

# Company Briefings for the First Half of the Fiscal Year Ending March 2022

November 26, 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”

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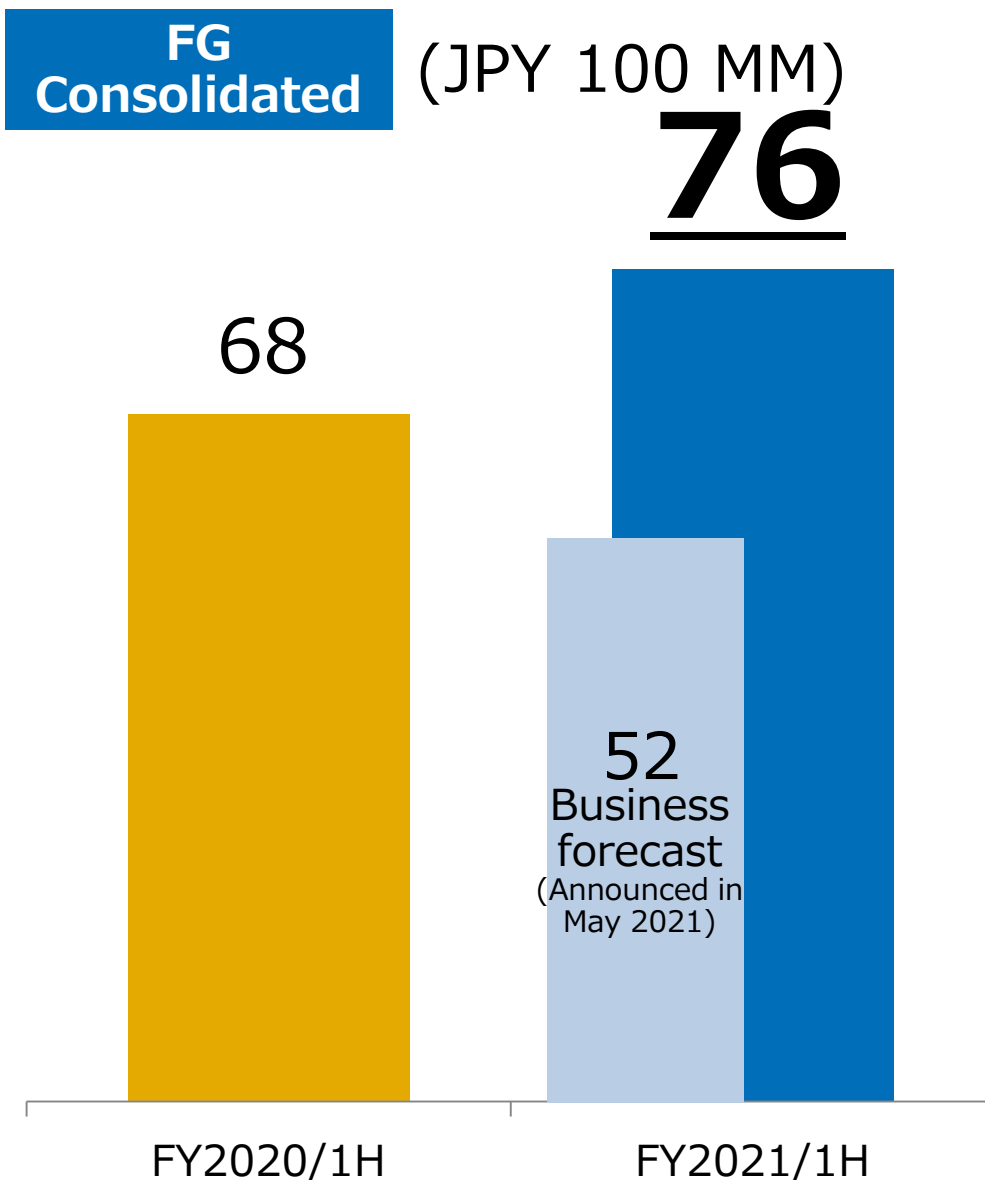
### [Method of calculating figures]

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 1H ended September 2021, September 30, 2021 and March 31 2021  
Figures for Daishi Hokuetsu Bank  
FYE March 2021  
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 for the 1H ended September 2020 and up to September 30, 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



# **Business Performance for the First Half of the Fiscal Year Ending March 2022**



Year on year

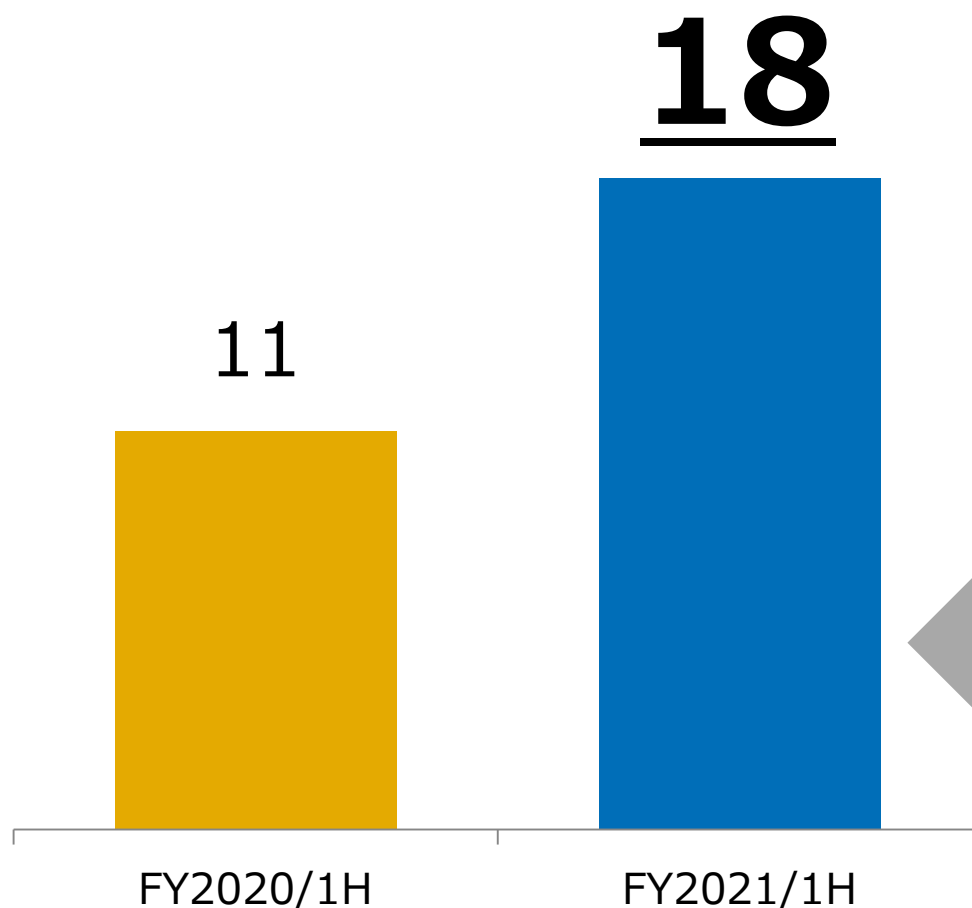
+0.8 billion yen  
(+11.9%)

Vs. Business  
forecast

+2.4 billion yen  
(+46.4%)

## Group Companies Division (JPY 100 MM)

\* Total interim net profit of Group companies attributable to owners of parent (excluding the holding company and the bank)



**Year on year**

**+0.7 billion yen  
(+59.3%)**

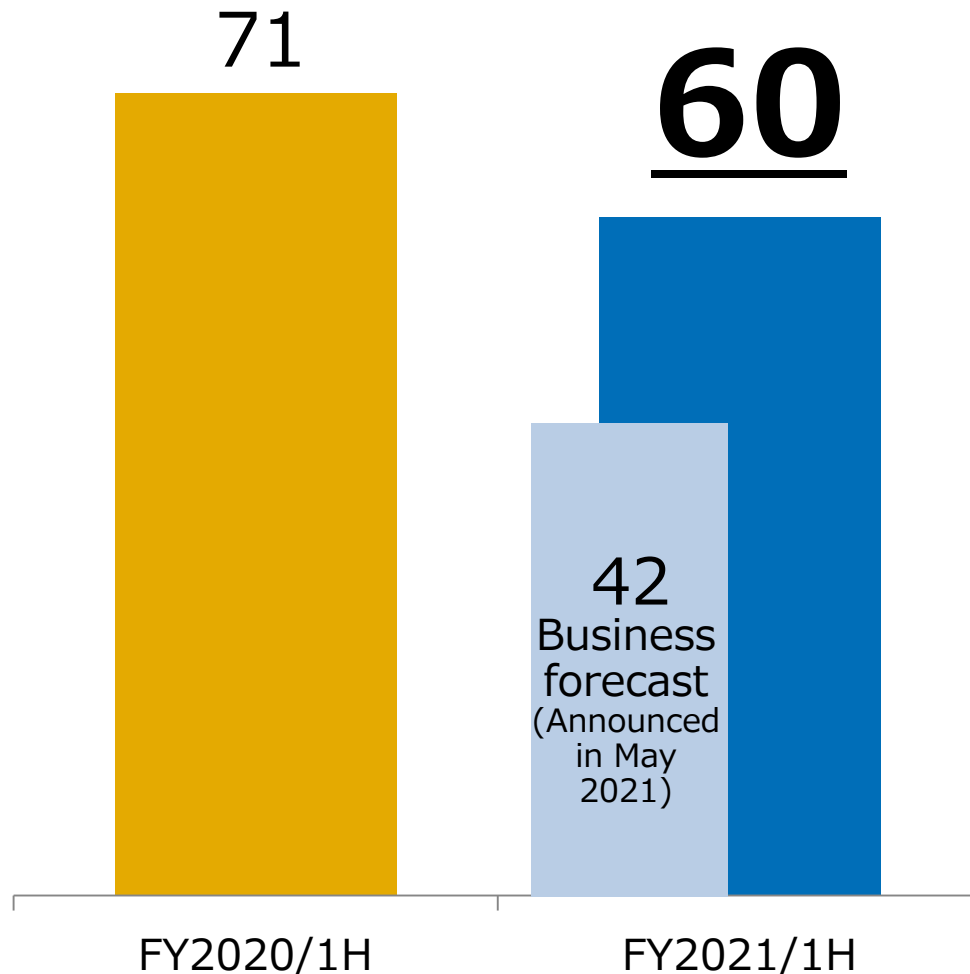
Daishi Hokuetsu Securities

+0.6 billion yen (+163.7%) year on year  
– Increase in securities brokerage  
income with banks

# Interim Net Profit by Division

Bank non-  
consolidated

(JPY 100 MM)



Year on year

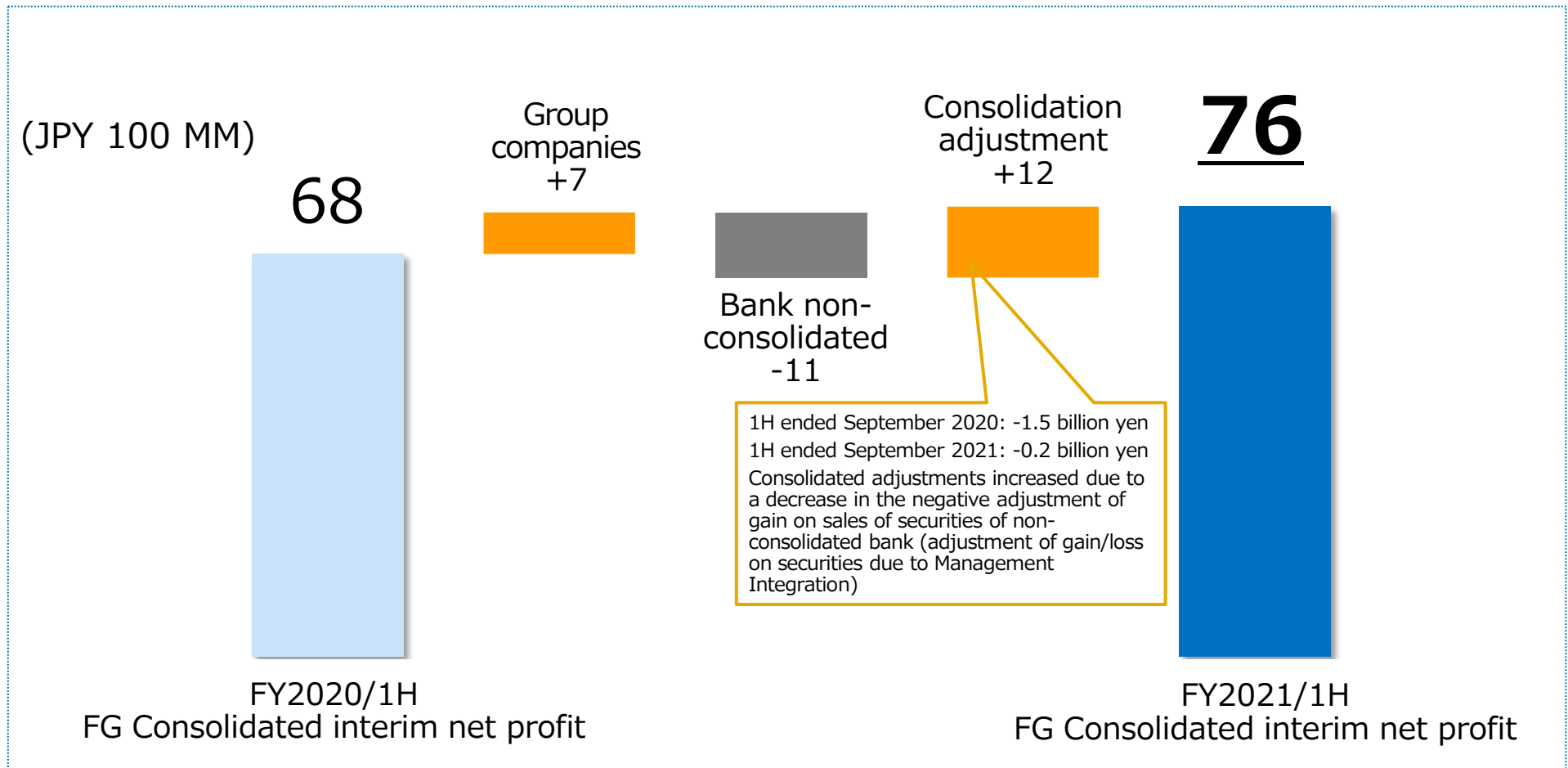
-1.1 billion yen  
(-16.2%)

Vs. Business  
forecast

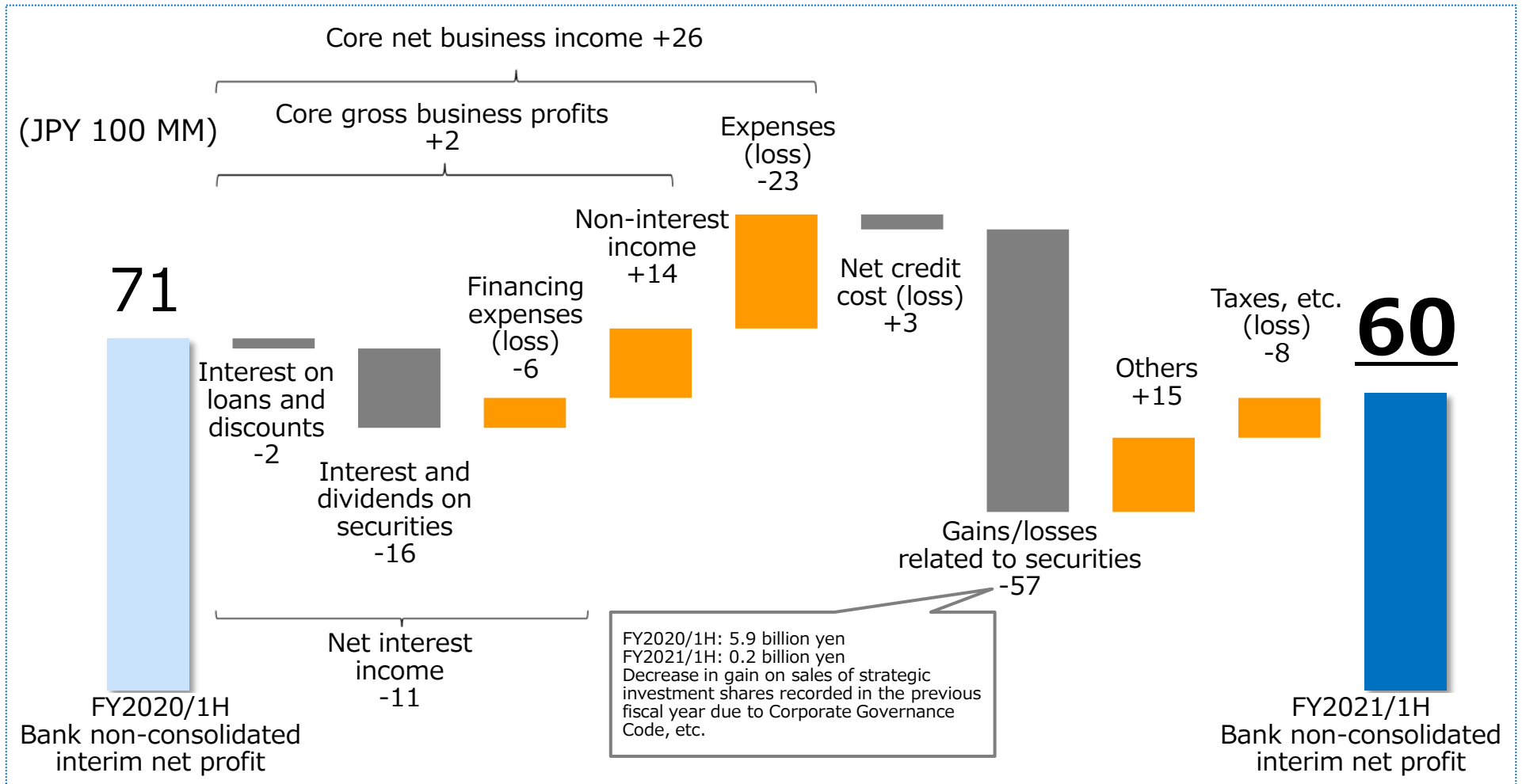
+1.8 billion yen  
(+42.9%)

# <FG Consolidated> Change Factors

In addition to a decrease in negative consolidation adjustments, **the Group Companies Division income increased due to synergy effects, resulting in an increase in FG consolidated interim net profit**



## Synergy effects to boost non-interest income and realization of cost reduction





■ Business ■ Consumer ■ Government fund

(JPY 100 MM)

49,976

**50,393**

**Year on  
year**

**+41.7  
billion yen  
(+0.8%)**

9,012

13,349

27,614

9,390

**13,670**

**27,332**

#### Consumer

- +32.1 billion yen (+2.4%) year on year
- Steady growth in both mortgage and unsecured loans

