

Company Briefings for the Fiscal Year Ended March 2024

June 2024



DAISHI HOKUETSU
Financial Group

第四北越フィナンシャルグループ

Securities
Code **7327**

* Daishi Hokuetsu Financial Group is
referred to as “Daishi Hokuetsu FG” or “FG”

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Highlights of Fiscal Year Ended March 2024



DAISHI HOKUETSU

Financial Group

第四北越フィナンシャルグループ

A New Stage of Harvesting Results from Bank

Merger and Birth of New Bank

Final Year of
Medium-Term
Management Plan

Medium-Term Management Plan II

April 2021

March 2024

FYE2024/3



FG Consolidated Profit exceeded the earnings forecast and also increased year on year

- ✓ Achieved FG's consolidated profit target for the final year of the Medium-Term Management Plan II through Group-wide efforts to maximize the three major synergies (Merger, Group and TSUBASA)



Annual dividends per share for the fiscal year ended March 2024 increased by 25 yen year on year

- ✓ Based on the business results for the period under review, the year-end dividend will be 75 yen, an increase of 5 yen from the original forecast of 70 yen

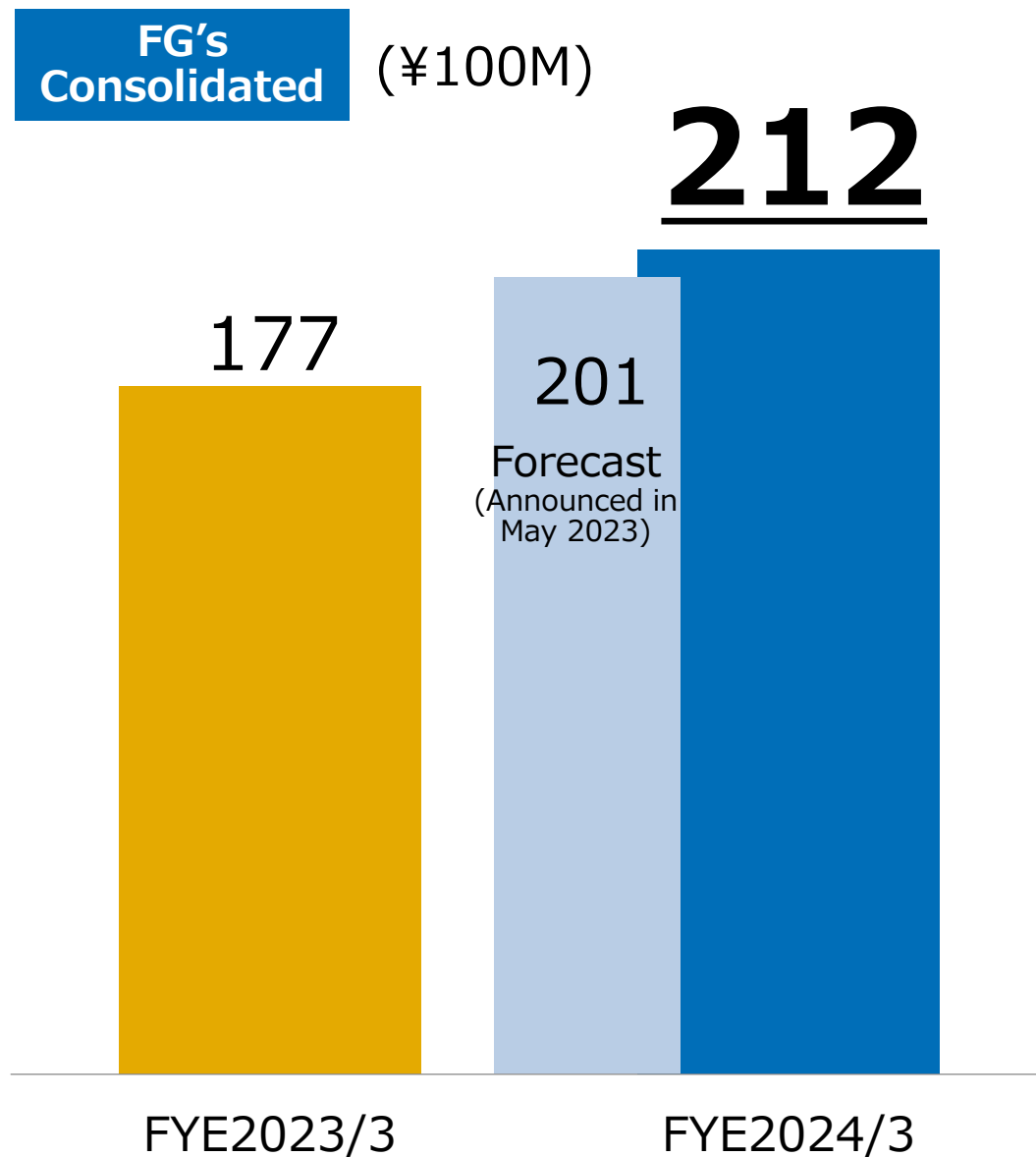


FG's consolidated profit (forecast) for the fiscal year ending March 2025 is 23 billion yen (up 1.7 billion yen year on year)

- ✓ Under the new "Medium-Term Management Plan III," take initiatives for "Deepening and Exploring Group Management"
- ✓ Revise the shareholder return policy (May 2024), aiming for a cumulative dividend per share and a payout ratio of around 35% during the period of the Medium-Term Management Plan III.

Financial Results For Fiscal Year Ended March 2024

FG's Consolidated Profit



Year on Year

+¥3.4B
(+19.3%)

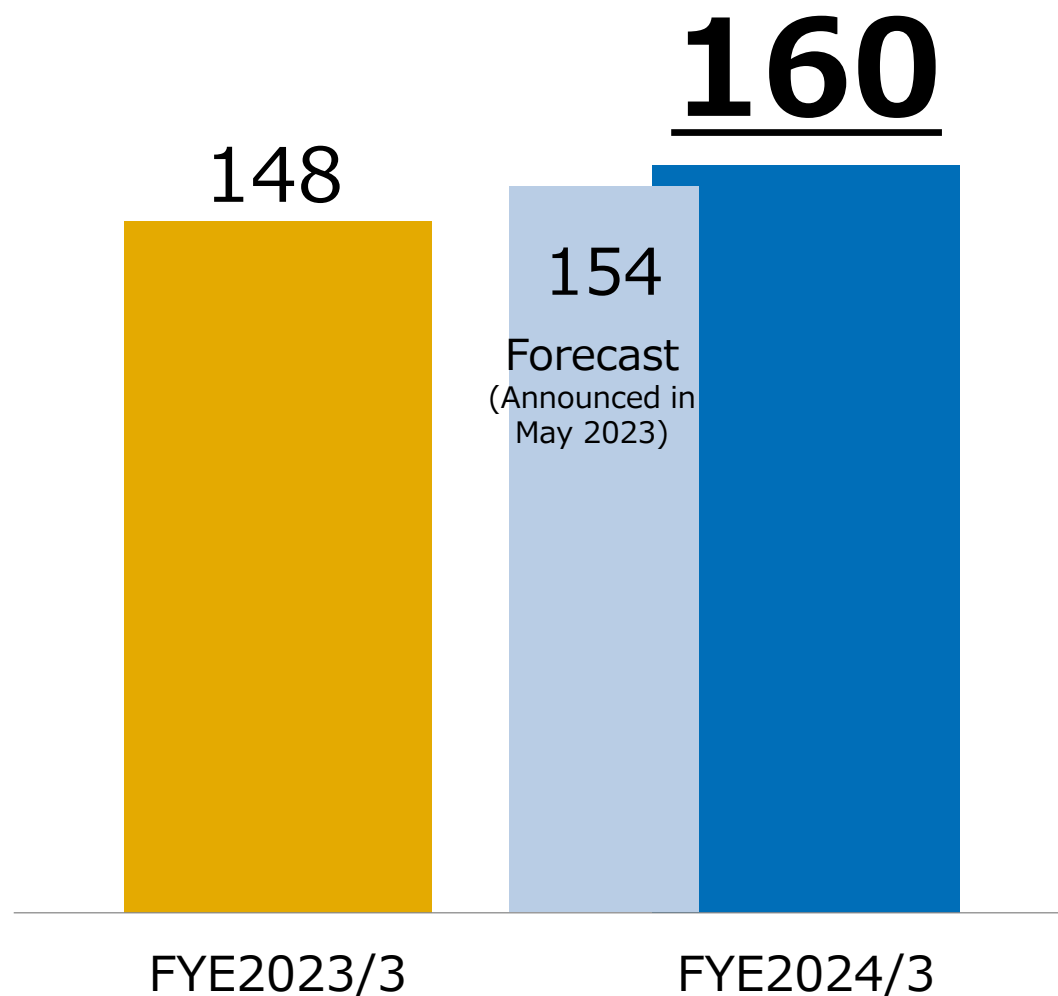
Vs. Forecast

+¥1.1B
(+5.4%)

Profit by Division

Bank Non-
consolidated

(¥100M)



Year on Year

+¥1.2B
(+8.1%)

Vs. Forecast

+¥0.6B
(+4.2%)

Profit by Division

Group Company
Division

(¥100M)

* Total Profit of Group companies attributable to owners of parent, excluding the holding company and the Bank

28



FYE2023/3

36



FYE2024/3

Year on Year

+¥0.7B
(+27.6%)

Securities

+¥0.4B (+72.6%) yoy

- Increased profits by implementing consulting proposals that capture market trends and expand products to meet diverse needs

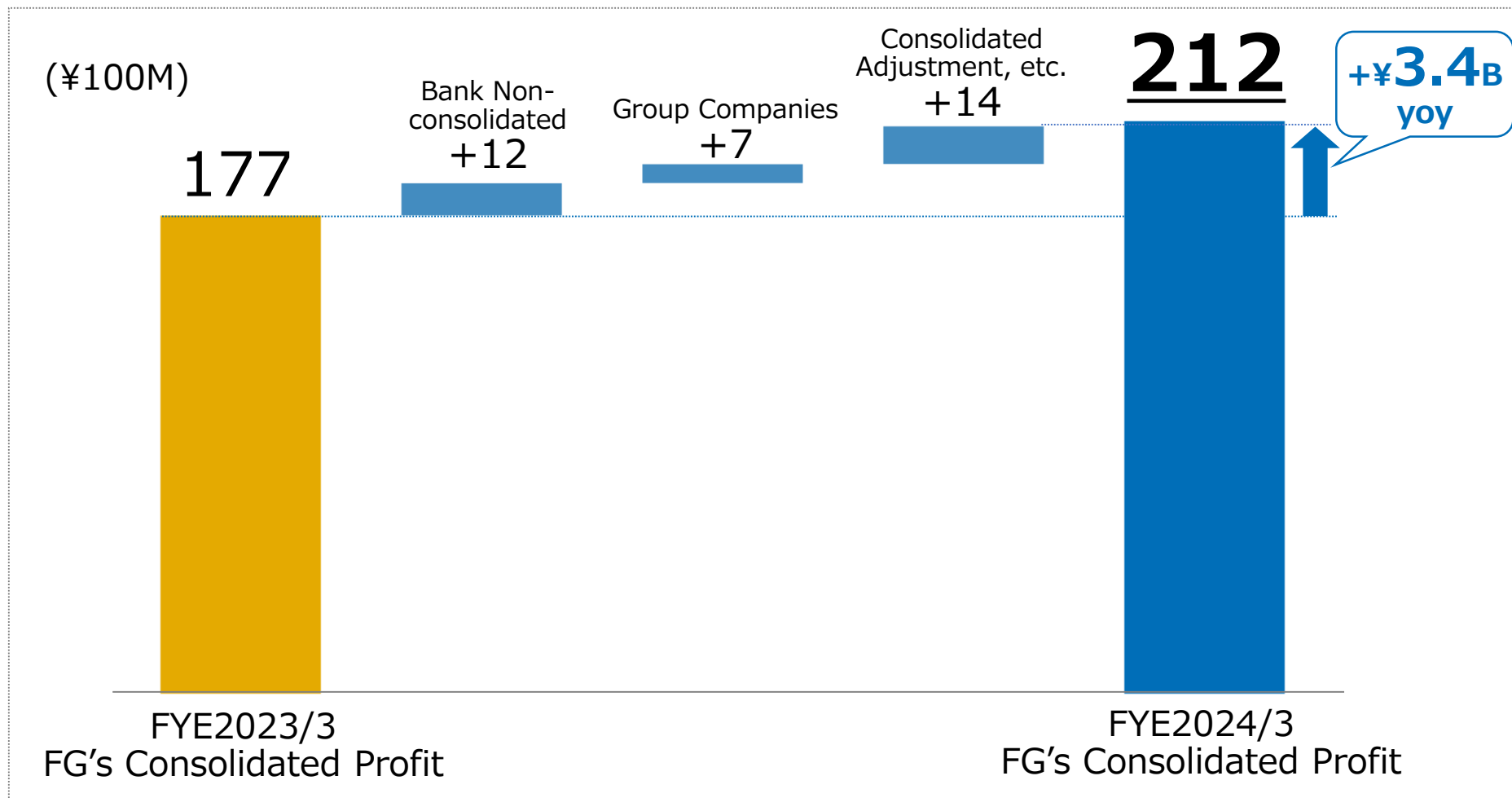
Leasing

+¥0.3B (+142.5%) yoy

- Increased profit due to growth in lease asset balance as a result of increase in bank referrals, etc., and decrease in credit costs, etc.

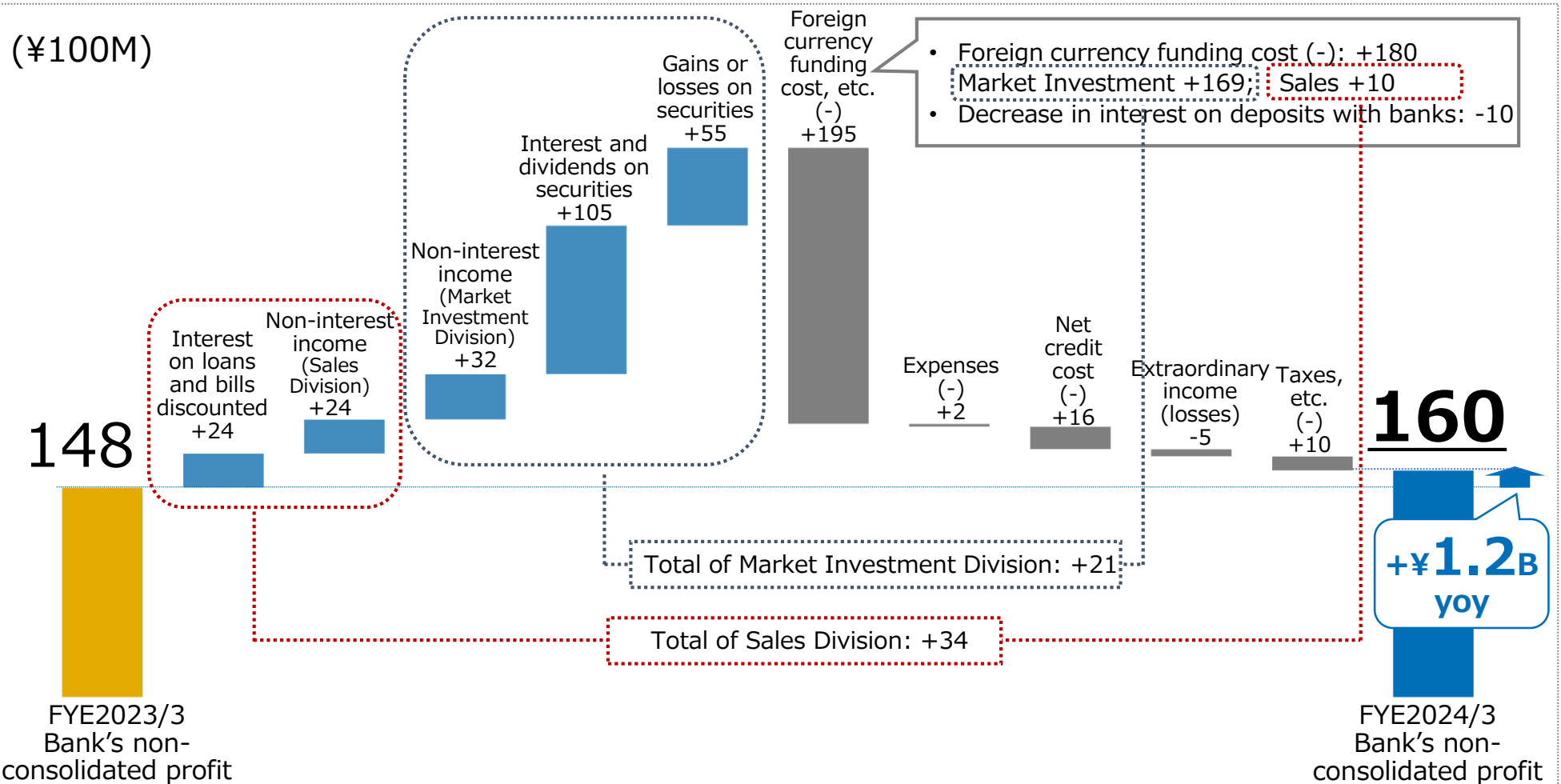
FG Consolidated Change Factors

FG's consolidated profit increased for the period under review due to increased profits in both the bank (unconsolidated basis) and Group company divisions

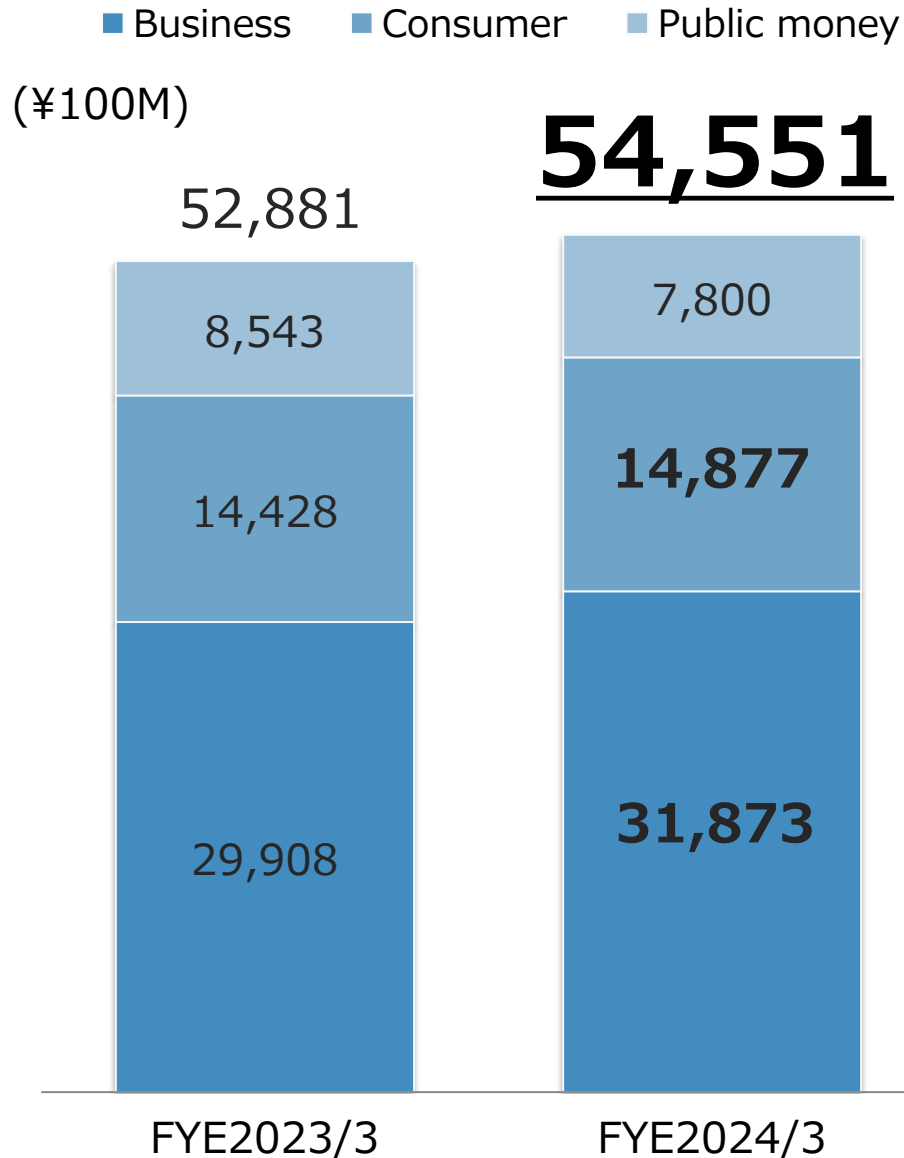


Bank Non-consolidated: Change Factors

On an unconsolidated basis, the bank increased profit for the period under review due to an increase in interest on loans and non-interest income



End-Balance of Loans and Bills Discounted

Year on
Year**+¥167.0B**
(+3.1%)

Consumer

+¥44.8B (+3.1%) yoy

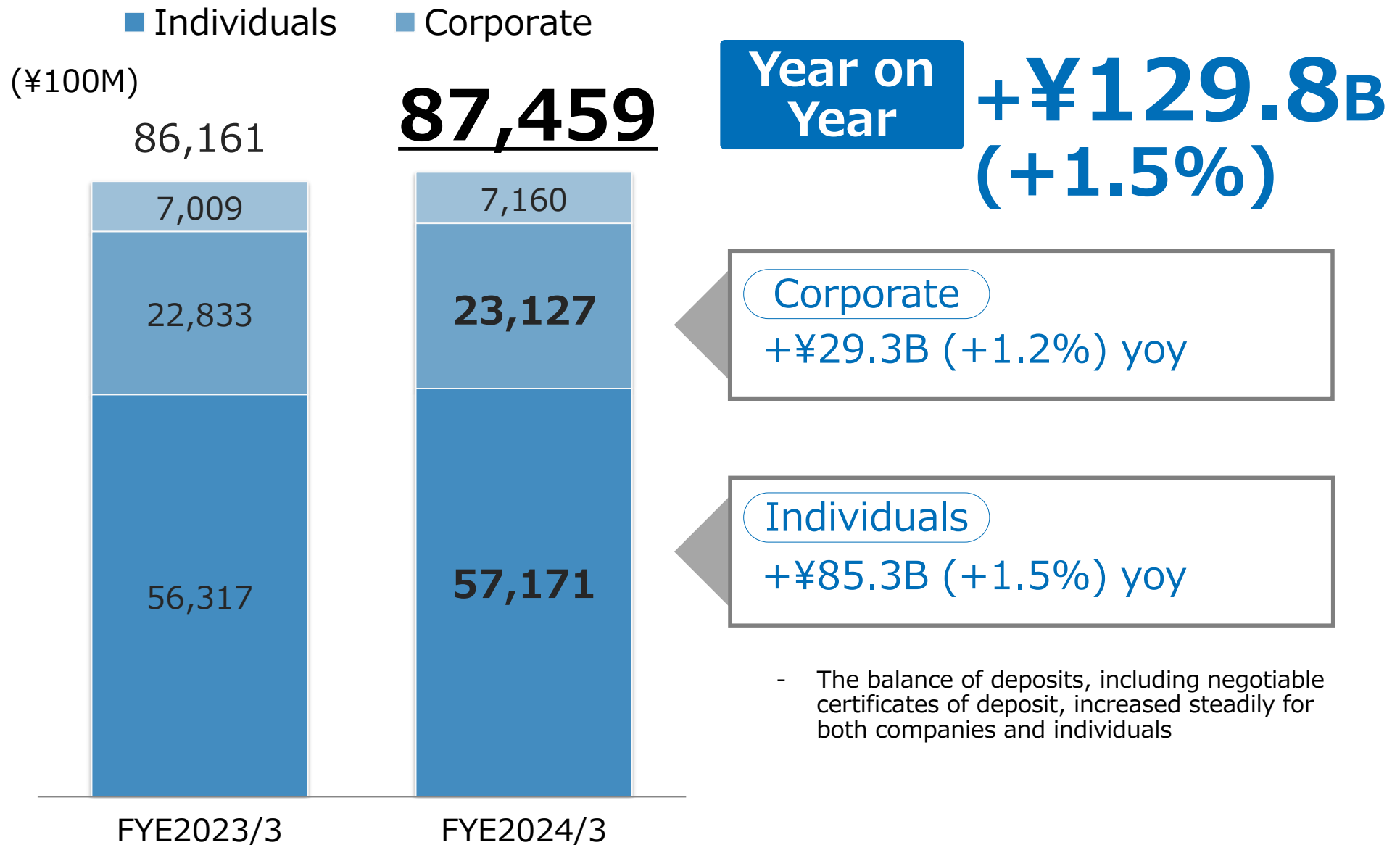
- Increased both mortgage and unsecured loans due to utilization of non-face-to-face channels

Business

+¥196.4B (+6.5%) yoy

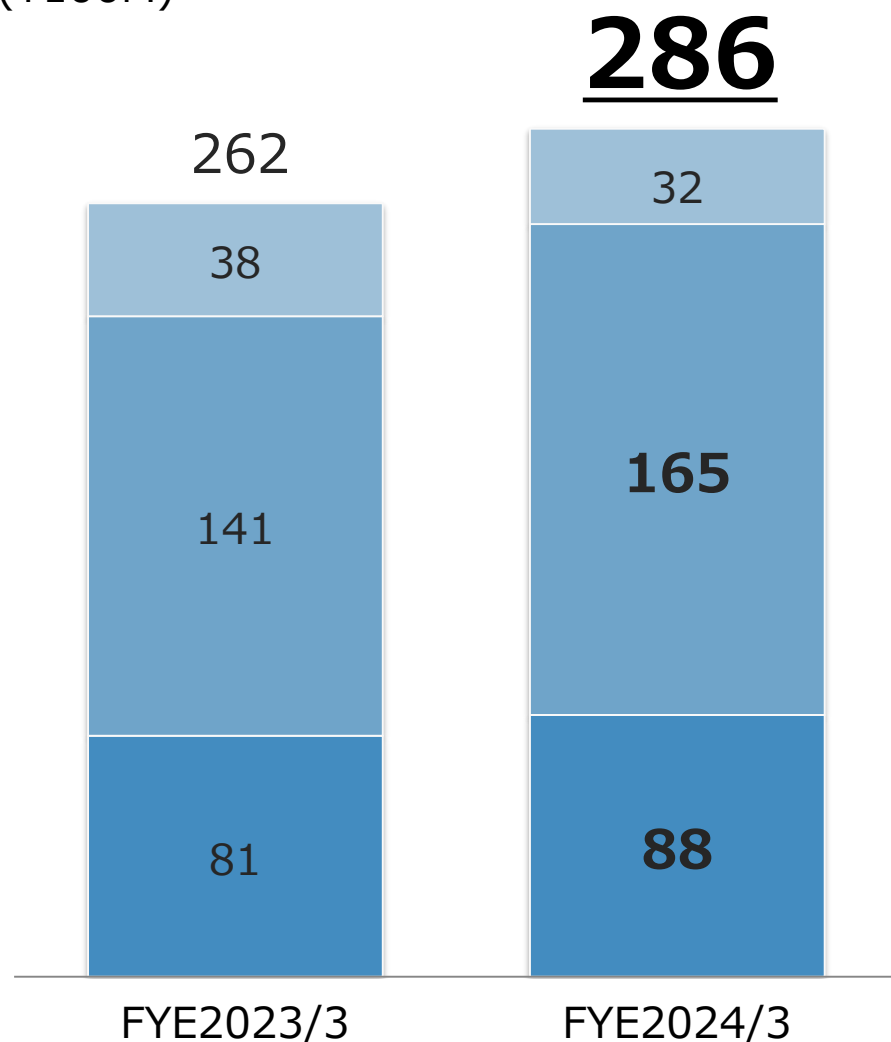
- Decreased in the prefecture due to factors such as early repayment of virtually interest-free and unsecured loans (zero-zero loans)
- Outside of the prefecture, loans to large companies with funding needs increased

End-Balance of Deposits, etc.



■ Others ■ Financial Solutions ■ Asset management advice

(¥100M)

Year on
Year**+¥2.4B**
(+9.1%)

Income from financial solutions

+¥2.3B (+16.6%) yoy

- Increase in foreign exchange derivatives transactions for customers, business succession, and M&A

Income from asset management advice

+¥0.6B (+8.2%) yoy

- Increased inheritance business such as testamentary trusts, in addition to insurance and mutual funds

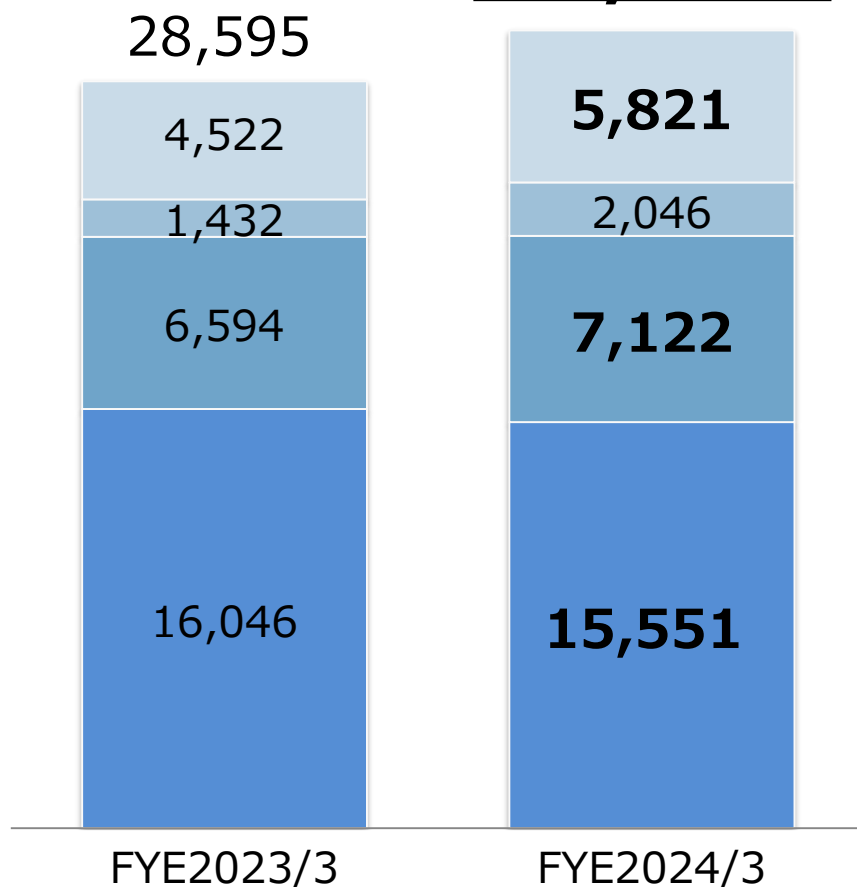
End-Balance of Securities * Excluding trading securities

■ Domestic bonds
■ Stocks
(¥100M)

■ Foreign securities
■ Other securities

Year on Year
**+¥194.6B
(+6.8%)**

30,542



Other securities

+¥129.9B (+28.7%) yoy

– Increased due to diversified investments in equity mutual funds, REITs, etc.

