

# Integrated Report 2023

DAISHI HOKUETSU  
INTEGRATED REPORT

# 150<sup>th</sup>



## 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.



# Contents

## Message from Management 03

Message from Management .....P.03

## Overview of the Daishi Hokuetsu FG ..... 09

Business Area ..... P.09

Financial / Non-Financial Highlights..... P.11

History of the Daishi Hokuetsu Bank .. P.13

150 Years Since the Foundation of the Daishi Hokuetsu Bank  
Five Years Since the Establishment of the Daishi Hokuetsu Financial Group..... P.15

## Value Creation Story ..... 17

Overview of Value Creation Story..... P.17

Increasing Diversification and Complexity of the Needs of Regional Society and Changes in the Business Environment Surrounding the FG ..... P.19

The 2nd Medium-Term Management Plan P.20

Sustainability Initiatives ..... P.21

New Value Creation ..... P.32

Business Base to Support New Value Creation ..... P.39

## Communication with Stakeholders ..... 65

Communication with Stakeholders .... P.65

## Corporate Data ..... 67

List of Executives ..... P.67

List of Group Companies ..... P.69

### [Editorial Policy]

Daishi Hokuetsu Financial Group has prepared this "DAISHI HOKUETSU INTEGRATED REPORT 2023" in order to help all stakeholders gain a better understanding of the company's initiatives aimed at sustainable value creation. When compiling this report, we have referred to the "International Integrated Reporting Framework" advocated by the IFRS Foundation (formerly the IIRC) the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation," and other resources.

For detailed financial data, etc., please refer to "Disclosure Magazine 2023" (the company's website: <https://www.dhfg.co.jp/financial/ir/disclo/>).

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.



### [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 for the fiscal year ended March 31, 2021, in this document are calculated in accordance with the following rules from the perspective of making appropriate period comparisons for each item.

- 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

\* 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.

**Inquiries** Business Planning Division, Daishi Hokuetsu Financial Group TEL: 025-224-7111 (representative)

Philosophy

## Management Philosophy

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.

Action Principles

Mission

Vision and Approach

Aiming figure

## 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.



## Message from Management

Continuing to contribute to  
the sustainable growth of the region  
as a financial and information  
services group

President and Representative Director  
**Michiro Ueguri**



### Continuing to be a part of the community

This year marks the fifth anniversary of the establishment of the Daishi Hokuetsu Financial Group and the 150th anniversary of the founding of the Daishi Hokuetsu Bank. Our success is entirely due to the warm support and patronage of our customers, local communities, and shareholders over many years, and all of our officers and employees would like to express their sincere gratitude accordingly.

Since our founding in 1873, the Daishi Hokuetsu Bank has built relationships of trust with the local community and grown as a part of the community, by fulfilling our role and mission as a regional bank while also responding to the ever-changing environment, over a period of 150 years. Based on these relationships of trust, all Group officers and employees will continue to contribute to the development of the local community by leverag-

ing our diverse range of functions as a Group to the maximum possible extent with “unity of purpose,” with the “purpose” being our Management Philosophy, thus meeting the expectations of our stakeholders.\*

\*People who share interests with the company, such as customers, local communities, shareholders, and employees

**Continuing to be a part  
of the community**





## Increasingly complex and uncertain business environment

In the business environment surrounding the Group, social and economic activities are normalizing from the COVID-19 pandemic. Structural social issues, however, are becoming increasingly severe, including population decline associated with a falling birthrate and aging society that is progressing at a faster rate than expected. In addition, the rapid progress of the digital society and the increase in companies entering the financial sector from different industries, resulting in competition growing fiercer on a daily basis. In terms of major trends, it is likely that we will see a further increase in the importance of sustainability management, which balances the maintenance and enhancement of the environment and society, which are the foundations for our business, with economic growth and corporate activities, such as GX (Green Transformation),

which sees responding to climate change risks and moves toward carbon neutrality as opportunities for economic growth, as well as a further increase in the necessity of improving productivity through DX (Digital Transformation). At the same time, various trends and events, such as the emergence of geopolitical risks, the global advance of inflation, and even the collapse of financial institutions in the United States and Europe, are having an impact and resulting in multifaceted change that is also occurring at an accelerated pace, with increasing complexity and uncertainty. Under these conditions, the Japanese government is advocating the acceleration of a "new form of capitalism," based on measures such as "strengthening investment in people" to improve the value of human capital, as well as "asset income doubling plans."

## Our Management Philosophy is Our Story of Sustainable Value Creation

The Group's Management Philosophy expresses our story of sustainable value creation. 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 rapidly changing environment and engaging in related training. 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. These measures will result in the development of our customers and local communities. At the same time, the Group's corporate value and trust will also grow. The continuous pursuit of sustainable growth through this series, this cycle, of activities and results is the "purpose" of our Management Philosophy.

Philosophy

### Management Philosophy

**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.**

# Message from Management

## The 2nd Medium-Term Management (April 2021 to March 2024)

Fiscal 2023 marks the final fiscal year of the Group's 2nd Medium-Term Management Plan (the "MTP") and is an important step toward achieving a new stage of growth. The Group aims to achieve consolidated profit of 20.1 billion yen in fiscal 2023 by maximizing the three synergies of

"**1** merger synergy," "**2** group synergy," and "**3** TSUBASA Alliance synergy," to achieve the priority business challenges for the Group, namely "strengthen profitability," "make management more efficient," and "maintain and improve soundness."

### 1 "Merger Synergy"

"Merger synergy" is type of synergy in which we will enhance our top line and reduce costs, thus strengthen our profit structure by sharing expertise, information, and networks expanded by the merger of subsidiary banks, coordinating overlapping functions, and reallocating business resources.

In order to maximize merger synergies during the MTP, we have set forth our aim to achieve "new structural reforms," based on the three pillars of sales reform, sales office operations reform, and head office operations reform, and under the leadership of the "Structural Reform & DX Promotion Committee," chaired by me, we are simultaneously promoting cross-organizational efforts to consolidate our branch network,

streamline headquarters, reform sales office operations, etc. Specifically, in the last fiscal year, we completed the consolidation of 50 branches, as planned in the MTP, ahead of schedule, as well as a fundamental review of sales and lending processes at sales offices and the consolidation of operations into centralized divisions. As a result, we made approximately 740 employees available, of which we strategically reassigned approximately 400 employees, excluding those who reach the mandatory retirement age, etc., to sales divisions, Group companies, and other operations. At the same time, we are also transitioning to a system in which all employees at sales offices engage in consulting sales, ensuring that we leverage merger synergy.

### 2 "Group Synergy"

"Group synergy" is a type of synergy that we can leverage by providing customers with a variety of functions offered by Group companies in an optimal manner as a "one-stop shop," thereby increasing our consulting functions and boosting efficiency through the sharing and consolidation of expertise. In order to solve the increasingly diverse and complex issues of our customers, the Group is working together to develop and strengthen core human resources for Group collaboration, through such measures as regular skill assessments for corporate sales representatives of the Daishi Hokuetsu Bank concerning their understanding of the products and services of Group companies.

In addition, we will further strengthen collaboration within the Group by enhancing "single-track collaboration," in which bank personnel act as a

kind of "hub," into "double-track collaboration," in which Group companies, including banks, mutually propose functions not only for their own line-up of products and services, but also for other Group companies. In April this year, as part of the restructuring of our Group businesses, we changed the name of "N.C.S. Co., Ltd.," a system business company with a customer base in Niigata Prefecture, to "Daishi Hokuetsu IT Solutions Co., Ltd.," and made it a new subsidiary of the company together with a regional trading company, "Bridge Niigata Co., Ltd." Accordingly, the Group currently has a structure consisting of 15 companies, including three banking subsidiaries (excluding the company). We will continue to take full advantage of our diverse range of Group functions, and work to support customers to solve their problems in all areas.

### 3 “TSUBASA Alliance Synergy”

TSUBASA Alliance synergy is a type of synergy that we will leverage by utilizing the economies of scale and superior information-sharing of the “TSUBASA Alliance,” the largest initiative for collaboration across a wide area, in which 10 regional banks participate, including the Daishi Hokuetsu Bank. The Alliance has expanded on a nationwide scale, from Hokkaido to Okinawa, and the total assets of the participating banks have reached approximately 95 trillion yen, meaning that they have grown to a size comparable to that of the megabanks. We are working on various measures to enhance collaboration in all areas, not just those related to systems and administration. Cumulative synergies at the Daishi Hokuetsu Bank have totaled 10.6 billion yen to date. Going forward, we will continue to take full advantage of the Alliance's economies of scale and superior information-sharing to strengthen our top line and reduce costs.

In relation to the “Gunma-Daishi Hokuetsu Alliance,” which we concluded in December 2021,

we have also been making steady efforts toward collaboration, including the joint use of branches from March of this year. To date, the cumulative synergies from this alliance have amounted to 5.7 billion yen, and we intend to continue to deepen our collaboration across all areas, including “regional revitalization & tourism promotion,” “corporate solutions,” “asset management,” “personnel development,” and “effective use of real estate.”



群馬・第四北越 アライアンス

## Sustainability Initiatives

With the Group, we position sustainability initiatives – which balance the maintenance and enhancement of the environment and society, which are the foundations for our business, with economic growth and corporate activities – as a key management priority. Under the “Daishi Hokuetsu Financial Group’s Basic Sustainability Policy,” we actively address local issues and environmental problems through our core businesses, while also striving to enhance information disclosure on risks and opportunities related to climate change.

In particular, while large and medium-sized companies are currently taking the lead in decarbonization efforts, such efforts are expected to spread to the entire supply chain in the near future, making it an inevitable issue for SMEs as well. We recognize that an important role of regional financial institutions is to help resolve these issues, by providing consulting and solutions such as transition finance, utilizing the Group's wide variety of functions rooted in our dialogue (engagement) with business partners.

In March this year, the Group declared that we would achieve carbon neutrality by fiscal 2050, in order to further accelerate our efforts to reduce CO<sub>2</sub> emissions. As concrete measures to achieve carbon neutrality, we are actively promoting the establishment of environmentally friendly branches and adopting “CO<sub>2</sub>-free electric power” derived from renewable energy, thus further reducing our CO<sub>2</sub> emissions. Going forward, we will continue to support our customers in their efforts to reduce CO<sub>2</sub> emissions, as we work to create a decarbonized society in the region.





# Message from Management

## Initiatives Targeting DX

In the face of a growing shortage of human resources, improving operational efficiency through DX is an urgent issue for business operators. The Group is rolling out a "DX All Branch Campaign," as a Group-wide effort to improve customer productivity, etc. This "DX All Branch Campaign" was launched in October last year, and we have already compiled a database of approximately 2,000 needs, which the Group is addressing. We are also focusing on developing human resources capable of assisting with customer productivity improvements, and providing year-round in-house training related to DX throughout the year. Additionally, as our support for obtaining certifications has resulted in more than 1,000 people obtaining an "IT Passport" certification.

In order to promote DX throughout the region as a whole, we are also strengthening cooperation with the government, and at "Bridge Niigata," a regional trading company, we have won con-

tracts for many projects to promote DX from the national and prefectural government.

As explained in "2 Group Synergy," by making Daishi Hokuetsu IT Solutions and Bridge Niigata subsidiaries, we have established a system that enables the Group to complete the entire process in-house, from identifying issues based on our understanding of the DX promotion-related needs of companies and local governments in Niigata Prefecture, to the adoption of IT. We also plan to integrate our subsidiary, The Daishi Computer Service Co., Ltd., into Daishi Hokuetsu Bank in October of this year, and will work to strengthen the in-house capabilities of our banking systems department.

Going forward, as the largest financial and information services group in Niigata Prefecture, we will continue to exercise our consulting functions to actively support our customers in improving their productivity.

## Efforts to Increase the Value of Human Capital

The importance of "human capital management" is increasing. In this type of management, the capabilities of personnel are regarded as a form of capital within the management resources of a company, and the capabilities of human resources are maximized by companies in order to improve corporate value.

Based on our long-held recognition that our employees are an important asset, the Group refers to our personnel as "human resources," and we have promoted management that prioritizes these "human resources" in such ways as increas-

ing the amount of investment in human resources each year. To further accelerate these efforts, in April of this year, we changed the third pillar of our basic strategies in the MTP from "developing and enhancing human resources" to "practicing human capital management," and in May, we established the "Office of Human Capital Strategy," which oversees planning related to human capital management. In order to continuously improve our corporate value, we must not only enhance the knowledge and capabilities of each employee, but also leverage these knowledge and capabilities as added value by putting them into practice, thereby raising the level of trust and expectations held by our customers and local communities. Going forward, in addition to general measures to strengthen our human capital, such as empowering women, strengthening the development of expert human resources, and enhancing reskilling and recurrent education for employees, we will continue to strengthen internal communications to foster ethical values and build character, while also developing unique knowledge and expertise within the Group and strengthening our practi-



cal capabilities. In addition, we will accelerate our Group's unique human capital management, placing special emphasis on improving the value of human capital through such measures as the creation of a workplace environment that enables employees to exercise their capabilities to the maximum possible extent.

Furthermore, our subsidiary the Daishi Hokuetsu Bank appointed its first female director in June of this year. Going forward, we will continue working to nurture human resources within the company with the aim of appointing female officers, through our "Empowerment Program for Women," which will train the next generation of female leaders.

## Capital Policy and Shareholder Returns

Under the premise of maintaining our soundness, the Group engages capital management that takes into account the balance between investment in growth for the development of local communities and the improvement of corporate value, and shareholder returns. Based on this approach, we maintained a consolidated capital adequacy ratio of 10.23% for the fiscal year ended March 31, 2023, exceeding our target of 10% or more.

In addition, in order to further reduce cross-shareholdings, in May of this year, we announced a target to reduce cross-shareholdings held by Daishi Hokuetsu Bank by 10 billion yen (carrying amount) by the end of March 2026 compared to the end of March 2021.

With regard to shareholder returns, as announced in our "policy for return to shareholders," we will continue to provide stable returns to shareholders with a target shareholder return rate of 40%, while taking into consideration the enhancement of internal reserves to strengthen our revenue base. In the same policy, we also aim to achieve an ROE of 5% or more

over the medium to long term, and we have set a target of 4.9% for the current fiscal year, the final year of the MTP. I think the fact that achieving an ROE of 5% or more is within reach is the result of our ability to exercise the synergies mentioned above. In light of the fact that the Tokyo Stock Exchange, where the company's shares are listed, requires companies with a P/B ratio of less than 1x to disclose and implement measures for improvement, we will continue working to further enhance ROE, particularly by strengthening Group profitability, in order to improve the value of our shares in the next fiscal year and beyond.

In October, the company will celebrate the fifth anniversary of our establishment, and Daishi Hokuetsu Bank will celebrate the 150th anniversary of our founding in November. For this reason, in the fiscal year ending March 31, 2024, we plan to pay a commemorative dividend to express our gratitude to our shareholders, and we will therefore increase the annual dividend by 20 yen from the previous fiscal year to 140 yen through both an increase in the ordinary dividend and the commemorative dividend.

## Making Financial and Information Services More Sophisticated

As the environment undergoes rapid change, as I mentioned at the outset, in addition to risks, there will also be many more opportunities, such as the advance of GX and DX across society as a whole. Within the Group, we intend to accurately identify and draw out the needs of a diverse range of customers that have either already become apparent or that are potential needs. In doing so, we will seize or create opportunities. To this end, we will continue to strengthen the functions of each Group company in terms of systems and structures, collaboration capabilities, and human capital, thus enhancing our overall strength as a Group. We will also boldly take challenges in new business areas and increase the sophistication of our

financial and information services.

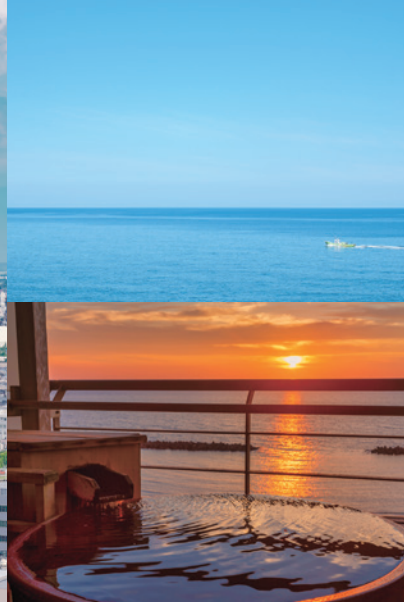
Fiscal 2023 will be the final fiscal year of this MTP. As in the past, I will take the lead and ensure that all our Group officers and employees share a "unity of purpose" to promote various measures, including the initiatives mentioned here, and thereby complete the MTP. We intend to steadily advance toward the 3rd Medium-Term Management Plan, which will come next, and achieve sustainable development as a part of the community.

I encourage stakeholders to anticipate the future activities of the Group.

July 2023

## Overview of the Daishi Hokuetsu FG

## Business Area



The Daishi Hokuetsu Financial Group operates in Niigata Prefecture as its main business base. Niigata Prefecture is located on the Sea of Japan side of Honshu, and has long had an active agriculture industry thanks to its geography and climate. In addition, it is widely recognized for its production of rice confectionery, processed seafood products, and other food products that utilize its abundant agricultural and fishery resources, such as rice. Niigata Prefecture has the 17th largest nominal GDP in Japan (fiscal 2019) and the 15th largest population in Japan (fiscal 2022). In addition, the area has high potential, including substantial transportation infrastructure, the area in the middle of the prefecture around Sanjo City and Tsubame City, which are known for

their metal goods, 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 25 consecutive years since peaking in 1997.

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.

## Industries in Niigata Prefecture

In addition to agriculture, particularly rice, in each region within the prefecture, there are also various manufacturing industries concentrated in various parts of Niigata Prefecture and supporting the regional economy and employment, including foodstuffs, machinery, metals, chemicals, electronic components, and textiles, taking advantage of the prefecture's natural resources and excellent location, with convenient transportation to and from the Tokyo metropolitan area.

### ► 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 125.2 billion yen, the highest in Japan, and the prefecture also has the largest area planted with edamame (soybeans) in Japan. (Fiscal 2021)



### ► 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 has 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 been 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 one million or more visitors over the two days it is held.



### Swimming Beaches and Hot Spring Resorts

There are 60 swimming beaches in Niigata Prefecture, ranking first in Japan (fiscal 2022).

There are 137 hot spring resorts with accommodation facilities, meaning the prefecture ranks third in Japan on this metric (fiscal 2021).

## 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 the transportation network

- Highways stretching out in five different directions**  
 (Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai Tohoku)

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- Joetsu Shinkansen**
- Hokuriku Shinkansen**

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- Niigata Airport**

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- Niigata Port**  
 Comprehensive ports, function-specific ports:  
 International container shipping sector  
 Designated as LNG (liquefied natural gas) sector

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- Naoetsu Port**  
 Function-specific ports:  
 Designated as LNG (liquefied natural gas) sector



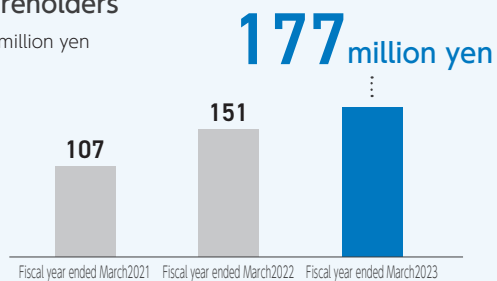
(As of June 30, 2023)

# Financial Highlights

## Daishi Hokuetsu FG (Consolidated)

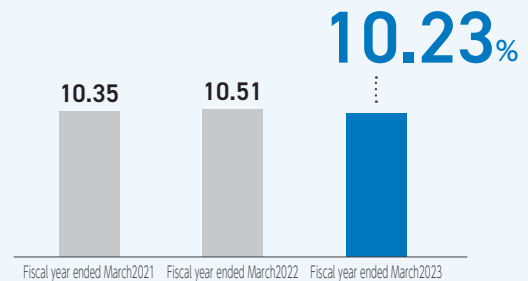
### Net income reverting to parent company shareholders

100 million yen



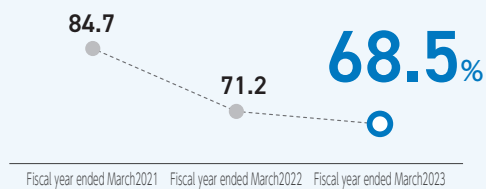
### Capital adequacy ratio

%



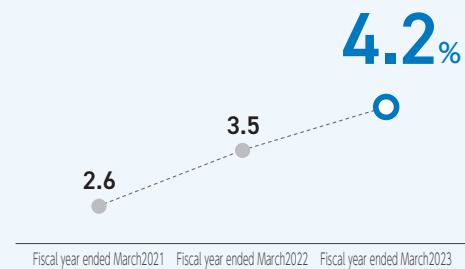
### OHR (expense ratio)

%



### ROE

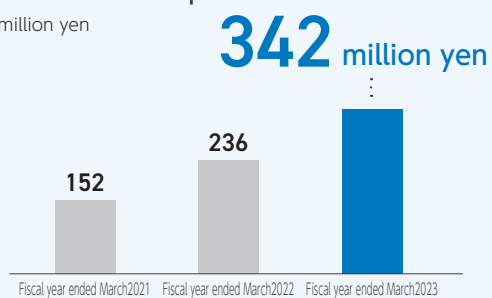
%



## Daishi Hokuetsu Bank (Non-Consolidated)

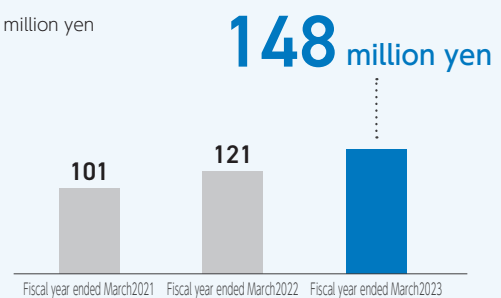
### Core business net profit

100 million yen



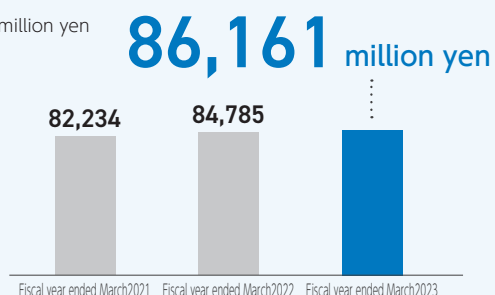
### Net Income

100 million yen



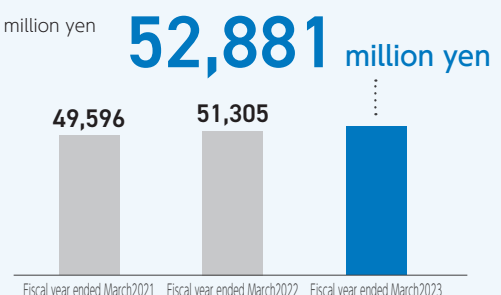
### Deposit balance

100 million yen



### Loan balance

100 million yen



# Non-Financial Highlights



## Customers

Business startups or re-startups



Fiscal year ended March 2022 Fiscal year ended March 2023

Number of companies supported in business succession



Fiscal year ended March 2022 Fiscal year ended March 2023

Number of companies supported in M&A



Fiscal year ended March 2022 Fiscal year ended March 2023

Number of consultations on staffing (cumulative)



Fiscal year ended March 2022 Fiscal year ended March 2023  
(\*Actual result at Daishi Hokuetsu Career Bridge)

Number of cases of support for sales channel development (cumulative)



Fiscal year ended March 2022 Fiscal year ended March 2023  
(\*Actual result at Bridge Niigata)

Number of cases of productivity improvement support (cumulative)



Fiscal year ended March 2022 Fiscal year ended March 2023  
(\*Actual result at Bridge Niigata)



## Regional Society

Donations through donation-type private placement bonds (cumulative)



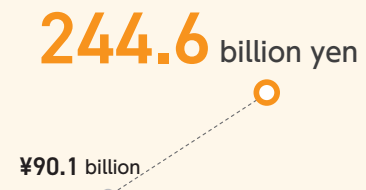
Fiscal year ended March 2022 Fiscal year ended March 2023

CO<sub>2</sub> emissions reduction rate (vs. fiscal 2013)



Fiscal year ended March 2022 Fiscal year ended March 2023

Sustainable Finance track record (cumulative)



Fiscal year ended March 2022 Fiscal year ended March 2023



## Employees

External evaluation of Health and Productivity Management

**Six** years of continuous certification



External assessment of support for child rearing



"Platinum Kurumin Plus certification" (May 2023)

External assessment of active participation of women



"Platinum Eruboshi certification" (May 2023)



# History of the Daishi Hokuetsu Financial Group

Since the founding of the Fourth National Bank of Japan 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 these issues. This has enabled us to earn the trust of stakeholders while achieving sustainable growth and increasing our corporate value.

History of the company

**1873**

**The Fourth National Bank of Japan founded**  
Founded in current-day Niigata City as Japan's third national 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.

**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.

**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.

**1942**


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

**1948**

**Corporate name changed to The Hokuetsu Bank**

2018

Birth of the Daishi Hokuetsu Financial Group



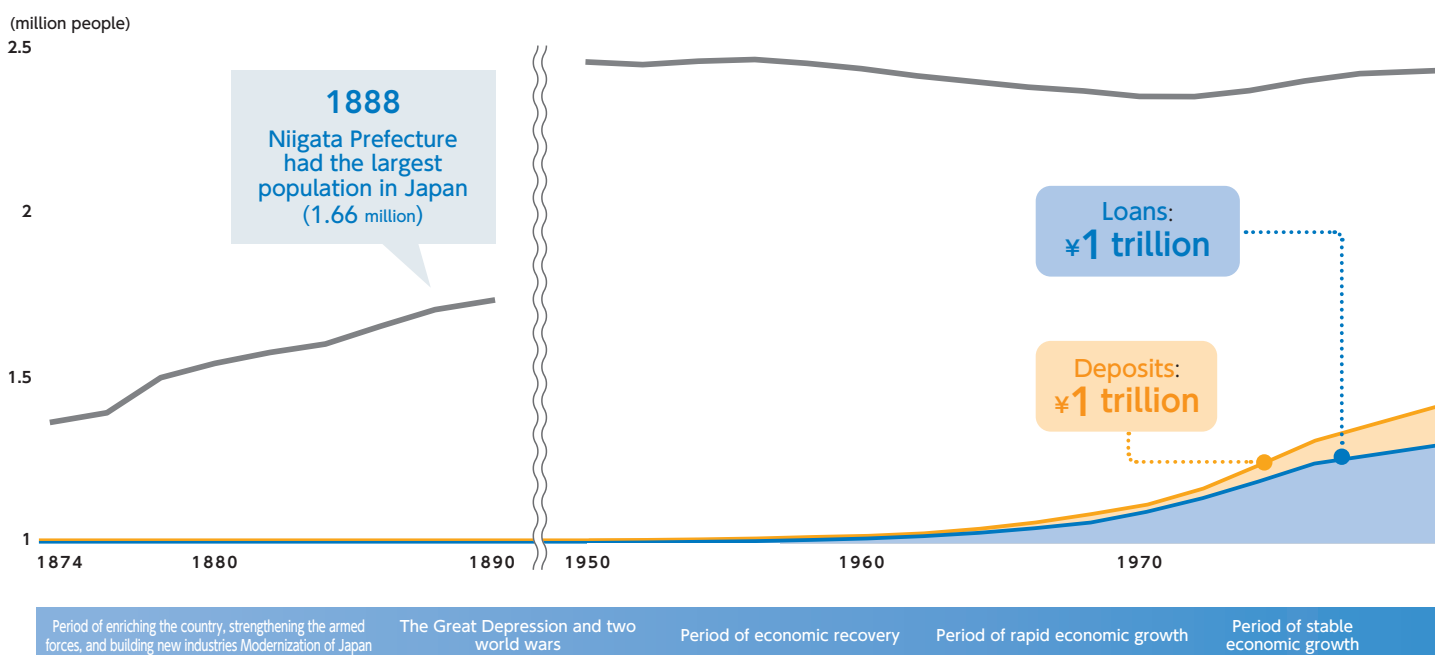
DAISHI HOKUETSU Financial Group  
第四北越フィナンシャルグループ

2019

Daishi Hokuetsu Career Bridge

Daishi Hokuetsu Securities

became wholly owned subsidiaries



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

## 2021

Birth of the Daishi Hokuetsu Bank



The Daishi Hokuetsu Lease

Daishi Hokuetsu Research & Consulting

Daishi Hokuetsu Capital Partners Co., Ltd.

became wholly owned subsidiaries

## 2022

The Daishi JCB Card

The Daishi DC Card

The Hokuetsu Card

The Daishi Computer Service

became wholly owned subsidiaries

## 2023

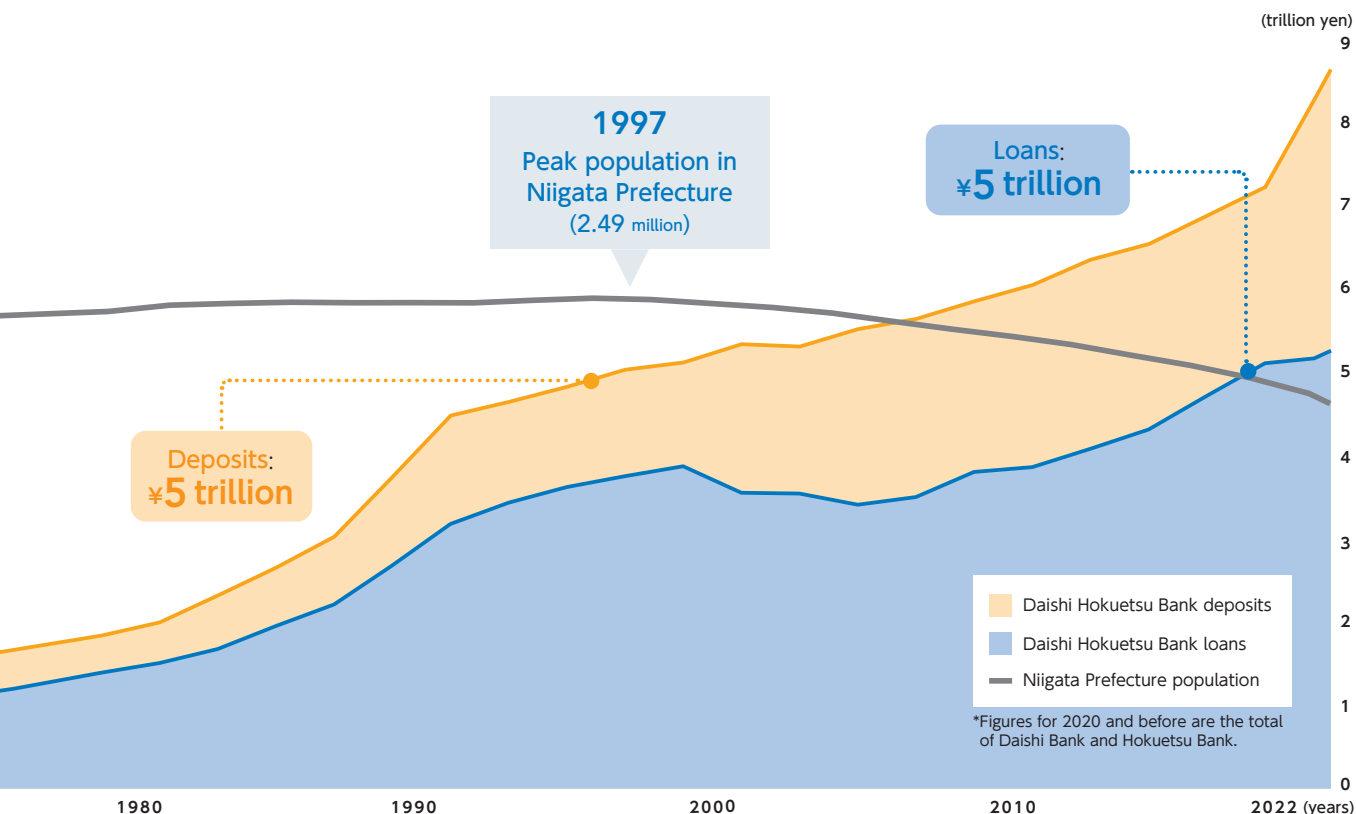
150 years since the foundation of the Daishi Hokuetsu Bank



Five years since the establishment of the Daishi Hokuetsu Financial Group

Daishi Hokuetsu IT Solutions became a wholly owned subsidiary

Bridge Niigata became a consolidated subsidiary



\*Figures for 2020 and before are the total of Daishi Bank and Hokuetsu Bank.

Bubble period

Prolonged economic stagnation

Boom years of the early and mid 2000s

Global financial crisis

COVID-19 pandemic  
Increased geopolitical risk

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

Continue to contribute to the development of regional society

# 150 Years Since the Foundation of the Daishi Hokuetsu Bank

## Five Years Since the Establishment of the Daishi Hokuetsu Financial Group

The basic theme of the company's anniversary commemorative project is "sustainability," and we are implementing various initiatives aimed at sharing our firm commitment (message) to make a lasting "contribution to the local community" both internally and externally, thus enhancing the level of trust and expectations in the company from stakeholders, and raising the awareness, responsibility, and motivation of our employees. In this section, we introduce our main initiatives.

### Anniversary Commemorative Logo

This anniversary is an important opportunity for us to further strengthen our relationships with our stakeholders, so we have established a logo to encourage people to recognize the anniversary.

The logo uses deep blue and golden colors, which are known as our corporate colors, as well as a classical typeface that expresses our long history of 150 years. The line connected to the number "5" represents the 150-year history of the Daishi Hokuetsu Bank and the five-year history of the Daishi Hokuetsu Financial Group, and it also uses the symbol for "infinity ( $\infty$ )" to express the desire to continue contributing to the region in perpetuity.

Continuing to be a part of the community

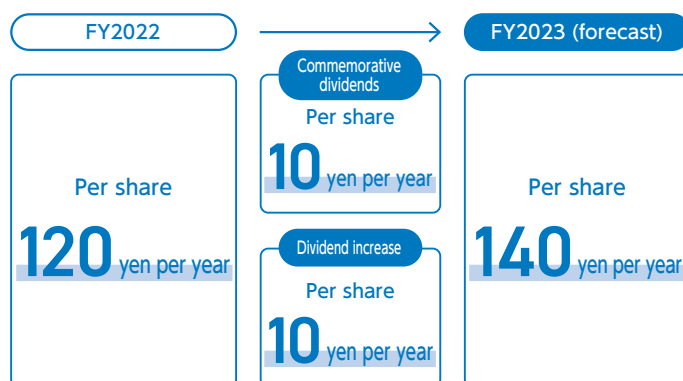


Anniversary Commemorative Logo

### Payment of Commemorative Dividends

In order to thank our shareholders for their continued support, the company will pay a commemorative dividend of 5 yen per share for both the interim and year-end dividend in the fiscal year ending March 31, 2024, equivalent to an annual commemorative dividend of 10 yen per share.

The (forecast) annual dividend per share, including the commemorative dividend, will be 140 yen, an increase of 20 yen from the previous year, including a dividend increase of 10 yen. See page 53 for more information on the company's shareholder returns.



### Presentation of Donations to Niigata University, a National University Corporation, Celebrating its 75 Year Anniversary

In February 2023, the company presented a donation of 3 million yen to Niigata University, which will celebrate its 75-year anniversary in 2024, as part of our anniversary commemorative project. Our subsidiary, Daishi Hokuetsu Bank, has collaborated with Niigata University in a variety of fields, having entered into a "comprehensive partnership agreement" with the university in 2005, with the aim of contributing to mutual development through cooperation across a wide range of fields, including culture, industry, education, and academia. The company supports the university's goal of "contributing to the development of the next generation of human resources and science, and contributing to society," and we will support the development of human resources at the university through donations, while also further deepening ties with the university to contribute to the development of local communities.



Ceremony for presentation of donation to Niigata University

Our subsidiary, Daishi Hokuetsu Bank, will celebrate the 150-year anniversary of its founding in November 2023, while the company will celebrate the five-year anniversary of its establishment in October 2023. Our success is entirely due to the warm support and patronage of our customers, local communities, and shareholders over many years, and all of our officers and employees would like to express their sincere gratitude accordingly. Since our founding in 1873, the Daishi Hokuetsu Bank has built relationships of trust

with the local community and grown as a part of the community, by fulfilling our role and mission as a regional bank while also responding to the ever-changing environment, over a period of 150 years. Based on these relationships of trust, all Group officers and employees will continue to contribute to the development of the local community by leveraging our diverse range of functions as a Group to the maximum possible extent with a single purpose, thus meeting the expectations of our stakeholders.

