



DAISHI HOKUETSU INTEGRATED REPORT 2021

Disclosure for the Year Ended March 31, 2021



DAISHI HOKUETSU
Financial Group

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*As a general rule, the figures in this document have been rounded down to the nearest unit.

*The “Daishi Hokuetsu Financial Group” may be referred to below as “Daishi Hokuetsu FG,” “FG” or “the company.”

[Presentation of figures]

On January 1, 2021, the company’s wholly owned subsidiaries, Daishi Bank and Hokuetsu Bank, merged, with Daishi Bank as the surviving company and Hokuetsu Bank as the dissolving company, with the company name changing 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 comparisons for each item.

● Figures for the fiscal year ended March 31, 2021

Simple sum of the figures for Daishi Bank and Hokuetsu Bank for April – December 2020 and the figures for Daishi Hokuetsu Bank from January 2021 onwards.

● Figures for March 31, 2021

Figures for Daishi Hokuetsu Bank

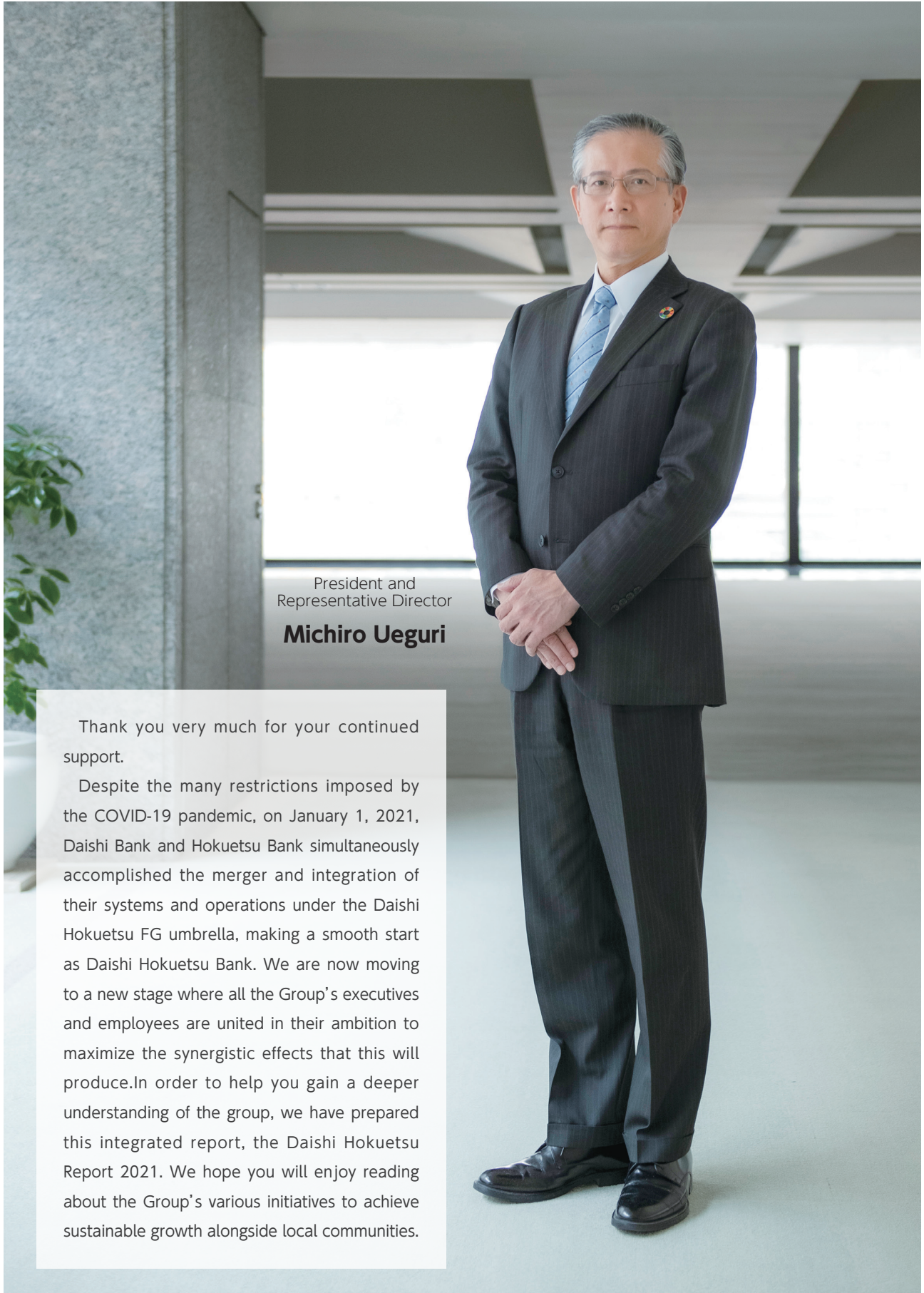
● Figures for fiscal year ended March 31, 2019, for fiscal year ended March 31, 2020, for March 31 2019, and for March 31, 2020 (excluding capital adequacy ratio)

Simple sum of the figures for Daishi Bank and Hokuetsu Bank

● Figures for March 31, 2019, and for March 31, 2020 (capital adequacy ratio)

Separate figures for Daishi Bank and Hokuetsu Bank

Message from Management



President and
Representative Director

Michiro Ueguri

Thank you very much for your continued support.

Despite the many restrictions imposed by the COVID-19 pandemic, on January 1, 2021, Daishi Bank and Hokuetsu Bank simultaneously accomplished the merger and integration of their systems and operations under the Daishi Hokuetsu FG umbrella, making a smooth start as Daishi Hokuetsu Bank. We are now moving to a new stage where all the Group's executives and employees are united in their ambition to maximize the synergistic effects that this will produce. In order to help you gain a deeper understanding of the group, we have prepared this integrated report, the Daishi Hokuetsu Report 2021. We hope you will enjoy reading about the Group's various initiatives to achieve sustainable growth alongside local communities.

Message from Management

Response to the COVID-19 Pandemic

The COVID-19 pandemic that swept across the world has yet to be brought under control, and it continues to have a serious impact on the lives of Niigata Prefecture's citizens, including medical care, welfare and education, as well as on the economic activities of businesses. Our Group has been dealing with the situation with the utmost caution, and we will continue to put the health and safety of our stakeholders first and strive to prevent infection. In accordance with our management philosophy, we are committed to fulfilling our role and mission as the largest financial and information services group in Niigata Prefecture by providing wide-ranging support to our customers, not only in terms of funding but also in meeting all their needs.

Review of the 1st Medium-Term Management Plan (October 2018 – March 2021)

The 1st Medium-Term Management Plan, which was launched concurrently with our establishment in October 2018, addressed the company's key business issues of "revitalizing the local economy," "enhancing profitability," and "improving operational efficiency," thereby aiming to achieve the primary objective of the merger, to "contribute to the local community." Through the three key measures of implementing the bank merger, strengthening organizational capabilities, and enhancing external alliances, we have strengthened our business base to maximize the synergistic effects generated.

As a result of the speedy and concerted efforts of the entire Group, in the fiscal year ended March 31, 2021, the final year of the 1st Medium-Term Management Plan, we exceeded all nine of our assessment targets for community contributions. Meanwhile, the application of Group companies' expertise and networks is steadily producing results. These include increases of approximately 10% (approximately 170 billion yen) in the average balance of loans to SMEs and approximately 15% (approximately 170 billion yen) in the average balance of consumer loans, which are management indicators of growth potential, compared to the fiscal year ended March 31, 2018, as well as an increase of approximately 15% (approximately 2.4 billion yen) in the amount of non-interest income, a result of the expansion of the securities intermediary business with Daishi Hokuetsu Securities.

In addition, our important projects for contributing to the local community, the regional trading company Bridge Niigata, which was established in April 2019, and the personnel placement agency Daishi Hokuetsu Career Bridge, which commenced operations in October 2019, are both performing well with great demand from customers. In March 2021, Bridge Niigata was selected by the Cabinet Secretariat's Main Office for Revitalization of Communities, People and Jobs from among approximately 1,200 examples as one of 2020's "Distinctive Efforts by Financial Institutions and Other Organizations Contributing to the Revitalization of Local Communities."

We will continue to contribute to the development of the region by fully harnessing the strengths of our Group companies and providing a comprehensive range of convenient and highly optimized services that meet our customers' needs.



The 2nd Medium-Term Management Plan (April 2021 – March 2024)

Our 2nd Medium-Term Management Plan was launched in April 2021.

The business environment facing the Group is changing globally, from multiple perspectives, and at an accelerating pace, due to such factors as a declining and aging population with a decreasing number of children, a prolonged period of ultra-low interest rates caused by monetary easing policies, and intensifying competition with new and disparate industries, coupled with the rapid progress of digital transformation. In addition, with demands for a green society growing in tandem with the threat of climate change, as well as the global disaster represented by the COVID-19 pandemic, society's values are undergoing drastic change. We are entering the era of the “new normal” — that is, an era of great change.

Given this business environment, the Group has identified three key business issues to achieve sustainable growth in pursuit of our management philosophy: enhancing profitability, improving operational efficiency, and sustaining and reinforcing a sound footing. To achieve these goals, we will build on the relationship of trust that we have built with our stakeholders over the years, working to maximize the following three synergistic effects:

(1) “merger synergy” to enhance profitability and reduce costs by sharing expertise, coordinating overlapping functions, and reallocating management resources; (2) “group synergy” to provide a one-stop shop for all the services of our Group companies in the most effective way; and (3) “TSUBASA collaboration synergy” to leverage the advantages of scale and information sharing.



TSUBASA Alliance

The TSUBASA Alliance is Japan's largest alliance of regional banks, consisting of 10 leading institutions. With the addition of Bank of the Ryukyus and Gunma Bank in the 2021 fiscal year, a network has been established that stretches across the Japanese archipelago in every direction, linking Hokkaido to Okinawa and the Sea of Japan to the Pacific Ocean.

In July 2020, the joint venture company TSUBASA Alliance was established as a platform to consolidate operations and functions common to the participating banks, and in October of the same year, the Anti-Money Laundering Center (AML Center) was established to jointly pursue more sophisticated risk management systems, including the prevention of fraudulent account transactions. With these and other developments, the scope of this collaboration continues to expand.

In the 2nd Medium-Term Management Plan, we will continue to position the TSUBASA Alliance as our “main engine” for faster innovation, further enhancing our multifaceted and





multilayered partnership in all areas, including digital transformation.

Sustainability Initiatives

Amid increasingly widespread awareness of Environmental, Social, and Corporate Governance (ESG) and the Sustainable Development Goals (SDGs), efforts aimed at a sustainable society, including decarbonization and other measures to combat climate change, are picking up pace both in Japan and overseas.

In accordance with our “Policy for ESG Initiatives” and “SDGs Declarations,” the Group has been working proactively to resolve various issues facing local communities, including environmental issues, support for the upbringing of the next generation, and food support for households affected by the COVID-19 pandemic.

In May 2021, we also established the Sustainability Promotion Committee, chaired by myself, to further bolster our sustainability initiatives, which will serve as the foundation for implementing our corporate philosophy and implementing our medium-term management plan. The group will work as one to promote operations that further align our business strategies with solutions to environmental and social issues.

In April 2021, we announced our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which calls for appropriate disclosure of information on the financial impact of climate change on companies. We will continue to analyze the risks and opportunities associated with climate change and make proactive efforts to disclose information in line with the recommendations.

Establishing a High-Quality Governance Framework

In June 2021, in order to further reinforce our corporate governance framework with a view to further improving the transparency, soundness and diversity of the Board of Directors and enhancing corporate value over the medium to long term, the number of independent outside directors was increased by one, bringing the proportion of the company's Board of Directors made up of independent outside directors to over a third. The outside directors provide useful suggestions and advice based on their expertise in a wide range of fields, including corporate management, management theory, financial accounting, law, and regional administration.

We also recognize that the appointment of female directors is an important issue to further ensure diversity on the Board of Directors, and we are actively working on personnel development aimed at promoting their early appointment. As part of this effort, Daishi Hokuetsu Bank has set a goal of increasing the percentage of women in all management positions (assistant director / acting branch manager and above) to 25% or more, and as of March 31, 2021, the ratio of women in management positions, including 20 female branch managers, was 24.4%.

We will continue to reinforce our compliance system and strive to build a high quality governance framework that is grounded in the spirit of the Corporate Governance Code.



Unity of purpose: a shared ambition for all the group's executives and employees

In the 2nd Medium-Term Management Plan, the Group has adopted "unity of purpose" as its slogan. In order to fulfill our management philosophy, all executives and employees of the Group will work together as one, with "unity of purpose," in order to make a lasting contribution to the community.

We hope that you will maintain your interest in the Daishi Hokuetsu Financial Group's activities, and that we can count on your continued goodwill and support.

一志團結 志を共に

— Unity of Purpose —

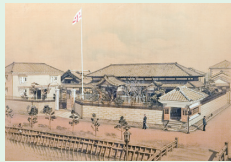
July 2021

History of the Daishi Hokuetsu Bank

THE DAISHI BANK

1873

Founded as The Fourth National Bank of Japan



Founded in current-day Niigata City as Japan's third national bank.

1917

Corporate name changed to The Daishi Bank, Ltd.



Although the name had been changed to Niigata Bank in 1896, customers continued to use the nickname "Daishi" when referring to the bank. Therefore, the name was changed to The Daishi Bank.

1928

Finished construction of its third head office



The head office featured stone construction using architectural styles from ancient Greece.

1973

Listed on the Second Section of the Tokyo Stock Exchange

1873 1878 1896 1917 1928 1942 1948 1965 1973

1878

Founded as The Sixty-Ninth National Bank of Japan



After the end of the Boshin War, founded in current-day Nagaoka City in order to promote economic growth.

1896

Founded as The Nagaoka Bank



Founded in current-day Nagaoka City in conjunction with economic growth such as a boom in the petroleum industry and establishment of railway companies.

1942

Established as The Nagaoka Sixty-Ninth Bank



Established via a merger by The Sixty-Ninth Bank and The Nagaoka Bank.

1948

Corporate name changed to The Hokuetsu Bank

1965

Completed the current head office



In contrast to the red bricks of the former head office, the new head office was built in white marble.

THE HOKUETSU BANK

Corporate Logo and Corporate Color of the Daishi Hokuetsu FG

Corporate Logo



Daishi Hokuetsu Financial Group

Based on the motif of geography in Niigata Prefecture, the corporate logo uses a golden color representing bountiful harvests of rice to express the expansive land, and uses the corporate color azure to express the rivers which moisten that land and the vast Sea of Japan connecting with the rest of the world.

The elliptical shape in the center of the logo was designed in the image of islands and rice in Niigata Prefecture.

The two lines rising upwards depict how the two banks form a single massive surge, boldly challenging changes for the future and continuing to contribute to regional society.

Corporate Color



Azure

Blue colors create positive images such as trust, sincerity, and future orientation. Among blue colors, azure is a particularly rich and beautiful shade.

In our logo, the color azure represents the vast Sea of Japan which borders Niigata Prefecture; the Shinano River, Agano River, and other rivers which flow into the Sea of Japan after moistening the fertile land; and the clear expanse of blue skies. This color represents how our new financial group will continuously grow in the future while earning the trust of regional society.

A merger of two regional banks with the largest and second largest market shares in the same prefecture, a nationwide first.

October 2018

Establishment of the Daishi Hokuetsu Financial Group

DAISHI HOKUETSU
Financial Group

Profile of the Daishi Hokuetsu
(as of June 25, 2021)

Location of Principal Head Office Functions

1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi

Established

October 1, 2018

Capital

¥30,000 million

Listed Securities Exchange

Tokyo Stock Exchange (Securities Code: 7327)



2018

2021

January 2021

New!

Birth of the Daishi Hokuetsu Bank

DAISHI HOKUETSU BANK

Profile of the Daishi Hokuetsu
(as of June 25, 2021)

Location of Principal Head Office Functions

1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi

Founded

November 2, 1873

Capital

¥32,776 million

Number of branches

206 branches and 1 liaison office (Shanghai) 192 branches within Niigata Prefecture (including 5 field offices and 3 virtual branches)

14 branches outside of Niigata Prefecture



1975

Listing changed to the First Section of the Tokyo Stock Exchange

1992

Completed the head office



Completed construction of the current head office (the fifth head office built) by expanding and remodeling for enhancement and development of functions and facilities.

1975

1992

1973

Listed on the First Section of the Tokyo Stock Exchange

Group Companies of the Daishi Hokuetsu FG

DAISHI HOKUETSU
Financial Group

DAISHI HOKUETSU BANK

DAISHI HOKUETSU SECURITIES

DAISHI HOKUETSU CAREER BRIDGE

The Daishi Guaranty

The Hokuetsu Credit Guarantee

The Daishi Management Consulting

The Hokugin Economic Research Institute

The Daishi Lease

The Hokuetsu Leasing

The Daishi Computer Service

The Daishi JCB Card

The Daishi DC Card

The Hokuetsu Card

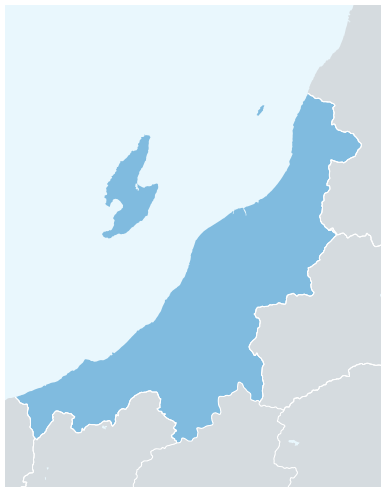
Business Area

Niigata Prefecture is the main geographical base of the Daishi Hokuetsu Financial Group. Located on the Sea of Japan side of Japan's main island of Honshu, thanks to its geography and climate the prefecture has long been recognized for its booming agriculture industry and for production of foods such as rice confectionery and processed seafood products made from its abundant rice, agricultural and fishery resources. Additionally, among the first five ports in Japan including Hakodate, Yokohama, Kobe, and Nagasaki, the Port of Niigata was the only port on the

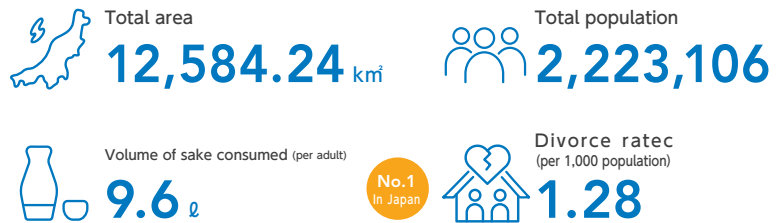
Sea of Japan side designated to be created by the Treaty of Amity and Commerce Between the United States and Japan concluded in 1858. From its opening in 1869 until this very day, the Port of Niigata has continuously been entrenching its position as a port of international trade. Today, in addition to manufacturing, agriculture, forestry, and fishery industries, Niigata Prefecture ranks first in Japan in many different indexes, including for culture and education.



Basic Data on Niigata Prefecture



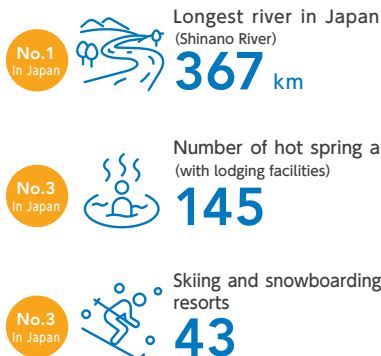
Land • Population • Daily Life



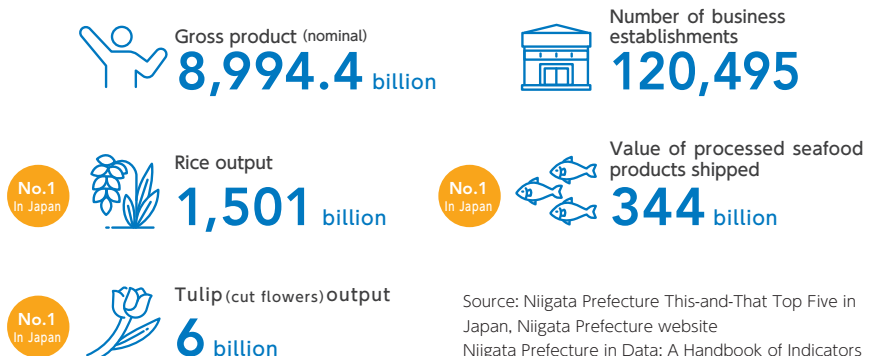
Education



Nature



Industry and Economy



Source: Niigata Prefecture This-and-That Top Five in Japan, Niigata Prefecture website
 Niigata Prefecture in Data: A Handbook of Indicators (FY 2020)

Niigata Prefecture Transport Infrastructure

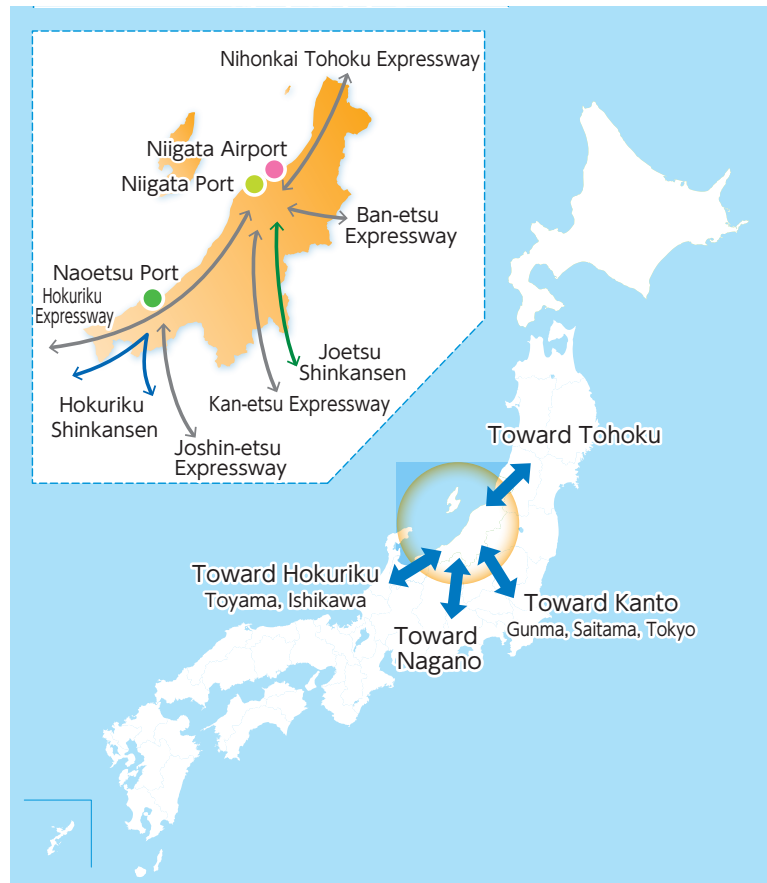
Niigata Prefecture can be quickly and efficiently reached from the Kanto, Kansai, and Tohoku regions and others thanks to its outstanding high-speed transport infrastructure. Logistics business and tourist movement is also active between Niigata Prefecture and countries in Northeast Asia such as China, South Korea and Russia.

Political and economic connections with Northeast Asia

- Airline routes connecting to northeast China and South Korea
- Consular offices for South Korea, China, and Russia in the city of Niigata
- Utilization of natural energy and resources development in Russia

Advantages of transportation network

↔	Highways stretching out in five different directions (Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai Tohoku)
↔	Joetsu Shinkansen
↔	Hokuriku Shinkansen
↔	Conventional railroad lines such as the Shin-Etsu Line, Hokuriku Line, and Uetsu Line
●	Niigata Airport Domestic routes: 8 (New Chitose, Narita, Chubu Centrair International, Komaki, Itami, Kansai International, Fukuoka, Naha) International routes: 6 (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taipei)
●	Niigata Port Comprehensive ports, function-specific ports: International container shipping sector Designated as LNG (liquefied natural gas) sector
●	Naoetsu Port Function-specific ports: Designated as LNG (liquefied natural gas) sector



As of June 30, 2021

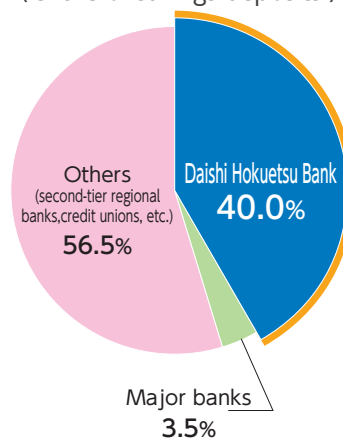
Share of Business in Niigata Prefecture

Daishi Hokuetsu Bank has secured a high share of both savings deposits and loans in Niigata Prefecture.

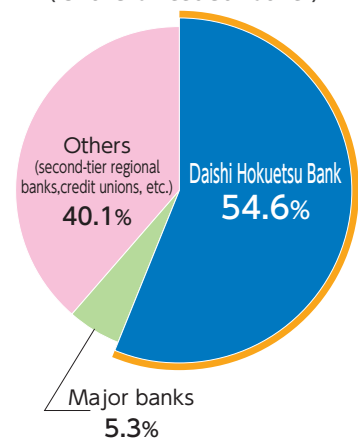
Building on the customer trust and local networks that we have forged over more than 140 years of history, we will work to maximize the synergistic effects of the merger as soon as possible, fulfilling the primary objective of the merger by making a lasting contribution to the community.

*The share figures for Daishi Hokuetsu Bank are a simple sum of the figures for Daishi Bank and Hokuetsu Bank as of March 31, 2020.

〈 Share of savings deposits 〉

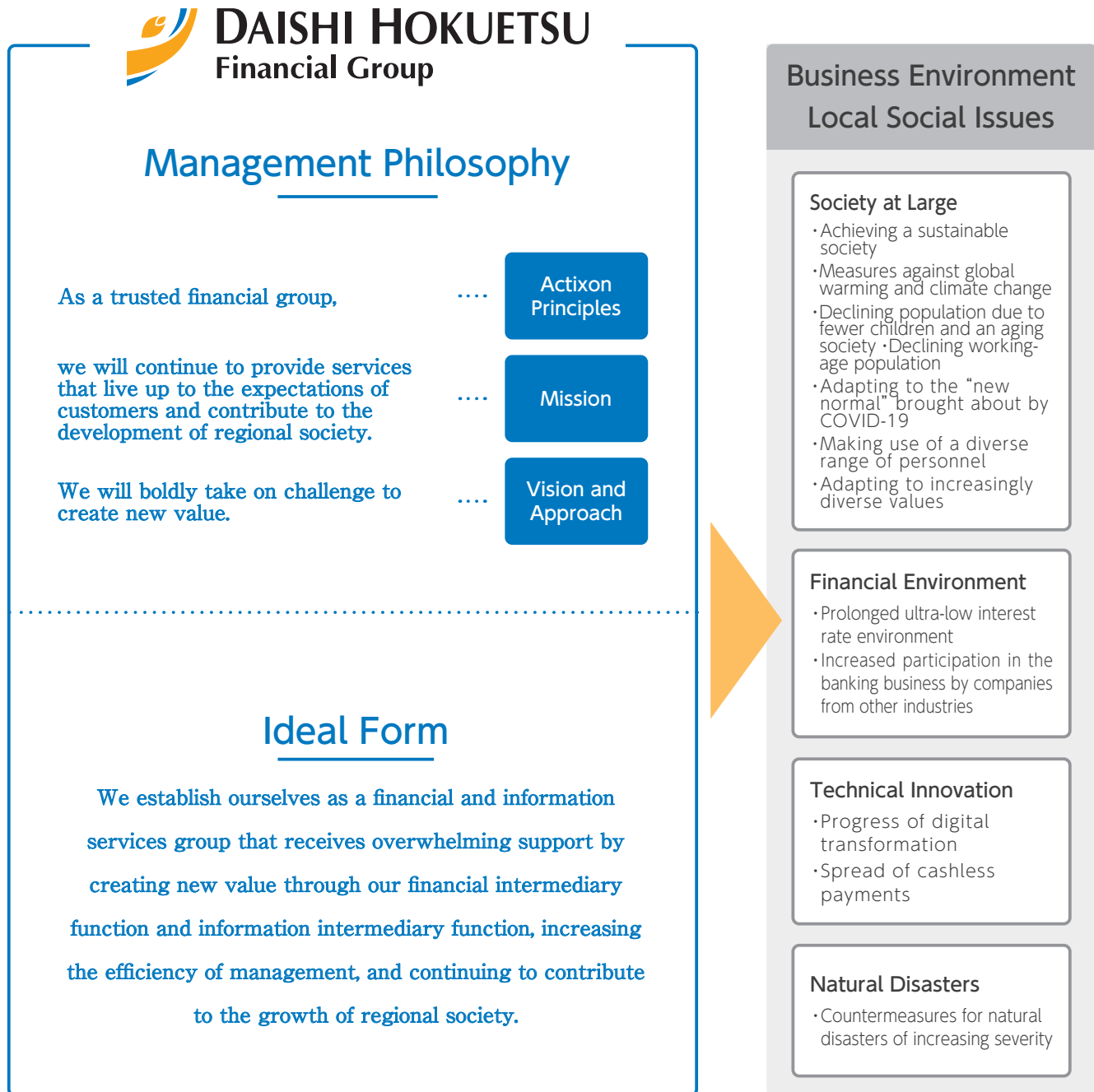


〈 Share of issued loans 〉



Source: Financial Journal (end of March 2020)

A Process toward Sustainable Growth



Capital to be used / Strengths of Daishi Hokuetsu FG

Financial capital	Human capital
<ul style="list-style-type: none"> ● Sound financial position Capital adequacy ratio (consolidated): 10.35% Rating: A+ (Japan Credit Rating Agency) (Fiscal year ended March 31, 2021) ● Healthy loan assets (fiscal year ended March 31, 2021) Average balance during the loan period: 4,987.1 billion yen Rate of non-performing claims under the Financial Reconstruction Act: 1.79% (Fiscal year ended March 31, 2021) 	<ul style="list-style-type: none"> ● Large number of employees with financial qualifications Employees with level 2 or higher financial planner qualifications: 2,705 Securities analysts: 56 SME Management Consultants: 43 (As of March 31, 2021)

A Governance Framework to

We aim to achieve sustainable growth by providing financial services that support the growth of our customers and local communities, and by making an ongoing contribution to the development of the region.

Daishi Hokuetsu FG 2nd Medium-Term Management Plan

Priority Business Issues

Enhancing profitability

Improving operational efficiency

Sustaining and reinforcing a sound footing

Basic Strategies

Basic Strategy I Achieve synergistic effects

- Top-line synergy and cost synergy
- Achieve group synergy
- Maximize top-line synergy by expanding partnership in the TSUBASA alliance
- Create new value by developing consulting functions and implementing digital transformation
- Boost non-interest revenue
- Search for new business fields
- ESG and SDGs initiatives

Basic Strategy II Dramatic Improvements in Productivity

- Implement new structural reforms to achieve comprehensive improvements in productivity
- Maximize synergy by expanding partnership in the TSUBASA alliance

Basic Strategy III Developing and enhancing human resources

- Promote organizational harmony and shared awareness
- Enhancing consulting functions
- Managing human resources to ensure that all Group employees have a role to play

Basic Strategy IV Improving risk management

- Conduct business operations with compliance as top priority
- Enhance the Group's operational management approach
- Develop more advanced risk management



TSUBASA Alliance

A framework for wide-area cooperation between regional banks to develop and pursue measures that will contribute to the sustainable growth of local communities, more advanced financial systems, and increased corporate value for participating banks

Achieving a sustainable society

Five declaration for implementing ESG-based management and achieving the SDGs

Details p.39-52

In order to fulfill its social responsibility to help achieve a sustainable society, Daishi Hokuetsu FG is actively involved in resolving social issues related to ESG (Environmental, Social and Governance), and is working to meet the SDGs proposed by the United Nations. By contributing to the SDGs, we aim to grow sustainably alongside local communities.

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

Declaration 2 Aging population
Support a safe and secure lifestyle for the elderly

Declaration 3 Financial services
Provide financial services for leading an even better lifestyle

Declaration 4 Diversity
Promote diversity and work-style reform

Declaration 5 Environmental Conservation
Contribute to the protection of a sustainable environment



Intellectual capital

- Accumulating expertise through the TSUBASA Alliance
- Provision of financial and information services by the Group as a whole

Social capital

- A strong business foundation
- Share of savings deposits in Niigata Prefecture: 40.0%
Share of loans in Niigata Prefecture: 54.6%
(As of March 31, 2020, source: The Journal of Finance)

Natural capital

- Abundant agricultural and fishery resources of Niigata Prefecture
- Rice production value: No. 1 in Japan; Rice snacks shipment value: No. 1 in Japan
Seafood paste products shipment value: No. 1 in Japan
(2018, Source: Niigata Prefecture Website, "Niigata's 5 Bests")

Support Sustainable Growth (p.13-20)

A Governance Framework to Support Sustainable Growth

Corporate Governance

Corporate Governance Organization

Basic Philosophy of Corporate Governance

We recognize the strengthening and enhancement of corporate governance as important management issue for improving financial soundness and profitability in order to establish a strong reputation and unshakable credibility from stakeholders including customers, the local community, and shareholders, and it works to enhance the functions of audits and oversight on corporate management and improve the transparency of management activities.

