

In order to prevent the spread of COVID-19, we will not hold the "FY2020/1H Financial Results Briefing" for institutional investors. We would appreciate your understanding.

# FY2020/1H 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.

December 8, 2020



**DAISHI HOKUETSU**  
Financial Group

第四北越フィナンシャルグループ

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- Based on our Management Philosophy, we place the highest priority on preventing financial distress in the local economy to support the economic foundation of Niigata Prefecture, and are providing multifaceted support to business partners and the local communities
- We will put the health and safety of all our stakeholders first and continue to enhance our organizational infection-prevention system

## Multifaceted support for business partners and local communities

- Establishment of the “COVID-19 Consultation Desk” (at all sales offices)
- Proactive cash management and other services in support of customers
  - Niigata Prefecture COVID-19 Fund (3-year, virtually interest-free loan)
  - Handling of charitable private placement bonds that contribute money to municipalities to support individuals and organizations affected by COVID-19
    - “Private Securities Supporting Culture and Sports in Niigata” (from May 2020 to December 2020)
    - “Private Securities Supporting Food Relationship in Niigata” (from November 2020 to June 2021)
  - Participation in the “Niigata *Musubu* Project,” which provides crowd-funding support to restaurants and Japanese-style inns
- Extension of the exemption of fees for the change of loan terms (from October 2020 to April 2021)
- Multifaceted support for business improvement and productivity improvement
  - Organize seminars to promote awareness and understanding of Subsidies for Employment Adjustment and various other systems
  - Establishment of the “New Normal Consultation Desk” to support the resolution of business issues amid the COVID-19 crisis (both banks’ HQ) and holding of a management consultation meeting “Niigata Power Up Salon” by our eight group companies including both banks
  - Start handling of “Telework Loan” to support productivity improvement through digital investment
- Donation of 10,000 masks (February 2020) and 30 million yen (May 2020) to Niigata Prefecture to help improve medical care, etc.

## Major efforts to prevent infection

### <Efforts by the staff>

- Thorough basic infection-prevention measures including wearing a mask, washing hands, and avoiding 3Cs (closed spaces, crowded places, close-contact settings)
- Voluntary restriction on social gatherings involving eating and drinking, including private ones
- Temperature measurement (every day)
- Voluntary restrictions on travel to and from other prefectures, including unnecessary and non-urgent outings and business trips
- Use of videoconferencing systems, staggered work hours, and telework
- Implementation of split operations
- Recruiting through web interviews, etc.

### <Efforts at sales offices>

- Installation of plastic sheeting and acrylic plates in all offices
- Disinfection and cleaning (twice a day), and thoroughly ventilating the office space
- Implementation of “Lunchtime Closure” at all offices
- Sales activities in accordance with customers’ wishes (telephone, email, postal mail, etc.)
- Information on procedures via the Internet, 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/)



## FY2020/1H Business Performance



- Ordinary profit and first-half net profit on an FG consolidated basis exceeded the business forecast announced on May 2020
- Synergy effects of the management integration exceeded the plan, and all of “Indicators for Contribution to Communities” made steady progress
- The full-year business forecast remains unchanged from the figures announced on May 2020 for both ordinary profit and net profit due to uncertainty caused by COVID-19

## First Medium-term Management Plan



- Average balances of SME loans and consumer loans are increasing steadily  
All of the five indicators showing the results of “transformation of portfolios” improved YoY
- 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

## Merger of the two banks and system and administration integration in January 2021 (scheduled)



- System and Administration Integration Project is progressing as scheduled  
We will be fully prepared for the success of the merger of the two banks
- Under the Second Medium-term Management Plan, which will start in April 2021 following the merger of the two banks, we will work to maximize synergy effects of the merger



# **FY2020/1H Business Performance**

# FY2020/1H Financial Summary

- Both FG consolidated ordinary profit and first-half net profit exceeded the business forecast announced on May 2020

## FY2020/1H Financial Summary

FG Consolidated (JPY 100 MM)	FY2020/1H financial results		Business forecast (announced on May 2020)	Vs. Business forecast
		YoY		
Ordinary profit	108	-22	65	43
First-half net profit* <sup>1</sup>	68	-18	42	26

\*<sup>1</sup> First-half net profit attributable to owners of parent

Total of two banks (JPY 100 MM)	FY2020		Daishi		Hokuetsu	
	1H financial results	YoY	1H financial results	YoY	1H financial results	YoY
<b>Core gross business profits</b>	411	-31	275	-13	136	-17
Net interest income	321	-18	212	-8	109	-10
Net fees and commissions income	65	-0	45	-3	20	3
Other operating profits(excluding gains/losses related to debentures (government bonds, etc.))	24	-13	17	-2	7	-11
Expenses	324	3	215	5	108	-2
<b>Core net business income</b>	87	-34	59	-19	28	-15
Core net business income (excluding gains/losses on cancellation of investment trusts)	87	-32	59	-16	28	-15
Net business income	69	-54	45	-36	23	-17
Nonrecurring gain/loss	36	19	25	13	10	6
Ordinary profit	105	-34	71	-23	33	-11
Extraordinary income/loss	-1	-0	-0	-0	-0	-0
<b>First-half net profit</b>	71	-31	48	-21	23	-9
<Net credit cost>	32	-9	30	-1	2	-8
<Gains/losses related to securities>	59	6	47	10	12	-3
<Management integration-related cost (total)>*	18	6	12	4	6	2

\* Total of management integration-related costs recorded in "Expenses" and "Nonrecurring gains/losses"

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

### Core gross business profits [YoY -3.1 billion yen]

- Net interest income: -1.8 billion yen
  - Interest on loans and discounts: -600 million yen (balance factor: -100 million yen, yield factor: -500 million yen)
  - Interest and dividends on securities: -2.4 billion yen
  - Net cash balance (foreign currency funding costs): +1.2 billion yen
- Net fees and commissions income: -0 million yen (1)
- Other operating profits (excluding gains/losses related to debentures (government bonds, etc.)) -1.3 billion yen (2)
  - Non-interest income total ((1) + (2)): -1.3 billion yen
    - Income from asset management advice: -100 million yen
    - Income from financial solutions: -0 million yen
    - Gain on sales of loans and discounts: -1.4 billion yen
    - Other (gain on foreign exchange transactions): +200 million yen

### Expenses [YoY +300 million yen]

- Personnel expenses: -200 million yen (including FG personnel expenses: -0 million yen)
- Non-personnel expenses: +300 million yen (excluding FG personnel expenses: +100 million yen)  
Of which, management integration-related cost (system and administration integration costs, etc.) +200 million yen

### Net credit cost [YoY -900 million yen]

- General provision of allowance for loan losses: -600 million yen
- Non-performing loan processed: +0 million yen
- Recoveries of written off claims: +300 million yen

### Gains/losses related to securities [YoY +600 million yen]

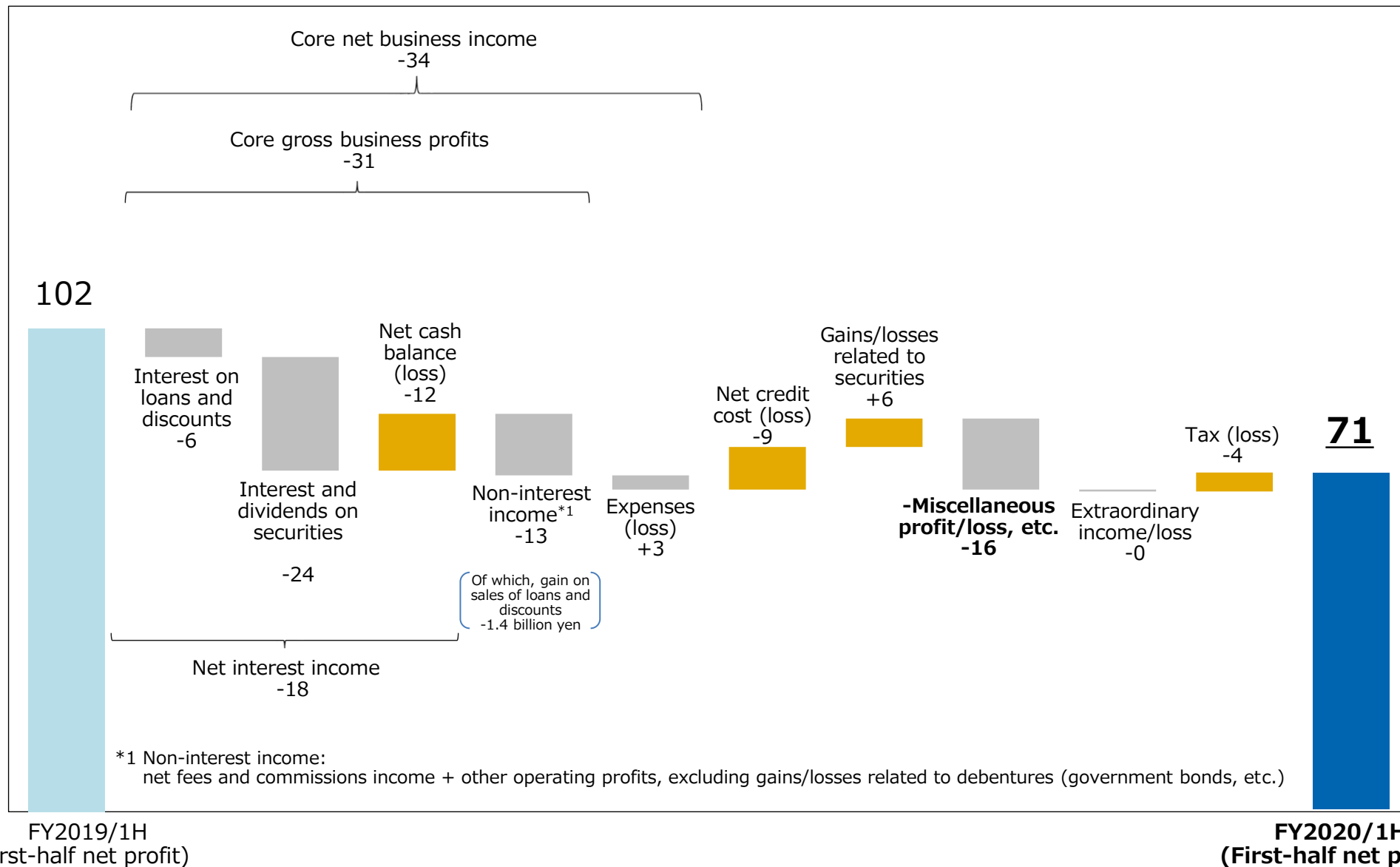
- Gains/Losses related to debentures (government bonds, etc.): -2.5 billion yen
- Gains/losses on stocks, etc.: +3.1 billion yen

### First-half net profit [YoY -3.1 billion yen]

### Management integration-related cost (total) [YoY: +600 million yen]

- Miscellaneous losses (payment to system vendors, etc.): +300 million yen
- Non-personnel expenses for system and administration integration, etc., and taxes: +200 million yen

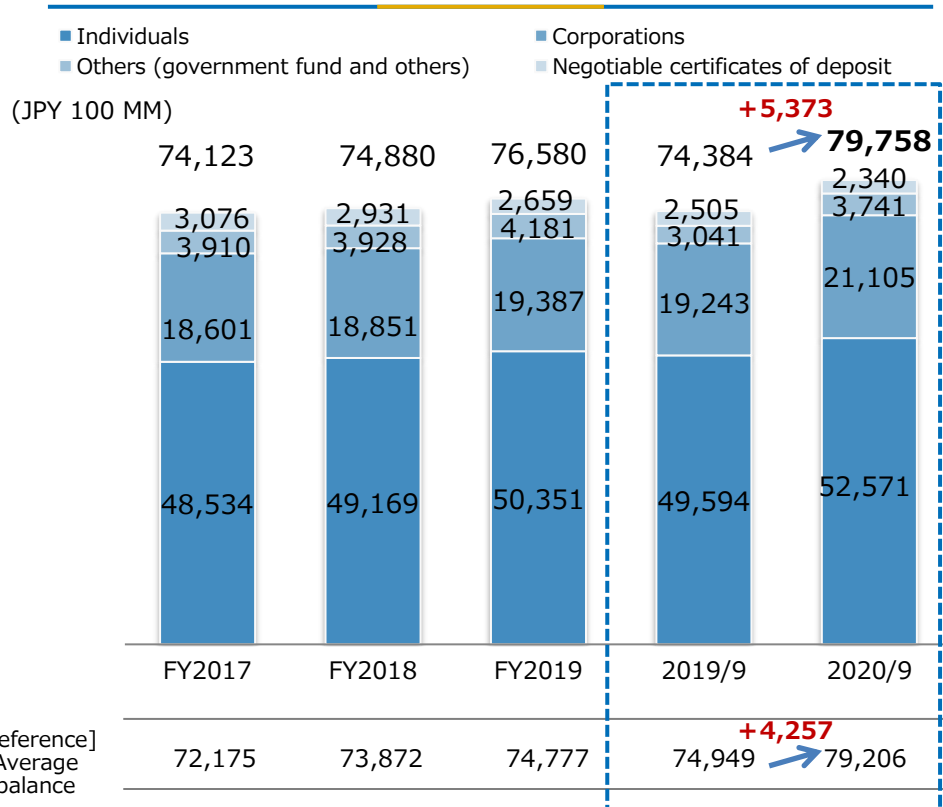
# Factors for Increase/Decrease in First-Half Net Profits (sum of two banks)



