

# FY2019/1H Financial Results Briefing (Material)

November 29, 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

April 2019 The Company was established (14.3% invested by FG)  
October 2019 A directly managed office opened in Nihonbashi, Tokyo.

**DAISHI HOKUETSU**  
Financial Group  
第四北越フィナンシャルグループ

**[Profile]** (as of the end of September 2019)

- 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
- Established October 1, 2018
- Share capital 30 billion yen
- Listed exchange Tokyo Stock Exchange (Securities Code: 7327)

**New**

**ブリッジにいがた**  
Location of head office:  
Niigata City

Regional trading company

**New**

May 2019 It was established as FG's wholly owned subsidiary  
October 2019 It started operations

Employment agency

**New**

October 2019 It changed the trade name to "Daishi Hokuetsu Securities" and became FG's wholly owned subsidiary

**第四北越証券**  
Location of head office:  
Nagaoka City

**第四銀行**  
Location of head office:  
Niigata City

**ホクギン**  
北越銀行  
Location of head office:  
Nagaoka City

**第四北越キャリアブリッジ**  
Location of head office:  
Niigata City

## [Profile of Daishi Bank]

(as of the end of September 2019)

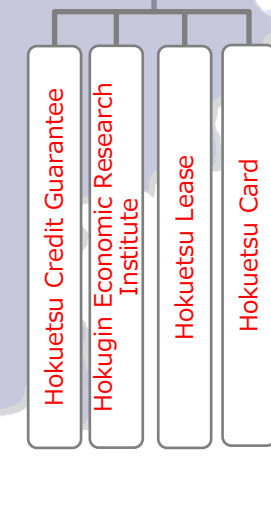
- Location of head office 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata
- Established November 2, 1873
- Total assets 5,921.9 billion yen
- Share capital 32.7 billion yen
- Number of employees 2,167 (2,243 employees including assigned employees)
- Number of offices 122 offices and 1 representative office (Shanghai)  
Inside Niigata Prefecture 113 offices (including 5 satellite offices and 3 virtual offices)  
Outside Niigata Prefecture 9 offices



## [Profile of Hokuetsu Bank]

(as of the end of September 2019)

- Location of head office 2-14 Ote-dori 2-chome, Nagaoka-shi
- Establishment December 20, 1878
- Total assets 2,933.5 billion yen
- Share capital 24.5 billion yen
- Number of employees 1,376 (1,434 employees including assigned employees)
- Number of offices 84 offices  
Inside Niigata Prefecture 79 offices  
Outside Niigata Prefecture 5 offices



# 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, 2019	persons/household	2.51	2.17	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	2,096	4
	Farming output	2017	JPY 100 MM	2,488	92,742	12
	Yield of wet rice	2018	1,000 t	627	7,780	1
Manufacturing	Number of business establishments	June 1, 2018	Business establishment	5,312	188,249	9
	Number of employees	June 1, 2018	1,000 people	187	7,697	17
	Shipment value of manufactured goods, etc.	2017	JPY 100 MM	48,658	3,191,667	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	207	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, 2019	JPY 100 MM	163,383	11,456,723	16
	Balance of loans at financial institutions	March 31, 2019	JPY 100 MM	73,803	6,391,942	16
Education	Rate of advancement to high school	Graduated in March 2019	%	99.6	98.8	1
	Rate of advancement to vocational school (specialist course)	Graduated in March 2019	%	26.0	16.3	1
	Rate of advancement to university, etc.	Graduated in March 2019	%	46.8	54.6	32
Others	Home owner ratio	October 1, 2018	%	74.0	61.2	7
	Number of hospitals per 100,000 people	October 1, 2018	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

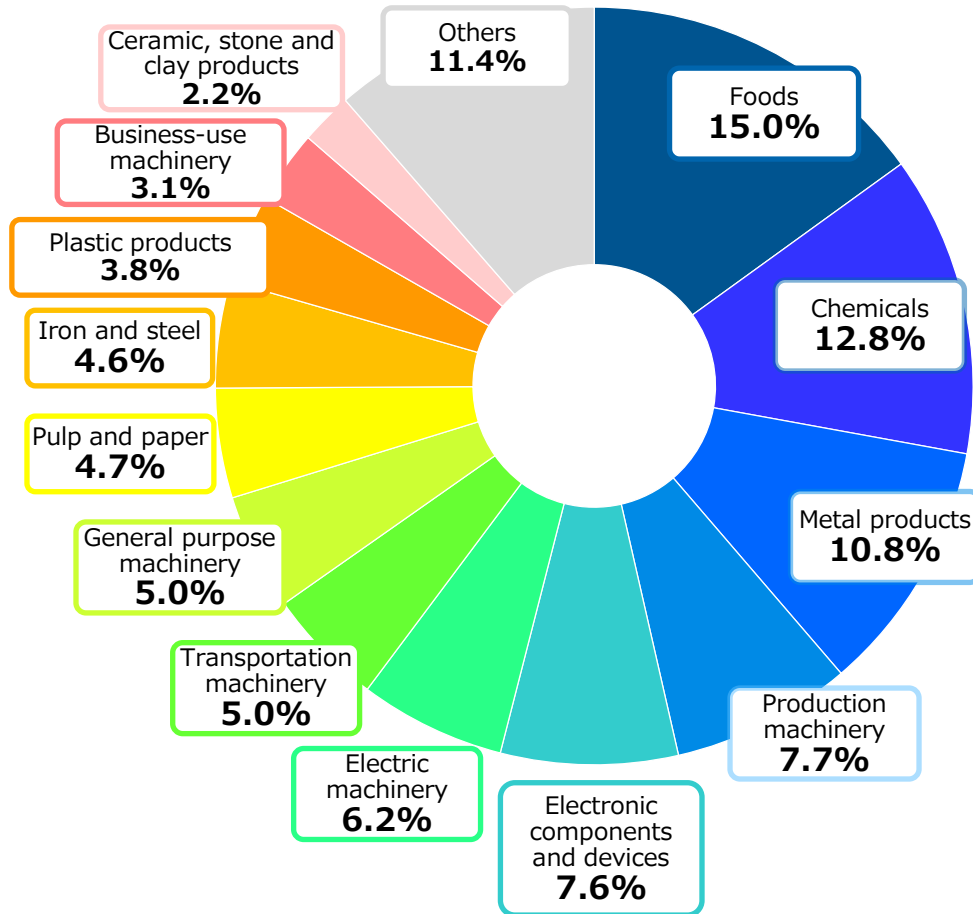
## 37 listed companies headquartered in Niigata Prefecture

TSE Section 1 (18 companies)		TSE Section 2 (11 companies)		JASDAQ (8 companies)	
Ueki Corporation	Construction	Tanabe Engineering	Construction	Daiichi Kensetsu	Construction
Fukuda Corporation	Construction	Bourbon	Foods	Iwatsuka Confectionery	Foods
Kameda Seika	Foods	Seihyo	Foods	Taiyo Koki	Machinery
Ichimasa Kamaboko	Foods	Sato Foods	Foods	Endo Manufacturing	Other products
Hokuetsu Corporation	Pulp and paper	Hokuetsu Metal	Iron and steel	Ocean System	Retail
Arisawa Manufacturing	Chemicals	Twinbird	Electronic equipment	Sado Steam Ship	Marine transportation
Corona	Metal products	Nippon Seiki	Transportation equipment	Broadcasting System of Niigata	Information & communications
Dainichi	Metal products	Niigata Kotsu	Land transportation	Kitac	Services
Hokuetsu Industries	Machinery	Rinko Corporation	Warehousing and transportation		
Snow Peak	Other products	Hokuriku Gas	Electric power and gas		
Hard Off Corporation	Retail	Secom Joshinetsu	Services		
Top Culture	Retail				
Komeri	Retail				
Axial Retailing	Retail				
Arcland Sakamoto	Retail				
Sprix	Services				
Daishi Hokuetsu Financial Group	Bank				
Taiko Bank	Bank				

As of November 29, 2019

# Current Manufacturing Industries in Niigata Prefecture

Composition ratio of manufactured goods shipment value by industry (as of the end of March 2019)



Source: Ministry of Economy, Trade and Industry  
"Statistical Charts on Industry"

## 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 the third highest in Japan.
- 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 the second highest in Japan.
- 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

- Air routes to Northeast China and South Korea
- Three consulates (South Korean, Chinese and Russian) in Niigata City
- Utilization of natural energy and development of energy resources in Russia

## Advantages of transportation network

↔ Expressways extending in 5 directions  
(Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai-Tohoku)

