

FY2019/1H Financial Results Briefing

November 29, 2019



DAISHI HOKUETSU
Financial Group

第四北越フィナンシャルグループ

* In this document, the comparison with the fiscal year ended September 2018 is indicated as "YoY".

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(Note) The figures in this document are the sum of the two banks unless otherwise stated.

FY2019/1H Business Performance



- Both FG consolidated ordinary profit and consolidated first-half net profit exceeded the business forecast.
- Synergy effects from the integration also exceeded the plan, and “indicator for contributions to the local communities” was favorable for all indicators.
- Business forecast for the full year remains unchanged from those announced in May 2019.

First Medium-term Management Plan



- As a result of the integrated efforts of the two banks for “Transformation of portfolios”, interest on loans and discounts and revenue from financial solutions increased from the previous fiscal year.
- Maximize the synergy effects with two strategies of “Management integration” and “TSUBASA Alliance”.

(Reference) Effort toward the merger of the two banks in January 2021 (schedule)



- System and Administration Integration Project is progressing as scheduled.
- All executives and employees work together on the integration of management, business and awareness.



FY2019/1H Business Performance

FY2019/1H Financial Summary

- Both FG consolidated ordinary profit and consolidated first-half net profit exceeded the business forecast announced in May 2019.
- Both core gross business profits and first-half net profit of the two banks combined are expected to increase by 700 million yen year-on-year.

FY2019/1H Financial Summary

FG Consolidated (JPY 100 MM)	FY2019/1H financial results	Business forecast (announced on May 2019)	Vs. Business forecast
Ordinary profit	130	105	25
First half net profit* ¹	86	69	17

*¹ First-half profit attributable to owners of parent

Total of the two banks (JPY 100 MM)	FY2019		Daishi		Hokuetsu	
	1H financial results	YoY	1H financial results	YoY	1H financial results	YoY
Core gross business profits	443	7	288	-7	154	14
Net interest income	339	-7	220	-5	119	-1
Net fees and commissions income	65	-6	49	-8	16	2
Other operating profits (excluding gains/losses related to debentures (Government bonds, etc.))	38	20	19	6	18	13
Expenses	321	7	210	5	111	2
Core net business income	122	0	78	-13	43	12
Core net business income (excluding gains/losses on cancellation of investment trusts)	119	11	76	-1	43	12
Net business income	123	6	82	4	41	2
Nonrecurring gain/loss	16	2	12	-2	4	4
Ordinary profit	140	9	94	1	45	7
Extraordinary income/loss	0	2	0	3	0	0
First-half net profit	102	7	69	1	33	5
<Net credit cost>	42	37	31	28	10	8
<Gains/losses related to securities>	53	40	37	35	16	4
<Management integration-related cost (total)>	12	5	8	4	4	1

Key Points (Total of two banks)

Core gross business profits [YoY +700 million yen] **A**

- Net interest income: -700 million yen
 - Interest on loans and discounts: +200 million yen (Balance factor: +300 million yen, Yield Factor: -100 million yen)
 - Interest and dividends on securities: -1.3 billion yen
 - Net cash balance: +300 million yen
- Net fees and commissions income: -600 million yen (1)
- Other operating profits (excluding gains/losses related to debentures (Government bonds, etc.)) +2 billion yen (2)
 - Non-interest income total ((1) + (2)): +1.4 billion yen
 - Income from asset management advice: -700 million yen
 - Income from financial solutions: +300 million yen
 - Gain on sales of loans and discounts: +1.1 billion yen
 - Other (Foreign exchange and ATM-related, etc.): +700 million yen

Expenses [YoY +700 million yen] **B**

- Personnel expenses: -1.1 billion yen (Including FG personnel expenses: -300 million yen)
- Non-personnel expenses: +1.8 billion yen (Excluding FG personnel expenses: +900 million yen)
 - Of which, management integration-related cost (System and administration integration costs, etc.) +800 million yen

Net credit cost [YoY +3.7 billion yen] **C**

- General provision of allowance for loan losses: +1.2 billion yen
- Non-performing loan processed: +1.9 billion yen
- Recoveries of written off claims: -400 million yen

Gains/losses related to securities [YoY +4 billion yen] **D**

- Gains/losses related to debentures (Government bonds, etc.): +1.9 billion yen
- Gains/losses on stocks, etc.: +2 billion yen

First-half net profit [YoY +700 million yen] [Vs. Business forecast: +1.9 billion yen]

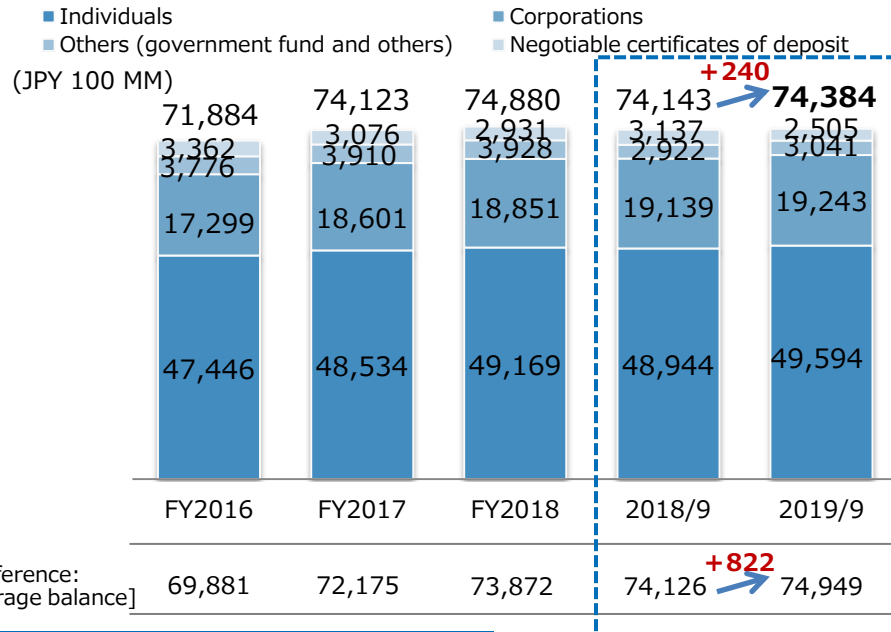
Management integration-related cost (total) [YoY: +5 billion yen]

- Non-personnel expenses for system and administration integration, etc.: +800 million yen
- Miscellaneous loss: -300 million yen, tax: +70 million yen

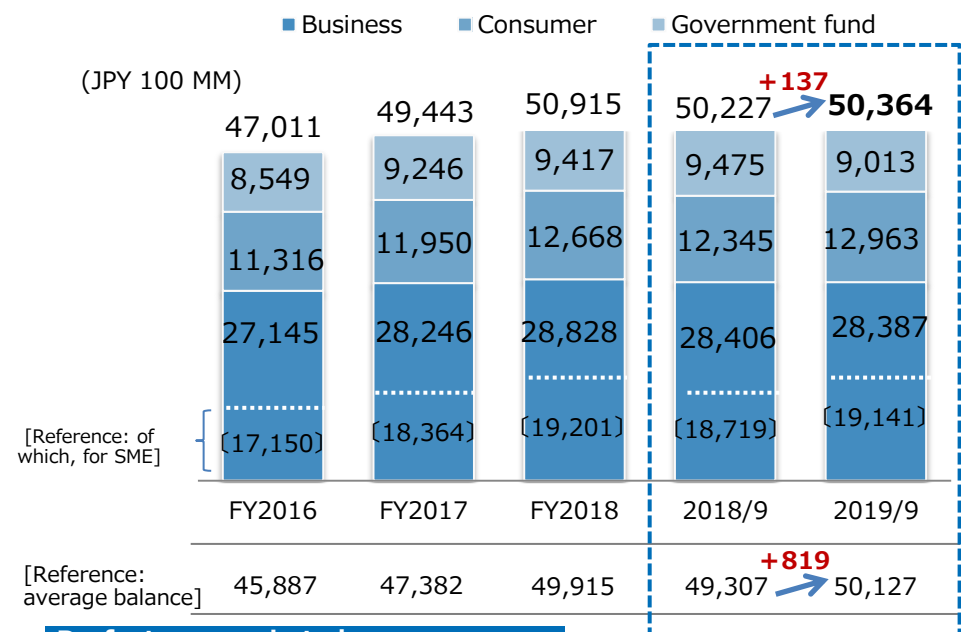
Balance of Deposits and Loans and Bills Discounted

- Balance of deposits, etc. (Balance at end of year was 7,438.4 billion yen, YoY +24 billion yen) and balance of loans and bills discounted (Balance at end of year was 5,036.4 billion yen, YoY +13.7 billion yen)
Both figures showed steady growth. On an average balance basis, deposits, etc. increased by +82.2 billion yen YoY, and loans and bills discounted increased by 81.9 billion yen YoY.
- In Niigata Prefecture, the share of deposits increased by 0.2% from the previous year, while loans and bills discounted remained unchanged. No impact from the post-consolidation share adjustments was observed.

