

 North Pacific Bank  
Annual Report  
2020





North Pacific Bank

# A Message from the President

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## A Message from the President

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

Looking at the Japanese economy in fiscal 2019, personal consumption and corporate profits declined sharply through the end of the fiscal year due to the COVID-19 pandemic. Signs of deterioration appeared in production and employment as well, creating extremely challenging conditions.

In Hokkaido's economy, tourists from areas including China and South Korea have fallen sharply. Within Japan, too, people continue to face no choice but to restrict outside activities and consumption. These conditions are having effects on a variety of sectors, particularly the tourism and food-related services that have supported the economy of Hokkaido.

It is expected that prolonged economic stagnation will lead to further deterioration of business conditions and heightened uncertainty in financial markets. Accordingly, it is important that we pay close attention to movements from here on out.

In addition to such economic conditions, an extremely difficult business environment continues for regional banks due to factors including declining population and the prolonging of ultra-low interest rate policies. Against this background, the North Pacific Bank Group has formulated new unified management philosophy and a concrete code of conduct, in order to clarify the roles of every executive and employee and the North Pacific Bank Group's mission of contributing to the future of Hokkaido through these roles.

This management philosophy demonstrates our recognition that we operate under the trust and confidence placed in us by our customers, our

intent to meet the diversifying needs and issues of customers and the region by offering ideal solutions, and our strong will to face up to challenges through individual initiatives so that we can secure a sustainable future for Hokkaido.

Under these management philosophy, we have also launched Deepening the Creation of Shared Value, a new Medium-Term Business Plan for the three-year period from April 2020 through March 2023.

We will further deepen the creation of shared value that we carried out under the previous Medium-Term Business Plan, will draw even closer to our customers, and, with deeper consideration of our customers, will offer consulting and ideal service solutions that make full use of the Group's collective strengths. We will nurture the human resources needed for this purpose, and, to toughen the underlying organizations, will enact efficient approaches using digital technology and undertake initiatives to improve productivity. Under such basic policies, we aim to serve as the most trusted partner for our customers and the region.

We will steadily put our Medium-Term Business Plan into action by thoroughly implementing the customer orientation set forth in our management philosophy. We will maximize satisfaction and value for customers, connect this to improved profitability for the Group, and contribute to a sustainable future for Hokkaido. We look forward to your continued support.

September 2020

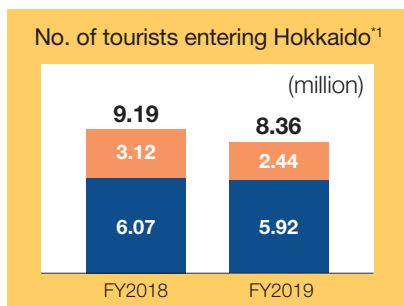
*M. Yasuda*

North Pacific Bank  
Mitsuharu Yasuda, President

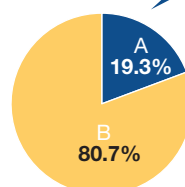
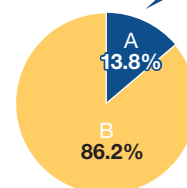
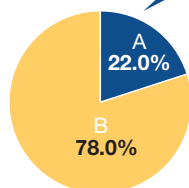
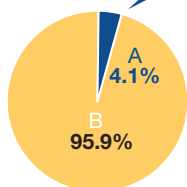
# Hokkaido and North Pacific Bank

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

## Hokkaido



■ Domestic ■ Foreign nationals



■ A Hokkaido  
■ B Other

Sources:

\*1 Department of Economic Affairs, Hokkaido Bureau of Tourism: "Survey on the Number of Inbound Tourists in Hokkaido Tourism (2019)"

\*2 Geospatial Information Authority of Japan: "Statistical reports on the land area by prefectures and municipalities in Japan, 2020 (as of January 1)"

\*3 Ministry of Internal Affairs and Communications: "Internal Migration in Japan Derived from the Basic Resident Registers" (as of January 1, 2020)

\*4 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2018"

\*5 Ministry of Agriculture, Forestry and Fisheries: "Total Fishery Output, 2018"

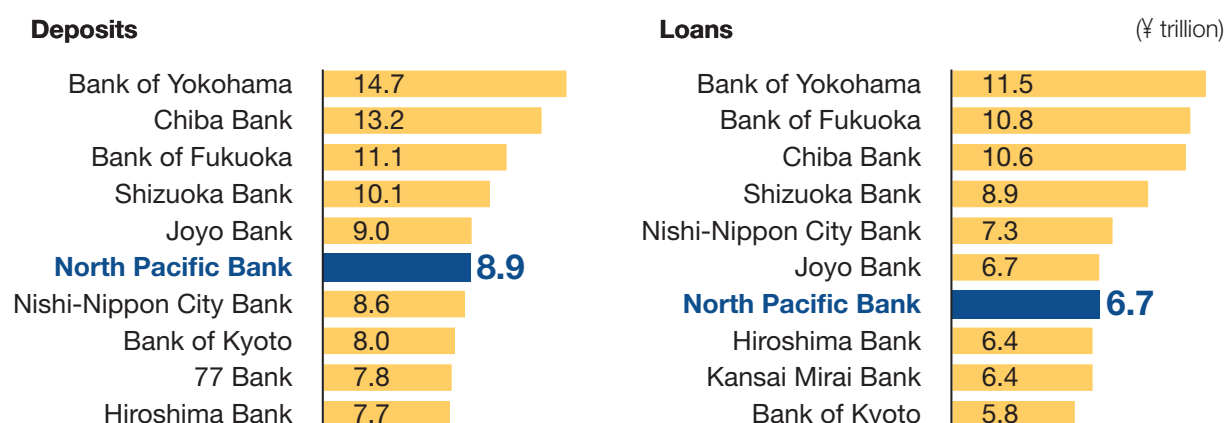
## About North Pacific Bank

### ● Corporate Outline (As of March 31, 2020)

Established	August 20, 1917
Headquarters	7, Odori Nishi 3-chome, Chuo-ku, Sapporo
Capital	121.1 billion yen
Shares issued	399,060,179 common shares
Exchange listings	Tokyo Stock Exchange First Section Sapporo Securities Exchange
Branches	171
Overseas offices	3
Employees	2,770

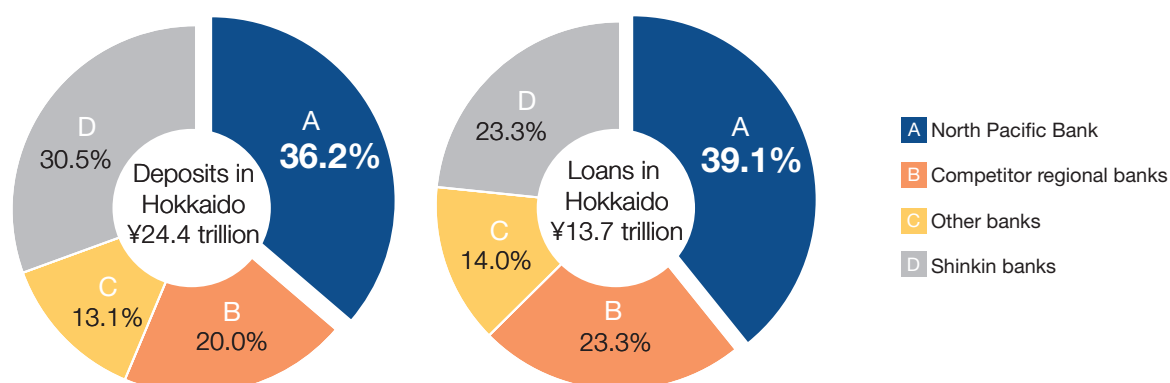


### ● Positional Chart for Deposits and Loans Provided (As of March 31, 2020)



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

### ● Market Share in Hokkaido (As of March 31, 2020)



Notes: Market shares are based on the outstanding balances of domestic banks and shinkin banks with head offices and branch office operations in Hokkaido (excluding Japan Post Bank). Deposits include negotiable certificates of deposit (negotiable certificates of deposit of shinkin banks have been estimated based on the total national balance of negotiable certificates of deposit held by shinkin banks).

Calculations of shares do not equal 100% due to omission of fractions.

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



## Management Philosophy

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



Code of Conduct

1

Acting with integrity and strong consciousness of compliance and our social responsibilities



