

# Company Briefings For the First Half of the Fiscal Year Ending March 2023

November 2022



DAISHI HOKUETSU  
Financial Group

第四北越フィナンシャルグループ

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

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# Summary of the First Half of the Fiscal Year Ending March 2023



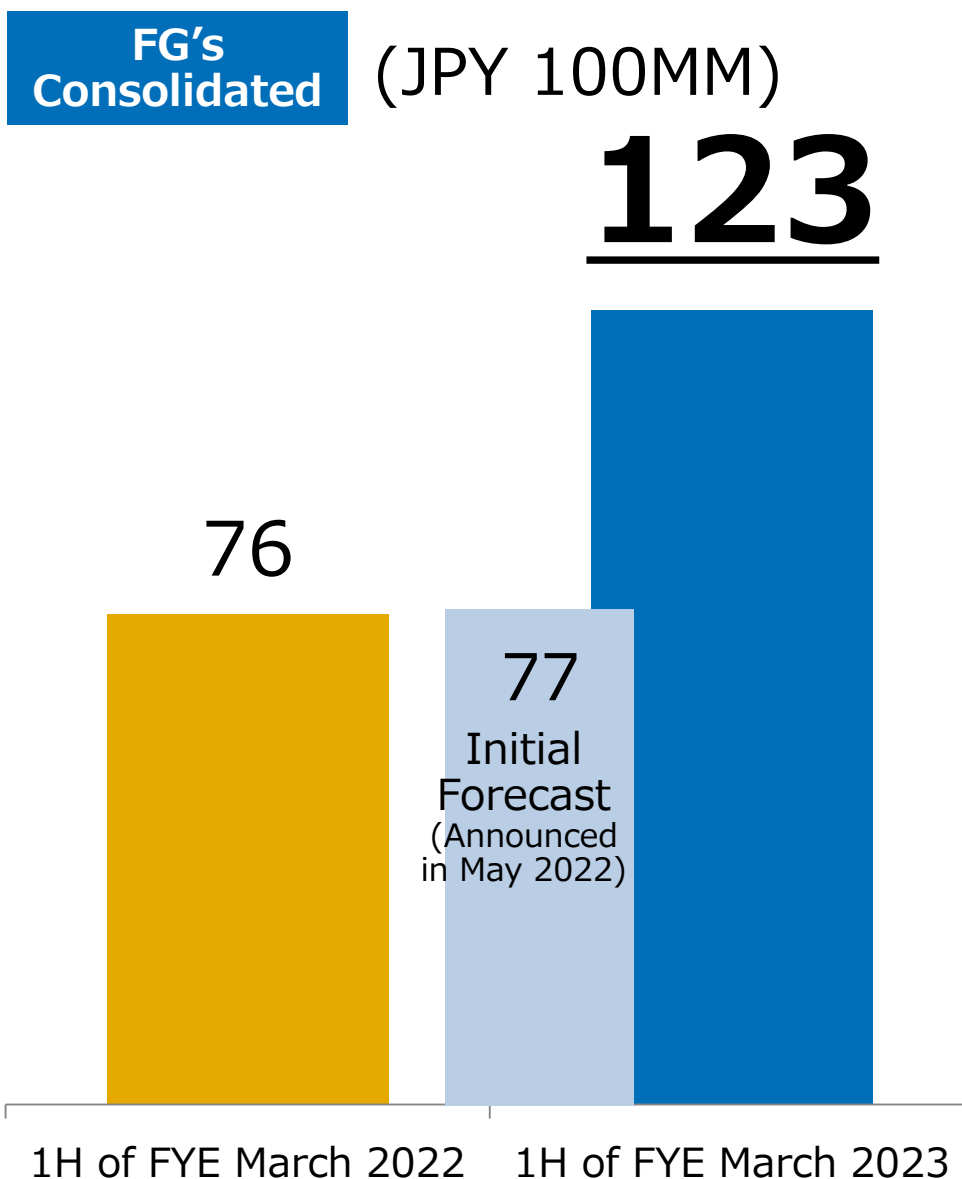
A fresh stage of achieving merger results  
after Bank Merger and birth of new bank

April 2021    March 2024  
●    ●    ●    ●    >>>

## 1H of FYE March 2023

-  FG consolidated interim profit exceeded initial forecasts and increased year on year
-  Four years have passed since FG was established, and one year and nine months have passed since Bank Merger. Organizational harmony has progressed steadily
-  Consulting sales were practiced with the Group's collective strengths demonstrated by all the officers and employees through "We Are One!"
-  The three major synergies (Merger Synergy, Group Synergy, and TSUBASA Partnership Synergy) were demonstrated steadily
  - Office integration of 50 bases (completed in November 2022) and personnel reassignment progressed steadily
  - In the Group reorganization, its major businesses became wholly owned subsidiaries of FG (October 2022)

# **Financial Results for the First Half of the Fiscal Year Ending March 2023**



Year on Year

+4.7 billion yen  
(+62.5%)

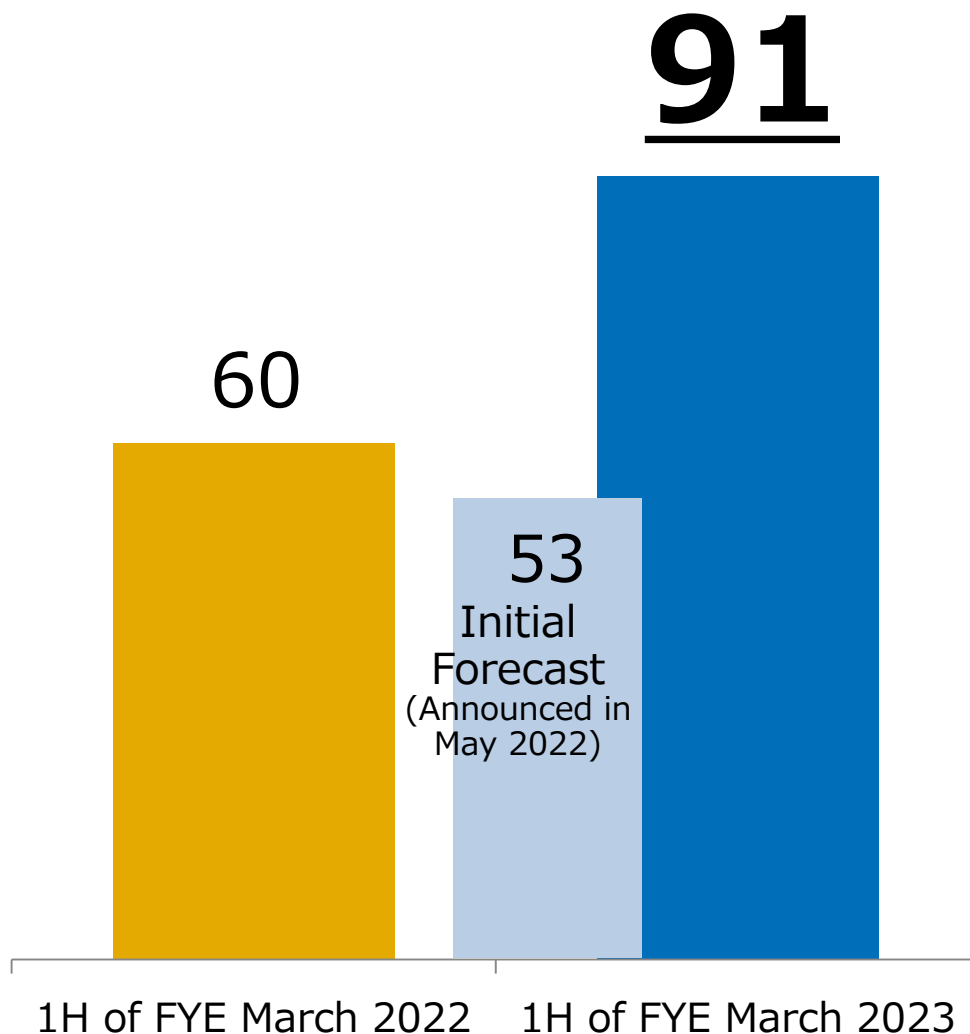
Vs. Forecast

+4.6 billion yen  
(+60.6%)

# Interim Profit by Division

Bank Non-  
consolidated

(JPY 100MM)



Year on Year

**+3.1** billion yen  
(+53.0%)

Vs. Forecast

**+3.8** billion yen  
(+73.3%)

Group Company  
Division

(JPY 100MM)

\* Total Interim Profit of Group companies attributable to owners of parent (excluding the holding company and the Bank)

Year on Year

**-0.6 billion yen**  
**(-33.5%)**

18



**12**



1H of FYE March 2022

1H of FYE March 2023

### Securities

**-0.5 billion yen (-54.1%) year on year**

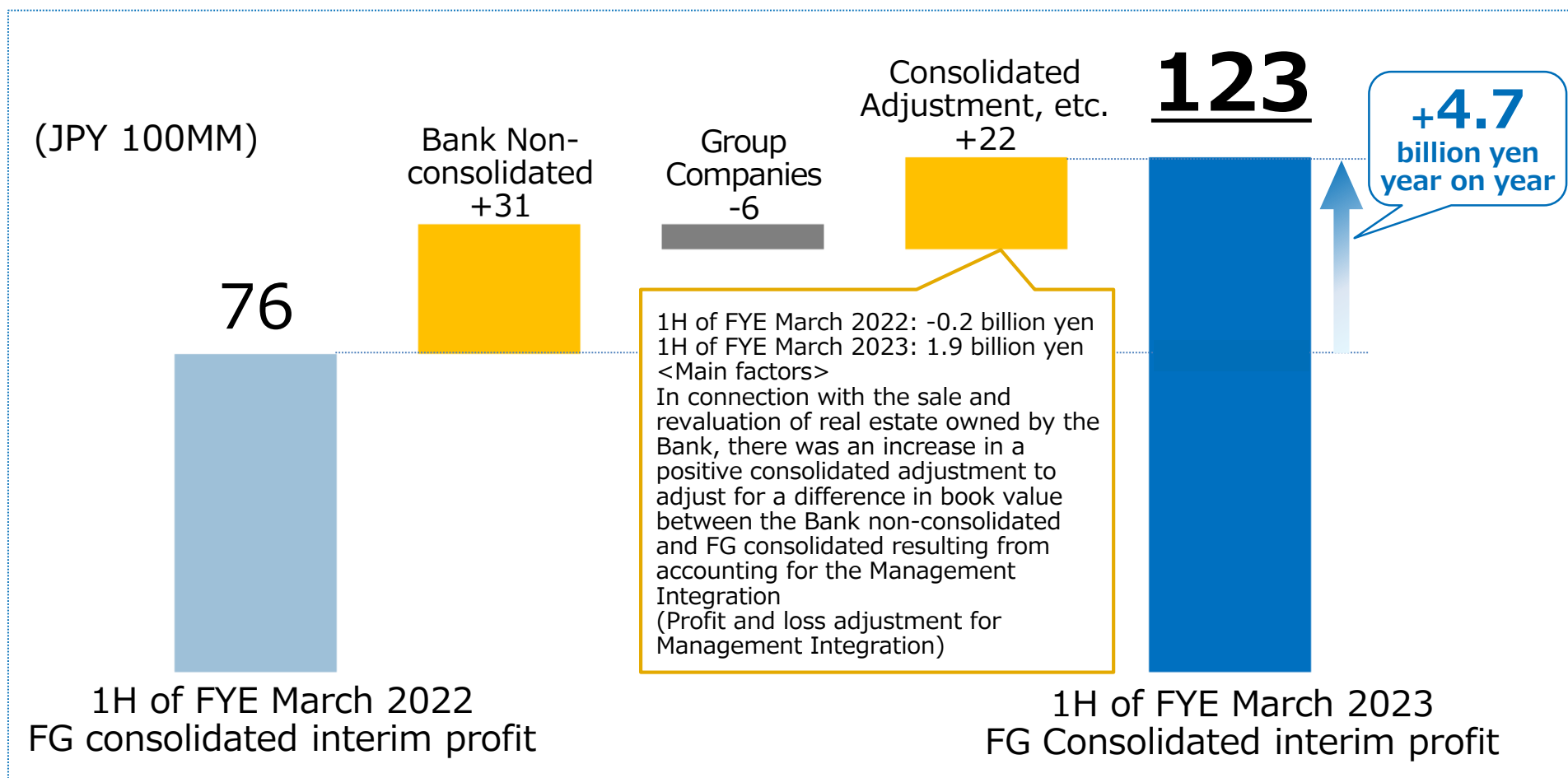
- Income mainly from bond trading decreased from the previous fiscal year due to increased risk aversion against the background of an uncertain market environment

### Leasing

**-0.1 billion yen (-115.3%) year on year**

- Credit cost increased due to downgrading of large business partners. Gross profit margin remained at the same level as the previous fiscal year

## FG's consolidated interim profit increased due to an increase in the bank's non-consolidated profit and a positive consolidated adjustment



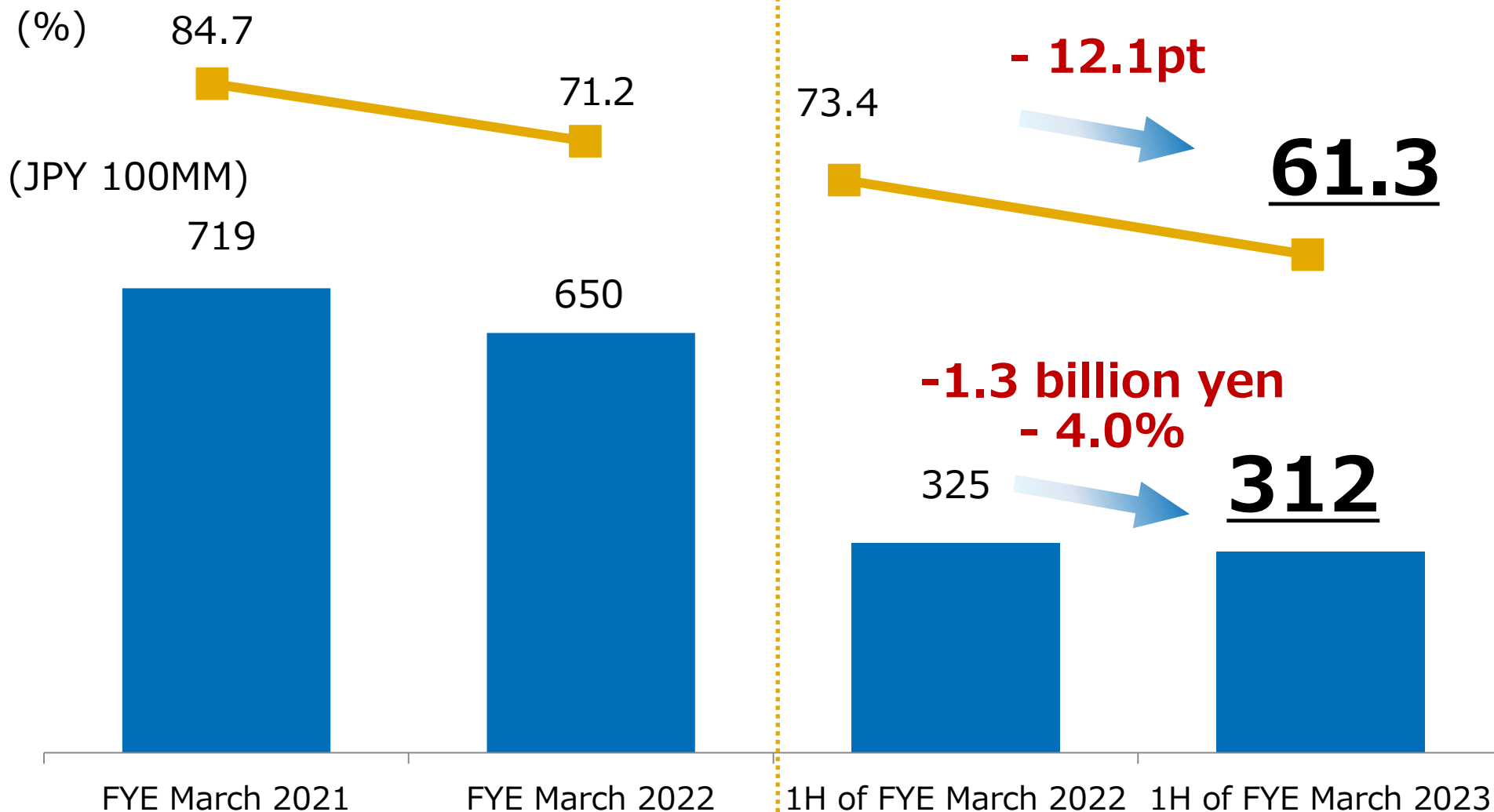


# Reference: Key Performance Indicators (KPI) OHR (Consolidated)

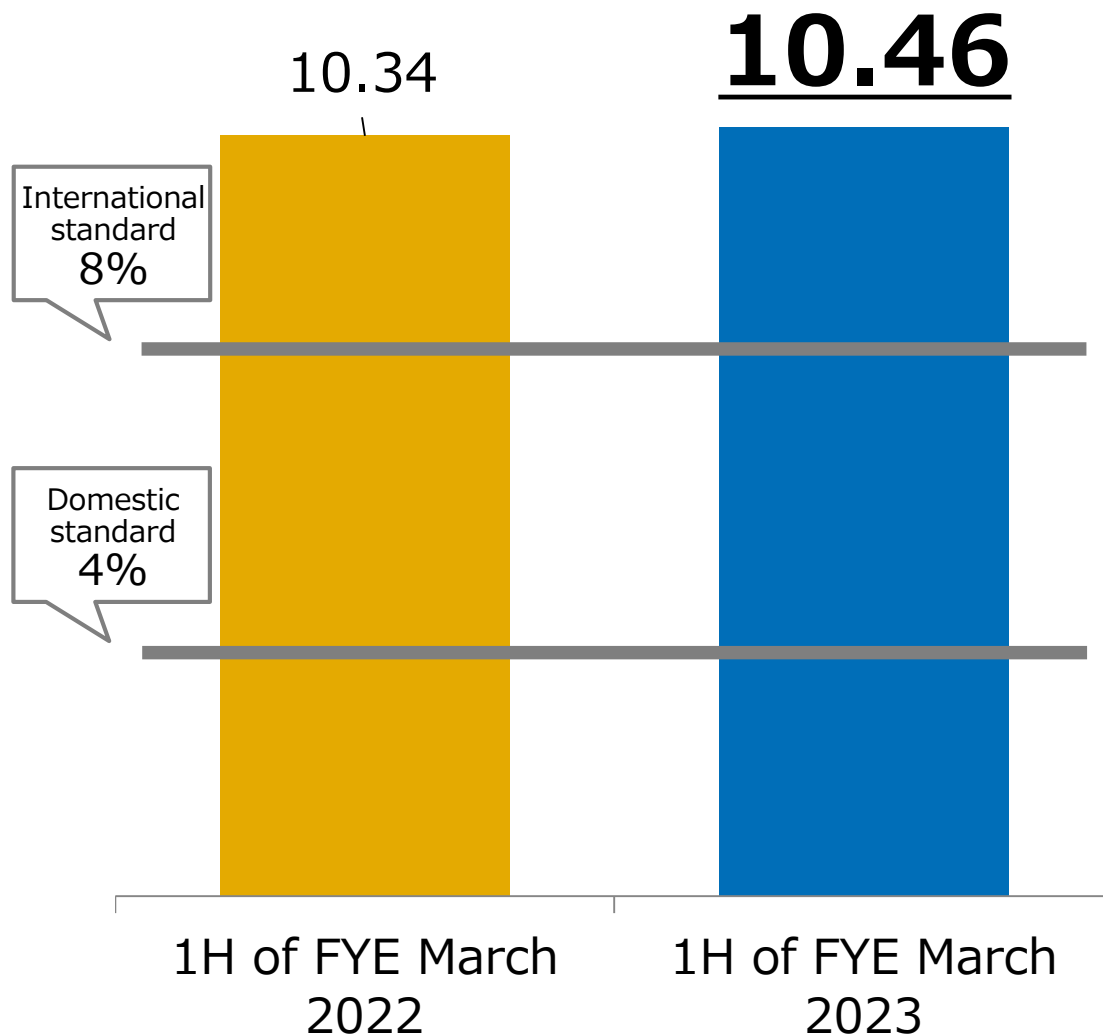
FG  
Consolidated

Consolidated general and  
administrative expenses

Consolidated gross  
profit OHR



FG  
Consolidated (%)



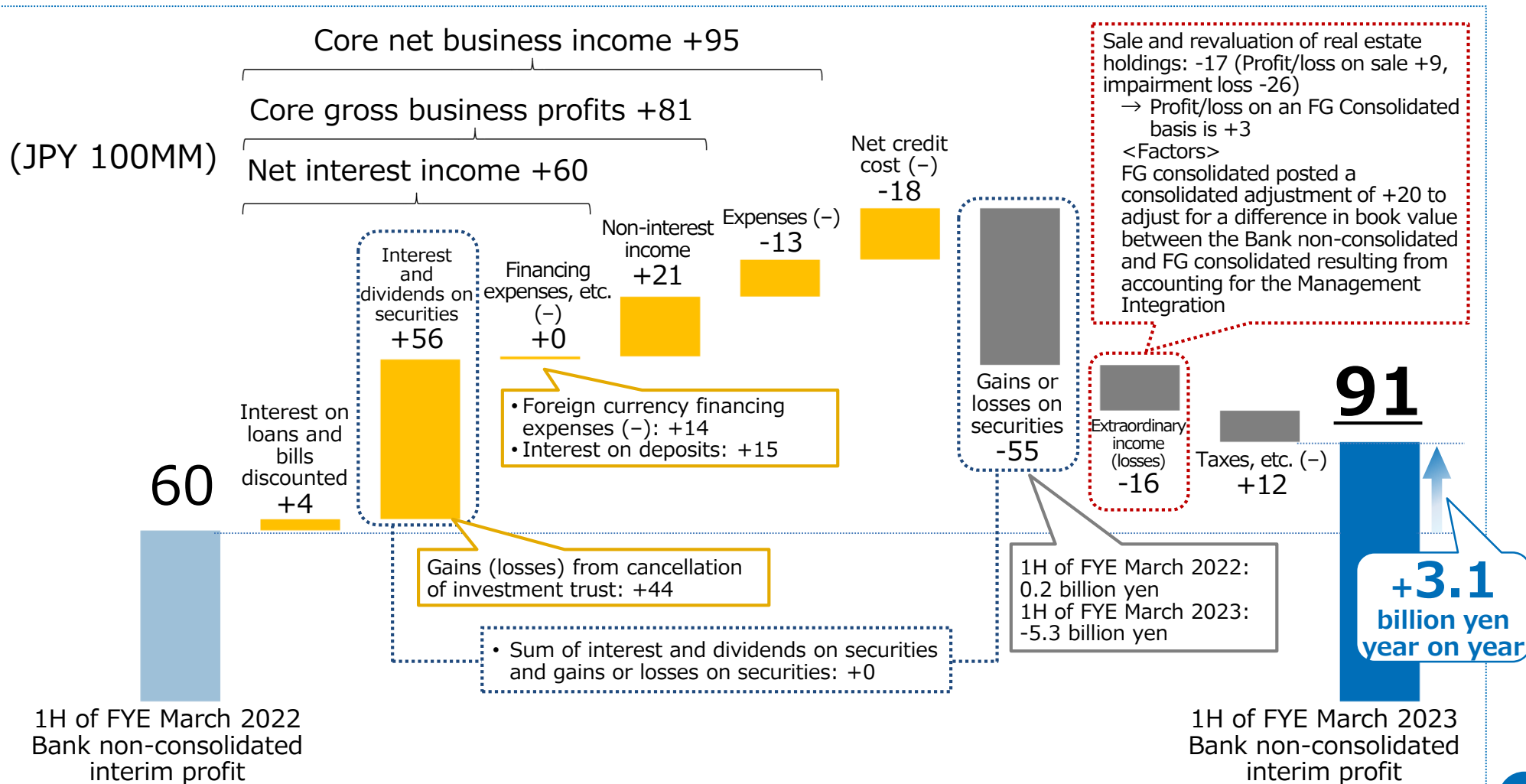
Year on Year

+0.12pt

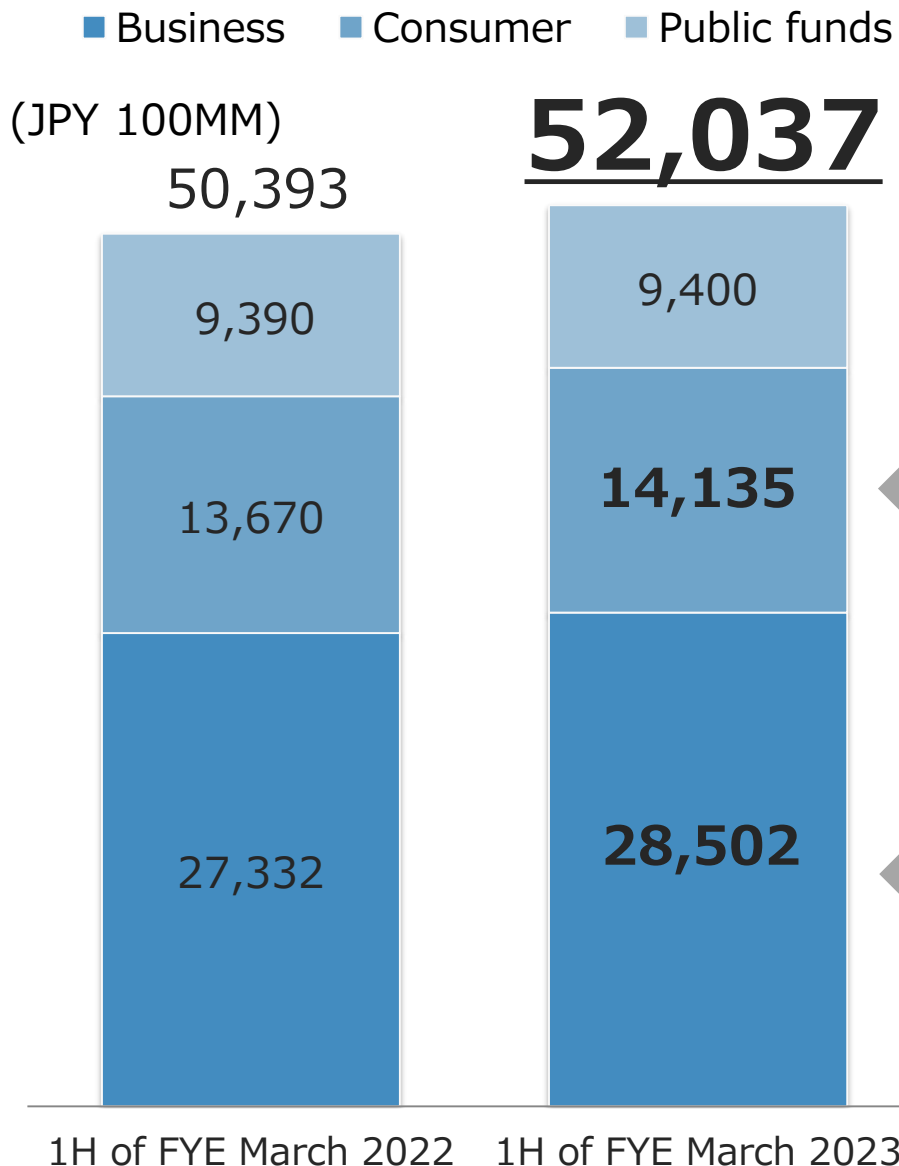
- FG's consolidated capital ratio was maintained at a sufficient level, exceeding the national standard of 4% and the international standard of 8%

# Bank Non-consolidated: Change Factors

Due to an increase in non-interest income and cost reductions (expenses and net credit cost), the Bank's non-consolidated interim profit increased