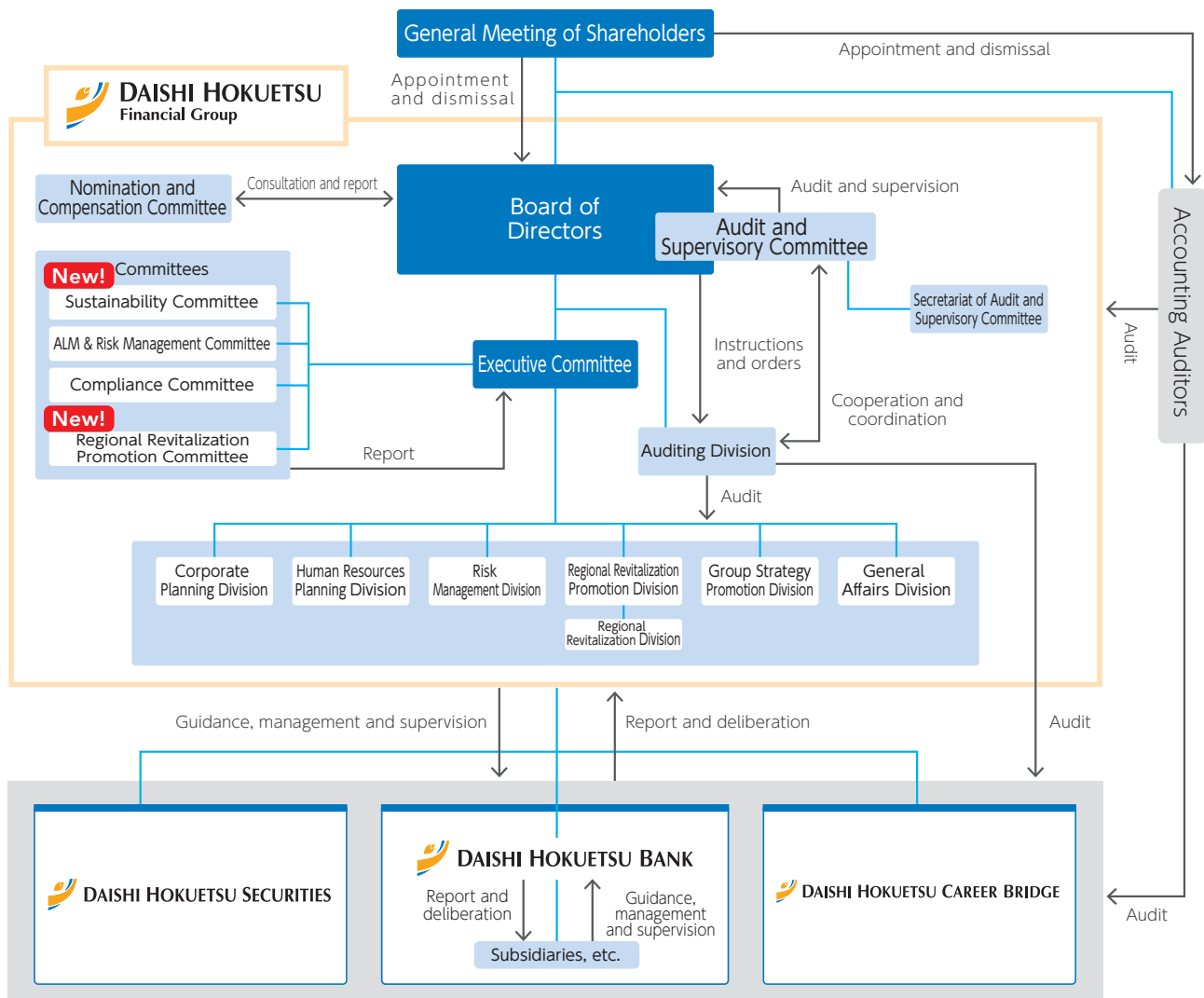
Corporate Governance Guidelines and Corporate Governance Reports of the Daishi Hokuetsu FG are available on our website.

URL

<https://www.dhfg.co.jp/esg/governance/>



Corporate Governance Organization Chart



As of June 25, 2021

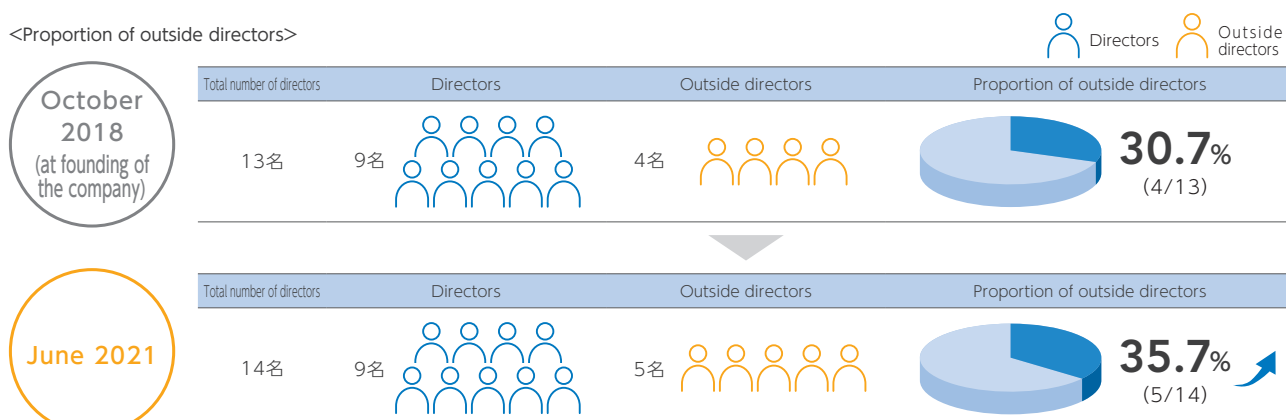
The Board of Directors

The Board of Directors usually meets once a month, making decisions on important business operations and basic matters relating to the management of the group as a whole, as well as overseeing each director's performance of their business duties. As of June 30, 2021, the proportion of outside directors was 35.7%.

<Details of meetings for the fiscal year ended March 31, 2021>

Chair	The President
Composition	Proportion of outside directors: 30.7% (4 out of 13)
Number of meetings	12 (April 2020 – March 2021)

<Proportion of outside directors>



Audit and Supervisory Committee

In principle, committee meetings are held once per month. The Committee complies with regulations such as laws, the Articles of Incorporation, and Rules of the Audit and Supervisory Committee. The Committee has a supervisory function similar to the Board of Directors and also audits the business execution of directors.

<Details of meetings for the fiscal year ended March 31, 2021>

Chair	Full-time Audit and Supervisory Committee Member
Composition	Proportion of outside directors: 80.0% (4 out of 5)
Number of meetings	12 (April 2020 – March 2021)

Nomination and Compensation Committee

As an advisory body to the Board of Directors, the Committee ensures opportunities for obtaining appropriate involvement and advice from outside directors when reviewing important matters related to the appointment, dismissal and remuneration of directors, thus strengthening fairness, transparency, and objectivity.

Agenda Items for the Nomination and Compensation Committee

- 1 Appointment and dismissal of directors
- 2 Selection and dismissal of a representative director
- 3 Selection and dismissal of directors with special duties
- 4 Compensation, etc. for directors (excluding members of the Audit and Supervisory Committee)
- 5 Compensation, etc. for directors (members of the Audit and Supervisory Committee)
- 6 Succession planning
- 7 Other matters on which the Board of Directors has asked for advice

<Details of meetings for the fiscal year ended March 31, 2021>

Committee chair	The President
Composition	Proportion of outside directors: 66.6% (4 out of 6)
Number of meetings	5 (April 2020 – March 2021)

Executive Committee

The Executive Committee is established as management meeting under the Board of Directors. In principle, the Committee meets twice per month. The Committee decides on business management items on the basis of policies decided at board meetings, manages the progress of Group management plans and strategies, and decides on and deliberates matters delegated from the Board of Directors.

<Chair / Participants>

Chair	The President
Members	Directors (excluding members of the Audit and Supervisory Committee)
Observers	Full-Time Audit and Supervisory Committee Members

Sustainability Committee New!

Amid accelerating efforts in Japan and overseas to emphasize sustainability, including decarbonization and other measures to combat climate change, aiming to achieve a sustainable society, in May 2021 we launched the Sustainability Committee, chaired by the President. Through this committee, the Group will work together to promote sustainability, which forms the foundation for fulfilling our management philosophy and implementing the Medium-Term Management Plan.

<Chair / Participants>

Committee chair	The President
Members	Executive with responsibility for the Corporate Planning Department Manager of each department of the company and bank Presidents of affiliated companies

A Governance Framework to Support Sustainable Growth

Corporate Governance

Other Committees

The ALM and Risk Management Committee, the Compliance Committee, and the Regional Revitalization Promotion Committee have been established as advisory bodies to the Management Committee.

Topics

Evaluating the Effectiveness of the Board of Directors

In order to ensure that the Board of Directors is properly able to enhance its capabilities, the board conducts analysis and evaluation of its effectiveness, including its composition, operations, and the activities of its directors.

For the evaluation for the fiscal year ended March 31, 2021, all directors conducted a self-assessment in the form of a questionnaire, and after compiling the results, an analysis and evaluation were conducted at the board meeting of April 2021. The evaluation concluded that, for the reasons given below, the effectiveness of the Board of Directors as a whole has been maintained.

- ① In addition to consistently providing appropriate advice and supervision at meetings of the Board of Directors based on their own expertise, the outside directors have engaged in wide-ranging and in-depth discussions of the company's management issues and strategies and tactics to address those issues in the formulation of the 2nd Medium-Term Management Plan, which started in April 2021: as such, the Board of Directors is functioning appropriately.
- ② Amid the COVID-19 pandemic, the Board of Directors led a successful project to merge two subsidiary banks and integrate their systems and operations, a project which has been running smoothly ever since.

In the fiscal year ended March 31, 2021, we implemented measures to address the issues identified in the previous year's effectiveness evaluation. These measures included increasing the number of outside directors to at least one-third, improving the advance explanations of Board of Directors meeting materials given to outside directors, and securing time for deliberations on important agenda items by reviewing deliberation methods and the content of resolutions and reports. In this way, we have confirmed that steady improvements are being made.

In the fiscal year ending March 31, 2022, we will consider and implement countermeasures based on this year's evaluation, and work to further improve the board's effectiveness. The specific policies to be adopted are as follows.

Policies dealing with short-term issues

- Establish a system to support the activities of outside directors amid the COVID-19 crisis

Policies dealing with medium- to long-term issues

- Continue to actively develop personnel with a view to appointing female directors, thereby ensuring the diversity of the board
- Continue to train successors by passing on the knowledge of the Representative Director, etc.
- Enhance the operation of the Board of Directors and other measures to further improve the effectiveness of the Nomination and Compensation Committee, such as by providing more opportunities for contact between the outside directors who are members of the committee and candidates for Representative Director (currently directors) or candidates for directors (currently executive officers, division heads, etc.)
- As a response to issues surrounding sustainability, conduct more in-depth discussions at Board of Directors' meetings to enhance efforts addressing ESG, the SDGs, and TCFD

Risk Management System

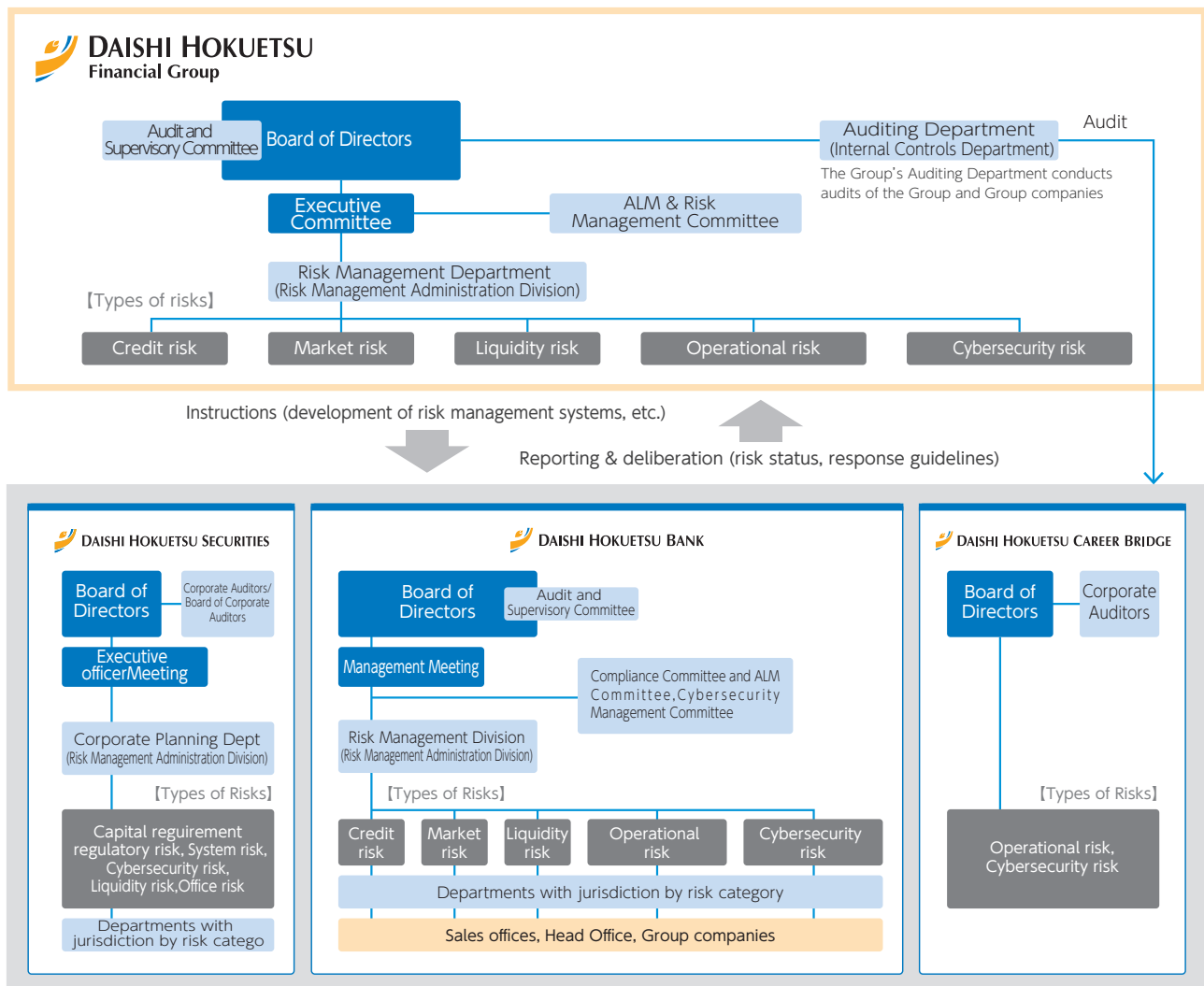
The Group's basic policy of risk management is to stably secure profits corresponding to risk and plan the appropriate distribution of management resources, as well as to construct a system of mutual checks and balances for the various risks faced by the Group. This is possible by accurately recognizing and ascertaining various risks, engaging in appropriate management and supervision of risks, and auditing these processes related to risks.

Based on this policy, the Group has established a Risk Management Department as a supervisory organization that understands and manages risk comprehensively, cutting across organizational boundaries.

Furthermore, the Group has established the ALM & Risk Management Committee to comprehensively ascertain and manage the status of ALM and risks throughout the Group, and to contribute to maintaining a healthy Group and increasing profitability by reviewing appropriate response measures, etc. Meetings of the ALM & Risk Management Committee are held as necessary. Full-time members of the Audit and Supervisory Committee attend meetings of this committee in order to provide

appropriate advice and recommendations. Minutes from meetings of the ALM & Risk Management Committee are reported to the Board of Directors and other entities as appropriate in an effort to resolve and reform problems related to risk. Additionally, the Auditing Department (Internal Controls Department) is under direct supervision of the Board of Directors and is ensured independence from the department being audited. The Auditing Department conducts strict audits for overall business, and verifies the appropriateness and effectiveness of internal controls systems. Under this risk management system, the Group implements risk capital allocation at its subsidiary banks in order to maintain healthy business and achieve efficient utilization of capital. Additionally, the Group anticipates the interruption of business due to unexpected emergencies such as earthquakes and other large-scale disasters, and defines priority business operations, etc., for continuity at subsidiary banks. The Group has established the Basic Rules for Business Continuity to define timely and accurate management and instructions for subsidiary banks, and has constructed a risk management system.

Diagram of Risk Management System



As of June 25, 2021

A Governance Framework to Support Sustainable Growth

Corporate Governance

Credit Risk Management Systems

Credit risk is the risk that the value of principal or interest of a loan will decrease or disappear due to bankruptcy, deterioration of credit, etc., at a business partner to whom a bank has lent money, thus resulting in a loss incurred by the bank.

The Group appropriately operates and manages credit risk based on our regulations for credit risk management.

In the Group's system, the Risk Management Department serves as an organization for managing credit risk. The Department develops regulations for credit risk management, and plans and operates activities for analyzing, assessing, and improving risk.

At Both Banks, screening departments which are completely separated from sales departments perform strict loan screening and appropriate management of problem loans. Also, the two

banks strive to maintain healthy assets through bank-wide initiatives such as activities to support management reform at business partners. Strict credit examinations and autonomous assessments of loans, etc., are carried out through a two-level examination system at local sales offices and departments at the head office. Then, the Auditing Department conducts a final review to ensure the accuracy and appropriateness of the credit examinations and autonomous assessments. For our credit portfolio, we appropriately manage credit concentration to particular regions, industries, corporations, groups, etc. Moreover, the two banks take measures such as quantifying credit risk* and setting credit risk limits in accordance with equity capital.

* Quantification of credit risk is the process of using statistical methods to quantify in numerical form and estimate the amount of credit risk contained in a credit portfolio.

Market Risk Management Systems

Market risk is the risk that assets and obligations may fluctuate in value due to changes in market factors, thus resulting in a loss incurred by the Group. Such market factors include domestic and foreign interest rates, valuations on securities, and foreign exchange rates.

The Group has established an ALM Operation Policy in order to adjust market risk to the appropriate amount and secure stable income. Based on this policy,

we set limits for risk-taking, loss, etc., for securities management.

In addition, the ALM & Risk Management Committee discusses important issues in market risk management. If a serious incident has occurred in management of securities, this system ensures that details are reported to management immediately.

Liquidity Risk Management Systems

Liquidity risk is the risk of the Group incurring a loss due to difficulty of securing required funds during financing or being forced to procure funds at an interest rate which is much higher than normal (financing risk). It is also the risk of incurring a loss due to being forced to engage in market transactions at significantly disadvantageous conditions or prices (market liquidity risk).

The Group has established the Liquidity Risk

Management Regulations at Both Banks. Management departments involved in financing ascertain and analyze the financing status, and engage in appropriate market procurement as necessary. Furthermore, in preparation for unexpected events, the Group has established response measures and reporting/contact systems to enable fast response in a variety of situations in accordance with the degree of scarcity in financing.

Operational Risk Management Systems

Operational risk is the risk that the Group's internal administrative procedures, actions of directors or employees, or systems operations may be inappropriate or may fail to function, or that other external factors will occur resulting in a loss incurred by the bank. Based on risk factors, the Group categorizes and manages the following types of risk: 1) administrative risk, 2) systems risk, 3) information-security risk, 4) compliance risk, 5) human-error risk, 6) tangible-asset risk, 7)

outsourcing risk, and 8) reputation risk.

In the Group, in order to manage operational risk appropriately, the Risk Management Department (a management supervisory organization) conducts activities such as making proposals on important matters related to operational risk management, accepting reports on operational risks from subsidiary banks and monitoring those risks, and verifying/improving the efficacy of management systems for operational risks.

Cybersecurity Risk Management Systems

Cybersecurity risk is the risk that the Group will incur a loss as the result of threats on the Group's cybersecurity from cyberattacks (the act of maliciously using an information communications network or information system for unauthorized entry via a cyberspace, for stealing, modifying, or destroying information, for stopping the operation of information systems or causing incorrect operation, for executing unauthorized programs, for conducting DDoS attacks, etc.).

In order to strengthen our response to cybersecurity, the Group has established a Cybersecurity Management Committee, a Basic Policy for Cybersecurity Management, and response manuals for

different types of cyberattacks.

Furthermore, the Group reviews advance prevention and predictive management of cybersecurity incidents. In the event that a cybersecurity incident occurs, the Group reviews countermeasures for fast recovery, measures to prevent damage from spreading, measures to prevent reoccurrence, etc.

Additionally, based on instructions from the Executive Committee and other management organizations, we recognize cybersecurity risks as risk that must be managed throughout the entire Group, and we work to strengthen our management of cybersecurity.

Business Continuity System

The Group has defined rules such as Basic Rules for Business Continuity. Even in the event of a disaster or other unforeseen occurrence, the Group has developed a business continuity system that will minimize the impact on our customers and will enable us to maintain

financial functions by limiting the impact on the Group management.

In the event of a large-scale natural disaster or system malfunction, we will immediately establish a Disaster Response Headquarters and work for the recovery/continuity of business.

■ Topics

New!

Announcing our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)

In recent years, abnormal weather conditions and major natural disasters have caused extensive damage in countries around the world. Japan too has seen significant damage as a result of heavy snowfall, torrential rains, and typhoons, examples of the increasing impact of climate change on the business activities of companies.

Given these circumstances, the Group announced its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) in April 2021.

We will continue to improve our disclosure of information on climate change in accordance with the TCFD recommendations.

Governance	The Sustainability Committee, chaired by the President, was established in May 2021 to deliberate on policies and initiatives to address environmental and social opportunities and risks, including climate change.
Strategy	We have established the "Daishi Hokuetsu Financial Group ESG Initiatives Policy" to pursue environmental and social initiatives, including climate change, on a Group-wide basis. Meanwhile, in the "Daishi Hokuetsu Financial Group SDGs Declarations," we have designated environmental conservation, including measures against climate change, as one of the priority issues to be addressed.
	<p>■ Opportunities</p> <p>In an effort to make a carbon-free society a reality, we are actively providing products and services aimed at reducing environmental impact, such as financing for renewable energy projects and supporting customers' investments aimed at reducing greenhouse gas emissions and improving energy efficiency.</p>
	<p>■ Risks</p> <p>In terms of risks related to climate change, we have identified both transition risks and physical risks. Transition risks include increased credit risk for customers affected by tighter climate-related regulations. Physical risks include an increase in credit risk due to damage to customers' assets caused by abnormal weather.</p> <p>■ Scenario analysis</p> <p>We will explore methods of scenario analysis to understand the impact of transition risks and physical risks on our credit portfolio.</p>
Risk Management	We will address climate change risk within a framework of comprehensive risk management systems, including credit risk management and operational risk management.
Indicators and Targets	We will discuss the indicators and targets going forward.

A Governance Framework to Support Sustainable Growth

Corporate Governance

Compliance System

Compliance is one of the top management priorities at the Group. In accordance with the following Basic Policy, all directors and employees work to ensure management based on our Management Philosophy.

Basic Policy

1. All directors and employees in the Group always act in accordance with our Management Philosophy, and recognize the social responsibility and public mission that must be fulfilled by our Group. Furthermore, all directors and employees understand and follow the code of conduct regulated by the Japanese Bankers Association.
2. The Group works to develop and establish a compliance system for maintaining trust in the Group, and for ensuring the health and appropriateness of our business.

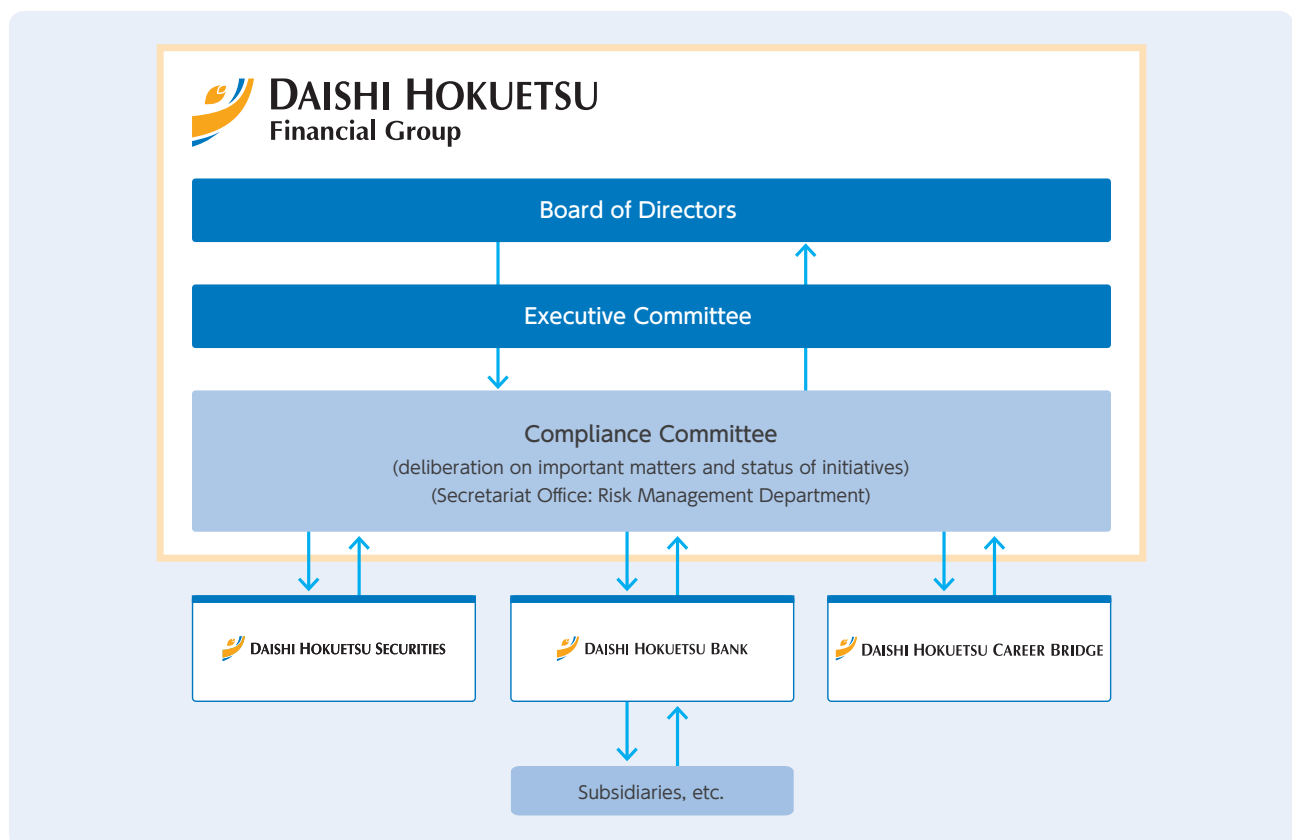
Compliance System

The Group has established the Risk Management Department as a department for overseeing compliance. The Department engages in activities such as formulating compliance-related measures and monitoring the status of compliance in the Group.

In addition, the Group holds meetings of a Compliance Committee which is connected directly with management. The Committee investigates matters

such as the status of compliance management in the Group, and works to develop and establish compliance systems in the Group.

Additionally, we formulate a Compliance Program every year as a detailed execution plan for thorough compliance, and work to establish compliance systems in accordance with our Management Philosophy.



Measures to Combat Money Laundering and Financial Crimes

The Group recognizes that the prevention of money laundering and terrorist financing is one of the most important responsibilities for a financial institution to perform, as well as an important issue in terms of business strategy. As such, the Group is working to implement systematic measures in line with the "Basic Policy on Countermeasures against Money Laundering and Terrorist Financing."

We are also strengthening our efforts to protect customers'

assets from various financial crimes such as specialized fraud.

In addition, TSUBASA Alliance, Co., Ltd., which was jointly established by Daishi Hokuetsu Bank with the participation of TSUBASA Alliance member banks, has established an Anti-Money Laundering Center (AML Center) within the company, and work is underway to upgrade risk management systems to prevent fraudulent account transactions.

Cutting Relations with Organized Crime

The group has established the "Basic Policy on Organized Crime" to protect against groups and individuals who pursue economic interests by using violence, force, and fraud.

We will work in closer cooperation with external organizations with professional expertise, such as the police and lawyers, and will not engage in backroom deals with these elements nor provide them with

inappropriate favors or funds.

Furthermore, we have established a system through which the organization as a whole will deal with elements that pose a threat to social order and safety. This involves taking a decisive stance of cutting off all relations and using and to both civil and criminal legal measures to deal appropriately with any unreasonable demands.

Customer-oriented business operations (fiduciary duty)

Daishi Hokuetsu Bank and Daishi Hokuetsu Securities have been conducting customer-oriented initiatives in the asset management advice business in accordance with our "Basic Policy on Customer-oriented Business Operations," which was drawn up and announced in June 2019.

In June 2021, we also revised the basic policy to further

promote such operations.

All our executives and employees will continue to work for the best interests of our customers, contributing to their stable asset building by proposing appropriate products and services that meet their investment objectives and life cycles, and by providing easy-to-understand information.

The Basic Policy on Customer-oriented Business Operations and the "Status of Initiatives and Key Performance Indicators (KPIs) under the Basic Policy for the Fiscal Year Ended March 31, 2021" are posted on our website.

Basic Policy

<https://www.dhfg.co.jp/other/fiduciary/>



Status of Initiatives and performance Indicators (KPIs)

https://www.dhfg.co.jp/other/fiduciary/pdf/210630_002.pdf

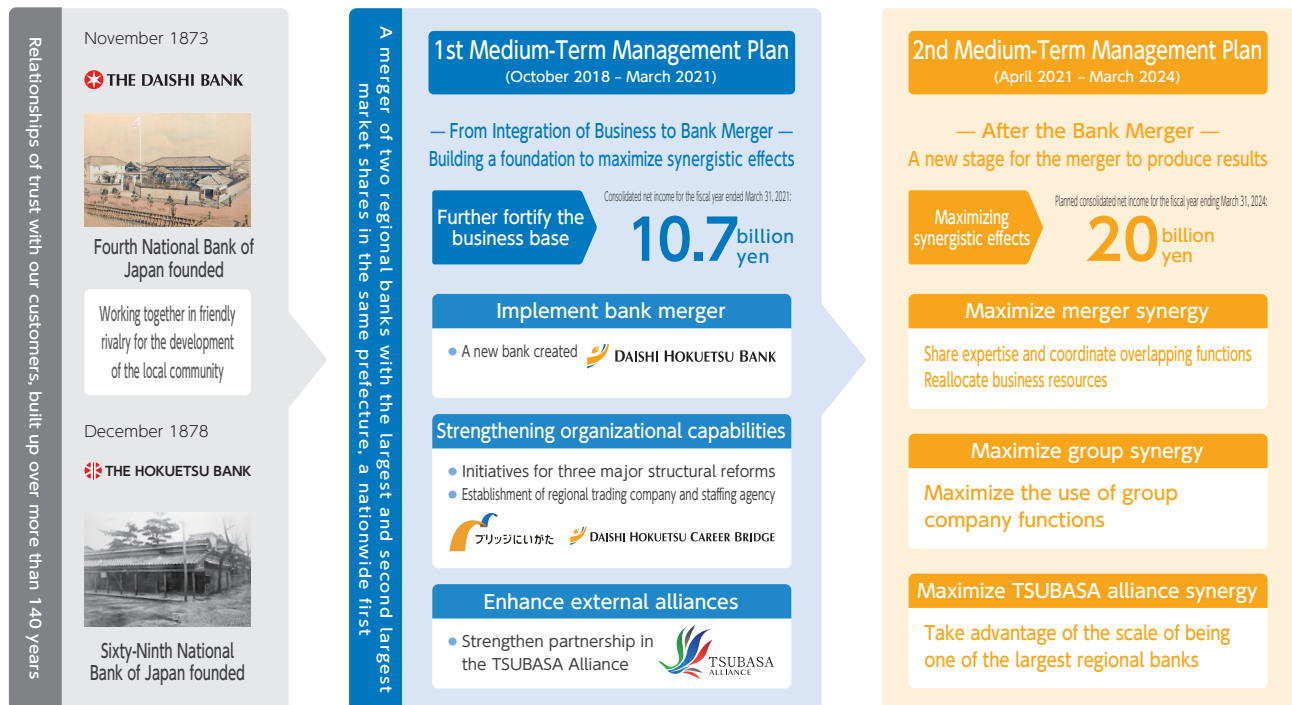


Medium-Term Management Plan

Overview of the Medium-Term Management Plan

Under the 1st Medium-Term Management Plan, Daishi Hokuetsu FG worked to fortify its business base to maximize synergistic effects, using the three key measures of implementing the bank merger, strengthening organizational capabilities, and enhancing external alliances.

Under the 2nd Medium-Term Management Plan, which we have been pursuing since April 2021, we are working to maximize synergistic effects and achieve consolidated net income of 20 billion yen in the final year of the plan (fiscal year ending March 31, 2024). This will be done by leveraging the three synergies of “merger synergy,” “group synergy,” and “TSUBASA collaboration synergy.”



Review of the 1st Medium-Term Management Plan (Recent Major Initiatives)

The most recent major initiatives implemented under the 1st Medium-Term Management Plan are as follows.

Basic Strategy I: Improving our Financial and Information Intermediary Functions

- Multifaceted support for customers and communities that takes COVID-19 into account ▶ **P.22**
- Improved convenience for non-face-to-face transactions
 - Introduction of the “Web Completion Scheme” for personal loans ▶ **P.48**
- Provide a one-stop shop for financial services through collaboration between Group companies
 - Launched the “Family Trust Account”, etc. ▶ **P.44**

Basic Strategy II: Improving Operational Efficiency

- Use of digital technology and structural reform based on the three pillars of “business reform,” “branch reform,” and “channel reform”
 - Provision of the “Daishi Hokuetsu Little Bank” app for smartphones ▶ **P.48**
 - Introduction of “TSUBASA Smile,” a counter reception system, at all branches ▶ **P.49**
 - Introduction of a deposited item management system ▶ **P.51**
 - Integration of personal loan offices, etc.

Basic Strategy III: Increasing the Sophistication of our Group Management System

- Implement our management philosophy and compliance-focused initiatives
- Efforts to enhance corporate governance
- Initiatives for organizational harmony, etc.

Multifaceted support for customers and communities that takes COVID-19 into account —

Daishi Hokuetsu FG places the highest priority on providing a stable supply of funds to the local economy, and in addition to proactively providing cash management support, has been taking advantage of the Group's functions to offer multifaceted support, including holding consultations on various subsidies, match-making support for securing suppliers and sales partners, and support for improving productivity.

In addition, in November 2020, we launched the "Niigata Food Kizuna Project," which aims to provide support to households that have been severely affected by the protracted COVID-19 outbreak, and is engaged in making donations to food banks and "children's cafeterias."

We have donated 10,000 masks and 30 million yen to Niigata Prefecture for use in enhancing the provision of medical care.



Letter of appreciation from Niigata Prefecture

< Main Initiatives >

- Establishment of "COVID-19 Consultation Counters" (all branches)
- Proactive provision of financial and other support to customers
 - Niigata Prefecture funds for dealing with the COVID-19 pandemic (loans with virtually no interest for three years)
 - Donation-based private placement bonds "Private Placement Bonds Supporting Niigata Culture and Sports" (May 2020 - December 2020)
 - Participation in the "Niigata Musubu Project," which provides support through crowdfunding for restaurants, inns, etc.
 - Implementation of the "Livelihood Support Plan" for various personal loan products
 - Extended exemption period for fees to change loan conditions (from October 2020 to October 2021)
- Introduction of multifaceted support for improved management and productivity
 - Individual consultations regarding Employment Adjustment Subsidies
 - Web seminars on expanding sales channels, personnel development, and use of subsidies
 - Establishment of a "New Normal Consultation Service" to support the resolution of business issues related to the COVID-19 crisis
 - "Niigata Power-up Salon," a free management consultation session held by seven of our Group companies
 - Launch of "Telework Loans" to support productivity improvements through digital investment
- Launch of the "Niigata Food Kizuna Project" to support households with children by providing them with food



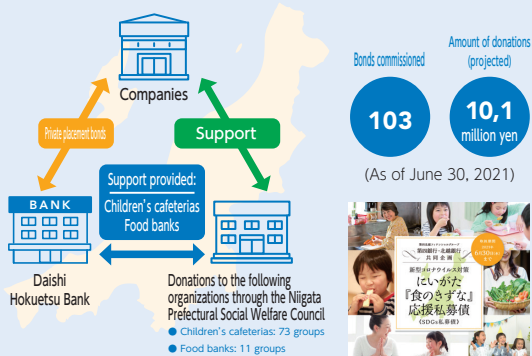
Niigata Food Kizuna Project

Phase 1

Niigata "Food Kizuna" Support Private Placement Bonds < SDGs Private Placement Bonds >

From November 2020

- Since November 2020, Daishi Hokuetsu Bank has been conducting the "Niigata 'Food Kizuna' Support Private Placement Bonds" (SDGs Private Placement Bonds) initiative.
- These private placement bonds involve the issuing company and Daishi Hokuetsu Bank jointly donating a portion of the issuance fee to the Niigata Prefectural Social Welfare Council.
- Through the council, the money will be donated to organizations operating "children's cafeterias" and food banks in Niigata Prefecture, and will be used to fund the operations of these organizations.



