

Procrea Holdings Annual Report 2023

Procrea Holdings, Inc.



Procrea Holdings Annual Report 2023

Profile

The name "Procrea" embodies our mission, which is to create a new future by embracing the challenge of enhancing the potential and the possibilities of local communities as well as to move forward together with our customers in our capacity as professionals.

Procrea Holdings, Inc. was established on April 1, 2022 with the integration of the management operations of the Aomori and Michinoku banks. By combining the know-how, informational capacities, and networks that the two banks have developed over many years, we aim to actively contribute to the sustainable growth and development of our local communities by taking on challenges in new fields of banking and creating services that transcend the conventional frameworks of the financial sector.

History

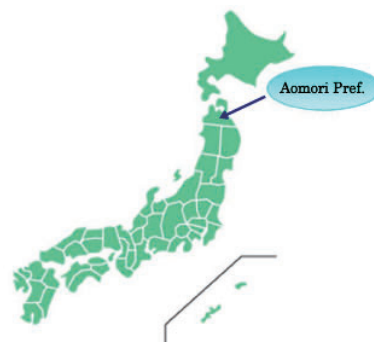
May 2021: "Notice Regarding the Basic Agreement on Management Integration between the Aomori Bank, Ltd. and the Michinoku Bank, Ltd." issued.

November: "Notice Regarding the Execution of a Definitive Agreement on the Establishment of a Joint Holding Company (Share Transfer) between the Michinoku Bank, Ltd. and the Aomori Bank, Ltd." issued

January 2022: Share transfer plan is approved during an extraordinary general meeting of shareholders of the Aomori Bank and the Michinoku Bank.

April: Establishment of Procrea Holdings, Inc.

The name "Procrea" combines the Latin words for "challenge" (Provocatio) and "creation" (Creare).



●Trade Name **Procrea Holdings, Inc.** ●Established on **April 1, 2022** ●Location of head office **3-1 Katta 1-chome, Aomori-shi, Aomori**
 ●Location of main head office functions **9-30 Hashimoto 1-chome, Aomori-shi, Aomori** ●Business **Company administration and management within the competence of the subsidiaries, as defined by the banks and the Banking Act. Business tasks related to them. Other business tasks of bank holding companies authorized by the Banking Act.** ●Capital **¥20 billion** ●Operating branches **189 main and local branches** ●Fiscal year **Year ending March 31**
 ●Listing stock exchange **Tokyo Stock Exchange Prime Market (Securities code: 7384)**

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Greeting

We at the Procrea Group would like to thank all of you for your continued support. We would also like to express our sympathies to those who were affected by last summer's heavy rains and the outbreaks of avian flu.

What follows is the "Procrea Digest: The March 2023 Mini-Disclosure Report." We invite you to read through it and hope that it will help deepen your understanding of the Procrea Group.

Over the course of fiscal 2022, amidst the ebb and flow of the COVID-19 pandemic, the economy of Aomori Prefecture was impacted across a wide range of sectors by the soaring cost of crude oil and other raw materials brought on by the war in Ukraine, the weakened yen, and other factors.

On the other hand, in 2022, with the relaxation of COVID-19 restrictions, many annual events within the prefecture, including the Nebuta Festival, were held, most following a three-year hiatus, and progress has been made towards balancing measures introduced to combat COVID-19 and a return to normal economic activity.

Private consumption, in particular, has been trending toward recovery, and despite rising prices the regional economy as a whole has continued to rebound.



A year has passed since the establishment of Procrea Holdings and the ongoing preparations for the full integration of the Aomori and Michinoku banks. At the same time, regional financial institutions throughout Japan are facing an increasingly uncertain environment, brought about an aging and declining population and other changes in the nation's social structure, as well as deregulation of the banking industry and rapidly growing concerns over social, economic, and environmental sustainability, including pressures to address climate change.

Our brand concept is "Challenge and Creation." We will continue, in the midst of these changing circumstances, to help realize the full potential of the region in our pursuit of a bright and prosperous future. To this end, we recognize that our top priorities must be to realize quickly the synergies that will be gained by combining the know-how, informational capacities, and networks of our two regional institutions, and to build a solid management foundation.

In addition, in order to provide stable financial services and contribute to local economic development, we will work to strengthen our intermediary financial functions and to expand the scope of our business operations in order to enhance the added value of our regional resources.

