

Daishi Hokuetsu Financial Group Corporate Briefing Year Ended March 2019

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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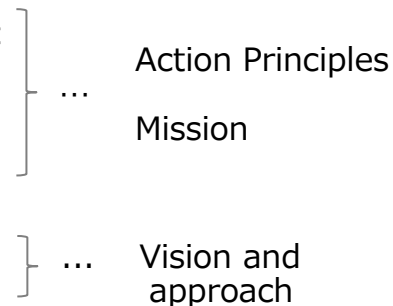
Daishi Hokuetsu Financial Group

Location of head office	2-14 Ote-dori 2-chome, Nagaoka-shi
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata
Organ	Company with Audit and Supervisory Committee
Representative Director	Chairman: Katsuya Sato President: Fujio Namiki
Share capital	30 billion yen
Established	October 1, 2018
Credit rating	JCR A+

Management Philosophy

We will continue to provide services that live up to the expectations of customers and contribute to the development of regional society as a trusted financial group,

and boldly take on challenge to create new value.



What We Aim for

To become a financial and information service group that wins overwhelming trust by creating new values through demonstration of financing and information intermediation functions and continuously contributing to the prosperity of communities by improving management efficiency



第四銀行

Daishi Bank

Location of head office	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata
Established	November 2, 1873
President	Fujio Namiki
Total assets	5,976.1 billion yen
Number of employees	2,238 (including employees on loan)
Credit rating	JCR A+ Moody's A2



ホクギン

北越銀行

Hokuetsu Bank

Location of head office	2-14 Ote-dori 2-chome, Nagaoka-shi
Established	December 20, 1878
President	Katsuya Sato
Total assets	2,941.4 billion yen
Number of employees	1,415 (including employees on loan)
Credit rating	JCR A+



FY2018 BUSINESS PERFORMANCE

<2> FY2018 Business Performance

1. Financial Summary of FY2018

- Both ordinary profit and consolidated profit exceeded the business forecast. 47.2 billion yen gain on bargain purchase was recorded as extraordinary income/loss accompanying the business integration

[Comparison with business forecast] (JPY 100 MM)

FG Consolidated	Result	Business forecast (announced on Oct. 2018)	Vs. Business forecast
Ordinary profit	167	160	7
Consolidated profits	568	560	8

[Negative goodwill]

Acquisition cost of Hokuetsu Bank stocks 59.7 billion yen	Consolidated net assets of Hokuetsu Bank as of 2018/9E 106.9 billion yen (based on market value)
Gain on bargain purchase 47.2 billion yen	

[Summary]

Total of 2 banks

(JPY 100 MM)

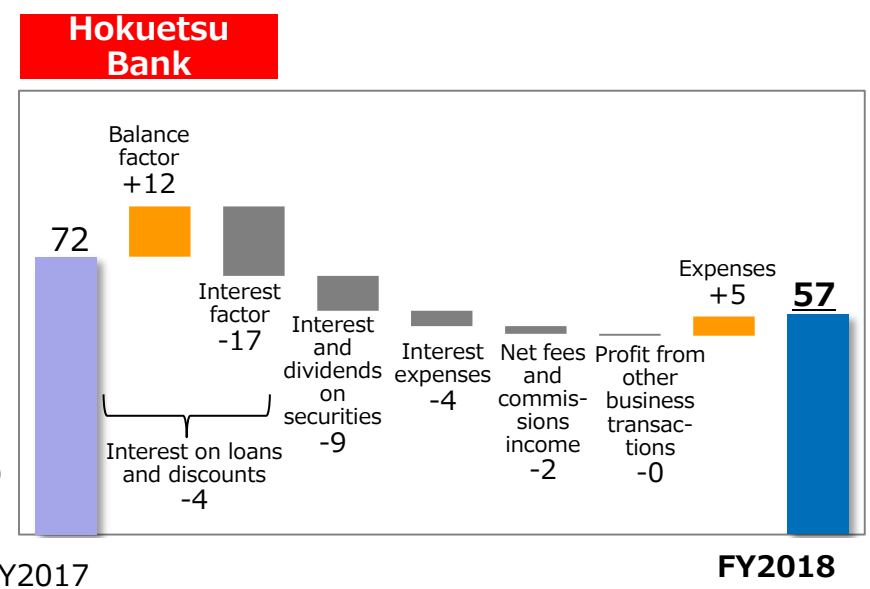
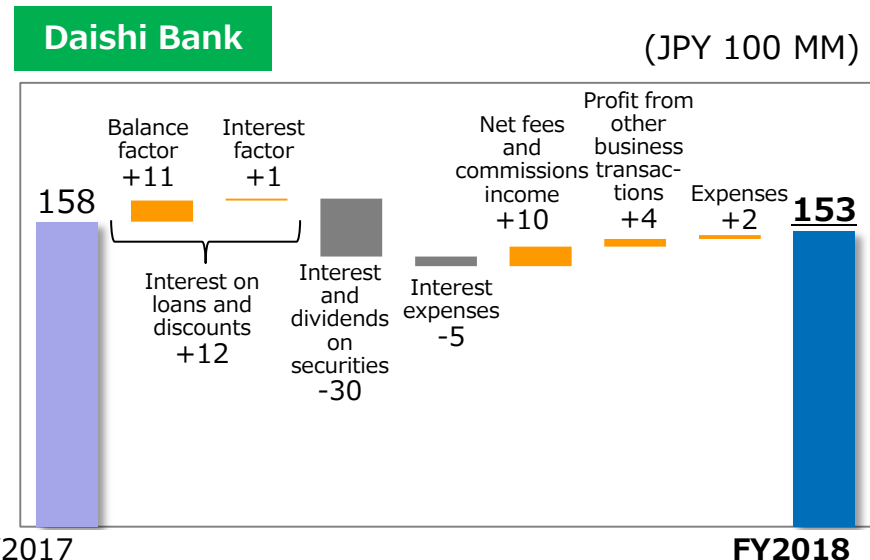
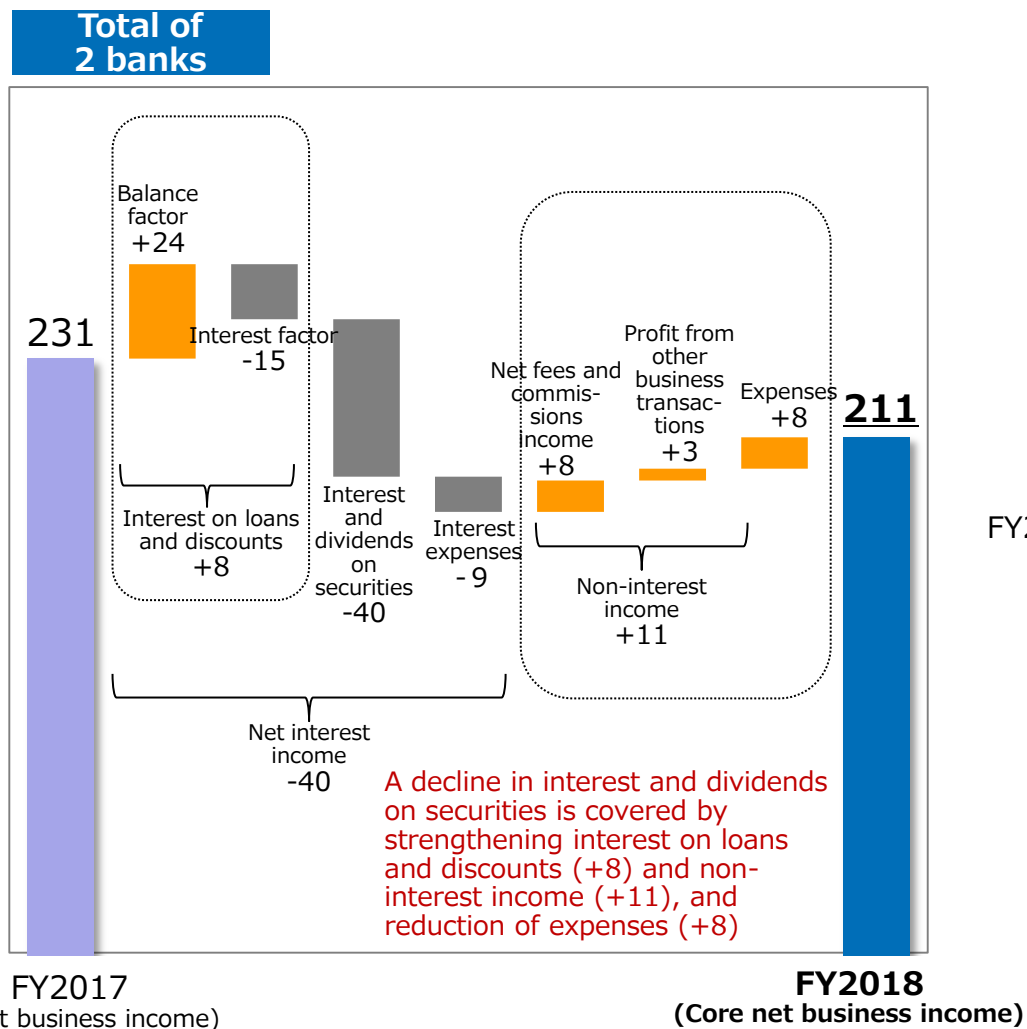
	FY2018		Daishi		Hokuetsu	
	Total of 2 Banks	YoY		YoY		YoY
Gross business profits	834	-16	546	-9	288	-7
Net interest income	664	-40	425	-22	239	-17
Net fees and commissions income	142	8	111	10	30	-2
Profit from other business transactions	27	16	9	3	18	12
(Of which, gains/losses related to debentures (Government bonds, etc.))	-6	12	-19	0	13	13
Expenses	630	-8	413	-2	217	-5
Core net business income	211	-20	153	-5	57	-14
Net business income	203	-11	133	-6	70	-5
Nonrecurring gain/loss	31	-37	26	-20	4	-17
(Of which, gains/losses on stocks, etc.)	78	9	40	2	37	7
Ordinary profit	235	-49	160	-26	75	-23
Extraordinary income/loss	-62	-56	-22	-22	-39	-34
Profit	143	-63	103	-31	40	-31
<Net credit cost>	44	45	19	23	24	21
<Business integration cost>	88	79	32	31	55	48

[Key Points]

[Gross business profits]	-1.6 billion yen YoY
Interest on loans and discounts:	+800 million yen (Increased year-on-year for the first time in 10 years)
Interest and dividends on securities:	-4 billion yen
Interest expenses:	+900 million yen
Non-interest income:	+1.1 billion yen (Excluding gains/losses related to debentures (Government bonds, etc.))
[Expenses]	-800 million yen YoY
[Credit cost]	+4.5 billion yen YoY
Non-performing loan processed:	+2.9 billion yen (By tightening of allowance criteria: +1.7 billion yen)
Reversal of allowance for loan losses:	-1 billion yen
Recoveries of written off claims:	-200 million yen
[Extraordinary income or loss]	-5.6 billion yen YoY
Office integration cost:	-6.4 billion yen

2. Factors for Increase/Decrease in Core Net Business Income

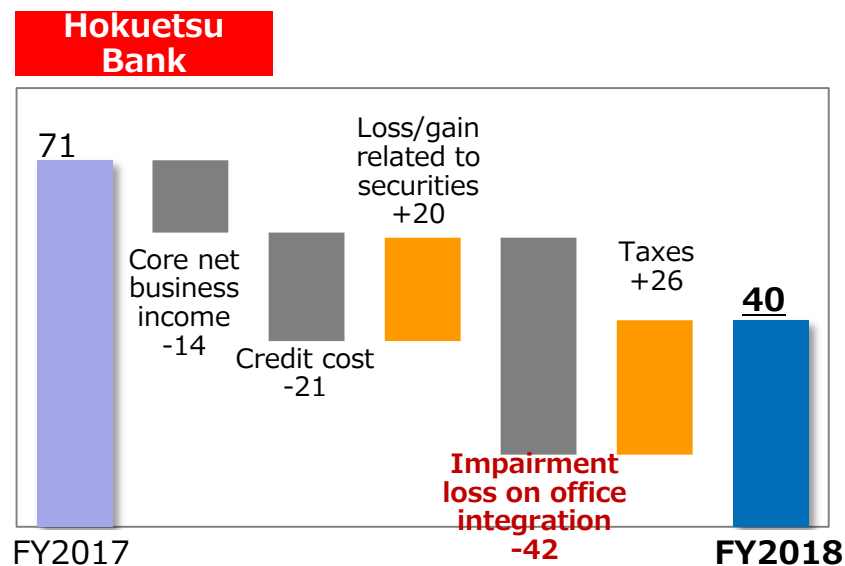
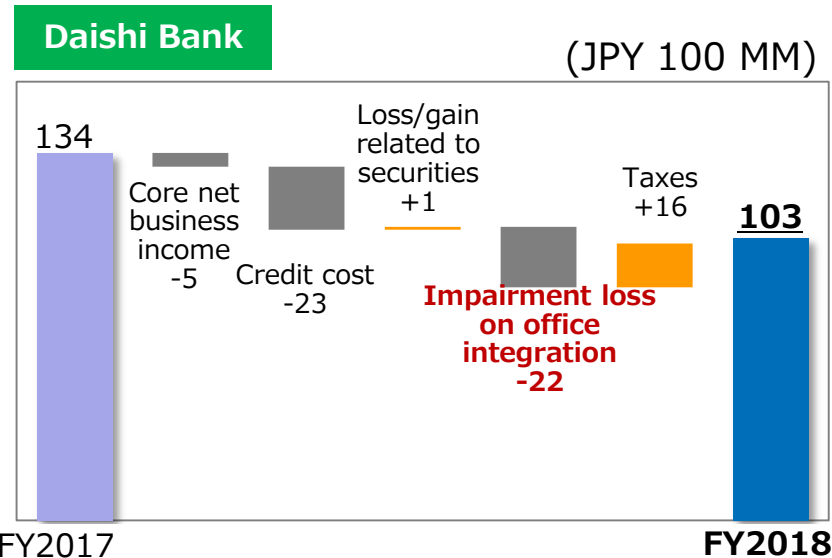
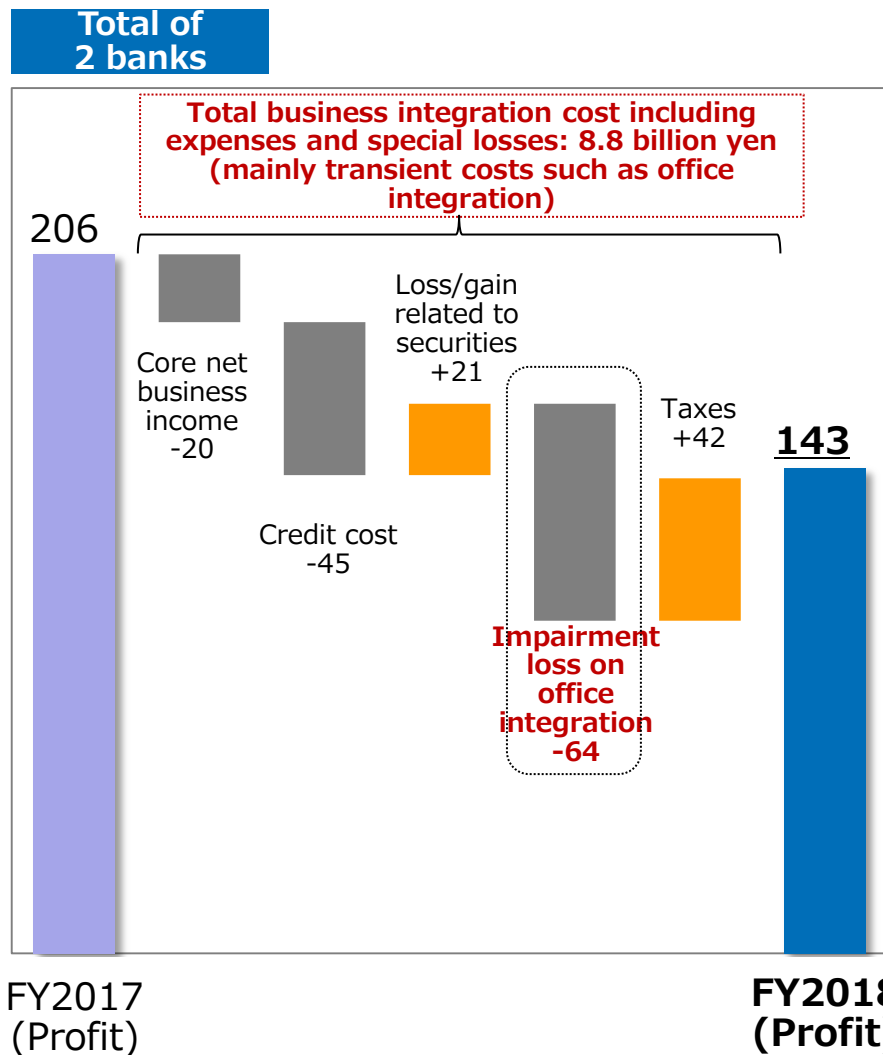
- A decline in interest and dividends on securities is covered by strengthening interest on loans and discounts and non-interest income, and reduction of expenses.



* "Profit from other business transactions" excludes gains/losses related to debentures (Government bonds, etc.)

3. Factors for increase/decrease in profits

• Profit decreased by 6.3 billion yen mainly due to business integration cost (8.8 billion yen)

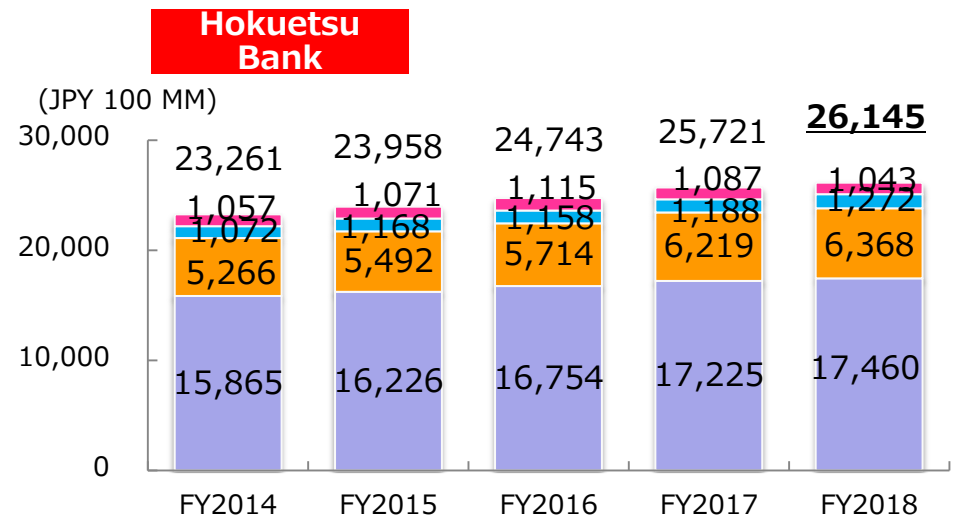
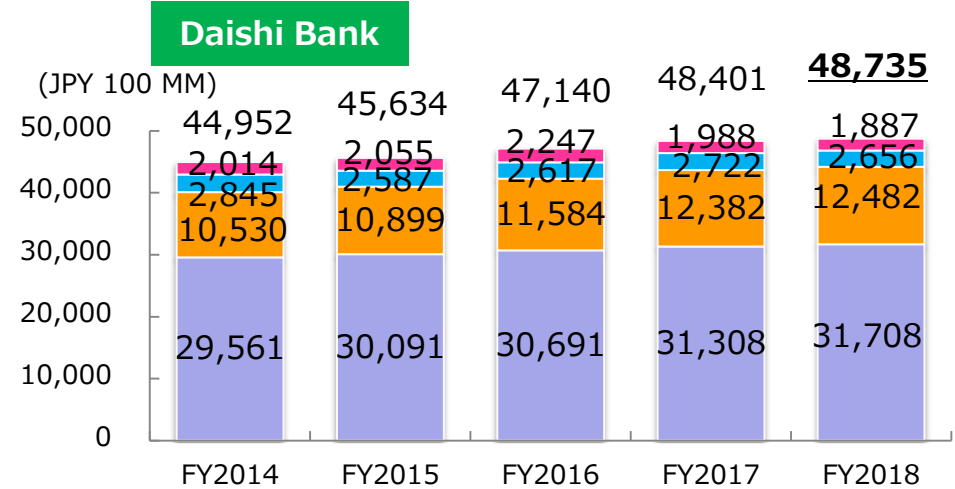
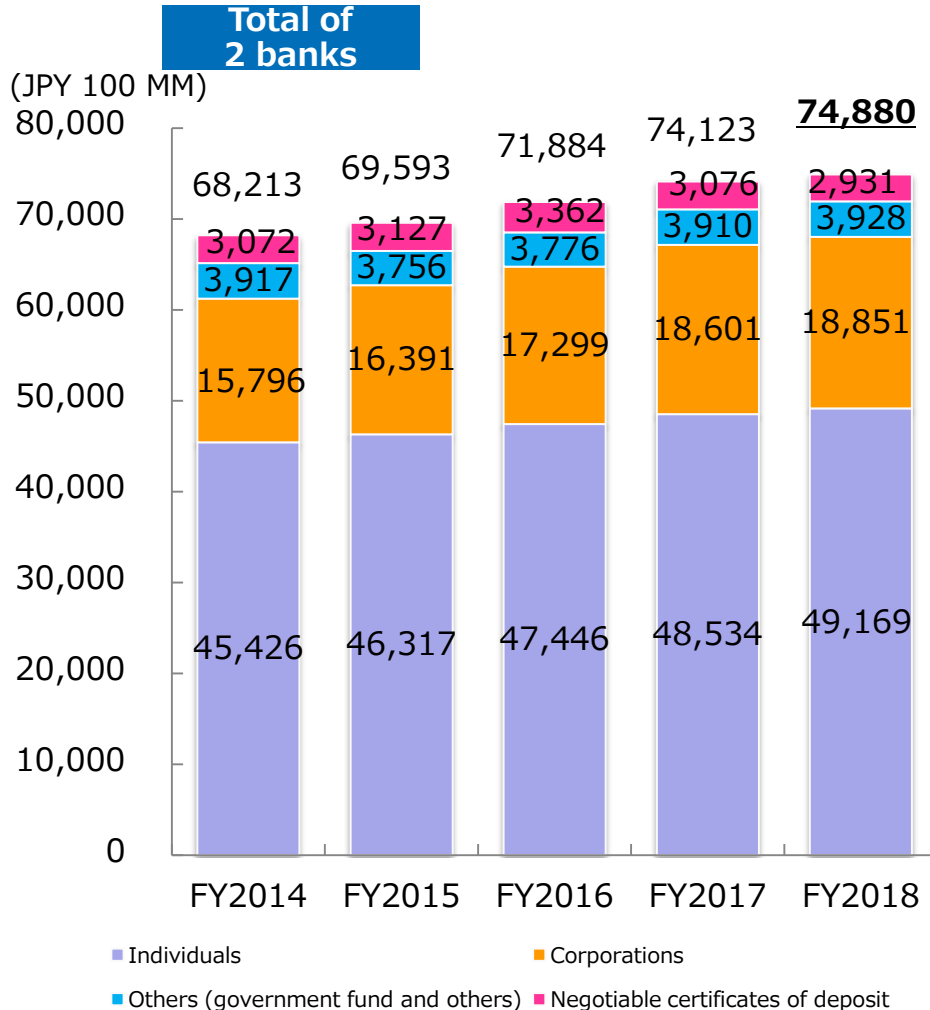


<2> FY2018 Business Performance

4. Status of Deposits

- The year-end balance of deposits, including negotiable certificates of deposit, increased steadily by 75.7 billion yen (+1.0%) year-on-year to 7,488 billion yen
- The annual average balance increased by 169.6 billion yen (+2.3%) year-on-year

[Changes in year-end balance of deposits, etc.
(including negotiable certificates of deposit)]

