

DAISHI HOKUETSU INTEGRATED REPORT 2024



DAISHI HOKUETSU
Financial Group

Philosophy

Management Philosophy

Aiming figure

Ideal Form

As a trusted financial group,

we will continue to provide services that live up to the expectations of customers and contribute to the development of regional society.

We will boldly take on challenge to create new value.

Action Principles

Mission

Vision and Approach

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

The Sado Island Gold Mine was registered as a World Cultural Heritage Site in July 2024.

The Group will continue to support Sado, which is full of attractions such as nature, history, food, and unique culture.

Photo: "Doyu no Warito," the symbol of Sado Gold Mine

Contents

Message from Management.....P.03

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

Business Area.....P.09

History of the Daishi Hokuetsu Financial Group.....P.11

Financial / Non-Financial Highlights.....P.13

Strengths of the Daishi Hokuetsu Financial Group.....P.15

Value Creation Story.....P.17

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

Sustainability Initiatives.....P.19

Message from Officer in Charge of Finance.....P.29

Reflection on the Medium-Term Management Plan.....P.33

Identification of Materiality.....P.35

The 3rd Medium-Term Management Plan.....P.37

Dialogue between Ms. Baba, Director, and Ms.Okura, General Manager, DE&I Promotion Office.....P.51

Message from Outside Director.....P.65

Communication with Stakeholders.....P.67

Corporate Data.....P.69

List of Executives.....P.69

Financial / Non-Financial Data.....P.71

List of Group Companies.....P.73

[Editorial Policy]
Daishi Hokuetsu Financial Group has prepared this "DAISHI HOKUETSU INTEGRATED REPORT 2024" in order to help all stakeholders gain a better understanding of the company's initiatives aimed at sustainable value creation. When compiling this report, we have referred to the "International Integrated Reporting Framework" advocated by the IFRS Foundation (formerly the IIRC), the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation," and other resources. For detailed financial data, etc., please refer to "Disclosure Magazine 2024" (the company's website: <https://www.dhfg.co.jp/financial/ir/disclo/>).
This report contains forward-looking statements, but these are not guarantees of future performance and may differ materially from actual results owing to changes in the business environment and other factors.



[Presentation of figures]
On January 1, 2021, the company's wholly owned subsidiaries, Daishi Bank and Hokuetsu Bank, merged, with Daishi Bank as the surviving company and Hokuetsu Bank as the dissolving company, with the company name changing to Daishi Hokuetsu Bank.
The figures for Daishi Hokuetsu Bank in this document are calculated in accordance with the following rules from the perspective of making appropriate period comparisons for each item.
● Fiscal year ended March 2021: Simple sum of the figures for Daishi Bank and Hokuetsu Bank for April-December 2020 and the figures for Daishi Hokuetsu Bank from January 2021 onwards
● Fiscal year ended March 2020: Simple sum of the figures for Daishi Bank and Hokuetsu Bank
*As a general rule, the figures in this document have been rounded down to the nearest unit. "The "Daishi Hokuetsu Financial Group" may be referred to below as "Daishi Hokuetsu FG," "FG," "the company," or "the Group" in this document. "QR Code," which is referenced in this document, is a registered trademark of DENSO WAVE INCORPORATED.
Inquiries Business Planning Division, Daishi Hokuetsu Financial Group 025-224-7111 (representative)

TOP MESSAGE

Continuing to contribute to the sustainable growth of the region as a group earning trust

President and Representative Director

Michiro Ueguri



Foreword

We sincerely appreciate your continued support and loyalty. We extend our deepest sympathies to all those affected by the 2024 Noto Peninsula Earthquake and hope for a swift recovery and restoration.

When the basic agreement for the management integration of Daishi Bank and Hokuetsu Bank was signed in April 2017, the management team aimed to achieve a consolidated net income of 20 billion yen and a consolidated OHR in the 65% range by offsetting integration costs and realizing various synergies within five to six years.

Seven years after the signing and five years post-integration, our fiscal 2023 consolidated net income reached 21.2 billion yen, with a consolidated OHR of 65.1%, surpassing our initial expectations.

Fiscal 2023 marked the 5th anniversary of the establishment of Daishi Hokuetsu Financial Group, Inc. in October, and the 150th anniversary of Daishi Hokuetsu Bank's founding in November. Achieving our initial targets envisioned at the time of management integration decision in such a milestone year is of great significance to us.

This achievement was made possible, under the support of

our shareholders and other stakeholders, by the concerted efforts of all Group officers and employees, who successfully implemented the management integration, merged Daishi Bank and Hokuetsu Bank, and transitioned to a Group management structure earnestly as planned, while striving to enhance service quality toward corporate value enhancement. However, in the value creation story I envision, we have only been in a preparatory phase until now. We have just entered a phase where we will fully realize our potential and strive for even higher goals.

Under the 3rd Medium-Term Management Plan launched this fiscal year, we will continue to share a "unity of purpose" and a commitment to "leap forward" by tackling the challenges toward a bright future for our community, customers, and the Company. We are dedicated to returning the fruit of our efforts to all of our stakeholders.

Putting Management Philosophy into Practice -Toward Sustainable Growth of the Region and the Group-

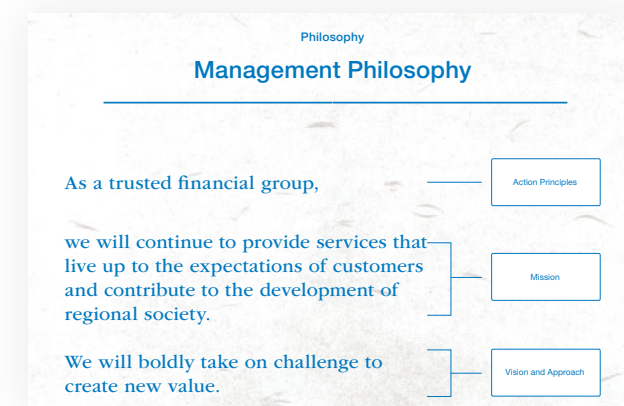
Our Management Philosophy is the cornerstone of our sustainable value creation story, and it is crucial that we take actions in line with the Management Philosophy in any environment. Without "trust," we cannot form human relationships, and in the business world, "trust" is always the foundation for all transactions.

Since its founding in 1873, Daishi Hokuetsu Bank has built and deepened relationships of trust with the local community and grown as an integral part of it, while fulfilling its role and mission as a regional financial institution and adapting to an ever-changing environment for over 150 years.

To "continue to provide services that live up to the expectations of customers and contribute to the development of local community" based on this relationship of trust is our most important mission and reason for existence, namely our purpose, which will never change 10 or 20 years later, no matter what the management environment will be.

Therefore, I, as well as all other officers, continually emphasize and communicate the following to our employees:

"To remain a 'trusted financial group,' we must cultivate ethical values and engage in character building, strive to improve ourselves with motivation and pride, aiming to meet the high expectations of the community as a financial and information services group representing Niigata Prefecture, and 'boldly take on challenges to create new value to fulfill our mission'," and "All business activities of our officers and employees must consistently align with our Management Philosophy and work towards this goal."



Briefing for managers by the President

Message from Management

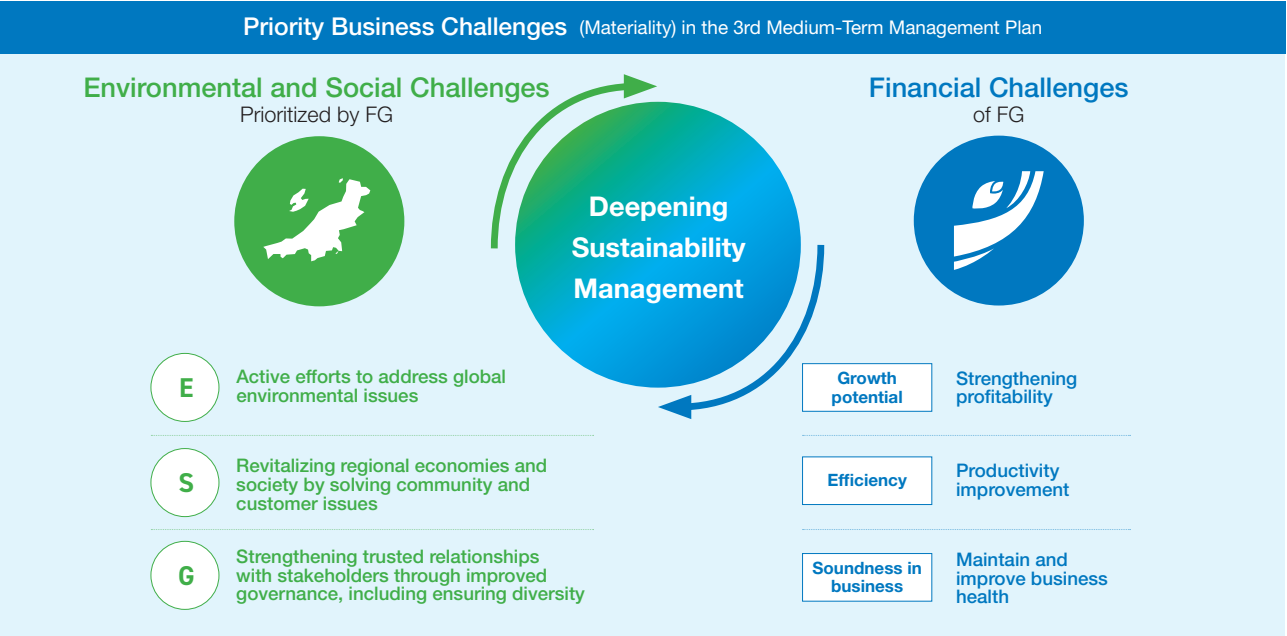
The 3rd Medium-Term Management Plan (Details P.37)

The business environment in which the Group operates is characterized by a declining population associated with aging population and a falling birthrate, which is progressing at a pace beyond our assumption. Additionally, there is an increasing influx of entrants from various industries into the financial sector, coupled with advances in digital technology, such as generative AI, which are intensifying competition across different business formats. Moreover, the trend toward the responses to global environmental issues including decarbonization is irreversible, while the transformation of the international order due to emerging geopolitical risks is introducing new threats. Additionally, Japan's longstanding deflationary economy and ultra-low-interest rate policy have reached a turning point. As a result, the business environment is evolving rapidly and becoming increasingly complex and

uncertain.

In this challenging business environment, the 3rd Medium-Term Management Plan (the "new MTP") launched in April 2024 identifies "environmental and social challenges" as priority issues, alongside the existing "financial challenges" from the perspective of business challenges to address. These two types of issues have been designated as the priority business challenges (double materiality) that the Group should overcome.

The financial challenges identified are "strengthening profitability," "productivity improvement," and "maintain and improve business health." The environmental and social challenges encompass issues in the environmental (E), social (S), and governance (G) fields, such as "active efforts to address global environmental issues." (Details P.36)



To address these issues concurrently, we will implement four basic strategies: "demonstration of the Group comprehensive capabilities," "pursuit of productivity improvement," "enhancement of human capital value," and "deepening risk management." We will also leverage the collaboration of the TSUBASA Alliance and the Gunma Daishi Hokuetsu Alliance—key drivers of innovation—to the fullest extent across all areas.

Although the MTP spans three years, we are committed to deepening our sustainability management from a long-term perspective. Our measures are based on an approach of enhancing and leveraging the value of various elements of

non-financial capital, including the Management Philosophy and governance, human capital, know-how, brand, design, customer and employee satisfaction, and alliances.

Additionally, targets have been established for each financial challenge and environmental and social challenge (Details P.38), with interrelated cause-and-effect relationships designed to ensure a sustainable value creation story. Through our initiatives to tackle these challenges, we aim to achieve a higher level of performance by the final year of the MTP, targeting consolidated net income of 27 billion yen and consolidated OHR in the 61% range in fiscal 2026.

Aspirations in the 3rd Medium-Term Management Plan -Our Commitment to Enhancing Corporate Value-

I have positioned the new MTP as "a stage where all officers and employees of the Group unite in a shared purpose (Management Philosophy) embracing challenges with strong determination, and leap forward with courage." We have also adopted a new slogan: Isshi Yuyaku (taking a brave leap under united spirits).