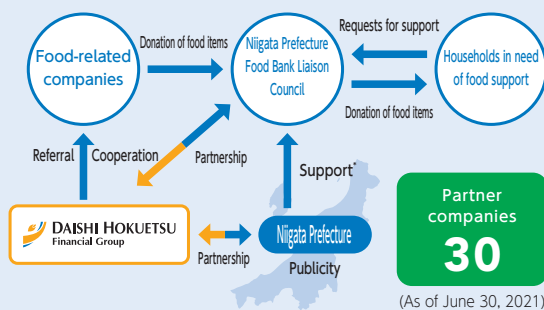
Phase 2

Project donating food items to households impacted by COVID-19

From April 2021

- Alongside partner food companies, the Niigata Prefectural Government, and the Niigata Prefecture Food Bank Liaison Council, Daishi Hokuetsu FG is conducting a project to donate food items to households affected by COVID-19.
- We will continue to actively pursue this project to obtain support from more companies and expand the scope of its activities.

Illustration of the food donation project



* Cooperation in food drives and publicizing activities

Medium-Term Management Plan

Performance indicators (KPIs) for the 1st Medium-Term Management Plan and Assessment Targets for Community Contributions

Amid the prolonged low interest rate environment, the stagnation of economic activities and restrictions on face-to-face sales activities imposed by the COVID-19 pandemic, and the merger and systems integration between Daishi Bank and Hokuetsu Bank in January 2021, consolidated net income, which is a performance indicator (KPI) indicating profitability, stood at 10.7 billion yen, exceeding the earnings forecast (10.5 billion yen).

Management Indexes (KPI)

Management Index (KPI)			FY2020 Results	FY2021 Results
Profitability	Consolidated income for the period ¹	(100 million yen)	128	107
			Performance compared to forecast +200 million yen	
Growth potential	Average small and mid-sized corporate loan balance ²	(100 million yen)	19,122	19,398
	Average consumer loan balance	(100 million yen)	12,930	13,326
	Non-interest income ³	(100 million yen)	204	189
Efficacy	Core business gross profit OHR	(%)	74.1	81.1
	Consolidated ROE (shareholder capital base ⁴)	(%)	3.2(3.3)	2.6(2.7)
Financial health	Consolidated capital equity ratio	(%)	9.65	10.35

*1. Net income attributable to parent company shareholders. For the year ended March 2019, net income includes 47,200 million yen in gain on bargain purchase due to the corporate integration.

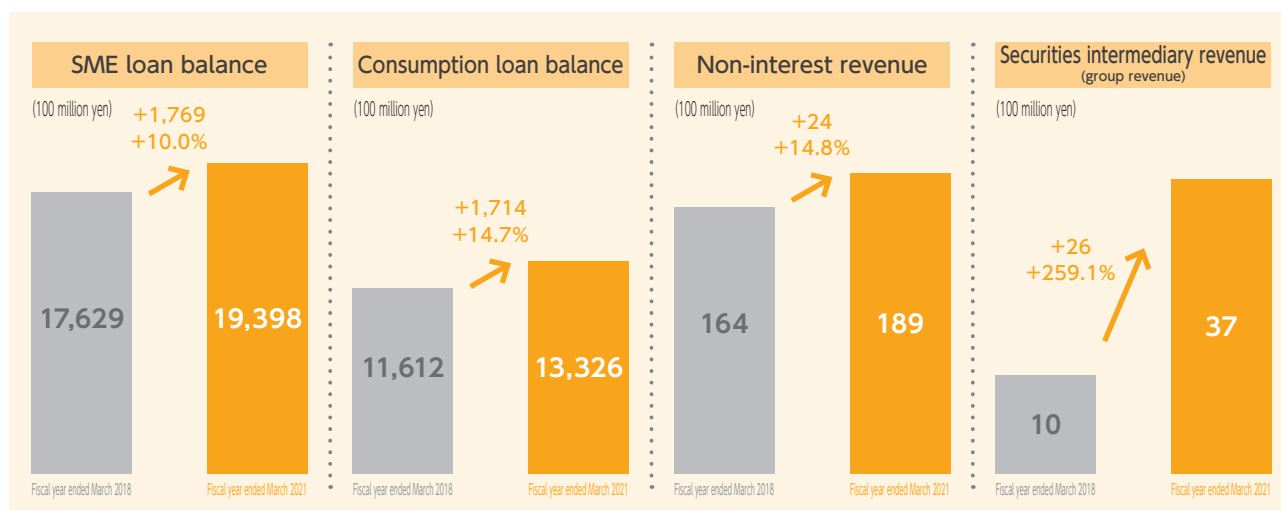
*2. Annual average balance before partial direct depreciation

*3. Total amount of other business profits excluding fees/commissions and gains (losses) related to bonds (government bonds, etc.)

*4. Calculated value subtracts valuation difference on available-for-sale securities, etc., from the net asset that is the denominator

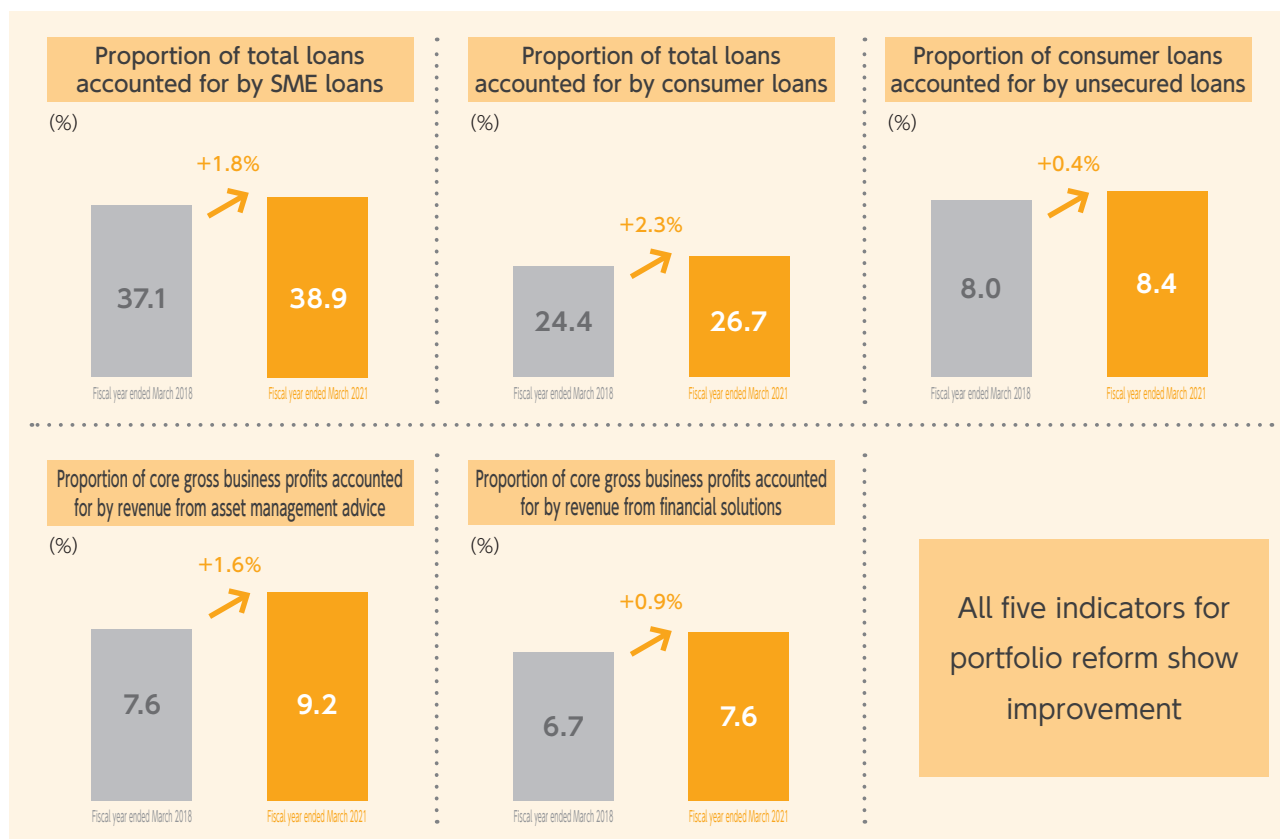
Compared to the fiscal year ended March 31, 2018, which was before the establishment of Daishi Hokuetsu FG, the average balance of loans to SMEs and the average balance of consumer loans both increased by more than 170 billion yen, with non-interest revenue also increasing by 2.4 billion yen.

In addition, securities intermediary revenues increased significantly to 2.6 billion yen over the fiscal year ended March 31, 2018 due to strengthened collaboration between Group companies.



Five indicators for portfolio reform

Increase the proportion of core gross business profits accounted for by “interest on loans” and “non-interest revenue”



Assessment Targets for Community Contributions

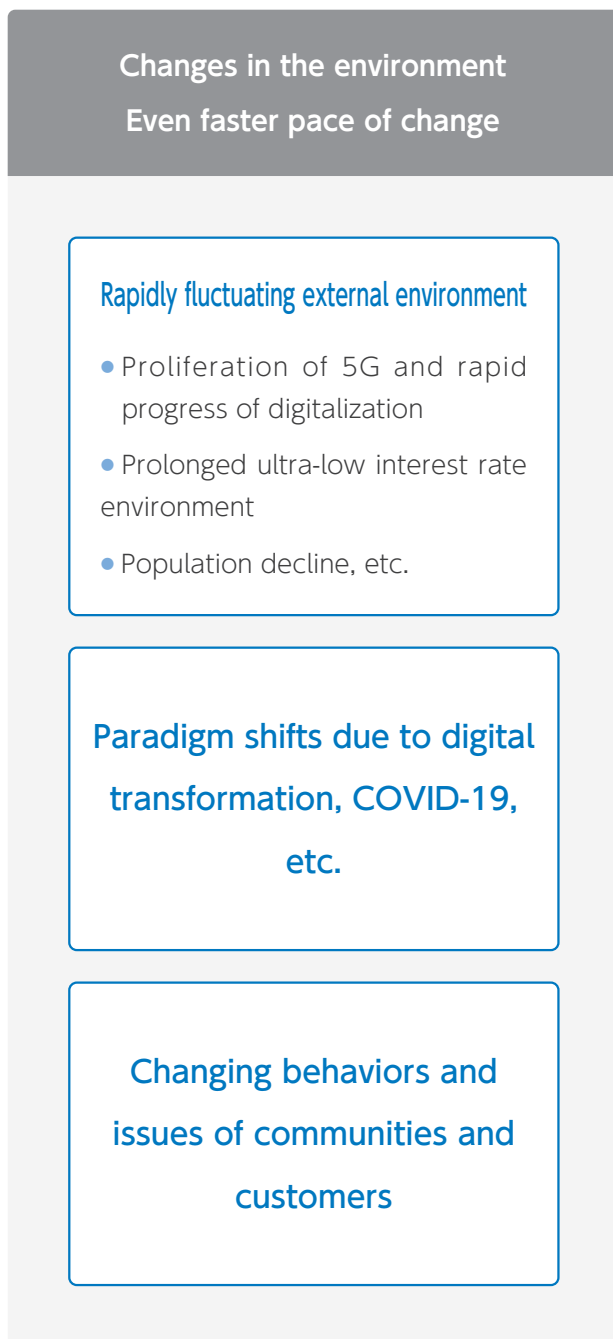
The figures for the fiscal year ended March 2021 exceeded all nine of our assessment targets for community contributions, showing steady progress for the group’s initiatives.

Evaluation Indexes for Contributing to the Community		FY2021		
		Target	Results	Comparison with target
Top-priority index for measuring extent of contribution to community	Number of corporations doing business with the Daishi Hokuetsu FG as their main bank	14,970	15,088	+118
	Maintenance/increase of leaders for the regional economy			
	Number of projects involving startup/restart of a business	1,300	2,350	+1,050
	Corporations supported in finding a business successor	1,540	1,544	+4
Support for increasing added value of corporations	Number of balance based on evaluation of business feasibility	4,500	4,878	+378
	Number of balance based on evaluation of business feasibility	1,050,000 million yen	1,050,300 million yen	+300 million yen
	Number of corporations utilizing Guidelines for Personal Guarantee Provided by Business Owners	5,360	7,023	+1,663
	Number of business partners who reformed their management indexes, etc.	9,322	9,953	+631
	Number of projects for supporting main businesses	3,700	5,460	+1,760
	Number of corporations being supported for formulation of management reform plans	620	668	+48

Medium-Term Management Plan

Basic and Key Strategies in the 2nd Medium-Term Management Plan

Taking into account the business environment and other factors, the 2nd Medium-Term Management Plan sets the three priority business issues for Daishi Hokuetsu FG as enhancing profitability, improving operational efficiency, and sustaining and reinforcing a sound footing. To achieve these goals, we will work on four basic strategies: I. “achieving synergy effects,” II. “dramatic improvements in productivity,” III. “developing and enhancing human resources,” and IV. “improving risk management.”



<Achieve three synergies to maximize synergistic effects>

Plan period: April 2021 - March 2024

Maximize merger synergy

Maximize group synergy

Maximize TSUBASA Alliance synergy

— Basic Strategies —

— Key Strategies —

Basic Strategy I

Achieve synergistic effects

- Achieve top-line synergies and cost synergies (achieve merger synergy)
- Achieve group synergy
- Maximize top-line synergy by expanding partnership in the TSUBASA Alliance
- Create new value by developing consulting functions and implementing digital transformation
- Boost non-interest revenue
- Search for new business fields
- ESG and SDGs initiatives

Basic Strategy II

Dramatic improvements in productivity

- Implement new structural reforms to achieve comprehensive improvements in productivity
- Maximize cost synergy by expanding partnership in the TSUBASA Alliance

Basic Strategy III

Developing and enhancing human resources

- Promote organizational harmony and shared awareness: "unity of purpose"
- Enhancing consulting functions
- Managing human resource to ensure that all group employees have a role to play

Basic Strategy IV

Improving risk management

- Conduct business operations with compliance as top priority
- Enhance the Group's operational management approach
- Develop more advanced risk management

Medium-Term Management Plan

Basic Strategy I Achieve synergistic effects

Key Strategies Achieve top-line synergies (sharing expertise) —Enhancing the financial and information functions to be created—

Further portfolio reform

- We will strive to maximize Daishi Hokuetsu FG's consolidated net income by improving the six indicators for increasing the earnings of the banking division and non-banking Group companies, and by demonstrating the Group's all-round strengths.

<Banking Division> Increase the proportion of core net business profits accounted for by "interest on loans" and "non-interest income" × <Group Company Divisions> Increase the proportion of consolidated net income in the fiscal year accounted for by "group company revenue"

6 Indicators for Furthering Portfolio Reform Results for	Fiscal year ended March 31, 2021	Plan for fiscal year ending March 31, 2024 Change vs. Fiscal year ended March 31, 2021
(1) Proportion of total loans accounted for by SME loans	38.9 %	39.5 % 0.6 %
(2) Proportion of total loans accounted for by consumer loans	26.7 %	28.1 % 1.4 %
(3) Proportion of consumer loans accounted for by unsecured loans	8.4 %	8.4 % 0.0 %
(4) Proportion of core gross business profits accounted for by revenue from asset management advice	9.2 %	13.7 % 4.5 %
(5) Proportion of core gross business profits accounted for by revenue from financial solutions	7.6 %	13.5 % 5.9 %
(6) Consolidated to non-consolidated ratio (consolidated net income for Daishi Hokuetsu FG in the fiscal year ÷ non-consolidated net income for the bank in the fiscal year)	1.06	1.10 or over 0.04 pts or over

Key Strategies Achieving cost synergy (coordinating overlapping functions) — Substantial improvement in OHR —

Substantial reductions in consolidated operating expenses of Daishi Hokuetsu FG through maximization of merger synergy and thorough cost control



Strengthen sales capabilities through reallocation of Group management resources by integrating branches, streamlining head office, and reforming sales office operations

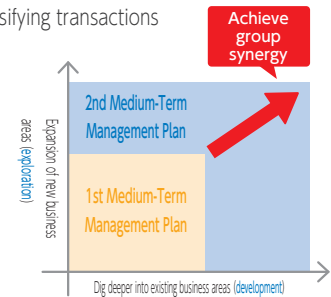
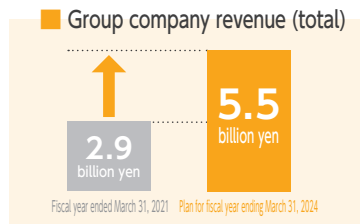


Key Strategies Achieve group synergy

Achieve group synergy by maximizing the use of Group company functions

- Strengthen cooperation within the Group and enhance the core businesses of each Group company
- Increase the total number of Group customers by acquiring new customers, increasing market share, and diversifying transactions
- Strengthen the Daishi Hokuetsu FG head office structure to achieve group synergy

Securities	Enhance our proposals for meeting diverse asset management needs
Leasing	Enhance our proposals for various procurement methods for capital investment
Management consulting	Enhance support for business startups and business plan development
Regional trading companies	Enhance support for market development, tourism promotion, and productivity improvement
Staffing company	Enhance personnel match-making to meet companies' business challenges



Initiatives for achieving group synergy

- #### 1 Strengthen governance

 - Establish new "Regional Revitalization Department" to plan and conduct sales and regional revitalization for the entire Group
 - Establish new "Group Strategy Promotion Department" to oversee and support restructuring and business promotion for non-bank subsidiaries and subsidiaries of subsidiary banks, etc.
- #### 2 Allocate strategic personnel

 - Reallocate Group management resources by integrating branches, streamlining head office, and reforming sales office operations at the bank

Reallocate approx. **70** strategic personnel to Group companies
- #### 3 Reorganize the Group

 - Improve management efficiency by reorganizing Group companies in the same industry
- #### 4 Expand areas of collaboration

 - Securities collaboration**
 - Develop business with high-net-worth individuals through collaboration between banks and securities companies
 - Leasing collaboration**
 - Launch a lease brokerage service through the bank
 - Credit card collaboration**
 - Strengthen cashless business in collaboration with banks
- #### 5 Explore new business areas

 - Regional trading companies**
 - Enhance support for market development, tourism promotion, and productivity improvement
 - Staffing company**
 - Enhance personnel match-making
 - Respond to deregulation**
 - Enter into new business areas following deregulation (exploration)

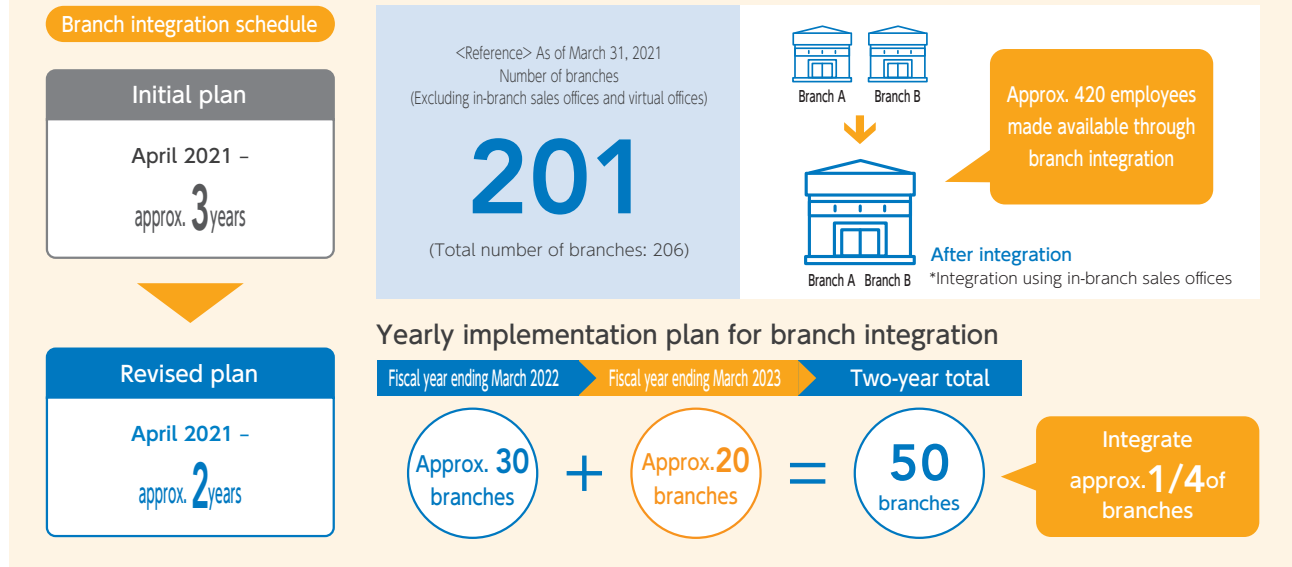
Group Structure



Medium-Term Management Plan

Branch Integration Initiatives

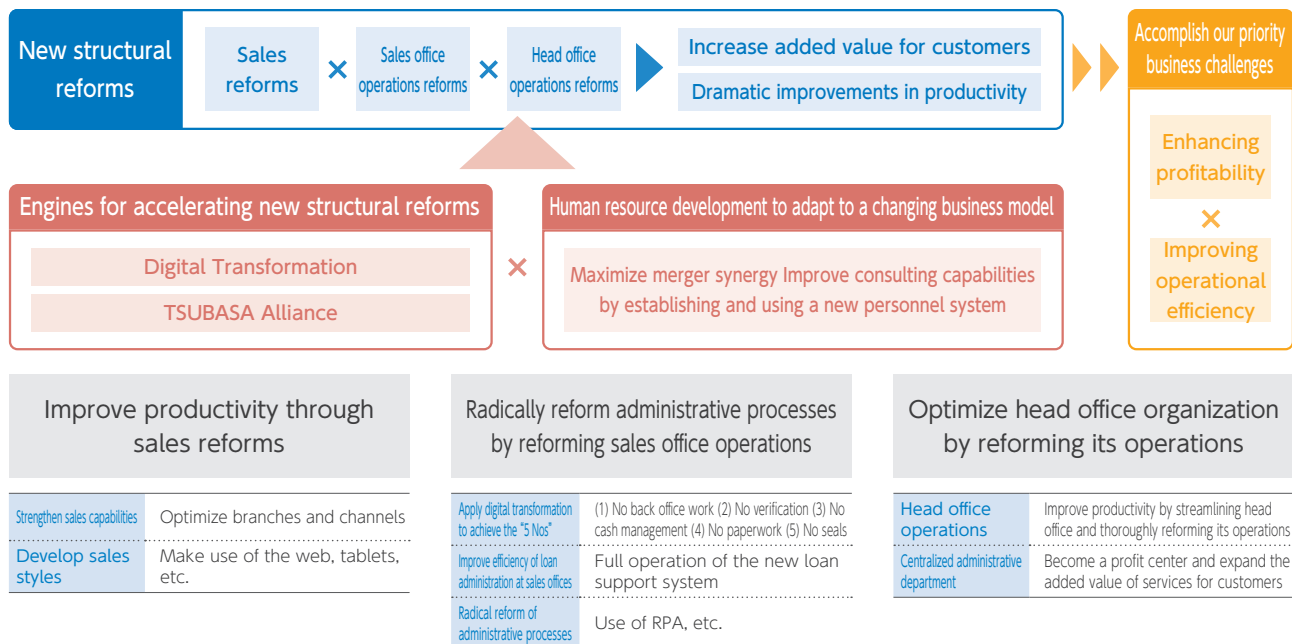
The schedule for the integration of branches, which began in April 2021, has been changed from “to be completed in approximately three years” in the original plan to “to be completed in approximately two years.” In addition to minimizing any loss of convenience for our customers, we will further improve convenience by meeting the various needs of our customers with extra capacity generated by improving management efficiency.



Basic Strategy II Dramatic improvements in productivity

Key Strategies Implement new structural reforms to achieve comprehensive improvements in productivity

New structural reforms based on three key areas of “sales reforms,” “sales office operations reforms,” and “head office operations reforms”



Basic Strategy III Developing and enhancing human resources

Basic Strategy IV Improving risk management

Key Strategies Promote organizational harmony and improve consulting capabilities

Continue measures to promote organizational harmony, led by the (newly established) Integration Promotion Office. Establish the new personnel system and familiarize employees with it.

Enhance consulting capabilities by appropriately allocating personnel who can work in a wide range of fields

- Implement a group-wide human resources strategy using transfers and exchanges among Group companies to enhance Group synergy



(As of March 2021)

Establish a framework

Implementing the human resources development cycle*

- Establish rank-specific training programs to foster awareness of career building and support career development

* A cycle in which improved practical skills lead to experience of success, which in turn leads to a virtuous cycle of further independent learning and challenge.

Establish flexible and productive work styles adapted to the "new normal"

Key Strategies Conduct business operations that prioritize compliance, develop the Group's business management system

Ensure widespread awareness of our management philosophy and the importance of compliance

Improve our credit risk control capabilities through the (newly established) Credit Risk Management Office

Further enhance governance in accordance with the Corporate Governance Code and Corporate Governance Guidelines

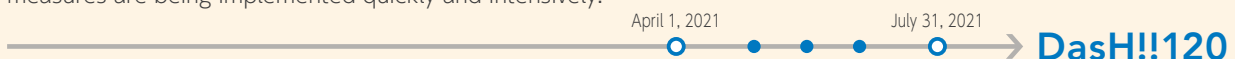
Implement systematic measures to combat money laundering and terrorist financing

Maintain and improve Daishi Hokuetsu FG's consolidated capital adequacy ratio

Enhance cybersecurity management

『DasH!!120』

The first four months of the 2nd Medium-Term Management Plan, known as DasH!! 120, have been identified as the most important period of activity for accelerating the initiatives of the Medium-Term Management Plan, and various measures are being implemented quickly and intensively.



Reallocate business resources

Complete streamlining of head office

Make available approx. 200 employees

Conduct branch integration

To be implemented monthly from April 2021

Achieve early improvements in sales capabilities

Prior consolidation and reallocation of sales staff to surviving branches prior to branch integration

Reallocation within and outside the Group

Reallocation within and outside the Group of personnel made available through branch integration, streamlining of head office, and reform of sales office operations

Improve communication within and outside the Group

Briefings by executives within and outside the bank

Explanations to stakeholders regarding initiatives and prospects for contributing to local communities and achieving synergy

Activities to promote organizational harmony

Continue measures to promote organizational harmony, led by the (newly established) Integration Promotion Office

Use personnel transfers to promote a unified mindset

Promote a unified mindset and the integration of skills and expertise previously acquired

Conduct transfer of approximately 1,000 employees, or about 30% of the total workforce

Achieve group synergy

Establish new Regional Revitalization Department

Plan and conduct sales and regional revitalization for Daishi-Hokuetsu FG as a whole

Establish new Group Strategy Promotion Department

Oversee and support business promotion for Group companies (excluding banks)

Establish new Structural Reform Promotion Committee

Promote and oversee new structural reforms, digital transformation strategy, and reallocation of management resources

Intensively implement measures

Intensively implement measures to increase the volume of whole-group activities and develop consulting capabilities

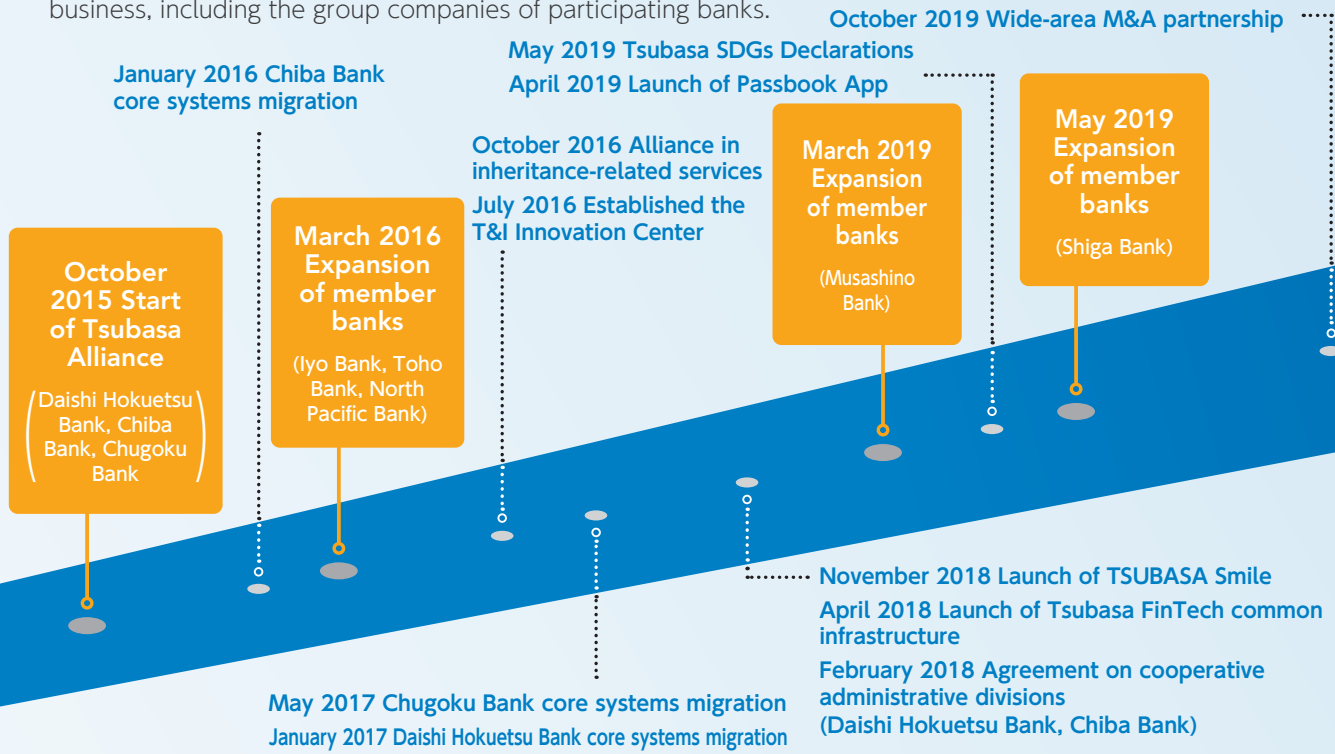
TSUBASA Alliance ~ Strategic Alliances by 10 regional banks ~

The TSUBASA Alliance is a framework for wide-range regional partnerships aimed at proposing and implementing measures for contributing to sustainable regional growth, sophistication of financial systems, increased corporation value of member bank groups, and other initiatives.

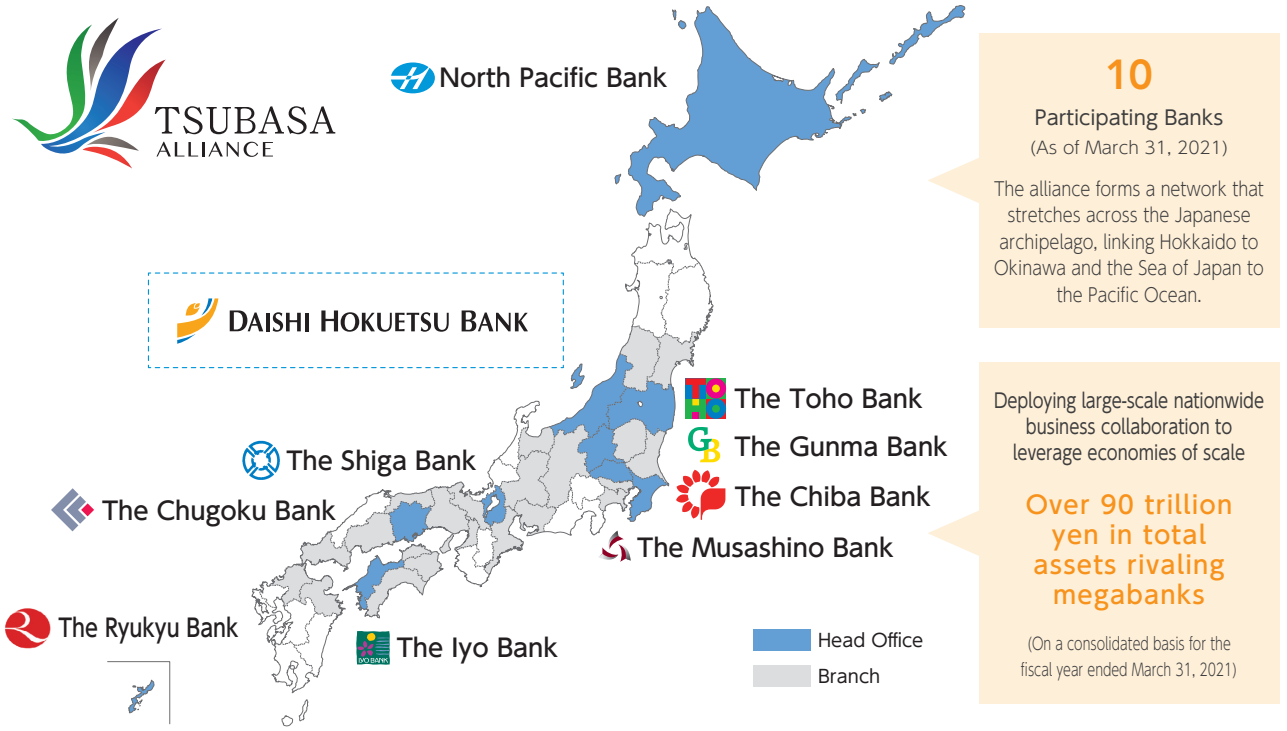
The Gunma Bank joined the alliance in December 2020. A total of ten banks now participate in the alliance.

