltaic systems on office rooftops
Reduce vehicles for business use and replace current vehicles with EVs (HVs)
Switch to carbon-neutral electricity* *Carbon-neutral electricity: Electricity that achieves net zero CO <sub>2</sub> emissions through the use of renewable energy and certificates of environmental value (non-fossil fuel certificates)

We are working on the action plan shown above to accomplish our CO<sub>2</sub> emissions reduction target for Scopes 1 and 2. (We plan to tackle the switch to carbon-neutral electricity as our final action after advancing our other efforts toward CO<sub>2</sub> emissions reduction to the extent possible.)

The results of our initiatives during FY03/24 were as follows.

- Securing Nearly ZEB or ZEB Ready certifications when building new branches (FY03/24 result: Five branches)
- Installation of photovoltaic systems on branch rooftops (FY03/24 result: Two branches)
- Reduction of vehicles for business use (FY03/24 result: Reduction of 16 vehicles)
- Replacement of current vehicles with EVs (HVs) (FY03/24 result: 33 vehicles replaced)

\*Details on p. 104

● Scope 3

For financial institutions, Scope 3 Category 15 emissions (financed emissions) are an important target for reducing CO<sub>2</sub> emissions. This fiscal year, we began estimating the Scope 3 Category 15 emissions of the companies to which Hokkoku Bank extends business loans. The table below shows the results of our estimates.

Industry	CO <sub>2</sub> emissions (tons of CO <sub>2</sub> )
General machinery	308,222
Metal products	302,124
Construction	264,747
Wholesale	232,830
Retail	179,252
Foods	162,283
Iron and steel	156,288
Nonferrous metals	156,280
Other manufacturing	135,998
Other services	116,388
Restaurants	89,718
Electric machinery	83,643
Transportation	78,716
Chemical	78,066
Textiles	62,155
Oil refining, ceramics, soil and stone	54,357
Medical care and health services	50,711
Electric power, gas, heat supply, and water	48,663
Pulp and paper	42,794
Publishing and printing	30,753
Transportation machinery	25,016
Real estate	24,234
Entertainment films	20,695
Information advertising and broadcasting	15,955
Agriculture, forestry, fishery, and mining	11,388
Banks, securities, insurance, and governmentaffiliated financial institutions	1,273
Telecommunications	1,004
Money lending; non-deposit financial institutions, including investment business	597
Total	2,734,150

\*Calculation method: Scope 3 Category 15 emissions (financed emissions) are calculated in accordance with the calculation method of PCAF, etc.

## ● Initiatives to raise regional awareness of climate change

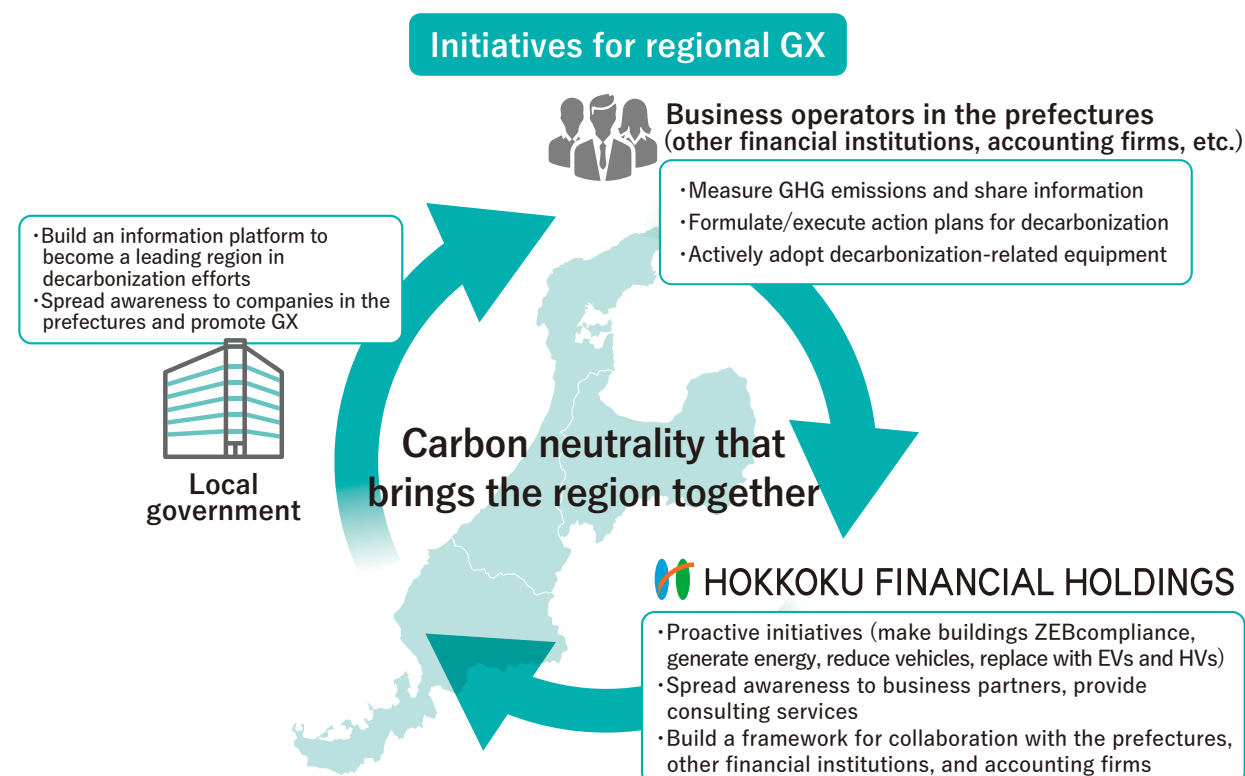
Based on the results of our calculations for Scope 3 Category 15, we reaffirmed the need to reduce CO<sub>2</sub> emissions across the region as a whole to reduce emissions in this category. As such, we have set the following metrics and targets to raise regional awareness of climate change.

	FY03/24 results	FY03/25	FY03/26	FY03/27
Number of customers who gave affirmative responses on approaches to ESG and SDGs during our efforts to understand their business prospects	2,439	4,000	7,000	10,000
Number of interviews made with customers whose GHG emissions were measured and recorded in line with our efforts to understand their business prospects	56	500	10,000	30,000
Number of approaches made regarding ESG and supply chain consulting	7	35	70	100
Number of sustainability-related consulting handled (including matching)	28	30	2,000	4,000
Number of sustainability-related financing handled (leases and loans)	119	200	1,100	2,000

- To reduce Scope 3 Category 15 emissions (financed emissions), Hokkoku FHD has set forth the “measurement of CO<sub>2</sub> emissions through the understanding of customers’ business prospects, the recording status of such data, and the number of interviews with the companies in such records” as KPIs. We will step up our initiatives on this front collectively as a group. We will keep track of the qualitative and quantitative progress of our business partners and provide consulting and advisory services in collaboration with municipalities and other financial institutions. Through these efforts, we will seek to achieve regional GX and realize GX 5.0.

<b>GX 1.0</b>	<b>Information gathering and understanding</b> <ul style="list-style-type: none"> <li>● Gather information to understand the current state and impact of climate change</li> <li>● Identify the specific issues faced by municipalities and business operators</li> </ul>
<b>GX 2.0</b>	<b>Understanding the current situation, setting goals, and formulating an action plan</b> <ul style="list-style-type: none"> <li>● Measure GHG emissions and set emission reduction targets</li> <li>● Toward the achievement of goals, formulate a concrete action plan, including actions such as improving energy efficiency, introducing renewable energy, and reducing waste</li> </ul>
<b>GX 3.0</b>	<b>Execution and evaluation</b> <ul style="list-style-type: none"> <li>● Execute the action plan and periodically evaluate the results</li> <li>● Review the action plan based on the evaluation results; consider and implement improvement measures</li> </ul>
<b>GX 4.0</b>	<b>Expanding efforts to the supply chain and the entire region</b> <ul style="list-style-type: none"> <li>● Expand Company initiatives to the supply chain</li> <li>● Make our efforts visible and establish case studies that can be shared in the local community</li> </ul>
<b>GX 5.0</b>	<b>Create a GX infrastructure for the entire region and achieve carbon neutrality</b> <ul style="list-style-type: none"> <li>● Build an infrastructure where GX efforts can spread across the region and the resulting benefits can also be shared by the entire region</li> <li>● Achieve carbon neutrality for the entire region as a result</li> </ul>

- To reduce Scope 3 Category 15 emissions (financed emissions), we will begin approaching businesses in the construction industry, which is responsible for a large portion of CO<sub>2</sub> emissions. With large contractors, we will make the measurement of CO<sub>2</sub> emissions a condition for placing orders to build our new properties. With small and medium-sized contractors, we will begin dialogues, indicating that the measurement of CO<sub>2</sub> emissions will become a condition for our orders in the future. Moving forward, we will consider whether we can make similar approaches to business associates in other sectors, such as our system development partners.



## Initiatives concerning our customers

### Contribution to a recycling-oriented society through lease transactions

#### ● Leasing

Through the use of leases, the customers’ cost of installing environment- and decarbonization-friendly equipment can be leveled out, making it easier to invest in such equipment. Various subsidies, for instance, under the ESG Lease Promotion Program and the Energy-Saving Investment Promotion Support Program, are also available for leasing applicable equipment.

#### ● During lease period

By entering into a maintenance lease—a leasing agreement that includes maintenance fees—from the time of equipment installation, the equipment’s lifespan can be extended.

Even during a re-leasing period, the use of a maintenance lease leads to “reduction.”

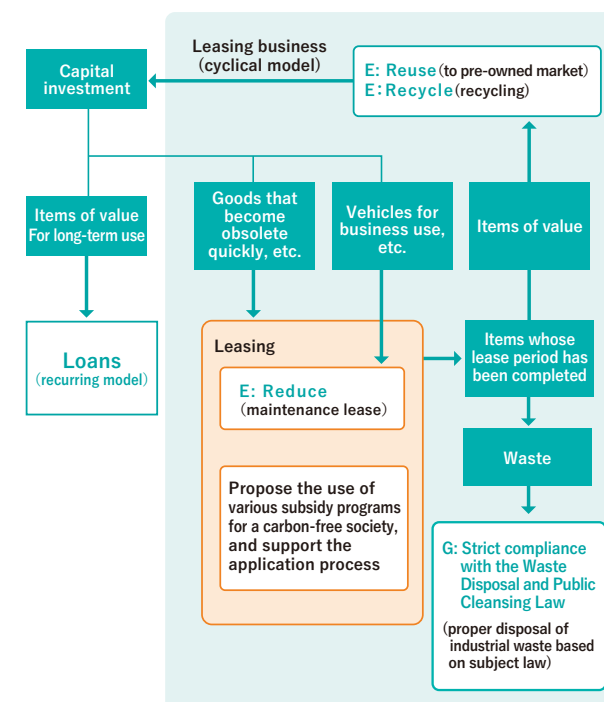
#### ● After lease maturity

We promote the “reuse” of reusable items through second-hand dealers and the pre-owned market.

We promote the effective use of resources through “recycling” by selling recyclable items to the appropriate recyclers we select.

Items that need to be disposed of undergo appropriate disposal as industrial waste in accordance with our “governance” policy.

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



For details, see→  
<https://www.hksl.co.jp/about/sustainability.html>  
(Japanese only)



## Supporting customers’ transition to a carbon-free society through consulting

To support customers’ sustainability-oriented management, we have included ESG and SDGs consulting in our lineup of offerings in our consulting and advisory business, one of our priority businesses.

Dealing with climate change is an important and pressing issue for companies. Much like digital transformation (DX), we believe green transformation (GX) is a component that enables customers to achieve their visions.

We are committed to supporting customers’ transformation by gaining a shared notion of their issues through our efforts to understand their business prospects.



For details, see→  
<https://www.ccinovation.co.jp/menu/esg-sdgs/>  
(Japanese only)



## Rising awareness of environmental initiatives

We are working to enhance awareness of climate change responses among our customers through our efforts to understand their business prospects. We are certainly addressing customers’ decarbonization-related financing needs, including loans and leases. Additionally, we have created a dedicated section within Hokkoku Bank’s website and built a system allowing us to work better together with customers on climate change responses and other ESG-related challenges.



For details, see→  
<https://www.hokkokuibank.co.jp/corporation/sustainability/>  
(Japanese only)





## Environment-friendly initiatives

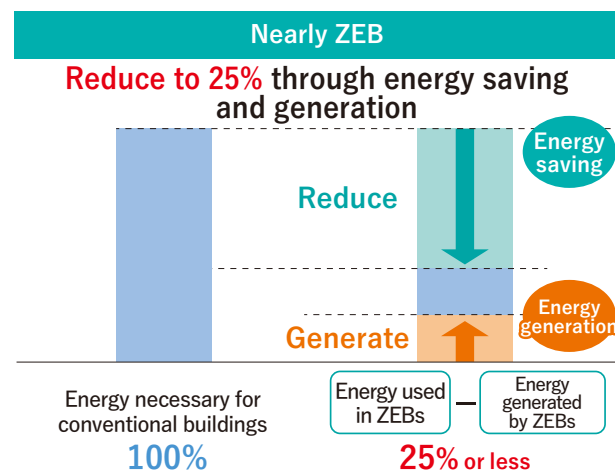
### Meeting ZEB\* requirements when building new branches Installation of photovoltaic systems on branch rooftops

In line with the consolidation of our branches, in 2021, we set forth a policy of having all new branches being built henceforth to meet the ZEB\* requirements in principle. Of ZEB's three categories, we decided to have the large offices (those housing the sales departments) meet the Nearly ZEB requirements. The energy consumption of these offices is high because business functions have been consolidated in these locations under our transition to a holding company structure. Smaller branches with low energy consumption are expected to meet the ZEB Ready requirements. Based on this policy, all six branches built since 2022 have obtained either a Nearly ZEB or a ZEB Ready certification. (See table below.)

\*ZEB: Short for Net Zero-Energy Building

New buildings constructed since August 2022	Floor space	Type of ZEB certification	Opening date
Komatsu Sales Department	1,571.06sqm	Nearly ZEB	Aug. 2022
Fukui Hokubu Branch	481.45sqm	ZEB Ready	Apr. 2023
Okuwabashi Branch	430.25sqm	ZEB Ready	May 2023
Cross Garden Kaga (housed the Kaga Sales Dept.)	2,878.44sqm	Nearly ZEB	May 2023
Kahoku Sales Department	857.70sqm	Nearly ZEB	Sep. 2023
Nishi Kanazawa Branch	464.00sqm	ZEB Ready	Oct. 2023
Hirooka Terrace	21,446.68sqm	Nearly ZEB	Jul. 2025 (plan)

At Nearly ZEB-certified locations, energy consumption is first reduced to 50% or less of the conventional volume. By additionally installing photovoltaic systems on the rooftops of these buildings, we both save and generate energy, reducing overall energy consumption to 25% or less of the conventional volume in total. At ZEB Ready-certified locations, energy consumption is reduced to 50% or less of the conventional volume through energy saving. Furthermore, we are working to minimize our environmental impact by adopting wooden-frame structures that are known to emit less CO<sub>2</sub> in the manufacturing and processing stages than iron and produce less waste during disposal in the future.