Code of Conduct

2

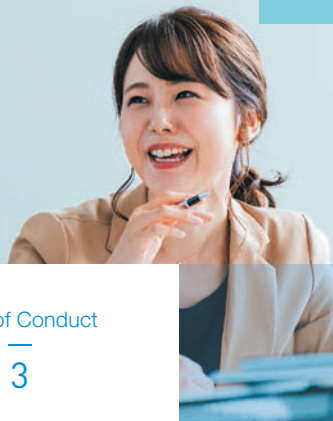
Pursuing the gratitude of our customers



Code of Conduct

3

Sharing mutual respect to maximize teamwork



Code of Conduct

4

Thinking on our own to take on new challenges without fear of change



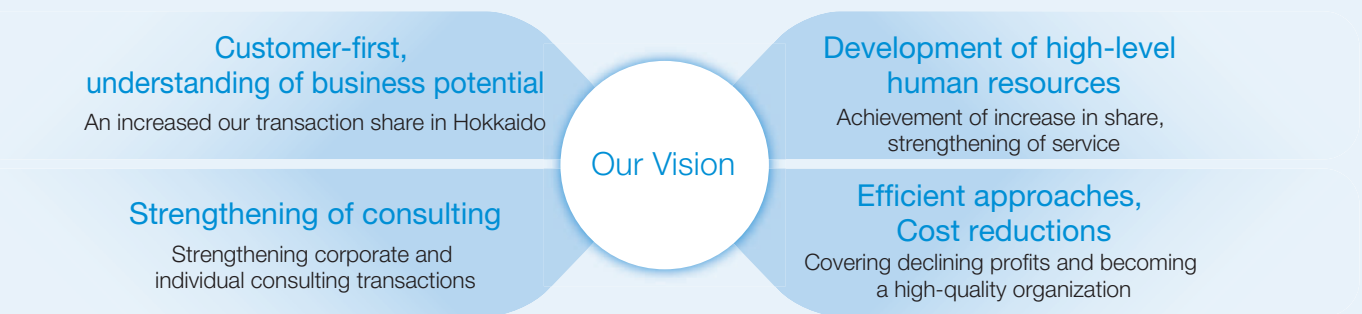
## Medium-Term Business Plan

# “Deepening the Creation of Shared Value”

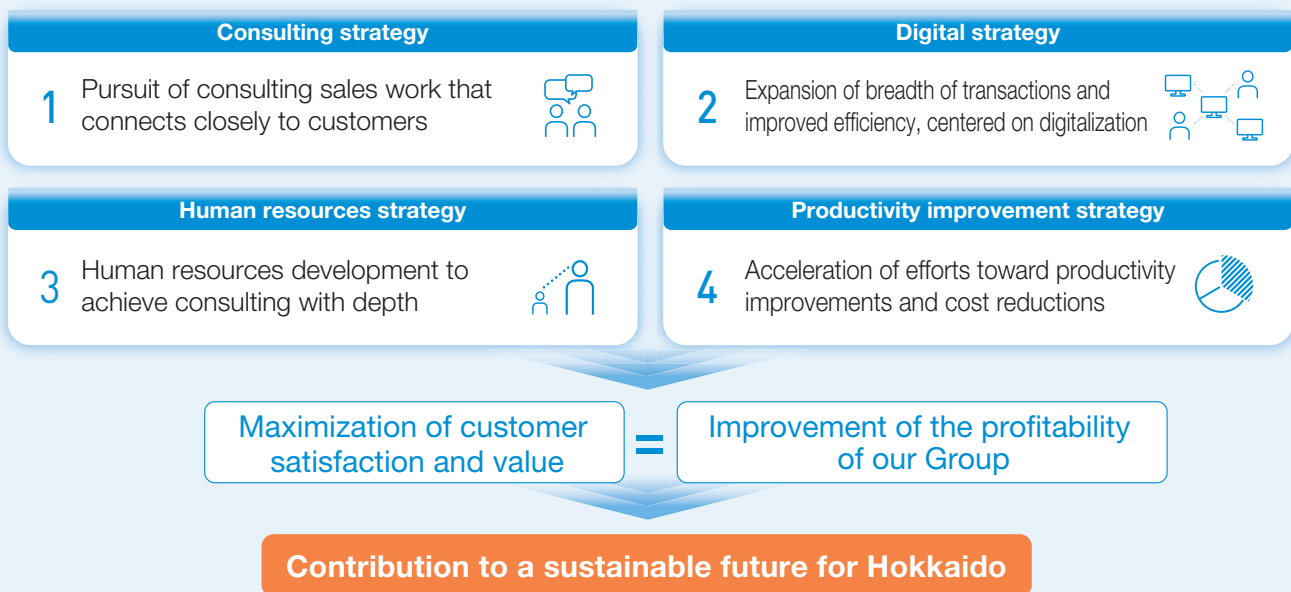
– Committed to becoming the most trusted partner for our customers and our region –

Period of the plan April 2020 to March 2023 (3 years)

Under our new management philosophy, North Pacific Bank will further deepen “Creating Shared Value,” our earlier medium-term business plan. We have created a basic policy of offering consulting and optimal service solutions that pool the Group’s strengths, developing needed human resources for that, and accelerating efforts that will improve productivity and efficient approaches that make use of digital technology to build a high-quality organization. We are committed to becoming the most trusted partner for our customers and our region.



### Basic Policy



## Calculation Plan (target)

In our Deepening the Creation of Shared Value medium-term business plan, we have set targets for key metrics concerning sustainability, including metrics for profitability, soundness, and efficiency. We have also set metrics that we will tackle over the long term, to be achieved even outside the medium-term management plan. Anticipating future market contraction, however, we consider it vital that we not simply pursue volume but also maintain and expand our market share in Hokkaido. Accordingly, we have set an increase in our share of loans in Hokkaido as a unique metric. In the future, we are also planning to set a metric for the customer satisfaction as well.

Management metrics	FY2019 (results)	FY2022 (plan)
Ordinary profit (consolidated)	12.7 billion yen	<b>15.8 billion yen</b>
Net income (consolidated)	7.5 billion yen	<b>10.5 billion yen</b>
Capital adequacy ratio (consolidated)	12.61%	approx. <b>12%</b>
Average balance of loans and bills discounted (Non-consolidated)	6.6 trillion yen	<b>7 trillion yen</b>
Productivity per person*1 (Non-consolidated)	3.0 million yen	approx. <b>4.2 million yen</b>

Management metrics for the long term	FY2019 (results)	FY2022 (plan)	Long-term goals
ROE*2 (Consolidated)	1.84%	approx. <b>2%</b>	above <b>5%</b>
Core OHR*3 (Non-consolidated)	80.59%	approx. <b>83%</b>	below <b>70%</b>
Share of loans in Hokkaido*4 (Non-consolidated)	30.6%	<b>31.3%</b>	<b>32.3%</b>

\*1 Net income ÷ number of employees at the end of the fiscal year

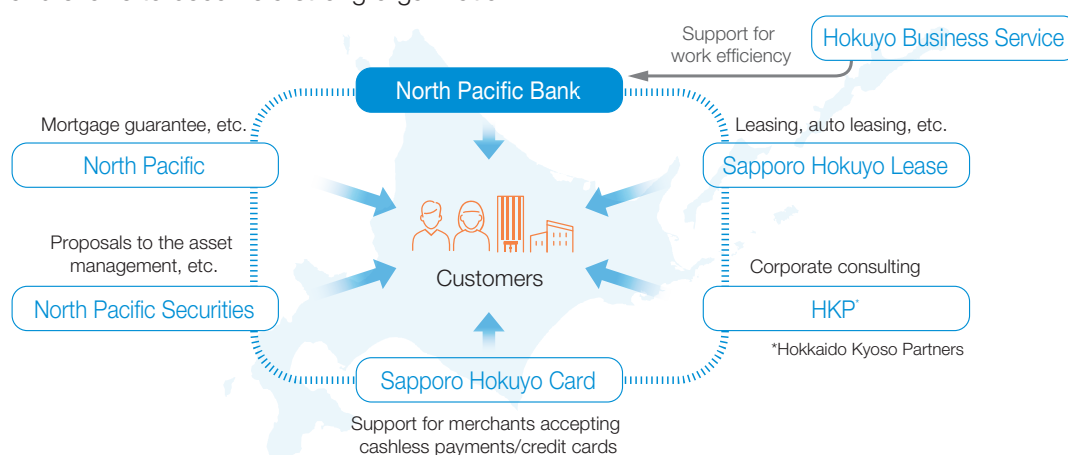
\*2 Profit attributable to owners of parent ÷ ((capital at start of period + capital at end of period) ÷ 2)

\*3 Expenses ÷ core gross profit

\*4 The Bank's share of loan balances in Hokkaido, excluding loans to local public entities (the deemed average balance, as a total of monthly balances in monthly finance reports from the Hokkaido Local Finance Bureau, divided by 12). This includes balances of banks, credit associations, and credit unions with main offices in Hokkaido, as well as the Japan Finance Corporation, Development Bank of Japan, Labour Banks, and The Shoko Chukin Bank.

## Overall Strategy

In order to deepen the relationships of trust that we have built with customers, particularly in Hokkaido, we will provide human resource development to resolve latent needs and the manifestation of problems, and will provide solutions that bring together the collective strength of our Group, while we undertake bold cost reductions and evolve to become a strong organization.

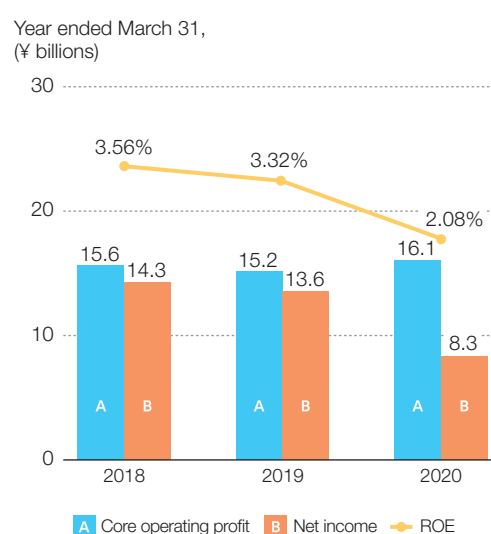




## Highlights

### Income Summary

Non-Consolidated	Year ended Mar. 31,		Increase/ (Decrease)
	2019	2020	
	(¥ billions)		
Core gross profit	84.6	82.9	(1.6)
Net interest income	68.1	66.2	(1.8)
Net fees and commissions	14.6	14.2	(0.4)
Net other operating income (excluding gains (losses) on bonds)	1.9	2.5	0.6
Expenses (excluding non-recurring losses)	69.4	66.8	(2.5)
Core OHR (%)	81.98%	80.59%	(1.39%)
Core operating profit	15.2	16.1	0.8
Excluding gains (losses) on cancellation of investment trusts	15.1	16.0	0.8
Credit cost	0.3	1.9	1.6
Gains (losses) on securities	2.0	(3.9)	(6.0)
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	2.3	2.4	0.1
Ordinary profit	19.2	12.6	(6.6)
Net income	13.6	8.3	(5.3)
ROE (%)	3.32%	2.08%	(1.24%)



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

\* Excluding share acquisition rights

Core gross profit decreased by 1.6 billion yen year-on-year due to a decrease in net interest income brought about mainly by reduced interest on loans and discounts caused by declining interest rates, and a decrease in interest and dividends on securities. At the same time, core operating profit increased 0.8 billion yen year-on-year due to expense reductions, primarily due to decreased personnel expenses caused by a natural decline of staff and wide-ranging reductions in property expenses. Ordinary profit and net income declined 6.6 billion yen and 5.3 billion yen respectively year-on-year, mainly due to the recording of losses and impairment of securities held, caused by the deterioration of market conditions under the COVID-19 pandemic.

Consolidated	Year ended Mar. 31,		Increase/ (Decrease)
	2019	2020	
	(¥ billions)		
Core gross profit	89.7	88.2	(1.5)
Ordinary profit	19.8	12.7	(7.0)
Profit attributable to owners of parent	14.1	7.5	(6.5)
Core operating profit	17.8	18.3	0.5
Excluding gains (losses) on cancellation of investment trusts	17.7	18.2	0.5

## ● Deposits and NCDs (Non-Consolidated)

The average balance of deposits and NCDs increased by 270 billion yen year-on-year (+3.1%), and the outstanding balance increased by 260 billion yen year-on-year (+2.9%). Average balance by sector increased year-on-year for both corporations and individuals. The balance of deposit assets decreased by 51 billion yen year-on-year, primarily due to the decline in market value of investment trusts caused by the deterioration of market conditions.

### Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2019	2020	
Deposits and NCDs	8,500	8,771	270

\* NCDs = Negotiable certificates of deposit

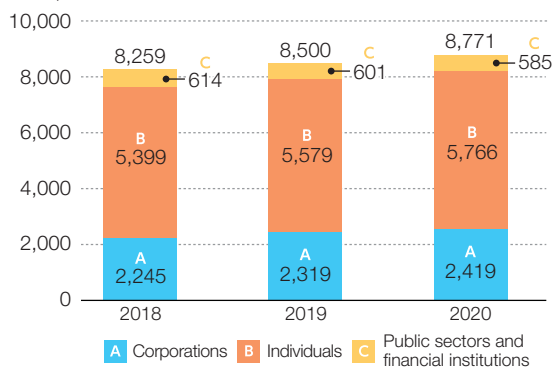
### Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2019	2020	
Deposits and NCDs	8,691	8,952	260
Deposit assets	274	223	(51)

\* Deposit assets = Safe custody of public bonds + Investment trusts

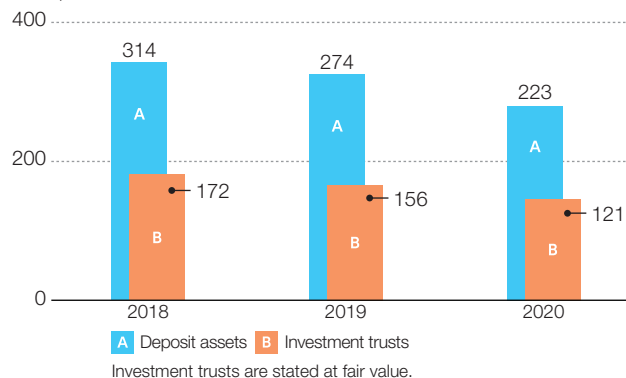
### Deposits and NCDs (Average Balance)

Year ended March 31,  
(¥ billions)



### Deposit Assets and Investment Trusts (Outstanding Balance)

As of March 31,  
(¥ billions)



## ● Loans and Bills Discounted (Non-Consolidated)

The Loans and Bills Discounted increased by 345 billion yen year-on-year (+5.4%), and the outstanding balance increased by 141 billion yen year-on-year (+2.1%). Average and outstanding balance both increased year-on-year in all sectors. Through the end of the fiscal year, the annual growth rate of the outstanding balance slowed in comparison to average balance, due to factors including contraction of economic activity aimed at preventing the spread of COVID-19.

### Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2019	2020	
Loans and bills discounted	6,311	6,657	345
Of which, Consumer loans	137	137	0

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

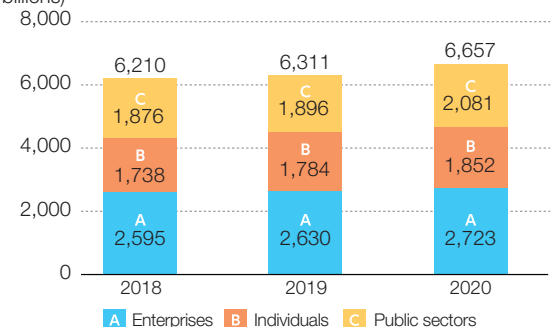
### Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2019	2020	
SMEs, etc.	3,675	3,725	49
Loans and bills discounted	6,577	6,718	141
In Hokkaido	5,347	5,388	41

\* SMEs, etc = SMEs + Individuals

### Loans and Bills Discounted (Average Balance)

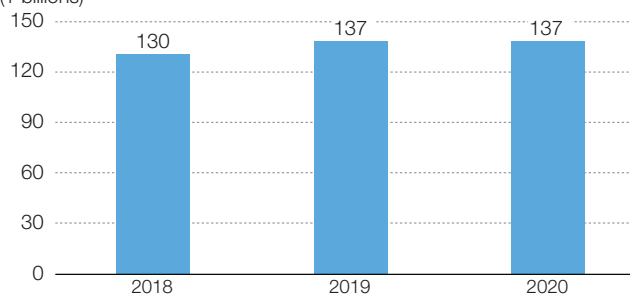
Year ended March 31,  
(¥ billions)



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

### Consumer Loans (Average Balance)

Year ended March 31,  
(¥ billions)

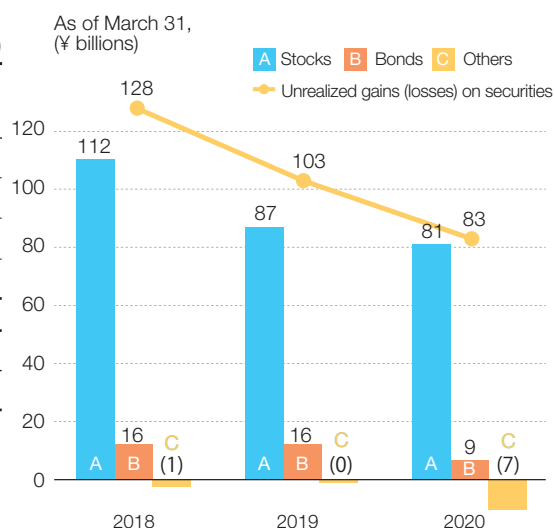


## ● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Unrealized gains (Losses) on securities decreased 19 billion yen year-on-year, primarily due to a decrease in valuation gains on stocks, etc. caused by the sale of bonds, etc. and deterioration in market conditions.

	As of Mar. 31,		Increase/ (Decrease)
	2019	2020	
Unrealized gains (losses) on securities	103	83	(19)
Stocks	87	81	(5)
Bonds	16	9	(7)
Others	(0)	(7)	(6)
<Reference>			
Nikkei stock average (¥)	21,205	18,917	(2,288)
New 10-year Japanese government bond yield (%)	(0.095)	0.005	0.100

\* Excluding trading account securities, capital investment in Investment Partnership, subsidiary stocks and affiliates stocks.



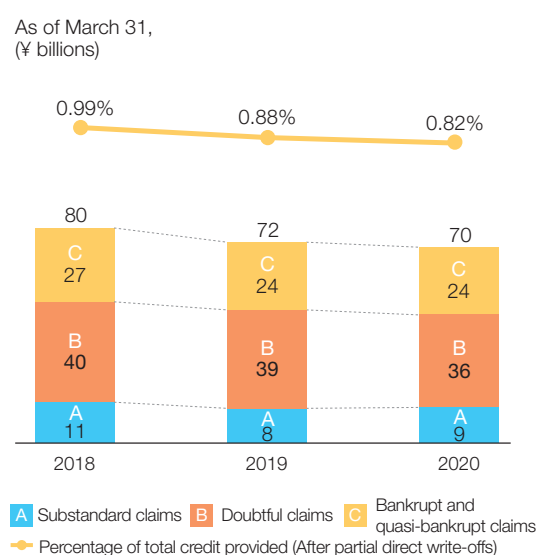
## ● Disclosed Claims under the Financial Reconstruction Law (Non-Consolidated)

Both the amount and percentage of total credit decreased due to the continued low level of corporate bankruptcies and our proactive efforts to support management improvement. The percentage of total credit provided is significantly lower than that of regional banks nationwide, and indicates a high level of soundness.

	As of Mar. 31,		Increase/ (Decrease)
	2019	2020	
Bankrupt and quasi-bankrupt claims	24	24	(0)
Doubtful claims	39	36	(3)
Substandard claims	8	9	0
Disclosed claims under the Financial Reconstruction Law	72	70	(2)
Percentage of total credit provided	1.06%	1.01%	(0.05%)
After partial direct write-offs*	59	56	(2)
Percentage of total credit provided	0.88%	0.82%	(0.06%)

\* Partial direct write-offs have not been implemented.

The figures as they would appear after partial direct write-offs are shown for reference.



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

The capital adequacy ratio declined due to an increase in risk-adjusted assets associated with the accumulation of loans and bills discounted, but continues to remain at a high level.

	As of Mar. 31,		Increase/ (Decrease)
	2019	2020	
Capital Adequacy Ratio	12.57%	12.30%	(0.27%)
Capital	339	338	(1)
Risk-adjusted assets	2,702	2,753	50

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

# Initiatives to Stimulate the Local Economy

The North Pacific Bank Group has assigned headquarters staff to the foods and farming sector and the tourism sector, in which Hokkaido has strengths, as well as to sectors including medical care/social welfare and M&A/business succession support, for which need is growing as the population ages, and manufacturing support and overseas business support, aimed at nurturing secondary industry. Sharing information among sales offices and headquarters, the Bank is collaborating with Group companies, outside expert institutions, and other financial institutions and local government bodies to actively support businesses.

## ● Understanding Business Potential

North Pacific Bank actively works to better understand business potential in terms of a business's growth potential, sustainability, and other factors, by accurately grasping and analyzing the strengths and weaknesses of a business's particulars, products handled (technology/services), business environment, and so on. Centered on the Business Potential Evaluation Group within the

Corporate Solutions Department, our sales branches and headquarters coordinate to share management issues with clients and offer solutions tailored to their needs. In addition, Hokkaido Kyoso Partners provides one-stop solutions in a wide range of fields that include M&A and business succession support, as well as our traditional consulting support and human resource deployment support.

## ● Support for Business Creation and New Business Development

To invigorate the regional economy, the creation of regional small- and medium-sized enterprises and their advancement into new sectors are indispensable. The Bank provides active support for venture creation

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

### Hokuyo SDGs Promotion Fund

This fund is intended to help revitalize the local economy, and contribute to Hokkaido's sustainable development, through funding SMEs in Hokkaido that comply with SDGs concepts. Established in June 2018, the fund has provided about 330 million yen to 22 recipients as of May 2020.

### North Pacific Bank Dream Fund

This fund was established to subsidize research and development of new technologies and products by SMEs in Hokkaido, and to contribute to the development of the Hokkaido economy and the improvement of its industrial structure through the promotion of industry and nurturing of companies.

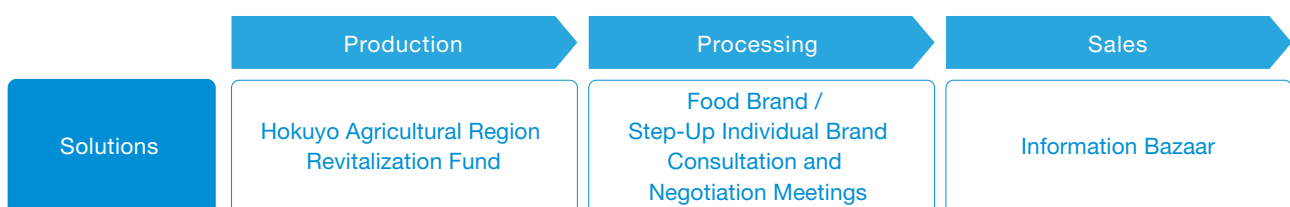
\* In April 2019, Hokkaido Research Institute for the Twenty-first Century Co., Ltd. became the Secretariat.

## ● Support for the Food and Farming Sector

At 83,424 km<sup>2</sup>, Hokkaido has the largest area of Japan's prefectures. It also leads the nation in agricultural output, measured at 1.25 trillion yen\*. The food and farming sector, a core industry of Hokkaido, is expected to see additional growth. To offer support,

we provide optimal consulting functions for every phase in production, processing, and sales, and work to develop and strengthen the food business in Hokkaido.

\* Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2018"



**Hokuyo Agricultural Region Revitalization Fund**

This fund was established in November 2019 as a successor to the Hokuyo Agricultural Support Fund that was created in 2014 as a mechanism to enable direct investment in agricultural corporations. In January 2020, participation by the Japan Finance Corporation resulted in a fund valued at 200 million yen.

In fiscal 2019, the fund invested 30 million yen in one recipient.

**Information Bazaar**

This is the largest Hokkaido-wide food business negotiation event held in the Tokyo metropolitan area. In fiscal 2019, the 15th year of the event in Tokyo, 217 companies and organizations exhibited and about 3,800 people attended.

\* The fiscal 2020 Information Bazaar has been canceled due to the COVID-19 epidemic.

**Food Brand / Step-Up Individual Brand Consultation and Negotiation Meetings**

Aimed at producers of agricultural, livestock, and marine products as well as customers engaged in manufacturing and processing of foods, these consultation and business negotiation meetings were held in seven regions in Hokkaido in fiscal 2019 (co-sponsored with the Hokkaido government).



Information Bazaar in Tokyo 2019

**● Support for the Tourism Sector**

Hokkaido's tourism sector, a driver of the local economy, enjoys advantages domestically and internationally. New economic growth measures to promote reinvigoration of the Hokkaido economy and the creation of employment opportunities are

expected to have economic ripple effects on a variety of industries. The Bank provides support in cooperation with institutions and organizations involved in tourism.

**● Support for the Healthcare and Social Welfare Sector**

Amid ongoing system reforms under the arrival of an aging society, our customers' needs are diversifying to encompass seamless financing for capital investment, formulation of management strategies,

and organizational restructuring. The Bank has assigned total of 17 medical care specialists in headquarters and sales offices to strengthen support for our customers.

**Hokuyo Life Sciences Support Fund**

This fund was established in July 2017 with Hokkaido Research Institute for the Twenty-first Century Co., Ltd. to target investment in Hokkaido's life sciences sectors, including medical technologies, drug

discovery, and medical devices. To date, the fund has invested 160 million yen in three companies, including an investment in a medical-related venture business in October 2019.

## ● Support for the Manufacturing Sector

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

### Manufacturing Technology Fair

With the aim of further promoting Hokkaido's manufacturing industry, this business negotiation event brings together SMEs with exceptional technologies and products, universities, support organizations, and other parties. The Manufacturing

### Use of Subsidies

The Bank is strengthening proposals for making use of subsidy programs from national and local government bodies as a way to meet capital investment and other needs of manufacturing companies. For subsidy programs that require the issuance of confirmation letters from accredited financial institutions, our sales offices and headquarters work together to provide support, from working through application procedures to

## ● M&A / Business Succession Support

Needs related to M&A and business succession are increasing nationwide due to the aging of business operators and the absence of successors. Hokkaido's percentage of businesses without a successor is the highest in Japan at 70%. The Bank has assigned human resources with expert

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

Technology Fair 2019, held in July, hosted 225 exhibitor companies and organizations and approximately 4,600 visitors, with over 1,300 business discussions taking place.

brushing up application content. With regard to the first and second public invitations for fiscal 2018 supplementary budget manufacturing subsidies, the rate of subsidy approval with involvement by the Bank was 57% in fiscal 2019, compared with a national average of 45%. Our share of subsidy approvals was the highest in Hokkaido, at 37% of cases.

knowledge to Hokkaido Kyoso Partners, which we made a wholly owned subsidiary in April 2020. While strengthening cooperation with external partners, we are building a system that is able to provide total support that spans customer consultation to problem resolution.



Manufacturing Technology Fair 2019



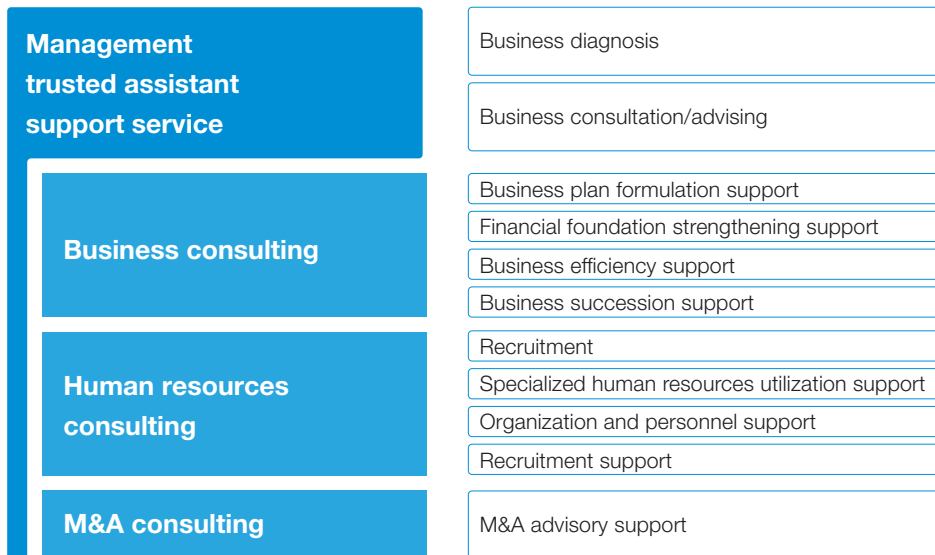
LED-Type Wild Animal Repelling Device

● **Expert Consulting by Hokkaido Kyoso Partners Co., Ltd.**

Experienced staff persons with expert knowledge in Hokkaido Kyoso Partners provide an accompaniment-oriented, integrated support service that spans

organization of business issues, examination and execution of solutions (including human resource introductions), and associated follow-up.

**Principal Solutions**



**Hokuyo Business Succession Fund**

With the aim of contributing to seamless succession and further growth and development of businesses in Hokkaido, Hokkaido Kyoso Partners operates

this fund jointly with Long Black Partners Co., Ltd. The amount invested by the Bank alone in the fund is two billion yen.

**Regional Revitalization Strategy**

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

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

● **Status of Initiatives Related to Regional Revitalization**

While enhancing cooperation with parties including Hokkaido regional public bodies\*, universities, credit associations, credit unions, and other financial institutions, we support ambitious local initiatives

and offer powerful support for regional revitalization in order to contribute to the reinvigoration of the Hokkaido economy.

\* By March 2020, the Bank signed partnership agreements with 33 local government bodies.

# Overseas Business Development

## Overseas Business Development Support

Our overseas representative offices as well as our partnerships with overseas financial institutions provide us with an international network spanning China, ASEAN member states, North America and Russia. We utilize this reach to provide detailed support tailored for customers' needs such as overseas expansion and development. In fiscal 2019, we provided support for 483 cases of business negotiations.



### ● Cooperation with Overseas Sites and Financial Institutions

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

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

- Overseas business support

In addition to financial and other institutions overseas, the North Pacific Bank Group has also formed business alliances with external consulting firms to

provide business matching services to meet the needs of our customers, including provision of local information, site visits, overseas sales channel development and trade transactions.

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

### ● Bangkok Business Exchange Meeting

In September 2019, the member banks of the TSUBASA Alliance co-hosted the Bangkok Business Exchange Meeting. The purpose of the event was to provide an opportunity for business partners of

the TSUBASA Alliance member banks who are expanding or considering expanding into Thailand to meet, exchange information and conduct business matching.



## ● Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) Business Seminar and Exchange Meeting

In November 2019, we held a seminar and exchange meeting in collaboration with BIDV and 15 financial institutions in Japan. The purpose of this event was to provide business partners of each bank with the

latest information on Vietnam, and an opportunity to interact with other participants who are expanding or considering expanding into the country.

## ● Issuing Standby Letters of Credit

For Hokkaido-based companies seeking to establish overseas operations, we provide support in raising the local-currency denominated financing required for such operations' future business expansion. In fiscal 2019, we issued five standby letters of credit in the ASEAN

region. A standby letter of credit is a letter of guarantee issued by our Bank to a foreign financial institution, in order to create a credit facility for our customers' overseas incorporated affiliates at that foreign financial institution.

## ● Foreign Exchange Services

### Market Desk

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

customers for foreign exchange transactions, such as by providing fast and accurate information on the condition of foreign exchange markets.

### North Pacific Bank Forex Online Service

The North Pacific Bank Forex Online Service is an Internet based foreign exchange banking service allowing users to order overseas remittances, apply for or change the conditions of import letters of

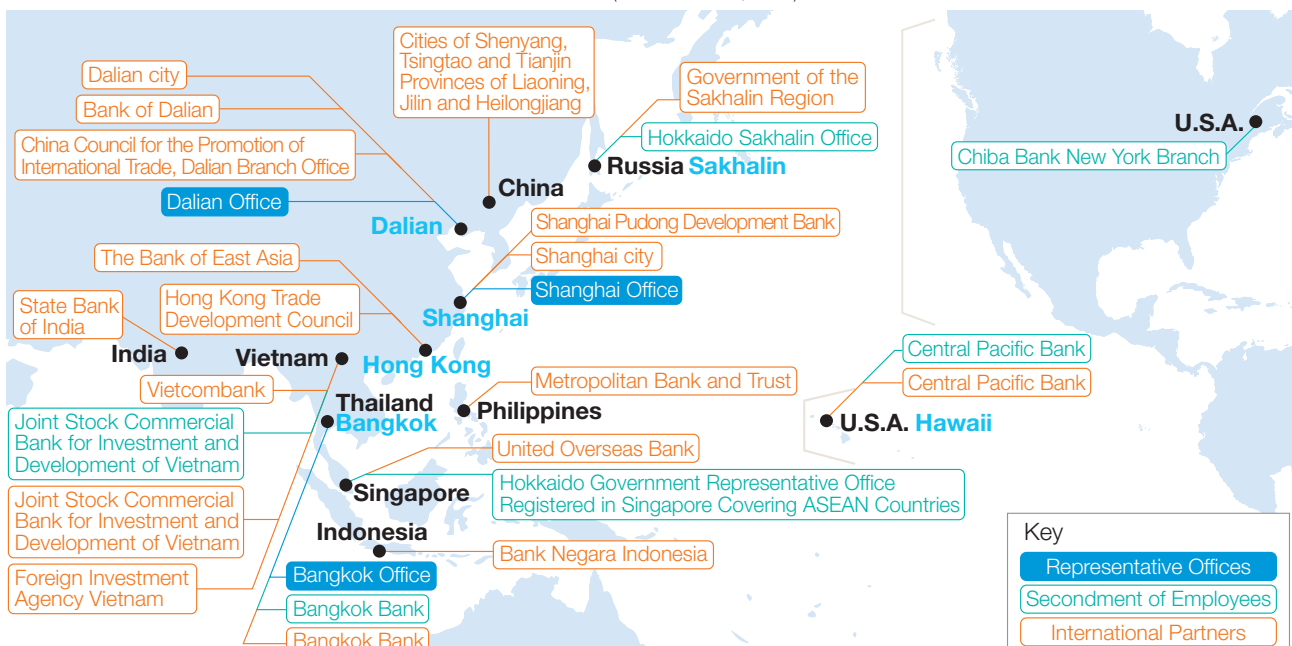
credit, and enter currency forward contracts from their PCs. Transactions can be made in 16 different currencies (nine currencies for currency forward contracts).