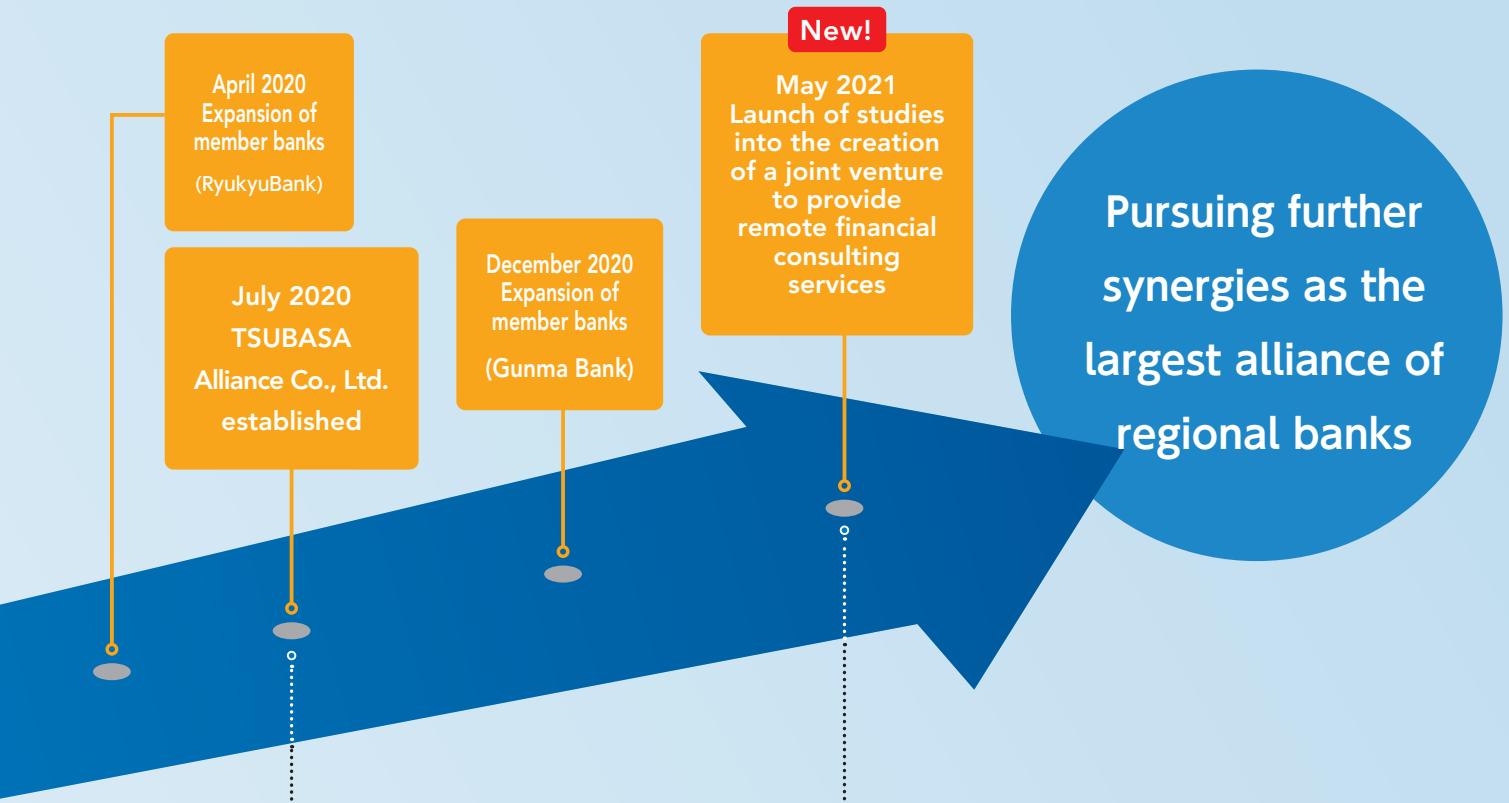
With the addition of Gunma Bank in December 2020, the number of participating banks has expanded to 10.

Since the alliance's inception in October 2015, we have also expanded our partnership in a wide range of areas, including fintech, joint systems and administration, inheritance-related business, and international business, including the group companies of participating banks.



Banks Participating in the TSUBASA Alliance Location of Head Office and Branches





Topics

Establishment of Tsubasa Alliance Co., Ltd.

- We have established Tsubasa Alliance Co., Ltd. as a joint venture by the alliance's members, and this will serve as a platform to promote the consolidation of operations and functions shared among the participating banks.
- In addition, in October 2020, an Anti-Money Laundering Center (AML Center) was established within the company, and work is underway to upgrade risk management systems to prevent fraudulent account transactions.

Topics

New!

Launch of studies into the creation of a joint venture to provide remote financial consulting services

- Daishi Hokuetsu Bank, Chiba Bank, Chugoku Bank, and Nomura Holdings are exploring the establishment of a joint venture to provide remote financial consulting services.
- The joint venture company to be established aims to provide neutral and comprehensive consulting services that transcend industry categories by combining expertise in the banking and securities industries.

Goals of the Tsubasa Alliance Collaboration

Increase the top line



Cut costs



Increase corporate value



Initiatives in the 2nd Medium-Term Management Plan

Pursuing further synergies as the largest alliance of regional banks



Use as a "main engine" for faster innovation

Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2021

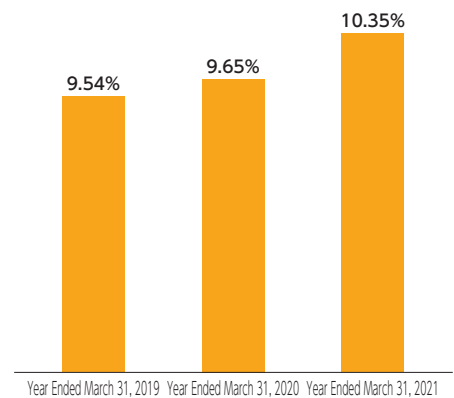
Consolidated Results for the Daishi Hokuetsu Financial Group

Profit and Loss

(Unit: 100 million yen)

Item	Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2021
Ordinary income	1,180	1,546	1,431 △115
Ordinary profit	167	194	175 △19
Profit attributable to owners of parent	568	128	107 △20

Consolidated capital equity ratio



*Consolidated results for the first year of establishment (year ended March 31, 2019) were calculated by adding the consolidated profit/loss of The Hokuetsu Bank after the management integration to the full-year consolidated profit/loss of The Daishi Bank.

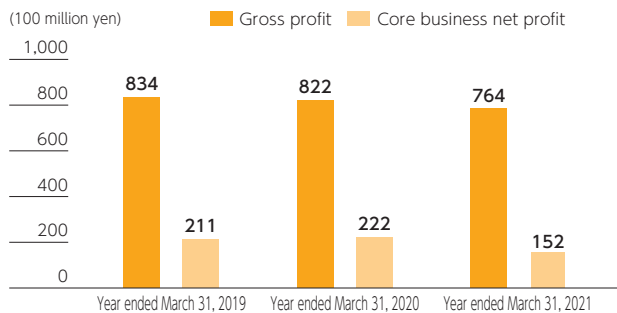
*Net income attributable to shareholders of the parent company (year ended March 31, 2019) includes 47,200 million yen in gain on bargain purchase due to the corporate integration.

Daishi Hokuetsu Bank (Non-Consolidated)

Profit and Loss

Gross profit **¥76,400 million**

Core business net profit **¥15,200 million**



Despite increased revenue from asset management advisory services, gross business profit decreased to 76,400 million yen (down 5,700 million yen year on year), mainly due to a decrease in interest and dividends on securities.

Net core business profit excluding gains and losses related to government and other bonds decreased to 15,200 million yen (down 7,000 million yen year on year). This was due to a decrease in gross business profit and a 1,900 million yen increase in expenses, which resulted primarily from the increase in business integration-related expenses.

These business integration-related expenses are expected to decrease significantly from the fiscal year ending March 31, 2022.

• Gross profit

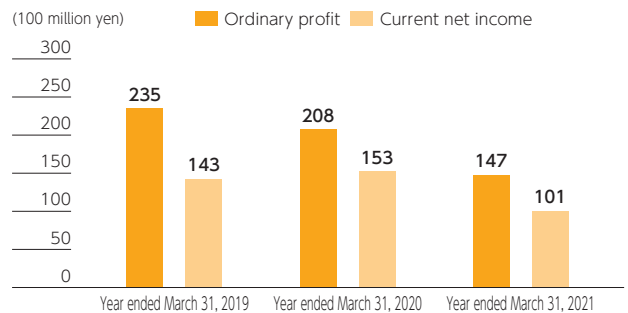
Total profit calculated by adding capital income consisting of interest income such as deposits, loans, and securities; fees and commissions which are income from fees; and other business interest which is income from other business activities.

• Core business net profit

Profit obtained from main business activities of the bank. Calculated by deducting gains (losses) related to bonds (government bonds, etc.) from gross profit and then subtracting expenses such as personnel expenses and property costs.

Ordinary profit **¥14,700 million**

Current net income **¥10,100 million**



Ordinary profit decreased to 14,700 million yen (down 6,000 million yen year on year) due to a decrease in net credit costs, despite a decrease in core business profit.

Current net income decreased to 10,100 million yen (down 5,200 million yen year on year).

• Ordinary profit

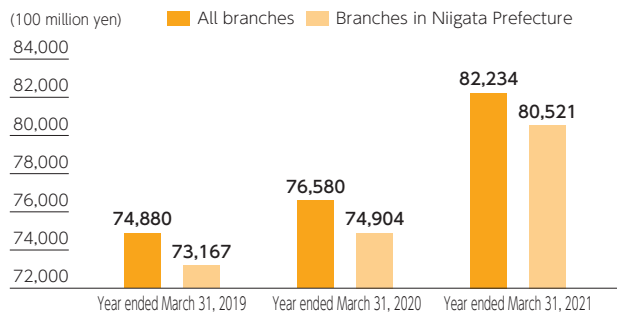
Profit obtained from normal operating activities. Calculated by subtracting ordinary expenses from ordinary profit.

• Current net income

Final income calculated by subtracting extraordinary losses, taxes, etc., from ordinary profit.

Deposits and Assets on Deposit

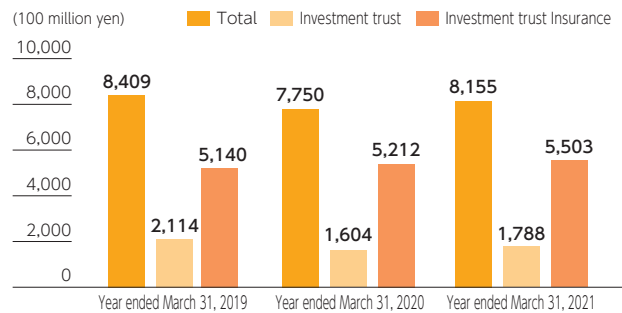
Deposits **¥8,223,400 million**



The deposit balance (including negotiable deposits) increased to 8,223,400 million yen, with the main increase being deposits from customers in Niigata Prefecture.

*The calculation method for insurance was unified following the merger of Daishi Bank and Hokuetsu Bank. As such, retroactively adjusted figures are shown for the purpose of comparison with previous years.

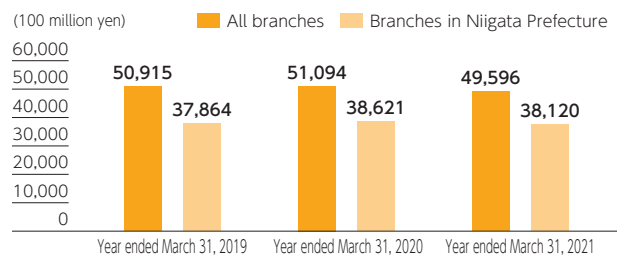
Assets on deposit **¥815,500 million**



Assets on deposit rose to 815,500 million yen, a result of proposals tailored to customers' asset management needs.

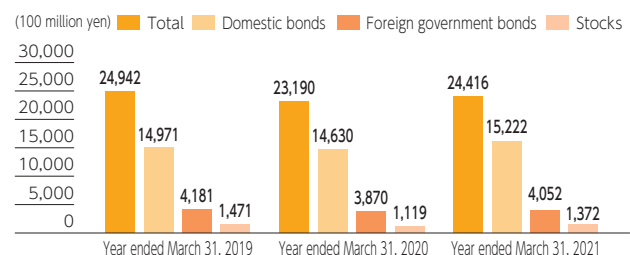
Loans and Securities

Loans **¥4,959,600 million**



The loan balance was 4,959,600 million yen, mainly due to a decrease in public-sector loans and loans to large and medium-sized companies mainly outside Niigata Prefecture, despite a steady increase in the balance of consumer loans and an increase in the balance of loans to small and medium-sized enterprises in the prefecture due to cash management support for customers affected by COVID-19.

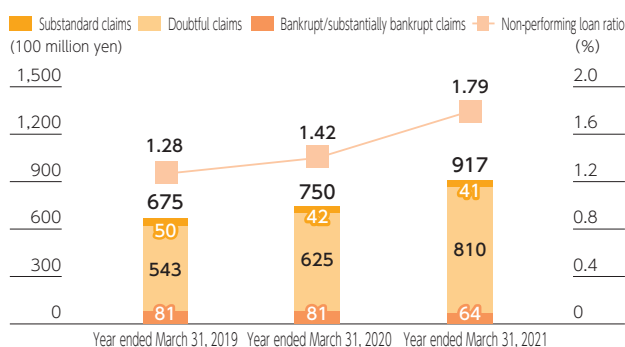
Securities **¥2,441,600 million**



The securities balance was 2,441,600 million yen as we continued to diversify our investments in domestic and foreign stocks and bonds.

Bad Debt

Bad Debt **¥91,700 million**



Non-performing loan balance based on the Financial Revitalization Act (loans reported based on the Financial Revitalization Act) was 91,700 million yen, which was 1.79% of non-performing loan.

The head offices and sales offices are working together to support management reform at our customers.

• Substandard claims

Delinquent loans of 3 months or longer and restructured loans to substandard debtors, excluding doubtful claims and bankrupt/substantially bankrupt claims.

• Doubtful claims

Loans for which the debtor has not entered business bankruptcy, but is experiencing worsened financial status and economic performance, and there is a high possibility that it may not be possible to recover capital or receive interest on the loan according to the contract.

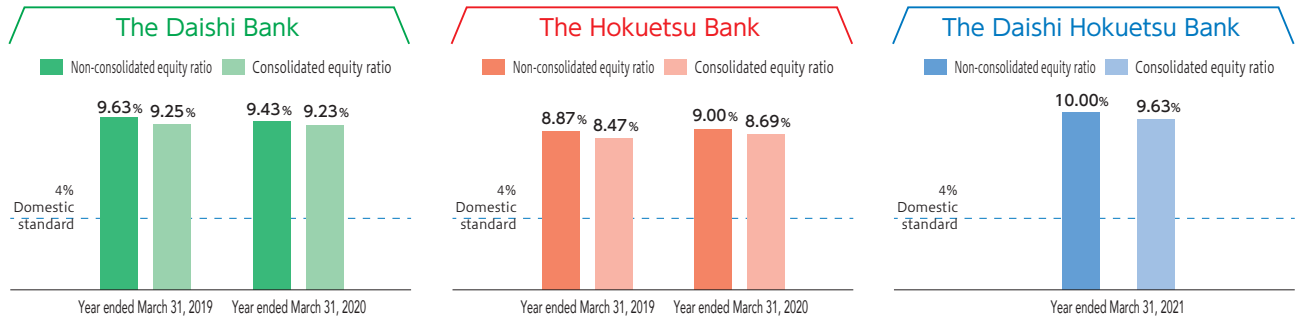
• Bankrupt/substantially bankrupt claims

Loans of debtors with bankrupt business due to reasons such as the start of bankruptcy procedures, the start of reorganization procedures, or declaration for the start of reorganization procedures, or loans to which these conditions apply.

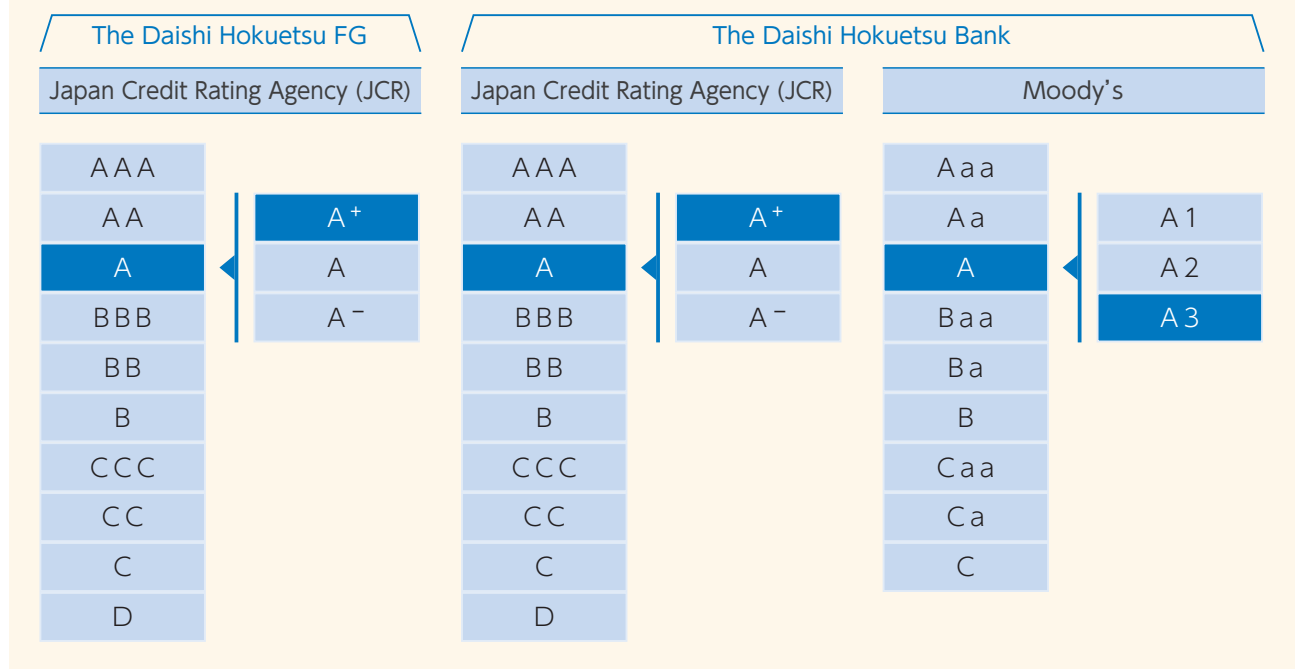
Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2021

The Daishi Bank / The Hokuetsu Bank Consolidated / Non-Consolidated

Status of equity ratio *A level of at least 4% is required for banks operating only in Japan



Ratings

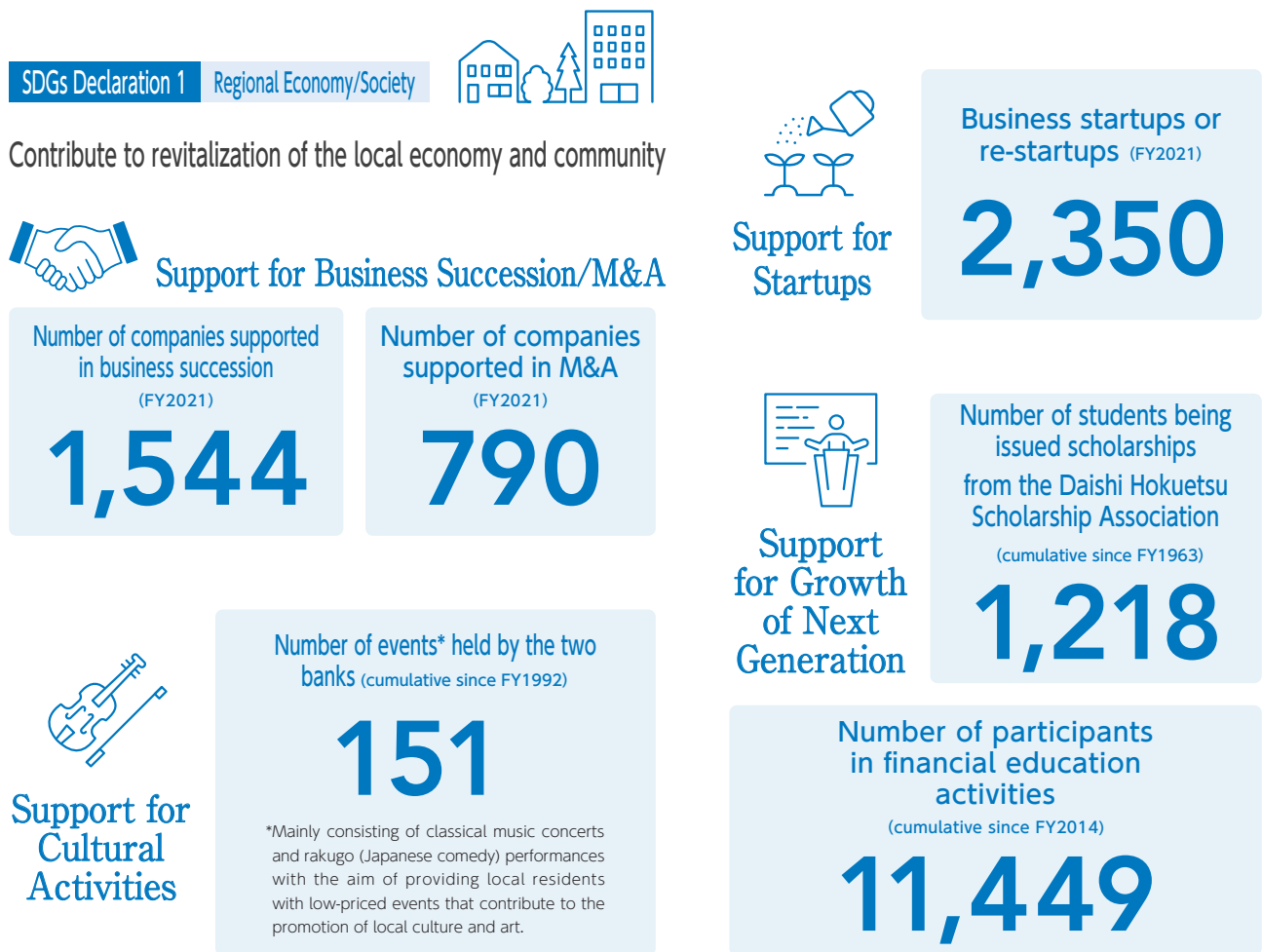


As of March 31, 2021

Rating
 The certainty of fulfillment for bonds (corporate bonds, etc.) issued by a corporation is evaluated by a ratings organization which is a fair third party. The evaluation results are displayed as an easy-to-understand symbol that objectively assesses the creditworthiness and safety of the corporation. This rating is an important index.

Non-Financial Highlights

We have established the Daishi Hokuetsu Financial Group SDGs Declarations (p. 39) with the aim of helping to achieve the Sustainable Development Goals (SDGs) adopted by the United Nations. Results from main initiatives related to the five declarations are as follows.



Non-Financial Highlights

SDGs Declaration 3 Financial Services



Provide financial services for leading an even better lifestyle.



Support grants

Number of support grants (FY2021)

1,375



Overseas business expansion support

Number of overseas business expansion support Projects (FY2021)

580



Donation-type Private Placement Bonds

Handling of donation-type private placement bonds (cumulative since FY2014)

Bonds commissioned 1,778

Amount commissioned ¥167,400 million

Donations to local governments & educational institutions, etc. (cumulative since FY2014)

Donation recipients 875

Total donations ¥164 million



Loans with Special Provisions for Exemption of Principal at Earthquake Disaster

Loans handled (cumulative since FY2019)

Loan recipients	113	Amount loaned	¥16,500 million
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Niigata Future Japan Stock Fund

Niigata Future Japan Stock Fund* past figures and expected donation amount (FY2020)

Applications	4,754	Total expected donations	¥7.2 million
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*This investment trust donates a portion of administrative expenses (trust fees) paid by customers to help create a better future for Niigata Prefecture.

SDGs Declaration 4

Diversity



Promotion of Diversity



Work-style Reform

Promote diversity and work-style reform.



Female manager ratio*
(as of March 31, 2021)

24.4 %

*Ratio of female employees holding the rank of acting branch manager, assistant director, or higher from among all bank employees holding the rank of acting branch manager, assistant director, or higher.

Work hours reduced by implementing RPA
(cumulative since FY2018)

36,494^h

SDGs Declaration 5

Environmental Protection



Contribute to sustainable environmental protection



Environmental Conservation

Number of participants in afforestation activities
(cumulative since FY2009)

3,470

Results of environmental protection activities by Daishi Hokuetsu Magokoro Association*
(cumulative since FY2012)

Number of activities performed

49

Number of participants

857

*The Daishi Hokuetsu Magokoro Association is an organization operated through voluntary participation and donations from Daishi Hokuetsu Bank executives and employees, which engages in volunteer environmental protection and other activities in Niigata Prefecture.



Volume/
Ratio of CO₂
Reduction

Volume of carbon offset through use of Green ATMs
(cumulative since August 2014)

348^t

Volume/ratio of CO₂ reduction due to reduced usage of power, gas, and oil
(in FY2021, compared to FY2010)

Reductions
2,758^t

Reduction rate

18.3 %

Volume of CO₂ reduction through the Item Keeping Management System
(reduction in FY2020 compared to FY2019)

6.9^t

Volume of CO₂ reduction through the Item Keeping Management System
(reduction in FY2020 compared to FY2019)

2.0^t

Initiative Policy for ESG/SDGs Declarations

Initiative Policy for ESG

Daishi Hokuetsu FG established a policy for ESG initiatives at the time of its founding in October 2018. In order to fulfill its social responsibility to help achieve a sustainable society, the Group aims to grow sustainably alongside the local community by proactively addressing ESG (Environmental, Social and Governance) issues and working to meet the SDGs (Sustainable Development Goals) proposed by the United Nations.



Environment

In order to protect the rich and beautiful natural environment of our home in Niigata Prefecture, and to contribute to the achievement of a sustainable society, the Group supports customers who engage in environmental protection. Furthermore, as a corporate citizen, we actively hold environmental protection activities for the region and work to solve global environmental issues.



Society

In addition to supporting the real-life regional economy by providing a wide range of financial services that respond to needs of the region and society, the Group conducts activities based on regional and social needs for contributing to growth of regional society by utilizing management resources such as diverse human resources.



Governance

In order to obtain high recognition and establish unshakeable trusts from stakeholders including customers, local residents, and shareholders, the Group will work to improve financial health and profitability. We recognize that strengthening and enhancing corporate governance is an important management issue, and we strive to augment auditing and supervisory functions for corporate management, as well as to increase the transparency of management activities.

SDGs Declarations

Furthermore, in May 2019 we established the Daishi Hokuetsu Financial Group SDGs Declarations and since then, we have been working toward solutions to social and environmental problems in the local community in order to help it achieve sustainable growth.

Declaration 1

Regional Economy / Society



Contribute to revitalization of the local economy and community.

Declaration 2

Aging Society



Support a safe and secure lifestyle for the elderly.

Declaration 3

Financial Services



Provide financial services for leading an even better lifestyle.

Declaration 4

Diversity



Promote diversity and work-style reform.

Declaration 5

Environmental Protection



Contribute to sustainable environmental protection.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Major Initiatives based on our SDGs Declaration



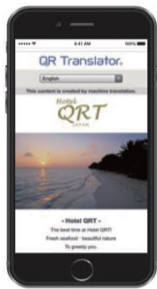
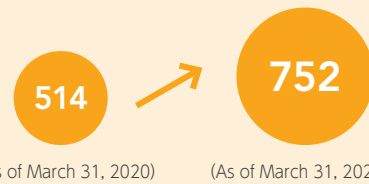
SDGs Declaration 1 Regional Economy / Society Initiatives for achieving regional revitalization

Regional trading company "Bridge Niigata" initiatives

Since its launch in April 2019, Bridge Niigata has been actively operating in the three business areas of market development, tourism promotion, and productivity improvement. In doing so, it has taken advantage of the Group's extensive networks and built a collaborative framework in partnership with a variety of companies.

Business	Main activities
Developing markets	<ul style="list-style-type: none"> Operating an "antenna shop" in the Nihonbashi area of Tokyo Organizing local food and product fair Niigata Marche at major corporate headquarters in the Tokyo metropolitan area Holding online business events Operating an e-commerce site (sales of Niigata products), etc.
Promoting tourism	<ul style="list-style-type: none"> Support for the implementation of a tourist information app Support for the implementation of a multilingual translation service
Improving productivity	<ul style="list-style-type: none"> Support for going paperless by introducing RPA, etc. Support for the introduction of attendance management systems, etc.

Number of products handled by the antenna shop



QR Translator®



Multilingual translation tool that uses QR codes



"Antenna shop" Bridge Niigata

Recognition from External Institutions

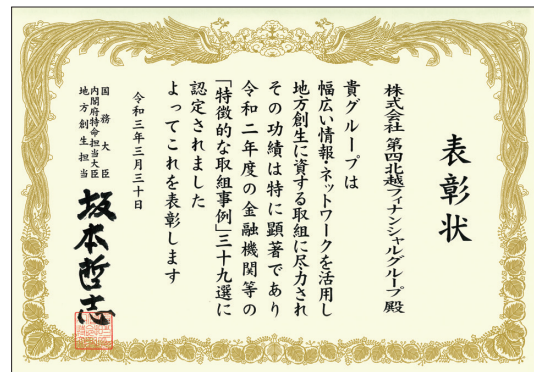
Bridge Niigata's efforts have also won high praise from external institutions. For example, in March 2021, it was selected by the Cabinet Secretariat's Main Office for Revitalization of Communities, People and Jobs as one of 2020's 39 "Distinctive Efforts by Financial Institutions and Other Organizations Contributing to the Revitalization of Local Communities," as well as receiving an award* from the Minister of State for Regional Revitalization.

*The Cabinet Secretariat's Main Office for Revitalization of Communities, People and Jobs evaluates reports from financial institutions nationwide on their efforts to contribute to regional development, and presents awards to pioneering examples.

Selected from among around **1,200** examples



Regional Trading Company "Bridge Niigata"



Certificate of gratitude From the Cabinet office

Major Initiatives based on our SDGs Declaration



SDGs Declaration 1 Regional Economy / Society

Initiatives for achieving regional revitalization

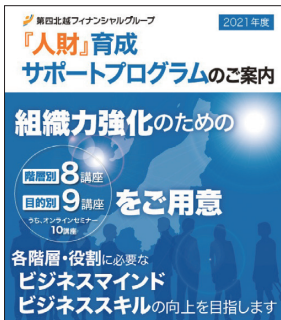
Staffing company Daishi Hokuetsu Career Bridge Initiatives

Since beginning operations in October 2019, Daishi Hokuetsu Career Bridge has seen a steady increase in the number of consultations and decisions it receives regarding staffing.

Since April 2020, it has also run, in cooperation with Daishi Management Consulting and the Hokugin Economic Research Institute, the "HR Development

Support Program," a training program for companies in Niigata Prefecture.

In addition, in December 2020, it launched a "dual-occupation/side-occupation personnel matching service" to introduce companies in Niigata Prefecture to people with highly specialized skills working dual or side jobs, mainly in the Tokyo metropolitan area. It suggests the use of personnel with dual or side occupations in order to solve the problems faced by companies in the prefecture and to actively support their growth by incorporating the expertise and skills of these personnel.



HR Development Support Program Information



Seminar for new employees at the HR Development Support Program

Number of consultations on staffing
(October 2019 – March 2021)

735

Of which 71 led to hirings or job offers

Support for Business Succession / M&As

Daishi Hokuetsu Bank is actively engaged in the "Business Succession Support Program" which provides a one-stop shop for a wide range of support to meet customers' needs with respect to business succession and M&As. While helping to limit business closures and providing support for business succession are essential for regional development and revitalization, support for business creation through M&A and other methods has also become an integral part of regional financial institutions' work. In May 2020, we established a new "M&A Platform" to provide more fine-tuned support for M&A needs, led by the managers of each branch.

Activities of the SDGs Niigata Regional Revitalization Platform

Daishi Hokuetsu Bank, alongside the Niigata Prefectural Government, Niigata University, Niigata Nippo and Niigata Hakuodo, is working as a member of the Regional Development Platform "SDGs Niigata," which was launched in April 2020 with the aim of spreading and raising awareness of the SDGs in Niigata Prefecture and promoting corporate activities aimed at meeting the SDGs. In fiscal 2020, we held a total of 10 webinars to provide our members with information on our efforts to achieve the SDGs and ESG management amid the COVID-19 pandemic. In addition, in March 2021, we held the "1st Niigata SDGs Awards" and presented awards to 10 companies and organizations that are making outstanding efforts to achieve the SDGs.



Logo of the SDGs Niigata Regional Revitalization Platform



"The 1st Niigata SDGs Award Ceremony"

Support for Overseas Business

The Daishi Hokuetsu banks support overseas business expansion by customers in areas such as trade and settlement with overseas companies, establishment of overseas branches, expansion of overseas sales, overseas fund raising, and overseas equipment leasing.

Online Support

Amid successive cancellations of overseas exhibitions due to the impact of COVID-19, we held online seminars providing local information and online individual business meetings with overseas buyers with the aim of providing opportunities to develop new overseas sales channels.

< Online Seminar / Business Meeting Topics >

No.1	Overseas Expansion: Strategies for the "New Normal"~Southeast Asia Series ~
No.2	Local Consultants Discuss Vietnam's Present and Future
No.3	The World-Famous Alibaba: Online Seminar & Individual Business Meetings
No.4	Online Individual Business Meetings for Four Southeast Asian Countries
No.5	Local Consultants Share the Secrets of Expanding into Africa

Support by overseas local staff

As well as establishing a representative office in Shanghai, Daishi Hokuetsu Bank has also dispatched staff to several overseas financial institutions with which it has partnerships to provide information on local economic trends and support business development in these countries.

*The dispatch of staff to overseas financial institutions has been temporarily suspended due to COVID-19. (As of June 30, 2021)

Daishi Hokuetsu FG Overseas Network



Initiatives for Promoting Sports

Daishi Hokuetsu Bank is actively involved in the promotion of local sports, and has sponsored the Healthy Daishi Hokuetsu Bank Cup Volleyball Tournament for Niigata Prefecture Elementary School Students" since 1989, and the "Daishi Hokuetsu Bank Battle of the Flags" youth baseball tournament since 1999. Through these efforts we are doing our part to promote sports in communities while contributing to the healthy physical and emotional growth of young boys and girls, as well as helping them form friendships through sports.



Daishi Hokuetsu Bank Battle of the Flags youth baseball tournament

Organizing the Life-Up Concert

In order to promote regional music and artistic culture, The Daishi Bank has continued to hold the Daishi Life-Up Concert to provide high-quality music, traditional performing arts, and other events at a low price.

In fiscal 2020, the concert was canceled due to COVID-19. We will make further announcements about future events when the situation is safe for everyone to attend.



Daishi Hokuetsu Hall

Major Initiatives based on our SDGs Declaration



SDGs Declaration 1 Regional Economy / Society Initiatives for achieving regional revitalization

Holding the Daishi Hokuetsu Academy

In order to support the physical and emotional development of children, The Daishi Bank has held the Daishi Academy since fiscal year ended March 31, 2014.

