

# Materials for the 26th Information Meeting

**(Financial Results for the Fiscal Year Ended March 31, 2025  
and Forecast for the Fiscal Year Ending March 31, 2026)**

June 5, 2025



(TSE Prime Market/Sapporo: 8524)

**Note:**

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The following report is a summary of the Japanese-language original.

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### [Notes]

- This document contains descriptions about our Group's future performance, management objectives, and others. Such descriptions do not guarantee any future results but involve risks and uncertainties. Please note that actual results may differ from our forecasts due to changes in the business environment, etc.
- Information on financial institutions other than our bank is based on publicly available information.
- Unless otherwise noted, amounts less than the stated amount are rounded down.

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# **I Financial Results for the Fiscal Year Ended March 31, 2025**

# 1. Summary (non-consolidated)

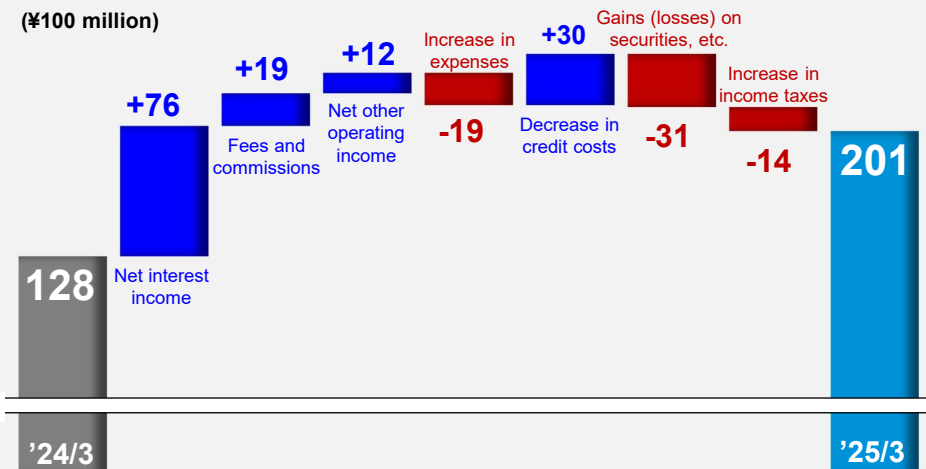
Both core operating profit and profit increased for the second consecutive period

[Non-consolidated] (¥100 million)	'25/3 results	YoY	vs. Forecast*
Core gross profit	934	+108	+27
Net interest income	795	+76	+13
Interest on loans and discounts	671	+89	+11
Interest on NCDs (-)	67	+65	-3
Interest and dividends on securities	151	+19	+0
Other cash flows	38	+32	-2
Net fees and commissions	121	+19	+10
Net other operating income	17	+12	
Expenses (excluding non-recurring losses) (-)	643	+19	-6
<b>Core operating profit</b>	<b>290</b>	<b>+89</b>	<b>+34</b>
Credit costs (-)	30	-30	+10
Gains (losses) on securities	-13	-34	+2
Ordinary profit	266	+89	+31
<b>Profit</b>	<b>201</b>	<b>+72</b>	<b>+19</b>

## Key points

- **Core operating profit increased for the second consecutive period** due to higher interest on loans and discounts as a result of an increasing number of loans to large and medium-sized companies and individuals and improvement in loan yields, and growth in interest and dividends on securities as a result of accumulated yen bonds.
- **Profit also increased for the second consecutive period** as credit costs decreased, although gains (losses) on securities shrank following the recording of losses on bond sales.

## Factors for changes in profit



\* Announced in the Small Meeting for the Nine Months Ended December 31, 2024 (2024/4/1 – 2024/12/31) held on February 14, 2025

## 2. Summary (consolidated)

Both income and profit increased YoY; subsidiaries' performance also started to show some improvement from the previous year

[Consolidated] (¥100 million)	'25/3 results	YoY	vs. Forecast*
Consolidated core gross profit	<b>1,004</b>	+117	+31
Net interest income	<b>778</b>	+73	
Interest on loans and discounts	<b>668</b>	+88	
Interest on deposits & NCDs (-)	<b>67</b>	+65	
Interest and dividends on securities	<b>139</b>	+18	
Other cash flows	<b>37</b>	+32	
Net fees and commissions	<b>182</b>	+28	
Net other operating income	<b>44</b>	+15	
Expenses (excluding non-recurring losses) (-)	<b>687</b>	+22	
<b>Consolidated core operating profit</b>	<b>317</b>	<b>+95</b>	
Credit costs (-)	<b>39</b>	-28	
Gains (losses) on securities	<b>-12</b>	-35	
Consolidated ordinary profit	<b>280</b>	+94	+36
<b>Profit attributable to owners of parent</b>	<b>206</b>	<b>+77</b>	<b>+23</b>

Subsidiaries				
(¥100 million)	Ordinary income	'24/3	'25/3	YoY
	Profit			
Sapporo Hokuyo Lease	Ordinary income	241	<b>237</b>	-3
	Profit	6	<b>5</b>	-0
North Pacific	Ordinary income	22	<b>22</b>	+0
	Profit	3	<b>2</b>	-1
North Pacific Securities	Ordinary income	15	<b>20</b>	+4
	Profit	-2	<b>0</b>	+3
Hokkaido Kyoso Partners (HKP)	Ordinary income	12	<b>18</b>	+5
	Profit	2	<b>4</b>	+1
Two other companies	Ordinary income	28	<b>28</b>	+0
	Profit	1	<b>2</b>	+0
Total for 6 consolidated subsidiaries	Ordinary income	320	<b>327</b>	+6
	Profit	11	<b>15</b>	+3

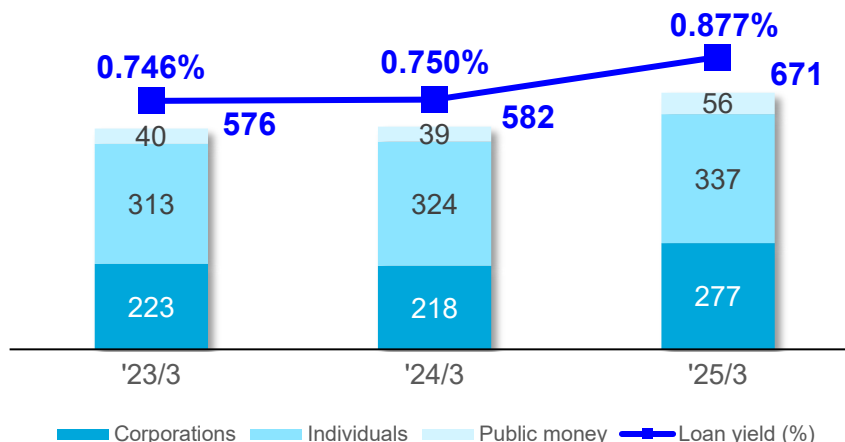
\* Announced in the Small Meeting for the Nine Months Ended December 31, 2024 (2024/4/1 – 2024/12/31) held on February 14, 2025

### 3. Net interest income, interest on loans and discounts, deposits

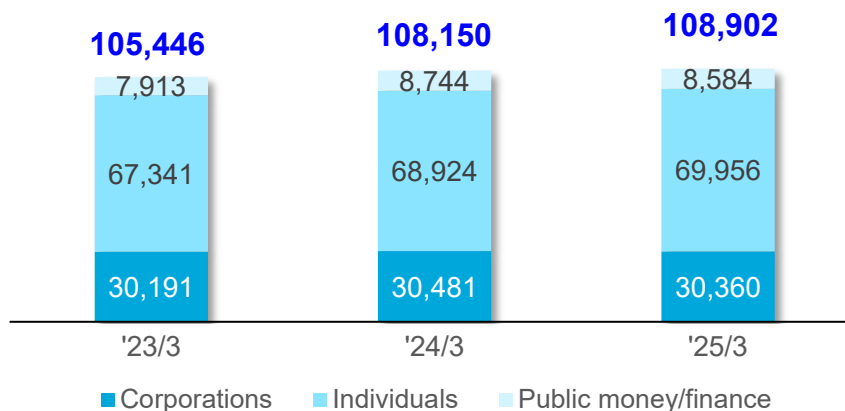
Loan yields improved from the previous year; deposits increased for the 16th consecutive period

[Non-consolidated] (¥100 million)	'24/3 results	'25/3 results	YoY
<b>Net interest income</b>	<b>718</b>	<b>795</b>	<b>+76</b>
<b>Loans and deposits</b>	<b>580</b>	<b>604</b>	<b>+24</b>
Interest on loans and discounts	582	671	+89
Interest on NCDs (+)	1	67	+65
Interest and dividends on securities	132	151	+19
Yen bonds	56	78	+21
Stocks	35	41	+5
Foreign securities	7	4	-3
Others	32	27	-4
Gains on cancellation of investment trusts	14	0	-14
Other cash flows	6	38	+32
<b>Net interest income (excluding gains on cancellation of investment trusts)</b>	<b>704</b>	<b>795</b>	<b>+91</b>

#### Interest on loans & discounts/loan yields (¥100 million)



#### Average balance of deposits

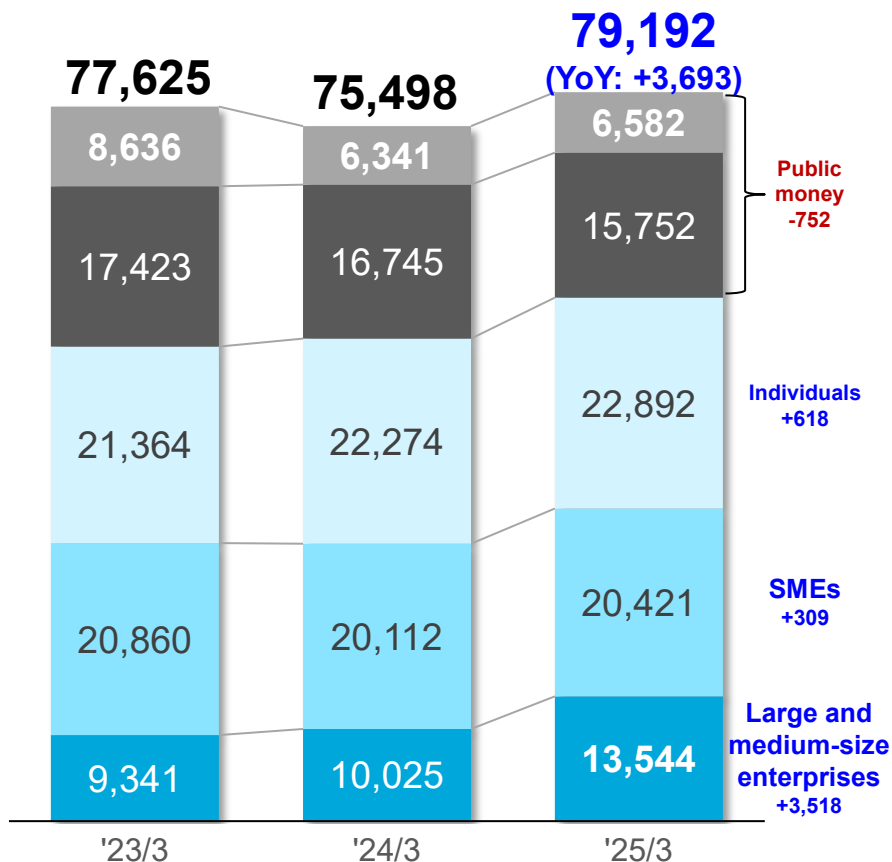


## 4. Loans and bills discounted

Balances increased mainly in loans for large and medium-size enterprises

### Balance of loans at year-end

(¥100 million)

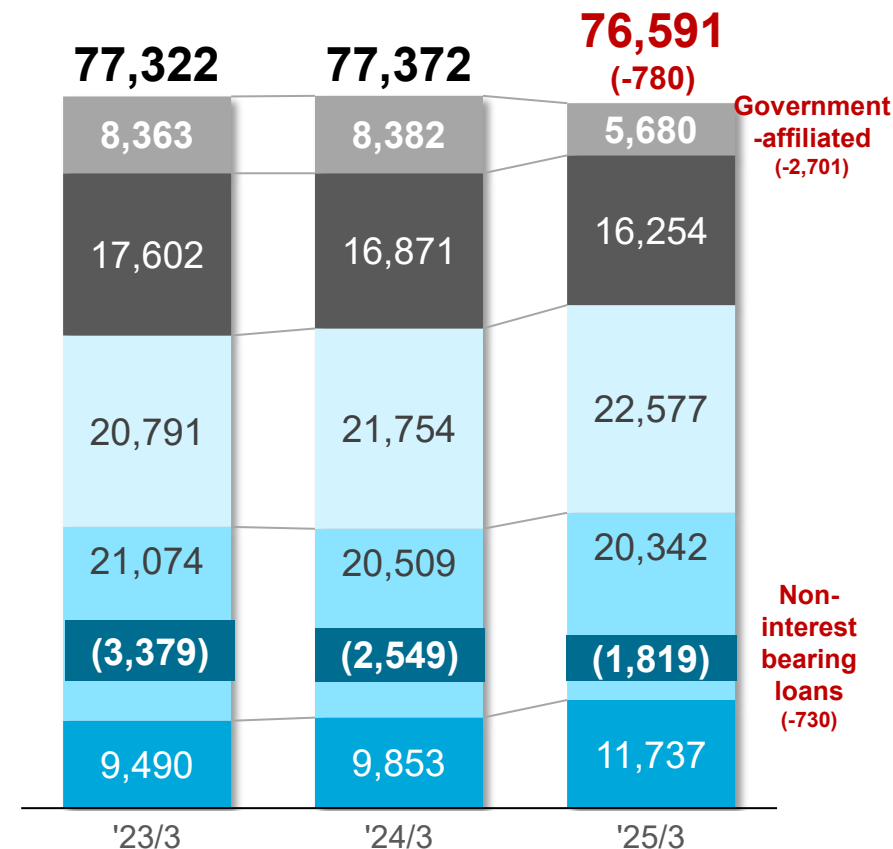


■ To large and medium-size enterprises  
■ To SMEs, etc.  
■ To individuals  
■ To local public entities, etc.  
■ To government entities (Ministry of Finance)

### Average balance of loans

(¥100 million)

(excluding loans to the government 70,911(+1,921))



