

In order to prevent the spread of COVID-19, we have decided not to hold the “FY2019 Financial Results Briefing” for institutional investors scheduled for June 2020. We would appreciate your understanding.

# FY2019 Financial Results Presentation

- \* Daishi Hokuetsu Financial Group is referred to as “Daishi Hokuetsu FG” or “FG.”
- \* Daishi Bank and Hokuetsu Bank are referred to as “both banks” or “two banks.”
- \* The figures in this document are the sum of the two banks unless otherwise stated.

June 5, 2020



**DAISHI HOKUETSU**  
Financial Group

第四北越フィナンシャルグループ

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- Recognizing the pandemic of COVID-19 as a state of emergency with an extremely high level of risk, we will put the health and safety of all our stakeholders first and work to enhance our organizational infection-prevention system.
- Based on our Management Philosophy, we place the highest priority on supporting the economic foundation of Niigata Prefecture, preventing financial distress in the local economy, and providing multifaceted support to our customers and the local communities

## Customer service, etc.

- Conducted an impact survey on business partners (approx. 30,000 companies) (implemented by sales offices of both banks on a daily basis)
- Establishment of the "COVID-19 Consultation Desk" (at all sales offices of both banks) (Consultation desk is open on holidays at loan centers and consulting plazas)
- Proactive cash management and other services in support of customers
  - Niigata Prefecture COVID-19 Fund (3-year, virtually interest-free loan)
  - Start handling of "Private Securities supporting Culture and Sports in Niigata," charitable private placement bonds to support cultural and sports activities in Niigata Prefecture affected by COVID-19
  - Participation in the "Niigata Musubu Project," which provides crowd-funding support to restaurants and Japanese-style inns, etc.
- Exemption of fees for the change of loan terms (corporations, sole proprietors and individuals)
- Multifaceted support for business improvement
  - Organize seminars to promote awareness and understanding of Subsidies for Employment Adjustment and other various systems
  - Matching support for securing customers and suppliers in cooperation with the regional trading company "Bridge Niigata"
  - Information provision on productivity improvement in response to telework and other new work styles
  - Increase examiners for speedy response to loan consultation and strengthening of support for business improvement
- Monetary donations to Niigata Prefecture to support the improvement of healthcare, etc.

## Response of both banks, etc.

- Introduction of the "Split Operation" work style at the HQ.
- Implementation of "Lunchtime Closure" at all offices
- Implementation of "Shift System" at offices outside the prefecture
- Installation of plastic sheeting, acrylic plates and face shields in all offices
- Thoroughly disinfect and clean the offices
- To prevent the spread of infection, the following measures are taken
  - Cancellation of unnecessary business trips and participation in meetings, etc. in principle
  - Use of videoconferencing systems, staggered work hours, and telework
  - Staff wearing masks during business hours
  - Voluntary restriction on travel between Niigata and other prefectures, etc.
- Consider and implement the new vision for sales and operations in response as New Normal
  - Directing to the web procedure for personal loans and exploring online marketing
  - Recruiting through "web interviews," etc.

▼Both banks have posted their COVID-19 initiatives to date on their websites.

Daishi Bank's response to COVID-19

[https://www.daishi-bank.co.jp/release/corona\\_info.php](https://www.daishi-bank.co.jp/release/corona_info.php)



Hokuetsu Bank's response to COVID-19

[https://www.hokuetsubank.co.jp/dhfg/corona\\_info/](https://www.hokuetsubank.co.jp/dhfg/corona_info/)



## FY2019 Business Performance



- Profit of the two banks was 15.3 billion yen, up 1 billion yen year-on-year
- Synergy effects from the integration exceeded the plan, and the “indicator for contributions to the local communities” exceeded the target for all indicators

## First Medium-term Management Plan



- Three management indicators on growth potential (average balance of loans to SMEs, average balance of consumer loans and non-interest income) all increased year-on-year
- Two management tactics (management integration and the TSUBASA Alliance) will be the cornerstone of our efforts to further increase corporate value and achieve sustainable growth

## FY2020 Business Forecast



- Decrease in profit is expected due to following factors: (1) One-time costs on the merger of two banks are expected to peak this fiscal year, and (2) the impact of COVID-19 is expected to result in reduced gains/losses related to securities and additional credit costs
- Management integration-related cost is expected to significantly decline from FY2021 onwards following the merger of two banks compared with the current fiscal year



# **FY2019 Business Performance**

# FY2019/1H Financial Summary

- FG consolidated ordinary profit increased by 2.7 billion yen over the previous year, and the profit decreased by 43.9 billion yen year on year to 12.8 billion yen as a result of recording 47.2 billion yen of gain on bargain purchase as extraordinary income in the previous year
- Total of the two banks' core gross business profit (+2.1 billion yen), core net business income (+1.1 billion yen), and profit (+1 billion yen) all rose year on year

## FY2019 Financial Highlights

FG Consolidated (JPY 100 MM)	FY2019		Business forecast	
	Settlement of accounts	YoY *3	(announced on May 2019)	Vs. Business forecast
Nonrecurring Gains and Losses	194	27	225	-31
Ordinary profit	128	*2 -439	149	-21

\*1 Profit attributable to owners of parent

\*2 In FY2018, 47.2 billion yen of gain on bargain purchase was recorded to extraordinary income due to the business integration

\*3 The results of FY2018, which is a year before the FG consolidation, are calculated by consolidating the annual results of consolidated Daishi and the second-half results of the Company and consolidated Hokuetsu

Total of two banks (JPY 100 MM)	FY2019		Daishi		Hokuetsu	
	Settlement of accounts	YoY		YoY		YoY
Core gross business profits	863	21	559	-6	303	28
Net interest income	658	-6	425	0	233	-6
Net fees and commissions income	139	-2	97	-14	41	11
Other operating profits (excluding gains/losses related to debentures (Government bonds, etc.))	65	30	36	6	28	23
Expenses	640	10	419	6	221	3
Core net business income	222	11	140	-13	82	24
Core net business income (excluding gains and losses on cancellation of investment trusts)	222	24	140	-0	82	24
Net business income	176	-27	107	-26	68	-1
Nonrecurring Gains and Losses	32	0	39	12	-6	-11
Ordinary profit	208	-27	146	-13	61	-13
Extraordinary Income or Loss	-0	61	-0	22	-0	39
Profit	153	10	107	4	45	5
<Net credit cost>	57	13	42	22	15	-8
<Gains/Losses related to Securities>	49	-22	42	21	6	-44
<Management integration-related cost (All)>	29	-58	17	-15	11	-43

## Year-on-year Change Factors (sum of two banks)

### Core gross business profits [+2.1 billion yen yoy]

- Net interest income: -600 million yen
  - Interest on loans and discounts: -100 million yen  
(Balance factor: +400 million yen, Yield factor: -500 million yen)
  - Interest and dividends on securities: -1.8 billion yen
  - Net cash balance (Foreign currency funding costs): +1.3 billion yen
- Net fees and commissions income: -200 million yen (1)
- Other operating profits (excluding gains/losses related to debentures (Government bonds, etc.)) +3 billion yen (2)
  - Non-interest income total ((1) + (2)): +2.8 billion yen
    - Income from asset management advice: -1 billion yen
    - Income from financial solutions: +600 million yen
    - Gain on sales of loans and discounts: +1.5 billion yen
    - Other (ATM-related, etc.): +1.7 billion yen

### Expenses [+1 billion yen yoy]

- Personnel expenses: -1.6 billion yen (Including FG personnel expenses: -500 million yen)
- Non-personnel expenses: +2.2 billion yen (Excluding FG personnel expenses: +1.2 billion yen)  
Of which, management integration-related cost (System and administration integration costs, etc.): +1.0 billion yen

### Net credit cost [+1.3 billion yen yoy]

- General provision of allowance for loan losses: +400 million yen
- Non-performing loan processed: +200 million yen
- Recoveries of written off claims: -400 million yen

### Gains/Losses related to Securities [-2.2 billion yen yoy]

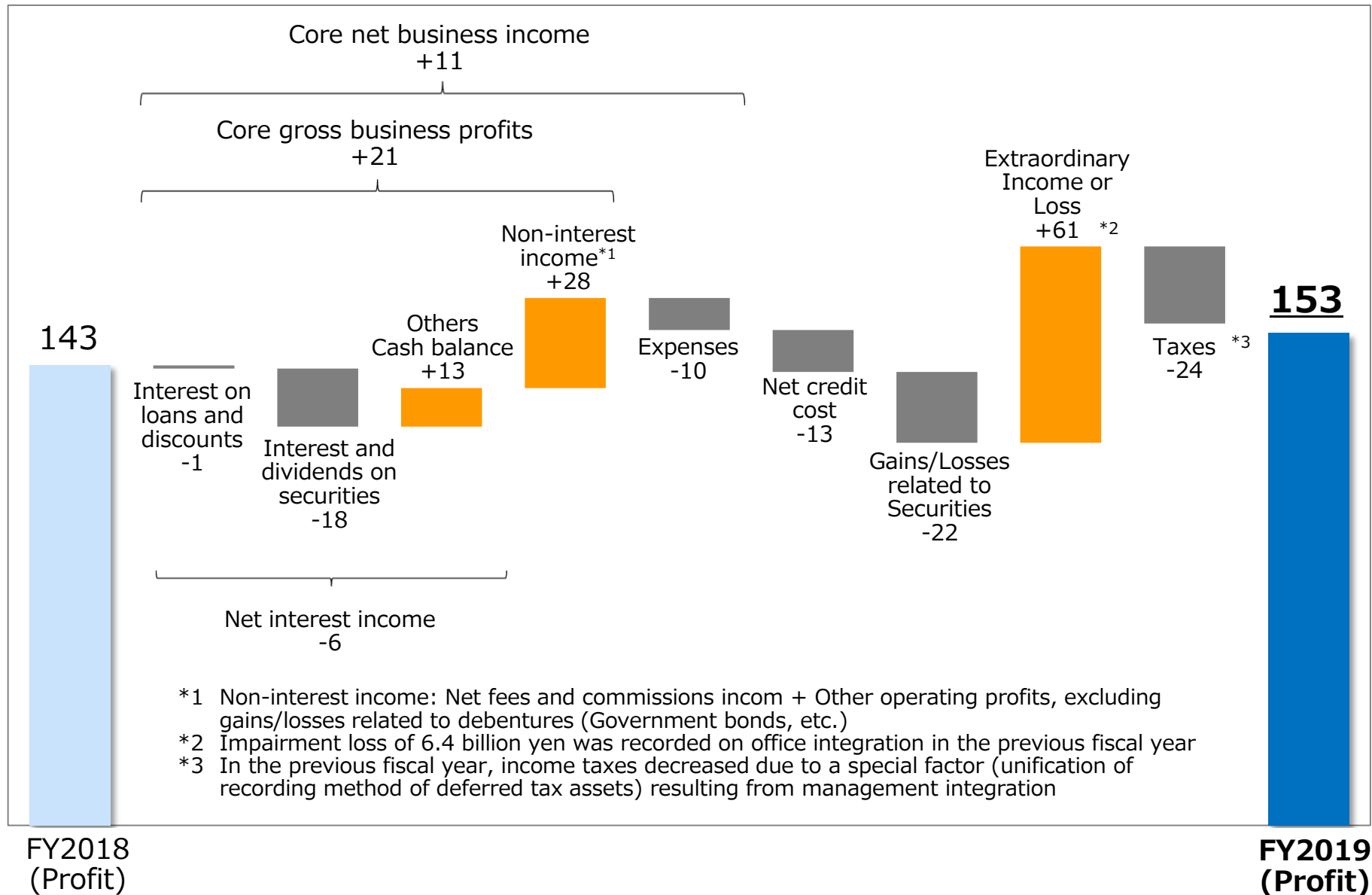
- Gains/Losses related to Debentures (Government bonds, etc.): -3.4 billion yen
- Gains/Losses on Stocks, etc.: +1.2 billion yen

### Profit [+1.0 billion yen yoy]

### Management integration-related cost (All) [-5.8 billion yen yoy]

- Non-personnel expenses for system and administration integration, etc.: +800 million yen; Taxes: +200 million yen
- Office integration cost (Extraordinary losses): -6.4 billion yen

