

# Daishi Hokuetsu Financial Group Corporate Briefing Year Ended March 2019

Appendix

June 7, 2019



**DAISHI HOKUETSU**  
Financial Group

第四北越フィナンシャルグループ

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# Outline of Daishi Hokuetsu Financial Group

As of March 31, 2019

## [Profile of Daishi Hokuetsu Financial Group]

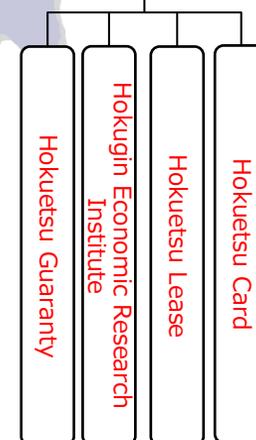
- Location of head office 2-14 Ote-dori 2-chome, Nagaoka-shi
- Location of principal head office functions  
1071-1 Higashiborimae-dori 7-bancho, Chuoku, Niigata
- Established October 1, 2018
- Share capital 30 billion yen
- Listed exchange Tokyo Stock Exchange (Securities Code: 7327)

## [Profile of Daishi Bank]

- Location of head office 1071-1 Higashiborimae-dori 7-bancho, Chuoku, Niigata
- Established November 2, 1873
- Total assets 5,976.1 billion yen
- Share capital 32.7 billion yen
- Number of employees 2,180 (2,238 employees including assigned employees)
- Number of offices 122 offices and 1 representative office (Shanghai)  
113 offices in Niigata Prefecture (including 5 satellite offices and 3 virtual offices)  
9 offices outside Niigata Prefecture

## [Profile of Hokuetsu Bank]

- Location of head office 2-14 Ote-dori 2-chome, Nagaoka-shi
- Established December 20, 1878
- Total assets 2,941.4 billion yen
- Share capital 24.5 billion yen
- Number of employees 1,370 (1,415 employees, including assigned employees)
- Number of offices 84 offices  
79 offices in Niigata Prefecture  
5 offices outside Niigata Prefecture



# Niigata Prefectural Data

Item		Year/fiscal year	Unit	Niigata Prefecture	Country-wide	Rank of Niigata Prefecture
Land	Total area	October 1, 2018	km <sup>2</sup>	12,584.23	377,974.17	5
	Rate of habitable land area	October 1, 2017	%	36.0	32.9	18
Population	Total population	October 1, 2018	1,000 people	2,246	126,443	15
	Number of household members	January 1, 2018	persons/household	2.55	2.20	4
	Rate of elderly population	October 1, 2018	%	31.9	28.1	14
	Number of employees aged 15+	October 1, 2015	1,000 people	1,141	58,919	14
Agriculture	Number of farm households	February 1, 2015	1,000 houses	78	2,155	4
	Agricultural workers (commercial farms)	February 1, 2015	1,000 people	79	2,097	4
	Farming output	2017	JPY 100 MM	2,488	92,742	12
	Yield of wet rice	2018	1,000 t	628	7,780	1
Manufacturing	Number of business establishments (with 4 or more employees)	June 1, 2018	Business establishment	5,263	187,000	9
	Number of employees (same as above)	June 1, 2018	1,000 people	186	7,635	17
	Shipment value of manufactured goods, etc. (same as above)	2017	JPY 100 MM	48,354	3,172,473	23
	Number of plant locations (excluding research institutes)	2018	Location	42	1,123	7
Commerce	Number of business establishments	June 1, 2016	Business establishment	29,006	1,355,060	14
	Number of employees	June 1, 2016	1,000 people	208	11,596	15
	Annual sales of merchandise	2015	JPY 100 MM	70,157	5,816,263	16
Income	Gross prefectural production(nominal)	FY2015	JPY 100 MM	88,456	5,321,914	16
	Income of the prefecture residents	FY2015	JPY 100 MM	64,007	3,884,604	17
	Per capita income of the prefecture residents	FY2015	1,000 yen	2,778	3,059	24
Finance	Balance of deposits and savings at financial institutions	March 31, 2018	JPY 100 MM	161,371	11,247,506	16
	Balance of loans at financial institutions	March 31, 2018	JPY 100 MM	72,415	6,229,275	16
Education	Rate of advancement to high school	Graduated in March 2018	%	99.6	98.8	1
	Rate of advancement to vocational school (specialist course)	Graduated in March 2018	%	26.1	16.0	1
	Rate of advancement to university, etc.	Graduated in March 2018	%	46.4	54.7	35
Others	Home owner ratio	October 1, 2013	%	75.5	61.7	5
	Number of hospitals per 100,000 people	October 1, 2017	Facility	5.7	6.6	37
	Number of cars owned	March 31, 2018	1,000 units	1,845	81,563	14

Source: Niigata Prefecture "Key Indicators of Niigata Prefecture"

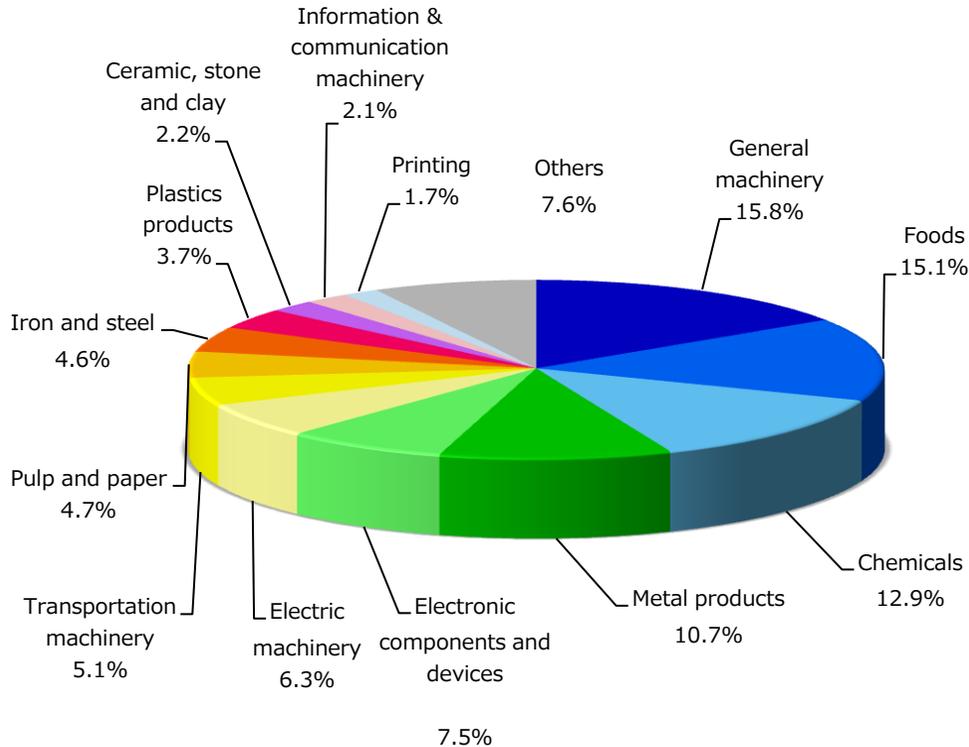
# Listed Companies in Niigata Prefecture

[38 listed companies headquartered in Niigata Prefecture]

TSE Section 1 (18 companies)		TSE Section 2 (11 companies)		JASDAQ (9 companies)	
Ueki Corporation	Construction	Tanabe Engineering	Construction	Daiichi Kensetsu	Construction
Fukuda Corporation	Construction	Bourbon	Foods	Iwatsuka Confectionery	Foods
Kameda Seika	Foods	Seihyo	Foods	Polatechno	Chemicals
Ichimasa Kamaboko	Foods	Sato Foods	Foods	Taiyo Koki	Machinery
Hokuetsu Corporation	Pulp and paper	Hokuetsu Metal	Iron and steel	Endo Manufacturing	Other manufacturing
Arisawa Manufacturing	Chemicals	Twinbird	Electronic equipment	Ocean System	Commerce
Corona	Metal products	Nippon Seiki	Transportation equipment	Sado Steam Ship	Marine transportation
Dainichi	Metal products	Niigata Kotsu	Land transportation	Broadcasting System of Niigata	Information & communications
Hokuetsu Industries	Machinery	Rinko Corporation	Warehousing and transportation	Kitac	Services
Snow Peak	Other manufacturing	Hokuriku Gas	Electric power and gas		
Hard Off Corporation	Commerce	Secom Joshinetsu	Services		
Top Culture	Commerce				
Komeri	Commerce				
Axial Retailing	Commerce				
Arcland Sakamoto	Commerce				
Sprix	Services				
Daishi Hokuetsu Financial Group	Finance				
Taiko Bank	Finance				

As of March 31, 2019

**[Composition ratio of manufactured goods shipment value by industry]**



Source: Ministry of Economy, Trade and Industry  
 "Statistical Charts on Industry"  
 (Businesses with 4 or more employees)

**[Local industries characterizing Niigata]**

## Food industry (rice-made snacks, fishery paste products, refined sake, etc.)

- Food industry thrives based on rice and other abundant agricultural and fishery resources.
- The shipment value of rice snacks, cut rice cakes, packaged rice cakes, and fishery paste products is the highest in Japan.
- The shipment value of refined sake is ranked No. 3 in Japan after Hyogo and Kyoto.
- In recent years, many companies have established R&D centers and made other efforts focusing on new product development. As a result, numerous hit products have been launched in rice snacks and fishery paste products.