In the summer of 2023, the Procrea Group will be participating in the Aomori Nebuta Festival for the first time as the Procrea Group. Based on the Group's management philosophies of "Creating the Future of Our Local Communities," "Continuing to Move Forward with Our Customers," and "Helping Achieve Everyone's Dreams," we intend to contribute to regional revitalization by helping to pass on to future generations our local events and traditions.

We look forward to your continued support.

Susumu Narita
 Susumu Narita, President

Overview of Procrea Holdings

Management Philosophy

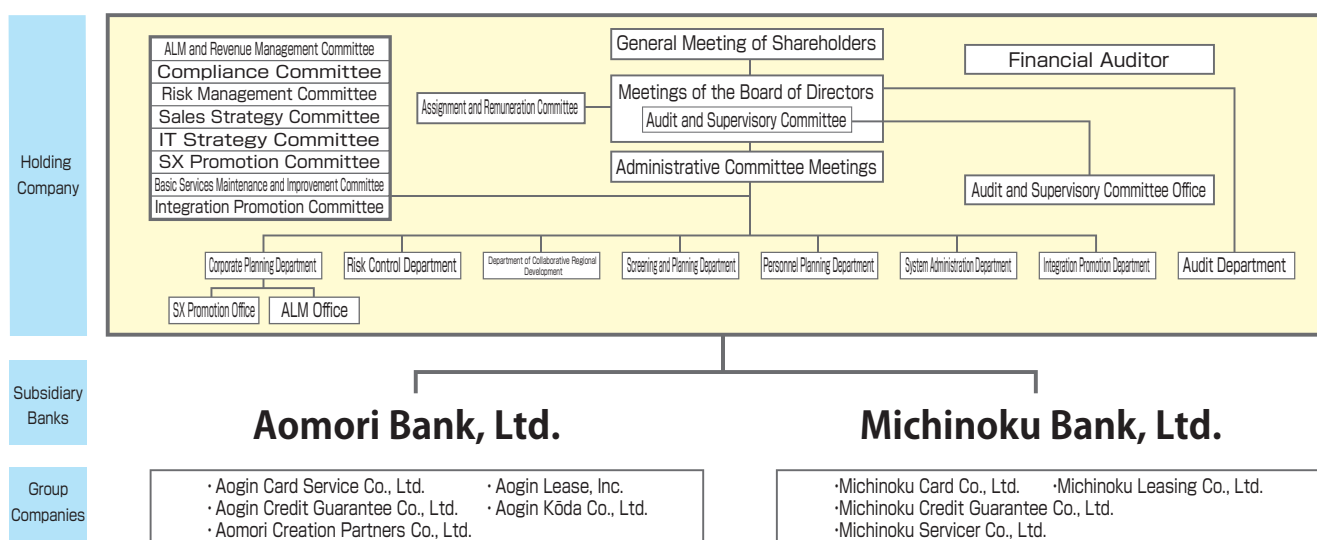
"Creating the Future of Our Local Communities"
 "Continuing to Move Forward with Our Customers"
 "Helping Achieve the Dreams of Everyone"

• Core ideas of our philosophy

- ◆We aim to create a bright and prosperous future by maintaining organizational integrity, while proactively taking on challenges and exploring the possibilities of our local communities.
- ◆We will continue to gain the trust of our customers and join them in moving forward toward growth and development by enhancing our expertise and pursuing services that exceed expectations.
- ◆By respecting individual autonomy and turning this diversity into strength, we will build an organization filled with confidence and pride that will step up to all challenges and help bring the ideas of each individual to fruition.

Organization Chart

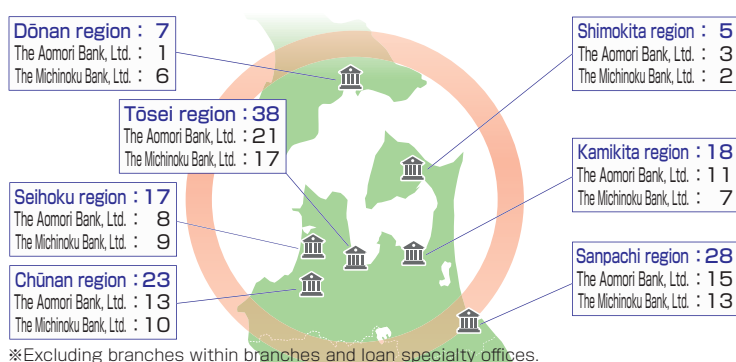
(as of March 1, 2023)



Main Locations

(as of March 31, 2023)

We have a strong presence in Aomori Prefecture and in the Dōnan (southern Hokkaido) region.