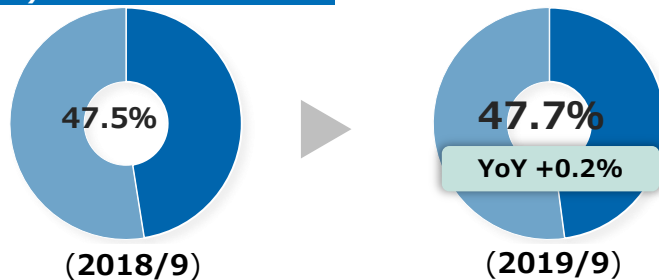
Year-end balance of deposits, etc. (including negotiable certificates of deposit)



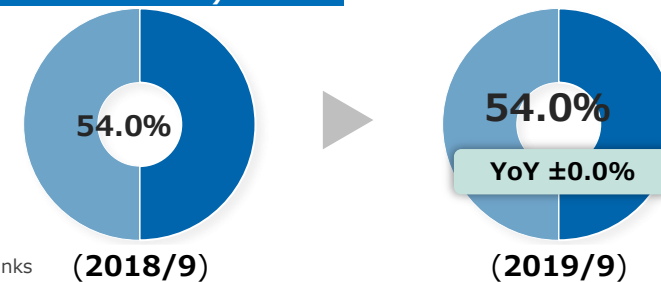
Year-end balance of total loans and bills discounted



Prefecture market share (deposits, etc.)



Prefecture market share (loans and bills discounted)

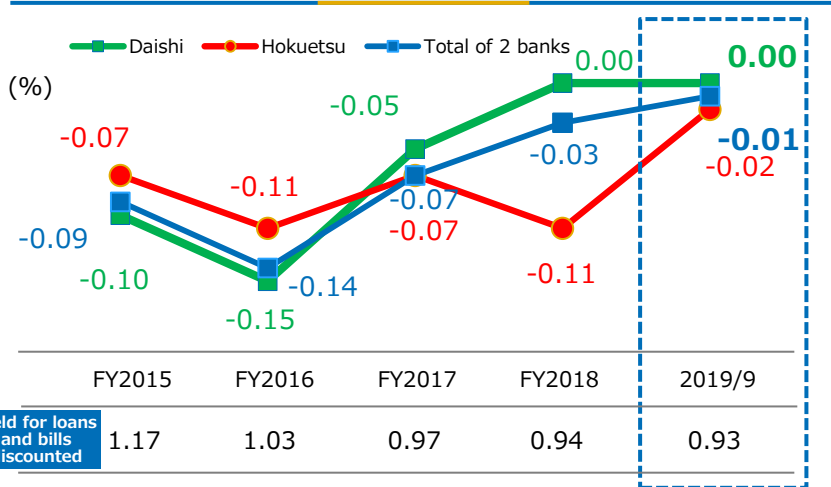


* "Share" was calculated by us based on Nikkin data and Niigata Bankers Association data. (Year-end balance basis)

Status of Loans and Bills Discounted (Yield/interest/real estate lending)

- Focusing on “transformation of portfolios”, we reduced the margin of decline in yield for loans and bills discounted from 3 bps of FY2018 YoY change to 1 bps.
- Real estate loans accounted for 11.0% of all loans, which went below the regional bank average (as of the end of March 2019: 15.2%).

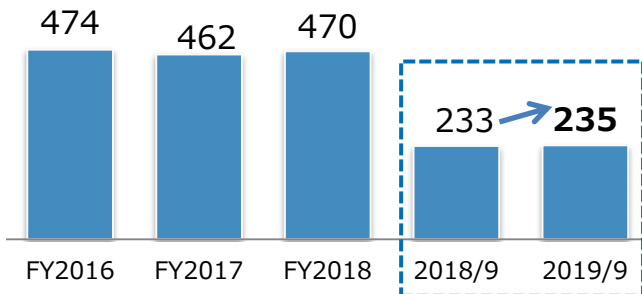
Changes in yield for total loans and bills discounted



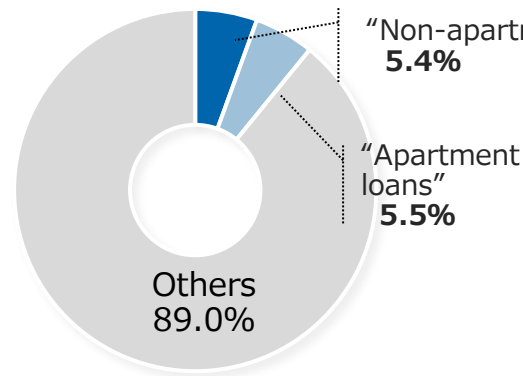
Interest on loans and discounts

(JPY 100 MM)

■ Interest on loans and discounts



Ratio of “real estate” loans in total loans

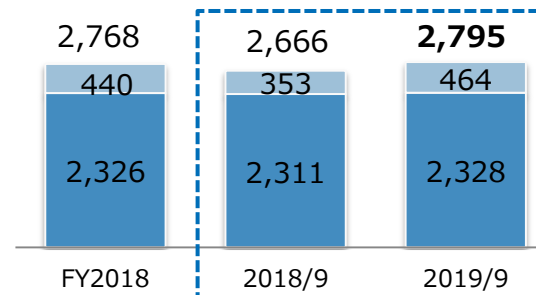


End of September 2019 Result (based on year-end balance)
11.0%
[The regional bank average (as of 2019/3E) 15.2%]

Apartment loans (year-end balance)

(JPY 100 MM)

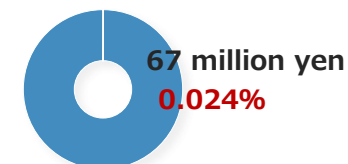
■ Inside Niigata Prefecture ■ Outside Niigata Prefecture



Status of delinquencies of apartment loans (End of September 2019)

Delinquency ratio (past due 1 month or more) Based on balance:
0.024% (67 million yen)
Based on number of borrowers:
0.178% (7 customers)

■ Delinquency ratio based on balance



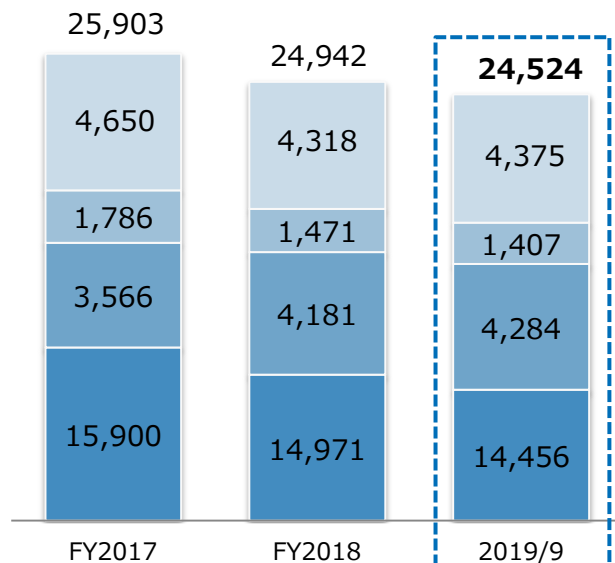
(Excluding cases under inheritance procedures)

- The balance of securities decreased by 41.8 billion yen at the end of March 2019 to 2,452.4 billion yen due to restrained investment in low-yielding domestic debentures.
- Interest and dividends on securities declined by 1.3 billion yen from the previous term (including gains on cancellation of investment trusts -1.1 billion yen) but was 900 million yen above the plan.
- Gains/losses on valuation totaled +76 billion yen. Gains/losses on valuation from foreign securities improved compared with that in the end of March 2019.

Year-end balance of securities

- Domestic debentures
- Stocks
- Foreign securities
- Other securities

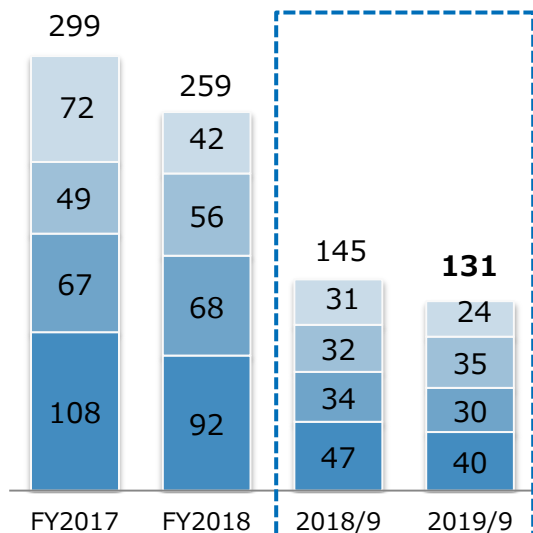
(JPY 100 MM)



Interest and dividends on securities

- Domestic debentures
- Stocks
- Foreign securities
- Other securities

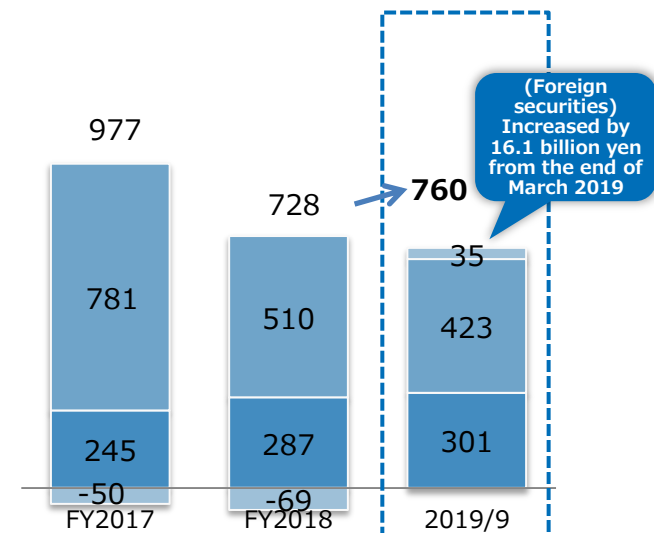
(JPY 100 MM)



Gains/losses on valuation

- Domestic debentures
- Stocks
- Others (foreign securities, investment trusts, etc.)

