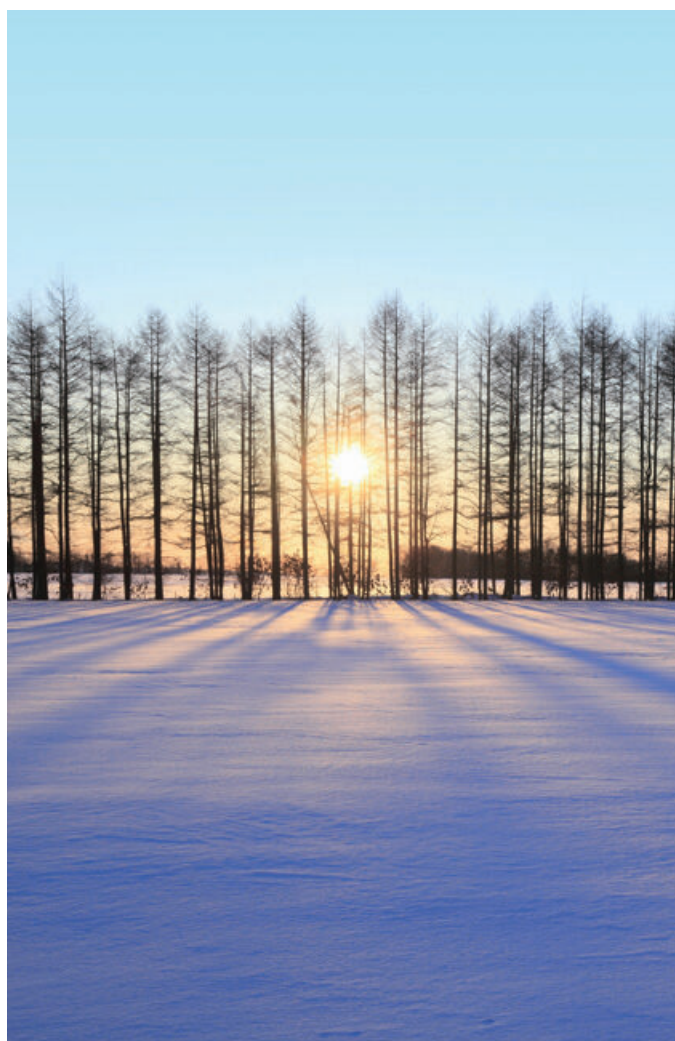




Annual Report 2024





Management Philosophy

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

This North Pacific Bank Annual Report 2024 (Disclosure Book, Main Volume) exists to provide shareholders, investors, and other stakeholders with a better understanding of the North Pacific Bank Group's efforts to create sustainable value. The report also serves as the Main Volume of the Disclosure Book (documents explaining the status of operations and assets) in accordance with Article 21 of the Banking Act. When reading this report as a disclosure book, please read it alongside the North Pacific Bank Disclosure Book, Financial Statements Volume (March 2024), which can be downloaded on our website (<https://www.hokuyobank.co.jp/ir/library/disclosure.html>).

All for Hokkaido

In March 2020, in light of the declining population and other aspects of increasingly challenging circumstances, the North Pacific Bank Group formulated a new Management Philosophy to clearly state the role that each and every employee should play toward achieving their mission to contribute to the future of Hokkaido.

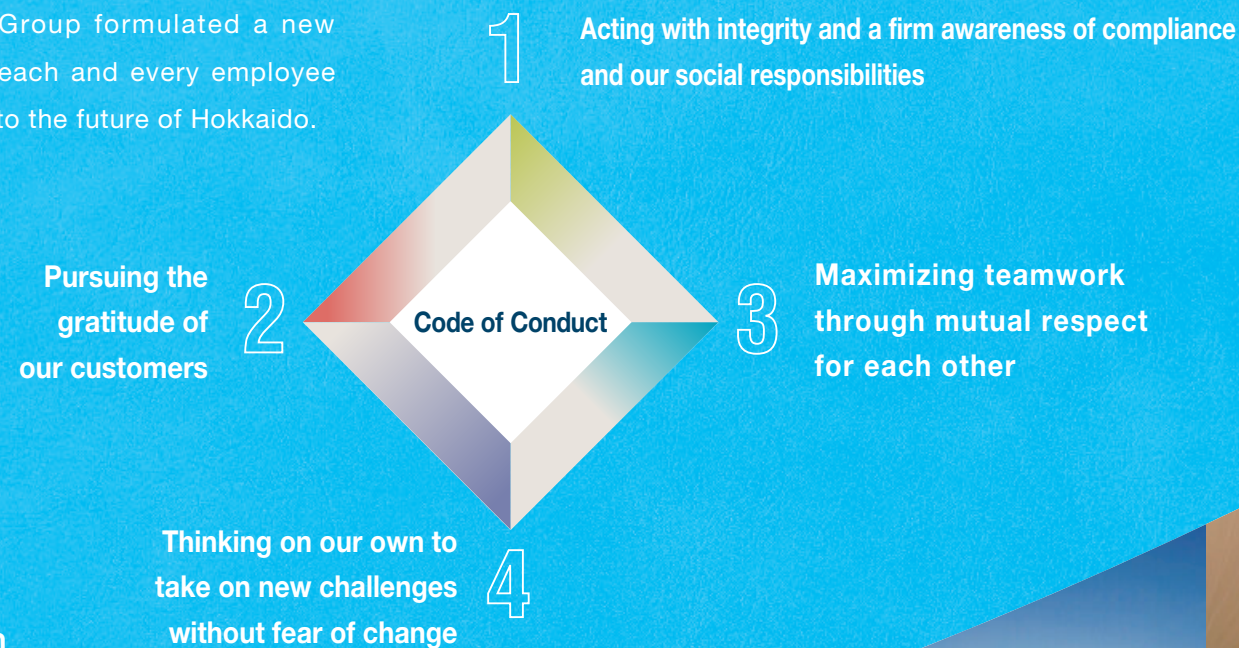
North Pacific Bank Group Management Philosophy

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

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 individuals in designing sustainable living



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**Hironobu Tsuyama**

President, CEO, and CHRO

Message from the President

Ambitiously working to develop new industries to contribute to the sustainable future of Hokkaido

On assuming the office of President

I was born in Hokkaido, but lived in Honshu for a long time because my father was transferred for work. During that time, I had many opportunities to look at Hokkaido from the outside. It reminded me of all that is wonderful and appealing about Hokkaido, and filled me with the desire to contribute to my home prefecture and deep-seated hope for the advancement of the region. I believe the environment I grew up in nurtured my curiosity and

helped me to create new ideas as a banker.

In April 2024, I assumed the position of President of North Pacific Bank, and am working to realize the vision and goals of the North Pacific Bank Group with the conviction that we can change and advance Hokkaido. Although the Group will face a variety of challenges amid constantly changing circumstances, we will continue to pursue ideas that lead to solutions, maintain a strong desire and spirit to achieve our goals, and continue to tackle the challenge of creating change and transformation.

Progress of the Medium-term Business Plan

We are engaging in regular efforts under the Medium-term Business Plan, which started in April 2023 and outlines three pillars—helping Hokkaido and our customers improve sustainability, development of human resources who support customer growth, and branch function restructuring and administrative streamlining to boost productivity—under the theme of “Taking on the Challenge of New Growth.”

The circumstances surrounding our business remain clouded with uncertainty, with high commodity prices and labor shortages as well as the economic impact of

the end of the Bank of Japan’s negative interest rate policy and the emergence of geopolitical risks around the world. Despite these circumstances, non-consolidated results for the year ended March 31, 2024 showed an increase in core business profit and profit for the first time in two years due in part to an increase in interest on loans and discounts and the absence of one-time expenses, and these core results drove increases in both profit and income in terms of consolidated results.

It was also the first year of the Medium-term Business Plan, and while we achieved our profit target, we also saw issues that need to be improved.

One such issue was our inability to meet our target for our

main business: loans to small and medium-sized enterprises in Hokkaido. This was due to higher-than-expected prepayments of loans given as COVID-19 pandemic support, but I also feel that we did not provide enough solutions to help customers resolve issues and develop and expand their businesses, which would have increased the amount of loans provided.

A time for change

New industries are sprouting in Hokkaido, the Group's operating base. Specifically, next-generation semiconductor manufacturers are building new facilities, and there are plans for green transformation (GX) and a cluster of space-related industries, all of which are having a significant impact on the prefecture's economy. With the redevelopment of the area outside Sapporo Station, the planned extension of the Hokkaido Shinkansen line, and the recovery of the tourism industry—Hokkaido's core industry—from the effects of the pandemic, it appears to me that Hokkaido is entering an era of great change.

The new facilities being built by next-generation semiconductor manufacturers represent a great opportunity for the Hokkaido economy. Construction is currently underway with the aim of launching prototype lines in April 2025. This construction is also creating demand for peripheral infrastructure and housing development. Amid this progress, we have already supplied loans for the next-generation semiconductor manufacturing facilities totaling more than 60.0 billion yen, and the customers' requests for information provision are increasing daily.

The development of the manufacturing industry centered on Hokkaido Valley, a nickname for the area from Ishikari Bay to Sapporo, Kitahiroshima, Eniwa, Chitose, and Tomakomai, and the promotion of expansion into Hokkaido by manufacturers of

Another issue was insufficient efforts to support wealth-building. In this new era of 100-year life spans, there is a growing need for asset management through the new NISA investment scheme and other means, loans, assistance with asset succession, and other assets corresponding to different life stages, so we must provide our clients with useful information and satisfy their needs even more reliably.

semiconductor-related manufacturing equipment and materials are expected to have economic effects that will spread throughout the prefecture.

The role of the North Pacific Bank Group is to spread the business opportunities sprouting from next-generation semiconductor-related industries throughout Hokkaido to maximize their benefits. To help the region develop freely and sustainably, we will work with relevant organizations to provide business matching services and other information to people outside central Hokkaido, create relations between communities and companies, and provide companies from Honshu that wish to expand into Hokkaido with information on local subsidy programs, securing human resources in specialized fields, and the like to generate interest in many places across Hokkaido as options.

I also see great potential in GX-related industries. Hokkaido is a treasure trove of natural energy—mainly wind, but also solar, biomass, geothermal, and more. In fact, five areas in Hokkaido have been designated as promising areas under the Japanese government's offshore wind power generation policy, and two as upcoming areas for floating offshore wind power, meaning that Hokkaido will account for a third of Japan's offshore wind project formulation target.

These projects are steadily moving into the implementation phase. For example, commercial operation of a fixed offshore wind farm constructed in Ishikari Bay began in January 2024. Additionally, 40% of the total cost of the entire wind power development

project is devoted to maintenance costs, so ongoing demand for maintenance during operation should promote local employment opportunities. Other GX-related business opportunities that leverage Hokkaido's geographical advantages are expected to emerge in the future, such as construction of energy-efficient data centers that capitalize on Hokkaido's cool climate and renewable energy.

To take full advantage of these organically and intricately intertwined business opportunities in the semiconductor, GX-related, and other industries, North Pacific Bank will work with various organizations to develop new industries across Hokkaido.

Responding in an era of change

Swift decision-making is needed to cope with the rapidly changing business environment which includes factors such as next-generation semiconductors, GX, and the end of the Bank of Japan's negative interest rate policy. However, audit and supervisory functions are also important. Effective June 26, 2024, we shifted from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee to create an organizational structure that can both

Toward a corporate culture of pioneering

In the banking industry of the past, taking a conservative stance may have been the path to being profitable and secure. However, circumstances have changed. Customers' needs are more diverse, and banks are changing their business models to meet those needs.



expedite decision-making and strengthen audit and supervisory functions.

Promoting delegation of important business execution decisions from the Board of Directors to the directors, and further delegation from the directors to the executive officers will make our decision-making and business execution more responsive. The Audit and Supervisory Committee will further improve the effectiveness of our audit and supervisory functions by conducting audits and supervision through the internal control system in collaboration with the Internal Audit and Inspection Department under its direction.

Although safety is important when running a bank, going forward, we need to explore the frontiers while ensuring safety. Consistent with our Management Philosophy (Taking a thorough customer-oriented approach, striving to solve diverse challenges, and exploring the future of Hokkaido), we hope to create a corporate culture in which taking on challenges is valued and pioneering is the norm so that we can identify and provide solutions to our customers'

diverse challenges.

Given the long history of our bank, it will not be easy to change our corporate culture, but unless we change our organization and update our awareness, we will not be able to respond to the changes and transformations in this new world. Since assuming the office of President, I have taken every opportunity to encourage everyone to change and take on challenges. Though it may involve failure along the way, I hope to transform our organizational culture into one that encourages people to take on challenges with proper risk management.

We have already launched several of these initiatives. One involves revising our personnel system. When we asked people within the bank to apply to be project members, we received more than four times as many applications as we were able to accept, with everyone from young employees to branch managers stepping

forward. Employees who are willing to make changes are holding active discussions on the topic of creating environments where employees can exhibit their skills to the fullest.

Another initiative involves intra-bank contests for business ideas. The purpose of these contests is for employees to gain experience in formulating and proposing new ideas and discover and create new business ideas. They are designed to encourage employees to think freely and try out new things. We consider how to proceed depending on the details, for example, investing in an idea and having the person who proposed it serve as the president of an enterprise devoted to commercializing it.

We will continue to proactively provide opportunities for employees to take steps to pioneer and increase the number of employees who are willing to take it upon themselves to make moves and changes.

Improving convenience and productivity through DX promotion

Along with developing human resources, we are working to promote digitization and other aspects of DX to improve our productivity without compromising customer convenience.

For example, we released the North Pacific Bank personal portal app last September. In its first six months of operation, the app gained more than 110,000 registered users, and remittances routed through it reached 10% of all channels. In July, we introduced the TSUBASA Smile system, in collaboration with the TSUBASA Alliance*, with the aim of streamlining over-the-counter services. The time saved by reducing reception time for some services up to 60% has allowed us to increase dialogue with and make more proposals to customers.

We also provide training to develop experts in data utilization. We will continue our efforts to promote DX

throughout the Bank, first by leveraging our knowledge in marketing to retail customers.

* The TSUBASA Alliance is a framework for broad cooperation among regional banks without mergers, in which North Pacific Bank and nine other banks participate



Initiatives to enhance corporate value

Although our safety record is relatively high, we recognize that there are profitability issues in terms of ROE and other indicators. By correctly interpreting changes in external circumstances to improve our profitability while revitalizing the economy of Hokkaido, we will naturally gain recognition from the stock market, creating a virtuous cycle that will help us meet the expectations of our various stakeholders. We are working to enhance shareholder returns as well as to create opportunities for dialogue with investors in order to proactively disseminate information. This year, we are increasing the number of small meetings to promote more targeted dialogue and add to our usual large meetings for institutional

investors and analysts.

We will also increase opportunities to disseminate information to individual investors through online information sessions and other IR activities so that they can better understand North Pacific Bank. We have also introduced a shareholder benefits program to increase the appeal of investing in our shares and pique interest in our initiatives. In addition to expressing our gratitude to shareholders for their ongoing support, I hope that offering specialty products from Hokkaido as shareholder benefits provides opportunities for shareholders outside Hokkaido to experience the best the prefecture has to offer, while also serving to promote our customers' products and contribute in some small way to regional development.

In closing

The North Pacific Bank Group will continue to refine its human resources, earn the trust of customers, local communities, and shareholders, and contribute to the sustainable future of Hokkaido.

We appreciate your continued understanding and support.



Message from the CFO

Through appropriate financial and capital management, we seek to maximize the value we provide to our customers, communities, shareholders, and other stakeholders.



Kazushi Yoneta
Managing Director,
CSO, CFO, and CIO

Overview of Results for FY2023

On a non-consolidated basis, interest on loans and discounts increased due in part to an increase in loans to individuals, and interest and dividends on securities also increased thanks to an increase in yen-denominated bonds, resulting in core business profit of 20.1 billion yen, the first increase in two fiscal years. However, ordinary profit declined slightly due to higher credit cost, but net income increased for the first time in two fiscal years to 12.8 billion yen, mainly due to the absence of one-time expenses associated with the system migration in the previous fiscal year. Notably, each earnings category exceeded the earnings forecast. These core non-consolidated results drove increases in both profit and income in terms of consolidated results as well.

Non-consolidated (Unit: billion yen)	FYE Mar. 2024 actual	YoY	vs forecast
Core gross business profit	82.6	(0.0)	+1.7
Income from interest	71.8	+1.9	+2.1
Interest on loans and discounts	58.2	+0.5	(1.0)
Interest and dividends on securities	13.2	+2.1	+2.0
Balance of other funds	0.6	(0.6)	+1.2
Fees and commissions income	10.2	(1.1)	(0.5)
Other operating profit	0.5	(0.8)	(0.0)
Expenses (excluding temporary funds)	62.4	(1.3)	(2.2)
Core business profit	20.1	+1.2	+3.9
Exclusion of net gain/loss from investment trust cancellation	18.6	(0.1)	+2.4
Credit cost	6.0	+1.2	+2.0
Securities-related gain/loss	2.1	(0.2)	(0.0)
Ordinary profit	17.7	(0.1)	+1.8
Profit	12.8	+2.3	+1.8

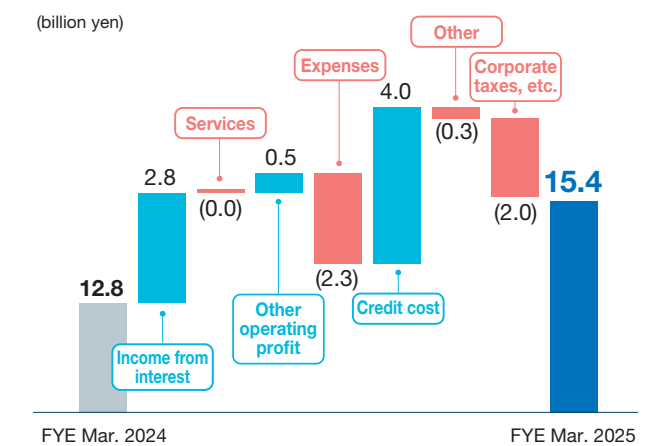
Consolidated (Unit: billion yen)	FYE Mar. 2024 actual	YoY	vs forecast
Consolidated gross profit	88.7	+1.6	+1.4
Income from interest	70.4	+2.6	
Interest on loans and discounts	57.9	+0.5	
Interest and dividends on securities	12.1	+2.8	
Balance of other funds	0.3	(0.7)	
Fees and commissions income	15.4	(0.3)	
Other operating profit	2.8	(0.6)	
Expenses (excluding temporary funds)	66.4	(0.8)	(2.3)
Consolidated core business profit	22.2	+2.4	+3.7
Exclusion of net gain/loss from investment trust cancellation	20.7	+1.0	+2.2
Credit cost	6.7	+0.9	+1.8
Securities-related gain/loss	2.2	(0.2)	
Consolidated ordinary profit	18.6	+1.2	+1.8
Profit attributable to owners of parent	12.8	+3.1	+1.7

Forecast for FY2024

In FY2024, we expect an increase in loan volume, including investments and loans in areas of expected growth in Hokkaido, an improvement in loan yields and gains on securities investments due to changes in the Bank of Japan's monetary policy, an increase in interest on deposits in the Bank of Japan's current account, and a decrease in credit cost. Based on these projections, we forecast non-consolidated profit of 15.4 billion yen and consolidated profit attributable to owners of parent of 15.5 billion yen in FY2024.

Non-consolidated (Unit: billion yen)	FYE Mar. 2024 actual	FYE Mar. 2025 projected	YoY
Core gross business profit	82.6	86.0	+3.3
Income from interest	71.8	74.7	+2.8
Interest on loans and discounts	58.2	61.6	+3.3
Interest and dividends on securities	13.2	14.1	+0.8
Balance of other funds	0.6	1.4	+0.8
Fees and commissions income	10.2	10.1	(0.0)
Expenses (excluding temporary funds)	62.4	64.8	+2.3
Core business profit	20.1	21.1	+0.9
Exclusion of net gain/loss from investment trust cancellation	18.6	21.1	+2.4
Credit cost	6.0	2.0	(4.0)
Ordinary profit	17.7	22.4	+4.6
Extraordinary loss	(0.3)	(0.3)	(0.0)
Profit	12.8	15.4	+2.5

Factors for changes in non-consolidated profit

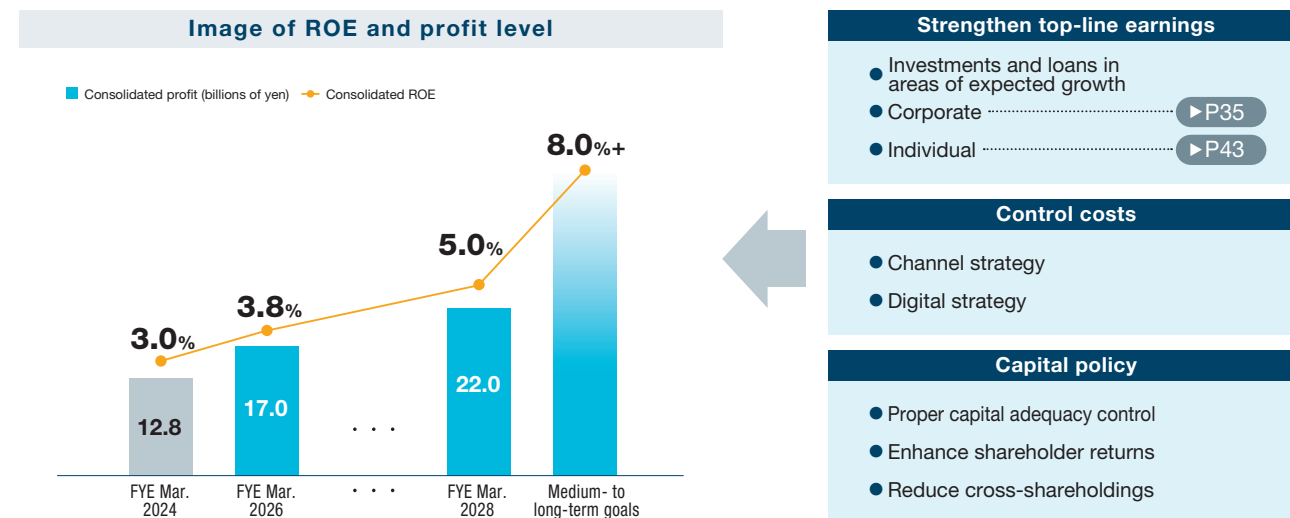


Consolidated (Unit: billion yen)	FYE Mar. 2024 actual	FYE Mar. 2025 projected	YoY
Consolidated gross profit	88.7	92.9	+4.1
Ordinary profit	18.6	23.4	+4.7
Profit attributable to owners of parent	12.8	15.5	+2.6

Message from the CFO

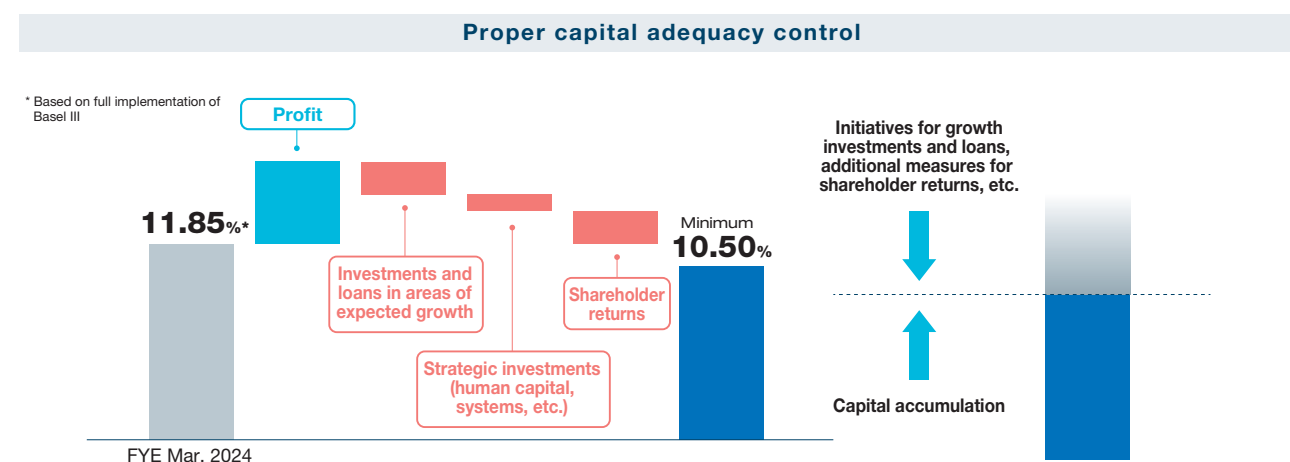
Improving ROE

ROE was roughly 3% in the most recent financial results, and we recognize that improving profitability is an issue. The three main pillars of ROE improvement are strengthening top-line earnings, controlling costs, and capital policy. We will faithfully execute these measures with the aim of achieving the target ROE of 5% in the current Medium-term Business Plan in FY2027, one year ahead of schedule. Beyond that, we will chart a course to achieve ROE of 8%.