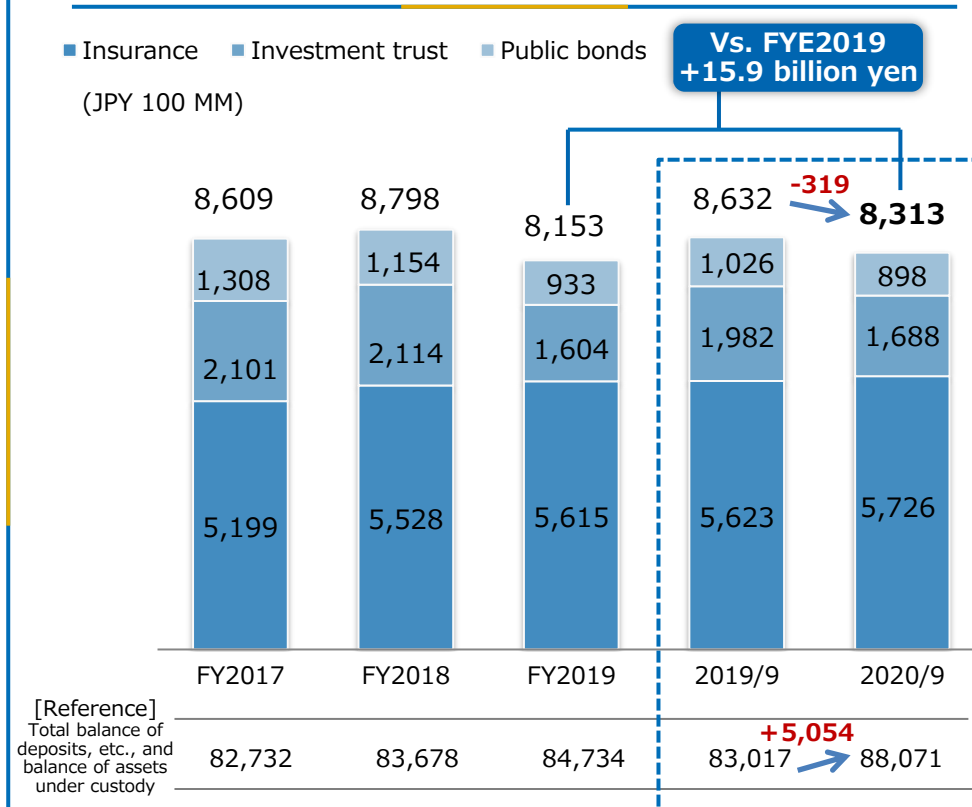
# Balance of Deposits, Etc., and Assets under Custody

- The balance of deposits, etc., showed steady growth at +537.3 billion yen YoY
- The balance of assets under custody declined by 31.9 billion yen YoY, reflecting a decline in investment trusts due to economic uncertainty caused by COVID-19, while insurance increased steadily. +15.9 billion yen vs. the end of FY2019

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



## Year-end balance of assets under custody

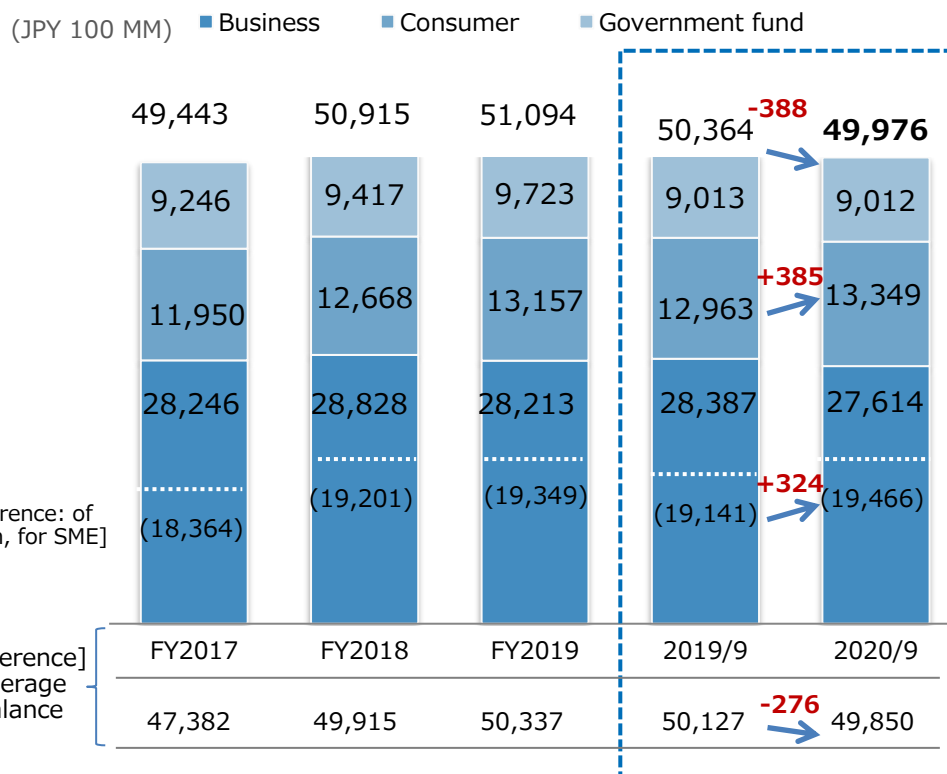




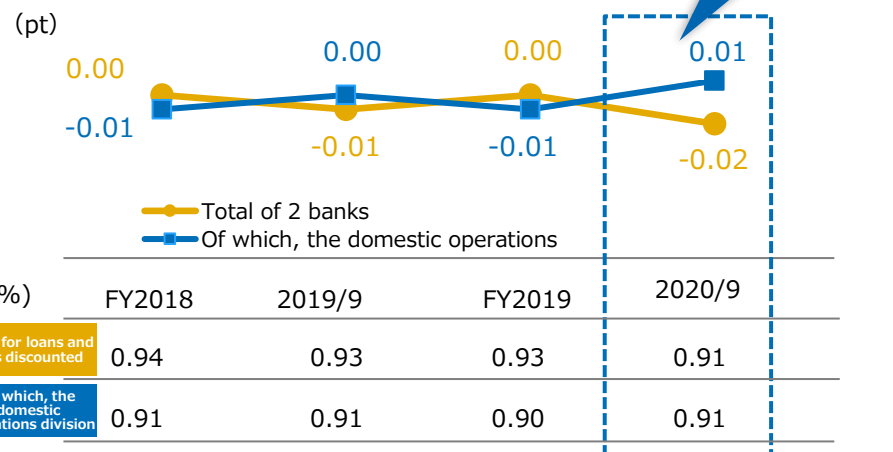
# Balance of Loans and Bills Discounted, and Yield, Etc.

- As a result of restraining loans to large and medium-sized companies with low profitability for “transformation of portfolios,” the balance of loans and bills discounted decreased by 38.8 billion yen year on year. However, SME loans (+32.4 billion yen YoY) and consumer loans (+38.5 billion yen YoY) increased steadily.
- Due to the “transformation of portfolios” through joint efforts of the two banks, the yield for loans and bills discounted for the domestic operations division increased by 0.01 pt from the end of FY2019

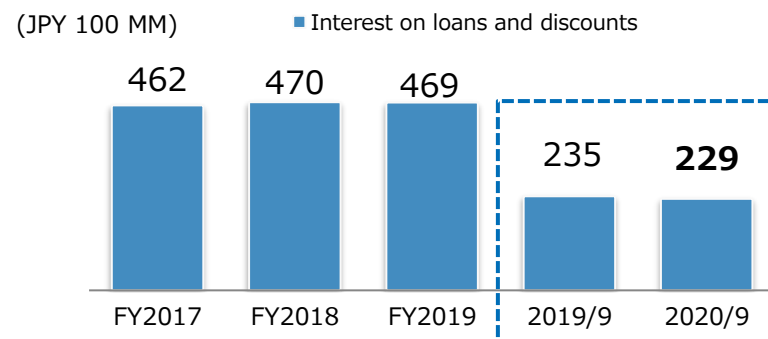
## Year-end balance of total loans and bills discounted



## Changes in yield for total loans and bills discounted

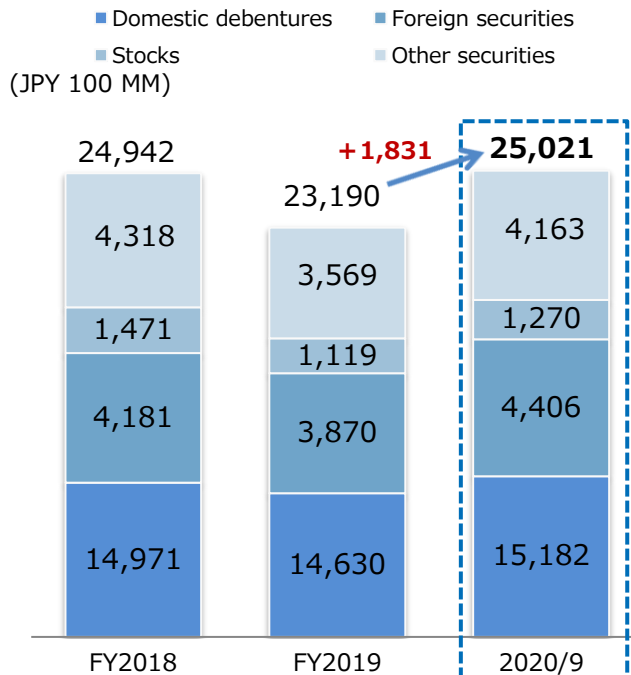


## Interest on loans and discounts



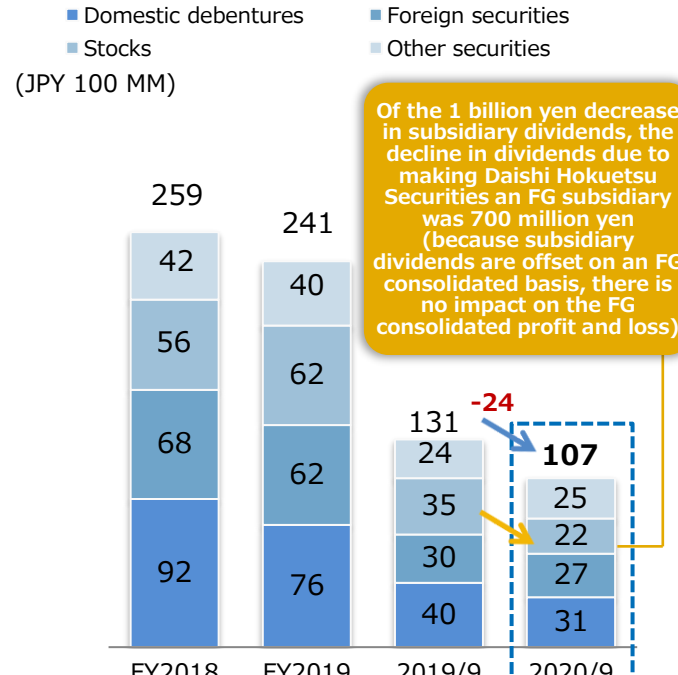
- Balance of securities increased by 183.1 billion yen from the end of FY2019 to 2,502.1 billion yen, due to the diversification of investment portfolio to domestic and overseas bonds and stocks
- Interest and dividends on securities declined by 2.4 billion yen YoY (including gains on cancellation of investment trusts -200 million yen). Of which, stock dividends decreased by 1.2 billion yen YoY, as subsidiary dividends declined by 1 billion yen YoY due to making Daishi Hokuetsu Securities an FG subsidiary, etc.