Number of Locations

(as of March 31, 2023)

Prefecture	The Aomori Bank, Ltd.	The Michinoku Bank, Ltd.	Total for both banks
Aomori	71	58	129
Tōsei region	21	17	38
Chūnan region	13	10	23
Sanpachi region	15	13	28
Seihoku region	8	9	17
Kamikita region	11	7	18
Shimokita region	3	2	5
Hokkaido	2	7	9
Iwate	1	2	3
Miyagi	1	1	2
Akita	2	2	4
Tokyo	1	1	2
Total	78	71	149

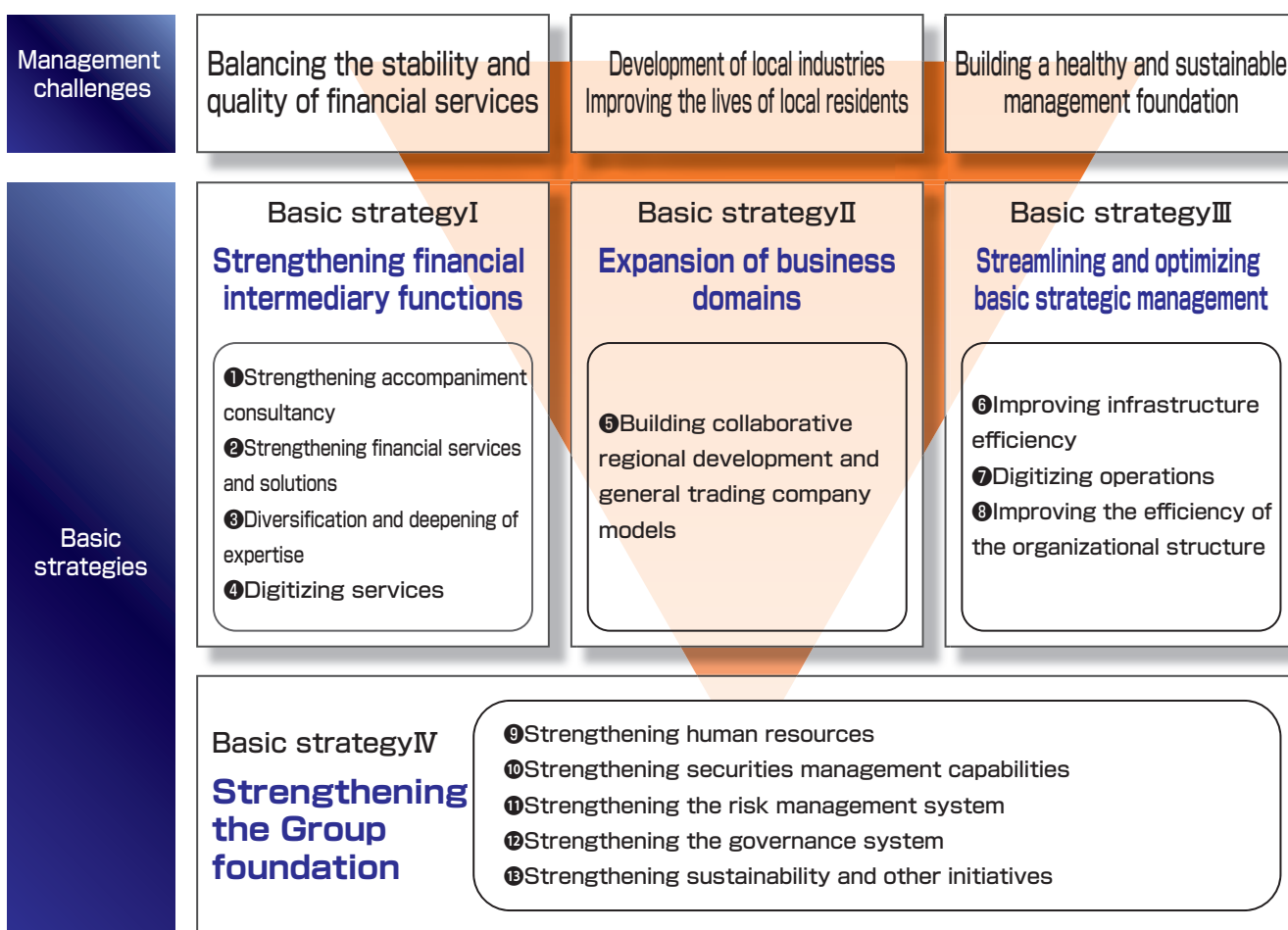
Basic Strategy for the First Medium-Term Management Plan

Procrea Holdings first medium-term management plan

"Challenge and Creation"

Slogan

Achieve early synergistic results and build a solid management foundation



Sustainability Policy and SX Initiatives

Sustainability Policy

Public concern regarding issues related to climate change and decarbonization, healthcare, relative poverty, and diversity and inclusion as well as other sustainability issues is rising. Our sustainability policy is an indication of the directions that Procrea Holdings will take in guiding future efforts to achieve sustainable societies, both at home and abroad.

