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“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.

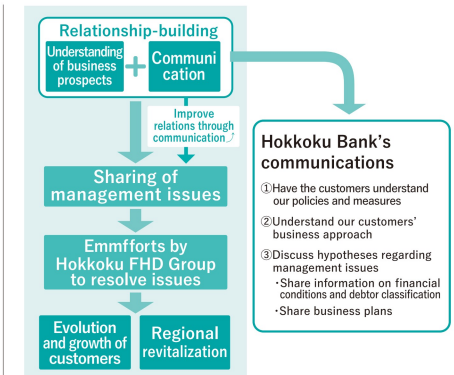
Corporate Sales Begin with the Understanding of Business Prospects

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

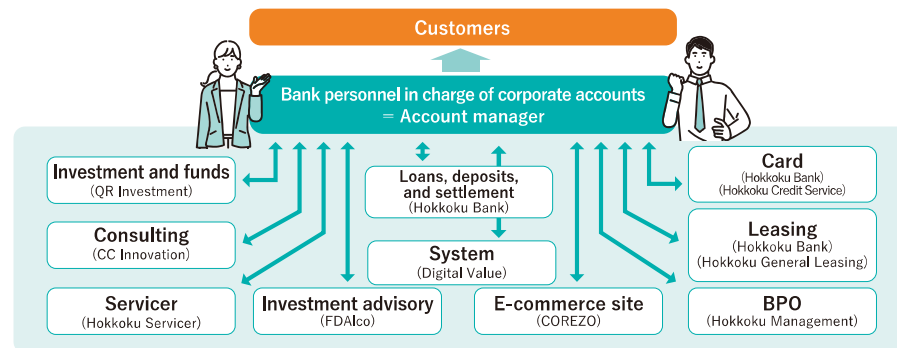
conditions and debtor classification” and the “sharing of business plans.” These involve having dialogues with the customers about the past, present, and future based on their financials and business plans and providing thorough feedback on how we view their companies.

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 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

March 2024

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.

The mission of account managers and the sector coverage system

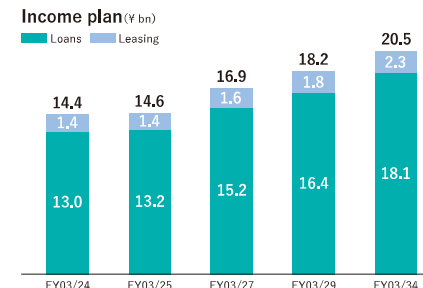
Account managers are the staff members of Hokkoku Bank handling corporate accounts; they also serve as the central contact point for introducing the various services offered by the entire Hokkoku FHD Group. Needless to say, acquiring an in-depth understanding of customers' business prospects—as previously 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.

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.



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.

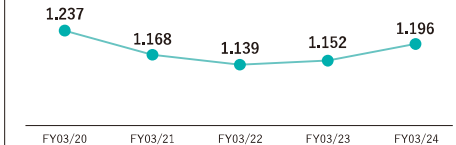
We switched our focus from volume to profitability (volume to quality) and duly shifted to loans targeting small and medium-sized companies primarily in the three prefectures of the Hokuriku region. Although low-spread lending, mostly in urban areas, has decreased, as did our loans outstanding as we 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

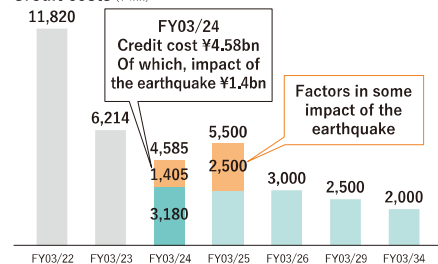
Yields by region (business loans) (%)

	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.hokkokubank.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

	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

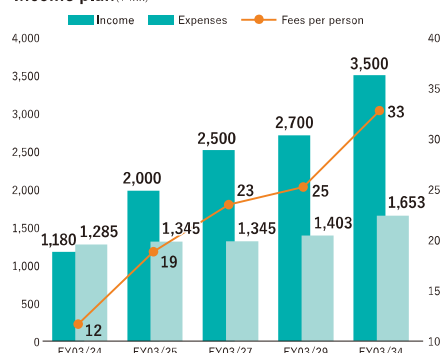
1. We consistently incorporate the latest knowledge to help our customers resolve all manner of issues.
2. We support the growth of all types of customers, from small businesses to major corporations.
3. We support the accomplishment of customer vision by working side by side.

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.

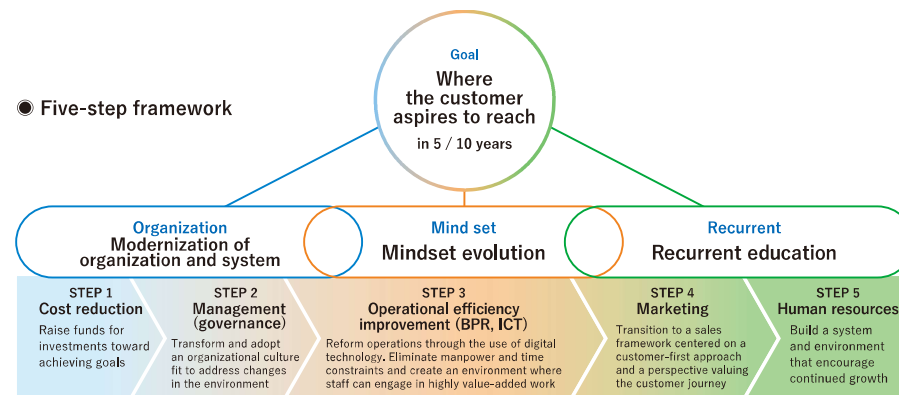
Our strengths and traits

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.

Income plan (¥ mn)



Five-step framework



Main service offerings

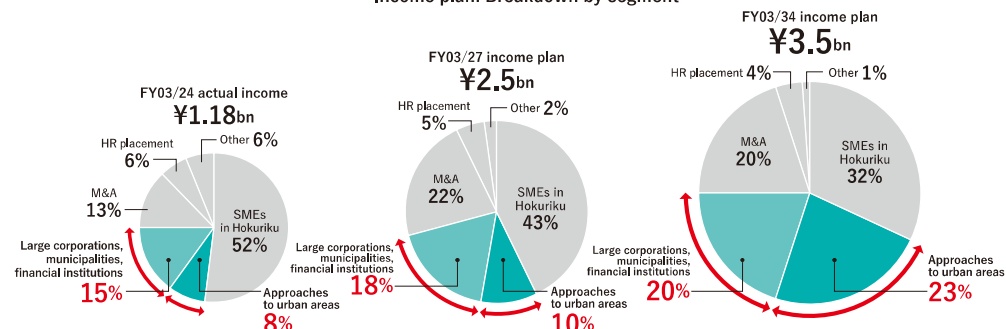
Management strategy formulation Track record: 934 cases (cumulative) <ul style="list-style-type: none"> Formulate management philosophy, business plan Build cost management system Support plan execution 	Operational efficiency improvement / ICT utilization Track record: 496 cases (cumulative) <ul style="list-style-type: none"> Optimize operational processes Improve efficiency of various operations Introduce various systems, support utilization 	Human resource development / human capital Track record: 613 cases (cumulative) <ul style="list-style-type: none"> Design personnel evaluation system, wage system Provide training sessions based on job levels, foster candidates for executive positions Introduce diverse talent
Business succession / capital strategy / M&A Track record: 208 cases (cumulative) <ul style="list-style-type: none"> Formulate business succession plan Support organizational restructuring M&A intermediation, financial advisory 	Overseas business Track record: 118 cases (cumulative) <ul style="list-style-type: none"> Cultivate overseas sales channels Establish overseas bases Resolve various issues faced by local subsidiaries 	Other Track record: 120 cases (cumulative) <ul style="list-style-type: none"> Support ESG and SDG initiatives Management advisory Consulting services for financial institutions

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.

Income plan: Breakdown by segment



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

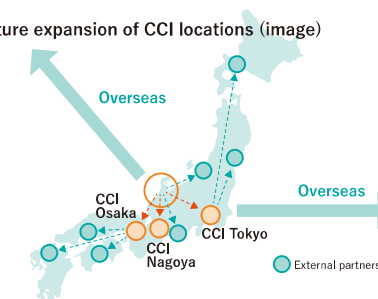
To date, we have worked primarily with customers in the three Hokuriku prefectures, looking to resolve their issues by understanding their businesses. Our approach has been to work alongside the customers, sharing a common notion of what needs to be done to achieve the goals and tackling each issue step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

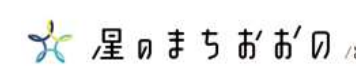
▼ Reasons for consultation and key deciding factors

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.