## Year-end balance of securities



Yield	FY2018	FY2019	2020/9
Yield	1.03%	0.98%	0.88%
Duration	(Yen debentures) 4.74 years (Foreign debentures) 5.73 years	5.31 years 4.83 years	5.57 years 5.07 years

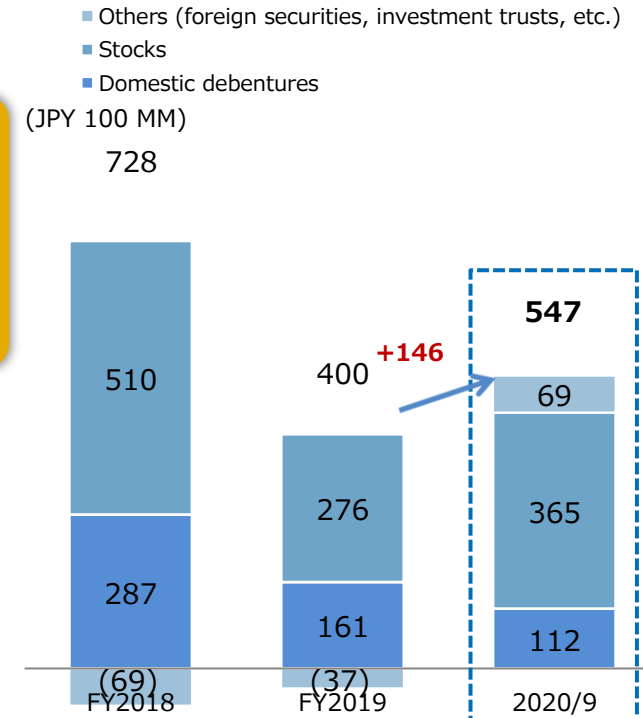
## Interest and dividends on securities



Plan	FY2018	FY2019	2019/9	2020/9
Plan	255	232	121	109
Compared with the plan	+4	+8	+9	-2

(Reference) After considering foreign currency funding costs +700 million yen vs. Plan

## Gains/losses on valuation



Increase by 14.6 billion yen from the end of FY2019 to 54.7 billion yen due to the rise in domestic and overseas stocks following global monetary easing

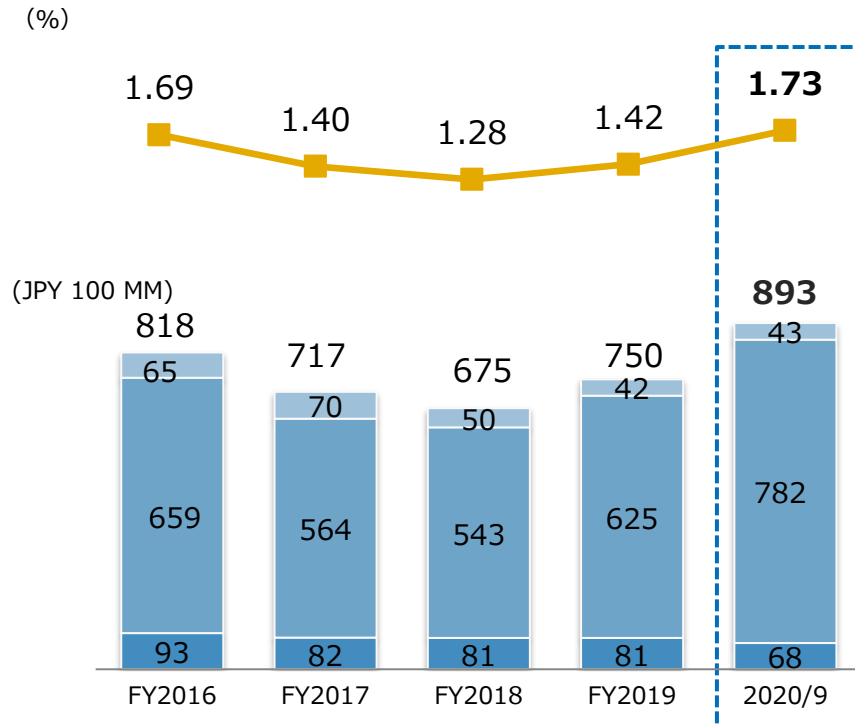
\* Duration is after considering the interest rate swaps for hedging purposes

# Non-performing Loan/Credit Cost

- The amount of non-performing loans was 89.3 billion yen (14.3 billion yen increase from the end of FY2019), and the non-performing loan ratio increased by 0.31 pts to 1.73%
- Net credit cost decreased by 900 million yen year on year due to a decrease in general provision of allowance for loan losses and an increase in recoveries of written off claims
- The General Support Office newly established in the Credit Department of Daishi Bank will play a key role in strengthening predictive monitoring. In addition, due to the long-lasting impact of COVID-19, we will prevent business partners from downgrading by providing multifaceted support based on an adequate understanding of the actual situation

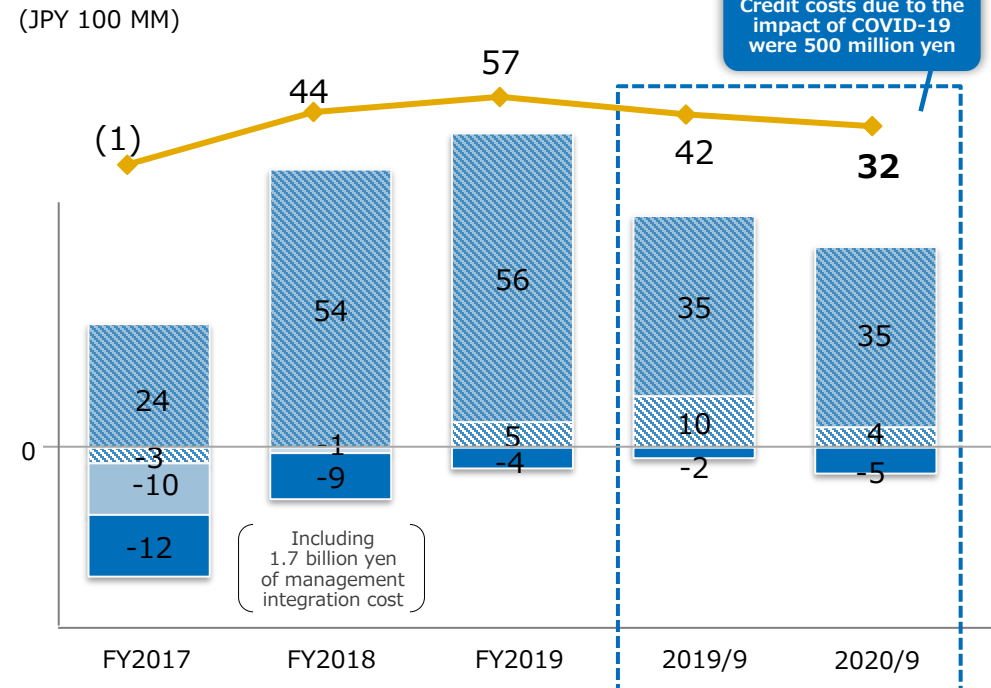
## Non-performing loan amount and ratio

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



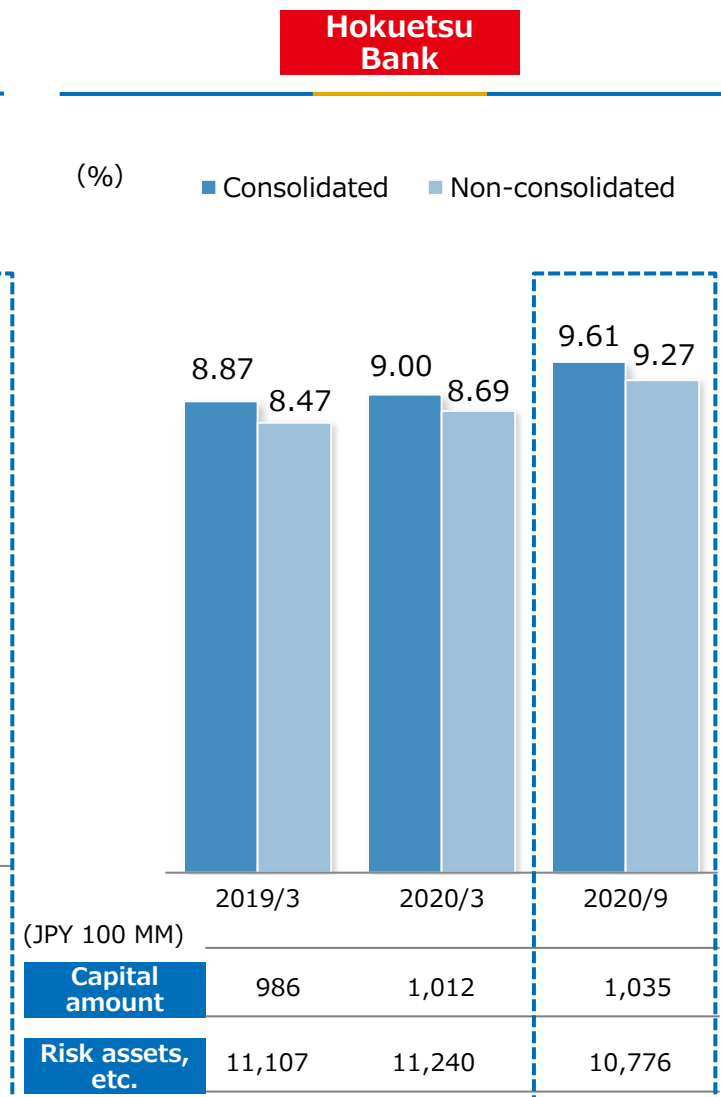
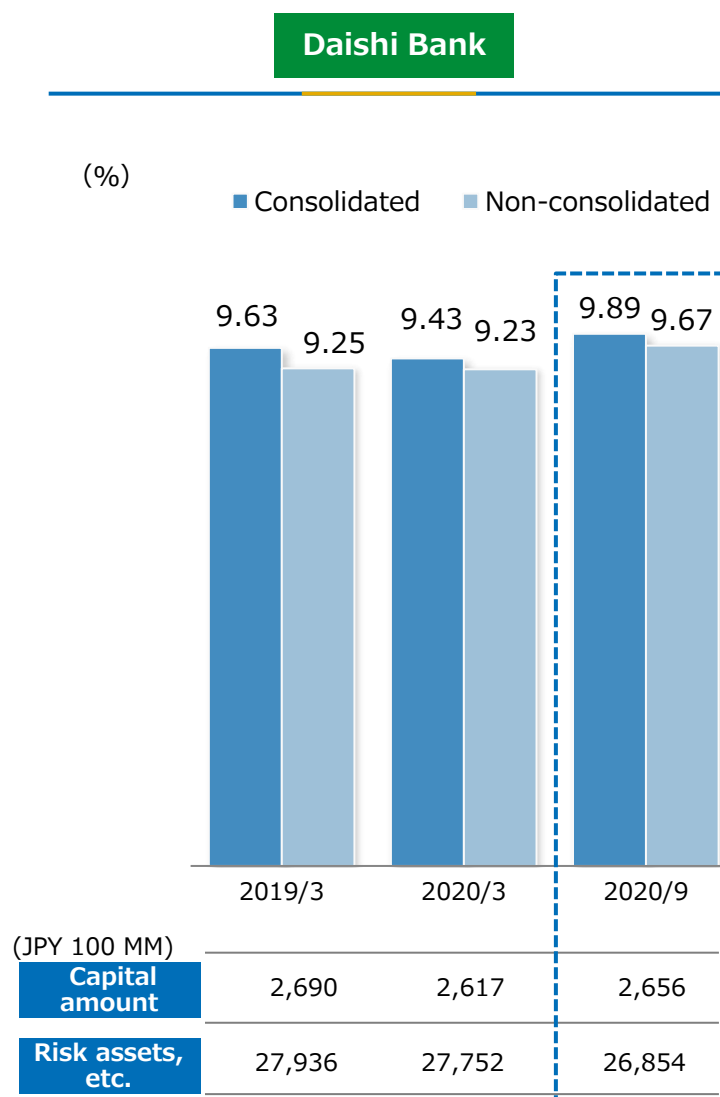
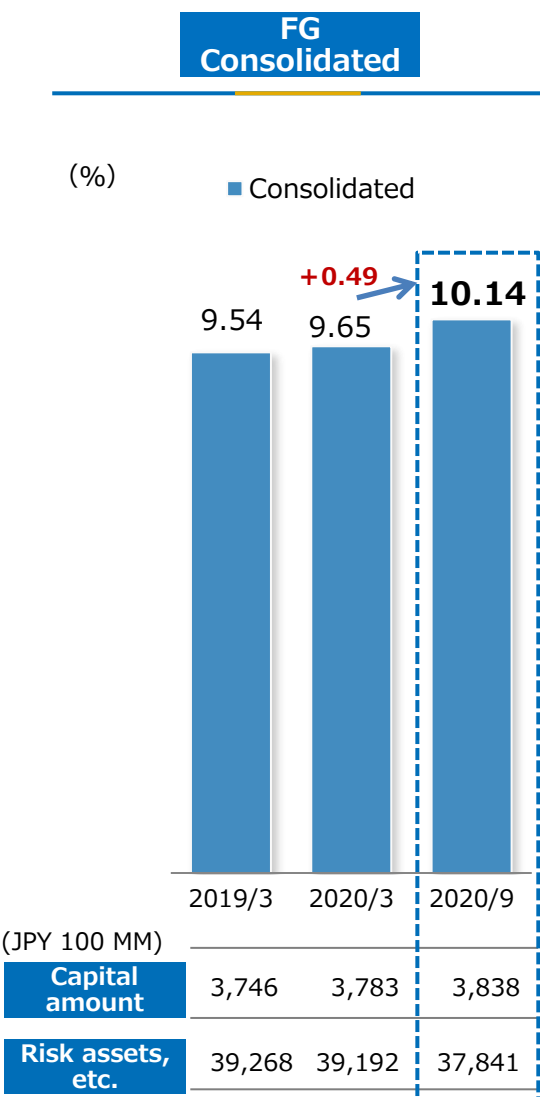
## Net credit cost

