


 North Pacific Bank

Annual Report

2021





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 longstanding support of North Pacific Bank.

During fiscal 2020, the domestic economy was buffeted by unprecedented factors for anticipated negative growth exceeding those of the “Lehman shock” financial crisis. These included repeated restrictions on economic activity due to the COVID-19 pandemic, which reduced personal consumption and corporate profit while suppressing investment in plant and equipment.

Hokkaido faces even harsher economic circumstances than other prefectures, due to factors including the disappearance of inbound activity, which has greatly depressed tourism and related industries that have driven the prefectural economy, as well as the timing of successive policies unique to the prefecture.

In addition, the acceleration of population decline and aging, as well as low fertility, a regional structural issue, leads to expectations of shrinking future markets. In the financial climate as well, we see the continued development of an unprecedentedly harsh business environment, with prolongation of ultra-low interest rate policies, the entry of competitors from other industries and expansion of new services due to the rapid spread of digitalization.

Last year, our bank formulated a new unified groupwide Management Philosophy, under which we initiated a Medium-term Business Plan emphasizing “Deepening the Creation of Shared Value.” Based on this plan, we will place customer-oriented consulting at the core of our work as we provide optimal services and solutions tailored to the diverse needs and issues faced by our customers and by local regions. By undertaking these efforts with our full collective group strength, we intend to increase our banking group’s corporate value and contribute to a sustainable future for Hokkaido.

Also, in May 2021, we undertook a developmental overhaul of our Basic CSR Policy, and thus formulated our Sustainability Policy. The revision clarifies that we are working to contribute to ongoing development of the regional community and environment, to increase our medium-term corporate value, and to achieve sustainable business. This policy also represents our commitment to advancing ESG and SDG efforts.

At the same time, in order to move forward in responding to the problem of climate change, we have announced our endorsement of recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). In addition to defining and evaluating climate-related risks and opportunities, we will advance concrete efforts that include reflecting them in our risk management.

With an end to the COVID-19 pandemic still out of sight, harsh conditions continue. Under our new management philosophy, however, we will move forward step by step, responding to changes in our environment, doing what is necessary under difficult conditions without losing sight of efforts necessary in anticipation of post-COVID conditions.

Always mindful of the fact that our greatest asset is our connection to our customers, everyone in the regional community, and all of our shareholders, we aim to be a banking group that continues to earn your trust. In that spirit, I earnestly ask for your continued warm support and patronage.

September 2021

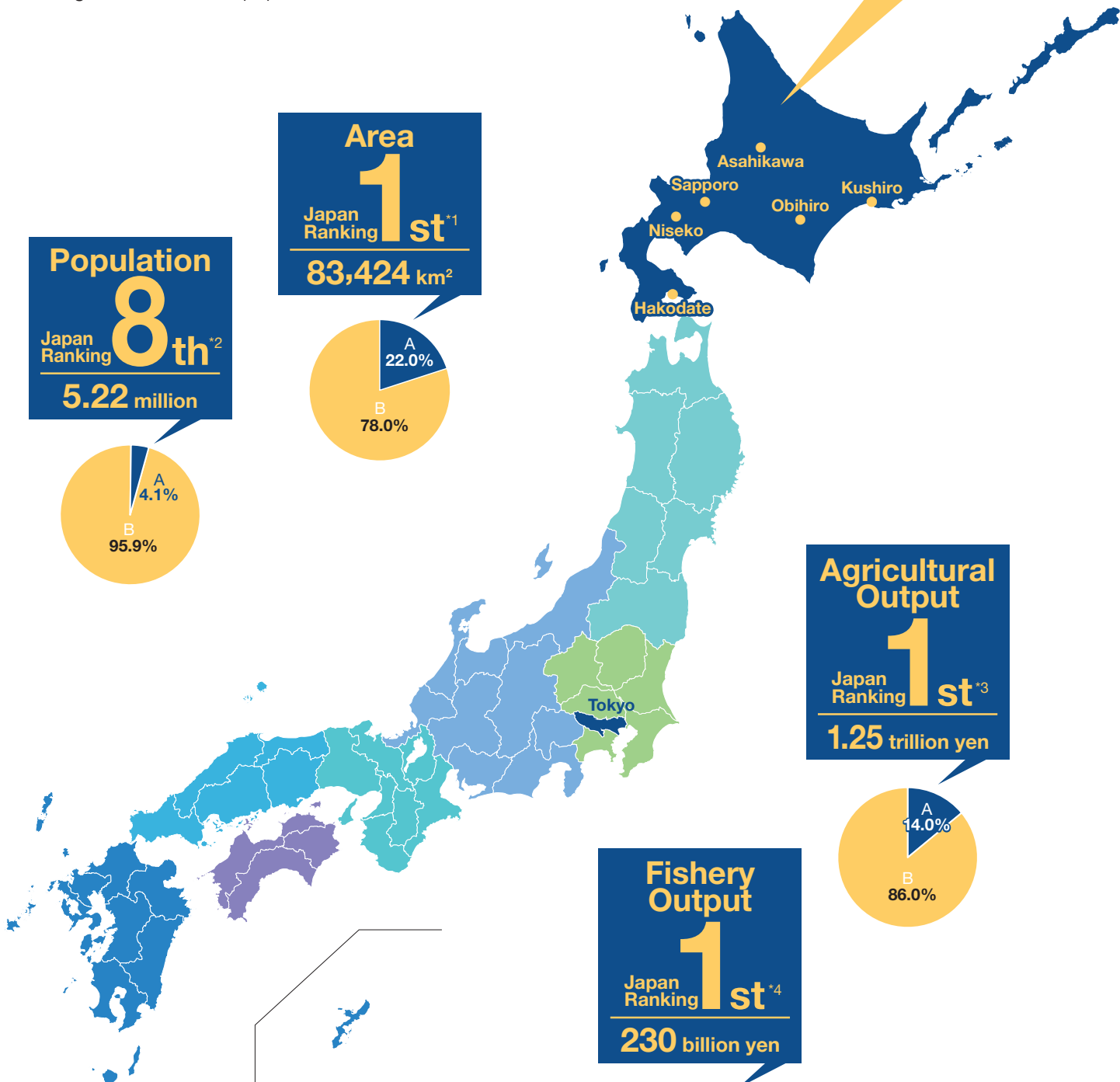
M. Yasuda

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



Sources:

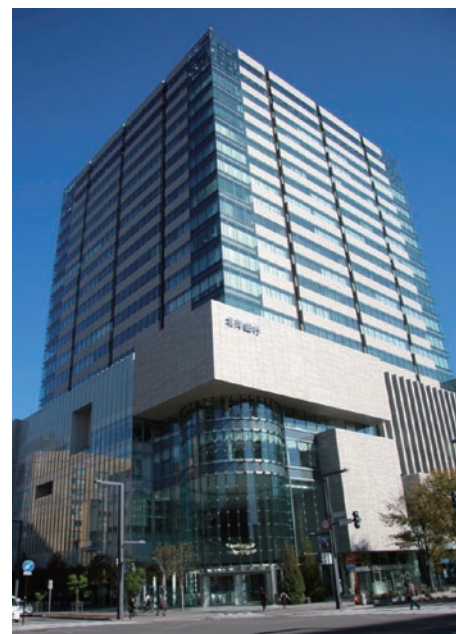
- *1 Geospatial Information Authority of Japan: "Statistical reports on the land area by prefectures and municipalities in Japan, 2021 (as of January 1)"
- *2 Ministry of Internal Affairs and Communications: "Internal Migration in Japan Derived from the Basic Resident Registers" (as of January 1, 2021)
- *3 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2019"
- *4 Ministry of Agriculture, Forestry and Fisheries: "Total Fishery Output, 2019"