Procrea Holdings Sustainability Policy

A vibrant future for future generations

In order to pass on the beauty of the communities we love to future generations, we will take on the challenges of creating a vibrant future for them. We are prepared to face various challenges and explore the infinite possibilities within the region, and continue to move forward together with our customers by engaging in sustainable business activities with a focus on the environment, society, and governance.

Promise to Stakeholders

Nature and the Environment

Our aim is to contribute to the growth of the local economy in a way that protects the natural environment. We will engage in business activities while maintaining an awareness of climate change and our impact on the natural environment.

Regional Society

We will contribute to the development of local communities by valuing communication with our customers in order to maximize the value of natural and human capital and make our communities even better places to live.

Our Customers

As our customers most valued partner, we will continually respond to changes in society and seek to provide appropriate solutions that are both effective and reassuring.

Our Employees

We aim to create a company and an organizational culture in which each and every employee can work in good health, contribute in a diversity of roles, and thrive, each in their own way.

Shareholders and Investors

We will continue to grow hand-in-hand with our local communities and continue to be a company that appeals to and is trusted by all stakeholders.



Establishing the SX Promotion Committee and the SX Promotion Office

In March 2023, in accordance with the Procrea Holdings Sustainability Policy, we established the SX* Promotion Committee. The company president serves as the committee chair, and it falls under the supervision of the Board of Directors. Its aim is to establish a governance system that promotes and strengthens initiatives related to sustainability, including those that relate to the environment, to SDGs and to ESG. The SX Promotion Committee deliberates on policies and strategies related to SX promotion, the progress of SX promotion-related measures and the status of TCFD initiatives. In addition to establishing the SX Promotion Committee, we also established the SX Promotion Office within the Corporate Planning Department that is responsible for carrying out SX programs.

Under this promotional system, we will continue to contribute actively to the sustainable development of our local communities and to link these contributions to our own growth.

Based on this promotion system, we will continue to actively contribute to the sustainable development of the region and link it to our own growth.

※What is SX (sustainability transformation)?

SX refers to an approach to "synchronize" social sustainability with corporate sustainability, and transform management and business to that end. "Synchronizing" means improving the sustainability of society through the creation of value that is conducive to long-term social sustainability, and at the same time enhances organizational capacity to generate growth resources (earning power) over the long term in a sustainable manner that leads toward further corporate value creation. <Source: Ito Review 3.0 (Ito Review SX Edition) "Report of the Study Group on Dialogues that Contribute to Long-term Corporate Management and Investment for Creation of Sustainable Corporate Value (SX Study Group)", Ministry of Economy, Trade and Industry, August 30, 2022>

Sustainability Initiatives



Business Succession and M&A Conference: Creating the Future of Aomori Together

Business Succession and M&A Conference: Creating the Future of Aomori Together
In November and December 2022, the "Business Succession and M&A Conference Commemorating the Founding of Procrea HD: Creating the Future of Aomori Together" was held online in collaboration with Nihon M&A Center Inc. Lectures, 21 sessions, and other featured events on business succession and M&A, with a focus on the post-COVID-19 world, were presented, and received applications from about 13,400 customers.



Cooperation in the Great Spring Cleanup

In April 2023, in support of the activities of the Aomori Prefecture headquarters of the Small Kindness Movement, we conducted cleanup activities in a number of places in and around Aomori Prefecture as part of our social contribution activities and to show our gratitude to our local communities. A total of approximately 1,800 employees and family members from across the area participated.



Procrea HD Baseball Club and Volunteer Snow Removal Activities

In February 2023, the Procrea HD Baseball Club, together with students from Aomori Nishi Junior High School, volunteered to clear snow from around the homes of senior citizens in Aomori City. However, due to the intermittent snowfall after February, their snow removal efforts could not keep up. Even so, a total of about 50 club members and students contributed.





Initiatives to improve financial literacy

We are promoting initiatives to help improve the financial literacy of local residents, as well as the children who will be responsible for the future of the local economy.

