

# Company Briefings For the First Half of the Fiscal Year Ending March 2024

November 2023



DAISHI HOKUETSU  
Financial Group

第四北越フィナンシャルグループ

Continuing to be a part of  
the community

150<sup>th</sup>

Daishi Hokuetsu Financial Group celebrates its 5th  
anniversary

Daishi Hokuetsu Bank, a subsidiary, celebrates its  
150th anniversary

- It's the oldest surviving bank in Japan

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

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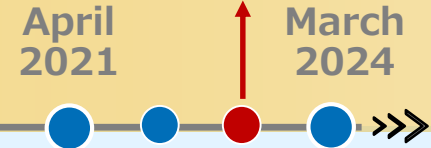
Financial Position of Group Companies 69

# Summary of the First Half of the Fiscal Year Ending March 2024



After bank merger and birth of new bank  
A New Stage of Achieving Merger Results

FY2023  
Second Medium-term  
Management Plan Final Year



## Second Medium-term Management Plan

### 1H of FYE2024

FG Consolidated Interim Profit exceeded the initial forecasts and increased year on year

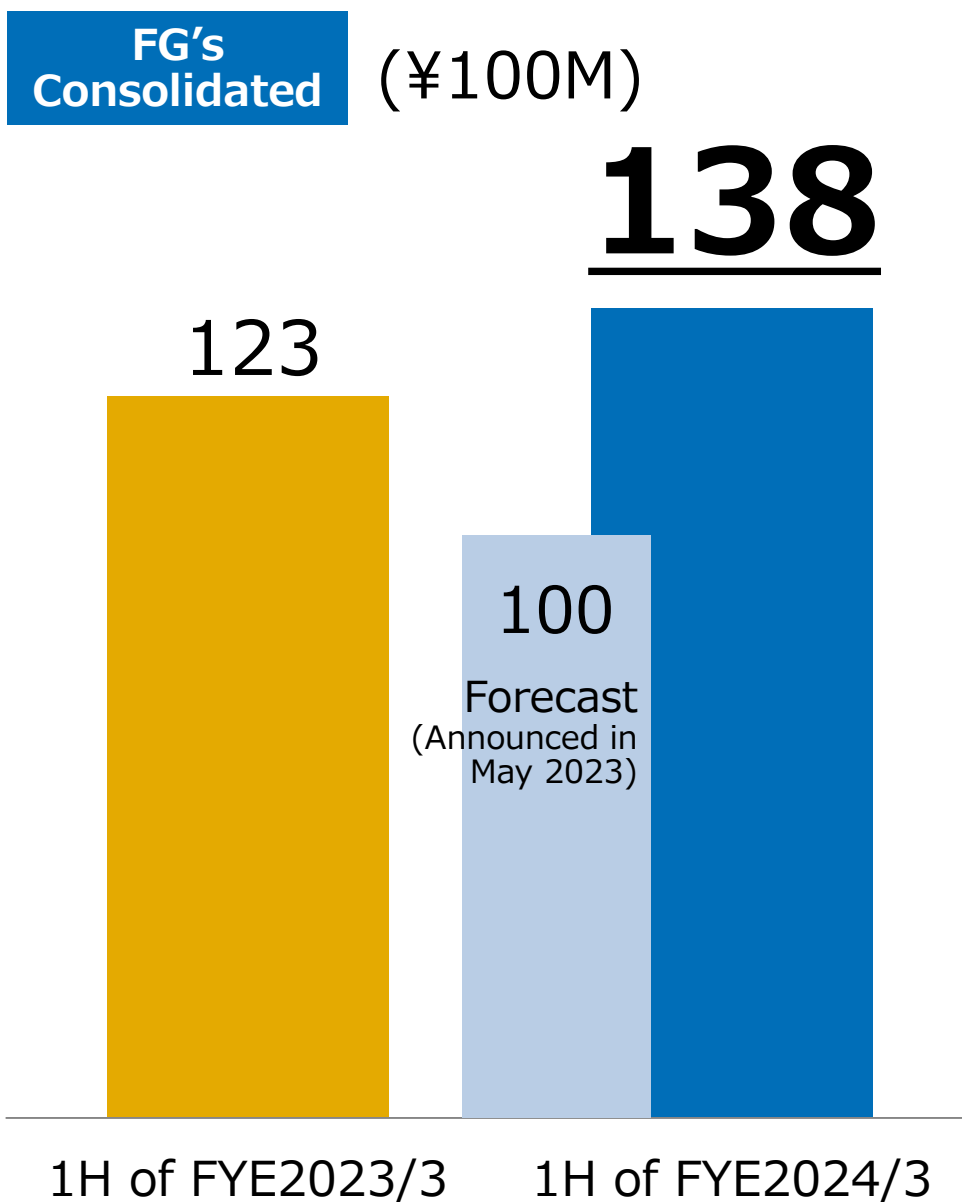
Comprehensive organizational strengths steadily improved to maximize the three synergies

Merger Synergy	Reallocation of dynamic management resources has been nearly completed, resulting in strengthening consulting capabilities
Group Synergy	Group reorganization during the Second Medium-term Management Plan was completed, and became 15-company framework
TSUBASA Partnership Synergy	Further expansion of collaboration areas in both TSUBASA Alliance and Gunma-Daishi Hokuetsu Alliance

The Second Medium-term Management Plan is on track for completion

- ✓ As the top financial and information services Group in Niigata Prefecture, all officers and employees practiced the consulting business in "We are One!" to solve problems for local communities and customers

# **Financial Results for the First Half of the Fiscal Year Ending March 2024**



Year on Year

+¥1.4B  
(+11.6%)

Vs. Forecast

+¥3.8B  
(+38.1%)

Bank Non-  
consolidated

(¥100M)

**104**

91



1H of FYE2023/3

71

Forecast  
(Announced in  
May 2023)



1H of FYE2024/3

**Year on Year**

**+¥1.2B**  
**(+14.1%)**

**Vs. Forecast**

**+¥3.3B**  
**(+47.6%)**

Group Company  
Division

(¥100M)

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

12



1H of FYE2023/3

**18**



1H of FYE2024/3

Year on Year

**+¥0.5B**  
**(+45.4%)**

Securities

+¥0.17B yoy

Commissions and fees by sales of stocks and investment trusts increased year on year due to consulting services that captured market trends

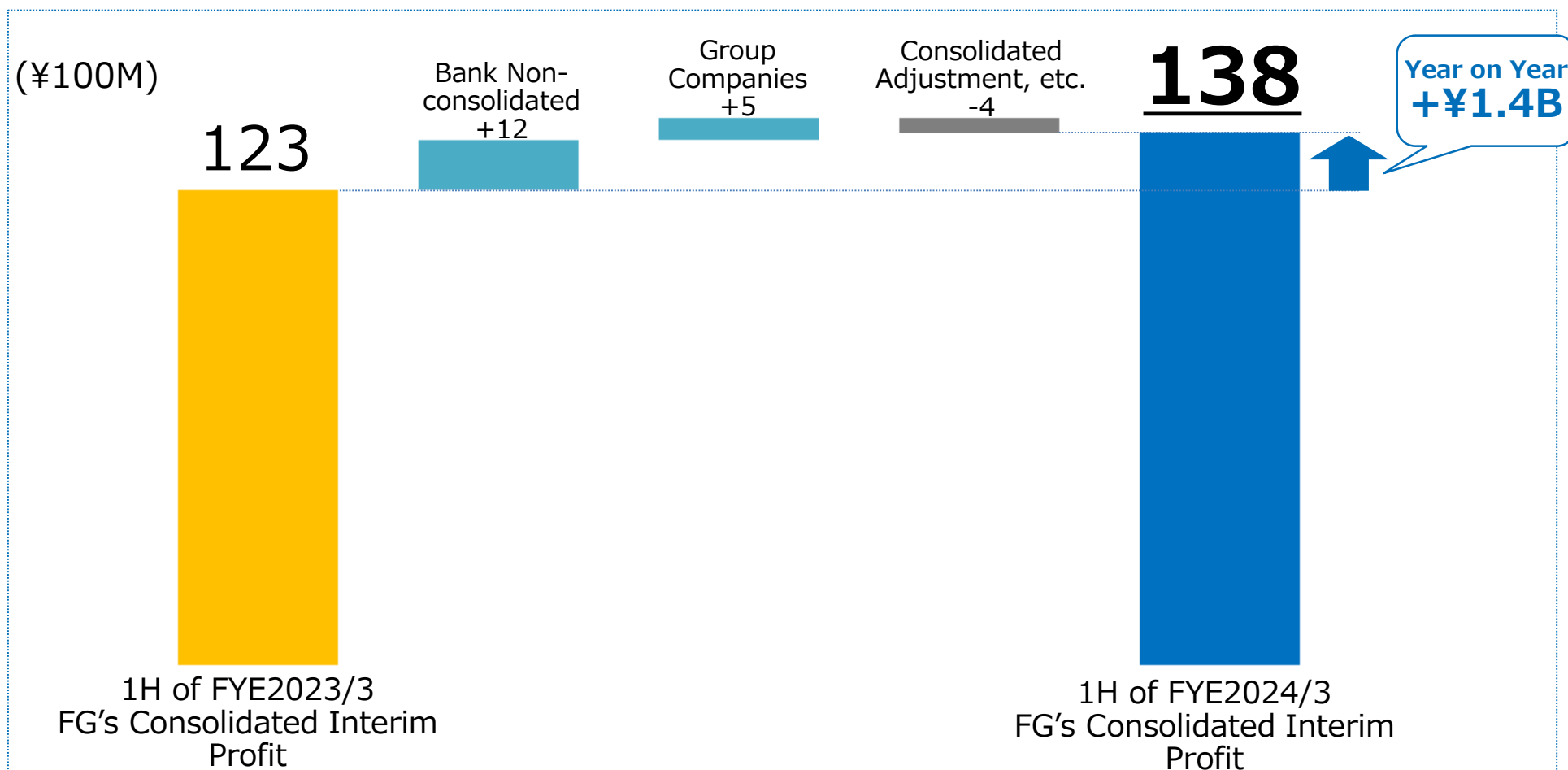
Leasing

+¥0.33B yoy

The balance of leased assets increased due to a steady increase in bank referral cases, while credit costs were lower than the previous year

Increase in both non-consolidated profit of the Bank and profit of the Group Company Division

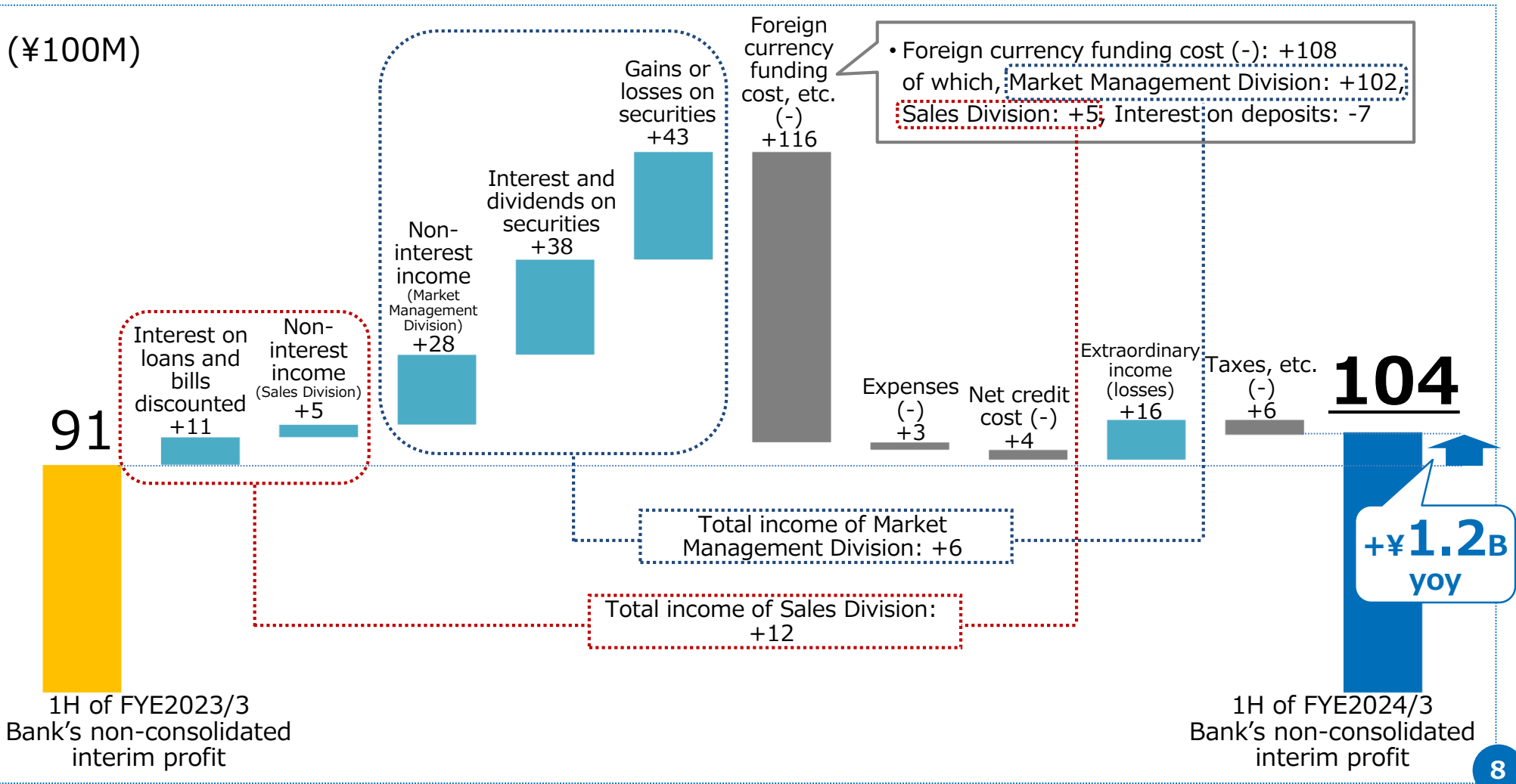
## FG Consolidated Interim Profit increased





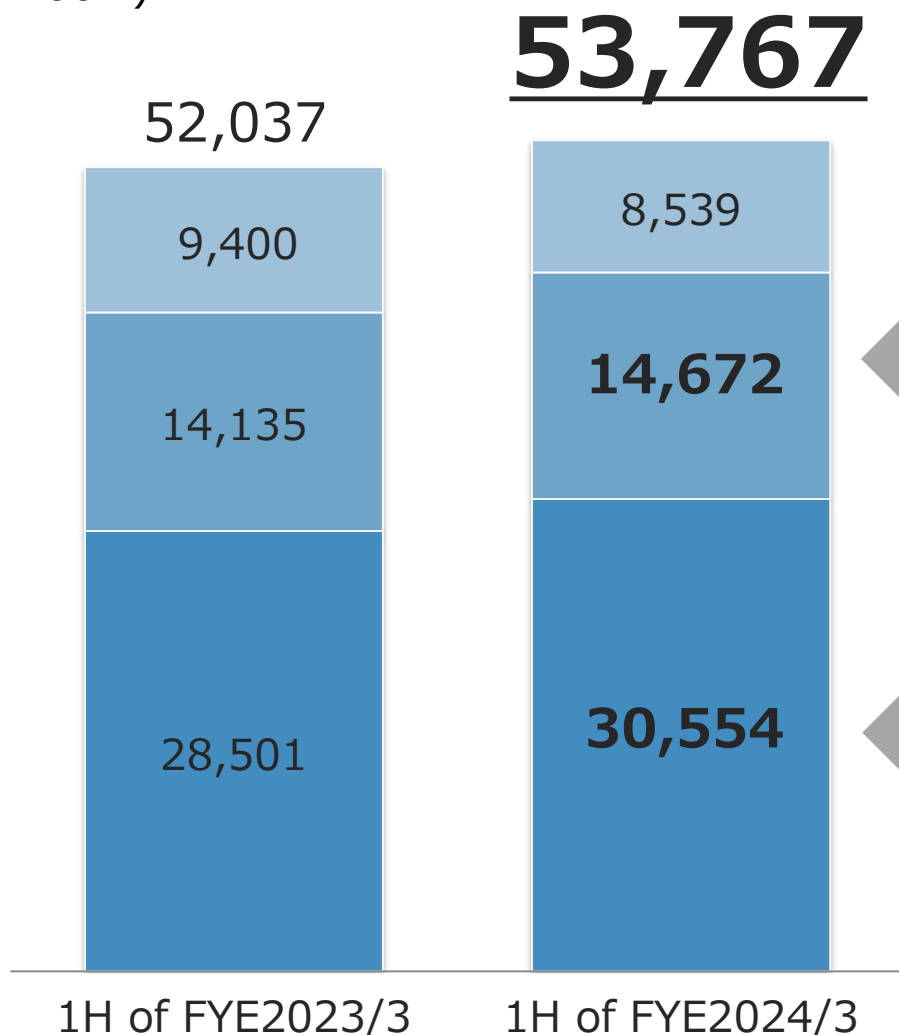
# Bank Non-consolidated Change Factors

Due to an increase in interest on loans and bills discounted and non-interest income, **the Bank's non-consolidated interim profit increased**



# End-balance of Loans and Bills Discounted

■ Business ■ Consumer ■ Public money  
 (¥100M)



**Year on Year**

**+¥173.0B**  
**(+3.3%)**

**Consumer**

**+¥53.7B (+3.8%) yoy**

- Increased both mortgage and unsecured loans due to utilization of non-face-to-face channels

**Business**

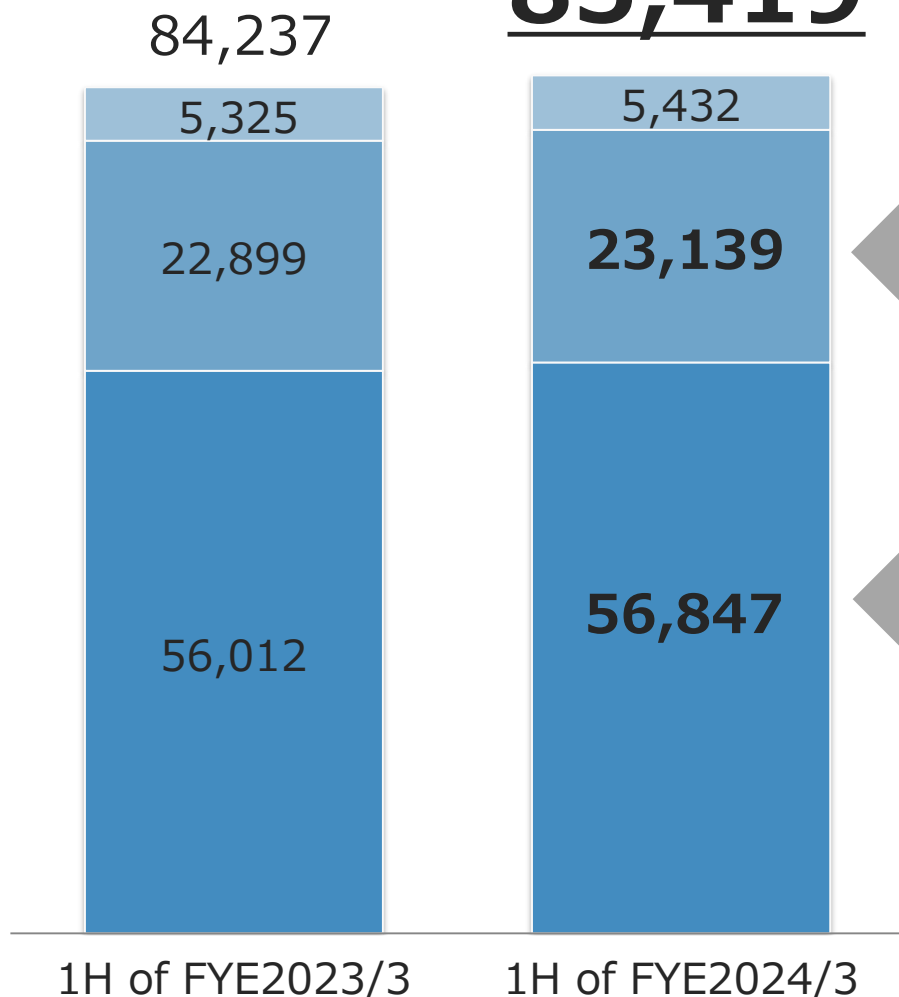
**+¥205.3B (+7.2%) yoy**

- Decreased in the prefecture due to postponement of capital investment resulting from uncertainty over the future and soaring material prices in addition to the prepayment of real interest-free and unsecured loans (Zero-Zero Loans)
- Increased outside the prefecture for large companies with demand for funds

# End-balance of Deposits, etc.

■ Individuals ■ Corporate ■ Others

(¥100M)



**Year on Year**

**+¥118.1B**  
**(+1.4%)**

**Corporate**  
+¥24.0B (+1.0%) yoy

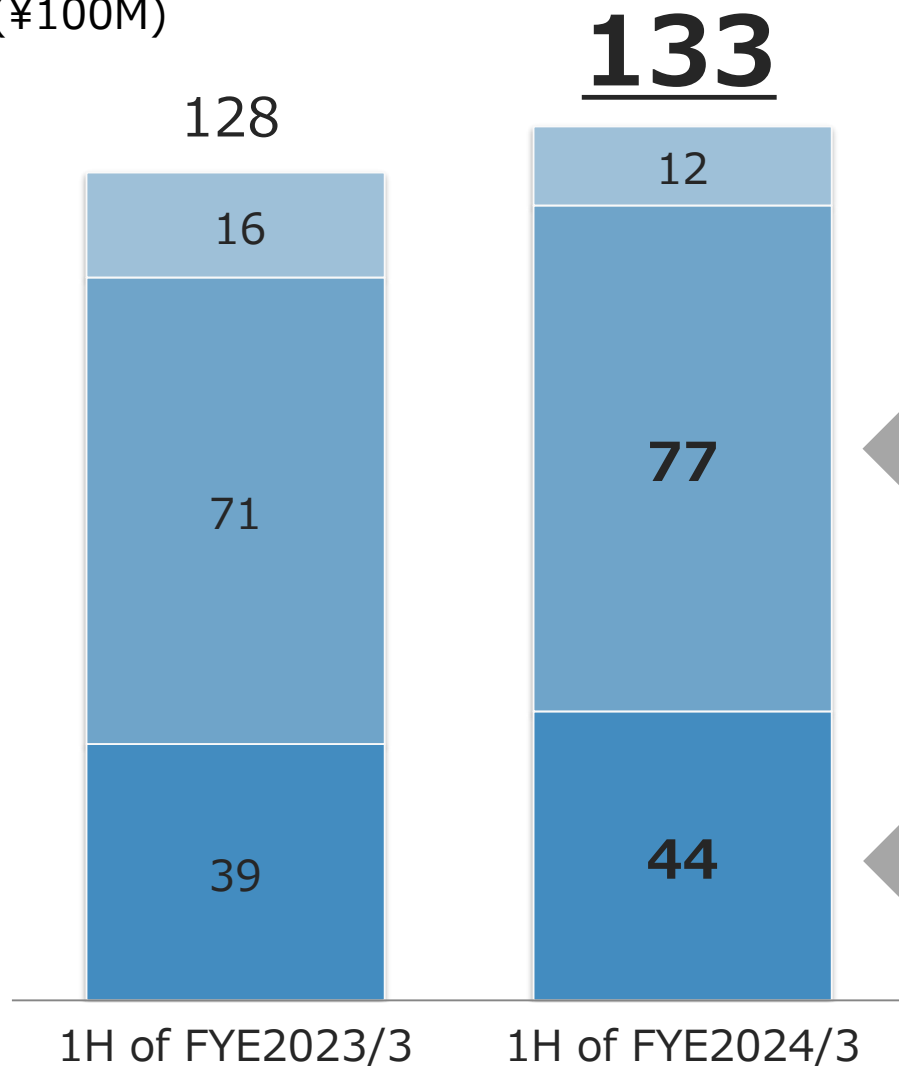
**Individuals** (including sole proprietors)  
+¥83.4B (+1.4%) yoy

The balance of deposits, including negotiable certificates of deposit, increased steadily for both companies and individuals

# Non-interest Income Area

■ Others ■ Financial Solutions ■ Asset management advice

(¥100M)



**Year on Year**

**+¥0.5B  
(+4.3%)**

**Income from financial solutions**  
**+¥0.5B (+7.3%) yoy**  
 Increase in foreign exchange derivative transactions for customers, business succession and M&A

**Income from asset management advice**  
**+¥0.4B (+11.6%) yoy**  
 increase in inheritance services such as will trusts in addition to insurance and investment trusts

# End-balance of Securities

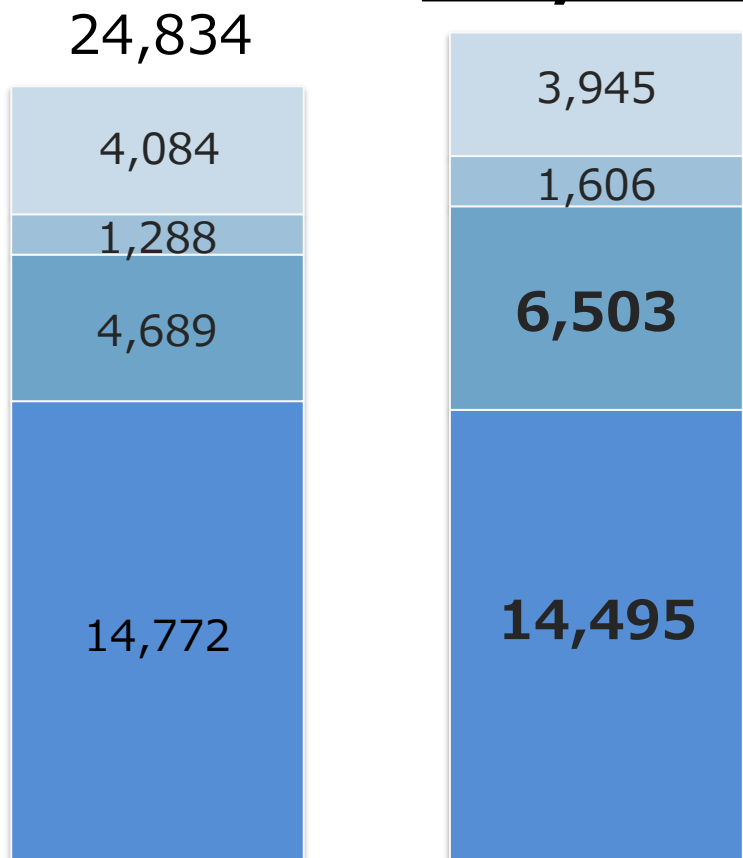
Excluding trading securities

■ Domestic bonds  
■ Foreign securities  
■ Stocks  
■ Other securities  
 (¥100M)