## Metal product industry (Western tableware, heating appliances, work tools, etc.)

- Products are roughly divided into Tsubame's Western tableware, metal houseware, Sanjo's work tools, Sanjo and Yoita's sharp-edged craftsmen's tools, and others.
- The shipment value of oil stoves and Western metal tableware is the highest in Japan.
- The shipment value of work tools and builder's hardware is ranked No. 2 in Japan after Osaka.
- While some companies are enhancing their brand power through traditional monozukuri (manufacturing), more companies are focusing on exports to Asia and new areas leveraging their technological capabilities.

## Textile industry (knitting and other textiles)

- Products are roughly divided into knitting fabrics of Gosen and Mitsuke, synthetic fabrics of Tochio and Mitsuke, and silk fabrics of Tokamachi.
- The shipment value of knitted sweaters is the highest in Japan.
- In addition to clothes, some companies are exploring the manufacture of high-value-added products made from functional materials, and of miscellaneous goods and interiors.

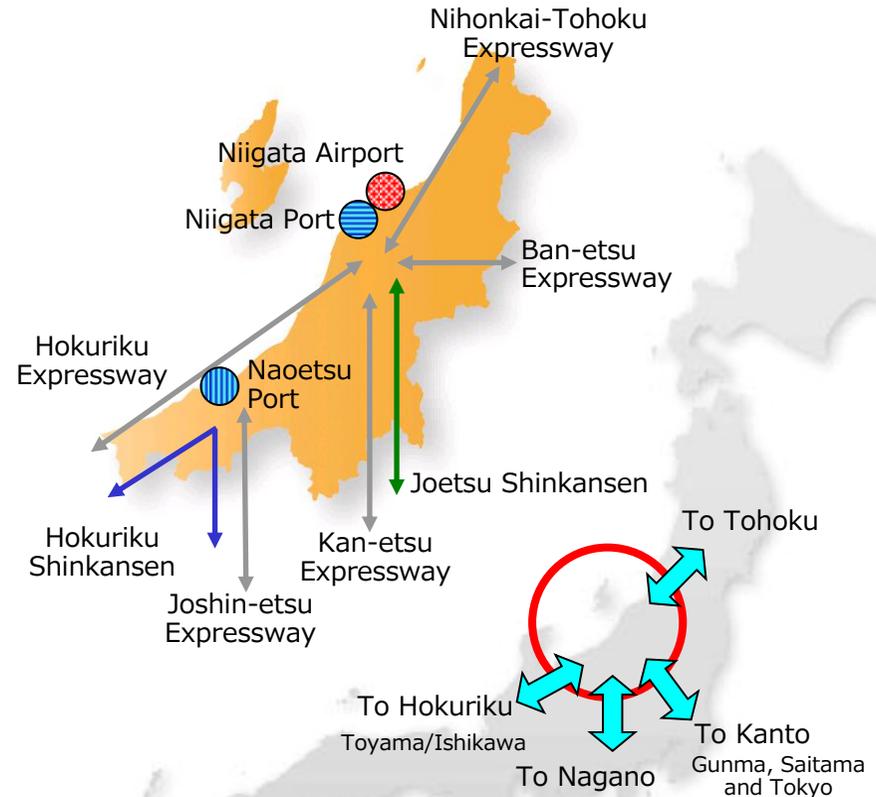
# Potential of Transportation Infrastructure in Niigata Prefecture

## Political and economic ties with Northeast Asia

- Economic development in Northeast China
- Development of energy resources in Far East Russia
- South Korean, Chinese and Russian Consulates in Niigata City
- Air routes to Northeast China and South Korea

## Advantages of transportation network

- Expressways extending in 5 directions (Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai-Tohoku)
- Joetsu Shinkansen
- Hokuriku Shinkansen
- Conventional railway lines include the Shinetsu Line, Hokuriku Line, and Uetsu Line.
- Niigata Airport 
  - Domestic: 8 routes (Sapporo, Narita, Chubu International, Komaki, Itami, Kansai International, Fukuoka, and Okinawa)
  - International: 6 routes (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, and Taipei)
- Niigata Port 
  - General/functional port: Certified as the international marine container division and LNG (liquefied natural gas) division
- Naoetsu Port 
  - Functional port: Certified as the LNG (liquefied natural gas) division



## [Status of deposits (year-end balance)]

(JPY 100 MM; %)

	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Deposits	42,937	95.5	43,578	95.5	44,893	95.2	46,413	95.8	46,847	96.1
Inside prefecture	42,082	93.6	42,722	93.6	43,931	93.1	45,428	93.8	45,809	93.9
Outside prefecture	854	1.9	855	1.8	962	2.0	984	2.0	1,037	2.1
Individuals	29,561	65.7	30,091	65.9	30,691	65.1	31,308	64.6	31,708	65.0
Corporations	10,530	23.4	10,899	23.8	11,584	24.5	12,382	25.5	12,482	25.6
Local public bodies, etc.	2,191	4.8	1,922	4.2	1,949	4.1	2,096	4.3	1,960	4.0
Finance	654	1.4	665	1.4	668	1.4	625	1.2	696	1.4
Negotiable certificates of deposit	2,014	4.4	2,055	4.5	2,247	4.7	1,988	4.1	1,887	3.8
Total of deposits, etc.	44,952	100.0	45,634	100.0	47,140	100.0	48,401	100.0	48,735	100.0

## [Status of assets under custody (year-end balance)]

(JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
Total of deposits, etc.	44,952	45,634	47,140	48,401	48,735
Of which, foreign currency deposits	234	330	373	353	258
Assets under custody	6,029	5,573	5,398	5,520	5,699
Investment trust	1,296	1,126	1,052	1,216	1,220
Public bonds	1,906	1,490	1,269	1,181	1,048
Whole life and annuity insurance, etc.	2,827	2,956	3,076	3,123	3,430
Total	50,982	51,208	52,539	53,922	54,434

Note: There are no overseas branches.

## [Status of deposits (year-end balance)]

(JPY 100 MM; %)

	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Deposits	22,203	95.4	22,887	95.5	23,628	95.4	24,633	95.7	25,102	96.0
Inside prefecture	21,558	92.6	22,254	92.8	22,992	92.9	23,972	93.2	24,435	93.4
Outside prefecture	644	2.7	632	2.6	636	2.5	661	2.5	666	2.5
Individuals	15,865	68.2	16,226	67.7	16,754	67.7	17,225	66.9	17,460	66.7
Corporations	5,266	22.6	5,492	22.9	5,714	23.0	6,219	24.1	6,368	24.3
Local public bodies, etc.	937	4.0	1,030	4.2	1,025	4.1	1,068	4.1	1,151	4.4
Finance	134	0.5	138	0.5	133	0.5	119	0.4	121	0.4
Negotiable certificates of deposit	1,057	4.5	1,071	4.4	1,115	4.5	1,087	4.2	1,043	3.9
Total of deposits, etc.	23,261	100.0	23,958	100.0	24,743	100.0	25,721	100.0	26,145	100.0

## [Status of assets under custody (year-end balance)]

(JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
Total of deposits, etc.	23,261	23,958	24,743	25,721	26,145
Of which, foreign currency deposits	138	163	139	135	92
Assets under custody	3,224	3,182	3,218	3,088	3,098
Investment trust	897	897	873	884	893
Public bonds	300	207	158	127	106
Whole life and annuity insurance, etc.	2,025	2,077	2,186	2,076	2,098
Total	26,486	27,140	27,962	28,809	29,244

Note: There are no overseas branches.