### Obtained Japan's first Nearly ZEB certification for a multistory tenanted office building with a floor space of over 20,000sqm



Architectural designs of Hokkoku Bank head office (left) and Hirooka Terrace (right; upon completion)

Generally speaking, the larger the building, the more difficult it is to achieve ZEB compliance. Nonetheless, Hirooka Terrace (scheduled to open in July 2025), currently under construction next to our head office in Hirooka, Kanazawa City, has received the highest rating (five stars) under the Building-Housing Energy-efficiency Labeling System (BELS)—a third-party certification system based on the Building Energy Conservation Act. Hirooka Terrace also obtained Japan's first Nearly ZEB certification for a multistory tenanted office building with a floor space of over 20,000sqm.

Cutting-edge environmental technologies were assembled to create Hirooka Terrace. The building is designed to reduce the overall environmental load by blocking sunlight and using natural ventilation, among other means. It also utilizes the abundant groundwater to generate geothermal heat.

We have taken rigorous energy-saving measures for Hirooka Terrace, incorporating high-efficiency systems and other facilities. We are also generating energy there through the photovoltaic systems thoroughly installed on the building's rooftop. As a result of these measures, we have successfully obtained a Nearly ZEB certification for the entire building.

### [LEED GOLD]

LEED is a US-originated environmental performance rating system, the most widely used in the world today. It is a certification designed to encourage cost reduction and resource conservation, positively impact people's physical wellness, and promote renewable, clean energy use.

At Hirooka Terrace, we are taking on the challenge of implementing innovative environmental initiatives, reducing energy consumption and water usage, and selecting better building materials, among other efforts.

(For Hirooka Terrace, we are in the process of applying for LEED GOLD certification, which is the second-highest certification of LEED's four levels.)

### Reduction of business-use vehicles and replacement of current vehicles with EVs (HVs)

We have actively switched from gasoline-powered vehicles, whose exhaust emissions have a significant environmental impact, to hybrid and electric vehicles, and have also worked to reduce the overall number of business-use vehicles. As a result, the number of gasoline-powered vehicles was down 49 versus the previous fiscal year, hybrid and electric vehicles increased by 33, and the overall number of business-use vehicles decreased by 16.

	FY03/23	FY03/24	Difference
Gasoline-powered vehicles	408	359	-49
HVs and EVs	52	85	+33
Total vehicles	460	444	-16

### Initiatives contributing to the reduction of CO<sub>2</sub> emissions in society at large

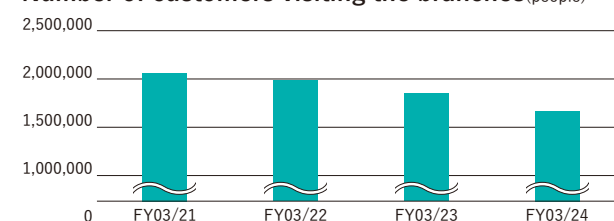
#### ● Promoting cashless payment

We will increase our efforts in areas such as debit cards, devices for card-affiliated merchants, and deposit-type stablecoin (Tochika), aiming to accomplish a cashless payment ratio of 100% in the region. Through these efforts, we will help reduce CO<sub>2</sub> emissions in the region while improving the productivity of the local community.

#### ● Promoting digitalization for bank transactions and tax payments

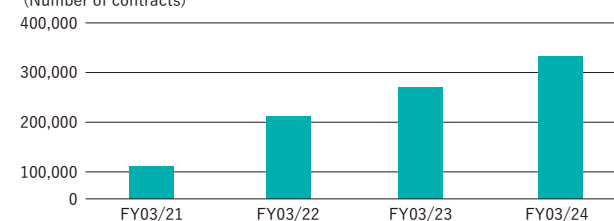
We are promoting digitalization through our internet banking services for individual and corporate customers, as well as in areas such as electronic tax payments and settlements using electronically recorded monetary claims. By doing so, we plan to reduce the frequency of customers' visits to our branches and thereby reduce the CO<sub>2</sub> emissions associated with the transportation to and from our branches.

#### Number of customers visiting the branches (people)



The number of contracts and users of our internet banking services is rising. As of the end of June 2024, the number of individual customers using our internet banking service had surpassed 300,000, while that of corporate customers had exceeded 30,000.

#### Internet banking service for individual customers (Number of contracts)

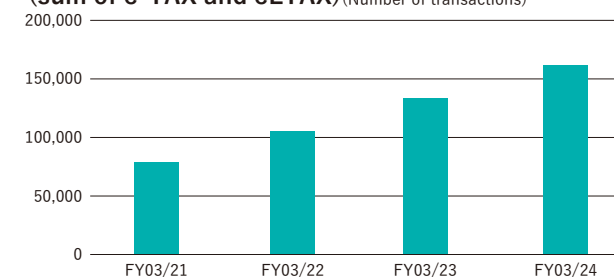


#### Internet banking service for corporate customers (Number of contracts)

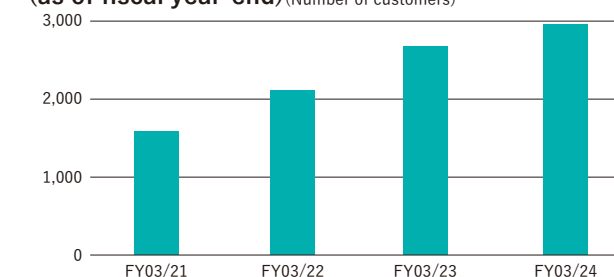


Additionally, we have been holding internet banking and electronic tax payment classes at all of our branches. In FY03/24, we hosted over 8,400 classes. As a result of such efforts, in May 2024, we received commendation from the commissioner of the National Tax Agency for our outstanding record in promoting cashless tax payments. In the second half of FY2023, we were also ranked first among financial institutions in terms of the number of electronically recorded monetary claims issued. In such ways, our endeavors in regional digitalization are being recognized.

#### Electronic tax payments handled (sum of e-TAX and eLTAX) (Number of transactions)



#### Customers using electronically recorded monetary claims (as of fiscal year-end) (Number of customers)



### Reforestation initiatives such as tree planting and thinning

As part of its environmental conservation activities, Hokkoku Bank, our Group company, has been renting 0.7 hectares of land in Ishikawa Forest Park to carry out a forestation project named the Hokkoku Forest.

Additionally, since February 2023, we have been installing in-house-developed ATMs at some of our branches that feature lumber from Ishikawa Prefecture (Noto Hiba cypress). As a result of this initiative, along with the construction of wooden-frame branch buildings, we have been selected as a business that promotes the "Kanazawa, a City of Wood Culture" project led by Kanazawa City.



Certificate of CO<sub>2</sub> Absorption through Forestation Activities, issued annually by Ishikawa Prefecture



### Endorsement of international initiatives



## Corporate Governance

### Basic approach to corporate governance

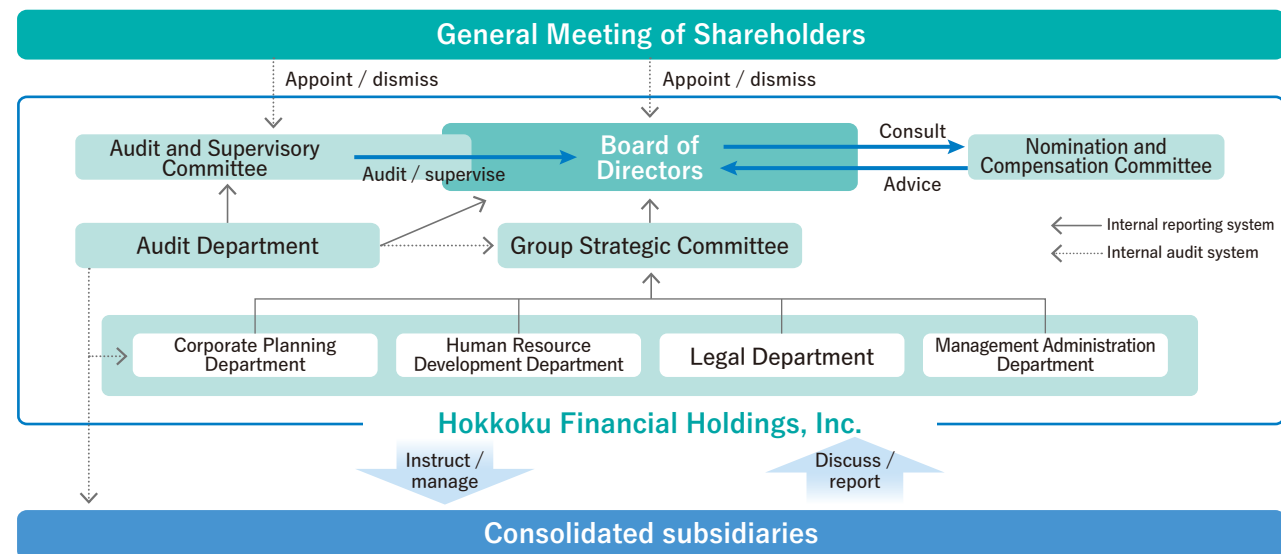
To fulfill its corporate philosophy and achieve the visions and targets outlined in the medium- to long-term business strategy, the Hokkoku FHD Group believes it is important to maintain a harmonious relationship with the shareholders and other stakeholders while thoroughly committing to the improvement of business transparency and strict adherence to compliance matters. To promote a broader understanding of the Group's corporate governance initiatives, we will continue to actively engage in IR activities, disclose information through our website and integrated report, and work to become a highly transparent and open company both internally and externally.

### Overview of the current framework

Hokkoku FHD has adopted the organizational structure of a company with an Audit & Supervisory Committee to bolster the corporate governance framework and further improve its corporate value. The directors serving as Audit and Supervisory Committee members are granted voting rights at the Board of Directors meetings. This enhances their audit and supervisory functions over the Board of Directors and those with executive responsibilities. At the same time, we seek to further elevate governance by having outside directors participate in management to improve the transparency and efficiency of the decision-making and business execution processes.

Currently, five out of our nine directors are outside directors (a ratio of 55.5%). All five outside directors are independent outside directors who provide opinions and also audit and supervise the directors from an objective and neutral standpoint. In addition, we have established a discretionary Nomination and Compensation Committee (chaired by an outside director) whose majority are outside directors. The Committee serves to ensure transparency and objectivity in the selection of director candidates and the process of determining director compensation.

### Corporate governance structure



	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Committee
Chairperson	Outside director	Outside director	Outside director
Composition	9 members	6 members	9 members
Outside director ratio	(5 outside directors)  55%	(5 outside directors)  83%	(5 outside directors)  55%
Female ratio	(2 women)  22%	(2 women)  33%	(2 women)  22%

Inside director Outside director (male) Outside director (female)

### Status of the Board of Directors meetings and other executive meetings

#### Board of Directors ► Number of meetings (FY03/24): 11

In principle, the Board of Directors meetings are held once a month, and extraordinary meetings are held as necessary. During these meetings, the Board makes decisions on management policy, business strategy, and other important matters, and exercises oversight of directors' performance of duties by, for instance, receiving reports on the status of business execution and other important matters.

#### [Main agenda items of the Board of Directors meetings in FY03/24]

- **Review of business strategies for each Group company as well as the overall medium- to long-term business strategy**  
We reviewed the past and future strategies of each Group company and discussed the details of corresponding updates to the medium- to long-term business strategy.
- **Group's capital policy**  
We discussed the level of total returns, which includes dividends and share repurchases, factoring in the appropriate levels of risk-weighted assets and capital adequacy.
- **Human capital strategy**  
We conducted discussions on our human capital strategy based on reports concerning the results of our health and productivity management initiatives and employee engagement surveys.
- **System strategy**  
We discussed the direction of our initiatives based on the reporting on the medium- to long-term system strategy and outlooks on costs, staffing, etc.

#### Nomination and Compensation Committee ► Number of meetings (FY03/24): 6

A discretionary advisory body wherein members discuss and exchange views on director appointment and compensation. The majority of the members are outside directors whose appropriate involvement and advice ensure the objectivity and transparency of the Committee.

#### [Main deliberations during the Nomination and Compensation Committee meetings in FY03/24]

- **Composition, structure, and compensation of directors not serving as an Audit and Supervisory Committee member**  
We discussed the structure and compensation of the next fiscal year's Board of Directors.
- **Succession plan**  
We conducted multiple discussions regarding the policy on nomination and resource development, target posts, talent criteria, and candidate pool management, among other matters.

#### Group Strategic Committee ► Number of meetings (FY03/24): 49

In principle, Group Strategic Committee meetings are held once a week, and extraordinary meetings are held as necessary. At the meetings, the committee makes decisions on important matters other than those resolved at the Board of Directors meetings, as well as matters delegated by the Board of Directors. It also receives reports on the status of business execution and other important items.

### Status of audit

#### Audit and Supervisory Committee ► Number of meetings (FY03/24): 11

In principle, Audit and Supervisory Committee meetings are held once a month, and extraordinary meetings are held as necessary.

In addition to serving as a venue for reporting on the status of the directors' execution of duties and for preparing audit reports, the Audit and Supervisory Committee meeting is also a venue to determine proposals to be submitted to the General Meeting of Shareholders regarding the selection of an accounting auditor.

#### [Main deliberations during the Audit and Supervisory Committee meetings in FY03/24]

- **Audit plan for FY03/24**  
We reviewed the previous fiscal year's audit status and discussed the scope of the audit and priority items for this fiscal year, taking into account new projects.
- **Changing the accounting auditor**  
We conducted discussions concerning the submission of a proposal to the General Meeting of Shareholders on the selection of a new accounting auditor to replace the previous one.

#### Audits by the Audit and Supervisory Committee

In accordance with the audit policy and plan designated by itself, the Audit and Supervisory Committee appropriately audits directors' decision-making and execution of duties in collaboration with the accounting auditor and the internal audit unit from a standpoint independent of the Board of Directors. The committee also meets regularly with representative directors to exchange opinions on important auditing issues.

