

In order to prevent the spread of COVID-19, the “Briefing on Financial Results for the Fiscal Year Ended March 2021” for institutional investors will be video streamed. We would appreciate your understanding.

# Financial Results for the Fiscal Year Ended March 2021 Presentation Material

June 7, 2021



DAISHI HOKUETSU  
Financial Group

第四北越フィナンシャルグループ

\* Daishi Hokuetsu Financial Group is referred to as “Daishi Hokuetsu FG” or “FG”

## Response to COVID-19

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### [Method of calculating figures]

As of January 1, 2021, our wholly owned subsidiaries, Daishi Bank and Hokuetsu Bank, merged, with Daishi Bank as the surviving company and Hokuetsu Bank as the dissolving company, and the trade name was changed to Daishi Hokuetsu Bank. The figures for Daishi Hokuetsu Bank in this document are calculated in accordance with the following rules from the perspective of making appropriate period-to-period comparisons for each item.

- Figures for the Fiscal Year Ended March 2021 (FY2020)  
The figures for Daishi Bank and Hokuetsu Bank for the period from April to December 2020 and the figures for Daishi Hokuetsu Bank from January 2021 onwards are simply combined
- Figures as of March 31, 2021  
Figures for Daishi Hokuetsu Bank
- Figures for the Fiscal Year Ended March 2020 (FY2019) and up to March 31, 2020 (excluding capital adequacy ratio)  
Figures for Daishi Bank and Hokuetsu Bank are simply combined
- Figures for each fiscal year-end (Capital Adequacy Ratio)  
Figures for Daishi Bank and Hokuetsu Bank, respectively

- 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, as well as to provide multifaceted support to customers and local communities
- We will put the health and safety of all our stakeholders first and continue to enhance our organizational infection-prevention system

## Key support to customers and local communities

- Establishment of **"COVID-19 Consultation Desk"** (all sales offices)
- **Stand by customers to proactively provide cash management and other services**
  - ✓ Niigata Prefecture COVID-19 Fund (3-year, virtually interest-free loan)
  - ✓ Charitable private placement bond "Private Securities Supporting Culture and Sports in Niigata" (from May to December 2020)
  - ✓ Participation in the "Niigata *Musubu* Project," which provides crowd-funding support to restaurants, Japanese-style inns, etc.
  - ✓ "Life Support Plan" with various personal loan products
- **Extension of the fee exemption period for change of loan terms** (October 2020 to October 2021)
- **Multifaceted support for business and productivity improvement**
  - ✓ "Subsidies for Employment Adjustment' Individual Consultation Meetings"
  - ✓ Various Web seminars to expand sales channels, develop personnel, utilize subsidies, etc.
  - ✓ Establishment of "New Normal Consultation Desk" to support the resolution of business issues amid the COVID-19 crisis
  - ✓ "Niigata Power Up Salon" (free management consultation meeting) held by our seven Group companies
  - ✓ Launch 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
- **Launch of "Food Relationship in Niigata Project"** to support households with children through the provision of food
  - ✓ Charitable private placement bond "Private Securities Supporting 'Food Relationship' in Niigata" (November 2020 to June 2021)
  - ✓ Food donation in cooperation with food companies in Niigata Prefecture, Niigata Prefecture government, and the Niigata Food Bank Liaison Council, etc.



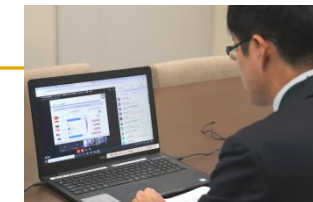
"Private Securities Supporting Culture and Sports in Niigata"



COVID-19 consultation desk



Letter of appreciation from Niigata Prefecture regarding the donation



Web seminar



Announcement of "Private Securities Supporting 'Food Relationship' in Niigata"

☞ [Status of COVID-19-related loans](#)

[Details on page 8](#)

☞ [Credit cost position](#)

[Details on page 11](#)



## Business Performance for the Fiscal Year Ended March 2021

- Despite economic stagnation and restrictions on sales activities due to the impact of COVID-19, successfully completed the Bank Merger and System and Administration Integration Project, and secured FG consolidated profit exceeding the business forecast announced in May 2020



## Results of First Medium-term Management Plan

- Strengthened the management base to demonstrate synergies in the Second Medium-term Management Plan by “realizing Bank Merger,” “strengthening organizational capabilities,” and “strengthening TSUBASA Alliance”
- Raised the proportion of interest on loans and discounts and non-interest income in core gross business profits, and achieved steady progress with “Transformation of Portfolios” to build a robust profit structure
- Steady growth in the business results of “regional trading company” and “staffing agency,” which were established as priority measures for Regional Revitalization



## Aim for consolidated profit of 20 billion yen in the Second Medium-term Management Plan

- Demonstrating the three synergies, “Merger Synergy,” “Group Synergy,” and “TSUBASA Partnership Synergy,” we will aim to achieve consolidated profit of 20 billion yen in the final year of the plan (FY2023)
- Positioning the first four months of the plan as “Dash!! 120,” the most important period for accelerating efforts to realize the plan, various measures such as “reallocation of management resources” will be implemented promptly and intensively

The background features a light blue gradient with a stylized, abstract graphic of a leaf or petal in the upper right quadrant. The graphic is composed of several overlapping, curved shapes in varying shades of blue, creating a sense of movement and depth.

# **Business Performance for the Fiscal Year Ended March 2021**

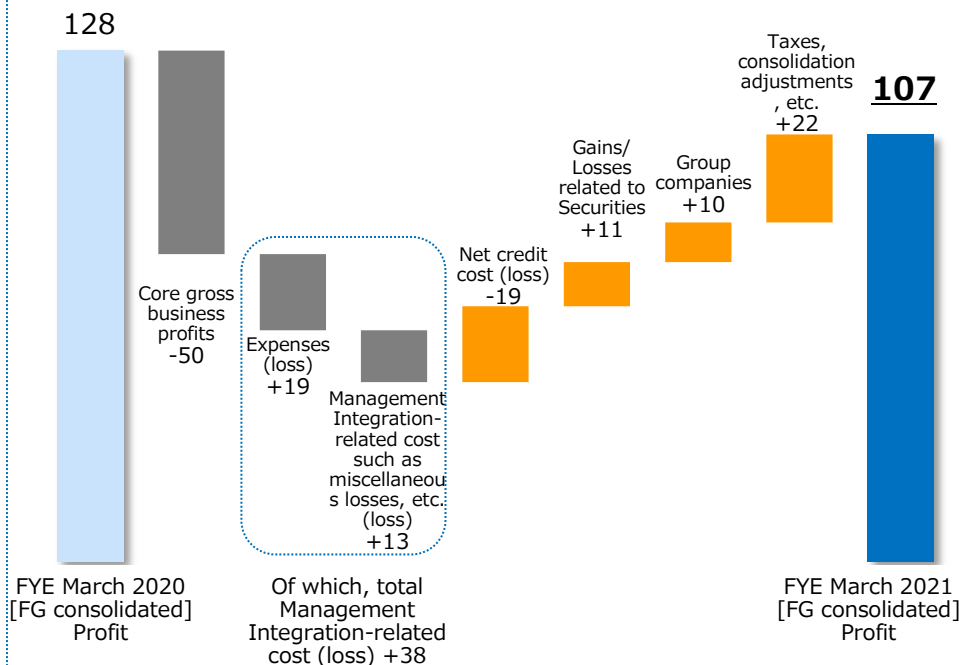
# Financial Summary for the Fiscal Year Ended March 2021 (Profit/Loss)

- Both FG consolidated ordinary profit and profit exceeded the business forecast announced in May 2020

FG Consolidated (JPY 100 MM)	Business Performance for the Fiscal Year Ended March 2021		Business forecast (announced in May 2020)	
		YoY		Vs. Business forecast
1 Ordinary profit	175	-19	148	27
2 Net profit* <sup>1</sup>	107	-20	105	2

\*1 Profit attributable to owners of parent

## <FG consolidated> Change Factor (JPY 100 MM)



Bank non-consolidated (JPY 100 MM)	Business Performance for the Fiscal Year Ended March 2021		FYE March 2020 financial results
		YoY	
3 Gross business profits	764	-57	822
4 (Core gross business profits)	812	-50	863
5 Net interest income	623	-35	658
6 (Of which, interest on loans and discounts)	458	-11	469
7 (Of which, interest and dividends on securities)	189	-52	241
8 (Of which, financing expenses)	30	-28	58
9 Net fees and commissions income	145	5	139
10 Other operating profits	-3	-27	23
11 (Excluding gains/losses related to debentures (government bonds, etc.))	44	-21	65
12 (Of which, gains/losses related to debentures (government bonds, etc.))	-47	-6	-41
13 Expenses	659	19	640
14 Real net business income	105	-76	181
15 Core net business income	152	-70	222
16 (Excluding gains/losses on cancellation of investment trusts)	152	-70	222
17 Net business income	93	-82	176
18 Nonrecurring gains/losses	54	22	32
19 Ordinary profit	147	-60	208
20 Extraordinary income/loss	2	3	-0
21 Net profit	101	-52	153
22 <Net credit cost>	38	-19	57
23 <Gains/losses related to securities>	61	11	49
24 <Management Integration-related cost (total)> * <sup>2</sup>	67	38	29

\*2 Total of Management Integration-related cost recorded in "Expenses" and "Nonrecurring gains/losses"



# Financial Summary for the Fiscal Year Ended March 2021 (Profit/Loss)

<Reference> YoY change factor on bank non-consolidated



## Core gross business profits [YoY -5.0 billion yen]

- Net interest income: -3.5 billion yen
  - Interest on loans and discounts: -1.1 billion yen  
(Balance factor: -500 million yen, Yield factor: -600 million yen)
  - Interest and dividends on securities: -5.2 billion yen
  - Financing expenses (interest on deposits, foreign currency funding costs, etc.): -2.8 billion yen
- Net fees and commissions income: -500 million yen (1)
- Other operating profits (excluding gains/losses related to debentures (Government bonds, etc.)) +2.1 billion yen (2)
  - Non-interest income total ((1) + (2)): -1.5 billion yen
    - Income from asset management advice: +600 million yen
    - Income from financial solutions: -700 million yen
    - Gain on sales of loans and discounts: -1.6 billion yen

## Expenses [YoY +1.9 billion yen]

- Personnel expenses: +0 billion yen
- Non-personnel expenses: +1.3 billion yen
- Taxes: +400 million yen

## Net credit cost [YoY -1.9 billion yen]

- General provision of allowance for loan losses (loss): +600 million yen
- Non-performing loan processed (loss): -2.0 billion yen
- Recoveries of written off claims: +500 million yen

## Gains/losses related to securities [YoY +1.1 billion yen]

- Gains/losses related to debentures (government bonds, etc.): -600 million yen
- Gains/losses on stocks, etc.: +1.8 billion yen

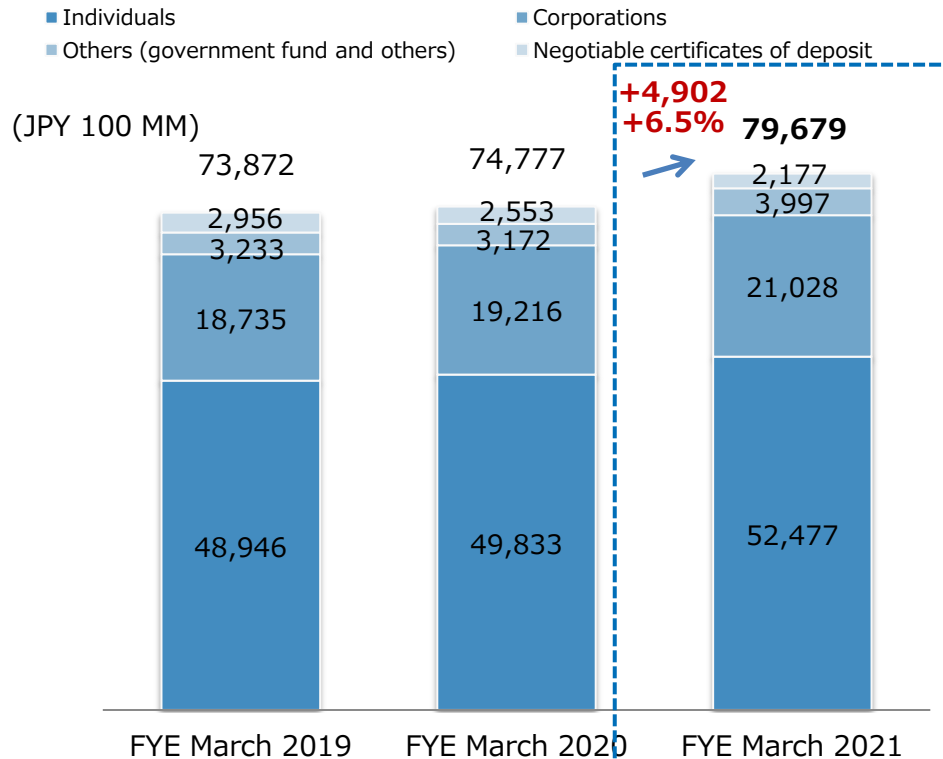
## Management Integration-related cost (total) [YoY +3.8 billion yen]

- Non-personnel expenses for system and administration integration, etc., and taxes: +2.5 billion yen
- Miscellaneous losses, etc. (payment to system vendors, etc.): +1.3 billion yen

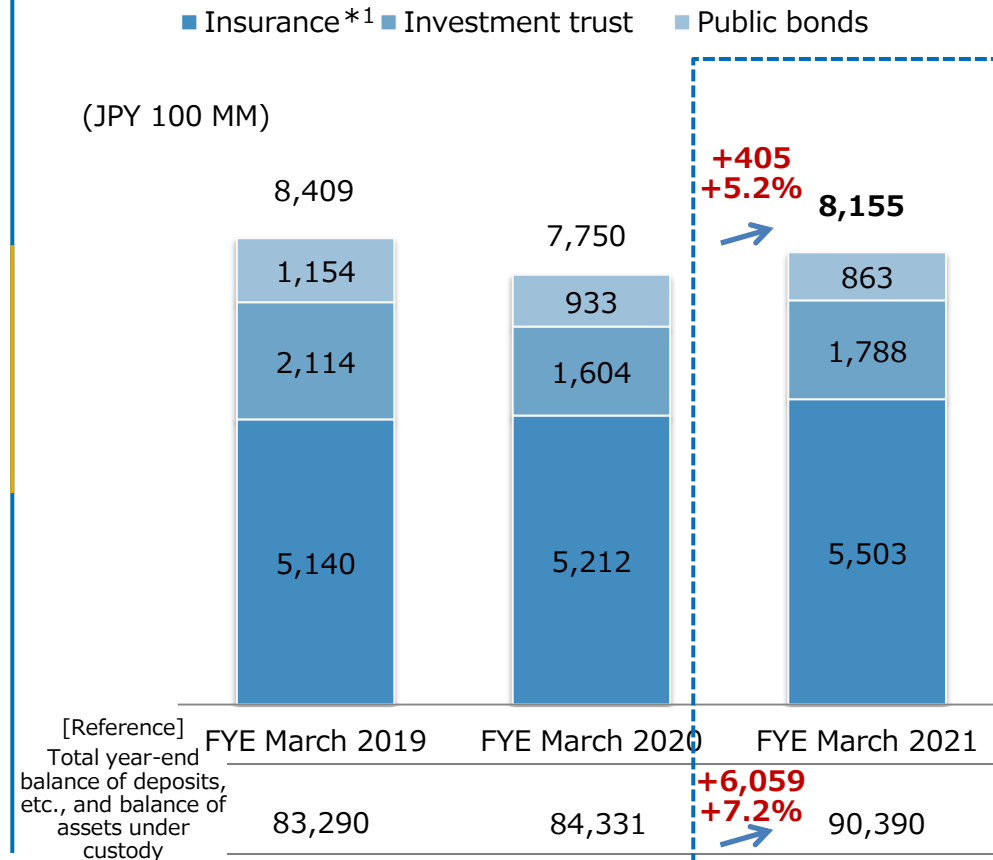
# Balance of Deposits, Etc., and Assets under Custody

- Balance of deposits, etc. (average balance) increased 490.2 billion yen YoY, mainly due to securing and increasing liquidity on hand by customers affected by the spread of COVID-19
- Assets under custody (year-end balance) increased 40.5 billion yen from the end of the previous fiscal year as a result of steady growth in investment trusts and insurance
- The total balance of deposits, etc. and assets under custody (year-end balance) increased 605.9 billion yen from the end of the previous fiscal year

## Average balance of deposits, etc. (including negotiable certificates of deposit)



## Year-end balance of assets under custody



\*1: As for the insurance balance, the calculation method has been unified due to the merger of subsidiary banks, and therefore, from the viewpoint of comparison with previous fiscal years, the comparison with retrospectively changed figures is provided.