## [Status of loans and bills discounted in and outside Niigata (year-end balance)] (JPY 100 MM; %)

	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Loans and bills discounted	28,259	100.0	29,612	100.0	31,551	100.0	32,461	100.0	33,867	100.0
Inside prefecture	20,848	73.7	21,720	73.3	22,972	72.8	23,614	72.7	24,579	72.5
Outside prefecture	7,411	26.2	7,891	26.6	8,579	27.1	8,847	27.2	9,288	27.4

## [Status of loans and bills discounted by industry (year-end balance)] (JPY 100 MM; %)

	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Manufacturing	3,387	11.9	3,443	11.6	3,433	10.8	3,320	10.2	3,484	10.2
Agriculture and forestry	60	0.2	49	0.1	53	0.1	60	0.1	68	0.2
Fishery	7	0.0	8	0.0	9	0.0	10	0.0	15	0.0
Mining, quarrying, and gravel collection	12	0.0	61	0.2	60	0.1	64	0.1	54	0.1
Construction	1,017	3.6	1,005	3.3	906	2.8	974	3.0	969	2.8
Electric power, gas, heat supply, and water supply	402	1.4	445	1.5	534	1.6	670	2.0	857	2.5
Information & communications	148	0.5	166	0.5	163	0.5	209	0.6	148	0.4
Transportation and postal service	947	3.3	1,027	3.4	1,146	3.6	1,054	3.2	1,044	3.0
Wholesale and retail trades	3,323	11.7	3,254	10.9	3,243	10.2	3,250	10.0	3,197	9.4
Financial and insurance	2,721	9.6	2,868	9.6	3,040	9.6	3,037	9.3	2,765	8.1
Real estate, rental and leasing	3,818	13.5	3,999	13.5	4,531	14.3	4,979	15.3	5,514	16.2
Of which, real estate	(2,475)	(8.7)	(2,561)	(8.6)	(2,897)	(9.1)	(3,336)	(10.2)	(3,883)	(11.4)
Various services	1,884	6.6	1,918	6.4	2,092	6.6	2,198	6.7	2,150	6.3
National and local governments	4,187	14.8	4,628	15.6	5,137	16.2	4,933	15.1	5,131	15.1
Others	6,340	22.4	6,736	22.7	7,197	22.8	7,696	23.7	8,462	24.9
Total	28,259	100.0	29,612	100.0	31,551	100.0	32,461	100.0	33,867	100.0

# Status of Loans and Bills Discounted

## [Status of loans and bills discounted in and outside Niigata (year-end balance)] (JPY 100 MM; %)

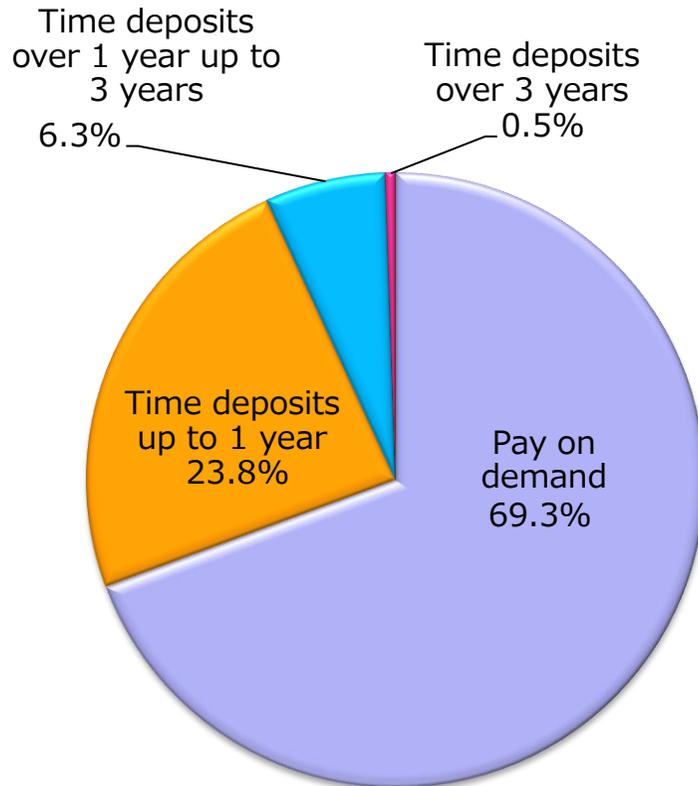
	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Loans and bills discounted	14,726	100.0	15,150	100.0	15,459	100.0	16,981	100.0	17,047	100.0
Inside prefecture	11,443	77.7	11,906	78.5	12,417	80.3	12,900	75.9	13,285	77.9
Outside prefecture	3,282	22.2	3,243	21.4	3,042	19.6	4,081	24.0	3,762	22.0

## [Status of loans and bills discounted by industry (year-end balance)] (JPY 100 MM; %)

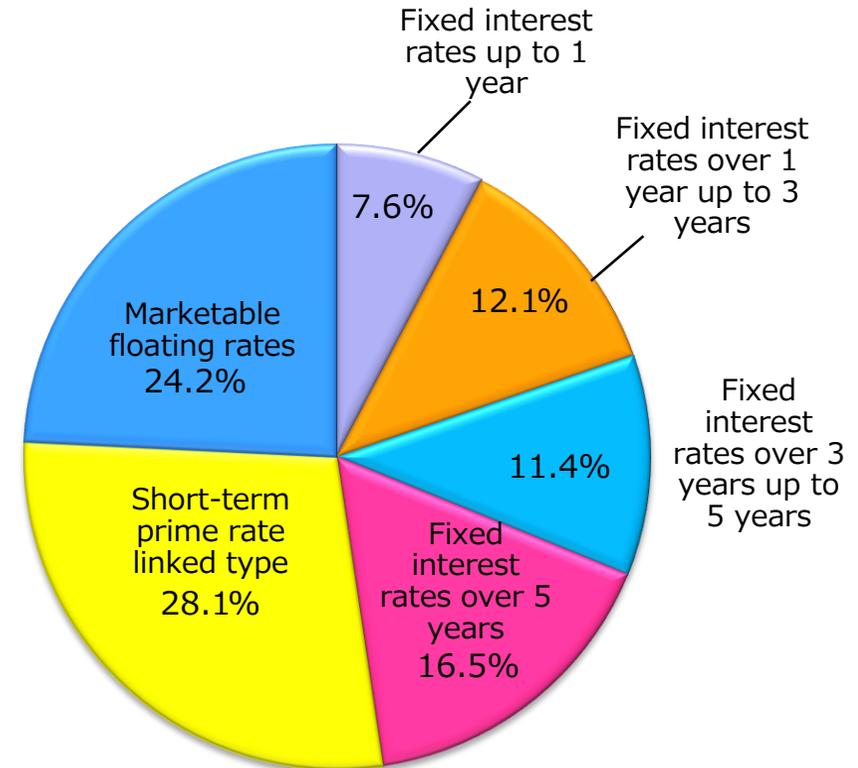
	FY2014		FY2015		FY2016		FY2017		FY2018	
	Balance	Composition rate								
Manufacturing	1,557	10.5	1,590	10.4	1,469	9.5	1,493	8.7	1,498	8.7
Agriculture and forestry	17	0.1	15	0.0	15	0.0	16	0.0	14	0.0
Fishery	0	0.0	0	0.0	0	0.0	1	0.0	1	0.0
Mining, quarrying, and gravel collection	12	0.0	12	0.0	13	0.0	10	0.0	9	0.0
Construction	754	5.1	757	4.9	717	4.6	717	4.2	749	4.3
Electric power, gas, heat supply, and water supply	171	1.1	175	1.1	178	1.1	238	1.4	285	1.6
Information & communications	81	0.5	80	0.5	62	0.4	47	0.2	48	0.2
Transportation and postal service	644	4.3	559	3.6	500	3.2	482	2.8	422	2.4
Wholesale and retail trades	1,387	9.4	1,304	8.6	1,295	8.3	1,264	7.4	1,213	7.1
Financial and insurance	563	3.8	889	5.8	744	4.8	1,098	6.4	1,090	6.3
Real estate, rental and leasing	1,653	11.2	1,842	12.1	1,953	12.6	2,060	12.1	2,040	11.9
Of which, real estate	(1,267)	(8.6)	(1,441)	(9.5)	(1,583)	(10.2)	(1,705)	(10.0)	(1,719)	(10.0)
Various services	1,106	7.5	1,186	7.8	1,183	7.6	1,203	7.0	1,176	6.8
National and local governments	3,081	20.9	2,877	18.9	3,411	22.0	4,312	25.3	4,286	25.1
Others	3,696	25.0	3,857	25.4	3,914	25.3	4,035	23.7	4,210	24.6
Total	14,726	100.0	15,150	100.0	15,459	100.0	16,981	100.0	17,047	100.0

# Composition of Deposits and Loans and Bills Discounted

[Composition of deposits]  
(As of March 31, 2019)



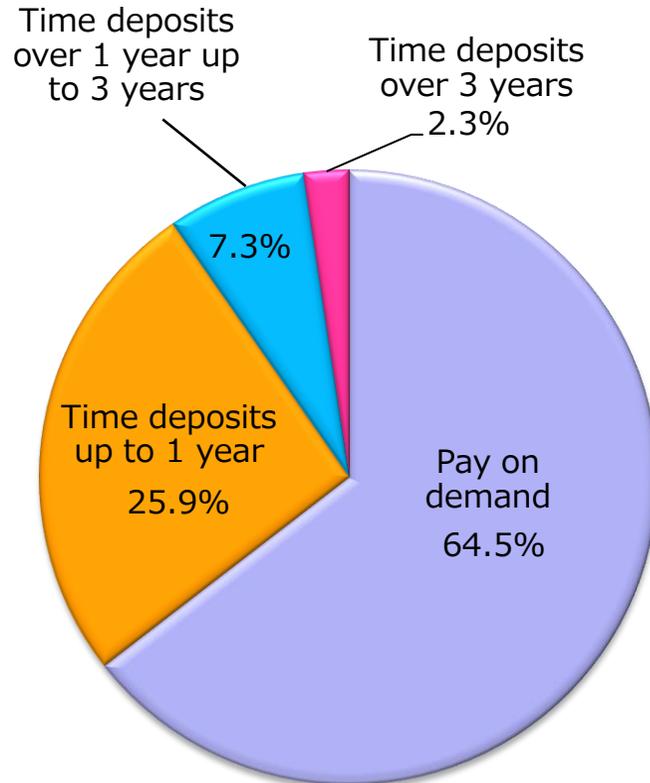
[Composition of loans and bills discounted]  
(As of March 31, 2019)