#### Internal audits

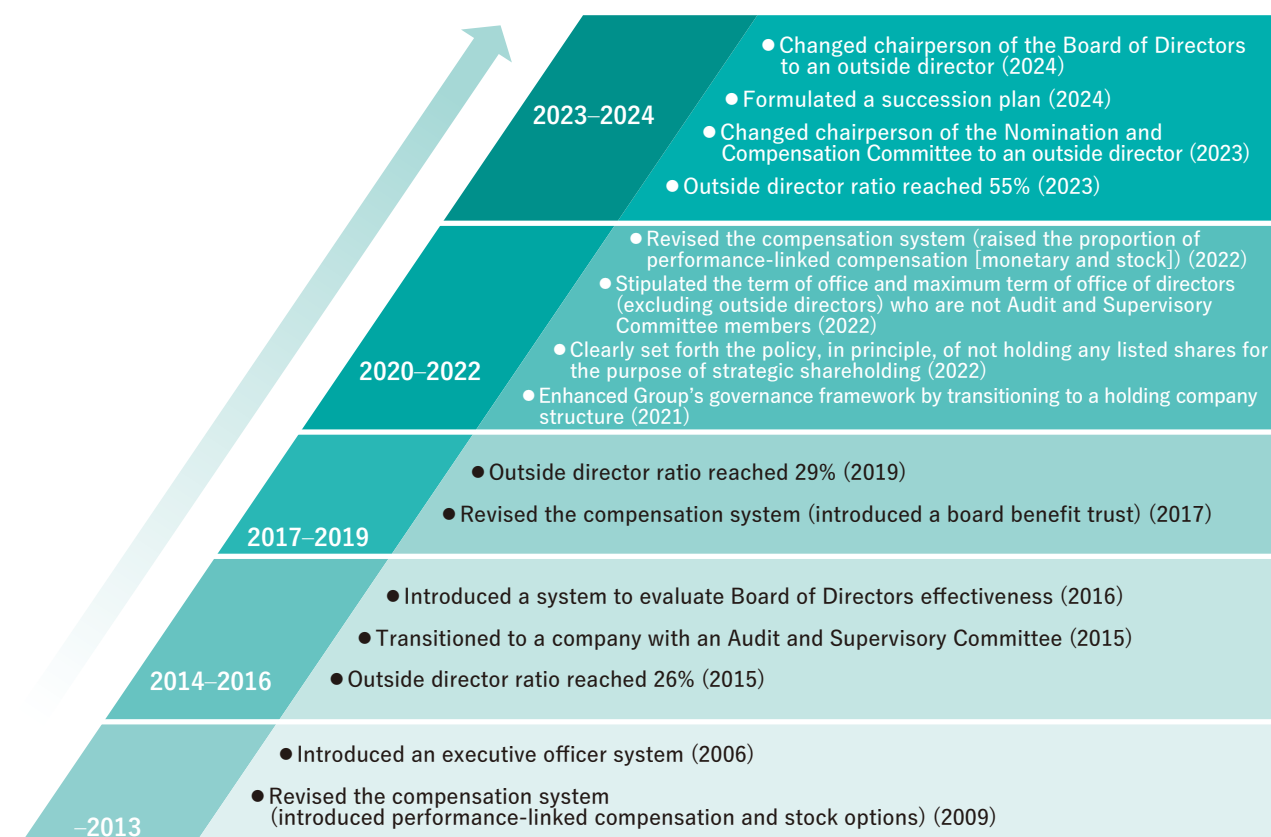
The internal audit team, which directly reports to the Audit and Supervisory Committee, conducts internal audit based on the internal audit policy decided by the Audit and Supervisory Committee. The audit results are regularly reported to the Board of Directors and the Audit and Supervisory Committee.

#### Accounting audits

We have appointed Kanade Partnership as our accounting auditor. Accordingly, Kanade Partnership is auditing us from a fair and unbiased standpoint of an independent auditor.



## Changes in the governance structure and key initiatives for improving governance



## Main initiatives for FY03/24 and FY03/25

### Appointment of outside directors to the posts of the chairpersons of the Board of Directors and the Nomination and Compensation Committee

To improve effectiveness by separating the executive and supervisory functions, we have appointed outside directors as chairpersons of the Board of Directors and the Nomination and Compensation Committee. Our president and CEO previously held both positions.

The chairperson of the Nomination and Compensation Committee was replaced in November 2023, and the chairperson of the Board of Directors in June 2024.

As for the Audit and Supervisory Committee, an outside director and Audit and Supervisory Committee member has served as its chairman since 2015, when we transitioned to a company with an Audit and Supervisory Committee.

### Use of communication tools to enable Q&A on the meeting agenda ahead of the Board of Directors meetings

At Hokkoku FHD, we have been using a communication tool, Microsoft Teams, to share all information with our officers and employees, except for information on material facts, etc., that requires stringent control. This fiscal year, we introduced a new system that allows outside directors to post their questions and comments on the materials for the Board of Directors meeting in advance via Teams. This system enables outside directors to further deepen their understanding of each agenda item through communication with the execution side.

### Formulation of a succession plan

The Nomination and Compensation Committee, chaired by an outside director and comprising a majority of outside directors, formulated a succession plan following several discussions. These discussions mainly covered topics such as target posts, the candidate pool, talent criteria, system processes, and resource development programs.

We will work to determine the talent criteria for key posts, establish a candidate pool, and foster successors. At the same time, we will regularly check with the Nomination and Compensation Committee and the Board of Directors regarding the status to select the appropriate successors.

Please see the corporate governance report for details regarding corporate governance.  
[https://www.hfhd.co.jp/\\_wp/wp-content/uploads/2024/06/20240614-2.pdf](https://www.hfhd.co.jp/_wp/wp-content/uploads/2024/06/20240614-2.pdf) (Japanese only)



## Strategic shareholdings

### Policy on strategic shareholdings

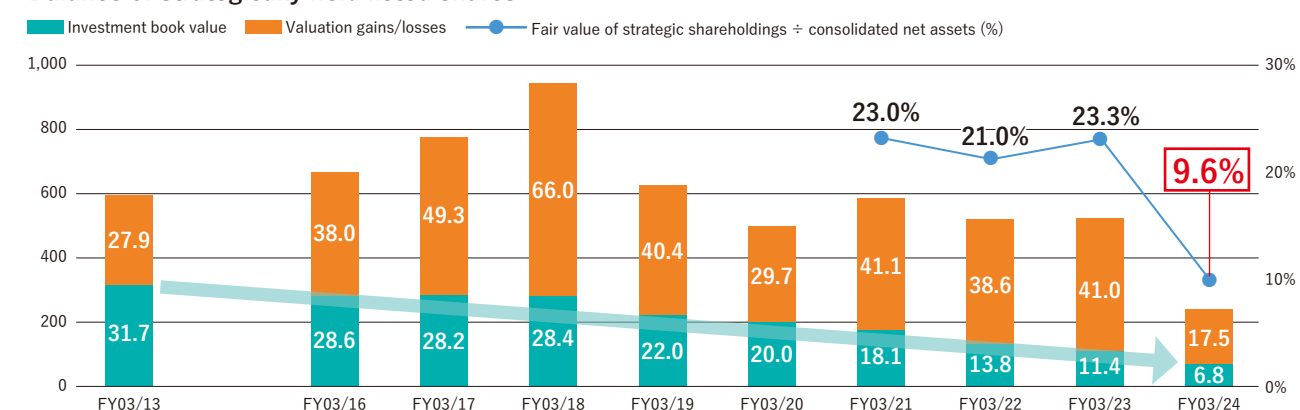
In April 2022, the Hokkoku FHD Group adopted a policy, in principle, of not holding any listed shares for the purpose of strategic shareholding. Since then, we have engaged in dialogue to reduce such strategic holdings. Through this effort, we aim to further strengthen our governance function while contributing to the sound development of the capital markets.

### Progress in reducing strategic shareholdings

Since announcing our Group's policy on strategic shareholdings in April 2022, we have regularly communicated with the issuers of the shares we hold to gain their understanding of our policy. Initially, we planned to halve our strategic shareholdings on a book value basis by the end of March 2025 (reduction by ¥6.9 billion versus the end of March 2022), as per our plan announced in April 2022. However, thanks to our efforts, we accomplished this target one year in advance, at the end of March 2024, reducing the total balance by ¥7.0 billion versus the end of March 2022 on a book value basis.

We will continue to engage in thorough dialogue with the issuers of the shares we currently hold in order to achieve our policy of not holding any listed shares, in principle, for the purpose of strategic shareholding.

### Balance of strategically held listed shares (¥ bn)



## Initiatives to enhance governance through IR

- To improve governance over our business management, we release detailed IR presentation materials when we announce full-year and mid-year financial results. We also hold one-on-one meetings between institutional investors and our president and CEO.
- Key Q&As during the one-on-one meetings are posted on the Company website to ensure fair and open information disclosure.
- Based on feedback from the one-on-one meetings and feedback on the integrated report, we strive to improve the content of the IR presentation materials and the integrated report, thereby disclosing information more appropriately and effectively.
- The details of our IR activities are reported to the Board of Directors and the Group Strategic Committee twice a year, and the outputs from the discussions there are applied to improve our business management and strategies.

Activities	FY03/22 results	FY03/23 results	FY03/24 results
One-on-one meeting with institutional investors	37 sessions / 89 participants	61 sessions / 84 participants	49 sessions / 99 participants
Results/management strategy briefing sessions for analysts and institutional investors	3 sessions / 29 participants (Small meetings)	3 sessions / 27 participants (Small meetings)	4 sessions / 20 participants (Small meetings)
Online briefing sessions for individual investors	1 session / 405 participants	1 session / 503 participants	1 session / 1,118 views

	Main information disclosure materials
Japanese	IR presentation materials, integrated reports, Shared Research report, etc. ⇒ Please refer to the IR Information section on our website for details. ( <a href="https://www.hfhd.co.jp/ir/">https://www.hfhd.co.jp/ir/</a> )
English	IR presentation materials, integrated reports, Shared Research reports, etc. ⇒ Please refer to the IR Information section on our website for details. ( <a href="https://www.hfhd.co.jp/english/#irInformation">https://www.hfhd.co.jp/english/#irInformation</a> )



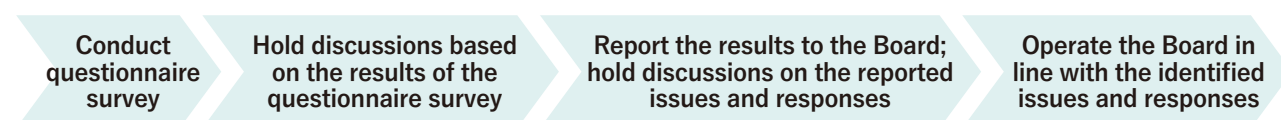
Status of shares (as of March 31, 2024)	Total number of issued shares*1 25,208 thousand shares Number of shareholders*2 7,860
---	--

Notes \*1 The number of shares is rounded down to the nearest thousand shares. \*2 The number of shareholders reflects the number of shareholders with voting rights.

## Evaluation of Board of Directors effectiveness

To improve the effectiveness of the Board of Directors, the Company evaluates and analyzes Board effectiveness each year, incorporating the self-evaluation of individual directors, and discloses the results. It also seeks to improve Board effectiveness on an ongoing basis by addressing the issues identified through the evaluation.

### Evaluation method



### Challenges and initiatives to further improve Board effectiveness

The results of the questionnaire survey and subsequent discussions confirmed that Board effectiveness was being maintained. That said, the following matters were brought up as necessary actions to further improve Board effectiveness.

- Further energize Board discussions by redefining the roles expected of directors and establishing a shared understanding of such roles
  - Discuss once again the roles expected of each director (internal, external, executive, and non-executive) and develop a shared understanding of such roles. At the same time, reflect the redefined roles in the Board composition and the talent criteria for successors under the succession plan
- Strengthen commitment to various strategies through systematic discussions on priority agendas
  - With regard to the priority businesses outlined in the medium- to long-term business strategy, incorporate into the annual Board schedule the discussions on strategies, tactics, and review of our initiatives, as well as associated organizational and human resource strategies and other important agendas. By doing so, enable more systematic and in-depth discussions and strengthen further commitment to the medium- to long-term business strategy
- Strengthen the follow-up on comments and directions given during the Board meetings
  - In terms of the comments and directions, thoroughly clarify which items require actions. Regularly check the progress of such items during the Board meetings, provide additional explanations at study sessions and other opportunities as necessary, and thereby enhance Board effectiveness
- Make efforts to secure opportunities for further discussions on agendas, which the Board felt the need to discuss more in depth
  - Items on which the Board felt the need for more in-depth discussions are shown below. We will consider including these agendas in the annual schedule to ensure systematic discussions. We will also consider discussions at voluntary study sessions and other venues as necessary.

#### [Matters that require further discussions]

- Sophistication of market operations strategy (fund allocation, risk management and assessment)
- Strategy for the arena business
- Challenges and strategies concerning the priority businesses under the medium- to long-term business strategy

#### [Matters that require additional discussions moving forward]

- Marketing structure
- Bold policies and initiatives regarding human capital and environmental issues (GX)
- Medium- to long-term business portfolio for the entire Company
- Use of third-party expertise in light of changes in the competitive landscape
- Evaluation by the capital markets and disclosure to and communication with the capital markets

## Appointment and dismissal of directors and executive officers

### Policy on appointment and dismissal

Director candidates are nominated upon consideration by the Board of Directors following discussions within the Nomination and Compensation Committee. For inside director candidates, individuals who meet the criteria such as having integrity, a recurrent education- and reskilling-oriented mindset, and high communication and conceptualizing skills are selected from the candidate pool that has been determined in advance based on our succession plan. Such individuals must also possess the knowledge and experience to manage the Group in an accurate, fair, and efficient manner.

For outside director candidates, individuals with a wealth of experience and broad insight on management and other matters, who can provide appropriate advice and suggestions in decision-making regarding the Group's general management and business execution, are selected. Outside directors should also have the ability to help maintain and improve the rationality and soundness of the Group's management and to contribute to strengthening corporate governance.

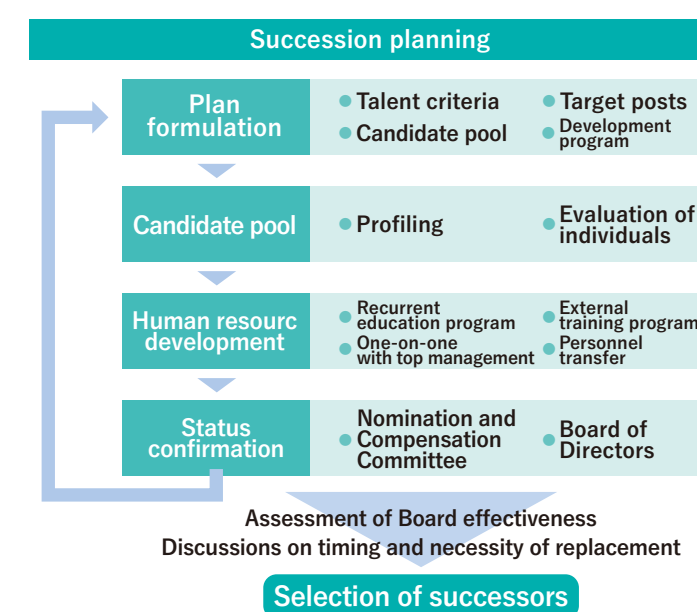
When reappointing directors, discussions are conducted at the Nomination and Compensation Committee to determine whether such directors have fulfilled their expected roles. The Board of Directors then decides whether to reappoint them. Regarding a director who—during his or her term—has committed an act considered seriously unsuitable for a director, such as violating laws and regulations or misconduct, the Board of Directors may decide to convene a General Meeting of Shareholders to dismiss the individual.