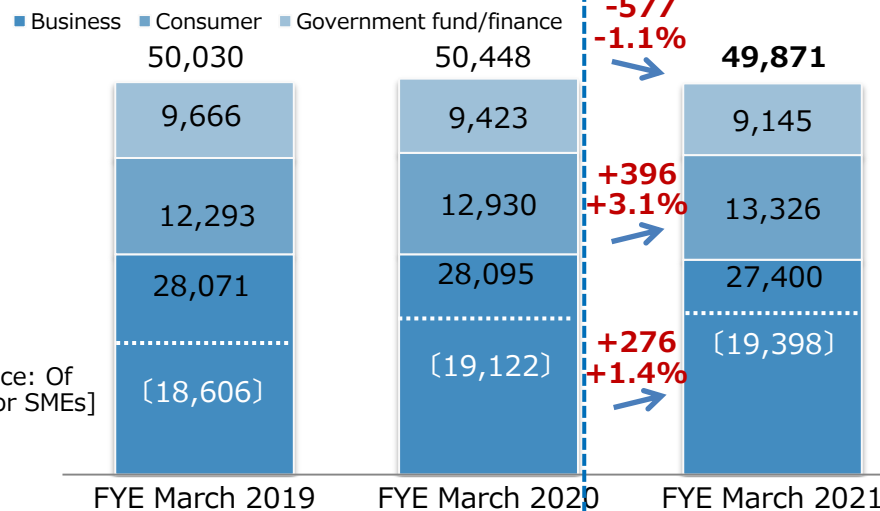
# Balance of Loans and Bills Discounted, and Yield, Etc.

- Responding to the spread of COVID-19, in accordance with our Management Philosophy, we have placed the highest priority on supporting the economy of Niigata Prefecture, preventing financial stagnation of the local economy, and providing multifaceted support by actively utilizing the functions of our Group companies
- Overall, loans and bills discounted decreased 57.7 billion yen YoY, mainly due to a decrease in loans to large and medium-sized companies and government funds outside of the prefecture as a result of the "Transformation of Portfolios" initiative, while SME loans (+27.6 billion yen YoY) and consumer credit (+39.6 billion yen YoY), which were our focus, both increased steadily.
- Loans in Niigata Prefecture also increased steadily, rising 49.0 billion yen YoY (including 47.4 billion yen in SME loans)

## Average Balance of total loans and bills discounted

\* Before partial direct write-off

(JPY 100 MM)



[Reference: Of which, for SMEs]

	FYE March 2019	FYE March 2020	FYE March 2021	Change (YoY)	% Change
<b>Loans within Niigata Prefecture</b>	<b>36,936</b>	<b>37,755</b>	<b>38,245</b>	<b>+490</b>	<b>+1.3%</b>
(Of which, for SMEs)	14,575	14,575	15,048	+474	+3.2%
(Of which, for consumers)	12,129	12,129	12,516	+387	+3.2%
<b>SME loan ratio</b>	<b>37.2%</b>	<b>37.9%</b>	<b>38.9%</b>	<b>+1.0pt</b>	
<b>Consumer loan ratio</b>	<b>24.6%</b>	<b>25.6%</b>	<b>26.7%</b>	<b>+1.1pt</b>	
<b>Unsecured loan ratio</b>	<b>8.0%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>+0.1pt</b>	

## Response to COVID-19

(Cumulative total up to March 2021)

### [Business loans]

COVID-19-related loans and response to change of loan terms (executed)

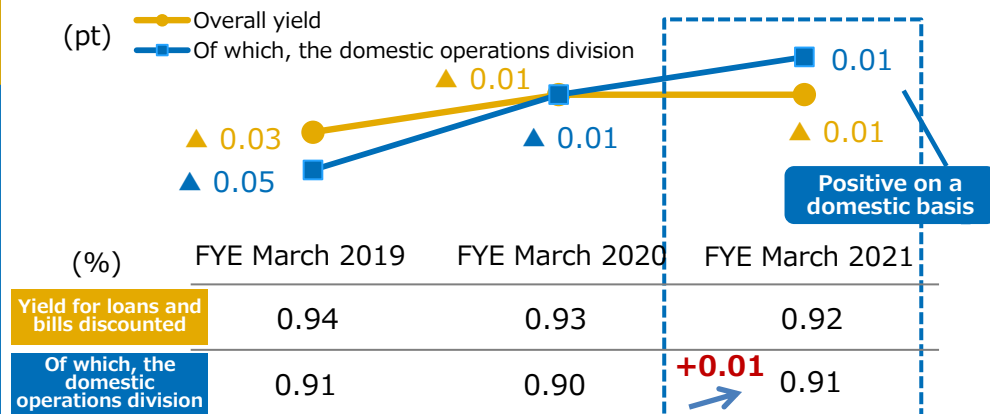
Cases, JPY 100 MM	Number of cases	Amount
<b>New loan</b>	<b>9,587</b>	<b>2,541</b>
Of which, guaranteed by guarantee corporations	8,965	1,632
<b>Change of terms</b>	<b>1,109</b>	<b>733</b>

### [Consumer loans]

Response to change of mortgage loan terms due to COVID-19 (executed)

Cases, JPY 100 MM	Number of cases	Amount
<b>Change of terms</b>	<b>184</b>	<b>37</b>

## Changes in yield for total loans and bills discounted

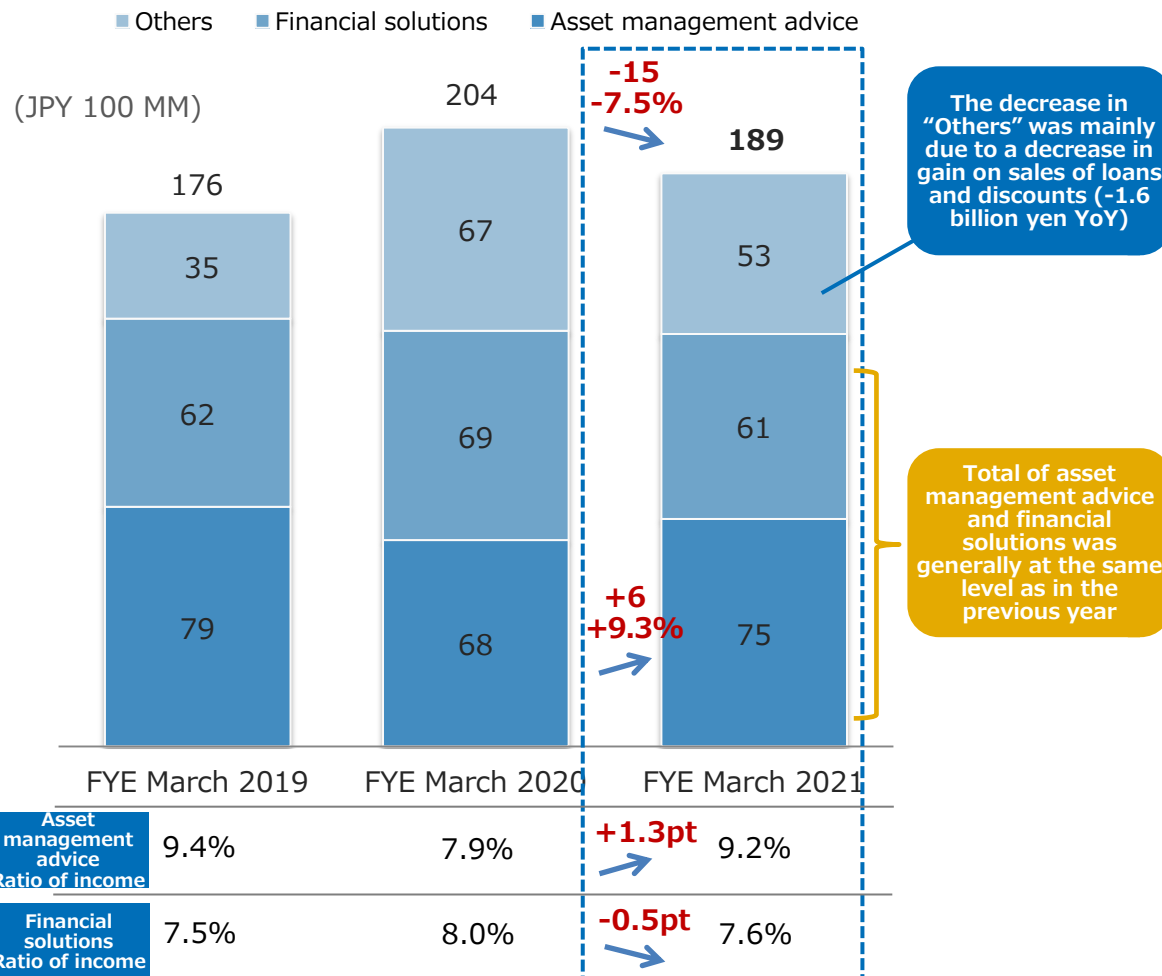


(%)	FYE March 2019	FYE March 2020	FYE March 2021
<b>Yield for loans and bills discounted</b>	<b>0.94</b>	<b>0.93</b>	<b>0.92</b>
<b>Of which, the domestic operations division</b>	<b>0.91</b>	<b>0.90</b>	<b>0.91</b>

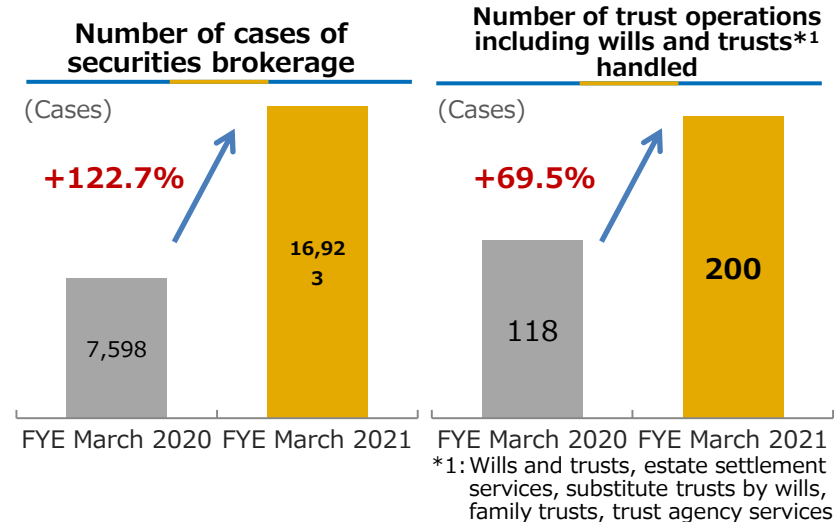
# Non-interest Income Area (total of net fees and commissions income + other operating profits, excluding gains/losses related to debentures (government bonds, etc.))

- Demonstrated high value-added financing and information intermediation functions, including a 122% YoY increase in the number of cases of securities brokerage with Daishi Hokuetsu Securities, by maximizing the use of the Group companies' know-how and networks and the sale and customer base expanded by Management Integration
- Even amid the COVID-19 crisis, overall non-interest income, excluding one-time factor (gain on sales of loans and discounts) in the previous year, generally maintained the level of the previous year

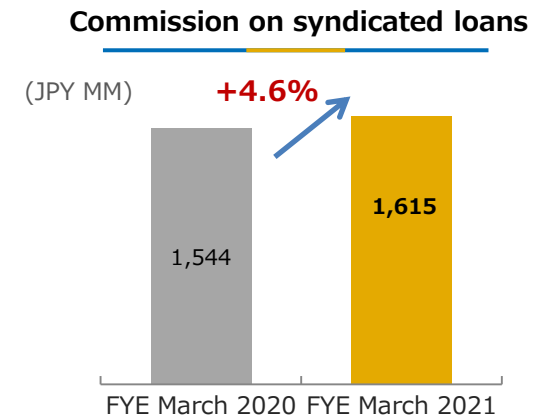
## Non-interest income



## Asset management advice

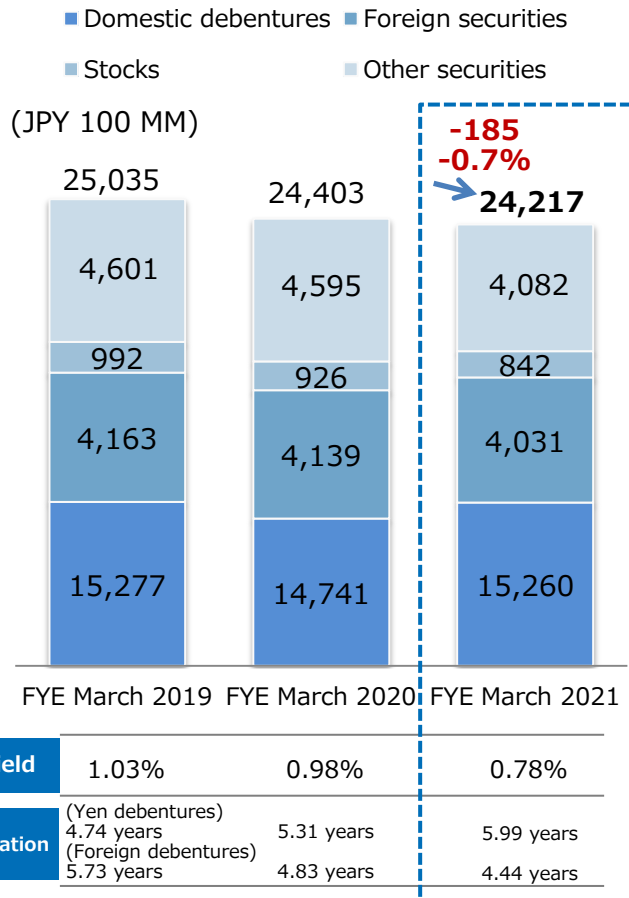


## Income from financial solutions

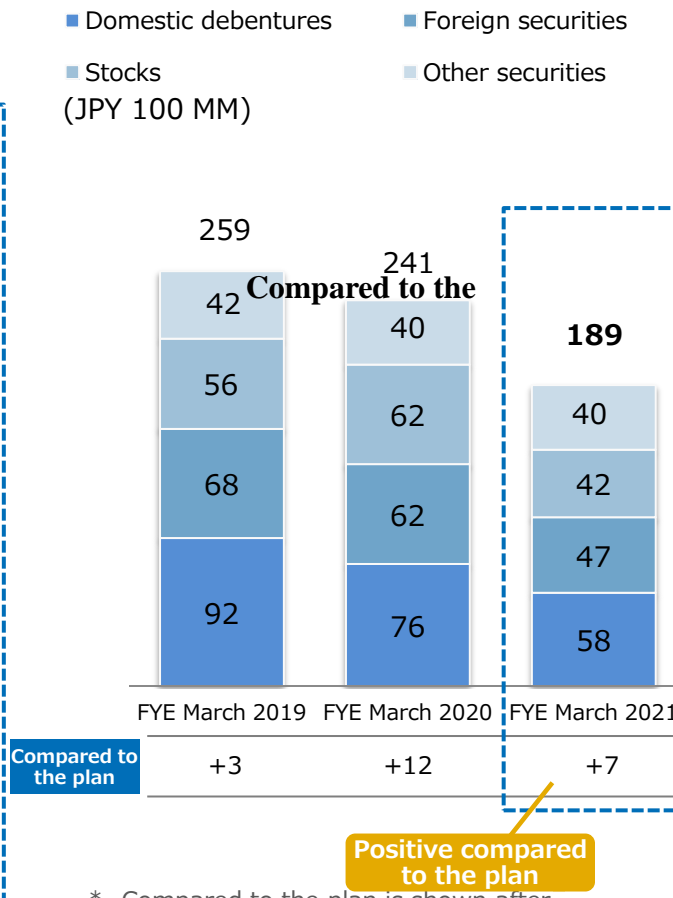


- Continued to make diversified investments in domestic and overseas stocks and bonds in securities. The balance decreased 18.5 billion yen YoY to 2,421.7 billion yen, mainly due to a decline in other securities (investment trusts, etc.)
- Interest and dividends on securities decreased 5.2 billion yen YoY to 18.9 billion yen due to a decline in interest income from domestic debentures and dividends income from stocks