# Factors for Increase/Decrease in Profits (sum of two banks)

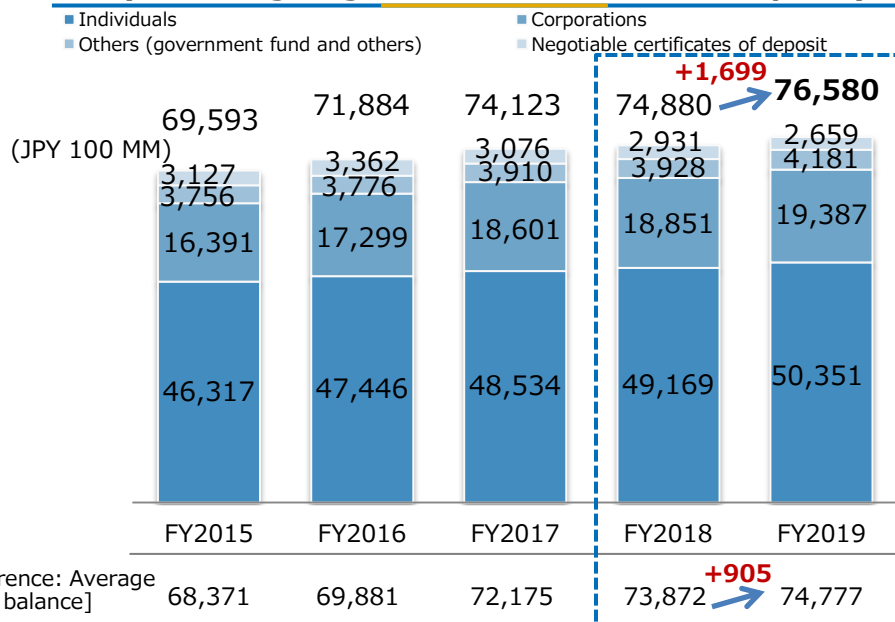




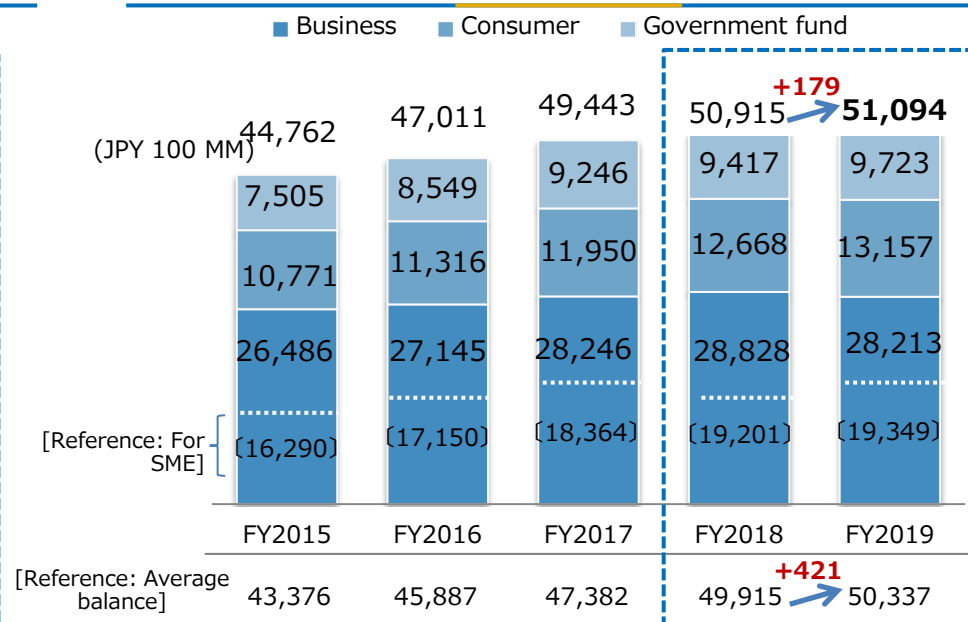
# Balance of Deposits and Loans and Bills Discounted

- Balance of deposits, etc. (Balance at end of year was 7,658.4 billion yen, +169.9 billion yen yoy) and balance of loans and bills discounted (Balance at end of year was 5,109.4 billion yen, +17.9 billion yen yoy)  
Both figures showed steady growth. On the average balance basis, deposits, etc. increased by 90.5 billion yen YoY, and loans and bills discounted increased by 42.1 billion yen year-on-year.
- Share of deposits, etc. and loans and bills discounted in Niigata Prefecture increased by 1.1 pt and 0.6 pt, respectively, from the end of September 2018 before the management integration

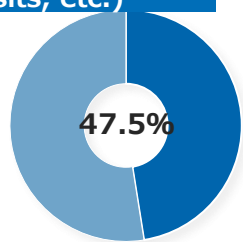
**Year-end balance of deposits, etc.  
(including negotiable certificates of deposit)**



**Year-end balance of total loans and bills discounted**

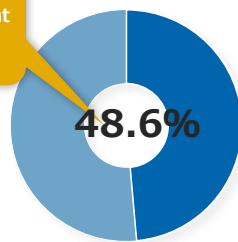


**Share in the prefecture  
(deposits, etc.)**



(2018/9)

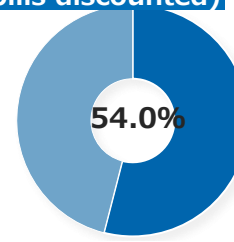
Vs. pre-management integration  
+1.1 pt



(2020/3)

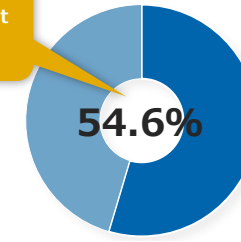
■ Daishi Hokuetsu ■ Other banks

**Share in the prefecture  
(loans and bills discounted)**



(2018/9)

Vs. pre-management integration  
+0.6 pt



(2020/3)

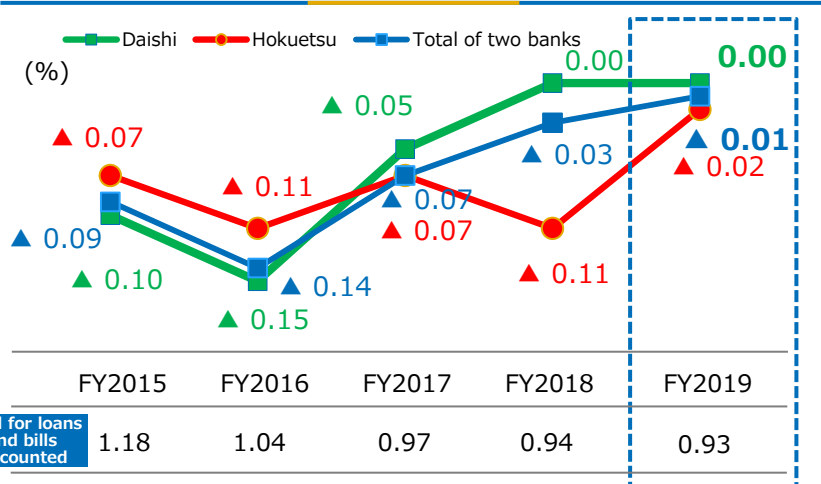
\* Share was calculated by the Company based on Nikkin data, Niigata Bankers Association data, etc. (Year-end balance basis)



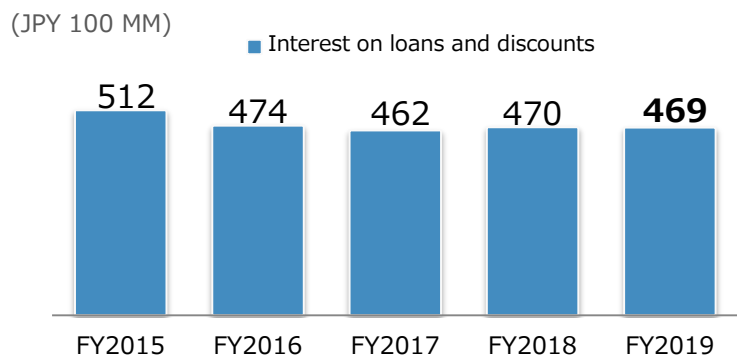
# Loans and Bills Discounted (Yield/Interest, Real Estate Lending)

- 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 in FY2019.
- Real estate loans accounted for 10.9% of all loans, or 0.1 pt. decrease year on year

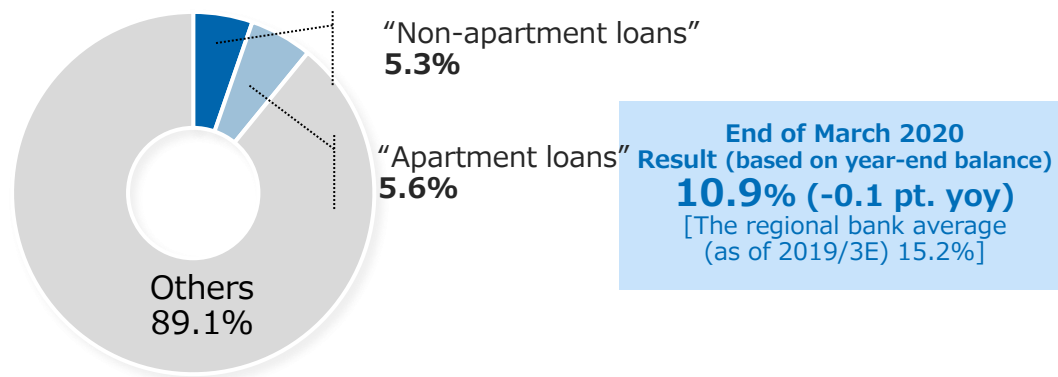
## Changes in yield for total loans and bills discounted



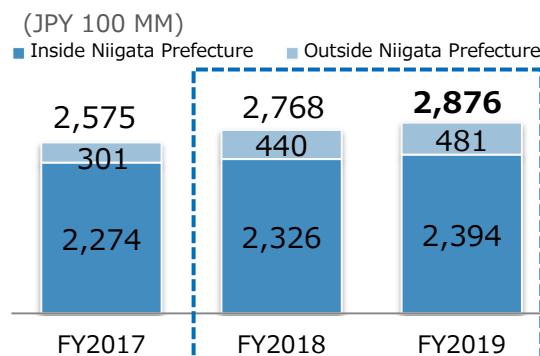
## Interest on loans and discounts



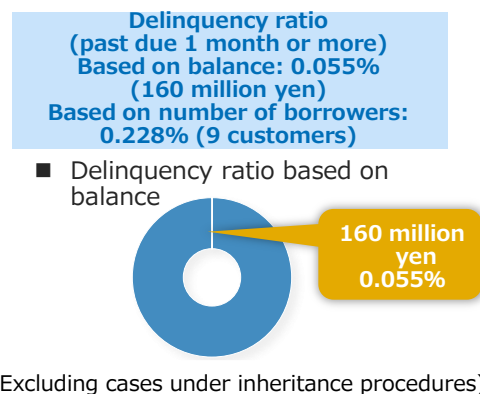
## Ratio of “real estate” loans in total loans



## Apartment loans (year-end balance)



## Status of delinquencies of apartment loans (End of March 2020)

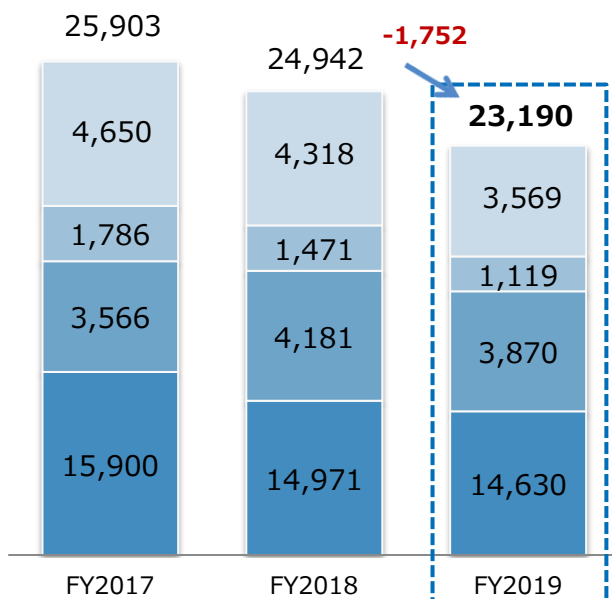


- The balance of securities decreased by 175.2 billion yen at the end of March 2019 to 2,319 billion yen due to restrained investment in low-yielding domestic debentures.
- Interest and dividends on securities declined by 1.8 billion yoy (including gains on cancellation of investment trusts -1.2 billion yen) but was 800 million yen above the plan.