Foreign securities

+¥52.7B (+7.9%) yoy

– Increased due to purchase of Government National Mortgage Association (GNMA) bonds, which can secure interest margin, and foreign exchange factors (yen depreciation)

Domestic bonds

-¥49.4B (-3.0%) yoy

– Decreased due to restrained purchases of bonds in preparation for rising interest rates and profit-taking sales in response to market trends

Valuation Gains or Losses on Securities

* Valuation gains/losses on domestic bonds and foreign securities are after taking into account deferred hedging by interest rate swaps

■ Domestic bonds

■ Foreign securities

(¥100M)

577

1,077

Other securities 0

-210

496

-155

-326

-224

FYE2023/3

-274

-225

FYE2024/3

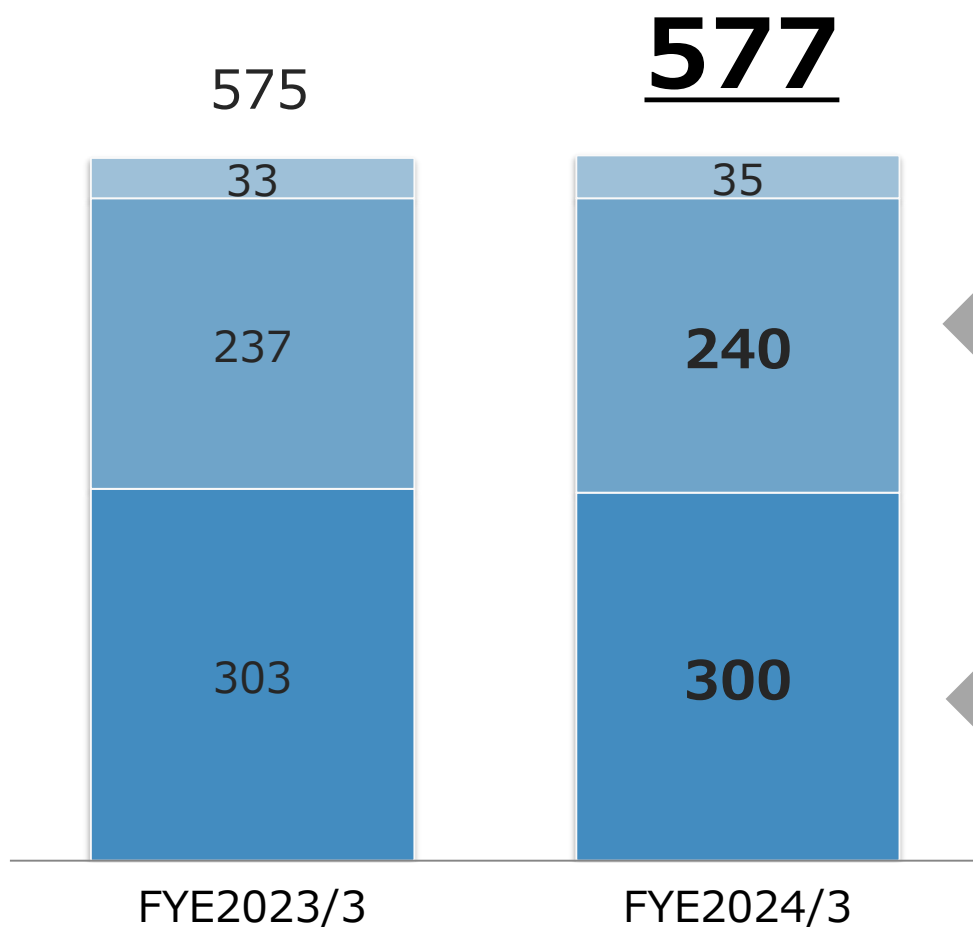
Valuation Gains or Losses on Securities

+¥78.8B yoy

- Although gain (loss) on valuation of domestic bonds deteriorated due to higher domestic interest rates, gain on valuation of equity securities increased due to higher domestic stock prices. In addition, gain (loss) on valuation of other securities improved due to the weaker yen, and gain (loss) on valuation of foreign securities also improved due to the sale of euro-denominated bonds with low interest margins, resulting in a significant improvement in total gain (loss) on valuation of securities

■ Non-personnel expenses ■ Taxes ■

(¥100M)



Year on
Year

+¥0.2B
(+0.4%)

Non-personnel expenses

+¥0.2B (+1.2%) yoy

- Strategic investments increased to strengthen consulting functions and improve customer convenience

Personnel expenses

-¥0.2B (-0.8%) yoy

- Investing in wage increases and personnel development to strengthen human capital
- Decreased due to optimized headcounts accompanying reduced operations due to office integration and operational reforms (Natural decrease due to mandatory retirement, etc.)

Non-Performing Loan Ratio & Net Credit Cost

■ Non-performing loan ratio ■ Net credit cost

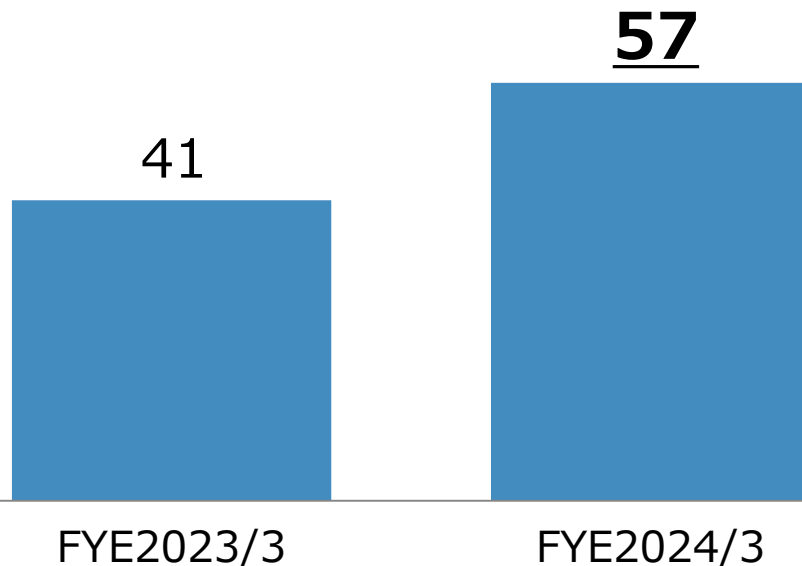
(%)



Non-performing loan ratio

-0.10 pt yoy

(¥100M)



Net credit cost

+¥1.6B yoy

- Net credit cost increased mainly due to an increase in the general allowance for doubtful accounts as a result of an increase in loan balances, etc.
- Continue to focus on supporting business improvement and revitalization through collaboration between Sales and Credit Divisions, while closely monitoring the impact of higher prices and a weaker yen

FG's Consolidated Capital Ratio

FG's
Consolidated (%)

10.23

10.03

International
standard
8%

Domestic
standard
4%

Year on
Year

-0.20 pt

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

FYE2023/3

FYE2024/3

Management Integration Synergy (Single FY)

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

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

FYE March 2024
(single FY)

Result

+¥10.2B
(+¥4.2B vs. plan)

Breakdown (¥100M)		Result	Vs. Plan
		+102	+42
	Top-line Synergy	+57	+15
	Cost Synergy	+76	+15
	Negative Synergy	-32	+11

< Details of Each Synergy >

Top-line Synergy

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

Cost Synergy

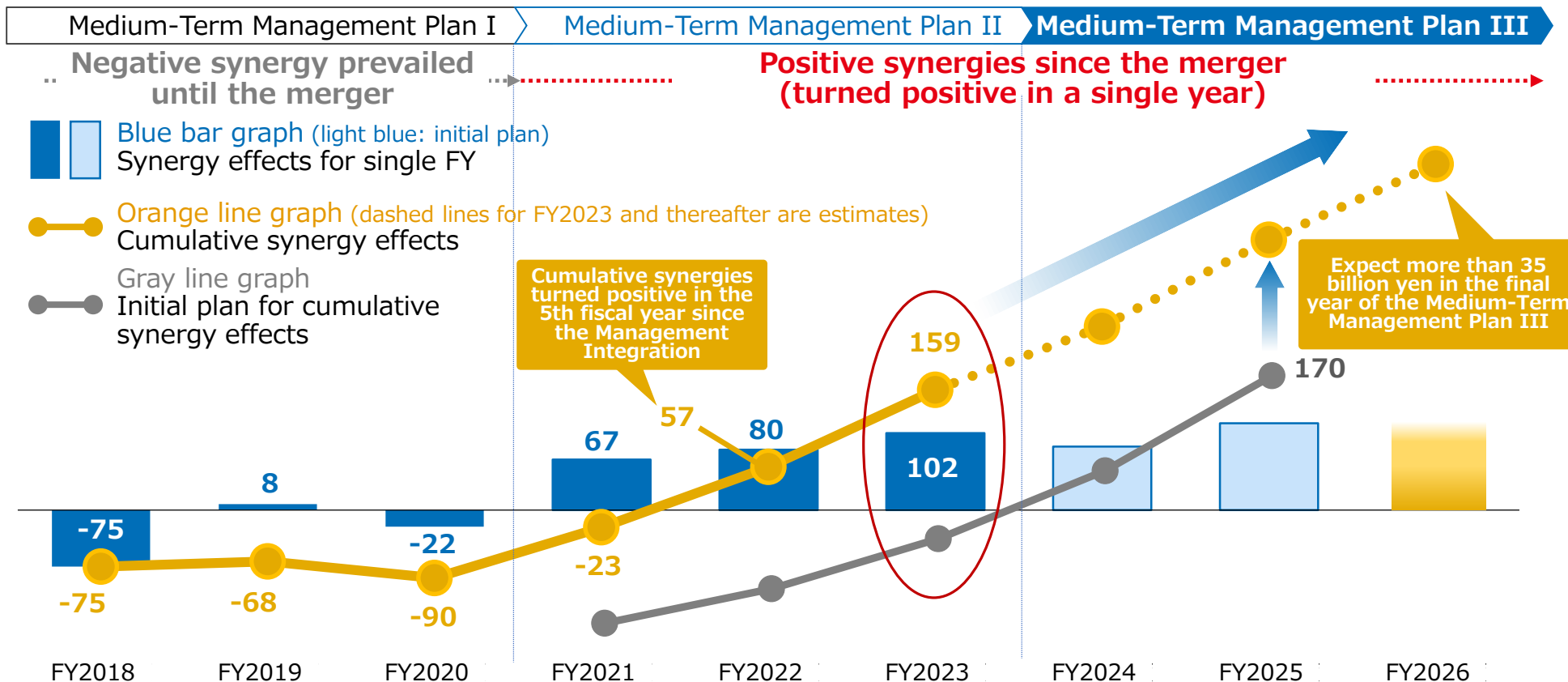
- Decrease in personnel expenses
- Decrease in system administration costs
- Decrease in outsourcing expenses, etc.

Negative Synergy

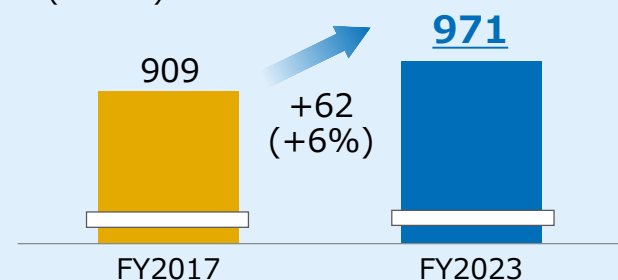
- Management integration expenses

Management Integration Synergy (Cumulative Total)

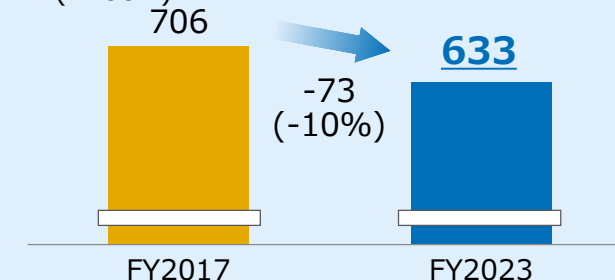
Synergy Effects (¥100M)



FG Consolidated Gross Profit (¥100M)



FG Consolidated Operating Expenses (¥100M)



* Figures for FY2017 are a simple aggregate of Daishi Bank and Hokuetsu Bank's figures

FYE2024/3 Dividends: Increase in Year-End Dividend

The total annual dividend per share of the ordinary and commemorative dividends was

145 yen (+25 yen yoy)

Ordinary dividend

Commemorative dividend

Increase in annual dividend by 15 yen based on the earnings in accordance with shareholder return policy

Annual dividend of 10 yen considering the 5th anniversary of FG and 150th anniversary of the Bank

* It has already been announced that the commemorative dividend for FYE2024/3 will be an ordinary dividend for FYE2025/3

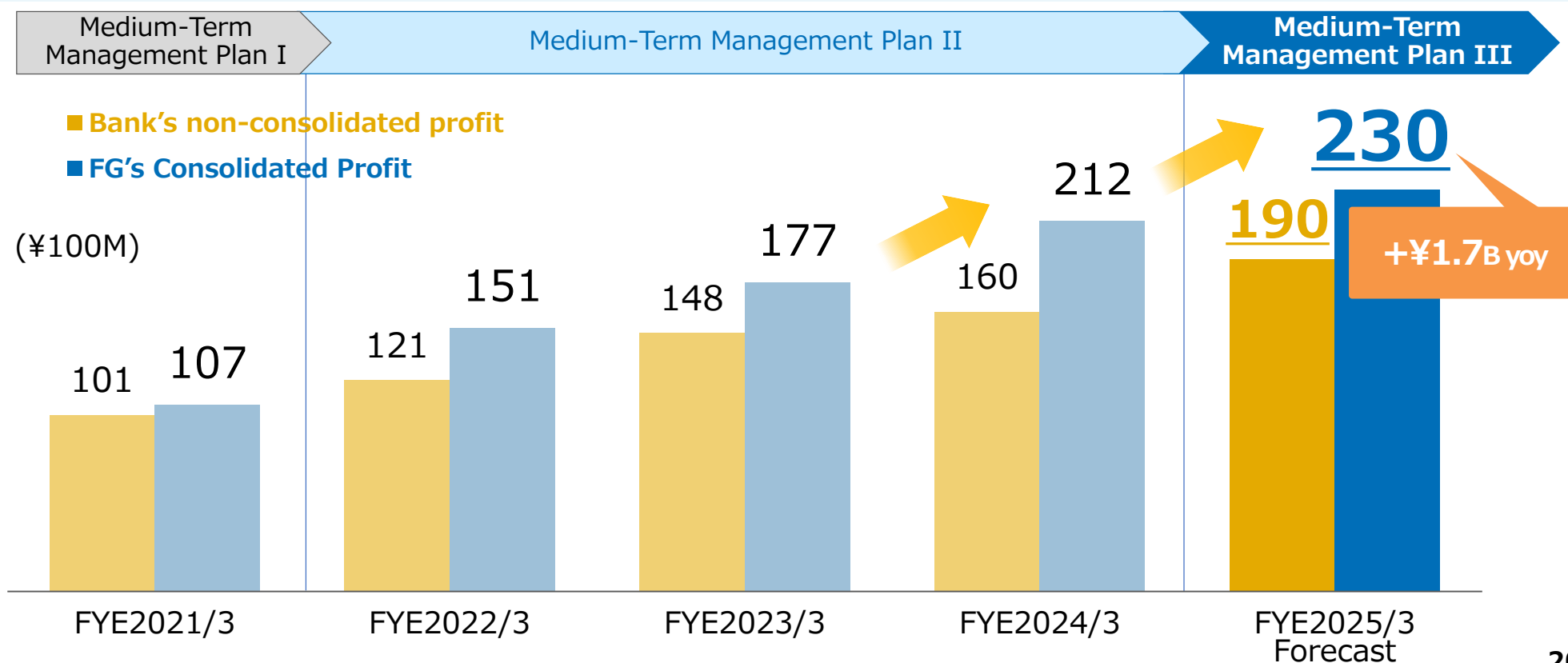
New!

Details of Dividends	Annual dividend per share		
	Interim dividend [Completed]	Year-end dividend	
		Previous dividend forecast (Announced on May 12, 2023)	Final amount
FYE2024/3	70.00 yen	70.00 yen	75.00 yen
Ordinary dividend	65.00 yen	65.00 yen	70.00 yen
Commemorative dividend	5.00 yen	5.00 yen	5.00 yen
FYE2023/3	60.00 yen	60.00 yen	60.00 yen
			Annual total
			145.00 yen (+¥25 yoy)
			135.00 yen
			10.00 yen
			120.00 yen

Year-end dividend **increased by 5 yen** from the forecast considering the results of the period under review

FYE2025/3 Earnings Forecast

- The FG consolidated profit is expected to increase 1.7 billion yen (+8.4%) year on year to 23 billion yen
- Under the new “Medium-Term Management Plan III,” we will work on “Deepening and Exploring Group Management” and strengthen the top line by integrating the Group’s financial and information intermediary functions, network, and expertise, and by strengthening the Group’s consulting function with the community and customers as the starting point.
- This plan does not take into account the effects of the Bank of Japan’s monetary policy changes. We intend to revise the plan as necessary, keeping an eye on future monetary policy and market conditions



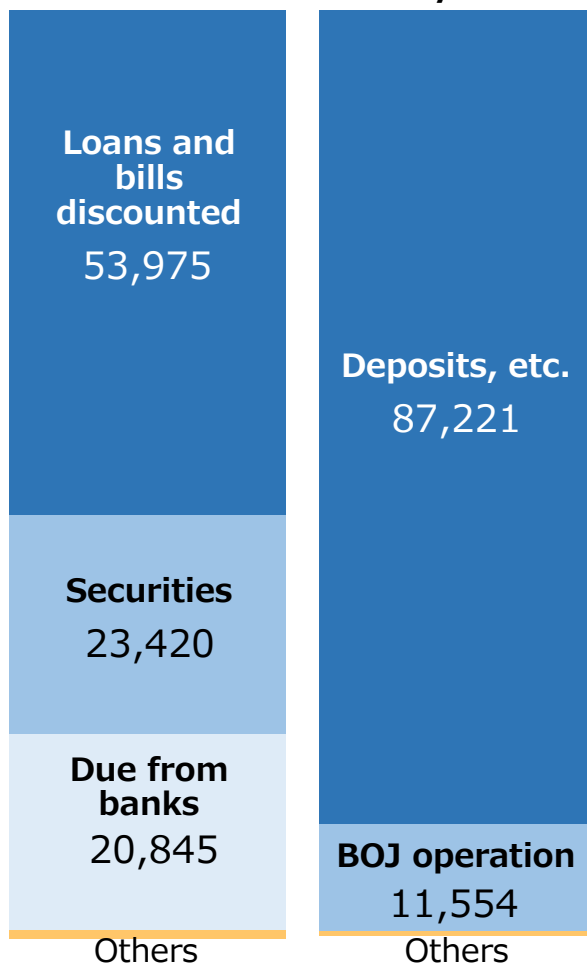
Simulation Based on Impact of Rising Yen Interest Rate (Estimate)

Balance Sheet of Yen

(Management and procurement structure)

(¥100M)

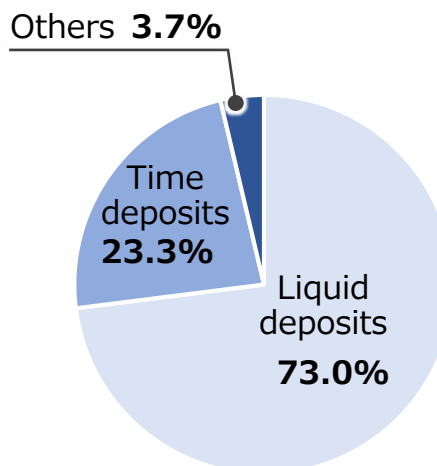
End of FYE2024/3



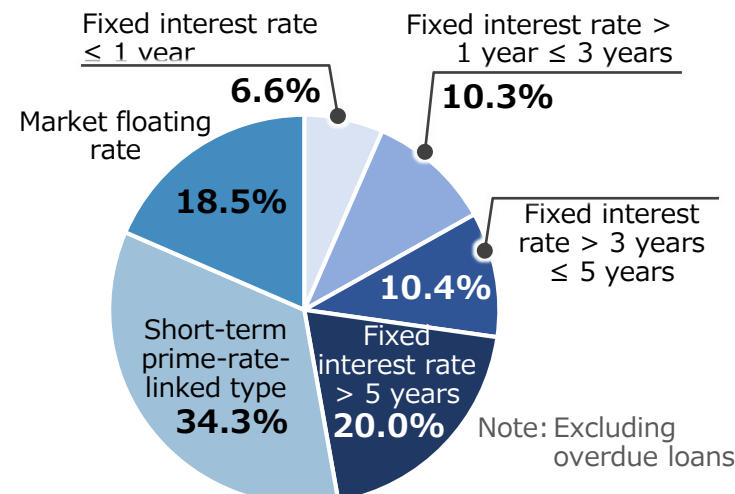
Estimate of the annual impact of a rise in interest rates (in yen) on net interest income

Scenario (¥100M)		FY2024	FY2026 Final Year of the Medium-Term Management Plan III
Scenario-1	No additional rate hike	+10	+14
Scenario-2	1 additional rate hike in FY2024	+19	+41
Scenario-3	2 additional rate hikes in FY2024	+18	+54

Composition of deposits, etc. (End of FYE2024/3)



Composition of loans and bills discounted (End of FYE2024/3)



Plan period: 2024/4 - 2027/3

Medium-Term Management Plan III

Sustainable Growth Initiatives by Daishi Hokuetsu Financial Group

Medium-Term Management Plan I

1. Management Integration

Created through the Management Integration of Daishi Bank and Hokuetsu Bank

October 2018

Management integration by the regional banks with top two market shares in the same prefecture, ahead of any other bank in the country

January 2021

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



Relationship of trust with customers built over 140 years



2. TSUBASA Alliance

Regional Banks' Collaboration Framework

October 2015-



Medium-Term Management Plan II

Top-Priority Topic: **Demonstration of Three Major Synergies**

1 Merger Synergy

- Office integration
- Streamlining of HQ
- Operation reform
- Sharing of knowhow

➔ Reassignment personnel to strategic areas

➔ Cost reduction and investment in strategic areas

Strengthen consulting functions

Productivity improvement

2 Group Synergy

Use of Group functions

Exploration of new business

Deepening existing businesses

Strengthen consulting functions

Strengthen Group Management Framework

3 TSUBASA Partnership Synergy

➔ Main engine to accelerate innovation

Pursuit of top-line and cost synergy



Medium-Term Management Plan III

Toward Sustainable Growth

第四北越FG
Management Philosophy and Vision

Creation of new value through financial and information intermediary functions



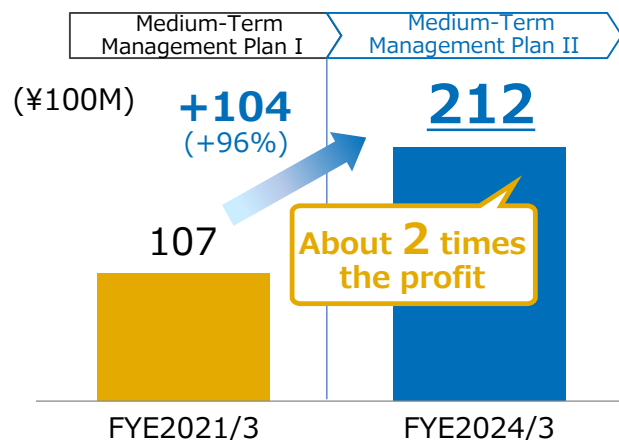
Improvement of management efficiency



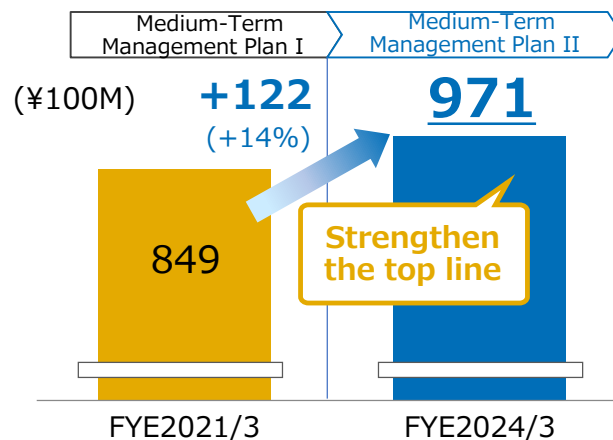
A lasting contribution to the regional development

Previous Medium-Term Management Plan: Results of Medium-Term Management Plan II

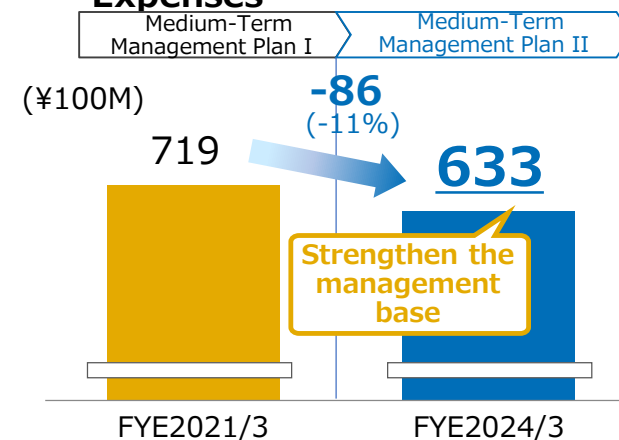
FG's Consolidated Profit



FG Consolidated Gross Profit



FG Consolidated Operating Expenses



Maximization of Merger Synergy

■ Perform dynamic resource reallocation

Cumulative total
Approx. 450

Matching personnel,
etc., with client
companies
Approx. 100
Group Companies
Approx. 70

Bank Division
Approx. 280

Empower
consulting talent

Assign full-time HQ
specialists to the bank's
block head offices

Approx. 70 in total

Senior Consultant
(Branch Manager level)

