

Corporate Logo and Corporate Color of the Daishi Hokuetsu FG

Corporate Logo



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 Daishi Bank and Hokuetsu Bank form a single massive surge, boldly challenging changes for the future and continuing to contribute to regional society.

Corporate Color



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.

Integrated Report 2022

DAISHI HOKUETSU INTEGRATED REPORT



DAISHI HOKUETSU Financial Group, Inc.

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This Disclosure Magazine is printed with vegetable oil ink.



The disclosure uses easy-to-read universal design font.



Daishi Hokuetsu FG and the TSUBASA Alliance have set SDGs Declarations.



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



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This section introduces the Daishi Hokuetsu FG's system for creating new value through our business activities.

This section introduces the new value being created by the Daishi Hokuetsu FG.

This section introduces our five strengths and business base for supporting new value creation, including governance and risk management systems.

[Editorial Policy]

Daishi Hokuetsu Financial Group has prepared this "DAISHI HOKUETSU INTEGRATED REPORT 2022" in order to help readers gain a better understanding of the company's initiatives aimed at sustainable value creation. When compiling this report, we have referred to the "International <IR> Framework," the Ministry of Economy, Trade and Industry's "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (Guidance for Collaborative Value Creation)," and other resources.

Regarding our Disclosure Magazine prepared in accordance with Articles 21 and 52-29 of the Banking Act and Article 7 of the Act on Emergency Measures for the Revitalization of the Financial Functions, please refer to "Disclosure Magazine 2022 (<https://www.dhfg.co.jp/financial/ir/disclo/>)" on the website of the company.

This report contains forward-looking statements, but these are not guarantees of future performance and may differ materially from actual results owing to changes in the business environment and other factors.

Environment
Social
Governance

価値協創
ガイドランス

[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.

- March 31, 2021, the fiscal year ended March 31, 2022, and March 31, 2022
Figures for Daishi Hokuetsu Bank
- 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 the fiscal year ended March 31, 2020 and for March 31, 2020
Simple sum of the figures for Daishi Bank and Hokuetsu Bank

*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" in this document.

*"QR Code," which is referenced in this document, is a registered trademark of DENSO WAVE INCORPORATED.

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Thank you very much for your continued support.

The Daishi Hokuetsu Financial Group (the “Group”) focuses on constructive dialogue (engagement) with all stakeholders, with a view to achieving the sustainable growth and medium- to long-term enhancement of corporate value expected under the Corporate Governance Code, as a company on the Prime Market, where a higher level of governance is required.

As part of these efforts, we have decided to overhaul our existing “Integrated Report and Disclosure Magazine” and publish it as our “Integrated Report.”

In the “Integrated Report,” in addition to the existing disclosure of financial information, we will also take steps to enhance the disclosure of non-financial information and sustainability initiatives in line with the Group’s medium- to long-term value creation story. Accordingly, we intend to use the “Integrated Report” as an engagement tool to promote constructive dialogue with stakeholders, and we hope you will enjoy reading it.

Going forward, we will continue to contribute to the development of regional society by providing new value based on our Management Philosophy, while placing importance on the “trust” of our stakeholders.

We look forward to your continued support and favor.



Message from Management

Building on the trust from the local community that we have built up over the past 140 years, we will achieve sustainable growth in the region.

Arrival of an Era of Great Change

The business environment surrounding the Group is becoming increasingly uncertain and changing from multiple perspectives, including the declining and aging population with a decreasing number of children, the normalization of ultra-low interest rates, and intensifying competition from other industries, as well as new risk factors such as the prolonged impact of COVID-19 in recent times and the emergence of geopolitical risks, which have caused spikes in the prices of energy

and materials, and rapid fluctuations in foreign exchange markets and interest rates. At the same time, the importance of sustainability, including digital transformation (DX) and climate change, is growing at an accelerating pace as digital technology advances.

As these changes overlap, we are currently in an era of great change, in which social and industrial structures, as well as the lifestyles of individuals, are undergoing significant change.



President and Representative Director

Michiro Ueguri

Our Management Philosophy is Our Story of Sustainable Value Creation

Eiichi Shibusawa, who established Japan's first bank (The First National Bank) in 1873, stated, "In all things, I think that those who use trust as the basis of things and do things in accordance with what is right will surely prosper, and those who take actions that violate what is right will surely

perish." This concept forms the basis of "sustainability management," which has recently been attracting attention around the world.

Daishi Hokuetsu Bank, the core company in the Group, has built a deep relationship of trust with the local community by continuing to contribute

to regional society for more than 140 years since its establishment in 1873. Today, we position “trust” as a core competence of the Group, and earning “trust” is part of the “Action Principles” in our Management Philosophy.

The “Mission” of the Group, which expresses our *raison d'être*, is also to “continue to contribute to the development of regional society.” In other words, building on the foundation of trust, we will repeatedly enter into deep dialogue (engagement) with our customers, and adopt a stance of boldly taking on challenge in this “era of

great change” and engaging in related study. In this way, we will develop an understanding of the increasingly diverse and complex issues and needs of our customers, and create and provide new value that exceeds expectations. As a result, the Group pursues cyclical and sustainable growth through the development of our customers and regional society, as well as the enhancement of our corporate value and the trust of stakeholders.

In this way, the Group's Management Philosophy clearly expresses our story of sustainable value creation.

Unity of Purpose: Our Slogan for Achieving our Management Philosophy

In April 2021, when I assumed the position of President, I adopted the phrase “unity of purpose” (“*isshi-danketsu*” in Japanese) as a slogan to enable all officers and employees to work together to achieve our Management Philosophy.

“Shi,” the Japanese for “purpose” in this slogan, refers to our Management Philosophy. “Shi” is a strong feeling that one “wants to achieve something or become something,” and I think that organizations in which each and every officer and employee has diverse values and mutually accepts one another tend to be resistant to environmental change and are likely to produce unexpected results, in a positive sense. Accordingly, I believe that we should all have our own individual “shi (purpose).” As we work in the Group, however, I hope that all officers and employees have the “Management Philosophy” as a set of shared values.

The Group was established in October 2018 through the management integration of Daishi Bank and Hokuetsu Bank, which were both based in Niigata Prefecture. The two banks subsequently merged in January 2021. Based on the long history of the two banks sharpening their skills through healthy rivalry since the late nineteenth century, “*ichi*” in our slogan (meaning “one” in Japanese) also refers to a group of people with the same purpose (“*shi*”) belonging to a single organization. In addition, the meaning of “*danketsu*” (“unity” in Japanese) is that all of us are keenly aware of our “*shi*,” i.e., our common purpose, and by working as one to achieve this purpose, we will enhance our collective strength as an organization and make significant use of the synergies generated

by our integration and merger. We have expressed these ideas as the slogan, “unity of purpose.”

In June of this year, approximately 90% of respondents to an employee survey answered that “harmony is progressing.” Based on the results of this survey, I believe that this slogan has now moved from “unity of purpose” in related to harmony between the employees of the two merged banks, to the next stage, namely “unity of purpose” in relation to employees with diverse attributes, such as officers and employees, different genders, branch managers and new employees, and new graduates and mid-career employees.

In addition, in order to further solidify our “unity of purpose,” I have taken the initiative in directly contacting employees to communicate my thoughts and ideas in my own words. In addition, I am creating opportunities to listen to the opinions of employees on an ongoing basis, and officers other than myself are also actively visiting sales offices, etc., and creating opportunities for direct dialogue with employees. In such ways, senior management and employees engage in regular and repeated dialogue.



Message from Management

Five Strengths that Enhance Our Ability to Create Value

In order for the Group to put our Management Philosophy into practice and achieve it as a sustainable organization, I believe it will be essential that we make the best possible use of our existing problem-solving functions (development) and expand our business domains (exploration) by taking advantage of the strengths we have accumulated to date.

1 Trust from the Local Community

Daishi Hokuetsu Bank, the core company in the Group, has built relationships of trust with the local community and grown together with regional society through the Meiji, Taisho, Showa, Heisei, and Reiwa eras by contributing to the development of the local economy while also responding to the ever-changing environment over the course of our long history of

For our strengths, we will first strengthen our ability to create value by leveraging our five core competencies: “1 trust from the local community,” “2 achieving three synergies (merger synergy, group synergy, and TSUBASA Alliance synergy),” “3 human resource capabilities,” “4 collective strength as an organization,” and “5 sound finance.”

more than 140 years.

The Group's greatest strength lies in our “relationship of trust with the local community,” which is of the utmost importance for regional banks. We believe this is the foundation for our provision of financial and information services and for achieving sustainable growth together with the local community.

2 Achievement of Three Synergies (Merger Synergy, Group Synergy, and TSUBASA Alliance Synergy)

In our 2nd Medium-Term Management Plan, launched in April 2021, we have set forth “achieving synergistic effects” as the most important theme for our new stage of further consolidating the results of our management integration and merger. Accordingly, we are working to achieve synergistic effects in the three areas of “merger synergy,” “group synergy,” and

“TSUBASA Alliance synergy.”

With regard to “merger synergy,” by sharing expertise, coordinating overlapping functions, and reallocating business resources, we will enhance our top line and reducing costs, thus strengthening our profit structure.

Specifically, we are simultaneously integrating



branches, streamlining head office, and reforming our sales office operations. As a result, in the last fiscal year, we made approximately 540 employees available, of which we strategically reassigned approximately 280 employees, excluding those who reached the mandatory retirement age, etc., to sales divisions, Group companies, and other operations. With regard to the reallocation of business resources, our progress in the first year was already approximately 60% of our three-year target in the medium-term plan.

Additionally, in order to maximize “merger synergy,” we have established the Structural Reform Promotion Committee, which is chaired by me, as an organization to promote “new structural reforms,” based on the three pillars of sales reform, sales office operations reform, and head office operations reform, and we are tackling these issues in a cross-organizational manner.

For “group synergy,” we are enhancing the solutions we offer in the non-financial sector through “Bridge Niigata,” a regional trading company established following our management integration, and “Daishi Hokuetsu Career Bridge,” a recruitment agency. We are also restructuring our Group companies to improve efficiency and strengthen their functions. In addition, in order to achieve further group synergy, we are implementing the PDCA cycle in a cross-organizational and multi-layered governance structure, such as holding monthly “Group Company Senior Management Meetings,” in which the Presidents of Group companies participate, and these efforts are steadily generating results. We believe that there is still significant room for growth through the use of

networks based on our “**1** trust from the local community,” and we will further strengthen efforts by the Group as a whole.

“TSUBASA Alliance synergy” refers to the achievement of synergies from the TSUBASA Alliance, which is a partnership of 10 major regional banks around the country, including the Daishi Hokuetsu Bank. The total assets of the banks participating in the Alliance is 96 trillion yen, making it one of the largest among regional banks, and we have expanded our partnership in all fields, including systems and administration, to build a very strong relationship. The synergies generated by the Daishi Hokuetsu Bank to date have reached a total of 8.4 billion yen, and we intend to further strengthen our partnership in response to issues such as climate change, an area where the importance of our initiatives will continue to increase in the future.

In December last year, we entered into the “Gunma-Daishi Hokuetsu Alliance” with Gunma Bank in a neighboring prefecture, and working groups in five fields are considering specific measures for partnership, such as “regional revitalization and tourism promotion utilizing geographical characteristics.” The synergy effects of this alliance through fiscal 2026 are expected to be 8 billion yen for the cumulative total of five years for both banks.

Going forward, we will further strengthen our partnerships in the TSUBASA Alliance and the Gunma-Daishi Hokuetsu Alliance, and expand the “TSUBASA Alliance Synergy.”

3 Human Resource Capabilities

At present, people are increasingly accepting the idea that spending on employees is not a cost in the way that we call them “personnel expenses,” but rather an investment in human capital to become a sustainable organization. In the Group, however, we have long been using the term “human resources” based on our belief that “employees are an important asset,” and we have been increasing our investment in human resources accordingly. Recognizing that human resources as a source of competitiveness are our most important asset (capital), we are working from multiple perspectives to develop human resources capable of contributing to the sustainable

growth of regional society while also accumulating the trust of our customers, through such measures as: (1) supporting growth through on-the-job training and various training programs, recurrent education, etc.; (2) developing systems that enable a variety of work-styles, such as part-time jobs and secondary jobs; (3) promoting health management; and (4) creating an environment where a diverse range of human resources, including women, seniors, and mid-career hires, can play an active role. We intend to continue to invest in human capital to strengthen our human resources and actively disclose information related to human capital.

Message from Management

4 Collective Strength as an Organization

In the merger between Daishi Bank and Hokuetsu Bank, which was a nationwide first as a merger of two regional banks with the largest and second largest market shares in the same prefecture, we successfully executed the merger using the complete integration method, which is considered to be more difficult because the merger and integration of systems and operations are conducted at the same time, in order to achieve the benefits of the merger as quickly as possible and return the fruits of the merger to the local community.

In 2020, the final year of this project, the unprecedented disaster of the COVID-19 pandemic struck, and we faced the adversity of having our actions severely limited, but as a result of the strong commitment of all officers and employees to do whatever they could to ensure the execution of the project, we were able to complete both the merger and the integration of systems and operations at the same time.

5 Sound Financial Position

In order to earn the trust of the local community, steady management is essential for financial businesses such as the Group. Over our history of more than 140 years, we have steadily strengthened our management foundations.

The company's capital adequacy ratio (consolidated) of 10.51% significantly exceeds the 4% level required by financial institutions under domestic standards, meaning that we maintain a sufficiently sound position. In addition, the Group's consolidated total assets amount to 10.6 trillion yen, while the loan balance at the Daishi Hokuetsu Bank is 5.1 trillion yen, and the deposit balance is 8.4 trillion yen, making us the largest financial institution in Niigata Prefecture in terms of both market share and the amount of these balances. Furthermore, we are among the leading financial institutions in Japan in terms of the size of our local market share. In this way, our solid business foundations and sound financial position enable us to achieve stable shareholder returns based on our policy for return to shareholders, in which we aim for a shareholder return rate of approximately 40%.

All officers and employees worked on this extremely difficult project with a "unity of purpose," sharing their pleasure and pain, and generating results together. In this way, I feel that our harmony as an organization and the unity of our mindset have advanced, and that we have been able to improve our "ability to execute plans." In addition, we have steadily improved our project management capabilities to manage and appropriately respond to complex projects such as mergers and the integration of systems and operations, and our accumulated expertise is now being utilized in various projects, such as "structural reform" and "initiatives for sustainable management" within the Group. We consider these capabilities to be part of our collective strength as an organization that implements the PDCA cycle, and a great strength for the Company. Going forward, we will continue to respond appropriately to the rapidly changing external environment, while also enhancing our collective strength as an organization.



Practicing Sustainability Management

In the past, many companies saw investment in the environment and society as a “trade-off” with the pursuit of profits, and viewed it as a cost to fulfill their social responsibilities. Now, however, with the growing importance of sustainability initiatives, such as responses to climate change, the idea of “trade-on” has been spreading rapidly. Under this approach, companies aim to balance the maintenance and improvement of the environment and society with economic growth and the sustainability of corporate activities. In May 2021, the Group established the “Sustainability Promotion Committee,” chaired by myself, with a view to appropriately fulfilling our social responsibilities and creating the sustainable society we seek to achieve. This committee has been engaged in discussions on sustainability initiatives, including responses to climate change issues, such as disclosure based on the TCFD recommendations. In December 2021, we also formulated and

announced the “Daishi Hokuetsu Financial Group’s Basic Sustainability Policy.” From this fiscal year, we have added “practicing sustainability management” as a basic strategy of our Medium-Term Management Plan, and have also established and announced investment and financing policies, targets, and CO₂ emissions reduction targets. As stated at the beginning of this report, however, there is no change to our basic Management Policy because the Management Philosophy and our approach to sustainability are connected at a fundamental level.

In the future, the Group will continue to take the initiative in sustainability management and lead local communities. We will enhance information disclosure regarding the Group’s initiatives and offer the expertise we have accumulated back to local communities. In this way, we will improve environmental and social value, as well as the Group’s corporate value.

Continue to Boldly Take on the Challenges of Changing Times

Since my appointment as President, I have visited more than 200 business partners and met directly with the Presidents of each company, while giving due consideration to the status of infections amid restrictions imposed owing to the COVID-19 pandemic. On these occasions, I received many comments, such as, “We have received proposals that are more useful than before the management integration.” This is a testament to the steady growth of our officers and employees, who carry out their daily activities with the mindset of “taking on the challenges of changing times and creating added value.” Accordingly, I am grateful to both our customers and our officers and employees. Encouraged by this, we will continue working to achieve our “ideal form” of being an organization that has a “unity of purpose,” which achieves significant collective strength far beyond the sum of its individual parts, through officers and executives sharing their trajectories toward even higher heights.

The Group will celebrate five years since our establishment in October 2023, and the Daishi Hokuetsu Bank will celebrate the 150th anniversary of its founding in November of the same year. Please follow the progress of the Group as we continue to boldly take on the challenges of changing times, based on the trust that we have built up over many years.

Ideal Form

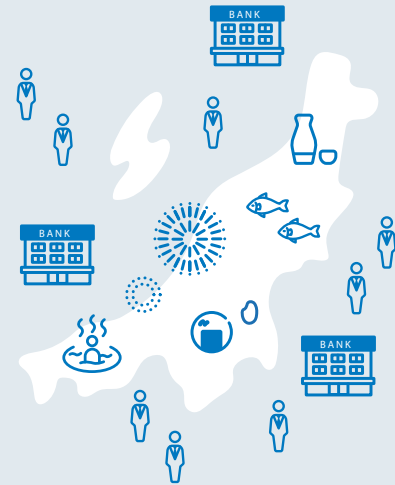
We establish ourselves as a financial and information services group that receives overwhelming support by creating new value through our financial intermediary function and information intermediary function, increasing the efficiency of management, and continuing to contribute to the growth of regional society.

July 2022

Overview of the Daishi Hokuetsu FG Business Area

Niigata Prefecture is the main market 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. The nominal gross product of Niigata Prefecture, which is equivalent to its GDP, ranks 16th in Japan (fiscal 2018), and it is 15th in Japan in terms of population (fiscal 2020). The region has substantial potential, including the area in the middle of the prefecture around Sanjo and Tsubame cities, where there is substantial transportation infrastructure and a concentration of companies with technologies that are praised around the world as hardware towns, as well as the Sado area, where a World Heritage site is expected to be registered, and tourism resources such as fireworks displays and hot spring resorts.

On the other hand, the rate of population decline has been faster than the national average, and the total population has been declining for 24 consecutive years since peaking in 1997. In addition, the startup rate remains low, with the prefecture 45th in Japan (in fiscal 2019), and the tourism industry faces many challenges, such as the prolonged impact of COVID-19. Based on these characteristics of Niigata Prefecture and the issues it faces, the Company will create new value in order to continue contributing to the development of regional society based on our Management Philosophy.



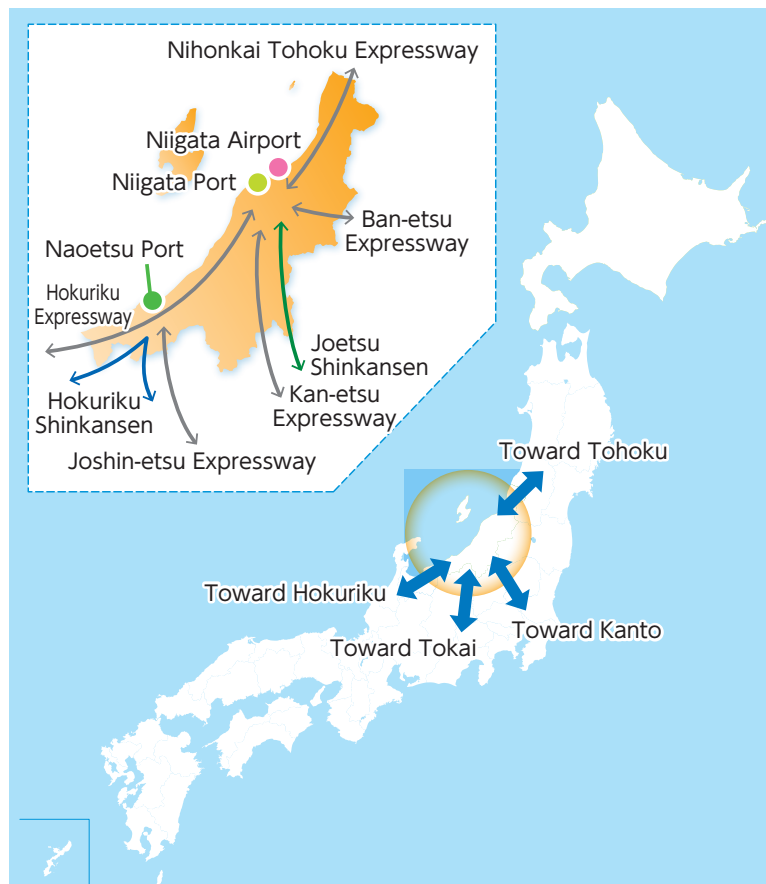
*Figures are quoted from the websites of the Ministry of Internal Affairs and Communications website, the Cabinet Office, and Niigata Prefecture.

Characteristics of Niigata Prefecture

Substantial Transportation Infrastructure

Niigata Prefecture's substantial high-speed transportation infrastructure, etc., enables quick and efficient access from Kanto, Kansai, Tohoku, and other areas.

Advantages of transportation network	
↔	Highways stretching out in five different directions (Kan-etsu, Hoku-riku, Joshin-etsu, Ban-etsu, and Nihonkai Tohoku)
↔	Joetsu Shinkansen Hokuriku Shinkansen Conventional railroad lines such as the Shin-Etsu Line, Hoku-riku Line, and Uetsu Line
●	Niigata Airport Domestic routes: 9 (New Chitose, Narita, Chubu Centrair International, Komaki, Itami, Kansai International, Kobe, Fukuoka, Naha) International routes: 6 (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taipei) *International flights are suspended owing to the impact of COVID-19
●	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, 2022

■ Thriving Agricultural Industry Thanks to the Abundant Natural Environment

Niigata Prefecture is surrounded by many rivers and mountains, including the Shinano River, the longest river in Japan, and has long been a region with thriving agriculture thanks partly to its relatively good weather from spring to summer.

The amount of rice produced in Niigata Prefecture amounts to 150.3 billion yen, the highest in Japan, and the amount of sake consumed (per adult) is 8.6 liters, also the highest in Japan. (Fiscal 2020)



■ Characteristic Industries Backed by Advanced Metalworking Technology

The Tsubame-Sanjo area is one of the leading centers of metalworking in Japan.

This area's domestic share of the Western metal tableware market, such as spoons and forks, exceeds 90%. In addition, its high quality has earned it a good reputation around the world, including cutlery from the area being used at the Nobel Prize banquet, and products from Tsubame being used as souvenirs for the leaders of other countries at APEC (Asia-Pacific Economic Cooperation).

In recent years, there have been an increase in the number of facilities where visitors can enjoy factory tours and experience the skills that craftsmen have cultivated over many years, as well as the ideas that have been passed down to them, in actual hands-on experiences, and there has increasing anticipation surrounding these facilities as a tourism resource.



■ Abundant Tourism Resources

In this section, we introduce some of Niigata Prefecture's abundant tourism resources.



Sado

Sado is Japan's largest remote island, attracting approximately 500,000 tourists every year. The gold and silver mines that flourished mainly during the Edo period (17th century to late 19th century) are expected to be registered as a World Cultural Heritage site. In addition, in April 2022, the Ministry of the Environment designated Sado City as a "Decarbonization Leading Area," and the city is actively working to achieve carbon neutrality by 2050.

Fireworks Displays

Fireworks displays are held in various parts of Niigata Prefecture. In particular, the fireworks displays held in Nagaoka, Katakai, and Kashiwazaki are known as the "three great fireworks displays of Echigo." Of these, the Nagaoka fireworks display is held in memory of those who have died, and in prayer for restoration and peace, and it attracts more one million or more visitors over the two days it is held.



Hot Spring Resorts, Ski and Snowboard Resorts

There are 144 hot spring resorts with accommodation facilities in Niigata Prefecture, meaning the prefecture ranks third in Japan on this metric. It also boasts the third highest number of ski and snowboard resorts in Japan.



Issues Facing Niigata Prefecture

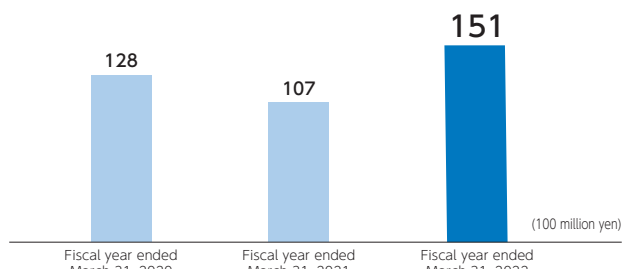
Although Niigata Prefecture has a sizable economy, its total population peaked at 2.49 million in 1997, and has been decreasing for 24 consecutive years. As of October 2021, the total population was 2.17 million. On the other hand, the percentage of elderly people (65 years or older) has been increasing year by year, and now stands at 33.4%.

In addition, the startup rate in Niigata Prefecture (fiscal 2019) was 2.7%, lower than the national average of 4.3%, and ranked 45th in Japan.

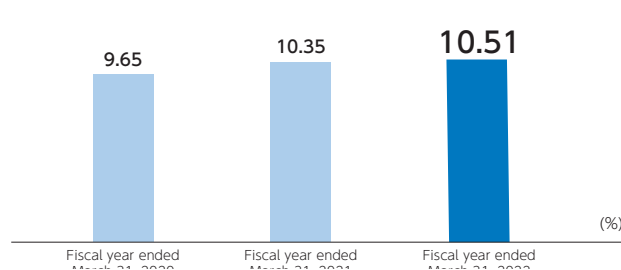
Financial Highlights

Daishi Hokuetsu FG (Consolidated)

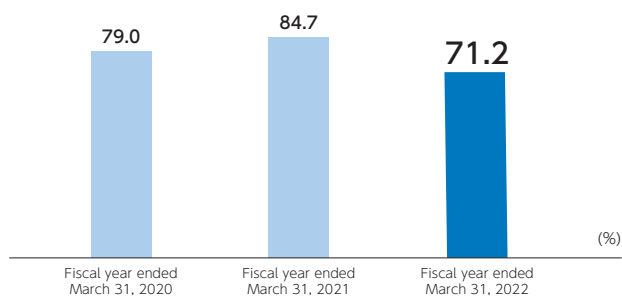
Net income reverting to parent company shareholders **151 million**



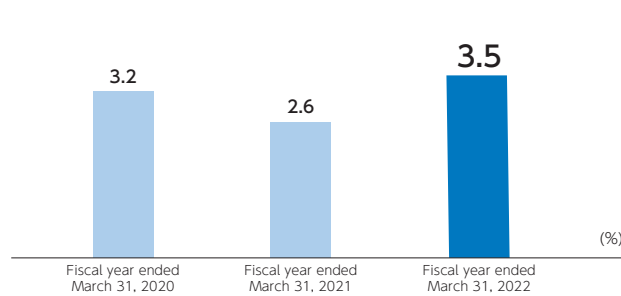
Capital adequacy ratio **10.51 %**



OHR (expense ratio) **71.2 %**

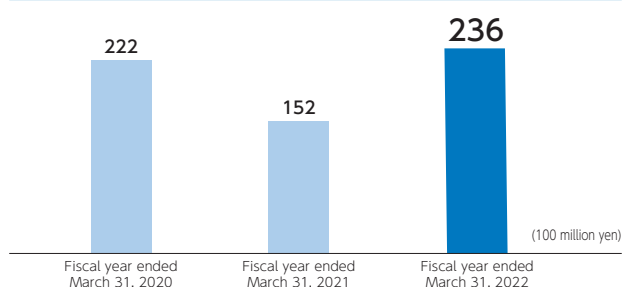


ROE **3.5 %**

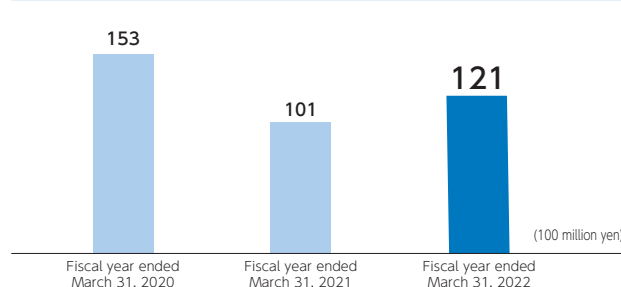


Daishi Hokuetsu Bank (Non-Consolidated)

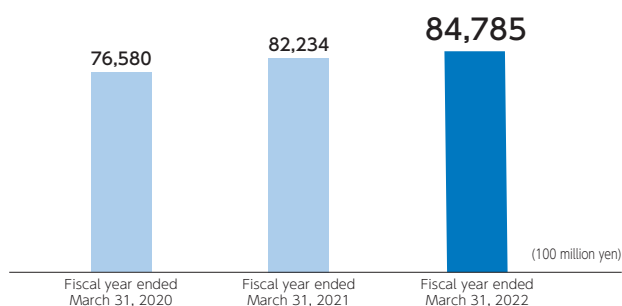
Core business net profit **236 million**



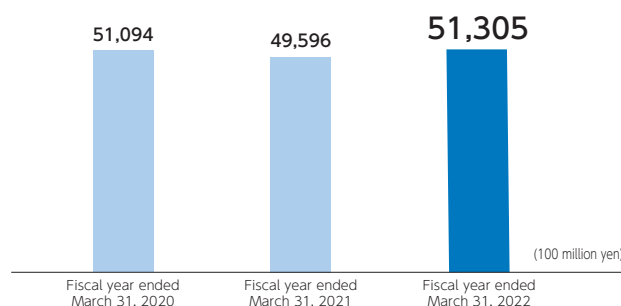
Net Income **121 million**



Deposit balance **84,785 million**



Loan balance **51,305 million**



Non-Financial Highlights



Customers

Business startups or re-startups
(FY2021)

1,704

Number of companies supported in business succession
(FY2021)

1,628

Number of companies supported in M&A
(FY2021)

43

Number of cases of HR support
(FY2019 to FY2021)

1,104

(*Actual result at Daishi Hokuetsu Career Bridge)

Number of cases of support for sales channel development
(FY2019 to FY2021)

497

(*Actual result at Bridge Niigata)

Number of cases of productivity improvement support
(FY2019 to FY2021)

99

(*Actual result at Bridge Niigata)



Regional Society

Donations through donation-type private placement bonds
(FY2013 to FY2021)

¥170 million

Number of students being issued scholarships from the Daishi Hokuetsu Scholarship Association
(FY1962 to FY2021)

1,218

Number of participants in financial education activities
(FY2013 to FY2021)

12,146



Employees

External evaluation of Health and Productivity Management

5 years of continuous certification



External assessment of support for child rearing



External assessment of active participation of women



“Eruboshi Level III Certification”


History of the Daishi Hokuetsu Financial Group

Since our founding in 1873, we have quickly and accurately identified the issues facing our customers and society as they have changed with the times, and we have continued to provide financial and information services aimed at solving

History of the company


1873

The Fourth National Bank of Japan founded
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.




1878

The Sixty-Ninth National Bank of Japan founded
After the end of the Boshin War, founded in current-day Nagaoka City in order to promote economic growth.




1942

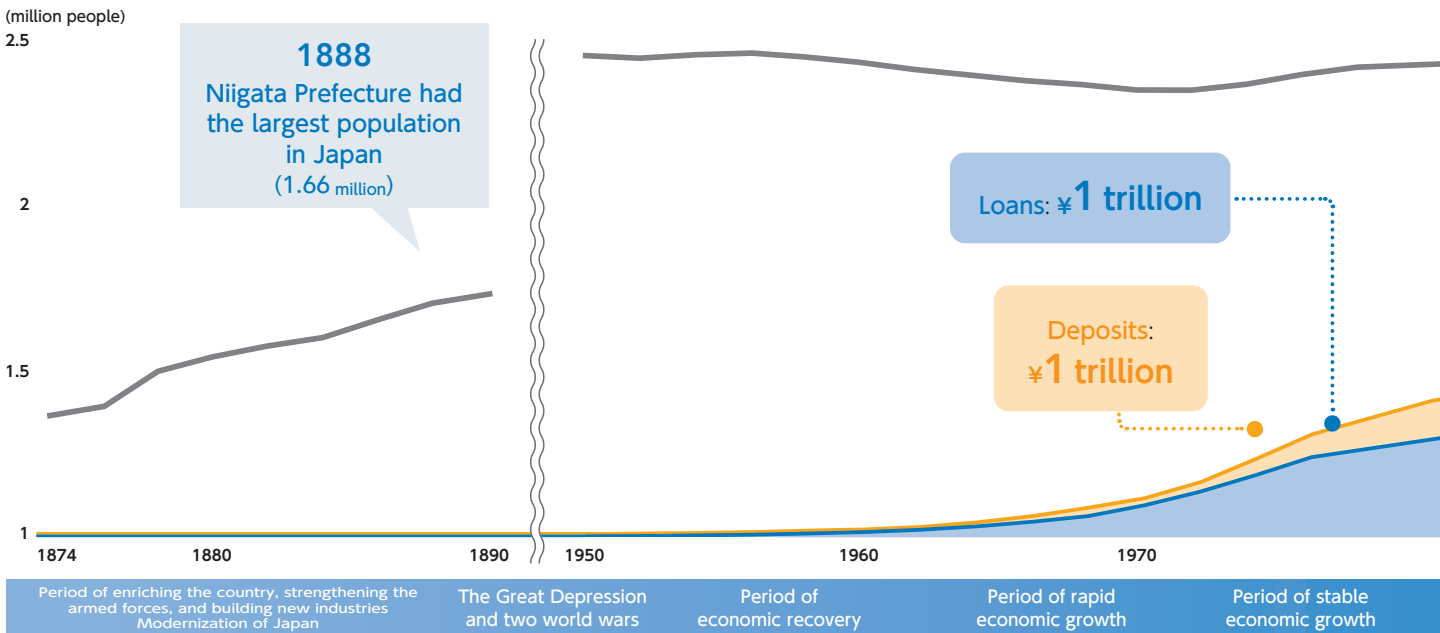
The Nagaoka Sixty-Ninth Bank established
Established via a merger by The Sixty-Ninth Bank and The Nagaoka Bank.



1896

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





Developments in Niigata Prefecture

1868: Opening of Niigata Port (one of five ports opened)

1871: Creation of Niigata Prefecture as part of the abolishment of feudal domains and establishment of prefectures

1876: Building of Chosei Bridge (Nagaoka City)

1880: Great fire of Niigata

1886: Building of Bandai Bridge (Niigata City)

1945: Bombing of Nagaoka City

1964: National Sports Festival in Niigata

1964: Niigata earthquake

1973: Niigata Airport became an international airport

these issues. This has enabled us to earn the trust of stakeholders while achieving sustainable growth and increasing our corporate value.

