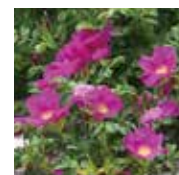




 North Pacific Bank
Annual Report
2019





North Pacific Bank

A Message from the President

Group Business Principles

- Provide quality service to our business partners and progress together with our customers
- Improve our corporate value and win a high level of trust from our stockholders and the market
- Create a rewarding workplace where employees can fully display their abilities

North Pacific Bank Business Principle

- Providing a steadfast foundation for Hokkaido's development

CONTENTS

2	A Message from the President
3	Hokkaido and North Pacific Bank
5	Highlights
8	Medium-Term Business Plan
9	Initiatives to Stimulate the Local Economy
13	ESG and SDG Initiatives
19	Compliance
20	Risk Management
21	Corporate Data
21	Organizational Chart
22	Directors, Audit & Supervisory Board Members and Executive Officers
23	Principal Shareholders / Group Structure
24	History of North Pacific Bank, Ltd.
25	Financial Section
25	Consolidated Balance Sheets
26	Consolidated Statements of Income
26	Consolidated Statements of Comprehensive Income
27	Consolidated Statements of Changes in Equity
28	Consolidated Statements of Cash Flows
29	Non-Consolidated Balance Sheets
30	Non-Consolidated Statements of Income

A Message from the President

Thank you for your ongoing patronage of, and goodwill toward, North Pacific Bank.

In fiscal year 2018, the Japanese economy continued to expand at a moderate rate, helped by the recovery in personal consumption driven by a steady improvement in employment and household incomes, along with a rise in corporate capital investment as corporate earnings remained strong. The Hokkaido economy was temporarily affected by the Hokkaido Eastern Iburi Earthquake, but recovered to show modest growth overall as tourism, the sector that was worst affected by this, also recovered with overseas and domestic visitor numbers exceeding the previous year.

On the financial front, long- and short-term yields remain depressed under the extended negative interest rate policy of the Bank of Japan. As the digitization of our society continues to accelerate, the financial services business is at a major turning point in its evolution.

In this management environment, we remain committed to our "Customer First" principle in accordance with our medium-term business plan *Creating Shared Value*, and have focused on the following business initiatives.

In our asset formation and asset management support services, we have worked to develop our customer-oriented consulting operations, tailored to take account of our customers' needs at every stage of their life. Also, in addition to expanding the Hokuyo Insurance Plaza service, which is available even on bank holidays, we have enhanced our product lineup by incorporating North Pacific Securities (formerly Jyoko Securities) into the Group.

As part of our digitization initiatives, we launched new smartphone-based services, including real-time updates on account balances and transactions, including deposits and withdrawals, along with cashless payment based on QR codes.

For our corporate clients, starting with our business evaluations and supplemented by financial support through loans and other measures, we strive to provide optimal solutions to help customers leverage their business strengths to maximum effect and solve business problems. As part of these efforts, in our fund activities, we have established the Hokuyo SDGs Promotion Fund, supporting Hokkaido-based companies engaged in activities that contribute to the sustainable development of Hokkaido. In addition, we also support companies whose business activities are contributing to the recovery from the earthquake and to the vitality of Hokkaido itself. Through these efforts, we aim to help reinvigorate the regional economy.

Together with the region and the Bank's customers we will work to create further growth and develop new value, meeting the diversifying needs of our customers and the challenges of the future through the provision of customer-oriented financial services. We remain continually grateful for your ongoing support.

September 2019

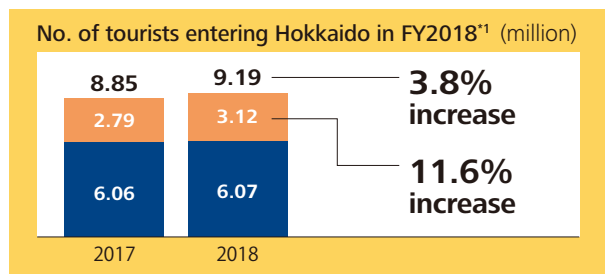
M. Yasuda

North Pacific Bank
Mitsuharu Yasuda, President

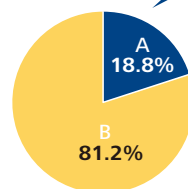
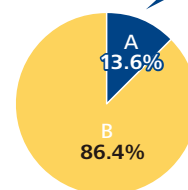
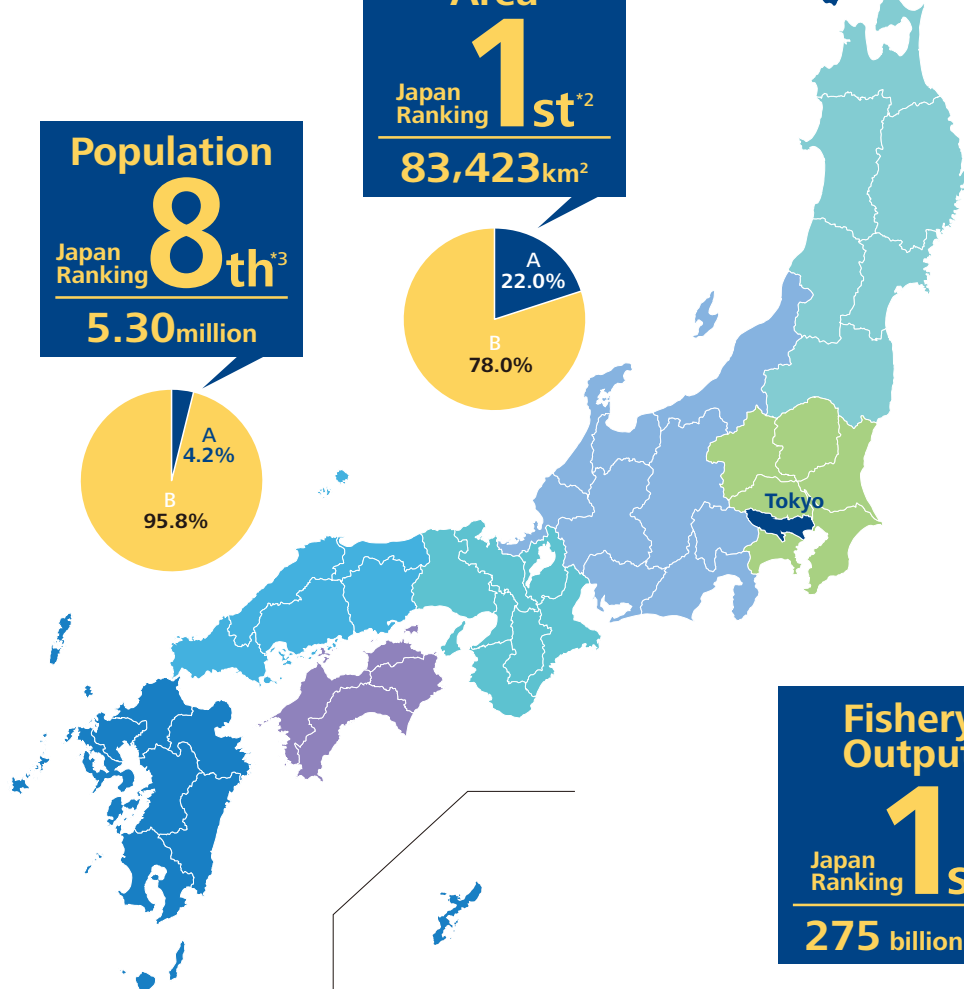
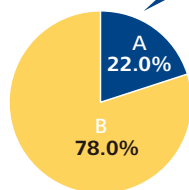
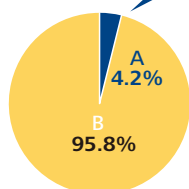
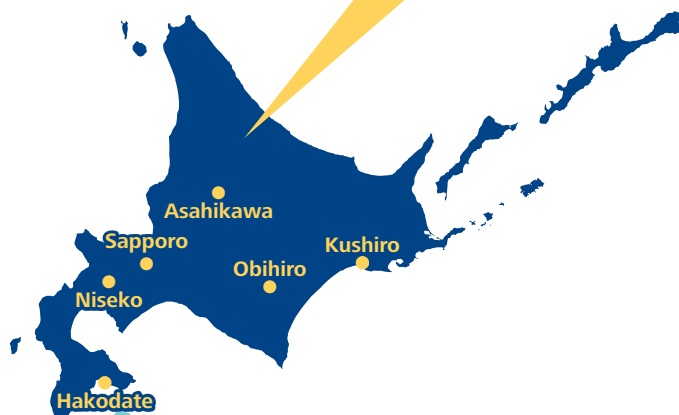
Hokkaido and North Pacific Bank

Hokkaido, the base of our business operations, is a region blessed with abundant natural scenery, home to flourishing agriculture and fishing industries, and a popular tourist destination.

Hokkaido



■ Domestic ■ Foreign nationals



■ A Hokkaido
■ B Other

Sources:

- *1 Department of Economic Affairs, Hokkaido Bureau of Tourism: "Survey on the Number of Inbound Tourists in Hokkaido Tourism (2018)"
- *2 Geospatial Information Authority of Japan: "Statistical reports on the land area by prefectures and municipalities in Japan, 2018"
- *3 Ministry of Internal Affairs and Communications: "Internal Migration in Japan Derived from the Basic Resident Registers" (as of January 1, 2019)
- *4 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2017"
- *5 Ministry of Agriculture, Forestry and Fisheries: "Total Fishery Output, 2017"

About North Pacific Bank

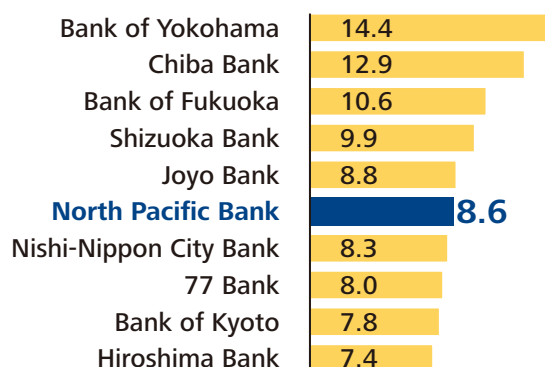
● Corporate Outline (As of March 31, 2019)

Established	August 20, 1917
Headquarters	7, Odori Nishi 3-chome, Chuo-ku, Sapporo
Capital	121.1 billion yen
Shares issued	399,060,179 common shares
Exchange listings	Tokyo Stock Exchange First Section Sapporo Securities Exchange
Branches	171
Overseas offices	3
Employees	2,869