Since the opening of the academy in fiscal 2013, more than 1,000 children have participated in the program each year, bringing the total number of participants to 11,449 by the end of March 2021. In fiscal 2020, in order to prevent the spread of COVID-19, we conducted classes remotely or by visiting large venues.



school visit

As of March 31, 2021
Number of participants at
Daishi Hokuetsu Academy

11,449

(cumulative since FY ended March 31, 2014)

Held the Niigata Regional Championships of the 15th All-Japan High School Economics Quiz Tournament

In December 2020, we held the Niigata Regional Championships of the 15th All-Japan High School Economics Quiz Tournament. This year's tournament, the eighth to be held in Niigata Prefecture, was held online in order to prevent the spread of COVID-19. With the participation of 36 players from 18 teams from all over the prefecture, the competition was fierce, with the Niigata Prefectural Niigata High School team taking first place and earning a ticket to the national tournament.

The national tournament (hosted by the Association for the Promotion of Financial Literacy) was held online in February 2021, with 32 teams that had won their respective regional tournaments participating.



As of March 31, 2021
Number of participants in
the Niigata tournament

395

(Cumulative since FY ended March 31, 2014)

Information on the Niigata Regional Championships of the 15th All-Japan High School Economics Quiz Tournament

Scholarships from the Daishi Hokuetsu Scholarship Association

The administrative office of Daishi Hokuetsu Scholarship Association has been established within Daishi Hokuetsu Bank. The association aims to develop human resources who will contribute to society by providing assistance in the form of scholarships with no repayment obligations to young people who graduated with outstanding academic records from high schools in Niigata Prefecture, but are unable to attend university due to financial reasons.

The association started issuing scholarships in 1962. A total of 1,218 students have received scholarships as of Jun 2021.

As of Jun 30, 2021
Number of
scholarship recipients

1,218

(Cumulative since FY ended March 31, 1963)

Presented Banners Featuring a Traffic Safety Slogan

In order to promote traffic safety campaigns and raise awareness of traffic ethics, we presented banners featuring a traffic safety slogan to all elementary schools and junior high schools in Niigata Prefecture. We have conducted this project every year since fiscal 1969.

Fiscal 2020, Banners featuring a traffic safety slogan

Donation destination	Traffic safety slogan	Number of sheets
Elementary Schools	"Raise Your Hand, Protect Yourself, the Signal of Life"	475
Junior High School	"Bicycles, like Cars, Come with Responsibilities"	267



Ceremony to present banners

Major Initiatives based on our SDGs Declaration



SDGs Declaration 2 Aging Society

Support a safe and secure lifestyle for the elderly.

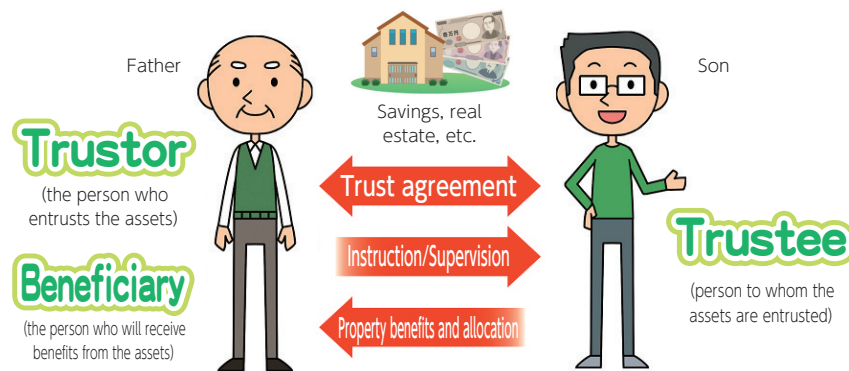
Trust Services

Launch of our Family Trust Services

In 2019, in order to meet the needs of customers who are concerned about the future management of their assets, Daishi Hokuetsu Bank obtained approval to engage in trust business activities, and now handles instruments relating to asset succession.

In September 2020, we started offering family trust services* in the form of a Family Trust Agency Service and a Family Trust Account. The Family Trust Agency Service is a service to introduce specialists affiliated with Daishi Hokuetsu Bank to customers who wish to consult about or use family trusts. In addition, a Family Trust Account can be opened at Daishi Hokuetsu Bank in order to set aside and manage trust assets if a family trust is set up.

<Illustration of a Family Trust (Example)>



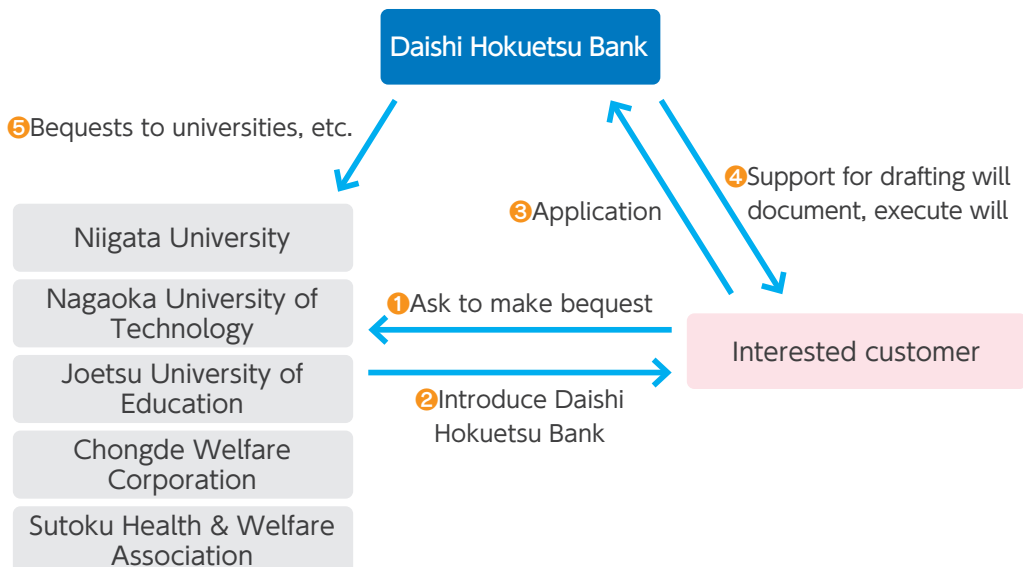
Process from consultation to establishment of a trust



Testamentary Trust Service Referral Agreements

Daishi Hokuetsu Bank concluded testamentary trust service referral agreements with Niigata University, Nagaoka University of Technology, and Joetsu University of Education in December 2019, with Sutoku Health & Welfare Association in April 2020, and with the Niigata Branch of the Japanese Red Cross Society in March 2021. Through these agreements, organizations with whom we have established agreements will refer people who want to make bequests to them to Daishi Hokuetsu Bank. The bank will then provide comprehensive support from the drafting of will documents through to their execution, catering to customers' will and bequest-related needs while ultimately facilitating the advancement of education, healthcare, and other services in Niigata Prefecture.

<Illustration of partnerships under the concluded agreements>



Major Initiatives based on our SDGs Declaration



SDGs Declaration 2 Aging Society Support a safe and secure lifestyle for the elderly.

Initiatives to Prevent Specialized Fraud

Daishi Hokuetsu Bank is taking various measures to protect customers' valuable deposits from specialized forms of fraud that mainly target the elderly. In order to raise awareness of the current situation regarding specialized fraud, bank employees visit welfare facilities in every local community to conduct educational activities aimed at preventing people from falling victim, informing them of incidents and the fraud methods used.

In January 2021, in cooperation with the Niigata Police Station and a local TV station, we conducted awareness-raising activities to prevent losses to specialized fraud, such as by installing warning panels at ATM booths.

Beware of a specialized fraud scheme involving the integration of Daishi Hokuetsu Bank branches

Employees of Daishi Hokuetsu Bank will never take possession of your cash card or seal, nor ask you for your cash card PIN. Please note that although our staff may take possession of your passbook upon your request, such as when filling out your passbook or rolling over to a new passbook, our staff will never ask to take possession of your passbook without such a request. Please exercise caution accordingly.

If you receive a suspicious phone call or visit, be sure to consult with the police or your bank branch.



A specialized fraud prevention event conducted by the Niigata Police Station

The Daishi Hokuetsu Bank Awards

The Daishi Hokuetsu Bank Awards were created in 1977 to support individuals and organizations that have made outstanding contributions to social welfare and disaster relief in Niigata Prefecture.

In fiscal 2020, the award was presented to 10 new individuals and organizations.

As of March 31, 2021
Total award winners
464 groups and individuals
(Cumulative since FY ended March 31, 1978)



The Daishi Hokuetsu Bank Awards ceremony

Tulip Donation Activities

Daishi Hokuetsu Bank has been donating tulips, the bank's official flower, to social welfare and related facilities in Niigata Prefecture since 1970. We deliver potted plants every spring and bulbs every fall to a total of more than 130 facilities.



Stationing of Service Care-Fitters and Dementia Supporters

Daishi Hokuetsu Bank assigns specialist staff to its branches to provide support to elderly customers and those with physical disabilities. This allows them to complete procedures at the counter without difficulty when they visit the bank.

Service Care-Fitters Number of qualified persons

222

(Certified by the Nippon Care-Fit Education Institute)

Total number of employees who have taken lectures as Dementia Supporters

4,999

(Certified by the Community-Care Policy Network (NPO))

As of March 31, 2021

Major Initiatives based on our SDGs Declaration



SDGs Declaration 3 Financial Services Provide financial services for leading an even better lifestyle.

Initiatives for Donation-type and SDGs Private Placement Bonds

Daishi Hokuetsu Bank has been offering "Private Placement Bonds Supporting Niigata Culture and Sports" (May 2020 – December 2020) and Niigata "Food and Job Kizuna" Support Private Placement Bonds (November 2020 to December 2021) to support organizations affected by the new coronavirus in Niigata Prefecture. A portion of the fees received from customers for the issuance of privately placed bonds is donated jointly by customers and the bank to the Niigata Cultural Foundation, the Niigata Sport Association, the Niigata Prefectural Social Welfare Council, and similar organizations.

In September 2013, Daishi Hokuetsu Bank became the first bank in Japan to begin handling donation-based private placement bonds, and as of the end of March 2021, donations had been made to 875 organizations, bringing the total amount of donations to 164 million yen.

Examples of support provided through donation-based private placement bonds

- Private placement bonds to support child-rearing, education, and personal development
- Private placement bonds to advertise Niigata's attractions
- Private placement bonds for neighborhood safety monitoring activities
- Private placement bonds for the Nagaoka Fireworks
- Private placement bonds for future creation in Joetsu and Myoko
- Private placement bonds to support Water Polo Club Kashiwazaki
- Private placement of bonds to support future creation in Minamiuonuma, etc.

Number of donations

875

Total donations

¥164million

(Cumulative since FY ended March 31, 2014)



Information on Niigata "Food and Job Kizuna" Support Private Placement Bonds



Information on Private Placement Bonds Supporting Niigata Culture and Sports

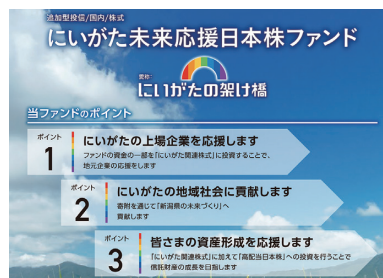
Handling of the Niigata Future Japan Stock Fund

Starting in May 2019, Daishi Hokuetsu Securities has been conducting sales for the Niigata Future Japan Stock Fund (nicknamed Niigata no Kakehashi (Bridge to Niigata)), a donation-type investment trust for supporting the future of Niigata Prefecture.

This investment trust supports companies that contribute to the economy of Niigata Prefecture by investing a portion of its funds in "Niigata-related stocks," which are listed companies headquartered in Niigata Prefecture. In addition, a portion of the investment management fees (trust fees) received from customers is donated, alongside a donation from the establishing company, to support the future development of Niigata Prefecture. In September 2020, 7,234,274 yen was donated to welfare organizations in the prefecture.



Presentation Ceremony for the Niigata Future Japan Stock Fund Prospectus



Information about the Niigata Future Japan Stock Fund

As of March 31, 2021
Niigata Future Japan
Stock Fund Applications

4,754

Total expected donations

¥7.2million

(Cumulative since May 2019)

Major Initiatives based on our SDGs Declaration



SDGs Declaration 3 Financial Services Provide financial services for leading an even better lifestyle.

Financing Support through the TSUBASA Alliance

Daishi Hokuetsu Bank has been actively providing financing support through the TSUBASA Alliance, a framework for wide-area cooperation among regional banks in which the bank participates, and in March 2021, it arranged a syndicated loan (total loan amount: 7 billion yen) for a solar power generation project.

In cooperation with the participating banks, we will continue to actively respond to the diversifying financing needs of our customers and contribute to the development of the local economy.

Record of loans made through TSUBASApartnerships
53 loans made
 Total amount of loans:
¥33.9billion
 (As of March 31, 2021)



Handling of World Bank Sustainable Development Bonds and Green Bonds

As a joint effort between securities brokerage subsidiaries of TSUBASA Alliance member banks, Daishi Hokuetsu Securities has sold "Sustainable Development Bonds" and "Green Bonds" issued by the World Bank on 4 occasions since September 2017.

Sustainable Development Bonds are bonds issued in international capital markets by the World Bank in its efforts to aid development and reduce poverty in developing countries. These bonds support projects in a wide range of fields including education, health, infrastructure, public administration, agriculture, and the environment. Green Bonds are issued to support developing countries struggling with global warming, and the funds are used to finance development projects that reduce greenhouse gas emissions and address the effects of global warming.

Handling of Loans with Special Provisions for Exemption of Principal at Earthquake Disaster

Daishi Hokuetsu Bank offers "Loans with Special Provisions for Principal Exemption in the event of an Earthquake" to corporate customers in order to support business continuity and recovery measures if a major earthquake occurs, and many of them use the service.

Loan statistics
113 loans for
¥16.5billion
 (As of March 31, 2021)

- **Main features of these loans**
- The principal of the borrowed loan is exempted by a predetermined ratio (either 100% or 50%) regardless of whether direct or indirect damage is suffered when a major earthquake of intensity 6.0 or higher occurs as measured at a predetermined seismograph station.
- The portion of the borrowed principal that is exempted becomes gain on forgiveness of debt, covering customers financially against the financial damage suffered in a major earthquake occurrence while also supporting their business continuity and recovery efforts by giving them the capacity to raise funds.

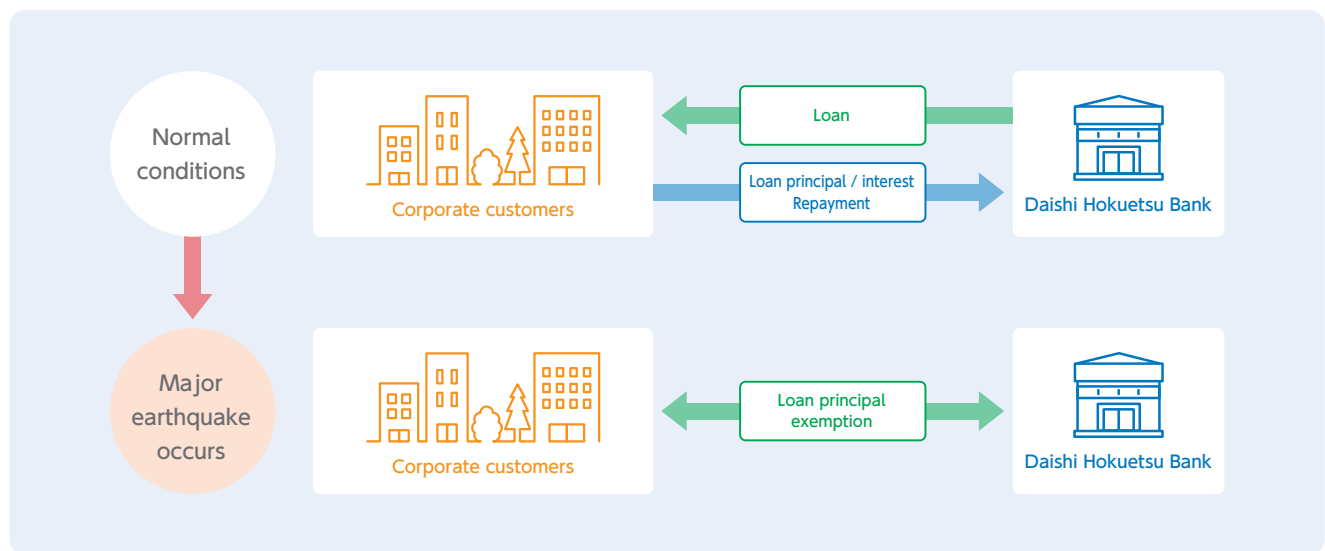


Image of "Loans with Special Provisions for Exemption of Principal at Earthquake Disaster"

Enhanced Smartphone App Provision ~Daishi Hokuetsu Little Bank~

In November 2020, Daishi Hokuetsu Bank launched the “Daishi Hokuetsu Little Bank” smartphone app. This allows users to check their deposit account balances and deposit/withdrawal statements using their smartphone.

Main features

(1) Check your main account balance and deposit/withdrawal statements anytime, anywhere!

- You can check the balance and deposit/withdrawal statements for the representative account of your Daishi Hokuetsu ID.

*The most recent three months of deposit/withdrawal statements are available to view.

(2) Notifications for set deposit and debit dates!

- You can set up notifications for deposit and debit dates at your convenience.

(3) Understand financial products tailored to life events!

- Information is provided on financial products for customers' life events, such as marriage, childbirth, and retirement.

(4) Easily linked to internet banking and the automated savings application 「finbee」!

(5) Can be used alongside your paper passbook!



The Daishi Hokuetsu Little Bank

See here
for iPhone



See here
for Android



Web Completion Scheme for Personal Loans

Daish Hokuetsu bank operates the Web Completion Scheme for loans to individual customers (excluding some loan types such as housing loans).

The “Web Completion Scheme” is a service that allows customers to complete the entire process from application to borrowing on the web using a smartphone or PC. This service is designed to improve convenience for individual customers by eliminating the need to visit a store and fill out a contract form.

Daishi Hokuetsu Bank is running various promotional campaigns for customers who have submitted loan applications online. Please give our online loan services a try.



Major Initiatives based on our SDGs Declaration

 **SDGs Declaration 3 Financial Services** Provide financial services for leading an even better lifestyle.

TSUBASA Smile Counter Reception System

Since November 2018, Daishi Hokuetsu Bank has been using TSUBASA Smile, a seal-less and paperless counter reception system that enables customers to complete a variety of procedures. In January 2021, we introduced the system at all of our branches in Niigata Prefecture, excluding field offices and consulting plazas.

TSUBASA Smile counter reception system

- Handling personal loans
- Handling new savings account setup
- Handling changes to notified matters (change of name or address)
- Handling installment savings
- Handling time and savings deposits




TSUBASA Smile Counter Reception System



Going Cashless

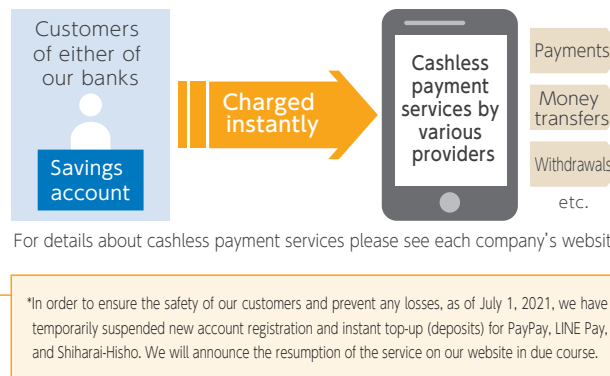
Daishi Hokuetsu Bank is working with many different smartphone-based cashless payment services provided by outside companies in order to offer greater convenience for our customers by going cashless.

Available cashless payment services

Partner	Cashless payment service
PayPay Corp.	PayPay  ※
LINE Pay Corp.	LINE Pay  ※
Mizuho Bank, Ltd.	J-Coin Pay  ※
Merpay, Inc.	Merpay  ※
Wellnet Corp.	Shiharaihisho  ※

As of June 30, 2021

Illustration of how cashless payments work



Developing Personnel with Digital Skills to Improve Financial Services

In response to the increasing pace of digital transformation and the various needs of its customers, Daishi Hokuetsu Bank is promoting the development of personnel with specialized skills in order to further improve its products and services using digital technology.

From October 2020, we have offered online seminars (10 sessions in total) held by system vendors and other data scientist training organizations, aiming to provide staff members with basic knowledge of big data analysis, AI-based digital transformation, and marketing analysis.

Seminar participants as of March 31, 2021:

64

Major Initiatives based on our SDGs Declaration



SDGs Declaration 4 Diversity Promote diversity and work-style reform.

Efforts to Promote the Participation of Women and Seniors and to Reform Work Styles

Recognition from External Institutions

Daishi Hokuetsu Bank has received "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare, indicating that it provides a high level of support for child rearing, as well as "Eruboshi Level III" certification, recognizing it as a company where women can actively participate. As of March 31, 2021, Daishi Hokuetsu Bank is the only company in Niigata Prefecture to have received both the Platinum Kurumin and Eruboshi Level III certifications.

In addition, in March 2021, we were certified as an excellent enterprise (White 500) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program jointly implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council).

We will continue to actively promote women's participation and the reform of work styles in order to improve our human resources and organizational capabilities.



Platinum Kurumin logo



Eruboshi Level III Certification logo



Excellent Enterprises for Health and Productivity Management 2021 (White 500) logo

Efforts to Promote the Participation of Women and Seniors

Daishi Hokuetsu Bank has been holding various seminars and enhancing training programs as part of its efforts to promote the participation of women and those aged 50 and above. In November 2020, 6 of the bank's female employees participated in a webinar on management held in collaboration with other TSUBASA Alliance member banks.

We are also implementing initiatives to develop the capabilities of senior employees, such as holding "second career" development training courses. In fiscal 2020, seven training sessions were held, with a total of 218 people taking part.

Enhancing our Health Management Systems

Daishi Hokuetsu FG has established a system to more actively pursue health and productivity management within the group, including health promotion activities and an enhanced system of medical checkups for employees.

In addition to the establishment of the Health and Productivity Management Promotion Office within the Daishi Hokuetsu Bank clinic, we are working to enhance our health management system by expanding the age range for receiving a "One-Day Health Checkup" from May 2020 onwards.



Major Initiatives based on our SDGs Declaration



SDGs Declaration 5 Environmental Protection
Contribute to sustainable environmental protection.better lifestyle.

Launch of Subsidized Leases for Building a Carbon-Free Society

In June 2021, Daishi Lease was selected as a designated leasing company for the “ESG Lease Promotion Project for Building a Carbon-Free Society” conducted by the Ministry of the Environment. This project promotes ESG leasing initiatives and supports the decarbonization of the entire supply chain by subsidizing a certain percentage of total lease payments when companies introduce decarbonized equipment through leasing. Daishi Hokuetsu FG will come together as a group to promote decarbonization and other sustainability initiatives.

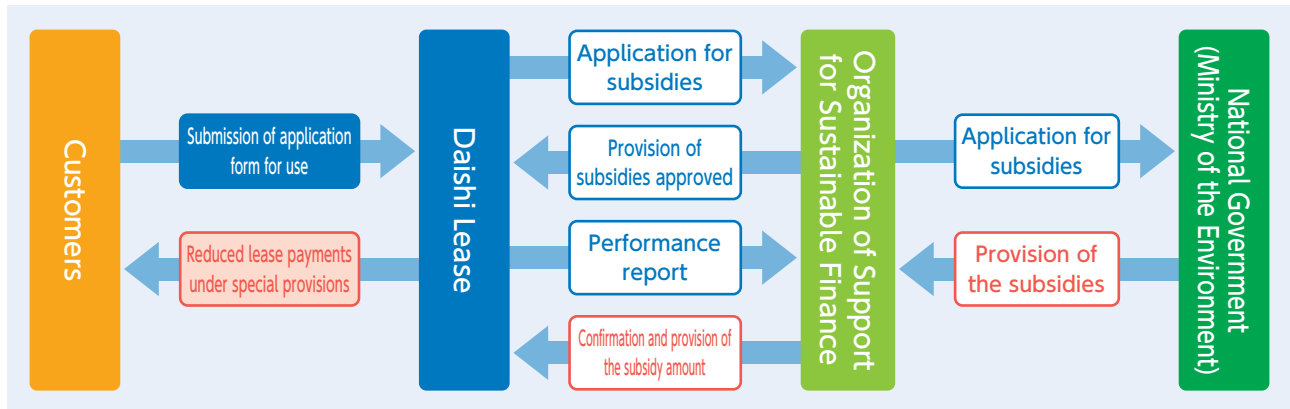


Illustration of the ESG Lease Promotion Project for Building a Carbon-Free Society

Initiatives for Going Paperless

Switching from paper credit card statements to web-based statements

As part of our efforts to reduce paper usage for environmental protection, Daishi JCB Card and Hokuetsu Card are working to switch from paper statements to web-based statements. * From November 2021, payment of a fee will be required to issue paper statements.

Introduction of a Deposited Item Management System

In June 2019, Daishi Hokuetsu Bank introduced the Deposited Item Management System, which allows staff to register deposited items on tablets when accepting and returning them, and to obtain signatures (electronic signatures) from the customers. In addition to preventing clerical errors and improving work efficiency when accepting and returning items, the system also helps reduce CO2 emissions by eliminating paperwork.

(As of March 31, 2021)
CO₂ reductions resulting from the introduction of the Deposited Item Management System
2.0t
(Compared to fiscal 2018, cumulative total from fiscal 2019)

Green ATMs (Using Carbon Offset Function to Contribute to the Environment)

Since August 2014, Daishi Hokuetsu Bank has installed 43 Green ATMs at 20 locations in Niigata Prefecture as part of its efforts to provide environmentally friendly products and services. Based on the concept of “the more you use the ATM, the more you contribute to the environment,” this service uses Niigata Prefecture credits*1 to offset**2 20g of CO₂ per use.

In addition to winning the Minister of the Environment’s Award at the Principles for Financial Action for the 21st Century and Carbon Offset Awards in 2015, this initiative has been highly acclaimed as a service that contributes to the prevention of global warming, as shown by the receipt of a letter of appreciation for the Niigata Carbon Offset System from Niigata Prefecture in March 2021.



Letter of appreciation for the Niigata Carbon Offset System

Carbon offset results as of March 31, 2021
348t
(total since August 2014)

*1 Carbon offsetting is an approach in which greenhouse gases such as CO₂ emitted in daily life or economic activities are offset through credits recognized in other areas.
*2 Niigata Credit is a program in which Niigata Prefecture approves credits (amount of reduction/absorption of greenhouse gases) for increased CO₂ absorption amounts achieved by maintaining forests in Niigata Prefecture. These credits can be offset against the CO₂ emitted by a corporation or can be utilized in environmental activities.

Protecting the Crested Ibis

Daishi Hokuetsu Bank designated the internationally protected crested ibis, the Niigata Prefectural bird, as its official bank bird in 1967. Since 1968, Daishi Hokuetsu Bank has operated the Crested Ibis Protection Fund as an activity to protect and raise crested ibises. For the 53 years since, funds raised from bank employees have been combined with donations from the bank and presented to Niigata Prefecture.

As of March 31, 2021
Crested Ibis Protection
Fund Total donations
¥36,479 thousand
(Cumulative since FY
ended March 31, 1969)

Afforestation Activities

In order to pass on the lush green forests of the region to the future, Daishi Hokuetsu Bank is engaged in forest conservation activities. In addition to the Daishi-Hokuetsu-no-Mori (Daishi Hokuetsu Forest) project in Agamachi, Higashikanbara-gun, Niigata Prefecture, which we have been involved with since fiscal 2009, we have been working on afforestation activities at Araiama Forest Park in Tainai, Niigata Prefecture since fiscal 2017.

* In fiscal 2020, the activities were canceled in order to prevent the spread of COVID-19.

As of March 31, 2021
Afforestation activity participants **3,470**
(cumulative since FY ended
March 31, 2010)

As of March 31, 2021
Tree planting statistics in Araiama Forest Park

Number of Participants	Seedlings planted	Planting area
1,580	1,500	1.5ha

(Cumulative since FY ended March 31, 2018)



Afforestation Activities

Volunteer Activities by the Daish Hokuetsu Magokoro Association

Daishi Hokuetsu Bank engages in volunteer environmental protection activities and donates to environmental protection and social welfare groups in Niigata Prefecture through the Daishi Hokuetsu Magokoro Association, an organization operated through voluntary participation and donations from executives and employees.

※2021年3月期は新型コロナウイルスの感染拡大防止の観点から開催を見送りました。

As of March 31, 2021
Volunteer activities by the Daishi
Hokuetsu Magokoro Association

Number of Activities Performed	49
Number of participants	857

(cumulative since FY ended March 31, 2013)



Volunteer activities by the Daishi Hokuetsu Magokoro Association

Return to Shareholders / Shareholders Benefits

Disclosure Activities

With the goal of achieving transparency and health of management, we actively hold disclosure activities for disclosure of management status and other information. Through these activities, we seek to create understanding towards our management status from stakeholders including customers, regional residents, and shareholders.

In previous years, we have held company information sessions in Tokyo for institutional investors. We also hold company information sessions for individual investors in our main business base of Niigata Prefecture.

For fiscal 2020, in order to prevent the spread of COVID-19, we have decided not to hold a company information session. Instead, we have distributed a video presentation of our financial results on our website.



Company briefing materials URL

<https://www.dhfg.co.jp/financial/ir/session/>



Policy for Return to Shareholders

While considering the public nature of the banking business, in order to reward each one of our shareholders moving forward, our basic policy is to continue stable returns to shareholders while also ensuring an increase in internal reserves in order to strengthen our revenue base.

Specifically, we aim for a shareholder return rate of approximately 40% when combining dividends and acquisition of treasury stock.

Furthermore, our policy is to work to increase ROE based on strengthening of current net income. Our mid- to long-term goal is at least 5%.

Dividends per share

Fiscal year ended March 2021 (annual)	120 yen
Interim dividend (actual)	60 yen
Year-end dividend (actual)	60 yen

Major stockholders (10 largest)

(As of March 31, 2021)

Stockholders	Number of Share	Percent
1 Custody Bank of Japan, Ltd.(Trust Account)	2,686 (Thousand)	5.87 %
2 The Master Trust Bank of Japan ,Ltd. (Trust Account)	2,022	4.42
3 Meiji Yasuda Life Insurance Company	1,624	3.55
4 Nippon Life Insurance Company	1,156	2.53
5 Daishi Hokuetsu Bank Employee's stockholdings	1,144	2.50
6 Tohoku Electric Power Co., Inc.	852	1.86
7 Sompo Japan Insurance Inc.	718	1.57
8 Daido Life Insurance Company	705	1.54
9 DFA INTL SMALL CAPVALUE PORTFOLIO	684	1.49
10 Oka Hidetomo	598	1.30

Shareholder Benefits System

We have implemented a shareholder benefits system in order to thank shareholders for their continued support, to increase the appeal of investing in our company's stock, and to encourage more people to engage in long-term ownership of our company's stock.

Applicable Shareholders

Shareholders who have continuously owned at least 100 shares (1 unit) for at least one year (the same shareholder number is listed continuously at least 3 times in the shareholder registry as of March 31 and September 30 of each year), with March 31 as the date of record shall be applicable.

Contents of the Shareholder Benefits System




Depending on the number of shares owned, the shareholder can select their desired gift from either of the following two catalogs.

(1) Catalog listing special local goods from Niigata Prefecture or donations to the Hokugin Scholarship Fund

(2) Catalog listing special local goods from other prefectures as TSUBASA Alliance Joint Plan*

*1 The following three recipients can be chosen for a donation.

*2 Catalog listing special local goods from four regional banks participating in the TSUBASA Alliance (The Chiba Bank: Chiba Prefecture, The Chugoku Bank: Okayama Prefecture, The Iyo Bank: Ehime Prefecture, The Toho Bank: Fukushima Prefecture, The Gunma Bank: Gunma Prefecture).

Donation recipient		Details
Daishi Hokuetsu Scholarship Association		The scholarship is used to provide non-repayable financial assistance to young people who have graduated from high school in Niigata Prefecture with outstanding academic records, but are unable to attend university for financial reasons.
Niigata Prefecture COVID-19 Countermeasures Support Fund		Funds are used to support those engaged in the treatment and prevention of COVID-19, and to enhance and strengthen the medical care provision system, including countermeasures against future infectious diseases.
Niigata Prefectural Social Welfare Council [Children's Cafeterias, Food Banks]		Funds are used to operate children's cafeterias and food banks, supporting the provision of safe and nutritious meals and food to households in need of assistance due to reduced income or unemployment.



Number of Shares Owned	Amount of Gift
100 shares to less than 1,000 shares	Equivalent to 2,500 yen
1,000 shares or more	Equivalent to 6,000 yen

As of March 31, 2021
Donation applications to the Hokugin Scholarship Fund from shareholders
240 donors **¥1,030 thousand**
(Cumulative since FY ended March 31, 2018)

Notes

- This benefits system can only be used by the shareholder. Benefits cannot be transferred, loaned, or otherwise assigned to a third party, including family members.
- For details on how to apply for the benefits services and how to use the services, please refer to the catalogs sent to eligible shareholders.
- Catalogs are sent to the addresses recorded in our shareholder registry. If you have moved please perform the change of address procedure at your securities brokerage.
- Contents, conditions, and other details of benefits are subject to change depending on factors such as changes in the finance environment. Advance notifications of such changes will be announced on the Company website or through other mediums

List of Executives / Group Companies

Daishi Hokuetsu Financial Group Board Members

(as of June 25, 2021)

	Chairman and Representative Director Fujio Namiki		President and Representative Director Michiro Ueguri
	Senior Managing and Representative Director Kazuyoshi Hirokawa		Director Makoto Takahashi
	Director Ken Shibata		Director Takayoshi Tanaka
	Director Toshiyuki Maki		Director Masami Watanabe
	Director (Audit and Supervisory Committee Member) Yutaka Kimura		Outside Director (Audit and Supervisory Committee Member) Koichi Masuda
	Outside Director (Audit and Supervisory Committee Member) Hiroshi Fukuhara		Outside Director (Audit and Supervisory Committee Member) Toshizo Oda
	Outside Director (Audit and Supervisory Committee Member) Kazuaki Matsumoto		Outside Director (Audit and Supervisory Committee Member) Kunio Mori

*Each of the Outside Directors Koichi Masuda, Hiroshi Fukuhara, Toshizo Oda, Kazuaki Matsumoto and Kunio Mori are outside directors as defined under Article 2, item (xv) of the Companies Act.