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



# Capital Adequacy Ratio

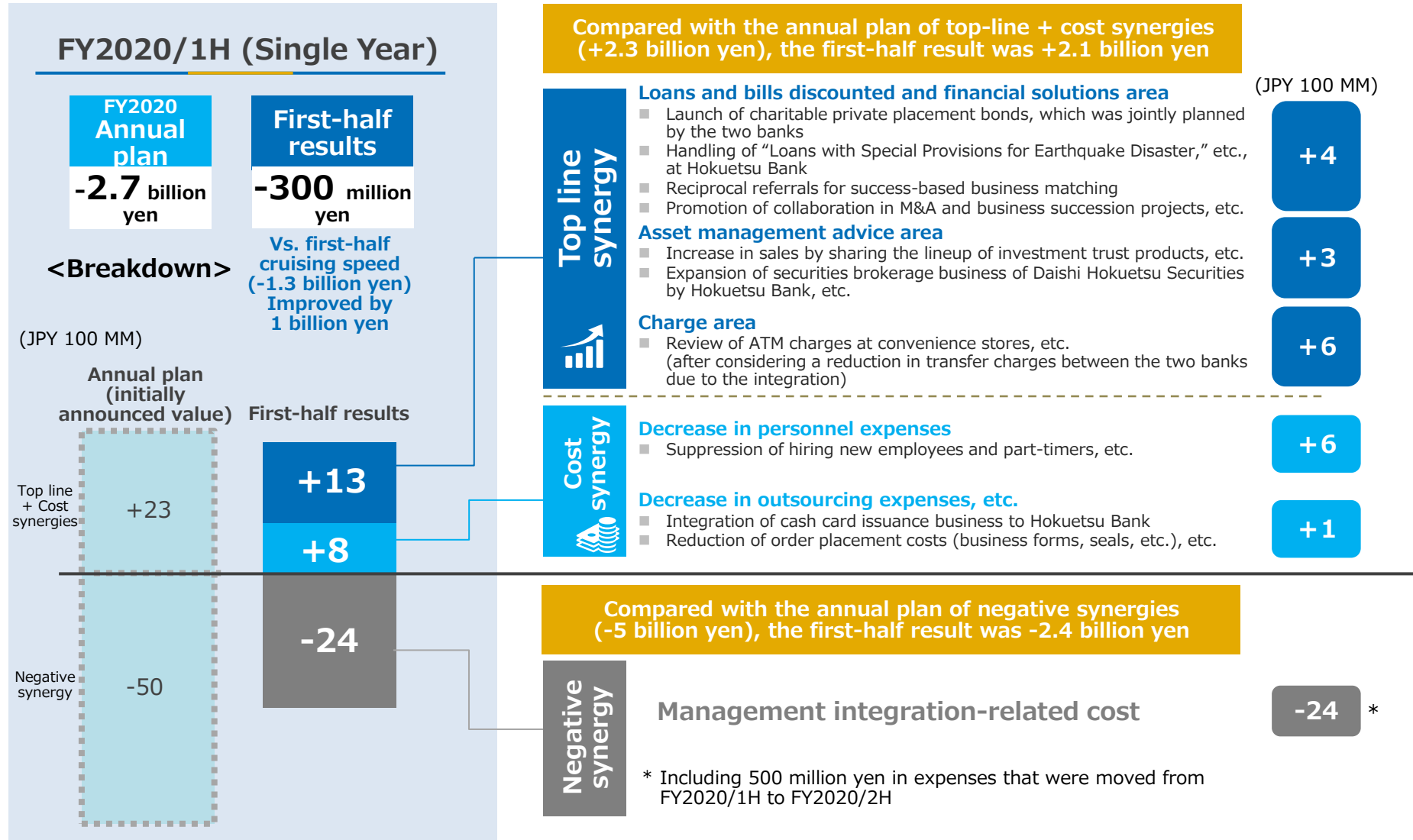
- FG consolidated capital adequacy ratio was maintained at a sufficient level of **10.14%** (+0.49 pts compared with that at the end of March 2020)



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

# Synergies from Management Integration (FY2020/1H results)

- Costs of system and administration integration leading up to the merger of the two banks led to a negative 300 million yen in the total synergy effects
- Compared with the FY2020 annual plan of -2.7 billion yen, it improved by 1 billion yen against the first-half's cruising speed (-1.3 billion yen)



# Indicators for Contribution to Communities

- Thanks to joint efforts by the two banks, all indicators exceeded the first-half targets

		FY2019 Results	FY2020 First-half results	FY2020 Vs. first-half target
Top-priority target to measure contributions to the local communities	Number of companies for which Daishi Hokuetsu Financial Group is a main bank	14,891	15,061	+132
Maintain and increase regional economic drivers	Number of cases involved in first and second start of business	1,612	1,711	+1,061
	Number of business partners whose business succession was supported	1,555	841	+71
Support companies to enhance their added value	Number of borrowers based on business evaluation	3,790	4,456	+286
	Balance of loans based on business evaluation	793.3 billion yen	959.2 billion yen	+34.2 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	4,905	6,081	+924
	Number of business partners with improved key performance indicators, etc.	9,863	9,547	+225
	Number of cases of core business support	4,399	2,410	+342
	Number of companies whose formulation of a business improvement plan was supported	605	355	+45

# FY2020 Business Forecast (announced on November 13)

- FG consolidated ordinary profit and net profit were unchanged from the initially announced values (May 2020)
- Taking into account the impact of COVID-19 on the top line that emerged in the first half, the sum of the two banks' core net business income is expected to be 18.9 billion yen. This is a decrease of 1.9 billion yen from the initially announced value. However, ordinary profit and net profit were unchanged from the initially announced values.

## FY2020 Business Forecast (announced on November 13)

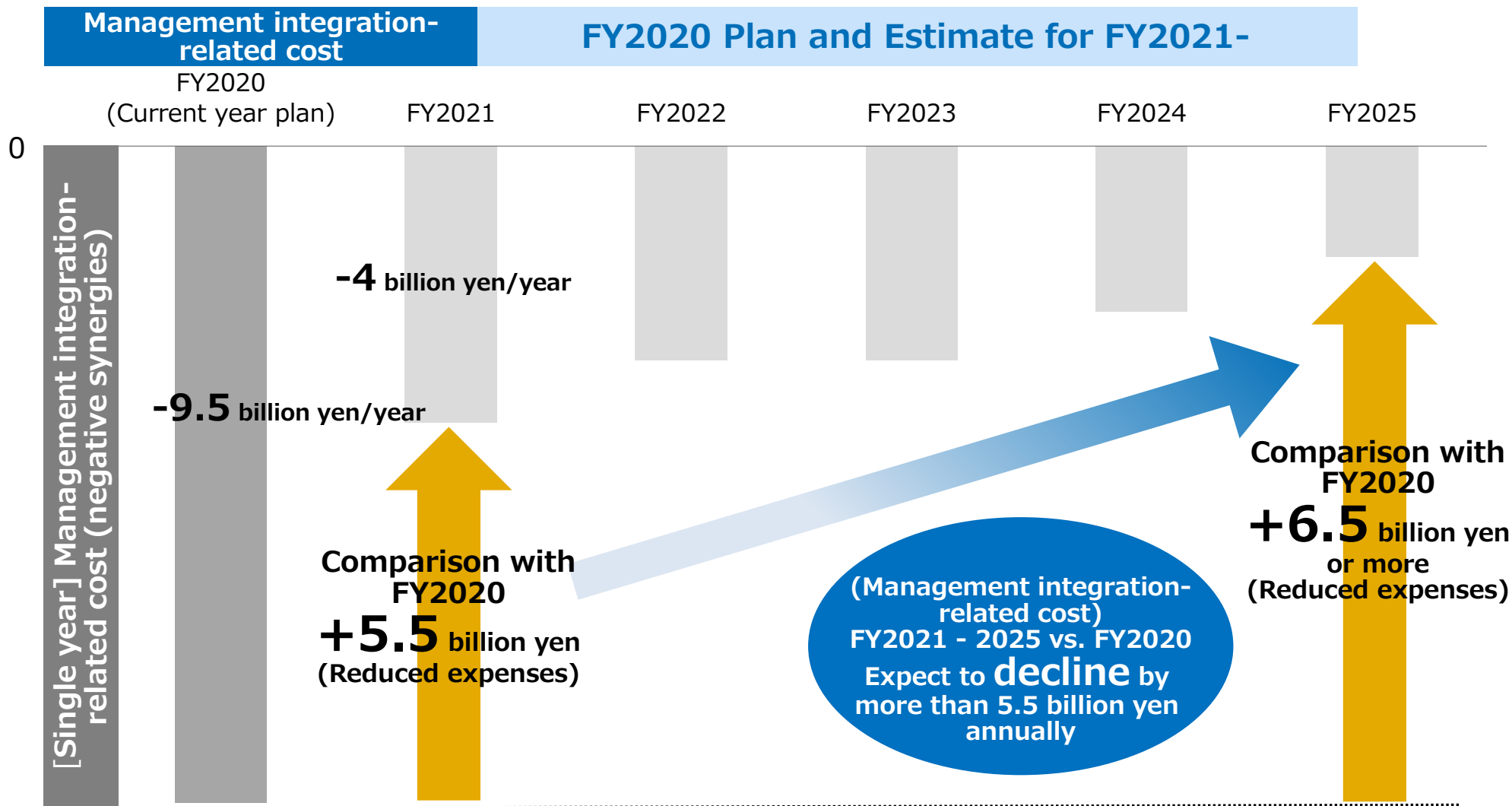
FG Consolidated (JPY 100 MM)	FY2020 Business Forecast		FY2020/1H results	Rate of progress against business forecasts	Vs. values announced on May 2020
		YoY			
Ordinary profit	<b>148</b>	-46	108	72.9%	Unchanged
Net profit (1H)* <sup>1</sup>	<b>105</b>	-23	68	64.7%	Unchanged

\*1 Net profit (first half) attributable to parent company shareholders

Total of two banks (JPY 100 MM)	FY2020 Business Forecast		FY2020/1H results	Rate of progress against business forecasts	Vs. values announced on May 2020
		YoY			
Core net business income	<b>189</b>	-33	87	46.0%	-19
Ordinary profit	<b>141</b>	-67	105	74.4%	Unchanged
Net profit (1H)	<b>111</b>	-42	71	63.9%	Unchanged

# Estimation of Management Integration-Related Cost

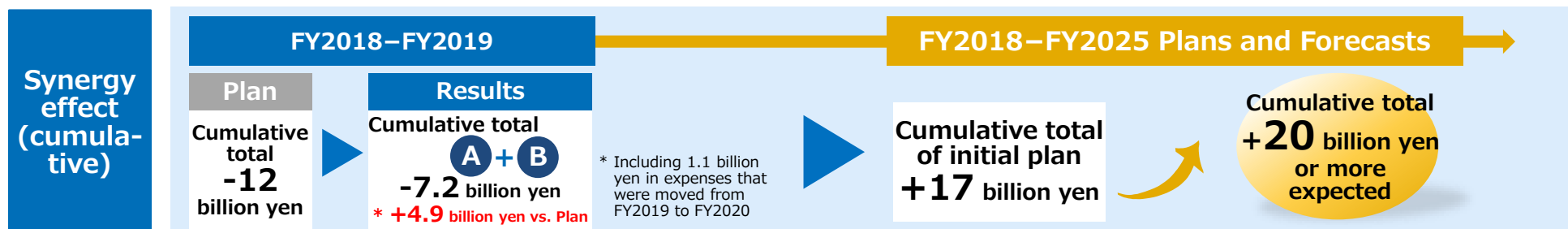
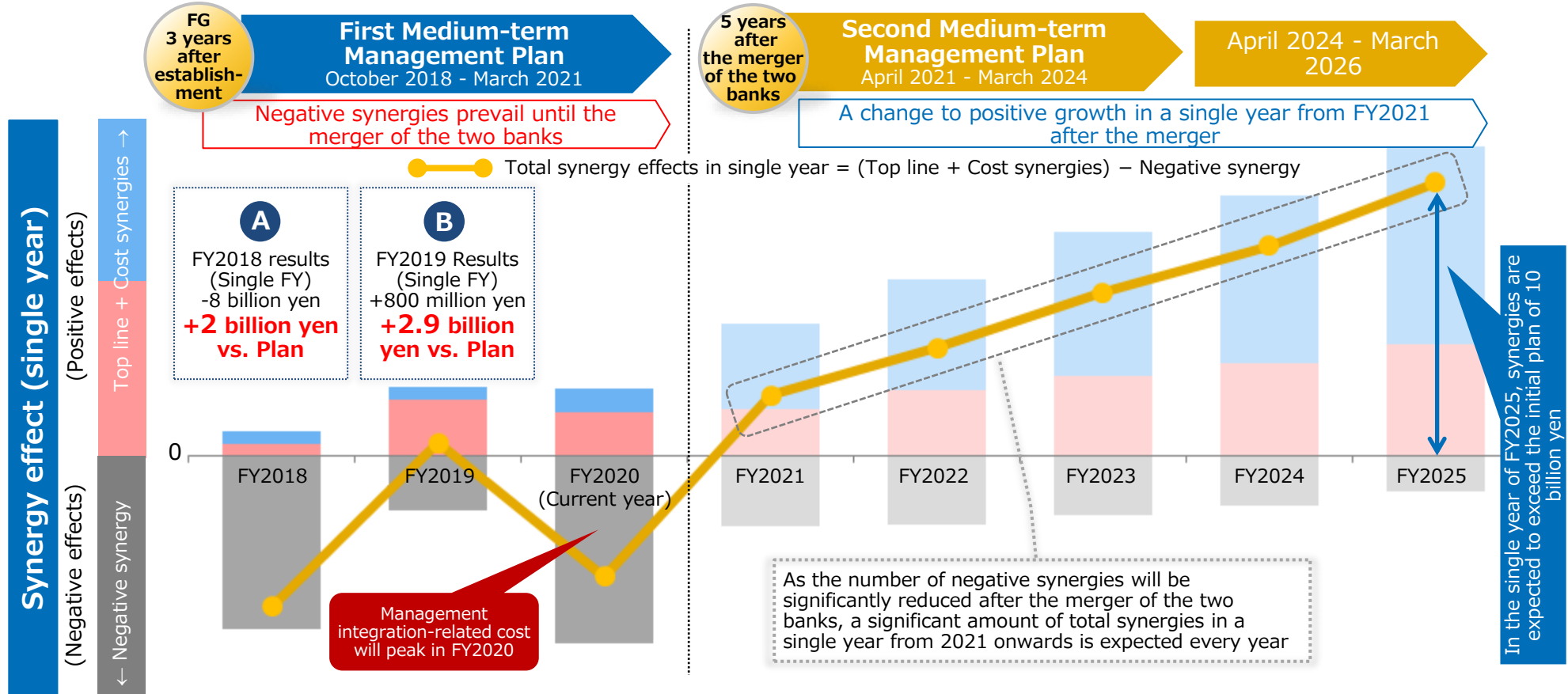
- 9.5 billion yen as management integration-related costs (e.g., system and administrative integration) is already considered in the FY2020 Business Forecast
- Management integration-related costs are expected to peak this fiscal year, -4 billion yen in FY2021, down 5.5 billion yen from the previous 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 synergy effects in total are expected to turn positive in a single year