A Hokkaido
B Other

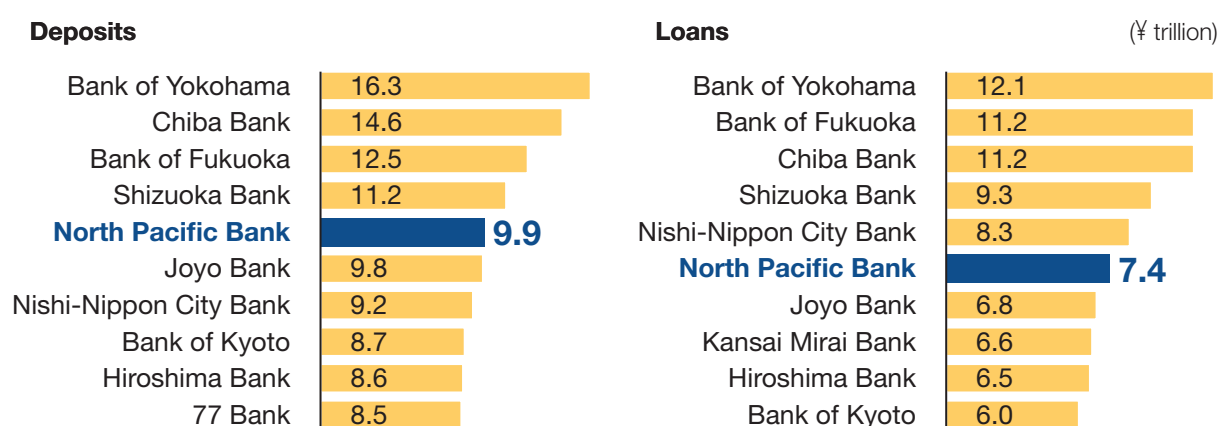
About North Pacific Bank

● Corporate Outline (As of March 31, 2021)

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	2,695

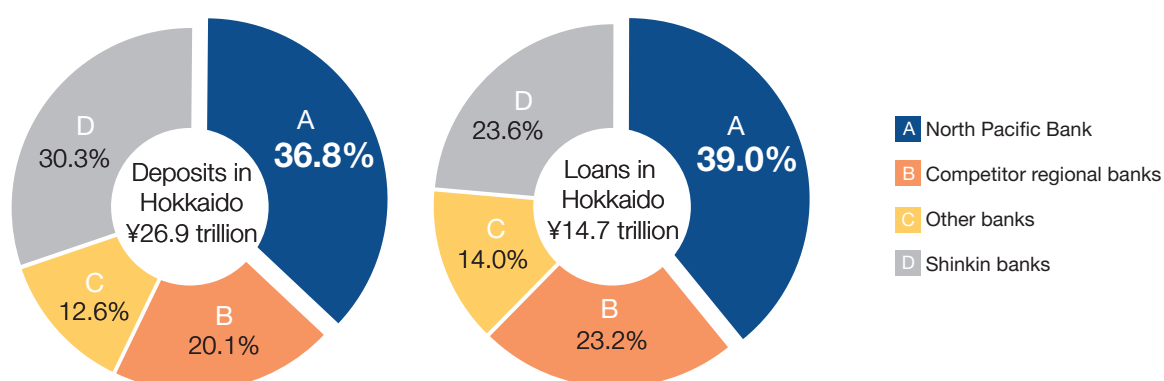


● Positional Chart for Deposits and Loans Provided (As of March 31, 2021)



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

● Market Share in Hokkaido (As of March 31, 2021)



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.

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)

Based on our new Management Philosophy, in fiscal 2020 we initiated our Medium-term Business Plan “Deepening the Creation of Shared Value,” which emphasizes four Basic Policies. As we steadily advance strategies in keeping with each Basic Policy, we will maximize customer satisfaction and value so as to increase our banking group’s profit, thus contributing to a sustainable future for Hokkaido.

Management Philosophy

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

Code of Conduct

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

Customer-first, understanding of business potential

An increased our transaction share in Hokkaido

Development of high-level human resources

Achievement of increase in share, strengthening of service

Strengthening of consulting

Strengthening corporate and individual consulting transactions

Our Vision

Efficient approaches, Cost reductions

Covering declining profits and becoming a high-quality organization

Basic Policy

Consulting strategy

- 1 Pursuit of consulting sales work that connects closely to customers



Digital strategy

- 2 Expansion of breadth of transactions and improved efficiency, centered on digitalization



Human resources strategy

- 3 Human resources development to achieve consulting with depth



Productivity improvement strategy

- 4 Acceleration of efforts toward productivity improvements and cost reductions



Maximization of customer satisfaction and value

=

Improvement of the profitability of our Group

Contribution to a sustainable future for Hokkaido

Calculation Plan (target)

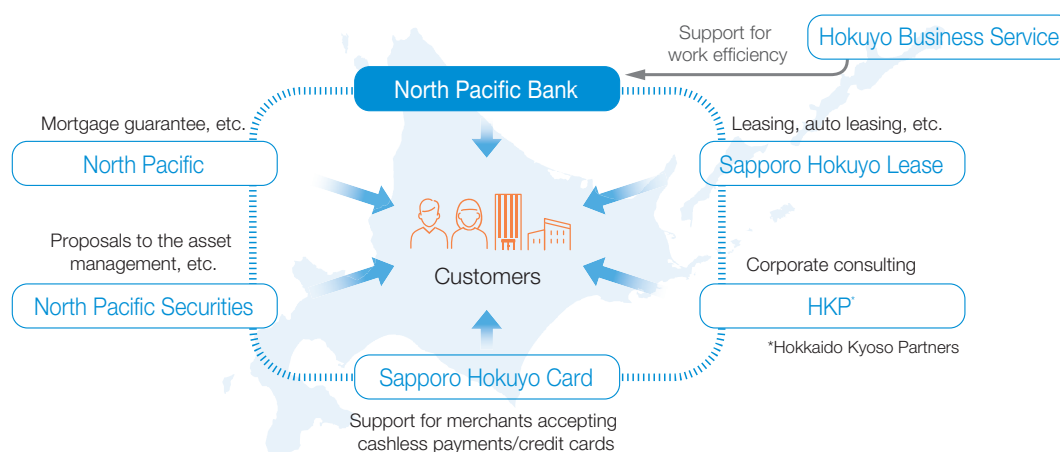
During the first year of our Medium-term Business Plan, the state of progress toward all indexes was generally smooth. ROE, core OHR and share of loans in Hokkaido, which are indexes we emphasize for long-term goals, remain low relative to long-term target levels. But we will continue to make efforts toward their realization.

Management metrics	FY2020 (result) (Year-On-Year(YoY))	FY2022 (plan) (Long-term goals)
Ordinary profit (consolidated)	15.7 billion yen (+3.0 billion yen)	15.8 billion yen
Net income (consolidated)	9.4 billion yen (+1.8 billion yen)	10.5 billion yen
Capital adequacy ratio (consolidated)	12.41% (-0.2%)	approx. 12%
Average balance of loans and bills discounted (Non-consolidated)	7.1 trillion yen (+0.4 trillion yen)	7 trillion yen
Productivity per person (Non-consolidated)	3.2 million yen (+0.2 million yen)	4.2 million yen
ROE (Consolidated)	2.23% (+0.39%)	approx. 2% (above 5%)
Core OHR (Non-consolidated)	80.4% (-0.1%)	approx. 83% (below 70%)
Share of loans in Hokkaido* (Non-consolidated)	32.8% (-0.1%)	33.6% (34.7%)

* This was revised to the share of loans in Hokkaido excluding government-affiliated financial institutions in order to compensate for a discrepancy with the initial plan resulting from the effect of a substantial increase in loans from government-affiliated financial institutions, which had moved ahead in handling effectively interest-free and unsecured financing offered as part of government policy measures from the beginning of fiscal 2020.

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.