In the Group, the Board of Directors appoints executive officers in addition to directors. For executive officers, individuals determined to be fully versed in the Group's management in light of their knowledge and expertise and who can fairly and efficiently execute operations in their areas of responsibility are selected. Any individual the Board deems not to meet these qualifications will not be reappointed as an executive director. The Board of Directors may dismiss an executive officer who, during his or her term, has committed an act considered seriously unsuitable for an executive officer, such as violations of laws and regulations or misconduct.

### Succession plan

We formulate a succession plan to enhance management sustainability and improve our corporate value for the medium to long term. We set forth the criteria for key posts, establish a candidate pool, and work to nurture successors. Additionally, we consistently confirm progress at the Nomination and Compensation Committee and the Board of Directors meetings and revise the succession plan and candidate pool as appropriate. In such a way, we will seek to select the suitable successors.

Target posts	(1) President (2) Internal directors (3) President of subsidiary, Hokkoku Bank
Talent criteria	(1) Integrity (2) Recurrent education- and reskilling-oriented mindset (3) Communication skills (4) Conceptualization ability



### Maximum tenure of directors not serving as Audit and Supervisory Committee members

In April 2022, we stipulated the maximum tenure for directors who are not members of the Audit and Supervisory Committee. In doing so, we seek to prevent organizational rigidity, strengthen the governance system, and further invigorate the Board of Directors while stepping up efforts to nurture successors.

Director not serving as an Audit and Supervisory Committee member (the president)	The term of office is one year. An individual can no longer be nominated as a director candidate upon completing his/her 10th term in office.
Director not serving as an Audit and Supervisory Committee member (director other than the president)	The term of office is one year. An individual can no longer be nominated as a director candidate after completing the term in which he/she reaches 65 years of age.



Specialization and experience of directors and executive officers

Skills matrix

We create a skills matrix aligned with the skill sets necessary to promote the various strategies upheld under the priority businesses outlined in the medium- to long-term business strategy. The skills matrix for our directors and executive officers, based on their specialization and experience, is shown in the table below. To ensure appropriate oversight of business management and achieve sustainable improvement of corporate value, the Company selects human resources with a wealth of experience, profound insight, and a high level of expertise. The fields in which directors not serving as Audit and Supervisory Committee members are particularly expected to contribute are marked with “◎.”

Name	Title	Specialization and experience										
		Corporate planning Management strategy	Governance and risk management	Financial and capital strategies	ESG and sustainability	Marketing	Consulting	Global	Investment and fund management	Market operations	HR strategy	Digital and IT strategy
Shuji Tsuemura	President & Chief Executive Officer (Representative Director)	◎	●	◎	◎		●	◎	●	◎		◎
Koichi Nakada	Director, Managing Executive Officer (Representative Director)	●	◎								◎	●
Yuji Kakuchi	Director, Managing Executive Officer		●			●	●	◎	◎	◎		
Nobuhiro Torigoe	Director, Audit and Supervisory Committee Member	●		●	●						●	●
Taku Oizumi	Outside Director, Audit and Supervisory Committee Member	●	●	●		●		●				
Naoko Nemoto	Outside Director, Audit and Supervisory Committee Member			●	●			●		●		
Sakon Uda	Outside Director, Audit and Supervisory Committee Member	●	●			●	●		●		●	
Fumihiko Haga	Outside Director, Audit and Supervisory Committee Member	●	●									●
Kimie Harada	Outside Director, Audit and Supervisory Committee Member			●	●					●		
Kenya Tatsuno	Managing Executive Officer (General Manager, Corporate Planning Department)	●					●				●	●
Naotaka Terai	Managing Executive Officer (General Manager, Corporate Planning Department)	●	●	●	●			●			●	●
Aki Yokogoshi	Managing Executive Officer (General Manager, Human Resource Development Department)				●	●					●	●
Akihisa Nitta	Managing Executive Officer (General Manager, Management Administration Department)	●	●			●						●
Masayuki Kita	Managing Executive Officer	●		●		●	●	●				
Shinzo Oya	Executive Officer (General Manager, Audit Department)	●	●			●						
Satoshi Oe	Executive officers					●	●					

Skill areas that should be strengthened

The items below are the skill areas that require further strengthening for the Company to sustainably improve its value. In addition to developing specialized talent in-house and placing resources mainly based on their experience, we also anticipate bringing in external talent with objective and effective knowledge and experience so that we can bolster our business foundation.

Consulting	Investment and fund management	Market operations	Digital IT strategy
The Company positions consulting and advisory as one of the priority business areas. While the level of consulting services provided by the consulting subsidiary CC Innovation has improved, we see the need to secure resources with more advanced skills and knowledge to provide further value to local customers and raise the region’s quality.	The Company positions investment and fund management as one of the priority business areas. Our investment subsidiary, QR Investment, seeks to address the diversifying financing needs through its funds, function as a leader of the regional ecosystem, and thereby contribute to the growth and value enhancement of the overall region. Moving forward, to expand the scope of investees nationwide and overseas while maintaining focus on the Hokuriku region and to achieve a balance between investment returns and the growth of investees along with contribution to the local community, we see the need to secure resources with more advanced skills and knowledge.	The Company positions market operations as one of our priority business areas. We are working to further sophisticate our market operations by, for instance, transferring the Group’s core capital market operations to the investment advisory subsidiary FDAlco to revamp our market operations structure. We are also working to optimize our portfolio by developing a model portfolio based on a medium- to long-term scenario and engaging in preventive rebalancing in response to changes in the market environment. To ensure stable income generation, we recognize that we need to secure resources with more advanced skills and knowledge.	For over 20 years, the Company has implemented operational reforms driven by systems strategy and has continued to work on digital transformation to date. It also applies the accumulated knowledge in this area to help improve the productivity of local customers through consulting and other services. In addition to speed and performance, security-related skills, such as response to cyberattacks, are becoming more important in systems strategy. Accordingly, we see the need to secure resources with more advanced skills and knowledge.

Director compensation

Policy for determining director compensation, etc.

The Company’s basic policy on director compensation is to establish a system that incorporates compensation linked to shareholder returns so that it serves as an incentive for directors to contribute to the local community’s progress and thereby enhance the Company’s corporate value sustainably. In terms of compensation for individual directors, the policy is to determine it at a level appropriate to each director’s responsibilities. Specifically, the remuneration of directors not serving as Audit and Supervisory Committee members comprises fixed compensation, performance-linked monetary compensation, and performance-linked stock compensation. Compensation of directors serving as Audit and Supervisory Committee members, who take on a supervisory function, only comprises fixed compensation in light of their duties.

As a holding company, Hokkoku FHD develops and implements its compensation system in an integrated manner with Group companies. When an officer concurrently holds positions at two or more Group companies, fixed compensation is divided based on a certain ratio.

Outline of the compensation system

In the compensation system for our officers introduced in April 2022, we increased the ratio of performance-linked compensation to total compensation compared to before. By doing so, we created a system that allows further value-sharing with our shareholders while providing the officers with an incentive to enhance our corporate value.

Eligible directors are paid a combination of (1) fixed compensation (fixed/monetary), (2) performance-linked monetary compensation (variable/monetary), and (3) performance-linked stock compensation (variable/stock).

Should an eligible director resign, etc., because of a certain misconduct, such director will lose the right to receive performance-linked compensation. Further, should an eligible director engage in serious fraud, etc., that results in the revision of our financial statements, such director must return all or part of the performance-linked compensation he or she already received.

Compensation components and composition

Type	Terms of provision and composition	Director not serving as an Audit and Supervisory Committee member	Director serving as an Audit and Supervisory Committee member	Executive officer
Fixed compensation	Fixed monthly compensation paid in cash	●	●	●
Performance-linked monetary compensation	Compensation paid in cash as per the percentage shown in the table below, based on the ROE of the corresponding fiscal year	●	—	●
Performance-linked stock compensation	Compensation paid in restricted stock as per the percentage shown in the table below, based on the ROE of the corresponding fiscal year	●	—	●

ROE	Director and president				Directors (excluding the president)			
	Fixed	Performance-linked		Total	Fixed	Performance-linked		Total
	Monetary	Monetary	Stock		Monetary	Monetary	Stock	
8% or higher	45%	30%	105%	180%	50%	25%	90%	165%
7% or higher, but lower than 8%	45%	30%	75%	150%	50%	25%	65%	140%
6% or higher, but lower than 7%	45%	30%	45%	120%	50%	25%	40%	115%
5% or higher, but lower than 6%	45%	30%	25%	100%	50%	25%	25%	100%
4% or higher, but lower than 5%	45%	25%	20%	90%	50%	20%	20%	90%
3% or higher, but lower than 4%	45%	20%	15%	80%	50%	15%	15%	80%
2% or higher, but lower than 3%	45%	15%	10%	70%	50%	10%	10%	70%
1% or higher, but lower than 2%	45%	10%	5%	60%	50%	5%	5%	60%
Lower than 1%	45%	0%	0%	45%	50%	0%	0%	50%

Schematic illustration of the composition ratio\*

Fixed compensation (45%)	Performance-linked monetary compensation (30%)	Performance-linked stock compensation (25%)
--------------------------	--	---

\* Assuming compensation for the director and president at an ROE of 5% or higher but lower than 6% (the composition ratio changes depending on the position and the Company’s performance)

## Directors and Executive Officers (as of June 30, 2024)

### Directors

#### Shuji Tsuemura

President &  
Chief Executive Officer  
(Representative Director)



[Reason for appointment]

Mr. Tsuemura has long been involved in the field of corporate planning since joining our Group's Hokkoku Bank, and he has significantly contributed to improving our corporate value by spearheading core projects cross-organizationally. He has vigorously driven efforts to rebuild our business model and implement DX within the banking operations. In October 2021, he was appointed director and president of Hokkoku FHD. He is an individual who can utilize his many years of experience and knowledge to manage the Company fairly, efficiently, and with precision. Hence, we determined that Mr. Tsuemura can further strengthen the effectiveness of the Board's decision-making and supervisory functions.

#### Koichi Nakada

Director,  
Managing Executive Officer  
(Representative Director)



[Reason for appointment]

Since joining our Group's Hokkoku Bank, Mr. Nakada has served as the general manager of multiple sales branches in key locations. He has also been involved in fields such as risk management, financial strategy, and human resource development and has a wealth of business experience and a breadth of in-depth knowledge concerning corporate management. He was appointed a director of Hokkoku FHD in October 2021. He is an individual who can manage the Company fairly, efficiently, and with precision. Hence, we determined that Mr. Nakada can further strengthen the effectiveness of the Board's decision-making and supervisory functions.

#### Yuji Kakuchi

Director,  
Managing Executive Officer



[Reason for appointment]

Since joining our Group's Hokkoku Bank, Mr. Kakuchi has been involved mainly in the fields of financial strategy, overseas business, and market operations. He has a wealth of business experience and a breadth of in-depth knowledge concerning corporate management. He was appointed a director of Hokkoku FHD in October 2021. He is an individual who can manage the Company fairly, efficiently, and with precision. Hence, we determined that Mr. Kakuchi can further strengthen the effectiveness of the Board's decision-making and supervisory functions.

#### Nobuhiro Torigoe

Director, Audit and  
Supervisory Committee  
Member



[Reason for appointment]

Since joining our Group's Hokkoku Bank, Mr. Torigoe has been involved mainly in the fields of corporate planning, financial strategy, human resource development, and IT strategy. He has a wealth of business experience and in-depth knowledge concerning corporate management. He was appointed a director and an Audit and Supervisory Committee member of Hokkoku FHD in October 2021. He is an individual who can conduct audits of the legality of the Company's business execution, etc., fairly, efficiently, and with precision. Hence, we determined that Mr. Torigoe can further strengthen the effectiveness of the Board's decision-making and supervisory functions.

#### Taku Oizumi

Outside  
Independent

Outside Director,  
Audit and Supervisory  
Committee Member  
Audit and Supervisory  
Committee Chairperson



[Reason for appointment]

Mr. Oizumi has abundant practical experience in finance through positions including the director-general of the Currency Issue Department at the Bank of Japan. He also has a wealth of specialized knowledge accumulated through his active role in corporate management as director and managing executive officer of Seven Bank, Ltd. Utilizing such knowledge, he can provide supervision and advice on the Company's business execution from a professional perspective, particularly in the areas of corporate planning, risk management, marketing, and overseas business. We determined that, through such supervision and advice, Mr. Oizumi can contribute to maintaining and improving our management transparency and soundness and strengthening our corporate governance.

#### Naoko Nemoto

Outside  
Independent

Outside Director,  
Audit and Supervisory  
Committee Member  
Nomination and Compensation  
Committee Chairperson



[Reason for appointment]

Ms. Nemoto has a wealth of specialized knowledge cultivated through her activities as a financial expert, for instance, partaking in the rating and research of financial institutions for many years at Standard & Poor's Ratings Japan, Inc. Utilizing such knowledge, she can provide supervision and advice on the Company's business execution from a professional perspective, particularly in the areas of financial strategy, overseas business, and market operations. We determined that, through such supervision and advice, Ms. Nemoto can contribute to maintaining and improving our management transparency and soundness and strengthening our corporate governance.

#### Sakon Uda

Outside  
Independent

Outside Director,  
Audit and Supervisory  
Committee Member  
Chairperson of the  
Board of Directors



[Reason for appointment]

Mr. Uda has abundant management experience at McKinsey & Company, Japan Post Holdings Co., Ltd., and Business Breakthrough Inc., among other companies, and he also has a wealth of specialized knowledge accumulated through his active role in corporate management as an outside director and chairperson of the Board of Directors at Ebara Corporation. Utilizing such knowledge, he can provide supervision and advice on the Company's business execution from a professional perspective, particularly in the areas of corporate planning, management strategy, governance and risk management, marketing, consulting, investment and fund management, and HR strategy. We determined that, through such supervision and advice, Mr. Uda can contribute to maintaining and improving our management transparency and soundness and strengthening our corporate governance.

#### Fumihiko Haga

Outside  
Independent

Outside Director,  
Audit and Supervisory  
Committee Member



[Reason for appointment]

Mr. Haga has a wealth of specialized knowledge accumulated through his active role in corporate management as an executive officer of IBM Japan Corporation and subsequently as an executive operating officer and finance division director at Kyndryl Japan Inc. Utilizing such knowledge, he can provide supervision and advice on the Company's business execution from an expert perspective, particularly in the areas of corporate planning and management strategy, governance and risk management, and digital and IT strategy. We determined that, through such supervision and advice, Mr. Haga can contribute to maintaining and improving our management transparency and soundness and strengthening our corporate governance.