(JPY 100 MM)



Yield	FY2017	FY2018	2019/9
Yield	1.13%	1.03%	1.07%
Duration	(Yen debentures) 5.12 years (Foreign debentures) 5.20 years	5.52 years 7.28 years	5.78 years 7.38 years

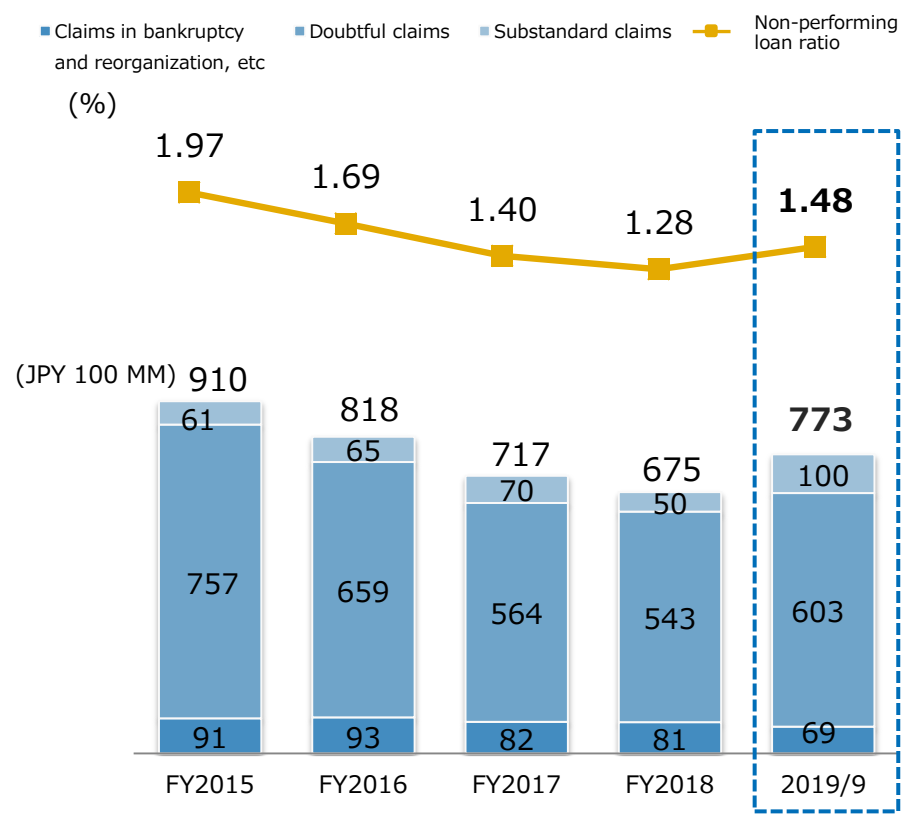
Plan	FY2017	FY2018	2018/9	2019/9
Plan	277	255	134	121
Compared to the plan	+22	+4	+10	+9

Gains/losses on valuation on other securities such as foreign securities improved due to a decline in overseas interest rates. Overall, it increased from the previous fiscal year-end.

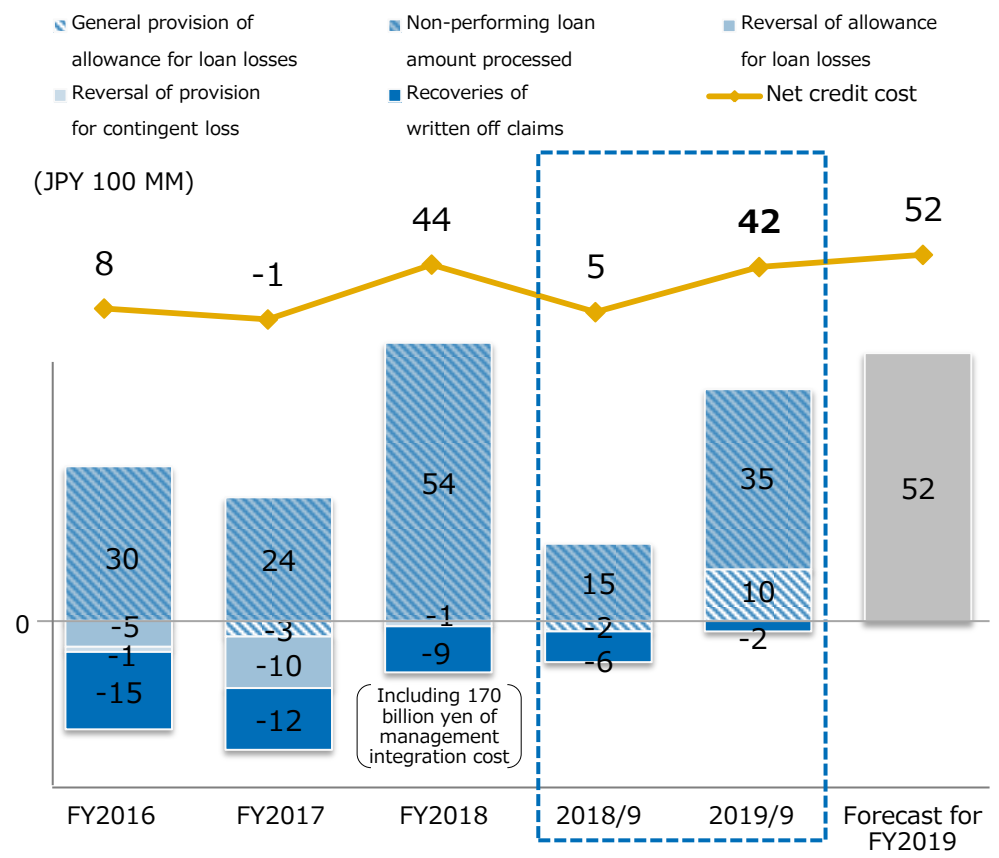
Non-performing Loans/Credit Cost

- The amount of non-performing loans was 77.3 billion yen (9.7 billion yen increase from the end of March 2019), and the non-performing loan ratio increased by 0.20% to 1.48%.
- Net credit cost increased year-on-year due to an increase in general provision of allowance for loan losses, an increase in non-performing loan processed, and a decrease in recoveries of written off claims.
- Based on the increase in credit cost, the “Sales office loan management guidance team” has been established within the headquarters. Prevent downgrading of suppliers by responding promptly to changes in their business conditions.

Non-performing loan amount and ratio



Net credit cost



Capital Adequacy Ratio

- FG consolidated capital adequacy ratio was maintained at a sufficient level of 9.66% (+0.12% compared to that at the end of March 2019)