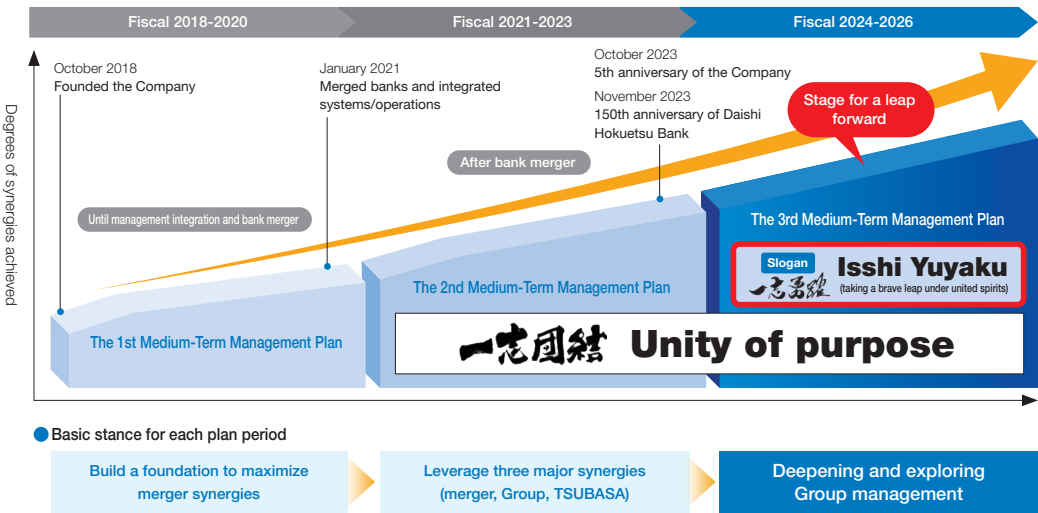
Our growth to date, achieved through the realization of the three key synergies—merger synergy, group synergy, and TSUBASA Alliance synergy (Details P.33)—is a significant accomplishment. This success is a testament to the continued efforts of all officers and employees sharing a "unity of purpose."

However, as I noted at the beginning of this message, following the management integration and merger of the two

banks, we have only just established ourselves as a single organization—essentially, we are at the starting line. Our goal now is to "leap forward" to even greater heights by fully demonstrating our true value.

We have the following three basic policies.

(1) We will approach from two phases: "deepening" of Group management, where we deepen existing businesses, and "exploration," where we venture into new fields. (2) We will boldly focus our management resources on the non-interest income sector, a key strength of the Group. (3) In our "exploration" efforts, we will pursue success through repetitive challenges with a "trial and error" approach, prioritizing action and experimentation over prolonged deliberation.



"Deepening" and "Exploration" of Group Management to Resolve Priority Business Challenges (Materiality)

I will remain steadfast in these basic policies, making decisions with an unwavering commitment, and accomplish the objectives of the new MTP while leading the Group.

In July 2024, we established the Productivity Improvement and DX Promotion Committee, which I chair, to enhance the Group's labor productivity. Additionally, the Sustainability Promotion Committee, which was created under the previous MTP, will continue to be chaired by me and advance various sustainability initiatives for the region, including efforts toward decarbonization.

We have also established committees focused on key themes such as "enhancement of human capital value" and "regional revitalization," which I will discuss later. Additionally, we launch cross-organizational projects across divisions and companies as needed, and implement PDCA cycle.

Our experience has demonstrated that this cross-organizational promotion structure effectively coordinates the Group's financial functions, IT expertise, information matching capabilities, and external network know-how, and allows us to offer one-stop services as a life plan advisor, tailored to the unique needs of both corporate and individual customers.

At the same time, we are committed to "deepening" our existing businesses by continuously enhancing our service quality and embedding the importance of a customer-oriented business operation throughout the organization from a medium-to long-term perspective. Additionally, we established the New Business Planning Office in July 2024 to "explore" new fields and the Tokyo Sales HQ at the bank to expand markets and strengthen collaboration both within and beyond Niigata Prefecture, contributing to the revitalization of the regional economy. We also created the Overseas Business Strategy Office to support our customers' international business development. By fully leveraging each of these functions, we aim to drive innovation.

This "deepening" and "exploration" approach is the key to our sustainable growth. We therefore will further accelerate our initiatives, leveraging the frameworks of the TSUBASA Alliance and the Gunma-Daishi Hokuetsu Alliance to their fullest extent.

Message from Management

Toward Enhancement of Human Capital Value

The Group recognizes human resources as invaluable assets and has been actively enhancing its human capital by increasing investment in human resource development each fiscal year. Additionally, we are committed to improving the workplace environment to ensure that everyone can fully demonstrate their potential.

Human resources are the source of sustainable value creation and our competitive edge. Under the new MTP, we will further intensify our efforts to strengthen this vital asset.

In July 2024, we established the Human Capital Value Enhancement Committee, chaired by me. This committee will define the evolving profile of our human resources demanded in response to the changing environment, and then formulate a Group-wide plan to enhance human capital value, and implement a cross-organizational PDCA cycle for various measures based on such plan. Additionally, the Human Resources Planning Division has been renamed as the Human Capital Strategy Division and we created specialized offices within it: the Human Capital Strategy Office, focused on enhancing human capital value across the Group; the Diversity, Equity & Inclusion (DE&I) Promotion Office, dedicated to further diversifying our human resources base; and the Human Capital Development Office, aimed at developing the capabilities of our employees.

In June 2024, we took a significant step toward ensuring

diversity by appointing our first female Director from within the Group. We develop candidates for female Directors based on our policy of in developing female Directors internally in the first place. We also have many female general managers and branch managers active in the bank, as well as female presidents and officers at Group companies. We are also committed to mid-career hiring, further enhancing the diversity of our human resources. This progress is exemplified by the appointment of a former securities firm executive as president of a Group company.

In terms of infrastructure development, we have introduced the Career Support System (a human resources information infrastructure system) at the bank to facilitate talent management by enabling the “visualization of human capital.” We are also preparing to expand this system’s operation across the entire Group.

In addition, we are continuously working to improve employee engagement, health management, and the workplace environment. We are also exploring working styles to create a virtuous cycle of employee satisfaction (ES), customer satisfaction (CS), and business performance (including risk management) in order to establish a system for achieving these goals.

Toward Enhancement of Corporate Value

The Company will continue to implement tangible initiatives to improve the price-book value ratio (PBR). Since PBR is the product of return on equity (ROE) and price-earnings ratio (PER), we are focused on enhancing corporate value by improving both of these key elements. (Details P.31)

To improve ROE, which reflects capital efficiency, our primary focus is on boosting profitability through the measures

I have outlined, while also maintaining and enhancing capital strength. To ensure appropriate risk-taking in relation to earnings, we are working to improve return on risk assets*1 (RORA) by establishing a risk appetite framework (RAF)*2.

Under the new MTP, we are committed to further deepening these initiatives to increase ROE to 5% or more as soon as possible, with the goal of reaching an even higher level



thereafter.

To improve the other element, PER, which reflects the market’s expectations of future growth, we will enhance communications through materials like this Integrated Report and proactively engage in investor relations and shareholder relations activities to ensure that our investors and shareholders understand the likelihood of increased profitability and our various initiatives aimed at enhancing shareholder returns.

Additionally, revitalizing the economy of Niigata Prefecture, our base, even in declining population, and enhancing the attractiveness of this region as our sales base will contribute to improving the PER.

As a leading financial and information services group in Niigata Prefecture, we are committed to overarching regional revitalization by actively engaging in various initiatives, including tourism promotion. We support the ecosystem behind the scenes by spearheading creation of a collaborative framework among stakeholders and leveraging the TSUBASA Alliance and the extensive networks we have cultivated in Japan and abroad.

Positioning the Group as a node of “people, goods, money, and information” in the region, the Regional Revitalization Promotion Committee is dedicated to addressing regional challenges by allocating proportionate management resources to various regional revitalization projects across Niigata

Prefecture.

Several large-scale development projects are currently at the planning stage in Niigata Prefecture, including an offshore wind power generation project and resort development (Details P.39). Additionally, the Sado Island Gold Mine has been added to the UNESCO World Cultural Heritage Site, the first cultural heritage site in Niigata Prefecture to achieve this status. For projects with such significant impact and potential ripple effects to this region, related divisions of the bank as well as the Human Capital Value Enhancement Project Team—a cross-organizational team across the Group—are actively engaged in maximizing their benefits.

Additionally, enhancing productivity and maintaining as well as expanding added value throughout the region remain top priorities for the Group’s officers and employees. Key initiatives include the promotion of DX All Branch Campaign (Details P.43), which supports the digitalization of local businesses in partnership with local governments; and the GX All Branch Campaign, aimed at advancing decarbonized management practices; and the establishment of the Equity Business Line to facilitate business succession and foster new business creation (Details P.39).

*1: Amount of assets such as loans and securities adjusted for the degree of risk.
*2: Process for determining the type and level of risk (risk appetite) to be accepted in order to realize the management plan, and the business administration framework that supports this process.

Capital Policy and Shareholder Returns

In May and July 2024, as part of its capital and financial strategies, the Company reassessed its shareholder return policy to enhance corporate value by improving shareholder returns while balancing the maintenance of soundness and further improvement of profitability. The revised policy targets a total shareholder return ratio of 40%, with dividends per share being progressive in principle, and aims for a dividend payout ratio of approximately 35%.

In line with this shareholder return policy, the annual dividend for fiscal 2023 was 145 yen per share, an increase of 25 yen from the previous fiscal year. For the current fiscal year ending March 31, 2025, we plan to raise the dividend by an additional 35 yen to 180 yen per share (before stock split). (Details P.32)

We will continue to return profits to shareholders in accor-

dance with this policy, while also considering the need to enhance internal reserves to strengthen the revenue base.

In May 2024, to enhance capital efficiency and strengthen our financial position, we revised our target for reducing cross-shareholdings held by the bank. Previously, our goal was to cut cross-shareholdings by ¥10 billion from the carrying amount as of March 31, 2021. We have now set a new target of reducing them by ¥20 billion (in carrying amount), by adding further ¥10 billion reduction, by March 31, 2027, the final year of the new Medium-Term Management Plan. We will continue to reduce cross-shareholdings in line with the intent of the Corporate Governance Code. (Details P.32)

Looking to the Future

As I noted at the outset, in fiscal 2023 there were two significant milestones: the 5th anniversary of the establishment of our company in October and the 150th anniversary of the founding of Daishi Hokuetsu Bank in November. I would like to express my heartfelt gratitude to all our stakeholders for their unwavering support.

As a result of the transformation in structure, awareness, and behavior through the recent management integration and merger of the two banks, we have significantly enhanced two key capabilities. First, we have strengthened our “execution capability”—the ability to formulate and implement strategies and tactics tailored to environment, and steadily promote PDCA cycle to flexibly adjust and implement them. Second,

we have developed our “collective organizational capability,” which enables us to pursue total optimization across the organization by clearly defining it.

We will continue to enhance these two capabilities and, inspired by the slogan Isshi Yuyaku (taking a brave leap under united spirits), remain dedicated to embracing challenges in an era marked by volatility, uncertainty, complexity, and ambiguity (VUCA). Our commitment is to continually contribute to the development of the region.

I would greatly appreciate your continued support, and I hope you will follow and engage with the Group’s activities as we move forward.

August 2024

Business Area

The company operates in Niigata Prefecture as its main business base. Niigata Prefecture is located on the Sea of Japan side of Honshu, and has long had an active agriculture industry thanks to its geography and climate. In addition, it is widely recognized for its production of rice confectionery, processed seafood products, and other food products that utilize its abundant agricultural and fishery resources, such as rice. Niigata Prefecture has the 15th largest population in Japan (fiscal 2022) and the 16th largest nominal GDP in Japan (fiscal 2020). In addition, the area has high potential, including substantial transportation infrastructure, the area in the middle of the prefecture around Sanjo City and Tsubame City, which are known for their metal goods, the Sado Island Gold Mine, which has been registered as a World Cultural Heritage Site, and tourism resources such as fireworks displays and hot spring resorts.

On the other hand, the rate of population decline has been faster than the national average, and the total population has been declining for 26 consecutive years since peaking in 1997.

Based on these characteristics of Niigata Prefecture and the issues it faces, the company will demonstrate its group synergies to create new value and continue to contribute to the development of local communities by providing various services.

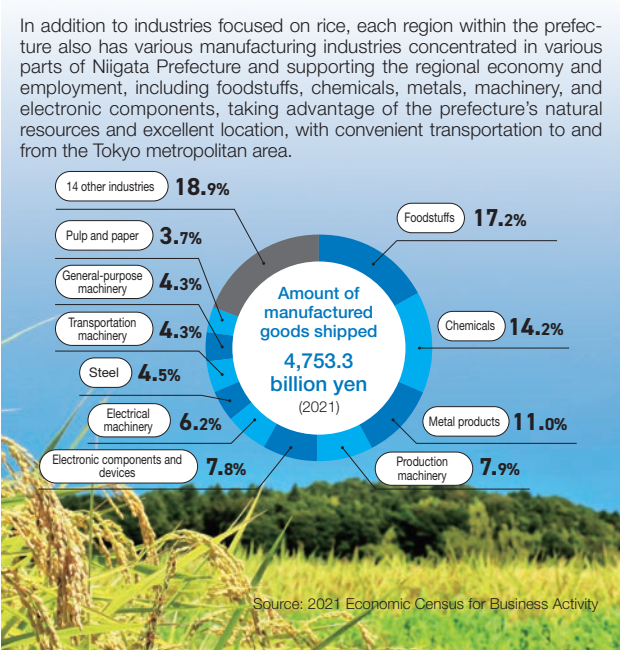
Key Data on Niigata Prefecture

	Figures	National ranking	Year/month
Population	2.15 million	15th	October 2022
Nominal gross prefectural product	8,857.5 billion yen	16th	Fiscal 2020

Source: "Niigata Prefecture through Data: a Handbook of Indicators (Fiscal 2023)" on Niigata Prefecture website



Industries in Niigata Prefecture



Strength 1 Thriving "Agricultural Industry" Thanks to the Abundant Natural Environment and a "Foodstuffs Industry" that Utilizes the Abundant Agricultural and Fishery Resources

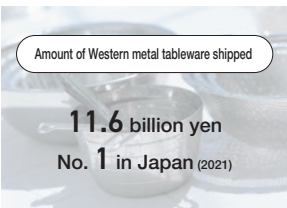
Niigata Prefecture is surrounded by many rivers and mountains, including the Shinano River, the longest river in Japan, and has long been a region with thriving agriculture, particularly rice, in areas across the prefecture. It is also home to the flourishing production of rice confectionery, processed seafood products, and other food products that utilize its abundant agricultural and fishery resources.