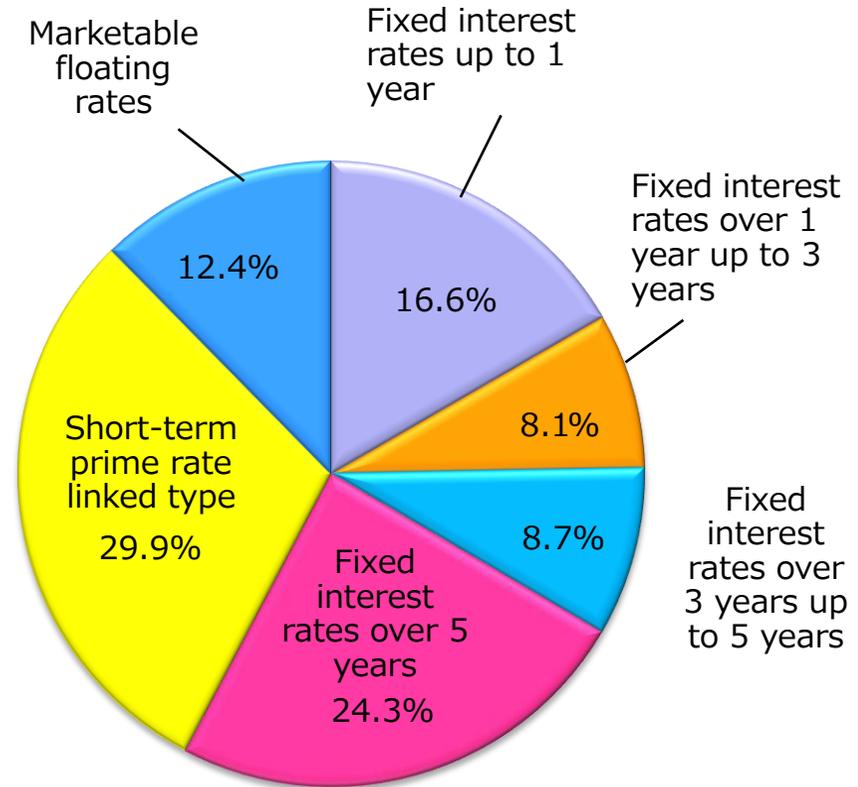
Note: Overdue loans are excluded

# Composition of Deposits and Loans and Bills Discounted

[Composition of deposits]  
(As of March 31, 2019)

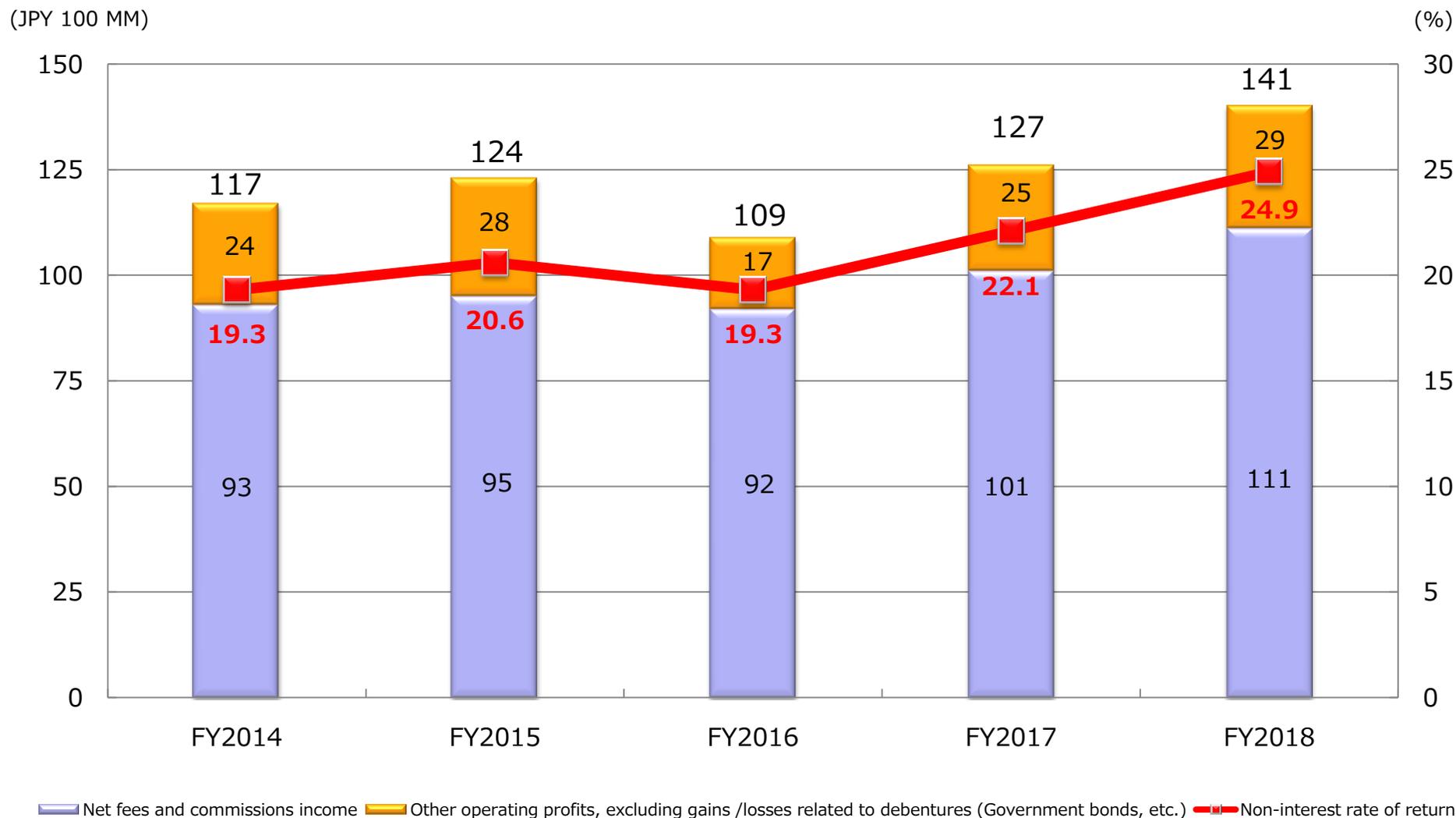


[Composition of loans and bills discounted]  
(As of March 31, 2019)