#### Business

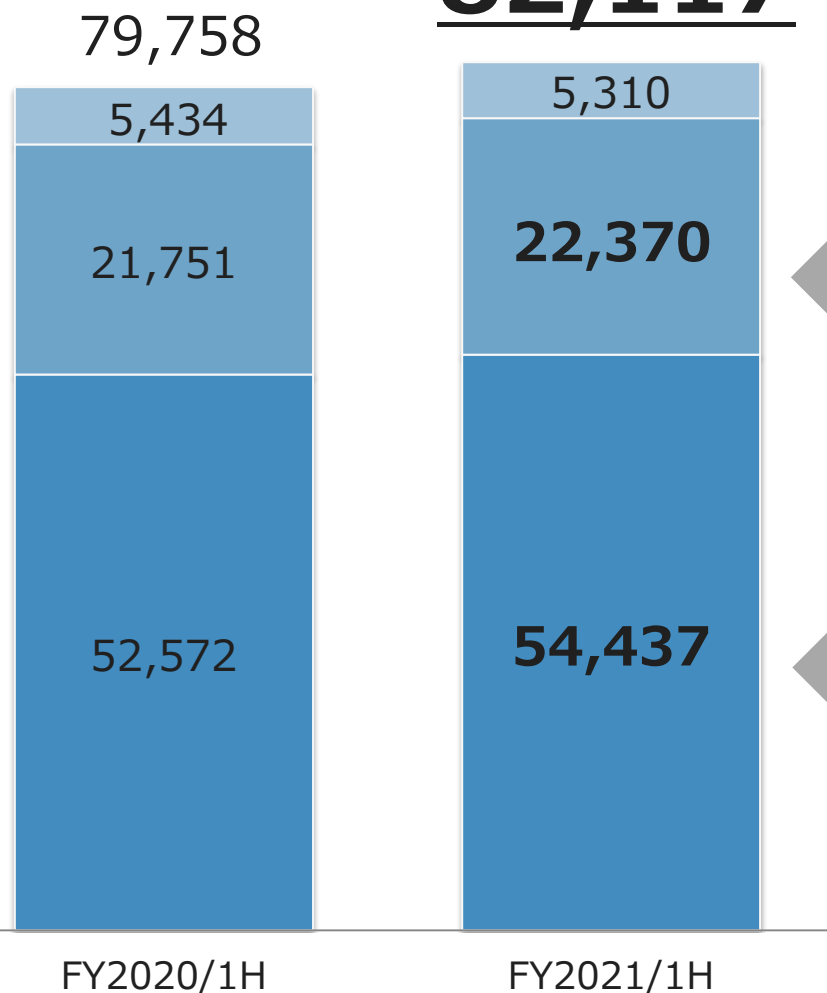
- 28.2 billion yen (-1.0%) year on year
- Slight decrease due to reaction to proactive support for COVID-19 in the previous year

FY2020/1H

FY2021/1H

■ Individuals ■ Corporations ■ Others

(JPY 100 MM)



**Year on  
year**

**+235.9  
billion yen  
(+2.9%)**

**Corporations**

+61.9 billion yen (+2.8%) year on year

**Individuals** (including sole proprietors)

+186.4 billion yen (+3.5%) year on year

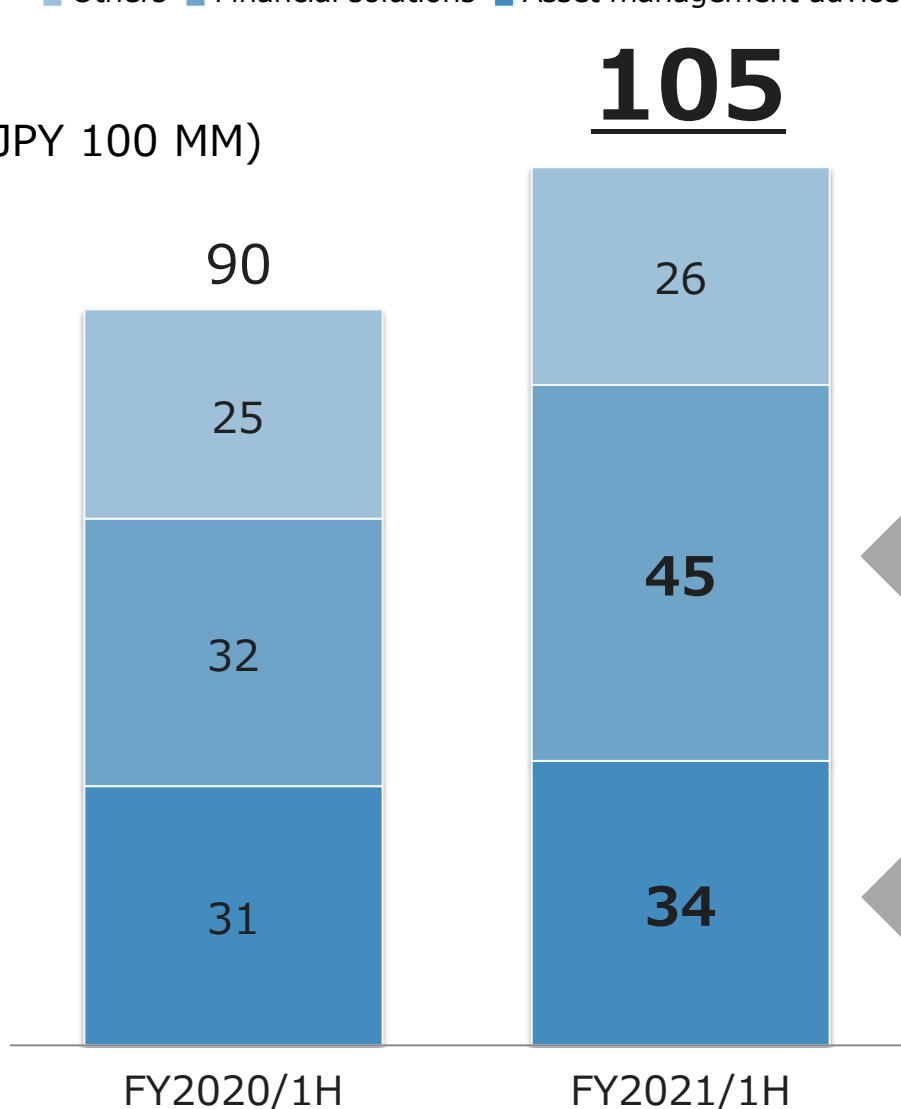
- Increase in both corporations and individuals mainly due to accumulated increase in liquidity on hand through financing under the impact of the COVID-19 crisis and weak consumer spending

# Bank Division Non-interest Income Area

(Total of net fees and commissions income + other operating profits, excluding gains/losses related to debentures (government bonds, etc.))

Others Financial solutions Asset management advice

(JPY 100 MM)



Year on  
year

+1.4  
billion yen  
(+16.5%)

Income from financial solutions

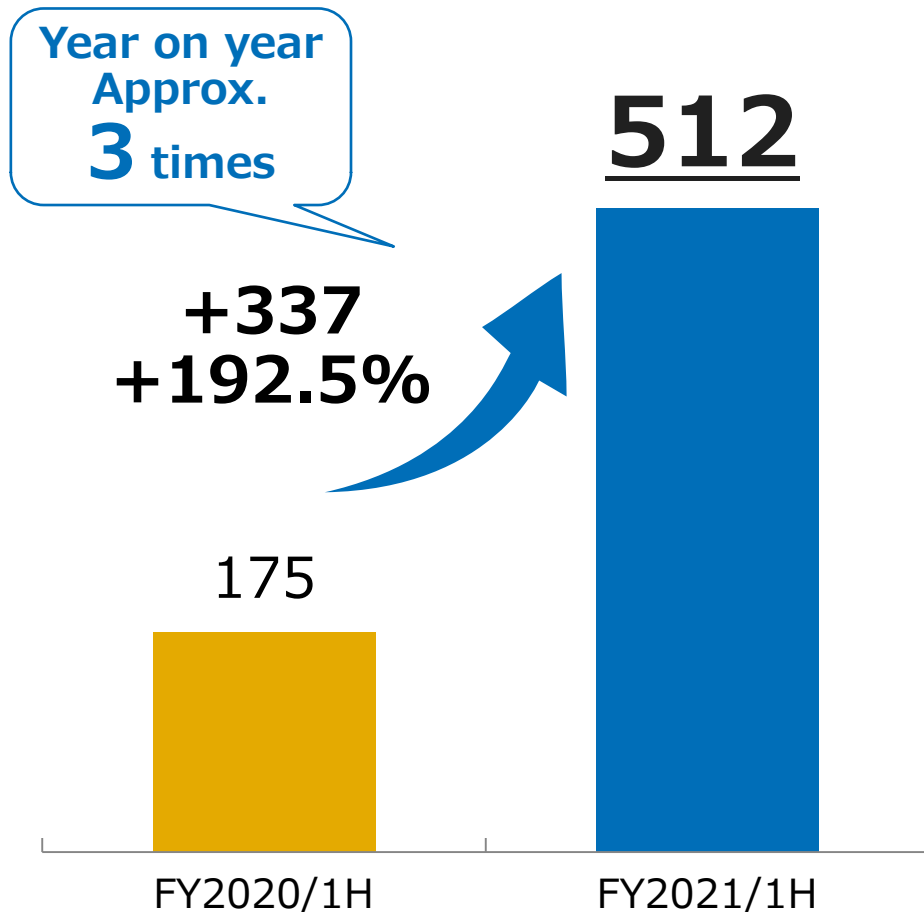
+1.2 billion yen (+36.6%) year on year  
- Increase in derivatives, business succession and M&A

Income from asset management advice

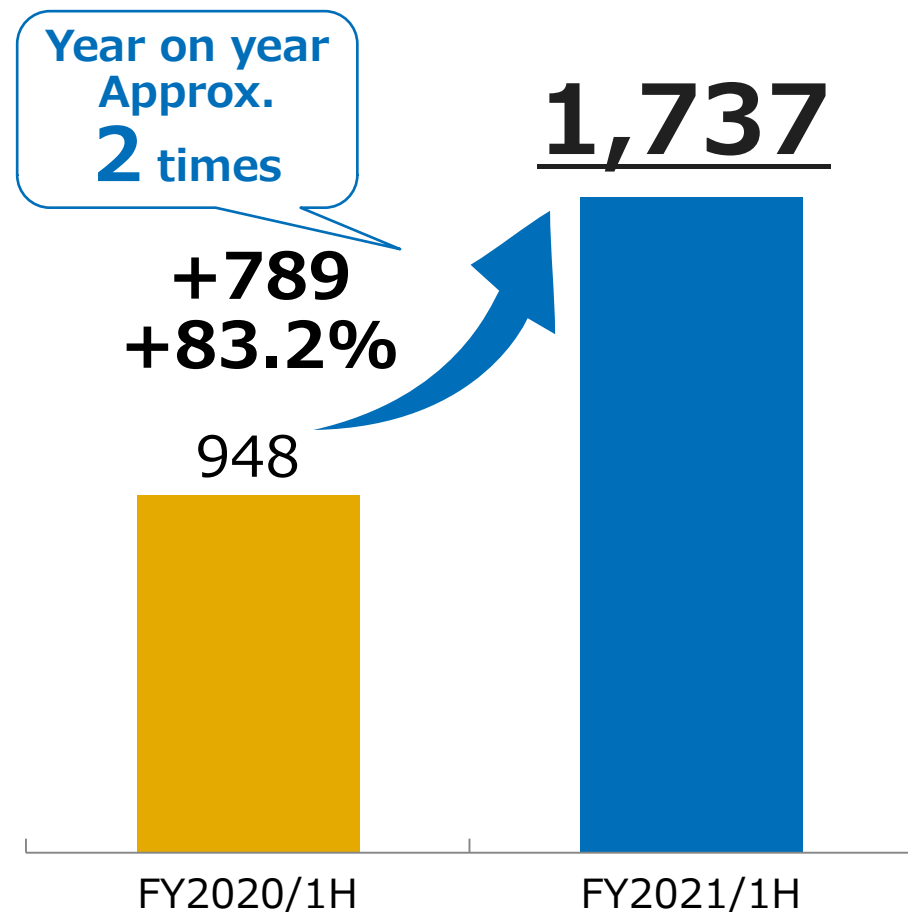
+0.2 billion yen (+8.5%) year on year  
- Increase in investment trusts and insurance



## M&A income (JPY MM)

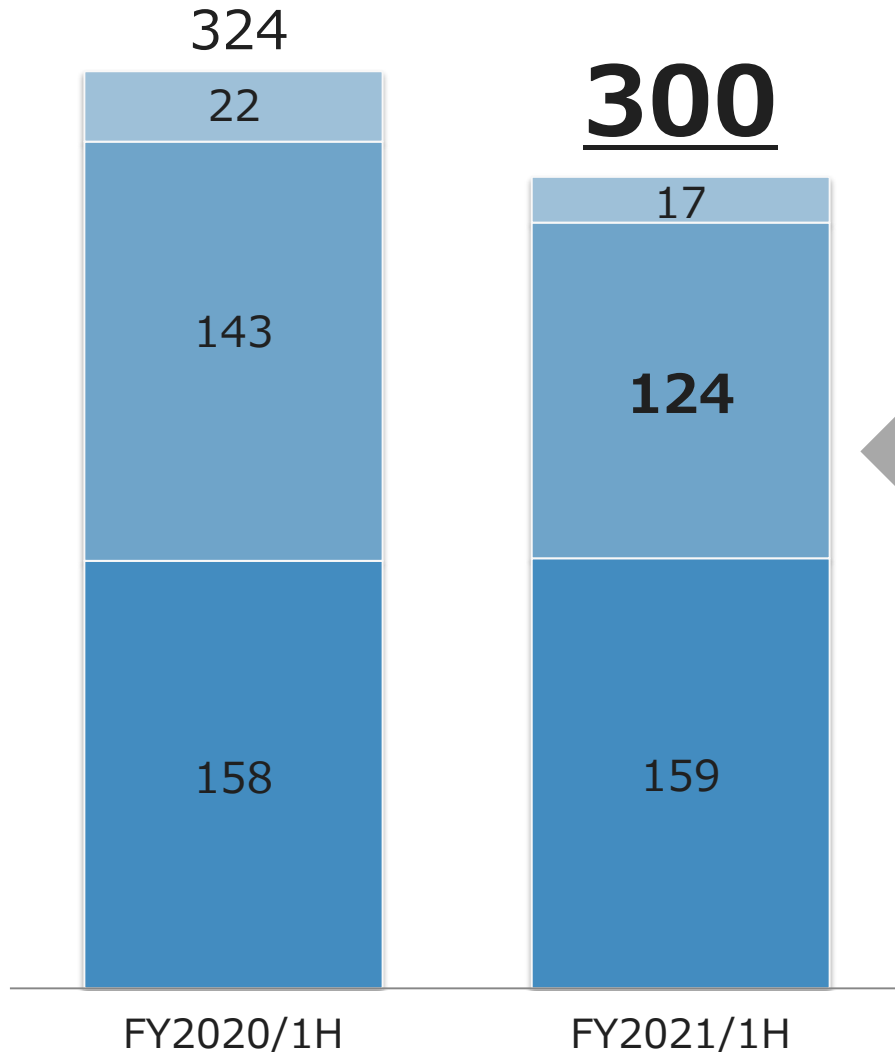


## Group securities brokerage income\* (JPY MM)



\* Total for Bank and Group Companies Divisions

■ Personnel expenses ■ Non-personnel expenses ■ Taxes  
(JPY 100 MM)



Year on  
year

**-2.3**  
billion yen  
(-7.2%)

Merger  
Synergy

Non-personnel expenses

- 1.9 billion yen (-13.2%) year on year
- System-related expenses decreased due to the merger

■ Non-performing loan ratio ■ Net credit cost

(% )

1.73

2.04

Non-performing loan ratio

+0.31 pt year on year

(JPY 100 MM)

32

35

Net credit cost

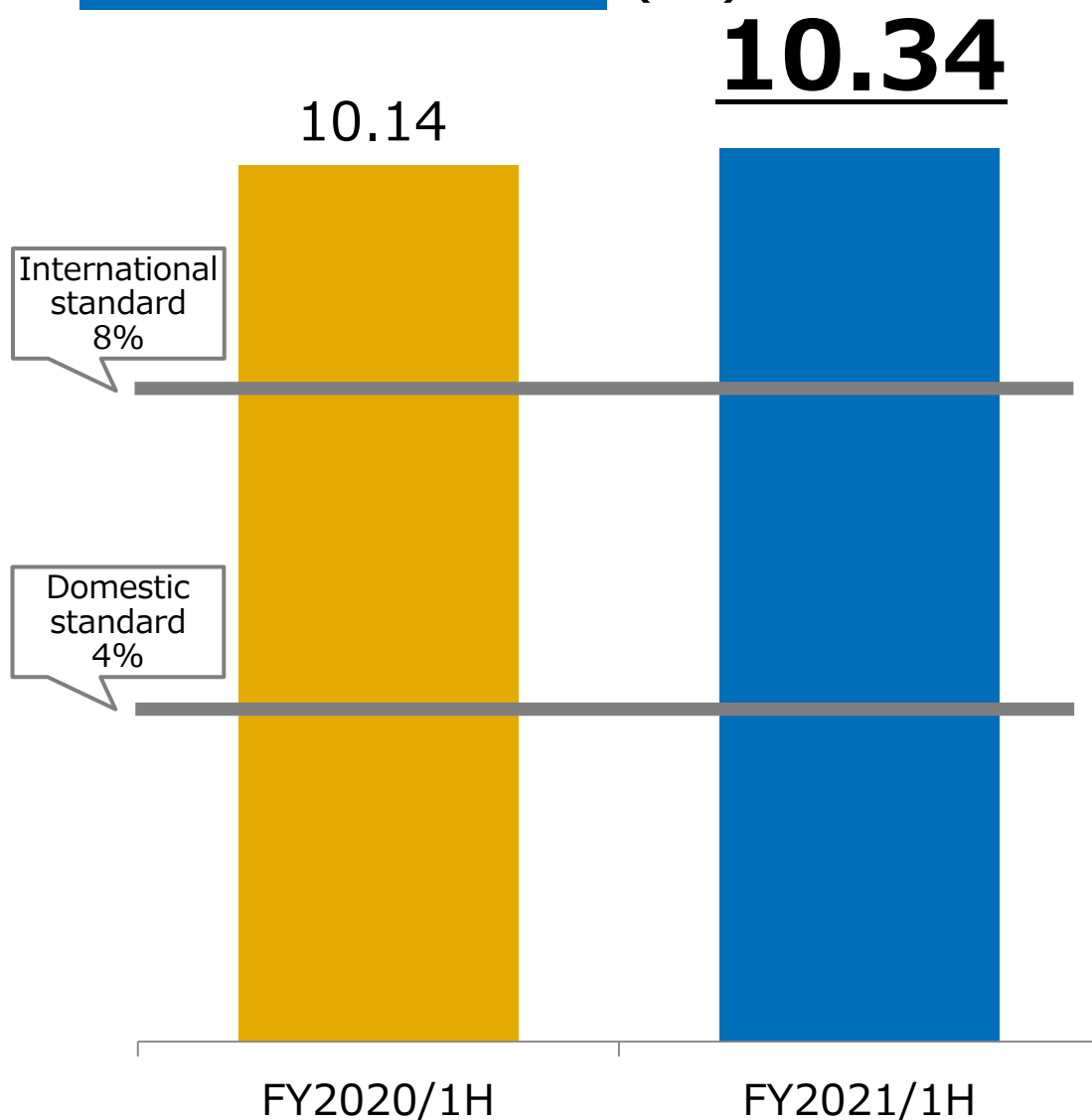
+0.3 billion yen year on year

FY2020/1H

FY2021/1H

- Increased year on year due to the downgrading of companies in and outside of the prefecture due to the prolonged deterioration of business performance
- Focused on providing support to business partners by expanding the support framework for management improvement in the credit division