FG
Consolidated

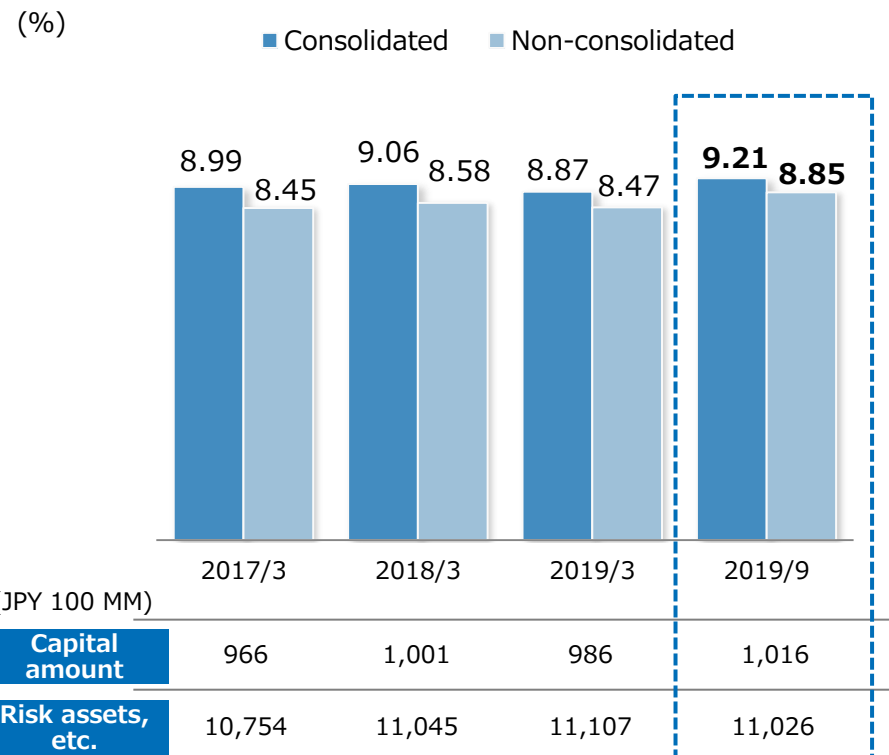
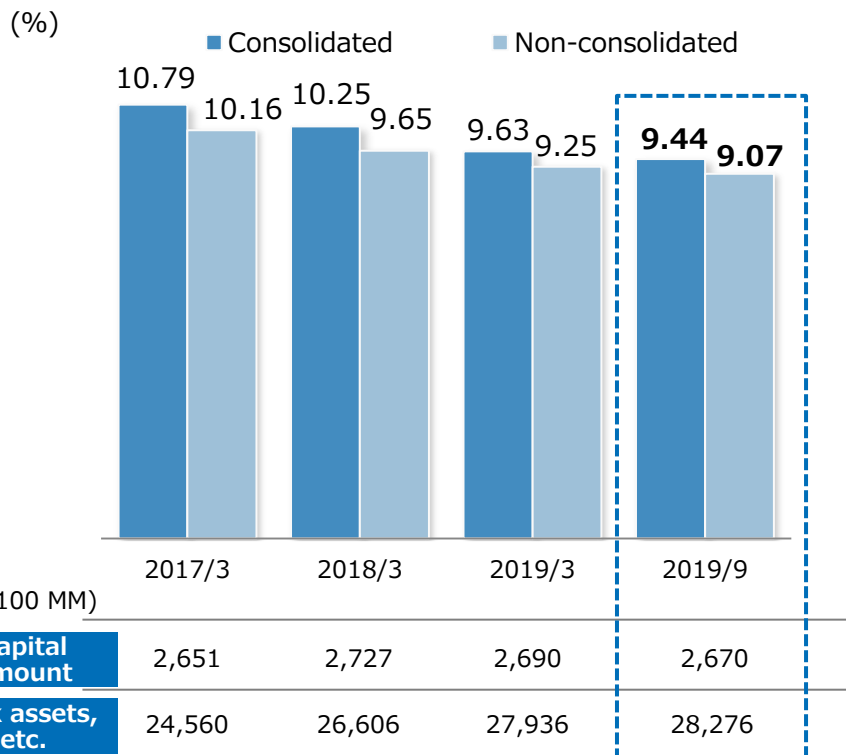
(September 2019) Capital adequacy ratio: 9.66%

Daishi Bank

Capital adequacy ratio

Hokuetsu
Bank

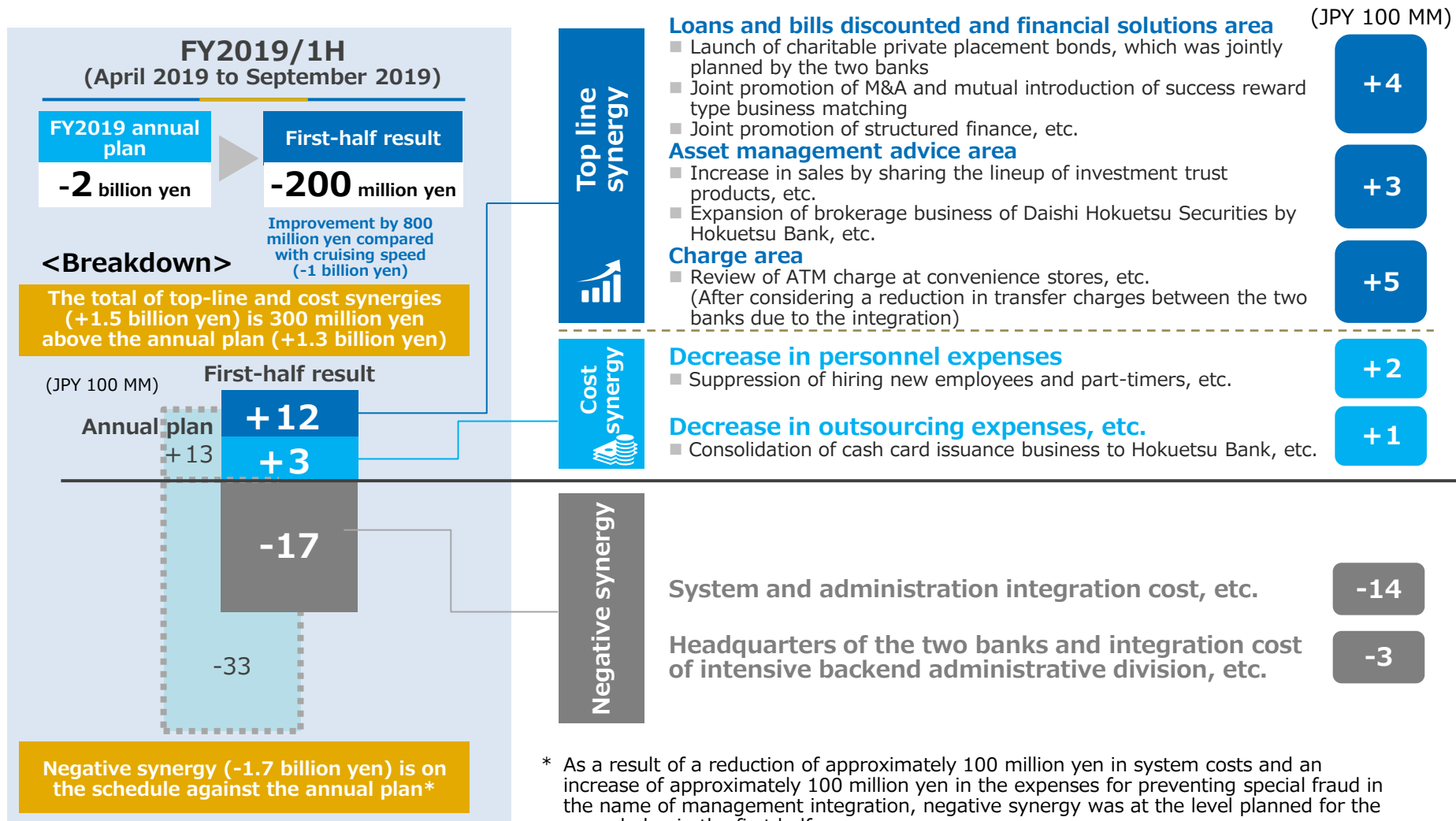
Capital adequacy ratio



*Capital amount, risk assets, etc. are on a consolidated basis.

Synergy Results (FY2019/1H)

- Costs related to system and administration integration leading up to the merger of the two banks led to a negative total of 200 million yen in synergy total.
- However, compared with the FY2019 annual plan of -2 billion yen, it increased by 800 million yen against the first-half's cruising speed (-1 billion yen).



* As a result of a reduction of approximately 100 million yen in system costs and an increase of approximately 100 million yen in the expenses for preventing special fraud in the name of management integration, negative synergy was at the level planned for the annual plan in the first half.

Indicators for Contributions to the Local Communities

- In all indicators, the rate of progress against the annual target exceeded 50%, indicating that the efforts of the two banks as a whole are showing steady results.

		FY2018 result	FY2019/1H result	Rate of progress against annual target	FY2019 target
Top-priority target to measure contributions to the local communities	Number of companies for which Daishi Hokuetsu Financial Group is a main bank	14,237	14,573	100.9%	14,430
Maintain and increase regional economic drivers	Number of cases involved in first and second start of business	1,136	747	63.5%	1,175
	Number of business partners whose business succession was supported	1,433	844	57.4%	1,470
Support companies to enhance their added value	Number of borrowers based on business evaluation	2,355	3,647	108.8%	3,350
	Balance of loans based on business evaluation	452.8 billion yen	755.3 billion yen	102.0%	740.0 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	383.6	5,193	126.6%	4,100
	Number of business partners with improved key performance indicators, etc.	9,078	9,468	102.5%	9,229
	Number of cases of core business support	3,729	2,383	62.3%	3,820
	Number of companies whose formulation of a business improvement plan was supported	660	338	61.4%	550

FY2019 Business Forecast (Announced on November 8)

- FY2019 Business Forecast remains unchanged from those announced in May 2019.
- FG consolidated profit is 14.9 billion yen, and the combined profit of the two banks is expected to be 17.1 billion yen.