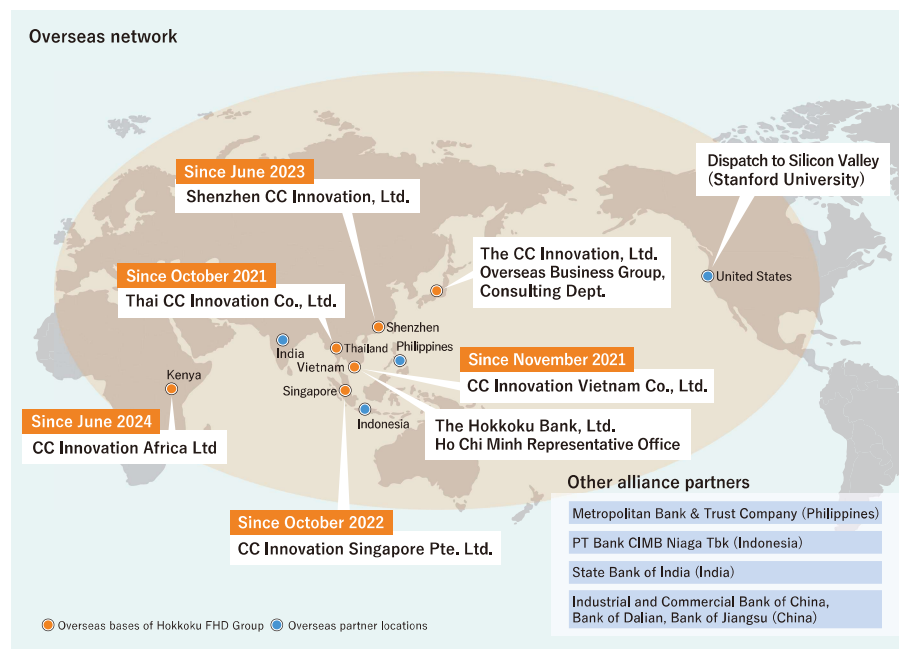
In the past, our customers primarily needed support for their overseas expansion, establishing local subsidiaries, and expanding sales channels. Today, their needs have somewhat shifted. For instance, some customers want to improve the productivity of their existing local subsidiaries in response to 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 Tsumura 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



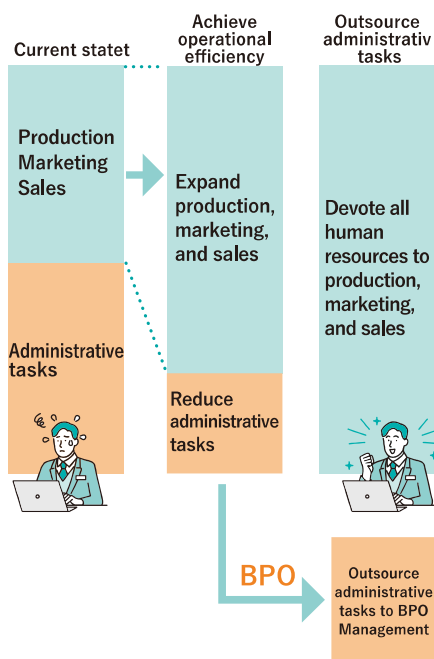
Expansion of consulting service lineup

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.

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.

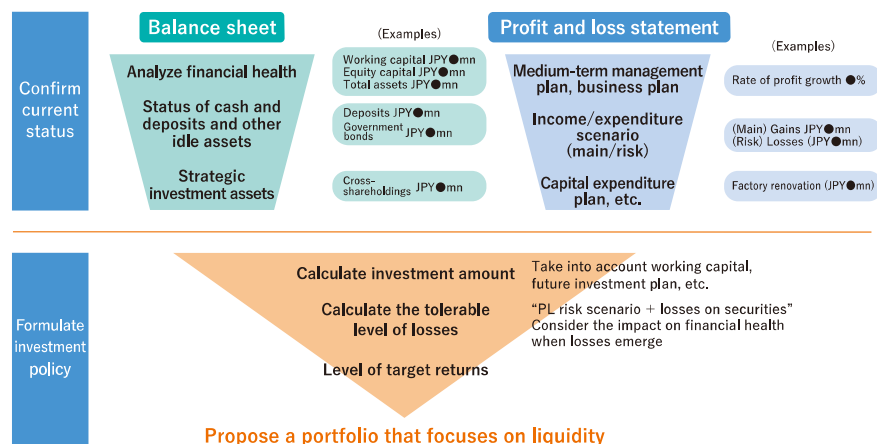
This fiscal year, FDALco will step up cooperation with CC Innovation, QR Investment, and other Hokkoku FHD Group companies to provide services to regional financial institutions that have points of contact with the urban sales departments of Hokkoku FHD. We will deepen dialogue aimed at resolving the 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.



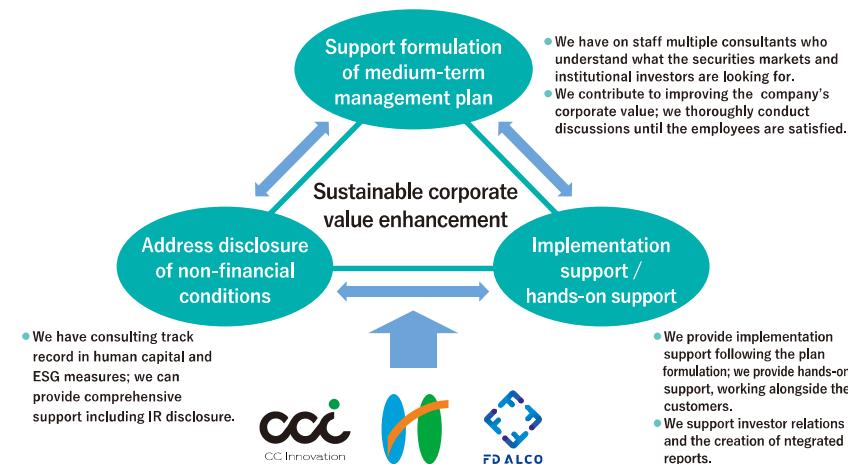
Investment advisory to regional financial institutions

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

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

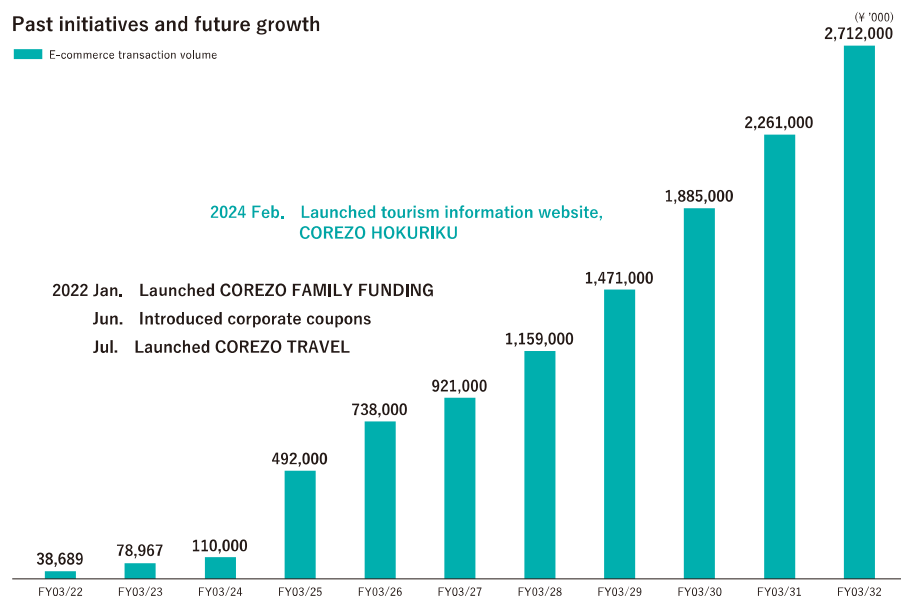
COREZO's goals

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

■ E-commerce transaction volume



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 Takayama hot-spring bathhouse in Suzu

The Takayama 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 Hakkō 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.