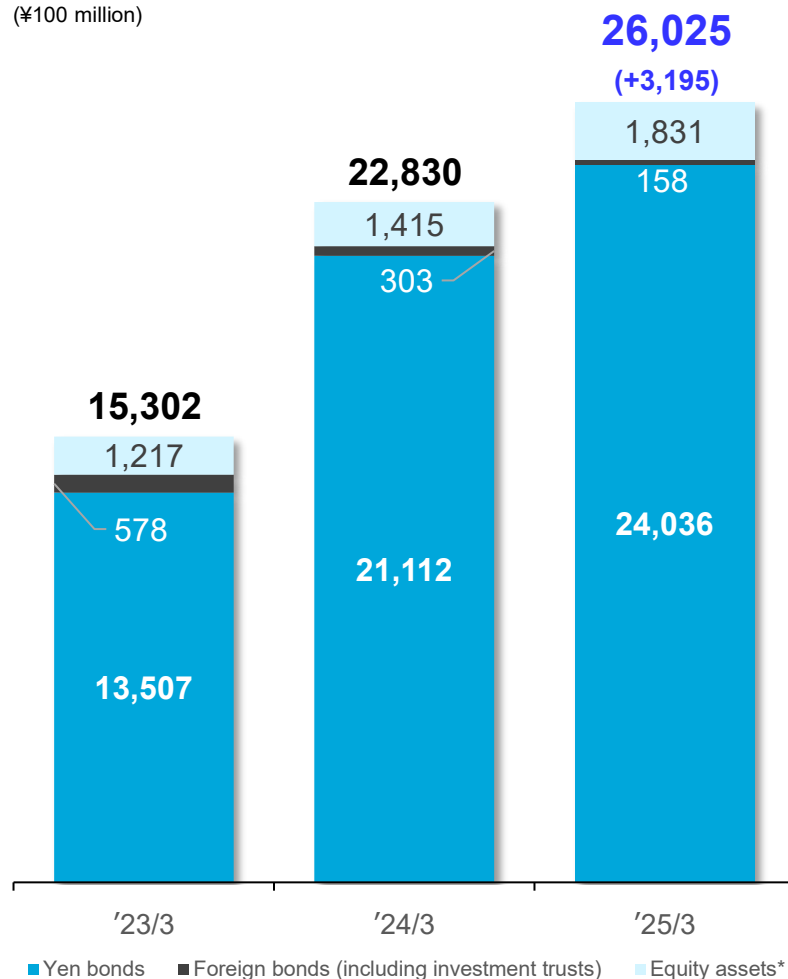
■ To large and medium-size enterprises  
■ To SMEs, etc.  
■ To individuals  
■ To local public entities, etc.  
■ To government entities (Ministry of Finance)  
■ Non-interest bearing loans

## 5. Securities investment

Loss on valuation increased due to higher interest rates, despite accumulation of balances mainly in yen-denominated bonds

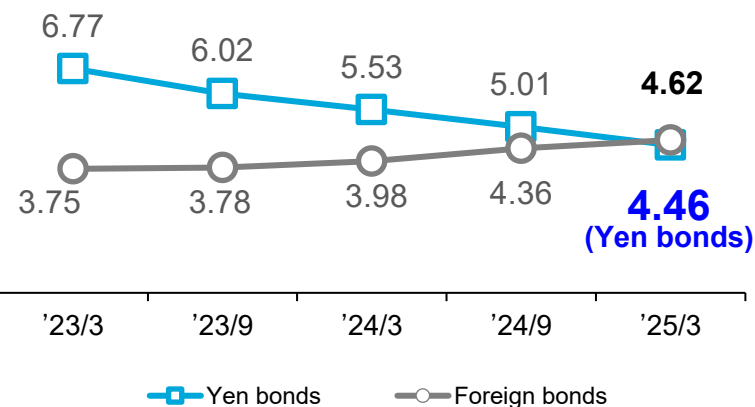
### Outstanding balance of securities

(¥100 million)



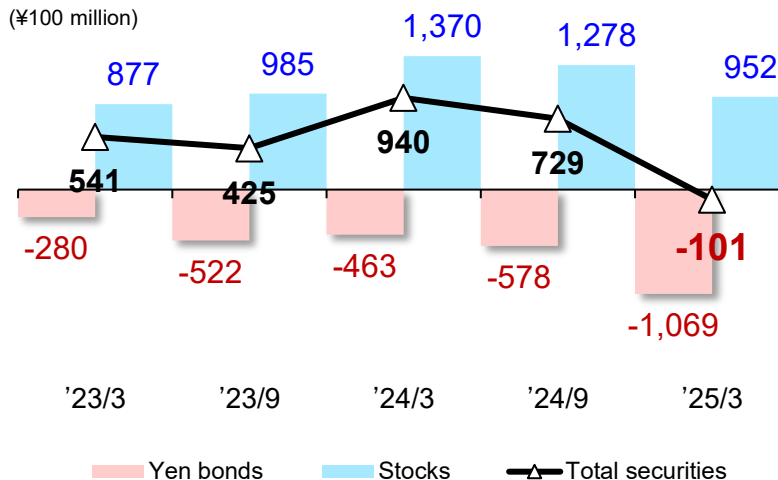
\* Equities held for pure investment, cross-shareholdings, REIT, etc.

### Bond duration (years)



### Unrealized gains (losses) on securities

(¥100 million)



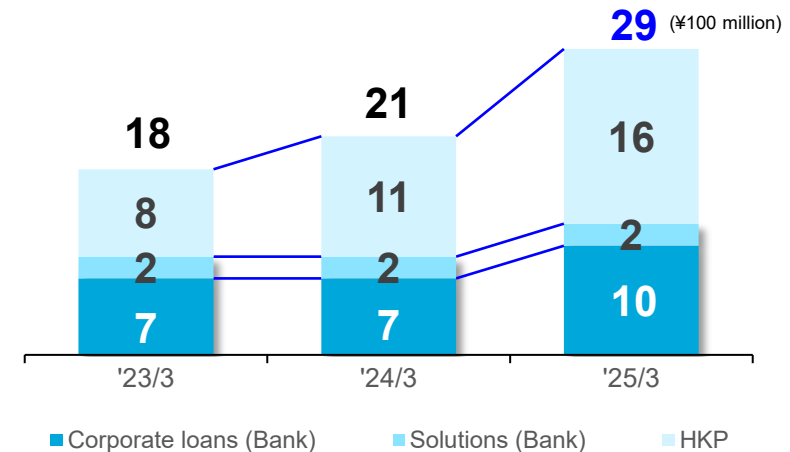


# 6 Net fees and commissions

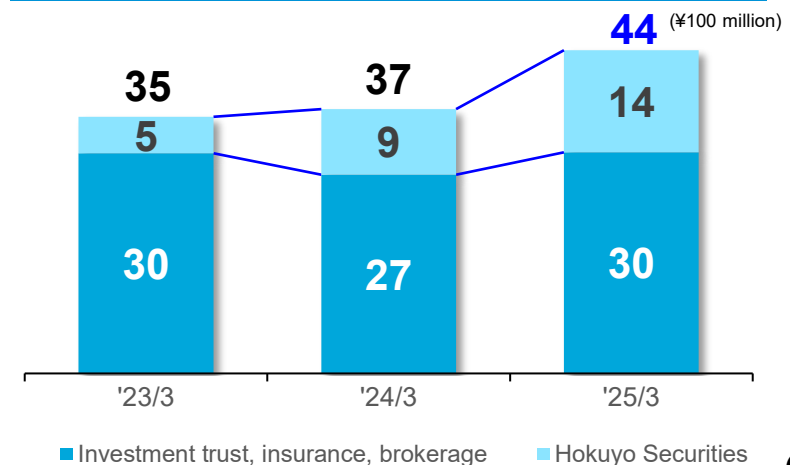
## Earnings increased through group-wide efforts

<b>[Consolidated]</b> (¥100 million)	'24/3 results	'25/3 results	YoY
<b>Corporation-related</b>	<b>21</b>	<b>29</b>	<b>+7</b>
Corporate loans	7	10	+2
Solutions	2	2	+0
HKP* <small>* Hokkaido Kyoso Partners Co., Ltd.</small>	11	16	+4
<b>AUM-related</b>	<b>37</b>	<b>44</b>	<b>+7</b>
Investment trust/insurance	25	28	+2
Financial instrument brokerage	1	1	+0
Hokuyo Securities	9	14	+4
Danshin insurance premium	-68	-60	+7
Foreign exchange fees	55	59	+3
Other subsidiaries (excl. HKP and Securities)	43	42	-0
Others	66	68	+2
<b>Total</b>	<b>154</b>	<b>182</b>	<b>+28</b>

### Corporations (Bank + HKP)



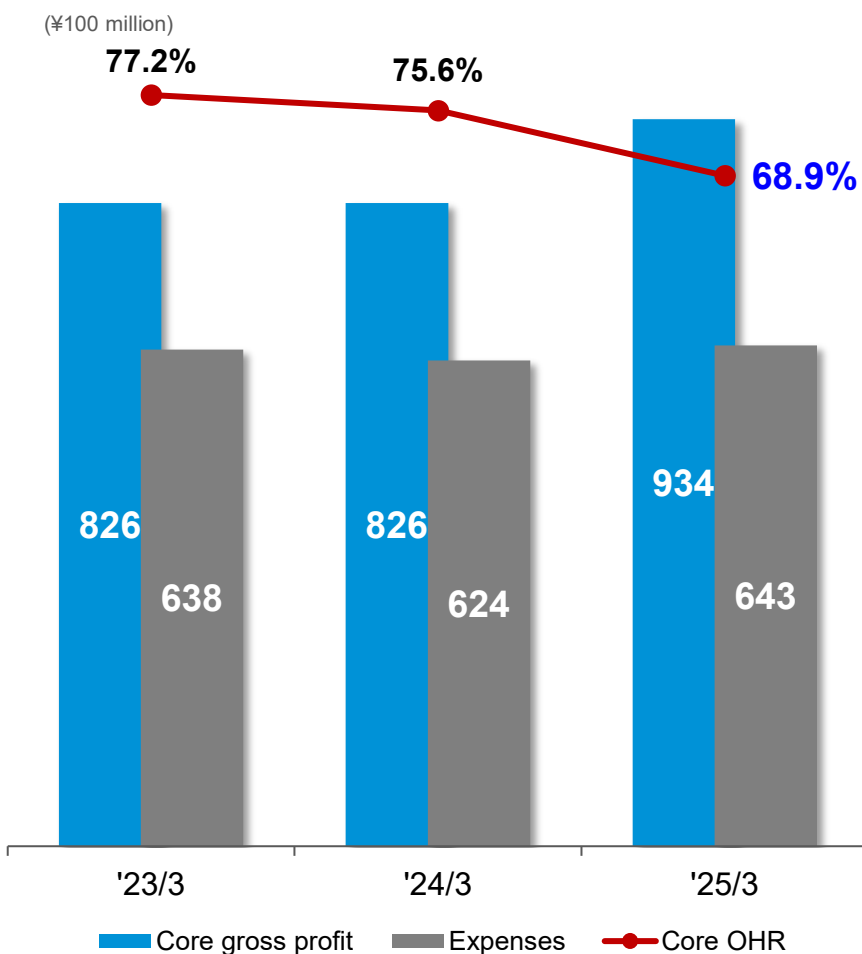
### AUM (Bank + North Pacific Securities)



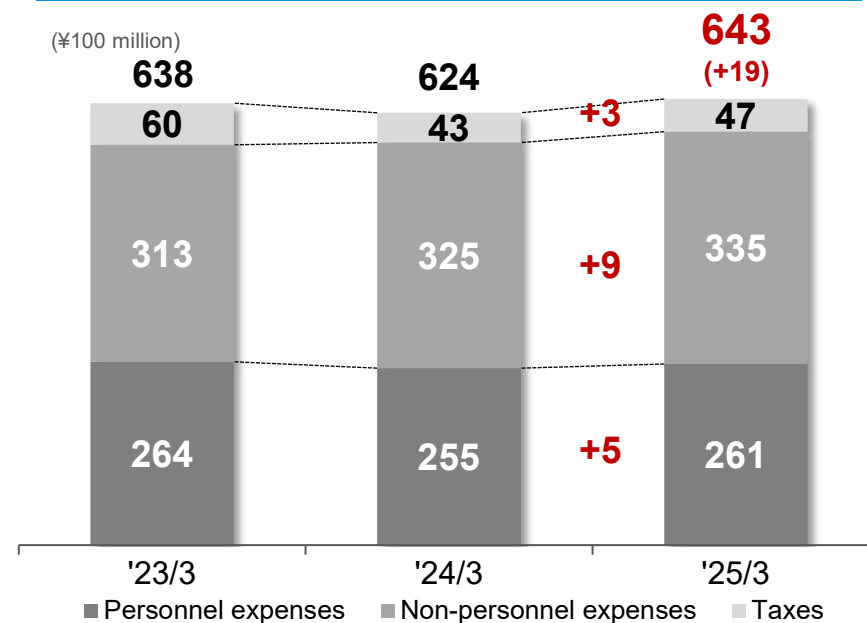
# 7 Expenses

## Expenses increased, but core OHR decreased

### Expenses/core OHR



### Expenses breakdown



#### [Main factors for YoY changes]

**Personnel expenses +5** ⇒ Increased as base-pay increased

**Non-personnel expenses +9**

- ⇒ Amortization of movables/immovables +3 (new investments in response to new banknotes, renewal projects)
- ⇒ Outsourcing service expenses +4 (system maintenance, call center commissions)

**Taxes +3** ⇒ Increased investment in building assets, etc.

# 8 Credit-related expenses and non-performing loans

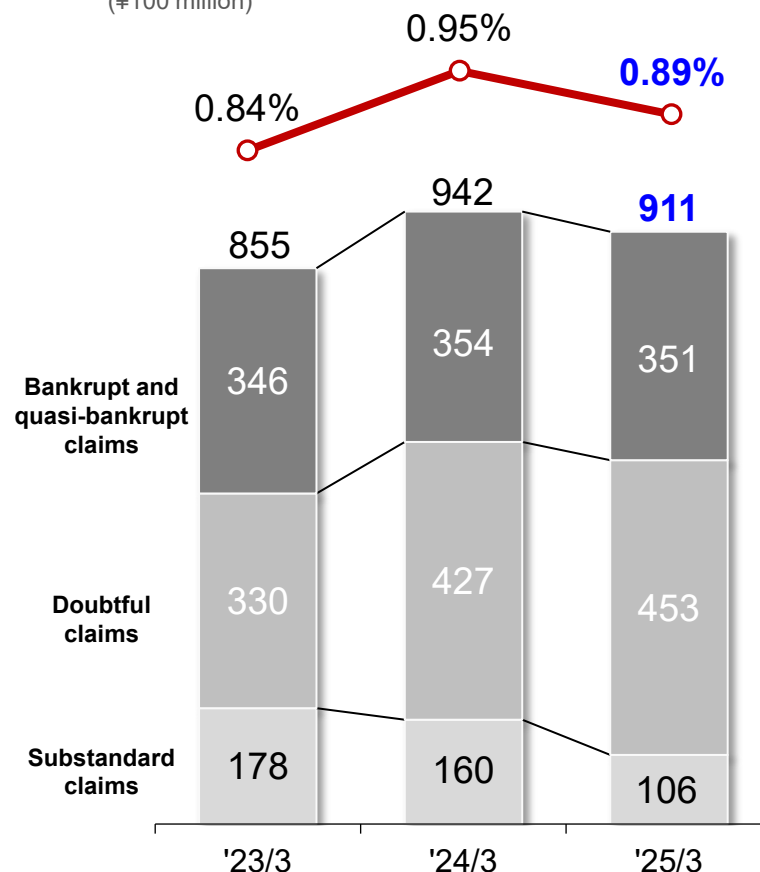
The ratio of the disclosed claims to total assets remained at a low level

## Breakdown of credit costs

<b>[Consolidated]</b> (¥100 million)	'24/3 results	'25/3 results	YoY
<b>North Pacific Bank total</b>	<b>60</b>	<b>30</b>	<b>-30</b>
New bankruptcies, downgrades, etc.	98	61	-36
Collection, upgrades, etc.	-27	-24	+3
Fluctuations in loan loss rate	-13	-10	+2
Other (liability shared by guarantee corporations)	2	2	+0
Consolidated subsidiaries total	8	8	+0
<b>Consolidated total</b>	<b>67</b>	<b>39</b>	<b>-28</b>

## Disclosed claims amount and ratio\* [Non-consolidated]

(¥100 million)