FY2019 Business Forecast (Announced on November 8)

FG Consolidated (JPY 100 MM)	FY2019 business forecast		FY2019/1H result	Rate of progress against business forecasts
		YoY		
Ordinary profit	225	58	130	57.7%
Profit* ¹	149	-419* ²	86	57.7%

*¹ Profit (first half) attributable to parent company shareholders

*² The previous year recorded "Gain on bargain purchase" at 47.2 billion yen

Total of 2 banks (JPY 100 MM)	FY2019 business forecast		FY2019/1H result	Rate of progress against business forecasts
		YoY		
Core net business income	222	11	122	54.9%
Daishi	152	-1	78	51.3%
Hokuetsu	69	12	43	62.3%
Ordinary profit	236	1	140	59.3%
Daishi	162	2	94	58.0%
Hokuetsu	73	-2	45	61.6%
Profit (1H)	171	28	102	59.6%
Daishi	117	14	69	58.9%
Hokuetsu	53	13	33	62.2%



First Medium-term Management Plan

Basic Strategies/ Management Indicator Targets

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

Basic Strategy I	Enhancement of financing and information intermediation functions	Basic Strategy II	Improvement of management efficiency	Basic Strategy III	Enhancement of Group management framework
Demonstration of top line synergy and transformation of portfolios		Demonstration of cost synergy		Strengthening the management base	

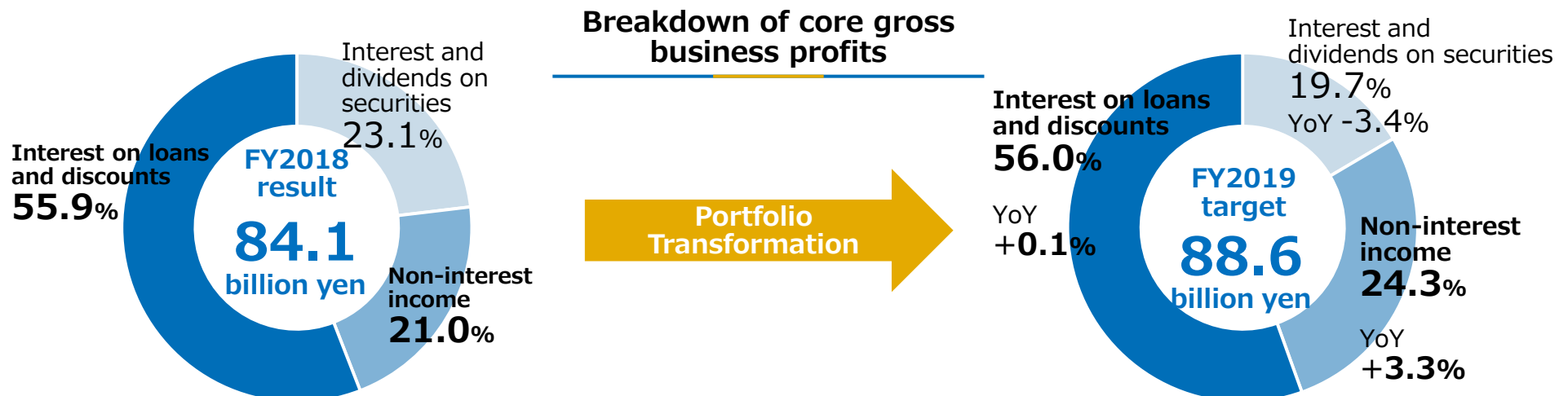
Targets for key performance indicators		FY2018 result	FY2019/1H result	FY2019 target
Profitability	Consolidated profits	56.8 billion yen <small>(Gain on bargain purchase of 47.2 billion yen)</small>	8.6 billion yen	14.9 billion yen
Growth potential	Average balance of SME loans	1,860.6 billion yen	1,892.4 billion yen	1,977.2 billion yen
	Average balance of consumer loans	1,229.3 billion yen	1,281.3 billion yen	1,310.4 billion yen
	Non-interest income amount	17.6 billion yen	10.3 billion yen	21.5 billion yen
Efficiency	OHR in core gross business profits	74.8%	72.3%	74.9%
	Consolidated ROE (shareholders' equity basis)	15.5% (17.8%)	2.0% (2.2%)	3.6% (3.9%)
Health of business	Consolidated capital adequacy ratio	9.5%	9.6%	9.2%

* Figures not shown on a consolidated basis are the combined total of the two banks; the average balance is before partial direct write-off; and Non-interest income = Net fees and commissions income + Other operating profits, excluding gains/losses related to debentures (Government bonds, etc.)

Top Tactics “Transformation of Portfolios”

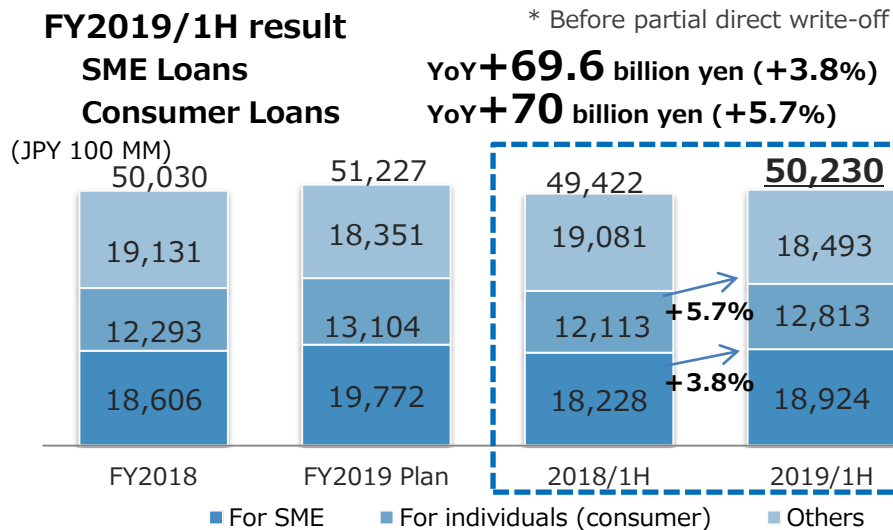
- Improve five indicators to build a solid earnings structure that does not rely on securities investment
- In the first half of FY2019, the 4 indicators excluding “Ratio of income from asset management advice services in core gross business profits” improved from the FY2018 level, and interest on loans and discounts increased from the previous fiscal year. We will work on further increasing non-interest income in the second half and beyond.

5 indicators for transformation of portfolios	FY2018 result	FY2019/1H result	Comparison with FY2018	FY2019 target
(1) Ratio of SME loans to total loans	37.2%	37.7%	0.5%	38.6%
(2) Ratio of consumer loans to total loans	24.6%	25.5%	0.9%	25.6%
(3) Ratio of unsecured loans in consumer loans	8.0%	8.3%	0.3%	8.8%
(4) Ratio of income from asset management advice services in core gross business profits	9.4%	7.4%	-2.0%	12.1%
(5) Ratio of income from financial solutions in core gross business profits	7.5%	7.5%	0.0%	8.9%



Loans and Bills Discounted Area

Outstanding loans and bills discounted (average balance) result and plan



Major initiatives in FY2019/1H

Provision of consulting function by the united effort of the two banks

- **Unification of sales promotion organizations and promotion measures** of the two banks as “Sales Transformation” aimed at the merger
- Establish a cooperative system between the RM (18 Relationship Managers) of both banks’ headquarters, which centrally manages information and projects for each region, the corporate strategy team (six members of the headquarters), and the CA (Corporate Advisor) located at all sales offices.

Average balance of total loans and bills discounted
5,023 billion yen
(YoY +80.8 billion yen, +1.6%)

Yield for business loans and bills discounted for business
0.917% (YoY +0.008%)

Mutual utilization of products and services

- Expansion of Daishi’s business loan product “Loans with Special Provisions for Exemption of Principal at Earthquake Disaster” to Hokuetsu
- Introduction of Hokuetsu’s housing loans “Plan to guarantee 3 major diseases + all diseases/injuries (Cardiff Danshin)” to Daishi
- Holding various seminars jointly organized by the two banks

Loans with Special Provisions for Exemption of Principal at Earthquake Disaster
15.3 billion yen (total from 2018/5)

Major initiatives in FY2019/2H

Major issues

Improving consulting capabilities to create demand for funds as well as yields by increasing unsecured loans to individuals

Business

Enhancement of the capabilities of dedicated HQ staff

Strengthening the capabilities of corporate sales in the Tokyo metropolitan area

Creation of potential demand for equipment through joint promotion by both banks

Share headquarters know-how with sales offices

Strengthen promotion activities for new customers

Consumer

Strengthen promotion outside the prefecture

Improvement of the convenience of non-face-to-face channels

- **Integration** of overseas support, business succession, and regional development lines, **and provision of comprehensive consulting by dedicated HQ staff**
- **Six dedicated HQ staff are stationed in the Tokyo area (from October 2019).**

- **Joint efforts by the two banks to meet the steady capital investment needs** of their business partners

- **Exploration of potential demand for equipment through joint seminars on the use of subsidies by the two banks** (December: held at four locations in the prefecture)

- Holding “**Corporate Sales Conference**” for sales representatives at core sales offices (28 people) (from October) Sharing headquarters’ know-how with sales offices through OJT and improving comprehensive consulting capabilities

- Allocate “**New Corporate Promotion Manager**” at each sales office in the prefecture as a result of review of overlapping business with common obligors of both banks
- **Strengthen new business development activities for approximately 3,800 companies in the prefecture** that do not have credit transactions with either bank

- Strengthen loan promotion at Daishi Branches out of Niigata, where activities have been reinforced over time, and Hokuetsu Branches out of Niigata
- Began offering **electronic contract services** for housing loans (expanded to all Daishi offices from December)

- Promotion of unsecured loans utilizing “Web completion scheme” (Daishi: from November 2018, Hokuetsu: from August 2019)

- Questionnaire results from business partners of both banks -
(FY2019/2H) Business partner equipment plan **105 billion yen**