### Creation of a New Sales Office for Group Companies in the Nagaoka Area

In July 2023, as part of our anniversary commemorative project, the company consolidated and relocated part of its Group companies' sales offices in the Nagaoka area, including the Nagaoka Head Office Business Department of Daishi Hokuetsu Bank, our subsidiary bank, and the Head Office Business Department of Daishi Hokuetsu Securities, to the "Komehyakudawara Place West Building," which was completed in the central urban area of Nagaoka City. By consolidating our sales offices and sales personnel in this building, which is located in the central urban area of Nagaoka City, we will further strengthen our consulting functions through inter-Group collaboration and contribute to the development of the local economy by maximizing Group synergies.



Komehyakudawara Place West Building

### New Establishment of the "Daishi Hokuetsu Museum"

Within the building of our new sales office, we have created an exhibition space called "Daishi Hokuetsu Museum ~ History of Nagaoka ~," to show the history of Hokuetsu Bank, which has developed alongside Nagaoka, a key area for the company, and the history of reconstruction and industrial development in Nagaoka. We will offer this museum as a place for local residents to learn about the history of Nagaoka, while also keeping memories alive for the future.



Daishi Hokuetsu Museum



Value Creation Story

# Overview of Value Creation Story

## Management Philosophy

Aimed at

ENGAGEMENT  
Engagement  
(Dialogue)



Continuing to be a part of the community

Trust from the Local Community

Details p.39

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Human capital

Details p.43

### INPUT

[ Capital to utilize ]

#### Human capital

- Number of employees (consolidated for the Group) : **3,463**
- Large number of employees with financial qualifications
- Ability to respond to change and strengths as an organization gained through the management integration and merger

#### Intellectual capital

- Sharing expertise in both financial and non-financial fields by leveraging the Group's collective strength
- Accumulating expertise through the TSUBASA Alliance

#### Social capital

- A relationship of trust with the local community that has been built over 150 years
- A strong business foundation
  - ▶ Share of savings deposits and savings in Niigata Prefecture: **40.9%**
  - ▶ Share of loans in Niigata Prefecture: **52.7%**

(As of March 31, 2022, source: The Journal of Finance)

- Nationwide Main Bank Trend Survey Number of companies for whom we are their main bank: 9th in Japan (No. 5 among regional banks) (As of October 31, 2022, source: TEIKOKU DATABANK)

#### Financial capital

- Total assets (consolidated for the Group) : **10,517.9** billion yen
- Deposits (non-consolidated) : **8,616.1** billion yen
- Capital adequacy ratio (consolidated for the Group) : **10.23%**
- Rating:
  - A<sup>+</sup> (JCR) (Daishi Hokuetsu FG and Daishi Hokuetsu Bank)
  - A3 (Moody's) (Daishi Hokuetsu Bank)

### Social and environmental issues



- Declining birthrate, aging society, and falling population
- Advancement of DX
- Increased overseas expansion by companies in the prefecture
- Shift to post-COVID-19 society
- Response to climate change risk
- Growing importance of sustainability management
- Prolonged geopolitical risk

Increasing Diversification and Complexity of the Needs of Regional Society

### Issues for financial institutions



- Prolonged low interest rate environment and shifts in monetary policy
- Financial instability in Europe and the United States
- Transformation of financial policies
- Intensification of competition with other banks
- Increased participation in the banking business by companies from other industries

Changes in the business environment surrounding the Group

Business Base to Support

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.

## Creating New Value

### Value Creation Process



### Strengths of the Group

Details p.39

#### Achieving Three Synergies

|                       |                      |                                 |
|-----------------------|----------------------|---------------------------------|
| <p>Merger Synergy</p> | <p>Group Synergy</p> | <p>TSUBASA Alliance Synergy</p> |
|-----------------------|----------------------|---------------------------------|

Details p.53

#### Sound Financial Position

Provide services that live up to the expectations of customers

## OUTCOME

[ Provide value to stakeholders ]

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

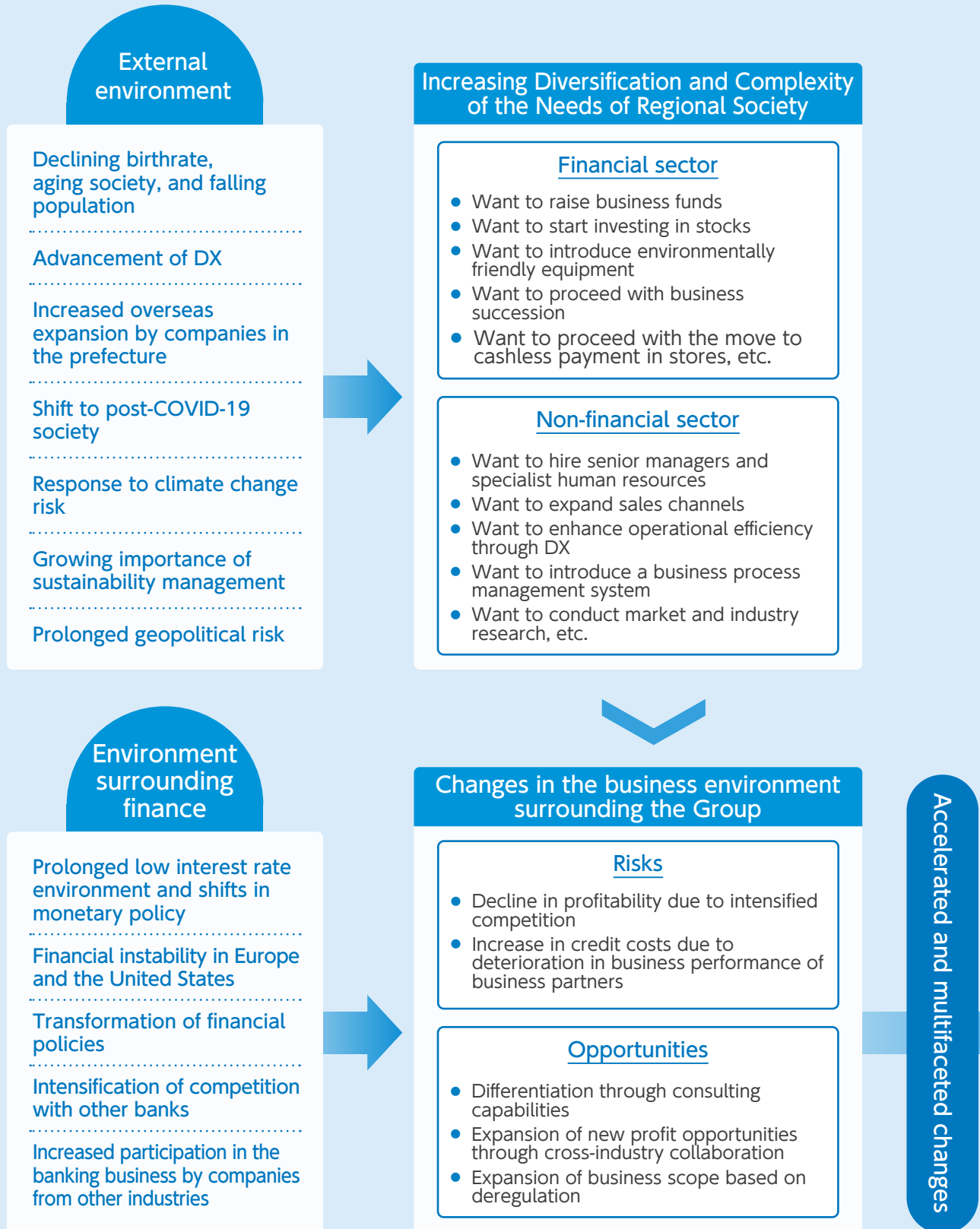
- Developing a workplace environment where employees can feel job satisfaction and work with peace of mind
- Workplace where each employee can grow

### New Value Creation

Trusted financial group

# 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.

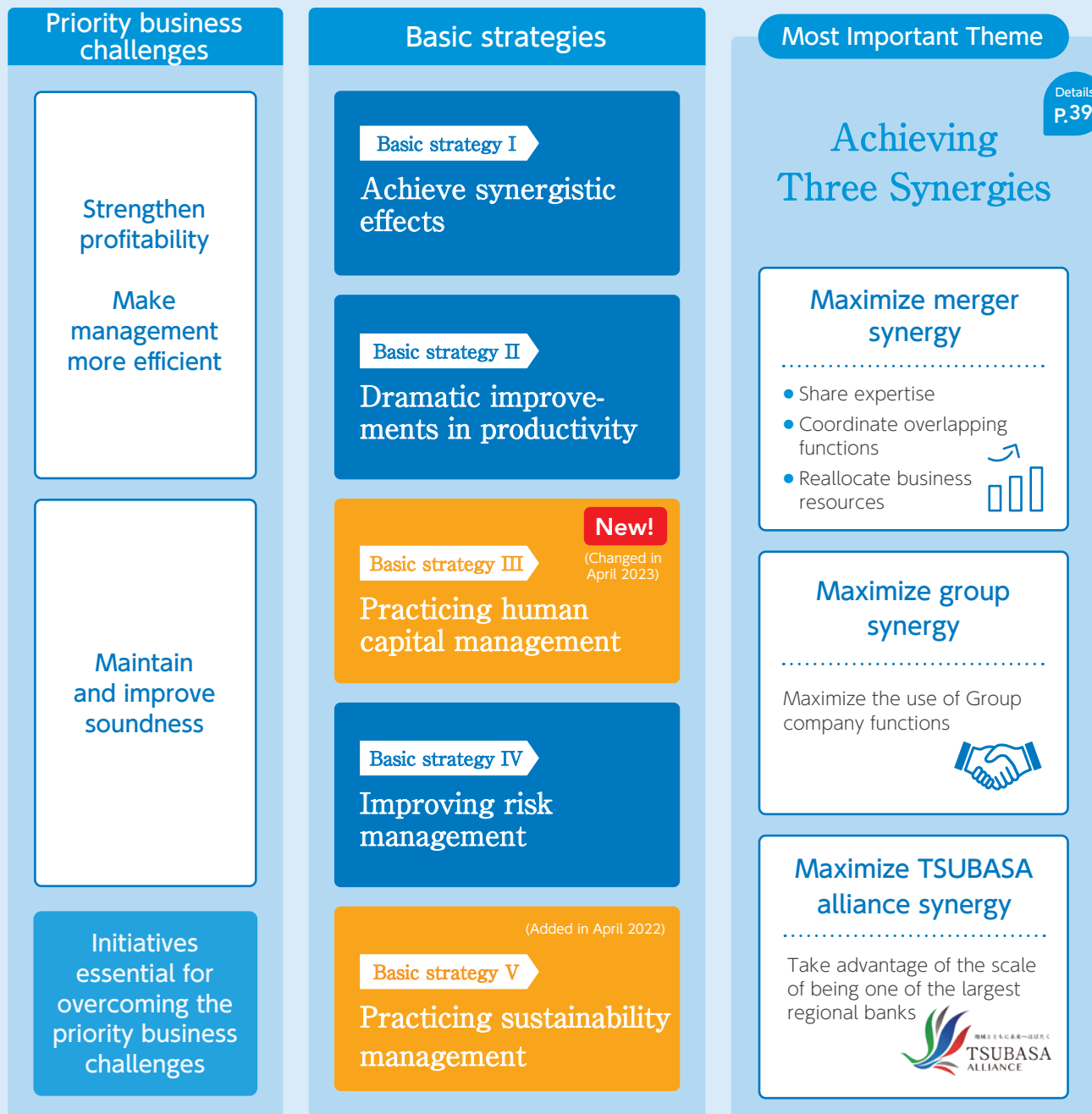
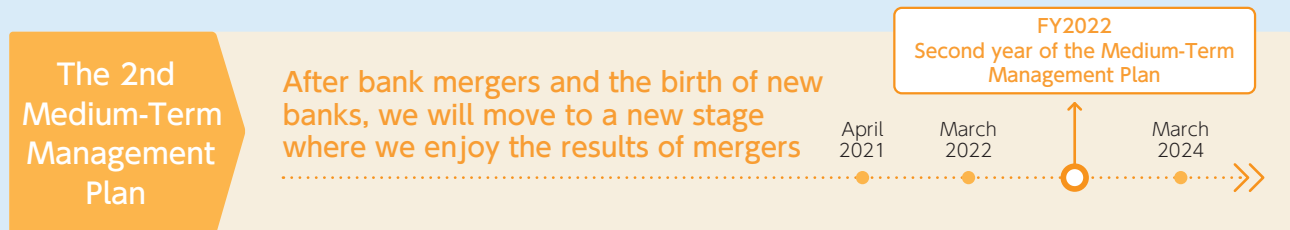


# The 2nd Medium-Term Management Plan

(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.

In April 2022, we added "practicing sustainability management" to our basic strategy V based on the growing importance of addressing sustainability issues. Additionally, in April 2023, we changed our basic strategy III from "developing and enhancing human resources" to "practicing human capital management," as part of our aim to enhance the value of "human capital," which is the source of the Group's sustainable value creation and competitive advantage.





# Sustainability Initiatives

## Basic Sustainability Policy

With developments related to sustainability, including a response to 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 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.

### Daishi Hokuetsu Financial Group Management Philosophy

#### “Daishi Hokuetsu Financial Group’s Basic Sustainability Policy” (formulated in December 2021)

Based on our Management Philosophy, the Daishi Hokuetsu Financial Group contributes to the creation of a sustainable local community by proactively and independently addressing environmental and social issues surrounding the region from a medium- to long-term perspective.

#### Initiatives Targeting Regional Issues

In order to solve environmental and other issues facing regional society, the Group will use our collective strength to maximize our financial intermediary functions and information intermediary functions in both risk management and opportunity creation, and pursue sustainable regional growth while also increasing the corporate value of the Daishi Hokuetsu Financial Group.

#### Initiatives Targeting Environmental Problems

Aiming to contribute to mitigating environmental risks such as climate change, we will actively support customers who are tackling environmental issues, such as the creation of a decarbonized society and the conservation of biodiversity. We will also work to reduce the environmental impact of the corporate activities of the Daishi Hokuetsu Financial Group.

#### Establishing relationships of trust with society

We will respect human rights in all corporate activities. We will comply with laws, regulations, and social norms, conduct fair and appropriate transactions with our customers in good faith, and establish solid relationships of trust with our stakeholders through appropriate information disclosure and dialogue. We will prioritize a stance of being close to and maintaining dialogue with regional society, and we will contribute to raising awareness of sustainability within the region.

#### Human resource development and improvement of the workplace environment

As a member of the regional society, we will engage in human resource development and awareness-raising activities to ensure that our officers and employees can act with initiative and a sense of ownership in relation to various issues related to sustainability. We will respect the values of each and every employee and create a healthy working environment in which a diverse range of human resources can remain healthy and actively participate, based on fair and appropriate treatment.

Daishi Hokuetsu Financial Group ESG Initiatives Policy

Daishi Hokuetsu Financial Group SDGs Declarations

## Disclosure of Status of Sustainability Initiatives Based on the Framework of 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 addition, economic security is growing in importance amid factors such as the Russian invasion of Ukraine and the COVID-19 pandemic, and we must therefore not only continue our business operations, but also take measures to address risks that will impact the supply chains of our business partners.

Against this backdrop, the Group is working together to put sustainability management into practice, to maintain and improve the environment and society while also achieving economic and corporate growth. Since the fiscal year ended March 31, 2022, we have been working to enhance information disclosure, including disclosing information on sustainability initiatives, particularly climate change, based on the framework of the TCFD\* (Task Force on Climate-related Financial Disclosures) 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.

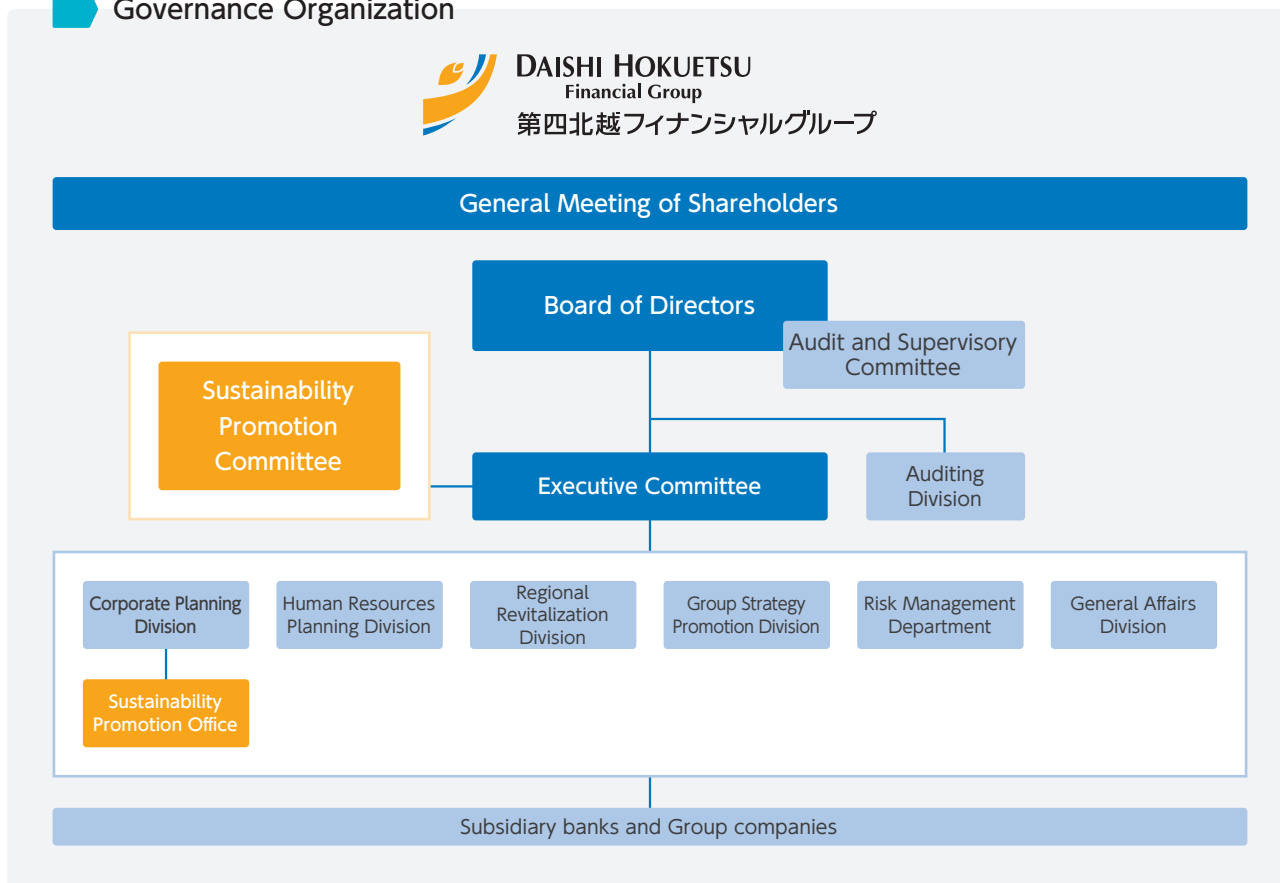
### Process 1

## Governance

We have established a Sustainability Promotion Committee, which is chaired by the President, and whose key members include an officer responsible for operations, the Presidents of Group companies, managers of Daishi Hokuetsu Bank, and others, as well as Internal Audit and Supervisory Committee Members from the company and Daishi Hokuetsu Bank as observers. The committee analyzes risks and opportunities related to sustainability and deliberates strategies based on the analysis results, etc.

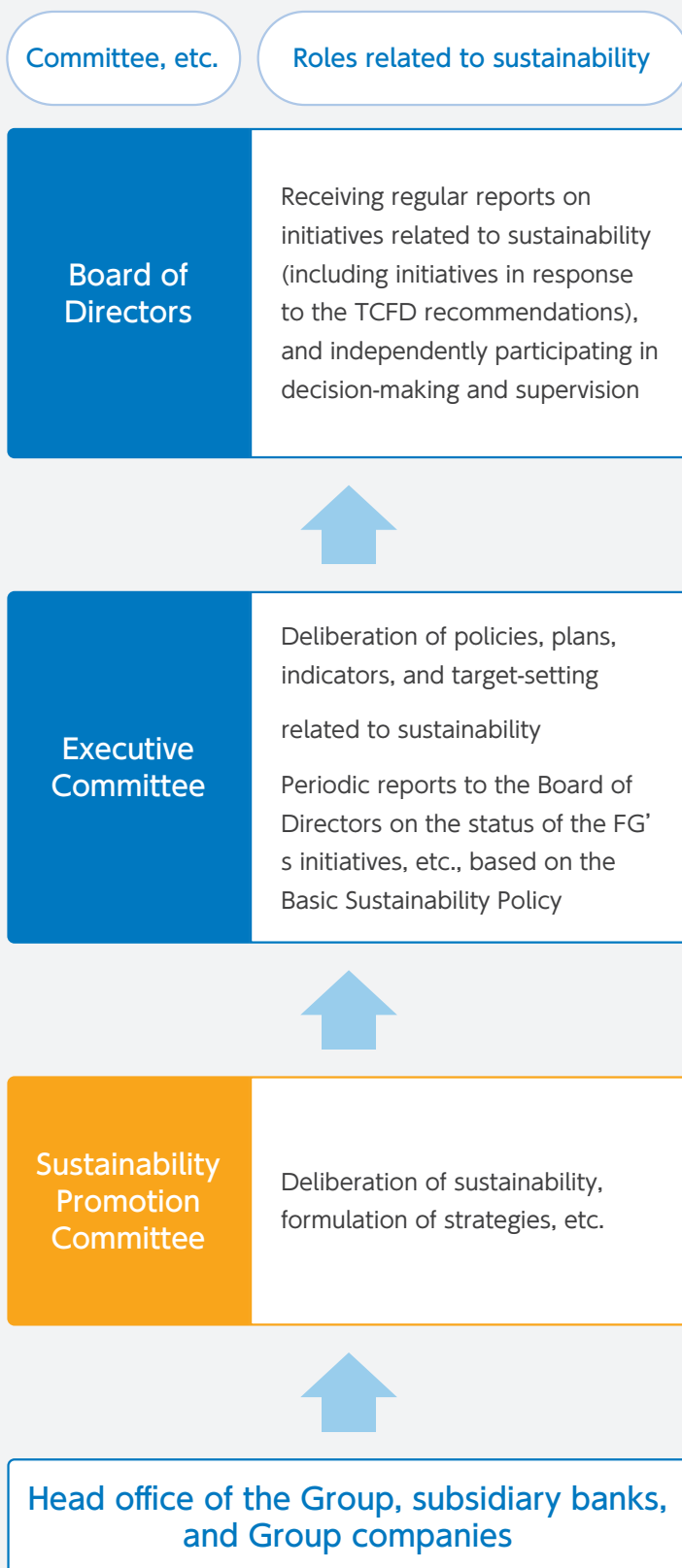
In May 2022, the frequency of meetings of the committee was changed from once a quarter to every month (11 meetings were held in fiscal 2022), and in addition to strengthening the PDCA for sustainability initiatives, we have also established a system for deliberating the contents of these initiatives at meetings of the Board of Directors. In such ways, we have created a framework that ensures the Board of Directors participates in decision-making and supervision related to sustainability.

### Governance Organization



# Sustainability Initiatives

## Role of Each Committee, etc.



## Main Reports and Deliberations at Meetings of the Board of Directors

### April 2022

- Formulation of "Investment & Financing Policies that consider environment and society" and setting of "Sustainable Finance Targets" and "CO<sub>2</sub> emissions reduction targets"

### June 2022

- Outline of information disclosure based on the TCFD recommendations in fiscal 2021
- Fiscal 2021 performance report and policies for fiscal 2022, in relation to sustainability initiatives

### September 2022

- Fiscal 2022, first quarter performance report in relation to sustainability initiatives

### November 2022

- Performance report on activities to promote sustainability for the first half of fiscal 2022

### March 2023

- Participation in "GX League" and declaration of "realization of carbon neutrality by fiscal 2050"

### May 2023

- Performance report on activities to promote sustainability for fiscal 2022
- Policies on sustainability initiatives in fiscal 2023

## Role of the Sustainability Promotion Committee

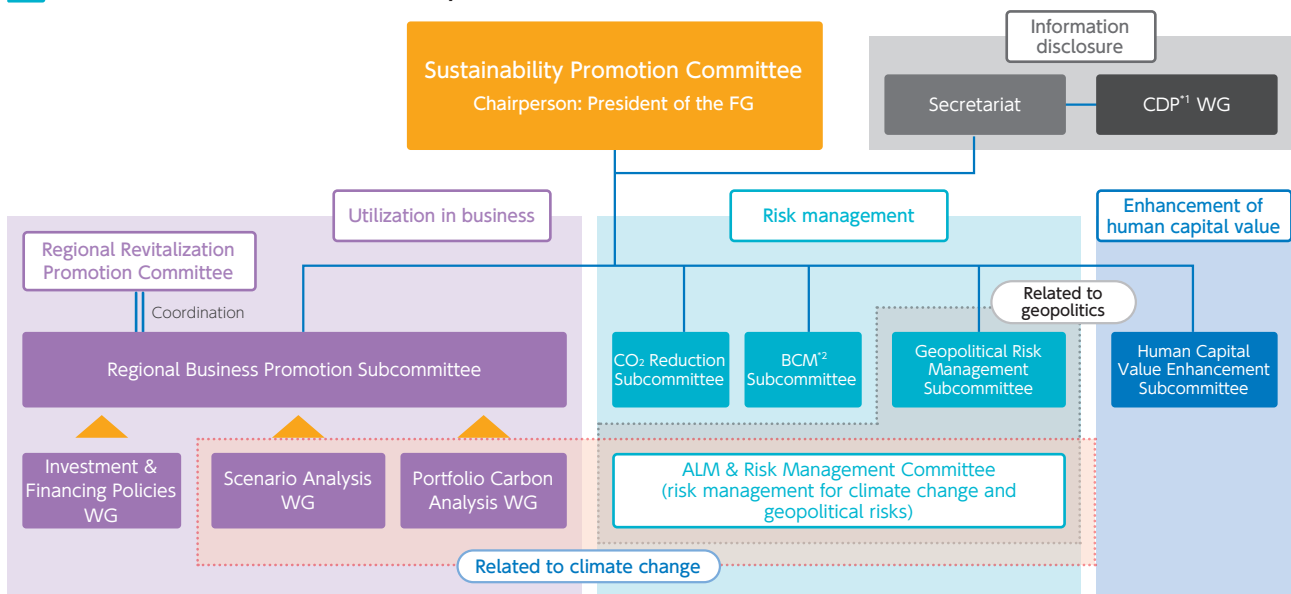
Recognizing that responding to climate change is a key priority, the Group agrees with the recommendations of the TCFD. Accordingly, the Sustainability Promotion Committee reviews climate change analysis and response measures, and the Group implements measures that have been reviewed and actively discloses related information.

In addition, in order to effectively utilize the results of analysis and ensure the sustainable development of the Group, including risk management for the business continuity of the Group and human resource development,

we have established subcommittees and working groups under the Sustainability Promotion Committee for each of the four categories of "utilization in business," "risk management," "enhancement of human capital value," and "information disclosure," and we implement the PDCA cycle for activities planned and implemented by each subcommittee and working group.

The Sustainability Promotion Committee also reviews our response to increasing geopolitical risks, which we consider an important issue.

### Structure of the Sustainability Promotion Committee



\*1 CDP: CARBON DISCLOSURE PROJECT, a non-governmental organization (NGO) from the UK

\*2 BCM: Business Continuity Management

#### Roles of subcommittees and working groups of the Sustainability Promotion Committee

| Subcommittee/WG                    |  | Role   |
|------------------------------------|--|--|
| Utilization in business            | Regional Business Promotion Subcommittee     | <ul style="list-style-type: none"> <li>Utilize the results of analysis and reviews by each WG in consulting with business partners</li> </ul>  |
|                                    | Scenario Analysis WG                         | <ul style="list-style-type: none"> <li>Conduct scenario analysis and review analysis sectors</li> <li>Calculation of credit in carbon-related sectors</li> </ul>   |
|                                    | Portfolio Carbon Analysis WG                 | <ul style="list-style-type: none"> <li>Acquisition of skills related to portfolio carbon analysis methods and implementation of analysis</li> <li>Development of engagement with business partners</li> </ul>                                    |
|                                    | Investment & Financing Policies WG           | <ul style="list-style-type: none"> <li>Continuous verification of sustainable finance</li> <li>Monitoring the status of investment &amp; financing policies</li> <li>Reviews of specified businesses</li> </ul>                                  |
| Risk management                    | CO <sub>2</sub> Reduction Subcommittee       | <ul style="list-style-type: none"> <li>Planning of overall measures for CO<sub>2</sub> reduction</li> <li>Planning of overall measures to reduce energy consumption</li> <li>Planning of overall measures to reduce paper consumption</li> </ul> |
|                                    | BCM Subcommittee                             | <ul style="list-style-type: none"> <li>Planning and implementing measures to achieve business continuity</li> </ul>  |
|                                    | Geopolitical Risk Management Subcommittee    | <ul style="list-style-type: none"> <li>Identification of events affecting the Group caused by geopolitical risks and consideration of countermeasures</li> </ul>   |
| Enhancement of human capital value | Human Capital Value Enhancement Subcommittee | <ul style="list-style-type: none"> <li>Consideration of measures to enhance human capital value</li> <li>Review of disclosure of information related to human capital</li> </ul>   |
| Information disclosure             | Secretariat                                  | <ul style="list-style-type: none"> <li>Overall operation of the Sustainability Promotion Committee</li> <li>Formulation of measures for information disclosure</li> <li>Collection of information related to sustainability</li> </ul>           |
|                                    | CDP WG                                       | <ul style="list-style-type: none"> <li>Review of responses to CDP questionnaires</li> </ul>  |

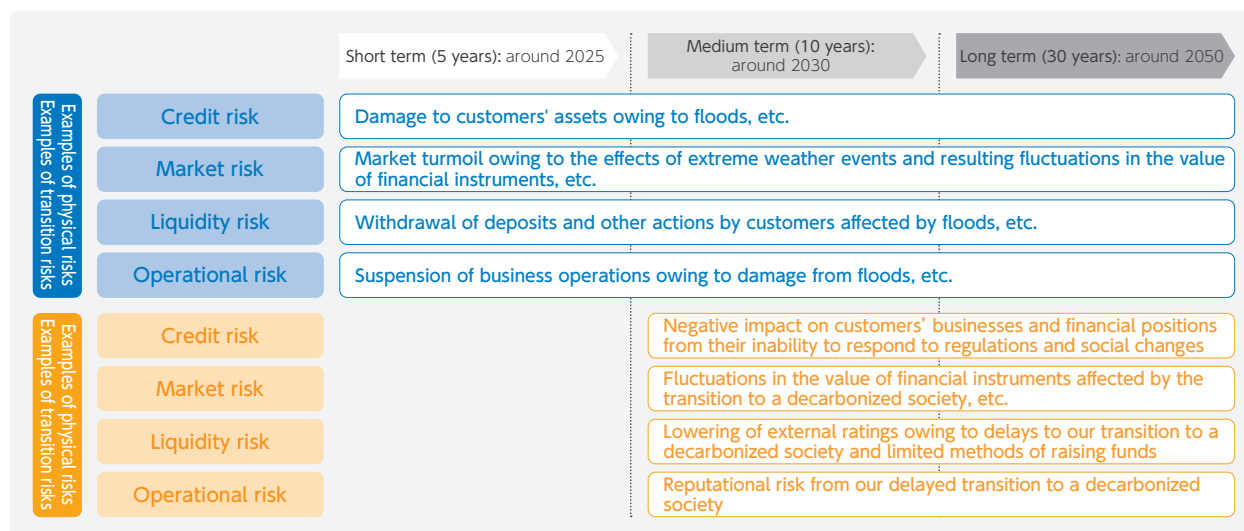


# Sustainability Initiatives

## Process 2 Strategy

### 1 Our Understanding of the Risks Associated with Climate Change

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.



### ▶ Scenario Analysis Related to Climate Change

We have analyzed physical and transition risks, utilizing analysis expertise gained from the "Pilot Program Support Project for Scenario Analysis of Climate Risks and Opportunities in Line with TCFD Recommendations (Ministry of the Environment)," in which Daishi Hokuetsu Bank participated in fiscal 2021. The results of the analysis are as follows.

#### Physical risks

We have analyzed the impact of damage to collateral, 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. With regard to the amount of damage to collateral, we expanded the scope of our analysis from "collateral properties in Niigata Prefecture" accepted by Daishi Hokuetsu Bank in fiscal 2021, to "all collateral properties," including those outside Niigata Prefecture. With regard to the amount of decrease in sales, we have expanded the scope from "borrowers of Daishi Hokuetsu Bank located throughout Niigata Prefecture (excluding large corporations and public funds)" to "all borrowers of Daishi Hokuetsu Bank located throughout Japan (excluding large corporations and public funds)."

|                     |  |   |
|---------------------|--|---|
| 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<br>*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   | Borrowers of Daishi Hokuetsu Bank (excluding large corporations and public funds)   |
| Results of analysis | Credit costs are expected to increase by around 900 million yen  | Credit costs are expected to increase by around 9.6 billion yen   |
|                     | Credit costs are expected to increase by around 10.5 billion yen in total  |   |

#### Transition risks

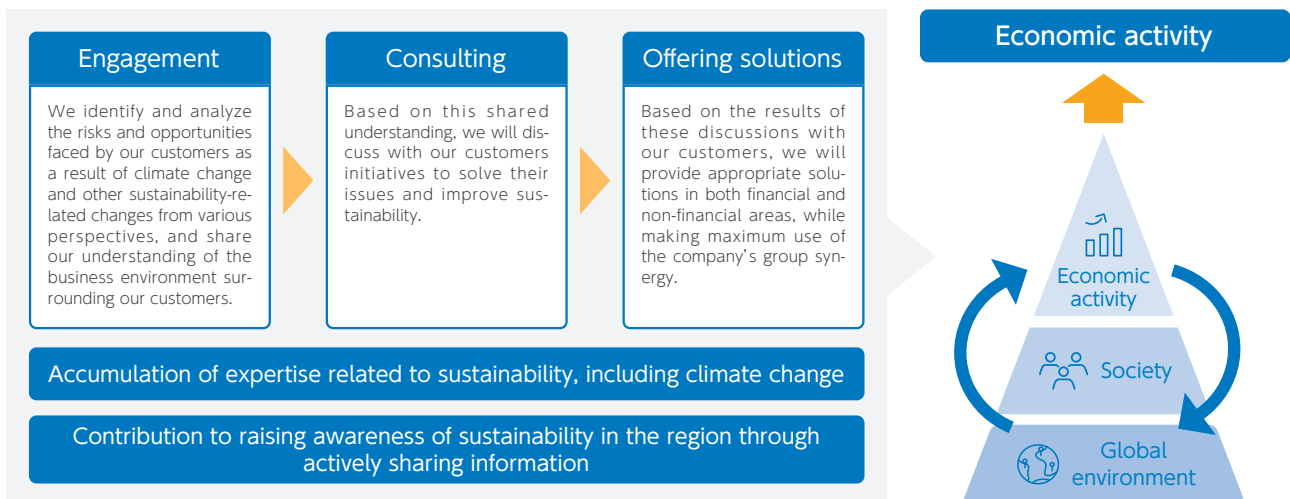
For transition risks, in addition to the electric power and food sectors, which are sectors highly affected by climate change risk in the loan portfolio of Daishi Hokuetsu Bank, we have also added the property management and development sectors to the scope of our analysis.

|                     |   |  |
|---------------------|---|--|
| 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"> <li>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</li> <li>Estimate the increase in credit costs with simulations for different categories of borrower in a particular sector based on the costs associated with transition</li> </ul> |  |
| Scope of analysis   | Electric power, food, and property management and development sectors   |  |
| Results of analysis | Credit costs are expected to increase by around 2.7 billion yen in total  |  |

## 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 achieving economic and corporate growth, the Group will 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.



### TOPICS Participation in the "GX League"

On May 15, 2023, the company joined the "GX League"<sup>2</sup>, which was established with the aim of transforming economic and social systems as a whole to achieve carbon neutrality.<sup>1</sup>

Companies participating in the "GX League" are required to work to achieve carbon neutrality themselves in order to achieve carbon neutrality in the world as a whole, while also collaborating with various stakeholders to lead efforts to achieve this transformation.

With the aim of achieving the "2050 Carbon Neutral

Declaration" announced in March 2023, the Group is working to reduce our own CO<sub>2</sub> emissions through measures such as the establishment of environmentally friendly branches with ZEB certification and the introduction of electric vehicles. At the same time, the Group will also utilize the "GX League" framework to return our knowledge and expertise to customers and support initiatives aimed at reducing CO<sub>2</sub> emissions throughout the region as a whole based on our engagement with our customers.