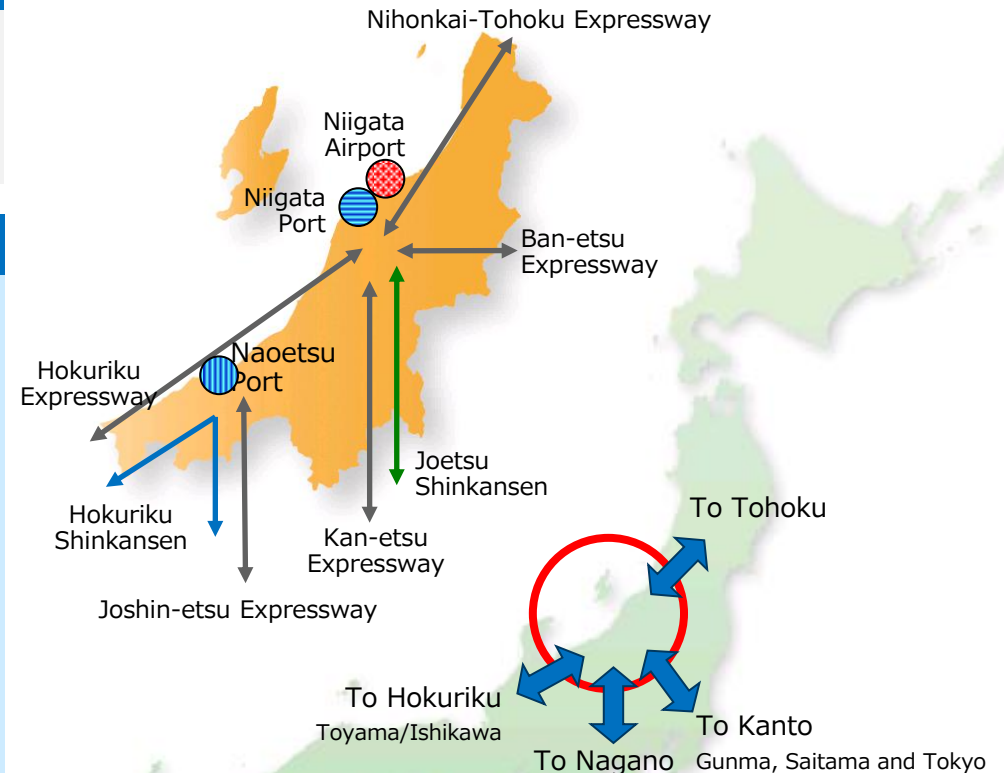
↔ Joetsu Shinkansen

↔ 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: 7 routes (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taipei and Hong Kong)

● Niigata Port  
General/functional port: Certified as the international marine container division and the LNG (liquefied natural gas) division

● Naoetsu Port  
Functional port: Certified as the LNG (liquefied natural gas) division



As of October 31, 2019

## Status of deposits (year-end balance)

	FY2016		FY2017		FY2018	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Deposits	44,893	95.2%	46,413	95.8%	46,847	96.1%
Inside prefecture	43,931	93.1%	45,428	93.8%	45,809	93.9%
Outside prefecture	962	2.0%	984	2.0%	1,037	2.1%
Individuals	30,691	65.1%	31,308	64.6%	31,708	65.0%
Corporations	11,584	24.5%	12,382	25.5%	12,482	25.6%
Local public bodies, etc.	1,949	4.1%	2,096	4.3%	1,960	4.0%
Finance	668	1.4%	625	1.2%	696	1.4%
Negotiable certificates of deposit	2,247	4.7%	1,988	4.1%	1,887	3.8%
Total of deposits, etc. (1)	47,140	100.0%	48,401	100.0%	48,735	100.0%

(JPY 100 MM)

FY2018/1H		FY2019/1H	
Balance	Composition rate	Balance	Composition rate
45,980	95.7%	46,886	96.7%
44,930	93.5%	45,879	94.6%
1,049	2.1%	1,007	2.0%
31,521	65.6%	32,095	66.2%
12,721	26.4%	12,934	26.6%
1,374	2.8%	1,368	2.8%
363	0.7%	487	1.0%
2,037	4.2%	1,582	3.2%
48,017	100.0%	48,469	100.0%

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

	FY2016	FY2017	FY2018
Assets under custody (2)	5,398	5,520	5,699
Investment trust	1,052	1,216	1,220
Public bonds	1,269	1,181	1,048
Whole life and annuity insurance, etc.	3,076	3,123	3,430
Deposits + assets under custody, (1) + (2)	52,539	53,922	54,434

(JPY 100 MM)

FY2018/1H	FY2019/1H
5,696	5,497
1,262	1,118
1,123	928
3,311	3,451
53,714	53,966



## Status of deposits (year-end balance)

	FY2016		FY2017		FY2018	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Deposits	23,628	95.4%	24,633	95.7%	25,102	96.0%
Inside prefecture	22,992	92.9%	23,972	93.2%	24,435	93.4%
Outside prefecture	636	2.5%	661	2.5%	666	2.5%
Individuals	16,754	67.7%	17,225	66.9%	17,460	66.7%
Corporations	5,714	23.0%	6,219	24.1%	6,368	24.3%
Local public bodies, etc.	1,025	4.1%	1,068	4.1%	1,151	4.4%
Finance	133	0.5%	119	0.4%	121	0.4%
Negotiable certificates of deposit	1,115	4.5%	1,087	4.2%	1,043	3.9%
Total of deposits, etc. (1)	24,743	100.0%	25,721	100.0%	26,145	100.0%

(JPY 100 MM)

FY2018/1H		FY2019/1H	
Balance	Composition rate	Balance	Composition rate
25,025	95.7%	24,992	96.4%
24,297	93.0%	24,278	93.6%
727	2.7%	713	2.7%
17,422	66.6%	17,498	67.5%
6,417	24.5%	6,308	24.3%
1,070	4.0%	1,009	3.8%
114	0.4%	175	0.6%
1,100	4.2%	923	3.5%
26,125	100.0%	25,915	100.0%

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

	FY2016	FY2017	FY2018
Assets under custody (2)	3,218	3,088	3,098
Investment trust	873	884	893
Public bonds	158	127	106
Whole life and annuity insurance, etc.	2,186	2,076	2,098
Deposits + assets under custody, (1) + (2)	27,962	28,809	29,244

(JPY 100 MM)

FY2018/1H	FY2019/1H
3,133	3,134
906	863
119	98
2,107	2,172
29,259	29,050

## Status of loans and bills discounted in and outside Niigata (year-end balance)

(JPY 100 MM)

	FY2016		FY2017		FY2018		FY2018/1H		FY2019/1H	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Loans and Bills Discounted	31,551	100.0%	32,461	100.0%	33,867	100.0%	33,051	100.0%	33,829	100.0%
Inside prefecture	22,972	72.8%	23,614	72.7%	24,579	72.5%	23,997	72.6%	24,449	72.2%
Outside prefecture	8,579	27.1%	8,847	27.2%	9,288	27.4%	9,054	27.3%	9,380	27.7%

## Status of loans and bills discounted by industry (year-end balance)

(JPY 100 MM)

	FY2016		FY2017		FY2018		FY2018/1H		FY2019/1H	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Manufacturing	3,433	10.8%	3,320	10.2%	3,484	10.2%	3,470	10.5%	3,627	10.7%
Agriculture and forestry	53	0.1%	60	0.1%	68	0.2%	66	0.2%	77	0.2%
Fishery	9	0.0%	10	0.0%	15	0.0%	12	0.0%	18	0.0%
Mining, quarrying, and gravel collection	60	0.1%	64	0.1%	54	0.1%	58	0.1%	52	0.1%
Construction	906	2.8%	974	3.0%	969	2.8%	983	2.9%	946	2.8%
Electric power, gas, heat supply, and water supply	534	1.6%	670	2.0%	857	2.5%	755	2.2%	920	2.7%
Information & communications	163	0.5%	209	0.6%	148	0.4%	168	0.5%	156	0.4%
Transportation and postal service	1,146	3.6%	1,054	3.2%	1,044	3.0%	1,074	3.2%	1,069	3.1%
Wholesale and retail trades	3,243	10.2%	3,250	10.0%	3,197	9.4%	3,217	9.7%	3,015	8.9%
Financial and insurance	3,040	9.6%	3,037	9.3%	2,765	8.1%	2,805	8.4%	2,715	8.0%
Real estate, rental and leasing	4,531	14.3%	4,979	15.3%	5,514	16.2%	5,200	15.7%	5,424	16.0%
Of which, real estate	(2,897)	(9.1%)	(3,336)	(10.2%)	(3,883)	(11.4%)	(3,588)	(10.8%)	(3,829)	(11.3%)
Various services	2,092	6.6%	2,198	6.7%	2,150	6.3%	2,147	6.5%	2,104	6.2%
National and local governments	5,137	16.2%	4,933	15.1%	5,131	15.1%	4,892	14.8%	4,998	14.7%
Others	7,197	22.8%	7,696	23.7%	8,462	24.9%	8,198	24.8%	8,702	25.7%
Total	31,551	100.0%	32,461	100.0%	33,867	100.0%	33,051	100.0%	33,829	100.0%

## Status of loans and bills discounted in and outside Niigata (year-end balance)

(JPY 100 MM)

	FY2016		FY2017		FY2018		FY2018/1H		FY2019/1H	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Loans and Bills Discounted	15,459	100.0%	16,981	100.0%	17,047	100.0%	17,175	100.0%	16,534	100.0%
Inside prefecture	12,417	80.3%	12,900	75.9%	13,285	77.9%	13,101	76.2%	13,192	79.7%
Outside prefecture	3,042	19.6%	4,081	24.0%	3,762	22.0%	4,073	23.7%	3,342	20.2%

## Status of loans and bills discounted by industry (year-end balance)

(JPY 100 MM)