Average balance of unsecured loans
106.5 billion yen
(YoY +9 billion yen, +9.3%)

Non-interest Income Area (Asset management advice and finance solution)

Non-interest income result and plan

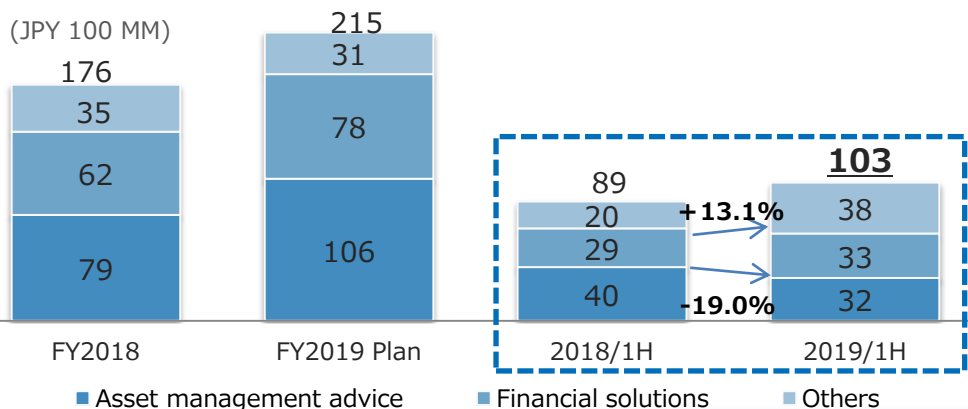
FY2019/1H result

Income from asset management advice:

YoY **-700** million yen (-19.0%)

Income from financial solutions:

YoY **+300** million yen (+13.1%)



Major initiatives in FY2019/1H

Asset management advice

- Expansion of securities brokerage business by Hokuetsu Bank with Daishi Hokuetsu Securities to all offices
- Review on roles of dedicated HQ staff to focus on human resource development, and improve the consulting capabilities of sales office staff

Financial solutions

- Sharing of sales know-how through the integration of dedicated HQ staff from both banks
- Provision of business succession support programs by both banks
- Issuance of private placement bonds jointly planned by the two banks



Number of securities brokerage
3,580
(YoY +34%)

Number of installment investment trust contractors
30,817
(Compared with 2019/3E +17%)

Holders of FP Level 2 or higher
2,138
(Compared with 2019/3E+20)

Income from business succession and M&A
365 million yen (YoY +131%)

Private placement bonds to assist in publicizing the attractiveness of Niigata
128 cases 8.8 billion yen

Major initiatives in FY2019/2H

Asset management advice	Major issues	<ul style="list-style-type: none"> Strengthening the corporate asset management business Expansion of the asset succession business
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Share headquarters know-how with sales offices

- Appoint dedicated HQ staff for corporate sales (4 people) to strengthen both promotion and human resource development
- Holding "Corporate Sales Conference (asset management)" (from October)

Introduction of new products and promotion to new customers

- Introduction of new products for corporate customers (endowment insurance) and implementation of new customer campaigns

One-stop financial services of banking, securities and trust services

- Strengthen the cooperation with Daishi Hokuetsu Securities and asset succession business through the trust business (will trust and estate settlement services) that Daishi Bank entered on October 1.

Financial solutions	Major issues	<ul style="list-style-type: none"> Expansion of new business areas
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Share headquarters know-how with sales offices

- Strengthen promotion by assigning dedicated HQ staff (4 people) in high-value-added areas such as M&A
- Holding "Corporate Sales Conference (solution)" (from October)
- Aggressively deploy the know-how of Daishi headquarters to Hokuetsu Branches in and outside of Niigata

Introduction of new products

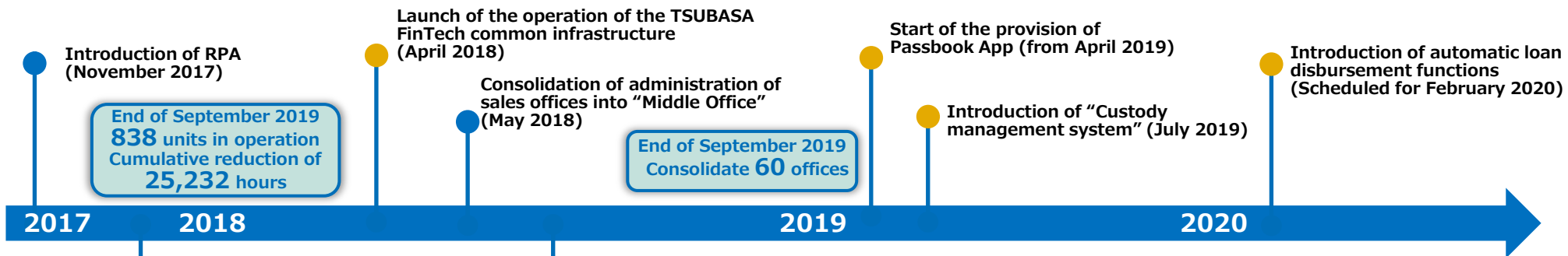
- Continuation of private placement bonds jointly planned by the two banks

Expansion of new business areas

- Investment in private equity funds
- Strengthen M&A comprehensive cooperation by TSUBASA member banks (from October)



"Structural Reforms" Initiatives with the Utilization of Digitization



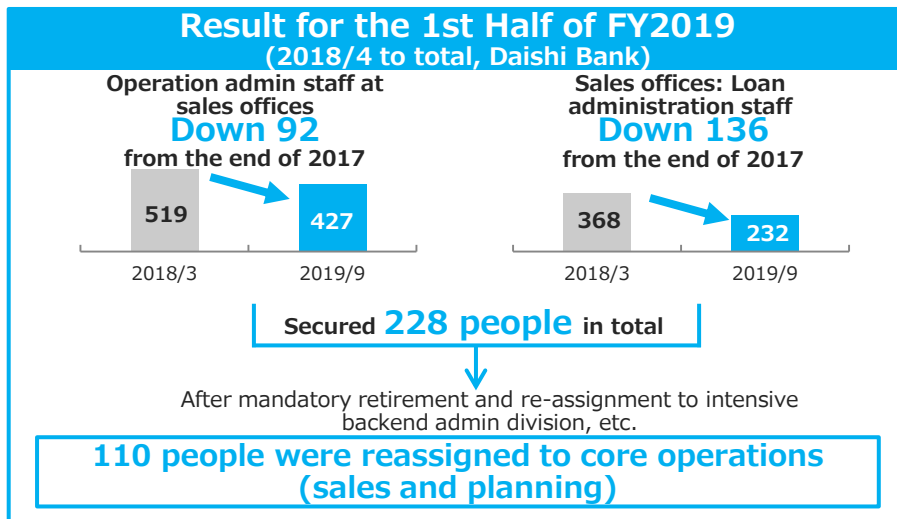
- TSUBASA Alliance measures
- Daishi Hokuetsu FG measures



▲ Remote consultation desk
Dedicated operators at HQ conduct various consultations via video chat and provide uniform services at all offices.



▲ TSUBASA Smile
It is possible to take procedures in a paperless and seal-less way by using a dedicated terminal.



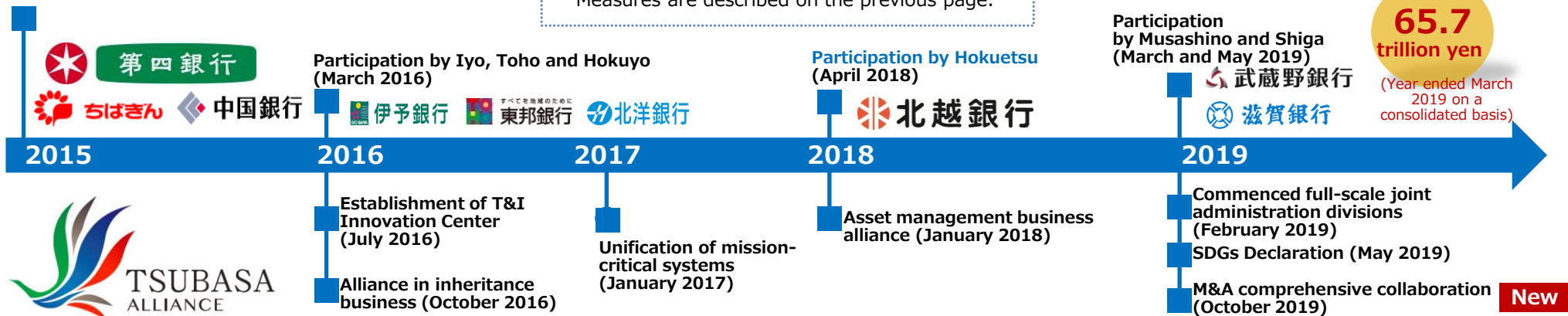
Launch of TSUBASA Alliance (Daishi, Chiba and Chugoku) (October 2015)

* TSUBASA alliance regarding digitization
Measures are described on the previous page.

Total assets balance under
the TSUBASA Alliance

65.7
trillion yen

(Year ended March
2019 on a
consolidated basis)



Revenue effect (FY2019/1H)

Top line revenue

- Joint sale of green bonds and World Bank bonds
- Joint campaigns for investment trust sales, etc.