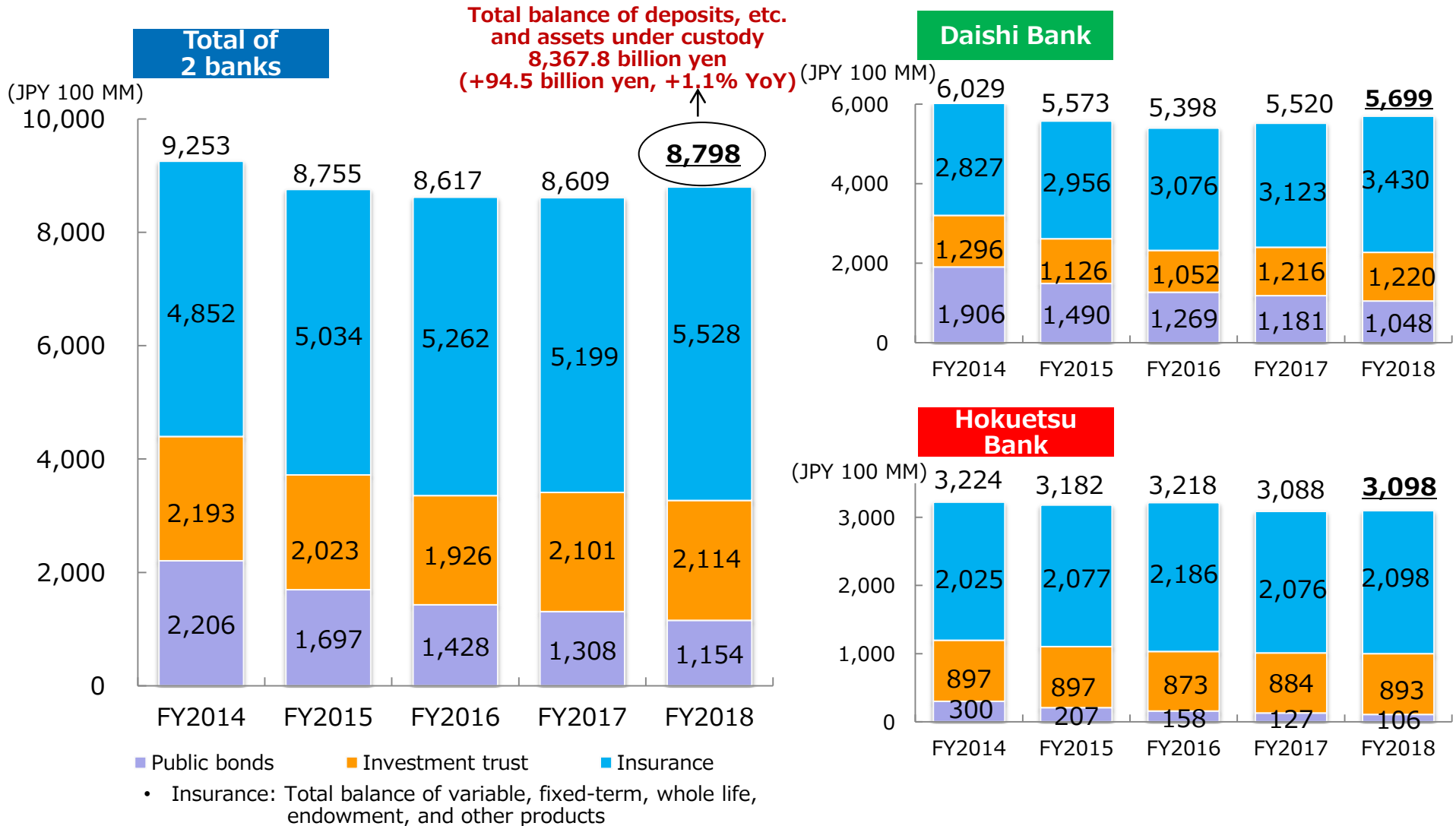


<2> FY2018 Business Performance

5. Status of Assets under Custody

- The year-end balance of assets under custody showed a steady increase by 18.8 billion yen (+2.2%) year-on-year to 879.8 billion yen
- Year-end balances of deposits, etc. and assets under custody totaled 8,367.8 billion yen

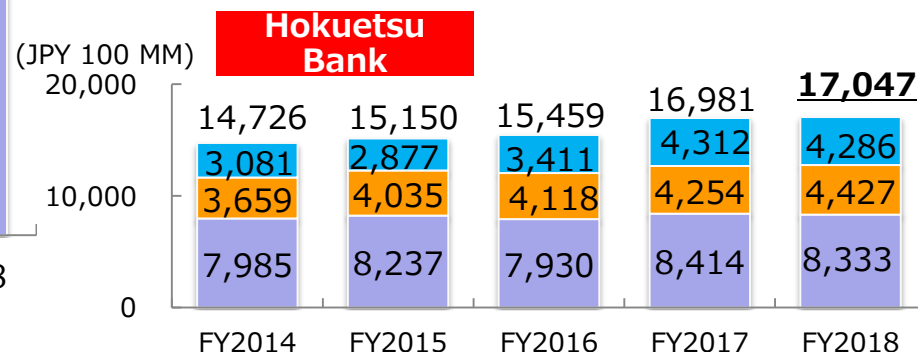
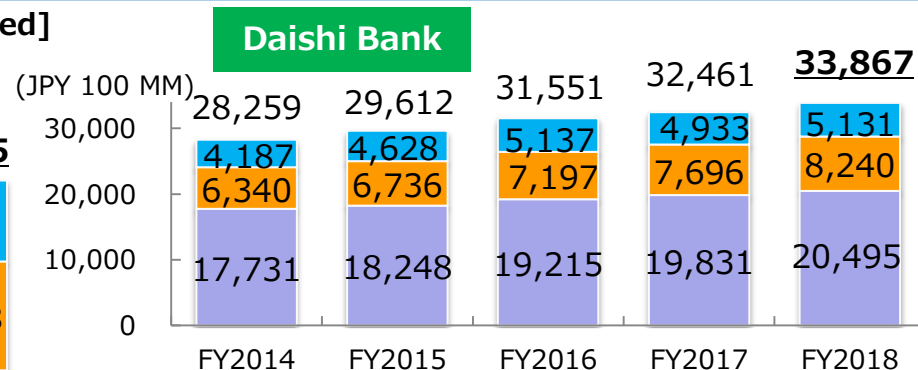
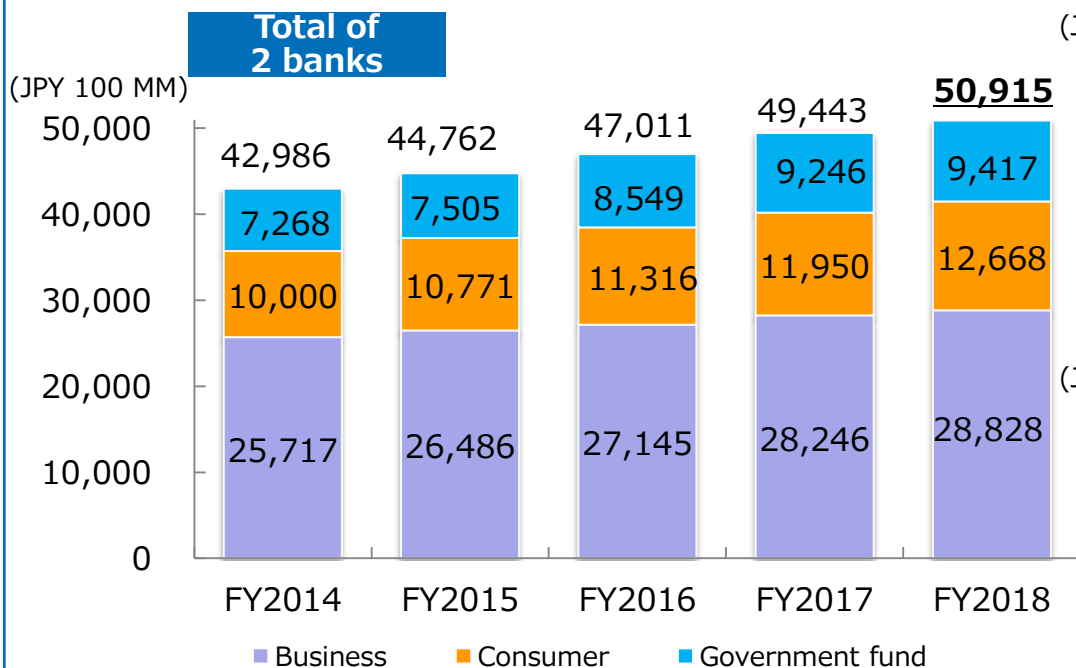
[Changes in year-end balance of assets under custody]



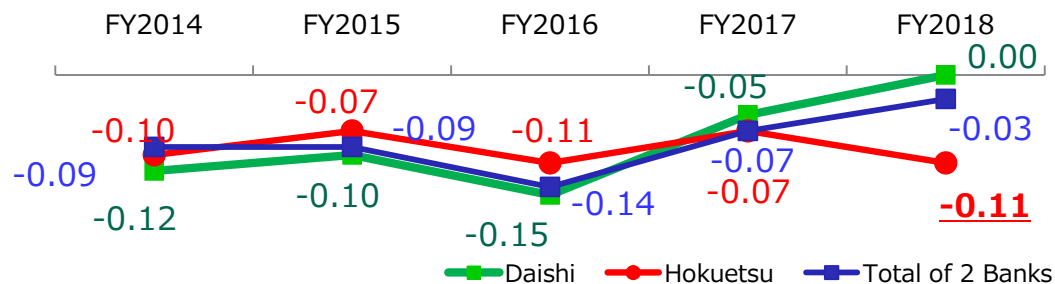
6. Status of Loans and Bills Discounted 1 (All)

- The year-end balance of total loans and bills discounted showed a steady increase by 147.1 billion yen (+2.9%) year-on-year to 5,091.5 billion yen
- Yield on loans and bills discounted at Daishi Bank reversed year-on-year. Interest on loans and discounts (total of 2 banks and Daishi Bank) increased year-on-year for the first time in 10 years

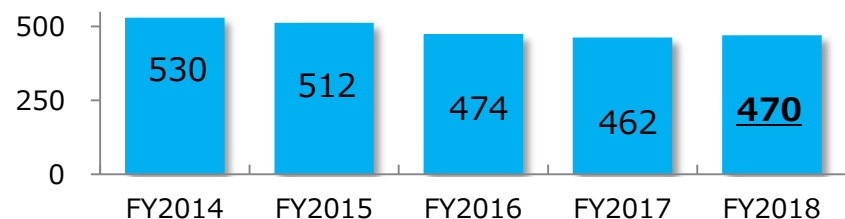
[Changes in the year-end balance of total loans and bills discounted]



[Year-on-year changes in yield on total loans and bills discounted (%)]



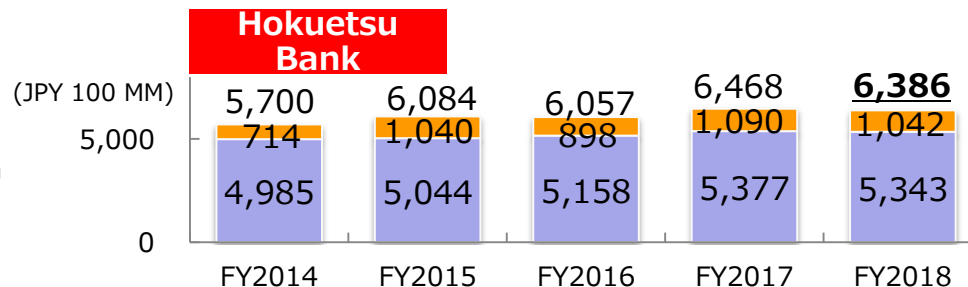
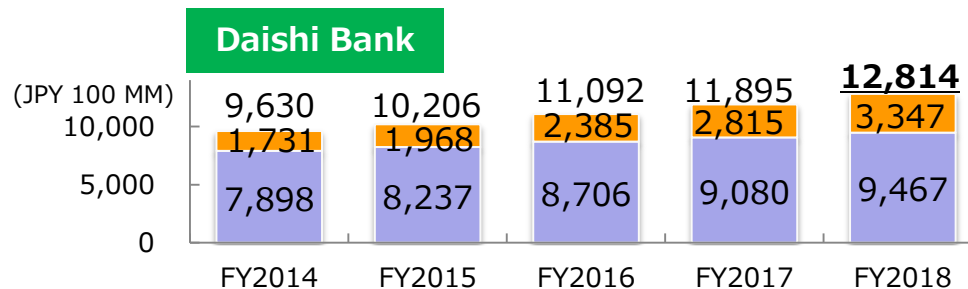
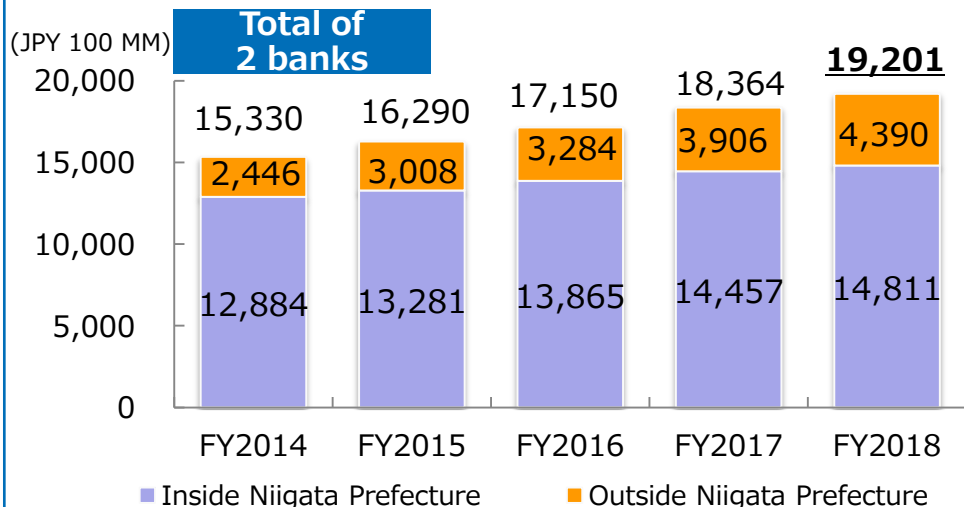
[Changes in interest on loans and discounts (in 100 million yen)]



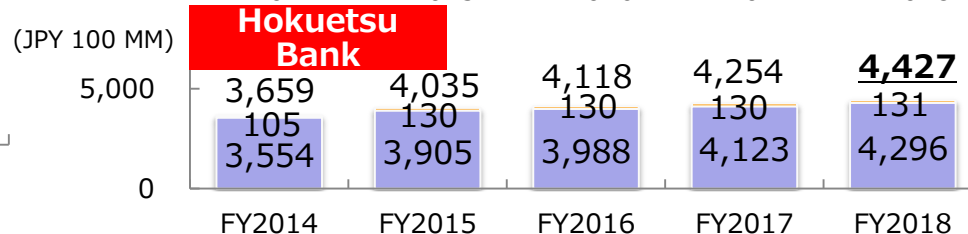
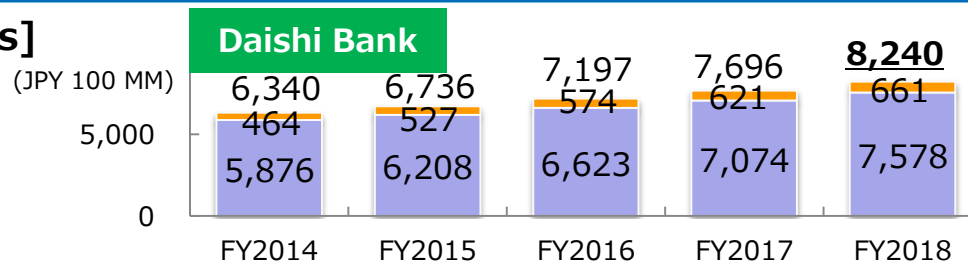
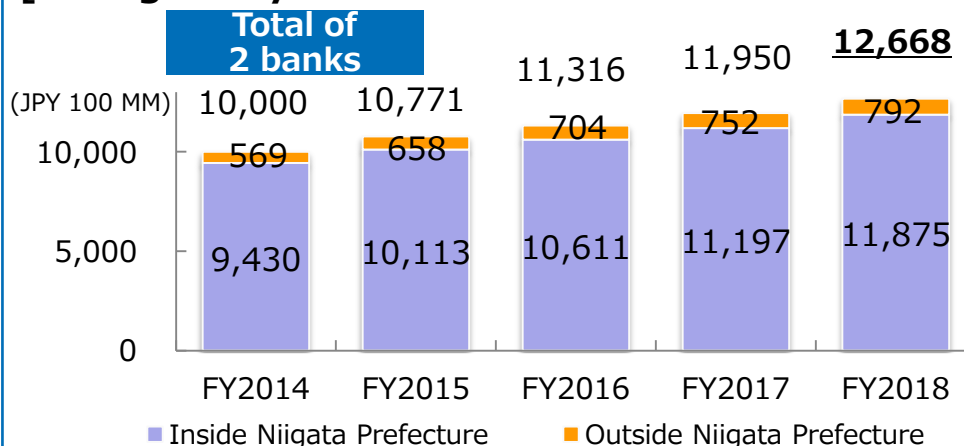
6. Status of Loans and Bills Discounted 2 (SME and consumer loans)

- Focusing on the top priority tactic, "Transformation of portfolios," the year-end balances of SME and personal (consumer) loans increased year-on-year.
- SME loans were 1,920.1 billion yen (+83.7 billion yen YoY) and consumer loans were 1,266.8 billion yen (+71.8 billion yen YoY).

[Changes in year-end balance of SME loans]



[Changes in year-end balance of consumer loans]



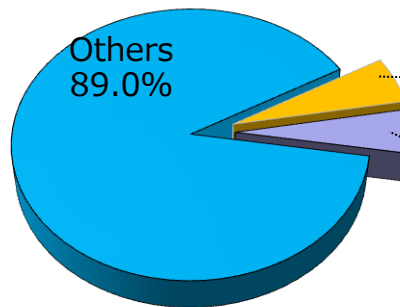
6. Status of Loans and Bills Discounted 3 (Real estate loans)

- Real estate loans accounted for 11.0% of total loans, which went below the regional bank average (as of 2018/9E: 15.1%).
- The balance of apartment loans has increased; however, the delinquent ratio is extremely low due to the development of a screening framework that focuses on the profitability of individual cases.

[Ratio of "real estate" loans in total loans]

Total of
2 banks

FY2018 Result
(based on year-end balance)
11.0%



[Breakdown of "real estate" loans]

"Non-apartment loans" 5.6%
"Apartment loans" 5.4%

Ratio of real estate loans
11.0%

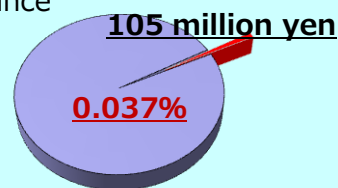
[Status of delinquencies (2019/3E)]

* Excluding cases under inheritance procedures

Total of
2 banks

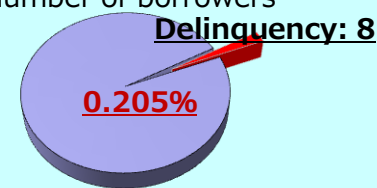
Delinquency ratio (past due 1 month or more)
Balance base: 0.037% (105 million yen)
Borrower base: 0.205% (8 customers)

Delinquency ratio based on balance



(2019/3E)

Delinquency ratio based on number of borrowers

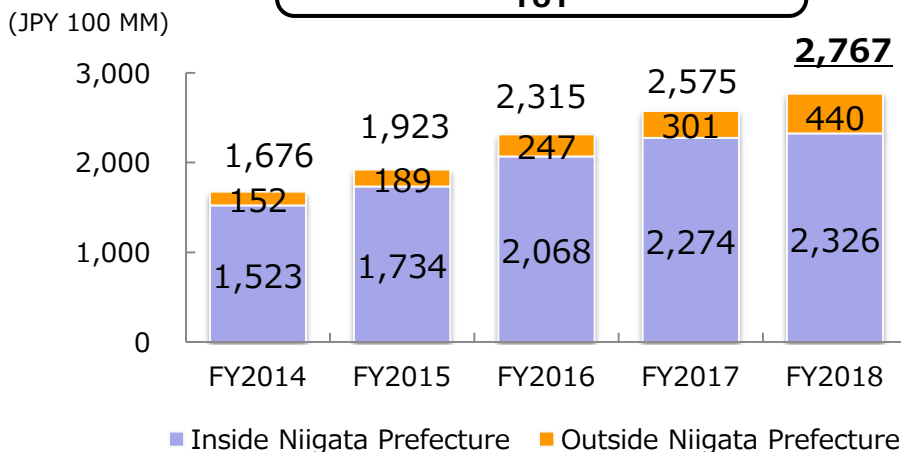


(2019/3E)

[Apartment loans (year-end balance)]

Total of
2 banks

FY2018 Result
+19.2 billion yen (+7.5%)
YoY



[Major initiatives in credit risk management]

- Use of the "rent forecast system" introduced in April 2016**
 - Further improvement of screening level focused on profitability of individual cases
- Thorough prior confirmation of various risks of apartment loan applicants**
 - Prior confirmation ensured a full understanding of risks such as not achieving the expected returns
- Screening framework not dependent on the guarantee of rent**
 - Screening based on cash flow forecasts that secured probability due to the "rent forecast system"
- Continue regular visits and monitoring of all borrowers**
 - Visits to all borrowers every year to continually confirm and analyze current occupancy and other status

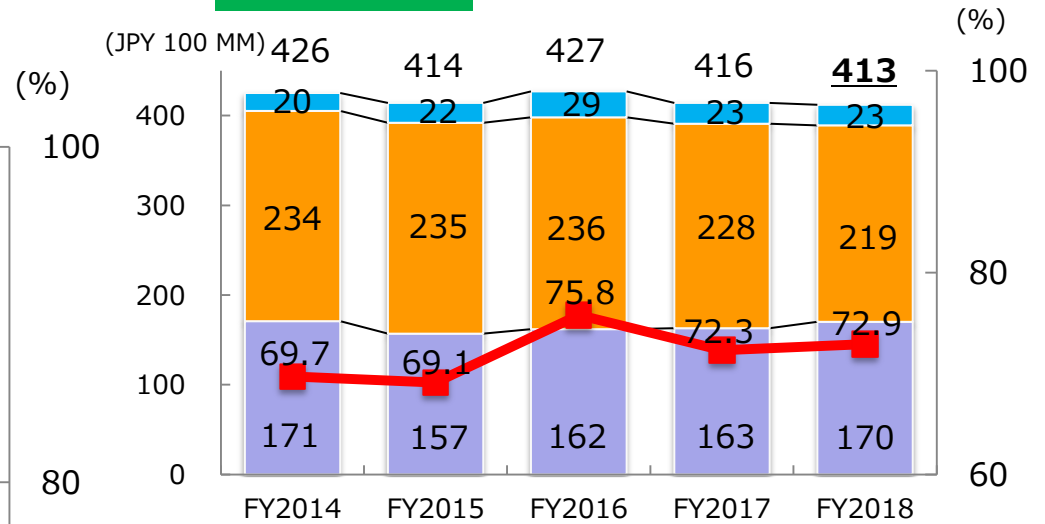
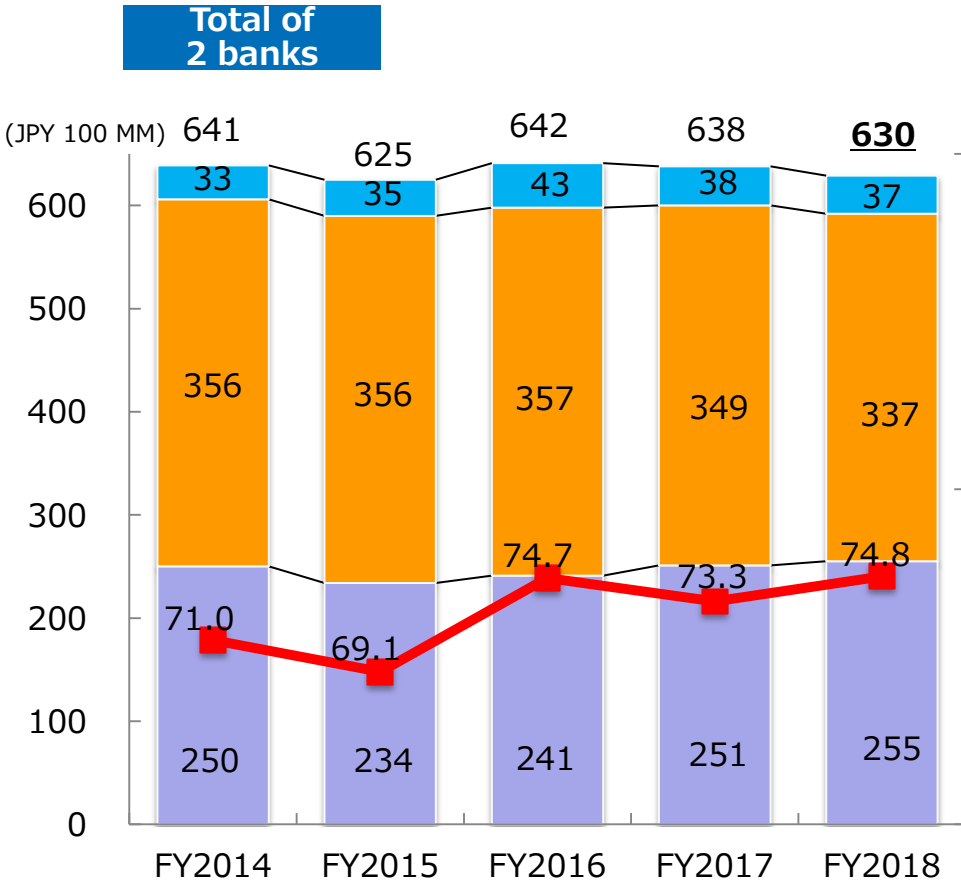
<2> FY2018 Business Performance

7. Status of Expenses

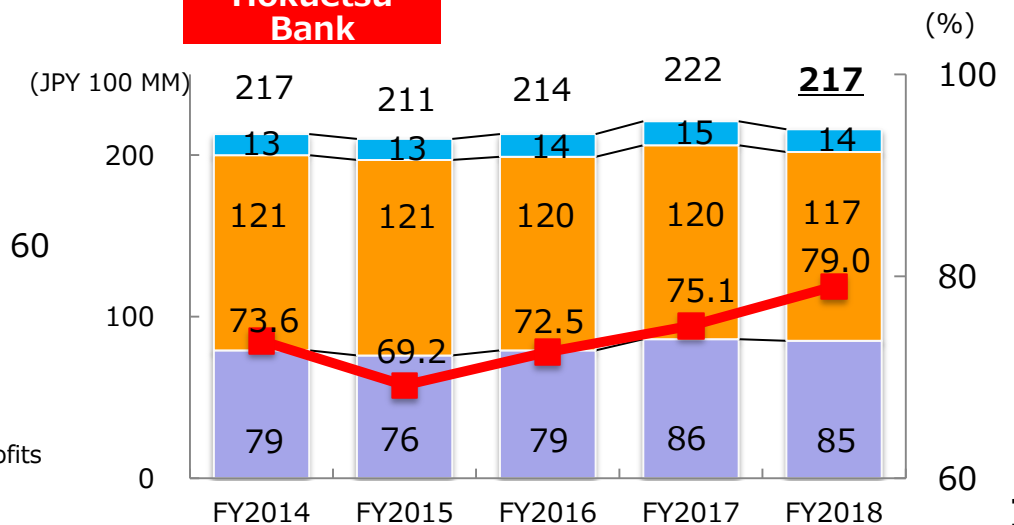
- Overall expenses decreased by 800 million yen year-on-year. A decline in personnel expenses was mainly due to a decrease in overtime allowances owing to productivity improvement through the use of "RPA."