Directors at The Daishi Hokuetsu Bank

(as of June 25, 2021)

Chairman and Representative Director		Katsuya Sato
President and Representative Director		Michiro Ueguri
Senior Managing Director		Kazuyoshi Hirokawa
Managing Director		Makoto Takahashi
Managing Director		Ken Shibata
Managing Director	General Manager of Head Office Business Division General Manager of Niigata Airport Office	Takayoshi Tanaka
Managing Director	General Manager of Business Headquarters	Toshiyuki Maki
Managing Director		Toshiyuki Kobayashi
Director	Audit and Supervisory Committee Member	Takayoshi Konomura
Director (outside)	Audit and Supervisory Committee Member	Eiichi Tsurui
Director (outside)	Audit and Supervisory Committee Member	Katsuaki Fujikura

Senior Managing Executive Officer	General Manager of Nagaoka Head Office Sales Dept.	Masami Watanabe
Executive Officer	General Manager of Takada Main Office, General Manager of Takada Chuo Office, General Manager of Honcho Office	Naruhito Hosaka
Executive Officer	General Manager of Tokyo Office	Tadanori Miyakoshi
Executive Officer	Deputy General Manager of Head Office Business Division General Manager of Consulting Division	Nobuaki Takahashi
Executive Officer	Deputy General Manager of Business Headquarters Business Development Planning Division	Takashi Ishizaka
Executive Officer	General Manager of Systems Planning Division	Kazuo Kokai
Executive Officer	General Manager of Minami-Niigata Office	Masaki Kagoshima
Executive Officer	General Manager of Personnel Division	Toru Hirota
Executive Officer	Group Strategy Promotion Manager	Masaaki Tanabe

Overview of Group Corporations

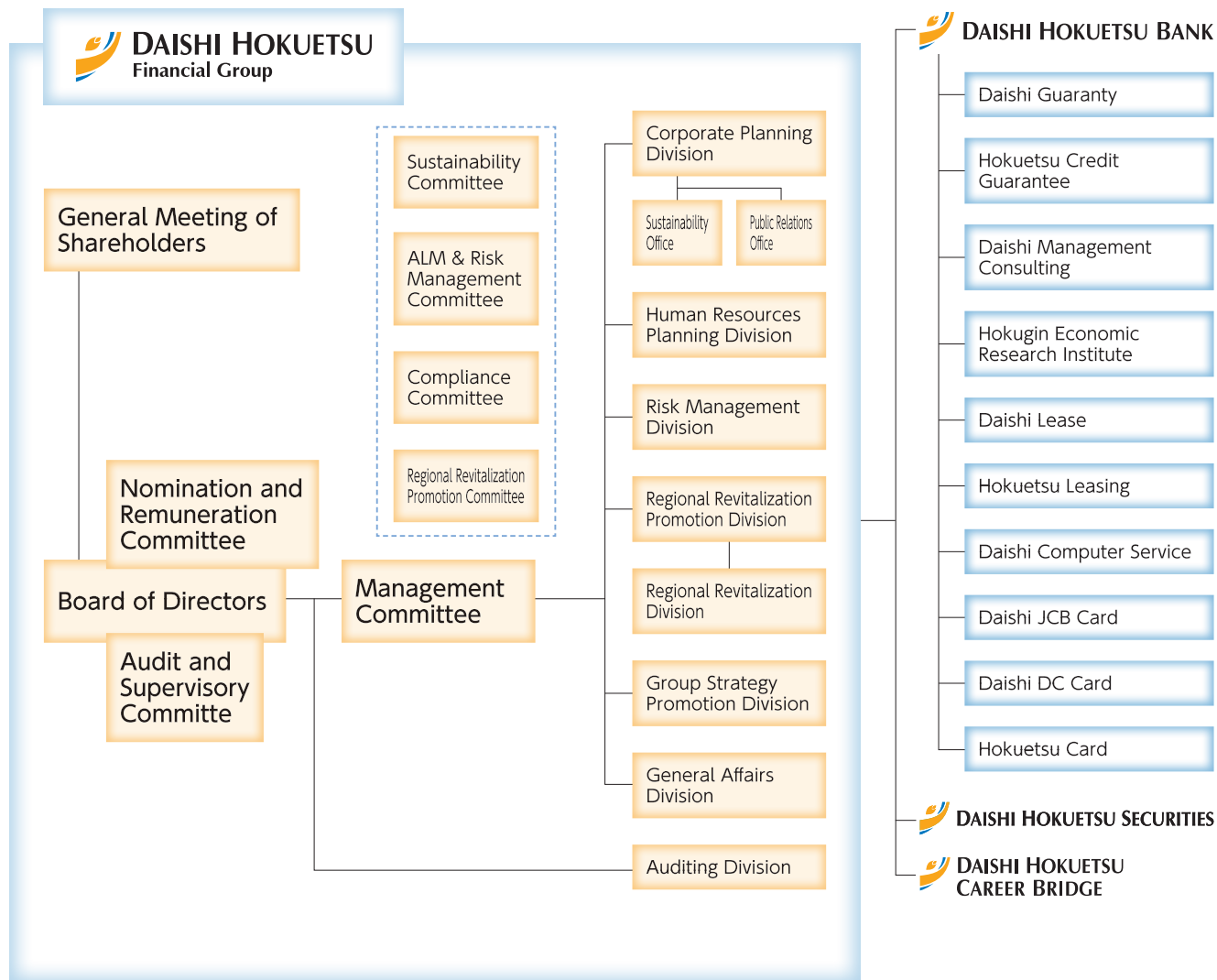
(as of July 1, 2021)

Company	Main business activities	Date of establishment	Capital	Ratio of the Group's voting rights in the subsidiary, including indirect ownership
The Daishi Hokuetsu Bank, Ltd. 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi	Banking	November 2, 1873	¥32,700 million	100.0%
Daishi Hokuetsu Securities Co., Ltd. 8-26 Jonaicho3-chome, Nagaoka-shi	Securities	August 8, 1952	¥600 million	100.0%
Daishi Hokuetsu Career Bridge, Co., Ltd. Hokuetsu Daiichi Bldg., 2nd Floor 2-25 Higashi-odori1-chome, Chuo-ku, Niigata-shi	Comprehensive HR consulting	May 24, 2019	¥30 million	100.0%
The Daishi Guaranty Co., Ltd. Fuyu-Sha Bldg., 3rd Floor 224-1 Honcho-dori 5-bancho, Chuo-ku, Niigata-shi	Credit guarantees	October 27, 1978	¥50 million	100.0%
The Hokuetsu Credit Guarantee Co., Ltd. Choryo-Sha Bldg., 1st Floor 13-23 Miyabara2-chome, Nagaoka-shi	Credit guarantees	August 20, 1986	¥210 million	100.0%
The Daishi Management Consulting Co., Ltd. Fuyu-Sha Bldg., 2nd Floor 224-1 Honcho-dori 5-bancho, Chuo-ku, Niigata-shi	Consulting and venture capital	June 8, 1984	¥20 million	100.0%
The Hokugin Economic Research Institute, Ltd. Omotemachi Bldg., 1st Floor 2-1 Omotemachi3-chome, Nagaoka-shi	Survey research and information provision related to the economy and society	July 1, 1997	¥30 million	50.0%
The Daishi Lease Co., Ltd. 2-10 Akashi2-chome, Chuo-ku, Niigata-shi	Comprehensive leasing services	November 11, 1974	¥100 million	26.0%
The Hokuetsu Leasing Co., Ltd. Hokuetsu Higashi Bldg., 5th Floor 9-20 Kesajiro1-chome, Nagaoka-shi	Comprehensive leasing services	November 1, 1982	¥100 million	100.0%
The Daishi Computer Service Co., Ltd. 1-17 Abumi1-chome, Chuo-ku, Niigata-shi (inside the Daishi Hokuetsu Bank Business Center)	Computer-related business	May 10, 1976	¥15 million	30.0%
The Daishi JCB Card Co., Ltd. Daishi Kami-Okawa-mae Bldg., 3rd Floor 1245 Kamiokawamae-dori 8-bancho, Chuo-ku, Niigata-shi	Credit cards and credit guarantees	November 12, 1982	¥30 million	66.6%
The Daishi DC Card Co., Ltd. Daishi Kami-Okawa-mae Bldg., 1st Floor 1245 Kamiokawamae-dori 8-bancho, Chuo-ku, Niigata-shi	Credit cards	March 1, 1990	¥30 million	70.0%
The Hokuetsu Card Co., Ltd. Hokuetsu Higashi Bldg., 4th Floor 9-20 Kesajiro1-chome, Nagaoka-shi	Credit cards and credit guarantees	June 1, 1983	¥20.45 million	100.0%

Organization Chart

Organization Chart of the Daishi Hokuetsu Financial Group

(as of June 25, 2021)



Financial Data

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Consolidated Balance Sheet

Years ended March 31, 2021

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to US \$1.

Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Cash and due from banks	¥1,236,293	¥2,055,703	\$18,568,363
Call loans and bills bought	4,788	—	—
Monetary claims bought	13,288	13,080	118,150
Trading account securities	3,181	3,234	29,215
Securities	2,326,206	2,451,146	22,140,246
Loans and bills discounted	5,083,319	4,937,462	44,598,160
Foreign exchanges	20,472	16,802	151,768
Other assets	189,980	147,069	1,328,417
Tangible fixed assets	56,534	57,864	522,666
Intangible fixed assets	17,222	17,246	155,780
Asset for retirement benefits	2,697	11,584	104,638
Deferred tax assets	16,379	1,167	10,548
Customers' liabilities for acceptances and guarantees	19,178	18,614	168,138
Allowance for loan losses	(23,104)	(24,443)	(220,789)
Total Assets	¥8,966,437	¥9,706,533	\$87,675,305

Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Deposits	¥7,373,174	¥8,113,424	\$73,285,376
Negotiable certificates of deposit	252,208	76,876	694,391
Call money and bills sold	2,176	—	—
Payables under repurchase agreements	72,437	111,132	1,003,813
Payables under securities lending transactions	326,131	188,425	1,701,973
Borrowed money	399,232	663,603	5,994,069
Foreign exchanges	289	186	1,688
Borrowed money from trust account	126	202	1,828
Other liabilities	91,860	62,599	565,438
Provision for bonuses	2,331	2,682	24,234
Provision for directors' bonuses	130	127	1,152
Provision for retirement benefits	8,945	694	6,268
Provision for directors' retirement benefits	39	41	371
Provision for reimbursement of deposits	2,418	1,831	16,542
Provision for system cancellation losses	412	12	110
Provision for contingent loss	1,265	1,401	12,655
Reserves under the special laws	11	15	143
Deferred tax liabilities	2,377	5,646	51,000
Deferred tax liabilities for land revaluation	5,236	5,169	46,697
Acceptances and guarantees	19,178	18,614	168,138
Total Liabilities	¥8,559,984	¥9,252,687	\$83,575,897

■ Net Assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Capital stock	¥30,000	¥30,000	\$270,978
Capital surplus	87,670	87,665	791,848
Retained earnings	266,161	271,627	2,453,508
Treasury stock	(1,023)	(808)	(7,301)
Shareholders' equity	382,809	388,485	3,509,032
Valuation difference on available-for-sale securities	20,596	39,948	360,835
Deferred gains or losses on hedges	(14,856)	(4,452)	(40,214)
Revaluation reserve for land	6,417	6,266	56,599
Remeasurements of defined benefit plans	(6,850)	4,426	39,982
Accumulated other comprehensive income	5,307	46,188	417,202
Subscription rights to shares	767	692	6,253
Non-controlling interests	17,569	18,479	166,919
Total Net assets	406,453	453,845	4,099,408
Total Liabilities and Net assets	¥8,966,437	¥9,706,533	\$87,675,305

Consolidated Statements of Income

Years ended March 31, 2021

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Ordinary Income	¥154,698	¥143,132	\$1,292,856
Interest income	67,938	63,636	574,806
Interest on loans and discounts	47,170	46,061	416,056
Interest and dividends on securities	20,134	16,956	153,161
Interest on call loans and bills bought	8	(118)	(1,072)
Interest on receivables under resale agreements	(13)	—	—
Interest on receivables under securities borrowing transactions	—	0	2
Interest on deposits with banks	237	383	3,464
Other interest income	400	353	3,195
Trust fees	1	1	11
Fees and commissions	28,292	27,968	252,628
Other ordinary income	40,271	33,819	305,474
Other income	18,194	17,706	159,934
Ordinary Expenses	135,288	125,631	1,134,782
Interest expenses	5,939	3,120	28,183
Interest on deposits	1,002	738	6,674
Interest on negotiable certificates of deposit	36	17	156
Interest on call money and bills sold	55	11	101
Interest on bills sold	391	115	1,041
Interest on payables under securities lending transactions	1,921	378	3,418
Interest on borrowings and rediscounts	113	60	549
Other interest expenses	2,417	1,798	16,241
Fees and commissions payments	8,654	8,055	72,757
Other ordinary expenses	33,478	29,332	264,949
General and administrative expenses	69,863	71,960	649,990
Other expenses	17,352	13,163	118,901
Ordinary profit	19,410	17,500	158,074
Extraordinary income	240	1,039	9,390
Gain on disposal of noncurrent assets	240	0	5
Gain on revision of retirement benefit plan	—	1,038	9,384
Extraordinary loss	108	818	7,394
Loss on disposal of noncurrent assets	74	293	2,649
Impairment loss	33	521	4,706
Transfer to reserve for financial products transaction liabilities	—	4	38
Income before income taxes	19,542	17,721	160,070
Income taxes-current	6,988	5,951	53,761
Income taxes-deferred	(992)	327	2,958
Net income	13,546	11,441	103,350
Profit attributable to non-controlling interests	670	646	5,841
Profit attributable to owners of parent	¥12,875	¥10,795	\$97,509

Consolidated Statements of Comprehensive Income

Years ended March 31, 2021

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Net Income	¥13,546	¥11,441	\$103,350
Other Comprehensive Income	(31,124)	41,306	373,109
Valuation difference on available-for-sale securities	(20,580)	19,625	177,268
Deferred gains or losses on hedges	(9,198)	10,404	93,976
Remeasurements of defined benefit plans, net of tax	(1,344)	11,277	101,863
Comprehensive income	(17,578)	52,748	476,460
(Comprehensive income attributable to)			
Comprehensive income attributable to equities of parent	(18,103)	51,827	468,140
Comprehensive income attributable to non-controlling interests	525	921	8,319

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2019	¥30,000	¥87,667	¥258,756	¥(1,336)	¥375,088
Changes of items during the period					
Dividends from surplus			(5,476)		(5,476)
Profit attributable to owners of parent			12,875		12,875
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		2		317	320
Reversal of revaluation reserve for land			6		6
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	7,405	312	7,721
Balance at March 31, 2020	¥30,000	¥87,670	¥266,161	¥(1,023)	¥382,809

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2019	¥41,032	¥(5,657)	¥6,424	¥(5,505)	¥36,292	¥637	¥17,054	¥429,073
Changes of items during the period								
Dividends from surplus								(5,476)
Profit attributable to owners of parent								12,875
Purchase of treasury stock								(5)
Disposal of treasury stock								320
Reversal of revaluation reserve for land								6
Net changes of items other than shareholders' equity	(20,435)	(9,198)	(6)	(1,344)	(30,985)	129	514	(30,341)
Total changes of items during period	(20,435)	(9,198)	(6)	(1,344)	(30,985)	129	514	(22,619)
Balance at March 31, 2020	¥20,596	¥(14,856)	¥6,417	¥(6,850)	¥5,307	¥767	¥17,569	¥406,453

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2021

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2020	¥30,000	¥87,670	¥266,161	¥(1,023)	¥382,809
Changes of items during the period					
Dividends from surplus			(5,480)		(5,480)
Profit attributable to owners of parent			10,795		10,795
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		(5)		220	214
Reversal of revaluation reserve for land			151		151
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(5)	5,466	214	5,675
Balance at March 31, 2021	¥30,000	¥87,665	¥271,627	¥(808)	¥388,485

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2020	¥20,596	¥(14,856)	¥6,417	¥(6,850)	¥5,307	¥767	¥17,569	¥406,453
Changes of items during the period								
Dividends from surplus								(5,480)
Profit attributable to owners of parent								10,795
Purchase of treasury stock								(5)
Disposal of treasury stock								214
Reversal of revaluation reserve for land								151
Net changes of items other than shareholders' equity	19,351	10,404	(151)	11,277	40,881	(75)	910	41,716
Total changes of items during period	19,351	10,404	(151)	11,277	40,881	(75)	910	47,391
Balance at March 31, 2021	¥39,948	¥(4,452)	¥6,266	¥4,426	¥46,188	¥692	¥18,479	¥453,845

Years ended March 31, 2021

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2020	\$270,978	\$791,896	\$2,404,134	(\$9,242)	\$3,457,767
Changes of items during the period					
Dividends from surplus			(49,502)		(49,502)
Profit attributable to owners of parent			97,509		97,509
Purchase of treasury stock				(48)	(48)
Disposal of treasury stock		(48)		1,988	1,940
Reversal of revaluation reserve for land			1,367		1,367
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(48)	49,373	1,940	51,265
Balance at March 31, 2021	\$270,978	\$791,848	\$2,453,508	(\$7,301)	\$3,509,032

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2020	\$186,044	(\$134,191)	\$57,966	(\$61,880)	\$47,938	\$6,933	\$158,696	\$3,671,335
Changes of items during the period								
Dividends from surplus								(49,502)
Profit attributable to owners of parent								97,509
Purchase of treasury stock								(48)
Disposal of treasury stock								1,940
Reversal of revaluation reserve for land								1,367
Net changes of items other than shareholders' equity	174,791	93,976	(1,367)	101,863	369,264	(680)	8,223	376,806
Total changes of items during period	174,791	93,976	(1,367)	101,863	369,264	(680)	8,223	428,072
Balance at March 31, 2021	\$360,835	(\$40,214)	\$56,599	\$39,982	\$417,202	\$6,253	\$166,919	\$4,099,408

Consolidated Statement of Cash Flows

Years ended March 31, 2021

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2020	2021	2021
Net cash provided by (used in) operating activities:			
Income before income taxes	¥19,542	¥17,721	\$160,070
Depreciation and amortization	5,393	6,241	56,373
Impairment loss	33	521	4,706
Increase (decrease) in allowance for loan losses	2,566	1,338	12,092
Increase (decrease) in provision for contingent loss	134	135	1,225
Increase (decrease) in provision for bonuses	41	351	3,173
Increase (decrease) in provision for directors' bonuses	13	(2)	(21)
Increase (decrease) in provision for retirement benefits	689	(8,886)	(80,268)
Increase (decrease) in provision for retirement liability	1,092	(8,251)	(74,530)
Increase (decrease) in provision for directors' retirement benefits	(2)	1	16
Increase (decrease) in provision for reimbursement of deposits	(571)	(586)	(5,299)
Increase (decrease) in provision for system cancellation losses	(45)	(400)	(3,615)
Financing income	(67,938)	(63,636)	(574,806)
Financing expenses	5,939	3,120	28,183
Loss (gain) related to securities	(3,570)	(5,103)	(46,097)
Loss (gain) on investments in money held in trust	3	—	—
Foreign exchange losses (gains)	(1)	(2)	(23)
Loss (gain) on disposal of noncurrent assets	(165)	292	2,643
Net decrease (increase) in trading account securities	730	(52)	(474)
Net decrease (increase) in loans and bills discounted	(17,427)	145,857	1,317,470
Net increase (decrease) in deposit	195,707	740,249	6,686,385
Net increase (decrease) in negotiable certificates of deposit	(27,221)	(175,332)	(1,583,711)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(34,647)	264,371	2,387,963
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	320	174	1,580
Net decrease (increase) in call loans	3,111	4,996	45,129
Net increase (decrease) in call money	(40,652)	36,517	329,849
Net increase (decrease) in payables under securities lending transactions	(77,397)	(137,705)	(1,243,843)
Net decrease (increase) in foreign exchanges-assets	(810)	3,669	33,148
Net increase (decrease) in foreign exchanges-liabilities	(465)	(102)	(927)
Net increase (decrease) in borrowed money from trust account	126	76	690
Revenue for finance	72,369	66,516	600,821
Payments for finance	(6,285)	(3,470)	(31,343)
Other, net	315	20,075	181,337
sub-total	30,929	908,696	8,207,897
Income taxes paid	(8,045)	(5,098)	(46,053)
Net cash provided by (used in) operating activities	22,883	903,597	8,161,843
Net cash provided by (used in) investment activities:			
Purchase of securities	(991,579)	(1,116,196)	(10,082,161)
Proceeds from sales of securities	789,399	796,067	7,190,568
Proceeds from redemption of securities	323,840	249,931	2,257,532
Purchase of increase in money trust	(2,000)	—	—
Proceeds from decrease in money trust	1,996	—	—
Purchase of property, plant and equipment	(4,596)	(4,752)	(42,925)
Proceeds from sales of property, plant and equipment	74	76	694
Purchase of intangible assets	(6,063)	(3,647)	(32,944)
Net cash provided by (used in) investment activities	111,069	(78,519)	(709,236)
Net cash provided by (used in) financing activities:			
Cash dividends paid	(5,476)	(5,480)	(49,502)
Dividends paid to non-controlling interests	(10)	(10)	(96)
Purchase of treasury stock	(5)	(5)	(48)
Proceeds from sales of treasury stock	143	1	10
Net cash provided by (used in) financing activities	(5,348)	(5,495)	(49,636)
Effect of exchange rate change on cash and cash equivalents	1	2	23
Net increase (decrease) in cash and cash equivalents	128,606	819,585	7,402,994
Cash and cash equivalents at beginning of the year	1,105,851	1,234,458	11,150,375
Cash and cash equivalents at the end of the year	¥1,234,458	¥2,054,043	\$18,553,369

**Notes (From April 1, 2020 to March 31, 2021)
(Basic items that form the foundation for preparation
of consolidated financial results)**

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries: 13 companies

Company names:

The Daishi Hokuetsu Bank, Ltd., The Hokuetsu Bank, Ltd., The Daishi Hokuetsu Career Bridge Co.,Ltd., The Daishi Hokuetsu Securities Co.,Ltd., The Daishi Lease Co., Ltd., The Daishi Computer Service Co., Ltd., The Daishi Guaranty Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Daishi Management Consulting Co., Ltd., Hokuetsu Leasing Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., The Hokuetsu Card Co., Ltd., The Hokugin Economic Research Institute, Ltd.

(Note) On January 1, 2021, The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd. merged by absorption, with Daishi Bank as the surviving company and Hokuetsu Bank as the dissolving company. On the same day, The Daishi Bank, Ltd. changed its company name to Daishi Hokuetsu Bank, Ltd.

(2) Non-consolidated subsidiaries: 3 companies

Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Start-up Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership.

Non-consolidated companies have been excluded from the scope of consolidation since their assets, current account balance, net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., have little relevance and will not prevent rational judgment to be made regarding the financial status and management performance of the corporate group.

2. Matters related to the application of equity method

(1) Non-consolidated subsidiaries subject to application of equity method:

None

(2) Affiliated companies subject to application of equity method:

None

(3) Non-consolidated subsidiaries not subject to application of equity method: 3 companies

Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Start-up Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership.

Non-consolidated subsidiaries not subject to application of equity method have been excluded from the scope of application of equity method since their net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., do not have important impact on the consolidated financial statement.

(4) Affiliated companies not subject to application of equity method:

None.

3. Matters related to the fiscal year, etc., of consolidated subsidiaries

The closing date for consolidated subsidiaries is as follows:

Last day of March: 13 companies

4. Matters related to accounting policies

(1) Valuation criterion and valuation method for trading account securities:

Valuation of trading account securities is made using the market value method (cost of securities sold is calculated mainly by the moving average method).

(2) Valuation criterion and valuation method for valuable securities

(i) The amortized cost method (straight-line method) using the moving average method is used for securities held for ownership until maturity. For other trading account securities, the market value method based on the market price on the consolidated closing date (cost of sale to be calculated using the moving average method) is used, as a rule. However, the prime cost principle using the moving average method is used for those for which market value is extremely difficult to ascertain.

The valuation difference for other trading account securities is processed by the all net asset direct entry method.

(3) Valuation criterion and valuation method for derivative transaction

Valuation of derivative transactions is conducted using the market value method.

(4) Depreciation method for fixed assets

(i) Tangible fixed assets (excluding leased assets)

The straight-line method is mainly used for tangible fixed assets.

Major service life is as follows:

Buildings: 10 to 50 years

Others: 2 to 20 years

(ii) Intangible fixed assets (excluding leased assets)

The straight-line method is used for intangible fixed assets. Software used by the Company is depreciated based on the usage period (5 to 9 years) determined by the Company and its consolidated subsidiaries.

(iii) Leased assets

"Tangible fixed assets" and "Intangible fixed assets" included in leased assets related to finance leases exempt from passage of title are depreciated by the straight-line method with the lease period set to the statutory service life. As for residual value, the guaranteed residual value shall be used in cases in which residual value clause is included in the lease agreement and zero for all other leases.

(5) Criteria for recording allowances for loan losses

Allowances for loan losses of consolidated subsidiaries in banking business are recorded as per the depreciation and allowance criteria set in advance, as follows:

Claims related to debtors who are legally insolvent, such as those facing bankruptcy or special liquidation ("Bankrupt debtors") or debtors under equivalent situations ("Effectively bankrupt debtors") are recorded as follows: The recorded amount is the remaining balance after deduction from the book value after direct reduction as stated in the proviso, from the possible marketable collateral amount and recoverable amount from guarantees. For claims against debtors not currently insolvent but with high risk of future insolvency ("Potentially bankrupt debtors"), an amount judged to be necessary after comprehensively considering the solvency of the debtor from the amount of balance, after deduction of the possible marketable collateral amount and recoverable amount from guarantees from the claim amount, is recorded.

Claims other than the above were mainly recorded based on predictions of anticipated losses over the next one year or anticipated losses over the next three years. Amounts of anticipated losses were calculated by determining the loss rate based on average values of bad debt ratio over a set period of time in the past, according to actual bad debt over one or three years, then adding the necessary corrections for future predictions and other factors.

Sales related divisions and HQ related divisions have conducted asset audits on all claims based on asset self-assessment criteria and the assessment results have been audited by the asset auditing division independent of the division being audited.

Provided however, that for collateral and claims with guarantees against Bankrupt debtors and Effectively bankrupt debtors, the balance after deduction of the validated amount of collateral and the amount expected to be recoverable from the guarantee are deducted directly from the amount of the claim as the estimated uncollectable amount, and stands at 11,148 million yen.

An amount acknowledged to be necessary, in consideration of the past loan loss rate for general claims and estimated uncollectable amount in consideration of individual recovery possibilities for specific claims, such as those with default possibilities, are recorded as allowances for loan losses of other consolidated subsidiaries.

(6) Criteria for recording provision for bonuses

In preparation for expected bonus payment to employees, the amount of the expected bonus payment pertaining to the relevant consolidated fiscal year has been recorded as a provision for bonuses.

(7) Criteria for recording provision for directors's bonuses

In preparation for expected bonus payments to directors, the amount of the expected bonus payment pertaining to the

relevant consolidated fiscal year has been recorded as provision for director's bonuses.

- (8) Criteria for recording provision for directors's retirement benefits
In preparation for payment of retirement benefits to directors of consolidated subsidiaries, the amount of expected retirement benefits for directors acknowledged to have occurred before the closing of the current fiscal year has been recorded as provisions for director's retirement benefits.
- (9) Criteria for recording provision for reimbursement of deposits
In preparation for reimbursement of deposits from depositors for deposits in which recording as a liability has been suspended, loss occurring from future reimbursement claims have been estimated, and the amount deemed necessary has been recorded as a provision for reimbursement of deposits.
- (10) Provision for systems cancellation loss is made for the estimated loss on the cancellation before maturity of systems used by the banks (The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd.) prior to the merger, accompanying the transition to the systems to be adopted by Daishi Hokuetsu Bank, Ltd. after the merger.
- (11) Criteria for recording provision for contingent loss
Provisions for contingent loss are recorded by estimating the loss and recording the amount judged to be necessary, for possible loss occurring in the future for contingent events other than events provided under other provisions.
- (12) Criteria for recording reserves under the special laws
Reserves under special laws are reserves for financial product transaction liabilities for consolidated subsidiaries conducting securities business. The amount calculated under the provisions of Article 46-5 of the Financial Instruments and Exchange Act is set aside to compensate for loss in incidents occurring related to securities future transactions, etc.
- (13) Accounting method related to retirement benefits
In the calculation of retirement benefit liabilities, the benefit formula standard is adopted as the method of attributing the expected amount of retirement benefits within the current consolidated fiscal year. Furthermore, the methods of processing profit and loss for prior service costs and actuarial gain or loss are as follows:
Prior service cost: Profit and loss processing using the straight-line method for a certain number of years (10 years) within the average employee residual term of service at the time of occurrence.
Actuarial gain or loss: Profit and loss processing of the amount pro-rated by the straight-line method for a certain number of years (10 to 12 years) within the average employee residual term of service at the time of occurrence, from the following fiscal year.
It must be noted that some consolidated subsidiaries have adopted a simplified method in the calculation of retirement benefit, in which amount to be paid for voluntary retirement at the end of the current term is taken as the retirement benefit liability in the calculation of retirement benefit liability and retirement benefit cost.
- (14) Criteria for conversion of foreign currency denominated assets and liabilities into Japanese yen
Foreign currency denominated assets and liabilities are converted into Japanese yen using the rate of exchange on the consolidated closing date.
- (15) Criteria for recording of profits and expenses related to finance lease transactions
Criteria for recording profits and expenses related to finance lease transactions are conducted by recording sales and cost of sales, when lease fees are received.
- (16) Important risk hedging methods
(a) Interest risk hedge
As a method of hedge accounting of interest risk occurring from financial assets and liabilities of consolidated subsidiaries in the banking industry, "Individual hedge" that directly establish correspondence between the target of the hedge with the hedging method is partially adopted on

assets and liabilities to conduct accounting processing by deferred hedges. This allows the target of the hedging method and the target of the hedge to be integrally managed. The effectiveness of the hedge is evaluated by verification of whether the interest risk subject to hedging has been diminished by the hedging method. In addition, exceptional processing for interest swaps are made, and judgment regarding the requirements for exception processing is used in lieu of the judgment of hedge effectiveness.

- (b) Exchange fluctuation risk hedging
Deferred hedge, as provided in "Handling in accounting and audit of foreign currency denominated transactions, etc.", in the processing of accounts in the banking industry" (Special Audit Committee Report No. 25 by The Japanese Institute of Certified Public Accountants (JICPA) dated October 8, 2020. Hereinafter "Industry-wise Audit Committee Report No. 25") is adopted. The effectiveness of the hedge is evaluated with currency swap transactions and exchange swap transactions, etc., conducted with the aim of diminishing exchange fluctuation risks of foreign currency denominated debts and credits and the effectiveness of the hedge is evaluated by confirming the existence of a foreign currency position equivalent amount that matches the foreign currency denominated debts and credits, which are the targets of the hedge.
Of the above hedging relationships, the exceptional treatment prescribed in the PITF in question is applied to all hedging relationships included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, September 29, 2020). The details of the hedging relationships to which this PITF is applied are as follows.
Hedge accounting methods: Deferral hedge accounting and exceptional accounting for interest rate swaps.
Hedging instruments: Currency swaps and interest rate swaps
Hedged items: Securities and loans
Types of hedging transactions: Cash flow hedges and hedges against market fluctuations
- (17) Scope of funds in consolidated cashflow statements
The scope of funds in consolidated cashflow statements are cash and deposit with the Bank of Japan listed in "Cash and deposits" in the consolidated balance sheet.
- (18) Account processing of consumption tax, etc.
The excluding tax method is mainly adopted for account processing of consumption tax and local consumption tax ("Consumption tax, etc.") by the Company and consolidated subsidiaries. However, non-deductible consumption tax related to tangible fixed assets is recorded as expenses in the consolidated accounting for the current fiscal year.

(Significant accounting estimates)

Items whose amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are given below.

(Allowance for loan losses)

1. Amounts recorded in the consolidated financial statements for the current fiscal year Allowance for loan losses 24,443 million yen Of this amount, the allowance for loan losses of consolidated subsidiaries engaged in the banking business was 20,040 million yen, and corporate customers made up the majority of the allowance for loan losses.
2. Information that contributes to understanding the nature of the significant accounting estimates for the identified items
 - (1) Method of calculation
Estimated allowances for loan losses for consolidated subsidiaries engaged in the banking business are calculated by conducting asset assessments under the asset self-assessment criteria to determine "debtor classifications" (normal debtors, debtors requiring attention, debtors requiring special attention, debtors in danger of bankruptcy, effectively bankrupt debtors, and bankrupt debtors). Depreciations and allowances are then made in accordance with the determined debtor classifications under the depreciation and allowance criteria. These estimates include judgments and assumptions, the key details of which are as given below. Moreover, the method of calculation, including

assumptions for depreciation and allowances, is described in "Matters related to accounting policies (5) Criteria for recording allowances for loan losses."

In order to assess the estimated recorded amount of the allowance for loan losses, consolidated subsidiaries engaged in the banking business perform verification by considering various factors to determine whether the assumptions used in estimating the allowance for loan losses are reasonable and whether the balance of the allowance for loan losses is sufficient to cover potential future losses.

(2) Key assumptions

A key assumption is the "outlook on the borrower's future performance when determining debtor classifications." The "outlook on the borrower's future performance when determining debtor classifications" is set based on individual assessments of each borrower's ability to earn income.

Each time a borrower discloses financial results or events that affect their creditworthiness occur, we evaluate their financial position, cash flow, ability to repay based on profitability, loan terms and conditions and their fulfillment, characteristics of their industry, etc., business continuity and profitability outlook, and ability to repay debts based on cash flow, determining the debtor classification by synthesizing these factors. Furthermore, in determining the debtor classification, we consider both qualitative and quantitative information about a borrower. Qualitative information includes assumptions about the borrower's technical capabilities, growth potential, and future performance outlook. In addition, in cases where the borrower has drawn up a radical business restructuring plan that is highly feasible or a business improvement plan that is reasonable and feasible, the debtor classification will be determined by taking into consideration the future business outlook in light of said plan. For depreciation and allowances, we make "necessary corrections" as described in "Matters related to accounting policies (5) Criteria for recording allowances for loan losses," which includes cases where the number of periods for calculating the bad debt ratio is expanded in light of the economic cycle, or where additional provisions are made based on the outlook for collectability of receivables. However, this does not lead to a downward shift in the debtor classification. Both of these measures are designed to prepare for future loan losses and include assumptions about the outlook for the economic environment and the collectability of receivables.

The COVID-19 pandemic is a phenomenon with broad repercussions on the economy and corporate business activities, and we expect these to continue for a certain amount of time into the future. Although some borrowers have been affected by deteriorating business performance and cash flow, and we have incurred losses from bad debts, we have not changed the method of estimating allowances for loan losses as of the end of the current consolidated fiscal year. This is because we have taken a position of taking the current deteriorating business performance into account as soon as possible when determining debtor classification, and because we expect various economic measures to help curb deterioration in credit standing.