Total
+520 million yen

The portion to be continued
+60 million yen
every year

Cost reduction effect

- Joint use and development of various subsystems
- Establishment of joint funds in investment divisions (reduction of trust fees)
- Joint development of new products using open APIs, etc.

Total **580** million yen

The portion to be continued
+100 million yen
every year

Cost reduction
by sharing
mission-critical
systems

Reduction **1 billion**
yen per year



Effects of joint
measures to
boost revenues
(other than
mission-critical
systems)

Total of **1.1** billion yen

160 million yen
every year (Forecast)

SDGs Initiatives (Recent major activities)



Declaration 1 Contribute to the revitalization of local economies and communities



• Opening of "Niigata: Food and Comprehensive Business Discussion (Shoku Biz!)" (May 2019) **206 exhibitors, 613 business meetings**

FY2013: Approximately 10,000 students attended in total

- Holding "Daishi Hokuetsu Academy"
- Implementation of "Niigata Startup Contest 2019" (September 2019 to February 2019)



▲ "Niigata: Food and Comprehensive Business Discussion (Shoku Biz!)"

Declaration 2 Support safe and secure life for the elderly



- Holding "Nursing care management seminar" (July 2019)

85 people participated

- Implementation of special fraud-prevention activities in cooperation with Niigata Prefectural Police (August 2019)
- Began handling "Private placement bonds to monitor local safety" (from October 2019)

Declaration 3 Deliver financial services for a better life



- Commencement of the provision of Daishi Bank Passbook App (April 2019)
- Private placement bonds to assist in publicizing the attractiveness of Niigata (May to September 2019) **128 cases, 8.8 billion yen**

1,480 cases, 3.2 billion yen

- Sales of "Niigata Mirai Support Japan Equity Fund" (from May 2019)
- Began using electronic contracts for housing loans (from December 2019)

Declaration 4 Promote diversity and workstyle reform



• Improvement of the ratio of women in management/supervisory positions
2018/9 22.6% → 2019/9 24.2% (+ 1.6pt)

• Holding "IoT × Work-style reform Forefront Seminar" (May 2019) **102 people participated in four areas in Niigata**

- Establishment of "Health Management Promotion Office" (June 2019)
 - Double-acquisition of "Platinum Kurumin" and "Eruboshi Accreditation III (the highest class)" by Hokuetsu Bank (June 2019)
- * Daishi Bank obtained them in July 2018.

Declaration 5 Contribute to sustainable environment protection.



- Establishment of "Green ATM" (from August 2014) **Carbon offset result: 254 tons**
- "Daishi Hokuetsu no Mori" activities (October 2019) **Approximately 410 executives and employees participated**

- "Niigata Swan Energy", a regional electric power company, was established jointly with Niigata City and the JFE Group (July 2019).



▲ "Daishi Hokuetsu no Mori" activities



- Participated in by 19 employees (Niigata 8, Tokyo 11), the company is engaged in three businesses: "Sales channel development" "Tourism promotion" and "Productivity improvement".
- A permanent antenna shop, Bridge Niigata, was opened in Nihonbashi, Tokyo on October 1, and is being used as a base for both BtoB and BtoC.

Major initiatives in FY2019/1H

(1) Sales channel development business

- Bridge Niigata, a directly managed shop, opened (October 1, 2019)
- In Tokyo (7 venues) Niigata Marche was held. (June–September 2019)

Future plans

- Support for the expansion of sales channels in the Tokyo metropolitan area for the customers wishing to expand sales channels
- Support for the development of overseas markets for agricultural, forestry and fishery products of Niigata

Approximately 350 companies
Approximately 700 kinds of products



Niigata Marche

Sales result 17

(2) Tourism promotion business

- Began considering measures to invite foreign visitors to Niigata in cooperation with local governments and prefectural tourism organizations (DMO)
- Conduct activities of suggesting multilingual translation tools, etc. for foreign visitors to Japan

Future plans

- Support for tourism development together with open factories (plant tour)

(3) Productivity improvement business

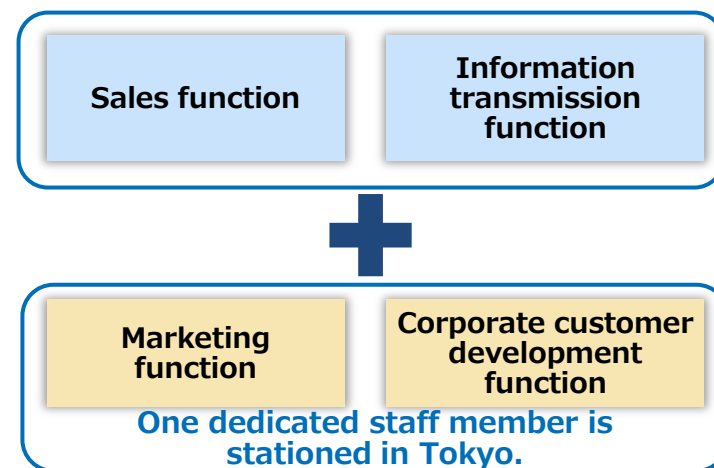
- Started providing consulting functions to increase administrative efficiency (introduction of electronic forms, RPA, etc.) for SMEs.

Future plans

- Disaster response (BCP) and cyber security support

33 companies considering introduction

Directly managed shop, Bridge Niigata



The number of products
About 300 products (165 companies)



1-6-5 Nihonbashi-Muromachi, Chuo-ku, Tokyo
1st and 2nd floors Daishi Tokyo Building

- Established in May 2019 as a wholly owned subsidiary, obtained a license from the Ministry of Health, Labour and Welfare in August, and started business in October with five staff members.
- Differentiate from dedicated employment agencies by providing consulting functions for “Long-term human resources strategy” of clients.

Major Initiatives, etc.

(1) Matching human resource business

Recruitment consultations (Direct support for human resource needs)

Consultations:
Approx. 120
(from 10/1 to 10/31)

(1) Direct introduction

- Matching of the human resources between former employees of FG Group companies and local companies that are looking for human resources
- Matching of local job seekers with local companies that are looking for human resources

Visiting about 70
companies in need

(2) Arrangement of employees to be loaned

- Mainly loan employees from FG group companies to local companies

Human resource matching support (support for/collaboration with external organizations for their human resource needs)

- Employees of Daishi Hokuetsu Career Bridge support companies that are looking for human resources.
- Human resource matching in cooperation with external employment agencies

Future plans

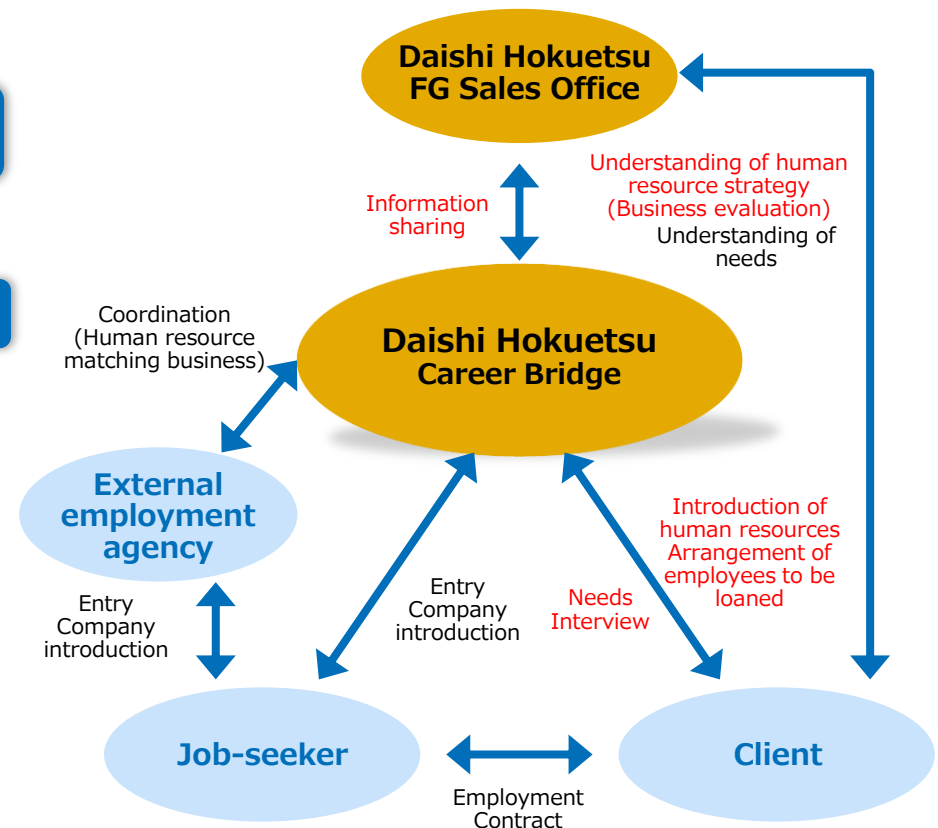
- Increase the number of registered job seekers through the introduction system of former employees by current FG employees.