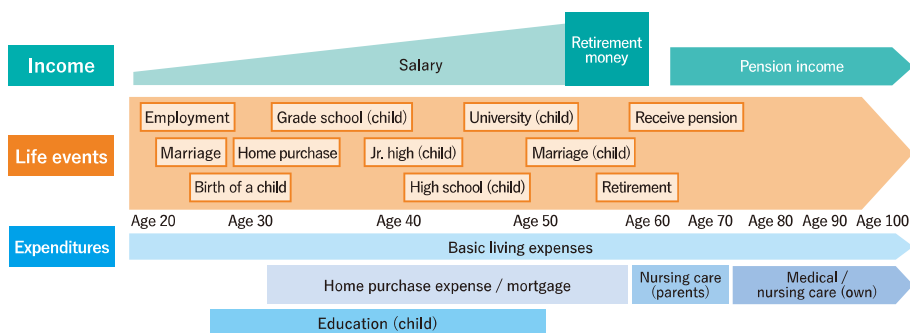


Consulting for Individual Customers

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,

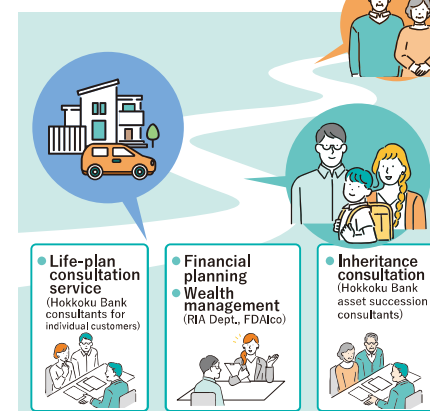
moving forward, we believe it is possible to build an earnings model where we provide valuable advice in exchange for consulting fees. In such a way, we can create an environment where our customers can benefit from useful services. We also believe that being exposed to the strict scrutiny of our customers 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.

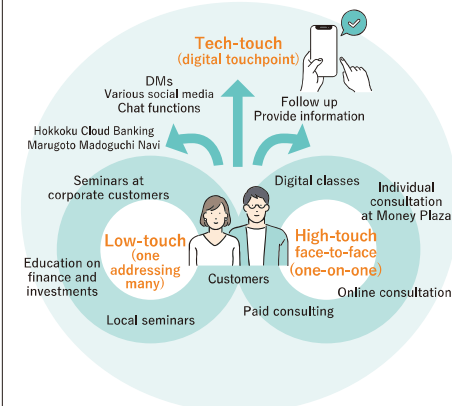
Providing high-quality paid consulting services to meet diversifying customer needs



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.

〈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).

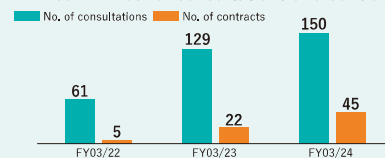
FDALco's business model is unique in that the company does not sell financial instruments. Instead, it specializes in providing advice, for which it receives fees from customers. We believe this system eliminates potential conflicts of interest, enabling FDALco to offer truly customer-driven services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

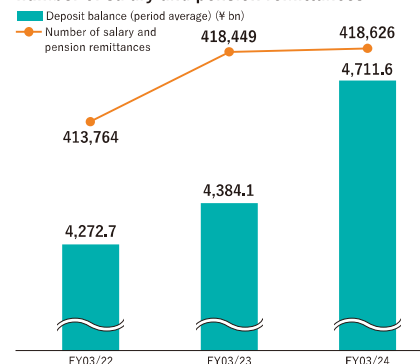
of March 2024 are all posting investment gains.)

(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.

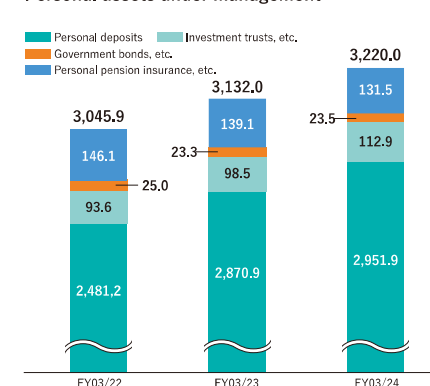
(2) If the purpose is inheritance planning, should the amount to be received fluctuate due to exchange rate movements, there is a risk of a customer not being able to develop a reliable plan for annual gifting.

Reference data

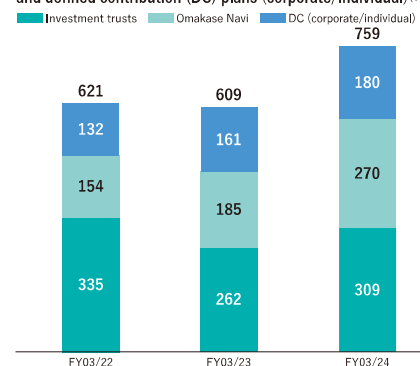
Deposit balance (period average); number of salary and pension remittances



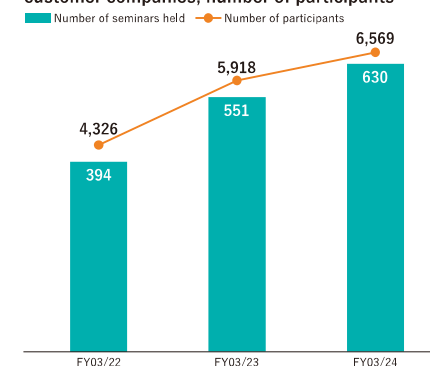
Personal assets under management (¥ bn)



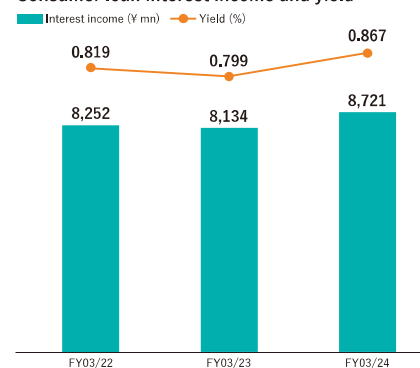
Monthly contributions to investment trusts, Omakase Navi, and defined contribution (DC) plans (corporate/individual) (¥ mn)



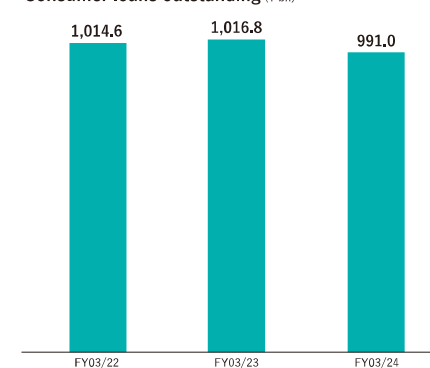
Number of asset-building seminars held for customer companies; number of participants



Consumer loan interest income and yield



Consumer loans outstanding (¥ bn)



**“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.



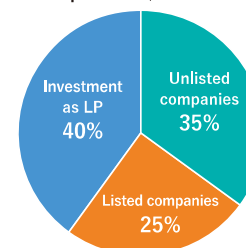
● Making Hokuriku a quality region and promoting it nationwide

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.

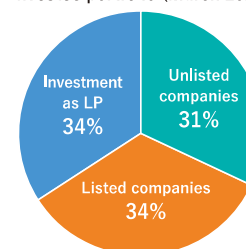
The quality region we pursue is a region where new value emerges ahead of the rest of Japan and a region that sparks innovations. Take, for instance, an innovative project that is nearly impossible to accomplish on a nationwide scale. We envision such a project starting off small in the Hokuriku region,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

QR Investment aspires to be a home for trailblazers.

Investee portfolio (December 2023)



Investee portfolio (March 2024)



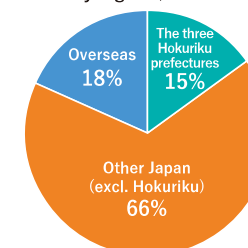
Target investment region

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.

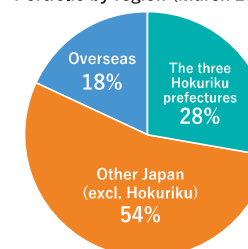
We also invest abroad. In overseas investments, we can expect high growth rates that are difficult to achieve in Japan. In addition, we can diversify our portfolio risks by holding US dollar-denominated assets.