Strength 2 Characteristic Industries Backed by Advanced Metalworking Technology

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

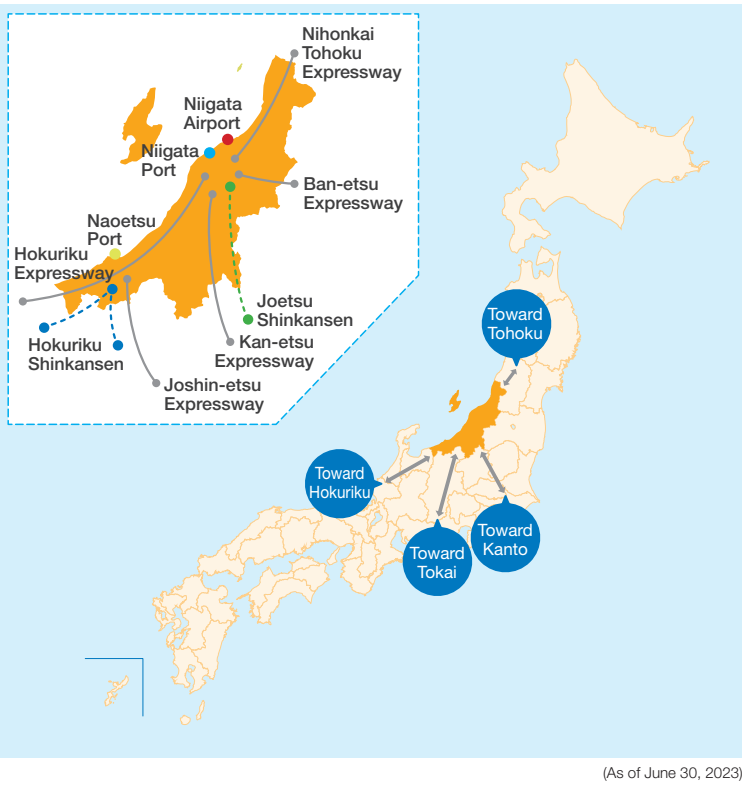
In recent years, there has been an increase in the number of facilities where visitors can enjoy factory tours and experience the skills that craftsmen have cultivated over many years, as well as the ideas that have been passed down to them, in actual hands-on experiences, and there has been increasing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



Strength 3 Substantial Transportation Infrastructure

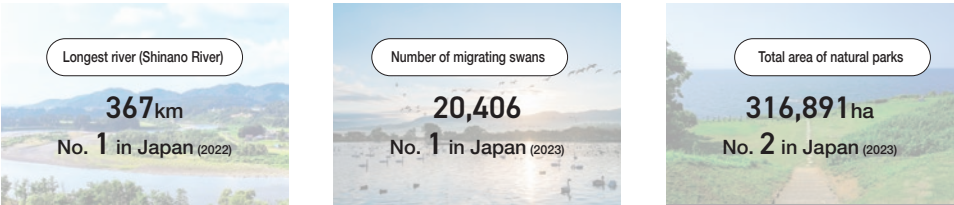
Niigata Prefecture's substantial high-speed transportation infrastructure, etc., enables quick and efficient access from Kanto, Kansai, Tohoku, and other areas.

Advantages of the transportation network	
Highways stretching out in five different directions (Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai Tohoku)	
Joetsu Shinkansen	
Hokuriku Shinkansen	
Niigata Airport	
Niigata Port	Comprehensive ports, function-specific ports: International container shipping sector Designated as LNG (liquefied natural gas) sector
Naoetsu Port	Function-specific ports: Designated as LNG (liquefied natural gas) sector



Strength 4 Valuable Natural Capital

Niigata Prefecture is surrounded by many rivers and mountains, including the Shinano River, the longest river in Japan. It is blessed with a wealth of nature that one can closely feel the changing of the seasons. Twenty areas are designated as natural parks, accounting for one-quarter of the total land area of the prefecture. Hyo-ko (Lake Hyo), well known as a migration site for swans, has been registered as a wetland under the Ramsar Convention and designated as a natural monument of Japan.



Strength 5 Abundant Tourism Resources



Sado is Japan's largest remote island, attracting approximately 500,000 tourists every year. The Sado Island Gold Mine was registered as a World Cultural Heritage Site in July 2024.

In addition, in April 2022, the Ministry of the Environment designated Sado City as a "Decarbonization Leading Area," and the city is actively working to achieve carbon neutrality by 2050.

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

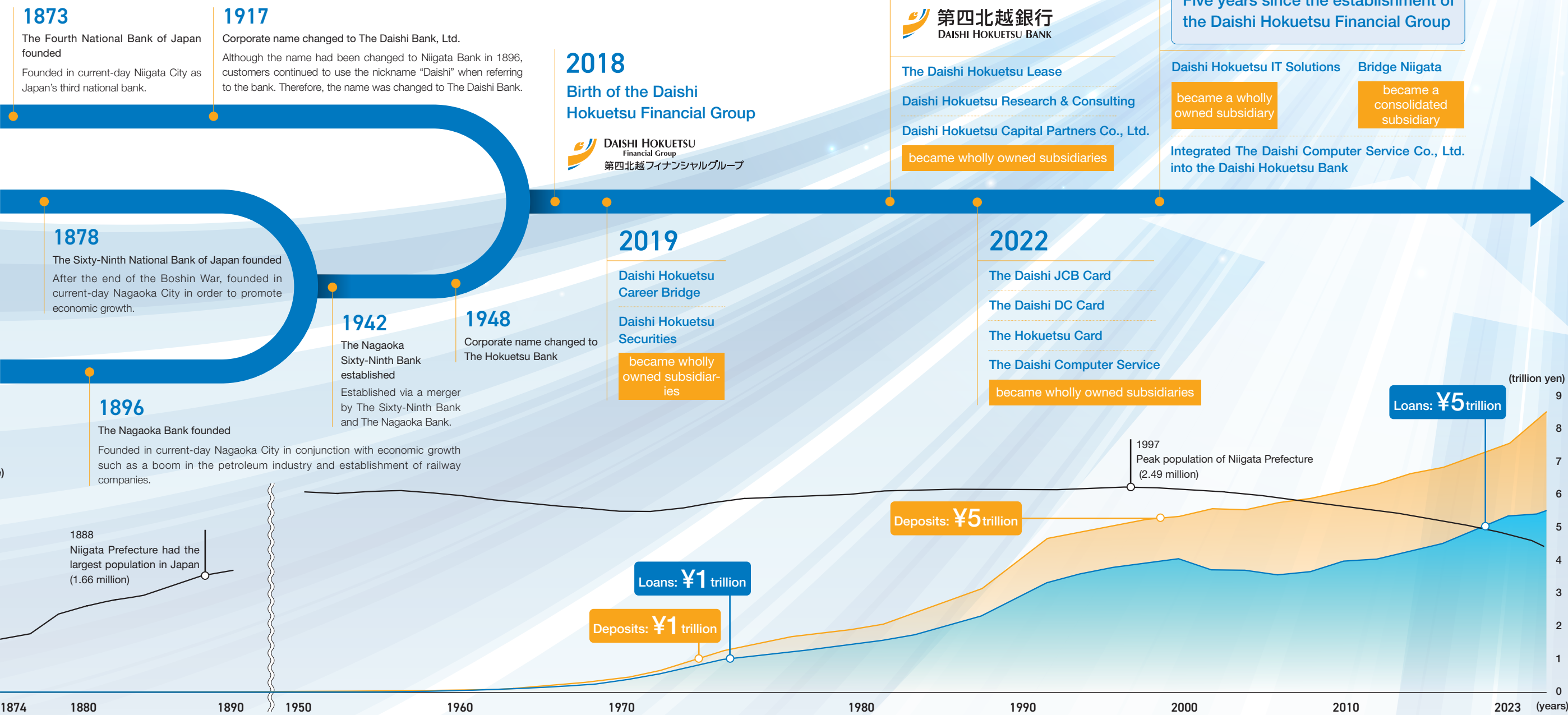
There are 142 hot spring resorts with accommodation facilities in Niigata Prefecture, meaning the prefecture ranks third in Japan on this metric (as of March 31, 2023). There are also 60 swimming beaches, ranking first in Japan (as of October 2023).

Source: "Niigata Prefecture's Japan Top 5 Features" on Niigata Prefecture website

History of the Daishi Hokuetsu Financial Group

Since the founding of the Fourth National Bank of Japan in 1873, we have quickly and accurately identified the issues facing our customers and society as they have changed with the times, and we have continued to provide financial and information services aimed at solving these issues. This has enabled us to earn the trust of stakeholders while achieving sustainable growth and increasing our corporate value.

History of the company



Developments in Niigata Prefecture

1868 Opening of Niigata Port (one of five ports opened)	1880 Great fire of Niigata	1964 National Sports Festival in Niigata	1973 Niigata Airport became an international airport	1982 Opening of Jo-etsu Shinkansen	1988 The entire Hokuriku Expressway was opened	1997 The entire Hokuetsu Line on the Ban-etsu Expressway was opened	2004 7/13 flood damage and Chuetsu earthquake	2011 Great East Japan Earthquake
1871 Creation of Niigata Prefecture as part of the abolishment of feudal domains and establishment of prefectures	1886 Building of Bandai Bridge (Niigata City)	1964 Niigata earthquake					2007 Chuetsu offshore earthquake and Niigata City became a city designated by government ordinance	2018 The temperature exceeded 40 degrees Celsius for the first time in the prefecture's history
1876 Building of Chosei Bridge (Nagaoka City)	1945 Bombing of Nagaoka City						2009 National Sports Festival in Niigata	2020 Nationwide declaration of a state of emergency in relation to the COVID-19 pandemic
								2024 "Sado Island Gold Mine" registered as a UNESCO World Cultural Heritage Site

Continue to contribute to the development of regional society

Message from Management

Overview of the Daishi Hokuetsu FG

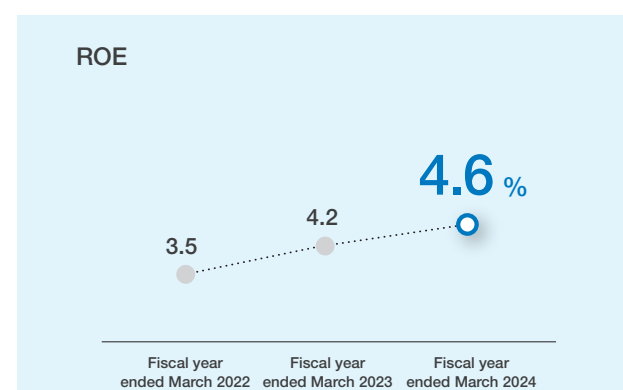
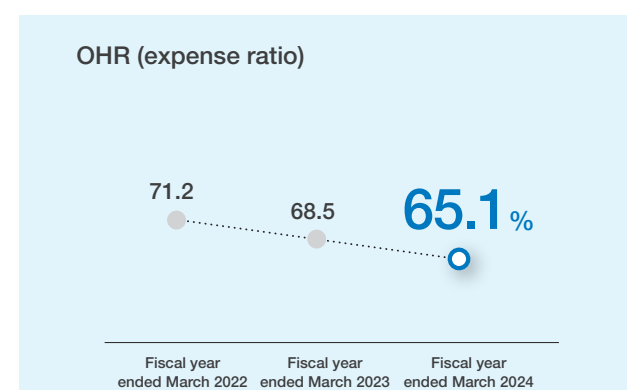
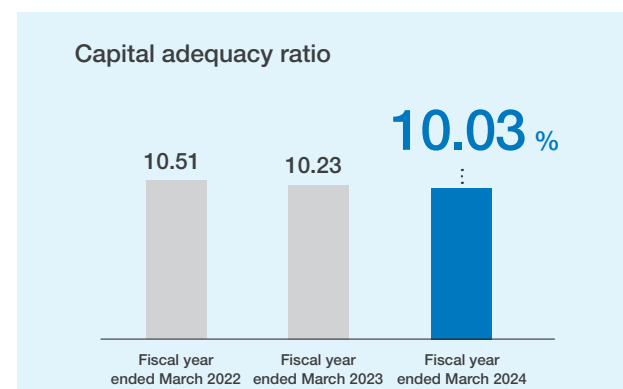
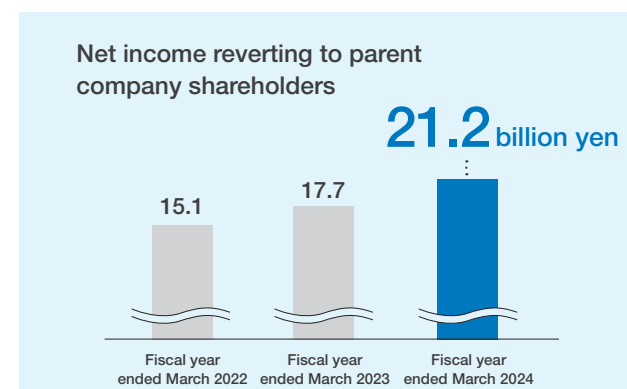
Value Creation Story