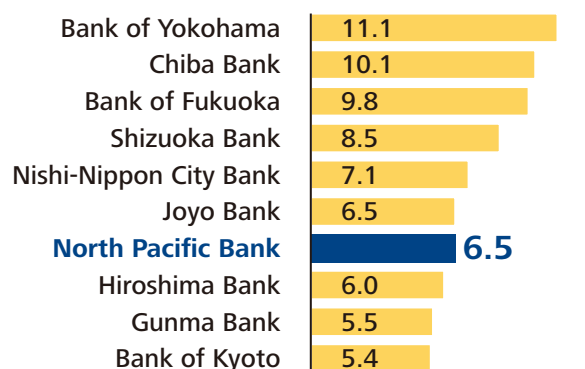


● Positional Chart for Deposits and Loans Provided (As of March 31, 2019)

Deposits

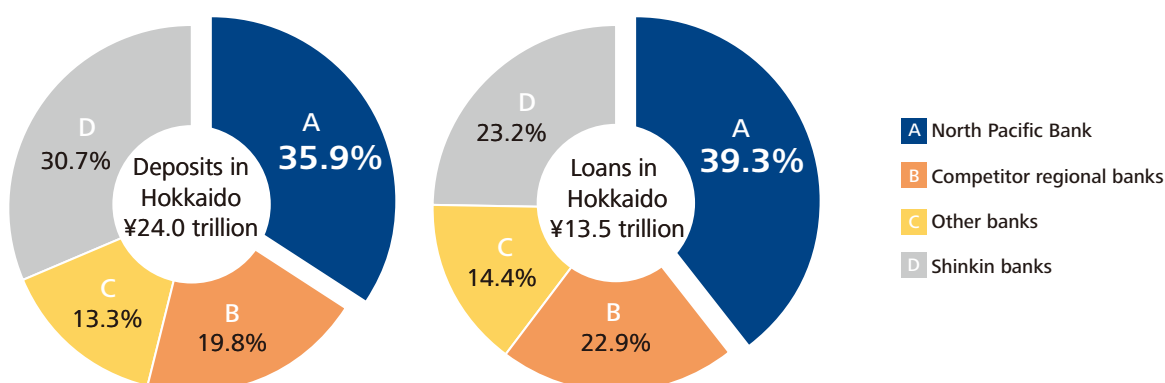


Loans



Deposits = Deposits + Negotiable certificates of deposit
Source: Financial statements of various banks

● Market Share in Hokkaido (As of March 31, 2019)



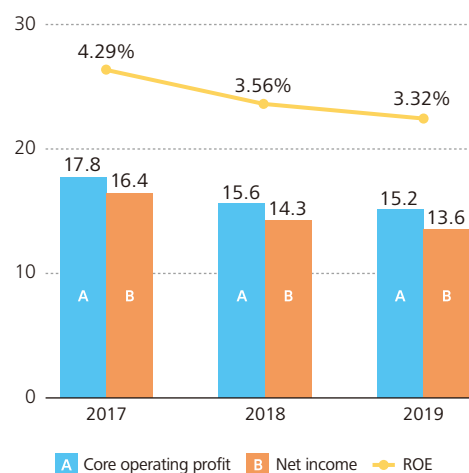
Notes: Market shares are based on the outstanding balances of domestic banks and shinkin banks with head offices and branch office operations in Hokkaido (excluding Japan Post Bank). Deposits include negotiable certificates of deposit (negotiable certificates of deposit of shinkin banks have been estimated based on the total national balance of negotiable certificates of deposit held by shinkin banks). Calculations of shares do not equal 100% due to omission of fractions.

Sources: Bank of Japan: "Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture;" Shinkin Central Bank Research Institute: "Profile of the National Association of Shinkin Banks," "Shinkin Central Bank Monthly Review;" and estimations from other financial statement documentations, etc.

Income Summary

Non-Consolidated		(¥ billions)	
	Year ended Mar. 31,		Increase/ (Decrease)
	2018	2019	
Core gross profit	87.9	84.6	(3.3)
Net interest income	72.7	68.1	(4.6)
Net fees and commissions	14.7	14.6	(0.1)
Net other operating income (excluding gains (losses) on bonds)	0.4	1.9	1.4
Expenses (excluding non-recurring losses)	72.3	69.4	(2.8)
Core OHR	82.17%	81.98%	(0.19%)
Core operating profit	15.6	15.2	(0.4)
Credit cost	2.5	0.3	(2.2)
Gains (losses) on securities	0.4	2.0	1.5
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	2.4	2.3	(0.1)
Ordinary profit	16.0	19.2	3.2
Net income	14.3	13.6	(0.7)
ROE	3.56%	3.32%	(0.24%)

Year ended March 31,
(¥ billions)



$$\text{ROE} = \frac{\text{Net income for the current fiscal year}}{(\text{Total net assets at beginning of fiscal year}^* + \text{Total net assets at end of fiscal year}^*) / 2}$$

*Excluding share acquisition rights

Core gross profit decreased 3.3 billion year-on-year due to a decrease in net interest income brought about mainly by reduced interest on loans and discounts due to declining interest rates, and a decrease in interest and dividends on securities. Core operating profit decrease stopped at 0.4 billion yen year-on-year due to the effects of reduced expenses, predominantly for equipment. Ordinary profit increased 3.2 billion yen year-on-year due to a decline in credit cost and other factors. Net income decreased 0.7 billion yen year-on-year, reflecting a reactionary drop from a gain on extraordinary reductions in corporation tax in the prior year.

Consolidated		(¥ billions)	
	Year ended Mar. 31,		Increase/ (Decrease)
	2018	2019	
Core gross profit	92.2	89.7	(2.4)
Ordinary profit	15.1	19.8	4.6
Profit attributable to owners of parent	13.6	14.1	0.4
Core operating profit	18.0	17.8	(0.1)

● Deposits and Deposit Assets (Non-Consolidated)

The average balance of deposits and NCDs increased 240 billion yen (up 2.9%) year-on-year.

The outstanding balance rose 251 billion yen (up 2.9%) year-on-year. Average balances by sector increased over the previous year both for corporations and individuals. Deposit assets decreased 40 billion yen year-on-year mainly as safe custody of public bonds decreased due to the continuing low level of market interest rates.

	Year ended Mar. 31,		Increase/ (Decrease)
	2018	2019	
Deposits and NCDs*	8,259	8,500	240

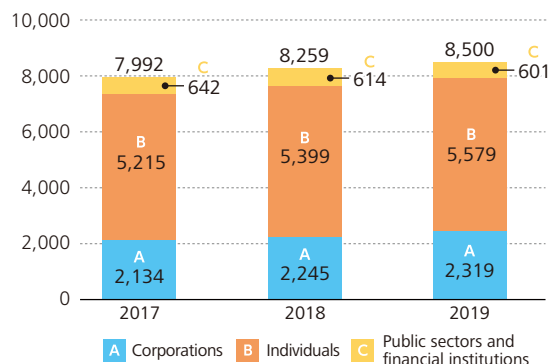
*NCDs = Negotiable certificates of deposit

	As of Mar. 31,		Increase/ (Decrease)
	2018	2019	
Deposits and NCDs*	8,439	8,691	251
Deposit assets	314	274	(40)
<Reference>			
Individual annuity insurance, etc.	634	685	50

Deposit assets = Safe custody of public bonds + Investment trusts
Individual annuity insurance, etc. sales reflect cumulative sales amounts.

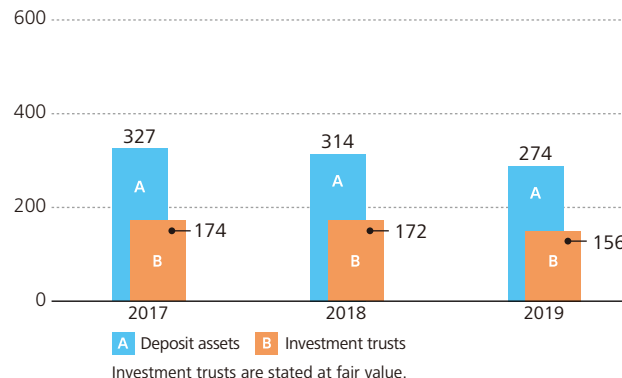
Deposits and NCDs* (Average Balance)

Year ended March 31,
(¥ billions)



Deposit Assets and Investment Trusts (Outstanding Balance)

As of March 31,
(¥ billions)



● Loans and Bills Discounted (Non-Consolidated)

The average balance of loans and bills discounted increased 101 billion yen (up 1.6%) year-on-year. The outstanding balance rose 267 billion yen (up 4.2%). Average balances rose in all sectors compared with the previous fiscal year. The outstanding balance of loans and bills discounted to SMEs, etc., rose 113 billion yen year-on-year (up 3.1%) due to proactive efforts to increase lending to SMEs in Hokkaido.

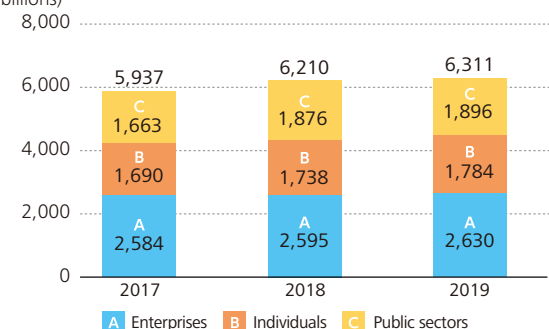
	Year ended Mar. 31,		Increase/ (Decrease)
	2018	2019	
Loans and bills discounted	6,210	6,311	101
Of which, consumer loans	130	137	6

	As of Mar. 31,		Increase/ (Decrease)
	2018	2019	
SMEs, etc.	3,562	3,675	113
Loans and bills discounted	6,309	6,577	267
In Hokkaido	5,270	5,347	76

SMEs, etc. = SMEs + Individuals

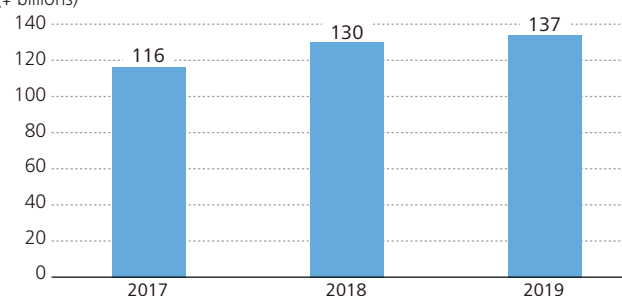
Loans and Bills Discounted (Average Balance)

Year ended March 31,
(¥ billions)



Consumer Loans (Average Balance)

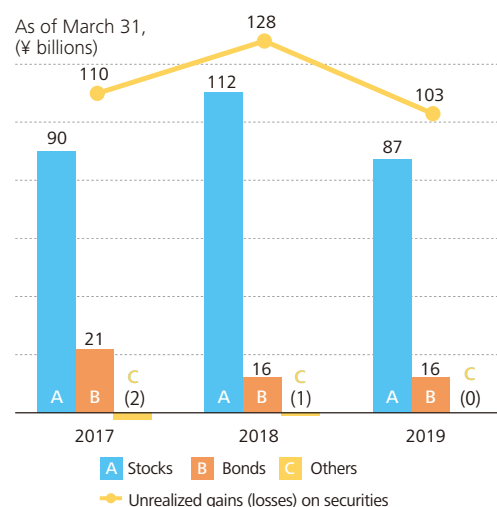
Year ended March 31,
(¥ billions)



● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Unrealized gains on securities decreased 25 billion yen year-on-year due to decreased valuation on stocks brought about by market conditions and other factors.