**26,551**

**Year on Year**

**+¥171.7B**  
**(+6.9%)**



**Foreign securities**  
**+¥181.4B (+38.6%) yoy**  
 - Increased due to asset swap transactions, which combine bond purchases with interest rate swaps to earn revenue while controlling interest rate risk

**Domestic bonds**  
**-¥27.7B (-1.8%) yoy**  
 - Decreased due to a reduction in bond purchases in preparation for higher interest rates and selling at a profit in response to market trends

1H of FYE2023/3

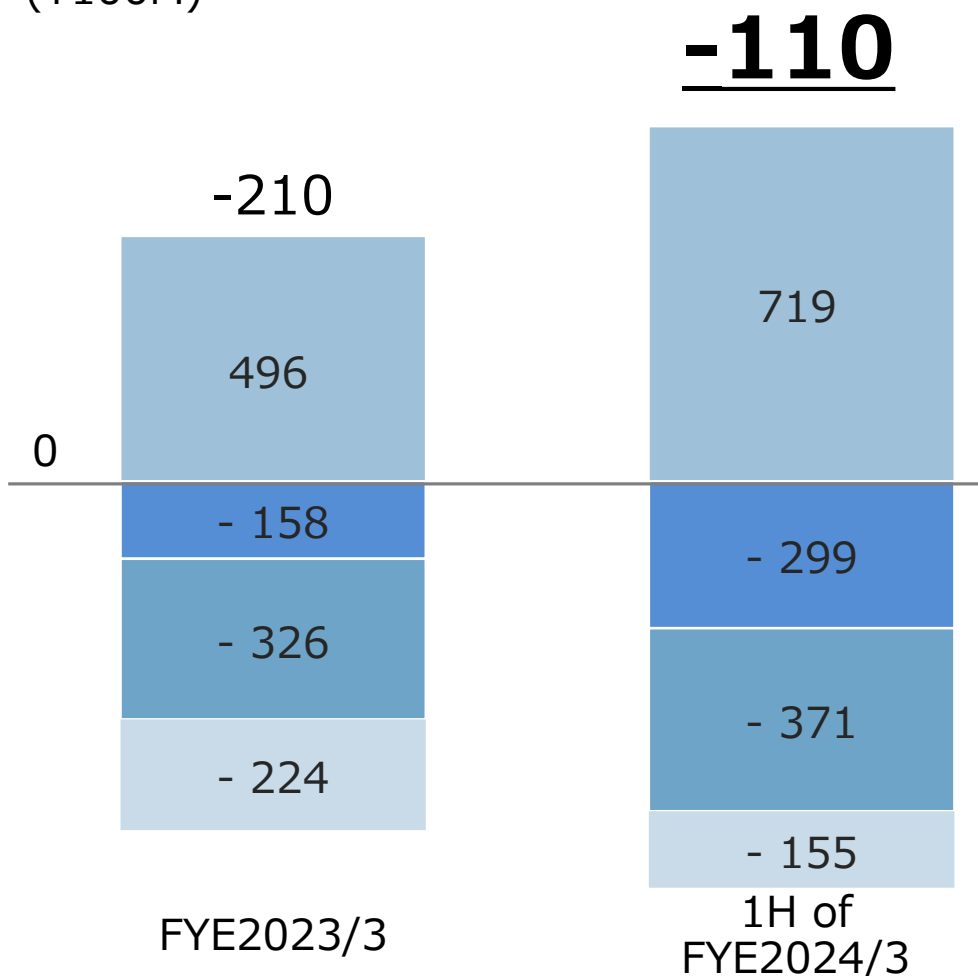
1H of FYE2024/3

## Valuation Gains or Losses on Securities

Net unrealized gains (losses) on domestic bonds and foreign securities after deferred hedge by interest rate swaps

■ Domestic bonds ■ Foreign securities ■ Stocks ■ Other securities

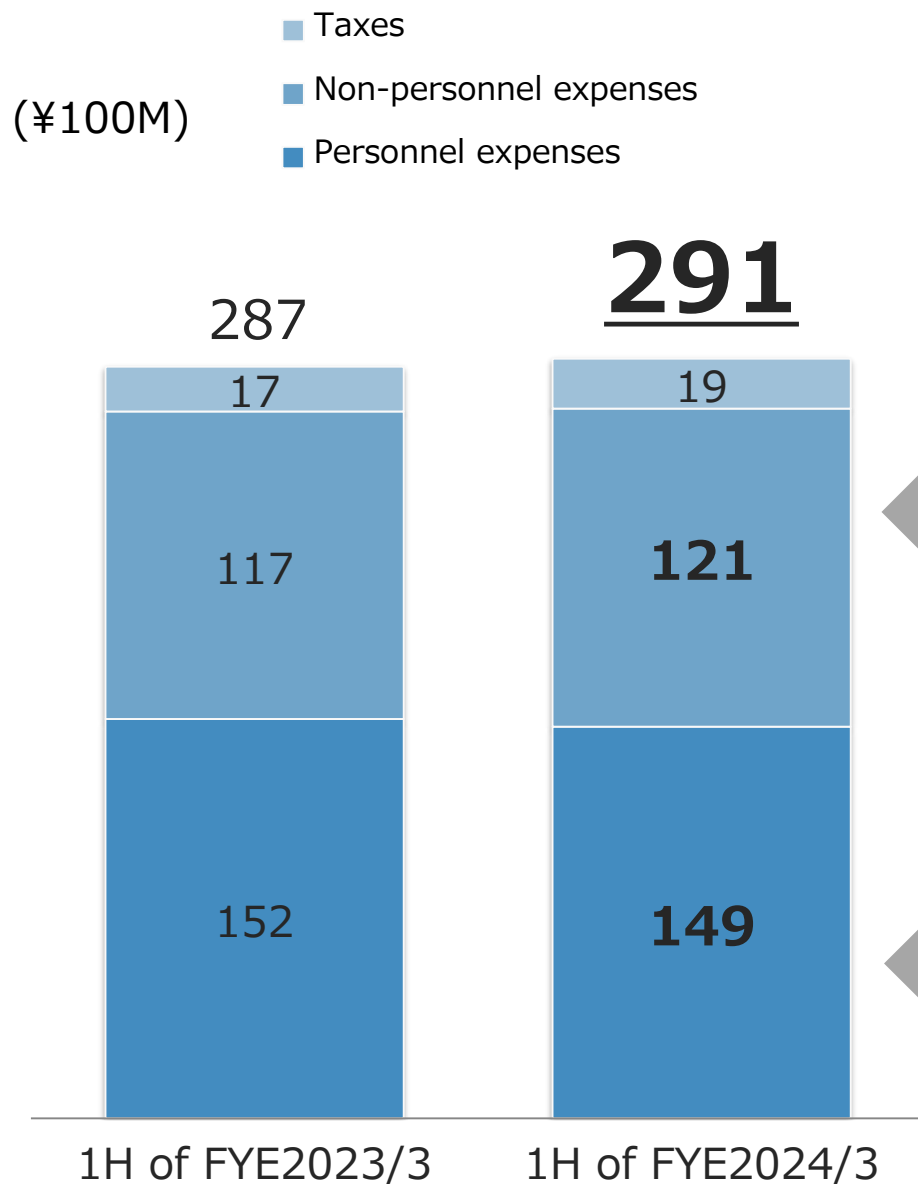
(¥100M)



### Valuation Gains or Losses on Securities

+¥9.9B vs. FYE2023/3

- Valuation gains or losses on securities improved due to significant recovery of valuation gains and losses on equity backed by the rise in domestic stock prices though valuation gains and losses on domestic bonds worsened affected by the rise in domestic interest rates
- All domestic bonds with remaining maturity of 14 years or more have been hedged with interest rate swaps
- Of the balance of ¥650.3 billion in foreign securities, ¥314.2 billion was for asset swaps, and ¥131.7 billion was for Ginnie Mae MBS that has still earned profit margins at this time



Year on Year

**+¥0.3B**  
**(+1.2%)**

## Non-personnel expenses

**+¥0.4B (+3.9%) yoy**

- Increased due to the establishment of a corporate portal site for businesses, and response to new banknotes and security enhancement
- Active investments to strengthen consulting functions and contribute to customer convenience while continuing strict cost control

## Personnel expenses

**-¥0.3B (-2.3%) yoy**

- Decreased due to optimization of headcount accompanying reduced operations resulting from office integration and operational reforms (natural decrease due to mandatory retirement, optimization of hiring, etc.)
- Investment in human resource development increases every year while promoting cost reduction

# Non-performing Loan Ratio & Net Credit Cost

■ Non-performing loan ratio
 ■ Net credit cost

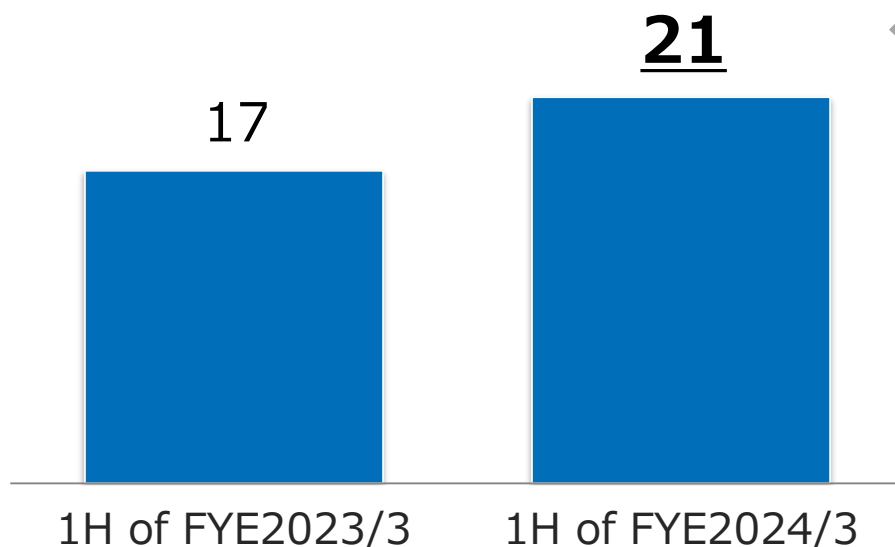
(%)



Non-performing loan ratio

-0.06 pt yoy

(¥100M)



Net credit cost

+¥0.4B yoy

- Net credit cost increased due to the downgrading of large business partners outside the prefecture, but decreased ¥0.2B compared with the Plan
- Continued to focus on supporting business improvement and revitalization for business partners through cooperation between Sales and Credit Divisions while closely monitoring high prices, yen's depreciation, and other factors



FG's  
Consolidated (%)

10.46

10.21

International  
standard  
8%

Domestic  
standard  
4%

1H of FYE2023/3

1H of FYE2024/3

Year on Year

**-0.25pt**

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

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

**Synergy effect**  
(Vs. FYE 2018/3 before Management Integration)

**1H of FYE March 2024**  
(single FY)

**Result**

**+¥3.9<sub>B</sub>**  
(+¥0.9<sub>B</sub> vs. plan)

Breakdown (¥100M)		Result	Vs. Plan
			+39
	Top-line Synergy	+19	-1
	Cost Synergy	+33	+2
	Negative Synergy	-13	+8

<Details of Each Synergy>

Top-line Synergy

- Loans and bills discounted and financial solutions
- Asset management advice
- Commission area, etc.

Cost Synergy

- Decrease in personnel expenses
- Decrease in system administration costs
- Decrease in outsourcing expenses, etc.

Negative Synergy

- Management Integration expenses

# Management Integration Synergy (cumulative)

Vs. FYE2018/3 before Management Integration

3 years after establishment of FG

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

5 years after Bank Merger

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

to March 2026

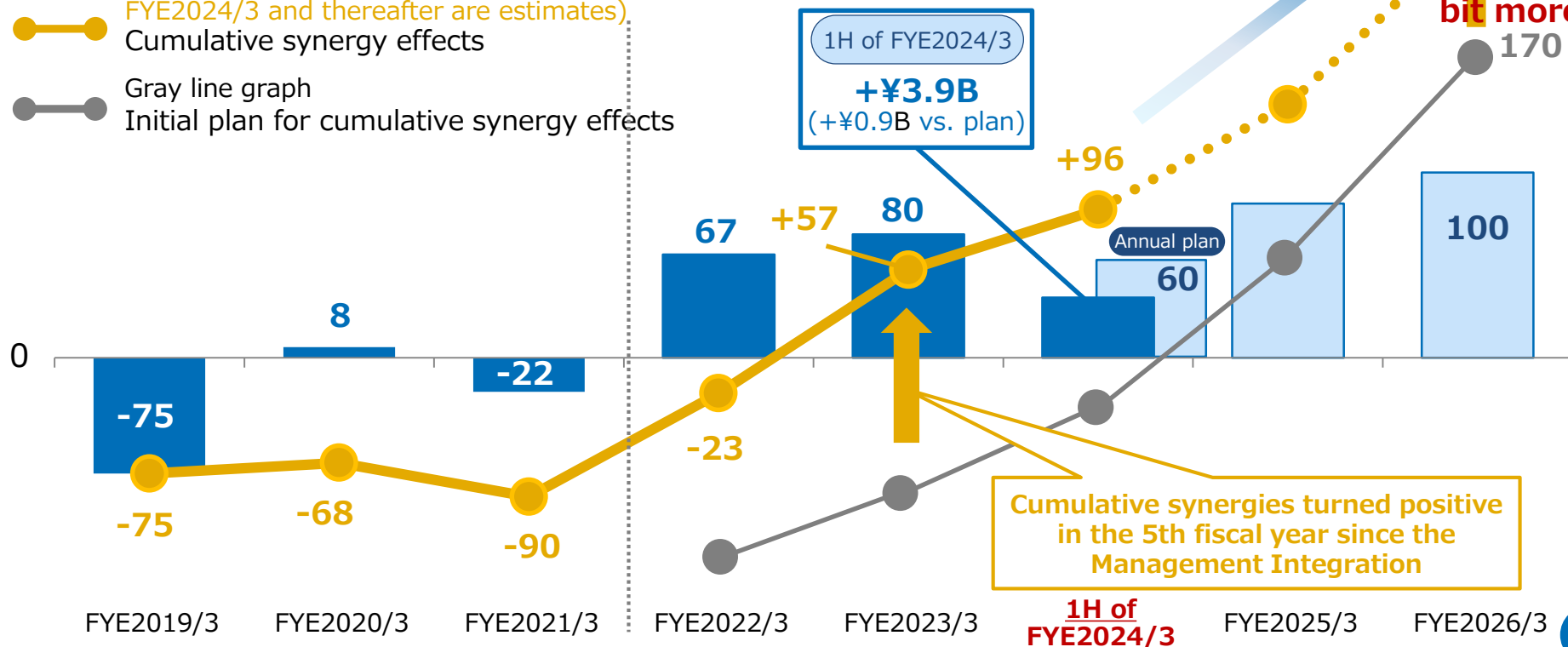
Negative Synergy prevailed until Bank Merger

Positive Synergy was demonstrated after Bank Merger

**¥22B+a bit more expected**

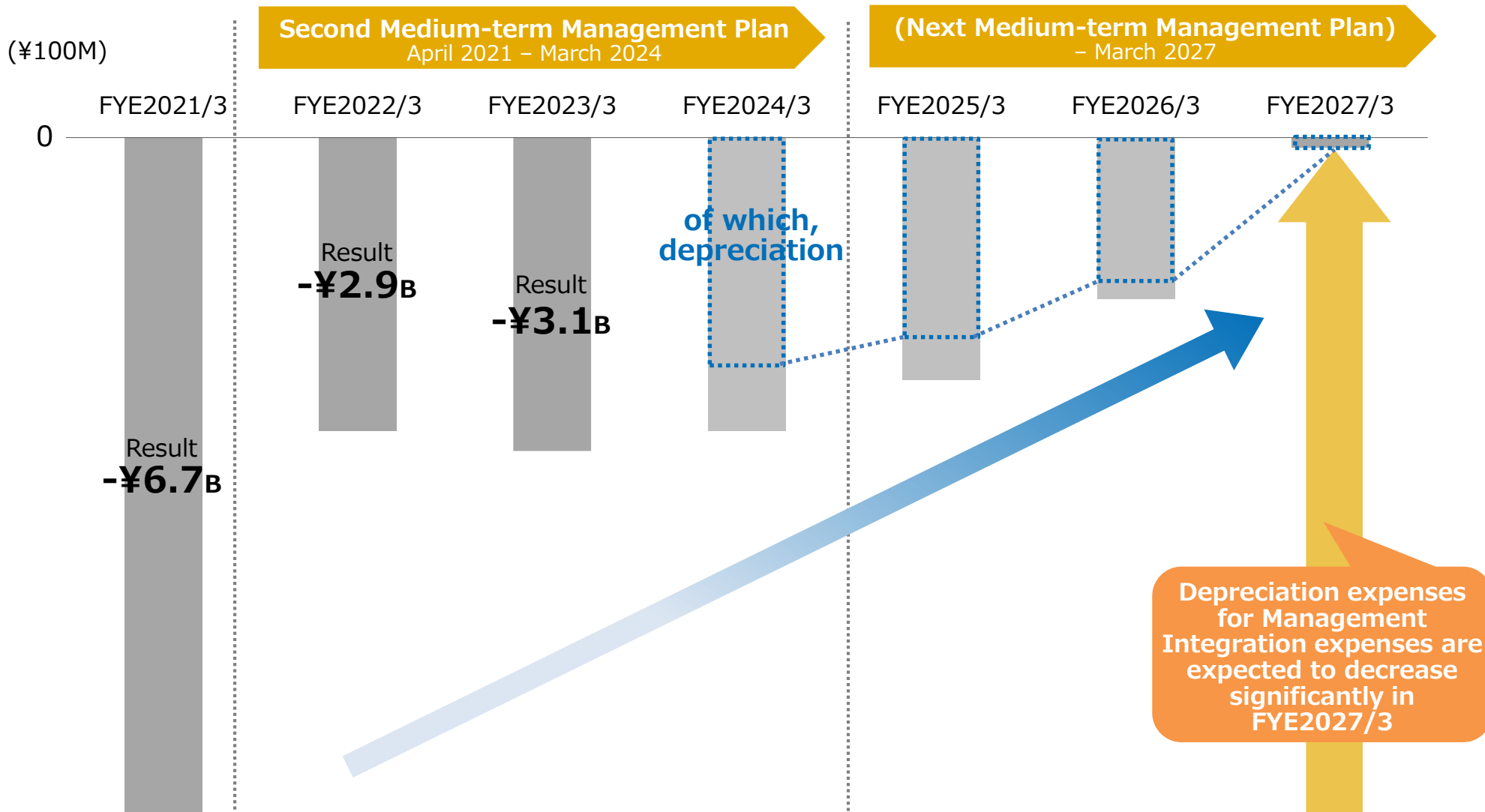
Synergy Effects (¥100M)

- Blue bar graph (light blue: initial plan) Synergy effects for single FY
- Orange line graph (dashed lines for 1H of FYE2024/3 and thereafter are estimates) Cumulative synergy effects
- Gray line graph Initial plan for cumulative synergy effects



# Future Outlook for Management Integration Expenses

## <Single fiscal year> Management Integration expenses (Negative Synergy)



# Earnings Forecast for Fiscal Year Ending March 2024

The interim period results exceeded initial forecasts and **the progress of FG consolidated profit was steady at 68%**

However, due to increasing uncertainty with the global economic situation amid the heightening tension of geopolitical risks and uncertainty about future domestic economic and financial market developments such as the tightening of monetary policy in the West to curb inflation, the full-year forecast will remain unchanged from the initial published value

FG's Consolidated (¥100M)	FYE 2024/3 Forecast	1H of FYE2024/3 result	Progress rate against forecasts
Ordinary profit	<b>275</b>	176	64.3%
<b>(Interim) Profit*</b>	<b>201</b>	138	68.7%

\* (Interim) Profit attributable to owners of parent

Bank Non-consolidated (¥100M)	FYE 2024/3 Forecast	1H of FYE2024/3 result	Progress rate against forecasts
Core business profit	<b>278</b>	169	61.0%
Ordinary profit	<b>224</b>	149	66.5%
(Interim) Profit	<b>154</b>	104	68.0%

Plan period: 2021/4 to 2024/3

# **Second Medium-term Management Plan**

**Demonstration of  
Three Major Synergies**

First Medium-term Management Plan  
— Building a Foundation for Maximum Synergy

Second Medium-term Management Plan  
— A New Stage of Achieving Merger Results

Toward Sustainable Growth

## 1 Management Integration

→ Created through the Management Integration of Daishi Bank and Hokuetsu Bank

October 2018

January 2021

Management integration by the regional banks with No. 1 and No. 2 market shares in the same prefecture, ahead of any other bank in the country

Bank merger, birth of a new bank, integration of system administration



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

第四北越銀行  
DAISHI HOKUETSU BANK

Relationship of trust with customers built over 140 years



## 2 TSUBASA Alliance

→ Regional Banks' Collaboration Framework

October 2015-



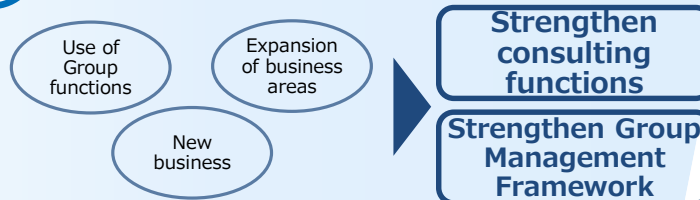
### Top-priority Themes

#### Demonstration of Synergy Effects

### 1 Merger Synergy



### 2 Group Synergy



### 3 TSUBASA Partnership Synergy



December 2021-



### Vision of Daishi Hokuetsu FG

Overwhelmingly popular financial and information services Group

Creation of new value through financial and information intermediary functions

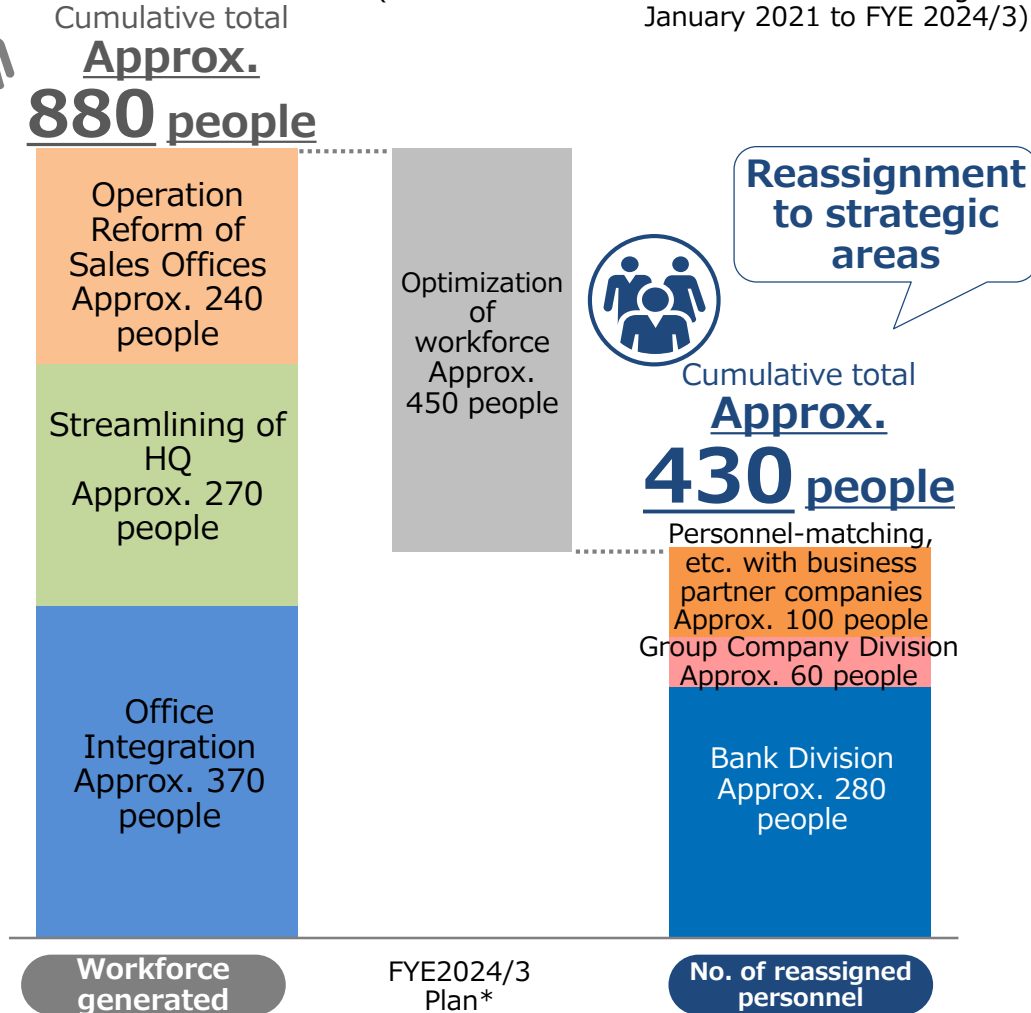
Improvement of management efficiency

A lasting contribution to the regional development

## Strengthen sales capabilities through reallocation of Group management resources

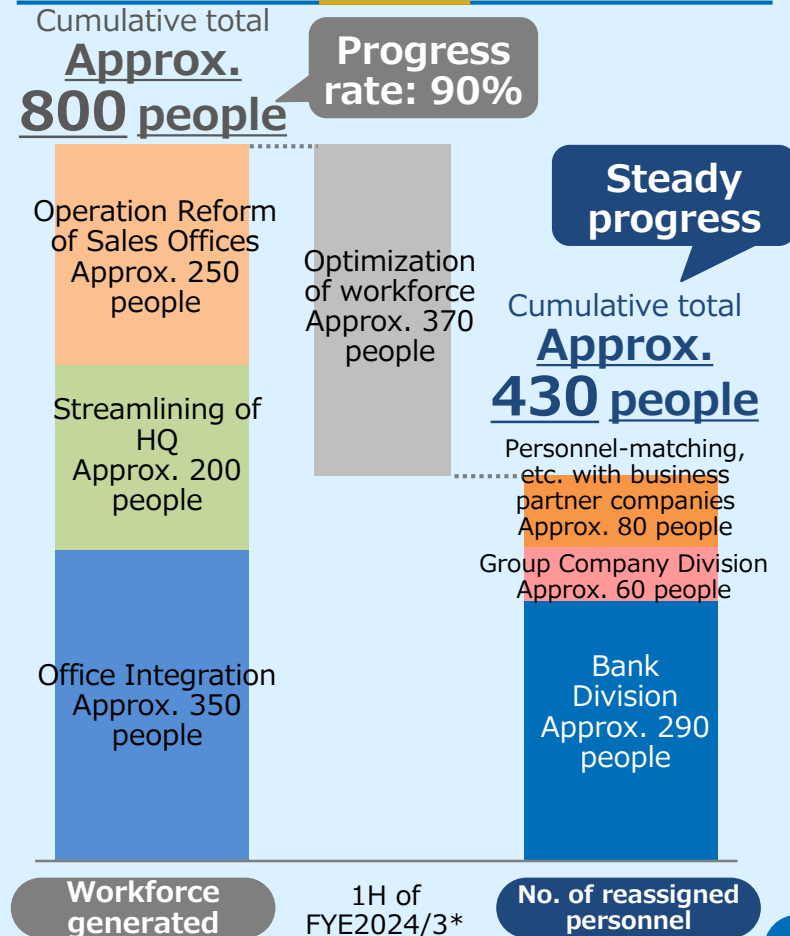
[Second Medium-term Management Plan] Three-year cumulative plan for generation of workforce and reassignment

(Cumulative total from the time of bank merger in January 2021 to FYE 2024/3)



\*Due to fractions, the breakdown does not equal the total.