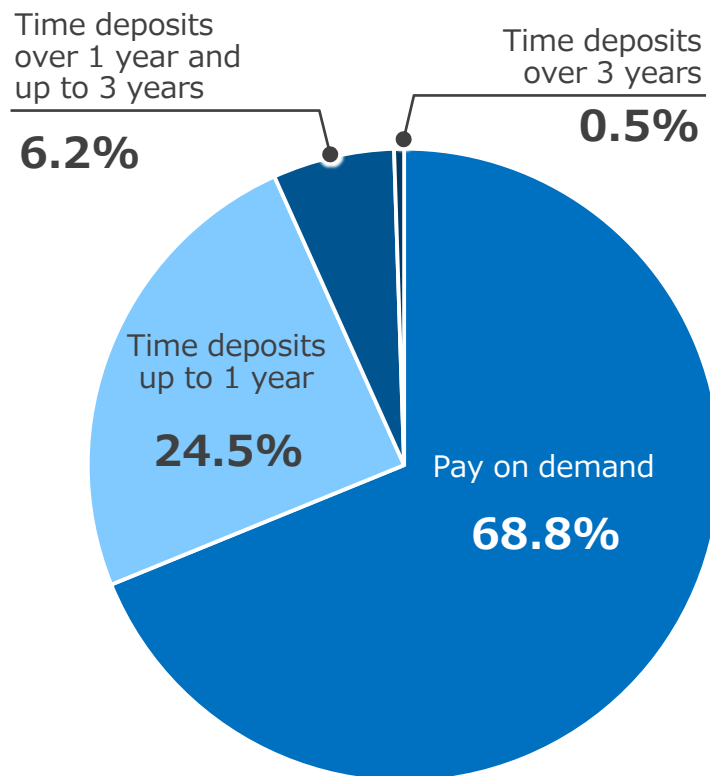
	FY2016		FY2017		FY2018		FY2018/1H		FY2019/1H	
	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate	Balance	Composition rate
Manufacturing	1,469	9.5%	1,493	8.7%	1,498	8.7%	1,513	8.8%	1,474	8.9%
Agriculture and forestry	15	0.0%	16	0.0%	14	0.0%	15	0.0%	14	0.0%
Fishery	0	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Mining, quarrying, and gravel collection	13	0.0%	10	0.0%	9	0.0%	9	0.0%	8	0.0%
Construction	717	4.6%	717	4.2%	749	4.3%	720	4.1%	713	4.3%
Electric power, gas, heat supply, and water supply	178	1.1%	238	1.4%	285	1.6%	269	1.5%	282	1.7%
Information & communications	62	0.4%	47	0.2%	48	0.2%	51	0.2%	56	0.3%
Transportation and postal service	500	3.2%	482	2.8%	422	2.4%	460	2.6%	401	2.4%
Wholesale and retail trades	1,295	8.3%	1,264	7.4%	1,213	7.1%	1,259	7.3%	1,157	6.9%
Financial and insurance	744	4.8%	1,098	6.4%	1,090	6.3%	964	5.6%	921	5.5%
Real estate, rental and leasing	1,953	12.6%	2,060	12.1%	2,040	11.9%	2,015	11.7%	2,052	12.4%
Of which, real estate	(1,583)	(10.2%)	(1,705)	(10.0%)	(1,719)	(10.0%)	(1,677)	(9.7%)	(1,729)	(10.4%)
Various services	1,183	7.6%	1,203	7.0%	1,176	6.8%	1,174	6.8%	1,170	7.0%
National and local governments	3,411	22.0%	4,312	25.3%	4,286	25.1%	4,583	26.6%	4,015	24.2%
Others	3,914	25.3%	4,035	23.7%	4,210	24.6%	4,135	24.0%	4,266	25.8%
Total	15,459	100.0%	16,981	100.0%	17,047	100.0%	17,175	100.0%	16,534	100.0%

# Composition of Deposits and Loans and Bills Discounted

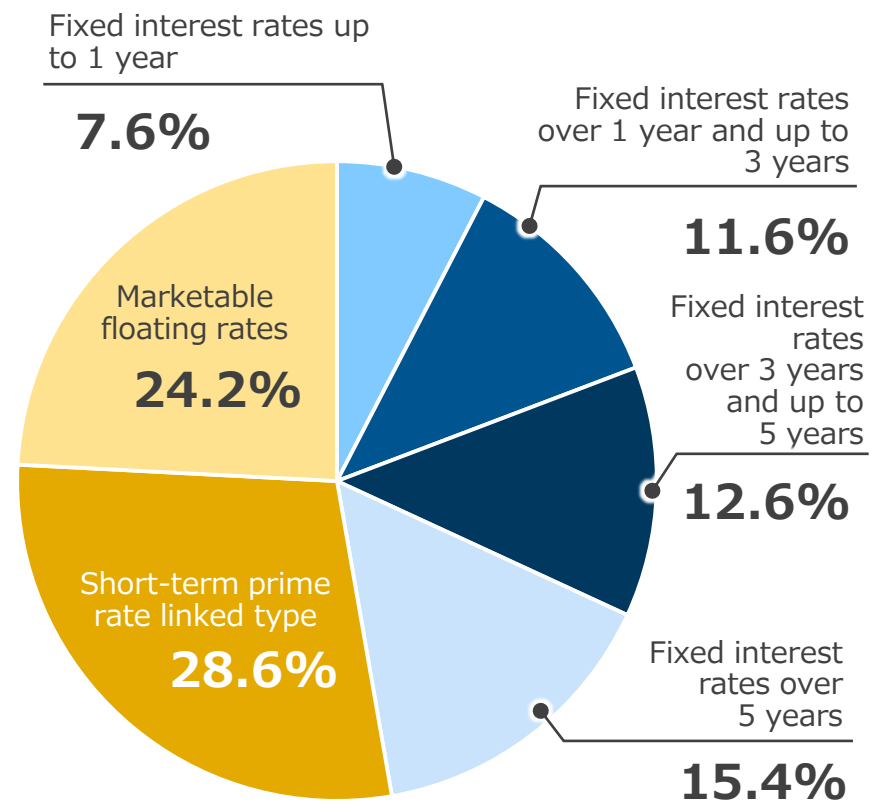
Daishi Bank

DAISHI HOKUETSU  
Financial Group

Composition of deposits  
(as of September 31, 2019)



Composition of loans and bills discounted  
(as of September 31, 2019)



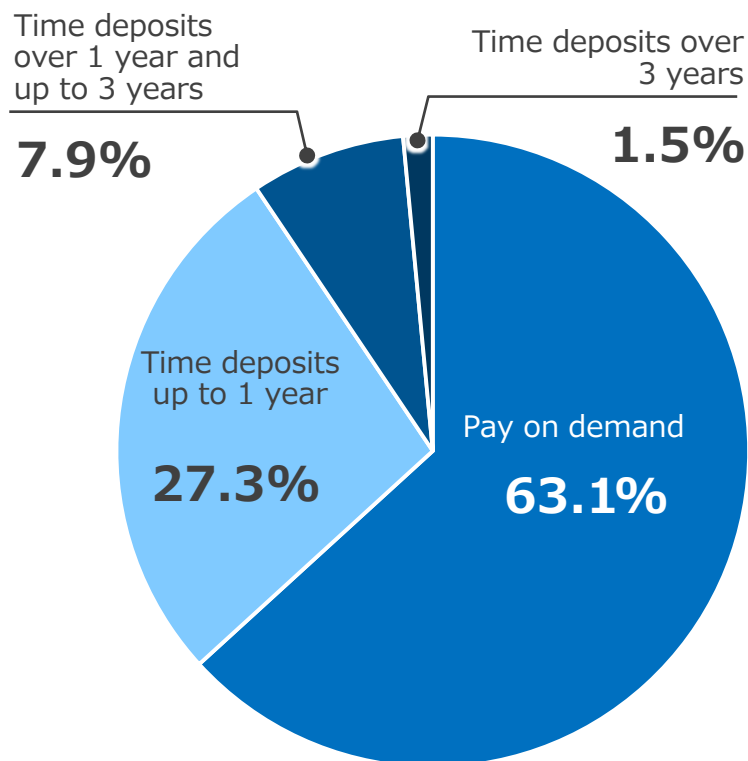
Note: Overdue loans are excluded

# Composition of Deposits and Loans and Bills Discounted

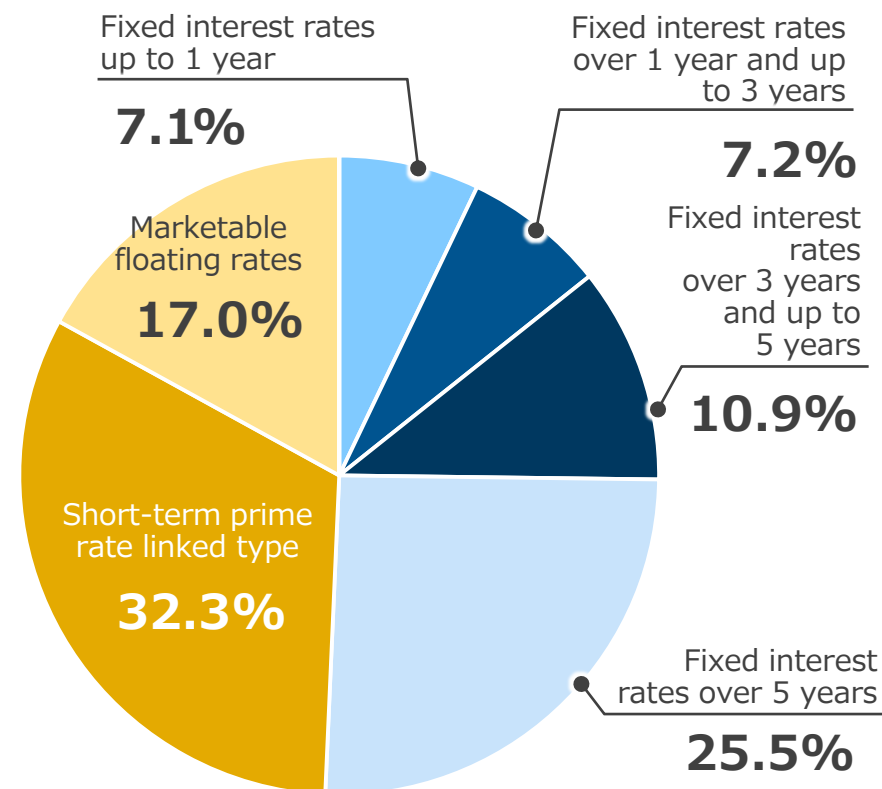
Hokuetsu  
Bank

DAISHI HOKUETSU  
Financial Group

Composition of deposits  
(as of September 31, 2019)



Composition of loans and bills discounted  
(as of September 31, 2019)