Capital Policy

To improve ROE, we will effectively use capital for investments and loans in areas of expected growth, strategic investments in human resources and systems, and shareholder returns, while maintaining sufficient financial soundness.



Proper capital adequacy control

- (1) Investments and loans (loans, securities investments, etc.) that contribute to improving ROE
- (2) Strategic investments to improve services and competitiveness (investment in human capital, systems, etc.)
- (3) Enhancement of shareholder returns (raise total return ratio from 40% to 50% starting in FY2024)

Maintain financial soundness

We will use stress tests and the ALM Committee to verify the proper level (lower limit) of capital adequacy ratio each year based on the Bank's projected earnings, the status of assets and liabilities, trends in external circumstances, and other factors.

Enhancing Shareholder Returns

Given the public nature of the banking industry and in pursuit of ensuring sound management, our basic policy is to provide comprehensive returns to shareholders while tracking trends in capital adequacy ratios and earnings, and changes in the business environment.

Regarding dividends for FY2024 (the fiscal year ending March 31, 2025) and beyond, we will maintain stable dividends and consolidate dividend measures into a single dividend payout ratio to create a straightforward structure for shareholders. We have set a target total return ratio of 50% and will take steps to further enhance the return of profits to shareholders through flexible, responsive repurchasing of treasury shares.

* Total return ratio = (Total annual dividend amount + Total treasury share repurchasing amount) / Profit attributable to owners of parent

Reducing Cross-Shareholdings

Our policy is to avoid cross-shareholdings except in cases where it is deemed that the rationale of holding them is to contribute to the revitalization and promotion of the Hokkaido economy and the local community, to support local companies and help them develop, or similar aims.

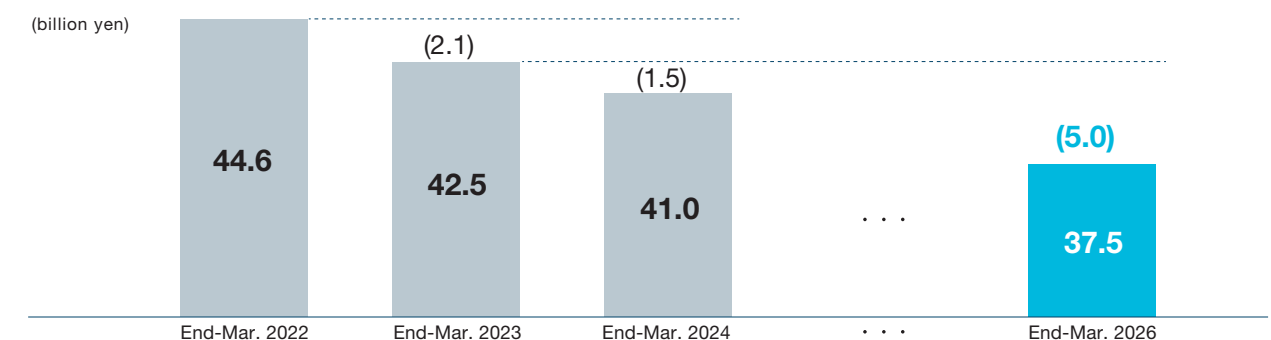
In pursuit of reducing cross-shareholdings, in November 2023, we announced our target to reduce the book value of cross-shareholdings by 5.0 billion yen from the figure in March 2023 by March 31, 2026.

We will continue to comprehensively assess the purpose of holding each individual stock, and will sell them whenever they are deemed to be unfit to continue to hold.

We will consider using the proceeds from such sales efficiently, for example strengthening earning power, investing and financing in areas of expected growth, and returning profits to shareholders.

Cross-shareholdings: Reduction target and book value

Reduction target: 5.0 billion yen from the book value on March 31, 2023 by March 31, 2026



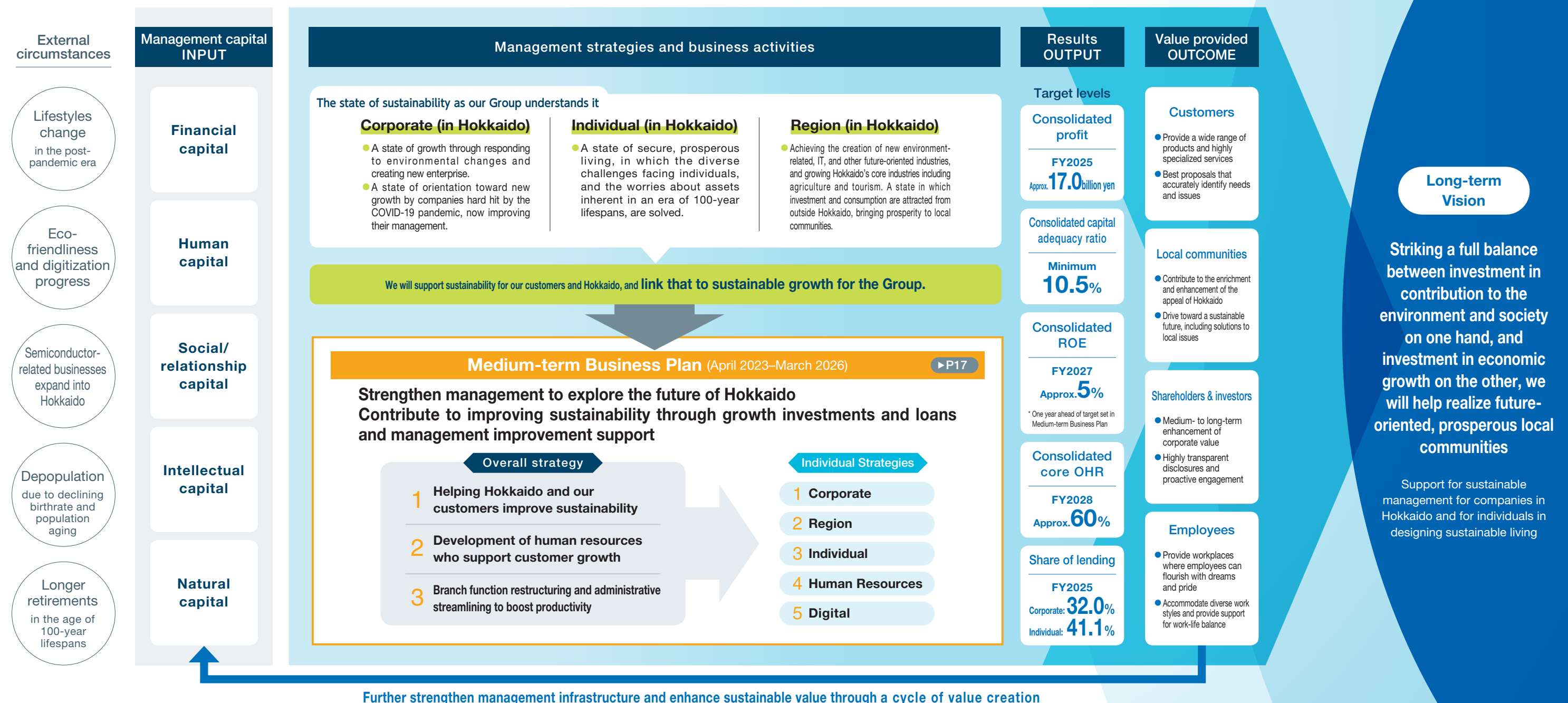
Value Creation Process

Issues surrounding customers and communities are becoming increasingly diverse and sophisticated.

With a customer-oriented approach at the core of our Management Philosophy, the North Pacific Bank Group is leveraging its strengths (management capital) and pooling the efforts of its members to implement various measures (business activities) to achieve the goals of its Medium-term Business Plan. In addition to enhancing our corporate value, we will strive to maximize the value we provide to our customers, local communities, and shareholders by contributing to the realization of future-oriented, prosperous communities as stated in our Long-term Vision (providing value to stakeholders).

Management Philosophy

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



In December 2018, the North Pacific Bank Group published the North Pacific SDGs Declaration, which signifies our commitment to supporting sustainable regional growth and resolving social issues.

SDGs: Global targets (17 goals, 169 targets) to be achieved by 2030 to realize a sustainable world, adopted at United Nations Sustainable Development Summit 2015.

North Pacific Bank Group Medium-term Business Plan

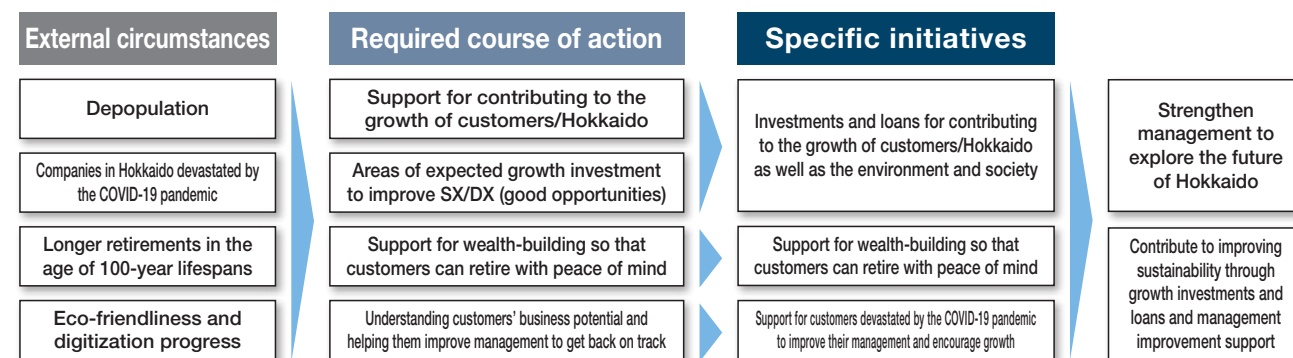
(April 2023–March 2026)

Medium-term Business Plan: “Taking on the Challenge of New Growth: Growing sustainably together with our customers and local communities”

In April 2023, the North Pacific Bank Group formulated its Medium-term Business Plan, titled “Taking on the Challenge of New Growth: Growing sustainably together with our customers and local communities.” We understand our mission to be that of supporting our corporate and individual customers in Hokkaido—a market at risk of contraction due to depopulation—and their local communities, in achieving sustainability. In our 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.

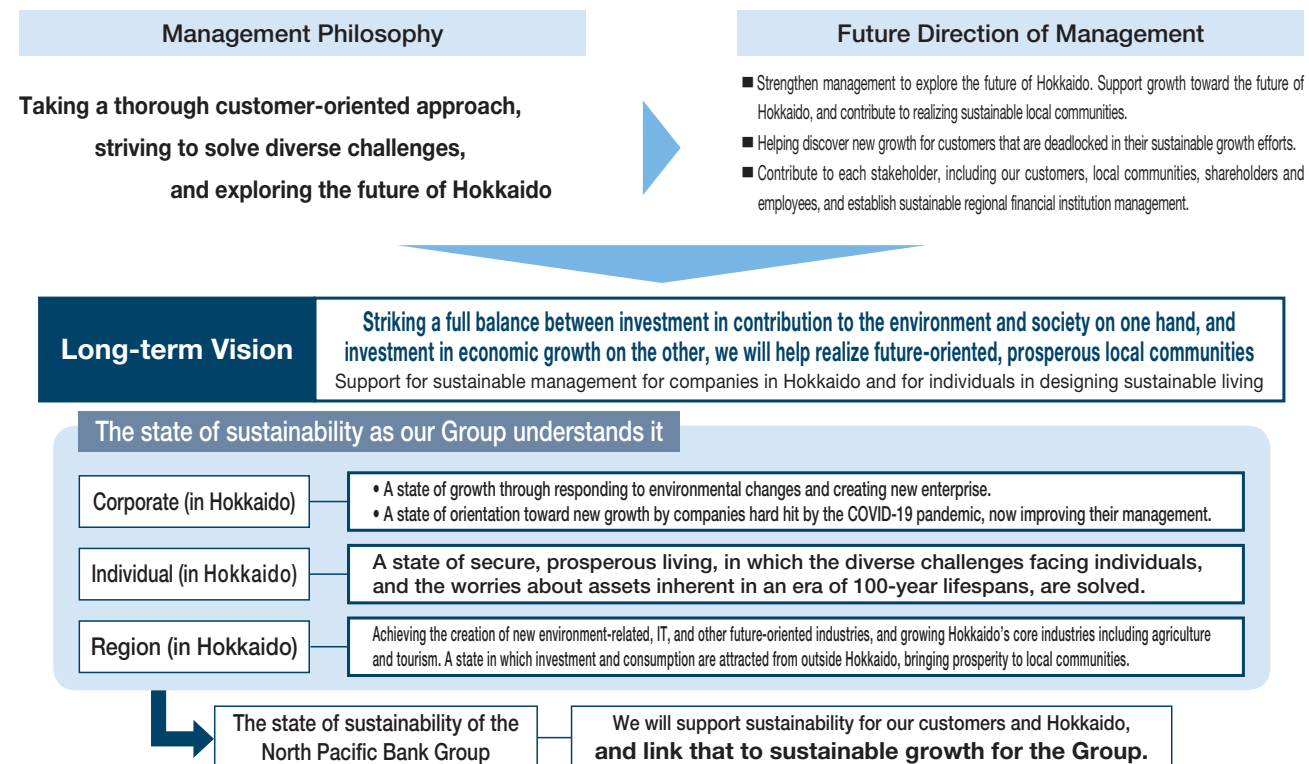
Course of Action Required by External Circumstances

We believe the role required of the Bank is to strengthen management to explore the future of Hokkaido and contribute to improving sustainability through growth investments and loans and management improvement support, and will support the sustainable growth of Hokkaido with “growth” and “environment and society” as key terms.



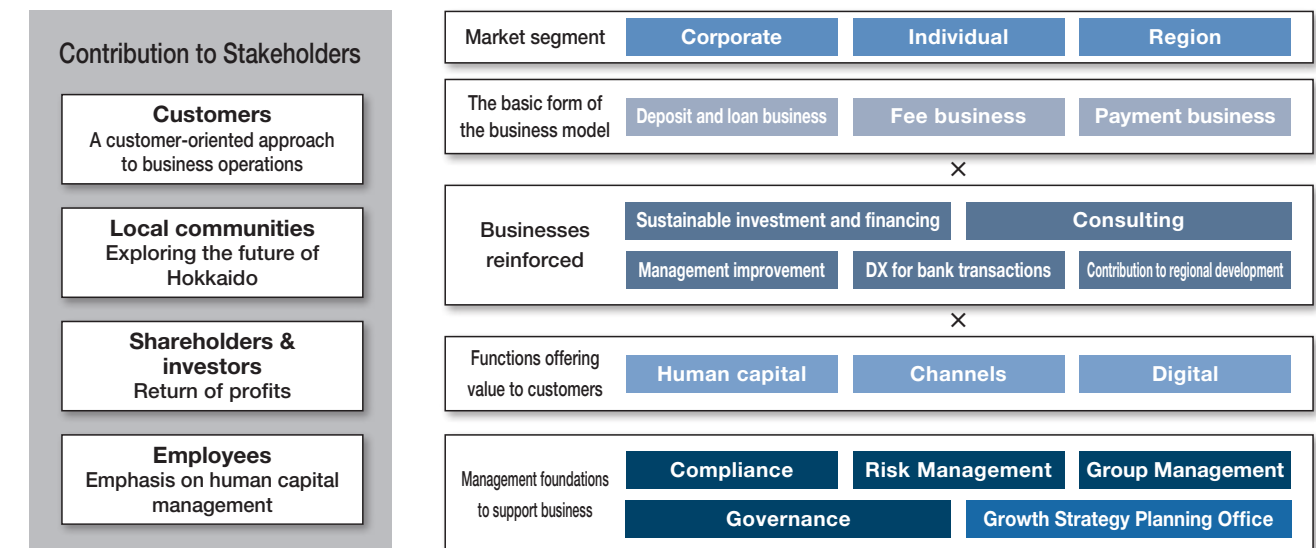
Long-term Vision

With our stated Long-term Vision of “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 sustainability for our customers and Hokkaido, and link that to sustainable growth for the Group.



Framework for a Business Model to Realize Our Long-term Vision

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.



Overview of the Medium-term Business Plan (Overall Strategies)

We have three overall strategies to realize our Medium-term Business Plan. We are working to resolve a wide variety of corporate, individual, and regional issues and achieve sustainable growth for our customers, Hokkaido, and the Group.

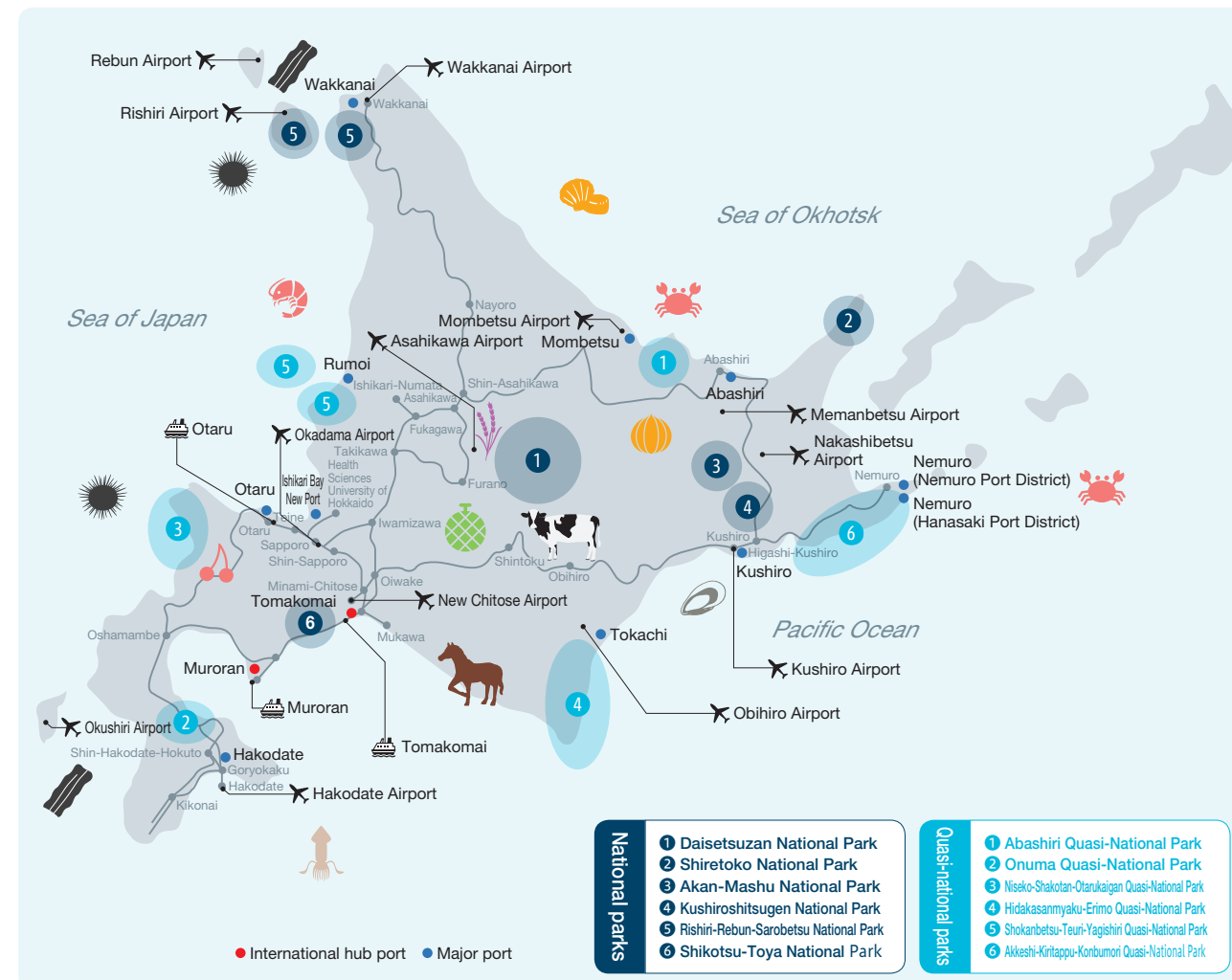
Vision of the Medium-term Business Plan (FY2023–FY2025)

“Taking on the Challenge of New Growth: Growing sustainably together with our customers and local communities”

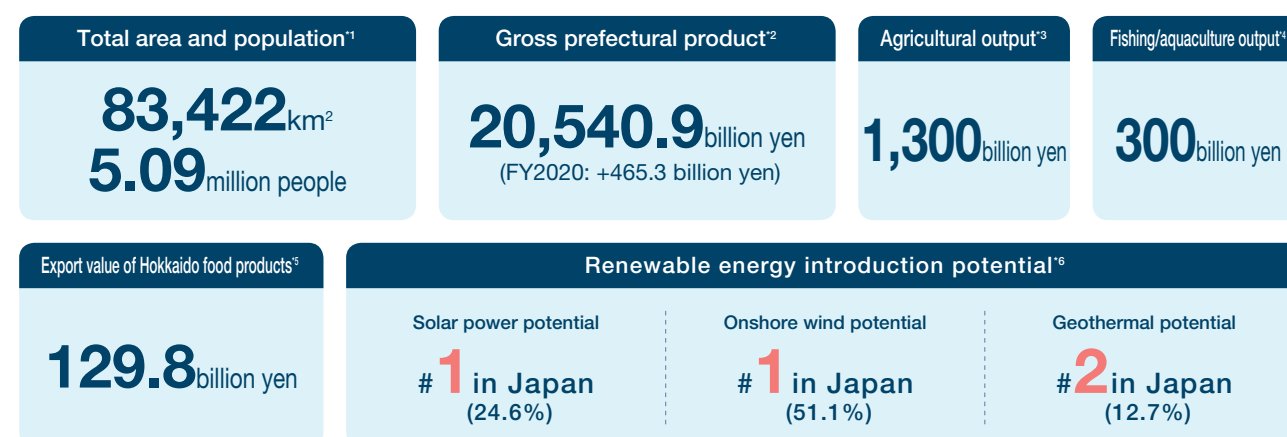


Hokkaido's Strengths and Challenges

Operating Area



Hokkaido by the Numbers



¹ Ministry of Land, Infrastructure, Transport and Tourism: "National Area Survey of Each Prefecture and Municipality as of April 1, 2024"; Statistics Bureau, Ministry of Internal Affairs and Communications: "Population Estimates as of October 1, 2023"

² Bureau of Economic Planning, Department of Economic Affairs, Hokkaido prefectural government: "Overview of Hokkaido Economy Calculations, FY2021"

³ Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced (by Prefecture), 2022"

⁴ Ministry of Agriculture, Forestry and Fisheries: "Fishery Output, 2022"

⁵ Hokkaido prefectural government: "Hokkaido Food Export Expansion Strategy, 2022 (Phase II) Promotion Status Report"

⁶ Created in July 2024 by processing content obtained from the Renewable Energy Potential System (REPOS) (<http://www.renewable-energy-potential.env.go.jp/> RenewableEnergy). Calculated based on installed capacity (MW)

The Value of Hokkaido

The Hokkaido Brand of Food

Farming

Hokkaido farmers engage in large-scale, highly productive agriculture and dairy farming by taking advantage of the vast land resources available to them: 1,143,000 ha of arable land (26% of the total in Japan) and an average of 30.8 ha per farming operation (14 times the average for the 46 other prefectures). As the country's largest food supplier, the region contributes immensely to the stable supply of food in Japan. Hokkaido's food self-sufficiency rate (on a calorie basis) is 216%, ranking first in Japan. With agriculture that leverages the region's climatic conditions and other factors, Hokkaido is an indispensable part of Japan.