[Changes in expenses and OHR in core gross business profits]

Daishi Bank



Hokuetsu Bank

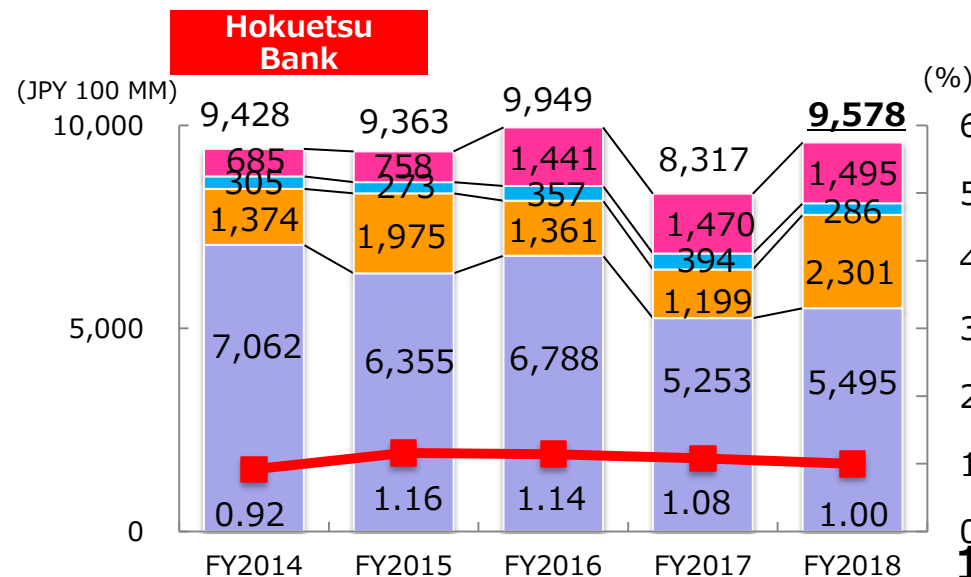
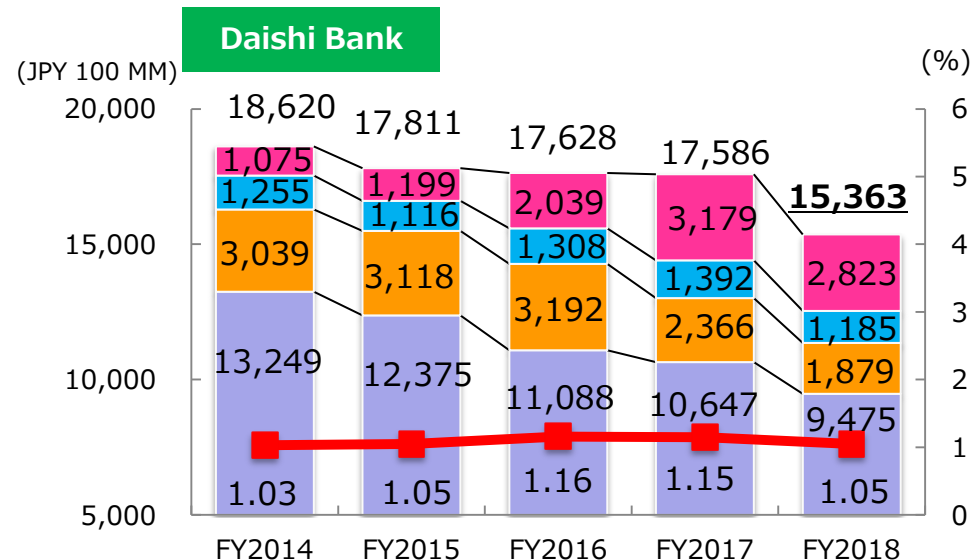
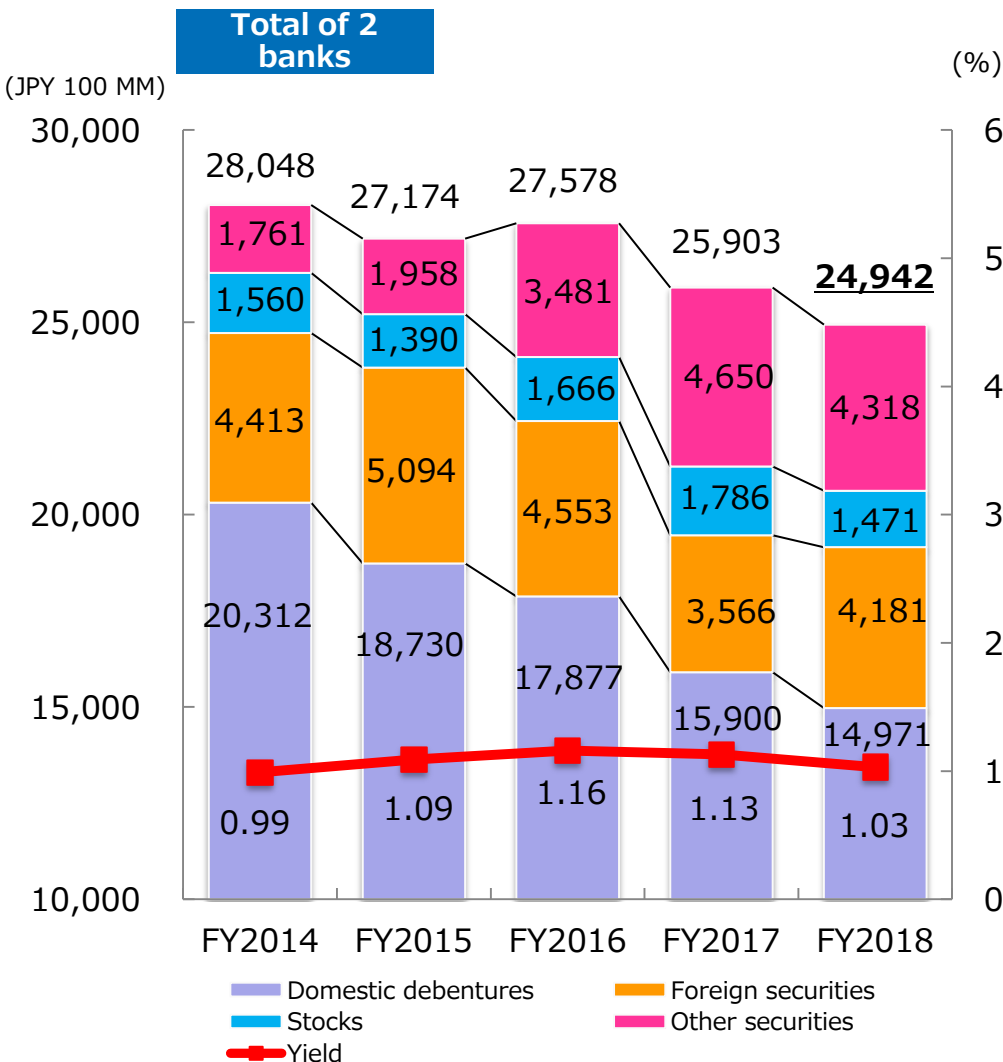


■ Non-personnel expenses ■ Personnel expenses
■ Taxes ■ OHR in core gross business profits

8. Status of Securities 1 (Balance of securities)

• The overall figure was down 96.1 billion yen due to a decline in domestic debentures, etc. Foreign securities increased balance mainly in Euro debentures with potential margin.

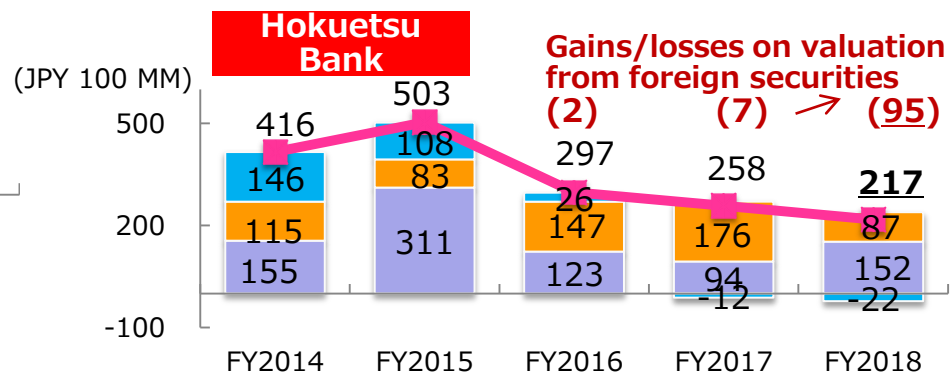
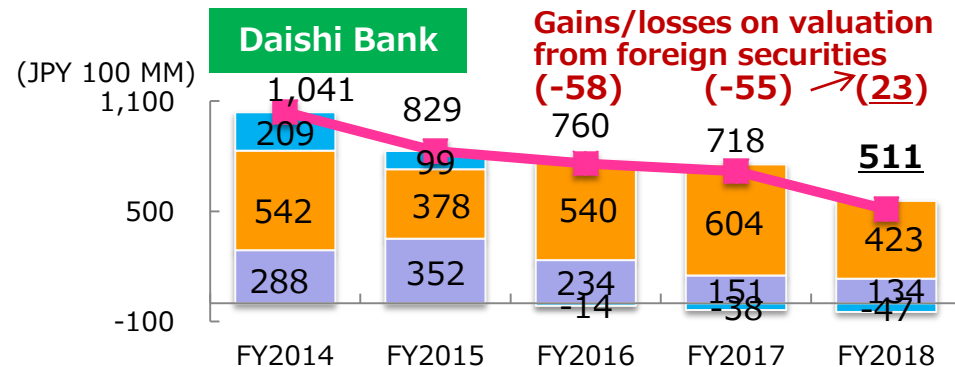
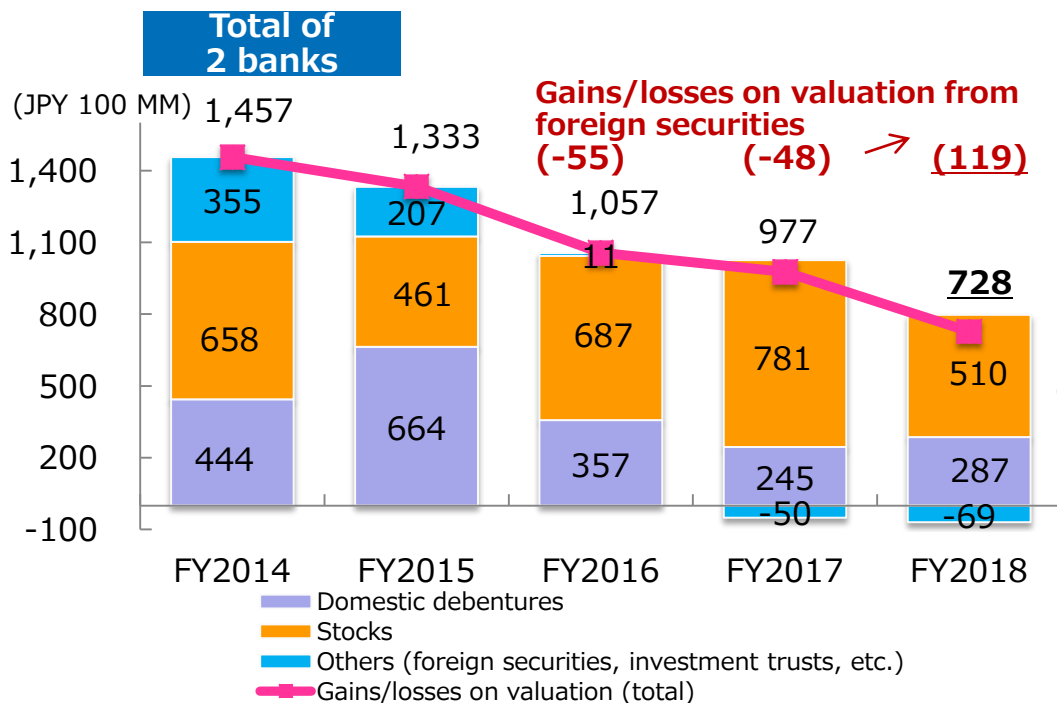
[Changes in year-end balance of securities]



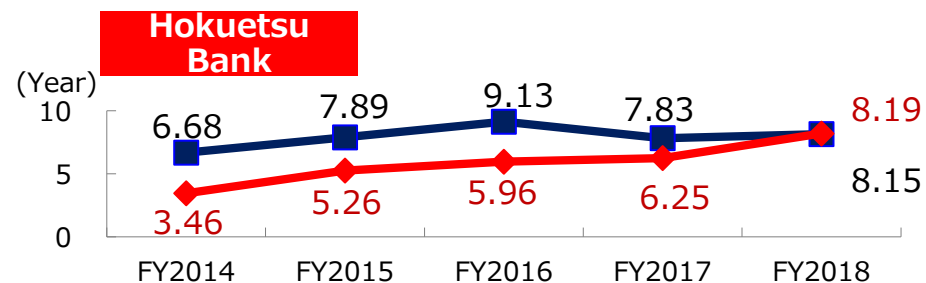
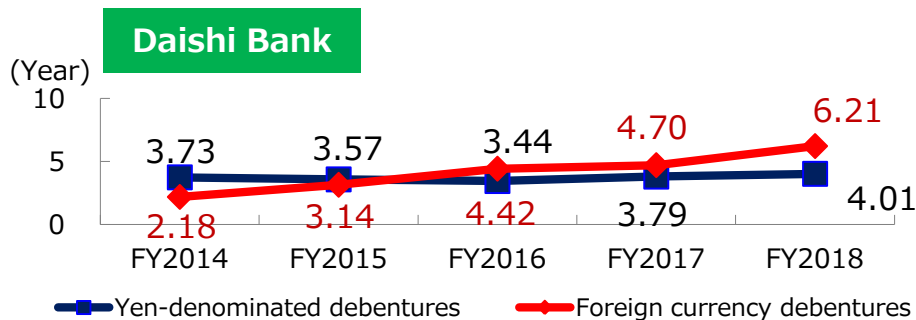
8. Status of Securities 2 (Gains/losses on valuation and duration)

• Gains/losses on valuation totaled +72.8 billion yen. Gains/losses on valuation from foreign securities improved to +11.9 billion yen due to reduction in USD debentures.

[Changes in gains/losses on valuation]



[Changes in duration]

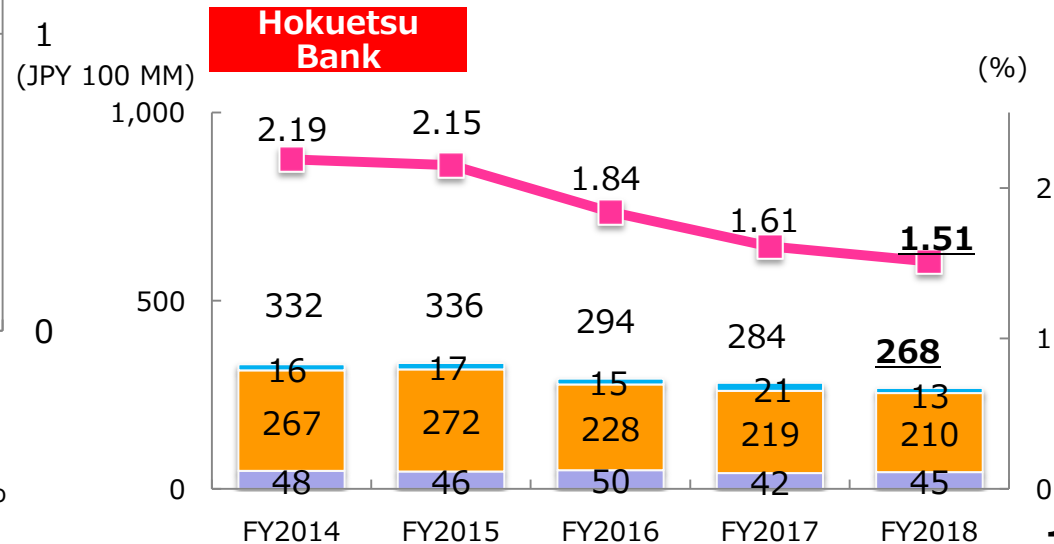
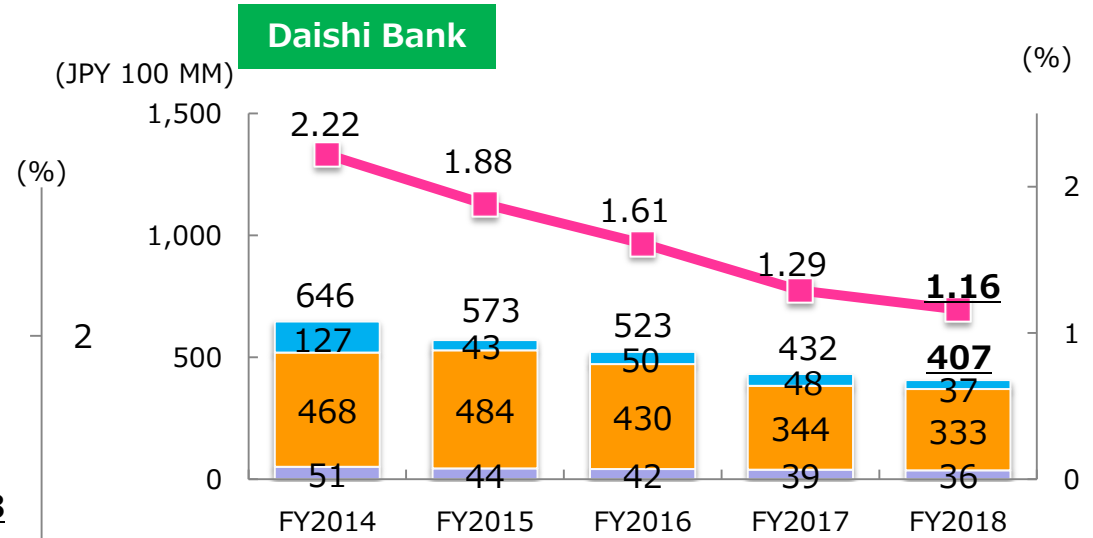
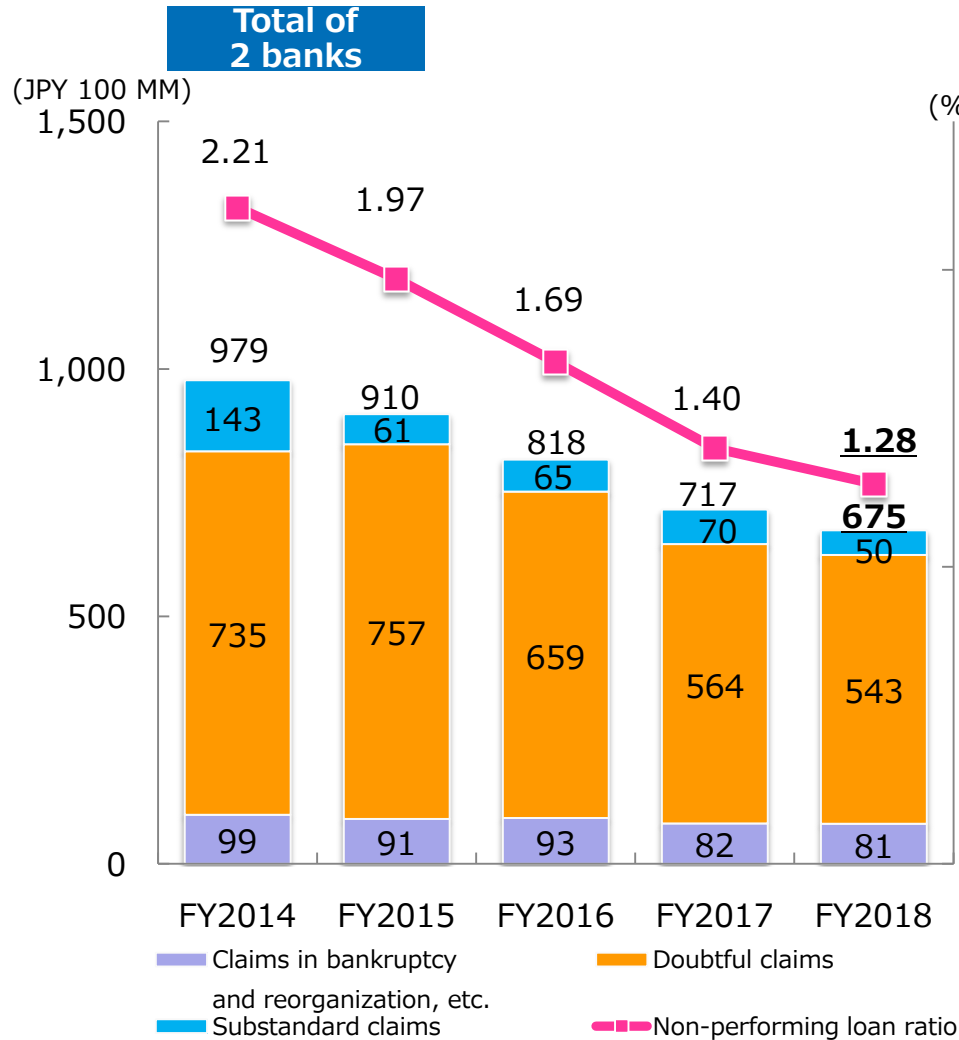


<2> FY2018 Business Performance

9. Status of Non-performing Loans

- The amount of NPL decreased by 4.1 billion yen (-5.8%) to 67.5 billion yen. The NPL ratio was 1.28%, down - 0.12% year-on-year

[Changes in NPL balance and ratio]



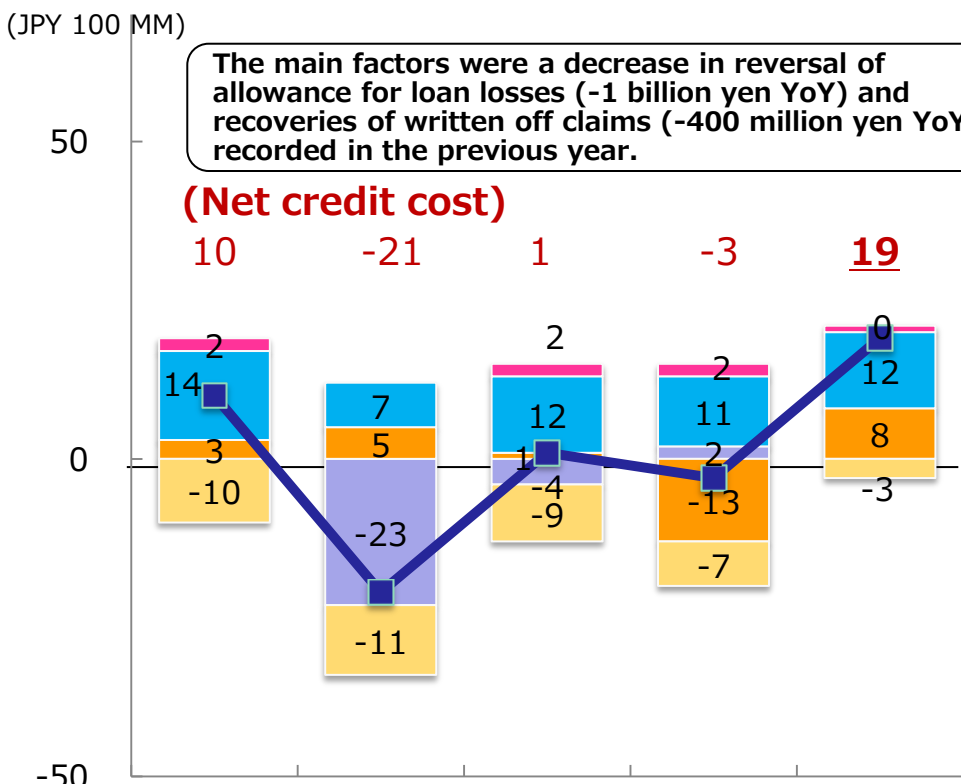
<2> FY2018 Business Performance

10. Status of Credit Cost

- Net credit cost increased by 4.5 billion yen year-on-year, mainly due to the tightening of allowance criteria at Hokuetsu Bank at the time of business integration and a decline in reversal of allowance for loan losses and recoveries of written off claims at Daishi Bank during the previous year.

