



North Pacific Bank
Annual Report 2022





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 Group.

In fiscal 2021, the Japanese economy faced a harsh and uncertain situation due to the suppression of social activities and stagnation of economic activities caused by the emergence of a new mutant coronavirus variant, as well as concerns about global inflation due to soaring prices of materials and resources.

The Hokkaido economy also appears to remain in a difficult situation, as the frequent implementation of measures to control human flow to prevent infection has affected many industries and sectors. The impact on the tourism-related industries that have driven the Hokkaido economy has been particularly great, and it will take some time for foreign tourism to recover.

In addition to the current global economic recession brought about by high resource prices and accelerating inflation, the market in Hokkaido is expected to continue shrinking due to the region's structural issues of declining population, falling birthrate and aging population, as well as a decrease in the number of business operators due to the lack of successors. In terms of the financial environment, we recognize that the business environment will remain inhospitable due to a prolongation of ultra-low interest rates and the entry of competitors from different industries into the market.

Formulated under our new Management Philosophy, the Medium-term Business Plan emphasizing "Deepening the Creation of Shared Value" started amid the unforeseeable COVID-19 pandemic, and with four basic policies as the axis of our strategy, we gave top priority in fiscal 2020 to supporting customers impacted by COVID-19. In fiscal 2021, the second year of the project, we have strengthened our partnerships with North Pacific Securities and Hokkaido Kyoso Partners, subsidiaries of North Pacific Bank, in order to meet the diversified needs arising from the prolonged COVID-19 pandemic.

Sustainability efforts have expanded beyond the conventional bounds of the environmental field, and in recent years, sustainability has become an indispensable part of corporate operations, as these concerns have grown to encompass society and the economy.

In fiscal 2021, we formulated our Sustainability Policy, and we are advancing initiatives by which we contribute to ongoing development of the regional community and environment, increase our corporate value over the medium- to long-term future, and achieve sustainable business. Specific initiatives include SDG Declaration Support to help customers understand the SDGs and organize the means of addressing them, and Hokuyo Sustainable Loans to help customers carry out their efforts on SDGs and decarbonization. As a regional financial institution rooted in Hokkaido, we will continue our efforts to promote and disseminate the SDGs in Hokkaido.

Fiscal 2022 is the final year of the current Medium-term Business Plan, and we will contribute to the sustainable future of the community and our customers by truly putting into practice the Management Philosophy and Code of Conduct that we have worked to instill and establish. In January 2023, we will be migrating to the TSUBASA core platform, and we will make careful preparations and build a thorough framework to ensure a smooth transition.

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

September 2022

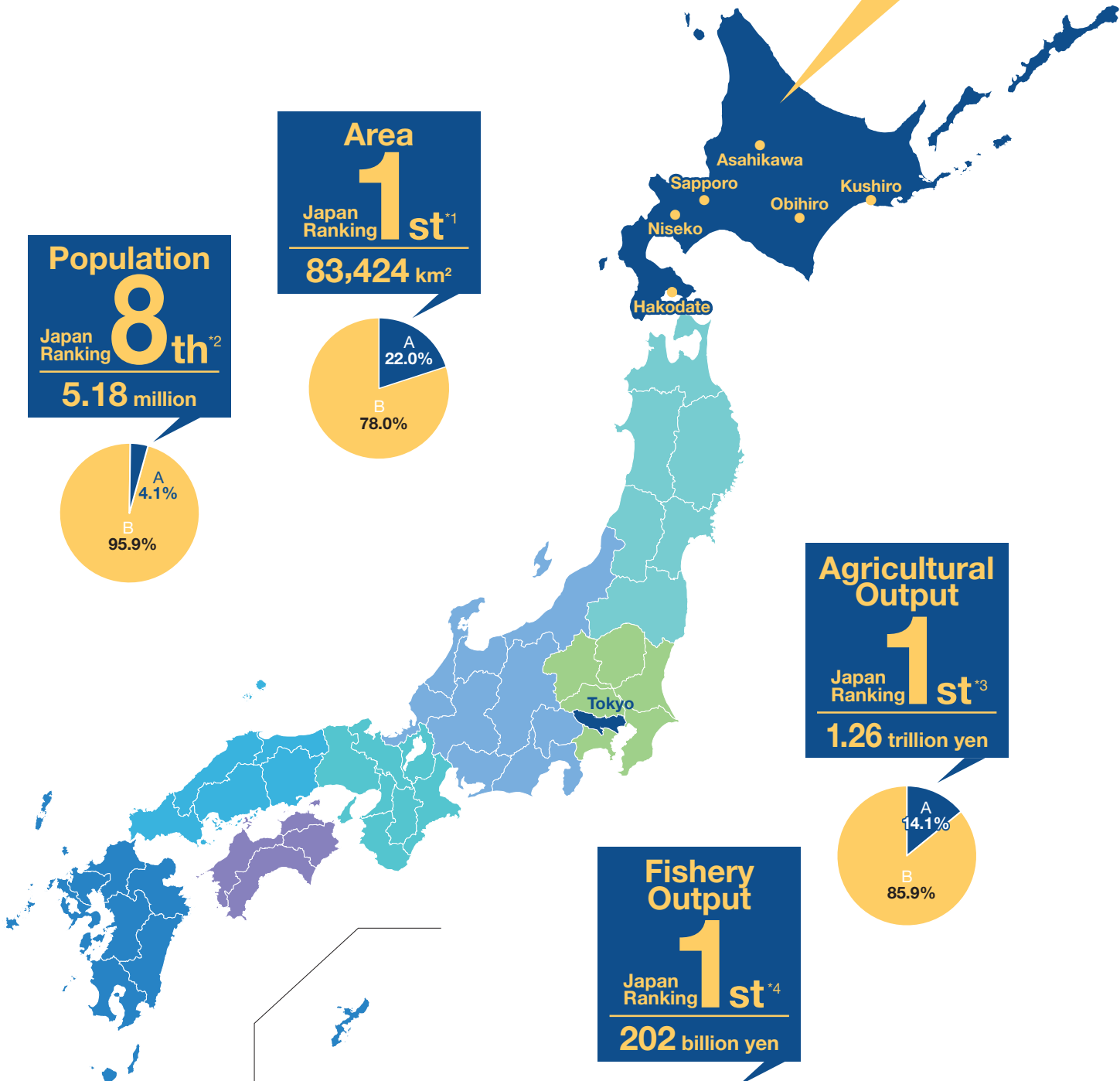


North Pacific Bank
Mitsuharu Yasuda, President

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, 2022 (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, 2022)

*3 Ministry of Agriculture, Forestry and Fisheries: "Total Agricultural Output and Agricultural Income Produced, 2020"

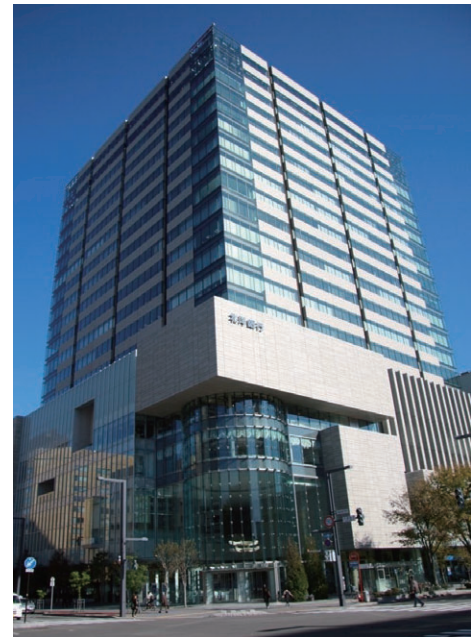
*4 Ministry of Agriculture, Forestry and Fisheries: "Total Fishery Output, 2020"

A Hokkaido
B Other

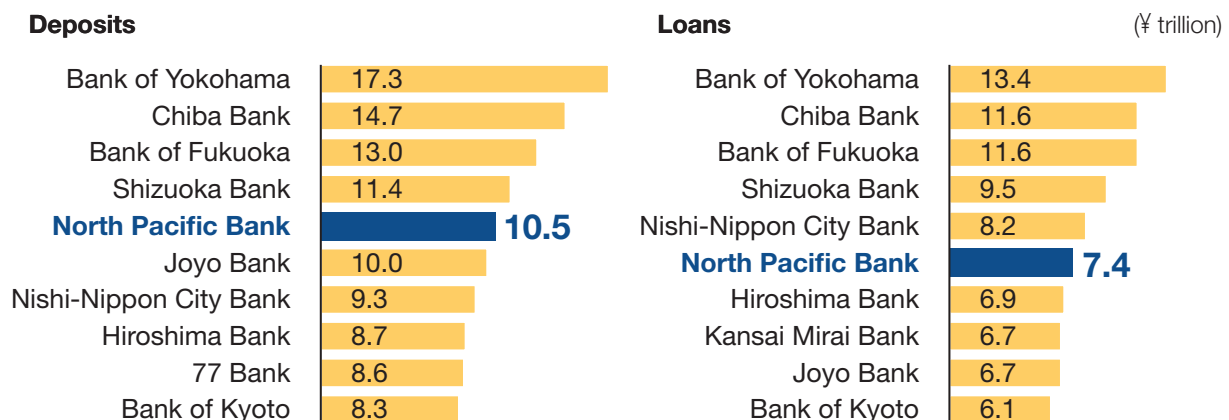
About North Pacific Bank

● Corporate Outline (As of March 31, 2022)

Established	August 20, 1917
Headquarters	7, Odori Nishi 3-chome, Chuo-ku, Sapporo
Capital	121.1 billion yen
Shares issued	399,060,179 common shares
Exchange listings	Tokyo Stock Exchange Prime Market (As of April 4, 2022) Sapporo Securities Exchange
Branches	171
Overseas offices	3
Employees	2,542