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

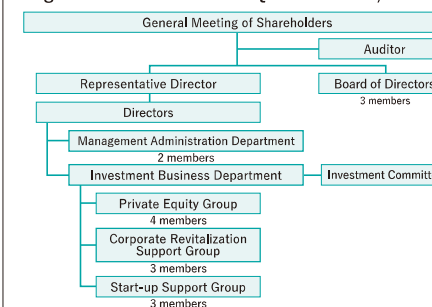
Portfolio by region (December 2023)



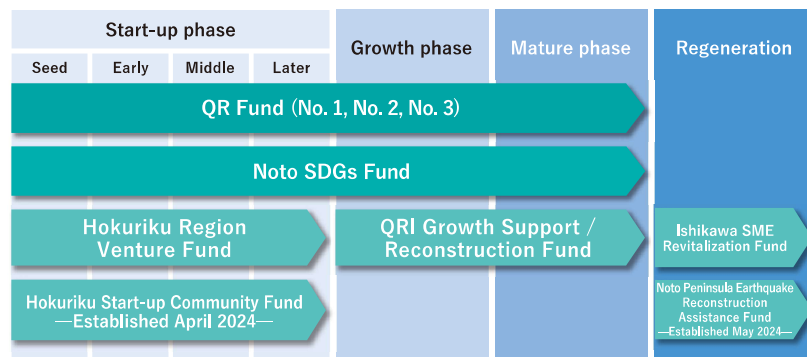
Portfolio by region (March 2024)



Organizational chart of The QR Investment, Ltd.



List of funds



●QR Fund Since July 2021

- Target phase: Start-up, growth, mature, regeneration
- 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

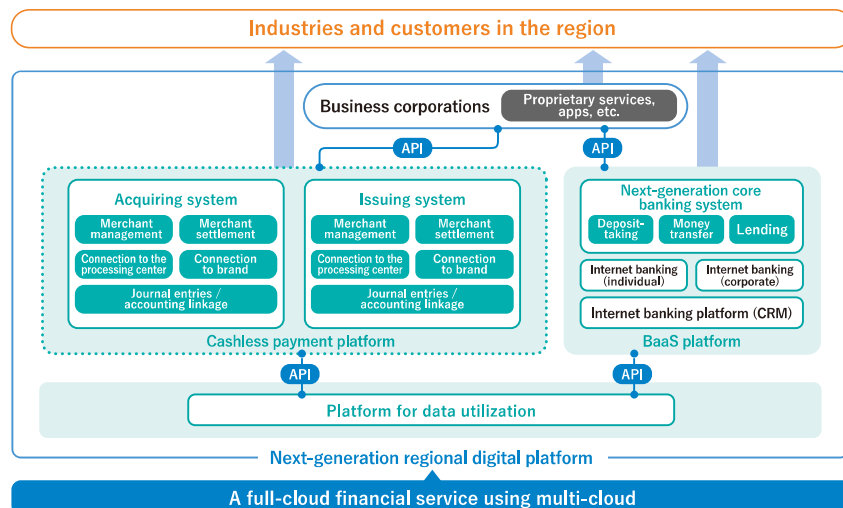
Introduction

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 Infurion, 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

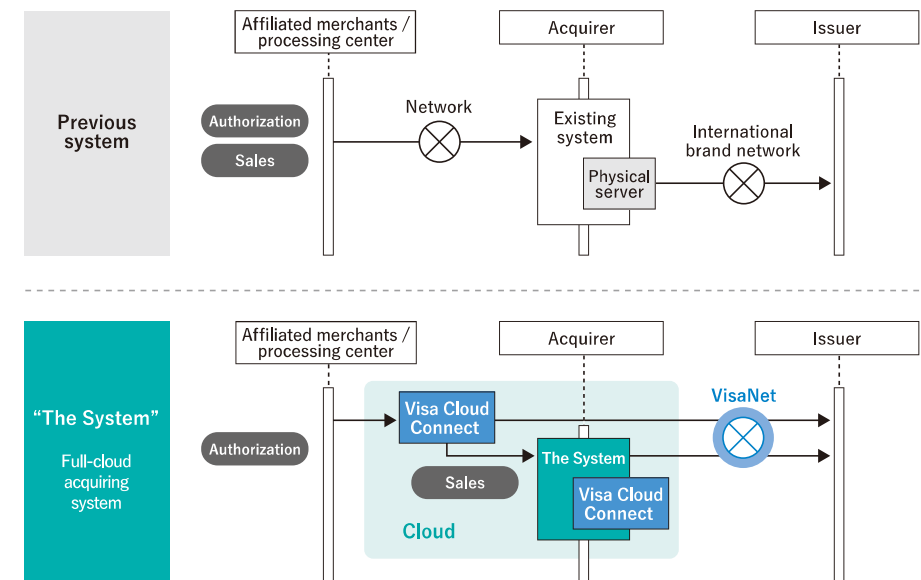
This cloud-based system is equipped with the functions necessary for acquiring operations. These include authorization and clearing, affiliated merchant settlement and management, and ensuring connectivity with the payment processing center and the international brand. In addition to its use in Hokkoku 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

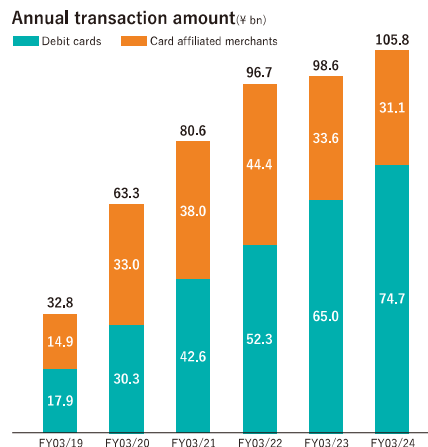
cashless payments in the region. In addition to supporting the uptake of card payment devices, the fund's capital has been used to install automatic payment machines in hospitals, semi-self-checkout registers in supermarkets, and cashless-compatible ticket machines at pools and hot spring facilities. 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.



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 Tochituka digital currency service; then, in April 2024, we launched Tochika—Japan's first deposit-type stablecoin. As a result, Tochituka 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 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 is circulated throughout the Ishikawa Prefecture. Customers can open a Tochika account via the Tochituka app by registering a bank deposit account for loading. Once the app is topped up, Tochika can be used for payments at Tochituka-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.

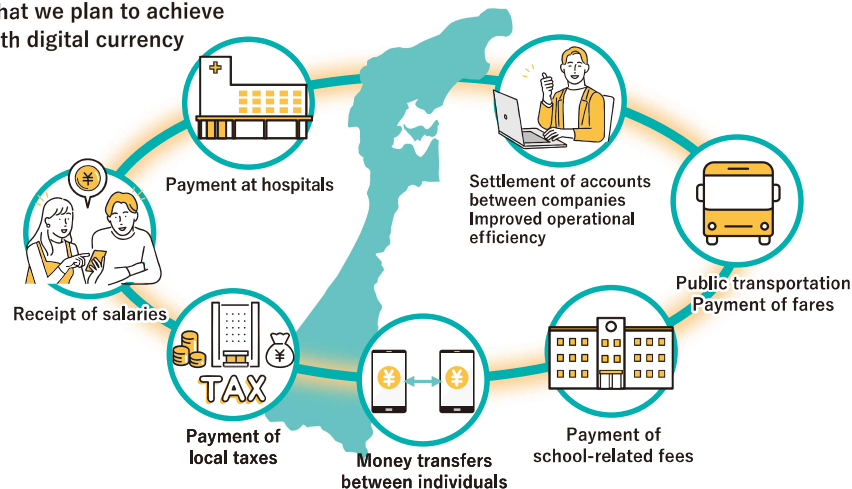
*1: Based on "Cashless Roadmap 2022" (2022) by Payments Japan Association

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 Tochituka, 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

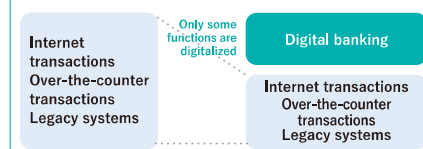
Toward Becoming a Leading-Edge Digital Bank

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

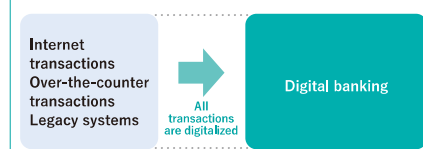
Internet banking

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.