\* Percentage of disclosed claims to total credit provided after partial direct write-off

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## **II Initiatives Toward Enhancement of Corporate Value**

# 1 Recognition of the current status

## Aiming to further improve ROE and PBR

### Consolidated ROE by year

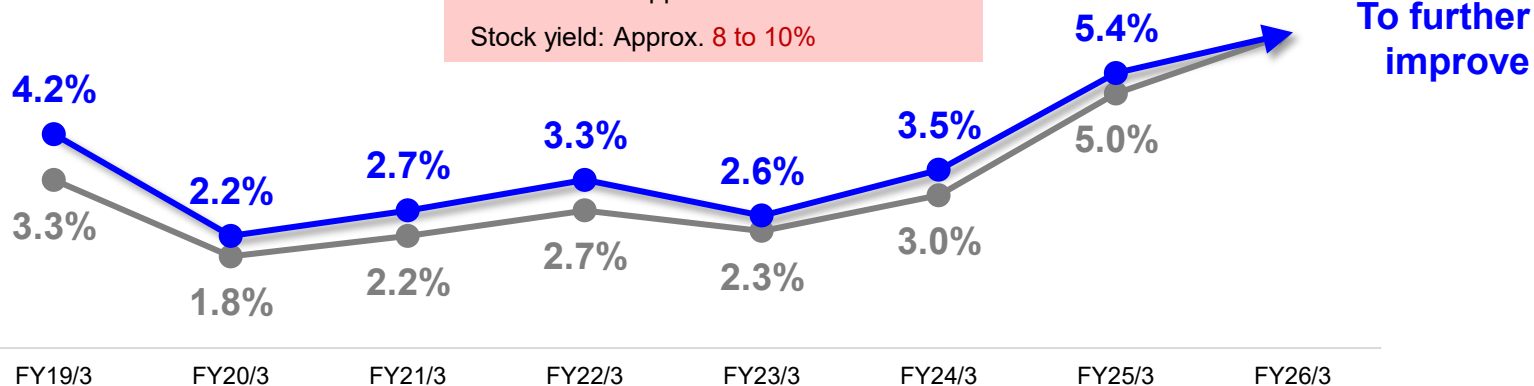
#### Cost of shareholders' equity

CAPM basis: Approx. 7 to 8%

Stock yield: Approx. 8 to 10%

Shareholders' equity basis

Net assets basis\*



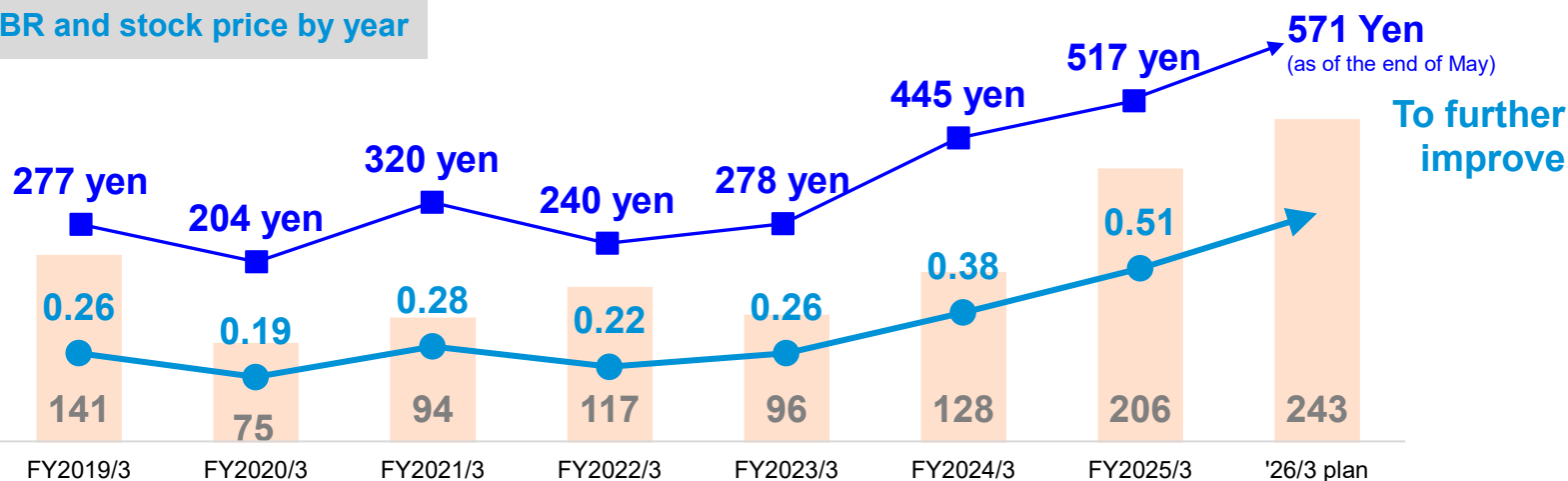
\* Calculated by deducting subscription rights to shares and non-controlling interests from net assets

### Consolidated PBR and stock price by year

Stock price (yen)

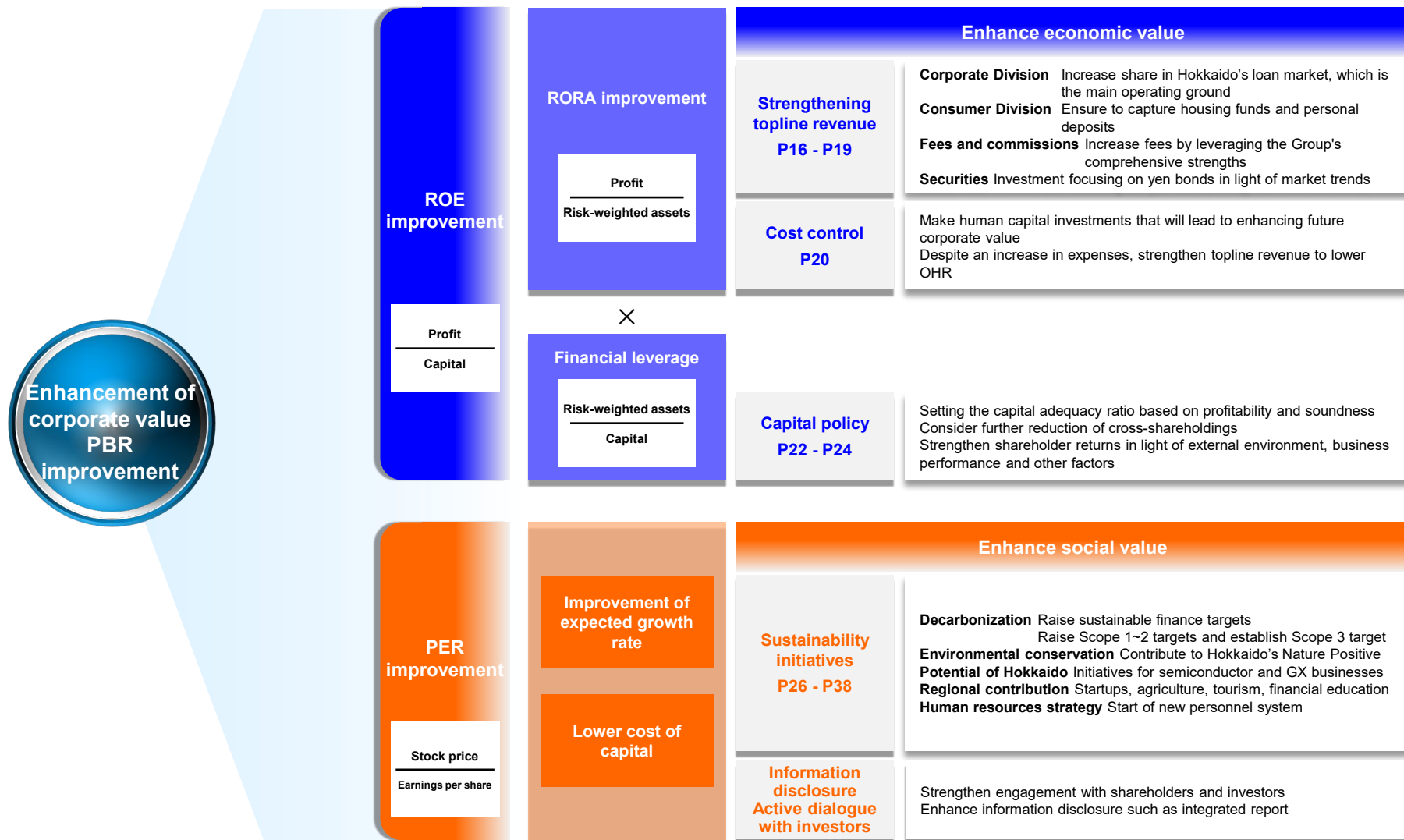
Profit attributable to owners of parent (¥100 million)

PBR (times)



## 2 Logic tree for enhancing corporate value

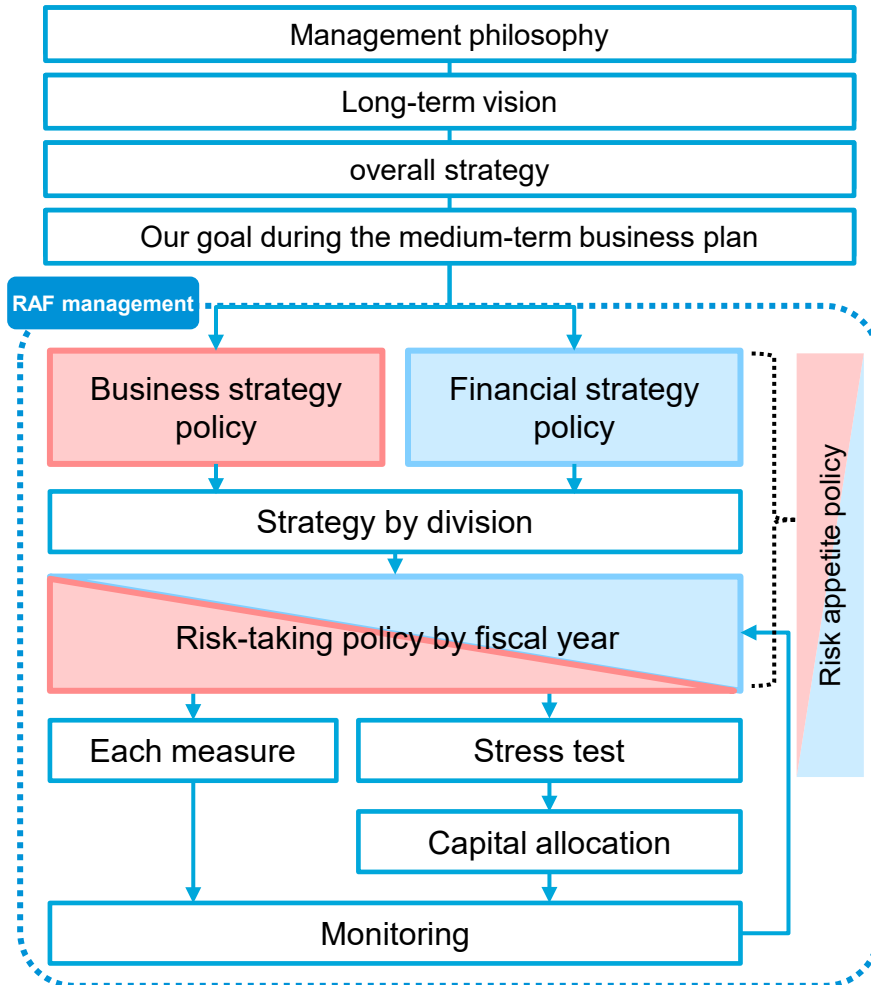
Aiming to increase corporate value by enhancing economic and social value



# 3 Introduction of RAF operations

Realization of appropriate risk-taking through integrated discussion of [profit], [risk] and [capital]

## ○ Overview of RAF management at North Pacific Bank



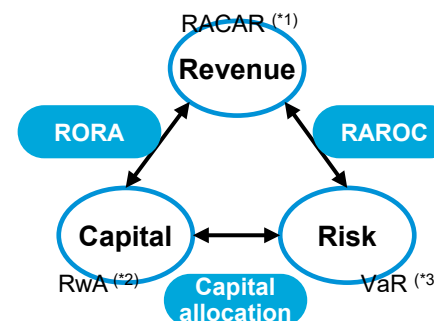
## ○ Purpose of introducing RAF management

- Unification of business and financial strategies with risk management
- Improving the feasibility of strategies adapted to the competitive environment through appropriate risk-taking
- Sustainable and stable enhancement of corporate value and realization of management philosophy

## ○ Future risk-taking

- Risk-return verification using RORA (profit/risk asset) and RAROC (profit/risk amount)
- Setting risk limit for each risk-taking measure

Clarify the boundaries of risk-taking and realize deeper risk-taking



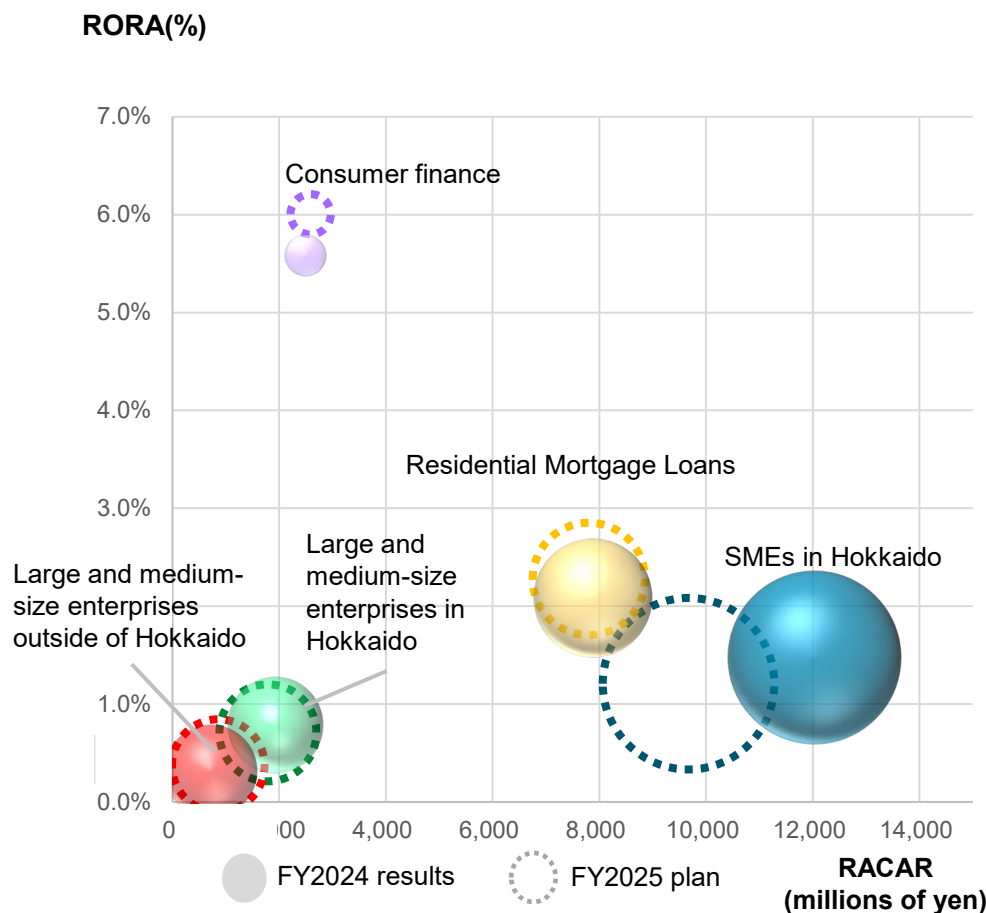
(\*1) Risk-Adjusted Cost Adjusted Return  
= Revenue amount considering risks and costs