1948
Corporate name changed to The Hokuetsu Bank

2018
Birth of the Daishi Hokuetsu Financial Group

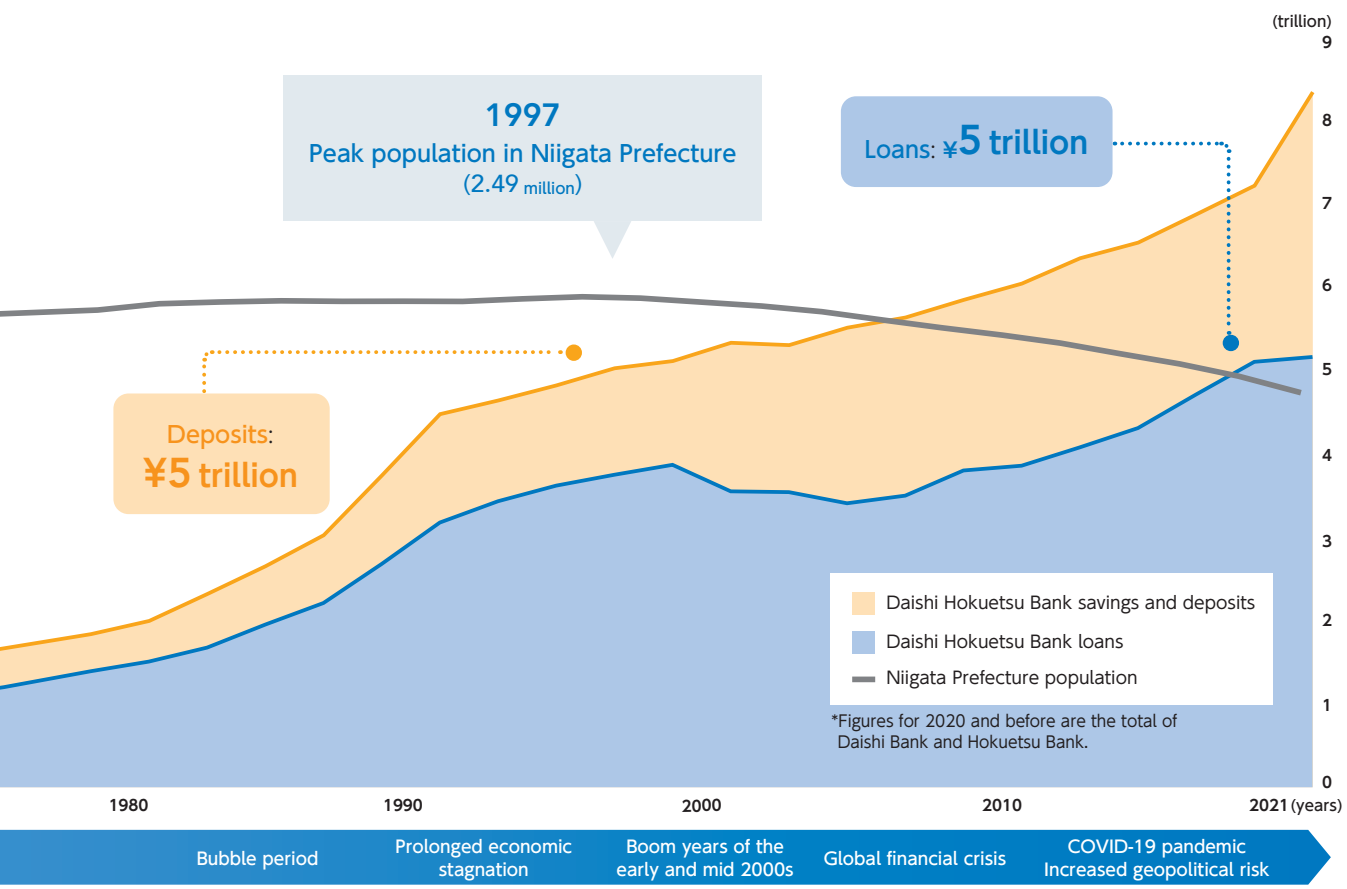



DAISHI HOKUETSU
 Financial Group
 第四北越フィナンシャルグループ

2021
Birth of the Daishi Hokuetsu Bank




第四北越銀行
 DAISHI HOKUETSU BANK



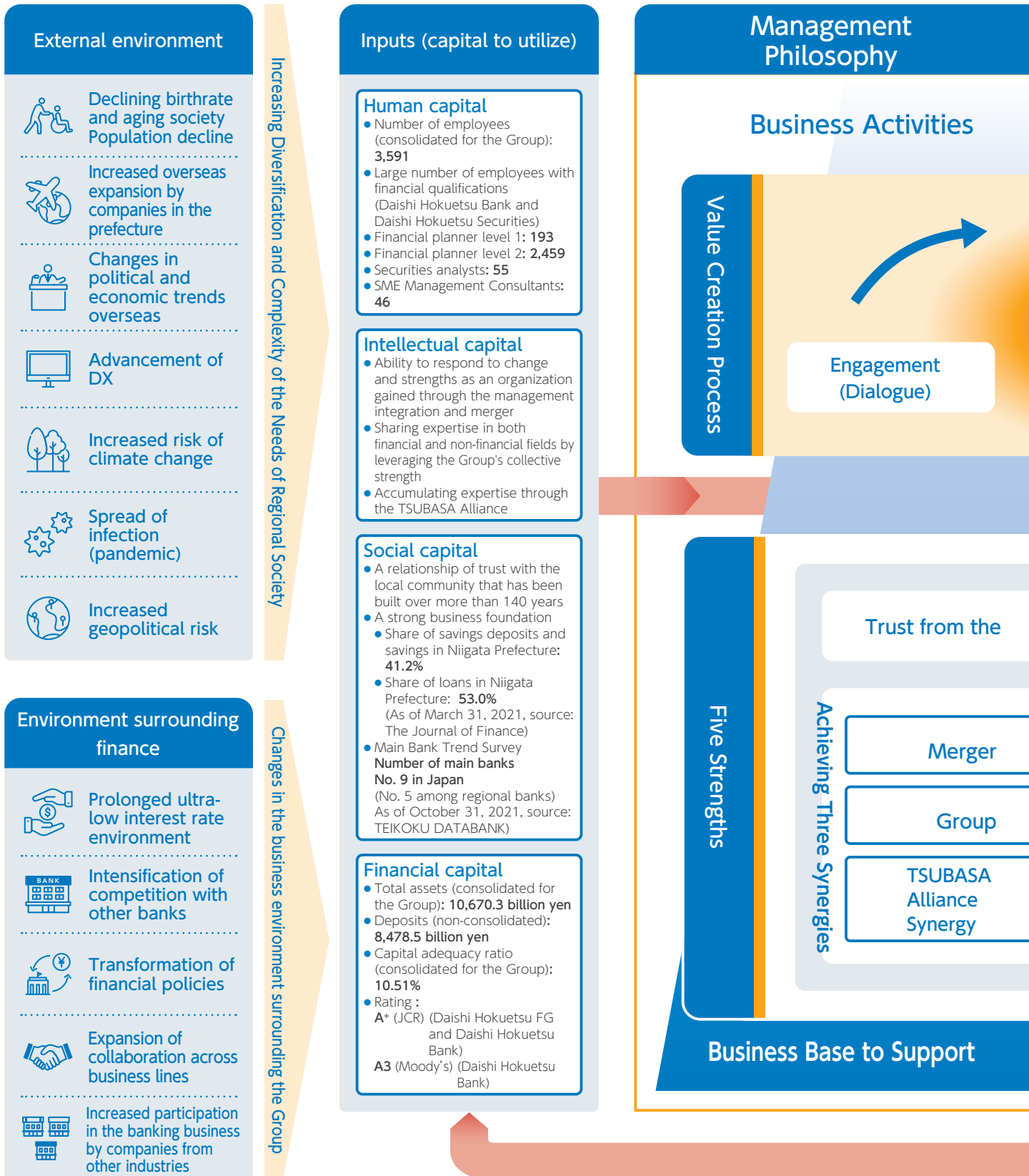
Continue to contribute to the development of regional society

- 1982:** Opening of Joetsu Shinkansen
- 1988:** Opening of the entire Hokuriku Expressway was opened
- 1997:** The entire Hokuetsu Line on the Ban-etsu Expressway was opened
- 2004:** 7/13 flood damage and Chuetsu earthquake
- 2007:** Chuetsu offshore earthquake and Niigata City became a city designated by government ordinance
- 2009:** National Sports Festival in Niigata
- 2011:** Great East Japan Earthquake
- 2018:** The temperature exceeded 40 degrees Celsius for the first time in the prefecture's history
- 2020:** Nationwide declaration of a state of emergency in relation to the COVID-19 pandemic
- 2021:** "Sado Island Gold Mine" nominated as a UNESCO World Heritage Site

Value Creation Story

Overview of Value Creation Story

As the external environment changes, the needs of regional society are becoming more diverse and complex, and the business environment surrounding the company is undergoing significant changes.



Based on our Management Philosophy, the company is boldly taking on the challenge of change, and creating new value through business activities that leverage our strengths.

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

Aimed at Creating New Value

Consulting

Continue boldly taking on the challenge to create new value

Offering solutions

- Financial sector
- Non-financial sector

Provide services that live up to the expectations of customers

Local Community

Details p.38

Human Resource Capabilities

Details p.42

Synergy

Details p.38

Collective Strength as an Organization

Details p.47

Synergy



Sound Financial Position

Details p.48

New Value Creation Trusted financial group

Provide value to stakeholders (Outcome)

Continue to contribute to the development of local communities

Customers

- Business development by improving profitability and productivity
- Achieving an affluent lifestyle through asset building
- Increasing convenience through DX

Regional Society

- Creating a sustainable regional society through solutions to environmental and social issues

Shareholders

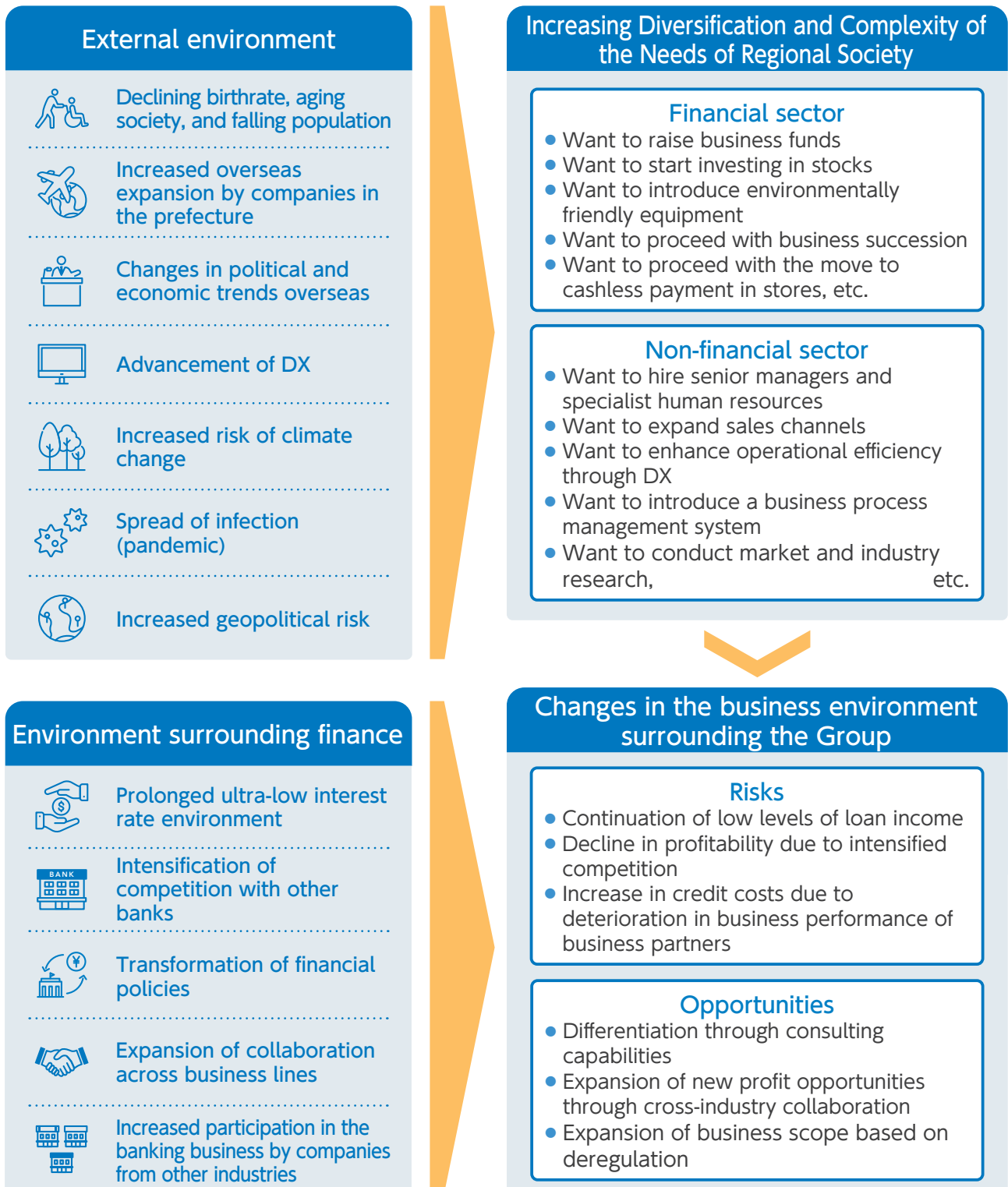
- Stable returns to shareholders
- Enhancing corporate value through timely and appropriate information disclosure and constructive dialogue

Employees

- Developing a workplace environment where employees can feel job satisfaction and work with peace of mind
- Workplace where each employee can grow

Increasing Diversification and Complexity of the Needs of Regional Society and Changes in the Business Environment Surrounding the FG

As the external environment changes, the needs of regional society are becoming more diverse and complex, and the environment surrounding the company is undergoing significant changes.

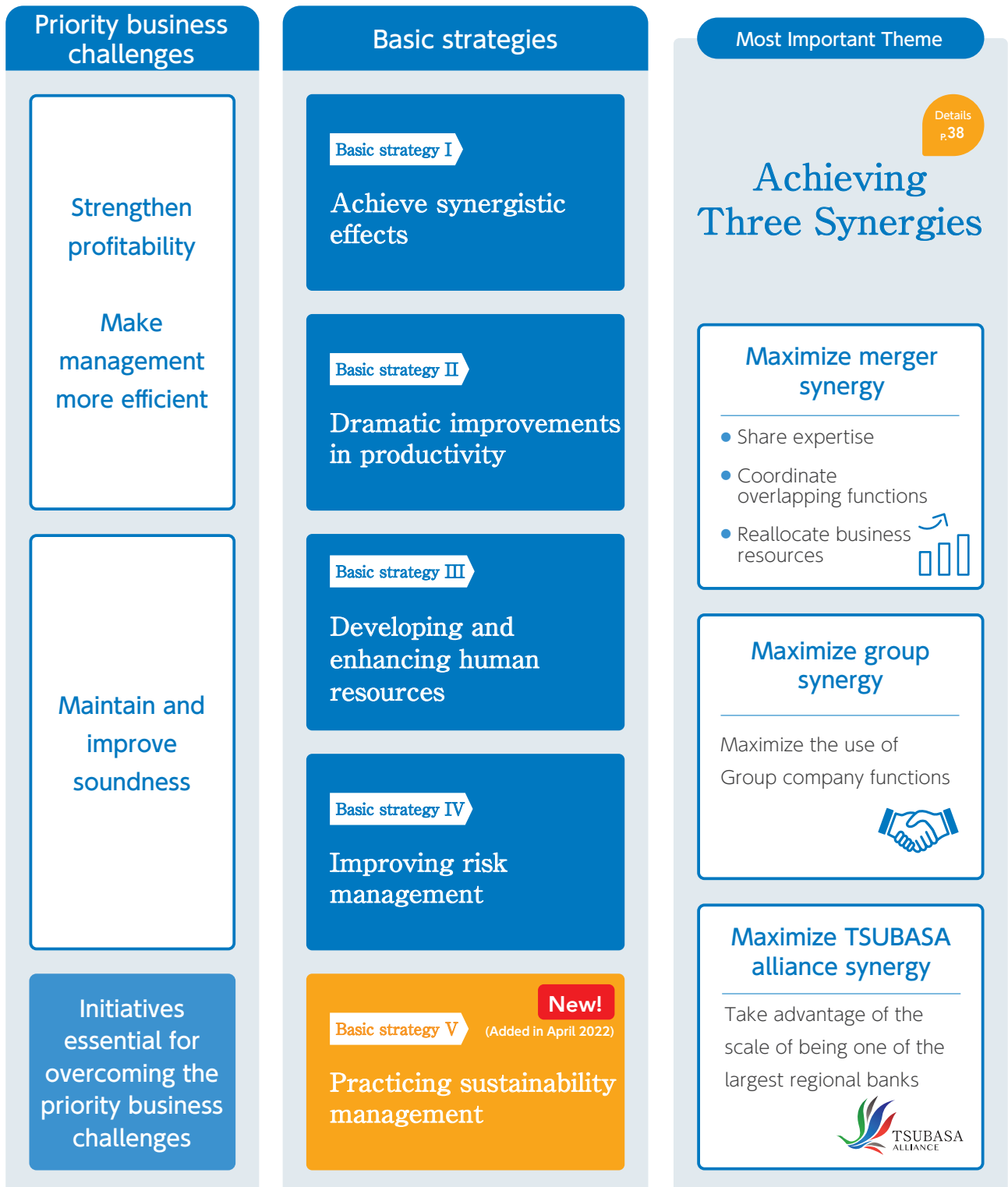


The 2nd Medium-Term Management Plan

(Plan period: April 2021 – March 2024)

Since April 2021, the company has been focused on the 2nd Medium-Term Management Plan, based on the overriding theme of "three synergies," as we aim to create new value that meets the increasingly diverse and complex needs of regional society.

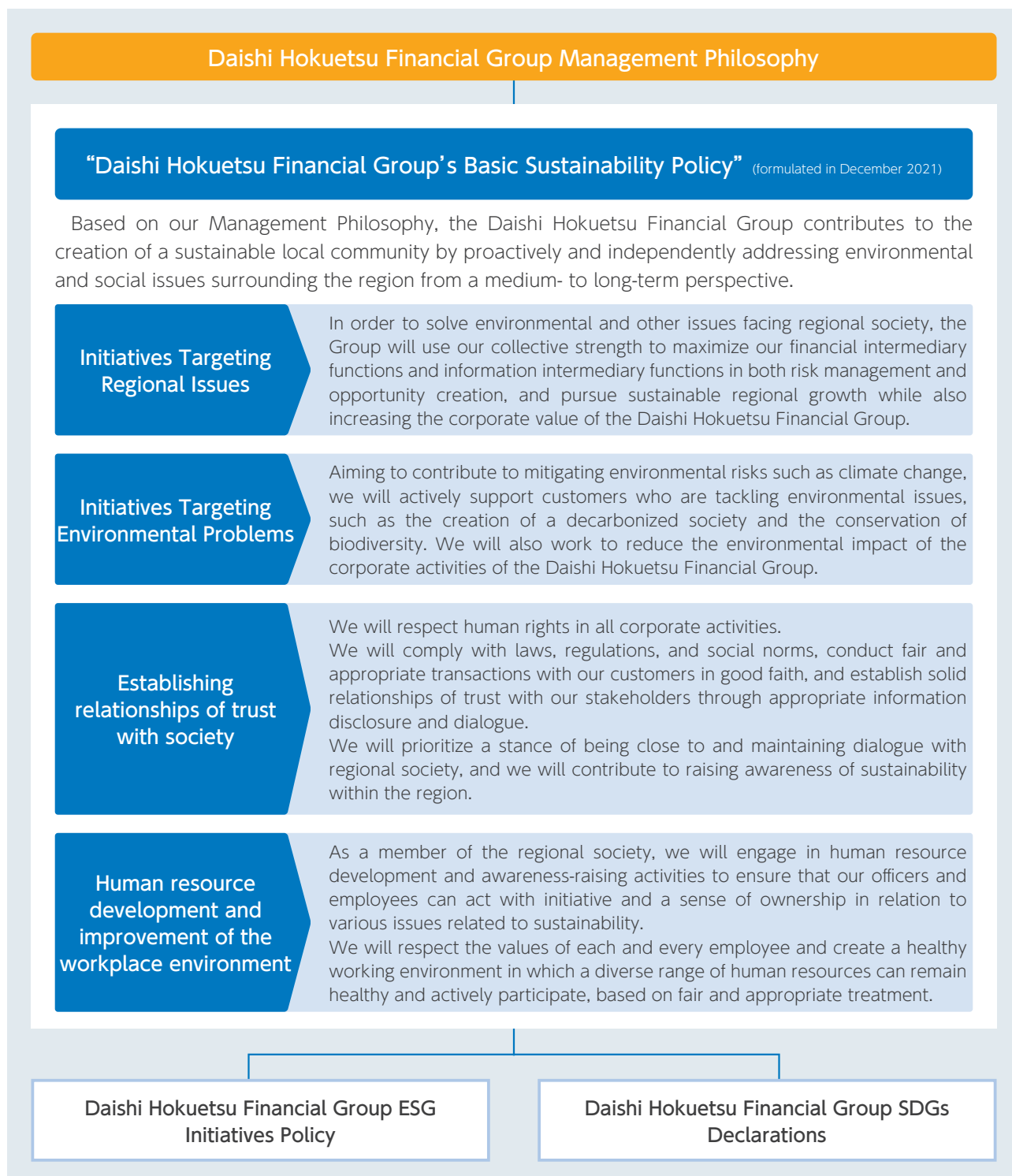
Furthermore, in April 2022, in line with the growing importance of addressing sustainability issues, we added "practicing sustainability management" as the new fifth basic strategy of the 2nd Medium-Term Management Plan.



Sustainability Initiatives

Sustainability Initiatives

With developments related to sustainability, including measures to tackle climate change, gaining momentum both in Japan and overseas, the Group formulated the “Daishi Hokuetsu Financial Group’s Basic Sustainability Policy” (the “Basic Sustainability Policy”) in December 2021 in order to clarify our stance and initiatives, and the Group is working as a whole to promote sustainability initiatives aimed at solving environmental and social issues facing the region.



Provision of Consulting Solutions to Promote Sustainability and SDG Initiatives

In order to promptly respond to the increasingly diversified needs of our customers in relation to sustainability and the SDGs, we have appointed persons in charge of sustainability promotion at all branches, and we are actively providing solutions from both financial and non-financial perspectives in cooperation with our head office and external organizations.

< Main initiatives and results >



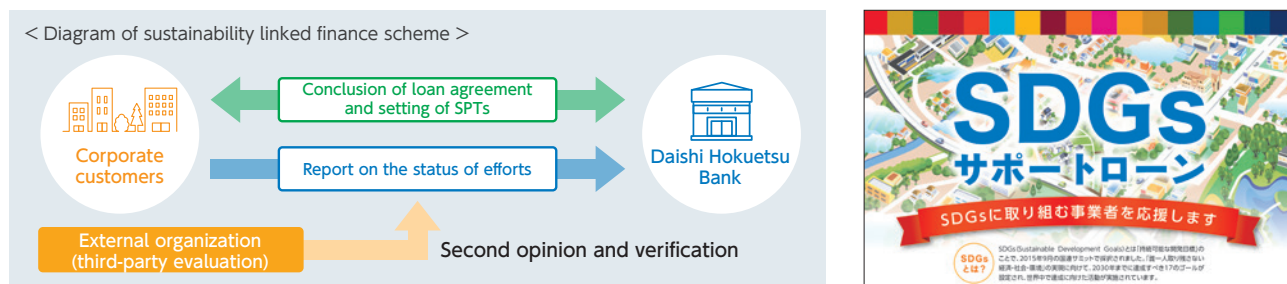
■ Began Offering Daishi Hokuetsu SDGs Consulting Service

The Daishi Hokuetsu Bank began offering the "Daishi Hokuetsu SDGs Consulting Service" in September 2021, in order to support efforts to achieve the SDGs in the region. In this service, we diagnose corporate clients' efforts to achieve the SDGs and provide consulting based on the results. We also support clients creating their own SDGs declarations. As of the end of June 2022, we had provided support to a total of 58 companies creating their own SDGs declarations since the launch of the service.

■ Launch of Sustainable Finance Products

In August 2021, Daishi Hokuetsu Bank began offering "Sustainability Linked Finance," in which customers set targets (SPTs) related to the SDGs and ESG, and the applicable interest rate and other terms of the loans or private placement bonds fluctuate according to the level of achievement of those targets. This product is designed such that an external organization will evaluate (third-party evaluation) the appropriateness of clients' SPTs, etc., and by obtaining an objective evaluation, companies can effectively publicize their efforts to stakeholders.

In March 2022, we also began offering "SDGs Support Loans" for SMEs working to achieve the SDGs. With this product, customers raising funds specify initiatives that they will implement in order to achieve the SDGs, and we will provide support for customers to achieve the initiatives that they have specified, including various services through collaboration with Group companies, and the introduction of external experts.



Sustainability Initiatives

Responding to Climate Change (Initiatives Targeting Climate Change Based on the TCFD Recommendations)

In recent years, damage from extreme weather events and large-scale natural disasters around the world has increased in scale. In Japan, heavy rain, typhoons, and other events have caused significant damage, contributing to the growing impact of climate change on corporate business activities.

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. Accordingly, we are accelerating our efforts to create a decarbonized society and working to enhance information disclosure on climate change in line with these recommendations.

*TCFD (Task Force on Climate-related Financial Disclosure): A private-sector-led task force that encourages the corporate disclosure of climate-related information, established by the Financial Stability Board (FSB) in December 2015.

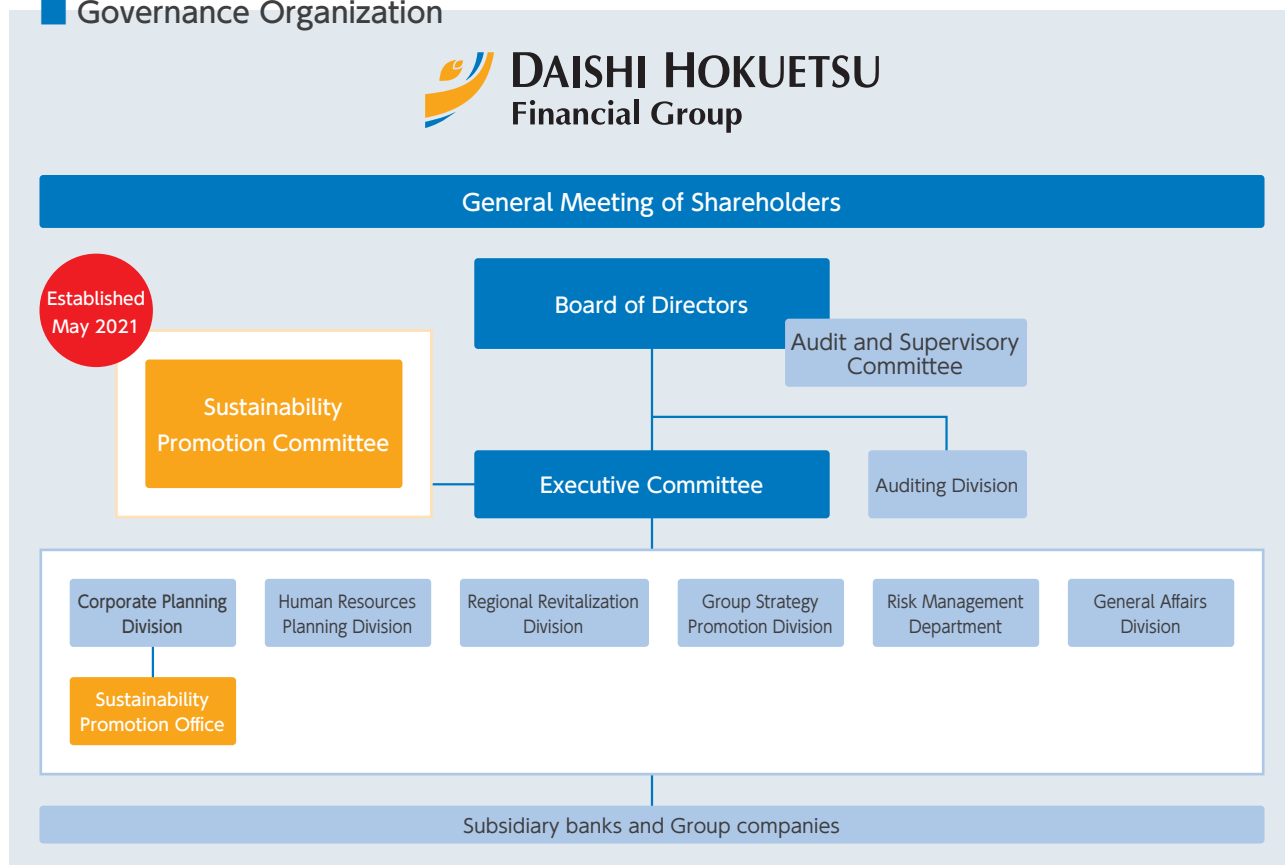
Process 1 Governance

Recommended Disclosure in the TCFD Recommendations The Organization’s Governance Around Climate-related Risk and Opportunities

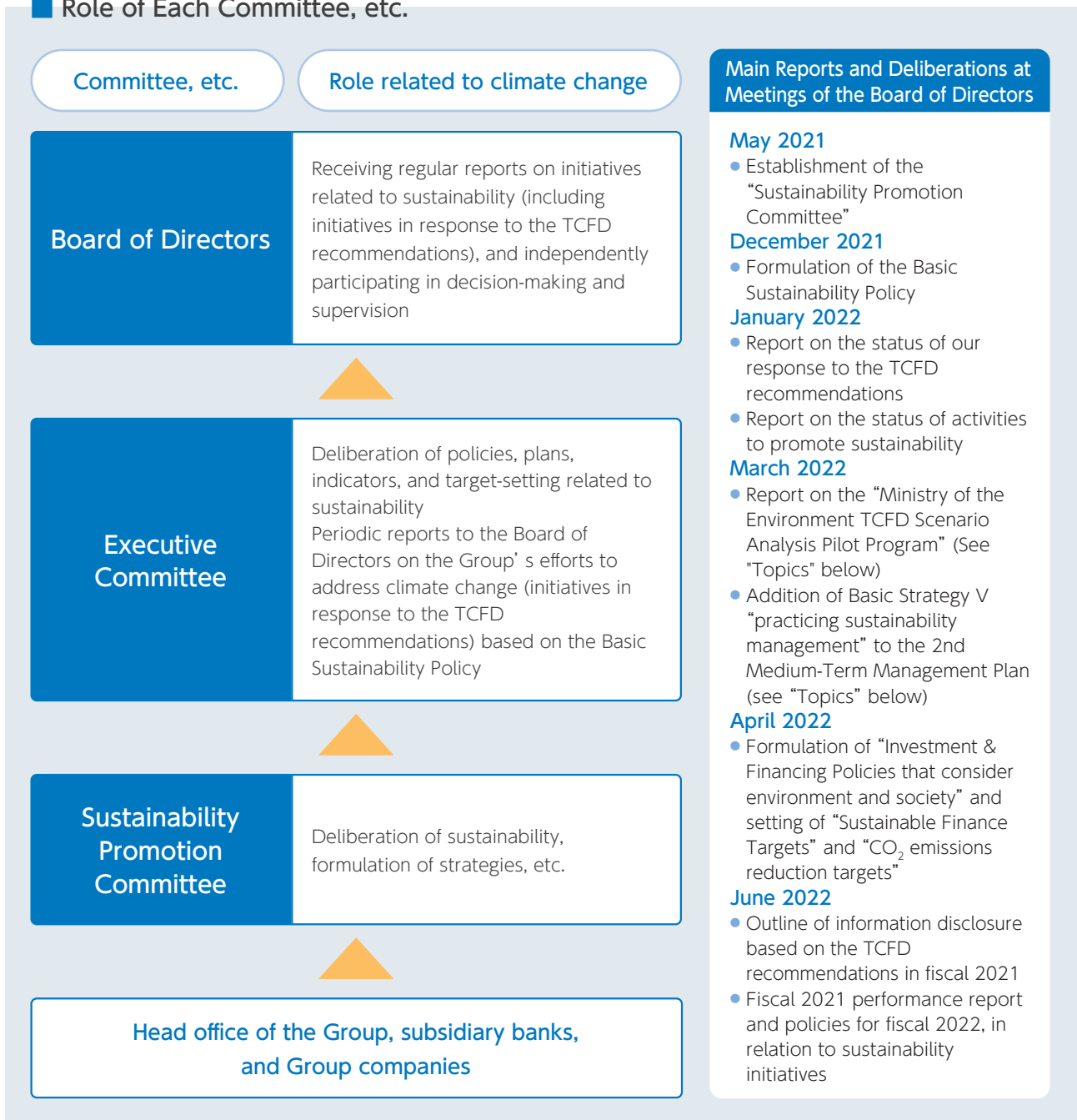
In May 2021, we established the “Sustainability Promotion Committee,” which is chaired by the President, and consists of an officer responsible for operations, the Presidents of Group companies, managers of the Daishi Hokuetsu Bank, and others. The committee met four times in fiscal 2021. Furthermore, Internal Audit and Supervisory Committee Members from the company and Daishi Hokuetsu Bank participate as observers.

The Sustainability Promotion Office, the secretariat of the committee, compiles reports on sustainability from Group companies and Daishi Hokuetsu Bank and reports the results to the Sustainability Promotion Committee. The committee participates in decision-making and supervision by the Board of Directors related to our response to climate change, including the establishment of a system for the committee to deliberate matters such as initiatives related to sustainability, analysis of risks and opportunities, and strategies based on the results of this analysis, before these details are deliberated at meetings of the Board of Directors.

Governance Organization



Role of Each Committee, etc.