Communication with Stakeholders

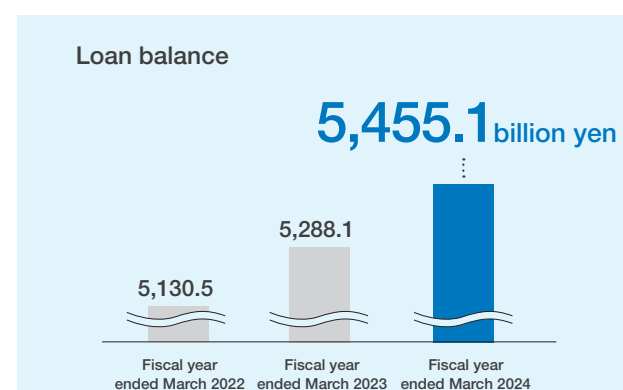
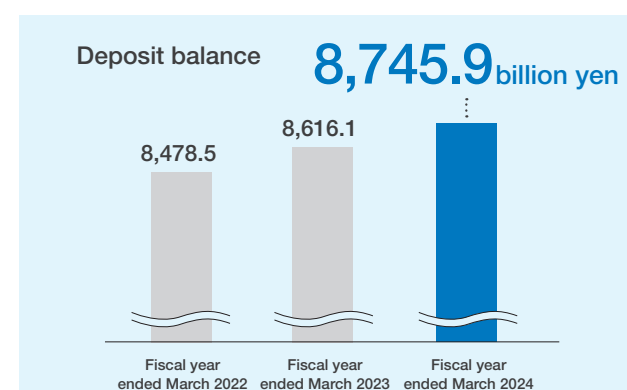
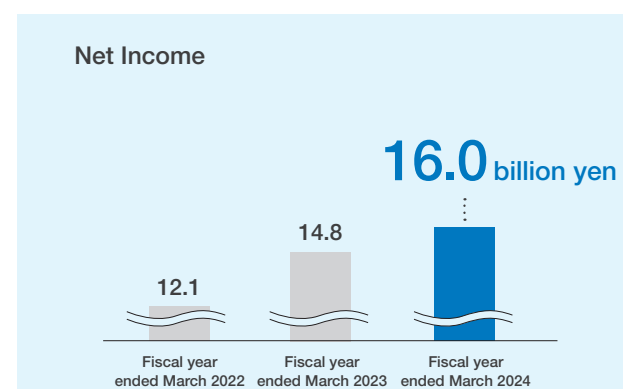
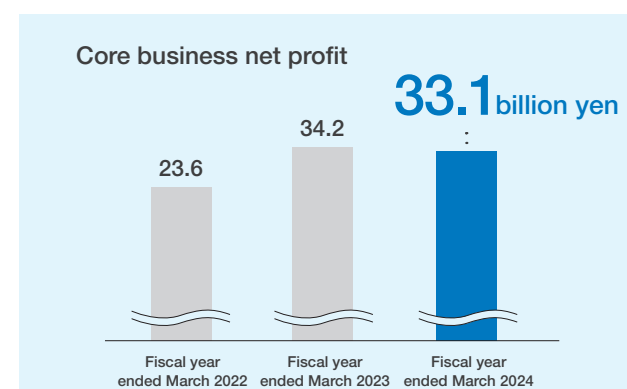
Corporate Data

Financial Highlights

Daishi Hokuetsu FG (Consolidated)

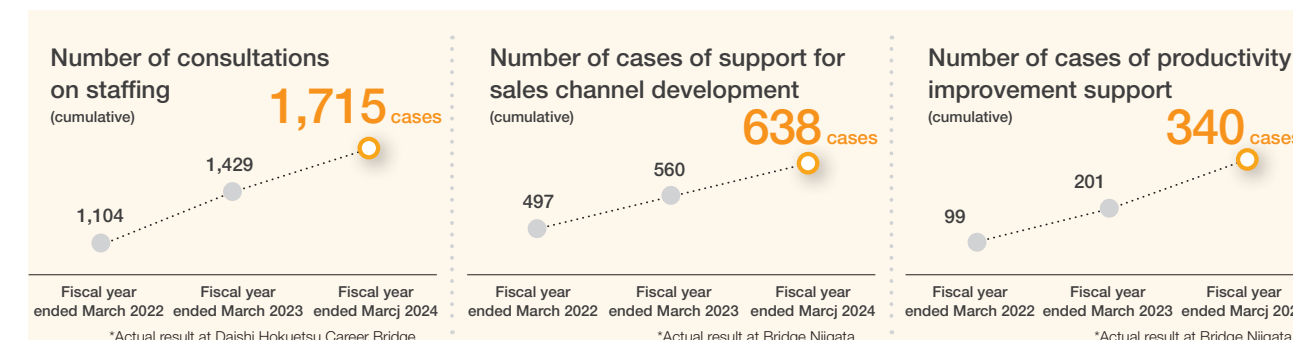
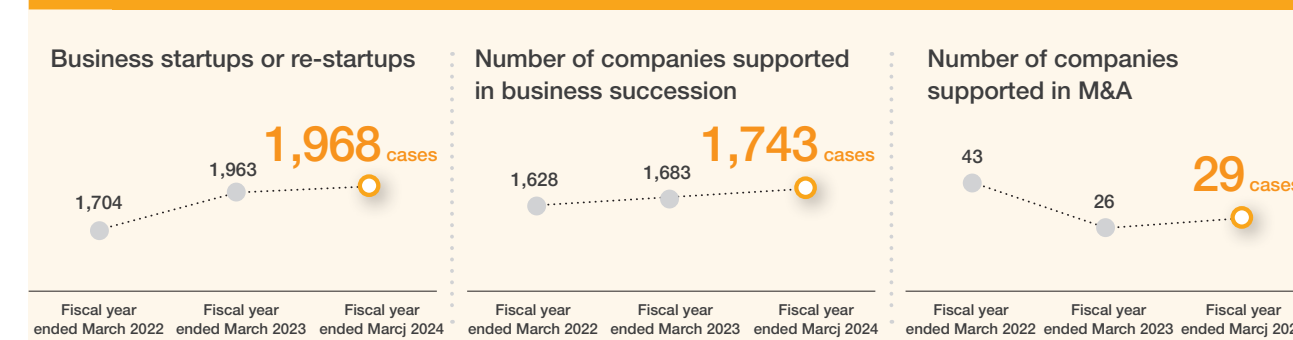


Daishi Hokuetsu Bank (Non-Consolidated)

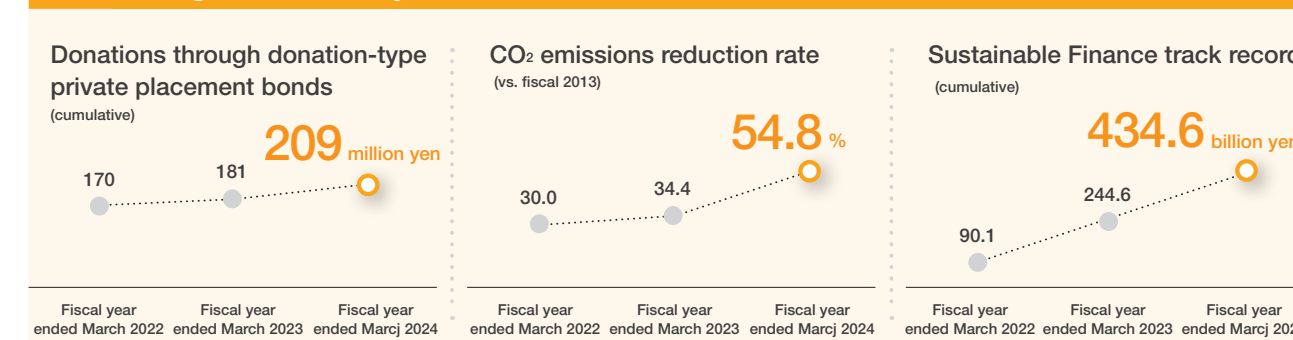


Non-Financial Highlights

Customers



Regional Society



Employees

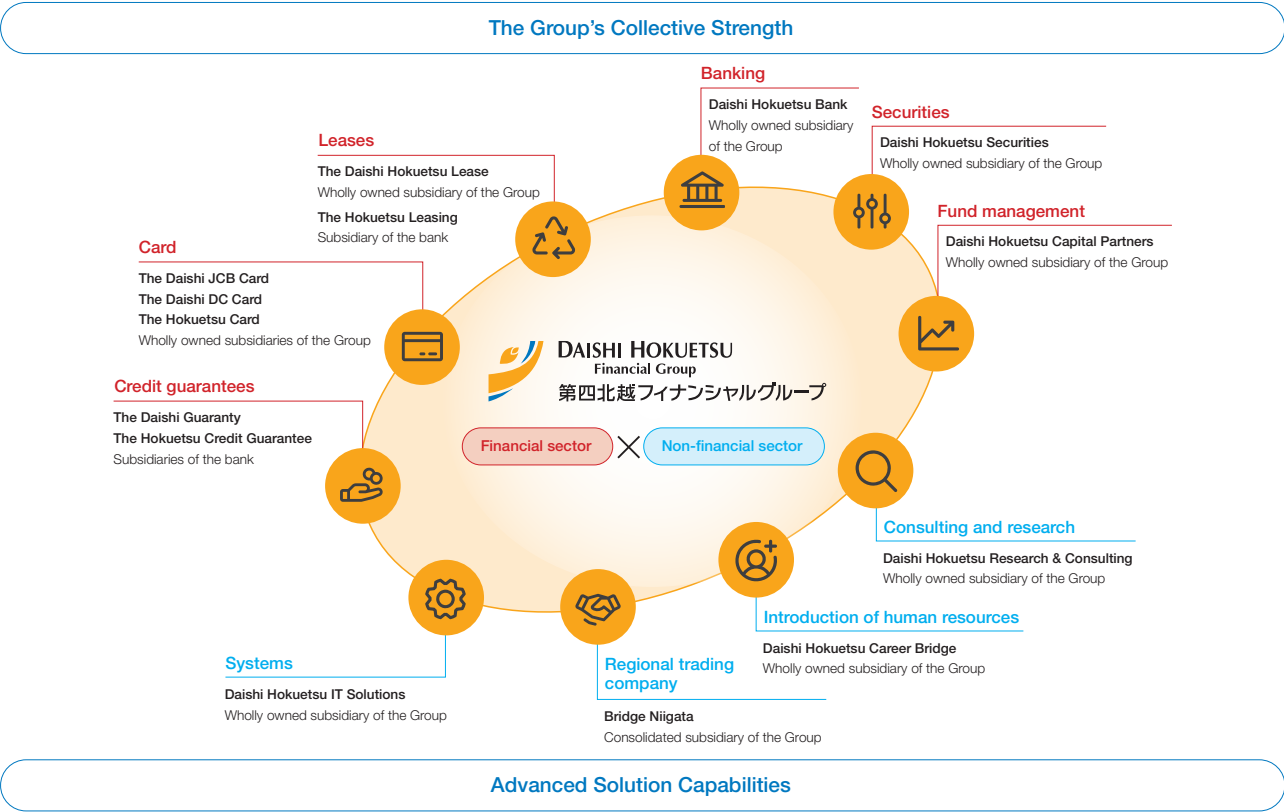


Strengths of the Daishi Hokuetsu Financial Group

In this section, we introduce our strengths aimed at creating new value.

Strength 1 | The Group's Comprehensive Capabilities and Advanced Solution Capabilities

The Group consists of 15 companies in total, comprising the company and 14 consolidated subsidiaries including the Daishi Hokuetsu Bank. The Group provides a wide range of financial products and services to customers in the region, mainly through the banking business but also in other areas such as the leasing business, securities business, credit card business, system-related business, and staffing business.



Strength 2 | Diverse Human Resources with a High Level of Expertise

The Group increases its investment in human resources development every year, and develops human resources with a high level of expertise and practical capabilities who can solve local and customer issues. In addition to acquiring expertise in finance, the Group is making wide-ranging efforts to enhance employees' capabilities, including acquiring basic literacy in DX and SX, which are becoming important management issues in the region. It is also striving to strengthen its human resources base through the recruitment of mid-career human resources and internal collaboration utilizing expertise within the Group.