(\*2) Risk-weighted Assets  
= Asset amount considering the degree of risk

(\*3) Value at Risk = Risk amount

### 3. Introduction of RAF management - RORA -

## Utilizing RORA to improve the risk-return tradeoff



#### Use in RAF monitoring

- The ALM Committee sets RORA targets for each type of risk-taking and monitors risk-return balance
- Identify risk-return issues through monitoring results and take initiatives for business operations and improvements

#### Penetration of RORA into sales branches

- To improve ROE, a new standard RORA (return on RWA) has been established in addition to standard RA-ROA (return on credit balance)
- Implement initiatives to improve profitability by returning area-specific targets and results to each branch and understanding the characteristics of risk-weighted assets, etc., in the area to which each branch belongs

\*  $RORA = \frac{RACAR}{RwA}$  ( $RACAR = \text{Net interest income} + \text{Fees and commissions} - \text{Expenses} - \text{Credit costs}$ ) /  $RwA$  (Risk-weighted assets)

\* Circle size:  $RwA$



Expecting a year-on-year increase in profit mainly due to an increase in net interest income

<b>[Non-consolidated]</b> (¥100 millions)	FY2025/3 results	FY2026/3 plan	YoY
Core gross profit	934	1,013	+78
Net interest income	795	894	+98
Interest on loans and discounts	671	849	+177
Interest on NCDs (-)	67	179	+112
Interest and dividends on securities	151	169	+17
Other cash flows	38	55	+16
Net fees and commissions	121	108	-13
Expenses (excluding non-recurring losses) (-)	643	678	+34
<b>Core operating profit</b>	<b>290</b>	<b>334</b>	<b>+43</b>
Credit costs (-)	30	40	+9
<b>Ordinary profit</b>	<b>266</b>	<b>336</b>	<b>+69</b>
<b>Profit</b>	<b>201</b>	<b>238</b>	<b>+37</b>

<b>[Consolidated]</b> (¥100 million)	2025/3 results	2026/3 plan	YoY
Consolidated core gross profit	1,004	1,090	+85
<b>Ordinary profit</b>	<b>280</b>	<b>348</b>	<b>+67</b>
<b>Profit attributable to owners of parent</b>	<b>206</b>	<b>243</b>	<b>+36</b>

## Key points

### ■ Profit-enhancing factors

Figures in brackets represent YoY change (¥100 millions)

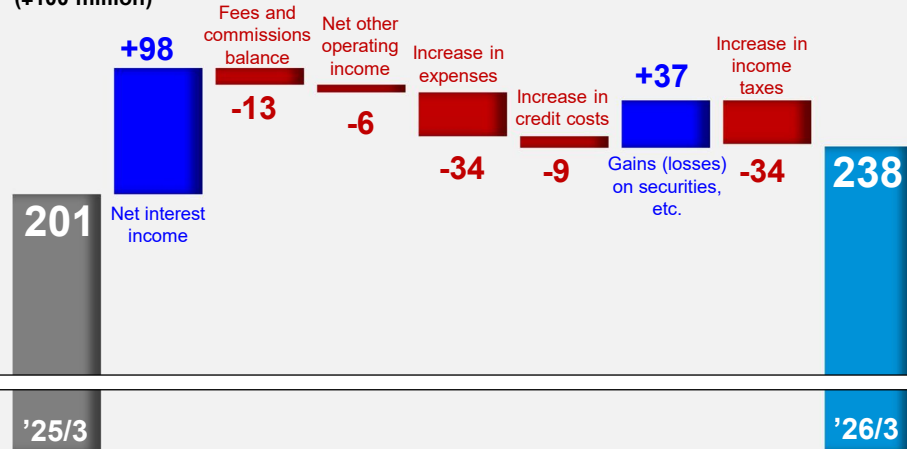
- (1) Increase in lending volume, mainly to corporations [+ 28]
- (2) Improvement in loan yields (policy interest rate unchanged at 0.50%) [+ 149]
- (3) Increase in gain on investments in securities [+17]
- (4) Increase in interest on Bank of Japan current accounts [44]

### ■ Profit-cutting factors

- (1) Increases in interest expenses on deposits [-112]
- (2) Increase in personnel expenses due to the start of the new personnel system [-34]
- (3) Increase in income taxes [-34]

## Factors for changes in profit

(¥100 million)



# Appendix Impact of rising interest rates

## Positive impact of 20 to 30 billion yen on net interest income over the three years

### Outline of investment and procurement (Balance as of March 31, 2025)

#### Loans and bills discounted Approx. 7.9 trillion yen

Market-linked (floating-rate) loans	2.4
Short-term prime rate loans	1.2
Fixed-rate loans*	4.3

\*Remaining period of interest rate renewal for fixed-rate loans

Less than 1 year	1.6
More than 1 year but less than 3 years	1.3
More than 3 years	1.4

#### Securities Approx. 2.6 trillion yen

#### Bank of Japan current accounts Approx. 2.7 trillion yen

#### Deposits Approx. 11.1 trillion yen

Liquid deposits	9.3
of which, non-interest bearing	1.9
Fixed-term deposits, etc.	1.8

#### Fund-raising on market, etc. Approx. 1.7 trillion yen

<Investment: Approx. 13 trillion yen>

<Fund-raising: Approx. 13 trillion yen>

### Estimated impact of interest rate rise on net interest income

(1) If the policy interest rate reaches 0.75%  
(September 2025: +25 bps)

	FY25	FY26	FY27
Loans and bills discounted	+38	+103	+115
Securities	+1	+32	+57
Bank of Japan current accounts, etc.	+34	+67	+67
Deposits	-39	-90	-93
Others	-9	-26	-32
<b>TOTAL</b>	<b>+25</b>	<b>+85</b>	<b>+115</b>
<b>Consolidated ROE*</b>	<b>6.7%</b>	<b>7.6%</b>	<b>8.0%</b>

(2) If the policy interest rate reaches 1.00%  
(September 2025: +25 bps, September 2026: +25 bps)

	FY25	FY26	FY27
Loans and bills discounted	+38	+141	+218
Securities	+1	+39	+85
Bank of Japan current accounts, etc.	+34	+101	+134
Deposits	-39	-131	-184
Others	-9	-35	-55
<b>TOTAL</b>	<b>+25</b>	<b>+116</b>	<b>+198</b>
<b>Consolidated ROE*</b>	<b>6.7%</b>	<b>8.1%</b>	<b>9.4%</b>

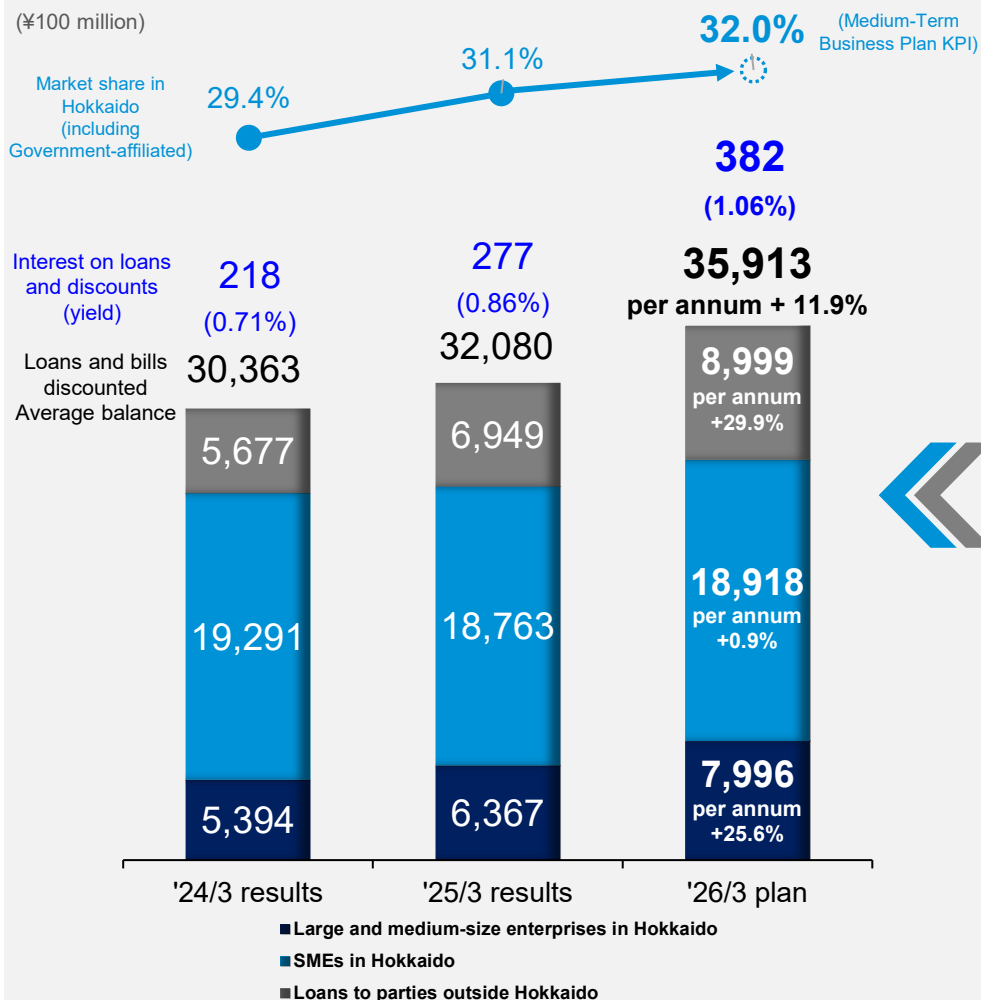
※The above estimate of the increase in net interest income is added to the FY2025 plan. The balance sheet is based on the 25/3 year-end standard and takes into account only the increase in profit and the associated outflow (effective tax rate of 30% and total return ratio of 50%).

#### (Key assumptions)

- Assumption that new loans and investments will be made in an amount equal to the loans and securities redemptions that will occur within 3 years, and that the investment/funding balance (March 2025) will be maintained for 3 years.
- Calculated based on the average market interest rate in March 2025, assuming full sliding in parallel to the policy rate.
- The follow-through rate is estimated based on the actual result at the time of the most recent interest rate hike.
- Both patterns show the impact of interest rate hikes on revenue relative to the environment with a 0.50% policy rate. The effect of volume increase is not included in the above calculation.

## Increase market share in Hokkaido by increasing volume and improving yields

### Average balance of corporate loans, interest on loans, and loan share



#### ■ Increase annual lending rate (YoY +11.9%)

- **The average balance of loans to small and medium-sized enterprises in Hokkaido** will turn positive on an annualized basis by repaying interest-free loans through thorough management of individual companies and increasing the number of interviews
- Capture **large and medium-sized companies in Hokkaido** by actively handling capital investment projects in Hokkaido (redevelopment, GX, etc.) and also utilizing syndicated loans in response to strong demand for funds
- For **loans outside of Hokkaido**, capture projects that contribute to the economic development of Hokkaido, such as investment projects in Hokkaido by companies outside of Hokkaido

#### ■ Increase share in Hokkaido's loan market

- **Strengthen exploitation of new companies** (Approach excellent parties, formulate manuals, etc.) Annual number of new companies: approx. 2,400 (Up over 10% year on year)
- **Capture sticky deposits** through corporate IB data collection and exchange route consolidation activities.  
**Stimulate short-term demand** by focusing on computerization of bills and checks

[Average balance of corporate deposits]

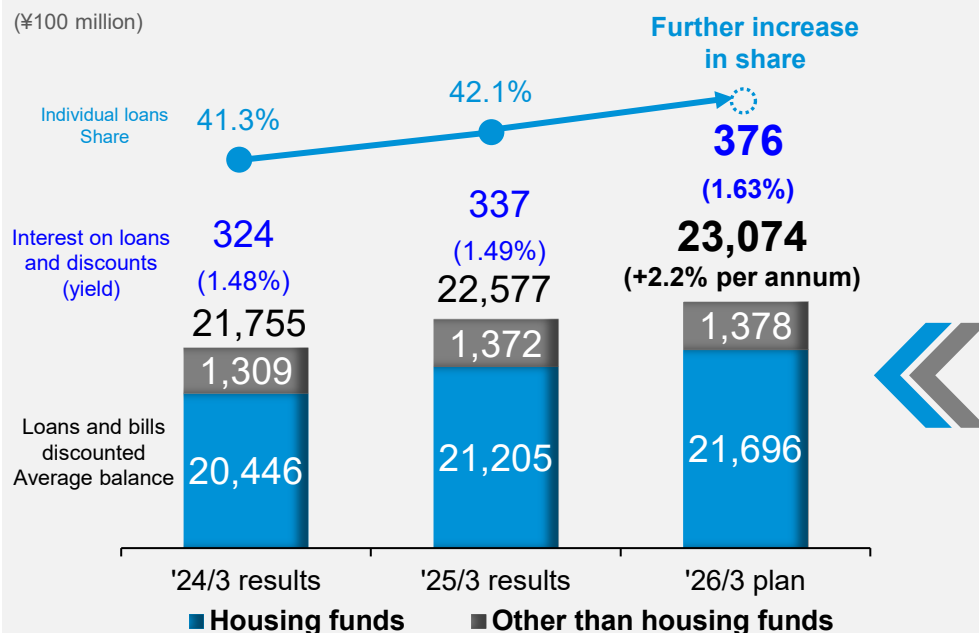
'25/3: 3,036 billion yen ➔ '26/3: 3,043 billion yen

- Aim to expand loan market share in Hokkaido from the current 31% to **32%**, a KPI under the current medium-term business plan

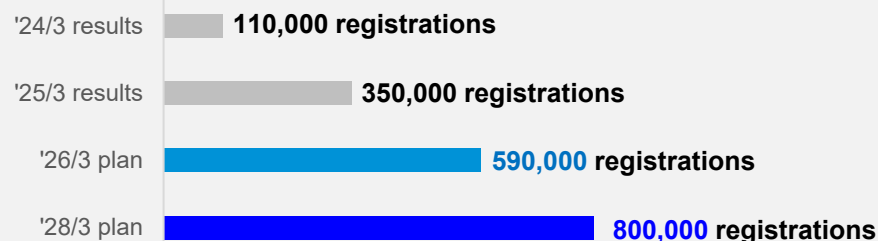
## 5 Strengthening topline revenue (2) - Consumer Division -

Aim to increase market share by attracting housing funds and personal deposits

### Average balance of personal loans, interest on loans, and loan share



[Reference] North Pacific Bank app registered users (cumulative total)



### Average balance of housing funds

'25/3: 2,120.5 billion yen → '26/3: **2,169.6 billion yen**

#### Promotion of funds for new houses

- Loan period was revised to a **maximum of 50 years** to meet the housing needs of young generations
- Based on the increase in the balance of newly built condominiums already introduced, the balance of newly built single-family homes is assumed to increase by 18.5 billion yen per year

