

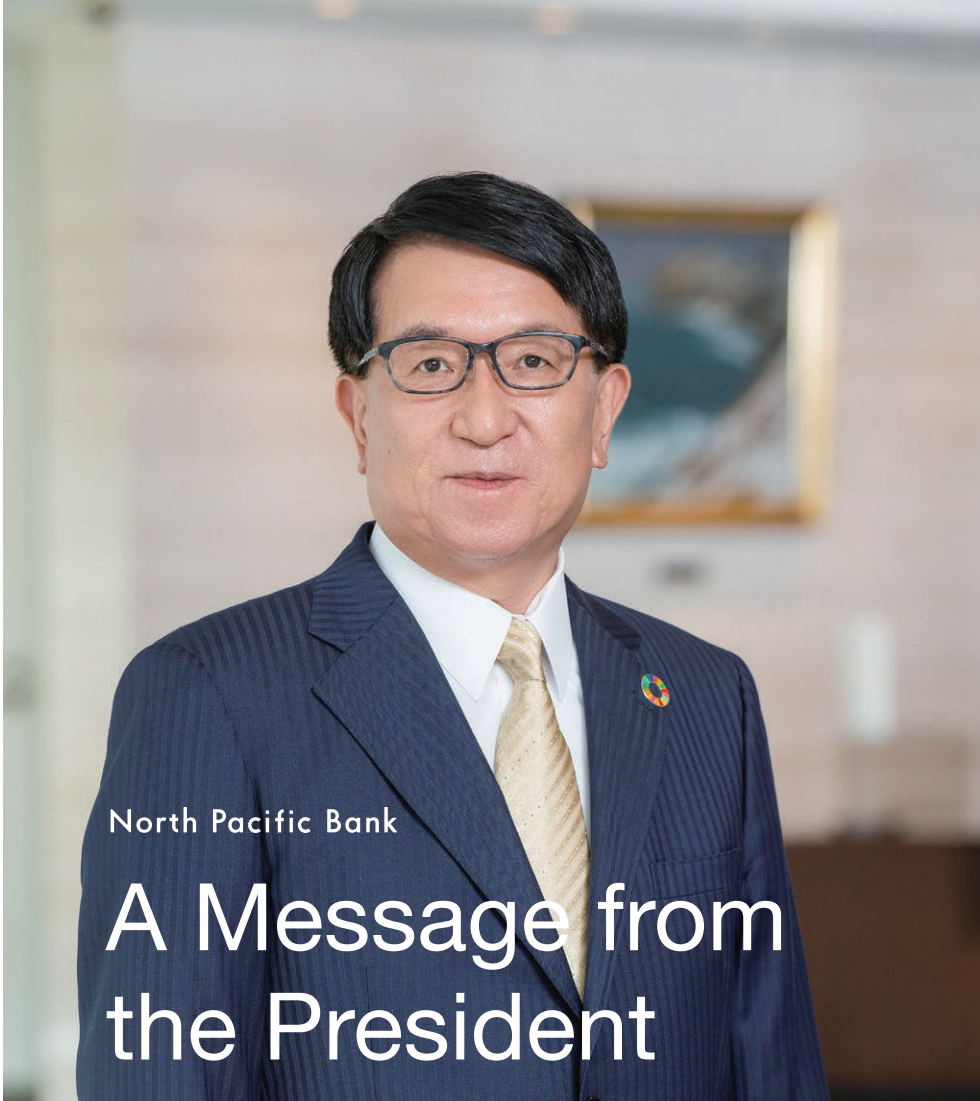
Annual Report 2023

Management Philosophy

Taking a thorough customer-oriented approach, striving to solve diverse challenges, and exploring the future of Hokkaido

Code of Conduct

- (1) Acting with integrity and strong consciousness of compliance and our social responsibilities
- (2) Pursuing the gratitude of our customers
- (3) Sharing mutual respect to maximize teamwork
- (4) Thinking on our own to take on new challenges without fear of change



A Message from the President

I would like to thank you all for your longstanding support of North Pacific Bank Group.

The outlook for the Japanese economy has remained unclear due to stagnation of economic activity brought on by the COVID-19 pandemic, compounded by increases in interest rates both in Japan and overseas, drastic fluctuations in exchange rates, and soaring material and resource prices. However, with the shift in categorization of COVID-19 to a Class 5 common infectious disease and a resulting easing of restrictions on activity, we can see a mild recovery trend as inbound demand recovers and consumer spending revives, centering on the service sector.

Vitality has returned to Hokkaido's economy as well, mainly in tourism-related industries, as an increase in people flows has accompanied the lifting of restrictions on activity.

Many issues still confront us, however, amid bewildering change and the inescapable risk of economic downturn due to such factors as accelerating price increases and an increasingly severe labor shortage, in addition to a financial industry environment of rapidly advancing digitalization accompanied by entry from other industries, CO₂ emissions reductions and other responses to environmental issues, and the prolongation the elder phase of life.

The mission of our banking Group, which indicates our management orientation moving forward, is to accomplish economic growth while contributing to the environment and society, to support the growth of our customers and Hokkaido with our consulting function, and to contribute to sustainable growth of Hokkaido together with our customers and their communities.

Together with our Management Philosophy, we have a long-term vision, which we have placed at the root of our Medium-Term Business Plan that starts in fiscal 2023, and which we state as, "To contribute to the realization of a future-oriented, prosperous regional society by balancing investments that

contribute to the environment and society with investments in economic growth." The key words of this plan are "Growth" and "Environment/Society."

"Taking on the Challenge of New Growth," the title of the new Medium-Term Business Plan, is imbued with the meaning of taking on the challenge of new growth toward the futures of Hokkaido, of our customers, and of our Group.

Also, under the Sustainability Policy that our Group formulated in fiscal 2021, we have set forth an ESG Approach Policy on the environment, society and governance, five principal themes for SDG-related initiatives, an Environmentally and Socially Considerate Investment and Loan Policy, and the North Pacific Bank Group Human Rights Policy. We will strive to reduce the future environmental and societal risks that confront Hokkaido through the climate change response, biodiversity conservation and financial and economic education initiatives spelled out in our Medium-Term Business Plan.

As Hokkaido now approaches a turning point, major economic changes are about to emerge. It is with a keen awareness of responsibility and a sense of the speed of the tide of change that we face the future of Hokkaido, of our customers, and of our Group, and ask, what is our own role, what can we do, and what must we do? We will put into practice the "Thinking on our own to take on new challenges, never fearing change," which expresses our Code of Conduct, as we contribute to the sustainable development of all of our stakeholders, regional communities and the environment.

Finally, let me earnestly ask for continued warm support and patronage from all of you.

September 2023

M. Yasuda

North Pacific Bank
Mitsuharu Yasuda, President

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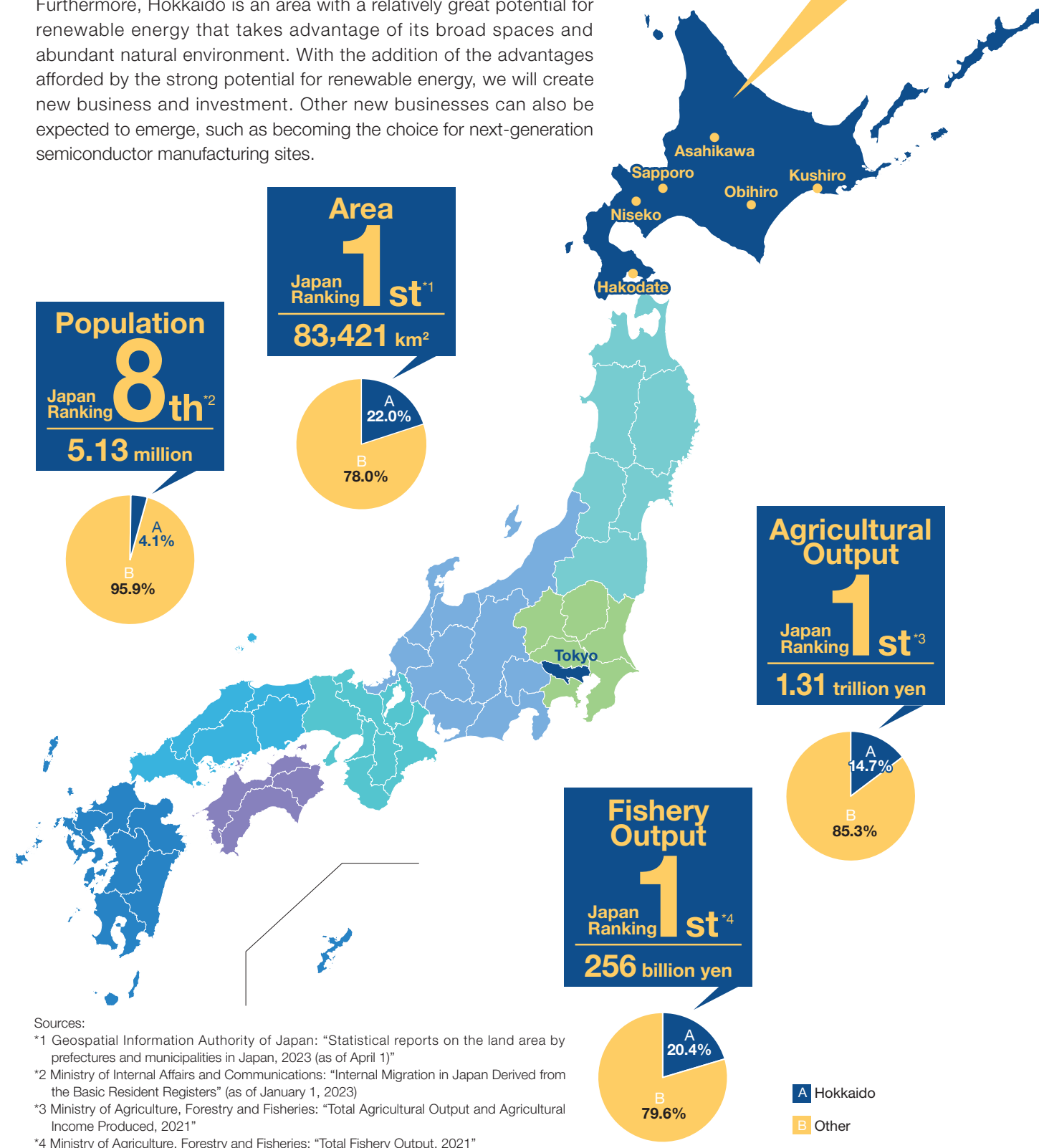
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Hokkaido and North Pacific Bank

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.

Furthermore, Hokkaido is an area with a relatively great potential for renewable energy that takes advantage of its broad spaces and abundant natural environment. With the addition of the advantages afforded by the strong potential for renewable energy, we will create new business and investment. Other new businesses can also be expected to emerge, such as becoming the choice for next-generation semiconductor manufacturing sites.

Hokkaido



Sources:

*1 Geospatial Information Authority of Japan: "Statistical reports on the land area by prefectures and municipalities in Japan, 2023 (as of April 1)"

*2 Ministry of Internal Affairs and Communications: "Internal Migration in Japan Derived from the Basic Resident Registers" (as of January 1, 2023)

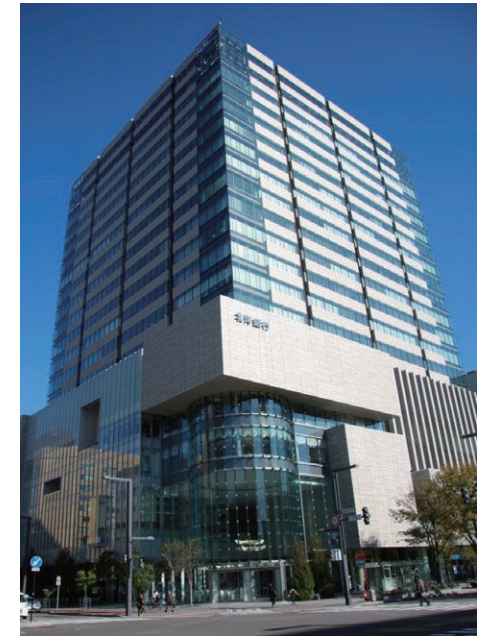
*3 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2021"

*4 Ministry of Agriculture, Forestry and Fisheries: "Total Fishery Output, 2021"

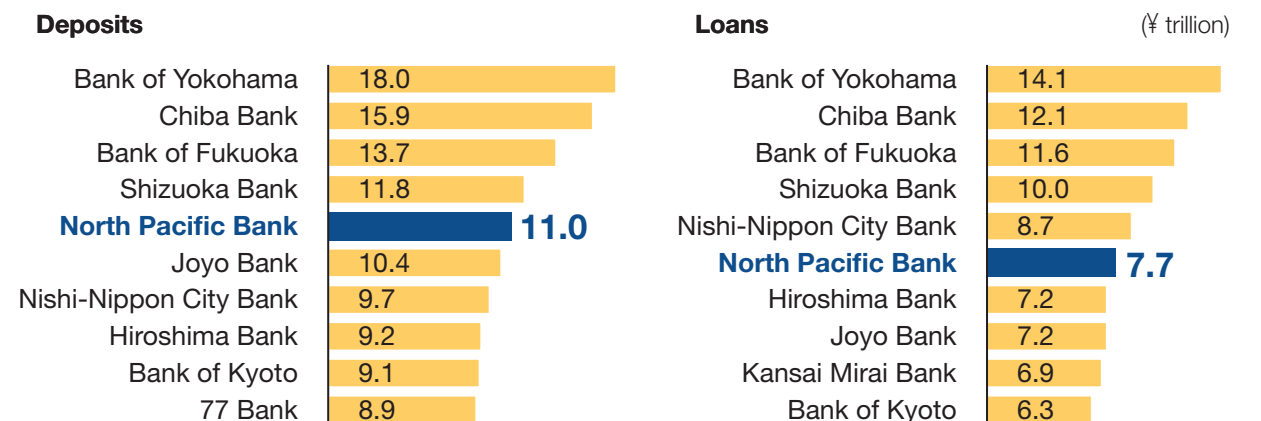
About North Pacific Bank

Corporate Outline (As of March 31, 2023)

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 Prime Market Sapporo Securities Exchange
Branches	171
Overseas offices	3
Employees	2,442

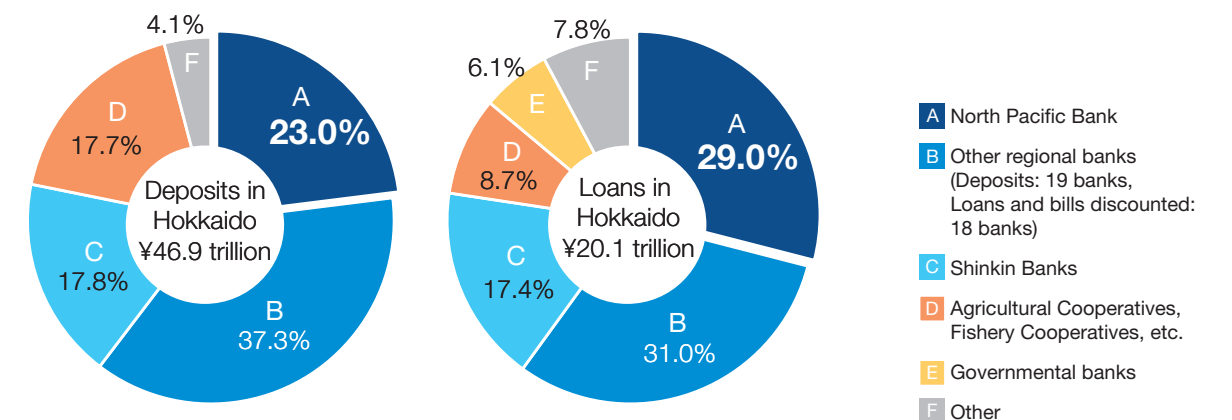


Positional Chart for Deposits and Loans Provided (As of March 31, 2023)



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

Market Share in Hokkaido (As of March 31, 2023)



• Other regional banks: Total of head office and branches located in Hokkaido

• Agricultural Cooperatives, Fishery Cooperatives, etc.:

Total of Credit Federations of Agricultural Cooperatives, Agricultural Cooperatives, Credit Federations of Fishery Cooperatives, and Fishery Cooperatives (As of January 31, 2023)

• Governmental banks: Japan Finance Corporation (JFC), Development Bank of Japan (DBJ), Japan Housing Finance Agency (JHF)

• Other: Credit Unions, Labor Banks, Shoko Chukin Bank

Source: Hokkaido Finance Bureau

Medium-term Business Plan

“Taking on the Challenge of New Growth”

- Growing sustainably together with our customers and local communities -

Period of the plan: April 2023 to March 2026 (3 years)

At the North Pacific Bank Group, we understand our mission to be that of supporting our corporate and individual customers in Hokkaido, and their local communities, in achieving sustainability. In our new Medium-Term Business Plan, we adopt the key terms of “growth” and “environment and society,” under which we will strike a full balance between investment in contribution to the environment and society on one hand, and investment in economic growth on the other. In this way, we will contribute to sustainable growth for Hokkaido together with our customers and local communities.