# First Medium-term Management Plan

# Basic Strategies/Management Indicator Targets

Management Philosophy of the Daishi Hokuetsu Financial Group

We will continue to provide services that lives up to the expectations of customers and contribute to the development of regional society as a trusted financial group, and boldly take on challenge to create new value

- .....Action principles
- .....Mission
- .....Vision and approach

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

Theme: Early demonstration of synergy effects from management integration  
Building a foundation for maximizing synergy effects from the Merger

Priority management issues	Basic Strategy I		Basic Strategy II		Basic Strategy III	
	Enhancement of financing and information intermediation functions ( Demonstration of top line synergy and transformation of portfolios )		Improvement of management efficiency ( Demonstration of cost synergy )		Enhancement of Group management framework ( Strengthening the management base )	
Revitalization of regional economy	Targets for key performance indicators		FY2019 Results	FY2020 First-half results	FY2020 Target	
Strengthening profitability	Profitability	Consolidated net profit (1H)	12.8 billion yen	6.8 billion yen	10.5 billion yen	
	Growth potential	Average balance of SME loans	1,912.2 billion yen	1,938.9 billion yen	2,025.3 billion yen	
		Average balance of consumer loans	1,293.0 billion yen	1,323.7 billion yen	1,411.6 billion yen	
Improvement of management efficiency	Efficiency	Non-interest income amount	20.4 billion yen	9 billion yen	24.5 billion yen	
		OHR in core gross business profits	74.1%	78.7%	77.0%	
	Health of business	Consolidated ROE (shareholders' equity basis) * The first half is on a semi-annual basis	3.2% (3.3%)	1.7% (1.7%)	2.7% (3.0%)	
	Health of business	Consolidated capital adequacy ratio	9.6%	10.1%	9.0% or more	

Second Medium-term Management Plan

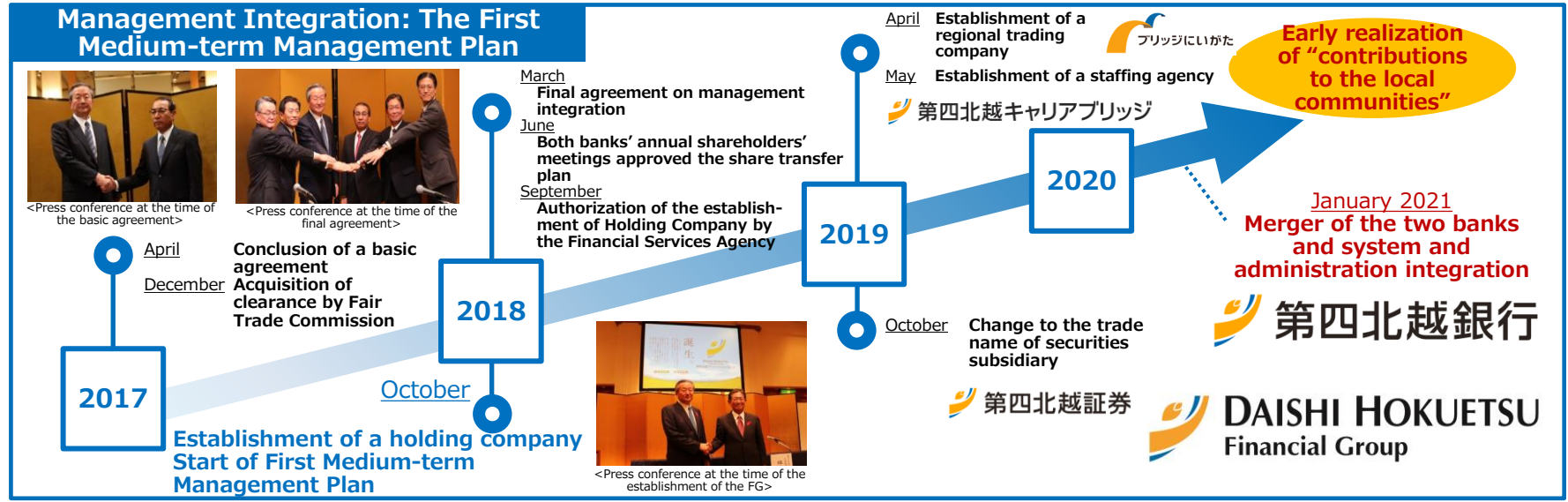
From April 2021 To March 2024

Theme: Maximizing synergy effects from the Merger

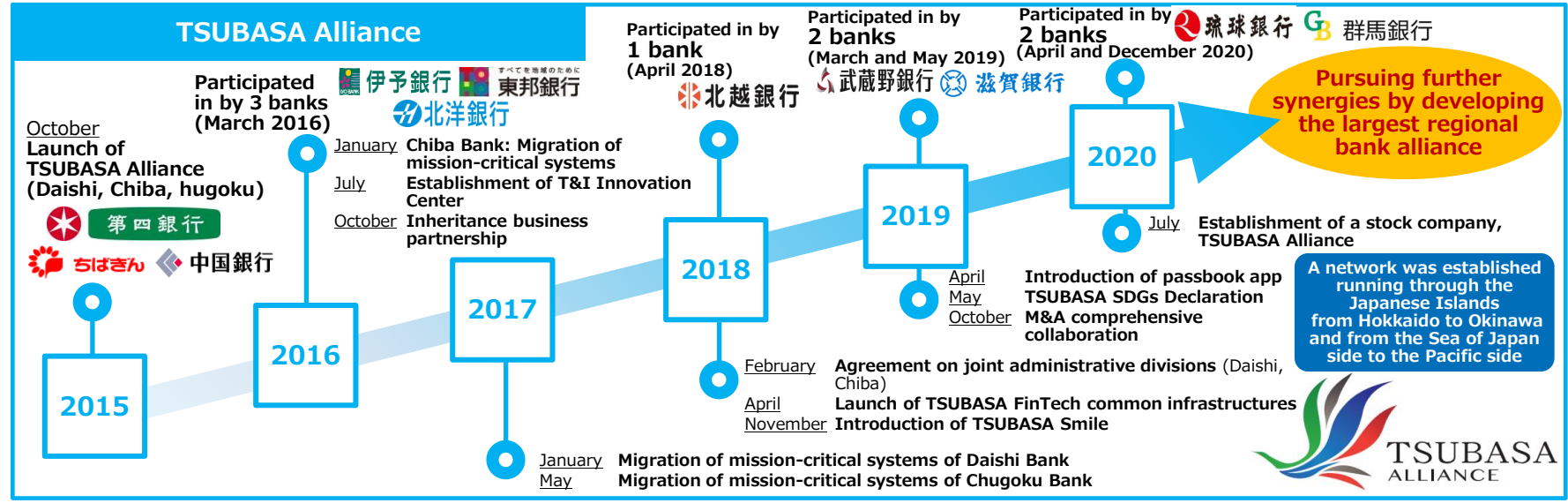
# Direction of Daishi Hokuetsu Financial Group

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

## Management integration



## Alliance (Regional Banks' Comprehensive Collaboration)



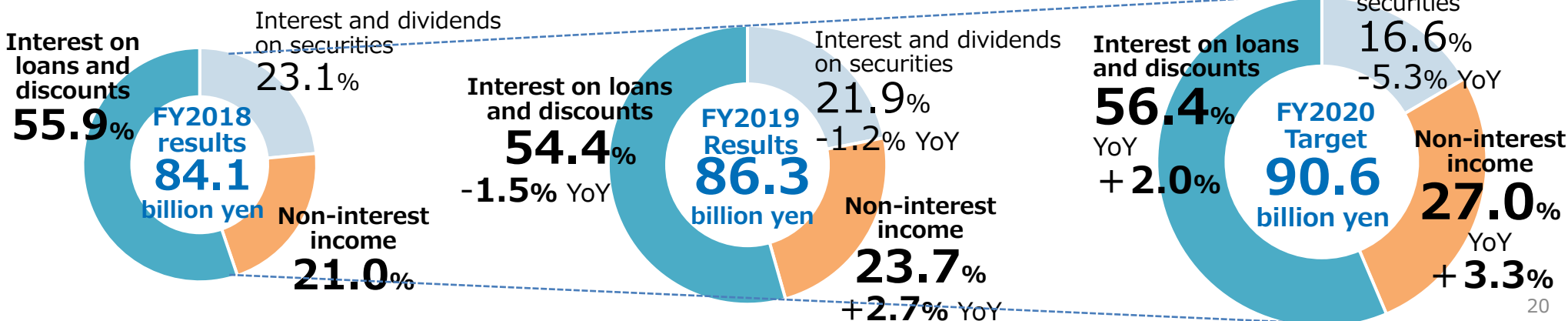
# Top Tactics “Transformation of Portfolios”

- 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
- All the 5 indicators improved year on year in the first half of FY2020. From the second half onward, we will continue to transform the portfolio to strengthen the top line

5 indicators for transformation of portfolios		FY2019 First-half results	FY2020 First half	YoY	FY2020 Target
(1) Ratio of SME loans to total loans	Increase the ratio of interest on loans and discounts	37.7%	<b>38.8%</b>	1.1%	<b>39.3%</b>
(2) Ratio of consumer loans to total loans		25.5%	<b>26.5%</b>	1.0%	<b>27.4%</b>
(3) Ratio of unsecured loans in consumer loans		8.3%	<b>8.5%</b>	0.2%	<b>10.0%</b>
(4) Ratio of income from asset management advice in core gross business profits	Increase the ratio of non-interest income	7.4%	<b>7.6%</b>	0.2%	<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>

## Breakdown of core gross business profits

Transform the portfolio and strengthen the top line



# Loans and Bills Discounted Area (Business loans)

Portfolio Transformation

(SME loan ratio FY2019: 37.9% → FY2020: 39.3%)

DAISHI HOKUETSU Financial Group

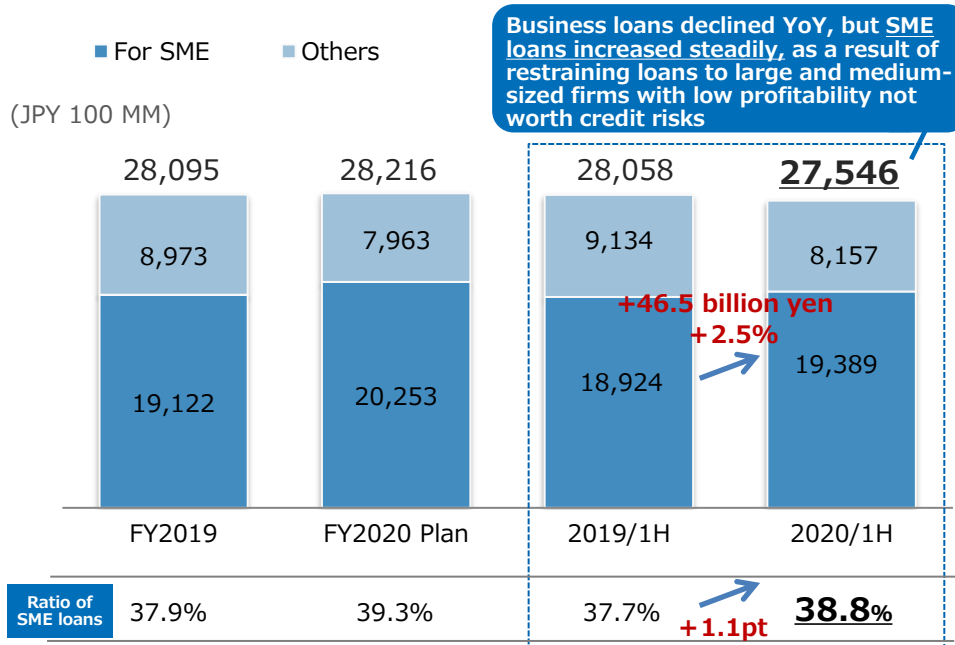
SME loans have increased steadily

## Outstanding business loans (average balance) result and plan

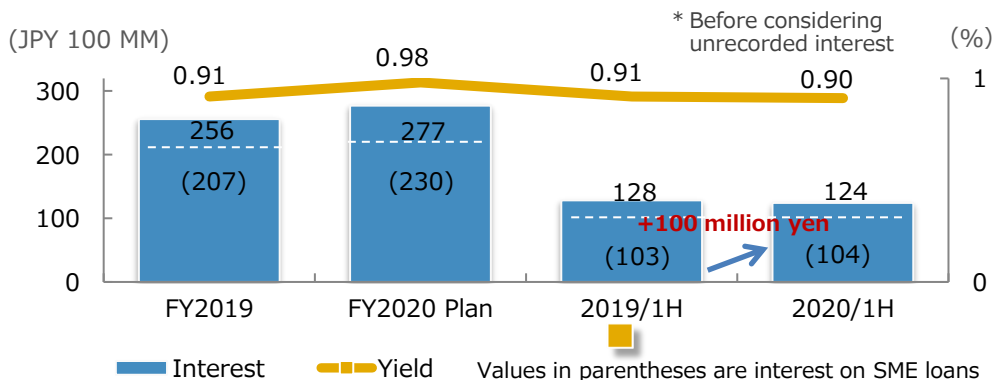
FY2020/1H results

SME loans YoY +46.5 billion yen (+2.5%)