Process 2 Strategy

Recommended Disclosure in the TCFD Recommendations Actual and Potential Impacts of Climate-related Risks and Opportunities on Our Businesses, Strategy, and Financial Planning

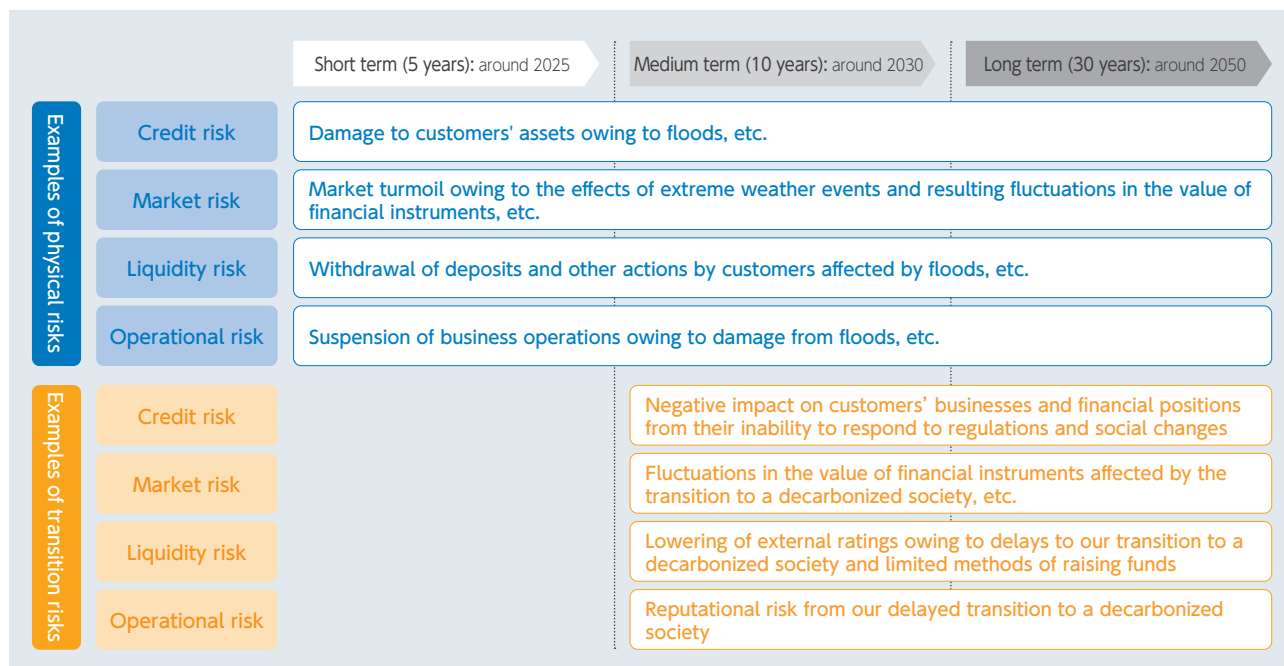
The Group recognizes physical risks, transition risks, and opportunities related to climate change risks on short-term (5 years), medium-term (10 years), and long-term (30 years) time horizons, and we analyze their impact on the Group in both qualitative and quantitative terms. Based on the results of these analyses, the Group works to strengthen our risk management systems and enhance our provision of information, consulting services, and solutions for customers.

Sustainability Initiatives

Our Understanding of the Risks and Opportunities Associated with Climate Change

(1) Our Understanding of the Risks Associated with Climate Change

The Group has established the following examples for each major risk category with respect to physical risks and transition risks arising from climate change, based on our formation of expectations in advance concerning changes in the business environment accompanying the surfacing of issues related to climate change.



Scenario Analysis Related to Climate Change

Physical risks

We have analyzed the impact of damage to collateral value, as well as the deterioration in business performance due to the stagnation of the business activities of our customers, in the event of a large-scale flood caused by climate change throughout Niigata Prefecture

Scenario	Based on the 4°C scenario,* we have estimated flood damage based on the assumption that large-scale flooding caused by climate change occurs once every 100 years throughout Niigata Prefecture *One of the scenarios set by the Intergovernmental Panel on Climate Change (IPCC)	
	(1)	(2)
Method of analysis	Estimate the amount of collateral damage due to flood damage to buildings and estimate credit costs based on the results	Estimate the amount of sales lost owing to the stagnation of borrowers' business activities as a result of floods, and estimate credit costs based on the results
Scope of analysis	Real estate collateral categorized as "buildings" that Daishi Hokuetsu Bank has accepted throughout all of Niigata Prefecture	Borrowers of Daishi Hokuetsu Bank located throughout Niigata Prefecture (excluding large corporations and public funds)
Results of analysis	Credit costs are expected to increase by around 500 million yen	Credit costs are expected to increase by around 8.5 billion yen
	Credit costs are expected to increase by around 9.0 billion yen in total	

Transition risks

For transition risks, we have selected and analyzed the electric power and food sectors, which are sectors highly affected by climate change risk in the loan portfolio of Daishi Hokuetsu Bank.

Scenario	The International Energy Agency (IEA)'s "Sustainable Development Scenario (SDS)" and "Net Zero Emissions Scenario (NZE)"
Method of analysis	<ul style="list-style-type: none"> Under these scenarios, forecast the balance sheets and profit and loss statements of sample companies in a particular sector (2021 to 2050), and assess business continuity for all companies in the sector Estimate the increase in credit costs with simulations for different categories of borrower in a particular sector based on the costs associated with transition
Scope of analysis	Electric power and food sectors
Results of analysis	Credit costs are expected to increase by around 1.9 billion yen in total

■ Topics

Participation in "Pilot Program Support Project for Scenario Analysis of Climate Risks and Opportunities in Line with TCFD Recommendations"

- In fiscal 2021, Daishi Hokuetsu Bank was selected for the "Pilot Program Support Project for Scenario Analysis of Climate Risks and Opportunities in Line with TCFD Recommendations," which was implemented by the Ministry of the Environment.
- With the support of experts, in this support project, we analyzed the following factors based on the exposure of Daishi Hokuetsu Bank to each industry, regional characteristics, etc.: (1) assessment of the importance of risks, (2) definition of scenario groupings, (3) assessment of business impact, (4) quantitative assessment of physical risks, and (5) quantitative assessment of transition risks. We also shared knowledge related to climate change risks and opportunities within the Group.
- In the future, we plan to continue accumulating expertise on climate change risks and opportunities, including analytical know-how acquired through this support project, expand the target sectors of our analysis, and make our scenario analysis more sophisticated.
- Details concerning examples of the company's implementation of scenario analysis are provided on the website of the Ministry of the Environment.

Examples of implementation of scenario analysis

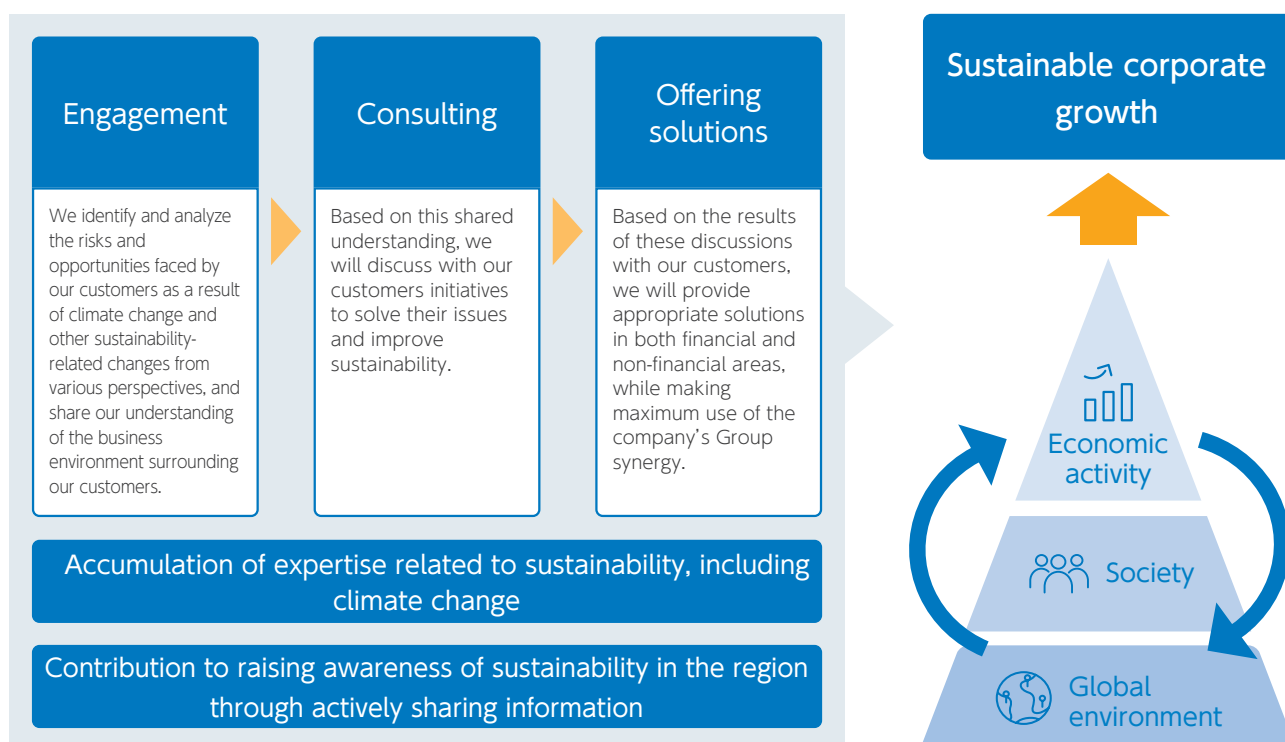
<https://www.env.go.jp/content/900518880.pdf>



(2) Our Understanding of the Opportunities Associated with Climate Change

We recognize that the primary role of financial institutions in responding to climate change is to provide various solutions, including financing for measures to combat climate change, to help customers transition to a decarbonized society.

Because the transition to a decarbonized society requires maintaining and improving the environment and society, while also enhancing corporate value, the Group will accumulate expertise related to sustainability, including climate change, and contribute to raising awareness of sustainability in the region by actively sharing related information, while supporting customers' efforts against climate change based on our engagement with them.

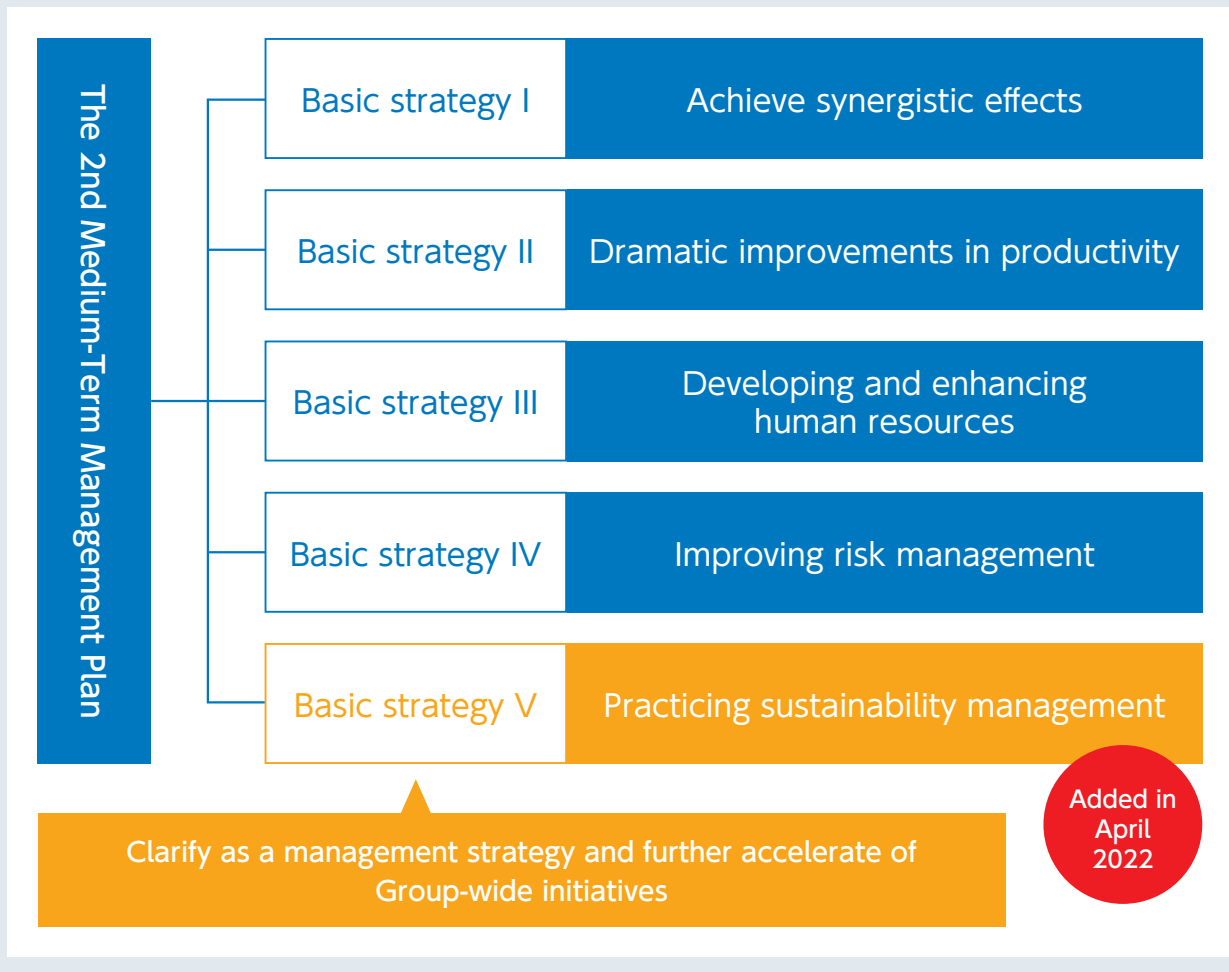


Sustainability Initiatives

■ Topics

Addition of “Practicing Sustainability Management” as a Basic Strategy in the 2nd Medium-Term Management Plan

The company positions sustainability as one of our most important management issues. Accordingly, in December 2021, we formulated the "Basic Sustainability Policy," and we also added "practicing sustainability management" as the fifth basic strategy in the 2nd Mid-Term Management Plan (April 2021 to March 2024) of the Daishi Hokuetsu Financial Group. In this way, we are actively working to maintain and improve the environment and society, while also enhancing corporate value.



Process 3

Risk management

Recommended Disclosure in the TCFD Recommendations

Methods of Identifying, Assessing, and Managing Climate Change Risks

In order to clarify our commitment to contributing to the creation of a sustainable regional society through investment and financing, we established the “Investment & Financing Policies that consider environment and society” in May 2022. While actively supporting customers who are working to solve environmental and social issues in local communities, we also identify businesses, etc., expected to have a negative impact on the environment and society, recognize them as risks to local communities and the Group, and make prudent investment and loan decisions accordingly.

In our risk management framework, we recognize that climate change risk has a significant impact on the global environment and the regional economy. We analyze important risks (risks that can materialize within a short period of time) and emerging risks (risks that are not currently recognized but could have a material impact on business strategy if they surface), and are building a risk management system that takes into account the results of these analyses in the management of credit risk, market risk, liquidity risk, and operational risk.

“Daishi Hokuetsu Financial Group Investment & Financial Policies that consider environment and society”

Through investments and loans, Daishi Hokuetsu Financial Group will actively support a range of activities that contribute to solving various environmental and social problems affecting local communities.

In addition, with regard to investments and loans in the following specified businesses, etc., expected to impact the sustainability of society, the Company will endeavor to mitigate or avoid the impact of such businesses, etc., according to the stated policy.

Coal-fired thermal power plants

As a general rule, we will not invest in or finance the construction of new coal-fired power plants. When considering exceptional measures, however, in light of conditions related to electric power, resources, and other factors in countries and regions that have no choice but to rely on coal-fired thermal power, we will carefully consider what measures to take, comprehensively taking into consideration international guidelines such as the OECD Arrangement on Officially Supported Export Credits, power generation efficiency, impact on the environment and local communities, and other factors.

Deforestation projects

When considering investments and loans for deforestation projects, we will make decisions based on careful consideration of the status of acquisition of any internationally recognized certifications (FSC^{*1} and PEFC^{*2}), consideration for the environment, the occurrence of any issues with local communities, and other factors.

Palm oil plantation development projects

With a view to protecting the environment and human rights, when considering investments and loans for palm oil plantation development projects, we will make decisions based on careful consideration of the status of acquisition of any international certifications (RSPO^{*3}), consideration for the environment, human rights violations, the occurrence of any issues with local communities, and other factors.

Arms manufacturing businesses

We will not invest in or provide loans to companies that manufacture inhumane weapons, such as cluster munitions.

*1 Forest Stewardship Council

An international organization that endorses “appropriate forest stewardship”

*2 Programme for the Endorsement of Forest Certification

“Forest stewardship endorsement,” in which a third party certifies that forestry is conducted in accordance with international standards (intergovernmental process standards) established for sustainable forest stewardship

*3 Roundtable on Sustainable Palm Oil

A nonprofit organization operating in seven sectors related to palm oil (palm oil production, oil extraction and trade, consumer product manufacturing, retail, banking and investment companies, environmental NGOs, and social and development NGOs)

■ Ratio of Carbon-related Assets* to Total Credit Outstanding

As of the end of March 2022, carbon-related assets accounted for 1.1% of loans, etc., at Daishi Hokuetsu Bank.

*Total loans, acceptances and guarantees, foreign exchange, private placement bonds, etc., for the electric power and energy sectors (however, this excludes those for water supply and renewable energy power generation businesses)

Sustainability Initiatives

Process 4

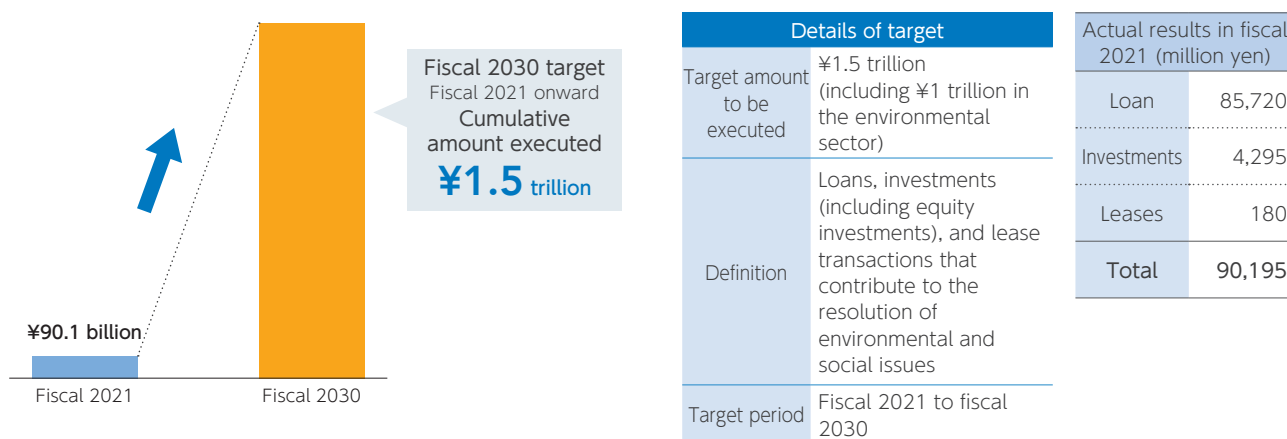
Indicators and Targets

Recommended Disclosure in the TCFD Recommendations

Indicators and Targets Used to Assess and Manage Climate-related Risks and Opportunities

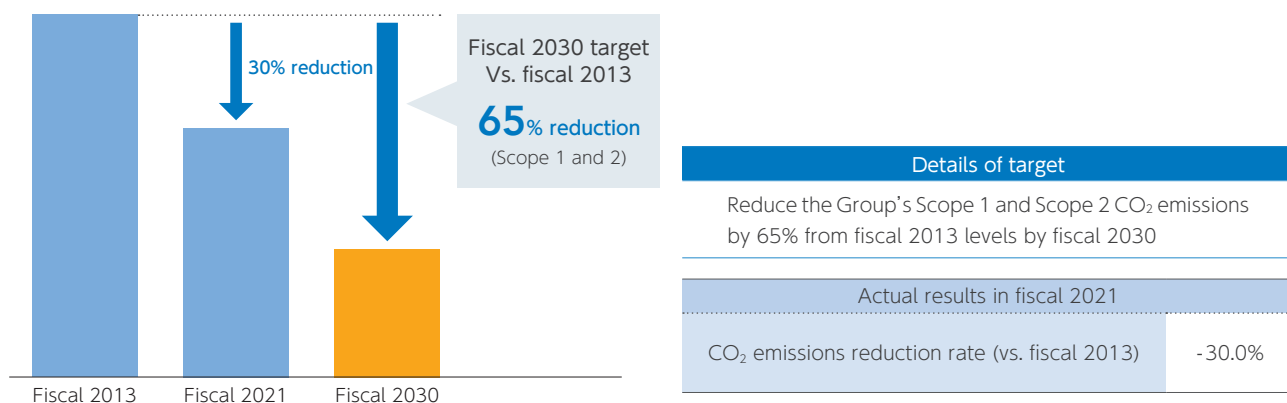
Sustainable Finance Target

The Group aims to execute sustainable finance totaling 1.5 trillion yen (including 1 trillion yen in the environmental sector) by fiscal 2030.



CO₂ Emissions Reduction Target

In terms of the Group's CO₂ emissions reduction targets, we have set a target of reducing Scope 1 and Scope 2 emissions by 65% compared with fiscal 2013 by fiscal 2030. Furthermore, we will consider setting new targets for the reduction of CO₂ emissions, including Scope 3 emissions, in the future.



< Trends in CO₂ Emissions by Scope >

	Fiscal 2013	Fiscal 2019	Fiscal 2020	Fiscal 2021	Vs. fiscal 2013
Scope1	4,512t	3,797t	4,066t	3,677t	-18.5%
Scope2	11,743t	9,136t	9,569t	7,706t	-34.4%
Total	16,255t	12,933t	13,635t	11,383t	-30.0%

*CO₂ emissions by Scope are measured based on the amount of each type of energy used (electricity, gas, etc.) and CO₂ emissions factors (for each fiscal year and company) at each Group company.

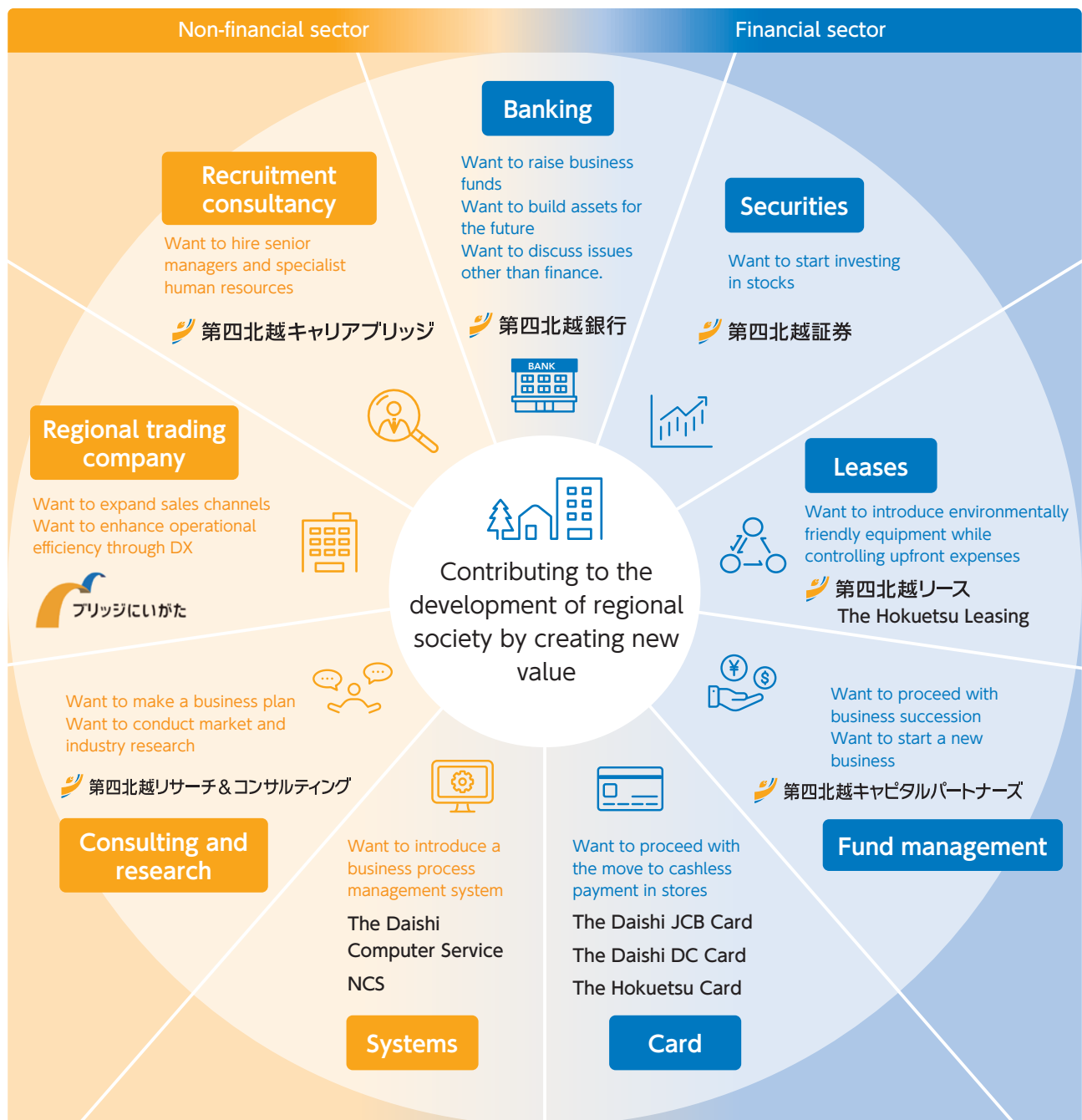
Scope 2 CO₂ emissions are affected by the CO₂ conversion factor of electric power (which varies annually depending on the amount of CO₂ emitted by electric power companies during power generation). Therefore, even if the amount of electricity used is the same, the amount of CO₂ emissions by users varies for each electric power company and fiscal year.

New Value Creation

The company is committed to creating new value that contributes to the development of regional society through a process of value creation based on engagement (dialogue).

Group Functions Aimed at Creating New Value

We are creating new value by linking the Group functions of the company to provide “timely” and “optimal” services in a “one-stop” manner, with the aim of solving various issues facing customers and regional society.



*In addition, "The Daishi Guaranty" and "The Hokuetsu Credit Guarantee," which provide guarantee services for housing loans, etc., are both Group companies.

New Value Creation

Initiatives to Improve the Corporate Value of Local Companies

■ Initiatives For Financing Closely Linked to Local Communities

Daishi Hokuetsu Bank provides financial and information intermediation to facilitate the smooth provision of funds to SMEs, which play an important role in supporting regional society and the local economy. In addition, we also actively provide management support tailored to companies' life stages.

In March 2022, we established "Consultation Desks Related to COVID-19, the Situation in Ukraine, Rising Raw Materials Prices, etc." in all sales offices, in order to respond to the various concerns of our customers arising from factors such as the situation in Ukraine and rising raw material prices, in addition to the prolonged impact of COVID-19. At these consultation desks, we provide consulting to meet the needs of our clients, such as consultations related to financing and trade, as well as business plan reviews.

For details of our initiatives for financing closely linked to local communities, please refer to the "Disclosure Magazine" posted on the company's website.

Disclosure Magazine
2022



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

■ Support for Customers Considering Business Startups and Re-startups

At Daishi Hokuetsu Bank, the Group acts as a whole to provide one-stop support to prospective founders, business operators in the early years of their business, and business operators considering a second founding, covering areas from business ideas to the formulation of specific earnings plans and fundraising. In the fiscal year ended March 2022, Daishi Hokuetsu Bank was involved in 1,704 startups and second startups.

In addition to appointing staff to provide startup support at all sales offices, at the "Niigata Startup Salon" held in cooperation with Daishi Hokuetsu Research & Consulting, we provide a wide range of consultation services, from business ideas to specific earnings plans and action plans, to business operators who are considering a startup or second startups, those who have just founded businesses, and those who are considering measures to respond to the new normal.

Business startups or re-startups (FY2021) **1,704** cases

Information About Niigata Startup Salon

■ Support for Customers who Want to Proceed with Business Succession

The company is making concerted efforts to maintain and create employment opportunities in local communities. In Niigata Prefecture, the rate of businesses without successors is said to be more than 50%. Accordingly, in order to maintain employment opportunities in the local community and achieve sustainable economic growth, it is essential for us as a local financial institution that we support business succession through M&A and other means, in addition to curbing business closures.

Daishi Hokuetsu Bank has further strengthened support for customers in the areas of business succession and M&A, by utilizing our business base and external networks, which have been expanded as a result of the merger, to share expertise and business activities covering the area as a whole among neighboring branches.

In the fiscal year ended March 2022, we provided support for business succession to 1,628 clients, in which we worked closely with senior managers faced with a lack of successors to offer tailor-made responses to various challenges faced by clients, and collaborated with Group companies to ensure the smooth succession of management and assets. In addition, in terms of M&A, the total number of employees of companies that signed contracts where the need for a transfer was due to a "lack of successor" was approximately 1,000 in the fiscal year ended March 2022, these efforts therefore led to the maintenance of local employment opportunities.



Contributing to the maintenance of approximately **1,000** jobs

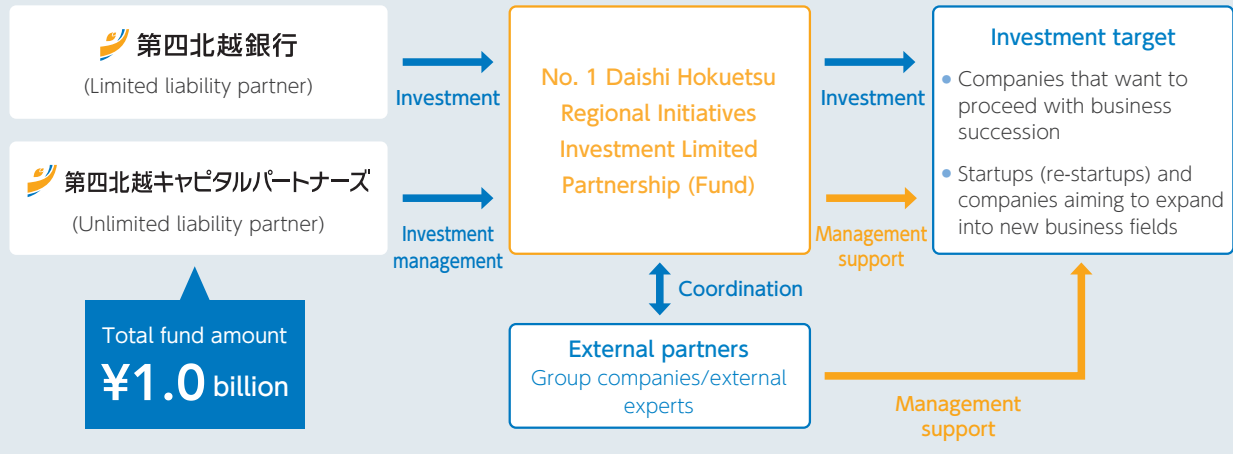
■ Topics

第四北越キャピタルパートナーズ

Support for Business Succession, Startups, and Re-startups Through the Fund Business

In December 2021, Daishi Hokuetsu Capital Partners, a specialist investment subsidiary of the company, established the “No. 1 Daishi Hokuetsu Regional Initiatives Investment Limited Partnership” (the “Fund”) in partnership with Daishi Hokuetsu Bank, with the objective of supporting business succession, startups, and new busi-

ness development, which are pressing issues for local companies. Through the Fund, we will provide capital funds and management support with hands-on participation in management. In doing so, we will contribute to the sustainable growth of the regional economy and enhance the corporate value of investee companies.



第四北越キャリアブリッジ

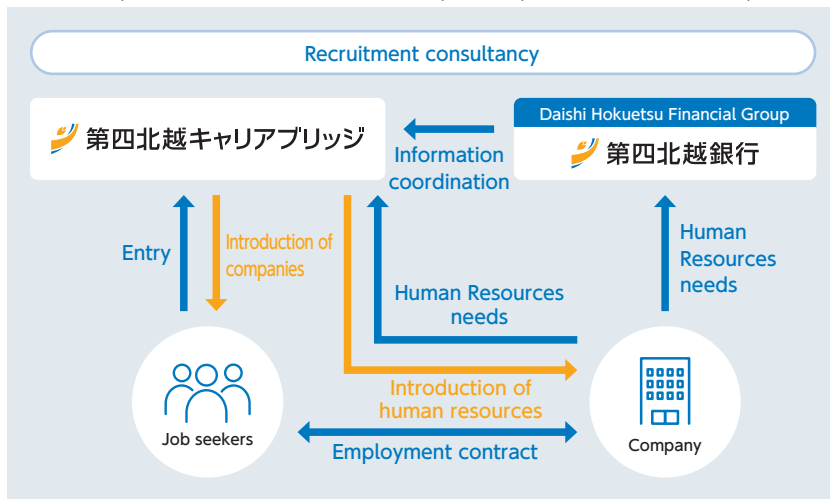
■ Support for Resolving Human Resources Issues Faced by Regional Companies

Daishi Hokuetsu Career Bridge, a subsidiary that commenced operations in October 2019, is contributing to the maintenance and creation of regional employment opportunities by supporting the resolution of human resource issues faced by companies in the prefecture through two businesses: personnel-matching business and the personnel development solution business.

In the personnel-matching business, we support the matching of human resources suited to the needs of regional companies, centering on senior management and managers who are necessary for the business continuity of regional companies and specialist human resources who can support business expansion, etc. In addition, we also provide personnel

matching services for part-time and secondary jobs to introduce employees with highly specialized skills, mainly in the Tokyo metropolitan area, to companies in the prefecture. 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.

In the personnel development solutions business, we hold training and seminars for the development of human resources at companies in the prefecture, and we also provide support in areas such as the promotion of employment for students within and outside Niigata who are either coming or returning to the prefecture.



Personnel-matching business	
Number of consultations on staffing (Fiscal 2019 to fiscal 2021)	
Number of consultations	1,104
Of which, those that led to hiring or job offers	187

New Value Creation

■ Support for Customers Aiming to Improve Operational Efficiency through DX



"Bridge Niigata," a regional trading company in the Group, is working to increase the corporate value of companies in the prefecture through three businesses: the sales channel development business (see page 32 for details), the productivity enhancement business, and the tourism promotion business.

In Niigata Prefecture, a labor shortage due to a declining population and changes in the business environment, such as work-style reforms, have made the improvement of productivity a major issue for companies, meaning that companies must promote DX. A survey conducted by Niigata Prefecture in fiscal 2020 as part of the "Project for Establishing a Digitization Initiative for Industry in Niigata Prefecture" revealed "delays in IT investment by companies in the prefecture and a lack of awareness of DX," as well as a "shortage of digital human resources."

In response to these regional issues, Bridge Niigata is working with partner companies such as the Daishi Hokuetsu FG to provide consulting on how to improve the efficiency of business processes, such as the visualization of business processes, paperless systems, and the introduction of RPA systems. Bridge Niigata also proposes measures for improvement suited to each company, thereby supporting the enhancement of productivity. In addition, in order to promote DX awareness reform among companies in Niigata Prefecture, we were commissioned to provide "Fiscal 2021 DX Promotion Awareness

Reform Support Operations," which were implemented by Niigata Prefecture. In these operations, information about the latest trends in technology was provided to companies and opportunities to utilize digital technology were offered, through training to improve IT literacy for the employees of financial institutions and commercial and industrial organizations, and cross-industry exchange events, etc., between IT-related companies and companies in Niigata Prefecture.