● Acquisition of highly specialized qualifications

FP Grade 1	205 persons
Small and Medium Enterprises Management Consultant	51 persons
Securities Analyst	54 persons
IT Coordinator	25 persons
Information Security Management	153 persons
IT Passport	1,236 persons
Basic-Level Decarbonization Advisor	1,371 persons

Daishi Hokuetsu Financial Group As of March 31, 2024

Strength 3 | Stable Financial Base

The company's consolidated total assets amounted to approximately 11 trillion yen and its capital adequacy ratio was 10.03% for the fiscal year ended March 2024. This capital adequacy ratio exceeds both the domestic standard of 4% and the international standard of 8% based on the Basel Accord, thus ensuring a sufficient level from the viewpoint of soundness. We have established a capital adequacy ratio of 10% or greater as a KPI under the 3rd Medium-Term Management Plan and we will continue to build on this stable financial base to engage in developing the regional economy. The company's external rating is "A+" from the Japan Credit Rating Agency (JCR), and Daishi Hokuetsu Bank has received ratings of "A+" from the Japan Credit Rating Agency and "A3" from Moody's.

Capital adequacy ratio (consolidated)

10.03%

(As of March 2024)

● External ratings

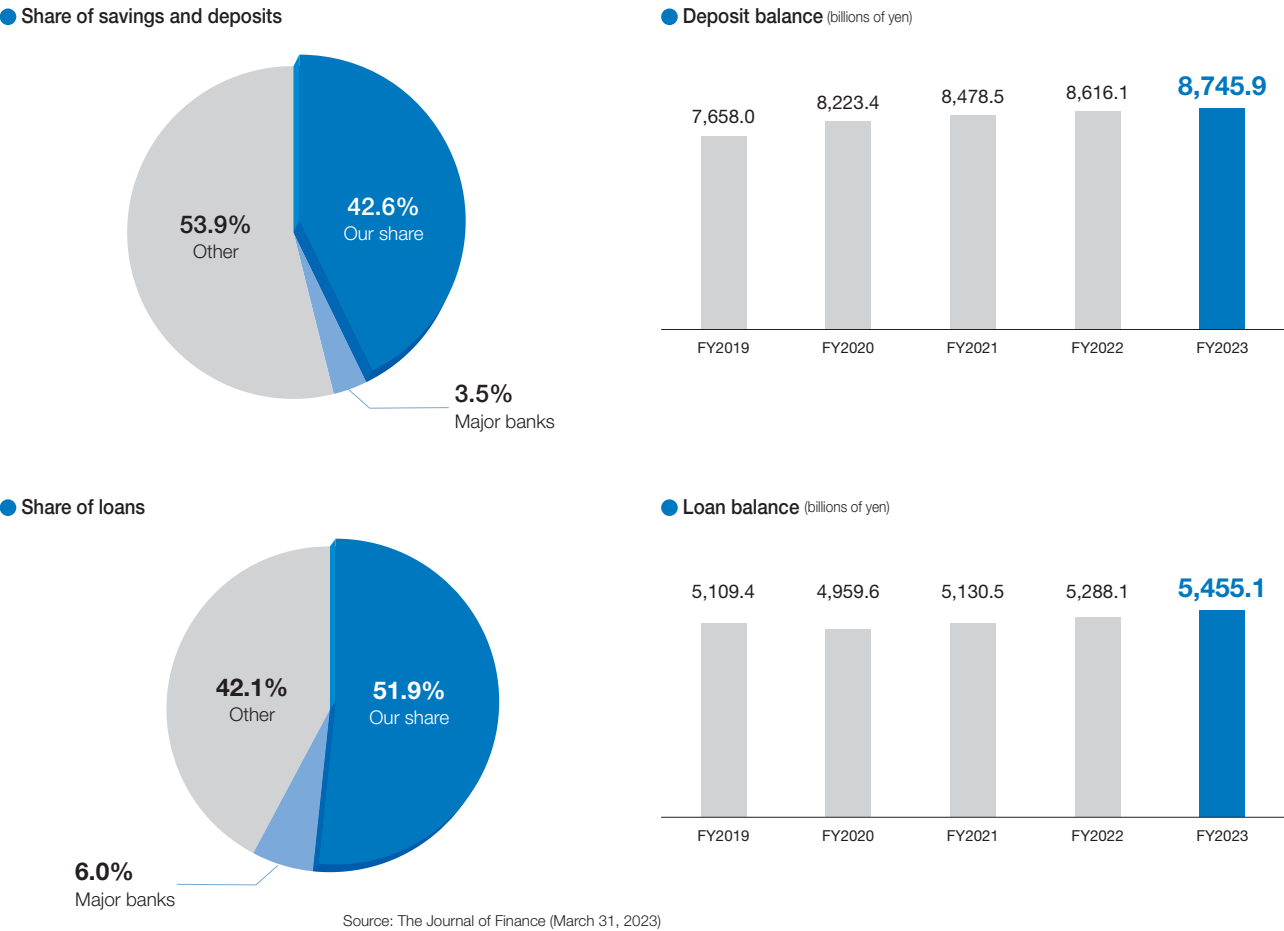
	Japan Credit Rating Agency (JCR)	Moody's
DAISHI HOKUETSU Financial Group 第四北越フィナンシャルグループ	A+	—
第四北越銀行 DAISHI HOKUETSU BANK	A+	A3

(As of March 2024)

Strength 4 | Trust from the Local Community

The company celebrated the five-year anniversary of its establishment in October 2023, while its subsidiary, Daishi Hokuetsu Bank, celebrated the 150th anniversary of its founding in November 2023. We believe that new value can be created through the value creation process based on engagement (dialogue) only when there is a relationship of trust as the foundation, and the Group's relationship of trust with local communities that we have developed over many years is a valuable asset. Daishi Hokuetsu Bank has a high share of both savings deposits and loans in Niigata Prefecture, at 42.6% and 51.9%, respectively. We enjoy the

patronage of many customers as the prefecture's top bank. In addition, according to the "Nationwide Main Bank Trend Survey of Companies (2023)" (source: TEIKOKU DATABANK), we were the main bank for approximately 17,900 companies, which placed us ninth in Japan after mega-banks and fifth among regional banks. The business foundation that Daishi Hokuetsu Bank has built up over many years serves as a platform for the business development of the Group, enabling us to provide services that meet the expectations of local residents.



Overview of Value Creation Story

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

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

Surrounding business environment

External environment

- Decreasing population, declining birthrate, and aging society
- Changes in social and industrial structures due to DX
- Growing importance of sustainability management
- Acceleration of globalization
- Further increase in geopolitical risks etc.

Environment surrounding finance

- Shift in monetary policies in Japan, the United States, and Europe
- Development of cashless payments
- Intensification of competition with other banks
- Deregulation
- Entry into the financial industry by companies from other industries etc.

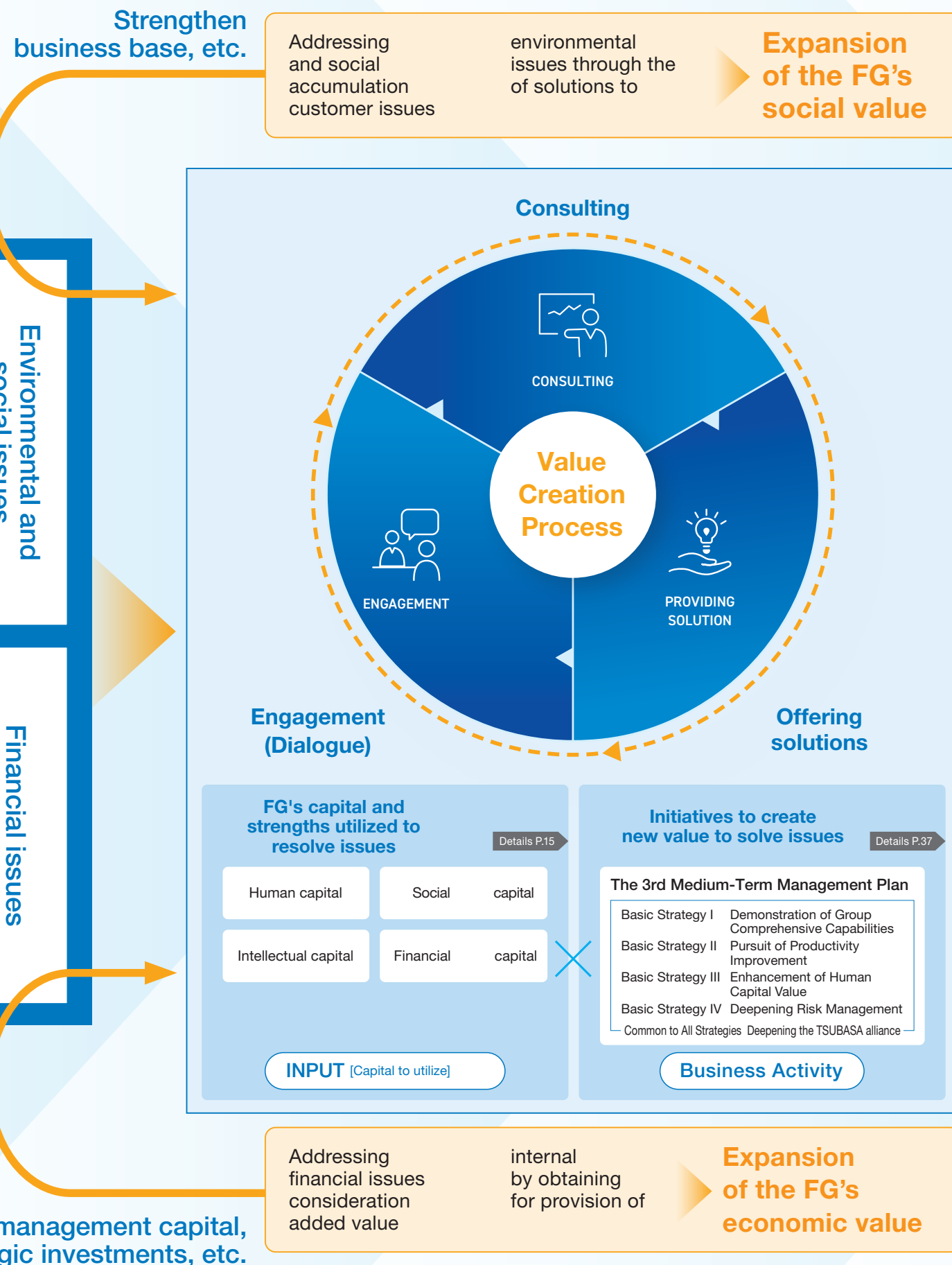
Accelerated and multifaceted changes with increasing complexity and uncertainty

Environmental and social issues

Financial issues

The Daishi Hokuetsu FG's priority business challenges

Details P.35



Sustainability Initiatives

Basic Sustainability Policy

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

Daishi Hokuetsu Financial Group Management Philosophy

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

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

Initiatives Targeting Regional Issues

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

Initiatives Targeting Environmental Problems

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

Establishing relationships of trust with society

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

Practicing human capital management

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

Policy on ESG Initiatives

SDGs Declarations

Human Capital Management Policy

Disclosure of the Status of Sustainability Initiatives

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

In addition, taking measures to address various risks that will impact on the business continuity of the Group and our business partners are matters of urgency. These risks include not only climate change but also large-scale earthquakes such as the Noto Peninsula Earthquake of January 2024 and geopolitical risks that have been increasing in recent years.

Against this backdrop, the Group is proactively putting sustainability management into practice to maintain and improve the environment and society while simultaneously achieving economic and corporate growth.

Since the fiscal year ended March 31, 2022, we have been working to enhance information disclosure, based on the framework of the TCFD* (Task Force on Climate-related Financial Disclosures) recommendations.

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

The TCFD was disbanded in October 2023, and the supervision of corporate disclosure of information has been transferred to the International Sustainability Standards Board (ISSB). Going forward, the Company will proceed with preparations for the enhancement of information disclosure, based on the framework of the ISSB and the Sustainability Standards Board of Japan (SSBJ).