#### Kimie Harada

Outside  
Independent

Outside Director,  
Audit and Supervisory  
Committee Member



[Reason for appointment]

Ms. Harada has a wealth of specialized knowledge in the areas of financial policy, securities, and the stock market as a professor at the Chuo University, Faculty of Commerce, and from her experience as a member of various committees of the Ministry of Finance and the Financial Services Agency. Utilizing such knowledge, she can provide supervision and advice on the Company's business execution from an expert perspective, particularly in the areas of financial and capital strategies, ESG and sustainability, and market operations. We determined that, through such supervision and advice, Ms. Harada can contribute to maintaining and improving our management transparency and soundness and strengthening our corporate governance.

### Executive officers

Kenya Tatsuno	Managing Executive Officer (General Manager, Corporate Planning Department)	Naotaka Terai	Managing Executive Officer (General Manager, Corporate Planning Department)
Aki Yokogoshi	Managing Executive Officer (General Manager, Human Resource Development Department)	Akihisa Nitta	Managing Executive Officer (General Manager, General Planning Department)
Masayuki Kita	Managing Executive Officer	Shinzo Oya	Executive Officer (General Manager, Audit Department)
Satoshi Oe	Executive Officer		

## Message from an Outside Director



### Sakon Uda

Outside Director, Audit and Supervisory Committee Member,  
Chairperson of the Board of Directors

### What surprised me initially

I was appointed an outside director of Hokkoku Financial Holdings (Hokkoku FHD) in 2023 and became the chairperson of its Board of Directors in June 2024. During this time, what struck me while being in the Board meetings was that the Company did not project any—what I would say—“eerie” atmosphere one might expect from a financial institution. The Board was strikingly different from one in which a top-down and seniority-oriented approach, starting from the chairperson (also the president) at the top, was the norm. It was not a Board consumed by needless tension to the point that the general manager of planning would feel that his position would be at risk should questions be raised during deliberations. It was not a Board where no one spoke until the president spoke, only to see everyone chime in with comments like “what the president says is most reasonable,” when the direction of the discussions became clear.

In 2021, I visited the Company's head office in Kanazawa for the first time in my role as an advisor to CCI (note<sup>1</sup>). I realized then that the Information Systems Department was located in the head office, that everyone working there was cheerful and energetic, and that “going paperless” was being practiced thoroughly and there was no paper on the office desks on each floor. When employees passed by the president in the canteen and other places, they greeted him cheerfully without taking a step back or being overly formal. I remember thinking I had come to a tech startup rather than a financial institution.

### What changes when an outside director becomes the chairperson of the Board of Directors

The governance of a company does not change dramatically the minute an outside director is appointed as the Board chairperson. Some listed companies have outside directors as chairmen, while others do not. Regardless, some of their P/B ratios are above 1x, while others' are below. ROEs vary, as does the rate of corporate growth. Certain “sensible” analysts and investors may see this as an indication that “a company's performance does not hinge on whether the Board

chairperson is an outside director or not” or that “being a company with three committees or a company with an audit and supervisory committee has no bearing on business performance.”

I often heard comments like these, as well as in my previous role as an outside director and Board chairperson at a manufacturer. “A good cat is one that catches mice, whether a black cat or a white cat,” is the thinking here. (In other words, good management is one that raises the share price regardless of the governance format.) This may be true from a static, short-term, external perspective, but the picture is different from a dynamic, medium- to long-term, internal perspective. The actual value creation itself depends on the execution arm, but if there is a will, an outside director or an outside director who is concurrently the Board chairperson can create opportunities for and promote corporate reforms toward value creation. In that sense, I think that having an outside director become the Board chairperson could be rather important for corporate reform. Then, what areas should be tackled with a clear will? I will attempt to explain them in sequence in the sections below.

### The business model and organizational culture of Hokkoku FHD

The business model of Hokkoku FHD—centered on consulting, cashless, and cloud banking—is unparalleled in its conceptual and innovative power. President and CEO Tsuemura is a visionary leader who has been building this kind of business model for many years. He has envisioned an innovative business model, eliminated the unnecessary hierarchies to realize his vision, broke away from conventions, and created a psychologically safe organization. These accomplishments are already well known in the world, and a book has been published about them (note<sup>2</sup>). There is no need to go into the details of the strategies here, but I have been quite surprised by the important innovative approaches the organization has taken to support its transition to a new business model.



In the early 2000s, the Company already predicted that systems and digital technology would become important for financial institutions and took steps to bring system development in-house.



This was an important management decision. Thereafter, the members of the Information Systems Department were transferred to the General Planning Department. The objective was to get rid of their subcontractor mindset (note<sup>3</sup>). The Company made a bold decision to internally establish that the Information Systems Department was a central function of the Bank. By moving the Information Systems Department to the head office, the positioning and importance of the department became widely recognized in the Bank. Many financial institutions have systems departments in the back-office buildings, far from the head office. The staff members engage in their daily tasks, feeling distant from the management, yet they are the first to be blamed when a problem emerges. In such an environment, they will not feel empowered, even if the management tells them that “they are the stars in an era of digital transformation.” System problems recur as a result, and it also becomes difficult to retain outstanding talent amid abundant opportunities for employees to switch jobs. People at financial institutions who are keenly aware of the situation would feel the need to resolve these types of “soft” organizational issues, but in an eerie top-down culture, it is impossible to do so. Meanwhile, the members of Hokkoku FHD’s Information Systems Department present a sense of pride and confidence that they are blazing a trail. There is a reason for the cheerfulness I sensed as my first impression.

●

In 2021, the Company underwent organizational reforms and adopted a holding company structure, with the Group companies consolidated under Hokkoku FHD. The important point here was the fact that the employees of the Bank and other Group companies all resigned from their organizations and became employees of Hokkoku FHD. Advanced expertise is certainly expected of each Group company, including DV (note<sup>4</sup>), CCI (note<sup>1</sup>), and QRI (note<sup>5</sup>). On the flip side, however, if the human resources had been fixed as belonging to their respective companies when the holding company was established, the overall dynamics would have projected a division comprising “one huge bank” and “everything else.” This would not have changed the bank-centric organizational structure and culture. By having all Bank employees become employees of Hokkoku FHD, the Company was able to nurture an open organizational culture without the Bank being at the center or superior. This unique approach is not seen in many financial institutions that have transitioned to a holding company structure. I believe the Company is exceptional in that it can take a soft approach to challenges like this and execute bold measures.

●

Hokkoku FHD also excels in its ability to invest in human resources. Long before the world was talking about human capital-oriented management, the Company was encouraging its employees to actively participate in online leadership programs, online undergraduate programs on management studies, as well as MBA programs. To date, 17.5% of the employees have participated in some kind of online courses or undergraduate and graduate programs. There is great benefit to having all employees broadly understand management, problem-finding and solving, and team leadership, and use such knowledge as a common language in their daily work. A business model of a few so-called elites leading

many ordinary people would become obsolete in an increasingly uncertain society. The Company has long realized this point. Bolstering the fundamental capabilities of the human resources gathered at Hokkoku FHD in this way is also crucial in preparing the individuals before they hone their skills in areas unique to each Group company. For instance, at the consulting company CCI, each employee is expected to provide value to customers as a professional. In this situation, it is reassuring that many staff members have problem-solving skills and share a common language. Additionally, many employees have interacted with people from other organizations through online classes, and these experiences have been helpful in actual work. I understand that these endeavors in the field of human resource investment are also highly advanced.

●

From a similar standpoint, the Company is committed to thoroughly instilling directors’ roles and functions within the organization and creating a healthy tension between the Board of Directors and the execution side while having them work together to resolve issues and ensure continuous progress. I believe that by having an outside director become the Board chairperson, the Company is signaling the significance of this commitment to the stakeholders. I feel a strong sense of responsibility, knowing that I am expected to bring about major changes not just in format but in various “soft” aspects.

### Matters the Board of Directors should consider

Hokkoku FHD must press on with future changes without losing its unique aspects that have been honed to date, including its innovative spirit, flat culture, highly engaged and skilled employees, and an organizational culture that ensures psychological safety. I would say that, moving forward, the Company must use the framework of its business model as a foundation, further bring together the organization’s execution capabilities and its power to carry things out to completion, and demonstrate internally and externally the “correctness” of the business model. In effect, this entails demonstrating tangible results such as improved ROE and P/B ratio both internally and externally, proving that “a smart cat is a cat that can raise the probability of catching mice.” In this sense, the Board of Directors is expected to provide support so that the execution team can achieve one step higher results.

●

A Board of Directors fundamentally bears the responsibility of resolving medium- to long-term issues to ensure the continued progress of a company. It is responsible for leading the way on matters concerning the business portfolio, human resource portfolio, diversity, equity, and inclusion (DEI), and the development of next-generation management talent. I came to realize this in my previous post as a chairperson of another Board, when a long-term overseas investor confronted me with the question, “What are you going to do about the fact that there is no gender diversity in your company’s management?” At first, I almost said, “That’s a personnel issue, so please ask the head of the executive team.” However, I realized at that moment that, through the question, I was being told that the Board and I myself—as the Board chairperson—bear the responsibility of proactively tackling these medium- to long-term issues. Such is the expectation of our investors as well as the expectation of important stakeholders, including our employees and local society. I understood that directors have the responsibility of creating value through governance.

### “Governance to Value”

At Hokkoku FHD, I will pursue the possibility of achieving “Governance to Value” (creating corporate value through governance reforms) from a dynamic perspective, taking on Board reforms as a starting point.

Specific priority issues will be identified as we move along. However, I would like to proceed by keeping the following points in mind in advance.

- 1) Selecting correct agendas: In an increasingly uncertain society, the executive team should not exclusively bear the responsibility of choosing the correct agendas. It is a thing of the past for outside directors to express their opinions from a bird’s-eye perspective based on an agenda prepared by the executive team. I will bring into our agendas, with plenty of lead time, medium- to long-term issues, matters with a significant impact on Company-wide earnings, and matters having a negative impact on long-term investors so that the Board can thoroughly discuss these items.
- 2) Nurturing a sense of healthy tension: For the executive team, the Board of Directors should be a body that “throws sharp questions,” “will call you out if important points cannot be answered,” or “will not accept half-baked explanations.” If there is a sense of healthy tension between the executive team and the directors and the executives can be encouraged to strengthen their explanation skills, we can eliminate decisions based on unspoken conventions and internally minded rationality. I also aim to be a hurdle in urging our executives to explain themselves better.
- 3) Gaining an internal understanding of the roles and positioning of the Board: I hope to make the Board of Directors a body that fully supports organizational reforms without falling prey to the so-called “checking-the-box” syndrome. If the head of the executive team also serves as the head of the Board, the members of the organization are likely to think of the Board as a higher-level meeting body of the executive team. A culture of thinking, “I will be a director one day,” will be fostered as a result, and the hierarchy within the executive team will be reflected in the behaviors of the internal directors even during the Board meetings. This will, in turn, brew a mentality of “what you say is most reasonable,” as I mentioned before, leaving no hope for a sense of healthy tension between the executives and the Board. Hence, I am committed to creating a new relationship between the executive team and the Board.

- 4) Board effectiveness: I believe the Board chairman holds the primary responsibility of ensuring Board effectiveness. At some companies, assessing Board effectiveness has become a mere formality. Some companies also choose third-party evaluators because they are inexpensive and the process is simpler. Meanwhile, when the Board chairman is responsible for substantively improving the quality of Board discussions, he or she would certainly position the assessment of Board effectiveness as an important factor to be included in the PDCA cycle of his or her own activities. The assessment process should include self-evaluation by the Board, along

with peer reviews among the directors and an evaluation of the chairperson. Through these actions, I aim to improve the quality of discussions at the Board meetings.

- 5) Self-discipline of the Board: It is necessary to follow up on how the matters discussed and decided in the Board meetings or the opinions expressed during the deliberations were handled and whether the necessary matters were being carried out. On this front, I believe we will be requesting explanations from the executive team at least once every quarter. This will require the executive team’s discipline to keep pace with the PDCA cycle. At the same time, if the Board were to request such explanations, it must also take ownership of thoroughly activating the PDCA cycle. I will also set an example by proactively assessing the Board’s effectiveness.
- 6) I think this is the area where investors have high expectations. To achieve the targets for ROE, P/B ratio, and other performance indicators, the Board will need to understand the gap between the current state and the targets and support the implementation of necessary measures toward these targets in the initial and interim stages. Investigating the causes based on the results alone will not lead to achieving the targets, so it is important to promptly take additional measures while we are still working to meet our projections. We must set appropriate KPIs, continue timely monitoring, and make speedy decisions for necessary additional investment where a gap exists. I am committed to having the Board take a proactive stance to support these actions.

●

With these points in mind, I aim to instill a strong sense of self-discipline and a desire to achieve results in the executive team. I believe this will lead to the realization of “Governance to Value,” through which the governance reforms at Hokkoku FHD can generate value. At the same time, I hope to promote communication with our stakeholders as necessary. As a first step, I will do my utmost to meet the expectations of our stakeholders reading this integrated report.

#### Notes:

1 CCI : Short for the Group’s consulting company, CC Innovation

2 *Brushing Up Human Resources Energizes Companies and Local Communities*  
(a book published by Hokkoku FHD)

3 Taken from the book, *Digital Transformation of a Regional Financial Institution*  
(published by The Digital Value, Ltd.)

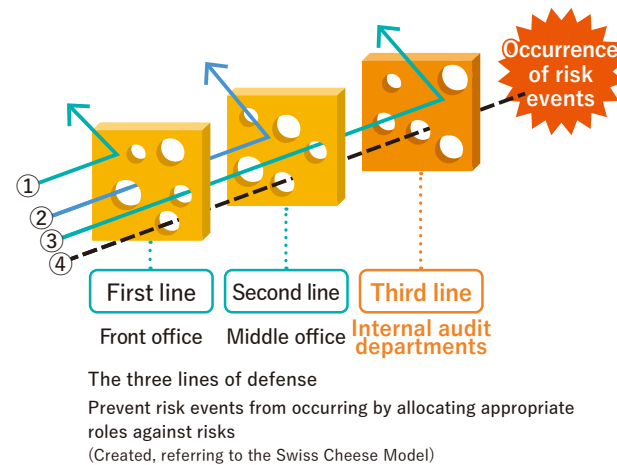
4 DV: Short for the Group’s system development company, Digital Value

5 QRI: Short for the Group’s investment fund management company, QR Investment

## Internal Audit System

### Internal audit

An organization is protected by three lines of defense. The first line of defense (front-office departments) is responsible for taking and managing risks to secure income, and the second line of defense (middle-office departments) forms the policies and processes for assessing and managing risks. The third line of defense (internal audit departments) assesses the appropriateness of the operations of the first two lines from an independent standpoint and guarantees their effectiveness. For the appropriate and sound operation of an organization and for such an organization to formulate and steadily implement management strategies toward realizing its management philosophy, it is important that governance, including internal audit, functions effectively. For this, the sophistication of an internal audit system suited to the changes in internal and external environments is called for.