## Year-end balance of securities

- Domestic debentures
- Foreign securities
- Stocks
- Other securities

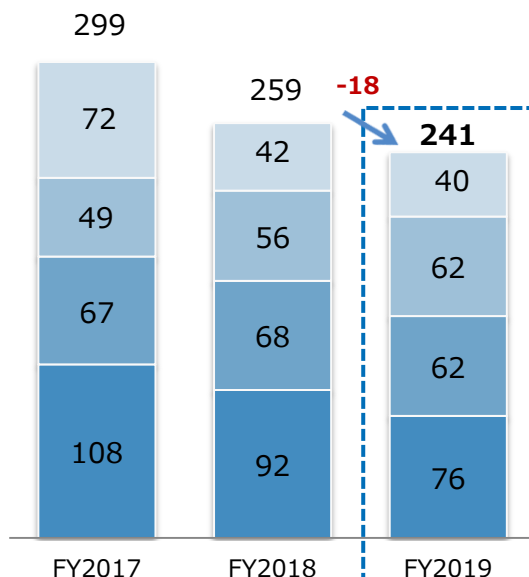
(JPY 100 MM)



## Interest and dividends on securities

- Domestic debentures
- Foreign securities
- Stocks
- Other securities

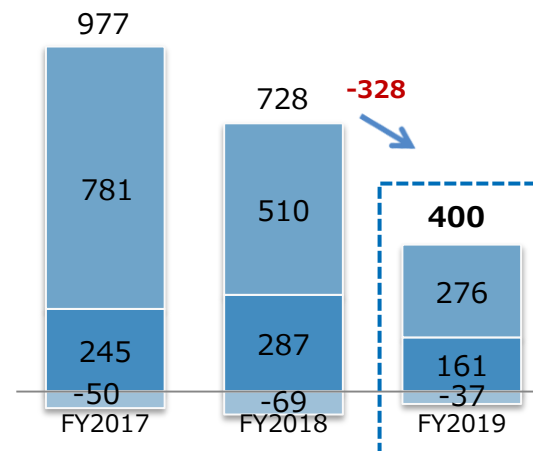
(JPY 100 MM)



## Gains/Losses on Valuation (FY-end)

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

(JPY 100 MM)



Decreased by 32.8 billion yen from the previous year to 40 billion yen mainly due to a market decline caused by COVID-19

	FY2017	FY2018	FY2019
Plan	277	255	232
Compared to the plan	+22	+4	+8

	FY2017	FY2018	FY2019
Yield	1.13%	1.03%	0.98%
Duration	(Yen debentures) 4.26 years (Foreign debentures) 5.22 years	4.74 years 5.73 years	5.31 years 4.83 years

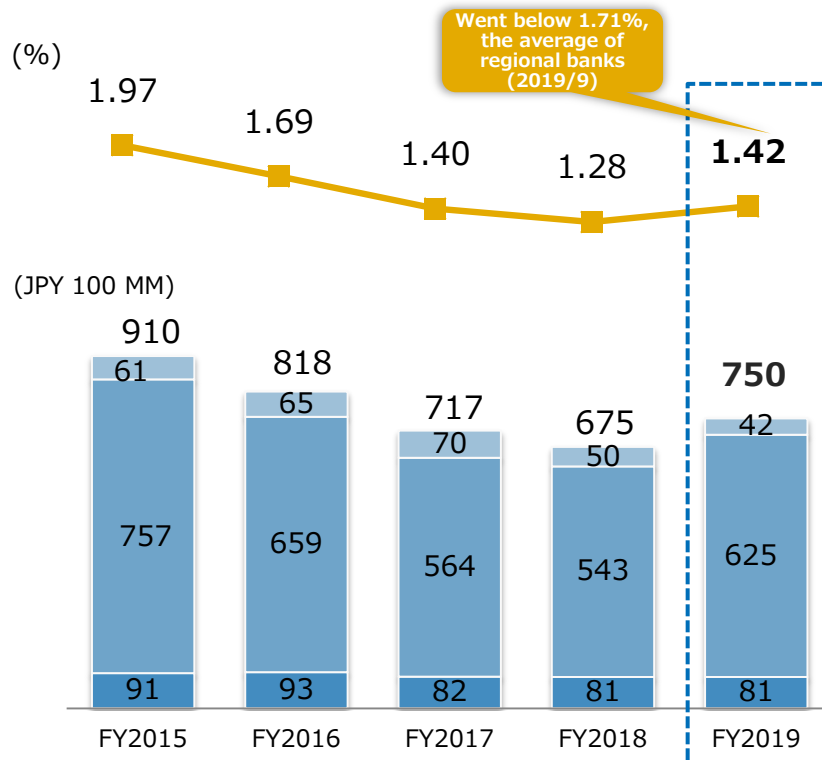
\* Duration is after considering the interest rate swaps for hedging purposes

# Non-performing Loans/Credit Cost

- The amount of non-performing loans as of the end of March 2020 was 75 billion yen, or 7.4 billion yen increase yoy, and the non-performing loan ratio increased by 0.14% to 1.42%.
- Net credit costs increased by 1.3 billion yen year on year due to increase in borrowers' downgrade (deterioration in business conditions) and decrease in recoveries of written off claims
- The General Support Office newly established in the Credit Department will strengthen predictive monitoring and improve the effectiveness of comprehensive support for business partners

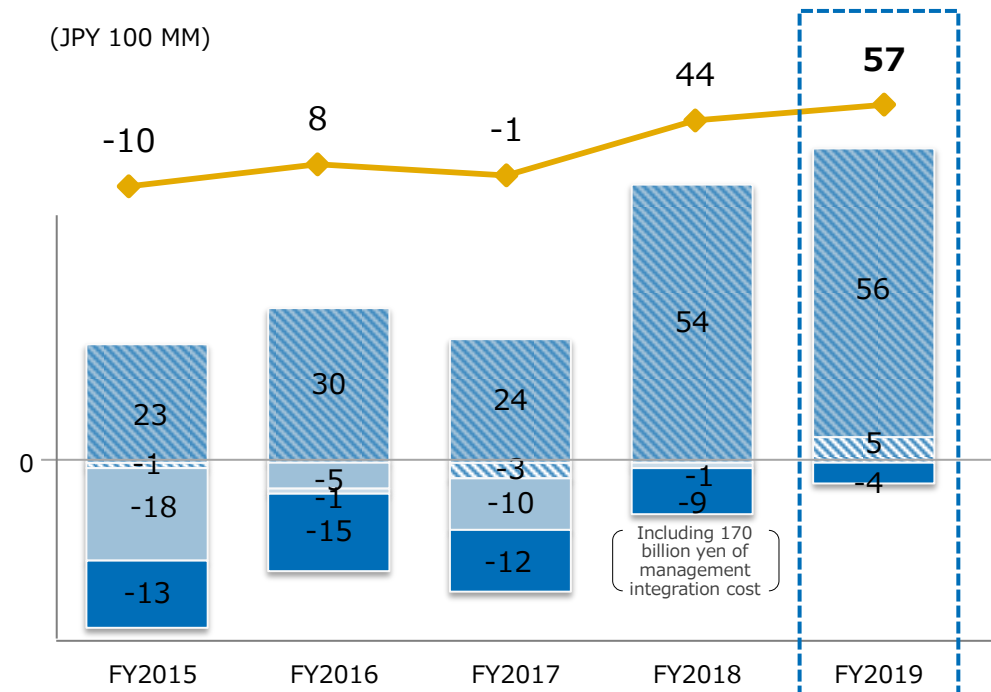
## Non-performing loan amount and ratio

Claims in bankruptcy and reorganization, etc    Doubtful claims    Substandard    Non-performing loan ratio



## Net credit cost

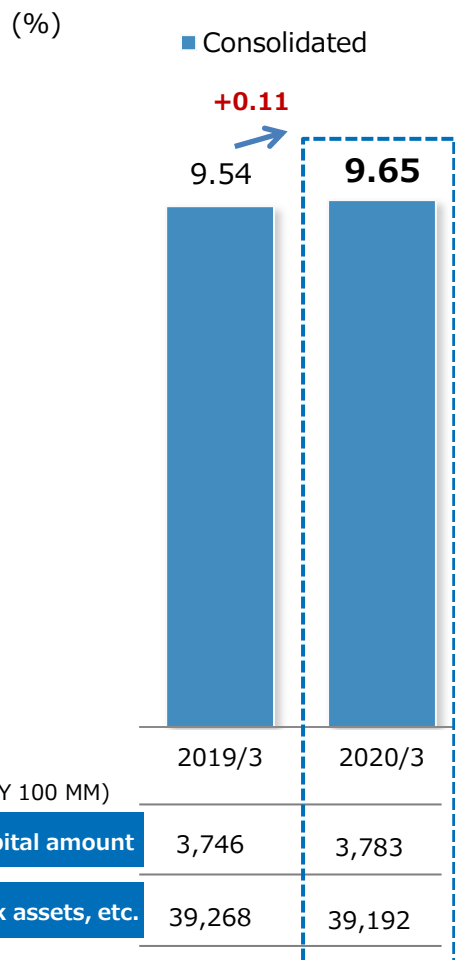
Non-performing loan amount processed    Reversal of allowance for loan losses  
 Reversal of provision for contingent loss    Recoveries of written off claims  
 Net credit cost



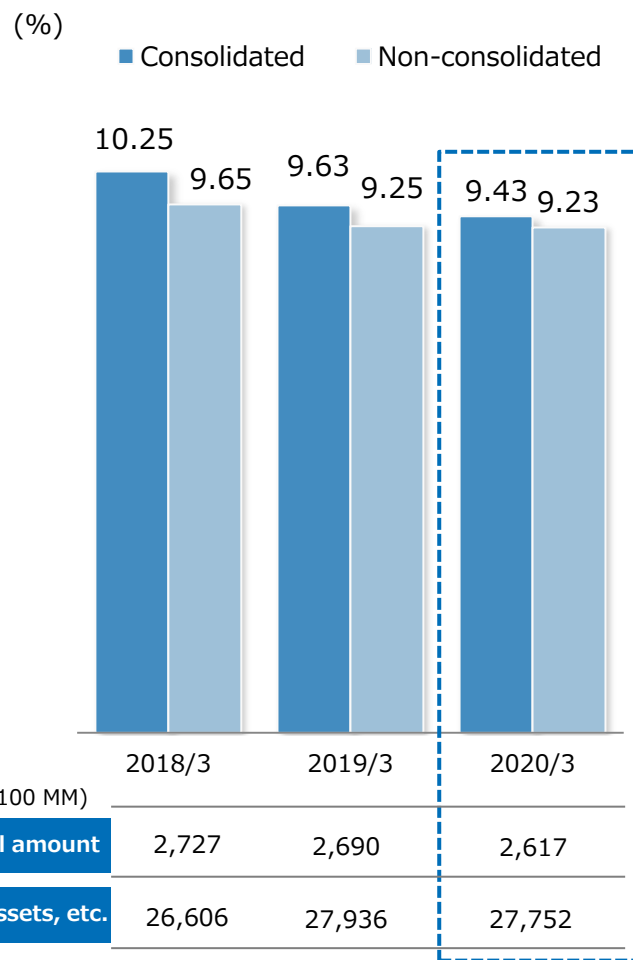
# Capital Adequacy Ratio

■ FG consolidated capital adequacy ratio rose by 0.11 pt. to 9.65% from the end of March 2019