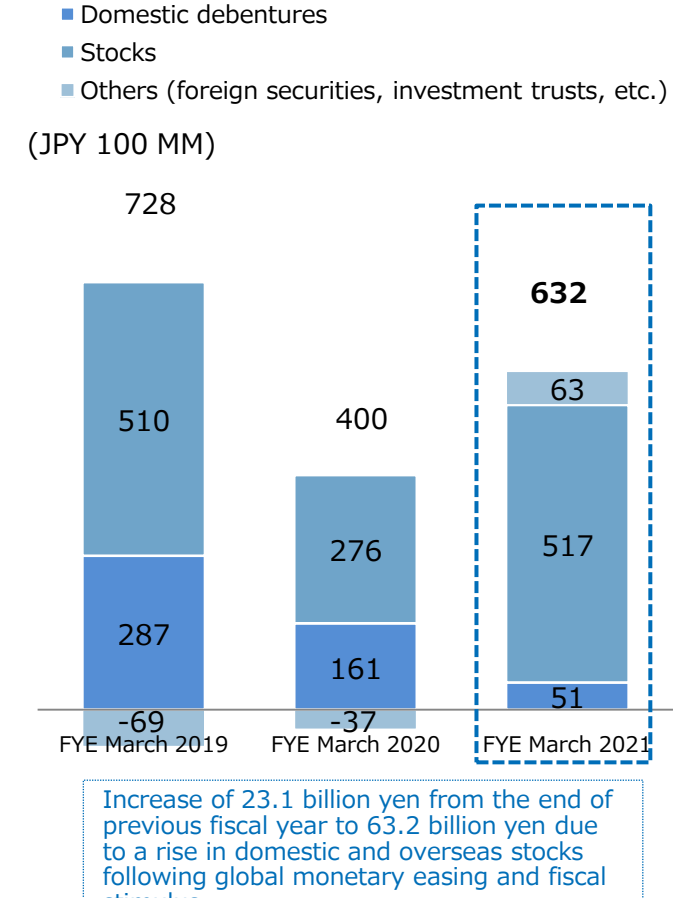
## Average balance of securities



## Interest and dividends on securities



## Gains/losses on valuation



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

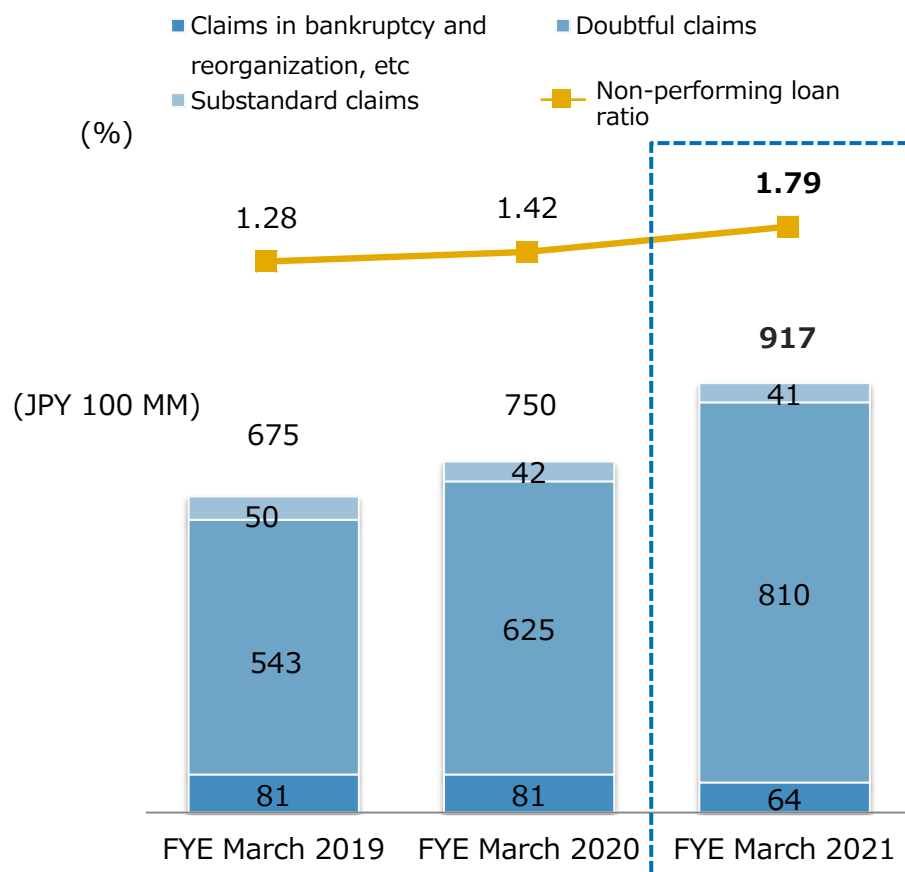
\* Compared to the plan is shown after considering foreign currency procurement and other costs  
\* Excluding trading securities

\* Excluding trading securities

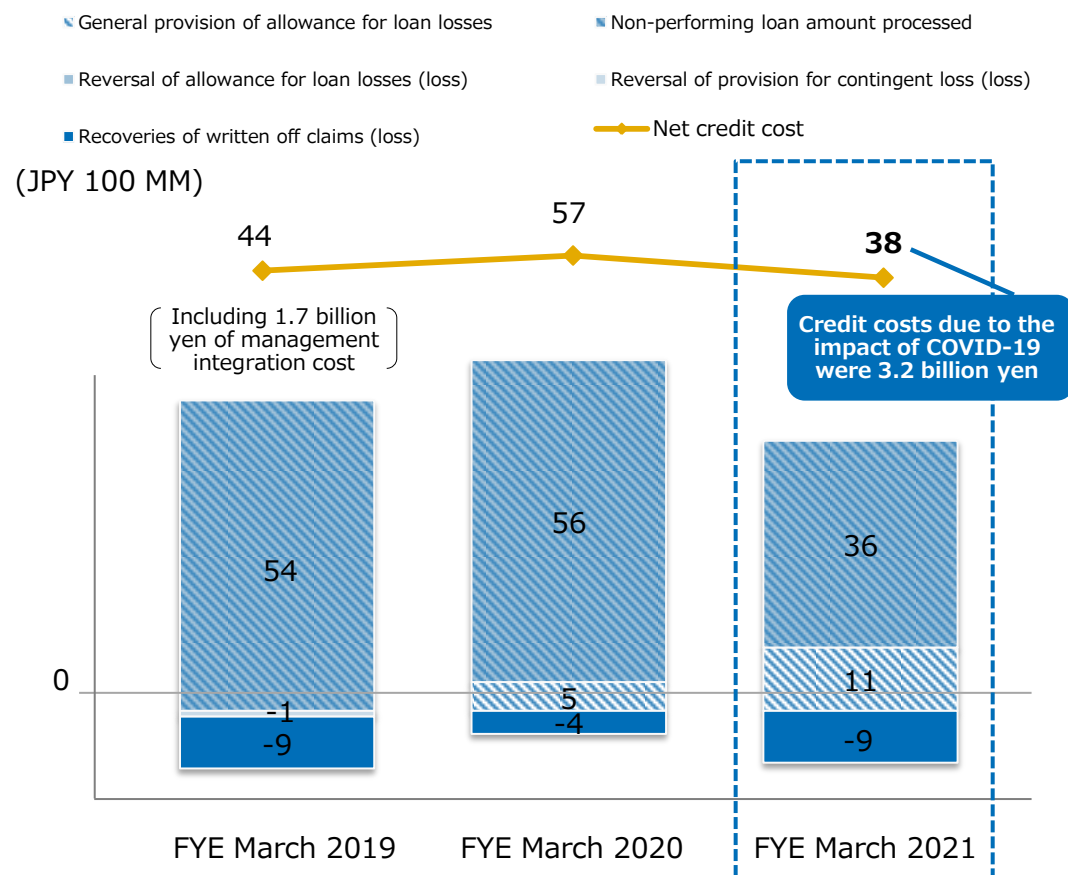
# Non-performing Loan/Credit Cost

- The amount of non-performing loans increased 16.7 billion yen YoY to 91.7 billion yen, and the non-performing loan ratio increased 0.37 pts to 1.79%
- Net credit cost decreased 1.9 billion yen YoY to 3.8 billion yen due to a decrease in non-performing loan amount processed and an increase in recoveries of written off claims
- Due to the prolonged impact of COVID-19, we prevented business partners from being downgraded by providing multifaceted support based on an adequate understanding of the actual situation in cooperation with sales offices and HQ

## Non-performing loan amount and ratio



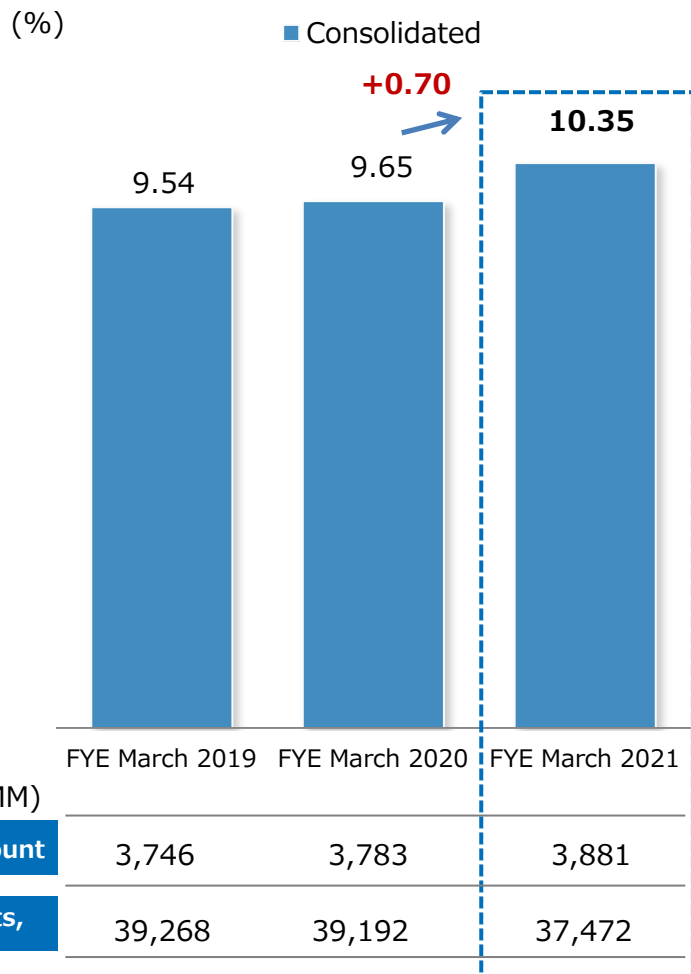
## Net credit cost



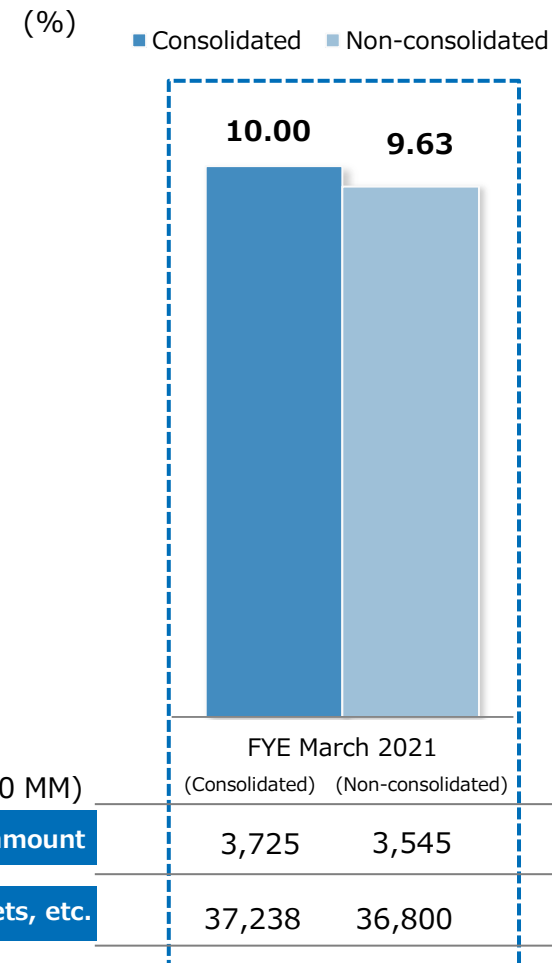
# Capital Adequacy Ratio

- FG consolidated capital adequacy ratio was maintained at a sufficient level of 10.35% (+0.70 pts compared with the end of the previous fiscal year)

## FG Consolidated



## Daishi Hokuetsu Bank



# Indicators for Contribution to Communities

- With concerted efforts of the FG group, the results for all indicators exceeded the targets

Indicators for Contribution to Communities		FYE March 2021 Result	Vs. Target
<b>Top-priority target to measure contributions to the local communities</b>	Number of companies for which Daishi Hokuetsu Bank is a main bank	<b>15,088 partners</b>	+118 partners
<b>Maintain and increase regional economic drivers</b>	Number of cases involved in first and second start of business	<b>2,350 cases</b>	+1,050 cases
	Number of business partners whose business succession was supported	<b>1,544 partners</b>	+4 partners
<b>Support companies to enhance their added value</b>	Number of borrowers based on business evaluation	<b>4,878 partners</b>	+378 partners
	Balance of loans based on business evaluation	<b>1,050.3 billion yen</b>	+0.3 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	<b>7,023 partners</b>	+1,663 partners
	Number of business partners with improved key performance indicators, etc.	<b>9,953 partners</b>	+631 partners
	Number of cases of core business support	<b>5,460 cases</b>	+1,760 cases
	Number of support cases for formulating a business improvement plan	<b>668 cases</b>	+48 cases



# Synergies from Management Integration

- Total synergies for a single fiscal year ended March 2021 were -2.2 billion yen due to cost of the Bank Merger and System and Administration Integration
- It is expected that negative synergies will decline significantly after the Bank Merger in FY2021 and total synergy effects will become positive in a single fiscal year