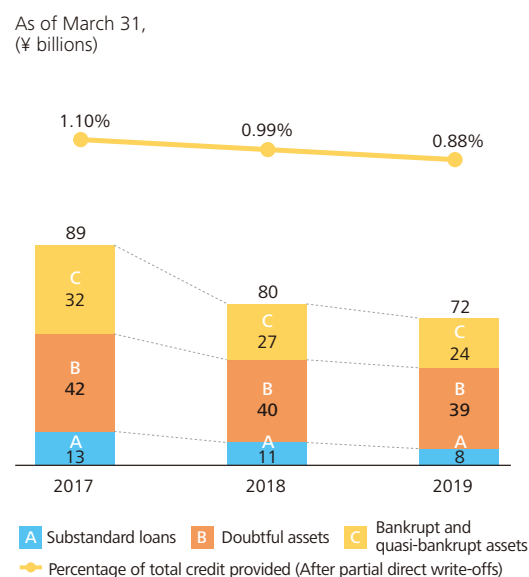
	As of Mar. 31,		Increase/ (Decrease)
	2018	2019	
Unrealized gains (losses) on securities	128	103	(25)
Stocks	112	87	(25)
Bonds	16	16	(0)
Others	(1)	(0)	0
<Reference>			
Nikkei stock average (¥)	21,454	21,205	(249)
New 10-year Japanese government bond yield (%)	0.045	(0.095)	(0.140)



● Problem Assets Based on the Financial Revitalization Law (Non-Consolidated)

Collection of credit progressed due to fewer bankruptcies and proactive efforts at providing management improvement support, leading to a decline in both amount and percentage of total credit. The percentage of total credit provided is significantly lower than the level of regional banks nationwide.

	As of Mar. 31,		Increase/ (Decrease)
	2018	2019	
Bankrupt and quasi-bankrupt assets	27	24	(3)
Doubtful assets	40	39	(0)
Substandard loans	11	8	(3)
Problem assets based on the Financial Revitalization Law	80	72	(7)
Percentage of total credit provided	1.23%	1.06%	(0.17%)
*After partial direct write-offs	64	59	(4)
Percentage of total credit provided	0.99%	0.88%	(0.11%)



*Partial direct write-offs have not been implemented.
The figures as they would appear after partial direct write-offs are shown for reference.

● Capital Adequacy Ratio (Domestic) (Non-Consolidated)

The capital adequacy ratio declined due to an increase in risk-adjusted assets associated with the accumulation of loans and bills discounted, but we maintain a high level of financial soundness compared with other regional banks in Japan.

	As of Mar. 31,		Increase/ (Decrease)
	2018	2019	
Capital adequacy ratio	12.97%	12.57%	(0.40%)
Capital	338	339	1
Risk-adjusted assets	2,610	2,702	92

Medium-Term Business Plan *Creating Shared Value*

Heralding another century of shared value together with the region and our customers

- Three-Year Plan Period from April 2017 until March 2020
- Mid-to-Long-Range Vision

We will create new standards and values for Hokkaido
 We will be number one for customer satisfaction, community contribution, and employee satisfaction among local banks.

- Our Fundamental Policy and Five Fundamental Strategies

Our Fundamental Policy - We will consistently and without exception apply our "Customer First" principle and create shared value together with our customers.

Our Five Fundamental Strategies

- 1 Identify customers' latent needs and provide optimal services**
 Through our marketing efforts we will identify customers' latent needs and in a timely manner provide optimal services through best-suited channels.
- 2 Proactively strengthen business evaluations and support regional revitalization**
 We will realize shared growth for our customers and Hokkaido by reinforcing our functions as a financial intermediary through the provision of business evaluations and by helping customers resolve their business issues.

Strategies to support the provision of services

- 3 Reform toward robust organization structures with high productivity generating steady earnings**

We will implement organizational reform as the backbone for the provision of high-quality services.

- 4 Train and activate human resources in conformity with customers' diversifying needs**

We will review our personnel systems and training frameworks in order to raise human resources capable of meeting the diversifying needs of our customers.

- 5 Strategic action to accommodate FinTech**

We will take assertive action in cooperation with the TSUBASA Alliance* and other business formats.

Creation of sustainable business models

*A body incepted for wide area collaboration between local banks comprising Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, Hokuetsu Bank, Musashino Bank, Shiga Bank, and North Pacific Bank.

Initiatives to Stimulate the Local Economy

At North Pacific Bank, we have identified a number of growth areas on which to focus our efforts in order to promote sustained growth of Hokkaido's economy. These include the fields of food and farming, healthcare and social welfare, and tourism. We are proactively providing support for M&A and business succession—a field where the need for support has recently been mounting as business owners grow older—manufacturing support to promote the secondary industrial sector in Hokkaido, and overseas development support for assistance in overseas expansion. To aid in these efforts, we have set up headquarters' contacts in each field to share information with sales branches, and are cooperating with outside experts, external bodies, local public bodies, and other financial institutions.

● Support for Business Creation and New Business Initiatives

To invigorate the regional economy, business startups and advances into new business fields by the region's SMEs are indispensable. In light of this situation, the Bank has been actively providing support for venture

creation and new business development through the use of various funds and the promotion of collaboration between industry, universities, government, and financial institutions.

Hokuyo Innovation Fund

This fund was established to support growth enterprises within Hokkaido in the founding and development of new enterprises, new business lines, and innovation. Since its establishment in April 2012, it has contributed 699 million yen to 39 businesses.

Hokuyo SDGs Promotion Fund

This fund is intended to help revitalize the local economy, and contribute to Hokkaido's sustainable development, through funding SMEs in Hokkaido that comply with SDG concepts. Since its establishment in June 2018, it has distributed 179 million yen to 13 businesses (as of May 2019).

● Support for the Tourism Sector

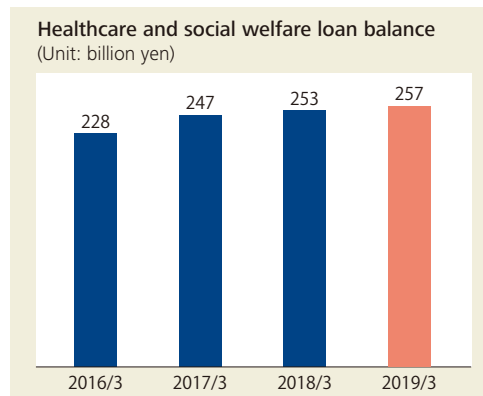
Tourism is the driving force behind Hokkaido's economy, and an area that gives us a strong competitive edge both domestically and overseas. In FY2018, 9.19 million* people (of which 3.12 million* were foreign nationals) visited Hokkaido. This tourism is acting as a new stimulus for economic growth, energizing the regional economy and creating job opportunities, and is

expected to have significant economic multiplier effects on various industries. The Bank is continuing to provide support in cooperation with tourism-related institutions and associations.

*Department of Economic Affairs, Hokkaido Bureau of Tourism: "Survey on the Number of Inbound Tourists in Hokkaido Tourism (2018)"

● Support for the Healthcare and Social Welfare Sector

Hokkaido is at an advanced stage with regards to declining birthrates and aging populations, and its population is in decline as a result. In line with the progress of system reforms in response to this aging society, customer needs—such as the frictionless supply of funds for facility investment, the formulation of business strategies, and organizational reform—are diversifying. Moreover, the Bank has deployed a total of twenty healthcare business specialists to its head office and sales branches to strengthen customer support services.



● Support for the Food and Farming Sector

Hokkaido is the largest prefecture in Japan and boasts a total area of 83,423 km², while its output of agricultural produce is currently number one at 1.27 trillion yen.* Food production and agriculture are principal industries of Hokkaido and further growth is

expected. Through the provision of optimal consulting, the Bank works to promote and strengthen all phases of food business operations in Hokkaido—production, processing, and marketing.

*From Ministry of Agriculture, Forestry and Fisheries: “Total Agricultural Output and Agricultural Income Produced, 2017”

Phase	Support	Solution	
Production	Financial support through various funds, etc.	Hokuyo Agricultural Support Fund	Hokuyo Senary Industry Support Fund
Processing	Support to increase product appeal, etc.	Food product design	
Marketing	Support to expand sales through various business meetings, etc.	Information bazaars	

Hokuyo Agricultural Support Fund

This fund allows direct funding to agribusinesses. It has already contributed 124 million yen across seven investments.

Hokuyo Senary Industry Support Fund

This fund supports so-called sixth sector industrialization, which creates more value-added goods and services by connecting agricultural, forestry and fisheries workers with second and third sector industries. It has already contributed 558 million yen across six investments.

Information Bazaar

This trade fair is aimed at opening up sales routes and expanding the market for Hokkaido-made foodstuffs in the metropolitan area. The Information Bazaar in Tokyo 2018, held in September, saw displays from 238 companies and organizations, with about 3,600 visitors attending, resulting in over 5,000 negotiations held.



Information Bazaar in Tokyo 2018

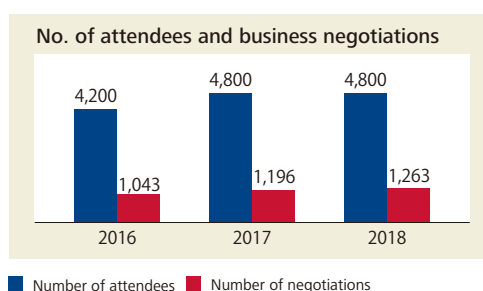
● Support for the Manufacturing Sector

Compared with other regions, Hokkaido gives less weight to the manufacturing industry. We believe it is paramount to provide continuous support to manufacturing corporations through methods that are not restrained by conventional frameworks. Therefore, the Bank is working to identify and mentor businesses

that show distinct promise through such means as helping them expand their sales channels through business matching, or other measures such as establishing new funds or collaborating with external institutions.

Manufacturing Technology Fair

Aiming to promote Hokkaido’s manufacturing industry, this fair brings together SMEs, universities, support organizations, and others with exceptional technologies and products. The Manufacturing Technology Fair 2018, held in July, boasted the highest figures yet, with 238 companies and organizations exhibiting, approximately 4,800 people in attendance, and more than 1,200 negotiations taking place.