# End-balance of Loans and Bills Discounted



**Year on Year**

**+164.4 billion yen (+3.2%)**

**Consumer**

**+46.4 billion yen (+3.3%) year on year**  
 - Increase in both mortgage and unsecured loans

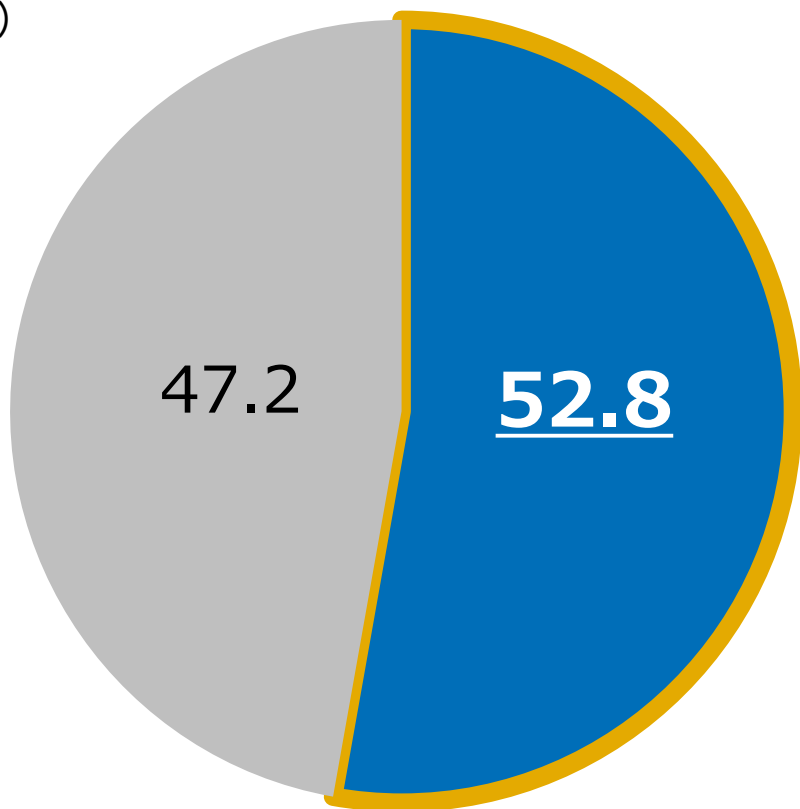
**Business**

**+116.9 billion yen (+4.2%) year on year**  
 - Decreased in the prefecture due to strong liquid deposits of business partners resulting from active support for financing related to COVID-19, and postponement of capital investment resulting from uncertainty over the future and soaring material prices  
 - Increased outside the prefecture for large companies that demand funds

# Strong Operating Base in Niigata Prefecture

## Loan Share in Niigata Prefecture

(%)



**Daishi Hokuetsu** ■ Second regional banks, shinkin banks, credit associations, etc.

Source: Calculated by the Company based on information from Nikkin (as of September 30, 2022)

## Nationwide Survey of Companies' Main Banks

**No. 9 in Japan behind megabanks**

No. 5 among regional banks

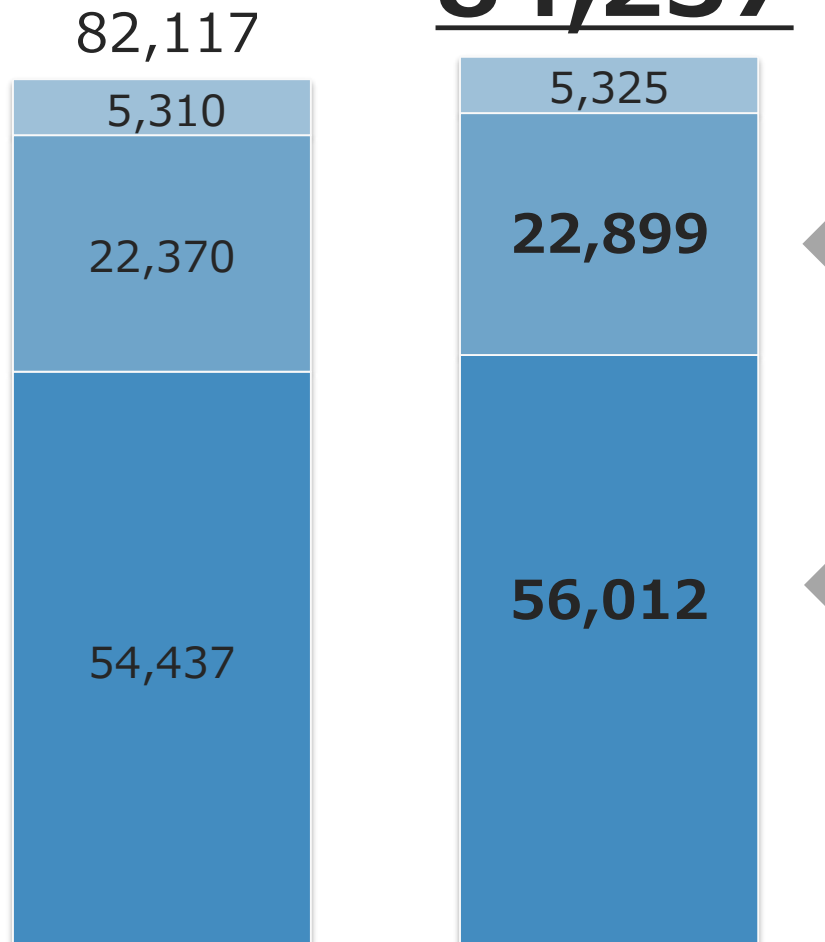
Rank	Financial institution	Number of companies	Share
1	MUFG	96,511	6.64%
2	SMBC	77,437	5.33%
3	Mizuho	62,291	4.28%
4	Resona	30,469	2.10%
5	North Pacific	23,895	1.64%
6	Fukuoka	21,871	1.50%
7	Chiba	21,124	1.45%
8	Nishi-Nippon City	20,563	1.41%
<b>9</b>	<b>Daishi Hokuetsu</b>	<b>17,993</b>	<b>1.24%</b>
10	Saitama Resona	17,418	1.20%

Source: Teikoku Databank, "Nationwide Survey of Companies' Main Banks (2021)"

# End-balance of Deposits, etc.

■ Individuals ■ Corporate ■ Others

(JPY 100MM)



**Year on Year**

**+211.9  
billion yen  
(+2.5%)**

Corporate

+52.8 billion yen (+2.3%) year on year

Individuals (including sole proprietors)

+157.5 billion yen (+2.8%) year on year

- The end-balance of deposits, etc. including negotiable deposits steadily increased for both corporate and individuals.

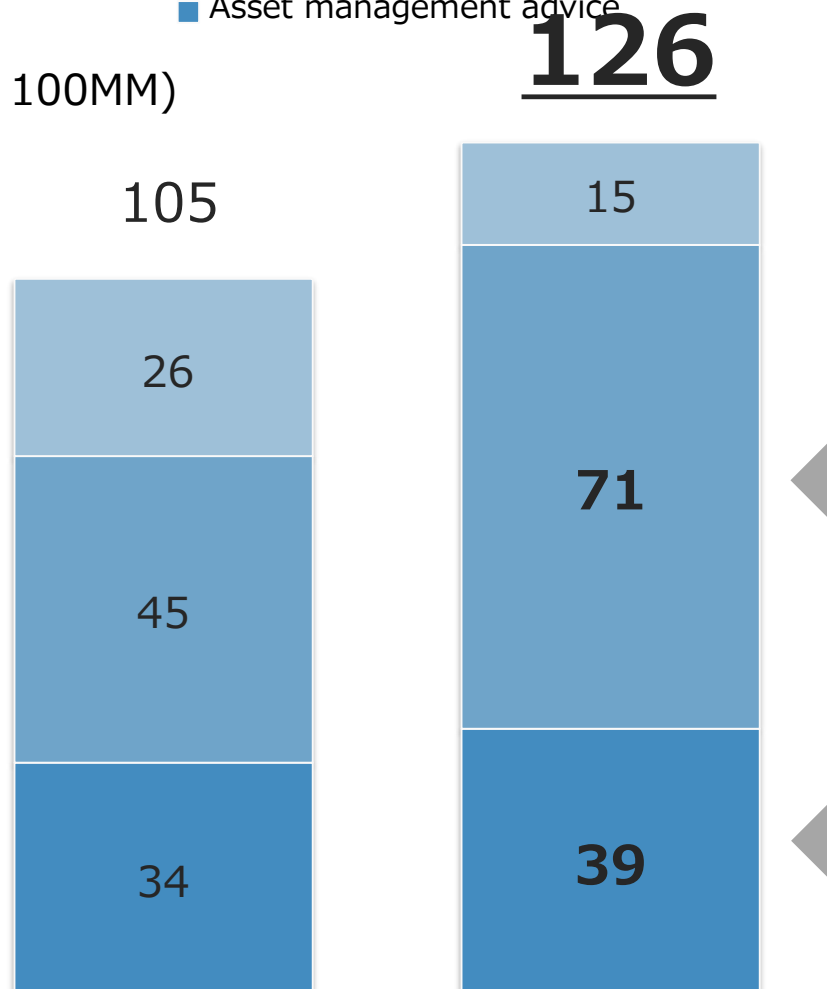
1H of FYE March 2022    1H of FYE March 2023

# Non-interest Income Area

(Total of net fees and commissions income + profit from other businesses, etc., excluding gains (losses) from government bonds and other bonds)

- Others
- Financial solutions
- Asset management advice

(JPY 100MM)


**Year on Year**

**+2.1**  
**billion yen**  
**(+20.5%)**

**Income from financial solutions**

**+2.6 billion yen (+59.6%) year on year**  
- Derivatives and syndicated loans increased

**Income from asset management advice**

**+0.5 billion yen (+16.1%) year on year**  
- Insurance and trust business (will trust, etc.) increased

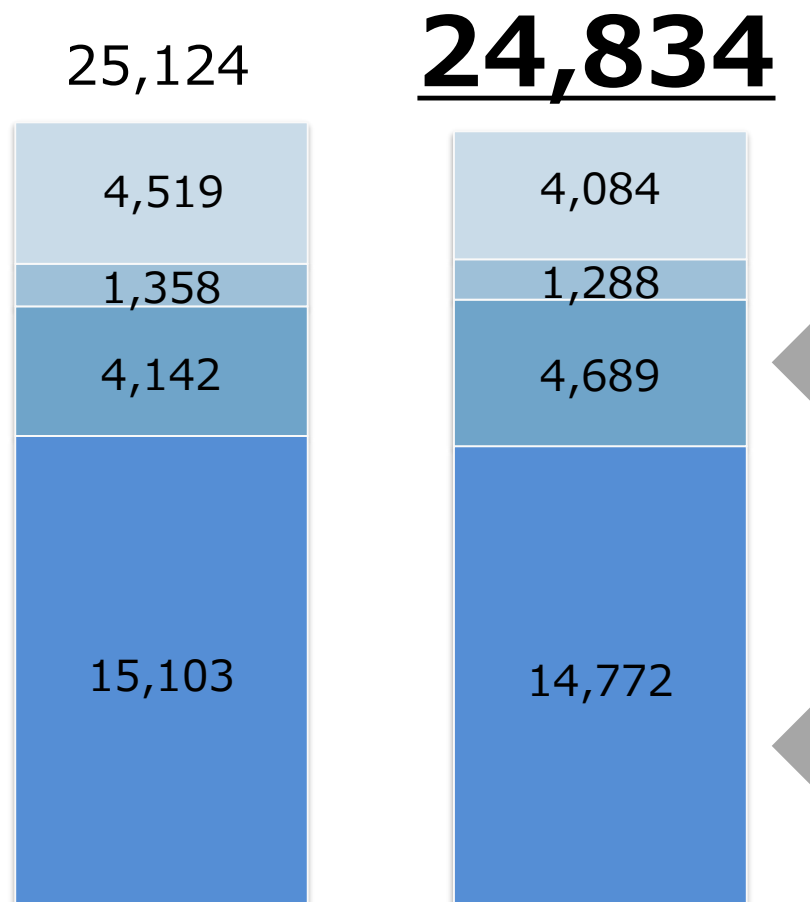
1H of FYE March 2022    1H of FYE March 2023

## End-balance of Securities

■ Domestic bonds ■ Foreign securities ■ Stocks ■ Other securities

\* Excluding trading securities

(JPY 100MM)



**Year on Year**

**-29**  
**billion yen**  
**(-1.1%)**

- About 90% of foreign securities are government bonds issued by developed countries such as the U.S., Germany and France
- Following interest rate hikes in the U.S. and Europe, 86.4 billion yen of low-yielding foreign securities were sold in the first half of the current fiscal year. Although the balance of foreign securities increased due to continued asset swap transactions (the balance as of September 30 was 162.4 billion yen, up 134.5 billion yen year on year), interest rate risk was restrained

Overseas interest rate risk (10 BPV)

-0.38 billion yen vs. March 31, 2022

- For domestic bonds, hedge transactions using interest rate swaps were implemented in the first half of the current fiscal year against super-long-term bonds of more than 16 years

Yen interest rate risk (10 BPV)

-2.24 billion yen vs. March 31, 2022

1H of FYE March 2022 1H of FYE March 2023

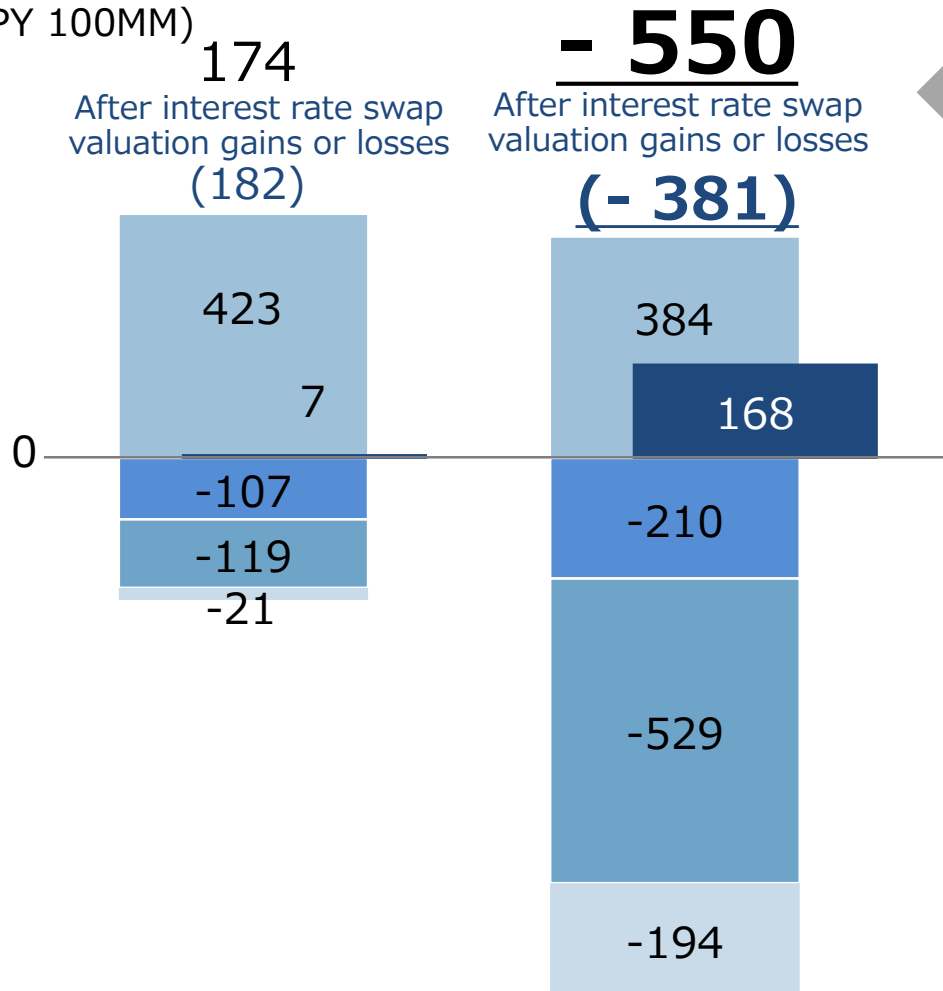


# Valuation Gains or Losses on Securities

■ Domestic bonds ■ Foreign securities ■ Stocks ■ Other securities

■ Interest rate swap valuation gains or losses for securities

(JPY 100MM)



FYE March 2022

1H of FYE March 2023

## Valuation Gains or Losses on Securities

1H of FYE March 2023

**-55 billion yen**

(-72.4 billion yen vs. March 31, 2022)

After interest rate swap valuation gains or losses

**-38.1 billion yen**

(-56.4 billion yen vs. March 31, 2022)

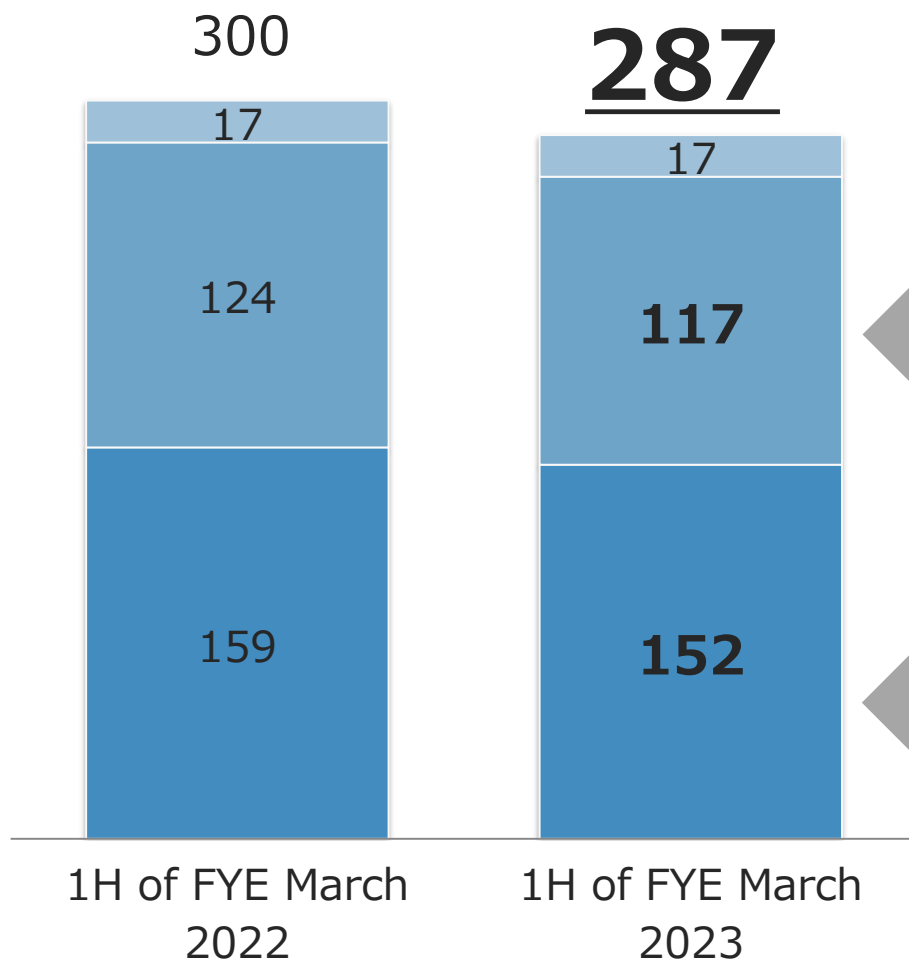
- Capital of 170 billion yen has been allocated to market risk, so it can be sufficiently absorbed by equity capital. There will be no hindrance to future risk-taking

\* The operation of risk capital allocation is described on page 73 of the Appendix

- We will improve our portfolio, focusing on liquidity and transparency while monitoring market trends

■ Personnel expenses ■ Non-personnel expenses ■ Taxes

(JPY 100MM)



Year on Year

**-1.3**  
billion yen  
(-4.4%)

#### Non-personnel expenses

-0.6 billion yen (-5.4%) year on year

- Decrease in deposit insurance premiums and system depreciation
- Strict cost control via "Structural Reform & DX Promotion Committee" chaired by the President

#### Personnel expenses

-0.6 billion yen (-4.0%) year on year

- Fell due to optimization of headcount resulting from a decrease in the volume of operations caused by office integration and operation reform (natural attrition through statutory retirement and optimization of hiring, etc.)

# Non-performing Loan Ratio & Net Credit Cost

■ Non-performing loan ratio    ■ Net credit cost

(%)

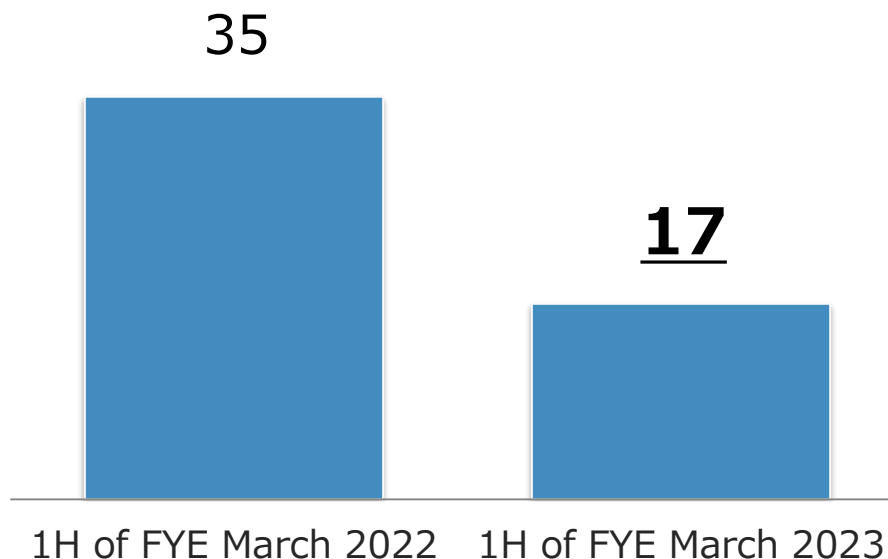


## Non-performing loan ratio

+0.25 pt year on year

- Increased due to downgrades in the ranks of companies, etc. caused by prolonged weak performance

(JPY 100MM)



## Net credit cost

-1.8 billion yen year on year

- Decreased due to focusing on support for management improvement and business revitalization of business partners
- We will continue to focus on supporting our business partners, while closely monitoring the impact of COVID-19, rising prices and the depreciation of the yen

# Management Integration Synergy

1H of FYE  
March 2023

Vs. FYE March 2018 before Management Integration

3 years after establishment of FG

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

5 years after Bank Merger

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

– March 2026

Negative Synergy prevailed until Bank Merger

Blue bar graph (light blue: initial plan)  
Synergy effects for single FY

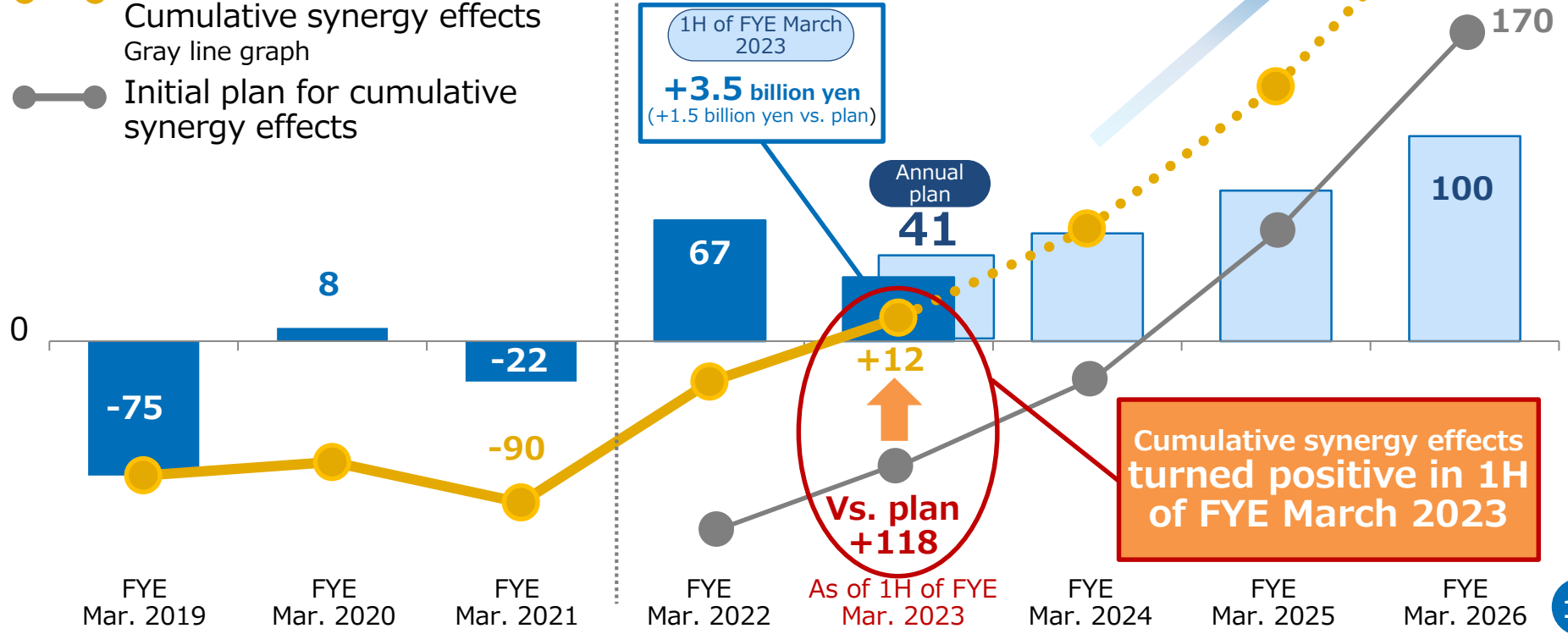
Orange line graph  
(dashed lines after FYE March 2023 are forecasts)  
Cumulative synergy effects

Gray line graph  
Initial plan for cumulative synergy effects

Initial plan for cumulative synergy effects

Synergy Effects (JPY 100MM)

**22 billion yen + something extra expected**



# Forecast for FYE March 2023

The interim period exceeded initial forecasts and **the progress of FG consolidated profit was steady at 74%**

However, due to uncertainty about future social and economic conditions and financial market trends, such as the prolonged impact of COVID-19, the rising global inflation rate against the backdrop of soaring commodity prices, and monetary tightening in Europe and the U.S. to curb inflation, the full-year forecast will remain **unchanged from the initial published value**

FG Consolidated (JPY 100MM)	FYE March 2023 forecast	1H of FYE March 2023 result	Progress rate against forecasts
Ordinary profit	<b>249</b>	173	69.8%
(Interim) Profit* <sup>1</sup>	<b>165</b>	123	74.9%

\*1 (Interim) Profit attributable to owners of parent

Bank Non- consolidated (JPY 100MM)	FYE March 2023 forecast	1H of FYE March 2023 result	Progress rate against forecasts
Core net business income* <sup>2</sup>	<b>252</b>	209	82.9%
Ordinary profit	<b>192</b>	145	75.9%
(Interim) Profit* <sup>1</sup>	<b>120</b>	91	76.5%

\*2 Forecast of Bank non-consolidated core net business income has been revised from [Initial] 22.2 billion yen to [Revised] 25.2 billion yen (+3 billion yen) (announced on October 28, 2022)

Plan period: From April 2021 to March 2024

# **Second Medium-term Management Plan**

**Demonstration of  
Three Major Synergies**

First Medium-term Management Plan  
—Build the foundation for maximizing synergies

Second Medium-term Management Plan  
—After bank merger and birth of new bank

Toward sustainable growth

## 1 Management Integration

→ Established through Management Integration of Daishi Bank and Hokuetsu Bank

October 2018

Management Integration of regional banks with the No. 1 and No. 2 shares in the same prefecture ahead of other banks in Japan