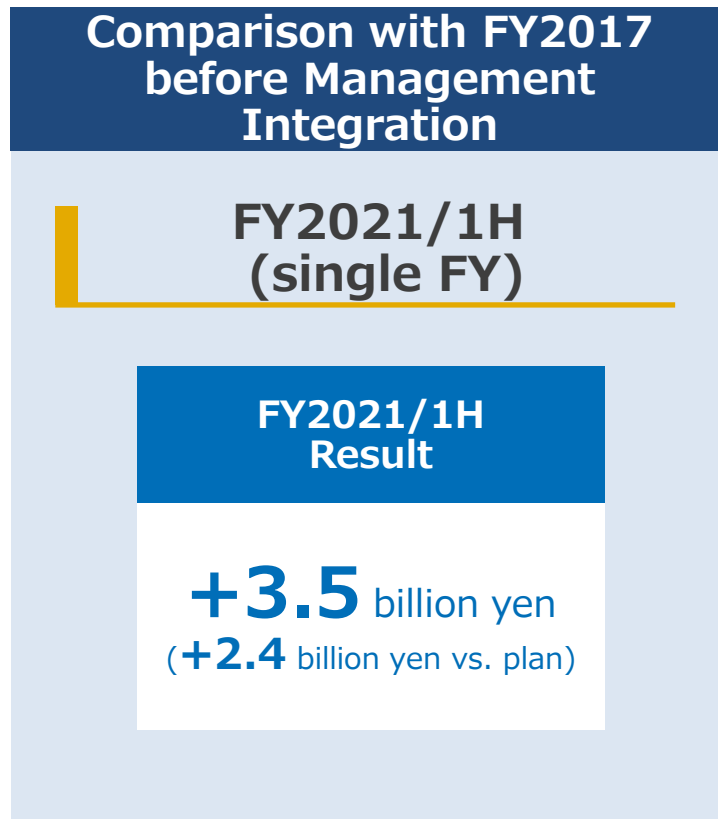
FG Consolidated (%)



Year on year

+0.20%

## Single-year synergy effects from Management Integration are progressing faster than the initial plan (formulated in October 2018)



FY2021/1H Synergy effects for a single fiscal year (JPY 100 MM)		Result	Vs. Plan
		+35	+24
Top-line synergy		+18	+6
Cost synergy		+31	+10
Negative synergy		-14	+7

### <Details of each synergy effect>

Top-line synergy	Cost synergy	Negative synergy
<ul style="list-style-type: none"> <li>Loans and bills discounted and financial solutions</li> <li>Asset management advice</li> <li>Charge area, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in personnel expenses</li> <li>Standardization of system and administration</li> <li>Decrease in outsourcing expenses, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Management Integration-related cost</li> </ul>



# Synergies from Management Integration

## Comparison with FY2017 before Management Integration

3 years after the establishment of FG

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

5 years after the Bank Merger

**Second Medium-term Management Plan**  
April 2021 – March 2024

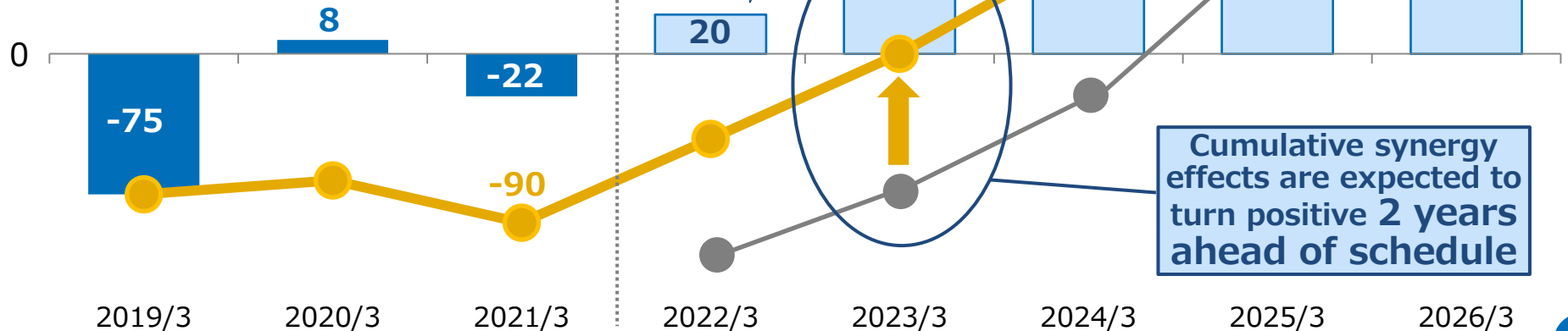
– March 2026

Negative synergies prevailed until the Bank Merger

22 billion yen or more

Synergy effects (JPY 100 MM)

- Blue bar graph (light blue is the initial plan)  
Synergy effects for a single fiscal year
- Orange line graph (estimated after 2021/3)  
Cumulative Synergy effects
- Gray line graph  
Initial plan for the cumulative synergy effects



Cumulative synergy effects are expected to turn positive 2 years ahead of schedule

# Business Forecast for the Fiscal Year Ending March 2022

Interim results exceeded the forecast announced in May and **also progressed steadily at over 66%**

However, due to uncertainty over the impact of COVID-19 and the economic impact of rising energy prices and the global shortage of semiconductors, we have **left our full-year forecast unchanged**

FG Consolidated (JPY MM)	Business forecast for FYE March 2022	FY2021/1H Result	Rate of progress against business forecast
Ordinary profit	<b>171</b>	114	66.7%
Net profit (interim)*	<b>110</b>	76	69.2%

\* Net profit (interim) attributable to owners of parent

FG Consolidated (JPY MM)	Business forecast for FYE March 2022	FY2021/1H Result	Rate of progress against business forecast
Core net business income	<b>165</b>	113	69.0%
Ordinary profit	<b>125</b>	84	67.7%
Net profit (interim)	<b>87</b>	60	69.0%

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

# **Second Medium-term Management Plan**



After the Bank Merger and  
the birth of the new bank:  
→  
Toward a new stage of  
successful merger

April  
2021

March  
2024



**Top-priority theme**

## Demonstration of synergy effects

### Maximization of Merger Synergy

Sharing of know-how  
Consolidation of  
overlapping functions  
Reallocation of  
management resources



### Maximization of Group Synergy

Maximizing the use of  
FG Group company  
functions



### Maximization of TSUBASA Partnership Synergy

Leveraging the largest  
economies of scale of  
regional banks





## Reallocation of Group management resources

Initiatives in the First Half of FY2021  
(from 2021/4 to 2021/9)

Generated personnel



**335** persons

Office Integration  
& Operation  
Reform

Carried out on **11** bases to  
generate **130** personnel

Streamlining of  
HQ

Generated **205** personnel



No. of reassigned  
personnel

**225** persons

Number of reassigned personnel  
after considering natural attrition  
due to statutory retirement,  
retirement for personal reasons,  
reduced hiring, etc.

## Demonstration of Merger Synergy



- **Bank Division: 163**  
(Of which, 73 to the sales division, 39 to engage in the medium-term management plan, etc.)
- **Group Companies Division: 47**
- **Personnel matching with business partner companies: 15**



## Enhance consulting functions by increasing number of strategic personnel

HQ specialists with high consulting skills stationed at sales offices

Before the Bank Merger

30 persons



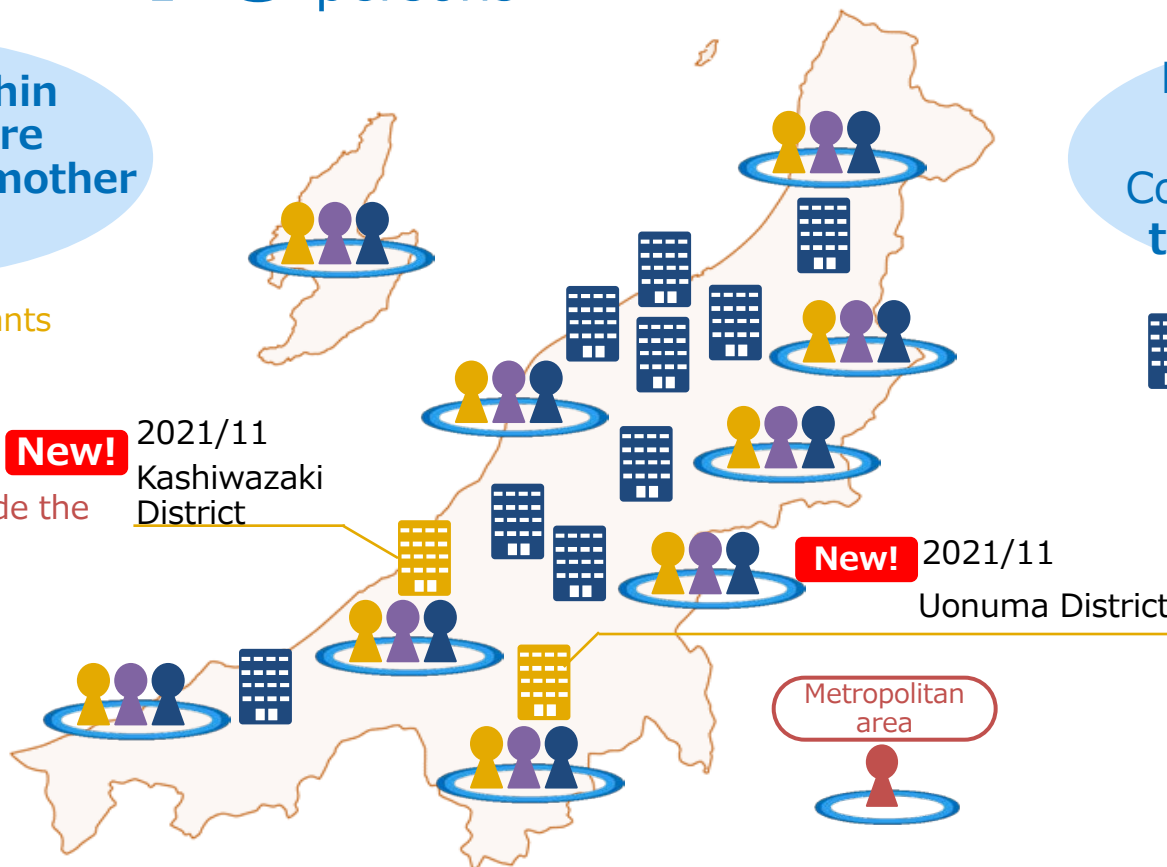
After the Bank Merger

70 persons

All blocks within the prefecture  
Deployed at the mother offices

- 13 senior consultants
- 20 Corporate CMs
- 32 Individual CMs **New!**
- 5 Strategists outside the prefecture

CM: Consultant Manager



## Improve customer convenience and expand services through expansion of Consulting Plaza

Personal loan consultation base: Expansion of Consulting Plaza

Before the Bank Merger

9 bases



After the Bank Merger

11 bases

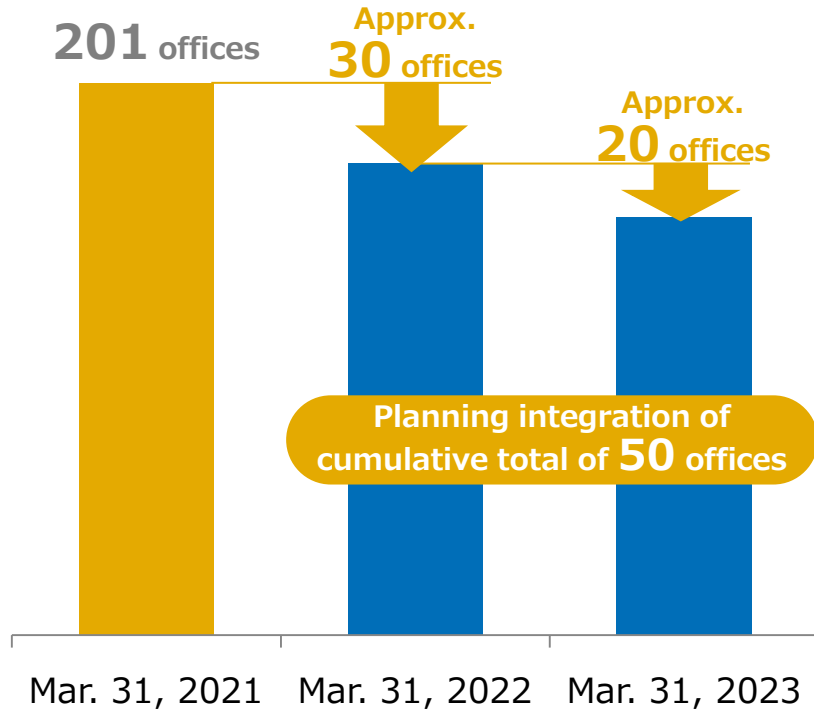
New housing in the prefecture  
Covering 90% of the loan market

Consulting Plaza



## “Office Integration” Initiatives

\* No. of real stores  
 (excluding in-office offices and Internet branches, etc.)



Planning integration of cumulative total of 50 offices

Integrate approx. 1/4 of offices in 2 years

Strengthening face-to-face channel

Continue to reassign generated personnel



**Topics** New communication space  
**Establishment of “Daishi Hokuetsu Icotto Prefectural Office”**

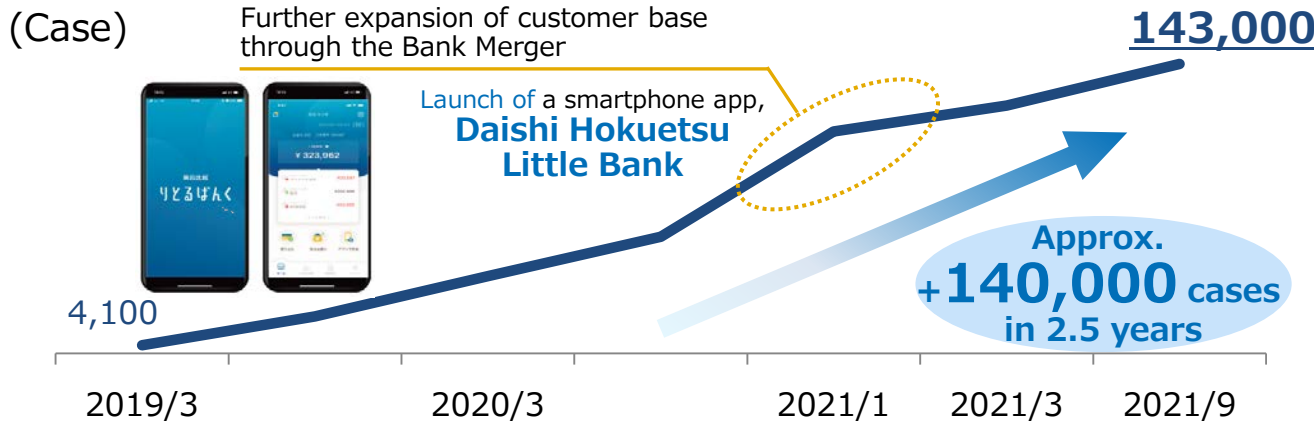
**New!** 2021/11

- Free of charge
- No membership registration required
- Equipped with Free Wi-Fi

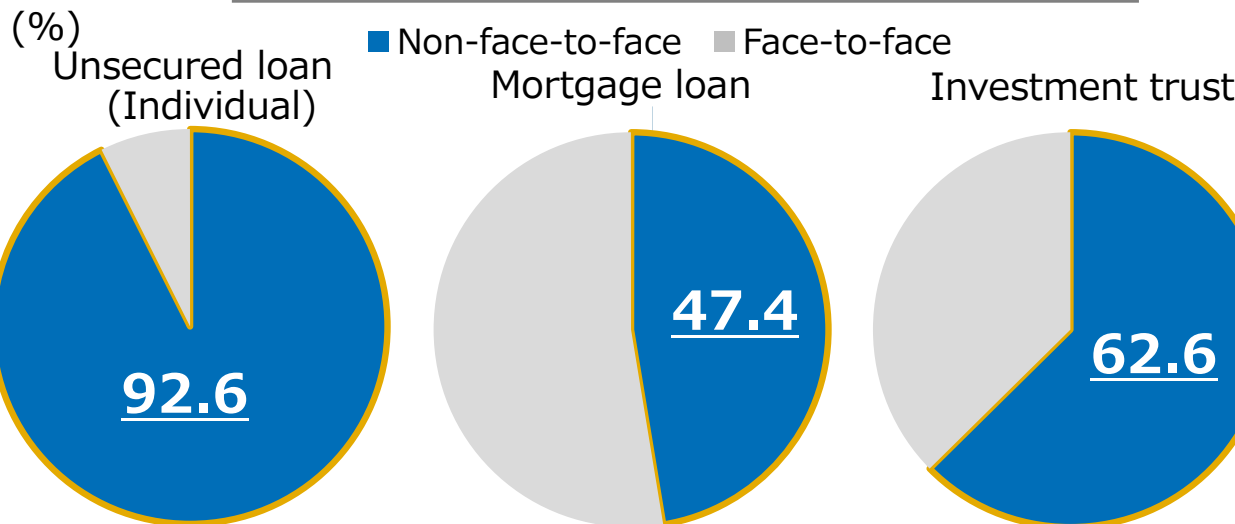
→ Utilizing vacant offices following office integration, **strengthen face-to-face channel**

## Improve customer convenience and sales efficiency through DX

Changes in the number of Daishi Hokuetsu IDs (Individuals) (estimate)



Percentage of non-face-to-face applications (first half of FY2021)



## Deepen non-face-to-face business

Consulting by experts

Deployment of tablets to sales offices (2021/4)



Used in a variety of ways, such as connecting customers with HQ staff, external experts, etc.