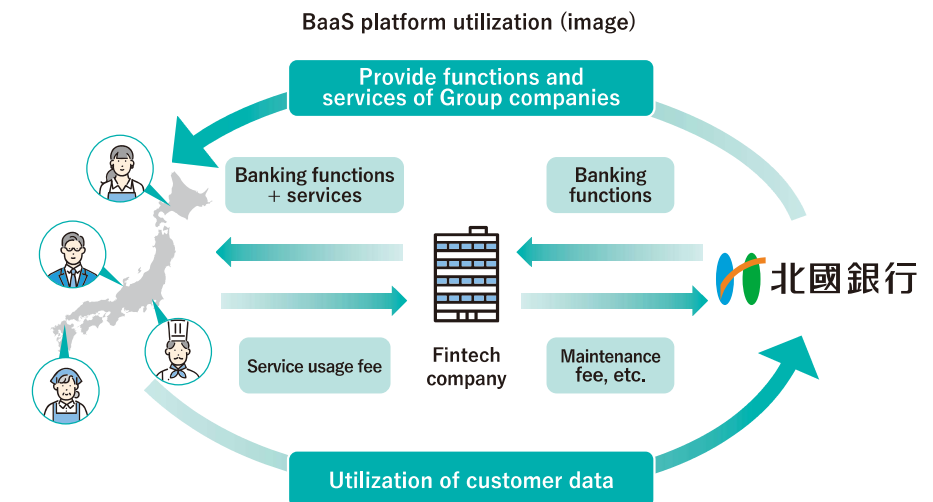
The front end refers to the service screen used by the end user. With our service, fintech companies can freely design their own service screens to showcase their unique identity and brand value, customizing the user experience and providing attractive services that differ from their competition. They 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 FDLco, 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.



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



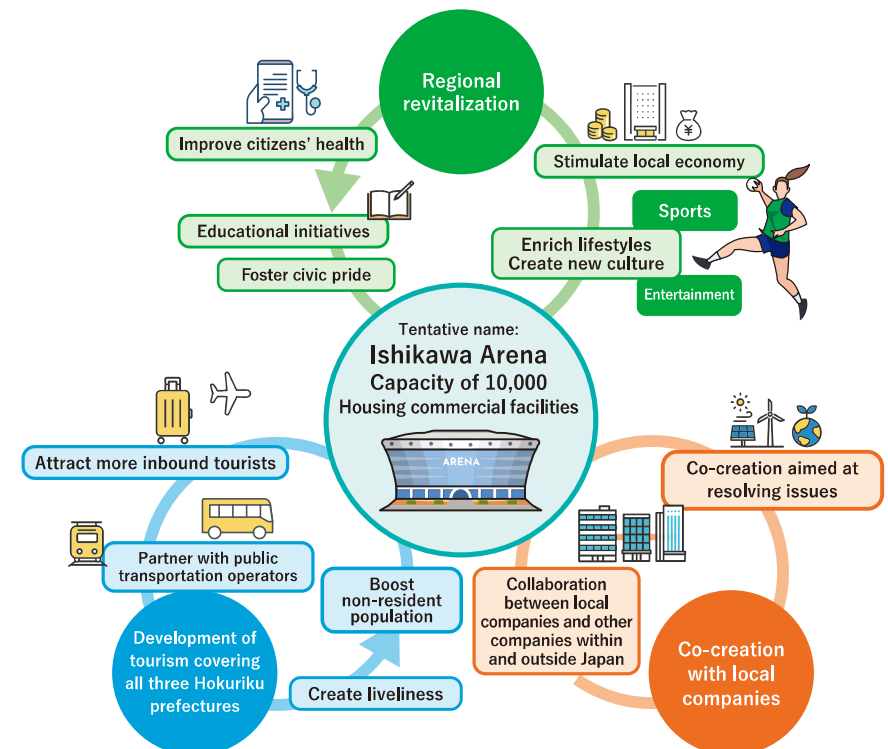
Komeko Chiffon Kokone, a café tenant in the common area

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

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“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.

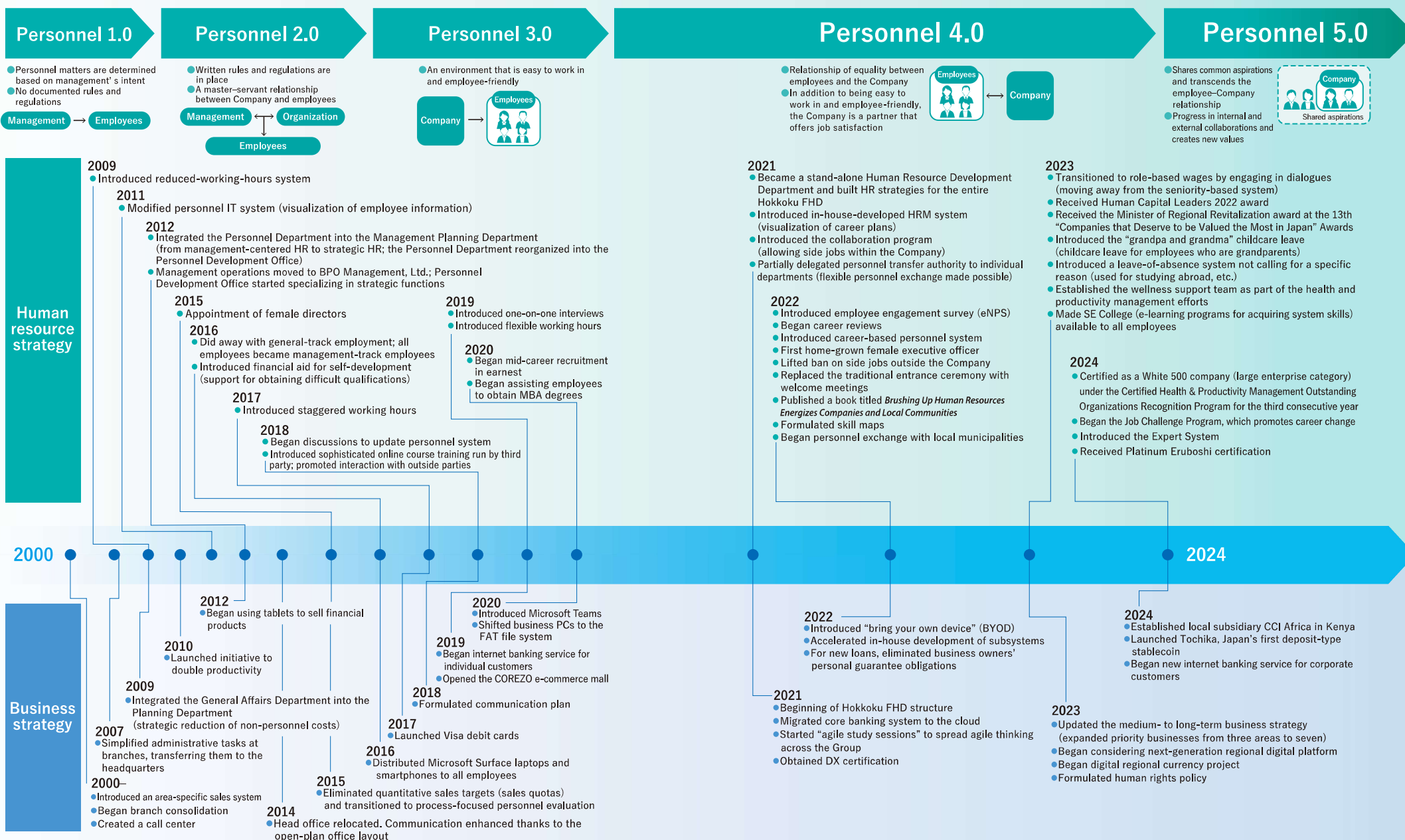
The third pillar is the “elimination of the lump-sum retirement payment scheme” to address the greater labor market fluidity anticipated in the future. The lump-sum retirement payment scheme premised on lifetime employment is a system where the payment for labor is, in effect, deferred

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

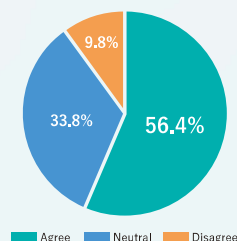
Information visualization

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."