\*Before partial direct write-off



## Interest and yields on business loans and bills discounted result and plan



## Major initiatives

### Response to COVID-19

- In response to the impact of COVID-19, we provided multifaceted support, including support for cash management, primarily to prevent financial distress in the local economy. We will continue to support the local economy in a cross-sectoral and multifaceted manner by utilizing the Group's collective strengths



We set up COVID-19 consultation desks at all the offices to provide sincere and prompt responses to customer inquiries

We offer products that meet new needs amid the COVID-19 crisis, including needs to improve productivity by investing in digitalization such as teleworking



[COVID-19 consultation desk]

## <COVID-19-related loans, response to change of loan terms, and business loans> (Cumulative total up to September 2020)

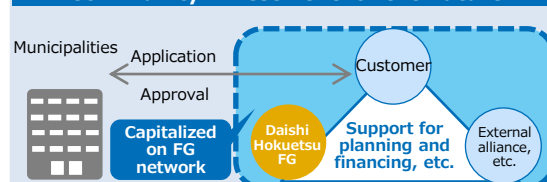
Cases, JPY 100 MM	Consultations accepted		Execution	
	Number of cases	Amount	Number of cases	Amount
New loan	8,681	2,426	7,974	2,224
Of which, guaranteed by guarantee corporations	7,548	1,407	7,075	1,322
Change of terms	822	402	692	327

### Provision of consulting functions through integrated efforts by the two banks' HQs and sales offices

- Visualize potential needs of businesses subject to feasibility assessment by utilizing the "Common Value Creation Sheet" that is common between the two banks
- Share expertise and strengthen the creation of projects by increasing dedicated HQ staff stationed at sales offices (11 dedicated HQ staff were stationed at large-scale offices in the first half of FY2020)
- 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

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

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



Support for the formulation of plans for community investment for the future

Result 18 cases (first half of FY2020)

Continue to track needs for capital investment in the prefecture planned for the second half of FY2020 onward (about 220 billion yen/questionnaire results from business partners of both banks)

# 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%)

DAISHI HOKUETSU Financial Group

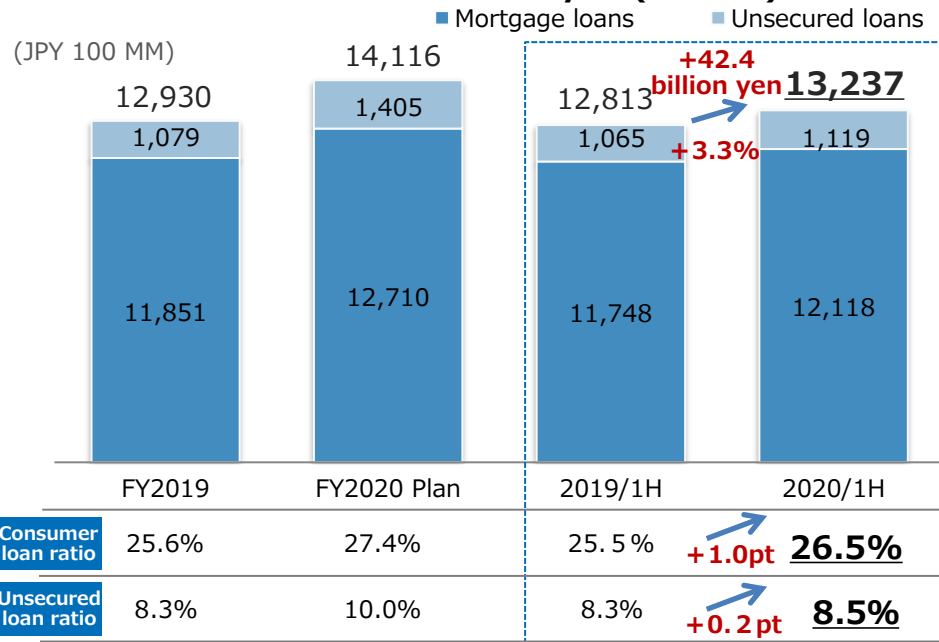
Consumer loans have increased steadily

## Outstanding consumer loans (average balance) result and plan

### FY2020/1H results

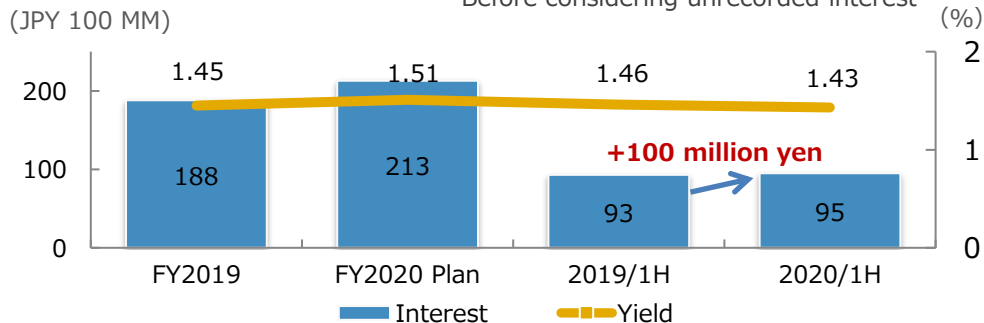
### SME loans YoY +46.5 billion yen (+2.5%)

\* Before partial direct write-off



## Interest and yields on consumer loans and bills discounted result and plan

\* Before considering unrecorded interest



## Major initiatives

### Response to COVID-19

- Respond flexibly to revision to repayment terms of customers whose income has been affected by COVID-19, and waive fees associated with such revision
- Implement "Life Support Plan" including preferential interest rates for various unsecured loan products

### <Response to change of mortgage loan terms due to COVID-19>

(Cumulative total up to the end of September 2020)

Cases, JPY 100 MM	Consultations accepted		Execution	
	Number of cases	Amount	Number of cases	Amount
Change of terms	168	27	123	20



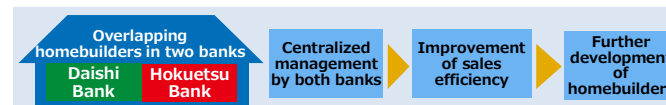
### Provision of consulting function through integrated efforts by the two banks

- The integration of the two banks' loan centers\* aimed at the merger was completed (from March to May 2020).

Improve operating efficiency and strengthen relationships through centralized management of about 480 homebuilders

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

13 bases → Consolidated to 9 bases

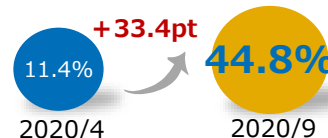


\* Establishment of the Daishi Niigata Higashi Loan Center within the Hokuetsu Fujimicho Loan Plaza (2020/5)

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

- Major renewal of the mortgage web application screen to reduce input items by 65% (May 2020). Also a web application campaign to increase the ratio of web applications and attract projects not mediated by homebuilders

### <Web application ratio of mortgage loans>



Also for preliminary applications  
Increase by 7.7% YoY

Accelerate response to New Normal by expanding the "electronic contract service" to all our loan centers

Strengthen unsecured loans with digital marketing and omni-channeling



# Non-interest Income Area

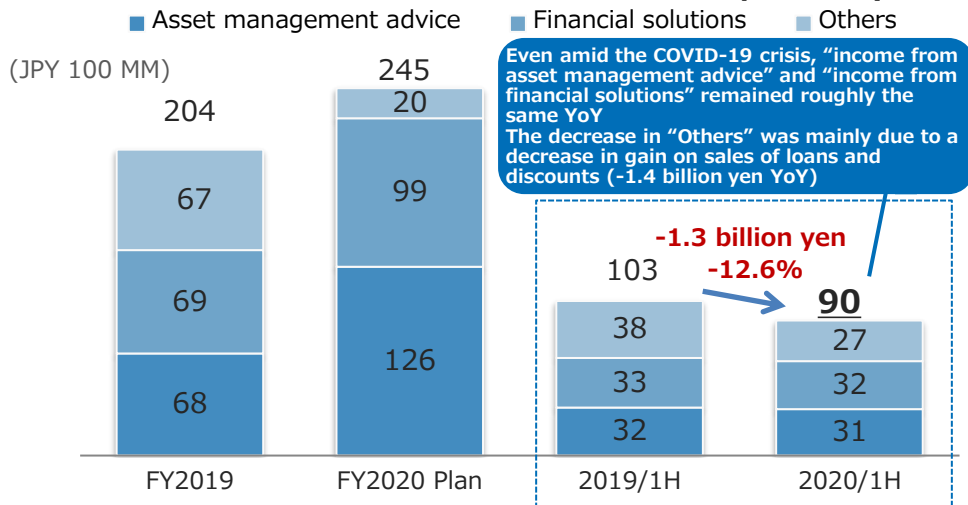
Portfolio Transformation

(Ratio of income from asset management advice: 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 result and plan

### FY2020/1H results

Non-interest income amount: **-1.3 billion yen YoY (-12.6%)**



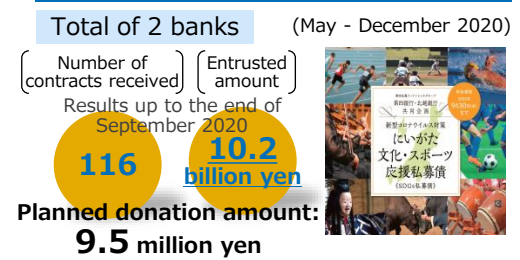
Ratio of income from asset management advice	7.9%	13.9%	7.4%	<b>+0.2pt</b>	<b>7.6%</b>
Ratio of income from financial solutions	8.0%	10.9%	7.5%	<b>+0.5pt</b>	<b>8.0%</b>

## Major initiatives

### Response to COVID-19

- Non-face-to-face sales measures amid the COVID-19 crisis
  - Investment trust online seminars jointly held by both banks and Daishi Hokuetsu Securities (251 applicants)
  - Direct mail including booklets on money planning
- Initiatives for charitable private placement bonds, "Private Securities Supporting Culture and Sports in Niigata" for continuation and development of cultural and sports groups in Niigata Prefecture affected by COVID-19 as a joint project of both banks

### "Private Securities Supporting Culture and Sports in Niigata"



### Start handling of "Private Securities Supporting Food Relationship in Niigata" (November 2020 - June 2021)



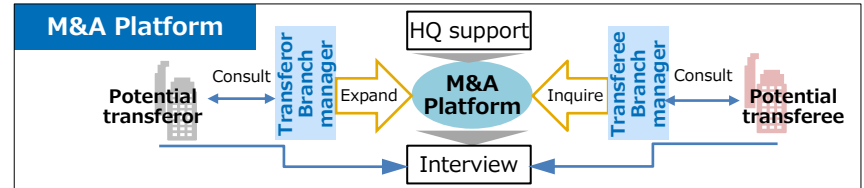
### One-stop financial services of banking, securities and trust services

- Daishi Bank began handling "Family Trust Brokerage Service," which introduces family trust specialists, and "Family Trust Account" (September 2020)
- Daishi Hokuetsu Securities strengthens cooperation for securities brokerage business and wills and trusts businesses

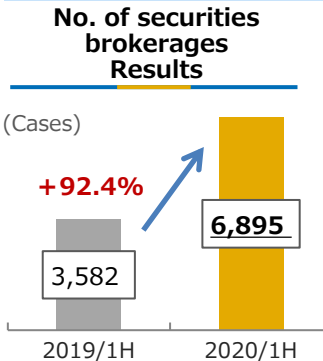


### Execute comprehensive consulting based on relationships with corporations and owners

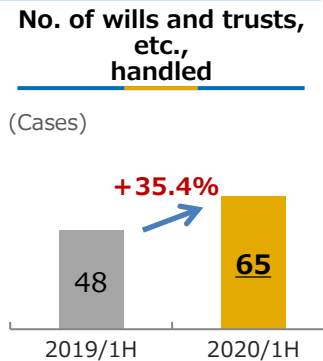
- Accelerate custom-made proposal activities for business succession and asset succession needs of wealthy segment, mainly corporations and owners, based on understanding of the actual situations
  - Establishment of "M&A Platform." Establishment of the M&A matching system led by department and office managers
- Build a system to allow sales offices to directly consult with experts in cooperation with external experts