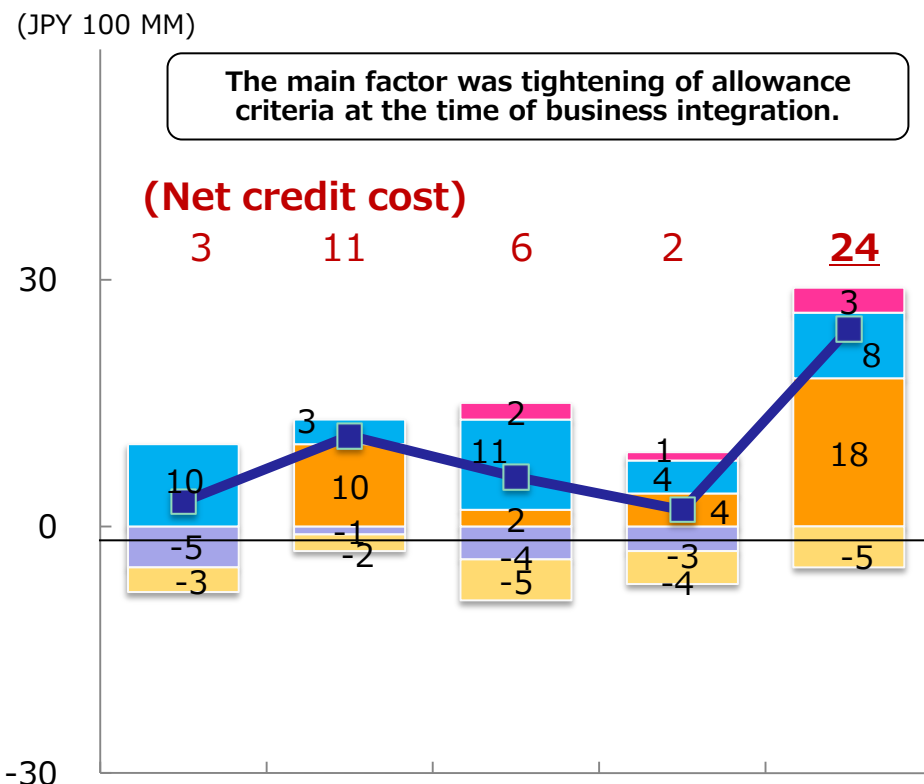
[Changes in net credit cost]

Daishi Bank



- General provision of allowance for loan losses
- Individual provision of allowance for loan losses
- Loss on sale of delinquent loans, etc.
- Recoveries of written off claims
- Written-off of loans
- Net credit cost (underlined)

Hokuetsu Bank



FY2014 FY2015 FY2016 FY2017 FY2018

11. Concentration of Large Loans and Quantity of Interest Rate Risks

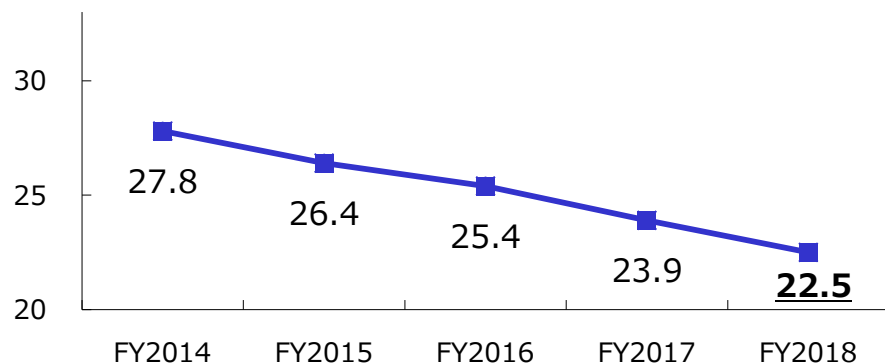
- The concentration of large loans declined year-on-year at both banks. Interest rate risk quantity was also suppressed to a low level.

[Changes in concentration of large loans]

* Ratio of loans to the top 100 large borrowers in the whole loans (excluding public money)

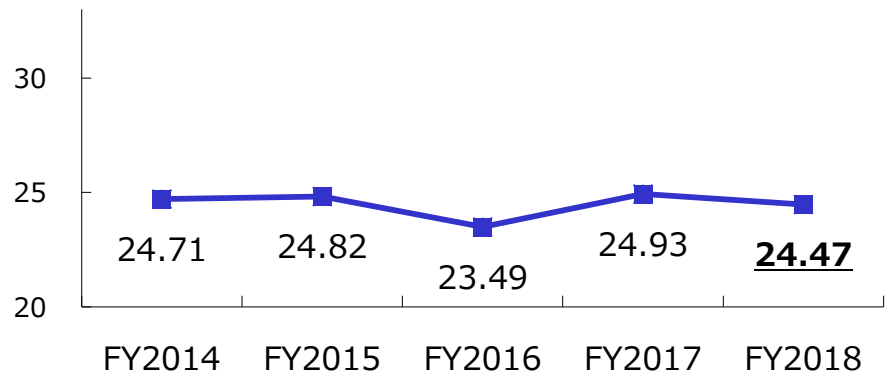
Daishi Bank

(Concentration: %)



Hokuetsu Bank

(Concentration: %)

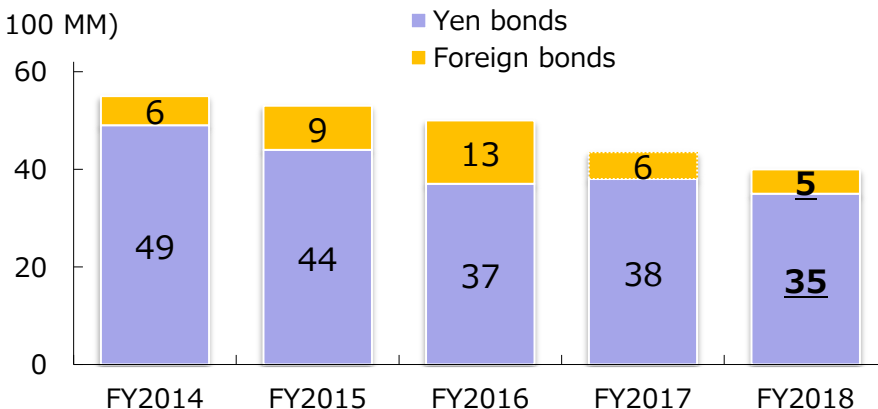


[Changes in interest rate risk quantity]

<Yen and foreign bonds (10 BPV)>

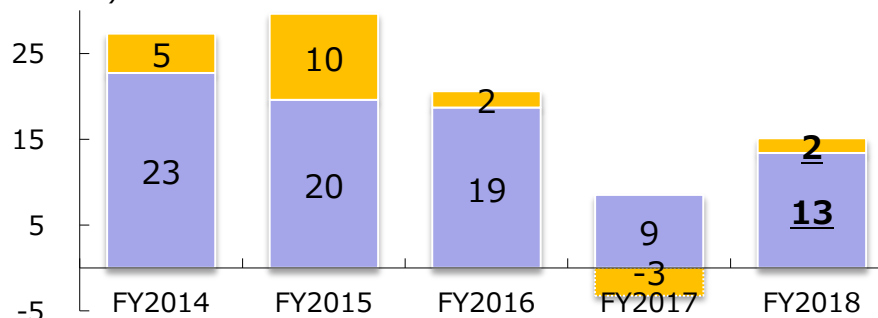
Daishi Bank

(JPY 100 MM)



Hokuetsu Bank

(JPY 100 MM)



<2> FY2018 Business Performance

12. Status of Equity Capital

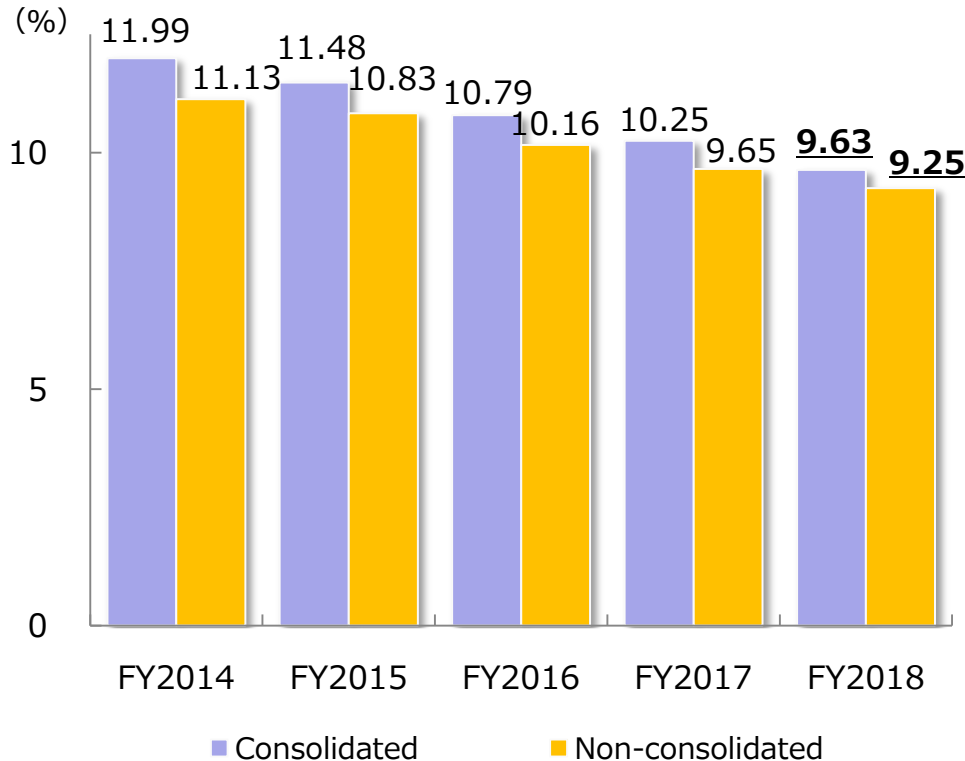
- Our consolidated capital adequacy ratio was maintained at a sufficient level of 9.54%

[Capital adequacy ratio (domestic standard)]

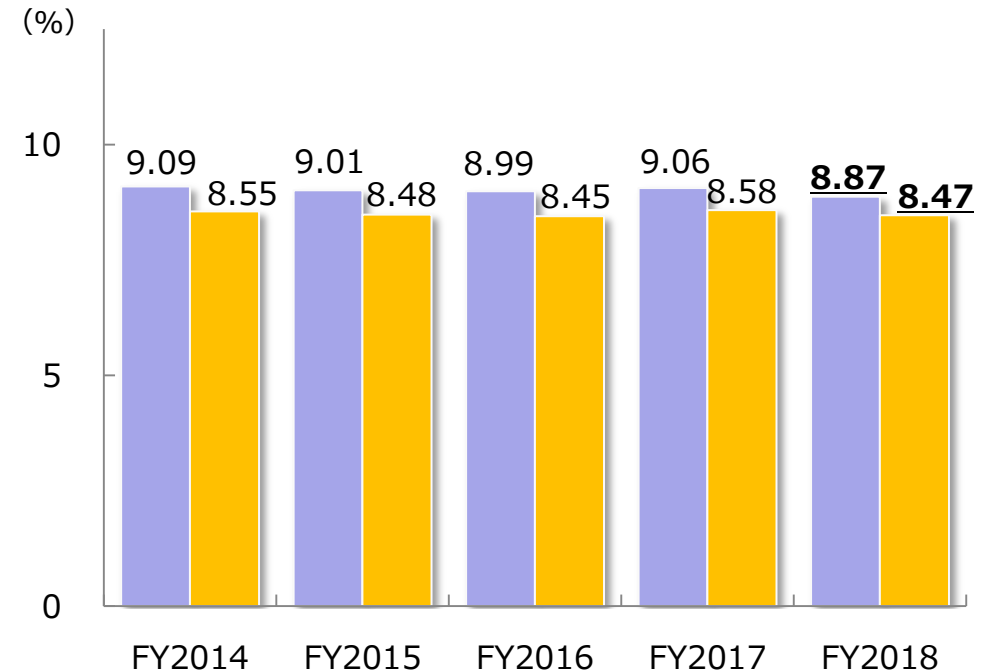
FG
Consolidated

FG consolidated capital adequacy ratio: 9.54% (FY2018)

Daishi Bank



Hokuetsu
Bank



<3> “Startup 180” (October 2018 to March 2019)

1. Summary 1 (Major initiatives)

- In “Startup 180,” officers and employees of the two banks worked together to build a foundation for successful business integration.

Initiatives to improve customer convenience

■ Returning benefits from the network expansion of both banks

- Making use of both banks’ cards at their ATMs free of charge throughout service hours (Jan.-)
- Accompanying the above, the use of ATMs at convenience stores will be charged. (Apr.-)
- Transfer charges between the two banks adopt the charge system for head and branch offices. (Jan.-)

■ Mutual utilization of affiliated companies

- Commencement of broking business of Daishi Securities’ financial products by Hokuetsu Bank (Oct.-)
- Establishment of Daishi Management Consulting; commencement of management support consulting service to customers of Hokuetsu Bank (Dec.-)

■ Development and establishment of a sales structure for business partners shared by both banks

- Establishment of a structure in which the two banks can work together to efficiently provide services by setting a branch office that provides a consulting service to common business partners as a supervising office (Nov.-)

■ Co-organizing negotiation meetings, business contest, and other events

- Individual business meetings with expressway SA/PA (Nov.)
- “NIIGATA Business Idea Contest” (Nov.), “Niigata Start-up Award” (Jan.)

■ Joint campaigns commemorating the integration

- “Winter Investment Trust Campaign” (Dec.-Feb.)
- “Spring Fresh Startup Campaign” (Feb.-May)

■ Co-organizing various seminars

- “Asset Management Seminar” (Oct.-Feb.); “Medical Long-term Care Seminar” (Nov.)
- “Seminar on Real Estate Utilization and Inheritance Measures” (Nov.); “Business Succession Forum” (Jan.)
- “Seminar on the Use of METI Subsidies” (Feb.)

■ Mutual utilization of both banks’ products and services

- Provision of consulting service by “Technical Cooperation Office” of Hokuetsu Bank to Daishi Bank’s customers (Dec.-), and others

Efforts for organizational integration

■ Establishment of “Integration Promotion Meeting”

- Promote efforts toward organizational integration through the meeting (held 6 times from Oct.)

■ Start of personnel exchange

- Start of personnel exchange among medium- to large-scale sales office managers (transfer as of Apr. 1-)
→ 5 Branch Office Managers and 1 Deputy Branch Office Manager of each bank were exchanged.

■ Joint holding of training, etc.

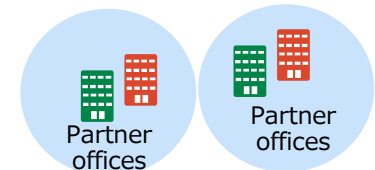
- Co-organizing holiday and nighttime seminars (Total of 3,375 participants in 38 events)
- Organizing “Startup 180: Bankers Exchange Training” (Total of 462 Branch Office Managers and young bankers participated)
- Commencement of mutual sharing of both banks’ training centers (Oct.-)

■ Establishment of “Partner Office” (neighboring branch offices)

- Launch of a partner office system by the “59” Group of neighboring offices of both banks (Nov.-)

■ Start of integrated management of both banks’ HQ

- Commencement of personnel exchange among sales and marketing divisions and other specialized departments (Oct.-)
- Hokuetsu Bank’s system and admin divisions moved to the main office building of Daishi Bank to start integrated management of both banks’ HQ. (Admin division: Apr.-; System division: Jun.-)



Strengthen mutual support and cooperation among neighboring offices

<3> "Startup 180" (October 2018 to March 2019)

2. Summary 2 (Synergy effects)

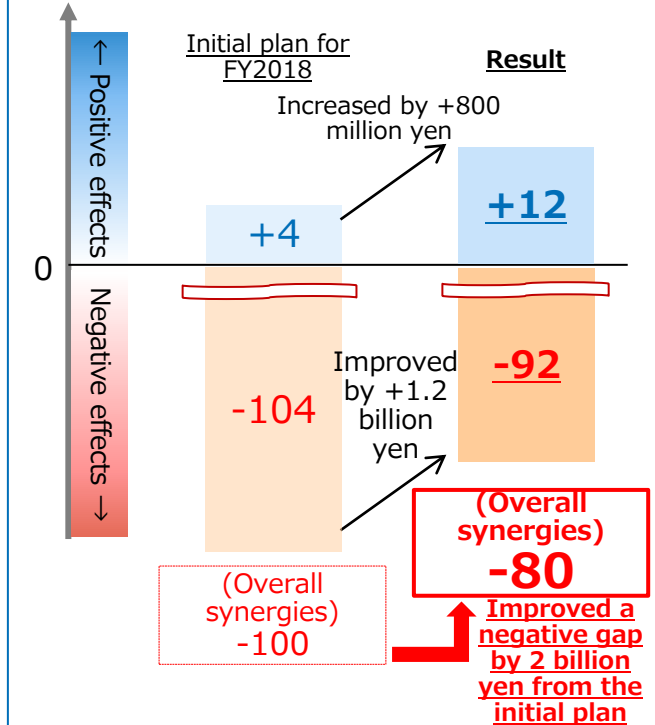
● In FY2018, negative synergies such as impairment cost due to office consolidation took precedence. However, the synergies improved a negative gap by 2 billion yen over the initial plan

<Breakdown of synergies (October 2018 to March 2019)> (JPY 100 MM)

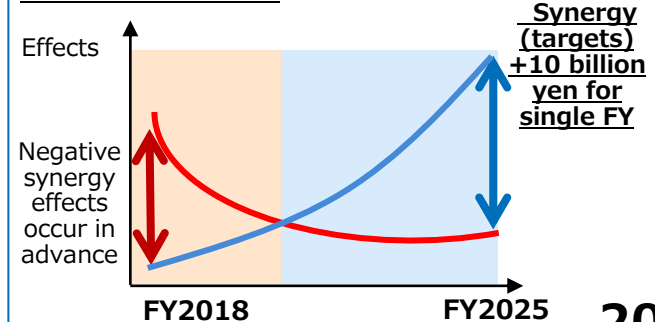
Top line synergy	[SME loans]	<ul style="list-style-type: none"> Promotion of matching real estate information held by both banks Promotion of consultation for owners, etc. through collaboration between the two banks Discover demand for funds through joint seminars, etc. 	+0.5	+12 (vs. Initial plan) +8
	[Financial solutions (corporate service)]	<ul style="list-style-type: none"> Launch of "Private Placement Bonds for Child-Raising, Education, and HR Development" jointly planned Co-formation of syndicated loans and others, joint promotion of M&A, etc. 	+4	
	[Asset management advice (assets under custody) service]	<ul style="list-style-type: none"> Expansion of brokerage business of Daishi Securities by Hokuetsu Bank Promotion of joint investment trust campaigns, etc. 	+1	
Cost synergy	[Decrease in personnel expenses]	<ul style="list-style-type: none"> Suppression of hiring new employees and part-timers, etc. 	+5	-92 (vs. Initial plan) +12
	[Decrease in outsourcing expenses, etc.]	<ul style="list-style-type: none"> Consolidation of cash card issuance business to Hokuetsu Bank, etc. 	+1	
Negative synergy	[Impairment cost on offices]	<ul style="list-style-type: none"> Impairment cost accompanying consolidation of 50 offices following the merger 	-64	-92 (vs. Initial plan) +12
	[Tightening of allowance criteria accompanying the business integration]		-17	
	[System and administration integration cost, etc.] (Including the reduction in transfer charges between the two banks due to the integration)		-11	

<Total synergies> -80 (+20 vs. initial plan)

<Overall synergies> (JPY 100 MM)



<Reference>



<3> “Startup 180” (October 2018 to March 2019)

3. Summary 3 (Key performance indicator “KPI”)

- The amounts of SME loans, consumer loans, and non-interest income all increased steadily over the previous year.

Key performance indicator (KPI)		FY2017 Result	FY2018 Result	5 Indicators (%) for transformation of portfolios	
Profitability	Consolidated profits ^{*1} (JPY 100 MM)	—	568	Ratio of SME loans to total loans	FY2017 Result: 37.1 → FY2018 Result: 37.2 (+0.1)
Growth potential	Average balance of SME loans ^{*2} (JPY 100 MM)	17,629	18,606 (+977)	Ratio of consumer loans to total loans	FY2017 Result: 24.4 → FY2018 Result: 24.6 (+0.2)
	Average balance of consumer loans (JPY 100 MM)	11,612	12,293 (+681)	Ratio of unsecured loans in consumer loans	FY2017 Result: 8.0 → FY2018 Result: 8.0
	Non-interest income amount ^{*3} (JPY 100 MM)	165	176 (+11)	Ratio of income from assets under custody in core gross business profits	FY2017 Result: 7.6 → FY2018 Result: 9.4 (+1.8)
Efficiency	OHR in core gross business profits (%)	73.4	74.8 (+1.4)	Ratio of income from financial solutions in core gross business profits	FY2017 Result: 6.7 → FY2018 Result: 7.5 (+0.8)
	Consolidated ROE (based on shareholders' equity ^{*4}) (%)	—	15.5 (17.8)		
Health of business	Consolidated capital adequacy ratio (%)	—	9.5		

*1: Profit attributable to owners of parent

*2: Annual average balance before partial direct write-offs

*3: Total amount of net fees and commissions income and other operating profits excluding gains/losses related to debentures (Government bonds, etc.)

*4: A denominator shall be obtained by deducting “Valuation difference on available-for-sale securities” and others from the amount of net assets.

* Those without the description of consolidation are based on the total of 2 banks.