## Cumulative results for 1H of FYE2024/3 <Second Medium-term Management Plan, 1H of Final Year>





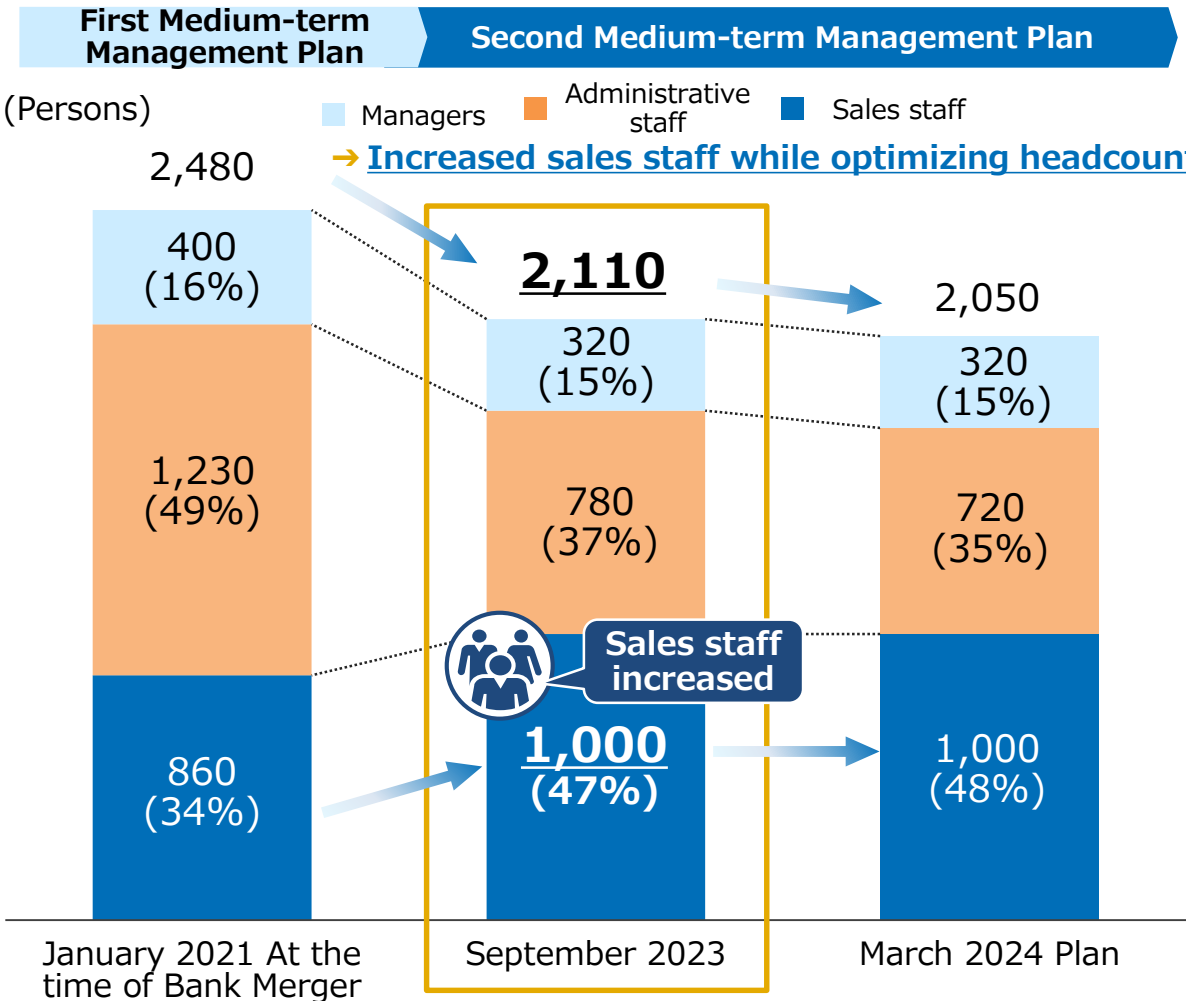


## Shift of Personnel to Sales Division to Fulfill Consulting Function

### Bank Division

Changes in the number of employees at sales offices (approximate numbers)

\*(Including personnel stationed at sales offices affiliated with HQ)



\*Due to fractions, the breakdown does not equal the total.

Enhance the number of consulting personnel

Assigned HQ specialists stationed at sales offices to main block offices

Total  
**Approx. 75** people  
 (Pre-Merger + **Approx. 45 people**)

- Senior Consultant (Branch Manager level)
- Corporate CM
- Individual CM

CM: Consultant Manager

Assigned consulting promotion leaders at each branch

- New!** Corporate Consulting Leader (Newly established in FY2023) Total of Approx. **110** people
- Sustainability Promotion Officer (Newly established in FY2021) Total of Approx. **220** people
- Sales Office Consultant Manager (Expanded target offices for FY2021) Total of Approx. **100** people



## Development of bases for demonstration of consulting functions

Strengthen consulting functions by consolidating sales bases

Enhance cooperation by consolidating Group sales bases

**New!**

Relocated and consolidated sales bases of Group companies

(Nagaoka City, Niigata Prefecture in July)

Group companies that have been relocated or consolidated

 第四北越銀行


➢ Nagaoka Head Office Business Division, etc.

 第四北越証券

➢ Head Office and Main Office Business Division, etc.

 第四北越リース

➢ Nagaoka Branch

 北越リース

➢ Head Office



Strengthen sales structure to reinforce comprehensive consulting sales

**New!**

Expand the area system at bank sales offices

(Kashiwazaki City, Niigata Prefecture in October, Joetsu City, Niigata Prefecture in November)

Kashiwazaki Area

Core office

3 sales offices

Takada Sales Department Area

Core office

4 sales offices

No. of area systems implemented

**24** areas

(As of November 2023)

Expand functions of personal consultation bases

### Enhancing the functions of Consulting Plaza

**New!**

Relocated and consolidated Niigata Consulting Plaza

(Niigata City, Niigata Prefecture in September)

- Relocated and consolidated two Consulting Plazas in Niigata and Dekijima
- Established a new asset management consultation booth “Money Plan Lab”
- Respond to a wide range of customer needs according to their life events



Introduce a new type of office

**New!**

Introduced cashless labor-saving offices

(Joetsu City, Niigata Prefecture in November)



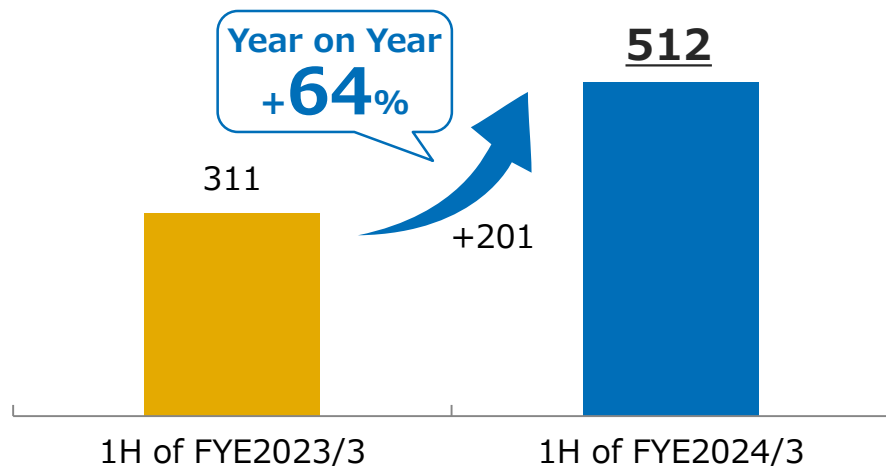
- Provide one-stop services including administrative procedures and financial services as the office moved to the municipal building
- Support for asset management consultation through the installation of a web-based interview system

## Initiative Aimed at Maximizing Consulting Function-1

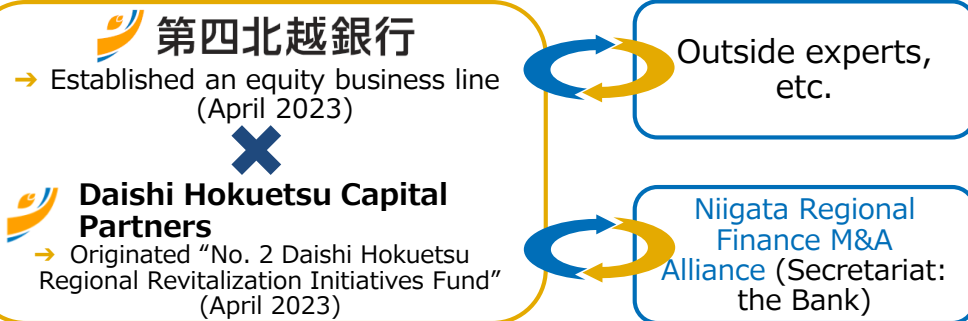
Enhance consulting functions through expansion of sales and customer base

### M&A and business succession income

(¥1M)



Utilization of FG network expanded through management integration

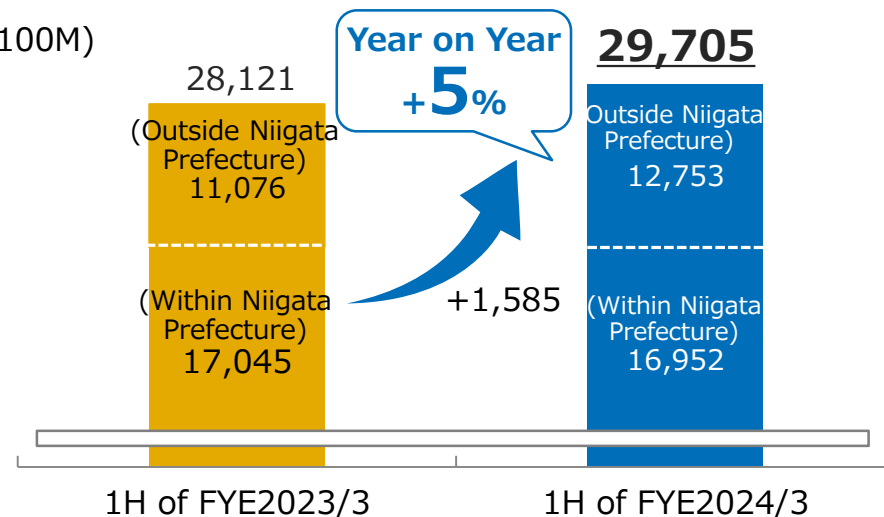


Expand business domains by reallocating management resources

### Average balance of business loans

\*Before partial direct write-offs

(¥100M)



Reinforce collaboration within and outside the prefecture by strengthening HQ functions

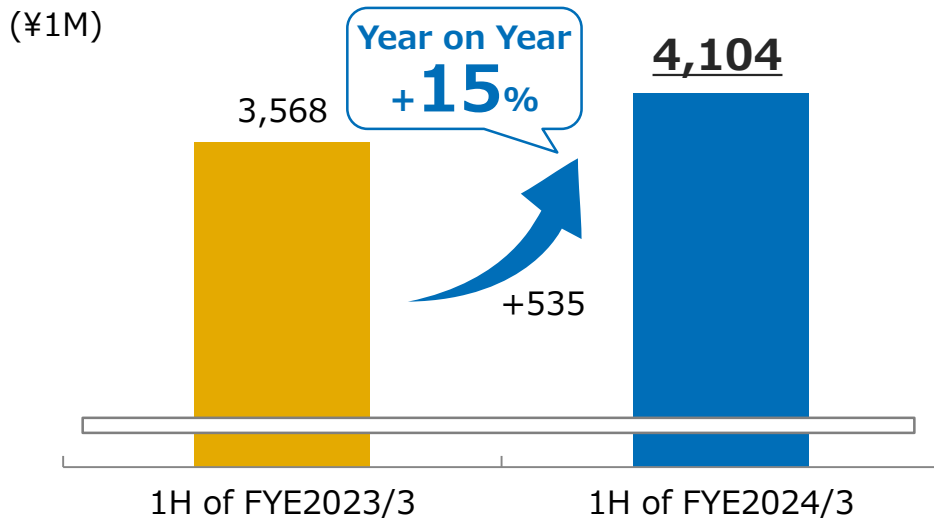




## Initiative Aimed at Maximizing Consulting Function-2

Enhance asset management and succession consulting

### Income from investment trust & insurance



Expand products and services

**New!** Launched "Selected NISA Plan" (July 2023)

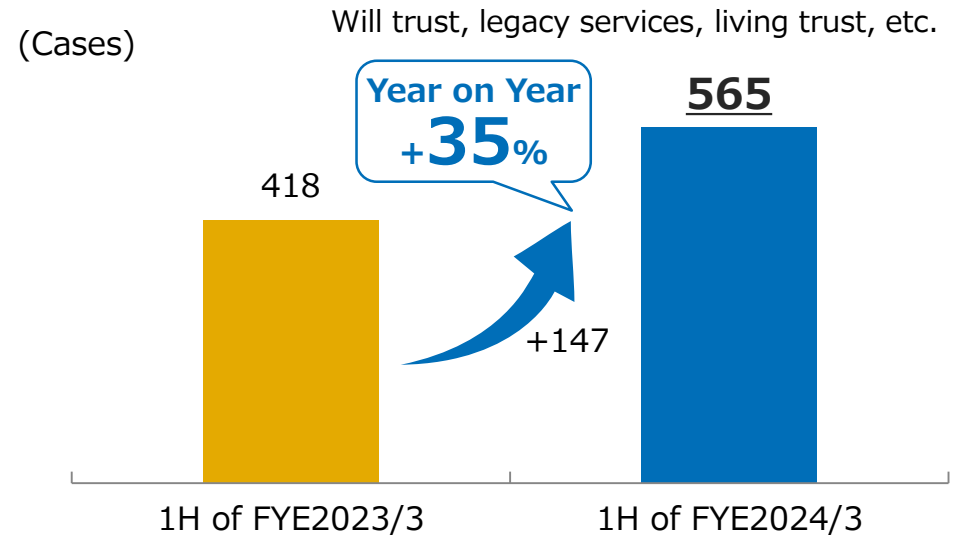
Offering 10 carefully selected products eligible for the new NISA program

第四北越銀行 Regional banks Ranked 8th  
No. of NISA accounts (As of the end of June 2023)

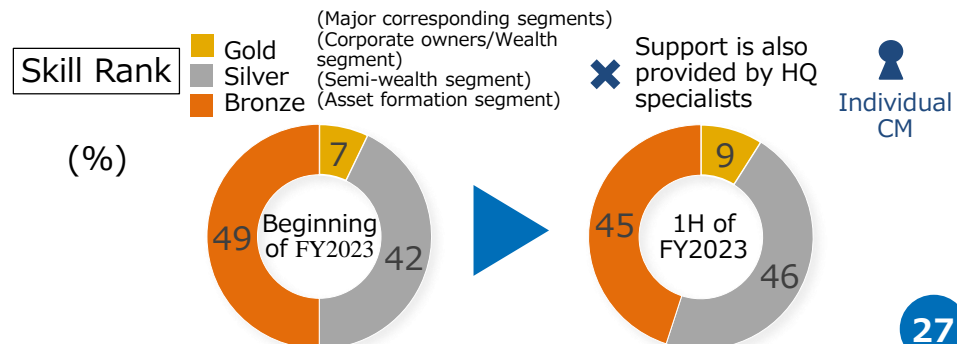
Source: Nikkin Investment Trust information (as of September 4, 2023)

**New!** Launched "Online application for individual-type defined contribution pension plan (iDeCo)" (November 2023)

### Number of cases of trust business handled



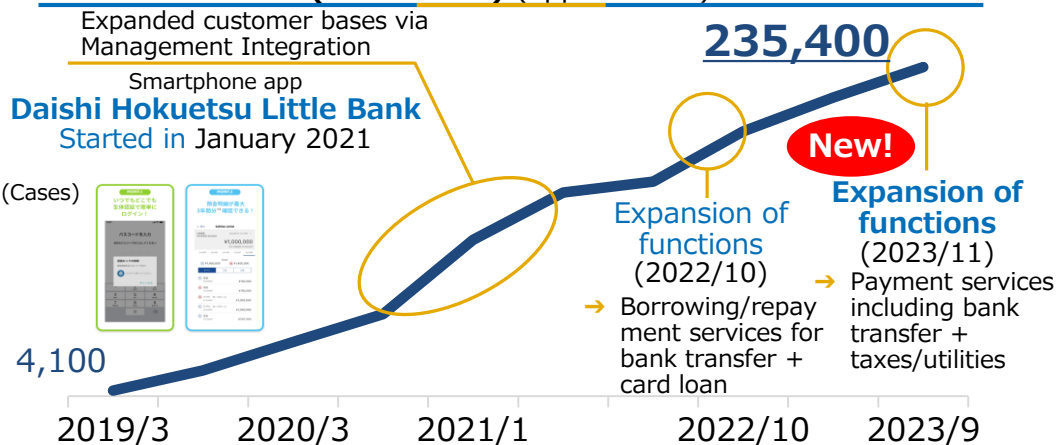
know-how sharing, and human asset development aimed at improving skills



## Enhancing Customer Convenience and Consulting through DX-1

Improve customer convenience by expanding services and functions

Changes in the number of Daishi Hokuetsu IDs (individuals) (approximate)



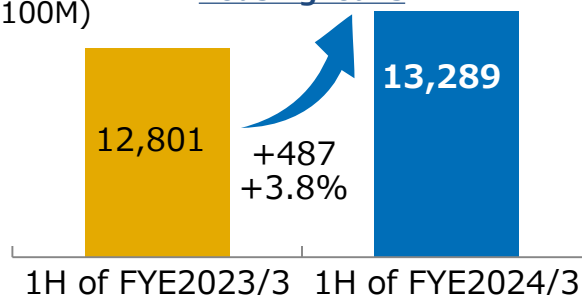
Launch of "My Page" web services for individuals (April 2023)

Build web pages dedicated to each customer

→ Web-based acceptance of formal mortgage loan applications available



Trends in average balance of housing loans



Efficiency and consulting capabilities improvement through DX

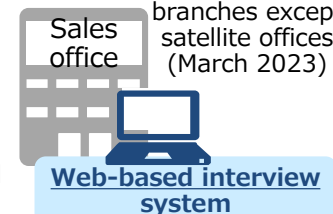
Web-based interview system  
No. of applications

3,880 cases  
(1H of FY2023)



Remote reception

(Consultation)  
Personal loan  
Inheritance and trust business



"LiNK" sales/loan support system  
(Introduced in November 2022)

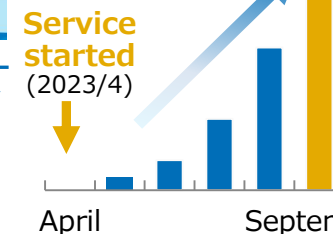
→ Increased the number of visits and new disbursements due to the realization of integrated sales and financing operations

Portal site for businesses  
Launch of **CONNECT-BIZ** (April 2023)



Changes in the number of subscription companies

(Cumulative total) 741 companies



- Key Features + Optional Features - "Mikatano Series"
- Safety confirmation
  - Benefits
  - Internal bulletin board
  - Group messages
  - Improving internal operational efficiency
  - Cash management
  - Invoice management



# Enhancing Customer Convenience and Consulting through DX-2

## Initiatives to promote DX of business partners

Implementing "DX All Branch Campaign" to promote DX for customers

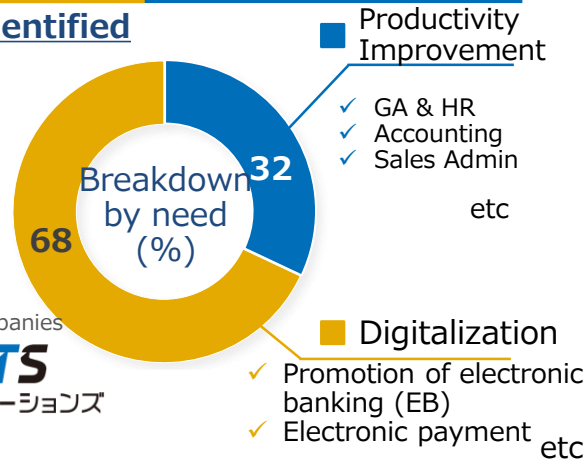
### No. of customer needs identified

(Period: 2022/10 to 2023/9)

Cumulative total of more

than **3,600**

Of which, **2,200** contracts have been concluded in total



## Strengthen IT personnel development and promotion system

### No. of IT Passport qualification holders

(Cumulative total)

**1,126** people

(As of September 2023)

Obtained "Certified DX Operator" from the Ministry of Economy, Trade and Industry (November 2022)

第四北越  
 フィナンシャルグループ



Acquired "Smart SME Supporter" certification of the Ministry of Economy, Trade and Industry (September 2023)

第四北越銀行

DH-ITS  
 第四北越ITソリューションズ



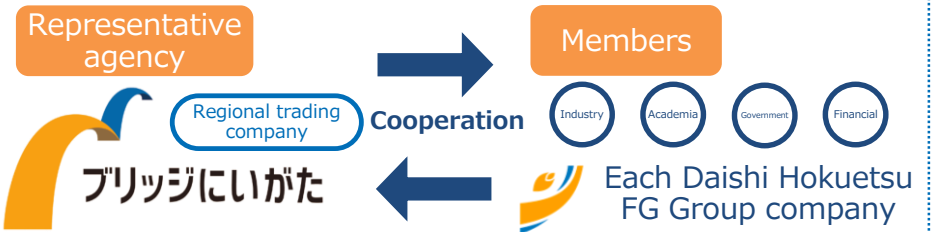
**New!**

Targets of Second Medium-term Management Plan  
**Cumulative total over 1,000**

## Strengthen efforts to promote DX across the region

### Bridge Niigata, a regional trading company

#### Niigata DX Promotion Platform



Adopted for the Ministry of Economy, Trade and Industry "Project to Develop Regional DX Promotion Environment" (Cyber Security Measures Expansion Type) (FY2022 amendment)(April 2023)

- Cybersecurity vulnerability diagnosis
- Advice for improving cybersecurity training etc

**New!**

Consigned by Niigata Prefecture (FY 2023) for the "DX Promotion Awareness Reform Support Operations" (July 2023)

- Seminars and training for financial institution staff and commercial and industrial organizations etc

**New!**

Entered into a "Purchasing Service" agreement with local governments in Niigata Prefecture (September 2023)

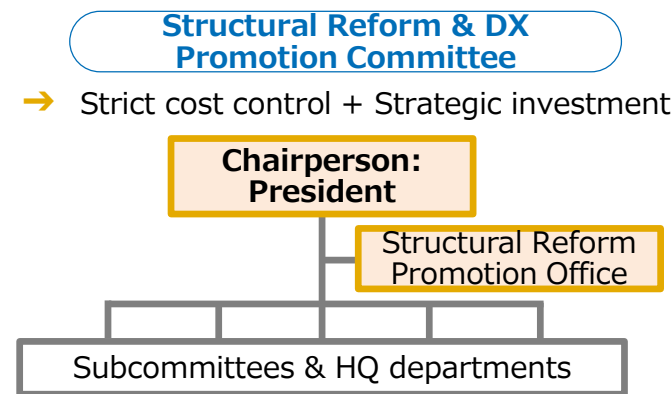
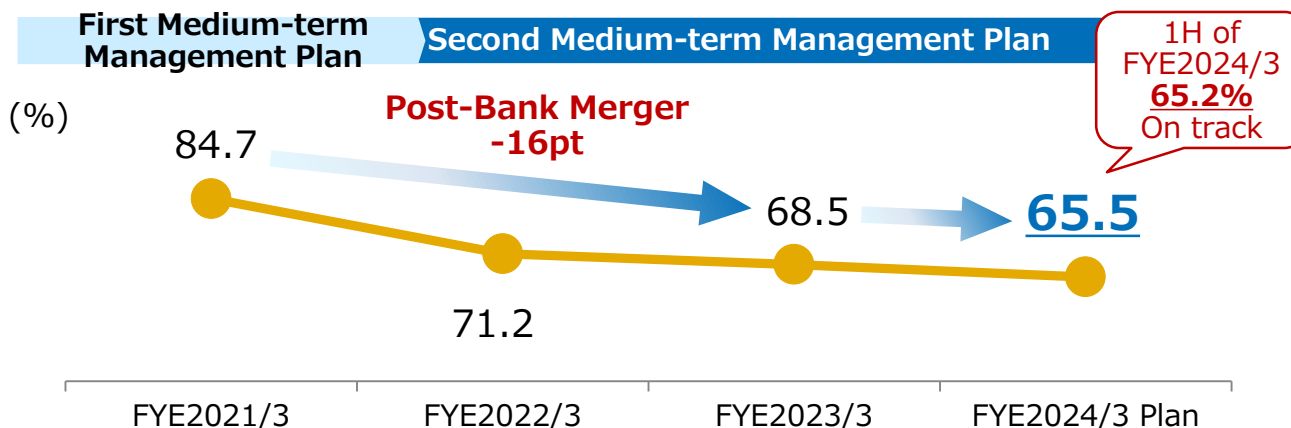
Initiatives in the Card Business

- A service that promotes business efficiency by consolidating payments for utility bills and expenses into card settlement without issuing a card



## Strengthen management structure through optimization of management resources

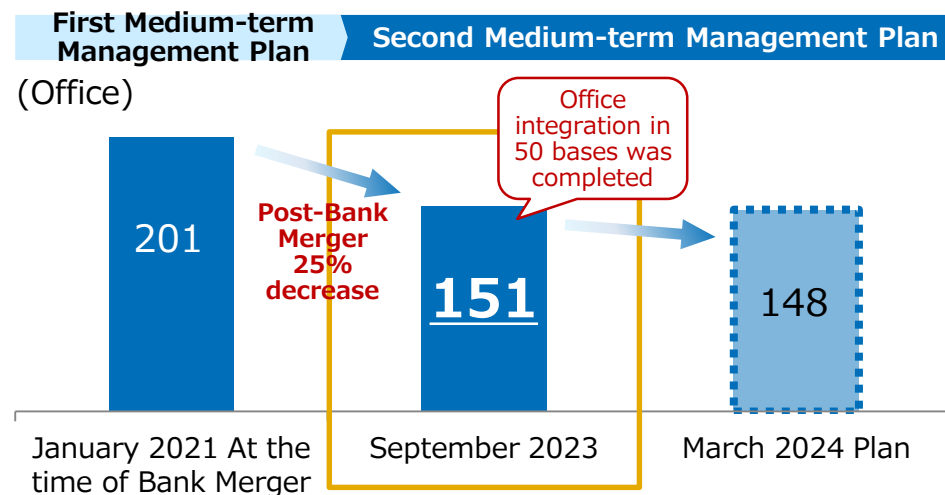
### Consolidated OHR



→ Strict cost control + Strategic investment

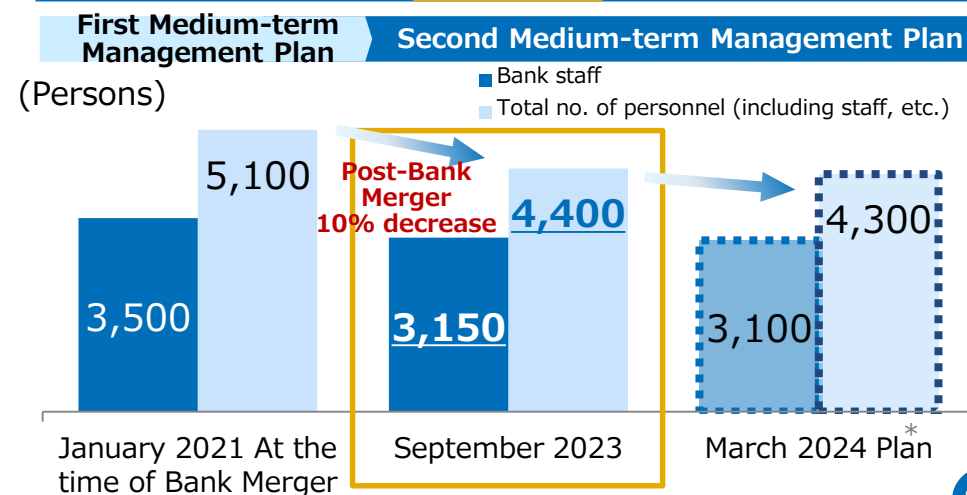
### Initiatives to integrate offices (changes in the number of offices)

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



### Optimizing the number of personnel (changes in headcount)

■ Bank staff  
■ Total no. of personnel (including staff, etc.)