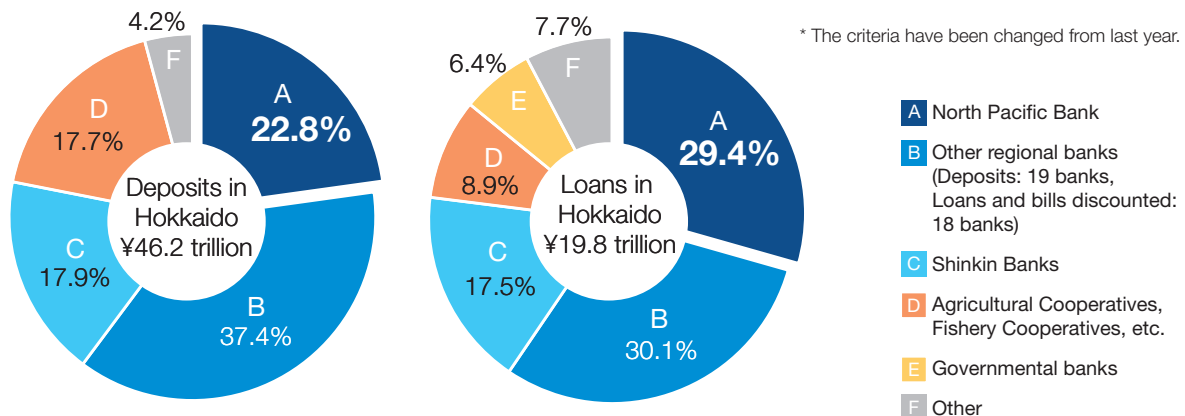


● Positional Chart for Deposits and Loans Provided (As of March 31, 2022)



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

● Market Share in Hokkaido (As of March 31, 2022)



- Other regional banks: Total of head office and branches located in Hokkaido
- Agricultural Cooperatives, Fishery Cooperatives, etc. : Total of Credit Federations of Agricultural Cooperatives, Agricultural Cooperatives, Credit Federations of Fishery Cooperatives, and Fishery Cooperatives (As of January 31, 2022)
- Governmental banks: Japan Finance Corporation (JFC), Development Bank of Japan (DBJ), Japan Housing Finance Agency (JHF)
- Other: Credit Unions, Labor Banks, Shoko Chukin Bank

Source: Hokkaido Finance Bureau

Medium-term Business Plan

“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

Our Vision

Strengthening of consulting

Strengthening corporate and individual consulting transactions

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)

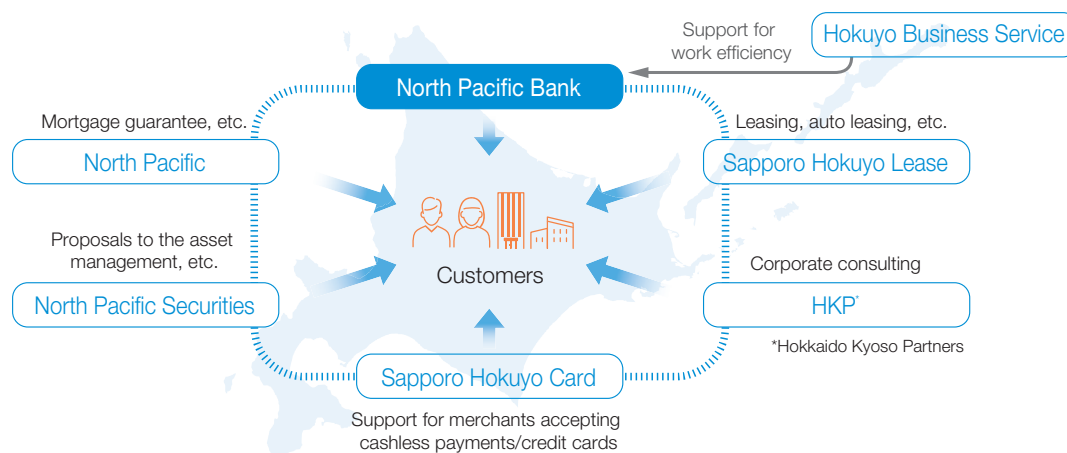
Regarding the progress of key management indicators in the second year of the Medium-term Business Plan, ordinary profit and net profit, which are profitability targets, remained steady due to cost reductions and an increase in interest on deposits with banks, while the capital adequacy ratio, which is a target for the soundness of our business, remained at the 12% level as planned. ROE and core OHR, which are efficiency targets, improved year on year. However, there is still a gap with our long-term targets, and we will continue to work toward reaching them. Our share of lending to both corporations and individuals within the prefecture is growing.

Management metrics	FY2021 (result) (Year-On-Year(YoY))	FY2022 (plan) (Long-term goals)
Ordinary profit (consolidated)	19.2 billion yen (+3.4 billion yen)	15.8 billion yen
Net income (consolidated)	11.7 billion yen (+2.3 billion yen)	10.5 billion yen
Capital adequacy ratio (consolidated)	12.53% (+0.12%)	approx. 12%
Average balance of loans and bills discounted (Non-consolidated)	7.4 trillion yen (+0.3 trillion yen)	7 trillion yen
Productivity per person (Non-consolidated)	4.3 million yen (+1.1 million yen)	4.2 million yen
ROE (Consolidated)	2.75% (+0.52%)	approx. 2% (above 5%)
Core OHR (Non-consolidated)	73.6% (-6.8%)	approx. 83% (below 70%)
Share of loans in Hokkaido* (Non-consolidated)	33.2% (+0.3%)	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

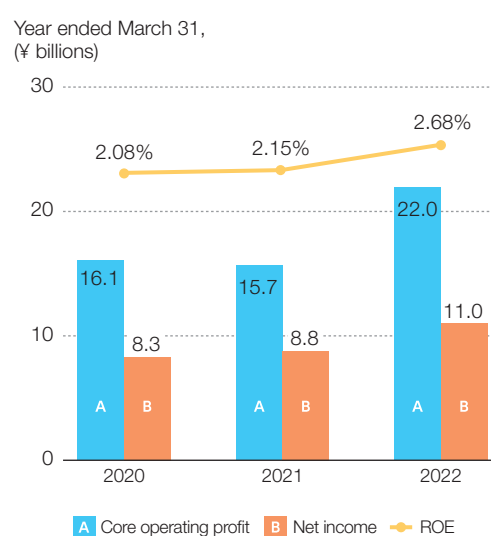
In order to deepen the relationships of trust that we have built with customers, particularly in Hokkaido, we will provide human resource development to resolve latent needs and the manifestation of problems, and will provide solutions that bring together the collective strength of our Group, while we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



Highlights

Income Summary

Non-Consolidated	Year ended Mar. 31,		Increase/ (Decrease)
	2021	2022	
	(¥ billions)		
Core gross profit	80.5	83.5	3.0
Net interest income	65.5	69.4	3.8
Net fees and commissions	13.0	12.1	(0.9)
Net other operating income (excluding gains (losses) on bonds)	1.8	1.9	0.0
Expenses (excluding non-recurring losses)	64.7	61.5	(3.2)
Core OHR (%)	80.41%	73.65%	(6.76%)
Core operating profit	15.7	22.0	6.2
Excluding gains (losses) on cancellation of investment trusts	15.7	22.0	6.2
Credit cost	8.0	3.2	(4.7)
Gains (losses) on securities	5.6	(2.9)	(8.6)
Net other non-recurring income (loss)	0.6	2.1	1.4
Ordinary profit	14.1	17.8	3.7
Net income	8.8	11.0	2.2
ROE (%)	2.15%	2.68%	0.53%



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

* Excluding share acquisition rights

Core gross profit increased by 3.0 billion yen year-on-year, as a decrease in net fees and commissions due to the revision of transfer fees was offset by an increase in net interest income, mainly due to the Bank of Japan's special current account system. Core operating profit increased by 6.2 billion yen year-on-year due to a decrease in outsourcing expenses, a wide-ranging reduction in property expenses, and decreases in personnel expenses caused by natural attrition of staff coupled with administrative streamlining. Net income increased by 2.2 billion yen year-on-year due to a low level of expenses for preventive allocations to loan-loss reserves, despite reversal of gains on stock sales recorded in the previous fiscal year and impairment of securities held.

Consolidated	Year ended Mar. 31,		Increase/ (Decrease)
	2021	2022	
	(¥ billions)		
Core gross profit	86.0	88.8	2.8
Ordinary profit	15.7	19.2	3.4
Profit attributable to owners of parent	9.4	11.7	2.3
Core operating profit	18.1	23.9	5.7
Excluding gains (losses) on cancellation of investment trusts	18.1	23.9	5.7

● Deposits and NCDs (Non-Consolidated)

The average balance of deposits and NCDs increased by 522.6 billion yen year-on-year (+5.4%), and the outstanding balance increased by 690.6 billion yen year-on-year (+6.9%). Conditions of ongoing future uncertainty were increased among corporations due to stagnation in liquidity kept on hand to facilitate cash flow, and among individuals due to restrictions on outside activities. The balance of deposit assets increased by 11.8 billion yen year-on-year, mainly due to an increase in investment trust sales, reflecting the recovery of the stock market last year.

Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2021	2022	
Deposits and NCDs*	9,620	10,142	522

* NCDs = Negotiable certificates of deposit

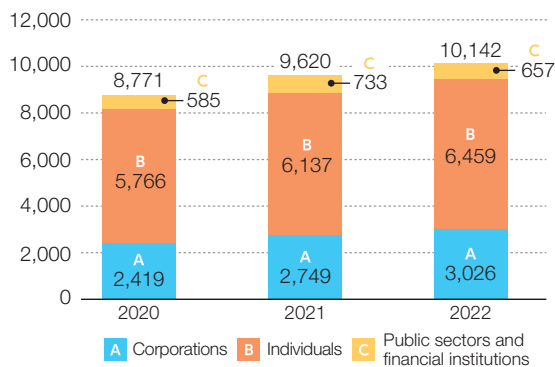
Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2021	2022	
Deposits and NCDs	9,990	10,681	690
Deposit assets*	244	256	11

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

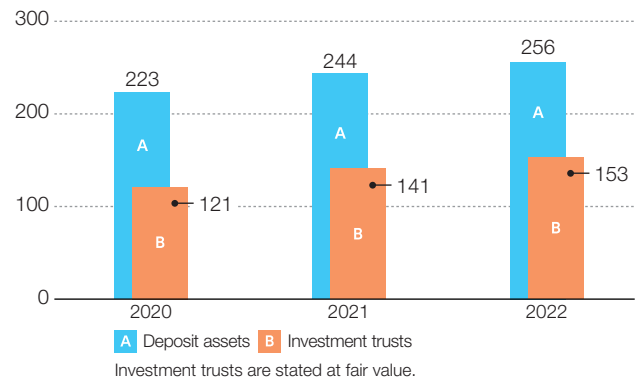
Deposits and NCDs (Average Balance)

Year ended March 31,
(¥ billions)



Deposit Assets and Investment Trusts (Outstanding Balance)

As of March 31,
(¥ billions)



● Loans and Bills Discounted (Non-Consolidated)

Loans and bills discounted increased by 349.4 billion yen year-on-year (+4.8%), and the outstanding balance decreased by 3.8 billion yen year-on-year (▲0.0%). By sector, the average balance was higher year-on-year in all sectors, and the outstanding balance was higher year-on-year for individuals. Loans and bills discounted for SMEs increased by 76.8 billion yen year-on-year (+1.8%) mainly due to growth in individual housing loans.

Average Balance (¥ billions)

	Year ended Mar. 31,		Increase/ (Decrease)
	2021	2022	
Loans and bills discounted	7,131	7,480	349
Of which, Housing loans	1,785	1,862	76

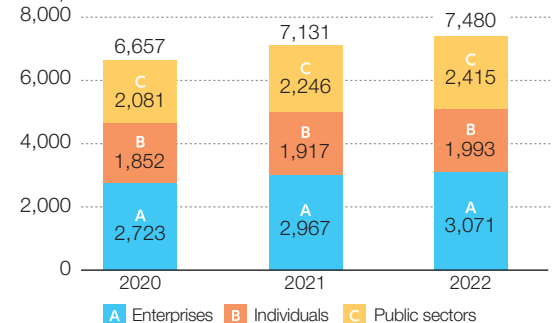
Outstanding Balance (¥ billions)

	As of Mar. 31,		Increase/ (Decrease)
	2021	2022	
SMEs, etc.*	4,072	4,149	76
Loans and bills discounted	7,424	7,420	(3)
In Hokkaido	5,766	5,798	31

* SMEs, etc = SMEs + Individuals

Loans and Bills Discounted (Average Balance)

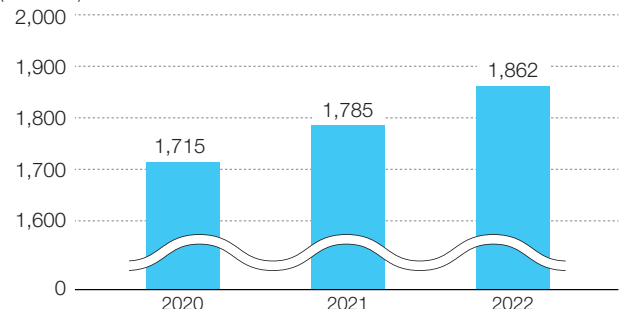
Year ended March 31,
(¥ billions)



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

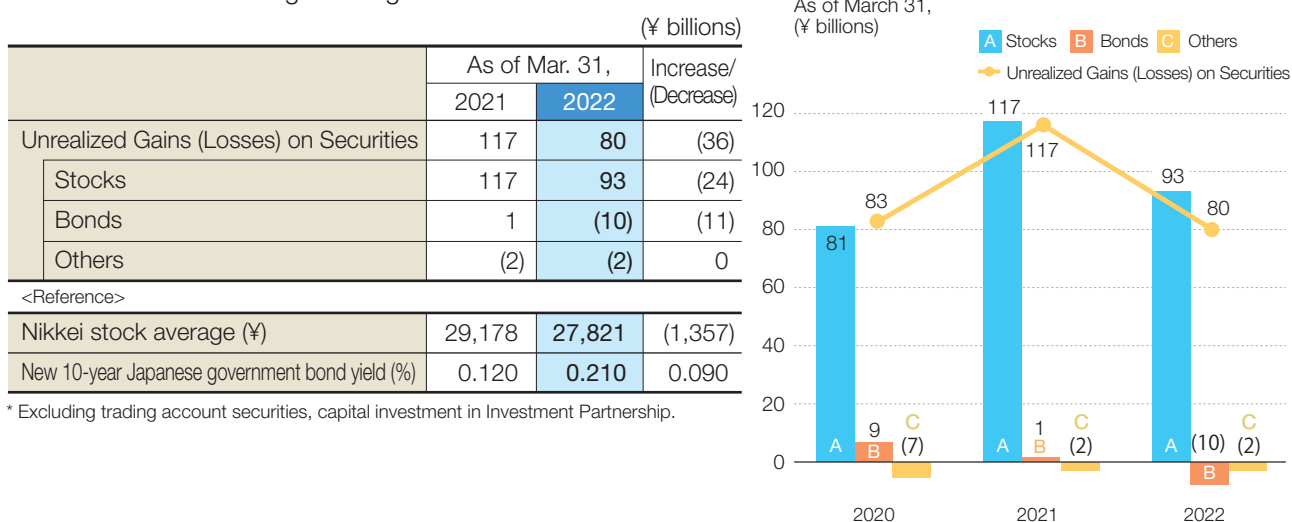
Housing Loans (Average Balance)

Year ended March 31,
(¥ billions)



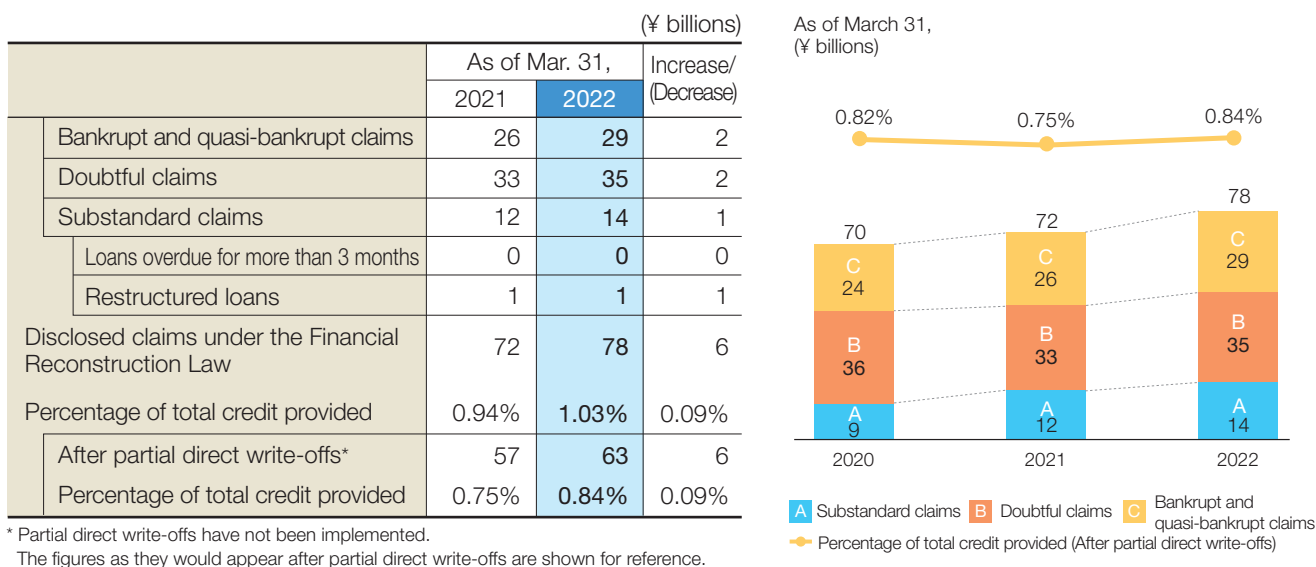
● Unrealized Gains (Losses) on Securities (Non-Consolidated)

Unrealized gains on securities decreased by 36.7 billion yen from the end of the previous fiscal year due to a decrease in valuation gains on stocks resulting from stagnant market conditions and an increase in valuation losses on bonds resulting from higher interest rates.



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

The amount of total credit provided increased slightly due to support for business associates impacted by the COVID-19 pandemic, but it remained at a low level in part due to a modest amount of corporate bankruptcy. At 0.84%, the percentage of total credit provided is lower than the average for regional banks nationwide, and indicates a continued high level of soundness.



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

The capital adequacy ratio continued to be maintained at a high level on both a non-consolidated and consolidated basis due to increases in retained earnings.

	As of Mar. 31,		Increase/ (Decrease)
	2021	2022	
Capital Adequacy Ratio	12.07%	12.17%	0.10%
Capital	332	339	6
Risk-adjusted assets	2,757	2,786	29

* 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, External Organizations, and other financial institutions and local government bodies to actively support businesses.

● Understanding Business Potential

North Pacific Bank actively works to better understand business feasibility 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, enabling us to offer solutions tailored to their needs.

● Strengthening of Consulting Functions

The Bank has strengthened the partnership with Hokkaido Kyoso Partners Co., Ltd. (HKP), a corporate consulting firm that became a wholly-owned subsidiary of the Bank in April 2020, as we mobilize the collective strength of the Group to provide extensive and sophisticated consulting services to

help customers solve their management issues. As part of our support for customers' core business operations effort during the COVID-19 pandemic, we are also focusing effort on business matching facilitation to help business operators establish new business styles.