(3) Effect on the consolidated financial statements for the following fiscal year

If the assumptions used for the initial estimate change, such as a significant change in the economic environment including the effects of COVID-19, the debtor classification and the estimated amount of collateral available for disposal may change. This may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year.

(Yet to be applied accounting standards, etc.)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 March 31, 2020)

(1) Overview

The Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement (collectively "Accounting Standard for Fair Value Measurement, etc.") were developed in order to improve comparability with the stipulations of international accounting standards, and guidance on methods for measuring fair value

was defined. The Accounting Standard for Fair Value Measurement, etc. applies to the fair value of the following items.

- Financial instruments specified in Accounting Standard for Financial Instruments

The Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised and items of note were added, such as breakdowns of each level of fair value for financial instruments.

(2) Scheduled date of application

Scheduled to apply starting at the beginning of the fiscal year ending March 2022.

(3) Impact of the application of the accounting standard, etc.

At the time of creating these consolidated financial statements we are assessing the financial amount of this impact.

(Change of presentation)

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for the current consolidated fiscal year, and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in accordance with the transitional treatment set forth in the proviso of paragraph 11 of the said accounting standard, these notes do not include information relating to the previous consolidated fiscal year.

(Additional information)

(Partial revision of the retirement benefits scheme)

The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd., wholly owned subsidiaries of the Company, transferred part of their defined benefit corporate pension schemes to a defined contribution pension scheme as part of the integration of systems associated with their merger on January 1, 2021. For the accounting treatment of the transition, the Company applied the "Accounting Procedures for Shifting between Different Retirement Benefit Programs" (ASBJ Corporate Accounting Standards Implementation Guidance No. 1, December 16, 2016) and the "Practical Treatment of Accounting Procedures for Shifting between Different Retirement Benefit Programs" (PITF No. 2, February 7, 2007), and accounted for the portion transferred to the defined contribution pension plan as a partial termination of the retirement benefit plan.

As a result, extraordinary income of 1,038 million yen was recorded in the current consolidated fiscal year.

(Consolidated Balance Sheet related)

1. Total amount of shares or contribution in non-consolidated subsidiaries and affiliated companies:

Contribution: ¥410 million

2. The amount of bankrupt debtor claims and overdue claims in loans are as follows:

Bankrupt debtor claims ¥2,063 million
Overdue claims ¥84,965 million

"Bankrupt debtor claims" refers to loans which the events indicated in a. through e. in Article 96, paragraph 1, item 3 or events provided in item 4 of the Order for the Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) have occurred, for loans in which unreceived interest payment has not been recorded, being judged that collection of capital, interest payment, or its settlement cannot be expected for continued delay in the repayment of capital or payment of interest for a reasonable period or for other causes (excluding portions for which bad debts have been written off) ("Uncollected interest non-recorded loan").

Furthermore, "Overdue claims" refers to uncollected interest non-recorded loans, other than loans in which the payment of interest has been given a grace period for the purpose of assisting the Bankrupt debtor claim or management reorganization or support.

3. The amount of loans overdue for three (3) months or longer is as follows:

Loans overdue for three (3) months or longer ¥622 million
"Loans overdue for three (3) months or longer" refers to loans where payment of interest or repayment of capital has been delayed for three (3) months or longer, from the day following the contract due dates, in which Bankruptcy debtor claims or overdue claims do not apply.

4. Of the loans, those with relieved loan conditions are as follows:

Loans with relieved loan conditions: ¥3,568 million

“Loans with relieved loan conditions” refers to loans for which a reduction in interest, a grace period for interest payment, a grace period for repayment of capital, debt forgiveness, or other agreements favorable to the debtor have been made for the purpose of assisting the debtor with management reorganization or support, that do not fall under Bankrupt debtor claims, overdue claims or loans overdue for three (3) months or longer.

5. The aggregate total of Bankrupt debtor claims, overdue claims, loans overdue for three (3) months or longer, and loans with relieved loan conditions are as follows:

Total amount: ¥91,220 million

Note that the amount of loans indicated in 2. through 5. above are the amount prior to deduction of allowance for loan loss.

6. Discounting of bills is processed as financial transaction, based on “Handling in accounting and audit regarding the application of financial instruments accounting standards in the banking industry” (Special Audit Committee Report No. 24 by JICPA dated October 8, 2020). The Bank retains the right to freely dispose of bank acceptance bills, commercial bills, documentary bills, and foreign bills bought, etc., and thus received in the form of sales or (re)mortgaging and their face value is as follows: ¥10,515 million

7. Assets provided as security are as follows:

Assets provided as security

Securities	¥885,612 million
Loans	¥133,525 million
Total	¥1,019,137 million

Liabilities corresponding to security assets

Deposits	¥ 82,086 million
Payable under repurchase agreements	¥111,132 million
Payables under securities lending transactions	¥188,425 million
Borrowed money	¥655,084 million

In addition to the above, the following has been tendered as a substitute for security for foreign currency settlement, short-term financial transactions, or futures market transaction deposits, etc.

Trading account securities	¥22 million
Securities	¥23,532 million

Furthermore, financial instruments security deposits, central clearing organization security deposits, and guarantees are included in Other assets and their amount are as follows.

Financial instruments security deposits	¥15,562 million
Central clearing organization security deposits	¥33,000 million
Guarantees	¥1,393 million

8. Overdraft agreements and Commitment line agreements for loans are agreements to provide loans up to a prescribed limit, when application for a loan has been made by customers, in the event that there is no breach of the terms as provided for in the agreement. Unexecuted loan balances related to these agreements are as follows:

Unexecuted loan balance	¥1,822,771 million
Of which the original term of loan is within 1 year or can be cancelled unconditionally at any time	¥1,734,548 million

Since many of these agreements terminate without the loan being executed, the unexecuted loan balance itself does not impact the future cashflow of the consolidated subsidiaries engaged in the banking business or to some of the consolidated subsidiaries. Many of these agreements contain a clause that the consolidated subsidiaries engaged in the banking business or to some of the consolidated subsidiaries may refuse the loan or decrease the limit amount in the event that applications for loans have been made, in the event that there have been changes in financial situation, securing of loans, and other reasonable reasons. In addition, guarantees, such as real estate, valuable securities, etc., are secured at the time of agreement as necessary, and the state of the customers are checked regularly (semi-annually) even after the agreement in accordance with the in-house regulations, and review of the agreement and measures to secure credit, etc., are conducted.

9. Based on the Act on Revaluation of Land (Act No. 34 dated March 31, 1998), revaluation of business-use land owned by Daishi Bank was conducted. For the valuation difference, the amount equivalent to tax related to the subject valuation difference has been recorded in Liabilities, as “Deferred tax liability related to revaluation” and the amount after deduction of this amount is recorded in Net assets under “Land revaluation difference”.

Date of revaluation March 31, 1998
Method of revaluation as provided in Article 3 paragraph 3 of said Act.

Calculated based on the method provided and published by the Director General of National Tax Administration Agency to calculate the value of land on which the taxable value for the land tax, as provided in Article 16 of the Land-holding Tax Act (Act No. 69 of 1991) and established in the Order for Enforcement of Act on Revaluation of Land (Order No. 119 dated March 31, 1998) Article 2 item 4, with reasonable adjustments (rate of value correction by depth, etc.) made.

The difference between the total amount of market value of the business-use land revaluated as provided for in Article 10 of said Act as of the end of the term and the total amount of book value after revaluation of said business-use land:

¥12,508 million
10. Aggregate amount of depreciation of tangible fixed assets
Aggregate amount of depreciation ¥78,951 million

11. Amount of compressed entry of tangible fixed assets
Amount of compressed entry ¥8,110 million
(Amount of compressed entry in current consolidated fiscal year) (¥— million)

12. Amount of guarantee obligation for privately-placed bonds (under Article 2 paragraph 3 of Financial Instrument and Exchange Act) in bonds included in “Securities”
¥140,831 million

13. Trust principal with principal compensation agreement
Money in trust ¥202 million

(Consolidated Statements of Income Related)

1. The following is included in Other ordinary income.

Gain on sales of stocks and other securities ¥15,733 million

2. The following are included in General and administrative expenses.

Salaries and allowances ¥32,225 million
Retirement benefit costs ¥2,065 million

3. The following are included in Other expenses.

Written-off of loans ¥1,906 million
Loss on sales of stocks and other securities ¥5,350 million
Loss on devaluation of stocks and other securities ¥614 million

4. Impairment loss have been recorded for the following asset groups.

In the current consolidated fiscal year, the Company recorded impairment losses on the following asset groups.

Principally within Niigata Prefecture

Category	Operating
Main application	63 sales branches, etc.
Type	Land and buildings, etc.
Impairment loss	510 million yen
Category	Ownership
Main application	9 idle assets, etc.
Type	Land and buildings, etc.
Impairment loss	10 million yen

The carrying amount has been reduced to the recoverable amount for these sales branches, etc. because of factors including a decline in operating cash flows and a drop in land prices, and this reduction has been recorded under extraordinary loss as an impairment loss (521 million yen).

The Bank’s policy for grouping assets of consolidated subsidiaries engaged in the banking business is as follows.

The grouping is based on the smallest unit used in managerial accounting, which is the sales branch (however, sales branch areas that conduct business in cooperation with each other are grouped by the relevant area). In addition, the asset grouping of assets to be disposed of and idle assets, etc. is made for specific assets. The headquarters, administrative centers, social welfare facilities, etc. that are assets involving the entire bank are grouped as common assets. The recoverable amount used to measure impairment losses in the current consolidated fiscal year is the higher of the net realizable value and the value in use.

The net selling price is calculated mainly by deducting estimated disposal costs from the real estate appraisal value, and the value in use is calculated by discounting future cash flows at a given discount rate.

(Consolidated Statements of Comprehensive Income Related)

1. Recycling and amount of tax effects related to Other comprehensive income

(Unit: ¥ million)

Valuation difference on available-for-sale securities	
Incurred cost for this term	34,975
Recycling	(7,584)
Before tax effect adjustment	27,390
Tax effect amount	(7,765)
Valuation difference on available-for-sale securities	19,625
Deferred gains or losses on hedges	
Incurred cost for this term	11,071
Recycling	3,869
Before tax effect adjustment	14,940
Tax effect amount	(4,536)
Deferred gains or losses on hedges	10,404
Remeasurements of defined benefit plans(net of tax)	
Incurred cost for this term	14,694
Recycling	1,529
Before tax effect adjustment	16,223
Tax effect amount	(4,946)
Remeasurements of defined benefit plans(net of tax)	11,277
Total Other comprehensive income	41,306

(Consolidated Statements of Shareholders Equity related)

1. Matters related to the type and total number of issued shares, and type and number of Treasury stocks
(Unit: 1,000 shares)

	Number of shares at the beginning of the current consolidated fiscal term	Number of increased shares during the current consolidated fiscal term	Number of decreased shares during the current consolidated fiscal term	Number of shares at the end of the current consolidated fiscal term	Remarks
Number of issued shares					
Ordinary shares	45,942	—	—	45,942	
Total	45,942	—	—	45,942	
Treasury stocks					
Ordinary shares	297	2	64	236	(Note)
Total	297	2	64	236	

(Note) The breakdown of increase in the number of ordinary shares of Treasury stocks is as follows.

Increase by purchase request of fractional unit shares	2 thousand shares
Breakdown of decrease in the number of ordinary shares of Treasury stocks is as follows.	
Transfer by exercise of stock option rights	63 thousand shares
Decrease by purchase request of fractional unit shares	0 thousand shares

2. Matters related to right to subscribe to new shares and right to subscribe to new treasury stocks

Classification	Breakdown of right to subscribe to new shares	Type of shares to be target of the right to subscribe to new shares	Number of shares to be target of the right to subscribe to new shares (shares)			Balance as of the end of the current fiscal year (¥ million)	Remarks
			Beginning of current consolidated fiscal year	Current consolidated fiscal year			
				Increase	Decrease		
Company	As Stock option	-			692		
Total		-			692		

3. Matters related to dividends

- (1) Amount of dividends paid out during the current consolidated fiscal year

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Dividend per share (¥)	Reference date	Effective date
Board of directors, May 15, 2020	Ordinary shares	2,738	60.00	March 31, 2020	June 1, 2020
Board of Directors, November 13, 2020	Ordinary shares	2,741	60.00	September 30, 2020	December 1, 2020

- (2) Dividends for which the reference date falls within the current consolidated fiscal year with the effective date occurring after the last day of the current consolidated fiscal year.

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Source of fund	Dividend per share (¥)	Reference date	Effective date
Board of Directors, May 14, 2021	Ordinary shares	2,742	Retained earnings	60.00	March 31, 2021	June 1, 2021

(Consolidated cashflow statement related)

1. Relationship between the end of term cash and cash equivalents and the amount indicated in the account titles in the consolidated balance sheet

Cash and deposit account	¥2,055,703 million
Deposits (excluding Bank of Japan deposit)	(¥1,660 million)
Cash and cash equivalents	¥2,054,043 million

(Lease transaction related)

Operating lease transactions

<Borrower side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	70
Exceeding one (1) year	136
Total	206

<Lender side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	181
Exceeding one (1) year	287
Total	468

(Financial instruments related)

Accounting titles with little relevance have been omitted from the amounts recorded in the consolidated balance sheet.

1. Matters concerning the status of financial instruments

(1) Policy regarding approach towards financial instruments

The Company group is engaged, with focus on banking business together with financial services covering lease operations, securities operations, credit guarantee operations, credit card operations, and others. Funds raised by deposits and negotiable certificate of deposits are mainly managed through loans and valuable securities.

As the Company has financial assets and liabilities that are accompanied by interest rate fluctuations, risks on assets and liabilities for the entire group is comprehensively grasped and controlled to avoid disadvantageous impact from interest rate fluctuations. A comprehensive Asset and Liability Management (ALM) is implemented to improve profits as well as stability. Derivative transactions are conducted as a part of the activities.

(2) Contents of financial instruments and their risks

Financial assets held by the Company group are mainly loans made to domestic companies and individuals, and are exposed to credit risk in which recovery of capital and interest on loans could be made difficult by bankruptcy of the customers or deterioration of financial status.

Valuable securities are mainly stocks, bonds, investment trusts, and investment in capital of partnerships. In addition to securities held for ownership until maturity, purely financial, and for business promotion purposes, trading account securities are bonds and are held for trading. These are exposed to market risks from fluctuation of market factors, in which the asset value held by the Company group may be reduced, incurring loss though credit risks of the issuing entity, domestic and overseas interest rates, the price of valuable securities, etc., and foreign exchange rates.

Of the financial liabilities of the Company group, deposits, etc., and marketable fund raising are exposed to liquidity risk. In addition to the possibility of outflow of deposits or not being able to raise necessary funds by the deterioration of the Company group's credibility, there is also a possibility of incurring loss by being forced to conclude transactions under unfavorable conditions.

Derivative transactions conducted by the Company group includes interest rate swaps, forward exchange contracts, currency options, etc., to respond to needs to hedge risks related to interest rates and foreign currency of the customers. Furthermore, as a part of ALM, interest rate swap transactions, currency swap transactions, etc., are being conducted for interest rate risk control in banking operations, as well as for adjustment of fund surplus or deficit in banking operations and for stabilizing fund liquidity.

In addition, in the subsidiary banks and some of the consolidated subsidiaries, credit futures transaction, etc., aimed at pursuing trading profits are conducted within the extent of earning power and corporate strength. Risks generated from these derivative transactions include credit risks in which the counterpart of the transaction has defaulted, and market risks in which loss can be generated by fluctuation of interest rates and currency exchange.

"Hedge accounting" is adopted for derivative transactions aimed at hedging risks. Evaluation of the effectiveness of hedging is made by checking that the amount of derivative transaction risk, as a hedge method, is within the range of allowable risk amount, as provided in the operating criteria concerning hedge transaction management, and quarterly verification of whether the risk subject to the hedge has been diminished is conducted.

(3) Risk management structure related to financial instruments

(i) Credit risk management

The Company group operates and manages credit risk in an appropriate manner based on various rules concerning credit risk management.

In terms of structure, the Risk Management Department is responsible for controlling credit risks, and maintains various rules concerning credit risk management, as well as for the planning and operation of analysis, evaluation, and improvement activities.

At Daishi Hokuetsu Bank, credit divisions, completely detached from sales promoting divisions, conduct strict screening and manages problematic loans appropriately. It also aims for sound management of assets through

management improvement support activities to customers, etc., the approach being promoted fully across both banks. Credit rating and self-assessment of loans, etc., is strictly enforced through a two-stage assessment system, one by the sales office and the other by the head office division. In addition, appropriateness and validity of credit rating and self-assessment is verified in the audit conducted by the Audit division.

Regarding the credit portfolio, credit concentration management for specific areas, industries, companies, groups, etc., are conducted in an appropriate manner. Furthermore, credit risk quantification (Note) is being conducted and credit risk limits in line with total equity are being set.

(Note) Credit risk quantification is to digitize and estimate the amount of credit risk involved in the credit portfolio, using statistical methods.

(ii) Market risk management

The Company group has established an operation policy for ALM to adjust market risks to an appropriate magnitude and to secure stable income, and determines the risk limits and loss limits in valuable securities operation in line with the policy.

Furthermore, important matters concerning risk management are reviewed in the ALM & Risk Management Committee, and is prepared to promptly report any important situation that may occur in valuable securities operations to the management.

As a rule, the Company group conducts quantitative analysis concerning market risks for all financial instruments, mainly using Value at Risk (VaR), and is calculated and managed by Daishi Hokuetsu Bank respectively. Quantitative analysis is not conducted on some of the financial instruments that have little impact for its amount, etc., and some of the financial instruments of some group companies.

Daishi Hokuetsu Bank mainly adopts VaR by historical method (holding period: 120 days, confidence interval: 99%, observation period: 1,250 days) (note that the variance-covariance method is adopted on some of the investment trusts). The amount of market risk as of the end of the current consolidated fiscal year (excluding market risks of financial instruments whose market value is extremely difficult to assess, such as non-listed stock) is ¥51,357 million.

A back test which compares the computed VaR and the theoretical profit and loss (profit and loss assumed to have generated when the portfolio is fixed as of the timing of risk amount measuring) is conducted to verify the validity of the measurement model.

However, VaR only indicates the amount of risk under a fixed certainty statistically computed from past market fluctuations, and may not be able to capture risks when the market environment should change inconceivably. This being the case, it is supplemented by separate stress tests, etc.

(iii) Liquidity risk management

In the Company group, "Liquidity risk management rules" have been established in each subsidiary bank to grasp and analyze the status of financing by the administration division responsible for financing to raise funds from the market as necessary.

In addition, response measures and reporting and communicating structure has been established in order to conduct prompt response under various situation, in the unlikely event to match the urgency of fund needs.

(4) Supplementary explanation regarding matters concerning the market value of financial instruments, etc.

In addition to the prices based on market price, the market value of financial instruments includes reasonably calculated prices in the event that there are no market prices. In this calculation, certain presumptions are adopted and said price may differ if calculated based on different presumptions.

2. Matters concerning the market value of financial instruments, etc.

The amount recorded in the consolidated balance sheet, their market value and the differences are as follow. Market value for non-listed shares that is extremely difficult to grasp has not been included in the table to follow (refer to (Note 2))

(Unit: ¥ million)

	Amount recorded in consolidated balance sheet	Market value	Difference (*1)
(1) Cash and due from banks	2,055,703	2,055,703	—
(2) Securities			
Trading account securities	0	0	—
Held for ownership until maturity	27,531	27,626	94
Other securities	2,415,053	2,415,053	—
(3) Loans and bills discounted	4,937,462		
Allowances for loan losses (*2)	(22,887)		
	4,914,575	4,960,285	45,710
Total Assets	9,412,864	9,458,669	45,805
(1) Deposits	8,113,424	8,113,564	(140)
(2) Negotiable certificates of deposit	76,876	76,876	(0)
(3) Receivables under resale agreements	111,132	111,132	—
(4) Payables under securities lending transactions	188,425	188,425	—
(5) Borrowed money	663,603	663,606	(3)
Total Liabilities	9,153,461	9,153,605	(144)
Derivative transactions (*3)			
Hedge accounting not applied	186	186	—
Hedge accounting applied(*4)	(7,864)	(7,883)	(18)
Total derivative transactions	(7,677)	(7,696)	(18)

(*1) Appraisal profit or loss is indicated in the Difference column.

(*2) General and individual allowances for loan losses corresponding to loans and bills discounted have been deducted.

(*3) Derivative transactions recorded in other assets and liabilities, and transactions in which special processing of interest rate swap is adopted are indicated together as a batch.

Net debts and credits generated from derivative transactions are indicated in net amount and items in which its total will be net debt are indicated in (parenthesis).

Provisions for contingent loss corresponding to derivatives have been directly reduced in the consolidated balance sheet amounts as they have little relevance.

(*4) These are interest rate swaps and currency swaps designated as hedging instruments to fix the cash flows of loans and securities to be hedged and to offset market fluctuations. In most cases, deferred hedge accounting is applied. For these hedge relationships, we have applied the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, September 29, 2020).

(Note 1) Calculation method for the market value of financial instruments

Assets

(1) Cash and due from banks

As the market price of due from banks without maturity is approximately the same as their book value, the book value is taken to be the market value. For due from banks with maturity, as their agreed period is short (within one (1) year), and its market value is approximately the same as their book value, the book value is taken to be the market value.

(2) Securities

Price at the exchange for stocks, reference bond trading statistics published by the Japan Securities Dealers Association or the price, etc., indicated by the correspondent financial institution is used for bonds. Price at the exchange, published reference price or price indicated by the correspondent financial institution is used for investment trusts. Privately-placed bonds guaranteed by the issuing bank with floating interest rate are short term and will reflect the market interest rate and are approximately the same as their book value, unless the credit status of the issuing body has differed significantly after its execution, and therefore said book value is taken to be the market value. Market value of privately-placed bonds with fixed interest rate is calculated by adding guarantee fees to the amount discounted by the interest rate added with a credit spread on appropriate indices, such as swap interest rate, on the total sum of capital and interest, for each classification based on type, internal rating, and period.

Notes regarding securities by holding purposes are indicated in [(Valuable securities related)].

(3) Loans and bills discounted

Loans and bills discounted with floating interest rates are short term and reflects the market interest rates and are approximately the same as their book value (before deduction of general allowance for loan losses) unless the credit status of the issuing body has differed significantly after its execution. Therefore said book value is taken to be the market value. Those with fixed interest rates are calculated by adding guarantee fees to the amount discounted by the interest rate added with a credit spread on appropriate indices, such as swap interest rate, on the total sum of capital and interest, for each classification based on type, internal rating, and period. The market value for those with short agreed period (within one (1) year) is approximately the same as their book value (before deduction of general allowance for loan losses) and the book value is taken to be the market value.

Since the estimated loan loss is calculated on claims, etc., for Bankrupt debtors, Effectively bankrupt debtors, and Potentially bankrupt debtors based on the present value of estimated future cashflow or the expected recovery value from mortgages and guarantees, its market value is approximately close to the amount of recorded amount of claims in the consolidated balance sheet after deduction of the recorded amount of allowance for loan losses, this amount is taken as the market value.

For loans and bills discounted with no due date for repayment set, for special characteristics, such as restricting said loan within the extent of security assets, its market value, from the estimated repayment period and interest rate conditions, etc., is assumed to be approximately the book value (before deduction of general allowance for loan losses), and this is taken as the market value.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For call deposits, the payment amount (book value) when payment request is made on the consolidated closing date is deemed to be the market value. Furthermore, the market value of time and savings deposits and negotiable certificates of deposit is segmented by a fixed period and their present value is calculated by discounting the future cash flow. The discount rate used is the interest rate used when accepting new deposits. Since the market value and book value is approximately the same for those with short term deposit period (within one (1) year), said book value is taken as the market value.

(3) Receivables under resale agreements and (4) Payables under securities lending transactions

Since the market value of those with short agreed period short (within one (1) year, its market value is approximately the book value, and this is taken as the market value.

(5) Borrowed money

Of borrowed money, those with floating interest rates are short term, reflecting market interest rates. Furthermore, since the credit status of the Company and its consolidated subsidiaries have not differed much after their execution, the market value is considered to be approximate to the book value, and the book value is taken as the market value. For those with fixed interest rates, the present value is calculated by segmenting the total amount of capital and interest of the borrowed money into a fixed period, and discounting it with an interest rate expected to be applied in a similar borrowing.

Since the market value of those with short agreed period (within one (1) year) is approximately the book value, this is taken as the market value.

Derivative transactions

Derivative transactions are listed in "(Derivative transactions)".

(Note 2) The Amount of financial instruments recorded in the consolidated balance sheet of which the market value has been acknowledged to be extremely difficult to grasp is as follows. These are not included in "Assets (2) Other securities."

(Unit: ¥ million)

Segment	March 31, 2021
(i) Non-listed stock (*1) (*2)	4,295
(ii) Investment in capital of partnerships, etc. (*3)	4,427
Total	8,722

(*1) There are no market values for non-listed stocks and it is extremely difficult to grasp their market values and they have not been made subject to market value disclosure.

(*2) In the current consolidated fiscal year, no impairment (¥121 million) has been made for non-listed stocks.

(*3) Of investment in capital of partnerships, etc., those for which the market value is extremely difficult to grasp, such as cases in which the partnership estate is in non-listed stocks, have not been made subject to market value disclosure. Parts of "Other assets" are included in investment in capital of partnership, etc.

(Note 3) Expected amount of redemption of monetary claims and securities with maturity after consolidated closing date

(Unit: ¥ million)

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits	1,986,960	—	—	—	—	—
Securities	249,540	347,653	456,290	270,829	483,513	346,775
Bonds to be held to maturity	26,063	165	—	—	1,300	—
Government bonds	26,000	—	—	—	—	—
Corporate bonds	63	165	—	—	1,300	—
Other securities with maturity	223,476	347,488	456,290	270,829	482,213	346,775
Government bonds	69,800	112,000	51,000	3,000	42,000	253,900
Local government bonds	22,059	24,773	163,347	140,568	265,357	21,596
Corporate bonds	42,637	122,429	89,343	23,922	12,160	14,073
Loans and bills discounted (*)	546,999	903,809	780,307	540,613	497,974	1,081,799
Total	2,783,499	1,251,463	1,236,597	811,442	981,488	1,428,575

(*) Loans and bills discounted do not include ¥87,029 million in cases in which the scheduled amount of redemption cannot be foreseen nor ¥498,187 million without an agreed due date, against Bankrupt debtors, Substantial Bankrupt debtors, and Effective Bankrupt debtors, etc.

(Note 4) The amount of scheduled repayment of borrowed money and other interest-bearing debts after the consolidated closing date

(Unit: ¥ million)

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits (*)	7,591,811	466,294	48,756	1,986	4,576	—
Negotiable certificates of deposit	76,876	—	—	—	—	—
Payables under repurchase agreements	111,132	—	—	—	—	—
Payables under securities lending transaction	188,425	—	—	—	—	—
Borrowed money	312,022	221,435	130,110	20	13	—
Total	8,280,268	687,729	178,866	2,007	4,589	—

(*) Demand deposits in Deposits are included in "Within 1 year."

(Securities related)

- The trust beneficiary rights in "Trading account securities" and "Monetary claims bought" are also included in addition to "Securities" in the consolidated balance sheet.
- "Subsidiary company stocks and affiliated company stocks" are listed as notes in the financial statements.

1. Trading securities

Valuation difference included in profit and loss of the consolidated fiscal year (¥4 million)

2. Bonds to be held to maturity

	Type	Amount recorded in consolidated balance sheet (¥ million)	Market value (¥ million)	Difference (¥ million)
Market value exceeds amount recorded in consolidated balance sheet	Government bonds	26,003	26,100	96
	Corporate bonds	813	816	3
	Sub total	26,816	26,917	100
Market value does not exceed amount recorded in consolidated balance sheet	Government bonds	—	—	—
	Corporate bonds	715	709	(5)
	Sub total	715	709	(5)
Total		27,531	27,626	94

3. Other securities

	Type	Amount recorded in consolidated balance sheet (¥ million)	Acquisition cost (¥ million)	Difference (¥ million)
Amount recorded in consolidated balance sheet exceeds cost of acquisition	Stocks	121,945	68,867	53,077
	Bonds	912,744	903,984	8,760
	Government bonds	372,906	367,096	5,809
	Local government bonds	358,453	356,544	1,908
	Corporate bonds	181,384	180,342	1,041
	Other	481,670	457,440	24,230
	Foreign bonds	322,160	307,005	15,155
	Sub total	1,516,360	1,430,292	86,068
Amount recorded in consolidated balance sheet does not exceed cost of acquisition	Stocks	20,443	23,610	(3,166)
	Bonds	581,993	588,584	(6,591)
	Government bonds	173,975	178,549	(4,574)
	Local government bonds	284,863	285,474	(611)
	Corporate bonds	123,154	124,560	(1,406)
	Other	296,274	312,980	(16,705)
	Foreign bonds	83,136	84,644	(1,508)
	Sub total	898,711	925,175	(26,464)
Total		2,415,072	2,355,467	59,604

4. Bonds to be held till maturity sold during the current consolidated fiscal year
No applicable items

5. Other valuable securities sold during the current consolidated fiscal year

Type	Fiscal 2020		
	Cost of sale (¥ million)	Amount of sale (¥ million)	Sales profit and loss (¥ million)
Stocks	35,432	8,235	662
Bonds	188,800	606	449
Government bonds	119,019	97	415
Local government bonds	58,481	498	8
Corporate bonds	11,299	9	25
Other	364,517	11,913	5,223
Foreign bonds	160,913	3,776	98
Total	588,750	20,754	6,335

6. Valuable securities with changes to the purpose of ownership
No applicable items

7. Valuable securities written-down

For valuable securities other than trading account securities (excluding those for which market value is extremely difficult to grasp) in cases in which the market value has fallen significantly from the acquisition price and the market price is not expected to return to the acquisition price, said market price is recorded in the consolidated balance sheet and the valuation difference is processed as loss for the current consolidated fiscal year ("Write-down").

The amount of Write down in the current consolidated fiscal year in ¥566 million (of which, ¥493 million is in stock, ¥73 million is in bonds).

The criterion of judging the market value to have "fallen significantly" is provided in the Self-assessment criteria. For bonds, Write-down is conducted in the event that market value has fallen by 30% or more from its acquisition price or in consideration of the financial conditions, etc., of the issuing company. For stocks and investment trusts, Write-down for the full amount is made in the case of stocks for which the market price as of the end of the term has fallen by 50% or more from the acquisition price, and for stocks of which the market price has fallen by 30% or more but not exceeding 50%, Write-down is judged by the possibility of recovery of the market price, taking into account trends in market price for a fixed period prior to the reference date and the financial conditions, etc., of the issuing company.

(Monetary trust related)

No applicable items

(Valuation difference on available-for-sale securities)

The breakdown of other securities valuation difference recorded in the consolidated balance sheet is as follows:

	Amount (¥ million)
Valuation difference	59,604
Other securities	59,604
Other monetary trust	—
Deferred tax liabilities to be deducted	17,578
Valuation difference on available-for-sale securities (before adjustment for equity)	42,025
Non-controlling interest equivalent to be deducted	2,077
Valuation difference on available-for-sale securities	39,948

(Derivative transaction related)

1. Derivative transactions where hedge accounting has not been applied

The contract amount on the consolidated closing date or the amount equivalent to capital in contract, their market value and valuation profit and loss, and the method of calculation of their market price, for each transaction subject type for derivative transactions where hedge accounting has not been applied is as follows. It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest rate related transactions

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Interest swap				
	Fixed receipt, floating payment	105,774	101,031	2,340	2,340
	Floating receipt, fixed payment	105,774	101,031	(712)	(712)
	Interest options				
	Short commitment	—	—	—	—
	Long commitment	—	—	—	—
	Total	—	—	1,627	1,627

- (Note) 1. Market valuation is made for the abovementioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.
2. Calculation of market price
Calculation is done using discounted present value and option price computing models, etc.

(2) Currency related transactions

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Currency swap	10,120	7,567	25	25
	Forward exchange contract				
	Short commitment	56,167	—	(1,667)	(1,667)
	Long commitment	6,448	—	203	203
	Currency option				
	Short commitment	323,745	240,056	(1,866)	31,052
Long commitment	323,735	240,056	1,870	(25,934)	
	Total	—	—	(1,435)	3,679

- (Note) 1. Market valuation is made for the abovementioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.
2. Calculation of market price
Calculation is done using discounted present value, etc.

(3) Stock related transactions
No applicable items

(4) Bond related transactions
No applicable items

(5) Goods related transaction
No applicable items

(6) Credit and derivative transactions
No applicable items

(7) Other

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Earthquake derivative				
	Short commitment	15,710	—	(220)	—
	Long commitment	15,710	—	220	—
	Total	—	—	—	—

- (Note) The acquisition price is used as the market price, as determination of a fair valuation amount is extremely difficult for the above transactions.

2. Derivative transactions where hedge accounting has been applied
The contract amount as of the consolidated closing date or the amount equivalent to capital, market value provided under the contract, and the method to calculate said market value, for each transaction subject type and hedge accounting method, for derivative transactions where hedge accounting is applied are as follows: It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest rate related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)
Generally applied processing method	Interest swap Floating receipt, fixed payment	Other securities, loans and bills discounted	92,142	92,142	(5,833)
Exceptional interest swap processing	Interest swap Fixed receipt, floating payment	Loans and bills discounted	3,000	3,000	(17)
	Floating receipt, fixed payment		151	151	(1)
Total		—	—	—	(5,852)

(Note) 1. A deferred hedge was adopted as the method of hedge accounting for interest risks occurring from financial assets and liabilities.

2. Calculation of market price

Calculation is done using discounted present value, etc.

(2) Currency-related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)
Generally applied processing method	Currency swap	Foreign currency denominated securities, and loans and bills discounted	52,049	36,754	(2,030)
Total		—	—	—	(2,030)

(Note) 1. Conducted primarily by deferred hedge in accordance with Special Audit Committee Report No. 25.

2. Calculation of market price

Calculation is done using discounted present value, etc.

(3) Stock related transactions

No applicable items

(4) Bond related transactions

No applicable items

(Retirement benefit-related)

1. Summary of the adopted retirement benefits scheme

The consolidated subsidiaries engaged in banking business have established a defined contribution pension plan as a defined-benefit plan, in addition to the corporate pension fund scheme and retirement allowance scheme. On January 1, 2021, a portion of the retirement benefit corporate pension scheme was transferred to a defined contribution pension scheme.

A retirement benefit trust has been established on the defined contribution pension plan and retirement allowance scheme of consolidated subsidiaries engaged in the banking business.

In other consolidated subsidiaries, in addition to retirement allowance schemes being established, some of the consolidated subsidiaries have also established defined contribution pension plans.