\*1 Reducing the total amount of CO<sub>2</sub> emissions to net zero, by subtracting the "amount absorbed" through afforestation, forest management, etc.

\*2 A forum for companies actively engaged in GX to engage in discussions aimed at the transformation of economic and social systems as a whole and put initiatives for the creation of new markets into practice, together with players taking on the challenge of GX in government, academia, and the financial sector, established based on the Ministry of Economy, Trade and Industry's GX (Green Transformation) Basic Concept



Participated in May 2023

# Sustainability Initiatives

## Process 3

## Risk management

The Group has established the “Investment & Financing Policies that consider environment and society,” thereby clarifying our commitment to contributing to the creation of a sustainable regional society through investment and financing. 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. Accordingly, we 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” (established May 2022)

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<sup>\*1</sup> and PEFC<sup>\*2</sup>), 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<sup>\*3</sup>), 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 2023, carbon-related assets\* accounted for 18.5% of loans, etc., (including private placement bonds) at Daishi Hokuetsu Bank.

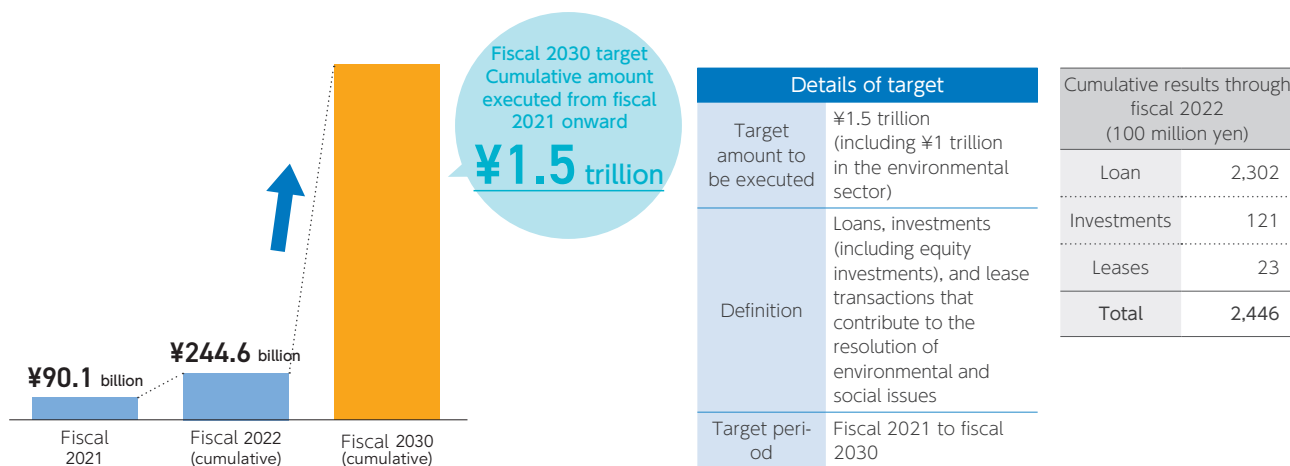
\* Carbon-related assets are defined as the following four sectors: “electric power and energy (excluding water supply and renewable energy power generation),” “transportation,” “materials and buildings,” and “agriculture, food, and forest products.” The credit outstanding to customers whose main businesses are in these four sectors is aggregated.

## Process 4

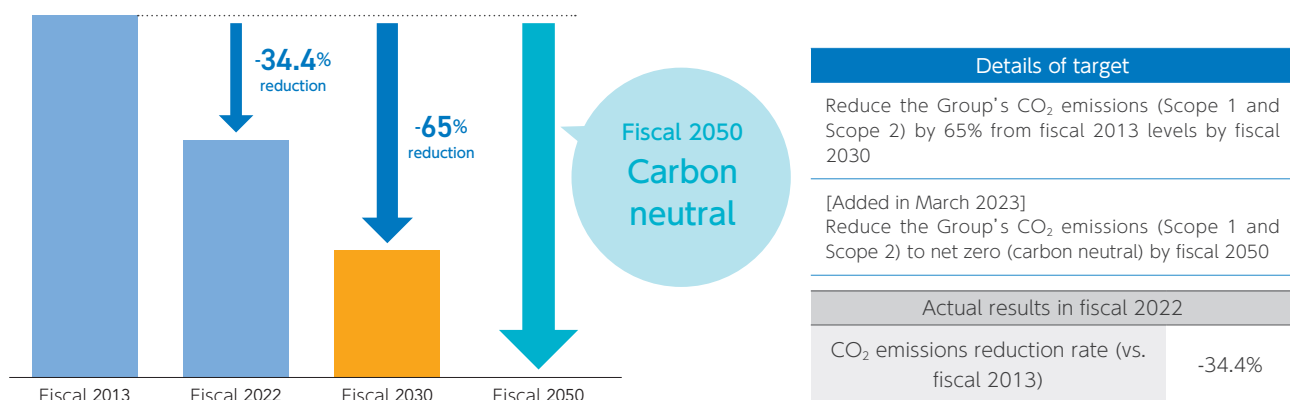
## Indicators and Targets

## 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.

CO<sub>2</sub> Emissions Reduction Target

In March 2023, the Group announced the “2050 Carbon Neutral Declaration,” setting a goal of reducing our own CO<sub>2</sub> emissions (covering Scope 1 and Scope 2\*) to net zero by fiscal 2050. Based on this declaration, the Group will accelerate efforts to reduce our own CO<sub>2</sub> emissions, while also supporting our customers in their efforts to reduce CO<sub>2</sub> emissions, as we work to create a decarbonized society in the region.



\*Scope 1: Direct emissions associated with fuel use by the company; Scope 2: Indirect emissions associated with the use of energy supplied by other companies

< Trends in CO<sub>2</sub> Emissions by Scope >

|              | Fiscal 2013    | Fiscal 2019    | Fiscal 2020    | Fiscal 2021    | Fiscal 2022    | Vs. fiscal 2013 |
|--------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Scope1       | 4,512t         | 3,797t         | 4,066t         | 3,677t         | 3,304t         | -26.7%          |
| Scope2       | 11,743t        | 9,136t         | 9,569t         | 7,706t         | 7,357t         | -37.3%          |
| <b>Total</b> | <b>16,255t</b> | <b>12,933t</b> | <b>13,635t</b> | <b>11,383t</b> | <b>10,661t</b> | <b>-34.4%</b>   |

\*CO<sub>2</sub> emissions by Scope are measured based on the amount of each type of energy used (electricity, gas, etc.) and CO<sub>2</sub> emissions factors (for each fiscal year and company) at each Group company.

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



# Sustainability Initiatives

## ▶ Scope 3 Category 15 Estimation

Scope 3 category 15 emissions, which refers to greenhouse gas emissions emitted by recipients of investments and loans, accounts for a large portion of Scope 3 emissions for financial institutions. Accordingly, we have calculated these emissions for investment and loans provided by Daishi Hokuetsu Bank to domestic corporations (excluding project finance), with reference to the measurement method of the PCAF<sup>1</sup> standard. We will continue to increase the sophistication of our measurement.

| Industry                             | Emissions <sup>*2</sup><br>(t-CO <sub>2</sub> ) | Carbon intensity <sup>*3</sup> | Industry                               | Emissions <sup>*2</sup><br>(t-CO <sub>2</sub> ) | Carbon intensity <sup>*3</sup> |
|--------------------------------------|---|--------------------------------|--|---|--------------------------------|
| Agriculture                          | 91,679  | 8.05                           | Automobiles and parts                  | 182,399   | 3.75                           |
| Paper and forestry                   | 250,557   | 12.07                          | Electric power                         | 952,408   | 29.08                          |
| Food and beverages                   | 516,695   | 3.71                           | Real estate management and development | 133,242   | 1.09                           |
| Metals and mining                    | 568,879   | 20.82                          | Land transport                         | 352,995   | 3.51                           |
| Chemicals                            | 295,193   | 6.27                           | Shipping                               | 178,205   | 27.33                          |
| Oil and gas                          | 123,780   | 2.83                           | Air transport                          | 1,887   | 5.61                           |
| Building materials and capital goods | 946,466   | 4.93                           | Other                                  | 3,348,275                                       | 2.04                           |
|                                      |   |                                | <b>Total</b>                           | <b>7,942,660</b>                                |                                |

\*1 Partnership for Carbon Accounting Financials: An international initiative to develop methods for measuring and disclosing greenhouse gas emissions in financial institutions' investment and loan portfolios

\*2 Emissions: The emissions of each industry are based on the total emissions of borrowers calculated based on the following definitions for each industry.

- (1): Among borrowers with a head office in Niigata Prefecture, public figures for 10 listed companies (and four of their affiliates) that disclose their emissions
- (2): For borrowers other than (1), the figure obtained by multiplying the estimated value calculated on the basis of emission intensity for each industry by the share of financing attributable to Daishi Hokuetsu Bank (outstanding loan balance of Daishi Hokuetsu Bank/total funds procured by the borrower)

\*3 Carbon intensity: Carbon intensity refers to the amount of CO<sub>2</sub> emissions (t-CO<sub>2</sub>) per unit of sales (1 million yen) of the borrower, and is used to determine the amount of CO<sub>2</sub> emissions according to the sales of the borrower. The higher the carbon intensity, the more CO<sub>2</sub> is emitted relative to sales. The "carbon intensity" in the table is calculated using the following formula for each industry, and we calculate the carbon intensity for each industry using the weighted average of the outstanding loan balance of Daishi Hokuetsu Bank (outstanding loan balance in the formula = outstanding loan balance of Daishi Hokuetsu Bank).

$$\text{Carbon intensity} = \frac{\sum [\text{borrower's carbon intensity} \times \text{outstanding loan balance of the borrower}]}{\text{total outstanding loan balance by industry}}$$

### TOPICS

#### "Portfolio carbon analysis" in collaboration with banks participating in the "TSUBASA Alliance"

Utilizing the framework of the TSUBASA Alliance, Daishi Hokuetsu Bank, together with The Chugoku Bank, Ltd., The Musashino Bank, Ltd., and The Gunma Bank, Ltd., which participate in the Alliance, performed "portfolio carbon analysis," with advice from Deloitte Touche Tohmatsu LLC.

We will utilize the knowledge and expertise we have accumulated through this initiative to provide higher quality information disclosure and support the decarbonization efforts of our customers.

The results of the analysis for fiscal 2022 are provided in "Scope 3 Category 15 Estimation" above.

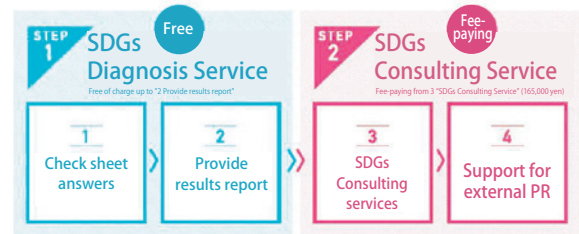
\*A process whereby the greenhouse gas emissions of investment and loan recipients are calculated, and the results are analyzed based on the investment and loan portfolios of financial institutions



## Provision of Consulting Solutions to Promote Sustainability Among Customers

### ► Began Offering Daishi Hokuetsu SDGs Consulting Service

Daishi Hokuetsu Bank and Daishi Hokuetsu Research & Consulting offer the “Daishi Hokuetsu SDGs Consulting Service,” 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 March 2023, we had provided support in a cumulative total of over 1,700 cases since the launch of the service.



### ► Offering of Sustainable Finance Products

Daishi Hokuetsu Bank offers a variety of sustainable finance products, such as “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. Under this system, 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.

#### Sustainable Finance Products offered by Daishi Hokuetsu Bank

For listed companies and large and medium-sized companies



Customers

Loan agreement  
Setting ESG and SDGs-related targets  
Report on the results of efforts  
Reporting, etc.



第四北越銀行

Acquisition of evaluation

Assessment by Rating and Investment Information, Inc. (R&I)

“Sustainability linked finance” (from August 2021)

“Sustainability finance” (from August 2021)

Evaluation by 第四北越リサーチ&コンサルティング

“Positive Impact Finance” (from March 2023)

“SDGs Green Finance” (from March 2023)

“SDGs-linked Finance” (from June 2022)

New!

For SMEs

“SDGs Support Loan” (from March 2022)

No need for acquisition of external evaluation

Loan amount  
**¥100 million**  
or less

Fostering and promoting awareness of SDGs

### ► Selected for the “FY2023 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 third consecutive year for the “FY2023 ESG Lease Promotion Project for Building a Carbon-Free Society” conducted by the Ministry of the Environment. This project promotes ESG leasing initiatives and supports decarbonization through subsidies for a certain percentage of total lease payments from the Ministry of the Environment when companies introduce decarbonized equipment through leasing.

# Sustainability Initiatives

## The company's Sustainability Initiatives

### ▶ Establishment of environmentally friendly branches

At the Sekiya Branch, which was newly constructed and relocated in September 2022, it was recognized that Daishi Hokuetsu Bank would achieve a 100% reduction in primary energy consumption, resulting in the first "ZEB"<sup>1</sup> (Net Zero Energy Building) certification in Niigata Prefecture. In addition, Daishi Hokuetsu Bank also obtained "Nearly ZEB" certification at the Shirone Branch and the Kamo Branch, which were newly constructed and relocated in November 2022 and January 2023, respectively. In addition, the Sekiya and Kamo branches adopted carbon-neutral city gas.<sup>2</sup>

**\*1 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 reducing primary energy consumption to zero by installing energy-saving and generating equipment. It is classified into three stages of certification according to the rate of reduction in energy consumption.

"ZEB": 100% reduction or more; Nearly ZEB: 75% reduction or more; ZEB Ready: 50% reduction or more

**\*2 Carbon-neutral city gas**

By offsetting (carbon offset) the greenhouse gases generated in processes from natural gas extraction to combustion with CO<sub>2</sub> credits, the CO<sub>2</sub> generated is effectively considered to be zero.



Daishi Hokuetsu Bank Sekiya Branch



Daishi Hokuetsu Bank Shirone Branch



Daishi Hokuetsu Bank Kamo Branch

### ▶ Introduction of CO<sub>2</sub>-free electric power generated from renewable energy sources

In April 2023, the Group introduced "Yoriso, Renewable Energy Electricity" CO<sub>2</sub>-free electric power generated from renewable energy, offered by Tohoku Electric Power Co., Inc., at 11 sites where Daishi Hokuetsu Bank and other Group companies operate.

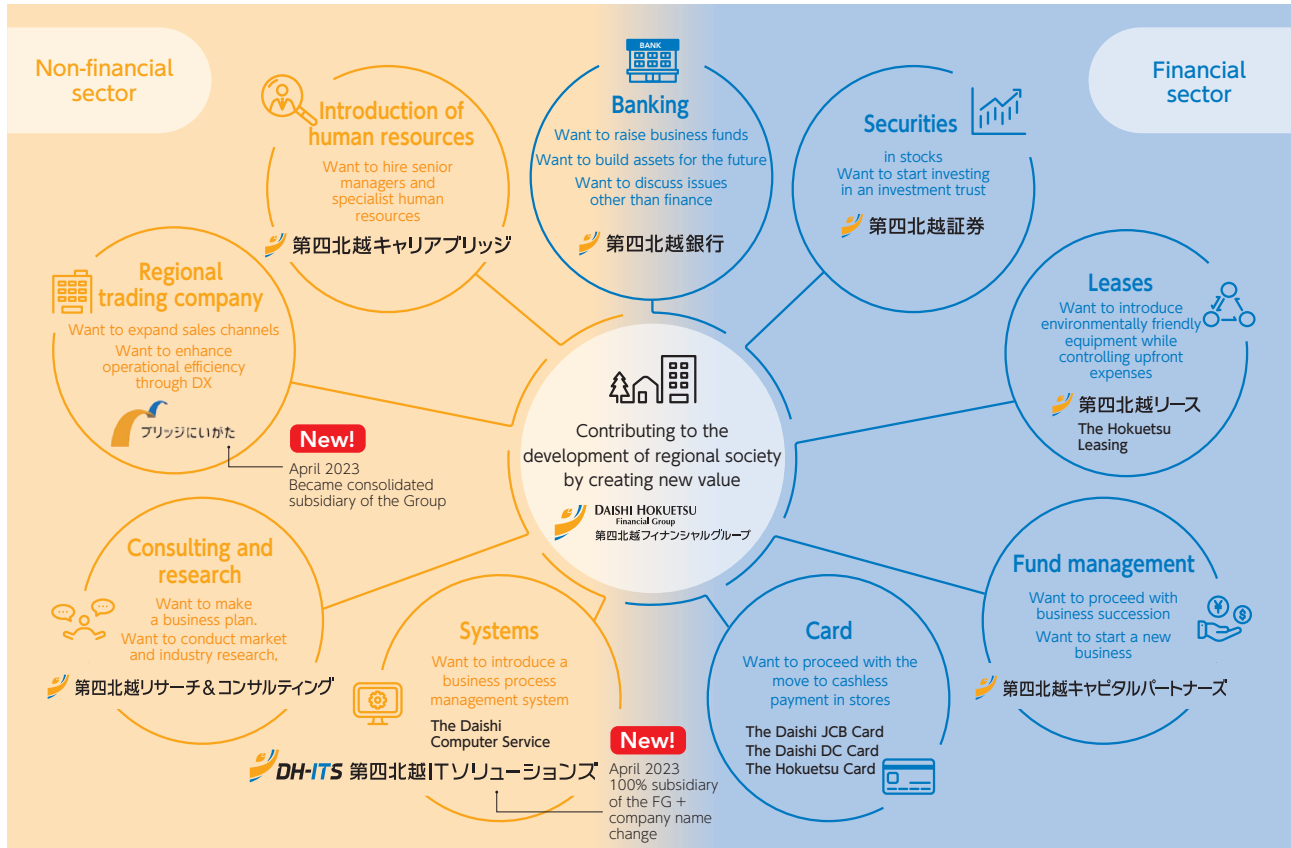
|   |   |
|---|---|
| Expected reduction in CO <sub>2</sub> emissions | 2,789 tons per year (equivalent to 17.2% of the Group's CO <sub>2</sub> emissions in 2013)  |
| Locations introduced                            | Daishi Hokuetsu Bank Head Office, Abumi Business Center, Mishima Business Center, Document Storage Center, Niigata Training Center, Daishi Hokuetsu Niihori Building, Hokuetsu Higashi Building, Niigata Station South Branch, Sanjo Branch, Kashiwazaki Branch, Takada Business Department |

# 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 dialogue (engagement).

## 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.



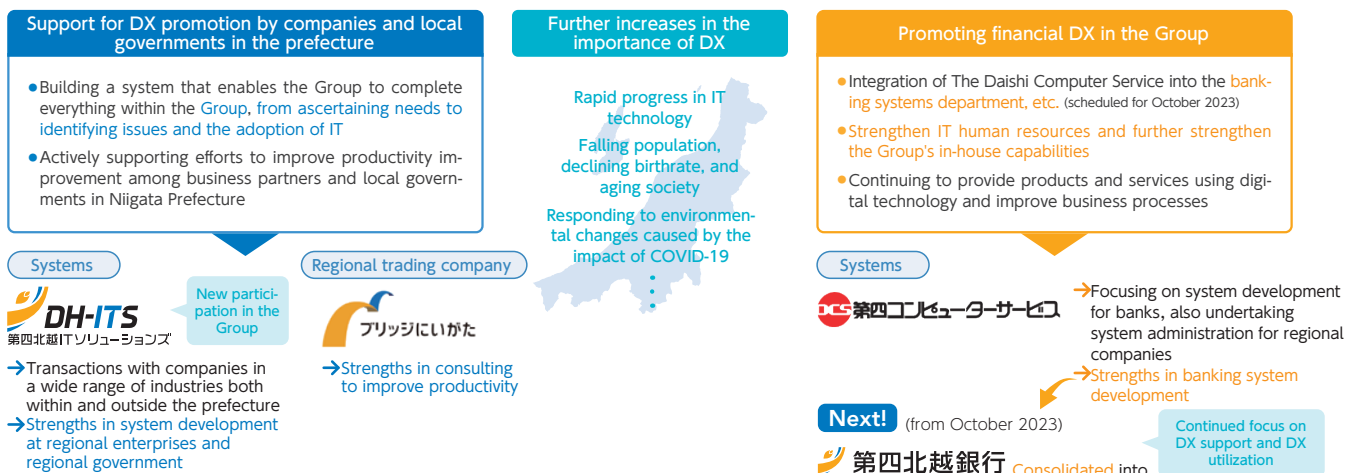
\*In addition, “The Daishi Guaranty” and “The Hokuetsu Credit Guarantee,” which provide guarantee services for housing loans, etc., are both Group companies.

## Reorganization to Expand Business Domain (April 2023) – Strengthen Group Structure to Promote DX –

By making “Daishi Hokuetsu IT Solutions Co., Ltd.” and “Bridge Niigata Co., Ltd.” consolidated subsidiaries, which the company did in April 2023, we have established a system that enables the Group to complete the entire process in-house, from identifying issues based on our understanding of the DX promotion-related needs of companies and local governments in Niigata Prefecture, to the adoption of IT. We

also plan to integrate The Daishi Computer Service Co., Ltd. into Daishi Hokuetsu Bank in October 2023, as part of our aim to strengthen the in-house capabilities of our banking systems department, etc.

In order to resolve regional issues, we will further exercise our consulting functions and work as a group to support the efforts of our business partners to improve productivity.



# New Value Creation

## Initiatives to Improve the Corporate Value of Local Companies and Enhance Convenience for Retail Customers

### ▶ 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. We will continue to contribute to the development of the regional society and economy by providing solutions that meet the needs and challenges of our customers.

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 2023

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



### ▶ Support for Customers Considering Business Startups and Re-startups

The company is making concerted efforts to maintain and create employment opportunities in local communities, as part of efforts to improve the issues of the falling population and low startup rate faced by Niigata Prefecture.

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 2023, Daishi Hokuetsu Bank was involved in 1,963 startups and second startups. At the "Niigata Power up 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.



Information About Niigata Power Up Salon

### ▶ Support for Customers who Want to Proceed with Business Succession

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 2023, we provided support for business succession to 1,683 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 August 2022, Daishi Hokuetsu Bank played a central role in establishing the "Niigata Regional Finance M&A Alliance," together with five other financial institutions in the prefecture. This alliance aims to maintain employment in the region, while also contributing to the sustainable growth of the regional economy and the enhancement of customers' corporate value, by supporting smooth business succession through M&A, with member regional financial institutions bringing their customers' concerns and issues related to business succession, which is an urgent issue for regional companies in Niigata Prefecture.



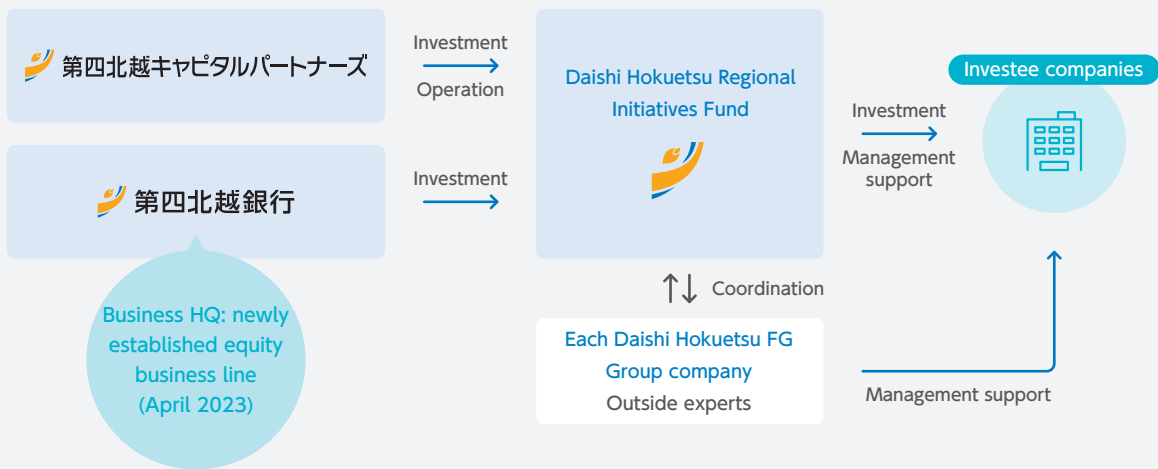


## TOPICS

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

## Establishment of New Equity Business Line

Daishi Hokuetsu Capital Partners, a specialist investment subsidiary of the company, established the “No. 1 Daishi Hokuetsu Regional Initiatives Investment Limited Partnership” (December 2021) and the “No. 2 Daishi Hokuetsu Regional Initiatives Investment Limited Partnership” (April 2023) in partnership with Daishi Hokuetsu Bank, with the objective of supporting business succession, startups, and new business development, which are pressing issues for local companies. Through the Fund, we will provide capital funds and management support



## 第四北越キャピタルパートナーズ

with hands-on participation in management.

In April 2023, we established a new equity business line within the Daishi Hokuetsu Bank Business Headquarters. Through efforts to further collaborate with Daishi Hokuetsu Capital Partners, we will provide capital funds and management support with hands-on participation in management, thereby contributing to the sustainable growth of the regional economy and the enhancement of the corporate value of investee companies.

## ▶ Support for Resolving Human Resources Issues Faced by Regional Companies

## 第四北越キャリアブリッジ

Daishi Hokuetsu Career Bridge, which commenced operations in October 2019, is focusing on 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. Our business partners have significant needs in this area. From the launch of the recruitment business to the end of March 2023, we received more than 1,400 consultations, and the number of hiring decisions has climbed to over 300.

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. We are steadily expanding this business, including winning a contract for the “Project for Development of Women and Next Generation General Managers” (Niigata Prefecture) in September 2022.



Seminar for New Employees in the “HR” Development Support Program”



Seminar at “Project for Development of Women and Next Generation General Managers”

# New Value Creation

## ▶ 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 ex-

panded to approximately 800 products, with approximately 250 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, in July 2022, we won a contract for the "Fiscal 2022 Support Operations for Prefectural Product Marketing Channel Development in Vietnam" (Niigata Prefecture), in which we held seminars related to the development of marketing channels in Vietnam and provided opportunities for individual online business negotiations between companies in Niigata Prefecture and Vietnamese buyers.

### Supporting the expansion of sales channels for Niigata Prefecture products

#### 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 800**



Exterior of the antenna shop



Products

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

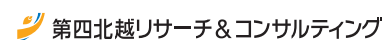
Expansion in the number of **products** available on the **e-commerce** website to **approximately 250**

"Bridge Niigata" online store

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



## ▶ 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 the formula-

tion of management improvement plans to businesses that have financial problems, such as the burden of repaying 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. Under 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 was the company with the highest number of cases (42 in the fiscal year ended March 2023) in Niigata Prefecture, which in turn had the highest number of 405 cases in Japan (110 cases).

## ▶ Initiatives to Support the Efforts of Customers to Improve Operational Efficiency and Improve Convenience Through DX

### Support for Customers Aiming to Improve Operational Efficiency through DX

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.

Since October 2022, the company has been implementing the "DX All Branch Campaign," a Group-wide initiative to address this regional issue through measures such as improving the productivity of business partners, starting with business feasibility assessments. The Group has already compiled a database of approximately 2,000 needs, including the introduction of online banking.

Additionally, in order to promote DX throughout the

region as a whole, we are also strengthening cooperation with the government, and at "Bridge Niigata," a regional trading company, we have won contracts for many projects to promote DX from the national and prefectural government.

In November 2022, the company also became the first financial institution in Niigata Prefecture to be certified as a "Certified DX Operator" under the DX certification system established by the Ministry of Economy, Trade and Industry. The company will continue to exercise the Group's multifaceted problem-solving capabilities to actively support the efforts of customers to improve productivity through the utilization of digital technologies.

< \*Main operations consigned at Bridge Niigata >

|            |  |
|------------|--|
| May 2022   | "Regional DX Promotion Activity Support Project" (Fiscal 2022 / Ministry of Economy, Trade and Industry)                 |
| July 2022  | "DX Promotion Support Operations" (Fiscal 2022 / Ministry of Economy, Trade and Industry)                                |
| April 2023 | "Project to Develop Regional DX Promotion Environment" (Fiscal 2022 amendment / Ministry of Economy, Trade and Industry) |



### Provision of "CONNECT-BIZ," a portal site for business operators

In April 2023, Daishi Hokuetsu Bank began offering "CONNECT-BIZ," a portal site for companies and sole proprietors, with the aim of supporting their efforts to improve customer convenience and operational efficiency.

In "CONNECT-BIZ," we provide functions to enhance information sharing within companies, as well as welfare services for employees. There are also functions for "internal bulletin boards" and "group messages," in addition to a "safety confirmation" for employees in the event of a disaster and a "video streaming" function to view videos shared by the bank. Fund management, invoice management, and other services offered by partners are also available.



### Provision of "My Page" personalized online service

In April 2023, Daishi Hokuetsu Bank began offering a personalized online service called "My Page," with the aim of improving convenience for customers. "My Page" enables customers to perform actions such as submitting formal applications for mortgage loans and contacting bank staff online, through the creation of web pages dedicated to each customer. This allows customers to apply for a mortgage loan at any time, regardless of time and location, and significantly reduces the time required to complete the application process.

As an important channel for connecting customers with the bank, we are considering expanding the functions of "My Page" to enable not only mortgage application procedures but also the electronic delivery of mailings and acceptance of various procedures in the future.



# New Value Creation

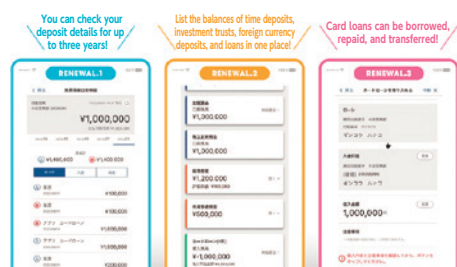
## Provision of smartphone apps

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 accounts, 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.

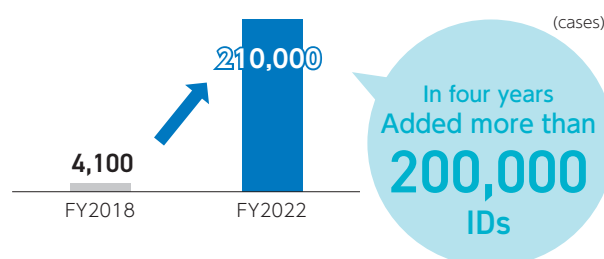
In October 2022, we completely overhauled the “Daishi Hokuetsu Little Bank” smartphone app to make

it more convenient for customers. In addition to checking the balance of multiple accounts and the details of deposits and withdrawals for up to three years, it is now possible to perform transfers between accounts in the user’s name, as well as lending and repayment transactions for card loan accounts.

In the last four 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 200,000.



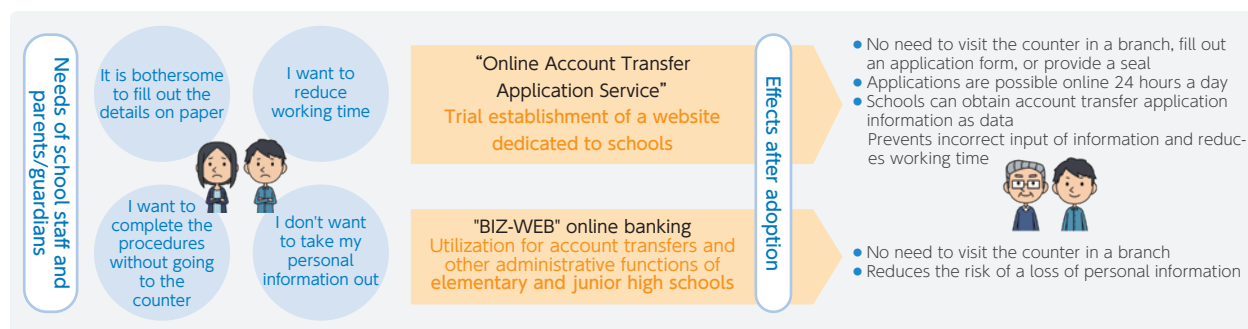
### Number of Daishi Hokuetsu IDs (individuals) (approximate)



## Support for improving the administrative efficiency of school operations

Daishi Hokuetsu Bank is implementing initiatives aimed at digitalizing school operations on a trial basis, in order to improve administrative efficiency for school staff and convenience for parents.

In March 2023, we launched a dedicated “Online Account Transfer Application” website for some private schools in Niigata Prefecture. In April 2023, we gradually introduced “BIZ-WEB,” an online banking service for corporations offered by Daishi Hokuetsu Bank, to some public elementary and junior high schools in Niigata Prefecture.



## Increasing Customer Convenience by Standardizing Inheritance Procedures

In Niigata Prefecture, where the company is based, the population is aging faster than the national average, and the number of procedures related to inheritance is increasing year by year at financial institutions in the prefecture. For inheritance procedures in the past, each financial institution had different forms for customers to fill out and documents to prepare, which was complicated for customers. For this reason, many residents of the prefecture gave us feedback to the effect that they wanted us to make it possible to complete inheritance procedures in a unified manner.

In response to this feedback, Daishi Hokuetsu Bank, together with The Taiko Bank, Ltd., another regional bank in Niigata Prefecture, began “standardizing inheritance procedures for deposits, etc.” in November 2022, in order to improve convenience for residents of the prefecture. In addition, since April 2023, all shinkin banks and credit unions with head offices in Niigata Prefecture, as well as the Niigata Labor Bank, have standardized these procedures.

Going forward, we will continue to actively enhance our cooperation in areas where there is scope for financial institutions in Niigata Prefecture to work together to improve customer convenience.



Ceremony for the signing of an “agreement” concerning the standardization of inheritance procedures



## Providing Products and Services that Contribute to Local Communities

### ▶ Contributing to Local Communities by Promptly Establishing a Counter for Responding to the Torrential Rain Disaster

In August 2022, the impact of torrential rain in the Shimoetsu area of Niigata Prefecture resulted in measures such as the application of the Disaster Relief Act.

On the day of the disaster, Daishi Hokuetsu Bank worked to promptly respond to consultations from individuals, corporations, and business owners who were affected by the torrential rain, by establishing a "Consultation

Service for Loans Related to the Torrential Rain Disaster" and offering "special emergency loans related to the torrential rain disaster," thereby responding to consultations about funds required for recovery and business continuation, etc.

See page 63 for information about the company's business continuity response to the disaster.

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

Daishi Hokuetsu Bank is focusing on donation-based private placement bonds, in which a portion of the private placement bond issuance fees received from customers are donated to local governments, educational institutions, etc. 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 2023, donations had been made to 923 organizations, bringing the total amount of donations to 180 million yen.

In July 2022, we began offering "Green & Food Support Private Placement Bonds" as a joint project with The Gunma Bank, Ltd., our partner in the "Gunma-Daishi Hokuetsu Alliance," in order to support social initiatives such as support for food banks and children's cafeteria operators in Niigata and Gunma Prefectures, and environmental initiatives such as carbon neutrality. A total of 65 companies issued private placement bonds, which we offered for a limited period until March 2023, in support of this initiative. In June 2023, we donated a total of 9,276,000 yen in food and money to Niigata Prefecture.

In addition to regionally-limited donation-based private placement bonds aimed at contributing to solving issues unique to each area within Niigata Prefecture and the revitalization of these areas, in October 2022, we handled a "Private Placement Bond for Reconstruction Following Torrential Rain in North Niigata" (from October 2022 to December 2022), in order to contribute to supporting the reconstruction of local governments subject to the Disaster Relief Act as a result of torrential rain that occurred in the Shimoetsu area of Niigata Prefecture in August of the same year.



"Green & Food Support Private Placement Bond" donation ceremony



群馬・第四北越 アライアンス

### ▶ Returning Profits to Local Communities Through the "Niigata Future Japan Stock Fund," a Donation-type Investment Trust

第四北越証券

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 2023, a cumulative total of approximately 45 million yen had been donated.



Inventory presentation ceremony for the Niigata Future Japan Stock Fund

Information about the Niigata Future Japan Stock Fund



# Business Base to Support New Value Creation

## Strengths of the Group

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

### Trust from the Local Community

Daishi Hokuetsu Bank, a core company of the Group, has been building a relationship of trust with the local community over many 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. This fiscal year, we will celebrate the five-year anniversary of the company's establishment in October 2023, and the 150-year anniversary of the founding of Daishi Hokuetsu Bank in November 2023. 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.