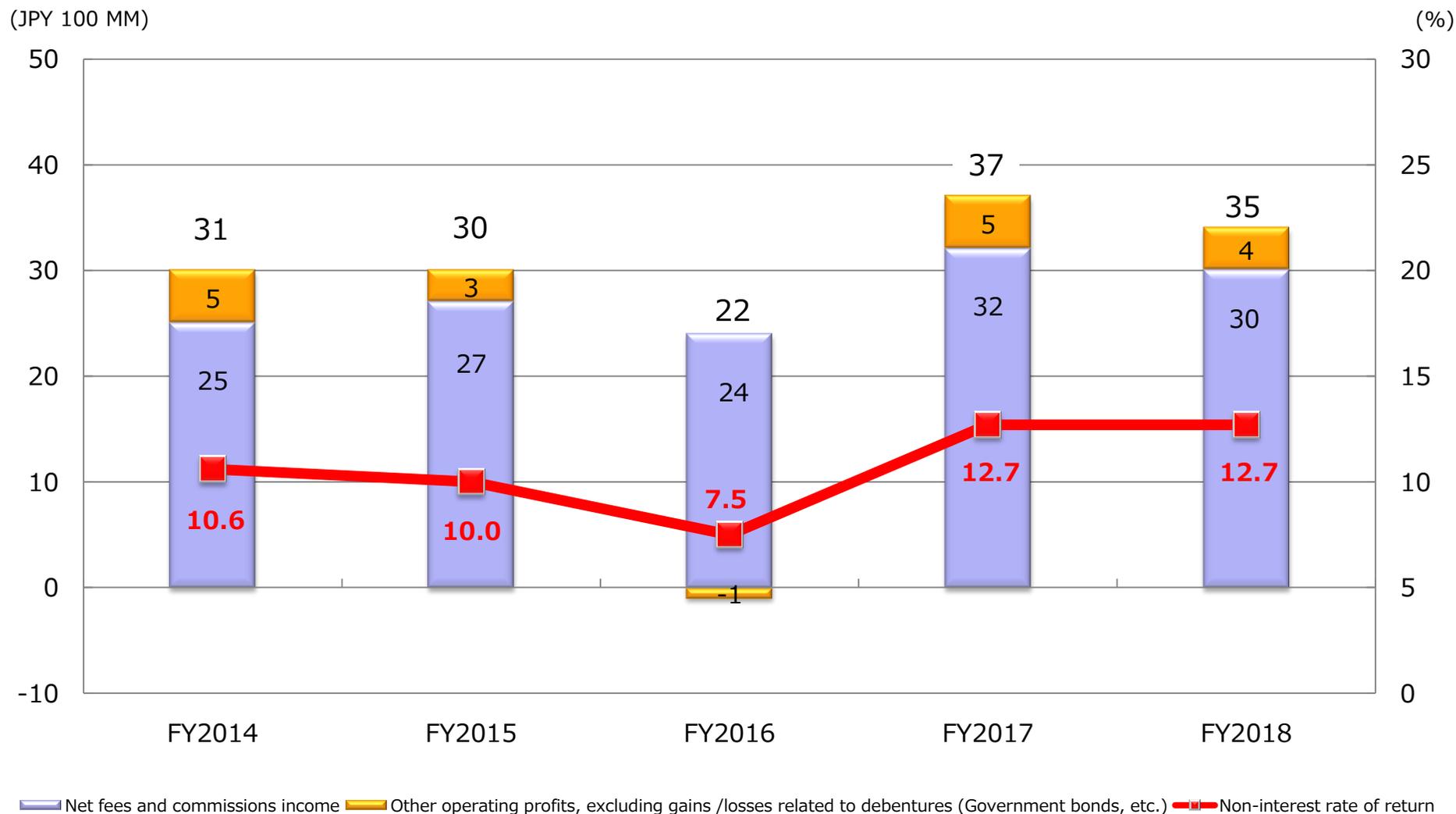
Note: Overdue loans are excluded

# Changes in Non-interest Income



Note: Non-interest income = Net fees and commissions income + Other operating profits, excluding gains/losses related to debentures (Government bonds, etc.)  
 Non-interest rate of return = Non-interest income ÷ Core gross business profits, excluding gains/losses related to debentures (Government bonds, etc.)

# Changes in Non-interest Income



Note: Non-interest income = Net fees and commissions income + Other operating profits, excluding gains/losses related to debentures (Government bonds, etc.)  
 Non-interest rate of return = Non-interest income ÷ Core gross business profits, excluding gains/losses related to debentures (Government bonds, etc.)

# Changes in Loans Based on the Financial Reconstruction Act (Non-consolidated)

(JPY 100 MM; %)

Category	FY2014	FY2015	FY2016	FY2017	FY2018
Bankrupt, etc. and substantially bankrupt claims	51 (0.17)	44 (0.14)	42 (0.13)	39 (0.11)	36 (0.10)
Loans to bankrupt borrowers	16 (0.05)	13 (0.04)	10 (0.03)	10 (0.03)	11 (0.03)
Loans to effectively bankrupt borrowers	34 (0.11)	31 (0.10)	32 (0.09)	28 (0.08)	25 (0.07)
Doubtful claims	468 (1.61)	484 (1.59)	430 (1.32)	344 (1.03)	333 (0.95)
Substandard claims	127 (0.43)	43 (0.14)	50 (0.15)	48 (0.14)	37 (0.10)
Subtotal	646 (2.22)	573 (1.88)	523 (1.61)	432 (1.29)	407 (1.16)
Normal claims	28,430 (97.77)	29,854 (98.11)	31,897 (98.38)	32,921 (98.70)	34,389 (98.83)
Claim amount	29,077	30,427	32,420	33,354	34,796

Note: Figure in parentheses is the ratio against the amount of loans.

# Changes in Loans Based on the Financial Reconstruction Act (Non-consolidated)

(JPY 100 MM; %)

Category	FY2014	FY2015	FY2016	FY2017	FY2018
Bankrupt, etc. and substantially bankrupt claims	48 (0.32)	46 (0.29)	50 (0.31)	42 (0.24)	45 (0.25)
Loans to bankrupt borrowers	5 (0.03)	3 (0.02)	5 (0.03)	4 (0.02)	7 (0.04)
Loans to effectively bankrupt borrowers	43 (0.28)	43 (0.27)	44 (0.27)	38 (0.21)	37 (0.21)
Doubtful claims	267 (1.76)	272 (1.74)	228 (1.43)	219 (1.24)	210 (1.18)
Substandard claims	16 (0.11)	17 (0.11)	15 (0.09)	21 (0.12)	13 (0.07)
Subtotal	332 (2.19)	336 (2.15)	294 (1.84)	284 (1.61)	268 (1.51)
Normal claims	14,792 (97.80)	15,282 (97.84)	15,707 (98.15)	17,353 (98.38)	17,505 (98.48)
Claim amount	15,124	15,619	16,001	17,638	17,774

Note: Figure in parentheses is the ratio against the amount of loans.

# Status of Self-assessment and Coverage, and Disclosed Claims (Non-consolidated)

Daishi Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

		Status of self-assessment and coverage				Loans based on the Financial Reconstruction Act		Risk-monitored claims	
		Balance	Coverage amount	Provisions	Coverage ratio	Category	Balance	Category	Balance
Bankrupt debtors		11	34	2	100.0%	Claims in bankruptcy and reorganization, etc.	36	Loans to bankrupt borrowers	10
Effectively bankrupt debtors		25						246	43
Potentially bankrupt debtors		333	(37)	(2)	(33.4%)	Substandard claims	37		
Debtors requiring caution	Of which, substandard claims							12	3
	Debtors requiring monitoring	47	1,981	34,389	Total	405			
Other debtors requiring caution		1,981					32,399	Total	34,796
Normal debtors		32,399	Total	34,796					
Total		34,796							

As of March 31, 2019

# Status of Self-assessment and Coverage, and Disclosed Claims (Non-consolidated)

(JPY 100 MM)

		Status of self-assessment and coverage				Loans based on the Financial Reconstruction Act		Risk-monitored claims	
		Balance	Coverage amount	Provisions	Coverage ratio	Category	Balance	Category	Balance
Bankrupt debtors		7	39	5	100.0%	Claims in bankruptcy and reorganization, etc.	45	Loans to bankrupt borrowers	7
Effectively bankrupt debtors		37						Delinquent loans	245
Potentially bankrupt debtors		210	155	33	89.9%	Doubtful claims	210		
Debtors requiring caution	Of which, substandard claims	(13)	(5)	(1)	(53.6%)	Substandard claims	13	Loans past due 3 months or more	1
								Restructured loans	12
	Debtors requiring monitoring	24	13	2	62.0%	Subtotal	268	Total	266
Other debtors requiring caution		1,198				Normal claims	17,505		
Normal debtors		16,295							
Total		17,774				Total	17,774		

As of March 31, 2019

# Changes in Net Credit Cost (Non-consolidated)

(JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
General provision of allowance for loan losses (1)	0	–	–	–	0
Non-performing loan amount processed (2)	21	8	16	14	23
Written-off of loans	14	7	12	11	12
Individual provision of allowance for loan losses	3	–	–	–	8
Loss on sale of delinquent loans, etc.	0	–	2	1	0
Others	2	1	1	2	1
Loan charge-off and reserve expenses (1) + (2)	21	8	16	14	23
Reversal of allowance for loan losses (3)	–	18	3	10	–
Recoveries of written off claims (4)	10	11	9	7	3
Reversal of provision for contingent loss (5)*	0	0	1	0	–
Net credit cost (1) + (2) - (3) - (4) - (5)	10	-21	1	-3	19

\* Recorded amount equivalent to claim-related credit cost only

# Changes in Net Credit Cost (Non-consolidated)

(JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
General provision of allowance for loan losses (1)	–	-1	–	-3	0
Non-performing loan amount processed (2)	11	14	14	9	30
Written-off of loans	10	3	11	4	8
Individual provision of allowance for loan losses	–	10	–	4	18
Loss on sale of delinquent loans, etc.	0	0	–	0	–
Others	0	0	2	1	3
Loan charge-off and reserve expenses (1) + (2)	11	13	14	6	31
Reversal of allowance for loan losses (3)	4	–	2	–	–
Recoveries of written off claims (4)	3	2	5	4	5
Reversal of provision for contingent loss (5)*	–	–	–	–	1
Net credit cost (1) + (2) - (3) - (4) - (5)	3	11	6	2	24

\* Recorded amount equivalent to claim-related credit cost only

# Changes in Balance of Securities and Factors for Increase/Decrease in FY2018

## [Changes in the balance of securities]

(JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
Government bonds	9,848	8,871	6,922	5,785	4,416
Local government bonds	1,520	1,656	2,098	2,457	2,813
Public corporation bonds	788	690	734	763	532
Bank bonds	295	295	288	242	179
Industrial bonds	795	860	1,044	1,398	1,533
Stocks	1,255	1,116	1,308	1,392	1,185
Foreign securities	3,039	3,118	3,192	2,366	1,879
Other securities	1,075	1,199	2,039	3,179	2,823
<b>Total</b>	<b>18,620</b>	<b>17,811</b>	<b>17,628</b>	<b>17,586</b>	<b>15,363</b>