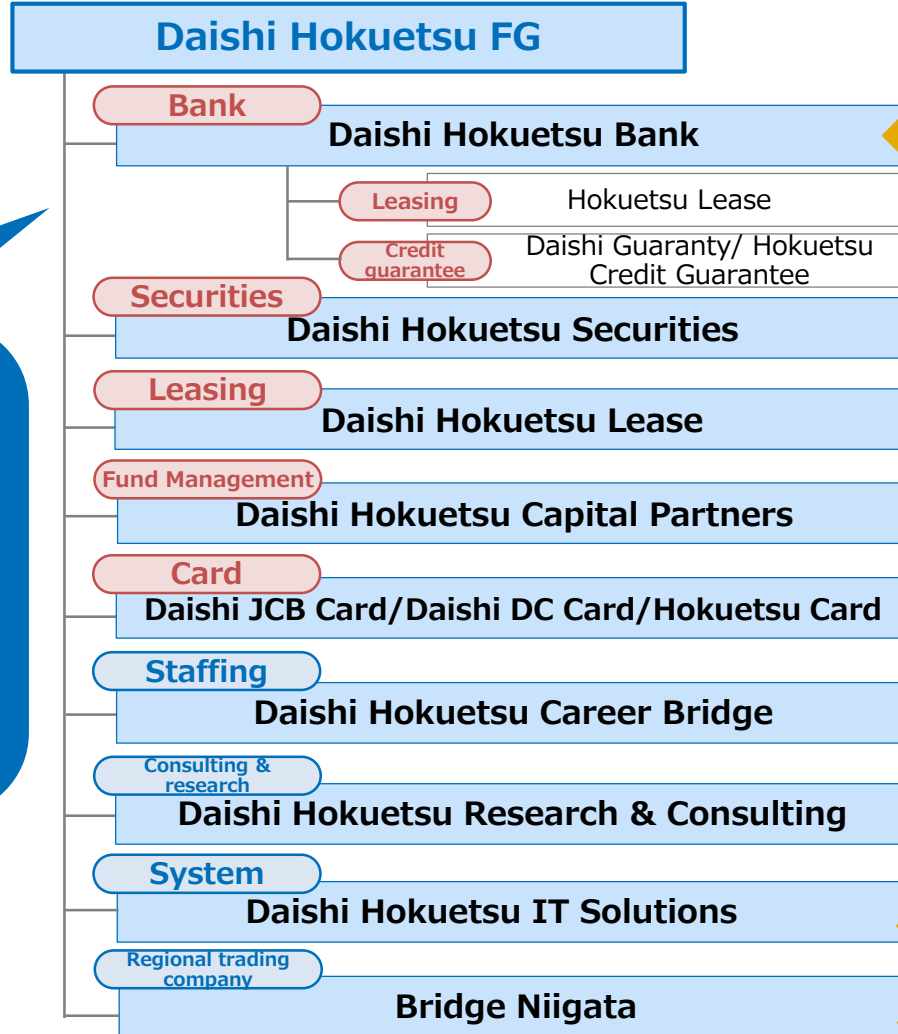
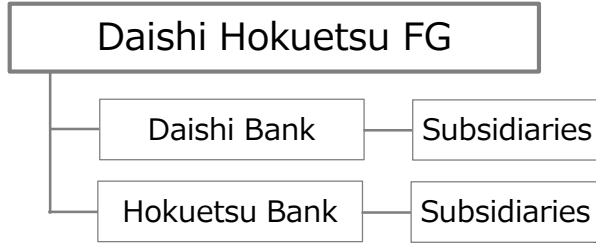
\* Excluding the impact of integrating Daishi Computer Service in October 2023



## Group Reorganization and Business Domain Expansion Initiatives

October 2018 (when FG was established)

October 2023 to



**New!** October 2023 Integrated into the Bank (succession)



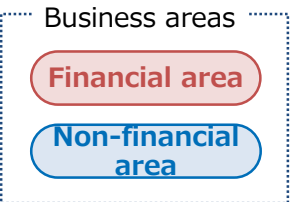
Enhance IT personnel in the banking sector to strengthen in-house system manufacturing capabilities

April 2023 Became 100% subsidiary of FG

April 2023 Became an FG consolidated subsidiary

**New!**  
**Completion of Group Restructuring** under Second Medium-term Management Plan (October 2023)  
 FG and consolidated subsidiaries including bank subsidiaries

**15-**company framework



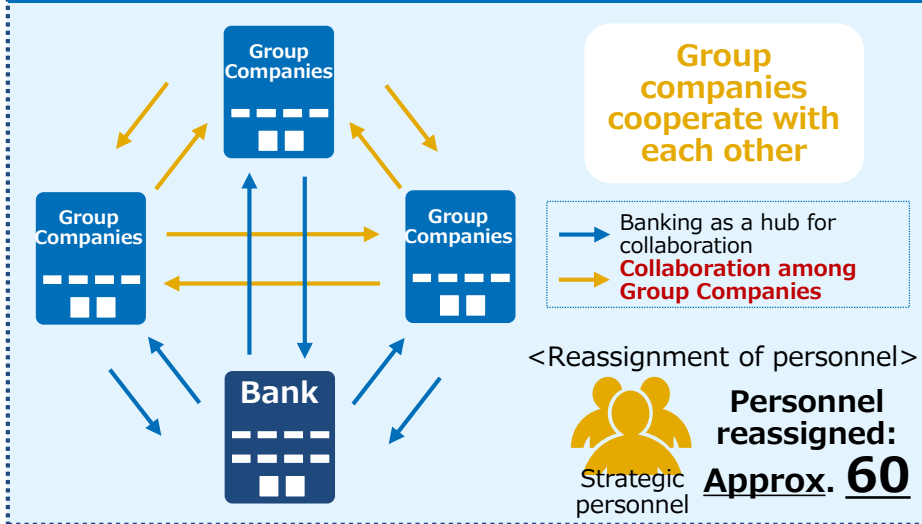




## Strengthen collaboration to exert Consulting Functions

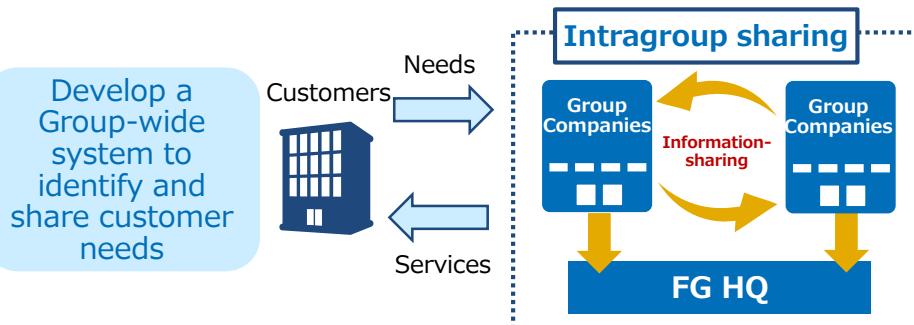
Full utilization of Group functions

### Strengthen "double-track" collaboration



Launched the Toss-Up System of Customer Needs Information (September 2023)

**New!**



## Develop human resources to strengthen Group collaboration

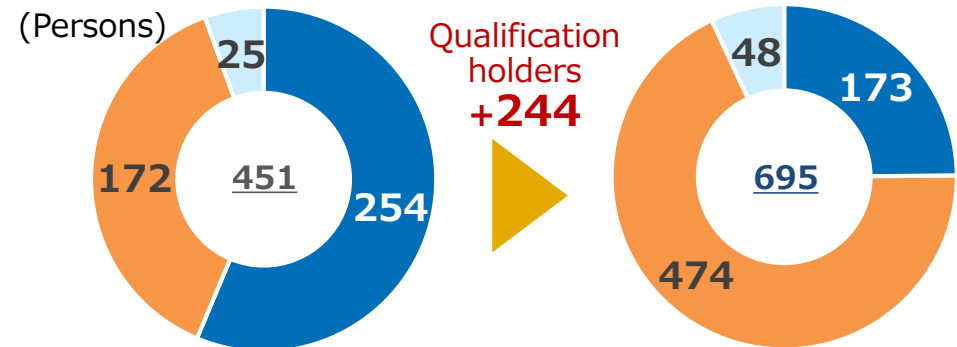
Personnel for Group collaboration

(FY2022 to)

Bank & Corporate Sales Staff

No. of skill level holders

Develop and strengthen human resources capable of making complex proposals by utilizing Group functions



September 2022

September 2023

■ Level 1

■ Level 2

■ Level 3

Sufficient understanding of the products and services of each Group company

Able to properly introduce Group functions to customers' emerging needs

Able to properly introduce Group functions to customers' potential needs

### Measures to improve the skill level

- Long- and short-term trainee system (from the Bank to group companies)
- Various training sessions, video training, and e-learning

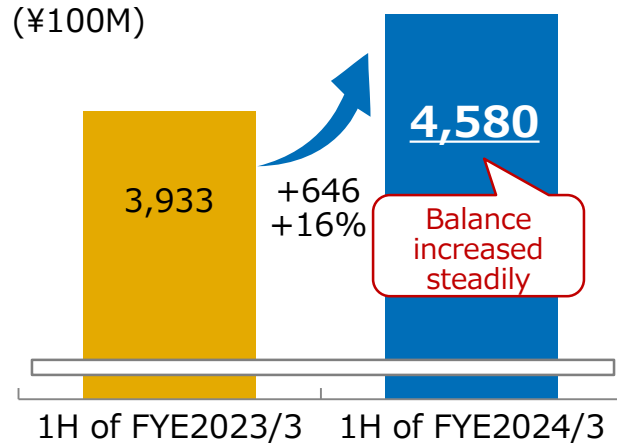
etc



## Initiatives to exert Group Synergy

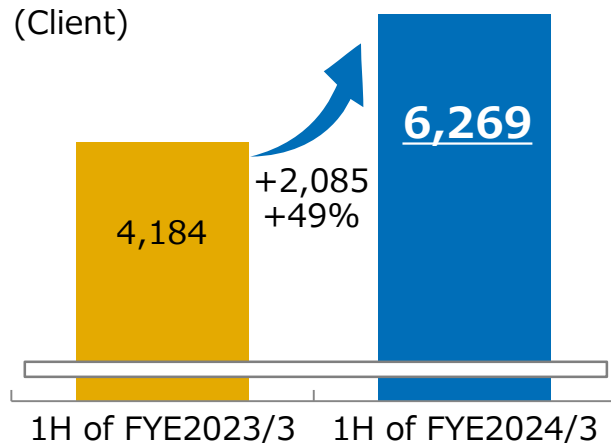
### Securities

Balance of assets under custody



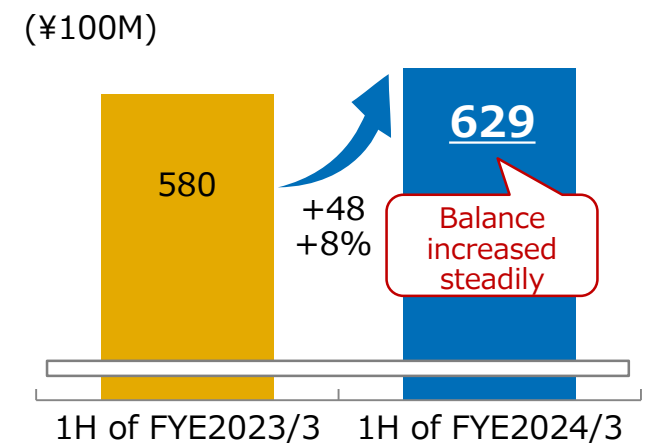
### Securities

Number of customers subscribing to investment trusts



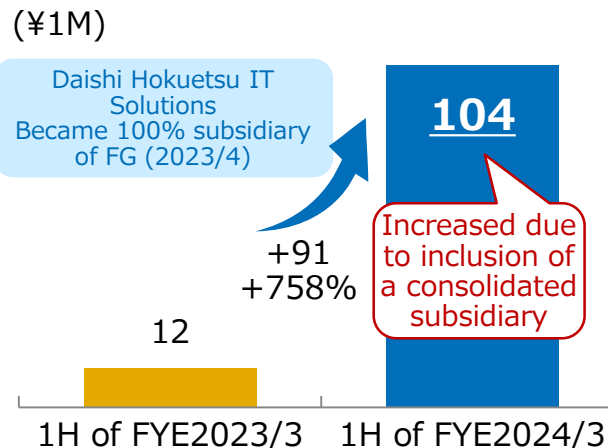
### Leasing

Balance of leased assets



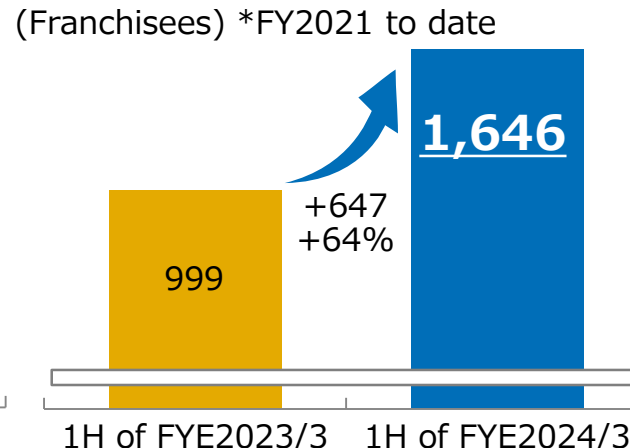
### System Business

Interim Profit attributable to owners of parent System division profit



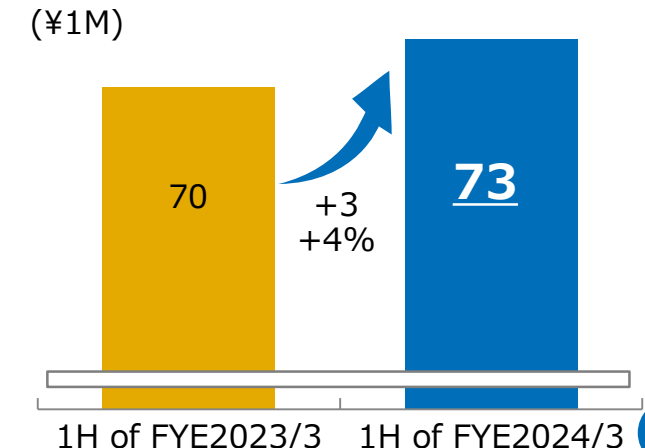
### Card Business

Accumulated number of franchisees acquired



### Consulting Business

Consulting fee by Daishi Hokuetsu Research & Consulting





Regional trading company

## Bridge Niigata

(Established in 2019)

### Sales channel development business

#### Antenna Shop Bridge Niigata



#### Own EC site Online Shopping



- Cumulative total number of companies offering products: **599** (+67 yoy)
- Sales of Antenna Shop increased **8.2%** yoy (1H of FYE 2024/3)

### Topics

New!

Consigned by Niigata Prefecture for the "Support Operations for Prefectural Product Marketing Channel Development in Vietnam" (FY2023) (June 2023)



- Organized sales channel development seminars, exhibitions, matching, etc.

### Tourism promotion business

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

### Productivity enhancement business

See page 29 (described in DX support)

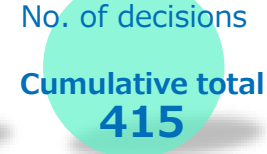
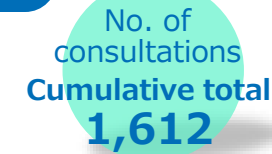
Staffing

## Daishi Hokuetsu Career Bridge

(Established in 2019)

### Personnel-matching business

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



(Period: October 2019 to September 2023)

### Personnel development solution business

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

Total number of participants in HR development support program

Exceeded **1,300** people

1H of FYE2024/3

No. of individual training sessions tailored to issues unique to each company

Exceeded **40** sessions

1H of FYE2024/3



### Topics

New!

Consigned by Niigata Prefecture for the "Project for Development of Women and Next Generation General Managers" (FY2023) (August 2023)



- Corporate management and women who are active in promoting women's careers
- Organized manager training

## Regional Banks' Collaboration Framework



Fly with the region into the future

# TSUBASA ALLIANCE

Number of participating banks

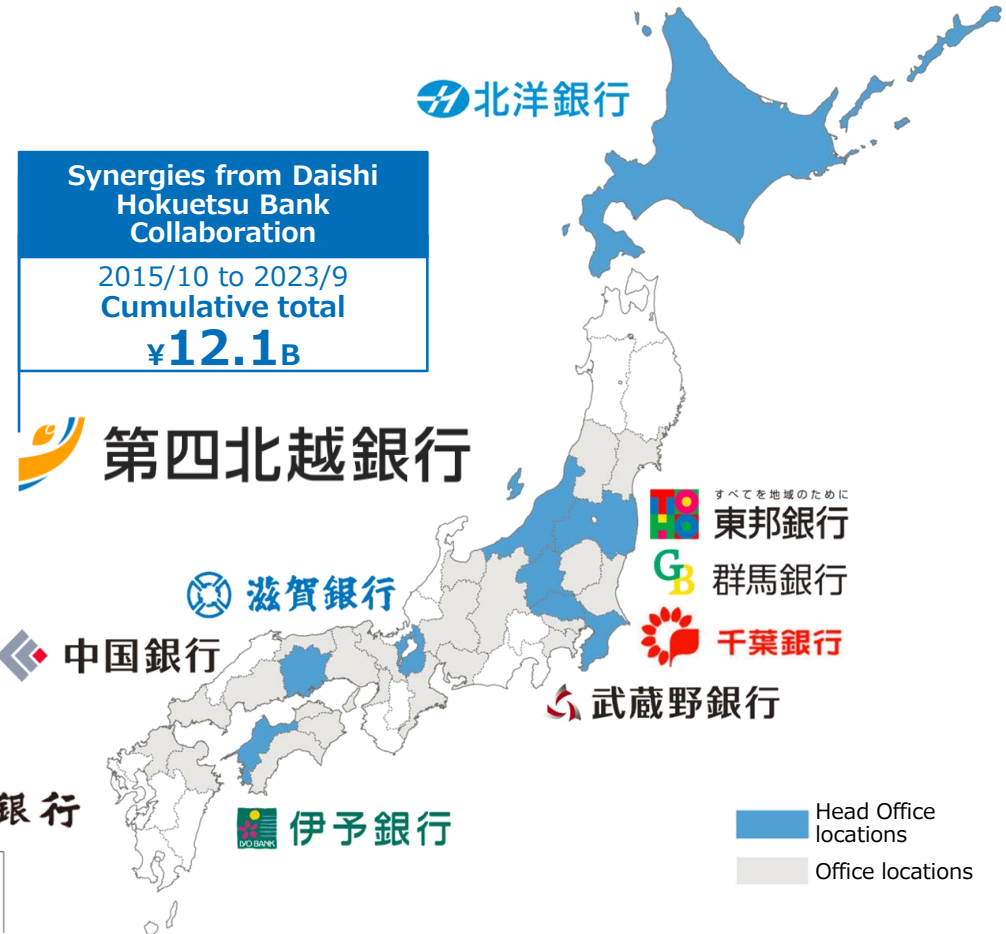
**10 banks**

(As of September 2023)

Total asset balance of participating banks

Exceeded **96 trillion yen**

(Consolidated basis for 1H of FYE 2024/3)



Leveraging the **strengths in economies of scale** and **information-sharing** through the **largest** wide-area alliance of regional banks

Top-line Synergy

Cost Synergy

Information-sharing

...And others

## Expansion of new business domains

- 2015** **Launch of TSUBASA Alliance** (October 2015)
  - Inaugurated by three banks (our bank, Chiba, and Chugoku)
- 2016**
  - Establishment of T&I Innovation Center
  - Inheritance-related business alliance
- 2017**
  - Sharing of mission-critical systems
- 2018**
  - Agreed to share administrative divisions (our bank, Chiba)
  - Launch of TSUBASA FinTech common platform
  - Introduction of TSUBASA Smile
- 2019**
  - SDGs Declaration
  - M&A comprehensive collaboration
- 2020**
  - Business alliance in the field of foreign exchange derivatives (our bank, Toho)
  - Establishment of TSUBASA Alliance Co., Ltd. and Anti-Money Laundering Center in the company
- 2021**
  - Establishment of Business Strategy Dept. in TSUBASA Alliance Co., Ltd.
  - Gunma-Daishi Hokuetsu Alliance launched (December 2021)
- 2022**
  - Establishment and start of operation of ONAD Co., Ltd. (our bank, Chiba, Chugoku)
  - Establishment of Diversity & Inclusion Declaration
- 2023**
  - Opened Website of TSUBASA Alliance Co., Ltd. (October)

**New!**



You can see it here.

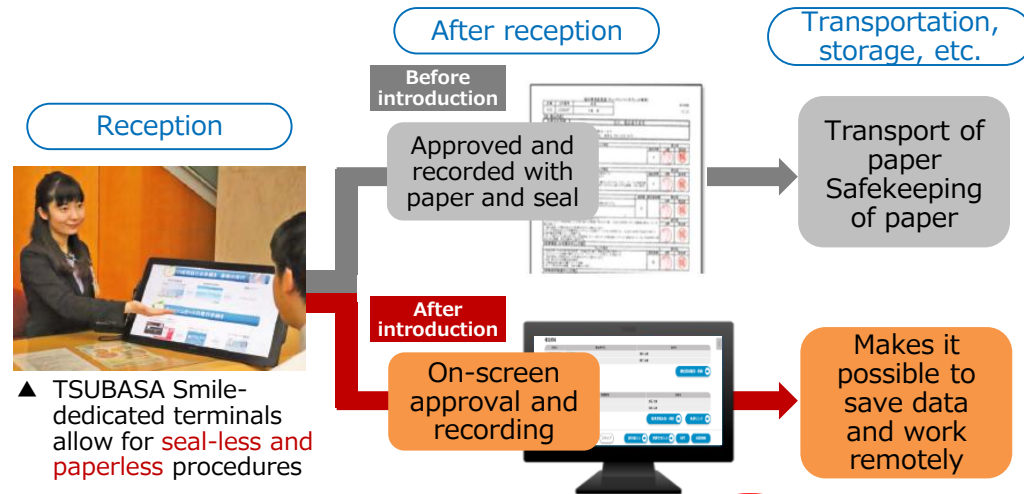


### Introduced TSUBASA general-purpose paperless system

**New!**

(September 2023)

- ➔ Realization of digitalized, paperless processing after receiving on the counter reception system "TSUBASA Smile"



### Established TSUBASA-AML Center Co., Ltd.

**New!**

(November 2023)

- ➔ Established a joint venture for the joint operation of anti-money laundering and anti-terrorist financing measures (scheduled to commence operations in the second half of FY2024)



Nomura Research Institute

### Joint implementation of important themes common to each bank

- ➔ Joint structuring of Sustainability-linked Loan



## Collaboration leveraging geographical characteristics of adjacent business areas



GUNMA  
DAISHI HOKUETSU  
ALLIANCE

群馬・第四北越 アライアンス

### Key Partnership Areas

Regional revitalization & tourism promotion

Corporate solutions

Asset management

Personnel development

Effective use of real estate

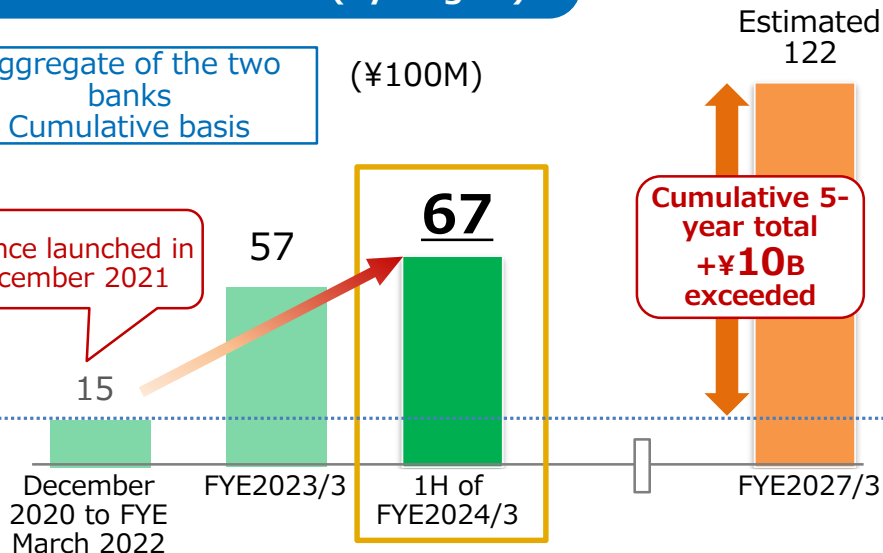
etc

### Collaboration effect (Synergies)

Aggregate of the two banks  
Cumulative basis

(¥100M)

Alliance launched in December 2021



### Joint use of offices

New!