(Source: Hokkaido prefectural government: "Hokkaido Agriculture and Rural Areas, 2022")



Fishing

Hokkaido is blessed with abundant water resources and accounts for roughly 20% of fishery production in Japan. Although depopulation and the lack of successors are causing the number of fishery workers and registered vessels to decline, the prefecture's fishing industry is still thriving, and still claims the highest number of fishery workers in Japan. Hokkaido's self-sufficiency rate in seafood is 359%, more than triple intraregional demand. Thus, Hokkaido's fishing industry is a major contributor to Japan's seafood supply base. It also plays an important role in the world, with annual exports of more than 50.0 billion yen to China and other countries.

(Source: Website of the Fisheries Division, Hokkaido Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism)



Ample Tourism Resources

Nature and Climate

Located in the northernmost part of Japan, Hokkaido has four distinct seasons with a wide variety of seasonal expressions, although the climate varies from region to region depending on topography, location, and other factors. With World Natural Heritage sites, national parks, quasi-national parks, and prefectural nature parks throughout the prefecture, iconic Hokkaido landscapes can be enjoyed in all four seasons. Additionally, with an outstanding natural environment as well as a wide variety of flora and fauna distinct to northern Japan, we have ordinances, plans, and other programs aiming to realize a society in harmony with nature that is uniquely Hokkaido.

(Source: "Hokkaido Data Book 2021_Nature & Climate")



History and Culture

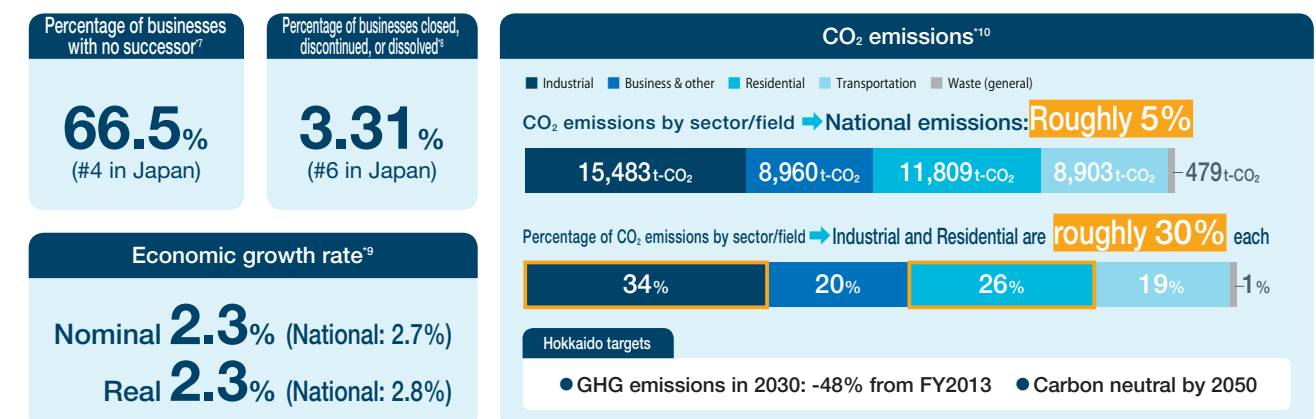
Hokkaido's history and culture are distinct from the rest of Japan. Culture is on display at tourism facilities and heritages throughout the prefecture, including the passing down of indigenous Ainu and "Great North" cultures dating back several millennia, the southern part of the island functioning as a gateway to the seas, and development under the new Meiji government around the turn of the last century. Currently, 74 tangible and intangible treasures* have been registered to pass down to future generations under the Hokkaido Heritage initiative, and it is expected that people throughout Hokkaido will work to preserve and utilize them.

(Source: Hokkaido Tourism Organization website, *As of the selection on October 13, 2022)



Local Issues in Hokkaido

We support sustainable growth together with our customers and local communities, and make efforts to resolve local issues in Hokkaido.



⁷ Hokkaido prefectural government: Survey of trends in "Percentage of Businesses with No Successor" (2023)

⁸ Survey of nationwide trends in "Percentage of Businesses Closed, Discontinued, or Dissolved" (2023)

⁹ Hokkaido prefectural government: "Overview of Hokkaido Economy Calculations, FY2021" ¹⁰ Municipal emissions charts (FY2021)

Our Strengths

Strength ① Network

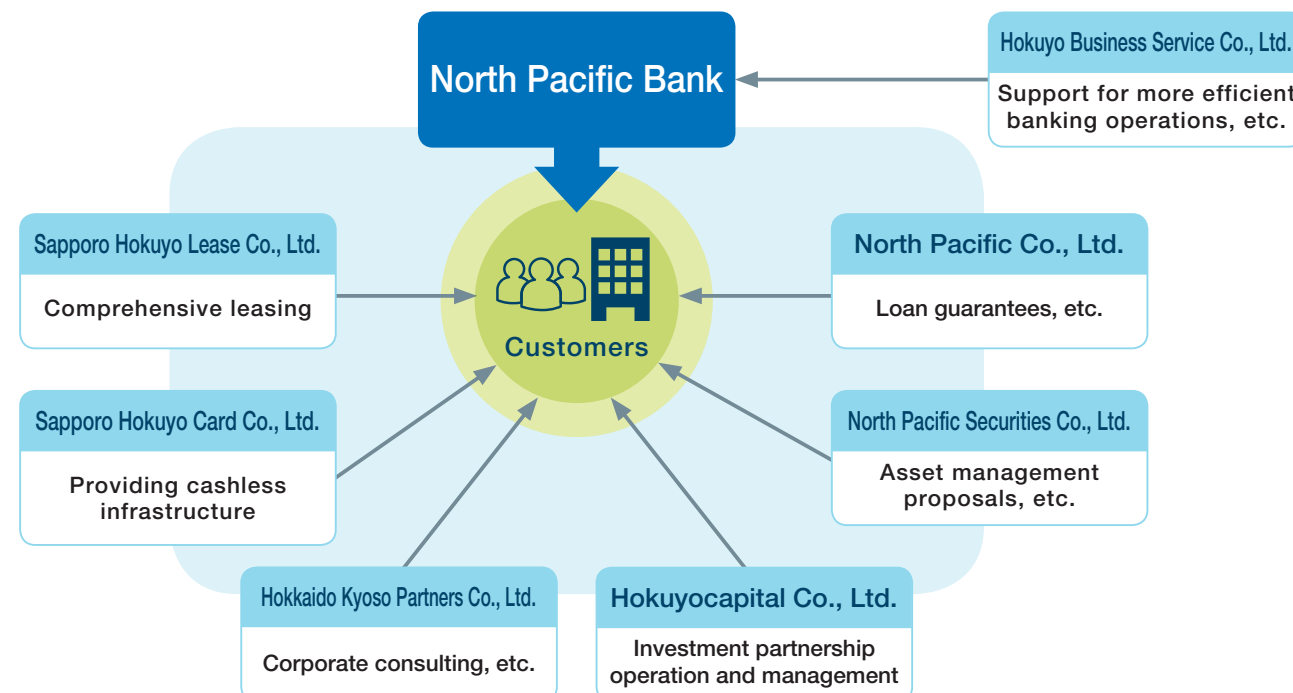
North Pacific Bank is based in Hokkaido, with 170 branches in the prefecture and one in Tokyo, and three overseas offices. We utilize the corresponding physical and digital networks to meet a wide range of customer needs.



* As of October 1, 2024, the Dalian Office will be integrated into the Shanghai Office.

Strength ② Collective Strength of the Group

We provide solutions to meet the diverse needs of our customers by leveraging the collective strength of the Group through cooperation with its subsidiaries.



Strength ③ Human Resources Who Support Local Sustainability

We believe that human resources are the key to our ability to grow together with our customers and communities, improve our earning power through such growth, and fulfill our mandate. To develop human resources who support the sustainability of local communities, we are strengthening our human resource development efforts to secure human resources in both qualitative and quantitative terms, and our highly specialized and skilled human resources are fulfilling active roles in meeting the diverse needs of our customers.

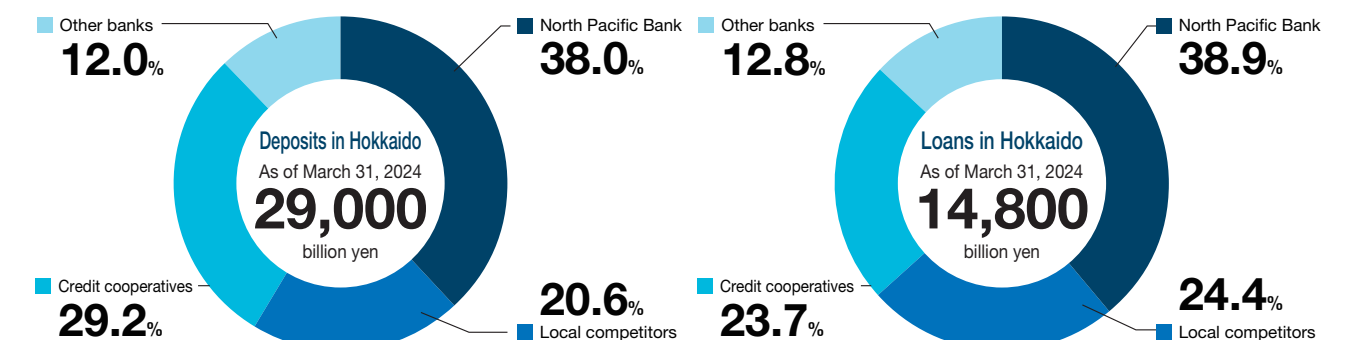
Number of employees with qualifications in FY2023 (as of March 31, 2024)

FP Level 1	Small and medium-sized business consultants	Business succession/M&A experts	IT Passport holders	Agricultural management advisors	Securities analysts
70	31	587	426	83	18
Registered real estate transaction specialists	Licensed social insurance consultants	Certified public accountants	Medical management specialists	SDGs Basic	Senior M&A experts
184	5	1	4	2,218	140

Strength ④ Robust Customer Base

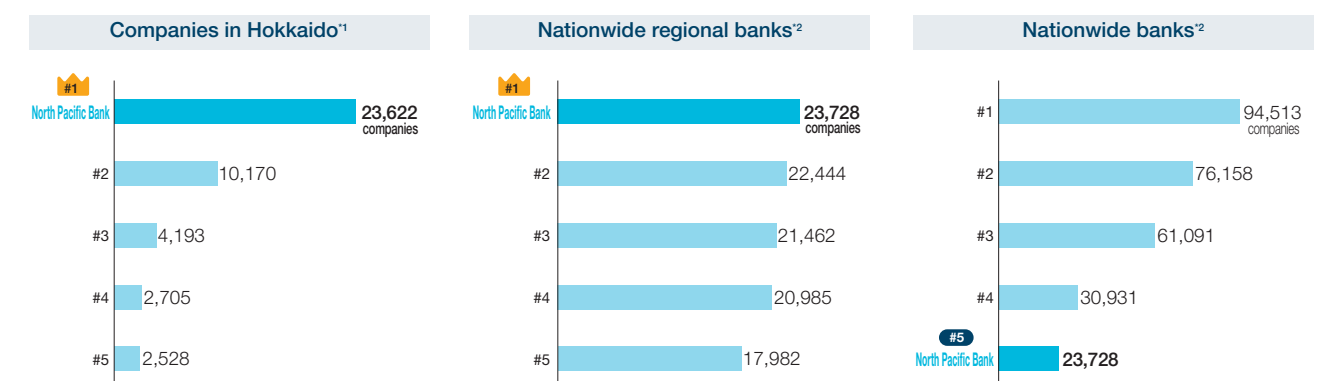
We have maintained the top share of deposits and loans among financial institutions in Hokkaido by leveraging our network of offices in the prefecture to become indispensable for our customers. We will maintain and strengthen our interaction with customers so that they continue to choose us as their main bank.

Share of deposits and loans in Hokkaido



* Shares based on the balance of domestic banks (excluding Japan Post Bank and the Resolution and Collection Corporation) and credit cooperatives with headquarters and branches in Hokkaido
* Deposits include negotiable certificates of deposit (amounts of which among Hokkaido credit cooperatives were calculated using the balances among national credit cooperatives)
* Due to rounding, the share totals do not add up to 100%
Sources: Bank of Japan: "Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture"; SCB Research Institute: "Overview of Credit Cooperatives in Japan," "Shinkin Central Bank Monthly Review (Preliminary Figures)"; and estimates based on each bank's financial results briefings and other materials

Ranking of financial institutions as main bank



¹ Source: Teikoku Databank, Ltd.: "Survey of Trends in Main Bank for Companies in Hokkaido (2023)"

² Source: Teikoku Databank, Ltd.: "Survey of Trends in Main Bank for Companies in Japan (2023)"

Sustainability Policy and Promotion Structure

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 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.

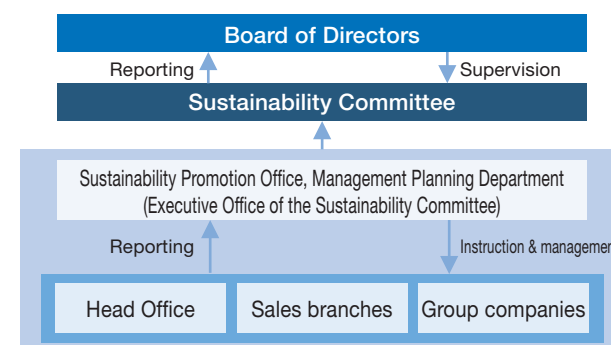
Sustainability Management and Promotion System

We have established a Sustainability Committee chaired by the President to strengthen our sustainability management efforts. The Sustainability Committee identifies sustainability issues and develops measures to address them based on the Sustainability Policy, establishes annual sustainability action policies, and reports and discusses measures and policies related to environmental conservation (e.g. climate change, biodiversity) and human capital (e.g. human resource development), the status of initiatives, and more. It reports on agenda items to the Board of Directors, and a system for appropriate monitoring and management has been established. Based on our Management Philosophy and Sustainability Policy, our Medium-term Business Plan (Taking on the Challenge of New Growth: Growing sustainably together with our customers and local communities) sets out our 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). In addition to providing support for sustainable management for companies in Hokkaido and for individuals in designing sustainable living, we have identified three priority sustainability management issues (response to climate change, biodiversity conservation, and financial and economic education) and three priority issues for human capital (development of highly specialized human resources; pursuit of autonomy, diversity, and creativity; and improving employee engagement). We will link these efforts to the enhancement of the Group's corporate value and the realization of sustainable management.

Policy System



Promotion system



Themes of Priority Initiatives for Achieving the SDGs

1	Creating shared value with customers	We will create shared value for our customers and contribute to the sustainable growth of the Hokkaido economy through the smooth performance of our financial intermediary function by providing loans and funding based on our understanding of business potential, providing diverse solutions to meet the needs of our customers (e.g. regional revitalization, entrepreneurship, start-ups, sales channel expansion, business succession), and utilizing these solutions to support the food and tourism industries—regional strengths—and manufacturing, which is a challenge.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
2	Environmental protection	We will help maintain and conserve Hokkaido's natural environment by reducing our own environmental impact through energy conservation and other bank-wide efforts, supporting environmentally conscious companies and environmental growth areas with various financial instruments, subsidizing individuals and organizations that work to conserve Hokkaido's biodiversity, and more.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
3	Healthcare/social welfare	Based on circumstances in Hokkaido—an advanced region with a declining birthrate and aging population—we will contribute to enhancing medical welfare by providing management support to medical and welfare institutions, collaborating with medical universities in Hokkaido, supporting people with disabilities, and more.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES
4	Education/culture	We will promote financial and economic education with the aim of improving financial literacy—which contributes to stable wealth-building through savings and investments—in addition to advancing a broad range of high-quality education and culture.	4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES
5	Diversity	Through measures such as enhancing work-life balance, we will accommodate a variety of work styles that allow all employees—regardless of sex, age, nationality, and disability—to exhibit their skills to the fullest, and create an organization where each of them feels fulfilled at work.	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Spotlight

FY2023 Activities under Themes of Priority Initiatives for Achieving the SDGs

Medical Care and Welfare Initiatives

Joint seminar with Sapporo Medical University

We held this seminar in our seminar hall in October 2023 in an effort to promote the health of Hokkaido residents and contribute to local medical care. The event, which attracted 79 participants, was titled “Never Too Late to Prevent Blood Vessel Aging (Arteriosclerosis).”

Joint seminar with the Hokkaido prefectural government and Hokkaido Bank

We collaborated with the Hokkaido prefectural government and a regional bank to hold this event with the aims of stimulating further discussion of the regional medical care concept and providing support for functional differentiation and collaboration of medical facilities in the region. The presidents and administrative directors of major hospitals in Hokkaido shared current issues and future measures, and the Bank gave a lecture on financial assistance. Joint seminar with Sapporo Medical University: Lecture on Medical Care for Residents of Hokkaido



Joint seminar with Sapporo Medical University: Lecture on Medical Care for Residents of Hokkaido

Education and Culture Initiatives

Classical music concerts by the Sapporo Symphony Orchestra, presented by North Pacific Bank

Since 2012, we have held classical music concerts by the Sapporo Symphony Orchestra throughout Hokkaido. In addition to performances by the full orchestra, the group also holds mini-concerts by ensembles, allowing residents of Hokkaido to enjoy authentic classical music. A total of roughly 37,000 guests have been invited to date.



Scene of concert held in FY2023

Junior High School Student Writing Contest

Since FY2013, we have been a supporter of the Junior High School Student Writing Contest, on the belief that it is a meaningful initiative to allow students of that age—the future leaders of Hokkaido—to share their diverse everyday experiences and communicate their ideas. The theme in FY2023 was “My Favorite,” and we received more than 11,000 entries describing the wonderful experiences and feelings inspired by the students' favorite manga, dramas, calligraphy, musical instruments, sports, and more.

Diversity Initiatives

Hokku Disabled Persons Sports Fund

We handle SDG (Parasports Support) Private Placement Bonds in an effort to support parasports. When a customer issues a private placement bond, the Bank contributes a sum equivalent to 0.2% of the total issued amount to the Hokku Disabled Persons Sports Fund for donation to athletes and organizations involved in parasports activities in Hokkaido. In FY2023, subsidies totaling 1.2 million yen were awarded to three recipients.

Additionally, as part of our comprehensive partnership agreement with the Hokkaido prefectural government, 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.

Children's sports

With the cooperation of the Hokkaido Sport Association, we subsidize municipal sports associations that hold introductory sports classes for children. Under this initiative, we work with local youth sports teams and sports clubs of the recipient municipalities to provide at least 10 introductory classes for five different sports.

Adaptive sports for children

With the cooperation of the Hokkaido Association for Promotion of Sports for the Disabled, we provide subsidies to organizations active in adaptive sports for children with disabilities. We openly solicit applications and select organizations that engage in activities that help promote and improve adaptive sports for children with disabilities.



Yuna Kawamata
April 2023: Japan Deaf Swimming Association, selected to swim for Team Japan
August 2023: 6th World Deaf Swimming Championships: 5th place in 400-meter freestyle, 7th place in 200-meter butterfly, etc.



Yuki Morimoto
July 2023: 3rd World Youth Deaf Badminton Championships 2023: 2nd place in boy's singles, 1st place in mixed doubles
July 2023: 6th World Deaf Badminton Championships in 2023: Quarterfinalist in men's singles, 2nd place in mixed team

Climate Change Initiatives

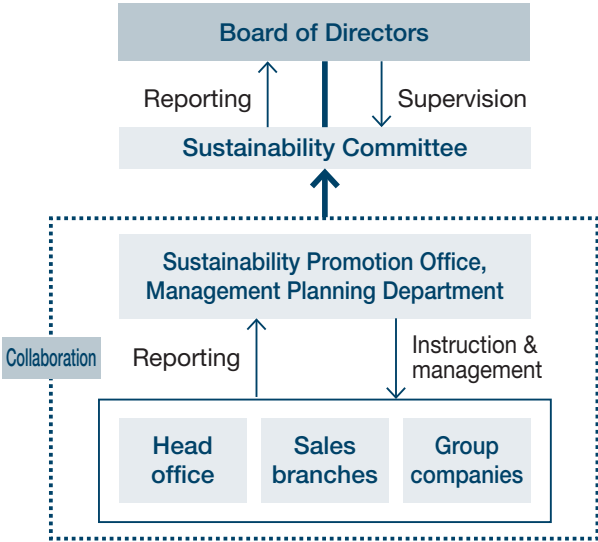
In May 2021, in response to growing societal awareness of the need to achieve sustainable local communities and environments, we formulated our Sustainability Policy and expressed our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will continue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

Governance

The Group recognizes that addressing climate change and other environmental issues is one of the priority issues to be resolved ahead of others, and our Sustainability Committee discusses policies and progress on climate change-related initiatives. The committee reports the promotion status to the Board of Directors, and a system for appropriate monitoring and management has been established.

We also 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 explicitly set out this initiative policy to define how we, as a financial institution, will actively engage in investments and loans that are environmentally and socially considerate, and that contribute most to resolving environmental and social issues in order to achieve regional sustainability.

The policy is separated into business that is believed to have a positive impact on the environment and society, and business that is believed to have a negative impact, and describes our stance on investments and loans, which is to proactively pursue the former and make prudent judgments on the latter. We will actively promote business and other activities that contribute to resolving environmental issues (e.g. environmental conservation, addressing climate change) because they have a positive impact on the environment and society.



Strategy

1. Opportunities

We will contribute to the realization of a decarbonized society from both financial and non-financial perspectives by supplying financing (e.g. Sustainability-Linked Loans, Green Loans) and solutions (e.g. SDG Consulting, Decarbonization Consulting) to support our customers' transition to a decarbonized society.

2. Risks

We recognize the transition risks and physical risks outlined below as those associated with climate change over the short-term (5 years), medium-term (10 years), and long-term (30 years) and continue to perform analyses utilizing the TCFD-recommended scenarios and advance quantitative evaluations of each risk.

Transition risks	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		Timeline
	Legal and regulatory	Carbon taxes and other tighter regulations on CO ₂ emissions, etc.	Medium- to long-term
	Technology	Failure of investment in replacement of existing products with low-carbon technologies, etc.	Medium- to long-term
	Market	Changes in consumer behavior, rising raw material costs, etc.	Medium- to long-term
	Reputation	Condemnation of specific sectors, etc.	Short-term
Physical risks	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		Timeline
	Acute	Increased flooding, etc., and worsening of extreme weather events	Short- to long-term
	Chronic	Increase in average temperature, sea level rise	Long-term

3. Carbon-related Assets

Loans for the Energy and Utilities^{*1} sector represent 1.6% of the Bank's loans and bills discounted. Additionally, loans for carbon-related assets^{*2} based on the 2021 TCFD Revised Annex represent 14.3% of the Bank's loans and bills discounted.