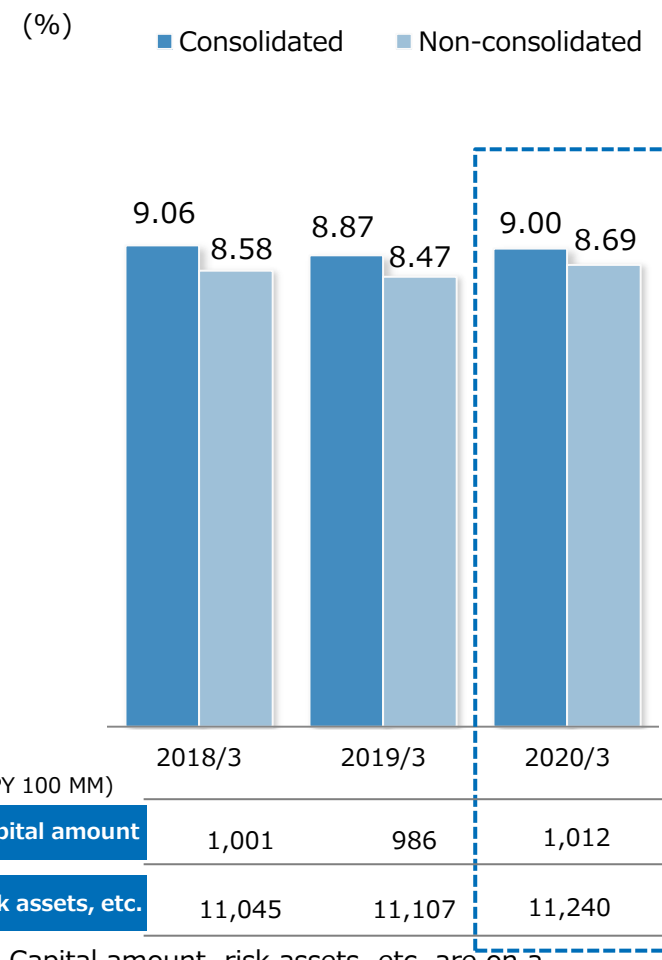
## FG Consolidated



## Daishi Bank



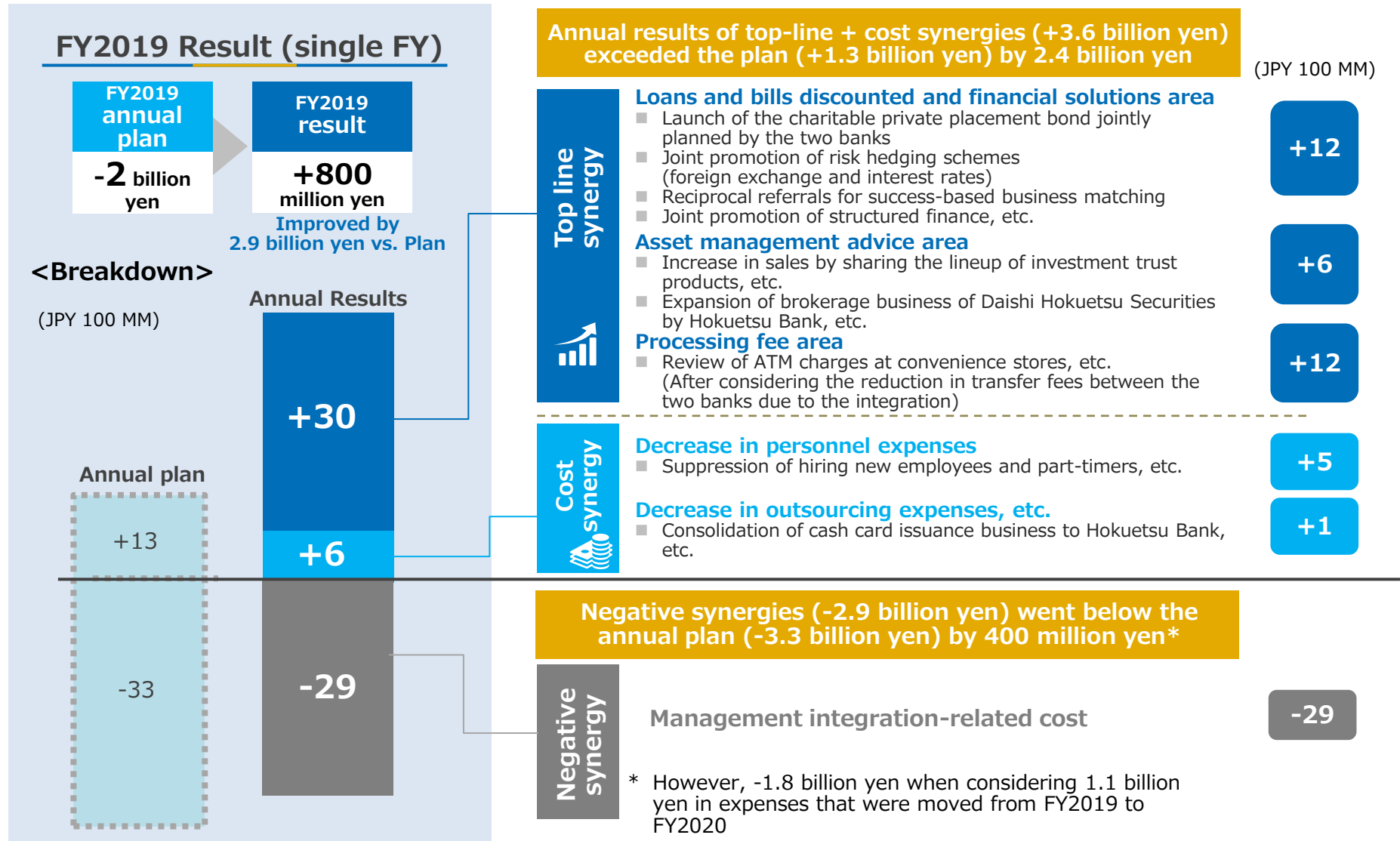
## Hokuetsu Bank



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

# Synergies from Management Integration (FY2019 single-year results)

- Overall synergy results in a single fiscal year of 2019 rose by 800 million yen. 2.9 billion yen higher than the initial plan (-2 billion yen)



# Indicators for Contribution to Communities

## ■ Result exceeds target for all indicators. Steady progress in the joint efforts

Total of 2 banks		FY2019 Result	Vs. Target
Top-priority target to measure contributions to the local communities	Number of companies for which Daishi Hokuetsu Financial Group is a main bank	<b>14,891</b> partners	+461 partners
	Number of cases involved in first and second start of business	<b>1,612</b> cases	+437 cases
Maintain and increase regional economic drivers	Number of business partners whose business succession was supported	<b>1,555</b> partners	+85 partners
	Number of borrowers based on business evaluation	<b>3,790</b> partners	+440 partners
Support companies to enhance their added value	Balance of loans based on business evaluation	<b>793.3</b> billion yen	+53.3 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	<b>4,905</b> partners	+805 partners
	Number of business partners with improved key performance indicators, etc.	<b>9,863</b> partners	+634 partners
	Number of cases of core business support	<b>4,399</b> cases	+579 cases
	Number of companies whose formulation of a business improvement plan was supported	<b>605</b> cases	+55 cases

# FY2020 Business Forecast (announced on May 15)

- FG consolidated profit is expected to be 10.5 billion yen (-2.3 billion yen yoy), and the combined profit of the two banks is expected to be 11.1 billion yen (-4.2 billion yen yoy)
- Factors for a temporary cost increase include 9.5 billion yen of management integration-related cost (e.g., system and administration integration) to prepare for the merger of the two banks, as well as reduced gains/losses related to securities and additional credit costs due to the impact of COVID-19

## FY2020 Business Forecast <announced on May 15>

FG Consolidated (JPY 100 MM)	FY2020 Business Forecast	YoY
Ordinary profit	148	-46
Profit* <sup>1</sup>	105	-23

\*<sup>1</sup> Profit attributable to owners of parent

Total of two banks (JPY 100 MM)	FY2020 Business Forecast	YoY
Core gross business profits	906	42
Net interest income	661	2
Net fees and commissions income and other operating profits (excluding gains/losses related to debentures (Government bonds, etc.))	245	40
Expenses	697	57
Core net business income	208	-14
Ordinary profit	141	-67
Profit	111	-42
<Net credit cost>	67	9
<Gains/Losses related to Securities>	27	-22
<Management integration-related cost>	95	66

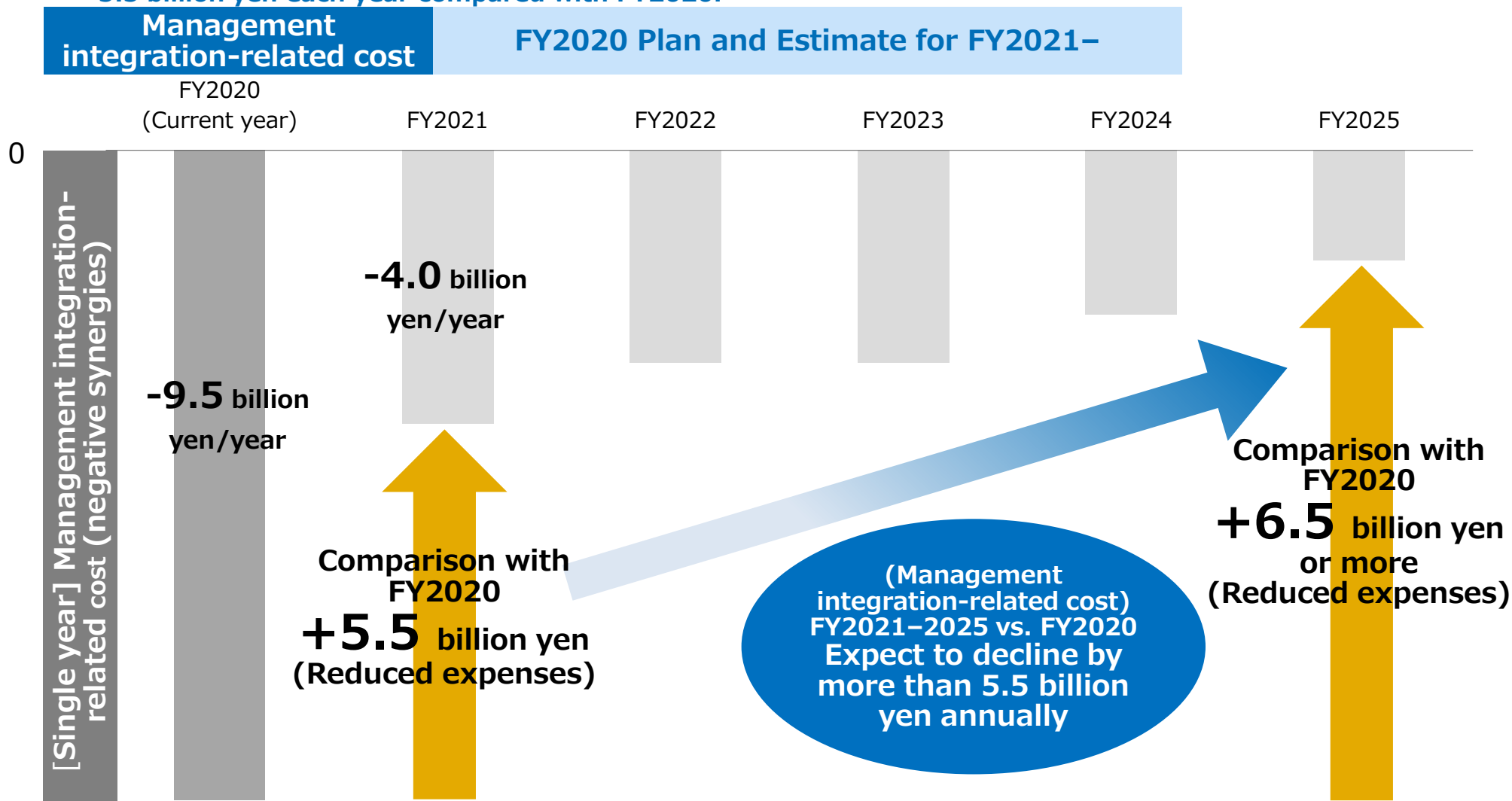
## Target Indicators for Contribution to Communities

Total of two banks	FY2020 Target	Vs. Midterm Management Plan
<b>Top-priority target to measure contributions to the local communities</b>		
Number of companies for which Daishi Hokuetsu Financial Group is a main bank	14,970 partners	397 partners
<b>Maintain and increase regional economic drivers</b>		
Number of cases involved in start-up phase and second start-up phase	1,300 cases	100 partners
Number of business partners whose business succession was supported	1,540 partners	0 partners
<b>Support companies to enhance their added value</b>		
Number of borrowers based on business evaluation	4,500 partners	0 partners
Balance of loans based on business evaluation	1,050 billion yen	0 billion yen
Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	5,360 partners	1,000 partners
Number of business partners with improved key performance indicators, etc.	9,322 partners	0 partners
Number of cases of core business support	3,700 cases	35 partners
Number of companies whose formulation of a business improvement plan was supported	620 partners	20 partners



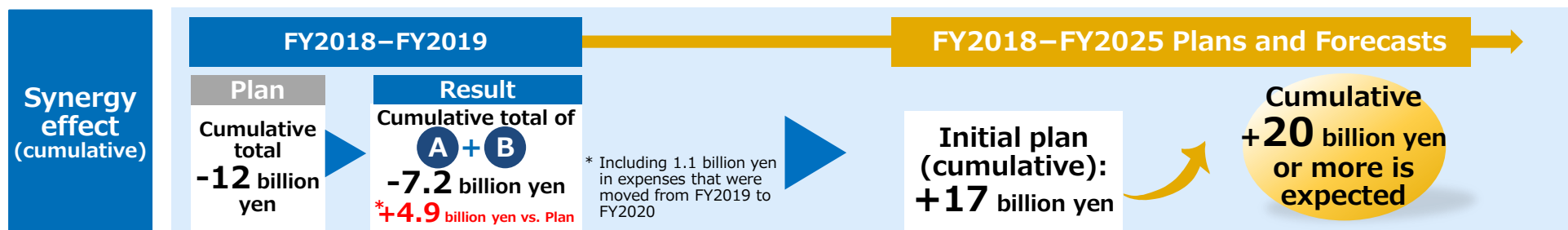
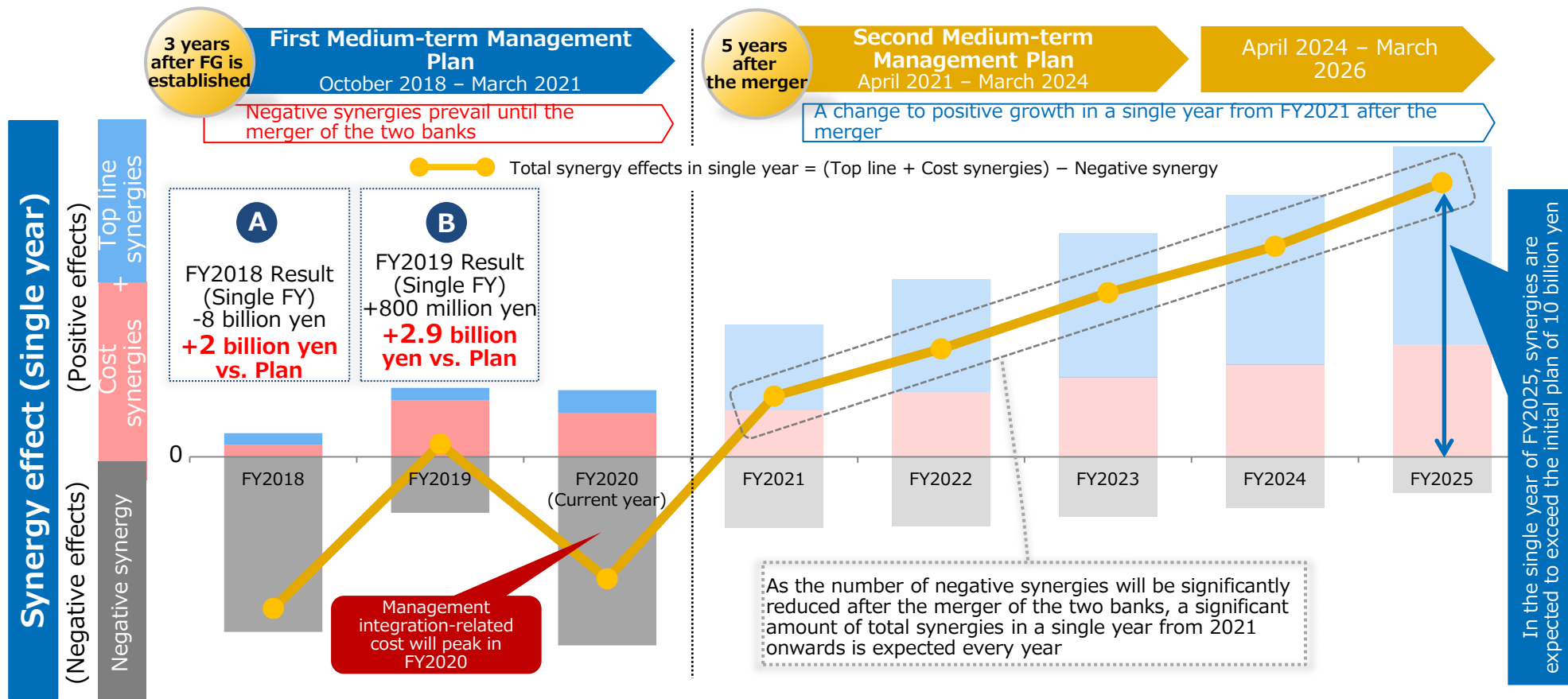
# Estimation of Management Integration-Related Cost

- -9.5 billion yen as management integration-related costs (e.g., system and administrative integration) are already considered in the FY2020 Business Forecast
- Management integration-related costs are expected to peak this fiscal year, -4 billion yen in FY2021, down 5.5 billion yen from the previous year (positive for earnings), and then decrease substantially by more than 5.5 billion yen each year compared with FY2020.