Relocation of Daishi Hokuetsu Bank offices to Gunma Bank offices

Part 2

Ikebukuro Branch of the Bank will move to Gunma Bank offices in January 2024

[Part 1] Takasaki Branch of the Bank moved to Gunma Bank offices in March 2023



第四北越銀行



群馬銀行



Relocation



The Bank will move to the 8th floor

▲ Appearance of the building

### Joint planning of products and services

New!

SDGs Private Placement Bond "Green & Food Support Private Placement Bond 2"  
(July 2023 to March 2024)

Financially support private placement issuers



Provided food and monetary donations to Niigata and Gunma prefectures using a portion of commission received from the issuing companies

→ Contributing to the achievement of SDGs



Plan period: 2021/4 to 2024/3

# Second Medium-term Management Plan

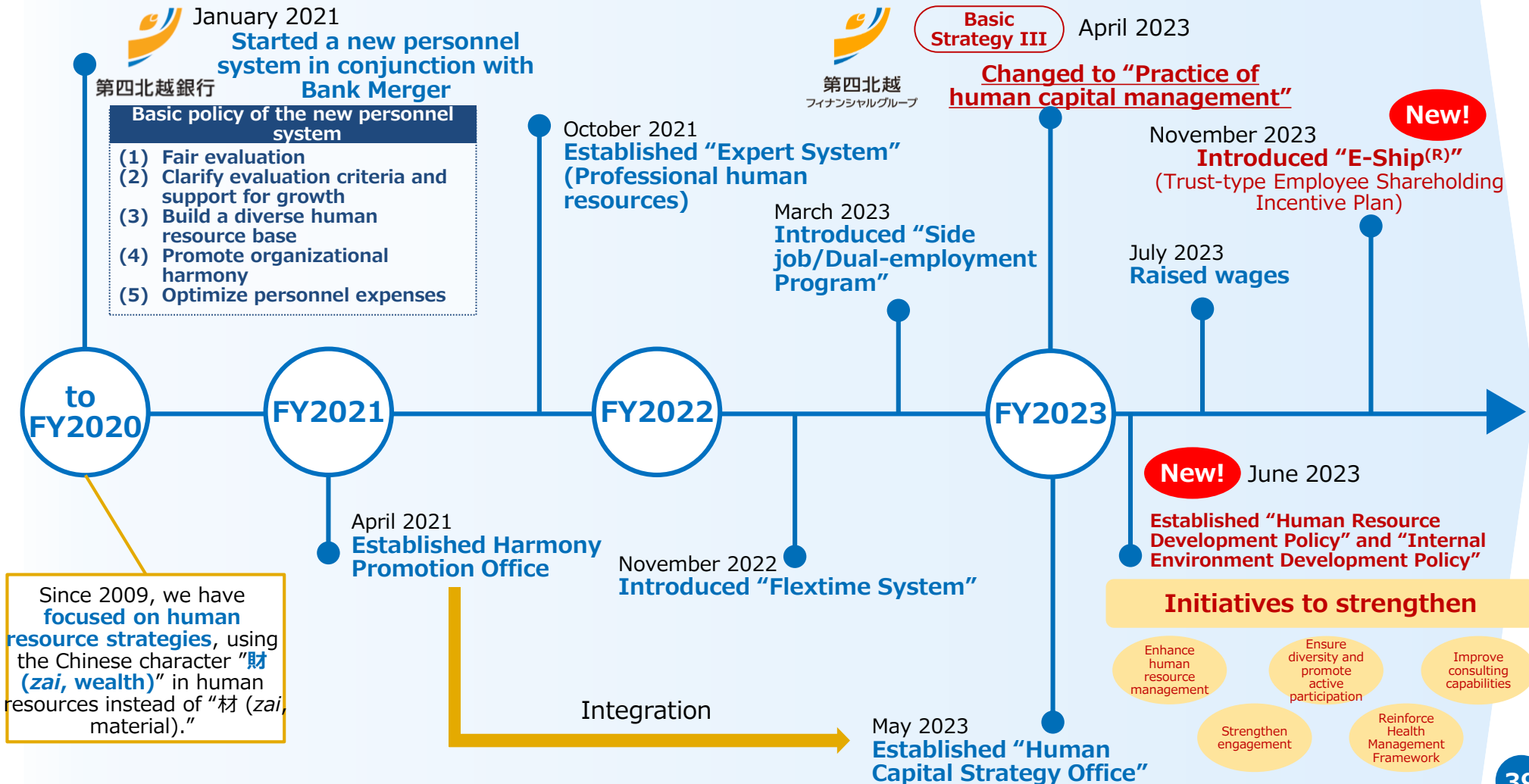
**Enhancement of  
Human Capital  
Value**



## Initiatives to Enhance Human Capital Value

### First Medium-term Management Plan

### Second Medium-term Management Plan





# Improve Employee Engagement and Human Resource Development

## Initiatives to improve employee engagement

### Dialogue & exchange between management and staff

#### Dialogue and exchange meetings with officers

Participated in by approx. **14,000** people at a total of approx. **580** venues

#### Briefing for managers by the President "Isshi Koryukai"

Participated in by approx. **1,100** people at a total of approx. **26** sessions

#### Briefing for young employees by the President "Isshi Koryukai Next"

Approx. **60** people participated in a total of **2** sessions



▲View of "Isshi Koryukai Next"

etc

#### Realizing the Management Philosophy

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



#### Second Medium-term Management Plan Slogan for All Officers and Employees of the Group

## HR development aimed at demonstration of consulting functions

### Cross-organizational projects

#### 2030 Project

- Promoting the "2030 Project," in which young employees are leading the study of what the Company will look like in 2030 (from FY2021)

20 new participants in year 3  
(Cumulative total of participants) 71




◀ View of the workshop

#### Project Team for Human Capital Value Enhancement

- Organized a cross-organizational project team consisting of HQ and sales staff to improve practical skills and expertise (August 2023)
- Aims at improving capabilities through initiatives for regional revitalization

18 staff are participating

### Securing and developing professional human resources

	Small and Medium Enterprises Management Consultant	Sustainability proficiency test
 第四北越銀行 Number of major qualification holders (September 2023)	FP Grade 1 <b>194</b> Securities Analyst <b>49</b>	<b>1,157</b> Information Security Management <b>107</b>
	IT Coordinator <b>15</b>	

# Diversity and Health Management

Enhancement  
of Human  
Capital Value

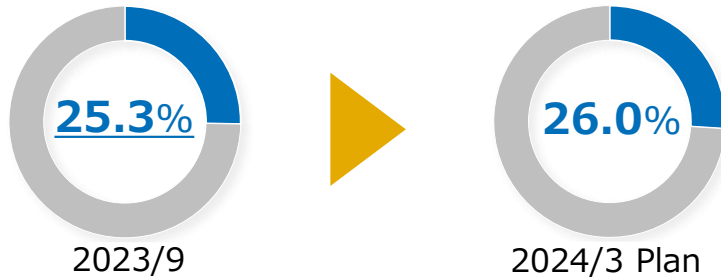


DAISHI HOKUETSU  
Financial Group

## Initiatives to ensure diversity

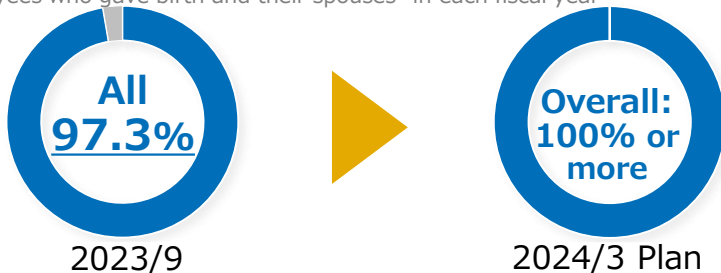


### Increase the ratio of women in management positions (deputy level and above)



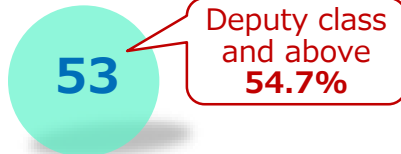
### Improvement in the acquisition rate of Childcare Leave

\* Proportion of the "Number of employees who took childcare leave" to the "Number of employees who gave birth and their spouses" in each fiscal year



### Promotion of active roles played by diverse human resources

Number of experienced hires



(As of the end of September 2023)

No. of users of the Side job/Dual-employment Program (March 2023-)



(As of the end of September 2023)

## Promote the creation of a work environment that enables employees to exert their full potential

Certified for "Health and productivity Management Outstanding Organization 2023" (March 2023)



Six consecutive years of accreditation  
→ The Bank is the only accredited company in Niigata Prefecture



Certified for "Platinum Kurumin Plus" and "Platinum L-boshi" (May 2023)



Acquired both certifications  
→ The Bank is the only accredited company in Niigata Prefecture



Certified for "Sports Yell Company 2023" (February 2023)



Providing athletic opportunities to employees

Health awareness-raising support for employees



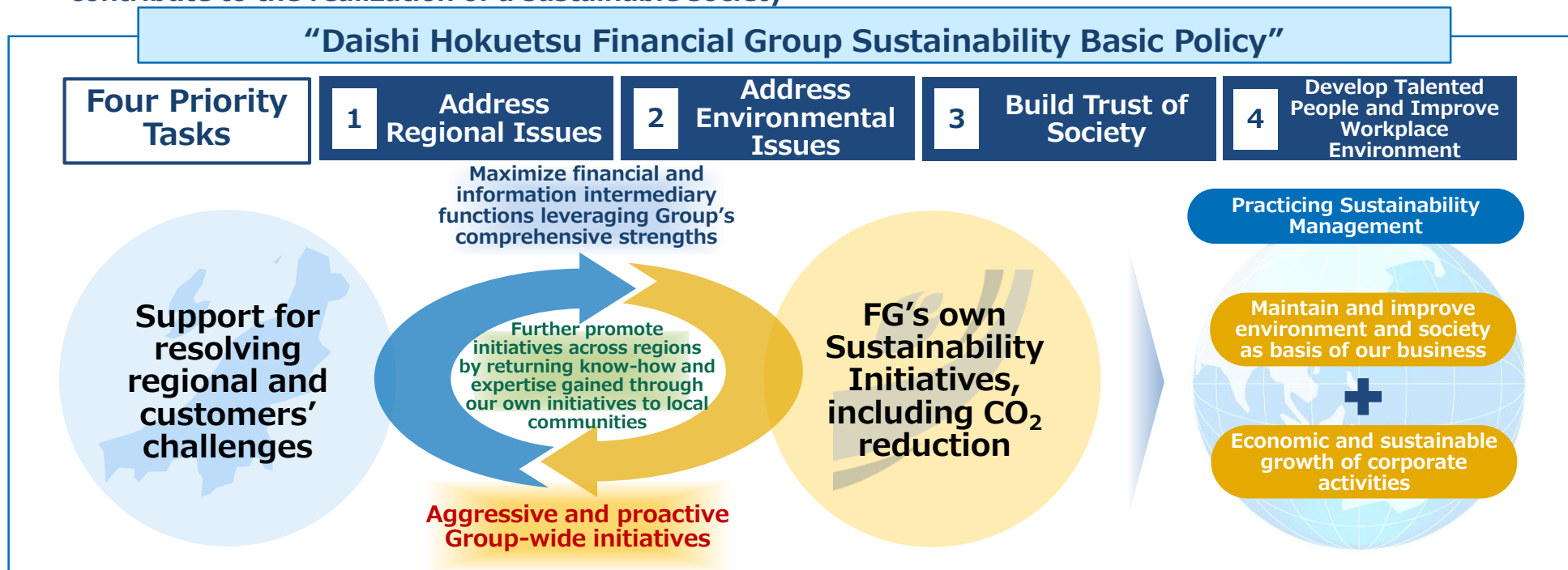
Plan period: 2021/4 to 2024/3

# Second Medium-term Management Plan

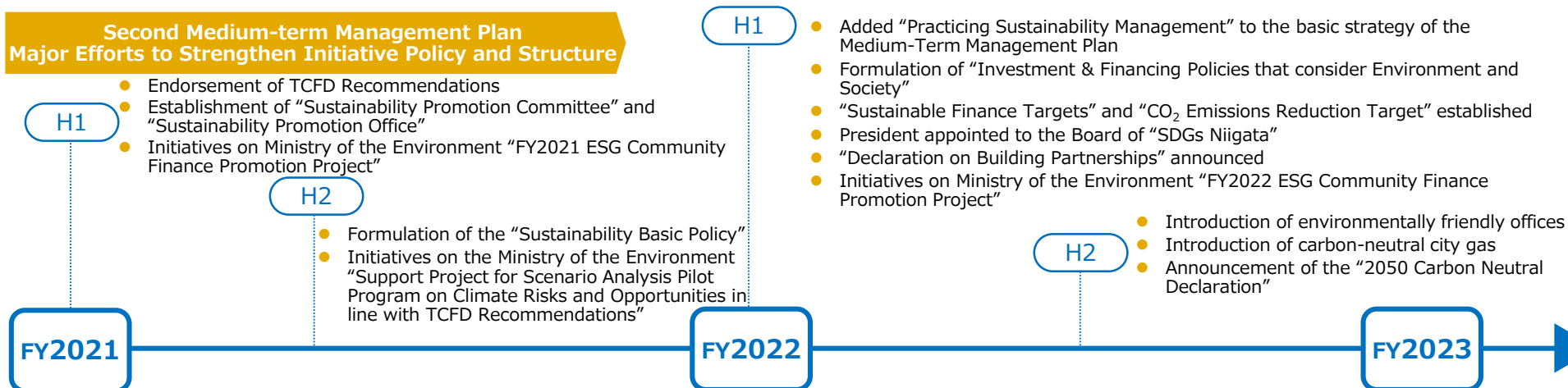
## Sustainability Initiatives

# Daishi Hokuetsu FG Sustainability Initiative Policy

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



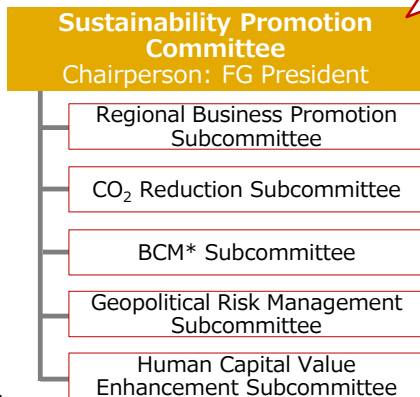
## Second Medium-term Management Plan Major Efforts to Strengthen Initiative Policy and Structure



## Daishi Hokuetsu FG's own initiatives to achieve sustainability

### PDCA through Sustainability Promotion Committee

→ The Sustainability Promotion Committee, which is chaired by FG President and consists of Group companies, runs PDCA across organizations



The Committee has five subcommittees

Initiatives for TCFD Recommendations

Development of sustainability strategies etc

\* Business Continuity Management

### Participation in the GX League (May 2023)

→ Joining the "GX League," which aims to transform the entire socioeconomic system to achieve carbon neutrality



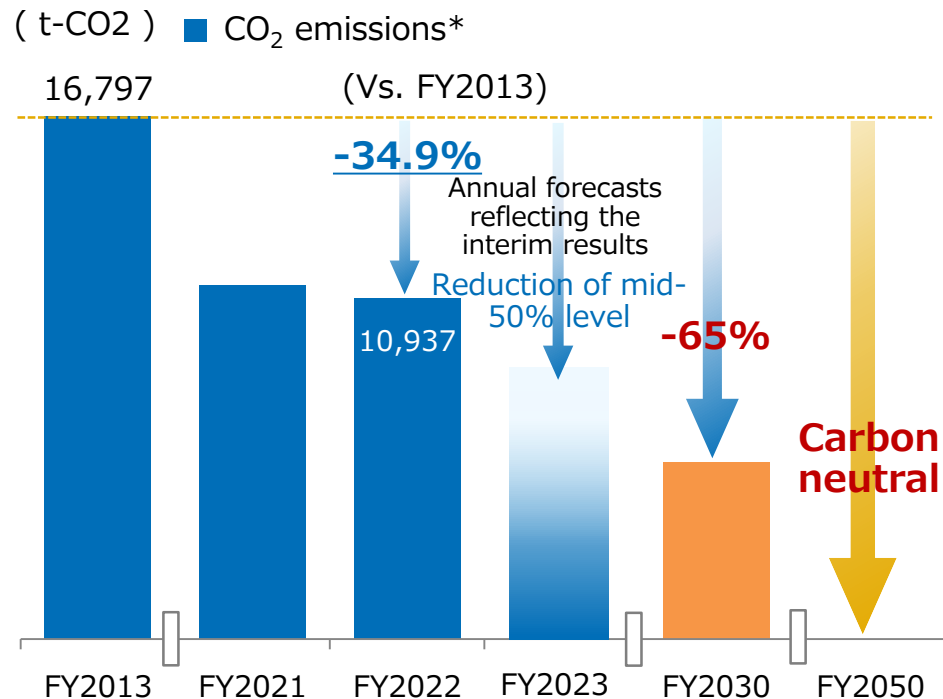
### FG's initiatives to reduce CO<sub>2</sub> emissions

Energy-saving efforts in offices

Introduction of EVs

Introduction of renewable-energy-derived CO<sub>2</sub>-free electricity etc

### CO<sub>2</sub> emissions reduction targets & achievements



FY2030 Target

Vs. FY2013

**65% reduction**  
(Scopes 1&2)

FY2050 Target

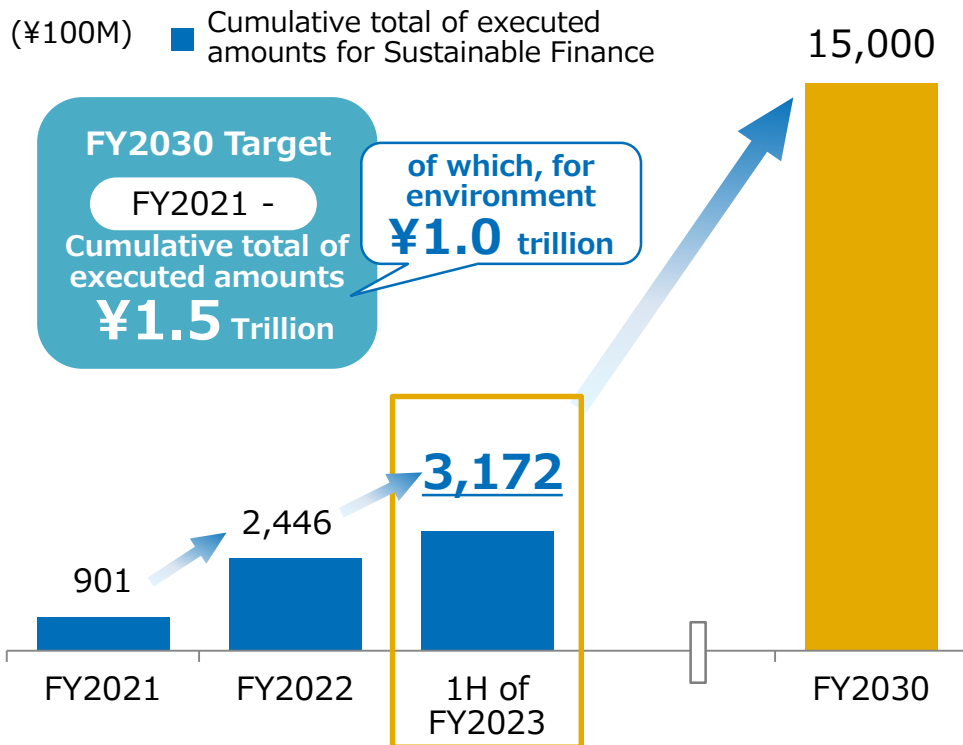
**Realization of carbon neutrality**

\* Figures are revised retrospectively in line with the inclusion of Daishi Hokuetsu IT Solutions and Bridge Niigata in FG's consolidated subsidiaries (April 2023)

# Initiatives to Resolve Challenges of Regions and Customers

## Initiatives to promote sustainability and SDGs-1

### Sustainable finance targets & achievements



Finance to resolve environmental and social issues

#### Cumulative total by 1H of FY2023

Total	¥317.2B
Loan	¥300.3B
Investment	¥13.7B
Leasing	¥3.2B

### Absorption of knowledge & know-how

Adopted for the Ministry of the Environment  
“FY2023 Practical Engagement Program Based on TCFD for Regional Financial Institutions”  
(July 2023) **New!**

→ **Achieve regional decarbonization** by returning knowledge and know-how gained through participation in programs to customers

<Program details>

Development of engagement strategies

Engagement

Preparation of proposals for companies to engage with

### Expansion of product lineup

第四北越銀行  
Expanding to

**6** sustainable finance products

- Positive Impact Finance
- Sustainability Linked Finance
- SDGs-linked Finance
- SDGs Support Loan
- Sustainability Finance
- SDGs Green Finance

第四北越リース  
Adopted for the **third** consecutive year

**New!**  
Adopted as a designated leasing company for Ministry of the Environment “FY2023 ESG Lease Promotion Project” (June 2023)



# Initiatives to Resolve Challenges of Regions and Customers

## Initiatives to promote sustainability and SDGs-2

### Provide products and services that contribute to local communities

Return profits to local communities through donation-based products and services

#### 第四北越銀行 Initiatives for donation-based private placement bonds (2013 -)

- Continuing to work on donation-based private placement bonds in which some of the commissions received from the issuing companies are donated to Niigata Prefecture, municipalities and educational institutions

Accumulated donations  
**987** organizations in total  
Approx. **¥203M**

(Period: September 2013 to September 2023)

#### 第四北越証券 Initiatives for donation-based investment trusts (2019 -)

- Continuing to work on donation-based investment trusts in which part of the investment and management costs borne by customers is donated to Niigata Prefecture and welfare organizations

Accumulated donations  
Approx. **¥72M**

(Period: May 2019 to September 2023)

#### Target products

- Niigata Future Japan Stock Fund (nicknamed Niigata no Kakehashi (Bridge to Niigata)) ( May 2019 -)
- Niigata Future Global Stock Fund (nicknamed Glocal Niigata) ( July 2023 -)

**New!**

### Strengthen cooperation with local communities

Entered into comprehensive partnership agreement with local government (June 2023)

**New!**

- We entered into a comprehensive partnership agreement with the aim of realizing a sustainable community by multiplying mutual strengths with the cooperation of industry, academia, government and finance in the Sanjo area of Niigata Prefecture

- Industry: Sanjo Chamber of Commerce and Industry
- Government: Sanjo City
- Academia: Sanjo City University
- Financial: Daishi Hokuetsu FG



▲ At the conclusion of the partnership agreement

### Initiatives to develop and support local communities

Donations to Niigata University, a National University Corporation, Celebrating its 75th Anniversary for the development of the next generation of human resources (February 2023)



▲ Presentation ceremony

Donation to Niigata Prefecture as support to recover from severe drought damage (September 2023)

**New!**



▲ Presentation ceremony

# Initiatives to Resolve Challenges of Regions and Customers

## Communication with Local Communities to Contribute to the Community

Scholarship benefits provided by the Daishi Hokuetsu Scholarship Association  
(1962 -)

Volunteer activities by the Daishi Hokuetsu Magokoro Association  
(1993 -)



### “Daishi Hokuetsu Scholarship Association”

→ Offers non-repayable scholarships to young people with outstanding academic records who are unable to attend university for financial reasons

第四北越銀行



### Organization operated through voluntary participation and donations from executives and employees “Daishi Hokuetsu Magokoro Association”

→ Participates in volunteer activities for nature conservation in Niigata Prefecture and donates to environmental protection and social welfare organizations

第四北越銀行



● Number of students granted scholarships  
(Cumulative total)

**1,276** people

(Period: FY1962 to 1H of FY2023)

▲ Student meeting



● Weeding volunteer of the “Rice Terrace Future Support Team” in Niigata Prefecture



● Participated in the “Ibis Conservation Volunteer Program” in Niigata Prefecture



● Support for the release of crested ibises into the wild

→ Donation of goods to the Sado Japanese Crested Ibis Conservation Center for the release of crested ibises into the wild since 1968



▲ Presentation ceremony



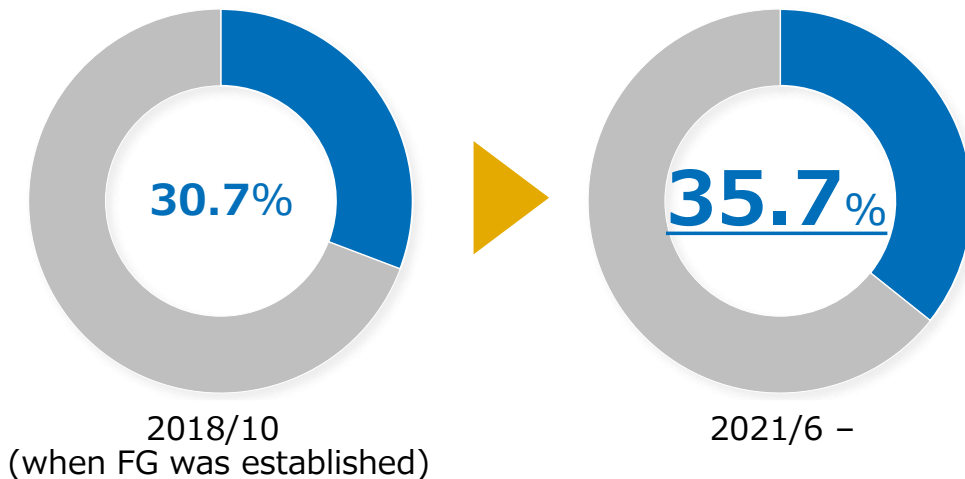
Plan period: 2021/4 to 2024/3

# Second Medium-term Management Plan

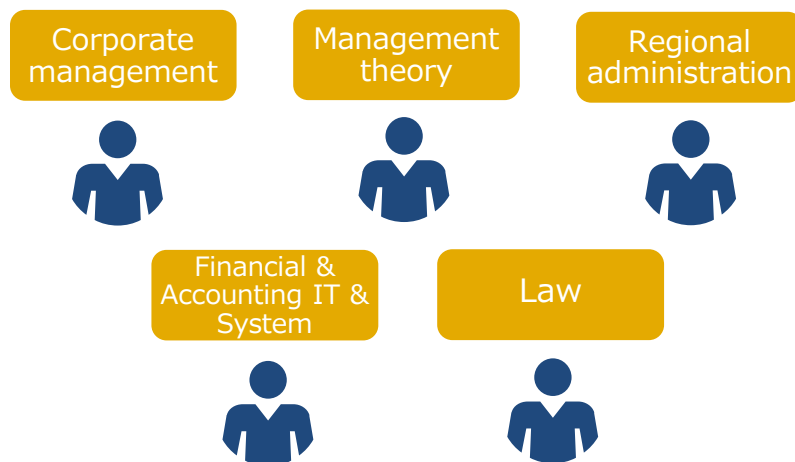
**Governance &  
Capital Policy**

# Governance Structure supporting Sustainable Growth

## Percentage of Outside Officers on the Board of Directors



## Expertise of independent Outside Directors



## Diversity Initiatives

### Appointment of women officers

- June 2023 第四北越銀行  
**First female director was appointed in the Bank**
- As of the end of September 2023
  - [Bank Division] Female branch managers: 14
  - [Group Company Division] Female President and Representative Director: 1
  - Female executive officer: 1