Partnership with HKP

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

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

M&A / Business Succession Support

M&A and business succession initiatives are a critical theme. Hokkaido has the highest rate of successorship shortfall of any region in Japan, with more than 70% of businesses lacking successors due to the aging of management. In addition to expanding support by HKP's expert staff, our Group is actively

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

● SDG Initiatives

We provide management support in line with the needs of our business partners in their SDG management

efforts. We also support SDGs and decarbonization efforts from the standpoint of financing.

Establishment of Hokuyo SDG Promotion Fund No. 2 (June 2022)

Together with the Hokkaido Research Institute for the Twenty-first Century Co., Ltd. we established Hokuyo SDG Promotion Fund No. 2 (“this fund”) as the successor to the Hokuyo SDG Promotion Fund (fund No. 1), which was established in June 2018.

Fund No. 1 was established to contribute to the sustainable development of Hokkaido by providing funds to companies in Hokkaido that conform to the SDG concept, with the aim of resolving issues faced by local companies through the provision of funds. Over a four-year period, we invested a total of

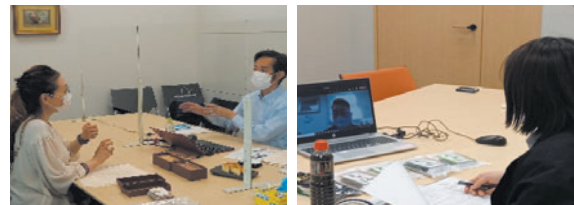
approximately 400 million yen in 27 companies. Some of our portfolio companies have already gone public or are in the process of market listing, and we believe that we have achieved a certain level of success in promoting entrepreneurship, employment, and economic growth in Hokkaido.

This fund was established as a successor, based on the performance of the first fund. We will continue to support the revitalization of the prefectural economy and the growth and development of companies in the prefecture by investing through this fund.

● 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 1.2 trillion yen*. The food and farming sector, a core industry of Hokkaido, is expected to see additional growth. To 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.

* Ministry of Agriculture, Forestry and Fisheries: “Total Agricultural Output and Agricultural Income Produced, 2020”



Support for Sales Channel Expansion through Various Business Meetings

We have hosted individual business meetings on a regular basis with our banking clients and buyers from companies in the Tokyo metropolitan area. This effort includes support for the expansion of sales channels for food-related companies in Hokkaido by inviting in high-profile buyers with whom these companies would normally find it difficult to establish

business negotiations.

We are also expanding business negotiations with major retailers who are looking for distinctive regional products. Through the use of online tools, we have also supported business negotiations during the COVID-19 pandemic.

Information Bazaar

We hold a variety of business matching negotiation meetings to help meet the sales channel expansion needs of corporate customers. Among these, the Information Bazaar is an all-Hokkaido business negotiation conference for Hokkaido food products. In fiscal 2021, the exhibition was held in the Kyushu region, where consumer and business needs are high, and the previous number of exhibitors was roughly doubled (54 companies). The entire Hokkaido exhibit area was decorated in a uniform motif to convey the appeal of the Hokkaido brand and support expansion into new markets by our business partners.



Information Bazaar in Fukuoka

FOOD Trade Assistance Package

As a new kind of support for food-related companies in Hokkaido, we have begun to provide assistance that enables our business partners to introduce their products to buyers without having to travel to the Tokyo metropolitan area.

We support sales channel expansion through a new style of business meeting where experts from the Japan Association of Supermarkets, with which our Bank has a cooperative relationship, introduce their products to buyers in the Tokyo metropolitan area.



● 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 population with ties to the region to counter local population decline, and revitalizing local industries depressed by the impact of the spread of COVID-19.

● 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 online

The Manufacturing Technology Fair, which had been held in the past as a business negotiation event bringing together small and medium-sized enterprises (SMEs) with exceptional technologies and products, universities, support organizations, and other parties, was not held in FY2020 due to the spread of COVID-19 infection. In FY2021, we tried a new way of providing

support by creating a limited-time website featuring information on the excellent technologies and products of manufacturing companies in Hokkaido. It presents 155 destinations in a wide range of manufacturing-related fields. We will be holding business meetings between the listed companies and machinery trading companies moving forward.

Intellectual Property Business

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

organizations in Hokkaido that hold patents.

We held North Pacific Bank Intellectual Property Business Matching, facilitating one-on-one business meeting and consultation sessions between companies that own open patents (major companies outside of Hokkaido) and companies in Hokkaido that are considering using open patents to take on new businesses challenges, develop new products or reduce product development times.

In addition, we hold IP Seminars for staff of financial institutions as one of the ways we work to improve bank employees' knowledge of intellectual property

Use of Subsidies

With regard to government and municipal subsidy programs that can effectively meet needs for corporate plant and equipment investment and new business implementation, Our Bank's sales branches, head office, and HKP work together to propose subsidies to customers and support their utilization.

and to help firms in the prefecture to establish their intellectual property holdings.

For customers applying for subsidies for investment in productivity improvement or business restructuring, we issue a letter of confirmation from an accredited business restructuring support organization and provide full support, from brushing up business plans and advising on application procedures to the receipt of subsidies after adoption.

● Support for Business Improvement and Turnaround

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

use of public-private funds and public capital-based loans. For customers facing diverse and complex management issues, we provide highly specialized support for management improvement and fundamental business revitalization in cooperation with external organizations such as the Hokkaido SME Revitalization Support Council, which coordinates with other financial institutions from a fair and neutral standpoint.

Regional Revitalization Strategy

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

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

● Status of Initiatives Related to Regional Revitalization

While enhancing cooperation with parties in industry, academia, government and finance, including Hokkaido regional public bodies, universities, credit associations, credit unions, and other financial institutions, we

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

Inter-industry Human Resource Matching

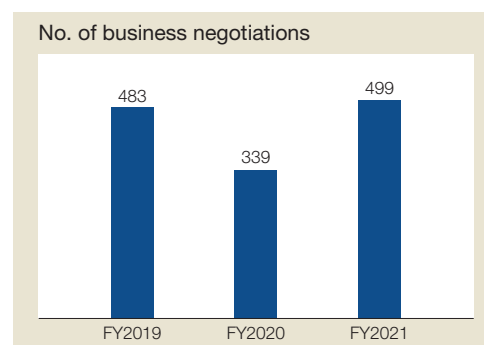
We conduct human resource matching between industries in order to simultaneously solve the problems of employee retention and staffing shortages by facilitating the sharing of labor between industries that have been impacted by the COVID-19 pandemic and those that are suffering from workforce shortfalls. In fiscal 2021, we collaborated with the

Japan Finance Corporation, the Hokkaido Bureau of Economy, Trade and Industry, and the Industrial Employment Stabilization Center foundation to facilitate 15 negotiation match-ups among a total of 24 companies (9 seeking to send personnel and 15 receiving), resulting in contracts between 2 pairs of companies (5 persons) (as of March 31, 2022).

Overseas Business Development

Overseas Business Development Support

Our banking Group maintains an extensive overseas network spanning China, ASEAN member states and the U.S. and other countries/regions, served by both our overseas representative offices, and partnerships with affiliated overseas financial and related institutions and external consulting firms. We utilize this comprehensive network to provide detailed support tailored to the needs of our customers' developing businesses overseas, by providing local information, coordinating site visits, and referring import and export channels. In fiscal 2021, we provided support in 499 cases of business negotiations, in part via video conferencing.



● Overseas Representative Offices and Affiliated Financial Institutions

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

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

● Partnerships with Consulting Firms

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

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

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

● Overseas Financing Support

We support customers' overseas subsidiaries with their funding through affiliated financial institutions. In fiscal 2021, we issued 5 standby letters of credit in the ASEAN region. A standby letter of credit is a letter

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

● Foreign Exchange Services

Expansion of foreign currency exchange services through collaboration with Travelex Japan K.K.

In March 2022, our Bank began offering Foreign Currency Home Delivery and Foreign Currency Mail-order Purchasing Services in partnership with

Travelex Japan K.K., as well as the Travelex Preferential Over-the-counter Market Currency Exchange Rate Service.*

Foreign Currency Home Delivery Service Foreign Currency Mail-order Purchasing Service	Customers can make contactless purchases and sales of 31 currencies from around the world (29 currencies through the Foreign Currency Mail-order Purchasing Service) 24 hours a day, 365 days a year, without visiting a Bank branch.
Travelex Preferential Over-the-counter Market Currency Exchange Rate Service	When customers exchange foreign currencies at Travelex branches in Japan, they can access the preferential over-the-counter rates offered at each branch by presenting their Hokuyo Bank cash card.

* In conjunction with the launch of this service, the Bank's foreign currency exchange operations were consolidated into the Head Office Sales Department from July 2022, and the number of currencies handled was also changed to six.