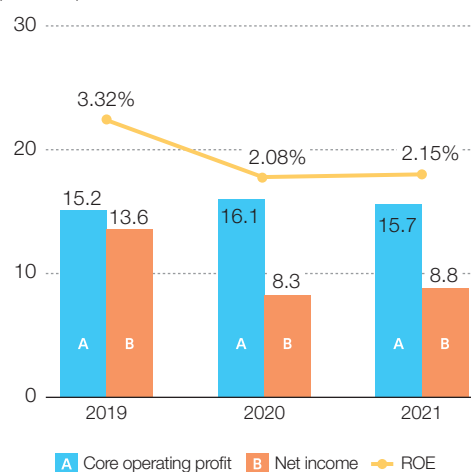


Highlights

Income Summary

Non-Consolidated		(¥ billions)	
	Year ended Mar. 31,		Increase/ (Decrease)
	2020	2021	
Core gross profit	82.9	80.5	(2.4)
Net interest income	66.2	65.5	(0.6)
Net fees and commissions	14.2	13.0	(1.1)
Net other operating income (excluding gains (losses) on bonds)	2.5	1.8	(0.6)
Expenses (excluding non-recurring losses)	66.8	64.7	(2.1)
Core OHR (%)	80.59%	80.41%	(0.18%)
Core operating profit	16.1	15.7	(0.3)
Excluding gains (losses) on cancellation of investment trusts	16.0	15.7	(0.2)
Credit cost	1.9	8.0	6.0
Gains (losses) on securities	(3.9)	5.6	9.6
Net other non-recurring income (loss)	2.4	0.6	(1.8)
Ordinary profit	12.6	14.1	1.4
Net income	8.3	8.8	0.4
ROE (%)	2.08%	2.15%	0.07%

Year ended March 31,
(¥ billions)



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

* Excluding share acquisition rights

Core gross profit decreased by 2.4 billion yen year-on-year due mainly to a decrease in net interest income brought about by a decline in interest and dividends on securities caused by declining interest rates, as well as a decrease in net fees and commissions due to restrictions on in-person dealings. Core operating profit decreased by 0.3 billion yen year-on-year as wide-ranging reductions in property expenses and decreases in personnel expenses caused by natural attrition of staff failed to fully offset the decline in core gross profit. Ordinary profit and net income increased by 1.4 billion yen and 0.4 billion yen, respectively, due to stock sales amid a market recovery and despite an increase in expenses for preventive allocations to loan-loss reserves.

Consolidated		(¥ billions)	
	Year ended Mar. 31,		Increase/ (Decrease)
	2020	2021	
Core gross profit	88.2	86.0	(2.2)
Ordinary profit	12.7	15.7	3.0
Profit attributable to owners of parent	7.5	9.4	1.8
Core operating profit	18.3	18.1	(0.1)
Excluding gains (losses) on cancellation of investment trusts	18.2	18.1	(0.1)

● Deposits and NCDs (Non-Consolidated)

The average balance of deposits and NCDs increased by 849 billion yen year-on-year (+9.6%), and the outstanding balance increased by 1.03 trillion yen year-on-year (+11.6%). Conditions of ongoing future uncertainty were increased in all sectors amid stagnation in liquidity kept on hand to facilitate cash flow and the impact of Special Cash Payments. The balance of deposit assets increased by 21 billion yen year-on-year as a recovery in market conditions boosted the market value of investment trusts despite a decrease in sales due to restrictions on in-person transactions.

Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2020	2021	
Deposits and NCDs	8,771	9,620	849

* NCDs = Negotiable certificates of deposit

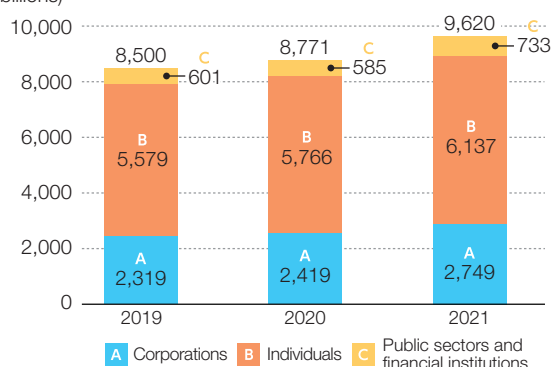
Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2020	2021	
Deposits and NCDs	8,952	9,990	1,038
Deposit assets	223	244	21

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

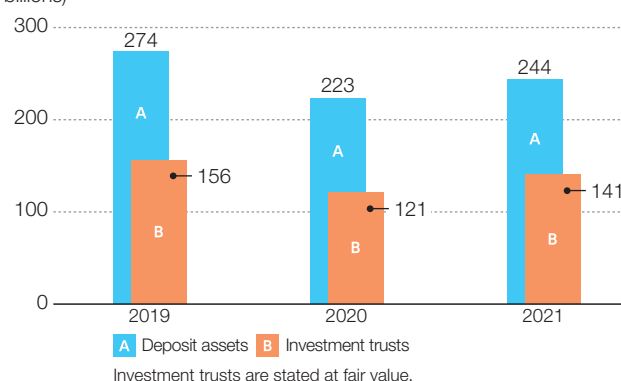
Deposits and NCDs (Average Balance)

Year ended March 31,
(¥ billions)



Deposit Assets and Investment Trusts (Outstanding Balance)

As of March 31,
(¥ billions)



● Loans and Bills Discounted (Non-Consolidated)

Regarding loans and bills discounted, the average balance increased by 473 billion yen year-on-year (+7.1%) due in large part to COVID-related loan efforts, while the outstanding balance increased by 705 billion yen year-on-year (+10.4%). Average and outstanding balance both increased year-on-year in all sectors. Due in large part to growth in COVID-related loans and to growth in individual housing loans, the outstanding balance of loans and bills discounted for SMEs increased by 347 billion yen year-on-year (+9.3%).

Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2020	2021	
Loans and bills discounted	6,657	7,131	473
Of which, Housing loans	1,715	1,785	70

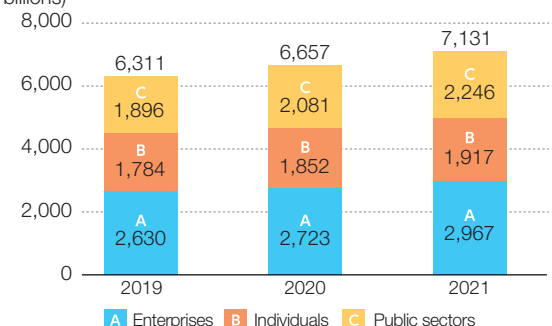
Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2020	2021	
SMEs, etc.	3,725	4,072	347
Loans and bills discounted	6,718	7,424	705
Of which, In Hokkaido	5,388	5,766	377

* SMEs, etc = SMEs + Individuals

Loans and Bills Discounted (Average Balance)

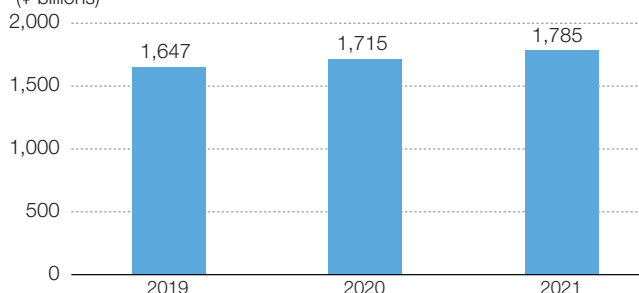
Year ended March 31,
(¥ billions)



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

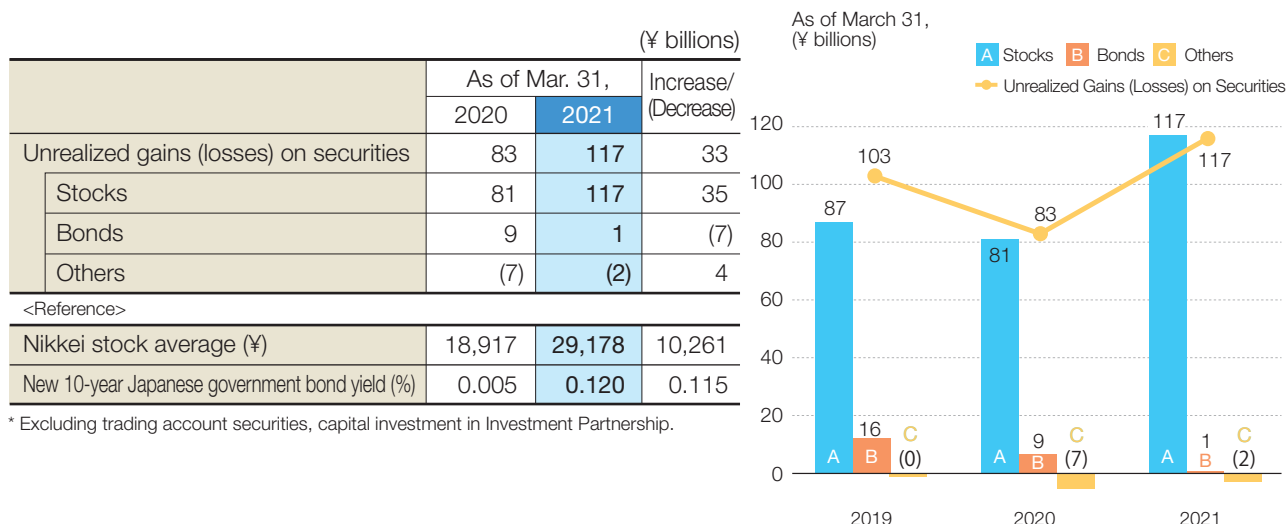
Housing Loans (Average Balance)