# Overview of the Synergy Plan

- Negative synergies are expected to prevail until the merger of the two banks, but are expected to decrease significantly after FY2021, and the total of synergy effects is expected to turn positive in a single year





# **First Medium-term Management Plan**

## Daishi Hokuetsu Financial Group Management Philosophy

As a trusted financial group, we provide services that meet the expectations of our customers and continue contributing to the development of local communities.

We will boldly take on the challenge of changing and create new value

- Principles
- Mission
- Vision

## First Medium-term Management Plan October 2018 – March 2021

Priority management issues

Revitalization of regional economy

Strengthening profitability

Improvement of management efficiency

### Basic Strategy I

Enhancement of financing and information intermediation functions

( Demonstration of top line synergy and transformation of portfolios )

### Basic Strategy II

Improvement of management efficiency

( Demonstration of cost synergy )

### Basic Strategy III

Enhancement of Group management framework

( Strengthening the management base )

### Targets for key performance indicators

		FY2018 Result	FY2019 Result	FY2020 Target
Profitability	Consolidated profits	56.8 billion yen <small>(Including gain on bargain purchase of 47.2 billion yen)</small>	12.8 billion yen	10.5 billion yen
	Average balance of SME loans	1,860.6 billion yen	1,912.2 billion yen	2,025.3 billion yen
Growth potential	Average balance of consumer loans	1,229.3 billion yen	1,293.0 billion yen	1,411.6 billion yen
	Non-interest income amount	17.6 billion yen	20.4 billion yen	24.5 billion yen
Efficiency	OHR in core gross business profit	74.8%	74.1%	77.0%
	Consolidated ROE (based on shareholders' equity)	15.5% (17.8%)	3.2% (3.3%)	2.7% (3.0%)
Health of business	Consolidated capital adequacy ratio	9.5%	9.6%	9.0% or more

■ We will work on two management tactics, management integration and the TSUBASA Alliance, for sustainable growth to further increase corporate value

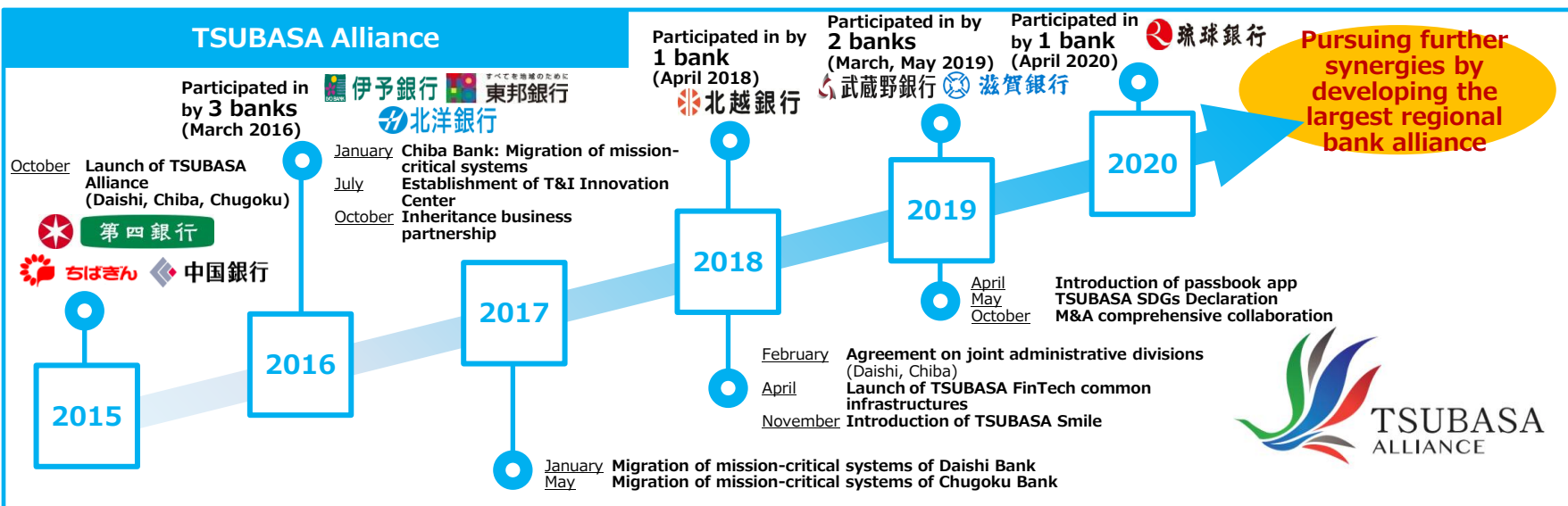
## Management integration

### Management Integration: The First Medium-term Management Plan



## Alliance (Regional Banks' Comprehensive Collaboration)

### TSUBASA Alliance



# Top Tactics “Transformation of Portfolios”

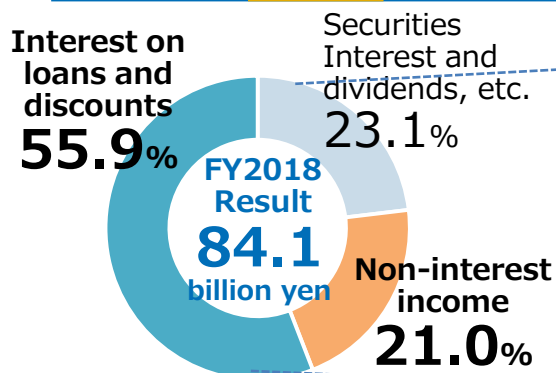
- Raise the ratio of “interest on loans and discounts” and “non-interest income” in core gross business profits to build a solid profit structure that does not rely on securities investment
- In FY2019, four indicators except for “Ratio of income from asset management advice services” improved year on year and core gross business profits increased while the interest and dividends on securities fell. In FY2020 also, we will continue to transform the portfolio to strengthen the top line

5 indicators for transformation of portfolios	FY2018 Result	FY2019 Result	Comparison with FY2018	FY2020 Target
(1) Ratio of SME loans to total loans	37.2%	<b>37.9%</b>	0.7%	<b>39.3%</b>
(2) Ratio of consumer loans to total loans	24.6%	<b>25.6%</b>	1.0%	<b>27.4%</b>
(3) Ratio of unsecured loans in consumer loans	8.0%	<b>8.3%</b>	0.3%	<b>10.0%</b>
(4) Ratio of income from asset management services in core gross business profits	9.4%	<b>7.9%</b>	-1.5%	<b>13.9%</b>
(5) Ratio of income from financial solutions in core gross business profits	7.5%	<b>8.0%</b>	0.5%	<b>10.9%</b>

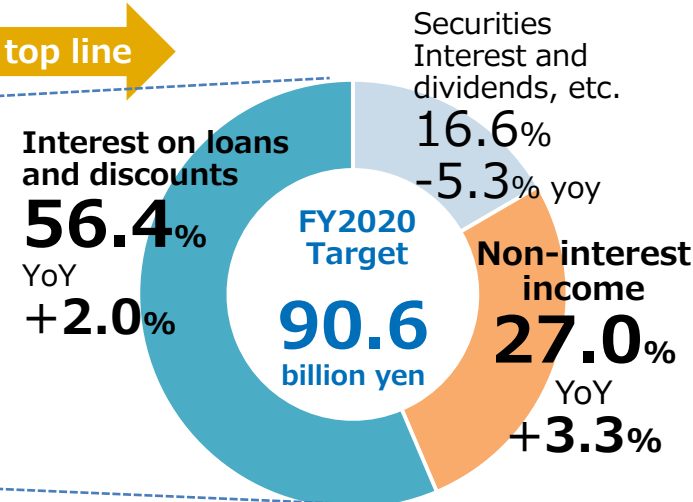
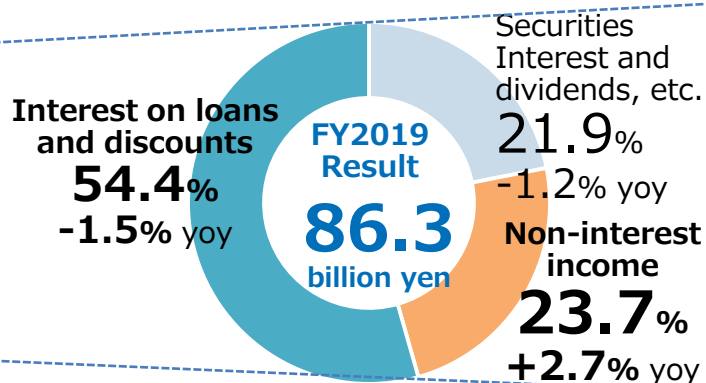
Increase the ratio of interest on loans and discounts

Increase the ratio of non-interest income

## Breakdown of core gross business profits



## Transform the portfolio and strengthen the top line





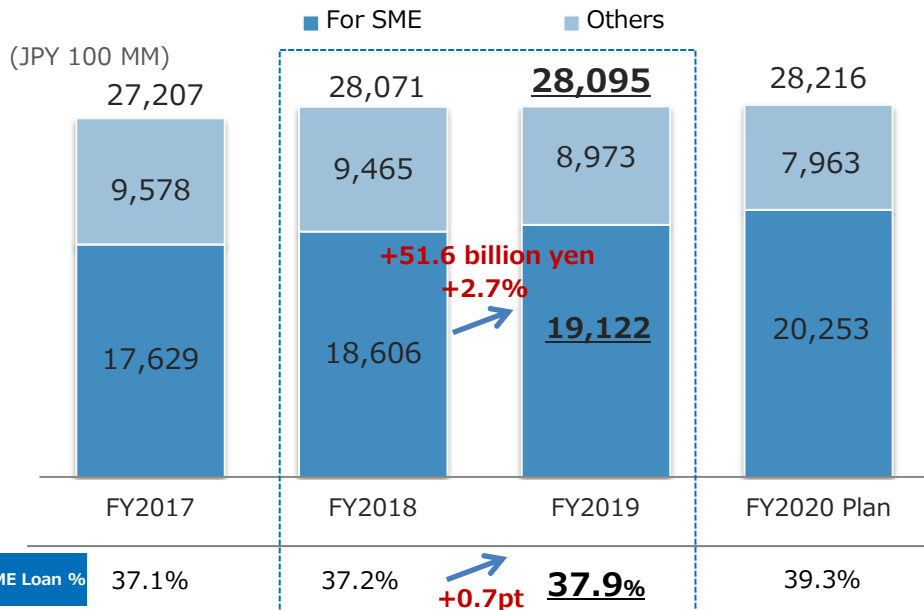
# Loans and Bills Discounted Area (Business loans)

## Outstanding Business Loans and Bills Discounted (annual average balance): Results and Plan

### FY2019 Result

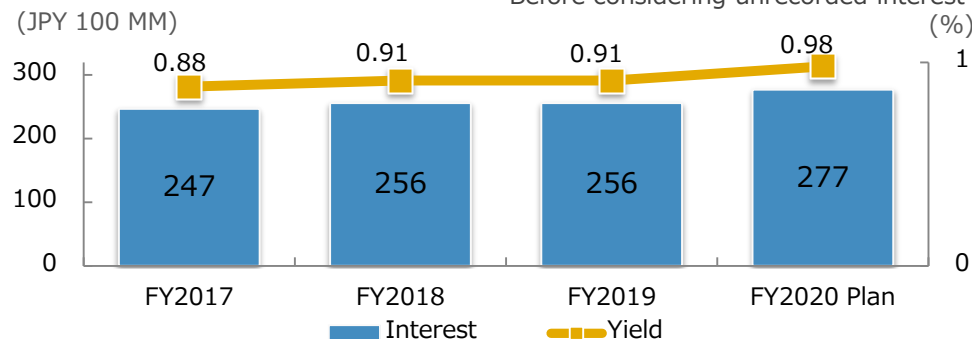
\*Before partial direct write-off

SME loans yoy **+51.6 billion yen (+2.7%)**



## Interest and Yields on Business Loans and Bills Discounted: Results and Plan

\* Before considering unrecorded interest



## Major Initiatives in FY2019

### Demonstration of comprehensive consulting capabilities

- Practice of "Comprehensive Consulting" to share and solve issues that are anticipated through "feasibility assessment" with customers

SME loans have increased steadily

### Provision of consulting function in a united effort between the two banks

- Unification of sales promotion organizations and promotion measures of the two banks as "Sales Transformation" aimed at the merger
- Integrated management of both banks' sales offices and information sharing by regional block
- Establishment of a system of coordination between the HQ relationship manager (RM), who centrally manages information and projects by region, the HQ strategy team, and corporate advisor (CA) assigned to sales offices, etc.