<Foreign Currency Home Delivery Service>



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

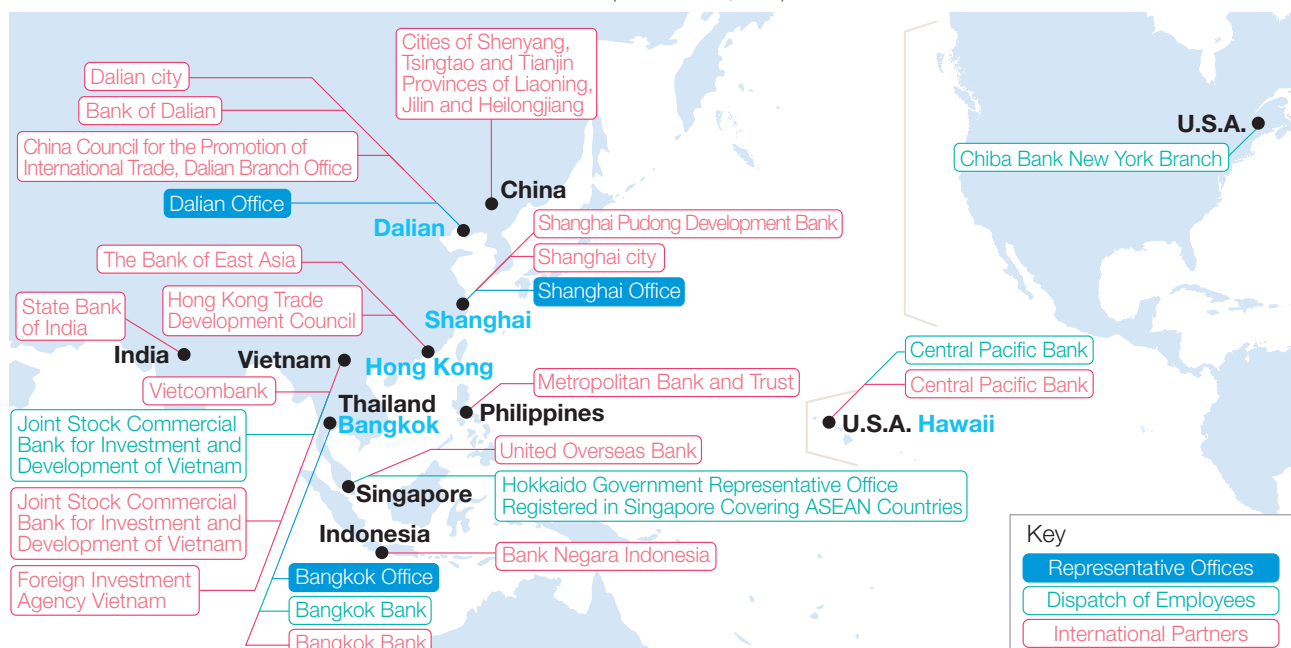
exchange transactions, such as by providing fast and accurate information in relation to foreign exchange markets.

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).

North Pacific Bank International Network (As of June 30, 2022)



* As of June 2022, 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

North Pacific Bank: How We Think About Sustainability

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

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

Our banking Group has incorporated a sustainability perspective into the implementation of our Management Philosophy, and formulated a Sustainability Policy in FY2021 that clearly states this concept. Under this policy, we have set forth our ESG Approach Policy and Principal SDG Themes, and are actively supporting our customers' efforts to resolve social issues and transition to a decarbonized society by providing sustainable finance (finance to realize a sustainable society) and a range of solutions. In fiscal 2022, we will further accelerate these efforts.

It is our aim as well to reduce CO₂ emissions to 50% of fiscal 2013 levels by fiscal 2030, and to achieve carbon neutrality by 2050. We are also moving to establish execution indexes for finance supporting the transition to a decarbonized society as we actively undertake these efforts.

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

Sustainability Policy

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

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

Climate Change Initiative

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

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



* The 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. We are actively taking the initiative on the issue of climate change as a major pillar of the environmental conservation that comprises one of our Principal SDG Themes.

● Strategy Opportunity

We will contribute to the realization of a low-carbon/decarbonized society from both financial and non-financial perspectives by supplying financing (Sustainability-Linked

Loans, Green Loans, etc.) and solutions (SDG Consulting, etc.) to support our customers' transition to a low-carbon/decarbonized society.

Risk

We recognize the transition risks and physical risks outlined below as those associated with climate change. We will continue to perform analyses

utilizing the TCFD-recommended scenarios and advance quantitative evaluations of each risk.

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

Carbon-related Assets

The Energy and Utilities*¹ sector represents 1.0% of the Bank's loans and bills discounted. In addition, the

percentage of carbon-related assets*² is 12.0% based on the 2021 TCFD Revised Annex.

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

Scenario Analyses

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

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

Transition Risk

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

recommendations.

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

* NGFS = Network for Greening the Financial System

Risk Events	○ Impact on credit costs resulting from a worsening of customer's financial condition due to changes in the macroeconomic environment associated with the transition to a decarbonized society
Subject of Analysis	○ Energy and utilities sectors
Scenario	○ "Orderly" and "disorderly" 2050 decarbonization scenarios published by the NGFS ○ Analyzed according to two case scenarios: a smooth transition toward decarbonization in 2050, and a rapid decarbonization after 2030

Physical Risk

- Physical risk is analyzed in terms of the impact on credit costs of damage to collateral due to increased flooding, etc., and deterioration of the customer's business performance due to stagnation of business.
- In the analysis, we utilize data such as flood hazard

maps to appraise the amount of damage that would be done to each collateral property in the event of a given level of flood damage, and the impact on the customer's business performance that would result from stagnation of the customer's business.

• We then estimate the increase in credit costs based on the increase in the amount of non-secured credit due to damage to collateral properties and

changes in the borrower's debt rating due to deterioration in business performance.

Risk Events	○ Damage to collateral due to increased flooding, etc., and deterioration of the customer's business performance due to stagnation of business
Subject of Analysis	○ Business loan recipients in Hokkaido
Scenario	○ RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) in the IPCC* Fifth Assessment Report

* IPCC = Intergovernmental Panel on Climate Change.

● Risk Management

• We acknowledge the potential for risk associated with climate change to exert an impact on the business activities and finances of the Bank in the future. We will

therefore continue to analyze, evaluate and understand these risks so that we can manage them by constructing a comprehensive risk management framework.

● Indexes and Goals

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

• Based on the belief that investment financing is the business area in which we, as a financial institution,

can best contribute to solving environmental issues, we have set the following targets for the amount of environment-related investment financing that will support the transition to a decarbonized society.

Item	Description
Target Amount for Cumulative Environment-related Investments and Loans	500 billion yen
Period	10 years (FY2021-FY2030)
Investment/Loan Target	Investments and loans that contribute to solving environmental issues such as environmental conservation and climate change response

Initiatives to Create Shared Value With Clients

Upon sharing management issues with clients, we provide a diverse range of solutions to resolve them, which naturally include financial support. In particular, as interest in ESG and SDGs grows year by year, we are expanding our menu of related services with the

aim of becoming a partner that inspires the thought, "Whenever we have difficulties with our ESG, SDGs or sustainability efforts, we can consult with North Pacific Bank."

● Support for Customers' ESG/SDGs Initiatives

Hokuyo Sustainable Management Support Service

Corporate commitment to the SDGs enhances corporate value. In light of the current situation in which many companies in Hokkaido are facing challenges in understanding and addressing the SDGs, we offer the following products as part of our Hokuyo Sustainable Management Support Service to help Hokkaido businesses address the SDGs.

SDG Declaration Support uses a checklist to diagnose the status of customers' SDG initiatives, assists them in formulating their own SDG Declarations, and supports

their efforts to address the issues.

In addition, through the SDG Consulting service available since April 2022 we support customers in identifying key issues and in formulating business plans that summarize targets, KPIs, and initiatives based on the relevance of the SDGs to their management philosophy, vision, and business activities. We also support customers in formulating sustainability management policies that manifest their external commitments.

Hokuyo Sustainable Loans

We offer the following products as Hokuyo Sustainable Loans as a means of contributing to the realization of a sustainable society and to support our customers in their SDG and decarbonization efforts.

A Green Loan (GL) is limited to the use of funds for projects that address environmental issues, while a Sustainability Linked Loan (SLL) has interest rates and other loan terms linked to the achievement of

ambitious ESG-related sustainability performance targets (SPTs) set by the customer. With both types of loan, a second opinion assessing compliance with international principles is obtained from an external organization for each project. After the project is executed, the reported details are, in principle, to be checked annually by the certifying organization. The Sustainable Management Support Loan, which we began offering in April 2022, is designed to help increase corporate value by obtaining a second opinion from an external organization on the

Hokuyo SDG Promotion Fund No. 2

In June 2022, we established Hokuyo SDG Promotion Fund No. 2 as the successor fund to the Hokuyo SDG Promotion Fund. We did so in order to contribute to the sustainable development of Hokkaido by

significance of ESG-related targets and KPIs set through SDG consulting and other means, and by providing close-in support from our Bank for efforts to achieve these targets and KPIs.

In addition, the SDG Start Loan, which we began offering in June 2022, is available to customers who have issued SDG Declarations through our SDG Declaration Support program, and if the conditions are met, the interest rate will be reduced by up to 0.100% from the regular applicable rate.

providing funds to companies in Hokkaido that conform to the SDG concept, with the aim of resolving issues faced by local companies through the provision of funds.

● Activities Contributing to Local Communities

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. In addition to displaying artwork created by members of our community in our branch lobbies, we also use the lobbies in our initiatives to help solve community issues and engage in crime prevention activities.



Litter clean-up activity at Odori Park



Environmental Protection Initiatives

Under the recognition that financial institutions rooted in the community bear a social responsibility to protect the rich nature and environment of Hokkaido and to pass these on to the next generation, we not

only support the initiatives of our customers through our business, but also actively work to preserve the environment.

Initiatives through Business

- The Bank issues an SDG (Eco) Private Placement Bonds that supports companies engaged voluntarily and proactively in environmentally considerate initiatives. Offering preferential Interest rates relative to general private placement bonds, this bond is used by many companies.
- The Bank was selected for designation 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 CO₂ reduction effect, as certified by a designated institution.

- For individual customers, we have begun offering car loans and home renovation loans for the purchase and installation of electric vehicles and solar panels, which will contribute to SDGs efforts through zero-carbon emissions.

The Hokku Fund for Biodiversity Conservation

- Established in 2010. This fund subsidizes organizations working to protect rare species in Hokkaido and improve their habitats. We have established the public/private collaborative Hokku

Fund Selection Committee to conduct selection of funding recipients, and to ensure the validity, fairness, and transparency of funding.

- The Hokku Term Deposit, which was the main

source of funds for the Hokku Fund, was discontinued in September 2021. Beginning with fiscal 2023 subsidies, an amount equivalent to the printing costs of paper passbooks replaced by the digitalization of

passbooks through the Hokuyo Smart Passbook smartphone application, as well as proceeds from the sale of the Hokku LINE Stamp, will be contributed to the Hokku Fund.

Contribute To Society Through Investing! Hokuyo Eco Challenge!