Management Philosophy

Taking a thorough customer-oriented approach, striving to solve diverse challenges, and exploring the future of Hokkaido

Future Direction of Management

Strengthen management to explore the future of Hokkaido. Support growth toward the future of Hokkaido, and contribute to realizing sustainable local communities.

Helping discover new growth for customers that are deadlocked in their sustainable growth efforts.

Contribute to each stakeholder, including our customers, local communities, shareholders and employees, and establish sustainable regional financial institution management.

Long-term Vision

Striking a full balance between investment in contribution to the environment and society on one hand, and investment in economic growth on the other, we will help realize future-oriented, prosperous local communities

- Support for sustainable management for companies in Hokkaido/and for each individual in designing sustainable living -

The state of sustainability as our Group understands it

Corporate (in Hokkaido)

- A state of growth through responding to environmental changes and creating new enterprise.
- A state of orientation toward new growth by companies hard hit by the COVID-19 pandemic, now improving their management.

Individual (in Hokkaido)

- A state of secure, prosperous living, in which the diverse challenges facing individuals, and the worries about assets inherent in an era of 100-year lifespans, are solved.

Region (in Hokkaido)

- Achieving the creation of new environment-related, IT, and other future-oriented industries, and growing Hokkaido's core industries including agriculture and tourism. A state in which investment and consumption are attracted from outside Hokkaido, bringing prosperity to local communities.

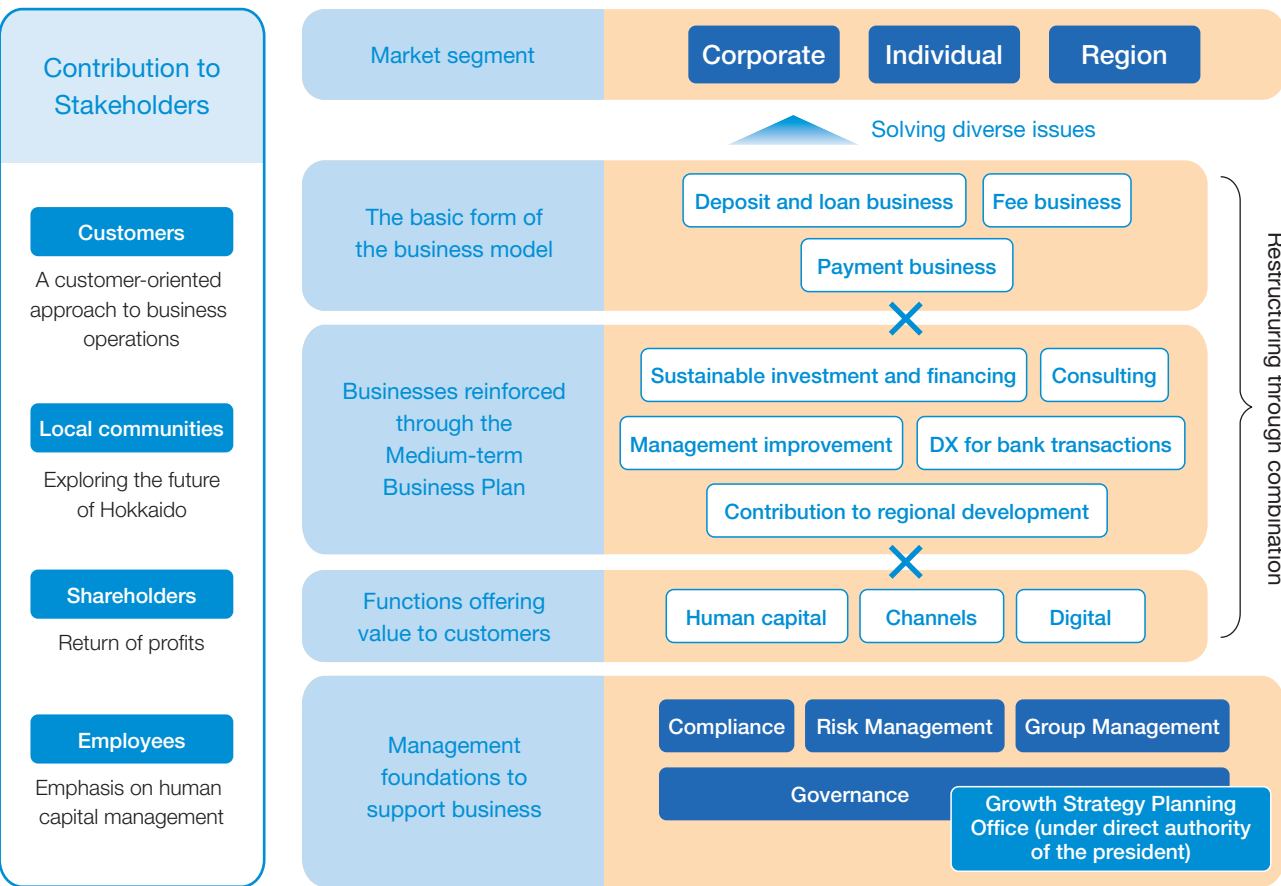
Sustainability status of the North Pacific Bank Group

We will support sustainability for our customers Hokkaido, and link that to sustainable growth for our group.

Business Model, Overall Strategy

In our Medium-Term Business Plan, we express our contributions to our stakeholders in these terms: (1) growing together with our customers through a customer-oriented approach to business operations, (2) exploring the future of Hokkaido to contribute to local communities and grow together with the region, (3) returning our bank's profits to our shareholders so that we and our shareholders grow together, and (4) growing together with our employees through comprehensive human capital management. We will achieve these contributions to our stakeholders as we strive to solve diverse corporate, individual and regional issues based on the following business model and overall strategy.

● A business model to realize our Long-term Vision



● Overall strategy

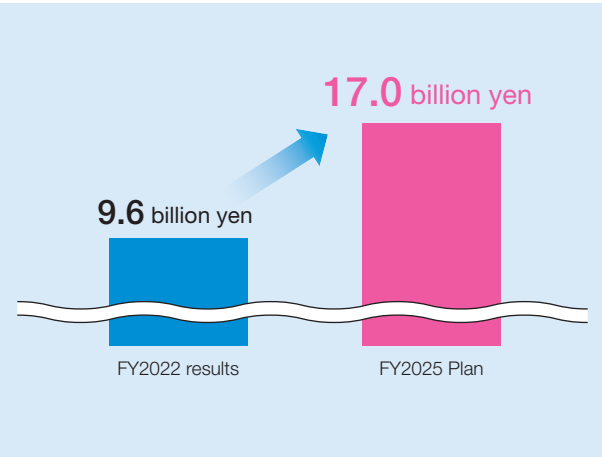
- Helping Hokkaido and our customers improve sustainability**
 - ① Support for corporate, individual and local community sustainability and growth, with banking, HKP,* and North Pacific Securities Co., Ltd. at the core
 - ② Support for growth and management improvement for companies in Hokkaido harmed by the COVID-19 pandemic

* Hokkaido Kyoso Partners Co., Ltd.
- Development of human resources who support customer growth**
 - ③ Human resource development at sales offices with a growth-support perspective, enhancement and development of specialized human resources with sophisticated problem-solving capabilities at HKP/North Pacific Securities, and mid-career recruitment of specialized human resources who share our Management Philosophy and Code of Conduct
- Branch function restructuring and administrative streamlining to boost productivity**
 - ④ Improvement of customer convenience and our Bank's productivity through pursuit of the TSUBASA system's collaborative effects, application of IT to customer contact operations, and energizing DX investment

Calculation Plan

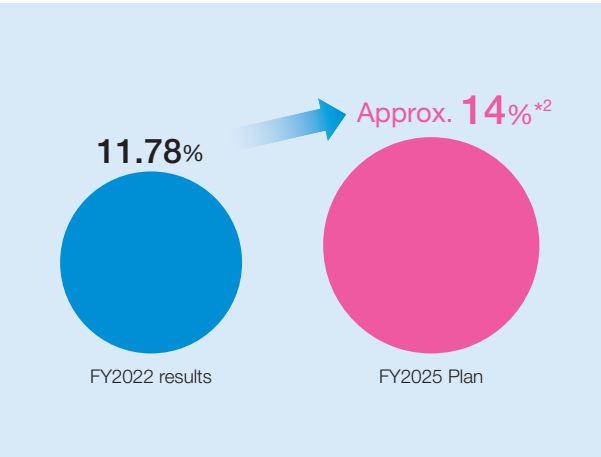
The period of the Medium-term Management Plan is three years beginning April 2023, and the indexes it puts forward as targets are: net income, capital adequacy ratio, ROE and OHR (all consolidated). Through executing strategies aimed at achieving our target indicators in keeping with the Medium-term Business Plan, we strive to increase the group's overall corporate value.

Consolidated net income*1



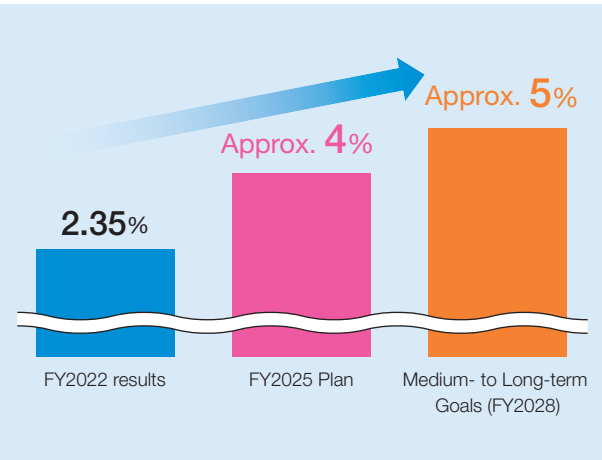
*1 Profit attributable to owners of parent

Consolidated capital adequacy ratio

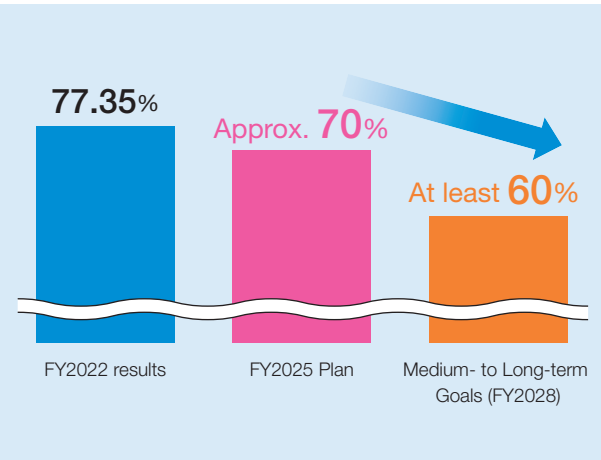


*2 Based on Basel III finalization (transitional period).

Consolidated ROE



Consolidated core OHR



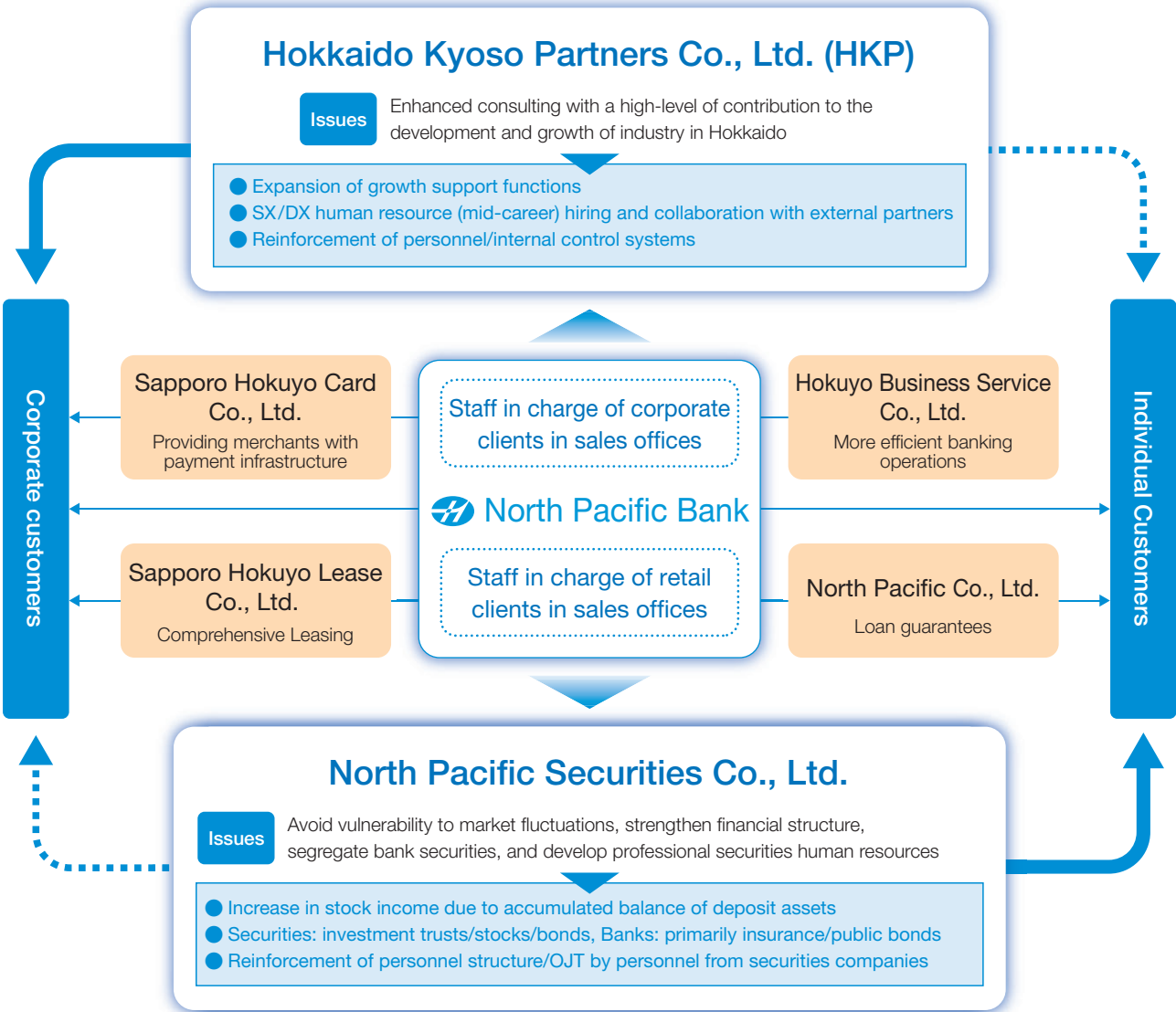
Individual Strategies

- (1) Corporate
Develop an understanding of business potential to make proposals for customer business growth, promote investment and financing in growth fields, and support management improvements
- (2) Individual
Strengthen consulting based on understanding of the customer, and support each individual in designing sustainable living
- (3) Region
Strengthen local partnership-based initiatives for new/growing industry, thereby encouraging investment in Hokkaido while attracting consumption

- (4) Human Resources
Put human capital management into practice through the creation of human resources who support local community sustainability
- (5) Digital
Achieve digitalization of public contact functions and follow-up administrative tasks, provide highly convenient services, and reduce costs through administrative efficiency

Group Management

We will reinforce our specialist human resources centering on Hokkaido Kyoso Partners Co., Ltd. and North Pacific Securities Co., Ltd., and fully apply our consulting function to increasing sustainability and solving diverse issues for our corporate and individual customers.



Highlights

Income Summary

Non-Consolidated (¥ billions)			
	Year ended Mar. 31,		Increase/ (Decrease)
	2022	2023	
Core gross profit	83.5	82.6	(0.8)
Net interest income	69.4	69.9	0.4
Net fees and commissions	12.1	11.3	(0.7)
Net other operating income (excluding gains (losses) on bonds)	1.9	1.3	(0.5)
Expenses (excluding non-recurring losses)	61.5	63.8	2.2
Core OHR (%)	73.65%	77.20%	3.55%
Core operating profit	22.0	18.8	(3.1)
Excluding gains (losses) on cancellation of investment trusts	22.0	18.8	(3.1)
Credit cost	3.2	4.8	1.5
Gains (losses) on securities	(2.9)	2.4	5.4
Net other non-recurring income (loss)	2.1	1.3	(0.7)
Ordinary profit	17.8	17.8	(0.0)
Net income	11.0	10.5	(0.5)
ROE (%)	2.68%	2.64%	(0.04%)

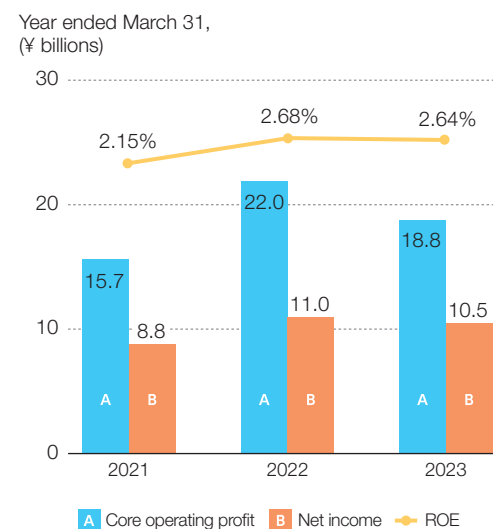
$$ROE = \frac{\text{Net income for the current fiscal year}}{(\text{Total net assets at beginning of fiscal year} + \text{Total net assets at end of fiscal year}) / 2}$$

* Excluding share acquisition rights

Core gross profit fell by 0.8 billion yen year-on-year, despite an increase in net interest income due primarily to higher interest and dividends on securities, because a reduction of bank transfer fees lowered net fees and commissions. Also, a one-off expense for migration to the TSUBASA core platform weighed on core operating profit, which decreased by 3.1 billion yen year-on-year.