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

- Promoting “Empowerment Program for Women” for the promotion of female employees to officer and manager positions (FY2021 -)

Cumulative total of participants

27

14 new participants in year 2

- Since fiscal 2023, the Program is moving forward by **expanding eligible persons from the Bank staff to female employees throughout the Group**

**New!**

(As of the end of September 2023)

2 new participants in year 2

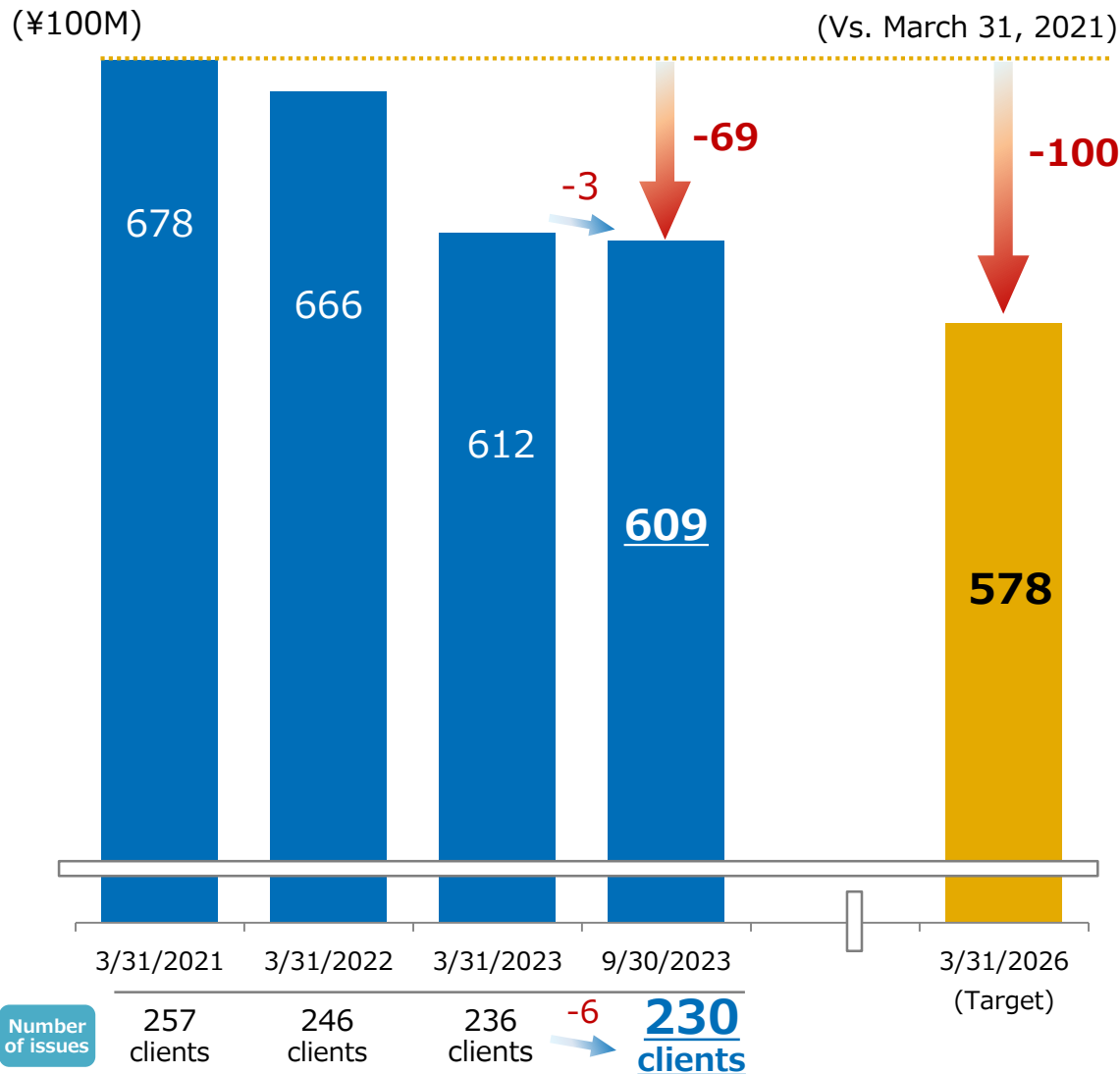
### TSUBASA Partnership for development of female executive candidates

- Promoting the “Cross-Mentor System,” a cross-bank mentoring program aimed at career development and leadership enhancement for female bankers (started in August 2022)



# Initiatives to Reduce Cross-shareholdings

## Changes in carrying amount of cross-shareholdings 第四北越銀行



Reduction targets for cross-shareholdings

Reduce cross-shareholdings by **10 billion yen** over **5 years** from the end of March 2021

(carrying amount of cross-shareholdings held by Daishi Hokuetsu Bank)

1H of FY2023

Reduction of **0.3 billion yen (6 issues)** compared with the end of March 2023

→ Reduction of **6.9 billion yen** compared with the end of March 2021

### Reference: Cross-shareholdings Policy

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

# Dividend Forecast for Fiscal Year Ending March 2024

## Dividend forecast for FEY March 2024

これからも、地域と共に

150<sup>th</sup>

The total annual dividend per share of the ordinary and commemorative dividends is expected to be **140 yen (+20 yen yoy)**

Details of Dividends	Annual dividend per share		
	Interim dividend	Year-end dividend (forecast)	Total
<b>FYE 2024/3 (forecast)</b>	<b>70.00 yen</b>	<b>70.00 yen</b>	<b>140.00 yen (up 20 yen yoy)</b>
Ordinary dividend	65.00 yen	65.00 yen	130.00 yen (up 10 yen yoy)
Commemorative dividend	5.00 yen	5.00 yen	10.00 yen (up 10 yen yoy)

## Acquisition of 1.5 billion yen of treasury shares

New!

<Details of major matters related to acquisition>

Shares to be acquired	Common stock of our company
Total number of shares that could be acquired	<b>Up to 600,000</b>
Total acquisition cost	<b>Up to 1.5 billion yen</b>
Acquisition period	November 15, 2023, to March 22, 2024 The acquisition of shares will start after E-Ship Trust* has completed its acquisition of the Company shares (total of approximately 2.7 billion yen)

## Shareholder Return Policy

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

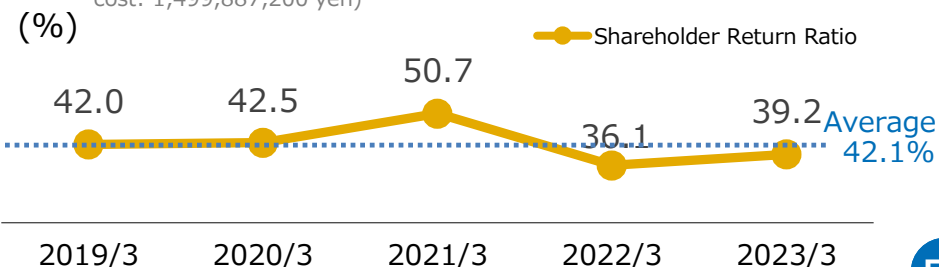
- We aim to return 40% in total as dividends and treasury shares to shareholders
- Focusing on boosting profit, our basic policy is to improve ROE as we aim to achieve at least 5% over the medium to long term

## Past result of shareholder return

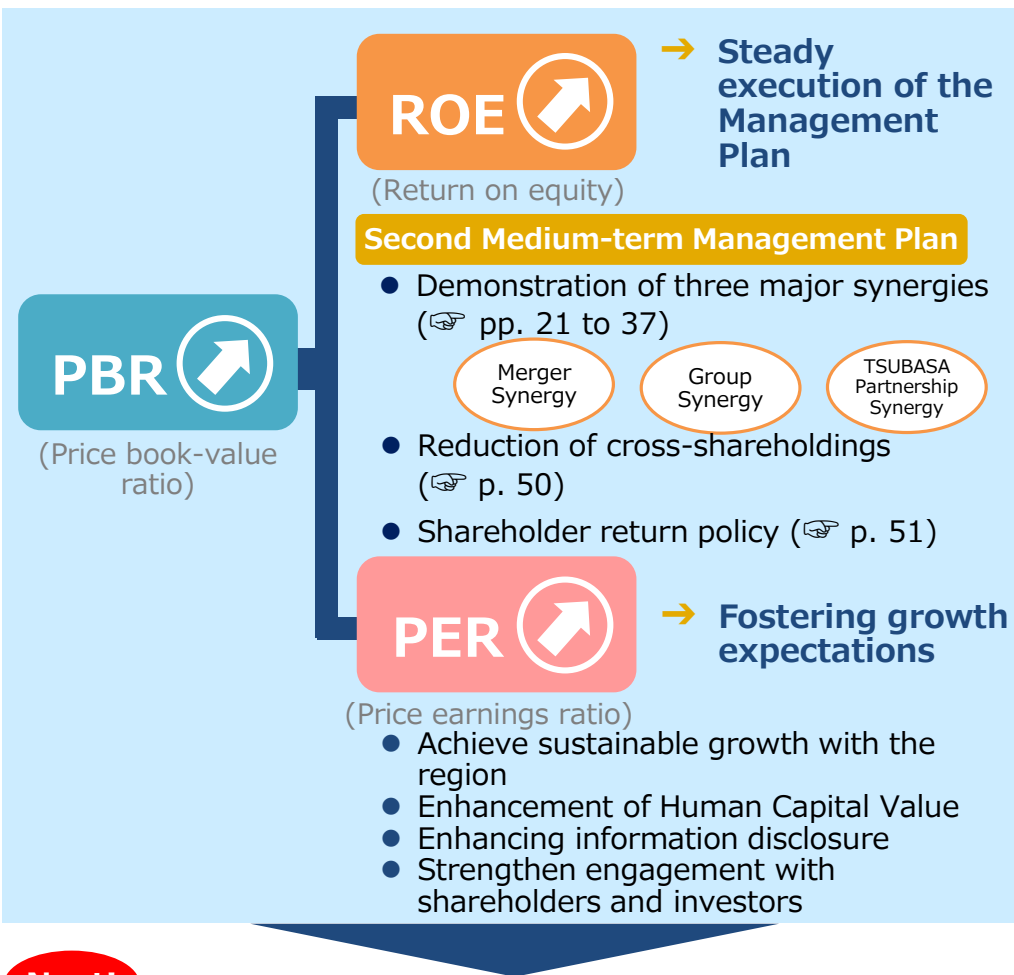
Fiscal term	Cash Dividends per Share (annual amount)	Dividend Payout Ratio	Shareholder Return Ratio
FYE2019/3	Year-end: 60 yen Interim Daishi Bank: 45 yen Hokuetsu Bank: 30 yen	35.0%	*1 42.0%
FYE2020/3	120 yen	42.5%	42.5%
FYE2021/3	120 yen	50.7%	50.7%
FYE March 2022	120 yen	36.1%	36.1%
FYE2023/3	120 yen	30.6%	*2 39.2%
FYE 2024/3 (forecast)	140 yen	31.2%	-

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

\*2: Completed acquiring treasury shares from February to March 2023 (acquisition cost: 1,499,887,200 yen)



## Toward improving PBR



Next!

**Third Medium-term Management Plan**  
(April 2024 -)

→ Further increase in corporate value

## Changes in ROE and PBR

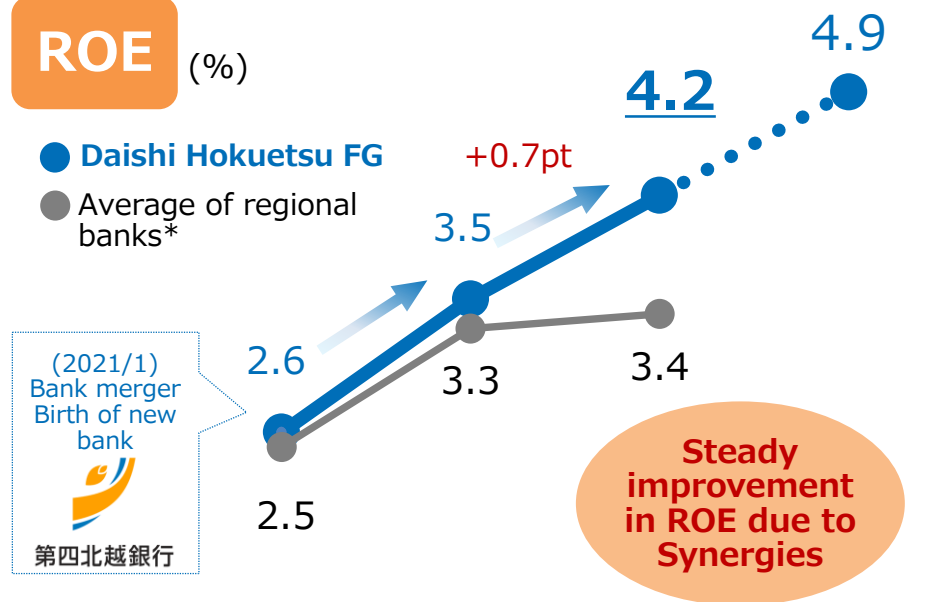
First Medium-term Management Plan

Second Medium-term Management Plan

**ROE** (%)

● Daishi Hokuetsu FG

● Average of regional banks\*



**PBR**

(Times)

Daishi Hokuetsu FG

Average of regional banks\*

	FYE2021/3	FYE2022/3	FYE2023/3	FYE2024/3 Plan
Daishi Hokuetsu FG	0.28	0.25	0.33	0.38
Average of regional banks*	0.26	0.23	0.29	-

End of September 2023 **0.38**

\* Average of regional banks: Average of regional banks listed on the Tokyo Stock Exchange (estimated by our company)

# ***Appendix***

DAISHI HOKUETSU  
Financial Group

第四北越フィナンシャルグループ

After bank merger and birth of new bank  
A fresh stage of harvesting results

FY2023  
Second Medium-term  
Management Plan Final Year

April  
2021

March  
2024

## Second Medium-term Management Plan

### Top-priority Themes

# Demonstration of Synergy Effects

## Maximization of Merger Synergy

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



## Maximization of Group Synergy

Maximizing the use of  
FG's company functions



## Maximization of TSUBASA Partnership Synergy

Leveraging the largest  
economies of scale of  
regional banks



# Management Indicators

Management Indicators		1H of FYE2023/3 Result	1H of FYE2024/3 Result	Year on Year	FYE2024/3 Plan
Strengthening profitability	Consolidated (Interim) Profit* <sup>1</sup>	¥12.3B	<b>¥13.8B</b>	¥1.4B	<b>¥20.1B</b>
Growth of the Group	Growth rate for average balance of SME loans* <sup>2</sup>	1.0%	<b>0.5%</b>	-	<b>5.0%</b>
	Average balance of SME loans	¥1,925.2B	<b>¥1,951.8B</b>	¥26.6B	<b>¥2,038.4B</b>
	Growth rate for average balance of consumer loans* <sup>2</sup>	2.2%	<b>2.8%</b>	-	<b>3.6%</b>
	Average balance of consumer loans	¥1,397.5B	<b>¥1,453.3B</b>	¥55.7B	<b>¥1,463.9B</b>
	Growth rate of non-interest income* <sup>3</sup>	22.3%	<b>4.3%</b>	-	<b>11.1%</b>
	Non-interest income	¥12.8B	<b>¥13.3B</b>	¥0.5B	<b>¥29.1B</b>
	Growth rate of Group company income* <sup>4</sup>	-33.5%	<b>45.4%</b>	-	<b>24.2%</b>
	Group company income	¥1.2B	<b>¥1.8B</b>	¥0.5B	<b>¥3.5B</b>
Improvement of management efficiency	OHR (consolidated)	61.3%	<b>65.2%</b>	3.9pt	<b>65.5%</b>
	ROE (consolidated)	2.9%	<b>3.2%</b>	0.3pt	<b>4.9%</b>
Maintenance & improvement of business health	Consolidated capital ratio	10.46%	<b>10.21%</b>	-0.25pt	<b>9.8%</b>

\*1: (Interim) Profit attributable to owners of parent; \*2: Average annual balance before partial/direct write-offs; \*3: Total amount of profit from other businesses, etc., excluding fees and commissions and other profit, and gains and losses on government bonds (excluding Market Management income and foreign currency funding costs) (accompanying the change in calculation method, figures are compared with the retroactively changed counts in light of comparison with previous years)

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



# Six Indicators for Deepening Transformation of Portfolios

## <Bank Division>

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



## <Group Company Division>

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

Six Indicators for Deepening Transformation of Portfolios	1H of FYE2023/3 Result	1H of FYE2024/3 Result	Year on Year	FYE 2024/3 Target
(1) Ratio of SME loans in total loans	37.1%	<b>36.7%</b>	-0.4pt	<b>38.2%</b>
(2) Ratio of consumer loans in total loans	27.0%	<b>27.3%</b>	0.4pt	<b>27.4%</b>
(3) Ratio of unsecured loans in consumer loans	8.4%	<b>8.6%</b>	0.2pt	<b>8.3%</b>
(4) Ratio of income for asset management advice in core gross business profits	8.0%	<b>9.6%</b>	1.6pt	<b>13.0%</b>
(5) Income ratio of financial solution in core gross business profits	14.5%	<b>16.7%</b>	2.3pt	<b>16.4%</b>
(6) Consolidated/non-consolidated ratio FG consolidated (interim) profit ÷ Bank non-consolidated (interim) profit	1.34 times	<b>1.31 times</b>	-0.03 times*	<b>1.30 times</b>

\* Consolidated/non-consolidated ratio declined year on year due to a significant increase in the Bank income (“denominator”), despite an increase in Group company income excluding the Bank

# Indicators for Contribution to Communities

Indicators for Contribution to Communities		1H of FYE2024/3 Result	Vs. 1H of FYE2024/3 Target	FYE 2024/3 Target
		<b>Top-priority target to measure our contribution to the region</b>	<b>No. of companies with Daishi Hokuetsu Bank as their main bank</b>	<b>14,477</b>
<b>Maintain and increase drivers of regional economy</b>	<b>No. of startups and secondary startups involved</b>	<b>938</b>	203	<b>1,850</b>
	<b>No. of clients supporting business succession</b>	<b>939</b>	69	<b>1,740</b>
<b>Support for enhancement of corporate value</b>	<b>No. of borrowers based on feasibility assessment</b>	<b>6,912</b>	772	<b>6,400</b>
	<b>Loan balance based on feasibility assessment</b>	<b>¥1,519.5B</b>	¥0.5B	<b>¥1,600.0B</b>
	<b>No. of clients using Guidelines for Management Guarantee</b>	<b>7,656</b>	-1,384 <sup>*2</sup>	<b>9,500</b>
	<b>No. of clients with improved business indicators, etc.</b>	<b>9,679</b>	29	<b>7,700</b>
	<b>No. of cases of business support</b>	<b>1,815</b>	369	<b>2,850</b>
	<b>No. of cases of support for formulation of management improvement plan</b>	<b>288</b>	38	<b>480</b>
<b>Providing new value through expansion of business domains</b>	<b>Activities through a regional trading company</b> No. of clients supported in sales channel development (cumulative total)	<b>599</b>	19	<b>600</b>
	<b>Activities through a regional trading company</b> No. of FG collaboration activities to support productivity improvement (cumulative total)	<b>227</b>	4	<b>270</b>
	<b>Activities through a staffing agency</b> No. of personnel-matching cases that lead to solutions to corporate issues (cumulative total)	<b>206</b>	27	<b>210</b>

\*1: Impacts of a decrease in the number of business places within the prefecture and the prepayment of Zero-Zero Loans

\*2: Effects of the decline in the number of business partners (\*1), COVID-19 pandemic, and higher prices

# Summary of Financial Results for the First Half of the Fiscal Year Ending March 2024 (Profit/Loss)

- Both FG consolidated ordinary profit and interim profit exceeded the forecasts announced in May 2023 and the results of the previous year

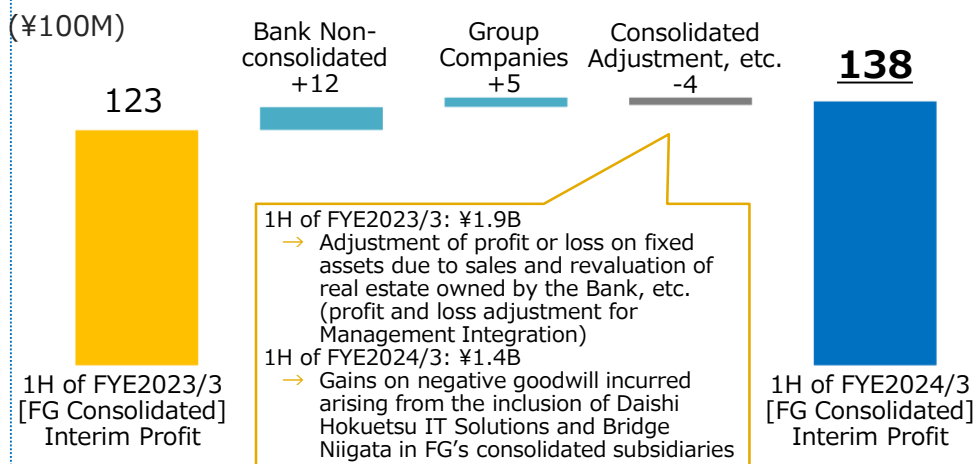
FG's Consolidated (¥100M)	1H of FYE2024/3 Financial Results		Forecast (Announced in May 2023) Vs. Forecast	
	Year on Year			
1 Ordinary profit	176	3	126	50
2 Interim Profit* <sup>1</sup>	138	14	100	38

\*1: Interim Profit attributable to owners of parent

Group Companies (¥100M)	1H of FYE2024/3 Financial Results		1H of FYE2023/3 Financial Results
	Year on Year		
3 Interim Profit* <sup>2</sup>	18	5	12

\*2: Total Interim Profit of Group companies attributable to owners of parent (excluding the holding company and the Bank)

## <FG Consolidated> Change Factors



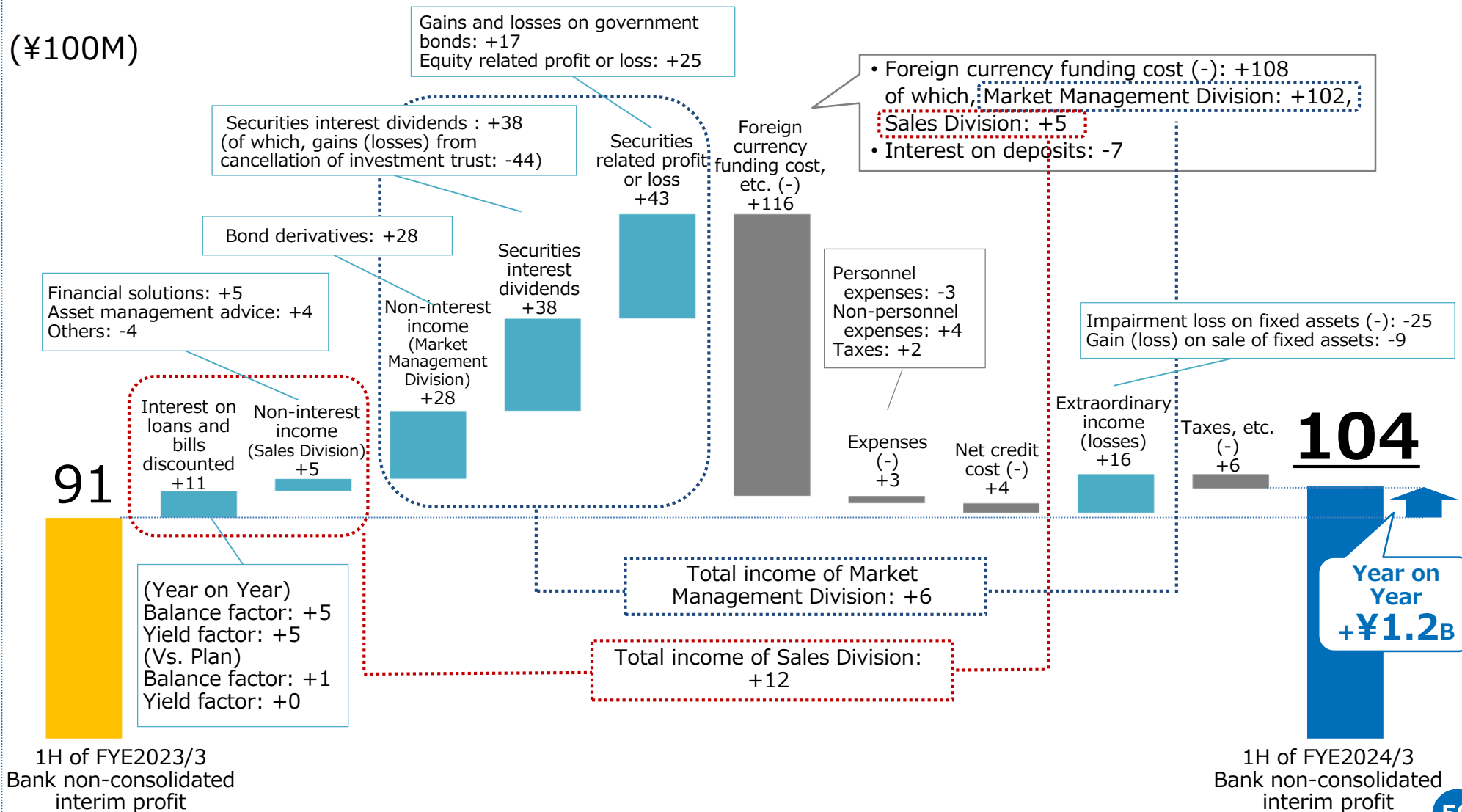
	Bank Non-consolidated (¥100M)		1H of FYE2024/3 Financial Results		1H of FYE2023/3 Financial Results
		Year on Year		Year on Year	
4 Gross profit	428	- 18	446		
5 (Core gross profit)	460	- 35	496		
6 Net interest income	316	- 52	369		
7 (Of which, interest on loans and bills discounts)	242	11	230		
8 (Of which, interest and dividends on securities)	185	38	147		
9 (Of which, financing expenses) (-)	161	132	28		
10 Fees and commissions	74	3	71		
11 Profit from other businesses	36	31	5		
12 (Excluding gains (losses) from government bonds and other bonds)	68	13	55		
13 (Of which, Gains (losses) from government bonds and other bonds)	- 31	17	- 49		
14 Expenses	291	3	287		
15 Substantial business profit	137	- 21	159		
16 Core business profit	169	- 39	209		
17 (Excluding gains (losses) from cancellation of investment trust)	169	5	164		
18 Business profit	138	- 23	162		
19 Temporary loss (income)	10	26	- 16		
20 Ordinary profit	149	3	145		
21 Extraordinary income (losses)	- 0	16	- 17		
22 Interim Profit	104	12	91		
23 <Net credit cost> (-)	21	4	17		
24 <Gains or losses on securities>	- 9	43	- 53		
25 <Management Integration expenses (overall)> (-)* <sup>3</sup>	13	- 1	14		