Increase contact points with customers

Consultations, interviews, and seminar reservations via the Web (2021/9 -)



Unify seminar reservation methods for customers

Improve customer convenience

Introduction of web-based application scheme for medical insurance (2021/8)

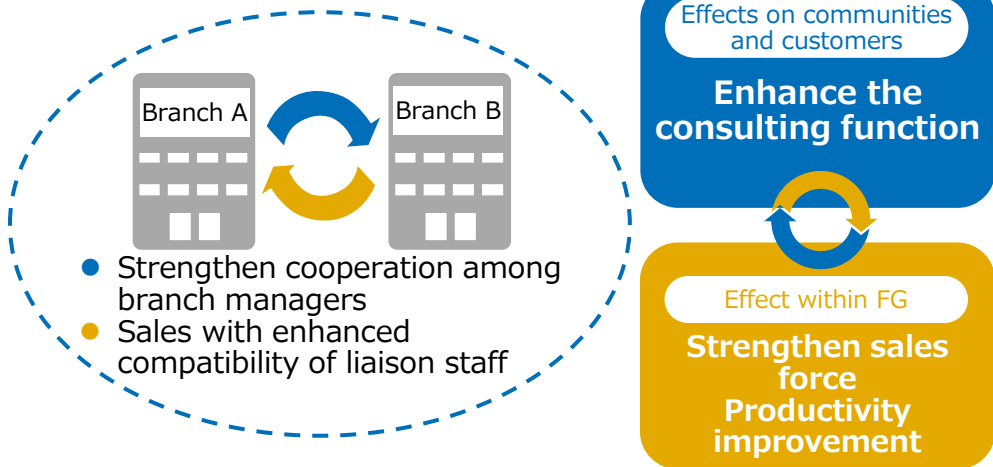
No need to visit office

Start of web application for opening investment trust accounts (2021/11)

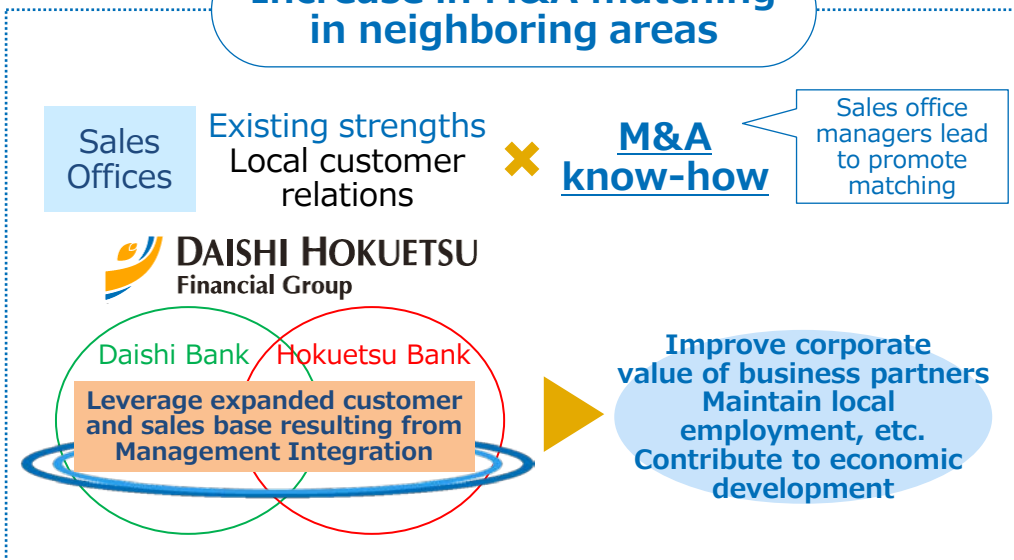
Available 24 hours a day



## Deepening know-how through integrated area sales with neighboring offices working together



## Increase in M&A matching in neighboring areas

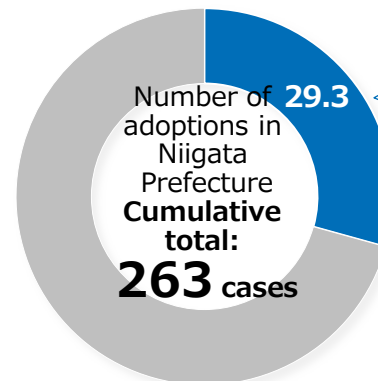


## Expand consulting function

Responding to the needs of business partners towards With COVID-19 and Post COVID-19 Support for improving corporate value by utilizing business restructuring subsidies

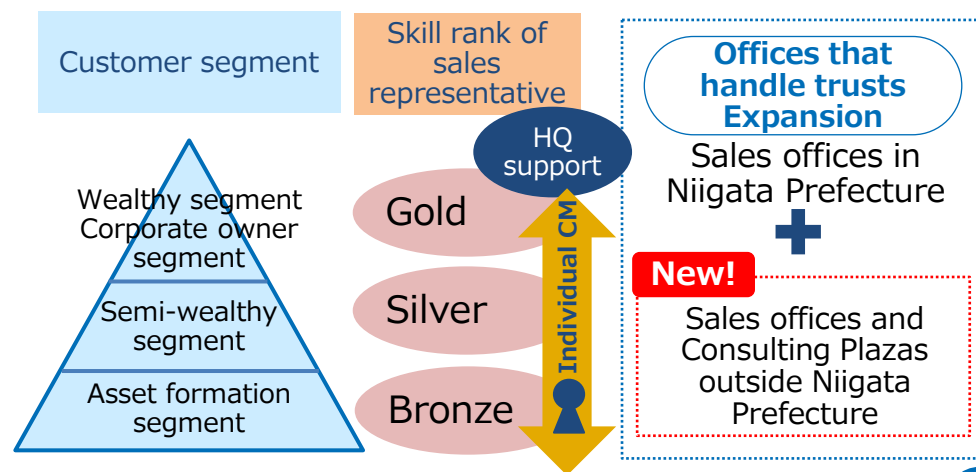
<Adoption results up to 2nd Public Call>

(%)



**DAISHI HOKUETSU BANK**  
Support ratio **No.1** in Niigata Prefecture

Consulting on asset management and succession according to customer segment



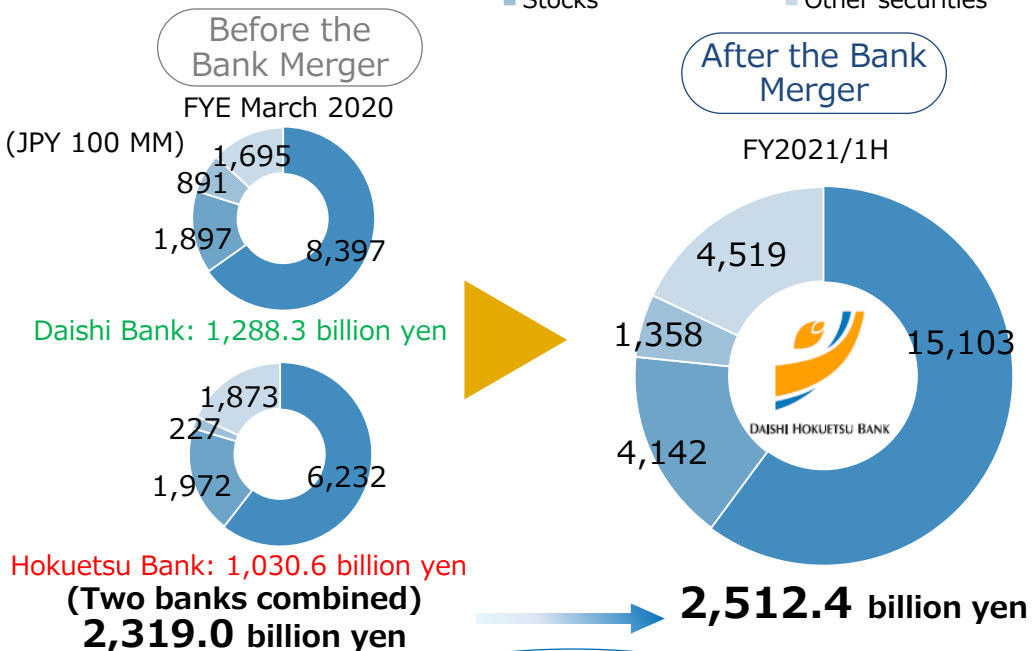
## Sophistication and diversification of securities investment

### Initiatives to demonstrate Merger Synergy and strengthen profitability

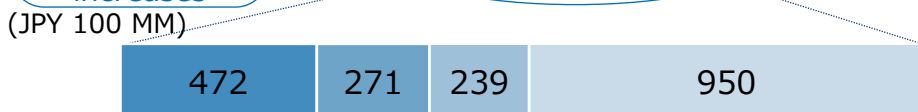
Reap the economies of scale by expanding investment scale

<End-balance of Securities>

■ Domestic debentures ■ Foreign securities  
■ Stocks ■ Other securities

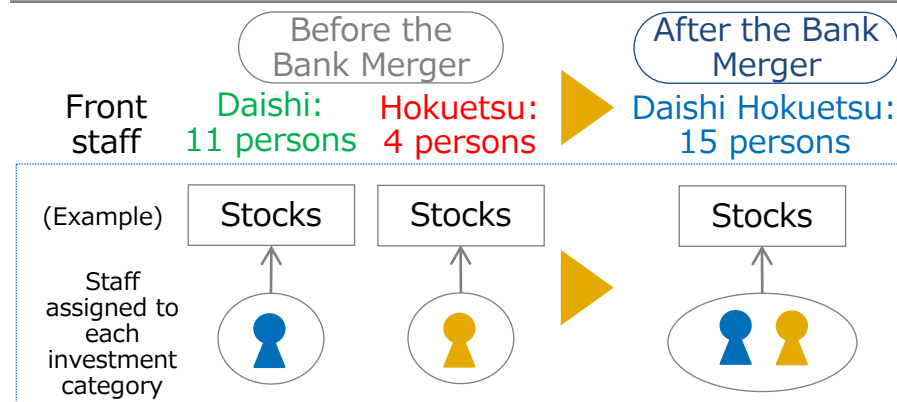


Breakdown of increases



Shift **75%** of increases to risk assets, etc.  
→ Expand diversified investment from domestic debentures

Share know-how and improve skills by consolidating investment staff



New strategic investment framework initiatives

→ Pursuit of comprehensive income through stocks, REIT, multi-assets, option trading, etc.

(First Half of FY2021)  
Average balance under management: 158.3 billion yen  
Overall yield: **2.2%** (+0.7% vs. Plan)

<Portfolio of new strategic investment framework>



## Initiatives to integrate mindsets

### Integration of mindsets & unifying vectors

Dialogue between management and staff

Briefing sessions to disseminate management philosophy and medium-term management plan

Approx. **4,700** persons participated

Briefing by President for managers

Approx. **300** persons participated

Building a foundation for demonstration of synergies

Dialogue and exchange meetings with officers

Approx. **4,000** persons in **200** venues participated in total



### Personnel transfers to promote harmony

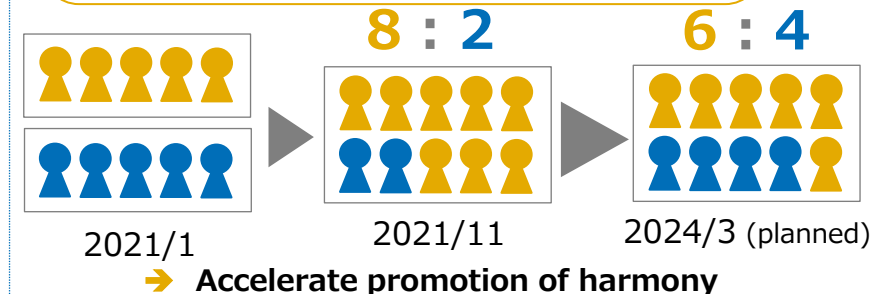
Personnel transfers since the Bank Merger (- 2021/9)

Approx. 30% of the total number of bank staff

Already transferred approx. **1,100** persons



Mix of bank staff of Daishi Bank and Hokuetsu Bank at their sales offices



## Human resource development aimed at demonstrating the consulting function — Improvement of practical skills

Steady progress in human resource development and improvement of consulting capabilities, carried out in parallel with the merger and system administration integration

First Medium-term Management Plan

Market-specific training and training for sales representatives and training for sales office managers, etc.

Second Medium-term Management Plan

- ✓ Develop and strengthen consulting capabilities
- ✓ Strengthen human resources for demonstration of Group Synergy
- ✓ Develop human resources in financial digital area
- ✓ Strategic human resource development for female staff, etc.

## Establishment and penetration of new personnel system

Elements required to achieve both productivity improvement and employee satisfaction

Professional human resource development

Management reform

Work style reform

Diversity

## New personnel system launched in conjunction with the Bank Merger

### Perspectives for improving consulting capabilities



### Daishi Hokuetsu Bank Concept of the new personnel system

#### Basic policy of the system

- ① Fair evaluation
- ② Clarify evaluation criteria and support for growth
- ③ Build a diverse human resource base
- ④ Promote organizational harmony
- ⑤ Optimize personnel expenses

Demonstrate consulting capabilities

Diverse career development and remote work

Emphasis on results and development

Respect for diversity

### Establishment of expert (professional position) system

Start appointment from 2021/10

Individual sales staff: 4;  
Corporate sales staff: 1  
Strategy and management: 1,  
Total: 6



#### Scope of specialized areas

Individual sales Wealthy segment consulting

Corporate sales Financial solutions & financing, business succession, M&A, business revitalization

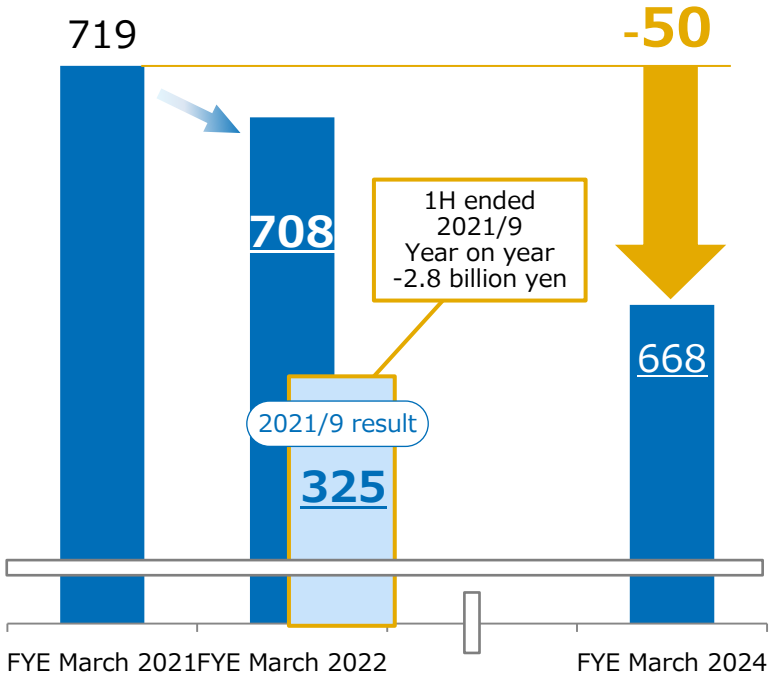
Strategy & management Market operations, IT & systems  
Data analysis, marketing  
Risk management



## Demonstration of maximum Merger Synergy, strict cost control, and optimization of personnel

FG Consolidated Operating Expenses

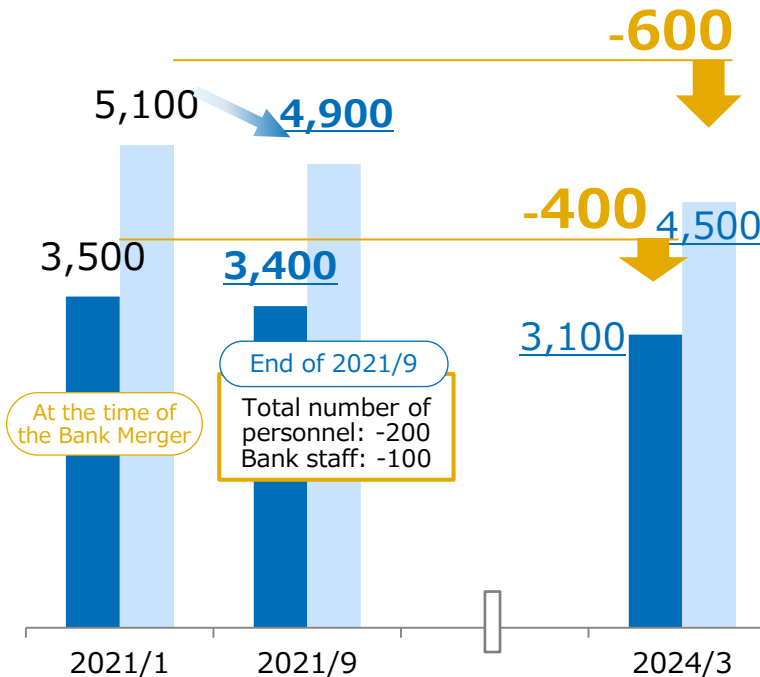
(JPY 100 MM)



Changes in total number of personnel (estimate)

(Persons)

■ Bank staff



### Invest in strategic areas

- DX Investment
- Improving customer convenience
- Enhancing FG corporate value



### Reallocation of personnel to strategic areas

- Resolve issues of the local economy
- Demonstrate financial and information intermediary functions

Change factors (2021/3->2024/3)

<b>Bank Division</b>	<p>Expenses: <b>-5.7 billion yen</b></p> <p>Personnel expenses: 2.6 billion yen</p> <p>Property expenses: -2.5 billion yen</p>	<b>Group Companies Division</b>	<p><b>+0.8 billion yen</b></p> <p>Increase in personnel expenses, etc.</p>
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Reallocated personnel (2021/9)

Number of reassigned personnel

**225 persons**

See page 20



## Rigid productivity enhancement by "New Structural Reform"

### Consolidation of operations into middle offices

Consolidation of back-office administrations at sales offices (1H ended September 2021)

Cumulative total:

**108** offices

(Approx. **50%** of all offices)

(FYE March 2022 Plan)

Cumulative total:

**157** offices

(Approx. **75%** of all offices)



Continue to reassign generated personnel



### Addressing the growing needs of the inheritance market Consolidation of inheritance operations (2021/11-)

Consolidation of inheritance handling and administration (November 2021)

Cumulative total:

**30** offices

(Approx. **15%** of all offices)

(FYE March 2022 Plan)

Cumulative total:

**52** offices

(Approx. **25%** of all offices)



Direct telephone reception

HQ Inheritance Center



- High-quality service with professional staff
- Improve efficiency of administration of sales office

### Using RPA to reduce operations

Cumulative total:  
Approx.