● M&A / Business Succession Support

In Hokkaido, the rate of business without a successor is the highest in Japan at 70%. To address this, the Bank has put employees with specialist knowledge in place at our headquarters, and through these and cooperation

with external partners, we are able to offer comprehensive M&A and succession support that covers consultation services for customers right through to issue resolution.

● Initiatives for Improved Business Evaluation

North Pacific Bank actively works toward better business evaluation to assess a business's growth potential and sustainability, by grasping and analyzing the strengths and weaknesses of a business's particulars, goods (technology/services) handled,

business environment, and so on. Centered on our Business Evaluation Group, which is part of the Loan Administration Department, our sales branches coordinate with headquarters to share management issues with clients and offer various solutions.

● Overseas Business Development Support

Overseas representative offices and partnerships with overseas financial institutions provide us with an international network spanning China, ASEAN member states, North America, and Russia. We utilize this reach to collect local information, undertake local feasibility studies, develop overseas sales channels, and support international trade transactions, allowing us to proactively support our customers with various overseas business activities. In FY2018, we provided support for 531 cases of business negotiations.



Cooperation with Overseas Sites and Financial Institutions

Following on from representative offices opened in Dalian and Shanghai in China in 2005, the Bank added its first ASEAN business site in January 2014 by establishing a representative office in Thailand's capital

of Bangkok. We currently have business partnerships with a total of 11 financial institutions—three banks in China, six in ASEAN, one in India, and one in Hawaii in the US.

Cooperative Arrangements for Business Matching

As a way of supporting companies in the region that seek to broaden their overseas sales channels, the Bank has entered into cooperative arrangements for business

matching with financial and other institutions overseas, as well as external consulting companies.

Main cooperative partners	Agreement concluded	Main services
Nippon Export and Investment Insurance	Feb. 2014	Trade insurance (exports, investment, etc.)
Alibaba.com Japan Co., Ltd.	Jul. 2017	Internet services that support entry into overseas markets
Cyest Corporation	Sep. 2017	Temp agency focused on providing solutions to international business problems
Mitsui Bussan Credit Consulting Co., Ltd.	Jan. 2019	Risk management service for overseas business transactions

ASEAN Expansion Support for Hokkaido Food Businesses

The Hokkaido product "antenna shop" Hokkaido Dosanko Plaza, run by the Hokkaido International Trade & Industry Promotion Association, opened in Bangkok, Thailand in November, 2018. North Pacific

Bank offered a variety of measures to help this expansion into the ASEAN region, including support for the Food and Wine Evening in Bangkok to honor the plaza's opening, with joint sponsorship from the

prefecture. The event saw attendance by officials from the Thai government and the economic world, as well as those connected to businesses from Hokkaido that are expanding into Thailand, and included booths at the venue advertising Hokkaido food and tourism.



A booth to promote tourism in Hokkaido

Issuing Standby Letters of Credit

A standby letter of credit is a letter of guarantee issued by the Bank to a foreign financial institution in order to create a credit facility for our customers' overseas incorporated affiliates at that foreign financial institution. For Hokkaido-based companies seeking to

establish overseas operations, the Bank provides support in raising the local-currency denominated financing required for such operations' future business expansion. In FY2018, the Bank issued seven standby letters of credit in the ASEAN region and the US.

Foreign Exchange Services

Markets Desk

To meet our customers' needs with attentive detail in regard to foreign exchange, the Bank has set up a Markets Desk within the Treasury & Markets Department. We are able to offer multifaceted support

to customers for foreign exchange transactions, such as by providing accurate information on the condition of exchange rates in foreign exchange markets.

North Pacific Bank Forex Online Service

The North Pacific Bank Forex Online Service is an Internet based foreign exchange banking service allowing users to order overseas remittances, open or

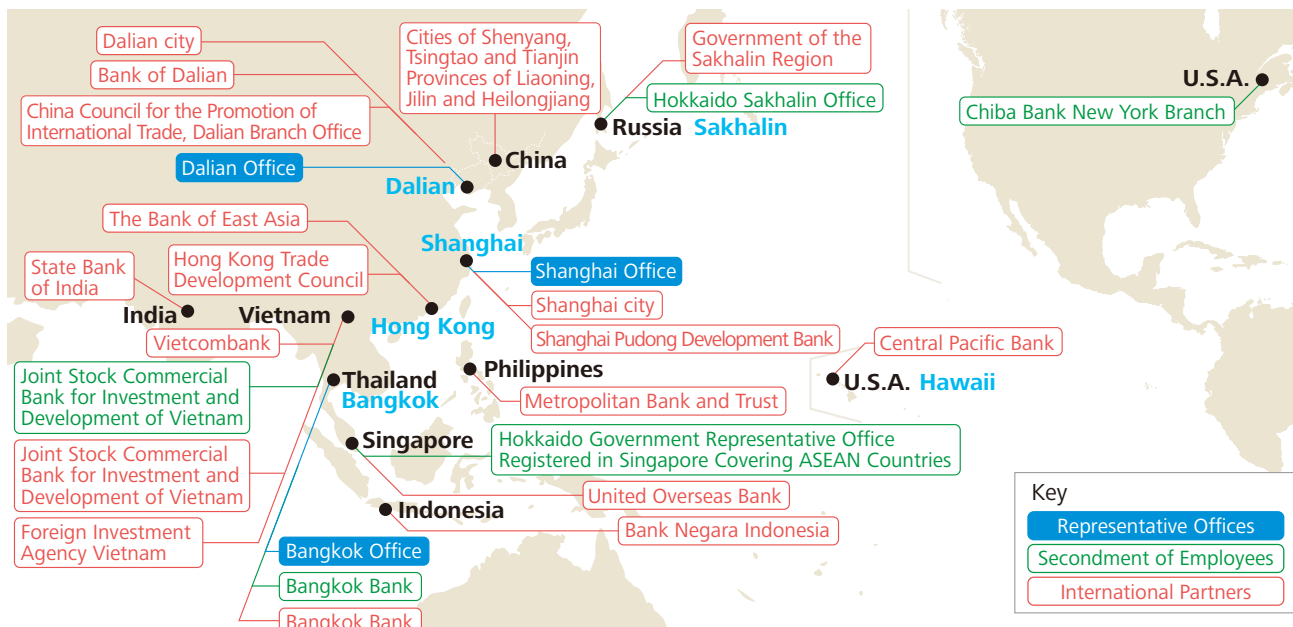
change the conditions of import letters of credit, and enter currency forward contracts from their PCs. Transactions can be made in 16 different currencies.

Currency Exchange

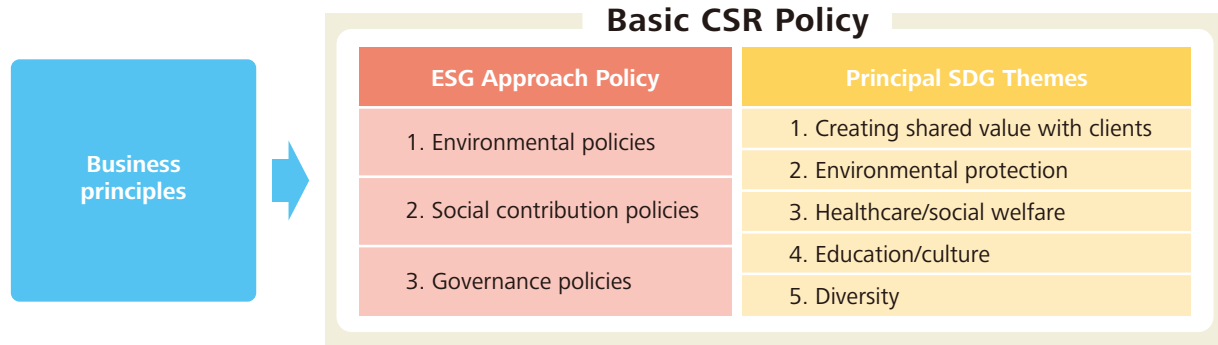
The Bank offers cash-based foreign exchange services. In response to mounting demand from customers for travel and business purposes in the

ASEAN region, the number of currencies handled by the Bank's cash-based foreign exchange service has reached 16 (of which four are ASEAN currencies).

North Pacific Bank International Network (As of June 30, 2019)



As a member of the regional community, the Bank regards CSR activities as important, and believes it is essential to manage our business in a way that takes into account the needs of our stakeholders. We have therefore formulated an ESG Approach Policy and a set of Principal SDG Themes in accordance with our Basic CSR Policy, and are engaged in a variety of activities for enhancement and sustainable growth of the community. We have also announced the North Pacific Bank SDG Declaration.



ESG: An abbreviation for Environment, Social and Governance, ESG sums up how the belief that initiatives to tackle environmental, social and governance problems are an indispensable part of a business' pursuit of sustainable growth is global.
 SDGs: An abbreviation for Sustainable Development Goals, a series of goals adopted at a UN summit in 2015. The goals provide international targets towards making a sustainable world.

Our Basic CSR Policy

Based on the Sapporo Hokuyo Group's business principles, the group takes action for the ongoing benefit of our supporting stakeholders as we strive to offer the best financial instruments, services, and information, while carrying out support activities.

Current Situation of SDG initiatives

● Creating Shared Value with Clients

On top of sharing management issues with clients through business evaluations, we work to resolve them by offering a variety of solutions that leverage external specialized agencies, as well as financial solutions through loans and our various funds, including the

Hokuyo SDGs Promotion Fund. Also, as members of the regional community, all our branches participate in local events as contributions to society, as well as hold cultural exchanges.

● Environmental Protection

North Pacific Bank is working to reduce its own environmental load, with bank-wide measures such as through energy reduction, while at the same time offering support for environmentally-oriented

businesses and the environmental growth field through financial products and services, as well as making efforts to protect Hokkaido's biodiversity.

Business-Based Environmental Activities

Through such activities as the provision of financial products and services, the Bank supports efforts on the part of customers to reduce their impact on the environment as well as R&D, commercialization, business development, and other eco-related business activities. For individual customers, we offer financing at preferential interest rates for energy-saving renovation work, installation of solar panel systems, and other purposes.

For corporate customers, in light of Hokkaido's nature as a veritable treasure trove for renewable energies, we handle a fund that supports growth fields from a capital-based perspective. We also provide financing for enterprises investing in facilities aimed at reducing carbon dioxide emissions, and private-placement financing and other services at favorable rates for enterprises making efforts to preserve the environment.

Efforts to Protect Hokkaido's Biodiversity

- Hokku Fund

The Hokku Fund was established in 2010 to protect the diversity of wildlife in Hokkaido. In November 2017, we switched the grant system so that any organization could apply. We offer grants that support a wide range of activities to various organizations involved in the protection of rare species and the maintenance of natural habitats. To date, we have offered grants amounting to 60 million yen to a total of 87 organizations.