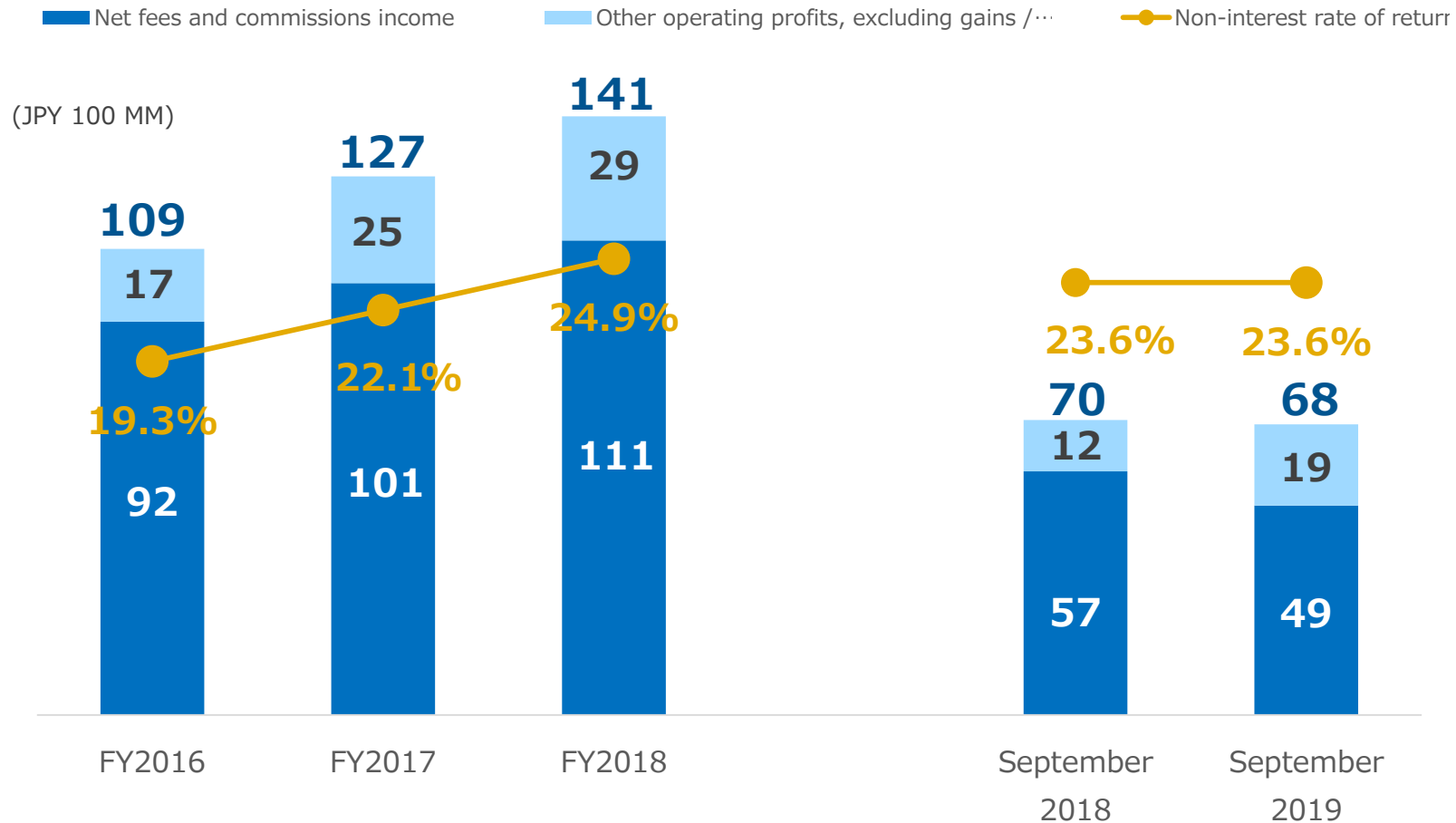


Note: Overdue loans are excluded

# Non-interest Income

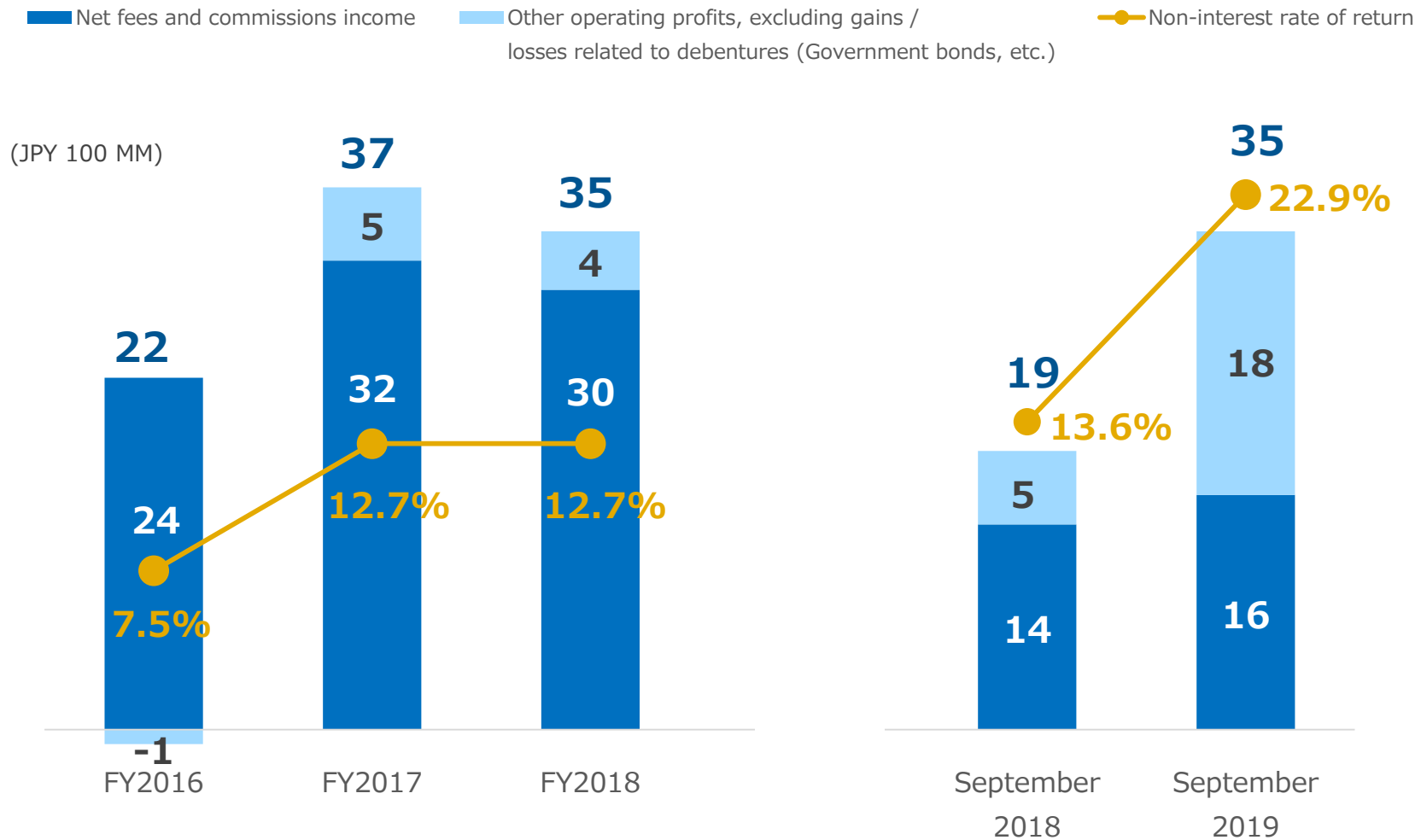
Daishi Bank

DAISHI HOKUETSU  
Financial Group



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

# Non-interest Income



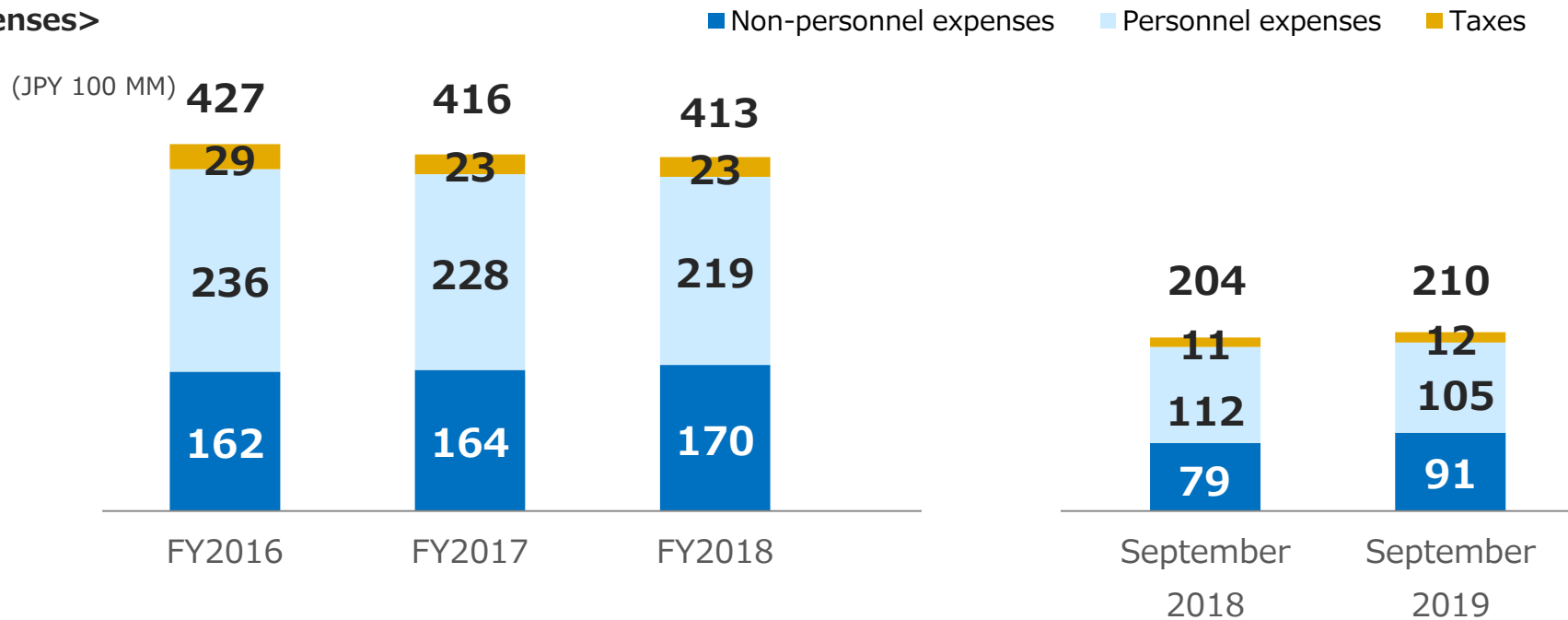
Note: Non-interest income = Net fees and commissions income  
+ Other operating profits, excluding gains/losses related to debentures  
(Government bonds, etc.)  
Non-interest rate of return = Non-interest income ÷ Core gross business profits