4. Summary 4 (Indicators for contribution to communities)

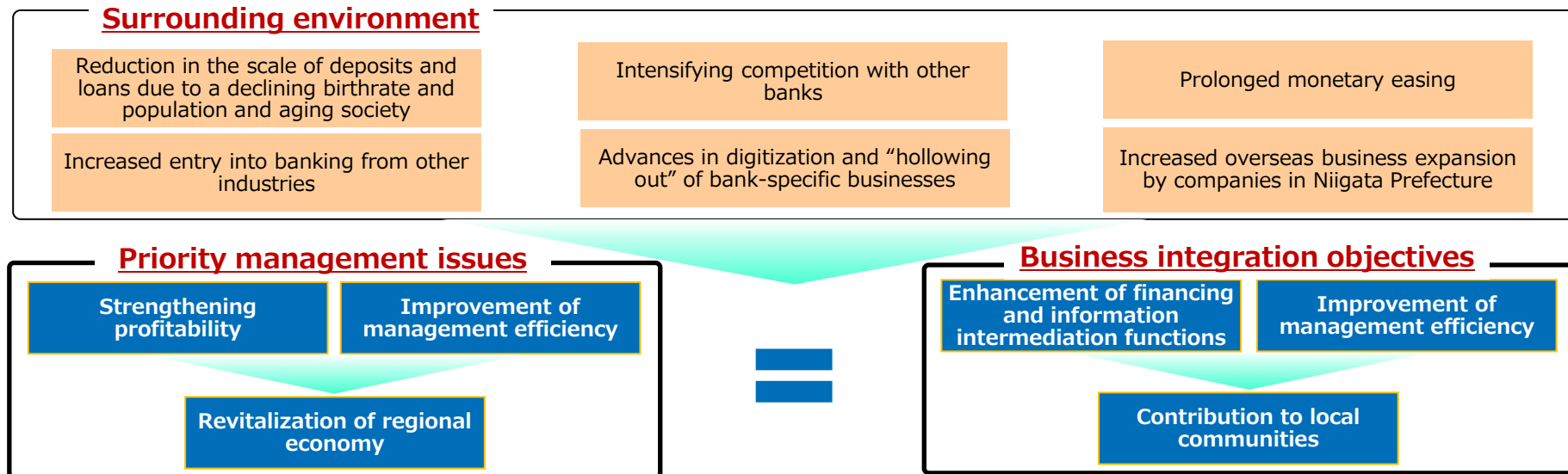
- Result exceeds target for all indicators

Indicators for contribution to communities		FY2018		* Based on total of 2 banks Vs. Target
		Target	Result	
Top-priority target to measure contribution to communities	Number of companies for which Daishi Hokuetsu Financial Group is a main bank	13,950	<u>14,436</u>	+486
	Number of cases involved in first and second start of business	1,050	<u>1,136</u>	+86
Maintain and increase regional economic drivers	Number of business partners supported their business succession	1,400	<u>1,433</u>	+33
	Number and balance of borrowers based on business evaluation	900 210 billion yen	<u>2,355</u> <u>452.8</u> billion yen	+1,455 +242.8 billion yen
Support companies enhance their added value	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	3,460	<u>3,836</u>	+376
	Number of business partners with improved key performance indicators, etc.	8,750	<u>9,233</u>	+483
	Number of core business supports	3,450	<u>3,729</u>	+279
	Number of companies supported formulation of business improvement plan	520	<u>660</u>	+140

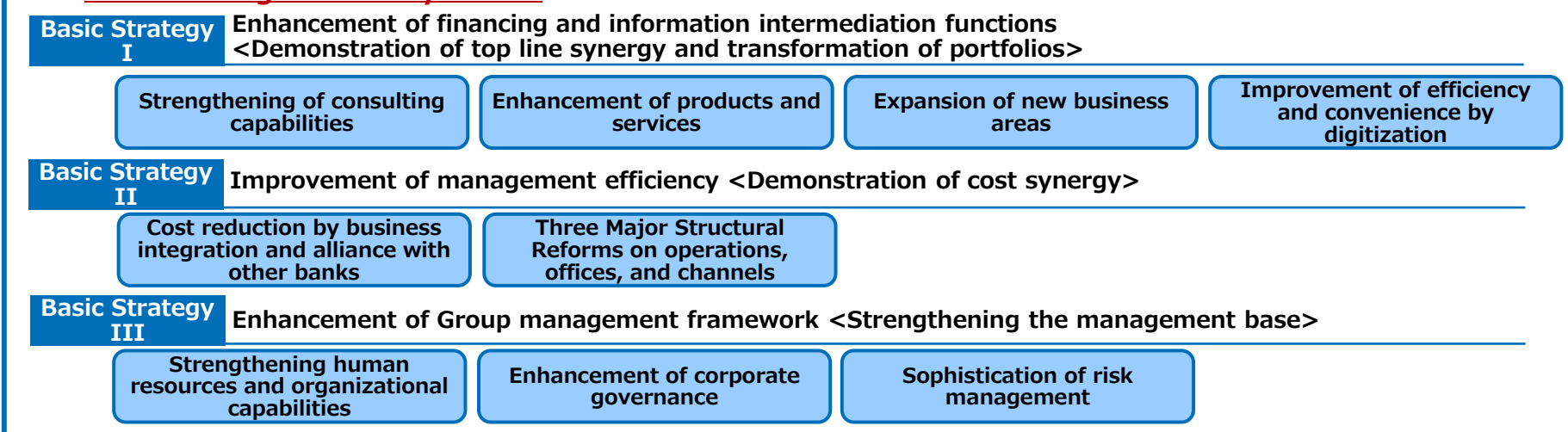
FIRST MEDIUM-TERM MANAGEMENT PLAN

1. Outline of the plan

- Three basic strategies shall be taken to overcome the priority management issues in line with the surrounding environment.

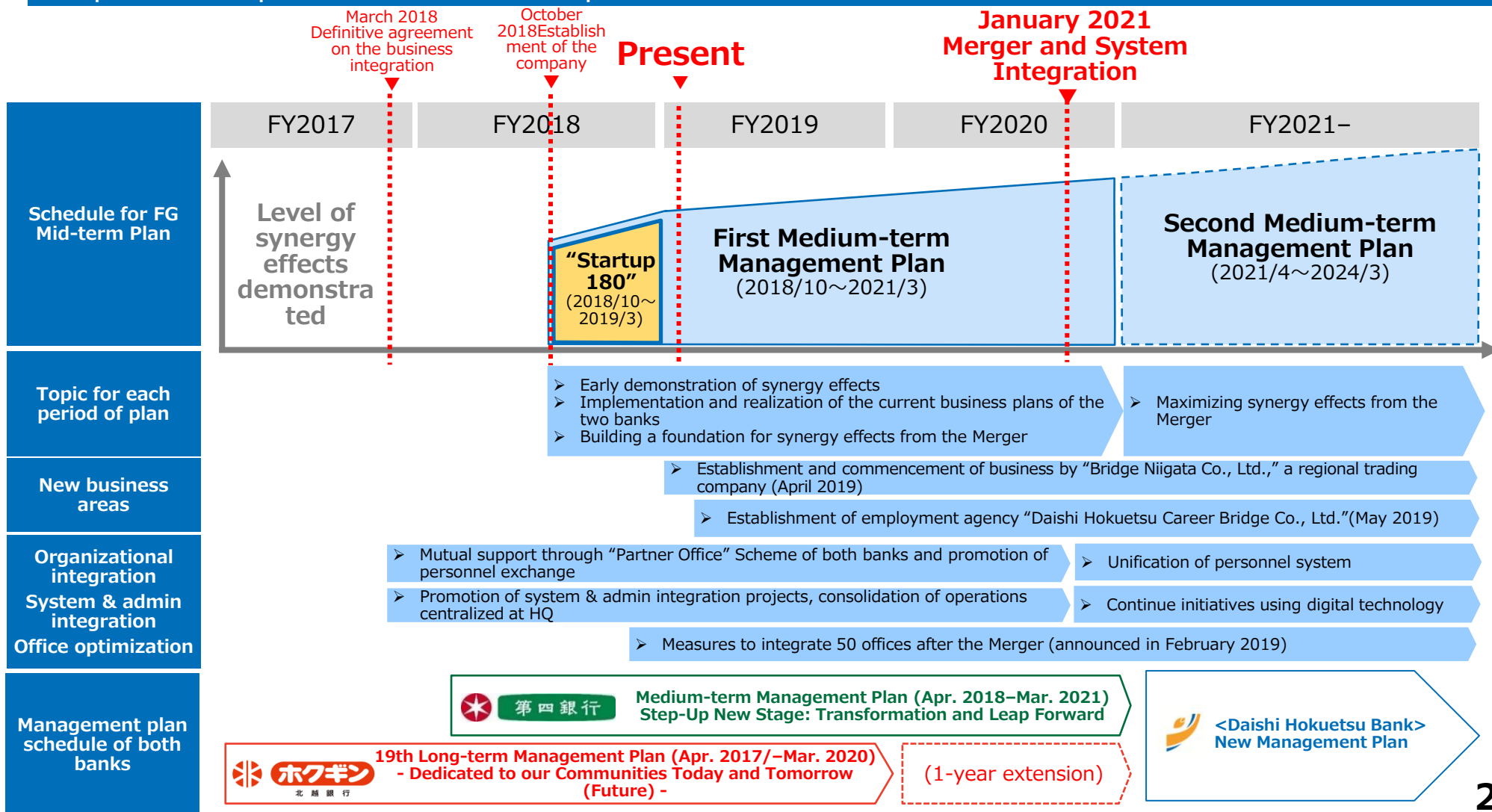


Basic strategies and key tactics



Reference: Schedule for the First and Second Medium-term Management Plans

- The merger of two banks and the system and administration integration are scheduled for January 2021 to maximize the effects of business integration.
- The Medium-term Management Plan will be implemented in 2 stages: "First Medium-term Management Plan" up to FY2020 when the two banks will merge, and "Second Medium-term Management Plan" to maximize synergies from the Merger.
- Positioning a 6 month-period following the establishment of our company as the most important stage, the synergy measures shall be implemented with speed and concentration as "Startup 180."



<4> First Medium-term Management Plan (October 2018 to March 2021)

2. FY2019 Business Forecast

- Combined profits of the 2 banks are expected to increase by 2.7 billion year-on-year to 17.1 billion yen.

(JPY 100 MM)

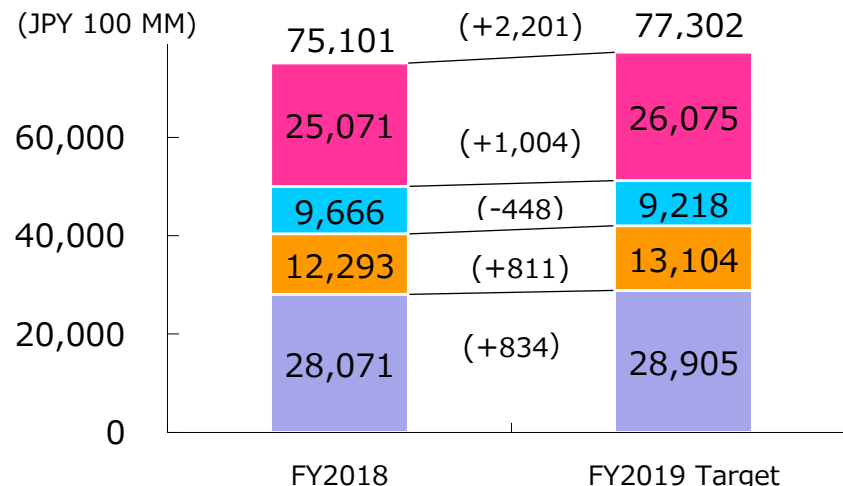
FG Consolidated	Business forecast (announced on May 2019)	YoY
Ordinary profit	225	58
Consolidated profits*	149	-419

* Profit attributable to owners of parent

The previous year recorded "Gain on bargain purchase" at 47.2 billion yen

[Plan for average balance of assets under management]

* Before partial direct write-off

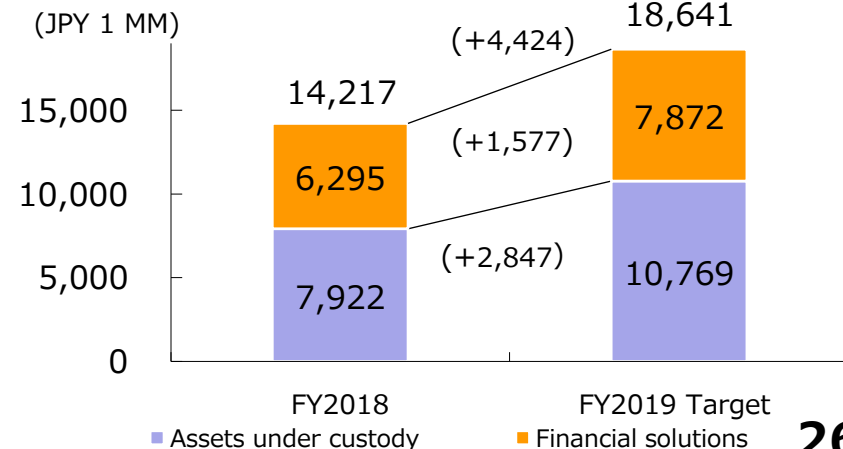


Total of 2 banks

(JPY 100 MM)

	FY2019 Total of 2 Banks	Daishi		Hokuetsu	
		YoY	YoY	YoY	YoY
Core gross business profits	886	591	25	294	19
Net interest income	671	427	2	243	3
Of which, interest on loans and discounts	496	323	23	172	1
Of which, interest and dividends on securities	232	148	-23	84	-3
Net fees and commissions income and other operating profits (excluding gains/losses related to debentures (Government bonds, etc.))	215	164	22	51	16
(Gains/losses related to debentures (Government bonds, etc.))	-5	-10	9	5	-8
Expenses	664	439	26	225	7
Core net business income	222	152	-1	69	12
Gains/losses on stocks, etc.	51	35	-5	16	-21
Ordinary profit	236	162	2	73	-2
Profit	171	117	14	53	13
<Net credit cost>	18	15	-4	3	-21
<Business integration cost>	42	28	-4	14	-41

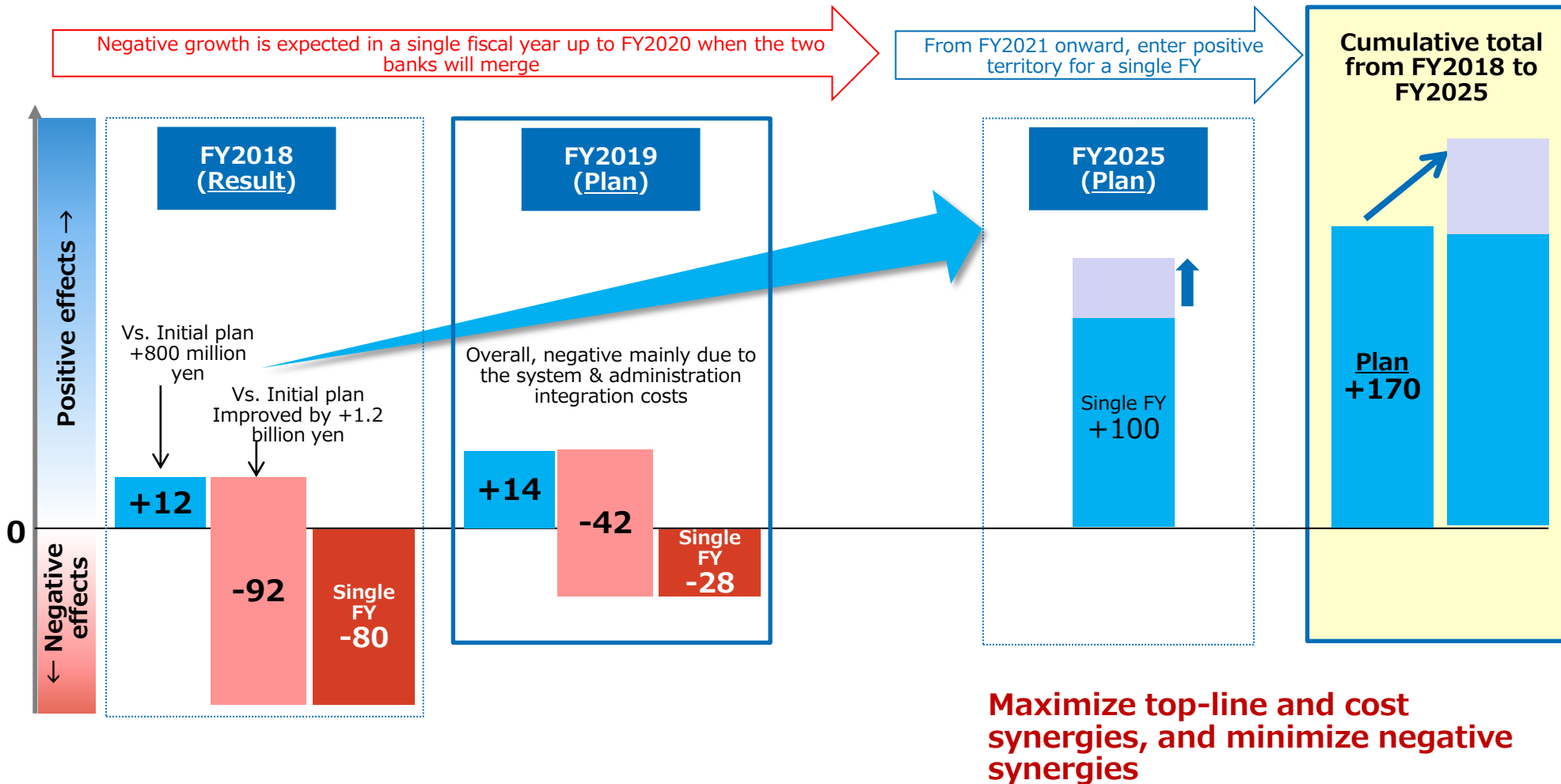
[Income from assets under custody and financial solutions]



<4> First Medium-term Management Plan (October 2018 to March 2021)

3. Synergy Effects Incorporated into FY2019 Business Forecast

- Up to FY2020, negative synergies will advance mainly due to the system & administration integration costs.
- In FY2018, a negative gap was improved by 2 billion yen for the single fiscal year. Expedite united efforts to realize synergy effects exceeding 17 billion yen in total by 2025



<4> First Medium-term Management Plan (October 2018 to March 2021)
4. FY2019 Target 1 (KPI and 5 indicators for transformation of portfolios)

Targets for key performance indicators

*Indicators without the description of consolidation are based on the total of 2 banks

Category	Key Performance Indicator	FY2019 Target	FY2018 Result
Profitability	Consolidated profits	14.9 billion yen	56.8 billion yen
Growth potential	Average balance of SME loans	1,977.2 billion yen	1,860.6 billion yen
	Average balance of consumer loans	1,310.4 billion yen	1,229.3 billion yen
	Non-interest income amount	21.5 billion yen	17.6 billion yen
Efficiency	OHR in core gross business profits	74.9%	74.8%
	Consolidated ROE (based on shareholders' equity)	3.6% (3.9%)	15.5% (17.8%)
Health of business	Consolidated capital adequacy ratio	9.2%	9.5%

5 indicators for transformation of portfolios

* Based on the total of 2 banks

Indicator	FY2019 Target	FY2018 Result
Ratio of SME loans to total loans	38.6%	37.2%
Ratio of consumer loans to total loans	25.6%	24.6%
Ratio of unsecured loans in consumer loans	8.8%	8.0%
Ratio of income from assets under custody in core gross business profits	12.1%	9.4%
Ratio of income from financial solutions in core gross business profits	8.9%	7.5%

5. FY2019 Target 2 (Indicators for contribution to communities)

Category	Indicator	FY2019 Target	FY2018 Result
<p style="text-align: center;">Indicators for contribution to communities</p> <p style="text-align: center;">* Based on the total of 2 banks</p>	Top-priority target to measure contribution to communities	14,430	14,237
	<p style="text-align: center;">Maintain and increase regional economic drivers</p>	Number of cases involved in first and second start of business	1,175
<p style="text-align: center;">Support companies enhance their added value</p>		Number of business partners supported their business succession	1,470
<p style="text-align: center;">Support companies enhance their added value</p>	Number and balance of borrowers based on business evaluation	3,350 740 billion yen	2,355 452.8 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	4,100	3,836
	Number of business partners with improved key performance indicators, etc.	9,229	9,078
	Number of core business supports	3,820	3,729
	Number of companies supported formulation of business improvement plan	550	660

* Methods of calculating the "number of companies for which Daishi Hokuetsu Financial Group is a main bank" and "number of business partners with improved key performance indicators" were partially revised in FY2019.

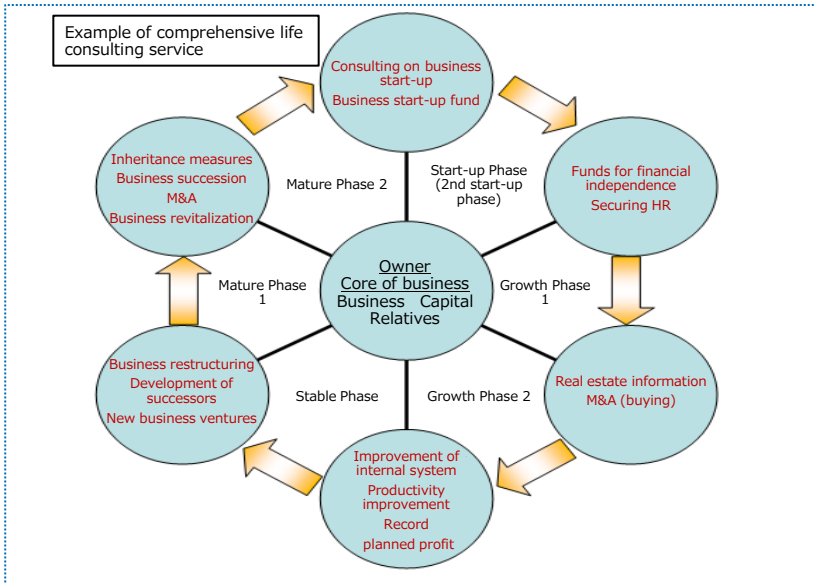
1. United "Transformation of Sales Promotion System" 1

<Integration of sales organization and promotion measures>

- Unification of sales organizations and promotion measures of the two banks as "Sales Transformation" aimed at the Merger
- Enhancement of comprehensive consulting function by reassigning sales personnel of both banks and establishing Corporate Strategy Team

Demonstration of comprehensive consulting capabilities

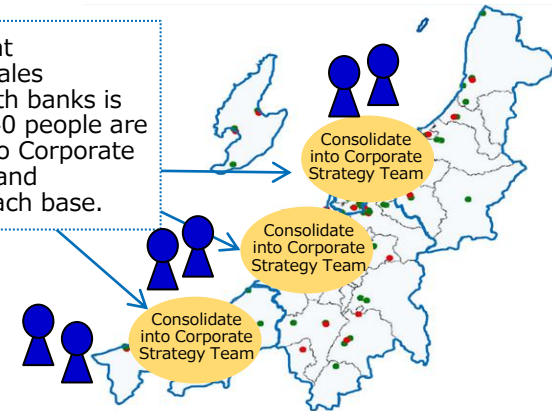
- Establish a system to identify and understand the status of customers' businesses and capital relationships, share assumed issues with customers, and implement solutions.



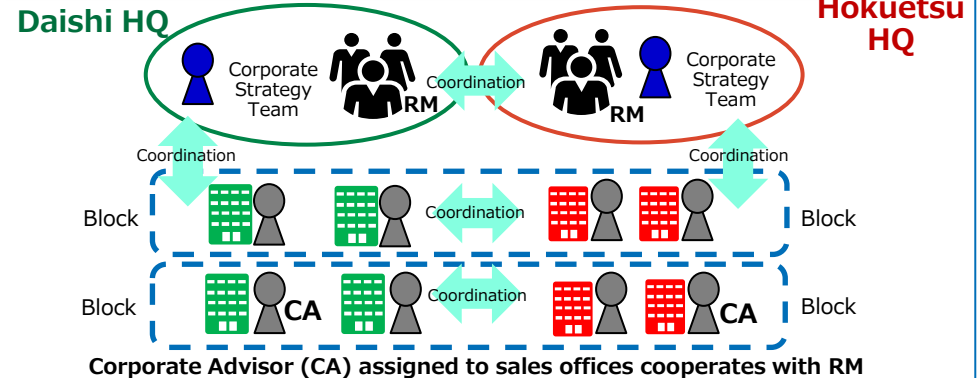
Joint establishment of Corporate Strategy Team

- The two banks jointly establish "Corporate Strategy Team" that promotes comprehensive consulting services for regional core and growing companies.

It is planned that assignment of sales personnel at both banks is reviewed, and 40 people are consolidated into Corporate Strategy Team and reassigned to each base.