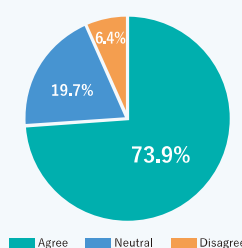
A flat and psychologically secure workplace

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

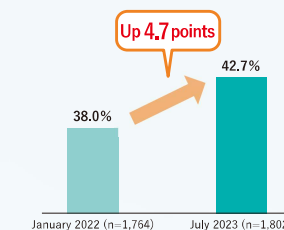
We want our employees to contribute value to the local community and feel rewarded for their work in an organization free of information asymmetry and whose environment is flat and psychologically secure. To this end, we promote autonomous career development.

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.

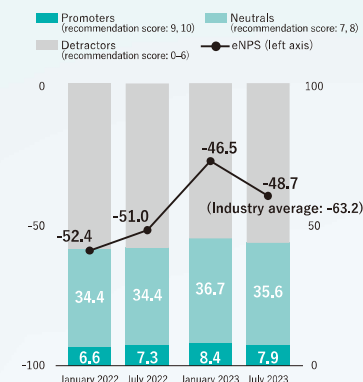
*Industry average: eNPS of financial and insurance companies with 1,001 or more employees
*From October 21 to 24, 2023, EmotionTech, Inc. conducted an online survey of 6,484 people who work for companies in 15 major industries, including finance and insurance.

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)

*eNPS 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 eNPSSM



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

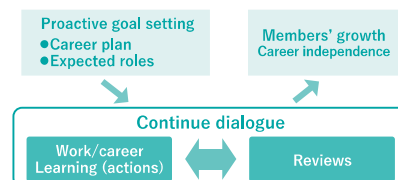
Career reviews to foster employees and encourage autonomous career development

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.

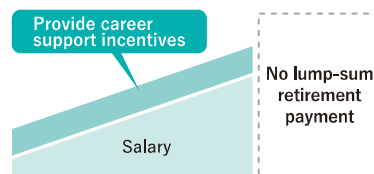
(3) Reform of lump-sum retirement payment scheme to suit greater labor market fluidity

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
Quality Development of diverse human resources; moving away from homogeneity *Development based on skill maps and base skills	Skill map data	Development P. 78
Volume 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
Allocation 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

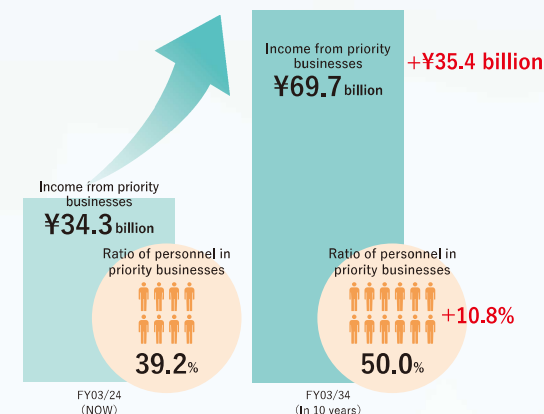
Modifying the human resource portfolio in line with our efforts to strengthen priority businesses

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

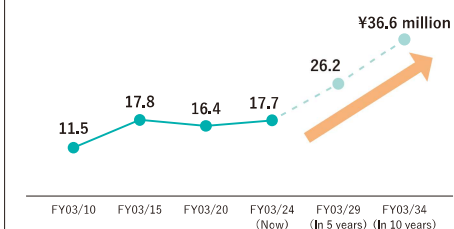
Hokkoku FHD has a human resource framework in place for developing professionals who can contribute to regional quality improvement toward achieving the Company's mission and vision. The recruitment of people who firmly relate to our corporate philosophy and brand philosophy and share our aspirations 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.

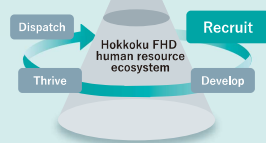
We position the dispatch of talent to the region as the final step of our human resource ecosystem framework. Our critical role is to abundantly deliver professionals capable of improving the region's quality and thereby become a leading company directly contributing to the enhancement of regional value. 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



▼Goal

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

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.

▼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.

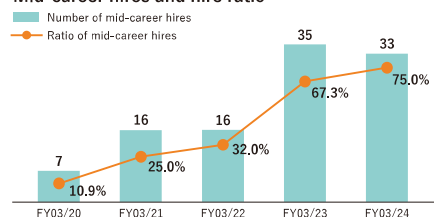
Specialists in diverse business domains—particularly in corporate consulting, digitalization, and systems—have joined the Company, with a shared passion for our activities. As a result, the ratio of mid-career hires has been rising annually, reaching 75.0% of all hires in FY03/24.

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.

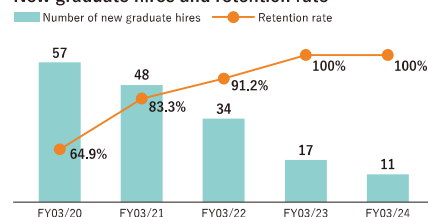
By posting positions in five job areas, including the Systems Department, Market Operations Department, and Equity Investment Department, we aim to hire diverse human resources who would not have applied if we only had the conventional career-track recruiting program.

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



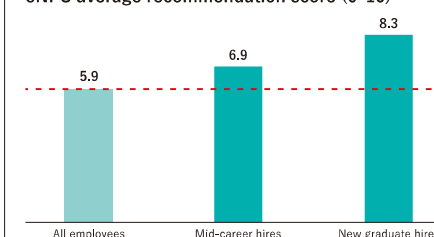
Enhancing the onboarding system and improving engagement

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

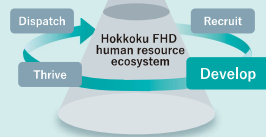
In my previous job, I was a system engineer, handling system design, development, delivery, and maintenance. I began job hunting, wanting to find a workplace where I could take part in the entire process, from upstream to downstream, and gain the experience I could not get through the development work 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.

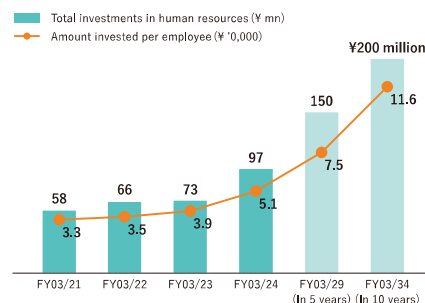
"We will encourage our employees to proactively drive their careers and obtain skills in diverse areas. We will develop professionals who can contribute to regional value creation."

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.

Diverse professionals who can contribute to improving the region's quality

Seven priority business areas

Consulting and advisory Integrated use of loans and leasing Progress in cashless payment Sophistication of market operations Expansion of investment business Digital transformation (DX) and system modernization Strengthening ESG initiatives

Skill map(knowledge)

Marketing Market operations Investment operations Digital and IT
Portable skills ESG and sustainability Consulting for individuals Corporate consulting
Risk management HR Corporate planning Capital and financial strategy

Skill map(practice)

Hokkoku FHD's business strategy
Level 3.0 Can provide high added value as a specialist
Level 2.0 Can provide added value on one's own
Level 1.0 Can provide added value with support from others

"Base skills" to provide value at Hokkoku FHD

Corporate culture Hokkoku FHD's flat corporate culture that ensures psychological security is premised on active communication and collaboration.

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

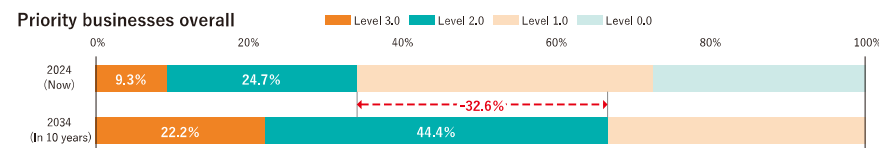
We seek to raise employee skill levels and boost our organizational strength by improving the productivity of individual employees so that they can take on a "second job" in addition to their main responsibilities.

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.

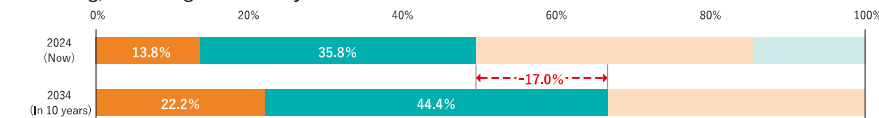
For example, we have an employee who handles tender operations in the morning and works as an ICT consultant (app development work) at CC Innovation in the afternoons.