Year ended March 31,
(¥ billions)



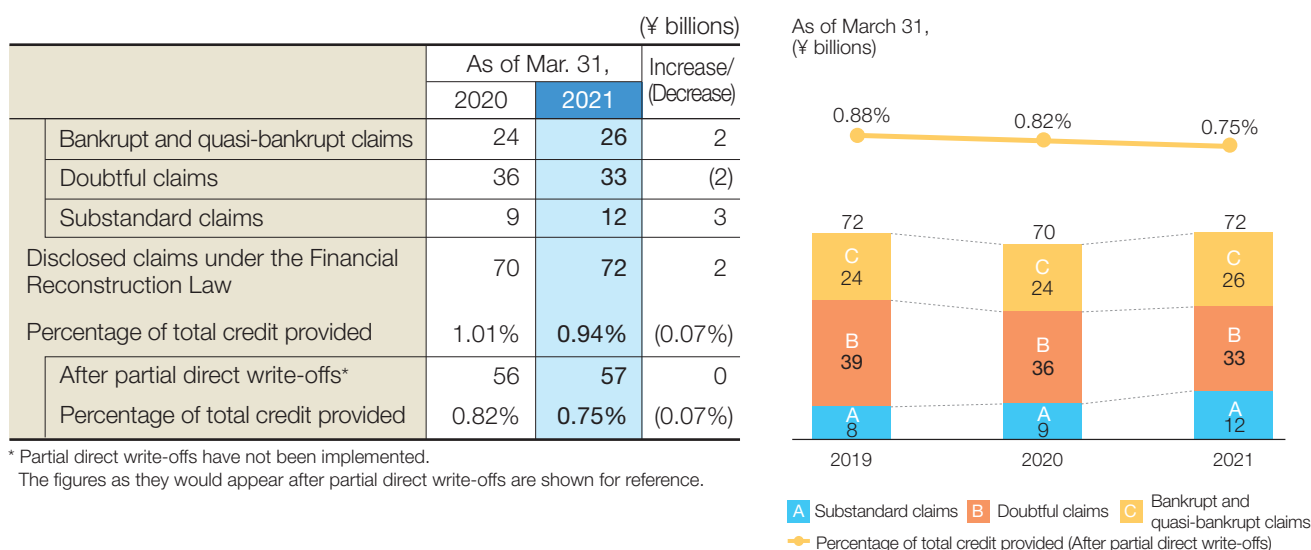
● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Unrealized gains on securities increased 33 billion yen year-on-year, primarily due to an increase in valuation gains on stocks amid recovering market conditions.



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

The amount of total credit provided increased slightly due to support for business associates impacted by the COVID-19 pandemic, but it was maintained at a low level in part due to a decrease in corporate bankruptcies. The percentage of total credit provided decreased by 0.07 percentage point even amid the increase in loans and bills discounted as we maintain a high level of soundness.



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

The capital adequacy ratio was maintained at a high level despite non-consolidated and consolidated decreases due to a partial repayment of subordinated borrowings that had been included in capital.

	As of Mar. 31, (¥ billions)		Increase/ (Decrease)
	2020	2021	
Capital Adequacy Ratio	12.30%	12.07%	(0.23%)
Capital	338	332	(5)
Risk-adjusted assets	2,753	2,757	4

* 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. 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.

● Efforts Amid the COVID-19 Pandemic

We mobilize our entire banking group to support our customers impacted by the COVID-19 pandemic with financial support efforts that include various programs, as well as revision of repayment conditions on existing loans, and business matching to support core business operations.

Regarding COVID-related loans, we have provided more than 460 billion yen in loan support to

approximately 15,000 business associates based on extensive consultation and dialogue including with deposit-only customers.

As part of our main business support effort during the COVID-19 pandemic, we are also focusing effort on business matching facilitation to help business operators establish new business styles.

● 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 374 million yen to 26 recipients as of May 2021.

● Support During Growth, Maturity and Transformation

At North Pacific Bank Group, we support our customers in their business and regional growth. In addition to seamless financing accomplished through our financial intermediation function, we

maintain links to external organizations that enable us to provide customers with optimal solutions for their regional issues and needs, as outlined on the following page.

● Support for the Food and Farming Sector

At 83,424 km², 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

* Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2019"

Hokuyo Agricultural Region Revitalization Fund

This fund was established jointly with the Hokkaido Research Institute for the Twenty-first Century Co., Ltd. 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

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

agricultural corporations. In January 2020, participation by the Japan Finance Corporation resulted in a fund valued at 200 million yen.

A total of 40 million yen has been provided to two recipients, as of March 2021.

Support through Business Negotiations

We support sales channel expansion for our customers through various business negotiation meetings including Food Brand / Individual Step-Up Brand Consultation and Negotiation Meetings. In fiscal 2020, we held 10 business negotiation meetings in 8 regions of Hokkaido.



Business negotiation meetings

Information Bazaar

We hold a variety of business matching negotiation meetings to help meet the sales channel expansion needs of corporate customers. These include Information Bazaar, the largest Hokkaido-wide food business negotiation event, held annually in the Tokyo and Osaka metropolitan areas. In 2020, it was held in Fukuoka in November for the first time as we put off holding it in Tokyo and Osaka out of concern over the spread of COVID-19. We did this by setting up a Hokkaido exhibit area At FOOD STYLE 2020 in Fukuoka, the largest food industry exhibition in Kyushu, with displays by 39 food manufacturers from Hokkaido.



Information Bazaar in Fukuoka

● 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.

We are also moving forward with efforts to attract "workation" visitors to Hokkaido as a means of boosting the related population to counter local population decline, and revitalizing local industries depressed by the impact of the spread of COVID-19.

● 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 facility investment, formulation of management strategies,

and organizational restructuring. The Bank has assigned a total of 20 staff in charge of medical matters in headquarters and sales offices to strengthen support for our customers.

Contributions to Regional Healthcare amid the COVID-19 Pandemic

We launched the Hokuyo Northern Medical Support Bond in May 2020 in order to support medical professionals in Hokkaido struggling to treat COVID-19 patients. This private placement bond is designed so that a sum equivalent to 0.2% of the total

issued amount is donated to medical professionals through Hokkaido Prefecture. During fiscal 2020, approximately 5.9 billion yen was issued through this bond to 83 customers, generating contributions of 11.88 million yen to Hokkaido Prefecture.

● Support for the Manufacturing Sector

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

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

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.

Although the event was canceled during fiscal 2020 out of concern over the spread of COVID-19, the Manufacturing Technology Fair held in July 2019 hosted 225 exhibitor companies and organizations and approximately 4,600 visitors, with over 1,300 business discussions taking place.

Use of Subsidies

In order to meet plant and equipment investment and other needs of manufacturing companies, the Bank informs sales offices of the details of subsidy programs offered by the central and local governments, thereby helping to spread thorough knowledge among customers of subsidy proposals and utilization. For subsidy programs that require the issuance of confirmation letters from accredited financial institutions, our sales offices and headquarters work together with our subsidiary

Hokkaido Kyoso Partners to provide support, from working through application procedures to brushing up application content. With regard to the first through fifth public invitations for manufacturing subsidies, the rate of subsidy approval with involvement by the bank was 47.3% in fiscal 2020, compared with a national average of 42.1%. Our share of subsidy approvals was the highest in Hokkaido, at 13% of cases.

● 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. In particular, Hokkaido's percentage of businesses without a successor is the highest in Japan, long exceeding 70%. In light of these circumstances, the North Pacific Bank Group's M&A and business

succession operations were transferred from the bank to Hokkaido Kyoso Partners, which had become a wholly-owned subsidiary in April 2020. This enabled us to strengthen our support system, in part by increasing our workforce with specialized expertise.