Synergy effects are compared with FY2017 before the integration

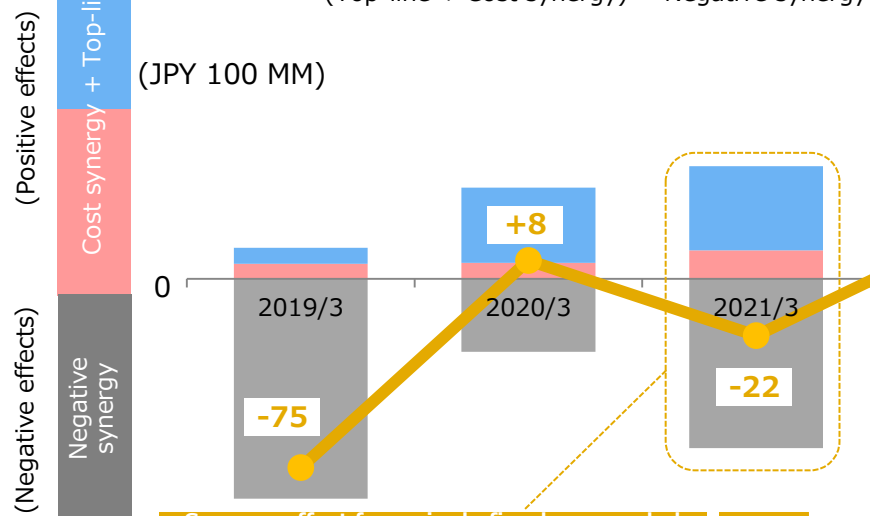
3 years after the establishment of FG

## First Medium-term Management Plan

October 2018 – March 2021

Negative synergies prevailed until the Bank Merger

Total synergy effects in a single fiscal year = (Top-line + Cost synergy) – Negative synergy



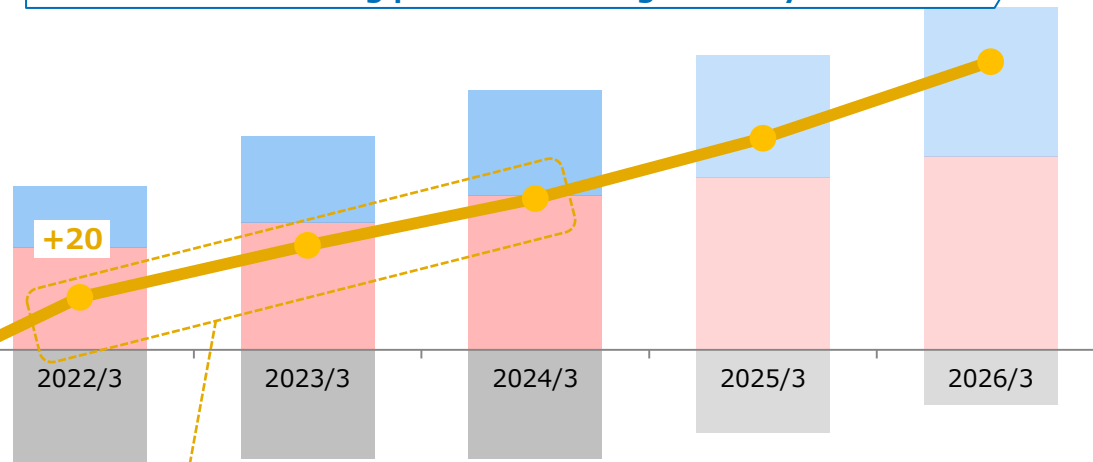
5 years after the Bank Merger

## Second Medium-term Management Plan

April 2021 – March 2024

April 2024 – March 2026

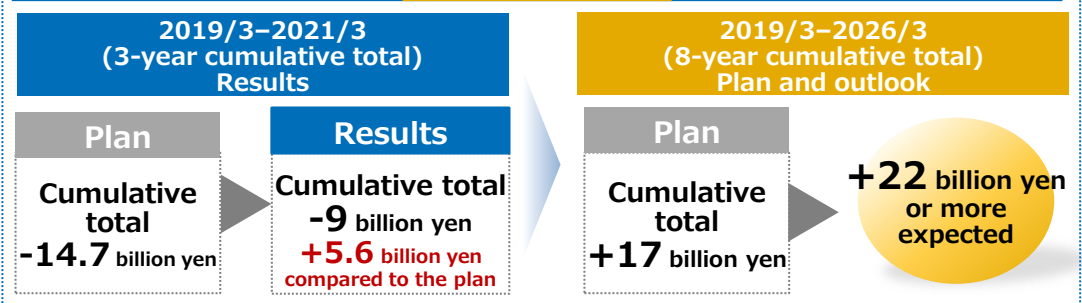
Becoming positive in a single fiscal year



The Second Medium-term Management Plan is the stage for full-scale demonstration of synergies

Synergy effect for a single fiscal year ended March 2021		-22
<b>Top-line synergy</b>		<b>+33</b>
Loans and bills discounted and financial solutions area	+7	
Asset management advice area	+13	
Charge area	+12	
<b>Cost synergy</b>		<b>+11</b>
Decrease in personnel expenses, etc.	+7	
Decrease in outsourcing expenses, etc.	+4	
<b>Negative synergy</b>		<b>-67</b>
Management Integration-related cost	-67	

### Results and outlook on synergy effects (cumulative total)



# Business Forecast for the Fiscal Year Ending March 2022

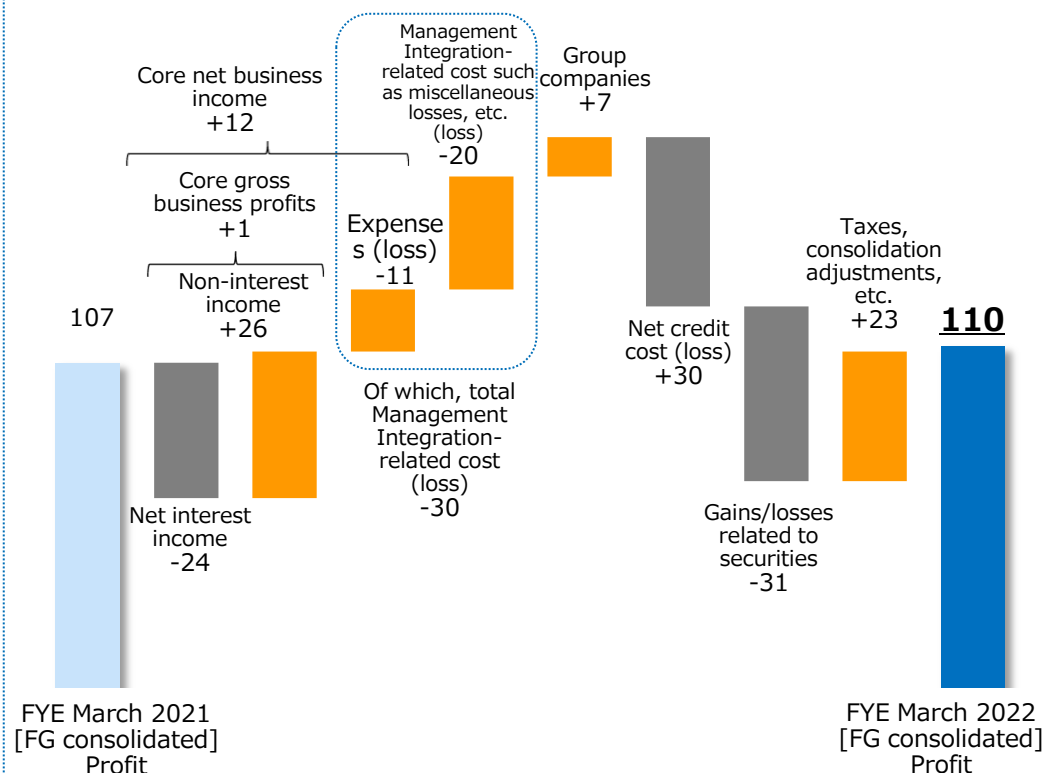
- FG consolidated profit is expected to increase to 11 billion yen, up 200 million yen YoY
- In addition to conservatively factoring in net credit costs considering the impact of COVID-19, a decline in gains/losses related to securities is expected. On the other hand, we expect to increase profit by reducing costs due to a decline in Management Integration-related cost, shifting personnel from the Bank Merger and System and Administration Integration to sales activities to increase activity volume, and boosting the top line through Group-wide efforts.

FG Consolidated (JPY 100 MM)	Business forecast for FYE March 2022	YoY
1 Ordinary profit	171	-4
2 Net profit* <sup>1</sup>	110	2

\*1 Profit attributable to owners of parent

Bank non-consolidated (JPY 100 MM)	Business forecast for FYE March 2022	YoY
3 Core gross business profits	813	1
4 Net interest income	598	-24
5 Net fees and commissions income and other operating profits, excluding gains/losses related to debentures (government bonds, etc.)	215	26
6 Expenses	648	-11
7 Core net business income	165	12
8 Ordinary profit	125	-22
9 Net profit	87	-14
10 <Net credit cost>	68	30
11 <Gains/losses related to securities>	30	-31

## <FG consolidated> Change Factor (JPY 100 MM)

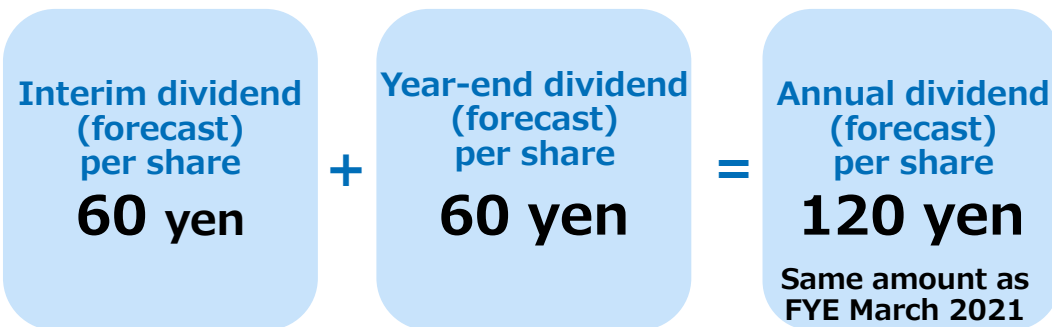


## Shareholder Return Policy

Considering the public nature of the financial group, 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 profits, our basic policy is to improve ROE as we aim to achieve at least 5% over the medium to long term.

### Dividend forecast for the fiscal year ending March 2022



### Past results of shareholder return

	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
FYE 3/2019	Year-end 60 yen Interim for Daishi Bank 45 yen Hokuetsu Bank 30 yen	35.0%	*1 42.0%
FYE 3/2020	120 yen	42.5%	42.5%
FYE 3/2021	120 yen	50.7%	50.7%

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

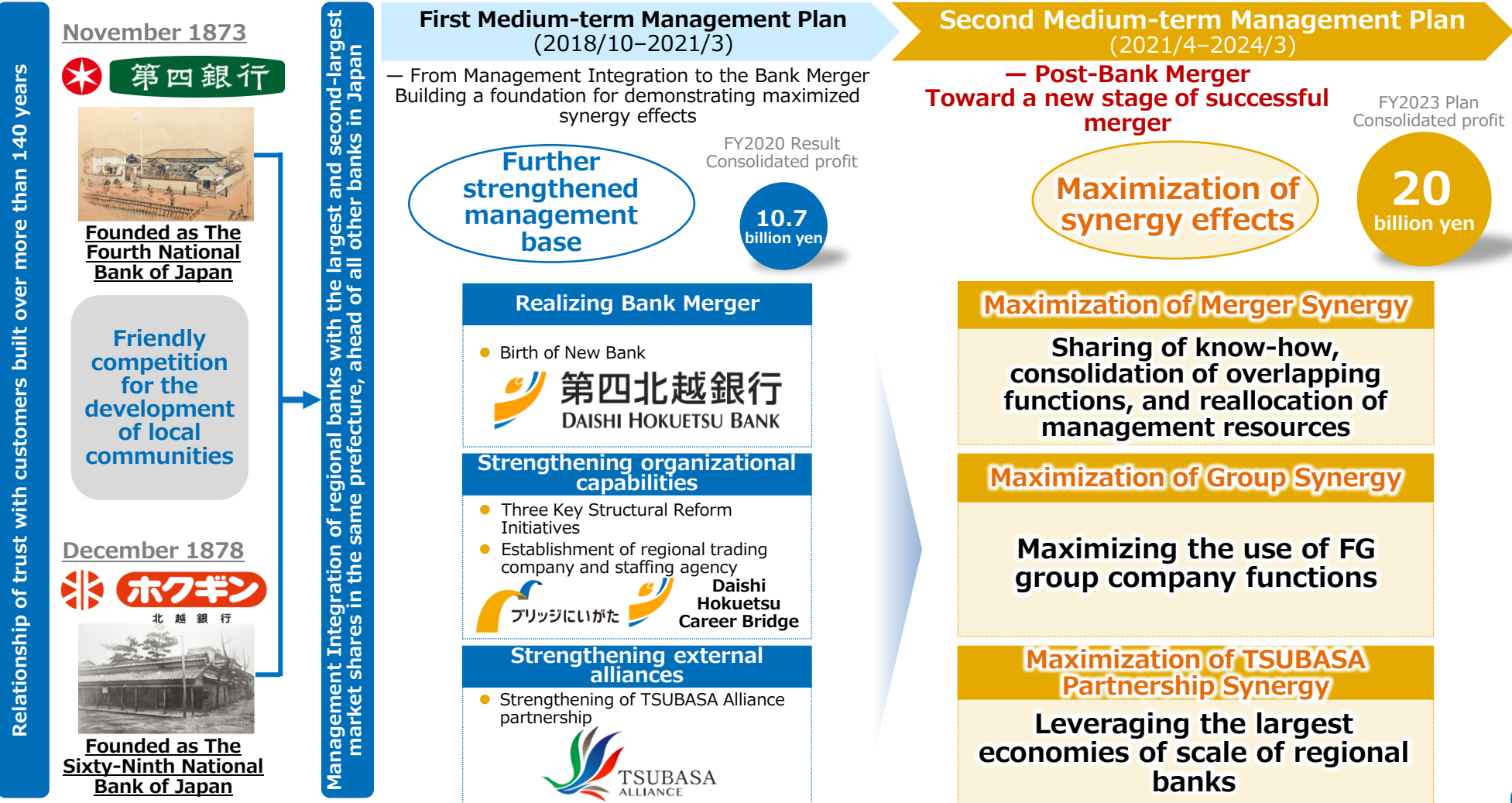
**New Medium-term Management Plan  
(2021/4–2024/3)**

# **Second Medium-term Management Plan**

\* The Medium-term Management Plan is explained in terms of fiscal year (FY).