^{*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.

4. 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 conducts scenario analyses for transition risk and physical risks. We will continue to upgrade our analytical methods in order to link the results of scenario analysis to the Bank's risk reduction efforts and to enhance and support dialogue with our customers to help them transition to a decarbonized society.

	Transition risks	Physical risks
Risk Events	Impact on credit cost resulting from a worsening of customer's financial condition due to changes in the macroeconomic environment associated with the transition to a decarbonized society	(1) Damage to collateral properties due to increased flooding, etc., and deterioration of the customer's business performance due to stagnation of business (2) Losses incurred by the Bank due to damage to the Bank's branches and other facilities as a result of increased flooding, etc.
Subject of Analysis	Energy / Utilities / Iron and steel sectors	(1) Business loan recipients in Hokkaido (2) The Bank's branches and other facilities (including ATMs)
Scenario	Net zero 2050, Delayed Transition (NGFS ^{*3})	RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) in the IPCC ^{*4} Fifth Assessment Report
Results of Analysis	By 2050	By 2050
Results of Analysis	Credit cost increase: Cumulative amount of 11.3 to 17.2 billion yen	(1) Credit cost increase: Up to roughly 3.5 billion yen (2) Increase in the Bank's losses: Up to roughly 0.6 billion yen

^{*3} Network for Greening the Financial System
^{*4} Intergovernmental Panel on Climate Change

Risk Management

We identify and centrally manage major risks—including credit risk, market risk, and operational risk—to ensure sound management and improve profitability.

We recognize and inform all within the Bank that changes associated with climate change may increase or decrease credit risk and other major risks through various contagion channels, and may significantly impact the Bank's business activities and financial position.

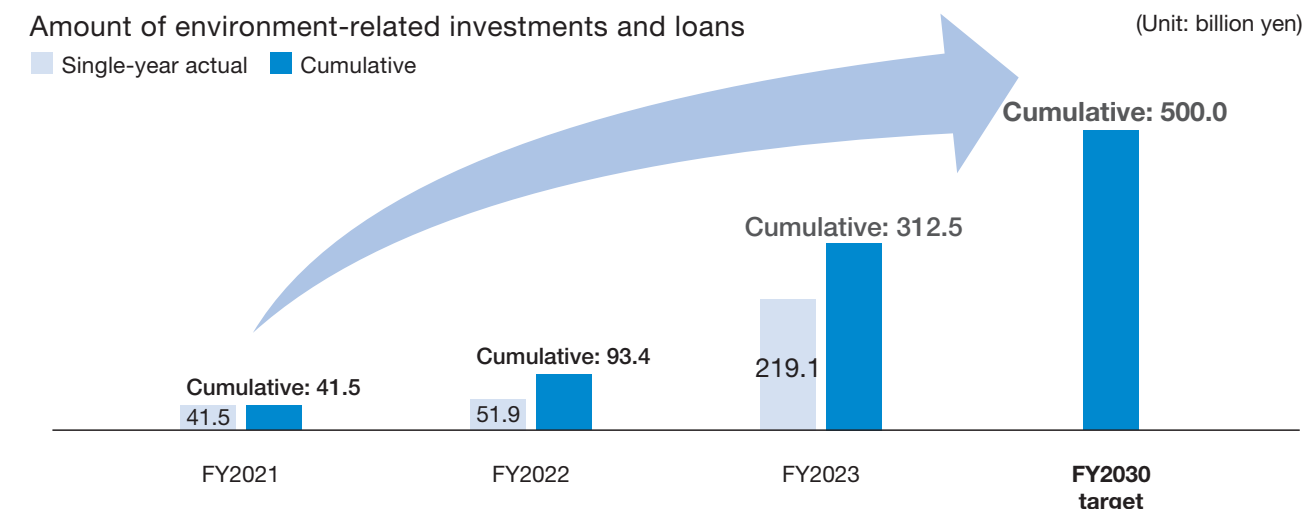
Through scenario analyses and calculations of our customers' GHG emissions, we assess the impact of climate change on our financial condition and our customers' business activities, and are building a system within our integrated risk management framework to reduce climate-related risks over the medium- to long-term by proactively supporting our customers' climate change initiatives, mainly by providing them with various solutions.

Climate Change Initiatives

Metrics and Targets

Cumulative Amount of Environment-related Investments and Loans

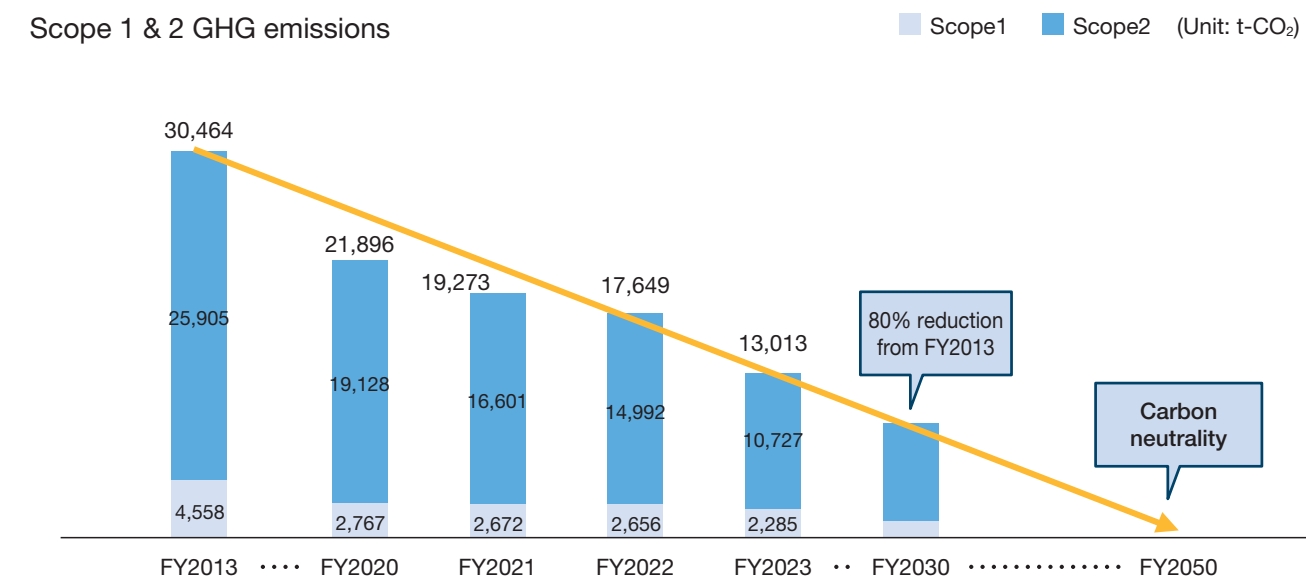
To address climate change, in accordance with our belief that investment and financing are the areas of operations in which we can do the most to help solve environmental issues, we have set a target for the amount of environment-related investment and financing we should execute in support of the transition to a decarbonized society: 500.0 billion yen in the 10-year period from FY2021 to FY2030. Results since FY2021 are as follows:



GHG Emissions Reduction Initiatives

We will proactively promote the decarbonization of the region.

(a) To reduce Scope 1 and 2 GHG emissions, the Group is upgrading to energy-saving equipment and introducing carbon-free electricity. In FY2023, we achieved a 57.3% reduction from FY2013, well on our way to 80% by FY2030 en route to our goal of achieving carbon neutrality by 2050.



(b) We are aware of the high expectations placed on financial institutions for initiatives for Scope 3 emissions. Category 15 (investments and loans) accounts for the majority of GHG emissions at financial institutions; therefore, we have begun calculating estimates for corporate borrowers while referencing the measurement method outlined in the PCAF^{*1} Standard (the figures include 91% of loans to general business corporations).

(Unit: t-CO₂)

Scope 3 category	FY2020	FY2021	FY2022	FY2023
5 Waste generated in business activities ^{*2}	—	—	—	24
6 Business travel	430	462	418	896
7 Employee commuting	1,563	1,494	1,425	1,432
15 Investments and loans	—	—	586,103	10,539,301

Breakdown of Scope 3, Category 15

Industry	Emissions ^{*3} (Unit: t-CO ₂)	Carbon intensity ^{*4} (Unit: t-CO ₂ /million yen)
Farming	126,494	6.61
Paper and Forestry Products	217,412	3.97
Processed Foods and Processed Meat	815,373	5.56
Beverages	15,791	3.20
Metals and Mining	339,997	14.63
Chemistry	178,511	10.96
Oil and Gas	332,424	2.98
Coal	9,128	8.06
Construction Materials	1,383,084	35.43
Capital Goods	617,531	2.75
Automobiles and Parts	30,665	2.72
Power Utilities	547,374	27.75
Real Estate Management and Development	103,440	1.09
Trucking Services	595,584	3.64
Rail Transport	14,158	5.25
Marine Transport	39,343	25.66
Passenger Air Transport	81,904	19.90
Air Cargo	900	2.43
Other	5,090,179	2.81
Total	10,539,301	—

^{*1} Partnership for Carbon Accounting Financials, an international initiative for developing methods to measure and disclose GHG emissions in investment and financing portfolios

^{*2} Disclosure of nine types of waste, including waste plastic. The scope will be expanded to include paper waste beginning in FY2024

^{*3} The total amount of emissions multiplied by the Bank's loans as a percentage of the borrower's total amount of financing, rounded down to the nearest whole number

^{*4} Emissions per million yen of sales by the borrower

Biodiversity Conservation Initiatives

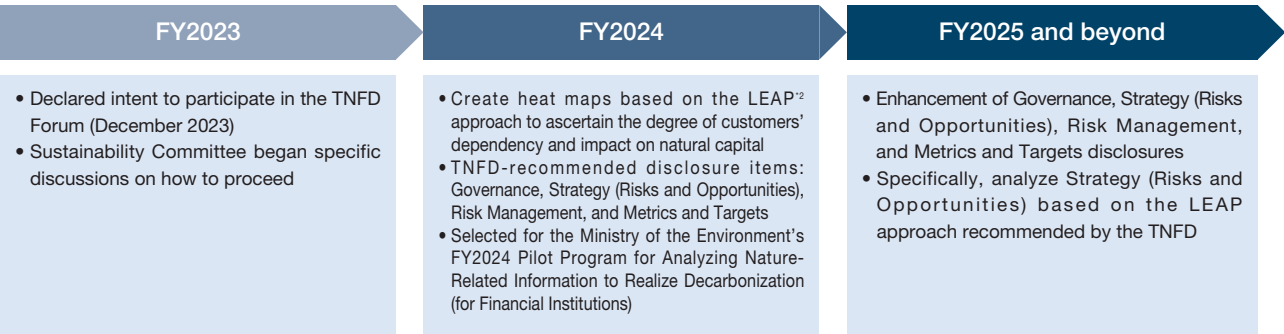
In December 2023, North Pacific Bank endorsed the Task Force on Nature-related Financial Disclosures (TNFD)*1 and participated in the TNFD Forum in an effort to address climate change as well as to conserve and restore natural capital. In addition to climate change, the TNFD covers natural capital, which it defines as comprising land, sea, freshwater, and air. As a financial institution rooted in Hokkaido, we believe it is important to support the objectives of the TNFD and promote its efforts. Surrounded by three seas, Hokkaido is blessed with a rich natural environment, including vast forests comprising diverse tree species and one of the largest wetlands in Japan. Since 2010, the Bank has been working to conserve biodiversity and maintain the natural environment through the Hokku Fund, which supports organizations working to protect rare species of Hokkaido and improve their habitats. By participating in the TNFD Forum, we will contribute to the sustainable development of all stakeholders and local communities by applying knowledge of international trends and information gained from the forum and making efforts to disclose nature-related financial information and address climate change and protect the natural environment of Hokkaido.



*1 An international initiative launched in June 2021 by the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Development Programme (UNDP), Global Canopy (a British environmental NGO), and the World Wide Fund for Nature (WWF)

Status of the Bank’s Initiatives

Although we have long engaged in nature conservation activities, we announced our intent to undertake conservation and restoration of natural capital starting in FY2023 and will continue to take actions in line with the TNFD framework to promote it throughout the Group.

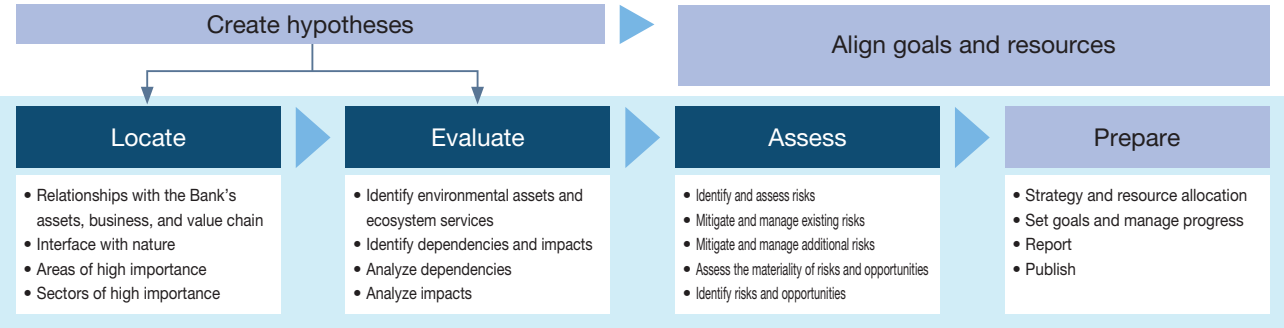


*2 LEAP is an acronym for Locate, Evaluate, Assess, and Prepare. The approach was published to serve as practical guidance for incorporating nature considerations into the risk management processes of corporate value chains and portfolios of financial institutions and other organizations.

Working Toward Disclosures Based on the TNFD Recommendations

The TNFD Recommendations call for the disclosure of Governance, Strategy (Risks and Opportunities), Risk Management, and Metrics and Targets. To identify natural capital-related risks and opportunities, we recognize the need to ascertain how the Bank's investments and financing are related to natural capital and vice versa. In line with the LEAP approach recommended in the TNFD framework, we will analyze and ascertain the dependencies and impact of investee and borrower companies on natural capital in an effort to appropriately manage risks to natural capital and capture business opportunities.

LEAP approach



Using ENCORE^{*3} to identify sectors with high dependency and impact

In the course of analyzing the dependencies and impact of our investees and borrowers on natural capital, we used ENCORE to analyze and create heat maps of the dependencies and impact of TNFD priority sectors. The analysis revealed high dependency on water in many sectors. We found high dependencies in particular on two such sectors: Construction Materials, and Paper and Forestry Products. In terms of impacts, we found that many sectors have a significant impact on water usage and terrestrial ecosystem usage, and zeroed in on Construction Materials, Containers and Packaging, and Metals and Mining accordingly. We will use this analysis as the basis for continuing to identify and analyze priority sectors, taking into account balances of investments and loans and their importance within the region.

Degree of dependency/impact

Very High (VH)

>

High (H)

>

Middle (M)

TNFD priority sector	Direct Physical Input					Enables Production Process						Protection from Disruption					
	Animals Energy	Textiles, etc.	Ground water	Surface water	Genetic material	Habitat retention	Water quality	Ventilation	Water flow regulation	Pollination	Soil quality	Mass flow relaxation	Climate regulation	Infectious disease control	Flood and storm control	Erosion control	Pest control
1 Oil and Gas																	
2 Chemicals																	
3 Construction Materials																	
4 Containers and Packaging																	
5 Metals and Mining																	
6 Paper and Forestry Products																	
7 Construction and Public Works																	
8 Commercial Services and Supplies																	
9 Transport																	
10 Automotive																	
11 Textiles and Apparel																	
12 Food and Beverage																	
13 Personal Care Products																	
14 Pharmaceuticals																	
15 Semiconductor Equipment																	
16 Utilities																	

2. Impacts

TNFD priority sector	Water usage	Terrestrial ecosystem usage	Freshwater ecosystem usage	Marine ecosystem usage	Marine ecosystem usage	GHG emissions	Non-GHG air pollution	Water contamination	Soil contamination	Solid wastes	Disturbances
1 Oil and Gas											
2 Chemicals											
3 Construction Materials											
4 Containers and Packaging											
5 Metals and Mining											
6 Paper and Forestry Products											
7 Construction and Public Works											
8 Commercial Services and Supplies											
9 Transport											
10 Automotive											
11 Textiles and Apparel											
12 Food and Beverage											
13 Personal Care Products											
14 Pharmaceuticals											
15 Semiconductor Equipment											
16 Utilities											

*3 ENCORE is a tool developed jointly by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and financial institutions to assess relationships between production processes and ecosystem services.

Spotlight

Biodiversity Conservation Initiatives

Hokku Fund

The Hokku Fund was established in 2010 with the aim of conserving Hokkaido's biodiversity, and provides a broad range of financial aid to organizations working to protect rare species and improve habitat environments in Hokkaido. Since its establishment, the fund has provided subsidies totaling 92.6 million yen to a total of 185 recipients. We have established the public/private collaborative Hokku Fund Selection Committee* to conduct the selection of funding recipients, and to ensure the validity, fairness, and transparency of funding. The equivalent of printing cost savings resulting from digitization of passbooks through the North Pacific Bank app and Hokuyo Smart Passbook smartphone applications, 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.

* Comprising the Hokkaido prefectural government, the Hokkaido Environment Foundation, the Japanese Association of Zoos and Aquariums, and North Pacific Bank

In FY2024, a total of 7.2 million yen was provided to 19 recipients, eight under the Hokku Course (maximum subsidy of 1 million yen) and 11 under the Tom Course (fixed subsidy of 100,000 yen).

Examples of activities by FY2024 Hokku Fund subsidy recipients



Lake Shikaribetsu Biodiversity Conservation Council
• Signal crayfish control



Haboro Collective Natural Space Creation Council
• Tree-planting drives



Okhotsk Fish Conservation Society
• Installing fish ladders for salmon



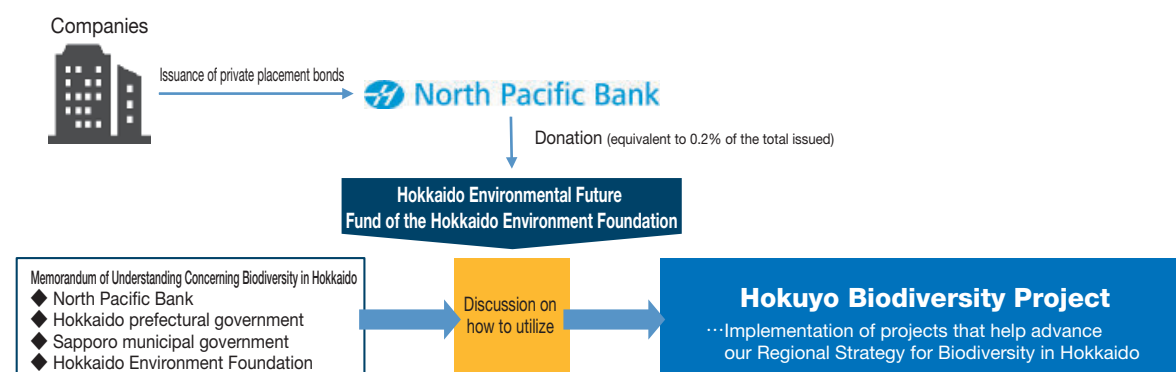
FY2024 Hokku Fund Presentation Ceremony

SDGs (Biodiversity) Private Placement Bonds

To conserve the wealth of biodiversity in Hokkaido and support initiatives for sustainability, we concluded a Memorandum of Understanding Concerning Biodiversity in Hokkaido with the Hokkaido prefectural government, the Sapporo municipal government, 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 and carry out projects that help advance our Regional Strategy for Biodiversity in Hokkaido. To raise awareness among residents of Hokkaido who enjoy the blessings from the prefecture's ecosystems, the Bank will strengthen its efforts for biodiversity together with local businesses.

Flow of biodiversity conservation initiatives

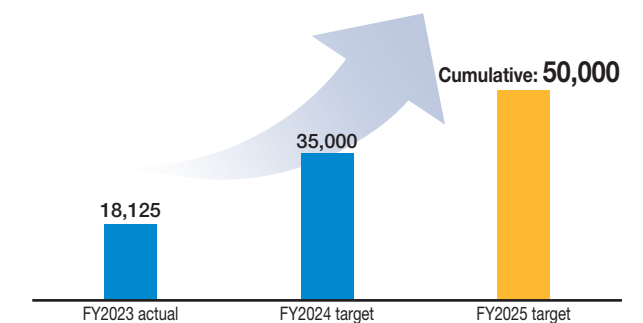


Financial and Economic Education Initiatives

As a financial institution rooted in the community, we consider educational activities for children—the future of Hokkaido—to be an important initiative, and we therefore put effort into financial education and support for their development.

With the growing need to prepare for an age of 100-year lifespans, correct financial knowledge and awareness of wealth-building are more important than ever. Given developments such as the April 2022 lowering of the age of majority to 18, and moves to improve financial literacy such as the addition of wealth-building to high school curriculum guidelines, we have discerned that the role regional financial institutions play in financial education has increased. In response, we launched the Hokuyo Financial Classroom project in April 2022. This project includes lectures for university students in Hokkaido, seminars for high school teachers and PTAs, outreach lectures for elementary, junior high, and high school students, and more. We will continue to conduct educational activities in collaboration with local communities and contribute to improving the financial literacy of residents of Hokkaido.

Number of Hokuyo Financial Classroom participants, actual and target



Hokuyo Financial Classroom

Lectures on finance and economics for Hokkaido University students

From October 2023 to January 2024, 15 lectures were held to impart general financial knowledge as well as to promote understanding of a wide range of fields, including the financial industry, regional revitalization, and sustainability with the aim of providing well-planned learning opportunities for Hokkaido University students to acquire the ability to make proper judgments and acquire correct knowledge about money.

* Collaboration with SMBC Consumer Finance Co., Ltd. and leading companies of the SMBC Group

Lecture on financial knowledge by an employee of the Bank



Creating educational materials: SDGs Challenge!

In October 2021, we started handling SDG (Education) Private Placement Bonds (Education Support Type) in which a portion of the issue amount is allocated to support education for children in Hokkaido. With the understanding and cooperation of companies issuing private placement bonds, we used an amount equivalent to 0.2% of the total issued to create SDG educational materials for FY2024 ("SDGs Challenge!") to provide elementary school students in Hokkaido with opportunities to learn about the SDGs.

These materials, which were supervised by Hokkaido University of Education, introduce 17 specific case studies involving Hokkaido, Japan, and the rest of the world with the aim of encouraging children to think and take action on their own. The children are expected to write down items of interest on a worksheet in the hope that it will inspire them to rise to the challenge of achieving the SDGs.



Message from the CBPO



Sustainably improving our corporate value with a consistently customer-oriented approach

Hitoshi Masuda

Deputy President and CBPO (Representative Director)

Introduction

Around 15 years ago, when I worked in what was then the Risk Management Department, I spent the bulk of my time calculating probabilities for loan loss risk and estimating expected default rates, expected loss rates, and other factors used to predict average and maximum loss amounts.

Although I later served successive terms as the manager of major branches, my time calculating risk and working on the front lines of sales convinced me that having an eye for qualitative positives that cannot be quantified, for example a company's appeal and technology, could increase the range of risks that could be eliminated and expand the scope of proposals beyond what can be done with calculated risk alone. This is what it means to confront risks from all angles. Our business growth support and consulting services are important ways for us to learn and gain a discerning eye by getting to know our customers better through dialogue. They are lifelines for creating a virtuous cycle in the Hokkaido economy.