#### Strengthen contact center promotion system (increase headcount)

### Capturing personal deposits

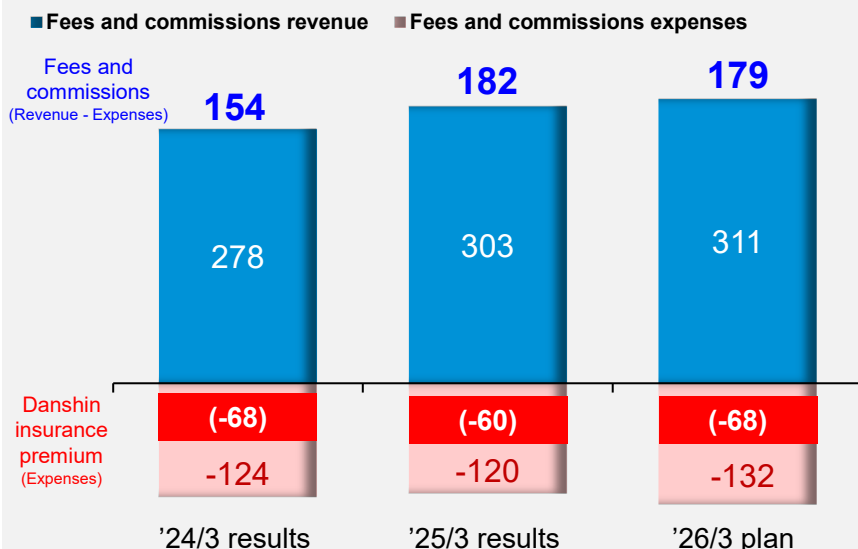
- Household financial management in a North Pacific Bank account, Increase in the number of app users
- Increase personal deposits, which account for more than 60% of deposits with the Bank, by taking the following measures (under consideration)
  - (1) **New accounts opening** - Periodic campaigns, start of Seven Bank ATM service
  - (2) **Time deposits** - Products for specific segments
    - A set plan including investment trust and time deposit (already introduced), retirement benefit time deposit, inheritance money time deposit (under consideration)

[Average balance of personal deposits]

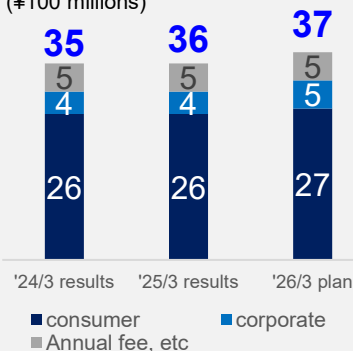
'25/3: 6,995.6 billion yen → '26/3: 7,074.8 billion yen

Leverage the Group's comprehensive strength to increase fees and commissions

## [Consolidated] Net fees and commissions



[Reference] Card business(revenue)  
(¥100 millions)



[Reference] Card business(Number of agreements)

	'24/3 results	'25/3 results	'26/3 plan	YoY
Consumer	16,235	28,878	54,514	25,636
debit card	8,954	23,275	49,916	26,641
Corporate	1,235	1,113	1,486	373
Total	17,470	29,991	56,000	26,009

large-scale corporate cards	193	303	570	267
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### ■ Bank (non-consolidated) Figures in parentheses represent YoY change

- **Card business: 3.7 billion yen (+100 million yen)**
  - Promote large-scale corporate cards to local governments, etc.
  - Debit card campaign
  - Strengthen promotion of new product Hokuyo-JCB Card Service
- **Assets under custody: 3.1 billion yen (+50 million yen)**
  - Balance of investment trusts, etc.: Approx. 190 billion yen (+20 billion yen)
  - Holiday consultation session, use of NISA First Time Dial

### ■ North pacific Securities

- **Commissions received: 2.3 billion yen (+300 million yen)**
  - Improve the quality of referrals through performance analysis and countermeasures by the Bank-Securities Cooperation Committee
  - Increase assets and boost balance of fees by providing high-quality investment trusts (Revenue PH: 23 million yen → 26 million yen)

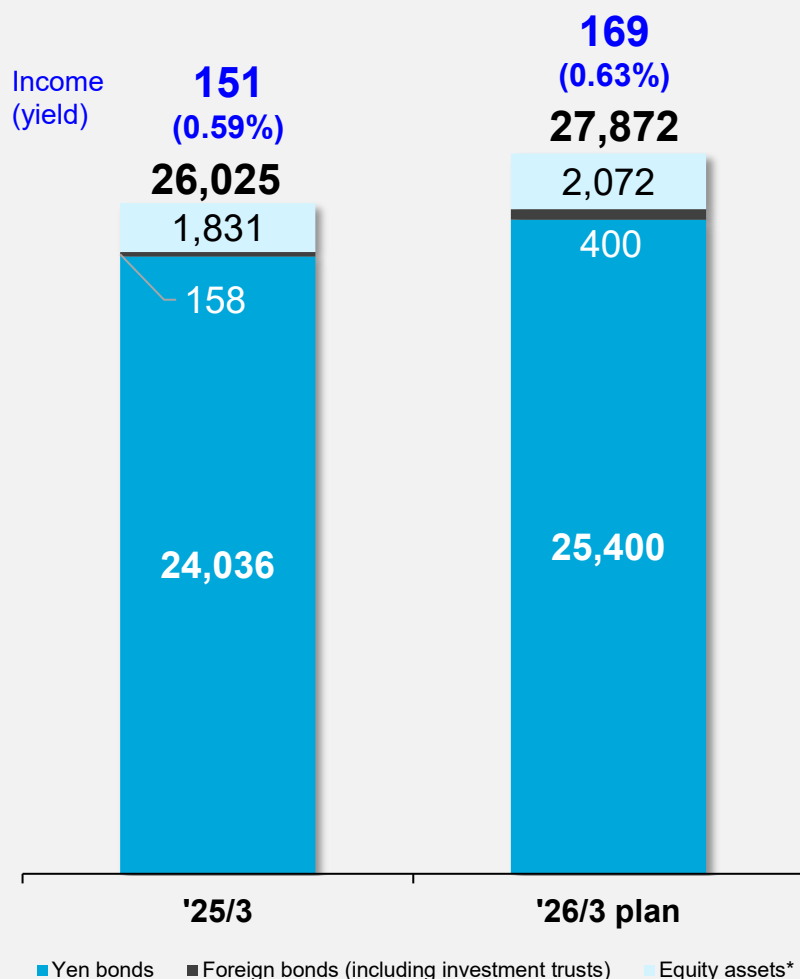
### ■ HKP

- **Consulting, M&A fees, etc.: 1.9 billion yen (+130 million yen)**
  - Strengthen project sourcing and promote the human resource recruitment business
  - Make proposals based on extraction of DX and GX issues through business growth support

## 5 Strengthening topline revenue (4) - Securities investment -

Increase income by focusing on yen bonds while paying attention to market trends

### Outstanding balance of securities and Income (yield)



#### ■ Yen bonds

Figures in parentheses represent YoY change

**Plan balance: 2,540 billion yen (approx. +140 billion yen)**

**Income: 9.1 billion yen (approx. +1.3 billion yen)**

- Redemptions in the fiscal year (approx. 190 billion yen) to be leveled by purchasing mainly short- and medium-term bonds to secure stable revenue
- Portion of increase in outstanding balance (approx. 140 billion yen) will be carefully judged based on current market trends such as the impact of U.S. tariffs
- Formulated a plan to leave the policy interest rate unchanged at 0.5%, and there is room for increasing earnings due to a rise in interest rates

#### ■ Equity assets - of which, stocks for pure investment

**Plan balance: 75 billion yen (approx. +17 billion yen)**

**Income: 1.5 billion yen (approx. +0.4 billion yen)**

- As for the portion of decrease in the portfolio due to the sale of cross-held shares, the decline in income will be offset by building stocks for pure investment, ETF, etc.

#### ■ Others

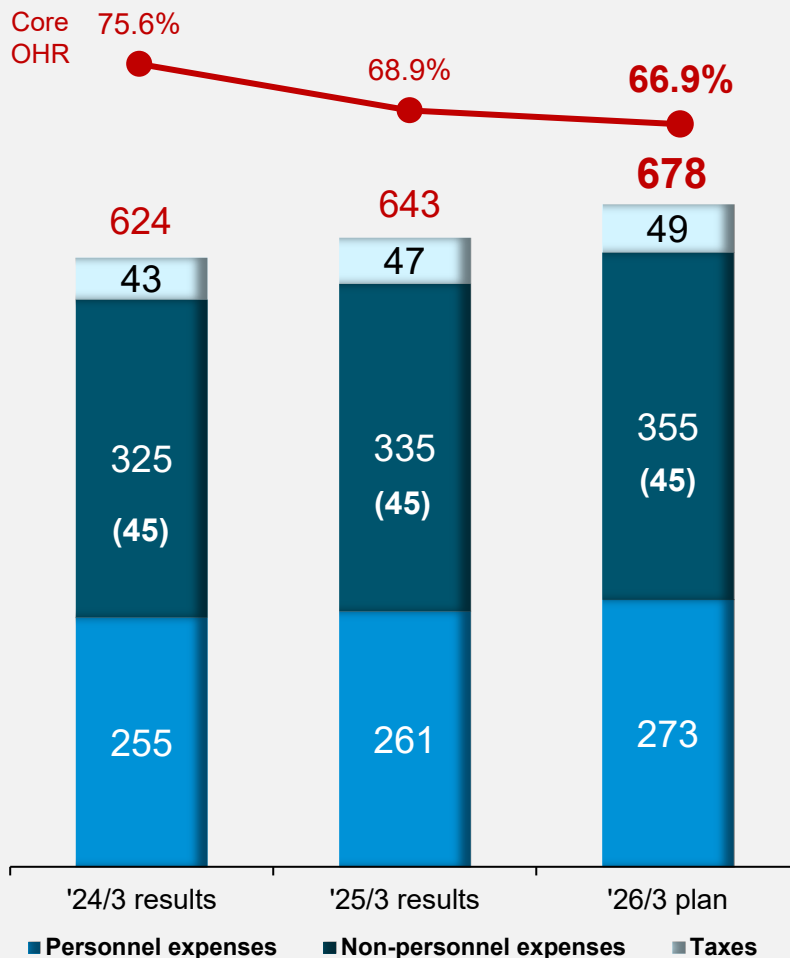
- Maintain the status quo by assessing interest rate levels, hedging costs, etc.

\* Equities held for pure investment, cross-shareholdings, REIT, etc.

# 6 Cost control

Core OHR to decline year on year despite an increase in expenses

## Expenses / Core OHR



Figures in parentheses represent YoY change

■ **Personnel expenses: 27.3 billion yen (+1.1 billion yen YoY)**

- **New personnel system revision ▶ +1.5 billion yen per year**
  - ⇒ Personnel expenses up about 2 billion yen a year due to system revision
  - ⇒ New system to start in July

■ **Non-personnel expenses: 35.5 billion yen (+2.0 billion yen YoY)**

- **System related ▶ +0.8 billion yen per year**
  - ⇒ Next-generation branch terminal upgrade, server maintenance fees, etc.
- **Non-system ▶ +1.1 billion yen per year**
  - ⇒ New personnel system related
    - Rented company housing expenses, lump-sum relocation payments, etc.
  - ⇒ Outsourcing service expenses (handling unauthorized use of credit cards, etc.)

■ **Taxes: 4.9 billion yen (+0.2 billion yen YoY)**

- **Increase in consumption tax due to increase in non-personnel expenses**

[Reference] Figures in parentheses are depreciation expenses for TSUBASA core system out of property expenses.

## Status of branch restructuring Efficient operation of branches and ATMs

### ● Reconstruction of branch functions

	FY2023 results	FY2024 results	FY2025 (plan)	Total
Integration of corporate lending functions	11 branches	24 branches	-	35 branches
Branch consolidation by BIB	-	6 branches	4 to 9 branches	10 to 15 branches

Number of branches	140 branches	134 branches	About 125 branches
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### ● Headcount creation effect/plan

FY2023 results	FY2024 results	FY2025 (plan)	Total
13 persons	56 persons	52 persons	121 persons

### ● Cost reduction effect/plan

FY2023 results	FY2024 results	FY2025 (plan)	Total
100 million yen	600 million yen	500 million yen	1,200 million yen

### Branches

#### Joint counter within Shinkin bank branch

FY2024: **1 Shinkin bank** → FY2025 (plan): **5 Shinkin banks**

#### Efficiency improvement by concurrently serving as branch manager of a branch with integrated corporate lending functions

FY2024: **5 branches** → FY2025 (plan): **15 to 20 branches**

#### Efficiency improvement of branch operations by introducing lunch-hour closure

Implemented at **24 branches** (FY2023: 11 branches, FY2024: 13 branches)



Joint counters at Shinkin banks

### ATM

#### Optimization of ATM cash points

- Expansion of mutually free ATM tie-up with other finance corporations  
FY2023: **1 Shinkin bank**, FY2024: **1 Shinkin bank**, FY2025 (plan): **3 Shinkin banks**
- Installation of ATMs at post offices (2 sites)
- Promote quicker operation and lower costs through the expansion of passbook-less ATMs
- Improve convenience and efficiency through relocating low-usage ATMs

### Considering new channels

- Introduction of lightweight branches that combine digital and real operation in commercial facilities, etc.
- Introduction of mobile store vehicles in cooperation with other industries

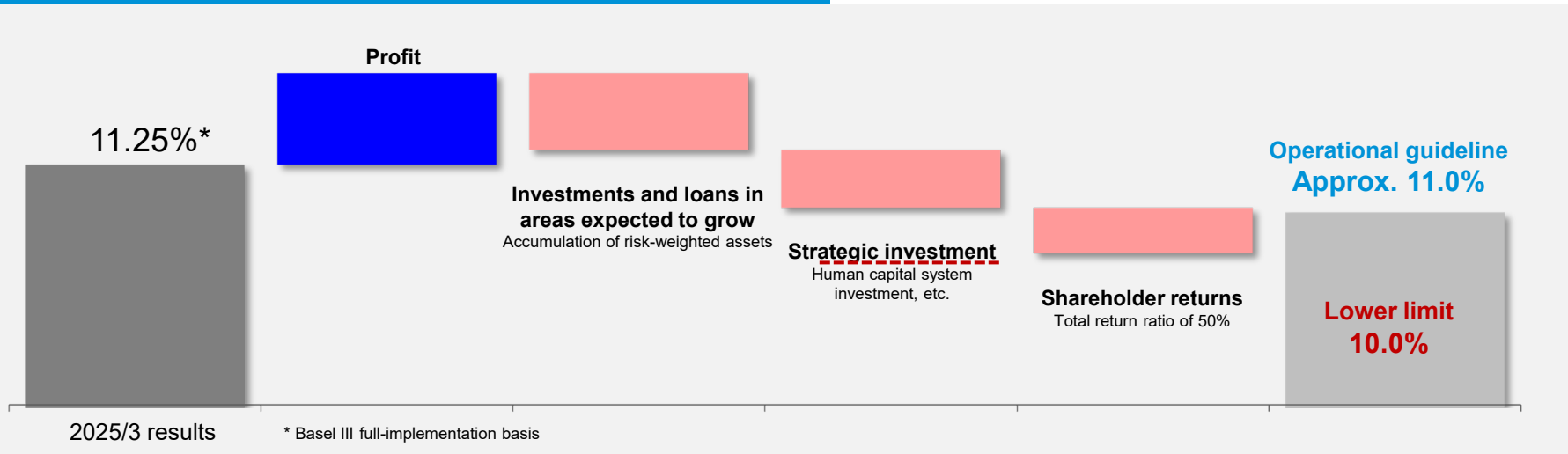


# 7 Appropriate capital management

Appropriate capital management practices based on profitability and soundness

## Setting an appropriate capital adequacy ratio (lower limit)

< Non-consolidated >



## Basic capital management policy

### ■ Appropriate capital control

- (1) **Investments and loans to improve ROE** (loans, securities investment, etc.)
- (2) Strategic investment to **improve services and strengthen competitiveness** (human capital investment, systems investment, etc.)
- (3) **Strengthen shareholder returns** (Total return ratio of 50% and dividend payout ratio of 40% or higher)