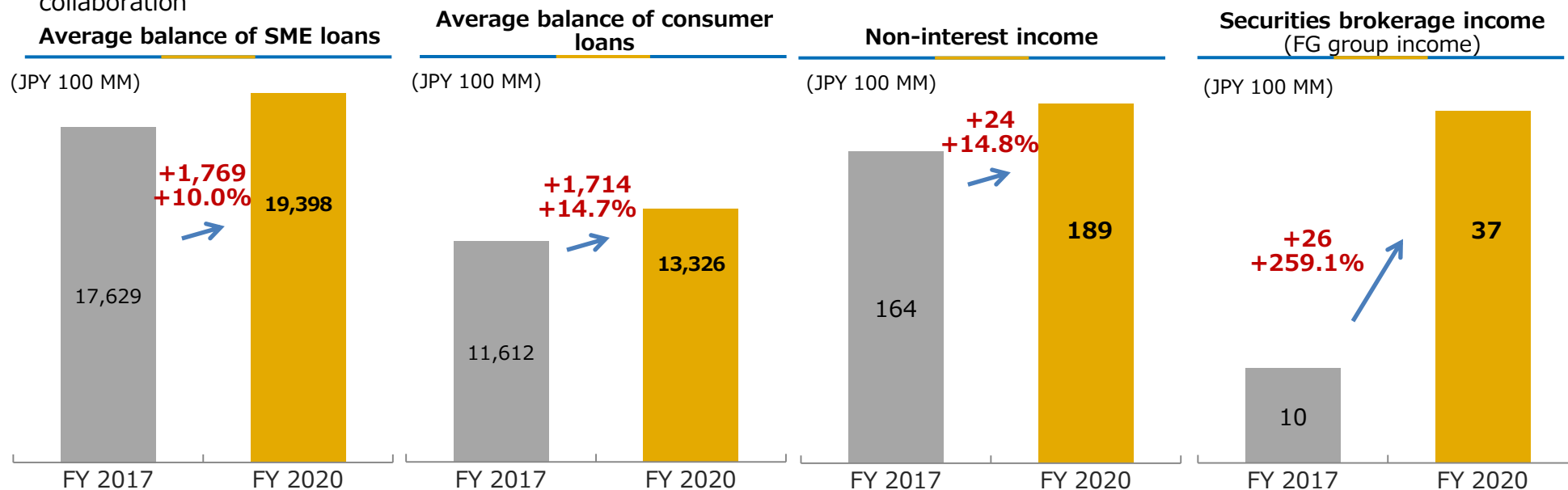
# April 2021: Launch of the FG Second Medium-term Management Plan

- The First Medium-term Management Plan strengthened the management base through three points: realizing Bank Merger, strengthening organizational capabilities, and strengthening external alliances, in order to realize “Maximization of Synergy Effects”
- The Second Medium-term Management Plan will work on the “Maximization of Synergy Effects,” demonstrating the three synergies of Merger Synergy, Group Synergy, and TSUBASA Partnership Synergy. The aim is to achieve consolidated profit of 20 billion yen in the final year of the plan (FY2023)



# Results of the Previous Medium-term Management Plan (First Medium-term Management Plan)

- Despite special factors such as the impact of the spread of COVID-19 and the response to the Bank Merger and System and Administration Integration, the average balances of SME and consumer loans both increased more than 170 billion yen, non-interest income increased 2.4 billion yen, and all “5 indicators for Transformation of Portfolios” improved
- In addition, securities brokerage income increased significantly by 2.6 billion yen, or +259.1%, due to strengthened FG group collaboration



## 5 indicators for Transformation of Portfolios

Raise the ratio of “interest on loans and discounts” and “non-interest income” in core gross business profits

%	FY 2017		FY 2020	Comparison with FY2017
(1) Ratio of SME loans to total loans	37.1	→	38.9	+1.8
(2) Ratio of consumer loans to total loans	24.4	→	26.7	+2.3
(3) Ratio of unsecured loans in consumer loans	8.0	→	8.4	+0.4
(4) Ratio of income from asset management advice in core gross business profits	7.6	→	9.2	+1.6
(5) Ratio of income from financial solutions in core gross business profits	6.7	→	7.6	+0.9



# Basic Strategies and Key Tactics

- The Second Medium-term Management Plan, based on the business environment and other factors, sets FG's three top-priority management issues: Strengthening profitability, Improvement of management efficiency, and Maintenance & improvement of business health. In order to achieve them, FG will work on four basic strategies: I. Demonstration of synergy effects, II. Dramatic enhancement in productivity, III. Development & enhancement of human resources, and IV. Deepening of risk management

<Maximization of synergy effects by demonstrating three synergies>

## Second Medium-term Management Plan

Planned period:  
April 2021 – March 2024

Maximization of  
Merger Synergy

Maximization of  
Group Synergy

Maximization of  
TSUBASA  
Partnership  
Synergy

		Basic Strategies	Key Tactics	
<p><b>Top-priority management issues</b></p> <p>Strengthening profitability</p> <p>Improvement of management efficiency</p> <p>Maintenance &amp; improvement of business health</p>	I	<p><b>Demonstration of Synergy Effects</b></p> <p>Details on pages 21–34</p>	<ul style="list-style-type: none"> <li>Demonstration of “Top-line synergy” and “Cost synergy” (demonstration of Merger Synergy)</li> <li>Demonstration of Group Synergy</li> <li>Maximization of top-line synergy by expanding TSUBASA Alliance partnership</li> </ul>	<ul style="list-style-type: none"> <li>New value creation by deepening the consulting function and utilizing DX</li> <li>Strengthen non-interest income</li> <li>Explore new business areas</li> <li>ESG and SDGs initiatives</li> </ul>
	II	<p><b>Dramatic Enhancement in Productivity</b></p> <p>Details on pages 34–36</p>	<ul style="list-style-type: none"> <li>Rigid productivity enhancement by “New Structural Reform”</li> <li>Maximization of cost synergy by expanding TSUBASA Alliance partnership</li> </ul>	<p>“Business Reform” Initiatives</p>
	III	<p><b>Development &amp; Enhancement of Human Resources</b></p> <p>Details on page 37</p>	<ul style="list-style-type: none"> <li>Promotion of organizational harmony and integrating mindsets “Unity of Purpose”</li> <li>Improvement of consulting capabilities</li> <li>Practice of human resource management for the success of all Group employees</li> </ul>	
	IV	<p><b>Deepening of Risk Management</b></p> <p>Details on page 37</p>	<ul style="list-style-type: none"> <li>Practice business operations with the highest priority on compliance</li> <li>Enhancement of Group business management framework</li> <li>Advancement of risk management</li> </ul>	

Changing environment around us  
Further acceleration of the pace of change

### Drastic changes in the external environment

- Widespread use of 5G and rapid progress in digitalization
- Prolonged environment of ultra-low interest rate
- Population decline, etc.



Paradigm shift due to DX, COVID-19, etc.



Changing communities, customer behavior and issues

## Key Tactics

### Demonstration of “Top-line synergy” (sharing of know-how) — Creative financing & deepening information function



#### — Deepening Transformation of Portfolios

- Improve the 6 indicators to boost income from banking and non-banking divisions of Group companies, and maximize FG consolidated profit by demonstrating Group’s comprehensive capabilities

<Bank division>  
Raise the ratio of “interest on loans and discounts” and “non-interest income” in core gross business profits



<Group company division>  
Increase the ratio of “Group company income” in consolidated profit

6 indicators for deepening Transformation of Portfolios	FY2020 Result	FY2023 Plan	Comparison with FY2020
(1) Ratio of SME loans to total loans	38.9%	39.5%	0.6%
(2) Ratio of consumer loans to total loans	26.7%	28.1%	1.4%
(3) Ratio of unsecured loans in consumer loans	8.4%	8.4%	0.0%
(4) Ratio of income from asset management advice in core gross business profits	9.2%	13.7%	4.5%
(5) Ratio of income from financial solutions in core gross business profits	7.6%	13.5%	5.9%
(6) Consolidated-non-consolidated multiplier (FG consolidated profit / Bank non-consolidated profit)	1.06 times	≥ 1.10 times	≥ 0.04 pt

#### — Increase in activity volume and practice of multifaceted consulting sales

- “Increase in activity volume” and “practice of multifaceted consulting sales” in accordance with need/segment-specific measures, with sales office activities as the core

Markets in Niigata

Promote new business acquisition and expansion of market share through increase in activity volume

Markets outside Niigata

Promote activities to develop new markets  
Strengthening of external partnerships such as TSUBASA Alliance

- Further expansion and deepening of consulting capabilities cultivated up to now

Corporate area

Deepen business evaluation, support for management improvement to maintain and enhance business value, and strengthen support for business succession, transfer, and closure

Individual area

Practice multifaceted consulting on asset management and succession of securities and trusts according to life cycle

#### Sophistication and diversification of securities investment

- Build a portfolio that secures stable periodic income over the medium to long term



# “Business Reform” Initiatives

## — Key “Business Reform” initiatives to strengthen profitability

### Solving regional issues and creating new value

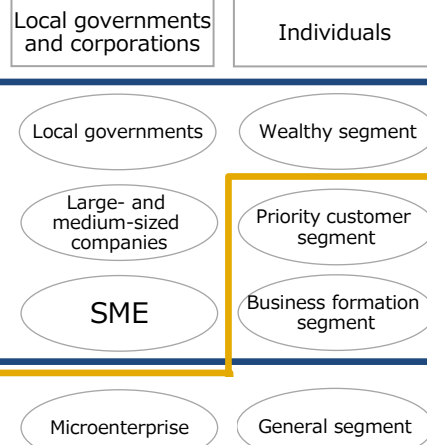
#### (1) Deepen face-to-face business

New business acquisition and expansion of market share through increase in activity volume and practice of multifaceted consulting sales

Increase activity volume  
Deepening consulting function  
Deepening business evaluation

Consulting on asset management and succession according to life cycle

Segment customers and provide market-oriented services that meet their needs



#### (2) Deepen non-face-to-face business Provision of new financial services

Improve customer satisfaction by pursuing convenience and efficiency in services utilizing DX

Further improve the convenience of individual loan products and services

Expansion of non-face-to-face transactions  
Expansion of web-based reception and consultation functions

#### (3) Deepen marketing

- Organizational reform of Sales HQ
- Assigning dedicated HQ staff stationed at sales offices
- Deepen digital marketing utilizing DX

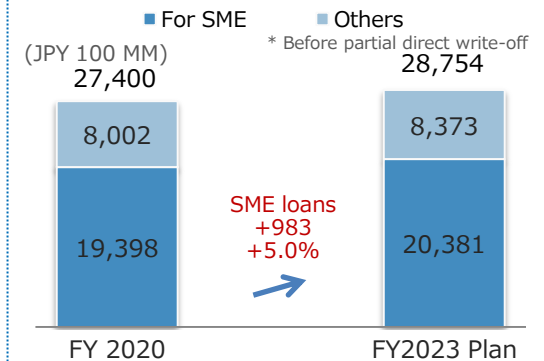
#### (4) Sales office structural reform

- Optimization of offices and channels
- Reform of sales style utilizing DX
- Introduction of new area sales structure

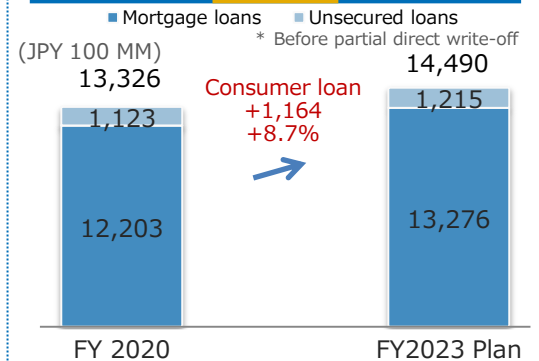
Providing optimal one-stop services by the Group as a whole

Daishi Hokuetsu FG Group companies See page 27 for the Group structure

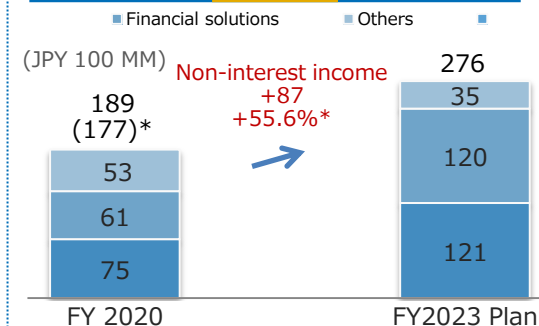
#### Outstanding Business Loans and Bills Discounted (annual average balance)



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



#### Non-interest Income

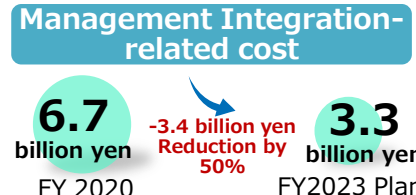
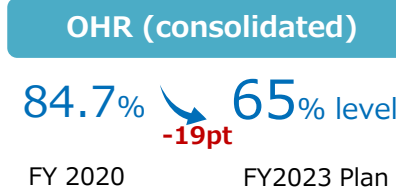


## Key Tactics

**Demonstration of cost synergy** (consolidation of overlapping functions)  
— Major improvements in OHR



— Significant reduction in FG consolidated general and administrative expenses through maximization of Merger Synergy and rigid cost control



— Strengthen sales force by reallocating Group management resources through office integration, streamlining of HQ, and sales office operation reform

Sharing of know-how, consolidation of overlapping functions, and reallocation of management resources

Regional Revitalization and sustainable growth of FG

### Deepening & expansion of know-how

- Expansion of sales and customer base (Utilization of network)
- Utilization of products and services
- Deepen consulting capabilities
- Improve operational efficiency through New Structural Reform
- Provide new added value by leveraging the functions of Group companies

### System and administration integration

- Integration of mission-critical systems, subsystems, and administration (2021/1)
- Reduce system costs and other property costs

### Integration of Group companies

- Reorganization of companies in the same industry within the Group



### Integration of offices, HQ, and other bases

#### Systematic creation of personnel

- Office Integration
- Streamlining of HQ
- Sales office operation reform

P25 **A**

#### Development of human resources

- Development of human resources
- Skill enhancement

Re-assign approx. **500** to core business, etc.

#### Within FG

**“Financial Business”**  
Banking, securities business, leasing business, card business, etc.

**“Non-financial Business”**  
System, consulting regional trading company, etc.

#### Outside FG

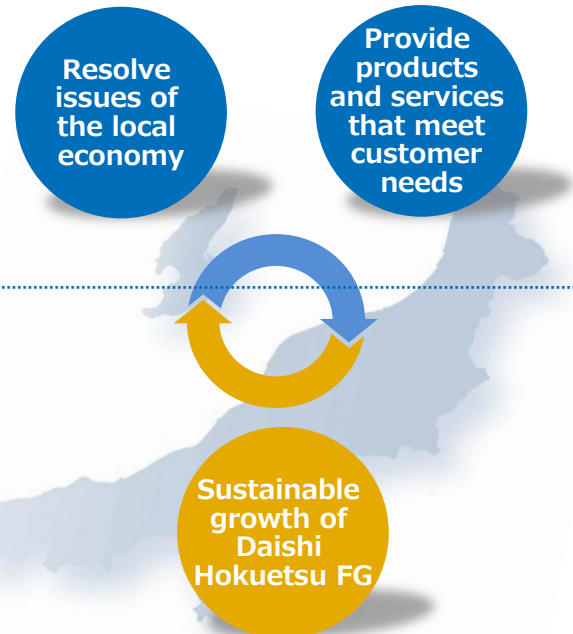
**“Resolving issues at local companies suffering from a shortage of human resources”**