Despite higher credit costs, ordinary profit remained on a par with the previous year's level due to increased gains on securities sales, although net income fell by 0.5 billion year-on-year.

Consolidated (¥ billions)			
	Year ended Mar. 31,		Increase/ (Decrease)
	2022	2023	
Core gross profit	88.8	87.1	(1.7)
Ordinary profit	19.2	17.3	(1.9)
Profit attributable to owners of parent	11.7	9.6	(2.1)
Core operating profit	23.9	19.7	(4.2)
Excluding gains (losses) on cancellation of investment trusts	23.9	19.6	(4.2)



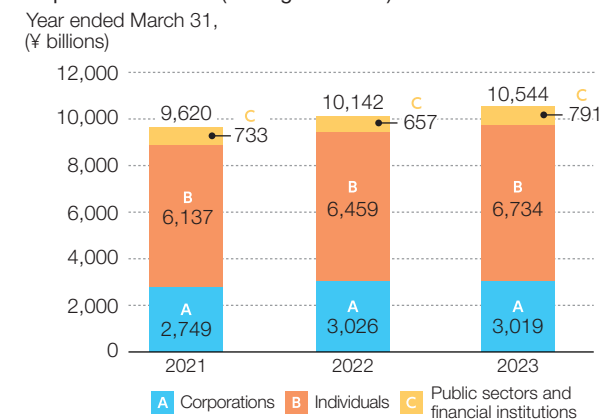
Deposits and NCDs (Non-Consolidated)

The average balance of deposits and NCDs increased by 401.6 billion yen year-on-year (+3.9%), and the outstanding balance increased by 337.9 billion yen year-on-year (+3.1%). The balance of deposit assets decreased by 7.9 billion yen year-on-year, primarily due to a decrease in investment trust sales impacted by uncertain market conditions.

Average Balance (¥ billions)			
	Year ended Mar. 31,		Increase/ (Decrease)
	2022	2023	
Deposits and NCDs*	10,142	10,544	401

* NCDs = Negotiable certificates of deposit

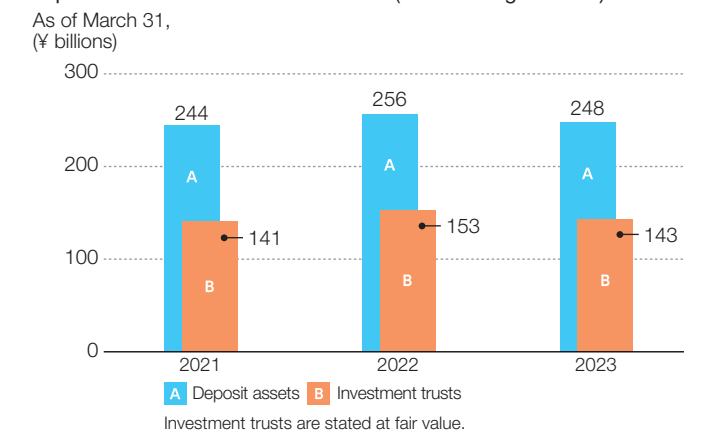
Deposits and NCDs (Average Balance)



Outstanding Balance (¥ billions)			
	As of Mar. 31,		Increase/ (Decrease)
	2022	2023	
Deposits and NCDs	10,681	11,019	337
Deposit assets*	256	248	(7)

* Deposit assets = Safe custody of public bonds + Investment trusts
Investment trusts are stated at fair value.

Deposit Assets and Investment Trusts (Outstanding Balance)



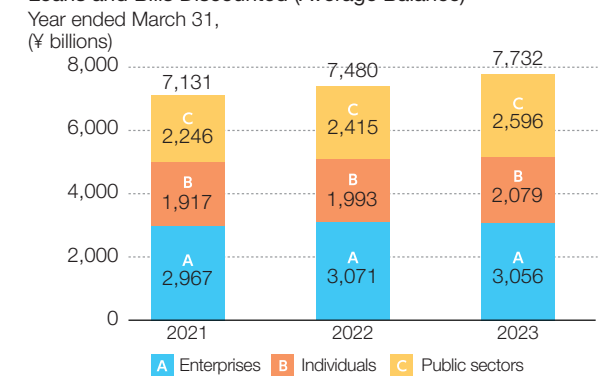
Loans and Bills Discounted (Non-Consolidated)

The average balance of loans and bills discounted increased by 251.3 billion yen year-on-year (+3.3%), and the outstanding balance increased by 342.0 billion yen year-on-year (+4.6%). Average and outstanding balances of loans to individuals and local government bodies were both higher than for the previous year. There was an increase of 102.8 billion yen (+2.4%) in loans and bills discounted for SMEs, mainly resulting from an increase in housing loans to individuals.

Average Balance (¥ billions)			
	Year ended Mar. 31,		Increase/ (Decrease)
	2022	2023	
Loans and bills discounted	7,480	7,732	251
Of which, Housing loans	1,862	1,950	87

* Consumer loans = Car loans, card loans, etc.

Loans and Bills Discounted (Average Balance)

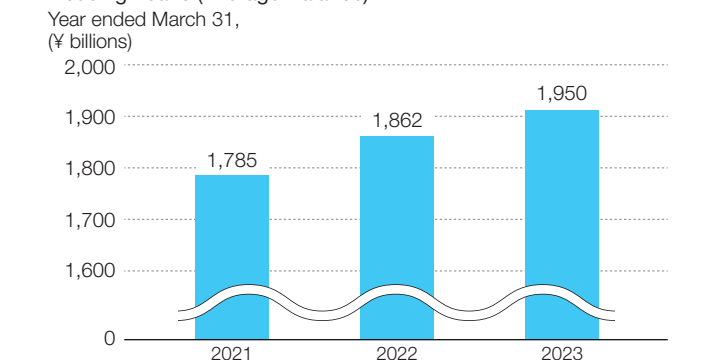


Public sector loans include loans to government and land development public corporations.

Outstanding Balance (¥ billions)			
	As of Mar. 31,		Increase/ (Decrease)
	2022	2023	
SMEs, etc.*	4,149	4,252	102
Loans and bills discounted	7,420	7,762	342
In Hokkaido	5,798	5,836	38

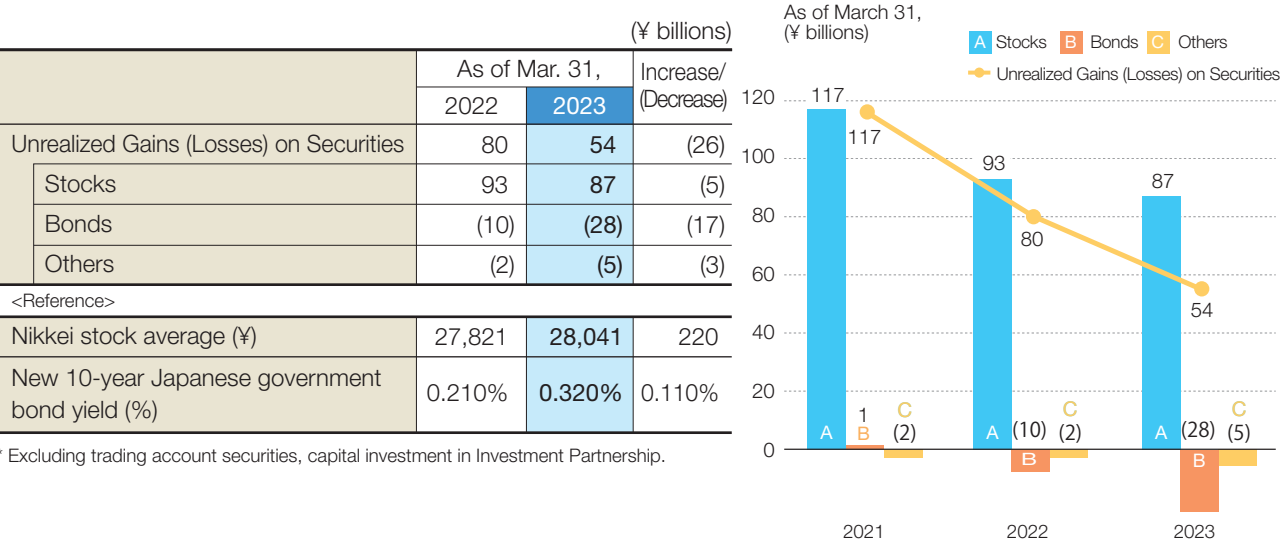
* SMEs, etc = SMEs + Individuals

Housing Loans (Average Balance)



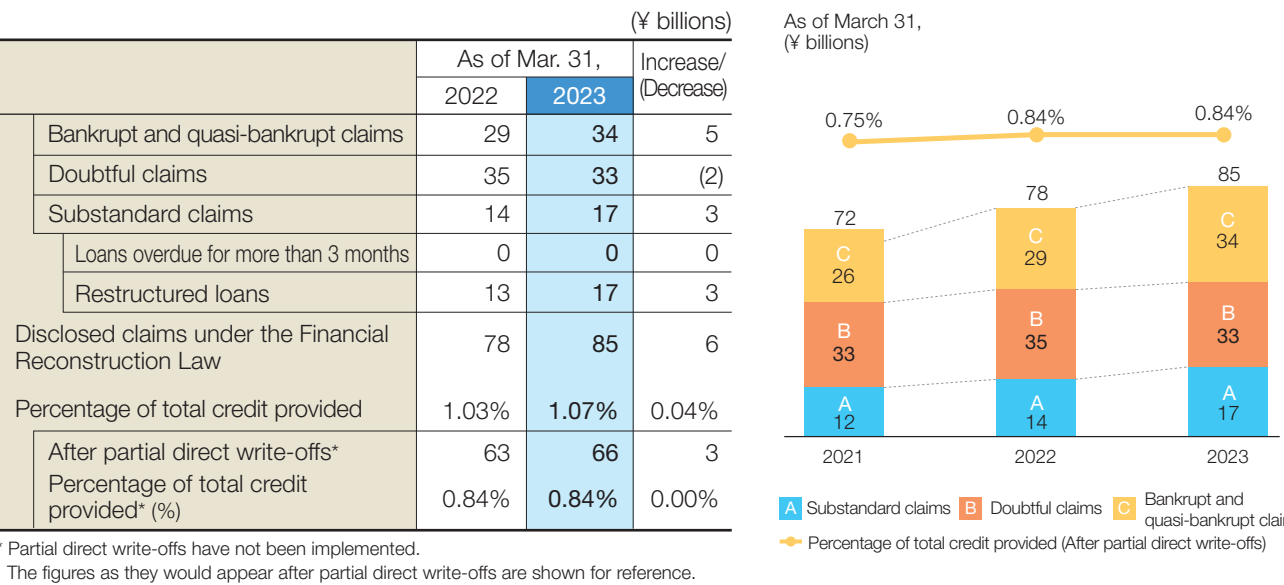
● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Regarding unrealized gains and losses on securities, rising domestic and overseas interest rates caused an expansion of impairment losses on bonds, resulting in a decline of 26.1 billion yen year-on-year.



● Claims based on the Banking Act and the Act on Emergency Measures for Revitalizing Financial Functions (Non-Consolidated)

There was an increase in the amount of total credit provided due to preventive allocations, conservative estimates of the decline in corporate earnings due to the COVID-19 pandemic, and rising raw material prices. At 0.84%, the percentage of total credit provided is significantly lower than the average for regional banks nationwide, reflecting that financial soundness has been sufficiently ensured.



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

Although the capital adequacy ratio declined from the previous year on both a non-consolidated and consolidated basis, it continues to be maintained at high levels.

	(¥ billions)		
	As of Mar. 31,		Increase/ (Decrease)
	2022	2023	
Capital Adequacy Ratio (%)	12.17%	11.48%	(0.69%)
Capital	339	324	(14)
Risk-adjusted assets	2,786	2,828	41

* The figures are calculated using the fundamental internal rating based approach (FIRB).

Initiatives to Stimulate the Local Economy

The North Pacific Bank Group has assigned dedicated personnel to the sectors of agriculture, food, and tourism, in which Hokkaido's strengths lie, and to M&A and business succession support, to address the shortage of successors resulting from the aging of management personnel, as well as to manufacturing and overseas business sectors. Sharing information among sales offices, Division, and Group companies, we also collaborate with external organizations, other financial institutions, and local government bodies to actively provide support.

● Business Growth Support

North Pacific Bank actively works to understand the business potential of its customers, not only by relying solely on quantitative financial data, but also by accurately grasping and analyzing their business and industry environments, and thereby understanding their potential for growth and sustainment of that growth. We work on business growth support that is an extension of our traditional understanding of business

potential for our clients as they face the crucial task of achieving sustained growth in response to rapid changes in the external environment. Our group works in unity to provide a higher level of support, taking advantage of the know-how we have gained in understanding business potential so that our customers might achieve their visions for the future.

● Strengthening of Consulting Functions

The Bank has strengthened the partnership with Hokkaido Kyoso Partners Co., Ltd. (HKP), as we mobilize the collective strength of the Group to

provide extensive and sophisticated consulting services to help customers solve their management issues.

Partnership with HKP

HKP provides tailor-made solutions to various issues such as business plan formulation, strengthening of financial base and operational streamlining, human resource introduction and establishment of HR

systems, M&A and business succession, and more, by accompanying management through the task of expanding staff with specialized skills, including those seconded from our Bank.

M&A / Business Succession Support

M&A and business succession initiatives are a critical theme. Hokkaido has a relatively high rate of successorship shortfall among the regions of Japan, with approximately 70% of businesses lacking successors due to the aging of management. In addition to expanding support by HKP's expert staff,

our Group is actively addressing this regional issue in cooperation with the City of Sapporo and other financial institutions in the prefecture. As part of this effort, we provide total consulting services, including management personnel recruiting, through the Hokuyo Business Succession Fund operated by HKP.

● Hokuyo Sustainable Finance

We offer several products under the "Hokuyo Sustainable Finance" name. Through its diverse lineup, the Hokuyo Sustainable Loan program will help achieve a more sustainable society while supporting customers' SDG and decarbonization efforts. We established Hokuyo SDG Promotion Fund No. 2 in June 2022 with the Hokkaido Research Institute

for the Twenty-first Century Co., Ltd. Through this fund, our approach is to promote entrepreneurship and support growth among ventures, start-ups and other companies in Hokkaido that fulfill the SDG concept, from the standpoint of investment rather than just offering loans. At the end of June 2023, we had invested a total of 125 million yen in seven companies.

● Investments and Loans in Anticipated Growth Areas

Hokkaido is gaining notice both overseas and domestically as a region with advanced renewable energy and decarbonization, and has been selected as a “Next-generation Semiconductor Technology Center.” These areas are expected to constitute centers of growth in the future.

As a leading bank, our Group believes that it is our mission to actively invest and offer loans in areas where growth is anticipated.