Furthermore, we were recently selected for the "Fiscal 2022 Subsidy Program for Promoting the Creation of New Regional Growth Industries (Regional DX Promotion Activity Support Project)" (the "Project") conducted by the Ministry of Economy, Trade and Industry. The purpose of the Project is to contribute to the improvement of productivity by strongly promoting DX initiatives among regional companies, through the provision of support and matching support to regional companies based on cooperation between industry, academia, and government. As an organization representing the Project, Bridge Niigata will contribute to the improvement of added value and the competitiveness of regional companies by supporting the transformation of business processes, business models, etc., of regional companies utilizing digital technology, in cooperation with Daishi Hokuetsu FG, as well as industry, academia, and government.

Consulting to Improve Business Process Efficiency

- Support for introduction of Robotic Process Automation (RPA)
- Payment with consumption tax system
- Support for going paperless
- Support for the introduction of attendance management systems, etc.

Number of cases of productivity improvement support

Fiscal 2019 to fiscal 2021

99 cases

Vision of the "Fiscal 2022 Subsidy Program for Promoting the Creation of New Regional Growth Industries (Regional DX Promotion Activity Support Project)"

< Three pillars of DX support >

- In the "Fiscal 2022 Subsidy Program for Promoting the Creation of New Regional Growth Industries (Regional DX Promotion Activity Support Project)," companies and organizations with strengths in various fields in industry, academia, government, and finance will collaborate to support reforms to business processes, business models, etc., that utilize digital technology, based on the three pillars of "creating regional success cases," "building systems for connecting," and "human resource development," thereby enhancing the added value and competitiveness of regional companies.
- In cooperation with Niigata Prefecture, we aim to provide comprehensive support, while also establishing the Project as a platform for ongoing DX promotion.





■ Support for Customers Aiming to Expand Sales Channels

Although Niigata Prefecture has strengths related to regional resources, such as abundant nature and distinctive regional industries, as well as being a major transportation hub on the Sea of Japan side of Japan, these strengths have not been fully leveraged. In addition, an increasing number of regional companies are interested in expanding their sales channels outside the prefecture and overseas, in anticipation of a shrinking market in the prefecture due to a declining and aging population. Taking advantage of the rich range of information and extensive network of the Daishi Hokuetsu Financial Group, “Bridge Niigata,” a regional trading company, is working to expand sales channels for regional companies in the sales channel development business.

At the “Bridge Niigata” permanent antenna shop that opened in October 2019 in Nihonbashi, Chuo-ku, Tokyo, Bridge Niigata manages all operations related to the sale of products from Niigata Prefecture, from planning and procurement to in-store sales. The range of goods offered has expanded to approximately 700 products, with approximately 200 products available on its own e-commerce website. In addition, the shop also has staff dedicated to developing sales channels for corporations in the Tokyo metropolitan area, and is actively sharing information on the

attractiveness of local products, the technological capabilities of companies in Niigata, and other information. The shop also returns market information, such as people’s views of products from Niigata in the Tokyo metropolitan area and related needs, to companies in the prefecture, thereby contributing to increasing the added value of prefectural products.

In addition, Bridge Niigata held online business meetings with buyers in the Tokyo metropolitan area for businesses in Niigata who had fewer opportunities to hold business meetings owing to the negative impact of COVID-19 on travel in and out of the prefecture, and has been thus supporting the expansion of sales channels for businesses in the prefecture even amid the COVID-19 pandemic. Furthermore, Bridge Niigata’s activities to support the expansion of sales channels amid the COVID-19 pandemic have been well received, resulting in it being 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” in March 2021, and receiving an award from the Minister of State for Regional Revitalization. Please refer to the following URL or QR code for a video providing more details about this initiative.

Bridge Niigata antenna shop

Establishment of Bridge Niigata **antenna shop** on the first floor of the Tokyo Branch of Daishi Hokuetsu Bank

Expansion in the number of **products** offered to **approximately 700**


Full-scale operation of the Bridge Niigata e-commerce website (from fiscal 2021)

Expansion in the number of **products** available on the **e-commerce website** to **approximately 200**


“Bridge Niigata” online store

<https://www.bridge-niigata.com/shop/>

Supporting the expansion of sales channels for Niigata Prefecture products



Exterior of the antenna shop



Products

Examples of Distinctive Efforts



「ブリッジにいがた」の取り組みの概要
県外や海外への販路拡大や

Video introducing “Examples of Distinctive Efforts”



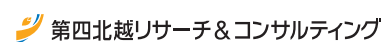
<https://www.youtube.com/watch?v=eWYUrZTPsvs>

■ Support for Customers Working to Improve Management

Daishi Hokuetsu Research & Consulting provides management consulting services, such as management consulting, support for the formulation of management strategies and business plans, support for applications for various subsidies, and support for the restructuring of personnel systems. In addition, Daishi Hokuetsu Research & Consulting engages in economic surveys and research on industry trends and other factors, provides human resource development services, such as holding seminars in conjunction with Daishi Hokuetsu Career Bridge, and offers membership services, such as issuing journals for members.

In the management consulting business, Daishi Hokuetsu Research & Consulting provides support for support for the formulation of management improvement plans to businesses that have financial problems, such as the burden of repaying

loans as a result of the impact of COVID-19, etc., and are unable to formulate their own management improvement plans, etc., thereby supporting management improvement, business revitalization, and a renewed sense of taking on new challenges at SMEs, etc. As part of the Small and Medium Enterprise Agency’s “Support for the Formulation of Management Improvement Plans (commonly referred to as “Project 405”), Daishi Hokuetsu Research & Consulting supported the formulation of 51 plans (in fiscal 2021, up 28 from the same period of the previous year), as a certified support institution. In addition, Niigata Prefecture ranked first nationwide for the number of plans supported under Project 405, and Daishi Hokuetsu Research & Consulting ranked first in Niigata Prefecture.



New Value Creation

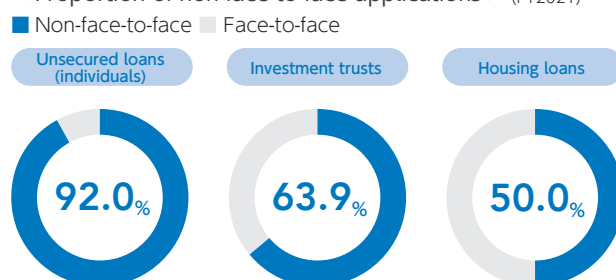
■ Increasing Customer Convenience by Enhancing Non-Face-to-Face Services

Enhancements to Online Application Systems

Daishi Hokuetsu Bank has introduced an online application scheme for unsecured loans such as car loans, investment trusts, and housing loans to increase convenience for our customers. In the fiscal year ended March 2022, we began offering life insurance policies for which customers can complete the entire process from estimation to concluding a contract through our website, and we also began accepting online applications for the opening of "investment trust accounts," "NISA accounts," and "Tsumitate NISA accounts." This way, even customers who have difficulty coming to the bank during the day can apply 24 hours a day on Daishi Hokuetsu Bank's website. We have also launched an "Online Account Transfer Application Service," that enables customers to complete the account transfer application process by entering the necessary information from the websites of Daishi Hokuetsu Bank and

our partner companies. As a result, the bank account transfer procedures are now paperless and there is no need for customers to use their personal seals. Customers who wish to make a bank account transfer can complete the procedures via the Internet, which also contributes to enhancing the efficiency of administrative procedures at partner companies.

< Proportion of non-face-to-face applications > (FY2021)

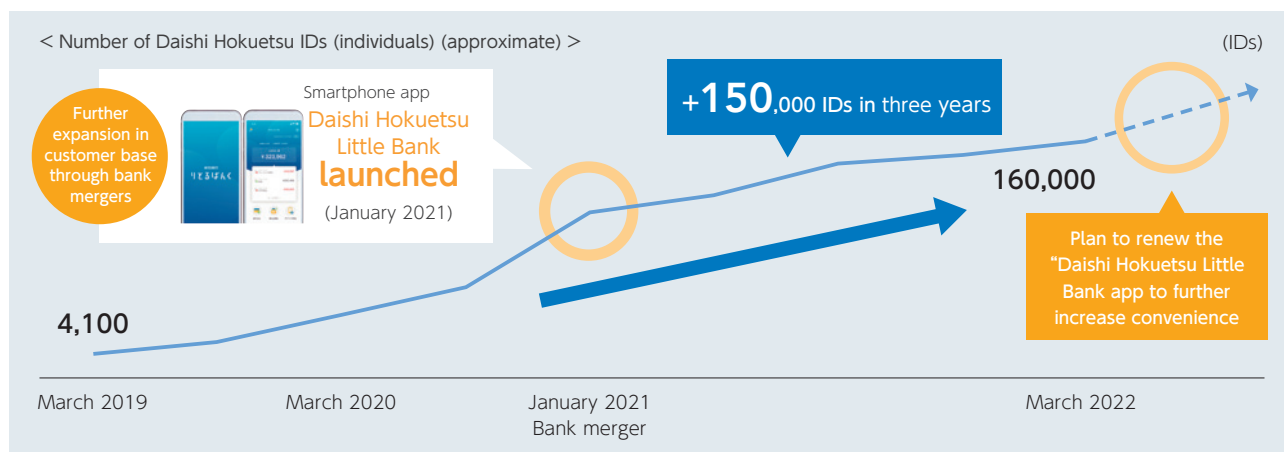


Provision of smartphone apps

To increase customer convenience, Daishi Hokuetsu Bank offers smartphone apps such as the "Daishi Hokuetsu Little Bank" app, which has functions such as checking the balance of a representative account, checking the details of deposits and withdrawals, and providing information on financial products tailored to customer life events, and the "Daishi Hokuetsu Passbook App," a digital passbook app that enables customers to check the details of deposits

and withdrawals for up to 10 years.

In the last three years, the number of free shared "Daishi Hokuetsu IDs," which enable users to access these apps and the services of partner companies such as household spending apps, has increased by about 150,000. In order to further increase convenience for customers, we plan to renew the "Daishi Hokuetsu Little Bank" app in the future.



■ Enhancement of Products and Services that Respond to Changes in Customers' Lifestyles

Revisions to Housing Loan Products

In February 2022, Daishi Hokuetsu Bank revised its housing loan products and enhanced the lineup of group credit life insurance products, order to address a wide range of needs arising from changes in the lifestyles of its clients, including the fact that employees can live in two areas as a result of the expansion of remote work, namely urban and rural areas, longer working lives as a result of the extension of the retirement age, and the increase in the number of dual-income households.

Key points of product revisions

- Extension of the available borrowing period for housing loans (from 30 to 40 years)
- Addition of "funds for the purchase of a home for living in two regions" to the use of funds
- "Marital Couple Life Plan" added to group credit life insurance, etc.

第四北越銀行
住宅ローン
 簡単・便利なWeb申込の6つのポイント!!

- 1. 新築計画の前でも申込可能!
- 2. 口振がなくても申込可能!
- 3. 申込は専任担当の営業入力!
- 4. 審査時間は最短即日!
- 5. 審査結果はスマホで即時確認!
- 6. 借入も返済もいつでも可能!

住宅ローンがご利用しやすく大幅リニューアル!

- 借入期間が最大40年
- 共働き世帯に合わせた夫婦連立返済プラン
- 住宅費と子育て費の両方に活用可能

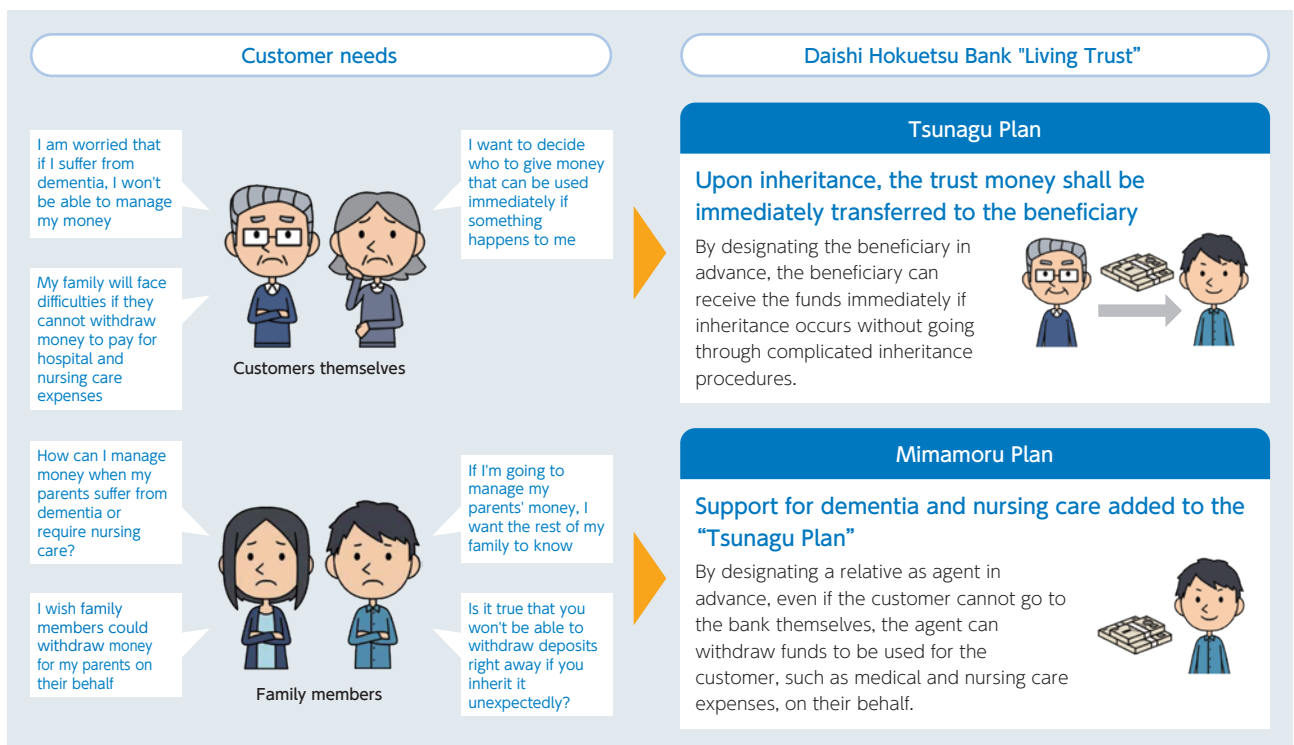
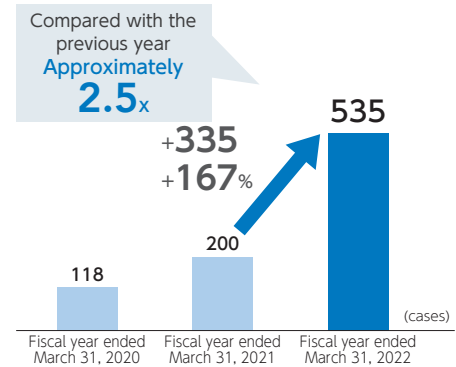
Revisions to Living Trust Products

In December 2021, Daishi Hokuetsu Bank made changes to living trust products, which have been available since October 2019, in order to actively respond to the increasingly diversified needs of customers in line with the aging society. Under the revised plans, in order to meet the asset management needs of elderly clients, we have developed a system where family members support asset management for the individual in the event of cognitive impairment, etc. Accordingly, even if the individual suffers from dementia or requires nursing care, a family member (agent) designated in advance will be able to withdraw necessary funds such as medical and nursing care expenses from the individual's account on behalf of the individual.

The number of customers for trust services provided by the bank has been increasing year by year, and we will continue endeavoring to provide products and services based on the needs of our customers.

< Number of trust service customers >

Will trusts, legacy services, living trusts, etc.



■ Creating Communication Spaces Utilizing Vacant Branches

Daishi Hokuetsu Bank opened a new communication space, the "Daishi Hokuetsu Icotto Prefectural Office" (the "Facility") within the Niigata Prefectural Office in November 2021, utilizing a branch that became vacant as a result of the consolidation of branches that began in April 2021.

The Facility has free Wi-Fi, and is equipped with a co-working space and a free space that anyone can use freely. In addition, we set up a digital experience space where users can experience new financial services, an interview space where users discuss loans, asset management, and other financial services, and a remote consultation booth. Amid the expansion of remote working, the Facility has been used by many people, with the number of visitors exceeding 5,000 (as of the end of March 2022).

< Daishi Hokuetsu Icotto Prefectural Office >



Free Wi-Fi available

Free to use

No membership registration required

New Value Creation

Providing Products and Services that Contribute to Local Communities

■ Returning Profits to Local Communities through Donation-type Private Placement Bonds

In November 2020, Daishi Hokuetsu Bank began accepting applications for the “Niigata ‘Food Kizuna’ Support Private Place Bonds,” which aim to provide safe and nutritious meals and food to people affected by COVID-19. In July 2021, the bank began offering the “Niigata ‘Food and Job Kizuna’ Support Private Placement Bonds,” which add support for “jobs.” A total of 116 clients that issued the Private Placement Bonds in support of this initiative, and Daishi Hokuetsu Bank, jointly donated a total of 10.81 million yen through the Niigata Prefecture Social Welfare Council to organizations operating children’s cafeterias and food banks in Niigata Prefecture.

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 2022, donations had been made to 881 organizations, bringing the total amount of donations to 170 million yen.

Examples of support provided through donation-based private placement bonds

- Private placement bonds for the Nagaoka Fireworks
- Private placement bonds for the “startup support project” in Minamiuonuma
- Private placement bonds for neighborhood safety monitoring activities
- Private placement of bonds to support future creation in Agano, etc.



Donation ceremony



■ Returning Profits to Local Communities Through the “Niigata Future Japan Stock Fund,” a Donation-type Investment Trust



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 to welfare organizations in the prefecture, alongside a donation from the establishing company, to support the future development of Niigata Prefecture. As of the end of March 2022, a cumulative total of approximately 21 million yen had been donated.

Information about the Niigata Future Japan Stock Fund

Supporting Customers and Local Communities in Maintaining and Improving Environmental Value

■ Initiatives Targeting Financing for Renewable Energy

Daishi Hokuetsu Bank actively focuses on financing for renewable energy. In August 2021, Daishi Hokuetsu Bank and Sumitomo Mitsui Trust Bank jointly established project finance for a biomass power generation project in Niigata Port. In April 2022, we also participated in a financing for a biomass power generation project in Tomakomai City, Hokkaido. Both projects are very socially significant as they will contribute to the spread and expansion of renewable energy in Japan, and thanks to the utilization of the TSUBASA Alliance, multiple banks from the Alliance were able to participate as lenders.

Total amount of project financing originated

¥59.2 billion



■ Active Efforts in a Project of the Ministry of the Environment

Selected by the Ministry of the Environment as an Institution Receiving Support in the “FY2022 Project for Promotion of ESG Regional Finance”

Daishi Hokuetsu Bank was selected by the Ministry of the Environment as an institution receiving support in the “FY2022 Project for Promotion of ESG Regional Finance.” This is the second year in a row that we have been selected for this project.

With the support of the Ministry of the Environment and experts, Daishi Hokuetsu Bank is working on “Support for Decarbonization through Productivity Improvements Across the Entire Supply Chain in the Tsubame-Sanjo Area of Niigata Prefecture” in this project. In addition, we will utilize the know-how and expertise accumulated through this project to promote initiatives to support decarbonization in Niigata Prefecture and thus contribute to the achievement of Niigata Prefecture's “zero carbon by 2050” target.

< Outline of selected project >

Name	“Support for Decarbonization through Productivity Improvements Across the Entire Supply Chain in the Tsubame-Sanjo Area of Niigata Prefecture”
Details of initiatives	<ul style="list-style-type: none"> • In the Tsubame-Sanjo district, one of Japan's leading industrial clusters for metalworking, a model case will be created for the promotion of decarbonization across the entire region, with support for a system to maintain the “division of labor” that is a characteristic of the region. • We will identify various ESG issues other than decarbonization, such as productivity improvements, and conduct evaluations of business feasibility that take ESG factors into consideration. • We will support the establishment of a foundation for decarbonization throughout the supply chain by solidifying the structure of the “division of labor” through support for productivity improvement.

Selected by the Ministry of the Environment as a designated financial institution in the “FY2022 Interest Subsidy Project for the Promotion of Regional Decarbonization Financing”

Daishi Hokuetsu Bank was the first institution in Niigata Prefecture to be selected by the Ministry of the Environment as a designated financial institution in the “FY2022 Interest Subsidy Project for the Promotion of Regional Decarbonization Financing.” This project aims to promote decarbonization efforts by reducing customers’ actual interest burden with interest subsidies from the Ministry of the Environment, for loans for capital investment that contributes to CO2 reduction, such as the introduction of various facilities, including solar power generation, biomass power generation, and hydroelectric power generation, and the replacement of equipment with highly energy-efficient equipment.

Selected for the “FY2022 ESG Lease Promotion Project for Building a Carbon-Free Society” by the Ministry of the Environment 第四北越リース

The Daishi Hokuetsu Lease was selected as a designated leasing company for the “FY2022 ESG Lease Promotion Project for Building a Carbon-Free Society” conducted by the Ministry of the Environment. This is the second year in a row that we have been selected for this project.

This project promotes ESG leasing initiatives and supports decarbonization through subsidies for a certain percentage of total lease payments from the Ministry of the Environment when companies introduce decarbonized equipment through leasing.

New Value Creation

The Company's Initiatives to Maintain and Improve Environmental Value

■ Opening of Environmentally Friendly Branches (“Sekiya Branch” and “Sekiya-Chuo Branch”)

The “Sekiya Branch” and the “Sekiya-Chuo Branch” of Daishi Hokuetsu Bank, which are scheduled to be newly built in September 2022, are designed to be barrier-free, meaning they can be used safely by elderly and disabled customers. In addition, energy-saving and solar power generation facilities will be installed to reduce environmental impact. Furthermore, these branches are expected to receive “ZEB” (Net Zero Energy Building)” certification, which aims to reduce energy consumption in buildings to zero.



Planned new branch

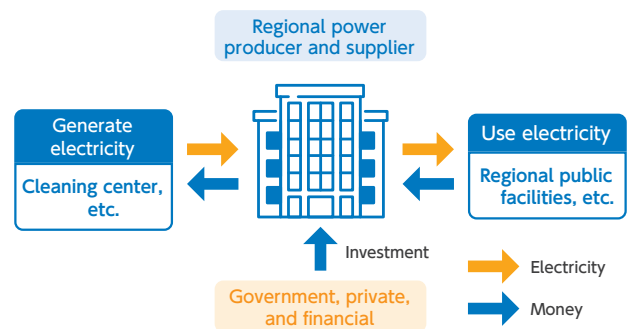
*“ZEB (Net Zero Energy Building)”

An abbreviation for Net Zero Energy Building, which refers to buildings that aim to achieve a comfortable indoor environment, while reduce energy consumption to zero by installing energy-saving equipment and renewable energy.

■ Investments in Regional Power Producers and Suppliers Through Public-Private Financial Partnerships to Reduce Carbon in Local Communities

In July 2019, Daishi Hokuetsu Bank invested in “Niigata Swan Energy Corporation,” a regional power producer and supplier in Niigata City, as part of efforts to utilize low-carbon energy such as renewable energy in the region. Niigata Swan Energy Corporation operates a business selling electric power that utilizes the heat generated at cleaning centers and other facilities, with the electric power being used at public facilities, etc., in Niigata City.

In March 2022, we also invested in “Kashiwazaki IR Energy Corporation,” in Kashiwazaki City. Kashiwazaki IR Energy Corporation plans to launch an electric power retail business by the end of fiscal 2022, and intends to create an environment where citizens and businesses can utilize low-carbon energy.



■ Topics: -Initiatives to Protect Biodiversity-

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. In the many years since, funds raised from bank employees have been combined with donations from the bank and presented to Niigata Prefecture.

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) activities in Agamachi, Higashikanbara-gun, Niigata Prefecture, which we have been involved with since fiscal 2009, we have been working on afforestation activities at Arahama Forest Park in Tainai, Niigata Prefecture since fiscal 2017.

Through these activities, forests lost owing to damage from pests have been restored, contributing to the maintenance of ecosystems through forest conservation, and also providing local communities with wind and sand protection.



Afforestation Activities

Business Base to Support New Value Creation

Five Strengths

In this section, we introduce the "Five Strengths" that support the creation of new value as a management foundation for the continuous creation and provision of new value for regional society.

1 Trust from the Local Community

Daishi Hokuetsu Bank, a core company of the Daishi Hokuetsu Financial Group, has been building a relationship of trust with the local community for more than 140 years, from the late 19th century to today, by fulfilling our role and mission as a regional bank while supporting the local community as a regional bank headquartered in Niigata Prefecture.

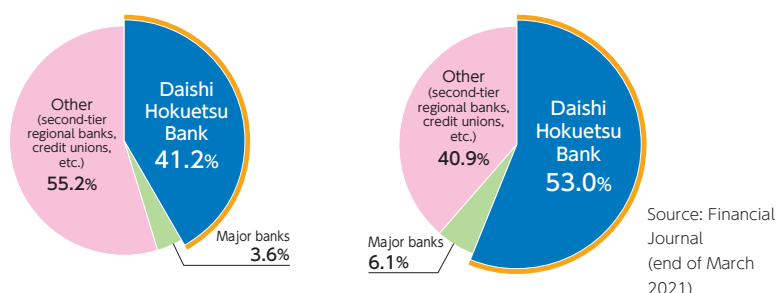
We believe that new value can be created through the value creation process based on engagement (dialogue) only when there is a relationship of trust as the foundation, and the Group's relationship of trust with local communities that we have developed over many years is a valuable asset and strength.

■ Share of Business

Daishi Hokuetsu Bank has a high share of both savings deposits and loans in Niigata Prefecture, at 41.2% and 53.0%, respectively. In addition, according to the "Nationwide Main Bank Trend Survey of Companies (2021)" (source: TEIKOKU DATABANK), we were the main bank for approximately 18,000 companies, which placed us ninth in

Japan after megabanks and fifth among regional banks. The business foundation that Daishi Hokuetsu Bank has built up over many years serves as a platform for the business development of the Daishi Hokuetsu Financial Group, enabling us to provide services that meet the expectations of local residents.

< Share of savings and deposits > < Share of loans >



Nationwide Main Bank Trend Survey of Companies (2021)

Ranked 9th in Japan
behind megabanks, etc.

Ranked 5th among regional banks

Source: TEIKOKU DATABANK (end of October 2021)

2 Achieving Three Synergies

In our 2nd Medium-Term Management Plan, launched in April 2021, we are working to achieve synergistic effects in the three areas of "merger synergy," "group synergy," and "TSUBASA Alliance synergy," which are the company's strengths.

Please refer to the "Company Briefing Materials" posted on the company's website for information about the current status of initiatives to achieve the three synergies.

Company Briefing Materials

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

■ Three Synergies and their Details

Maximize merger synergy

- Share expertise
- Coordinate overlapping functions
- Reallocate business resources



Maximize group synergy

Maximize the use of Group company functions



Maximize TSUBASA alliance synergy

Take advantage of the scale of being one of the largest regional banks



Business Base to Support New Value Creation

Five Strengths

■ Merger Synergy

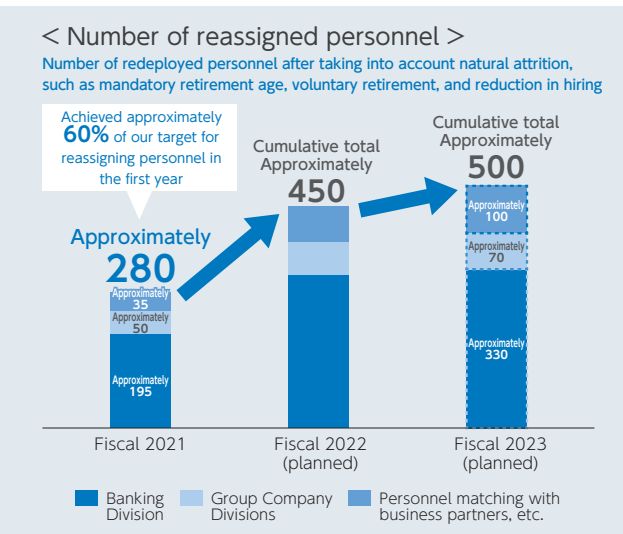
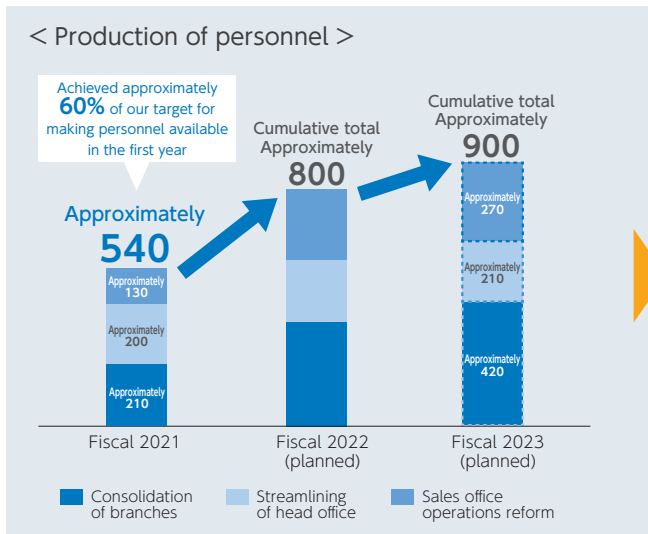
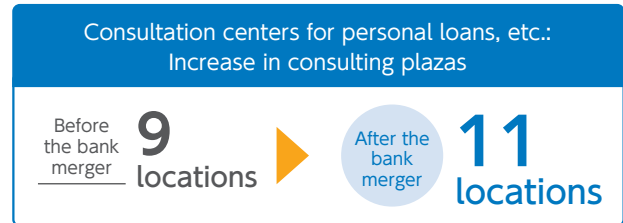
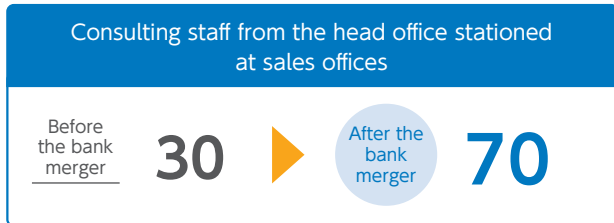
Efforts to Deepen Financial Intermediary Functions and Information Intermediary Functions by Reallocating Management Resources and Sharing Expertise

Under our 2nd Medium-Term Management Plan, the company is actively redistributing management resources through measures such as the consolidation of branches, streamlining of head office, and operations reform at sales offices, with the aim of enhancing our financial intermediary functions and information intermediary functions. In fiscal 2021, the company made approximately 540 employees available, of which we reassigned approximately 280 employees, mainly within the Group. At the Daishi Hokuetsu Bank, we increased the number of consulting staff assigned

to the head office by 40, from 30 to 70, and expanded the number of “consulting plazas,” which provide consultations for personal loans, etc., from 9 to 11.

At the same time, by sharing our expertise, we are taking steps to enhance our consulting functions in various fields, including business succession, M&A, and asset management.

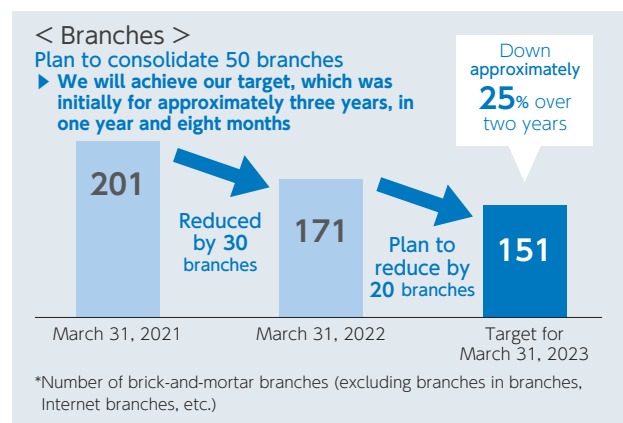
Going forward, we will continue to strategically reallocate management resources and enhance our consulting functions to appropriately meet the increasingly diverse and complex needs of our customers.



Branch Consolidation Initiatives

Daishi Hokuetsu Bank announced the consolidation of 50 branches in February 2019, based on our basic policy of minimizing any reduction in convenience for customers. We have made steady progress toward this target, including moving the initial three-year plan forward to one year and eight months. In addition, as one of the synergies resulting from the consolidation of branches, we are returning gains from the synergies to local communities with measures to improve convenience, such as building new branches.*

*New branches scheduled to be built...“Sekiya Branch and Sekiya-Chuo Branch,” “Shirone Branch and Shirone-Chuo Branch,” and “Kamo Branch, Kamo-Chuo Branch, and Nishikamo Branch”



*Number of brick-and-mortar branches (excluding branches in branches, Internet branches, etc.)

Cross-organizational Efforts by the “Structural Reform Promotion Committee”

In order to maximize merger synergy, Daishi Hokuetsu Bank established the “Structural Reform Promotion Committee,” which is chaired by the President, in April 2021, and is promoting structural reforms in a cross-organizational manner, based on the three pillars of “sales reform,” “sales office operations reform,” and “head office operations reform.” In addition, the committee further strengthen cost controls by deliberating investments from a company-wide perspective.