### Currency Exchange

In response to mounting demand from customers for travel and business purposes worldwide, especially within the ASEAN region, the number

of currencies handled by our cash-based foreign exchange service has reached 16 (of which four are ASEAN currencies).

## North Pacific Bank International Network (As of March 31, 2020)



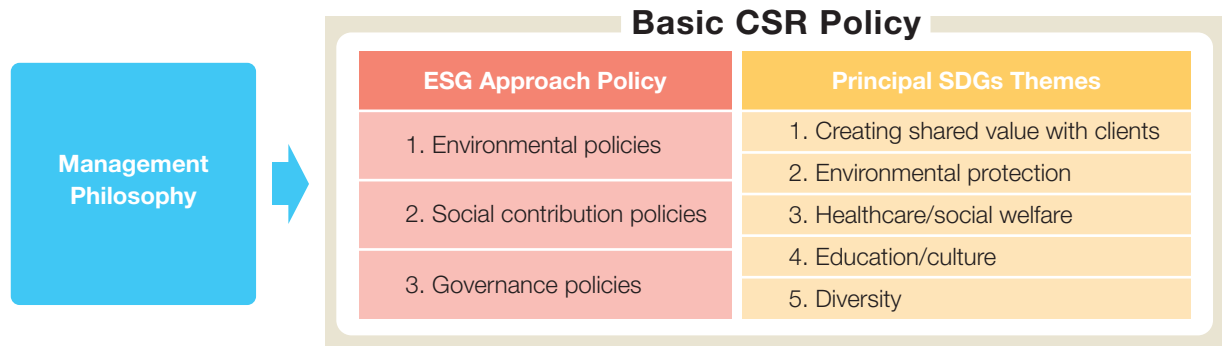
\* As of June 2020, our overseas representative offices are temporarily closed due to the spread of COVID-19.

## ESG and the SDGs Initiatives

North Pacific Bank has established an ESG Approach Policy and a set of Principal SDGs Themes based on our Basic CSR Policy. Through these, we aim to develop together with the community, shouldering our responsibility toward society and the environment.

### Our Basic CSR Policy

Based on the North Pacific Bank Group's management philosophy, we act across the Group to contribute to the ongoing development of the stakeholders who support us, as we work to provide financial instruments, services, and information while carrying out support activities.



ESG: An abbreviation for Environment, Social and Governance, ESG sums up how the belief that initiatives to tackle environmental, social and governance problems are an indispensable part of a business' pursuit of sustainable growth is global.

SDGs: An abbreviation for Sustainable Development Goals, a series of goals adopted at a UN summit in 2015. The goals provide international targets towards making a sustainable world.

## Status of SDGs initiatives

### ● Initiatives to Create Shared Value with Clients

As members of the community, executives and employees at all our branches engage in CSR

activities such as participation in events connected to societal contribution and regional interaction.

#### Local Community Contribution

- We actively participate in festivals, greening projects, cleanups, and other regional programs and events.
- In order to make our bank lobbies serve as places for dissemination of regional information and cultural exchange, we hold lobby exhibits of works by customers and local children, panel exhibits that provide customers with useful information on the environment and medical care, and other special activities.



Hakodate Port Festival/Hakodate Minato Matsuri (Hakodate-Chuo Branch)

## ● Environmental Protection Initiatives

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

### The Hokku Fund for Biodiversity Conservation

- Established in 2010, this fund subsidizes organizations working to protect rare species in Hokkaido and improve their habitats. We established the public/private collaborative Hokku Fund Selection Committee to conduct selection of and support for funding recipients, and ensure the validity, fairness, and transparency of funding.
- The main source of funds for the Hokku Fund is the Hokku Term Deposit. The Bank contributes

### Initiatives through Business

- The Bank issues Hokuyo Eco Bond private placement bonds that support companies engaged voluntarily and proactively in environmentally considerate initiatives. The bond offers preferential interest rates relative to general private placement bonds.
- The Bank was designated by the Ministry of the Environment as a financial institution with interest subsidies to promote regional ESG loans, and began handling the program in November 2019. We provide up to 1% subsidization of interest for ESG loans related to renewable-energy/energy-saving equipment investments that feature a high CO<sub>2</sub> reduction effect, as certified by the

## ● Healthcare/Social Welfare Initiatives

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

### Contribution to Community Medical Activities

- We have made comprehensive partnership agreements with four educational institutions in Hokkaido to improve the physical and mental health of Hokkaido residents, to contribute to regional medical care, and to promote the mutual cooperative development of industry and academia. We hold lectures and seminars for citizens, as well as medical management seminars for medical institutions.
- We promote cooperation with corporate-group blood donation drives as a CSR activity with

and to pass these on to the next generation, we take action to preserve the environment.

0.01% of balances deposited by customers, along with the postage fee savings realized by not sending maturity notifications, to the fund.

- The Bank has set up a donation account for the Hokku Fund. Our sales offices accept donations to the account without transfer fees, and we solicit wide-ranging cooperation from individual and corporate clients.

Environmental Partnership Council\*. Results of fiscal 2019 initiatives: 311 million yen/seven cases (ESG loan goal-setting-oriented)

\* A business operator that contracts with the Ministry of the Environment to conduct business with interest subsidies to promote regional ESG loans.

- In order to support the proliferation of environmentally considerate construction work such as energy-saving renovation and solar power generation projects, and to cooperate in the reduction of CO<sub>2</sub> emissions, the Bank offers preferential interest rates to customers for renovation loans related to such construction.

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

participation by employees. (Number of participants in fiscal 2019: 312)

- Since the establishment of the Hokkaido Bone Marrow Bank Promotion Association in 1990, the Bank has provided support including economic assistance, operation of the Secretariat, and cooperation with awareness-raising activities. The Association engages in activities to support bone marrow transplants, including work to expand the number of registered donors.

### Initiatives through Our Products and Branches

- We offer products that support peace of mind in the event of an emergency, including housing loans with group credit life insurance for 11 illnesses and advanced medical care loans.
- As an initiative for customers with visual impairments, we offer notification services for deposit balances and transaction statements in Braille at no charge.

### ● Education and Culture Initiatives

We actively engage in activities to boost culture and sports in Hokkaido, as well as financial education

#### Initiatives to Promote the Arts and Culture

- Since 2012, the Bank has sponsored classical music concerts by the Sapporo Symphony Orchestra in areas around Hokkaido. Through this, residents of Hokkaido can enjoy authentic classical music.
- We co-sponsor the PMF (Pacific Music Festival) that has been held every year since 1990, to develop young musicians around the world.

#### Sports Promotion Initiatives

• The Bank handles the Parasports Aid Bond, a private placement bond that supports sports for persons with disabilities in Hokkaido. North Pacific Bank contributes an amount equal to 0.2% of customer-issued Parasports Aid Bonds to the Hokku Disabled Persons Sports Fund, to contribute to athletes and groups engaged in sports activities for persons with disabilities in Hokkaido. We established the public/private collaborative Hokku Disabled Persons Sports Fund Selection Council in order to award and support the fund, and make

#### Financial and Economic Education Initiatives

- We conduct on-site finance classes and dispatch of instructors to teach elementary to high school students, and welcome them to workplace tours at our branches.
- We are undertaking a financial education project with Hokkaido University of Education to foster teachers capable of financial education. Our bank staff provide lectures on “money morals” and the social role of banks to students at the university.

- At all of our branches, we have assigned certified Service Care Attendants, staff members qualified in improving the quality of service by focusing on capabilities for human interaction with persons experiencing difficulties wherever we provide service, and certified Service Care Cast, a digest version of the same.

and development support for the children who will shoulder the future of Hokkaido.



Sapporo Performance by Sapporo Symphony Orchestra (2019)

efforts to ensure the validity, fairness, and transparency of funding.

- As part of our comprehensive partnership agreement with Hokkaido, we conduct a sports support project that focuses on children, including those with disabilities. 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.

- At our main branches and Consulting Plaza, we hold seminars on asset formation utilizing tax exemption programs, for customers in the asset formation demographic. To provide financial and economic education to students, we also hold Life Planning Classes to teach the importance of future lifestyle and asset formation.

## Support for Development of the Next Generation

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

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

## ● Diversity

We believe that the Bank staff enhancing their lives and fully demonstrating their abilities and individuality is an important management foundation for supporting

the Bank in the medium and long term. Toward that end, we offer various forms of support.

### Work-Life Balance Initiatives

As initiatives to create a pleasant work environment for both men and women, we have introduced programs that actively support the balance between work and private life. We are working to enhance our

work-life-balance-related programs, such as our course shift program, change of work location program, childcare/nursing care re-career plan, and half-day paid leave system.

### Support for Active Participation by Female Employees

We have set up a dedicated section within the Personnel Department to support active participation in work by women. We perform individual consultations on career development and life plans for female employees, who make up 40% of our whole staff, and conduct training aimed at supporting women's career formation. In addition, we offer programs and support to allow employees to continue working after childbirth and during childrearing, including support for employees returning to work from childcare leave.



Exchange of Opinions Meeting for Employees Taking Childcare Leave and Returnees

	FY2017	FY2018	FY2019
Percentage of female employees among new hires	53.8%	50.0%	50.6%
Percentage of female employees among entire workforce	37.4%	36.3%	37.1%
Difference in average employment term between male and female employees (years)	4.3 years	4.0 years	3.8 years
Percentage of female employees in management positions	14.8%	17.1%	18.2%
Percentage of female employees in assistant manager positions or higher	24.2%	26.1%	27.9%
Percentage of female employees taking childcare leave	100.0%	100.0%	100.0%

\* Based on the end of each fiscal year

# Corporate Governance

## ● Basic Approach

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

Based on this fundamental approach, in order to ensure

auditing independence, we have adopted an Audit & Supervisory Board, which is kept separate from the Board of Directors. Within this framework, we have furthermore sought to ensure more effective corporate governance by voluntarily establishing a Nomination and Remuneration Management Advisory Committee, more than half of which is composed of independent external directors and auditors. We will continue to conduct proper and timely review of this framework to improve its effectiveness.