- In October 2022, as part of the training program conducted by the Aomori Prefecture High School PTA Tosei District Council, we held an online financial education course for parents and teachers under the theme "Building Assets in the Era of the 100-year Lifespan."
- We supported the national high school student finance and economics quiz championship called "Economics Koshien," which provides financial insights while also being fun, at both the Aomori competition (December 2022) and the national competition (February 2023).
- In January 2023, we held the Procrea HD Kids School Winter Break Parent-Child Tour at the Aomori Bank head office with the aim of teaching them how to use money and banking services. Ten elementary school students participated.



Online Financial Education Courses



Economics Koshien prefectural and national competitions



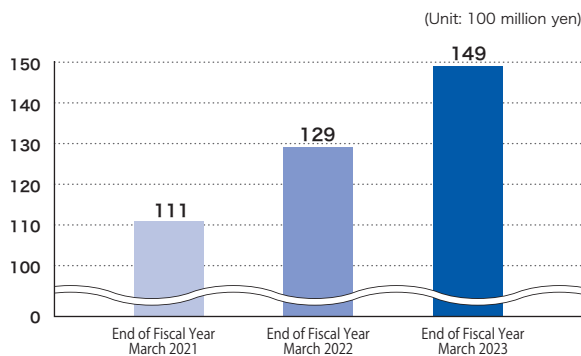
Kids School Winter Break Parent-Child Tour



Financial Performance Highlights (2 Banks Combined)

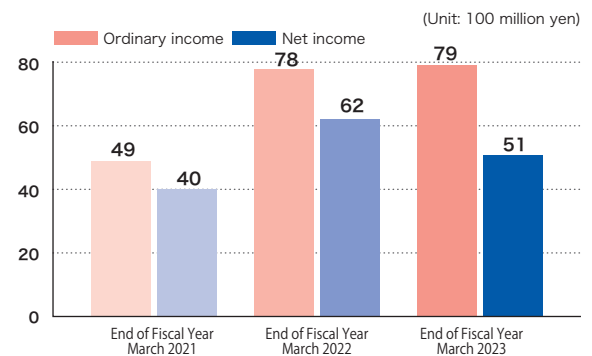
Status of core net business income

Core net business income increased by 2 billion yen year on year to 14.9 billion yen due to an increase in income from funds and services, and a decrease in expenses.



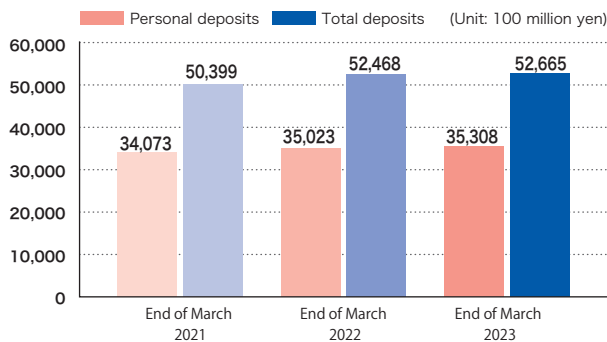
Status of ordinary income and net income

Ordinary income increased by 100 million yen year on year to 7.9 billion yen, mainly due to an improvement in securities-related gains and losses, despite an increase in credit expenses. On the other hand, net income decreased by 1 billion yen year on year to 5.1 billion yen due to an increase in impairment losses and other factors.



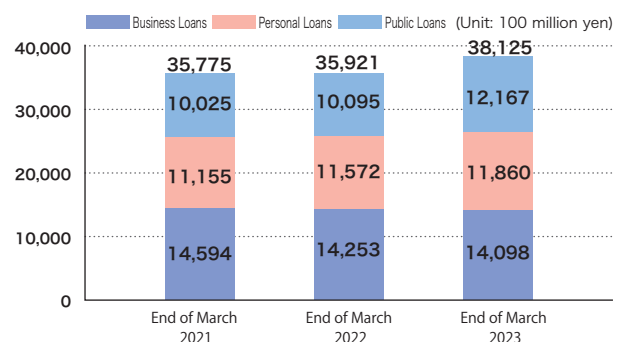
Status of deposits (including negotiable deposits)

Total deposits at the end of March 2023, including negotiable deposits, increased by 19.6 billion yen from the end of the previous fiscal year to 5.2665 trillion yen, showing a steady growth based mainly on personal deposits.



Status of loans

Loans at the end of March 2023 increased by 220.4 billion yen from the end of the previous fiscal year to 3.8125 trillion yen due to an increase in personal loans, mainly housing loans, and public loans.