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

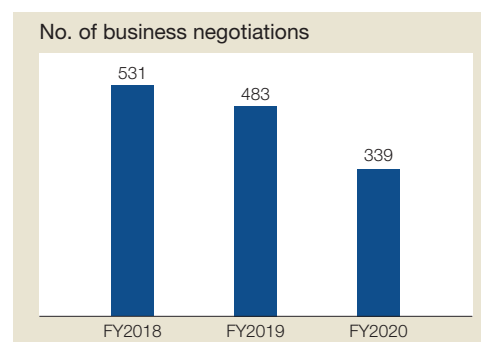
and offer powerful support for regional revitalization in order to contribute to the reinvigoration of the Hokkaido economy.

* By March 2021, the Bank had signed partnership agreements with 34 local government bodies.

Overseas Business Development

Overseas Business Development Support

Our group maintains an extensive overseas network spanning China, ASEAN member states, the US and Russia, served by both our overseas representative offices, and partnerships with affiliated overseas financial institutions and consulting firms. We utilize this comprehensive network to provide detailed support tailored to the needs of our customers' developing businesses overseas, by providing local information, coordinating site visits, and referring import and export channels. In fiscal 2020, we provided support in 339 cases of business negotiations via video conferencing systems.



● Overseas Representative Offices and Affiliated Financial Institutions

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

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

● Partnerships with Consulting Firms

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

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

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

● Overseas Financing Support

We support customers' overseas subsidiaries with their funding through affiliated financial institutions. In fiscal 2020, 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 subsidiaries at that foreign financial institution.

● Foreign Exchange Services

Market Desk

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

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

North Pacific Bank Forex Online Service

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

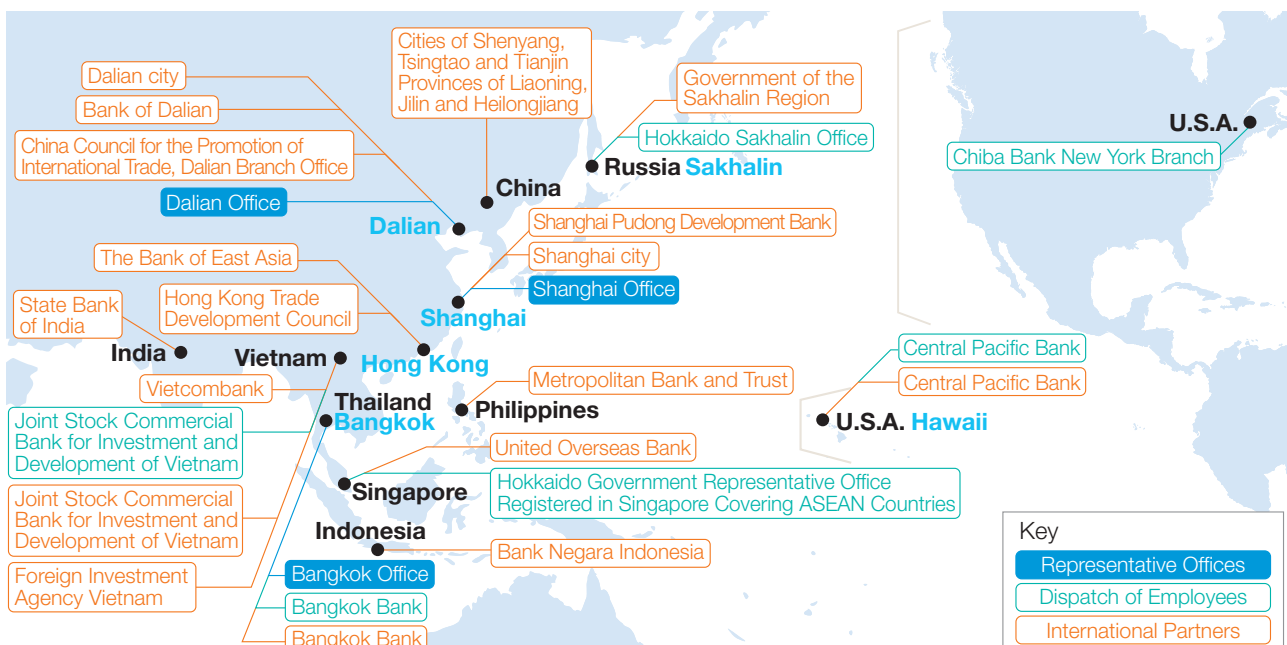
forward contracts from their computers. Transactions can be made in 16 currencies (9 currencies for currency forward contracts).

Currency exchange

In response to increasing demand from customers for their travel and business purposes worldwide, we

handle 16 currencies for exchange.

North Pacific Bank International Network (As of March 31, 2021)



* As of June 2021, we have suspended the dispatch of personnel to the New York branch office of Chiba Bank and to Central Pacific Bank due to the spread of COVID-19.

ESG and the Sustainability Initiatives

At North Pacific Bank Group, we have long engaged in efforts to contribute to the sustainable development of all of our stakeholders, in keeping with our Basic CSR Policy.

In May 2021, we undertook a developmental overhaul of our Basic CSR Policy upon discerning a heightened societal consciousness directed toward achieving a sustainable society and environment, formulating a new Sustainability Policy. Under this policy, we pursue an ESG Approach Policy and Principal SDGs Themes as we strive to elevate the corporate value of our banking Group through the medium to long term and achieve sustainable business management while also contributing to sustainable development of the regional community and environment.

Sustainability Policy

Through corporate activities based on our Management Philosophy and Code of Conduct, the North Pacific Bank Group contributes to the sustainable development of all of the stakeholders, the regional community and environment which support us, while we also strive to achieve improved corporate value and sustainable business management for our banking Group over the medium to long term.

North Pacific Bank Group Stakeholders

We refer to those affected by our company as “stakeholders.” However, this does not refer only to the customers and shareholders who have a financial stake. It also encompasses the regional community, the environment, the workforce and all other constituencies affected by our corporate activities.

Climate Change Initiative

The Japanese government having made its declaration on “Achieving a 2050 Carbon-Neutral, Decarbonized Society,” there is an accelerating trend toward viewing responses to climate change as opportunities for economic growth rather than as constraints on economic activity. In May 2021, the Bank revealed its

endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)* as part of proactive efforts toward making the climate-related financial disclosures suggested in the recommendations and achieving a decarbonized society.



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

Governance

We have established a Sustainability Committee chaired by the president, which deliberates our responses to environmental problems including climate change. The status of progress is reported to the Board of Directors, and a system for appropriate monitoring and management has been established.

Strategy

- Opportunity: By supplying financing and solutions to support the transition to a decarbonized society, we will contribute to the achievement of a low-carbon/decarbonized society.
- Risk: We recognize the risks outlined below as those associated with climate change. We will perform analyses utilizing the TCFD-recommended scenarios and advance quantitative evaluations of each risk.

Transition risk	Anticipated risks such as increased credit-related costs due to the impact on customer business of the transition to a decarbonized society	
	Legal/regulatory risk	Strengthened regulations regarding decarbonization, carbon taxes, CO ₂ emissions, etc.
	Technological risk	Failure of investments related to replacement of existing products with low-carbon technologies, etc.
	Market risk	Changes in consumer behavior, increased raw materials costs, etc.
	Reputation risk	Denunciation of particular sectors, etc.
Physical risk	Anticipated risk of difficulties posed to business continuity when the Bank's business assets are damaged due to abnormal weather, and of increased credit-related costs for the Bank due to a worsening of customer business performance and existing business assets	
	Acute risk	Increased flooding, etc., worsening of abnormal weather
	Chronic risk	Rising average temperatures, sea levels

Risk Management

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

Indexes and Goals

By 2030, we aim to have reduced CO₂ emissions to 50% of fiscal 2013 levels, and to have achieved carbon neutrality in 2050.

We are also moving to establish execution indexes for finance supporting the transition to a decarbonized society.

Initiatives to Create Shared Value With Clients

Upon sharing management issues with clients, we work toward solutions that, while naturally including financial support, also incorporate a diverse range of solutions utilizing external expert organizations. As

members of the community, executives and employees at all our branches engage in diverse activities such as participation in events connected to societal contribution and regional interaction.

Support for Customers' SDG Initiatives

As societal interest in SDGs increases, many companies are accelerating their initiatives with respect to SDGs because doing so elevates their corporate image and creates business opportunities. In light of these circumstances, the Bank offers SDG Declaration Support, in which we assist with SDG Declaration formulation and efforts to address the relevant issues.