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

January 2021

Bank Merger, establishment of a new bank, & System Office Integration



第四北越銀行  
DAISHI HOKUETSU BANK

Relationship of trust with customers that we have built over more than 140 years



## 2 TSUBASA Alliance

→ Regional Banks' Collaboration Framework

October 2015 -



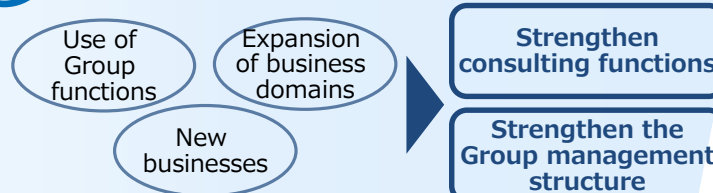
### Top-Priority Themes

## Demonstration of Synergy Effects

### 1 Merger Synergy



### 2 Group Synergy



### 3 TSUBASA Partnership Synergy



### Vision of Daishi Hokuetsu FG

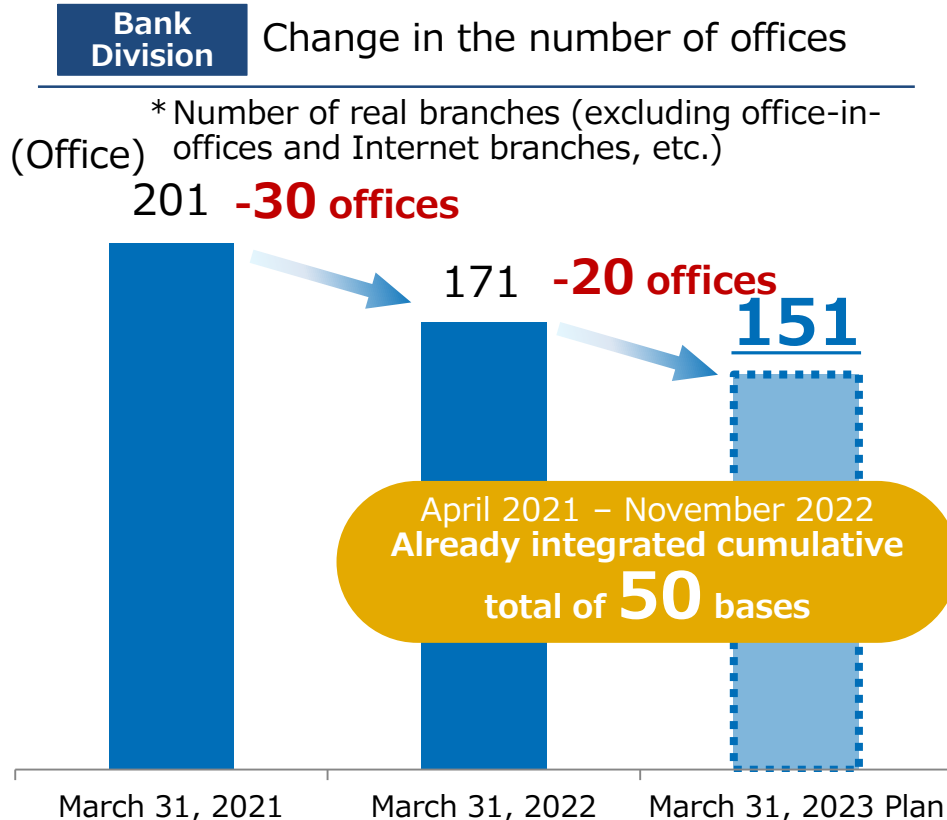
Overwhelmingly popular financial and information services group

Create new value with financial and information intermediary functions

Improvement of management efficiency

Permanent contribution to the development of the region

## Office Integration Initiatives



The number of  
offices decreased  
by about **25%**

Strengthening face-  
to-face channel  
Reassign  
generated  
workforce

**Initial plan** 2018/10  
As of Management  
Integration

April 2021 –

About **3** years

Second Medium-term  
Management Plan

**Plan after revision**

April 2021 –

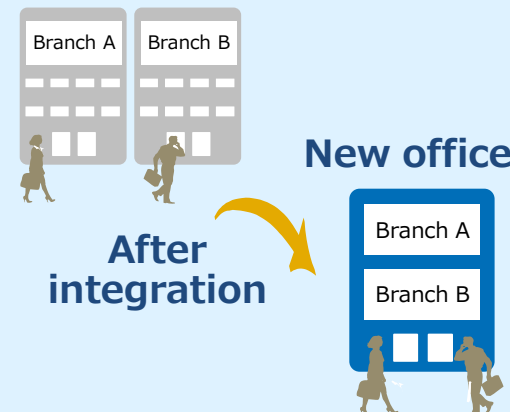
About **2** years

**Completion of  
base integration**

April 2021 –  
November 2022

**1** year and **8**  
months

Integration via the office-in-  
office method  
(multiple branches coexist in one office)



After  
integration

Continue considering and  
implementing office  
network optimization while  
minimizing deterioration in  
customer convenience

→ **2** offices already  
announced for  
implementation in FY2023

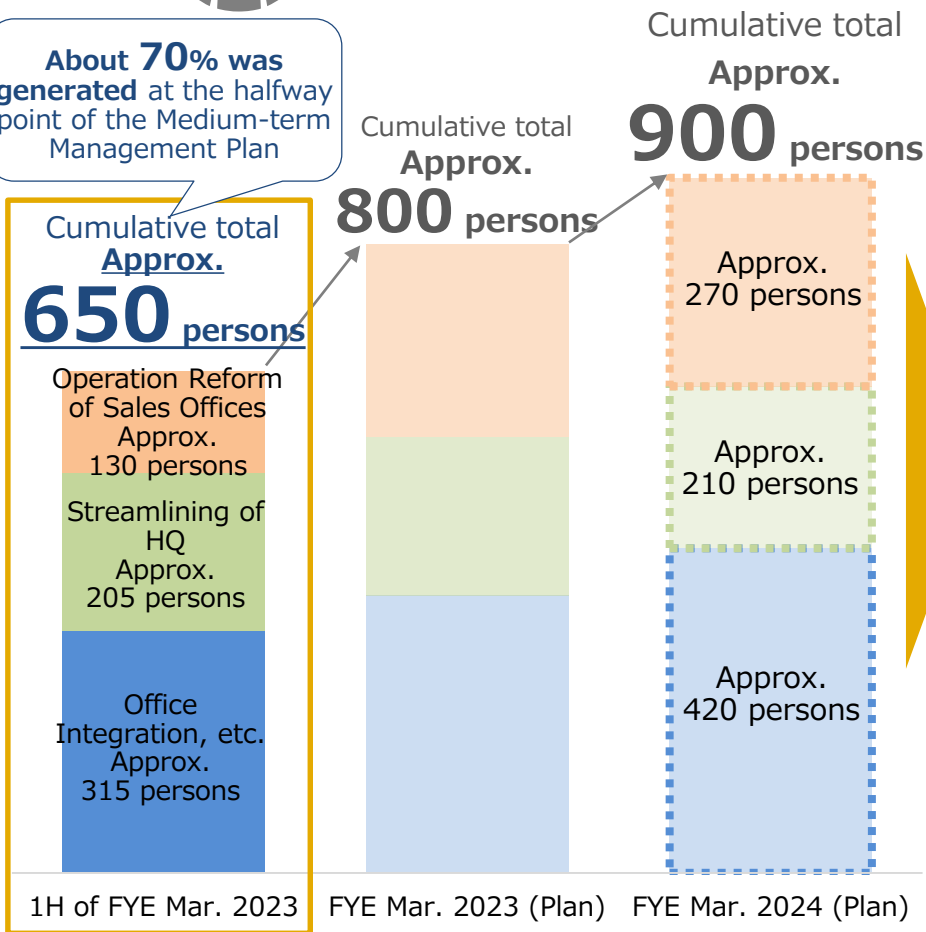


## Reallocation of Group management resources



### Generation of workforce

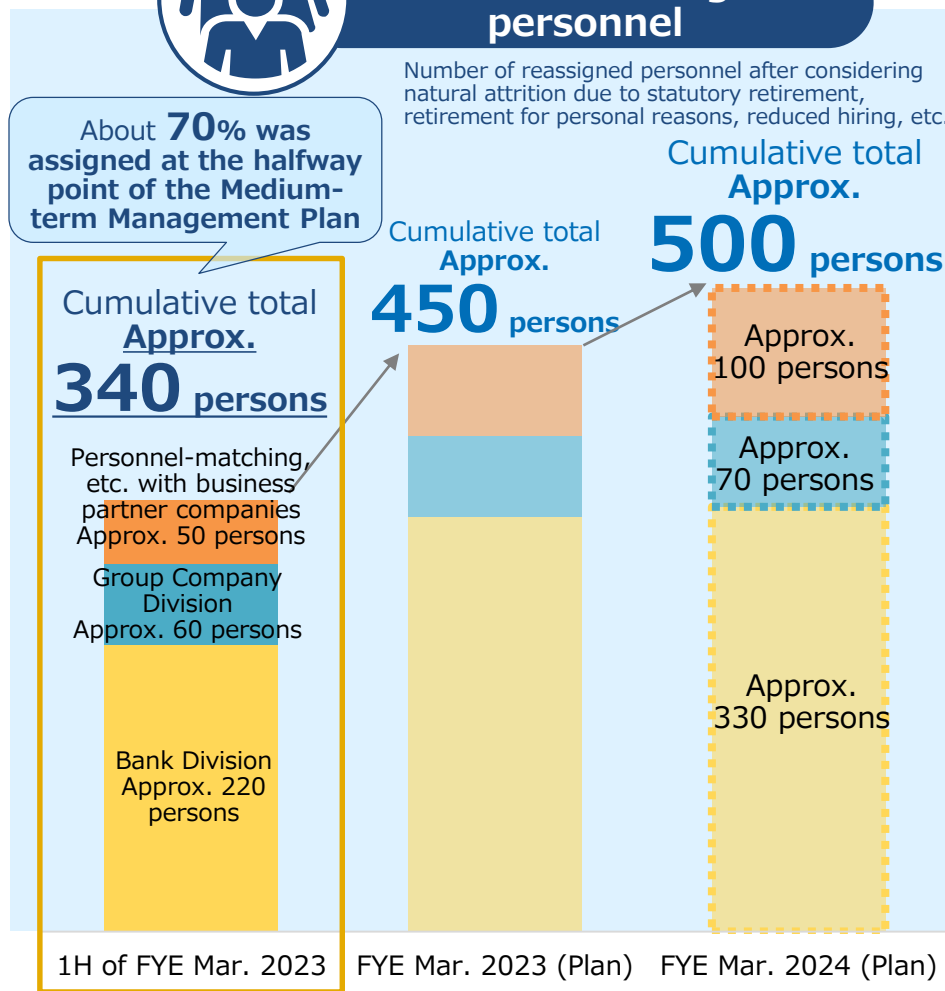
About 70% was generated at the halfway point of the Medium-term Management Plan



### Number of reassigned personnel

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

About 70% was assigned at the halfway point of the Medium-term Management Plan





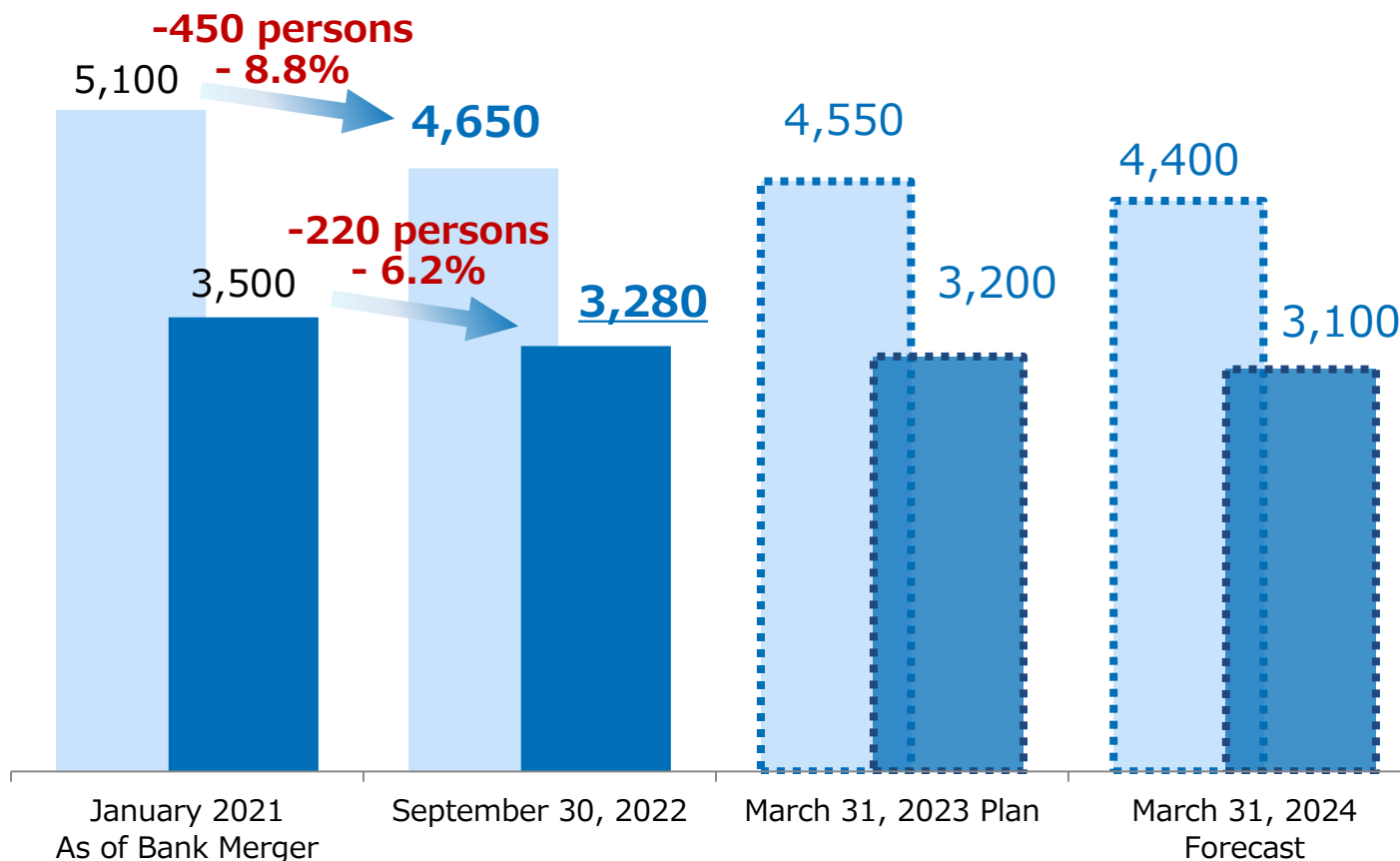
## Optimization of headcount through Merger Synergy

Bank Division

Trends in total number of personnel (estimate)

(Persons)

■ Total personnel (including staff) ■ Employee



Decrease in the volume of operations due to office integration and operation reform



Achieve streamlining of HQ



Optimization of headcount



Assignment to strategic areas





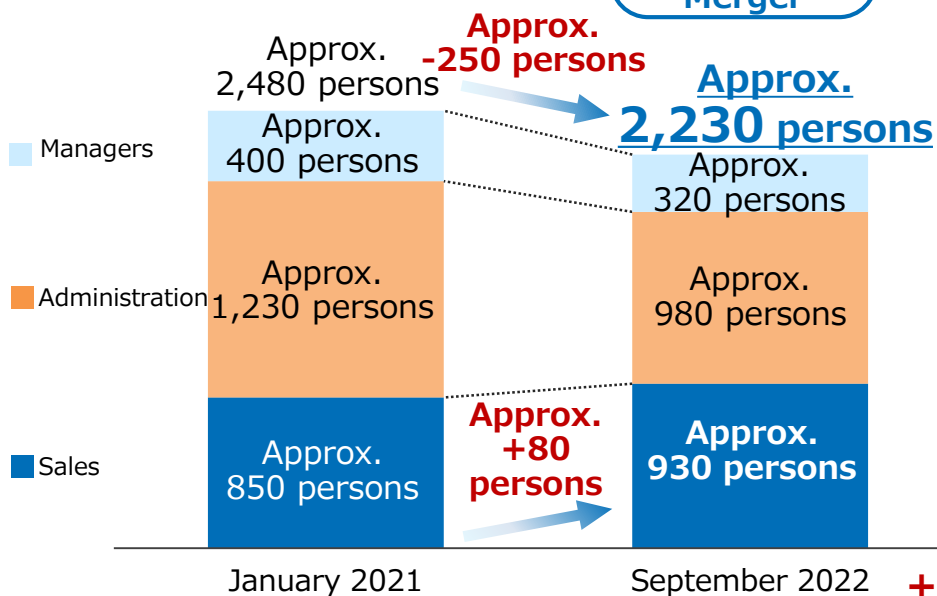
## Shift personnel to Sales Division

### Trends in sales office personnel

(Including HQ personnel stationed)

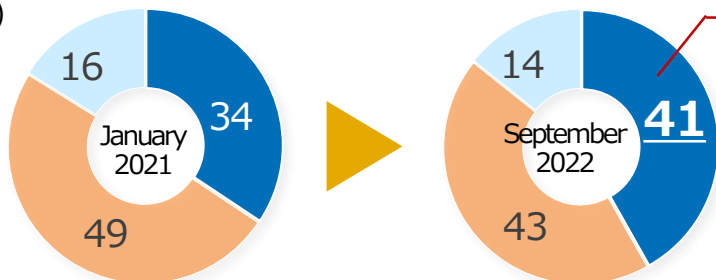
As of Bank Merger

Post-Bank Merger



(%)

Ratio by business



### HQ specialists stationed at sales offices

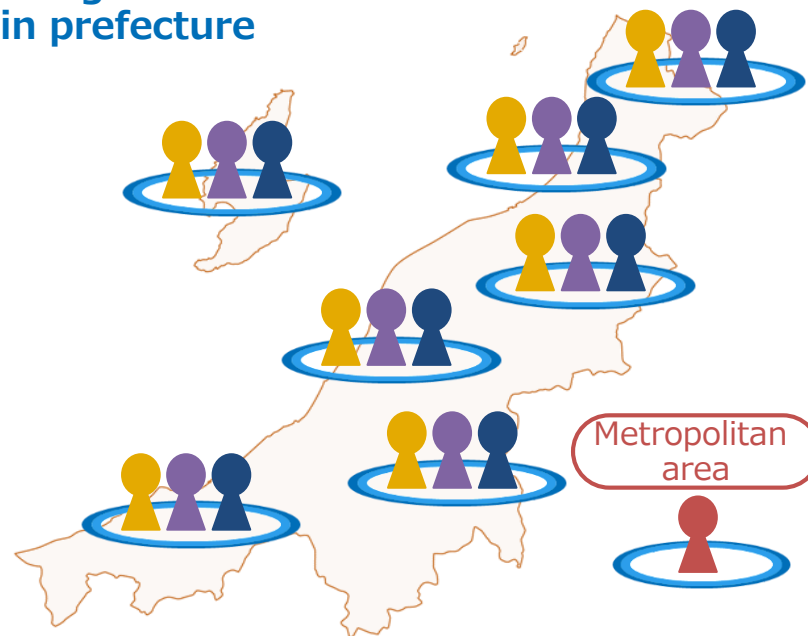
As of Bank Merger

Post-Bank Merger

30 persons → 70 persons

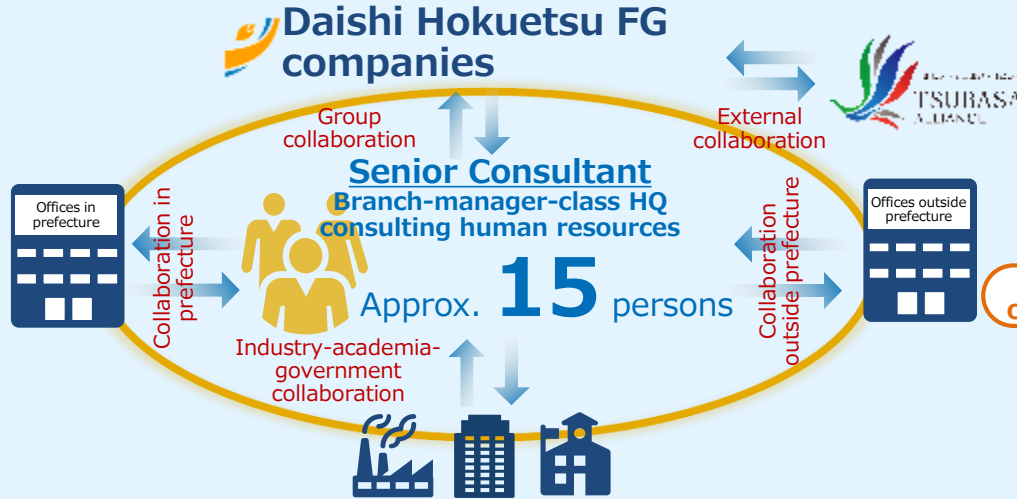


→ Assigned to all main block offices in prefecture



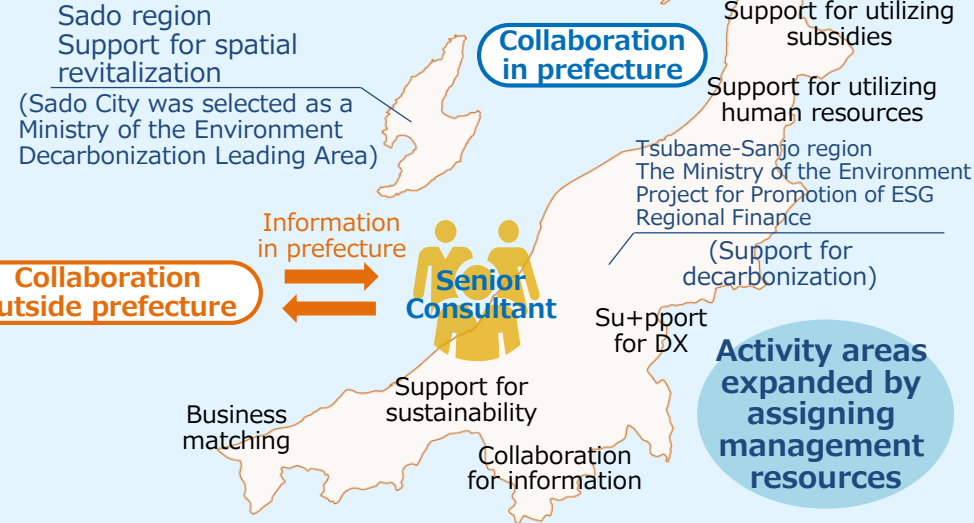
## Assign Senior Consultants to all main block offices

Support for creation of added value through collaboration mainly with Senior Consultants



Collaborative measures in each region for regional revitalization

\* Including collaborative measures by HQ staff



## Establishment of Niigata Regional Finance M&A Alliance

New!

(August 2022)

Collaboration for sustainable growth of regional economy and better corporate value of customers

- Member regional financial institutions bring their customers' concerns and challenges to the table to realize smooth business succession through M&A

Support for business succession



Maintain employment in the region



## Establishment of bases for strengthening consulting functions

### Personal loan consultation base: Expansion of Consulting Plaza

Pre-Bank Merger

9 bases

Post-Bank  
Merger

11 bases

Covering  
90% of new  
mortgage market  
in prefecture

2021/11  
Kashiwazaki  
Consulting Plaza

2021/11  
Uonuma Consulting  
Plaza

- ➔ Significant expansion of mortgage loan products and services (Feb. 2022)
  - **Up to 40 years of loan term** (35 → 40 years)
  - Addition of Married Couple Life Plan **to Group Credit Life Insurance**

### Topics

## Further strengthen consulting functions in the Nagaoka district

**New!** Planned for summer 2023

### New Nagaoka Sales Base established

Group companies  
to be relocated

<Kome Hyappyo Place West Building>



-  **第四北越銀行**
  - Nagaoka Head Office Business Division, etc.
-  **第四北越証券**
  - Head Office and Main Office Business Division, etc.
-  **第四北越リース**
  - Nagaoka Branch
-  **北越リース**
  - Head Office

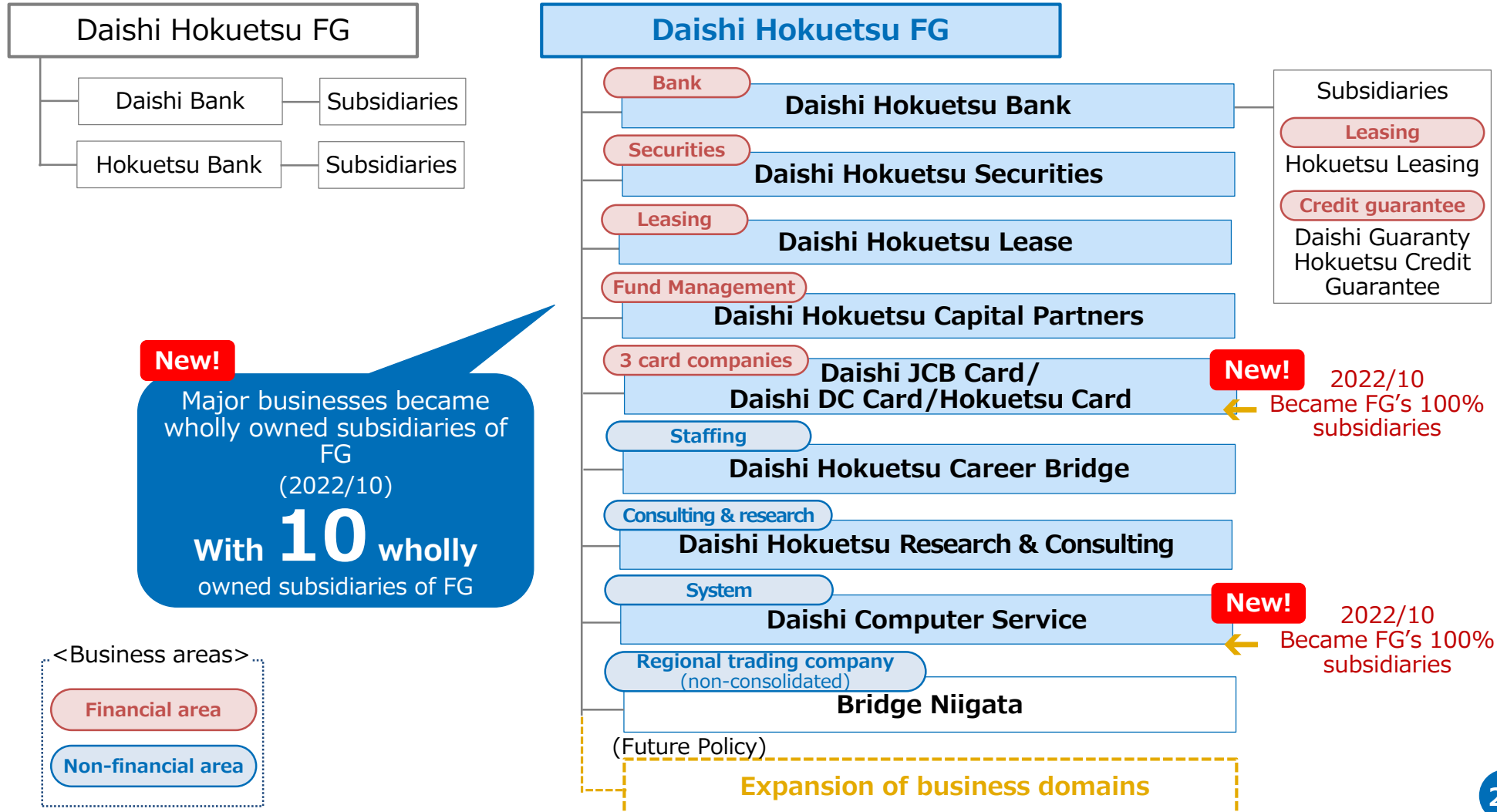
- ➔ Further strengthen consulting functions through intergroup collaboration **by consolidating sales bases and sales personnel**



## Initiatives for reorganization of the Group and expansion of business domains

Oct. 2018 (when FG was established)