**80,000** hours

Cumulative total from introduction (2017) to November 2021

Future plan

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



## Maximum use of Group functions



\* Research Center of Niigata to be dissolved at the end of December 2021

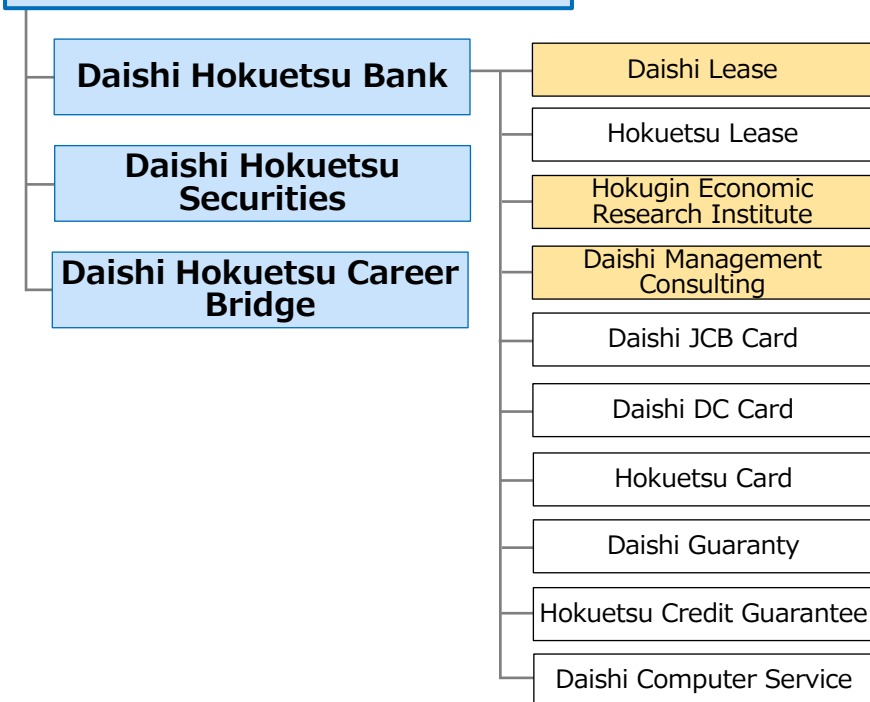


## Reorganization of the Group and expansion of business domains to demonstrate consulting functions

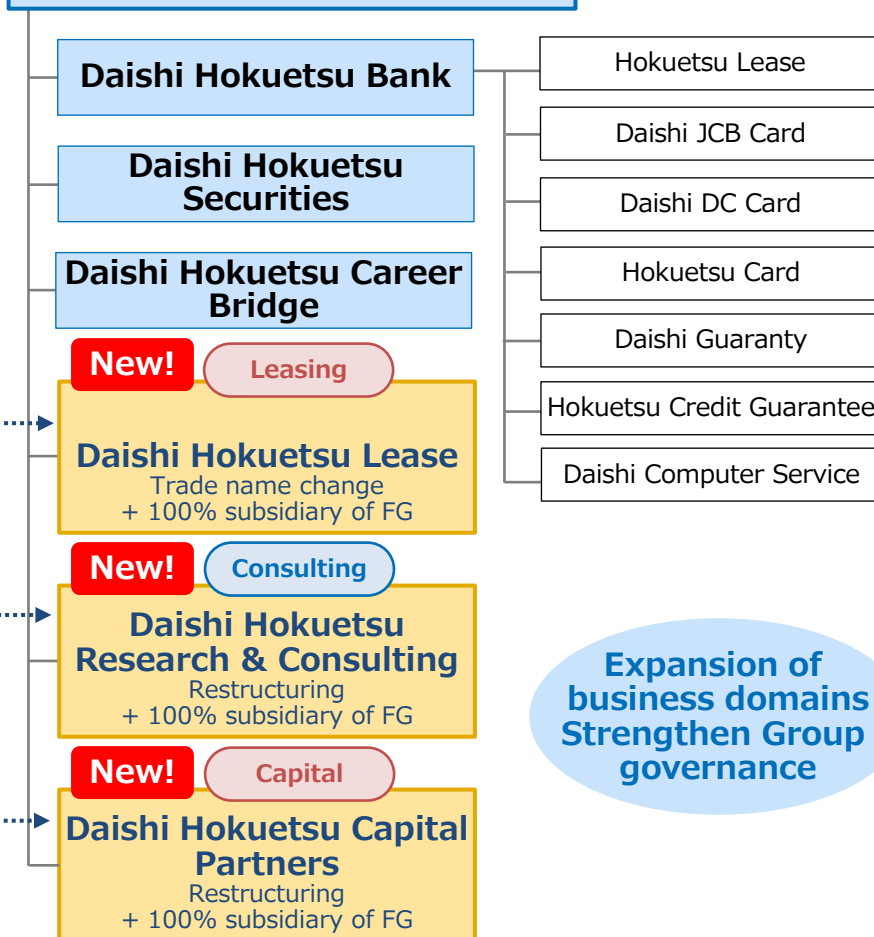
~2021/9

2021/10~

### Daishi Hokuetsu Financial Group



### Daishi Hokuetsu Financial Group



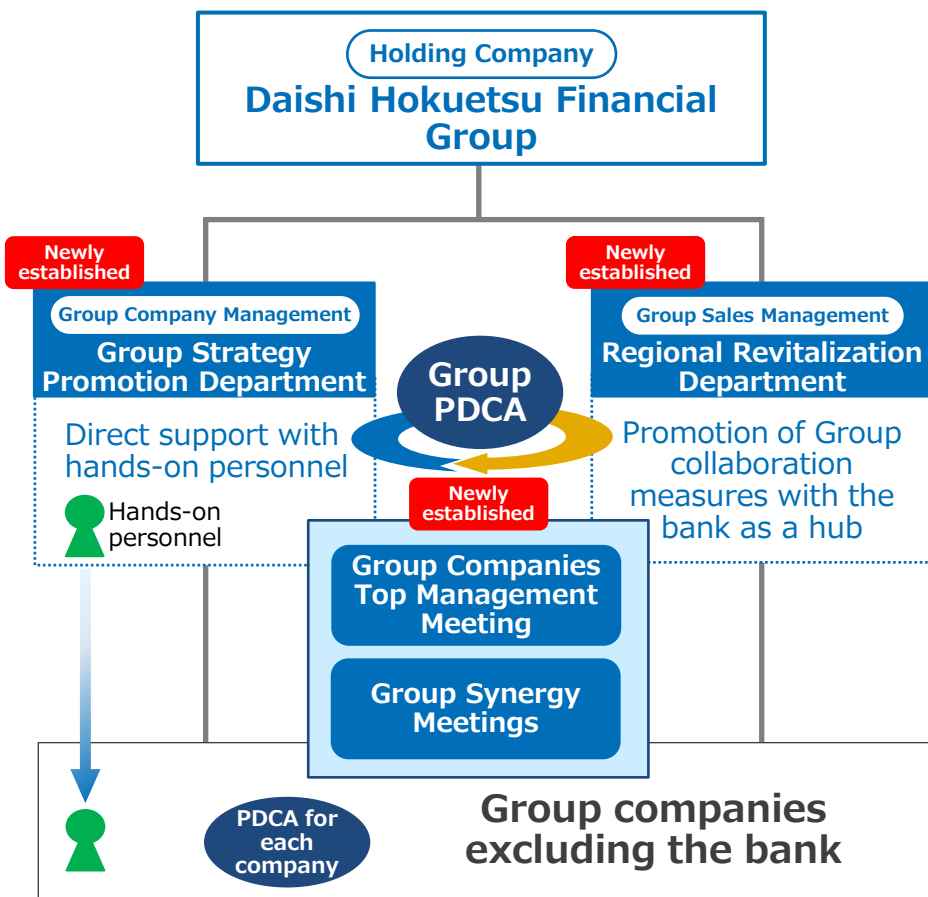
Expansion of business domains  
Strengthen Group governance





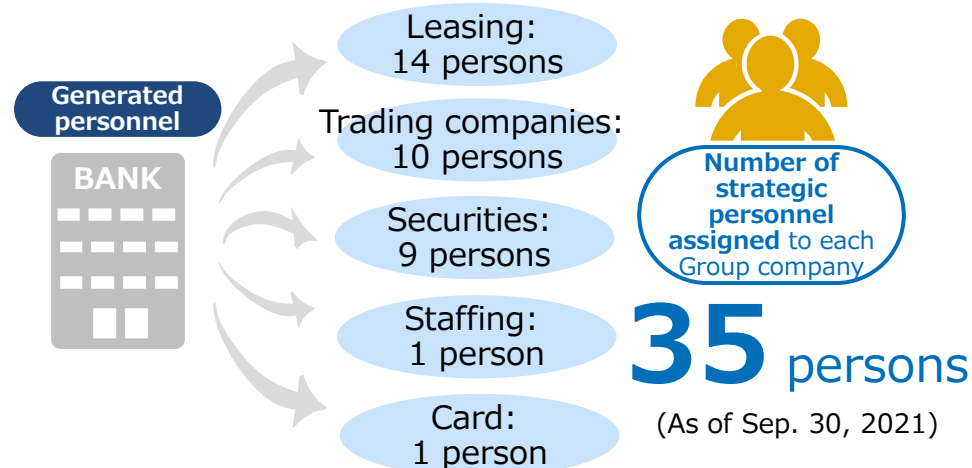
## Establishment of a multilayered governance framework

PDCA (Plan-Do-Check-Action) cycle on a Group-wide basis by strengthening governance framework



## Strengthen coordination through reallocation of Group management resources, etc.

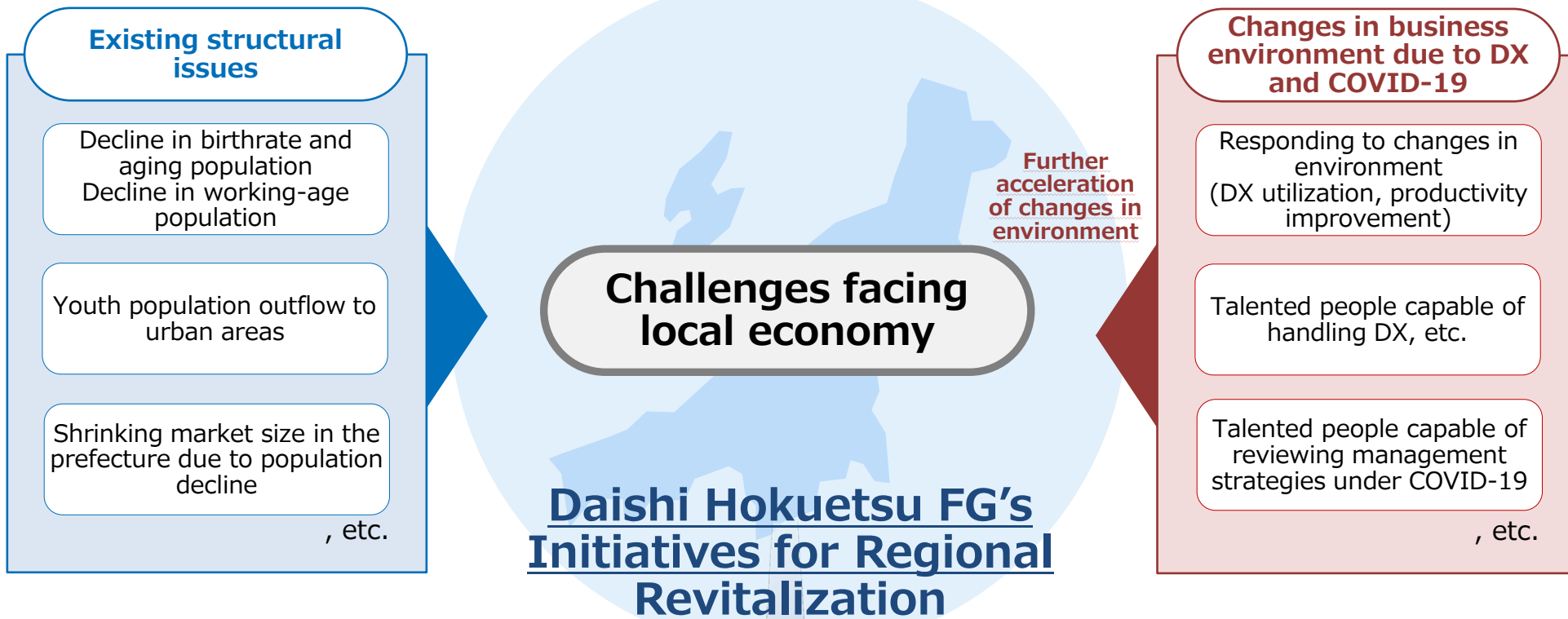
Enhance consulting functions by increasing number of strategic personnel



### Initiatives to strengthen Group collaboration

- Start lease “brokerage services” (2021/11)
- Published a booklet for customers and Group staff introducing the functions and services of the Group companies
- Hold “Group Synergy Workshop”
- ➔ Deepen understanding of the functions of each Group company and build a system to provide added value to customers through a one-stop service





2 companies established in 2019 aimed at resolving regional issues





## Regional Trading Company "Bridge Niigata"

### Sales channel development business

Antenna Shop Bridge Niigata

<Number of items of merchandise handled at the store>



▲ 1st floor, Daishi Tokyo Bldg., 1-6-5 Nihonbashi Muromachi, Chuo-ku, Tokyo

- Full-scale operation of **EC site** started introducing prefectural products in the first half of FY2021

### Tourism promotion business

- Provision of multilingual translation tools
- Proposal and joint implementation of tourism promotion measures for various organizations, etc.

### Productivity enhancement business

Support for business efficiency consulting and IT tool introduction

- RPA implementation
- Support for going paperless support
- Payment entering system
- Support for introduction of attendance management systems, etc.

#### Topics

#### Commissioned by Niigata Prefecture "DX Promotion Awareness Reform Support Project" (June 2021)

- IT literacy enhancement training
- Matching IT companies with companies in Niigata Prefecture
- Training for DX promotion manager development

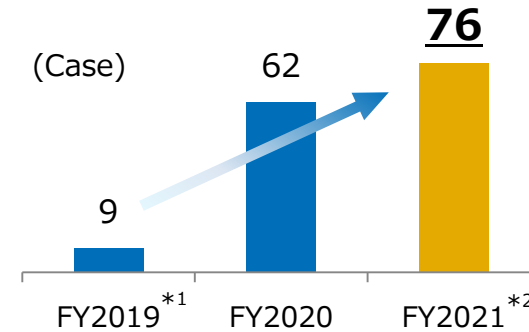
## Staffing agency "Daishi Hokuetsu Career Bridge"

### Personnel matching business

- Staffing agency business
- Personnel matching support
- Personnel matching support for dual/side jobs



<Changes in no. of cases of employment (hired/informally hired)>



\*1 6 months up to 2019/10 \*2 7 months up to 2021/10

(As of 2021/10)  
Employment, etc. exceeded the previous year

2019/9 - 2021/10  
No. of consultations Cumulative total: Approx. 1,000 cases

### Personnel development solution business

- Seminar on personnel development for companies in the prefecture held jointly with FG Group companies
- Held various online seminars under New Normal

2021年度 『人財』育成 サポートプログラムのご案内

組織力強化のための

随席別8講座 目的別9講座 をご用意

各階層・役割に必要な ビジネスマインド ビジネススキルの向上を目指します

## Framework for regional banks' comprehensive collaboration



**TSUBASA ALLIANCE**

Number of participating banks

**10 banks**

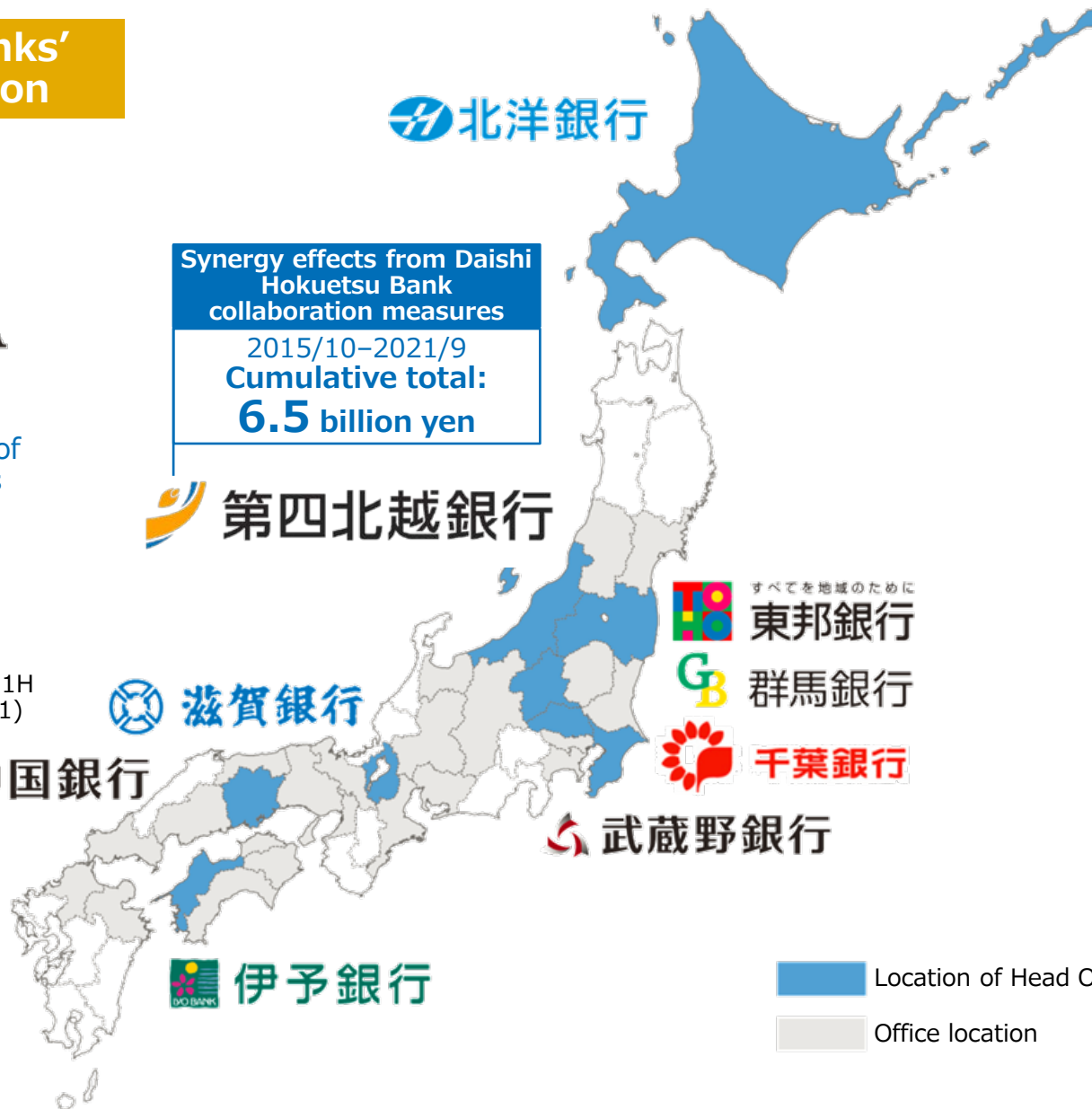
(As of Sep. 30, 2021)

Total asset balance of participating banks

**Over 90 trillion yen**

(Consolidated basis for 1H ended September 2021)

Synergy effects from Daishi Hokuetsu Bank collaboration measures  
2015/10-2021/9  
**Cumulative total: 6.5 billion yen**



■ Location of Head Office  
■ Office location

## Expansion of new business domains

- 2015**
  - Launch of TSUBASA Alliance** (October 2015)
    - Inaugurated by three banks (our bank, Chiba, and Chugoku)
- 2016**
  - Establishment of T&I Innovation Center
  - Inheritance-related business alliance
- 2017**
  - Sharing of mission-critical systems
- 2018**
  - Agreed to share administrative divisions (our bank, Chiba)
  - Launch of TSUBASA FinTech common platform
  - Introduction of TSUBASA Smile
- 2019**
  - SDGs Declaration
  - M&A comprehensive collaboration
- 2020**
  - Business alliance in the field of foreign exchange derivatives (our bank, Toho)
  - Establishment of TSUBASA Alliance Co., Ltd.
- 2021**
  - Agreement on establishment of ONAD Co., Ltd. (our bank, Chiba, Chugoku)
  - Establishment of Business Strategy Department in TSUBASA Alliance Co., Ltd.

### Establishment of ONAD Co., Ltd.

Providing remote financial consulting services

**Features:** **“Neutrality,” “Remote completion,” and “Specialized in advice”**  
 Provision of advice through remote interviews  
 Dedicated advisors are available



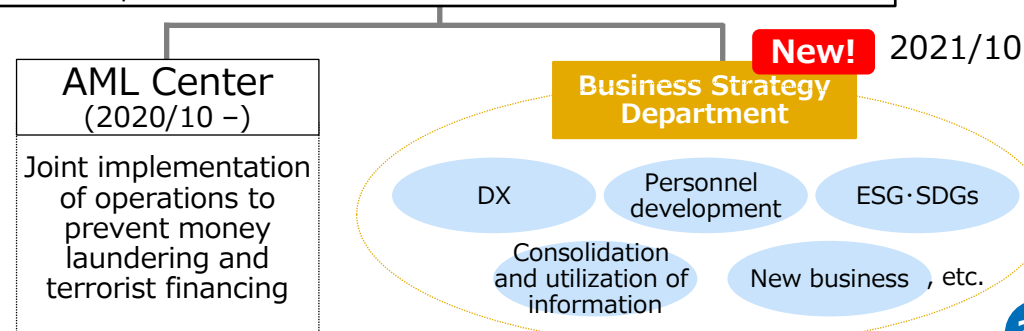
### Paid advice through life plan simulation

- Asset management
- Inheritance and trust
- Insurance
- Loans
- etc



### Establishment of Business Strategy Department

**TSUBASA Alliance Co., Ltd.** (July 2020)  
 Address issues common to each bank, consolidate operations, and expand advanced services and functions across the board





Environment, Society and Governance

# ESG Initiatives



## E nvironment



### Launch of Sustainability Link Finance and Sustainability Finance (August 2021)

#### Customers



Loan agreement  
Setting targets related to ESG and SDGs  
Reporting and publication of initiative results  
Reporting, etc.