- | Main items deliberated |
|---|
| • Reallocate business resources |
| • DX Strategy |
| • Sales reform |
| • Operations reform |
| • Investment decisions for each project, etc. |

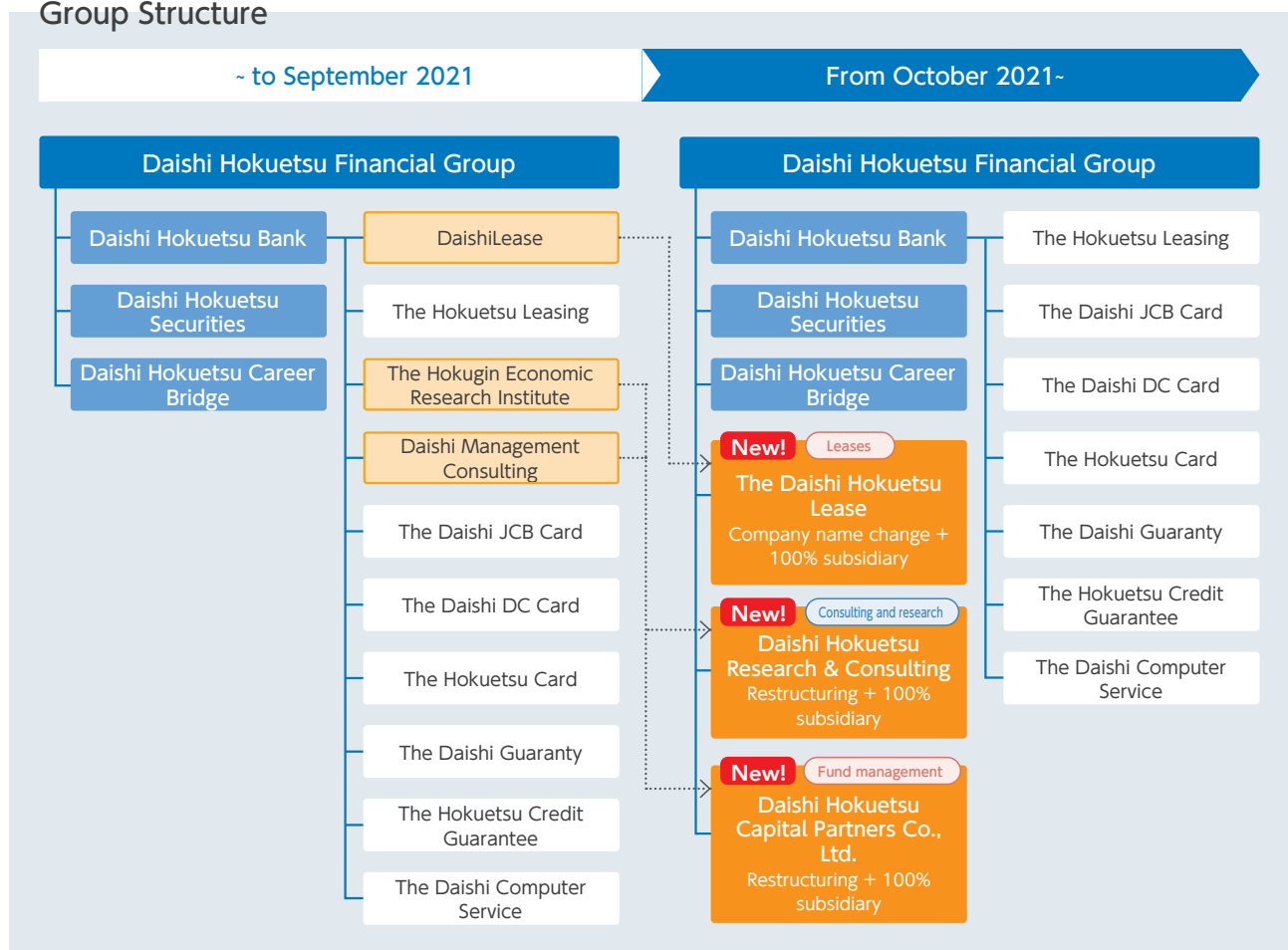
■ Group Synergy

Restructuring and Strengthening Group Governance in Order to Exercise the Group’s Collective Strength

In October 2021, the company reorganized the leasing, consulting and research, and fund management businesses into three companies, “The Daishi Hokuetsu Lease Co., Ltd.,” “Daishi Hokuetsu Research & Consulting, Ltd.,” and “Daishi Hokuetsu Capital Partners Co., Ltd.,” respectively, and made them 100% subsidiaries, in order to maximize the Group’s collective strength and further strengthen collaboration within the Group.

are implementing the PDCA cycle in a cross-organizational and multi-layered governance structure, such as holding monthly “Group Company Senior Management Meetings,” in which the Presidents of Group companies participate, and the number of business transactions on which Group companies collaborate, such as Daishi Hokuetsu Bank, Daishi Hokuetsu Securities, and The Daishi Hokuetsu Lease,” has been steadily increasing.

Group Structure



Business Base to Support New Value Creation

Five Strengths

■ TSUBASA Alliance Synergy

“TSUBASA Alliance” Initiative

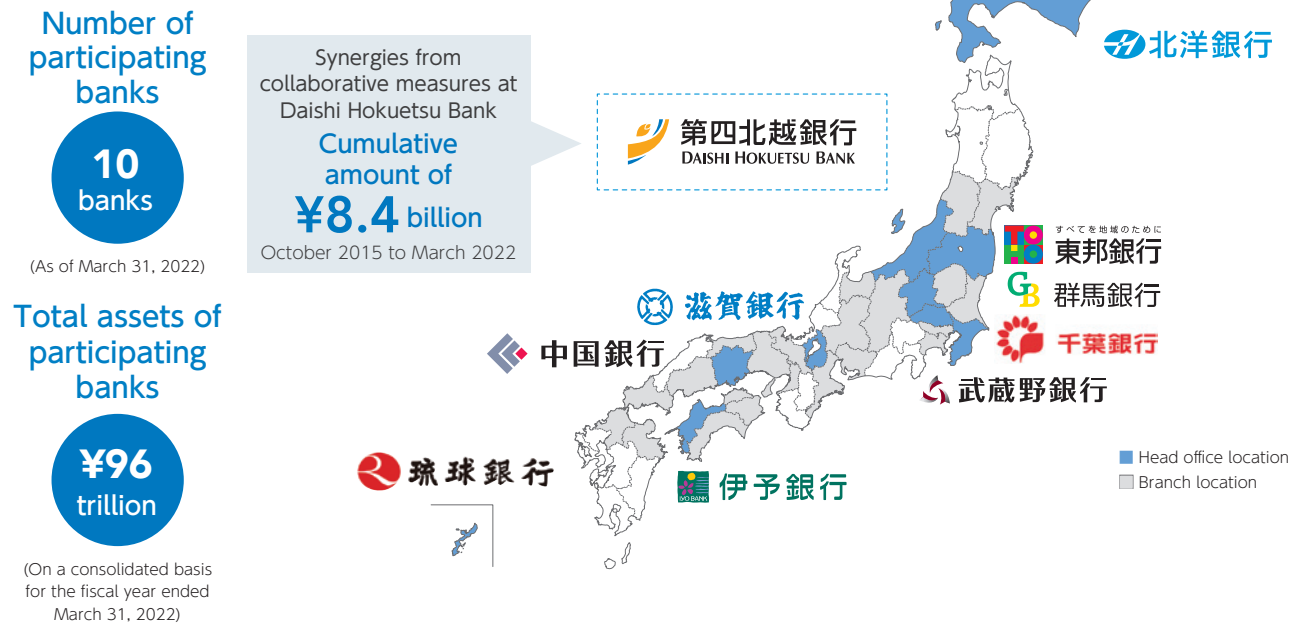
Since its establishment in October 2015, the “TSUBASA Alliance,” a framework for wide-range regional partnerships among 10 regional banks including Daishi Hokuetsu Bank, has deepened collaboration not only in the systems field but also in a wide range of fields, including sales promotion and risk management.

In January 2022, ONAD Co., Ltd. was established as a joint venture that provides consulting services related to online asset management, etc., from a neutral standpoint. ONAD Co., Ltd. began operating in April, as part of the TSUBASA Alliance’s efforts to work together to explore new business models.

Going forward, we will continue to position this alliance, which is among the largest among regional banks, as the “main engine for accelerating innovation” within the Daishi Hokuetsu Financial Group, as we look to provide financial and information services with higher added value.

* TSUBASA Alliance

In October 2015, the TSUBASA Alliance was launched as the “TSUBASA Financial System Advancement Alliance,” a framework for wide-range regional partnerships by three banks, Daishi Hokuetsu Bank, The Chiba Bank, Ltd., and The Chugoku Bank, Ltd. The Iyo Bank, Ltd., The Toho Bank, Ltd., and North Pacific Bank, Ltd., joined in March 2016, The Musashino Bank, Ltd. in March 2019, The Shiga Bank, Ltd. in May 2019, Bank of The Ryukyus, Limited in April 2020, and The Gunma Bank, Ltd. in December 2020. As a result, 10 banks are participating at present.

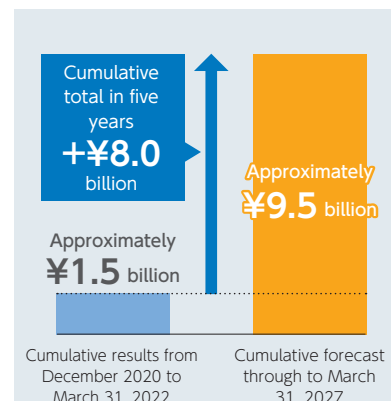


Launch of the “Gunma-Daishi Hokuetsu Alliance”

In December 2021, Daishi Hokuetsu Bank concluded the “Gunma-Daishi Hokuetsu Alliance,” an alliance partnership aimed at contributing further to the local community and continuously improving corporate value, with The Gunma Bank, Ltd., one of the banks participating in the TSUBASA Alliance whose business area is adjacent to that of Daishi Hokuetsu Bank. As of the end of March 2022, synergies from this alliance had already generated approximately 1.5 billion yen in the joint origination of syndicated loans, etc. We expect synergies from the collaboration over the next 5 years (from April 2022 to March 2027) (cumulative) to be approximately 8.0 billion yen, as a result of various measures utilizing the expertise and geographical characteristics of the two banks.



Announcement of the launch of the Alliance



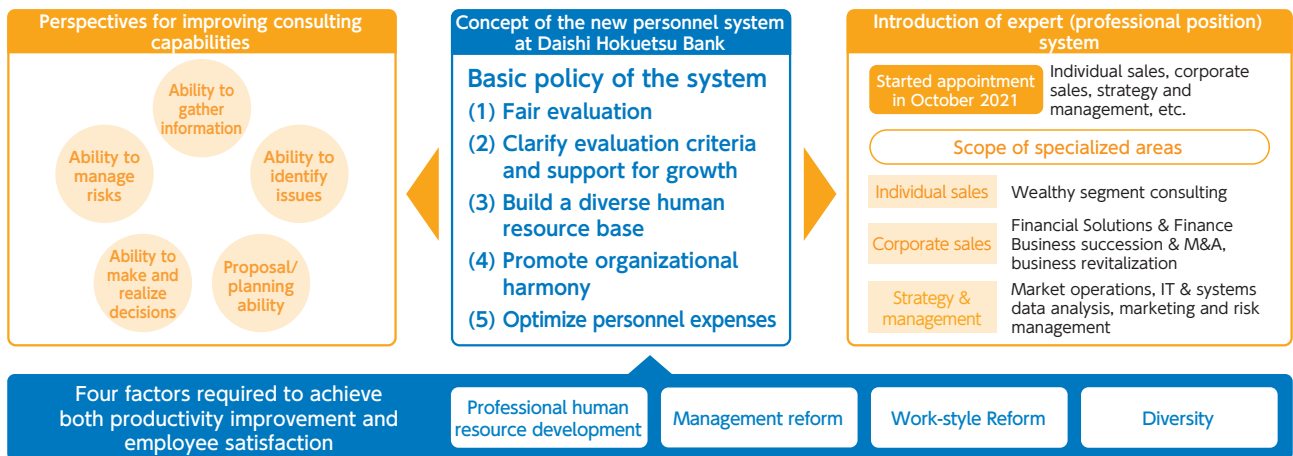
3 Human Resource Capabilities

The company regards human resources as the most important capital, or "human capital," which forms the foundation for the sustainable development of the company. Accordingly, we are focusing on "developing and enhancing human resources" as a basic strategy in our Medium-Term Management Plan.

Start of a New Personnel System

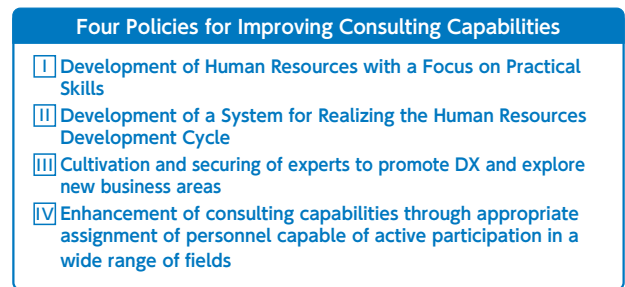
Daishi Hokuetsu Bank has launched a completely new personnel system that is different from the previous system, in order to promote the enhancement of each employee's skills and support their growth, with consulting capabilities as the main focus. The new personnel system incorporates four elements ("professional human resource development," "management reform," "work-style reform," and "diversity") that

are required to achieve both improved productivity and employee satisfaction. In addition, we introduced an expert (professional position) system for diverse career development. Since the merger, these systems have contributed significantly to promotion of a shared awareness among employees through fair and equitable management, and has played an important role in promoting employee growth.



Improving Consulting Capabilities

In order for the company to meet the expectations of the local community and continue to grow together with it, we must continue to support our customers in resolving their issues. To this end, it is important to improve the consulting capabilities of our employees, and we are making various efforts and investments based on the four policies shown on the right.



I Development of Human Resources with a Focus on Practical Skills

In order to support the achievement of the Management Philosophy and the 2nd Medium-Term Management Plan from a human resource perspective, we have established a mechanism to enhance our practical consulting capabilities as professionals through on-the-job training at head office and sales offices, as well as training and secondment to corporate clients and Group companies, as part of efforts to strengthen our foundations for human resources with multifaceted consulting capabilities.

II Development of a System for Realizing the Human Resources Development Cycle

In order to improve the consulting capabilities of employees, it is important for each employee to have a high level of awareness toward their own autonomous career development and for the company to support career development in order to realize a growth cycle for each employee.

In order to increase career awareness among young and mid-career employees, Daishi Hokuetsu Bank provides training programs for employees to create their own career plans, and has also enhanced measures to support employees in the pursuit of their career plans, including recurrent education to promote self-development, such as thematic learning and the acquisition of certifications suited to those career plans, in order to achieve a growth cycle for each employee.



Training



Business Base to Support New Value Creation

Five Strengths

■ Topics

Career Challenge System

Daishi Hokuetsu Bank has implemented the Career Challenge System, in which employees with high motivation and ability are selected and assigned to departments, branches, and positions of their choice, in order to create opportunities to take on the challenge of new duties and careers and revitalize the organization by supporting growth and enhancing motivation. This system enables employees themselves to take the initiative in facing new challenges, and it is a new type of career path that goes beyond the traditional framework for employees who aim to actively participate in new fields.

III Cultivation and securing of experts to promote DX and explore new business areas

With the surrounding environment undergoing major change, including the rapid advancement of DX and the response to decarbonization, the development and securing of expert human resources with deep expertise in specialized fields and specific new business areas has become a major issue. To address these

issues, we have established an expert system under the new personnel system at Daishi Hokuetsu Bank. Through the expert system, we will develop highly specialized human resources within the bank and offer appropriate treatment and benefits for mid-career employees.

■ Topics

Implementation of the New Structural Reform 2030 Project

Assuming that the business environment will continue to change significantly in the future as a result of factors such as sustainability aspirations and advances in digital technology, Daishi Hokuetsu Bank has formulated hypotheses about the issues and needs of local communities and customers, etc., and based on our Management Philosophy, we have implemented the "New Structural Reform 2030 Project," which examines new business models that go beyond conventional ideas, including financial intermediary services and information intermediary services, in order to achieve a sustainable regional community by working to resolve environmental and social issues surrounding local communities.

The President was in charge of the project, and young employees in their 30s from head office, sales offices, and Group companies played a central role in implementing this project, as an opportunity to develop human resources and capabilities through activities such as discussions and planning aimed at the creation of new business ideas.

Young employees who participated
(November 2021 to March 2022) **30 in total**



IV Enhancement of consulting capabilities through appropriate assignment of personnel capable of active participation in a wide range of fields

In order to offer customers multifaceted consulting capabilities, the company is working to establish a system that enables us to provide services in a one-stop manner, including both our financial businesses such as banking, securities, leases, and cards, as well as our non-financial businesses, such as our

recruitment agency and regional trading company. We are also reassigning Group human resources and reinvigorating the organization of Group companies in order to enhance the consulting capabilities of the Group as a whole.

■ Practicing Human Resource Management to Enable All Group Officers and Employees to Actively Participate

The company implements a variety of human resource management initiatives to ensure that a diverse range of officers and employees, including those of Group companies, are able to work and actively participate in a healthy, energetic, and rewarding manner.

Establishing Highly Flexible and Productive Work-Styles Compatible with the New Normal

As a result of the COVID-19 pandemic, there has been a major change in the awareness of society as a whole concerning work-styles, including the expansion of remote work. In order to respond to these changes in the environment related to work-styles and create a comfortable working environment, the company is promoting flexible and highly productive work-styles that enable employees to choose the time and place where they work according to the nature of their work, including actively promoting leave take-up and teleworking.

In addition, in order to improve our productivity as an

organization, we are taking steps to reform the awareness of managers by providing them with ongoing training on themes such as "revitalizing organizational communication (improving 'psychological safety,' etc.)" and "improving employee engagement." At the same time, we are also working to improve the motivation of young employees through the "Career Challenge System" and the "New Structural Reform 2030 Project." Through these efforts, we are building an organization with a high level of engagement.

Supporting the Active Participation of Diverse Human Resources through Diversity Management and Practicing Sustainability Management

A base of diverse human resources is essential for sustainable corporate development. Accordingly, the company is also implementing various initiatives to support the active participation of a diverse range of human resources, including women and senior citizens.

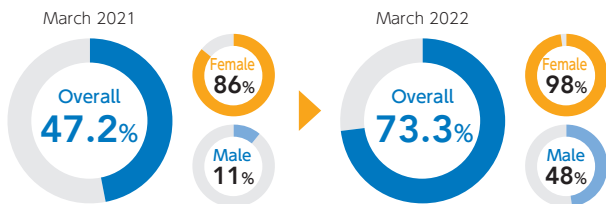
Daishi Hokuetsu Bank has been working to create an environment where it is easy for women to balance work and child rearing, as part of our aim to promote the active participation of women. As an example of our proactive initiatives in this area, Daishi Hokuetsu Bank has received both "Eruboshi Level III" certification and "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare. In the fiscal year ended March 2022, Daishi Hokuetsu Bank launched the "Empowerment

Program for Women," with the aim of promoting female employees to senior management and other managerial positions. Currently, 13 female employees are participating in the program. As a result of these efforts, Daishi Hokuetsu Bank appointed its first female executive officer in June 2022.

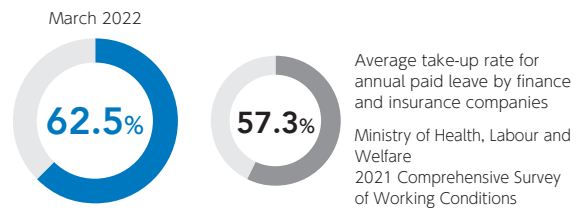
In order to further promote diversity initiatives, the company is working to create an environment in which a diverse range of human resources can actively participate while utilizing their ideas and values. At the same time, the company has formulated a training program to enable employees to independently act on issues related to sustainability with a sense of ownership, and is thus working to foster awareness and understanding of sustainability and the SDGs.

< Diversity Initiatives (Daishi Hokuetsu Bank) >

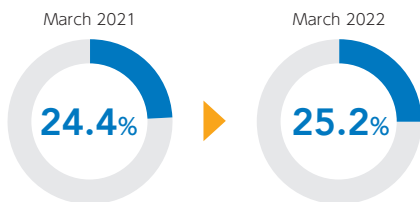
Improvement in the take-up rate of childcare leave



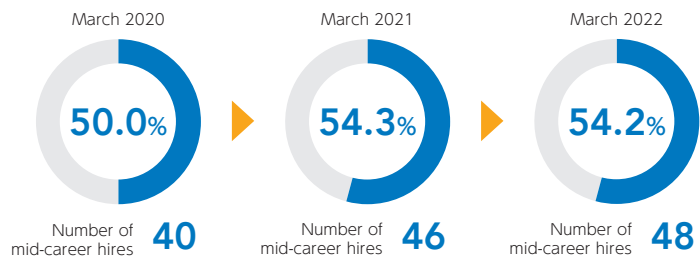
Annual paid leave take-up rate



Increase in the ratio of female managers (deputy level and above)



Ratio of mid-career hires in managerial/supervisory positions (deputy level and above)



Certified as a "Health & Productivity Management Outstanding Organization for 2022" (White 500)



Five years of continuous certification

Daishi Hokuetsu Bank is the only company to achieve this in Niigata Prefecture

*Total from before the merger

Acquired both "Platinum Kurumin" and "Eruboshi Level III" certification



Double acquisition

Daishi Hokuetsu Bank is the only company to achieve this in Niigata Prefecture

Social Contribution Activities by Employees

As a member of regional society, employees of the company actively participate in regional social contribution activities. When employees participate, they consider social contribution activities that they themselves should participate in, and through actual interactions with people in need of support, these activities raise awareness of solving social issues in the local community, while also improving engagement by strengthening communication among employees. For information about our main initiatives, please refer to "Communication with Stakeholders" on P.58.

Business Base to Support New Value Creation

Five Strengths

Message from the Officer in Charge of Human Resources



Senior Managing and
Representative Director
Kazuyoshi Hirokawa

For the company, “human resources” are a source of competitiveness. Recognizing human resources as the most important capital for the sustainable development of the company, we support the growth of Group human resources in order to contribute to the sustainable growth of regional society while also accumulating the trust of our customers. We also support a diverse range of work-styles for our employees and actively engage in health management.

The company is a financial and information services group that is trusted by local communities. It was established in 2018 through the management integration of two regional banks headquartered in Niigata Prefecture. Our shared purpose is to continue to contribute to the development of local communities by responding flexibly to society, which is continuously changing in a multifaceted way with accelerating pace, meeting all customer needs, and providing new value.

In the 2nd Medium-Term Management Plan, which we have

positioned as a specific prescription for achieving this purpose, the company has set “developing and enhancing human resources” as a basic strategy related to human resources, and we are working toward the “promotion of organizational harmony and shared awareness,” “improvement of consulting capabilities,” and “practicing human resource management to enable all Group officers and employees to actively participate,” as measures to achieve this strategy.

The purpose of “promotion of organizational harmony and shared

awareness" is to quickly promote the "development of a shared awareness among employees," which is an important process after management integration. Accordingly, we have promoted the development of a shared awareness and the sharing of our Management Philosophy, while also working to improve engagement, through the continuous holding of briefings for managers by the President and meetings for dialogue between management and employees, and free and frank discussions between employees the management.

The "improvement of consulting capabilities" is an initiative aimed at improving the multifaceted consulting capabilities of the company's human resources in order to respond to all customer needs. It focuses on measures such as developing systems to support the active participation of a diverse range of human resources while respecting diverse viewpoints and values with different experiences, skills, and attributes. As a result of these efforts, our human resources are becoming increasingly aware of the need to autonomously develop their own careers, and we are also steadily developing human resources with deep knowledge in specialized fields and specific new business areas.

"Practicing human resource management to enable all Group officers and employees to actively participate" is an effort to create an environment in which employees can exercise their full potential by utilizing the capabilities of human resources with diverse values to the maximum possible extent and supporting employees taking on new challenges. We are also promoting IT and DX to support flexible work-styles, developing an environment for remote working, and implementing measures to support continued employment and health management, and we believe that further improvements to the working environment will be essential.

Daishi Hokuetsu Bank took the advantage of the merger in January 2021 to introduce a personnel system that promotes the enhancement of each employee's skills and supports their growth.

Under this system, in order to make a diverse range of work-styles possible in accordance with changes in individuals' lifestyles, we have introduced a "region limitation system" that allows employees to limit the regions in which they work, and we are also working to establish teleworking and staggered working hours. In order to enable diverse career development, we are working to create an environment that supports the growth of sustainable organizations and individuals while eliminating constraints on location and time as much as possible, and that enables employees with childcare and nursing care responsibilities to actively participate. In addition, we have introduced an expert (professional position) system for human resources focused specifically on specialized fields such as consulting, business succession, M&A, and IT, with the aim of revitalizing the organization by supporting employee growth and increasing motivation.

In order to leverage the capabilities of diverse human resources to the maximum possible extent, it is important that we create an environment in which employees can maintain a positive mental and physical condition and remain healthy as they work. The company actively engages in "health management," and Daishi Hokuetsu Bank

has received "White 500" certification under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for five consecutive years.

In terms of promoting the active participation of women, in June of this year, Daishi Hokuetsu Bank appointed its first female executive officer. In order to further promote the development of female human resources who can be promoted to higher positions, such as directors and senior managers, Daishi Hokuetsu Bank revised the "Empowerment Program for Women" last fiscal year. At present, 13 employees are participating in the program and working to mutually improve their knowledge and skills. In this way, we are promoting the development of human resources who can play a role as next-generation leaders. Furthermore, in order to further strengthen our D&I (Diversity & Inclusion) initiatives, we have jointly established the "TSUBASA Diversity & Inclusion Declaration" together with the banks participating in the TSUBASA Alliance. Going forward, we intend to actively implement collaborative measures based on this declaration, including various joint training programs for officers and employees by the participating banks of TSUBASA.

The initiatives related to human resources of the company that I have introduced here represent only a part of our total initiatives, but through these initiatives, the company will continue to contribute to the development of the region as a trusted financial and information services group, by enhancing our human resources capabilities and increasing the value of our human capital to enable us to exercise the Group's collective strength.



Business Base to Support New Value Creation

Five Strengths

4 Collective Strength as an Organization

Ability to Respond to Change and Strengths as an Organization Gained Through the Management Integration and Merger

The company was established in October 2018 as a wholly owning parent company through the management integration of The Daishi Bank and The Hokuetsu Bank (the “two banks”), which ranked first and second in the prefecture and each had a history of more than 140 years. In January 2021, these two subsidiary banks merged to form Daishi Hokuetsu Bank. In recent times, amid the unprecedented disaster of COVID-19, all officers and employees worked as one to successfully execute the extremely difficult project of simultaneously merging the subsidiary banks and integrating their systems and operations (the merger and systems & operations integration project).

The Group has cultivated an ability to respond to changes and organizational capabilities through various initiatives aimed at the successful completion of the management integration and merger. We recognize that this ability to respond to changes and our organizational capabilities are significant strengths that will enable the company to achieve sustainable growth in a business environment that is changing in a multifaceted way with accelerating pace.

At present, we utilize the project management capabilities developed through the merger and systems & operations integration project in various projects, including the “Structural Reform Promotion Committee” headed by the President.



Promotion of Organizational Harmony and Shared Awareness

In January 2021, subsidiaries The Daishi Bank and The Hokuetsu Bank merged and started afresh as Daishi Hokuetsu Bank. Based on this background, Daishi Hokuetsu Bank has been promoting organizational harmony and a shared awareness among employees as important themes related to human resources.

The company believes that quickly achieving organizational harmony and promoting a shared awareness will enhance the Group's collective strength. Accordingly, we have taken steps to ensure the dissemination and understanding of our Management Philosophy and Medium-Term Management Plan, through continuous briefings for managers by the President and meetings for officers and employees to engage in dialogue and exchange

views. In addition, we have eliminated mindsets based on the former banks through active personnel changes and in-house training, without focusing on the former banks, and have ensured sufficient opportunities for communication even amid the COVID-19 pandemic through such measures as expanding opportunities for employee networking through in-house seminars, etc. Between January 2021, the time of the bank merger, and June 2022, we transferred approximately 2,200 employees. These measures have borne fruit, and we believe that we have eliminated mindsets based on the former banks. Accordingly, all officers and employees of the Group are working toward the development of the regional economy with "unity of purpose," with the "purpose" being our Management Philosophy.

< Briefings and networking meetings to develop a shared awareness >

Dialogue between senior management and employees (January 2021 to May 2022)	Number of participants	Approximately 4,700
Briefings to disseminate the Management Philosophy and Medium-Term Management Plan	Number of participants	Approximately 300
President's briefing for managers	Number of participants	Approximately 300
Meeting to exchange dialogue Number of venues and participants	Total of approximately 300 venues	Approximately 7,000 participants

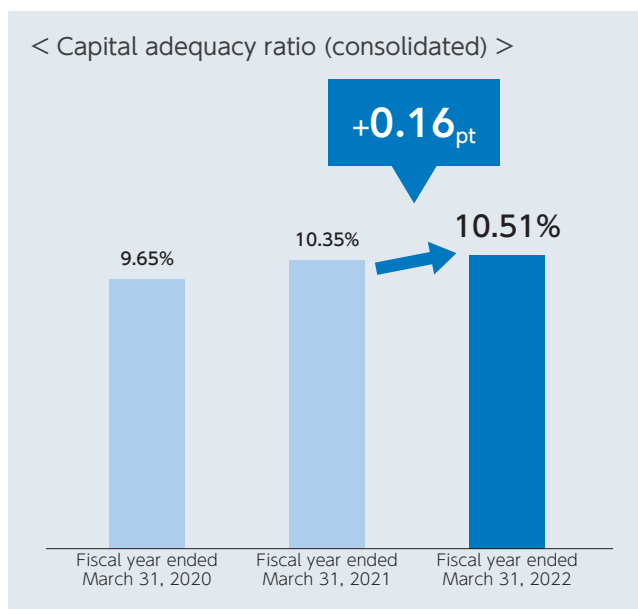


Meeting to exchange dialogue



5 Sound Financial Position

■ Substantial Equity Capital

The Daishi Hokuetsu Financial Group's consolidated capital adequacy ratio for the fiscal year ended March 2022 increased by 0.16 percentage points from the same period of the previous fiscal year to 10.51%. This figure exceeds both the domestic standard of 4% and the international standard of 8% based on the Basel Accord, thus ensuring a sufficient level from the viewpoint of soundness. Furthermore, the external rating of the Daishi Hokuetsu Financial Group is "A+" from the Japan Credit Rating Agency (JCR), and Daishi Hokuetsu Bank has received ratings of "A+" from the Japan Credit Rating Agency and "A3" from Moody's.



< Ratings >

	Japan Credit Rating Agency (JCR)	Moody's
 DAISHI HOKUETSU Financial Group 第四北越フィナンシャルグループ	A+	—
 第四北越銀行 DAISHI HOKUETSU BANK	A+	A3

(As of March 2022)

■ Policy for Return to Shareholders

While considering our public nature as a financial group, 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 to maintain a shareholder return rate of approximately 40%, when combining dividends and acquisition of treasury stock.

Furthermore, consolidated ROE for the fiscal year ended March 2022 was 3.5%, an improvement of 0.9 percentage points from the previous year. At present, our target for the fiscal year ending March 2024, which is the final fiscal year of the 2nd Medium-Term Management Plan, is 4.5%, but over the medium to long term, we aim to maintain a consolidated ROE of 5% or more, based on increasing profitability.

< Actual shareholder returns >

	Dividends per share (annual)	Shareholder return rate
Fiscal year ended March 31, 2020	120 yen	42.5%
Fiscal year ended March 31, 2021	120 yen	50.7%
Fiscal year ended March 31, 2022	120 yen	36.1%

Business Base to Support New Value Creation

Corporate Governance and Risk Management Systems

Corporate Governance

Basic Approach to Corporate Governance

In order to obtain high recognition and establish unshakeable trusts from stakeholders including customers, local residents, and shareholders, the basic approach of the Group is to work to improve financial health and profitability, while also striving to augment auditing and supervisory functions for corporate

management, as well as to increase the transparency of management activities, based on our recognition that strengthening and enhancing corporate governance is an important management issue.

Overview of Corporate Governance Structure

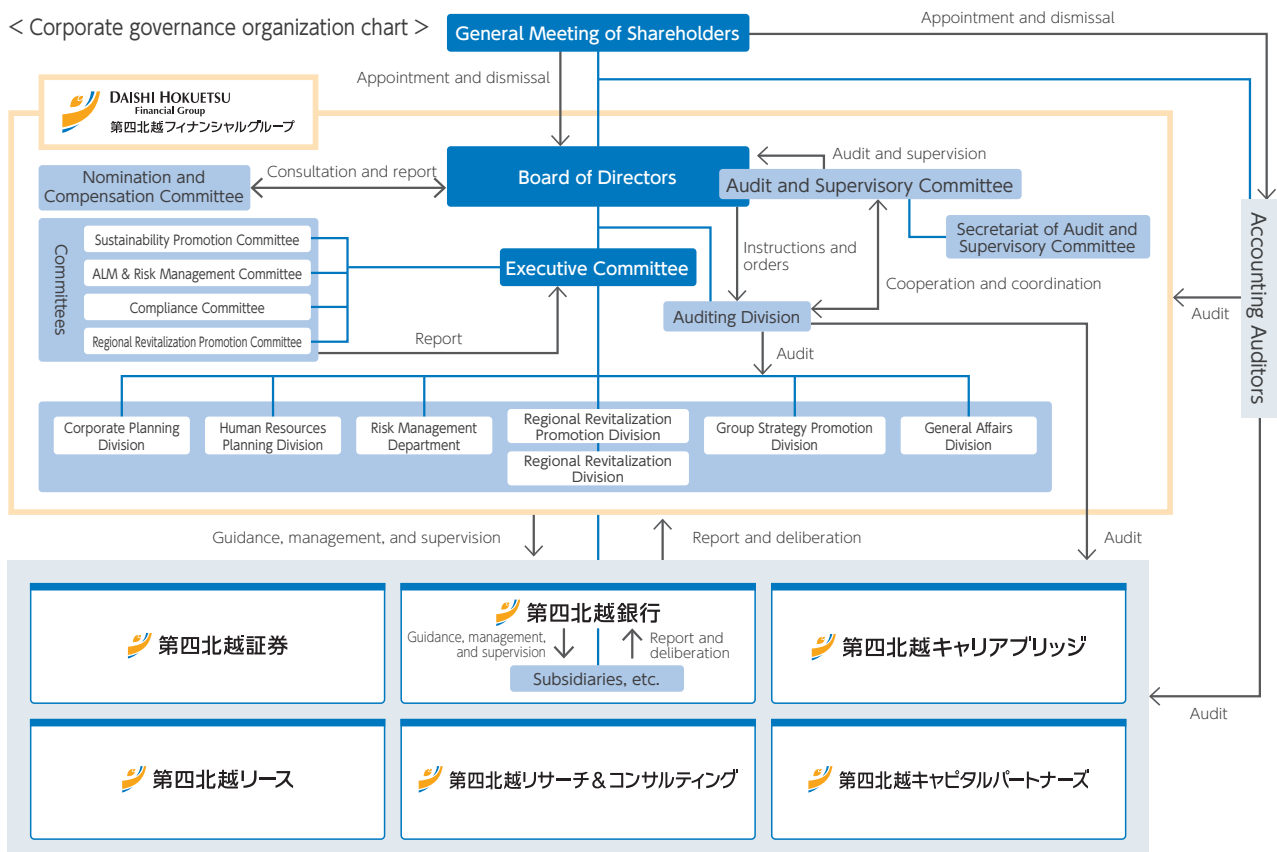
The Board of Directors of the company is responsible for achieving the Group's sustainable growth and medium- to long-term enhancement of corporate value, in order to obtain high recognition and establish unshakeable trust from stakeholders including customers, local residents, and shareholders. In order to fulfill this responsibility, the Board of Directors makes decisions on basic management matters and important business execution for the Group as a whole, and supervises the status of each Director's execution of their operations.

the Sustainability Promotion Committee, ALM & Risk Management Committee, Compliance Committee, and Regional Revitalization Promotion Committee.