Oct. 2022 –





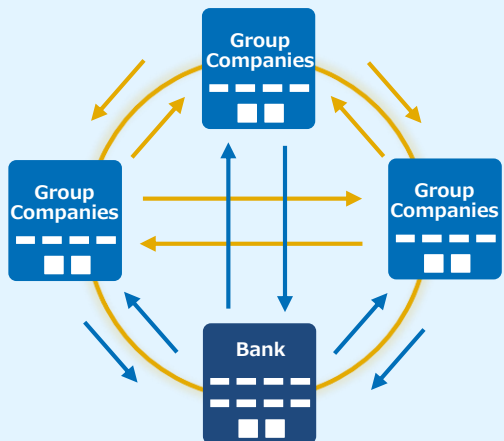
## Strengthen collaboration by shifting from the "single-track" to "double-track" type

### Strengthen collaboration for demonstration of synergies

→ Strengthen "double-track" collaboration where Group companies also collaborate with each other

#### Double-track collaboration

- Collaboration with Bank as a hub
- Collaboration among Group companies



→ Bank continues serving as a hub providing timely and optimal one-stop services

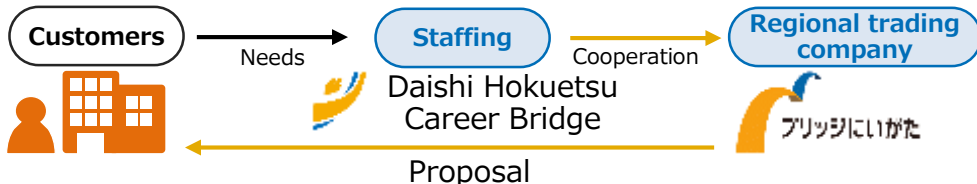
Offices shared with Bank Securities  
7 offices in prefecture  
Leasing  
4 offices in prefecture



\* Offices shared by Bank and the securities company

<Example of double-track collaboration>

- Group companies introduce customer needs to other Group companies, and other Group companies propose solutions



## Human resource development to strengthen collaboration in the Group

### Group collaboration human resources

→ Started in the first half of 2022 for Bank sales office employees

#### Human resources to be aimed at

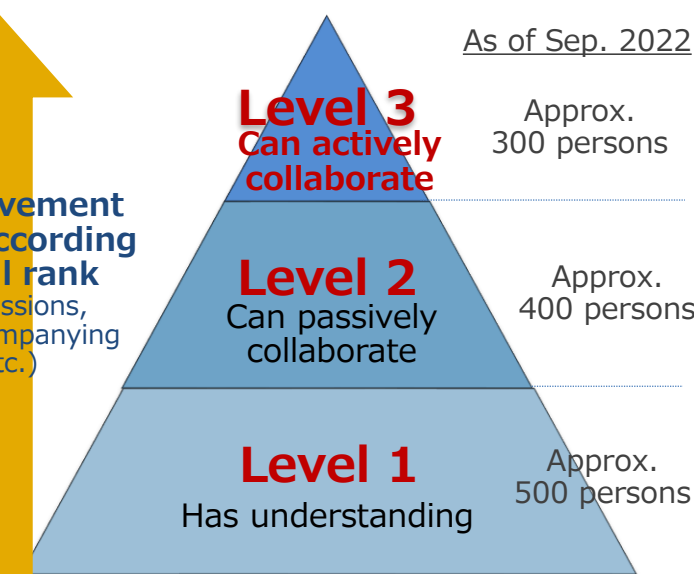
- Human resources who can make composite proposals by fully utilizing Group functions to meet explicit and potential needs of customers, with an understanding of products and services of each Group company

Strengthen collaboration in the Group



Improve Group profitability

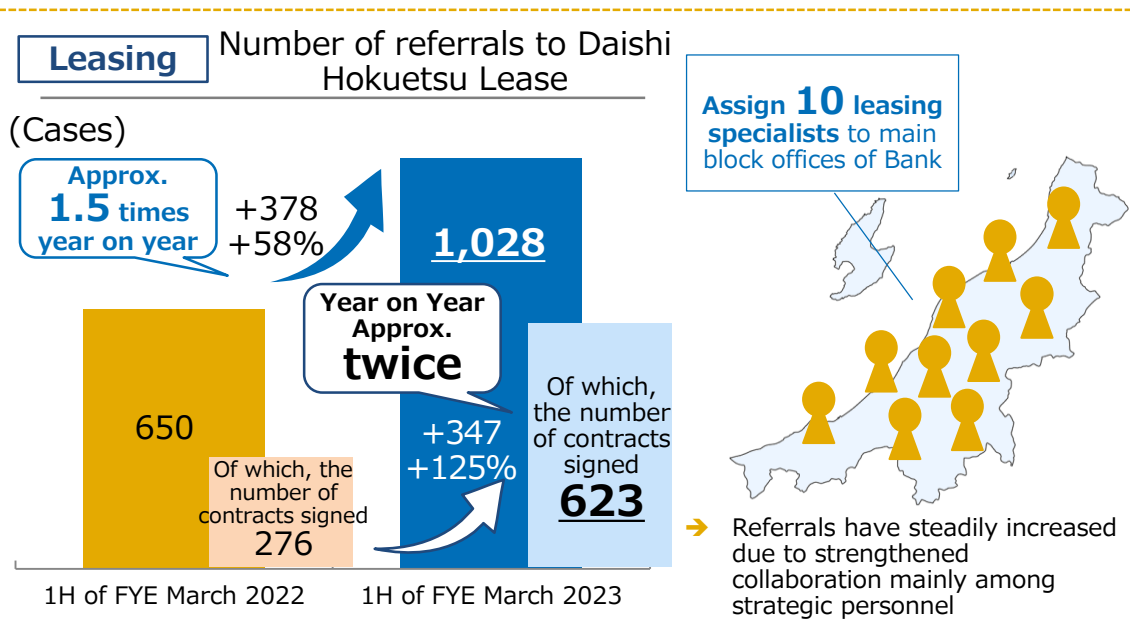
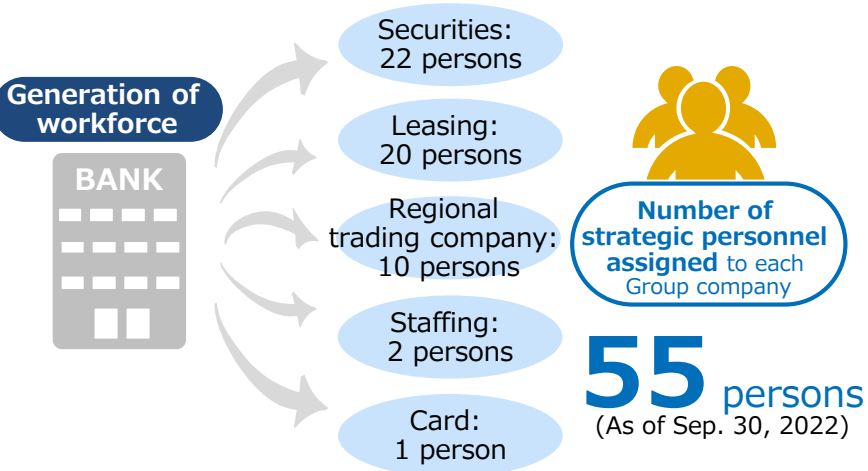
Take improvement measures according to the skill rank  
(Training sessions, trainees, accompanying visits, etc.)





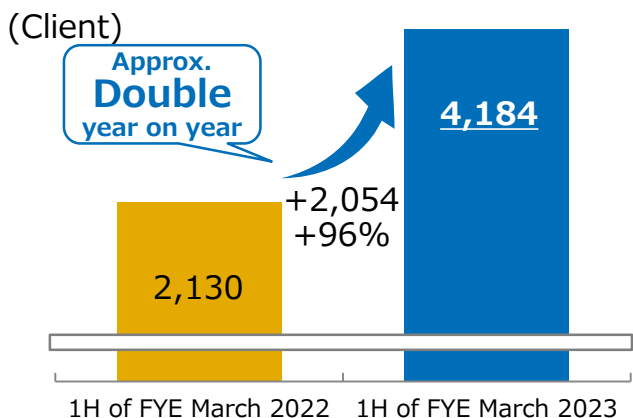
## Strengthen collaboration through reallocation of Group management resources, etc.

### Enhance consulting functions by increasing number of strategic personnel



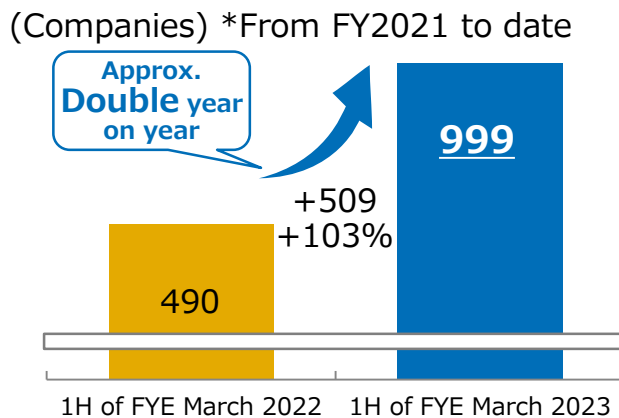
### Securities

Number of saving investment trust contract partners



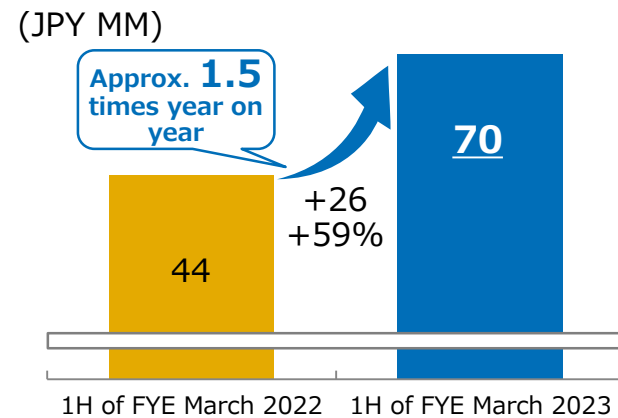
### Card

Cumulative number of member companies acquired



### Consulting

Consulting income







Regional trading company

## Bridge Niigata

(Established in 2019)

### Sales channel development business

Antenna Shop  
Bridge Niigata



In-house EC site  
Online shopping



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



→ **532** companies offered products (up 100 year on year)

Topics

Niigata Prefecture's project to support the development of sales channels for prefectural products to be sold to Vietnam entrusted (July 2022)

New!

- ✓ Seminars on the development of sales channels
- ✓ Local brand publicity
- ✓ Support for online individual business negotiations

### Tourism promotion business

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

Topics

Niigata Prefecture's services to promote membership registration in the project to promote the creation of Niigata tourism fans entrusted (Sep. 2022)

New!

- ✓ Implementation of new membership registration and tour campaigns

### Productivity enhancement business

☞ See page 40 (Support for DX)

Staffing

## Daishi Hokuetsu Career Bridge

(Established in 2019)

### Personnel-matching business

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



Number of consultations  
**Cumulative total**  
**1,271** cases

Number of conclusions  
**Cumulative total**  
**250** cases

(Period: From Oct. 2019 to Sep. 2022)

### Personnel development solution business

- Seminar on personnel development for companies in the prefecture held jointly with FG Group companies

<1H of FYE March 2023>

Number of seminars held  
**46** seminars

Total number of participants  
**1,000** persons



Topics

Niigata Prefecture's project to develop shining female next-generation general managers entrusted (Sep. 2022)

New!

- ✓ Training sessions for management and female managers at companies that are active in promoting women's participation

## Regional Banks' Collaboration Framework



地域とともに未来へはばたく

# TSUBASA ALLIANCE

Number of participating banks

# 10 banks

(As of September 30, 2022)

Total asset balance of participating banks

Exceeds

# 90 trillion yen

(Consolidated basis for 1H of FYE March 2023)

### Synergies of Daishi Hokuetsu Bank's collaborative measures

Oct. 2015 - Sep. 2022

Cumulative total **9.8 billion yen**

## 第四北越銀行

北洋銀行

滋賀銀行

中国銀行

琉球銀行

伊予銀行

東邦銀行

群馬銀行

千葉銀行

武蔵野銀行

Head Office locations

Office locations

▶ Utilize the economies of scale and the advantages of collaboration for information through the largest regional bank alliance

Top-line Synergy

Cost Synergy

Collaboration for information

...And others

## Expansion of new business domains



## Establishment of the TSUBASA Cross-Mentor System

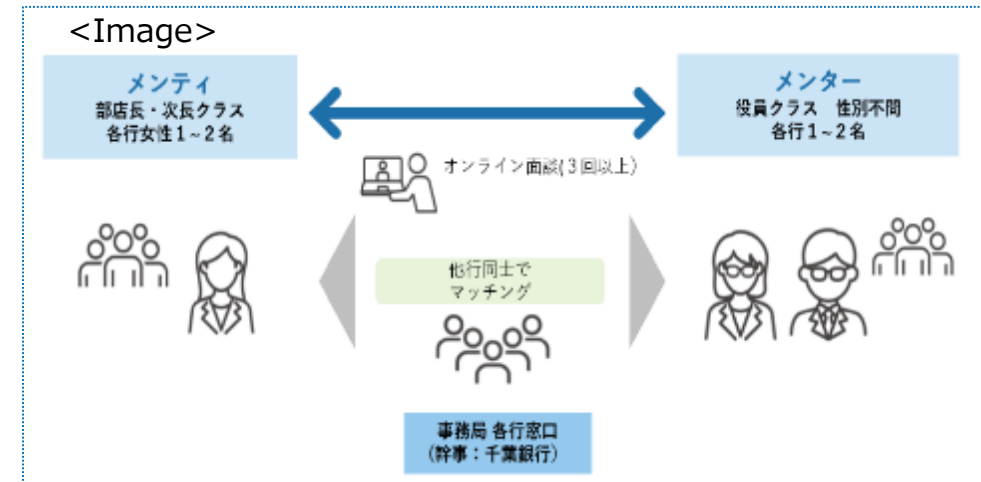
**New!**

(August 2022)

→ **Cross-sectional mentoring system for career development and leadership improvement of female employees**

**Features: Mentoring\* by combining participant banks utilizing the network of the TSUBASA Alliance**

\* A human resource development method that supports growth and addresses a wide range of concerns including ones about careers through one-on-one dialogue between mentors (supporters or advisers) and mentees (people in a position to receive support)



## Absorption of knowledge through enhanced collaboration for information

→ **Joint implementation of important themes common to all banks**

<Examples of initiatives>

Sustainability

Joint portfolio carbon analysis

DX

Joint study meeting on data utilization

etc

## Collaborative Measures for "Regional Contribution" and "Enhancement of Corporate Value"

Utilization of know-how and geographical characteristics



GUNMA  
DAISHI HOKUETSU  
ALLIANCE

群馬・第四北越 アライアンス

Synergies through the combination of the two banks by collaborative measures under the Gunma-Daishi Hokuetsu Alliance

Apr. 2022 – Sep. 2022  
Cumulative total  
**1.8 billion yen**

### Key Partnership Areas

Regional revitalization & Tourism promotion

Corporate solutions

Personnel development

Asset management

Our bank has accepted one trainee from Gunma

Effective use of real estate

etc

Our Takasaki Branch will be relocated to the Gunma Bank's office (planned for 2023)

<Joint plan>

Start of selling SDGs private placement bonds  
"Green & Food Support Private Placement Bonds"  
(Jul. 2022 – Mar. 2023)

New!

Financial support for private placement bond issuing companies



Donation of food and money to Niigata Prefecture and Gunma Prefecture using part of commission fees received from issuing companies

→ Contribution to the achievement of SDGs

<Our bank's handling record>  
(September 2022)

Amount issued  
**2 billion yen**



### Joint customer seminar

Decarbonization online seminar  
(July 2022)

Participants  
**70 persons**



Seminar for local governments on utilization of hometown tax  
(May 2022)

Participants  
**48 local governments**

Plan period: From April 2021 to March 2024

# Second Medium-term Management Plan

## DX Initiatives

## Daishi Hokuetsu FG's DX Strategy for realizing regional revitalization

New!

Established  
in August

Changes in  
the external  
environment

Further  
increase in  
importance  
of DX

Rapid  
advancement  
of IT  
technology



Addressing  
environmental  
changes  
caused by  
depopulation,  
decreasing  
birthrate and  
aging  
population,  
and COVID-19

etc

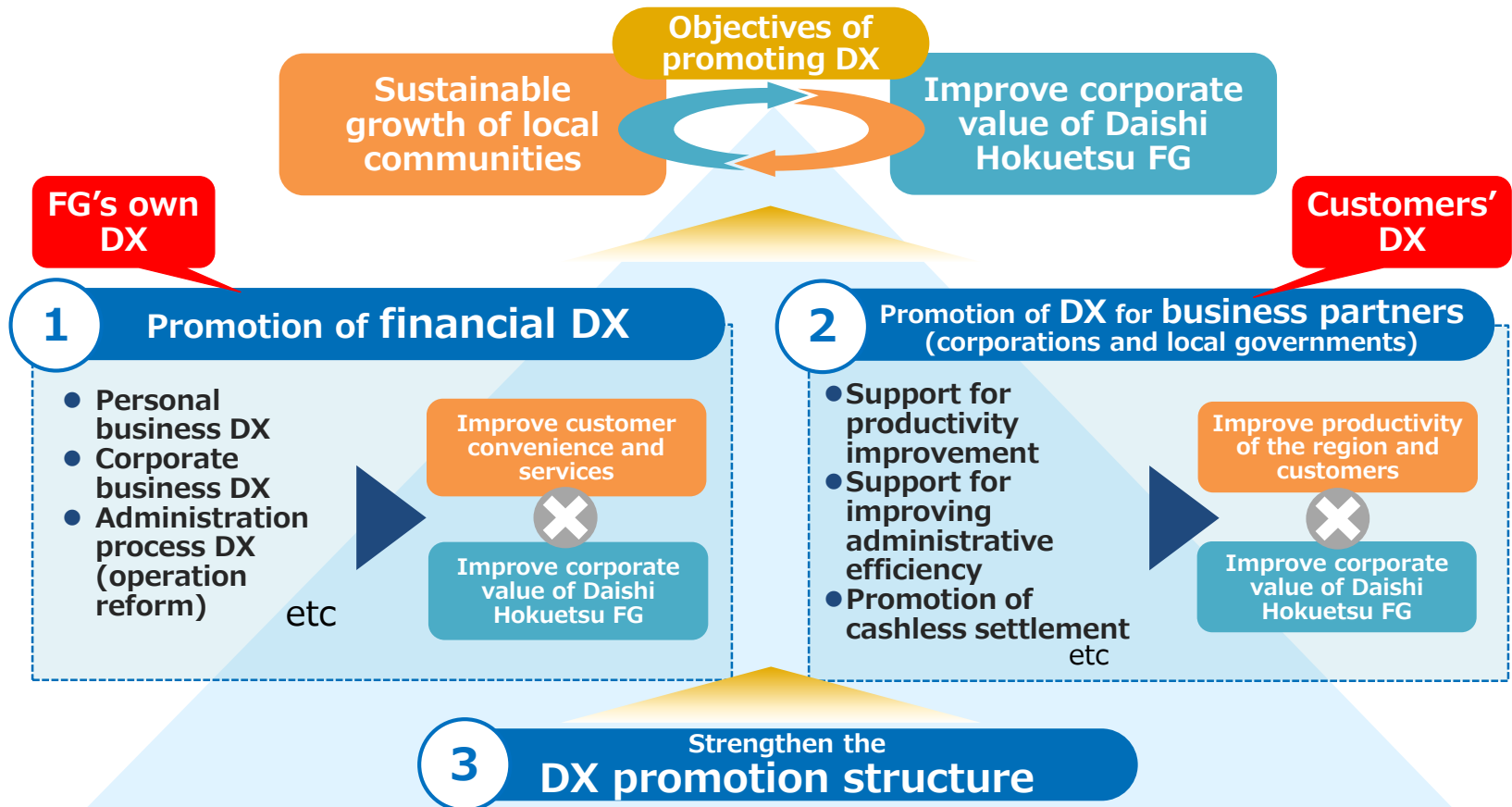


DAISHI HOKUETSU  
Financial Group

第四北越フィナンシャルグループ

Established basic strategies and key tactics for IT utilization

## Basic Plan for IT Utilization



# Promotion of Financial DX (1)

## Improve UX by pursuing convenience and efficiency of services through DX

FG's own  
DX



TSUBASA Alliance collaborative measures

### First Medium-term Management Plan

Oct. 2018 – Mar. 2021 (including some initiatives before Management Integration)

### Second Medium-term Management Plan

Apr. 2021 – Mar. 2024

#### Personal business DX

Enhancement of non-face-to-face channels and improvement of customer convenience

- Opening of Internet branches
- Introduction of the web-completed scheme for unsecured consumer loans
- Launch of the account opening app and the passbook app
- Launch of smartphone app Little Bank
- API integration with FinTech companies
- Launch of "Money Maruwakari" to provide various types of financial information



Use wisely according to live events

Money Maruwakari etc



#### Further improvement of UI and UX

- Introduction and renewal of web-based consultations, interviews, and seminar reservation websites
- Introduction of marketing tools to enhance marketing
- Start of web-based application for opening investment trust accounts
- Introduction of the web-based application scheme for medical insurance

● **Enhancement of Little Bank (app) functions** (Oct. 2022)

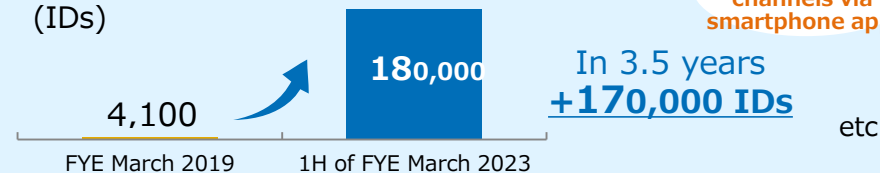
→ Enhancement of functions and total renewal of screen design

New!



Enhancement of non-face-to-face channels via smartphone apps

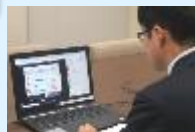
<Number of Daishi Hokuetsu IDs (Individuals) (estimate)> (IDs)



#### Corporate business DX

Enhancement of consulting functions and customer convenience

- Various webinars and business meetings about expanding sales channels, developing human resources, and using subsidies etc



Enhancement of customer contact points and promotion of combining face-to-face and non-face-to-face sales

- **Portal sites for companies will be introduced** Next!
- We are considering using it as a basis for promotion activities that combine face-to-face and non-face-to-face sales

FG's own  
DX

## Improve UX by pursuing convenience and efficiency of services through DX



TSUBASA Alliance  
collaborative measures

### First Medium-term Management Plan

Oct. 2018 – Mar. 2021 (including some initiatives before Management Integration)

### Second Medium-term Management Plan

Apr. 2021 – Mar. 2024

#### Administration process DX (operation reform)

##### Operation reform using DX

- Introduction of RPA
- Establishment of remote consultation counters  
✓ HQ dedicated operators receive various queries via videophone
- Start of paperless sale of investment trusts and life insurance



Remote consultation counter

- Introduction of the counter reception system TSUBASA Smile



- ◀ TSUBASA Smile Seal-less and paperless procedures are enabled by using a dedicated terminal  
✓ Over-the-counter processing time decreased by 56%
- ✓ Back-office time after over-the-counter acceptance decreased by 85%



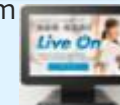
- Introduction of property-in-custody management systems

- ✓ Transfer of property with customers changed from issuance of receipt (paper) to procedures of customers' confirmation and (electronic) signature using the property-in-custody management system installed on tablet devices (realization of paperless processing)

etc

#### Fundamental reform of administrative processes based on customer contact points

- Introduction of the web interview system Live On  
→ Further improvement of convenience
- Full operation of sales loan support system LiNK (Nov. 2022)  
→ Realization of sales integrating external relations and financing departments  
Efficient sales activities × Further enhancement of consulting capabilities
- The TSUBASA general-purpose paperless system to be introduced  
→ Realization of digitized and paperless processing after acceptance at TSUBASA Smile



New!



Next!

New concept offices using vacant offices

New communication space  
"Daishi Hokuetsu Icotto Prefectural Office"



Number of visitors  
(since Nov. 2021)  
Cumulative total over  
**15,000**

Digital experience space

Remote consultation booth

Interview space

Co-working space

Free space



# Promotion of DX for Business Partners (corporations and local governments)

Customers'  
DX

## Support for DX to improve productivity, an important challenge for the regional economy

### First Medium-term Management Plan

Oct. 2018 – Mar. 2021 (including some initiatives before Management Integration)

Absorption and accumulation of knowledge within the Daishi Hokuetsu FG

#### Improvement of productivity of Daishi Hokuetsu FG

Bank

Page 39  
(Administration Process DX)

- Reduction of operations using RPA
- Operation reform using digital technology

Expansion to FG Group companies

Expansion to local communities and customers

#### Strengthening of support for resolving regional challenges

Regional trading company

(Established in Apr. 2019)



(Major shareholders)  
Daishi Hokuetsu FG  
N.C.S., etc.

Productivity enhancement business

Support for business efficiency consulting and IT tool introduction

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

etc

Further use of know-how and knowledge and return to local communities

Also use know-how and knowledge based on experience of RPA at Bank

Adopted for 2 years in a row

### Second Medium-term Management Plan

Apr. 2021 – Mar. 2024

Acceleration of support for productivity improvement in the region

Also strengthen collaboration with the government

Regional trading company

Commission of DX promotion projects in Niigata Prefecture

FY2021 DX Promotion Mindset Reform Support Services (Jun. 2021)

FY2022 DX Promotion Support Services (Jul. 2022)

- Training for personnel of financial institutions and commercial and industrial organizations
- Development and training of DX promoters, and consultation on corporate digitalization

New!

etc

Regional trading company

Adoption of the Ministry of Economy, Trade and Industry DX promotion project

FY2022 Project to Support Regional DX Promotion Activities (Jun. 2022)

- Support for formulation and implementation of DX strategies
- Support for DX human resource development
- Support for introduction/promotion of DX

New!

etc

Bank

Support for digitization and administrative efficiency of business partners

“DX all-office movement” based on feasibility assessment (from Oct. 2022)

- Support for productivity improvement based on feasibility assessment
  - Improving administrative efficiency, introducing IT, and cashless processes for business partners

New!

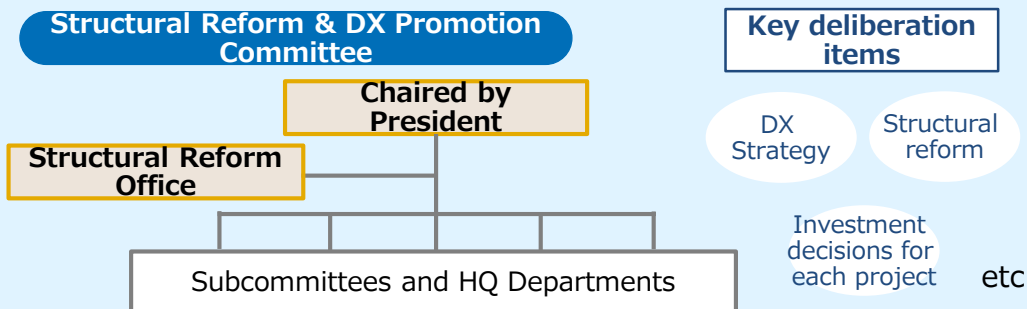
etc

## Strengthen structure for Group-wide DX promotion

### Strengthen structure of Daishi Hokuetsu FG

Renaming the Structural Reform Committee (established in Apr. 2021) and strengthening its initiatives (Aug. 2022)

New!



### Strengthen collaboration of TSUBASA Alliance



#### Major collaborations in terms of structure

- Strengthening of collaboration with **T&I Innovation Center**, a joint venture engaged in the research and study on IT and the planning and development of new services (Jul. 2016)
- Use of** TSUBASA FinTech common platform (Apr. 2018)
- Establishment of the **Business Strategy Dept.** in the joint venture TSUBASA Alliance Co., Ltd. to promptly develop collaborative measures on DX and other important issues (Oct. 2021)
- Establishment of **ONAD Co., Ltd.**, a joint venture providing remote financial consulting services (Jan. 2022)

### Two organizations established for Group-wide DX promotion (Oct. 2022)

New!