The purpose of this program was to provide opportunities for investors to help solve social issues (through realizing a decarbonized society and

environmental conservation in Hokkaido) by donating an investment equivalent to 0.1% of target fund sales to the Hokku Fund.

Healthcare/Social Welfare Initiatives

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

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

Contribution to Community Medical Activities

- We offer an SDG (Healthcare Support) Private Placement Bonds to support medical professionals in Hokkaido who are working on the front lines to prevent the spread of COVID-19. A donation of 5.9 million yen was made through “Cheers to Northern Medicine!”* in fiscal 2021, and is being used for the maintenance of medical equipment and other purposes.
- We have concluded comprehensive partnership agreements with four research and educational institutions in Hokkaido to improve the physical and mental health of Hokkaido residents, to contribute to

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

- In addition, we are making efforts to contribute to local medical activities, such as encouraging employees to donate blood in corporate groups (85 total participants in fiscal 2021), as well as cooperating with and financially supporting the secretariat of the Hokkaido Bone Marrow Bank Promotion Association.

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

Initiatives through Our Products and Branches

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

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

Cultural Initiatives

In addition to providing opportunities for people to experience authentic classical music, the program also supports parasports and regional sports, and is

involved in other activities to promote culture and sports in 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. In addition to performances by the full orchestra, mini-concerts by ensembles are also held, allowing the people of the prefecture to enjoy authentic classical music.
- We co-sponsor the Pacific Music Festival (PMF) that has been held every year since 1990, to develop young musicians around the world.



Rumoi performance (2021)



Sapporo performance (2021)

Sports Promotion Initiatives

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

Education Initiatives

As a financial institution rooted in the community, we consider financial education for children, the future leaders of Hokkaido, to be an important initiative,

Financial and Economic Education Initiatives

- We believe that the role of regional financial institutions in financial education is becoming increasingly important. We are therefore enhancing lectures for university students in Hokkaido, since the lowering of the age of legal majority requires them to improve their financial literacy as soon as possible. We also provide seminars for high school teachers, who must follow the new curriculum guidelines. We conduct on-site finance classes and dispatch instructors to teach students from elementary through highschool levels, and actively welcome them to workplace tours at our head office and branches. Our workplace tours include lectures on monetary mechanisms and the role of banks.

- At our head office, branches and Consulting Plaza, we hold seminars on asset formation utilizing tax exemption programs, for customers in the asset formation demographic.

- In October 2021, we began offering the SDG (Education) Private Placement Bonds with the aim of supporting the promotion of the SDGs in Hokkaido

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

Human Resource Development and Diversity

In order to continue to meet the individual needs of each customer by remaining thoroughly customer-oriented in a rapidly changing banking environment,

Human Resource Development Initiatives

- We are also expanding training programs that focus on strengthening consulting capabilities, introducing lessons on such topics as understanding business feasibility and role-playing in order to enable

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.

and we therefore focus on financial education and support for their development. We also hold various seminars for a wide range of audiences.

as well as providing opportunities for children in Hokkaido to learn about the SDGs. With a sum equivalent to 0.2% of the total issued amount, the Bank will produce SDG financial and other educational materials, and provide elementary school students with SDG learning opportunities free of charge.

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

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

we are working to develop high-level human resources who are not afraid of change and are willing to take on new challenges.

in-depth consulting. In addition to newly established training by external instructors for individual consulting staff and corporate operations staff, dialogue skills improvement training at the workplace

level (within branches) was newly established and implemented at all branches throughout Hokkaido.

- As part of our efforts to improve the transparency of personnel evaluations and to create a rewarding workplace, we conduct “360-degree” evaluations. By providing the evaluation subjects with multifaceted feedback that includes results from supervisors, colleagues, and subordinate staff, the program provides an opportunity to achieve objective awareness, and is expected to further improve management skills.

- Application of a talent management system: Operation of a new Skill Map enabled visualization of skills by job function. In addition to enabling

Diversity Promotion

As part of our diversity initiatives, we are working to create an organization in which each and every employee feels fulfilled in their work. We do this through various measures such as offering a diverse

Work-Life Balance Initiatives

- As initiatives to create a pleasant work environment for both men and women, we have introduced programs that actively support the balance between work and private life. We are undertaking an enhancement of 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. We are also working to reduce overtime labor by promoting the use of paid holidays, such as offering a full week of consecutive holidays and refresher holidays based on the number of years of service, and by designating a week for encouraging employees

Active Participation By Diverse Human Resources

- The Diversity Promotion Office, established within the Personnel Department, provides individual counseling to female employees, who account for 40% of our total staff, on career development and life planning, and conducts training to support women in their career formation. In addition, we provide various forms of support for employees with respect to childcare leave to help them continue

management to objectively grasp the abilities that staff members have, the program also allows staff members to identify their own strengths and weaknesses, leading to the development of skills in the workplace. In addition, 1-on-1 meetings have been initiated, which have proven effective in improving communication and dialogue between supervisors and subordinates, supporting subordinates' growth, and enhancing teamwork.

- We are expanding our career formation support system, which includes a new employee training program, an ability development (AD) challenge system, a trainee system, an in-house recruitment system, and outside training assignments.

range of work styles that allow all personnel, including women, seniors, non-Japanese, and people with disabilities, to maximize their capabilities by enhancing work-life balance.

to leave work on time.

- Since October 2021, we have been implementing our “Maternity Leave for Men, (‘Thank You’) Campaign,” which encourages employees to take at least two weeks of leave within eight weeks their spouse giving birth. In addition to the legally mandated childcare leave, we have established our own childcare leave system (offering up to 10 days) to support employees in their childrearing efforts. In addition, we use the bank’s in-house social media to introduce employees who have taken parental leave and others in the workplace, in an effort to foster awareness of childcare participation.

their employment through childbirth and childrearing, including support for employees returning to the workplace.

- We have a total of seven foreign employees (five overseas and two at our head office) working at three overseas locations and at our head office, and one of them has been promoted to a managerial position (overseas location).

	FY2019	FY2020	FY2021
Percentage of female employees among new hires	50.6%	43.3%	53.2%
Percentage of female employees among entire workforce	37.1%	41.3%	41.8%
Difference in average employment term between male and female employees (years)	3.8 years	3.5 years	3.0 years
Percentage of female employees in management positions	18.2%	18.4%	19.9%
Percentage of female employees in assistant manager positions or higher	27.9%	29.2%	30.6%
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 added one external director in June of 2020, and currently has 10 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 inside directors, to deliberate and vote on important operational and administrative matters.

● External Directors and External Audit & Supervisory Board Members

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

of which one is made a standing Audit & Supervisory Board Member, and considers the supervisory role provided by the external board members to be functioning effectively.

All external directors and external Audit & Supervisory Board Members are registered as independent corporate officers with the Tokyo Stock Exchange and the Sapporo Securities Exchange.

● Protecting Shareholders' Rights and Ensuring Impartiality

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

notices, and choosing the most appropriate days for the General Meeting of Shareholders.

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

● Working in Partnership with Stakeholders

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

In keeping with our role as a regional bank to contribute to Hokkaido's economic development, we

pursue a community-oriented brand of banking, working aggressively to bring about regional revitalization and provide services to meet the needs of our customers specific to the different stages of their lives. In addition, we place great importance on all of our stakeholders, the broader community, the environment, and our Groupwide sustainability, and have therefore formulated an ESG Approach Policy

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

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

● Ensuring Disclosure and Transparency

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

in this area.

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

● Dialogue with Shareholders

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

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

● Internal Control System Maintenance

The Bank's Board of Directors has voted to approve a basic internal control policy based on the Company Law and regulations for its enforcement. Furthermore, the Group Management Regulations and other regulations clearly define the management decision-making and reporting structure within the Group, and establish a system to ensure the efficient execution of duties by the directors of the Bank and its subsidiaries. In addition, we believe that ensuring

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

● Internal Audit, Corporate Audit, and Accounting Audit

Internal Audits

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

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.

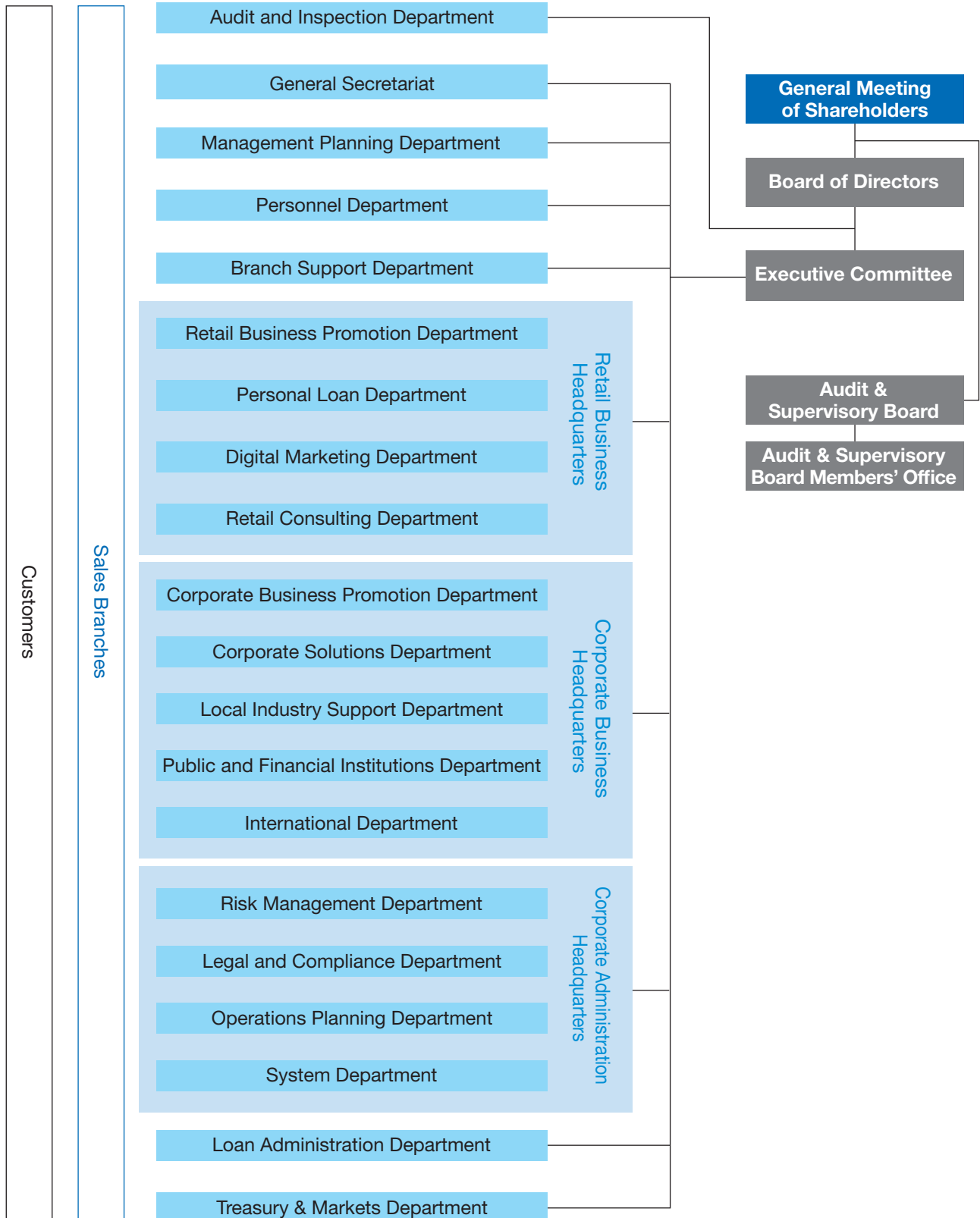
● Maintenance of Business Continuity Planning (BCP)