Becoming a Bank That Grows Together with Local Communities

The Japanese economy faces an ever-changing environment, with high commodity prices, labor shortages, concern over the impact of the end of the Bank of Japan's negative interest rate policy and the prolonged depreciation of the yen, a declining birthrate and population aging, an increasing concentration of the population in urban areas, and the advancement of a digital society against a background of progress in GX and the rapid development of open AI.

In this complex, diverse social environment, we must rise to the challenge of confronting risks from all angles more than ever before so that we can become a company that explores the future of Hokkaido, as stated in the Group's Management Philosophy.

In my view, the Group's mission is not only to meet the apparent needs of our customers, but also to uncover their latent needs and resolve their issues, thereby contributing to the provision of value, growth, and development of our customers and local communities, and enhancing the sustainability of society as a whole, which in turn will enhance the corporate value of the Group. To succeed in this mission, we must improve the level of our relationships with our customers through dialogue and communication with them, and continue to boldly tackle challenges without fear of change and without being bound by precedent. Each and every one of our executives and employees must continue to think and act on their own initiative and thoroughly implement a customer-oriented approach with the aim of working together with local communities to sustainably enhance our corporate value.

Making Our Long-term Vision a Reality

To ensure that our Long-term Vision comes to pass, it is essential for our stakeholders to understand and resonate with our Management Philosophy and vision. Accordingly, it is important for every executive and employee to approach our customers with reverence, treat their concerns and needs as their own, and continue to work with them to resolve issues and meet their needs.

The Medium-term Business Plan, launched in April 2023, sets out three overall strategies. We are devoting energy toward investment and financing for customers' growth, the environment, and society; wealth-building support for the era of 100-year lifespans; and support for management improvement for customers harmed by the COVID-19 pandemic. All of these efforts share the goal of achieving sustainable growth in Hokkaido and local communities. As we continue to change along with society's diverse needs and social issues, we will continue to develop our business models and value-providing functions for each market segment across the Group to customize our response to the diverse needs of our customers, and further deepen the structures and systems that enable us to accommodate them without losing our long-term perspective.

In-depth Dialogue with Customers for Deeper Understanding and More Targeted Support

Improving the stability, fulfillment, and satisfaction of the lives and livelihoods of all Hokkaido residents is critical for revitalizing the prefectural and regional economies, and that to achieve this, we must create a virtuous cycle in the Hokkaido economy. A virtuous economic cycle is one in which the growth and development of many businesses—including small and medium-sized enterprises (SMEs) in Hokkaido—leads to increased sales, revenue, and profits, which in turn revitalizes the economy and increases the income and spending of Hokkaido residents, leading to further growth and development of the Hokkaido economy.

To support the creation of such a virtuous cycle, we are focusing on business growth support, mainly for SMEs in Hokkaido. We will confirm and reach a shared understanding of how our customers intend to develop their businesses in this ever-changing environment, and work with them to improve their corporate value while providing comprehensive support for everything from cultivating to protecting their valuable assets.

In the past several years, Hokkaido's potential has been attracting attention both domestically and internationally, and outstanding business opportunities are being created one after another. These opportunities do not change our mission, which in my view is to support both local companies and those expanding into Hokkaido by providing investments and loans, encouraging corporate relocations to Hokkaido, business matching, and more to spread the benefits throughout Hokkaido in order to revitalize local companies. The overall aim is to improve the economic strength of Hokkaido residents and provide them with the support and assistance they need to build wealth.

The collective strength of the North Pacific Group is behind our ongoing efforts to provide consulting based on in-depth dialogue with customers for deeper understanding and more targeted support.

Taking on the Challenge of New Growth

We are now in the second year of our current Medium-term Business Plan, entitled Taking on the Challenge of New Growth. In discussions leading up to the development of this plan, we considered it our responsibility to develop sustainable local communities through the resolution of many social issues from a financial perspective. When we speak of developing local communities, we include corporations, individuals, and all of Hokkaido, with the key terms "growth" and "environment and society." In addition to the megatrends of depopulation and population aging that are progressing faster in Hokkaido than in Japan as a whole, the outflow of young people to the Tokyo metropolitan area is directly related to labor shortages. The impact of climate change on agricultural and fishery products has become particularly pronounced, and efforts must be made to maintain ecosystems. While confronting these environmental and social challenges and maintaining a customer-oriented approach, we will advance proposals to meet latent and diverse needs through dialogue with all customers, whether corporate or individual.

We will also ride recent tailwinds—including the designation of Sapporo as a GX Finance and Asset Management Special Zone and the expansion of the IT industry into Hokkaido—to promote the sustainable economic development of Hokkaido as a whole based on the Medium-term Business Plan.

Corporate Strategy

Targeted response to customer needs by leveraging the corporate functions of the North Pacific Bank Group

Toshiyuki Satonaka

Executive Officer and General Manager of Corporate Business Headquarters



Providing Support for Sustainable Management

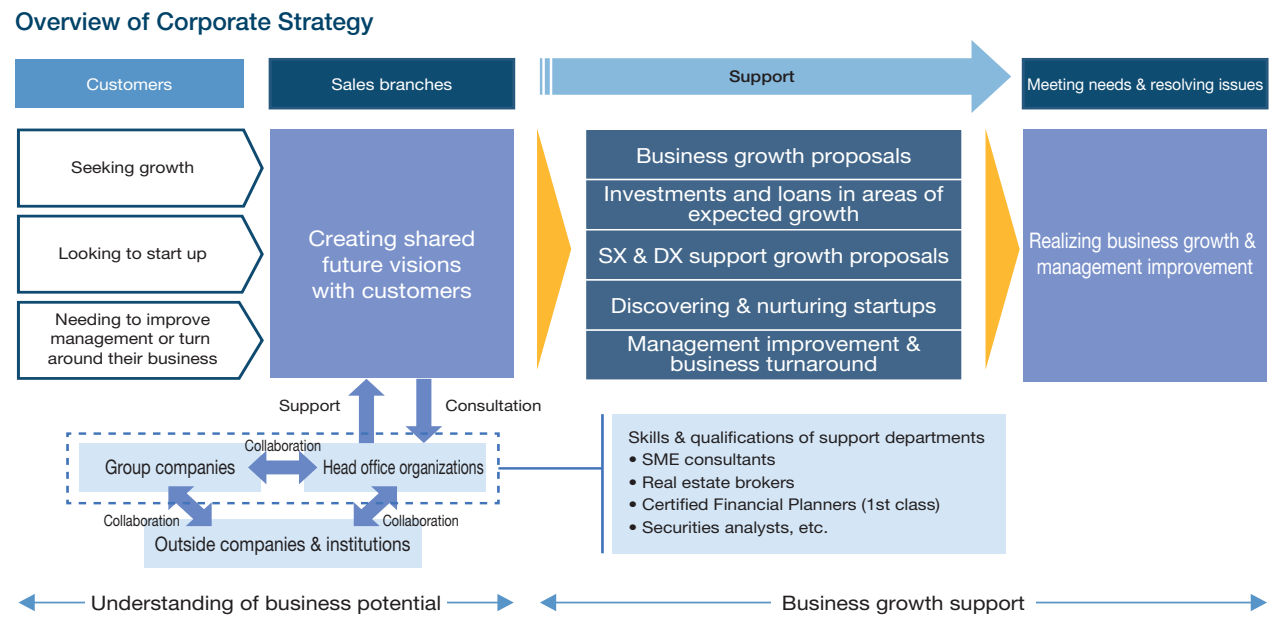
With the aim of growing together with our corporate and business customers by supporting their sustainable management, we will proactively work to resolve labor shortages, lack of successors, and other management issues. For both corporate and business customers, we intend to offer convenience and cut down on time previously spent visiting our branches by promoting digitization such as the electronic delivery function of interest and bank statements, electronic submission of documents, and more.

These moves to increase productivity within the Bank should provide more opportunities to interact with customers, ultimately leading to an increase in quality proposals. In terms of specific support, our business growth support helps both corporate and business customers realize their visions for the future. Regarding investments and financing in growth areas, we will provide support not only for direct transactions related to semiconductors and GX, but also for securing employees and livelihoods for relevant companies. Additionally, to support the growth and development of local companies, we will offer startup assistance in the form of funding through a second Hokuyo SDG Promotion Fund No.2, start offering Hokuyo Startup Loans, and continue to hold business fairs for exporting food products from Hokkaido and also for matching companies, for example North Pacific Bank Manufacturing Sustainability Fair.

While meeting a wide range of corporate and business needs, we will leverage the corporate functions of the North Pacific Bank Group to resolve issues in a proactive effort to contribute to the sustainability of companies in Hokkaido.

Customer Support through Consulting

For customers who are looking to grow, start up, or improve their management, we will create shared future visions and provide support for business growth and management improvement through consulting, thereby contributing to the enhancement of their corporate value.



Assistance for SMEs

To support our customers' growth, we must create shared future visions and strategies. Therefore, based on information obtained through ongoing dialogue with our customers, our sales branches and head office share information and communicate with each other, consider what is necessary for our customers, and propose solutions accordingly.

Business Growth Support

- Given concerns over the contraction of the Hokkaido market as the population declines, we launched this initiative as part of efforts to promote customers' growth by responding to changes in their circumstances, creating new businesses, and the like.
- Specifically, we ask customers about their visions for the future, propose growth strategies and other measures to realize their visions, and work together to create roadmaps.
- We regularly monitor these roadmaps to support not only short-term, but also medium- and long-term initiatives for business growth.
- We provide support not only through the Bank, but also from multiple angles through business matching and collaboration with local and outside organizations and institutions.

Examples of customer support options

• Bank transactions	• EC & website utilization
• Leases and installment sales	• Crowdfunding
• Real estate	• Sales channel expansion
• Cashless transactions	• Business fairs
• Insurance	• Overseas assistance
• Asset management	• Environmental issue-related support (e.g. decarbonization, food loss)
• Surveys, research, & seminars	• Human capital-related support (e.g. health management, human resource development)
• Consulting services	• Governance-related support (e.g. BCP, organizational reform)
• Security	• Asset utilization

Investment in Areas of Expected Growth / SX & DX Support

- The Group views semiconductor- and GX-related industries as areas of expected growth, and is developing initiatives in these areas.
- To enhance corporate value, we provide support to customers for SX (management and business transformation to achieve both sustainability (ESG) and earning power) as well as DX (corporate culture and business flow transformation through data and digital technology).

Discovering & Nurturing Startups

- As a driver of economic growth, the Japanese government is implementing a five-year plan to nurture startups; in Hokkaido, STARTUP HOKKAIDO, an initiative organized by the Hokkaido prefectural government, the Sapporo municipal government, and the Hokkaido Bureau of Economy, Trade and Industry, has been launched, and startups are gaining momentum.
- The Bank has specific options for all loans, investments, and subsidies for startups, with a focus on financial support.

Examples of support

Funding	Second Hokuyo SDG Promotion Fund No.2
Financing	Hokuyo Startup Loans
Subsidies	North Pacific Bank Startup R&D Fund
Human resources	Collaboration with Hokkaido Kyoso Partners Co., Ltd. (a subsidiary)
Sales channel expansion	North Pacific Bank Manufacturing Sustainability Fair

Management Improvement & Business Turnaround

- Our sales branches and the Business Improvement Support Group of the Loan Administration Department, a specialized division of the Bank's Head Office, are working together to strengthen predictive management.
- In addition to individually examining management improvement and business turnaround schemes aimed at resolving customers' management issues (e.g. business turnaround assistance based on guidelines for business turnaround and other support for SMEs), we also work with outside professional organizations to provide highly specialized support for management improvement and assistance for drastically turning around business to customers with increasingly diverse and complex management issues.
- We are also working on human resource development to enable us to dig deeper, propose solutions, and resolve issues related to both apparent and latent needs.



Daisuke Fukushima,

General Manager of the Loan Administration Department

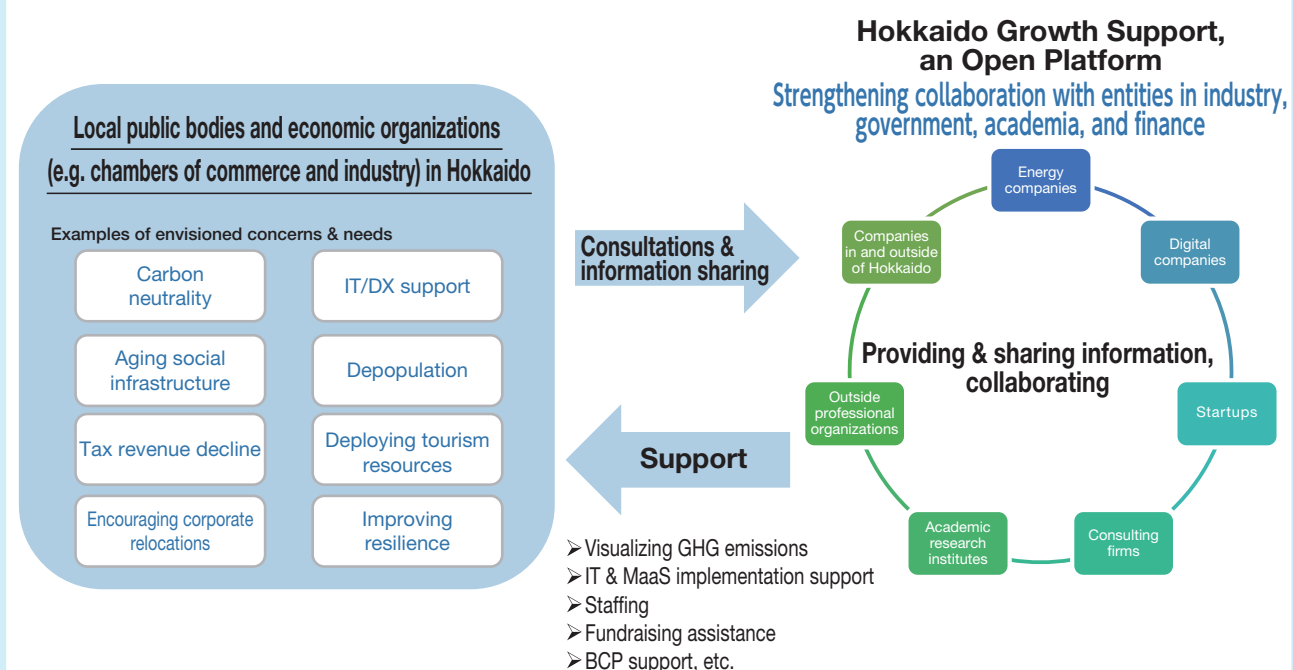
Regional Strategy

We will strengthen our initiatives for new and growth industries in cooperation with local communities to promote investment and stimulate spending in Hokkaido, thereby contributing to the realization of a sustainable society.

Hokkaido Growth Support, an Open Platform

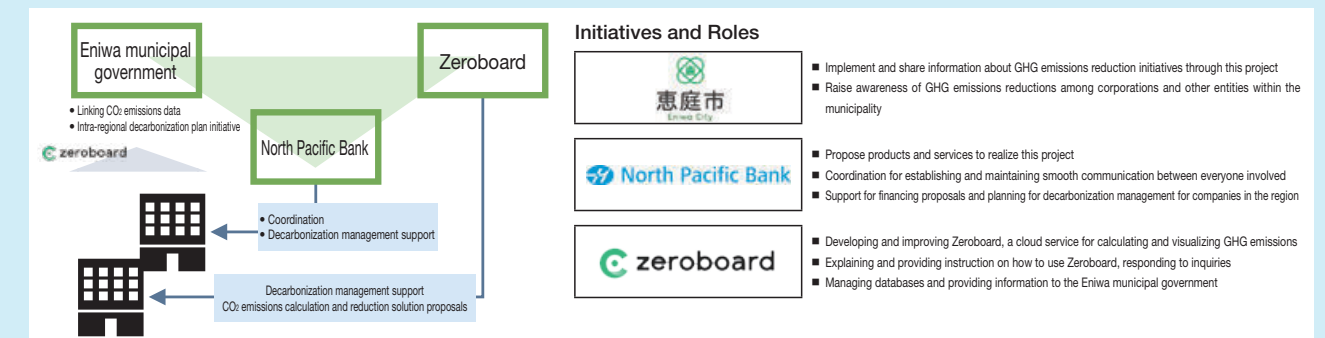
In April 2023, North Pacific Bank established an open platform to facilitate concerted efforts by the head office and branches to ascertain needs and collaborate with entities in industry, the government, academia, and finance with the aim of supporting local public bodies and economic organizations in resolving issues and developing and realizing sustainable local communities. Since then, we have provided an ample array of solutions to address the needs and concerns of our clients. In addition to resolving issues faced by local public bodies, the Bank aims to expand business opportunities by ensuring that the benefits of this initiative reach local companies.

Illustration of collaboration and support



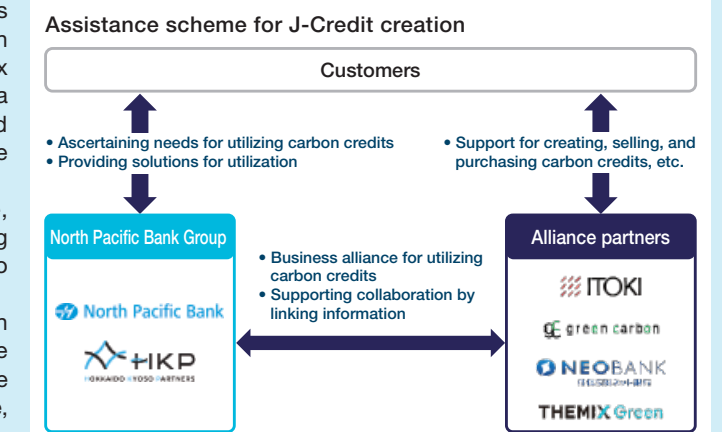
Case Study 1: Promotion of Community-Wide Decarbonization in Eniwa

In June 2023, North Pacific Bank, the Eniwa municipal government, and Zeroboard Inc., provider of a cloud service for calculating and visualizing GHG emissions, signed a basic agreement for realizing a decarbonized society in Eniwa and its environs. This was the first agreement between a financial institution in Hokkaido and a local government aiming to realize a decarbonized society. We will continue to promote support for decarbonization for Hokkaido residents.



Case Study 2: Support for J-Credit Creation

In November 2023, the Group entered into a business alliance in Hokkaido with Itoki Corporation, Green Carbon, Inc., SBI Sumishin Net Bank, Ltd., and Themix Green, Inc. through Hokkaido Kyoso Partners Co., Ltd. (a subsidiary) to promote decarbonized management and increase profits from carbon credits* by supporting the creation of carbon credits for a wide range of customers. Amid mounting global concern over climate change, efforts to achieve carbon neutrality are gaining momentum, and companies in Hokkaido must also answer the call for decarbonization management. As a group of regional financial institutions rooted in Hokkaido, we will continue to contribute to the enhancement of our customers' corporate value, the achievement of carbon neutrality for Hokkaido as a whole, and the revitalization of the local economy by supporting decarbonized management of companies in Hokkaido.



* Carbon credits are a mechanism that allows companies to issue and trade (with other companies) credits for reductions in (or absorption of) CO₂ and other greenhouse gases achieved by introducing energy-saving and renewable energy equipment, forest protection, afforestation, and other efforts

Case Study 3: Participating in the Nord SeaEra Project in Hakodate

Against the backdrop of the Japanese government's decarbonization policy, which aims for net zero GHG emissions by 2050, and the growing need to utilize alternative fuels, the Bank has been involved since October 2023 in considerations for a renewable offshore power generation and hydrogen business model (the Nord SeaEra Project) in Hakodate initiated by MOL Techno-Trade, Ltd. In May 2024, we began the transition into the consideration phase for the demonstration and real-world implementation of Japan's first hydrogen production plant vessel and the establishment of a local hydrogen supply chain.* We continue to provide support to encourage companies whose businesses are centered in Hakodate to participate. The focus of this consideration is to examine the concept of local production of energy for local consumption, in which renewable energy is generated offshore in local seas, converted to hydrogen, and used in the private sector. However, given that the energy could also be used in construction for ports and harbors as well as onshore facilities, or as part of municipal BCP measures to respond when terrestrial energy supply networks are cut off from each other due to natural disasters or the like, we will continue to provide support as part of our assistance for municipal governments.

* This project aims to establish a local hydrogen supply by FY2027 by simultaneously examining onboard hydrogen production and transport derived from marine and offshore energy distinct to the Tsugaru Strait (aiming to utilize solar, wind, waves, tides, and all other sources) and, on the demand side, conversion and utilization of hydrogen energy in Hakodate.

Special Feature 1

Promoting GX in Hokkaido

Greatest Renewable Energy Potential in Japan, and Illustration of GX Projects in Hokkaido

Hokkaido is home to roughly 40% of Japan's renewable energy reserves. Creating new energy through GX represents a great opportunity for the growth and advancement of the Hokkaido economy. Suitable sites for GX can be found throughout the prefecture, and various measures are underway to ensure that the benefits reach all corners of Hokkaido.

Major renewable energy potential in Hokkaido

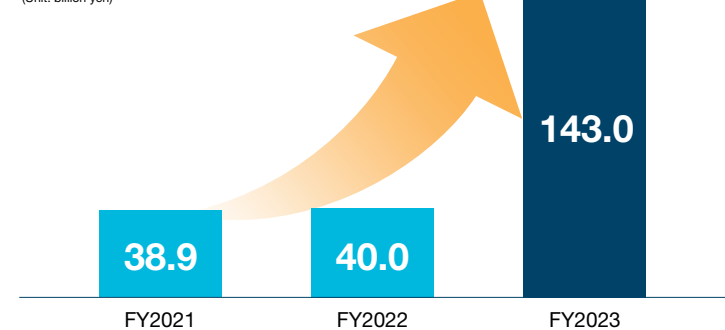


Promoting GX-Related Financing

We proactively engage in GX-related financing to ensure that GX-related spillover reaches all corners of Hokkaido.

GX-related financing for corporate clients* actual figures

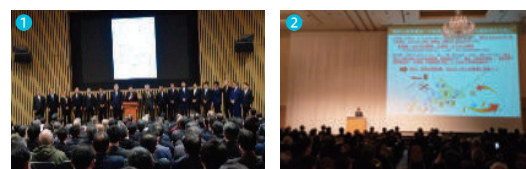
(Unit: billion yen)



* Scope: Financing to fund solutions to environmental issues, SDGs (Eco/Biodiversity) Private Placement Bonds, sustainable loans (environment-related), Renewable Energy Project Finance

GX-related developments in Hokkaido

February 2023: Rapidus Corporation announces expansion into Hokkaido
 March 2023: "Long-Term Policy for Cross-Regional Networks" published (calls for reinforcing Hokkaido's power grid)
 April 2023: G7 Sapporo Ministers' Meeting on Climate, Energy, and Environment held
 May 2023: Five areas offshore of Hokkaido designated as promising areas for offshore wind power generation
 June 2023: GX Financial Consortium "Team Sapporo-Hokkaido" established
 November 2023: Softbank announces plans to build the largest data center in Japan in Tomakomai Tomakomai selected as a Decarbonization Leading Area
 January 2024: One of Japan's largest offshore wind farms begins commercial operation in Ishikari Bay
 February 2024: Hakodate-Oshima-Hiyama Zero Carbon Hokkaido Promotion Committee launched ①
 March 2024: "Future of GX Business in Hokkaido" seminar held ②



Industry-Academia-Government-Finance Collaboration to Promote Hokkaido GX

Establishment of "Team Sapporo-Hokkaido" and the Bank's Role

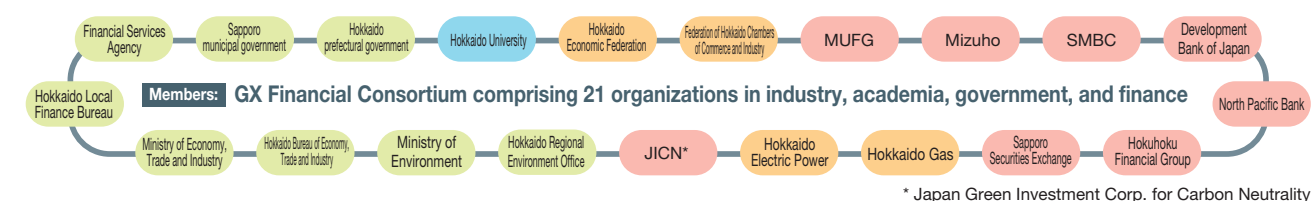
On June 23, 2023, GX Financial Consortium "Team Sapporo-Hokkaido" was established. The team comprises 21 organizations in industry, academia, government, and finance, and was formed to realize a financial center for Asia and the rest of the world, a cluster of GX-related funds, human resources, and information in Sapporo and Hokkaido to maximize the renewable energy potential of Hokkaido (the best in Japan).