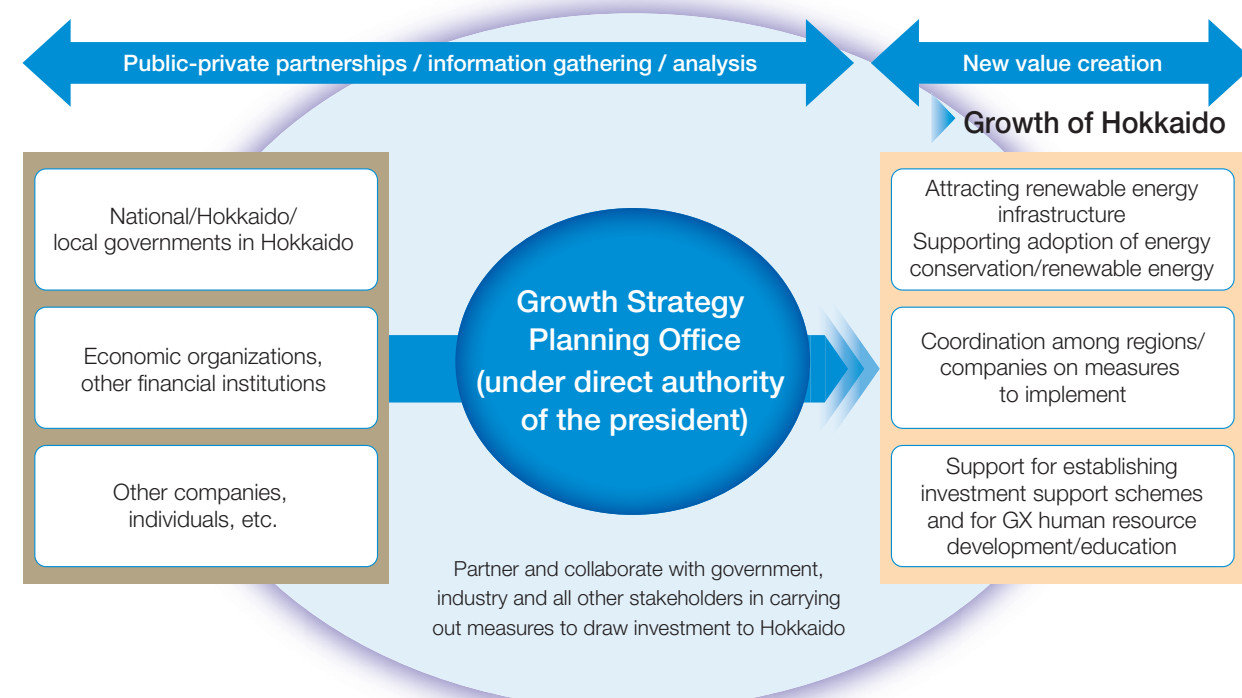
We established our Growth Strategy Planning Office in March 2023, organized under direct control of top leadership and tasked with undertaking an initiative

throughout the bank to invest and offer loans in anticipated growth areas.

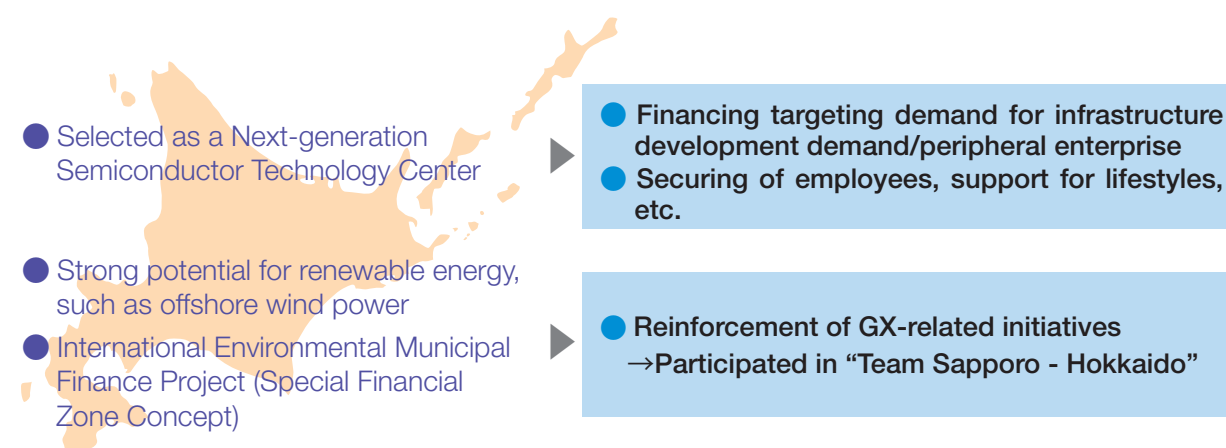
In the next-generation semiconductor field, we are actively addressing the demand for financing for infrastructure development and for peripheral enterprise, and on securing employees while supporting them in everyday living.

Concerning GX-related initiatives, we participate in Team Sapporo-Hokkaido,* launched in June 2023, through which we will contribute to the overall growth of Hokkaido.

* A consortium of 21 organizations of Japan's central government, as well as Hokkaido and elsewhere, created in order to attract GX investment to Hokkaido.



Whole-bank initiatives centered on the Growth Strategy Planning Office



● Support for the agriculture and food sectors

At 83,421 km², Hokkaido has the largest area of Japan's prefectures. It also leads the nation in agricultural output, measured at 1.3 trillion yen*. The food and farming sector, a core industry of Hokkaido,

* Source: “Total Agricultural Output and Agricultural Production Income, 2021 (by Prefecture),” Ministry of Agriculture, Forestry and Fisheries

Various Business Conferences to Support Expansion of Sales Channels

We regularly host individual business meetings with buyers outside of Hokkaido in order to help expand sales channels.

We also hosted individual business conferences in October 2022 to discuss ways in which food waste generated within Hokkaido might be used as livestock feed. It was the first time that a financial

institution in Hokkaido held a business meeting to specifically address the effective use of food waste. The aim was to provide solutions for the Hokkaido food industry and to help solve regional issues through opportunities for business negotiations with food-related companies that need to find effective uses for such food waste as fruits and vegetables.



Information Bazaar

We hold a variety of business matching negotiation meetings to help meet the sales channel expansion needs of corporate customers. These include the Information Bazaar, an all-Hokkaido business negotiation conference for Hokkaido food products, held in Fukuoka in November 2022 and in Osaka in February 2023. We conveyed the appeal of the Hokkaido brand in various regions to help our client companies with new market expansion.



Information Bazaar in Fukuoka

Initiative to Increase Milk Consumption

In February 2023, we distributed milk produced in Hokkaido to foreign travelers in the international terminal arrivals lobby at New Chitose Airport.

Aimed at helping to expand exports of milk, dairy and other agricultural and livestock products originating in Hokkaido, this initiative involved introducing foreign tourists to the delicious taste of Hokkaido milk, encouraging them to drink more of it while staying in Hokkaido, and to purchase Hokkaido milk sold in their own countries after returning home. Cooperation for the event came from Hokkaido Airports Co., Ltd., HOKUREN Federation of Agricultural Cooperatives, Hokkaido Prefecture, the Hokkaido Association of Shinkin Banks, the Hokkaido Association

of the Shinkumi Banks, Tomakomai Shinkin Bank, Engaru Shinkin Bank, Obihiro Shinkin Bank, Kitami Shinkin Bank, and MEGMILK SNOW BRAND Co., Ltd. A total of 5,000 containers of milk were distributed over four days.



● Support for the Tourism Sector

Hokkaido’s tourism sector, a driver of the local economy, enjoys advantages domestically and internationally. New economic growth measures to promote reinvigoration of the Hokkaido economy and the creation of employment opportunities are expected to have economic ripple effects on a variety of industries. The Bank provides support in cooperation with institutions and organizations involved in tourism.

An example of this can be seen in the business meetings we hold in metropolitan Tokyo with buyers (travel agencies, land operators, publishers and other media) to help expand the sales channels of tourism business operators in Hokkaido, and to amplify their information communication as we support them in creating travel products and generating media coverage. We conducted these in an online format in February 2023.

● Support for the Manufacturing Sector

Hokkaido’s manufacturing industry has a small weight relative to other regions. To revitalize Hokkaido’s economy, ongoing support through means not bound by conventional frameworks, focused on manufacturing companies, is important.

In addition to support for sales channel expansion through business matching, the Bank is working to discover and develop distinctive companies through collaboration with external organizations.

Various Business Conferences

We host this exhibition-type business conference in order to provide an occasion for companies, universities, research institutes, and other organizations with technologies and products that excel, to meet under one roof. The objective is to give a boost to the promotion of Hokkaido’s manufacturing industry through sales channel expansion and interaction between businesses. In addition to companies in the manufacturing industry, others in the IT/DX, environmental, and startup fields also exhibited at the event, held in July 2023 with the theme of achieving a

sustainable future and a sustainable society. The Monozukuri Matching in SAPPORO Executive Committee, comprising North Pacific Bank and the City of Sapporo, hosted a “Monozukuri Matching in SAPPORO” order placement and acceptance conference, which was intended to expand business and increase opportunities for orders received by manufacturers in Sapporo and elsewhere in Hokkaido. We also host business meetings between IT-related companies in Hokkaido and others that are considering digitalization and DX initiatives.

Intellectual Property Business

We began the intellectual property project in earnest in FY2021, utilizing the Intellectual Property Project Cost Support Subsidy for Small and Medium Enterprises (Ministry of Economy, Trade and Industry) to build a foundation on which SMEs in Hokkaido can engage in intellectual property business activities. As part of our efforts to publicize our IP activities, we have published an IP booklet (SEEDS HOKKAIDO) that lists the companies/organizations in Hokkaido that hold patents. In September 2022, we held a second North Pacific Bank Intellectual Property Business Matching event

in partnership with eight credit unions in Hokkaido, following the previous year’s event. We work to secure intellectual property for companies in Hokkaido through consultations with experts regarding intellectual property, and individual business conferences pairing major companies and research institutes that own open patents with Hokkaido companies that are contemplating the use of open patents to take on the challenge of new business operations, develop new products or cut product development times.

Use of Subsidies

In order to meet plant and equipment investment and other needs of manufacturing companies, the Bank informs sales offices of the details of subsidy programs offered by the central and local governments, thereby helping to spread thorough knowledge among customers of subsidy proposals and utilization.

For subsidy programs that require confirmation letters issued by accredited financial institutions, our sales offices and headquarters work together with our subsidiary Hokkaido Kyoso Partners Co., Ltd. to provide comprehensive support, from working through application procedures to brushing up application content.

● Support for Business Improvement and Turnaround

For customers who need to improve their business management or turn their businesses around, our Sales Office and the Business Improvement Support Group of the Loan Administration Department, a specialized division of the Bank’s Head Office, in cooperation with experts and external institutions, examines and proposes individual management improvement and business revitalization schemes to help solve their management issues, including the

use of public-private funds and public capital-based loans. We provide customers facing diverse, complex management issues with highly specialized support for management improvement and radical business turnaround in cooperation with outside specialist organizations including the Hokkaido SME Revitalization Support Council, which takes a fair and neutral stance in coordinating with other financial institutions.

Regional Revitalization Strategy

With our business base in Hokkaido, revitalization of the region is a major mission for the Bank. Our

initiatives reflect our status as a bank that is deeply versed in the characteristics of the region.

● Status of Initiatives Related to Regional Revitalization

While enhancing cooperation with parties in industry, academia, government and finance, including Hokkaido regional public bodies,* universities, credit associations, credit unions, and other financial institutions, we promote industries that take advantage of regional

advantages and resources, create innovative new businesses, and develop global markets, supporting local initiatives and offering powerful support for regional revitalization in order to contribute to the reinvigoration of the Hokkaido economy.

* By March 2023, the Bank signed partnership agreements with 34 local government bodies.

Initiatives to Attract Business

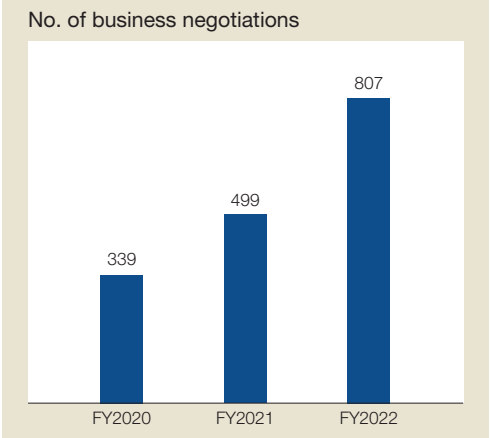
Hokkaido’s distance from metropolitan Tokyo and other areas makes it an excellent location for business continuity because in the event of a natural disaster, its remoteness reduces the risk of being stricken simultaneously, thereby giving Hokkaido ideal geographical attributes for risk diversification. The region also has strong geographical potential for renewable energy sources, such as solar and wind power generation. While participating in the Hokkaido

Business Attraction Promotion Council, we are also working to provide businesses outside of Hokkaido with information on industrial parks located throughout Hokkaido and their local environments. Moving forward, we will work in cooperation with local government bodies and others on initiatives designed to attract companies in order to invigorate the regional economy and create employment opportunities.

Overseas Business Development

Overseas Business Development Support

Our banking Group maintains an extensive overseas network spanning China, ASEAN member states and other countries/regions, served by both our overseas representative offices, and partnerships with affiliated overseas financial and related institutions and external consulting firms. We utilize this comprehensive network to provide detailed support tailored to the needs of our customers' developing businesses overseas, by providing local information, site visits, and referring import and export channels. In fiscal 2022, we provided support in 807 cases of business negotiations, in part via video conferencing.



Overseas Representative Offices and Affiliated Financial Institutions

We have three overseas representative offices, one in both Dalian and Shanghai, China (since 2005) and one in Bangkok, Thailand (since 2014). In addition to our overseas representative offices, we also currently

maintain business partnerships with a total of 11 financial institutions – three banks in China, six in the ASEAN region, one in India and one in the US.

Partnerships with Consulting Firms

Our group has also formed business alliances with consulting firms in order to provide local information,

coordinate site visits, and to refer import and export channels in response to our customers' needs.

Customer needs	Cooperative partners	Main services
Sales channel development, overseas expansion, overseas visits, and dispatching staff to overseas locations	Cyest Corp.	Dispatch of global expert human resources, formulation of overseas visit plans, etc.
Sales channel development	Alibaba.com Japan Co., Ltd.	Overseas market expansion support utilizing the Internet, etc.
Credit checks / Credit management	Mitsui Bussan Credit Consulting Co., Ltd.	Risk management service for overseas business transactions
Alleviation of anxiety over collection of trade payments	Nippon Export and Investment Insurance (NEXI)	Trade insurance (exports, investments, etc.)
International factoring	The Mitsubishi UFJ Factors Limited	Cooperation with factoring companies around the world
Employment of foreign human resources	GLOBALPOWER Inc.	Recruitment for long-term employment
Sales channel development / overseas expansion	FORVAL CORPORATION	Food export support (includes Cross-Border EC) Overseas expansion support

Overseas Financing Support

We support customers' overseas subsidiaries with their funding through affiliated financial institutions. In fiscal 2022, we issued 5 standby letters of credit in the ASEAN region. A standby letter of credit is a letter

of guarantee issued by our bank to a foreign financial institution, in order to create a credit facility for our customers' overseas subsidiaries at that foreign financial institution.

Foreign Exchange Services

Market Desk

To meet our customers' specific needs in regards to foreign exchange, we have a Market Desk within our Treasury and Markets Department. We offer multifaceted

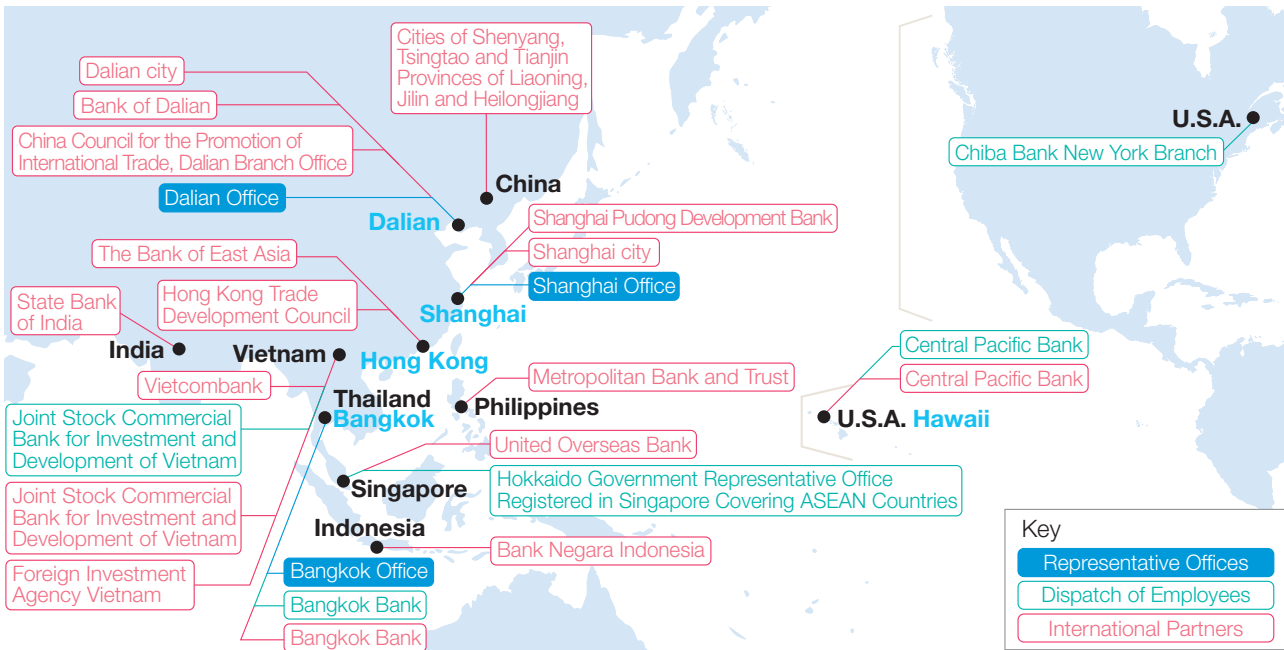
support to our customers for foreign exchange transactions, such as by providing fast and accurate information in relation to foreign exchange markets.