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

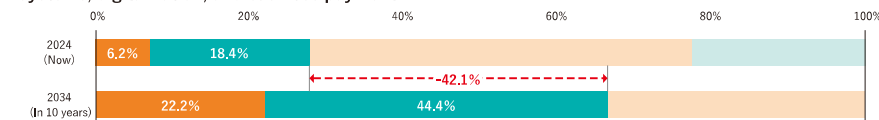
Priority businesses overall



Financing, consulting and advisory



Systems, digitalization, and cashless payment



Learning and impact from graduate school and online courses

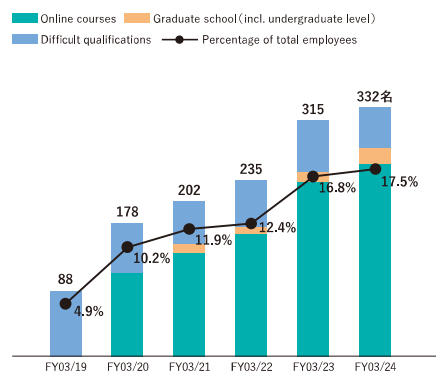
A professional who can contribute to regional quality improvement is a person who can keenly detect trends in rapidly changing times and propel businesses in demand with a sense of speed. For this, one must have the appropriate operational skills, be up-to-date with information on the latest technologies,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

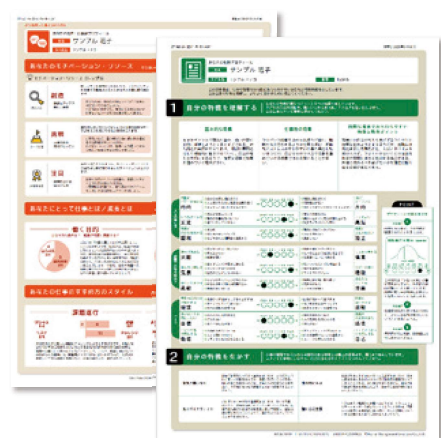
To encourage the active engagement of diverse talent and stir innovation in the organization, we intend to conduct more data-driven recruitment and resource allocation moving forward. To this end, we also plan to analyze the trends of employees who thrive as well as those who leave the Company.

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)

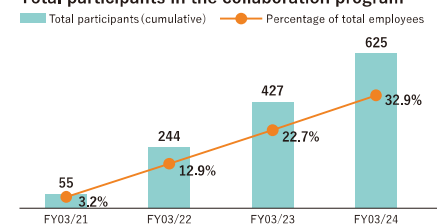
With the collaboration program launched in October 2020, our employees can take on side jobs within the Company in addition to their main jobs. The program allows our employees to get an in-depth understanding of business operations in various departments and gain practical experience through participation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

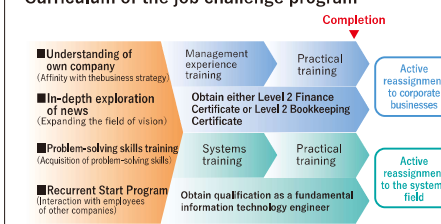
Total participants in the collaboration program



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.

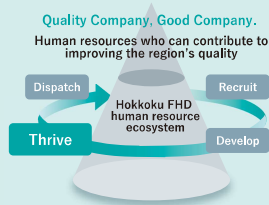
I had my concerns about taking on a challenge in an entirely new field, making a shift from teller operations at a sales branch to the Market Operations Department. However, participating in the collaboration program gave me more opportunities to exchange views about my career plan with other employees. 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

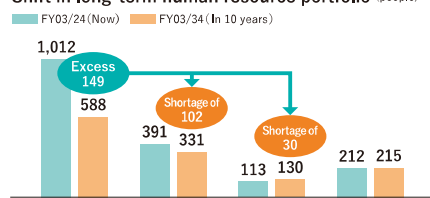
To realize our corporate philosophy of improving the region's quality, it is essential that a diverse range of human resources play an active role in the workplace. We seek to bolster our organizational strength by integrating individual career plans with the roles required of our employees within the 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)



*Headcount in 10 years, calculated based on natural attrition due to retirements

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.

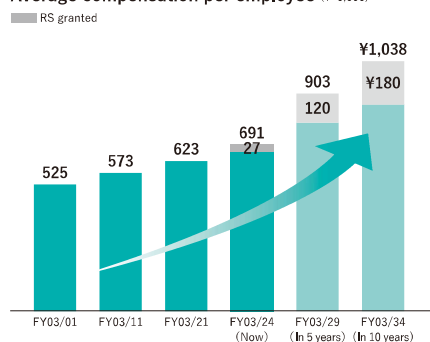
At the time we introduced the career-oriented personnel system in March 2022, we raised the starting salary of new graduate hires (from ¥205,000 to ¥266,000/month; currently ¥27,7000) and changed the retirement payment scheme to improve the financial treatment of our employees, particularly our junior 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)

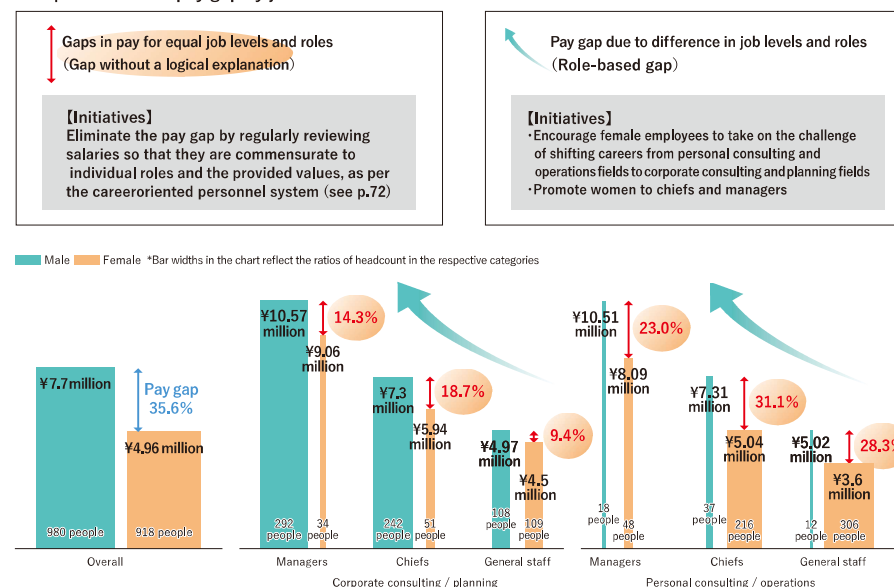


Analysis of the gender pay gap

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.

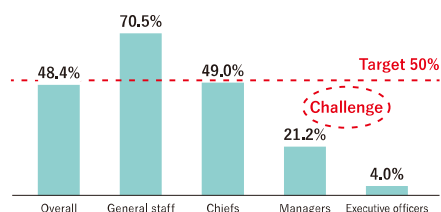
Issues surrounding promotion to management positions

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%.

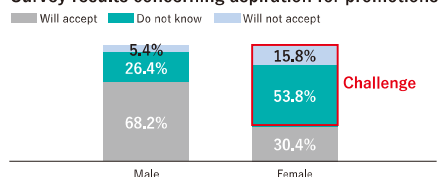
According to the engagement survey conducted in FY03/24, 30.4% of our female employees responded that they would accept a promotion, should they be offered one. This was significantly lower than the ratio of male employees who responded the same way, which was 68.2%. Compared with promotions to the position 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.

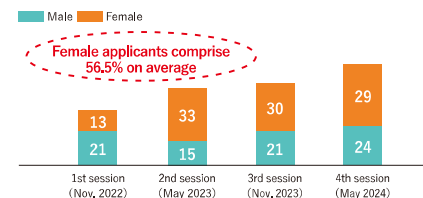


Tailor-made one-on-one interviews

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

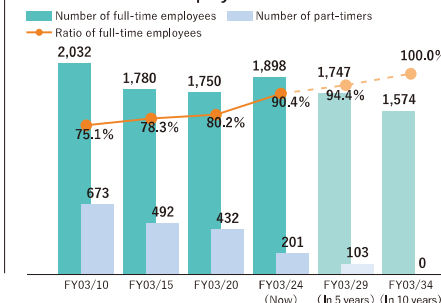
To flexibly respond to diversifying businesses and enhance our strength as an organization, we are making every effort to ensure that all highly motivated employees play active roles to the fullest. As one such initiative, we promote the conversion of part-timers to full-time positions. Currently, the 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.