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 March 31, 2022)



● Directors, Audit & Supervisory Board Members and Executive Officers (As of June 28, 2022)

President	Mitsuharu Yasuda	Managing Executive Officer	Ryosuke Kobayashi
Deputy President	Minoru Nagano	Managing Executive Officer	Hironari Ishikawa
Senior Managing Director	Hitoshi Masuda	Managing Executive Officer	Hitoshi Nogiwa
Managing Director	Satoshi Shindo	Managing Executive Officer	Takuro Hosono
Director	Masanori Abe	Managing Executive Officer	Toru Oda
Director	Akira Yamada	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)	Hitoshi Oshino	Executive Officer	Kenichi Mizumoto
Audit & Supervisory Board Member (Standing)	Iwao Takeuchi	Executive Officer	Masahiro Miyahara
Audit & Supervisory Board Member (Standing / External)	Hitoshi Kubota	Executive Officer	Kazunori Hayashi
Audit & Supervisory Board Member (External)	Tateo Wada	Executive Officer	Hiroataka Yoshino
Audit & Supervisory Board Member (External)	Yoshiharu Ishii	Executive Officer	Tatsuya Yamabuki
		Executive Officer	Shoji Sahashi
		Executive Officer	Kazuya Kawase

● Principal Shareholders (As of March 31, 2022)

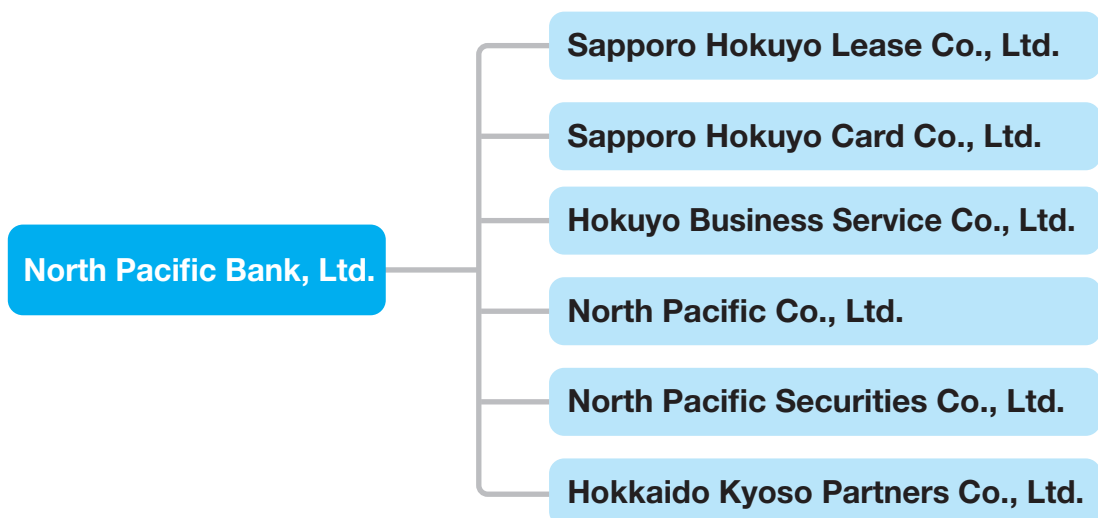
Common Shares

Name	Number of shares held	Percentage of total shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,836,000	10.99
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
Custody Bank of Japan, Ltd. (Trust Account)	19,766,800	5.07
STATE STREET BANK AND TRUST COMPANY 505223	18,131,604	4.65
The Dai-ichi Life Insurance Company, Limited	11,922,000	3.05
TAIJU LIFE INSURANCE COMPANY LIMITED	11,132,000	2.85
Employee Stock Ownership of North Pacific Bank	7,996,235	2.05
BNYM AS AGT/CLTS NON TREATY JASDEC	7,786,135	1.99

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

*2. The Bank holds 9,333,219 shares of treasury stock, which are not included in the above principal shareholders.

● Group Structure (As of March 31, 2022)



● 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, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Assets:			
Cash and due from banks	¥ 2,625,082	¥ 4,338,005	\$ 35,444
Call loans and bills bought	544	183	2
Monetary claims bought	14,224	11,853	97
Trading securities	3,711	2,576	21
Securities	1,505,246	1,483,991	12,125
Loans and bills discounted	7,367,433	7,361,881	60,151
Foreign exchanges	8,569	12,390	101
Lease receivables and investment assets	53,166	55,355	452
Other assets	178,051	183,752	1,501
Property, plant and equipment	77,252	73,541	601
Intangible assets	4,936	3,390	28
Net defined benefit asset	814	1,057	9
Deferred tax assets	290	812	7
Customers' liabilities for acceptances and guarantees	55,942	53,468	437
Allowance for loan losses	(37,704)	(38,438)	(314)
Total assets	¥11,857,562	¥13,543,823	\$ 110,661
Liabilities:			
Deposits	¥9,900,963	¥10,563,784	\$ 86,312
Negotiable certificates of deposit	71,077	99,451	813
Securities sold under repurchase agreements	13,402	14,473	118
Cash collateral received for securities lent	251,108	303,985	2,484
Borrowed money	1,030,491	2,003,407	16,369
Foreign exchanges	51	163	1
Other liabilities	59,699	61,502	503
Provision for bonuses	1,670	1,588	13
Provision for share awards	164	156	1
Net defined benefit liability	548	961	8
Provision for reimbursement of deposits	1,889	1,604	13
Provision for point card certificates	460	334	3
Reserves under special laws	19	19	0
Deferred tax liabilities	27,404	15,992	131
Deferred tax liabilities for land revaluation	2,030	1,858	15
Acceptances and guarantees	55,942	53,468	437
Total liabilities	¥11,416,926	¥13,122,751	\$ 107,221
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 989
Capital surplus	74,741	74,750	611
Retained earnings	154,102	162,019	1,324
Treasury shares	(3,153)	(3,053)	(25)
Total shareholders' equity	346,792	354,817	2,899
Valuation difference on available-for-sale securities	84,491	58,284	476
Revaluation reserve for land	4,048	3,654	30
Remeasurements of defined benefit plans	639	11	0
Total accumulated other comprehensive income	89,179	61,951	506
Share acquisition rights	84	37	0
Non-controlling interests	4,580	4,266	35
Total net assets	440,636	421,072	3,440
Total liabilities and net assets	¥11,857,562	¥13,543,823	\$ 110,661

Note: The rate of ¥122.39 to U.S. \$1.00, the foreign exchange rate on March 31, 2022, 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.

In accordance with the change in accounting policy, some of the figures for the previous consolidated fiscal year do not match those already disclosed.

● Consolidated Statements of Income (Year ended March 31, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary income:			
Interest income:	¥ 66,697	¥ 68,710	\$ 561
Interest on loans and discounts	58,140	57,584	471
Interest and dividends on securities	7,680	7,795	64
Other interest income	876	3,330	27
Fees and commissions	27,900	27,723	227
Other ordinary income	25,252	24,813	203
Other income	8,425	3,214	26
Total ordinary income	¥ 128,277	¥ 124,461	\$ 1,017
Ordinary expenses:			
Interest expenses:	¥ 1,912	¥ 885	\$ 7
Interest on deposits	232	133	1
Other interest expenses	1,680	751	6
Fees and commissions payments	11,285	11,474	94
Other ordinary expenses	20,831	20,880	171
General and administrative expenses	68,345	64,038	523
Other expenses	10,134	7,935	65
Total ordinary expenses	¥ 112,509	¥ 105,214	\$ 860
Ordinary profit	¥ 15,767	¥ 19,247	\$ 157
Extraordinary income	242	163	1
Extraordinary losses	1,301	1,168	10
Profit before income taxes	14,708	18,241	149
Income taxes:			
Current	6,863	6,643	54
Deferred	(1,900)	(323)	(3)
Total income taxes	4,963	6,319	52
Profit	9,745	11,921	97
Profit attributable to non-controlling interests	322	165	1
Profit attributable to owners of parent	¥ 9,422	¥ 11,756	\$ 96

Note: In accordance with the change in accounting policy, some of the figures for the previous consolidated fiscal year do not match those already disclosed.