# Expenses and OHR in Core Gross Business Profits

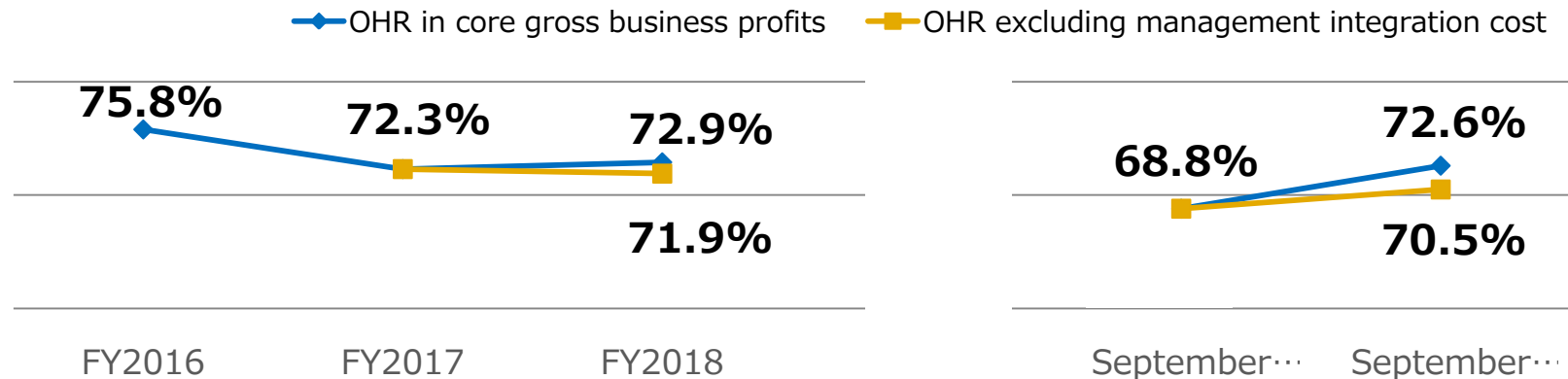
Daishi Bank

DAISHI HOKUETSU  
Financial Group

## <Expenses>



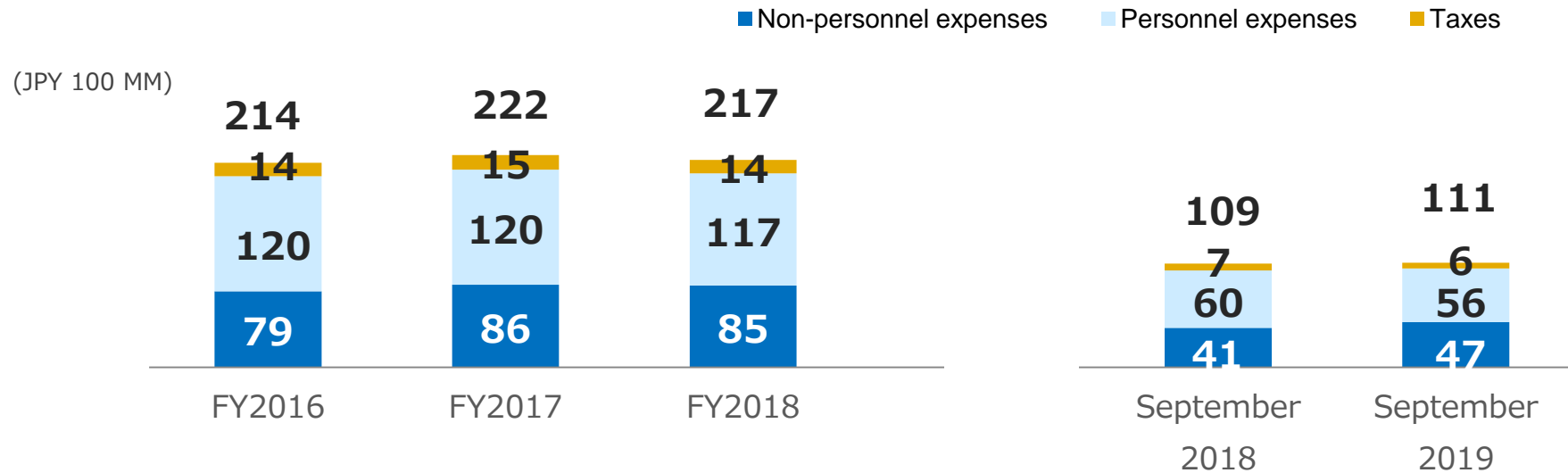
## <OHR in core gross business profits>



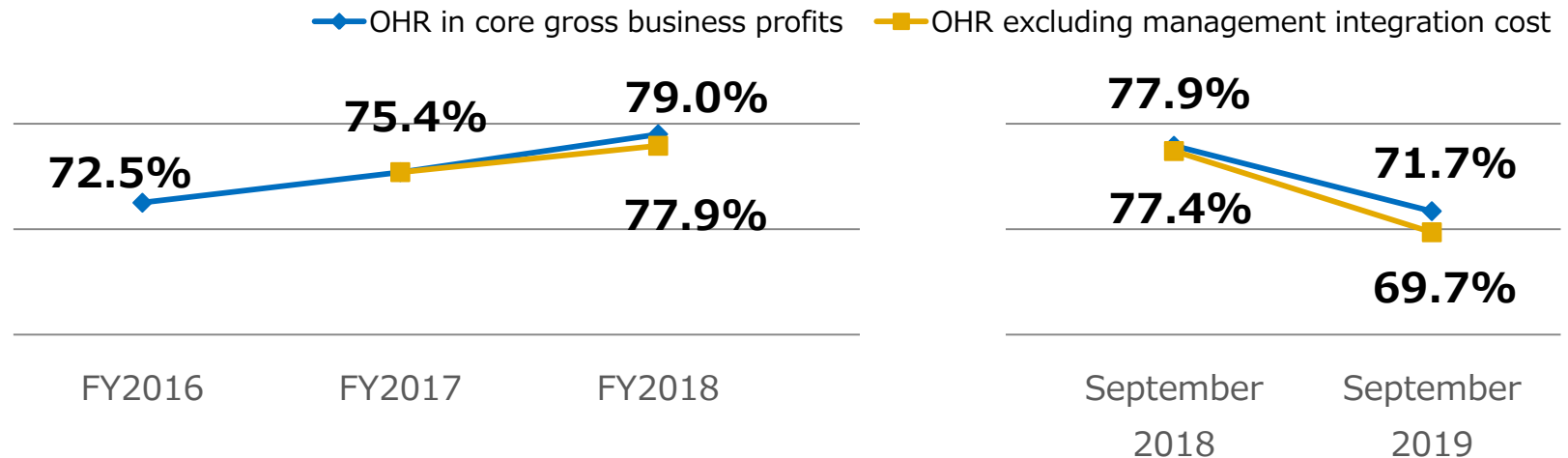


# Expenses and OHR in Core Gross Business Profits

## <Expenses>



## <OHR in core gross business profits>



# Loans based on the Financial Reconstruction Act (Non-consolidated)

Daishi Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

Category	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
Bankrupt, etc. and substantially bankrupt claims	42 (0.13%)	39 (0.11%)	36 (0.10%)	32 (0.09%)	32 (0.09%)
Loans to bankrupt borrowers	10 (0.03%)	10 (0.03%)	11 (0.03%)	11 (0.03%)	13 (0.03%)
Loans to effectively bankrupt borrowers	32 (0.09%)	28 (0.08%)	25 (0.07%)	20 (0.06%)	18 (0.05%)
Doubtful claims	430 (1.32%)	344 (1.03%)	333 (0.95%)	327 (0.96%)	387 (1.11%)
Substandard claims	50 (0.15%)	48 (0.14%)	37 (0.10%)	38 (0.11%)	79 (0.23%)
Subtotal	523 (1.61%)	432 (1.29%)	407 (1.16%)	399 (1.17%)	500 (1.44%)
Normal claims	31,897 (98.38%)	32,921 (98.70%)	34,389 (98.83%)	33,540 (98.82%)	34,225 (98.55%)
Total claim amount	32,420	33,354	34,796	33,940	34,725