**Continuing to be a part of the community**

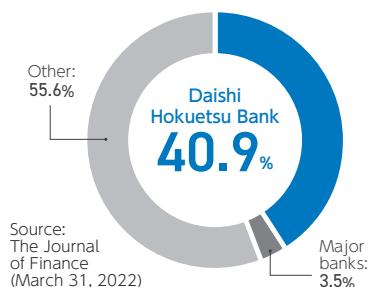


### ▶ Share of Business

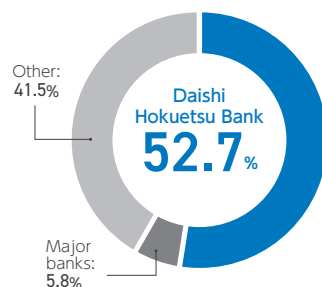
Daishi Hokuetsu Bank has a high share of both savings deposits and loans in Niigata Prefecture, at 40.9% and 52.7%, respectively. In addition, according to the "Nationwide Main Bank Trend Survey of Companies (2022)" (source: TEIKOKU DATABANK), we were the main bank for approximately 18,000 companies, which placed us ninth in Japan after mega-

banks 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 Group, enabling us to provide services that meet the expectations of local residents.

< Share of savings and deposits >



< Share of loans >



Nationwide number of companies for whom we are their main bank (2022)

Ranked **9th** in Japan behind megabanks, etc.

Ranked **5th** among regional banks

Source: TEIKOKU DATABANK (end of October 2022)

### 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

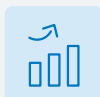
<https://www.dhfg.co.jp/financial/ir/session/>



#### POINT 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

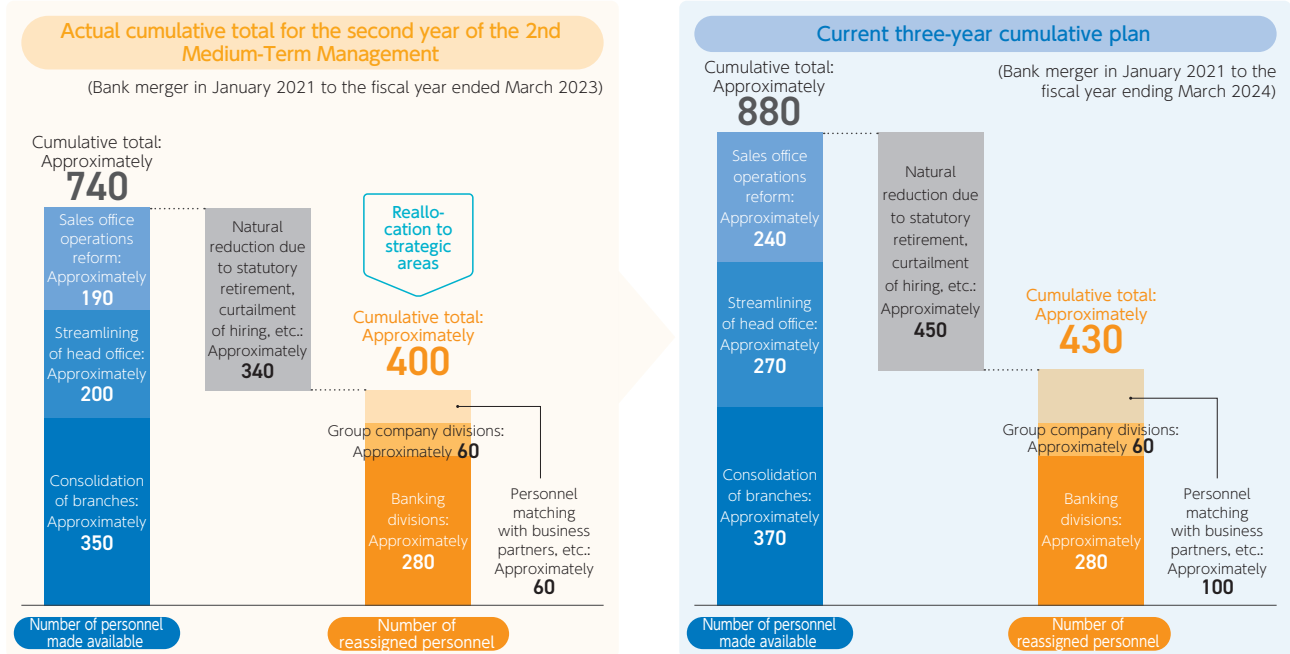


## Merger Synergy

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

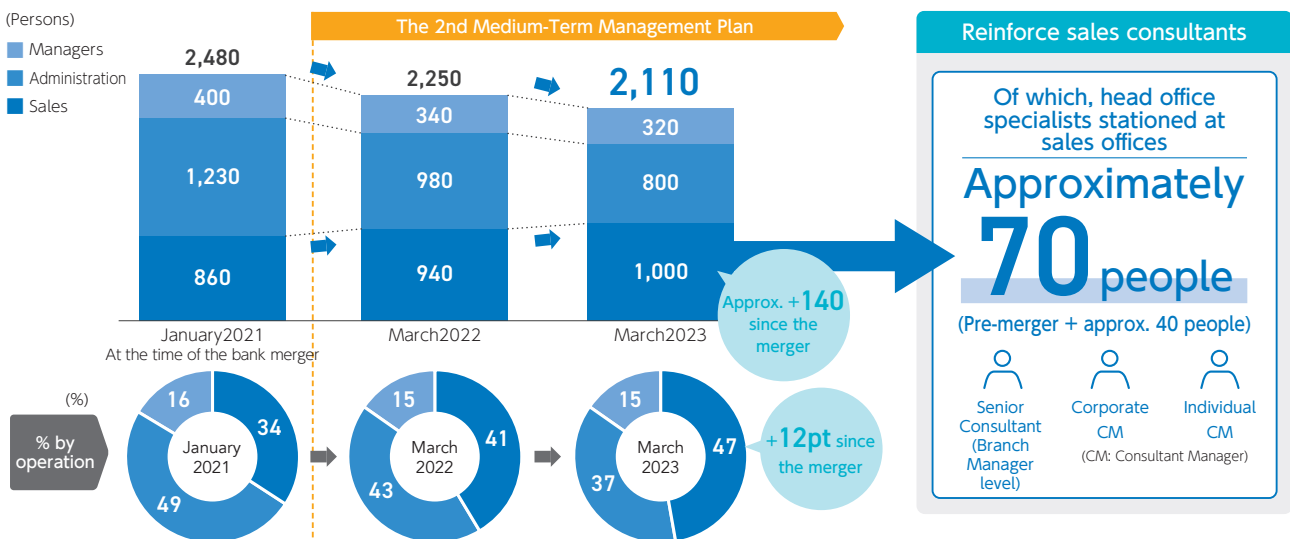
Under our 2nd Medium-Term Management Plan, the company is strategically redistributing human capital to key areas through measures such as the consolidation of bank branches, streamlining of head office, and operations reform at sales offices, with the aim of further strengthening our systems to enhance our financial intermediary functions and information intermediary functions. As a result of the bank merger in January 2021, we had made a cumulative total of approximately 740 employees available through the fiscal year ended March 2023, which was the second year of our 2nd Medium-Term Management Plan. Of these employees, we reassigned approximately 400, both within and outside the Group. Through this strategic reallocation of

human capital, Daishi Hokuetsu Bank is actively shifting its personnel to the sales division. As of the end of March 2023, the number of sales representatives (external relations staff at sales offices and head office consulting staff stationed at sales offices) has increased by approximately 140 since the bank merger in January 2021. 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.



\*Due to fractions, the accumulation of each area does not equal the total (cumulative total).

### Banking Division Changes in the number of employees at sales offices (approximate numbers) (including head office personnel stationed at sales offices)



\*Due to fractions, the accumulation of each area does not equal the total (cumulative total).

# Business Base to Support New Value Creation

## Strengths of the Group

### Branch Consolidation Initiatives

Daishi Hokuetsu Bank is working on initiatives such as the coordination of overlapping functions and the consolidation of branches, in order to strengthen our management structure.

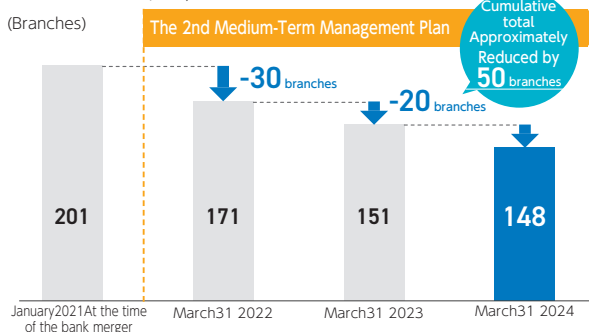
In terms of branch consolidation, we have consolidated a cumulative total of 50 branches since the bank merger. In addition, we announced the consolidation of three additional branches this fiscal year.

While consolidating branches, we also built three new branches in the fiscal year ended March 2023, in order to strengthen our consulting functions. Additionally, in July 2023, we established a new sales office, which concentrates the Group's sales offices and sales personnel in Nagaoka City, Niigata Prefecture.

### Consolidation of branches

#### Banking Division Changes in number of offices

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



### Group Synergy

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

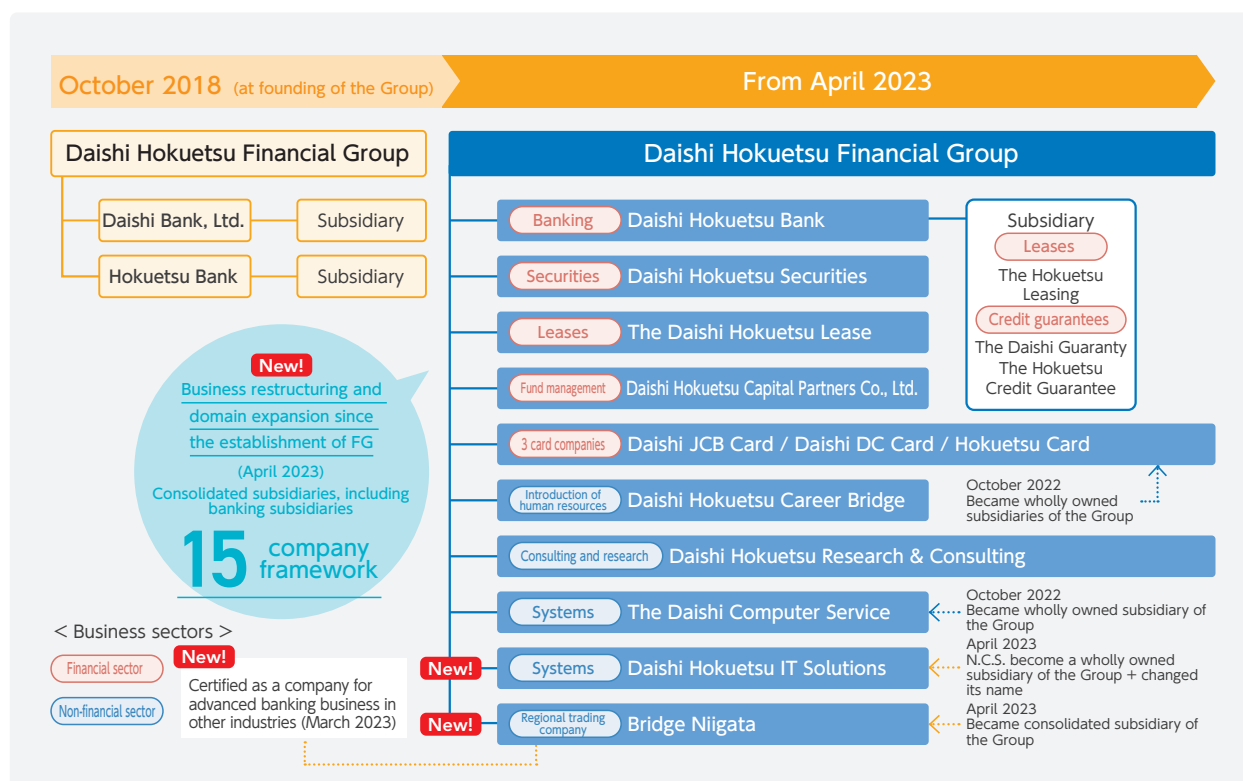
As part of efforts to maximize group synergy, the company has been gradually reorganizing our Group companies since the management integration.

In October 2022, the following four companies became wholly owned subsidiaries of the company: "The Daishi JCB Card Co., Ltd.," "The Daishi DC Card Co., Ltd.," "The Hokuetsu Card Co., Ltd.," and "The Daishi Computer Service Co., Ltd."

Additionally, in April 2023, we made N.C.S. Co., Ltd., a local systems company, a wholly owned subsidiary, and changed its name to "Daishi Hokuetsu IT Solutions Co., Ltd.," while also

making regional trading company, "Bridge Niigata Co., Ltd." a consolidated subsidiary. Accordingly, the Group currently consists of 15 companies, including three banking subsidiaries (excluding the company).

In addition, in order to achieve further group synergy and strengthen Group governance, 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.





## 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 expanded collaboration across all fields, not only in the systems field, but also in joint sales promotion and various types of administrative work, more sophisticated risk management, and initiatives targeting human capital and sustainability.

In the fiscal year ended March 2023, we implemented initiatives such as beginning operations at “ONAD Co., Ltd.,” a joint venture that provides online consulting services from a neutral standpoint in areas such as asset management (April 2022); jointly establishing the “Diversity & Inclusion Declaration” to

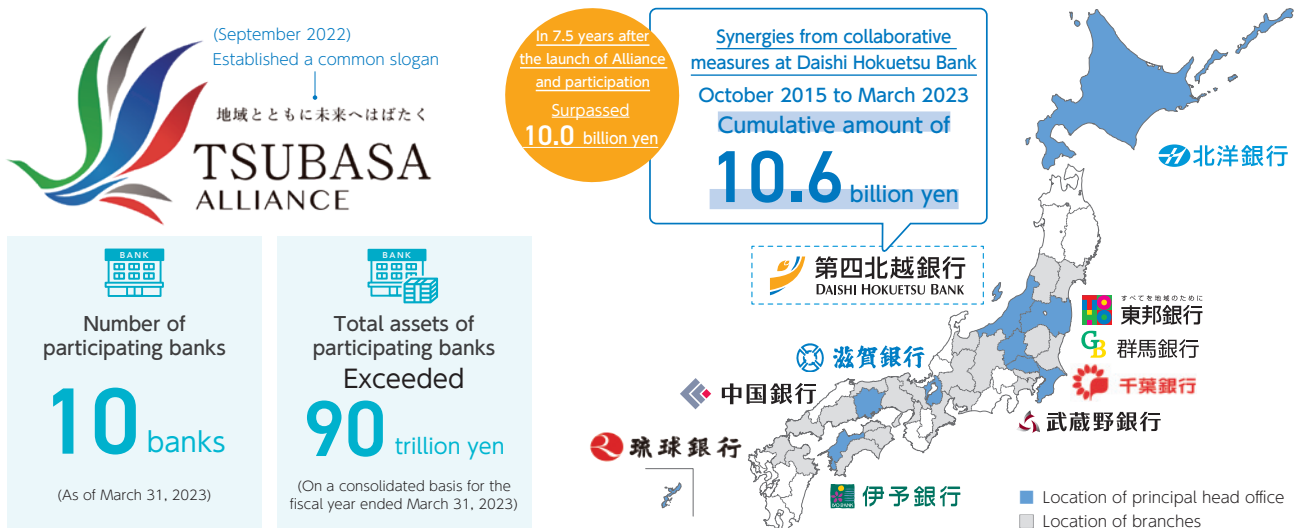
strengthen human capital (April 2022); and implementing “portfolio carbon analysis” to increase the level of carbon analysis by calculating customers’ greenhouse gas emissions (December 2022 to February 2023).

Cumulative synergy effects of the Alliance at Daishi Hokuetsu Bank totaled 10.6 billion yen, from its inception to the fiscal year ended March 2023.

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.



### Gunma-Daishi Hokuetsu Alliance Initiative



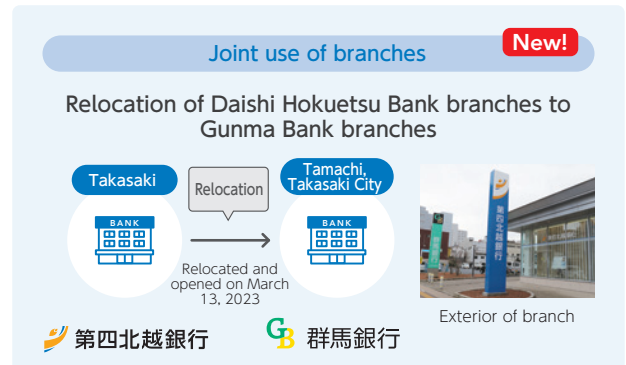
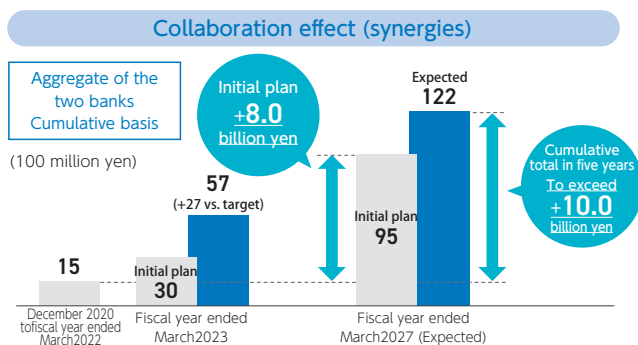
We have been steadily expanding the scope of collaboration in the “Gunma-Daishi Hokuetsu Alliance,” a partnership agreement between Daishi Hokuetsu Bank and The Gunma Bank, since its launch in December 2021, including the joint planning of donation-based private placement bonds and the joint holding of customer seminars, as well as active networking between personnel through joint training and the acceptance of trainees.

In March 2023, we moved the Takasaki Branch of Daishi Hokuetsu

Bank onto the premises of the Tamachi, Takasaki-city Branch of The Gunma Bank, thus establishing the first joint branch for both banks.

Cumulative synergy effects of the Alliance for both banks totaled 5.7 billion yen, from its inception to the fiscal year ended March 2023.

Going forward, we will continue to implement measures that take advantage of the geographic characteristic of our adjacent sales areas as we work to further exercise synergies.



# Business Base to Support New Value Creation

## Strengths of the Group

### Human capital

The company has long referred to our personnel as "human resources," based on the recognition that our employees are important assets. The company also regards human resources an important form of capital, or "human capital," which forms the foundation for the sustainable development of the company. Accordingly, we are focusing on "practicing human capital management" as a basic strategy in our Medium-Term Management Plan.

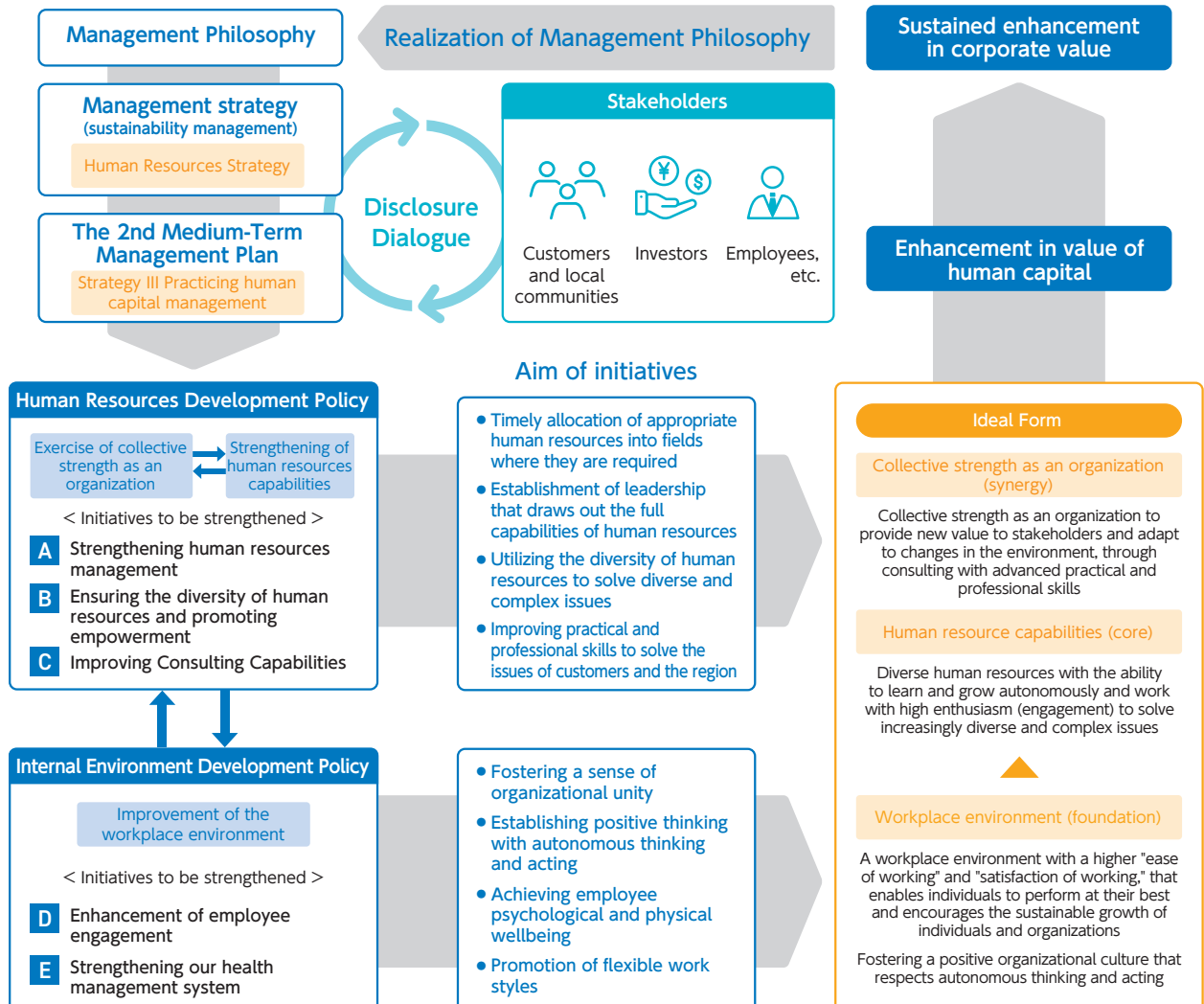
#### TOPICS Change to Basic Strategy III of the 2nd Medium-Term Management Plan and Establishment of the "Office of Human Capital Strategy"

In April 2023, we changed basic strategy III in our 2nd Medium-Term Management Plan from "developing and enhancing human resources" to "practicing human capital management," as part of our aim to enhance the value of "human capital," which is the source of the Group's sustainable value creation and competitive advantage. In addition, we established the new "Office of Human Capital Strategy" within the Personnel Division of Daishi Hokuetsu Bank to supervise the planning of human capital management.

Going forward, we will continue to actively create a workplace environment that enables a diverse range of employees to demonstrate their abilities, and we will continue working to increase the value of our human capital and further strengthen the Group's competitive advantage.

### Human Resources Strategy

When practicing human capital management, the company has established a vision for human capital based on the three perspectives of "collective strength as an organization," "human resource capabilities," and "workplace environment." To achieve this vision, we have formulated policies related to the development of human capital and our internal environment, and we will prioritize five initiatives (see **A** through **E** in the figure below) that we will strengthen to achieve this vision.





## ▶ Initiatives to Achieve our Human Resources Development Policy

### Human Resources Development Policy

Through the following two policies and the enhancement of our internal environment, the Daishi Hokuetsu Financial Group will develop diverse human resources who will learn and grow autonomously, and who will take the initiative to solve increasingly diverse and complex environmental and social issues with a sense of ownership. Then, through consulting with advanced practical skills and expertise, we will provide new value to our stakeholders.

#### Ensuring Diversity in Human Resources and Promoting Empowerment (D&I)

We will respect the values of each and every employee regardless of gender, internationality, work history, age, etc., and utilize the innovations generated from diversity to solve social issues, based on the employment of diverse human resources and fair and appropriate treatment.

#### Developing and appointing human resources to strengthen consulting functions and create new value

As part of our efforts to create new value by enhancing our expertise and practical capabilities in relation to DX, SX, etc., and the strengthening of our solution functions, we will hire, develop, and promote human resources with diverse experience and skills in areas such as consulting sales fields, as well as IT and systems fields, regardless of whether they are new graduates or mid-career employees (experienced personnel).

In order to achieve our "Human Resources Development Policy," the Group will focus on the initiatives listed in **A** through **C**.

### **A** Strengthening human resources management

This refers to our efforts to exercise synergies related to "human resources" and transform them into our "collective strength as an organization." Specifically, we will build a portfolio of human resources with strengths in a variety of fields, assign them to important sales offices at appropriate times, and thus manage our human resources in a way that maximizes the power of our human resources as an organization. At the same time, we will promote initiatives to establish leadership (inclusive leadership) within the Group to enable us to draw out the full capabilities of our increasingly diverse human resources and transform these capabilities into our strength as an organization.

### **B** Development of systems for the timely and appropriate allocation of personnel into fields where they are required

The Group has long focused on efforts to bolster our human resources with strengths in various fields. Daishi Hokuetsu Bank has a total of 289 holders of advanced financial expert qualifications (FP Grade 1, Small and Medium Enterprises Management Consultant, and securities analysts) (as of the end of March 2023). The bank is also working initiatives such as a challenge

program, in order to further enhance our expertise in consulting capabilities to achieve our management strategies. In addition, we will enhance the sophistication of our human resources portfolio management by rapidly identifying and visualizing the skills and performance of human resources through the introduction of a talent management system, etc.

### **C** Establishment of leadership that draws out the full capabilities of human resources

As part our efforts to establish leadership within the Group, we have provided training for managers of Daishi Hokuetsu Bank on "unconscious bias," which is essential for leaders, as well as training on the theme of "leadership for improving engagement," such as "stimulating communication within organizations" and "psychological safety." Starting in fiscal 2023, Group companies will provide joint training for managers, and we will also further

enhance the content of the training, thus strengthening our efforts to establish leadership based on themes such as "how to draw out the capabilities of diverse individuals and transform them into strength as an organization in the age of VUCA\*."

\*An acronym for four words: Volatility, Uncertainty, Complexity, and Ambiguity. It means that the outlook is uncertain and it is difficult to predict the future.

### **B** Ensuring the diversity of human resources and promoting empowerment

From the perspective of strengthening our "human resource capabilities," it is essential that we ensure diversity in human resources and utilize new insights and ideas generated by discussions among human resources with various approaches and professional experience to solve issues for customers and local communities. The Group is working to ensure the diversity of human resources mainly through the development and appointment of women and mid-career human resources (experienced hires). We are also actively focusing on employment for persons with disabilities, from the perspective of ensuring diversity in human resources and addressing social demands.

# Business Base to Support New Value Creation

## Strengths of the Group

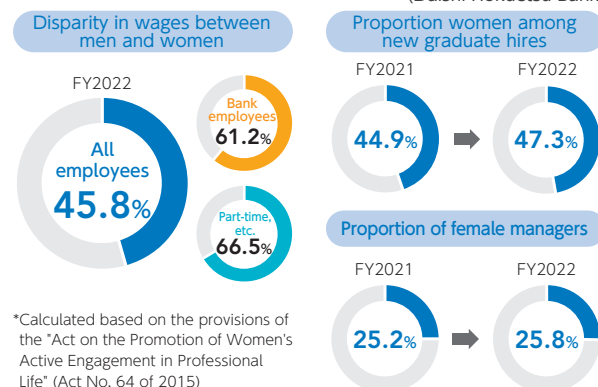
### Women's Empowerment and Appointment

Daishi Hokuetsu Bank is promoting the development of women through the "Empowerment Program for Women," which will train the next generation of female leaders, and is appointing persons who have completed this program. The program lasts for around one and a half years, during which training and interviews are conducted continuously at intervals, and women's qualities as leaders are improved from various perspectives. Persons who have completed this program are selected for roles such as Branch Manager-level positions at Daishi Hokuetsu Bank and the Presidents and managers of Group companies, and in June 2023, one person who completed this program became the first female director of Daishi Hokuetsu Bank. The company believes that promoting the development and appointment of female human resources through such programs will strengthen our "human resource capabilities," increase the proportion of female managers, and contribute to the empowerment of women. In addition, we are further strengthening our efforts to support the balance between work and childcare, and are actively working to recruit new female graduates.

Although the company does not have a gender wage gap in our personnel systems and wage structures, the disparity in wages between men and women is mainly caused by the fact that there is a higher proportion of men than women among managers, who have relatively higher wages. In addition, Daishi Hokuetsu Bank has established a "region limitation system," which enables employees to limit where they work to areas they are able to commute from, in order to support a variety of work

styles suited to employees' lifestyles. Employees who choose this system, which means they will not be transferred with relocation, receive approximately 85% to 90% of their salary prior to selection, but they can assume all positions and there are no restrictions on promotion or advancement. There is a gender gap (9.1% of male employees vs. 61.9% of female employees) in the proportion of employees who choose to use this system, which is one of the factors contributing to the disparity in wages between men and women. We intend to rectify this disparity in wages by steadily focusing on the development and appointment of women through such measures as the aforementioned Empowerment Program for Women.

(Daishi Hokuetsu Bank)



### TOPICS Empowerment Program for Women

We invite motivated female employees who are expected to serve as the next generation of leaders, and we conduct training programs to develop the mindset and behavior required of leaders and to improve their knowledge and skills through mutual study. This program supports the steady career advancement of female employees, while also contributing to the development of a highly engaged human resources base.

#### Feedback from program participants



"I want to become a manager who is recognized as necessary, and someone with whom others want to work alongside, while being able to fully understand the concerns and worries of each and every one of my employees, and develop human resources who are appreciated by our customers."



"I learned how to approach and view things as a manager and the need to think about things from a longer-term perspective. In addition, the program was an opportunity to get specific advice, review my strengths and weaknesses, and think once again about my career."



"I got a lot of inspiration from listening to the thoughts and opinions of the other participants. I will continue to value the connections between participants, as I work to solve issues faced by the bank, etc., in ways that are unique to the participants of the program."



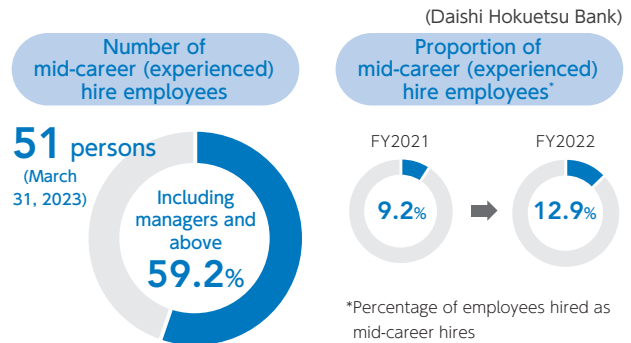
Program kick-off meeting

### TOPICS TSUBASA Cross-Mentor System

Daishi Hokuetsu Bank is implementing the "TSUBASA Cross-Mentor System" in collaboration with banks participating in the "TSUBASA Alliance," a wide-range regional partnership among regional banks, aimed at supporting the career development and enhancement of leadership qualities of women who are candidates for senior management positions. By utilizing the Alliance's unique network to pair up mentors and mentees from different banks who do not have seniority relationships in their work, this system provides opportunities for women to see the career experience, knowledge, and human resource capabilities of management at other banks and to reexamine their own strengths and weaknesses from perspectives that they do not notice within their own bank, while ensuring psychological safety. In this way, the system contributes to the career development of women who are candidates for senior management positions.

## Empowerment promotion and appointment of mid-career hire human resources

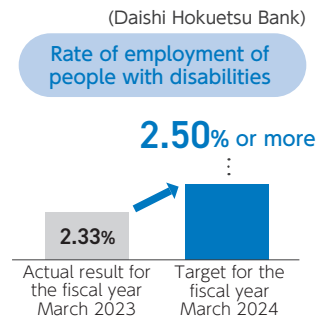
The company has long recognized the importance of promoting the empowerment of mid-career hire human resources (experienced personnel). In fact, mid-career hire human resources have been empowered in ways such as playing an important role in system integration when the subsidiary banks merged in 2021. As part of its more active focus on the empowerment promotion and appointment of mid-career hire human resources, in 2021, Daishi Hokuetsu Bank introduced an expert system (professional appointment system) for the purpose of improving the career paths of personnel with professional skills, etc. We will continue to strengthen recruitment, particularly of human resources with specialized skills, while also promoting the empowerment and appointment of mid-career hire human resources through the development of recruitment and training systems.



## Active efforts to employ people with disabilities

Recognizing the importance of ensuring the diversity of human resources and taking into account social needs, when hiring people with disabilities, we have focused on achieving the statutory employment rate while also considering effective solutions to the issue of how to match candidates with employment opportunities in the limited recruitment market in regional areas.

With regard to proactive efforts to employ people with disabilities, based on the above recognition of the related issues, we have been implementing measures such as expanding the scope of applicable work within the Group and strengthening collaboration with support organizations. As a result, in the fiscal year ended March 2023, our rate of employment of people with disabilities was trending toward improvement. We will continue these initiatives as we endeavor to improve our rate of employment of people with disabilities.



## C 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. At the time of the merger of the company's subsidiary banks in 2021, one of the pillars of our human resources strategy for realizing our management strategy was the "improving consulting capabilities." Accordingly, we developed a human resources development system, human resources evaluation system, etc., compatible with this strategy. Going forward, in response to our management strategy, from the perspective of sustainability management, we will proactively work to resolve the increasingly diverse and complex environmental and social issues of our customers and local communities. In order to do so, we will build on our past efforts to enhance our solution capabilities across two axes – practical and professional skills – and thus strengthen our efforts to improve our consulting capabilities. In addition, as part of our efforts to improve our consulting capabilities, we will endeavor to enhance educational opportunities that employees can voluntarily participate in, including reskilling and recurrent education, as well as opportunities for autonomous career selection, thereby improving the "proactive" mindset and willingness to take on new challenges of each and every member of the Group's human resources, based on the fact that autonomous learning and the choice of career promotes the growth of human resources and contributes to enhancing engagement.

We will continue to invest sufficiently in the development of human resources, including improving our consulting capabilities, and promote the development of human resources with advanced practical and professional skills, leading to the establishment of a human resources portfolio capable of solving regional issues and providing new value.



## Development of core sales personnel and personnel for Group collaboration

We intend to clarify the human resources profile, develop training and on-the-job training systems, and improve the practical skills of "core sales personnel," which form the core of our consulting sales, and "personnel for Group collaboration," which work toward collaboration within the Group, including human resources who are capable of supporting improvements in the business value of customers, particularly by addressing sustainability issues; personnel who can provide diversified consulting services to customers through collaboration between Group

companies; and personnel who can practice advanced wealth management for customers such as corporate owners.

In addition, Daishi Hokuetsu Bank will further accelerate the growth of human resources by enhancing our experience in solutions through measures including strategic circular assignments, such as sales offices, head office sales representatives, and external trainees, as well as assignments to cross-organizational projects for regional revitalization.

# Business Base to Support New Value Creation

## Strengths of the Group

### TOPICS Sustainability Promotion Personnel Conference

Daishi Hokuetsu Bank has implemented a practical curriculum for sustainability promotion personnel at each sales office, in order to develop human resources capable of problem-solving activities from the perspective of management, with the aim of achieving our "ideal form as a corporation" from the viewpoint of sustainability.

Feedback from conference participants



"We were able to reaffirm the significance of the Group's sustainability efforts, and my awareness of human resources development and solving customer problems at my own sales office increased." (Employee of Chuetsu Area Sales Office)

"Through group discussions, we were able to share opinions from multiple perspectives and create new proposals for the customers we are responsible for." (Employee of Shimoetsu Area Sales Office)



Group discussion at the conference

### TOPICS Implementation of the New Structural Reform 2030 Project

We have been implementing this project as a cross-organizational initiative since the fiscal year ended March 2022. In the fiscal year ended March 2023, young employees from the Group joined the project, and examined new business models through repeated advance learning and groupwork, under the theme of "improving sustainability in regional areas through regional revitalization project ideas." This project also provided opportunities for the development of human resources and skills among participants, through discussions to come up with ideas, planning and proposals, etc.

Feedback from project participants



"I would like to take advantage of my experience in this project to engage in activities aimed at solving customer problems. In addition, by spreading and sharing the skills gained through these activities with colleagues, I hope to improve productivity in our day-to-day operations and improve the quality of proposals." (Daishi Hokuetsu Bank, Joetsu Area Sales Office employee in 20s)



"Through the project activities, I was able to feel my own growth in my ability to use the framework to isolate issues and gather opinions from members." (Bridge Niigata, employee in 30s)



"Through discussions with Group members from different professional backgrounds and environments, I was able to cultivate diverse perspectives and broaden my perspective, contributing to my growth." (Daishi Hokuetsu Bank, head office employee in 20s)



Project workshop



Presentation of project results to officers

## Securing and developing professional human resources

In order to secure and develop a diverse range of professional human resources, including mid-career hires in areas such as consulting, DX, SX, and risk management, the Group has established an integrated training system tailored to business areas and specialized areas, based on collaboration between Group companies. In addition, Daishi Hokuetsu Bank encourages the acquisition of IT Passport certification and sustainability-related qualifications, and strives to expand its base of professional talent related to DX and SX. In the fiscal year ended March 2022, the bank launched an "expert system (professional appointment system)," and will strive to secure and develop professional human resources by clarifying career paths and developing a consistent personnel system.