North Pacific Bank Forex Online Service

North Pacific Bank Forex Online Service is an internet-based foreign exchange banking service allowing users to order overseas remittances, open and amend letters of credit, and settle currency

forward contracts from their computers. Transactions can be made in 15 currencies (9 currencies for currency forward contracts).

North Pacific Bank International Network (As of June 30, 2023)



* As of June 2023, we have suspended the dispatch of personnel to the New York branch office of Chiba Bank and to Central Pacific Bank due to the spread of COVID-19.

Foreign currency exchange services offered through collaboration with Travelex Japan K.K.

Our Bank offers Foreign Currency Home Delivery and Foreign Currency Mail-order Purchasing Services in partnership with Travelex Japan K.K., as well as the Travelex Preferential Over-the-counter Market Currency Exchange Rate Service.

Foreign Currency Home Delivery Service	This service makes it possible to order home delivery in cash of currencies used in 31 countries around the world by accessing the Travelex order form from a dedicated banner at our Bank's website.
Foreign Currency Mail-order Purchasing Service	With this service, customers may send cash of currencies used in 29 currencies around the world to Travelex by mail, whereupon Travelex will deposit the buy-rate amount (in Japanese yen) into the account specified by the customer.
Preferential Over-the-counter Market Currency Exchange Rate Service	At Travelex branches in Japan, customers can access the preferential over-the-counter rates offered at each branch by presenting their North Pacific Bank cash card.

* The foreign currency exchange operation at our Bank's point of teller service has been terminated, as of June 30, 2023.

<Foreign Currency Home Delivery Service>



ESG and the Sustainability Initiatives

North Pacific Bank: How We Think About Sustainability

In recent years, there has been a heightened interest in environmental, social and economic sustainability around the world. In Japan, the central government is aiming to achieve carbon neutrality by 2050 and to reduce greenhouse gas emissions by 46% from fiscal 2013 levels by fiscal 2030. It has also indicated an intent to continue beyond this goal to achieve a 50% reduction by 2030. These efforts to realize a sustainable society across all fields are accelerating, and this is also true in Hokkaido, where we live.

Hokkaido's appeal is endless, including its vast and beautiful scenery, abundant marine produce, confections, hot springs, and Hokkaido's unique flora and fauna. We believe that it is our mission to pass on this appeal to future generations, and to protect sustainable local communities and the environment, a mission which we will fulfill through our work in the field of finance.

Our banking Group has incorporated a sustainability perspective into the implementation of our Management Philosophy, and formulated a Sustainability Policy in FY2021 that clearly states this concept. Under this policy, we have set forth our ESG Approach Policy, Principal SDG Themes, Environmentally and Socially Considerate Investment and Loan Policy, and the North Pacific Bank Group Human Rights Policy are actively supporting our customers' efforts to resolve social issues and transition to a decarbonized society by providing sustainable finance (finance to realize a sustainable society) and a range of solutions.

It is our aim as well to reduce CO₂ emissions to 60% of fiscal 2013 levels by fiscal 2030, and to achieve carbon neutrality by 2050. We are also moving to establish execution indexes for finance supporting the transition to a decarbonized society as we actively undertake these efforts.

Social issues are becoming increasingly diverse as times and the environment change, and we are committed to working together with all of our stakeholders who support our banking Group in our aim of realizing a sustainable society.

Sustainability Policy

Through corporate activities based on our Management Philosophy and Code of Conduct, the North Pacific Bank Group contributes to the sustainable development of all of the stakeholders, the regional community

and environment which support us, while we also strive to achieve improved corporate value and sustainable business management for our banking Group over the medium to long term.

Initiatives to Create Shared Value With Clients

Local community contribution

Aiming to create beautiful cityscapes, we proactively engage in regional beautification activities such as greening and clean-up projects held by local promotion organizations and neighborhood associations. We are also actively working in partnership with local residents and related institutions to make effective use of our branch lobbies in solving community issues, taking action to prevent crime, and helping to enliven our communities.



Holding events utilizing the parking lot (Bihoro Branch)

SDGs (Hometown Support) Private Placement Bond, SDGs (Education) Private Placement Bond (Contributed Donation Type)

We began offering these products in April 2023 because of the greatly increased importance of initiatives to contribute to local communities and solve social issues toward achieving the SDGs. Both products enable

donations equivalent to 0.2% of the issued amount to municipalities or schools in Hokkaido,* as specified by the customer. This enables customers to help support their hometowns and alma maters.

* As specified in the School Education Law, eligible institutions include the following: universities, junior colleges, technical schools, high schools, schools of higher education, junior high schools, elementary schools, kindergartens, special support schools and specialized training schools.

Environmental Protection Initiatives

Under the recognition that financial institutions rooted in the community bear a social responsibility to protect the rich nature and environment of Hokkaido and to pass

these on to the next generation, we not only support the initiatives of our customers through our business, but also actively work to preserve the environment.

Initiatives through Business

- The Bank offers an SDGs (Eco) Private Placement Bonds that supports companies engaged voluntarily and proactively in environmentally considerate initiatives. Offering preferential Interest rates relative to general private placement bonds, this bond is used by many companies.
- Having been selected as a designated financial institution for the Interest Subsidy Program for the Promotion of Regional Decarbonization run by the Ministry of the Environment, we began offering services in November 2022. The project administers interest subsidies of up to 1% for up to three years for investments in renewable energy and energy-conserving plant and equipment that is highly effective in reducing CO₂.
- We have begun offering various types of loans for individual customers to for the purchase and installation costs of electric vehicles, solar panels and energy-efficient

The Hokku Fund for Biodiversity Conservation

- Established in 2010. This fund subsidizes organizations working to protect rare species in Hokkaido and improve their habitats. We have established the public/private collaborative Hokku Fund Selection Committee to conduct selection of funding recipients, and to ensure the validity, fairness, and transparency of funding.

housing, which will contribute to SDG efforts through zero-carbon emissions.

- In order to conserve the wealth of biodiversity in Hokkaido and support initiatives for sustainability, we concluded a Memorandum of Understanding Concerning Biodiversity in Hokkaido with Hokkaido Prefecture, Sapporo City, and the Hokkaido Environment Foundation, and began handling SDGs (Biodiversity) Private Placement Bonds in April 2023. Each fiscal year, we support the initiatives of Hokkaido and Sapporo by donating a portion of the amount issued to the Hokkaido Environment Foundation's Hokkaido Environmental Future Fund. Under the Memorandum of Understanding, we have also established the Hokuyo Biodiversity Project (tentative name) and carry out projects that help advance our Regional Strategy for Biodiversity in Hokkaido.

- The equivalent of printing cost savings resulting from digitization of passbooks through the Hokuyo Smart Passbook smartphone application, as well as proceeds from the sale of the Hokku LINE Stamp, will be contributed to the Hokku Fund as its main source of funding.

Climate Change Initiative

In May 2021, in response to growing societal awareness of the need to achieve sustainable local communities and environments, we formulated our Sustainability Policy and expressed our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD*). We will continue to develop our framework in line with the

recommendations, contributing to all of the stakeholders who support our banking Group, as well as to the sustainable development of local communities and the environment, while striving to enhance the Group's corporate value and achieve sustainable management over the medium to long term.



* The TCFD is an international support organization established in December 2015 by the Financial Stability Board (FSB) to promote the disclosure of climate-change risk and opportunity information.

Governance

- Chaired by the President, the Sustainability Committee deliberates and reports on matters related to planning, promotion, and management of activities based on the Sustainability Policy, in addition to other matters deemed essential to such activities. Specifically, the committee formulates a sustainability initiative policy each fiscal year, beginning with the identification and review of sustainability issues. It reports and deliberates measures, policies, and the status of initiatives on environmental conservation such as climate change and biodiversity activities, educational culture such as financial education, and social issues such as diversity and human rights.
- It reports on agenda items to the Board of Directors, and a system for appropriate monitoring and management

has been established.

- We established our Environmental and Socially Considerate Investment and Loan Policy in December 2022 as part of our efforts to strengthen our sustainability-related governance. We have clarified this initiative policy because it is incumbent upon local financial institutions to actively engage in investments and loans that are environmentally and socially considerate, and that contribute most to solving environmental and social issues in order to achieve regional sustainability.
- We are actively taking the initiative on the issue of climate change, which we identify as a major pillar of the environmental conservation that comprises a key theme of our SDG initiatives.

● Strategy

Opportunity

We will contribute to the realization of a low-carbon/
decarbonized society from both financial and non-financial
perspectives by supplying financing (Sustainability-Linked
Loans, Green Loans, etc.) and solutions (SDG Consulting,
etc.) to support our customers’ transition to a low-
carbon/decarbonized society.

Risk

We recognize the transition risks and physical risks
outlined below as those associated with climate
change. We will continue to perform analyses
utilizing the TCFD-recommended scenarios and
advance quantitative evaluations of each risk.

Transition Risk	Assumed risks associated with the transition to a decarbonized society, such as an impact on customer business resulting in an increase in our Bank’s credit-related expenses	
	Legal and regulatory risk	Carbon taxes and other tighter regulations on CO ₂ emissions, etc. (medium to long term)
	Technological risk	Failure of investment in replacement of existing products with low-carbon technologies, etc. (medium to long term)
	Market risk	Changes in consumer behavior, rising raw material costs, etc. (medium to long term)
	Reputation risk	Condemnation of specific sectors, etc. (short term)
Physical Risk	Assumption of risks such as damage to the Bank’s business assets due to extreme weather conditions threatening business continuity, or an increase in the Bank’s credit-related expenses due to deterioration in the performance of customers or damage to their business assets	
	Acute risk	Increased flooding, etc., and worsening of extreme weather events (short to long term)
	Chronic risk	Increase in average temperature, sea level rise (long term)

Carbon-related Assets

The Energy and Utilities*¹ sector represents 1.0% of
the Bank’s loans and bills discounted. In addition, the
percentage of carbon-related assets*² is 12.4%
based on the 2021 TCFD Revised Annex.

^{*1}. Petroleum refining and petroleum product manufacturing, gas, coal products, major electric power companies, etc. Water and renewable energy generation utilities are excluded.
^{*2}. The Transportation, Materials and Building Products, as well as the Agriculture, Food and Forest Products sectors have been added to the Energy and Utilities sectors.

Scenario Analyses

The TCFD recommendations suggest conducting
multiple scenario-based analyses to demonstrate
the resilience of strategies to counter the risks of
climate change. Our Bank will conduct scenario
analyses for transition risk and physical risk.

We will continue to refine our analytical methods in
order to link the results of scenario analyses to the
Bank’s risk reduction efforts, as well as to strengthen
dialogue with our customers and support their
transition to a decarbonized society.

Transition Risk

• The analysis of transition risk will focus on the
impact on credit costs resulting from a worsening of
a customer’s financial condition due to changes in
the macroeconomic environment associated with
the transition to a decarbonized society. We will
conduct our analyses having identified energy,
utilities, iron and steel as sectors thought to have
high transition risk, based on information including
the TCFD recommendations.

• The analysis is based on the economic indicators
(real GDP, long-term interest rates, inflation rates,
etc.) assumed in the “orderly” and “disorderly” 2050
decarbonization scenarios published by the NGFS*
to project changes in customers’ future default rates
and estimate the impact on credit costs.

* NGFS = Network for Greening the Financial System

Risk Events	Impact on credit costs resulting from a worsening of customer’s financial condition due to changes in the macroeconomic environment associated with the transition to a decarbonized society
Subject of Analysis	Energy / Utilities / Iron and steel sectors
Scenario	• “Orderly” and “disorderly” 2050 decarbonization scenarios published by the NGFS • Analyzed according to two case scenarios: a smooth transition toward decarbonization in 2050, and a rapid decarbonization after 2030
Results of Analysis	Credit costs increase through 2050: cumulative amount of 10.3 to 19.7 billion yen

Physical Risk

• Physical risk is analyzed in terms of the impact on
credit costs of damage to collateral due to increased
flooding, etc., and deterioration of the customer’s
business performance due to stagnation of business.

• In the analysis, we utilize data such as flood hazard
maps to appraise the amount of damage that would
be done to each collateral property in the event of a
given level of flood damage, and the impact on the
customer’s business performance that would result
from stagnation of the customer’s business.

• We then estimate the increase in credit costs
based on the increase in the amount of non-secured
credit due to damage to collateral properties and
changes in the borrower’s debt rating due to
deterioration in business performance.

Risk Events	Damage to collateral properties due to increased flooding, etc., and deterioration of the customer’s business performance due to stagnation of business
Subject of Analysis	Business loan recipients in Hokkaido
Scenario	RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) in the IPCC* Fifth Assessment Report
Results of Analysis	Credit costs increase through 2050: amount of up to 5.5 billion yen

* IPCC = Intergovernmental Panel on Climate Change.

● Risk Management

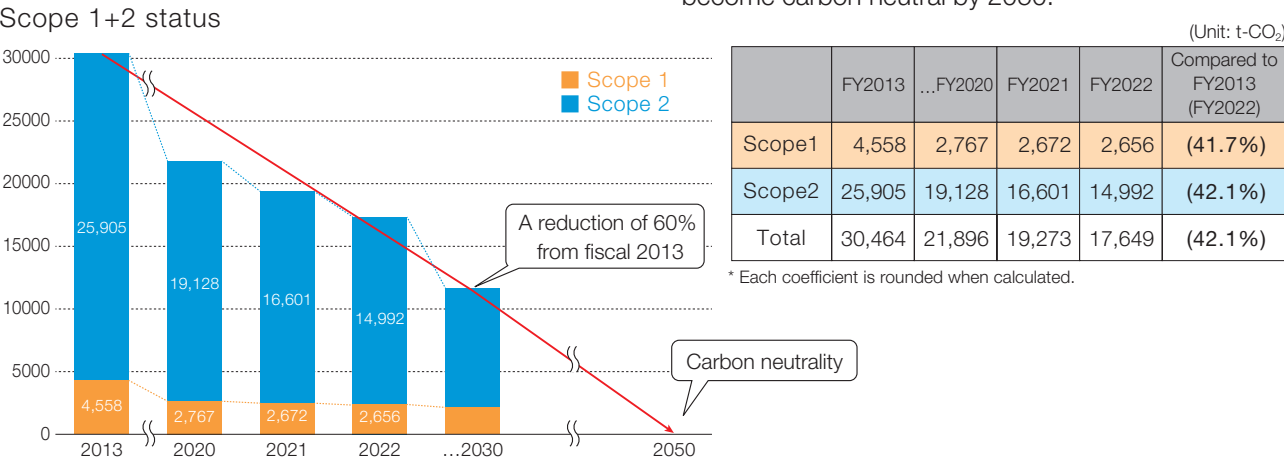
• We acknowledge the potential for risk associated
with climate change to exert an impact on the business
activities and finances of the Bank in the future. We will
therefore continue to analyze, evaluate and understand
these risks so that we can manage them by constructing
a comprehensive risk management framework.

• Having established our Environmentally and Socially
Considerate Investment and Loan Policy in December
2022, we make careful judgments about investments
and financing for projects specified as having a negative
impact on the environment and society (coal-fired
power generation, coal mining operations, deforestation
operations, palm oil plantation development,
manufacture of inhumane weapons). We will make our
decisions on investments and finance during the
transition period toward realizing a decarbonized society
only after giving full consideration to the necessity for
each investment and loan from the perspective of
improving power generation efficiency and ensuring
a stable regional power supply.

● Indexes and Goals

• By fiscal 2030, we aim to have reduced our Bank’s
CO₂ emissions (Scope 1+2) by 60% from its level of
fiscal 2013 toward the goal of achieving carbon
neutrality by 2050.

• Our bank’s CO₂ emissions (Scope 1 + 2) are
shown in the graph below. By fiscal 2022, we had
achieved a reduction of 42.1% from the fiscal 2013
level. Moving forward, we will redouble our efforts to
become carbon neutral by 2050.



• Regarding Scope 3

We are aware of the high expectations placed on
financial institutions for Scope 3 initiatives. We will
continue to work on information gathering and
analysis toward enhancing disclosure.

		FY2020	FY2021	FY2022
Scope3	Business travel	430	462	418
	Commuting	1,563	1,494	1,425
	Investment and financing*	—	—	586,103

* The subjects of the analysis comprise the business associates among those with high CO₂ emissions (energy/utilities/steel) which report their emissions amounts to the Greenhouse Gas Emissions Calculation, Reporting, and Disclosure System (Ministry of the Environment). The Attribution Factor is calculated by multiplying the total amount of borrowings of the business associates subject to the analysis by the Bank's share of loans.