## ● Governance Organs

The Bank has added one more external director since June of this year, and currently has 12 directors (including four external directors) and five Audit & Supervisory Board Members (including three external Audit & Supervisory Board Members). Directors' tenures are capped at one year in order to enable the Bank to quickly adapt to changes in the operating environment, create flexible management

structures, and allow the General Meeting of Shareholders to assess director performance annually. We have group management meetings to coordinate and fine-tune strategies and policies aimed at furthering operations, and an Executive Committee, attended by standing directors, to deliberate and vote on important operational and administrative matters.

## ● External Directors and External Audit & Supervisory Board Members

To enhance management transparency, the Bank has elected four external directors. In coordination with the Audit & Supervisory Board, including external board members, these external directors monitor the performance of duties conducted by the directors, and we believe that monitoring is working adequately. The company elects three external Audit & Supervisory Board Members, of which one is

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

## ● Protecting Shareholders' Rights and Ensuring Impartiality

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

the General Meeting of Shareholders. Moreover, we strive to ensure that all shareholders and investors get equal access to information by uploading materials distributed at information meetings and lectures for non-institutional investors to the Bank's website, generally on the same day whenever possible.

## ● Working in Partnership with Stakeholders

We respect the various rights and circumstances of our stakeholders, as well as the upholding of sound business ethics, and we strive to earn and maintain the trust of all stakeholders through working together with them in whatever capacity is most appropriate.

In keeping with our role as a regional bank to

contribute to Hokkaido's economic development, we pursue a community-oriented brand of banking, working aggressively to bring about regional revitalization and provide services to meet the needs of our customers specific to the different stages of their lives. In addition, as an involved member of the community, we place the utmost importance on

CSR, and have formulated an ESG Approach Policy and a set of five Principal SDGs Themes under which we are working on various measures: creating

shared value with customers, environmental protection, healthcare/social welfare, education/culture, and diversity.

## ● Ensuring Disclosure and Transparency

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

in this area.

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

## ● Dialogue with Shareholders

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

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

## ● Internal Control System Maintenance

The Bank's Board of Directors has voted to approve a basic internal control policy based on the Company Law and regulations for its enforcement. The Board of Directors and Audit & Supervisory Board have established an appropriate management monitoring system, as well as a risk management system and a compliance system, which are the focal points of management monitoring. In addition, we believe that ensuring the reliability of

financial reporting is a vital aspect of the Bank's management, and in response to the Internal Control Reporting Regime based on the Financial Instruments and Exchange Act, the Bank has decided on Basic Policies and Internal Control Regarding Internal Controls on Financial Reporting and Internal Controls Administration Regulations on the Group's Financial Reporting, and established Internal Controls on the Group's Financial Reporting.

## ● Internal Audit, Corporate Audit, and Accounting Audit

### Internal Audits

The Bank has established an internal Audit and Inspection Department, governed directly by the Board of Directors and positioned independently of the departments subject to audit. Based on audit policies and audit plans established by the Board of Directors, the Audit and Inspection Department conducts audits of the head office, sales branches, and subsidiaries. The results of these efforts are presented at audit report meetings held at least once a month in principle, and are conveyed to the Board of Directors and Audit & Supervisory Board Members.

has been established with a knowledgeable fulltime staff capable of audit task verification.

### Accounting Audits

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

### Corporate Audits

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

### Cooperation and Teamwork

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

# Compliance

## Compliance Frameworks

At North Pacific Bank, the Board of Directors oversees the development of the compliance framework for the Bank and its group companies, and the Compliance Committee

formulates specific action plans and other relevant matters based on the Bank's Legal Compliance Rules.

### ● Compliance Committee

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

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

### ● Internal Whistleblower System

In the event that an officer or employee of the Bank or a subsidiary discovers a questionable legal action, they may report it directly to the Bank's head office, or to an external reception organization through legal counsel in an effort to promptly identify and correct any inappropriate actions or compliance-related problems.

In addition, the Internal Whistleblower Regulations, which all officers and employees within the Group must abide by,

provide a system in which the Compliance Committee Secretariat receives reports through notification structures and reports them to Audit & Supervisory Board Members on a case-by-case basis, and a system in which notification structures can report directly to Audit & Supervisory Board Members. These systems are properly designed to protect whistleblowers and not to put them at disadvantage.

### ● Shutting Out Organized Crime

The Bank recognizes its public mission and responsibility to society and strives to maintain measures to ensure that it makes no transactions and has no contact whatsoever with organized crime. In accordance with our Basic Policies for Dealing with Organized Crime, the Bank has

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

### ● Management Frameworks for Personal Information Protection and Customer Protection

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

#### Personal Information Protection

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

#### Customer Protection

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

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

#### Conflict of Interest Management

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

#### Fiduciary Duty

North Pacific Bank formulated and announced Action Guidelines for the Realization of Stable Asset Formation and Asset Succession of Customers for the practice of fiduciary duty. Under these action guidelines North Pacific Bank will continue to provide customers with optimized products, services, and information in a timely manner consistent with their life stages through its consulting function.

### ● Preventing Money Laundering and Other Financial Crimes

Vigilance against money laundering and the funneling of funds to terrorists is an increasingly important issue shared in the international community. We at North Pacific Bank consider it one of our core management tasks, and we have a range of effective measures in place.

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

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



## Risk Management

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

### ● Credit Risk Management

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

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

### ● Market Risk Management

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

The Bank is working to provide appropriate market risk management through measures such as by

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

### ● Liquidity Risk Management

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

normal as a result of market confusion and other factors.

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

### ● Operational Risk Management

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

Overall controlling units for operational risk management have been set up at each group

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

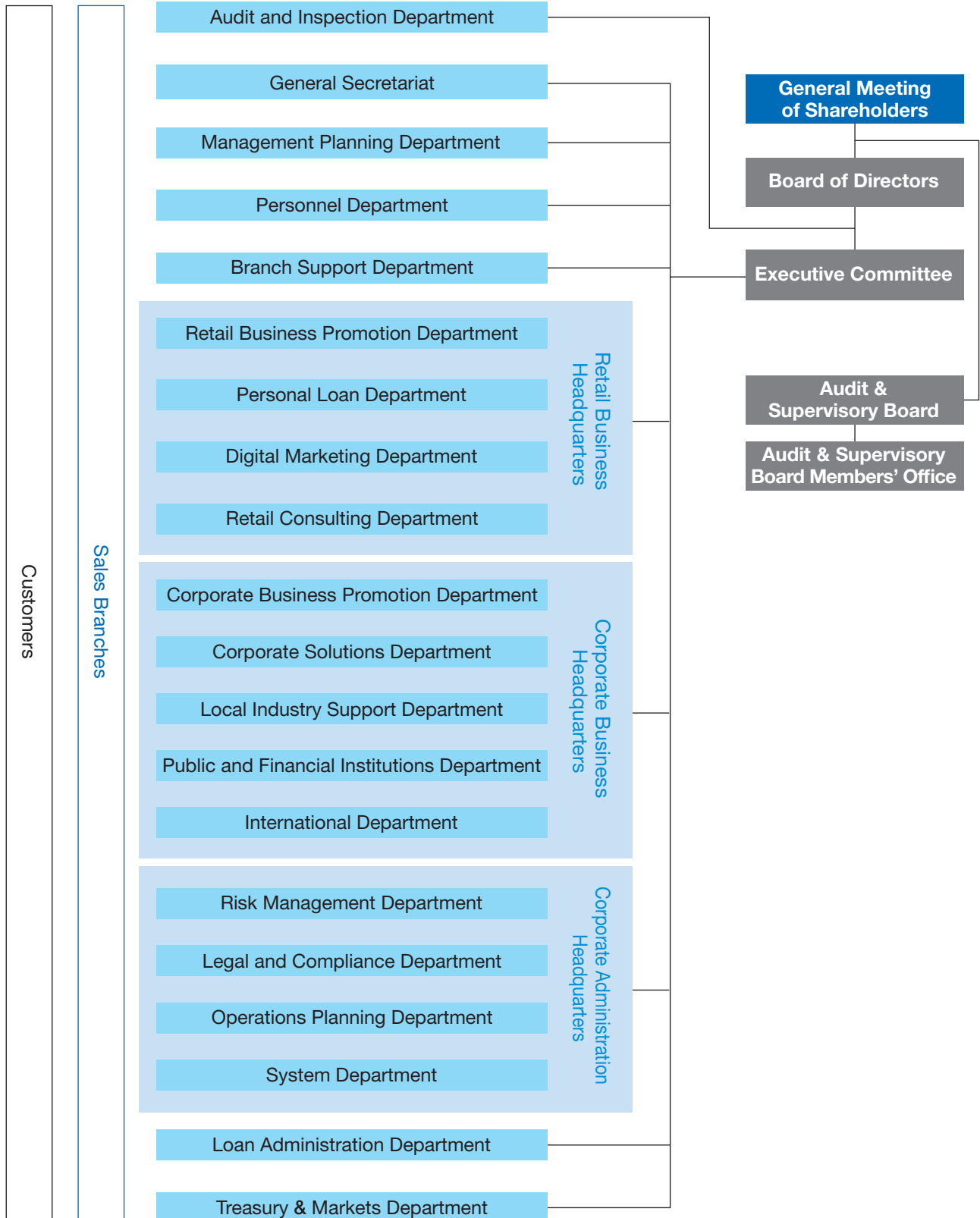
### ● Maintenance of Business Continuity Planning (BCP)

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

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

# Corporate Data

## ● Organizational Chart (As of April 1, 2020)



## ● Directors, Audit & Supervisory Board Members and Executive Officers (As of June 25, 2020)

Chairman	Junji Ishii	Managing Executive Officer	Ryosuke Kobayashi
Deputy Chairman	Ryu Shibata	Managing Executive Officer	Hironari Ishikawa
President	Mitsuharu Yasuda	Managing Executive Officer	Hitoshi Nogiwa
Deputy President	Iwao Takeuchi	Managing Executive Officer	Masanori Abe
Deputy President	Minoru Nagano	Managing Executive Officer	Hitoshi Oshino
Managing Director	Satoshi Shindo	Managing Executive Officer	Takuro Hosono
Managing Director	Takafumi Hiatai	Managing Executive Officer	Hitoshi Masuda
Director	Nobuo Wakakuri	Managing Executive Officer	Toru Oda
Director (External)	Rieko Ubagai	Managing Executive Officer	Akira Yamada
Director (External)	Kazuaki Shimamoto	Executive Officer	Shiro Kurio
Director (External)	Naoki Nishita	Executive Officer	Kazuhiro Takahashi
Director (External)	Masako Taniguchi	Executive Officer	Tsutomu Okushiba
Audit & Supervisory Board Member (Standing)	Fumiyo Fujii	Executive Officer	Koji Matsuoka
Audit & Supervisory Board Member (Standing)	Katsunori Matsushita	Executive Officer	Yuichi Ishida
Audit & Supervisory Board Member (Standing / External)	Hitoshi Kubota	Executive Officer	Nobuyuki Ishiwa
Audit & Supervisory Board Member (External)	Tateo Wada	Executive Officer	Hironobu Tsuyama
Audit & Supervisory Board Member (External)	Yoshiharu Ishii	Executive Officer	Takahiro Okabe
		Executive Officer	Kenichi Mizumoto
		Executive Officer	Kazushi Yoneta
		Executive Officer	Masahiro Miyahara