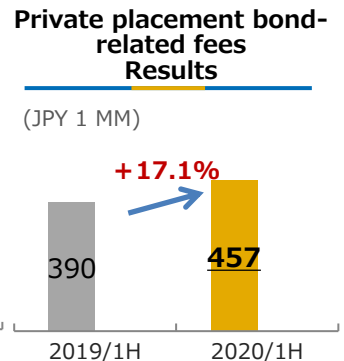
### Asset management advice



### Financial solutions



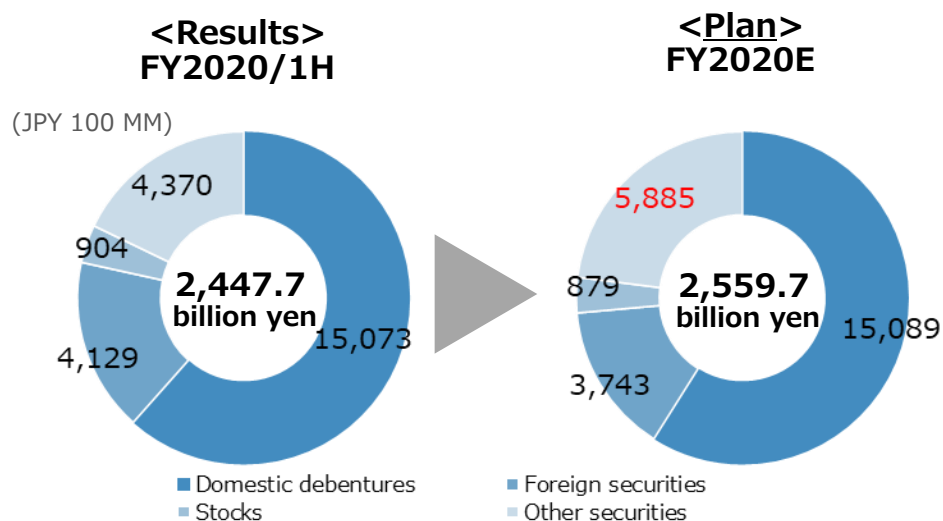
### Private placement bond-related fees



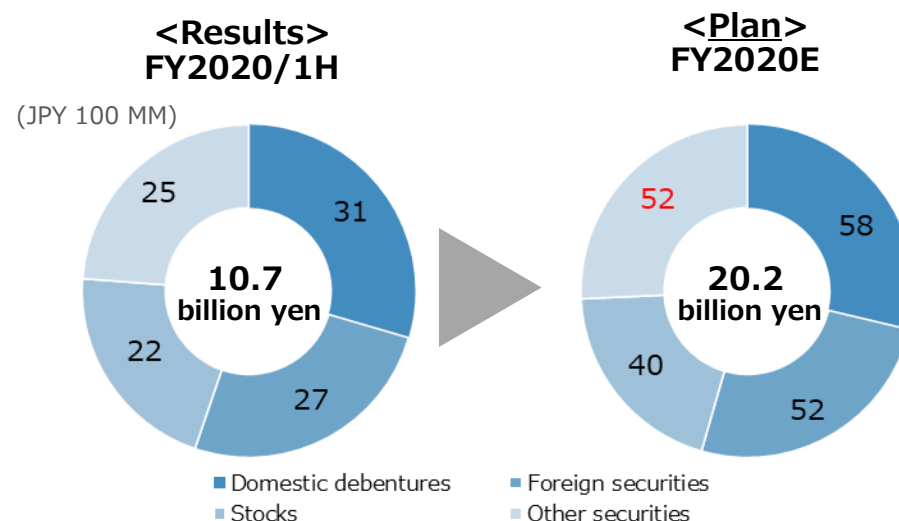


- For securities investment, expand the diversification of the securities portfolio to domestic and overseas bonds and stocks and implement asset allocation in accordance with the market environment
- Unified management started in April 2020. Share and enhance the expertise of both banks, and secure stable income for the period

## Securities portfolio (book value basis) results and plan



## Interest and dividends on securities results and plan



### Investment policy for FY2020/2H

- There is no prospect of an exit from the ultra-low interest rate environment due to the continued monetary easing policies around the world following the spread of COVID-19. Amid this situation, further diversify the securities portfolio to overseas bonds and stocks as well as domestic stocks and REIT in order to secure interest income and valuation gains. Also implement asset allocation in accordance with market conditions and strive to improve our portfolio by reducing assets with large valuation losses and low profitability.

### 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. The purpose is 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.

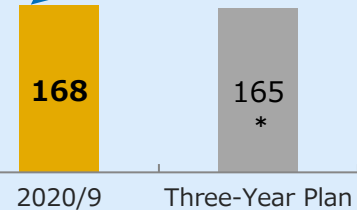
# Structural Reforms by Digitalization

- Actively promote 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)

Progress rate: 102%



\* 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

■ Daishi Hokuetsu FG measures ■ TSUBASA Alliance measures

### Operational reform - Reduce "operations" and "loan" admin staff at sales offices

- Nov. 2017 ■ Introduction of RPA Sep. 30, 2020 Cumulative reduction of 36,494 hours
- May 2018 ■ Consolidation of administration of sales offices into "Middle Office (HQ)"
- Jul. 2019 ■ Introduction of "Custody management system" Sep. 30, 2020 82 offices were consolidated
- Feb. 2020 ■ Introduction of "automatic loan disbursement functions"

### Office reform - Transformation of sales offices into "consulting space"

- Jan. 2018 ■ Start of paperless sales of investment trusts and life insurance
- Nov. ■ Establishment of "remote consultation desks"
- Nov. ■ Introduction of the counter reception system "TSUBASA Smile"

### Channel reform - Improvement of customer convenience through non-face-to-face channels

- Nov. 2018 ■ Introduction of "web completion scheme" for consumer-type unsecured loans
- Apr. 2019 ■ Commencement of the provision of "Passbook App" Sep. 30, 2020 Cumulative total 46,752 downloads
- Nov. 2020 ■ Launch of new smartphone app "Little Bank"

### [TSUBASA Smile]



**<Opening a new ordinary deposit account>**  
[In-store processing time]  
Down 56% from previous level  
[Back-office hours after reception]  
Down 85% from previous level

A dedicated terminal enables paperless and seal-less procedures.  
It will be expanded to all the sales offices in the prefecture after the merger of the two banks in January 2021

### [Little Bank]



### <Offices where it is installed in the prefecture>

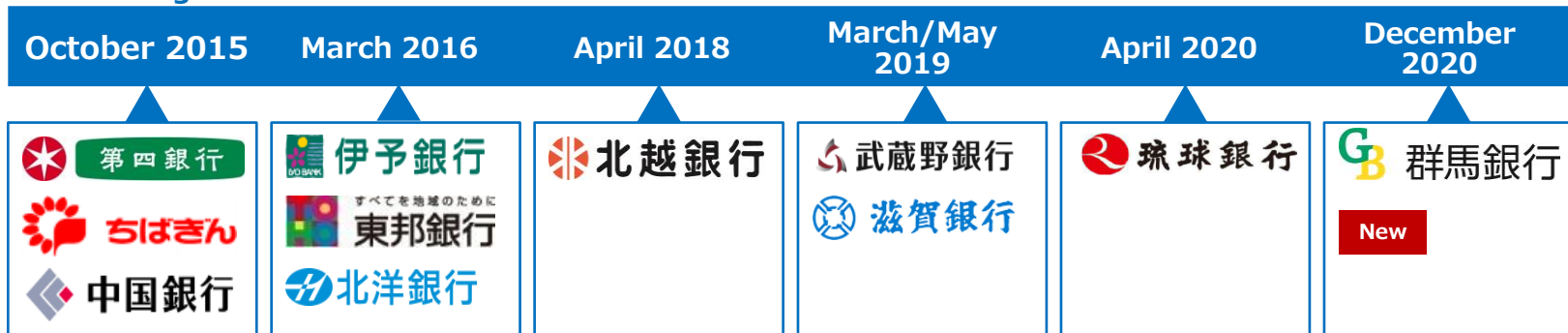
(Excluding satellite offices and Consulting Plaza)



### [Remote consultation desk]

Dedicated HQ operators provide various consultations via video phone.  
Provision of uniform service at the offices where it is installed

- Leverage the scale of TSUBASA Alliance, a framework for regional banks' comprehensive collaboration, to further accelerate strategic alliances
- Gunma Bank joined in December 2020. Total assets of participating banks exceed 78 trillion yen, comparable to a mega-bank



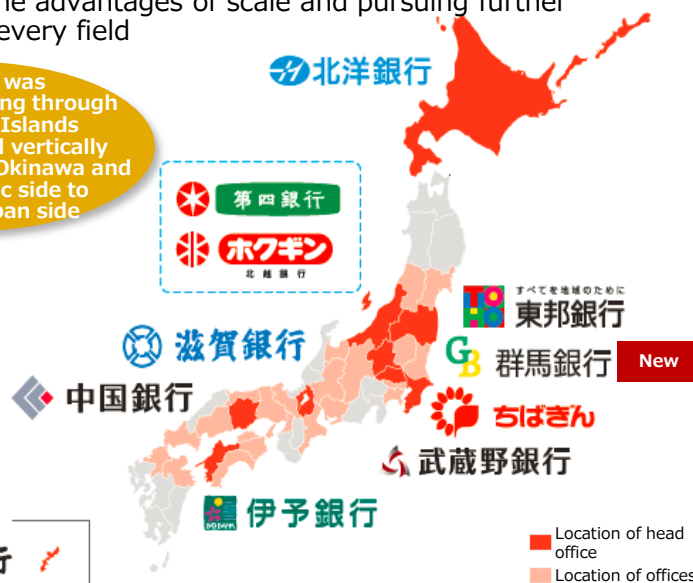
**TSUBASA Alliance**  
**Total asset balance**  
 Over **78 trillion yen**  
**Total net profit**  
 About **150 billion yen**  
 (Year ended March 2020 on a consolidated basis)



## Major recent topics

- 1 Gunma Bank joined to form a system comprised of 11 banks (December 2020)**  
 Maximizing the advantages of scale and pursuing further synergies in every field

A network was established running through the Japanese Islands horizontally and vertically from Hokkaido to Okinawa and from the Pacific side to the Sea of Japan side



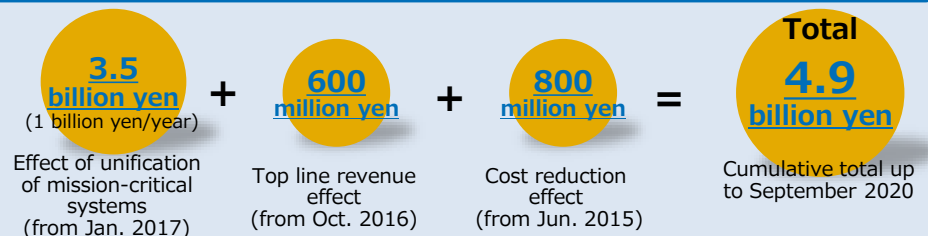
- 2 Partnership with Toho Bank for currency derivatives (June 2020)**

An initiative was started to provide our currency derivative products to business partners who are introduced by Toho Bank and have needs for currency derivatives

- 3 Establishment of a stock company, TSUBASA Alliance (July 2020)**

A stock company, TSUBASA Alliance was established to provide platform functions for consolidating common operations and functions. A center was established in it to jointly carry out operations related to preventing money laundering and financing for terrorism (October)

## Revenue effect of TSUBASA Alliance partnership measures (Daishi Bank)



# Approaches to Local Economic Issues (1)

Issues of the local economy

“Industrial revitalization”  
“Productivity improvement”

- A regional trading company was established and started operations in April 2019 as an important measure to contribute to the local communities
- Business performance has been favorable thanks to utilization of the extensive network of Daishi Hokuetsu FG and greater cooperation with various industries
- We will further increase the staff and work toward “industrial revitalization” and “productivity improvement,” which are issues for the local economy



ブリッジにいがた Regional trading company **Bridge Niigata Co., Ltd.** (established and started operations in April 2019)

## 1 Sales channel development business

Measures for industrial revitalization

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

#### Antenna Shop **Bridge Niigata**

- Prefectural products including food and household goods **are sold in markets in the Tokyo area**

<Number of items of merchandise handled at offices>



2019/10 Open



\* 1st Floor, Daishi Tokyo Building, 1-6-5, Nihonbashi-Muromachi, Chuo-ku, Tokyo

#### Niigata specialty fair in the Tokyo area

- Niigata specialty fair at seven sites in Tokyo in FY2019
- Participation in the Niigata fair at a shopping mall in Saitama Prefecture in the first half of FY2020



\* Niigata specialty fair “Niigata Marche”

#### Establishment of our own e-commerce site

- **Plan to establish an e-commerce site** for businesses in the prefecture (mid-December 2020)

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

- Reinforcement of sales channel development for corporations in the Tokyo area using antenna shops as bases  
→ **Two corporate sales staff members assigned** ⇒ **Plan to further increase the staff after the merger of the two banks**
- **Reservation-based online business meeting** to connect businesses in the prefecture and buyers in the Tokyo area
- Joint entrustment of the government project “Go To Eat Campaign Meal Ticket Issuance Entrustment Project” with three companies in the prefecture including the Company (the Company is in charge of collecting meal tickets and transferring money to restaurants)