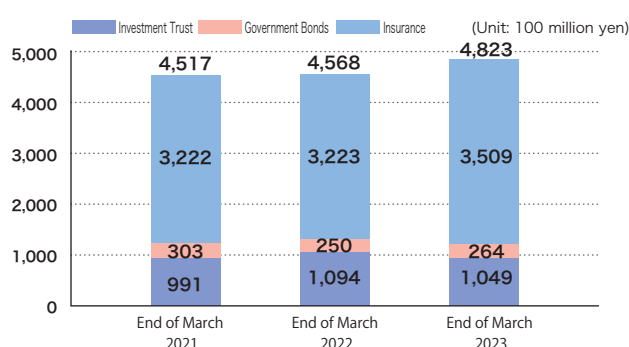
The amounts are rounded down to the nearest unit.

Glossary

■ Core net business income The profitability obtained from the bank's core businesses such as deposits, loans and foreign exchange operations.

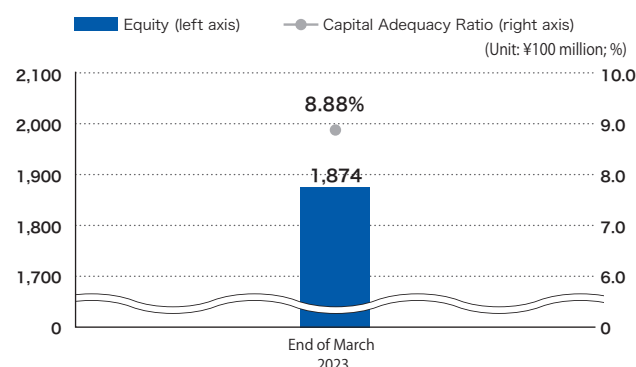
Status of Assets on Deposit

The balance of assets on deposit at the end of March 2023 increased by 25.4 billion yen from the end of the previous fiscal year to 482.3 billion yen due to an increase in the insurance balance.



Capital Adequacy Ratio (Procrea HD consolidated)

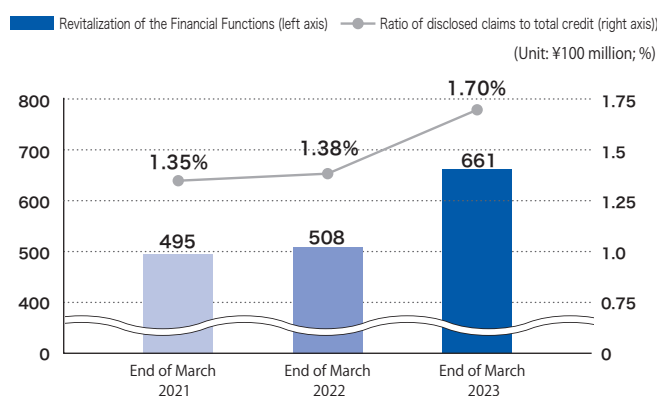
The consolidated capital adequacy ratio at the end of March 2023 was 8.88%. We have secured a level that far exceeds the domestic standard of 4%.



Status of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions

Status of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions

As of the end of March 2023, claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions increased by 15.2 billion yen from the end of the previous fiscal year to 66.1 billion yen due to an increase in high-risk loans. The ratio of disclosed claims to total credit increased by 0.32% from the end of the previous fiscal year to 1.70%.



The amounts are rounded down to the nearest unit.

■ Ordinary income	Profit calculated by adding or subtracting securities-related gains and losses and credit expenses (such as expenses related to the disposal of nonperforming loans) to or from core net business income.
■ Net income	The final income obtained by adding or subtracting extraordinary income and taxes to or from ordinary income.

Consolidated Financial Statements

Consolidated Balance Sheets

Procrea Holdings, inc.