Strengthen partnership between both banks with Relationship Manager (RM)



Integrated management of both banks' sales offices and information sharing by block

- A cooperative structure has already been developed for integrated promotion and management, where neighboring offices of both banks are in substance deemed as one office (the sales office evaluation system has also been unified).
- Currently promoting sharing of information and know-how between the two banks through FG Block Meeting.



Key roles of RM	Centralized management of regional information and consulting cases, support for business formulation, etc.
Key roles of CA	Engage in all consulting cases within the office and work with RM and Corporate Strategy Team

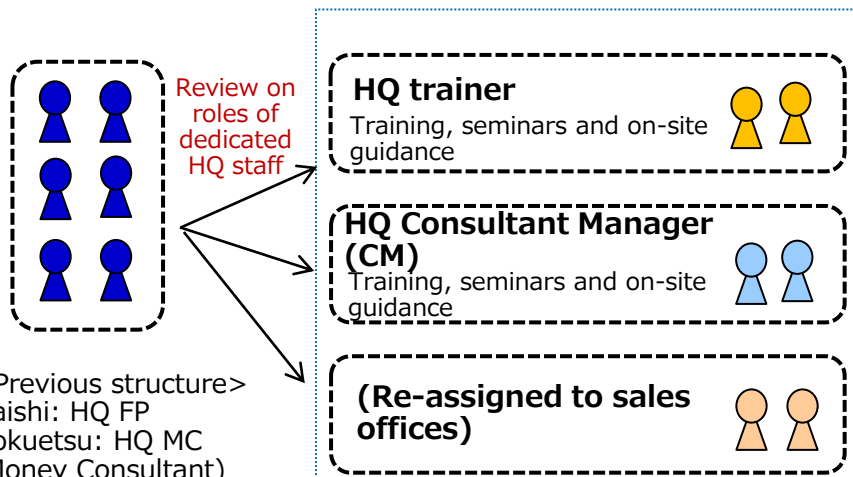
1. United "Transformation of Sales Promotion System" 2

<Human resources development>

- Work on the development of human resources capable of providing comprehensive consulting services as top priority
- Visualizing the skills of sales office staff and providing fine-tuned support for HR development by dedicated HQ staff according to their skill levels

Review on roles of dedicated HQ staff

- > Work on the development of human resources capable of providing comprehensive consulting services as top priority, such as asset management and loans according to the life cycle of individuals, and shift the roles of dedicated HQ staff from sales to HR development of sales office personnel

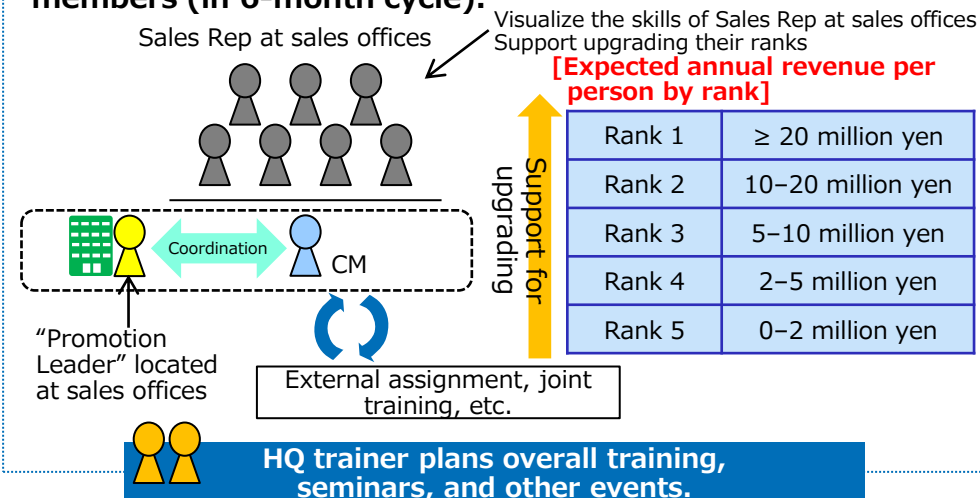


* Daishi Bank led implementation in April 2019.
Hokuetsu Bank starts implementation in 2nd half of FY2019.

HR development to enhance consulting skills

- > Fine-tuned HR development will be carried out in accordance with the "Skill Rank*" of sales office staff to improve the overall skills.

One CM is responsible for training about 7 sales office staff members (in 6-month cycle).



* Outline of "Skill Rank" system
Set 5 skill levels for sales office staff

Rank 1	Knowledge at the level of FP1, possible to appoint as HQ CM, etc.
Rank 2	Knowledge at the level of FP2, possible to appoint as Promotion Leader at sales office, etc.
Rank 3	Able to make a proposal alone, etc.
Rank 4	Level of FP3, able to make a proposal by accompaniment, etc.
Rank 5	Entry level

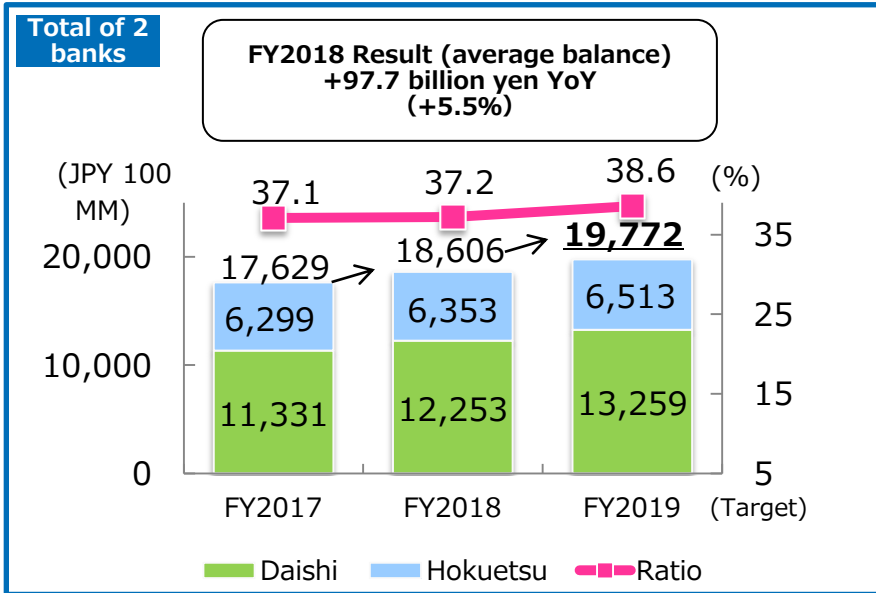
2. SME Loans (Ratio: 37.2% in FY2018 → 38.6% in FY2019)

* Based on the total of 2 banks

- Yield for business loans and bills discounted reversed to increase interest on loans and discounts for the first time in 10 years. Promotion to new customers will be further strengthened by re-assigning sales force.

[Average balance of SME loans and the loan ratio]

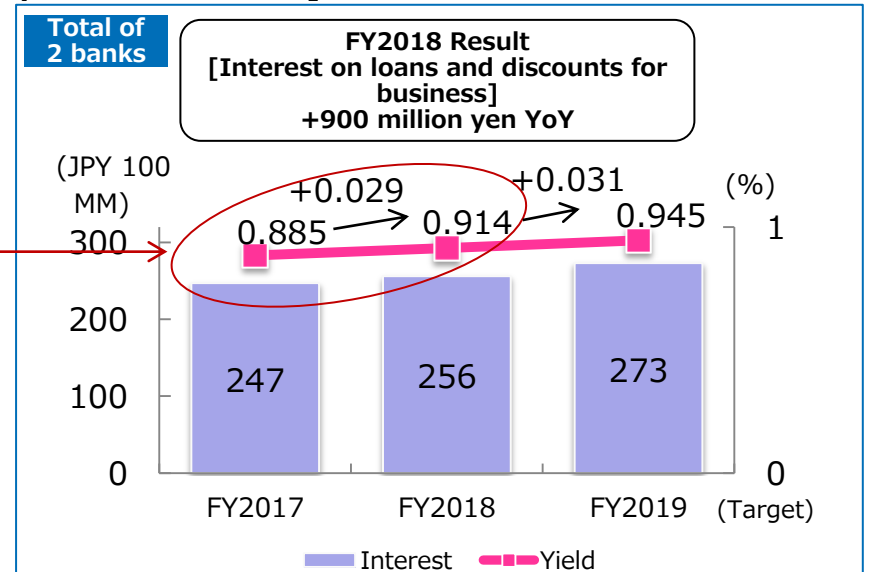
* Before partial direct write-off



Yield for loans and bills discounted for business reversed in FY2018

[Interest on loans and discounts and contracted yields for business]

* Before considering unrecorded interest



Strengthen promotion activities for new customers and increase sales personnel at bases outside the prefecture

- By developing an efficient promotion structure for borrowers shared by both banks, strengthen the consulting function for new customers within the prefecture, while increasing the number of sales staff outside the prefecture through reviewing assignment of sales force at both banks.

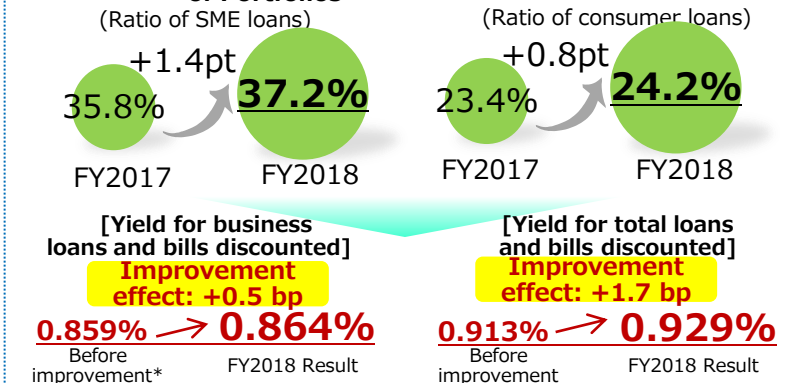
Mutual utilization of products and services between the two banks

- Hokuetsu Bank also began offering "Regional Industry Promotion Fund" (Daishi: Jun. 2017-) (Oct. 2018-).
- Launch of "Loans with Special Provisions for Exemption of Principal at Earthquake Disaster" (Daishi: May 2018-) to Hokuetsu Bank customers (Oct. 2018-).

2 banks: Executed 32 billion yen in total

Daishi: Executed 11.1 billion yen in total

Improvement effects on the interest rate of loans and bills discounted by "Transformation of Portfolios"



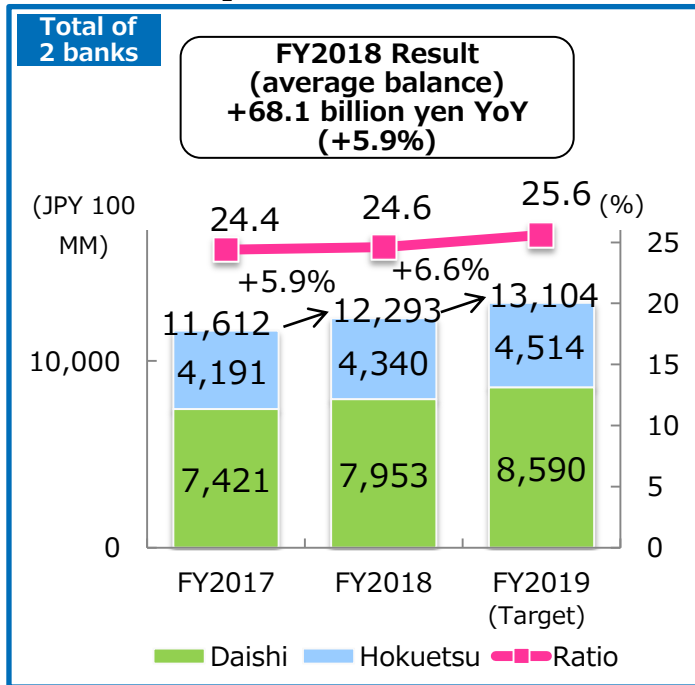
* Estimate based on the portfolio composition in the previous year

3. Consumer Loans (Ratio: 24.6% in FY2018 → 25.6% in FY2019)

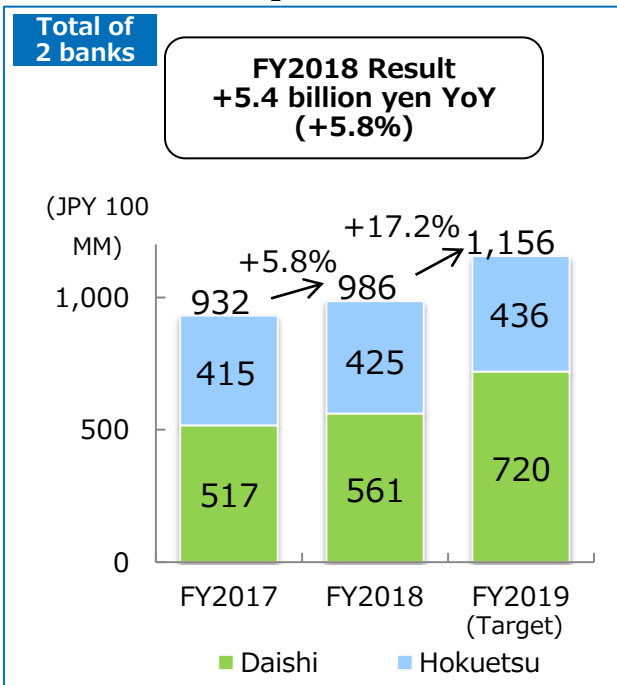
* Based on the total of 2 banks

- Further increase unsecured loans such as private car loans by promoting omni-channel and digital marketing

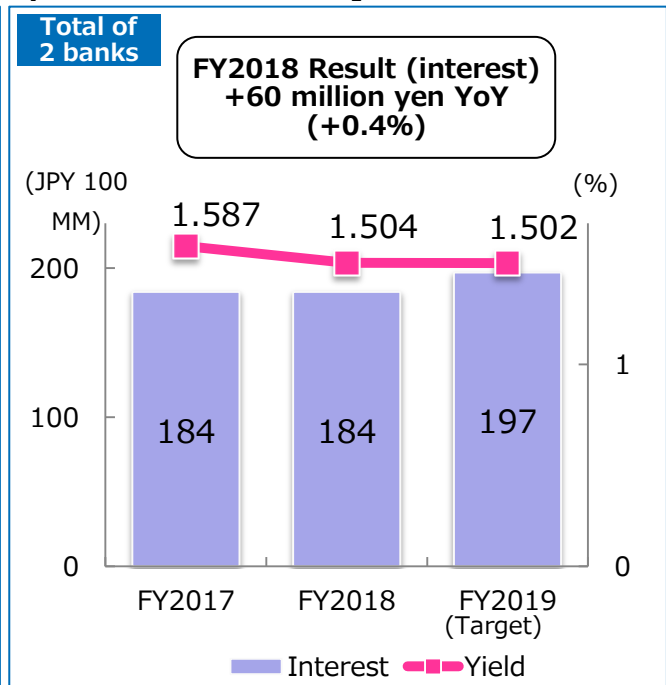
[Average balance of consumer loans and the loan ratio]



[Of which, average balance of unsecured loans]

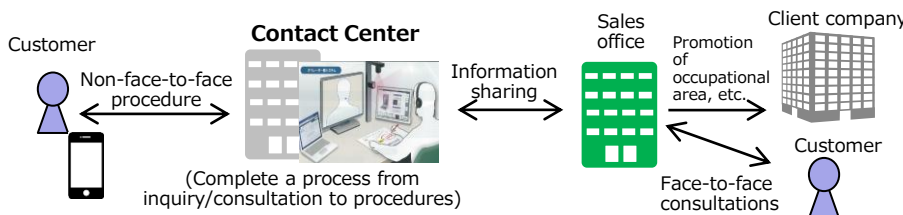


[Interest on loans and discounts and yields for consumers]



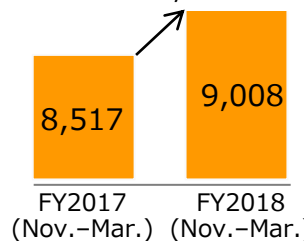
Increase and strengthen unsecured loans such as private car loans by promotion of omni-channel

- In November 2018, Daishi Bank led in offering a scheme completed by non-face-to-face procedures for all unsecured loans. Strengthen promotion focused on omni-channel with "Contact Center" at its core.



Daishi Bank

<Number of unsecured loans received> +491 cases, +5.7%



Strengthen promotion outside the prefecture through the complete non-face-to-face scheme

- The company intends to actively promote business outside the prefecture capitalized on the Internet branches and external guaranty companies.

Promotion of digital marketing

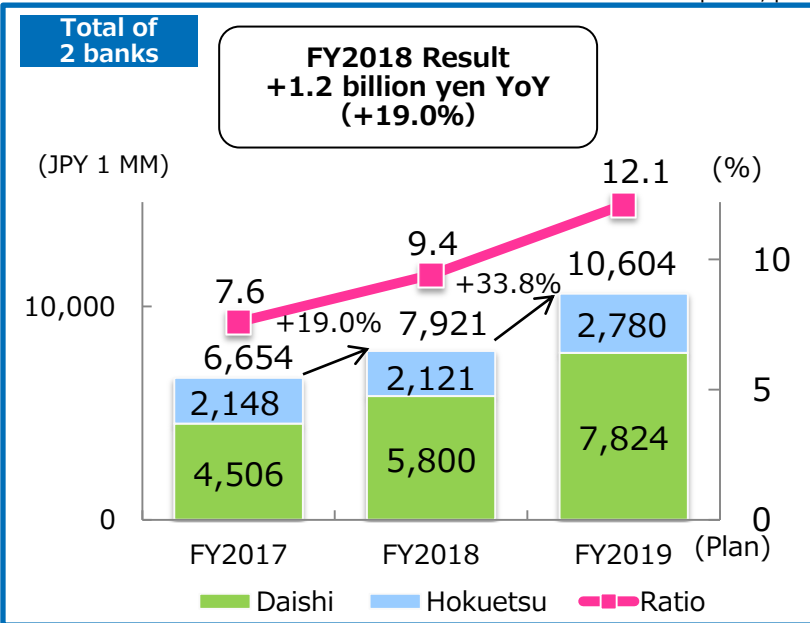
- Daishi Bank plans to establish a digital marketing organization in its sales division.

4. Income from Assets under Custody (Ratio: 9.4% in FY2018 → 12.1% in FY2019)

- Actively hold asset management seminars to promote stable asset formation. Continue with a thorough implementation of Customer-first Business Practices

[Income from assets under custody]

* Investment trusts, insurance, structured deposits, public bonds, securities brokerage, etc.



Thorough implementation of Customer-first Business Practices

- Thorough implementation of the basic policy for “Customer-first Business Practices” to contribute to the stable asset formation of customers. (Announced by Daishi Bank in Jun. 2017 and Hokuetsu Bank in Aug. 2017)
- Going forward, we will continue to work on initiatives to earn the trust of customers and disclose updates on these initiatives. (Both banks announced “Comparable common KPIs at investment trust sales companies” in Nov. 2018.)

Actively hold asset management seminars to promote stable asset formation

- To enhance financial literacy and promote stable asset formation, Daishi Bank and Hokuetsu Bank held 276 and 104 asset management seminars for customers in FY2018, respectively.

<Number of clients holding investment products of both banks>

21,922 → **24,310**

<Number of defined-contribution pension subscribers>

33,684 → **35,329**

<Number of installment investment trust contractors>

137,458 → **143,714**

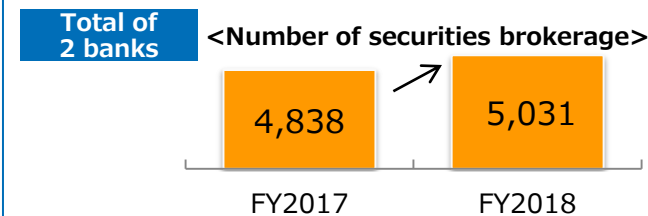
<Asset balance of defined contribution pension plan>

42 billion yen → **43 billion yen**

* Both figures are the total of 2 banks

Expansion of Daishi Securities brokerage business to all Hokuetsu Bank offices

- Launched Daishi Securities brokerage business at Hokuetsu Bank’s 16 offices in October 2018. Expanded business to all offices after April 2019 to further accelerate efforts in bank-securities business.



In October 2019, change the trade name to “Daishi Hokuetsu Securities”

Expansion of new business areas

- Launch of handling fire insurance for businesses in May 2019

Initiative on expansion to trust business as bank’s core service

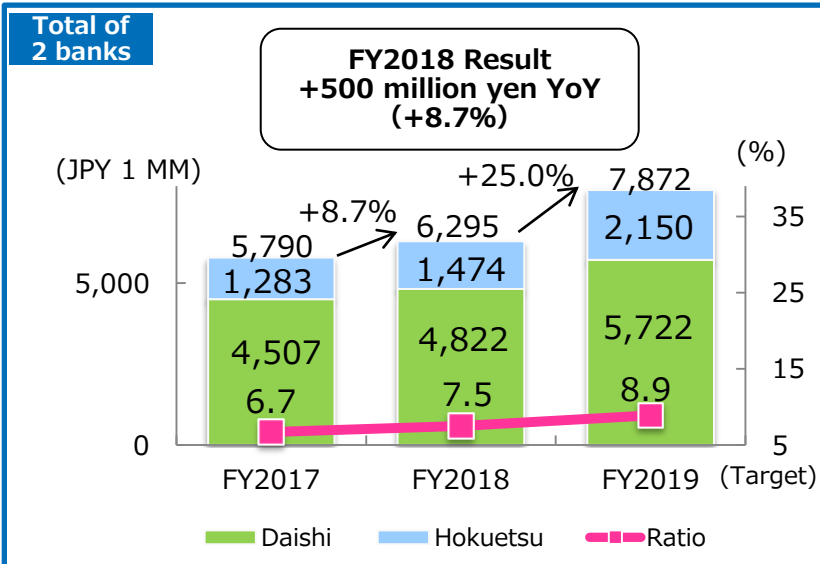
- In order to strengthen the asset succession business, currently developing a structure for the expansion to trust business as the bank’s core service

5. Income from Financial Solutions (Ratio: 7.5% in FY2018 → 8.9% in FY2019)

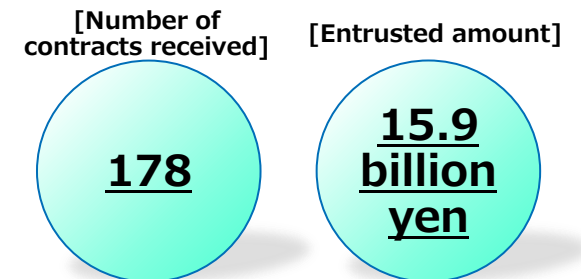
- Provide highly expert consulting services by organically linking the two banks' information

[Income from financial solutions (All)]

* Commissions on syndicate loans, private placement bonds, business succession and M&A, income from foreign exchange and interest rate derivatives, and business matching, and others

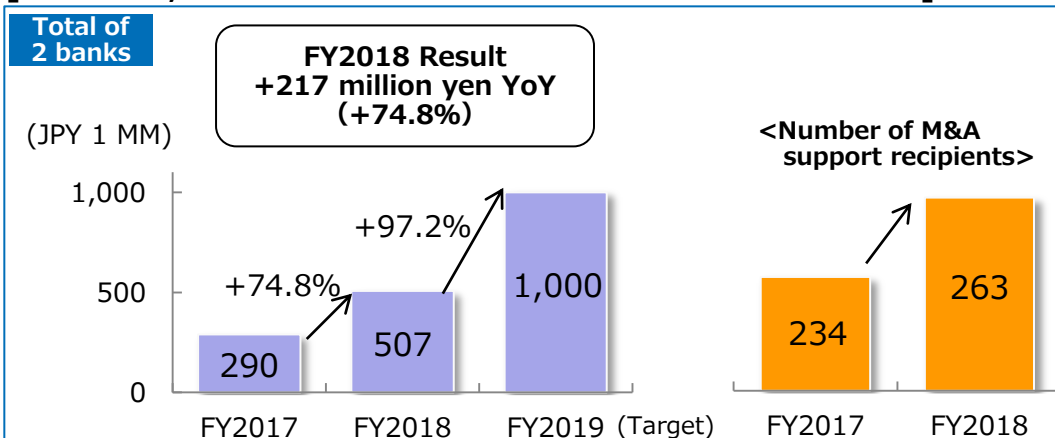


- Entrusted with 15.9 billion yen in total in 5 months since the launch of "Private Placement Bonds for Child-Raising, Education, and HR Development" jointly planned**

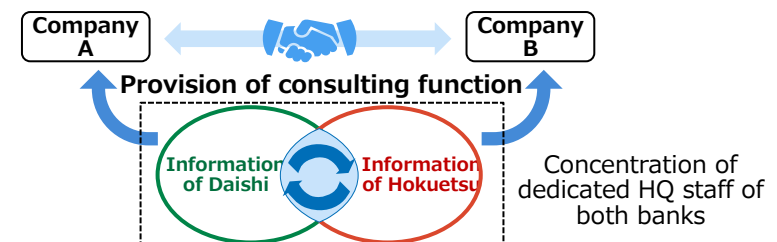


* Result from November 2018 to March 2019

[Of which, income from business succession and M&A]



- Provision of business succession support programs by both banks**
 ◎ Daishi Bank's program (Mar. 2018) is also started by Hokuetsu Bank
- Development of a collaborated promotion structure by concentration of dedicated HQ staff of both banks**
 ◎ Strengthen activities to organically link information held by both banks



6. Securities Investment

- Continue diversion in highly liquid securities while paying due attention to the quantity of interest rate risk

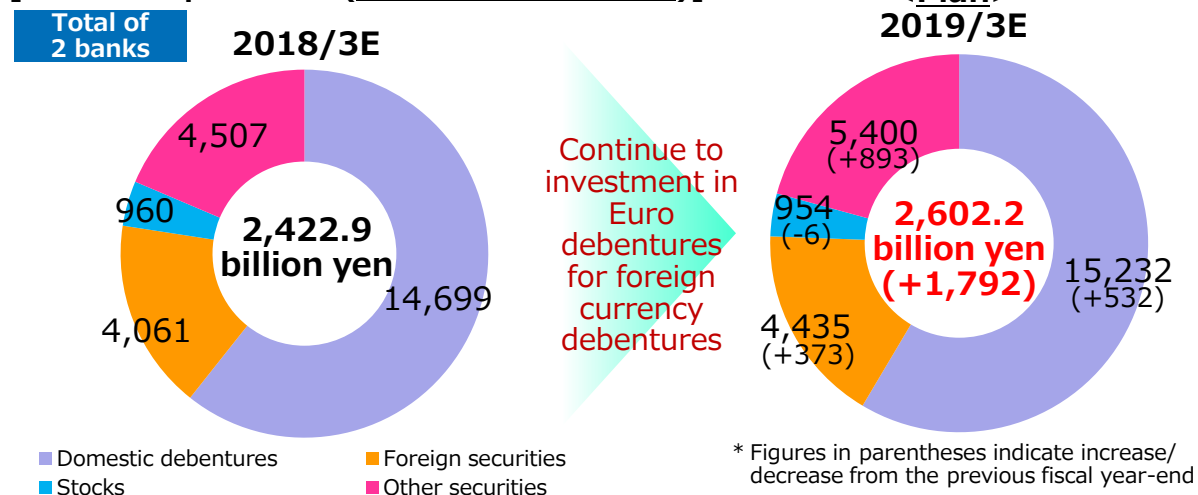
[Basic Policy on securities investment]

- In order to contribute to communities over the future, FG shall enhance the capital base and strengthen the financial position by securing stable period income.
- Investing in highly liquid and transparent assets, perform flexible asset allocation according to the economy and market cycles.
- By sharing investment know-how between the two banks, aim to improve the total asset yields while promoting rationalization and improvement in efficiency.