### The past and present of the Audit Department

In the past, the role of the Audit Department was to partake in administrative deficiency audits, checking whether work was being carried out in accordance with set rules. Since this audit approach involved internal checks based on the discovery of administrative deficiencies and violations of regulations, dialogue was not emphasized, and data utilization was also limited. Back then, the Audit Department was staffed mainly by employees on standby to be seconded elsewhere. Most of them were seconded within a year, so the environment was unsuitable for the effective accumulation of audit experiences and skills. At present, we have moved on from administrative deficiency audits to risk-based audits, where we use risk assessment\* to select high-risk policies and operations as audit targets and to verify the effectiveness of the internal control processes. Through face-to-face and online interviews, the Audit Department communicates actively with the departments being audited. On the staffing front, the number of female and junior employees has increased, and in 2022, new graduates were also assigned to the department. In such ways, the Audit Department has made progress in diversifying its human resources.

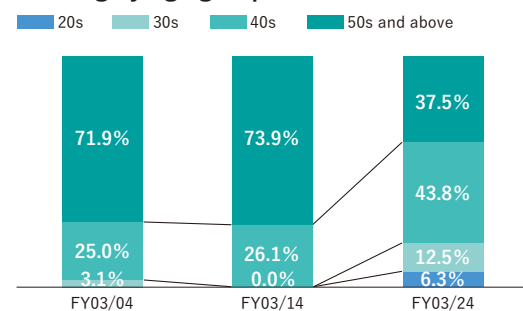
Risk assessment\*

Process for identifying and measuring the magnitude and likelihood of the impact of risk

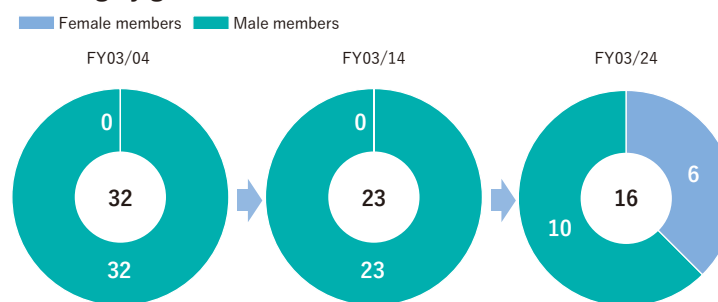
(the possibility of the occurrence of events that affect the achievement of the Company's goals)

For risk assessment, the Audit Department investigates and collects information on business operations on a daily basis.

#### Staffing by age group



#### Staffing by gender

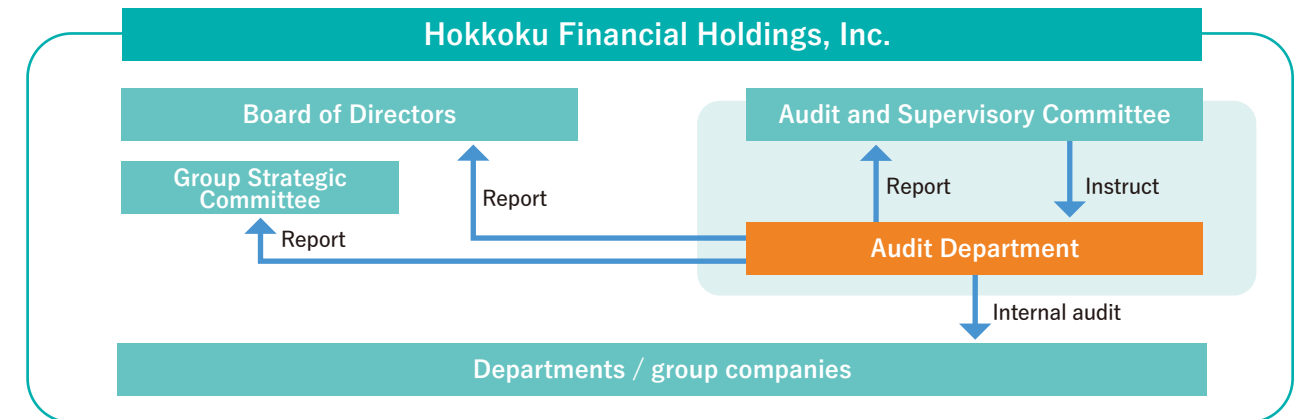


### Effective audit

The Company has promoted company-wide business process re-engineering (BPR) and digital transformation (DX) for over 20 years. As a result, we can now check most of the materials necessary for audits through remote monitoring. This has sufficiently improved our efficiency, reducing the number of audit personnel and days required for on-site audits.

### Audit Department's chain of command and role

The Audit Department reports directly to the Audit and Supervisory Committee. It conducts internal audits based on the internal audit policy approved by the Audit and Supervisory Committee and reported to the Board of Directors. The audit results are reported to the said Committee and the Board of Directors, as well as at the Group Strategic Committee meetings, which all employees can access. In this sense, we not only meet the requirements of a dual reporting line as per the Corporate Governance Code, but we effectively have a triple reporting line in place.

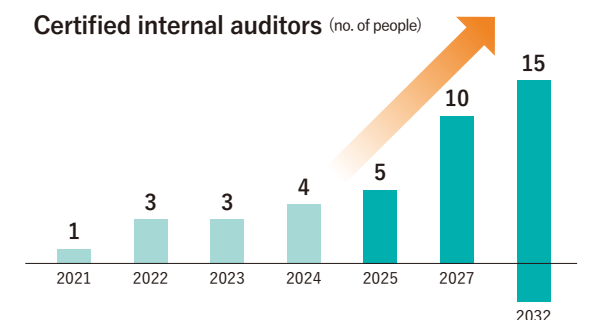


### The future of the Audit Department

Based on the concept of "bringing audits to the region," our Audit Department works to improve its internal audits so that the department's presence is useful for business management and the local community and worthy of the trust of internal and external stakeholders. We have defined the medium- to long-term goals of the Audit Department to provide consulting services regarding audits and internal controls to the Group as well as our business partners and other financial institutions. Through these efforts, we aim to have a top-level audit department that contributes to business management and is a trusted advisor.

### Development and placement of professional and core talent

To give an idea of what goals to pursue, we encourage our audit team members to become professionals with a wealth of experience and in-depth knowledge of auditing work. This would be someone who can work as a professional auditor at any company and is capable of auditing other companies as well. As part of our human resource development efforts, we urge our staff to acquire the Certified Internal Auditor (CIA) qualification, obtain auditing skills in highly specialized fields, and participate in audit- and internal control-related consulting work for our business partners.



### Improvement of audit quality

Since the Audit Department is not audited by other departments, we evaluate its audit quality in accordance with the international standards of the IIA\* to ensure further improvement. The assessment involves an internal evaluation, which is a self-assessment, and an external evaluation conducted by a qualified external party. The internal assessment is conducted annually, and the external assessment is once every five years. Quality assessment allows us to recognize the gap between our audits and IIA's international standards, based on which we run a PDCA cycle to improve our audit quality.

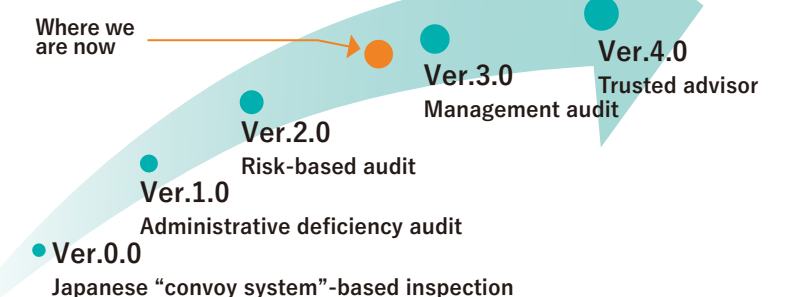
\*IIA: Short for the Institute of Internal Auditors

IIA is the world's most widely recognized association. It serves as an advocate, educational institute, and provider of standards, guidance, and various certifications associated with internal audit professions. Established in 1941, IIA had more than 200,000 members in over 170 countries and territories worldwide as of June 2024.

### Efficiency improvement and DX of audit operations

We are working to improve our operational efficiency mainly by utilizing generative AI, which is making dramatic progress, and incorporating risk assessment that uses data scientists for data analysis. Moving forward, we will continue working toward improved efficiency and DX of our audits while tapping into external parties' expertise.

#### Our goals moving forward





## Risk Management System Initiatives

We have implemented an information-gathering system to accurately capture and analyze risks that are becoming more diverse and complex due to changes in the environment surrounding corporate management. By doing so, we seek to strengthen our risk management system so that we can manage and control the risks appropriately.

### Basic policy and operating structure for risk management

As of late, business opportunities for financial institutions have expanded along with the progress in financial liberalization, globalization, and deregulation. Hokkoku FHD transitioned to a holding company structure in October 2021 and has substantially expanded its business domains since. Meanwhile, the risks associated with business operations have rapidly diversified and are also becoming more complex. Going forward, it will become important for the Company to accurately control risks based on the principle of self-responsibility and to secure appropriate income commensurate with such risks.

The Company has laid out the basic matters concerning risk management in its Integrated Risk Management Rules. The administrative departments of each Group company engage in risk management, while the Management Administration Department of the holding Company, as the supervising department, manages overall risks in an integrated manner.

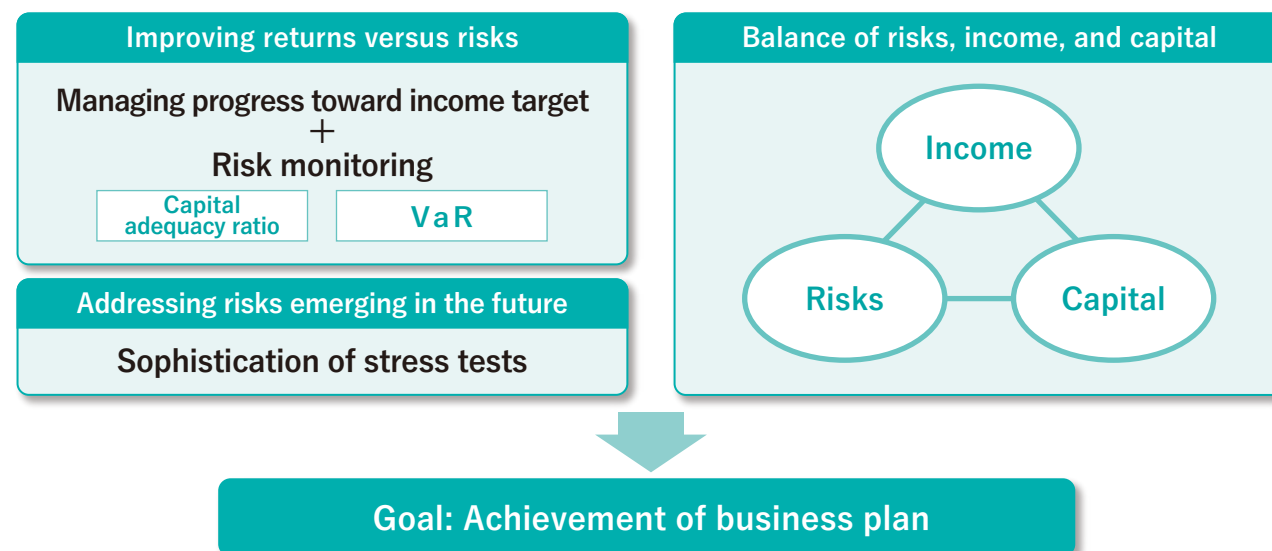
### Risk appetite framework

The Company does not treat risks merely based on a constraint formula. Instead, it uses the risk appetite\* framework to monitor risks according to predefined risk levels acceptable for business execution.

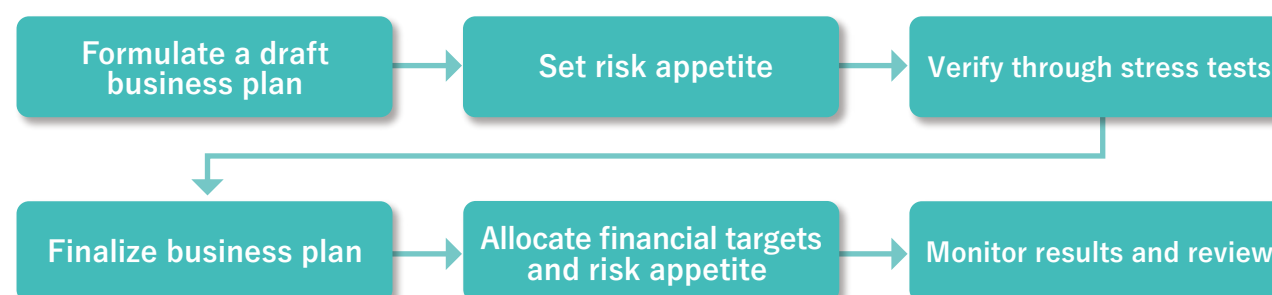
We set risk-weighted asset targets consistent with our financial plan and business strategy, and we work to achieve appropriate risk-taking and income generation by allocating the risk-weighted assets to each business department, and then regularly monitoring the status of such risk-weighted assets and income. Based on the framework below, we optimize the risk-return trade-off to accomplish our medium- to long-term business strategy.

\*Risk appetite: The type and amount of risks an organization is willing to accept to achieve its objectives and business plan

#### ●Operation and management based on the risk appetite framework



#### ●Processes under the risk appetite framework



### Integrated risk management system

The Company uses the universally applied index VaR to measure credit risks on loans as well as market risks (interest rate and price fluctuation risks) on market-related products and banking accounts. For these quantified risks, we formulate integrated risk management guidelines each year, based on which we establish a capital allocation budget. We then work to control the risks accurately by tracking actual results. We compare our integrated risk, which includes operational risk\*, with our core capital-based capital to conduct risk management that ensures capital sufficiency. Furthermore, we perform stress tests to evaluate our financial soundness, assuming sudden changes in the financial markets and other unforeseen circumstances. During the regular formulation of comprehensive budgets, the Company also conducts a stress-based assessment of risk appetite.