As of March 31, 2023

	Millions of Yen	Thousands of U.S. dollars
	2023	2023
Assets		
Cash and due from banks	¥1,123,913	\$8,416,939
Call loans	35,000	262,113
Monetary claims bought	5,115	38,307
Money held in trust	11,985	89,757
Investment securities	865,466	6,481,436
Loans and bills discounted	3,774,454	28,266,714
Foreign exchange	8,176	61,231
Other assets	100,296	751,114
Tangible fixed assets	27,850	208,570
Intangible fixed assets	4,320	32,353
Prepaid pension costs	5,842	43,754
Deferred tax assets	10,568	79,147
Customers' liabilities for acceptances and guarantees	22,927	171,703
Reserve for possible loan losses	(21,228)	(158,977)
Total assets	<u>¥5,974,452</u>	<u>\$44,742,401</u>
Liabilities and shareholders' equity		
Liabilities		
Deposits	¥5,024,375	\$37,627,312
Negotiable certificates of deposit	223,458	1,673,472
Call money	13,438	100,639
Payables under securities lending transactions	2,609	19,543
Borrowed funds	463,349	3,469,999
Foreign exchange	38	286
Other liabilities	35,728	267,572
Reserve for employees bonuses	1,358	10,173
Reserve for directors bonuses	25	190
Retirement benefit liabilities	250	1,872
Provision for directors liability retirement	4	32
Reserve for stock benefits	346	2,594
Reserve for reimbursement of deposit	356	2,669
Contingent loss reserve	348	2,608
Deferred tax liabilities for revaluation	1,398	10,471
Acceptances and guarantees	22,927	171,703
Total liabilities	<u>5,790,013</u>	<u>43,361,144</u>
Net assets		
Shareholder's equity		
Common stock	20,000	149,779
Capital surplus	48,263	361,442
Total retained earnings	122,927	920,596
Treasury stock	(651)	(4,879)
Total shareholder equity	<u>190,539</u>	<u>1,426,938</u>
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	(9,148)	(68,513)
Net deferred gains (losses) on hedging instruments	1,039	7,784
Revaluation reserve for land	2,278	17,063
Retirement benefits adjustments	(269)	(2,015)
Total Valuation and translation adjustments	<u>(6,099)</u>	<u>(45,681)</u>
Total liabilities and net assets	<u>¥5,974,452</u>	<u>\$44,742,401</u>

Consolidated Income

Procrea Holdings, inc.

Years ended March 31, 2023

	Millions of Yen	Thousands of U.S. dollars
	2023	2023
Income		
Interest on;		
Loans and discounts	¥33,699	\$252,371
Securities	9,520	71,295
Other	1,012	7,584
	44,232	331,251
Fees and commissions	17,780	133,158
Other income	70,606	528,767
Total income	132,619	993,178
Expenses		
Interest on;		
Deposits	160	1,201
Other	887	6,648
	1,048	7,849
Fees and commissions	13,299	99,597
General and administrative expenses	41,656	311,964
Other expenses	24,576	184,050
Loss on impairment of fixed assets	1,884	14,114
Total expenses	82,465	617,577
Income (Loss) before income taxes	50,153	375,600
Income taxes		
Current income taxes	1,310	9,816
Deferred income taxes	(130)	(979)
Total income taxes	1,180	8,837
Net income (Loss)	¥48,973	\$366,763
Net income attributable to non-controlling shareholders	¥16	\$125
Profit attributable to shareholders of parent company	¥48,957	\$366,638
	Yen	Cents
Net income (loss) per share	¥1,713.65	¢ 1,283.34

Consolidated Statements of Changes In Net Assets

Procrea Holdings, inc.

As of March 31, 2023

	Millions of yen				
	Shareholder equity				
	Common stock	Capital surplus	Total retained earnings	Treasury stock	Total
Balances as of March 31, 2022	¥19,562	¥12,916	¥75,581	(¥321)	¥107,739
Changes during the accounting period					
Fluctuation due to stock transfer	437	35,371		0	35,808
Dividends from surplus			(1,716)		(1,716)
Appropriated retained earnings					
Net Income			48,957		48,957
Purchase of treasury stock				(449)	(449)
Disposal of treasury stock		0		119	120
Reversal of land revaluation excess			105		105
Changes in parent company's equity in transactions with non-controlling shareholders		(25)			(25)
Changes other than Shareholders' equity (net)					
Total changes during the accounting period	437	35,346	47,346	(330)	82,800
Balances as of March 31, 2023	¥20,000	¥48,263	¥122,927	(¥651)	¥190,539

	Thousands of U.S. dollars				
	Shareholder's equity				
	Common stock	Capital surplus	Total retained earnings	Treasury stock	Total
Balances as of March 31, 2022	\$146,503	\$96,730	\$566,023	(\$2,404)	\$806,853
Changes during the accounting period					
Fluctuation due to stock transfer	3,275	264,898		(4)	268,168
Dividends from surplus			(12,856)		(12,856)
Appropriated retained earnings					
Net Income			366,637		366,637
Purchase of treasury stock				(3,366)	(3,366)
Disposal of treasury stock		4		896	900
Reversal of land revaluation excess			792		792
Changes in parent company's equity in transactions with non-controlling shareholders		(190)			(190)
Changes other than Shareholders' equity (net)					
Total changes during the accounting period	3,275	264,711	354,572	(2,475)	620,085
Balances as of March 31, 2023	\$149,779	\$361,442	\$920,596	(\$4,879)	\$1,426,938

Consolidated Statements of Changes In Net Assets

Procrea Holdings, inc.