Furthermore, liabilities related to retirement benefits and retirement benefit expenses of retirement allowance schemes held by some of the consolidated subsidiaries are calculated using the simplified method.

In addition, consolidated subsidiaries engaged in the banking business have set up a retirement benefits trust.

2. Defined contribution scheme

(1) Adjustment table of retirement benefit liabilities, as of the beginning and end of the term (excluding schemes adopting the simplified method)

Beginning of term retirement benefit liability balance	¥75,539 million
Service costs	¥1,709 million
Interest costs	¥187 million
Actuarial gain or loss amount generated	(¥1,746 million)
Amount of retirement benefits paid	(¥3,615 million)
Accrual of prior service costs	(¥2,110 million)
Decrease due to the transfer to a defined contribution pension scheme	(¥3,065 million)
Other	¥69 million
End of term retirement benefit liability balance	¥66,968 million

(2) Adjustment table of pension assets, as of the beginning and end of the term (excluding schemes adopting the simplified method)

Beginning of term pension assets balance	¥69,991 million
Anticipated operational earnings	¥1,433 million
Actuarial gain or loss amount generated	¥10,837 million
Contribution from employers	¥814 million
Amount of retirement benefits paid	(¥3,066 million)
Decrease due to transition to defined contribution pension plan	(¥1,527 million)
Other	¥69 million
End of term pension assets balance	¥78,552 million

(3)	Adjustment table for debts related to retirement benefit liabilities as of the beginning and end of the term for schemes adopting the simplified method	
	Beginning of term retirement benefits related debts	¥699 million
	Retirement benefit costs	¥57 million
	Amount of retirement benefits paid	(¥63 million)
	End of term retirement benefits related debts	¥694 million
(4)	Adjustment table for end of term balance of retirement benefit liabilities and pension assets, and debts and assets related to retirement benefits recorded in the consolidated balance sheet	
	Retirement benefit liability of savings-type scheme	¥66,968 million
	Pension assets	(¥78,552 million)
		(¥11,584 million)
	Retirement benefit liability of non-savings-type scheme	¥694 million
	Net amount of liabilities and assets recorded in the consolidated balance sheet	(¥10,890 million)
	(Note) Includes schemes where simplified method is adopted.	
	Liabilities related to retirement benefits	¥694 million
	Assets related to retirement benefits	(¥11,584 million)
	Net amount of liabilities and assets recorded in the consolidated balance sheet	(10,890 million)
(5)	Retirement benefit costs and its itemized breakdown	
	Service costs	¥1,709 million
	Interest costs	¥187 million
	Expected operational earnings	(¥1,433 million)
	Actuarial gain or loss processing amount	¥1,161 million
	Prior service cost processing amount	(¥131 million)
	Retirement benefit costs calculated by the simplified method	¥57 million
	Other	¥115 million
	Retirement benefit cost related to defined benefit plan	¥1,666 million
	(Note) The Daishi Hokuetsu Bank, Ltd., a consolidated subsidiary, transferred a part of its defined benefit pension scheme to a defined contribution pension scheme, thus recording extraordinary income of 1,038 million yen for the current consolidated fiscal year.	
(6)	Retirement benefit adjustment amount	
	The breakdown of items recorded in the adjustment amount related to retirement benefits (before deduction of tax effects) is as follows:	
	Prior service cost	¥1,979 million
	Actuarial gain or loss	¥14,244 million
	Total	¥16,223 million
	(Note) The amount of actuarial difference for the current consolidated fiscal year includes 499 million yen of reclassification adjustment resulting from the transfer of part of the defined benefit pension scheme to a defined contribution pension scheme.	
(7)	Aggregate amount of adjustment related to retirement benefits	
	The breakdown of items recorded in the aggregate amount of adjustment related to retirement benefits (before deduction of tax effects) is as follows:	
	Unrecognized prior service cost	(¥2,004 million)
	Unrecognized actuarial gain or loss	(¥4,364 million)
	Total	(¥6,369 million)
(8)	Matters related to pension assets	
	(i) Ratio for each major classification in total pension assets is as follows:	
	Bonds	30%
	Stocks	42%
	General life insurance account	24%
	Cash and deposits	0%
	Other	3%
	Total	100%
	(Note) Total pension assets include 14% from retirement benefit trust established on the corporate pension plan and 23% from retirement benefit trust established on the retirement allowance respectively, for the current consolidated fiscal year.	
	(ii) Method to set long-term expected rate-of-return ("ROR")	
	To determine the expected long-term ROR for pension assets, consideration is given on the distribution of current and expected pension assets, and the current and expected long-term ROR on diverse assets that comprise the pension assets.	
(9)	Matters regarding the basis of actuarial calculation	
	Major actuarial calculation basis	
	Discount rate	0.4%
	Long-term expected ROR	
	Corporate pension fund	2.0%
	Retirement benefit trust	1.2% to 2.0%
	Expected salary increase rate	1.2%
	(Note) The expected salary increase rate for this consolidated fiscal year is expressed as a weighted average.	
3.	Defined contribution scheme	
	Amount of required contribution to defined contribution schemes of consolidated subsidiaries for the current consolidated fiscal year is ¥398 million.	
4.	Other matters relating to retirement benefits	
	The amounts affected by the partial transfer from a defined benefit corporate pension scheme to a defined contribution pension scheme in the current consolidated fiscal year is as follows.	
	Decrease in retirement benefit obligations	(¥3,065 million)
	Assets transferred to defined contribution pension plans	¥1,527 million
	Subtotal	(¥1,538 million)
	Amortization of unrecognized actuarial gain or loss	¥499 million
	Amortization of prior service cost	(¥0 million)
	Total	(¥1,038 million)

(Stock option related)

1. Amount and accounting titles of costs recorded for stock options)

	Fiscal 2020
General and administrative expenses	¥138 million

2. Contents, size and fluctuation of stock options

(1) Contents of stock options

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Resolution date	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank
Classification and numbers of granted persons	3 directors of Daishi Bank, Ltd.	3 directors of Daishi Bank, Ltd.	4 directors of Daishi Bank, Ltd.	5 directors of Daishi Bank, Ltd.
Number of stock options by type of stock (Note 2)	7,400 ordinary shares of the Company	11,400 ordinary shares of the Company	16,610 ordinary shares of the Company	13,450 ordinary shares of the Company
Grant date (Note 3)	July 27, 2010	July 28, 2011	July 30, 2012	July 30, 2013
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined
Rights exercising period	October 1, 2018 to July 27, 2040	October 1, 2018 to July 28, 2041	October 1, 2018 to July 30, 2042	October 1, 2018 to July 30, 2043

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Resolution date	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank
Classification and numbers of granted persons	6 directors of Daishi Bank, Ltd.	6 directors of Daishi Bank, Ltd.	6 directors and 3 executive officers of Daishi Bank, Ltd.	6 directors and 5 executive officers of Daishi Bank, Ltd.
Number of stock options by type of stock (Note 2)	13,540 ordinary shares of the Company	10,220 ordinary shares of the Company	21,420 ordinary shares of the Company	18,050 ordinary shares of the Company
Grant date (Note 3)	July 30, 2014	July 30, 2015	July 29, 2016	July 28, 2017
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined
Rights exercising period	October 1, 2018 to July 30, 2044	October 1, 2018 to July 30, 2045	October 1, 2018 to July 29, 2046	October 1, 2018 to July 28, 2047

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Resolution date	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank
Classification and numbers of granted persons	1 director of Hokuetsu Bank, Ltd.	2 directors of Hokuetsu Bank, Ltd.	2 directors of Hokuetsu Bank, Ltd.	6 directors of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	1,020 ordinary shares of the Company	1,885 ordinary shares of the Company	1,565 ordinary shares of the Company	3,910 ordinary shares of the Company
Grant date (Note 3)	July 26, 2012	July 26, 2013	July 28, 2014	July 27, 2015
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined
Rights exercising period	October 1, 2018 to July 26, 2042	October 1, 2018 to July 26, 2043	October 1, 2018 to July 28, 2044	October 1, 2018 to July 27, 2045

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option
Resolution date	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank
Classification and numbers of granted persons	6 directors of Hokuetsu Bank, Ltd.	10 directors of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	5,250 ordinary shares of the Company	6,875 ordinary shares of the Company
Grant date (Note 3)	July 27, 2016	July 26, 2017
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appoint period not determined	Applicable appoint period not determined
Rights exercising period	October 1, 2018 to July 27, 2046	October 1, 2018 to July 26, 2047

	Daishi Hokuetsu Financial Group 16th Stock Option	Daishi Hokuetsu Financial Group 17th Stock Option
Resolution date	November 9, 2018, Board of Directors, Daishi Hokuetsu Financial Group	June 25, 2019, Board of Directors, Daishi Hokuetsu Financial Group
Classification and numbers of granted persons	8 directors of Daishi Hokuetsu Financial Group, Inc.; 8 directors of Daishi Bank, Ltd.; 8 executive officers of Daishi Bank Ltd.; 11 directors of Hokuetsu Bank, Ltd.	8 directors of Daishi Hokuetsu Financial Group, Inc.; 10 directors of Daishi Bank, Ltd.; 6 executive officers of Daishi Bank Ltd.; 9 directors of Hokuetsu Bank, Ltd.; 2 executive officers of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	50,440 ordinary shares of the Company	65,900 ordinary shares of the Company
Grant date (Note 3)	December 7, 2018	July 29, 2019
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appoint period not determined	Applicable appoint period not determined
Rights exercising period	December 8, 2018 to December 7, 2048	July 30, 2019 to July 29, 2049

	Daishi Hokuetsu Financial Group 18th Stock Option 18th issue of stock acquisition rights
Date of resolution	Meeting of the Board of Directors on June 24, 2020
Classification and numbers of granted persons	8 Directors of the Company, 8 Directors of The Daishi Bank, Ltd., 7 Executive Officers of The Daishi Bank, Ltd., 9 Directors of The Hokuetsu Bank, Ltd., 2 Executive Officers of The Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	Common stock of the Company 80,980 shares
Grant date (Note 3)	July 31, 2020
Rights finalizing conditions	Rights finalizing conditions not determined
Applicable appointment period	Applicable appoint period not determined
Rights exercising period	August 1, 2020 – July 31, 2050

- (Note)
1. From the 1st to the 15th stock options, the right to subscribe to new shares issued by both Daishi Bank and Hokuetsu Bank held by the rightsholders have been issued with the right to subscribe to new shares of the Company, accompanying the establishment of the Company as the full parent company of both banks through the joint transfer of shares dated October 1, 2018.
 2. The options have been converted to number of shares.
 3. The grant dates is the initial grant date for The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd.

(2) Size and fluctuation of stock options

Stock options existing in the current consolidated fiscal year (year ending March 2021) have been converted to number of shares and listed.

(i) Number of stock options

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	7,400	11,400	16,610	13,450
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	—	—	2,500	3,520
Unfinalized balance	7,400	11,400	14,110	9,930
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	2,500	3,520
Rights exercised	—	—	2,500	3,520
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	13,540	10,220	19,880	16,970
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	4,290	3,090	7,720	6,100
Unfinalized balance	9,250	7,130	12,160	10,870
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	4,290	3,090	7,720	6,100
Rights exercised	4,290	3,090	7,720	6,100
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	1,020	1,885	1,565	2,780
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	—	830	690	1,280
Unfinalized balance	1,020	1,055	875	1,500
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	830	690	1,280
Rights exercised	—	830	690	1,280
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option	Daishi Hokuetsu Financial Group 16th Stock Option	Daishi Hokuetsu Financial Group 17th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	3,730	5,515	46,820	65,900
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	1,720	2,430	14,090	18,390
Unfinalized balance	2,010	3,085	32,730	47,510
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	1,720	2,430	14,090	18,390
Rights exercised	1,720	1,360	12,510	16,100
Lapsed	—	—	—	—
Unexercised balance	—	1,070	1,580	2,290

	Daishi Hokuetsu Financial Group 18th Stock Option
Before rights finalization (shares)	
End of previous consolidated financial year	—
Granted	80,980
Lapsed	—
Rights finalized	6,750
Unfinalized balance	74,230
After rights finalization (shares)	
End of previous consolidated financial year	—
Rights finalized	6,750
Rights exercised	1,910
Lapsed	2,620
Unexercised balance	2,220

(ii) Unit price information

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	—	—	2,218	2,238
Average share price at time of exercise (¥)	2,860	2,360	2,110	3,000

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	2,238	2,238	2,238	2,238
Average share price at time of exercise (¥)	3,690	5,110	3,430	4,900

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	—	2,174	2,174	2,174
Average share price at time of exercise (¥)	1,330	1,780	1,900	2,230

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option	Daishi Hokuetsu Financial Group 16th Stock Option	Daishi Hokuetsu Financial Group 17th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	2,174	2,174	2,216	2,216
Average share price at time of exercise (¥)	1,830	2,394	3,276	2,571

	Daishi Hokuetsu Financial Group 18th Stock Option
Rights exercise price (¥)	1
Average share price at time of exercise (¥)	2,174
Age share price at time of exercise (¥)	1,765

(Note) The fair evaluated unit prices of Daishi Bank and Hokuetsu Bank shares, on the initial grant date, are listed from the 1st through 15th stock options.

3. Fair stock option evaluated unit price estimation method
The fair evaluated unit price estimation method for stock options granted in the current consolidated fiscal year is as follows.

- (1) Evaluation technique used: Black-Scholes method
(2) Major basic values and estimation method

	Daishi Hokuetsu Financial Group 18th Stock Option
Stock price variability (Note 1)	33.86%
Expected remaining period (Note 2)	2.5 years
Expected dividend (Note 3)	¥120/share
No-risk interest rate (Note 4)	(0.145%)

- (Note) 1. Calculations were based on the actual stock prices of our financial group, and of Daishi Bank, Ltd. and Hokuetsu Bank, Ltd. during the 2.5-year expected remaining period (January 31, 2018-July 30, 2020).
2. Estimations were produced by setting this expected remaining period as the expected tenure of directors and executive officers of our financial group, Daishi Bank, Ltd. and Hokuetsu Bank, Ltd.
3. According to expected dividend for the fiscal year ended March 2021.
4. The yield on Japanese government bonds for the expected remaining period.

4. Method to estimate the stock option rights finalized numbers
Since it is difficult to rationally estimate future lapses, a method only to reflect recorded lapses has been adopted.

(Tax effect accounting related)

1. Breakdown of major causes generating deferred tax assets and deferred tax liabilities

Deferred tax assets	
Allowance for loan losses	¥9,159 million
Retirement benefit related liabilities	¥3,020 million
Depreciation and amortization	¥2,368 million
Valuable securities amortization	¥1,393 million
Deferred gains or losses on hedges	¥1,853 million
Book value correction for fair market valuation	¥2,818 million
Other	¥5,552 million
Subtotal deferred tax assets	¥26,166 million
Valuation reserve related to future subtraction temporary difference, etc., total	(¥5,561 million)
Subtotal valuation reserve	(¥5,561 million)
Total deferred tax assets	¥20,605 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥17,578 million)
Retirement benefit trust establishment benefit	(¥1,464 million)
Book value correction for fair market valuation	(¥4,455 million)
Other	(¥1,584 million)
Total deferred tax liabilities	(¥25,083 million)
Net amount of deferred tax assets (liabilities)	(¥4,478 million)

2. Breakdown of major items causing material difference between the enacted tax rate of companies submitting consolidated financial statements and the burden rate of corporate tax, etc., after application of tax effect accounting
The difference between enacted tax rate and corporate tax rate after tax effect accounting was five percent or less of the enacted tax rate so it is omitted.

Breakdown of significant differences between the statutory effective tax rate and the Bank's effective tax rate for financial statement purposes

Statutory effective tax rate (Adjusted)	30.5%	
Expenses including entertainment expenses not qualifying for deduction permanently		0.3%
Non-taxable dividends income	(1.5%)	
Inhabitant tax on per capita basis	0.6%	
Increase/decrease in valuation allowance	2.9%	
Other	2.5%	
Bank's effective tax rate	35.4%	

(Relating to business combination, etc.)

(Merger of the Company's subsidiaries)

Based on the resolution to approve the merger agreement at the extraordinary general meeting of shareholders held on September 25, 2020, as of January 1, 2021, our wholly owned subsidiaries, The Daishi Bank, Ltd. (hereinafter referred to as "Daishi Bank") and The Hokuetsu Bank, Ltd. (hereinafter referred to as "Hokuetsu Bank") merged and changed the corporate name to Daishi Hokuetsu Bank, Ltd. (hereinafter referred to as "Daishi Hokuetsu Bank").

1. Overview of the business combination
(1) Name and description of the combined company
(Surviving company in absorption merger)
Name: Daishi Bank
Business activities: Banking
(Dissolving company in absorption merger)
Name: Hokuetsu Bank
Business activities: Banking

(2) Date of business combination

Friday, January 1, 2021

(3) Legal form of business combination

Absorption merger with Daishi Bank as the surviving company and Hokuetsu Bank as the dissolving company.

(4) Name of the combined company

Daishi Hokuetsu Bank

(5) Other matters concerning the overview of transactions

The purpose of the Merger is to enable the two banks to maximize the benefits of the integration under Daishi Hokuetsu Financial Group, Inc. and to further enhance their functions as financial and information intermediaries, thereby fulfilling the primary objective of the merger of making a lasting contribution to the community.

2. Overview of accounting procedures performed

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Corporate Accounting Standards Implementation Guidance No. 10, January 16, 2019), the transaction was treated as a transaction under common control.

(Real estate related, such as lease, etc.)

Some consolidated subsidiary companies own real estate for lease. However, their total amount is minor and has been omitted.

(Segment information, etc.)

[Segment information]

1. Outline of reporting segments

The Company group consists of the Company, which is the bank holding company, and 13 consolidated subsidiaries, including The Daishi Hokuetsu Bank, Ltd. It provides a wide range of financial instruments and services to the customers in the region, focused on banking operations, as well as for leasing, securities, credit guarantees, credit card operations, etc., and financial information by companies in the group are reported regularly to the Company's board of directors.

Therefore, even though the Company group consists of segments formed by the Company and each consolidated subsidiary, we have established "Banking," which accounts for the majority of all segments, "Leasing," and "Securities" as reporting segments in view of their importance.

"Banking" is focused mainly on deposit operations and loan operations, with investments in securities, domestic currency operations, foreign currency operations, and as the contact point for the sales of public bonds, investment trusts, insurance policies, etc., and is positioned as the core of the group.

Furthermore, "Leasing" conducts integrated leasing operations, while securities operations are conducted in "Securities".

2. The method of calculation for ordinary income, profit or loss, assets, liabilities, etc., of each reporting segment

The accounting method adopted for each reporting segments is identical to the preparation policy for consolidated financial statements. Internal ordinary income between the segments is based on the actual amount of transaction.

3. Information regarding the amount of ordinary income, profit or loss, assets, liabilities, and other items of each reporting segment

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020).

(Unit: ¥ million)

	Reporting segment				Other	Total	Adjustments	Amount recorded in consolidated financial statement
	Banking	Leasing	Securities Total	Banking				
Ordinary income								
Ordinary income from outside customers	128,407	21,368	4,161	153,937	4,269	158,206	(3,508)	154,698
Internal ordinary income between segments	3,914	367	10	4,292	11,381	15,674	(15,674)	—
Total	132,322	21,736	4,171	158,230	15,651	173,881	(19,183)	154,698
Segment profits	20,842	839	1,169	22,852	8,208	31,060	(11,650)	19,410
Segment assets	8,924,449	64,083	19,336	9,007,869	360,830	9,368,699	(402,261)	8,966,437
Segment liabilities	8,545,250	46,387	8,176	8,599,814	22,998	8,622,813	(62,829)	8,559,984
Other items								
Depreciation costs	5,074	262	25	5,362	84	5,447	(53)	5,393
Interest income	71,756	193	183	72,132	6,685	78,818	(10,880)	67,938
Interest expenses	5,897	162	5	6,065	18	6,084	(145)	5,939
Increase in tangible and intangible fixed asset amount	10,237	287	7	10,532	63	10,595	64	10,660

(Note) 1. Ordinary income is indicated instead of amount of sales used generally for corporations. "Adjustment difference" refers to the difference between ordinary income and the recorded amount of ordinary income in the consolidated financial statement .

2. "Other" refers to are business segments not included in the reporting segments, and includes credit guarantee operations, credit card operations, and others.

3. The amount of adjustments is as follows:

(1) The adjustment amount of (¥3,508 million) in ordinary income from outside customers includes ordinary income adjustment of (¥3,285 million), accompanying the adoption of the purchase method.

(2) The adjustment of segment profit of (¥11,650 million) is from profit adjustment accompanying purchase method and elimination of transactions between segments, etc.

(3) The adjustment of segment assets of (¥402,261 million) is from profit adjustment accompanying purchase method and elimination of transactions between segments, etc.

(4) The adjustment of segment liabilities of (¥62,829 million) is from adjustment accompanying purchase method and elimination of transactions between segments, etc.

(5) The adjustment of (¥53 million) in depreciation costs is the amount of adjustment, etc. for depreciation related to lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.

(6) The adjustment of (¥10,880 million) in interest income is for elimination of transactions between segments, etc.

(7) The adjustment of (¥145 million) in interest expenses is for elimination of transactions between segments, etc.

(8) The adjustment of ¥64 million in increase in tangible and intangible fixed asset amount is mainly the acquisition cost of lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.

4. Segment profit has been adjusted with ordinary income of consolidated profit and loss statement.

Fiscal 2021 (April 1, 2020 through March 31, 2021)

(Unit: ¥ million)

	Reporting segment				Other	Total	Adjustments	Amount recorded in consolidated financial statement
	Banking	Leasing	Securities Total	Banking				
Ordinary income								
Ordinary income from outside customers	114,207	21,327	5,733	141,267	4,234	145,502	(2,370)	143,132
Internal ordinary income between segments	3,163	348	24	3,535	10,727	14,263	(14,263)	—
Total	117,371	21,675	5,757	144,803	14,962	159,766	(16,633)	143,132
Segment profits	14,791	913	1,871	17,576	8,120	25,697	(8,196)	17,500
Segment assets	9,648,950	62,765	27,424	9,739,141	361,145	10,100,286	(393,753)	9,706,533
Segment liabilities	9,238,216	44,236	13,982	9,296,435	22,322	9,318,757	(66,069)	9,252,687
Other items								
Depreciation costs	5,914	254	21	6,190	83	6,273	(32)	6,241
Interest income	65,396	202	137	65,736	5,752	71,488	(7,851)	63,636
Interest expenses	3,084	148	2	3,236	13	3,249	(129)	3,120
Increase in tangible and intangible fixed asset amount	7,985	261	9	8,256	30	8,286	112	8,399

- (Note) 1. Ordinary income is indicated instead of amount of sales used generally for corporations. "Adjustment difference" refers to the difference between ordinary income and the recorded amount of ordinary income in the consolidated financial statement .
2. "Other" refers to are business segments not included in the reporting segments, and includes credit guarantee operations, credit card operations, and others.
3. The amount of adjustments is as follows:
- (1) The adjustment amount of (¥2,370 million) in ordinary income from outside customers includes ordinary income adjustment of (¥2,347 million), accompanying the adoption of the purchase method.
 - (2) The adjustment of segment profit of (¥8,196 million) is from elimination of transactions between segments, etc.
 - (3) The adjustment of segment assets of (¥393,753 million) is from elimination of transactions between segments, etc.
 - (4) The adjustment of segment liabilities of (¥66,069 million) is from elimination of transactions between segments, etc.
 - (5) The adjustment of (¥32 million) in depreciation costs is the amount of adjustment accompanying purchase method, etc. for depreciation related to lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.
 - (6) The adjustment of (¥7,851 million) in interest income is for elimination of transactions between segments, etc.
 - (7) The adjustment of (¥129 million) in interest expenses is for elimination of transactions between segments, etc.
 - (8) The adjustment of ¥112 million in increase in tangible and intangible fixed asset amount is mainly the acquisition cost of lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.
4. Segment profit has been adjusted with ordinary income of consolidated profit and loss statement.

[Related information]

Fiscal year 2020 (From April 1, 2019 through March 31, 2020)

1. Information by each service

(Unit: ¥ million)

	Loan operations	Securities investment operations	Lease operations	Other	Total
Ordinary income from outside customers	51,368	48,080	21,177	34,071	154,698

(Note) Ordinary income is indicated instead of amount of sales for corporations.

2. Information for each region

(1) Ordinary income

Listing has been omitted since the amount of ordinary income of the Company group, segmented into external customers in Japan accounts for 90% or more of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Listing has been omitted since the amount of tangible fixed assets of the Company group existing inside Japan accounts for 90% or more of the tangible fixed assets of the consolidated balance sheet.

3. Information by each major customer

Listing has been omitted since there are no specific customers whose ordinary income account for 10% or more of the consolidated statements of income.

Fiscal year 2021 (From April 1, 2020 through March 31, 2021)

1. Information by each service

(Unit: ¥ million)

	Loan operations	Securities investment operations	Lease operations	Other	Total
Ordinary income from outside customers	50,754	38,510	21,120	32,746	143,132

(Note) Ordinary income is indicated instead of amount of sales for corporations.

2. Information for each region

(1) Ordinary income

Listing has been omitted since the amount of ordinary income of the Company group, segmented into external customers in Japan accounts for 90% or more of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Listing has been omitted since the amount of tangible fixed assets of the Company group existing inside Japan accounts for 90% or more of the tangible fixed assets of the consolidated balance sheet.

3. Information by each major customer

Listing has been omitted since there are no specific customers whose ordinary income account for 10% or more of the consolidated statements of income.

[Information regarding impairment loss of fixed assets for each segment]

Fiscal year 2020 (From April 1, 2019 through March 31, 2020)

This information is omitted because it lacks materiality.

Fiscal year 2021 (From April 1, 2020 through March 31, 2021)

(Unit: ¥ million)

	Reporting segment				Other	Total
	Banking	Leasing	Securities	Total		
Impairment loss	518	2	—	521	—	521

[Information concerning amortization of good will and unamortized balance by reporting segment]

No applicable items

[Information concerning negative goodwill generation profit by each reporting segment]

No applicable items

(Related party information)

1. Transactions with related parties

(1) Transactions between consolidated companies submitting consolidated financial statements and related parties.

No applicable items

(2) Transactions between consolidated subsidiaries submitting consolidated financial statements and related parties.

(a) The parent company and major shareholders (limited only to companies, etc.) of companies submitting consolidated financial statements

No applicable items

(b) Non-consolidated subsidiaries and affiliated companies of companies submitting consolidated financial statements

No applicable items

(c) Companies with the same parent company as the company submitting consolidated financial statements and other affiliated companies of companies submitting consolidated financial statements, etc.

No applicable items

(d) Directors and major shareholders, etc. (limited only to individuals) of companies submitting consolidated financial statements, etc.

2. Notes concerning the parent company or important affiliated companies

(1) Parent company information

No applicable items

(2) Summarized financial information of important affiliated companies

No applicable information

(Per share information)

Net assets per share	¥ 9,510.00
Net income per share for the current term	¥ 236.28
Net income per share for the current term after adjustment for potential voting	¥ 235.00
(Note 1) The basis for calculation of net asset per share is as follows:	
Total amount of Net assets	¥ 453,845 million
Amount to be deducted from net assets	¥ 19,171 million
(of which, rights to subscribe to new shares)	¥ 692 million
(of which, non-controlling shareholder equity)	¥ 18,479 million
Net asset amount at end of term concerning ordinary shares	¥ 434,673 million
Number of ordinary shares at the end of term used to calculate the amount of net assets per share	45,706 thousand shares
(Note 2) The basis for calculation of net income per share for the current term and net profit per share for the current term after adjustment for potential voting are as follows.	
Net income per share for the current term	¥ 10,795 million
Net income reverting to parent company shareholders	¥ - million
Amount not reverting to ordinary shareholders	¥ 10,795 million
Net income reverting to parent company shareholders related to ordinary shares	45,686 thousand shares
Average number of ordinary shares during the term	
Net income per share for the current term after adjustment for potential voting	¥ - million
Amount of adjustment of net income for the current term reverting to parent company shareholders	
Increase in number of ordinary shares	250 thousand shares
Of which, rights to subscribe to new shares	250 thousand shares
Summary of potential voting shares not included for lack of diluting effects, in the calculation of net income per share for the current term adjustment for potential voting.	-

(Important subsequent events)

There are no applicable items

Non – Consolidated Balance Sheet

Years ended March 31, 2020 and 2021

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to US \$1.

	(Millions of Yen)		(Millions of Yen)	(Thousands of U.S. Dollars)
	2020		2021	2021
	Daishi Bank	Hokuetsu Bank	Daishi Hokuetsu Bank	Daishi Hokuetsu Bank
■ Assets				
Cash and due from banks	¥1,117,430	¥118,411	¥2,055,227	\$18,564,059
Call loans	—	4,788	—	—
Monetary claims bought	13,288	—	13,080	118,150
Trading account securities	1,922	1,168	3,161	28,555
Securities	1,288,308	1,030,695	2,441,677	22,054,714
Loans and bills discounted	3,399,909	1,709,563	4,959,621	44,798,317
Foreign exchanges	13,771	6,700	16,802	151,768
Other assets	49,778	67,349	70,550	637,254
Tangible fixed assets	39,857	25,723	66,845	603,786
Intangible fixed assets	15,219	1,643	16,957	153,169
Prepaid pension cost	1,867	4,781	6,452	58,282
Deferred tax assets	4,994	6,855	—	—
Customers' liabilities for acceptances and guarantees	12,499	6,678	18,614	168,138
Allowance for loan losses	(11,754)	(6,899)	(20,040)	(181,013)
Total Assets	¥5,947,093	¥2,977,460	¥9,648,950	\$87,155,184

	(Millions of Yen)		(Millions of Yen)	(Thousands of U.S. Dollars)
	2020		2021	2021
	Daishi Bank	Hokuetsu Bank	Daishi Hokuetsu Bank	Daishi Hokuetsu Bank
■ Liabilities				
Deposits	¥4,836,011	¥2,556,076	¥8,132,832	\$73,460,685
Negotiable certificates of deposit	171,038	94,910	90,666	818,951
Call money	—	2,176	—	—
Payables under repurchase agreements	25,241	47,196	111,132	1,003,813
Payables under securities lending transactions	212,840	113,291	188,425	1,701,973
Borrowed money	380,264	10,000	654,996	5,916,325
Foreign exchanges	173	116	186	1,688
Borrowed money from trust account	126	—	202	1,828
Other Liabilities	21,445	40,816	27,240	246,048
Provision for bonuses	1,240	718	2,246	20,289
Provision for directors' bonuses	81	25	95	864
Provision for retirement benefits	590	—	—	—
Provision for reimbursement of deposits	1,894	523	1,831	16,542
Provision for system cancellation losses	268	144	12	110
Provision for contingent loss	888	376	1,401	12,655
Deferred tax liabilities	—	—	696	6,289
Deferred tax liabilities for land revaluation	5,236	2,462	7,636	68,979
Acceptances and guarantees	12,499	6,678	18,614	168,138
Total Liabilities	¥5,669,841	¥2,875,513	¥9,238,216	\$83,445,185

	(Millions of Yen)		(Millions of Yen)	(Thousands of U.S. Dollars)
	2020		2021	2021
	Daishi Bank	Hokuetsu Bank	Daishi Hokuetsu Bank	Daishi Hokuetsu Bank
■ Net Assets				
Capital stock	¥32,776	¥24,538	¥32,776	\$296,061
Capital surplus	18,635	16,964	60,138	543,204
Retained earnings	206,033	57,153	267,985	2,420,609
Shareholders' equity	257,446	98,656	360,900	3,259,875
Valuation difference on available-for-sale securities	13,919	13,732	44,153	398,819
Deferred gains or losses on hedges	(530)	(14,325)	(4,452)	(40,214)
Revaluation reserve for land	6,417	3,883	10,132	91,518
Total valuation and translation adjustments	19,806	3,290	49,833	450,123
Total net assets	277,252	101,946	410,734	3,709,999
Total Liabilities and Net assets	¥5,947,093	¥2,977,460	¥9,648,950	\$87,155,184

Non – Consolidated Statement of income
 Years ended March 31, 2020 and 2021

	(Millions of Yen)		(Millions of Yen)	(Thousands of U.S. Dollars)
	2020		2021	2021
	Daishi Bank	Hokuetsu Bank	Daishi Hokuetsu Bank	Daishi Hokuetsu Bank
Ordinary income	¥89,562	¥43,033	¥89,085	\$804,670
Interest income	46,142	25,610	47,938	433,005
Interest on loans and discounts	30,779	16,186	34,104	308,056
Interest and dividends on securities	14,812	9,350	13,243	119,624
Interest on call loans	(0)	6	(75)	(684)
Interest on receivables under securities borrowing transactions	—	—	0	2
Interest on receivables under resale agreements	—	(13)	—	—
Interest on deposits with banks	207	27	329	2,976
Interest on interest swaps	—	—	3	28
Other interest income	342	52	332	3,001
Trust fees	1	—	1	11
Fees and commissions	15,452	8,271	17,640	159,340
Other ordinary income	10,959	5,903	7,309	66,019
Other income	17,007	3,247	16,196	146,292
Ordinary expenses	74,872	36,882	78,833	712,069
Interest expenses	3,615	2,279	1,916	17,310
Interest on deposits	686	316	558	5,041
Interest on negotiable certificates of deposit	24	13	12	113
Interest on call money	(7)	60	(5)	(46)
Interest on bills sold	656	(265)	197	1,784
Interest on payables under securities lending transactions	566	1,355	255	2,307
Interest on borrowings and rediscounts	74	0	25	233
Interest on interest swaps	1,614	798	869	7,853
Other interest expenses	0	(0)	2	22
Fees and commissions payments	5,674	4,106	5,961	53,848
Other ordinary expenses	10,559	3,905	8,827	79,733
General and administrative expenses	42,786	23,054	50,626	457,285
Other expenses	12,236	3,536	11,501	103,891
Ordinary profit	14,690	6,151	10,251	92,600
Extraordinary income	0	1	1,039	9,390
Gain on disposal of noncurrent assets	0	1	0	5
Gain on revision of retirement benefit plan	—	—	1,038	9,384
Extraordinary loss	55	31	707	6,393
Loss on disposal of noncurrent assets	42	26	206	1,863
Impairment loss	12	5	501	4,529
Income before income taxes	14,635	6,120	10,583	95,597
Income taxes-current	4,498	920	3,204	28,947
Income taxes-deferred	(626)	612	488	4,408
Net income	¥10,763	¥4,587	¥6,890	\$62,241



Daishi Hokuetsu Financial Group, Inc.

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This disclose uses easy-to-read
universal design font.



Daishi Hokuetsu FG and Tsubasa
alliance has set the SDGs
Declaration



The Daishi Bank and The Hokuetsu
Bank has signed the Principles for
Financial Action for the 21st Century.