Strengthen matching with FG Group personnel

page 25 **B**

Maximization of Merger (Top-priority theme) Synergy effects

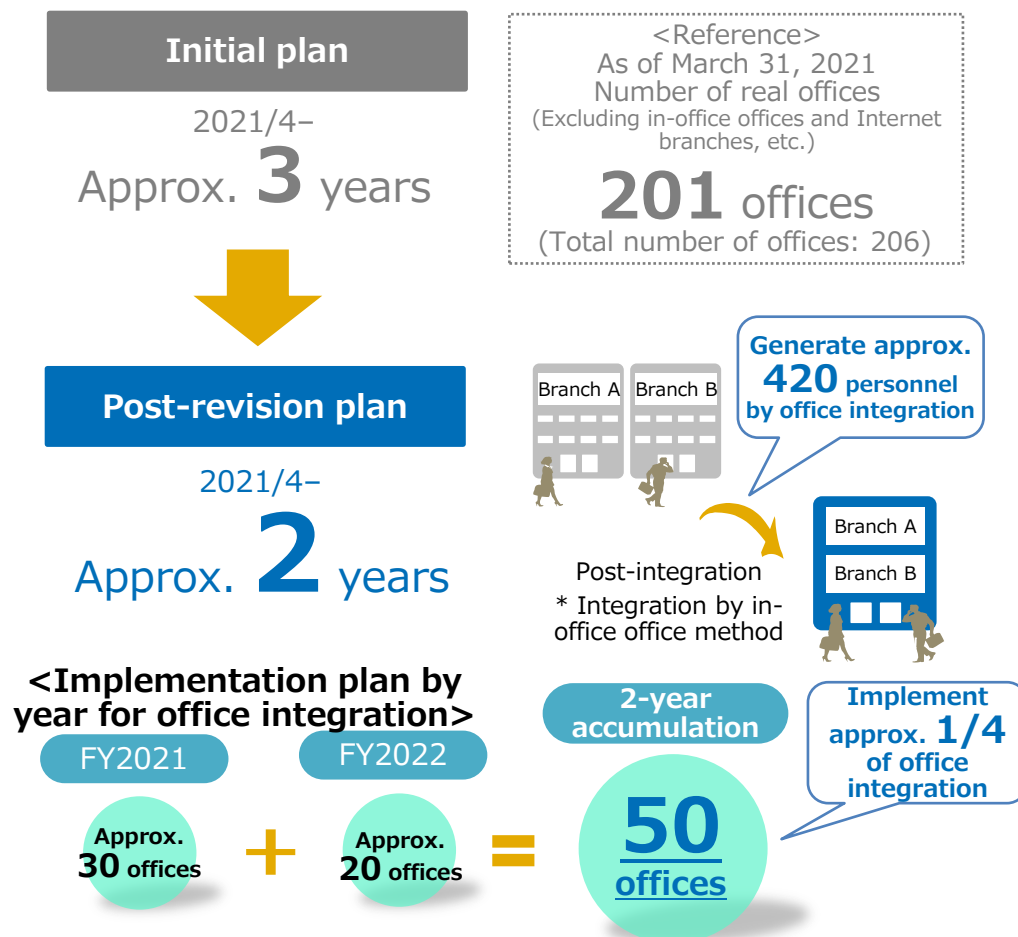
## Regional Revitalization



# “Office Integration” Initiatives

- The schedule for office integration, which started in April 2021, was changed from “to be completed in approximately three years” in the original plan to “to be completed in approximately two years”
- Further improve convenience by minimizing reduced customer convenience and meeting their various needs with extra capacity created by the greater management efficiency

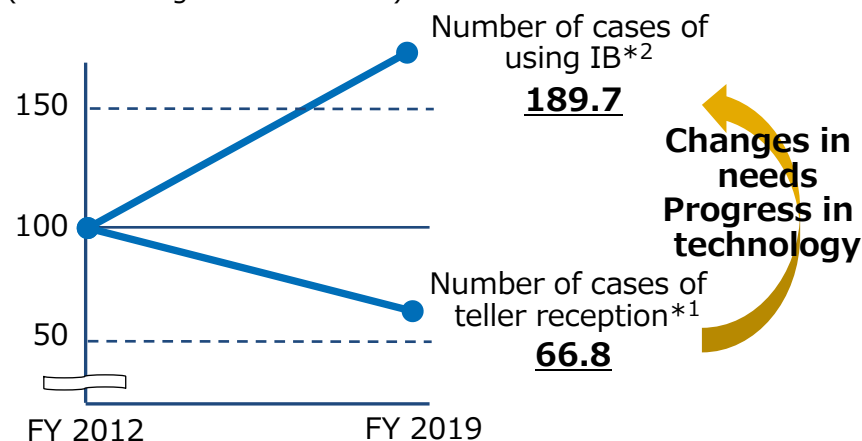
## Office integration schedule



Reference: Changes in the number of customers visiting offices and the number of cases using Internet banking (IB)

Over the past seven years, the number of customers visiting our offices has decreased approximately 35%, while the number of cases using IB has increased significantly by approximately 90%

(When setting FY2012 as 100)



\*1: Number of cases of teller reception is based on the results of the former Daishi Bank branches with an OTC reception system (80% of the branches in the prefecture)

\*2: Number of cases using IB is the actual number of Internet banking transactions at the former Daishi Bank

# Plan for Reallocation of Management Resources

- Generation of approximately 900 personnel through improvement of management efficiency, including office integration, streamlining of HQ, and sales office operation reform
- Reassignment of Group management resources, excluding natural attrition, of approximately 500 personnel to achieve top-line synergy by strengthening sales force

Generation of personnel by improving management efficiency

Reassignment of generated personnel to



**Generated approx. 900 personnel**

**Sales office operation reform**  
Approx. 270

**Streamlining of HQ**  
Approx. 210

**Office Integration**  
Approx. 420

Natural attrition due to statutory retirement, retirement for personal reasons, reduced hiring, etc.  
Approx. 400



**Strengthen sales force by reallocating of Group management resources**

**Three-year reassignment plan**

Bank sales staff, etc.

**Approx. 330**

To strengthen support for business partners in anticipation of a prolonged COVID-19 situation, 28 personnel have already been assigned to the credit division (As of May 31, 2021)

Group companies

**Approx. 70**

Already assigned **14**  
(As of May 31, 2021)

Personnel matching with business partner companies

**Approx. 100**

**Re-assign to core business, etc.**  
**500**

A

B

P26

C

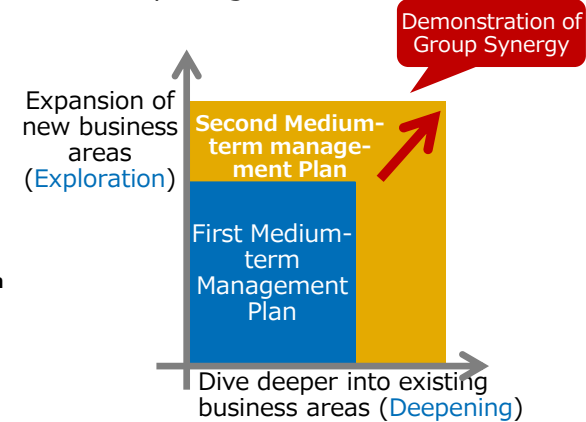
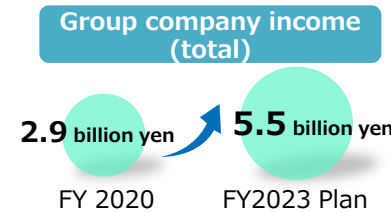


## Key Tactics | Demonstration of Group Synergy

### — Demonstration of Group Synergy with FG functional collaboration

- “Strengthen intra-Group cooperation” by maximizing the use of FG Group company functions, and “deepening of each Group company’s core business” by reorganizing Group companies, etc.
- Increase the total number of FG Group business partners by acquiring new clients, increasing market share, and diversifying transactions
- Strengthen the FG HQ structure for demonstrating Group Synergy

Securities	Strengthen proposals to meet diverse asset management needs
Leasing business	Strengthen proposals for various procurement methods for capital investment
Management consulting	Strengthen support for business start-ups, business planning, etc.
Regional trading company	Strengthen support for sales channel development, tourism promotion, and productivity improvement
Staffing agency	Strengthen personnel matching to solve companies’ management issues



## Initiatives for demonstrating Group Synergy

### 1 Strengthen governance

- Establishment of “FG Regional Revitalization Department” responsible for planning and promotion of FG-wide sales and Regional Revitalization
- Establishment of “FG Group Strategy Promotion Department” to oversee and support reorganization and business promotion of non-bank subsidiaries and subsidiaries of subsidiary banks, etc.

### 2 Assignment of strategic personnel

- Reallocation of Group management resources through office integration, streamlining of HQ, and sales office operation reform at the bank
- Strategic personnel at Group companies  
Already re-assigned  
approx. **70 personnel**

### 3 Group reorganization

- Improvement of management efficiency through reorganization of Group companies in the same industry

### 4 Expansion of partnership areas

- Partnership with securities
  - Strengthen business with wealthy segment through cooperation between banks and securities
- Partnership with leasing
  - Start of lease mediation by banks
- Partnership with cards
  - Strengthen cashless business in cooperation with banks

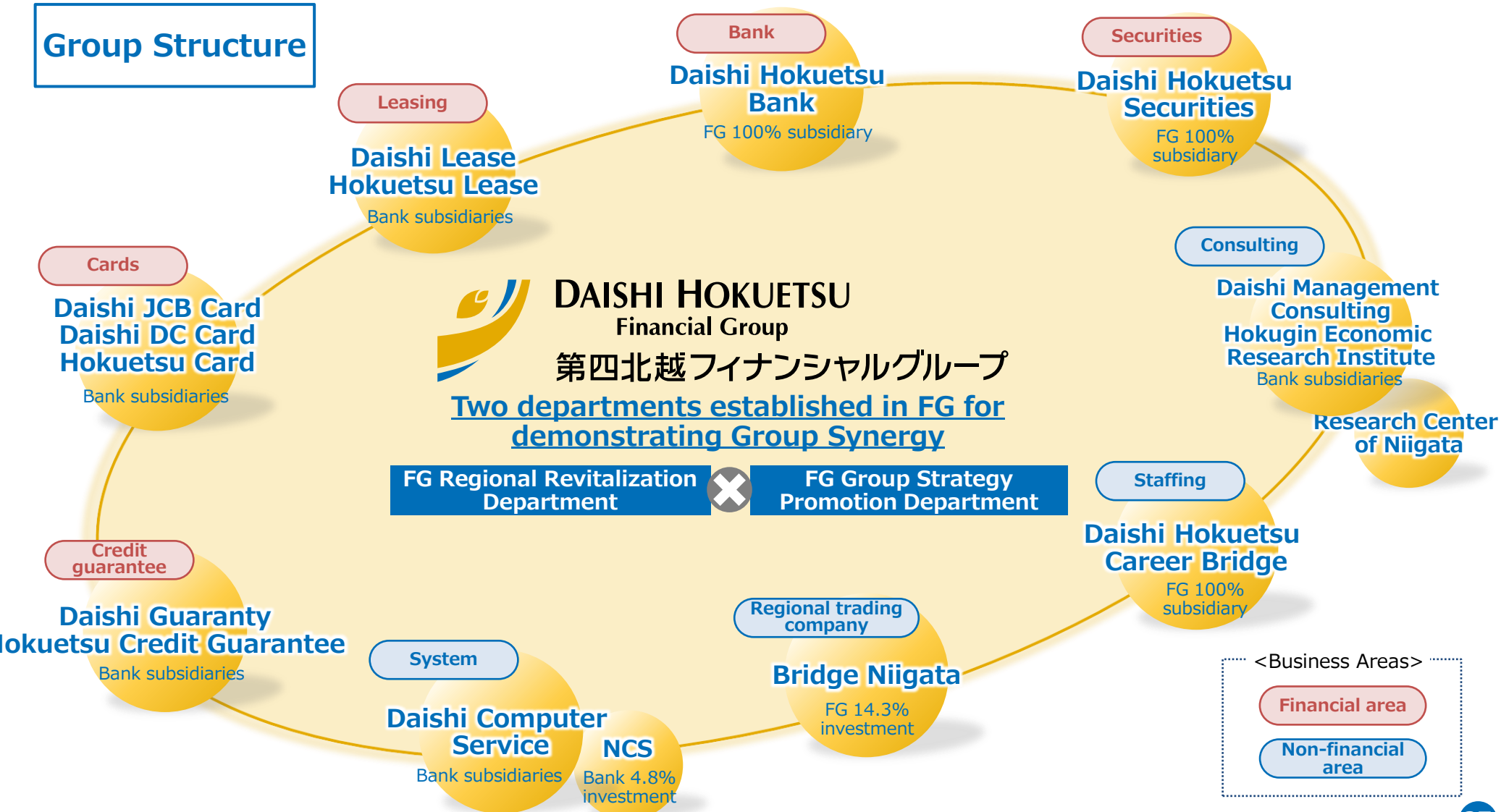
### 5 Exploration of new business areas

- Regional trading company
  - Strengthen support for sales channel development, tourism promotion, and productivity improvement
- Staffing agency
  - Strengthen personnel matching
- Respond to deregulation
  - Entry (exploration) into new business areas considering deregulation

# Group Structure of Daishi Hokuetsu FG

- By maximizing the use of features and strengths of each Group company, we will achieve synergies through integrated Group management (Group Synergy). Through the provision of one-stop, timely, and optimal services to meet all customer needs, the entire Group will make lasting regional contributions

## Group Structure



# <Topics> Recent Initiatives Initiatives for Regional Trading Company and Staffing Agency (1/2)

## Regional Trading Company "Bridge Niigata, Ltd."

- A regional trading company was established and started operating in April 2019 as an important measure for Regional Revitalization
- Utilizing Daishi Hokuetsu FG's extensive network, we are promoting various businesses by building a collaborative system with various industries

### Sales channel development business

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

<Number of items of merchandise handled at the store>



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

### Establishment of own EC site

- Establishment of a new **EC site** for businesses in the prefecture (trial run started in December 2020)

### Tourism promotion business

- Provision of multilingual translation tools using QR code

Users of multilingual translation tools (2021/3)

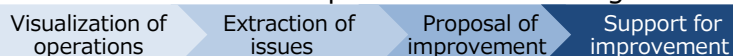
**23 companies (46 codes)**



### Productivity improvement business

- Provision of business improvement consulting to increase administrative efficiency for SMEs

<Overview of business improvement consulting>



Contract partners for the productivity improvement business (2021/3)

**14 clients signed; 21 considering**



## Staffing Agency "Daishi Hokuetsu Career Bridge Co., Ltd."

- A staffing agency was established in May 2019 and started operating in October the same year to help solve issues related to personnel at local companies
- Customer needs are very high, so the number of consultations and decisions are steadily increasing

### Personnel matching business

Number of consultations on staffing (2019/10 - 2021/3)

Number of consultations	735 cases
Of which, hired/informally hired	71 cases

- Launch of "**Dual/Side Job Personnel Matching Service**" in collaboration with external partners (December 2020)

### Personnel development solution business

- Seminar on personnel development for companies in the prefecture held jointly with two FG Group companies
- Significantly increased the number of online seminars in response to New Normal

## Topics | Support for "Niigata Business Innovation Project on Dual/Side Jobs"

- A consortium that includes our company was adopted by Niigata Prefecture in a public call for the "Entrustment of Niigata Business Innovation Project on Dual/Side Jobs." (December 2020)
- In order to support SMEs in Niigata Prefecture whose sales and profits have decreased due to the impact of COVID-19, the consortium has been providing matching services between SMEs in the prefecture and talented personnel in urban areas who want to make a regional contribution and improve their skills through dual/side jobs. (Entrustment period: December 2020 to March 2021; Matching results: 3 cases)

### Consortium members

- ✓ Riparia, Inc. (Main applicant: Niigata-shi)
- ✓ Daishi Hokuetsu Career Bridge Co., Ltd.
- ✓ Snap Niigata, Ltd. (Niigata-shi) and two other companies

# <Topics> Recent Initiatives Initiatives for Regional Trading Company and Staffing Agency (2/2)

New!

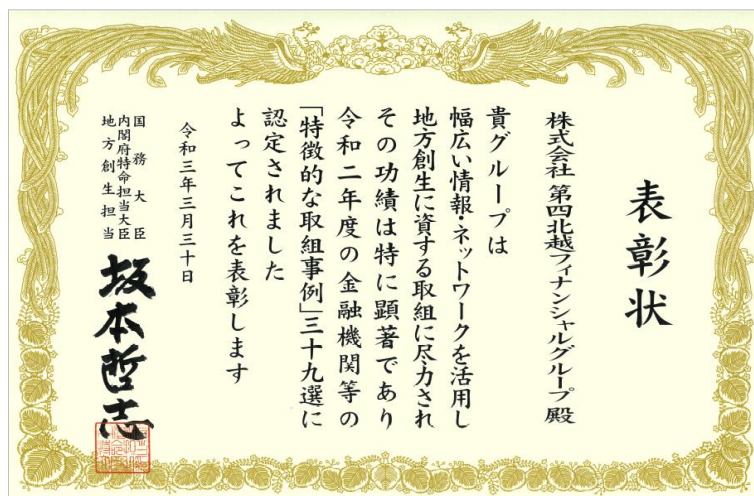
## Topics

The Bridge Niigata (a regional trading company) initiative accredited as a “‘distinctive case study’ conducive to Regional Revitalization”

- The Bridge Niigata (a regional trading company) initiative was recognized by the Cabinet Secretariat Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan as one of 39 “‘Distinctive Case Studies’ conducive to Regional Revitalization by Financial Institutions, etc. for FY2020” and awarded by the Minister of State for Regional Vitalization of the Cabinet Office on March 30, 2021.