● Consolidated Statements of Comprehensive Income (Year ended March 31, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Profit	¥ 9,745	¥ 11,921	\$ 97
Other comprehensive income	25,496	(27,302)	(223)
Valuation difference on available-for-sale securities	24,565	(26,675)	(218)
Remeasurements of defined benefit plans, net of tax	930	(627)	(5)
Comprehensive income	¥ 35,241	¥ (15,380)	\$ (126)
Comprehensive income attributable to owners of the parent	34,330	(15,077)	(123)
Comprehensive income attributable to non-controlling interests	911	(303)	(2)

● Consolidated Statements of Changes in Equity (Year ended March 31, 2021 and 2022)

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, 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
Cumulative effect of a change in accounting policy			(337)		(337)							(337)
Year-initial balance reflecting a change in accounting policy	¥121,101	¥74,741	¥153,765	¥(3,153)	¥346,454	¥ 84,491	¥ 4,048	¥ 639	¥ 89,179	¥ 84	¥ 4,580	¥440,299
Changes of items during period												
Dividends of surplus			(3,896)		(3,896)							(3,896)
Profit attributable to owners of parent			11,756		11,756							11,756
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares		9		99	108							108
Reversal of revaluation reserve for land			394		394							394
Net changes of items other than shareholders' equity						(26,207)	(394)	(627)	(27,228)	(46)	(313)	(27,589)
Total changes of items during period	—	¥ 9	¥ 8,253	¥ 99	¥ 8,362	¥ (26,207)	¥ (394)	¥ (627)	¥ (27,228)	¥ (46)	¥ (313)	¥ (19,226)
Balance as of March 31, 2022	¥121,101	¥74,750	¥162,019	¥(3,053)	¥354,817	¥ 58,284	¥ 3,654	¥ 11	¥ 61,951	¥ 37	¥ 4,266	¥421,072

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, 2021*	\$ 989	\$ 611	\$ 1,256	\$ (26)	\$ 2,831	\$ 690	\$ 33	\$ 5	\$ 729	\$ 1	\$ 37	\$ 3,598
Changes of items during period												
Dividends of surplus			(32)		(32)							(32)
Profit attributable to owners of parent			96		96							96
Purchase of treasury shares				(0)	(0)							(0)
Disposal of treasury shares		0		1	1							1
Reversal of revaluation reserve for land			3		3							3
Net changes of items other than shareholders' equity						(214)	(3)	(5)	(222)	(0)	(3)	(225)
Total changes of items during period	—	\$ 0	\$ 67	\$ 1	\$ 68	\$ (214)	\$ (3)	\$ (5)	\$ (222)	\$ (0)	\$ (3)	\$ (157)
Balance as of March 31, 2022	\$ 989	\$ 611	\$ 1,324	\$ (25)	\$ 2,899	\$ 476	\$ 30	\$ 0	\$ 506	\$ 0	\$ 35	\$ 3,440

* Restated balance

● Consolidated Statements of Cash Flows (Year ended March 31, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 14,708	¥ 18,241	\$ 149
Depreciation	7,319	6,954	57
Impairment losses	828	644	5
Gain on bargain purchase	(2)	—	—
Loss (gain) on step acquisitions	1	—	—
Increase (decrease) in allowance for loan losses	5,100	733	6
Increase (decrease) in provision for bonuses	65	(82)	(1)
Increase (decrease) in provision for share awards	70	(7)	(0)
Decrease (increase) in net defined benefit asset	(814)	(243)	(2)
Increase (decrease) in net defined benefit liability	(87)	412	3
Increase (decrease) in provision for reimbursement of deposits	(441)	(285)	(2)
Increase (decrease) in provision for point card certificates	9	(126)	(1)
Gain on fund management	(66,697)	(68,710)	(561)
Financing expenses	1,912	885	7
Loss (gain) related to securities	(5,736)	2,982	24
Foreign exchange losses (gains)	(1,598)	(5,602)	(46)
Loss (gain) on disposal of non-current assets	231	384	3
Net decrease (increase) in loans and bills discounted	(708,271)	5,551	45
Net increase (decrease) in deposits	1,045,370	662,820	5,416
Net increase (decrease) in negotiable certificates of deposit	(4,918)	28,373	232
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	574,291	972,915	7,949
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(10,462)	3,095	25
Net decrease (increase) in call loans	107	2,731	22
Net increase (decrease) in call money	9,526	1,071	9
Net increase (decrease) in cash collateral received for securities lent	249,972	52,876	432
Net decrease (increase) in foreign exchanges-assets	(886)	(3,820)	(31)
Net increase (decrease) in foreign exchanges-liabilities	(90)	111	1
Proceeds from fund management	66,195	68,615	561
Payments for finance	(2,013)	(928)	(8)
Other - net	(811)	(5,873)	(48)
Subtotal	1,172,877	1,743,722	14,247
Income taxes paid	(6,793)	(7,556)	(62)
Net cash provided by (used in) operating activities	1,166,084	1,736,166	14,186
Cash flows from investing activities:			
Purchase of securities	(521,693)	(316,513)	(2,586)
Proceeds from sales of securities	157,227	196,753	1,608
Proceeds from redemption of securities	195,270	105,129	859
Purchase of property, plant and equipment	(1,816)	(1,636)	(13)
Proceeds from sales of property, plant and equipment	638	935	8
Purchase of intangible assets	(1,172)	(806)	(7)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(92)	—	—
Other - net	1	0	0
Net cash provided by (used in) investing activities	(171,637)	(16,138)	(132)
Cash flows from financing activities:			
Decrease in subordinated borrowings	(28,000)	—	—
Purchase of treasury shares	(228)	(0)	(0)
Proceeds from sales of treasury shares	1	30	0
Cash dividends paid	(3,895)	(3,896)	(32)
Dividends paid to non-controlling interests	(3)	(10)	(0)
Other - net	(150)	(149)	(1)
Net cash provided by (used in) financing activities	(32,276)	(4,026)	(33)
Effect of exchange rate change on cash and cash equivalents	2	15	0
Net increase (decrease) in cash and cash equivalents	962,172	1,716,017	14,021
Cash and cash equivalents at beginning of period	1,633,397	2,595,570	21,207
Cash and cash equivalents at end of period	¥ 2,595,570	¥ 4,311,587	\$ 35,228

● Non-Consolidated Balance Sheets (As of March 31, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Assets:			
Cash and due from banks	¥ 2,623,534	¥ 4,336,360	\$ 35,431
Call loans	544	183	2
Monetary claims bought	14,224	11,853	97
Trading securities	3,711	2,576	21
Securities	1,504,582	1,484,796	12,132
Loans and bills discounted	7,424,406	7,420,532	60,630
Foreign exchanges	8,569	12,390	101
Other assets	138,457	146,309	1,195
Property, plant and equipment	76,128	72,059	589
Intangible assets	4,885	3,245	27
Prepaid pension costs	—	1,003	8
Customers' liabilities for acceptances and guarantees	55,942	53,468	437
Allowance for loan losses	(31,137)	(32,976)	(269)
Total assets	¥ 11,823,850	¥ 13,511,805	\$ 110,400
Liabilities:			
Deposits	¥ 9,908,304	¥ 10,570,550	\$ 86,368
Negotiable certificates of deposit	82,431	110,805	905
Securities sold under repurchase agreements	13,402	14,473	118
Cash collateral received for securities lent	251,108	303,985	2,484
Borrowed money	1,019,357	1,991,887	16,275
Foreign exchanges	51	163	1
Other liabilities	38,485	41,911	342
Provision for bonuses	1,457	1,408	12
Provision for share awards	164	156	1
Provision for retirement benefits	365	633	5
Provision for reimbursement of deposits	1,889	1,604	13
Provision for point card certificates	454	327	3
Deferred tax liabilities	25,921	14,880	122
Deferred tax liabilities for land revaluation	2,030	1,858	15
Acceptances and guarantees	55,942	53,468	437
Total liabilities	¥ 11,401,367	¥ 13,108,114	\$ 107,101
Net assets:			
Capital stock	¥ 121,101	¥ 121,101	\$ 989
Capital surplus	50,005	50,014	409
Retained earnings	167,945	175,196	1,431
Treasury shares	(3,158)	(3,058)	(25)
Total shareholders' equity	335,893	343,253	2,805
Valuation difference on available-for-sale securities	82,456	56,745	464
Revaluation reserve for land	4,048	3,654	30
Total valuation and translation adjustments	86,504	60,399	494
Share acquisition rights	84	37	0
Total net assets	422,482	403,690	3,298
Total liabilities and net assets	¥ 11,823,850	¥ 13,511,805	\$ 110,400

● Non-Consolidated Statements of Income (Year ended March 31, 2021 and 2022)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary income:			
Interest income:	¥ 67,449	¥ 70,281	\$ 574
Interest on loans and discounts	58,380	57,828	472
Interest and dividends on securities	8,193	9,123	75
Other interest income	875	3,329	27
Fees and commissions	25,435	24,859	203
Other ordinary income	2,701	2,438	20
Other income	8,411	3,240	26
Total ordinary income	¥ 103,998	¥ 100,820	\$ 824
Ordinary expenses:			
Interest expenses:	¥ 1,880	¥ 848	\$ 7
Interest on deposits	232	133	1
Other interest expenses	1,648	715	6
Fees and commissions payments	12,380	12,712	104
Other ordinary expenses	1,010	1,323	11
General and administrative expenses	65,215	60,665	496
Other expenses	9,392	7,418	61
Total ordinary expenses	¥ 89,879	¥ 82,968	\$ 678
Ordinary profit	¥ 14,119	¥ 17,852	\$ 146
Extraordinary income	239	131	1
Extraordinary losses	1,282	1,160	9
Income before income taxes	13,076	16,823	137
Income taxes:			
Current	6,346	5,938	49
Deferred	(2,086)	(191)	(2)
Total income taxes	4,260	5,746	47
Net income	¥ 8,815	¥ 11,076	\$ 91

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