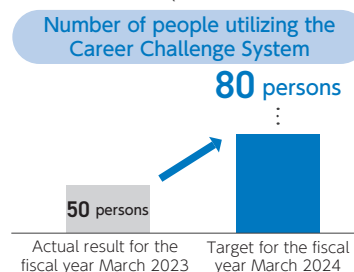
| Status of securing and developing professional human resources (actual) |  |  |                                       |
|---|--|--|---------------------------------------|
| FP Grade 1  | Small and Medium Enterprises Management Consultant | Securities Analyst                           | IT Coordinator                        |
| 192 persons   | 48 persons   | 49 persons                                   | 15 persons                            |
| Information Security Management   | IT Passport  | Persons passing sustainability-related tests | Persons appointed under expert system |
| 95 persons  | 1,010 persons                                      | 1,087 persons                                | 6 persons                             |

(Daishi Hokuetsu Bank, as of March 31, 2023)

## Expansion of opportunities for voluntary learning and autonomous career selection

The company has long been enhancing the quality and quantity of opportunities for voluntary learning in the form of seminars on non-business days, independent study sessions, etc. In the fiscal year ending March 2024, after integrating and systematizing these efforts, we plan to further expand the number of learning opportunities, including the establishment of the "Manabot" business college within the Group, which is equipped with programs related to DX that take into account reskilling, and the enhancement of self-development programs that utilize online media. In addition, with regard to autonomous career selection, we will work to expand opportunities for career selection by providing training opportunities where employees can develop their own strengths and areas of expertise, dispatching employees for external and cross-industry networking, expanding the existing Career Challenge System,\* etc.

(Daishi Hokuetsu Bank)



\*A system for taking on the challenge of new careers both inside and outside the bank, based on requests from employees

## ▶ Initiatives to Achieve our Internal Environment Development Policy

### Internal Environment Development Policy

The Daishi Hokuetsu Financial Group will achieve psychological and physical wellbeing among employees by focusing on initiatives such as strengthening our health management system, while also improving engagement by fostering a positive organizational culture in which employees act autonomously to fulfill the trust of customers and local communities. In this way, the Group will develop an internal environment in which individuals perform at their best, that also promotes the sustainable growth of individuals and organizations.

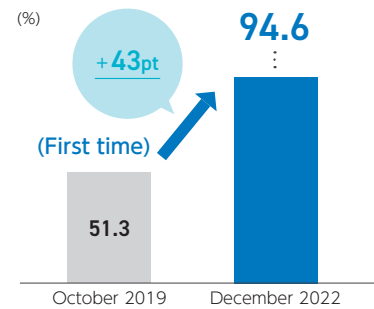
In order to achieve our "Internal Environment Development Policy," the Group will focus on the initiatives listed in **D** through **E**.

### D Enhancement of employee engagement

The company was established in October 2018 with the aim of consolidating the management of two banking groups in Niigata Prefecture. Following the merger of our subsidiary banks in 2021, we have made it a priority to steadily promote harmony as an organization and a shared awareness, and we have prioritized initiatives such as briefings for managers by the President and Officer Dialogue Exchange Meetings with all employees at subsidiary banks.

As part of our efforts to promote harmony as an organization and a shared awareness, we have conducted regular employee awareness surveys and taken necessary measures based on the survey results. We have thus confirmed that we are making steady progress toward a shared awareness and harmony as an organization, and at the same time, we recognize that employee engagement is also improving. Two years after the merger of the subsidiary banks, the company believes that we have largely completed our process aimed at organizational harmony at Daishi Hokuetsu Bank. As the next step, the bank plans to shift its focus to efforts to improve employee engagement, such as developing a shared awareness across the Group, improving employee resilience (establishing positive thinking), and improving job satisfaction (expanding opportunities for autonomous career selection and utilizing a side job/dual employment program). In line with these efforts, the bank is considering the establishment of new engagement indicators.

Change in the percentage of respondents who responded that the "bank-wide organizational harmony is progressing" in employee awareness surveys



#### TOPICS

### Dialogue exchange meetings between senior management and employees

As part of our efforts to promote organizational harmony and develop a shared awareness, we hold meetings such as the "Briefing session on Medium-Term Management Plan" and "Officer Dialogue Exchange Meetings," where officers and employees of the Group engage in direct dialogue. These exchange meetings have also led to an increase in engagement and our collective strength as an organization, and we have continued to hold them in the fiscal year ending March 2024.

#### Feedback from participants in an Officer Dialogue Exchange Meeting



"The Group's Management Philosophy serves as a foundation for us as employees, and I hope that all employees will continue working with a common set of values in the future." (Daishi Hokuetsu Bank, sales office in Niigata City)



"I intend to collaborate from all angles by gaining knowledge not just of the products handled in securities, but also of banks, leases, etc. I hope we will strengthen collaboration among Group companies and work toward group synergy." (Daishi Hokuetsu Securities, Chuetsu Area Sales Office)



"I understood that, in order to raise awareness of sustainability among companies in Niigata Prefecture, it is important to accumulate knowledge and return it to local companies." (Daishi Hokuetsu Bank, Shimoetsu Area Sales Office)

#### Dialogue exchange meetings between senior management and employees

##### Briefing session on Medium-Term Management Plan

Approximately **4,700** participants



Briefing session by the President of the Group

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

**10** times in total  
Approximately **600** participants



Isshi Koryukai

##### Dialogue exchange meeting with an officer

Total of approximately **400** venues  
Approximately **9,600** participants



Dialogue exchange meeting with an officer

Held semi-annually at each workplace

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

**2** times in total  
Approximately **60** participants



Isshi Koryukai Next

Held in January 2023



# Business Base to Support New Value Creation

## Strengths of the Group

### Introduction of Side Job/Dual Employment Program (March 2023)

Daishi Hokuetsu Bank has introduced a side job/dual employment program in order to enhance employee engagement by improving employees' motivation for self-improvement encouraging them to engage in autonomous, multi-track career development, and to contribute to the sustainable growth of the region through educational and cultural activities, community contribution activities, side jobs with local companies, etc., among employees utilizing their skills and abilities. As of June 2023, 10 people have already taken advantage of the system.

#### Side job program

A program that enables employees to engage in other businesses (mainly education, culture, community contribution, family businesses, etc.) outside the working hours of the bank

#### External dual employment program

"Temporary and limited-time secondment" program to meet the needs of local companies for human resources with side jobs

#### Second career business start-up support program

A program in which high-skilled employees who reach statutory retirement age sign business entrustment contracts with banks to support business start-ups

### E Strengthening our health management system

Daishi Hokuetsu Bank announced its "Health Management Declaration" in 2018, in addition to improving the workplace environment to support balancing work and child-rearing, the bank has also been developing support systems for balancing work and child-rearing to contribute to a better work-life balance, including the introduction of a leave system that can be used for fertility treatment, which is often physically and mentally demanding, and introducing a flextime system.

In recognition of these efforts, since 2018, we have been recognized as a "Health & Productivity Management Outstanding Organization (White 500)" for six consecutive years under the "Certified Health & Productivity Management Outstanding Organizations Recognition Program" sponsored by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Additionally, in May 2023, we became the first company in Niigata Prefecture to receive "Platinum Kurumin Plus" and "Platinum Eruboshi" certification from the Minister of Health, Labour and Welfare.

In order to achieve psychological and physical wellbeing for its employees, the company will further strengthen its systems for managing physical and mental health and improve the ease of working. We will also promote the development of an environment in which each and every member of our diverse human resources can work in good physical and mental health.



Certification ceremony for "Platinum Kurumin Plus" and "Platinum Eruboshi"

**DAISHI HOKUETSU**  
Health & Productivity  
第四北越銀行  
健康経営優良法人グループ

**2023**  
健康経営優良法人  
Health and productivity  
ホワイト500

Daishi Hokuetsu Bank: **Six consecutive years of accreditation**

Daishi Hokuetsu Bank is the **only company in Niigata Prefecture to be accredited for six consecutive years**

**第四北越銀行**

Acquired "Platinum Kurumin Plus certification" (May 2023)

Parenting support  
Balancing fertility treatment and work

First acquisition by a company in Niigata Prefecture

**第四北越銀行**

Acquired "Platinum Eruboshi certification" (May 2023)

Highest recognition for promoting women's careers

First acquisition by a company in Niigata Prefecture

### Promotion of flexible work styles

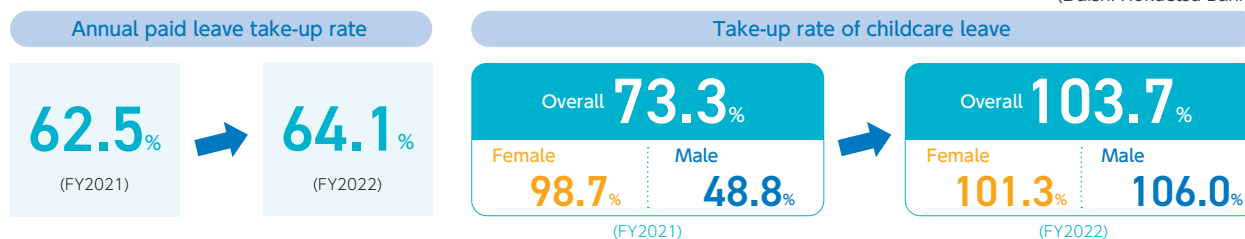
The reduction of long working hours through the promotion of flexible working styles is fundamental to the health management that the company is focusing on, and is also a prerequisite for a diverse range of human resources to work in an energetic manner. Accordingly, we are promoting the development and utilization of systems that enable flexible working styles, including support systems for balancing work and child-rearing.

Under its new personnel system introduced at the time of the

merger in 2021, Daishi Hokuetsu Bank has enhanced its leave system and introduced staggered working and telework systems. In addition, in 2022, the bank began operating a flextime system. Awareness of the use of the childcare leave system is increasing, and as of March 2023, the usage rate is high among both men and women.

Going forward, the Group as a whole will work to enhance our systems and strengthen efforts to raise awareness to promote the use of existing systems.

(Daishi Hokuetsu Bank)



\*Calculated based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

## Enhancement of physical and mental health management systems

The company is developing a health management system to promote improvements in people's health, based mainly on collaboration between health insurance societies, clinic staff, the Personnel Division of Daishi Hokuetsu Bank, the Health Management Promotion Office, industrial health staff, employee unions, etc.

In the past, we have enhanced our system of medical check-ups for routine medical checkups and established systems for the early detection and treatment of diseases, while also actively focusing on the vaccination of employees against COVID-19, and thus limiting any worsening of employees' health during the COVID-19 pandemic. In addition, with regard to mental health care, we also assess employees' mental health through the addition of questions to check mental health from various angles to stress checks, and we conduct pulse surveys,<sup>\*1</sup> etc., for all employees of Daishi Hokuetsu Bank, and use the results of these checks to improve the wellbeing of employees. In addition, we have developed a counseling system for employees who have individual concerns or issues related to mental health. Depending on the circumstances of the person being counseled,

the counselor may be an industrial physician, clinic counselor, external counselor, or other professional.

In the future, we will strengthen efforts to enable employees to manage their own health, to ensure they maintain a better mental and physical condition, through such means as improving health literacy and exercise habits. Daishi Hokuetsu Bank has already distributed wearable devices<sup>\*2</sup> to all applicants (81.7% of all employees) to promote self-management of health in areas such as exercise and sleep.

< Medical check-up rate >

100%

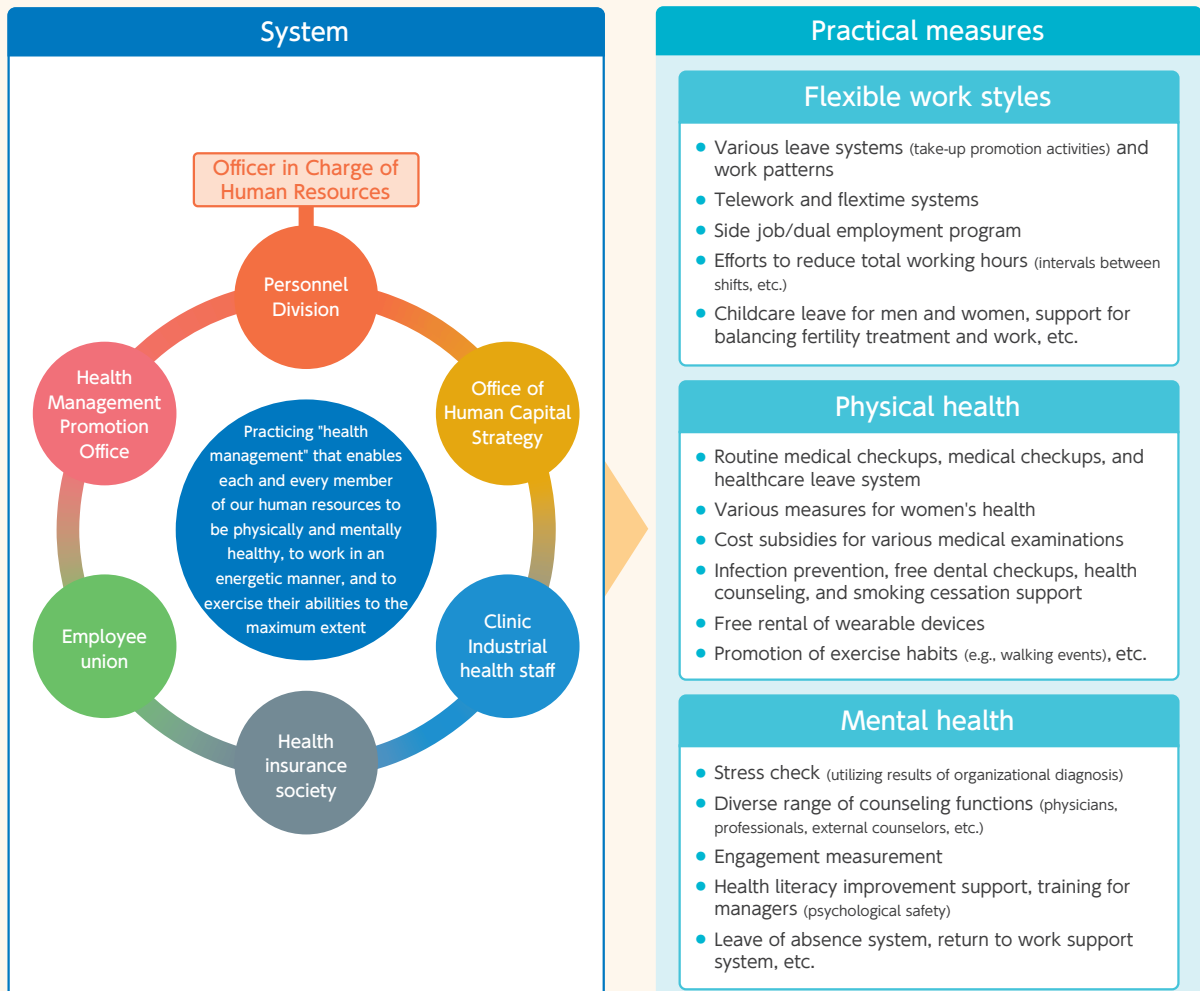
(Daishi Hokuetsu Bank, fiscal year ended March 2022 and fiscal year ended March 2023)

\*1 Questionnaire survey to confirm employees' motivation toward work and growth every month

\*2 A device that users wear on their body to measure health management data such as fitness and sleep conditions

## Health Management Promotion System of Daishi Hokuetsu Bank

### Management Philosophy





## Kazuyoshi Hirokawa

Chairman, Daishi Hokuetsu Bank  
(Responsible for Personnel Division at Daishi Hokuetsu Bank)

### Moving from the stage of organizational harmony and shared awareness to the stage of practicing human capital management

– Starting in fiscal 2023, we have changed our human resources strategy. Please tell us why.

**Hirokawa** The company was established in 2018 as a holding company for two regional banks (Daishi Bank and Hokuetsu Bank) headquartered in Niigata Prefecture. We have continued the tradition of these former banks, which regarded employees as important assets, and have promoted management with an emphasis on human resources.

In our human resources strategy, we believe that it is important to enhance our sense of unity as an organization in order to realize the project of a bank merger that we planned after the establishment of the company. Accordingly, we have been focusing on organizational harmony and a shared awareness as priority issues.

Specifically, in order to enhance the empathy of each employee toward our Management Philosophy and the sense of unity of the organization, since the establishment of the company, we have continuously held "Briefing sessions on the Medium-Term Management Plan," "Officer Dialogue Exchange Meetings" and "Executive Dialogue Exchange Meetings," in which the President and other officers engage in direct dialogue with Group employees, and have also actively engaged in human resources exchanges. In January 2021, we successfully completed the Group's core bank merger project and launched Daishi Hokuetsu Bank under the slogan of "unity of purpose," with the Management Philosophy as the common "purpose" of Group officers and employees.

As a result of our multifaceted efforts to achieve management integration through organizational harmony and a shared awareness, the percentage of employees at Daishi Hokuetsu Bank who responded in the employee awareness survey that "bank-wide organizational harmony is progressing" has risen from 51.3% in the pre-merger survey conducted in October 2019 to 94.6% in the latest survey conducted in December 2022. Accordingly, we believe that we have generally completed our efforts to achieve organizational harmony and a shared awareness at the bank.

In light of these circumstances, the company has decided that it is time to move forward with our human resources strategy to a more practical stage, and we have thus changed our human resources strategy from the basic strategy of the 2nd Medium-Term Management Plan, "developing and enhancing human resources," to "practicing human capital management."

– What do you aim to achieve by the human resources strategy of "practicing human capital management"?

**Hirokawa** In our human resources strategy "practicing human capital management," we aim to strategically put the company's management strategy of sustainability management into practice from the perspective of human capital. In this strategy, we aim to enhance the diversity of human resources and our consulting capabilities, while promoting organizational harmony and a shared awareness across the Group as a whole, and at the same time improving engagement and achieving wellbeing.

# Interview

Specifically, we aim to improve the value of our human capital and practice sustainability management by strengthening our initiatives and reforming them as our strategy, including ensuring diversity of human resources, improving consulting capabilities, and health management (enhancing mental and physical health management systems and promoting flexible and diverse work styles), all of which we have been focusing on in parallel with organizational harmony and the development of a shared awareness since the establishment of the company.

Our Management Philosophy, which serves as the "purpose" of the Group's officers and employees, states that we will "continue to provide services that live up to the expectations of customers and contribute to the development of regional society." Under our human resources strategy "practicing human capital management," we will promote multifaceted efforts to improve the value of our human capital, as a stage where each employee will work to achieve our Management Philosophy.

### Strengthening the capabilities of our human resources as the core of human capital management practices

– What are the central initiatives of the human resources strategy of "practicing human capital management"?

**Tanaka** The core of the human resources strategy "practicing human capital management" is strengthening the capabilities of our human resources, and the central initiatives to that end are "ensuring the diversity of human resources and promoting empowerment (D&I)" and "improving consulting capabilities."

In order to improve our ability to respond to the increasingly diverse and complex challenges and needs of our customers and the local community, it is essential that we develop and secure diverse human resources, including women, with diverse attributes, perspectives, abilities, and professional backgrounds. Increasing the diversity of human resources and our consulting capabilities will enable us to address major environmental changes in the age of VUCA, and provide us with the driving force to advance toward the creation of new value.

We are working to "ensure the diversity of human resources and promote empowerment (D&I)" mainly through the development and appointment of women and mid-career human resources (experienced hires). With regard to the promotion of the empowerment of women, we have been focusing on their development through Daishi Hokuetsu Bank's "Empowerment Program for Women," which we have been continuously implementing. In June 2023, a person who completed this program was appointed as the first female director of Daishi Hokuetsu Bank.

In fiscal 2022, we launched the "TSUBASA Cross-Mentor System" as a new initiative between banks participating in the TSUBASA Alliance. By providing opportunities for participants to engage in dialogue and receive advice from senior management at other banks, we aim to promote the absorption of knowledge from a broader perspective and create a higher quality career development program aimed at developing the next generation of leaders.

As part of our efforts to "improve our consulting capabilities," we have been enhancing the quality and quantity of various training programs, including the launch of a practical

## Interview with Officer in Charge of Human Resources

training curriculum for employees responsible for sustainability at sales offices of the bank branches from fiscal 2022. Additionally, in fiscal 2023, we established the "Manabot" business college within the Group, where all Group employees can take practical programs concerning matters such as coaching methods and app-based methods for improving operational efficiency, to support autonomous career development and reskilling. We will continue to develop and expand our development and training systems to further enhance the capabilities of our human resources, which will have a high level of both practical and professional skills.

### Exercising our collective strength as an organization as a synergy of human resource capabilities

**– How will we utilize the capabilities of our human resources, who will have a high level of both practical and professional skills, for the benefit of both our customers and local communities?**

**Tanaka** By building a human resources portfolio and strengthening our human resources management, we will transform the capabilities of our human resources with their diverse range of strengths, into our strength as an organization (collective strength as an organization) and utilize it for the benefit of our customers and local communities.

In order to build our human resources portfolio, we are focusing on talent management to accurately ascertain capabilities, skills, and experience, and to further enhance the effectiveness of our allocation of human resources in line with the issues, characteristics, etc., of our customers and local communities. We plan to introduce a talent management system to serve as infrastructure for this purpose at Daishi Hokuetsu Bank in fiscal 2023.

In addition, with regard to strengthening human resources management, we will continue to focus on training that focuses on topics such as "unconscious bias" and "internal communication (psychological safety)," which are essential for the leaders of organizations, in order to improve employee engagement and establish leadership across our organization that draws out the capabilities of individual members of our human resources to the maximum possible extent.

We believe that our continuous efforts in these areas and enhancement of such initiatives will lead to the creation of new value that exceeds expectations, by improving our collective strength as an organization to solve the problems of our customers and local communities.

### Workplace environment to improve engagement and wellbeing

**– A key factor in "human capital management" is what sort of initiatives we implement to improve the workplace environment. Please tell us about these initiatives.**

**Tanaka** The foundation for practicing human capital management is a workplace environment that enables each and every employee to remain in good physical and mental health and work in an energetic manner, while exercising their abilities to the maximum possible extent, and that enables employees to learn and work on their own initiative. Based on this approach, we are strengthening our efforts to "strengthen our health management system"



**Takayoshi Tanaka**  
Director, Daishi Hokuetsu Financial Group  
(Responsible for Human Resources Planning Division)

and "enhance employee engagement."

The Group has been focusing on health management and work style reform as part of efforts to "strengthen our health management system." Accordingly, Daishi Hokuetsu Bank has been certified as a "Health & Productivity Management Outstanding Organization (White 500)" for six consecutive years, and we have also obtained the highest level of certifications related to the empowerment of women and support for the next generation, such as "Platinum Eruboshi" and "Platinum Kurumin Plus." In fiscal 2022, we introduced a flextime system and enhanced our childcare leave system. By supporting the balance between work and childcare in this way, we are creating a workplace environment that enables employees to fully exercise their abilities through more flexible work styles.

Our initiatives to "enhance employee engagement" are aimed at enhancing the sense of unity in our organization, enhancing the motivation of each individual toward their work, and fostering an organizational culture that respects the independent thoughts and actions of individuals. Since our establishment, the company has prioritized organizational harmony and the development of a shared awareness. In addition, at Daishi Hokuetsu Bank, we have expanded our system (Career Challenge System) for inviting applicants for dispatch to Group companies, business partners, local governments, and other organizations to take on new challenges in their career. The Bank has also introduced a side-job/dual employment program to further boost employees' life and job satisfaction and enhance engagement by contributing to the sustainable growth of local communities through side-jobs in educational and cultural activities, etc., and dual job secondments to companies, etc.

We believe that such measures to enhance the workplace environment will contribute to achieving mental and physical health for employees, as well as a sense of fulfillment in their work and society, and so-called well-being. We also believe that it will serve as a driving force for each employee to autonomously enhance their abilities and maximize their performance to solve problems for customers and local communities, and we will thus continue to focus on achieving these goals.

### Toward a sustained enhancement in corporate value

**– How will you improve corporate value in a drastically changing environment?**

**Tanaka** The Group's human capital management practices aim to achieve a "sustained enhancement in corporate value" in order to continue contributing to the development of local communities, by "enhancing the value of our human capital," which means improving our human resources' knowledge and skills and enhancing their adaptability and resilience to environmental changes. These practices are thus based on the same approach as the Group's Management Philosophy.

Through our efforts in the three pillars of practicing human capital management, "strengthening of human resources capabilities," "exercise of collective strength as an organization," and "improvement of the workplace environment," we will maximize the value of our human capital by capturing the job aptitude and career aspirations of a diverse range of human resources and thereby promoting the development of human resources over the medium and long term, leading to a sustained enhancement in corporate value.



# Business Base to Support New Value Creation

## Strengths of the Group

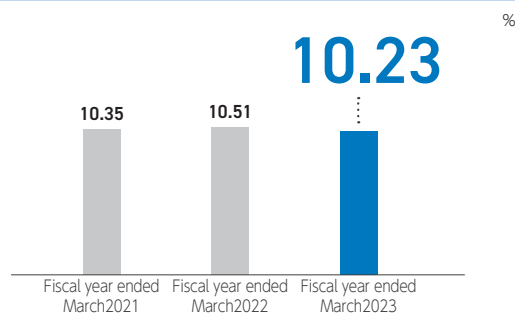
### Sound Financial Position

#### ▶ Substantial Equity Capital



The Daishi Hokuetsu Financial Group's consolidated capital adequacy ratio for the fiscal year ended March 2023 was 10.23%.

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.

#### Capital adequacy ratio (consolidated)



#### < Ratings >

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

(As of March 2023)

#### ▶ 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.

In the fiscal year ending March 2024, in accordance with this policy, the company plans to increase the ordinary dividend for the year by 10 yen, and to pay a commemorative dividend for the year of 10 yen to commemorate the fifth anniversary of the establishment of the company and the 150th anniversary of the founding of Daishi Hokuetsu Bank.

Additionally, in the fiscal year ended March 2023, we purchased treasury shares (470,600 shares), in order to ensure the stable return of profits to shareholders and increase our capital efficiency in accordance with our policy for return to shareholders.

Furthermore, consolidated ROE for the fiscal year ended March 2023 was 4.2%, an improvement of 0.7 percentage points from the previous year. Over the medium to long term, we aim to achieve a consolidated ROE of 5% or more based on enhancements to our profitability.

#### < Actual and forecast shareholder returns >

|                          | Dividends per share (annual) |                        |                         |                | Shareholder return rate |
|--------------------------|------------------------------|------------------------|-------------------------|----------------|-------------------------|
|                          | Ordinary dividends           | Inc. dividend increase | Commemorative dividends | Total          |                         |
| FY2020                   | 120 yen                      | —                      | —                       | 120 yen        | 50.7%                   |
| FY2021                   | 120 yen                      | —                      | —                       | 120 yen        | 36.1%                   |
| FY2022                   | 120 yen                      | —                      | —                       | 120 yen        | 39.2%                   |
| <b>FY2023 (forecast)</b> | <b>130 yen</b>               | <b>10 yen</b>          | <b>10 yen</b>           | <b>140 yen</b> | —                       |



## Corporate Governance

### Basic Approach to Corporate Governance

In order to achieve sustainable growth and increase corporate value over the medium to long term based on the Group's contributions to the local community through the achievement of our Management Philosophy, the company has established a basic approach to corporate governance, related basic policies, etc., and the contents thereof are disclosed in the "Corporate Governance Guidelines."

#### Basic Approach to Corporate Governance

In order to obtain high recognition and establish unshakeable trusts from stakeholders including customers, local residents, and shareholders, the Group endeavors 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

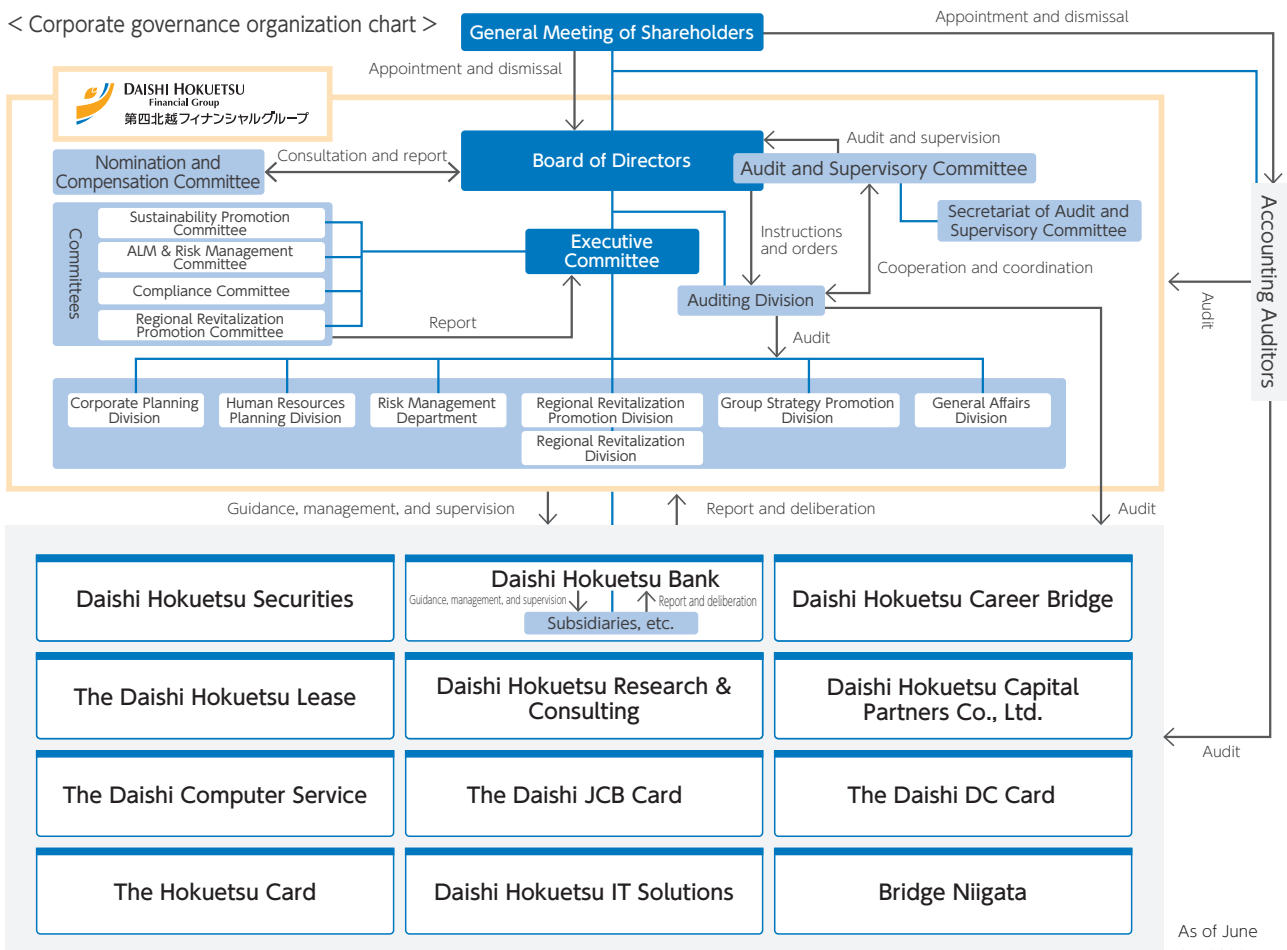
The Board of Directors of the company is responsible for achieving the Group's sustainable growth and medium- to long-term enhancement of corporate value, in order to obtain high recognition and establish unshakeable trust from stakeholders including customers, local residents, and shareholders. In order 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.

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

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  
27, 2023

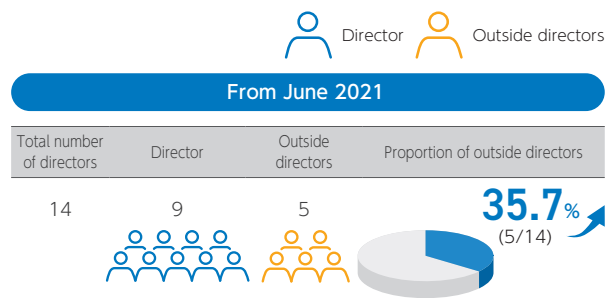
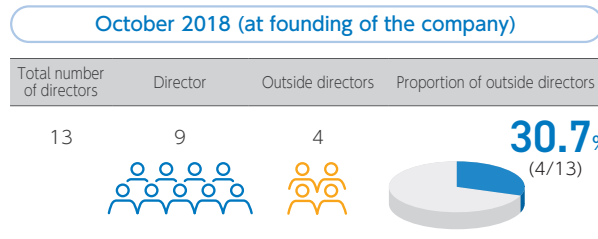
# Business Base to Support New Value Creation

## Corporate Governance

### < Board of Directors >

|                                   |  |
|-----------------------------------|--|
| Chair                             | President and Representative Director                |
| Composition                       | Proportion of outside directors: 35.7% (5 out of 14) |
| Number of meetings held in FY2022 | 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 FY2022 | 12 (once a month, in principle)                     |

### < Executive Committee >

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

### < Nomination and Compensation Committee >

|                                   |  |
|-----------------------------------|--|
| Chair                             | President and Representative Director  |
| Composition                       | Proportion of outside directors: 62.5% (5 out of 8)  |
| Number of meetings held in FY2022 | Twice  |
| Main items deliberated            | (1) Appointment and dismissal of directors<br>(2) Selection and dismissal of representative directors<br>(3) Selection and dismissal of directors with special duties<br>(4) Compensation, etc., for directors (excluding members of the Audit and Supervisory Committee) (maximum amount of compensation and individual compensation amounts)<br>(5) Compensation, etc., for directors (members of the Audit and Supervisory Committee) (excluding matters related to allocation of individual compensation amounts)<br>(6) Succession Planning |

### < Knowledge, Experience, and Ability that the Board of Directors Needs to be Equipped with >

The company has identified thirteen items as knowledge, experience and ability the Board of Directors need to be equipped with, consisting of nine items common to ordinary corporations and four items special to the company as a regional financial group.

| Knowledge, experience, and abilities to be equipped with |  |
|--|--|
| Common to ordinary companies                             | (1) Corporate management, (2) Management strategy and sustainability, (3) Risk management, (4) HR management, (5) Sales, (6) Management theory, (7) Finance and accounting, (8) Legal affairs and (9) IT systems |
| Special to a regional financial group                    | (10) Corporate audit, (11) Market operations, (12) System administration and (13) Regional administration  |

The fields in which the internal directors have experience, and the fields in which outside directors are particularly expected to contribute, are shown below. The Board of Directors as a whole has secured necessary skills for the company to practice management theory and realize the Medium-Term Management Plan.

| Name  | Fields in which the internal candidates for director have experience (as a corporate officer or general manager) |                 |                            |       |                   |                   |                        | Fields in which the company's outside directors are particularly expected to contribute |                   |                      |     |                |                         |
|---|--|-----------------|----------------------------|-------|-------------------|-------------------|------------------------|---|-------------------|----------------------|-----|----------------|-------------------------|
|   | (2)  | (3)             | (4)                        | (5)   | (10)              | (11)              | (12)                   | (1)   | (6)               | (7)                  | (8) | (9)            | (13)                    |
|   | Management strategy and sustainability   | Risk management | Human resources management | Sales | Company screening | Market operations | Systems and operations | Corporate management  | Management theory | Financial accounting | Law | IT and systems | Regional administration |
| Directors who are not Audit and Supervisory Committee Members | Fujio Namiki   | ●               | ●                          |       | ●                 | ●                 |                        |   |                   |                      |     |                |                         |
|   | Michiro Ueguri   | ●               |                            | ●     | ●                 |                   | ●                      |   |                   |                      |     |                |                         |
|   | Makoto Takahashi   | ●               |                            |       | ●                 | ●                 |                        |   |                   |                      |     |                |                         |
|   | Ken Shibata  | ●               | ●                          |       |                   |                   | ●                      |   |                   |                      |     |                |                         |
|   | Takayoshi Tanaka   |                 |                            | ●     |                   |                   |                        |   |                   |                      |     |                |                         |
|   | Toshiyuki Maki   |                 |                            |       | ●                 |                   |                        |   |                   |                      |     |                |                         |
|   | Takashi Ishizaka   |                 |                            |       | ●                 |                   |                        |   |                   |                      |     |                |                         |
| Tadanori Miyakoshi  |  |                 |                            |       |                   | ●                 |                        |   |                   |                      |     |                |                         |
| Directors who are Audit and Supervisory Committee Members     | Takayoshi Konomura   |                 | ●                          |       |                   | ●                 |                        |   |                   |                      |     |                |                         |
|   | Toshizo Oda  | Outside         |                            |       |                   |                   |                        | ●   |                   |                      |     |                |                         |
|   | Kazuaki Matsumoto  | Outside         |                            |       |                   |                   |                        |   | ●                 |                      |     |                |                         |
|   | Kunio Mori   | Outside         |                            |       |                   |                   |                        |   |                   |                      |     |                | ●                       |
|   | Tadashi Shirai   | Outside         |                            |       |                   |                   |                        |   |                   | ●                    |     | ●              |                         |
| Hiroyuki Kikuchi  | Outside  |                 |                            |       |                   |                   |                        |   |                   | ●                    |     |                |                         |

Notes: 1. **Outside** indicates an outside director who fulfills the independence criteria established by the Tokyo Stock Exchange Inc.