### Outline of the award

- The Cabinet Secretariat Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan **evaluates** reports from financial institutions, etc. nationwide on **their efforts to contribute to Regional Revitalization**, and presents awards to pioneering cases and cases of cooperation with local governments.
- **In FY2020, 39 cases, including our own, were selected from approximately 1,200 entries.**



### Outline of award-winning initiative

- “Bridge Niigata” was established in April 2019 as one of the key measures for regional contribution through the Management Integration of Daishi and Hokuetsu Banks, utilizing FG management resources. (Invited President from other industry, expecting ideas from a new perspective outside that of bankers and extensive networks)
- The FG Group has established a collaborative framework with various industries while utilizing its extensive network, and developed three businesses: Sales channel development business, Tourism promotion business, and Productivity improvement business. The past initiatives (see previous page) have been highly evaluated as distinctive initiatives conducive to Regional Revitalization.





## Key Tactics

ESG and SDGs initiatives for sustainable growth



## Regional Revitalization initiatives under Second Medium-term Management Plan

- The Second Medium-term Management Plan identifies the following six items as “priority issues.” They need to be addressed in order to solve regional issues and achieve Regional Revitalization by maximizing the use of FG Group functions and further strengthening cooperation with the TSUBASA Alliance and external networks

### Regional issues

Declining population, low birthrate and aging society

Medical care, childcare, nursing care

Industrial revitalization (expansion of sales channels & productivity improvement for companies)

Increasing awareness of labor shortage among companies

Responding to changes in business environment associated with COVID-19 (utilization of DX)

Realization of a decarbonized society

⋮

### Second Medium-term Management Plan

#### Priority issues

- Support for DX initiatives**
- Decarbonization and carbon neutrality**
- Agriculture and industrial development**
- Enhancement of local medical care**
- Support for business start-ups and reduction of business closures**
- Support for SDGs initiatives**

#### FG initiatives to solve issues

Utilization of FG Group functions



Utilization of the TSUBASA partnership



Utilization of external networks

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



External experts

- ✓ Major law firms
- ✓ Major audit firms
- ✓ Major consulting firms, etc.

Realization of Regional Revitalization and sustainable growth of FG

## E nvironment

Year	Major environmental initiatives by Daishi Hokuetsu FG
2005	Offering preferential interest rates on loans for the purchase of environmentally friendly homes and vehicles
	Launched a private placement bond "Ecology Bond" for environmentally conscious companies
2006	Launched an investment trust that donates a portion of trust fees to environmental protection organizations
2009	Started forestation activities
2010	Establishment of Daishi Bank Group Environmental Policy (Hokuetsu Bank established in 2014)
	Launched environmental conservation project "Daishi Eco Action" Held the first "Niigata Food and Eco Exhibition & Business Meeting (ShokuEco!)"
2015	<b>Received the following awards for the green ATM and other carbon offset initiatives</b> - "Minister of Environment Award" for the Principles for Financial Action for the 21st Century - "Minister of Environment Award" for the Carbon Offset Awards
	Received the Niigata Prefecture Environmental Award in recognition of various environmental initiatives, including donation activities by the <i>Hokugin Magokoro no Kai</i>
2018	Establishment of Daishi Hokuetsu FG "ESG Initiatives Policy"
	Launched "Green Bonds" through securities subsidiary via TSUBASA partnership
	Promotion of paperless operations by introducing "Internet Branch" and "Account Opening App" Promotion of paperless operations via "TSUBASA Smile," a teller reception system
2019	Establishment of Daishi Hokuetsu FG "SDGs Declaration"
2021	<b>Received the "Niigata Prefecture's Letter of Appreciation for the Niigata Carbon Offsetting System" for our green ATM initiative</b>

New!

### Topics

Declaration of endorsement on Task Force on Climate-related Financial Disclosures (TCFD)



**DAISHI HOKUETSU**  
Financial Group

第四北越フィナンシャルグループ

### Endorsement of TCFD Recommendations

Date of endorsement

**April 15, 2021**

Significance of endorsement



New!

Sustainability Promotion Committee established on May 14

#### Enhancement of risk management framework

- Established the Sustainability Promotion Committee, chaired by the President, to advance our risk management framework, recognizing climate change risk as an important management issue

#### Support sustainable growth of local communities

- Encourage customers to take action on climate change through consulting, investment and financing, leading to sustainable regional growth and FG's development

#### Enhancement of corporate value

- Promote appropriate information disclosure, gain recognition for our efforts, and enhance FG's corporate value

**S**ociety



**New!**

**Topics** "Shoku no Kizuna (Food Relationship) in Niigata Project"



**Food Relationship in Niigata Project**

- This project was launched by the Company and our Group companies in November 2020 to support households in need of food amid the prolonged impact of COVID-19.

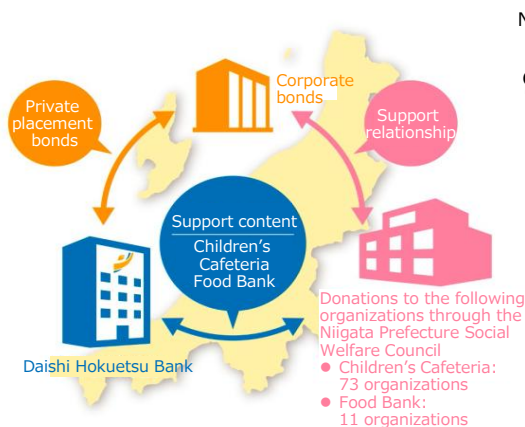
**Phase 1** November 2020–  
 Private Securities Supporting 'Food Relationship' in Niigata <SDGs Private Placement Bond>

- Since November 2020, Daishi Hokuetsu Bank has been implementing the "Private Securities Supporting 'Food Relationship' in Niigata" <SDGs Private Placement Bond>.
- In this private placement bond, the issuing company and the Bank jointly donate a portion of the issuance fee to the Niigata Social Welfare Council.
- The donation will be made through the Council to organizations operating children's cafeterias and food banks in Niigata Prefecture, and will be used to fund the operations of these organizations.

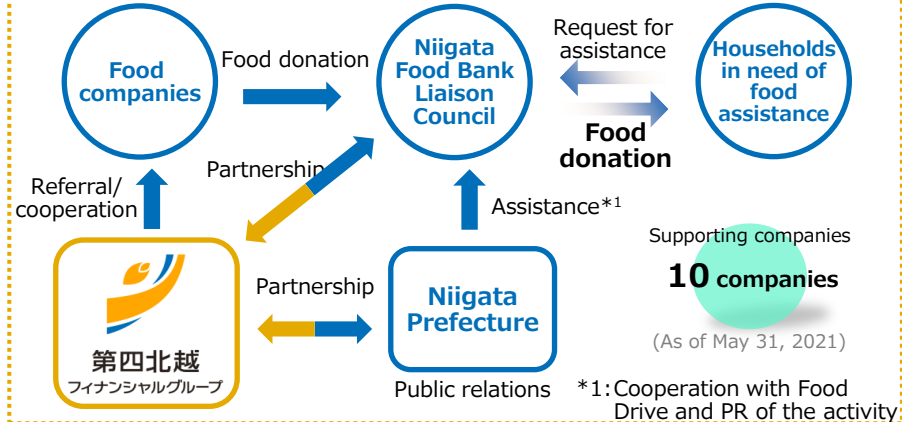
**Phase 2** April 2021–  
 Food donation initiative to households affected by COVID-19

**New!**

- FG has started to donate food to households affected by COVID-19 through a scheme in cooperation with food companies in Niigata Prefecture that support this project, as well as Niigata Prefecture and the Niigata Food Bank Liaison Council.
- We will actively promote this project so that more companies will support us and we can expand our activities.



**<Conceptual image of food donation initiative>**





**G**overnance

**Topics** | Increase in the number of outside directors

- We wish to further enhance the transparency, soundness, and diversity of the Board of Directors and increase corporate value over the medium to long term. With the aim of further strengthening the corporate governance system, we plan to increase the number of outside directors by one, to a total of five, subject to approval at the 3rd Annual General Meeting of Shareholders to be held on June 25, 2021.
- If the election is approved as originally proposed, the ratio of outside directors will exceed 1/3, or 35.7%.

**New!**



**Topics** | Certified as "2021 Health & Productivity Management Outstanding Organization (White 500)"

- In March 2021, Daishi Hokuetsu Bank was certified as a "2021 Health & Productivity Management Outstanding Organization" in the Large Enterprise Category [White500] under the "Certified Health & Productivity Management Outstanding Organizations Recognition Program" organized by the METI and the *Nippon Kenko Kaigi*. This marks the fourth consecutive year of certification since before the merger.
- We will continue to strengthen our efforts to maintain and improve the health of our employees, aiming to create an environment where they can work with peace of mind and that brings out their full potential.

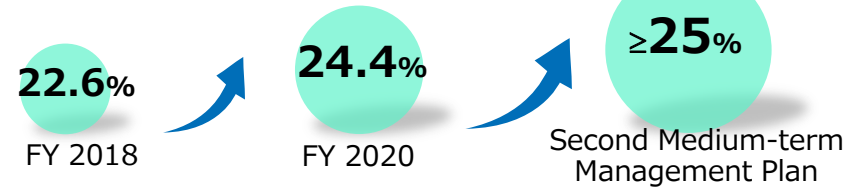
**New!**



**Topics** | Initiatives to promote advancement of women

- Improve the ratio of women in management and supervisory positions (Daishi Hokuetsu Bank)

- Daishi Hokuetsu Bank has set a goal of increasing the ratio of women in management and supervisory positions in order to promote the advancement of women in leadership, and is actively working to achieve this goal.



- Acquisition of "Platinum Kurumin" and "L-Boshi III"

- Daishi Hokuetsu Bank has received special certification "Platinum Kurumin" from the MHLW as a company that supports childcare based on the "Act on Advancement of Measures to Support Raising Next-Generation Children," as well as the accreditation stage III of certification mark (popularly known as "L-Boshi") based on the "Act on the Promotion of Female Participation and Career Advancement in the Workplace."
- We are the only company in Niigata Prefecture to be awarded both the Platinum Kurumin and L-Boshi Accreditation Stage III



## Key Tactics

### Maximization of synergy by expanding TSUBASA Alliance partnership

#### — Pursuit of maximizing synergy effects by leveraging the largest economies of scale of regional banks

- Pursuit of Top-line Synergy (development of new products and services, provision of new services using “TSUBASA FinTech Common Platform,” etc.)
- Pursuit of Cost Synergy (expansion of shared administrative areas, promotion of shared HQ operations through TSUBASA Alliance, Ltd.)

#### — Enhance effectiveness of collaboration measures and further expand collaboration areas via TSUBASA Alliance Promotion Office (newly established)

#### Regional Banks' comprehensive collaboration "TSUBASA Alliance"

Number of participating banks

**10** banks

Total asset balance of participating banks\*

Over **90** trillion yen

\* Consolidated basis for FYE March 2021



- The total asset balance of ten banks participating in the TSUBASA Alliance now exceed 90 trillion yen, and a network was established running through the Japanese Islands from Hokkaido to Okinawa and from the Sea of Japan side to the Pacific side

#### Objectives of TSUBASA Alliance partnership

$$\text{Boost top-line} \times \text{Reduce costs} = \text{Increase corporate value}$$

#### Second Medium-term Management Plan initiatives

$$\text{Pursuing further synergies by developing the largest regional bank alliance} \times \text{Utilize as the main engine for accelerating innovation}$$

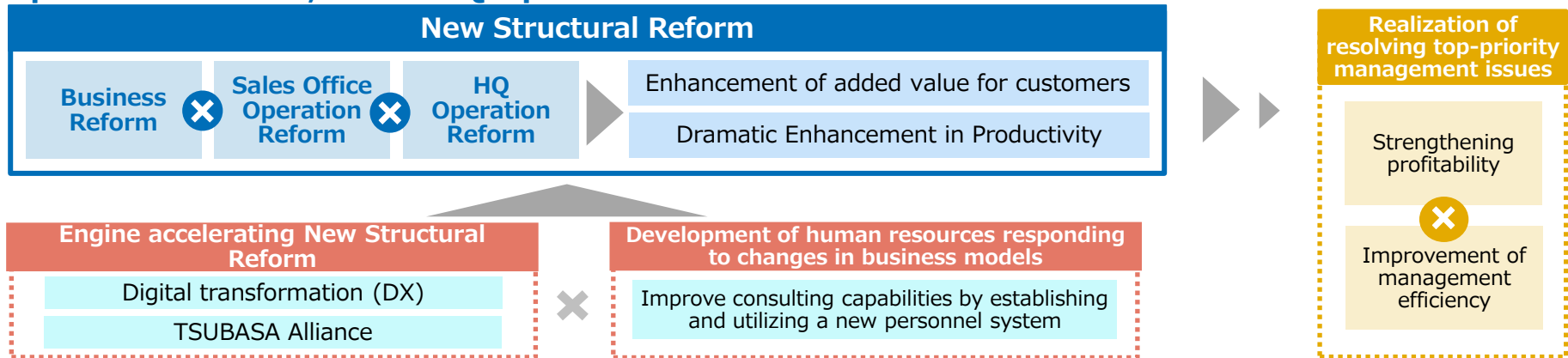
#### Topics

Start considering the establishment of a joint venture to provide remote financial consulting services **New!**

- Daishi Hokuetsu Bank, Chiba Bank, Chugoku Bank, and Nomura Holdings, those four companies are considering establishing a joint venture to provide remote financial consulting services.
- After examining the effects of establishment and studying details of the operation structure, planning to conclude a final contract by the end of the second quarter of FY2021 and establish a preparatory company.
- The goal is to establish a joint venture providing comprehensive consulting services that transcend business categories from a neutral standpoint by combining know-how in the banking and securities businesses.

## Key Tactics Rigid productivity enhancement by "New Structural Reform"

- "New Structural Reform" initiative based on three pillars: "Business Reform," "Sales Office Operation Reform," and "HQ Operation Reform"



### Productivity improvement through Business Reform

- Strengthen sales force Optimization of offices and channels [Details on page 24](#)
- Deepening of sales promotion style Utilization of the Web, tablets, etc.

### Fundamental reform of administrative processes through Sales Office Operation Reform [Details on page 36](#)

- Five forms of elimination by utilizing DX (1) No back office operations (2) No verification (3) No cash management (4) No use of paper (5) No use of seals
- Greater efficiency in loan administration at sales offices Full operation of the new loan support system
- Drastic reform of administrative processes Utilization of robotic process automation (RPA), etc.