### Making a system subsidiary a FG's wholly owned subsidiary (Oct. 2022)

New!



#### Topics

The Ministry of Economy, Trade and Industry

**DX-certified operator certification obtained**  
(2022/11)



New!



Plan period: From April 2021 to March 2024

# Second Medium-term Management Plan

**Strengthen  
Human Capital**

## Initiatives to integrate mindsets

### Integration of mindsets & unifying vectors

Dialogue & exchange between management and staff

Medium-term Management Plan briefing

Approx. **4,700** persons participated



- Briefing by the President of FG

Dialogue and exchange meetings with officers

Approx. **7,000** persons participated at approx. 300 venues in total



- Dialogue and exchange meeting with officers

President's briefing for managers "We Are One Exchange Meeting"

Approx. **600** persons participated in 10 meetings in total

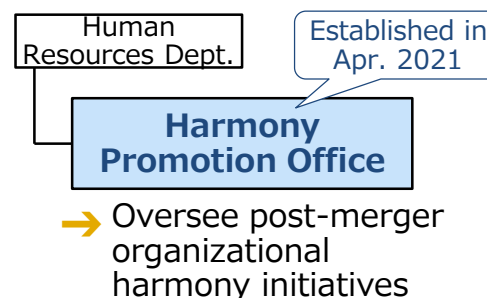


- We Are One Exchange Meeting

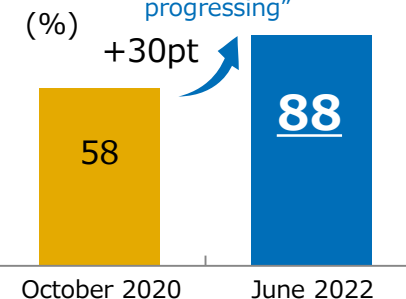
## Initiatives to promote harmony

### Steady progress towards organizational harmony

Establishment of Harmony Promotion Office



<Questionnaire results on organizational harmony>  
% of respondents who answered, "Bank-wide harmonization is progressing"



Realizing the Management Philosophy

Second Medium-term Management Plan Slogan for all officers and employees of the Group

→ The slogan, "We Are One," implies that all officers and employees are committed to making a lasting contribution to the communities by uniting their "aspirations," a strong desire to realize our Management Philosophy.



# Human Resource Strategies and Human Resource Development



## Strengthen human resource capabilities as a source of competitiveness

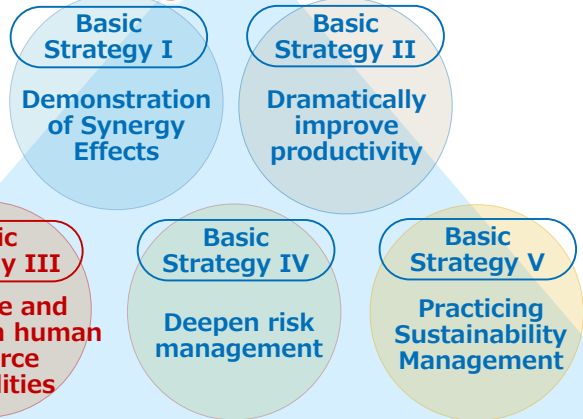
Human resource strategies to support the realization of management strategies

### 5 pillars of the Second Medium-term Management Plan

Human resource strategies are an important pillar supporting the realization of the Management Philosophy and Medium-term Management Plan

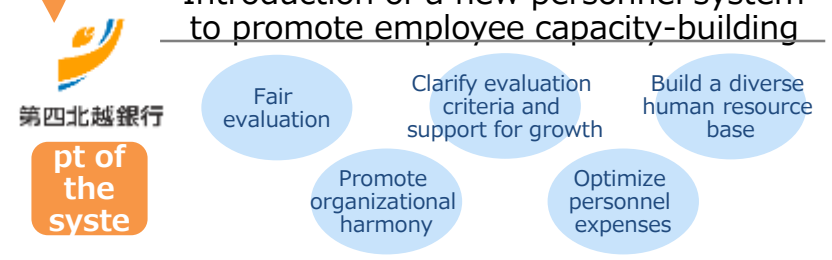
Daishi Hokuetsu FG Management Philosophy

Second Medium-term Management Plan



Started in conjunction with Bank Merger

Introduction of a new personnel system to promote employee capacity-building



## HR development aimed at demonstration of consulting functions

Enhance the ability of each employee to create added value

Support for reskilling and self-driven career development by officers and employees

- Development of training structure
- Creating an environment that encourages self-education
- Provision of digital learning tools
- Enhancement of open job offer system
- Promotion of active participation by senior employees



etc



Human asset cycle aimed at by Daishi Hokuetsu FG



◀ New Structural Reform 2030 Project, where mainly young employees considered the vision for 2030

Number of major certificate holders (as of September 30, 2022)

	FP 1st-grade	FP 2nd-grade	SMEC
Daishi Hokuetsu FG	189 persons	2,253 persons	45 persons
Second Medium-term Management Plan period Target	1,000 persons	632 persons	49 persons
		IT Passport	Securities analysts
			etc

# Work Style Reform & Diversity

Accredited as "Excellent Health and Productive Management Corporation 2022" (White 500) 第四北越銀行



Total from Pre-Merger  
**Accredited for 5 years in a row**  
 → Only Daishi Hokuetsu Bank in Niigata Prefecture

## Practice of flexible work style

System limited to the region

Teleworking

Staggered working hours system

Work in satellite offices

Flextime system

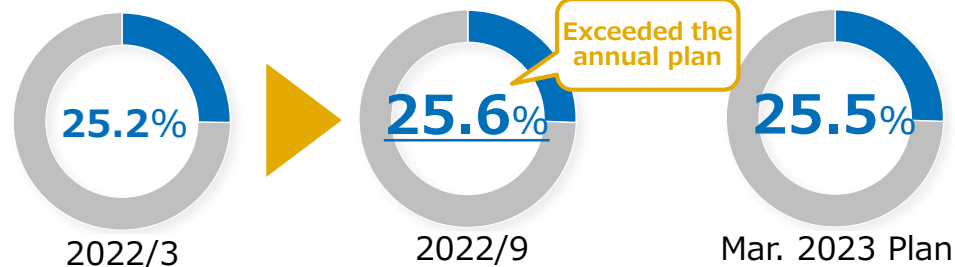
etc

→ The introduction of a dual/side job system is being considered for diverse work styles

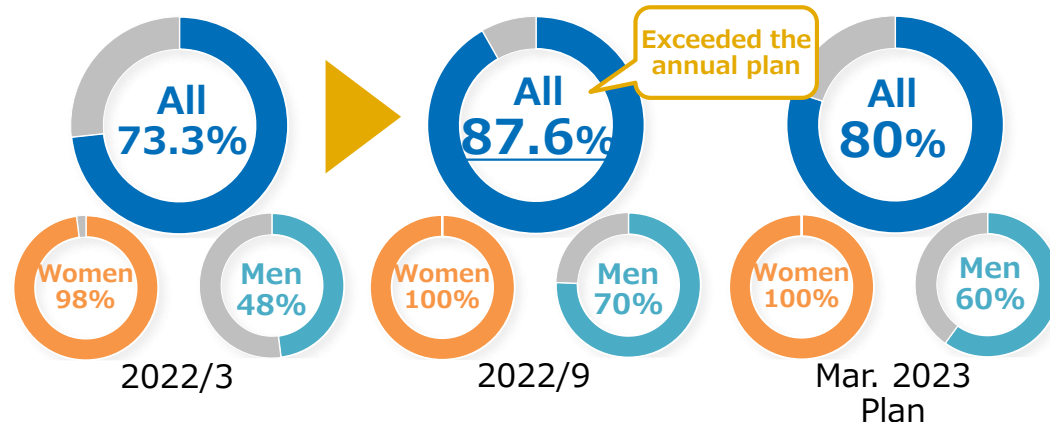
—Diversity Initiatives to promote advancement of women

第四北越銀行

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



Improvement in the acquisition rate of childcare leave



"Platinum Kurumin" and "L-Boshi III" obtained

Double acquisition → Only Daishi Hokuetsu Bank in Niigata Prefecture



Plan period: From April 2021 to March 2024

# Second Medium-term Management Plan

## Sustainability Initiatives

# Daishi Hokuetsu FG Sustainability Initiative Policy

- Based on Daishi Hokuetsu FG's "Basic Sustainability Policy," we will aggressively and proactively tackle Four Priority Tasks and contribute to the realization of a sustainable society

**FG Management Philosophy**

**Continue to contribute to the development of regional society**

Direction is the same as Management Philosophy

**"Daishi Hokuetsu Financial Group's Basic Sustainability Policy"**

**Four Priority Tasks**

**1**

**Address Regional Issues**

**2**

**Address Environmental Issues**

**3**

**Build Trust of Society**

**4**

**Develop Talented People and Improve Workplace Environment**

**Support for resolving regional and customers' challenges**

Maximize financial and information intermediary functions leveraging Group's comprehensive strengths

Further promote initiatives across regions by returning know-how and expertise gained through our own initiatives to local communities

**Aggressive and proactive Group-wide initiatives**

**FG's own Sustainability Initiatives, including CO2 reduction**

**Practicing Sustainability Management**

Maintain and improve environment and society as basis of our business



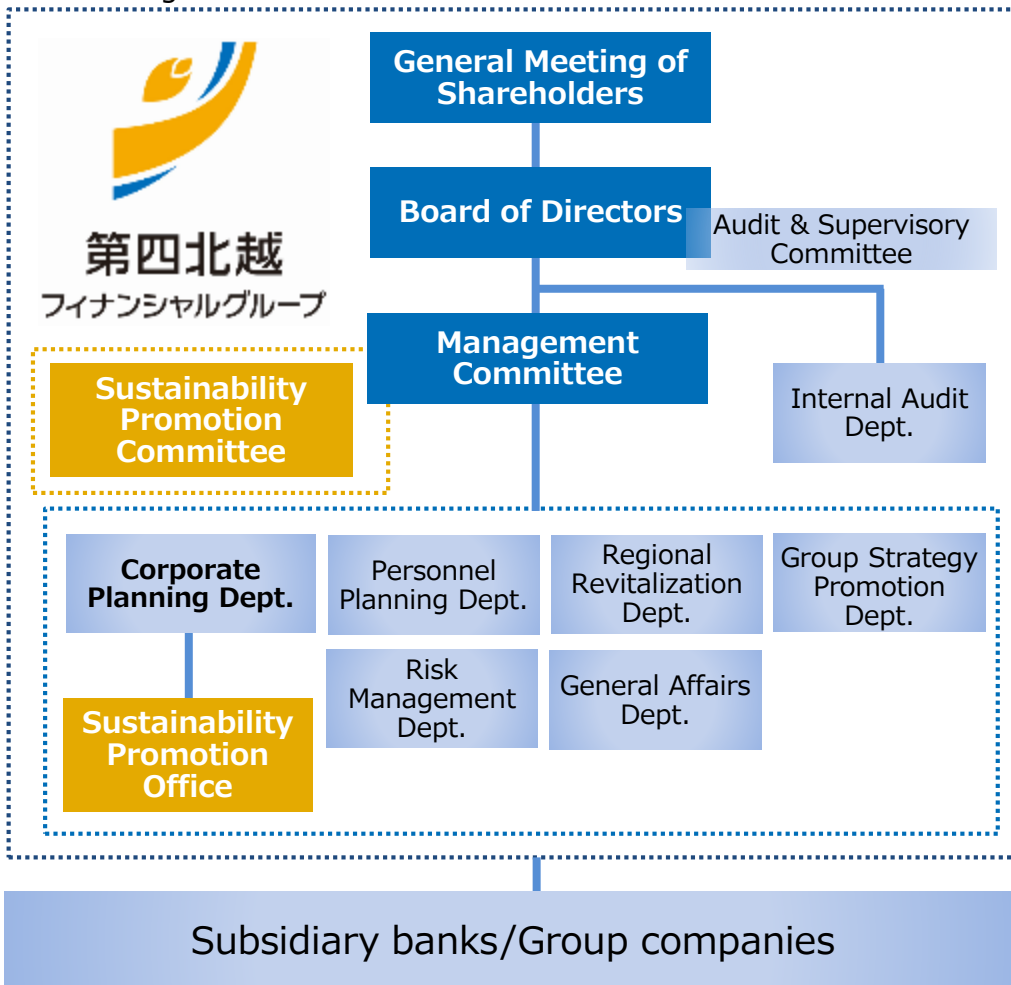
Economic and sustainable growth of corporate activities



## Strengthen structure for Group-wide promotion

Governance

- Establishment of "Sustainability Promotion Committee" chaired by FG President
- Establishment of "Sustainability Promotion Office" to oversee cross-organizational efforts



## Endorsement of TCFD

Recommendations (Apr. 2021)  
(Task Force on Climate-Related Financial Disclosures)

Strategy  
(Risk)

### Scenario analysis on climate change

Physical risk

Analysis assuming large-scale flood damage once in 100 years in the entire Niigata Prefecture  
→ **Increase of credit costs by about 9 billion yen expected**

Transition risk

Power and food sectors selected and analyzed  
→ **Increase of credit costs by about 1.9 billion yen expected**

→ Various measures to respond to TCFD Recommendations have been disclosed in the Integrated Report and the Corporate Governance Report (June to July 2022)

## Formulation of Investment & Financing Policies that consider environment and society (May 2022)

Risk management

Aggressively support activities that contribute to solving various environmental and societal issues surrounding regions through investment and financing



<Specified projects, etc. that are considered to impact sustainability of society>

Coal-fired power generation

Logging business

Palm oil plantation development

Weapon manufacturing

Ratio of carbon-related assets\* to total credit outstanding

\* Sum of loans, acceptances and guarantees, foreign exchange, private placement bonds, etc. for the electric power and energy sectors (excluding the water supply business and the renewable energy power generation business)

1.0%  
(Sep. 2022)

## Targets for sustainable finance and reduction of CO2 emissions

Indicators and targets

### Sustainable finance target

Cumulative amount of sustainable finance executed

Strategy (Opportunity)

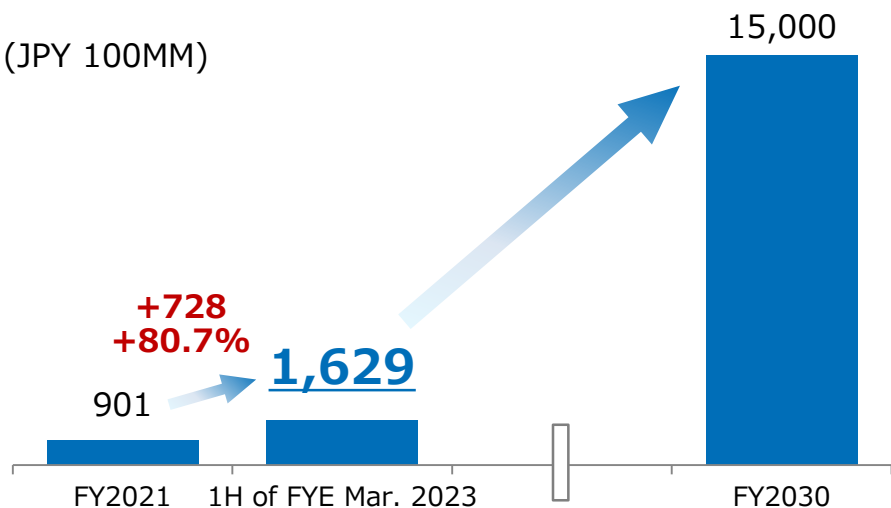
FY2030 Target

FY2021-

Cumulative amount executed

1.5 Trillion Yen

(JPY 100MM)



Strengthening of the promotion structure

Assignment of sustainability promotion staff

### Sustainability promotion staff



→ Persons in charge of promotion at sales offices  
About 120 persons in total

Human resource development with various training programs sponsored by the headquarters

Support for projects through collaboration with sales offices and HQ

### Target for reduction of CO2 emissions

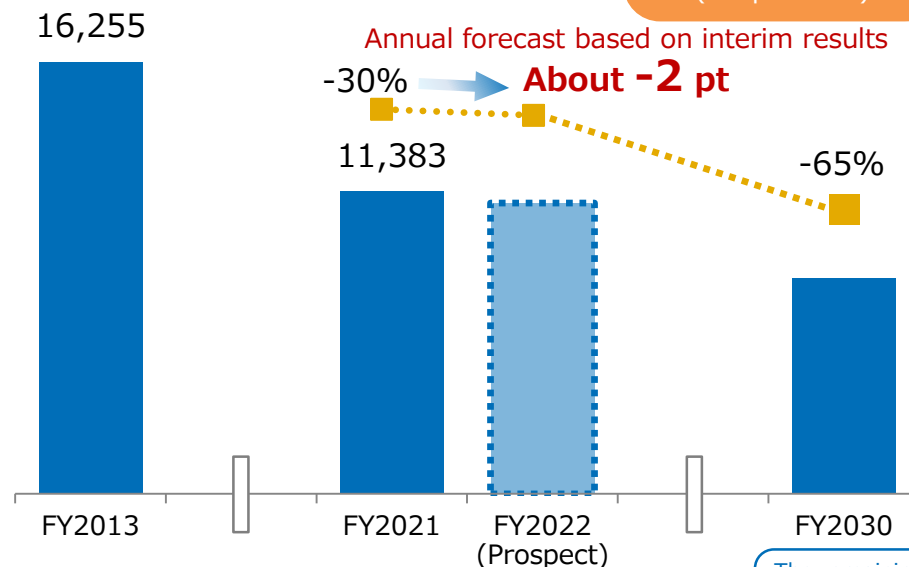
CO2 emissions (t-CO2)

Reduction rate (%)

FY2030 Target

Vs. FY2013

-65% decline (Scopes 1&2)



Establishment of new environmentally friendly offices

### Reduction of environmental impact

Introduction of energy-saving equipment and solar power generation equipment

Opened in Sep. 2022  
Sekiya Branch

First in Niigata Prefecture!

→ ZEB certification acquired (Net-zero energy building)

### Barrier-free design



-Sekiya Branch

The remaining two offices acquired the Nearly ZEB certification

FY2022  
3 offices newly built and relocated

# Initiatives to Resolve Challenges of Regions and Customers: 1

## Expansion of product lineup to promote sustainability and SDGs initiatives

Strategy  
(Opportunity)

### Daishi Hokuetsu SDGs Consulting services



September 2021 -

Paid services  
**Support for formulation of SDGs Declaration**

Number of companies that applied  
**151** companies  
(As of September 30, 2022)

Continuous support to meet customers challenges

Free diagnosis

**Diagnosis on SDGs initiative status**

**Step1**

<Identification of customers' challenges>

Not sure where to start

Would like to consult on SDGs management

Would like to organize own SDGs initiatives

<Voice of Customers>

Consulting helped with progress in the Initiatives



**Customers**

We have been able to organize our strengths and challenges

We act where possible, not just in the announcement of SDGs Declaration

... And others

### Establishment of the sustainable finance structure

**Customers**



Loan agreement  
Target-setting for ESG and SDGs  
Reporting and publication of initiative results  
Reporting, etc.



第四北越銀行

**Acquire rating**

**Rating by external organizations**

**For listed or large companies** (August 2021 -)

**"Sustainability Linked Finance"**  
**"Sustainability Finance"**

**Rating by Daishi Hokuetsu Research & Consulting**

**For large and medium-sized companies** (June 2022 -)

**"SDGs Linked Finance"**

**For SMEs**

(March 2022 -)

**No external rating required**

**"SDGs Support Loan"**

Loan amount Within 0.1 billion yen

SDGs initiatives Fostering and promoting mindsets

# Initiatives to Resolve Challenges of Regions and Customers: 2

## Expansion of product lineup to promote sustainability and SDGs initiatives

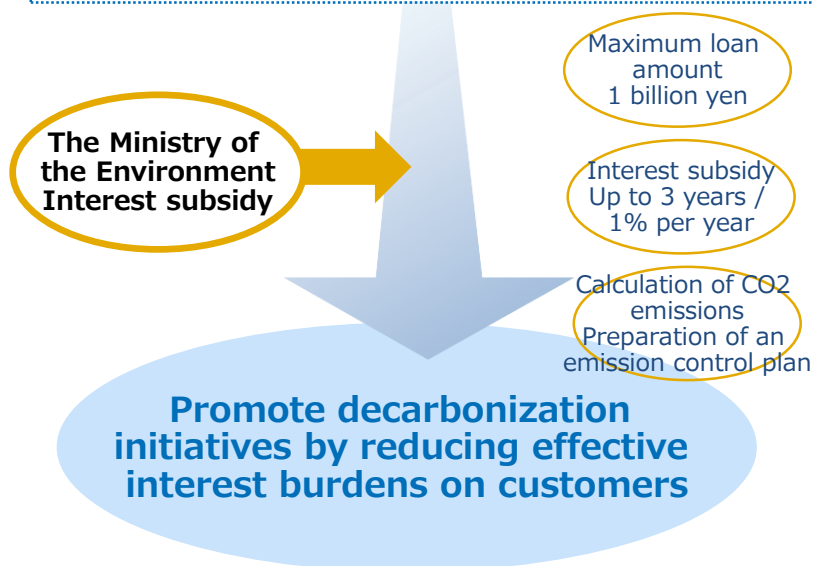
Strategy  
(Opportunity)

### Handling of the Ministry of the Environment Interest Subsidy Program

First in Niigata Prefecture!

The Ministry of the Environment  
Adopted as a designated financial institution  
under the "FY2022 Regional Decarbonization  
Loan Promotion Interest Subsidy Program"  
(June 2022)

Borrowings for capital investment to reduce CO2 emissions, such as installation of solar, biomass, hydroelectric, and other power generation equipment and upgrading to more energy-efficient equipment



### Handling the Ministry of the Environment Project for Promotion of ESG Leasing

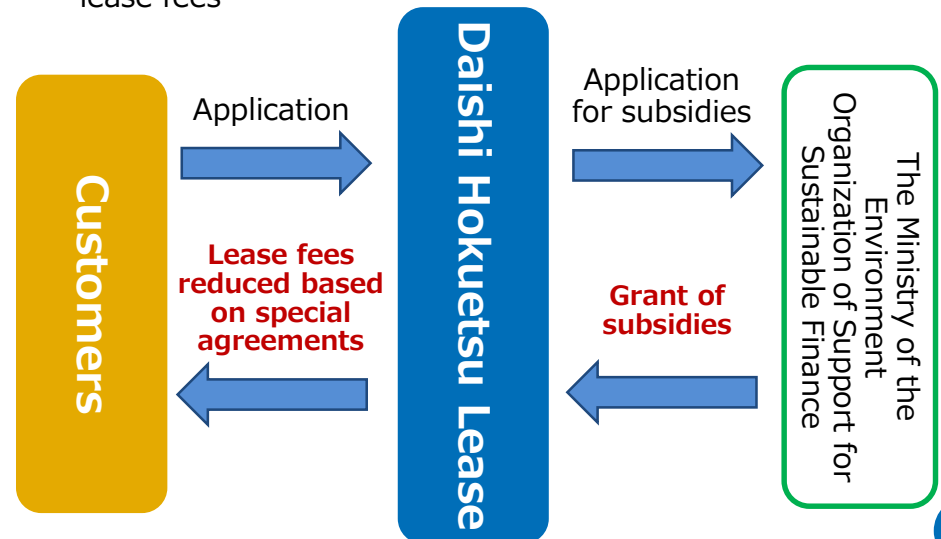
Adopted  
for 2 years  
in a row

The Ministry of the Environment  
Adopted as a designated leasing  
company for the "FY2022 Project for  
Promotion of ESG Leasing"  
(June 2022)

第四北越リース

Only us among leasing companies based in Niigata Prefecture!