Corporate
CM

Individual
CM

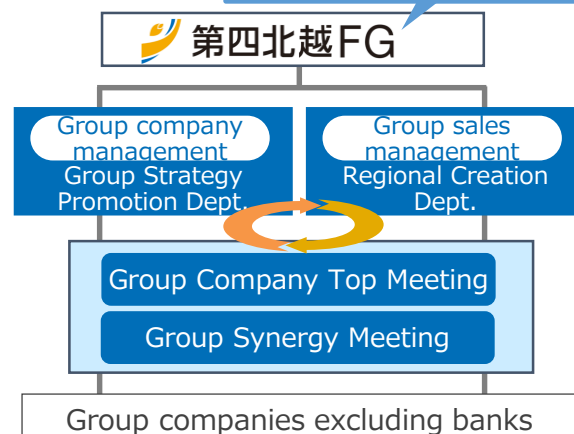
CM: Consultant Manager

No. of reassigned
personnel

Maximization of Group Synergy

■ Transition to Group Management Framework

Build a multi-tiered
governance framework



Maximization of TSUBASA Partnership Synergy



■ Used as a main engine to accelerate innovation



Leverage the scale of the largest
regional banks



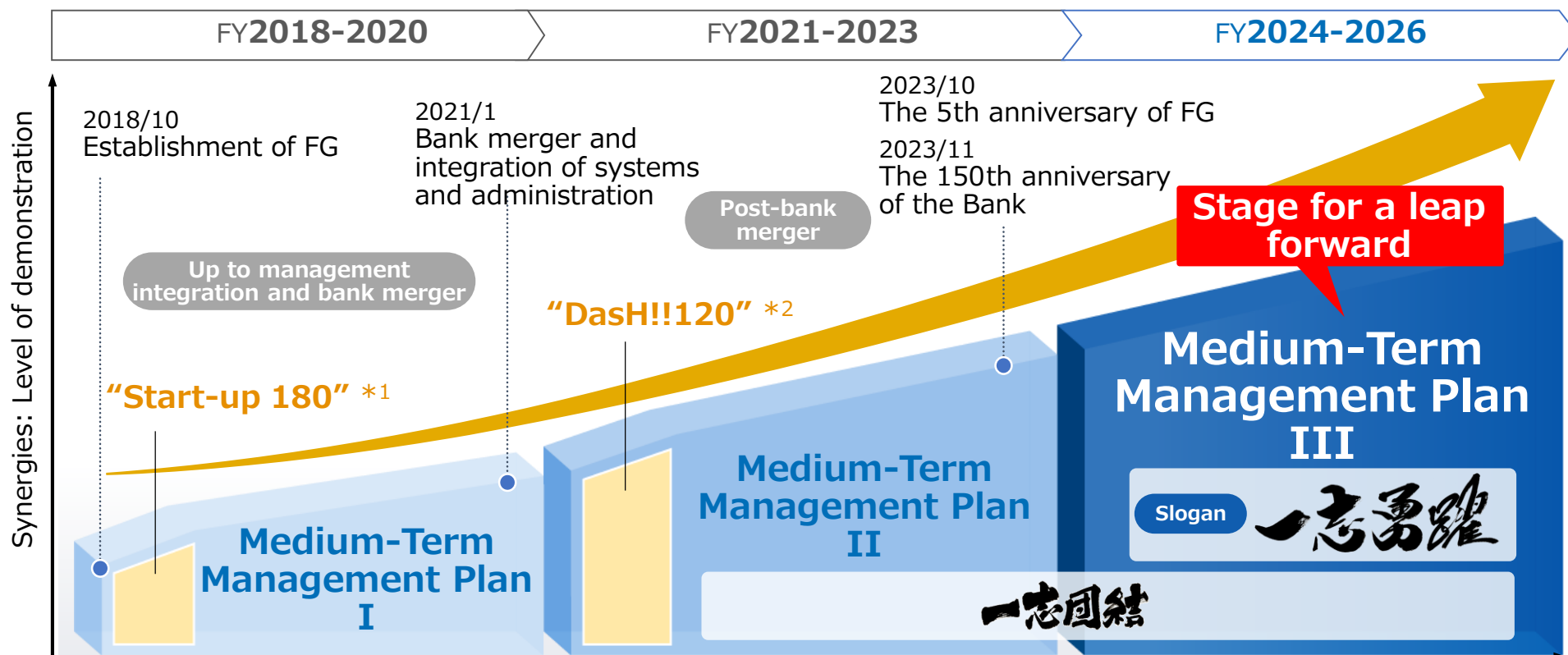
GUNMA
DAISHI HOKUETSU
ALLIANCE

群馬・第四北越 アライアンス

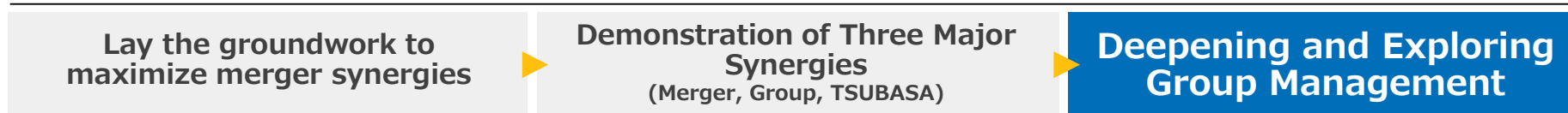
Use geographic features of
neighboring prefectures

New Medium-Term Management Plan: Medium-Term Management Plan III

- Launched the “Medium-Term Management Plan III,”
- setting the stage for a leap forward



[Basic Approach during Each Plan Period]



*1: Period of rapid and intensive implementation of various measures to realize synergies from management integration (180 days)

*2: Period during which various measures were implemented quickly and intensively as the main activity period for the early realization of synergies from the bank merger (120 days)

Key Management Issues (Materiality) based on Business Environment

■ Resolving key management issues to achieve sustainable growth

- Sustainability management that aims to create a virtuous circle of sustainable growth for society and the Company by addressing both “Environmental and Social Challenges” and “Financial Challenges”

Key Management Issues (Materiality) in the Medium-Term Management Plan III

“Environmental and Social Challenges”



- E** Active efforts to address global environmental issues
- S** Revitalizing regional economies and society by solving community and customer issues
- G** Strengthen trusted relationships with stakeholders through improved governance, including ensuring diversity

“Financial Challenges”



- Growth potential** Strengthening profitability
- Efficiency** Productivity improvement
- Soundness of business** Maintain and improve business health

Deepening Sustainability Management

Significant change with increasing complexity and uncertainty

Changes in the business environment

- Progress of declining population, low birth rate, and aging population
- Changes in social and industrial structure through DX
- Advances in web, online, and cashless transactions
- Changes in people's lifestyles and consumption behaviors
- Acceleration of globalization
- Deregulation
- Entry of other industries into the financial sector
- Acceleration of carbon neutrality
- Growing importance of sustainability management
- Further rise in geopolitical risk
- Shifts in monetary policy between Japan, the US and Europe etc.

Medium-Term Management Plan III: Basic Strategies & Key Tactics

■ Daishi Hokuetsu FG's Strategy for Realizing the Medium-Term Management Plan III

- To solve key management issues (materiality), we will work on the "Four Basic Strategies" and the common theme for all strategies, "Deepening the TSUBASA Alliance"

Resolving the Key Management Issues (Materiality) through "Deepening and Exploring Group Management"



Basic Strategy I

Demonstration of Group Comprehensive Capabilities

Key Tactics

- 1 Strengthen Group's consulting functions for communities and customers
- 2 Increase promotion of sustainability in communities
- 3 Explore new areas of promotion
- 4 Deepen investment in securities



Basic Strategy II

Pursuit of Productivity Improvement

Key Tactics

- 5 Improve customer experience at every touch point
- 6 Achieve Group-wide operational efficiencies



Basic Strategy III

Enhancement of Human Capital Value

Key Tactics

- 7 Practice human capital management to maximize the collective strengths of the Group
- 8 Strengthen the human capital base with expertise and diversity to solve local and customer issues
- 9 Create a work environment that fosters job satisfaction and happiness



Basic Strategy IV

Deepening Risk Management

Key Tactics

- 10 Conduct business by making compliance a top priority
- 11 Deepen Group governance
- 12 Further evolve the Risk Management Framework

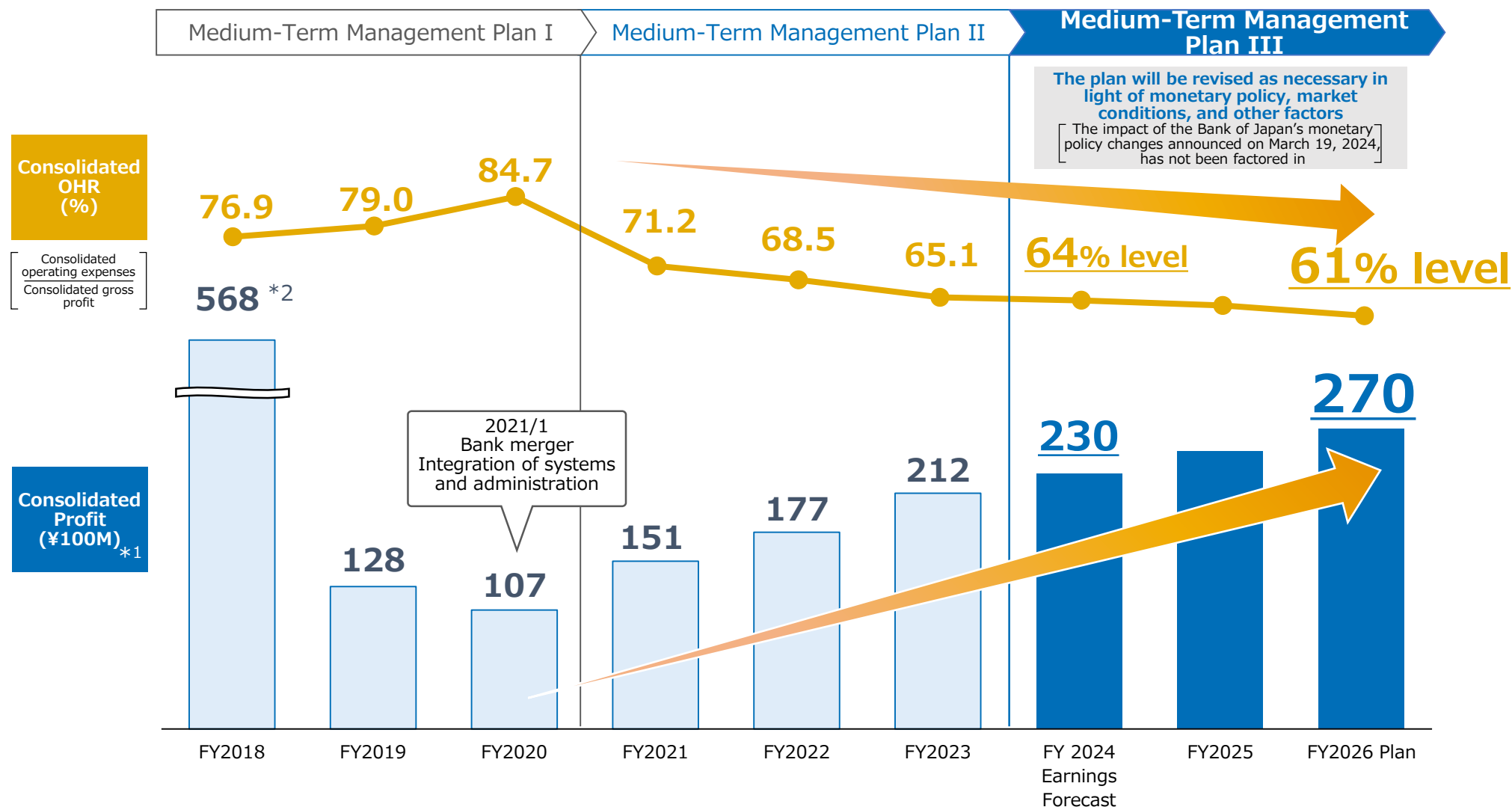
Basic Strategy

Overarching Theme Across Strategies: **Deepening the TSUBASA Alliance**



Medium-Term Management Plan III: Key Performance Indicators (KPI)

The level targeted in the “Stage for a Leap Forward”



*1: Profit attributable to owners of parent *2: In FY2018, we recorded a gain on bargain purchase of ¥47.2 billion

Medium-Term Management Plan III: Factors Contributing to Changes in FG Consolidated Profit

- Further increase in top line by demonstrating the Group's comprehensive capabilities

Medium-Term
Management
Plan II

Medium-Term Management Plan III

FY2024-2026

Demonstration of Group Comprehensive Capabilities

Interest on loans and bills discounted
+32

Non-interest income (Sales Division)
+16

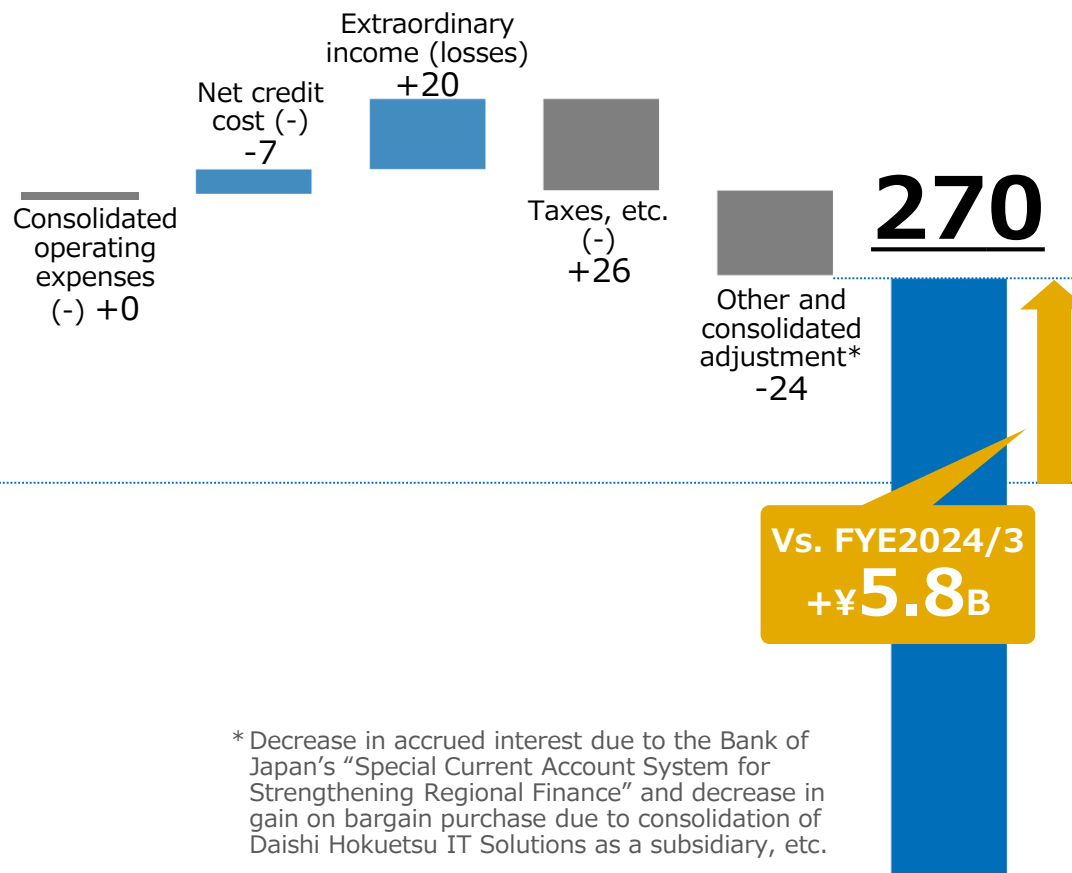
Group Companies
+9

Revenue of Market Investment Division
+24

Transformation of business portfolios

BANK
Bank Division

Group Company Division


FY2023 FG
Consolidated Profit

FY2026 FG
Consolidated Profit

Basic Strategy I Demonstration of Group Comprehensive Capabilities

Strengthen Group's Consulting Functions: Corporate Sector

"Deepening": Developing markets in Niigata

Strengthen regional revitalization



"Exploration": Cultivating markets outside Niigata

Strengthen partnerships within and outside the prefecture that lead to community and customer growth

Revitalization of regional economy

- Strengthen regional revitalization efforts through collaboration with business, government, external alliances, etc.

→ Led by the **"Human Capital Value Enhancement Project"**, a cross-organizational project of the Bank and Group companies

19-employee organization
(As of June 2024)



- Main initiative areas -

Decarbonization & energy
Productivity improvement & DX
Health and medical care
Promotion of tourism
Infrastructure etc.

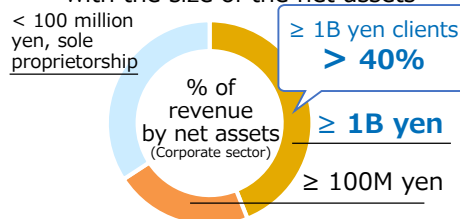
(Examples of regional revitalization project)

- RWE Offshore Wind Japan Murakami and Tainai Project
- Myoko District Development Project
- Comprehensive Revitalization Project in the Sado Region etc.

Facilitate corporate/owner transactions

- In addition to loan customers, strengthen corporate consulting sales, including deposit-only customers

- Exercise of advisory functions in accordance with the size of the net assets -



Practice higher-value consulting sales to strengthen relationships and improve profitability

[Bank branch network]
(Bank branches as of June 2024)

Niigata Prefecture: 136 bases

Fukushima Prefecture: 1 base

Share of loan in Niigata Prefecture (2024/3)* **51%**

Gunma Prefecture: 2 bases

Saitama Prefecture: 2 bases

Tokyo: 2 bases

Kanagawa Prefecture: 1 base

Tokyo Sales HQ
(July, Tokyo Branch building)

(Districts other than the above)
One office each in Hokkaido, Toyama, Aichi and Osaka Prefectures

Strengthen sales promotion framework outside Niigata

- Upgrade the Tokyo Office of Sales HQ to **"Tokyo Sales HQ"** (planned for July 2024)

New!



Personnel stationed outside Niigata 19 people

Plan to expand to an organization of approximately 30 people

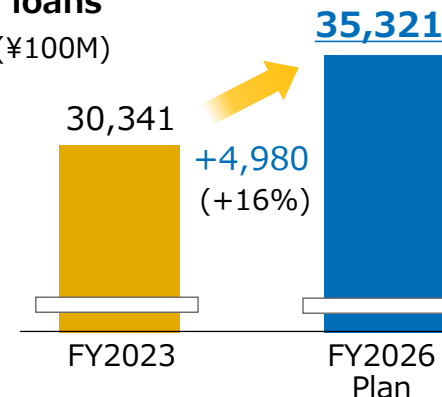
- Main promotion areas -

Structured finance
Business loan
Corporate solutions
Wealth segment business
TSUBASA Partnership etc.

→ Strengthen promotion outside the Tokyo metropolitan area by leveraging the branch network

Average balance of business loans

(¥100M)



* Calculated by the Company based on documents, etc. by Nikkin

Basic Strategy I Demonstration of Group Comprehensive Capabilities

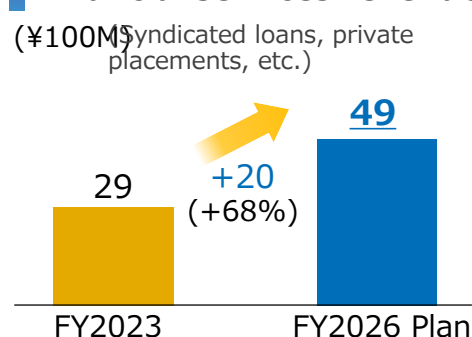
Strengthen Group's Consulting Functions: Corporate Sector

Support for local economic development

Practice multifaceted consulting sales for capital investment needs

- Strengthen support for resolving various issues triggered by capital investment

Financial services revenue



Results of Client Questionnaire Survey

Future Capital Investment Plan
(Planned capital investment for FYE2025/3)

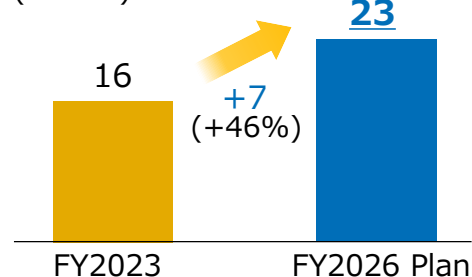
Total number of cases
> 1,400 cases

Total amount
> ¥360B

Strengthen equity business for business succession, creation of new business areas, and other needs

Equity solution-related revenues

(¥100M) (M&A, business succession, funds, etc.)



第四北越銀行 Equity business line

- Leverage "M&A Platform" where sales branches take the initiative



第四北越キャピタルパートナーズ
Investment subsidiary

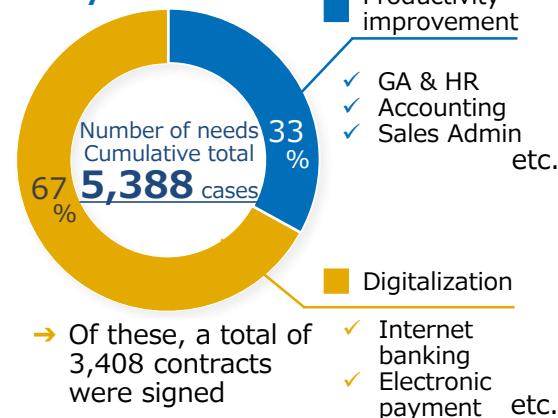
- Utilization of "Daishi Hokuetsu Regional Revitalization Initiatives Fund" (No. 1 & 2)

Support for DX throughout the region

"DX All Branch Campaign" to promote DX of business customers based on feasibility assessment

Business customer needs assessment on DX

(Period: 2022/10 to 2024/3)



Started handling "DX Declaration Formulation Support Service"

Launch of "Daishi Hokuetsu DX Consulting Service" to support DX promotion by local companies (April 2024)

- Started offering "DX Declaration Formulation Support Service" as the first service

- Services -

- Creation of DX Declaration & Plan
- Creation of DX Declaration movie

(April 2024)

New!



▲ DX Declaration sample

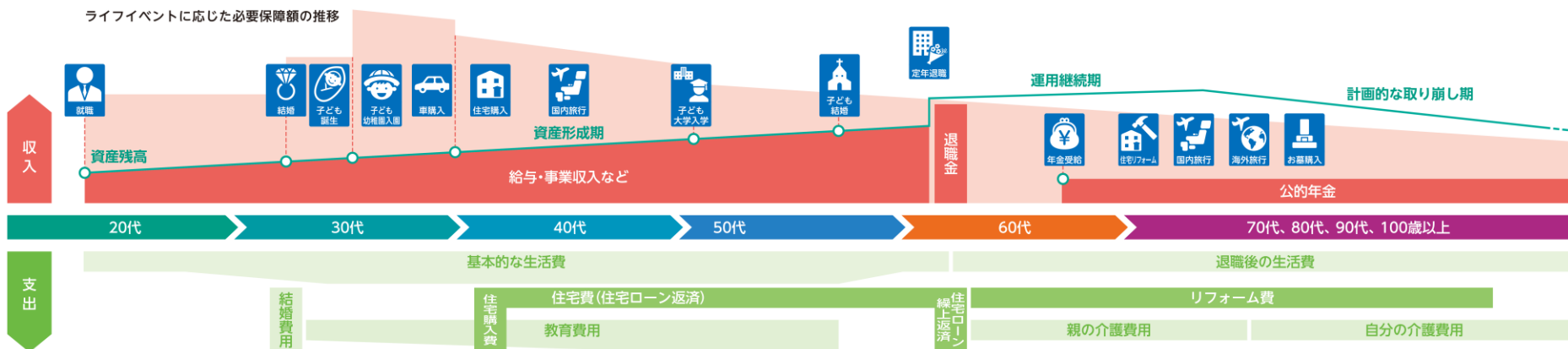
Basic Strategy I Demonstration of Group Comprehensive Capabilities

Strengthen the Group's Consulting Functions: Individual Sector

Demonstrate consulting functions in response to customer life events



第四北越銀行 × 第四北越証券



Strengthen asset management type business

第四北越銀行

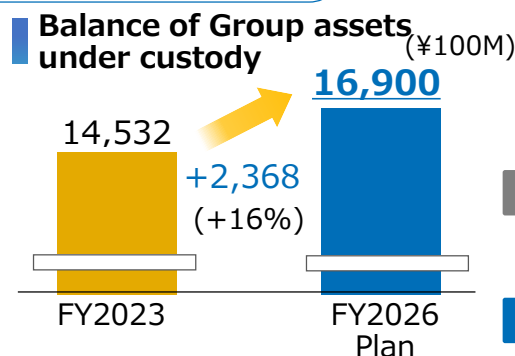
Number of NISA accounts
(As of December 31, 2023)

Ranked 8th
among regional banks

Source: Nikkin Investment Trust Information
(As of February 26, 2024)

Life insurance
fee income
(FYE2024/3)

Regional bank,
ranked No. 1
Source: Nikkin Report
(As of May 20, 2024)



Enhance consulting functions through face-to-face channels

Strengthen the functions of
Consulting Plaza

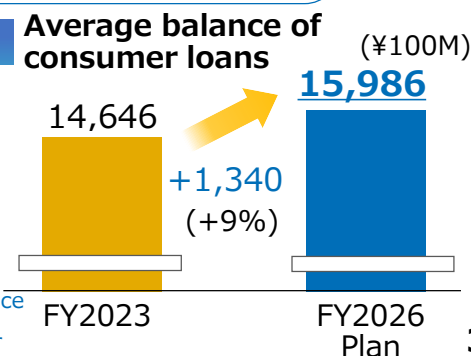


As is

- Personal loan
- Wealth management (Asset formation segment)

(Areas of improvement)

Hybrid sales combining the face to face and non-face to face
Asset management advice for wealthy segment



Basic Strategy I

Demonstration of Group Comprehensive Capabilities

- Strengthen Group's Consulting Functions: Deepen and
- Explore FG Group Functions

"Deepening"

Further deepen our business domain with a Group-wide sales force

第四北越FG 15-company framework
(Including FG and banking subsidiaries)

Completed Group reorganization, including streamlining of duplicated functions, in the previous Medium-Term Management Plan

Financial area

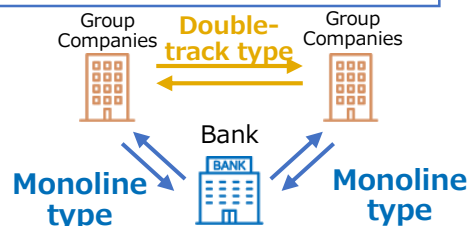
Bank	第四北越銀行	Leasing	Hokuetsu Lease
Securities	第四北越証券	Credit guarantee	Daishi Guaranty Hokuetsu Credit Guarantee
Leasing	第四北越リース		
Fund Management	第四北越キャピタルパートナーズ		
Card	Daishi JCB Card Daishi DC Card / Hokuetsu Card		

Non-financial area

System	DH-ITS 第四北越ITソリューションズ
Staffing	第四北越キャリアブリッジ
Consulting & research	第四北越リサーチ&コンサルティング
Regional trading company	ブリッジにいがた

Further strengthen "double-track" cooperation

→ During the previous Medium-Term Management Plan, already increased approximately 70 strategic personnel



"Exploration"

Expansion of Business Areas to Resolve Challenges of Regions and Customers -
Expansion of new promotion areas

Development of new business areas

New!

- Department dedicated to the study, planning and execution of new business entry, etc.

Establish New Business Planning Office within the FG Group Strategic Promotion Department

Expansion of business areas through M&A

(Scheduled for July 2024)

Staffing agency

第四北越キャリアブリッジ

New!