We have also concluded a Memorandum on Partnership and Cooperation for Progress on SDGs with Hokkaido Prefecture, so that our network of branch offices within Hokkaido can be utilized

together with the prefectural government to strengthen support for Customers' SDG Initiatives.



At the SDGs Partnership agreement signing ceremony

Regional Greening, Cleanup Activities

Aiming to create beautiful cityscapes, we proactively engage in regional beautification activities such as greening and clean-up projects held by local promotion organizations and neighborhood associations.



Clean-up activities (Kosei 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 for the Hokku Fund is the Hokku Term Deposit. The Bank contributes 0.01% of

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 selected for being 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

and to pass these on to the next generation, we take action to preserve the environment while supporting the initiatives of our customers through our business.

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.

feature a high CO₂ reduction effect, as certified by the Environmental Partnership Council.*

* 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 CO₂ emissions, the Bank offers preferential interest rates to customers for renovation loans related to such construction.

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 and research 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 also work to provide lectures and seminars for citizens.
- We promote cooperation with corporate-group blood donation drives as by which employees can

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

contribute to society. (Total participants in fiscal 2020: 171)

- 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.

- 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.

Education and Culture Initiatives

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

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

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. To prevent the spread of COVID-19, the fiscal 2020 concert was performed without an in-person audience, and video of the event was streamed online.
- We are a co-sponsor the PMF (Pacific Music Festival) held annually beginning in 1990 (canceled in 2020), to develop young musicians around the world.



Sapporo performance without an in-person audience (2020)

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

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.

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 our 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 (2019)

	FY2018	FY2019	FY2020
Percentage of female employees among new hires	50.0%	50.6%	43.3%
Percentage of female employees among entire workforce	36.3%	37.1%	41.3%
Difference in average employment term between male and female employees (years)	4.0 years	3.8 years	3.5 years
Percentage of female employees in management positions	17.1%	18.2%	18.4%
Percentage of female employees in assistant manager positions or higher	26.1%	27.9%	29.2%
Percentage of female employees taking childcare leave	100.0%	100.0%	100.0%

* Based on the end of each fiscal year

Handling of Housing Loans for Same-sex Partnerships and Common Law Marriages Begins

In July 2021, we became the first among financial institutions in Hokkaido to begin handling housing loans in which same-sex partners, dependents of common law marriages and siblings were made eligible to provide collateral and for joint-liability

contracts. We respect diversity, and therefore enthusiastically support our customers' diverse ways of life and work-styles, and respond to the needs of our customers with families other than those in traditional civil marriages to obtain housing.

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 added one external director in June of 2020, and currently has 11 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, we place great importance on all of our stakeholders, the broader community, the environment, and our Groupwide sustainability, and have therefore formulated an ESG Approach Policy

under our Sustainability Policy, and a set of five Principal SDGs Themes under which we are working on various measures across five categories: creating

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

● Ensuring Disclosure and Transparency

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

in this area.

Moreover, disclosure is not limited to financials: our Management Philosophy, Medium-term Business Plan, and other nonfinancial information can also be found on the Bank's website.

● Dialogue with Shareholders

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

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

● Internal Control System Maintenance

The Bank's Board of Directors has voted to approve a basic internal control policy based on the Company Law and regulations for its enforcement. 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.

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.

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

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.

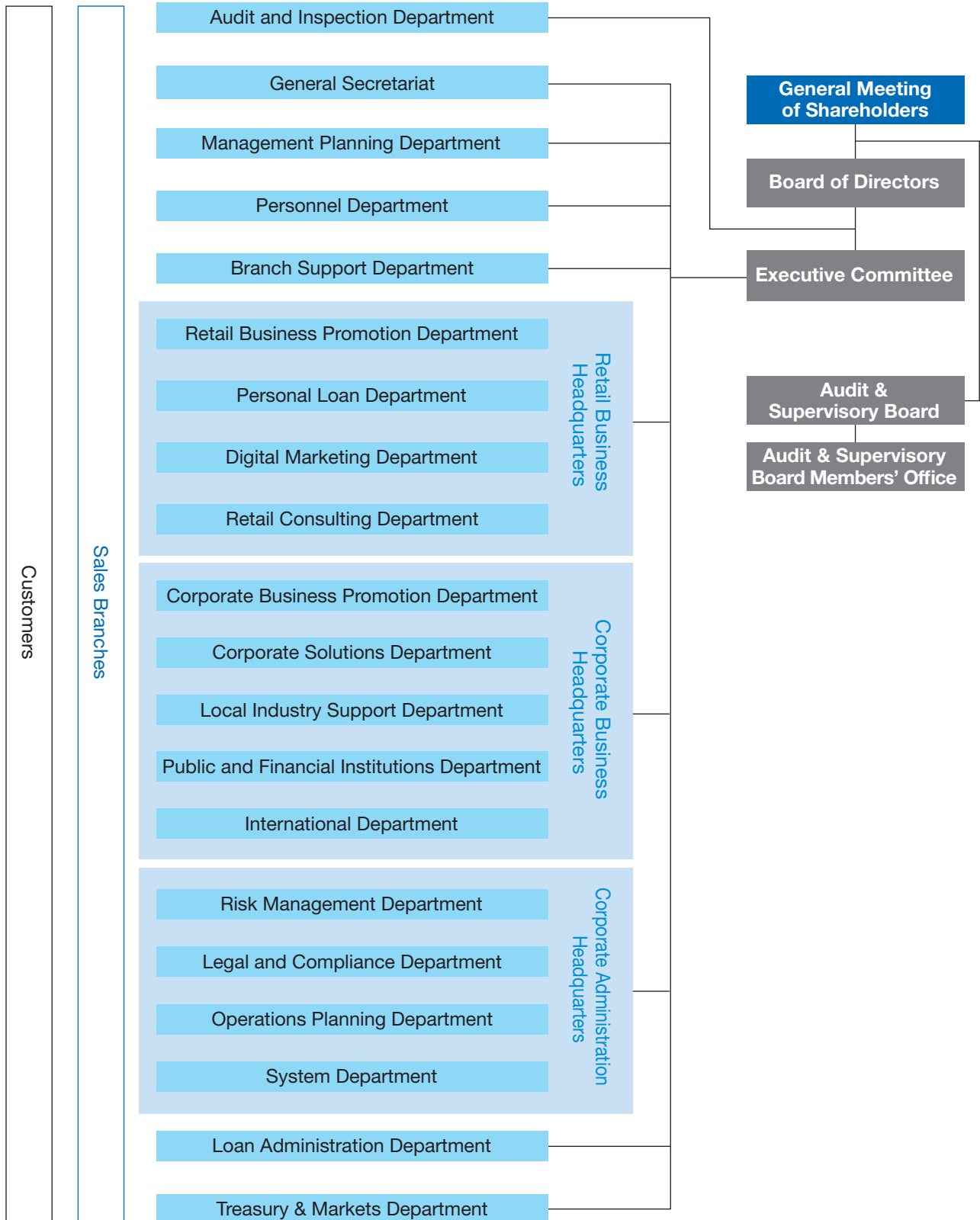
● Maintenance of Business Continuity Planning (BCP)

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 March 31, 2021)



● Directors, Audit & Supervisory Board Members and Executive Officers (As of June 25, 2021)

President	Mitsuharu Yasuda	Managing Executive Officer	Ryosuke Kobayashi
Deputy President	Iwao Takeuchi	Managing Executive Officer	Hironari Ishikawa
Deputy President	Minoru Nagano	Managing Executive Officer	Hitoshi Nogawa
Managing Director	Satoshi Shindo	Managing Executive Officer	Takuro Hosono
Managing Director	Takafumi Hiataru	Managing Executive Officer	Toru Oda
Managing Director	Hitoshi Masuda	Managing Executive Officer	Akira Yamada
Director	Masanori Abe	Managing Executive Officer	Koji Matsuoka
Director (External)	Kazuaki Shimamoto	Managing Executive Officer	Shiro Kurio
Director (External)	Naoki Nishita	Managing Executive Officer	Hironobu Tsuyama
Director (External)	Masako Taniguchi	Managing Executive Officer	Kazushi Yoneta
Director (External)	Makiko Sasaki	Executive Officer	Yuichi Ishida
Audit & Supervisory Board Member (Standing)	Katsunori Matsushita	Executive Officer	Yoshihiro Okabe
Audit & Supervisory Board Member (Standing)	Hitoshi Oshino	Executive Officer	Kenichi Mizumoto
Audit & Supervisory Board Member (Standing / External)	Hitoshi Kubota	Executive Officer	Masahiro Miyahara
Audit & Supervisory Board Member (External)	Tateo Wada	Executive Officer	Kazunori Hayashi
Audit & Supervisory Board Member (External)	Yoshiharu Ishii	Executive Officer	Hirotaaka Yoshino
		Executive Officer	Tatsuya Yamabuki