### ■ Maintaining soundness

In light of the Bank's business outlook, status of its assets and liabilities, and developments in the external environment, **annually verify** the level of capital adequacy ratio (lower limit) through stress tests and the ALM Committee

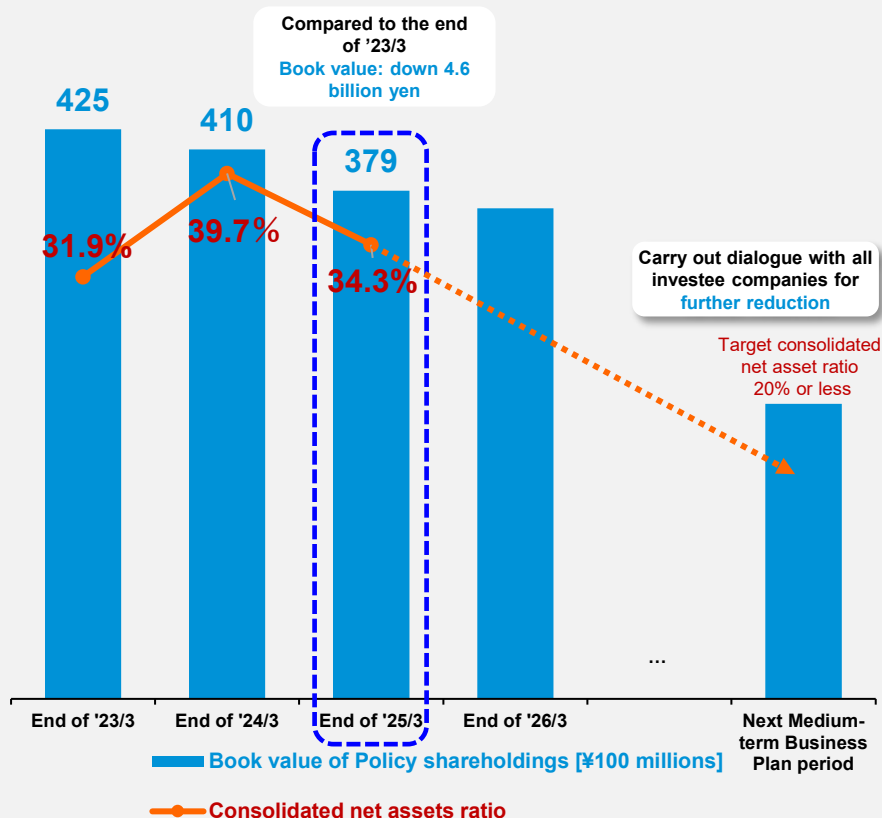
## 8 Policy shareholdings

The current reduction plan is expected to be achieved early. A further reduction plan will be considered.

### Reduction of Policy shareholdings

[Current reduction plan]

Reduce book value by 5 billion yen by the end of '26/3  
(vs. the end of '23/3)



### Progress of the current plan (as of the end of 2025/3)

- Reduced: **Book value 4.6 billion yen, Progress rate 91%**

As of March 31, 2025	Number of issues (companies)	Book value (¥100 million)	Market value (¥100 million)
Consent for reduction obtained	10	36	124

- The companies that have agreed to reduce their policy shareholdings are scheduled to sell them in stages over the course of FY2028.
- Reduction target of the current plan is expected **to be achieved in early FY2026**

### Future reduction policy

- Up to now, mainly stocks headquartered outside Hokkaido were reduced. Going forward, the Bank will **have dialogues with all companies, including those headquartered in Hokkaido**, and consider plans for further reductions
- The Bank will sell the stocks that have been agreed to sell as needed, taking into consideration stock market conditions and the Bank's earnings situation, etc.
- Gain on sale will be used in **growth investment** or **shareholder returns**, which will contribute to improving ROE and PBR

## 9 Shareholder returns

Raise the dividend payout ratio and promptly provide returns through quarterly dividend

### Shareholder return policy



Effective from the current fiscal year (FY2026/3)

- **Dividend payout ratio** shall be **40% or higher** while **maintaining a stable annual dividend of 10 yen per share**
- Considering the capital adequacy ratio, business outlook, external environment, etc., **the target total return ratio shall be 50%**
- Acquisition of treasury shares shall be implemented **flexibly and with agility**

### Introduction of quarterly dividend



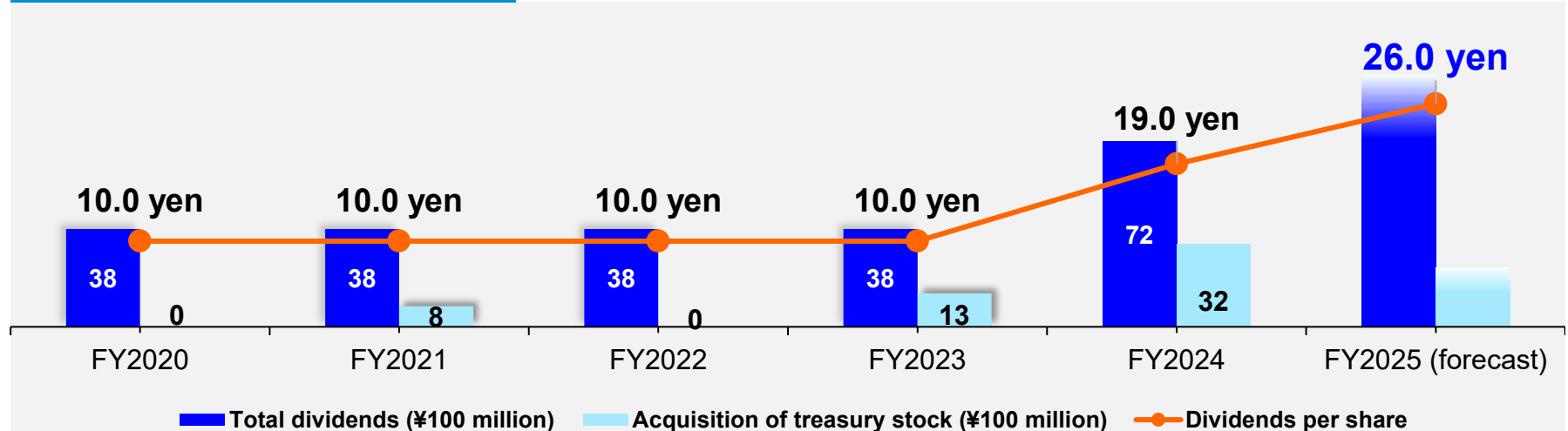
The first record date is scheduled to be June 30, 2025.

Record dates (dividend record dates for the first and third quarters) to be announced based on resolution by the Board of Directors

### Actual shareholder returns



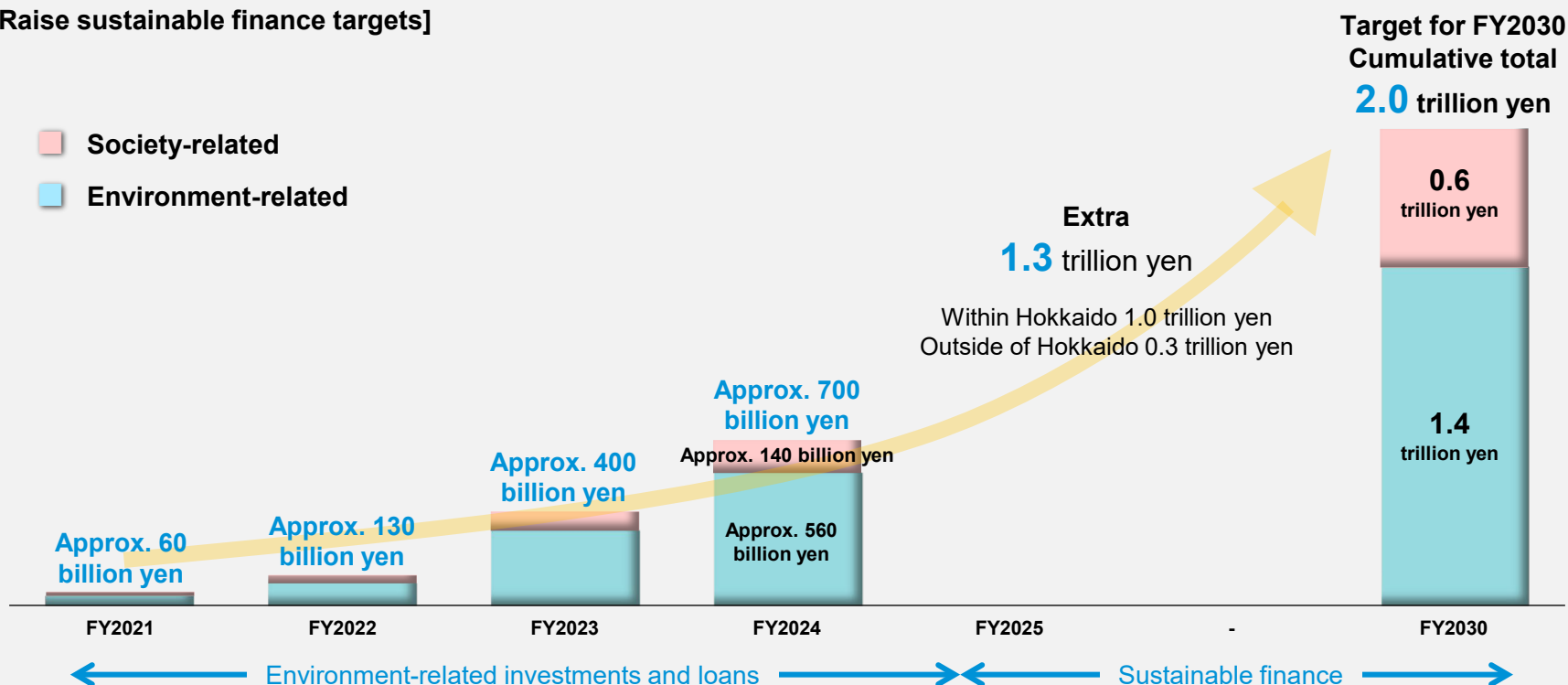
FY2025 dividend is expected to **increase by 7.0 yen** from the previous year.



## Contributing to the realization of a sustainable environment and society

### Sustainable finance (renamed from environment-related investments and loans)

[Raise sustainable finance targets]



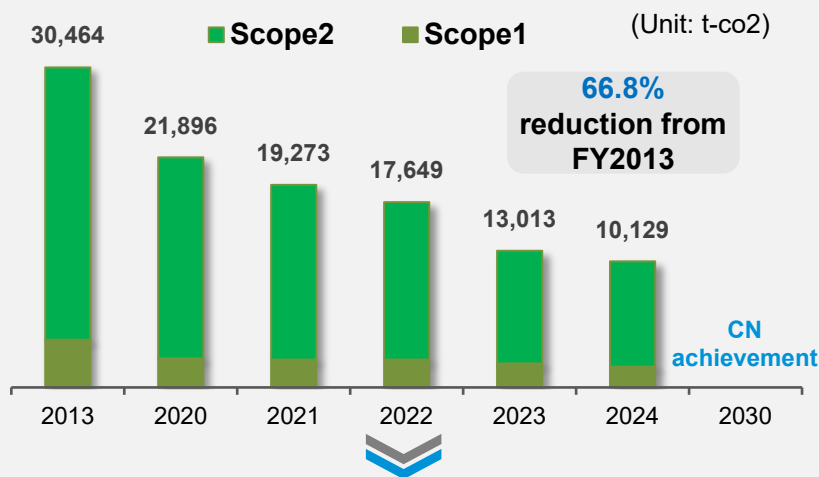
- Achieved the cumulative target of 500 billion yen in environment-related investments and loans from FY2021 to FY2030 **ahead of schedule in FY2024**
- The name was changed to **sustainable finance**, adding investments and loans that contribute to solving social issues\* in Hokkaido to the existing environment-related investments and loans. **Raise the new target to 2.0 trillion yen**, including past results as well as environment-related

\* Investments and loans that contribute to solving social issues include support for semiconductor-related industries, development of new industries (startups and new businesses), streamlining of manufacturing industries, and strengthening support for food and tourism

## Strengthening the movement toward decarbonization throughout Hokkaido

### Scope 1 - 2 (GHG emissions of the Group)

**[Target increase] Zero in real terms by FY2030**  
(-80% compared to FY2013 → zero in real terms)



#### [Specific initiatives]

Carbon-free electricity and gas

Purchase of carbon credits

Updating of heating and cooling equipment

Consideration of solar panel installation

### Scope 3 (GHG emissions of investees and borrowers)

**[New target] Zero in real terms by FY2050**

#### [Specific initiatives] (Category 15)

##### ■ Visualization of GHG emissions and proposal of concrete decarbonization measures

- Target number of CO<sub>2</sub> emission visualization tools: 2,000
- J-Credit creation and sales support

##### ■ Partnership agreements with local governments

- Support for local efforts to realize a decarbonized society and the creation of J-Credit
- Expand the circle to all of Hokkaido

#### Achievements of partnership agreements

Municipalities	Details of partnership
Eniwa	Realization of a decarbonized society
Shibecha	J-Credit, Forestry DX
Akkeshi	J-Credit, Forestry DX
Otaru	Realization of a decarbonized society
Hamatombetsu	J-Credit, Forestry DX

#### Partnership ceremony with Otaru



From left: Mr. Iida, CEO of Sustech; Mr. Sako, Mayor of Otaru; Mr. Tsuyama, President, CEO, and CHRO

## Contribute to Hokkaido's Nature Positive

### Partnership agreement with the Ministry of the Environment

#### [Objective]

To promote initiatives related to advancing biodiversity and countermeasures against global warming

#### [Specific initiatives]

- The Ministry of the Environment plans to solicit applications for support of projects toward creating a social implementation model for perovskite solar cells→ consider applying to acquire know-how and for deployment in Hokkaido
- Combining the Bank's customer network with the Ministry of the Environment's subsidy tools, aim to create examples for reducing energy consumption and shifting to renewable energy throughout the region in cooperation with local governments, local industries, Chamber of Commerce, etc.