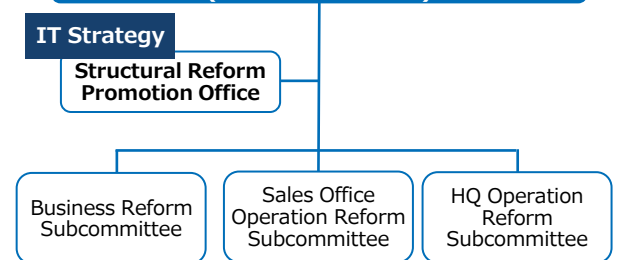
### Optimization of HQ organization via HQ Operation Reform

- HQ operations Rigid enhancement of productivity through operation reform and streamlining of HQ
- Centralized administrative divisions Turning into a profit center and expanding the added value of services for customers

### Framework for realizing "New Structural Reform"

- Established "Structural Reform Promotion Committee," chaired by the President, in April 2021, for the cross-organizational implementation of Plan-Do-Check-Act (PDCA) for investment decisions and progress in various projects, including the use of DX. PDCA management is being implemented by the Committee

#### Structural Reform Promotion Committee (Chair: President)



# “New Structural Reform” Initiatives

- The First Medium-term Management Plan actively promoted structural reforms based on three pillars of “Operational Reform,” “Office Reform,” and “Channel Reform” utilizing digital technology to realize a robust management base
- The Second Medium-term Management Plan will work on the “New Structural Reform” (see previous page), which further develops “Operational Reform” in order to manage a drastically changing environment and meet our customers’ needs

## First Medium-term Management Plan

### Structural Reform

Operational Reform

Office Reform

Channel Reform

Shift workforce to core business (sales & planning)

Re-assigned 168 employees

Strengthening of consulting capabilities

Digitalization initiatives

## Second Medium-term Management Plan

### New Structural Reform

Business Reform

Sales office operation reform

HQ Operation Reform

## Major Initiatives to Date

■ Daishi Hokuetsu FG measures

■ TSUBASA Alliance measures

### Operational Reform

—Reduce administration personnel for “operations” and “loans” at Sales Offices

- November 2017 ■ Introduction of “RPA”
- May 2018 ■ Consolidation of administration of Sales Offices into “Middle Office (HQ)”
- July 2019 ■ Introduction of “Custody management system”
- February 2020 ■ Introduction of “automatic loan disbursement function”

### Office Reform

—Transforming sales offices into a “consulting space”

- January 2018 ■ Start of paperless sales of investment trusts and life insurance
- November ■ Establishment of “Remote Consultation Desk”
- November ■ Introduction of the counter reception system “TSUBASA Smile”

### Channel Reform

—Improvement of customer convenience through non-face-to-face channels

- November 2018 ■ Introduction of “web completion scheme” for consumer-type unsecured loans
- April 2019 ■ Commencement of the provision of “Passbook App”
- November 2020 ■ Launch of new smartphone app “Little Bank”

### [RPA]

Cumulative reduction of 47,868 hours

March 31, 2021

### Future plan

- ✓ Efforts to fundamentally reform administrative processes with further use of RPA

### [Middle Office]

- ✓ Consolidation of back-office administrations of sales offices into two middle offices in the prefecture, drastically reducing the workload of sales offices

Cumulative number of consolidated offices 86 offices

March 31, 2021

Further expansion of target offices

Future plan

### [TSUBASA Smile]



<Opening a new ordinary deposit account> [OTC processing time]

56% reduction compared with conventional level

[Back-office hours after OTC reception]

85% reduction compared with conventional level

- ✓ A dedicated terminal enables paperless and seal-less procedures
- ✓ Expanding the service to all sales offices in the prefecture from January 2021 (excluding satellite offices and Consulting Plaza)

### Key Tactics

## Promotion of organizational harmony and improvement of consulting capabilities

- Continuation of measures to promote organizational harmony led by newly established Organizational Harmony Promotion Office
- Advancement of consulting functions through appropriate assignment of personnel capable of working in a wide range of areas
  - Practice a Group-wide human resources strategy through inter-Group transfers and exchanges to boost Group Synergy
- Establishment and penetration of new personnel system
- Establishment of a framework for realizing HR Growth Cycle\*<sup>1</sup>
  - Establishment of new stratified training programs to raise awareness of career formation and support career development
    - \*1: A cycle in which the improvement of practical skills leads to successful experiences, which in turn leads to a virtuous cycle of further proactive learning and challenges
- Firmly establish a flexible and productive work style in response to the New Normal

Acquisition of professional qualifications

(As of March 2021)

FP2+ Level  
(Total number of employees)

2,705

Securities analyst

56

SME Management Consultant

43

### Key Tactics

## Practice business operations with the highest priority on compliance; enhancement of Group business management framework

- Have Management Philosophy penetrate and raise compliance awareness as top priority
- Further improve governance based on the Corporate Governance Code and Guidelines
- Maintain and improve FG consolidated capital adequacy ratio
- Strengthen credit risk control functions through Credit Risk Management Office (newly established)
- Implement systematic measures against money laundering and terrorist financing
- Enhance cyber security management



The first **four months** after the start of the Second Medium-term Management Plan are positioned as **Dash!!120**, the most important activity period for accelerating efforts toward the Medium-term Management Plan, to ensure prompt and intensive implementation of various measures.

April  
2021

August  
2021

»»» **Dash!!120**

## Reallocation of management resources

Completion of streamlining of HQ

Generated **approx. 200** personnel

1 office in April; 1 office in May  
Implemented on **2 offices**

Implementation of Office Integration

**Implemented monthly** from April 2021

Early realization of sales force enhancement

Advance consolidation and reassignment of sales staff to existing offices prior to office integration

May-  
**Starting trial**

Reallocation in and outside FG

Reassignment of personnel in and outside FG through office integration, streamlining of HQ, and sales office operation reform

-May  
Already re-assigned **approx. 50** personnel



## Strengthening communication in and outside FG

Explanation by officers to internal and external parties

Explanation of initiatives and prospects for regional contribution and synergy demonstration to stakeholders

Activities to promote organizational harmony

Continuation of measures to promote organizational harmony led by newly established Organizational Harmony Promotion Office

Promote integration of mindset through personnel transfers

Promote integration of strengths & know-how cultivated so far, as well as integration of mindsets

Already transferred **approx. 1,000** personnel, or 30% of all bank staff

-May  
Already transferred **approx. 500** personnel



## Demonstration of Group Synergy

Launch of FG Regional Revitalization Department

Planning and promotion of FG-wide sales and Regional Revitalization

April  
Newly established

Launch of FG Group Strategy Promotion Department

Supervise and support business promotion of FG Group companies (excluding banks)

April  
Newly established

Establishment of Structural Reform Promotion Committee

Promote and oversee New Structural Reform, DX strategy, and reallocation of management resources

April  
Newly established

Intensive implementation of measures

Intensive implementation of measures aimed at increasing the activity volume and deepening the consulting function on a Group-wide basis



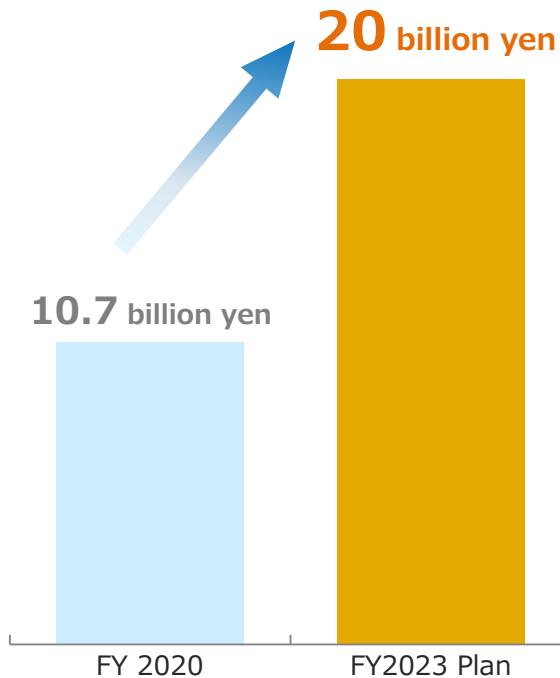
# Second Medium-term Management Plan Indicator Targets

- To achieve Regional Revitalization and sustainable growth of FG as the largest financial and information service group in Niigata Prefecture, and to enhance FG's corporate value

## Management indicators (KPI)

### Strengthening profitability

Consolidated profit\*1



\*1: Profit attributable to owners of parent (Figures for the FY2023 plan are before reflecting special remuneration due to fulfillment of the requirements of the Bank of Japan's "Special Deposit Facility to Enhance the Resilience of the Regional Financial System")

### Growth of the Group

Growth rate of average balance of SME loans\*2

FY2023 Plan  
(Comparison with FY2020)  
**≥ 5%**

Growth rate of average balance of consumer loans\*2

FY2023 Plan  
(Comparison with FY2020)  
**≥ 8%**

Growth rate of non-interest income\*3

FY2023 Plan  
(Comparison with FY2020)  
**≥ 50%**

Growth rate of Group company income\*4

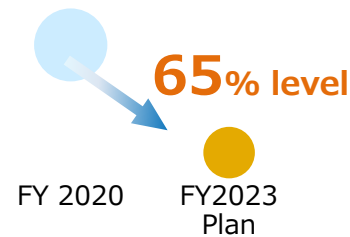
FY2023 Plan  
(Comparison with FY2020)  
**≥ 80%**

\*2: Average annual balance before partial direct write-offs  
\*3: Total amount of net fees and commissions income and other operating profits, excluding gains/losses related to debentures (government bonds, etc.) (accompanying the change in the calculation method of non-interest income, and from the viewpoint of comparison with previous fiscal years, the figures compared with retrospectively changed counts)  
\*4: Total profit of Group companies attributable to owners of parent (excluding the holding company and the bank)

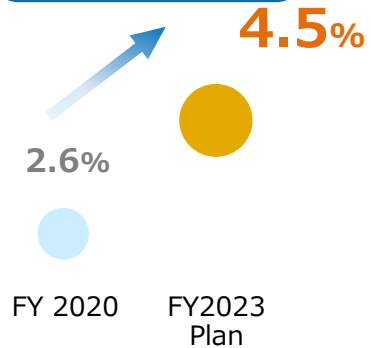
### Improvement of management efficiency

OHR (consolidated)

84.7%



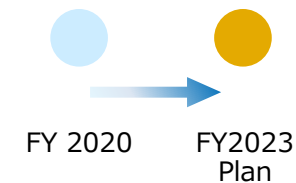
ROE (consolidated)



### Maintenance & improvement of business health

Capital adequacy ratio (consolidated)

10.35% **High 9% range**





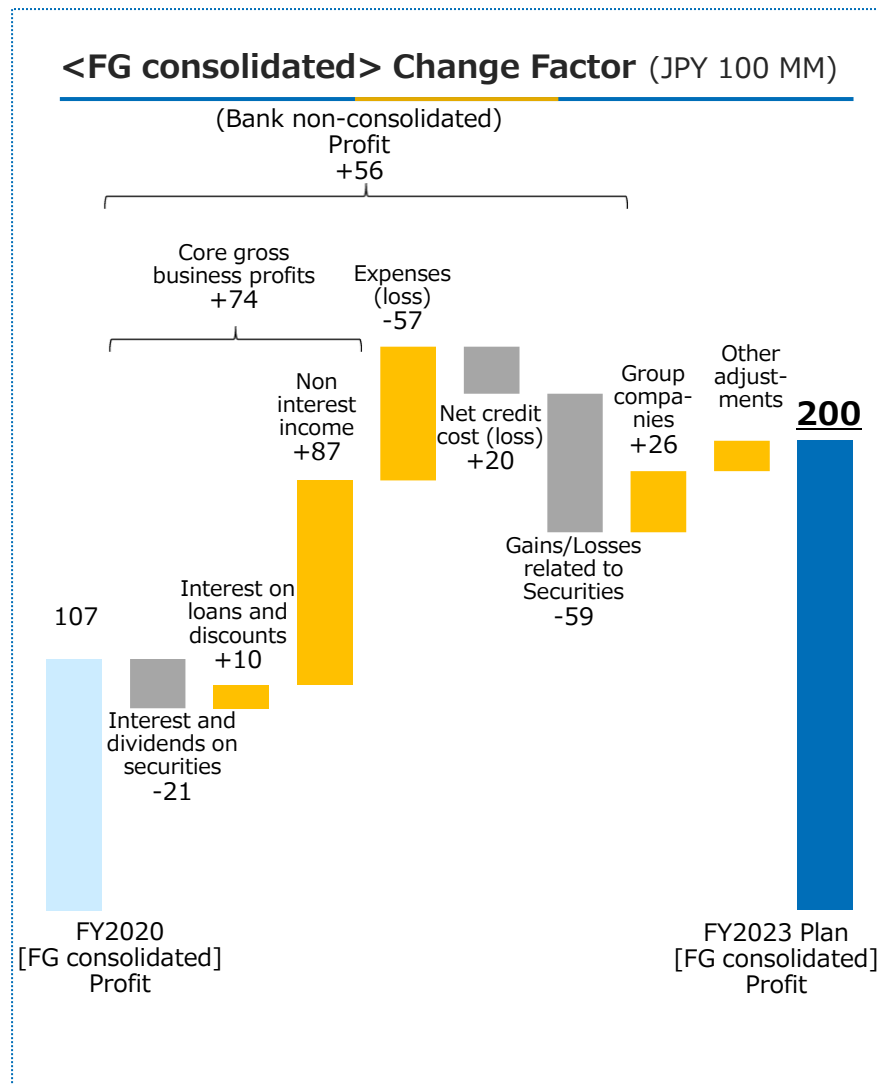
# <Reference> Counting Plan Details for Second Medium-term Management Plan

(JPY 100 MM)				
FG Consolidated		FY2020 Result	FY2023 Plan	Comparison with FY2020
1	Gross profit	849	1,017	168
2	General and administrative expenses	719	668	-50
3	Net profit* <sup>1</sup>	107	200	93

(JPY 100 MM)				
Bank non-consolidated		FY2020 Result	FY2023 Plan	Comparison with FY2020
4	Core gross business profits	812	887	74
5	Expenses	659	602	-57
6	Ordinary profit	147	225	77
7	Net profit	101	157	56
8	<Net credit cost>	38	58	20
9	<Gains/losses related to securities>	61	2	-59
10	<Management Integration-related cost>	67	33	-34

(JPY 100 MM)				
Group companies		FY2020 Result	FY2023 Plan	Comparison with FY2020
11	Net profit* <sup>1</sup>	29	55	26

\*1 Profit attributable to owners of parent



# Indicator Targets for Contribution to Communities

- Continue to uphold “Indicators for Contribution to Communities” and actively work on Regional Revitalization through resolving issues of the local economy.

## Indicators for Contribution to Communities



### Top-priority target to measure contributions to the local communities



Number of companies for which Daishi Hokuetsu Bank is a main bank\*1

FY2023 Plan

**15,400 partners**

### Support companies to enhance their added value



Number of borrowers and balance of loans\*2 based on business evaluation

FY2023 Plan

**6,400 partners**

[Number of borrowers]  
[Loan balance]

Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners

FY2023 Plan

**1,600 billion yen**  
**9,500 partners**

Number of business partners with improved key performance indicators, etc.

FY2023 Plan

**7,700 partners**

Number of cases of core business support

FY2023 Plan

**2,850 cases**

Number of support cases for formulating a business improvement plan

FY2023 Plan

**350 cases**

### Maintain and increase regional economic drivers



Number of cases involved in first and second start of business

FY2023 Plan

**1,850 cases**

Number of business partners whose business succession was supported

FY2023 Plan

**1,740 partners**

### Providing new value through expansion of business areas



#### Activities through a regional trading company “Bridge Niigata, Ltd.”

Number of companies supported in sales channel development (cumulative total)\*3

FY2023 Plan

**580 partners**

Number of FG collaboration activities to support productivity improvement (cumulative total)

FY2023 Plan

**260 cases**

#### Activities through staffing agency “Daishi Hokuetsu Career Bridge Co., Ltd.”

Number of personnel matching cases that lead to solutions to corporate issues (cumulative total)

FY2023 Plan

**190 cases**

\*1: Number of companies of which the largest loan balance is from our bank at the end of each fiscal year

\*2: Number of borrowers and balance of loans are figures as of the end of each fiscal year \*3: Cumulative total since the opening of Nihonbashi store in 2019/10



**DAISHI HOKUETSU**  
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