➔ By introducing decarbonized equipment that meets the standards through the company, customers can reduce lease fees



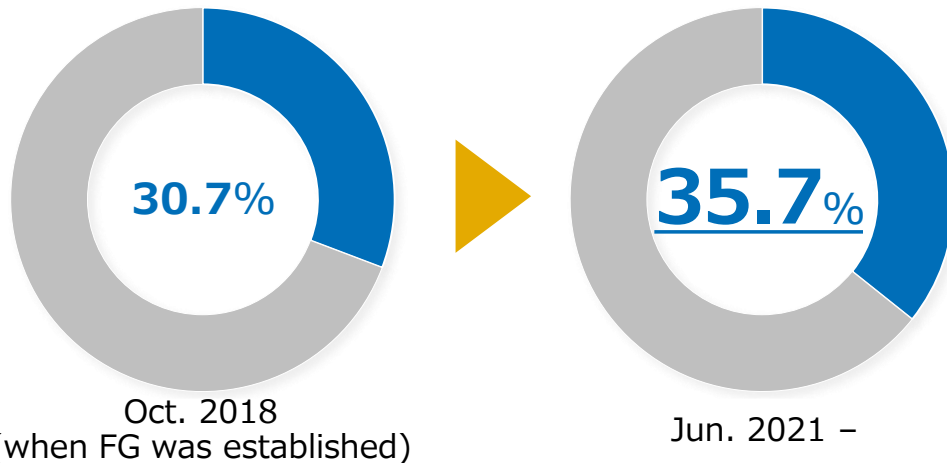
Plan period: From April 2021 to March 2024

# Second Medium-term Management Plan

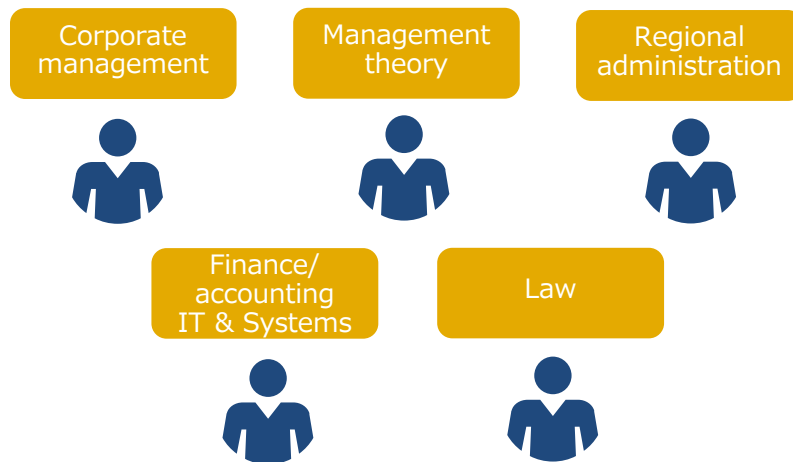
**Governance &  
Capital Policy**

# Governance Structure Supporting Sustainable Growth

## Percentage of Outside Officers on the Board of Directors



## Expertise of independent Outside Directors



## Diversity Initiatives

### Appointment of women officers



- June 2022  
**The Group's first woman Executive Officer assigned**
- 14 women Branch Managers as of September 30, 2022

### Training programs for women to be promoted to management positions

- Since FY2021, "Empowerment Program for Women" has promoted women employees to officer and manager positions

Number of participants  
(Cumulative total)

**13 persons**

(As of September 30, 2022)

**New!**

### TSUBASA Alliance training sessions for female managers

- Developing mindsets for career advancement through interaction with female employees at TSUBASA  
(Held in November 2022)

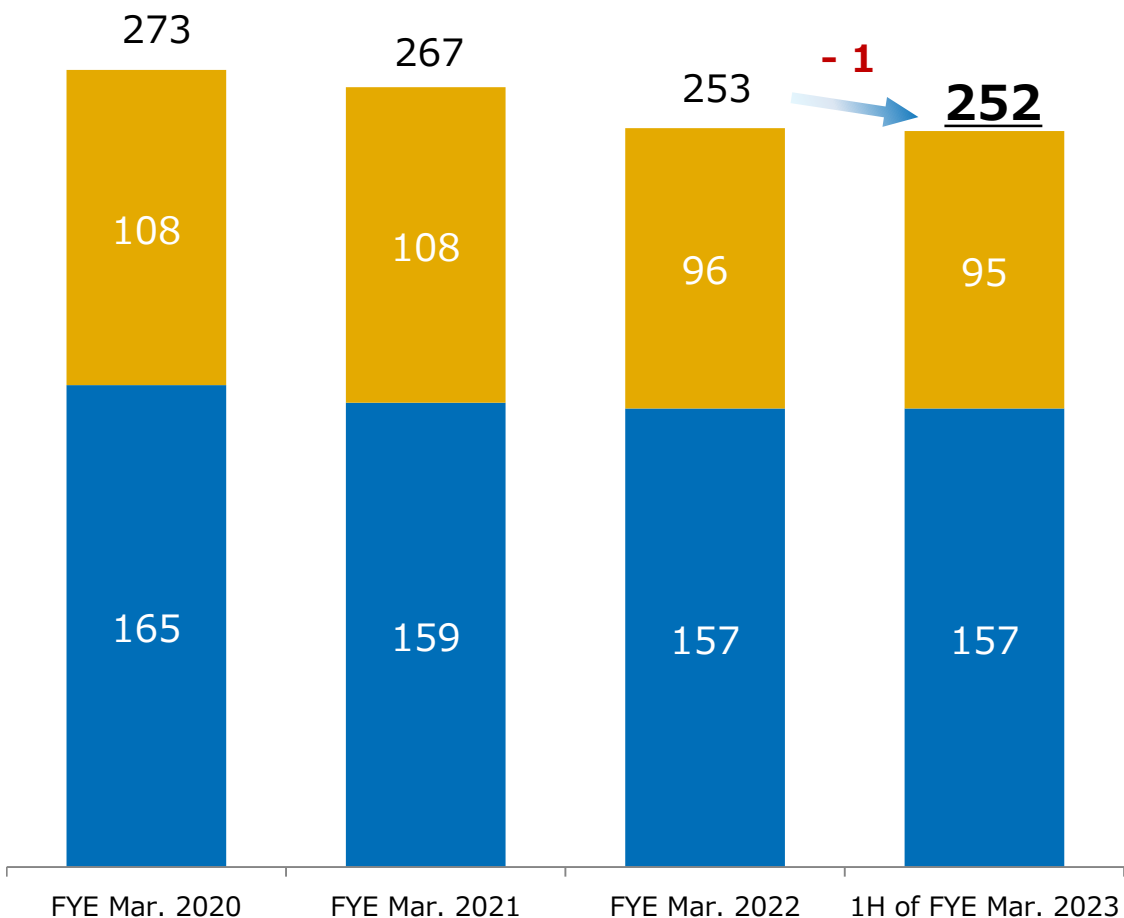


# Initiatives to Reduce Cross-shareholdings

## Number of cross-shareholding brands

(Client)

■ Unlisted companies (including shares of affiliates) ■ Listed companies



Cross-shareholding brands

-1 client year on year

- Continue to take action in line with Cross-shareholding Basic Policy

### Reference: Cross-shareholding Basic Policy

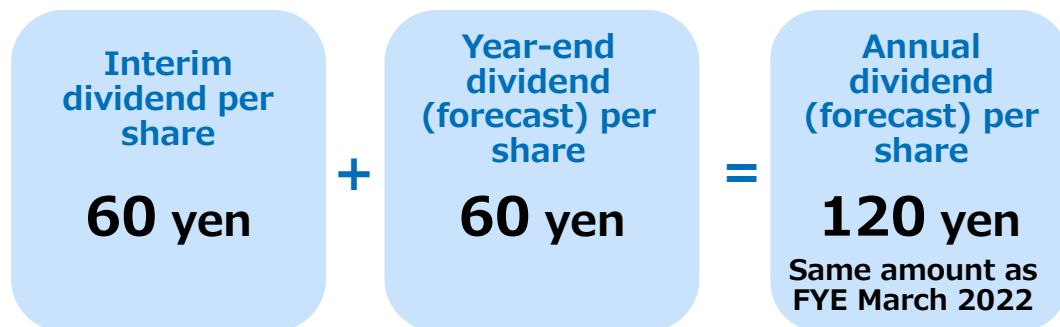
- Our company and Daishi Hokuetsu Bank will hold only a limited number of cross-shareholdings when it is judged that such holdings will contribute to the maintenance and improvement of the medium- to long-term corporate value of the Company's business partners and the Group, and will reduce cross-shareholdings after sufficient dialogue with business partners to control shareholding risks, capital efficiency, and other factors.
- The Board of Directors will periodically review the appropriateness of individual cross-shareholdings from the perspectives of medium- to long-term economic rationality. It will do so based on return and risk, growth potential, future outlook, or revitalization of business partners, relevance of business partners to the regional economy, and business alliances and other strategies, and it will make a comprehensive judgment on the suitability of shareholdings.

## Shareholder Return Policy

Considering the public nature of the financial group, our basic policy shall be to continue providing stable returns to shareholders while enhancing retained earnings to strengthen our base. Our aim is to continue meeting the expectations of shareholders in the future.

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

### Dividend forecast for FYE March 2023



### Past result of shareholder return

	Dividend amount per share (annual)	Dividend Payout Ratio	Shareholder Return Ratio
FYE Mar. 2019	Year-end: 60 yen Interim for Daishi Bank: 45 yen Hokuetsu Bank: 30 yen	35.0%	* 42.0%
FYE Mar. 2020	120 yen	42.5%	42.5%
FYE Mar. 2021	120 yen	50.7%	50.7%
FYE Mar. 2022	120 yen	36.1%	36.1%

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



# Top-priority Theme of Second Medium-term Management Plan

## Demonstration of Three Major Synergies



A fresh stage of achieving merger results  
after Bank Merger and birth of new bank

September 2022  
Halfway point of  
the Medium-term  
Management Plan

April 2021

March 2024



### Top-Priority Themes

## Demonstration of Synergy Effects

### Maximization of Merger Synergy

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



### Maximization of Group Synergy

Maximizing the use of FG's company functions



### Maximization of TSUBASA Partnership Synergy

Leveraging the largest economies of scale of regional banks



# Management Indicators

Management Indicators		1H of FYE March 2022 Result	1H of FYE March 2023 result	Year on Year	FYE March 2023 Plan
Strengthening profitability	Consolidated (Interim) Profit* <sup>1</sup>	7.6 billion yen	<b>12.3</b> billion yen	4.7 billion yen	<b>16.5</b> billion yen
Growth of the Group	Growth rate of average balance of SME loans* <sup>2</sup>	- 2.9%	<b>1.0%</b>	3.9pt	<b>4.4%</b>
	Average balance of SME loans	1,884.1 billion yen	<b>1,925.2</b> billion yen	41.1 billion yen	<b>1,988.9</b> billion yen
	Growth rate of average balance of consumer loans* <sup>2</sup>	1.8%	<b>2.2%</b>	0.4pt	<b>2.9%</b>
	Average balance of consumer loans	1,356.4 billion yen	<b>1,397.5</b> billion yen	41.1 billion yen	<b>1,406.2</b> billion yen
	Growth rate of non- interest income* <sup>3</sup>	21.0%	<b>20.5%</b>	- 0.5 pt	<b>5.6%</b>
	Non-interest income	10.5 billion yen	<b>12.6</b> billion yen	2.1 billion yen	<b>23.2</b> billion yen
	Growth rate of Group company income* <sup>4</sup>	59.3%	<b>- 33.5%</b>	- 92.8 pt	<b>- 3.1%</b>
	Group company income	1.8 billion yen	<b>1.2</b> billion yen	-0.6 billion yen	<b>3.9</b> billion yen
Improvement of management efficiency	OHR (consolidated)	73.4%	<b>61.3%</b>	- 12.1pt	<b>68.3%</b>
	ROE (consolidated)	1.7%	<b>2.9%</b>	1.2pt	<b>3.4%</b>
Maintenance & improvement of business health	Consolidated capital ratio	10.34%	<b>10.46%</b>	0.12pt	<b>10%</b> level

\*1: (Interim) Profit attributable to owners of parent \*2: Average annual balance before partial direct write-offs

\*3: Total of net fees and commissions income and profit from other businesses, etc., excluding gains (losses) from government bonds and other bonds

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

# Six Indicators for Deepening Transformation of Portfolios

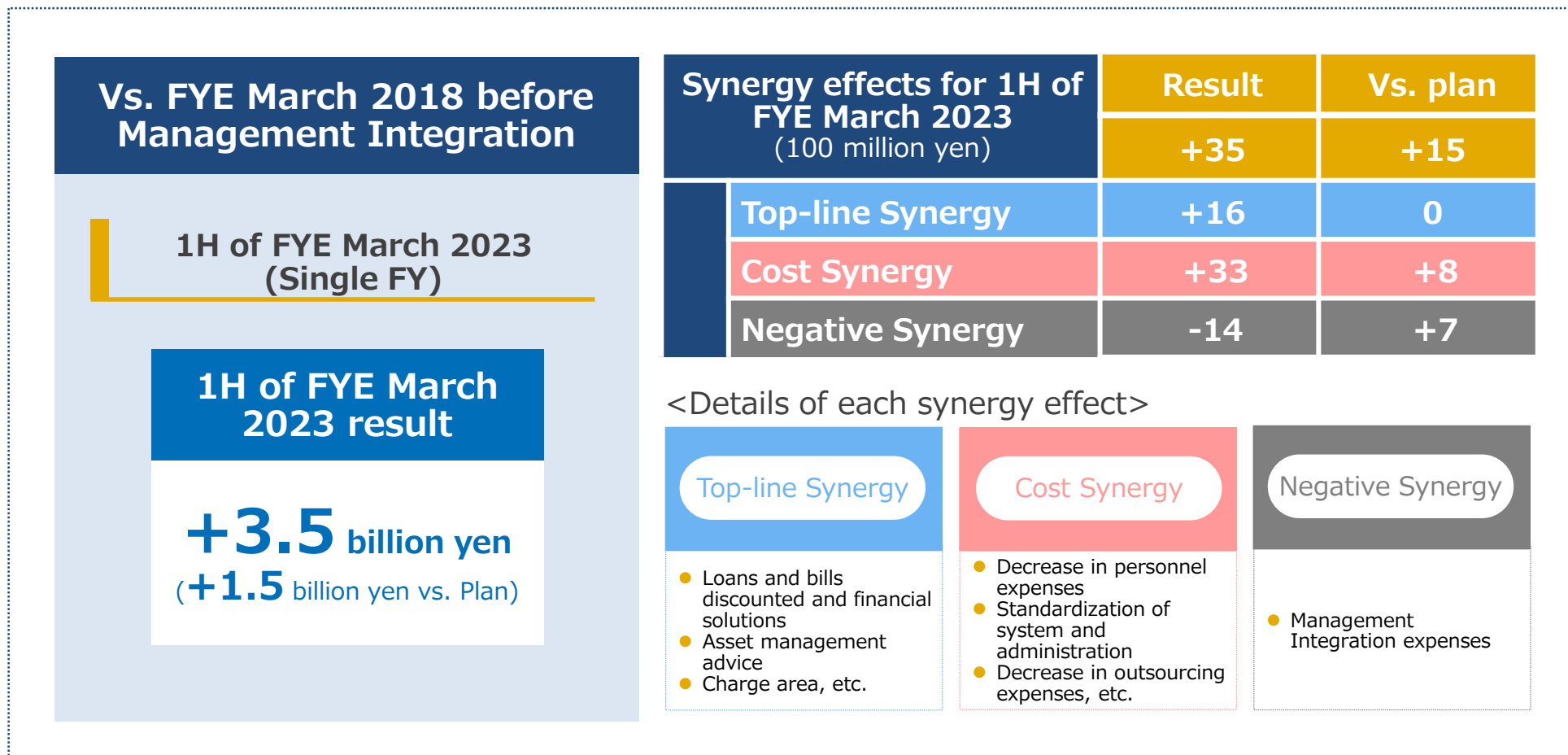
<Bank Division>  
Raise the ratio of “interest on loans and bills discounted” and “non-interest income” in core gross business profits



<Group Company Division>  
Raise the ratio of “Group company income” in consolidated profit

Six Indicators for Deepening Transformation of Portfolios	1H of FYE March 2022 Result	1H of FYE March 2023 result	Year on Year	FYE March 2023 Target
(1) Ratio of SME loans in total loans	37.8%	<b>37.1%</b>	-0.6pt	<b>38.2%</b>
(2) Ratio of consumer loans in total loans	27.2%	<b>27.0%</b>	-0.2pt	<b>27.0%</b>
(3) Ratio of unsecured loans in consumer loans	8.5%	<b>8.4%</b>	-0.1pt	<b>8.5%</b>
(4) Income ratio of asset management advice in core gross business profits	8.2%	<b>8.0%</b>	-0.2pt	<b>10.9%</b>
(5) Income ratio of financial solution in core gross business profits	10.9%	<b>14.5%</b>	3.6pt	<b>13.2%</b>
(6) Consolidated / non-consolidated ratio FG consolidated (Interim) profit ÷ Bank non-consolidated (Interim) profit	1.26 times	<b>1.34 times</b>	0.08 times	<b>1.30 times</b>

## Synergies from Management Integration in a single fiscal year are progressing faster than the initial plan (formulated in October 2018)



# Indicators for Contribution to Communities

Indicators for Contribution to Communities		1H of FYE March 2023 result	Vs. Target	FYE March 2023 Target
		Top-priority target to measure our contribution to the region	Number of companies with Daishi Hokuetsu Bank as their main bank	15,243 clients
Maintain and increase drivers of regional economy	Number of startups and secondary startups involved	1,208 cases	523 cases	1,750 cases
	Number of clients supporting business succession	908 clients	68 clients	1,680 clients
Support for enhancement of corporate value	Number of borrowers based on feasibility assessment	6,267 clients	439 clients	5,900 clients
	Loan balance based on feasibility assessment	1,359.4 billion yen	0.4 billion yen	1,440 billion yen
	Number of clients using Guidelines for Management Guarantee	7,567 clients	-433 clients	8,600 clients
	Number of clients with improved business indicators, etc.	10,286 clients	-864 clients	12,200 clients
	Number of cases of business support	1,746 clients	367 clients	2,750 clients
	Number of cases of support for formulation of management improvement plan	266 cases	31 cases	450 cases
Providing new value through expansion of business domains	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through the regional trading company</div> Number of clients supported in sales channel development (cumulative total)	532 clients	13 clients	540 clients
	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through the regional staffing agency</div> Number of FG collaboration activities to support productivity improvement (cumulative total)	118 clients	3 clients	165 clients
	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Activities through the regional staffing agency</div> Number of personnel-matching cases that lead to solutions to corporate issues (cumulative total)	110 cases	7 cases	135 cases

# Summary of Financial Results for the First Half of the Fiscal Year Ending March 2023 (Profit/Loss)

- Both FG consolidated ordinary profit and interim profit exceeded the forecasts announced in May 2022 and the results of the previous year

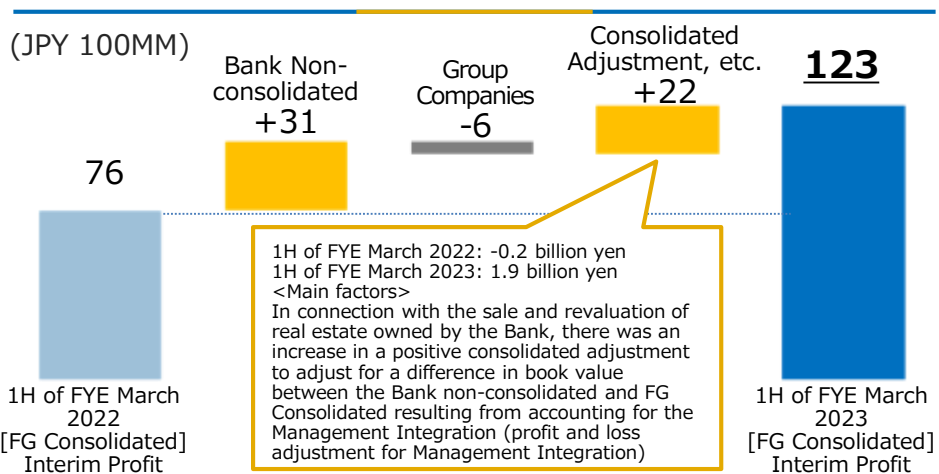
FG Consolidated (JPY 100MM)	Financial Results for the First Half of the Fiscal Year Ending March 2023		Forecast (Announced in May 2022)	Vs. Forecast
	Year on Year			
1 Ordinary profit	173	59	105	68
2 Interim Profit*1	123	47	77	46

\*1 Interim profit attributable to owners of parent

Group Companies (JPY 100MM)	Financial Results for the First Half of the Fiscal Year Ending March 2023		Financial Results for the First Half of the Fiscal Year Ended March 2022
	Year on Year		
3 Interim profit*2	12	-6	18

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

## <FG Consolidated> Change Factors

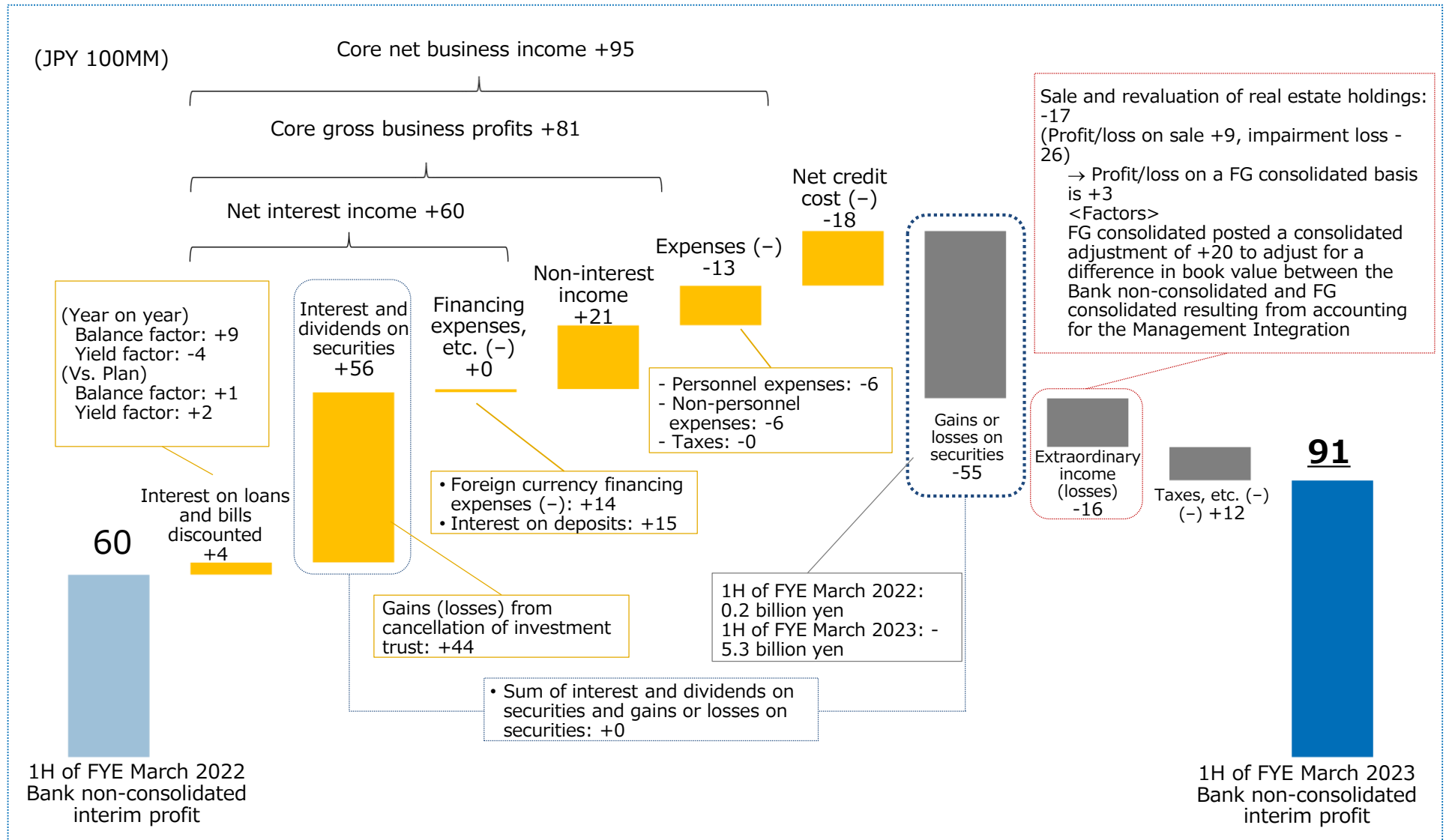


Bank Non-consolidated (JPY 100MM)	Financial Results for 1H of FYE March 2023		Financial Results for 1H of FYE March 2022
	Year on Year		
4 Gross business profits	446	60	386
5 (Core gross business profits)	496	81	414
6 Net interest income	369	60	309
7 (of which, interest on loans and bills discounted)	230	4	226
8 (of which, Interest and dividends on securities)	147	56	91
9 (of which, financing expenses)	28	16	11
10 Net fees and commissions income	71	3	67
11 Profit from other businesses	5	-3	9
12 (excluding gains (losses) from government bonds and other bonds)	55	17	37
13 (of which, gains (losses) from government bonds and other bonds)	-49	-21	-28
14 Expenses	287	-13	300
15 Substantial net business income	159	73	85
16 Core net business income	209	95	113
17 (excluding gains (losses) from cancellation of investment trust)	164	50	113
18 Net business income	162	77	84
19 Non-recurrent income (losses)	-16	-16	0
20 Ordinary profit	145	61	84
21 Extraordinary income (losses)	-17	-16	-0
22 Interim Profit	91	31	60
23 <Net credit cost>	17	-18	35
24 <Gains or losses on securities>	-53	-55	2
25 <Management integration expenses (overall)>*3	14	0	14

\*3 Management Integration expenses recorded in "Expenses" and "Non-recurrent income and losses"

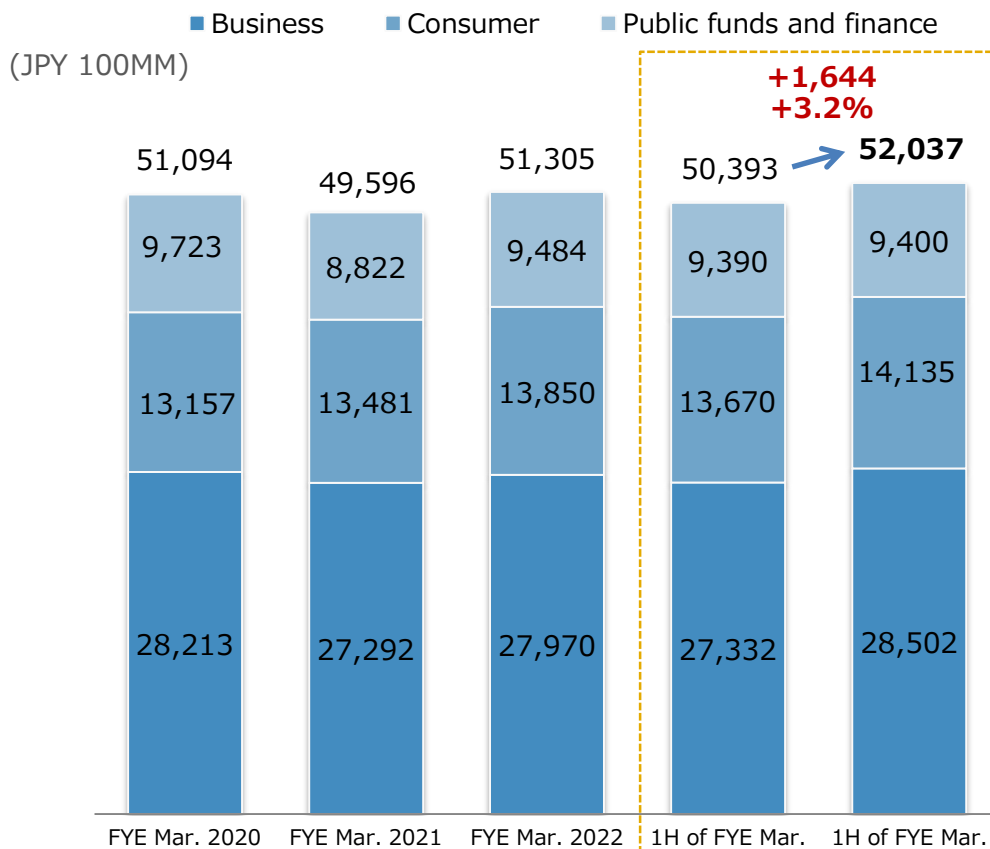
# Summary of Financial Results for the First Half of the Fiscal Year Ending March 2023 (Profit/Loss)

## <Bank Non-consolidated> Change Factors 第四北越銀行



# Loans and Bills Discounted Area

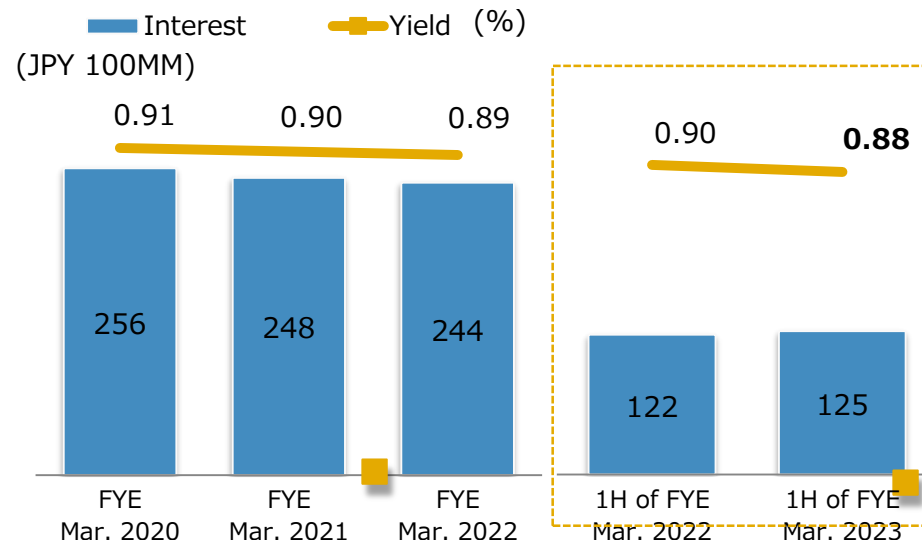
## End-balance of Loans and Bills Discounted



[Reference] Average balance	50,337	49,764	50,329	49,747	51,738
Total loans and bills discounted yield	0.93%	0.92%	0.90%	0.90%	0.88%

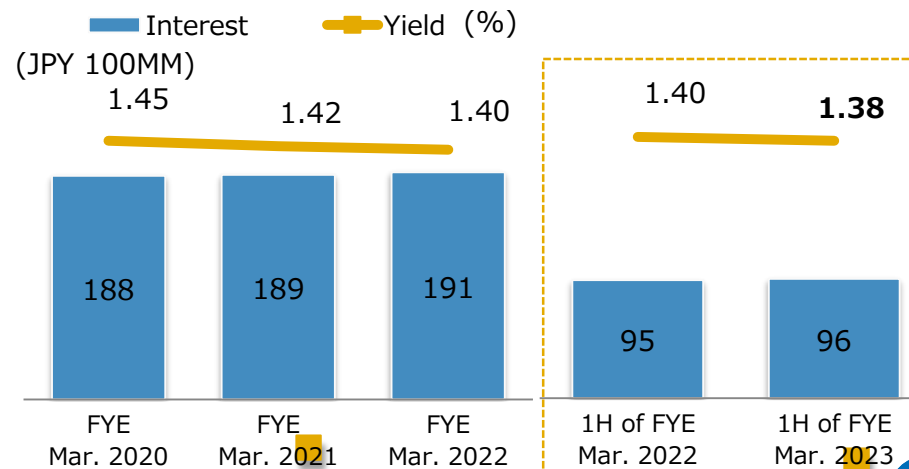
## Interest on business loans and bills discounted & yield