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

# Summary of Financial Results for the First Half of the Fiscal Year Ending March 2024 (Profit/Loss)

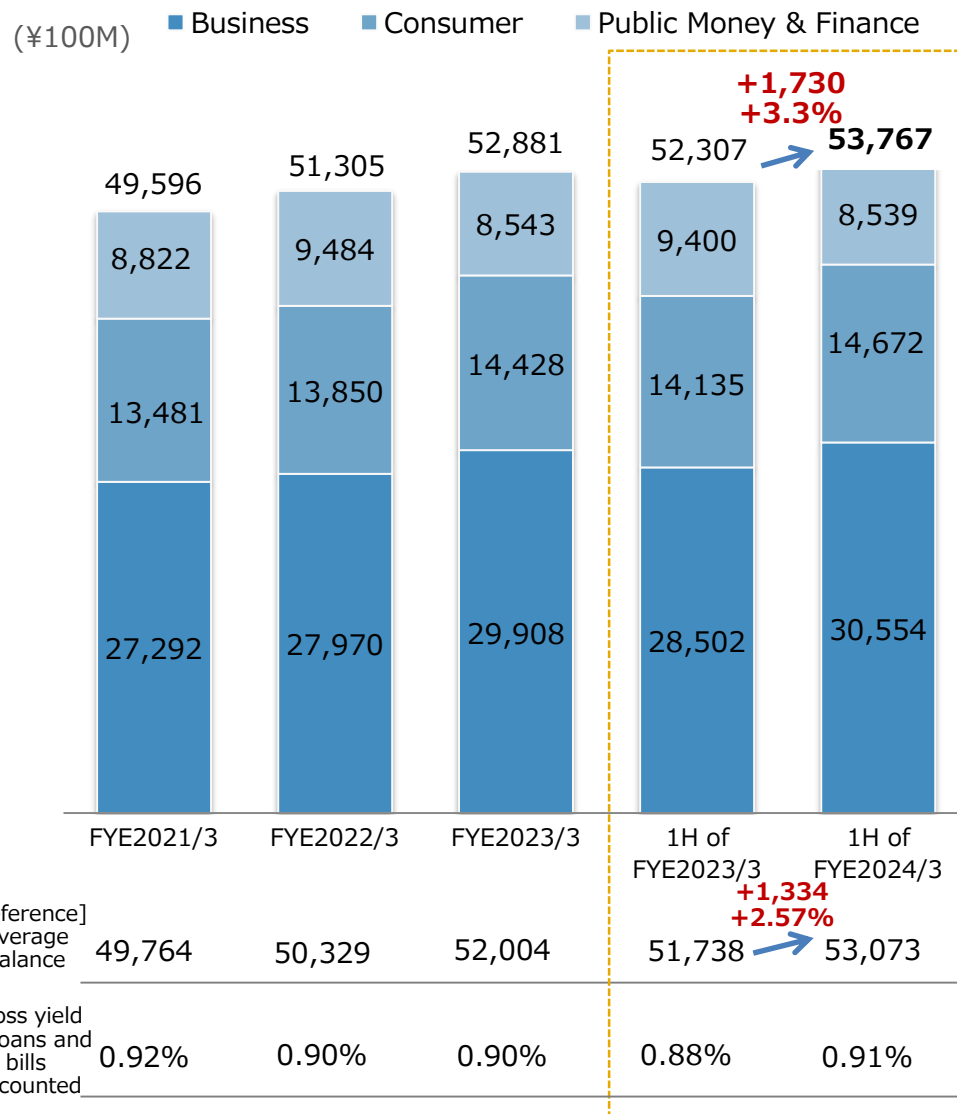
## <Bank Non-consolidated> Change Factors 第四北越銀行

(¥100M)



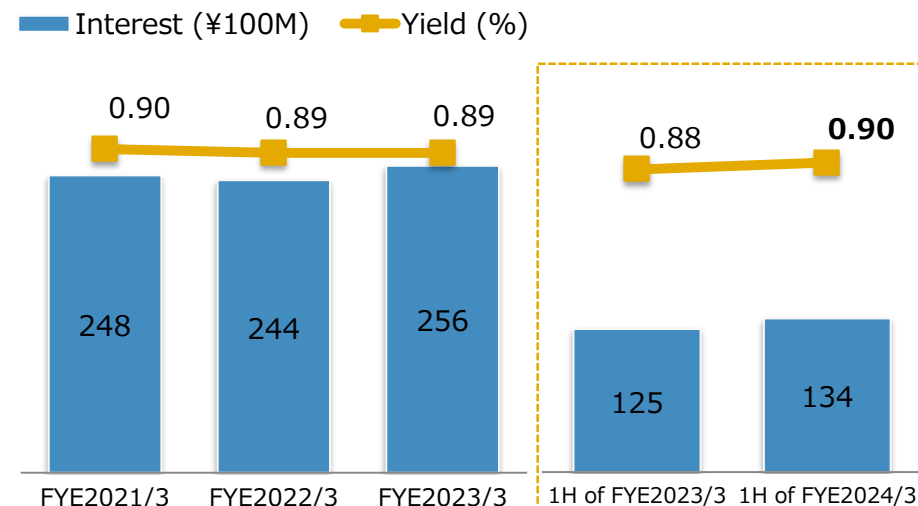
# Loans and Bills Discounted Area

## End-balance of Loans and Bills Discounted



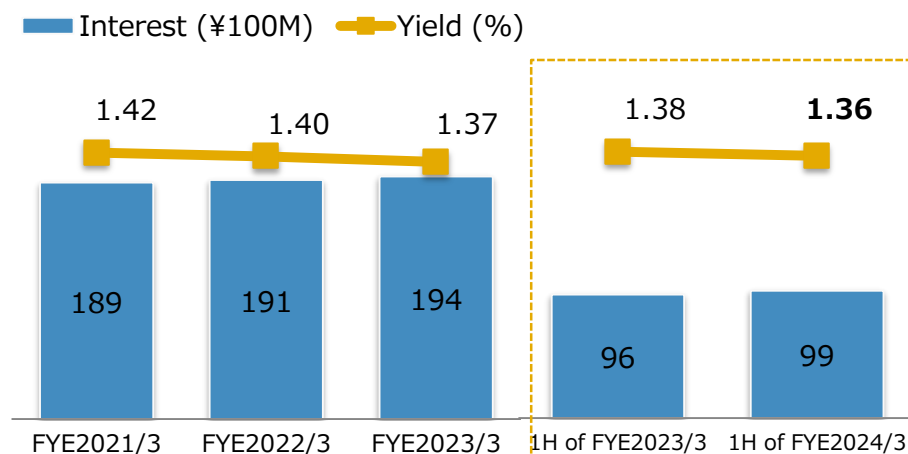
## Interest on business loans and bills discounted & yield

\* Before non-accrued interest



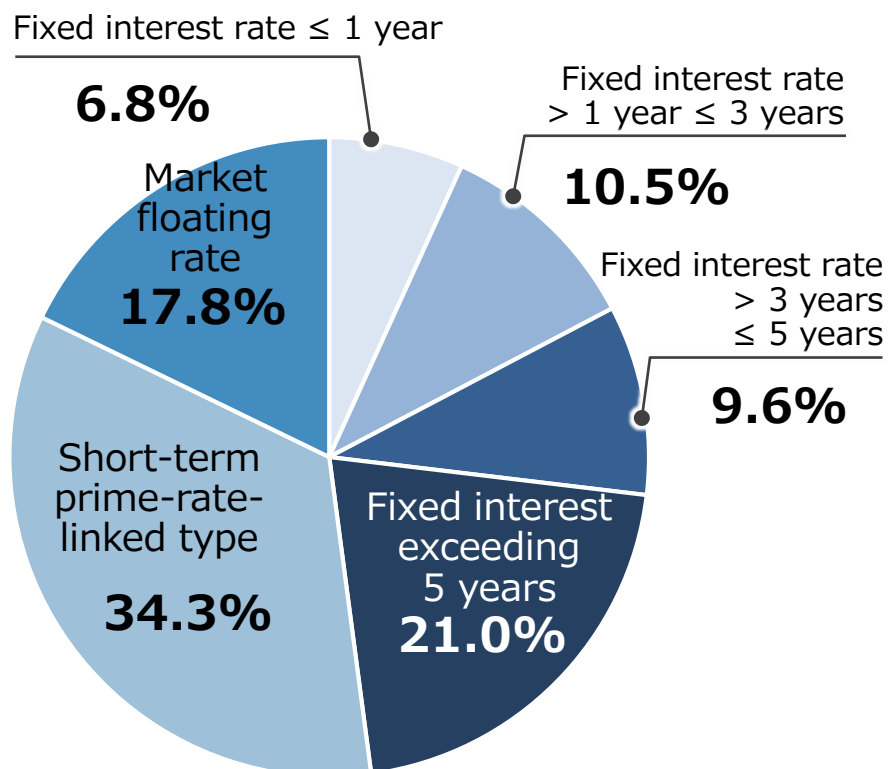
## Interest on consumer loans and bills discounted & yield

\* Before non-accrued interest



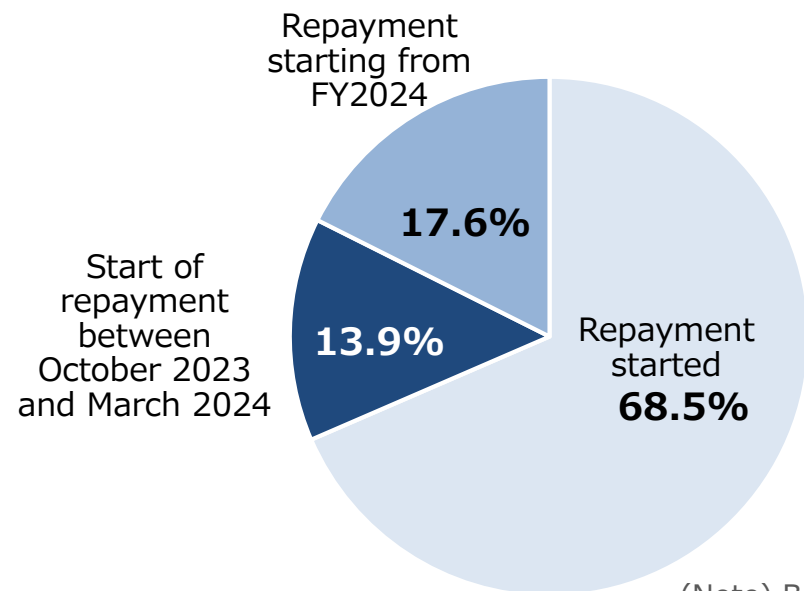
# Loans and Bills Discounted Area

## Composition of overall Loans and bills discounted (1H of FYE2024/3)



Note: Excluding non-performing loans

## Status of initiatives on real interest-free and unsecured loans (Zero-Zero Loans) (1H of FYE2024/3)



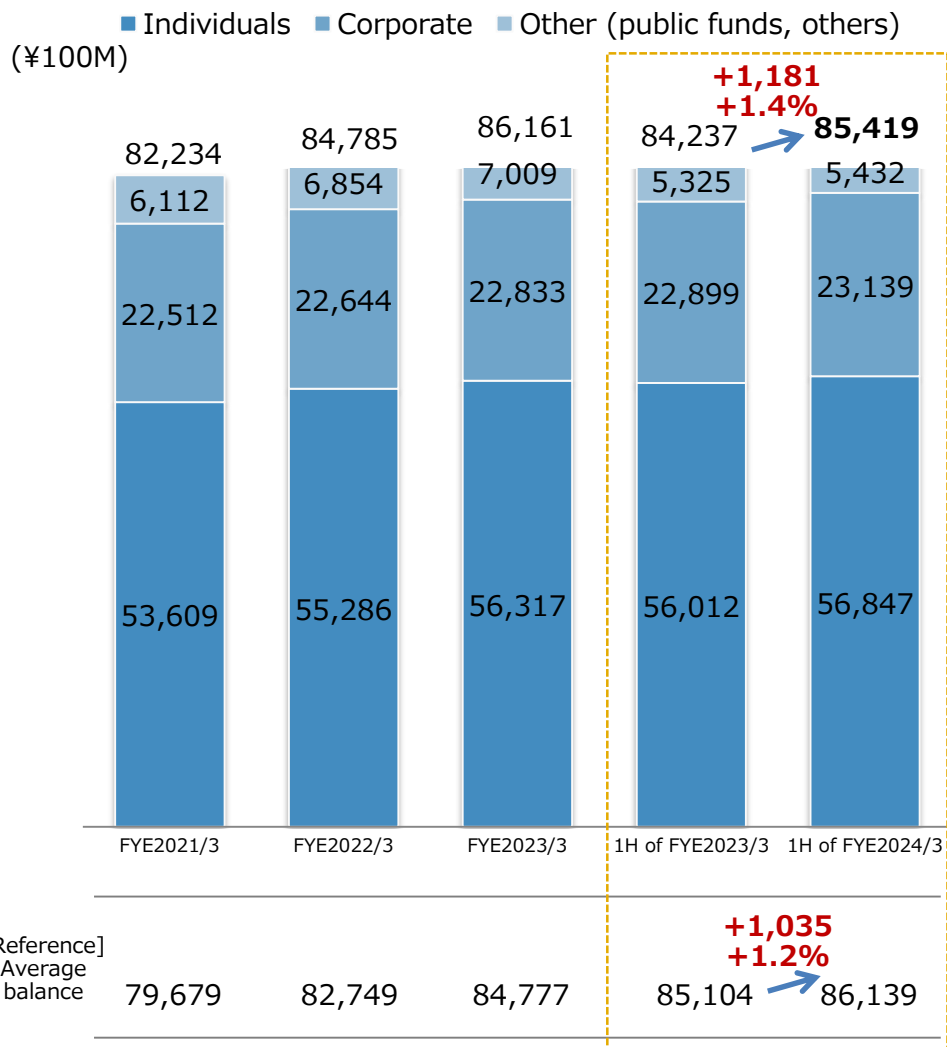
(Note) Based on the number of loans

## Balance and delinquency ratio of real interest-free and unsecured loans

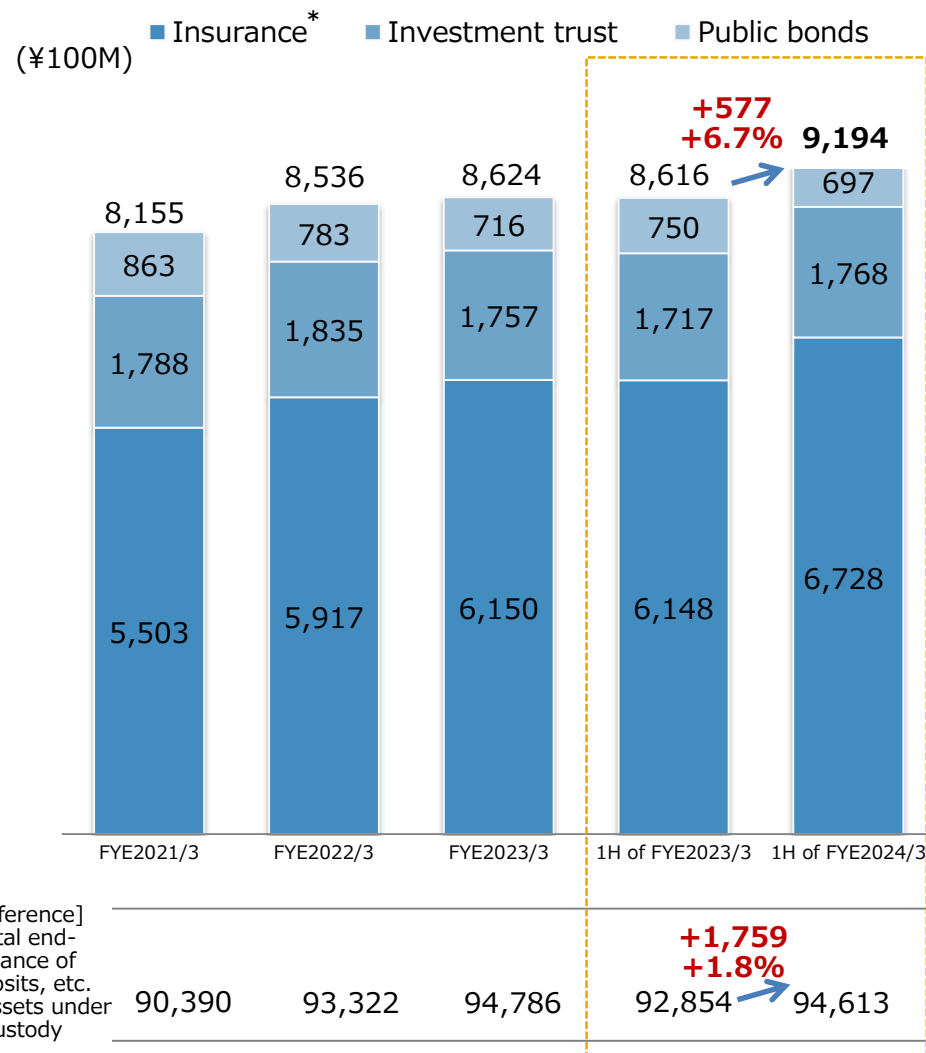
Type of loans	No. of loans		Outstanding loans (¥100M)	
		%		%
All	6,346	-	984	-
Performing loan	6,260	98.6%	978	99.3%
Delinquent loan	86	1.4%	6	0.7%

# Balance of Deposits, etc. and Assets under Custody

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



## End-balance of assets under custody

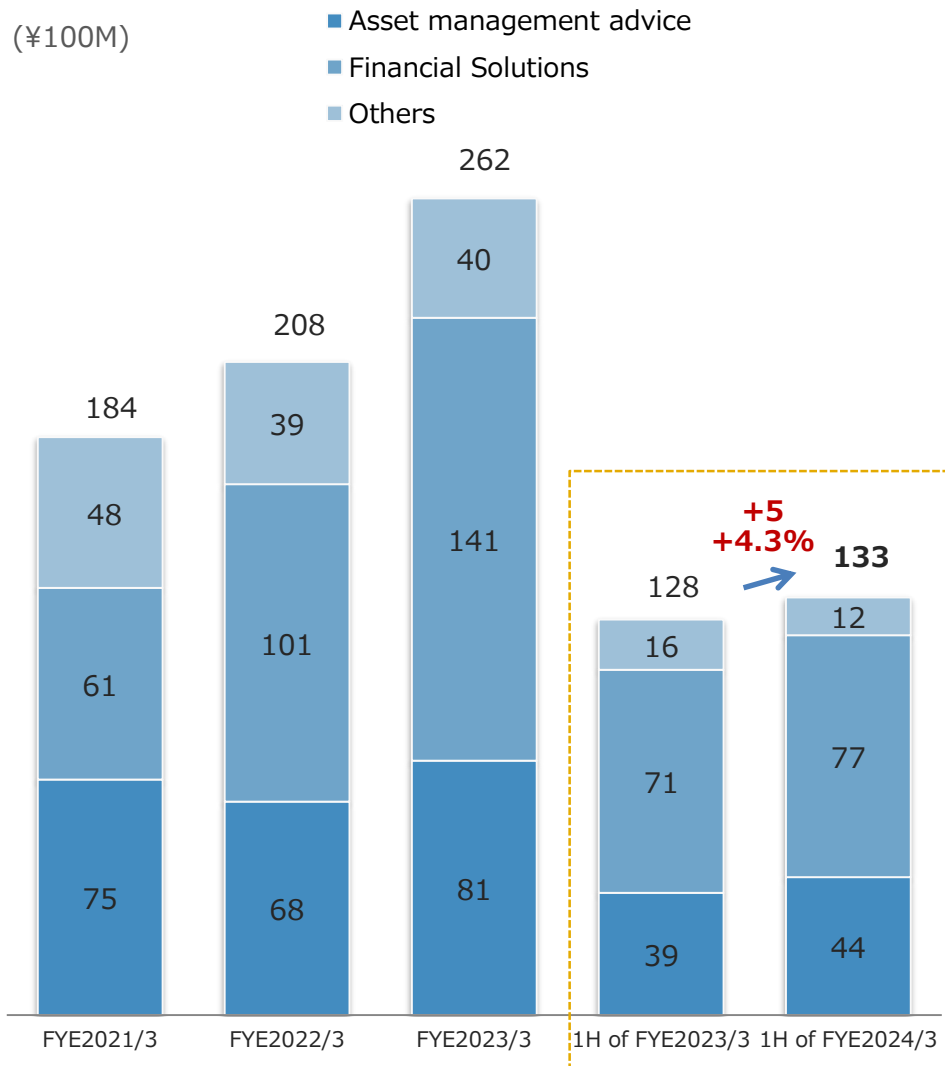


[Reference]  
Total end-balance of deposits, etc. and assets under custody

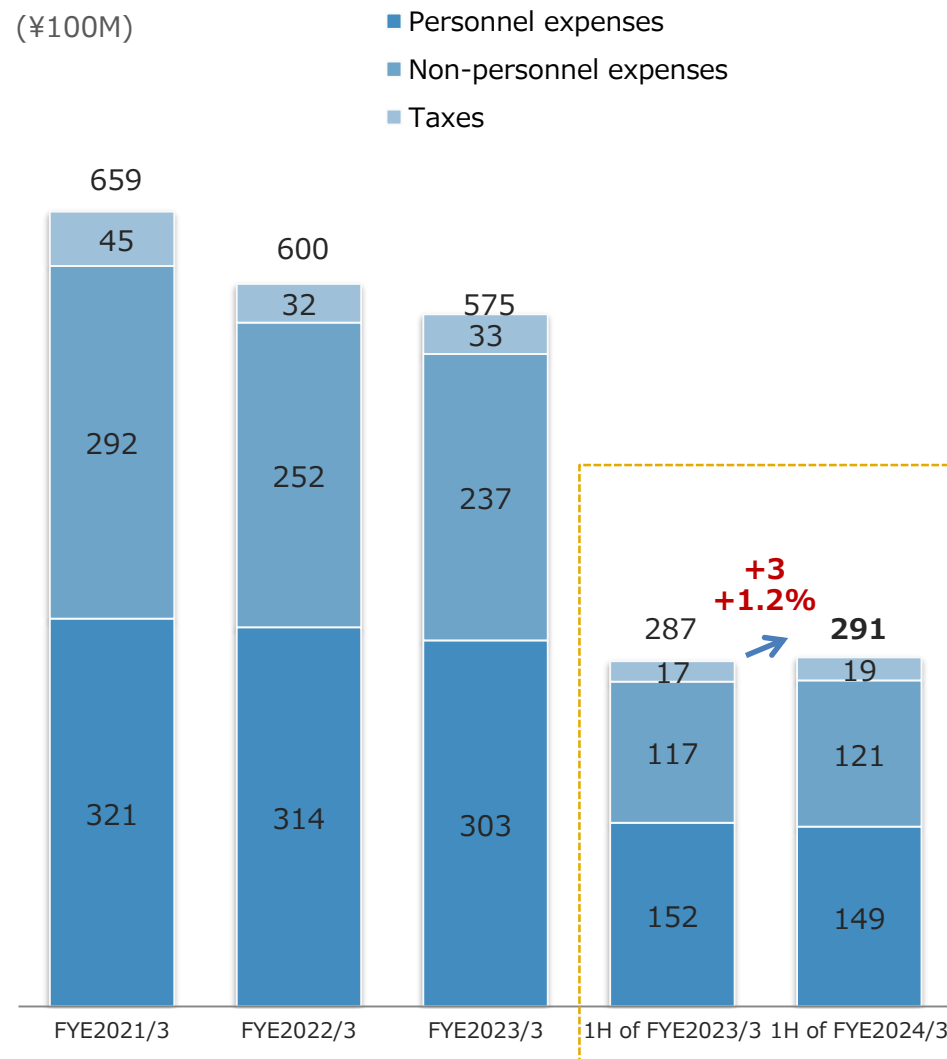
\* Insurance balance is compared with figures that were changed retroactively from the viewpoint of comparison with the previous fiscal years, since the calculation method was integrated due to the merger of bank subsidiaries.