Note: Figure in parentheses is the ratio against the total claim amount

# Loans based on the Financial Reconstruction Act (Non-consolidated)

Hokuetsu  
Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

Category	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
Bankrupt, etc. and substantially bankrupt claims	50 (0.31%)	42 (0.24%)	45 (0.25%)	46 (0.26%)	37 (0.21%)
Loans to bankrupt borrowers	5 (0.03%)	4 (0.02%)	7 (0.04%)	3 (0.01%)	4 (0.02%)
Loans to effectively bankrupt borrowers	44 (0.27%)	38 (0.21%)	37 (0.21%)	43 (0.24%)	33 (0.19%)
Doubtful claims	228 (1.43%)	219 (1.24%)	210 (1.18%)	212 (1.18%)	215 (1.24%)
Substandard claims	15 (0.09%)	21 (0.12%)	13 (0.07%)	16 (0.09%)	20 (0.11%)
Subtotal	294 (1.84%)	284 (1.61%)	268 (1.51%)	275 (1.54%)	273 (1.58%)
Normal claims	15,707 (98.15%)	17,353 (98.38%)	17,505 (98.48%)	17,609 (98.45%)	16,989 (98.41%)
Total claim amount	16,001	17,638	17,774	17,885	17,263

Note: Figure in parentheses is the ratio against the total claim amount

# 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		13	30	2	100.0%	Claims in bankruptcy and reorganization, etc	32	Loans to bankrupt borrowers	12
Effectively bankrupt debtors		18						Delinquent loans	405
Potentially bankrupt debtors		387	272	52	83.6%	Doubtful claims	387		
Debtors requiring caution	Of which, substandard claims	(79)	(16)	(5)	(28.1%)	Substandard claims	79	Loans past due 3 months or more	33
	Debtors requiring monitoring	102	21	6	27.9%	Subtotal	500	Restructured loans	46
	Other debtors requiring caution	2,020						Total	498
Normal debtors		32,182				Normal claims	34,225		
Total		34,725				Total	34,725		

As of September 31, 2019

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

Hokuetsu  
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		4	32	5	100.0%	Claims in bankruptcy and reorganization, etc	37	Loans to bankrupt borrowers	4
Effectively bankrupt debtors		33						Delinquent loans	244
Potentially bankrupt debtors		215	156	38	90.3%	Doubtful claims	215		
Debtors requiring caution	Of which, substandard claims	(20)	(6)	(2)	(45.2%)	Substandard claims	20	Loans past due 3 months or more	1
								Restructured loans	18
	Debtors requiring monitoring	29	10	3	48.9%	Subtotal	273	Total	269
	Other debtors requiring caution	1,198							
Normal debtors		15,781				Normal claims	16,989		
Total		17,263				Total	17,263		

As of September 31, 2019

# Net Credit Cost (Non-consolidated)

Daishi Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
General provision of allowance for loan losses (1)	–	–	0	0	4
Non-performing loan amount processed (2)	16	14	23	5	28
Written-off of loans	12	11	12	3	11
Individual provision of allowance for loan losses	–	–	8	1	15
Loss on sale of delinquent loans, etc.	2	1	0	–	–
Others	1	2	1	0	1
Loan charge-off and reserve expenses (1) + (2)	16	14	23	5	32
Reversal of allowance for loan losses (3)	3	10	–	–	–
Recoveries of written off claims (4)	9	7	3	1	1
Reversal of provision for contingent loss (5)*	1	0	–	0	–
Net credit cost (1) + (2) – (3) – (4) – (5)	1	-3	19	3	31

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

# Net Credit Cost (Non-consolidated)

Hokuetsu  
Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
General provision of allowance for loan losses (1)	—	-3	0	-2	5
Non-performing loan amount processed (2)	14	9	30	9	6
Written-off of loans	11	4	8	3	1
Individual provision of allowance for loan losses	—	4	18	3	4
Loss on sale of delinquent loans, etc.	—	0	—	—	—
Others	2	1	3	2	0
Loan charge-off and reserve expenses (1) + (2)	14	6	31	6	12
Reversal of allowance for loan losses (3)	2	—	—	—	—
Recoveries of written off claims (4)	5	4	5	4	1
Reversal of provision for contingent loss (5)*	—	—	1	—	0
Net credit cost (1) + (2) - (3) - (4) - (5)	6	2	24	1	10

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

## Changes in year-end balance of securities

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2019 1H
Government bonds	6,922	5,785	4,416	3,862
Local government bonds	2,098	2,457	2,813	3,058
Public corporation bonds	734	763	532	399
Bank bonds	288	242	179	124
Industrial bonds	1,044	1,398	1,533	1,533
Stocks	1,308	1,392	1,185	1,147
Foreign securities	3,192	2,366	1,879	2,060
Other securities	2,039	3,179	2,823	2,841
Total	17,628	17,586	15,363	15,026

## Breakdown of increase/decrease in the balance of securities (comparison at the end of March 2019)

(JPY 100 MM)

Domestic debentures (Yield: 0.53%)	-498
Purchase	1,358
Sale	-859
Others (redemption and market value factors, etc.)	-997
Stocks (Yield: 7.06%)	-37
Purchase	107
Sale	-65
Others (redemption and market value factors, etc.)	-79
Foreign securities (Yield: 1.39%)	180
Purchase	604
Sale	-258
Others (redemption and market value factors, etc.)	-166
Other securities (Yield: 1.21%)	17
Purchase	1,154
Sale	-1,101
Others (redemption and market value factors, etc.)	-35



## Changes in year-end balance of securities

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2019 1H
Government bonds	5,257	3,771	3,259	2,953
Local government bonds	410	335	1,122	1,357
Public corporation bonds	503	455	413	482
Bank bonds	—	—	—	—
Industrial bonds	617	691	700	685
Stocks	357	394	286	260
Foreign securities	1,361	1,199	2,301	2,224
Other securities	1,441	1,470	1,495	1,534
Total	9,949	8,317	9,578	9,498

## Breakdown of increase/decrease in the balance of securities (comparison at the end of March 2019)

(JPY 100 MM)

Domestic debentures (Yield: 0.57%)	-17
Purchase	1,017
Sale	-864
Others (redemption and market value factors, etc.)	-170
Stocks (Yield: 8.62%)	-26
Purchase	2
Sale	-15
Others (redemption and market value factors, etc.)	-13
Foreign securities (Yield: 1.57%)	-77
Purchase	244
Sale	-227
Others (redemption and market value factors, etc.)	-94
Other securities (Yield: 0.89%)	39
Purchase	197
Sale	-52
Others (redemption and market value factors, etc.)	-106

# Investment Status by Securities Risk Category

Daishi Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

	Balance in book value	Gains/losses on valuation	Increase/decrease in gains/losses on valuation (Compared to the end of the previous year) (1)	Interest and dividends (2)	Sales and gain/loss on write-offs (3)	Overall profit/loss (1) + (2) + (3)
Domestic debentures	8,873	116	-17	25	5	13
Government bonds	3,802	72	-13	17	5	9
Local government bonds	3,026	32	-3	4	4	4
Corporate bonds	2,045	11	(0)	2	-5	-1
Stocks	797	349	-73	26	40	-6
Foreign securities	1,966	93	70	13	2	85
Yen-denominated foreign debentures	5	(0)	0	0	0	0
Foreign currency debentures	1,961	93	70	13	2	85
Other securities	2,941	-99	-29	17	-11	-23
Stock investment trusts (ETF included)	457	55	-6	19	-11	0
Investment trusts (excluding stock investment trusts)	2,468	-155	-22	-2	0	-24
Others	15	0	0	0	0	0
<b>Total</b>	<b>14,579</b>	<b>460</b>	<b>-50</b>	<b>83</b>	<b>37</b>	<b>69</b>

Note: Excluding monetary claims bought

As of September 31, 2019

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
Loss on cancellation of investment trust	20	27	12	14	2

\* Gains/losses on cancellation of investment trusts included in interest and dividends on securities

# Investment Status by Securities Risk Category

Hokuetsu  
Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

	Balance in book value	Gains/losses on valuation	Increase/decrease in gains/losses on valuation (Compared to the end of the previous year) (1)	Interest and dividends (2)	Sales and gain/loss on write-offs (3)	Overall profit/loss (1) + (2) + (3)
Domestic debentures	5,294	184	31	21	3	56
Government bonds	2,793	159	33	14	2	50
Local government bonds	1,343	13	0	3	1	3
Corporate bonds	1,156	11	0	3	0	2
Stocks	186	73	-13	8	13	7
Foreign securities	2,036	187	91	15	6	113
Yen-denominated foreign debentures	44	2	0	0	—	0
Foreign currency debentures	1,992	184	91	15	6	113
Other securities	1,680	-145	-27	7	-5	-26
Stock investment trusts (ETF included)	80	0	0	1	0	1
Investment trusts (excluding stock investment trusts)	1,569	-145	-26	4	-6	-28
Others	30	0	0	1	0	1
<b>Total</b>	<b>9,198</b>	<b>299</b>	<b>82</b>	<b>52</b>	<b>17</b>	<b>152</b>

Note: Excluding monetary claims bought

As of September 31, 2019

(JPY 100 MM)

	FY2016	FY2017	FY2018	FY2018/1H	FY2019/1H
Loss on cancellation of investment trust	13	11	0	0	0

\* Gains/losses on cancellation of investment trusts included in interest and dividends on securities