## 2 Tourism promotion business

Measures for industrial revitalization

- Provision of a multilingual translation tool using QR codes as support for the development of infrastructure for inbound tourists

Multilingual translation tool contract partners (2020/9)

**28 companies (52 codes)**



- Start of proposing an app to provide tourism information to municipalities in the first half of FY2020
- Now considering measures for mutual cooperation with neighboring prefectures, tourism public relation activities using the web, and solicitation of workations (working vacations) in response to the spread of COVID-19 in cooperation with prefectures and municipalities

## 3 Productivity improvement business

Measures for productivity improvement

- **Provision of business improvement consulting** to increase administrative efficiency for SMEs
- **Active implementation of business improvement consulting, support for the introduction of RPA and attendance management systems, and support for paperless operations**
- Online seminar on teleworking for businesses in the prefecture (September 2020)
- **Plan to increase the staff for the productivity improvement business after the merger of the two banks**

### <Overview of business improvement consulting>



Contract partners for the productivity improvement business (Sep. 2020)  
**6 contract partners, 63 considering**

# Efforts against Local Economic Issues (2)

Issues of the local economy

“Securing human resources”  
“Human resource development”

- A staffing agency was established in May 2019 and started operations in October 2019 to help solve issues related to human resources at local companies
- Customer needs are extremely high, and consultations are steadily increasing. Leading Human Resource Matching Project achieved top-level performance among regional banks
- Matching with human resources of the FG Group will also be strengthened to resolve issues such as “securing human resources” at local companies suffering from a shortage of human resources



## Staffing agency Daishi Hokuetsu Career Bridge Co., Ltd.

(established in May 2019 and started operations in October 2019)

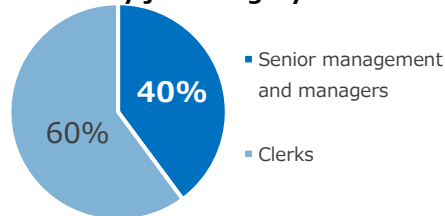
### 1 Human resource matching business

Measures for securing human resources

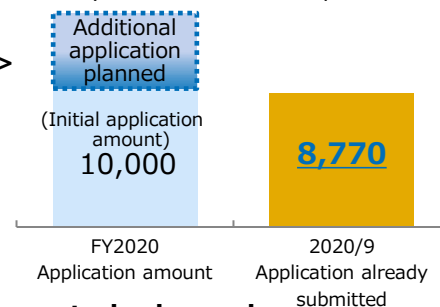
#### 1 Direct support and external cooperation support

- 562 consultations on staffing in one year after the start of operations (from October 2019 to September 2020), including 38 recruitments (official and preliminary employment offers)
- Collaborate with banks on activities to help solve corporate management issues starting with feasibility assessment
- Large demand for executive and management personnel needed for business continuity
- The “Leading Human Resource Matching Project” run by the Cabinet Office has **outperformed the annual plan**. This is due to the implementation of proposals based on identifying human resource needs starting from a feasibility assessment in cooperation with banks

<Breakdown of consultations by job category>



<Subsidy application amount>  
(JPY 1,000)



#### 2 Arrangement of employees to be loaned

- Continue to collect information from local companies that have needs for loaning FG Group personnel
- Continue to find new places of assignment in cooperation with banks
- **Plans to reinforce arrangement of employee loans from FG group companies to local companies after the merger of the two banks**

### 2 Human resource development solution business

Measures for human resource development

#### 1 Training and seminar

- Revision to the original schedule due to the spread of COVID-19
- Assembly-type seminars cancelled and only online seminars held
  - “Young Employees Step Up Online Seminar” (October 2020)

### Group-wide response to New Normal (new normal conditions)

- **Reservation-only free business consultation meeting “Niigata Power Up Salon”** for business owners and sole proprietors in Niigata Prefecture affected by COVID-19 (from November 2020 to February 2021 (planned))
- One-stop responses with the Group’s comprehensive capabilities for resolving various issues of businesses through cooperation among eight group companies including Daishi Management Consulting, Hokugin Economic Research Institute, and the two banks as well as the regional trading company and the staffing agency
- **We will continue to actively provide multifaceted support by making the most of the FG Group’s functions**, such as the regional trading company and the staffing agency

11月2日(月)～  
21年2月26日(金)  
完全予約制  
相談無料

にいがたパワーアップサロン

ニューノーマル時代の経営戦略!



# SDGs Initiatives (Recent major activities)

## Daishi Hokuetsu Financial Group SDGs Declaration (May 2019)

\* Establishment of "TSUBASA SDGs Declaration" on the same day

### Local economy and society

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



- Support for local communities and business partners in response to the spread of COVID-19
  - Donation of 10,000 masks and 30 million yen to Niigata Prefecture for improving medical care
  - "Subsidies for Employment Adjustment" Individual Consultation Meetings, Etc.
  - FY2013: Approximately 11,000 students attended in total
- Holding "Daishi Hokuetsu Academy"
- Preparatory activities for establishing the community creation platform" SDGs Niigata, "including seminars, with Niigata Prefecture, Niigata University, The Niigata Nippo Co., Ltd., and Niigata Hakuodo Incorporated



### Senior Citizens

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



- Special fraud-prevention activities in cooperation with Niigata Prefectural Police (from August 2019)
- Daishi Bank began handling "Family Trust Brokerage Service," which introduces family trust specialists, and "Family Trust Account" (September 2020)
- Commendation of "Daishi Hokuetsu Bank Award" for organizations and individuals who have contributed to social welfare (November 2020)
  - Cumulative total of 464 individuals and organizations received the award



### Financial services

**Declaration 3** Deliver financial services for a better life



- Sales of "Niigata Mirai Support Japan Equity Fund" (from May 2019)
  - Cumulative donation amount: 3.6 million yen
- "Private Securities Supporting Culture and Sports in Niigata" (from May 2020 to December 2020)
  - Number of contracts 116 cases; entrusted amount 10.2 billion yen
  - Planned donation amount: 9.5 million yen
- "Private Securities Supporting Food Relationship in Niigata" (from November 2020 to June 2021)
- Launch of new smartphone app "Little Bank" by Daishi Bank (November 2020)



### Diversity

**Declaration 4** Promote diversity and workstyle reform



- Improvement of the ratio of women in management/supervisory positions
  - Mar. 2019 22.8% → Sep. 2020 24.6% (+1.8 pts)
- Establishment of "Health Management Promotion Office" (June 2019)
- Double-acquisition of "Platinum Kurumin" and "Eruboshi Accreditation III" also by Hokuetsu Bank (June 2019) \*Daishi Bank already acquired them 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)



### Environment protection

**Declaration 5** Contribute to sustainable environment protection



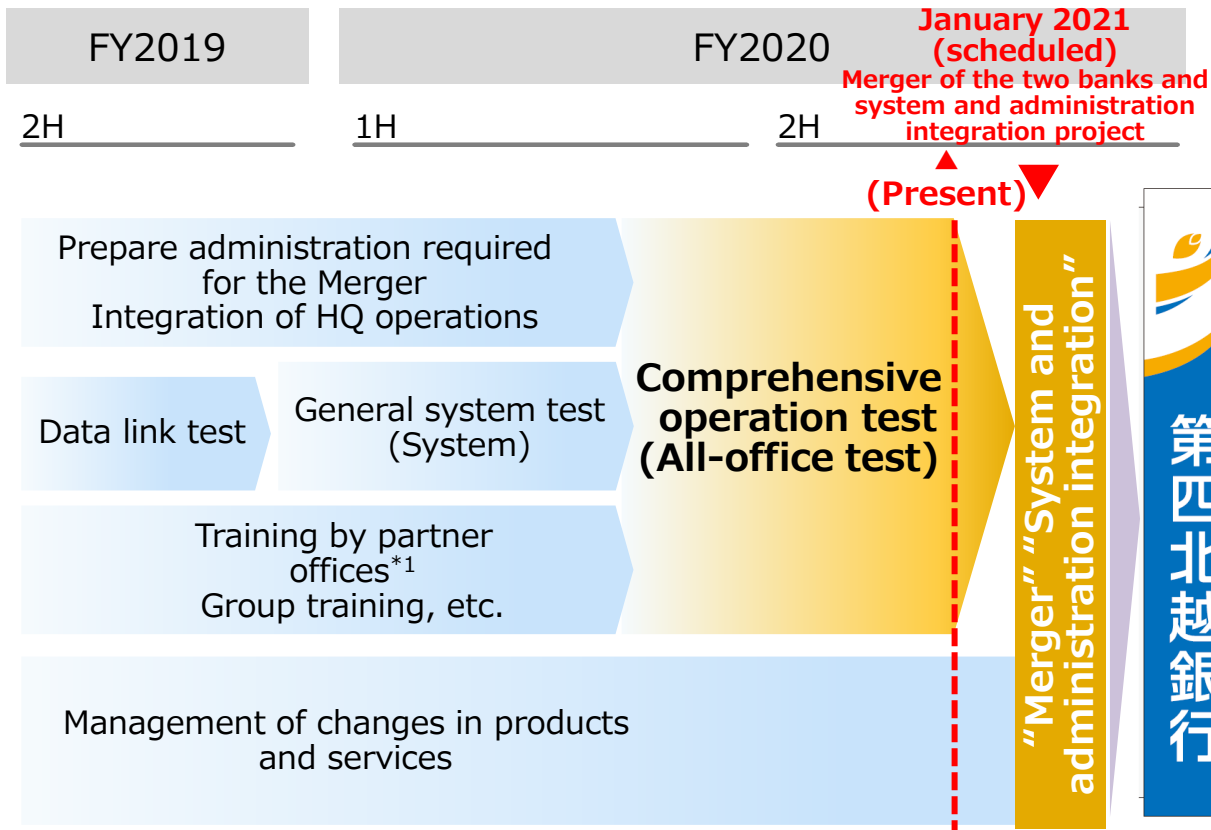
- "Daishi Hokuetsu no Mori" activities (from 2009)
  - Cumulative total of 1,890 executives and employees participated
- Establishment of "Green ATM" (from August 2014)
  - Carbon offset result: cumulative total of 319 tons
- "Niigata Swan Energy," a regional electric power company, was established jointly with Niigata City and the JFE Group (July 2019).
- Support for "Plastic Smart" at the TSUBASA Alliance and production of original reusable shopping bags (June 2020)

# System and Administration Integration Project Aimed at Merger

- Preparatory work for the merger of the two banks and system and administration integration is progressing as planned
- Daishi Hokuetsu Bank will be established in January 2021

## System and administration integration project

## Creation of the new bank



## <Overview of Daishi Hokuetsu Bank>

Chairman	Katsuya Sato
President	Fujio Namiki
Location of head office	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata
Total assets* <sup>2</sup>	9,372.4 billion yen
Share capital	32.7 billion yen
Number of employees* <sup>2</sup>	3,570 (including employees on loan)
Number of offices* <sup>2</sup>	206 offices and 1 representative office (Shanghai) 192 offices in Niigata Prefecture (including 5 satellite offices and 3 virtual offices) 14 offices outside Niigata Prefecture

\*1 Neighboring branches of the two banks have become partners to promote merger and transfer skills, such as administrative procedures, from Daishi to Hokuetsu

\*2 Total assets, the number of employees, and the number of offices are the combined total of both banks at the end of September 2020

# Capital Policy

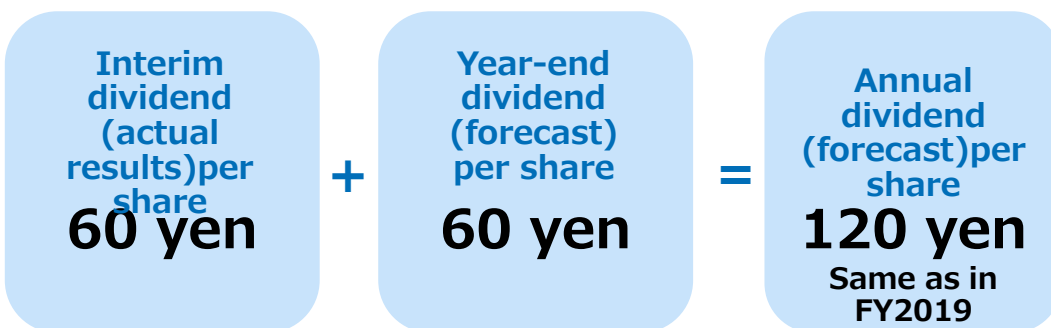


## Shareholder Return Policy

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 our base. Our aim is to continue meeting the expectations of shareholders in the future.

- We aim to return 40% in total as dividends and treasury shares to shareholders.
- Focusing on boosting net profits, our basic policy is to improve ROE as we aim to achieve at least 5% over the medium to long term.

## Dividends for the year ended March 2021 (forecast)



## Past results of shareholder return

FG	Hokuetsu Bank 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 the consolidated net profits of two banks as a denominator.  
Completed acquiring treasury shares between February and March 2019 (acquisition cost: 1 billion yen)





**Contact for inquiries**

**Daishi Hokuetsu Financial Group**

**Corporate Planning Dept.**

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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.