- Hokku Term Deposit

The main source for the Hokku Fund involves the Hokku Term Deposit, and is available at all branches. The Bank pays to the Hokku Fund an amount equivalent to 0.01% of the Hokku Term Deposit



The Brown Bear Association, one of the grant recipients in FY2019

balances plus the postage fee equivalent amount generated by not issuing a notice of maturity. This provides accountholders with the opportunity to participate in the Hokku Fund indirectly and thereby promote the conservation of biodiversity in Hokkaido.

● Healthcare / Social Welfare

North Pacific Bank is taking initiatives based on the current reality in Hokkaido, a region at the leading edge of the issue of decreasing birthrate and aging population, to ensure the medical and social welfare of

the prefecture. This includes offering management support to medical and social welfare organizations, coordinating with Hokkaido educational organizations, and offering support for the disabled.

Medical Seminars

North Pacific Bank hosts medical seminars and medical courses that are open to the public through a comprehensive partnership agreement with Hokkaido universities, with the goals of helping residents live

healthier, happier lives in mind and body, contributing to regional medicine, and helping grow relationships between industry and academia.

Bone Marrow Bank

Hokkaido Bone Marrow Bank Promotion Association is working to register more donors and promote bone marrow transplants. Since the association's founding in 1990, North Pacific Bank has offered various kinds

of support, including help in running the administrative office, public awareness campaigns, and financial support.

Support for Elderly and Disabled Customers

North Pacific Bank is enacting measures to make our branches safer and more convenient, with a full range of services to be more useful for elderly and disabled customers. We have rolled out ATMs with audio guidance and are continuing to add writing boards and hearing aids at every branch. In July 2018 we began offering account balance and transaction statement services in braille.



Prefectural medical course

● Education / Culture

North Pacific Bank is taking a variety of initiatives to grow a labor pool that can secure Hokkaido's future. These include promoting financial and economic education to raise general financial literacy and

Financial Education

As one part of these activities, we offer various types of financial education to students—from elementary through to university age—on the mechanisms of money, the roles that financial institutions play, and other finance-related topics. In FY2018, a total of 721 students from 51 schools were involved in our school

Culture Promotion

In FY2012 the Bank began hosting classical concerts performed by the Sapporo Symphony Orchestra to help promote culture in Hokkaido, and 28,000 customers have been invited to these concerts thus far. Additionally, the Bank has been supporting the Shiki Theatre Company's Children's Classroom for the

Sports Promotion

To better support parasports, North Pacific Bank deals in the private-placement funding Parasports Aid Bond. When these bonds are issued, North Pacific bank donates 0.2% of the issued value to athletes and organizations in parasports. In FY2018, this resulted in a donation of 6.94 million yen to 13 different parasports athletes and organizations.

contribute to stable asset formation through proper savings and investment, as well as making efforts to boost art and culture in Hokkaido.

visits, lessons provided by our instructors, and visitation days held at our branches and offices. Moreover, in order to provide asset formation support to our customers, we hold seminars relating to savings and investing at our headquarters, certain branches, and at the Consulting Plaza.

Appreciation of the Arts and Kokoro no Gekijo, a project that invites children to theaters for free. We also offer our support to the Junior High School Student Writing Contest sponsored by Hokkaido Broadcasting Co., Ltd.

To increase the spread of sports, and promote wider participation in the region as part of a comprehensive partnership agreement with the prefecture, North Pacific Bank engages in various projects to support participation in sports by children of all abilities. The Bank holds sports classes, and provides assistance to organizations that promote sport for children with disabilities.

● Diversity

North Pacific Bank is engaged in various efforts to create an organization where all staff can flourish, including the promotion of a working environment

Career Support for Female Employees

We have established a Women's Support Office within the Personnel Department where female employees can consult on career advancement and life planning, as well as receive support during childcare leave. We are also making efforts to accelerate the promotion of

where women can display their full potential while still balancing work and family life, as well as one where international employees can fully participate.

women to higher positions, and as of April 2019 there are 507 women (including 21 at branch manager level) in assistant manager or higher positions (meaning staff in leadership positions), with a total coverage of 26.7% of such positions.

Work-Life Balance Measures

In order to make North Pacific Bank a more rewarding workplace, we are taking active measures to improve work-life balance and support employees in having a healthy career and home life, including career track-based HR and workplace changes, child- and nursing-care career planning. These measures have been highly praised, and in December 2018, North Pacific Bank became the first financial institution in Hokkaido to be named an outstanding childcare support enterprise (Platinum Kurumin).



Platinum Kurumin logo

Staff Health Management

Creating a rewarding workplace where employees can work in health and safety is one of our core management principles, and we have enacted a variety of measures to improve long working hours, including an inter-work interval system, as well as a full range of

stress checks. As a result, we have been recognized for the second year in a row under the Certified Health & Productivity Management Outstanding Organization Recognition Program (large enterprise category).

SDGs Related Data

Creating Shared Value with Clients			
	FY2016	FY2017	FY2018
Business evaluations (no. of companies, cumulative)	1,838	2,321	3,958
Funding support (incl. Hokuyo SDGs Promotion Fund) (no. of clients/million yen)	11/256	11/213	17/338
Tourism support (business matching) (no. of exhibits/no. of business negotiations)	12/120	19/187	14/158
Manufacturing Technology Fair (no. of exhibits/no. of visitors)	209/4,200	220/4,800	238/4,800
Business continuation support (no. of meetings)	1,953	1,200	1,168
Information bazaars (no. of exhibits/no. of business negotiations)	174/3,360	153/3,340	238/5,040

Environmental Protection			
	FY2016	FY2017	FY2018
Reduction in energy consumption rate (compared to the previous fiscal year) (%)*	(1.6%)	0.5%	3.5%
Total CO ₂ emissions (t-CO ₂)*	29,985	28,241	28,057
Kerosene	351	351	722
Heavy oil	1,395	1,374	1,355
Gas	2,826	2,548	2,356
Hot water	738	757	727
Electricity*	24,675	23,211	22,897
Hokku Fund (no. of clients/thousand yen)	7/7,000	9/9,400	21/7,200
Hokuyo Eco Bond (no. of clients/billion yen, cumulative)	2,361/157.2	2,774/187.1	3,169/212.5
Regional tree planting and cleaning activities (no. of participants)	1,672	1,718	1,563

*These are preliminary figures, confirmed figures are planned to be released on the website.

Healthcare/Social Welfare			
	FY2016	FY2017	FY2018
Hokuyo health and social welfare bonds (no. of clients/billion yen)	26/2.4	18/1.1	7/0.5
Healthcare and social welfare loan balance (billion yen)	247.3	253.6	257.6

Education/Culture			
	FY2016	FY2017	FY2018
No. of classical concerts performed by the Sapporo Symphony Orchestra per year	Twice	Six times	Twice
Financial education (no. of classes/no. of students)	44/713	57/818	52/955
Scholarship support (thousand yen)	4,260	4,260	4,260
Hokku Parasports Fund (no. of clients/thousand yen)	—	7/3,740	13/6,940
Sports support business (thousand yen)	2,000	2,000	2,000

Diversity			
	FY2016	FY2017	FY2018
Percentage of females employees among new hires	53.9%	53.8%	50.6%
Percentage of female employees among entire workforce	37.0%	37.4%	36.3%
Difference in average employment term between male and female employees (years)	4.4 years	4.5 years	4.0 years
Percentage of female employees in management positions	13.6%	14.9%	17.4%
Percentage of female employees in assistant manager positions or above	22.6%	24.3%	26.7%
Percentage of employees taking childcare leave	100.0%	100.0%	100.0%

Corporate Governance

● Basic Approach

Inspired by the Bank's management principles and the management principles of the Sapporo Hokuyo Group as a whole, we at North Pacific Bank pursue sustainable growth and improved corporate value in the mid-to-long term. Our basic approach to achieving those goals is to earn and retain the trust of our shareholders, clients, workforce, local communities, and other stakeholders, and to maintain effective corporate governance.

Based on this fundamental approach, in order to ensure auditing independence, we have adopted an Audit & Supervisory Board, which is kept separate from the Board of Directors. Within this framework, we have furthermore sought to ensure more effective corporate governance by voluntarily establishing a Nomination and Remuneration Management Advisory Committee, more than half of which is composed of independent external directors and auditors.

● Governance Organs

The Bank has 12 directors (including three external directors) and five Audit & Supervisory Board Members (including three external auditors). Directors' tenures are capped at one year in order to enable the Bank to quickly adapt to changes in the operating environment, create flexible management structures, and allow the General Meeting of Shareholders to

assess director performance annually.

We have group management meetings to coordinate and fine-tune strategies and policies aimed at furthering operations, and an Executive Committee, attended by standing directors, to deliberate and vote on important operational and administrative matters.

● External Directors and External Audit & Supervisory Board Members

To enhance management transparency, the Bank elects three external directors. In coordination with the Audit & Supervisory Board, including external board members, these external directors monitor the performance of duties by the directors. The company elects three external Audit & Supervisory Board Members, of which one is made a standing auditor,

and considers the supervisory role provided by the external board members to be functioning effectively. All external appointees satisfy the Bank's criteria for independence, and are consequently registered with the Tokyo Stock Exchange and Sapporo Securities Exchange as independent corporate officers.

● Protecting Shareholders' Rights and Ensuring Impartiality

We endeavor to effectively protect shareholders' rights and ensure impartiality through a range of initiatives. These include due consideration to the full range of interests, including those of minority shareholders and foreign shareholders; as well as making it easier for shareholders to participate and vote, for instance through early delivery of meeting notices, and choosing the most appropriate days for the General

Meeting of Shareholders.

Moreover, we strive to ensure that all shareholders and investors get equal access to information by holding information meetings and, for the benefit of non-institutional investors, uploading materials distributed at meetings to the Bank's website on the same day (in principle).

● Working in Partnership with Stakeholders

We respect the various rights and circumstances of our stakeholders, as well as the upholding of sound business ethics, and we strive to earn and maintain the trust of all stakeholders through working together with them in whatever capacity is most appropriate. In keeping with our role as a regional bank to contribute to Hokkaido's economic development, we

pursue a community-oriented brand of banking, working aggressively to bring about regional revitalization and provide services to meet the needs of our clients specific to the different stages of their lives. In addition, as an involved member of the community, we place the utmost importance on CSR, and have formulated an ESG Approach Policy and a set of five

Principal SDG Themes under which we are deploying various measures: creating shared value with clients,

environmental protection, healthcare/social welfare, education/culture, and diversity.

● Ensuring Disclosure and Transparency

Our basic approach to information disclosure is set forth in our Disclosure Policy. The policy stipulates that we will disclose information in a timely and appropriate manner as required under law, and that the Disclosure Committee will oversee our activities in

this area.

Moreover, disclosure is not limited to financials: our business principles, medium-term business plan, and other nonfinancial information can also be found on the Bank's website.