• In accordance with our belief that investment and financing is the area of operations in which we can do the most to help solve environmental issues, we have set the following target for the amount of environment-related investment and financing we should execute in

Environment-related investment and financing	Details
Cumulative target execution amount	500 billion yen
Period	10 years (FY2021 - FY2030)
Investment and financing targets	Environmental conservation, response to climate change, etc. Investment and financing that helps solve environmental issues

support of the transition to a decarbonized society. The cumulative amount of environment-related investment and financing executed from fiscal 2021 to fiscal 2022 is 93.4 billion yen.

Results	FY2021	FY2022
Environment-related investment and financing	41.5 billion yen	51.9 billion yen

Healthcare / Social Welfare Initiatives

We undertake a variety of initiatives to enhance our service structure, to serve as a bank that proactively

Contribution to Community Medical Activities

- We offer an SDG (Healthcare Support) Private Placement Bonds to support medical professionals in Hokkaido who are working on regional medical care in Hokkaido. A donation of 1.56 million yen was made through “Cheers to Northern Medicine!”* in fiscal 2022, and is being used for the maintenance of medical equipment and other purposes.
- We have concluded comprehensive partnership agreements with four research and educational institutions in Hokkaido to improve the physical and mental health of Hokkaido residents, to contribute to

* Hokkaido's efforts to solicit donations for medical professionals in Hokkaido.

Initiatives through Our Products and Branches

- We offer products that support peace of mind in the event of an emergency, including housing loans with group credit life insurance for 11 illnesses and advanced medical care loans.
- In consideration of elderly and disabled customers, we have installed “Help Cards” in all of our branches.

Educational Culture Initiatives

As a financial institution rooted in the community, we consider educational activities for children, who are the future of Hokkaido, to be an important initiative,

Financial Education Initiatives

- Given developments such as the April 2022 lowering of the age of majority to 18 and the addition of asset-building to high school curriculum guidelines,

contributes to regional medical care and social welfare and that can be easily used by all customers.

regional medical care, and to promote the mutual cooperative development of industry and academia. We are working on holding lectures and seminars available to the public.

- In addition, we are making efforts to contribute to local medical activities, such as encouraging employees to donate blood in corporate groups (82 total participants in fiscal 2022), as well as cooperating with and financially supporting the secretariat of the Hokkaido Bone Marrow Bank Promotion Association.

Help Cards are a communication tool to facilitate requests for necessary assistance and consideration. Presenting the cards enables matching between those who need assistance and those who can provide it.

and we therefore put effort into financial education and support for their development. We also engage in activities to boost culture and sports in Hokkaido.

we have discerned that the role regional financial institutions play in financial education has increased. We therefore launched the Hokuyo Financial

Classroom project to enhance our existing financial education program since April 2022.

The project involves active engagement in presenting lectures to university students in Hokkaido, seminars for teachers and PTA groups, visiting lecture classes for elementary, junior high, and high school students, as well as workplace tours at our head office and branches. The program's first-year target was for 10,000 participants, and a total of 10,207 took part in the Hokuyo Financial Classroom project during fiscal 2022.*

- We are offering the SDG (Education) Private Placement Bonds with the aim of supporting the promotion of the SDGs in Hokkaido as well as providing opportunities for children in Hokkaido to learn about the SDGs. With a sum equivalent to 0.2% of the total issued amount, the Bank will produce SDG financial and other educational materials, and provide elementary school students with SDG learning opportunities free of charge.
- We have produced *SDGs wo Sagase!* (“Seek out

* This includes students of teachers who attended the seminars.

Support for Development of the Next Generation

- Since 2013, we have cooperated in the Junior High School Student Writing Contest.
- We support the scholarship program offered by

Initiatives to Promote the Arts and Culture

- Since 2012, the Bank has sponsored classical music concerts by the Sapporo Symphony Orchestra in areas around Hokkaido. Mini-concerts by ensembles are presented in addition to the full orchestra performances so that all prefectural residents can enjoy genuine classical music.
- We co-sponsor the Pacific Music Festival (PMF) held annually since 1990 in order to nurture young musicians around the world.
- We co-sponsor the YOSAKOI Soran Festival, an important large-scale event for Hokkaido that is widely celebrated as an aspect of regional culture.

Sports promotion initiatives

- North Pacific Bank offers an SDG (Parasports Support) Private Placement Bonds, with a sum equivalent to 0.2% of the total issued amount contributed to the Hokku Disabled Persons Sports Fund for donation to athletes and organizations involved in parasports activities in Hokkaido. We established the public/private collaborative Hokku Disabled Persons Sports Fund Selection Council in order to award and support the fund, and make efforts to ensure the validity, fairness, and transparency of funding.

SDGs”), SDG education materials designed to encourage elementary school students to relate the SDGs to various situations at school and in their home lives, enjoy learning about the SDGs, develop an interest in them, and think about them for themselves. Under the supervision of Hokkaido University, 17 examples of initiatives by business partners, Hokkaido University, and our Bank will be introduced along with slogans and illustrations, and are intended to be displayed as posters to promote ongoing awareness. Fees for the SDG (Education) Private Placement Bonds is allocated for production.

- We have produced “Money Adventure,” materials for financial education with a game-like element to make it more enjoyable for primary school students. Its content enables schoolchildren to have fun as they learn about how money circulates in the real world, presenting them with typical money-related tasks to consider in a game/quiz-like style in four situations familiar to them (family, shop, bank and nation/company).

the Hokkaido Boshi Kafu Fukushi Rengokai (supported since 1976) and the Sapporo-shi Boshi Kafu Fukushi Rengokai (supported since 1985).



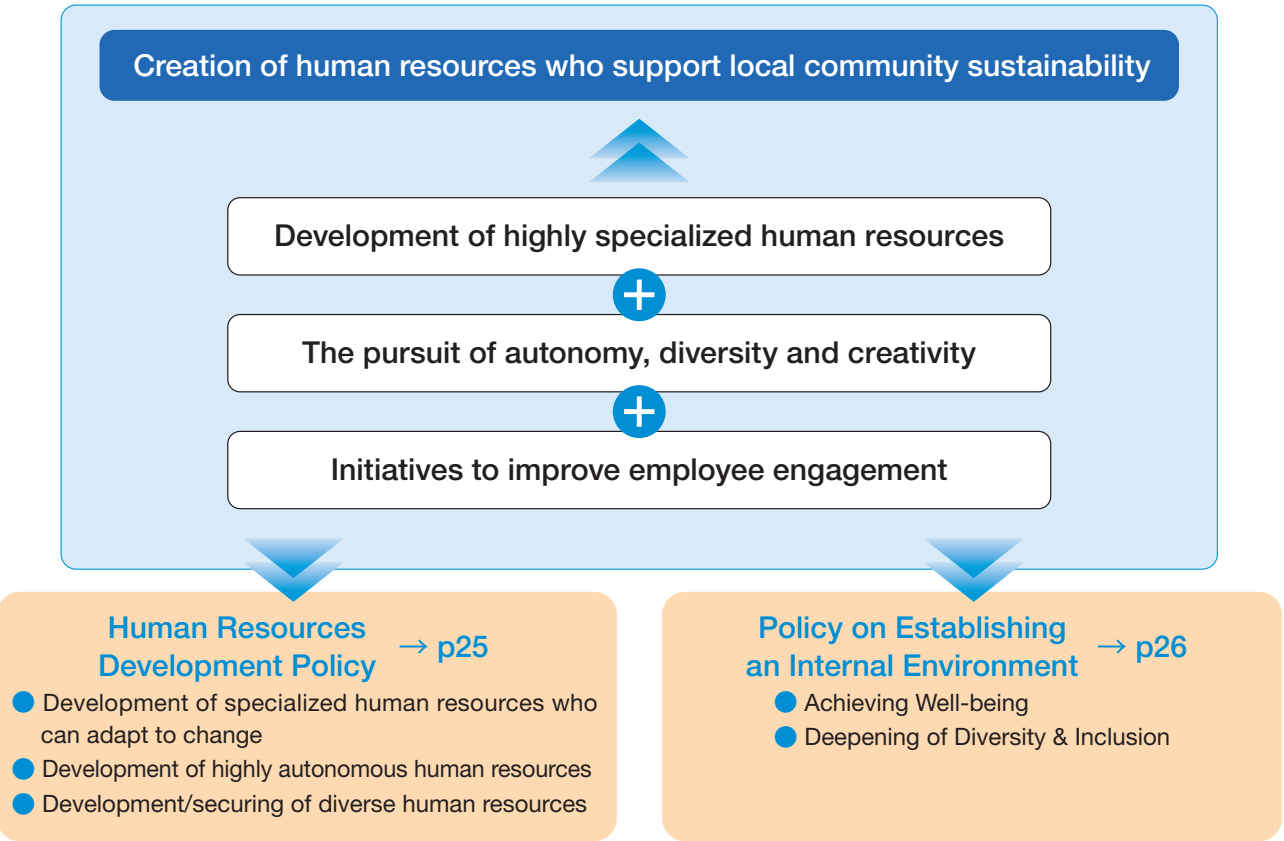
Sapporo performance (2022)

- As part of our comprehensive partnership agreement with Hokkaido, we conduct a sports support project that focuses on children and disabled children. Through this, we seek to improve children's physical strength and revitalize communities through sports for all children, and to deepen understanding of disabilities and help to promote social participation by children with disabilities.

| Human Capital

In order to realize our Management Philosophy and Long-term Vision, we are implementing the creation of human resources who support local community sustainability through the synergistic effects of development of highly specialized human resources, the pursuit of autonomy, diversity and creativity, and improved

employee engagement, as the Human Resource Strategy within the Medium-Term Business Plan begun in April 2023. Specific measures will include proceeding in keeping with our Human Resources Development Policy and the Policy on Establishing an Internal Environment.



Human Resources Development Policy

We understand that investing in human resources to maximize their value leads to a medium- to long-term increase in our corporate value. We therefore carry out human resources development to produce human resources

Development of specialized human resources who can adapt to change

Aside from the measures listed below, we plan to increase our specialized knowledge further in fiscal 2023 by such means as strengthening leadership and adding new training for each job function. At the same time, we will

- We are also expanding training programs that focus on strengthening consulting capabilities, introducing lessons on such topics as understanding business potential and role-playing in order to enable in-depth consulting. In addition to newly established training by external instructors for individual consulting staff and corporate operations staff, dialogue skills improvement training at the workplace level (within branches) is being implemented for corporate

who support the sustainability of local communities by enabling us to make the appropriate assignments of the necessary personnel to the necessary work.

move ahead with digital support, and support to improve sustainability for Hokkaido and our customers by developing SX and DX human resources.

- operations staff at all branches throughout Hokkaido.
- Aside from the skill upgrade training that we conduct for each job, we are encouraging self-directed development by establishing an e-learning category for each skill development item, coordinated with the Skill Map items.
- Application of a talent management system: Operation of a new Skill Map enabled visualization of skills by job function. In addition to enabling management to

objectively grasp the abilities that staff members have, the program also allows staff members to identify their own strengths and weaknesses, leading to the development of skills in the workplace. In addition, 1-on-1 Meetings have

Development of highly autonomous human resources

Aside from the measures listed below, we will advance our development of more highly autonomous human resources in fiscal 2023 through the formulation of long-term career plans that foster an awareness of career advancement,

- We are expanding our career formation support system, which includes a new employee training program, an AD (Ability Development) challenge system, a trainee system, an in-house recruitment system, and training assignments.
- Utilization of 360-degree evaluations: As part of our improvement of transparency in personnel evaluations and

been initiated, which have proven effective in improving communication and dialogue between supervisors and subordinates, supporting subordinates' growth, and enhancing teamwork.

and through reinforcement of leadership skills and re-skilling initiatives, as well as by considering a system for taking on the challenge of desired work duties.

to create a rewarding workplace, we conduct "360-degree" evaluations. These provide the subjects of evaluation with multifaceted feedback comprising evaluation results from supervisors, peers and subordinates, etc., for an opportunity to achieve objective awareness, which is expected to further improve management skills.

Development/securing of diverse human resources

We make use of the securities business of North Pacific Securities Co., Ltd. and the consulting business of Hokkaido Kyoso Partners Co., Ltd. to offer more specialized consulting proposals, and we heighten the specialized skills of employees through personnel

exchanges, etc. We will also make proactive efforts in career hiring of human resources with specialized knowledge in response to the increasingly diverse and sophisticated needs of our customers.

Policy on Establishing an Internal Environment

To generate human resources who support local community sustainability, we not only carry out human resources development, but also work to create an

environment of respect and acknowledgment of employee diversity, in which employees can feel secure and rewarded in the work they do.

Achieving Well-being

Aside from the measures listed below, we will strengthen our efforts to make our workplace vibrant and rewarding in fiscal 2023 through efforts that include setting up a

contact point for nursing care consultation to provide support for balancing work with nursing care.

● Work-life balance initiatives

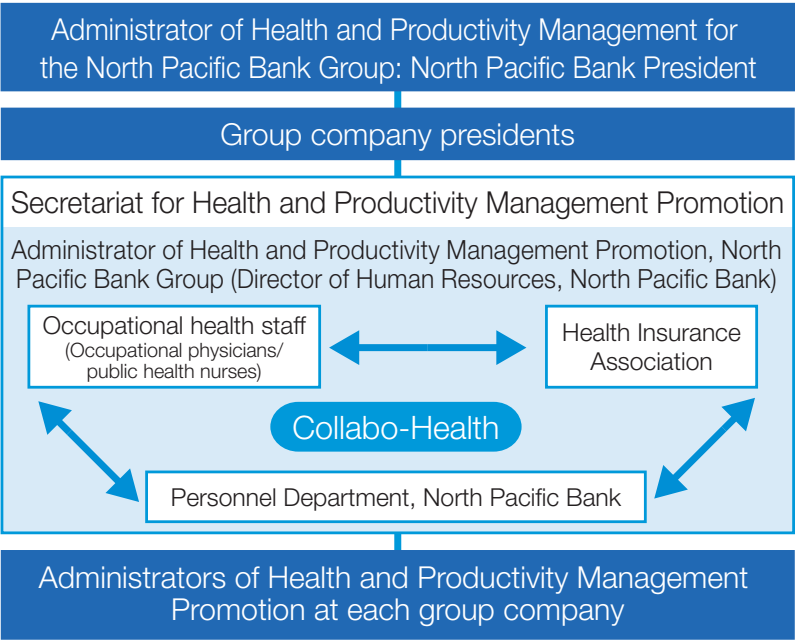
- As initiatives to create a pleasant work environment for both men and women, we have introduced programs that actively support the balance between work and private life. We are undertaking programs involving work-life balance, such as our course shift program, change of work location program, childcare/nursing care re-career plan, and half-day paid leave system. We are also working to reduce overtime labor by promoting the use of paid holidays, such as offering a full week of consecutive holidays and refresher holidays based on the number of years of service, and by designating a week for encouraging employees to leave work on time.
- Support for male participation in childcare: In addition to

childcare leave required by law, we have established our own childcare leave system that supports employees in childrearing by enabling them to take 10 days of leave within 8 weeks of childbirth by their spouse. In addition, we use the bank's in-house social media to introduce employees and senior coworkers who have taken parental leave in an effort to foster awareness of childcare participation. In March 2022, we produced an In-house Guidebook on Male Participation in Childcare to encourage male childcare participation by enabling all employees to deepen their understanding of our childcare leave programs.

● Health and Productivity Management initiative

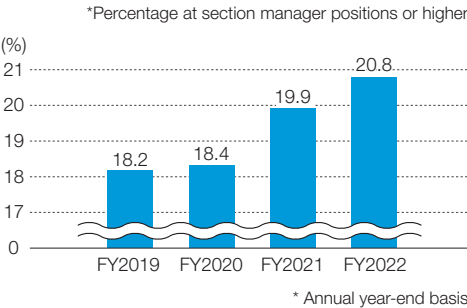
We regard the creation of a workplace in which employees are healthy and feel fulfilled in their work to be a crucial pillar of management, and are carrying out a range of measures accordingly, including various initiatives to reduce overtime work, and stress checks for all employees. These efforts have been recognized by the Ministry of Economy, Trade

and Industry and Nippon Kenko Kaigi, which recognized the North Pacific Bank in March 2023 for the sixth consecutive year as an Outstanding Organization for Health and Productivity Management 2023 (large enterprise category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.