\* Before non-accrued interest



## Interest on consumer loans and bills discounted & yield

\* Before non-accrued interest

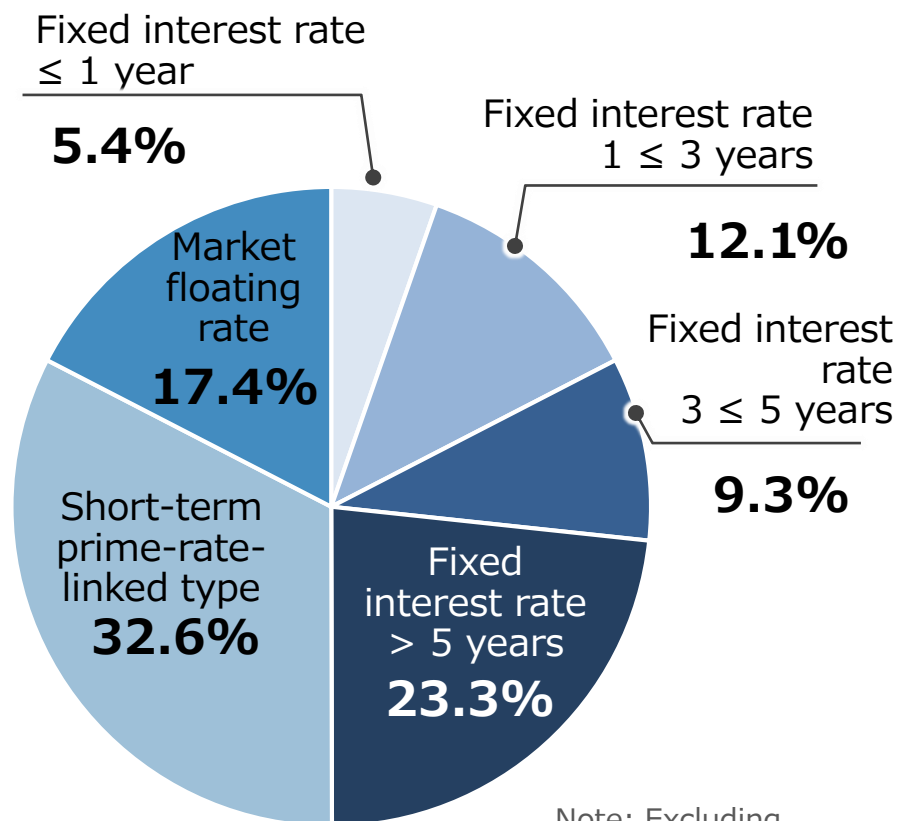




# Loans and Bills Discounted Area

## Composition of overall Loans and bills discounted

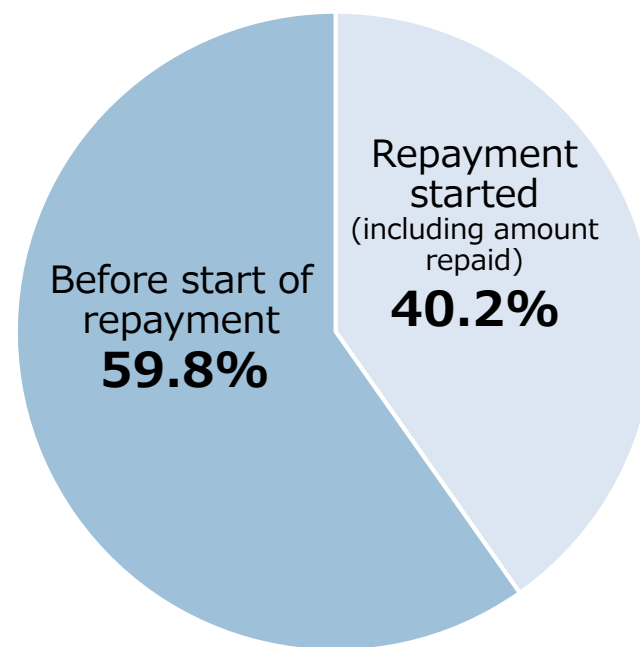
(1H of FYE March 2023)



Note: Excluding non-performing loans

## Real interest-free and unsecured loans (zero-zero loans)

Status of Business Partner (1H of FYE March 2023)



Amount of real interest-free and unsecured loans (zero-zero loans) executed  
Cumulative total 189.9 billion yen

# Loans and Bills Discounted Area

## Establishment of various consultation counters



第四北越銀行

All sales offices (March 2022 -)

"Consultation Counter on COVID-19, the Situation in Ukraine, and Rising Raw Material Prices"

Murakami & Tainai Cities (August 2022 -)

"Consultation Counter for Loans Related to Heavy Rain Disasters"

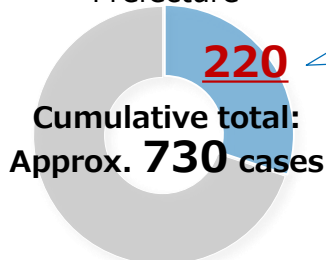
Meet the needs of business partners in With & Post COVID-19 eras

## Support for improving corporate value by utilizing business restructuring subsidies

<Adoption results up to 6th Public Call>

Number of adoptions in Niigata Prefecture

(Cases)



第四北越銀行  
Support ratio: Approx. 30%  
No. 1 in Niigata Prefecture

## Results of questionnaire on our business partners regarding capital investment

Future capital investment plan (Planned capital investment for 2H of FY2022)

Total number of cases Exceeds 1,300 cases

Total amount Approx. 200 billion yen

➔ Further promote sustainable finance proposals

## Support for startups, secondary startups, and business diversification

### 第四北越リサーチ&コンサルティング

- "Niigata Startup Salon," a business consulting counter for startups and secondary startups
- "New Business One-Stop Support Program," a consulting service for startups and secondary startups

<1H of FYE March 2023>

Total number of consultations and contracts

59 cases



## Strengthen functions of Sales HQ and Tokyo Office

Stationed in Tokyo

### Main Promotion Area



Country-wide collaboration

TSUBASA Partnership

External collaboration

Business loan

Structured Finance

Asset management advice

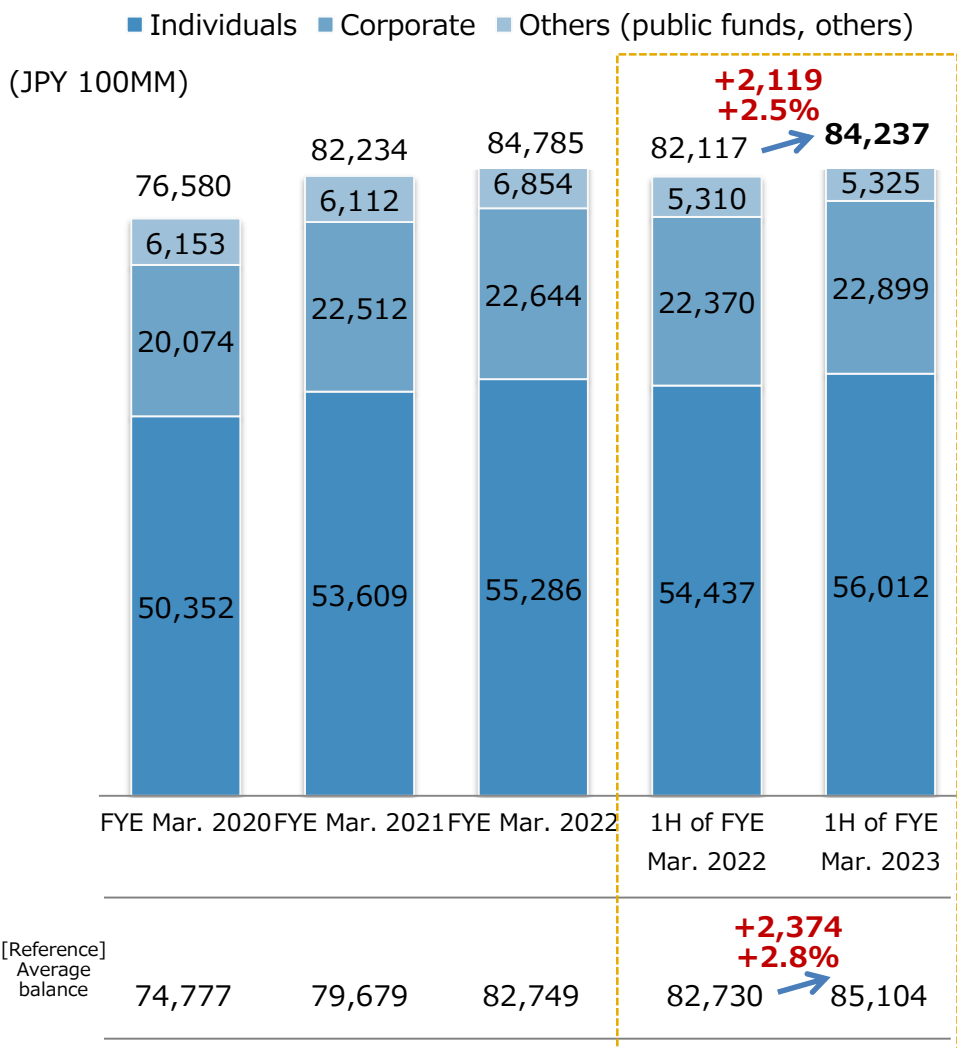
etc

Number of personnel: approx. 10

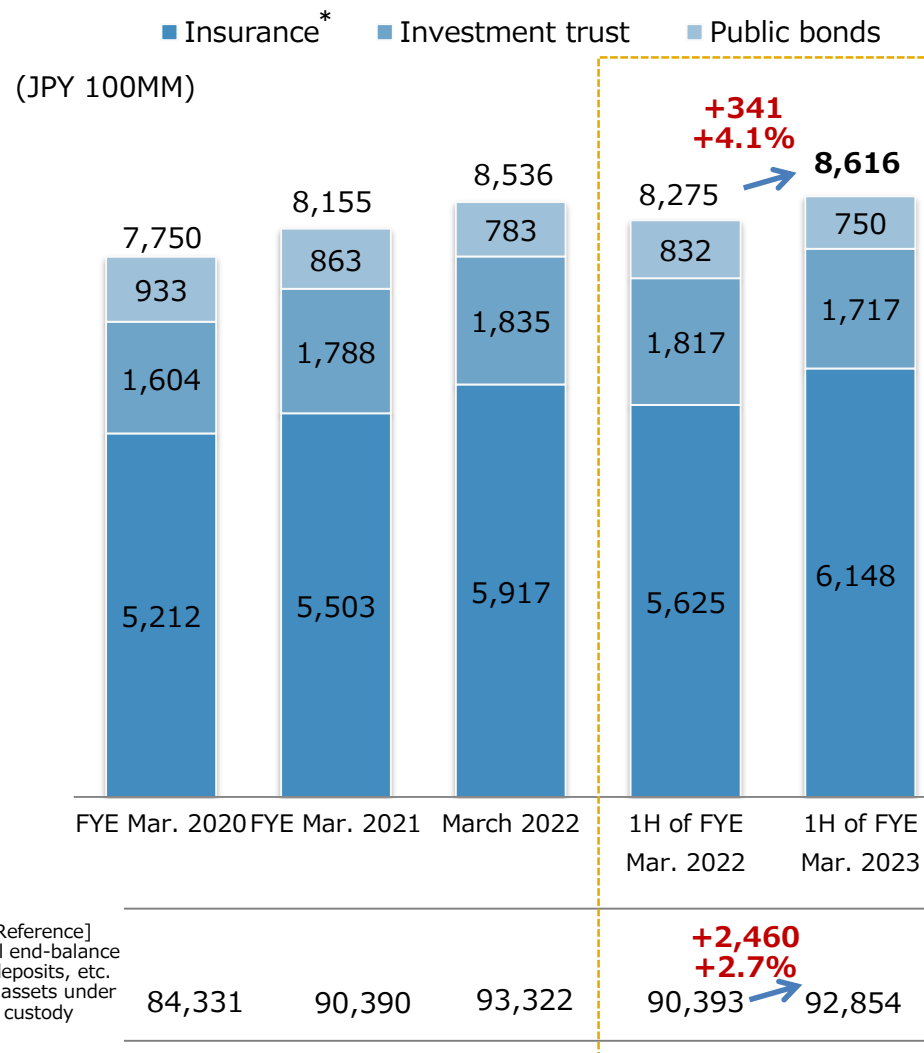
➔ About 10 HQ staff members added to bases outside the prefecture including Tokyo from the beginning of the fiscal year

# Balance of Deposits, etc. and Assets under Custody

## End-balance of deposits, etc. (including negotiable deposit)



## End-balance of assets under custody

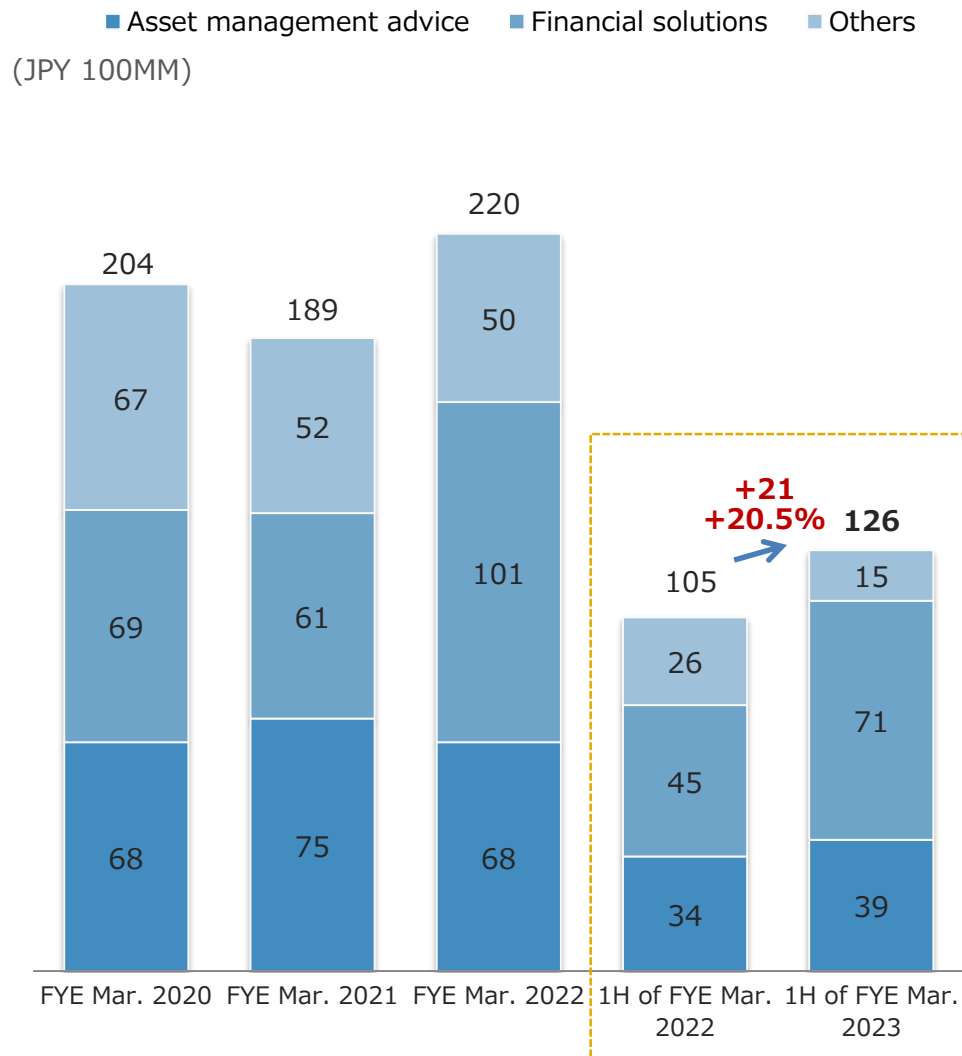


\* Insurance balance is compared with figures that were changed retroactively from the viewpoint of comparison with the previous fiscal years, since the calculation method was integrated due to the merger of subsidiaries.

# Non-interest Income Area/Expenses

## Non-interest income

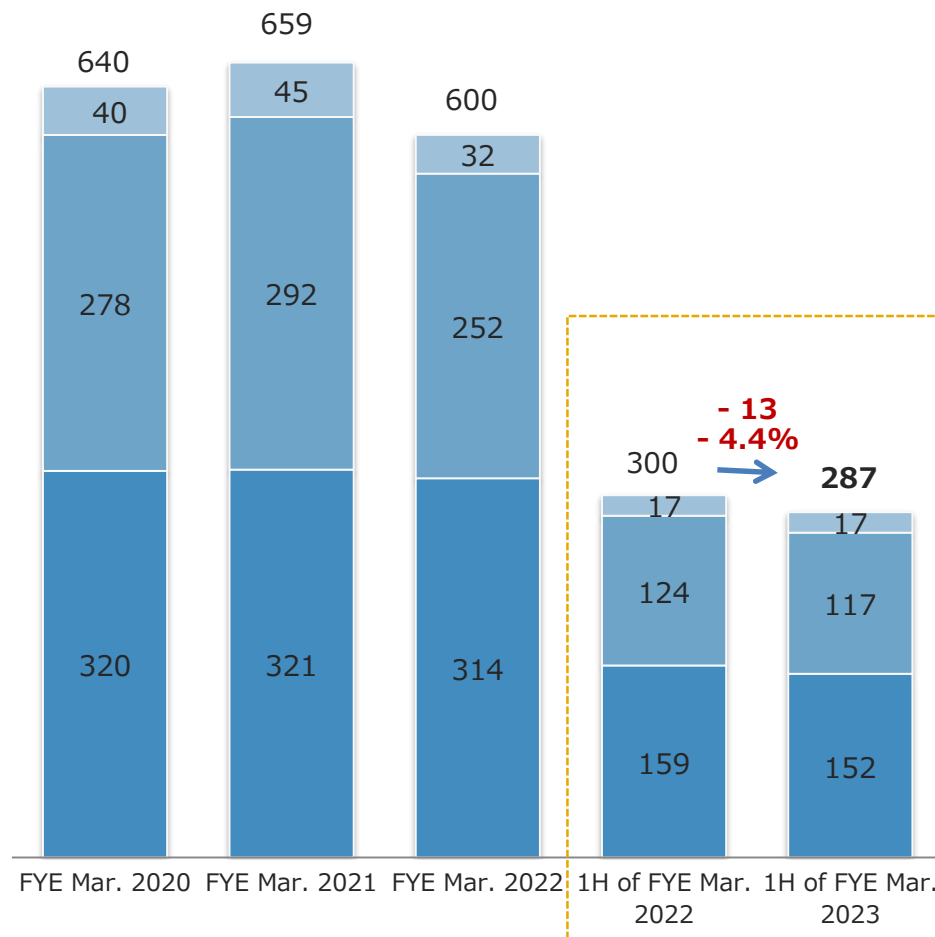
(Total of net fees and commissions income + profit from other businesses, etc., excluding gains (losses) from government bonds and other bonds)



## Expenses

■ Personnel expenses ■ Non-personnel expenses ■ Taxes

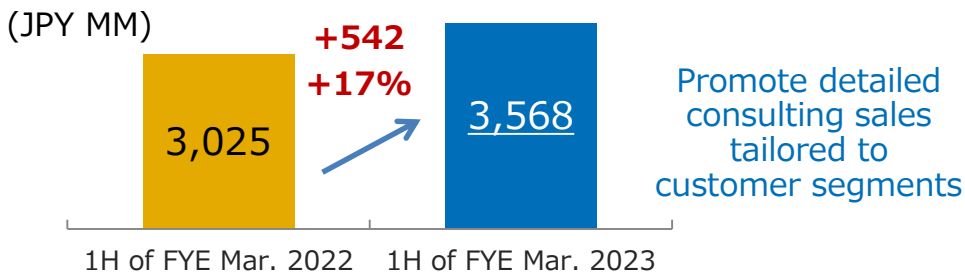
(JPY 100MM)



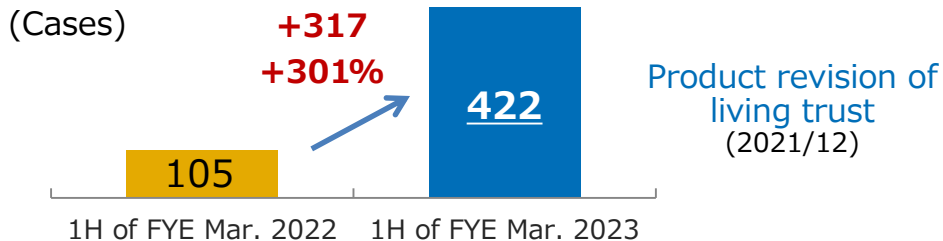
# Non-interest Income Area

## Income from asset management advice

Income from investment trust & insurance

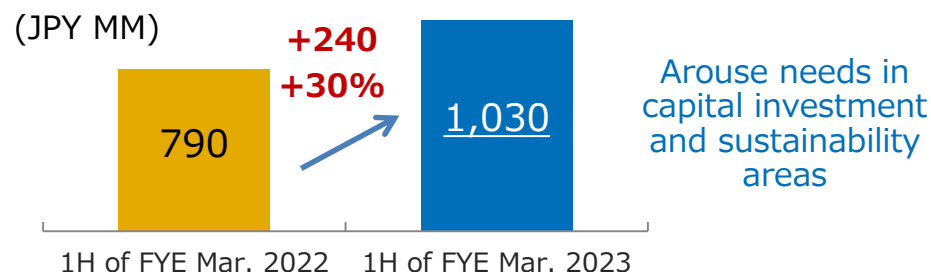


Number of cases of trust business handled, including will trust

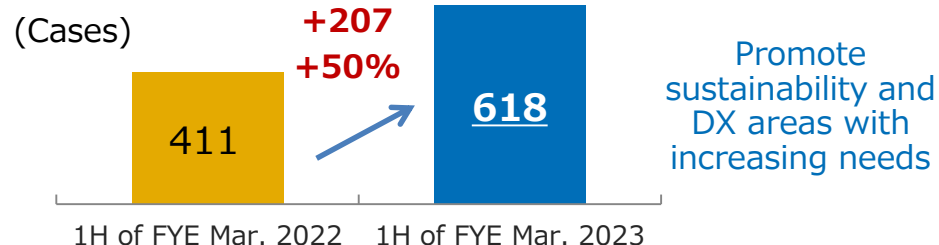


## Income from financial solutions

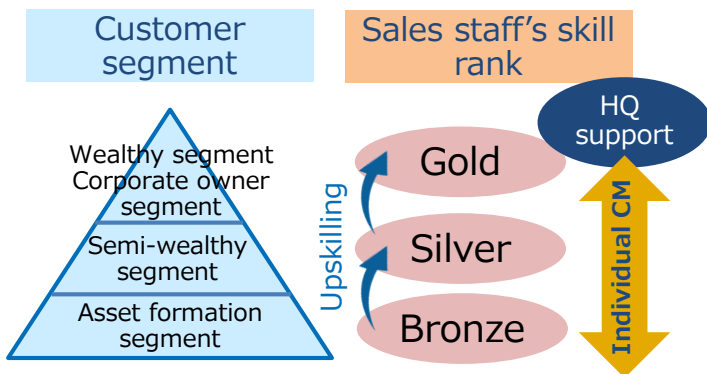
Syndicated loan fees



Number of pay-per-success business matchings handled



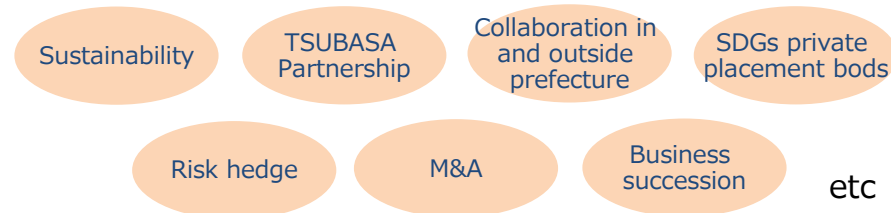
### <Individuals>



### <Corporate>



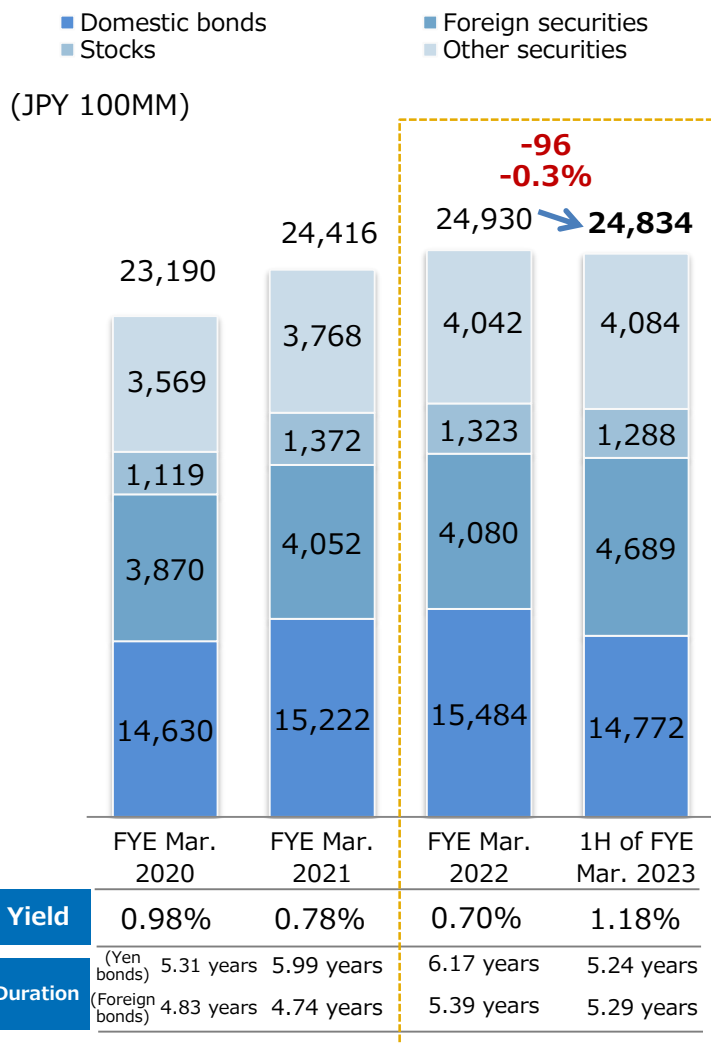
### <Main promotion area>



- ➔ Support business partners' growth strategies by strengthening the HQ support structure
- 📖 Pages 26 to 27, Strengthen Consulting Functions
- 📖 Pages 50 to 51, Support for Sustainability

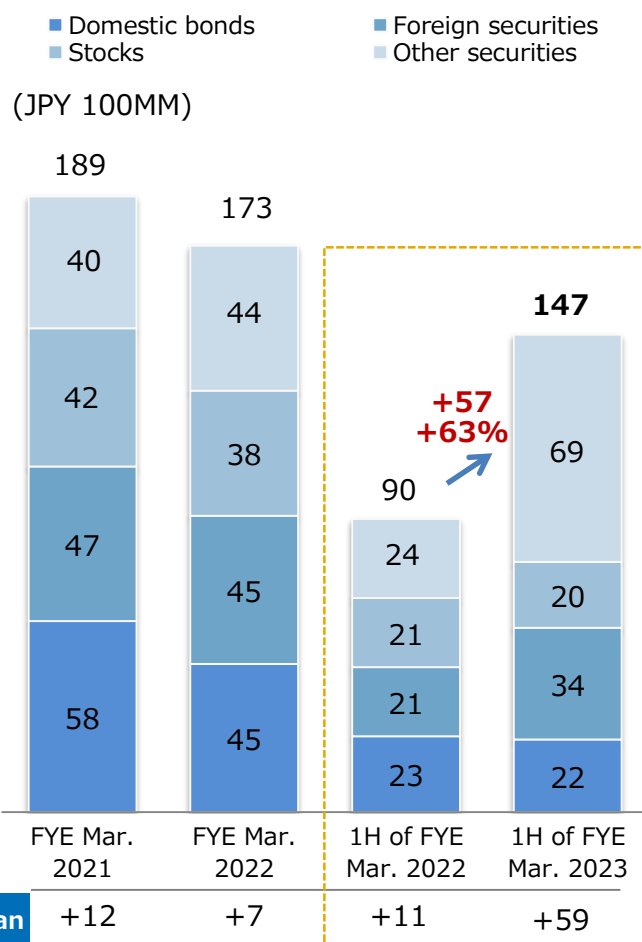
\* Excluding trading securities

## End-balance of Securities



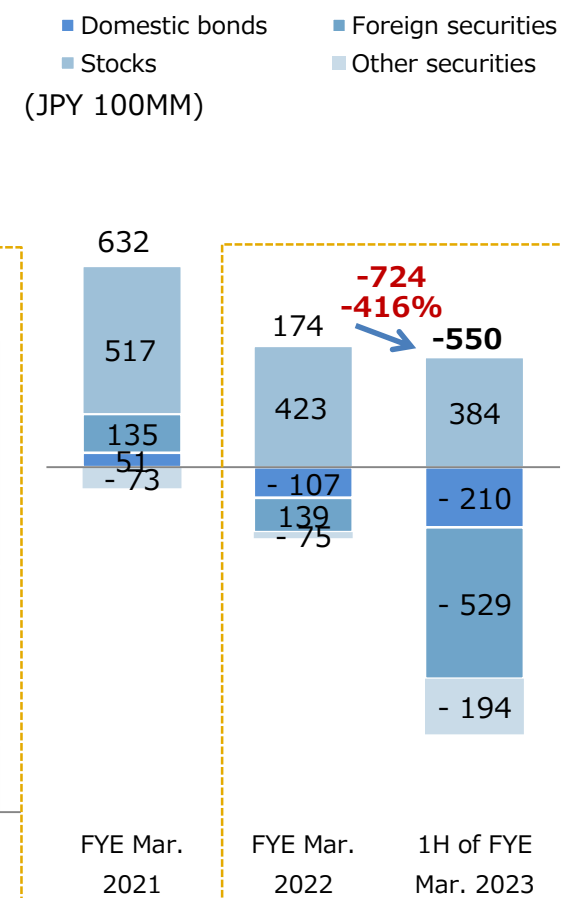
\* Duration is after considering interest rate swaps for hedging purposes

## Interest and dividends on securities



\* Vs. Plan is after considering foreign currency financing and other costs

## Valuation gains or losses



-55 billion yen, a decrease of 72.4 billion yen year on year, mainly due to higher domestic and overseas interest rates

## Trends in end-balance of Securities

(JPY 100MM)

	FYE Mar. 2020	FYE Mar. 2021	FYE Mar. 2022	1H of FYE Mar. 2023
Government bonds	6,166	5,728	5,536	5,083
Local government bonds	5,254	6,433	7,247	7,190
Public corporate bonds	885	769	713	673
Financial bonds	92	66	27	27
Business bonds	2,231	2,225	1,958	1,799
Stocks	1,119	1,372	1,323	1,288
Foreign securities	3,870	4,052	4,080	4,689
Other securities	3,569	3,768	4,042	4,084
<b>Total</b>	<b>23,190</b>	<b>24,416</b>	<b>24,930</b>	<b>24,834</b>

\* Figures for FYE March 2020 are a simple sum of two former banks prior to merger.