Loans with Special Provisions for Exemption of Principal at Earthquake Disaster  
Amount executed: **16.2 billion yen** (2018/5~2020/3)

### Mutual use of products and services

- Expansion of Daishi's business loan product "Loans with Special Provisions for Exemption of Principal at Earthquake Disaster" to Hokuetsu business partners
- Structured finance initiatives through collaboration between the banks

## Major Initiatives in FY2020

### Deepen comprehensive consulting functions based on business feasibility assessment and relationships with owners

- Strengthen and deepen relationships with corporations and owners
  - Accelerate HO-led proposal activities to meet diversified and sophisticated client needs, including business succession, M&A, and capital policies
- Create demand for capital investment through FG Platform utilizing the Act on Promotion of Community Investment for the Future and enhance support for various types of problem solving triggered by capital investment
- Further expand market share in the prefecture by developing new customers including with deposits only

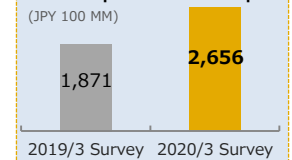
Accelerate comprehensive consulting to the top 500 net-asset clients with diverse needs

Allocate 13 HO staff to 7 large-scale offices

Accelerate joint efforts by two banks to meet the capital investment needs

<Questionnaire results from business partners of both banks>

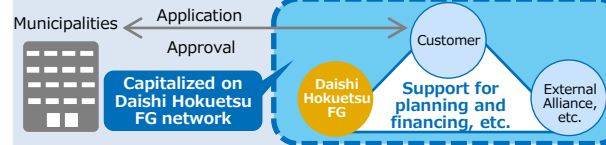
Future capital investment plan



Five staff assigned to Sales HQ Tokyo Office

Sharing of HQ know-how with sales branches through "Corporate Sales Conference," a training system for sales branch personnel

### <FG Platform utilizing the Act on Promotion of Community Investment for the Future>



### Maximize the use of HQ know-how and human resource development

- Strengthen sales in the Tokyo area and structured finance through the establishment of "Sales HQ Tokyo Office" (Daishi, 2020/2)
- For each skill level, expand the training system to accelerate human resource development



# Loans and Bills Discounted Area (Consumer loans)

Portfolio Transformation

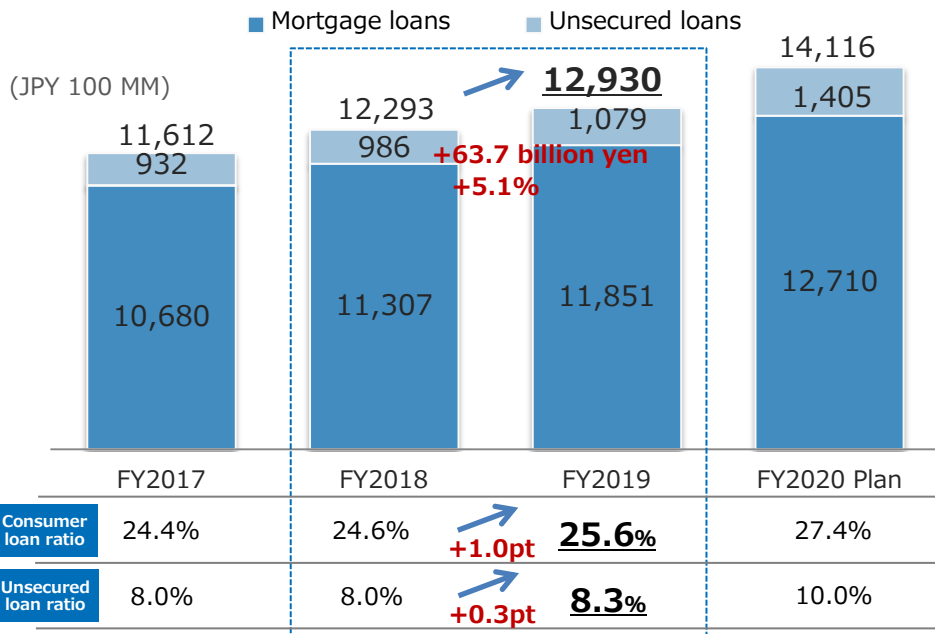
(Consumer loan ratio FY2019: 25.6% → FY2020: 27.4%)  
(Unsecured loan ratio FY2019: 8.3% → FY2020: 10.0%)

## Outstanding Consumer Loans and Bills Discounted (annual average balance): Results and Plan

### FY2019 Result

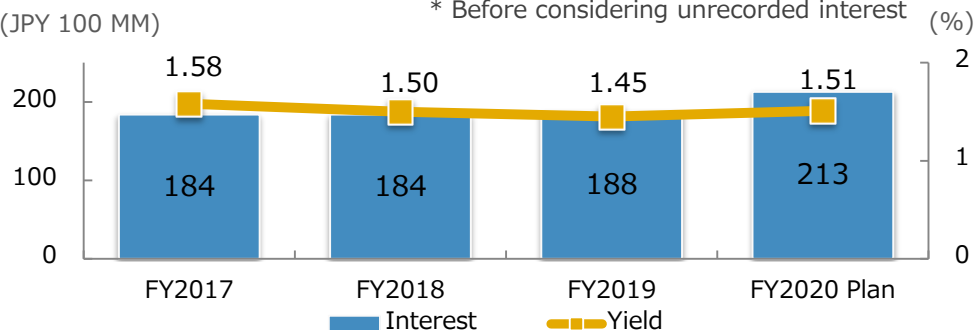
\*Before partial direct write-off

Consumer loans yoy **+63.7 billion yen (+5.1%)**



## Interest and Yields on Consumer Loans and Bills Discounted: Results and Plan

\* Before considering unrecorded interest (%)



## Major Initiatives in FY2019

### Demonstration of comprehensive consulting capabilities

Consumer loans have increased steadily

- Practicing "Comprehensive Consulting" (asset formation, loans, asset management, security, asset succession, etc.) according to the individual's life cycle

### Provision of consulting function in a united effort between the two banks

13 bases → Consolidated to 9 bases

- Integration of both banks' loan centers\* aimed at the merger and discontinuation of new applications for personal loans at Hokuetsu (new applications will be consolidated to Daishi) (March 2020 onwards)

\* Daishi: Loan Center, Consulting Plaza; Hokuetsu: Loan Plaza, Life Support Open Space

- Introduced the "Web-completion Scheme" (Daishi: 2018/11; Hokuetsu: 2019/8) for unsecured loans to improve customer convenience

### Mutual use of products and services

- Introduction of Hokuetsu's housing loans "Plan to guarantee 3 major diseases + all diseases/injuries (Cardiff Danshin)" to Daishi



- Integration of Daishi Nagaoka Consulting Plaza and Hokuetsu Nagaoka Loan Plaza (2020/4)

## Major Initiatives in FY2020

### Further accelerating the construction of a unified sales management framework

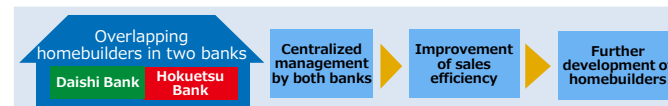
Establishment of the Daishi Niigata Higashi Loan Center within the Hokuetsu Fujimi-cho Loan Plaza (2020/5)

- Mortgages will improve operating efficiency in line with the integration of the two banks' loan centers and strengthen relationships with housing providers
- Accelerate the joint promotion of both banks to further increase market share in the prefecture
- Leverage both banks' bases outside the prefecture to expand the promotion areas in markets outside the prefecture



Centralized management of 480 homebuilders greatly improves operating efficiency

Expand the training program and improve the consulting capabilities of mortgage staff



### Improving the convenience of non-face-to-face transactions

- Major renewal of the mortgage Web application screen (Daishi: 2020/5)
- Strengthen unsecured loans by reinforcing distribution of SNS, as well as continuing to direct customers to web-based completion scheme from occupational seminars and sales offices and strengthen combination of face-to-face and non-face-to-face meetings



Significantly reduce items in Web-based mortgage loan application to further improve customer convenience -65% reduction from previous level

Further strengthen unsecured loans via digital marketing and omni-channeling

# Non-interest Income Area

## Portfolio Transformation

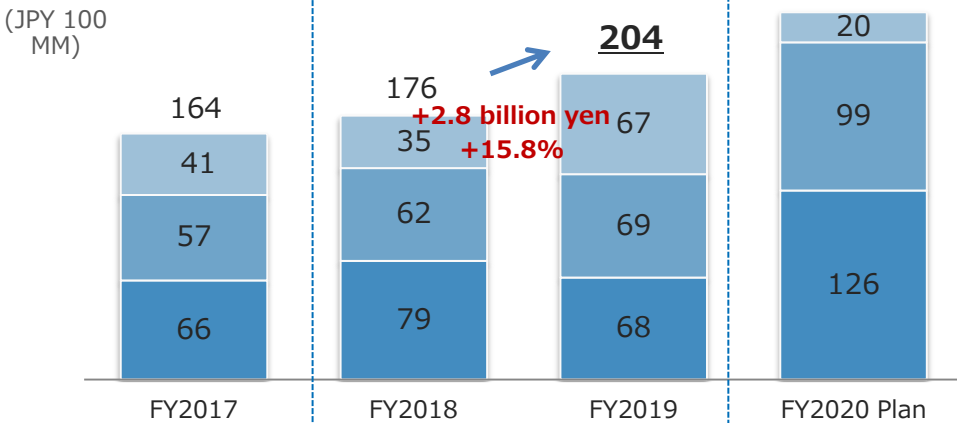
(Ratio of income from management advice services: 7.9% in FY2019 → 13.9% in FY2020)  
 (Ratio of income from financial solutions: 8.0% in FY2019 → 10.9% in FY2020)

## Non-interest Income: Results and Plan

### FY2019 Result

Non-interest income amount:  
**+2.8 billion yen (+15.8%) yoy**

■ Asset management advice ■ Financial solutions ■ Others



Ratio of income from asset management advice	7.6%	9.4%	<b>7.9%</b>	13.9%
Ratio of income from financial solutions	6.7%	7.5%	<b>8.0%</b>	10.9%

## Major Initiatives in FY2019

### Asset management advice

- Daishi Securities, a subsidiary of Daishi Bank, became a wholly owned subsidiary of FG and changed the trade name to "Daishi Hokuetsu Securities"
- Hokuetsu to expand its brokerage business with Daishi Hokuetsu Securities to all branches
- Daishi enters trust business (trust by will and estate settlement services)
- Daishi and Daishi Hokuetsu Securities launch Client Referral Service for trust by will
- Sharing HQ know-how with sales offices and improve consulting capabilities by assigning HQ staff dedicated to human resource development and holding joint training sessions between the two banks



### Financial solutions

- Sharing of sales know-how through the integration of dedicated HQ staff from both banks
- Provision of "Business Succession Support Program" by both banks
- Entrusted with private placement bonds jointly planned by both banks

Private placement bonds to assist in publicizing the attractiveness of Niigata

No. of contracts: **128 cases, 8.8 billion yen**

Private placement bonds to monitor local safety

No. of contracts: **139 cases, 11.9 billion yen**

## Major Initiatives in FY2020

### Asset management advice

#### Deepen investment business based on relationships with corporations and owners

- Strengthen and deepen relationships with corporations and owners
  - \* Accelerate proposal activities for inheritance and asset succession needs of wealthy segment, mainly corporations and owners
- Promote the integration of staff for corporate and individual customers and strengthen cooperation with HQ dedicated staff
- Strengthen sales branch support by increasing the dedicated HQ staff

Accelerate comprehensive consulting for assumed corporate market (3,000 clients)

Increase dedicated HQ staff by 5 to 29

For the trust business, a Promotion Leader is assigned to all sales offices (excluding some Daishi branches outside the prefecture)

Sales Office and HQ staff cooperate according to skill level

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

- Further strengthen cooperation with Daishi Hokuetsu Securities to demonstrate Group's collective strengths
- For the trust business, the asset succession business has been strengthened by assigning personnel to the major branches

#### Maximize the use of HQ know-how and human resource development

- Classify the skill ranks of staff into three levels, and carefully develop human resources
- Build a segment-specific promotion system by skill level

### Financial solutions

#### Maximize the use of HQ know-how and human resource development

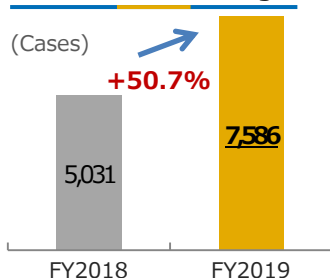
#### Expansion of new business areas

- Continue the "Corporate Sales Conference (Solutions)" and develop human resources with high problem-solving skills
- Assign 2 HQ staff to work on corporate acquisition financing and real estate non-recourse loans, etc.