● Principal Shareholders (As of March 31, 2021)

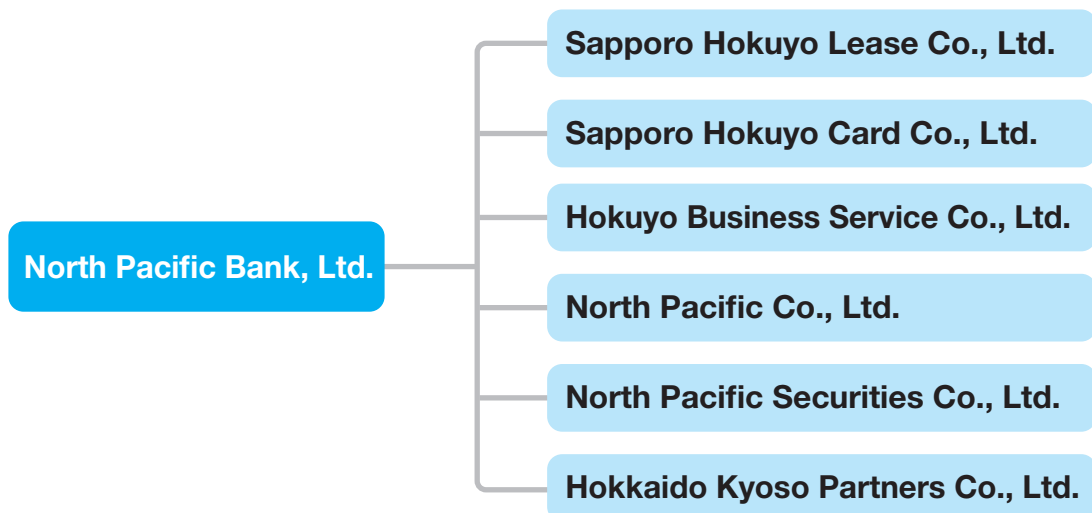
Common Shares

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
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,705,500	5.05
Custody Bank of Japan, Ltd. (Trust Account)	19,457,600	4.99
STATE STREET BANK AND TRUST COMPANY 505223	17,198,845	4.41
The Dai-ichi Life Insurance Company, Limited	13,412,000	3.44
TAIJU LIFE INSURANCE COMPANY LIMITED	11,132,000	2.85
Employee Stock Ownership of North Pacific Bank	7,750,820	1.98
Custody Bank of Japan, Ltd. (Trust Account 4)	7,378,600	1.89

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

*2. The Bank holds 9,461,389 shares of treasury stock, which are not included in the above principal shareholders.

● Group Structure (As of March 31, 2021)



● 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, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Assets:			
Cash and due from banks	¥1,652,447	¥ 2,625,082	\$ 23,711
Call loans and bills bought	1,101	544	5
Monetary claims bought	13,775	14,224	128
Trading securities	4,275	3,711	34
Securities	1,297,414	1,505,246	13,596
Loans and bills discounted	6,659,161	7,367,433	66,547
Foreign exchanges	7,682	8,569	77
Lease receivables and investment assets	53,128	53,166	480
Other assets	193,230	178,695	1,614
Property, plant and equipment	80,924	77,252	698
Intangible assets	6,490	4,936	45
Net defined benefit asset	—	814	7
Deferred tax assets	723	290	3
Customers' liabilities for acceptances and guarantees	50,290	55,942	505
Allowance for loan losses	(32,604)	(37,704)	(341)
Total assets	¥9,988,041	¥11,858,207	\$ 107,111
Liabilities:			
Deposits	¥8,855,838	¥ 9,900,963	\$ 89,432
Negotiable certificates of deposit	75,996	71,077	642
Securities sold under repurchase agreements	3,875	13,402	121
Cash collateral received for securities lent	1,136	251,108	2,268
Borrowed money	484,200	1,030,491	9,308
Foreign exchanges	142	51	0
Other liabilities	81,105	60,344	545
Provision for bonuses	1,604	1,670	15
Provision for share awards	93	164	1
Net defined benefit liability	636	548	5
Provision for reimbursement of deposits	2,330	1,889	17
Provision for point card certificates	450	460	4
Reserves under special laws	19	19	0
Deferred tax liabilities	18,655	27,404	248
Deferred tax liabilities for land revaluation	2,188	2,030	18
Acceptances and guarantees	50,290	55,942	505
Total liabilities	¥9,578,564	¥11,417,570	\$ 103,130
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,094
Capital surplus	74,741	74,741	675
Retained earnings	148,186	154,102	1,392
Treasury shares	(2,927)	(3,153)	(28)
Total shareholders' equity	341,101	346,792	3,132
Valuation difference on available-for-sale securities	60,515	84,491	763
Revaluation reserve for land	4,395	4,048	37
Remeasurements of defined benefit plans	(291)	639	6
Total accumulated other comprehensive income	64,619	89,179	806
Share acquisition rights	84	84	1
Non-controlling interests	3,672	4,580	41
Total net assets	409,476	440,636	3,980
Total liabilities and net assets	¥9,988,041	¥11,858,207	\$ 107,111

Note: The rate of ¥110.71 to U.S. \$1.00, the foreign exchange rate on March 31, 2021, 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, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Ordinary income:			
Interest income:	¥ 67,699	¥ 66,697	\$ 602
Interest on loans and discounts	57,917	58,140	525
Interest and dividends on securities	9,137	7,680	69
Other interest income	644	876	8
Fees and commissions	29,079	27,900	252
Other ordinary income	36,207	32,595	294
Other income	5,049	8,425	76
Total ordinary income	¥ 138,035	¥ 135,620	\$ 1,225
Ordinary expenses:			
Interest expenses:	¥ 2,094	¥ 1,912	\$ 17
Interest on deposits	361	232	2
Other interest expenses	1,733	1,680	15
Fees and commissions payments	10,889	11,285	102
Other ordinary expenses	26,741	28,174	254
General and administrative expenses	70,109	68,345	617
Other expenses	15,473	10,134	92
Total ordinary expenses	¥ 125,308	¥ 119,852	\$ 1,083
Ordinary profit	¥ 12,726	¥ 15,767	\$ 142
Extraordinary income	1,786	242	2
Extraordinary losses	860	1,301	12
Profit before income taxes	13,652	14,708	133
Income taxes:			
Current	5,995	6,863	62
Deferred	(32)	(1,900)	(17)
Total income taxes	5,963	4,963	45
Profit	7,689	9,745	88
Profit attributable to non-controlling interests	124	322	3
Profit attributable to owners of parent	¥ 7,564	¥ 9,422	\$ 85

● Consolidated Statements of Comprehensive Income (Year ended March 31, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Profit	¥ 7,689	¥ 9,745	\$ 88
Other comprehensive income	(13,659)	25,496	230
Valuation difference on available-for-sale securities	(13,494)	24,565	222
Remeasurements of defined benefit plans, net of tax	(164)	930	8
Comprehensive income	¥ (5,969)	¥ 35,241	\$ 318
Comprehensive income attributable to owners of parent	(6,236)	34,330	310
Comprehensive income attributable to non-controlling interests	266	911	8

● Consolidated Statements of Changes in Equity (Year ended March 31, 2020 and 2021)

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, 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
Changes of items during period												
Dividends of surplus			(3,895)		(3,895)							(3,895)
Profit attributable to owners of parent			9,422		9,422							9,422
Purchase of treasury shares				(228)	(228)							(228)
Disposal of treasury shares				2	2							2
Changes in scope of consolidation			42		42							42
Reversal of revaluation reserve for land			347		347							347
Net changes of items other than shareholders' equity						23,976	(347)	930	24,560		908	25,468
Total changes of items during period	—	—	¥ 5,916	¥ (225)	¥ 5,690	¥ 23,976	¥ (347)	¥ 930	¥ 24,560	—	¥ 908	¥ 31,159
Balance as of March 31, 2021	¥121,101	¥74,741	¥154,102	¥(3,153)	¥346,792	¥ 84,491	¥ 4,048	¥ 639	¥ 89,179	¥ 84	¥ 4,580	¥440,636