## ● Principal Shareholders (As of March 31, 2020)

### Common Shares

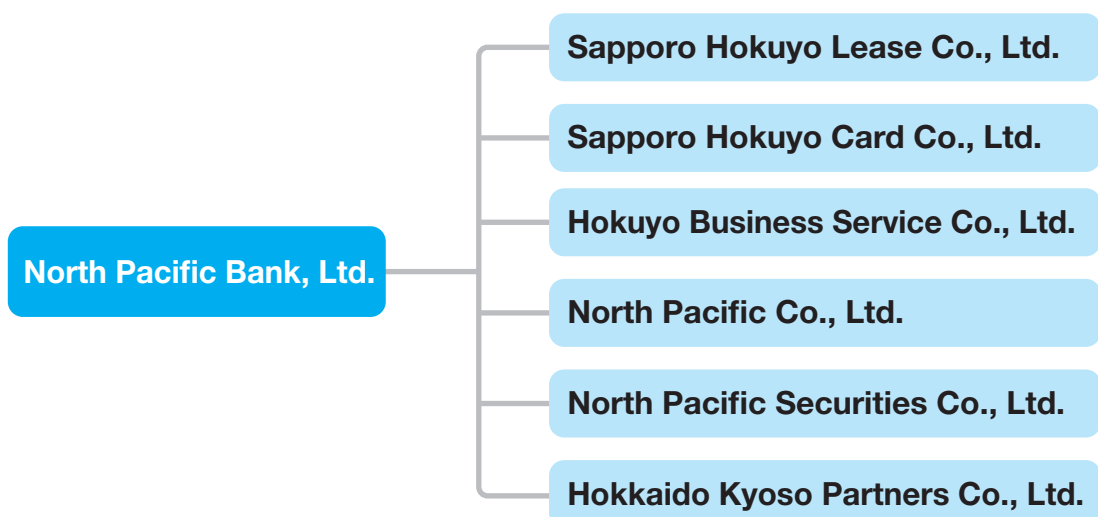
Name	Number of shares held	Percentage of total shares
NIPPON LIFE INSURANCE COMPANY	30,954,500	7.94
Meiji Yasuda Life Insurance Company	30,954,000	7.94
Hokkaido Electric Power Company, Incorporated	23,247,000	5.96
STATE STREET BANK AND TRUST COMPANY 505223	19,710,067	5.05
Japan Trustee Services Bank, Ltd. (Trust Account)	19,474,100	4.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,748,800	4.04
The Dai-ichi Life Insurance Company, Limited	13,412,000	3.44
TAIJU LIFE INSURANCE COMPANY LIMITED	11,132,000	2.85
Sompo Japan Nipponkoa Insurance Inc.	9,154,980	2.34
Japan Trustee Services Bank, Ltd. (Trust Account 4)	7,411,900	1.90

\*1. The percentage of total shares is calculated excluding the treasury stock, and omitting the third and smaller decimal places.

\*2. The Bank holds 9,461,199 shares of treasury stock, which are not included in the above principal shareholders.

\*3. Sompo Japan Nipponkoa Insurance Inc. changed its company name to Sompo Japan Insurance Inc. on April 1, 2020.

## ● Group Structure (As of April 1, 2020)



## ● History of North Pacific Bank, Ltd.

1917	Established as Hokkaido Mujin, Ltd.
1944	Company's name changed to Hokuyo Mujin, Ltd.
1950	Listed on the Sapporo Securities Exchange.
1951	Obtained license for mutual savings and loan banking business; company's name changed to Hokuyo Sogo Bank, Ltd.
1989	Converted into an ordinary bank and company's name changed to North Pacific Bank, Ltd. Listed on the Tokyo Stock Exchange.
1998	Took over the business of The Hokkaido Takushoku Bank, Ltd.
2001	Jointly established Sapporo Hokuyo Holdings, Inc. together with The Sapporo Bank, Ltd.
2005	Representative offices established in Dalian and Shanghai in China.
2008	Merged with The Sapporo Bank, Ltd.
2011	Head office relocated.
2012	Merged with Sapporo Hokuyo Holdings, Inc.
2014	Representative office established in Bangkok in Thailand.
2017	100th Anniversary of the establishment.

## Financial Section

### Consolidated Balance Sheets (As of March 31, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Assets:</b>			
Cash and due from banks	¥1,614,911	¥1,652,447	\$ 15,184
Call loans and bills bought	858	1,101	10
Monetary claims bought	13,572	13,775	127
Trading account securities	4,321	4,275	39
Securities	1,265,106	1,297,414	11,921
Loans and bills discounted	6,518,080	6,659,161	61,189
Foreign exchanges	9,347	7,682	71
Lease receivables and investment assets	51,506	53,128	488
Other assets	167,298	193,230	1,776
Property, plant and equipment	87,115	80,924	744
Intangible assets	8,579	6,490	60
Deferred tax assets	631	723	7
Customers' liabilities for acceptances and guarantees	52,241	50,290	462
Allowance for loan losses	(33,795)	(32,604)	(300)
<b>Total assets</b>	<b>¥9,759,776</b>	<b>¥9,988,041</b>	<b>\$ 91,777</b>
<b>Liabilities:</b>			
Deposits	¥8,596,305	¥8,855,838	\$ 81,373
Negotiable certificates of deposit	74,818	75,996	698
Payables under repurchase agreements	—	3,875	36
Payables under securities lending transactions	118,320	1,136	10
Borrowed money	405,955	484,200	4,449
Foreign exchanges	414	142	1
Other liabilities	59,103	81,105	745
Provision for bonuses	1,751	1,604	15
Provision for share-based remuneration	71	93	1
Net defined benefit liability	409	636	6
Provision for reimbursement of deposits	2,278	2,330	21
Provision for point card certificates	431	450	4
Reserves under special laws	19	19	0
Deferred tax liabilities	24,016	18,655	171
Deferred tax liabilities for land revaluation	2,576	2,188	20
Acceptances and guarantees	52,241	50,290	462
<b>Total liabilities</b>	<b>¥9,338,715</b>	<b>¥9,578,564</b>	<b>\$ 88,014</b>
<b>Net assets:</b>			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,113
Capital surplus	72,485	74,741	687
Retained earnings	143,718	148,186	1,362
Treasury shares	(1,260)	(2,927)	(27)
<b>Total shareholders' equity</b>	<b>336,044</b>	<b>341,101</b>	<b>3,134</b>
Valuation difference on available-for-sale securities	74,151	60,515	556
Revaluation reserve for land	5,229	4,395	40
Remeasurements of defined benefit plans	(127)	(291)	(3)
<b>Total accumulated other comprehensive income</b>	<b>79,253</b>	<b>64,619</b>	<b>594</b>
Share acquisition rights	106	84	1
Non-controlling interests	5,657	3,672	34
<b>Total net assets</b>	<b>421,061</b>	<b>409,476</b>	<b>3,763</b>
<b>Total liabilities and net assets</b>	<b>¥9,759,776</b>	<b>¥9,988,041</b>	<b>\$ 91,777</b>

Note: The rate of ¥ 108.83 to U.S. \$1.00, the foreign exchange rate on March 31, 2020, 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, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Ordinary income:</b>			
Interest income:	¥ 70,644	¥ 67,699	\$ 622
Interest on loans and discounts	59,761	57,917	532
Interest and dividends on securities	10,246	9,137	84
Other interest income	636	644	6
Fees and commissions	29,290	29,079	267
Other ordinary income	31,675	36,207	333
Other income	6,752	5,049	46
<b>Total ordinary income</b>	<b>¥ 138,362</b>	<b>¥ 138,035</b>	<b>\$ 1,268</b>
<b>Ordinary expenses:</b>			
Interest expenses:	¥ 2,834	¥ 2,094	\$ 19
Interest on deposits	410	361	3
Other interest expenses	2,423	1,733	16
Fees and commissions payments	10,694	10,889	100
Other ordinary expenses	28,985	26,741	246
General and administrative expenses	71,452	70,109	644
Other expenses	4,591	15,473	142
<b>Total ordinary expenses</b>	<b>¥ 118,558</b>	<b>¥ 125,308</b>	<b>\$ 1,151</b>
<b>Ordinary profit</b>	<b>¥ 19,804</b>	<b>¥ 12,726</b>	<b>\$ 117</b>
Extraordinary income	605	1,786	16
Extraordinary losses	478	860	8
<b>Profit before income taxes</b>	<b>19,931</b>	<b>13,652</b>	<b>125</b>
Income taxes:			
Current	3,990	5,995	55
Deferred	1,498	(32)	(0)
<b>Total income taxes</b>	<b>5,489</b>	<b>5,963</b>	<b>55</b>
<b>Profit</b>	<b>14,441</b>	<b>7,689</b>	<b>71</b>
<b>Profit attributable to non-controlling interests</b>	<b>300</b>	<b>124</b>	<b>1</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 14,141</b>	<b>¥ 7,564</b>	<b>\$ 70</b>

## ● Consolidated Statements of Comprehensive Income (Year ended March 31, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Profit</b>	<b>¥ 14,441</b>	<b>¥ 7,689</b>	<b>\$ 71</b>
<b>Other comprehensive income</b>	<b>(19,004)</b>	<b>(13,659)</b>	<b>(126)</b>
Valuation difference on available-for-sale securities	(18,490)	(13,494)	(124)
Remeasurements of defined benefit plans, net of tax	(514)	(164)	(2)
<b>Comprehensive income</b>	<b>¥ (4,563)</b>	<b>¥ (5,969)</b>	<b>\$ (55)</b>
Comprehensive income attributable to owners of parent	(4,414)	(6,236)	(57)
Comprehensive income attributable to non-controlling interests	(148)	266	2