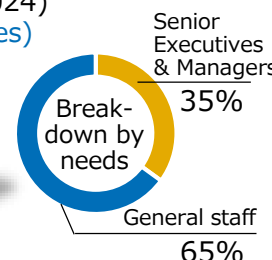
- Acquisition of "agent business" from companies in Niigata Prefecture to expand functions for direct placement of specialized personnel, etc. (March 2024)
(Fee-based staffing services)

Number of staffing requests received

1,429 cases

+286 (+20%)

1,715 cases



(Cumulative total from October 2019)

FY2022

FY2023

Number of Group business clients* (No. of partners)

69,000

Group company revenue (¥100M)

45

61,512

+7,488 (+12%)

FY2023

FY2026 Plan

36

+9 (+25%)

FY2023

FY2026 Plan

* Number of corporate clients with recurring business with FG Group companies (total)

Basic Strategy I

Demonstration of Group Comprehensive Capabilities

- Strengthen Group's Consulting Functions: Business Portfolio Transformation

Improve the Group's growth potential through "Business Portfolio Transformation"

- Maximize FG's consolidated profit through Group-wide efforts to improve five profitability indicators



→ Strengthen the earning power of each Group company by formulating and implementing Plan-Do-Check-Action (PDCA) strategies optimized for each Group company based on the business environment, strengths and weaknesses, future growth potential, and sustainability

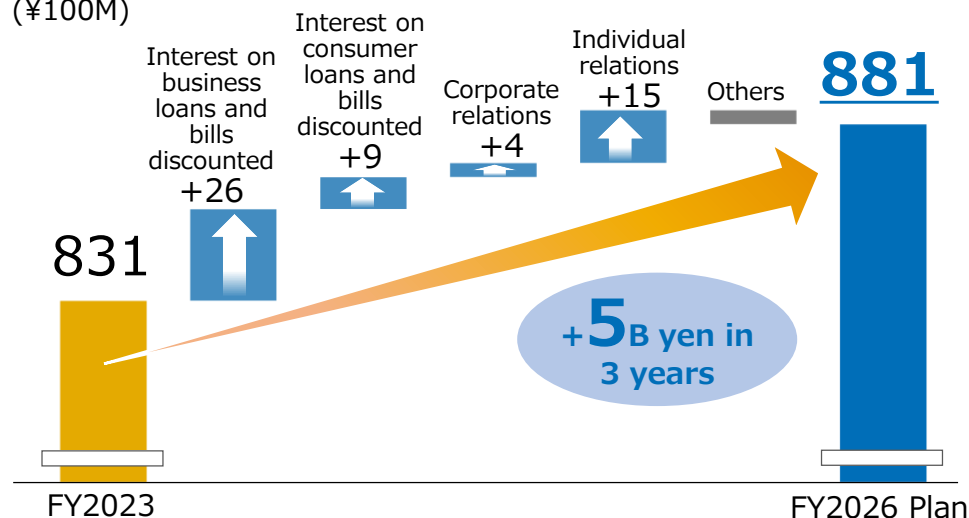
5 Indicators for Business Portfolio Transformation

- Interest on business loans and bills discounted
- Interest on consumer loans and bills discounted
- Corporate relations revenue
- Individual relations revenue
- Group company revenue amount

(☞ p. 44 for indicator targets)

FG Sales Division revenue

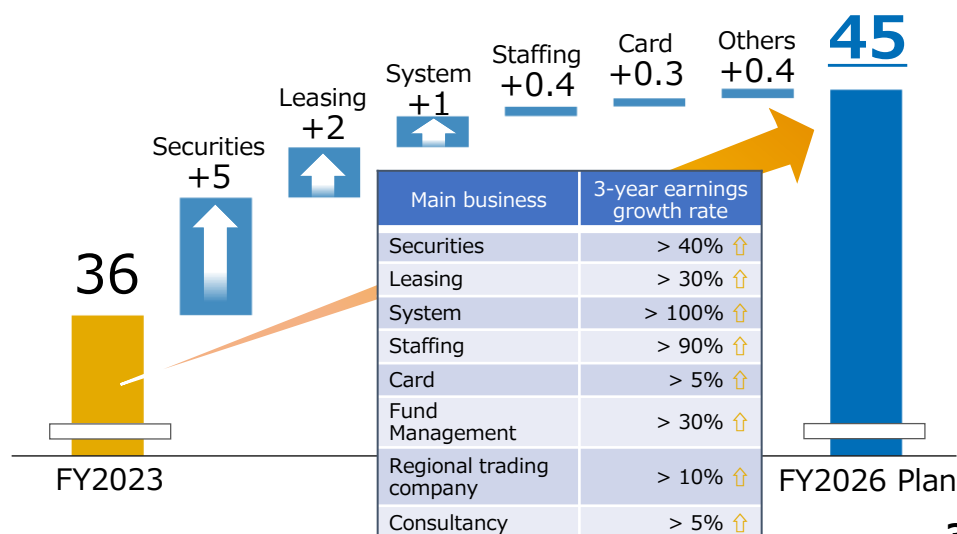
(¥100M)



Group Company profit

(Profit attributable to owners of parent)

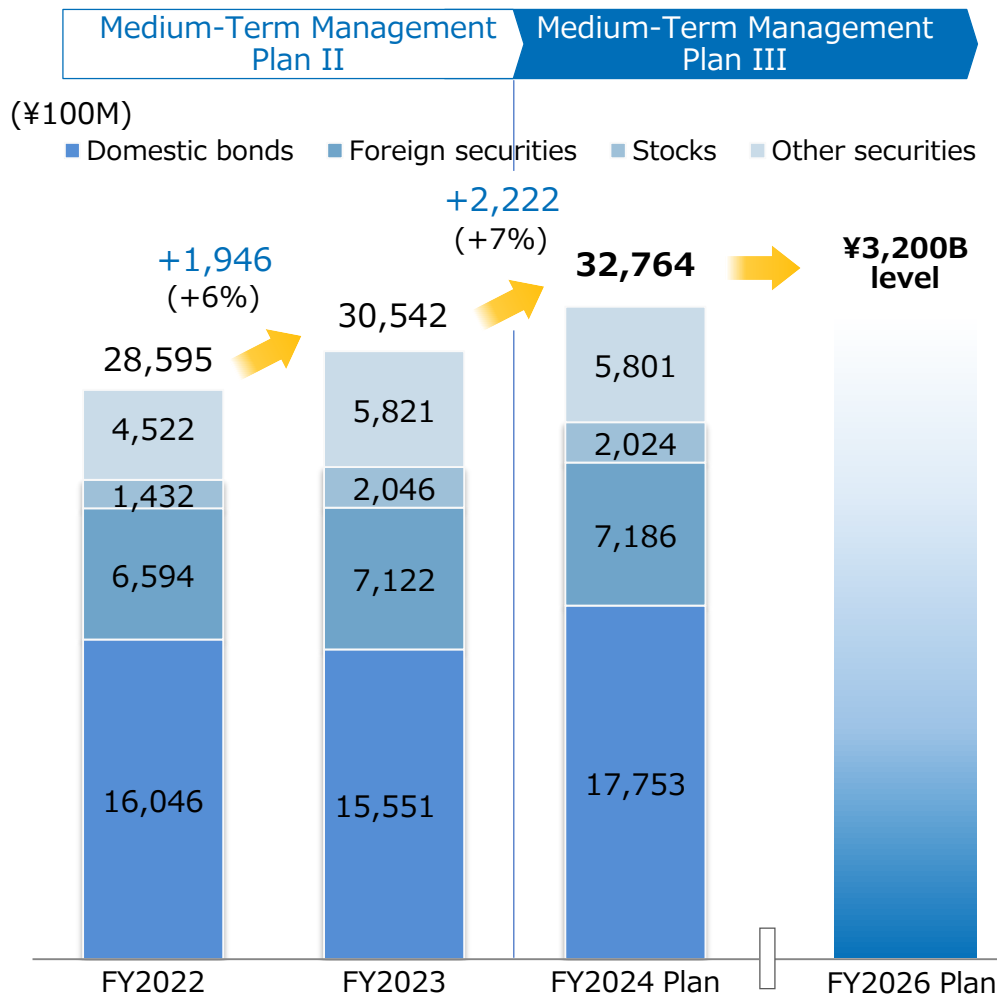
(¥100M)



Basic Strategy I Demonstration of Group Comprehensive Capabilities

■ Strengthen Group's Consulting Functions: Securities ■ Investment

■ End-Balance of Securities



■ Basic Policy on Securities Investment

- Strive to ensure stable earnings and improve valuation gains/losses by recognizing changes in the market environment and reviewing our portfolio with agility and decisiveness, as well as paying attention to liquidity and transparency
- Enhance the value of human capital by developing human resources capable of responding to a volatile, uncertain and complex market environment, and strengthen the management capabilities of the organization to create a framework capable of responding quickly to market fluctuations

■ Strengthen organizational capabilities and human capital development related to securities investment management

- Planning to increase the number of securities investment personnel in order to strengthen organizational investment capabilities
- Promote diversity by appointing of women employees, and continue to strengthen practical skills and utilize outside knowledge by sending employees to external training programs

[Staffing Plan for Securities Investment Personnel]

Asset class	2024/3 end	2027/3 end (Plan)	Vs. 2024/3 end
Management Supervisor	2	2	±0
Domestic bonds	2	3	+1
Foreign securities	1	3	+2
Stocks	2	3	+1
Investment trust	4	4	±0
Dispatch to external training	1	2	+1
Total	12	17	+5

Basic Strategy II

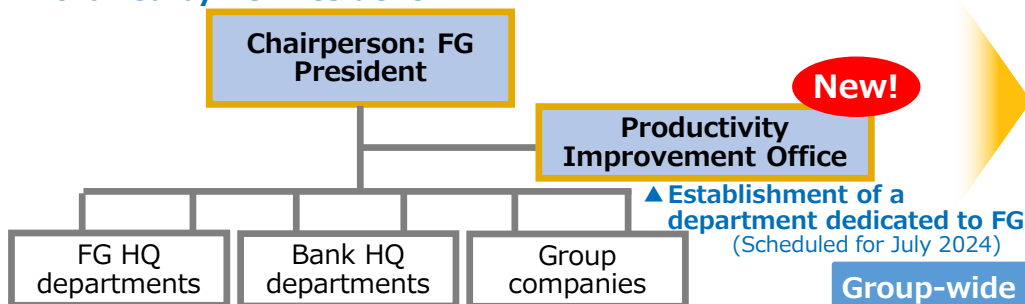
Pursuit of Productivity Improvement

Achieve Group-wide operational efficiencies

FG Group's efforts to improve labor productivity

Establish a cross-organizational promotion framework

- Establishment of "Productivity Improvement and DX Promotion Committee" (Scheduled for July 2024) chaired by FG President



- Establish a system to implement the PDCA cycle for various actions throughout the FG Group
Work to improve labor productivity (increase value added per employee)

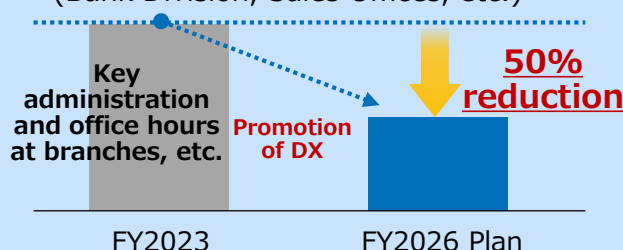
Practice of "FG-Wide All Store ECRS Campaign"



Practice of "FG-Wide All Store ECRS Campaign"

E = Eliminate
C = Combine
R = Rearrange
S = Simplify

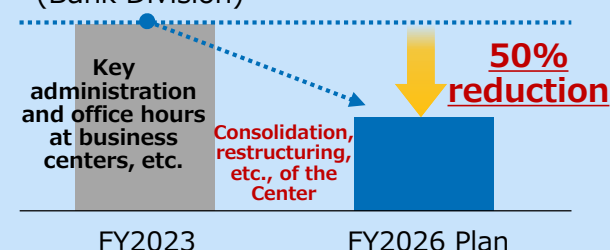
Significant workload reduction (Bank Division, Sales Offices, etc.)



- Together with store optimization, etc., **300 or more employees will be created over the three-year period of the Medium-Term Management Plan**

→ Introduced external consulting services to halve the workload of sales offices and HQ (May 2024)

Major review of HQ operations (Bank Division)

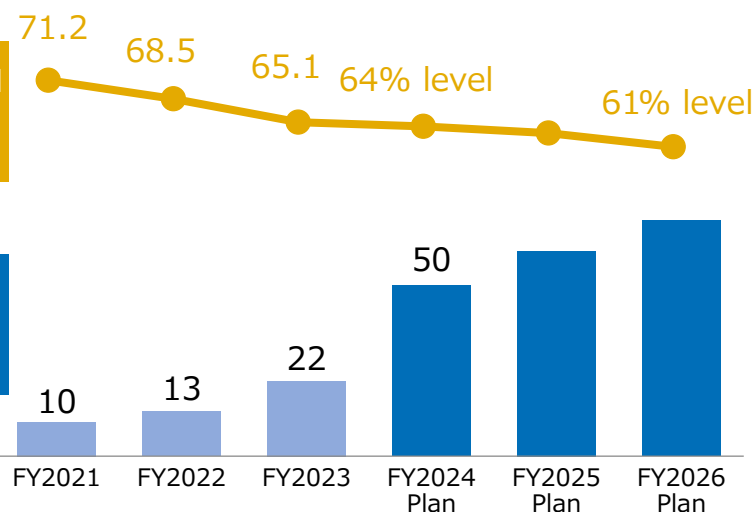


New!

Medium-Term Management Plan II

Medium-Term Management Plan III

→ Improve consolidated OHR by increasing productivity and ensure execution of strategic investments



Basic Strategy II

Pursuit of Productivity Improvement

■ Improve customer experience at every touch point

Improve UX by linking face-to-face and non-face-to-face channels

Strengthen face-to-face channel

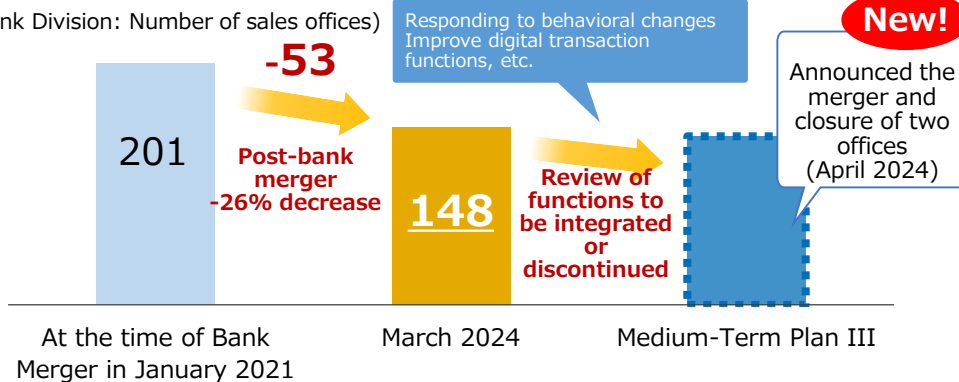
■ Optimize branch network (deepen sales structure in Niigata Prefecture)

Medium-Term Management Plan I

Medium-Term Management Plan II

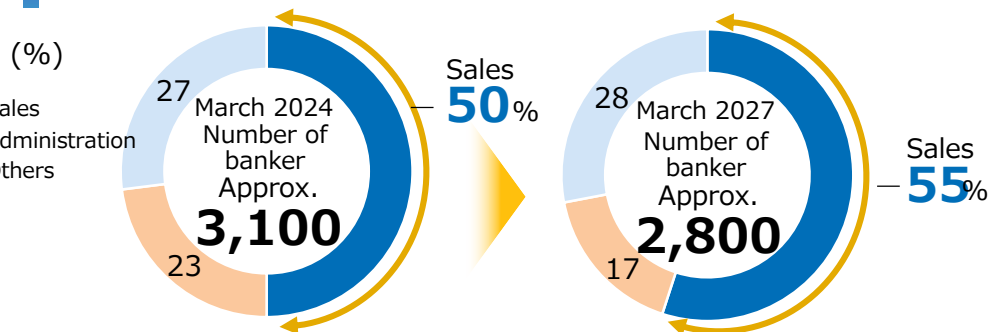
Medium-Term Management Plan III

(Bank Division: Number of sales offices)



■ Maintaining and increasing the number of sales representatives to strengthen the advisory function

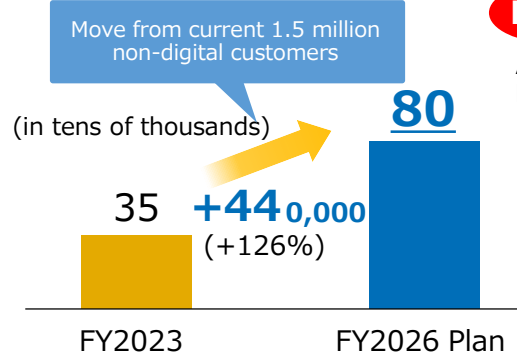
Bank Division (bankers) by type of business



Strengthen non-face-to-face channel through DX

■ Strengthen the number of “digital customers” as the basis for non-face-to-face transactions

Number of digital customers



New!

Also expanding the use of direct payment of national tax

→ Received letter of appreciation from Kanto Shinetsu Regional Taxation Bureau for FG's efforts (May 2024)



▲ Personal Web Service “My Page” (making mortgage procedures online)

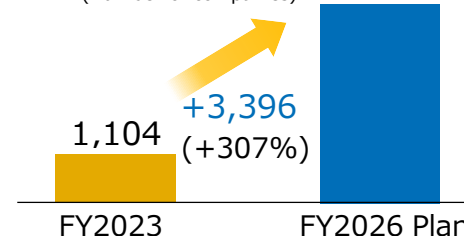
■ Improve the functionality of the “CONNECT-BIZ” portal for businesses



- Internal bulletin board
- Group messages
- Safety confirmation
- Video streaming
- Provision of exclusive products
- Fund management function etc.

→ Deliver value to **businesses and entrepreneurs + employees**

Number of companies using the business portal (Number of companies)



Next!

Continue to expand application functions

→ Planning to add asset management functions

(Scheduled for FY2024)



銀行アプリで納税できます!!



Enhancement of Human Capital Value

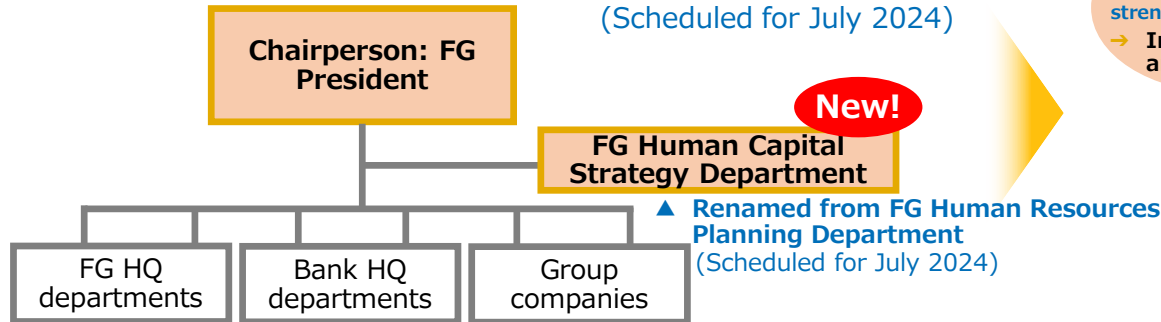
- Practice human capital management to maximize the collective strengths of the Group

Enhancement of Human Capital Value for Sustainable Value Creation

Establish a cross-organizational promotion framework

- Establishment of a “Human Capital Value Enhancement Committee” chaired by the FG President

(Scheduled for July 2024)



- Establish a PDCA system for FG Group-wide human capital strategy, human capital disclosure and personnel program and other matters

Establish infrastructure for FG human capital information and data

- Implementation of “Career Support System” (April 2024)

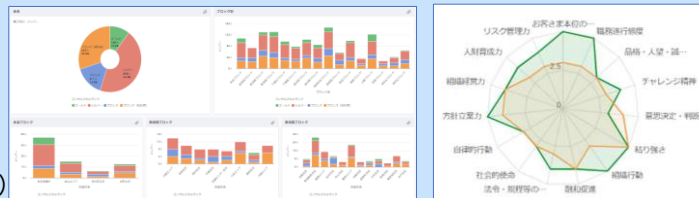
- Introduction of “Career Support System” to visualize the value of human capital and implement human capital management
- Clarify the definition of job skills and continue to improve acquired skills

“Career Support System”

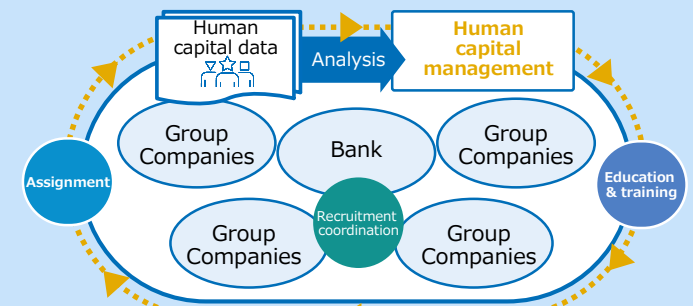
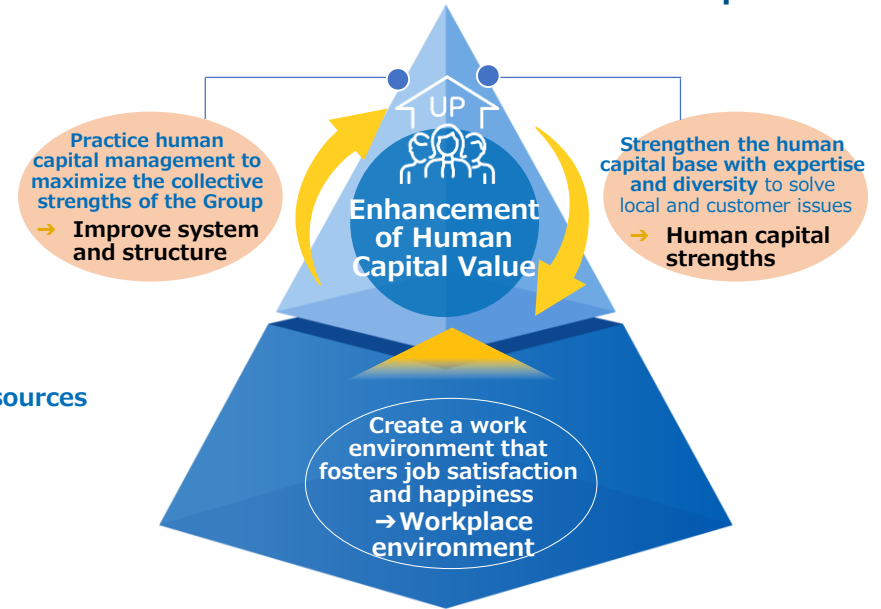
(Talent Management System)

First implemented at the Bank
To be extended to Group companies in the future

(Service Name: “Kaonavi”)



Achieve a virtuous cycle that further enhances the value of FG’s human capital



- Group-wide integrated management to move from human resources management at each company to “Group Human Capital Management”

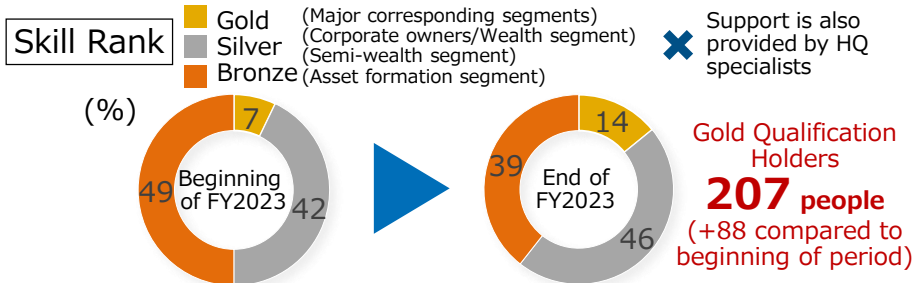
Enhancement of Human Capital Value

- Strengthen the human capital base with expertise and diversity to solve local and customer issues

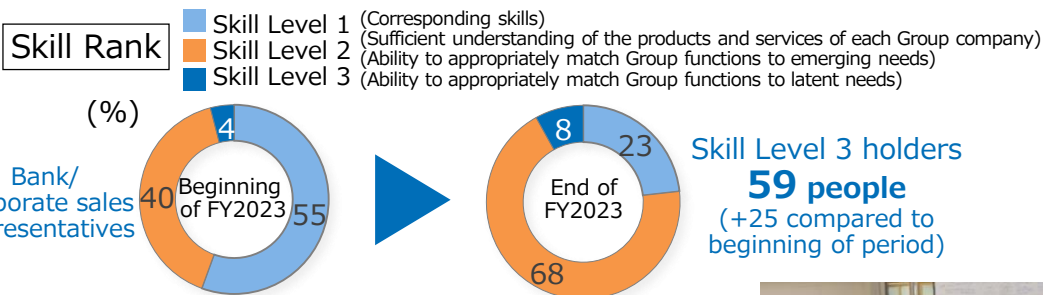
Strengthen human capital development to improve expertise and practical skills

Cultivate human resources with high levels of competence and expertise

- Cultivate and strengthen "wealth management advisory human capital"



- Develop and strengthen "Human Capital for Group Collaboration"



- Cross-organizational project

- "Project 2030" to consider a vision of FG in 2030, mainly by young staff (from FY2021)
- Enhancing practical skills by involving staff from the Bank and Group companies in regional revitalization projects "Human Capital Value Enhancement Project" (from FY2023)



▲ "Project 2030"

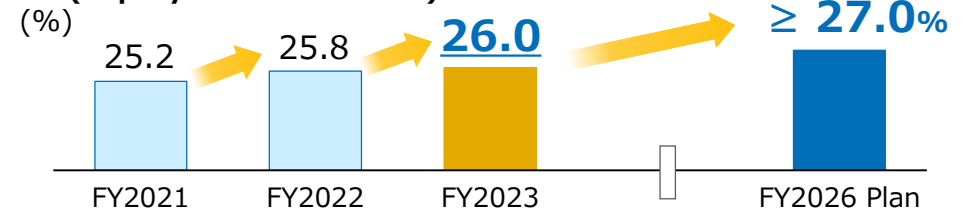
Strengthen the promotion of DE&I (Diversity, Equity & Inclusion)

Ensure diversity in FG's human capital base

- Plan and formulate measures to promote the activities of diverse human capital
- New!** Establish "DE&I (Diversity, Equity & Inclusion) Promotion Office" within FG Human Capital Strategy Department as a dedicated department (planned for July 2024)

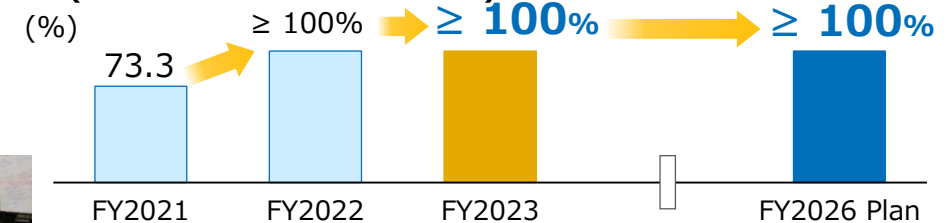
Daishi Hokuetsu Bank

Ratio of women in management positions (deputy level and above)



Daishi Hokuetsu Bank

% of employees taking childcare leave (men and women combined)



- Promotion of active participation by diverse talents (Daishi Hokuetsu Bank)

- "Ratio of hiring experienced employees": 13% (FY2022) → 20% (FY2023)
- Number of users of the "Side Job and Concurrent Employment System" (cumulative total from March 2023): 35

Enhancement of Human Capital Value

■ Create a work environment that fosters job satisfaction and happiness

Improve employee engagement

- Conducted dialogue and exchange between management and staff
- Dialogue and exchange meetings with officers

Attended by approx.
15,000 people in
approx. **600** venues
(Cumulative total from FY2021)

Regular meetings
with employees of FG
Group companies on
various topics

President's briefing for managers
"Isshi Koryukai"

President's briefing for young
employees
"Isshi Koryukai Next"

26 times
About 1,100 people participated
(Cumulative total from FY2021)

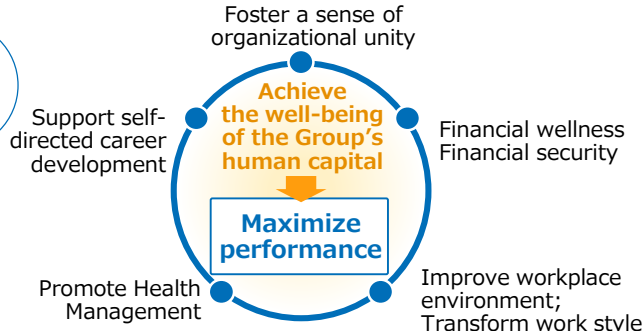
3 times
About 100 people participated
(Cumulative total from FY2021)



▲ "Isshi Koryukai Next"

Build a human capital base and organizational culture to realize well-being

- Wage increase (two years in a row)
- Increased starting salary (two years in a row)
- Improve employee benefits etc.



Create workplace environments and strengthen health management framework

Achieved the "White 500" certification for the Excellent Corporations for Health Management 2024 (March 2024)

New!

第四北越FG

FG received two
years in a row

第四北越銀行

Banks received for
seven consecutive
years

→ The only company in Niigata
Prefecture to receive this certification
for seven consecutive years



Certified for "Platinum
Kurumin Plus" (May 2023)

Certified for "Platinum
L-boshi" (May 2023)

第四北越銀行



First company
in Niigata
Prefecture to
acquire two
certifications

第四北越銀行



Certified for "Sports Yell
Company 2024" (March 2024)

New!

- Walking Campaign
- Yoga Seminar
- Loan of wearable devices etc.

第四北越銀行



▲ Yoga Seminar

Certified for two
consecutive years



Basic Strategy IV Deepening Risk Management

■ Risk management practices in response to changes in the business environment

Maintain and improve business health

FG's Consolidated Capital Ratio

≥ 10%

During the Medium-Term Management Plan III



Expand risk taking for regional contribution

Enhancement of shareholder returns
(☞ p. 54 for details)

Investment Toward Sustainable Growth

etc.

→ Implement appropriate control of FG's consolidated capital adequacy ratio with a target of 10% or more

- Key Initiatives -

Capital ratio management through ALM Risk Management Committee

Leverage RORA

Leverage RAF

FIRB Transition Initiative

etc.

(☞ pp. 55-56 for efforts to improve PBR and ROE)

Further evolve the Risk Management Framework

■ Addressing the issue of rising domestic interest rates

- Implementing a four-step response to changes in the interest rate environment, considering different possible responses to changes in rising domestic interest rates

Phase I

Revision of the YCC

Phase III

Additional rate hike

Phase 2

End of negative interest rate policy

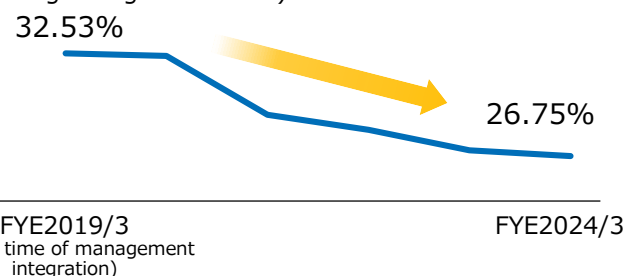
Phase 4

Final phase of rate hikes

■ Contain credit costs and strengthen credit risk control functions



Trends in concentration of major creditors (Percentage of top 100 creditors, including national and regional governments)



Strengthen IT risk management

■ Establishment of FG System Management Department (planned for July 2024)

- A new department will be established in FG to strengthen the Group's overall IT strategy and risk management structure
- The "IT Risk Management Committee" has been established in the FG to manage the increasingly complex IT risks (April 2024)

New!

Overarching Theme Across Strategies: Deepening the TSUBASA Alliance

- TSUBASA Alliance, the largest regional banking framework for
- wide-area collaboration



Participating financial institutions
(As of March 31, 2024)

10 banks

Total asset balance of participating banks
(FYE2024/3 on consolidated basis)

¥99 trillion

- Key Partnership Areas -

Daishi Hokuetsu Bank on a non-consolidated basis

Synergies from cooperation measures

(2015/10 - 2024/3 cumulative total)

¥13.2B



etc.

Leverage economies of scale and the benefits of information collaboration

2015

Launch of the TSUBASA Alliance

(October 2015)

- Launched by three banks (our bank, Chiba, and Chugoku)

2023

- Introduction of TSUBASA general-purpose paperless system (September)
- Establishment of TSUBASA-AML Center, Ltd. (November)
- (Our bank, Chiba, Chugoku and Nomura Research Institute)
- Launch of TSUBASA Trainee Program (October)
- Launch of the TSUBASA Alliance Co., Ltd. website (October)
- Other syndicated loan co-initiatives etc.

■ **Business matching through the Mutual Customer Referral Service (from Oct 2017)**

- Matching Cases -

第四北越銀行

(Clients' challenges)
→ We want to expand our sales to metropolitan areas



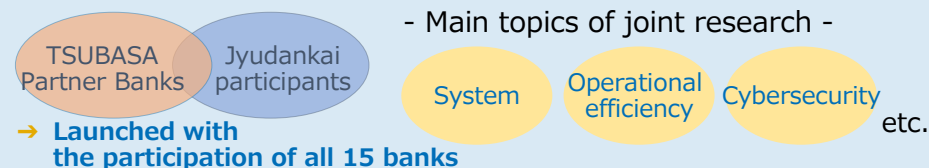
TSUBASA Alliance

TSUBASA Partner Banks

(Clients' challenges)
→ We want to expand our product lineup

■ **Participation in TSUBASA-Jyudankai Joint Study Group (March 2024)**

New!