Training for new employees

Percentage of female management positions



■ **TSUBASA Alliance cooperation measures “TSUBASA Cross-Mentoring System”**

In August 2022, the TSUBASA Cross-Mentoring System aimed at development training for female executive management was newly established by the 10 banks participating in the TSUBASA Alliance, and began operation. It is a cross-organizational interbank mentoring system implemented with other banks using the TSUBASA Alliance network, and aimed at career formation and leadership enhancement for female employees who will form the future executive leadership, in which executives are mentors*1 and female managers are the mentees.*2

*1: Supporters, advisors *2: Recipients of support

■ **Difference between male and female employee compensation**

The average salary of our female employees is 67.9% that of male employees. There are no differences in compensation between male and female employees in identical positions, and the difference can be primarily attributed to differences between men and women in choices of employment patterns. The Bank offers employment in “comprehensive positions” in which job transfers may involve relocation, and “local comprehensive positions” in which transfers will not involve relocation. Higher compensation is specified for

comprehensive positions than for local comprehensive positions. The difference in compensation is affected by a greater likelihood that a female employee will opt for a local comprehensive position. Employees make their career track selections according to their work styles, and the difference in compensation between employees in their 20s, who occupy the highest percentage of comprehensive employment positions, is almost equivalent at 92.8%. In addition, among comprehensive positions, compensation for senior positions is virtually no disparity.

■ **Employment of foreign human resources**

We have a total of seven foreign employees (five overseas and two at our head office) working at three overseas

locations and at our head office, and one of them has been promoted to a managerial position (overseas location).

■ **Initiatives to hire persons with disabilities**

We make efforts to hire people with disabilities in order to achieve a society in which those with disabilities can live

securely within their local communities, and to support the social independence of people with disabilities.

■ **Creating an environment enabling senior employees to actively participate**

Under our Senior Employee Rehiring Program, all applicants who wish to do so may continue working until age 65. In our rehiring, we offer assignments that make the most of past careers and experience. More than 300 employees are currently using the program, and more than

100 of these have chosen to work at our sales offices. We have also established our new Senior Partner Program, in which employment can be extended up to a maximum age of 70.

■ **Formulation of the North Pacific Bank Group Health and Productivity Management Declaration**

In order to further strengthen initiatives for health management aimed at improving mental and physical health among employees of the North Pacific Bank and

their families, we established the North Pacific Bank Group Health and Productivity Management Declaration in December 2022.

The North Pacific Bank Group Health and Productivity Management Declaration

At the North Pacific Bank Group, we consider the mental and physical health of our employees and their families to be of utmost importance to putting into practice our Management Philosophy: Taking a thorough customer-oriented approach, striving to solve diverse challenges, and exploring the future of Hokkaido. We will work to create an organization in which each and every employee can feel fulfilled in their work as they participate actively and in good health, and as we do our part as a regional financial institution to contribute to the sustained growth of Hokkaido's economy.

Deepening of diversity and inclusion

Aside from the measures listed below, in FY2023 we will provide even stronger support for active participation by female employees through such means as additional

training to develop female management and the new establishment of a mentoring system.

● **Active participation by diverse human resources**

Established within the Personal Department, the Diversity Promotion Office provides female employees, who account for 40% of our total staff, with individual consultation on career advancement and life planning, as well as training aimed at supporting women in career formation. In addition,

we provide various forms of support for employees with respect to childcare leave to help them continue their employment through childbirth and childrearing, including support for employees returning to the workplace.

SDG-related data (diversity)

	Fiscal 2019 results	Fiscal 2020 results	Fiscal 2021 results	Fiscal 2022 results
Percentage of female employees among new hires	50.6%	43.3%	53.2%	32.8%
Percentage of female employees among entire workforce	37.1%	41.3%	41.8%	41.1%
Difference in average years of employment between male and female employees	3.8 years	3.5 years	3.0 years	2.4 years
Percentage of female employees in assistant manager positions or higher	27.9%	29.2%	30.6%	31.2%
Percentage of female employees taking childcare leave	100.0%	100.0%	100.0%	100.0%

* Annual year-end basis

Indexes and Goals

Items	Fiscal 2022 results	Targets for fiscal 2025
Training costs per employee (Note 1)	26,000 yen	75,000 yen
Training time per employee (Note 2)	7 hr.	12 hr.
Number of consulting skills training program participants (Note 3)	223 persons	350 persons
Annual paid leave use rate (Note 4)	44.1%	55.0%
Percentage of female management positions (Note 5)	20.8%	25.0%

(Note) *1. For this calculation, we divide annual training costs by the average number of employees. Training costs include expenses for invited lecturer fees, educational materials, external training attendance, qualification certification, lodging and transportation. The average number of employees is calculated by dividing by 12 the total of the monthly employee counts from April 2022 through March 2023.

*2. For this calculation, we divide the annual training time by the average number of employees. Training time represents the total hours of attendance by employees who participated in group training sessions (including sessions held remotely).

*3. This represents the number of attendees of training programs intended to strengthen consulting skills, including how to speak with customers, and role-playing.

*4. For this calculation, we divide the number of paid leave days used by the number of paid leave days made available.

*5. For this calculation, we divide the number of females at the section manager level or higher by the total number of males and females at that level or higher.

Corporate Governance

Basic Approach

Inspired by the Management Philosophy of the North Pacific Bank Group, 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 pursue 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. We will continue to conduct proper and timely review of this framework to improve its effectiveness.

Governance Organs

There are currently 10 directors (including four external directors) and five Audit & Supervisory Board Members (including three external Audit & Supervisory Board members). 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 has elected four external directors. In coordination with the Audit & Supervisory Board, including external board members, these external directors monitor the performance of duties conducted by the directors, and we believe that monitoring by external directors is working adequately. The company elects three external Audit & Supervisory Board Members,

of which one is made a standing Audit & Supervisory Board Member, and considers the supervisory role provided by the external board members to be functioning effectively. All external directors and external Audit & Supervisory Board Members are registered as independent corporate officers with the Tokyo Stock Exchange and the Sapporo Securities Exchange.

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 uploading materials distributed at information meetings and lectures for non-institutional investors to the Bank's website, generally on the same day whenever possible.

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 customers specific to the different stages of their lives. In addition, we place great importance on all of our stakeholders, the broader community, the environment, and our Groupwide sustainability, and have therefore formulated an ESG Approach Policy under our Sustainability Policy, and a set of five Principal SDGs Themes under which we are working on various measures across five categories: creating shared value with customers, 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 Management Philosophy, 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. Furthermore, the Group Management Regulations and other regulations clearly define the management decision making and reporting structure within the Group, and establish a system to ensure the efficient execution of duties by the directors of the Bank and its subsidiaries. In addition, we believe that ensuring the reliability

of financial reporting is a vital aspect of the Bank's management, and in response to the Internal Control Reporting Regime based on the Financial Instruments and Exchange Act, the Bank has decided on Basic Policies and Internal Control Regarding Internal Controls on Financial Reporting and Internal Controls Administration Regulations on the Group's Financial Reporting, and established 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. The results of these efforts are presented at audit report meetings held on a monthly basis in principle, and are conveyed to the Board of Directors and Audit & Supervisory Board.

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, Audit & Supervisory Board Members audit the legal compliance and appropriateness of directors' execution of duties. As a dedicated support function to the Audit & Supervisory Board, an Audit & Supervisory Board Members' Office has been established with a knowledgeable fulltime staff capable of audit task verification.

Accounting Audits

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

Cooperation and Teamwork

Audit & Supervisory Board Members and external directors mutually cooperate, for example, by having external directors attend Audit & Supervisory Board meetings during the accounting period and exchange opinions on audits by the auditors. In addition, the external directors and external Audit & Supervisory Board Members receive regular reports on the results of internal audits at Board of Directors meetings. The Audit & Supervisory Board Members and Internal Audit and Inspection Department hold meetings with the accounting auditors to exchange opinions on financial results, and the external directors receive explanations from the accounting auditors separately to ensure proper coordination between the organizations involved and to improve the effectiveness of supervision and audits.

Compliance

Compliance Frameworks

Based on the Legal Compliance Rules of North Pacific Bank, the Board of Directors oversees the development of the compliance framework for the Bank and its group

companies, and the Compliance Committee formulates specific action plans and other relevant matters.

● Compliance Committee

The Compliance Committee consists of a chairman and members who are appointed by the president. It serves to distribute a Compliance Manual to all concerned, which explains about pertinent laws and provides specific instructions for handling compliance violation situations, and also formulates and reviews the Compliance Program,

a detailed plan aimed at strengthening the compliance framework, which is reported to and discussed by the Board of Directors. In addition, compliance officers and staff are assigned in each headquarters department and sales branch, where they monitor the status of compliance and work to implement and promulgate compliance policies.

● Internal Whistleblower System

In the event that an officer or employee of the Bank or a subsidiary discovers a questionable legal action, they may report it directly to the Bank's head office, or to an external reception organization through legal counsel in an effort to promptly identify and correct any inappropriate actions or compliance-related problems. In addition, the Internal Whistleblower Regulations, which all officers and employees within the Group must abide

by, provide a system in which the Legal and Compliance Department receives reports through notification structures and reports them to Audit & Supervisory Board Members on a case-by-case basis, and a system in which notification structures can report directly to Audit & Supervisory Board Members. These systems are designed to put in place the circumstances proper to thoroughly protecting whistleblowers and to avoid putting them at disadvantage.

● 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. In accordance with our Basic Policies for Dealing with Organized Crime, the Bank has

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

● Management Frameworks for Personal Information Protection and Customer Protection

In order to effectively use and appropriately protect information assets, the Bank has established Combined Security Policies and Security Standards, and check the status of observance. In addition, we have informed the following policies to all officers and employees, and are working to strengthen our management system for personal information protection and customer protection.

Personal Information Protection

We have announced a Personal Information Protection Declaration (Privacy Policy) in accordance with laws and regulations, and have established safety management measures for personal information protection.

Customer Protection

To enhance customer convenience and protection based on laws and regulations, the Bank has established Customer Protection Management Policies and Solicitation

Policies to provide customers with appropriate financial products, and strives to reinforce customer confidence.

Conflict of Interest Management

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.

Fiduciary Duty

North Pacific Bank formulated and announced Action Guidelines for the Realization of Stable Asset Formation and Asset Succession of Customers for 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 important issue shared in the international community. We at North Pacific Bank consider it one of our core management tasks, and 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 watertight security.

Risk Management

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.

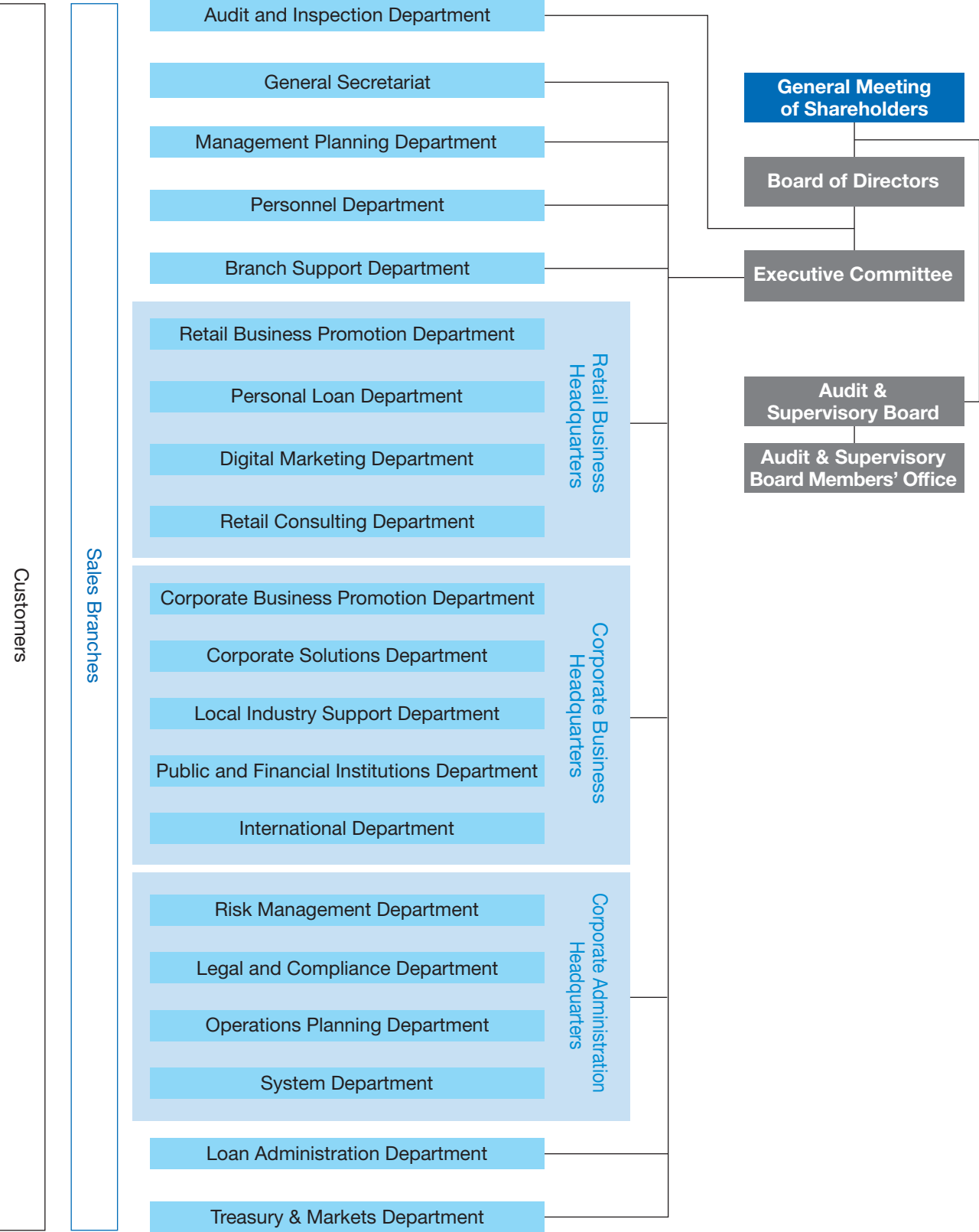
● Maintenance of Business Continuity Planning (BCP)

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.

Corporate Data

Organizational Chart (As of March 31, 2023)



Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2023)

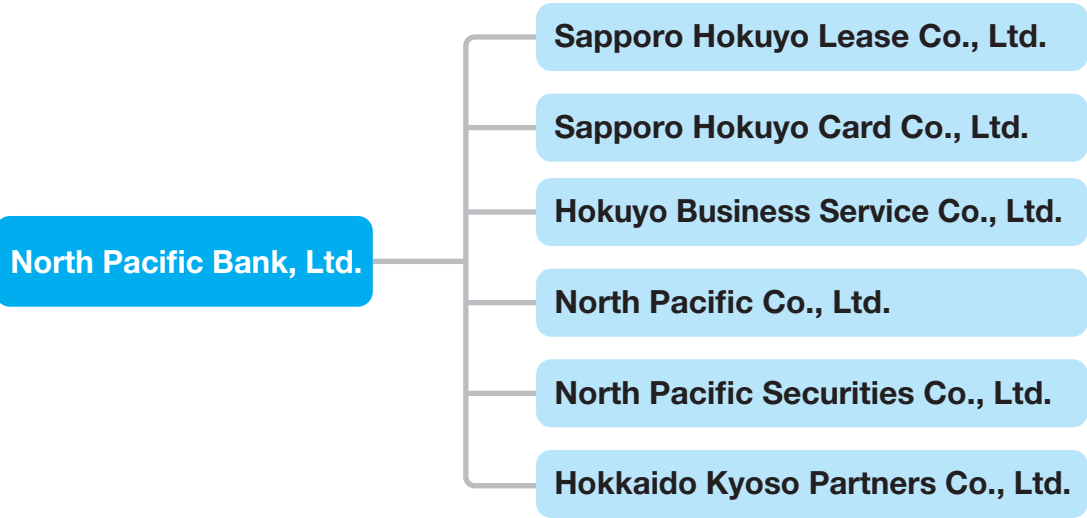
President	Mitsuharu Yasuda	Managing Executive Officer	Ryosuke Kobayashi
Deputy President	Minoru Nagano	Managing Executive Officer	Hironari Ishikawa
Senior Managing Director	Hitoshi Masuda	Managing Executive Officer	Hitoshi Nogiwa
Managing Director	Hironobu Tsuyama	Managing Executive Officer	Shiro Kurio
Director	Akira Yamada	Managing Executive Officer	Masahiro Miyahara
Director	Kazushi Yoneta	Executive Officer	Yuichi Ishida
Director (External)	Naoki Nishita	Executive Officer	Kenichi Mizumoto
Director (External)	Masako Taniguchi	Executive Officer	Kazunori Hayashi
Director (External)	Toshiaki Kobe	Executive Officer	Hirotaaka Yoshino
Director (External)	Sakuyo Tahara	Executive Officer	Kazuya Kawase
Audit & Supervisory Board Member (Standing)	Hitoshi Oshino	Executive Officer	Kazuya Makita
Audit & Supervisory Board Member (Standing)	Iwao Takeuchi	Executive Officer	Daisuke Miyake
Audit & Supervisory Board Member (Standing / External)	Hitoshi Kubota	Executive Officer	Daisuke Nakachi
Audit & Supervisory Board Member (External)	Tateo Wada	Executive Officer	Masahito Imaki
Audit & Supervisory Board Member (External)	Yoshiharu Ishii	Executive Officer	Kosuke Satou

● Principal Shareholders (As of March 31, 2023)

Common Shares		
Name	Number of shares held	Percentage of total shares
The Master Trust Bank of Japan, Ltd. (trust account)	37,239,600	9.64
Nippon Life Insurance Company	30,954,500	8.01
Meiji Yasuda Life Insurance Company	30,954,000	8.01
Custody Bank of Japan, Ltd. (trust account)	23,406,800	6.06
Hokkaido Electric Power Co., Inc.	23,247,000	6.02
STATE STREET BANK AND TRUST COMPANY 505223	19,633,188	5.08
TAIJU LIFE INSURANCE COMPANY LIMITED	11,132,000	2.88
The Dai-ichi Life Insurance Company, Limited	10,432,000	2.70
Employee Stock Ownership of North Pacific Bank	8,169,282	2.11
Sompo Japan Insurance Inc.	7,183,080	1.86

*1. The percentage of total shares is calculated excluding the treasury stock, and omitting the third and smaller decimal places.
*2. The Bank holds 12,951,867 shares of treasury stock, not included among the above principal shareholders.