(2) Human resource development solution business [Planned from April 2020]

Training and seminar

- Planning and conducting training and seminars for local companies in cooperation with Daishi Management Consulting and Hokugin Economic Research Institute
- Support for promoting U-turn employment of students from Niigata Prefecture in cooperation with Niigata Prefecture, universities, prefectural companies, etc.

Outline of Business Model





Capital Policy

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.

- 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.

Dividends for the year ended March 2020 (forecast)

Interim dividends
(actual result)
per share
60 yen

+

Year-end dividends
(forecast)
per share
60 yen

=

Annual dividends
(forecast)
per share
120 yen

Past result of shareholder return

FY2018

FG

Cash Dividends per Share

End of period **60 yen**
 First half
 Daishi Bank **45 yen**
 Hokuetsu Bank **30 yen**

Dividend Payout Ratio

35.0%

Shareholder Return Ratio*1

42.0%

	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio		Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
Daishi Bank				Hokuetsu Bank			
FY2015	90 yen	21.6%	40.2%	FY2015	60 yen	19.7%	29.5%
FY2016	90 yen	26.9%	40.0%	FY2016	60 yen	21.4%	21.5%
FY2017	90 yen	22.6%	35.9%	FY2017	60 yen	20.1%	20.1%

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

(Reference) Future Direction of Daishi Hokuetsu Financial Group

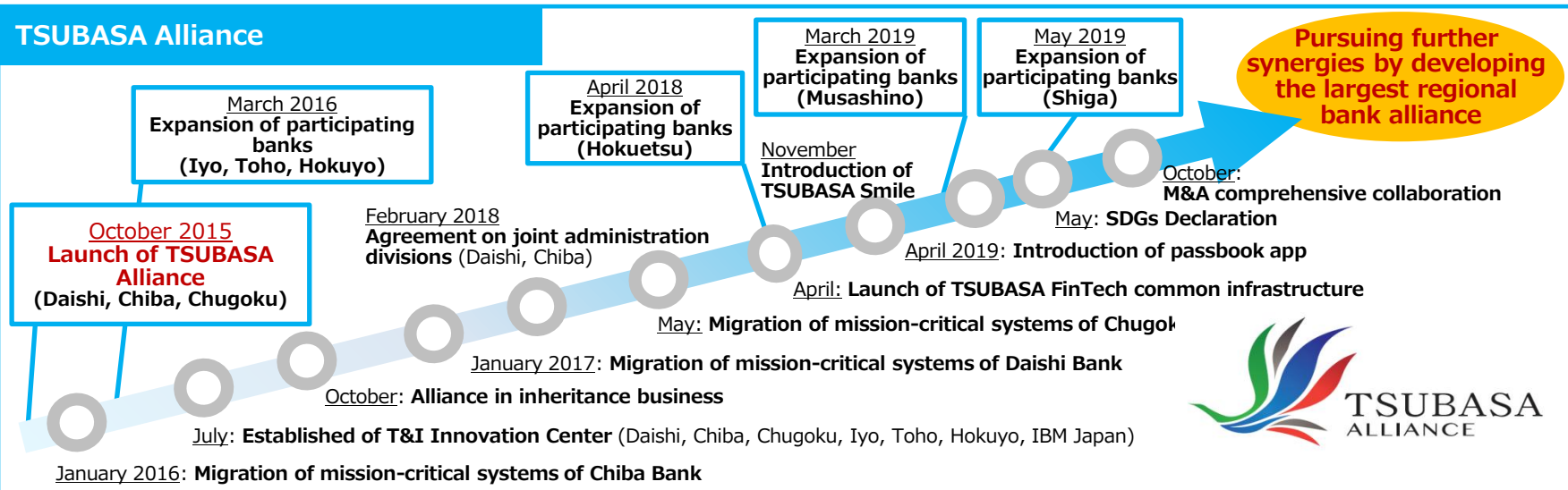
- Accelerate growth and strengthen management structure through two management strategies (management integration and the TSUBASA Alliance)

Management integration

Management Integration and FG First Medium-Term Management Plan



TSUBASA Alliance



Alliance cooperation

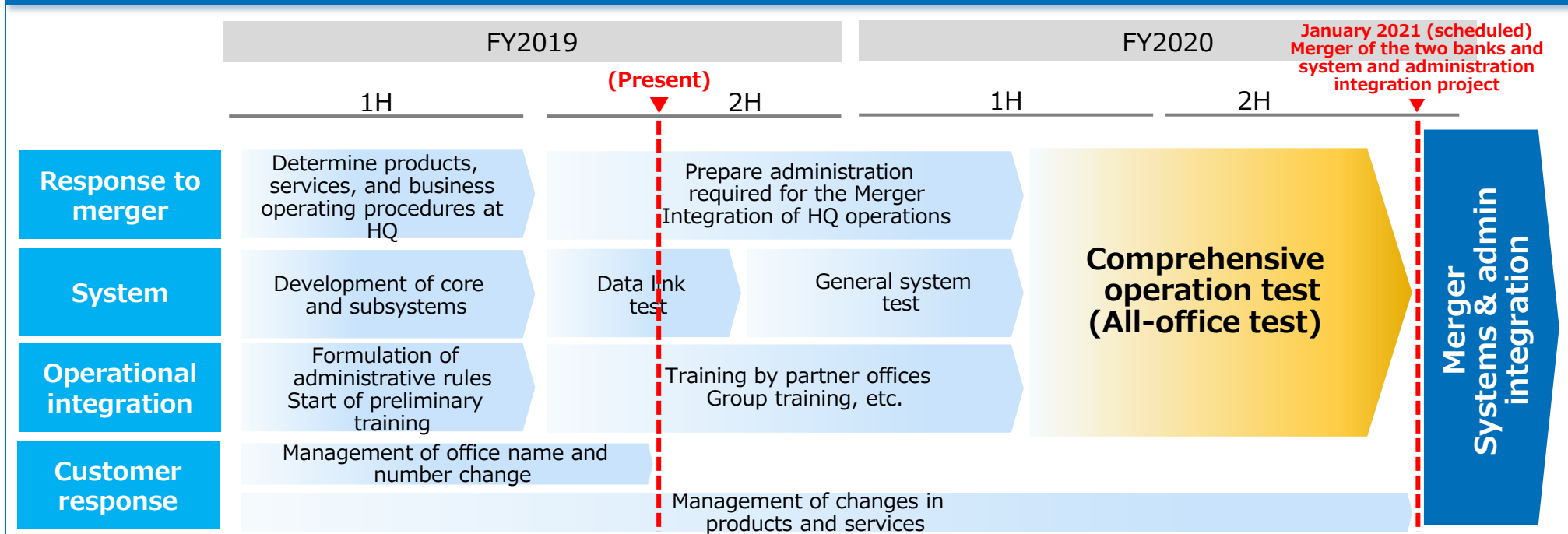


**(Reference) Effort toward the
Merger**

System and Administration Integration Project, etc.

- System and administration integration project toward the merger of the two banks in January 2021 is progressing as scheduled.
- We will continue to take various measures under a thorough promotion system.

System and administration integration project



Response considering merger

Establishment of a new personnel system

- Established a new personnel system for merged banks based on management philosophy
- Briefing sessions were held at all offices to familiarize employees with the concept of system design

Integration of HQ operations of the two banks

- Integration of system and administration operations (admin divisions were consolidated in 2019/4 and the bases of system divisions were consolidated in the Daishi HQ in 2019/6)
- Unification of sales organizations and promotion measures of the two banks (from 2019/4)

Realization of office integration plan

- Consolidate 50 offices from 2021/4 in about 3 years (announced in 2019/2)
- Surveys are under way to formulate a schedule and layout for each office

Development of restructuring plan for affiliated companies

- Changed the trade name of Daishi Securities to Daishi Hokuetsu Securities and made it a FG wholly owned subsidiary (2019/10)
- In addition to building a business model to strengthen the Group's profitability, we are considering restructuring plans to optimize affiliated companies

Efforts for Organizational Integration

- Since the management integration in October 2018, we have been actively promoting organizational integration.
- Group executives and employees work together to build a foundation for the merger of the two banks in 2021 and the maximization of synergies.

- **Holding monthly** meetings with FG managers
- Implement the progress management of the measures to promote integration (from October 2018)

Establishment of "Integration Promotion Meeting"

Joint opening of training, etc.

- Joint seminar for the employees of the two banks
- Held **117 times** from October 2018 to the end of October 2019 and had a total **10,000 participants**



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

Efforts for organizational integration

- **Questionnaires were answered by all branch managers** at the end of December 2018 and the end of March 2019 to ensure that there were no factors that would hinder integration.

Conducted survey to promote integration

Start of personnel exchange

- From April 2019 **Mutual personnel exchange was conducted** involving five branch managers and one deputy branch manager

- Hokuetsu administration division and Hokuetsu system division **moved into the Daishi HQ** in April 2019 and June 2019, respectively.
- Sales and marketing divisions are also exchanging personnel (from October 2018).

Integrated management of both banks' HQ

Establishment of "Partner Office" (neighboring branch offices)

- **Established the "Partner Office Group"** of "59" (excluding some sales office outside the prefecture) based on the two banks' adjacent sales office (from November 2018)



Contact for inquiries

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