In addition, the company has established the Audit and Supervisory Committee, which has a supervisory function, like the Board of Directors, and also audits the execution of operations by directors, and the Executive Committee, which determines matters related to the execution of operations based on the policies of the Board of Directors, manages the execution status of Group management plans and strategies, and resolves and discusses matters delegated by the Board of Directors, as well as

In addition, the Nomination and Compensation Committee has been established as an advisory body to the Board of Directors, in order to enhance fairness, transparency, and objectivity when considering important matters related to the appointment and dismissal of directors, compensation, and succession planning, by securing opportunities for outside directors to appropriately participate and provide advice. The important matters described above are determined by the Board of Directors after deliberation and the receipt of a report from the Nomination and Compensation Committee. In the event that the Nomination and Compensation Committee does not reach a unanimous agreement in a resolution on the content of this report, it shall include all arguments in the report to the Board of Directors.

< Corporate governance organization chart >

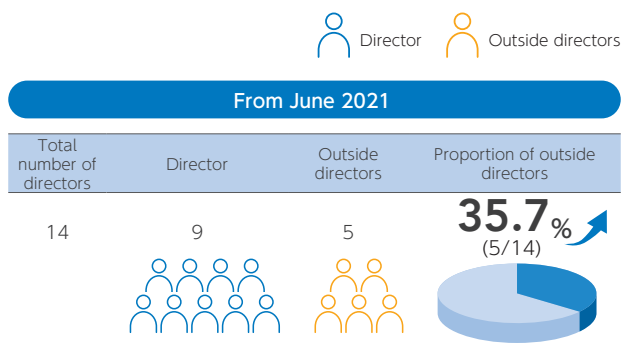
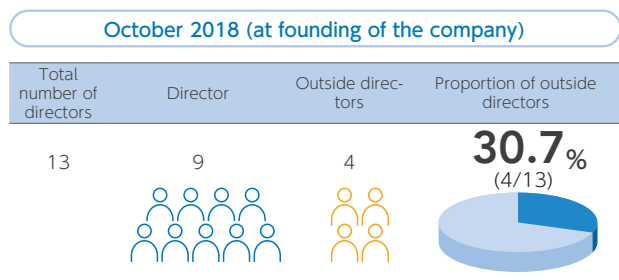


As of June 24, 2022

< Board of Directors >

Chair	President
Composition	Proportion of outside directors: 35.7% (5 out of 14)
Number of meetings held in FY2021	12 (once a month, in principle)

< Proportion of outside directors >



< Audit and Supervisory Committee >

Chair	Full-time Audit and Supervisory Committee Member
Composition	Proportion of outside directors: 83.3% (5 out of 6)
Number of meetings held in FY2021	12 (once a month, in principle)

< Executive Committee >

Chair	President
Composition	Directors (excluding members of the Audit and Supervisory Committee)
Frequency of meetings	Twice a month, in principle

< Nomination and Compensation Committee >

Chair	President
Composition	Proportion of outside directors: 62.5% (5 out of 8)
Number of meetings held in FY2021	4
Main items deliberated	(1) Appointment and dismissal of directors (2) Selection and dismissal of representative directors (3) Selection and dismissal of directors with special duties (4) Compensation, etc., for directors (excluding members of the Audit and Supervisory Committee) (maximum amount of compensation and individual compensation amounts) (5) Compensation, etc., for directors (members of the Audit and Supervisory Committee) (excluding matters related to allocation of individual compensation amounts) (6) Succession planning

The Board of Directors of the company ensures that the Board of Directors as a whole has the necessary skills to implement our Management Philosophy and achieve the Medium-Term Management Plan, as shown below.

< Areas where Directors have experience >

Title	Name	Management strategy and sustainability	Risk management	Human resources management	Sales	Company screening	Market operations	Systems and operations
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		●					

< Areas of special expectations for outside directors >

Title	Name	Corporate management	Management theory	Financial accounting	Law	IT and systems	Regional administration
Director (outside) Audit and Supervisory Committee Member	Toshizo Oda	●					
Director (outside) Audit and Supervisory Committee Member	Kazuaki Matsumoto		●				
Director (outside) Audit and Supervisory Committee Member	Kunio Mori						●
Director (outside) Audit and Supervisory Committee Member	Tadashi Shirai			●		●	
Director (outside) Audit and Supervisory Committee Member	Hiroyuki Kikuchi				●		

Business Base to Support New Value Creation

Corporate Governance and Risk Management Systems

Evaluation of the Effectiveness of the Board of Directors in Fiscal 2021

The Board of Directors of the company analyzes and evaluates the effectiveness of the Board of Directors, including the composition and operation of the Board of Directors and the status of the activities of Directors, and works to improve the effectiveness of the Board of Directors by using the PDCA cycle to implement measures to address issues that have been identified.

In fiscal 2021, the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors as a whole after considering the results of self-evaluations conducted through surveys of all directors. In the assessment of the Board of Directors, the effectiveness of the Board of Directors as a whole has been ensured, for reasons such as those provided in the table on the right under < Results of analysis and evaluation in fiscal 2021 >.

In fiscal 2022, we will consider and implement measures based on the evaluation of effectiveness in fiscal 2021, as part of efforts to further improve the effectiveness of the Board of Directors. Furthermore, the specific policies for responding are described in the table on the right (bottom table), under < Policies for responding in fiscal 2022 >.

< Results of analysis and evaluation in fiscal 2021 >

Details	
	<ul style="list-style-type: none"> Based on their own expertise, outside directors consistently and actively make statements and provide appropriate advice and supervision at meetings of the Board of Directors Since the merger of the subsidiary banks in January 2021, under the supervision of the Board of Directors, synergies have been steadily achieved through initiatives such as organizational harmony, branch consolidation, the reorganization and strengthening of Group companies, and thorough cost management The "Daishi Hokuetsu Financial Group's Basic Sustainability Policy" was established in December 2021, based on the recognition that sustainability initiatives are a fundamental management policy of the same level as the Management Philosophy. In April 2022, the Company also added "practicing sustainability management" to the basic strategy of the 2nd Medium-Term Management Plan. In addition, the Board of Directors has taken the initiative in addressing climate change and other sustainability issues, including establishing "Investment & Financing Policies that consider environment and society" and setting "sustainability targets" and "CO₂ emissions reduction targets." In fiscal 2021, measures were taken to address issues identified based the results of the evaluation of effectiveness in fiscal 2020, such as "creating opportunities for passing on the expertise of representative directors, etc., for the development of successors" and "continuing to actively develop human resources with a view to the appointment of female directors," and steady improvements have been made

< Policies for responding in fiscal 2022 >

Matter	Details
Ensuring the diversity of the Board of Directors	<ul style="list-style-type: none"> Human resources development with a view to the appointment of female directors, in order to ensure the diversity of the Board of Directors (development programs were already in place for female employees, and in June 2022, the company appointed the Group's first female executive officer at Daishi Hokuetsu Bank, the company's subsidiary)
Continued development of successors	<ul style="list-style-type: none"> Successor development through feedback from representative directors to directors concerning assessments of the development of successors and training sessions, etc., to pass on expertise, based on "successor development plans"
Further exercise of the functions of outside directors	<ul style="list-style-type: none"> Further revitalization of the Board of Directors and the Nomination and Compensation Committee through continuous exchange of opinions between outside directors and the Presidents of Group companies, etc.
Response to issues surrounding sustainability	<ul style="list-style-type: none"> Further enhancement of discussions on sustainability (including ESG and the SDGs) at meetings of the Board of Directors with measures such as the accumulation of expertise through independent self-study by directors aimed at practicing sustainable management Promotion of awareness of sustainability in the Group and local communities led by the Board of Directors Enhancement of disclosure related to sustainability, including disclosure based on the framework of the TCFD recommendations

Officer Compensation

■ Outline of Policy for Determining Compensation, etc., for Directors

The amount of officer compensation for each director of the company shall be determined each fiscal year based on the following policy, by resolution of the Board of Directors following deliberations and a report by the Nomination and Remuneration Committee for the amount of individual compensation for

directors who are not Audit and Supervisory Committee Members, and by discussion among directors who are Audit and Supervisory Committee Members for the amount of individual compensation for directors who are Audit and Supervisory Committee Members.

- Compensation shall be fair and highly reasonable, to ensure accountability to shareholders and other stakeholders.
- Levels of compensation, etc., shall take into consideration levels at other companies, etc., and shall be appropriate to reward the roles and responsibilities of the Group's officers in aiming to become a financial group that contributes to the regional economy and society by achieving sustainable and stable growth through the sincere execution of business operations, etc.
- Compensation for directors who are not Audit and Supervisory Committee Members shall consist of compensation able to ensure that excellent human resources are retained for the Group's senior management, and that also increases incentives to performance in each fiscal year and increase corporate value over the medium to long term.
- Specifically, compensation for directors who are not Audit and Supervisory Committee Members shall consist of basic compensation paid according to their roles and responsibilities, and for directors who are not outside directors, bonuses linked to the degree of achievement of performance indicators for a single fiscal year, and trust-type stock compensation to increase incentives to increase corporate value over the medium to long term.
- Compensation for directors who are Audit and Supervisory Committee Members shall be limited to basic compensation in consideration of the independence audit and supervisory functions and independence of directors who are Audit and Supervisory Committee Members.

■ Officer Compensation System

Basic Compensation

Classification	Details
Directors who are not Audit and Supervisory Committee Members	It shall consist of fixed monthly compensation. The amount of basic compensation determined for each position shall be determined by the Board of Directors after deliberation and a report by the Nomination and Compensation Committee.
Directors who are Audit and Supervisory Committee Members	It shall consist of fixed monthly compensation. The amount of basic remuneration shall be determined according to whether the director is a full-time or part-time member of the Audit and Supervisory Committee, and shall be determined by discussion among the directors who are Audit and Supervisory Committee Members.

Performance-linked Compensation

Bonuses are performance-linked compensation based on business performance in each fiscal year. Payment tables in accordance with target levels of profit and the degree of achievement of those targets are determined each fiscal year by the Board of Directors after deliberation and a report by the Nomination and Compensation Committee.

	Details
Performance Indicators and Reasons for Selecting the Performance Indicators	Performance indicators consist of consolidated net income attributable to shareholders of the parent company, which is the basis for calculating the shareholder return rate, and core business net profit, which indicates the level of profits from the main businesses of the subsidiary banks, which are our major subsidiaries.
Formula	Bonus = Standard amount of bonus for each position × Performance-linked coefficient
Performance-linked coefficient	Performance-linked coefficient = Applicability ratio of consolidated net income attributable to shareholders of the parent company for the company × 0.5 + Applicability ratio of the core business net profit for the subsidiary banks × 0.5
Application rate	The application rate fluctuates within a range of 70% to 130%, in accordance with the level of achievement of targets for consolidated net income attributable to shareholders of the parent company for the company and core business net profit for the subsidiary banks. If consolidated net income attributable to shareholders of the parent company for the company or core business net profit of the subsidiary banks falls below 50% of the target, or the dividend is reduced, the application ratio will be deliberated by the Nomination and Compensation Committee. In addition, the Nomination and Remuneration Committee may deliberate the applicable ratio if it is deemed appropriate to evaluate performance, etc., after eliminating the impact of any factors that occur that should be considered as temporary special factors that could not be expected when the payment table was set, etc.

Non-monetary Compensation

Non-monetary compensation consists of trust-type stock compensation, and the standard amount of compensation is determined for each position by the Board of Directors after deliberation and a report by the Nomination and Compensation Committee. Points corresponding to the amount of compensation are granted once a year, and shares of the company and money

equivalent to the conversion value of the company's shares equivalent to the accumulated points is delivered or paid through the trust when both directors (including directors who are Audit and Supervisory Committee Members) and executive officers of the company and our subsidiary banks retire.

Composition Ratios of Compensation

Compensation for directors who are not Audit and Supervisory Committee Members consists of basic compensation, bonuses, and trust-type stock compensation, which is non-monetary compensation, and standard amounts for each position have been set for each type of compensation. In terms of the

composition ratios of compensation, a benchmark of 50:25:25 is generally used for the ratio of basic compensation to bonuses to trust-type stock compensation when the performance-linked coefficient for bonuses is 100%.

Succession Planning

In order to achieve sustainable growth and increase corporate value over the medium to long term, the company has formulated a "succession plan" to ensure that the optimal person succeeds to the position of President of the company, who plays a central role in these efforts, at the optimal time. This plan consists of a "successor selection plan," which sets forth a method for selecting the optimal person by ensuring fairness, transparency, and objectivity when selecting candidates for the President and directors of the company,

and a "successor development plan," which sets forth development policies, methods of development, and methods for evaluating the status of the development of each candidate, in order to ensure that candidates for the President and directors of the company possess the qualifications and abilities required of them.

The status of the development of candidates for President based on this plan, etc., is reported to the Nomination and Remuneration Committee on a regular basis.

Business Base to Support New Value Creation

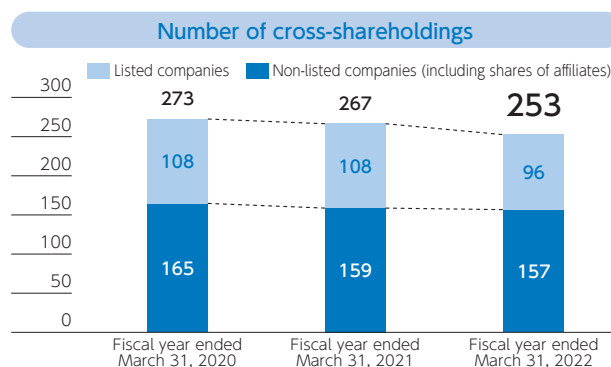
Corporate Governance and Risk Management Systems

Initiatives Related to Cross-shareholdings

The company has established the "Policy on Cross-shareholdings" based on the Corporate Governance Code, as follows.

As of the end of December 2021, the company has verified the appropriateness of holding all of its cross-shareholdings, and a report has been submitted to the Board of Directors to the effect that negotiations will continue toward the reduction of cross-shareholdings for which the significance of holding cannot be recognized, after sufficient dialogue with business partners.

The number of stocks held in the fiscal year ended March 2022 decreased by 14 from the previous fiscal year.



Policy on Cross-shareholdings

- The company and Daishi Hokuetsu Bank will hold a limited number of cross-shareholdings, when it is judged that such cross-shareholdings will contribute to the maintenance and improvement of the corporate value of our business partners and the Group over the medium to long term, and will reduce cross-shareholdings after sufficient dialogue with business partners, from the viewpoint of reducing risks associated with shareholdings, capital efficiency, etc.
- For individual cross-shareholdings, the Company has established the "Cross-Shareholding Basic Policy," and the Board of Directors regularly verifies and makes a comprehensive assessment of the appropriateness of such cross-shareholdings, from the perspective of medium- to long-term economic rationality, taking into account returns and risks, the growth potential, future potential, or revitalization, etc., of business partners, the relationship between business partners and the regional economy, and business strategies, such as business alliances.

Risk Management System

Basic Policy on Risk Management

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.

Outline of Risk Management System

Based on the above basic 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. 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.

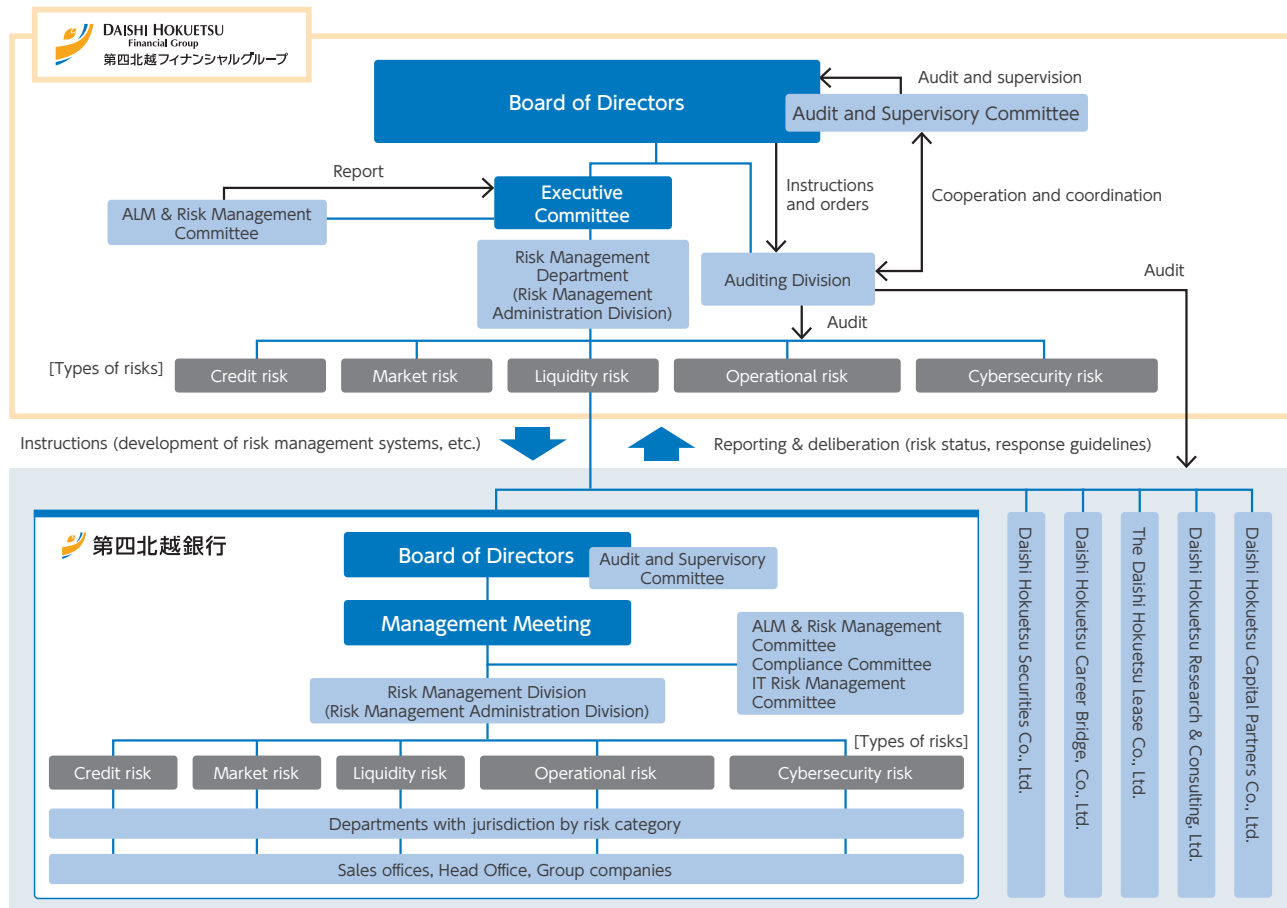
Additionally, the Auditing Department (Internal Audit Department) is under direct supervision of the Board of

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 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 Daishi Hokuetsu Bank. The Group has established the Basic Rules for Business Continuity to define timely and accurate management and instructions for the bank, and through such measures, has constructed a risk management system.

< Diagram of risk management system >



As of June 24, 2022

Definition of Each Type of Risk and Related Management Systems

Credit risk

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 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 manage 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, the 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* is being conducted and credit risk limits in line with total equity are being set.

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

Market risk

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 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 securities operation in line with the policy.

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

Business Base to Support New Value Creation

Corporate Governance and Risk Management Systems

Liquidity risk

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).

In the Group, "Liquidity risk management rules" have been

established at Daishi Hokuetsu 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 a reporting and communicating structure have been established in order to respond promptly under various situations, in accordance with the degree to which funds are required in unforeseen circumstances.

Operational risk

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

Cybersecurity risk is the risk that the Group will incur a loss as the result of threats on the Group's cybersecurity from cyberattacks. In order to strengthen our response to cybersecurity, the Group has established a Basic Policy for Cybersecurity Management, and response manuals for different types of cyberattacks, and we also take measures such as the advance prevention and predictive management of cybersecurity incidents.

As it is necessary to enhance the management of risks associated with the promotion of DX (digital transformation), such as the use of

the Internet and cloud services, in fiscal 2022, we set forth a basic policy of strengthening systems for managing external risks based on the use of cloud services, as well as the management of risks associated with the internal network environment. Accordingly, the Group is working on measures such as strengthening the expertise of controlling departments in relation to IT risks, strengthening our ability to act based on early warning information, and strengthening our ability to respond through training. The status of these efforts is regularly reported to the Executive Committee.

Business Continuity

In the event of a crisis, such as a disaster (natural disaster, epidemic, etc.) or an accident (power failure, system failure, etc.), the company's basic policy, based on our role as a regional financial institution group, is to prioritize ensuring the safety of customers, officers and employees of the Group, their families, and others above all else. At the same time, by continuing our business operations, we will endeavor to avoid any impact on the settlement system, and to protect the assets and

management resources of customers and the Group.

In addition, we have established standards of conduct, organizational systems, etc., for officers and employees of the Group in the event of a crisis. In order to ensure the effectiveness of these measures, we conduct regular drills during peacetime and report the results to the Board of Directors, thereby verifying any issues and points for improvement in the business continuity system.

Compliance

■ Basic Policy on Compliance

The basic policy of the company is that we work to develop and establish a compliance system for maintaining trust in the Group, and for ensuring the health and appropriateness of our business. At the same time, 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.

■ 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, once a month, in principle. The Committee deliberates matters such as the status of compliance management in the Group, and

works to develop and establish compliance systems for the Group as a whole.

Furthermore, as a plan for practicing business operations that place the utmost priority on compliance, based on the company's Management Philosophy, we formulate a "Compliance Program" for each fiscal year, by resolution of the Board of Directors, and the Board of Directors regularly manages and evaluates the progress of the program.

■ Initiatives to Instill and Establish Compliance Awareness

Within the Group, the President and other officers utilize various opportunities to provide explanations of the Management Philosophy and business operations that place the utmost priority on compliance, including meetings to exchange dialogue with employees. In addition, we also implement initiatives aimed at instilling and establishing an awareness of compliance through various group training programs, e-learning, compliance seminars held at each

department and branch, and other measures.

In addition, we are taking steps to identify the status of the instillation of compliance at each Group company and enhance initiatives aimed at strengthening the early discovery and control of issues, while also endeavoring to ensure the effectiveness of compliance systems through monitoring by the company's Risk Management Department and verification by the Auditing Division.

■ Internal Reporting System (Opinion Box)

The company has established an internal reporting system (Opinion Box) that enables officers and employees of the Group to receive opinions, proposals, and requests that contribute to management, as well as reports of violations of laws and regulations, etc. The contact points for reports are the Risk Management Department and the Audit and Supervisory Committee of the company. In order to protect

whistleblowers, information is thoroughly managed, and a system has been developed to ensure that whistleblowers are not treated disadvantageously for the reason of having submitted a report.

Matters such as the content of reports submitted via this system and the results of responses are reported to the Board of Directors on a regular basis.

■ Cutting Relations with Organized Crime

The Group has established the "Basic Policy on Organized Crime" to block any relationship with organized crime, i.e., groups and individuals who pursue economic interests 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

favours 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 both civil and criminal legal measures to deal appropriately with any unreasonable demands.

■ System for Preventing Money Laundering, etc.

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. Accordingly, we position it as an important issue in terms of business strategy, and we are working to implement systematic measures in line with the "Basic Policy on Countermeasures against Money Laundering and Terrorist Financing."

In our company, the officer in charge of the Risk Management Department is the person responsible for overseeing measures to combat money laundering, and the Risk Management Department is the department overseeing these efforts. The Group has a system in place to centrally

manage measures against money laundering and terrorist financing throughout the Group as a whole, and the status of the management of these measures is regularly reported to the Compliance Committee, the Board of Directors, etc.

In addition, at Group companies, including Daishi Hokuetsu Bank, we have appointed persons responsible for these efforts from among their respective officers, and have also established departments to oversee these efforts. In order to prevent money laundering and terrorist financing, as well as to protect customers' assets from various financial crimes, such as specialized fraud, the Group is mainly implementing the following measures.

- Identification and assessment of risks associated with the use of goods, services, etc., for money laundering and terrorist financing, and the implementation of risk-mitigation measures in accordance with the nature of these risks
- Introduction of various IT systems to properly manage risks associated with money laundering and terrorist financing
- Regular confirmation and updating of customer information in accordance with the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" formulated by the Financial Services Agency
- Proactive appeals to customers to protect their assets from financial crimes, such as specialized fraud
- Ongoing education and training for all Group officers and employees

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 money laundering, terrorist financing, etc., in collaboration with other participating banks.

Business Base to Support New Value Creation

Corporate Governance and Risk Management Systems

■ 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 the company announced in June 2019.

All our officers 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 2022 are posted on the company's website.

Status of Initiatives and Key Performance Indicators (KPIs) under the Basic Policy

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



■ Matters Related to the Internal Control System

The company has established the "Basic Policy on Internal Controls" by resolution of the Board of Directors and we are working to enhance its effectiveness, in order to develop a "systems to ensure the properness of operations" at the company and Group companies. Going forward, in order to respond appropriately to changes in the business environment, we will continue to strengthen and enhance our internal control systems by continuously reviewing these systems.

For details of the company's basic approach to internal control systems and the status of their development, please refer to the "Corporate Governance Report" posted on the company's website.

Corporate Governance Report

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



■ Response to the Financial ADR System (Alternative Dispute Resolution)

The financial ADR system is a system for the simple and prompt settlement of issues arising between customers and financial institutions outside of court, based on facilitation, mediation, and arbitration of by a neutral and fair third-party dispute resolution institution. Daishi Hokuetsu Bank has entered into a contract concerning dispute resolution procedures with the Japan Bankers Association, which is a designated dispute resolution organization.

Designated dispute resolution organization with which Daishi Hokuetsu Bank has concluded a contract

JBA Customer Relations Center

☎0570-017109

☎03-5252-3772

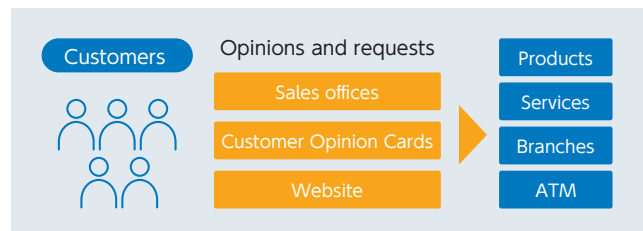
Reception hours: 9:00am to 5:00pm **on** weekdays
(excluding bank holidays and national holidays)

Communication with Stakeholders

The company builds relationships of trust through frequent communication with many stakeholders, including customers, local communities, shareholders, and employees. In addition, in order to ensure the soundness and transparency of our management, we actively engage in disclosure activities to create an understanding of the status of the company’s management, sustainability initiatives, and other matters.

Communication with Customers

Daishi Hokuetsu Bank works to improve business operations by sharing opinions and requests received from customers through dialogue at counters, etc., in the head office and branches, “Customer Opinion Cards” placed on counters at sales offices, the website, call centers, etc.



Communication with Regional Society

Financial Education Activities

In order to support the physical and emotional development of children in local communities, Daishi Hokuetsu Bank has held the “Daishi Hokuetsu Academy” since the fiscal year ended March 2014, as an activity to provide financial education. A total of 12,146 students participated during the period from when the academy opened until the fiscal year ended March 2022.



school visit

Scholarships from the Daishi Hokuetsu Scholarship Association

Since 1962, Daishi Hokuetsu Bank has granted non-repayable scholarships to young people with outstanding academic records who are unable to attend university for financial reasons.

Number of students granted scholarships (FY1962 to FY2021) **1,218**

Initiatives to Promote Sports and Culture

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, while also providing support for local sports clubs.

In order to promote regional music and artistic culture, Daishi Hokuetsu Bank also holds the Daishi Life-Up Concert to provide high-quality music, traditional performing arts, and other events.



Elementary school volleyball tournament



Daishi Hokuetsu Hall

Volunteer activities by the Daishi 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.



Donation of Vehicle to the Sado Japanese Crested Ibis Conservation Center

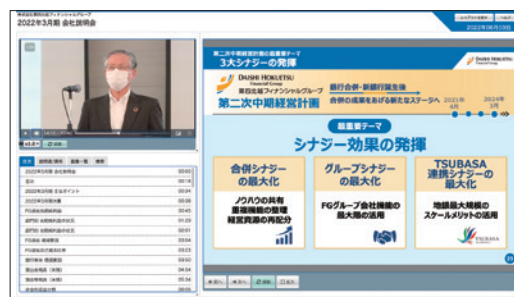
Communication with Stakeholders

Communication with Shareholders

■ Disclosure Activities


The company actively engages in disclosure activities to create an understanding of the status of management, sustainability initiatives, and other matters among shareholders.

In the fiscal year ended March 2022, we held company information sessions for institutional investors (full-year and interim earnings results), and we also distributed explanatory materials and videos for individual investors on our website.



Video of company briefing

Company Briefing Materials



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

■ Shareholder Benefits System

The company has 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 the 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.
Details	<ul style="list-style-type: none"> (1) Catalog listing special local goods from Niigata Prefecture and various types of donations (2) Catalog listing special local goods from other prefectures as a Tsubasa Alliance Joint Plan

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

Communication with Employees

In order to achieve our Management Philosophy and ensure that all officers and employees can focus on their day-to-day operations with a "unity of purpose," the company holds "Officer Dialogue Exchange Meetings," in which the President and other officers directly communicate their views and the importance of compliance to employees.

In addition, we regularly conduct employee "engagement surveys" and "harmony questionnaires" aimed at post-merger organizational harmony, and report the results to the Board of Directors. In this way, we are implementing initiatives to enhance engagement through, for example, reflecting the views of employees in management.



Officer Dialogue Exchange Meeting

Corporate Data ▶ List of Executives

Director

(As of June 24, 2022)



Chairman and Representative Director

Fujio Namiki

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	8,600



President and Representative Director

Michiro Ueguri

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	3,500



Senior Managing and Representative Director

Kazuyoshi Hirokawa

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	5,700



Director

Makoto Takahashi

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	4,150



Director

Ken Shibata

Number of years served as director	2 years
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	2,500



Director

Takayoshi Tanaka

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	4,826



Director

Toshiyuki Maki

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	900



Director

Masami Watanabe

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	1,212

List of Executives

Director

(As of June 24, 2022)



Director (Audit and Supervisory Committee Member)

Yutaka Kimura

Number of years served as director	2 years
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Number of the Company's shares held	1,300

Outside directors

(As of June 24, 2022)



Director (outside) Audit and Supervisory Committee Member

Toshizo Oda

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	11 / 12
Attendance at meetings of the Audit and Supervisory Committee	11 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	3,100



Director (outside) Audit and Supervisory Committee Member

Kazuaki Matsumoto

Number of years served as director	3 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	100



Director (outside) Audit and Supervisory Committee Member

Kunio Mori

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	4 / 4
Number of the Company's shares held	0



Director (outside) Audit and Supervisory Committee Member

Tadashi Shirai

Newly appointed

Number of the Company's shares held	0
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Director (outside) Audit and Supervisory Committee Member

Hiroyuki Kikuchi

Newly appointed

Number of the Company's shares held	0
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*Attendance at meetings of the Board of Directors, the Audit and Supervisory Committee, and the Nomination and Compensation Committee is from the conclusion of the 3rd ordinary general meeting of shareholders of the company in June 2021 until the 4th ordinary general meeting of shareholders of the company in June 2022.

List of Group Companies

Status of Each Group Company

(as of March 31, 2022)

Company names:	Main business activities	Date of establishment	Capital stock
The Daishi Hokuetsu Bank, Ltd. 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture	Banking	November 2, 1873	¥32,776 million
Daishi Hokuetsu Securities Co., Ltd. 8-26 Jonaicho3-chome, Nagaoka-shi	Securities	August 8, 1952	¥600 million
Daishi Hokuetsu Career Bridge, Co., Ltd. Hokuetsu Daiichi Bldg., 2nd Floor 2-25 Higashi-odori1-chome, Chuo-ku, Niigata-shi	HR recruitment services and consulting services related to corporate HR	May 24, 2019	¥30 million
The Daishi Hokuetsu Lease Co., Ltd. 2-10 Akashi2-chome, Chuo-ku, Niigata-shi	Leasing	November 11, 1974	¥100 million
Daishi Hokuetsu Research & Consulting, Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori2-chome, Chuo-ku, Niigata-shi	Consulting services and survey, research, and information provision services related to the economy and society	July 1, 1997	¥30 million
Daishi Hokuetsu Capital Partners Co., Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori2-chome, Chuo-ku, Niigata-shi	Venture capital services	June 8, 1984	¥20 million
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
The Hokuetsu Credit Guarantee Co., Ltd. Choryo-Sha Bldg., 1st Floor 13-23 Miyabara2-chome, Nagaoka-shi	Credit guarantees	August 20, 1986	¥210 million
The Hokuetsu Leasing Co., Ltd. Hokuetsu Higashi Bldg., 5th Floor 9-20 Kesajiro1-chome, Nagaoka-shi	Leasing	November 1, 1982	¥100 million
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
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
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
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 million

Information About The Daishi Hokuetsu Bank's Branch Network (as of July 31, 2022)

Number of branches: 203
 189 branches within Niigata Prefecture
 (including 5 field offices)
 14 branches outside of Niigata Prefecture
 Number of sites: 161

*The number of sites shows the number of sales sites after the integration of branches using the branch-in-branch method.

*The number of branches does not include three virtual branches.

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Please refer to the Daishi Hokuetsu Bank website for specific store locations, business hours, etc.

Joetsu Area
 (19 branches, 16 sites)

Sado Area
 (5 branches, 5 sites)

Shimoetsu Area
 (102 branches, 77 sites)

Chuetsu Area
 (63 branches, 50 sites)

Outside Niigata
 (14 branches, 13 sites)

Financial Data

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Consolidated Balance Sheet

Years ended March 31, 2022

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to US \$1.

Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Cash and due from banks	¥2,055,703	¥2,758,985	\$22,542,574
Monetary claims bought	13,080	14,115	115,334
Trading account securities	3,234	3,018	24,663
Securities	2,451,146	2,501,271	20,436,894
Loans and bills discounted	4,937,462	5,114,102	41,785,295
Foreign exchanges	16,802	16,304	133,216
Other assets	147,069	175,270	1,432,067
Tangible fixed assets	57,864	56,855	464,546
Intangible fixed assets	17,246	13,919	113,727
Assets related to retirement benefits	11,584	14,352	117,265
Deferred tax assets	1,167	10,295	84,166
Customers' liabilities for acceptances and guarantees	18,614	18,966	154,965
Allowance for loan losses	(24,443)	(27,153)	(221,857)
Total Assets	¥9,706,533	¥10,670,304	\$87,182,811

Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Deposits	¥8,113,424	¥8,207,503	\$67,060,248
Negotiable certificates of deposit	76,876	233,401	1,907,033
Receivables under resale agreements	111,132	37,006	302,367
Payables under securities lending transaction	188,425	298,397	2,438,088
Borrowed money	663,603	1,358,761	11,101,903
Foreign exchanges	186	209	1,710
Borrowed money from trust account	202	2,886	23,581
Other Liabilities	62,599	65,100	531,912
Provision for bonuses	2,682	2,350	19,203
Provision for directors' bonuses	127	120	985
Provision for share-based payment	-	541	4,423
Retirement benefit related liabilities	694	653	5,342
Provision for directors' retirement benefits	41	36	294
Provision for reimbursement of deposits	1,831	1,454	11,887
Provision for system cancellation losses	12	-	-
Provision for contingent loss	1,401	1,615	13,198
Reserves under the special laws	15	16	138
Deferred tax liabilities	5,646	2,610	21,332
Deferred tax liabilities for land revaluation	5,169	5,163	42,190
Acceptances and guarantees	18,614	18,966	154,965
Total Liabilities	¥9,252,687	¥10,236,798	\$83,640,809

■ Net Assets

	(Millions of Yen)		(Thousands of U.S.Dollars)
	2021	2022	2022
Capital stock	¥30,000	¥30,000	\$245,118
Capital surplus	87,665	98,865	807,790
Retained earnings	271,627	281,174	2,297,365
Treasury stocks	(808)	(1,566)	(12,798)
Shareholders' equity	388,485	408,473	3,337,475
Valuation difference on available-for-sale securities	39,948	8,030	65,611
Deferred gains or losses on hedges	(4,452)	464	3,793
Revaluation reserve for land	6,266	6,251	51,082
Remeasurements of defined benefit plans	4,426	5,240	42,819
Total accumulated other comprehensive income	46,188	19,987	163,307
Subscription rights to shares	692	-	-
Non-controlling interests	18,479	5,044	41,218
Total net assets	453,845	433,505	3,542,002
Total Liabilities and Net assets	¥9,706,533	¥10,670,304	\$87,182,811

Consolidated Statements of Income

Years ended March 31, 2022

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Ordinary income	¥143,132	¥135,711	\$1,108,844
Financing income	63,636	62,684	512,171
Interest on loans and discounts	46,061	45,612	372,679
Interest and dividends on securities	16,956	16,008	130,800
Interest on call loans and bills bought	(118)	(69)	(568)
Interest on receivables under securities borrowing transactions	0	1	13
Interest on deposits with banks	383	762	6,226
Other interest income	353	369	3,019
Trust fees	1	53	437
Fees and commissions	27,968	28,715	234,625
Other ordinary income	33,819	34,066	278,347
Other income	17,706	10,190	83,262
Ordinary expenses	125,631	112,166	916,466
Financing expenses	3,120	2,287	18,692
Interest on deposits	738	458	3,745
Interest on negotiable certificates of deposit	17	10	86
Interest on call money and bills sold	11	0	0
Interest on bills sold	115	112	920
Interest on payables under securities lending transactions	378	174	1,424
Interest on borrowings and rediscounts	60	33	277
Other interest expenses	1,798	1,497	12,238
Fees and commissions payments	8,055	7,703	62,944
Other ordinary expenses	29,332	24,179	197,562
General and administrative expenses	71,960	65,070	531,669
Other expenses	13,163	12,924	105,598
Ordinary profit	17,500	23,545	192,378
Extraordinary income	1,039	418	3,423
Gain on disposal of noncurrent assets	0	0	1
Gain on reversal of subscription rights to shares	-	418	3,421
Gain on revision of retirement benefit plan	1,038	-	-
Extraordinary loss	818	622	5,082
Loss on disposal of noncurrent assets	293	119	979
Impairment loss	521	74	604
Transfer to reserve for financial products transaction liabilities	4	1	8
Provision for share-based payment	-	427	3,488
Income before income taxes	17,721	23,342	190,718
Income taxes-current	5,951	8,281	67,663
Income taxes-deferred	327	(469)	(3,838)
Net Income	11,441	15,530	126,893
Profit attributable to non-controlling interests	646	385	3,150
Net income reverting to parent company shareholders	¥10,795	¥15,144	\$123,743

Consolidated Statements of Comprehensive Income

Years ended March 31, 2022

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Net Income	¥11,441	¥15,530	\$126,893
Other Comprehensive Income	41,306	(27,869)	(227,708)
Valuation difference on available-for-sale securities	19,625	(33,600)	(274,532)
Deferred gains or losses on hedges	10,404	4,916	40,171
Retirement benefit adjustment amount	11,277	814	6,652
Comprehensive income	52,748	(12,338)	(100,815)
(Comprehensive income attributable to)			
Comprehensive income attributable to equities of parent	51,827	(11,042)	(90,221)
Comprehensive income attributable to non-controlling interests	921	(1,296)	(10,593)

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2021

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Shareholders' 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)
Net income reverting to parent company shareholders			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)
Net income reverting to parent company shareholders								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

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2022

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Shareholders' equity
Balance at March 31, 2021	¥30,000	¥87,665	¥271,627	¥(808)	¥388,485
Cumulative effect of changes in accounting policies			(121)		(121)
Restated balance	30,000	87,665	271,506	(808)	388,363
Changes of items during the period					
Dividends from surplus			(5,490)		(5,490)
Net income reverting to parent company shareholders			15,144		15,144
Purchase of treasury stock				(1,088)	(1,088)
Disposal of treasury stock		(57)		330	273
Reversal of revaluation reserve for land			14		14
Change in ownership interest of parent due to transactions with non-controlling interests		11,257			11,257
Net changes of items other than shareholders' equity					
Total changes of items during period	-	11,199	9,668	(758)	20,110
Balance at March 31, 2022	¥30,000	¥98,865	¥281,174	¥(1,566)	¥408,473

	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, 2021	¥39,948	¥(4,452)	¥6,266	¥4,426	¥46,188	¥692	¥18,479	¥453,845
Cumulative effect of changes in accounting policies								(121)
Restated balance	39,948	(4,452)	6,266	4,426	46,188	692	18,479	453,723
Changes of items during the period								
Dividends from surplus								(5,490)
Net income reverting to parent company shareholders								15,144
Purchase of treasury stock								(1,088)
Disposal of treasury stock								273
Reversal of revaluation reserve for land								14
Change in ownership interest of parent due to transactions with non-controlling interests								11,257
Net changes of items other than shareholders' equity	(31,917)	4,916	(14)	814	(26,201)	(692)	(13,434)	(40,328)
Total changes of items during period	(31,917)	4,916	(14)	814	(26,201)	(692)	(13,434)	(20,218)
Balance at March 31, 2022	¥8,030	¥464	¥6,251	¥5,240	¥19,987	-	¥5,044	¥433,505

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2022

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Shareholders' equity
Balance at March 31, 2021	\$245,118	\$716,280	\$2,219,363	\$(6,605)	\$3,174,156
Cumulative effect of changes in accounting policies			(994)		(994)
Restated balance	245,118	716,280	2,218,368	(6,605)	3,173,161
Changes of items during the period					
Dividends from surplus			(44,861)		(44,861)
Net income reverting to parent company shareholders			123,743		123,743
Purchase of treasury stock				(8,896)	(8,896)
Disposal of treasury stock		(467)		2,702	2,235
Reversal of revaluation reserve for land			115		115
Change in ownership interest of parent due to transactions with non-controlling interests		91,977			91,977
Net changes of items other than shareholders' equity					
Total changes of items during period	-	91,510	78,997	(6,193)	164,313
Balance at March 31, 2022	\$245,118	\$807,790	\$2,297,365	\$(12,798)	\$3,337,475

	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, 2021	\$326,400	\$(36,377)	\$51,197	\$36,167	\$377,387	\$5,656	\$150,990	\$3,708,191
Cumulative effect of changes in accounting policies								(994)
Restated balance	326,400	(36,377)	51,197	36,167	377,387	5,656	150,990	3,707,196
Changes of items during the period								
Dividends from surplus								(44,861)
Net income reverting to parent company shareholders								123,743
Purchase of treasury stock								(8,896)
Disposal of treasury stock								2,235
Reversal of revaluation reserve for land								115
Change in ownership interest of parent due to transactions with non-controlling interests								91,977
Net changes of items other than shareholders' equity	(260,788)	40,171	(115)	6,652	(214,080)	(5,656)	(109,771)	(329,507)
Total changes of items during period	(260,788)	40,171	(115)	6,652	(214,080)	(5,656)	(109,771)	(165,194)
Balance at March 31, 2022	\$65,611	\$3,793	\$51,082	\$42,819	\$163,307	-	\$41,218	\$3,542,002

Consolidated Statement of Cash Flows
Years ended March 31, 2022

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Net cash provided by (used in) operating activities			
Income before income taxes	¥17,721	¥23,342	\$190,718
Depreciation costs	6,241	6,959	56,860
Impairment loss	521	74	604
Increase (decrease) in allowance for loan losses	1,338	2,709	22,138
Increase (decrease) in provision for contingent loss	135	214	1,751
Increase (decrease) in provision for bonuses	351	(332)	(2,718)
Increase (decrease) in provision for directors' bonuses	(2)	(6)	(56)
Increase (decrease) in provision for share-based payment	-	541	4,423
Increase (decrease) in provision for retirement benefits	(8,886)	(2,767)	(22,612)
Increase (decrease) in provision for retirement liability	(8,251)	(40)	(328)
Increase (decrease) in provision for directors' retirement benefits	1	(4)	(40)
Increase (decrease) in provision for reimbursement of deposits	(586)	(376)	(3,076)
Increase (decrease) in provision for system cancellation losses	(400)	(12)	(99)
Financing income	(63,636)	(62,684)	(512,171)
Financing expenses	3,120	2,287	18,692
Loss (gain) related to securities	(5,103)	(1,133)	(9,259)
Foreign exchange losses (gains)	(2)	(0)	(1)
Loss (gain) on disposal of noncurrent assets	292	119	978
Net decrease (increase) in trading account securities	(52)	215	1,764
Net decrease (increase) in loans and bills discounted	145,857	(176,640)	(1,443,255)
Net increase (decrease) in deposit	740,249	94,079	768,688
Net increase (decrease) in negotiable certificates of deposit	(175,332)	156,525	1,278,909
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	264,371	695,158	5,679,863
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	174	(48)	(395)
Net decrease (increase) in call loans	4,996	(1,035)	(8,459)
Net increase (decrease) in call money	36,517	(74,125)	(605,649)
Net increase (decrease) in payables under securities lending transactions	(137,705)	109,972	898,538
Net decrease (increase) in foreign exchange-assets	3,669	497	4,067
Net increase (decrease) in foreign exchange-liabilities	(102)	22	182
Net increase (decrease) in borrowed money from trust account	76	2,683	21,927
Revenue for finance	66,516	65,441	534,693
Payments for finance	(3,470)	(2,508)	(20,495)
Other	20,075	(35,267)	(288,157)
Subtotal	908,696	803,860	6,568,024
Income taxes paid	(5,098)	(6,174)	(50,451)
Net cash provided by (used in) operating activities	903,597	797,685	6,517,572
Net cash provided by (used in) investment activities			
Purchase of securities	(1,116,196)	(1,099,541)	(8,983,918)
Proceeds from sales of securities	796,067	783,306	6,400,086
Proceeds from redemption of securities	249,931	233,472	1,907,614
Purchase of property, plant and equipment	(4,752)	(1,906)	(15,576)
Proceeds from sales of property, plant and equipment	76	80	657
Purchase of intangible assets	(3,647)	(921)	(7,531)
Net cash provided by (used in) investment activities	(78,519)	(85,510)	(698,668)
Net cash provided by (used in) financing activities			
Cash dividends paid	(5,480)	(5,490)	(44,861)
Dividends paid to non-controlling interests	(10)	(10)	(87)
Purchase of treasury stock	(5)	(1,088)	(8,896)
Proceeds from sales of treasury stock	1	0	1
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(2,352)	(19,219)
Net cash provided by (used in) financing activities	(5,495)	(8,942)	(73,062)
Effect of exchange rate change on cash and cash equivalents	2	0	1
Net increase (decrease) in cash and cash equivalents	819,585	703,233	5,745,842
Cash and cash equivalents at beginning of the year	1,234,458	2,054,043	16,782,772
Cash and cash equivalents at the end of the year	¥2,054,043	¥2,757,277	\$22,528,615

Notes (From April 1, 2021 to March 31, 2022)

(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., Daishi Hokuetsu Securities Co., Ltd., The Daishi Hokuetsu Career Bridge Co., Ltd., The Daishi Hokuetsu Lease Co., Ltd., Daishi Hokuetsu Research & Consulting, Ltd., Daishi Hokuetsu Capital Partners Co., Ltd., Daishi Credit Guarantee Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., Hokuetsu Leasing Co., Ltd., The Daishi Computer Service Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Hokuetsu Card Co., Ltd.
(Note) The Daishi Hokuetsu Lease Co., Ltd., Daishi Hokuetsu Capital Partners Co., Ltd., and Daishi Hokuetsu Research & Consulting Ltd. changed their name from The Daishi Lease Co., Ltd., The Daishi Management Consulting Co., Ltd., and The Hokuetsu Economic Research Institute, Ltd., respectively, on October 1, 2021.
- (2) Nonconsolidated subsidiaries: 4 companies
Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Startup Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership, No. 1 Daishi Hokuetsu Regional Creation Investment Limited Partnership.
Nonconsolidated 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 from being made regarding the financial status and management performance of the corporate group.

2. Matters related to the application of equity method

- (1) Nonconsolidated subsidiaries subject to application of equity method
There are no applicable items
- (2) Affiliated companies subject to application of equity method
There are no applicable items
- (3) Nonconsolidated subsidiaries not subject to application of equity method: 4 companies
Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Startup Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership, No. 1 Daishi Hokuetsu Regional Creation Investment Limited Partnership.
Nonconsolidated 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 an important impact on the consolidated financial statements.
- (4) Affiliated companies not subject to application of equity method
There are no applicable items

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
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 (cost of sale to be calculated using the moving average method) is used. However, the prime cost principle using the moving average method is used for shares without market value.
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 straightline method is mainly used for tangible fixed assets.
Major service life is as follows:
Buildings 10 to 50 years
Other 2 to 20 years
 - (ii) Intangible fixed assets (excluding leased assets)
The straightline method is used for intangible fixed assets. Software used by the Company is amortized 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 straightline 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 a high risk of future insolvency ("Potentially bankrupt debtors"), anticipated losses over the next three years on the amount of balance, after deduction of the possible marketable collateral amount and recoverable amount from guarantees from the claim amount, are recorded. Amounts of anticipated losses were calculated by the loss rate based on average values of bad debt ratio over a set period of time in the past (three calculation periods),

according to actual bad debt over the past three years. If the loss rate based on average values over a longer period of time taking the past business cycle into account was higher, then the difference was added to this calculation as the necessary corrections for future predictions and other factors. For debtors from whom losses are anticipated to exceed the loss ratio, the amount deemed necessary is recorded after comprehensive judgment of the possible recoverable amount.

For claims against debtors other than the above (one classification of normal debtors and three classifications of debtors requiring attention*), amounts of anticipated losses over the next one or three years are mainly recorded. Amounts of anticipated losses were calculated by the loss rate based on average values of bad debt ratio over a set period of time in the past (three calculation periods), according to actual bad debt over the past one or three years. If the loss rate based on average values over a longer period of time taking the past business cycle into account was higher, then the difference was added to this calculation as the necessary corrections for future predictions and other factors.

Sales-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.

*The three classifications of debtors requiring attention are classified according to whether or not there is a business improvement plan and whether or not there are loans with relieved loan conditions.

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 9,738 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 share-based payment
In preparation for payment of compensation to directors of the Company and some consolidated subsidiaries under the share-based payment plan, the amount of anticipated compensation to directors acknowledged to have occurred before the closing of the current consolidated fiscal year has been recorded as provisions for share-based payment.
- (9) 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.
- (10) 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, a loss occurring from future reimbursement claims has been estimated, and the amount deemed necessary has been recorded as a provision for reimbursement of deposits.
- (11) 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.
- (12) 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
- (13) Criteria for recording reserves under the special laws
Reserves under special laws are reserves for financial product transaction liabilities for consolidated subsidiaries conducting the 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.
- (14) 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 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 Profit and loss processing of the amount pro-rated by the or loss 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 the amount to be paid for voluntary retirement at the end of the term is taken as the retirement benefit liability in the calculation of retirement benefit liability and retirement benefit cost.
- (15) Criteria for recording of important profits and expenses
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) 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.
- (17) Important risk hedging methods
 - (i) 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.

- (ii) 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 referred to as "Special Audit Committee Report No. 25"). 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, March 17, 2022). The details of the hedging relationships to which this PITF is applied are as follows.
- | | |
|-------------------------------|--|
| Hedge accounting methods | ...Deferred 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 |

- (18) 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.

(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)

The Company has judged that the allowance for loan losses is important in accounting estimates because the ratio of loans, etc. of consolidated subsidiaries engaged in the banking business to the consolidated balance sheet of the Company group is relatively high and the recording of the allowance for loan losses significantly affects the management performance and financial status.

1. Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Allowance for loan losses	¥27,153 million
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Of this amount, the allowance for loan losses of consolidated subsidiaries engaged in the banking business was 23,119 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 "4. 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." This key assumption is the same as that determined by the Company at the end of the previous consolidated fiscal year, and has been determined as important again by the Company since any material difference between the assumption and the actual results may have a material impact on the Company's business results. 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. Necessary corrections have been made to the depreciation and allowance in accordance with "4. Matters related to accounting policies (5) Criteria for recording allowances for loan losses." All 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 prolonged broad repercussions on the economy and corporate business activities, and we expect these impacts to continue for a certain amount of time into the future.

In the current consolidated fiscal year, more customers were affected by a deterioration in business performance and cash flow compared with the previous year, partly due to the impact of COVID-19 being reflected in the full-year business performance of the customers, and loan losses or other losses have occurred in some cases. We assume, however, that there will be no major impact on the debtor classification, etc., because the Company group will continue making every effort on activities to support business improvement and business revitalization of the customers, and various economic measures and other measures are expected to have an effect in suppressing credit deterioration. We have also 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. The assumptions regarding the impact of COVID-19 described above remain the same as those determined by the Company at the end of the previous consolidated fiscal year, and no significant changes have been made since the previous consolidated fiscal year.

- (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.

(Changes in the accounting policies)

(Application of the accounting standard for revenue recognition, etc.)
From the beginning of the current consolidated fiscal year, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. As a result, the Company will recognize revenue in the amount expected to be received in exchange for the promised goods or services when control over those goods or services is transferred to the customer. This has no impact on the consolidated financial statements.

(Application of the accounting standard for fair value measurement, etc.)

From the beginning of the current consolidated fiscal year, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. As a result, the Company revised its method for market value adjustment in the calculation of the market value of derivative transactions to one that makes maximum use of observable inputs estimated from derivatives traded on the market, in accordance with paragraph 8 of the Accounting Standard for Fair Value Measurement. This revision was made due to the adoption of the Accounting Standard for Fair Value Measurement, etc. In accordance with the transitional measures set forth in the proviso of paragraph 20 of the Accounting Standard for Fair Value Measurement, the Company reflected the cumulative effect of application of the new accounting policy in retained earnings at the beginning of the current consolidated fiscal year as if the new accounting policies were retrospectively applied prior to the beginning of the current consolidated fiscal year.

As a result, retained earnings at the beginning of the current consolidated fiscal year decreased by 121 million yen, other assets grew 32 million yen, other liabilities were up 207 million yen, deferred tax assets increased by 53 million yen, and net assets per share fell 2.66 yen.

In accordance with the transitional handling set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement continuously in the future. As a result, earthquake derivatives, which had previously been recorded by recognizing their acquisition price as the consolidated balance sheet amount since they are financial instruments whose market value is extremely difficult to grasp, are now recorded by recognizing their market value calculated using the cost approach as the consolidated balance sheet amount, starting from the end of the current consolidated fiscal year.

(Yet-to-be-applied accounting standards, etc.)

• Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

- (1) Overview

The handling of the calculation of market value of investment trusts and its notes, and the handling of notes on market value of investment in capital of partnerships for which the amount equivalent to equity interests is recorded on the balance sheet in the net value have been stipulated.

- (2) Scheduled date of application

Scheduled to apply starting at the beginning of the fiscal year ending March 2023.

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

The impact of the application of these accounting standards, etc. is currently being evaluated.

(Additional information)

(Introduction of the share-based payment plan using trusts)

1. Overview of transactions

The Company introduced a trust-type share-based payment plan (hereinafter referred to as the "Plan") that delivers shares of the Company to directors of the Company who are not Audit and Supervisory Committee members (excluding outside directors and those who are not residents in Japan) and directors who are not Audit and Supervisory Committee members (excluding outside directors and those who are not residents in Japan) and executive officers (excluding those who are not residents in Japan) of The Daishi Hokuetsu Bank, Ltd., which is a consolidated subsidiary of the Company (directors of the Company who are not Audit and Supervisory Committee members, directors of The Daishi Hokuetsu Bank, Ltd. who are not Audit and Supervisory Committee members, and executive officers of The Daishi Hokuetsu Bank, Ltd. are hereinafter collectively referred to as "Eligible Directors, etc.>").

Based on the Corporate Governance Code revised in June 2021 and the amended Companies Act enacted in March 2021, the purpose of the introduction of the Plan is to further clarify the link between the compensation of Eligible Directors, etc. and the value of the Company's shares that functions as a sound incentive for sustainable growth through the implementation of the Company group's Management Philosophy and the realization of the Medium-Term Management Plan.

The Plan establishes a trust by combining the amount of money within the range approved by the resolution of the general meeting of shareholders of the Company and the amount of money contributed by The Daishi Hokuetsu Bank, Ltd. after the approval of the general meeting of shareholders of the Bank with the Eligible Directors, etc. who meet certain requirements as beneficiaries. The trust acquires the Company's shares from the share market using the money in the trust as financial funds.

During the trust period, in accordance with the predetermined provisions for the delivery of shares, beneficiaries shall receive, after receiving a certain number of points, the number of the Company's shares equivalent to 50% of the number of points at the time of retirement (shares less than one unit shall be rounded up), and shall receive money equivalent to the amount converted into cash within the trust for the remaining shares.

2. The Company's shares held by the trust

The book value and number of shares of the Company held by the trust were 1,083 million yen and 398 thousand shares at the end of the current consolidated fiscal year, and they are recorded as treasury stock in the Net Assets section.

(Consolidated Balance Sheet related)

1. Total amount of shares or contribution in non-consolidated subsidiaries and affiliates

Contribution:	¥418 million
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2. Claims based on the Banking Act and the Act Concerning Emergency Measures for the Revitalization of the Financial Functions are as follows. Claims are recorded in the accounts of corporate bonds in "Securities" on the consolidated balance sheets (only corporate bonds for which all or part of the redemption of the principal and the payment of interest is guaranteed, and which were issued through the private placement of securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act)), loans, foreign exchange, interest receivable and advances in "Other assets," and customers' liabilities for acceptances and guarantees.

Bankrupt/substantially bankrupt claims and similar claims	¥6,431 million
Doubtful claims	¥107,144 million
Loans overdue for three (3) months or longer	¥1,321 million
Loans with relieved loan conditions	¥2,638 million
Total amount	¥117,536 million

"Bankrupt/substantially bankrupt claims and similar claims" refers to 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.

"Doubtful claims" refers to 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, and which do not fall under bankrupt/substantially bankrupt claims and similar claims.

"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, and which do not fall under bankrupt/substantially bankrupt claims and similar claims and doubtful claims.

"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, and which do not fall under bankrupt/substantially bankrupt claims and similar claims, doubtful claims, and loans overdue for three (3) months or longer.

Note that the amount of loans above is the amount prior to deduction of allowance for loan loss.

(Change of presentation)

In line with the enforcement of the Cabinet Office Ordinance Partially Amending the Enforcement Regulations of the Banking Act (Cabinet Office Ordinance No. 3 of January 24, 2020) on March 31, 2022, the classification of "risk-management loans" under the Banking Act is presented in accordance with the classification of disclosed claims under the Act Concerning Emergency Measures for the Revitalization of the Financial Functions.

- Discounting of bills is processed as a 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 March 17, 2022). 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

¥11,277 million

- Assets provided as security are as follows:

Assets provided as security

Securities	¥1,130,943 million
Loans and bills discounted	¥910,659 million
Total	¥2,041,603 million

Liabilities corresponding to security assets

Deposits	¥85,305 million
Receivables under resale agreements	¥37,006 million
Payables under securities lending transaction	¥298,397 million
Borrowed money	¥1,346,081 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	¥2,019 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	¥10,004 million
Central clearing organization security deposits	¥50,000 million
Guarantees	¥1,699 million

- 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	¥1,806,286 million
Of which, those where the original term of loan is within 1 year	¥1,700,444 million

(or those that can be cancelled unconditionally at any time)

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 or valuable securities, are secured at the time of agreement as necessary, and the state of the customers is checked regularly even after the agreement in accordance with the in-house regulations, and a review of the agreement and measures to secure credit, etc., are conducted.

- 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 the 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:

¥12,513 million

- Aggregate amount of depreciation of tangible fixed assets
- Aggregate amount of depreciation ¥78,455 million
- 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)
- Amount of guarantee obligation for privately placed bonds (under Article 2, paragraph 3 of the Financial Instrument and Exchange Act) in bonds included in "Securities."
- ¥130,712 million
- Trust principal with principal compensation agreement
- Money in trust ¥2,886 million

(Consolidated Statements of Income Related)

- The following is included in Other ordinary income.

Gain on sales of stocks and other securities	¥8,566 million
The following are included in General and administrative expenses.	
Salaries and allowances	¥30,396 million
Retirement benefit costs	¥323 million
Depreciation costs	¥6,759 million
The following are included in Other expenses.	
Written-off of loans	¥1,746 million
Loss on sales of stocks and other securities	¥4,381 million
Loss on devaluation of stocks and other securities	¥517 million
4. Impairment loss	
This information is omitted because it lacks materiality.	

(Consolidated Statements of Comprehensive Income Related)

- Recycling and amount of tax effects related to Other comprehensive income

Valuation difference on available-for-sale securities		(¥ million)
Incurring cost for this term		(46,857)
Recycling		(1,353)
Before tax effect adjustment		(48,210)
Tax effect amount		14,610
Valuation difference on available-for-sale securities		(33,600)
Deferred gains or losses on hedges		
Incurring cost for this term		5,552
Recycling		1,515
Before tax effect adjustment		7,068
Tax effect amount		(2,152)
Deferred gains or losses on hedges		4,916
Retirement benefit adjustment amount		
Incurring cost for this term		1,626
Recycling		(454)
Before tax effect adjustment		1,171
Tax effect amount		(357)
Retirement benefit adjustment amount		814
Total Other comprehensive income		(27,869)

(Consolidated Statements of Shareholders Equity related)

- Matters related to the type and total number of issued shares, and type and number of Treasury stocks

Number of issued shares	Current consolidated fiscal year		Current consolidated fiscal year		Remarks
	Number of shares at the beginning of the term	Increase in number of shares	Decrease in number of shares	Number of shares at the end of the term	
Ordinary shares	45,942	-	-	45,942	(1,000 shares)
Total	45,942	-	-	45,942	
Treasury stocks					
Ordinary shares	236	400	96	539	(Note)
Total	236	400	96	539	

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

Increase due to request to purchase fractional unit shares	2 thousand shares
Acquisition by the trust for the share-based payment plan	398 thousand shares

Breakdown of decrease in the number of ordinary shares of Treasury stocks is as follows.

Transfer by exercise of stock option rights	96 thousand shares
Decrease due to request to purchase fractional unit shares	0 thousand shares

The number of ordinary shares of treasury stocks at the end of the current consolidated fiscal year includes 398 thousand shares of the Company held by the trust for the share-based payment plan.

- Matters related to right to subscribe to new shares and right to subscribe to new treasury stocks
- There are no applicable items

- 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 14, 2021	Ordinary shares	2,742	60.00	March 31, 2021	June 1, 2021
Board of Directors, November 12, 2021	Ordinary shares	2,748	60.00	September 30, 2021	December 1, 2021

(Note) The total amount of dividends includes dividends on the Company's shares held by the trust for the share-based payment plan (23 million yen, the Board of Directors, November 12, 2021).

- (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 13, 2022	Ordinary shares	2,748	Retained earnings	60.00	March 31, 2022	June 1, 2022

(Note) The total amount of dividends includes 23 million yen of dividends on the Company's shares held by the trust for the share-based payment plan.

(Consolidated Statement of Cash Flow 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	¥2,758,985 million
Deposits (excluding Bank of Japan deposit)	(¥1,708 million)
Cash and cash equivalents	¥2,757,277 million

(Lease transaction related)

Operating lease transactions

<Borrower side>

Unearned lease fees concerning irrevocable operating lease transactions
(¥ million)

One (1) year or less	54
Exceeding one (1) year	94
Total	149

<Lender side>

Unearned lease fees concerning irrevocable operating lease transactions
(¥ million)

One (1) year or less	158
Exceeding one (1) year	205
Total	364

(Financial instruments related)

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 relating to assets and liabilities for the entire group are comprehensively grasped and controlled to avoid any disadvantageous impact from interest rate fluctuations. 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 to control interest rate risk in banking operations, as well as to adjust a fund surplus or deficit in banking operations and to stabilize 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 a 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 matter 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 managing valuable securities in line with the policy.

Furthermore, important matters concerning risk management are reviewed at the ALM & Risk Management Committee, and the committee is prepared to promptly report any important situation that may occur in the management of valuable securities to members of 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 the risks are calculated and managed by Daishi Hokuetsu Bank. 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 calculated by the historical method (holding period: 120 days, confidence interval: 99%, observation period: 1,250 days) (note that the variance-covariance method is adopted for some of the investment trusts). The amount of market risk as of the end of the current consolidated fiscal year (excluding market risk of financial instruments without market prices such as non-listed stock) was 47,359 million yen. Interest risks associated with deposits and loans are recognized by defining liquid deposits remaining in banks for a long time as core deposits and allocating those deposits to maturities of up to 10 years based on an internal model.

A back test which compares the computed VaR and the theoretical profit and loss (profit and loss assumed to have been generated when the portfolio is fixed as of the timing of risk amount measuring) is conducted to verify that the measurement model captures market risks with sufficient accuracy.

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 that could occur if 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 calculating the market value of financial instruments, certain presumptions are adopted and said price may differ if it is 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. Shares without market prices and investment in capital of partnerships, etc. are not included in the following table (see Note 1). The notes to cash and due from banks, receivables under resale agreements, and payables under securities lending transaction are omitted because they are settled in a short period of time and their market value approximates their book value. In addition, notes to accounting titles with little relevance to the amounts recorded in the consolidated balance sheet have been omitted.

	Consolidated Balance Sheet March Recorded amount	Market value	Difference
(¥ million)			
(1) Securities			
Trading securities	0	0	-
Bonds to be held to maturity	1,608	1,597	(10)
Other securities	2,490,377	2,490,377	-
(2) Loans and bills discounted (*2)(*3)	5,114,102		
Allowances for loan losses (*1)	(25,383)		
	5,088,718	5,134,665	45,947
Total Assets	7,580,704	7,626,641	45,937
(1) Deposits	8,207,503	8,207,565	61
(2) Negotiable certificates of deposit	233,401	233,401	0
(3) Borrowed money	1,358,761	1,358,762	0
Total Liabilities	9,799,667	9,799,730	62
Derivative transactions (*2)			
Hedge accounting not applied	(398)	(398)	-
Hedge accounting applied (*3)	(5,406)	(5,406)	-
Total derivative transactions	(5,804)	(5,804)	-

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

(*2) Derivative transactions recorded in other assets and liabilities are indicated together as a batch.

Net debts and credits generated from derivative transactions are indicated in net amount and items in which the total will be a net debt are indicated in parentheses.

Provisions for contingent loss corresponding to derivatives have been directly reduced in the consolidated Balance sheet amounts as they have little relevance. Transactions subject to exceptional interest swap processing are included in the market value of loans to be hedged.

(*3) These are interest rate swaps designated as hedging instruments to fix the cash flows of loans to be hedged. 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, March 17, 2022).

(Note 1) The amounts of shares without market prices and investment in capital of partnerships recorded in the consolidated balance sheet are as follows. These are not included in "Other securities."

Classification	March 31, 2022	
	Market value (¥ million)	
Non-listed stock (*1) (*2)	5,448	
Investment in capital of partnerships, etc. (*3)	4,039	

(*1) The market value of non-listed stocks is not disclosed in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) In the current consolidated fiscal year, no impairment (¥61 million) has been made for non-listed stocks.

(*3) The market value of investment in capital of partnerships, etc. is not disclosed in accordance with paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019). Parts of "Other assets" are included in investment in capital of partnership, etc.

(Note 2) Expected amount of redemption of monetary claims and securities with maturity after consolidated closing date

Classification	March 31, 2022					
	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 ten (10) years
Deposits	2,693,798	-	-	-	-	-
Securities	165,671	321,421	455,227	437,931	426,516	422,744
Bonds to be held to maturity	8	-	-	800	800	-
Government bonds	-	-	-	-	-	-
Corporate bonds	8	-	-	800	800	-
Other securities with maturity	165,663	321,421	455,227	437,131	425,716	422,744
Government bonds	64,000	57,000	24,000	6,000	95,000	305,000
Local government bonds	11,205	59,500	220,199	226,760	170,131	35,512
Corporate bonds	55,088	110,845	62,402	22,745	4,133	13,711
Loans and bills discounted*	558,957	972,197	751,806	565,492	486,256	1,182,711
Total	3,418,427	1,293,619	1,207,034	1,003,423	912,772	1,605,456

(*1) Loans and bills discounted do not include ¥111,606 million in cases in which the scheduled amount of redemption cannot be foreseen nor ¥484,308 million without an agreed due date, against Bankrupt debtors, Substantial Bankrupt debtors, and Effective Bankrupt debtors, etc.

(Note 3) The amount of scheduled repayment of borrowed money and other interest-bearing debts after the consolidated closing date

Classification	March 31, 2022					
	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 ten (10) years
Deposits*	7,683,310	465,064	51,072	2,117	5,938	-
Negotiable certificates of deposit	233,401	-	-	-	-	-
Payables under securities lending transaction	298,397	-	-	-	-	-
Borrowed money	971,190	211,513	175,338	293	426	-
Total	9,186,300	676,577	226,411	2,410	6,365	-

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

3. Matters concerning the breakdown of the market values of financial instruments, etc. by level

The market values of financial instruments are classified into the following three levels according to the observability and relevance of the inputs used to calculate the market value.