■ **Sponsorship of Expo 2025 Osaka-Kansai (Japan International Exposition 2025) (April 2024)**

New!



Cooperate for regional revitalization through participation in the Expo
→ **Contribute to the sustainable development of the region**

Overarching Theme Across Strategies: Deepening the TSUBASA Alliance

■ “Gunma-Daishi Hokuetsu Alliance” 第四北越銀行 × GB 群馬銀行



Launched in
2021/12

- Key Partnership Areas -

Regional
revitalization &
tourism promotion

Corporate
solutions

Asset
management

Personnel
development

Effective
use of real estate

etc.

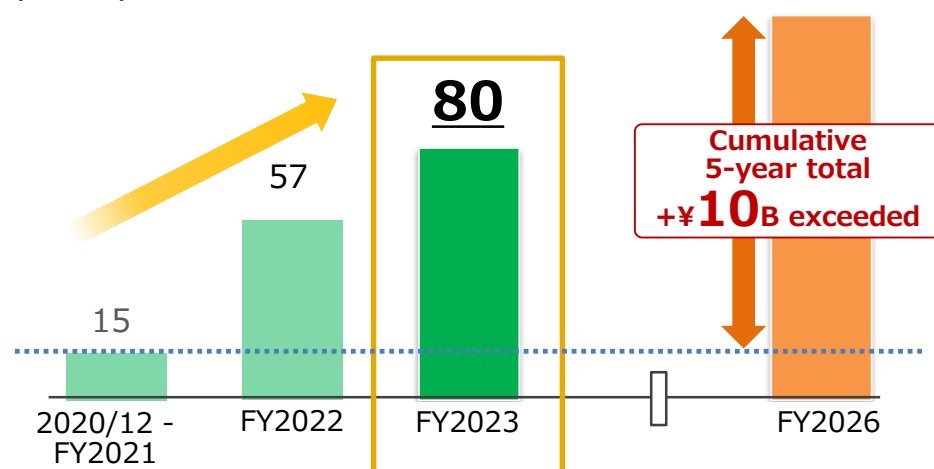
Total of Daishi Hokuetsu Bank and Gunma Bank

Synergies from cooperation measures

(¥100M)

(2020/12 - 2024/3 cumulative total)

Estimated
131



Joint planning of products and services

- **SDGs Private Placement Bond “Green & Food Support Private Placement Bond-2”** (July 2023 - March 2024)

Financially support
private placement issuers



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



Regional revitalization & tourism promotion

- **Joint training for regional revitalization** (October 2023 - November 2023)

→ Ten FG employees participate in Gunma Bank’s community revitalization project in Minakami, Gunma Prefecture



▲ Workshop

Joint use of offices

- **Relocation of our Ikebukuro Branch to the Gunma Bank Ikebukuro Building** (January 2024)

→ This will be the **2nd branch** initiative following the relocation of the Bank’s Takasaki Branch to Gunma Bank’s Takasaki Tamachi Branch in March 2023



▲ The Gunma Bank Ikebukuro Building, where our Ikebukuro Branch is located

Personnel development

- **Development of human resources through mutual acceptance of trainees, etc.**



第四北越銀行

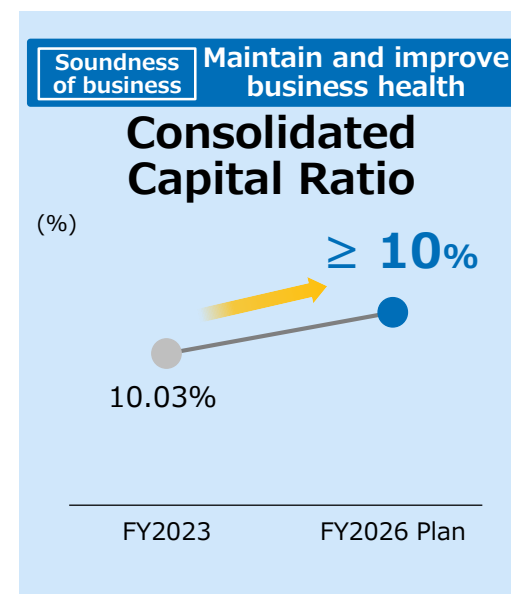
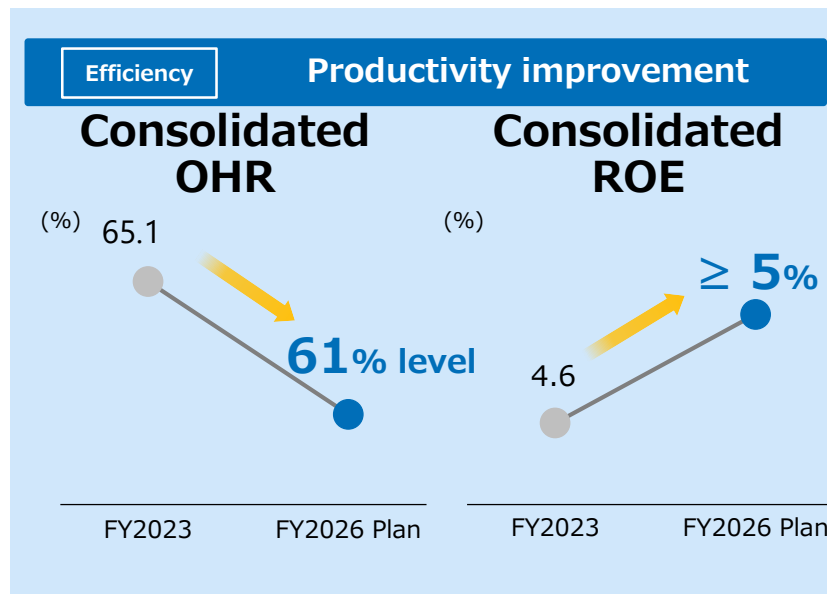
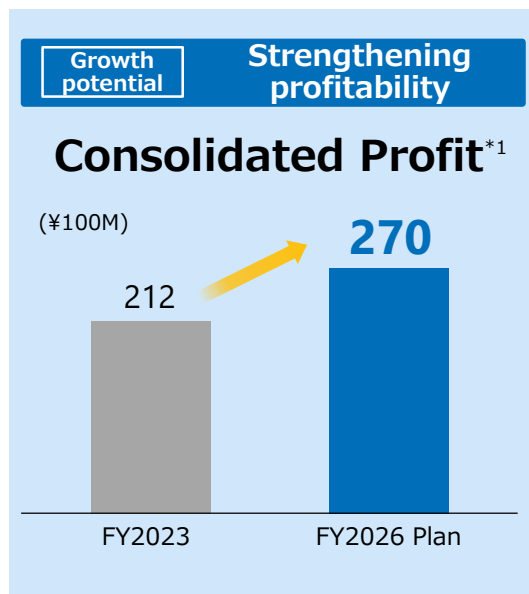


群馬銀行

→ Our bank sends two people, one to each of Gunma Bank’s overseas offices (New York branch and Ho Chi Minh City Office). Sharing knowhow and skills

Medium-Term Management Plan III: Key Performance Indicators (KPI)

■ “Financial Challenge” KPI



*1: Profit attributable to owners of parent

[Reference] Indicators for transformation of business portfolios

Interest on business loans and bills discounted

Year	Value (billion yen)
FY2023	252
FY2026 Target	278

(After considering foreign currency funding cost)

Interest on consumer loans and bills discounted

Year	Value (billion yen)
FY2023	200
FY2026 Target	209

Corporate relations revenue^{*2}

Year	Value (billion yen)
FY2023	196
FY2026 Target	200

Individual relations revenue^{*3}

Year	Value (billion yen)
FY2023	107
FY2026 Target	122

Group company revenues^{*4}

Year	Value (billion yen)
FY2023	36
FY2026 Target	45

*2: Total corporate wealth management advisory (including securities), equity solutions and financial planning revenues

*3: Personal wealth management advisory revenue (including securities revenue)

*4: Total profit for all Group companies excluding banks

Medium-Term Management Plan III: Key Performance Indicators (KPI)

“Environmental and Social Challenge” KPI

E Active efforts to address global environmental issues

CO₂ emission reduction rate (vs. FY2013)

FY2026 Target **62%** level



Executed amounts for Sustainable Finance

FY2026 Target **¥1,100B**
(Cumulative total since FY2021)



G Strengthen trusted relationships with stakeholders through improved governance, including ensuring diversity

% of women managers*1

FY2026 Target \geq **27%**



Total No. of Group business clients*2

FY2026 Target **69,000** clients



S Revitalizing regional economies and society by solving community and customer issues

Number of business start-ups and succession support

FY2026 Target 3,000 cases



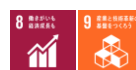
Number of DX and Productivity Improvement Support

FY2026 Target **95** cases



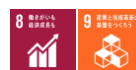
Ratio of business clients with improved indicators, etc.

FY2026 Target \geq **75%**



Number of cases supported to develop a business improvement plan

FY2026 Target **440** cases



Number of digital customers*3

FY2026 Target **800,000** partners



Balance of Group assets under custody

FY2026 Target **¥1,690B**



No. of clients supported in sales channel development*4
(Regional trading company)

FY2026 Target **930** clients



Number of HR solutions supported

FY2026 Target **240** cases



*1: Increase the ratio of women managers (deputy level and above) (Bank alone)

*2: Number of corporate clients with recurring business with FG Group companies (total)

*3: Number of Daishi Hokuetsu ID holders (e.g. Little Bank and My Page users) and individual e-net banking users

*4: Cumulative total since the opening of the Nihonbashi Branch in October 2019

An abstract graphic consisting of several overlapping, flowing blue ribbons that create a sense of movement and depth. A thin, solid yellow horizontal line is positioned below the main title.

Medium-Term Management Plan III

Sustainability Initiatives

Daishi Hokuetsu FG Sustainability Initiatives



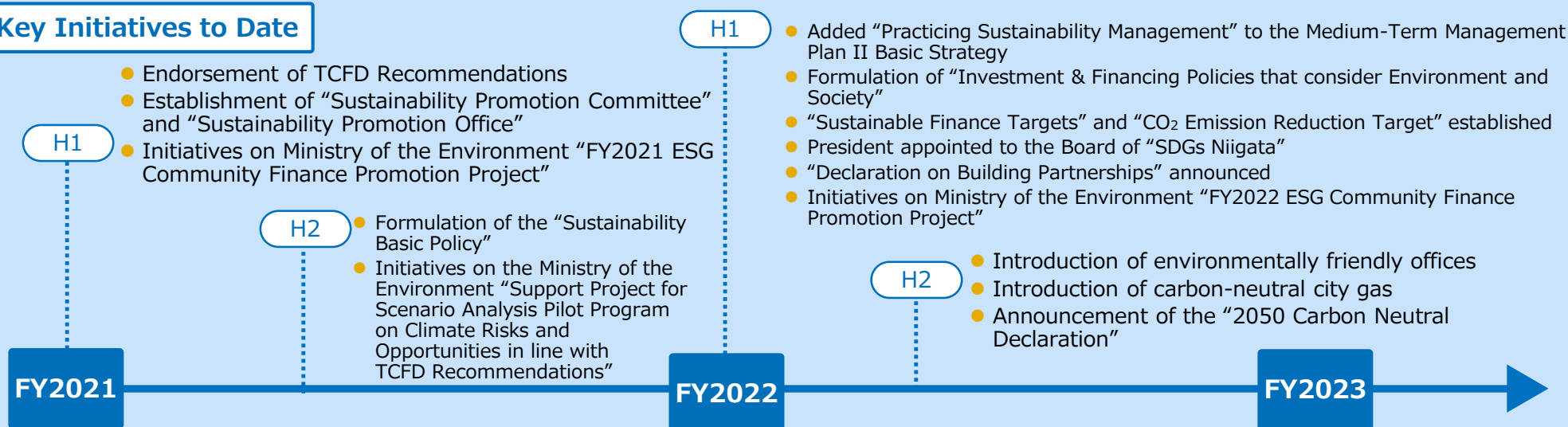
DAISHI HOKUETSU
Financial Group

第四北越フィナンシャルグループ

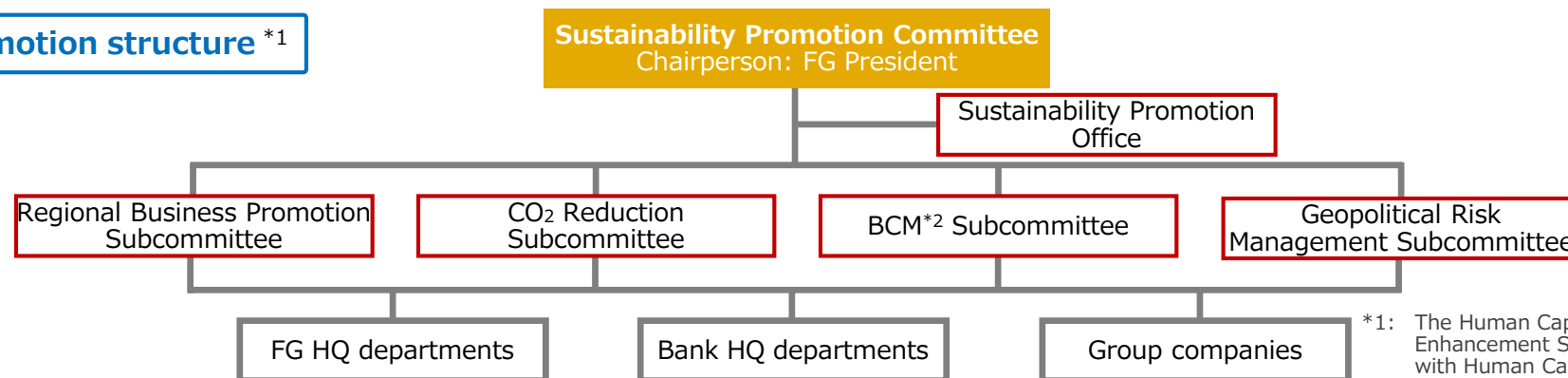
Daishi Hokuetsu FG Basic Sustainability Policy: Key Action Areas

- 1** Address Regional Issues
- 2** Address Environmental Issues
- 3** Build Trust of Society
- 4** Develop Talented People and Improve Workplace Environment

Key Initiatives to Date



Promotion structure ^{*1}



^{*1}: The Human Capital Value Enhancement Subcommittee merged with Human Capital Value Enhancement Committee (new)
^{*2}: Business Continuity Management

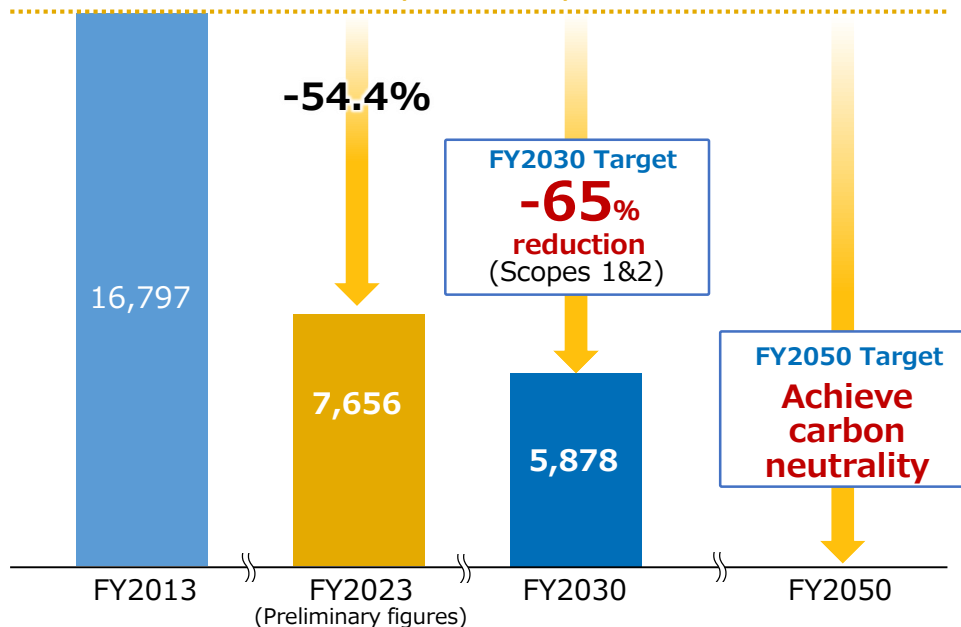
Daishi Hokuetsu FG Initiatives

Daishi Hokuetsu FG's own initiatives to achieve sustainability

CO₂ emission reduction target and results*1

(t-CO₂)

(vs. FY2013)



*1: Figures have been restated due to the consolidation of Daishi Hokuetsu IT Solutions and Bridge Niigata as consolidated subsidiaries of FG.

FG's efforts to reduce the emission of its own CO₂

Energy conservation in branch offices

Introduction of EV vehicles

Introduction of renewable-energy-derived CO₂-free electricity

etc.

Solar panel installation underway

→ Implemented in 3 branch offices in FY2023



FG's initiatives to absorb knowledge and expertise

- Adopted for the Ministry of the Environment "FY2023 TCFD Disclosure-based Practical Engagement Program for Regional Financial Institutions" (September 2023 - March 2024)

- Participation in the "GX League" (May 2023)



- Participation in the "TNFD Forum" (February 2024)



New!

- Participation in the Tokyo Stock Exchange Carbon Credit Market (March 2024)

New!

Human capital development and sustainability awareness activities / Bank events

New!

Bank events 第四北越銀行

- Organization of the "S-1 Grand Prix"

(Sustainability No. 1 Grand Prix)

(October 2023 - February 2024)

Bank events 第四北越銀行

- "SF Championship"*2

(Sustainability Future Creation Championship)

(October 2023 - February 2024)

→ Sustainability quiz competition activity

→ Awards Program recognizes outstanding customer sustainability proposals

*2: "Family Business Support Championship" also held at the same time

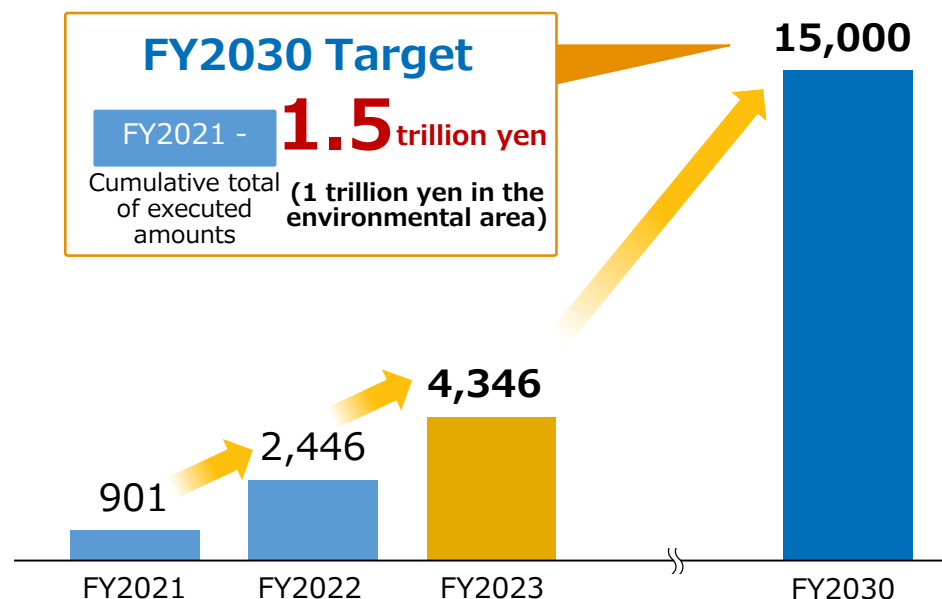


▲ S-1 Grand Prix

Addressing Issues faced by Regions and Customers

■ Initiatives to promote sustainability and SDGs

■ Cumulative total of executed amounts for Sustainable Finance (¥100M)



■ Initiatives to address issues faced by local communities

New! ■ Participation in the Niigata PPP/PFI Research Forum (January 2024)

→ Daishi Hokuetsu Bank participates as a secretariat in the Forum, which brings together Niigata Prefecture, municipalities, private companies, financial institutions, and others to study PFI business knowhow, advanced case studies and issues, etc.

New! ■ Participation in the “Niigata City J-Credit Promotion Council” (March 2024)

→ Participation by Daishi Hokuetsu Bank and Daishi Hokuetsu Research & Consulting

Expansion of products and services

■ Expansion of sustainable finance product range

第四北越銀行

Sustainable Finance

Extended to **8** products

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

New!

For businesses

- “Biz-Ecology” Regional Decarbonization Contribution Loan (January 2024)

Donation to Niigata Prefecture the amount equivalent to **0.05%** of the loan amount



New!

For individuals

- Housing loan “ZEH Housing Support Plan” (April 2024)

Preferential fees or interest rates for ZEH homes



■ Handling of the theme-based “donation-type private placement bonds”

New!

- “Supporting Community! SDGs Private Placement Bonds” (June 2024)

→ Contribute to regional development and the achievement of the SDGs through donation-type private placement bonds with various municipalities and organizations in Niigata Prefecture as donors

SUSTAINABLE
DEVELOPMENT
GOALS

Addressing Issues faced by Regions and Customers

■ Communication with local communities for social contribution

■ Response to the 2024 Noto Peninsula Earthquake 第四北越FG

Donation-type private placement bonds
“Noto Peninsula Earthquake
Reconstruction Assistance Private
Placement Bonds”
(January 2024)

→ Handling of SDGs private placement bonds, in which a portion of the fees received from issuing companies will be donated to Niigata Prefecture and the Japanese Red Cross Society

Donations to Niigata Prefecture and the Japanese Red Cross Society for recovery and reconstruction efforts
(January 2024)

→ Donated a total of 60 million yen to support disaster victims and other relief efforts

Cumulative
amount issued
Approx.
¥4.8B

(January - March 2024)



▲ Donation ceremony for Niigata Prefecture

■ Granting scholarships through the “Daishi Hokuto Scholarship Society” (1962-)

Number of scholarship recipients
(cumulative total)

(Period: FY1963/3 - FYE2024/3)

1,276 people



▲ Scholarship recipients' exchange meeting

■ “Daishi Hokuetsu Academy” financial education activities

(2013-)

Number of children participated
(cumulative total)

(Period: FYE2014/3 - FYE2024/3)

15,294 people



■ Volunteer activities of “Daishi Hokuetsu Magokoro no Kai” (1993-)

(Fundraising organization with voluntary participation by officers and employees)

→ Participated in volunteer activities for nature conservation in Niigata Prefecture, and made donations to environmental protection and social welfare organizations



▲ Volunteer activities

→ Donation of goods to Sado Crested Ibis Conservation Center since 1968 for the return of the crested ibis to the wild



▲ Presentation ceremony

第四北越銀行

第四北越銀行

Medium-Term Management Plan III

Governance & Capital Policy

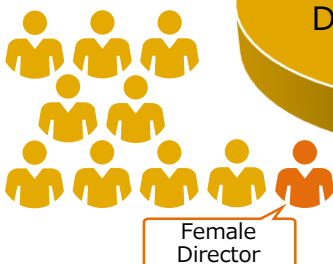
Governance Structure supporting Sustainable Growth

■ Percentage of Outside Directors in the Board of Directors

Composition of the Board of Directors

June 2024
(Scheduled)

Internal: 10



% of Outside Directors

33.3%

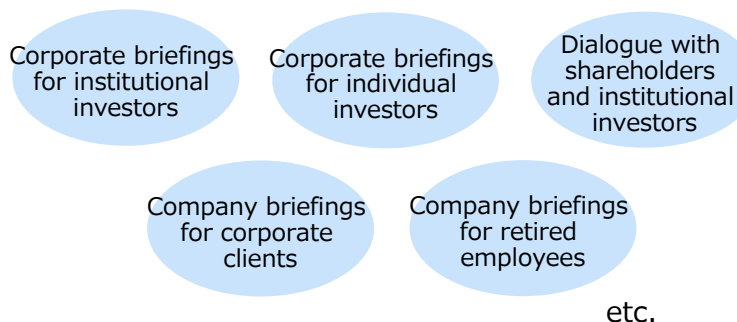
Outside Director

Outside: 5



* Assuming election at the Company's 6th Annual General Meeting of Shareholders to be held on June 25, 2024

■ Stakeholder dialog to increase corporate value



FY2023

Number of stakeholder dialogues: **50 times or more in total**

■ Diversity Initiatives

Appointment of women officers

- 第四北越FG **First female Director to be appointed** (June 2024) **New!**

- **Women in management and executive positions** - (As of the end of March 2024)

Bank Division

Female Director: 1
(concurrently served by the above FG officer)
Female General Manager: 1
Female Branch Manager: 16
(1 of whom also serves as the above FG officer)

Group Company Division

Female President and Representative Director: 1 第四北越キャリアブリッジ
Female Executive Officer: 1 第四北越証券

Programs for the development of women for promotion to management and other positions

Introduction of the
"TSUBASA Cross Mentoring Program"
for the development of women
executive candidates
(FY2022 -)



Women's Leadership Development Program

Women's Empowerment Program
(FY2021 -)

Promotion to General Manager and Branch Manager



▲ Management training for female managers by FG Chairperson

Initiatives to Reduce Cross-shareholdings

■ Upward revision of strategic shareholding reduction target

■ (May 2024)

Reduction from FY2020 (end of March 2021), when Daishi Hokuetsu Bank was formed by merger

Before change

Reduction of **10** billion yen
(in carrying amount)
by the end of March 2026

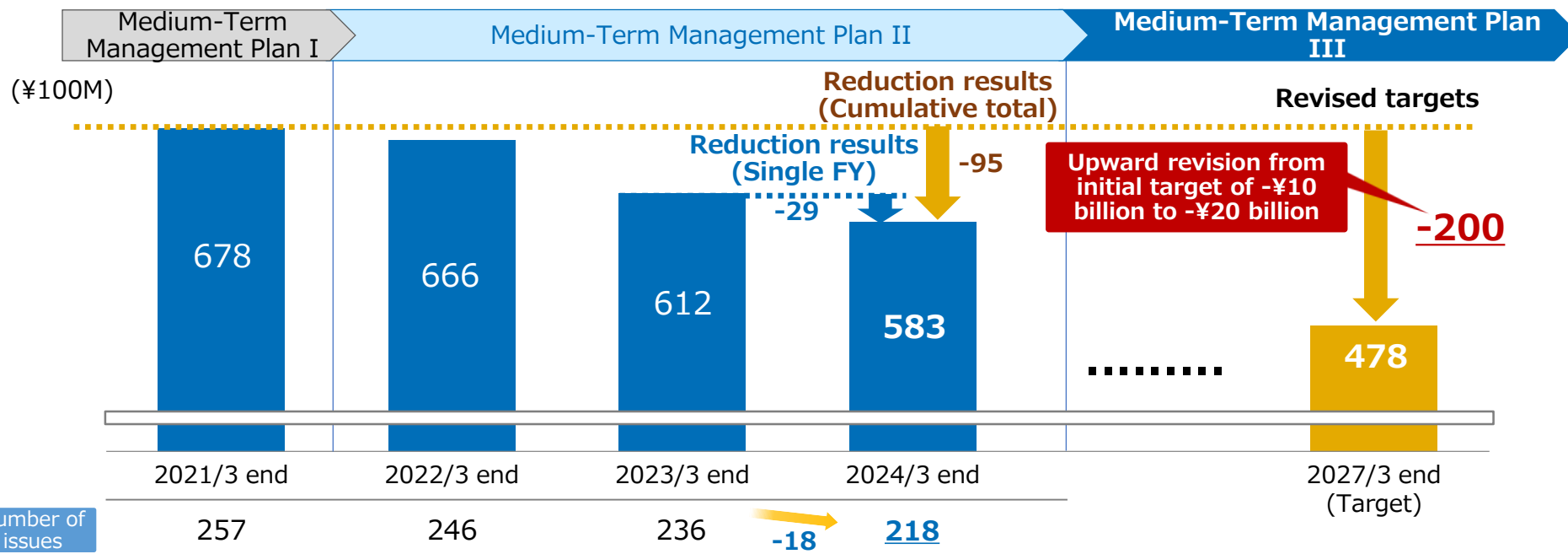


After change

New!

Reduction of **20** billion yen (in carrying amount)
by the end of the Medium-Term Management Plan
III (end of March 2027)

Changes in the carrying amount of cross-shareholdings of Daishi Hokuetsu Bank



Changes in Shareholder Return Policy and Dividend Forecast for FYE2025/3

Changes in Shareholder Return Policy (May 2024)

The Daishi Hokuetsu Financial Group Shareholder Return Policy (revised in May 2024)

New!