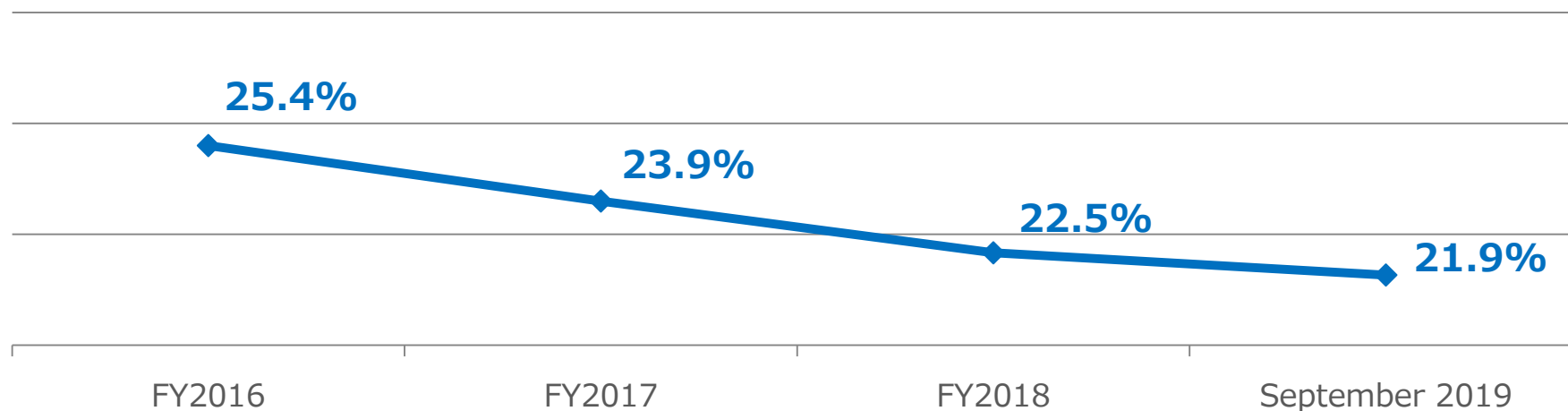
# Concentration of Large Loans and Quantity of Interest Rate Risks

Daishi Bank

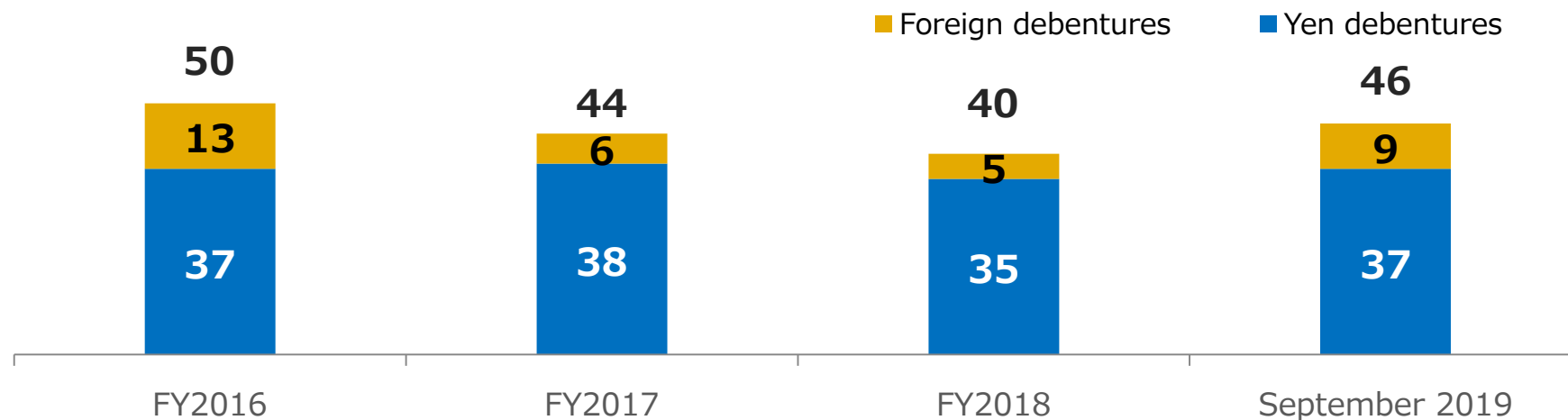
DAISHI HOKUETSU  
Financial Group

## Changes in concentration of large loans

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



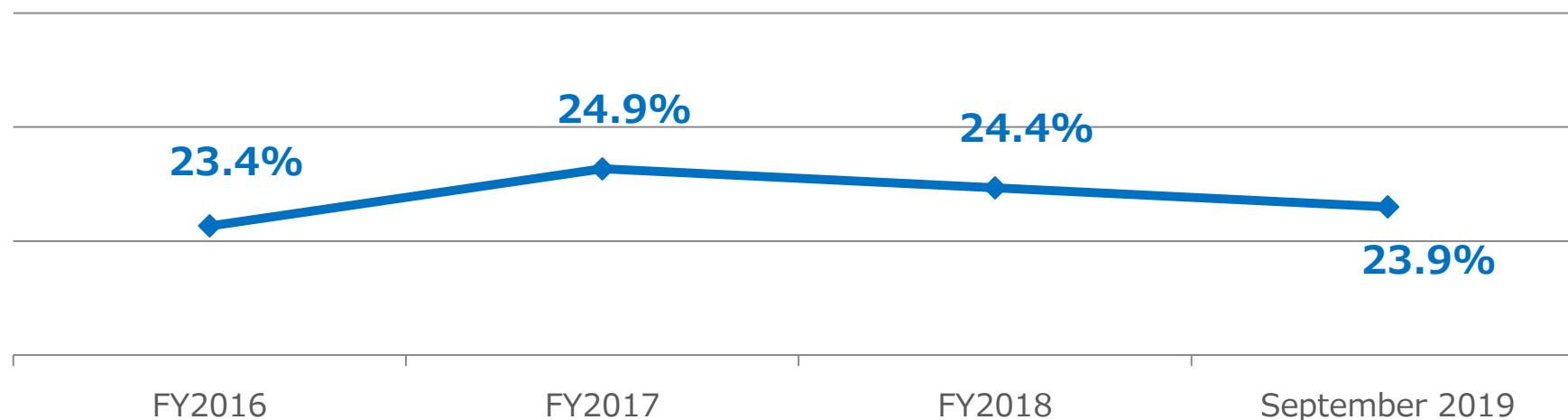
## Changes in interest rate risk quantity <Yen and foreign debentures (10 BPV)> (JPY 100 MM)



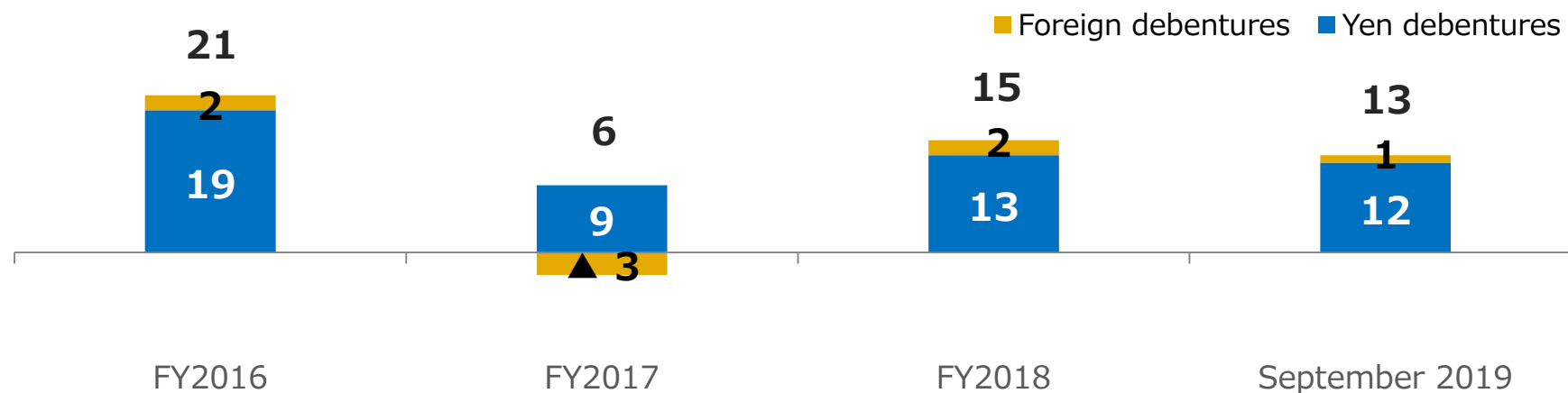
# Concentration of Large Loans and Quantity of Interest Rate Risks

## Changes in concentration of large loans

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



## Changes in interest rate risk quantity <Yen and foreign debentures (10 BPV)> (JPY 100 MM)



# Capital Adequacy Ratio

Daishi Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

## Consolidated

	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%

FYE September 2018		FYE September 2019	
After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
2,852	2,728	2,765	2,661
2,660	2,660	2,635	2,635
68	68	73	73
124	–	104	–
-3	-4	-47	-47
65	82	95	95
2,787	2,646	2,670	2,566
27,277	27,273	28,276	28,290
26,127	26,127	27,151	27,151
1,149	1,149	1,139	1,139
3	–	-14	–
10.21%	9.70%	9.44%	9.07%

## Non-consolidated

	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%

FYE September 2018		FYE September 2019	
After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
2,662	2,629	2,631	2,605
2,560	2,560	2,536	2,536
64	64	69	69
33	–	26	–
75	93	106	106
2,587	2,535	2,524	2,498
26,890	26,884	27,808	27,823
25,818	25,818	26,766	26,766
1,072	1,072	1,057	1,057
5	–	-14	–
9.62%	9.42%	9.07%	8.98%

# Capital Adequacy Ratio

Hokuetsu  
Bank

DAISHI HOKUETSU  
Financial Group

(JPY 100 MM)

## Consolidated

	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%

FYE September 2018		FYE September 2019	
After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
1,043	1,024	1,049	1,034
1,022	1,022	1,027	1,027
20	20	27	27
15	-	14	-
-15	-19	-20	-20
27	34	33	33
1,016	990	1,016	1,001
11,071	11,281	11,026	11,035
10,661	10,661	10,445	10,445
619	619	589	589
-210	-	-8	-
9.18%	8.77%	9.21%	9.07%