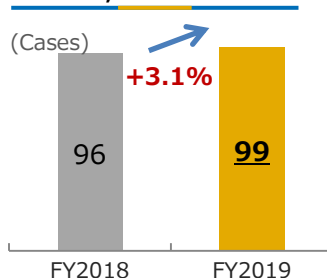
	Customer segment	(Sales office) Skill level of staff	Headquarters Support system
Corporation	Large and medium enterprise owner segment	Advanced	HQ staff
	Small and medium enterprise owner segment	Intermediate	
	Wealthy segment	Advanced	
Individuals	Existing customer segment	Intermediate	
	Asset formation segment	Beginner	

### Asset management advice

#### No. of cases of Securities Brokerage

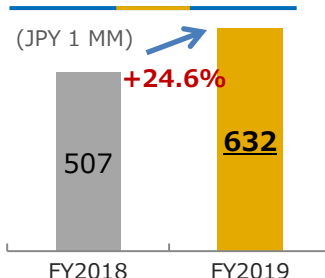


#### No. of wills and trusts, etc. handled



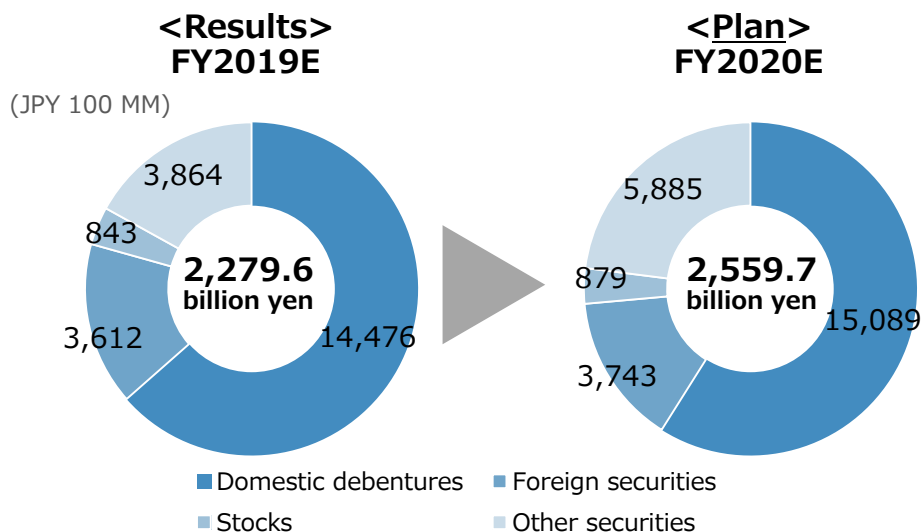
### Financial solutions

#### Business succession and M&A-related fees

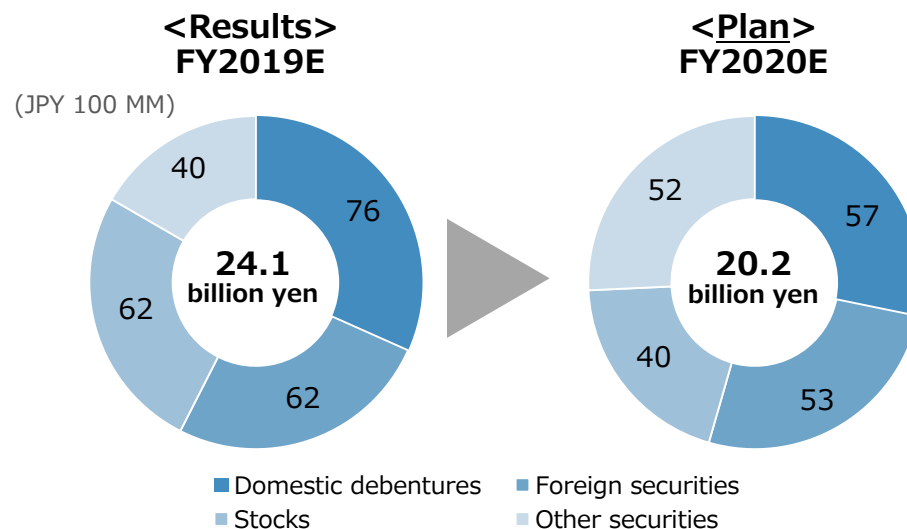


- Continue to reinvest a certain amount in domestic bonds and increase diversification of the securities portfolio, mainly in other securities (investment trusts)
- Share and enhance the expertise of both banks, accelerate the unified management, and secure stable income for the period

## Securities Portfolio (book value basis): Results and Plan



## Interest and Dividends on Securities: Results and Plan



### FY2020 Investment Policy

- Considering the global economic and market uncertainty due to COVID-19, we will continue to invest in a diversified portfolio of assets with high liquidity, transparency and timely risk controls to ensure stable income and to improve our portfolio.

### Start of unified management

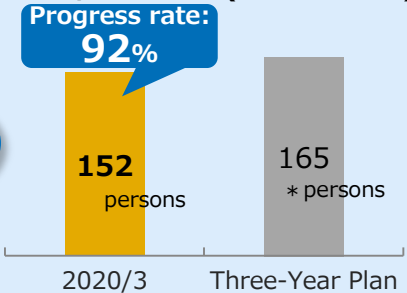
- Aimed at the merger of the two banks, start of unified management from April 2020. At the same time, consolidate the capital markets division into Daishi Bank.
- New investments will be made in the Daishi Bank account, while sales focused on improving assets and dealing with double book value are conducted in the Hokuetsu Bank account, in order to reduce the administrative burden and cost of transferring securities held at the time of the merger, as well as to share and improve management know-how.

# Structural Reforms by Digitalization

- Continue structural reforms based on the three pillars of "Operational Reform," "Office Reform," and "Channel Reform" utilizing digital technology



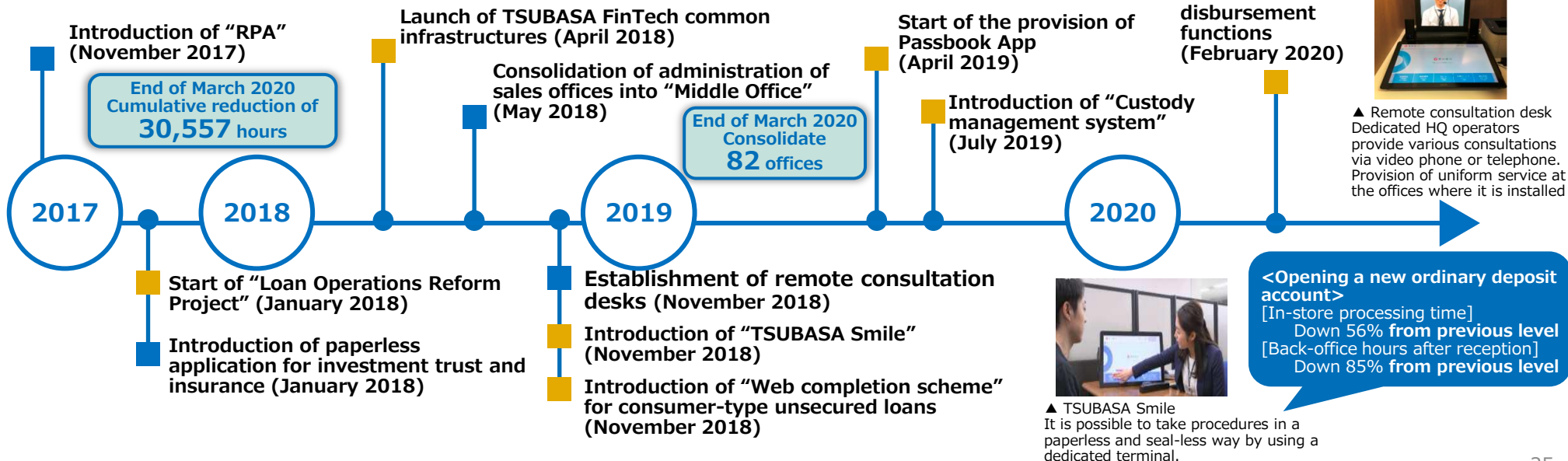
Reassignment of personnel to core operations (sales and planning) 2018/4 to YTD (Daishi Bank)



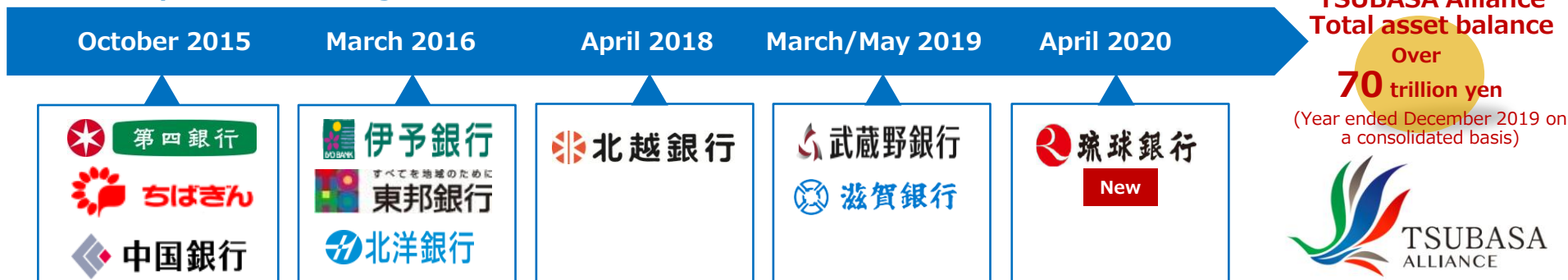
\* Revise from the original plan of 200 to account for the impact of COVID-19 and the increased workload caused by the merger

## Major Initiatives to Date

■ TSUBASA Alliance measures  
■ Daishi Hokuetsu FG Measures



- Leverage the scale of TSUBASA Alliance, a framework for regional banks' comprehensive collaboration, to further accelerate strategic alliances
- The Bank of the Ryukyus joined in April 2020. Total assets of participating banks exceed 70 trillion yen, comparable to a mega-bank



## Reinforcement of the top line



Strengthen sales capabilities by sharing know-how

Co-financing

Utilization of Group Companies

Information sharing and personnel exchange

Inheritance business

## Cost reduction and promotion of efficiency



Consolidation of common functions and indirect divisions

Unification of subsystems

Joint administration divisions

TSUBASA FinTech common infrastructure

Passbook app

Unification of mission-critical systems

Collaboration to enhance AML operations

TSUBASA Smile

Further productivity improvement and business sophistication

Products

Compliance

Risk

Admin

System

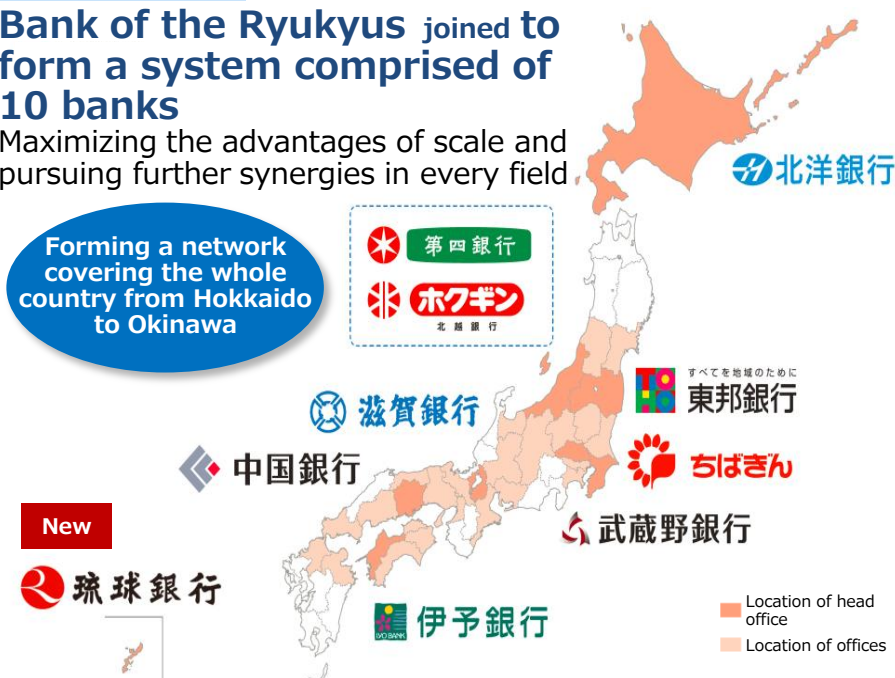
Audit

## Topics

Bank of the Ryukyus joined to form a system comprised of 10 banks

Maximizing the advantages of scale and pursuing further synergies in every field

Forming a network covering the whole country from Hokkaido to Okinawa





- Consultations from customers are steadily increasing as a result of efforts in three projects, “Sales channel development,” “Tourism promotion,” and “Productivity improvement.”
- Strengthen sales in the Tokyo area utilizing the permanent antenna shop “Bridge Niigata” in Nihonbashi, Tokyo

## ブリッジにいがた Major initiatives, etc. in FY2019

### 1 Sales channel development business

#### 1 B-to-C (sales channel development for individuals)

- A local specialty fair, “Niigata Marche”, held at seven venues in Tokyo (June to September 2019)
- Bridge Niigata, a directly managed shop, opened (October 1, 2019)

Number of items of merchandise handled at directly run stores (2020/3)  
**514** items of merchandise  
(**191** companies)  
Number of visitors in the first 6 months after opening  
Approx. **140,000** visitors



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

#### 2 B-to-B (sales channel development for corporations)

- Assigning corporate sales staff to the directly run Bridge Niigata stores to strengthen sales in the Tokyo area.