- Level 1 market: Market values calculated based on market prices of assets or liabilities of value which the market value formed in an active market needs to be calculated among observable inputs for the calculation of market value
- Level 2 market: Market values calculated using inputs for calculation of market value other than Level 1 inputs out of observable inputs for market value
- Level 3 market: Market values calculated using unobservable inputs for calculation of market value

If multiple inputs that have a significant impact on the calculation of market value are used, the market value is classified as the level whose priority is the lowest in the calculation of the market value among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at market value

Classification	Market value (¥ million)			
	Level 1	Level 2	Level 3	Total
Securities				
Trading securities				
Stocks	0	-	-	0
Other securities				
Stocks	118,849	16,242	-	135,091
Government bonds	553,658	-	-	553,658
Local government bonds	-	724,799	-	724,799
Corporate bonds	-	129,307	139,041	268,348
Foreign government bonds	352,208	50,103	5,705	408,016
Other	-	17	-	17
Derivative transactions				
Interest rate related	-	6,775	-	6,775
Currency related	-	3,099	-	3,099
Other	-	-	103	103
Total Assets	1,024,717	930,345	144,849	2,099,912
Derivative transactions				
Interest rate related	-	4,271	-	4,271
Currency related	-	11,404	-	11,404
Other	-	-	103	103
Total Liabilities	-	15,675	103	15,779

*Investment trusts to which transitional measures are applied in accordance with paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the table above. The amount of those investment trusts, etc. in the consolidated balance sheet is 400,444 million yen.

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Classification	Market value (¥ million)			
	Level 1	Level 2	Level 3	Total
Securities				
Bonds to be held to maturity				
Corporate bonds	-	1,589	8	1,597
Loans and bills discounted	-	-	5,134,665	5,134,665
Total Assets	-	1,589	5,134,673	5,136,263
Deposits	-	8,207,565	-	8,207,565
Negotiable certificates of deposit	-	233,401	-	233,401
Borrowed money	-	1,358,762	-	1,358,762
Total Liabilities	-	9,799,730	-	9,799,730

(Note 1) Explanation of evaluation techniques used in the calculation of market value and inputs for the calculation of market value

Assets

Securities

Securities whose unadjusted market prices in active markets are available are classified as Level 1 market value. They mainly include shares and government bonds. In the case of using published market prices, if the market is not active, they are classified as Level 2 market value. They mainly include local government bonds and corporate bonds. Investment trusts are based on published reference prices, etc., and not classified into levels, as transitional measures are applied in accordance with paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. Privately placed bonds guaranteed by the issuing bank with a 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. As a result, they are classified as Level 3 market value. The market value of privately placed bonds with a fixed interest rate is calculated by adding guarantee fees for the accrued portion (unearned guarantee fees) to the total sum of capital and interest discounted by the interest rate that combines the swap interest rate or other appropriate indices and credit spreads, for each classification based on type, internal rating, and period. Since the credit spreads and the unearned guarantee fees are unobservable, they are classified as Level 3 market value. For securitized products (including some bonds), prices obtained from external business operators (e.g., brokers) are recognized as market value based on periodic status checks, such as a price comparison between similar products, time-series price comparison of a single product, and analysis of consistency with published market indicators, and classified as Level 3.

Loans and bills discounted

Loans and bills discounted 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. Those with a 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 borrower has differed significantly after its execution, and therefore said 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 deducting 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, and this is taken as the market value. Since the market value of those with a short agreed period (within one (1) year) is approximately the book value, this is taken as the market value. These are classified as Level 3 market value.

Liabilities

Deposits and negotiable certificates of deposit

For call deposits, the payment amount (book value) when a 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 a short-term deposit period (within one (1) year), said book value is taken as the market value. These are classified as Level 2 market value.

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 a short agreed period (within one (1) year) is approximately the book value, this is taken as the market value. These are classified as Level 2 market value.

Derivative transactions

Derivative transactions whose unadjusted market prices in active markets are available are classified as Level 1 market value. They mainly include bond futures and share futures that are exchange transactions. Since most derivative transactions are over-the-counter transactions without published market prices, however, the market value is calculated using evaluation techniques such as the present value technique and the Black-Scholes model according to the type of transaction and the period until maturity. Major inputs used in these evaluation techniques include interest rates, exchange rates, and volatility. Price adjustment is also made based on the credit risk of the counterparty and the credit risk of the consolidated subsidiaries themselves. If unobservable inputs are not used or their effect is not significant, the market value is classified as Level 2. This includes interest-related transactions (e.g., interest rate swaps, interest rate options) and currency-related transactions (e.g., foreign exchange contracts, currency options, currency swaps). If important unobservable inputs are used or the market value is calculated based on the amount currently required to refinance the asset's service capacity, the market value is classified as Level 3. This includes earthquake derivatives.

(Note 2) Information on the Level 3 market value of financial instruments recorded on the consolidated balance sheet at market value

(1) Quantitative information on important unobserved inputs

Classification	Evaluation technique	Important unobservable input	Range of input	Weighted average of inputs
Securities				
Other securities				
Corporate bonds				
Private-placed bonds	Present value technique	Credit spread Unearned guarantee fee	0.0%-5.0% 0.0%-2.0%	0.6% 0.2%

Quantitative information for earthquake derivatives is not provided, since the market value of earthquake derivatives is calculated based on the amount currently required to refinance the asset's service capacity without any inputs.

(2) Adjustment table of beginning to ending balances and valuation profit and loss recognized in profit and loss for the current term

Classification	Beginning balance	Profit and loss for the current term or other comprehensive income		Net amount of purchases, sales, issuance and settlements	Transfer to Level 3 market value	Transfer from Level 3 market value	Ending balance	Valuation profit and loss on financial assets and financial liabilities held as of the date of the consolidated balance sheet in the amount recorded in profit and loss for the current term (*1)
		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
Securities								
Other securities								
Corporate bonds								
Foreign government bonds	148,974	(270)	237	(9,901)	-	-	139,041	-
Other securities	5,865	(51)	28	(136)	-	-	5,705	-
Derivative transactions								
Other								
Short commitment	(97)	222	-	(228)	-	-	(103)	125
Long commitment	97	(222)	-	228	-	-	103	(125)

(*1) Included in "Financing income", "Other ordinary income," and "Other ordinary expenses" in the Consolidated Statements of Income.

(*2) Included in "Other securities valuation difference" of "Other comprehensive income" in the Consolidated Statements of Comprehensive Income.

(3) Explanation of the valuation process for market value
The Company group has established policies and procedures for the calculation of market value and procedures for the use of market value valuation models in the Middle and Back Office departments. For calculated market values and the classification of their levels, the appropriateness of evaluation techniques and inputs used for the calculation of market value is verified.
The calculation of market value uses evaluation models that best reflect the nature, characteristics, and risks of individual assets. Even when using market prices obtained from third parties, the appropriateness of those prices is verified through appropriate methods such as the confirmation of evaluation techniques and inputs used and the comparison with market value of similar financial instruments.

(4) Explanation of the effect of changes in important unobserved inputs on market value
Credit spread
Credit spreads are calculated based on the expected default rate by rating, the period spread by rating, and the exposure at default.
In general, a significant increase (decrease) in credit spreads results in a significant decrease (increase) in market value.

Unearned guarantee fee
Guarantee fees are calculated based on credit ratings. Unearned guarantee fees, which constitute market value, are the accrued portion of guarantee fees.
In general, unearned guarantee fees decrease over time, causing a decline in market value.

(Securities related)

- "Trading account securities" are 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 (¥14 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	-	-	-
	Corporate bonds	808	808	0
	Subtotal	808	808	0
Market value does not exceed amount recorded in consolidated balance sheet	Government bonds	-	-	-
	Corporate bonds	800	788	(11)
	Subtotal	800	788	(11)
Total		1,608	1,597	(10)

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	108,539	67,377	41,161	
	Bonds	534,758	532,081	2,676	
	Government bonds	233,005	231,591	1,413	
	Local government bonds	167,756	167,092	664	
	Corporate bonds	133,996	133,397	598	
	Other	241,285	231,447	9,838	
	Foreign government bonds	66,678	64,039	2,638	
	Subtotal	884,583	830,907	53,676	
	Amount recorded in consolidated balance sheet does not exceed cost of acquisition	Stocks	26,552	30,314	(3,762)
		Bonds	1,012,048	1,027,335	(15,287)
Government bonds		320,653	331,660	(11,006)	
Local government bonds		557,042	560,283	(3,240)	
Corporate bonds		134,352	135,392	(1,039)	
Other		567,192	590,426	(23,233)	
Foreign government bonds		341,338	356,139	(14,801)	
Subtotal	1,605,793	1,648,076	(42,283)		
Total		2,490,377	2,478,983	11,393	

4. Bonds to be held till maturity sold during the current consolidated fiscal year

Type	Cost of sale (¥— million)	Amount of sale (¥— million)	Gains or losses on sale (¥— million)
Corporate bonds	150	150	-
Total	150	150	-

(Reason for sale)
Retirement by purchase.

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

Type	Amount of sale (¥— million)	Total gain on sale (¥— million)	Total loss on sale (¥— million)
Stocks	21,814	4,383	990
Bonds	231,950	446	614
Government bonds	224,791	397	614
Local government bonds	3,537	42	-
Corporate bonds	3,621	6	0
Other	343,034	6,345	4,991
Foreign government bonds	135,739	1,516	959
Total	596,799	11,175	6,595

6. Valuable securities with changes to the purpose of ownership

There are no applicable items

7. Valuable securities written-down

For valuable securities other than trading account securities (excluding shares without market prices and investment in capital of partnerships) 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 a loss for the applicable consolidated fiscal year ("Write-down").

The amount of Write down in the current consolidated fiscal year is ¥770 million (of which, ¥455 million is in shares, ¥314 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 the 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 whose 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 the market price for a fixed period prior to the reference date and the financial conditions, etc., of the issuing company.

(Monetary trust related)
There are 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	11,393
Other securities	11,393
Other monetary trust	-
Deferred tax liabilities to be deducted	2,968
Valuation difference on available-for-sale securities (before adjustment for equity)	8,425
Non-controlling interest equivalent to be deducted	395
Valuation difference on available-for-sale securities	8,030

(Derivative transactions 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, and their market value and valuation profit and loss, for each transaction subject type for derivative transactions where hedge accounting has not been 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

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	116,654	109,205	1,970	1,970
	Floating receipt, fixed payment	116,654	109,205	(229)	(229)
	Interest options				
	Short commitment	-	-	-	-
	Long commitment	-	-	-	-
	Total	-	-	1,741	1,741

(Note) Market valuation is made for the above-mentioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.

(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	9,781	6,644	(42)	(42)
	Forward exchange contract				
	Short commitment	81,783	19,233	(4,732)	(4,732)
	Long commitment	34,722	18,656	2,693	2,693
	Currency option				
	Short commitment	351,263	288,562	59	19,824
Long commitment	351,253	288,562	(114)	(14,526)	
	Total	-	-	(2,135)	3,217

(Note) Market valuation is made for the above-mentioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.

(3) Stock related transactions
There are no applicable items

(4) Bond related transactions
There are no applicable items

(5) Goods related transaction
There are no applicable items

(6) Credit and derivative transactions
There are no applicable items

(7) Other

Classification	Contract amount, etc. (¥— million)	Of which, exceeding 1 year (¥— million)	Market value (¥— million)	Valuation profit and loss (¥— million)
Store	Earthquake derivative			
	Short commitment	16,210	-	(103)
	Long commitment	16,210	-	103
	Total	-	-	-

(Note) Market valuation is made for the above-mentioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.

2 Derivative transactions where hedge accounting has been applied

The contract amount on the consolidated closing date or the amount equivalent to capital in contract, and their market value, for each transaction subject type and for each hedge accounting method for derivative transactions where hedge accounting has been 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	130,701	130,701	762
Exceptional interest swap processing	Interest swap Fixed receipt, floating payment Floating receipt, fixed payment	Loans and bills discounted	3,000 84	3,000 84	(Note 2)
	Total		-	-	762

(Notes) 1. A deferred hedge was adopted as the method of hedge accounting for interest risks occurring from financial assets and liabilities.
2. Transactions subject to the exceptional interest swap processing are processed together with loans and bills discounted to be hedged. Therefore, their market value is included in the market value of the applicable loans and bills discounted in "(Financial instruments related)".

(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	58,669	40,813	(6,168)
	Total		-	-	(6,168)

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

(3) Stock related transactions
There are no applicable items

(4) Bond related transactions
There are 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	¥66,968 million
Service costs	¥1,418 million
Interest costs	¥266 million
Actuarial gain or loss amount generated	(¥196 million)
Amount of retirement benefits paid	(¥3,637 million)
Other	¥6 million
End of term retirement benefit liability balance	¥64,825 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	¥78,552 million
Expected operational earnings	¥1,486 million
Actuarial gain or loss amount generated	¥1,429 million
Contribution from employers	¥403 million
Amount of retirement benefits paid	(¥2,700 million)
Other	¥6 million
End of term pension assets balance	¥79,177 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	¥694 million
Retirement benefit costs	¥70 million
Amount of retirement benefits paid	(¥110 million)
End of term retirement benefits related debts	¥653 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	¥64,825 million
Pension assets (¥78,552 million)	(¥79,177 million)
	(¥14,352 million)
Retirement benefit liability of non-savings-type scheme	¥653 million
Net amount of liabilities and assets recorded in the consolidated balance sheet	(¥13,698 million)

(Note) Includes schemes where the simplified method is adopted.

Retirement benefit related liabilities	¥653 million
Assets related to retirement benefits	(¥14,352 million)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(¥13,698 million)

(5) Retirement benefit costs and its itemized breakdown	
Service costs	¥1,418 million
Interest costs	¥266 million
Expected operational earnings	(¥1,486 million)
Actuarial gain or loss processing amount	(¥243 million)
Prior service cost processing amount	(¥211 million)
Retirement benefit costs calculated by the simplified method	¥70 million
Other	¥81 million
Retirement benefit cost related to defined benefit plan	(¥103 million)
(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	(¥211 million)
Actuarial gain or loss	¥1,382 million
Total	¥1,171 million
(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	(¥1,793 million)
Unrecognized actuarial gain or loss	(¥5,746 million)
Total	(¥7,540 million)

(8) Matters related to pension assets	
(i) Ratio for each major classification in total pension assets is as follows:	
Bonds	30%
Stocks	44%
General life insurance account	21%
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 24% 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	0.6%
Long-term expected ROR	
Corporate pension fund	2.0%
Retirement benefit trust	1.9% to 2.0%
Expected salary increase rate	1.1%

*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 ¥427 million.

(Stock option related)

1 Amount and accounting titles of costs recorded for stock options	
General and administrative expenses	¥ -, million

2 Amount recorded as profits on lapse due to non-exercise of rights	
Gain on reversal of subscription rights to shares	¥418 million

3 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
Date of resolution	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	Daishi Bank, Ltd. 3 directors	Daishi Bank, Ltd. 3 directors	Daishi Bank, Ltd. 4 directors	Daishi Bank, Ltd. 5 directors
Number of stock options by type of stock (Note 2)	Ordinary shares of the Company 7,400 shares	Ordinary shares of the Company 11,400 shares	Ordinary shares of the Company 16,610 shares	Ordinary shares of the Company 13,450 shares
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
Date of resolution	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	Daishi Bank, Ltd. 6 directors	Daishi Bank, Ltd. 6 directors	Daishi Bank, Ltd. 6 directors and 3 executive officers	Daishi Bank, Ltd. 6 directors and 5 executive officers
Number of stock options by type of stock (Note 2)	Ordinary shares of the Company 13,540 shares	Ordinary shares of the Company 10,220 shares	Ordinary shares of the Company 21,420 shares	Ordinary shares of the Company 18,050 shares
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 – July 30, 2044	October 1, 2018 – July 30, 2045	October 1, 2018 – July 29, 2046	October 1, 2018 – 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
Date of resolution	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	Hokuetsu Bank, Ltd. 1 director	Hokuetsu Bank, Ltd. 2 directors	Hokuetsu Bank, Ltd. 2 directors	Hokuetsu Bank, Ltd. 6 directors
Number of stock options by type of stock (Note 2)	Ordinary shares of the Company 1,020 shares	Ordinary shares of the Company 1,885 shares	Ordinary shares of the Company 1,565 shares	Ordinary shares of the Company 3,910 shares
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 – July 26, 2042	October 1, 2018 – July 26, 2043	October 1, 2018 – July 28, 2044	October 1, 2018 – July 27, 2045

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option
Date of resolution	May 11, 2018 Board of Directors, Hokuetsu Bank	May 11, 2018 Board of Directors, Hokuetsu Bank
Classification and numbers of granted persons	Hokuetsu Bank, Ltd. 6 directors	Hokuetsu Bank, Ltd. 10 directors
Number of stock options by type of stock (Note 2)	Ordinary shares of the Company 5,250 shares	Ordinary shares of the Company 6,875 shares
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 appointment period not determined	Applicable appointment period not determined
Rights exercising period	October 1, 2018 – July 27, 2046	October 1, 2018 – July 26, 2047

	Daishi Hokuetsu Financial Group 16th Stock Option	Daishi Hokuetsu Financial Group 17th Stock Option
Date of resolution	Meeting of the Board of Directors on November 9, 2018	Meeting of the Board of Directors on June 25, 2019
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)	Ordinary shares of the Company 50,440 shares	Ordinary shares of the Company 65,900 shares
Grant date	December 7, 2018	July 29, 2019
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined	Applicable appointment period not determined
Rights exercising period	December 8, 2018 – December 7, 2048	July 30, 2019 – July 29, 2049

	Daishi Hokuetsu Financial Group 18th Stock Option
Date of resolution	Meeting of the Board of Directors on June 24, 2020
Classification and numbers of granted persons	8 directors of Daishi Hokuetsu Financial Group, Inc.; 8 directors of Daishi Bank, Ltd.; 7 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)	Ordinary shares of the Company 80,980 shares
Grant date	July 31, 2020
Rights finalizing conditions	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined
Rights exercising period	August 1, 2020 – July 31, 2050

(Notes) 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 rights holders 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 ended March 2022) 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	14,110	9,930
Granted	-	-	-	-
Lapsed	-	-	-	-
Rights finalized	7,400	11,400	14,110	9,930
Unfinalized balance	-	-	-	-
After rights finalization (shares)				
End of previous consolidated financial year	-	-	-	-
Rights finalized	7,400	11,400	14,110	9,930
Rights exercised	4,020	6,330	7,090	4,990
Lapsed	3,380	5,070	7,020	4,940
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	9,250	7,130	12,160	10,870
Granted	-	-	-	-
Lapsed	-	-	-	-
Rights finalized	9,250	7,130	12,160	10,870
Unfinalized balance	-	-	-	-
After rights finalization (shares)				
End of previous consolidated financial year	-	-	-	-
Rights finalized	9,250	7,130	12,160	10,870
Rights exercised	5,240	4,230	6,300	4,410
Lapsed	4,010	2,900	5,860	6,460
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	1,055	875	1,500
Granted	-	-	-	-
Lapsed	-	-	-	-
Rights finalized	1,020	1,055	875	1,500
Unfinalized balance	-	-	-	-
After rights finalization (shares)				
End of previous consolidated financial year	-	-	-	-
Rights finalized	1,020	1,055	875	1,500
Rights exercised	-	-	-	-
Lapsed	1,020	1,055	875	1,500
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	2,010	3,085	32,730	47,510
Granted	-	-	-	-
Lapsed	-	-	-	-
Rights finalized	2,010	3,085	32,730	47,510
Unfinalized balance	-	-	-	-
After rights finalization (shares)				
End of previous consolidated financial year	-	1,070	1,580	2,290
Rights finalized	2,010	3,085	32,730	47,510
Rights exercised	-	1,070	13,360	17,670
Lapsed	2,010	3,085	20,950	32,130
Unexercised balance	-	-	-	-

	Daishi Hokuetsu Financial Group 18th Stock Option
Before rights finalization (shares)	
End of previous consolidated financial year	74,230
Granted	-
Lapsed	-
Rights finalized	74,230
Unfinalized balance	-
After rights finalization (shares)	
End of previous consolidated financial year	2,220
Rights finalized	74,230
Rights exercised	21,900
Lapsed	54,550
Unexercised balance	-

(Note) The "Lapsed" under "After rights finalization" refers to the waiver of subscription rights to shares that had been granted but not yet been exercised, on condition of granting the appropriate number of points based on the trust-type share-based payment plan, due to the abolition of the share-based payment-type stock option plan and the introduction of the trust-type share-based payment plan.

(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 (¥)	2,432	2,432	2,432	2,432
Fair evaluated unit price on the grant date (¥)	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 (¥)	2,432	2,432	2,432	2,432
Fair evaluated unit price on the grant date (¥)	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 (¥)	-	-	-	-
Fair evaluated unit price on the grant date (¥)	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 (¥)	-	2,555	2,445	2,445
Fair evaluated unit price on the grant date (¥)	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 (¥)	2,445
Fair evaluated unit price on the grant date (¥)	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.

(Tax effect accounting related)

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

Deferred tax assets	
Allowance for loan losses	¥10,214 million
Retirement benefit related liabilities	¥2,572 million
Depreciation costs	¥2,136 million
Valuable securities amortization	¥1,905 million
Book value correction for fair market valuation	¥2,900 million
Other	¥4,714 million
Subtotal deferred tax assets	¥24,444 million
Valuation reserve related to future subtraction	(¥5,491 million)
temporary difference, etc., total	(¥5,491 million)
Subtotal valuation reserve	(¥5,491 million)
Total deferred tax assets	¥18,952 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥2,968 million)
Retirement benefit trust establishment benefit	(¥1,761 million)
Deferred gains or losses on hedges	(¥298 million)
Book value correction for fair market valuation	(¥5,451 million)
Other	(¥788 million)
Total deferred tax liabilities	(¥11,268 million)
Net deferred tax assets	¥7,684 million

- 2 Breakdown of major items that caused significant difference between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting of the company submitting consolidated financial statements

Statutory effective tax rate	30.5%
(Adjusted)	
Expenses including entertainment expenses not qualifying for deduction permanently	0.5%
Non-taxable dividends income	(1.6%)
Inhabitant tax on per capita basis	0.4%
Increase/decrease in valuation allowance	2.6%
Other	1.0%
Bank's effective tax rate	33.4%

(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.

(Relating to business combination, etc.)

On October 1, 2021, the Company acquired shares of The Daishi Lease Co., Ltd. and The Hokugin Economic Research Institute, Ltd., which are consolidated subsidiaries of the Company, from The Daishi Hokuetsu Bank, Ltd., which is a wholly-owned subsidiary of the Company, through dividends in kind, and from non-controlling interests. As a result, the Company increased its stake in those companies to 100% within the Company group, and those companies became wholly-owned subsidiaries of the Company.

As of the same date, the Company acquired shares of Daishi Management Consulting Co., Ltd., which is a consolidated subsidiary of the Company, from The Daishi Hokuetsu Bank, Ltd. and The Daishi Lease Co., Ltd., which are wholly-owned subsidiaries of the Company, through dividends in kind. As a result, that company became a wholly-owned subsidiary of the Company.

An overview of the share acquisition is as follows.

- 1 Acquisition of shares of subsidiaries by dividends in kind

(1) Overview of transactions

(i) Name and business activities of the combined company

Name of the combined company	Business activities
The Daishi Lease Co., Ltd.	Leasing
The Hokugin Economic Research Institute, Ltd.	Survey research and information provision related to the economy and society
Daishi Management Consulting Co., Ltd.	Venture capital and consulting

(ii) Date of business combination

October 1, 2021

(iii) Legal form of business combination

Dividends in kind from consolidated subsidiaries

(iv) Name of the combined company

Name of the company before combination	Name of the combined company
The Daishi Lease Co., Ltd.	The Daishi Hokuetsu Lease Co., Ltd.
The Hokugin Economic Research Institute, Ltd.	Daishi Hokuetsu Research & Consulting, Ltd.
Daishi Management Consulting Co., Ltd.	The Daishi Hokuetsu Capital Partners, Ltd.

(v) Other matters concerning the overview of transactions

The purpose is to further contribute to the local economy and maximize the Company's consolidated profit by deepening business through reorganization of group companies and exploring new business areas in light of deregulation, as well as by making the most use of group company functions and strengthening intra-group partnerships.

- (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.

- 2 Acquisition of subsidiary shares by the Company

(1) Overview of transactions

(i) Name and business activities of the combined company

Name of the combined company	Business activities
The Daishi Lease Co., Ltd.	Leasing
The Hokugin Economic Research Institute, Ltd.	Survey research and information provision related to the economy and society

(ii) Date of business combination

October 1, 2021

(iii) Legal form of business combination

Acquisition of shares from non-controlling interests

(iv) Name of the combined company

Name of the company before combination	Name of the combined company
The Daishi Lease Co., Ltd.	The Daishi Hokuetsu Lease Co., Ltd.
The Hokugin Economic Research Institute, Ltd.	Daishi Hokuetsu Research & Consulting, Ltd.

(v) Other matters concerning the overview of transactions

The purpose of the share acquisition is as described in 1. (1) (v) "Other matters concerning the overview of transactions" above.

- (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 with non-controlling interests under common control.

- (3) Matters concerning additional acquisition of subsidiary shares

(i) The Daishi Lease Co., Ltd.

Acquisition price Cash and due from banks ¥2,309 million

Acquisition cost ¥2,309 million

(ii) The Hokugin Economic Research Institute, Ltd.

Acquisition price Cash and due from banks ¥42 million

Acquisition cost ¥42 million

- (4) Matters concerning change in ownership interest of the Company due to transactions with non-controlling interests

(i) Major factors for changes in capital surplus

Additional acquisition of subsidiary shares

(ii) Increase in capital surplus due to transactions with non-controlling interests ¥11,257 million

(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 is 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 on deposit operations and loan operations, carries out investments in securities, domestic currency operations, foreign currency operations, and serves 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 2021 (April 1, 2020 through March 31, 2021)

	Reporting segment				Other	Total	Adjustments	Amount recorded in consolidated financial statement
	Banking	Leasing	Securities	Total				
Ordinary income								(¥ million)
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
Financing income	65,396	202	137	65,736	5,752	71,488	(7,851)	63,636
Financing 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

(Notes) 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 the 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.

Fiscal 2022 (April 1, 2021 through March 31, 2022)

	Reporting segment				Other	Total	Adjustments	Amount recorded in consolidated financial statement
	Banking	Leasing	Securities	Total				
Ordinary income								(¥ million)
Ordinary income from outside customers	106,101	20,654	5,600	132,356	5,123	137,479	(1,768)	135,711
Internal ordinary income between segments	1,484	335	64	1,884	11,225	13,109	(13,109)	-
Total	107,585	20,989	5,665	134,240	16,348	150,589	(14,878)	135,711
Segment profits	18,267	759	2,811	21,838	11,306	33,145	(9,599)	23,545
Segment assets	10,612,770	63,253	25,228	10,701,252	366,250	11,067,503	(397,199)	10,670,304
Segment liabilities	10,225,200	44,662	10,294	10,280,157	25,002	10,305,160	(68,361)	10,236,798
Other items								
Depreciation costs	6,677	237	21	6,935	66	7,002	(43)	6,959
Financing income	63,864	228	164	64,257	8,390	72,647	(9,963)	62,684
Financing expenses	2,252	141	2	2,396	8	2,405	(117)	2,287
Increase in tangible and intangible fixed asset amount	2,460	218	28	2,707	25	2,733	94	2,828

(Notes) 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 the 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 (¥1,768 million) in ordinary income from outside customers includes ordinary income adjustment of (¥1,230 million), accompanying the adoption of the purchase method.

(2) The adjustment of segment profit of (¥9,599 million) is from elimination of transactions between segments, etc.

(3) The adjustment of segment assets of (¥397,199 million) is from elimination of transactions between segments, etc.

(4) The adjustment of segment liabilities of (¥68,361 million) is from elimination of transactions between segments, etc.

(5) The adjustment of (¥43 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 (¥9,963 million) in interest income is for elimination of transactions between segments, etc.

(7) The adjustment of (¥117 million) in interest expenses is for elimination of transactions between segments, etc.

(8) The adjustment of ¥94 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 2021 (April 1, 2020 through March 31, 2021)

1. Information by each service

	Loan operations	Securities investment operations	Lease operations	Other	Total	(¥ million)
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 from which ordinary income accounts for 10% or more of the ordinary income in the consolidated statements of income.

Fiscal 2022 (April 1, 2021 through March 31, 2022)

1. Information by each service

	Loan operations	Securities investment operations	Lease operations	Other	Total	(¥ million)
Ordinary income from outside customers	50,832	28,220	20,427	36,231	135,711	

(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 from which ordinary income accounts for 10% or more of the ordinary income in the consolidated statements of income.

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

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

	Reporting segment				Other	Total	(¥ million)
	Banking	Leasing	Securities	Total			
Impairment loss	518	2	-	521	-	521	

Fiscal 2022 (April 1, 2021 through March 31, 2022)

This information is omitted because it lacks materiality.

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

There are no applicable items

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

There are no applicable items

(Related party information)

There are no material matters to be stated regarding transactions with related parties.

(Important subsequent events)

There are no applicable items

(Per share information)

Net assets per share	¥9,436.72
Net income per share for the current term	¥332.40
Net income per share for the current term after adjustment for potential voting	¥331.58

(Note 1) The basis for calculation of net asset per share is as follows:

Total amount of Net assets	¥433,505 million
Amount to be deducted from net assets	¥5,044 million
(of which, rights to subscribe to new shares)	¥ - million
(of which, non-controlling shareholder equity)	¥5,044 million
Net asset amount at end of term concerning ordinary shares	¥428,460 million
Number of ordinary shares at the end of term used to calculate the amount of net assets per share	45,403 thousand shares
(Note) The Company's shares remaining in the trust that are recorded as treasury stocks in shareholders' equity are included in the number of treasury stocks to be deducted in the calculation of the number of shares at the end of the term in calculating the amount of net assets per share.	
Number of treasury stocks at the end of the term deducted for calculating net assets per share	
Current consolidated fiscal year	398 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	
Net income reverting to parent company shareholders	¥15,144 million
Amount not reverting to ordinary shareholders	¥ - million
Net income reverting to parent company shareholders related to ordinary shares	¥15,144 million
Average number of ordinary shares during the term	45,561 thousand shares

Net income per share for the current term after adjustment for potential voting	
Amount of adjustment of net income for the current term reverting to parent company shareholders	¥ - million
Increase in number of ordinary shares	113 thousand shares
Of which, rights to subscribe to new shares	113 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.	-

(Note) The Company's shares remaining in the trust that are recorded as treasury stocks in shareholders' equity are included in the number of treasury stocks to be deducted in the calculation of the average number of shares during the term in calculating the net income per share for the current term and the net income per share for the current term after adjustment for potential voting.

Average number of treasury stocks during the term deducted for calculation of net income per share for the current term and net income per share for the current term after adjustment for potential voting

Current consolidated fiscal year 219 thousand shares

Non – Consolidated Balance Sheet

Years ended March 31, 2021 and 2022

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to US \$1.

Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Cash and due from banks	¥2,055,227	¥2,758,710	\$22,540,325
Monetary claims bought	13,080	14,115	115,334
Trading account securities	3,161	2,956	24,159
Securities	2,441,677	2,493,036	20,369,611
Loans and bills discounted	4,959,621	5,130,559	41,919,756
Foreign exchanges	16,802	16,304	133,216
Other assets	70,550	102,503	837,515
Tangible fixed assets	66,845	65,790	537,544
Intangible fixed assets	16,957	13,684	111,814
Prepaid pension cost	6,452	7,853	64,166
Deferred tax assets	-	11,408	93,216
Customers' liabilities for acceptances and guarantees	18,614	18,966	154,965
Allowance for loan losses	(20,040)	(23,119)	(188,902)
Total Assets	9,648,950	10,612,770	\$86,712,725

Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Deposits	8,132,832	8,229,330	\$67,238,586
Negotiable certificates of deposit	90,666	249,241	2,036,456
Receivables under resale agreements	111,132	37,006	302,367
Payables under securities lending transaction	188,425	298,397	2,438,088
Borrowed money	654,996	1,346,000	10,997,630
Foreign exchanges	186	209	1,710
Borrowed money from trust account	202	2,886	23,581
Other Liabilities	27,240	29,978	244,942
Provision for bonuses	2,246	2,020	16,508
Provision for directors' bonuses	95	85	697
Provision for share-based payment	-	380	3,107
Provision for reimbursement of deposits	1,831	1,454	11,887
Provision for system cancellation losses	12	-	-
Provision for contingent loss	1,401	1,615	13,198
Deferred tax liabilities	696	-	-
Deferred tax liabilities for land revaluation	7,636	7,627	62,319
Acceptances and guarantees	18,614	18,966	154,965
Total Liabilities	9,238,216	10,225,200	\$83,546,048

Net Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Capital stock	32,776	32,776	\$267,807
Capital surplus	60,138	60,138	491,365
Retained earnings	267,985	271,683	2,219,815
Shareholders' equity	360,900	364,598	2,978,988
Valuation difference on available-for-sale securities	44,153	12,396	101,283
Deferred gains or losses on hedges	(4,452)	464	3,793
Revaluation reserve for land	10,132	10,110	82,610
Total valuation and translation adjustments	49,833	22,971	187,687
Total net assets	410,734	387,569	3,166,676
Total Liabilities and Net assets	9,648,950	10,612,770	\$86,712,725

Non-Consolidated Statement of Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2021	2022	2022
Ordinary income	¥89,085	¥107,585	\$879,036
Financing income	47,938	63,864	521,810
Interest on loans and discounts	34,104	45,406	370,998
Interest and dividends on securities	13,243	17,398	142,158
Interest on call loans	(75)	(69)	(568)
Interest on receivables under securities borrowing transactions	0	1	13
Interest on deposits with banks	329	760	6,214
Interest on interest swaps	3	12	100
Other interest income	332	354	2,893
Trust fees	1	53	437
Fees and commissions	17,640	22,841	186,628
Other ordinary income	7,309	10,695	87,385
Other income	16,196	10,130	82,773
Ordinary expenses	78,833	89,317	729,776
Financing expenses	1,916	2,252	18,403
Interest on deposits	558	458	3,746
Interest on negotiable certificates of deposit	12	10	88
Interest on call money	(5)	0	0
Interest on bills sold	197	112	920
Interest on payables under securities lending transactions	255	174	1,424
Interest on borrowings and rediscounts	25	0	3
Interest on interest swaps	869	1,485	12,137
Other interest expenses	2	10	82
Fees and commissions payments	5,961	8,553	69,888
Other ordinary expenses	8,827	5,902	48,225
General and administrative expenses	50,626	59,988	490,142
Other expenses	11,501	12,620	103,116
Ordinary profit	10,251	18,267	149,259
Extraordinary income	1,039	237	1,940
Gain on disposal of noncurrent assets	0	0	1
Gain on revision of retirement benefit plan	1,038	-	-
Other extraordinary income	-	237	1,939
Extraordinary loss	707	460	3,764
Loss on disposal of noncurrent assets	206	117	960
Impairment loss	501	62	508
Provision for share-based payment	-	280	2,294
Income before income taxes	10,583	18,044	147,436
Income taxes-current	3,204	6,219	50,815
Income taxes-deferred	488	(317)	(2,598)
Net Income	¥6,890	¥12,143	\$99,218