2. The table above does not represent all of the expertise held by the company's outside directors.

## Evaluation of the Effectiveness of the Board of Directors in Fiscal 2022

The Board of Directors of the company analyzes and evaluates the effectiveness of the Board of Directors on an annual basis, 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 2022, 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 2022 >.

In fiscal 2023, we will consider and implement measures based on the evaluation of effectiveness in fiscal 2022, as part of efforts to further improve the effectiveness of the Board of Directors. Furthermore, the specific policies for initiatives are described in the table below, < Status of initiatives in fiscal 2022 and policies for initiatives in fiscal 2023 >.

### < Results of analysis and evaluation in fiscal 2022 >

| Details  |
|--|
| <ul style="list-style-type: none"> <li>Internal directors appropriately fulfill their duties and responsibilities as executive directors or Audit and Supervisory Committee Members by utilizing their extensive experience in each specialized field</li> <li>As Audit and Supervisory Committee Members, outside directors actively speak at meetings of the Board of Directors and provide appropriate advice and supervision based on their own expert knowledge</li> <li>As changes in the business environment surrounding the company have become more commonplace and complex, under the supervision of the Board of Directors, we have taken various measures to achieve "unity of purpose" and exercise the three major synergies set forth in the 2nd Medium-Term Management Plan (merger synergy, group synergy, and TSUBASA Alliance synergy). We have achieved steady results from such measures, including exceeding our target for consolidated profit in fiscal 2022</li> <li>With regard to sustainability initiatives, we added "practicing sustainability management" to the basic strategies of our 2nd Medium-Term Management Plan in April 2022, and the Group as a whole has been promoting such initiatives in accordance with the "Basic Sustainability Policy" established in December 2021</li> <li>With regard to initiatives related to human capital management, in April 2023, we changed basic strategy III of our 2nd Medium-Term Management Plan from "developing and enhancing human capital" to "practicing human capital management," and in May, we established the "Office of Human Capital Strategy" at Daishi Hokuetsu Bank. In such ways, we have been implementing initiatives aimed at enhancing the value of our human capital and practicing health management</li> <li>In addition, as measures to address the issues identified based on the effectiveness evaluation in fiscal 2021, we have held "information exchange meetings between outside directors and the Presidents of Group companies," "training sessions for officers by external lecturers to support the accumulation of knowledge related to sustainability (six sessions in total)," etc. In such ways, we have been steadily making improvements aimed at enhancing the effectiveness of the Board of Directors</li> </ul> |

### < Status of initiatives in fiscal 2022 and policies for initiatives in fiscal 2023 >

| Matter   | Fiscal 2022  |  | Fiscal 2023  |
|--|--|--|--|
|  | Policies for initiatives   | Main initiatives   | Policies for initiatives   |
| Ensuring the diversity of the Board of Directors       | <ul style="list-style-type: none"> <li>Human resources development with a view to appointing female directors to ensure diversity on the Board of Directors</li> </ul>   | <ul style="list-style-type: none"> <li>Implementation of the "Empowerment Program for Women" and the "TSUBASA Cross-Mentor System" to train candidates for female directors within the company</li> <li>In June 2022, a female executive officer was appointed at Daishi Hokuetsu Bank, a subsidiary of the company</li> </ul>   | <ul style="list-style-type: none"> <li>Human resources development with a view to appointing female directors through the continued implementation of development programs for female employees, to ensure diversity on the Board of Directors               <ul style="list-style-type: none"> <li>*In June 2023, a female director was elected at Daishi Hokuetsu Bank (the first female director at the bank), a subsidiary of the company</li> </ul> </li> <li>Appointment of persons with experience in other industries as directors and executive officers of Group companies (including subsidiary banks) eligible to be candidates for directors               <ul style="list-style-type: none"> <li>*In June 2023, Daishi Hokuetsu Bank selected a former employee of a securities company (an experienced hire) as executive officer (concurrently serving as President and Representative Director of Daishi Hokuetsu Securities) (the first such appointment at the bank)</li> </ul> </li> </ul> |
| Continued development of successors                    | <ul style="list-style-type: none"> <li>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"</li> </ul>  | <ul style="list-style-type: none"> <li>Held a training session for directors and Full-time Audit and Supervisory Committee Members of the company and our subsidiary banks by the Chairman and Representative Director</li> <li>Holding individual meetings to exchange views with outside directors for directors of the company</li> </ul>   | <ul style="list-style-type: none"> <li>Development of successor candidates through the implementation of a range of development initiatives that combine the "utilization of internal resources" such as the passing on of knowledge to directors by representative directors and the "utilization of external resources," such as the TSUBASA Alliance, external experts, and industry associations, based on "successor development plans"</li> </ul>  |
| Further exercise of the functions of outside directors | <ul style="list-style-type: none"> <li>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.</li> </ul>   | <ul style="list-style-type: none"> <li>Holding An information exchange meetings between outside directors and the Presidents of Group companies to explain and exchange opinions on the outlines of Group companies and the details of the businesses of each company, as well as visits to sales offices by outside directors</li> <li>From September 2022, monthly meetings of the Audit and Supervisory Committee featured briefings on timely topics given by the responsible general manager</li> </ul>   | <ul style="list-style-type: none"> <li>Further revitalization of the Board of Directors and the Nomination and Compensation Committee through continuous exchange of opinions between outside directors and Presidents of Group companies, provision of information on our company's activities, training for outside directors, and other measures</li> </ul>   |
| Response to issues surrounding sustainability          | <ul style="list-style-type: none"> <li>Further enhancement of discussions on sustainability 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</li> <li>Promotion of awareness of sustainability in the Group and local communities led by the Board of Directors</li> <li>Enhancement of disclosure related to sustainability, including disclosure based on the framework of the TCFD recommendations</li> </ul> | <ul style="list-style-type: none"> <li>Holding of training sessions for officers by external lecturers, to support the accumulation of knowledge on sustainability (six sessions in total)</li> <li>The Board of Directors receives reports on matters discussed by the Sustainability Promotion Committee, such as the status of sustainable finance and CO<sub>2</sub> reduction initiatives</li> <li>In terms of information disclosure, the disclosure of information related to sustainability initiatives based on TCFD recommendations in securities reports, corporate governance reports, and integrated reports</li> </ul> | <ul style="list-style-type: none"> <li>Further enhancing the quality of discussions related to sustainability</li> <li>Promotion of awareness of sustainability in the company and local communities led by the Board of Directors</li> <li>Enhancement of disclosure related to sustainability, including disclosure based on the framework of the TCFD recommendations and the disclosure of information related to human capital</li> </ul>   |
| Operation of the Board of Directors                    |  |  | <ul style="list-style-type: none"> <li>Strengthening systems for timely and appropriate information coordination for outside directors</li> </ul>  |

# Business Base to Support New Value Creation

## Corporate Governance

### 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 com-

- 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.

The company and the subsidiary banks have the same compensation system. In principle, the amount of compensation for directors who serve concurrently as directors of the company and a subsidiary bank, and who are not Audit and Supervisory Committee Members, is the amount obtained by multiplying the amount of compensation of the subsidiary bank where they concurrently serve by a certain percentage.

#### ▶ 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.<br>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. |

The indicator target amounts and payment tables for fiscal 2023 are as follows.

#### < Fiscal 2023 target >

Consolidated net income attributable to shareholders of the parent company for the company of 20.1 billion yen and core business net profit for the subsidiary banks of 27.8 billion yen

| Ratio | Consolidated net income attributable to shareholders of the parent company of the company | Core business net profit for the subsidiary banks         |
|-------|---|---|
| 130%  | 26.13 billion yen or more   | 36.14 billion yen or more                                 |
| 120%  | 24.12 billion yen or more and less than 26.13 billion yen                                 | 33.36 billion yen or more and less than 36.14 billion yen |
| 110%  | 22.11 billion yen or more and less than 24.12 billion yen                                 | 30.58 billion yen or more and less than 33.36 billion yen |
| 100%  | 20.1 billion yen or more and less than 22.11 billion yen                                  | 27.8 billion yen or more and less than 30.58 billion yen  |
| 90%   | 18.09 billion yen or more and less than 20.1 billion yen                                  | 25.02 billion yen or more and less than 27.8 billion yen  |
| 80%   | 16.08 billion yen or more and less than 18.09 billion yen                                 | 22.24 billion yen or more and less than 25.02 billion yen |
| 70%   | Less than 16.08 billion yen   | Less than 22.24 billion yen                               |

## 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

## 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.

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) or executive officers of the company and our subsidiary banks retire.

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.

## Initiatives Related to Cross-shareholdings

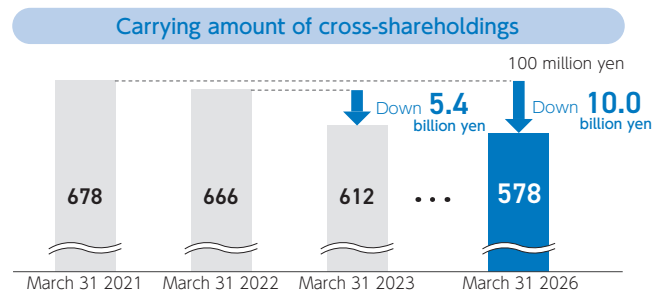
The company has established the "Policy on Cross-shareholdings" based on the Corporate Governance Code, as follows.

### 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, etc.," 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.

In line with this policy, with a view to further reducing cross-shareholdings, we set a target of reducing cross-shareholdings held by Daishi Hokuetsu Bank by 10 billion yen (carrying amount) over a period of five years (from the end of March 2021 to the end of March 2026) from fiscal 2020 (the year in which Daishi Hokuetsu Bank was created by the merger), and announced it in May 2023.

As of the end of March 2023, we had reduced our cross-shareholdings by 10 issues and 5.4 billion yen in carrying amount compared with the end of March 2022.





# Message

## Message from Outside Director

### Toshizo Oda

Director (outside)

Audit and Supervisory Committee Member



## Daishi Hokuetsu Financial Group from the viewpoint of an outside director

As an outside director of the company, I was involved in the establishment of the company (management integration) in October 2018, and the merger of Daishi Bank and Hokuetsu Bank in January 2021. Since the late 19th century, these two banks had been competing as regional banks based in Niigata Prefecture, but they made a bold decision to integrate their management with a future-oriented mindset, and achieved both a bank merger and the integration of systems and administrative functions at the same time. I believe the strong leadership of the Board of Directors enabled the company to achieve this.

At Daishi Hokuetsu Bank, the exchange of personnel between both banks began prior to the merger. After the merger, the company actively transferred personnel, regardless of the bank from which they originated, while officers repeatedly engaged in dialogue with employees to instill the Management Philosophy as a common purpose. As a result, nearly two and a half years after the merger, I now feel that the company has steadily gone beyond organizational harmony to become an organization with a "unity of purpose."

Although the financial industry is often described as more conservative than other industries, the company has continuously moved forward, not only through the forward-looking management integration and bank merger, but also through measures such as the "TSUBASA Alliance," a framework for wide-range regional partnerships among regional banks, and the new "Gunma-Daishi Hokuetsu Alliance" with The Gunma Bank, whose business area is adjacent to that of the company within the TSUBASA Alliance. The company is also expanding its business areas, including restructuring its systems business to strengthen the collective strength of the Group.

As an outside director, I will continue to actively dis-

cuss strategies targeting the sustainable growth of the company through regional contribution with people in divisions responsible for the execution of business operations.

## Role and effectiveness of the Board of Directors

One of the important roles of the Board of Directors is to indicate to stakeholders the direction that the company should aim for over the medium to long term, and to lead the company toward the realization of that vision through appropriate supervision. Specifically, I believe that the Board of Directors must lead the company, which is required to be highly public as a leader in regional finance, must to achieve its Management Philosophy of "continuing to contribute to the development of local communities."

To this end, I recognize that an important role of outside directors is to make sure that the Management Philosophy of "continuing to contribute to the development of local communities" is achieved by utilizing our previous professional experience to ascertain the issues facing local communities, examine from an objective standpoint whether the company's initiatives have led to the resolution of these issues, and adding a different perspective from that of persons within the company. The company's outside directors are a diverse group of members with a good balance of knowledge and experience. Many views are stated at meetings of the Board of Directors, resulting in lively discussions. I myself try to use my experience as a senior manager at a company that publishes a daily newspaper based in Niigata Prefecture to express my opinions from a perspective that is conscious of the company's efforts and its relationship with the local community.

It is also important that outside directors develop a deep knowledge of the company, in order to have open

and constructive discussions in the time-limited forum of meetings of the Board of Directors. In the company, there are opportunities for outside directors to visit bank sales offices to hear real feedback from employees in the field, and to exchange information with the Presidents of Group companies. Accordingly, I would like to exchange opinions with employees in more frontline settings.

There are currently no women on the company's Board of Directors. I have seen firsthand examples of cases in my own company and in many other companies where the selection of women as leaders has revitalized the organization and enhanced the organizational strength of the entire company. There are various circumstances to consider, but I believe it is important to give female employees more experience as leaders and ensure that they enhance their own abilities. The company has been actively promoting the empowerment women while promoting work style reform. In June this year, Daishi Hokuetsu Bank appointed its first female director. I recognize the appointment of female directors to ensure the diversity of the Board of Directors of the company as an issue in the evaluation of the effectiveness of the Board of Directors, and we are holding ongoing discussions about this issue.

### The future of the Daishi Hokuetsu Financial Group

It is difficult to forecast future changes in the environment amid unprecedented rapid fluctuations in circum-

stances in society, but I believe there will be many new business opportunities for the company. As stated in the Management Philosophy, the company must boldly take on the challenge of change and create new value.

Many stakeholders are eagerly anticipating the future of the company. As an outside director of the largest financial and information services group in Niigata Prefecture, I will continue to fulfill my responsibilities.



#### TOPICS

### Information Exchange Meetings between Outside Directors and the Presidents of Group Companies

The company is implementing measures to enhance outside directors' understanding of the Group, with the aim of further exercising the functions of outside directors on the Board of Directors and the Nomination and Compensation Committee.

In the fiscal year ended March 2023, outside directors and the Presidents of Group companies held information exchange meetings, and outside directors visited sales offices of Daishi Hokuetsu Bank.

In the future, we will continue to provide information on the company's activities and conduct training, etc., to enhance outside directors' understanding of the Group, and thereby strengthen governance by further exercising the functions of outside directors.



Information exchange meeting between outside directors and the Presidents of Group companies

# Business Base to Support New Value Creation

## 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. Audit and Supervisory Committee Members also attend meetings of the committee. 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.

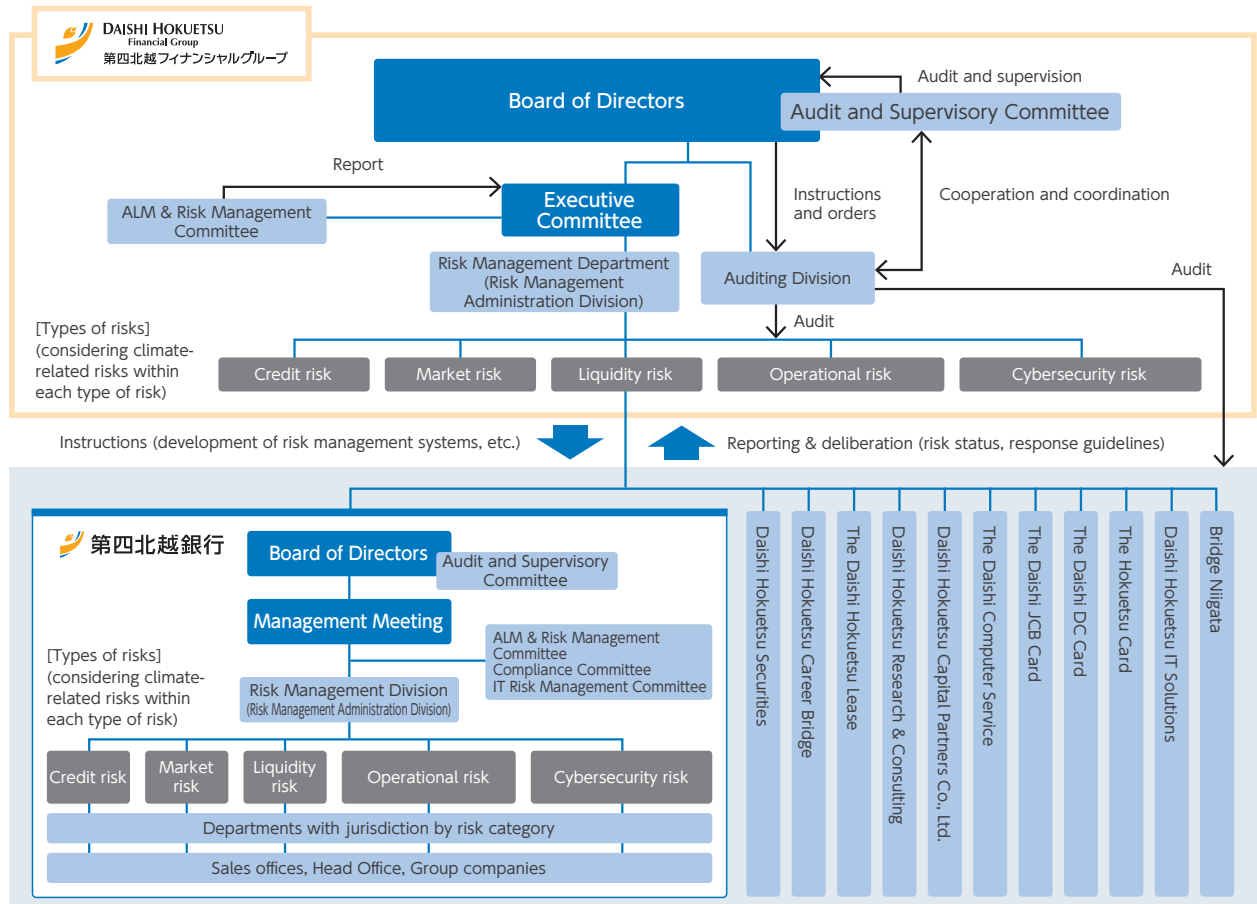
Additionally, the Auditing Department (Internal Audit

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 27, 2023

## 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.

### 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 es-

tablished 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.

In fiscal 2023, we implemented various measures based on the following three basic policies, and the Executive Committee receives regular reports on the status of these measures.

(1) With regard to system failures, we will promote autonomous improvement and work to enhance our systems through verification of the "analysis of the true causes of failures and

effectiveness of measures for improvement" and the "effectiveness of BCP training." In addition, we will promote initiatives to ensure operational resilience, namely "mapping the interconnectedness of the Group's internal systems," "third-party risk management," and "refining IT human resource planning."

- (2) We will enhance our cybersecurity measures by closely exchanging information with TSUBASA Alliance member banks, while identifying changes in the environment.
- (3) We have been working to improve and strengthen our Group governance system, such as promoting Group companies becoming wholly owned subsidiaries, and will further strengthen our IT risk management system as part of the creation of an IT governance system for the Group as a whole.



# Business Base to Support New Value Creation

## Risk Management System

### 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 as-

sets 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 whistleblow-

ers, 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 favors or funds.

Furthermore, we have established a system through which the organization as a whole will deal with elements that pose a threat to social order and safety. This involves taking a decisive stance of cutting off all relations and using 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." Laundering and terrorist financing is one of the most important responsibilities for a financial institution to perform.

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

- 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

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,

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.

- 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

and work is underway to upgrade risk management systems to prevent money laundering, terrorist financing, etc., in collaboration with other participating banks.

### ▶ 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" and "Action Plan," 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.

In addition, we will periodically announce the status of our initiatives, and review our basic policies and action plans as needed to achieve better business operations.

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

The "Basic Policy on Customer-oriented Business Operations," "Action Plan," and the status of initiatives and key performance indicators (KPIs) for fiscal 2022 are posted on the company's website.



<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.

#### Corporate Governance Report

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.



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

# 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 services 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.



### Examples of service improvements based on customer feedback

- Renewal of the "Daishi Hokuetsu Little Bank" smartphone app (see page 37 for details)
- Standardization of inheritance procedures among financial institutions in Niigata Prefecture (see page 37 for details)

## 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 13,486 students participated during the period from when the academy opened until the fiscal year ended March 2023.



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

**1,248**  
people

(FY1962 to FY2022)

### ▶ 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.



Ceremony for donation to the Sado Japanese Crested Ibis Conservation Center



Donated snow blower

## 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 2023, we held company briefing sessions for individual and institutional investors. Videos of company briefing sessions and related materials are available on the company's website.

#### Company Briefing Materials

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



Company briefing session for individual investors



Video of company briefing

### ► 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.

| 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 |

|                         |  |
|-------------------------|--|
| 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                 | (1) Catalog listing special local goods from Niigata Prefecture and various types of donations<br>(2) Catalog listing special local goods from other prefectures as a TSUBASA Alliance Joint Plan  |

## 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.

See page 48 for more information on "Officer Dialogue Exchange Meetings," etc.



Officer Dialogue Exchange Meeting

# List of Executives

## Director (As of June 27, 2023)



Chairman and Representative Director

**Fujio Namiki**

|   |                  |
|---|------------------|
| Number of years served as director                                  | 4 years 9 months |
| Attendance at meetings of the Board of Directors                    | 11 / 12          |
| Attendance at meetings of the Nomination and Compensation Committee | 2 / 2            |
| Number of the Company's shares held                                 | 9,200            |



President and Representative Director

**Michiro Ueguri**

|   |                  |
|---|------------------|
| Number of years served as director                                  | 4 years 9 months |
| Attendance at meetings of the Board of Directors                    | 12 / 12          |
| Attendance at meetings of the Nomination and Compensation Committee | 2 / 2            |
| Number of the Company's shares held                                 | 4,500            |



Senior Managing and Representative Director

**Makoto Takahashi**

|  |                  |
|--|------------------|
| Number of years served as director               | 4 years 9 months |
| Attendance at meetings of the Board of Directors | 12 / 12          |
| Number of the Company's shares held              | 5,050            |



Director

**Ken Shibata**

|  |         |
|--|---------|
| Number of years served as director               | 3 years |
| Attendance at meetings of the Board of Directors | 12 / 12 |
| Number of the Company's shares held              | 3,200   |



Director

**Takayoshi Tanaka**

|  |         |
|--|---------|
| 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              | 5,026   |



Director

**Toshiyuki Maki**

|  |         |
|--|---------|
| 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              | 900     |



Director

**Takashi Ishizaka**

Newly appointed

|                                     |       |
|-------------------------------------|-------|
| Number of the Company's shares held | 1,500 |
|-------------------------------------|-------|



Director

**Tadanori Miyakoshi**

Newly appointed

|                                     |     |
|-------------------------------------|-----|
| Number of the Company's shares held | 750 |
|-------------------------------------|-----|



## Director (As of June 27, 2023)



Director (Audit and Supervisory Committee Member)

**Takayoshi Konomura**

Newly appointed

|                                     |       |
|-------------------------------------|-------|
| Number of the Company's shares held | 1,900 |
|-------------------------------------|-------|

## Outside directors (As of June 27, 2023)



Director (outside) Audit and Supervisory Committee Member

**Toshizo Oda**

|   |                  |
|---|------------------|
| Number of years served as director                                  | 4 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 | 2 / 2            |
| Number of the Company's shares held                                 | 4,000            |



Director (outside) Audit and Supervisory Committee Member

**Kazuaki Matsumoto**

|   |                  |
|---|------------------|
| Number of years served as director                                  | 4 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 | 2 / 2            |
| Number of the Company's shares held                                 | 200              |



Director (outside) Audit and Supervisory Committee Member

**Kunio Mori**

|   |         |
|---|---------|
| 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 |
| Attendance at meetings of the Nomination and Compensation Committee | 2 / 2   |
| Number of the Company's shares held                                 | 200     |



Director (outside) Audit and Supervisory Committee Member

**Tadashi Shirai**

|   |         |
|---|---------|
| 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 | 2 / 2   |
| Number of the Company's shares held                                 | 200     |



Director (outside) Audit and Supervisory Committee Member

**Hiroyuki Kikuchi**

|   |         |
|---|---------|
| 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 | 2 / 2   |
| Number of the Company's shares held                                 | 0       |

\*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 4th ordinary general meeting of shareholders of the company in June 2022 until the 5th ordinary general meeting of shareholders of the company in June 2023.



# List of Group Companies

## Status of Each Group Company

(As of July 31, 2023)

| Company names:  | Main business activities  | Date of establishment | Capital stock   |
|---|---|-----------------------|-----------------|
| <b>The Daishi Hokuetsu Bank, Ltd.</b><br>1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture                    | Banking   | November 2, 1873      | ¥32,776 million |
| <b>Daishi Hokuetsu Securities Co., Ltd.</b><br>Komehyakudawara Place West Building, 6th Floor 3-10 Ote-dori2-chome, Nagaoka-shi           | Securities  | August 8, 1952        | ¥600 million    |
| <b>Daishi Hokuetsu Career Bridge, Co., Ltd.</b><br>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     |
| <b>The Daishi Hokuetsu Lease Co., Ltd.</b><br>2-10 Akashi2-chome, Chuo-ku, Niigata-shi  | Leasing   | November 11, 1974     | ¥100 million    |
| <b>Daishi Hokuetsu Research &amp; Consulting, Ltd.</b><br>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     |
| <b>Daishi Hokuetsu Capital Partners Co., Ltd.</b><br>Daishi Kaijo Bldg., 1-18 Higashiodori2-chome, Chuo-ku, Niigata-shi                   | Venture capital services  | June 8, 1984          | ¥20 million     |
| <b>The Daishi Computer Service Co., Ltd.</b><br>1-17 Abumi1-chome, Chuo-ku, Niigata-shi (inside the Daishi Hokuetsu Bank Business Center) | Computer-related business   | May 10, 1976          | ¥15 million     |
| <b>The Daishi JCB Card Co., Ltd.</b><br>Daishi Kaijo Bldg., 1-18 Higashiodori2-chome, Chuo-ku, Niigata-shi                                | Credit cards and credit guarantees  | November 12, 1982     | ¥30 million     |
| <b>The Daishi DC Card Co., Ltd.</b><br>Daishi Kaijo Bldg., 1-18 Higashiodori2-chome, Chuo-ku, Niigata-shi                                 | Credit cards  | March 1, 1990         | ¥30 million     |
| <b>The Hokuetsu Card Co., Ltd.</b><br>Hokuetsu Higashi Bldg., 4th Floor 9-20 Kesajiro1-chome, Nagaoka-shi                                 | Credit cards and credit guarantees  | June 1, 1983          | ¥20.45 million  |
| <b>Daishi Hokuetsu IT Solutions Co., Ltd.</b><br>11-21 Nuttari-Higashi2-chome, Chuo-ku, Niigata-shi                                       | Computer-related business   | March 20, 1970        | ¥100 million    |
| <b>Bridge Niigata Co., Ltd.</b><br>1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture                          | Sales channel development, tourism promotion, and productivity improvement businesses                           | April 1, 2019         | ¥70 million     |
| <b>The Daishi Guaranty Co., Ltd.</b><br>Hokuetsu Daiichi Bldg., 3rd Floor 2-25 Higashi-odori1-chome, Chuo-ku, Niigata-shi                 | Credit guarantees   | October 27, 1978      | ¥50 million     |
| <b>The Hokuetsu Credit Guarantee Co., Ltd.</b><br>Hokuetsu Daiichi Bldg., 3rd Floor 2-25 Higashi-odori1-chome, Chuo-ku, Niigata-shi       | Credit guarantees   | August 20, 1986       | ¥210 million    |
| <b>The Hokuetsu Leasing Co., Ltd.</b><br>Hokuetsu Higashi Bldg., 5th Floor 9-20 Kesajiro1-chome, Nagaoka-shi                              | Leasing   | November 1, 1982      | ¥100 million    |

### Information About The Daishi Hokuetsu Bank's Branch Network (as of July 31, 2023)

Number of branches: 204  
190 branches within Niigata Prefecture  
(including 6 field offices)  
14 branches outside of Niigata  
Prefecture

Number of sites: 151

\*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.

Click here for our website



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

**Joetsu Area**  
(19 branches, 15 sites)

**Sado Area**  
(5 branches, 3 sites)

**Shimoetsu Area**  
(102 branches, 72 sites)

**Chuetsu Area**  
(64 branches, 48 sites)

**Outside Niigata**  
(14 branches, 13 sites)

## 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.

# Financial Data

## CONTENTS

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|  |    |
|--|----|
| Consolidated Balance Sheets                                  | 72 |
| Consolidated Statements of Income                            | 74 |
| Consolidated Statements of Shareholders' Equity              | 75 |
| Consolidated Statements of Cash Flows                        | 78 |
| Non-Consolidated Balance Sheets (Daishi Hokuetsu Bank)       | 91 |
| Non-Consolidated Statements of Income (Daishi Hokuetsu Bank) | 92 |

## Consolidated Balance Sheet

Years ended March 31, 2023

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to US \$1.

| ■ Assets  | (Millions of Yen)  | (Millions of Yen)  | (Thousands of U.S.Dollars) |
|---|--------------------|--------------------|----------------------------|
|   | 2022               | 2023               | 2023                       |
| Cash and due from banks                               | ¥2,758,985         | ¥2,031,509         | \$15,213,880               |
| Monetary claims bought                                | 14,115             | 15,609             | 116,899                    |
| Trading account securities                            | 3,018              | 2,558              | 19,156                     |
| Securities  | 2,501,271          | 2,871,378          | 21,503,619                 |
| Loans and bills discounted                            | 5,114,102          | 5,265,963          | 39,436,553                 |
| Foreign exchanges                                     | 16,304             | 19,566             | 146,533                    |
| Other assets  | 175,270            | 213,929            | 1,602,105                  |
| Tangible fixed assets                                 | 56,855             | 56,018             | 419,517                    |
| Intangible fixed assets                               | 13,919             | 11,428             | 85,590                     |
| Assets related to retirement benefits                 | 14,352             | 16,521             | 123,731                    |
| Deferred tax assets                                   | 10,295             | 21,778             | 163,097                    |
| Customers' liabilities for acceptances and guarantees | 18,966             | 20,738             | 155,312                    |
| Allowance for loan losses                             | (27,153)           | (29,048)           | (217,546)                  |
| <b>Total assets</b>                                   | <b>¥10,670,304</b> | <b>¥10,517,951</b> | <b>\$78,768,453</b>        |

| ■ Liabilities                                 | (Millions of Yen)  | (Millions of Yen)  | (Thousands of U.S.Dollars) |
|---|--------------------|--------------------|----------------------------|
|   | 2022               | 2023               | 2023                       |
| Deposits                                      | ¥8,207,503         | ¥8,367,554         | \$62,664,231               |
| Negotiable certificates of deposit            | 233,401            | 213,228            | 1,596,857                  |
| Receivables under resale agreements           | 37,006             | 175,576            | 1,314,883                  |
| Payables under securities lending transaction | 298,397            | 308,046            | 2,306,945                  |
| Borrowed money                                | 1,358,761          | 902,795            | 6,760,995                  |
| Foreign exchanges                             | 209                | 463                | 3,470                      |
| Borrowed money from trust account             | 2,886              | 8,386              | 62,809                     |
| Other Liabilities                             | 65,100             | 91,348             | 684,105                    |
| Provision for bonuses                         | 2,350              | 2,354              | 17,632                     |
| Provision for directors' bonuses              | 120                | 107                | 801                        |
| Provision for share-based payment             | 541                | 697                | 5,225                      |
| Retirement benefit related liabilities        | 653                | 625                | 4,687                      |
| Provision for directors' retirement benefits  | 36                 | 37                 | 278                        |
| Provision for reimbursement of deposits       | 1,454              | 1,189              | 8,905                      |
| Provision for contingent loss                 | 1,615              | 1,910              | 14,309                     |
| Reserves under the special laws               | 16                 | 16                 | 127                        |
| Deferred tax liabilities                      | 2,610              | 2,541              | 19,031                     |
| Deferred tax liabilities for land revaluation | 5,163              | 4,907              | 36,754                     |
| Acceptances and guarantees                    | 18,966             | 20,738             | 155,312                    |
| <b>Total Liabilities</b>                      | <b>¥10,236,798</b> | <b>¥10,102,527</b> | <b>\$75,657,364</b>        |

**■ Net Assets**

|   | (Millions of Yen) |             | (Thousands of U.S.Dollars) |
|---|-------------------|-------------|----------------------------|
|   | 2022              | 2023        | 2023                       |
| Capital stock   | ¥30,000           | ¥30,000     | \$224,668                  |
| Capital surplus                                       | 98,865            | 102,980     | 771,218                    |
| Retained earnings                                     | 281,174           | 293,973     | 2,201,554                  |
| Treasury stocks                                       | (1,566)           | (3,066)     | (22,966)                   |
| Shareholders' equity                                  | 408,473           | 423,887     | 3,174,474                  |
| Valuation difference on available-for-sale securities | 8,030             | (19,886)    | (148,928)                  |
| Deferred gains or losses on hedges                    | 464               | 288         | 2,158                      |
| Revaluation reserve for land                          | 6,251             | 5,724       | 42,874                     |
| Remeasurements of defined benefit plans               | 5,240             | 5,409       | 40,509                     |
| Total accumulated other comprehensive income          | 19,987            | (8,463)     | (63,385)                   |
| Non-controlling interests                             | 5,044             | -           | -                          |
| Total net assets                                      | 433,505           | 415,423     | 3,111,088                  |
| Total Liabilities and Net assets                      | ¥10,670,304       | ¥10,517,951 | \$78,768,453               |



## Consolidated Statements of Income

### Years ended March 31, 2023

|  | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|--|-------------------|-------------------|----------------------------|
|  | 2022              | 2023              | 2023                       |
| <b>Ordinary income</b>   | <b>¥135,711</b>   | <b>¥148,759</b>   | <b>\$1,114,051</b>         |
| Financing income   | 62,684            | 80,060            | 599,566                    |
| Interest on loans and discounts                                    | 45,612            | 47,053            | 352,384                    |
| Interest and dividends on securities                               | 16,008            | 28,861            | 216,140                    |
| Interest on call loans and bills bought                            | (69)              | (78)              | (585)                      |
| Interest on receivables under securities borrowing transactions    | 1                 | -                 | -                          |
| Interest on deposits with banks                                    | 762               | 2,524             | 18,908                     |
| Other interest income  | 369               | 1,698             | 12,718                     |
| Trust fees   | 53                | 117               | 883                        |
| Fees and commissions   | 28,715            | 30,492            | 228,358                    |
| Other ordinary income  | 34,066            | 32,902            | 246,405                    |
| Other income   | 10,190            | 5,185             | 38,837                     |
| <b>Ordinary expenses</b>   | <b>112,166</b>    | <b>123,710</b>    | <b>926,461</b>             |
| Financing expenses   | 2,287             | 12,140            | 90,919                     |
| Interest on deposits   | 458               | 435               | 3,262                      |
| Interest on negotiable certificates of deposit                     | 10                | 12                | 93                         |
| Interest on call money and bills sold                              | 0                 | -                 | -                          |
| Interest on bills sold   | 112               | 2,859             | 21,416                     |
| Interest on payables under securities lending transactions         | 174               | 5,889             | 44,104                     |
| Interest on borrowings and rediscounts                             | 33                | 37                | 280                        |
| Other interest expenses  | 1,497             | 2,905             | 21,762                     |
| Fees and commissions payments                                      | 7,703             | 7,788             | 58,330                     |
| Other ordinary expenses  | 24,179            | 32,404            | 242,674                    |
| General and administrative expenses                                | 65,070            | 62,556            | 468,483                    |
| Other expenses   | 12,924            | 8,820             | 66,053                     |
| <b>Ordinary profit</b>   | <b>23,545</b>     | <b>25,048</b>     | <b>187,589</b>             |
| Extraordinary income   | 418               | 1,046             | 7,834                      |
| Gain on disposal of noncurrent assets                              | 0                 | 1,046             | 7,834                      |
| Gain on reversal of subscription rights to shares                  | 418               | -                 | -                          |
| Extraordinary loss   | 622               | 1,144             | 8,574                      |
| Loss on disposal of noncurrent assets                              | 119               | 395               | 2,958                      |
| Impairment loss  | 74                | 749               | 5,616                      |
| Transfer to reserve for financial products transaction liabilities | 1                 | -                 | -                          |
| Provision for share-based payment                                  | 427               | -                 | -                          |
| <b>Income before income taxes</b>                                  | <b>23,342</b>     | <b>24,949</b>     | <b>186,849</b>             |
| Income taxes-current   | 8,281             | 6,699             | 50,171                     |
| Income taxes-deferred  | (469)             | 366               | 2,747                      |
| <b>Net Income</b>  | <b>15,530</b>     | <b>17,883</b>     | <b>133,929</b>             |
| Profit attributable to non-controlling interests                   | 385               | 115               | 865                        |
| <b>Net income reverting to parent company shareholders</b>         | <b>¥15,144</b>    | <b>¥17,768</b>    | <b>\$133,064</b>           |