Increase from initial **1** to **2** (2020/3)

Request for sales channel development (2020/3)  
**962** items of merchandise (**480** companies)

#### Plans for the current year

- Enhancing the management capabilities of directly run “Bridge Niigata” stores and “Local Specialty Fair”

→ Expand the range of products handled at directly run stores to **700** items of merchandise

- Improve customer convenience with the launch of our own e-commerce site

### 2 Tourism promotion business

- Support for the development of infrastructure for inbound tourists  
→ Launch of a **multilingual translation tool** using QR codes



Multilingual translation tool users (2020/3)  
**30** companies (**54** codes)

- Attracting tourists to Niigata, etc., in cooperation with local governments and tourism organizations (Destination Marketing/Management Organizations or DMO) in Niigata, etc. Started sales support activities

#### Plans for the current year

- Continue to support promotion of tourism in cooperation with local governments, tourism businesses, travel agencies, etc.
- Promote community-based tourism with a new “travel arrangement service” for tourism businesses

### 3 Productivity improvement business

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

#### <Providing information for new work style>

- Proposal for the introduction of cloud services (video conferencing systems, digital invoicing systems, etc.) and RPA to companies that are considering teleworking

#### Plans for the current year

- Strengthen business improvement consulting services such as RPA and telework implementation support



- Steady increase in the consultations on staffing since the start of business in October 2019
- Contributing to the communities by accelerating support for the growth and productivity improvement of local companies through human resource matching based on feasibility assessment

**第四北越キャリアブリッジ** Major initiatives, etc. in FY2019

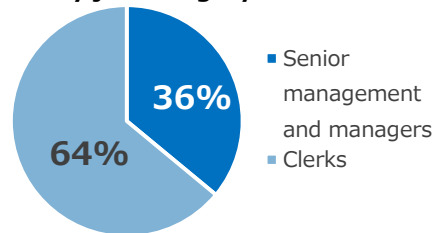
**1 Human resource matching business (October 2019 – )**

**1 Direct support and external cooperation support**

- In the first 6 months, there were **415 consultations on staffing**
- Of these, 221 job postings were created, exceeding the original plan
- Applied for the Cabinet Office “**Leading Human Resource Matching Project**” and **selected in March 2020**

No. of consultations on staffing  
(2019/10 – 2020/3)  
**415 cases**

<Breakdown of consultations by job category>



**Plans for the current year**

- Collaborate with banks on activities to help solve corporate management issues starting with feasibility assessment
- Strengthen advertising and promotional activities (e.g., direct mailings) to increase the number of registered job seekers

**2 Arrangement of employees to be loaned**

- Visits to regional companies in need of loan employees from FG Group companies

**Plans for the current year**

- Cooperate to develop a operation structure for loaned employees at the new bank

**2 Human resource development solution business (April 2020 – )**

**1 Training and seminars**

- Launched “**Human resource development solution business**” in collaboration with Daishi Management Consulting and Hokugin Economic Research Institute (April 2020 – )
- Launched the “**Human Resource Development Support Program**” as a training program for companies in Niigata

2020年度  
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7 階層別 講座  
9 目的別 講座  
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各階層・役割に必要な  
**ビジネスマインド**  
**ビジネススキル**の向上を目指します

実施月	3月-4月	5月	6月	7月	8月	9月
階層別セミナー	2020年度新入社員 1日コース 2日コース			マネジメント基礎 2日コース	新入・若手社員フォローアップ 2日コース	中堅社員スキルアップ 2日コース
目的別セミナー		事業計画策定 1日コース	接客・ビジネスマナーレベルアップ	人を育てる人事制度の基本	働く女性のキャリアデザイン	原価計算の基本
実施月	10月	11月	12月	1月	2月	3月
階層別セミナー	若手社員ステップアップ 1日コース				リーダーシップ養成 1日コース	2021年度新入社員 2日コース
目的別セミナー	社内コミュニケーションの活性化	ティーチング・コーチング力強化		失敗から学ぶマーケティング・ブランディング	キャッシュフロー経営と銀行審査の勘所	

\* Seminars have been cancelled or rescheduled due to the spread of COVID-19.



# SDGs Initiatives (Recent major activities)

Daishi Hokuetsu Financial Group SDGs Declaration (May 2019) \* Establishment of "TSUBASA SDGs Declaration" on the same day

## Regional economy and society

**Declaration 1** Contribute to the revitalization of local economies and communities



- Opening of "Niigata: Food and Comprehensive Business Discussion (Shoku Biz!)" (May 2019)
  - Holding "Daishi Hokuetsu Academy"
  - Implementation of "Niigata Startup Contest 2019" (September 2019 to February 2020)
- 206 exhibitors, 613 negotiations**
- FY2013: Approximately 10,000 students attended in total**



**Plans for the current year**

- Considering the spread of COVID-19, top priority is to support the local economy
- Strengthen participation in the community creation platform "SDGs Niigata" and support for business startups

## Senior Citizens

**Declaration 2** Support safe and secure life for the elderly



- Holding "Nursing care management seminar" (July 2019)
  - Implementation of special fraud-prevention activities in cooperation with Niigata Prefectural Police (August 2019)
  - "Private placement bonds to monitor local safety" (October 2019 to March 2020)
  - Began offering trust services at the bank (Daishi Bank) (October 2019)
- Participated in by 85**
- 139 cases, 11.9 billion yen**



**Plans for the current year**

- Response to Financial Gerontology
- Strengthen promotion of trust business
- Continuing efforts to prevent special fraud

## Financial Services

**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)
  - Sales of "Niigata Mirai Support Japan Equity Fund" (May to July 2019)
- 20,682 cases**
- 128 cases, 8.8 billion yen**
- 2,776 cases 5.6 billion yen**



**Plans for the current year**

- Continuing the initiative for charitable private placement bonds
- Continuing to support local companies through the "Niigata Mirai Support Japan Equity Fund"

## Diversity

**Declaration 4** Promote diversity and workstyle reform



- Improvement of the ratio of women in management/supervisory positions
  - Establishment of "Health Management Promotion Office" (June 2019)
  - Double-acquisition of "Platinum Kurumin" and "Eruboshi Accreditation III (the highest class)" also by Hokuetsu Bank (June 2019) \*Daishi Bank already acquired in July 2018
  - Acquired Certificate of "Health and Productivity Company 2020 (White 500)" in March 2020 (Daishi Bank acquired for the third year in a row and Hokuetsu Bank acquired for the first time)
- 2019/3 22.8% → 2020/3 24.5% (+1.7pt.)**



**Plans for the current year**

- Promotion of active participation by women and seniors
- Implementation of work style reform (telework, staggered work hours, etc.)

## Environmental Protection

**Declaration 5** Contribute to sustainable environment protection.



- Establishment of "Green ATM" (from August 2014)
  - "Daishi Hokuetsu no Mori" activities (October 2019)
  - "Niigata Swan Energy," a regional electric power company, was established jointly with Niigata City and the JFE Group (July 2019).
  - Efforts to reduce the use of plastics (change the packaging of calendars and novelties from plastic to paper)
- Carbon offset result: 287 tons**
- Approx. 410 officers and employees participated**

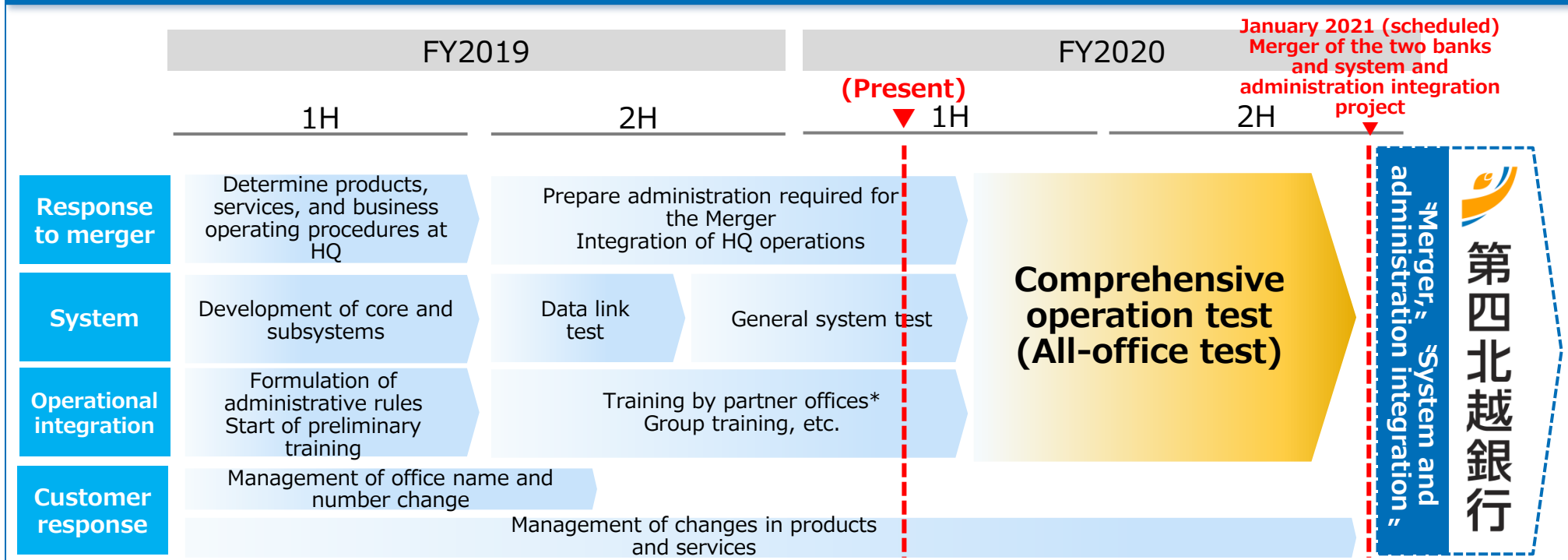
**Plans for the current year**

- Continuing efforts to reduce the use of plastics and CO2 emissions

# System and Administration Integration Project, etc. aimed at Merger

- System and Administration Integration Project is progressing as scheduled.
- The two banks are working as one to ensure that the project proceeds in a well-prepared manner.

## System and Administration Integration Project



\* Neighboring branches of the two banks have become partners to promote merger and transfer skills, such as administrative procedures, from Daishi to Hokuetsu

## Response considering merger

### Integration of HQ operations of the two banks

- Consolidated bases for administration, system and capital markets divisions to Daishi Head Office in 2019/4, 2019/6 and 2020/4, respectively
- Number of Hokuetsu employees stationed at the Daishi HO was 105 (2020/4)

### Personnel exchange

- Exchange of 5 branch managers and 1 deputy branch manager in 2019/4, and 2 assistant branch managers in 2020/4
- 2020/4 Daishi loaned 16 junior employees to Hokuetsu

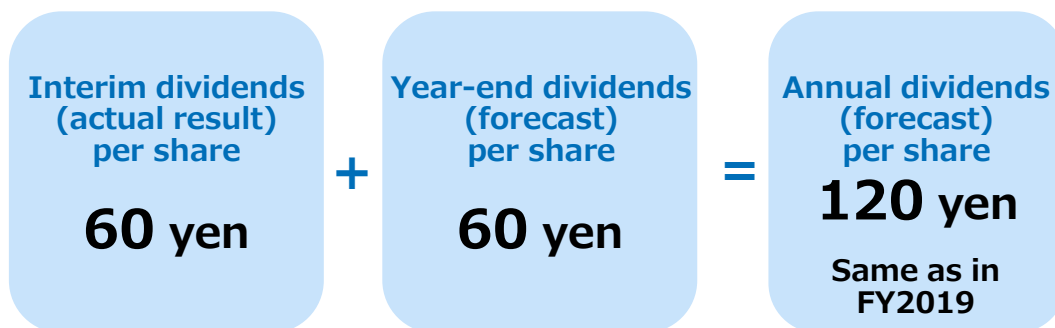
# Capital Policy

## 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 2021 (forecast)



## Past result of shareholder return

FG	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
FY2018	Year-end: 60 yen Interim for Daishi Bank: 45 yen Hokuetsu Bank: 30 yen	35.0%	*1 42.0%
FY2019	120 yen	42.5%	42.5%

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%

\*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)

**Contact for inquiries**

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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.