## [FY2018 breakdown of increase/decrease in the balance of securities]

(JPY 100 MM)

<b>Domestic debentures</b> (Yield: 0.58%)	<b>-1,171</b>
Purchase	1,856
Sale	-992
Others (redemption and market value factors, etc.)	-2,035
<b>Stocks</b> (Yield: 5.51%)	<b>-207</b>
Purchase	62
Sale	-87
Others (write-offs and market value factors, etc.)	-182
<b>Foreign securities</b> (Yield: 1.70%)	<b>-486</b>
Purchase	1,523
Sale	-1,959
Others (redemption and market value factors, etc.)	-51
<b>Other securities</b> (Yield: 0.96%)	<b>-356</b>
Purchase	872
Sale	-1,124
Others (redemption and market value factors, etc.)	-104

Note: Compared with the end of March 2018

# Changes in Balance of Securities and Factors for Increase/Decrease in FY2018

[Changes in the balance of securities] (JPY 100 MM)

	FY2014	FY2015	FY2016	FY2017	FY2018
Government bonds	4,952	4,657	5,257	3,771	3,259
Local government bonds	883	563	410	335	1,122
Public corporation bonds	731	571	503	455	413
Bank bonds	—	—	—	—	—
Industrial bonds	495	561	617	691	700
Stocks	305	273	357	394	286
Foreign securities	1,374	1,975	1,361	1,199	2,301
Other securities	685	758	1,441	1,470	1,495
Total	9,428	9,363	9,949	8,317	9,578

[FY2018 breakdown of increase/  
decrease in the balance of securities]  
(JPY 100 MM)

<b>Domestic debentures</b> (Yield: 0.63%)	242
Purchase	2,243
Sale	-1,454
Others (redemption and market value factors, etc.)	-546
<b>Stocks</b> (Yield: 6.53%)	-107
Purchase	17
Sale	-35
Others (write-offs and market value factors, etc.)	-89
<b>Foreign securities</b> (Yield: 1.55%)	1,101
Purchase	1,882
Sale	-719
Others (redemption and market value factors, etc.)	-61
<b>Other securities</b> (Yield: 0.82%)	24
Purchase	555
Sale	-430
Others (redemption and market value factors, etc.)	-99

Note: Compared with the end of March 2018

# Investment Status by Securities Risk Category

(JPY 100 MM)

	Balance in book value	Gains/losses on valuation	Increase/decrease in gain/losses on valuation (YoY) (1)	Interest and dividends (2)	Sales and gain/loss on write-offs (3)	Overall profit/loss (1) + (2) + (3)
Domestic debentures	9,357	134	-16	59	5	48
Government bonds	4,346	85	-34	42	4	12
Local government bonds	2,776	36	15	9	1	26
Corporate bonds	2,233	12	3	6	-0	9
Stocks	761	423	-181	42	32	-105
Foreign securities	1,856	23	79	40	-25	93
Yen-denominated foreign bonds	6	-0	0	0	0	0
Foreign currency bonds	1,850	23	79	40	-25	93
Other securities	2,893	-70	-88	29	8	-50
Stock investment trusts (ETF included)	456	62	-42	12	8	-21
Investment trusts (excluding stock investment trusts)	2,421	-133	-45	16	0	-28
Others	16	0	-0	0	-0	0
<b>Total</b>	<b>14,868</b>	<b>511</b>	<b>-207</b>	<b>171</b>	<b>20</b>	<b>-14</b>

As of March 31, 2019

# Investment Status by Securities Risk Category

(JPY 100 MM)

	Balance in book value	Gains/losses on valuation	Increase/decrease in gain/losses on valuation (YoY) (1)	Interest and dividends (2)	Sales and gain/loss on write-offs (3)	Overall profit/loss (1) + (2) + (3)
Domestic debentures	5,342	152	58	32	5	97
Government bonds	3,132	126	52	21	6	80
Local government bonds	1,107	14	7	3	0	11
Corporate bonds	1,101	12	-1	7	-0	5
Stocks	199	87	-89	14	31	-43
Foreign securities	2,205	95	88	28	3	119
Yen-denominated foreign bonds	39	2	0	0	-	0
Foreign currency bonds	2,166	93	88	27	3	118
Other securities	1,613	-118	-98	12	10	-75
Stock investment trusts (ETF included)	91	0	-9	1	6	-1
Investment trusts (excluding stock investment trusts)	1,463	-118	-87	5	4	-77
Others	58	0	-1	5	-0	3
<b>Total</b>	<b>9,361</b>	<b>217</b>	<b>-41</b>	<b>87</b>	<b>50</b>	<b>97</b>

As of March 31, 2019

## [Consolidated]

(JPY 100 MM; %)

	FYE March 2018		FYE March 2019	
	After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
Amount of basic items related to core capital (1)	2,796	2,674	2,778	2,676
Of which, shareholders' equity	2,607	2,607	2,657	2,657
Of which, general allowance for loan losses	68	68	68	68
Of which, amount included related to transitional measures	120	–	102	–
Of which, accumulated amount of other comprehensive income	-5	-6	-49	-49
Amount of adjustment items related to core capital (2)	69	86	88	88
Capital amount (1) – (2)	2,727	2,588	2,690	2,588
Risk assets, etc.	26,606	26,602	27,936	27,951
Of which, credit risk assets	25,432	25,432	26,808	26,808
Of which, operational risk	1,169	1,169	1,143	1,143
Of which, those related to transitional measures	4	–	-14	–
Consolidated capital adequacy ratio	10.25	9.72	9.63	9.25

## [Non-consolidated]

(JPY 100 MM; %)

	FYE March 2018		FYE March 2019	
	After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
Amount of basic items related to core capital (1)	2,608	2,574	2,644	2,618
Of which, shareholders' equity	2,504	2,504	2,553	2,553
Of which, general allowance for loan losses	64	64	64	64
Of which, amount included related to transitional measures	33	–	26	–
Amount of adjustment items related to core capital (2)	77	96	99	99
Capital amount (1) – (2)	2,531	2,478	2,544	2,518
Risk assets, etc.	26,214	26,208	27,490	27,504
Of which, credit risk assets	25,118	25,118	26,440	26,440
Of which, operational risk	1,089	1,089	1,064	1,064
Of which, those related to transitional measures	6	–	-14	–
Non-consolidated capital adequacy ratio	9.65	9.45	9.25	9.15

## [Consolidated]

(JPY 100 MM; %)

	FYE March 2018		FYE March 2019	
	After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
Amount of basic items related to core capital (1)	1,026	1,006	1,020	1,005
Of which, shareholders' equity	1,004	1,004	1,005	1,005
Of which, general allowance for loan losses	23	23	22	22
Of which, amount included related to transitional measures	15	-	14	-
Of which, accumulated amount of other comprehensive income	-17	-22	-23	-23
Amount of adjustment items related to core capital (2)	25	31	33	33
Capital amount (1) – (2)	1,001	975	986	971
Risk assets, etc.	11,045	11,288	11,107	11,161
Of which, credit risk assets	10,620	10,620	10,570	10,570
Of which, operational risk	667	667	590	590
Of which, those related to transitional measures	-242	-	-53	-
Consolidated capital adequacy ratio	9.06	8.63	8.87	8.70

## [Non-consolidated]

(JPY 100 MM; %)

	FYE March 2018		FYE March 2019	
	After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
Amount of basic items related to core capital (1)	980	966	982	968
Of which, shareholders' equity	944	944	947	947
Of which, general allowance for loan losses	20	20	20	20
Of which, amount included related to transitional measures	14	-	14	-
Amount of adjustment items related to core capital (2)	39	48	48	48
Capital amount (1) – (2)	941	917	934	920
Risk assets, etc.	10,974	11,212	11,030	11,083
Of which, credit risk assets	10,572	10,572	10,516	10,516
Of which, operational risk	640	640	567	567
Of which, those related to transitional measures	-238	-	-53	-
Non-consolidated capital adequacy ratio	8.58	8.18	8.47	8.30