# Non-interest Income Area/Expenses

## Non-interest income\*



## Expenses

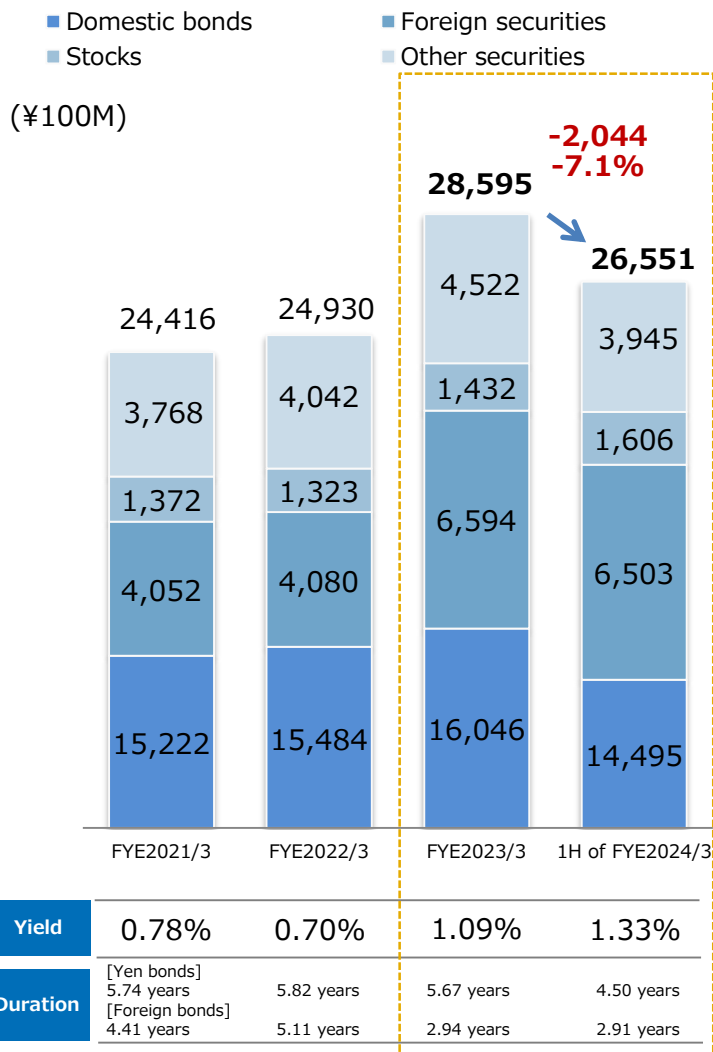


\* Total amount of profit from other businesses, etc., excluding fees and commissions and other profit, and gains and losses on government bonds (excluding foreign currency funding costs and Market Management Division income and)



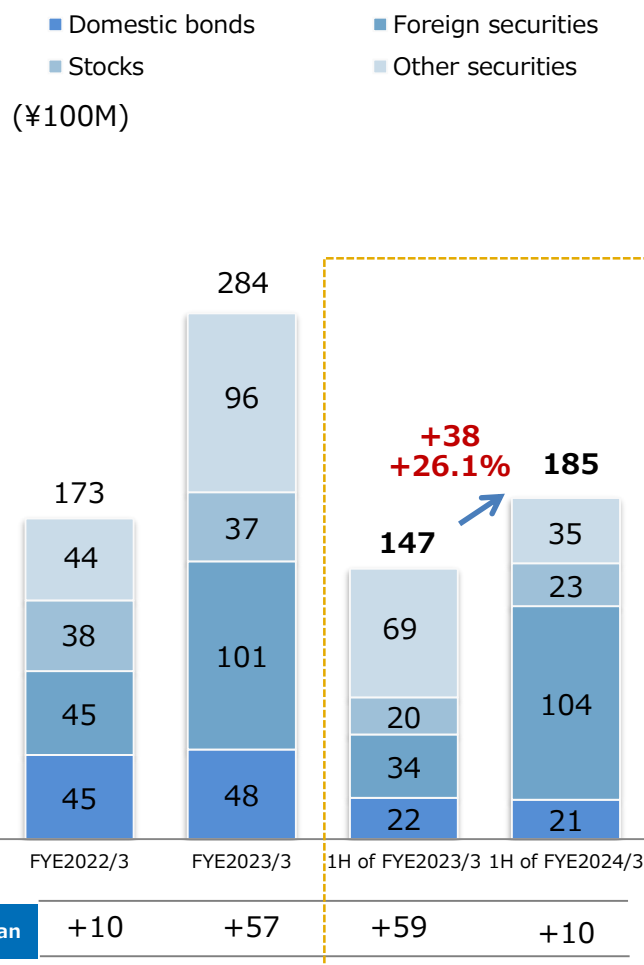
\* Excluding trading securities

## End-balance of Securities



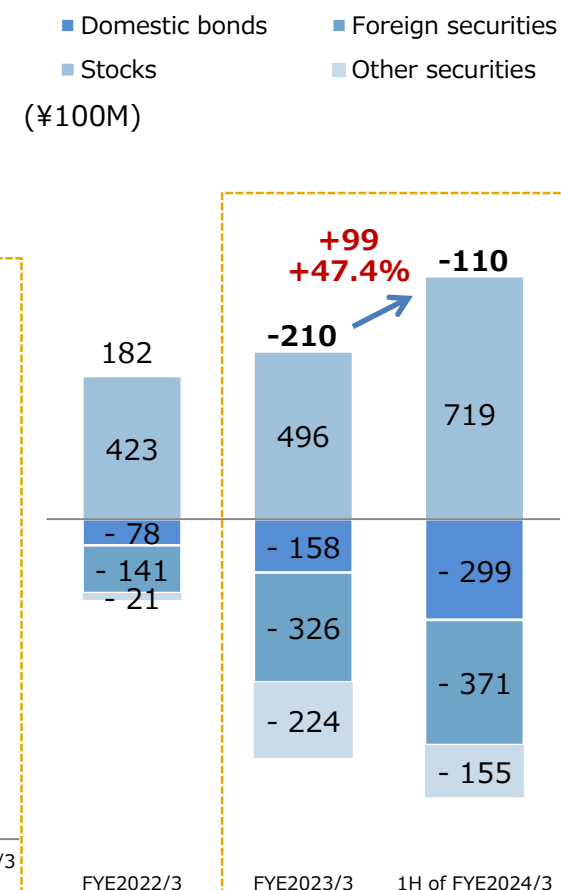
\* Duration is calculated after considering interest rate swaps for hedging purposes

## Interest and dividends on securities



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

## Valuation gains or losses



-11.0 billion yen, an increase of 9.9 billion yen from the end of the previous year, mainly due to a rise in domestic stock prices

\* Net unrealized gains (losses) on domestic bonds and foreign securities after deferred hedge by interest rate swaps

## Trends in end-balance of Securities

(¥100M)

	FYE2021/3	FYE2022/3	FYE2023/3	1H of FYE2024/3
Government bonds	5,728	5,536	6,030	4,592
Local government bonds	6,433	7,247	7,682	7,766
Public corporate bonds	769	713	654	609
Financial bonds	66	27	20	10
Business bonds	2,225	1,958	1,658	1,516
Stocks	1,372	1,323	1,432	1,606
Foreign securities	4,052	4,080	6,594	6,503
Other securities	3,768	4,042	4,522	3,945
<b>Total</b>	<b>24,416</b>	<b>24,930</b>	<b>28,595</b>	<b>26,551</b>

## Breakdown of changes in end-balance of Securities

(Vs. March 31, 2023)

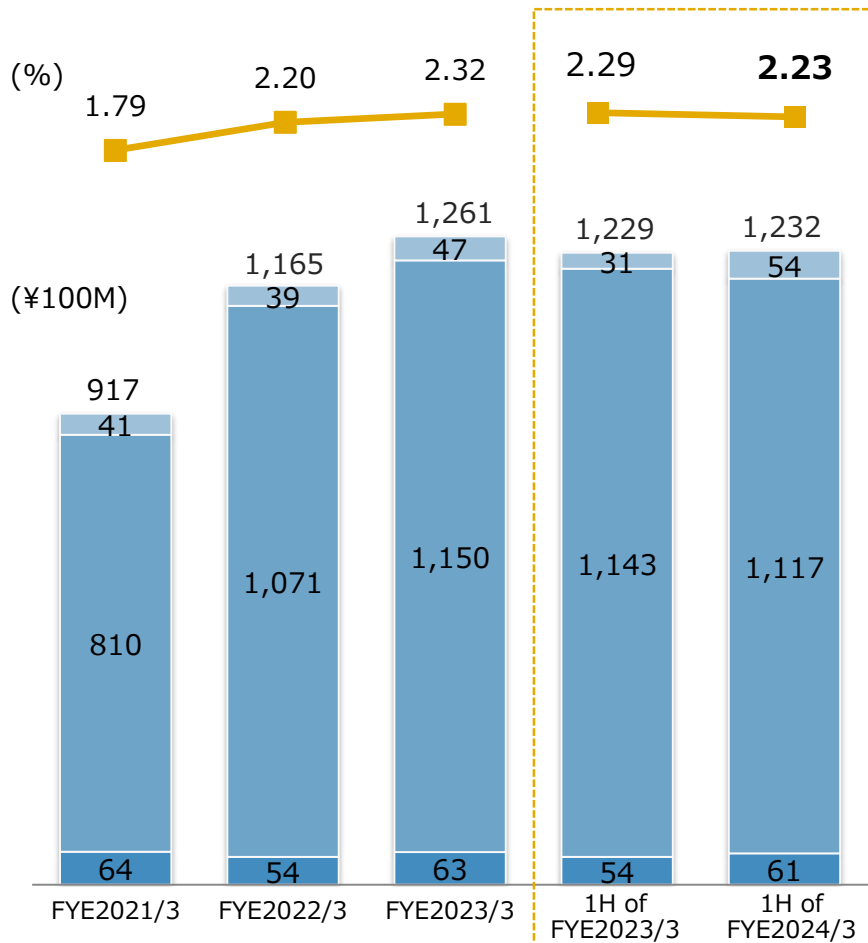
(¥100M)

<b>Domestic bonds (yield: 0.28%)</b>	<b>- 1,551</b>
Purchase	1,940
Sale	- 2,645
Other (redemption, market value factors, etc.)	- 845
<b>Stocks (yield: 5.26%)</b>	<b>174</b>
Purchase	66
Sale	- 113
Other (depreciation, market value factors, etc.)	221
<b>Foreign securities (yield: 2.96%)</b>	<b>- 90</b>
Purchase	824
Sale	- 926
Other (redemption, market value factors, etc.)	11
<b>Other securities (yield: 1.65%)</b>	<b>- 576</b>
Purchase	2,659
Sale	- 3,534
Other (redemption, market value factors, etc.)	298

# Non-performing Loan Ratio & Net Credit Cost

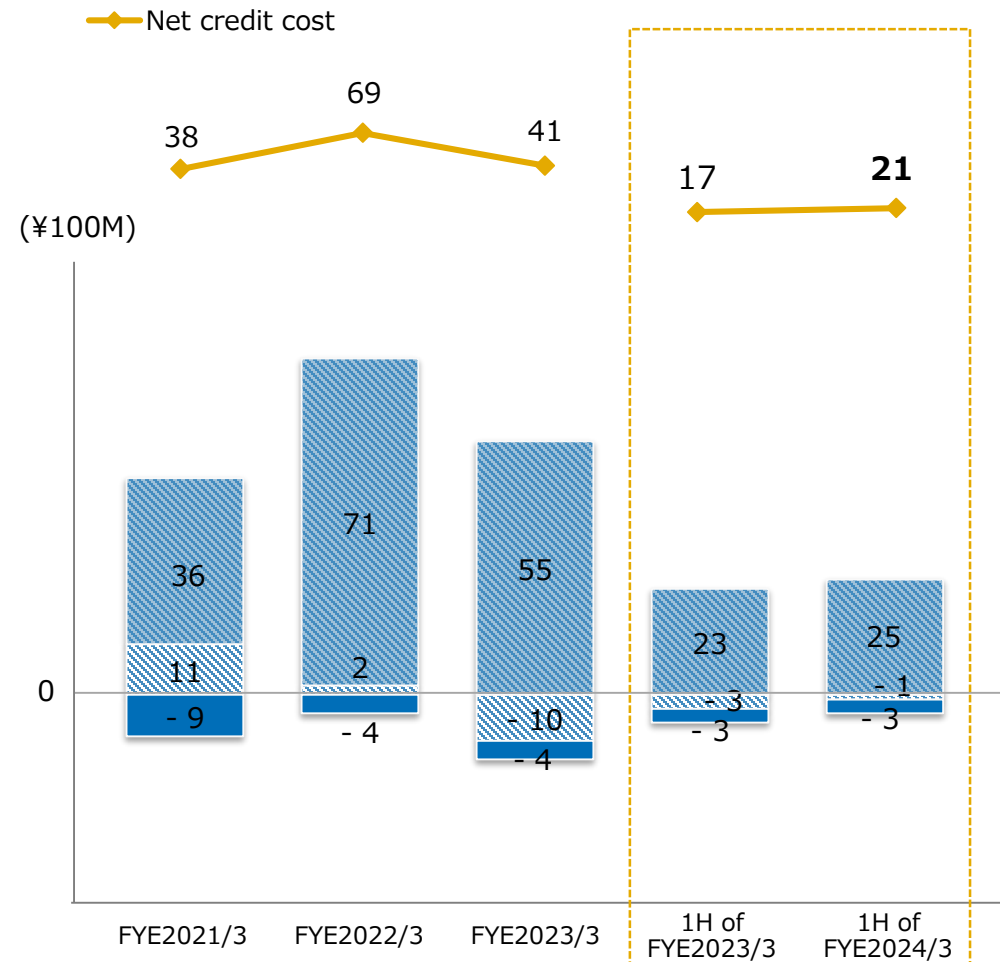
## Non-performing loan ratio and amount

- Distressed Receivables
- Substandard Claims
- Doubtful Claims
- Non-performing loan ratio



## Net credit cost

- Provision of general allowance for loan losses
- Reversal of allowance for loan losses (-)
- Recoveries of written off receivables (-)
- Disposal of non-performing loans
- Reversal of provision for contingent loss (-)

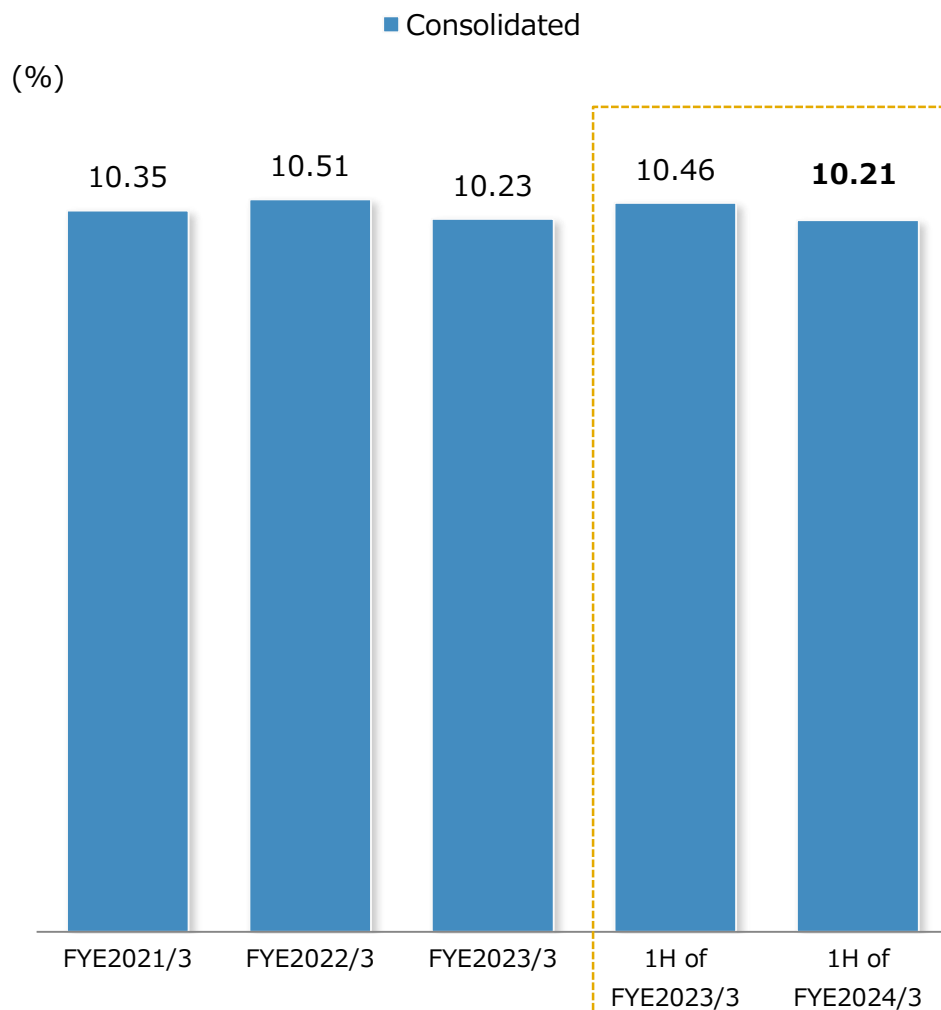


(¥100M)	1H of FYE2024/3			2H of FYE2024/3 (plan)
	Allocated capital amount	Risk amount (actual)	Utilization	Allocated capital amount
Allocated capital	3,335	1,514	45.4%	3,071
Credit risk (loans and bills discounted)	430	277	64.4%	430
Market risk	2,200	1,085	49.3%	2,150
Cross-shareholding risk	145	26	17.9%	40
Operational risk	130	125	96.2%	130
Stress-event capital (Capital held assuming a sudden change in the environment)	430	0	0.0%	321
Risk buffer (unallocated capital)	226	0	0.0%	551
Allocation resources, net of allowance for doubtful accounts	3,561	-	-	3,622

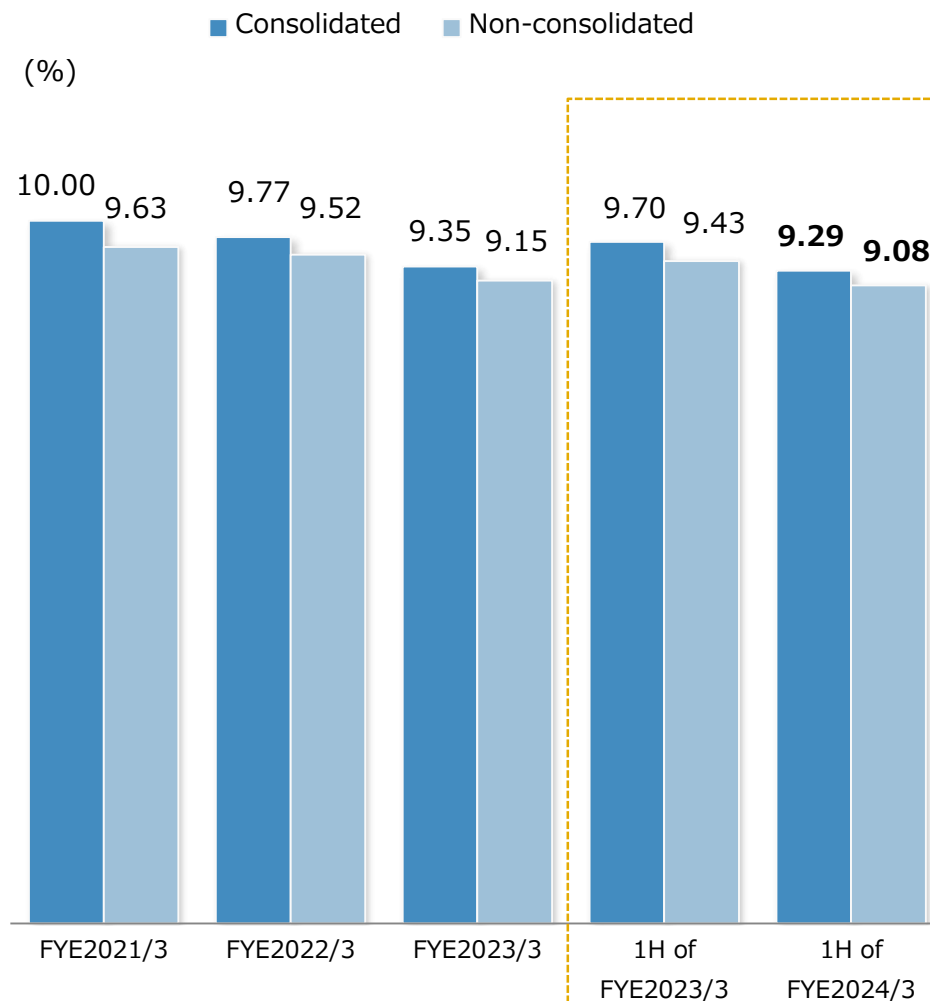
### Risk calculation method

- Market Risk, Credit Risk, Cross-shareholding Risk
  - ▣ Confidence interval: 99% for all
  - ▣ Holding period: 1 year for loans, 6 months for non-loans
- ▣ For Cross-shareholding, Risk amount = (VaR – Loss (gain) on valuation), but  $\geq 0$
- Operational risk
  - ▣ Gross profit distribution method

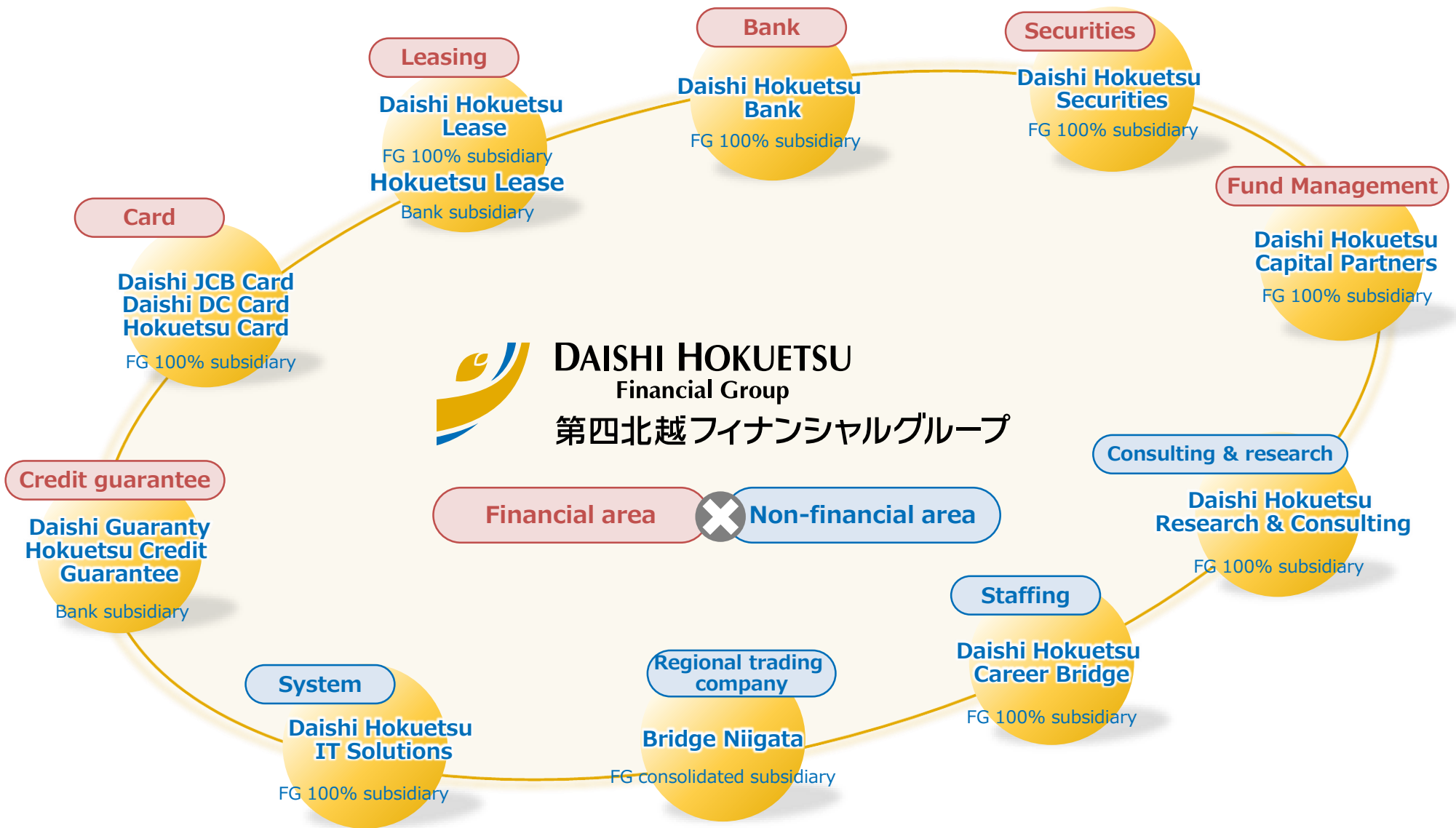
## FG's Consolidated



## Daishi Hokuetsu Bank



# Financial Position of Group Companies-1



# Financial Position of Group Companies-2

(¥1M)

Company	Core Business	Share capital	Net sales (ordinary profit)			Ordinary profit			Profit		
			1H of FYE2023/3	FYE2023/3	1H of FYE2024/3	1H of FYE2023/3	FYE2023/3	1H of FYE2024/3	1H of FYE2023/3	FYE2023/3	1H of FYE2024/3
Daishi Hokuetsu Bank, Ltd.	Banking	32,776	62,541	122,639	79,029	14,587	22,568	14,902	9,188	14,847	10,484
Daishi Hokuetsu Securities Co., Ltd.	Securities	600	2,426	4,183	2,545	985	1,268	943	487	670	666
Daishi Hokuetsu Career Bridge Co., Ltd.	Staffing agency business and consulting business related to corporate human resources	30	88	199	106	21	67	37	17	51	24
Daishi Guaranty Co., Ltd.	Credit guarantee business	50	911	1,843	941	674	1,538	498	443	1,011	327
Hokuetsu Credit Guarantee Co., Ltd.	Credit guarantee business	210	284	655	263	214	588	235	147	421	164
Daishi Hokuetsu Capital Partners Co., Ltd.	Venture capital business	20	19	35	29	4	4	7	3	3	5
Daishi Hokuetsu Research & Consulting Co., Ltd.	Consulting business and research/study, information provision services related to economy and society	30	208	389	211	24	25	35	16	16	22
Daishi Hokuetsu Leasing Co., Ltd.	Leasing business	100	8,344	16,604	8,727	- 187	118	377	- 115	96	250
Hokuetsu Leasing Co., Ltd.	Leasing business	100	2,072	3,896	1,604	149	248	106	98	164	70
Daishi Computer Service Co., Ltd.	Computer-related services	15	488	1,014	537	62	103	36	41	152	21
Daishi JCB Card Co., Ltd.	Credit card and credit guarantee services	30	792	1,579	830	240	454	250	160	300	163
Daishi DC Card Co., Ltd.	Credit card services	30	442	876	463	26	46	16	17	31	10
Hokuetsu Card Co., Ltd.	Credit card and credit guarantee services	20	375	732	348	85	162	33	56	107	21
Daishi Hokuetsu IT Solutions Co., Ltd.	Computer-related services	100	1,449	3,177	1,679	113	240	127	74	152	82
Bridge Niigata, Ltd.	Regional trading company business	70	86	248	126	- 12	10	- 4	- 12	8	- 4

April 2023: Daishi Hokuetsu IT Solutions Co., Ltd. became a 100% FG subsidiary and Bridge Niigata Co., Ltd. became a consolidated FG subsidiary





**DAISHI HOKUETSU**  
Financial Group

**第四北越フィナンシャルグループ**

**Contact for Inquiries**

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