## ● Consolidated Statements of Changes in Equity (Year ended March 31, 2019 and 2020)

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2018	¥121,101	¥ 72,367	¥133,386	¥ (0)	¥326,854	¥ 92,193	¥ 5,380	¥ 387	¥ 97,960	¥128	¥ 6,001	¥430,945
Changes of items during period												
Dividends of surplus			(3,960)		(3,960)							(3,960)
Profit attributable to owners of parent			14,141		14,141							14,141
Purchase of treasury shares				(2,511)	(2,511)							(2,511)
Disposal of treasury shares		9		64	74							74
Increase (decrease) by share exchange		(62)		1,186	1,124							1,124
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		170			170							170
Reversal of revaluation reserve for land			151		151							151
Net changes of items other than shareholders' equity						(18,041)	(151)	(514)	(18,707)	(22)	(344)	(19,074)
Total changes of items during period	—	¥ 117	¥ 10,332	¥ (1,259)	¥ 9,190	¥ (18,041)	¥ (151)	¥ (514)	¥ (18,707)	¥ (22)	¥ (344)	¥ (9,884)
Balance as of March 31, 2019	¥121,101	¥ 72,485	¥143,718	¥ (1,260)	¥336,044	¥ 74,151	¥ 5,229	¥ (127)	¥ 79,253	¥106	¥ 5,657	¥421,061
Changes of items during period												
Dividends of surplus			(3,929)		(3,929)							(3,929)
Profit attributable to owners of parent			7,564		7,564							7,564
Purchase of treasury shares				(1,710)	(1,710)							(1,710)
Disposal of treasury shares		4		43	47							47
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		2,252			2,252							2,252
Reversal of revaluation reserve for land			833		833							833
Net changes of items other than shareholders' equity						(13,636)	(833)	(164)	(14,633)	(22)	(1,985)	(16,641)
Total changes of items during period	—	¥ 2,256	¥ 4,467	¥ (1,666)	¥ 5,057	¥ (13,636)	¥ (833)	¥ (164)	¥ (14,633)	¥ (22)	¥ (1,985)	¥ (11,584)
Balance as of March 31, 2020	¥121,101	¥ 74,741	¥148,186	¥ (2,927)	¥341,101	¥ 60,515	¥ 4,395	¥ (291)	¥ 64,619	¥ 84	¥ 3,672	¥409,476

Millions of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2019	\$ 1,113	\$ 666	\$ 1,321	\$ (12)	\$ 3,088	\$ 681	\$ 48	\$ (1)	\$ 728	\$ 1	\$ 52	\$ 3,869
Changes of items during period												
Dividends of surplus			(36)		(36)							(36)
Profit attributable to owners of parent			70		70							70
Purchase of treasury shares				(16)	(16)							(16)
Disposal of treasury shares		0		0	0							0
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		21			21							21
Reversal of revaluation reserve for land			8		8							8
Net changes of items other than shareholders' equity						(125)	(8)	(2)	(134)	(0)	(18)	(153)
Total changes of items during period	—	\$ 21	\$ 41	\$ (15)	\$ 46	\$ (125)	\$ (8)	\$ (2)	\$ (134)	\$ (0)	\$ (18)	\$ (106)
Balance as of March 31, 2020	\$ 1,113	\$ 687	\$ 1,362	\$ (27)	\$ 3,134	\$ 556	\$ 40	\$ (3)	\$ 594	\$ 1	\$ 34	\$ 3,763



## ● Consolidated Statements of Cash Flows (Year ended March 31, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 19,931	¥ 13,652	\$ 125
Depreciation	8,100	8,028	74
Impairment loss	252	618	6
Gain on bargain purchase	(550)	—	—
Loss(gain) on step acquisitions	(33)	—	—
Increase (decrease) in allowance for loan losses	(3,990)	(1,190)	(11)
Increase (decrease) in provision for bonuses	(98)	(147)	(1)
Increase(decrease) in provision for share-based remuneration	71	21	0
Decrease(increase) in net defined benefit asset	75	—	—
Increase (decrease) in net defined benefit liability	146	226	2
Increase (decrease) in provision for reimbursement of deposits	302	52	0
Increase (decrease) in provision for point card certificates	47	19	0
Gain on fund management	(70,644)	(67,699)	(622)
Financing expenses	2,834	2,094	19
Loss (gain) related to securities	(2,033)	4,211	39
Foreign exchange losses (gains)	(2,556)	1,249	11
Loss (gain) on disposal of non-current assets	204	(1,545)	(14)
Net decrease (increase) in loans and bills discounted	(264,887)	(141,081)	(1,296)
Net increase (decrease) in deposit	251,949	259,533	2,385
Net increase (decrease) in negotiable certificates of deposit	(2,849)	1,177	11
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	75,739	88,244	811
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	1,923	506	5
Net decrease (increase) in call loans	2,731	(445)	(4)
Net increase(decrease)in call money	(31,064)	3,875	36
Net increase (decrease) in payables under securities lending transactions	(26,849)	(117,183)	(1,077)
Net decrease (increase) in foreign exchanges-assets	(1,947)	1,664	15
Net increase (decrease) in foreign exchanges-liabilities	289	(272)	(3)
Proceeds from fund management	71,811	69,324	637
Payments for finance	(2,976)	(2,179)	(20)
Other - net	(9,026)	(10,937)	(100)
Subtotal	16,904	111,819	1,027
Income taxes paid	(1,061)	(5,441)	(50)
Net cash provided by (used in) operating activities	15,842	106,377	977
<b>Cash flows from investing activities:</b>			
Purchase of securities	(280,356)	(395,743)	(3,636)
Proceeds from sales of securities	235,176	165,006	1,516
Proceeds from redemption of securities	248,734	176,224	1,619
Purchase of property, plant and equipment	(3,464)	(1,631)	(15)
Proceeds from sales of property, plant and equipment	213	4,756	44
Purchase of intangible assets	(3,095)	(1,163)	(11)
Net cash provided by (used in) investing activities	197,208	(52,552)	(483)
<b>Cash flows from financing activities:</b>			
Decrease in subordinated borrowings	—	(10,000)	(92)
Purchase of treasury shares	(2,511)	(1,710)	(16)
Proceeds from sales of treasury shares	41	12	0
Cash dividends paid	(3,960)	(3,929)	(36)
Other - net	(175)	(150)	(1)
Net cash provided by (used in) financing activities	(6,605)	(15,777)	(145)
Effect of exchange rate change on cash and cash equivalents	17	(4)	(0)
Net increase (decrease) in cash and cash equivalents	206,462	38,042	350
Cash and cash equivalents at beginning of period	1,388,890	1,595,354	14,659
Increase in cash and cash equivalents from share exchange	1	—	—
Cash and cash equivalents at end of period	¥ 1,595,354	¥ 1,633,397	\$ 15,009

## ● Non-Consolidated Balance Sheets (As of March 31, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Assets:</b>			
Cash and due from banks	¥ 1,614,456	¥ 1,651,806	\$ 15,178
Call loans	858	1,101	10
Monetary claims bought	13,572	13,775	127
Trading account securities	4,321	4,275	39
Securities	1,265,524	1,298,086	11,928
Loans and bills discounted	6,577,293	6,718,936	61,738
Foreign exchanges	9,347	7,682	71
Other assets	129,801	155,610	1,430
Property, plant and equipment	85,947	79,934	734
Intangible assets	8,417	6,392	59
Prepaid pension costs	198	99	1
Customers' liabilities for acceptances and guarantees	52,241	50,290	462
Allowance for loan losses	(26,088)	(25,192)	(231)
<b>Total assets</b>	<b>¥ 9,735,893</b>	<b>¥ 9,962,798</b>	<b>\$ 91,545</b>
<b>Liabilities:</b>			
Deposits	¥ 8,603,439	¥ 8,864,762	\$ 81,455
Negotiable certificates of deposit	88,172	87,350	803
Payables under repurchase agreements	—	3,875	36
Payables under securities lending transactions	118,320	1,136	10
Borrowed money	397,745	474,890	4,364
Foreign exchanges	414	142	1
Other liabilities	39,635	61,503	565
Provision for bonuses	1,533	1,398	13
Provision for share-based remuneration	71	93	1
Provision for retirement benefits	141	33	0
Provision for reimbursement of deposits	2,278	2,330	21
Provision for point card certificates	422	443	4
Deferred tax liabilities	23,421	17,926	165
Deferred tax liabilities for land revaluation	2,576	2,188	20
Acceptances and guarantees	52,241	50,290	462
<b>Total liabilities</b>	<b>¥ 9,330,414</b>	<b>¥ 9,568,366</b>	<b>\$ 87,920</b>
<b>Net assets:</b>			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,113
Capital surplus	50,001	50,005	459
Retained earnings	157,453	162,678	1,495
Treasury shares	(1,265)	(2,932)	(27)
<b>Total shareholders' equity</b>	<b>327,290</b>	<b>330,852</b>	<b>3,040</b>
Valuation difference on available-for-sale securities	72,853	59,099	543
Revaluation reserve for land	5,229	4,395	40
<b>Total valuation and translation adjustments</b>	<b>78,082</b>	<b>63,495</b>	<b>583</b>
Share acquisition rights	106	84	1
<b>Total net assets</b>	<b>405,478</b>	<b>394,431</b>	<b>3,624</b>
<b>Total liabilities and net assets</b>	<b>¥ 9,735,893</b>	<b>¥ 9,962,798</b>	<b>\$ 91,545</b>

## ● Non-Consolidated Statements of Income (Year ended March 31, 2019 and 2020)

	Millions of yen		Millions of U.S. dollars
	2019	2020	2020
<b>Ordinary income:</b>			
Interest income:	¥ 70,910	¥ 68,300	\$ 628
Interest on loans and discounts	59,956	58,110	534
Interest and dividends on securities	10,317	9,547	88
Other interest income	635	642	6
Fees and commissions	27,532	27,191	250
Other ordinary income	3,649	8,286	76
Other income	6,882	4,952	46
<b>Total ordinary income</b>	<b>¥ 108,975</b>	<b>¥ 108,730</b>	<b>\$ 999</b>
<b>Ordinary expenses:</b>			
Interest expenses:	¥ 2,797	¥ 2,060	\$ 19
Interest on deposits	410	361	3
Other interest expenses	2,386	1,698	16
Fees and commissions payments	12,908	12,985	119
Other ordinary expenses	2,404	711	7
General and administrative expenses	68,904	67,108	617
Other expenses	2,660	13,238	122
<b>Total ordinary expenses</b>	<b>¥ 89,675</b>	<b>¥ 96,103</b>	<b>\$ 883</b>
<b>Ordinary profit</b>	<b>¥ 19,299</b>	<b>¥ 12,627</b>	<b>\$ 116</b>
Extraordinary income	7	1,786	16
Extraordinary losses	476	585	5
<b>Income before income taxes</b>	<b>18,830</b>	<b>13,829</b>	<b>127</b>
Income taxes:			
Current	3,540	5,514	51
Deferred	1,663	(6)	(0)
<b>Total income taxes</b>	<b>5,203</b>	<b>5,507</b>	<b>51</b>
<b>Net income</b>	<b>¥ 13,626</b>	<b>¥ 8,321</b>	<b>\$ 76</b>

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