## Status of risk capital management

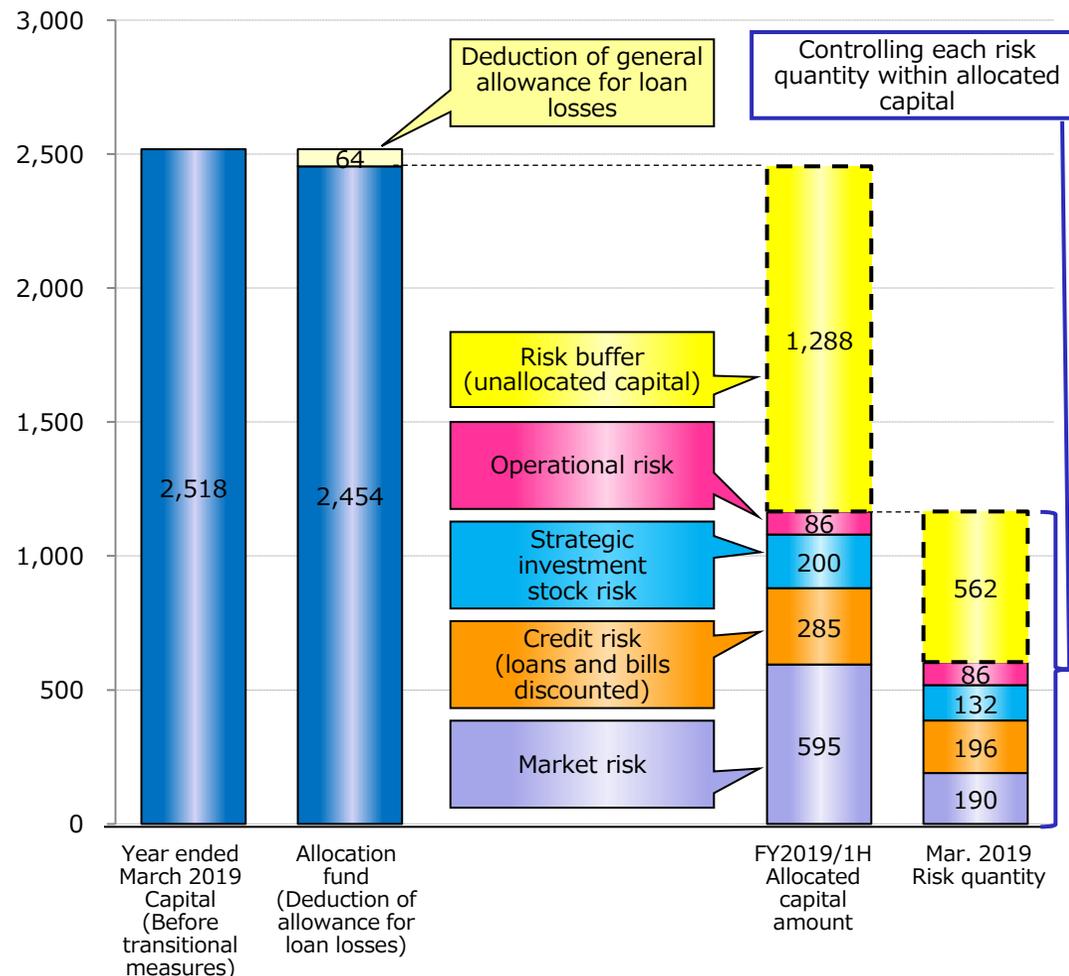
### ■ Sound risk capital management backed by sufficient capital

- Regarding credit risks (loans and bills discounted), relatively generous allocation of capital facilitates the provision of funds to local communities under the assumption of stress conditions and accumulation of assets.
- Although a policy is set to reduce balance of strategic investment stocks (long-term investment stocks to maintain business relationships), generous capital allocation is ensured due to their constraints on sale.
- Even after capital is conservatively allocated to other risks, unallocated capital is still sufficiently owned.

### ◆ Method of calculating risk quantity

- Market risk, credit risk, and strategic investment stock risk
  - Confidence interval: 99% for all
  - Holding period: 1 year for loans and bills discounted, otherwise 6 months
  - For strategic investment stocks, Risk quantity = (VaR - Gains/losses on valuation), provided  $\geq 0$
- Operational risk  
Gross profit distribution method

(JPY 100 MM)



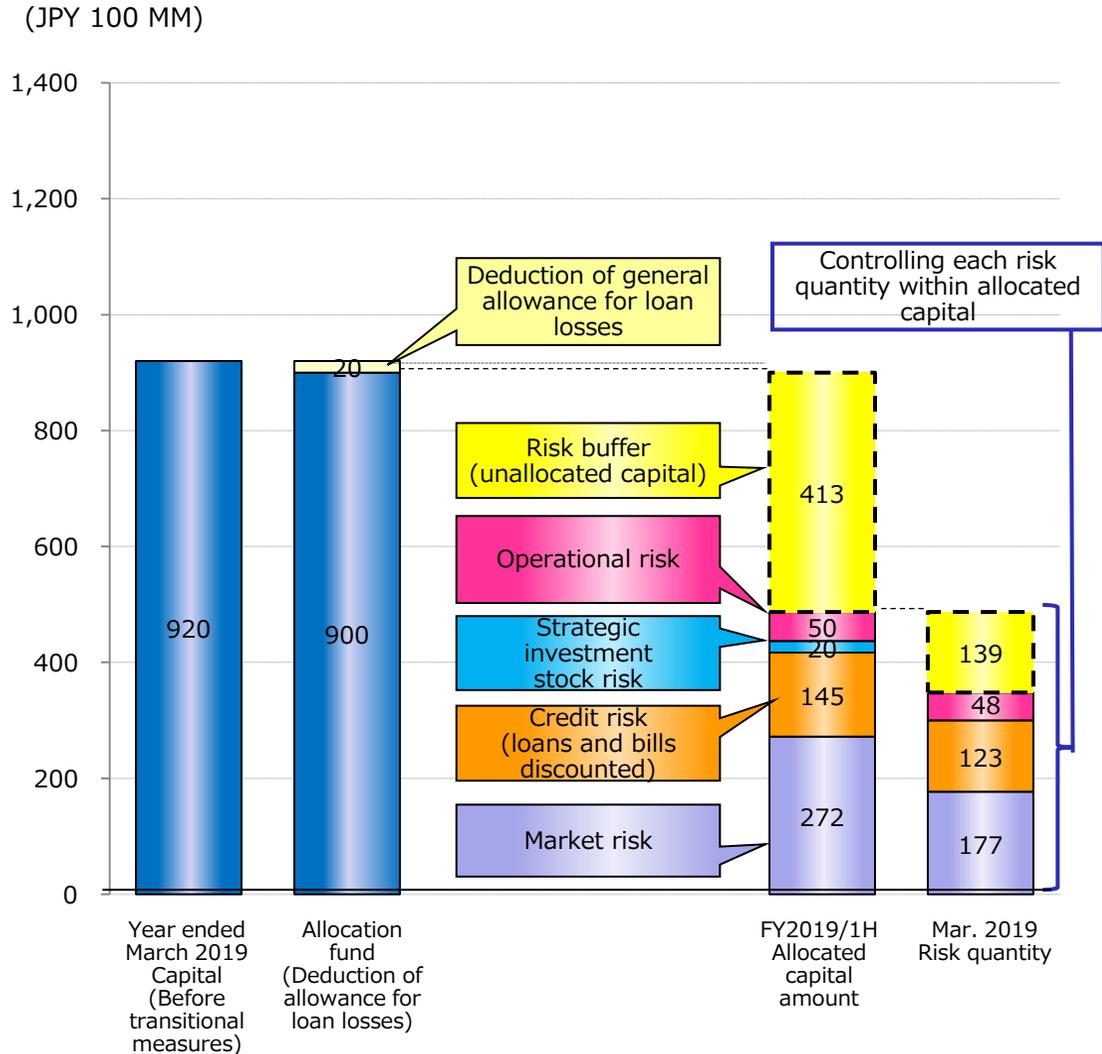
## Status of risk capital management

### ■ Risk capital management based on risk taking policy

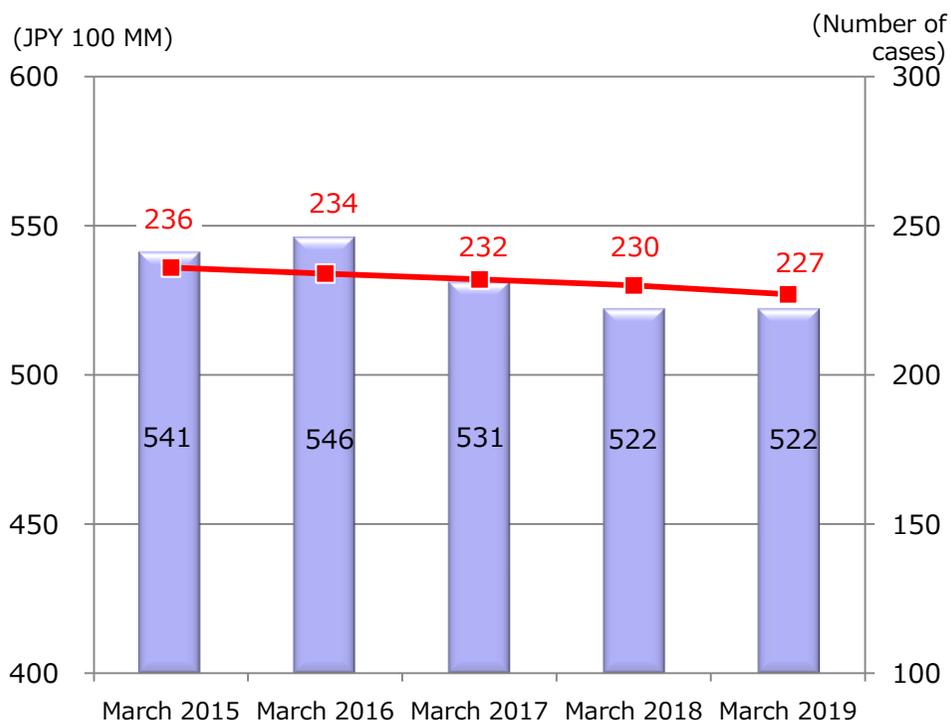
- Regarding credit risks (loans and bills discounted), risk taking based on business evaluation facilitates the provision of funds to local communities.
- Regarding market risks, capital allocation considers the investment strategy of each asset and the balance of market risk as a whole.
- Under the balance reduction policy of strategic investment stocks, the risk quantity becomes 0 when valuation gain exceeds VaR.
- Even after capital is conservatively allocated, unallocated capital is still sufficiently owned.