● Dialogue with Shareholders

We recognize that constructive dialogue with shareholders is vital if we are to achieve sustainable growth and improve corporate value over the mid-to-long term. As such, we are working under our Policy for Constructive

Dialogue with Shareholders and Investors (as described in the Corporate Governance Report) set by the Board of Directors to establish a framework for communications and bolster our investor relations activities.

● Internal Control System Maintenance

The Bank's Board of Directors has voted to approve a basic internal control policy based on the Company Law and regulations for its enforcement. Our internal control framework incorporates the major focal points of management monitoring, i.e., risk management and compliance arrangements, as a means of ensuring such monitoring by the Board of Directors and the Audit & Supervisory Board is robust.

Ensuring the reliability of financial reporting is a vital

aspect of the Bank's management and, to this end, we endeavor to meet the strict requirements of our Internal Control Reporting Regime, which is based on the Financial Instruments and Exchange Law, through its Basic Policies and Internal Control Administration Regulations Regarding Internal Controls on Financial Reporting, as well as Internal Controls on the Group's Financial Reporting.

● Internal Audit, Corporate Audit, and Accounting Audit

Internal audits

The Bank has established an internal Audit and Inspection Department, governed directly by the Board of Directors and positioned independently of the departments subject to audit. Based on audit policies and audit plans established by the Board of Directors, the Audit and Inspection Department conducts audits of the head office, sales branches, and subsidiaries. In principle, the results of these efforts are presented monthly at audit report meetings, and are conveyed to the Board of Directors and auditors.

Board, an Audit & Supervisory Board Members' Office has been established with a knowledgeable fulltime general manager capable of audit task verification.

Accounting audits

North Pacific Bank has appointed KPMG AZSA LLC as its accounting auditor.

Corporate audits

The Bank's standing Audit & Supervisory Board Members validate internal control frameworks through their operations audits, which include visiting audits at the Bank's branches and subsidiaries as well as viewings and inspections of important documents. Moreover, by attending the Board of Directors' meetings, auditors audit the legal compliance and appropriateness of directors' execution of duties. As a dedicated support function to the Audit & Supervisory

Cooperation and teamwork

In order to ensure audit effectiveness, Audit & Supervisory Board Members hold regular meetings with the president to exchange opinions and meetings approximately once every two months with the Bank's accounting auditors to exchange information and opinions. Furthermore, the company's standing Audit & Supervisory Board Members hold regular meetings with the Audit and Inspection Department to exchange information and opinions, and attend audit report meetings and meetings of the Disclosure Committee, Compliance Committee, and Risk Management Committee to verify the company's internal control status.

● Compliance Frameworks

The Bank regards the compliance frameworks of the Bank and its group companies as an important component of management. The Board of Directors coordinates the formulation of the structure, defining measures including compliance frameworks and basic policies for norms of action.

The Compliance Committee, with chairman and members appointed by the president, is supported by the Legal and Compliance Department. The Compliance Committee serves to distribute a Compliance Manual to all concerned, which explains about pertinent laws and provides specific instructions for compliance violation situations. The committee also formulates and reviews the Compliance Program,

a detailed plan aimed at strengthening the compliance framework, and meets with and reports to the Board of Directors.

Compliance officers and staff are assigned in each headquarters department and sales branch. These individuals monitor the status of compliance and work to implement and promulgate compliance policies. To ensure early detection and correction of inappropriate actions and compliance-related problems, we have established an internal whistleblower system, with both internal and external (legal counsel) notification structures that can be utilized by everyone, including all group company employees, part-timers, and temporary staff.

● Shutting Out Organized Crime

The Bank recognizes its public mission and responsibility to society and strives to maintain measures to ensure that it makes no transactions and has no contact whatsoever with organized crime. The Bank maintains its Basic Policies for Dealing with

Organized Crime, and a Provision for the Exclusion of Organized Crime covers our deposit, lending, and rental deposit box transactions. We also coordinate with law enforcement and legal counsel in undertaking to shut out organized crime.

● Management Frameworks for Personal Information Protection and Customer Protection

In recognition of the importance of effective use and appropriate protection of information assets, the Bank has established Combined Security Policies and Security Standards whose status of observance is checked in a timely and appropriate manner. Publicly released Privacy Policies, the creation of frameworks for preventing information leaks, and frameworks for receiving and responding to requests for information disclosure are just some of the ways in which we strive to ensure the integrity of personal information.

To enhance customer convenience and protection, the Bank has established Customer Protection Management Policies and Solicitation Policies to provide customers with appropriate financial products, and strives to reinforce customer confidence by

appropriately conducting its business operations.

The Bank has also established Conflict of Interest Management Policies and Rules for the Prevention of Conflicts of Interest to protect customers' interests by keeping tight control of transactions that may constitute a conflict of interest.

Furthermore, North Pacific Bank formulated and announced Action Guidelines for the Realization of Stable Asset Formation and Asset Succession of Customers as part of the Bank's efforts surrounding the practice of fiduciary duty.

Under these action guidelines North Pacific Bank will continue to provide customers with optimized products, services, and information in a timely manner consistent with their life stages through its consulting function.

● Preventing Money Laundering and Other Financial Crimes

Vigilance against money laundering and the funneling of funds to terrorists is an increasingly vital issue that the international community must tackle together, and we at the North Pacific Bank consider it one of our core management tasks. As such, we have a range of effective measures in place.

In addition to performing legally required checks when transactions take place, we established our own Basic

Policy on Countering Money Laundering and the Financing of Terrorism in November 2018, and launched a dedicated Financial Crime Prevention Office in January 2019 to oversee its implementation. We will continue to enhance our risk-based approach and robust management framework to maintain water-tight security.

As well as developing a wide range of financial products tailored to the needs of our customers, the Bank takes managing future risks appropriately as a top priority. The Bank has established a Risk Management Committee to provide unified management of risks for each of the companies within the group. Its functions include accurately ascertaining major risk such as credit or market risks, as well as discussing risk management policy or reviewing our preparedness.

● Credit Risk Management

Credit risk refers to the risk of a decline in asset value or loss of assets by the group due to a deterioration in an obligor's financial position or its ability to pay, and the risks that arise if large-lot loans are tilted toward or concentrated on specific industries or corporate groups. We manage individual loan transactions using

appropriate methods in accordance with credit status. We also manage loan portfolios to avoid excessive exposure to specific borrowers and industries. By doing so, we are making efforts to appropriately manage credit risk.

● Market Risk Management

Market risk relates to the risk of loss from value declines in asset holdings caused by changes in interest rates, prices of securities, and foreign exchange rates, among others.

The Bank is working to provide appropriate market risk

management through measures such as by having our Risk Management Committee and ALM Committee identify the market risk quantum of the group's overall assets under management and implement frameworks for appropriately checking and managing market risk.

● Liquidity Risk Management

Liquidity risks involve two kinds of risk. One is cash flow risks, which refers to difficulties in securing the necessary amount of funds or losses incurred in having to raise funds at interest rates significantly higher than normal as a result of unexpected cash outflows. The other is market liquidity risks, which refers to the inability to trade on markets or having to trade at prices considerably less favorable than normal as a

result of market confusion and other factors.

Cash flow managers keep close tabs on daily and monthly cash flow trends and work to control cash flow risks, while liquidity risk managers monitor closely to check for cash flow or liquidity risks. In this way, the Bank is making active efforts to appropriately manage liquidity risks.

● Operational Risk Management

Operational risk refers to the risk that an operational process, or an act by a corporate officer or employee, or a system, is inappropriate, or the risk of loss due to external circumstances.

Overall controlling units for operational risk management have been set up at each group company, with individual

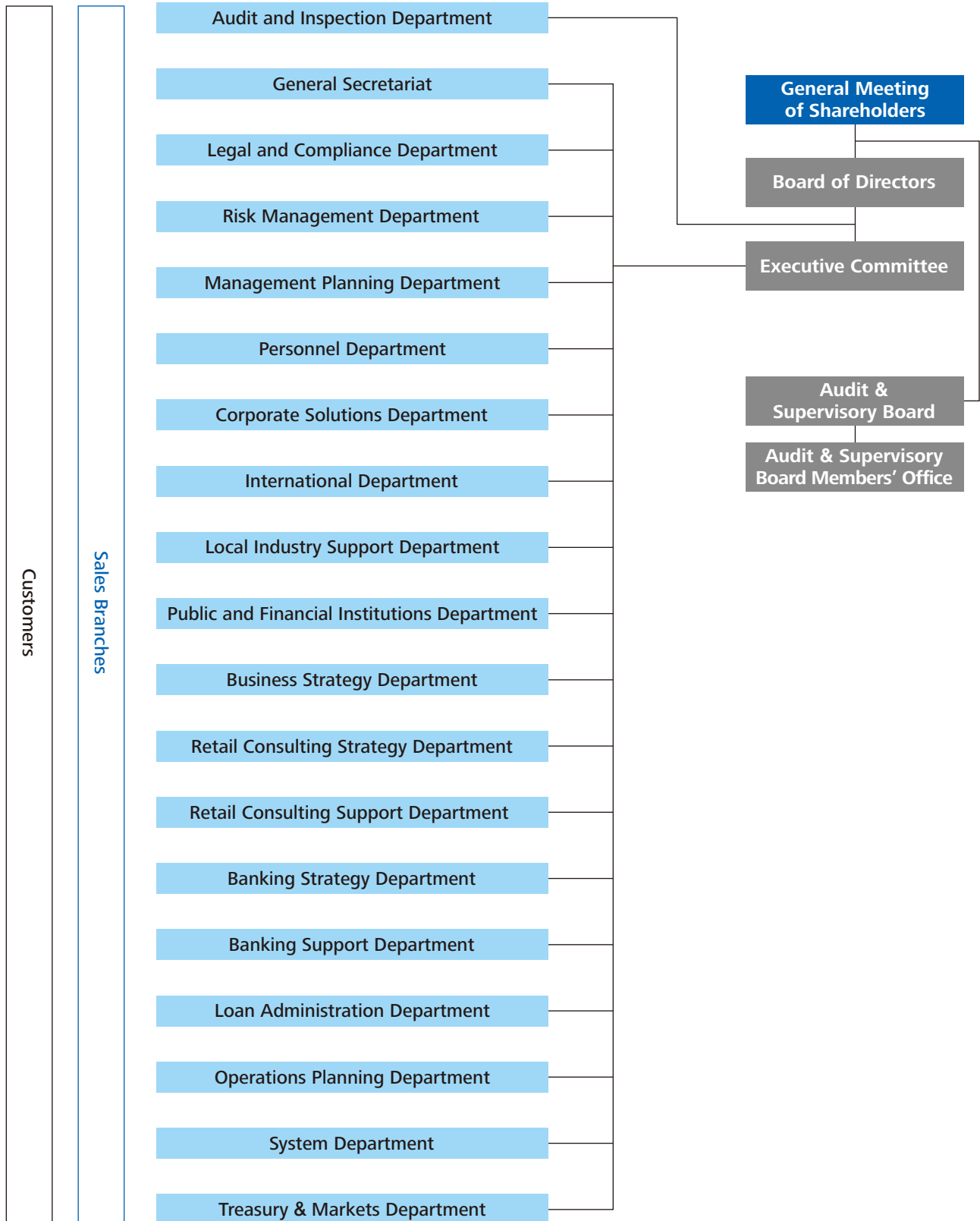
risk management departments engaging in respective risk management at expert level in order to prevent operational risks before they materialize and to minimize the impact in case they do. This framework ensures appropriate management of operational risks.