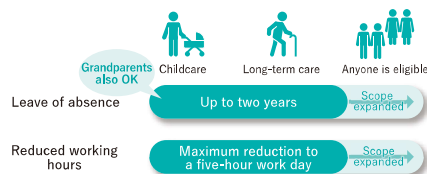
Yasuko Oyama
Personal Banking Group,
Personal Banking Dept.,
Hokkoku Bank

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

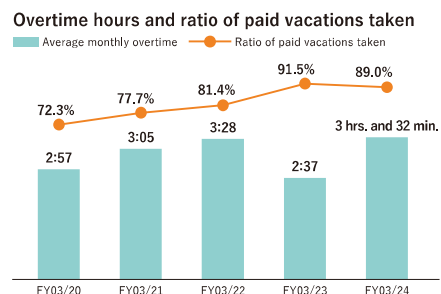
To create a comfortable workplace for everyone, we have expanded the scope of employees eligible for the reduced working hour program and the leave of absence system by not limiting their usage to childcare and long-term care.

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.

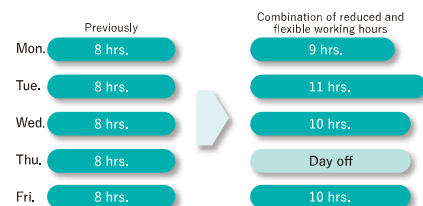


Expanding the scope of employees eligible for the flexible working hour program

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.

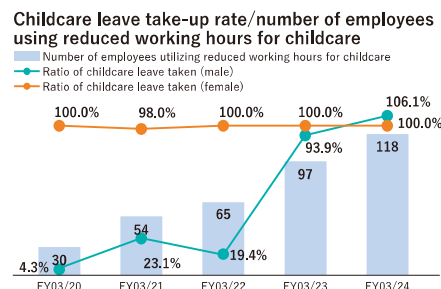


Promoting childcare leave —Encouraging male participation in child-rearing

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.



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.

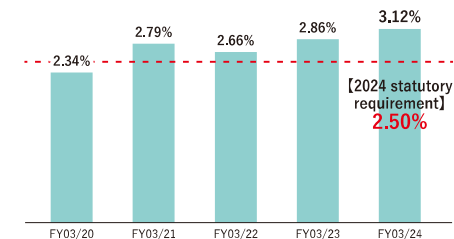
It is important to support our employees with disabilities and the members who work with them so that they can take on active roles in the workplace. Hence, we are also stepping up efforts to provide care to the entire team. For example, the mental health workers from our wellness support team (see p.88)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

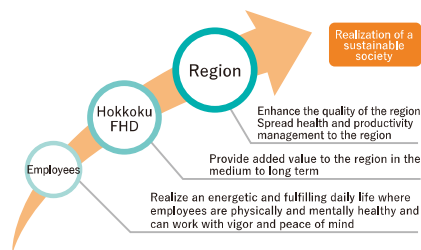
Employee health and well-being aligned with our business strategy

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.

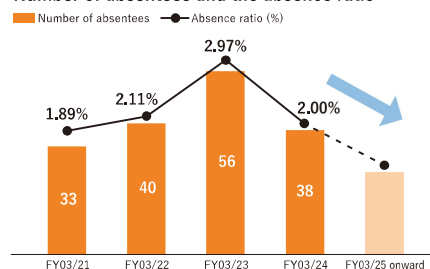
Key indicators in health and productivity management

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

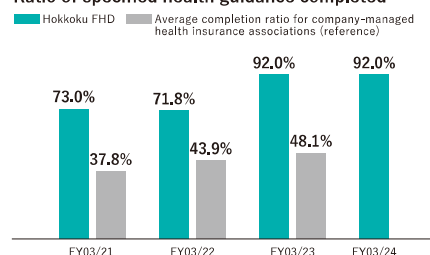


Ratio of specialized health guidance completed remains high

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.

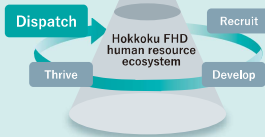
Consultations are available both in person and remotely. We have in place a system that allows all employees to consult with us freely, regardless of where they work.

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.

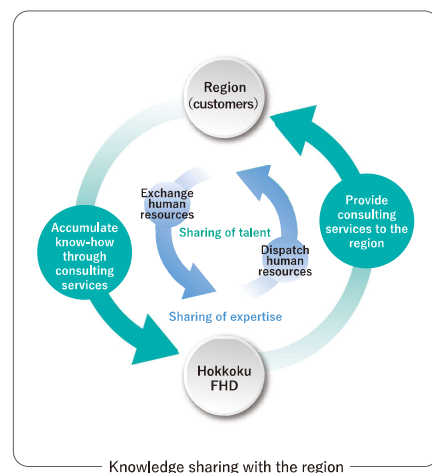
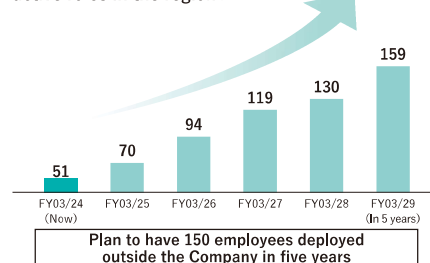
Career plans and learning opportunities for dispatched talent

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 (plan)



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 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

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.



Yoshikazu Teramoto
General Manager of the General
Affairs Department
Ishikawa Health Service Association

“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

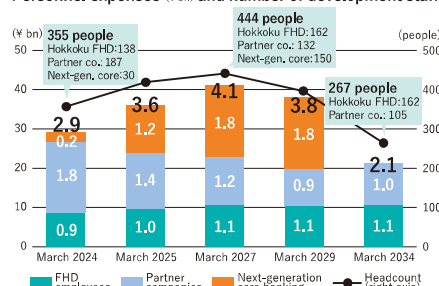
(3) Use of offshore development

- Reduce the cost of engineers involved in regular development and operations by using offshore development

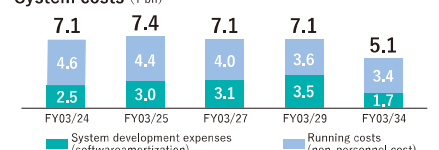
Use of homegrown resources in the Information Systems Department and systems cost reduction

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.).

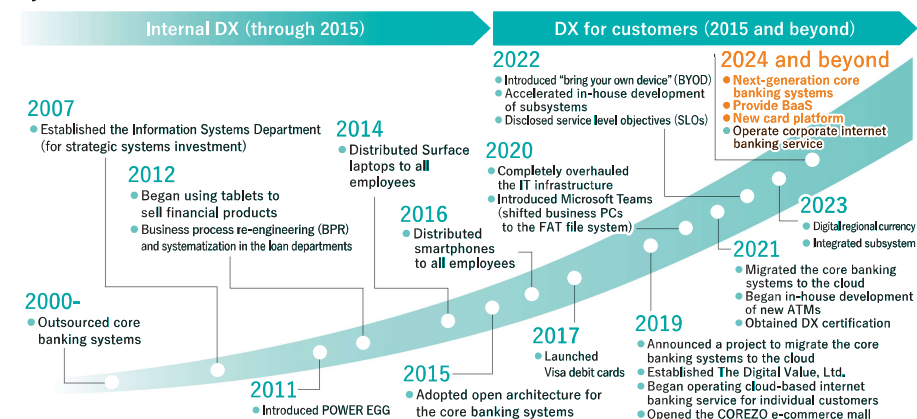
●New card platform: Affiliated merchant system, card-issuing system (Release planned for March 2025)

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 outside	Accept partial connection with the outside with convenience in mind	Accomplish both convenience and security	Enable collaboration within the entire supply chain including Group companies and IT partners	Contribute to regional DX through security
Technology	Separation-type defense Shared terminals	Perimeter-based defense Terminals lent out for individual use Thin client architecture	Introduction of zero-trust architecture* Terminals lent out to all employees Use of SOC** (external center)	Full implementation of zero-trust architecture Introduction of SASE*** 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**	Full implementation of Shift Left Promote DevSecOps	Share security development expertise
Organizational structure	Handled in a similar manner as a natural disaster	Built CSIRT** 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.