### ◆ Method of calculating risk quantity

- Market risk, credit risk, and strategic investment stock risk
  - Confidence interval: 99% for all
  - Holding period: 1 year for loans and bills discounted, otherwise 6 months
  - For market and strategic investment stock risks, Risk quantity = (VaR – Gains/losses on valuation), provided  $\geq 0$
- Operational risk  
Basic approach

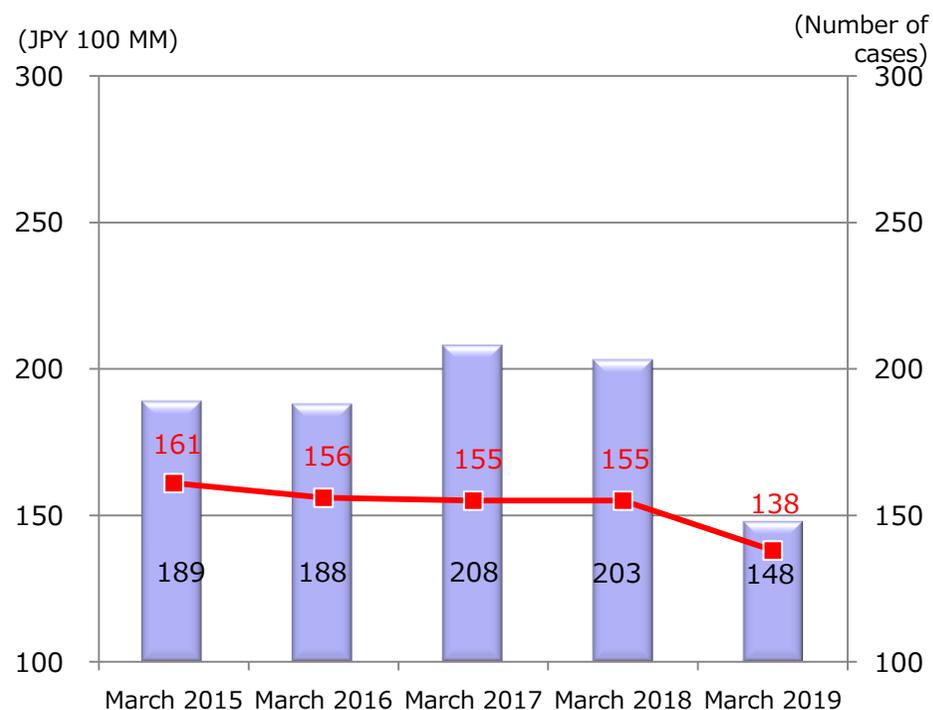


## Daishi Bank



Acquisition cost (book value) Number of issues held

## Hokuetsu Bank



Acquisition cost (book value) Number of issues held

### ◆ Strategic stockholding criteria

Regarding strategic stocks, Daishi Hokuetsu Financial Group has established the “Basic Policy on Strategic Stockholdings” to reduce the risks associated with stockholdings and to improve capital efficiency, and promotes reduction.

# Status of Purchase of Treasury Shares

## Daishi Bank

Year of implementation	Number of shares	Buying price	Remarks
FY1998-FY2010	30,293,000 shares	12,085 million yen	All stocks retired
FY2011	3,810,000 shares	998 million yen	All stocks retired
FY2012	5,016,000 shares	1,499 million yen	All stocks retired
FY2013	4,200,000 shares	1,471 million yen	All stocks retired
FY2014	2,474,000 shares	999 million yen	All stocks retired
FY2015	5,805,000 shares	2,634 million yen	All stocks retired
FY2016	3,062,000 shares	1,499 million yen	All stocks retired
FY2017	3,645,000 shares	1,799 million yen	All stocks retired
Total	58,305,000 shares	22,988 million yen	

\* On October 1, 2017, stocks were consolidated (10 stocks consolidated into 1 stock). Number of stocks purchased describes those prior to stock consolidation.

## Hokuetsu Bank

Year of implementation	Number of shares	Buying price	Remarks
FY1998-FY2010	1,572,000 shares	382 million yen	All stocks retired
FY2011	3,911,000 shares	641 million yen	All stocks retired
FY2012	3,420,000 shares	648 million yen	All stocks retired
FY2013	2,953,000 shares	607 million yen	All stocks retired
FY2014	1,678,000 shares	414 million yen	All stocks retired
FY2015	2,690,000 shares	704 million yen	All stocks retired
FY2016	-	-	-
FY2017	-	-	-
Total	16,224,000 shares	3,397 million yen	

\* On October 1, 2016, stocks were consolidated (10 stocks consolidated into 1 stock). Number of stocks purchased describes those prior to stock consolidation.

## FG

Year of implementation	Number of shares	Buying price	Remarks
FY2018	294,000 shares	999 million yen	-
Total	294,000 shares	999 million yen	

# Status of Group Companies

(JPY 1 MM)

Name of company	Key business	Share capital	Net sales (Operating revenue)	Ordinary profit	Profit
The Daishi Bank, Ltd.	Banking	32,776	76,616	16,046	10,339
The Hokuetsu Bank, Ltd.	Banking	24,538	40,760	7,524	4,009
Daishi Securities Co., Ltd.	Securities trading	600	2,653	182	1,053
The Daishi Guaranty Co., Ltd.	Guaranty services	50	1,523	923	605
The Hokuetsu Credit Guarantee Co., Ltd.	Guaranty services	210	712	491	311
The Daishi Management Consulting Co., Ltd.	Consulting services and venture capital	20	93	9	7
The Hokugin Economic Research Institute, Ltd.	Research on economy and society and provision of information	30	140	20	14
The Daishi Lease Co., Ltd.	General leasing	100	17,094	826	543
The Hokuetsu Leasing Co., Ltd.	General leasing	100	5,434	281	181
The Daishi Computer Service Co., Ltd.	Computer-related business	15	1,106	73	49
The Daishi JCB Card Co., Ltd.	Credit card and guaranty services	30	1,386	432	285
The Daishi DC Card Co., Ltd.	Credit card services	30	704	43	29
The Hokuetsu Card, Ltd.	Credit card and guaranty services	20	911	84	54

As of March 31, 2019

# Composition of Shareholders

## [Composition of shareholders]

Owner	End of March 2019		
	Number of shareholders	Number of shares	
	(persons)	(1000 shares)	Composition rate (%)
National and local governments	4	0	0.0
Financial institutions	69	17,868	38.8
Of which, trust banks	23	8,140	17.7
Of which, other than trust banks	46	9,728	21.1
Financial instruments business operators	37	477	1.0
Other corporations	1,501	11,242	24.4
Foreign corporations, etc.	190	6,211	13.5
Individuals and others	16,997	9,844	21.4
Shares held under own name	1	298	0.6
<b>Total</b>	<b>18,799</b>	<b>45,942</b>	<b>100.0</b>

## [Major shareholders (Top 10)]

	Name of shareholders	End of March 2019	
		Number of shares held (1000 shares)	Stockholding ratio (%)
1	Japan Trustee Services Bank, Ltd. (trust account)	2,978	6.52
2	Meiji Yasuda Life Insurance Company	1,624	3.55
3	The Master Trust Bank of Japan, Ltd. (trust account)	1,434	3.14
4	Nippon Life Insurance Company	1,156	2.53
5	Sompo Japan Nipponkoa Insurance, Inc.	888	1.94
6	DFA INTL SMALL CAP VALUE PORTFOLIO	886	1.94
7	Tohoku Electric Power Co., Inc.	852	1.86
8	The Daishi Bank Employees' Stockholdings	804	1.76
9	Daido Life Insurance Company	705	1.54
10	JP MORGAN CHASE BANK 385151	673	1.47
Total of top 10 companies		12,004	26.29

**[Contact for inquiries]  
Corporate Planning Dept.  
Daishi Hokuetsu Financial Group**

**TEL 025-224-7111  
E-mail [g113001@daishi-bank.jp](mailto:g113001@daishi-bank.jp)**