● Maintenance of Business Continuity Planning (BCP)

As a regional financial institution, the company has the responsibility in case of an unforeseeable event such as natural disaster to minimize the impact and to continue or quickly resume operations. The group has established Crisis Management Regulations and other rules, and maintains frameworks for the coordinated crisis response of group companies.

As part of our business continuity plan the Bank has created a manual that takes into account the damage that would result from various disasters (store damage, system failure, etc.). Training sessions are also held at regular intervals.

● Organizational Chart (As of June 26, 2019)



● Directors, Audit & Supervisory Board Members and Executive Officers (As of June 26, 2019)

Chairman	Junji Ishii	Managing Executive Officer	Ryosuke Kobayashi
Deputy Chairman	Ryu Shibata	Managing Executive Officer	Takanari Tsukami
President	Mitsuharu Yasuda	Managing Executive Officer	Hironari Ishikawa
Deputy President	Iwao Takeuchi	Managing Executive Officer	Kazushige Kudo
Deputy President	Minoru Nagano	Managing Executive Officer	Hitoshi Nogiwa
Managing Director	Satoshi Shindo	Managing Executive Officer	Masanori Abe
Managing Director	Takafumi Hiataru	Managing Executive Officer	Hitoshi Oshino
Director	Nobuo Wakakuri	Managing Executive Officer	Takuro Hosono
Director	Yoshiharu Maiya	Managing Executive Officer	Hitoshi Masuda
Director (External)	Mikako Hayashi	Executive Officer	Shiro Kurio
Director (External)	Rieko Ubagai	Executive Officer	Kazuhiro Takahashi
Director (External)	Kazuaki Shimamoto	Executive Officer	Tsutomu Okushiba
Audit & Supervisory Board Member (Standing)	Fumiyo Fujii	Executive Officer	Toru Oda
Audit & Supervisory Board Member (Standing)	Katsunori Matsushita	Executive Officer	Hideo Suzuki
Audit & Supervisory Board Member (Standing / External)	Hitoshi Kubota	Executive Officer	Hisahi Toyama
Audit & Supervisory Board Member (External)	Makoto Nojima	Executive Officer	Koji Matsuoka
Audit & Supervisory Board Member (External)	Kimihiro Homma	Executive Officer	Yuichi Ishida
		Executive Officer	Nobuyuki Ishiwa
		Executive Officer	Akira Yamada
		Executive Officer	Hironobu Tsuyama

● Principal Shareholders (As of March 31, 2019)

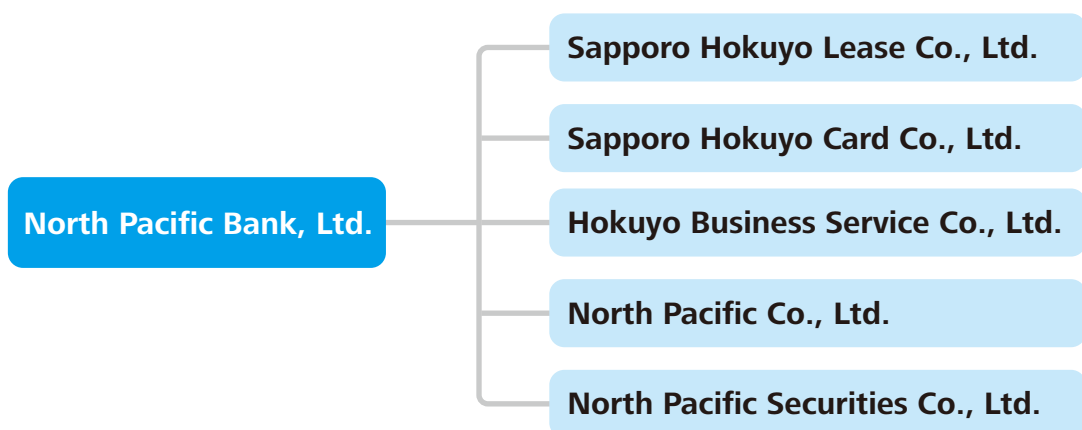
Common Shares

Name	Number of shares held	Percentage of total shares*1
NIPPON LIFE INSURANCE COMPANY	30,954,500	7.80
Meiji Yasuda Life Insurance Company	30,954,000	7.80
Hokkaido Electric Power Company, Incorporated	23,247,000	5.86
Japan Trustee Services Bank, Ltd. (Trust Account)	20,261,100	5.11
STATE STREET BANK AND TRUST COMPANY 505223	19,301,188	4.86
The Dai-ichi Life Insurance Company, Limited	13,412,000	3.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,808,200	3.23
MITSUI LIFE INSURANCE COMPANY LIMITED*2	11,132,000	2.80
Sompo Japan Nipponkoa Insurance Inc.	10,000,080	2.52
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8,791,200	2.21

*1 The percentage of total shares is calculated by excluding the treasury stock(2,688,289).

*2 MITSUI LIFE INSURANCE COMPANY LIMITED changed its company name to TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

● Group Structure (As of April 1, 2019)



● History of North Pacific Bank, Ltd.

1917	Established as Hokkaido Mujin, Ltd.
1944	Company's name changed to Hokuyo Mujin, Ltd.
1950	Listed on the Sapporo Securities Exchange.
1951	Obtained license for mutual savings and loan banking business; company's name changed to Hokuyo Sogo Bank, Ltd.
1989	Converted into an ordinary bank and company's name changed to North Pacific Bank, Ltd. Listed on the Tokyo Stock Exchange.
1998	Took over the business of The Hokkaido Takushoku Bank, Ltd.
2001	Jointly established Sapporo Hokuyo Holdings, Inc. together with The Sapporo Bank, Ltd.
2005	Representative offices established in Dalian and Shanghai in China.
2008	Merged with The Sapporo Bank, Ltd.
2009	Issuance of Class 1 Preferred Shares (¥100 billion).
2011	Head office relocated.
2012	Merged with Sapporo Hokuyo Holdings, Inc.
2013	Acquired and retired some Class 1 Preferred Shares (¥30 billion at book value).
2014	Representative office established in Bangkok in Thailand. Acquired and retired all remaining Class 1 Preferred Shares (¥70 billion at book value).

● Consolidated Balance Sheets (As of March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Assets:			
Cash and due from banks	¥ 1,409,341	¥ 1,614,911	\$ 14,550
Call loans and bills bought	2,681	858	8
Monetary claims bought	14,481	13,572	122
Trading account securities	4,345	4,321	39
Securities	1,489,802	1,265,106	11,398
Loans and bills discounted	6,251,728	6,518,080	58,727
Foreign exchanges	7,399	9,347	84
Lease receivables and investment assets	49,490	51,506	464
Other assets	158,667	167,298	1,507
Property, plant and equipment	88,412	87,115	785
Intangible assets	8,786	8,579	77
Net defined benefit asset	75	—	—
Deferred tax assets	273	631	6
Customers' liabilities for acceptances and guarantees	52,801	52,241	471
Allowance for loan losses	(37,778)	(33,795)	(304)
Total assets	¥9,500,510	¥9,759,776	\$ 87,934
Liabilities:			
Deposits	¥8,344,356	¥8,596,305	\$ 77,451
Negotiable certificates of deposit	77,667	74,818	674
Payables under repurchase agreements	31,064	—	—
Payables under securities lending transactions	145,169	118,320	1,066
Borrowed money	328,848	405,955	3,658
Foreign exchanges	125	414	4
Other liabilities	52,122	59,103	533
Provision for bonuses	1,828	1,751	16
Provision for share-based remuneration	—	71	1
Net defined benefit liability	228	409	4
Provision for reimbursement of deposits	1,976	2,278	21
Provision for point card certificates	384	431	4
Reserves under special laws	—	19	0
Deferred tax liabilities	30,347	24,016	216
Deferred tax liabilities for land revaluation	2,643	2,576	23
Acceptances and guarantees	52,801	52,241	471
Total liabilities	¥9,069,565	¥9,338,715	\$ 84,140
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,091
Capital surplus	72,367	72,485	653
Retained earnings	133,386	143,718	1,295
Treasury shares	(0)	(1,260)	(11)
Total shareholders' equity	326,854	336,044	3,028
Valuation difference on available-for-sale securities	92,193	74,151	668
Revaluation reserve for land	5,380	5,229	47
Remeasurements of defined benefit plans	387	(127)	(1)
Total accumulated other comprehensive income	97,960	79,253	714
Share acquisition rights	128	106	1
Non-controlling interests	6,001	5,657	51
Total net assets	430,945	421,061	3,794
Total liabilities and net assets	¥9,500,510	¥9,759,776	\$ 87,934

Note: The rate of ¥ 110.99 to U.S. \$1.00, the foreign exchange rate on March 29, 2019, has been used for translation.
The amounts less than one million yen are rounded down.
The amounts less than one million dollars are rounded to the nearest million.