#### Contract signing ceremony



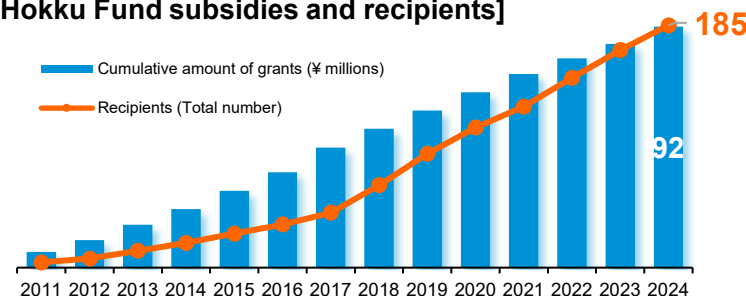
### Collaboration between the Hokku Fund and Nationally Certified Sustainably Managed Natural Sites

#### Hokku Fund

A subsidy program to support various organizations working to protect rare species and improve their habitats in order to conserve biodiversity in Hokkaido

92 million yen/185 recipients since its establishment in 2010

#### [Hokku Fund subsidies and recipients]



The Hokku Fund's support for activities at Nationally Certified Sustainably Managed Natural Sites\* was the first to be recognized by the “**Certificate for Support for Nationally Certified Sustainably Managed Natural Sites (trial version)**” among financial institutions in Japan and companies in Hokkaido

\* Areas designated by the Ministry of the Environment where biodiversity is being conserved through private-sector efforts to realize a Nature Positive economy



**Preparation for operation of prototype line was completed in April 2025**

\* Photo taken in March 2025

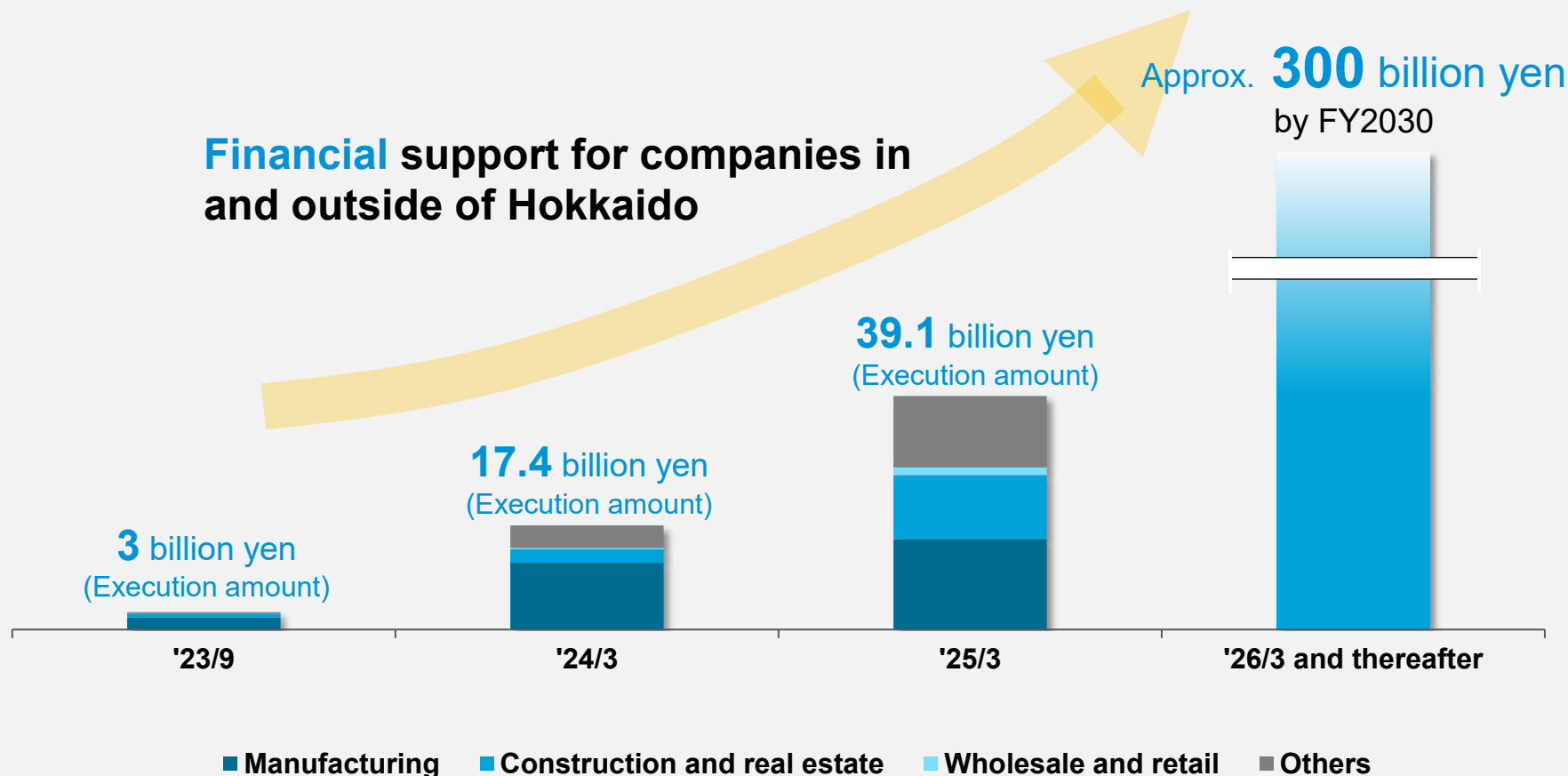


(Photo) Courtesy of Rapidus Corporation

Expect an increase in related financing as the project progresses

## Semiconductor-related financing (cumulative basis)

**Financial** support for companies in  
and outside of Hokkaido





Supporting companies in Hokkaido to enter and expand business in the semiconductor industry

## Establishment of Hokuyo Semiconductor Network (from January 2025)

### Matching scheme

Companies in Hokkaido

(2) Presenting order needs

(1) Entry

Hokuyo Semiconductor Network

(3) Introducing companies in Hokkaido that want to receive orders

(1)' Presenting order needs

Semiconductor-related companies

### Operation status

Number of participating companies

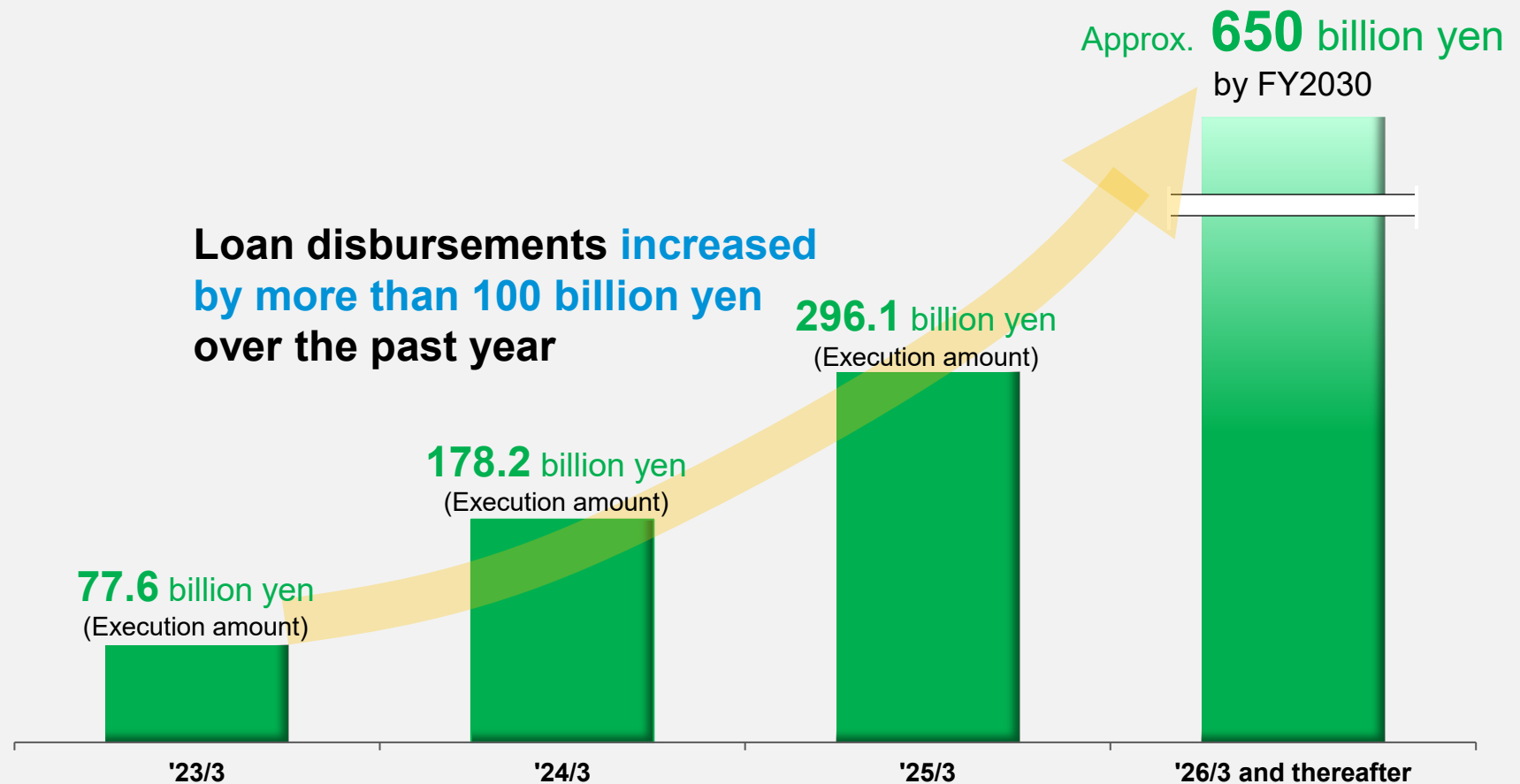
**62 companies** (April 30, 2025)

Ordering company industry	Order needs	Number of companies referred to receive orders
Pipe work	Manufacturing and installation of ducts	2
Piping design and construction	Piping onsite work	2
Piping design and construction	Fixtures in offices, plants, etc.	1
Pipe work	Piping fabrication and onsite work	3
Pipe work	Materials procurement	1
Plant infrastructure	Equipment maintenance	5
Plant infrastructure	Fixtures in offices	1
General logistics	Plant construction	2
General real estate	Construction of hotels and rental apartments	4
Hotel	Linen supply	2
Hotel	Cleaning	2

## 11 Potential of Hokkaido (2) - GX related -

### Significant increase in GX-related loans

#### GX-related financing (cumulative basis from FY2021)

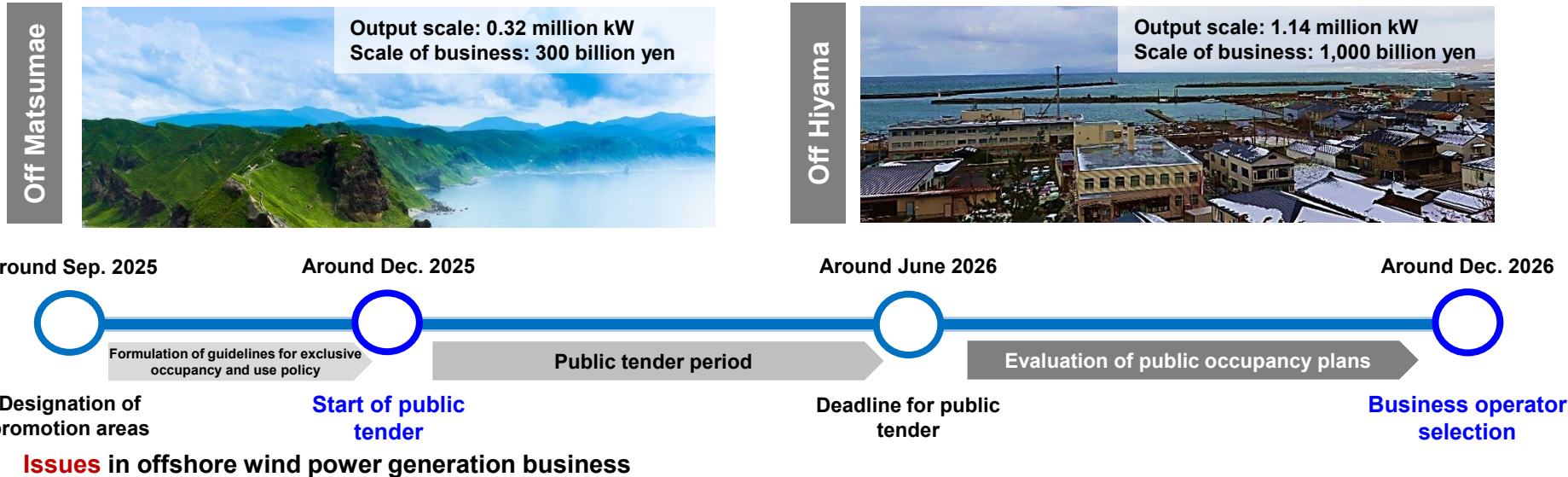


# 11 Potential of Hokkaido (2) - GX related -

Several coastal areas in southern Hokkaido are designated as promotion districts, with open recruitment for business operators expected to begin

## Project scale in the target coastal areas and estimated schedule from 2025 to 2026

\* Scale, amount and schedule are based on our estimates



## Initiatives of North Pacific Bank



- Consider participation in projects through **investment** and plan **matching** selected business operators with companies in Hokkaido
- Examine solutions **using special district menus\***, etc., to the issues in the offshore wind power generation business

\* Easing of restrictions on banks' investment of more than 5%

Enhance the effectiveness of the offshore wind power generation business as a whole

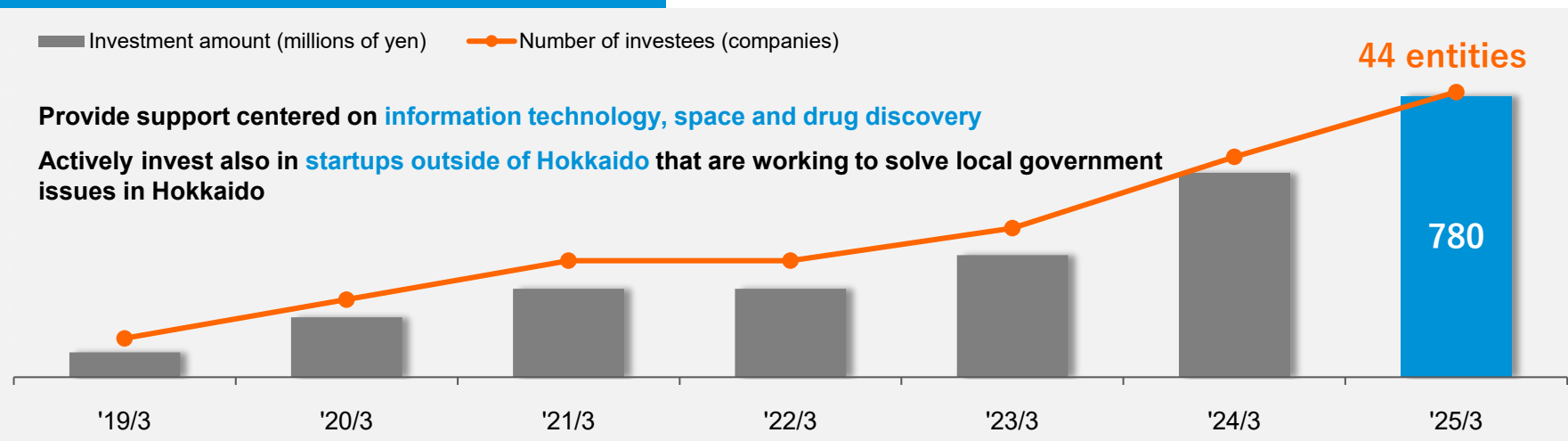
# 12 Regional contribution - Supporting startups -