\*Operational risk: A generic term referring to clerical risks, systems risks, and other risks (including legal, human, tangible asset, management, and reputational risks)



Please click here for our basic policy on the management of various risks:

[https://www.hfhd.co.jp/\\_wp/wp-content/uploads/2024/07/disclosure\\_2024\\_03.pdf](https://www.hfhd.co.jp/_wp/wp-content/uploads/2024/07/disclosure_2024_03.pdf) (Japanese only)



### Basic policy on business continuity

#### 1. Purpose

As an integrated regional company, we seek to enhance and strengthen our risk management system by implementing a business continuity system. We have formulated the basic policy on business continuity to set forth our basic stance on the business continuity system of Hokkoku FHD and the overall Group in accordance with the basic policy on internal management (Basic Policy on Internal Control System) and to make it known across the entire organization.

#### 2. Basic approach to management

In an emergency, we pay attention to the following points while we minimize the emergency's impact on our operations, restore operations swiftly and efficiently, and maintain a certain level of business continuity.

- 1 Ensure the safety of our customers, officers and employees, and other related parties
- 2 Contribute to maintaining economic activities within the community through business continuity and swift restoration and, at the same time, minimize the impact on payment systems
- 3 Minimize loss of opportunities due to suspension of operations, etc.
- 4 Build the necessary structure to ensure the effectiveness of the above and also conduct training

#### 3. Anticipated emergencies

Anticipated emergencies include disasters, pandemics, system failures, cyberattacks, and reputational damage.

#### 4. Priority tasks and recovery targets

As a company providing highly public financial services, we prioritize and concentrate our management resources on operations that should be addressed first during restoration to prevent disruption of economic activities essential for society. For those operations given priority, we set target recovery times and recovery points and work to meet those targets.

#### 5. Rules and regulations

In line with the subject policy, we have formulated the Basic Rules for Business Continuity to clarify what has been decided and also set forth subordinate rules and regulations, taking steps to ensure that all employees are aware of them.

#### 6. Continuous improvement

We regularly conduct training based on the business continuity plan, assess the degree of awareness and proficiency regarding emergency responses among our officers and employees, and periodically verify effectiveness. To enhance our ability to maintain business continuity in response to changes in the external environment and diversification of our operations, we will update our rules and regulations for business continuity as appropriate.

## Compliance Initiatives

### Basic approach

In accordance with our Policy on Compliance with Laws and Regulations, etc., we regard compliance as “observing laws and regulations as well as social norms and internal rules and regulations” and consider it a management issue of the highest priority. Upholding thorough recognition and observance of compliance as our basic policy, we are working to establish a compliance framework, as shown below.

#### ■ Understanding and thorough awareness of corporate philosophy, etc.

All officers and employees will comply with our Ethics Charter by thoroughly understanding and recognizing the Company’s corporate philosophy, management guidelines, and code of conduct, bearing in mind that trust and confidence are won through one’s day-to-day efforts.

#### ■ Training and education

We will instill compliance awareness through training, education, and case studies. At the same time, the departments overseeing compliance will establish a monitoring structure, and the compliance officers at each operational department and sales branch will step up efforts to prevent violations.

#### ■ Implementation of compliance programs

We will appropriately check, report, and evaluate the status of compliance-related activities based on compliance programs (activity plans) and take effective corrective and recurrence prevention measures under the directive of the Board of Directors and other bodies.

### Compliance operation structure

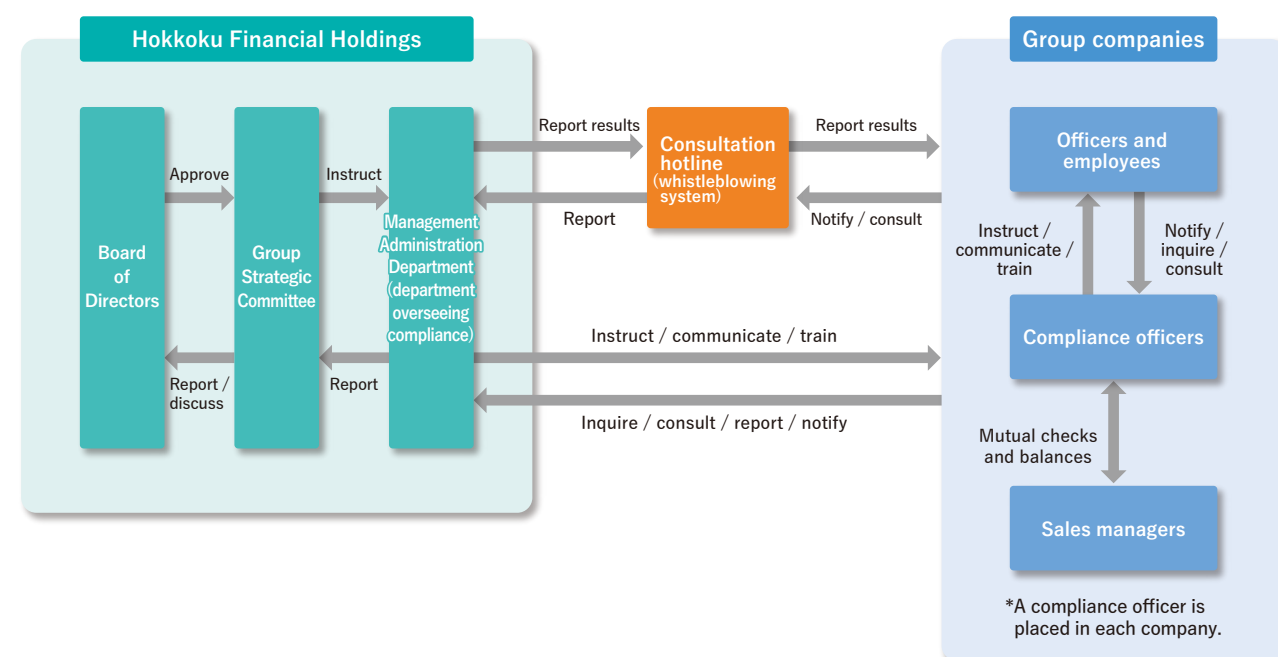
At Hokkoku FHD, the Board of Directors, the Group Strategic Committee, the compliance officers at each operational department and sales branch, and the Management Administration Department take on active roles in ensuring compliance.

The Management Administration Department, as a department overseeing compliance, centrally collects, manages, studies, and analyzes compliance-related information and takes necessary measures while also formulating and implementing compliance programs (activity plans).

The Board of Directors and other bodies receive compliance-related reports regularly or as needed and deliberate on important measures.

Compliance officers are assigned to each operational department and sales branch to establish a system of checks and balances at each workplace.

#### Compliance management structure



### Prevention of money laundering and financing of terrorism

The Company considers the prevention of money laundering and the financing of terrorism a priority management issue and implements effective measures against money laundering in accordance with the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism released by the Financial Services Agency. Specifically, we properly identify and evaluate the money laundering and terrorism financing risks pertaining to the products and services we handle and constantly verify and enhance risk mitigation measures through, for instance, thorough confirmation at the time of transactions, ongoing management of customers, and detection and reporting of suspicious transactions. We are also bolstering measures to protect customer assets from financial crimes such as bank transfer scams.

#### ■ Initiatives toward preventing financial crimes

- Given the recent increase in the number of specialized fraud victims in Japan, we confirm with our customers the purpose of their transactions when they request a large amount of cash payment or fund transfer over the counter. To protect customers from bank transfer scams using ATMs, we display cautionary messages on the transfer operation screens and also have installed devices to play audio announcements at some ATM corners to thoroughly alert customers.
- We have created and posted on our website educational videos on financial crimes targeting young people.
- We regularly update our training materials to build and strengthen our management framework so that all employees, including management, can work together to prevent financial crimes and deepen their knowledge and understanding regarding the prevention of money laundering and financing of terrorism.



Please click here to view our educational videos on financial crimes.  
[https://www.hokkokubank.co.jp/customer/lifeplan/for\\_students/for\\_parents.html](https://www.hokkokubank.co.jp/customer/lifeplan/for_students/for_parents.html) (Japanese only)



### Whistleblower and consultation system (consultation hotline)

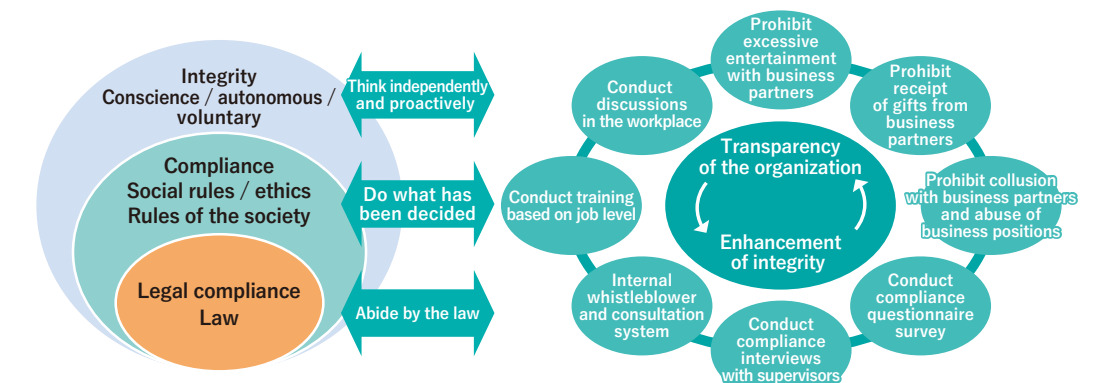
The Company has in place a whistleblower system for all Group employees (including officers and employees who have left the Company within one year), with the head of the compliance group, the head of the human resource development group, and an attorney designated by the Company serving as the contact points for reporting.

To prevent incidents of misconduct from violation of laws and other wrongdoings and to detect them at an early stage, we have in place a system to capture various voices in the workplace. This includes the implementation of interviews to prevent misconduct, where employees can speak with their supervisors regarding work-related problems and personal concerns. We also conduct a compliance questionnaire survey through which employees can send in comments directly to the department overseeing compliance without having to go through their immediate supervisors. This framework is also aimed at protecting the whistleblowers. In FY03/24, we addressed 17 requests and consultations concerning the work environment and other matters.

In addition to preventing misconduct, we have dedicated staff available to discuss employees’ health, illness, family concerns, and overall mental health issues, as well as career consultations.

### Initiatives toward strengthening compliance and enhancing integrity

In addition to strengthening compliance, we take various steps to encourage our employees to think independently and proactively in their pursuit of enhancing integrity.



Please click here for more information on other compliance-related initiatives.  
<https://www.hfhd.co.jp/compliance/> (Japanese only)



### Response to customer harassment

The Group has formulated the Basic Stance on Customer Harassment in light of the essence of the human rights policy of Hokkoku Financial Holdings. We will respond resolutely and in an organized manner to customer requests that go beyond what is considered socially acceptable, as well as to words and actions that deny the character and hurt the dignity of our employees. By doing so, we will maintain a healthy environment where employees can work with peace of mind. At the same time, we will also make the utmost efforts to offer better services by communicating with our customers based on thorough dialogue toward establishing a long-term relationship of trust.



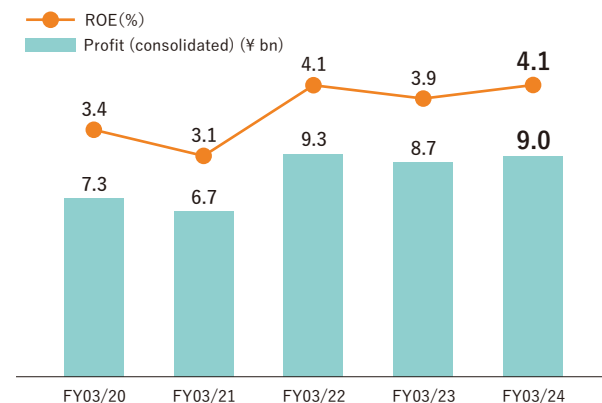
## Financial Highlights

### Profit (consolidated) and ROE (domestically active bank-basis)

Medium- to long-term targets

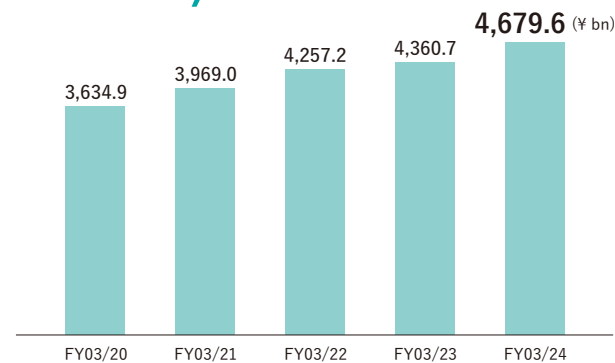
[ROE] FY03/25 **4.5%** FY03/27 **5% or higher** FY03/29 **8% or higher**  
 [Profit] FY03/25 **¥10.2billion** FY03/27 **¥13.4billion** FY03/29 **¥20.7billion**

ROE **4.1%** Profit (consolidated) **¥9.0 billion**



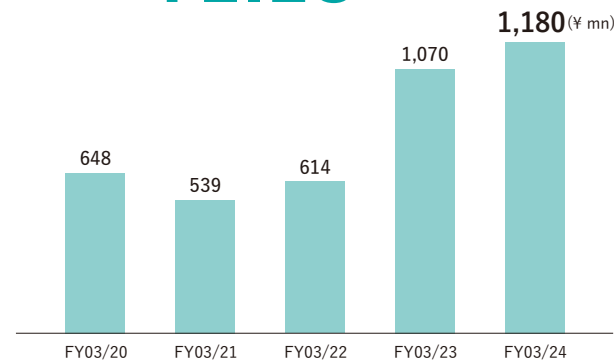
### Deposits

**¥4,679.6 billion**



### Consulting income

**¥1.18 billion**



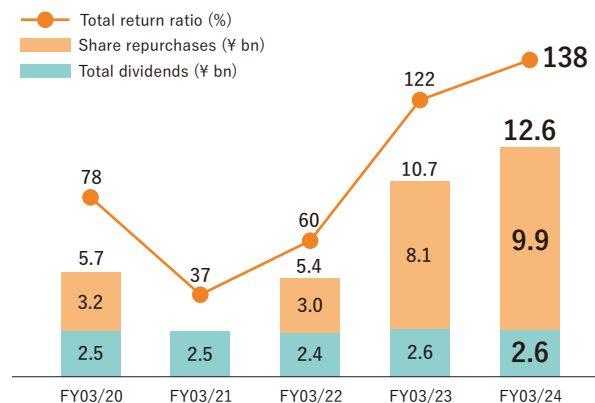
### Total return ratio, total dividends, and share repurchases

Medium- to long-term targets

Total return ratio of **50% or higher**

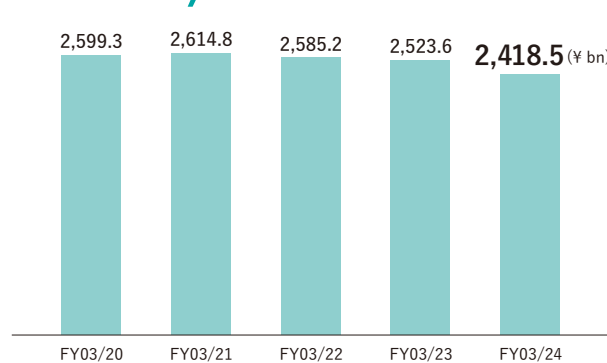
We will regularly review and conduct share repurchases and dividend hikes while considering the capital adequacy ratio and strategic investment opportunities.