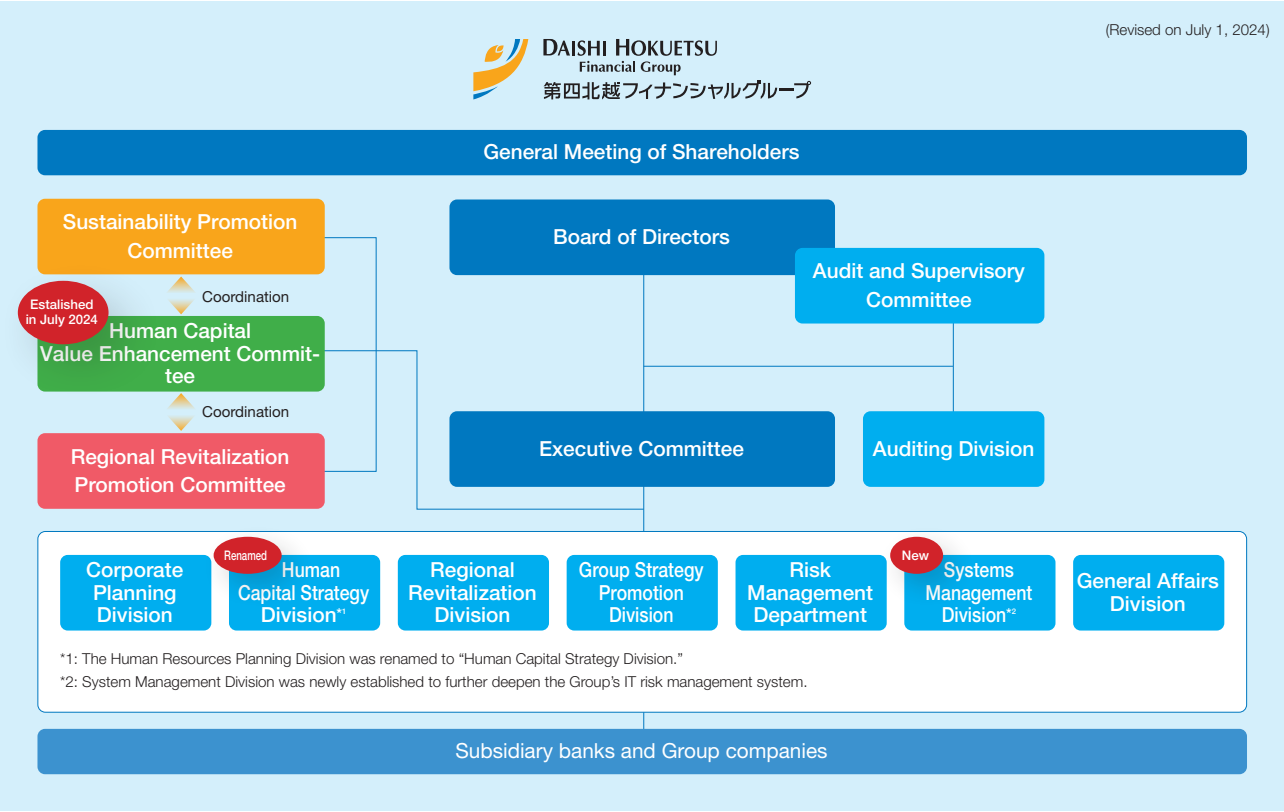
Process 1 Governance

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

Meetings of the committee are held every month (12 meetings were held in fiscal 2023). In addition to implementing the PDCA cycle for sustainability initiatives, we have also established a system for deliberating the contents of these initiatives at meetings of the Board of Directors. In such ways, we have created a framework that ensures the Board of Directors participates in decision-making and supervision related to sustainability.

In July 2024, the Company established a Human Capital Value Enhancement Committee, which is chaired by the President of the Company, creating a framework for formulating and implementing human resources strategy linked to sales strategies in cooperation with the Sustainability Promotion Committee and the Regional Revitalization Promotion Committee.

Governance Organization



Role of Each Committee, etc.

Committee, etc.	Roles related to sustainability
Board of Directors	• Receiving regular reports on initiatives related to sustainability and independently participating in decision-making and supervision
Executive Committee	• Deliberation of policies, plans, indicators, and target-setting related to sustainability • Periodic reports to the Board of Directors on the status of the FG's initiatives, etc., based on the Basic Sustainability Policy, and directions to the Sustainability Promotion Committee on matters decided by the Board of Directors and other matters
Sustainability Promotion Committee	• Deliberation of sustainability, formulation of strategies, etc.
Chair: President of the FG; Members: Officer in Charge of Sustainability of the FG, Presidents of Group companies, General Managers of Daishi Hokuetsu Bank; Observers: Internal Audit and Supervisory Committee Members of the FG, Audit and Supervisory Committee Members of Daishi Hokuetsu Bank	

Main Reports and Deliberations at Meetings of the Board of Directors	
May 2023	• Performance report on activities to promote sustainability for fiscal 2022 and policies on sustainability initiatives in fiscal 2023
November 2023	• Performance report on activities to promote sustainability for the first half of fiscal 2023
May 2024	• Performance report on activities to promote sustainability for fiscal 2023 and policies on sustainability initiatives in fiscal 2024

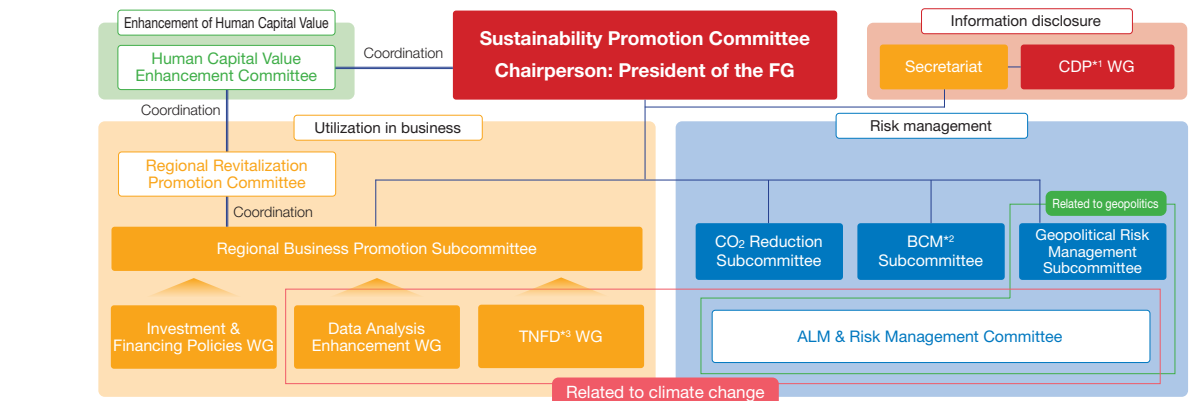
Sustainability Initiatives

Role of the Sustainability Promotion Committee

In order to deepen our initiatives toward risk management for business continuity in the event of a large-scale disaster and to enhance human capital value, in addition to our responses to climate change, we have established subcommittees and working groups under the Sustainability Pro-

motion Committee for each of the four categories of "utilization in business," "risk management," "enhancement of human capital value," and "information disclosure." We implement the PDCA cycle for activities planned and implemented by each subcommittee and working group.

Structure of the Sustainability Promotion Committee



*1 CDP : International environmental non-profit organization (NPO) based in the United Kingdom, formerly known as the "Carbon Disclosure Project"

*2 BCM : Business Continuity Management

*3 TNFD : Taskforce on Nature-related Financial Disclosures (Details P.27)

Roles of Subcommittees and Working Groups of the Sustainability Promotion Committee

Subcommittee/WG		Role
Utilization in business	Regional Business Promotion Subcommittee	• Utilize the results of analysis and reviews by each WG in consulting with business partners
	Investment & Financing Policies WG	• Continuous verification of sustainable finance • Monitoring the status of investment & financing policies • Reviews of specified businesses
	Data Analysis Enhancement WG	Scenario Analysis • Conduct scenario analysis and review analysis sectors • Calculation of credit in carbon-related sectors Portfolio Carbon Analysis • Acquisition of skills related to portfolio carbon analysis methods and implementation of analysis • Development of engagement with business partners
	TNFD WG	• Consideration of initiatives to protect biodiversity • Consideration of initiatives for information disclosure based on the TNFD Framework
Risk management	CO ₂ Reduction Subcommittee	• Planning of overall measures for CO ₂ reduction • Planning of overall measures to reduce energy consumption • Planning of overall measures to reduce paper consumption
	BCM Subcommittee	• Planning and implementing measures to achieve business continuity
	Geopolitical Risk Management Subcommittee	• Identification of events affecting the Group caused by geopolitical risks and consideration of countermeasures
Enhancement of Human Capital Value	Human Capital Value Enhancement Committee	• Consideration of measures to enhance human capital value • Review of disclosure of information related to human capital • Consideration of measures to promote DE&I* • Consideration of measures to realize wellbeing
Information disclosure	Secretariat	• Overall operation of the Sustainability Promotion Committee • Formulation of measures for information disclosure • Collection of information related to sustainability
	CDP WG	• Review of responses to CDP questionnaires

* Diversity, Equity & Inclusion: The concept of not only accepting diversity but also creating an environment where everyone can equitably demonstrate their abilities and play an active role

TOPICS Received "B" score in CDP's "Climate Change Report 2023"

In fiscal 2023, the Group responded for the first time to the Climate Change Questionnaire by CDP, a UK-based international environmental non-profit organization, and received a "B" score, the third highest score on the scale. One of the world's leading ESG evaluation organizations, CDP was established by investors and others that use environmental initiatives as the basis for their investment decisions. Every year, CDP sends out questionnaires to the world's major companies regarding their environmental initiatives, disclosures, and other topics, and, based on their answers, evaluates the respondents using an eight-point scale (A, A -, B, B -, C, C -, D, D -). A score of "B" is considered to be "management level" and indicates a company that is aware of its environmental risks and their impacts and is taking action. In fiscal 2023, about 23,000 companies worldwide, including about 2,000 companies in Japan, responded to the questionnaire. The scores published by CDP are used widely for investment decisions by institutional investors and ratings by ESG evaluation organizations.



Process 2 Strategy

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

The Group recognizes physical risks, transition risks, and opportunities related to climate change risks on short-term (5 years), medium-term (10 years), and long-term (30 years) time horizons, and we analyze their impact on the Group in both qualitative and quantitative terms. Based on the results

of these analyses, the Group works to strengthen our risk management systems and enhance our provision of information, consulting services, and solutions for customers.

		Short term (5 years)	Medium term (10 years)	Long term (30 years)
Examples of physical risks	Credit risk	Damage to customers' assets owing to floods, etc.		
	Market risk	Market turmoil owing to the effects of extreme weather events and resulting fluctuations in the value of financial instruments, etc.		
	Liquidity risk	Withdrawal of deposits and other actions by customers affected by floods, etc.		
	Operational risk	Suspension of business operations owing to damage from floods, etc.		
Examples of transition risks	Credit risk		Negative impact on customers' businesses and financial positions from their inability to respond to regulations and social changes	
	Market risk		Fluctuations in the value of financial instruments affected by the transition to a decarbonized society, etc.	
	Liquidity risk		Lowering of external ratings owing to delays to our transition to a decarbonized society and limited methods of raising funds	
	Operational risk		Reputational risk from our delayed transition to a decarbonized society	

Scenario Analysis Related to Climate Change

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

>> Physical risks

We have analyzed the impact of damage to collateral, as well as the deterioration in business performance due to the stagnation of the business activities of our customers, in the event of a large-scale flood caused by climate change. With regard to the amount of decrease in sales due to the stagnation of customers' business activities, whereas previously, our analysis covered the locations of customers' headquarters, we have added important bases, such as factories and stores, to the scope of analysis from this analysis.

Scenario		Based on the 4°C scenario*, we have estimated flood damage based on the assumption that large-scale flooding caused by climate change occurs once every 100 years *One of the scenarios set by the Intergovernmental Panel on Climate Change (IPCC)	
		①	②
Method of analysis	Estimate the amount of collateral damage due to flood damage to buildings and estimate credit costs based on the results	Estimate the amount of sales lost owing to the stagnation of borrowers' business activities as a result of floods, and estimate credit costs based on the results	
Scope of analysis	Real estate collateral categorized as "buildings" that Daishi Hokuetsu Bank has accepted	Headquarters and important bases (factories, stores, etc.) of borrowers of Daishi Hokuetsu Bank (excluding large corporations and public funds)	
Results of analysis	Credit costs are expected to increase by around 1.0 billion yen	Credit costs are expected to increase by around 10.0 billion yen	
		Credit costs are expected to increase by around 11.0 billion yen in total	

Furthermore, in light of the 2024 Noto Peninsula Earthquake, we have also estimated the projected amount of damage to the assets (branches, dormitories, etc.) owned by the Daishi Hokuetsu Bank in the event of a large-scale earthquake.

Scenario	Assumed the maximum damage from the occurrence of a once-in-475-years major earthquake based on data from the National Research Institute for Earth Science and Disaster Resilience (NIED)
Method of analysis	Estimated amount of damage to assets owned by Daiishi Hokuetsu Bank (branches, dormitories, etc.) caused by a major earthquake.
Scope of analysis	"Buildings" owned by Daishi Hokuetsu Bank
Results of analysis	Expect damage of up to around 3.7 billion yen

>> Transition risks

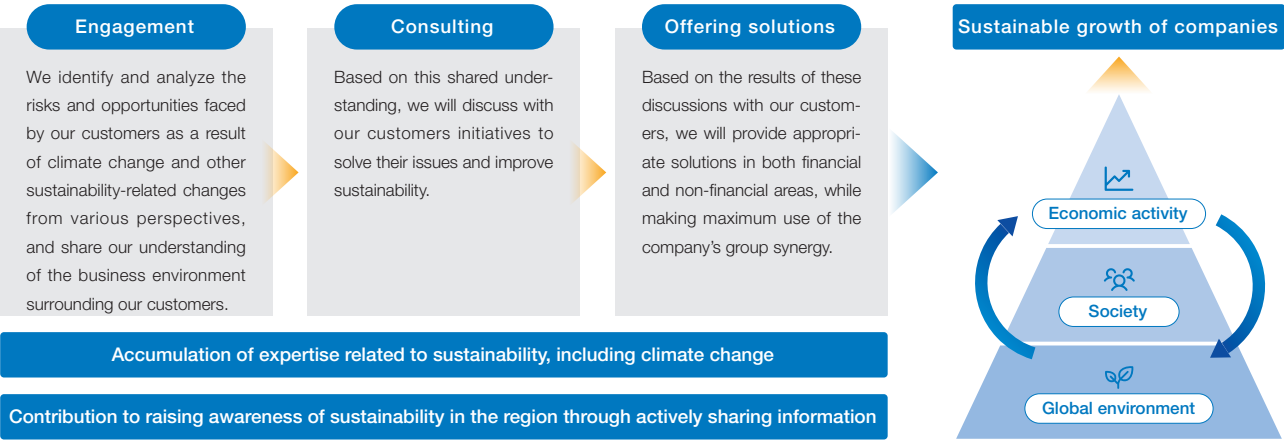
For transition risks, in addition to the electric power, food, and property management and development sectors, which are sectors highly affected by climate change risk in the loan portfolio of Daishi Hokuetsu Bank, we have also added the automotive sector to the scope of our analysis from this analysis.