● Group Structure (As of March 31, 2023)



● 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.
2011	Head office relocated.
2012	Merged with Sapporo Hokuyo Holdings, Inc.
2014	Representative office established in Bangkok in Thailand.
2017	100th Anniversary of the establishment.
2022	Moved to the prime market along with the revision of the market classification of the Tokyo Stock Exchange.

Financial Section

● Consolidated Balance Sheets (As of March 31, 2022 and 2023)

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Assets:			
Cash and due from banks	¥ 4,338,005	¥ 2,796,033	\$ 20,939
Call loans and bills bought	183	492	4
Monetary claims bought	11,853	8,350	63
Trading securities	2,576	1,992	15
Securities	1,483,991	1,588,951	11,900
Loans and bills discounted	7,361,881	7,703,573	57,692
Foreign exchanges	12,390	6,991	52
Lease receivables and investment assets	55,355	57,203	428
Other assets	183,752	235,340	1,762
Property, plant and equipment	73,541	72,266	541
Intangible assets	3,390	21,996	165
Net defined benefit asset	1,057	764	6
Deferred tax assets	812	943	7
Customers' liabilities for acceptances and guarantees	53,468	68,828	515
Allowance for loan losses	(38,438)	(42,755)	(320)
Total assets	¥13,543,823	¥12,520,974	\$ 93,769
Liabilities:			
Deposits	¥10,563,784	¥10,828,182	\$ 81,092
Negotiable certificates of deposit	99,451	174,937	1,310
Securities sold under repurchase agreements	14,473	10,964	82
Cash collateral received for securities lent	303,985	9,484	71
Borrowed money	2,003,407	941,784	7,053
Foreign exchanges	163	152	1
Other liabilities	61,502	64,790	485
Provision for bonuses	1,588	1,516	11
Provision for share awards	156	155	1
Net defined benefit liability	961	1,366	10
Provision for reimbursement of deposits	1,604	1,149	9
Provision for point card certificates	334	364	3
Reserves under special laws	19	19	0
Deferred tax liabilities	15,992	8,143	61
Deferred tax liabilities for land revaluation	1,858	1,809	14
Acceptances and guarantees	53,468	68,828	515
Total liabilities	¥13,122,751	¥12,113,649	\$ 90,719
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 907
Capital surplus	74,750	74,751	560
Retained earnings	162,019	167,891	1,257
Treasury shares	(3,053)	(3,800)	(28)
Total shareholders' equity	354,817	359,943	2,696
Valuation difference on available-for-sale securities	58,284	40,209	301
Revaluation reserve for land	3,654	3,550	27
Remeasurements of defined benefit plans	11	(377)	(3)
Total accumulated other comprehensive income	61,951	43,382	325
Share acquisition rights	37	28	0
Non-controlling interests	4,266	3,970	30
Total net assets	421,072	407,324	3,050
Total liabilities and net assets	¥13,543,823	¥12,520,974	\$ 93,769

Note: The rate of ¥133.53 to U.S. \$1.00, the foreign exchange rate on March 31, 2023, 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, 2022 and 2023)

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Ordinary income:			
Interest income:	¥ 68,710	¥ 69,400	\$ 520
Interest on loans and discounts	57,584	57,412	430
Interest and dividends on securities	7,795	9,236	69
Other interest income	3,330	2,751	21
Fees and commissions	27,723	27,154	203
Other ordinary income	24,813	24,603	184
Other income	3,214	5,575	42
Total ordinary income	¥ 124,461	¥ 126,734	\$ 949
Ordinary expenses:			
Interest expenses:	¥ 885	¥ 1,615	\$ 12
Interest on deposits	133	125	1
Other interest expenses	751	1,490	11
Fees and commissions payments	11,474	11,355	85
Other ordinary expenses	20,880	21,121	158
General and administrative expenses	64,038	67,398	505
Other expenses	7,935	7,931	59
Total ordinary expenses	¥ 105,214	¥ 109,422	\$ 819
Ordinary profit	¥ 19,247	¥ 17,312	\$ 130
Extraordinary income	163	25	0
Extraordinary losses	1,168	1,527	11
Profit before income taxes	18,241	15,810	118
Income taxes:			
Current	6,643	6,604	49
Deferred	(323)	(38)	(0)
Total income taxes	6,319	6,566	49
Profit	11,921	9,243	69
Profit (loss) attributable to non-controlling interests	165	(403)	(3)
Profit attributable to owners of parent	¥ 11,756	¥ 9,647	\$ 72

● Consolidated Statements of Comprehensive Income (Year ended March 31, 2022 and 2023)

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Profit	¥ 11,921	¥ 9,243	\$ 69
Other comprehensive income	(27,302)	(18,343)	(137)
Valuation difference on available-for-sale securities	(26,675)	(17,953)	(134)
Remeasurements of defined benefit plans, net of tax	(627)	(389)	(3)
Comprehensive income	¥ (15,380)	¥ (9,099)	\$ (68)
Comprehensive income attributable to owners of the parent	(15,077)	(8,816)	(66)
Comprehensive income attributable to non-controlling interests	(303)	(282)	(2)

● Consolidated Statements of Changes in Equity (Year ended March 31, 2022 and 2023)

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, 2021	¥121,101	¥74,741	¥154,102	¥(3,153)	¥346,792	¥ 84,491	¥ 4,048	¥ 639	¥ 89,179	¥ 84	¥ 4,580	¥440,636
Cumulative effect of a change in accounting policy			(337)		(337)							(337)
Year-initial balance reflecting a change in accounting policy	¥121,101	¥74,741	¥153,765	¥(3,153)	¥346,454	¥ 84,491	¥ 4,048	¥ 639	¥ 89,179	¥ 84	¥ 4,580	¥440,299
Changes of items during period												
Dividends of surplus			(3,896)		(3,896)							(3,896)
Profit attributable to owners of parent			11,756		11,756							11,756
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares		9		99	108							108
Reversal of revaluation reserve for land			394		394							394
Net changes of items other than shareholders' equity						(26,207)	(394)	(627)	(27,228)	(46)	(313)	(27,589)
Total changes of items during period	—	¥ 9	¥ 8,253	¥ 99	¥ 8,362	¥ (26,207)	¥ (394)	¥ (627)	¥ (27,228)	¥ (46)	¥ (313)	¥ (19,226)
Balance as of March 31, 2022	¥121,101	¥74,750	¥162,019	¥(3,053)	¥354,817	¥ 58,284	¥ 3,654	¥ 11	¥ 61,951	¥ 37	¥ 4,266	¥421,072
Changes of items during period												
Dividends of surplus			(3,879)		(3,879)							(3,879)
Profit attributable to owners of parent			9,647		9,647							9,647
Purchase of treasury shares				(810)	(810)							(810)
Disposal of treasury shares		0		63	64							64
Reversal of revaluation reserve for land			103		103							103
Net changes of items other than shareholders' equity						(18,074)	(103)	(389)	(18,568)	(9)	(296)	(18,873)
Total changes of items during period	—	0	¥ 5,872	¥ (746)	¥ 5,126	¥ (18,074)	¥ (103)	¥ (389)	¥ (18,568)	¥ (9)	¥ (296)	¥ (13,747)
Balance as of March 31, 2023	¥121,101	¥74,751	¥167,891	¥(3,800)	¥359,943	¥ 40,209	¥ 3,550	¥ (377)	¥ 43,382	¥ 28	¥ 3,970	¥407,324

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, 2022	\$ 907	\$ 560	\$ 1,213	\$ (23)	\$ 2,657	\$ 436	\$ 27	\$ 0	\$ 464	\$ 0	\$ 32	\$ 3,153
Changes of items during period												
Dividends of surplus			(29)		(29)							(29)
Profit attributable to owners of parent			72		72							72
Purchase of treasury shares				(6)	(6)							(6)
Disposal of treasury shares		0		0	0							0
Reversal of revaluation reserve for land			1		1							1
Net changes of items other than shareholders' equity						(135)	(1)	(3)	(139)	(0)	(2)	(141)
Total changes of items during period	—	\$ 0	\$ 44	\$ (6)	\$ 38	\$ (135)	\$ (1)	\$ (3)	\$ (139)	\$ (0)	\$ (2)	\$ (103)
Balance as of March 31, 2023	\$ 907	\$ 560	\$ 1,257	\$ (28)	\$ 2,696	\$ 301	\$ 27	\$ (3)	\$ 325	\$ 0	\$ 30	\$ 3,050

● Consolidated Statements of Cash Flows (Year ended March 31, 2022 and 2023)

Millions of yen

Millions of U.S. dollars

	2022	2023	2023
Cash flows from operating activities:			
Profit before income taxes	¥ 18,241	¥ 15,810	\$ 118
Depreciation	6,954	7,444	56
Impairment losses	644	302	2
Increase (decrease) in allowance for loan losses	733	4,317	32
Increase (decrease) in provision for bonuses	(82)	(71)	(1)
Increase (decrease) in provision for share awards	(7)	(1)	(0)
Decrease (increase) in net defined benefit asset	(243)	293	2
Increase (decrease) in net defined benefit liability	412	405	3
Increase (decrease) in provision for reimbursement of deposits	(285)	(455)	(3)
Increase (decrease) in provision for point card certificates	(126)	30	0
Interest income	(68,710)	(69,400)	(520)
Interest expenses	885	1,615	12
Loss (gain) related to securities	2,982	(2,446)	(18)
Foreign exchange losses (gains)	(5,602)	(5,233)	(39)
Loss (gain) on disposal of non-current assets	384	204	2
Net decrease (increase) in loans and bills discounted	5,551	(341,691)	(2,559)
Net increase (decrease) in deposits	662,820	264,398	1,980
Net increase (decrease) in negotiable certificates of deposit	28,373	75,485	565
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	972,915	(1,061,622)	(7,950)
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	3,095	3,056	23
Net decrease (increase) in call loans	2,731	3,194	24
Net increase (decrease) in call money	1,071	(3,509)	(26)
Net increase (decrease) in cash collateral received for securities lent	52,876	(294,501)	(2,206)
Net decrease (increase) in foreign exchanges-assets	(3,820)	5,398	40
Net increase (decrease) in foreign exchanges-liabilities	111	(10)	(0)
Interest received	68,615	69,611	521
Interest paid	(928)	(1,627)	(12)
Other - net	(5,873)	(26,676)	(200)
Subtotal	1,743,722	(1,355,680)	(10,153)
Income taxes paid	(7,556)	(6,428)	(48)
Net cash provided by (used in) operating activities	1,736,166	(1,362,108)	(10,201)
Cash flows from investing activities:			
Purchase of securities	(316,513)	(404,265)	(3,028)
Proceeds from sales of securities	196,753	119,475	895
Proceeds from redemption of securities	105,129	117,100	877
Purchase of property, plant and equipment	(1,636)	(2,843)	(21)
Proceeds from sales of property, plant and equipment	935	262	2
Payments for retirement of property, plant and equipment	—	(173)	(1)
Purchase of intangible assets	(806)	(1,553)	(12)
Other - net	0	0	0
Net cash provided by (used in) investing activities	(16,138)	(171,997)	(1,288)
Cash flows from financing activities:			
Purchase of treasury shares	(0)	(810)	(6)
Proceeds from sales of treasury shares	30	27	0
Cash dividends paid	(3,896)	(3,879)	(29)
Dividends paid to non-controlling interests	(10)	(14)	(0)
Other - net	(149)	(148)	(1)
Net cash provided by (used in) financing activities	(4,026)	(4,823)	(36)
Effect of exchange rate change on cash and cash equivalents	15	15	0
Net increase (decrease) in cash and cash equivalents	1,716,017	(1,538,915)	(11,525)
Cash and cash equivalents at beginning of period	2,595,570	4,311,587	32,289
Cash and cash equivalents at end of period	¥ 4,311,587	¥ 2,772,672	\$ 20,764

● Non-Consolidated Balance Sheets (As of March 31, 2022 and 2023)

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Assets:			
Cash and due from banks	¥ 4,336,360	¥ 2,794,929	\$ 20,931
Call loans	183	492	4
Monetary claims bought	11,853	8,350	63
Trading securities	2,576	1,975	15
Securities	1,484,796	1,589,448	11,903
Loans and bills discounted	7,420,532	7,762,579	58,134
Foreign exchanges	12,390	6,991	52
Other assets	146,309	195,673	1,465
Property, plant and equipment	72,059	70,622	529
Intangible assets	3,245	21,873	164
Prepaid pension costs	1,003	1,249	9
Customers' liabilities for acceptances and guarantees	53,468	68,828	515
Allowance for loan losses	(32,976)	(37,094)	(278)
Total assets	¥ 13,511,805	¥ 12,485,921	\$ 93,506
Liabilities:			
Deposits	¥ 10,570,550	¥ 10,832,981	\$ 81,128
Negotiable certificates of deposit	110,805	186,291	1,395
Securities sold under repurchase agreements	14,473	10,964	82
Cash collateral received for securities lent	303,985	9,484	71
Borrowed money	1,991,887	928,763	6,955
Foreign exchanges	163	152	1
Other liabilities	41,911	44,325	332
Provision for bonuses	1,408	1,353	10
Provision for share awards	156	155	1
Provision for retirement benefits	633	1,013	8
Provision for reimbursement of deposits	1,604	1,149	9
Provision for point card certificates	327	358	3
Deferred tax liabilities	14,880	6,907	52
Deferred tax liabilities for land revaluation	1,858	1,809	14
Acceptances and guarantees	53,468	68,828	515
Total liabilities	¥ 13,108,114	¥ 12,094,538	\$ 90,575
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 907
Capital surplus	50,014	50,015	375
Retained earnings	175,196	181,928	1,362
Treasury shares	(3,058)	(3,805)	(28)
Total shareholders' equity	343,253	349,239	2,615
Valuation difference on available-for-sale securities	56,745	38,564	289
Revaluation reserve for land	3,654	3,550	27
Total valuation and translation adjustments	60,399	42,115	315
Share acquisition rights	37	28	0
Total net assets	403,690	391,383	2,931
Total liabilities and net assets	¥ 13,511,805	¥ 12,485,921	\$ 93,506

● Non-Consolidated Statements of Income (Year ended March 31, 2022 and 2023)

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Ordinary income:			
Interest income:	¥ 70,281	¥ 71,494	\$ 535
Interest on loans and discounts	57,828	57,686	432
Interest and dividends on securities	9,123	11,057	83
Other interest income	3,329	2,750	21
Fees and commissions	24,859	24,024	180
Other ordinary income	2,438	2,017	15
Other income	3,240	5,582	42
Total ordinary income	¥ 100,820	¥ 103,119	\$ 772
Ordinary expenses:			
Interest expenses:	¥ 848	¥ 1,582	\$ 12
Interest on deposits	133	125	1
Other interest expenses	715	1,457	11
Fees and commissions payments	12,712	12,647	95
Other ordinary expenses	1,323	685	5
General and administrative expenses	60,665	63,835	478
Other expenses	7,418	6,533	49
Total ordinary expenses	¥ 82,968	¥ 85,284	\$ 639
Ordinary profit	¥ 17,852	¥ 17,835	\$ 134
Extraordinary income	131	25	0
Extraordinary losses	1,160	1,526	11
Income before income taxes	16,823	16,333	122
Income taxes:			
Current	5,938	5,913	44
Deferred	(191)	(87)	(1)
Total income taxes	5,746	5,826	44
Net income	¥ 11,076	¥ 10,507	\$ 79

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