Total return ratio **138%** Total dividends **¥12.6 billion**



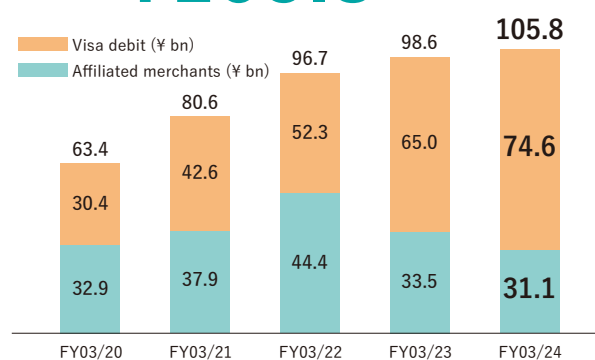
### Loans outstanding

**¥2,418.5 billion**



### Cashless payment amount

**¥105.8 billion**



## Non-Financial Highlights

### Outside directors

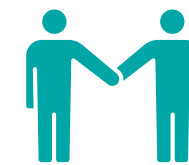


**55%**

(Five out of nine directors are outside directors)

\*An outside director has served as the chairperson of the Nomination and Compensation Committee since November 2023.  
 \*An outside director has served as the chairperson of the Board of Directors since June 2024.

### Meetings between the CEO and institutional investors



Over **50 sessions**

(FY03/24)

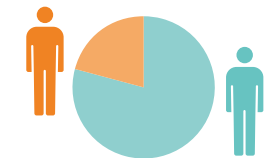
### Female directors



**22%**

(Two out of nine directors are female directors)

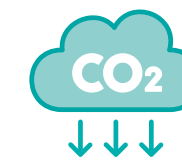
### Women in management positions



**21.2%**

(FY03/24)

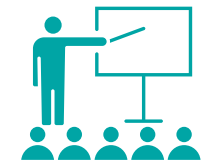
### CO<sub>2</sub> emissions reduction



**50.4% reduction**

(FY03/14⇒FY03/24)

### Internet banking and electronic tax payment classes held



Over **8,400 sessions**

(FY03/24)

### Corporate internet banking subscribers



**29,882 companies**

(as of end-March 2024)

### Individual internet banking subscribers



**320,853 subscribers**

(as of end-March 2024)

### Commendation for expanding electronically recorded monetary claim transactions



**Ranked first in the sector** (※)

(2H FY03/24)

\*Award by sector : Granted to participating financial institutions with a high number of electronically recorded monetary claims issued in relation to the amount of loans and deposits



**Received a letter of appreciation from the commissioner of the National Tax Agency at the National Declaration Ceremony for the Promotion of Cashless Payment**

At the National Declaration Ceremony for the Promotion of Cashless Payment hosted by the National Tax Agency on May 30, 2024, Hokkoku FHD received a letter of appreciation from the commissioner for its outstanding record in promoting cashless tax payments.

Group Non-Financial Data

Environmental

	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
CO <sub>2</sub> emissions (tons of CO <sub>2</sub> )	6,148	6,303	5,569	5,245	5,052
Electricity consumption (thousand kWh)	10,286	11,306	10,150	9,653	9,350
Gasoline consumption (kl)	249	206	186	174	145
Ratio of EV and HV (%)	9	9	13	13	19
Leases subject to CO <sub>2</sub> /energy saving subsidies (number)	40	41	59	91	68
Number of customers who gave affirmative responses on approaches to ESG and SDGs during our efforts to understand their business prospects	—	—	—	—	2,439
Number of interviews made with customers whose GHG emissions were measured and recorded in line with our efforts to understand their business prospects	—	—	—	—	56

Social

Human capital (employee information)	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Number of employees	1,750	1,741	1,890	1,880	1,898
Number of female employees	738	750	861	884	918
Ratio of female employees (%)	42.2	43.1	45.6	47.0	48.4
Age composition 15 to 30 years old (%)	23.0	22.5	19.6	18.3	15.5
Age composition 31 to 40 years old (%)	27.0	28.8	29.8	29.9	29.1
Age composition 41 to 50 years old (%)	29.7	27.3	25.4	24.0	25.4
Age composition 51 years or older (%)	20.3	21.5	25.1	27.8	29.9
Average age	41 years 1 month	41 years 3 months	42 years 4 months	42 years 2 months	43 years 6 months
Average of male employees	43 years 4 months	43 years 4 months	44 years 4 months	43 years 9 months	44 years 9 months
Average of female employees	37 years 11 months	38 years 6 months	39 years 6 months	40 years 6 months	42 years 2 months
Average length of service	17 years 2 months	17 years 4 months	16 years 9 months	15 years 9 months	16 years 11 months
Average of male employees	19 years 11 months	20 years 0 month	19 years 1 month	17 years 11 months	18 years 10 months
Average of female employees	13 years 6 months	13 years 9 months	13 years 11 months	13 years 3 months	14 years 8 months
Ratio of employees resigning for personal reasons (%)	2.62.0	2.6	3.2	2.6	
Average annual compensation per employee (¥ '0,000)	— 623	620	698	691	
Gender pay gap* (%)	—	—	—	67.2	64.4
Ratio of mid-career hires (%)	10.9	25.0	32.0	67.3	75.0
Ratio of full-time employees (%)	80.2	81.1	86.1	88.2	90.4
Ratio of part-time employees (%)	19.8	18.9	13.9	11.8	9.6
Ratio of employees with disabilities (%)	2.34	2.79	2.66	2.86	3.12
Women in management positions (%)	13.9	14.6	17.6	20.3	21.2
Women in leadership positions (chief or higher positions) (%)	38.4	40.4	42.8	46.1	49.0
Average days of paid leave taken (days)	15.9	17.1	17.9	18.3	17.8
Ratio of average days of paid leave taken to days granted (%)	72.3	77.7	81.4	91.5	89.0
Average overtime (hours per person)	2:57	3:05	3:28	2:37	3:32
Ratio of childcare leave taken (male) (%)	4.3	23.1	19.4	93.9	106.1
Ratio of childcare leave taken (female) (%)	100.0	98.0	100.0	100.0	100.0
Number of secondees (people)	24	30	41	51	51

\*Gender pay gap=Average annual wage of female employees / average annual wage of male employees

	—	Jan. 2022	Jul. 2022	Jan. 2023	Jul. 2023
eNPS <sup>SM</sup> *	—	-52.4	-51.0	-46.5	-48.7

\*Abbreviation for Employee Net Promoter Score. It quantifies workplace recommendation levels. (Details on p. 71)

Human capital (human resource development)	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Amount invested in human resources*1 (¥ '0,000)	5,000	5,800	6,600	7,300	9,700
Proportion of the human resource portfolio allocated to priority businesses*2 (%)	—	—	—	—	39.2
Number of employees who obtained difficult qualifications (people) (cumulative)	403	431	449	490	520
Number of employees who obtained an MBA (people) (cumulative)	2	2	7	12	21

\*1 Amount invested in human capital includes training expenses, travel expenses associated with training, subsidy for course fees, subsidy for fees for the acquisition of difficult qualifications, etc.

\*2 Of the human resource portfolio, employees placed in priority businesses include those responsible for the Company's priority businesses (business loans and leasing, cashless payment, consulting and advisory, investment advisory, investment funds, and market operations).

Social contribution activities	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Amount spent on social contribution activities* (¥ mn)	80	75	66	75	139

\*Donations and sponsorship money in the fields of sports, public interest and welfare, arts and culture, and education, as defined by the Company

Financial education activities	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Participants in financial education classes (for schools) (people)	1,534	1,374	1,532	2,088	3,810
Participants in asset-building seminars (for employees of customer companies) (people)	—	5,791	4,326	5,918	6,569

Contribution to the creation of a digital and cashless society	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Number of digital classes held for individuals (as of fiscal yearend)	—	—	—	4,345	7,774
Number of digital classes held for companies (as of fiscal yearend)	—	—	—	323	656
Number of internet banking contracts with individual customers (as of fiscal yearend)	119,826	158,206	211,255	268,107	320,852
Number of internet banking contracts with corporate customers (as of fiscal yearend)	20,587	21,479	25,062	28,141	29,882
Usage rate by account holders of individual internet banking servic (as of fiscal yearend) (%)	39.8	43.2	49.4	50.3	60.4
Usage rate by account holders of corporate internet banking service (as of fiscal yearend) (%)	85.0	84.5	84.2	84.4	83.5
Number of web-based (paperless) passbooks (as of fiscal yearend)	11,297	22,344	68,755	105,055	151,424
Number of Hokkoku Visa debit cards issued (as of fiscal yearend)	206,202	208,798	239,386	278,639	315,610
Number of card affiliated merchants (as of fiscal yearend)	6,113	6,662	6,919	6,628	6,678
Electronic tax payments handled (sum of e-Tax and eLTAX)	25,236	56,307	105,686	137,103	166,708
Customers using electronically recorded monetary claims (as of fiscal yearend)	1,733	1,865	2,261	2,651	2,864

Governance

	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Number of directors*1	17	15	10	9	9
Outside directors (%)*1	29.4	33.3	50	55	55
Female directors (%)*1	11	13	10	22	22
Strategic shareholdings balance (¥ bn) *Listed shares held by Hokkoku Bank (book value)	20.0	18.1	13.8	11.4	6.8

\*1 Data through FY2020 are those of Hokkoku Bank.



## Group Company Information

(as of June 30, 2024)

### HOKKOKU FINANCIAL HOLDINGS

Company name Hokkoku Financial Holdings, Inc.  
Date founded October 1, 2021  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Shuji Tsuemura, President & Chief Executive Officer, Representative Director  
Business Bank holding company  
Share capital ¥10,000 million  
Exchange listing Tokyo Stock Exchange Prime Market  
Website <https://www.hfhd.co.jp/english/>

### HOKKOKU GENERAL LEASING

Company name The Hokkoku General Leasing Co., Ltd.  
Date founded April 27, 1974  
Headquarters location 2-2-15 Katamachi, Kanazawa, Ishikawa, Japan  
Representative Yuji Kakuchi, President and Representative Director  
Business Leasing business  
Share capital ¥90 million  
Website <https://www.hksl.co.jp/>

### HOKKOKU GUARANTEE SERVICE

Company name The Hokkoku Guarantee Service Co., Ltd.  
Date founded July 7, 1983  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Toshiyuki Konishi, President and Representative Director  
Business Consumer credit guarantee business  
Share capital ¥90 million  
Website [https://www.hokkokubank.co.jp/as\\_service/index.html](https://www.hokkokubank.co.jp/as_service/index.html)

### Digital Value

Company name The Digital Value, Ltd.  
Date founded November 22, 2019  
Headquarters location 1-3-1 Kyobashi, Chuo-ku, Tokyo, Japan  
Representative Masaki Iwama, President and Representative Director  
Business System development and operation management business  
Share capital ¥90 million  
Website [https://www-digitalvalue-co-jp.translate.google/?x\\_tr\\_sl=auto&x\\_tr\\_tl=en&x\\_tr\\_hl=ja&x\\_tr\\_pto=wapp](https://www-digitalvalue-co-jp.translate.google/?x_tr_sl=auto&x_tr_tl=en&x_tr_hl=ja&x_tr_pto=wapp)

### QR INVESTMENT

Company name The QR Investment, Ltd.  
Date founded June 10, 2021  
Headquarters location 1-16 Musashimachi, Kanazawa, Ishikawa, Japan  
Representative Fumio Hamano, President and Representative Director  
Business Fund administration and management business  
Share capital ¥90 million  
Website <https://www.hfhd.co.jp/qri/>

### COREZO

Company name The COREZO, Ltd.  
Date founded March 16, 2010  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Satoshi Sono, President and Representative Director  
Business EC mall operation business  
Share capital ¥285 million  
Website <https://shopping.corezo.co.jp/>



Company name The Hokkoku Bank, Ltd.  
Date founded December 18, 1943  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Shuji Tsuemura, President & Chief Executive Officer, Representative Director  
Business Banking business, leasing business  
Share capital ¥26,673 million  
Website <https://www.hokkokubank.co.jp/>

### HOKKOKU CREDIT SERVICE

Hokkoku Credit Service

Company name The Hokkoku Credit Service Co., Ltd.  
Date founded June 17, 1981  
Headquarters location 2-2-15 Katamachi, Kanazawa, Ishikawa, Japan  
Representative Haruki Maekawa, President and Representative Director  
Business Credit card business  
Share capital ¥90 million  
Website <https://www.hokkokucard.co.jp/>

### HOKKOKU SERVICER

Company name The Hokkoku Servicer, Ltd.  
Date founded September 21, 2011  
Headquarters location 2-2-15 Katamachi, Kanazawa, Ishikawa, Japan  
Representative Akira Nishita, President and Representative Director  
Business Debt management and collection business  
Share capital ¥500 million  
Website <http://www.hokkoku-servicer.co.jp/>

### CC Innovation

Company name The CC Innovation, Ltd.  
Date founded June 10, 2021  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Tomohiko Kikuzawa, President and Representative Director  
Business Consulting business  
Share capital ¥100 million  
Website <https://www.ccinnovation.co.jp/>

### FDALCO

Company name The FDALco, Ltd.  
Date founded May 31, 2021  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Yutaka Imai, President and Representative Director  
Business Investment advisory business  
Share capital ¥90 million  
Website <https://www.fdalco.co.jp/>

### BPO MANAGEMENT

Company name The BPO Management, Ltd.  
Date founded April 1, 2022  
Headquarters location 2-12-6 Hirooka, Kanazawa, Ishikawa, Japan  
Representative Takayasu Tada, President and Representative Director  
Business Outsourcing business  
Share capital ¥30 million  
Website <https://www.hfhd.co.jp/bpomanagement/>

Hokkoku Financial Holdings has published its *Integrated Report 2024*.

In editing the report, we have referred to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry, among other materials. Although this integrated report contains forward-looking statements regarding the Company's future performance, these statements are not guarantees of future performance and may differ from actual results due to changes in the business environment, among other factors.



# 2024

## INTEGRATED REPORT

Edited, published, and inquiries accepted by:

Hokkoku Financial Holdings, Inc.

PR & IR Section, Corporate Planning Department

2-12-6 Hirooka, Kanazawa, Ishikawa

920-8670 Japan

Tel: +81 (76) 223-9705

Published in November 2024

This booklet is also available on the Company website.

Hokkoku Financial Holdings (<https://www.hfhd.co.jp/english/>)