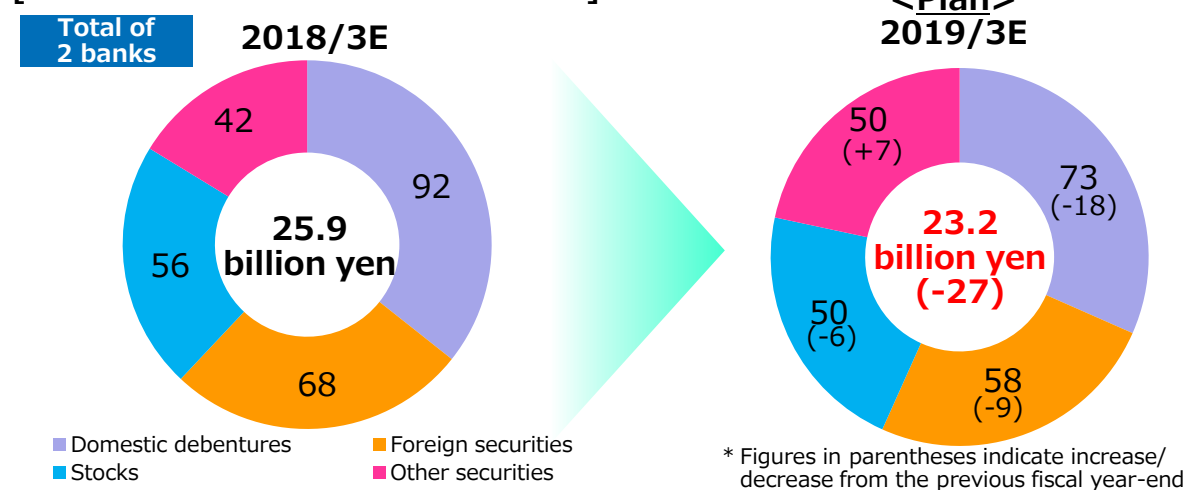
[FY2019 Investment Policy]

- Amid growing uncertainty over the global economy, we will strive to secure stable earnings and improve our portfolios by investing in highly liquid and transparent assets while leveraging the diversification effects of our portfolios.

[Securities portfolios (based on book value)]



[Interest and dividends on securities]



<4> First Medium-term Management Plan
 [Basic Strategy I: Enhancement of Financing and Information Intermediation Functions]
7. TSUBASA Alliance 1 (Outline)

- Pursuing further synergies by developing the largest regional bank alliance



<Comparison of financial results for FYE March 2019 (on a consolidated basis) with other banks in the order of total assets>

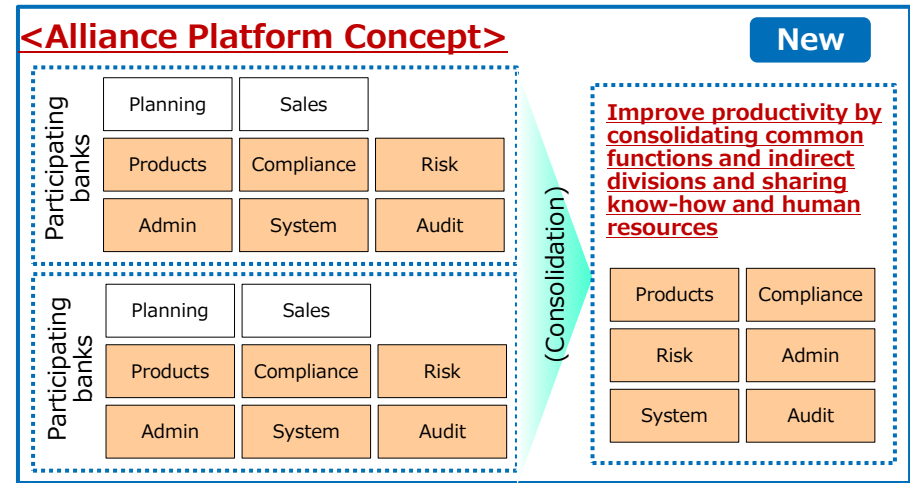
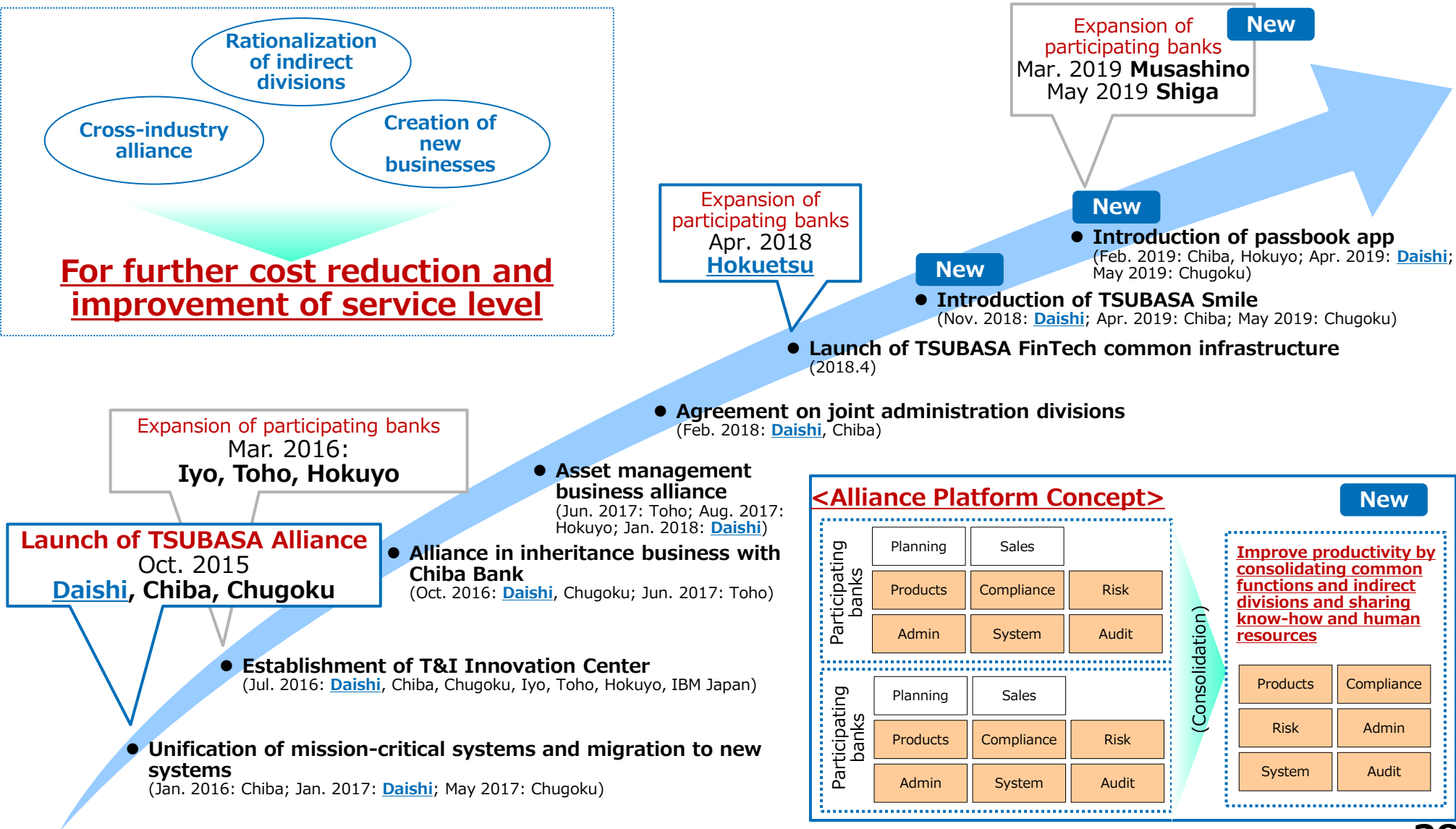
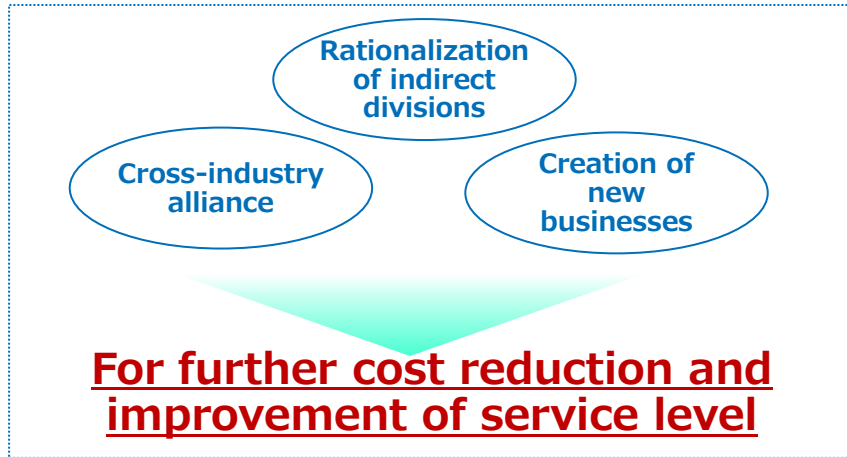
	Total assets	Deposits	Loans and bills discounted
Mitsubishi UFJ FG	311.1 trillion yen	180.1 trillion yen	107.4 trillion yen
Sumitomo Mitsui FG	203.6 trillion yen	122.3 trillion yen	77.9 trillion yen
Mizuho FG	200.7 trillion yen	124.3 trillion yen	78.4 trillion yen
TSUBASA *4	65.7 trillion yen	54.1 trillion yen	41.8 trillion yen
Resona HD*1	59.1 trillion yen	51.1 trillion yen	36.1 trillion yen
Sumitomo Mitsui Trust HD*2	57.0 trillion yen	31.9 trillion yen	29.0 trillion yen
TSUBASA *3	55.0 trillion yen	45.1 trillion yen	34.5 trillion yen
Fukuoka FG	20.8 trillion yen	14.0 trillion yen	12.9 trillion yen
Concordia FG	18.9 trillion yen	15.9 trillion yen	12.6 trillion yen
Mebuki FG	17.3 trillion yen	14.3 trillion yen	11.1 trillion yen

*1 Since April 2018, Kansai Mirai FG (Kansai Urban Bank and Minato Bank) has become subject to consolidation.
 *2 In October 2018, Japan Trustee Services Bank and 2 other companies were excluded from consolidation.
 *3 In April 2018, Hokuetsu Bank became a member.
 *4 Musashino Bank and Shiga Bank became members in March and May 2019, respectively.

Total assets follow megabanks.

7. TSUBASA Alliance 2 (Areas of cooperation to date)

- Accumulated the effects of measures while expanding the scale of Alliance



7. TSUBASA Alliance 3 (SDGs Declaration)

New

TSUBASA SDGs Declaration

Based on the SDGs (Sustainable Development Goals) adopted by the United Nations, the TSUBASA Alliance shall declare that each member bank will work to address social and environmental issues in the respective region in order to realize their sustainable growth as one of the objectives of the Alliance, utilizing knowledge of the Alliance, based on mutual recognition of the following common agenda.

- 1 **Regional economy and society**
 Contribute to the revitalization of local economies and communities
- 2 **Aging society**
 Support safe and secure life for the elderly
- 3 **Financial services**
 Deliver financial services for a better life
- 4 **Diversity**
 Promote diversity and Workstyle Reform
- 5 **Environment protection**
 Contribute to sustainable environment protection



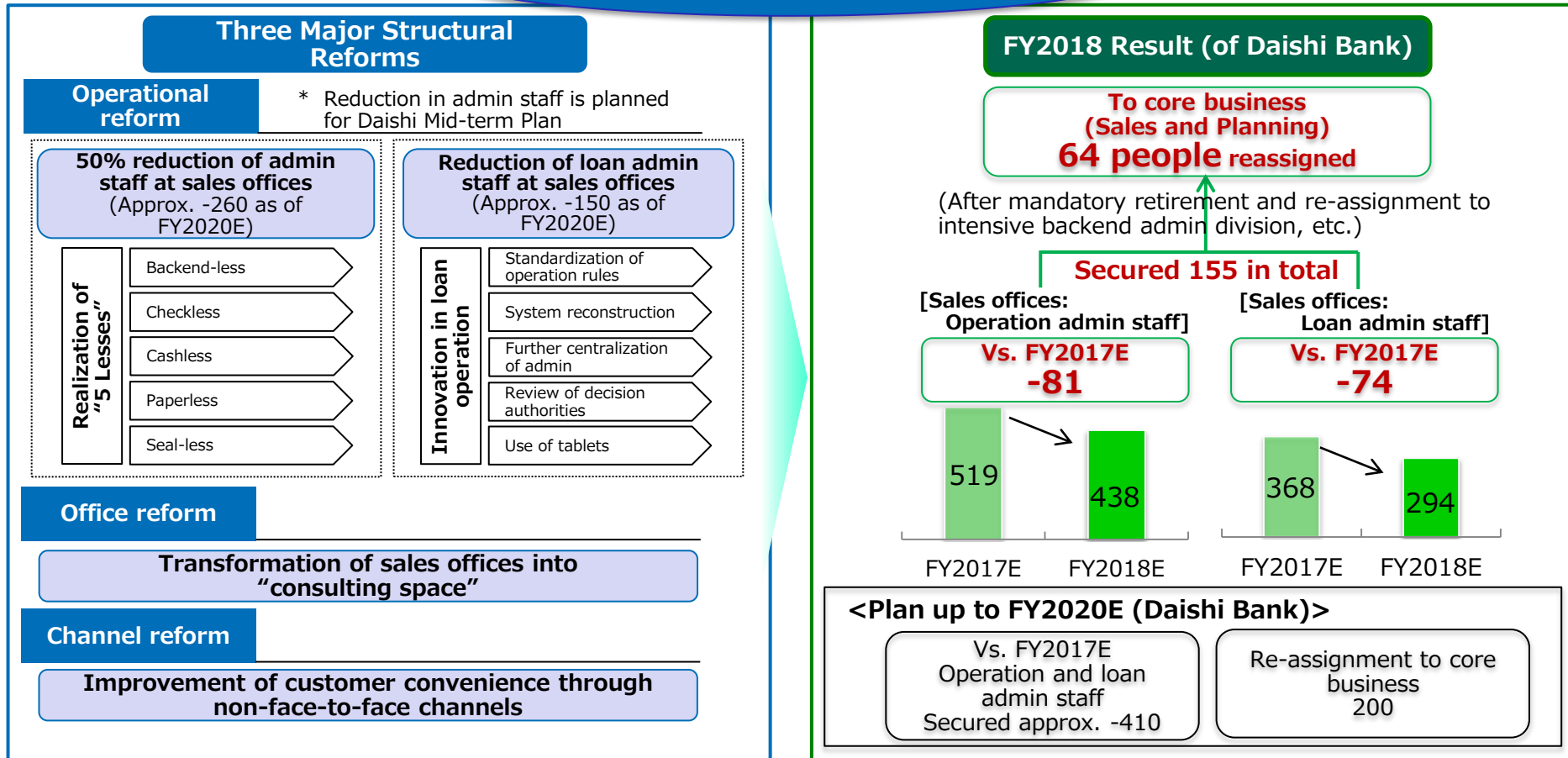
1. "Three Major Structural Reforms" Initiative 1

(Operational, office, and channel reforms)

- Under the "Customer First" principle, actively promote "Three Major Structural Reforms" with three pillars of "Operational Reform," "Office Reform," and "Channel Reform"
- Taking the lead, Daishi Bank has reassigned 64 employees to core business (Sales and Planning Divisions) in FY2018.

* Admin staff does not include fixed-term employees and part-timers

Practice of "Customer First"



↑ "Digitization" initiatives ↓

1. "Three Major Structural Reforms" Initiative 2 (Utilization of digitization)

● Further promote structural reforms capitalized on digitization in cooperation with TSUBASA Alliance

Operational reform:
Sales offices

Office reform

■ Establishment of "Remote Consultation Desk" (Nov. 2018-)

- ⊙ Dedicated operators at HQ conduct various consultations via video chat and provide uniform services at all offices.
- ⊙ Based on the results of trials at 14 offices, expected to gradually expand offices introducing the service



Operational reform: HQ

* Robotic process automation

■ Active use of RPA* (Nov. 2017-)

- ⊙ Introduction of RPA in November 2017 to improve efficiency of HQ operations.
- ⊙ By the 1st half of FY2019, 564 robots are installed, expected to reduce admin time by 21,390 hours a year.

[TSUBASA Alliance]

Operational reform:
Sales offices

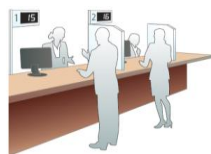
Office reform

■ Introduction of "TSUBASA Smile" (Nov. 2018-)

- ⊙ Joint development of a new system for over-the-counter use by Daishi Bank, Chiba Bank and Chugoku Bank based on Unisys Japan's "Smile Branch" It is possible to take procedures in a paperless and seal-less way by using a dedicated terminal.
- ⊙ Daishi Bank commenced it from receiving applications for personal loans in November 2018 and is gradually expanding the functions to opening of ordinary deposits accounts, and other procedures where possible.



<Transformation of sales offices into "consulting space">



(Now, operation-centric)



(In the future, provision of consulting functions)

[TSUBASA Alliance]

Channel reform

■ Introduction of complete web personal loan scheme (Nov. 2018-)

- ⊙ Commencement of a complete non-face-to-face loan service using a new personal loan screening system that Daishi Bank and Chugoku Bank have jointly developed



[TSUBASA Alliance]

Channel reform

■ Launch of Daishi Bank Passbook App (Apr. 2019-)

- ⊙ Launch of a new application capitalized on the TSUBASA FinTech common platform
- ⊙ Expected to reduce stamp tax and passbook issuance cost while improving convenience

Checking your deposit balance is made so easy!

It is possible to check the balance and the latest account activities (5 statements) on the home screen.



Check your account activities for up to 10 years!

Statements are available from the 1st day 3 months before the Daishi ID user registration



Easy login with fingerprint or facial authentication!

Fingerprint/facial authentication registered on your smartphone will be used.



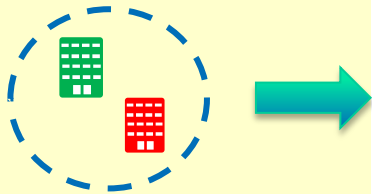
2. Office Integration

- With the basic policy of minimizing any customer inconvenience, 50 offices will be integrated over approximately 3 years from April 2021 after the Merger according to the locations, markets, and office characteristics (announced on February 8, 2019).

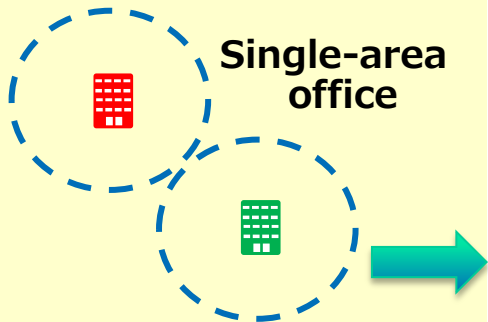
(Office Network)

Daishi Bank and Hokuetsu Bank offices

Neighboring offices



Single-area office

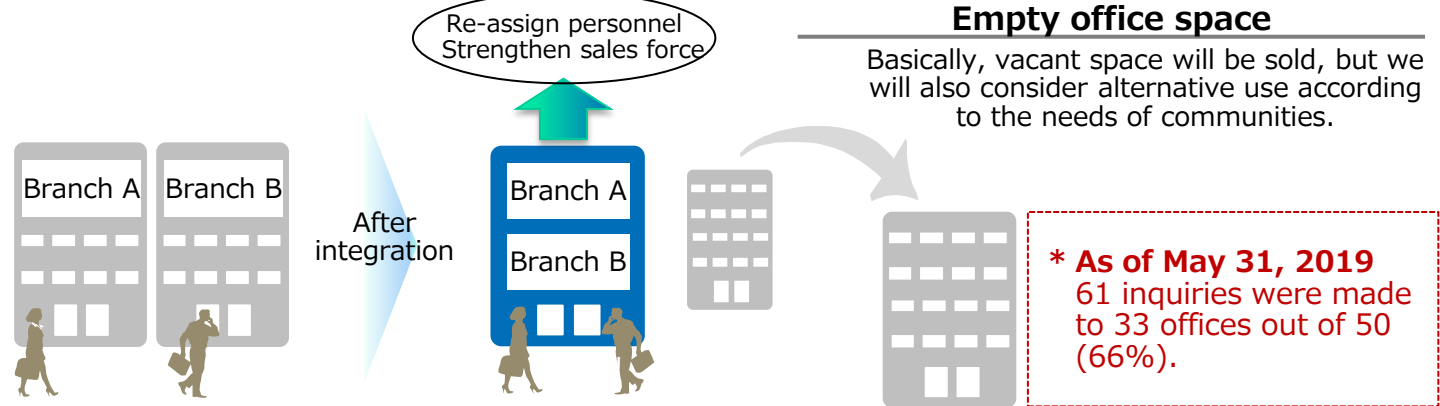


<Neighboring offices> 50 offices (Daishi: 20; Hokuetsu: 30) will be integrated after April 2021.

Single location multiple office method

Integration of neighboring offices by the single location multiple office method

* depending on the useful life of buildings, areas, locations, markets, and office characteristics (see the diagram below).