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

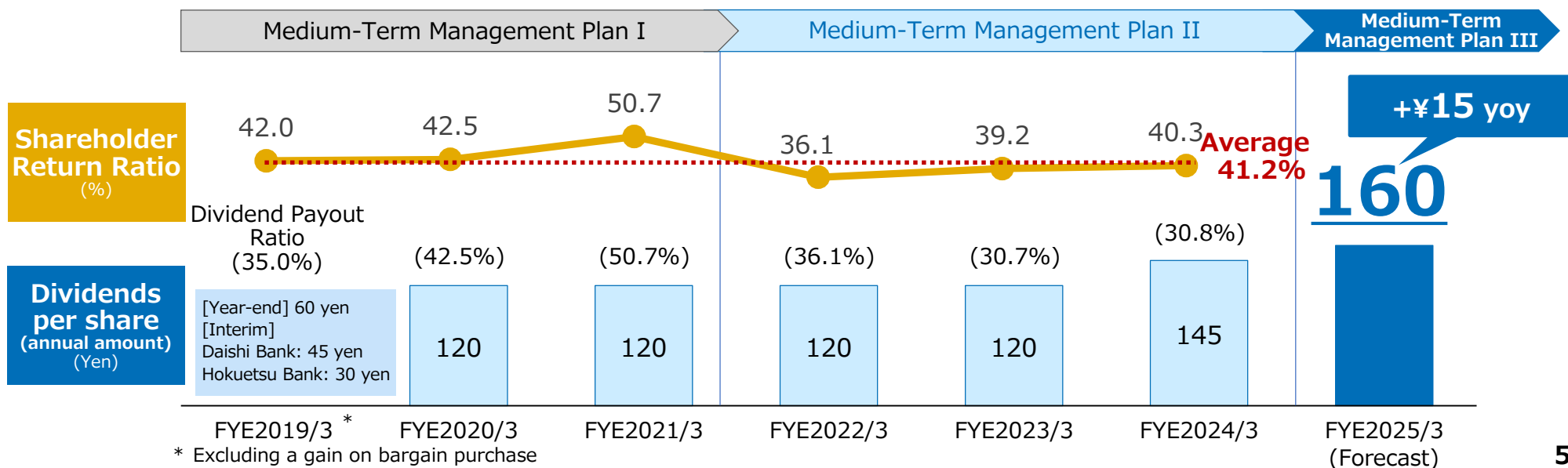
Specifically, while targeting a total shareholder return ratio of 40%, dividends per share will be progressive in principle, and the dividend payout ratio is targeted to be around 35% during the period of the Medium-Term Management Plan III (FY2024-FY2026).

Change

Our policy is to work to improve ROE based on the increase in profit, with the goal of achieving 5% or more as soon as possible, and then increasing ROE to an even higher level.

FYE2025/3 Dividend Forecast

Dividend increase
forecast

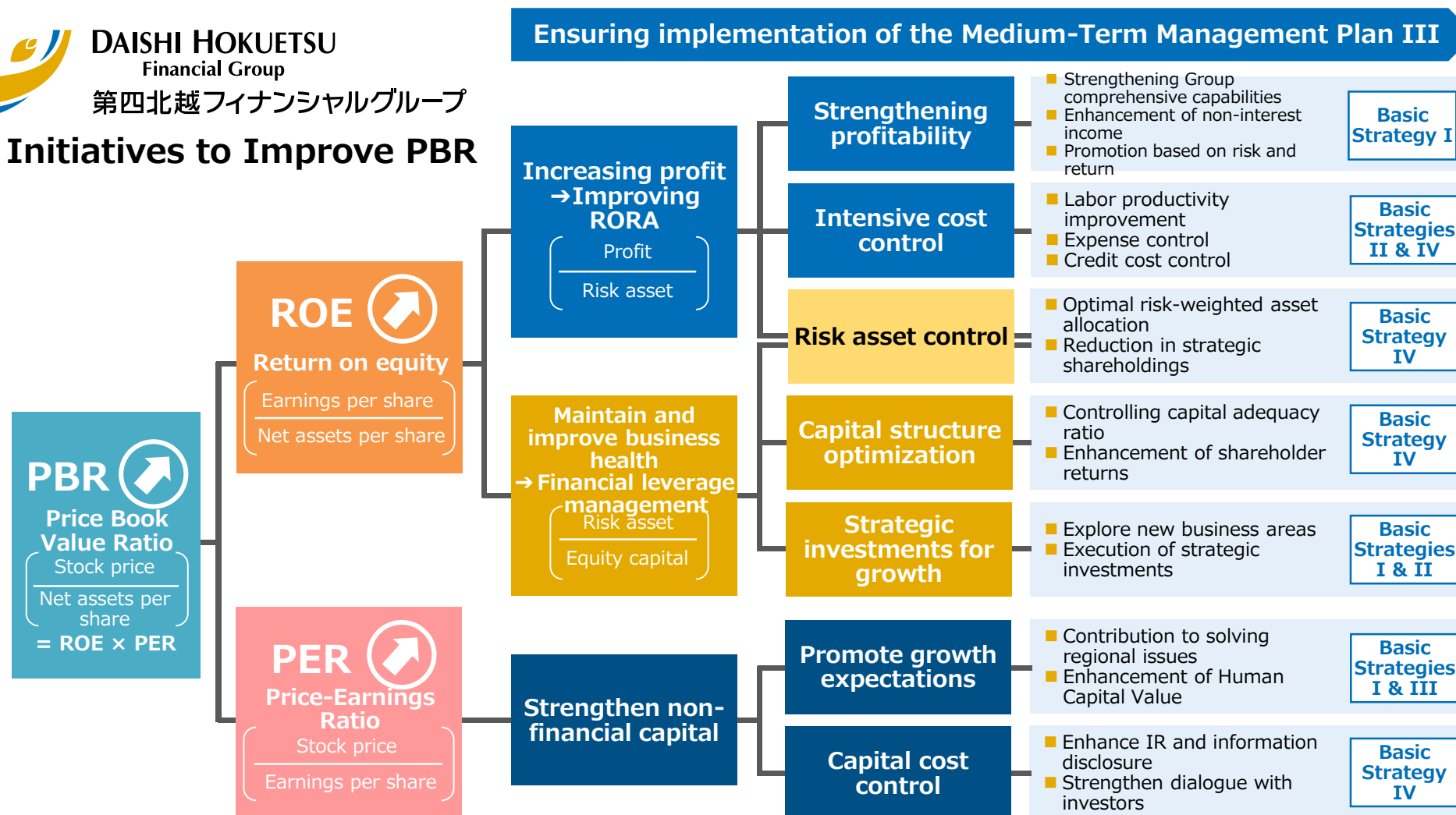


Initiatives to Improve PBR

- Improving PBR through implementation of
- the Medium-Term Management Plan III

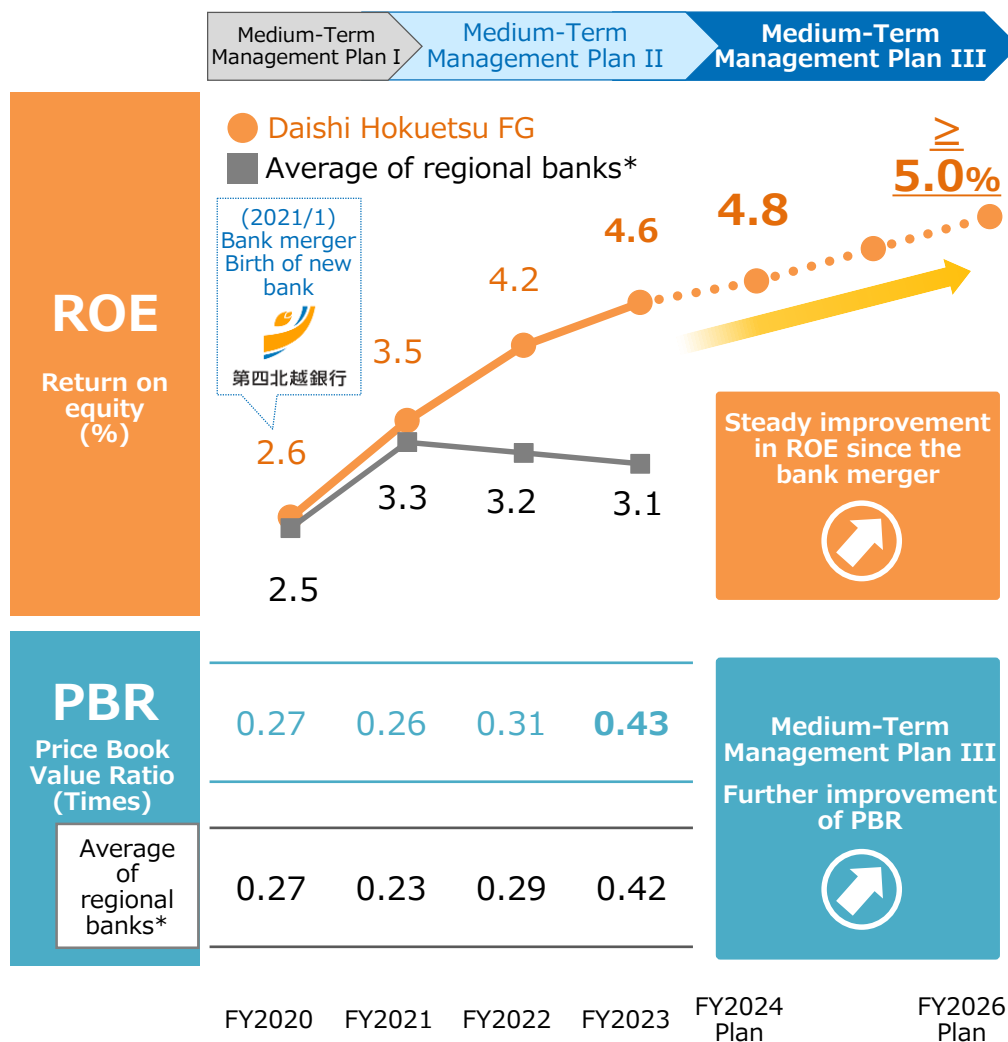
DAISHI HOKUETSU
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Initiatives to Improve PBR

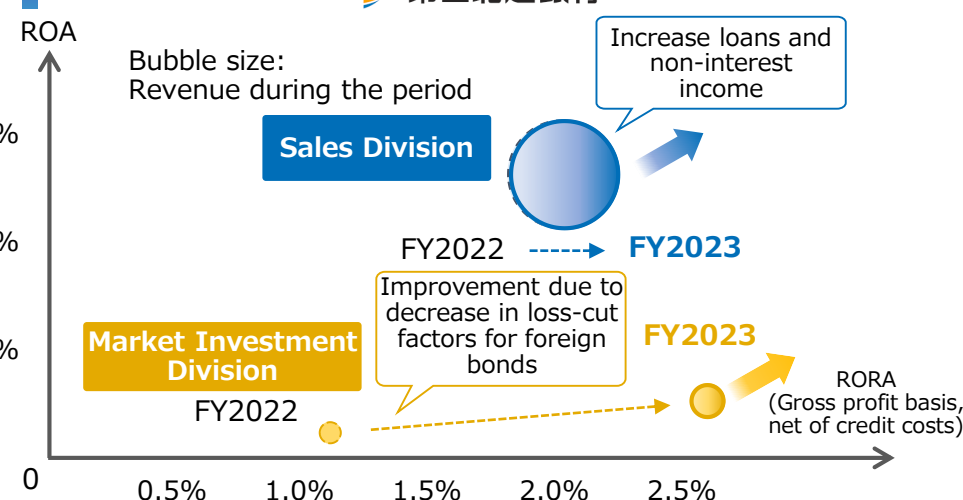


Initiatives to Improve PBR

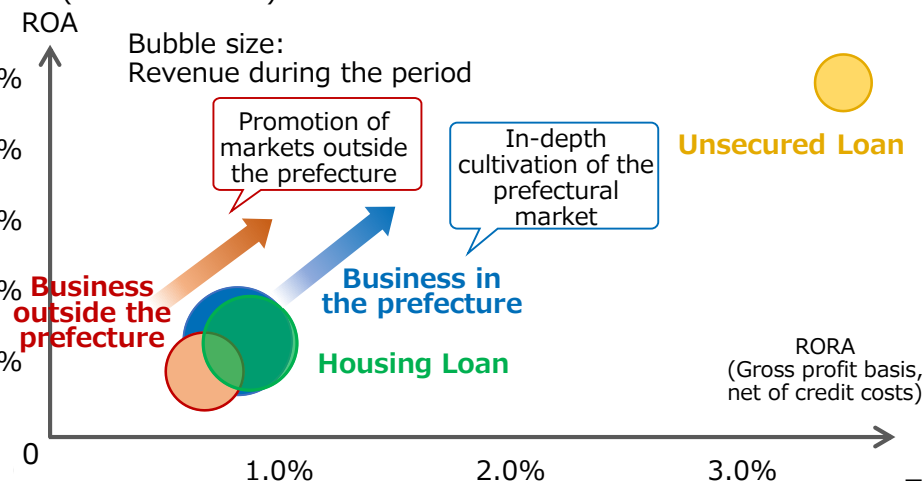
- Improve PBR by increasing ROE
- - To enhance shareholder value -



RORA by division 第四北越銀行



RORA by category (FY2023 results) 第四北越銀行



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

Appendix

Top-Priority Theme of Medium-Term Management Plan II: Demonstration of Three Major Synergies



DAISHI HOKUETSU
Financial Group

第四北越フィナンシャルグループ

Medium-Term Management Plan II

A New Stage of Harvesting Results from

Bank Merger and Birth of New Bank

April 2021

Final Year of
Medium-Term
Management Plan

March 2024



Top-priority Themes

Demonstration of Synergy Effects

Maximization of Merger Synergy

Sharing of knowhow
Consolidation of
overlapping functions
Reallocation of
management
resources



Maximization of Group Synergy

Maximizing the use
of FG's company
functions



Maximization of TSUBASA Partnership Synergy

Leveraging the
largest economies of
scale of regional
banks



Medium-Term Management Plan II: Performance Indicators

Management Indicators		FYE2023/3 Result	FYE2024/3 Result	Year on Year
Strengthening profitability	Consolidated Profit* ¹	¥17.7B	¥21.2B	¥3.4B
Growth of the Group	Growth rate for average balance of SME loans* ²	1.9%	1.1%	-
	Average balance of SME loans	¥1,942B	¥1,963.2B	¥21.1B
	Growth rate for average balance of consumer loans* ²	3.3%	3.7%	-
	Average balance of consumer loans	¥1,412.8B	¥1,464.6B	¥51.8B
	Growth rate of non-interest income* ³	25.7%	9.1%	-
	Non-interest income	¥26.2B	¥28.6B	¥2.4B
	Growth rate of Group company revenue* ⁴	-31.5%	27.6%	-
	Group company revenue	¥2.8B	¥3.6B	¥0.7B
Improvement of management efficiency	Consolidated OHR	68.5%	65.1%	-3.4 pt
	Consolidated ROE	4.2%	4.6%	0.4pt
Maintain and improve business health	Consolidated Capital Ratio	10.23%	10.03%	-0.20 pt

*1: Profit attributable to owners of parent

*2: Average annual balance before partial direct write-offs

*3: Total amount of profit from other businesses, etc., excluding fees and commissions and other profit, and gains and losses on government bonds (excluding revenue of Market Investment Division and foreign currency funding costs) (accompanying the change in calculation method, figures are compared with the retroactively changed counts in light of comparison with previous years)

*4: Total profit attributable to owners of parent of Group companies, excluding the Bank

Medium-Term Management Plan II: Six Indicators for Deepening Transformation of Portfolios

<Bank Division>

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



<Group Company Division>

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

Six Indicators for Deepening Transformation of Portfolios	FYE2023/3 Result	FYE2024/3 Result	Year on Year
[1] Ratio of SME loans in total loans	37.3%	36.6%	-0.7 pt
[2] Ratio of consumer loans in total loans	27.1%	27.3%	0.2pt
[3] Ratio of unsecured loans in consumer loans	8.4%	8.6%	0.2pt
[4] Ratio of asset management advisory revenues to core gross profit	8.9%	9.7%	0.8pt
[5] Ratio of financial solution revenues to core gross profit	15.5%	18.2%	2.7pt
[6] Consolidated/non-consolidated ratio FG's consolidated profit ÷ Bank non-consolidated profit	1.19 times	1.22 times *	0.03 times

* After deducting a gain on bargain purchase and other special factors resulting from the conversion of Daishi Hokuetsu IT Solutions into a subsidiary

Medium-Term Management Plan II: Indicators of Contribution to Regions

Indicators of Contribution to Regions		FYE2024/3 Result	Vs. FYE2024/3 Target
Top-priority target to measure our contribution to the region	No. of companies with Daishi Hokuetsu Bank as their main bank	14,734 clients	*1 -666 clients
Maintain and increase drivers of regional economy	No. of startups and secondary startups involved	1,968 cases	118 cases
	No. of clients supporting business succession	1,743 clients	3 clients
Support for enhancement of corporate value	No. of borrowers based on feasibility assessment	7,125 clients	725 clients
	Loan balance based on feasibility assessment	¥1,600.5B	¥0.5B
	No. of clients using Guidelines for Management Guarantee	7,691 clients	*2 -1,809 clients
	No. of clients with improved business indicators, etc.	9,794 clients	2,094 clients
	No. of cases of business support	3,926 cases	1,076 cases
	No. of cases of support for formulation of management improvement plan	531 cases	51 cases
Providing new value through expansion of business domains	Activities through a regional trading company No. of clients supported in sales channel development (cumulative total)	638 clients	38 clients
	No. of FG collaboration activities to support productivity improvement (cumulative total)	296 cases	26 cases
	Activities through a staffing agency No. of personnel-matching cases that lead to solutions to corporate issues (cumulative total)	261 cases	51 cases

*1: Impact of the decrease in the number of business establishments in the prefecture and early repayment of zero-zero loans, etc.

*2: The impact of the decline in the number of business clients (*1), the COVID-19, price hikes, etc.

Summary of Financial Results for the Fiscal Year Ended March 2024 (Profit/Loss)

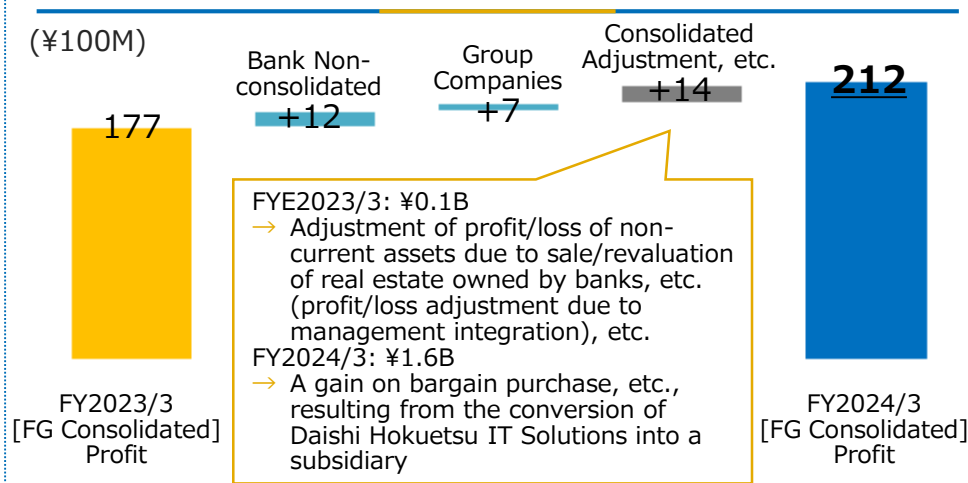
FG's Consolidated (¥100M)	Financial Results For Fiscal Year Ended March 2024	Year on Year	Forecast (Announced in May 2023)	Vs. Forecast
1 Ordinary profit	308	58	275	33
2 Profit ^{*1}	212	34	201	11

*1 Profit attributable to owners of parent

Group Companies (¥100M)	Financial Results For Fiscal Year Ended March 2024	Year on Year	Financial Results For Fiscal Year Ended March 2023
3 Profit ^{*2}	36	7	28

*2 Total profit attributable to owners of parent of Group companies, excluding the bank

<FG Consolidated> Change Factors

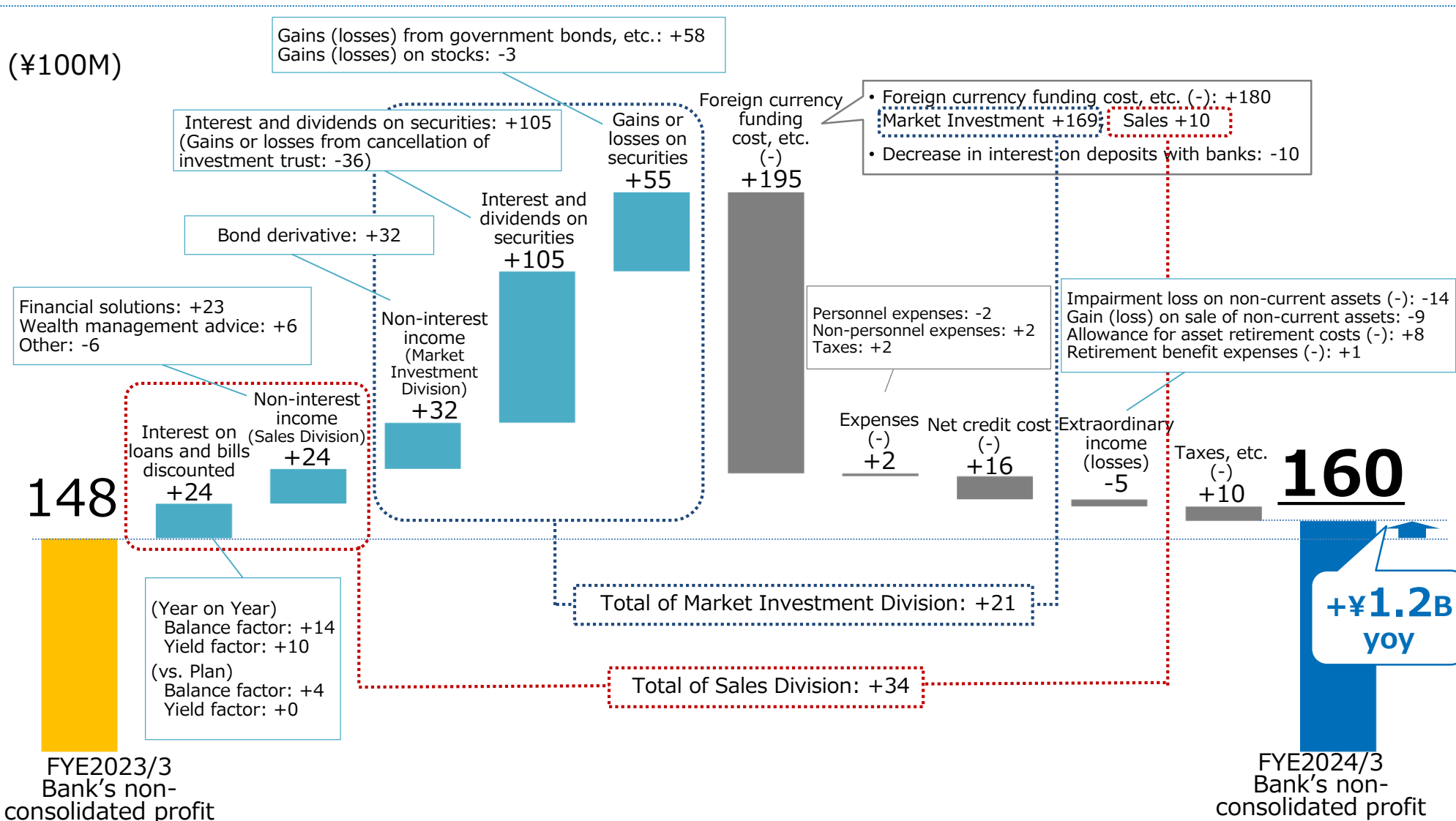


Bank Non-consolidated (¥100M)	Financial Results For Fiscal Year Ended March 2024	Year on Year	Financial Results For Fiscal Year Ended March 2023
4 Gross profit	852	50	802
5 (Core gross profit)	909	- 8	917
6 Net interest income	640	- 33	673
7 (Of which, interest on loans and bills discounts)	492	24	468
8 (Of which, interest and dividends on securities)	390	105	284
9 (Of which, financing expenses) (-)	347	226	121
10 Fees and commissions	156	2	154
11 Profit from other businesses	55	80	- 25
12 (Excluding gains (losses) from government bonds and other bonds)	112	22	90
13 (Of which, Gains (losses) from government bonds and other bonds)	- 56	58	- 115
14 Expenses (-)	577	2	575
15 Substantial business profit	274	47	227
16 Core business profit	331	- 11	342
17 (Excluding gains (losses) from cancellation of investment trust)	321	25	295
18 Business profit	272	35	237
19 Temporary loss (income)	- 18	- 6	- 11
20 Ordinary profit	254	28	225
21 Extraordinary income (losses)	- 26	- 5	- 20
22 Profit	160	12	148
23 < Net credit cost (-) >	57	16	41
24 <Gains or losses on securities>	- 29	55	- 84
25 <Management integration expenses (overall) > (-)* ³	32	0	31

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

Summary of Financial Results for the Fiscal Year Ended March 2024 (Profit/Loss)

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



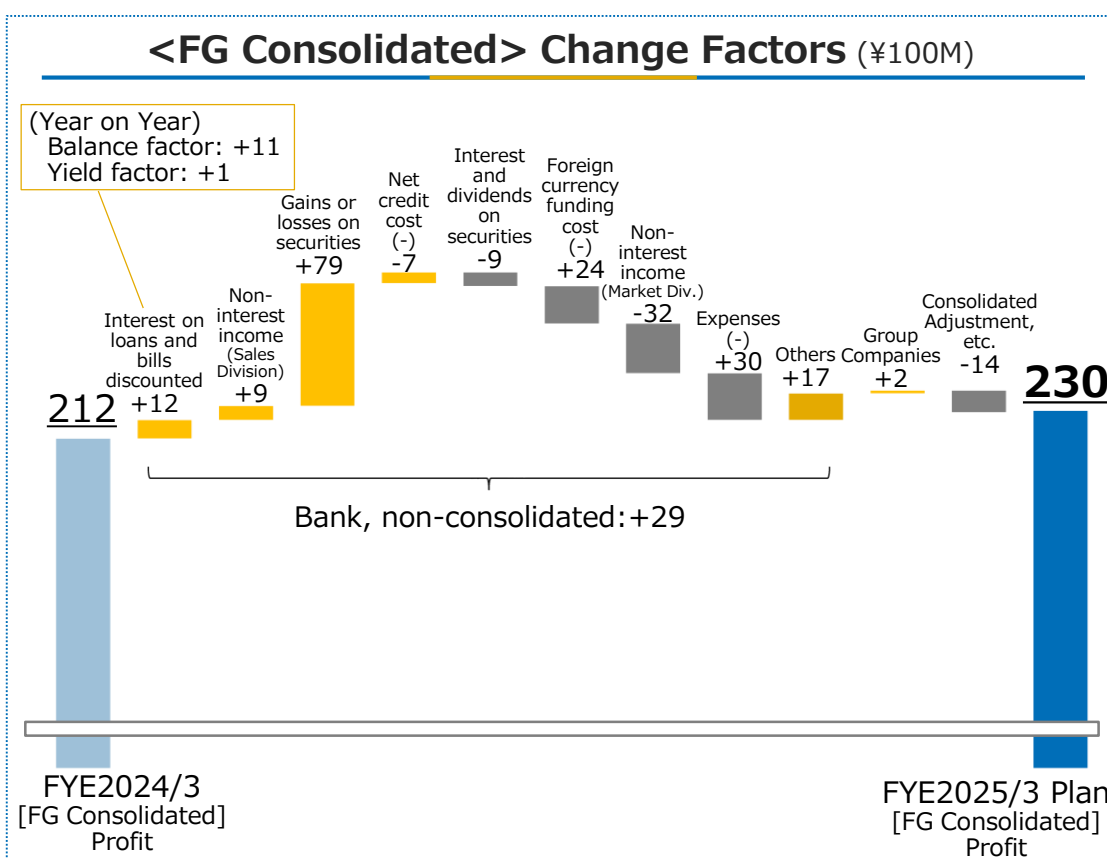
Earnings Forecast for Fiscal Year Ending March 2025

- The FG consolidated profit is expected to increase 1.7 billion yen (+8.4%) year on year to 23 billion yen
- Under the new “Medium-Term Management Plan III,” we will work on “Deepening and Exploring Group Management” and strengthen the top line by integrating the Group’s financial and information intermediary functions, network, and expertise, and by strengthening the Group’s consulting function with the community and customers as the starting point.
- This plan does not take into account the effects of the Bank of Japan’s monetary policy changes. We intend to revise the plan as necessary, keeping an eye on future monetary policy and market conditions

FG’s Consolidated (¥100M)	Earnings Forecast for Fiscal Year Ending March 2025	Year on Year
1 Ordinary profit	332	23
2 Profit ^{*1}	230	17

^{*1} Profit attributable to owners of parent

Bank Non-consolidated (¥100M)	Earnings Forecast for Fiscal Year Ending March 2025	Year on Year
3 Core gross profit	859	- 49
4 Net interest income	636	- 3
5 Net fees and commissions income and profits from other businesses, etc., excluding gains (losses) from government bonds and other bonds	222	- 46
6 Expenses	607	30
7 Core business profit	251	- 79
8 Ordinary profit	272	17
9 Profit	190	29
10 <Net credit cost>	50	- 7
11 <Gains or losses on securities>	49	79
12 <Management integration expenses>	26	- 5



FYE2025/3 Earnings Forecast: Key Performance Indicators (KPI)

“Financial Challenge” KPI

Consolidated Profit^{*1} FY2024 Target
¥23B

Consolidated OHR FY2024 Target
64% level

Consolidated ROE FY2024 Target
4.8%

Consolidated Capital Ratio FY2024 Target
≥ 10%

[Reference] Indicators for transformation of business portfolios

Interest on business loans and bills discounted FY2024 Target
¥26.1B
(After considering foreign currency funding cost)

Interest on consumer loans and bills discounted FY2024 Target
¥20.2B

Corporate relations revenue^{*2} FY2024 Target
¥20.7B

Individual relations revenue^{*3} FY2024 Target
¥11.2B

Group company revenues^{*4} FY2024 Target
¥3.8B

- *1: Profit attributable to owners of parent
*2: Total corporate wealth management advisory (including securities), equity solutions and financial planning revenues
*3: Personal wealth management advisory revenue (including securities revenue)
*4: Total profit for all Group companies excluding banks

“Environmental and Social Challenge” KPI

CO₂ emission reduction rate (vs. FY2013)

FY2024 Target **59%** level

Executed amounts for Sustainable Finance

FY2024 Target **¥65.0B**
(Cumulative total since FY2021)

% of women managers^{*1}

FY2024 Target **≥ 26%**

Total No. of Group business clients^{*2}

FY2024 Target **62,700** clients

Number of business start-ups and succession support

FY2024 Target **2,850** cases

Number of DX and Productivity Improvement Support

FY2024 Target **75** cases

Ratio of business clients with improved indicators, etc.