## Consolidated Statements of Comprehensive Income

### Years ended March 31, 2023

|  | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|--|-------------------|-------------------|----------------------------|
|  | 2022              | 2023              | 2023                       |
| Net Income   | ¥15,530           | ¥17,883           | \$133,929                  |
| Other Comprehensive Income                                     | (27,869)          | (28,526)          | (213,636)                  |
| Valuation difference on available-for-sale securities          | (33,600)          | (28,519)          | (213,580)                  |
| Deferred gains or losses on hedges                             | 4,916             | (176)             | (1,318)                    |
| Retirement benefit adjustment amount                           | 814               | 168               | 1,262                      |
| <b>Comprehensive income</b>                                    | <b>(12,338)</b>   | <b>(10,643)</b>   | <b>(79,707)</b>            |
| (Comprehensive income attributable to)                         |                   |                   |                            |
| Comprehensive income attributable to equities of parent        | (11,042)          | (10,156)          | (76,058)                   |
| Comprehensive income attributable to non-controlling interests | ¥(1,296)          | ¥(487)            | \$(3,649)                  |

## Consolidated Statements of Shareholders' Equity

Year 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         |

Year ended March 31, 2023

(Millions of Yen)

|   | Shareholders' equity |                 |                   |                 |                      |
|---|----------------------|-----------------|-------------------|-----------------|----------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stocks | Shareholders' equity |
| Balance at March 31, 2022   | ¥30,000              | ¥98,865         | ¥281,174          | ¥(1,566)        | ¥408,473             |
| Changes of items during the period  |                      |                 |                   |                 |                      |
| Dividends from surplus  |                      |                 | (5,496)           |                 | (5,496)              |
| Net income reverting to parent company shareholders                                       |                      |                 | 17,768            |                 | 17,768               |
| Purchase of treasury stock  |                      |                 |                   | (1,507)         | (1,507)              |
| Disposal of treasury stock  |                      | (0)             |                   | 6               | 6                    |
| Reversal of revaluation reserve for land  |                      |                 | 526               |                 | 526                  |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | 4,115           |                   |                 | 4,115                |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                      |
| Total changes of items during period  | -                    | 4,115           | 12,798            | (1,500)         | 15,413               |
| Balance at March 31, 2023   | ¥30,000              | ¥102,980        | ¥293,973          | ¥(3,066)        | ¥423,887             |

|   | Accumulated other comprehensive income                |                                    |                              |   |  | 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, 2022   | ¥8,030  | ¥464                               | ¥6,251                       | ¥5,240                                  | ¥19,987                                      | ¥5,044                    | ¥433,505         |
| Changes of items during the period  |   |                                    |                              |   |  |                           |                  |
| Dividends from surplus  |   |                                    |                              |   |  |                           | (5,496)          |
| Net income reverting to parent company shareholders                                       |   |                                    |                              |   |  |                           | 17,768           |
| Purchase of treasury stock  |   |                                    |                              |   |  |                           | (1,507)          |
| Disposal of treasury stock  |   |                                    |                              |   |  |                           | 6                |
| Reversal of revaluation reserve for land  |   |                                    |                              |   |  |                           | 526              |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |                              |   |  |                           | 4,115            |
| Net changes of items other than shareholders' equity                                      | (27,916)  | (176)                              | (526)                        | 168                                     | (28,451)                                     | (5,044)                   | (33,495)         |
| Total changes of items during period  | (27,916)  | (176)                              | (526)                        | 168                                     | (28,451)                                     | (5,044)                   | (18,081)         |
| Balance at March 31, 2023   | ¥(19,886)   | ¥288                               | ¥5,724                       | ¥5,409                                  | ¥(8,463)                                     | -                         | ¥415,423         |

Year ended March 31, 2023

(Thousands of U.S.Dollars)

|   | Shareholders' equity |                 |                   |                 |                      |
|---|----------------------|-----------------|-------------------|-----------------|----------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stocks | Shareholders' equity |
| Balance at March 31, 2022   | \$224,668            | \$740,398       | \$2,105,703       | \$ (11,730)     | \$3,059,040          |
| Changes of items during the period  |                      |                 |                   |                 |                      |
| Dividends from surplus  |                      |                 | (41,160)          |                 | (41,160)             |
| Net income reverting to parent company shareholders                                       |                      |                 | 133,064           |                 | 133,064              |
| Purchase of treasury stock  |                      |                 |                   | (11,286)        | (11,286)             |
| Disposal of treasury stock  |                      | (1)             |                   | 50              | 48                   |
| Reversal of revaluation reserve for land  |                      |                 | 3,946             |                 | 3,946                |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | 30,821          |                   |                 | 30,821               |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                      |
| Total changes of items during period  | -                    | 30,819          | 95,850            | (11,235)        | 115,434              |
| Balance at March 31, 2023   | \$224,668            | \$771,218       | \$2,201,554       | \$(22,966)      | \$3,174,474          |

|   | Accumulated other comprehensive income                |                                    |                              |   |  | 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, 2022   | \$60,137  | \$3,477                            | \$46,820                     | \$39,247                                | \$149,683                                    | \$37,780                  | \$3,246,503      |
| Changes of items during the period  |   |                                    |                              |   |  |                           |                  |
| Dividends from surplus  |   |                                    |                              |   |  |                           | (41,160)         |
| Net income reverting to parent company shareholders                                       |   |                                    |                              |   |  |                           | 133,064          |
| Purchase of treasury stock  |   |                                    |                              |   |  |                           | (11,286)         |
| Disposal of treasury stock  |   |                                    |                              |   |  |                           | 48               |
| Reversal of revaluation reserve for land  |   |                                    |                              |   |  |                           | 3,946            |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |                              |   |  |                           | 30,821           |
| Net changes of items other than shareholders' equity                                      | (209,066)   | (1,318)                            | (3,946)                      | 1,262                                   | (213,069)                                    | (37,780)                  | (250,849)        |
| Total changes of items during period  | (209,066)   | (1,318)                            | (3,946)                      | 1,262                                   | (213,069)                                    | (37,780)                  | (135,415)        |
| Balance at March 31, 2023   | \$(148,928)   | \$2,158                            | \$42,874                     | \$40,509                                | \$(63,385)                                   | -                         | \$3,111,088      |

Consolidated Statement of Cash Flows  
Years ended March 31, 2023

|  | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|--|-------------------|-------------------|----------------------------|
|  | 2022              | 2023              | 2023                       |
| Cash flows from operating activities   |                   |                   |                            |
| Income before income taxes   | ¥23,342           | ¥24,949           | \$186,849                  |
| Depreciation costs   | 6,959             | 6,695             | 50,138                     |
| Impairment loss  | 74                | 749               | 5,616                      |
| Increase (decrease) in allowance for loan losses                                     | 2,709             | 1,895             | 14,197                     |
| Increase (decrease) in provision for contingent loss                                 | 214               | 295               | 2,211                      |
| Increase (decrease) in provision for bonuses   | (332)             | 4                 | 31                         |
| Increase (decrease) in provision for directors' bonuses                              | (6)               | (13)              | (102)                      |
| Increase (decrease) in provision for share-based payment                             | 541               | 156               | 1,171                      |
| Increase (decrease) in provision for retirement benefits                             | (2,767)           | (2,169)           | (16,249)                   |
| Increase (decrease) in provision for retirement liability                            | (40)              | (27)              | (209)                      |
| Increase (decrease) in provision for directors' retirement benefits                  | (4)               | 1                 | 8                          |
| Increase (decrease) in provision for reimbursement of deposits                       | (376)             | (265)             | (1,990)                    |
| Increase (decrease) in provision for system cancellation losses                      | (12)              | -                 | -                          |
| Financing income   | (62,684)          | (80,060)          | (599,566)                  |
| Financing expenses   | 2,287             | 12,140            | 90,919                     |
| Loss (gain) related to securities  | (1,133)           | 11,104            | 83,159                     |
| Foreign exchange losses (gains)  | (0)               | (0)               | (7)                        |
| Loss (gain) on disposal of noncurrent assets   | 119               | (651)             | (4,875)                    |
| Net decrease (increase) in trading account securities                                | 215               | 460               | 3,449                      |
| Net decrease (increase) in loans and bills discounted                                | (176,640)         | (151,860)         | (1,137,277)                |
| Net increase (decrease) in deposits  | 94,079            | 160,050           | 1,198,614                  |
| Net increase (decrease) in negotiable certificates of deposit                        | 156,525           | (20,173)          | (151,078)                  |
| Net increase (decrease) in borrowed money (excluding subordinated borrowings)        | 695,158           | (455,966)         | (3,414,710)                |
| Net decrease (increase) in deposits (excluding deposit paid to Bank of Japan)        | (48)              | 170               | 1,280                      |
| Net decrease (increase) in call loans  | (1,035)           | (1,493)           | (11,186)                   |
| Net increase (decrease) in call money  | (74,125)          | 138,569           | 1,037,742                  |
| Net increase (decrease) in payables under securities lending transactions            | 109,972           | 9,648             | 72,258                     |
| Net decrease (increase) in foreign exchange-assets                                   | 497               | (3,262)           | (24,430)                   |
| Net increase (decrease) in foreign exchange-liabilities                              | 22                | 254               | 1,902                      |
| Net increase (decrease) in borrowed money from trust account                         | 2,683             | 5,500             | 41,195                     |
| Revenue for finance  | 65,441            | 71,668            | 536,720                    |
| Payments for finance   | (2,508)           | (10,065)          | (75,376)                   |
| Other  | (35,267)          | (46,953)          | (351,633)                  |
| Subtotal   | 803,860           | (328,647)         | (2,461,224)                |
| Income taxes paid  | (6,174)           | (9,831)           | (73,630)                   |
| Net cash provided by (used in) operating activities                                  | 797,685           | (338,479)         | (2,534,854)                |
| Cash flows from investing activities   |                   |                   |                            |
| Purchase of securities   | (1,099,541)       | (1,372,921)       | (10,281,744)               |
| Proceeds from sales of securities  | 783,306           | 835,385           | 6,256,166                  |
| Proceeds from redemption of securities   | 233,472           | 159,980           | 1,198,089                  |
| Purchase of property, plant and equipment  | (1,906)           | (3,747)           | (28,065)                   |
| Proceeds from sales of property, plant and equipment                                 | 80                | 2,097             | 15,709                     |
| Purchase of intangible assets  | (921)             | (1,572)           | (11,779)                   |
| Net cash provided by (used in) investment activities                                 | (85,510)          | (380,777)         | (2,851,624)                |
| Cash flows from financing activities   |                   |                   |                            |
| Cash dividends paid  | (5,490)           | (5,496)           | (41,160)                   |
| Dividends paid to non-controlling interests  | (10)              | (2)               | (22)                       |
| Purchase of treasury stock   | (1,088)           | (1,507)           | (11,286)                   |
| Proceeds from sales of treasury stock  | 0                 | 6                 | 48                         |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (2,352)           | (1,049)           | (7,862)                    |
| Net cash provided by (used in) financing activities                                  | (8,942)           | (8,049)           | (60,282)                   |
| Effect of exchange rate change on cash and cash equivalents                          | 0                 | 0                 | 7                          |
| Net increase (decrease) in cash and cash equivalents                                 | 703,233           | (727,305)         | (5,446,755)                |
| Cash and cash equivalents at beginning of the year                                   | 2,054,043         | 2,757,277         | 20,649,121                 |
| Cash and cash equivalents at the end of the year                                     | ¥2,757,277        | ¥2,029,972        | \$15,202,366               |



## Notes (From April 1, 2022, to March 31, 2023)

(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., The Daishi Computer Service Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Hokuetsu Card Co., Ltd., The Daishi Credit Guarantee Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., Hokuetsu Leasing Co., Ltd., The Hokuetsu Leasing Co., Ltd.
- (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, ordinary income, 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 securities  
The amortized cost method (straight-line method) using the moving average method is used for securities held for ownership until maturity. For other 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 securities is all processed by the net asset direct entry method.
- (3) Valuation criterion and valuation method for derivative transaction  
Valuation of derivative transactions is conducted using the market value method.
- (4) Depreciation method for fixed assets
  - (i) Tangible fixed assets (excluding leased assets)  
The straight-line method is mainly used for tangible fixed assets.  
Major service life is as follows:
 

|           |                |
|-----------|----------------|
| Buildings | 10 to 50 years |
| Other     | 2 to 20 years  |
  - (ii) Intangible fixed assets (excluding leased assets)  
The straight-line method is used for intangible fixed assets. Software used by the Company is 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 straight-line method with the lease period set to the statutory service life. As for residual value, the guaranteed residual value shall be used in cases in which a 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 the 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 are 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 is higher, then the difference is added to this calculation as 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 one classification of normal debtors, amounts of anticipated losses over the next year are mainly recorded. Furthermore, for debtors requiring attention, after they are classified into three based on whether business improvement plans and payables requiring special attention are present, the amount of anticipated loss over the next three years is mainly recorded for claims against the two classifications, which include debtors requiring special attention, and the amount of anticipated loss over the next one year for claims against the other classification for debtors requiring attention. 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.

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 this stands at 6,853 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 an 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' 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 directors' 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 director'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) Criteria for recording provision for contingent loss  
Provisions for contingent loss are recorded by estimating the loss and recording the amount judged to be necessary, for possible loss occurring in the future for contingent events other than events provided under other provisions.
- (12) Criteria for recording reserves under the special laws  
Reserves under special laws are reserves for financial product transaction liabilities for consolidated subsidiaries conducting 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.
- (13) Accounting method related to retirement benefits  
In the calculation of retirement benefit liabilities, the benefit formula standard is adopted as the method of attributing the expected amount of retirement benefits within the current consolidated fiscal year. Furthermore, the methods of processing profit and loss for prior service costs and actuarial gain or loss are as follows:
 

|                        |  |
|------------------------|--|
| Prior service cost     | : Profit and loss processing using the straight-line method for a certain number of years (10 years) within the average employee residual term of service at the time of occurrence  |
| Actuarial gain or loss | : Profit and loss processing of the amount pro-rated by the straight-line method for a certain number of years (10 to 12 years) within the average employee residual term of service at the time of occurrence, will be treated as profit or loss 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.
- (14) Criteria for conversion of foreign currency-denominated assets and liabilities into Japanese yen  
Foreign currency-denominated assets and liabilities are converted into Japanese yen using the rate of exchange on the consolidated closing date.
- (15) Criteria for recording of 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) 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, certain assets and liabilities are accounted for by deferred hedging by applying "individual hedging," which directly corresponds to the hedging target and the hedging instrument. 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  
A deferred hedge is adopted as the hedge accounting method for foreign exchange fluctuation risk arising from financial assets and liabilities denominated in foreign currencies of consolidated subsidiaries engaged in the banking business as provided in "Handling in accounting and audit of foreign currency-denominated transactions, etc., in the processing of accounts in the banking industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Committee Practical Guideline No. 25, October 8, 2020, hereinafter referred to as "Industry-specific Committee Practical Guideline 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 monetary 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 ...Deferral hedge accounting and exceptional accounting for methods  
 interest rate swaps  
 Hedging ...Currency swaps and interest rate swaps instruments  
 Hedged items ...Securities and loans and bills discounted  
 Types of hedging transactions ...Cash flow hedges and hedges against market fluctuations transactions

- (17) Scope of funds in consolidated statement of cash flows  
 The scope of funds in the consolidated statement of cash flows is cash and deposits 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 | ¥29,048 million |
|---------------------------|-----------------|

Of this amount, the allowance for loan losses of consolidated subsidiaries engaged in the banking business was 24,562 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, potentially bankrupt debtors, 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 "(5) Criteria for recording allowances for loan losses" in "4. Matters related to accounting policies."

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, 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 "(5) Criteria for recording allowances for loan losses" in "4. Matters related to accounting policies." 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 impact of the trend of COVID-19 on economic and business activities is expected to gradually come to an end as the resumption and normalization of economic activities based on the assumption of a post-COVID-19 time has progressed. On the other hand, the outlook for the domestic economy remains uncertain mainly due to concerns over an economic recession resulting from global price hikes in energy and raw materials, monetary tightening, and others. Although some customers have experienced losses such as loan losses due to the impact of business performance and cash flow deterioration with the continued stagnation of economic activities, we have confirmed that the Company group's allowance for loan losses is sufficiently secured as a result of taking into account the status, likelihood, and impact of loan losses directly caused by various problems. Furthermore, the Company assumes that there will be no major impact on the debtor classification, etc., as the Group will work to grasp at an early stage changes in customers' business conditions and continue making every effort in activities to support their business improvement and revitalization. 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.

- (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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

From the beginning of the current consolidated fiscal year, the Company has decided to apply the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and to apply the new accounting policies specified in the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment specified in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This has no impact on the consolidated financial statements.

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

- "Accounting Standard for Current Income Taxes, etc." (ASBJ Guidance No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)
  - (1) Overview  
 Provisions on the accounting classification of income taxes when imposed on other comprehensive income and the treatment of tax effects on sales of subsidiary company shares, etc., when the Group income tax system is applied.
  - (2) Scheduled date of application  
 Scheduled to apply starting at the beginning of the fiscal year ending March 2025.
  - (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)

(Share-based payment plan using trusts)

1. Overview of transactions  
 The Company is implementing 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.").  
 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 stock market using the money in the trust as the source of 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 under net assets.

## (Consolidated Balance Sheet related)

1. Total amount of shares or contribution in non-consolidated subsidiaries and affiliates  
 Contribution: ¥854 million
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 suspense payments in "other assets," and customers' liabilities for acceptances and guarantees.
 

|   |                  |
|---|------------------|
| Bankrupt/substantially bankrupt claims and similar claims | ¥7,208 million   |
| Doubtful claims   | ¥115,087 million |
| Loans overdue for three (3) months or longer              | ¥887 million     |
| Loans with relieved loan conditions                       | ¥3,882 million   |
| Total amount  | ¥127,065 million |

"Bankrupt/substantially bankrupt claims and similar claims" refers to loans of debtors with a 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.
3. 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" (JICPA Industry-specific Committee Practical Guideline No. 24, 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:
 

|  |                 |
|--|-----------------|
|  | ¥13,353 million |
|--|-----------------|

4. Assets provided as security are as follows:  
Assets provided as security

|                            |                    |
|----------------------------|--------------------|
| Securities                 | ¥1,347,782 million |
| Loans and bills discounted | ¥121,007 million   |
| Total                      | ¥1,468,790 million |

Liabilities corresponding to security assets

|   |                  |
|---|------------------|
| Deposits                                      | ¥81,113 million  |
| Receivables under resale agreements           | ¥175,576 million |
| Payables under securities lending transaction | ¥308,046 million |
| Borrowed money                                | ¥892,924 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                 | ¥1,008 million |

Furthermore, financial instruments security deposits, central clearing organization security deposits, and guarantees are included in other assets and their amount is as follows:

|   |                 |
|---|-----------------|
| Financial instruments security deposits         | ¥33,526 million |
| Central clearing organization security deposits | ¥50,000 million |
| Guarantees                                      | ¥1,494 million  |

5. 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   | ¥1,774,720 million |
| Of which, those where the original term of loan is within 1 year (or those that can be cancelled unconditionally at any time) | ¥1,669,039 million |

Since many of these agreements terminate without the loan being executed, the unexecuted loan balance itself does not necessarily impact the future cashflow of the consolidated subsidiaries engaged in the banking business or of some of the consolidated subsidiaries. Many of these agreements contain a clause that the consolidated subsidiaries engaged in the banking business or some of the consolidated subsidiaries may refuse the loan applied for execution or decrease the limit amount of the agreement, in the event that there have been changes in the financial situation, securing of loans, and other reasonable reasons. In addition, guarantees, such as real estate or securities, are secured at the time of agreement as necessary. The business conditions of the customers are grasped regularly even after the agreement is concluded in accordance with the internal regulations set in advance. A review of the agreement and measures to secure credit, etc. are conducted as necessary.

6. Based on the Act on Revaluation of Land (Act No. 34, March 31, 1998), revaluation of business-use land owned by The Daishi Hokuetsu Bank, Ltd. 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:

|  |                 |
|--|-----------------|
|  | ¥11,969 million |
|--|-----------------|

7. Aggregate amount of depreciation of tangible fixed assets

|                                  |                 |
|----------------------------------|-----------------|
| Aggregate amount of depreciation | ¥77,039 million |
|----------------------------------|-----------------|

8. Amount of compressed entry of tangible fixed assets

|  |                |
|--|----------------|
| Amount of compressed entry                                       | ¥8,044 million |
| (Amount of compressed entry in current consolidated fiscal year) | (¥- million)   |

9. 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."

|  |                  |
|--|------------------|
|  | ¥117,157 million |
|--|------------------|

10. Trust principal with principal compensation agreement

|                |                |
|----------------|----------------|
| Money in trust | ¥8,386 million |
|----------------|----------------|

## (Consolidated Statements of Income Related)

1. The following is included in other ordinary income.

|  |                |
|--|----------------|
| Gain on sales of stocks and other securities | ¥3,777 million |
|--|----------------|

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

|                          |                 |
|--------------------------|-----------------|
| Salaries and allowances  | ¥29,736 million |
| Retirement benefit costs | ¥86 million     |
| Depreciation             | ¥6,508 million  |

3. The following are included in other expenses.

|  |                |
|--|----------------|
| Written-off of loans                               | ¥2,131 million |
| Loss on sales of stocks and other securities       | ¥3,082 million |
| Loss on devaluation of stocks and other securities | ¥160 million   |

4. Impairment loss

An impairment loss was recorded for the following asset groups:  
During the current consolidated fiscal year, the Company recorded an impairment loss for the following asset groups:

Mainly in Niigata Prefecture

|                 |                        |
|-----------------|------------------------|
| Classification  | Sales                  |
| Main use        | 24 sales offices, etc. |
| Type            | Land and buildings     |
| Impairment loss | 643 million yen        |
| Classification  | Owned                  |
| Main use        | 30 idle assets, etc.   |
| Type            | Land and buildings     |
| Impairment loss | 106 million yen        |

As a result of the decision to change the method of use, etc., and the decline in market value, the book value of these sales offices was reduced to the recoverable amount and the reduced amount was recorded as an impairment loss (749 million yen) under extraordinary losses. The method of grouping assets of consolidated subsidiaries engaged in the banking business is as follows: Sales offices, etc. are grouped by office unit, the smallest classification for management accounting purposes (however, for office areas where business is conducted cooperatively, such area will be the grouping unit). Assets planned for disposal and idle assets are grouped by each asset. Headquarters, administrative centers, welfare facilities, etc. which are assets of the entire bank are treated as common assets.

The Company and other consolidated subsidiaries are grouped primarily with each company as one unit. However, some consolidated subsidiaries are grouped in the same manner as the consolidated subsidiaries engaged in the banking business.

The recoverable amount used to measure impairment loss in the current consolidated fiscal year is the net sale value, which is mainly calculated based on real estate appraisal standards.

## (Consolidated Statements of Comprehensive Income Related)

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

|   | (¥ million) |
|---|-------------|
| Valuation difference on available-for-sale securities |             |
| Incurred cost for this term                           | (54,325)    |
| Recycling   | 13,316      |
| Before tax effect adjustment                          | (41,008)    |
| Tax effect amount                                     | 12,489      |
| Valuation difference on available-for-sale securities | (28,519)    |
| Deferred gains or losses on hedges                    |             |
| Incurred cost for this term                           | (9,687)     |
| Recycling   | 9,350       |
| Before tax effect adjustment                          | (337)       |
| Tax effect amount                                     | 161         |
| Deferred gains or losses on hedges                    | (176)       |
| Retirement benefit adjustment amount                  |             |
| Incurred cost for this term                           | 858         |
| Recycling   | (615)       |
| Before tax effect adjustment                          | 242         |
| Tax effect amount                                     | (73)        |
| Retirement benefit adjustment amount                  | 168         |
| Total other comprehensive income                      | (28,526)    |

## (Consolidated Statements of Shareholders Equity Related)

### 1. Matters related to the type and total number of issued shares, and type and number of treasury stocks

|                  | Current consolidated fiscal year              | Current consolidated fiscal year | 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 |                |
| Number of shares |   |                                  |                                  |   | (1,000 shares) |
| Ordinary shares  | 45,942  | -                                | -                                | 45,942                                  |                |
| Total            | 45,942  | -                                | -                                | 45,942                                  |                |
| Treasury stocks  |   |                                  |                                  |   |                |
| Ordinary shares  | 539   | 473                              | 2                                | 1,010 (Note)                            |                |
| Total            | 539   | 473                              | 2                                | 1,010                                   |                |

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

|  |                     |
|--|---------------------|
| Increase due to acquisition of treasury stocks based on the resolution of the Board of Directors | 470 thousand shares |
| Increase due to request to purchase fractional unit shares                                       | 2 thousand shares   |
| Breakdown of decrease in the number of ordinary shares of treasury stocks is as follows.         |                     |
| Decrease due to request to purchase fractional unit shares                                       | 2 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.

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

There are no applicable items

### 3. Matters related to dividends

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

| (Resolution)                          | Type of shares  | Total amount of dividends (¥ million) (Note) | Dividend per share (¥) | Reference date     | Effective date   |
|---------------------------------------|-----------------|--|------------------------|--------------------|------------------|
| Board of Directors, May 13, 2022      | Ordinary shares | 2,748  | 60.00                  | March 31, 2022     | June 1, 2022     |
| Board of Directors, November 11, 2022 | Ordinary shares | 2,748  | 60.00                  | September 30, 2022 | December 1, 2022 |

(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, May 13, 2022 / 23 million yen, the Board of Directors, November 11, 2022).

#### (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 funds   | Dividend per share (¥) | Reference date | Effective date |
|----------------------------------|-----------------|--|-------------------|------------------------|----------------|----------------|
| Board of Directors, May 12, 2023 | Ordinary shares | 2,719  | Retained earnings | 60.00                  | March 31, 2023 | June 1, 2023   |

(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 Flows 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                    | ¥2,031,509 million |
| Deposits (excluding Bank of Japan deposits) | (¥1,537 million)   |
| Cash and cash equivalents                   | ¥2,029,972 million |

## (Lease transaction related)

Operating lease transactions  
<Borrower side>  
Unearned lease fees concerning irrevocable operating lease transactions  
(¥ million)

|                        |    |
|------------------------|----|
| One (1) year or less   | 38 |
| Exceeding one (1) year | 55 |
| Total                  | 93 |

<Lender side>  
Unearned lease fees concerning irrevocable operating lease transactions  
(¥ million)

|                        |     |
|------------------------|-----|
| One (1) year or less   | 134 |
| Exceeding one (1) year | 136 |
| Total                  | 271 |

## (Financial instruments related)

1. Matters concerning the status of financial instruments
- (1) Policy regarding approach towards financial instruments  
The Company group is engaged, with a focus on the 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 certificates of deposits are mainly managed through loans and 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 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.  
Securities are mainly stocks, bonds, investment trusts, and investment in capital of partnerships. In addition to securities held for ownership until maturity, pure investment, and for business promotion purposes, trading account securities are bonds and are held for trading. These are exposed to market risks in which the asset value held by the Company group may be reduced and incur a loss from the change in credit risks of issuing entities and fluctuation of market factors, including domestic and overseas interest rates, price of securities, etc., and foreign exchange rates.  
Of the financial liabilities of the Company group, deposits, etc., and marketable fundraising are exposed to liquidity risk. In addition to the possibility of an outflow of deposits or inability to raise the necessary funds due to the deterioration of the Company group's credibility, a loss may be incurred by being forced to conclude transactions under unfavorable conditions.  
Derivative transactions conducted by the Company group include 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, subsidiary banks and some consolidated subsidiaries are conducting credit futures transactions, etc., to pursue trading profits within the extent of earning power and corporate strength.  
Risks generated from these derivative transactions include credit risks incurred when the counterpart of the transaction defaults and market risks in which a loss can be incurred by fluctuation of interest rates and currency exchange. "Hedge accounting" is adopted for derivative transactions aimed at hedging risks. Evaluation of hedging effectiveness is verified quarterly as to whether 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 whether the risk subject to the hedge is reduced.
- (3) Risk management structure related to financial instruments
- (i) Credit risk management  
The Company group operates and manages credit risk in an appropriate manner based on various rules concerning credit risk management.  
In terms of structure, the Risk Management Department is responsible for controlling credit risks and establishes various rules concerning credit risk management. It plans and runs analysis, evaluation, and improvement activities as well.  
At The Daishi Hokuetsu Bank, Ltd., 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 for customers, etc., and the approach is promoted bank-wide. 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 are verified in the audit conducted by the Audit Division.  
Regarding the credit portfolio, credit concentration management for specific areas, industries, companies, groups, etc., is conducted in an appropriate manner. Furthermore, credit risk quantification (Note) is being conducted and credit risk limits are corresponding to equity.  
(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 securities in line with the policy.  
Furthermore, important matters concerning risk management are reviewed at the ALM & Risk Management Committee. The Committee is established to promptly report to the management if any critical situation occurs in managing securities.  
As a rule, the Company group conducts quantitative analysis concerning market risks for all financial instruments. The risks are calculated and managed by The Daishi Hokuetsu Bank, Ltd. mainly using Value at Risk (VaR). Quantitative analysis is not conducted on some of the financial instruments when there is little impact on their amount, etc., and some of the financial instruments of some group companies.  
The Daishi Hokuetsu Bank, Ltd. mainly adopts VaR calculated by the historical method (holding period: 120 days, confidence interval: 99%, observation period: 1,250 days). 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 39,463 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 that compares the computed VaR with 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 confirm that the measurement model captures market risks with sufficient accuracy.  
However, as the VaR indicates the amount of risk under a fixed certainty statistically computed from past market fluctuations, it may not be able to capture risks that could occur if the market environment should change inconceivably. This being the case, the approach is supplemented by separate stress tests, etc.

## (iii) Liquidity risk management

In the Company group, The Daishi Hokuetsu Bank, Ltd. has established "Liquidity risk management rules" under which the division managing financing ascertains, analyzes the financing status, and appropriately funds from the market as necessary.  
In addition, response measures and a reporting and communicating structure has been established to be able to respond promptly under various situations according to the financing urgency for preparing for unforeseeable circumstances.

(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 follows: 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 transactions 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.

|  | Amount recorded on consolidated balance sheet | Market value | Difference |
|--|---|--------------|------------|
| (1) Securities                           |   |              |            |
| Trading securities                       | 1   | 1            | -          |
| Bonds to be held to maturity             | 32,888  | 33,190       | 301        |
| Other securities                         | 2,828,814                                     | 2,828,814    | -          |
| (2) Loans and bills discounted (*2) (*3) | 5,265,963                                     |              |            |
| Allowance for loan losses (*1)           | (27,267)                                      |              |            |
|  | 5,238,695                                     | 5,279,963    | 41,267     |
| Total Assets                             | 8,100,400                                     | 8,141,969    | 41,569     |
| (1) Deposits                             | 8,367,554                                     | 8,367,579    | 24         |
| (2) Negotiable certificates of deposit   | 213,228                                       | 213,228      | -          |
| (3) Borrowed money                       | 902,795                                       | 902,786      | (9)        |
| Total Liabilities                        | 9,483,578                                     | 9,483,594    | 15         |
| Derivative transactions (*2)             |   |              |            |
| Hedge accounting not applied             | 121   | 121          | -          |
| Hedge accounting applied (*3)            | (8,608)                                       | (8,608)      | -          |
| Total derivative transactions            | (8,487)                                       | (8,487)      | -          |

- (\*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                                   | Market value |         |
|--|--------------|---------|
|  | Level 1      | Level 2 |
| Non-listed stock (*1) (*2)                       | -            | 5,440   |
| Investment in capital of partnerships, etc. (*3) | -            | 4,653   |

(\*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 (67 million yen) 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 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021). Some 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                 | Market value |           |           |         |         |           |
|--------------------------------|--------------|-----------|-----------|---------|---------|-----------|
|                                | Level 1      | Level 2   | Level 3   | Total   |         |           |
| Deposits                       | 1,969,207    | -         | -         | -       |         |           |
| Securities                     | 140,975      | 359,747   | 425,503   | 383,047 | 429,118 | 879,375   |
| Bonds to be held to maturity   | -            | -         | -         | 5,400   | 28,171  | -         |
| Local government bonds         | -            | -         | -         | 4,100   | 27,111  | -         |
| Corporate bonds                | -            | -         | -         | 1,300   | 1,060   | -         |
| Other securities with maturity | 140,975      | 359,747   | 425,503   | 377,647 | 400,946 | 879,375   |
| Government bonds               | 43,000       | 38,000    | 3,000     | 19,000  | 126,000 | 379,000   |
| Local government bonds         | 14,068       | 164,487   | 207,114   | 225,930 | 97,245  | 31,849    |
| Corporate bonds                | 56,371       | 92,256    | 48,178    | 18,832  | 2,793   | 13,372    |
| Loans and bills discounted*    | 611,093      | 976,738   | 777,936   | 586,267 | 485,734 | 1,204,451 |
| Total                          | 2,721,276    | 1,336,485 | 1,203,440 | 969,314 | 914,853 | 2,083,827 |

Loans and bills discounted do not include 120,628 million yen in cases in which the scheduled amount of redemption cannot be foreseen nor 502,565 million yen without an agreed due date, against bankrupt debtors, effectively bankrupt debtors, and potentially bankrupt debtors.

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

| Classification                                | Market value |         |         |       |       |   |
|---|--------------|---------|---------|-------|-------|---|
|   | Level 1      | Level 2 | Level 3 | Total |       |   |
| Deposits*                                     | 7,843,909    | 452,405 | 62,870  | 2,144 | 6,224 | - |
| Negotiable certificates of deposit            | 213,228      | -       | -       | -     | -     | - |
| Receivables under resale agreements           | 175,576      | -       | -       | -     | -     | - |
| Payables under securities lending transaction | 308,046      | -       | -       | -     | -     | - |
| Borrowed money                                | 128,330      | 305,390 | 468,500 | 293   | 280   | - |
| Total   | 8,669,091    | 757,796 | 531,371 | 2,438 | 6,504 | - |

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

3. Matters concerning the breakdown of the market values of financial instruments by level, etc. The market value of financial instruments is classified into the following three levels according to the observability and relevance of the inputs used to calculate the market value.

Level 1 market value : Market values calculated based on market prices of assets or liabilities under calculation of the market value formed in an active market among observable inputs for the calculation of market value

Level 2 market value : 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 value : 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 with the lowest priority 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 |           |         |           |
|--------------------------|--------------|-----------|---------|-----------|
|                          | Level 1      | Level 2   | Level 3 | Total     |
| Securities               |              |           |         |           |
| Trading securities       |              |           |         |           |
| Stocks                   | 1            | -         | -       | 1         |
| Other securities         |              |           |         |           |
| Stocks                   | 129,057      | 20,493    | -       | 149,550   |
| Government bonds         | 603,097      | -         | -       | 603,097   |
| Local government bonds   | -            | 737,700   | -       | 737,700   |
| Corporate bonds          | -            | 105,474   | 125,503 | 230,977   |
| Foreign government bonds | 519,425      | 134,364   | 5,679   | 659,469   |
| Other                    | 122,471      | 325,548   | -       | 448,019   |
| Derivative transactions  |              |           |         |           |
| Interest-rate-related    | -            | 12,492    | -       | 12,492    |
| Currency related         | -            | 12,091    | -       | 12,091    |
| Other                    | -            | -         | 104     | 104       |
| Total Assets             | 1,374,052    | 1,348,165 | 131,287 | 2,853,504 |
| Derivative transactions  |              |           |         |           |
| Interest-rate-related    | -            | 8,202     | -       | 8,202     |
| Currency related         | -            | 24,863    | -       | 24,863    |
| Other                    | -            | -         | 104     | 104       |
| Total Liabilities        | -            | 33,066    | 104     | 33,171    |

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

| Classification                     | Market value |           |           |           |
|------------------------------------|--------------|-----------|-----------|-----------|
|                                    | Level 1      | Level 2   | Level 3   | Total     |
| Securities                         |              |           |           |           |
| Bonds to be held to maturity       |              |           |           |           |
| Local government bonds             | -            | 30,846    | -         | 30,846    |
| Corporate bonds                    | -            | 2,344     | -         | 2,344     |
| Loans and bills discounted         | -            | -         | 5,279,963 | 5,279,963 |
| Total Assets                       | -            | 33,190    | 5,279,963 | 5,313,154 |
| Deposits                           | -            | 8,367,579 | -         | 8,367,579 |
| Negotiable certificates of deposit | -            | 213,228   | -         | 213,228   |
| Borrowed money                     | -            | 902,786   | -         | 902,786   |
| Total Liabilities                  | -            | 9,483,594 | -         | 9,483,594 |

(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, exchange-traded funds, 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.