Acquire rating

External rating agency



### Start of Daishi Hokuetsu SDGs Consulting Service (September 2021)



Diagnosis on SDGs initiative status

Support for formulation of SDG Declaration



### Initiatives using the TSUBASA Alliance framework



### Financial initiative for Biomass Power Generation Project (August 2021)

#### <Overview of Project Finance>

Arranger	Daishi Hokuetsu Bank Sumitomo Mitsui Trust Bank
Lender	Daishi Hokuetsu Bank Sumitomo Mitsui Trust Bank Chiba Bank Chugoku Bank Iyo Bank Toho Bank North Pacific Bank Musashino Bank Shiga Bank, etc.

Total amount:  
**28 billion yen**

Eight participate banks of the TSUBASA Alliance has participated



Biomass Power Generation Project in Seiro-machi, Kitakanbara-gun, Niigata Prefecture

→ 2024/10  
Plan to start commercial operation of a large-scale power generation facility, one of the largest in Niigata Prefecture

## E nvironment



### Three projects adopted by the Ministry of the Environment (FY2021)



Selected as a participating financial institution in the Ministry of the Environment's "Pilot Program Support Project for Scenario Analysis of Climate Risks and Opportunities in Line with TCFD Recommendations" (September 2021)

- Studying scenario analysis of climate risks and opportunities in line with TCFD recommendations



Adopted as a supporting institution for the Ministry of the Environment's "FY2021 ESG Regional Finance Promotion Project" (July 2021)

- Our bank, Chiba Bank, and North Pacific Bank are jointly considering methods to approach ESG issues in the food industry and the modeling of feasibility assessment



[Leasing Business] Selected as a designated leasing company for the Ministry of the Environment's ESG Leasing Promotion Project (June 2021)

- By introducing decarbonized equipment that meets the standards through the company, customers can reduce their lease payments



## Society



DAISHI HOKUETSU  
Financial Group  
第四北越フィナンシャルグループ  
**Shoku no Kizuna (Food Relationship) in Niigata Project**

The project launched by the Company and our Group companies to support households in need of food amid the prolonged impact of COVID-19

### Phase 1

— Supporting organizations affected by COVID-19 —  
Handling of charitable private placement bond  
“SDGs Private Placement Bond”

Private Securities Supporting  
“Food Relationship”  
(November 2020 – June 2021)

No. of issuing companies:  
**116**



Cumulative donation amount:  
Approx. **13 million yen**

Private Securities Supporting  
“Food and Job Relationship”  
(July 2021 – December 2021)

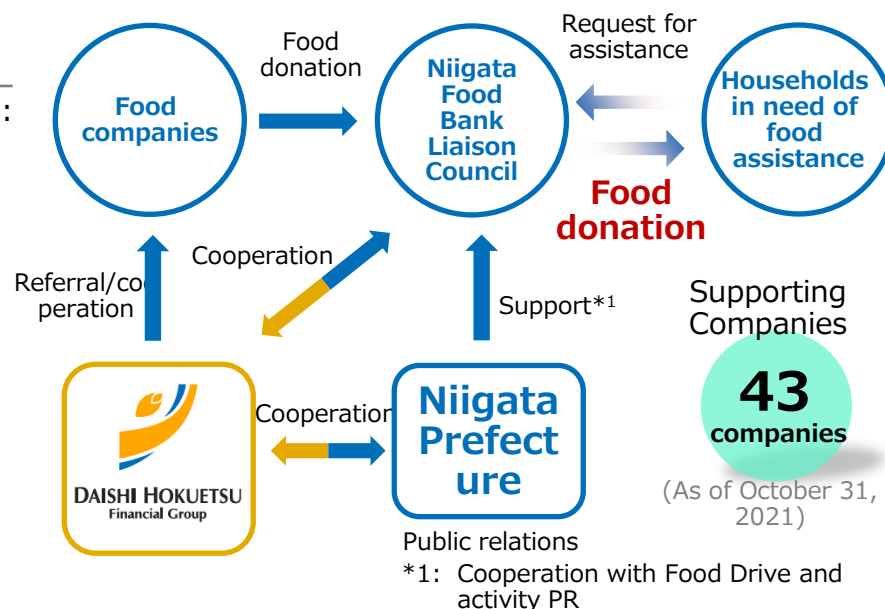
No. of issuing companies:  
**39**



Currently available

### Phase 2

Food donation initiative to households affected by COVID-19

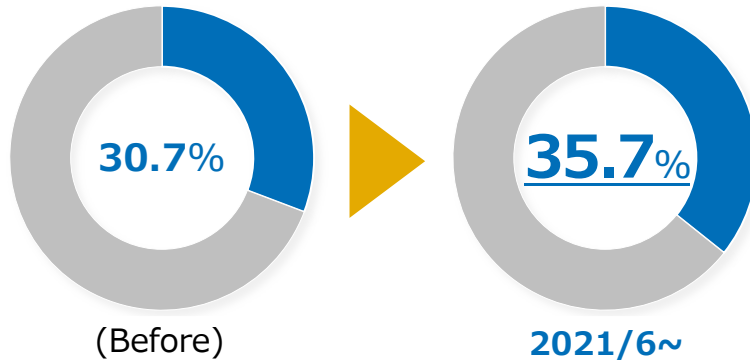


## Governance



### Increase in the number of Outside Directors to further strengthen corporate governance system

Ratio of Outside Directors on the Board of Directors

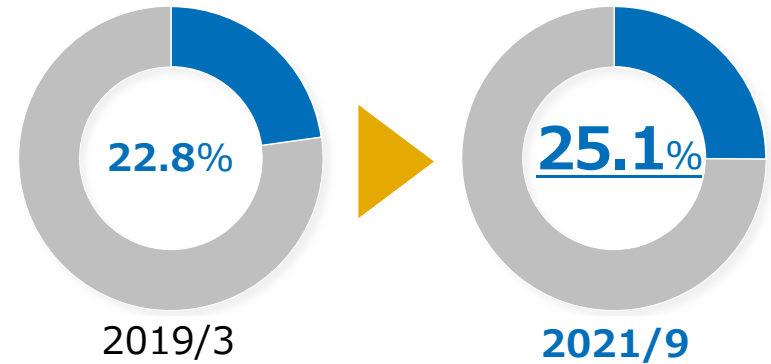


Expertise of independent Outside Directors



### — Diversity Initiatives — Initiatives to promote advancement of women

Increase the ratio of women in management positions (deputy level and above)



Double-acquisition of "Platinum Kurumin" and "L-Boshi III"



# Capital Policy

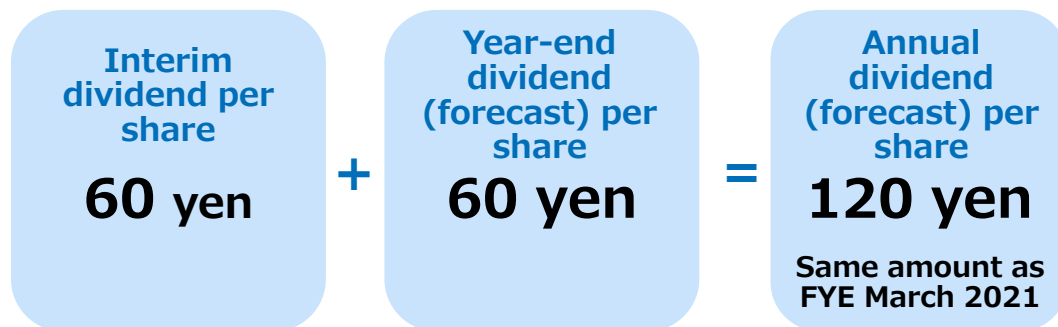


## Shareholder Return Policy

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 net 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 FYE March 2022



### Past result of shareholder return

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

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

# Second Medium-term Management Plan Slogan for all staff of Daishi Hokuetsu Financial Group



Unite Our Aspirations

# ***Appendix***





# Management Indicators

Management indicators		FY2020/1H Result	FY2021/1H Result	Year on year	FYE March 2022 annual target
<b>Strengthening profitability</b>	<b>Consolidated net profit (interim)*1</b>	6.8 billion yen	<b>7.6 billion yen</b>	0.8 billion yen	<b>11.0 billion yen</b>
<b>Growth of the Group</b>	<b>Growth rate of average balance of SME loans*2</b>	1.4%	<b>-2.9%</b>	-4.3%	<b>0.3%</b>
	<b>Average balance of SME loans</b>	1,938.9 billion yen	<b>1,884.1 billion yen</b>	-54.8 billion yen	<b>1,946.7 billion yen</b>
	<b>Growth rate of average balance of consumer loans*2</b>	2.4%	<b>1.8%</b>	-0.6%	<b>2.5%</b>
	<b>Average balance of consumer loans</b>	1,323.7 billion yen	<b>1,356.4 billion yen</b>	32.7 billion yen	<b>1,366.5 billion yen</b>
	<b>Growth rate of non-interest income*3</b>	-13.1%	<b>21.0%</b>	34.1%	<b>20.9%</b>
	<b>Non-interest income</b>	9.0 billion yen	<b>10.5 billion yen</b>	1.4 billion yen	<b>21.5 billion yen</b>
	<b>Growth rate of Group company income*4</b>	49.2%	<b>59.3%</b>	10.0%	<b>25.8%</b>
	<b>Group company income</b>	1.1 billion yen	<b>1.8 billion yen</b>	0.7 billion yen	<b>3.6 billion yen</b>
<b>Improvement of management efficiency</b>	<b>OHR (consolidated)</b>	81.4%	<b>73.4%</b>	-8.0%	<b>77.2%</b>
	<b>ROE (consolidated)</b>	1.7%	<b>1.7%</b>	0.0%	<b>2.6%</b>
<b>Maintenance &amp; improvement of business health</b>	<b>Consolidated capital adequacy ratio</b>	10.14%	<b>10.34%</b>	0.20%	<b>≥ 9.9%</b>

\*1: Net profit (interim) attributable to owners of parent

\*2: Average annual (interim) 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, and from the viewpoint of comparison with previous fiscal years, the figures compared with retrospectively changed counts)

\*4: Total net profit (interim) of Group companies attributable to owners of parent, excluding the holding company and the bank

# Six Indicators for Deepening Transformation of Portfolios

## <Bank Division>

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



## <Group Companies Division>

Raise the ratio of “Group company income” in consolidated net profit

Six indicators for deepening transformation of Portfolios	FY2020/1H Result	FY2021/1H Result	Year on year	FYE March 2022 annual target
(1) Ratio of SME loans to total loans	38.8%	<b>37.8%</b>	-1.0%	<b>38.9%</b>
(2) Ratio of consumer loans to total loans	26.5%	<b>27.2%</b>	0.7%	<b>27.3%</b>
(3) Ratio of unsecured loans in consumer loans	8.5%	<b>8.5%</b>	0.0%	<b>8.4%</b>
(4) Ratio of income from asset management advice in core gross business profits	7.6%	<b>8.2%</b>	0.6%	<b>10.9%</b>
(5) Ratio of income from financial solutions in core gross business profits	8.0%	<b>10.9%</b>	2.9%	<b>11.1%</b>
(6) Consolidated / non-consolidated multiplier (FG consolidated net profit / Bank non-consolidated net profit)	0.94 times	<b>1.26 times</b>	0.32 times	<b>1.10 times</b>



# Indicators for Contribution to Communities

Indicators for Contribution to Communities		FY2021/1H Result	Vs. Target
Top-priority target to measure contributions to the local communities	Number of companies for which Daishi Hokuetsu Bank is a main bank	15,592 partners	+446 partners
Maintain and increase regional economic drivers	Number of cases involved in first and second start of business	800 cases	-25 cases
	Number of business partners whose business succession was supported	845 partners	+35 partners
Support companies to enhance their added value	Number of borrowers based on business evaluation	5,373 partners	+231 partners
	Balance of loans based on business evaluation	1,166.9 billion yen	+1.4 billion yen
	Number of companies using the Guidelines for Personal Guarantee Provided by Business Owners	6,934 partners	-431 partners
	Number of business partners with improved key performance indicators, etc.	9,751 partners	+4,531 partners
	Number of cases of core business support	1,625 cases	+308 cases
	Number of support cases for formulating a business improvement plan	240 cases	+65 cases
Providing new value through expansion of business domains	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through a regional trading company</div> Number of companies supported in sales channel development (cumulative total)	432 partners	-6 partners
	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through a staffing agency</div> Number of FG collaboration activities to support productivity improvement (cumulative total)	25 cases	+4 cases
	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through a staffing agency</div> Number of personnel matching cases that lead to solutions to corporate issues (cumulative total)	42 cases	+12 cases

# Financial Summary for the First Half Ended September 2021 (Profit/Loss)

- FG consolidated ordinary profit and interim net profit both exceeded the May 2021 forecast and the previous year's result

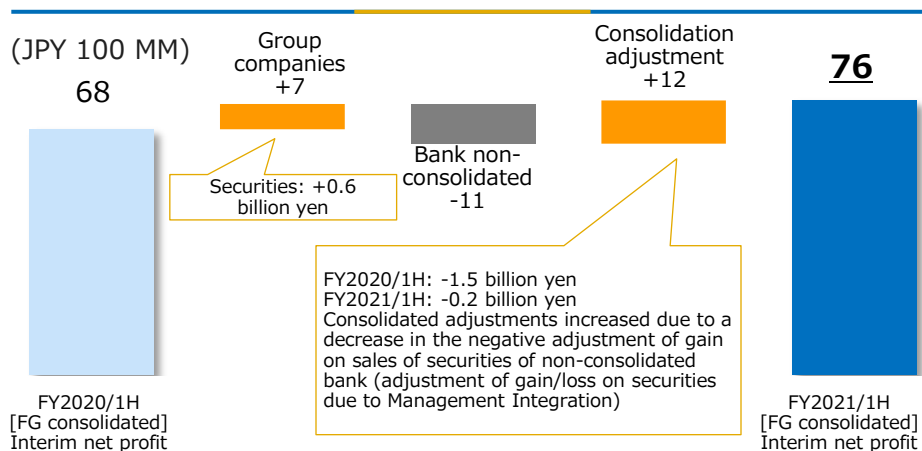
FG Consolidated (JPY 100 MM)	Business Performance for the Fiscal Year 2021 1H		Business forecast (announced in May 2020)	
	Year on year			Vs. Business forecast
1 Ordinary profit	114	5	82	32
2 Net profit* <sup>1</sup>	76	8	52	24

\*1 Profit attributable to owners of parent

Group Companies (JPY 100 MM)	Business Performance for the Fiscal Year 2021 1H		Business Performance for the Fiscal Year 2020 1H	
	Year on year			
3 Net profit* <sup>2</sup>	18	7		11

\*2 Total interim net profit of Group companies attributable to owners of parent (excluding the holding company and the bank)

## <FG consolidated> Change Factor

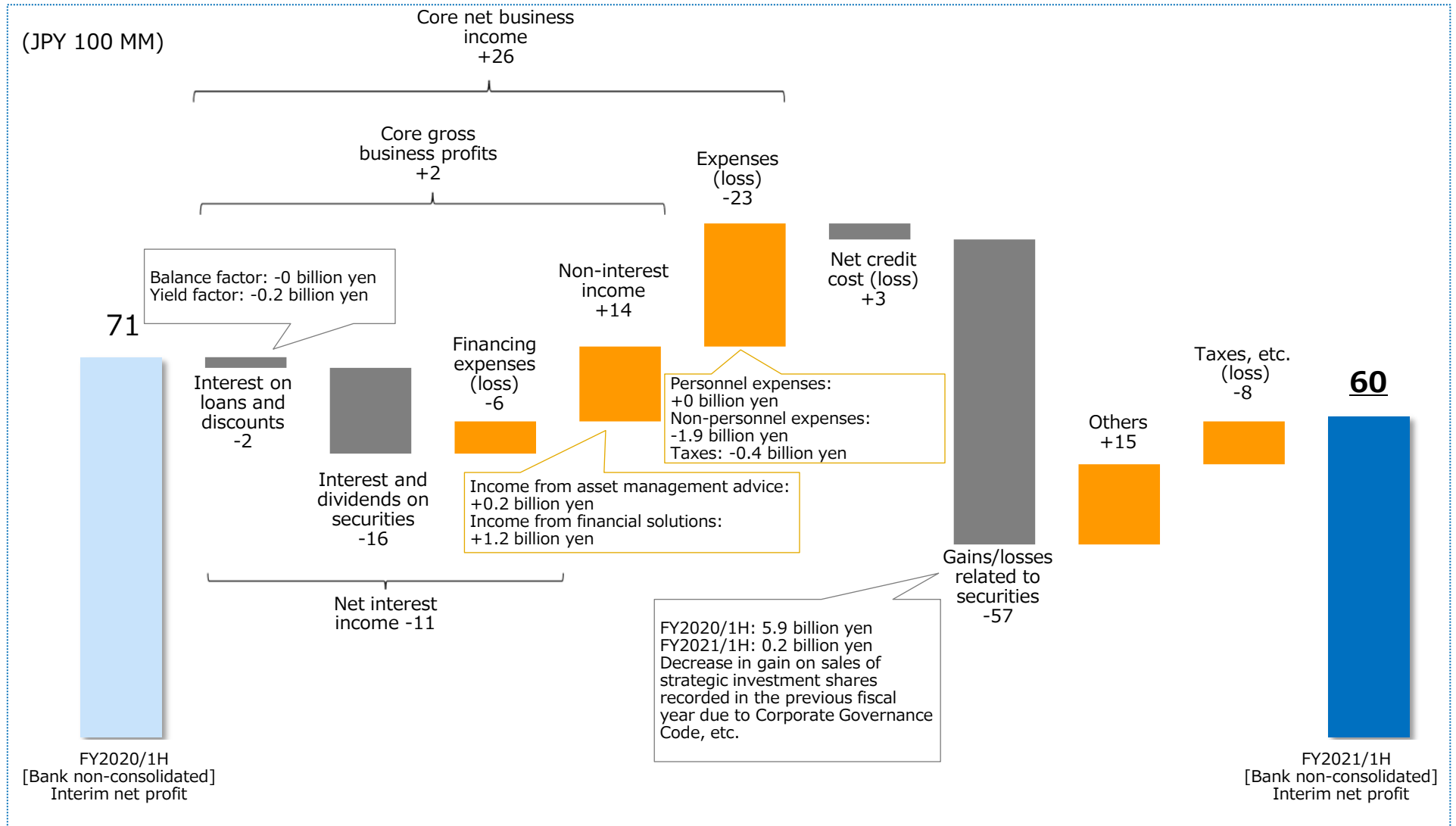


Bank non-consolidated (JPY 100 MM)	Business Performance for the Fiscal Year 2021 1H		FY2020 1H financial results
	Year on year		
4 Gross business profits	386	- 10	397
5 (Core gross business profits)	414	2	411
6 Net interest income	309	- 11	321
7 (Of which, interest on loans and discounts)	226	- 2	229
8 (Of which, interest and dividends on securities)	91	- 16	107
9 (Of which, financing expenses)	11	- 6	18
10 Net fees and commissions income	67	2	65
11 Other operating profits	9	- 0	10
12 (Excluding gains/losses related to debentures (government bonds, etc.))	37	12	24
13 (Of which, gains/losses related to debentures (government bonds, etc.))	- 28	- 13	- 14
14 Expenses	300	- 23	324
15 Real net business income	85	12	73
16 Core net business income	113	26	87
17 (Excluding gains/losses on cancellation of investment trusts)	113	26	87
18 Net business income	84	15	69
19 Nonrecurring gains/losses	0	- 36	36
20 Ordinary profit	84	- 20	105
21 Extraordinary income/loss	- 0	0	- 1
22 Net profit	60	- 11	71
23 <Net credit cost>	35	3	32
24 <Gains/losses related to securities>	2	- 57	59
25 <Management Integration-related cost (total)>* <sup>3</sup>	14	- 2	16