FY2024 Target **≥ 75%**

Number of cases supported to develop a business improvement plan

FY2024 Target **420** cases

Number of digital customers^{*3}

FY2024 Target **450,000** clients

Balance of Group assets under custody

FY2024 Target **¥147.9B**

No. of clients supported in sales channel development^{*4}
(Regional trading company)

FY2024 Target **720** clients

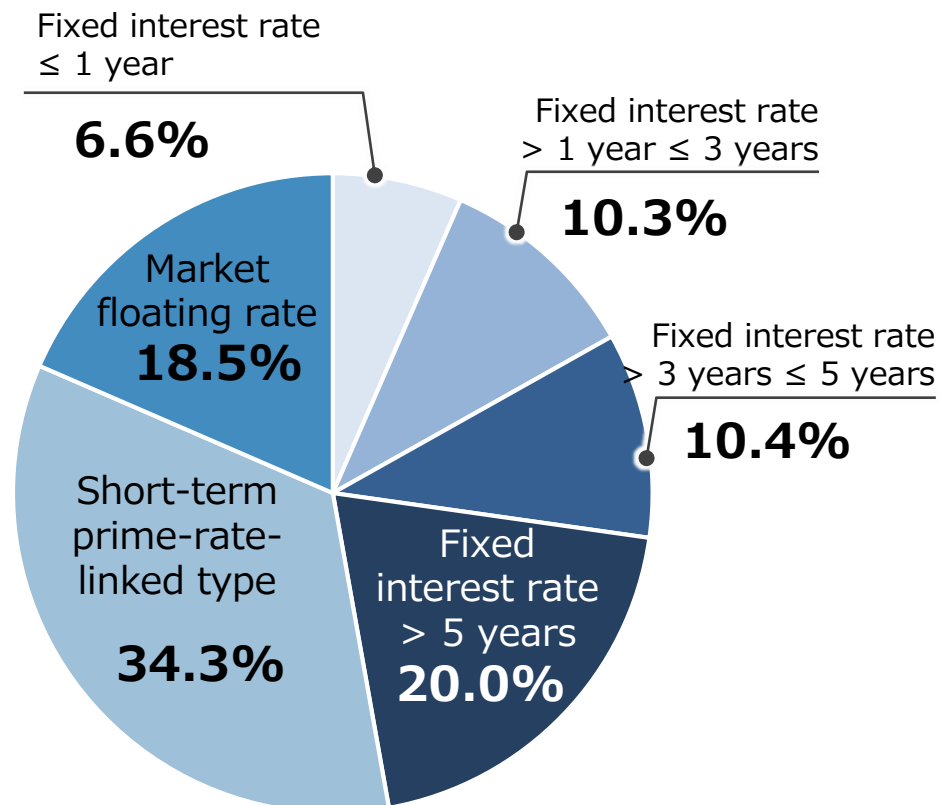
Number of HR solutions supported

FY2024 Target **190** cases

- *1: Increase the ratio of women managers (deputy level and above) (Bank alone)
*2: Number of corporate clients with recurring business with FG Group companies (total)
*3: Number of Daishi Hokuetsu ID holders (e.g. Little Bank and My Page users) and individual e-net banking users
*4: Cumulative total since the opening of the Nihonbashi branch in October 2019

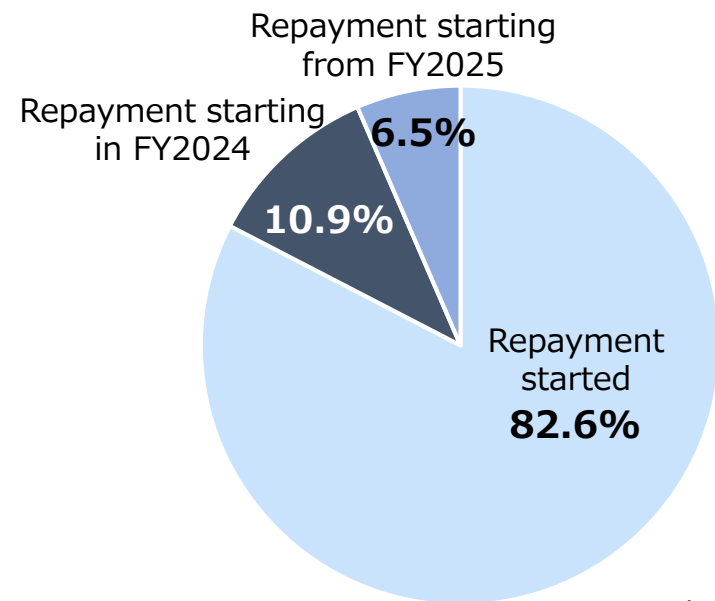
Loans and Bills Discounted

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



Note: Excluding overdue loans

Status of initiatives on real interest-free and unsecured loans (zero-zero loans) (FYE2024/3)



Note: Based on the number of claims

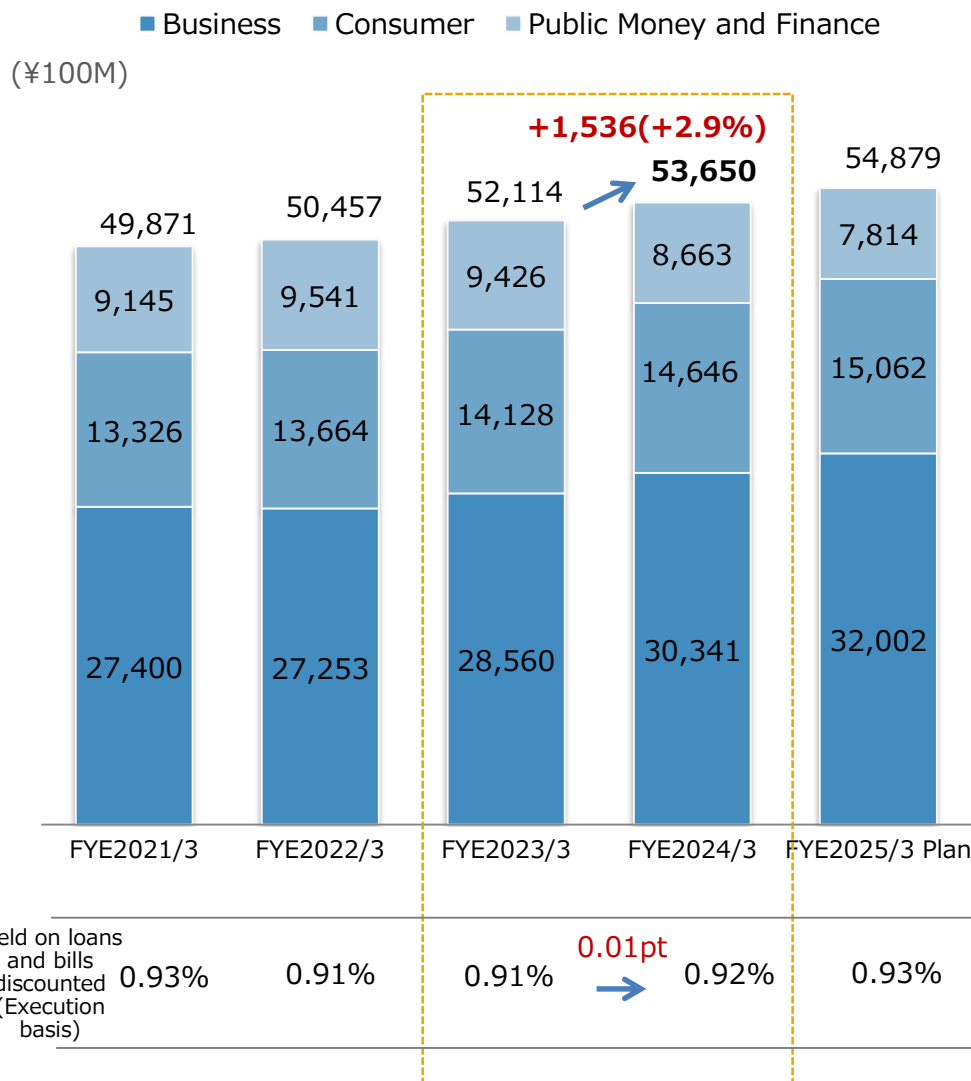
Balance and delinquency ratio of real interest-free and unsecured loans

Type of claims	Number of claims	Ratio		
			Outstanding loans	(¥100M) Ratio
All	5,226	-	710	-
Normal claims	5,132	98.2%	703	99.0%
Delinquent loans	94	1.8%	6	1.0%

Changes in Interest on Discounted Loans and Bills and Yield

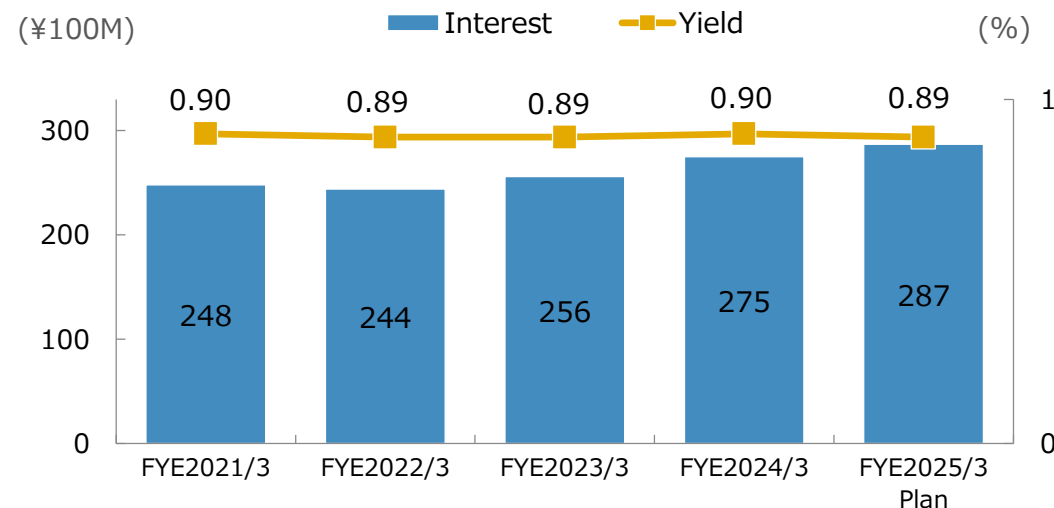
Average balance of Loans and Bills Discounted

* Before partial direct write-offs



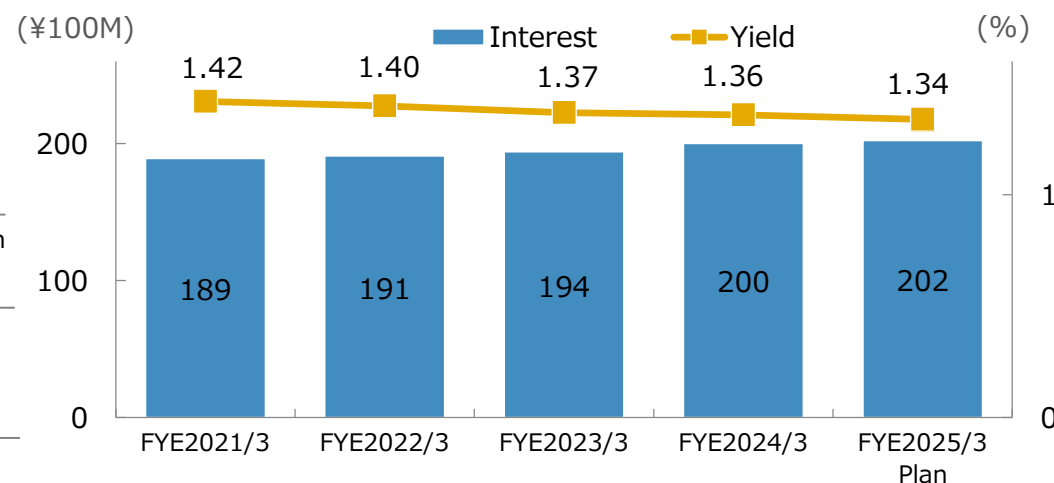
Interest on business loans and bills discounted and yield

* Before non-accrued interest



Interest on consumer loans and bills discounted & yield

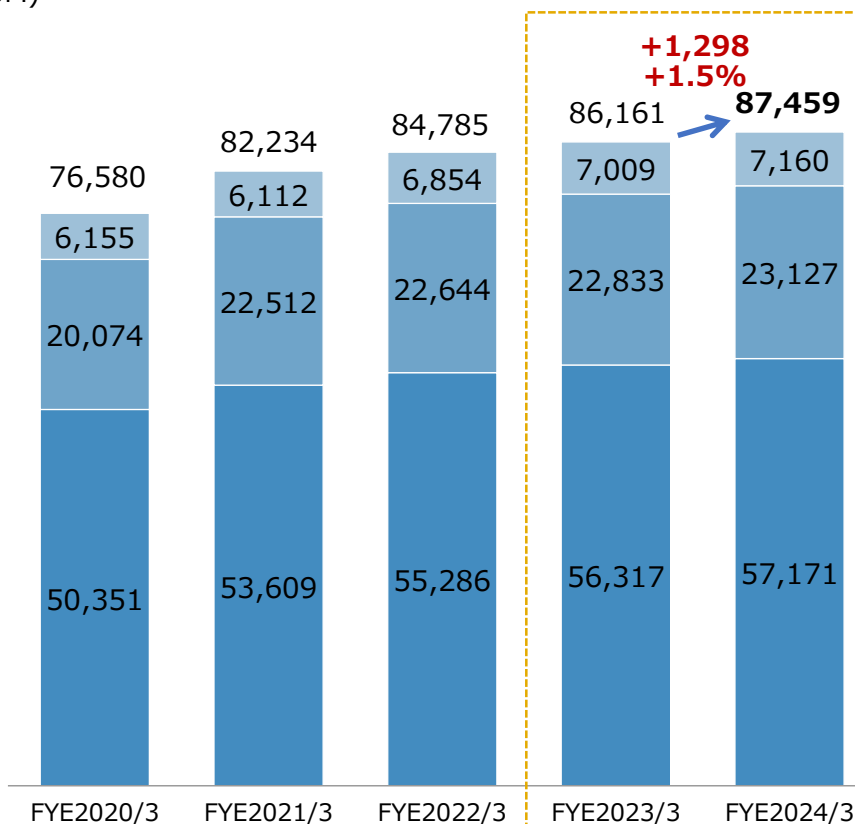
* Before non-accrued interest



Balance of Deposits, etc., and Assets in Custody

Ending balance of deposits, etc. (including negotiable certificates of deposit)

(¥100M) ■ Individuals ■ Corporate ■ Other (public funds, etc.)

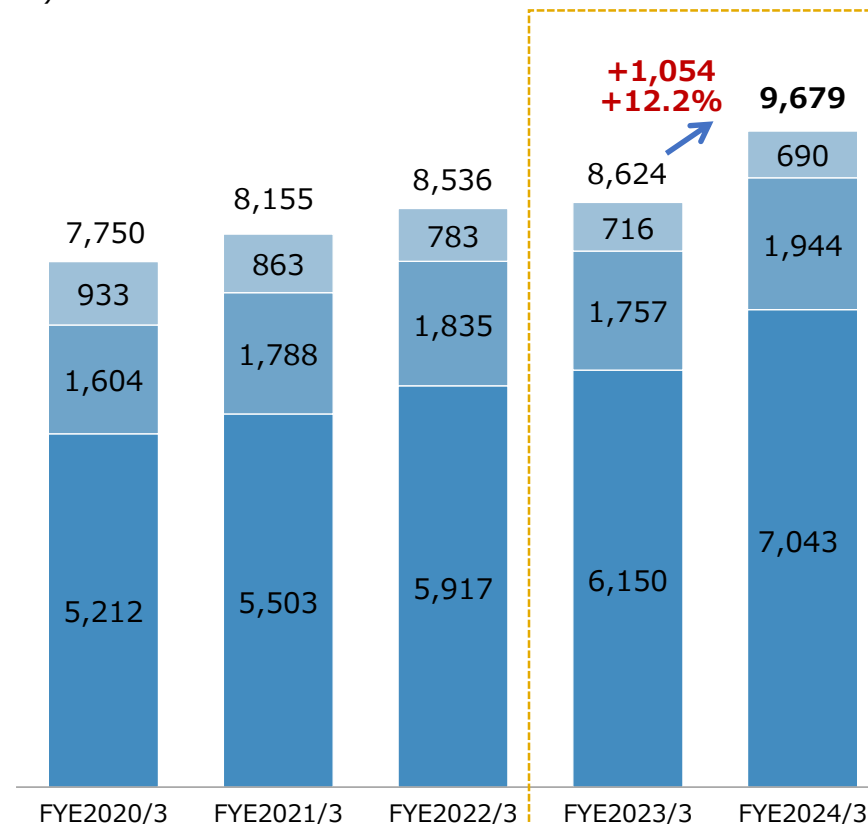


[Reference]
Average
balance

			+996	
			+1.1%	
	74,777	79,679	82,749	84,777 → 85,773

Ending balance of assets in custody

(¥100M) ■ Insurance* ■ Investment trust ■ Public bonds



[Reference]
End-Balance of
Deposits, etc.,
and Assets in
Custody

			+2,352	
			+2.4%	
	84,330	90,390	93,322	94,786 → 97,139

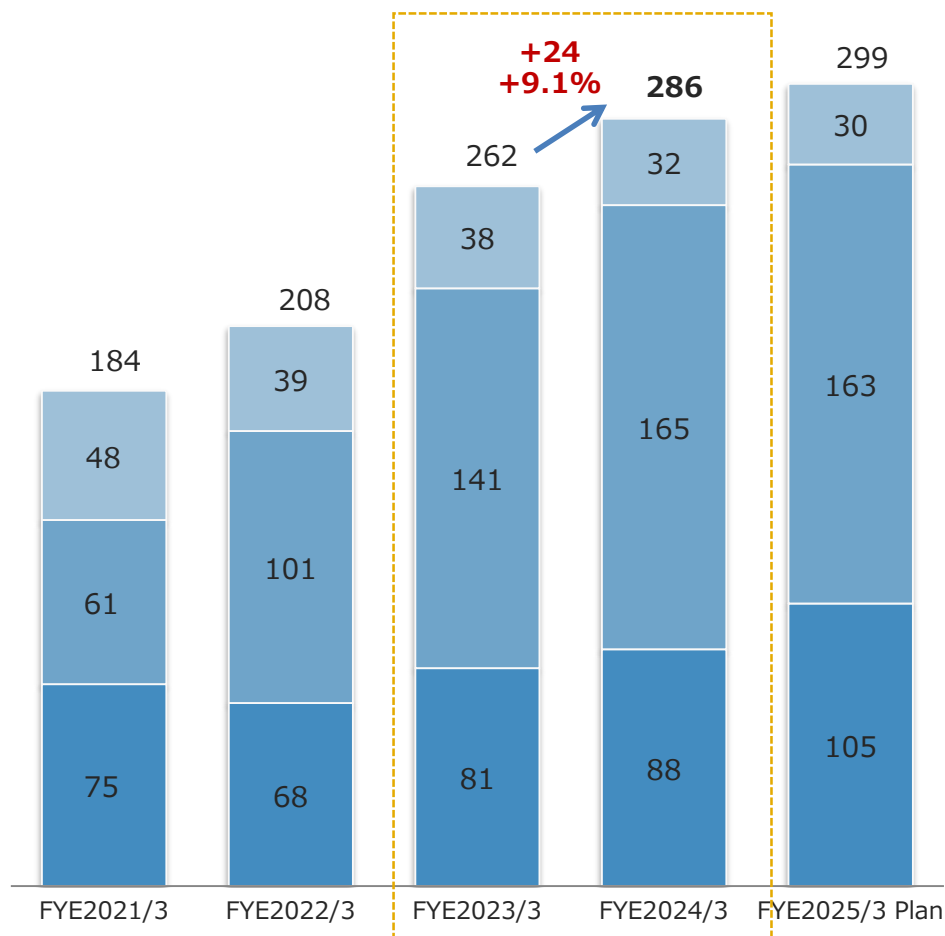
* The insurance balance is presented in comparison with the retroactively restated figures for the purpose of comparison with prior periods, as the calculation method was standardized following the merger of the subsidiary banks.

Non-Interest Income/Expenses

Non-interest income*

(¥100M)

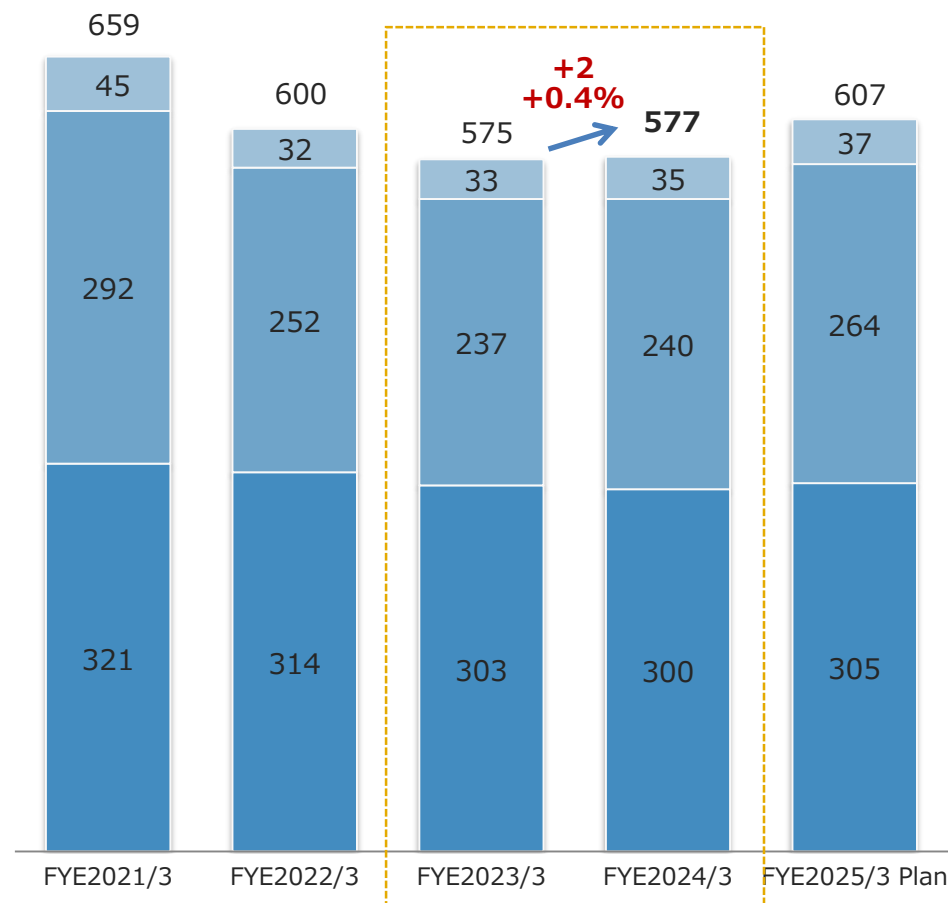
■ Asset management advice ■ Financial Solutions ■ Others



Expenses

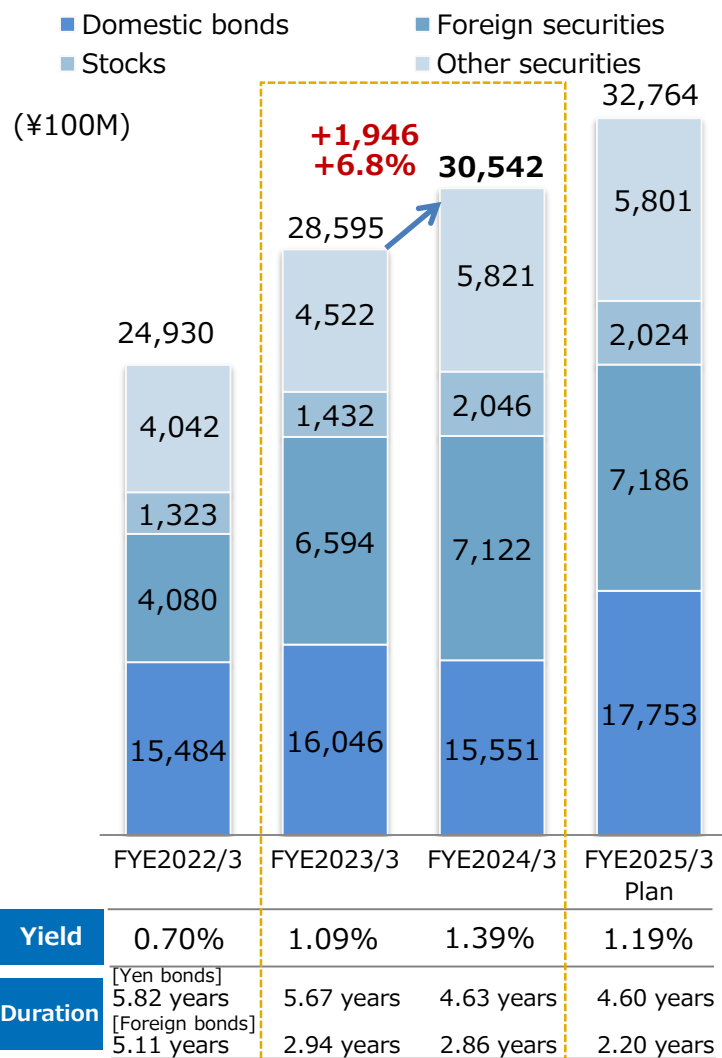
(¥100M)

■ Personnel expenses ■ Non-personnel expenses ■ Taxes



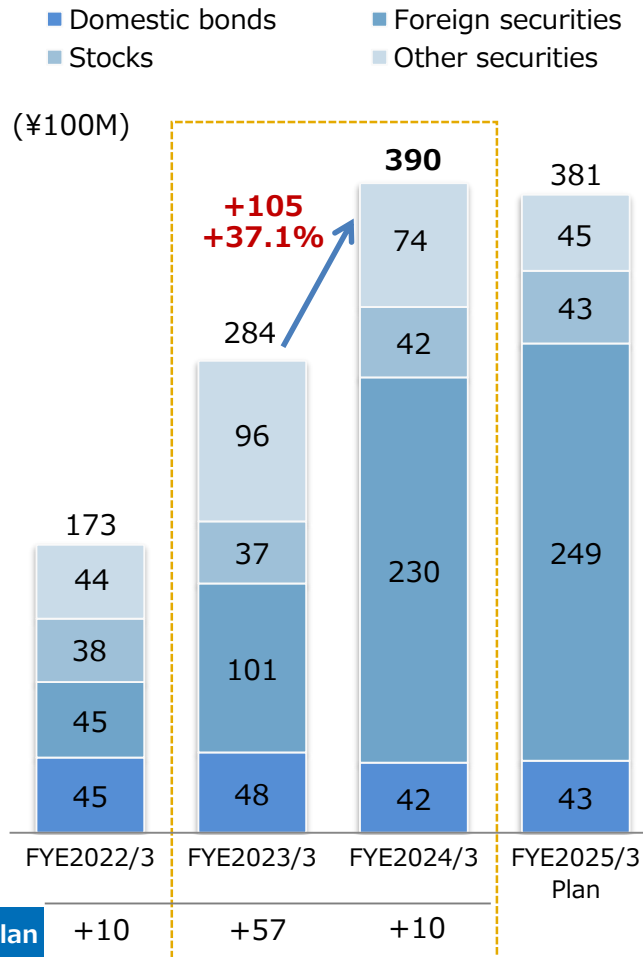
* Total amount of profit from other businesses, etc., excluding fees and commissions and other profit, and gains and losses on government bonds (excluding foreign currency funding costs and Market Investment revenue)

End-Balance of Securities



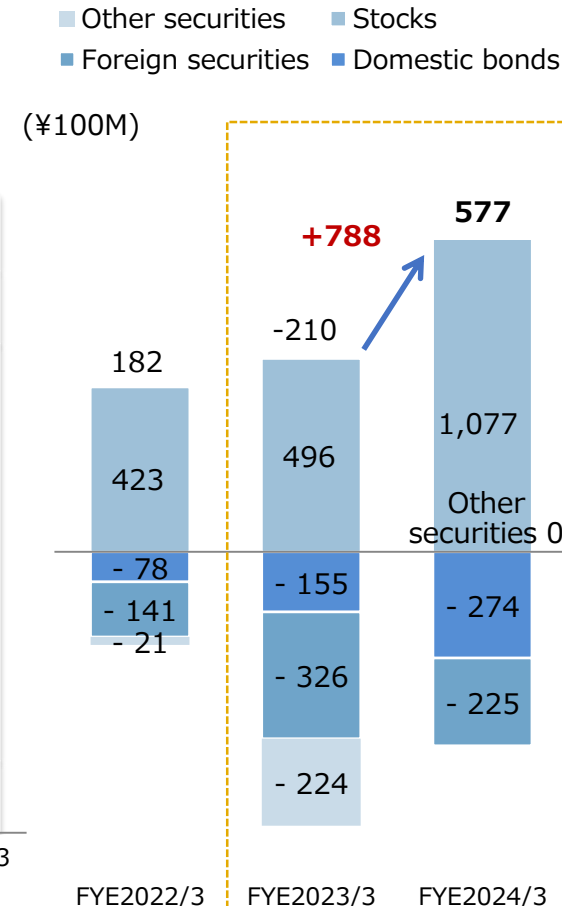
* Duration is calculated after taking into account interest rate swap hedges