Scenario	The International Energy Agency (IEA)'s "Sustainable Development Scenario (SDS)" and "Net Zero Emissions Scenario (NZE)"
Method of analysis	• Under these scenarios, forecast the balance sheets and profit and loss statements of sample companies in a particular sector (2021 to 2050), and assess business continuity for all companies in the sector • Estimate the increase in credit costs with simulations for different categories of borrower in a particular sector based on the costs associated with transition
Scope of analysis	• Electric power, food, property management and development, and automotive sectors
Results of analysis	• Credit costs are expected to increase by around 2.9 billion yen in total

Sustainability Initiatives

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

We believe that the primary roles of financial institutions in responding to climate change are to provide various solutions, including financing for measures to help customers transition to a decarbonized society, and to work with customers for the realization of a virtuous cycle for sustainable growth. Because the transition to a decarbonized society requires maintaining and improving the environment and society, while also achieving economic and corporate growth, the Group will contribute to raising awareness of sustainability in the region by strengthening the sharing of information from the Group, while proactively supporting customers' efforts against climate change based on our engagement with them.



TOPICS

Participation in the Ministry of the Environment's Fiscal 2023 Engagement Implementation Program Based on TCFD Disclosures for Regional Financial Institutions

The Daishi Hokuetsu Bank was selected as a financial institution eligible for support under the Fiscal 2023 Engagement Implementation Program Based on TCFD Disclosures for Regional Financial Institutions conducted by the Ministry of the Environment.

Under this program, seeking advice from external experts, we selected four customers from the perspectives of company size and degree of commitment to decarbonization, and formulated engagement strategies for each of the selected customers.

Based on the issues that emerged during the engagement process, we prepared a General-purpose Proposal with the overall theme of sustainability. Going forward, we will continue to identify our customers' growth strategies and sustainability strategies and provide support to help them realize their visions.

General-purpose Proposal

Contents

Chapter 1. Risks Associated with Climate Change
How does climate change happen? — 3
Risks caused by climate change can be broadly divided into two types — 4
What does transition risk mean exactly? — 5
What does physical risk mean exactly? — 6
(Reference) Climate Change Adaptation Information Platform (A-PLAT) — 7
Chapter 2. Opportunities Associated with Climate Change
What are the opportunities associated with climate change? — 9
Timeline of risks and opportunities associated with climate change — 10
Risks can be turned into opportunities — 11
(Reference) Subsidies related to efforts toward carbon neutrality — 12-16
Chapter 3. Social Trends and Demands Related to Climate Change
Decarbonization responses toward international carbon neutrality are accelerating — 17
It is not only large companies that are being called on to respond to climate change — 18
Chapter 4. Measures that medium-sized companies and SMEs should take
How best to actually proceed with decarbonization — 19
Chapter 5. Examples of Support Provided by the Bank
Stage 2 and 3 companies, come to us for consultation! — 20
a. Assistance with measuring CO2 emissions — 21
b. Support with formulation of reduction plans — 22
c. Provision of sustainable finance — 23
Chapter 6. References

Process 3 Risk management

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

In our risk management framework, we recognize that climate change risk has a significant impact on the global environment and the regional economy. Accordingly, we are upgrading our risk management system to take climate change risk into account in the management of credit risk, market risk, liquidity risk, and operational risk.

“Daishi Hokuetsu Financial Group Investment & Financial Policies that consider environment and society” (established May 2022)	
Through investments and loans, Daishi Hokuetsu Financial Group will actively support a range of activities that contribute to solving various environmental and social problems affecting local communities. In addition, with regard to investments and loans in the following specified businesses, etc., expected to impact the sustainability of society, the Company will endeavor to mitigate or avoid the impact of such businesses, etc., according to the stated policy.	
Coal-fired thermal power plants	As a general rule, we will not invest in or finance the construction of new coal-fired power plants. When considering exceptional measures, however, in light of conditions related to electric power, resources, and other factors in countries and regions that have no choice but to rely on coal-fired thermal power, we will carefully consider what measures to take, comprehensively taking into consideration international guidelines such as the OECD Arrangement on Officially Supported Export Credits, power generation efficiency, impact on the environment and local communities, and other factors.
Deforestation projects	When considering investments and loans for deforestation projects, we will make decisions based on careful consideration of the status of acquisition of any internationally recognized certifications (FSC*1 and PEFC*2), consideration for the environment, the occurrence of any issues with local communities, and other factors.
Palm oil plantation development projects	With a view to protecting the environment and human rights, when considering investments and loans for palm oil plantation development projects, we will make decisions based on careful consideration of the status of acquisition of any international certifications (RSPO*3), consideration for the environment, human rights violations, the occurrence of any issues with local communities, and other factors.
Arms manufacturing businesses	We will not invest in or provide loans to companies that manufacture inhumane weapons, such as cluster munitions.

*1 Forest Stewardship Council
An international organization that endorses “appropriate forest stewardship”

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

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

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

As of the end of March 2024, carbon-related assets* accounted for 20.1% of loans, etc., (including private placement bonds) at Daishi Hokuetsu Bank.

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

Sustainability Initiatives

Process 4 Indicators and Targets

• CO₂ Emissions Results

The Group calculates CO₂ emissions as follows, based on the TCFD Recommendations and other factors. The Bank has now begun calculating Scope 3 Category 6 (business travel) and Category 7 (employee commuting) for the Daishi Hokuetsu Bank.

(t-CO ₂)			
Matter for Accounting		Scope of Accounting	Fiscal 2023 Emissions
Scope1		Group-wide	3,266
Scope2			4,322
Scope 1 & 2 total			7,588
Scope3	Category 6 (Business travel)* ¹	Daishi Hokuetsu Bank (Non-Consolidated)	408
	Category 7 (Employee commuting)* ¹		945
	Category 15 (Investments)* ²		6,958,886

*1 For calculation methods, emission factors, and other details, see the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain Ver. 2.6 (March 2024, Ministry of the Environment and Ministry of Economy, Trade and Industry), Emissions Unit Value Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.4 (March 2024, Ministry of the Environment), and Policy on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain, Ver. 3.4 (March 2024, Ministry of the Environment).

*2 Breakdown of Scope 3 Category 15
Scope 3 Category 15 emissions, which refers to greenhouse gas emissions emitted by recipients of investments and loans, accounts for a large portion of Scope 3 emissions for financial institutions. Accordingly, we have calculated these emissions for investment and loans provided by Daishi Hokuetsu Bank to domestic corporations (excluding project finance), with reference to the measurement method of the PCAF*3 standard.
For this estimate, we expanded the scope of the investment and loan recipients whose public values are used to include investees listed on the Tokyo Stock Exchange Prime Market, producing estimates that are more in line with actual circumstances. As a result, total emissions amounted to 6.95 million tons, a decrease of approximately 1 million tons from the previous fiscal year. We will continue to increase the sophistication of our measurement.

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

Industry	Emissions*4 (t-CO ₂)	Carbon intensity*5	Industry	Emissions*4 (t-CO ₂)	Carbon intensity*5
Agriculture	90,424	8.89	Automobiles and parts	103,992	2.78
Paper and forestry	129,054	22.90	Power utilities	557,520	16.29
Beverages	21,232	4.19	Real estate management and developmen	113,507	1.02
Processed foods and meats	587,323	4.59	Railway transportation	14,668	4.50
Metals and mining	379,341	93.89	Truck services	308,777	4.81
Chemicals	277,299	23.09	Maritime Transportation	162,812	17.86
Oil and gas	116,946	7.04	Air freight	1,489	2.43
Coal	-	-	Passenger transport	-	-
Building materials	261,205	19.57	Other	2,117,228	2.06
Capital goods	1,716,069	3.37	Total	6,958,886	

*4 Emissions: The emissions of each industry are based on the total emissions of borrowers calculated based on the following definitions for each industry.
(1) Among borrowers listed on the Prime Market of the Tokyo Stock Exchange and borrowers with a head office in Niigata Prefecture, public figures for listed companies (and their affiliates) that disclose their emissions
(2) For borrowers other than (1), the figure obtained by multiplying the estimated value calculated on the basis of emission intensity for each industry by the share of financing attributable to Daishi Hokuetsu Bank (outstanding loan balance of Daishi Hokuetsu Bank/total funds procured by the borrower)

*5 Carbon intensity: Carbon intensity refers to the amount of CO₂ emissions (t-CO₂) per unit of sales (1 million yen) of the borrower, and is used to determine the amount of CO₂ emissions according to the sales of the borrower. The higher the carbon intensity, the more CO₂ is emitted relative to sales. The "carbon intensity" above was calculated using the following formula for each industry, and we calculated the carbon intensity for each industry using the weighted average of the outstanding loan balance of Daishi Hokuetsu Bank (outstanding loan balance in the formula = outstanding loan balance of Daishi Hokuetsu Bank).

Carbon intensity = Σ [borrower's carbon intensity × outstanding loan balance of the borrower] / total outstanding loan balance by industry

TOPICS Participation in the Carbon Credit Market

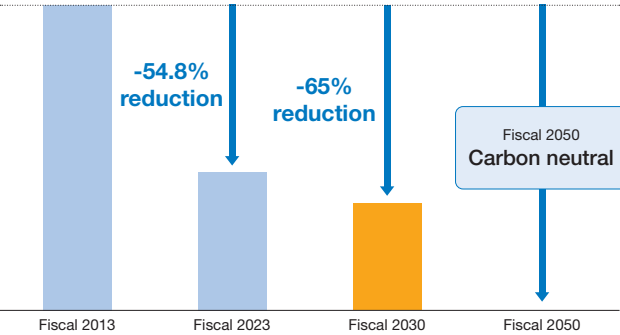
The Daishi Hokuetsu Bank participated in the Carbon Credit Market, which was established by the Tokyo Stock Exchange in October 2023 for the achievement of carbon neutrality in fiscal 2050.
In the Carbon Credit Market, J-Credits, which the Japanese government uses to certify CO₂ emissions reductions through the use of renewable energy and forest improvements, are traded with the aim of realizing a decarbonized society.
Going forward, in addition to considering the use of J-Credits for the realization of the Group's carbon neutrality, we will accelerate initiatives for the realization of a decarbonized society in the region through such means as the development of new financial products that make use of J-Credits and the provision of information about the Carbon Credit Market.



• CO₂ Emissions Reduction Target

In March 2023, the Group announced the "2050 Carbon Neutral Declaration," setting a goal of reducing our own CO₂ emissions (covering Scope 1* and Scope 2*) to net zero by fiscal 2050. Based on this declaration, in addition to accelerating our own efforts to reduce the Group's own emissions, to promote efforts by our customers to reduce CO₂ emissions, we will

consider setting new CO₂ emissions reduction targets that include Scope 3* emissions.