\*3 Total of Management Integration-related cost recorded in "Expenses" and "Nonrecurring gains/losses"

# Financial Summary for the First Half Ended September 2021 (Profit/Loss)

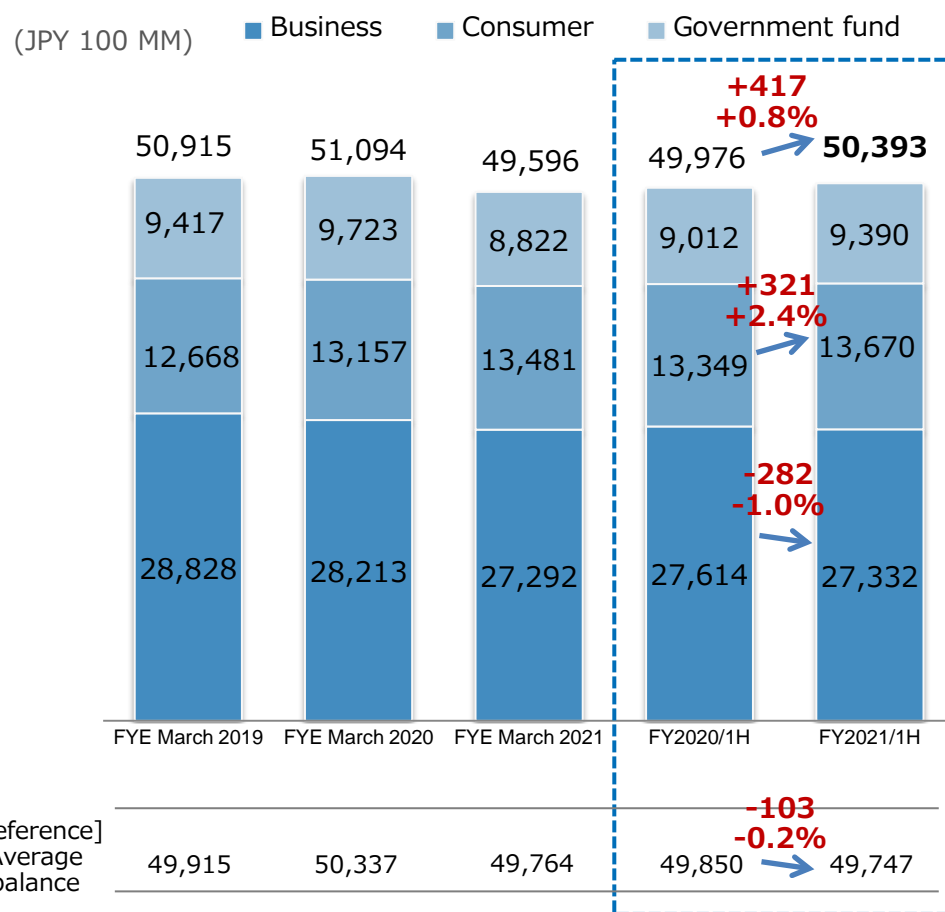
## <Bank Non-consolidated> Change Factors DAISHI HOKUETSU BANK



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

- In response to the prolonged impact 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 continuing to provide multifaceted support by actively utilizing the functions of our Group companies
- Consumer loans increased steadily by 32.1 billion yen year on year, and the total balance of loans and bills discounted increased by 41.7 billion yen year on year
- Business loans slightly decreased due to reaction to proactive support for COVID-19 in the previous year

## Average Balance of total loans and bills discounted



## Response to COVID-19 (Cumulative total up to September 2021)

### [Business loans]

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

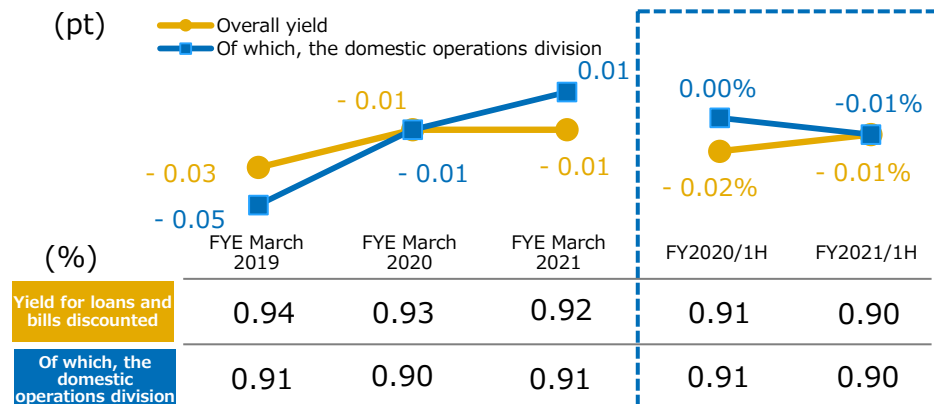
Cases, JPY 100 MM	Number of cases	Amount
New loan	10,239	2,738
Of which, guaranteed by guarantee corporations	9,519	1,725
Change of terms	1,518	1,211

### [Consumer loans]

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

Cases, JPY 100 MM	Number of cases	Amount
Change of terms	215	49

## Changes in yield for total loans and bills discounted



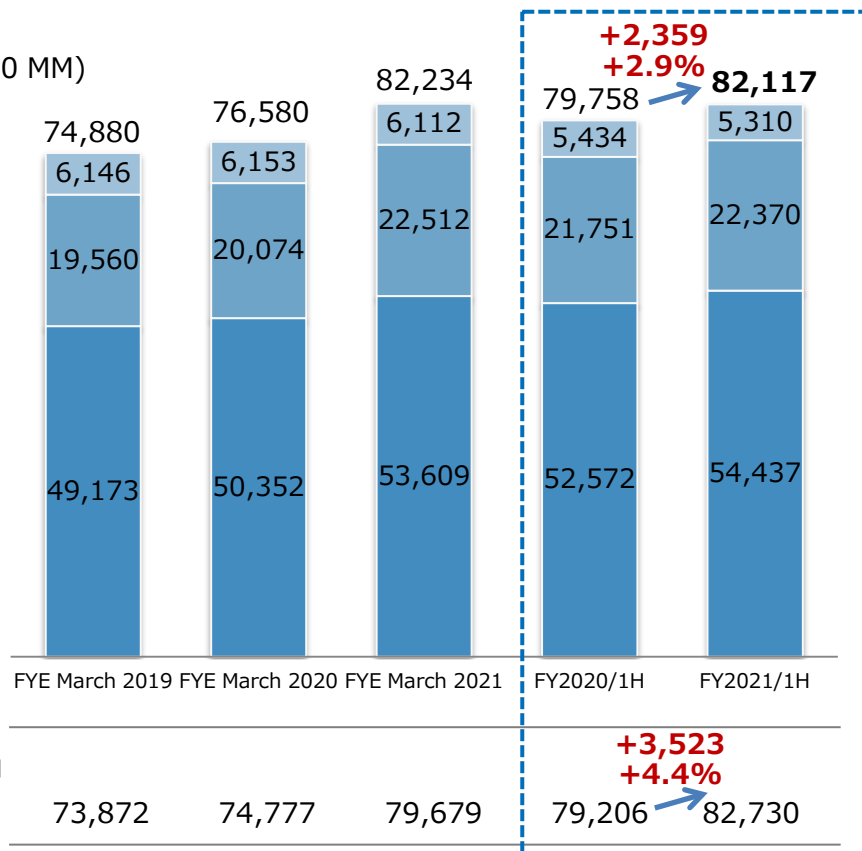
# Balance of Deposits, Etc., and Assets under Custody

- Balance of deposits, etc. progressed steadily, up 235.9 billion yen year on year
- Balance of assets under custody increased by 35.1 billion yen year on year as a result of steady growth in insurance and investment trusts
- Total balance of deposits, etc., and other assets under custody was 9,039.3 billion yen

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

■ Individuals ■ Corporations ■ Others (government fund and others)

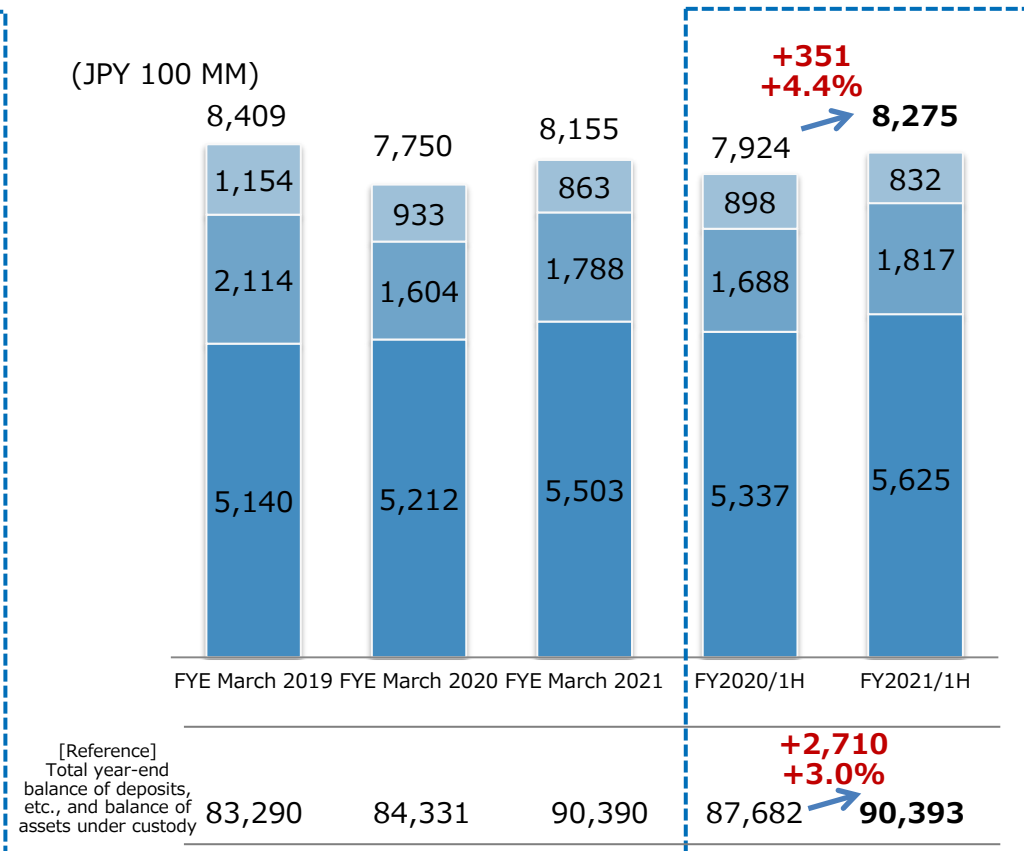
(JPY 100 MM)



## Year-end balance of assets under custody

■ Insurance\* ■ Investment trust ■ Public bonds

(JPY 100 MM)

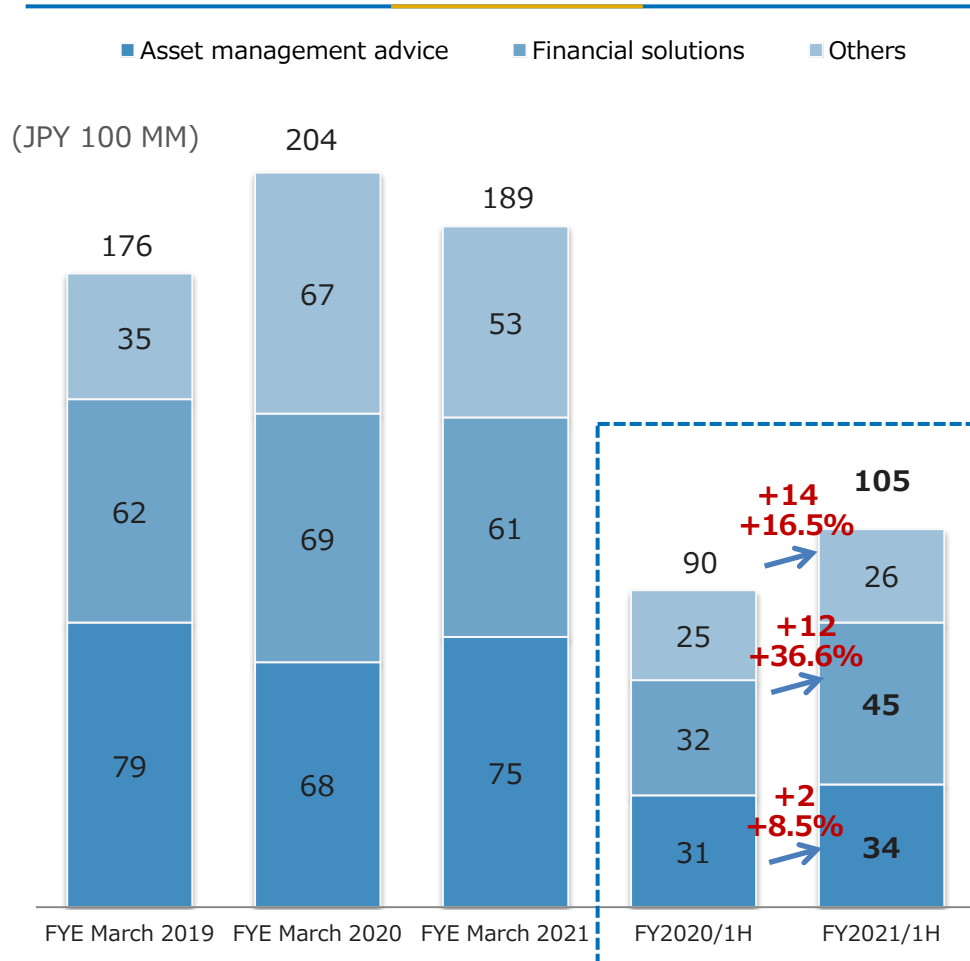


\*1: As for the insurance balance, the calculation method has been unified due to the merger of subsidiary banks, and therefore, from the viewpoint of comparison with previous fiscal years, the comparison with retrospectively changed figures is provided.

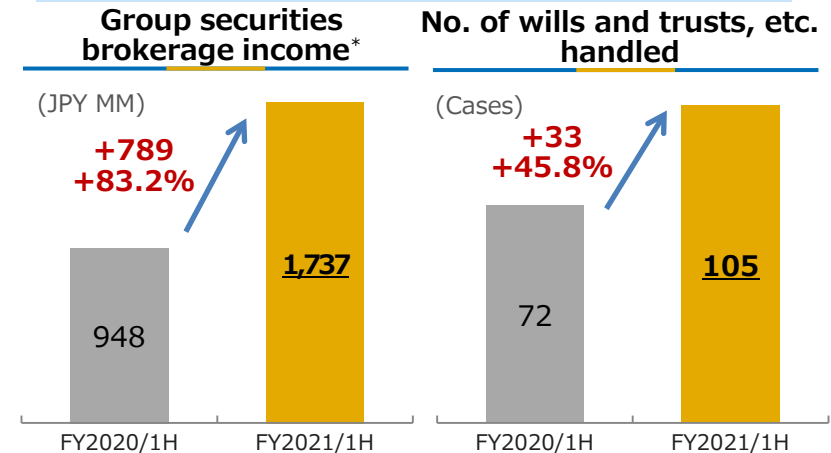
# Non-interest Income Area (total of net fees and commissions income + other operating profits, excluding gains/losses related to debentures (government bonds, etc.))