Interest and dividends on securities



* The figures compared with the plan are after taking into account foreign currency financing and other costs; and FYE2024/3 includes ¥1.0 billion of gains on the liquidation of mutual funds in other securities

Valuation gains or losses



¥+577 billion, an increase of ¥788 billion from the end of the previous fiscal year, mainly due to higher domestic stock prices

* Valuation gains/losses on domestic bonds and foreign securities are after taking into account deferred hedging by interest rate swaps

Trends in end-balance of
Securities

(¥100M)

	FYE2022/3	FYE2023/3	FYE2024/3
Government bonds	5,536	6,030	5,626
Local government bonds	7,247	7,682	8,065
Public corporate bonds	713	654	578
Financial bonds	27	20	0
Business bonds	1,958	1,658	1,281
Stocks	1,323	1,432	2,046
Foreign securities	4,080	6,594	7,122
Other securities	4,042	4,522	5,821
Total	24,930	28,595	30,542

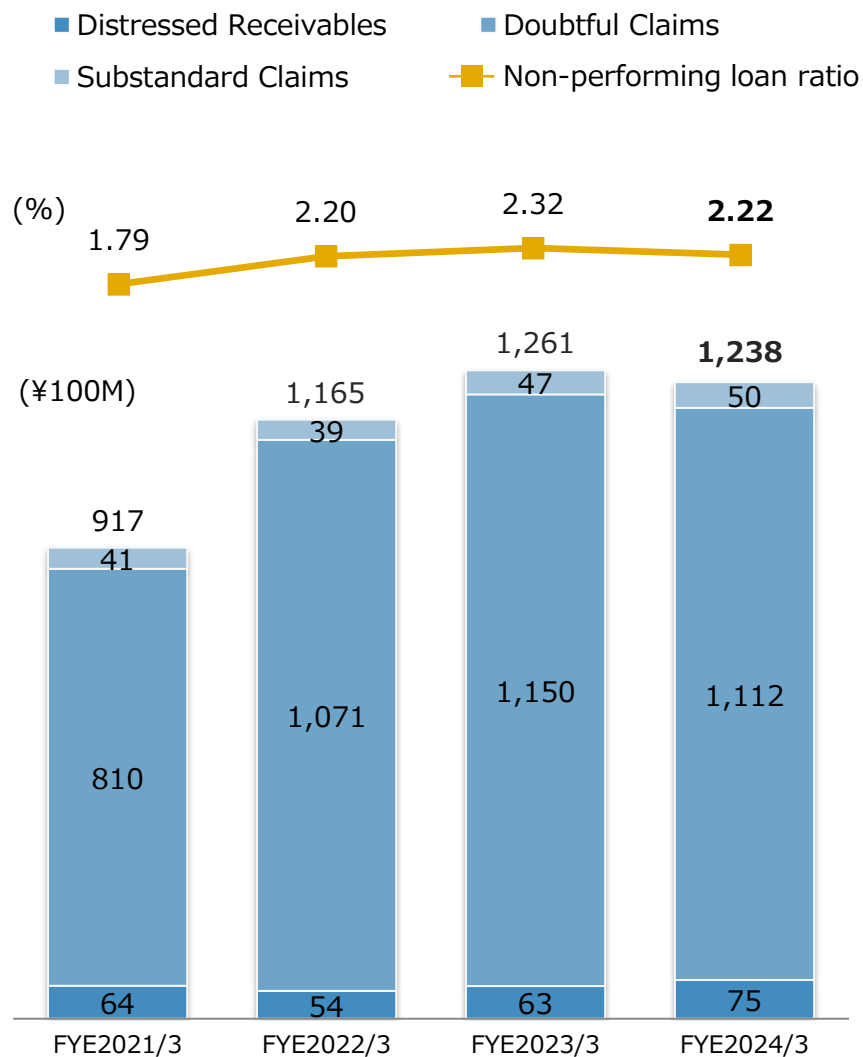
Breakdown of changes in end-
balance of Securities
(vs. March 31, 2023)

(¥100M)

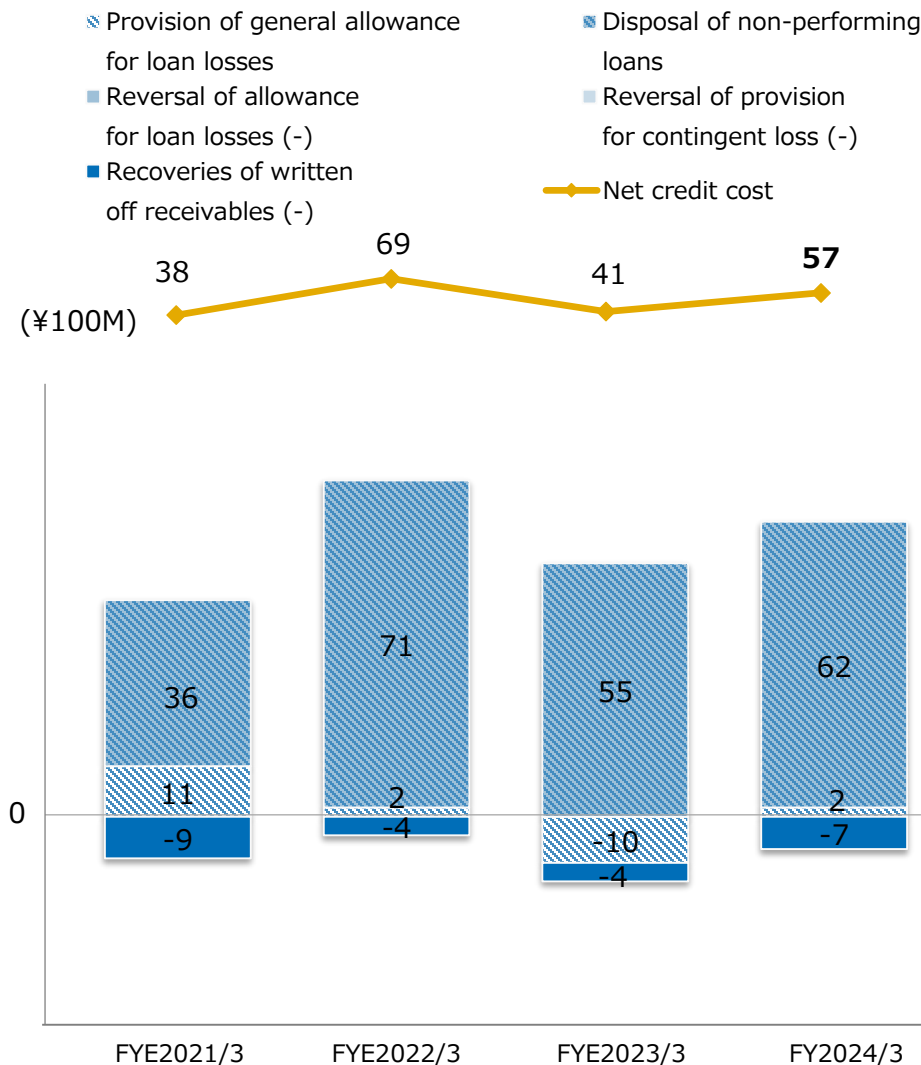
Domestic bonds (yield: 0.27%)	-494
Purchase	4,024
Sale	-3,066
Other (redemption, market value factors, etc.)	-1,453
Stocks (yield: 4.77%)	614
Purchase	207
Sale	-173
Other (depreciation, market value factors, etc.)	580
Foreign securities (yield: 3.15%)	527
Purchase	1,818
Sale	-2,083
Other (redemption, market value factors, etc.)	793
Other securities (yield: 1.66%)	1,299
Purchase	5,075
Sale	-3,984
Other (redemption, market value factors, etc.)	208

Non-Performing Loan Ratio & Net Credit Cost

Non-performing loan ratio and amount



Net credit cost



(¥100M)	FYE2024/3			FYE2025/3 H1 (plan)
	Allocated capital amount	Risk amount (Actual)	Utilization	Allocated capital amount
Allocated capital	3,071	1,043	34.0%	3,443
Credit risk (loans and bills discounted)	430	263	61.2%	430
Market risk	2,150	625	29.1%	2,150
Cross-shareholding risk	40	27	67.5%	45
Operational risk	130	127	97.7%	130
Stress-event capital (Capital held assuming a sudden change in the environment)	321	0	0.0%	688
Risk buffer (unallocated capital)	551	0	0.0%	210
Allocation resources, net of allowance for doubtful accounts	3,622	-	-	3,653

Risk calculation method

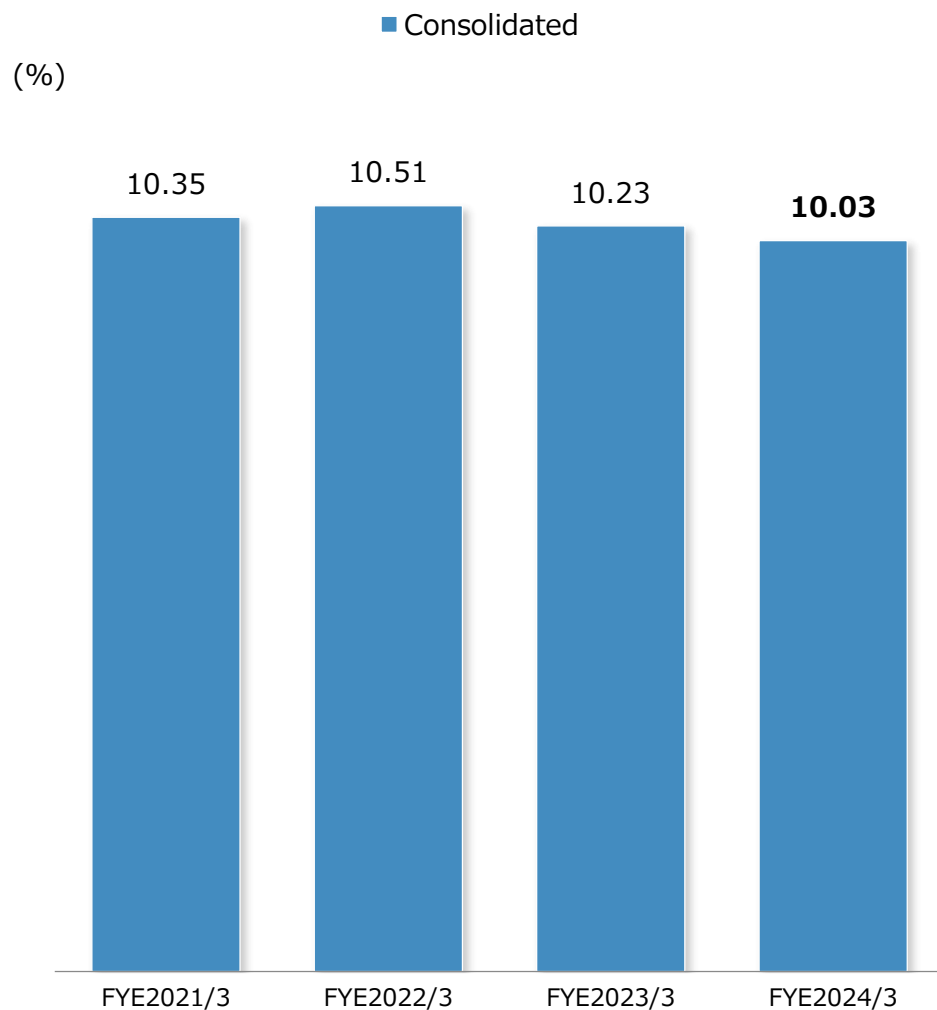
- Market Risk, Credit Risk, Cross-shareholding Risk
 - ▣ Confidence interval: 99% for all
 - ▣ Holding period: 1 year for loans, 6 months for non-loans

- ▣ For cross-holdings, risk amount
= (VaR - valuation gains/losses) ≥ 0

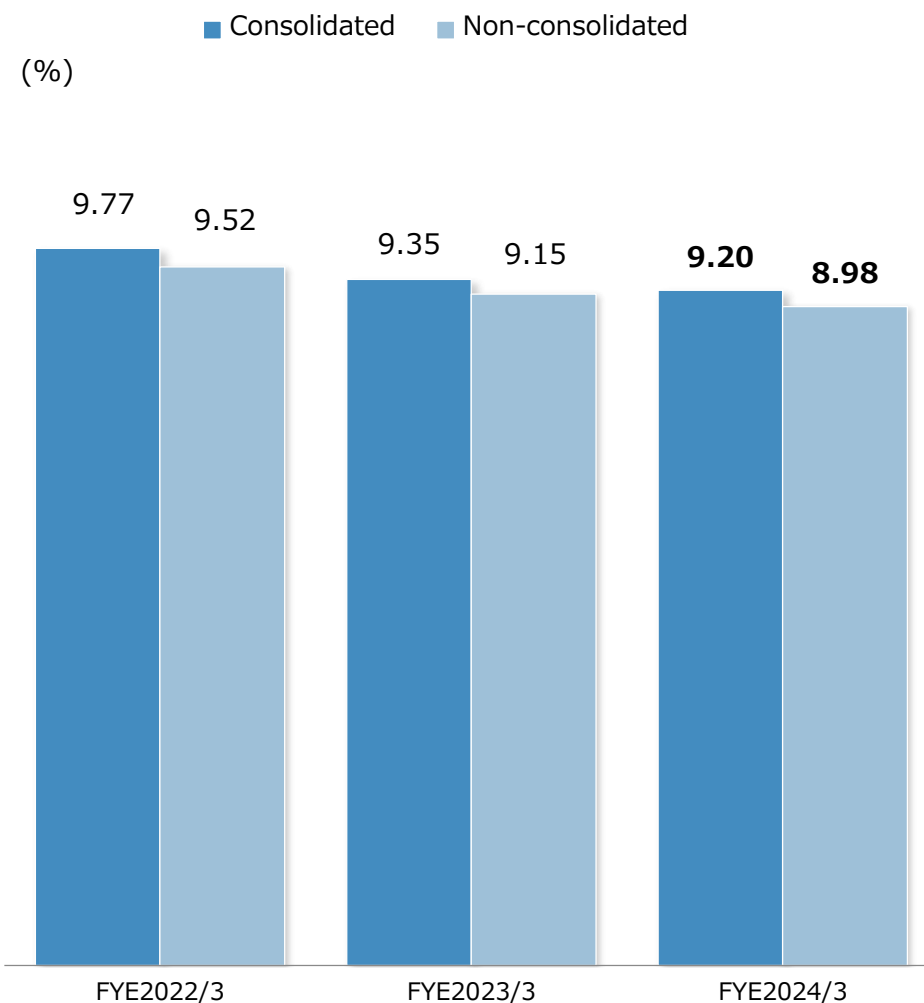
- Operational risk
 - ▣ Gross profit distribution method

Capital Ratio

FG's Consolidated



Daishi Hokuetsu Bank



Training Program for Enhancement of Human Capital Value

In-house training, Trainee Program/Project, External dispatch						
	Target tier	Entry-level banker (Beginner)	Middle-level banker (Mid-level)	Executive banker (Supervisor) (Executive)	Executive banker (Manager) (Professional, etc.)	Senior level
Human skills	Motivation Membership	Orientation for new bankers Junior employees	New/Mid-career			
	Management			New/Deputy VP	Development of executive candidates Development of women executive candidates Branch manager/management Keio Business School, etc.	
	Career design		Mid-career design		Middle career	Career design
	Diversity	DE&I, unconscious bias				
	Communication and problem-solving skills		Project 2030			
	Group comprehensive capabilities		Group company trainee Securities, staffing, trading companies, credit card, IT, etc.			
Technical skills (Implementing the banking business)	Corporate consulting	Corporate sales basics	Human Capital Value Enhancement Project			
		Corporate owner (Beginner)	Corporate owners (Middle level)			
		Derivative	Corporate consulting leader			
		Corporate Master Plan				
		(External) Dispatch to mega-banks, securities companies, and other companies				
	Personal consulting	External relations starter	Business insurance master			
		Asset management advice	(External) Courses by Regional Banks Association of Japan,			
		Pension, inheritance and long-				
	Screening	Loan beginner	Support for business	Credit Dept. trainee (short-term)	Credit Dept. trainee (long-term)	
Administration/operations	Various administration basics	Improvement of administration	Manager position			
Risk management Compliance			Audit Dept. trainee Branch Manager Training			
Compliance at Dept./Branch						

Major Reskilling Programs

Sustainability Conference

Online course
(Business Breakthrough)

FP Grade 1

Small and Medium Enterprises
Management Consultant

Securities Analyst

External courses for IT passport
holders

IT Coordinator

etc.

< Number of participants per
training program >* The individual training
programs in the chart are
color-coded according to the
following participation scaleAttendance scale:
All employees

Attendance scale ≥ 100

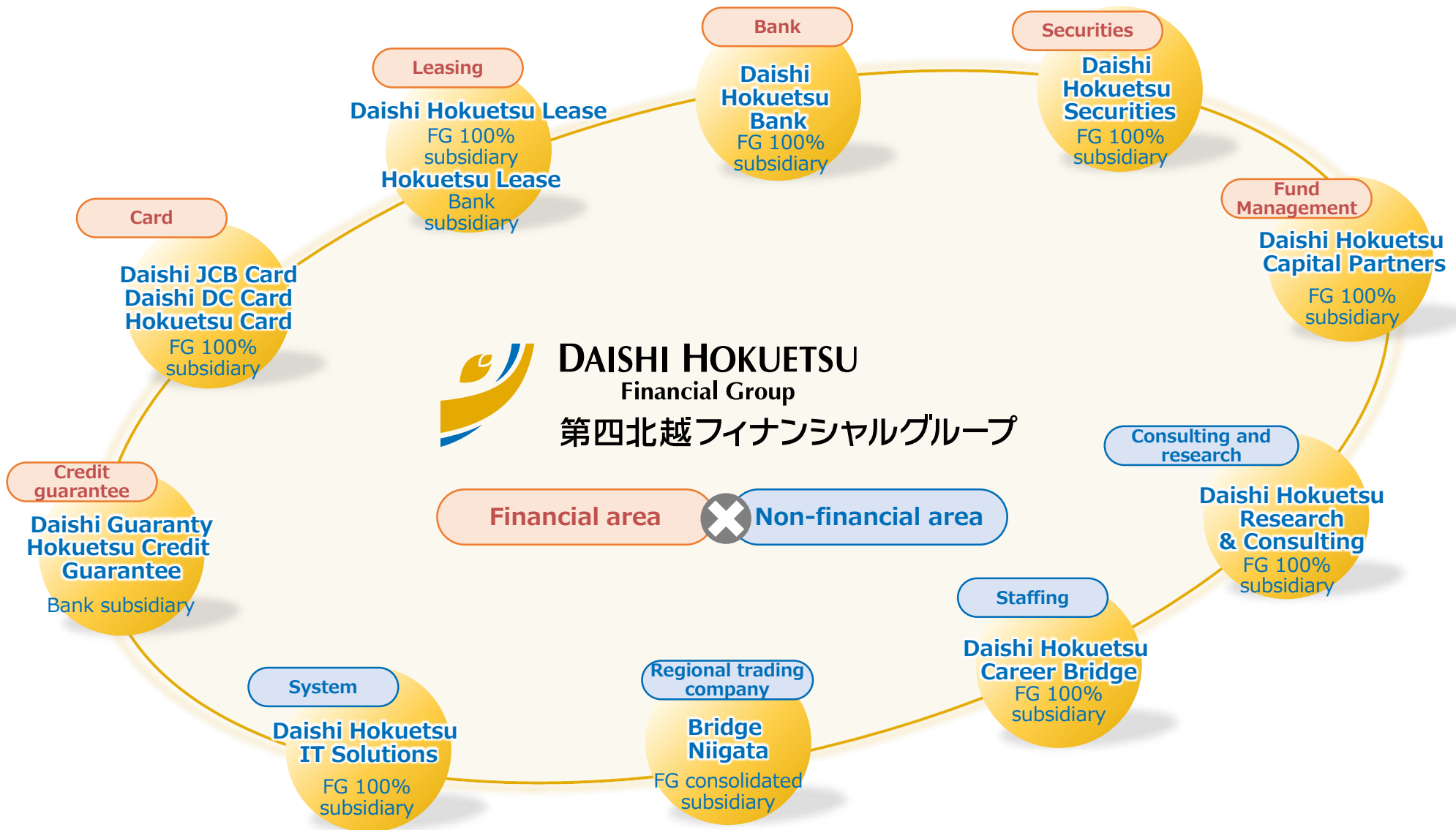
Attendance scale ≥ 10

Attendance scale < 10

R Menu designed for reskilling
both men and womenR Menu designed primarily
for reskilling women

(External) External dispatch

Financial Position of Group Companies-1

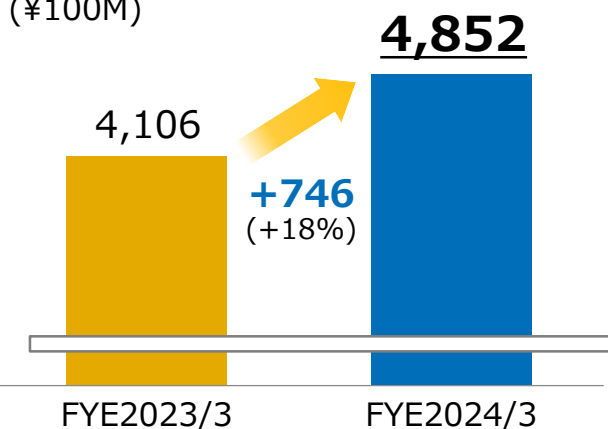


Financial Position of Group Companies-2

Securities

Balance of assets under custody

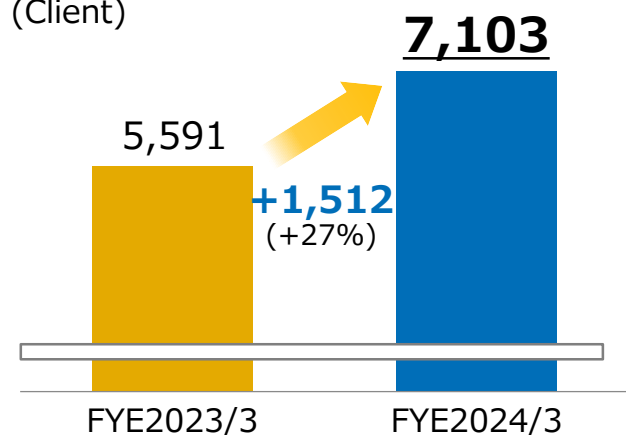
(¥100M)



Securities

Number of customers subscribing to investment trusts

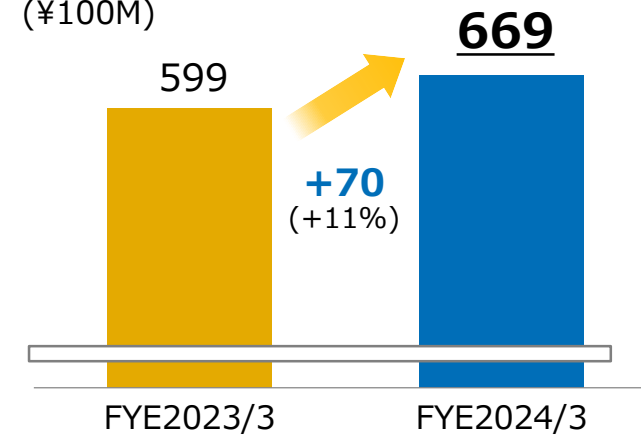
(Client)



Leasing

Balance of leased assets

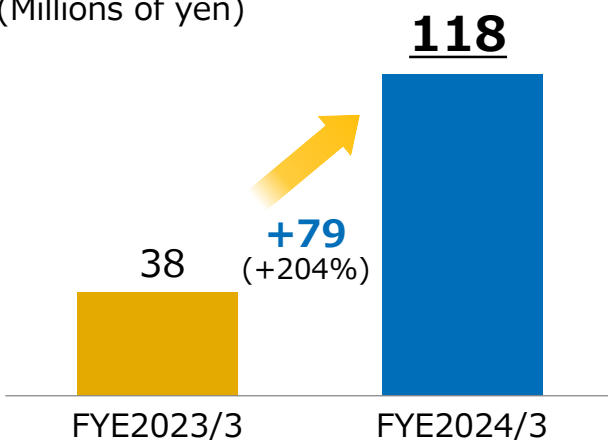
(¥100M)



System

Profit attributable to owners of parent
Profit from System

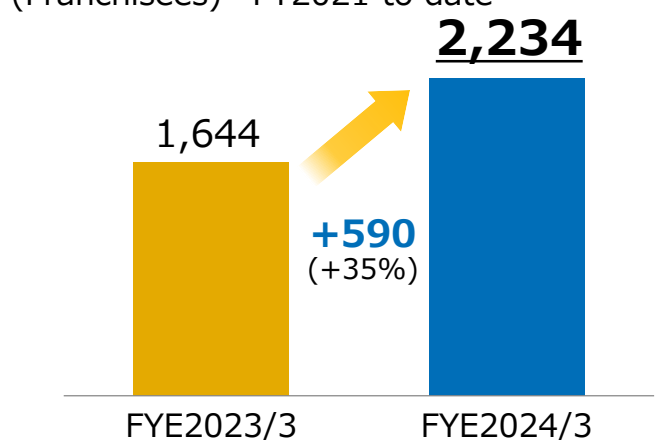
(Millions of yen)



Card

Accumulated number of franchisees acquired

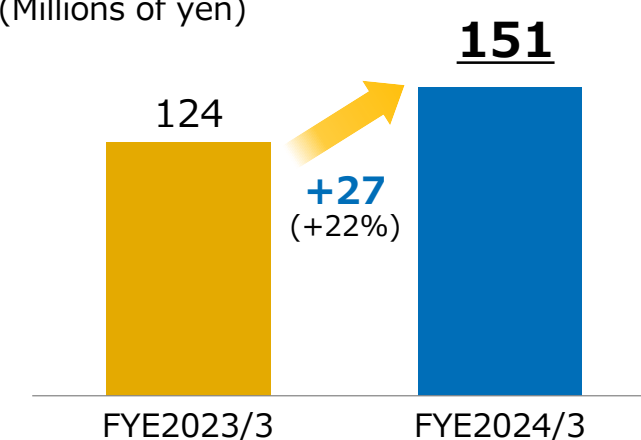
(Franchisees) *FY2021 to date



Consulting

Consulting fees from Daishi Hokuetsu Research & Consulting

(Millions of yen)



Financial Position of Group Companies-3

(Millions of yen)

Company	Core Business	Share capital	Net sales (ordinary revenue)			Ordinary profit			Profit		
			FYE2022/3	FYE2023/3	FYE2024/3	FYE2022/3	FYE2023/3	FYE2024/3	FYE2022/3	FYE2023/3	FYE2024/3
Daishi Hokuetsu Bank, Ltd.	Banking business	32,776	107,585	122,639	149,027	18,267	22,568	25,417	12,143	14,847	16,062
Daishi Hokuetsu Securities Co., Ltd.	Securities business	600	5,665	4,183	5,219	2,811	1,268	2,039	1,959	670	1,157
Daishi Hokuetsu Leasing Co., Ltd.	Leasing business	100	16,268	16,604	17,771	497	118	709	329	96	469
Hokuetsu Leasing Co., Ltd.	Leasing business	100	4,721	3,896	2,956	262	248	213	175	164	163
Daishi JCB Card Co., Ltd.	Credit card and credit guarantee services	30	1,669	1,579	1,648	592	454	532	393	300	349
Daishi DC Card Co., Ltd.	Credit card services	30	827	876	920	87	46	68	57	31	43
Hokuetsu Card Co., Ltd.	Credit card and credit guarantee services	20	772	732	670	155	162	48	103	107	31
Daishi Hokuetsu IT Solutions Co., Ltd.	System-related operations	100	2,882	3,177	3,260	161	240	188	101	152	109
Daishi Hokuetsu Research & Consulting Co., Ltd.	Consulting business and research/study, information provision services related to economy and society	30	205	389	416	30	25	53	19	16	34
Daishi Hokuetsu Capital Partners Co., Ltd.	Fund creation and management	20	96	35	55	11	4	15	8	3	10
Daishi Hokuetsu Career Bridge Co., Ltd.	Staffing agency and consulting business related to corporate human resources	30	154	199	239	74	67	62	60	51	43
Bridge Niigata, Ltd.	Sales channel development, tourism promotion, productivity improvement	70	231	248	292	38	10	15	26	8	10
Daishi Guaranty Co., Ltd.	Credit guarantee business	50	1,730	1,843	1,906	1,122	1,538	1,203	738	1,011	791
Hokuetsu Credit Guarantee Co., Ltd.	Credit guarantee business	210	962	655	594	893	588	533	689	421	384

April 2023: Daishi Hokuetsu IT Solutions Co., Ltd. became a 100% FG subsidiary and Bridge Niigata Co., Ltd. became a consolidated FG subsidiary
October 2023: The Daishi Computer Service Co., Ltd. was integrated into the Daishi Hokuetsu Bank, Ltd.



DAISHI HOKUETSU

Financial Group

第四北越フィナンシャルグループ

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