In addition, investment trusts with no market transaction price are classified as Level 2 market value, provided that no significant restrictions exist that may cause market participants to request compensation for the risks relating to the cancellation or repurchase. Of privately placed bonds guaranteed by the issuing bank, those with floating interest rates are short term, reflecting market interest rates. Since the market value is approximate to the book value unless the credit status of the issuing body has not differed significantly after its execution, the said book value is taken as the market value, and 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 a 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 approximate to their book value, unless the credit status of the borrower has not 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 approximate 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 approximate to 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 approximate to 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 approximate to 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 has 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 approximate to 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.

However, since most derivative transactions are over-the-counter transactions without published market prices, 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 inputs           | Range of input         | Weighted average of inputs |
|----------------------|-------------------------|---|------------------------|----------------------------|
| Securities           |                         |   |                        |                            |
| Other securities     |                         |   |                        |                            |
| Corporate bonds      |                         |   |                        |                            |
| Private-placed bonds | Present value technique | Credit spread<br>Unearned guarantee fee | 0.0%-9.8%<br>0.0%-1.4% | 0.7%<br>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

|                          | 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          |                   |  |   |  |                                  |                                    |                |   |
| Corporate bonds          | 139,041           | 31   | (22)  | (13,546)   | -                                | -                                  | 125,503        | -   |
| Foreign government bonds | 5,705             | (51)   | 43  | (17)   | -                                | -                                  | 5,679          | -   |
| Derivative transactions  |                   |  |   |  |                                  |                                    |                |   |
| Other                    |                   |  |   |  |                                  |                                    |                |   |
| Short commitment         | (103)             | 229  | -   | (230)  | -                                | -                                  | (104)          | 126   |
| Long commitment          | 103               | (229)  | -   | 230  | -                                | -                                  | 104            | (126)   |

(\*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/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 included as notes to the financial statements.

1. Trading securities

Valuation difference included in profit and loss of the consolidated fiscal year

(¥9 million)

2. Bonds to be held to maturity

|  | Type                   | Amount recorded in consolidated balance sheet (¥ - million) | Market value (¥ - million) | Difference (¥ - million) |
|--|------------------------|---|----------------------------|--------------------------|
| Market value exceeds the amount recorded in the consolidated balance sheet         | Local government bonds | 30,530  | 30,846                     | 315                      |
|  | Corporate bonds        | 758   | 768                        | 10                       |
|  | Subtotal               | 31,288  | 31,615                     | 326                      |
| Market value does not exceed the amount recorded in the consolidated balance sheet | Corporate bonds        | 1,600   | 1,575                      | (24)                     |
|  | Subtotal               | 1,600   | 1,575                      | (24)                     |
| Total  |                        | 32,888  | 33,190                     | 301                      |

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  | 128,209   | 80,124                         | 48,084                   |           |
|   | Bonds   | Government bonds  | 448,364                        | 443,733                  | 4,631     |
|   |   | Local government bonds                                      | 214,233                        | 210,416                  | 3,817     |
|   | Local government bonds  | 136,944   | 136,574                        | 369                      |           |
|   | Corporate bonds   | 97,185  | 96,742                         | 443                      |           |
|   | Other   | 301,136   | 293,520                        | 7,616                    |           |
|   | Foreign government bonds  | 191,419   | 187,963                        | 3,455                    |           |
|   | Subtotal  | 877,710   | 817,378                        | 60,332                   |           |
|   | Amount recorded in consolidated balance sheet does not exceed cost of acquisition | Stocks  | 21,340                         | 23,928                   | (2,587)   |
|   |   | Bonds   | Government bonds               | 1,123,410                | 1,148,160 |
| Local government bonds  |   |   | 388,863                        | 406,624                  | (17,760)  |
| Local government bonds  |   | 600,755   | 606,697                        | (5,942)                  |           |
| Corporate bonds   |   | 133,791   | 134,838                        | (1,046)                  |           |
| Other   |   | 806,351   | 868,963                        | (62,611)                 |           |
| Foreign government bonds  | 468,049   | 504,206   | (36,156)                       |                          |           |
| Subtotal  | 1,951,103   | 2,041,052   | (89,948)                       |                          |           |
| Total   |   | 2,828,814   | 2,858,430                      | (29,616)                 |           |

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

There are no applicable items

5. Other securities sold during the current consolidated fiscal year

| Type                     | Amount of sale (¥ - million) | Total gain on sale (¥ - million) | Total loss on sale (¥ - million) |        |
|--------------------------|------------------------------|----------------------------------|----------------------------------|--------|
| Stocks                   | 18,006                       | 2,178                            | 1,378                            |        |
| Bonds                    | 172,776                      | 1,064                            | 456                              |        |
|                          | Government bonds             | 170,874                          | 1,063                            | 454    |
|                          | Local government bonds       | -                                | -                                | -      |
|                          | Corporate bonds              | 1,901                            | 0                                | 1      |
| Other                    | 364,469                      | 2,951                            | 15,035                           |        |
| Foreign government bonds | 227,784                      | 349                              | 12,949                           |        |
| Total                    |                              | 555,251                          | 6,193                            | 16,870 |

6. Securities with changes to the purpose of ownership

There are no applicable items

7. Securities written-down

For securities other than trading 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 ¥369 million (of which, ¥92 million is in shares, ¥277 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 made, 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 valuation difference on available-for-sale securities recorded in the consolidated balance sheet is as follows:

|  | Amount (¥ million) |
|--|--------------------|
| Valuation difference   | (29,615)           |
| Other securities   | (29,615)           |
| Other monetary trust   | -                  |
| Deferred tax assets to be added  | 9,728              |
| Valuation difference on available-for-sale securities (before adjustment for equity) | (19,886)           |
| Non-controlling interests equivalent to be deducted                                  | -                  |
| Valuation difference on available-for-sale securities                                | (19,886)           |

(Note) Valuation difference includes valuation difference on other securities that constitute assets of partnerships, etc.

(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 | 108,089                             | 106,079                                  | 190                        | 190                                     |
|                | Floating receipt, fixed payment | 108,089                             | 106,079                                  | 1,364                      | 1,364                                   |
|                | Interest options                |                                     |  |                            |   |
|                | Short commitment                | -                                   | -  | -                          | -                                       |
|                | Long commitment                 | -                                   | -  | -                          | -                                       |
|                | Total                           | -                                   | -  | 1,554                      | 1,554                                   |

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

(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             | 24,564                              | 21,407                                   | 92                         | 92                                      |
|                 | Forward exchange contract |                                     |  |                            |   |
|                 | Short commitment          | 128,198                             | 19,233                                   | (3,711)                    | (3,711)                                 |
|                 | Long commitment           | 25,198                              | 18,656                                   | 2,539                      | 2,539                                   |
|                 | Currency option           |                                     |  |                            |   |
|                 | Short commitment          | 642,054                             | 544,313                                  | 7,860                      | 27,977                                  |
| Long commitment | 642,054                   | 544,313                             | (8,209)                                  | (18,484)                   |   |
|                 | Total                     | -                                   | -  | (1,428)                    | 8,413                                   |

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

(3) Stock-related transactions

There are no applicable items

(4) Bond-related transactions

There are no applicable items

(5) Commodity-related transactions

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                    | 16,310                                   | -                          | (104)                                   |
|                | Long commitment                     | 16,310                                   | -                          | 104                                     |
|                | Total                               | -  | -                          | -                                       |

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

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<br>Floating receipt, fixed payment                                    | Other securities           | 501,178                             | 501,178                                  | 2,735                      |
|                                     |   |                            |                                     |  |                            |
| Exceptional interest processing     | Interest swap<br>Fixed receipt, floating payment<br>Floating receipt, fixed payment | Loans and bills discounted | 3,000                               | 3,000                                    | (Note 2)                   |
|                                     |   |                            | 16                                  | -  |                            |
|                                     | Total   |                            | -                                   | -  | 2,735                      |

(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 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 | 138,049                             | 116,978                                  | (11,343)                   |
|                                     | Total         |   | -                                   | -  | (11,343)                   |

(Note) Conducted primarily by deferred hedge in accordance with Industry-specific Committee Practical Guideline 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 the banking business have established a defined contribution pension plan as a defined benefit plan, in addition to the corporate pension fund scheme and lump-sum retirement allowance scheme.

In addition, extra retirement payments may be paid upon employees' retirement, etc.

In other consolidated subsidiaries, in addition to a lump-sum retirement allowance scheme being established, some of the consolidated subsidiaries have also established a defined contribution pension plan.

Furthermore, liabilities related to retirement benefits and retirement benefit costs of a lump-sum retirement allowance scheme 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 benefit trust.

2. Defined benefit plan

(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 | ¥64,825 million  |
| Service costs  | ¥1,293 million   |
| Interest costs   | ¥387 million     |
| Actuarial gain or loss amount generated                | (¥471 million)   |
| Amount of retirement benefits paid                     | (¥3,677 million) |
| Other  | ¥3 million       |
| End-of-term retirement benefit liability balance       | ¥62,361 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 | ¥79,177 million  |
| Expected operational earnings            | ¥1,573 million   |
| Actuarial gain or loss amount generated  | ¥387 million     |
| Contribution from employers              | ¥394 million     |
| Amount of retirement benefits paid       | (¥2,652 million) |
| Other                                    | ¥3 million       |
| End-of-term pension assets balance       | ¥78,883 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 benefit-related debts | ¥653 million  |
| Retirement benefit costs                           | ¥64 million   |
| Amount of retirement benefits paid                 | (¥92 million) |
| End-of-term retirement benefit-related debts       | ¥625 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                             | ¥62,361 million   |
| Pension assets  | (¥78,883 million) |
|   | (¥16,521 million) |
| Retirement benefit liability of non-savings-type scheme                         | ¥625 million      |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | (¥15,895 million) |

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

|   |                   |
|---|-------------------|
| Retirement benefit-related liabilities  | ¥625 million      |
| Assets related to retirement benefits   | (¥16,521 million) |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | (¥15,895 million) |

| (5) Retirement benefit costs and its itemized breakdown      |                  |
|--|------------------|
| Service costs  | ¥1,293 million   |
| Interest costs   | ¥387 million     |
| Expected operational earnings                                | (¥1,573 million) |
| Actuarial gain or loss processing amount                     | (¥404 million)   |
| Prior service cost processing amount                         | (¥211 million)   |
| Retirement benefit costs calculated by the simplified method | ¥64 million      |
| Other  | ¥101 million     |
| Retirement benefit costs related to the defined benefit plan | (¥341 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   | ¥453 million   |
| Total  | ¥242 million   |

| (7) Aggregate amount of adjustment related to retirement benefits  |                  |
|--|------------------|
| The breakdown of items recorded in the aggregate adjustment amount related to retirement benefits (before deduction of tax effects) is as follows: |                  |
| Unrecognized prior service cost  | (¥1,582 million) |
| Unrecognized actuarial gain or loss  | (¥6,200 million) |
| Total  | (¥7,783 million) |

| (8) Matters related to pension assets  |      |
|--|------|
| (i) Ratio for each major classification in total pension assets is as follows: |      |
| Bonds  | 26%  |
| Stocks   | 48%  |
| General life insurance account   | 22%  |
| Cash and deposits  | 0%   |
| Other  | 1%   |
| Total  | 100% |

(Note) Total pension assets include 16% from retirement benefit trust established on the corporate pension plan and 24% from retirement benefit trust established on the lump-sum retirement allowance scheme, 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 to 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  | 0.8%         |
| Long-term expected ROR                                   |              |
| Corporate pension fund                                   | 2.0%         |
| Retirement benefit trust                                 | 2.0% to 2.3% |
| Expected salary increase rate                            | 2.8%         |

\* 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 ¥428 million.

(Stock option related)  
There are no applicable items

(Tax effect accounting related)

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

|   |                   |
|---|-------------------|
| Deferred tax assets   |                   |
| Allowance for loan losses   | ¥9,982 million    |
| Retirement-benefit-related liabilities  | ¥2,302 million    |
| Depreciation costs  | ¥2,044 million    |
| Valuable securities amortization  | ¥1,817 million    |
| Book value correction for fair market valuation                                 | ¥2,582 million    |
| Valuation difference on available-for-sale securities                           | ¥11,772 million   |
| Other   | ¥4,728 million    |
| Subtotal deferred tax assets  | ¥35,229 million   |
| Valuation reserve related to total future subtracted temporary difference, etc. | (¥4,944 million)  |
| Subtotal valuation reserve  | (¥4,944 million)  |
| Total deferred tax assets   | ¥30,285 million   |
| Deferred tax liabilities  |                   |
| Valuation difference on available-for-sale securities                           | (¥2,043 million)  |
| Retirement benefit trust establishment benefit                                  | (¥2,073 million)  |
| Deferred gains or losses on hedges  | (¥137 million)    |
| Book value correction for fair market valuation                                 | (¥5,793 million)  |
| Other   | (¥999 million)    |
| Total deferred tax liabilities  | (¥11,048 million) |
| Net deferred tax assets (liabilities)   | ¥19,237 million   |

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

|  |        |
|--|--------|
| Statutory effective tax rate   | 30.5%  |
| (Adjusted)   |        |
| Items including entertainment expenses permanently excluded from deductible expenses | 0.4%   |
| Items including dividends income permanently excluded from gross revenue             | (1.5%) |
| Inhabitant tax on per capita basis   | 0.3%   |
| Increase/decrease in valuation allowance   | (2.4%) |
| Other  | 1.0%   |
| Income tax burden rate after the application of tax effect accounting                | 28.3%  |

(Business combination, etc. related)

<Transactions under common control, etc.>

In October 2022, the capital structure of the Company's consolidated subsidiaries, namely, The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Hokuetsu Card Co., Ltd., and The Daishi Computer Service Co., Ltd. was reviewed, making them wholly-owned subsidiaries where the Company directly holds each of their shares.

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 concerned

| Name of the combined company concerned | Business activities                         |
|--|---|
| The Daishi JCB Card Co., Ltd.          | Credit card and credit guarantee businesses |
| The Daishi DC Card Co., Ltd.           | Credit card business                        |
| The Hokuetsu Card Co., Ltd.            | Credit card and credit guarantee businesses |
| The Daishi Computer Service Co., Ltd.  | Computer-related business                   |

(ii) Date of business combination

| Name of the combined company concerned | Date of business combination |
|--|------------------------------|
| The Daishi JCB Card Co., Ltd.          | October 5, 2022              |
| The Daishi DC Card Co., Ltd.           | October 7, 2022              |
| The Hokuetsu Card Co., Ltd.            | October 5, 2022              |
| The Daishi Computer Service Co., Ltd.  | October 3, 2022              |

(iii) Legal form of business combination

Dividends in kind from consolidated subsidiaries

(iv) Name of the combined company

The name of the combined company remains the same.

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

2. Acquisition of treasury stock by consolidated subsidiaries

(1) Overview of transactions

(i) Name and business activities of the combined company concerned

| Name of the combined company concerned | Business activities                         |
|--|---|
| The Daishi JCB Card Co., Ltd.          | Credit card and credit guarantee businesses |
| The Daishi Computer Service Co., Ltd.  | Computer-related business                   |

(ii) Date of business combination

| Name of the combined company concerned | Date of business combination |
|--|------------------------------|
| The Daishi JCB Card Co., Ltd.          | October 5, 2022              |
| The Daishi Computer Service Co., Ltd.  | October 3, 2022              |

(iii) Legal form of business combination

Acquisition of treasury stock by consolidated subsidiaries from non-controlling interests

(iv) Name of the combined company

The name of the combined company remains the same.

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

(3) Matters concerning acquisition of treasury stock by consolidated subsidiaries

(i) The Daishi JCB Card Co., Ltd.

|                   |                         |              |
|-------------------|-------------------------|--------------|
| Acquisition price | Cash and due from banks | ¥680 million |
| Acquisition cost  |                         | ¥680 million |

(ii) The Daishi Computer Service Co., Ltd.

|                   |                         |              |
|-------------------|-------------------------|--------------|
| Acquisition price | Cash and due from banks | ¥302 million |
| Acquisition cost  |                         | ¥302 million |

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

(i) Major factors for changes in capital surplus

Acquisition of treasury stock by consolidated subsidiaries

(ii) Increase in capital surplus due to transactions with non-controlling interests  
¥3,792 million

### 3. Acquisition of subsidiary shares by the Company

#### (1) Overview of transactions

##### (i) Name and business activities of the combined company concerned

| Name of the combined company concerned | Business activities  |
|--|----------------------|
| The Daishi DC Card Co., Ltd.           | Credit card business |

##### (ii) Date of business combination

| Name of the combined company concerned | Date of business combination |
|--|------------------------------|
| The Daishi DC Card Co., Ltd.           | October 7, 2022              |

##### (iii) Legal form of business combination

Acquisition of shares from non-controlling interests

##### (iv) Name of the combined company

The name of the combined company remains the same.

##### (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 Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ 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

The Daishi DC Card Co., Ltd.

|                   |                         |             |
|-------------------|-------------------------|-------------|
| Acquisition price | Cash and due from banks | ¥67 million |
| Acquisition cost  |                         | ¥67 million |

#### (4) Matters concerning change in ownership interest of the Company on 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

¥323 million

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

Some consolidated subsidiary companies own real estate for lease. However, the information has been omitted as it lacks materiality.

## (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. The Group provides a wide range of financial instruments and services to local customers, mainly through the banking business, together with leasing, securities, credit guarantees, credit card businesses, etc. Financial information by Group companies is reported regularly to the Company's Board of Directors.

Therefore, while the Company group is formed by segments of the Company and each of the consolidated subsidiaries, we have established "Banking," which accounts for the majority of all segments, "Leasing," and "Securities," in view of their importance as the three reporting segments.

"Banking" focuses on deposit and loan businesses, and carries out securities investment, domestic exchange, and foreign exchange businesses, serving as the contact point for the sales of public bonds, investment trusts, insurance policies, etc. It is positioned as the Group core.

Furthermore, "Leasing" conducts the integrated leasing business, while "Securities" conducts the securities business.

#### 2. The method of calculation for ordinary income, profit or loss, assets, liabilities, and other items of each reporting segment

The accounting method adopted for each reporting segment is identical to the preparation policy for consolidated financial statements. Internal transactions between the segments are 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 2022 (April 1, 2021, through March 31, 2022)

|  | Reporting segment |         |            |            | Other   | Total      | Adjustments | Amount recorded in consolidated financial statements |
|--|-------------------|---------|------------|------------|---------|------------|-------------|--|
|  | Banking           | Leasing | Securities | Total      |         |            |             |  |
| Ordinary income  |                   |         |            |            |         |            |             |  |
| 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 statement of income.

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

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.

(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 statement of income.

Fiscal 2023 (April 1, 2022, through March 31, 2023)

|  | Reporting segment |         |            |            | Other   | Total      | Adjustments | Amount recorded in consolidated financial statements |
|--|-------------------|---------|------------|------------|---------|------------|-------------|--|
|  | Banking           | Leasing | Securities | Total      |         |            |             |  |
| Ordinary income  |                   |         |            |            |         |            |             |  |
| Ordinary income from outside customers                 | 120,376           | 20,154  | 4,131      | 144,662    | 4,966   | 149,629    | (870)       | 148,759  |
| Internal ordinary income between segments              | 2,262             | 346     | 51         | 2,661      | 10,649  | 13,311     | (13,311)    | -  |
| Total  | 122,639           | 20,501  | 4,183      | 147,323    | 15,616  | 162,940    | (14,181)    | 148,759  |
| Segment profits  | 22,568            | 366     | 1,268      | 24,204     | 10,434  | 34,638     | (9,589)     | 25,048   |
| Segment assets   | 10,455,650        | 67,562  | 24,724     | 10,547,938 | 369,781 | 10,917,719 | (399,768)   | 10,517,951   |
| Segment liabilities                                    | 10,090,319        | 48,414  | 9,478      | 10,148,213 | 27,099  | 10,175,312 | (72,784)    | 10,102,527   |
| Other items  |                   |         |            |            |         |            |             |  |
| Depreciation costs                                     | 6,417             | 223     | 19         | 6,660      | 71      | 6,731      | (36)        | 6,695  |
| Financing income                                       | 79,413            | 284     | 170        | 79,869     | 7,592   | 87,461     | (7,401)     | 80,060   |
| Financing expenses                                     | 12,101            | 142     | 1          | 12,246     | 7       | 12,253     | (112)       | 12,140   |
| Increase in tangible and intangible fixed asset amount | 4,864             | 188     | 0          | 5,052      | 143     | 5,196      | 123         | 5,320  |

(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 statement of income.

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

3. The amount of adjustments is as follows:

(1) The adjustment amount of (¥870 million) in ordinary income from outside customers includes ordinary income adjustment of (¥741 million), accompanying the adoption of the purchase method.

(2) The adjustment of segment profit of (¥9,589 million) is from elimination of transactions between segments, etc.

(3) The adjustment of segment assets of (¥399,768 million) is from elimination of transactions between segments, etc.

(4) The adjustment of segment liabilities of (¥72,784 million) is from elimination of transactions between segments, etc.

(5) The adjustment of (¥36 million) in depreciation costs is the amount of adjustment accompanying purchase method, etc.

(6) The adjustment of (¥7,401 million) in interest income is for elimination of transactions between segments, etc.

(7) The adjustment of (¥112 million) in interest expenses is for elimination of transactions between segments, etc.

(8) The adjustment of ¥123 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 the consolidated statement of income.



[Related information]

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

1. Information by each service

|  | Loan operations | Securities investment operations | Lease operations | Other  | Total   |
|--|-----------------|----------------------------------|------------------|--------|---------|
| 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 over 90% 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 over 90% 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 2023 (April 1, 2022, through March 31, 2023)

1. Information by each service

|  | Loan operations | Securities investment operations | Lease operations | Other  | Total   |
|--|-----------------|----------------------------------|------------------|--------|---------|
| Ordinary income from outside customers | 52,802          | 35,560                           | 19,871           | 40,525 | 148,759 |

(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 over 90% 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 over 90% 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 reporting segment]

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

This information is omitted because it lacks materiality.

Fiscal 2023 (April 1, 2022, through March 31, 2023)

|                 | Reporting segment |         |            |       | Other | Total |
|-----------------|-------------------|---------|------------|-------|-------|-------|
|                 | Banking           | Leasing | Securities | Total |       |       |
| Impairment loss | 685               | -       | 64         | 749   | -     | 749   |

[Information concerning amortization of goodwill 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.

(Per share information)

|   |                        |
|---|------------------------|
| Net assets per share  | ¥9,245.50              |
| Net income per share for the current term   | ¥391.79                |
| Net income per share for the current term after adjustment for potential shares   | -                      |
| (Note 1) The basis for calculation of net assets per share is as follows:   |                        |
| Total amount of net assets  | ¥415,423 million       |
| Amount to be deducted from total net assets   | ¥- million             |
| (of which, subscription rights to new shares)   | ¥- million             |
| (of which, non-controlling interests)   | ¥- million             |
| Net asset amount at end of term concerning ordinary shares  | ¥415,423 million       |
| Number of ordinary shares at the end of term used to calculate the amount of net assets per share   | 44,932 thousand shares |
| (Note) The Company's shares remaining in the trust 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 for calculating 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 the net income per share for the current term after adjustment for potential shares are as follows.

|  |                        |
|--|------------------------|
| Net income per share for the current term                                      |                        |
| Net income reverting to parent company shareholders                            | ¥17,768 million        |
| Amount not reverting to ordinary shareholders                                  | ¥- million             |
| Net income reverting to parent company shareholders related to ordinary shares | ¥17,768 million        |
| Average number of ordinary shares during the term                              | 45,350 thousand shares |

Net income per share for the current term after adjustment for potential shares

Amount of adjustment of net income for the current term reverting to parent company shareholders

Increase in number of ordinary shares

Of which, subscription rights to new 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 after adjustment for potential shares.

(Notes) 1. 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 for calculating the net income per share for the current term and the net income per share for the current term after adjustment for potential shares.

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

Current consolidated fiscal year

398 thousand shares

2. Net income per share for the current term after adjustment for potential shares is not presented as there are no potential shares.

(Significant subsequent events)

< NCS Co., Ltd. and Bridge Niigata, Ltd. as subsidiaries >

Based on the resolution of the Board of Directors held on December 9, 2022, the Company acquired the shares of NCS Co., Ltd., and Bridge Niigata, Ltd. on April 3, 2023, to make them its consolidated subsidiaries. An overview is as follows.

1. Overview of business combinations

(1) Name and description of the businesses of the acquired companies

| Name of the acquired company | Description of business        |
|------------------------------|--------------------------------|
| NCS Co., Ltd.                | Computer-related business      |
| Bridge Niigata, Ltd.         | Local trading company business |

(2) Main reasons for the business combination

The purpose is to further contribute to the local economy and maximize the Company's consolidated profit by strengthening Group governance through the reorganization of the system business and demonstrating the Group's comprehensive capabilities.

(3) Date of business combination

April 3, 2023

(4) Legal form of business combination

Acquisition of shares from non-controlling interests and dividends in kind from consolidated subsidiaries

(5) Name of the company after combination

| Name of the concerned company before combination | Name of the concerned company after combination |
|--|---|
| NCS Co., Ltd.                                    | The Daishi Hokuetsu IT Solutions Co., Ltd.      |

The name of Bridge Niigata, Ltd. remains the same.

(6) Voting rights ratio acquired

| Name of the concerned company before combination | Voting rights ratio held immediately prior to the business combination | Voting rights ratio acquired on the date of business combination | Voting rights ratio after acquisition |
|--|--|--|---------------------------------------|
| NCS Co., Ltd.                                    | 14.9%  | 85.0%  | 100.0%                                |
| Bridge Niigata, Ltd.                             | 14.3%  | 71.4%  | 85.7%                                 |

(7) Main basis for determining the company to be acquired

It is based on the acquisition decision factors under the Accounting Standards for Business Combinations.

2. Matters concerning calculation etc., of acquisition cost

(1) Acquisition cost of the acquired company

|  |              |
|--|--------------|
| Market value of common shares held immediately prior to the business combination on the date of the business combination | ¥235 million |
| Market value of common shares additionally acquired  | ¥737 million |
| Acquisition cost   | ¥973 million |

(2) Difference between the acquisition cost of the acquired company and the total acquisition cost of each transaction acquired

|                           |              |
|---------------------------|--------------|
| Gain on step acquisitions | ¥109 million |
|---------------------------|--------------|

### 3. Matters concerning allocation of acquisition costs

#### (1) Major breakdown of assets accepted and liabilities assumed on the date of business combination

|                     |                       |
|---------------------|-----------------------|
| Current assets      | ¥2,179 million        |
| Fixed assets        | ¥1,559 million        |
| <b>Total assets</b> | <b>¥3,738 million</b> |

|                          |                       |
|--------------------------|-----------------------|
| Current liabilities      | ¥939 million          |
| Non-current liabilities  | ¥464 million          |
| <b>Total liabilities</b> | <b>¥1,404 million</b> |

#### (2) Amount of negative goodwill arising and its cause

|   |                |
|---|----------------|
| (i) Amount of negative goodwill arising | ¥1,343 million |
|---|----------------|

##### (ii) Cause

The market value of net assets at the time of the business combination exceeded the acquisition cost of the acquired company.

#### <Transaction to deliver Company shares to employees, etc. through trust>

The Company's Board of Directors held on May 12, 2023, resolved the introduction of the "Trust-type Employee Shareholding Incentive Plan (E-Ship®)" (hereinafter referred to as the "Plan") to provide the Group employees with incentives to increase corporate value over the medium to long term and to expand the benefits package.

This system is an incentive plan for all employees who are members of "The Daishi Hokuetsu Financial Group Employee Shareholding Association" (hereinafter referred to as "Shareholding Association"). Under this system, the Company will establish "The Daishi Hokuetsu Financial Group Employee Shareholding Association Exclusive Trust" (hereinafter referred to as "E-Ship Trust") in a trust bank. The E-Ship Trust will acquire in advance the number of Company shares expected to be acquired by the Shareholding Association over a certain period after the establishment. Thereafter, if the Company shares are sold from the E-Ship Trust to the Shareholding Association on an ongoing basis, and the amount equivalent to the gain on sale of shares is accumulated in the E-Ship Trust at the time of termination of the trust, such amount equivalent to the gain on sale of shares will be distributed as residual assets to persons who meet the requirements for eligibility as beneficiaries. As the Company will guarantee E-Ship Trust the borrowings to acquire the Company shares, if the amount equivalent to the loss on sale of shares is accumulated in the E-Ship Trust due to a decline in the Company's share price, and there are outstanding borrowings equivalent to such loss on sale of shares in the E-Ship Trust at the time of termination of the trust, the Company will repay such balances.

The timing of the trust establishment relating to the Plan, the total monetary amount to be borrowed by the trust, and the trust period, among others, are to be determined.

**Non – Consolidated Balance Sheet**

Years ended March 31, 2022 and 2023

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to US \$1.

| ■ Assets  | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|---|-------------------|-------------------|----------------------------|
|   | 2022              | 2023              | 2023                       |
| Cash and due from banks                               | ¥2,758,710        | ¥2,031,155        | \$15,211,225               |
| Monetary claims bought                                | 14,115            | 15,609            | 116,899                    |
| Trading account securities                            | 2,956             | 2,497             | 18,704                     |
| Securities  | 2,493,036         | 2,859,579         | 21,415,255                 |
| Loans and bills discounted                            | 5,130,559         | 5,288,112         | 39,602,433                 |
| Foreign exchanges                                     | 16,304            | 19,566            | 146,533                    |
| Other assets  | 102,503           | 136,671           | 1,023,529                  |
| Tangible fixed assets                                 | 65,790            | 62,830            | 470,534                    |
| Intangible fixed assets                               | 13,684            | 11,202            | 83,891                     |
| Prepaid pension cost                                  | 7,853             | 9,482             | 71,011                     |
| Deferred tax assets                                   | 11,408            | 22,767            | 170,505                    |
| Customers' liabilities for acceptances and guarantees | 18,966            | 20,738            | 155,312                    |
| Allowance for loan losses                             | (23,119)          | (24,562)          | (183,950)                  |
| Total assets  | ¥10,612,770       | ¥10,455,650       | \$78,301,887               |

| ■ Liabilities                                 | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|---|-------------------|-------------------|----------------------------|
|   | 2022              | 2023              | 2023                       |
| Deposits                                      | ¥8,229,330        | ¥8,387,619        | \$62,814,497               |
| Negotiable certificates of deposit            | 249,241           | 228,518           | 1,711,363                  |
| Receivables under resale agreements           | 37,006            | 175,576           | 1,314,883                  |
| Payables under securities lending transaction | 298,397           | 308,046           | 2,306,945                  |
| Borrowed money                                | 1,346,000         | 892,900           | 6,686,886                  |
| Foreign exchanges                             | 209               | 463               | 3,470                      |
| Borrowed money from trust account             | 2,886             | 8,386             | 62,809                     |
| Other Liabilities                             | 29,978            | 55,565            | 416,127                    |
| Provision for bonuses                         | 2,020             | 2,021             | 15,138                     |
| Provision for directors' bonuses              | 85                | 85                | 639                        |
| Provision for share-based payment             | 380               | 516               | 3,870                      |
| Provision for reimbursement of deposits       | 1,454             | 1,189             | 8,905                      |
| Provision for contingent loss                 | 1,615             | 1,910             | 14,309                     |
| Deferred tax liabilities for land revaluation | 7,627             | 6,780             | 50,778                     |
| Acceptances and guarantees                    | 18,966            | 20,738            | 155,312                    |
| Total Liabilities                             | ¥10,225,200       | ¥10,090,319       | \$75,565,938               |

| ■ Net Assets  | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|---|-------------------|-------------------|----------------------------|
|   | 2022              | 2023              | 2023                       |
| Capital stock   | ¥32,776           | ¥32,776           | \$245,465                  |
| Capital surplus                                       | 60,138            | 60,138            | 450,372                    |
| Retained earnings                                     | 271,683           | 280,347           | 2,099,512                  |
| Shareholders' equity                                  | 364,598           | 373,263           | 2,795,349                  |
| Valuation difference on available-for-sale securities | 12,396            | (16,501)          | (123,577)                  |
| Deferred gains or losses on hedges                    | 464               | 288               | 2,158                      |
| Revaluation reserve for land                          | 10,110            | 8,281             | 62,017                     |
| Total valuation and translation adjustments           | 22,971            | (7,931)           | (59,401)                   |
| Total net assets                                      | 387,569           | 365,331           | 2,735,948                  |
| Total Liabilities and Net assets                      | ¥10,612,770       | ¥10,455,650       | \$78,301,887               |

**Non-Consolidated Statement of Income**

|   | (Millions of Yen) | (Millions of Yen) | (Thousands of U.S.Dollars) |
|---|-------------------|-------------------|----------------------------|
|   | 2022              | 2023              | 2023                       |
| Ordinary income   | ¥107,585          | ¥122,639          | \$918,438                  |
| Financing income  | 63,864            | 79,413            | 594,725                    |
| Interest on loans and discounts                                 | 45,406            | 46,815            | 350,600                    |
| Interest and dividends on securities                            | 17,398            | 28,457            | 213,114                    |
| Interest on call loans  | (69)              | (78)              | (585)                      |
| Interest on receivables under securities borrowing transactions | 1                 | -                 | -                          |
| Interest on deposits with banks                                 | 760               | 2,523             | 18,897                     |
| Interest on interest swaps                                      | 12                | 1,276             | 9,559                      |
| Other interest income   | 354               | 419               | 3,139                      |
| Trust fees  | 53                | 117               | 883                        |
| Fees and commissions  | 22,841            | 23,827            | 178,442                    |
| Other ordinary income   | 10,695            | 11,569            | 86,640                     |
| Other income  | 10,130            | 7,710             | 57,745                     |
| Ordinary expenses   | 89,317            | 100,070           | 749,420                    |
| Financing expenses  | 2,252             | 12,101            | 90,629                     |
| Interest on deposits  | 458               | 435               | 3,263                      |
| Interest on negotiable certificates of deposit                  | 10                | 12                | 96                         |
| Interest on call money  | 0                 | -                 | -                          |
| Interest on bills sold  | 112               | 2,859             | 21,416                     |
| Interest on payables under securities lending transactions      | 174               | 5,889             | 44,104                     |
| Interest on borrowings and rediscounts                          | 0                 | 0                 | 0                          |
| Interest on interest swaps                                      | 1,485             | 2,907             | 21,774                     |
| Other interest expenses   | 10                | (3)               | (25)                       |
| Fees and commissions payments                                   | 8,553             | 8,517             | 63,789                     |
| Other ordinary expenses   | 5,902             | 14,080            | 105,451                    |
| General and administrative expenses                             | 59,988            | 57,450            | 430,242                    |
| Other expenses  | 12,620            | 7,919             | 59,307                     |
| Ordinary profit   | 18,267            | 22,568            | 169,018                    |
| Extraordinary income  | 237               | 1,046             | 7,834                      |
| Gain on disposal of noncurrent assets                           | 0                 | 1,046             | 7,834                      |
| Other extraordinary income                                      | 237               | -                 | -                          |
| Extraordinary loss  | 460               | 3,134             | 23,473                     |
| Loss on disposal of noncurrent assets                           | 117               | 393               | 2,944                      |
| Impairment loss   | 62                | 2,741             | 20,528                     |
| Provision for share-based payment                               | 280               | -                 | -                          |
| Income before income taxes                                      | 18,044            | 20,480            | 153,378                    |
| Income taxes-current  | 6,219             | 5,108             | 38,256                     |
| Income taxes-deferred   | (317)             | 524               | 3,926                      |
| Total income taxes  | 5,901             | 5,632             | 42,183                     |
| Net Income  | ¥12,143           | ¥14,847           | \$111,195                  |