As of March 31, 2023

	Valuation and translation adjustments					Millions of yen
	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedging instruments	Revaluation reserve for land	Retirement benefit adjustments	Total accumulated other comprehensiv e income	Total net assets
Balances as of March 31,2022	¥5,791	(¥209)	¥2,384	¥359	¥8,325	¥116,064
Changes during the accounting period						
Fluctuation due to stock transfers						35,808
Dividends from surplus						(1,716)
Net Income						48,957
Purchase of treasury stock						(449)
Disposal of treasury stock						120
Reversal of land revaluation excess						105
Changes in parent company's equity in transactions with non-controlling shareholders						(25)
Changes other than Shareholders' equity (net)	(14,940)	1,249	(105)	(628)	(14,425)	(14,425)
Total changes during the accounting period	(14,940)	1,249	(105)	(628)	(14,425)	68,374
Balances as of March 31,2023	(¥9,148)	¥1,039	¥2,278	(¥269)	(¥6,099)	¥184,439

	Valuation and translation adjustments					Thousands of US. dollars
	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedging instruments	Revaluation reserve for land	Retirement benefit adjustments	Total accumulated other comprehensiv e income	Total net assets
Balances as of March 31,2022	\$43,372	(\$1,569)	\$17,855	\$2,689	\$62,347	\$869,200
Changes during the accounting period						
Fluctuation due to stock transfer						268,168
Dividends from surplus						(12,856)
Net Income						366,637
Purchase of treasury stock						(3,366)
Disposal of treasury stock						900
Reversal of land revaluation excess						792
Changes in parent company's equity in transactions with non-controlling shareholders						(190)
Changes other than Shareholders' equity (net)	(111,886)	9,354	(792)	(4,704)	(108,028)	(108,028)
Total changes during the accounting period	(111,886)	9,354	(792)	(4,704)	(108,028)	512,056
Balances as of March 31,2023	(\$68,513)	\$7,784	\$17,063	(\$2,015)	(\$45,681)	\$1,381,257

(*)The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥ 133.53= U.S.\$1, the prevailing rate on March 31, 2023. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

Procra Holdings Overview List of Directors (as of June 28, 2023)

▶ President and Representative Director

Susumu Narita
Chairperson and Director, Aomori Bank

▶ Outside Director

Katsunori Mikuniya

▶ Vice-President and Representative Director

Takayuki Fujisawa
President and Director, Michinoku Bank

▶ Outside Director

Kazunari Higuchi

▶ Vice-President and Representative Director

Keitaro Ishikawa
President and Director, Aomori Bank

▶ Director

(Audit & Supervisory Committee Member)
Akira Nakagawa

▶ Director

Tsuyoshi Tamura
Senior Managing Executive Officer, Aomori Bank

▶ Outside Director

(Audit & Supervisory Committee Member)
Masashi Iwakigawa

▶ Director

Yo Mori
Senior Managing Executive Officer, Aomori Bank

▶ Outside Director

(Audit & Supervisory Committee Member)
Tetsutaro Wakatsuki

▶ Director

Motomi Shiratori
Managing Executive Officer, Aomori Bank

▶ Outside Director

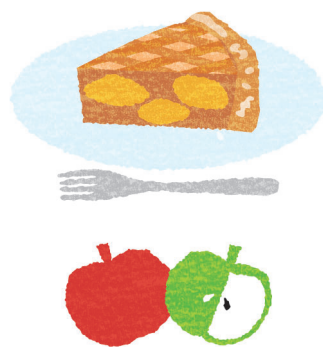
(Audit & Supervisory Committee Member)
Mie Ishida

▶ Director

Shinji Suto
Senior Managing Executive Officer, Michinoku Bank

▶ Director

Hideyuki Okawa
Managing Executive Officer, Michinoku Bank



「弘前地区名物 アップルパイ」

表紙は“地域の祭り”をテーマに
紹介していきます。

Procrea Holdings Annual Report 2023

Issued September 2023 The Procrea Holdings, Inc.
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