Team Sapporo-Hokkaido aims to attract public and private GX investment—estimated to exceed 150 trillion yen over the next decade—plus an additional 30 to 40 trillion yen from around the world to Sapporo and Hokkaido through collaboration on eight GX projects and six priority initiatives.

In addition to serving as the joint secretariat along with the Sapporo municipal government, the Hokkaido prefectural government, and Hokuohoku Financial Group, Inc., the Bank oversaw the Special Zone Working Group, which was seeking approval as a National Strategic Special Zone, and worked with the applicants—the Sapporo municipal government and the Hokkaido prefectural government—to prepare draft proposals for deregulation, tax incentives, and other measures to promote environmental investment.



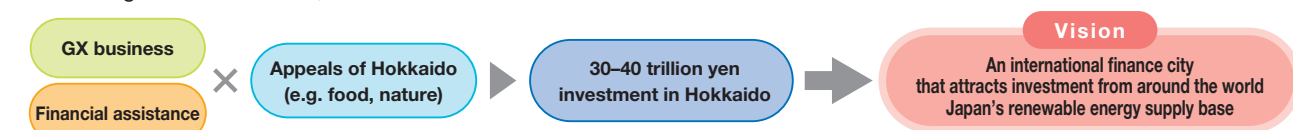
Photo of the foundation symposium



8 GX projects		6 priority initiatives	
Course of action		Course of action	
I. SAF	<ul style="list-style-type: none"> Promote introduction of sustainable aviation fuel (SAF) through local production for local consumption 	(1) Information Platform WG	<ul style="list-style-type: none"> Establish electronic aggregation, sharing, and dissemination of GX financial data, etc.
II. Hydrogen	<ul style="list-style-type: none"> Develop integrated demonstration model for hydrogen supply & demand 	(2) Renewable Energy Supply & Demand Promotion WG	<ul style="list-style-type: none"> Share issues and countermeasures for supply expansion Promote investment that contributes to enhancing Hokkaido's value Model project to create a virtuous cycle
III. Offshore wind-related industries	<ul style="list-style-type: none"> Promote offshore wind-related industries and develop human resources 	(3) Funding & Finance WG	<ul style="list-style-type: none"> Develop schemes commensurate with growth stages
IV. Storage batteries	<ul style="list-style-type: none"> Promote relocation of manufacturing facilities for storage batteries to Hokkaido 	(4) Special Zone WG	<ul style="list-style-type: none"> Consider deregulation, tax incentives, and other measures to accelerate investment based on the characteristics of Hokkaido
V. Next-generation semiconductors	<ul style="list-style-type: none"> Steadily develop next-generation semiconductor manufacturing plants and promote clustering of related industries 	(5) Human Resource Development WG	<ul style="list-style-type: none"> Develop human resources for environmental finance who are active domestically and internationally Develop human resources for offshore wind power generation and other GX businesses
VI. Electric & hydrogen carriers	<ul style="list-style-type: none"> Promote deployment of electric and hydrogen carriers in Hokkaido 	(6) Information Dissemination & International Cooperation WG	<ul style="list-style-type: none"> Share information to attract global investment Obtain international knowledge and cooperation
VII. Submarine DC power grid	<ul style="list-style-type: none"> Steadily develop submarine DC power grid and promote relocation of related industries to Hokkaido 		
VIII. Data center	<ul style="list-style-type: none"> Promote relocation of data centers to Hokkaido Promote real-world implementation of AI 		

Obtaining Certification as a National Strategic Special Zone

Special zones are a regulatory reform system in which the national government designates certain regions and sectors to benefit from deregulation, tax incentives, and other measures aimed at realizing growth strategies. Previously, Hokkaido had no special zones. We made efforts to realize a GX Finance and Asset Management Special Zone to provide financial support for GX, which leverages the renewable energy potential of Hokkaido and Sapporo (the best in Japan), and achieved the special zone designation on June 26, 2024.



Participating in an Offshore Wind Consortium

To promote the offshore wind power generation business, which has a particularly broad supply chain, we formed a consortium with the Hokkaido Economic Federation, ANIC*, the Hokkaido Research Institute for the Twenty-first Century, Dogin Regional Research Institute, Hokuohoku Financial Group, and others to conduct studies and research on establishing an offshore wind power supply chain and providing support for securing human resources, as well as to provide support for matching individuals.

* Agency for New Industry Cluster of Hokkaido

Special Feature 2

Next-Generation Semiconductor Project

Rapidus' Expansion into Hokkaido



©Rapidus Corporation ©KAJIMA CORPORATION

In February 2023, Rapidus decided to build a new state-of-the-art semiconductor plant in Chitose, Hokkaido. The plan is to jointly promote further development of IBM's groundbreaking 2-nm (two billionths of a meter) chip technology and introduce it to the Chitose manufacturing facility. Construction of the plant began in September 2023, with the goal of launching prototype lines in 2025 and mass production lines in the late 2020s.

Economic Spillover in Hokkaido

In November 2023, the Agency for New Industry Cluster of Hokkaido released a simulation estimating that the cumulative economic spillover in Hokkaido could reach as much as 18.8 trillion yen.

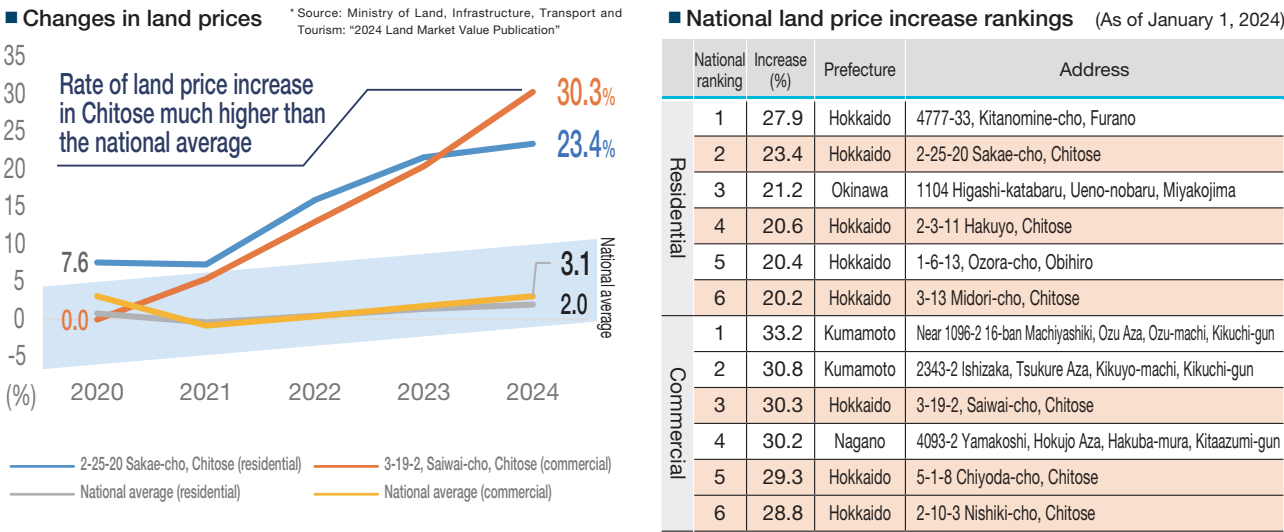
		Scenario 1	Scenario 2
Assumptions	Rapidus plant	Only Plant 1 constructed	Plants 1 and 2 constructed
	Start of mass production	Plant 1: FY2027 Plant 2: FY2030	Plant 1: FY2027 Plant 2: FY2030
	Industrial clustering (percentage of Rapidus procurement & sales)	Procurement in Hokkaido: 15% Sales in Hokkaido: 0%	Procurement in Hokkaido: 30% Sales in Hokkaido: 5%
	Number of relocations to Hokkaido (establishments in related industries)	20	70
	Number of employees (including related industries)	Roughly 1,600	Roughly 3,600
Economic spillover	Economic spillover (cumulative, FY2023-FY2036)	10,100 billion yen	18,800 billion yen
	GDP impact (cumulative, FY2023-FY2036)	6,100 billion yen	11,200 billion yen
	Production impact (cumulative, FY2027-FY2036)	5,800 billion yen	10,000 billion yen
	Investment effect		
	Rapidus Plants & equipment	4,200 billion yen	8,500 billion yen

		Scenario 1	Scenario 2
Investment effect	Related industries Plants & equipment	85.1 billion yen	298.0 billion yen
	Housing facilities	35.6 billion yen	80.6 billion yen

* Source: Agency for New Industry Cluster of Hokkaido press release (November 21, 2023)
* These estimates were not calculated or published by Rapidus; they are based on assumed conditions and figures. Simulation results vary depending on assumptions and estimates.

Increase in Land Prices in Chitose

Since Rapidus' decision to expand into the Chitose area, demand for land for rental condominiums, hotels, and businesses has increased, and land prices have risen in both residential and commercial areas. The rate of increase in Chitose is high compared to the national average.



The Bank's Support for Companies Expanding into Hokkaido

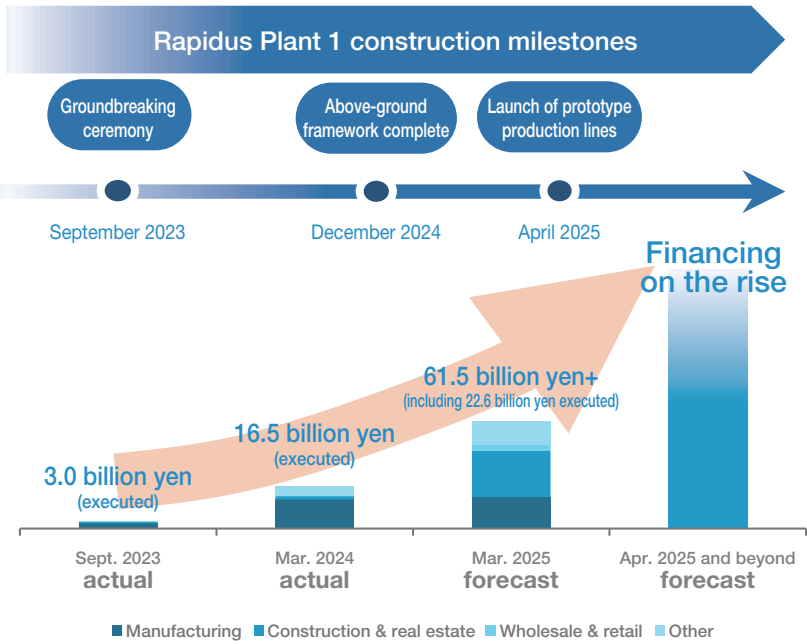
Since Rapidus' decision to expand into Hokkaido, several related companies and research institutions have announced their intent to follow suit. We support this expansion in collaboration with government agencies, private organizations, and other financial institutions.

Examples of Support for Expansion into Hokkaido

Company name	Head office location	Main line of business	Solutions offered
Kimura Kanko Co., Ltd.	Fukushima	Pipe laying, welding machinery and equipment installation, etc.	We plan to provide support in collaboration with The Toho Bank, a TSUBASA Alliance bank in Fukushima. Group company Hokkaido Kyoso Partners will provide recruiting assistance.
Japan Material Co., Ltd.	Mie	Development, manufacture, and sales of specialty gas supply equipment, design and installation of supply piping	Hokkaido Kyoso Partners will provide recruiting assistance. Japan Material Co., Ltd. exhibited at North Pacific Bank Manufacturing Sustainability Fair 2024 (an exhibition-type business fair sponsored by the Bank).
Technowell Inc.	Yamaguchi	Semiconductor, pharmaceutical, and hydrogen energy-related businesses; design, manufacturing, and installation of piping units	Introduced to us by The Iyo Bank, a TSUBASA Alliance bank in Ehime. Hokkaido Kyoso Partners will provide recruiting assistance. Technowell Inc. exhibited at North Pacific Bank Manufacturing Sustainability Fair 2024.
Technoflex Corporation	Tokyo	Pipe manufacturing, etc.	Hokkaido Kyoso Partners will provide assistance with recruiting and applying for subsidies from the Group.
Naigai TEC Corporation	Tokyo	Sales and maintenance of pneumatic equipment for semiconductor-related equipment, etc.	We provide data on commercial real estate. Hokkaido Kyoso Partners will provide recruiting assistance. Naigai TEC Corporation exhibited at North Pacific Bank Manufacturing Sustainability Fair 2024.

Semiconductor-Related Financing (Cumulative)

Our semiconductor-related financing is increasing at an accelerated pace as the Rapidus project progresses. We will continue to provide a variety of solutions while staying current on the needs of companies in and outside of Hokkaido.



Daisuke Shinohara

Assistant Manager (stationed at Tokyo Branch), Growth Strategy Planning Office, Management Planning Department



We see Rapidus' decision to locate its plant in Chitose as an excellent opportunity to substantially change the industrial structure of Hokkaido. To ensure that the semiconductor industry will form a lasting cluster in Hokkaido, we must support the further expansion of the industry. We will continue to collect updated information, support semiconductor-related companies expanding into Hokkaido, and promote efforts to match them with local companies.

Individual Strategy

Offering products and services that meet the needs and life stages of our customers, centered on in-person consulting predicated on customer-oriented sales.

Takayuki Kawamura

Executive Officer and General Manager of Retail Business Headquarters



My beginnings

I have worked at sales branches and in personal loan planning for many years. When I first joined North Pacific Bank and became a personal loan officer, I had the opportunity to talk with many customers with different life experiences and suggest the Bank’s loan products that would best suit their needs. In hindsight, it was a great source of growth for me, and may have been the starting point of my career in consulting.

Digitalization is advancing so rapidly that now we can do many things on just a smartphone. As a regional bank, our mission is to help resolve issues by meeting directly with our customers while continuing to pursue greater convenience for already expedient services.

Aiming for gratitude

At North Pacific Bank, we are strengthening our life planning support services to help customers resolve various concerns and worries in this age of 100-year lifespans.

Life planning support is a comprehensive service provided with the long-term aim of helping customers realize their dreams and goals, and addresses a variety of money-related needs, including education funding, home purchases, cashless transactions, asset management, and preparing for life after retirement.

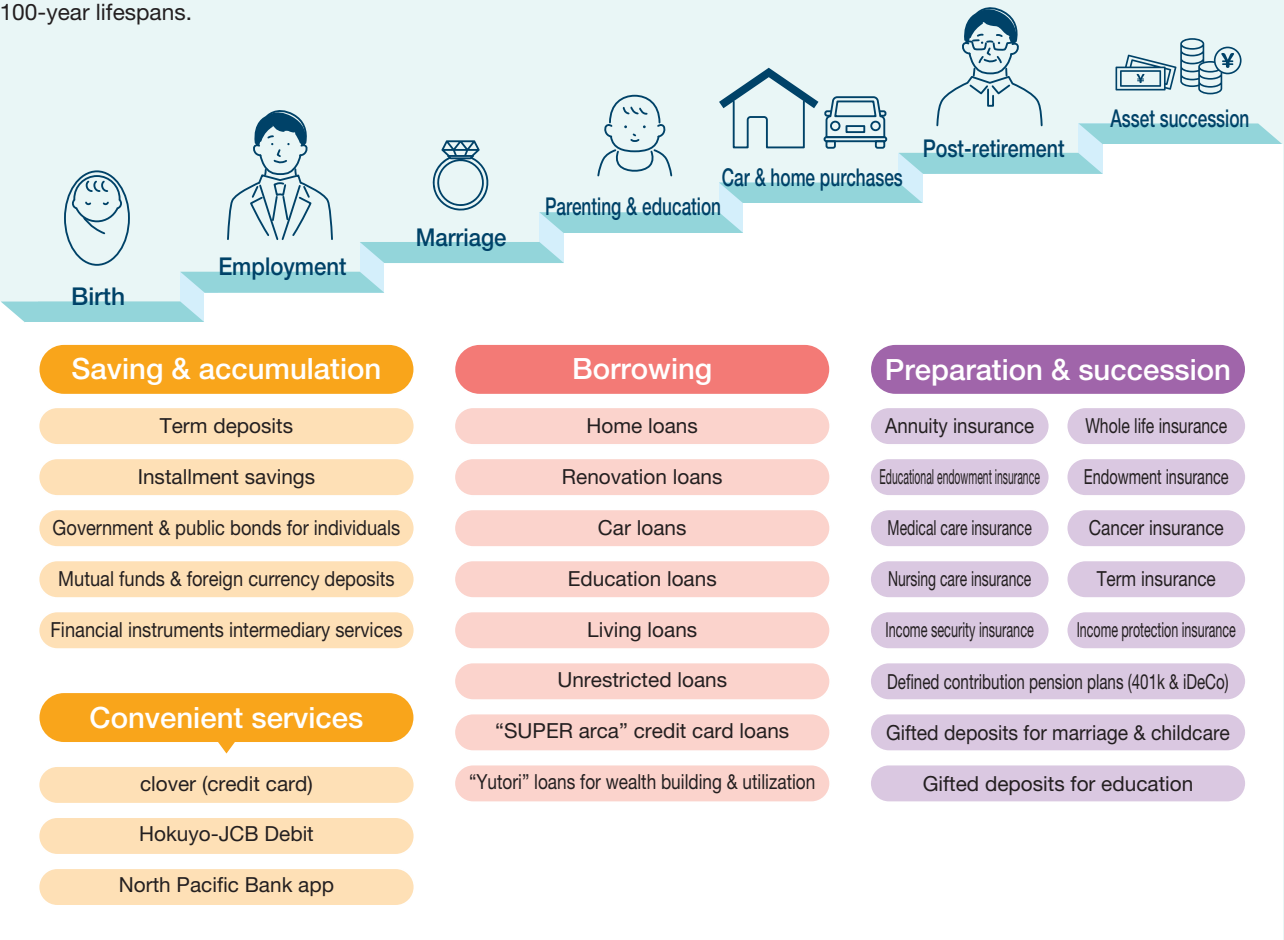
Our goal is to offer the optimal plan to each and every customer to help them lead a fulfilling life. Our expert staff members listen carefully to customer’s circumstances and future aspirations, and use that information to offer the best advice and targeted plans.

We also offer consultations and seminars on public holidays, online life planning consultations, and more. We encourage customers who have difficulty coming to the bank on weekdays to take advantage of these services.

We will expend every effort to provide customer-oriented services so that our highly valued current and potential customers are glad that they chose North Pacific Bank, and do our utmost in pursuit of their gratitude.

Life Planning Support

We propose appropriate services tailored to our customers’ life cycles and stages, and provide support for them to lead fulfilling lives with a sense of security by addressing their concerns and worries about their wealth as they age in this era of 100-year lifespans.



Strengthening Consulting for Support

Improving customer convenience with digital technology	Intimate support for sustainable living in the age of 100-year lifespans
<ul style="list-style-type: none">● Portal app for improved automated services● Using digital technology to streamline reception and create more time for engaging with customers● Strengthening collaboration with the Group and partners to meet needs for cashless transactions	<ul style="list-style-type: none">● Doubling Asset-based Income Plan: Proposing long-term, diversified, and accumulated savings with NISA & iDeCo accounts➡ Proposals for wealth-building for clients’ employees and their families➡ Intimate support for resolving concerns associated with prolonged retirement
Proposing life plans for wealth-building	Group-wide consulting to resolve customers’ issues
<ul style="list-style-type: none">● New Life Consulting Plaza is a one-stop shop for consultations on loans and life planning➡ Providing support for comprehensive life planning including loans, savings, insurance, succession, and more through empathetic consulting for customers who are currently borrowing from the Bank	<ul style="list-style-type: none">● Rigorously fulfilling the roles of banks and securities firms, improving problem-solving capabilities through human resource development➡ Strengthening the specialized human resources of North Pacific Securities and other Group companies to achieve more sophisticated, diverse problem-solving functions➡ Providing intimate consulting for long-lasting business relationships

Diversity & Inclusion

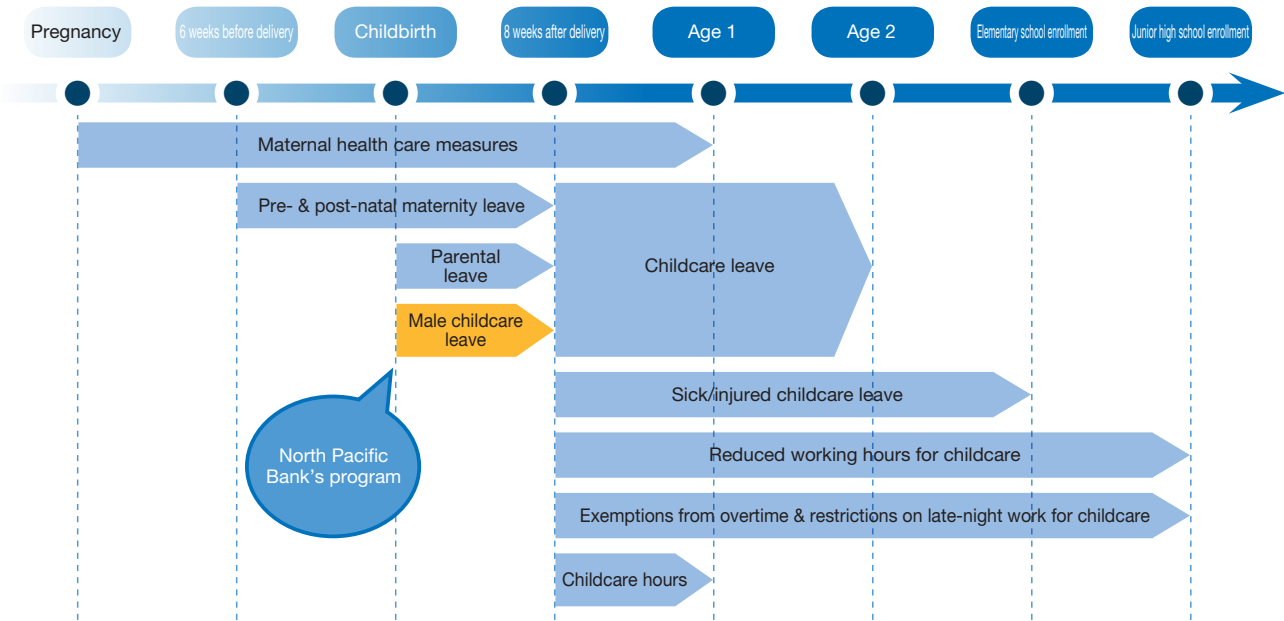
North Pacific Bank believes that increasing corporate value over the medium and long term requires encouraging active participation by women as well as mid-career hires and foreign nationals with diverse knowledge and experience. Accordingly, we are strengthening mid-career recruitment in collaboration with Hokkaido Kyoso Partners, a Group subsidiary engaged in the staffing business.

Initiatives to Support Balancing Childcare and Work

We are making efforts to accommodate a variety of work styles that allow all Bank employees to exhibit their skills to the fullest, and create an organization where each of them feels fulfilled at work. Established within the Personnel 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.