Relocate Branch B to neighboring Branch A office

* A method whereby multiple sales offices are located in the same building side by side

In the closing of FY2018, recorded impairment loss of 6.4 billion yen in total of 2 banks due to office integration

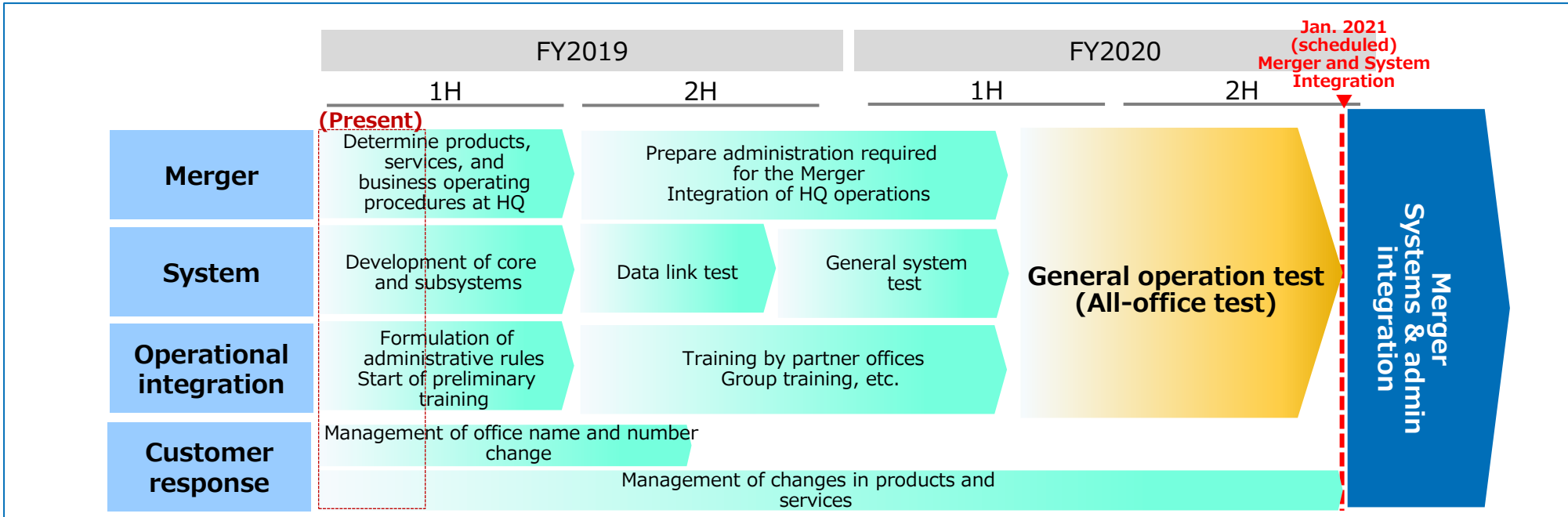
<Single-area offices> Continue to remain after the Merger

The policy for single-area offices, which are located in the area where only one of the banks' offices exists in the unit of former municipalities before the municipal merger in the previous Heisei era, is to maintain them after the Merger for a while.

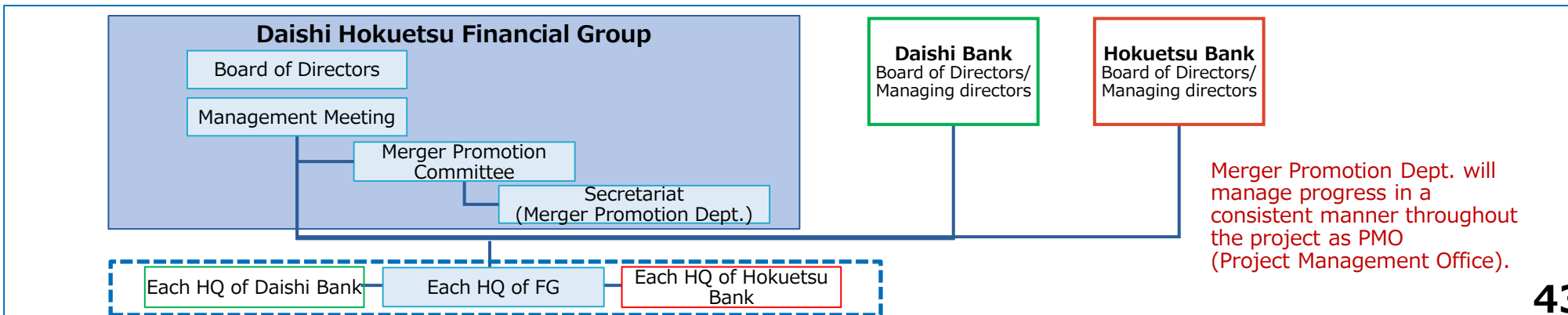
3. System and Administration Integration Project

- Scheduled to integrate system and administration functions of both banks at the time of Merger in January 2021. Promote "System & Admin Integration Project" by united efforts of both banks. Currently proceeding as planned.

[Schedule]



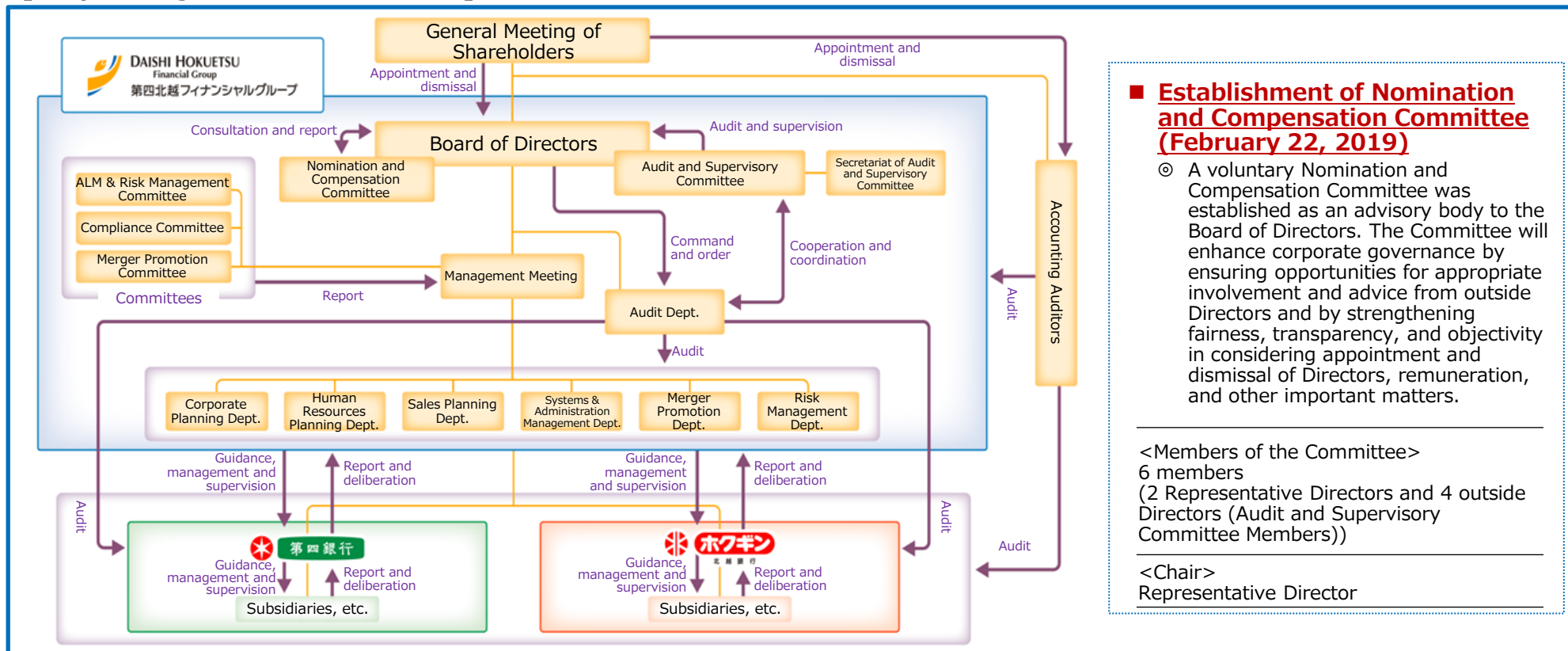
[System & admin project promotion structure]



1. Strengthening Corporate Governance

- Enhance auditing and supervisory functions related to corporate management and improve the transparency of management activities

[Corporate governance structure]



[Initiative on cyber security]

■ Active involvement in “Niigata Prefecture Financial Institutions Cybersecurity Information Committee”

- ◎ System Dept. of Daishi Bank is appointed the secretariat, participated by 29 financial institutions, etc. with their head office in Niigata Prefecture. We will continue to work with financial institutions in Niigata Prefecture to strengthen cybersecurity and provide safe and secure services to customers.

[Initiative on prevention of money laundering]

■ Formulation of “Basic Policy on Anti-Money Laundering and Counter-Terrorism Financing Measures” (Mar. 2019)

- ◎ In line with the Basic Policy, our Group has jointly implemented organizational measures to prevent money laundering, etc.

CAPITAL POLICY

<5> Capital Policy

1. Shareholder Return

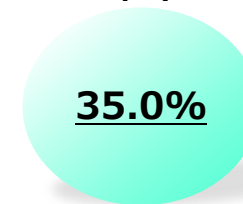
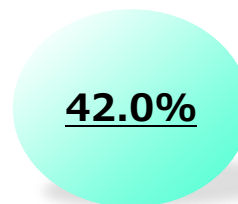
Shareholder Return Policy

- Considering the public nature of the banking business, our basic policy shall be to continue providing stable returns to shareholders while enhancing retained earnings to strengthen its base in order to meet the expectations of shareholders over the future.
- Specifically, we aim to return 40% in total of dividends and treasury shares to shareholders.
- Focusing on the strengthening of profits, our basic policy is to improve ROE aiming to achieve at least 5% over the medium to long term.

Year-end dividends for FY2019/3E

Year ended March 2019	60 yen per share
[Reference] Interim dividends for FY2019/3E	Daishi Bank: 45 yen Hokuetsu Bank: 30 yen

<Shareholder return ratio*1> <Dividend payout ratio>



*1: Calculated using consolidated profits of 2 banks as a denominator
Completed acquisition of treasury shares between February and March 2019 (Acquisition cost: 999,689,000 yen)

Reference: Past result of shareholder return*2

Daishi Bank	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
FY2015	90 yen	21.6%	40.2%
FY2016	90 yen	26.9%	40.0%
FY2017	90 yen	22.6%	35.9%

Hokuetsu Bank	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
FY2015	60 yen	19.7%	29.5%
FY2016	60 yen	21.4%	21.5%
FY2017	60 yen	20.1%	20.1%

*2: Daishi Bank carried out a reverse split on October 1, 2017 at the rate of 1 stock for every 10 common stocks, and Hokuetsu Bank carried out the same on October 1, 2016. With regard to dividends per share, considering the impact of this reverse split, the amount before the consolidation was multiplied by 10.

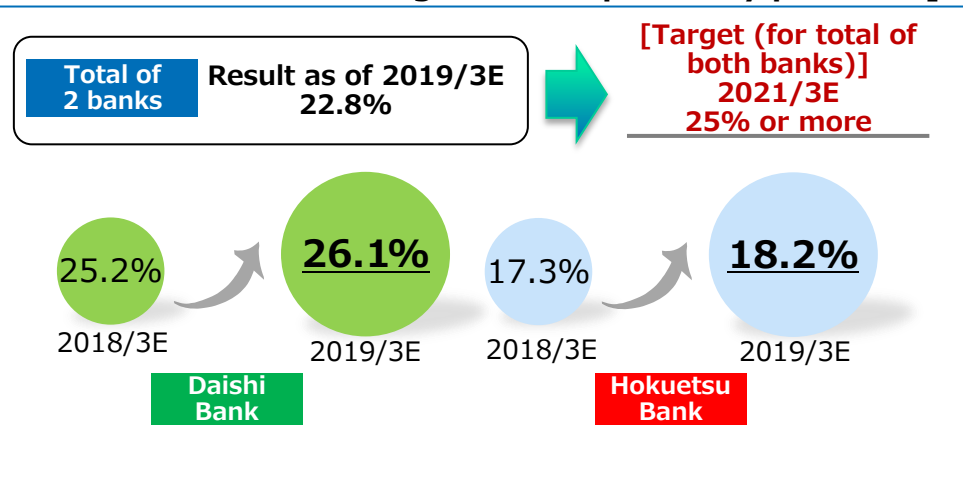
**<REFERENCE>
RECENT MAJOR INITIATIVES**

<6> Recent Major Initiatives

1. Promotion of Women's Career Advancement and Workstyle Reform

- Continue to engage in "Workstyle Reform" and "Promotion of women's career advancement" to improve human resources and organizational capabilities

[Ratio of women in management/supervisory positions]



[Efforts to promote career advancement of women]

<First company in Niigata Prefecture>

- Double-acquisition of "Platinum Kurumin" and "Eruboshi Accreditation III (the highest class)" (by Daishi Bank in Jul. 2018)**
 - In July 2018, Daishi Bank acquired both "Platinum Kurumin" and "Eruboshi Accreditation III (the highest class)" as a company taking excellent action in compliance with the "Act on Promotion of Women's Participation and Advancement in the Workplace" by the Minister of Health, Labour and Welfare.
 - Continue to further promote women's career advancement measures through joint efforts.



[Workstyle Reform]

- Certified as "Health and Productivity Company 2019 (White 500)" (Daishi Bank in Feb. 2019)**

- Strengthen initiatives to maintain and improve employee health with the aim of creating an environment where employees can work with a sense of assurance and exert their maximum potential.



▲ Certificate of "Health and Productivity Company 2019 (White 500)"

- Study tour for women bankers visiting companies in Japan (Hokuetsu Bank in Oct. 2018)**

- In October 2018, Hokuetsu Bank held a study tour for 17 women bankers to visit Japanese companies (in Sabae City, Fukui Prefecture), aiming to support their career advancement by learning about the challenges of corporate and organizational management through exchanges with women in management positions.
- The capacity building program will also be continued.



▲ At the training

<6> Recent Major Initiatives

2. Regional Trading Company “Bridge Niigata” 1

- On April 1, 2019, a regional trading company “Bridge Niigata” was established and commenced business

Trade name	Bridge Niigata Co., Ltd.
Representative	Hiroshi Imamura, President and Chief Executive Officer
Location of head office	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata (within The Daishi Bank Main Office)
Information service base	1st Floor, Daishi Tokyo Building, 1-6-5, Nihonbashi-Muromachi, Chuo-ku, Tokyo
Business	<ul style="list-style-type: none"> Support for expansion of sales channels for Niigata specialties to outside the prefecture and overseas Support for promotion of tourism Support for productivity improvement utilizing IoT, etc.
Share capital (Shareholder composition and investment ratio)	70 million yen (Our company: 14.3%; NCS Corporation: 71.4%; RPA Holdings, Inc.: 14.3%)

Corporate mark



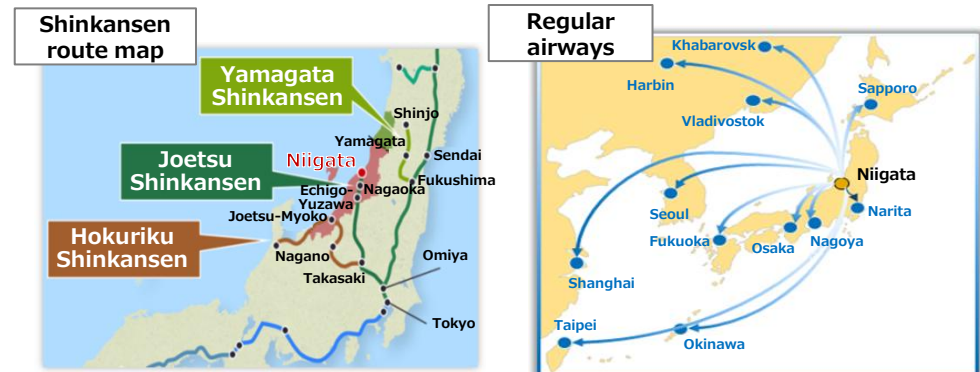
Bridging between the economy of Niigata Prefecture and the markets outside Niigata Prefecture and overseas, the future growth of “Bridge Niigata” is symbolized with a simple arch element in an expansive design with depth.

- Features of Niigata Prefecture: Blessed with rich local resources such as nature and local industries and the best traffic junction on the Japan Sea side

Abundant local resources



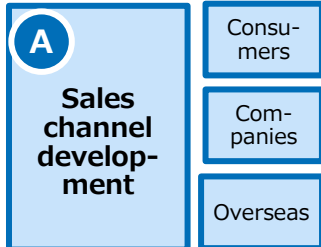
Best traffic junction on the Japan Sea side



<6> Recent Major Initiatives

2. Regional Trading Company “Bridge Niigata” 2

- Prioritize sales channel development project (A), tourism promotion project (B), and productivity improvement project (C) and expand the scope of activities to support community development



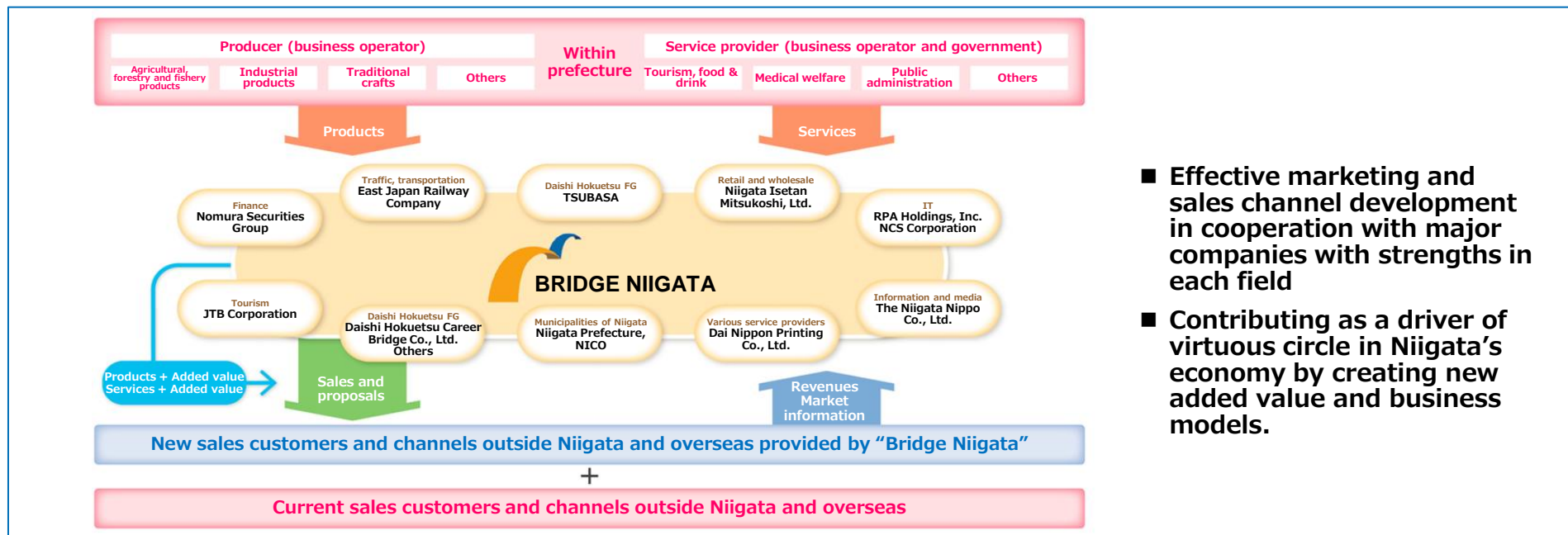
- With Bridge Niigata@Nihonbashi being the starting point, sales opportunities are provided mainly targeting wealthy classes, millennials, overseas visitors including inbounds.
- By identifying the needs of major corporations, Bridge Niigata will introduce companies in the prefecture according to the identified needs and provide support in expanding sales channels. Furthermore, the company also supports product development and expansion to new business domains.
- Bridge Niigata supports development of overseas markets capitalized on the business and customer bases of Daishi Hokuetsu FG and Nomura Group in more than 30 countries and regions around the world.



- Support will be provided for the improvement of an inbound environment and the business evaluation of tourism promotion strategies by constructing a financial and IT service infrastructure, and enhancing the appeal of local tourism resources utilizing external partners and others.



- In order to improve the productivity of SMEs and other businesses in the prefecture, Bridge Niigata provides consulting services on business process reform (BPR), EDI services, and support for the introduction of RPA in cooperation with external partners.



- Effective marketing and sales channel development in cooperation with major companies with strengths in each field
- Contributing as a driver of virtuous circle in Niigata’s economy by creating new added value and business models.

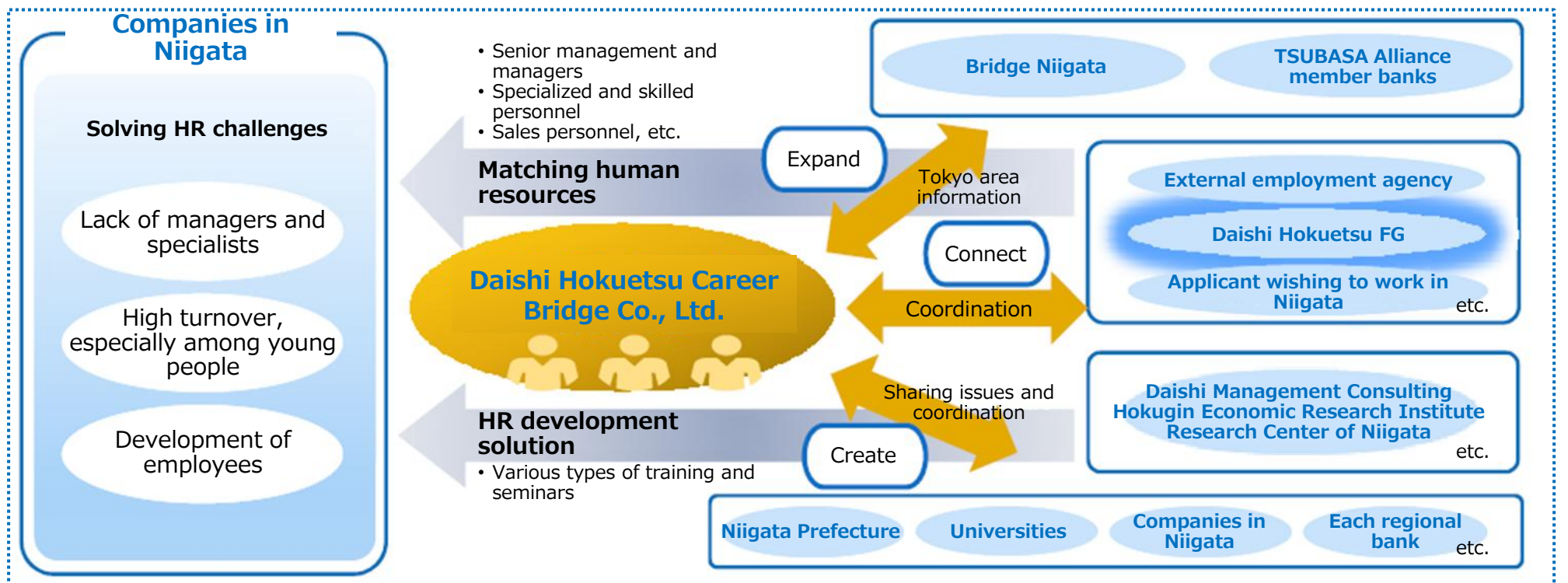
3. Employment Agency “Daishi Hokuetsu Career Bridge”

- Established employment agency, “Daishi Hokuetsu Career Bridge Co., Ltd.,” on May 24, 2019; currently developing a structure to commence business in October
- Positioned as a “general HR consulting company,” it provides a one-stop solution to various “HR” needs of the local companies.

Trade name	Daishi Hokuetsu Career Bridge Co., Ltd.
Representative	Keiko Baba, President and Chief Executive Officer
Location of head office	1-2-25, Higashi-odori, Chuo-ku, Niigata
Business	Recruiting business, consulting on corporate human resources, and others
Share capital	30 million yen (Our company: 100%)

Management Philosophy

As a trusted member of Daishi Hokuetsu Financial Group, the company shall continue contributing to the development of local communities by introducing and developing human resources.



This document contains forward-looking statements on business performance. Such forward-looking statements are not intended to guarantee the future business performance and contain risks and uncertainties. Please note that the future business performance may differ from targets due to changes in the business environment and other factors.

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