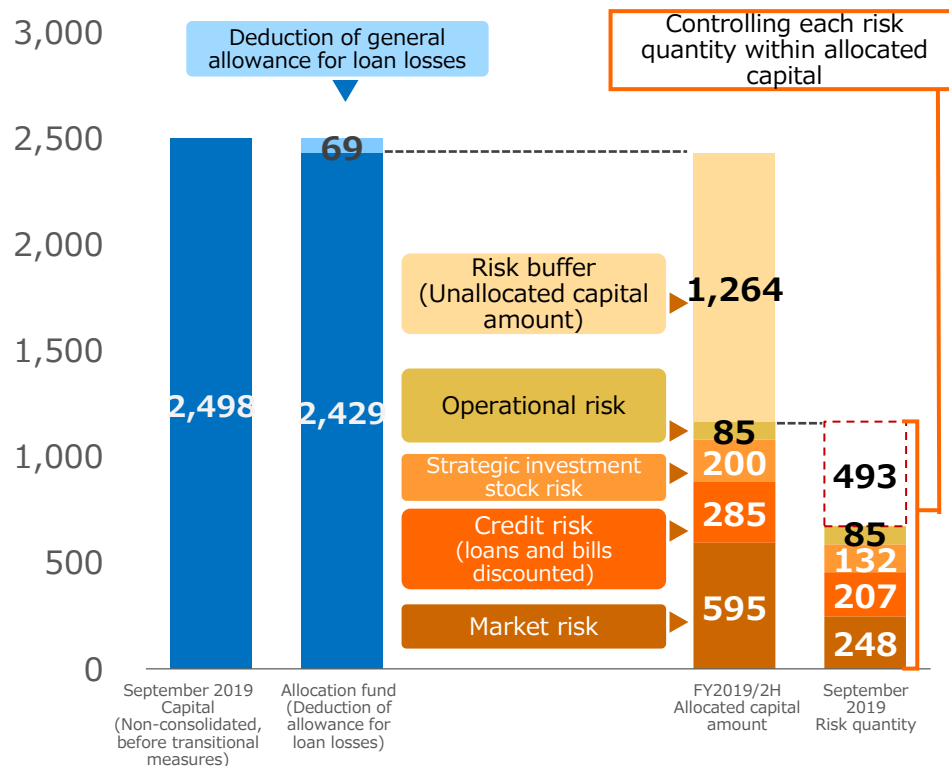
## Non-consolidated

	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%

FYE September 2018		FYE September 2019	
After transitional measures	Before transitional measures	After transitional measures	Before transitional measures
999	984	1,014	999
965	965	973	973
17	17	25	25
14	-	14	-
39	49	44	44
959	935	969	954
11,000	11,207	10,949	10,958
10,612	10,612	10,388	10,388
595	595	569	569
-207	-	-8	-
8.72%	8.34%	8.85%	8.71%

## Daishi Bank

(JPY 100 MM)

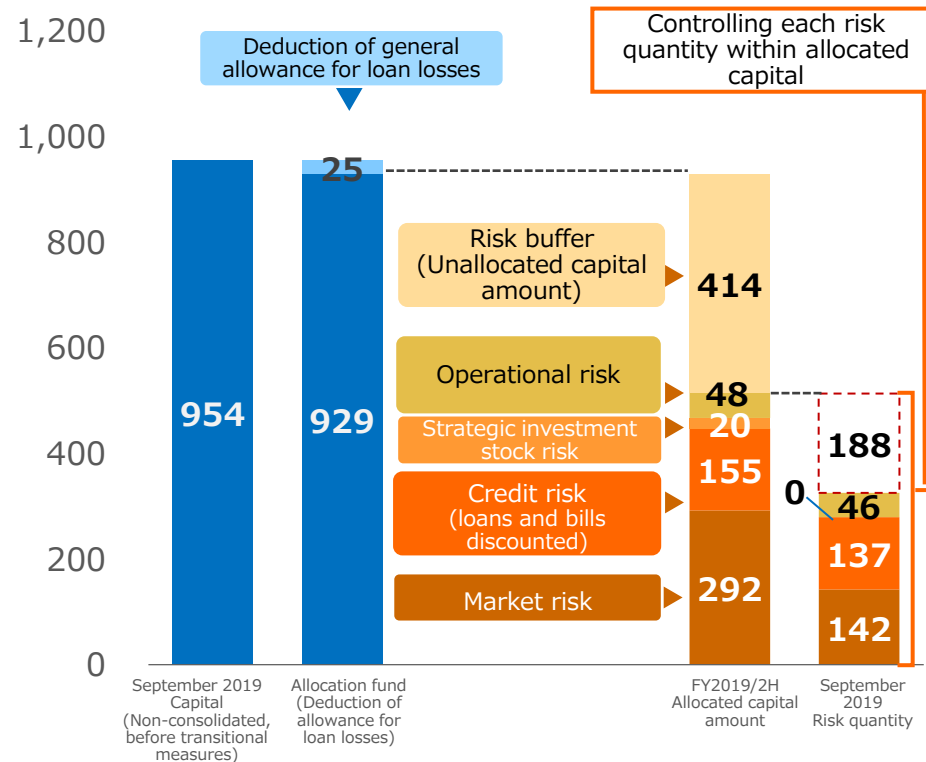


### Method of calculating risk quantity

- 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
  - Strategic investment stock risk: Risk quantity = (VaR – Gains/losses on valuation), provided  $\geq 0$
- Operational risk
  - Gross profit distribution method

## Hokuetsu Bank

(JPY 100 MM)



### 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
  - Market risk and strategic investment stock risk: Risk quantity = (VaR – Gains/losses on valuation), provided  $\geq 0$
- Operational risk
  - Basic approach



# Status of Purchase of Treasury Shares

Daishi Bank	Year of implementation	Number of shares bought	Buying price	Remarks
	FY1998 - FY2012	39,119,000 shares	14,583 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 bought	Buying price	Remarks
	FY1998 - FY2012	8,903,000 shares	1,671 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	

FG	Year of implementation	Number of shares bought	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		
			FY2018		FY2019	FY2018		FY2019	FY2018		FY2019
			First half	Full year	First half	First half	Full year	First half	First half	Full year	First half
The Daishi Bank, Ltd.	Banking	32,776	38,220	76,616	42,593	9,303	16,046	9,463	6,772	10,339	6,960
The Hokuetsu Bank, Ltd.	Banking	24,538	19,609	40,760	21,985	3,813	7,524	4,554	2,796	4,009	3,314
Daishi Hokuetsu Career Bridge Co., Ltd.	General human resources consulting services	30	–	–	0	–	–	-7	–	–	-7
Daishi Hokuetsu Securities Co., Ltd.	Securities trading	600	1,762	4,206	1,878	483	1,497	441	345	1,053	317
The Daishi Guaranty Co., Ltd.	Guaranty services	50	759	1,525	787	363	922	452	237	605	297
The Hokuetsu Credit Guarantee Co., Ltd.	Guaranty services	210	354	712	356	241	491	135	162	311	74
The Daishi Management Consulting Co., Ltd.	Consulting services and venture capital	20	43	92	58	5	9	11	4	7	8
The Hokugin Economic Research Institute, Ltd.	Research on economy and society and provision of information	30	68	140	71	9	20	8	6	14	6
The Daishi Lease Co., Ltd.	General leasing	100	8,723	17,132	7,992	435	823	378	288	543	250
The Hokuetsu Leasing Co., Ltd.	General leasing	100	2,689	5,434	2,708	69	281	-2	45	181	-1
The Daishi Computer Service Co., Ltd.	Computer-related business	15	428	1,109	543	8	73	55	6	49	37
The Daishi JCB Card Co., Ltd.	Credit card and guaranty services	30	704	1,409	737	240	432	205	158	285	137
The Daishi DC Card Co., Ltd.	Credit card services	30	357	710	397	17	43	18	11	29	12
The Hokuetsu Card, Ltd.	Credit card and guaranty services	20	456	911	470	36	84	34	23	54	20

# Status of Shareholders

## Composition of shareholders

Owner	End of September 2019		
	Number of shareholders (persons)	Number of shares (1000 shares)	Composition rate (%)
National and local governments	4	0	0.00
Financial institutions	71	18,049	39.29
Of which, trust banks	22	8,400	18.29
Of which, other than trust banks	49	9,648	21.00
Financial instruments business operators	37	364	0.79
Other corporations	1,507	11,177	24.33
Foreign corporations, etc.	188	6,000	13.06
Individuals and others	16,841	10,064	21.91
Shares held under own name	1	286	0.62
<b>Total</b>	<b>18,649</b>	<b>45,942</b>	<b>100.00</b>

## Major shareholders (Top 10)

	Name of shareholders	End of September 2019	
		Number of shares held (1000 shares)	Stockholding ratio (%)
1	Japan Trustee Services Bank, Ltd. (trust account)	2,840	6.22
2	The Master Trust Bank of Japan, Ltd. (trust account)	1,777	3.89
3	Meiji Yasuda Life Insurance Company	1,624	3.55
4	Nippon Life Insurance Company	1,156	2.53
5	DFA INTL SMALL CAP VALUE PORTFOLIO	889	1.94
6	Tohoku Electric Power Co., Inc.	852	1.86
7	Sompo Japan Nipponkoa Insurance, Inc.	848	1.85
8	The Daishi Bank Employees' Stockholdings	804	1.76
9	Daido Life Insurance Company	705	1.54
10	JP MORGAN CHASE BANK 385151	687	1.50
	<b>Total of top 10 companies</b>	<b>12,186</b>	<b>26.69</b>

**Contact for inquiries**

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