## Providing financial support tailored to the needs and stages

### Start-up support menu

Product	Format	Current status
<b>Hokuyo SDGs Promotion Fund No. 3</b>	Investment	<ul style="list-style-type: none"> <li>Started in November 2024: Support centered on Seed and Early stages</li> <li>Total for Funds No. 1 to No. 3: <b>780 million yen for 44 companies</b> (June 2018 to March 2025)</li> </ul>
<b>Hokuyo Startup Loan</b>	Loans	<ul style="list-style-type: none"> <li>Started in June 2024; Support centered on Middle and Later stages</li> <li><b>213 million yen/6 companies</b> in FY2024</li> </ul>
<b>Hokuyo Venture Debt</b> <span style="background-color: blue; color: white; padding: 2px 5px;">NEW</span> (loan with subscription right to shares)	Loans	<ul style="list-style-type: none"> <li>Became the first financial institution in Hokkaido to begin handling loans with subscription rights to meet the demand for funds among startups in the Middle and Later stages</li> </ul>
<b>Hokuyo Bank Startup Research &amp; Development Fund</b>	Subsidies	<ul style="list-style-type: none"> <li>FY2023: <b>10 selected from 37 applicants</b> (subsidy of 1 million yen per project)</li> <li>FY2024: <b>8 selected from 31 applicants</b> (subsidy of 1 million yen per project)</li> </ul>

### SDGs fund performance (Total of Fund No. 1 to No. 3)



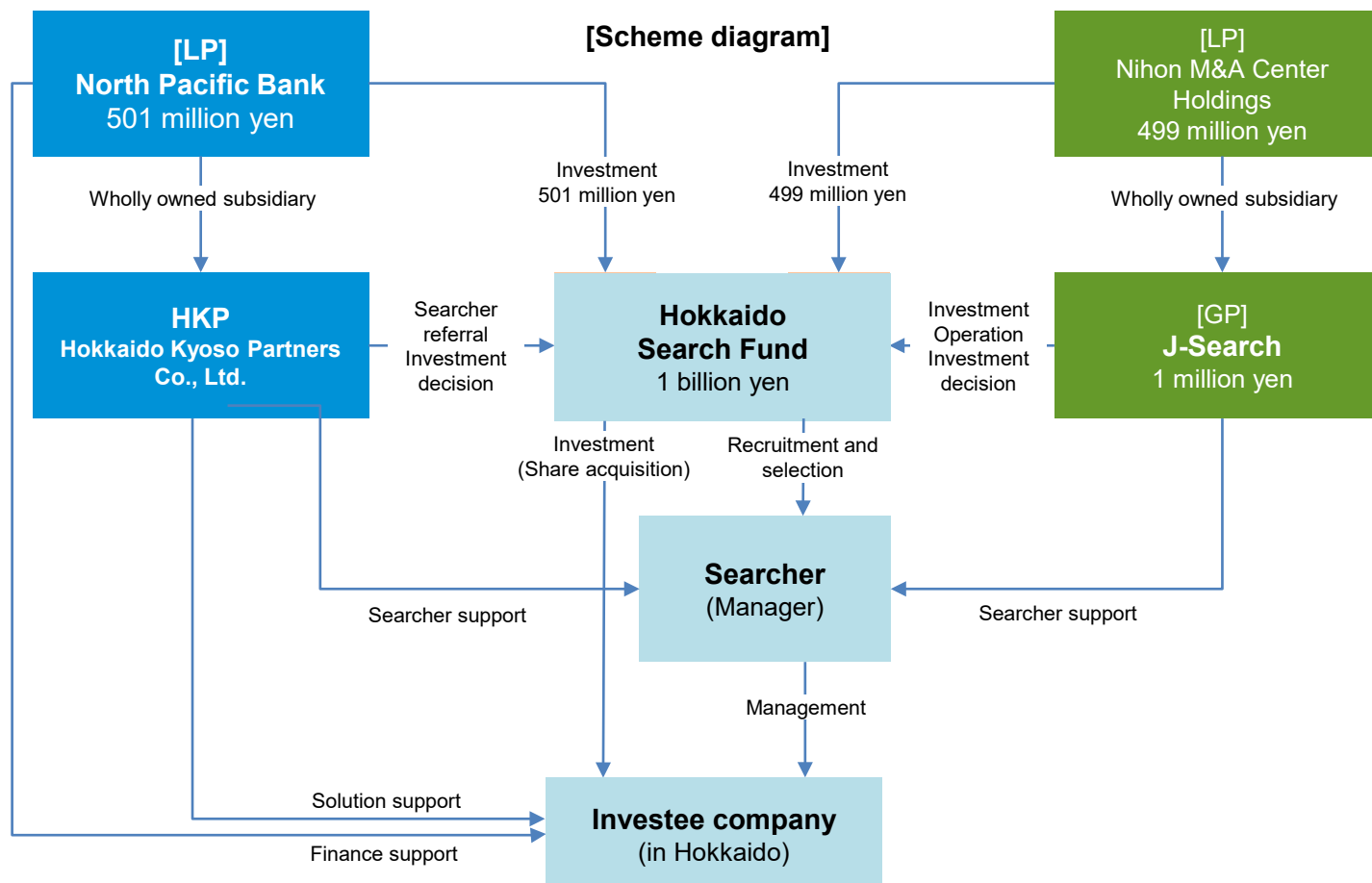
**NEW**

## Region-specific search fund "Hokkaido Search Fund"

- Promote business succession of SME companies = investees in Hokkaido through manager-oriented human resources = searchers nationwide
- The Bank, HKP and J-Search\* support searchers and investee companies to realize smooth business succession and increase value

\* 100% subsidiary of Nihon M&A Center Holdings Inc.

### [Scheme diagram]



#### Support for farmers

Product	Format	Current status
Hokuyo agricultural area revitalization fund	Investment	<ul style="list-style-type: none"> <li><b>Began handling in November 2019;</b> Investment support for agricultural corporations</li> <li>Combined with the Hokuyo Agriculture Support Fund, investment track record of <b>295 million yen in 17 companies</b></li> </ul>
Hokuyo agricultural loans	Loans	<ul style="list-style-type: none"> <li><b>Began handling in February 2025;</b> Loan support for farmers</li> <li><b>433 million yen/22 loans</b> (as of May 2025)</li> </ul>

Efforts through industry-academia-government-fund collaboration ► Establishment of a support system for the formation of vineyards

Name	Supporting entities	Content
Hokkaido Wine Academy	Hokkaido Hokkaido University, etc.	<ul style="list-style-type: none"> <li>Training in grape cultivation, wine making, marketing, etc.</li> <li>Following the launch in FY2015, <b>28 companies have opened wineries</b></li> </ul>
Hokkaido Wine Platform	Hokkaido Prefecture, Hokkaido Research Organization, etc.	<ul style="list-style-type: none"> <li>Support for human resource development, management, cultivation and brewing technology, etc., by utilizing the functions of each support organization participating</li> </ul>

#### Support for tourist business operators

Name	Supporting entities	Content
Japan Tourism Agency, "Regional Tourism New Discovery Project"	Shakotan Town, Shakotan Tourist Association, JTB, etc.	<ul style="list-style-type: none"> <li><b>North Pacific Bank chosen as the only bank Approved as a priority support project.</b> Aiming to increase the number of people involved by revitalizing the slow season through the discovery of hidden attractions in the region</li> </ul>
Tourist business meetings held in Tokyo and Osaka	Hokkaido Prefecture, Shinkin banks, credit unions, etc.	<ul style="list-style-type: none"> <li>Held business meetings with tourism business operators, travel agencies outside Hokkaido, the media, etc. A total of 64 businesses in Hokkaido participated and <b>42 contracts were concluded</b></li> </ul>

## 13 Human resources strategy - Start of new personnel system -

Maximizing the potential of human resources and nurturing a corporate culture to take on challenges

Realization of management philosophy and long-term vision

Maximizing the potential of human resources and nurturing a corporate culture to take on challenges

### Ideal organization

Sense of satisfaction with the treatment for contributions made through duties and transfers

Support for challenge and growth

Diverse human resources autonomously making career choices

### Ideal human resources

Raising the Bank's corporate value through customer-oriented approach

Enhancing and demonstrating expertise

Autonomous actions and challenges  
Awareness of qualitative and quantitative indicators

### Concept of revised personnel system to realize the ideal vision

#### Performance-based

Appointment regardless of age

#### Improvement of acceptability of treatment

Course integration  
Review of allowances for transfers to other locations

#### Autonomy

Selecting fields of business operation  
Multiple-track personnel system

### Evaluation system as the basis for realization of the concept

Revamped evaluation items

Establishment of new evaluation meeting

Review and continuation of training content

New personnel system is scheduled to start in **July 2025**

# 14 Financial and economic education

## Contributing to improving financial literacy in Hokkaido as a whole

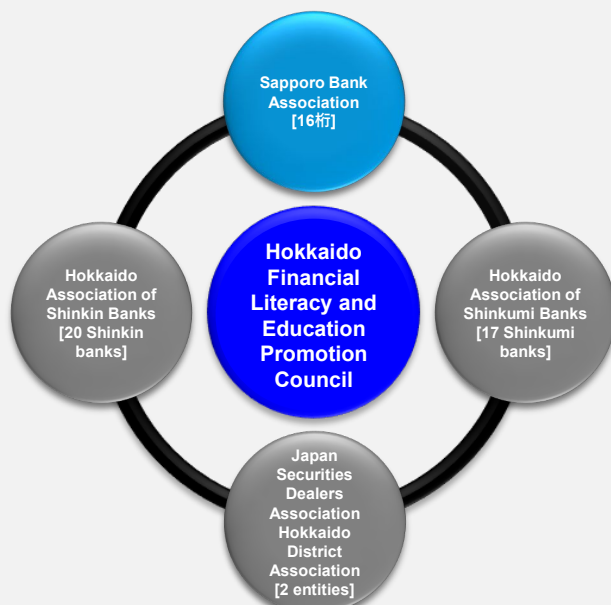
### Financial literacy and education: Participation in the Hokkaido Financial Literacy and Education Promotion Council

#### [Purpose of the Hokkaido Financial Literacy and Education Promotion Council]

- Provide an environment and opportunities for financial literacy and education throughout Hokkaido, including projects that do not meet the J-FLEC\* criteria for dispatching instructors (10 or more persons; applying at least 45 days in advance) **Composed of 4 organizations and 45 financial institutions**
- In addition to the Hokuyo Finance Class, the Bank will offer lectures through the Council and hold seminars in cooperation with member organizations throughout Hokkaido



#### Accelerate efforts to cover the whole of Hokkaido

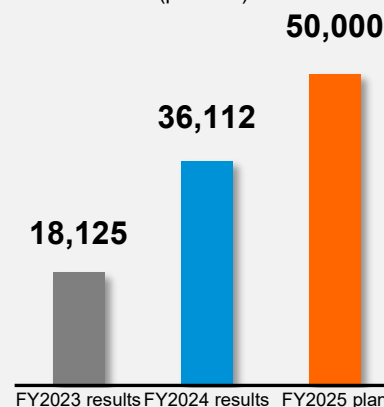


#### Establishment ceremony



#### [Status of Hokuyo Finance Classes]

##### Number of class participants and targets (persons)



\* An organization that aims to expand opportunities for promoting financial literacy and education for a wide range of age groups and to meet the needs of each citizen nationwide through a public-private partnership

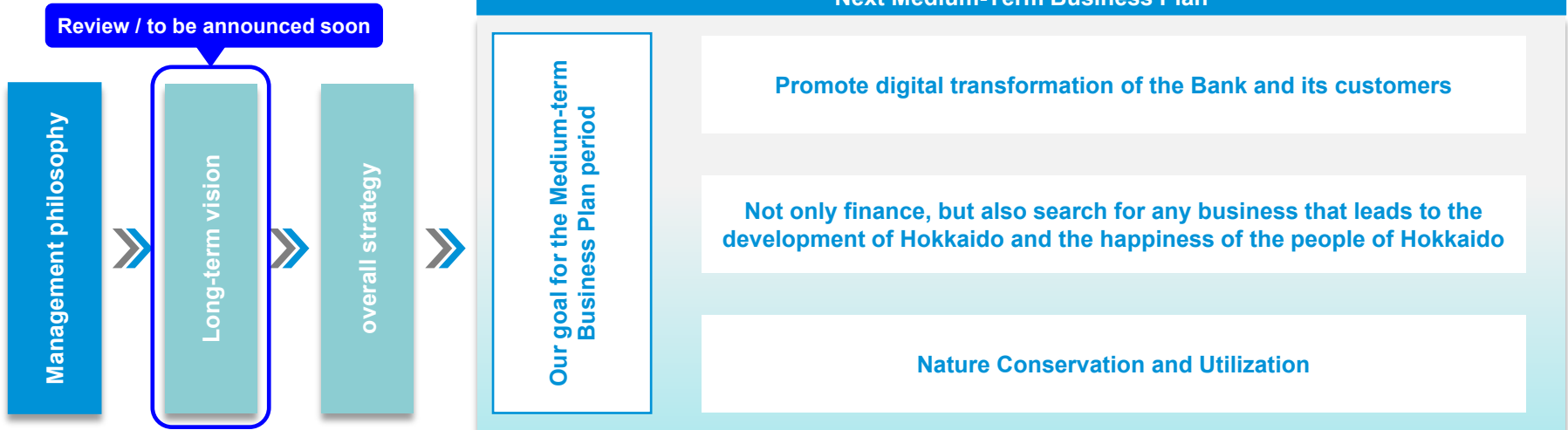


## **III Direction of the Next Medium-term Business Plan**

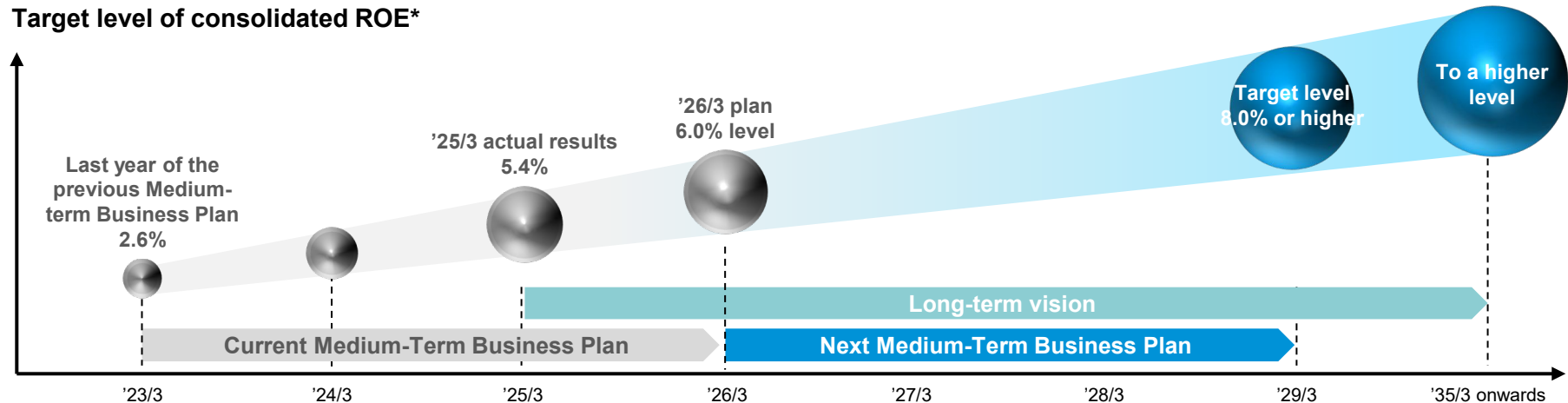
# 1 Vision/Our goal

## Toward the next Medium-Term Business Plan

### Process of formulating the next Medium-Term Business Plan



### Target level of consolidated ROE\*



\* Shareholders' equity basis

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North Pacific Bank, Ltd.

Materials for the 26th Information Meeting

June 5, 2025

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