Work-Life Balance Support System

In addition to legally mandated childcare leave, we have established our own childcare leave program that supports employees in childcare by enabling them to take 10 days of leave in the first eight weeks after their spouse gives birth. We also use an internal social networking service to introduce employees who have taken childcare leave and their supervisors in an effort to raise awareness of the importance of participating in childcare.



Comments from a Male Employee who has Taken Childcare Leave

Yoshio Segawa Section Manager, Head Office

I took 375 days of childcare leave for the birth of my third child. As a man, I did not think it was right for me to take a year off, and as an employee, it pained me to think of leaving the small group I work with for such an extended period of time. But my supervisor suggested that I take as long as I thought I would need, and that is how I ended up taking a lengthy childcare leave. Some of my colleagues said they appreciated the precedent I was setting, and I was quite happy to hear that. After discussing with my wife how to spend the childcare leave period, I mainly did housework and took care of the older children, who were quite active (and mobile) at that stage and needed more attention than the baby. I am grateful that I got to experience the growth of all three of my children first-hand.



Active Participation by Female Employees

We provide various forms of support for employees with respect to childcare leave to help them continue their employment through childbirth and childcare, including support for employees returning to the workplace. Career development training for women at all levels, support for employees on childcare leave to return to work, and other programs provide support for women to continue working after giving birth and while raising children. Additionally, training for female branch managers and assistant branch managers includes a six-month mentoring program with senior female branch managers to provide emotional support. As a result of this support for more active participation by women, the percentage of women in management positions has increased each fiscal year. The difference in average years of employment between male and female employees decreased from 4.3 years in FY2017 to 2.2 years in FY2023.

Preparing Female Employees for Management Positions

In FY2023, we established a new training program for female employees who will work in management positions in the future. We also introduced a mentoring program for training participants to improve their career development and management skills through dialogue with management.



Photo of a training session for developing female managers

First Company in Hokkaido to Obtain Platinum Eruboshi Certification

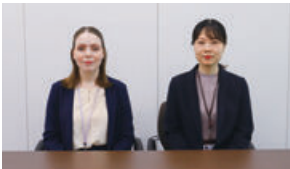
In June 2024, we became the first company in Hokkaido to receive Platinum Eruboshi Certification based on the Act on the Promotion of Women's Active Engagement in Professional Life.



Diversifying Human Resources

Employing Foreign Nationals

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 management position (overseas location). We hired one foreign national in FY2024.



(Left: Ms. Tia Shae Igarashi, Right: Ms. Rong Jie)

Initiatives to Hire People with Disabilities

To realize a society in which people with disabilities can live in the community with a sense of security, and to support their social independence, we are making efforts to create workplaces where people with disabilities can leverage their individuality and strengths.

Creating Environments Conducive to Participation by Post-retirement Employees

Under our Post-retirement 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 branches. We have also introduced a Post-retirement Partner Program that allows employment to be extended up to a maximum age of 70.

Interview with Foreign Employees

Q: Why did you choose North Pacific Bank?

Tia Shae Igarashi (Tia): I came to Japan from Australia to attend a university in Hokkaido. I was attracted to Hokkaido's unique natural environment and food culture, and the friendly community suited me very well. In my job search, I knew I wanted to give back to Hokkaido, so I decided to join North Pacific Bank because it is deeply rooted in local communities and can contribute to Hokkaido's economy and communities.

Rong Jie (Rong): During my study abroad in Hokkaido, I met many kind people and received support from those around me in many ways. I cherished my connection to Hokkaido and wanted to return the favor, so I looked for a job in Hokkaido. What interested me about working for North Pacific Bank was its robust support for the stability and growth of the Hokkaido economy through proactive development of a broad range of international operations, and I also felt an immediate affinity for the Bank when I learned that they have an office in Shanghai, my hometown.

Q: Did you face any difficulties at first?

Tia: The language, but also the business culture, etiquette, and how to talk on the telephone. But I received the same guidance as my peers, and thanks to that, I am now confident in my ability to handle my work.

Rong: When I first joined the Bank, I was assigned to the International Department, so I studied the relevant foreign exchange laws, regulations, and administrative standards. It was difficult to memorize the challenging legal text and find ways to apply it in my daily work. I also remember how nervous I was when I had to answer the phone—something I was not used to—and at the same time explain legal provisions I had just learned to the branches.

Q: What are your future goals?

Tia: I want to educate myself and obtain certifications while developing more cooperative relationships with my colleagues. My goal here is to improve my leadership skills in the future and advance my career while learning new things. I want to be a bank employee who can use her knowledge and experience as a foreign national in Japan to help solve Hokkaido's problems.

Rong: My current goal is to become a trustworthy bank employee by working on a wide range of tasks and gaining a variety of experiences. In the future, I want to fully utilize my knowledge and experience to serve as a bridge between Hokkaido and the rest of the world, and rise to the challenge of creating new value for our customers and the Bank.

Corporate Governance

Corporate Governance Basic Policy and Structure

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 medium and 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.

System Overview

Spotlight

June 2024: Transition to a company with an Audit and Supervisory Committee

The Bank transitioned to a company with an Audit and Supervisory Committee following a resolution to amend its Articles of Incorporation at the Annual General Meeting of Shareholders held in June 2024. In conjunction with this transition, the Bank will further strengthen its corporate governance by establishing an Audit and Supervisory Committee comprising four directors who are Audit and Supervisory Committee members, and will work to achieve sustainable growth and enhance the Bank's corporate value over the medium and long term.

External Directors

The Bank has appointed one external director (who is not an Audit and Supervisory Committee member) in an effort to enhance management transparency. The primary role of external directors (who are not Audit and Supervisory Committee members) is to use their advanced knowledge and extensive experience in corporate management and specialized fields to contribute to constructive discussions and management supervision at meetings of the Board of Directors from a standpoint independent of management. Additionally, to enhance the effectiveness of audits, the Bank has appointed three external directors who are Audit and Supervisory Committee members. The primary role of external directors who are Audit and Supervisory Committee members is to use their advanced knowledge and extensive experience in corporate management and specialized fields to conduct highly effective audits from an objective perspective, thereby contributing to ensuring sound management.

Internal Control System Maintenance

Basic Internal Control Policy

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors has approved a Basic Internal Control Policy and established a system to ensure the appropriateness of the Bank's operations and those of the corporate group comprising the Bank and its subsidiaries. Additionally, the Regulations on Administrative Authority and other regulations clarify duties, authority, and decision-making rules, while Group Management Regulations, Subsidiary Management Guidelines, and other regulations clearly define the management decision-making and reporting structures within the Group and establish a system to ensure the efficient execution of duties by the directors of the Bank and its subsidiaries.

Objective 1: Strengthen audit and supervisory functions
We have granted voting rights at Board of Directors meetings to directors who are Audit and Supervisory Committee members in an effort to strengthen audit and supervisory functions.

Objective 2: Expedite decision-making
We have delegated some of the Board of Directors' important business execution decisions to the directors in an effort to establish a system that allows for further expedited management decision-making and business execution under proper supervision of the Board of Directors.

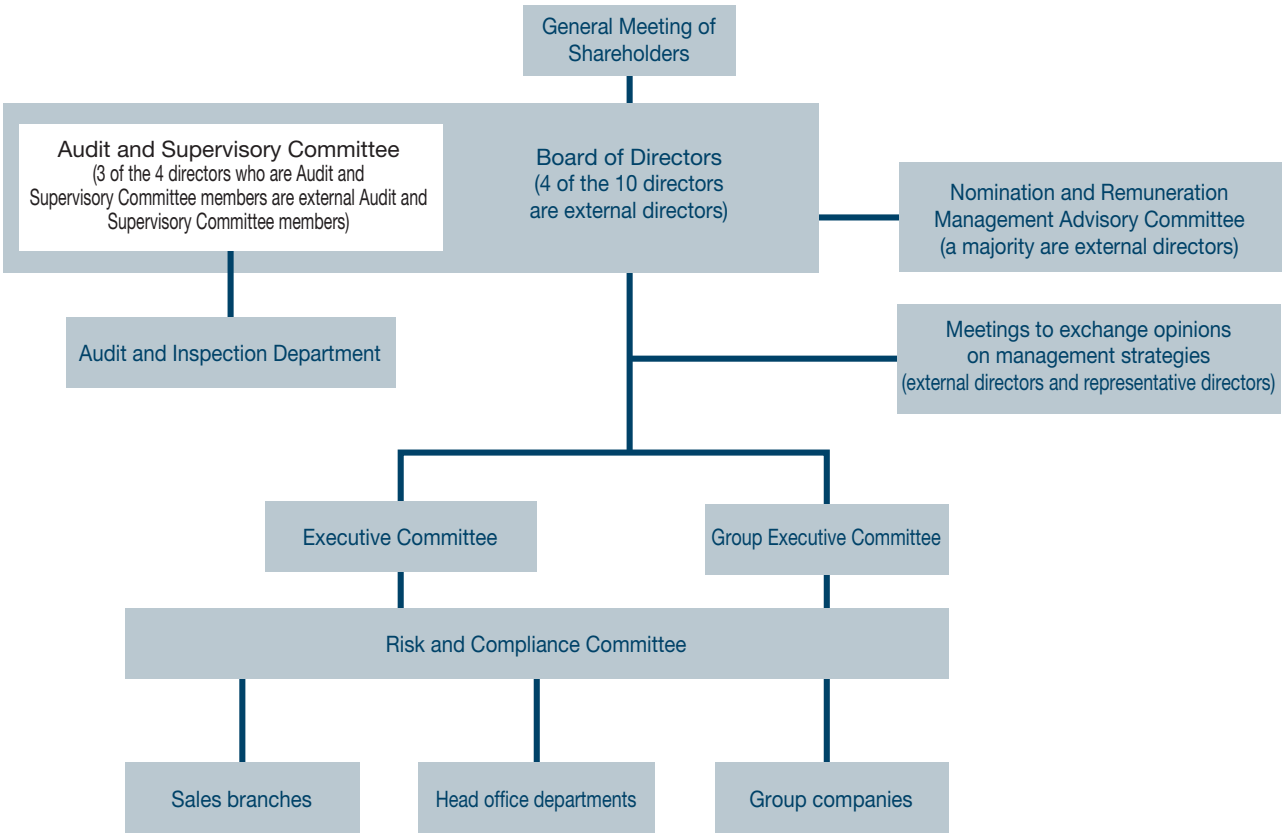
Internal Audits and Accounting Audits

The Bank has established an Internal Audit and Inspection Department positioned independently of the departments subject to audit to conduct internal audits of the head office, sales branches, and subsidiaries based on audit policies and plans determined by the Audit and Supervisory Committee. Audit results are regularly reported to the Audit and Supervisory Committee and the Board of Directors. North Pacific Bank has appointed KPMG AZSA LLC as its accounting auditor. To ensure the effectiveness of audits, the accounting auditor and Audit and Supervisory Committee members meet regularly to exchange information and opinions. Additionally, Audit and Supervisory Committee members confirm the status of the Bank's internal controls by attending meetings of the Disclosure Committee, Risk and Compliance Committee, and other important committees.

Basic Policy for Internal Control over Financial Reporting

We believe that ensuring the reliability of securities reports and other 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 Policy for Internal Control over Financial Reporting, and established Internal Controls on the Group's Financial Reporting.

Corporate Governance System Chart



Board of Directors (14 meetings in FY2023)

The Board of Directors comprises 10 directors, six of whom are directors who are not Audit and Supervisory Committee members (one of whom is an external director), and four of whom are directors who are Audit and Supervisory Committee members (three of whom are external directors). The primary responsibilities of the Board of Directors are to make important decisions (including management strategies and plans), and to effectively supervise corporate management and the directors.

Nomination and Remuneration Management Advisory Committee (5 meetings in FY2023)

The Nomination and Remuneration Management Advisory Committee comprises two representative directors and four external directors, and determines amounts of remuneration for individual directors (who are not Audit and Supervisory Committee members) and discusses and reports to the Board of Directors on matters such as the appointment of directors.

Executive Committee (17 meetings in FY2023)

The Executive Committee, which comprises internal directors, makes resolutions on important matters not on the agenda of the Board of Directors, and discusses matters on the agenda and matters required by the chairman in an effort to stimulate discussion for swift decision-making.

Audit and Supervisory Committee (16 meetings in FY2023 (as the Audit & Supervisory Board))

The Audit and Supervisory Committee comprises one internal director and three external directors. As an independent body, the committee's primary responsibility is to conduct highly effective audits of directors' execution of duties. The committee prepares audit reports, receives reports on directors' execution of duties, and submits statements of its opinions to directors or the Board of Directors as necessary.



Message from the CRO



Building robust management infrastructure to underpin sustainable growth

Akira Yamada

Managing Director and CRO

Increasingly complex circumstances

We see that the environment surrounding financial institutions is changing rapidly. The risk environment is becoming more diverse and complex due to accelerating population decline caused by a declining birthrate and population aging, a decrease in the number of business establishments due to lack of successors, response to environmental issues such as reducing CO₂ emissions (SX), rapid progress in digitization (DX), mounting cybersecurity threats associated with the spread of IT systems and cloud services, and more. Under these circumstances, the North Pacific Bank Group believes that it is increasingly necessary to accurately and comprehensively interpret various risks, maintain financial soundness so that we can use our own capital to absorb losses when risks materialize, and upgrade our risk management framework.

Compliance is at the core of everything we do

The first item in the Group’s Code of Conduct is “Acting with integrity and a firm awareness of compliance and our social responsibilities,” placing compliance at the core of everything we do. Accordingly, the Board of Directors oversees the compliance framework of the Bank and the Group based on the Basic Internal Control Policy, and the Risk and Compliance Committee formulates specific action plans and the like to ensure compliance as a key management issue. Each and every member of the Group is aware that the trust of our stakeholders is in the balance for every one of their actions, and measures to foster a sound corporate culture are reflected in the Compliance Program for each fiscal year. For the Compliance Program for FY2024, the basic policy is to improve our ability to resolve compliance issues autonomously. Under the program, we are working to create an organization in which each and every employee is capable of identifying and addressing compliance-related problems on their own based on our Management Philosophy, Code of Conduct, and high ethical standards.

Risk Management at the Bank

The Group exhaustively identifies various types of increasingly diversified and complex risks, and manages them by risk category, such as credit risk and market risk. We also conduct risk management by taking a holistic view of the risks assessed in each category and comparing and contrasting the level of risk against our management vitality (integrated risk management). Specifically, we allocate capital to each target category (credit risk, market risk, and operational risk) in advance within the limits of capital adequacy, and then quantify and monitor the level of each risk to ensure that it is within the limits of the allocated capital. When allocating capital, we set aside a buffer for unmeasured risks, new business, and other unexpected developments, and also conduct stress tests to assess and verify capital adequacy in an effort to ascertain the impact of risk events we have not identified.

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. There are two ways to deal with credit risk. The first is to manage individual loan transactions using appropriate methods in accordance with credit status. The second is to manage loan portfolios to avoid excessive exposure to specific borrowers and industries, thereby dispersing credit risk. The Bank’s divisions in charge of credit screening are divided into departments according to the size, industry, and credit status of individual borrowers. They are prepared to provide appropriate advice, managing each client individually to ensure that we properly ascertain credit risk. Additionally, the Risk and Compliance Committee and the Credit Risk Management Review Committee monitor and verify the Group’s overall credit risk by appropriately managing the Group’s overall credit portfolio.
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 other factors. As the Bank of Japan continues to normalize its monetary policy, it has become extremely important for the management of financial institutions to anticipate market risk and avoid or mitigate it accordingly. Our Securities Investment and Risk-Taking Policy contains basic policies for low-risk investment, medium- to long-term diversified investment, emphasis on market liquidity, and the like, and we carry out securities investment with the aim of adjusting ALM and managing surplus funds. Additionally, we do not rely excessively on market outlooks, nor do we take investment actions aimed at securing short-term profits. The Risk and Compliance Committee and ALM Committee monitor, check, and manage the level of market risk in the Group’s overall assets under management.
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. To appropriately manage this type of risk, we have established Liquidity Risk Management Regulations containing policies and basic matters concerning liquidity risk management. 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 market liquidity risks. Any significant changes in the market environment or the Bank’s cash flow are immediately reported to management, and the Risk and Compliance Committee and other committees promptly make decisions on necessary measures and other matters.
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. The Group has established Operational Risk Management Regulations and manages operational risk by dividing it into administrative risk, system risk, legal risk, tangible asset risk, and human risk based on its characteristics. To manage operational risk, we collect and analyze data on materialized losses and formulate measures to prevent recurrence in addition to identifying and evaluating potential risks that have not yet materialized through risk control self-assessments (RCSA) of various operations, and formulating countermeasures accordingly. Notably, in addition to ensuring redundancy of computer equipment and communication lines and reinforcing backup systems in preparation for system risks, we have also taken steps to enhance our cybersecurity management system, for example by establishing Hokuyo CSIRT to collect and analyze data on cyberattack trends and vulnerabilities and take prompt action in light of the increasing severity of cybersecurity threats.

For sustainable growth



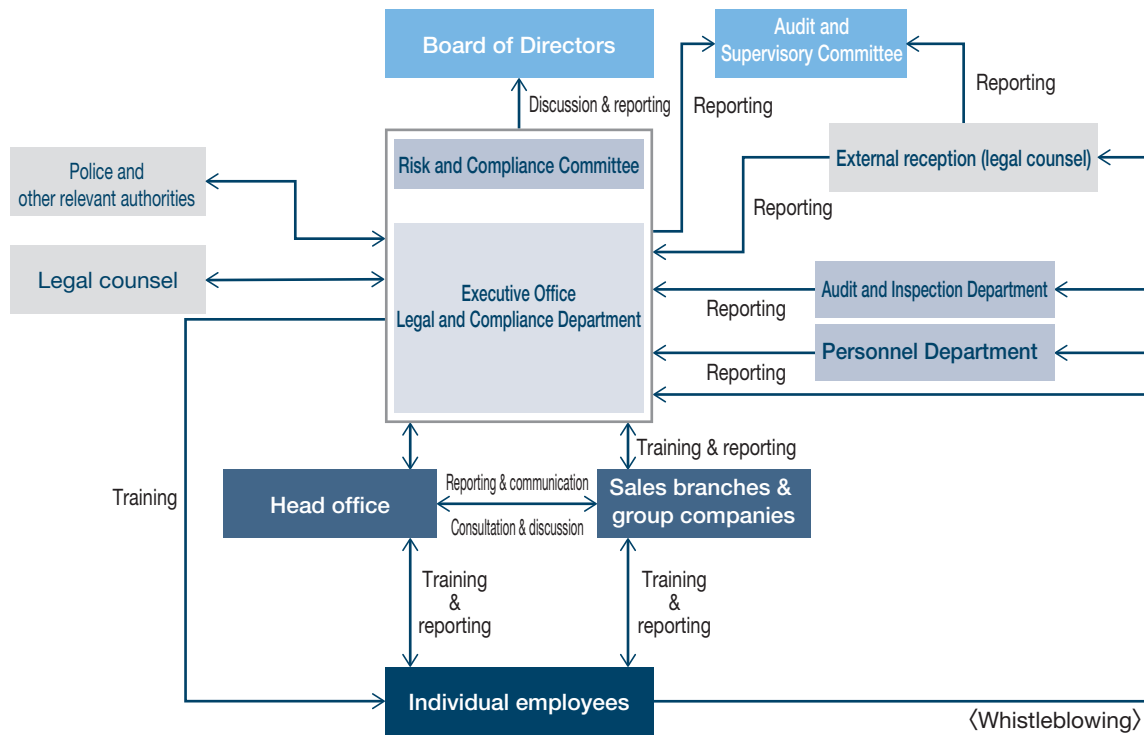
Under the Medium-term Business Plan (Theme: Taking on the Challenge of New Growth: Growing sustainably together with our customers and local communities), we aim to achieve sustainable growth in Hokkaido together with our customers and local communities by striking a full balance between contributing to the environment and society on one hand, and improving economic value on the other. To realize this goal, we will build robust management infrastructure through proactive efforts to properly practice compliance and risk management, the bedrock of our business.

Compliance

We expend every effort to let all employees know that compliance is at the core of everything we do, consistent with one of the items in the North Pacific Bank Group’s Code of Conduct: “Acting with integrity and a firm awareness of compliance and our social responsibilities.”

Compliance Management Framework

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 Risk and Compliance Committee formulates specific action plans and other relevant matters.



Personal Information Protection and Customer Protection

Personal Information Protection

We have published a Personal Information Protection Declaration (Privacy Policy) in accordance with the Act on the Protection of Personal Information, and have established safety management measures for personal information protection, including frameworks for preventing leakage of information and receiving requests for disclosures and the like.

Customer Protection

Based on the Act on the Provision of Financial Services, the Bank has established Customer Protection Management Policies to enhance customer convenience and protection and Solicitation Policies to provide customers with appropriate financial products, and strives to reinforce customer confidence through fair business operations.

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.

Dealing with Antisocial Forces

The Group takes a firm stance against antisocial forces that threaten the order and safety of civil society, and will remain steadfast without compromise in an effort to realize a safe society that is comfortable for everyone. Accordingly, we have established a Basic Policy for Dealing with Antisocial Forces and are working to eradicate transactions with antisocial forces. We will continue to develop our systems and strengthen our responses to eliminate transactions with antisocial forces.

Measures against Money Laundering and Terrorist Financing

Measures against money laundering, terrorism financing, proliferation financing, and other violations of economic sanctions (hereinafter collectively referred to as “money laundering and terrorism financing”) are an increasingly important issue shared in the international community. We at North Pacific Bank consider these measures to be one of our key management issues, and, in addition to implementing obvious measures such as confirmation at the time of transaction defined in the Act on Prevention of Transfer of Criminal Proceeds, the Foreign Exchange and Foreign Trade Act, and other relevant laws and regulations, we have a range of effective measures in place in light of “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism” and “Guidelines for Operators Handling Foreign Exchange Transactions on Observing Laws and Regulations on Foreign Exchange.”

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, and launched a dedicated Financial Crime Prevention Office within the Legal and Compliance Department to oversee its implementation. We will continue to take steps to enhance our framework for preventing money laundering and terrorism financing based on our risk-based approach and work with fellow TSUBASA Alliance members to implement and further advance measures against money laundering and terrorism financing.

Internal Whistleblower System

To create open, comfortable workplaces, we have introduced an internal whistleblower system that includes an internal reporting desk and external reception by legal counsel to detect and correct violations of laws, regulations, and internal rules, harassment, and other misconduct as soon as possible. In addition to interviews and telephone calls, we respond with consideration for whistleblowers by providing means of reporting that ensure anonymity.

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 and Supervisory Committee members on a case-by-case basis, and a system in which notification structures can report directly to Audit and Supervisory Committee members. These systems are designed to create a proper framework for thoroughly protecting whistleblowers and to avoid putting them at a disadvantage.

Efforts to Ensure Compliance

In recognition of the fact that the Bank’s brand and the trust of our stakeholders are in the balance for every action by each and every member of the Group, we have established the Compliance Program to enhance trust in the Bank and will continue to work to identify warning signs and problems and strengthen our early response framework.