● Consolidated Statements of Income (Year ended March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Ordinary income:			
Interest income:	¥ 76,218	¥ 70,644	\$ 636
Interest on loans and discounts	62,013	59,761	538
Interest and dividends on securities	13,528	10,246	92
Other interest income	676	636	6
Fees and commissions	28,898	29,290	264
Other ordinary income	29,696	31,675	285
Other income	8,798	6,752	61
Total ordinary income	¥ 143,611	¥ 138,362	\$ 1,247
Ordinary expenses:			
Interest expenses:	¥ 4,083	¥ 2,834	\$ 26
Interest on deposits	471	410	4
Other interest expenses	3,611	2,423	22
Fees and commissions payments	10,767	10,694	96
Other ordinary expenses	31,733	28,985	261
General and administrative expenses	74,488	71,452	644
Other expenses	7,394	4,591	41
Total ordinary expenses	¥ 128,467	¥ 118,558	\$ 1,068
Ordinary profit	¥ 15,143	¥ 19,804	\$ 178
Extraordinary income	398	605	5
Extraordinary losses	453	478	4
Profit before income taxes	15,087	19,931	180
Income taxes:			
Current	1,188	3,990	36
Deferred	715	1,498	14
Total income taxes	1,904	5,489	49
Profit	13,183	14,441	130
Profit (loss) attributable to non-controlling interests	(503)	300	3
Profit attributable to owners of parent	¥ 13,686	¥ 14,141	\$ 127

● Consolidated Statements of Comprehensive Income (Year ended March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Profit	¥ 13,183	¥ 14,441	\$ 130
Other comprehensive income	13,887	(19,004)	(171)
Valuation difference on available-for-sale securities	13,372	(18,490)	(167)
Remeasurements of defined benefit plans, net of tax	515	(514)	(5)
Comprehensive income	¥ 27,070	¥ (4,563)	\$ (41)
Comprehensive income attributable to owners of parent	27,050	(4,414)	(40)
Comprehensive income attributable to non-controlling interests	20	(148)	(1)

● Consolidated Statements of Changes in Equity (Year ended March 31, 2018 and 2019)

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2017	¥121,101	¥ 72,344	¥124,280	¥ (0)	¥317,725	¥ 79,344	¥ 5,586	¥ (128)	¥ 84,802	¥101	¥5,981	¥408,611
Changes of items during period												
Dividends of surplus			(4,787)		(4,787)							(4,787)
Profit attributable to owners of parent			13,686		13,686							13,686
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares		23		0	23							23
Reversal of revaluation reserve for land			205		205							205
Net changes of items other than shareholders' equity						12,848	(205)	515	13,158	27	20	13,205
Total changes of items during period	—	¥ 23	¥ 9,105	¥ 0	¥ 9,128	12,848	¥ (205)	¥ 515	¥ 13,158	¥ 27	¥ 20	¥ 22,334
Balance as of March 31, 2018	¥121,101	¥ 72,367	¥133,386	¥ (0)	¥326,854	92,193	¥ 5,380	¥ 387	¥ 97,960	¥128	¥6,001	¥430,945
Changes of items during period												
Dividends of surplus			(3,960)		(3,960)							(3,960)
Profit attributable to owners of parent			14,141		14,141							14,141
Purchase of treasury shares				(2,511)	(2,511)							(2,511)
Disposal of treasury shares		9		64	74							74
Increase (decrease) by share exchange		(62)		1,186	1,124							1,124
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		170			170							170
Reversal of revaluation reserve for land			151		151							151
Net changes of items other than shareholders' equity						¥ (18,041)	(151)	(514)	¥ (18,707)	(22)	(344)	(19,074)
Total changes of items during period	—	¥ 117	¥ 10,332	¥ (1,259)	¥ 9,190	¥ (18,041)	¥ (151)	¥ (514)	¥ (18,707)	¥ (22)	¥ (344)	¥ (9,884)
Balance as of March 31, 2019	¥121,101	¥ 72,485	¥143,718	¥ (1,260)	¥336,044	¥ 74,151	¥ 5,229	¥ (127)	¥ 79,253	¥106	¥5,657	¥421,061

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2018	\$ 1,091	\$ 652	\$ 1,202	\$ (0)	\$ 2,945	\$ 831	\$ 48	\$ 3	\$ 883	\$ 1	\$ 54	\$3,883
Changes of items during period												
Dividends of surplus			(36)		(36)							(36)
Profit attributable to owners of parent			127		127							127
Purchase of treasury shares				(23)	(23)							(23)
Disposal of treasury shares		0		1	1							1
Increase (decrease) by share exchange		(1)		11	10							10
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		2			2							2
Reversal of revaluation reserve for land			1		1							1
Net changes of items other than shareholders' equity						(163)	(1)	(5)	(169)	(0)	(3)	(172)
Total changes of items during period	—	\$ 1	\$ 93	\$(11)	\$ 83	\$(163)	\$(1)	\$(5)	\$(169)	\$(0)	\$(3)	\$(89)
Balance as of March 31, 2019	\$ 1,091	\$ 653	\$1,295	\$(11)	\$ 3,028	\$ 668	\$ 47	\$(1)	\$ 714	\$ 1	\$ 51	\$3,794

● Consolidated Statements of Cash Flows (Year ended March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 15,087	¥ 19,931	\$ 180
Depreciation	8,658	8,100	73
Impairment loss	258	252	2
Gain on bargain purchase	—	(550)	(5)
Loss(gain) on step acquisitions	—	(33)	(0)
Increase (decrease) in allowance for loan losses	(1,800)	(3,990)	(36)
Increase (decrease) in provision for bonuses	(115)	(98)	(1)
Increase(decrease) in provision for share-based remuneration	—	71	1
Decrease(increase) in net defined benefit asset	(75)	75	1
Increase (decrease) in net defined benefit liability	(802)	146	1
Increase (decrease) in provision for reimbursement of deposits	361	302	3
Increase (decrease) in provision for point card certificates	15	47	0
Gain on fund management	(76,218)	(70,644)	(636)
Financing expenses	4,083	2,834	26
Loss (gain) related to securities	(539)	(2,033)	(18)
Foreign exchange losses (gains)	7,366	(2,556)	(23)
Loss (gain) on disposal of non-current assets	(202)	204	2
Net decrease (increase) in loans and bills discounted	(199,380)	(264,887)	(2,387)
Net increase (decrease) in deposit	257,366	251,949	2,270
Net increase (decrease) in negotiable certificates of deposit	2,547	(2,849)	(26)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	168,361	75,739	682
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(118)	1,923	17
Net decrease (increase) in call loans	(1,601)	2,731	25
Net increase(decrease)in call money	31,064	(31,064)	(280)
Net increase (decrease) in payables under securities lending transactions	(77,589)	(26,849)	(242)
Net decrease (increase) in foreign exchanges-assets	(2,297)	(1,947)	(18)
Net increase (decrease) in foreign exchanges-liabilities	56	289	3
Proceeds from fund management	76,075	71,811	647
Payments for finance	(4,108)	(2,976)	(27)
Other - net	(58,531)	(9,026)	(81)
Subtotal	147,920	16,904	152
Income taxes paid	(897)	(1,061)	(10)
Net cash provided by (used in) operating activities	147,022	15,842	143
Cash flows from investing activities:			
Purchase of securities	(244,785)	(280,356)	(2,526)
Proceeds from sales of securities	369,700	235,176	2,119
Proceeds from redemption of securities	126,958	248,734	2,241
Purchase of property, plant and equipment	(3,958)	(3,464)	(31)
Proceeds from sales of property, plant and equipment	552	213	2
Purchase of intangible assets	(3,503)	(3,095)	(28)
Net cash provided by (used in) investing activities	244,963	197,208	1,777
Cash flows from financing activities:			
Cash dividends paid	(4,787)	(3,960)	(36)
Purchase of treasury shares	(0)	(2,511)	(23)
Proceeds from sales of treasury shares	—	41	0
Other - net	(153)	(175)	(2)
Net cash provided by (used in) financing activities	(4,940)	(6,605)	(60)
Effect of exchange rate change on cash and cash equivalents	(23)	17	0
Net increase (decrease) in cash and cash equivalents	387,022	206,462	1,860
Cash and cash equivalents at beginning of period	1,001,868	1,388,890	12,514
Increase in cash and cash equivalents from share exchange	—	1	0
Cash and cash equivalents at end of period	¥ 1,388,890	¥ 1,595,354	\$ 14,374

● Non-Consolidated Balance Sheets (As of March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Assets:			
Cash and due from banks	¥ 1,408,901	¥ 1,614,456	\$ 14,546
Call loans	2,681	858	8
Monetary claims bought	14,481	13,572	122
Trading account securities	4,345	4,321	39
Securities	1,485,806	1,265,524	11,402
Loans and bills discounted	6,309,356	6,577,293	59,260
Foreign exchanges	7,399	9,347	84
Other assets	124,242	129,801	1,169
Property, plant and equipment	87,214	85,947	774
Intangible assets	8,559	8,417	76
Prepaid pension cost	—	198	2
Customers' liabilities for acceptances and guarantees	52,801	52,241	471
Allowance for loan losses	(30,247)	(26,088)	(235)
Total assets	¥ 9,475,544	¥ 9,735,893	\$ 87,719
Liabilities:			
Deposits	¥ 8,350,902	¥ 8,603,439	\$ 77,515
Negotiable certificates of deposit	88,967	88,172	794
Payables under repurchase agreements	31,064	—	—
Payables under securities lending transactions	145,169	118,320	1,066
Borrowed money	320,314	397,745	3,584
Foreign exchanges	125	414	4
Other liabilities	35,102	39,635	357
Provision for bonuses	1,613	1,533	14
Provision for share-based remuneration	—	71	1
Provision for retirement benefits	479	141	1
Provision for reimbursement of deposits	1,976	2,278	21
Provision for point card certificates	375	422	4
Deferred tax liabilities	29,326	23,421	211
Deferred tax liabilities for land revaluation	2,643	2,576	23
Acceptances and guarantees	52,801	52,241	471
Total liabilities	¥ 9,060,863	¥ 9,330,414	\$ 84,065
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,091
Capital surplus	50,001	50,001	451
Retained earnings	147,731	157,453	1,419
Treasury shares	(60)	(1,265)	(11)
Total shareholders' equity	318,773	327,290	2,949
Valuation difference on available-for-sale securities	90,397	72,853	656
Revaluation reserve for land	5,380	5,229	47
Total valuation and translation adjustments	95,778	78,082	704
Share acquisition rights	128	106	1
Total net assets	414,680	405,478	3,653
Total liabilities and net assets	¥ 9,475,544	¥ 9,735,893	\$ 87,719

● Non-Consolidated Statements of Income (Year ended March 31, 2018 and 2019)

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Ordinary income:			
Interest income:	¥ 76,807	¥ 70,910	\$ 639
Interest on loans and discounts	62,226	59,956	540
Interest and dividends on securities	13,904	10,317	93
Other interest income	676	635	6
Fees and commissions	27,307	27,532	248
Other ordinary income	2,123	3,649	33
Other income	8,667	6,882	62
Total ordinary income	¥ 114,906	¥ 108,975	\$ 982
Ordinary expenses:			
Interest expenses:	¥ 4,047	¥ 2,797	\$ 25
Interest on deposits	471	410	4
Other interest expenses	3,576	2,386	22
Fees and commissions payments	12,526	12,908	116
Other ordinary expenses	5,685	2,404	22
General and administrative expenses	72,559	68,904	621
Other expenses	4,004	2,660	24
Total ordinary expenses	¥ 98,824	¥ 89,675	\$ 808
Ordinary profit	¥ 16,082	¥ 19,299	\$ 174
Extraordinary income	398	7	0
Extraordinary losses	453	476	4
Income before income taxes	16,026	18,830	170
Income taxes:			
Current	662	3,540	32
Deferred	989	1,663	15
Total income taxes	1,652	5,203	47
Net income	¥ 14,374	¥ 13,626	\$ 123



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