## Breakdown of changes in end-balance of securities

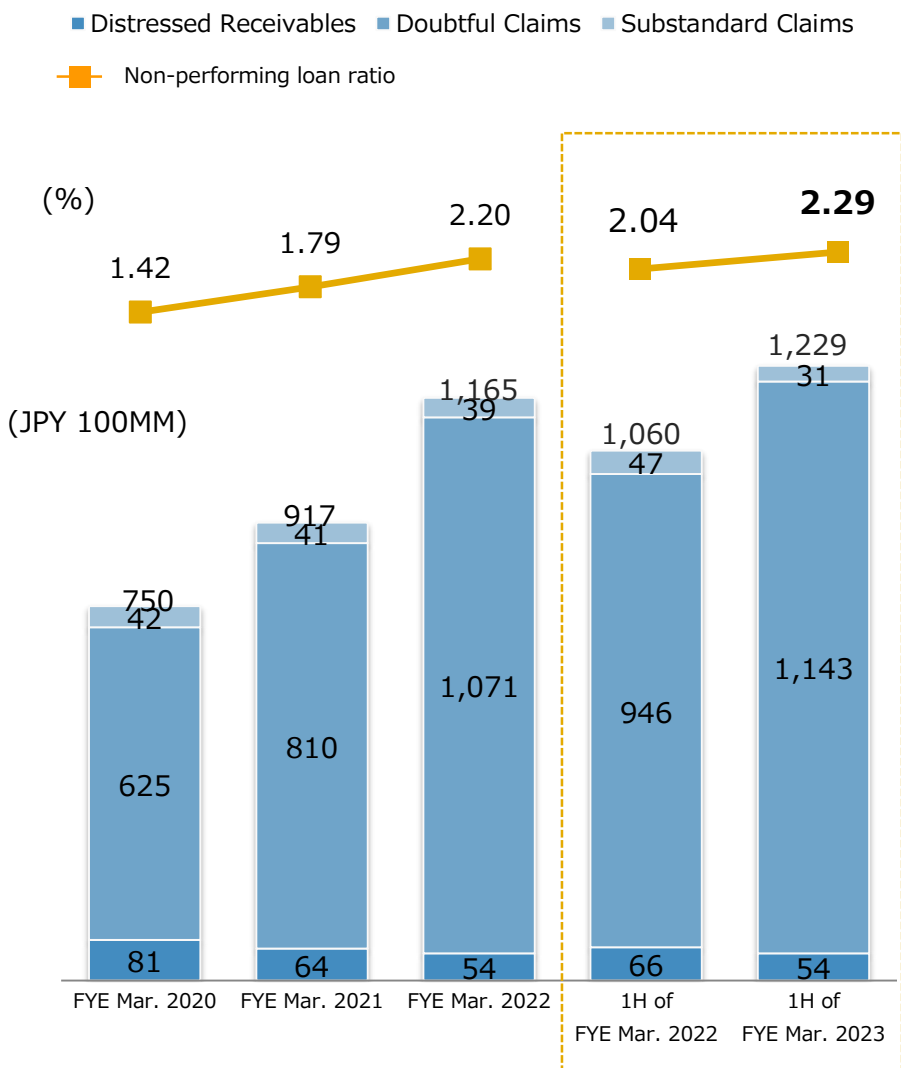
(Vs. March 31, 2022)

(JPY 100MM)

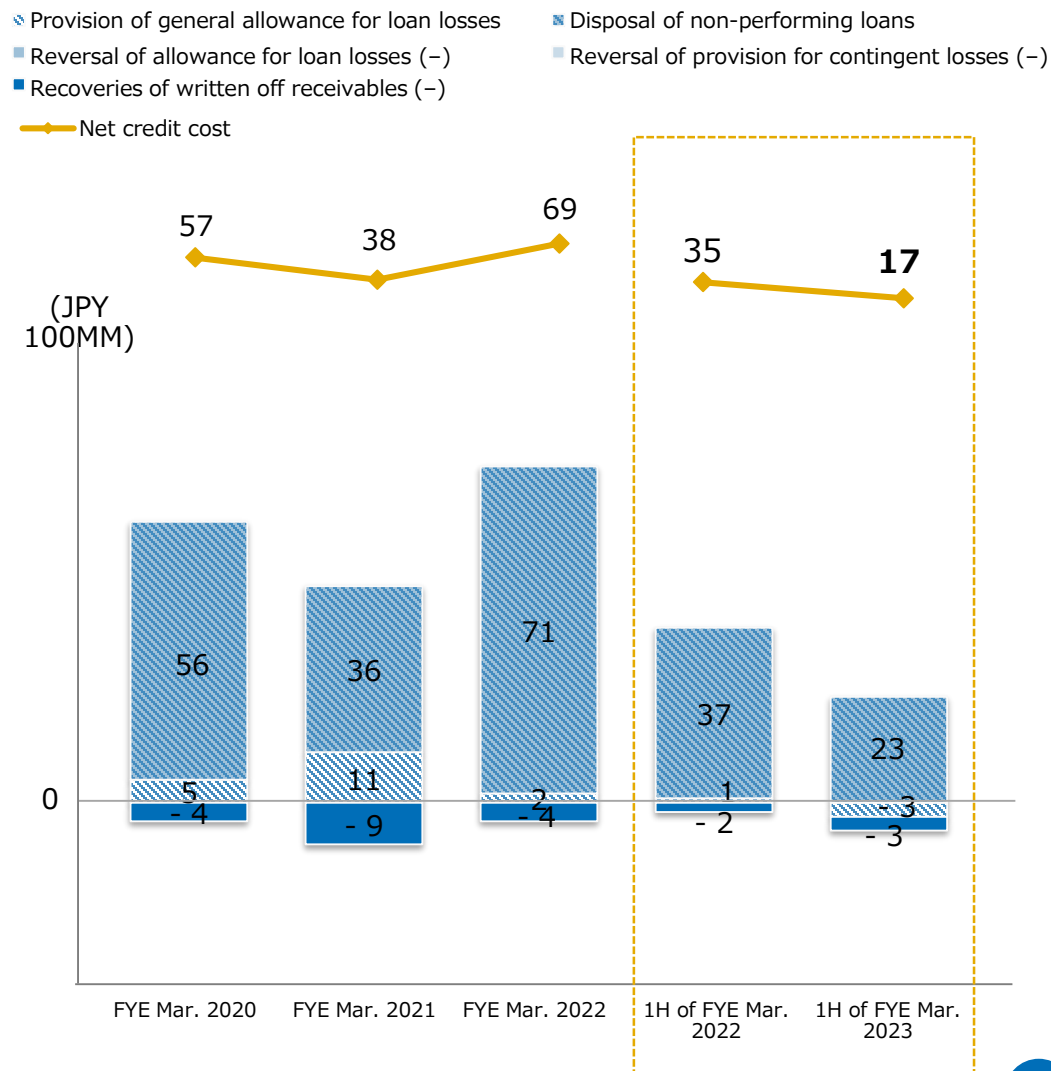
<b>Domestic bonds (yield: 0.29%)</b>	<b>- 711</b>
Purchase	1,957
Sale	- 1,711
Other (redemption, market value factors, etc.)	- 957
<b>Stocks (yield: 4.88%)</b>	<b>- 35</b>
Purchase	118
Sale	- 113
Other (write-offs, market value factors, etc.)	- 40
<b>Foreign securities (yield: 1.54%)</b>	<b>609</b>
Purchase	2,348
Sale	- 1,756
Other (redemption, market value factors, etc.)	16
<b>Other securities (yield: 3.44%)</b>	<b>41</b>
Purchase	2,142
Sale	- 1,926
Other (redemption, market value factors, etc.)	- 175

# Non-performing Loan Ratio & Net Credit Cost

## Non-performing loan ratio and amount



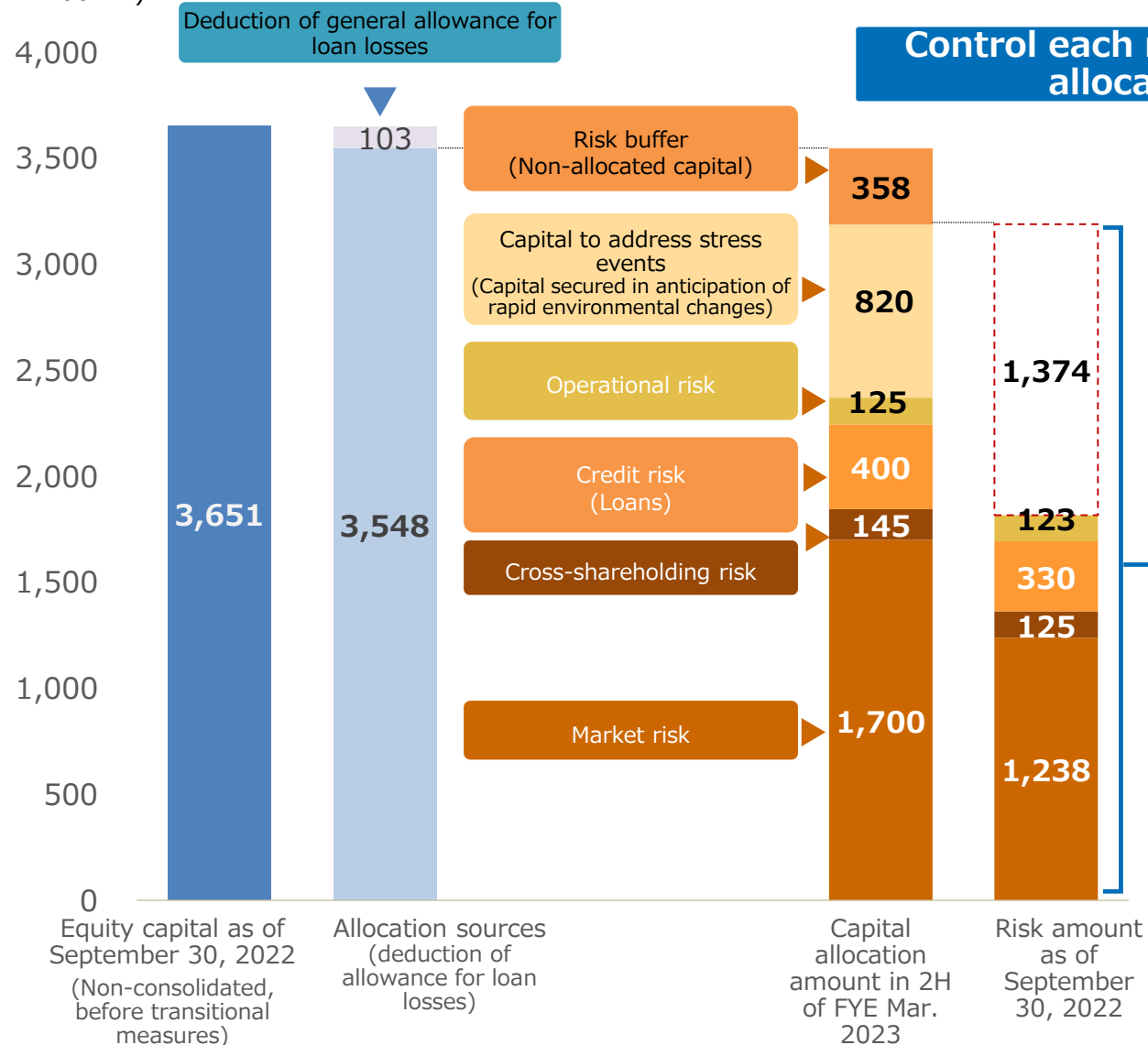
## Net credit cost





# Capital Allocation

(JPY 100MM)



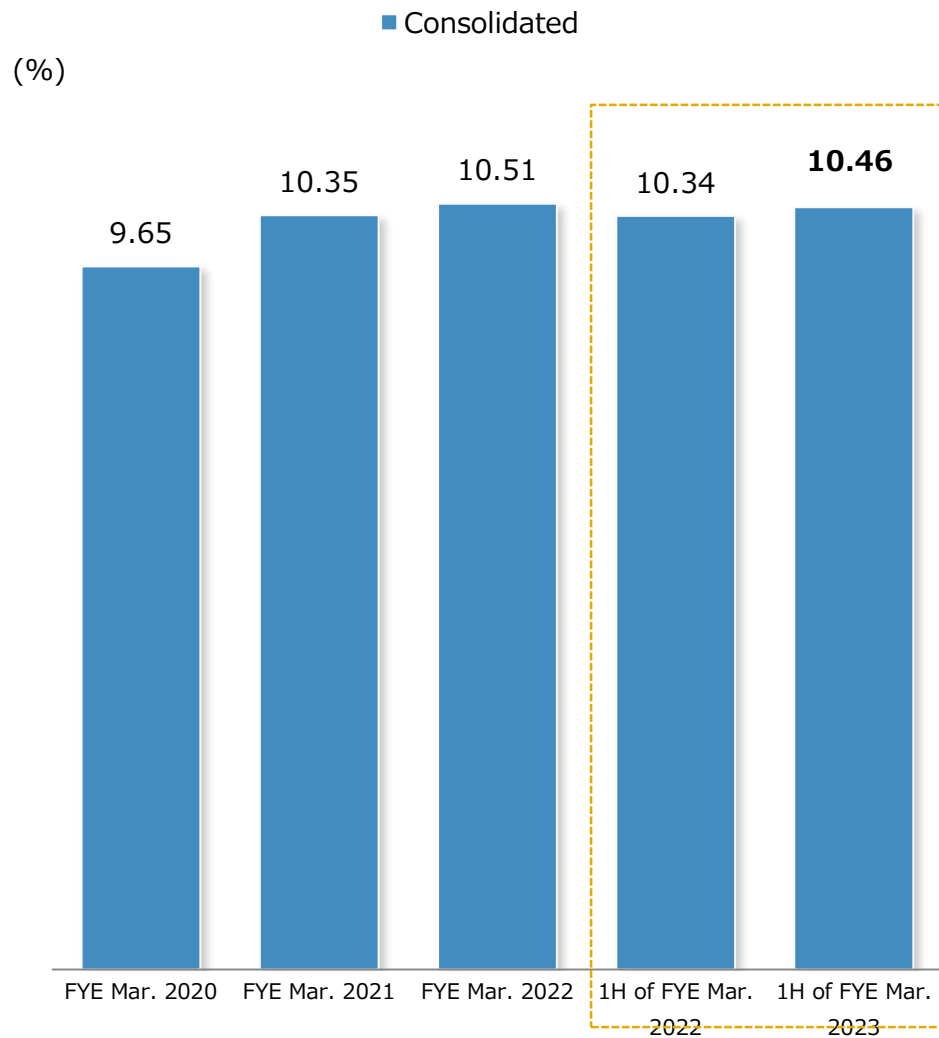
Control each risk amount within allocated capital

### Method to calculate risk amount

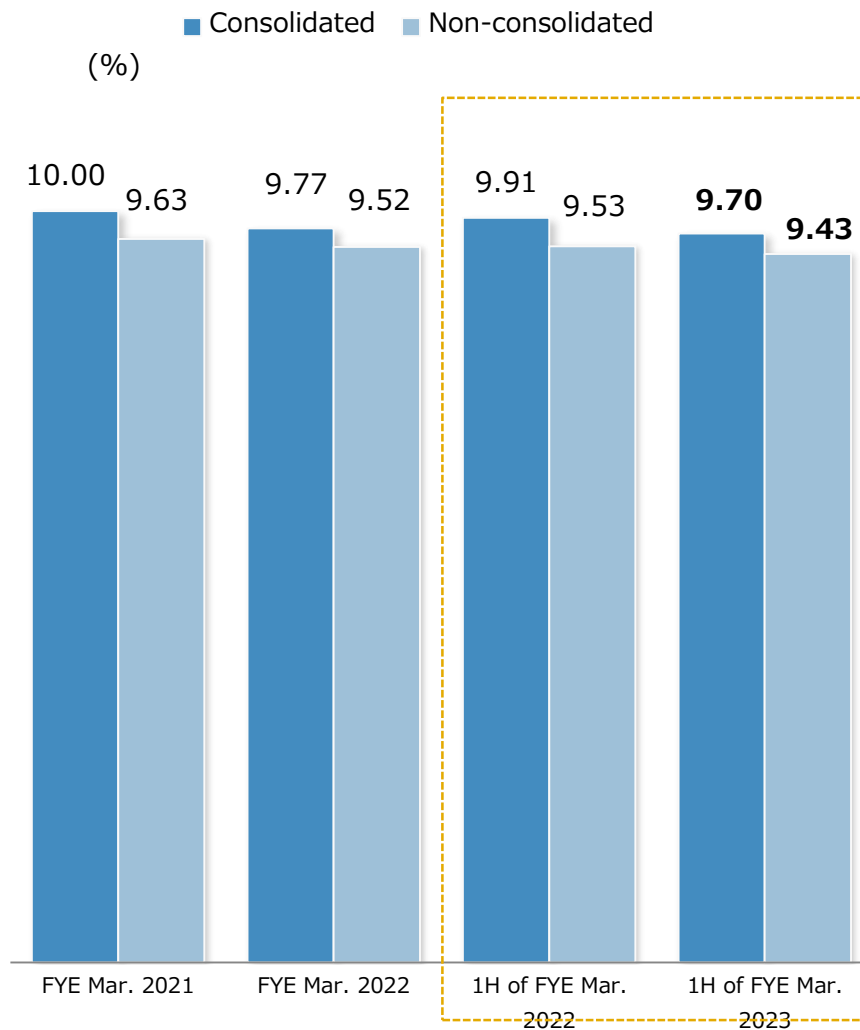
- Market risk, credit risk, and cross-shareholding risk
  - Confidence interval: 99% for all
  - Holding period: 1 year for loans, 6 months for non-loans
  - Risk amount = (VaR – Variation gains or losses) >= 0 for cross-shareholdings
- Operational risk
  - Standardized Approach

# Capital Ratio

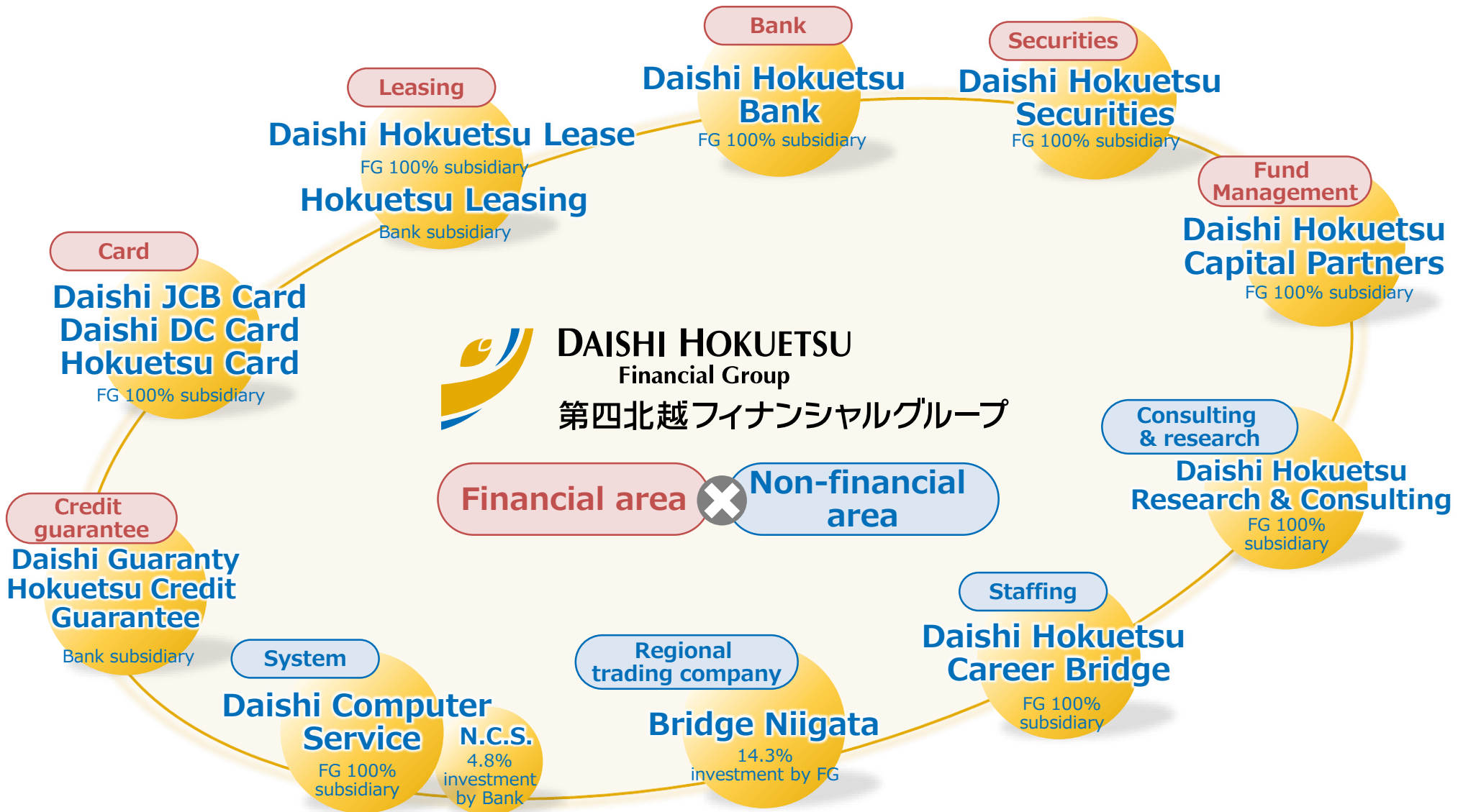
## FG Consolidated



## Daishi Hokuetsu Bank



# Financial Position of Group Companies (1)



# Financial Position of Group Companies (2)

(JPY MM)

Company	Main business activities	Capital	Net Sales (Operating)			Ordinary profit			Profit		
			1H of FYE Mar. 2022	FYE Mar. 2022	1H of FYE Mar. 2023	1H of FYE Mar. 2022	FYE Mar. 2022	1H of FYE Mar. 2023	1H of FYE Mar. 2022	FYE Mar. 2022	1H of FYE Mar. 2023
The Daishi Hokuetsu Bank, Ltd.	Banking	32,776	54,957	107,585	62,541	8,474	18,267	14,587	6,003	12,143	9,188
Daishi Hokuetsu Securities Co., Ltd.	Securities	600	2,955	5,665	2,426	1,537	2,811	985	1,063	1,959	487
Daishi Hokuetsu Career Bridge Co., Ltd.	Comprehensive HR consulting	30	74	154	88	36	74	21	28	60	17
The Daishi Guaranty Co., Ltd.	Credit guarantees	50	855	1,730	911	464	1,122	674	305	738	443
The Hokuetsu Credit Guarantee Co., Ltd.	Credit guarantees	210	436	962	284	398	893	214	280	689	147
Daishi Hokuetsu Capital Partners Co., Ltd.	Venture capital business	20	78	96	19	10	11	4	6	8	3
Daishi Hokuetsu Research & Consulting Co., Ltd.	Consulting; Socio-economic research and information	30	50	205	208	7	30	24	5	19	16
Daishi Hokuetsu Lease Co., Ltd.	Leasing	100	8,053	16,268	8,344	282	497	△ 187	187	329	△ 115
The Hokuetsu Leasing Co., Ltd.	Leasing	100	2,427	4,721	2,072	112	262	149	76	175	98
The Daishi Computer Service Co., Ltd.	Computer business	15	416	925	488	5	59	62	4	39	41
The Daishi JCB Card Co., Ltd.	Credit card and credit guarantees	30	737	1,669	792	195	592	240	131	393	160
The Daishi DC Card Co., Ltd.	Credit card services	30	398	827	442	33	87	26	22	57	17
The Hokuetsu Card Co., Ltd.	Credit card and credit guarantees	20	394	772	375	89	155	85	59	103	56

October 2021: Daishi Lease Co., Ltd. changed its trade name to The Daishi Hokuetsu Lease Co., Ltd. and became a wholly owned FG subsidiary; Daishi Management Consulting Co., Ltd. changed its trade name to Daishi Hokuetsu Capital Partners Co., Ltd. and became a wholly owned FG subsidiary; The Hokugin Economic Research Institute, Ltd. changed its trade name to Daishi Hokuetsu Research & Consulting Ltd. and became a wholly owned FG subsidiary  
 October 2022: The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Hokuetsu Card Co., Ltd., and The Daishi Computer Service Co., Ltd., became wholly owned FG subsidiaries



**DAISHI HOKUETSU**  
Financial Group

第四北越フィナンシャルグループ

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This document contains forward-looking statements. Such statements are not guarantees of future performance and involve risks and uncertainties. Please note that future results may differ from targets due to changes in the business environment and other factors.