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, 2020	\$ 1,094	\$ 675	\$ 1,339	\$ (26)	\$ 3,081	\$ 547	\$ 40	\$ (3)	\$ 584	\$ 1	\$ 33	\$ 3,699
Changes of items during period												
Dividends of surplus			(35)		(35)							(35)
Profit attributable to owners of parent			85		85							85
Purchase of treasury shares				(2)	(2)							(2)
Disposal of treasury shares				0	0							0
Changes in scope of consolidation			0		0							0
Reversal of revaluation reserve for land			3		3							3
Net changes of items other than shareholders' equity						217	(3)	8	222		8	230
Total changes of items during period	—	—	\$ 53	\$ (2)	\$ 51	\$ 217	\$ (3)	\$ 8	\$ 222	—	\$ 8	\$ 281
Balance as of March 31, 2021	\$ 1,094	\$ 675	\$ 1,392	\$ (28)	\$ 3,132	\$ 763	\$ 37	\$ 6	\$ 806	\$ 1	\$ 41	\$ 3,980

● Consolidated Statements of Cash Flows (Year ended March 31, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 13,652	¥ 14,708	\$ 133
Depreciation	8,028	7,319	66
Impairment losses	618	828	7
Gain on bargain purchase	—	(2)	(0)
Loss (gain) on step acquisitions	—	1	0
Increase (decrease) in allowance for loan losses	(1,190)	5,100	46
Increase (decrease) in provision for bonuses	(147)	65	1
Increase (decrease) in provision for share awards	21	70	1
Decrease (increase) in net defined benefit asset	—	(814)	(7)
Increase (decrease) in net defined benefit liability	226	(87)	(1)
Increase (decrease) in provision for reimbursement of deposits	52	(441)	(4)
Increase (decrease) in provision for point card certificates	19	9	0
Gain on fund management	(67,699)	(66,697)	(602)
Financing expenses	2,094	1,912	17
Loss (gain) related to securities	4,211	(5,736)	(52)
Foreign exchange losses (gains)	1,249	(1,598)	(14)
Loss (gain) on disposal of non-current assets	(1,545)	231	2
Net decrease (increase) in loans and bills discounted	(141,081)	(708,271)	(6,398)
Net increase (decrease) in deposits	259,533	1,045,370	9,442
Net increase (decrease) in negotiable certificates of deposit	1,177	(4,918)	(44)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	88,244	574,291	5,187
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	506	(10,462)	(95)
Net decrease (increase) in call loans	(445)	107	1
Net increase (decrease) in call money	3,875	9,526	86
Net increase (decrease) in cash collateral received for securities lent	(117,183)	249,972	2,258
Net decrease (increase) in foreign exchanges-assets	1,664	(886)	(8)
Net increase (decrease) in foreign exchanges-liabilities	(272)	(90)	(1)
Proceeds from fund management	69,324	66,195	598
Payments for finance	(2,179)	(2,013)	(18)
Other - net	(10,937)	(811)	(7)
Subtotal	111,819	1,172,877	10,594
Income taxes paid	(5,441)	(6,793)	(61)
Net cash provided by (used in) operating activities	106,377	1,166,084	10,533
Cash flows from investing activities:			
Purchase of securities	(395,743)	(521,693)	(4,712)
Proceeds from sale of securities	165,006	157,227	1,420
Proceeds from redemption of securities	176,224	195,270	1,764
Purchase of property, plant and equipment	(1,631)	(1,816)	(16)
Proceeds from sales of property, plant and equipment	4,756	638	6
Purchase of intangible assets	(1,163)	(1,172)	(11)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(92)	(1)
Other - net	—	1	0
Net cash provided by (used in) investing activities	(52,552)	(171,637)	(1,550)
Cash flows from financing activities:			
Decrease in subordinated borrowings	(10,000)	(28,000)	(253)
Purchase of treasury shares	(1,710)	(228)	(2)
Proceeds from sales of treasury shares	12	1	0
Cash dividends paid	(3,929)	(3,895)	(35)
Dividends paid to non-controlling interests	—	(3)	(0)
Other - net	(150)	(150)	(1)
Net cash provided by (used in) financing activities	(15,777)	(32,276)	(292)
Effect of exchange rate change on cash and cash equivalents	(4)	2	0
Net increase (decrease) in cash and cash equivalents	38,042	962,172	8,691
Cash and cash equivalents at beginning of period	1,595,354	1,633,397	14,754
Cash and cash equivalents at end of period	¥ 1,633,397	¥ 2,595,570	\$ 23,445

● Non-Consolidated Balance Sheets (As of March 31, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Assets:			
Cash and due from banks	¥ 1,651,806	¥ 2,623,534	\$ 23,697
Call loans	1,101	544	5
Monetary claims bought	13,775	14,224	128
Trading securities	4,275	3,711	34
Securities	1,298,086	1,504,582	13,590
Loans and bills discounted	6,718,936	7,424,406	67,062
Foreign exchanges	7,682	8,569	77
Other assets	155,610	138,457	1,251
Property, plant and equipment	79,934	76,128	688
Intangible assets	6,392	4,885	44
Prepaid pension costs	99	—	—
Customers' liabilities for acceptances and guarantees	50,290	55,942	505
Allowance for loan losses	(25,192)	(31,137)	(281)
Total assets	¥ 9,962,798	¥ 11,823,850	\$ 106,800
Liabilities:			
Deposits	¥ 8,864,762	¥ 9,908,304	\$ 89,498
Negotiable certificates of deposit	87,350	82,431	745
Securities sold under repurchase agreements	3,875	13,402	121
Cash collateral received for securities lent	1,136	251,108	2,268
Borrowed money	474,890	1,019,357	9,207
Foreign exchanges	142	51	0
Other liabilities	61,503	38,485	348
Provision for bonuses	1,398	1,457	13
Provision for share awards	93	164	1
Provision for retirement benefits	33	365	3
Provision for reimbursement of deposits	2,330	1,889	17
Provision for point card certificates	443	454	4
Deferred tax liabilities	17,926	25,921	234
Deferred tax liabilities for land revaluation	2,188	2,030	18
Acceptances and guarantees	50,290	55,942	505
Total liabilities	¥ 9,568,366	¥ 11,401,367	\$ 102,984
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 1,094
Capital surplus	50,005	50,005	452
Retained earnings	162,678	167,945	1,517
Treasury shares	(2,932)	(3,158)	(29)
Total shareholders' equity	330,852	335,893	3,034
Valuation difference on available-for-sale securities	59,099	82,456	745
Revaluation reserve for land	4,395	4,048	37
Total valuation and translation adjustments	63,495	86,504	781
Share acquisition rights	84	84	1
Total net assets	394,431	422,482	3,816
Total liabilities and net assets	¥ 9,962,798	¥ 11,823,850	\$ 106,800

● Non-Consolidated Statements of Income (Year ended March 31, 2020 and 2021)

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Ordinary income:			
Interest income:	¥ 68,300	¥ 67,449	\$ 609
Interest on loans and discounts	58,110	58,380	527
Interest and dividends on securities	9,547	8,193	74
Other interest income	642	875	8
Fees and commissions	27,191	25,435	230
Other ordinary income	8,286	2,701	24
Other income	4,952	8,411	76
Total ordinary income	¥ 108,730	¥ 103,998	\$ 939
Ordinary expenses:			
Interest expenses:	¥ 2,060	¥ 1,880	\$ 17
Interest on deposits	361	232	2
Other interest expenses	1,698	1,648	15
Fees and commissions payments	12,985	12,380	112
Other ordinary expenses	711	1,010	9
General and administrative expenses	67,108	65,215	589
Other expenses	13,238	9,392	85
Total ordinary expenses	¥ 96,103	¥ 89,879	\$ 812
Ordinary profit	¥ 12,627	¥ 14,119	\$ 128
Extraordinary income	1,786	239	2
Extraordinary losses	585	1,282	12
Income before income taxes	13,829	13,076	118
Income taxes:			
Current	5,514	6,346	57
Deferred	(6)	(2,086)	(19)
Total income taxes	5,507	4,260	38
Net income	¥ 8,321	¥ 8,815	\$ 80

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