- Overall non-interest income increased by 1.4 billion yen year on year as a result of speedy implementation of various measures aimed at realizing Merger Synergy and Group Synergy, including sharing of know-how through the merger and strategic reallocation of management resources within the Group by consolidating overlapping functions
- Group securities brokerage income increased by 83% year on year, and M&A income increased significantly by 192% year on year

## Non-interest income

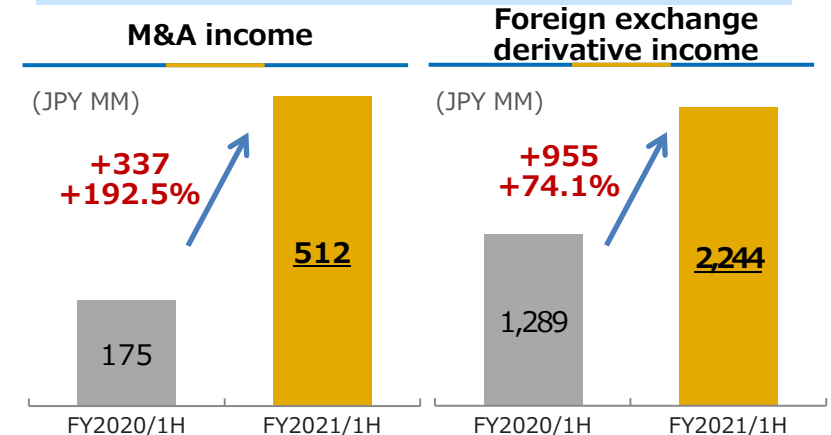


## Asset management advice



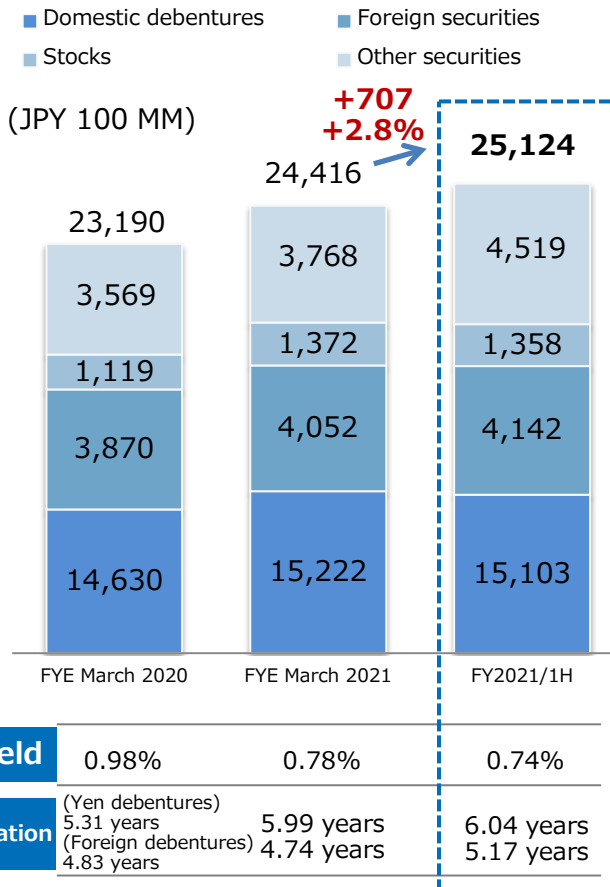
\* Total for Bank and Group Companies Divisions

## Income from financial solutions

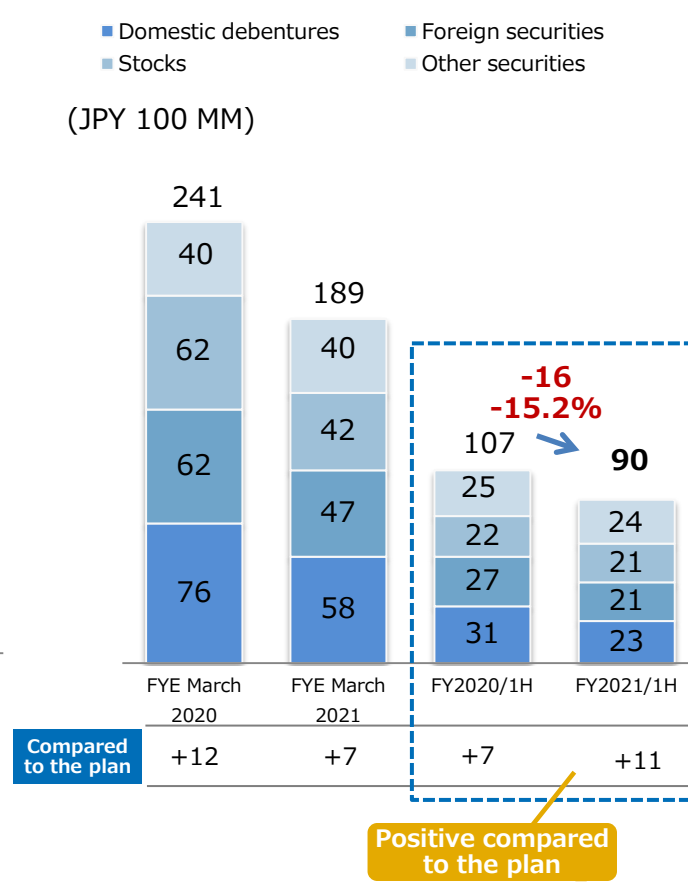


- Balance of securities increased 70.7 billion yen year on year by continuing to make diversified investments in domestic and overseas stocks and bonds, etc.
- Interest and dividends on securities decreased 1.6 billion yen year on year (+1.1 billion yen compared to the plan) due to a decline in interest income from domestic debentures and foreign securities

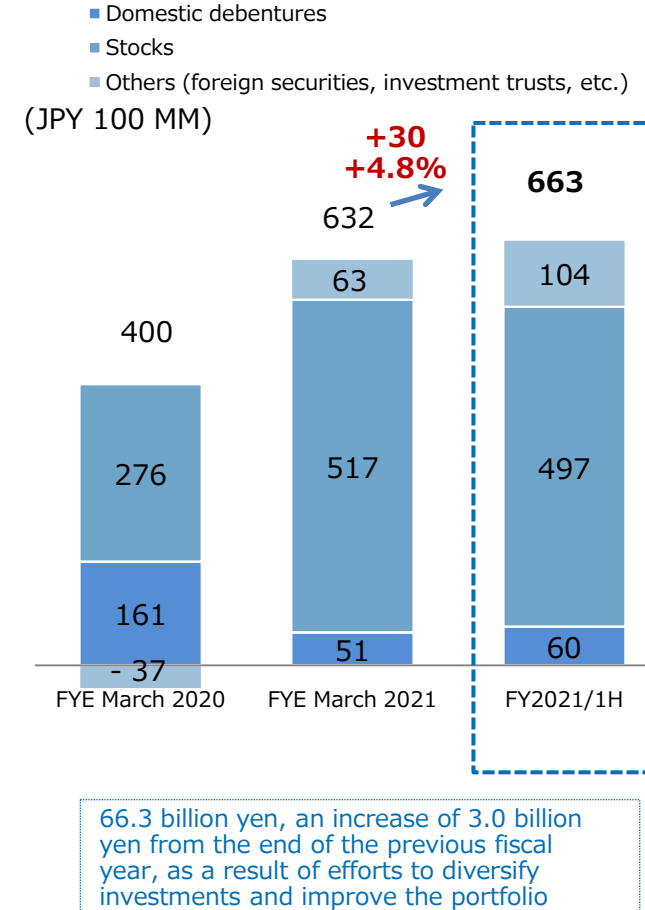
## Average balance of securities



## 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

## Changes in year-end balance of securities

(JPY 100 MM)

	FYE March 2019	FYE March 2020	FYE March 2021	FY2021/1H
Government bonds	7,675	6,166	5,728	5,033
Local government bonds	3,935	5,254	6,433	7,203
Public corporation bonds	946	885	769	741
Bank bonds	179	92	66	61
Industrial bonds	2,234	2,231	2,225	2,063
Stocks	1,471	1,119	1,372	1,358
Foreign securities	4,181	3,870	4,052	4,142
Other securities	4,318	3,569	3,768	4,519
<b>Total</b>	<b>24,942</b>	<b>23,190</b>	<b>24,416</b>	<b>25,124</b>

\* Figures for the FYE March 2019 and FYE March 2020 are simple totals of the two former banks prior to the merger.

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

(JPY 100 MM)

<b>Domestic debentures (Yield:0.30%)</b>	<b>- 119</b>
Purchase	2,861
Sale	- 1,948
Others (redemption and market value factors, etc.)	- 1,032
<b>Stocks (Yield: 4.91%)</b>	<b>- 13</b>
Purchase	95
Sale	- 86
Others (redemption and market value factors, etc.)	- 22
<b>Foreign securities (Yield: 1.06%)</b>	<b>89</b>
Purchase	1,002
Sale	- 719
Others (redemption and market value factors, etc.)	- 193
<b>Other securities (Yield: 1.18%)</b>	<b>750</b>
Purchase	2,762
Sale	- 2,045
Others (redemption and market value factors, etc.)	33

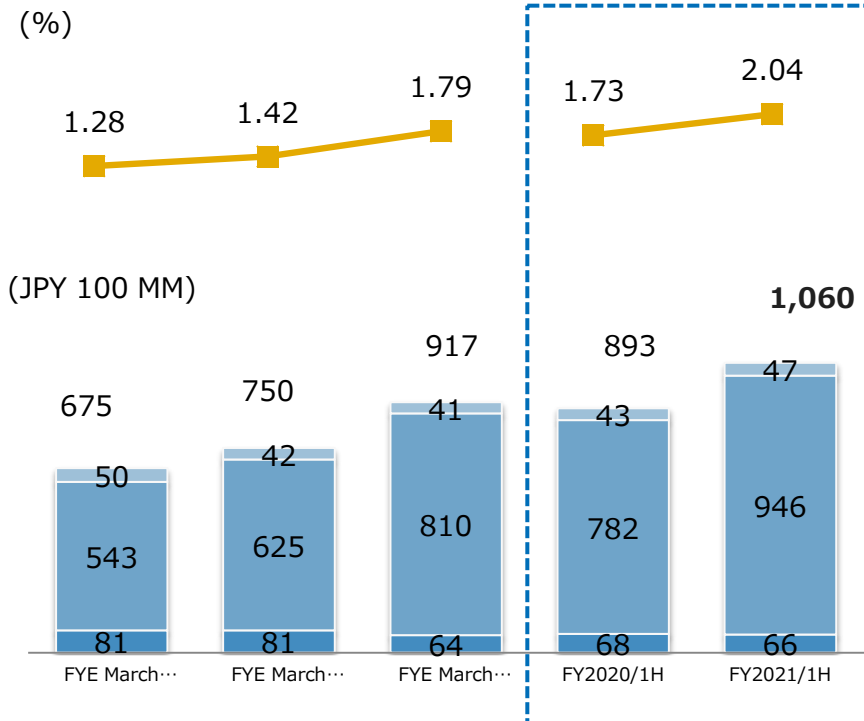


# Non-performing Loan Ratio/Net Credit Cost

- Non-performing loan ratio increased by 0.31 points year on year to 2.04%, and net credit cost increased by 0.3 billion yen year on year to 3.5 billion yen, mainly due to the downgrading of companies in and outside of the prefecture caused by the prolonged deterioration of business performance
- Focused on providing support to business partners by expanding the support framework for management improvement in the credit division

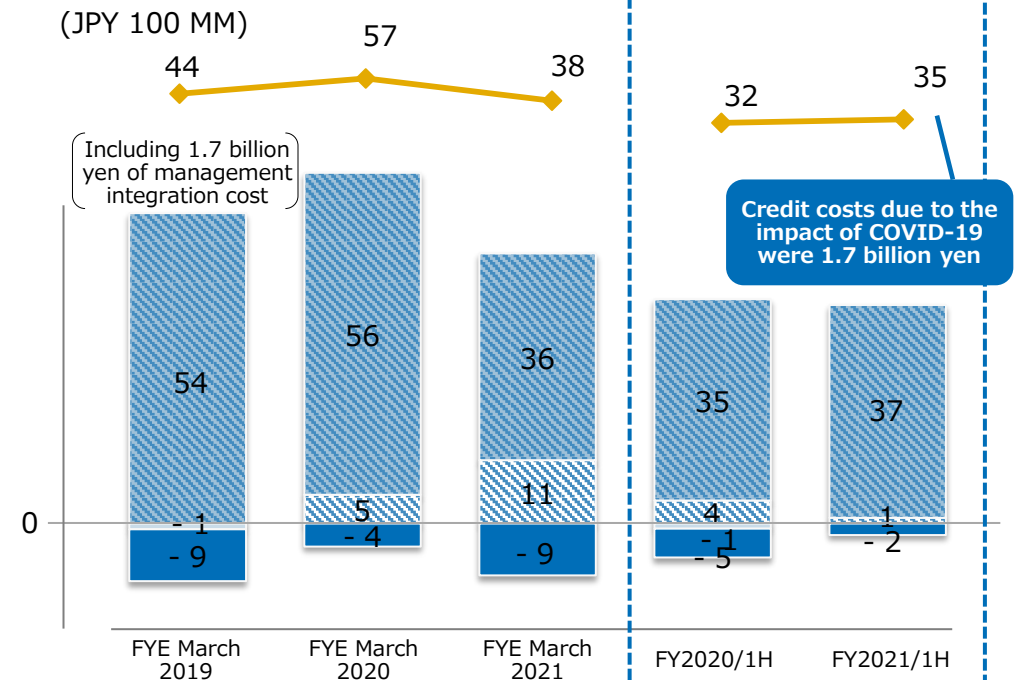
## Non-performing loan amount and ratio

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



## Net credit cost

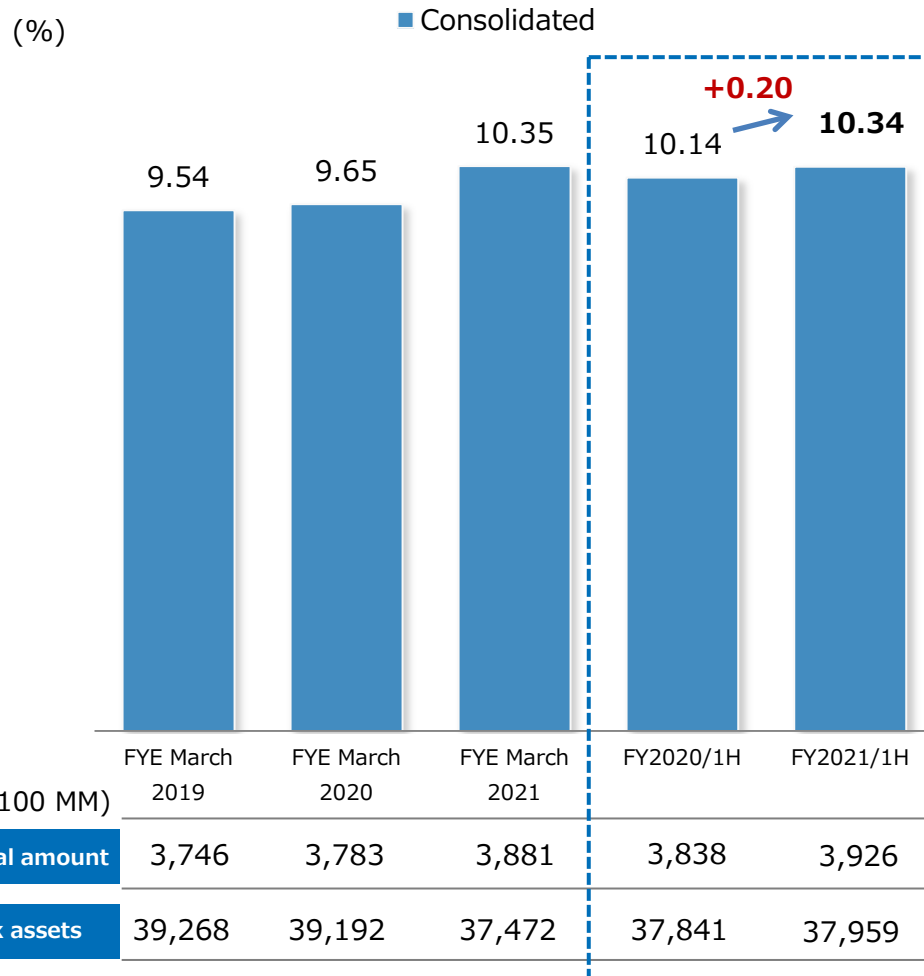
- General provision of allowance for loan losses
- Reversal of allowance for loan losses (loss)
- Recoveries of written off claims (loss)
- Non-performing loan amount processed
- Reversal of provision for contingent loss (loss)
- Non-performing loan ratio



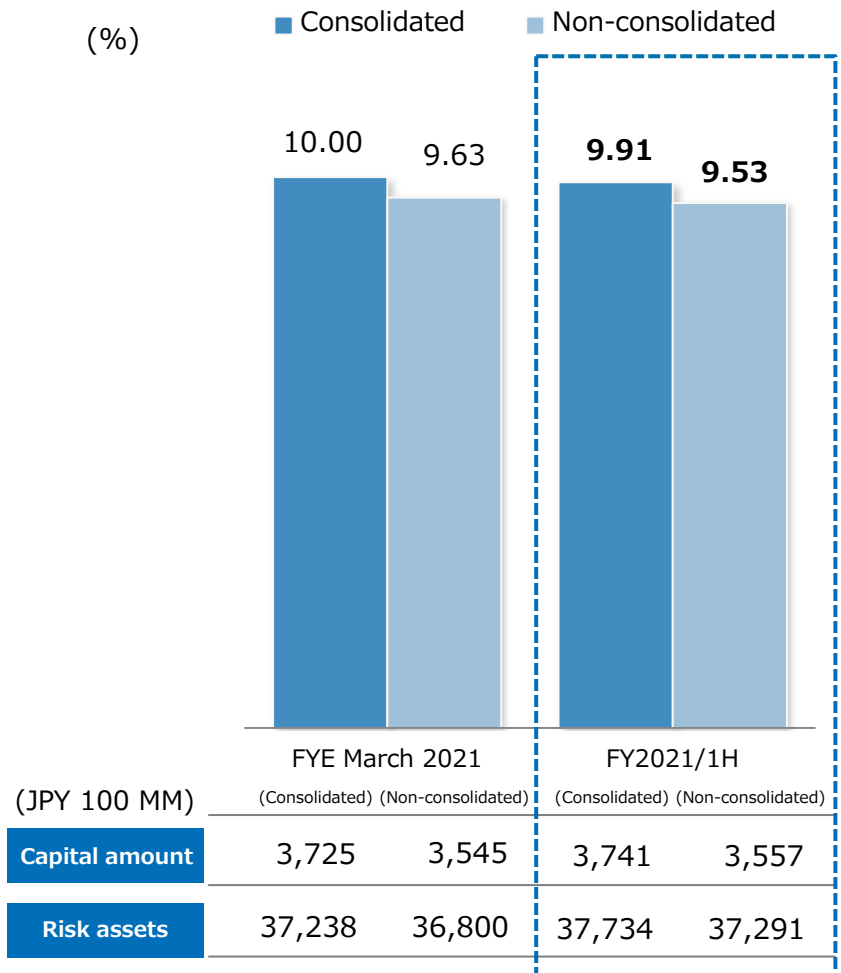
# Capital Adequacy Ratio

- FG consolidated capital adequacy ratio was maintained at a sufficient level of 10.34%, +0.20% compared with the end of September 2020

## FG Consolidated



## Daishi Hokuetsu Bank



# Status of Group Companies

(JPY MM)

Name of company	Key business	Share capital	Net sales (Operating revenue)			Ordinary profit			Profit		
			FY2020/1H	FYE March 2021	FY2021/1H	FY2020/1H	FYE March 2021	FY2021/1H	FY2020/1H	FYE March 2021	FY2021/1H
The Daishi Bank, Ltd.	Banking	32,776	60,589	117,475	54,957	10,522	14,791	8,474	7,172	10,150	6,003
Daishi Hokuetsu Securities Co., Ltd.	Securities trading	600	2,139	5,766	2,955	565	1,871	1,537	402	1,299	1,063
Daishi Hokuetsu Career Bridge Co., Ltd.	General human resources consulting services	30	23	55	74	4	17	36	4	17	28
The Daishi Guaranty Co., Ltd.	Guaranty services	50	812	1,639	855	534	1,219	464	351	802	305
The Hokuetsu Credit Guarantee Co., Ltd.	Guaranty services	210	354	692	321	334	559	398	237	372	280
The Daishi Management Consulting Co., Ltd.	Consulting services and venture capital	20	58	121	78	10	21	10	7	15	6
The Hokugin Economic Research Institute, Ltd.	Research on economy and society and provision of information	30	68	134	50	11	18	7	7	12	5
The Daishi Lease Co., Ltd.	General leasing	100	8,281	16,255	8,053	359	743	282	238	491	187
The Hokuetsu Leasing Co., Ltd.	General leasing	100	2,788	5,414	2,427	92	170	112	60	111	76
The Daishi Computer Service Co., Ltd.	Computer-related business	15	543	1,195	416	17	42	5	11	28	4
The Daishi JCB Card Co., Ltd.	Credit card and guaranty services	30	704	1,381	737	195	355	195	130	237	131
The Daishi DC Card Co., Ltd.	Credit card services	30	391	781	398	34	63	33	22	43	22
The Hokuetsu Card, Ltd.	Credit card and guaranty services	20	440	859	394	62	186	89	40	124	59

## Restructuring of Group Companies on October 1, 2021

- Daishi Lease Co., Ltd. changed its trade name to Daishi Hokuetsu Lease Co., Ltd. and became a wholly owned FG subsidiary; Daishi Management Consulting Co., Ltd. changed its trade name to Daishi Hokuetsu Capital Partners Co., Ltd. and became a wholly owned FG subsidiary; The Hokugin Economic Research Institute, Ltd. changed its trade name to Daishi Hokuetsu Research & Consulting Ltd. and became a wholly owned FG subsidiary



**DAISHI HOKUETSU**

Financial Group

第四北越フィナンシャルグループ

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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.