- | Issues for the Bank | 3 key measures for FY2024 |
|--|--|
| <ul style="list-style-type: none">• Improve skills for interpreting warning signs• Strengthen management skills and resolve communication deficiencies in management and leadership positions | <ul style="list-style-type: none">• Identify warning signs of misconduct (risks)• Strengthen head office collaboration for the soonest possible resolution of problems• Raise awareness of the need to create an autonomous framework for front-line situations before problems emerge |

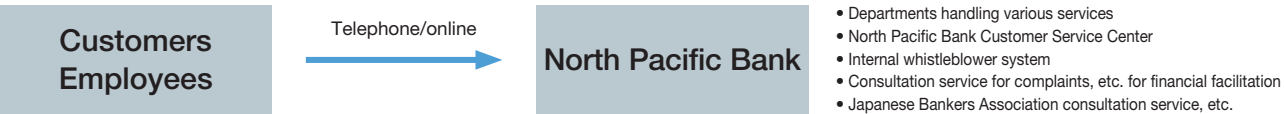
Respecting Human Rights

In June 2023, as part of our sustainability initiatives, we established the North Pacific Bank Group Human Rights Policy to contribute to the sustainable development of all stakeholders, the regional community, and the environment which support us, while also striving to achieve improved corporate value and sustainable business management for the Group over the medium and long term.

As it becomes increasingly important for corporations to fulfill their responsibility to respect human rights, they must establish human rights policies and take action and respond in accordance with corporate ethics. The Group has established a framework for properly responding to requests for consultation, suggestions, and complaints from customers and other stakeholders regarding human rights and other matters.

If it comes to light that the Group is causing or contributing to negative impacts on human rights, or that its products or services are directly involved in negative impacts on human rights, the Group will take appropriate action to remedy the situation.

The Group accepts requests for consultation, suggestions, and complaints from individuals regarding human rights via telephone and its website. We are also working to build a framework for human rights, including a consultation service for bank employees.



Data

10 Years of Financial Data

Summary of Consolidated Results

(Unit: million yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Ordinary income	143,933	149,791	147,972	143,611	138,362	138,035	135,620	124,461	126,734	133,114
Interest income	80,983	80,727	78,229	76,218	70,644	67,699	66,697	68,710	69,400	71,559
Fees and commissions	29,967	30,386	29,594	28,898	29,290	29,079	27,900	27,723	27,154	27,838
Other ordinary income	29,868	32,212	32,480	29,696	31,675	36,207	32,595	24,813	24,603	25,301
Other income	3,114	6,465	7,667	8,798	6,752	5,049	8,425	3,214	5,575	8,415
Ordinary expenses	116,509	119,351	126,575	128,467	118,558	125,308	119,852	105,214	109,422	114,509
Interest expenses	4,169	4,127	3,471	4,083	2,834	2,094	1,912	885	1,615	1,075
Fees and commissions payments	8,725	10,119	10,420	10,767	10,694	10,889	11,285	11,474	11,355	12,436
Other ordinary expenses	25,138	26,065	33,954	31,733	28,985	26,741	28,174	20,880	21,121	25,650
General and administrative expenses	75,804	75,332	76,200	74,488	71,452	70,109	68,345	64,038	67,398	67,063
Other expenses	2,670	3,706	2,529	7,394	4,591	15,473	10,134	7,935	7,931	8,282
Ordinary profit	27,424	30,440	21,396	15,143	19,804	12,726	15,767	19,247	17,312	18,605
Profit before income taxes	26,692	29,256	22,841	15,087	19,931	13,652	14,708	18,241	15,810	18,288
Income taxes - current	1,885	3,260	1,787	1,188	3,990	5,995	6,863	6,643	6,604	6,113
Income taxes - deferred	8,484	7,272	4,011	715	1,498	(32)	(1,900)	(323)	(38)	(696)
Profit (loss) attributable to non-controlling interests	548	706	337	(503)	300	124	322	165	(403)	41
Profit attributable to owners of parent	15,774	18,015	16,704	13,686	14,141	7,564	9,422	11,756	9,647	12,830

Figures for FY2021 and thereafter are based on the new accounting standards for recording net sales and cost of sales for installment sales transactions.

Summary of Consolidated Balance Sheet

(Unit: million yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total assets	8,162,423	8,464,519	9,093,714	9,500,510	9,759,776	9,988,041	11,858,207	13,543,823	12,520,974	13,244,574
Securities	1,787,027	1,711,785	1,729,586	1,489,802	1,265,106	1,297,414	1,505,246	1,483,991	1,588,951	2,385,288
Loans and bills discounted	5,505,045	5,747,173	6,052,348	6,251,728	6,518,080	6,659,161	7,367,433	7,361,881	7,703,573	7,487,752
Total liabilities	7,794,409	8,074,956	8,685,102	9,069,565	9,338,715	9,578,564	11,417,570	13,122,751	12,113,649	12,797,053
Deposits	7,480,252	7,715,256	8,086,989	8,344,356	8,596,305	8,855,838	9,900,963	10,563,784	10,828,182	10,915,046
Total net assets	368,014	389,563	408,611	430,945	421,061	409,476	440,636	421,072	407,324	447,520
Shareholders' equity	290,734	305,607	317,725	326,854	336,044	341,101	346,792	354,817	359,943	368,821
Retained earnings included in shareholders' equity	97,305	112,178	124,280	133,386	143,718	148,186	154,102	162,019	167,891	176,889
Accumulated other comprehensive income	72,806	78,585	84,802	97,960	79,253	64,619	89,179	61,951	43,382	73,831
Non-controlling interests	4,473	5,315	5,981	6,001	5,657	3,672	4,580	4,266	3,970	4,840

Other Metrics

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Consolidated capital adequacy ratio (%)	10.38	11.98	13.54	13.29	12.89	12.61	12.41	12.53	11.78	14.42
Consolidated return on equity (ROE) (%)	4.59	4.81	4.24	3.30	3.36	1.84	2.23	2.75	2.35	3.03
Net assets per share (BPS) (yen)	911.40	963.18	1,009.07	1,064.76	1,049.01	1,042.48	1,122.97	1,072.55	1,047.18	1,150.51
Earnings per share (EPS) (yen)	39.54	45.16	41.87	34.30	35.80	19.39	24.25	30.26	25.03	33.33
Dividend payout ratio (%)	18.77	28.16	26.65	30.53	28.99	46.88	44.07	35.07	36.68	30.03
Number of shares issued (thousand shares)	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares	399,060 common shares
Non-consolidated core OHR (%)	77.39	78.90	80.62	82.17	81.98	80.59	80.41	73.65	77.20	75.61

Data

Non-Financial Data

Sustainability Metrics

Environmental

	FY2019	FY2020	FY2021	FY2022	FY2023
GHG emissions (t-CO ₂)	—	23,888	21,229	605,594	10,554,695
Scope 1	—	2,767	2,672	2,656	2,285
Scope 2	—	19,128	16,601	14,992	10,727
Scope 3	—	1,993	1,956	587,946	10,541,653
Category 5	—	—	—	—	24
Category 6	—	430	462	418	896
Category 7	—	1,563	1,494	1,425	1,432
Category 15	—	—	—	586,103	10,539,301
Environment-related investment and financing (billion yen)	—	—	41.5	51.9	219.1
Number of SDGs (Eco) Private Placement Bonds handled*	351	180	221	224	178
Amount of SDGs (Eco) Private Placement Bonds handled* (billion yen)	21.7	11.7	16.3	14.9	10.9

* FY2019–FY2022: SDGs (Eco) Private Placement Bonds, FY2023: SDGs (Eco) Private Placement Bonds + SDGs (Biodiversity) Private Placement Bonds

Social (Human Capital)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees (non-consolidated)	2,770	2,695	2,542	2,442	2,371
Percentage of female employees	37.1%	41.3%	41.8%	41.1%	41.8%
Percentage of female managers (* Section manager or higher)	18.2%	18.4%	19.9%	20.8%	23.1%
Percentage of female employees in assistant manager positions or higher	27.9%	29.2%	30.6%	31.2%	32.7%
Number of new employees hired	87	67	61	64	67
Average continuous years of service	18.00	18.25	18.75	19.17	19.42
Men	19.33	19.58	19.83	20.08	20.25
Women	15.50	16.08	16.83	17.67	18.00
Percentage of female employees taking childcare leave	100%	100%	100%	100%	100%
Percentage of male employees taking childcare leave ^{*1}	73.1%	91.9%	100.0%	102.6% ^{*2}	102.0% ^{*2}
Percentage of annual paid leave taken	44.3%	41.6%	43.0%	44.1%	56.1%
Average number of days of paid leave taken	8.3	7.8	8.2	8.4	10.7
Training cost per employee (thousand yen)	—	—	—	26	60.1
Training hours per employee	—	—	—	7	14.2
Percentage of employees receiving thorough examinations	68.8%	69.8%	75.0%	78.7%	— ^{*3}
Smoking rate	22.1%	23.2%	20.8%	21.7%	20.9%
Stress check rate	97.1%	99.0%	98.0%	95.7%	87.2%

^{*1} The number of male workers who took childcare leave or leave for childcare purposes during the fiscal year divided by the number of male workers whose spouses gave birth during the same year.
^{*2} The percentage of childcare leave taken exceeds 100% because childcare leave or the like taken in the fiscal year following a birth by a spouse adds to the numerator, but not to the denominator.
^{*3} Still being compiled; not included in the scope of this report.

Governance

	As of July 1, 2020	As of July 1, 2021	As of July 1, 2022	As of July 1, 2023	As of July 1, 2024
Number of directors	12	11	10	10	10
Percentage of external directors	33%	36%	40%	40%	40%
Percentage of female directors	16%	18%	20%	20%	20%

External Certifications and Ratings

Awards & Certifications



Efforts to comply with the Act on the Promotion of Women's Active Engagement in Professional Life (Eruboshi Certification)



Company Supporting Childcare (Kurumin Certification)



Health Outstanding Organization



FY2023 Company Promoting Excellent Anti-Cancer Measures

Inclusion in ESG Indexes



Japan Empowering Women Index (WIN)



Japan Empowering Women Index (WIN)



Japan ex-REIT Gender Diversity Tilt Index

Participation in Initiatives



Task Force on Climate-related Financial Disclosures



Taskforce on Nature-related Financial Disclosures



Company 2024



21世紀金融行動原則



SAPPORO SDGs.

Company Profile

		(as of March 31, 2024)	
Established	August 20, 1917	Shares issued	399,060,179 common shares
Head Office address	7, Odori Nishi 3-chome, Chuo-ku, Sapporo	Exchange listings	Tokyo Stock Exchange Prime Market
Capital	121.1 billion yen		Sapporo Securities Exchange
Main accounts	Funds: 11,109.0 billion yen	Branches	171
	Loans and discounts: 7,549.8 billion yen	Number of employees	2,371
	Total assets: 13,202.9 billion yen	* In this report, regional banks and second-tier regional banks are referred to collectively as "regional banks."	

Financial Section

Consolidated Balance Sheets (As of March 31, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Assets:			
Cash and due from banks	¥ 2,796,033	¥ 3,060,635	\$ 20,214
Call loans and bills bought	492	542	4
Monetary claims bought	8,350	13,770	91
Trading securities	1,992	1,765	12
Securities	1,588,951	2,385,288	15,754
Loans and bills discounted	7,703,573	7,487,752	49,453
Foreign exchanges	6,991	5,814	38
Lease receivables and investment assets	57,203	58,312	385
Other assets	235,340	119,648	790
Property, plant and equipment	72,266	70,623	466
Intangible assets	21,996	18,735	124
Net defined benefit asset	764	1,408	9
Deferred tax assets	943	535	4
Customers' liabilities for acceptances and guarantees	68,828	65,308	431
Allowance for loan losses	(42,755)	(45,568)	(301)
Total assets	¥12,520,974	¥13,244,574	\$ 87,475
Liabilities:			
Deposits	¥10,828,182	¥10,915,046	\$ 72,089
Negotiable certificates of deposit	174,937	177,789	1,174
Securities sold under repurchase agreements	10,964	—	—
Cash collateral received for securities lent	9,484	599,643	3,960
Borrowed money	941,784	926,147	6,117
Foreign exchanges	152	335	2
Other liabilities	64,790	87,533	578
Provision for bonuses	1,516	1,470	10
Provision for share awards	155	163	1
Net defined benefit liability	1,366	1,335	9
Provision for reimbursement of deposits	1,149	1,010	7
Provision for point card certificates	364	345	2
Reserves under special laws	19	19	0
Deferred tax liabilities	8,143	19,107	126
Deferred tax liabilities for land revaluation	1,809	1,797	12
Acceptances and guarantees	68,828	65,308	431
Total liabilities	¥12,113,649	¥12,797,053	\$ 84,519
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 800
Capital surplus	74,751	74,751	494
Retained earnings	167,891	176,889	1,168
Treasury shares	(3,800)	(3,921)	(26)
Total shareholders' equity	359,943	368,821	2,436
Valuation difference on available-for-sale securities	40,209	70,001	462
Revaluation reserve for land	3,550	3,522	23
Remeasurements of defined benefit plans	(377)	307	2
Total accumulated other comprehensive income	43,382	73,831	488
Share acquisition rights	28	28	0
Non-controlling interests	3,970	4,840	32
Total net assets	407,324	447,520	2,956
Total liabilities and net assets	¥12,520,974	¥13,244,574	\$ 87,475

Note: The rate of ¥151.41 to U.S. \$1.00, the foreign exchange rate on March 31, 2024, 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, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Ordinary income:			
Interest income:	¥ 69,400	¥ 71,559	\$ 473
Interest on loans and discounts	57,412	57,994	383
Interest and dividends on securities	9,236	12,121	80
Other interest income	2,751	1,443	10
Fees and commissions	27,154	27,838	184
Other ordinary income	24,603	25,301	167
Other income	5,575	8,415	56
Total ordinary income	¥ 126,734	¥ 133,114	\$ 879
Ordinary expenses:			
Interest expenses:	¥ 1,615	¥ 1,075	\$ 7
Interest on deposits	125	179	1
Other interest expenses	1,490	895	6
Fees and commissions payments	11,355	12,436	82
Other ordinary expenses	21,121	25,650	169
General and administrative expenses	67,398	67,063	443
Other expenses	7,931	8,282	55
Total ordinary expenses	¥ 109,422	¥ 114,509	\$ 756
Ordinary profit	¥ 17,312	¥ 18,605	\$ 123
Extraordinary income	25	155	1
Extraordinary losses	1,527	472	3
Profit before income taxes	15,810	18,288	121
Income taxes:			
Current	6,604	6,113	40
Deferred	(38)	(696)	(5)
Total income taxes	6,566	5,417	36
Profit	9,243	12,871	85
Profit (loss) attributable to non-controlling interests	(403)	41	0
Profit attributable to owners of parent	¥ 9,647	¥ 12,830	\$ 85

Consolidated Statements of Comprehensive Income (Year ended March 31, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Profit	¥ 9,243	¥ 12,871	\$ 85
Other comprehensive income	(18,343)	31,309	207
Valuation difference on available-for-sale securities	(17,953)	30,623	202
Remeasurements of defined benefit plans, net of tax	(389)	685	5
Comprehensive income	¥ (9,099)	¥ 44,180	\$ 292
Comprehensive income attributable to owners of the parent	(8,816)	43,307	286
Comprehensive income attributable to non-controlling interests	(282)	873	6

Consolidated Statements of Changes in Equity (Year ended March 31, 2023 and 2024)

Millions of Yen

	Shareholders' equity					Accumulated other comprehensive income						
	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	Share acquisition rights	Non-controlling interests	Total net assets
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
Changes of items during period												
Dividends of surplus			(3,861)		(3,861)							(3,861)
Profit attributable to owners of parent			12,830		12,830							12,830
Purchase of treasury shares				(164)	(164)							(164)
Disposal of treasury shares		0		43	43							43
Reversal of revaluation reserve for land			28		28							28
Net changes of items other than shareholders' equity						29,791	(28)	685	30,448	—	869	31,318
Total changes of items during period	—	0	8,997	(120)	8,877	29,791	(28)	685	30,448	—	869	40,195
Balance as of March 31, 2024	¥121,101	¥ 74,751	¥176,889	¥ (3,921)	¥368,821	¥ 70,001	¥ 3,522	¥ 307	¥ 73,831	¥ 28	¥ 4,840	¥447,520

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	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	Share acquisition rights	Non-controlling interests	Total net assets
Balance as of March 31, 2023	\$ 800	\$ 494	\$ 1,109	\$ (25)	\$ 2,377	\$ 266	\$ 23	\$ (2)	\$ 287	\$ 0	\$ 26	\$ 2,690
Changes of items during period												
Dividends of surplus			(26)		(26)							(26)
Profit attributable to owners of parent			85		85							85
Purchase of treasury shares				(1)	(1)							(1)
Disposal of treasury shares		0		0	0							0
Reversal of revaluation reserve for land			0		0							0
Net changes of items other than shareholders' equity						197	(0)	5	201	—	6	207
Total changes of items during period	—	\$ 0	\$ 59	\$ (1)	\$ 59	\$ 197	\$ (0)	\$ 5	\$ 201	\$ —	\$ 6	\$ 265
Balance as of March 31, 2024	\$ 800	\$ 494	\$ 1,168	\$ (26)	\$ 2,436	\$ 462	\$ 23	\$ 2	\$ 488	\$ 0	\$ 32	\$ 2,956

Consolidated Statements of Cash Flows (Year ended March 31, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024

Cash flows from operating activities:

Profit before income taxes	¥ 15,810	¥ 18,288	\$ 121
Depreciation	7,444	9,745	64
Impairment losses	302	81	1
Increase (decrease) in allowance for loan losses	4,317	2,813	19
Increase (decrease) in provision for bonuses	(71)	(46)	(0)
Increase (decrease) in provision for share awards	(1)	8	0
Decrease (increase) in net defined benefit asset	293	(643)	(4)
Increase (decrease) in net defined benefit liability	405	(31)	(0)
Increase (decrease) in provision for reimbursement of deposits	(455)	(139)	(1)
Increase (decrease) in provision for point card certificates	30	(19)	(0)
Interest income	(69,400)	(71,559)	(473)
Interest expenses	1,615	1,075	7
Loss (gain) related to securities	(2,446)	(2,221)	(15)
Foreign exchange losses (gains)	(5,233)	(5,713)	(38)
Loss (gain) on disposal of non-current assets	204	235	2
Net decrease (increase) in loans and bills discounted	(341,691)	215,821	1,425
Net increase (decrease) in deposits	264,398	86,864	574
Net increase (decrease) in negotiable certificates of deposit	75,485	2,852	19
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(1,061,622)	(637)	(4)
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	3,056	1,374	9
Net decrease (increase) in call loans	3,194	(5,469)	(36)
Net increase (decrease) in call money	(3,509)	(10,964)	(72)
Net increase (decrease) in cash collateral received for securities lent	(294,501)	590,158	3,898
Net decrease (increase) in foreign exchanges-assets	5,398	1,177	8
Net increase (decrease) in foreign exchanges-liabilities	(10)	182	1
Interest received	69,611	69,195	457
Interest paid	(1,627)	(1,079)	(7)
Other - net	(26,676)	94,000	621
Subtotal	(1,355,680)	995,351	6,574
Income taxes paid	(6,428)	(7,209)	(48)
Net cash provided by (used in) operating activities	(1,362,108)	988,141	6,526

Cash flows from investing activities:

Purchase of securities	(404,265)	(972,453)	(6,423)
Proceeds from sales of securities	119,475	142,001	938
Proceeds from redemption of securities	117,100	131,413	868
Purchase of property, plant and equipment	(2,843)	(2,293)	(15)
Proceeds from sales of property, plant and equipment	262	312	2
Payments for retirement of property, plant and equipment	(173)	(173)	(1)
Purchase of intangible assets	(1,553)	(1,863)	(12)
Other - net	0	45	0
Net cash provided by (used in) investing activities	(171,997)	(703,011)	(4,643)

Cash flows from financing activities:

Repayments of subordinated borrowings	—	(15,000)	(99)
Purchase of treasury shares	(810)	(164)	(1)
Proceeds from sales of treasury shares	27	21	0
Cash dividends paid	(3,879)	(3,861)	(26)
Dividends paid to non-controlling interests	(14)	(3)	(0)
Other - net	(148)	(148)	(1)
Net cash provided by (used in) financing activities	(4,823)	(19,155)	(127)

Effect of exchange rate change on cash and cash equivalents	15	1	0
Net increase (decrease) in cash and cash equivalents	(1,538,915)	265,976	1,757
Cash and cash equivalents at beginning of period	4,311,587	2,772,672	18,312
Cash and cash equivalents at end of period	¥ 2,772,672	¥ 3,038,648	\$ 20,069

Non-Consolidated Balance Sheets (As of March 31, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Assets:			
Cash and due from banks	¥ 2,794,929	¥ 3,059,555	\$ 20,207
Call loans	492	542	4
Monetary claims bought	8,350	13,770	91
Trading securities	1,975	1,765	12
Securities	1,589,448	2,383,389	15,741
Loans and bills discounted	7,762,579	7,549,856	49,864
Foreign exchanges	6,991	5,814	38
Other assets	195,673	74,752	494
Property, plant and equipment	70,622	68,630	453
Intangible assets	21,873	18,637	123
Prepaid pension costs	1,249	895	6
Customers' liabilities for acceptances and guarantees	68,828	65,308	431
Allowance for loan losses	(37,094)	(39,961)	(264)
Total assets	¥ 12,485,921	¥ 13,202,957	\$ 87,200
Liabilities:			
Deposits	¥ 10,832,981	¥ 10,920,256	\$ 72,124
Negotiable certificates of deposit	186,291	188,789	1,247
Securities sold under repurchase agreements	10,964	—	—
Cash collateral received for securities lent	9,484	599,643	3,960
Borrowed money	928,763	911,147	6,018
Foreign exchanges	152	335	2
Other liabilities	44,325	65,611	433
Provision for bonuses	1,353	1,304	9
Provision for share awards	155	163	1
Provision for retirement benefits	1,013	977	6
Provision for reimbursement of deposits	1,149	1,010	7
Provision for point card certificates	358	338	2
Deferred tax liabilities	6,907	17,112	113
Deferred tax liabilities for land revaluation	1,809	1,797	12
Acceptances and guarantees	68,828	65,308	431
Total liabilities	¥ 12,094,538	¥ 12,773,797	\$ 84,366
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 800
Capital surplus	50,015	50,015	330
Retained earnings	181,928	190,915	1,261
Treasury shares	(3,805)	(3,925)	(26)
Total shareholders' equity	349,239	358,105	2,365
Valuation difference on available-for-sale securities	38,564	67,503	446
Revaluation reserve for land	3,550	3,522	23
Total valuation and translation adjustments	42,115	71,025	469
Share acquisition rights	28	28	0
Total net assets	391,383	429,159	2,834
Total liabilities and net assets	¥ 12,485,921	¥ 13,202,957	\$ 87,200

Non-Consolidated Statements of Income (Year ended March 31, 2023 and 2024)

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Ordinary income:			
Interest income:	¥ 71,494	¥ 72,906	\$ 482
Interest on loans and discounts	57,686	58,238	385
Interest and dividends on securities	11,057	13,225	87
Other interest income	2,750	1,442	10
Fees and commissions	24,024	23,835	157
Other ordinary income	2,017	1,476	10
Other income	5,582	8,383	55
Total ordinary income	¥ 103,119	¥ 106,601	\$ 704
Ordinary expenses:			
Interest expenses:	¥ 1,582	¥ 1,011	\$ 7
Interest on deposits	125	179	1
Other interest expenses	1,457	832	5
Fees and commissions payments	12,647	13,629	90
Other ordinary expenses	685	4,141	27
General and administrative expenses	63,835	63,047	416
Other expenses	6,533	7,056	47
Total ordinary expenses	¥ 85,284	¥ 88,887	\$ 587
Ordinary profit	¥ 17,835	¥ 17,714	\$ 117
Extraordinary income	25	129	1
Extraordinary losses	1,526	453	3
Income before income taxes	16,333	17,390	115
Income taxes:			
Current	5,913	5,398	36
Deferred	(87)	(827)	(5)
Total income taxes	5,826	4,570	30
Net income	¥ 10,507	¥ 12,819	\$ 85

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