Details of target	
[Fiscal 2030 target] Reduce the Group's CO ₂ emissions (Scope 1 and Scope 2) by 65% from fiscal 2013 levels	
[Fiscal 2050 target] Reduce the Group's CO ₂ emissions (Scope 1 and Scope 2) to net zero (carbon neutral)	
Actual results in fiscal 2023	
CO ₂ emissions reduction rate (vs. fiscal 2013)	-54.8%

*Scope 1: Direct emissions associated with fuel use by the company
*Scope 2: Indirect emissions associated with the use of energy supplied by other companies
*Scope 3: Emissions by other companies associated with the company's own business activities

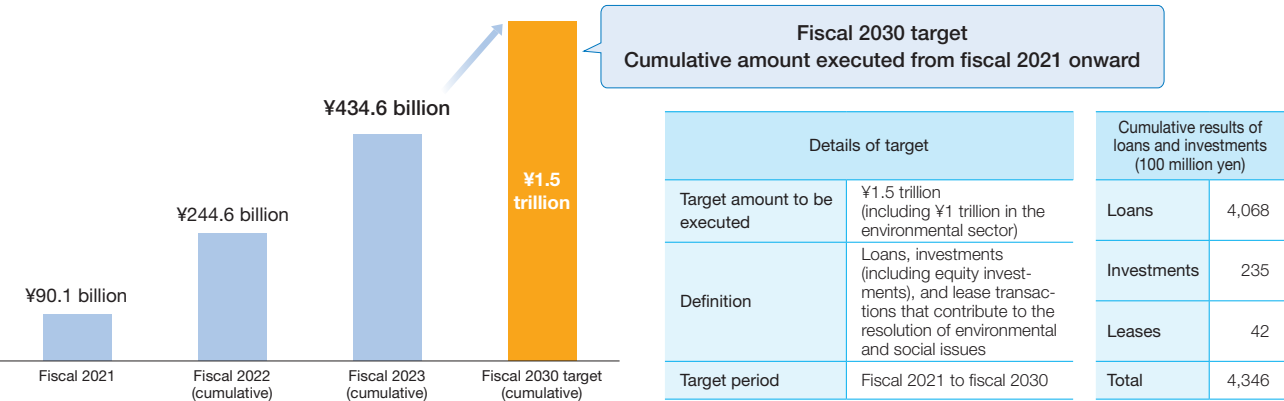
• < Trends in CO₂ Emissions*1 by Scope >

	Fiscal 2013*2	Fiscal 2020*2	Fiscal 2021*2	Fiscal 2022*2	Fiscal 2023*3	Vs. fiscal 2013*3
Scope1	4,826	4,143	3,743	3,478	3,266	-32.3%
Scope2	11,971	9,771	7,873	7,455	4,322	-63.9%
合計	16,797	13,914	11,616	10,933	7,588	-54.8%

*1 CO₂ emissions by Scope are measured based on the amount of each type of energy used (electricity, gas, etc.) and CO₂ emissions factors (for each fiscal year and company) at each Group company. As CO₂ emissions by Scope are affected by the CO₂ conversion factor of electric power that varies annually, even if the amount of energy used is the same, the amount of CO₂ emissions by users varies for each fiscal year.
*2 With the inclusion of Daishi Hokuetsu IT Solutions and Bridge Niigata as wholly owned consolidated subsidiaries of the Group (April 2023), figures have been adjusted retrospectively.
*3 Actual results for fiscal 2023 have been calculated using the CO₂ conversion factor as of May 31, 2024.

• Sustainable Finance Target

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



Details of target		Cumulative results of loans and investments (100 million yen)	
Target amount to be executed	¥1.5 trillion (including ¥1 trillion in the environmental sector)	Loans	4,068
Definition	Loans, investments (including equity investments), and lease transactions that contribute to the resolution of environmental and social issues	Investments	235
Target period	Fiscal 2021 to fiscal 2030	Leases	42
		Total	4,346

TOPICS Medal with Dark Blue Ribbon received for donation to Niigata Prefecture after serious drought damage

In September 2023, the Daishi Hokuetsu Bank donated 10 million yen to Niigata Prefecture to assist those who suffered serious damage from drought caused by last summer's record-breaking heatwave and lack of rain, which were unprecedented since observations began, and for the restoration of farmland.
In recognition of this donation, the Company received the Medal with Dark Blue Ribbon* and a certificate of commendation from the Cabinet Office.

*The Medal with Dark Blue Ribbon is a medal awarded under the Japanese government's honors system to individuals, corporations, and organizations that have made financial contributions for the good of the public.



Sustainability Initiatives

The company’s Sustainability Initiatives

• Initiatives to Protect Biodiversity – Participation in the TNFD Forum –

The Group endorsed the TNFD* (Task Force on Nature-related Financial Disclosures) and joined the TNFD Forum.

The Group has declared “initiatives targeting environmental problems” as part of the Daishi Hokuetsu Financial Group’s Basic Sustainability Policy and considers the protection of the environment to be a major premise for the realization of a sustainable society. Niigata Prefecture, which is the main business base of the Group, is surrounded by many mountains and rivers, including Japan’s longest river, the Shinano River. It is blessed with rich natural surroundings where one can closely feel the changing of the seasons and is home to many different varieties of flora and fauna.

Through our participation in the TNFD Forum, the Group will contribute to the establishment of frameworks for nature-related financial disclosures and actively engage in the protection of the region’s natural capital and biodiversity, in our aim to realize a sustainable society.



*An international initiative for the development and provision of frameworks for the disclosure of a wide range of information related to national capital and biodiversity, officially launched in June 2021 by the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Development Programme (UNDP), British environmental NGO, Global Canopy, and the World Wide Fund for Nature (WWF).

The aim of the TNFD is to support a shift in global financial flows toward nature-positive outcomes by encouraging companies’ disclosure of nature-related financial information. The TNFD Forum is a stakeholder organization that supports the discussions of the TNFD.

• Initiative for the Collection and Recycling of Used Plastic Document Sleeves

In conjunction with other banks participating in the TSUBASA Alliance, the Group engaged in the collection and recycling of used plastic document sleeves in September 2023.

A collection drive for unneeded used plastic document sleeves from the headquarters and branches of Group companies resulted in the collection of approximately 25,000 sleeves by the Group and some 147,000 in total by the TSUBASA Alliance’s participating banks.

The collected sleeves were recycled into stationery products and other items through a local recycling business operator. The Group will continue to cooperate with TSUBASA Alliance participating banks to contribute to the realization of sustainable regional communities through initiatives that will facilitate a circular economy.



• Addition of New Sustainable Finance Products

» Launch of Housing Loan “ZEH Housing Support Plan”

As part of our efforts for the realization of a decarbonized society, the Daishi Hokuetsu Bank began offering a new housing loan product, “ZEH*1 Housing Support Plan,” in March 2024.

Under this plan, customers who apply for housing loans using electronic contracts (contracts concluded on PC or smartphones), will pay no application fees and receive preferential treatment for additional interest rates imposed by the group credit life insurance (Danshin) that accompanies the housing loan. The aim of this product is to ease the financial burden on customers when buying a home and encourage the spread of environmentally friendly housing.

Eligible houses	Niigata Prefecture Yukiguni ZEH	① Insulating performance UA value*2 : 0.46 or less (Zone 4*3) 0.48 or less (Zone 5*3)
	ZEH (including Nearly ZEH, ZEH Ready, and ZEH Oriented)*5	① Insulating performance UA value: 0.60 or less ② Primary energy consumption level: 20% or more

Preferential treatment plan	Customers may take advantage of benefits (1) or (2).			
	① E-contract fee (usually 11,000 yen): Free of charge			
	② Preferential treatment for additional interest rates imposed by Danshin (as shown in the table below)			
	Danshin Classification	Danshin Type	Additional interest rate range (range of preferential rates from regular rate)	
			Regular	Niigata Prefecture Yukiguni ZEH
				Other ZEH
	Solo / Proportional distribution between husband and wife	All diseases Danshin	0.30%	0.20% (-0.10%) 0.25% (-0.05%)
	Husband-and-wife joint policy	All diseases Danshin	0.80%	0.50% (-0.30%) 0.65% (-0.15%)
		Cancer Danshin	0.30%	0.20% (-0.10%) 0.25% (-0.05%)

*1 Net Zero Energy House: A house that has a net balance of annual primary energy consumption of zero, which is achieved by making major improvements to insulation performance, etc. of the house’s outer walls and installing high-efficiency equipment and systems to realize major energy savings while maintaining the quality of the indoor environment, then adopting renewable energy.

*2 Average thermal transmittance rate through outer walls: This is an indicator of insulating performance, showing how easily indoor heat and heat from outside flow in and out of the house. The smaller the number, the better the insulating performance.

*3 Zone 4: Ojija City, Tokamachi City, Murakami City, Uonuma City, Minamiuonuma City, Aga Town, Yuzawa Town, Tsunan Town, Sekikawa Village
Zone 5: All other municipalities in Niigata Prefecture other than the above

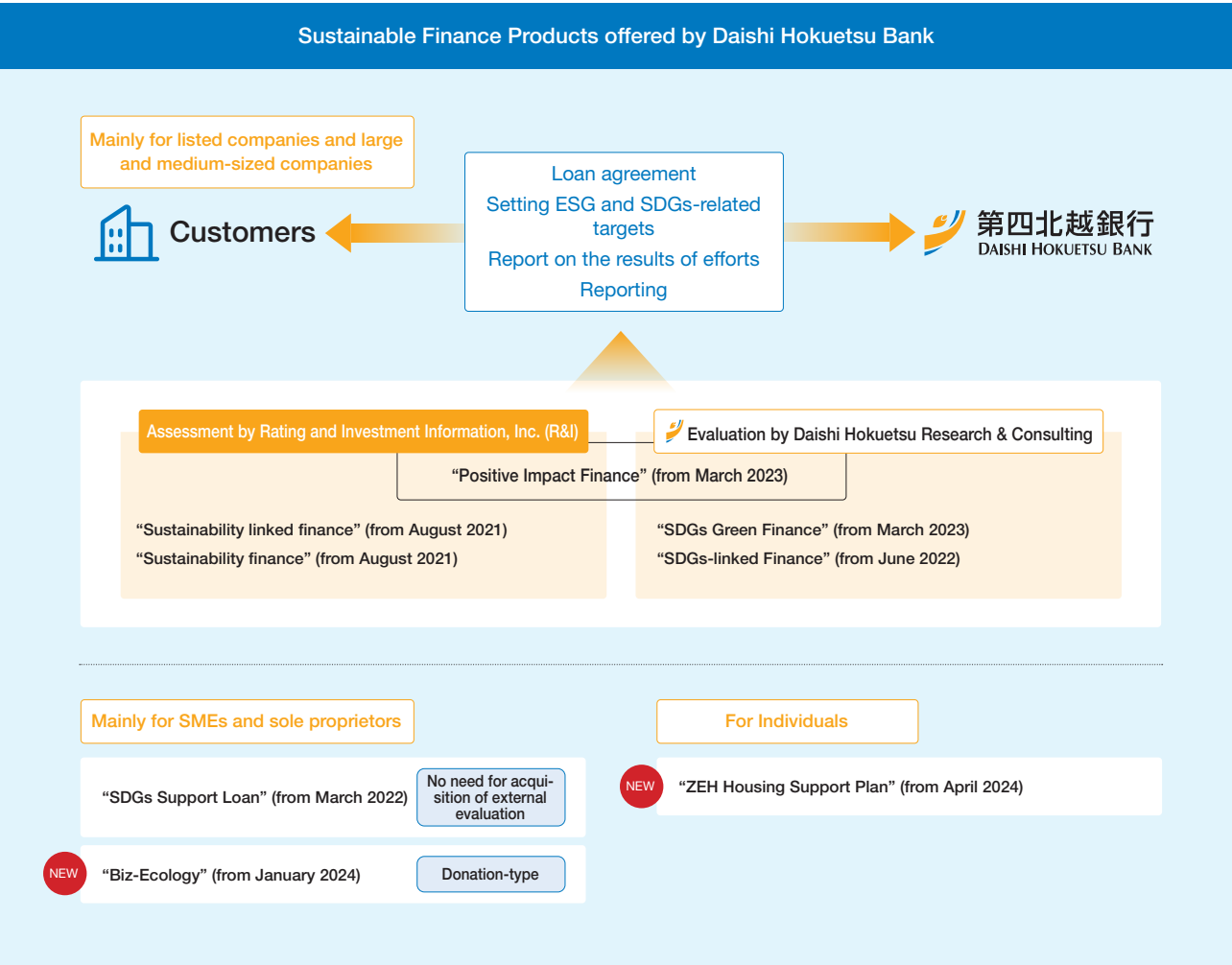
*4 Equivalent gap area: This is an indicator of airtightness that shows the extent of gaps in the house as a whole. The smaller the number, the more airtight the house.

*5 As the requirements for ZEH certification differ from prefecture to prefecture, the criteria shown here are for Niigata Prefecture. Housing loans for houses located outside Niigata Prefecture will be handled in accordance with the individual prefectures’ criteria.

» Launch of Regional Decarbonization Contribution Loan “Biz-Ecology”

In January 2024, the Daishi Hokuetsu Bank began offering “Biz-Ecology,” a loan product in which an amount equivalent to 0.05% of the loan amount will be donated to Niigata Prefecture for use in decarbonization projects conducted by the prefectural government.

With the launch of this product, the Bank now has a line-up of products that can be used by a wide range of customers, from large companies to SMEs and individual customers. They include “Sustainability linked finance,” in which the customers set targets (SPTs) related to the SDGs and ESG, and the applicable interest rate and other terms of the loans or private placement bonds fluctuate according to the level of achievement of those targets.



MESSAGE

Message from Officer in Charge of Finance



Representative Director and
Managing Director
Ken Shibata

FY2023 Results: The Final Year of Our 2nd Medium-Term Management Plan

Fiscal 2023 marked the final year of our 2nd Medium-Term Management Plan and the Group's concerted efforts to make progress in three focused synergy areas (merger-related synergies, Group synergies, and TSUBASA Alliance synergies). These efforts helped generate an increase in consolidated profit of 3.4 billion yen year on year to 21.2 billion yen, which surpassed the 20.0 billion yen mark that we had been targeting since Daishi Hokuetsu Financial Group was established. I feel that Group profitability is steadily improving, despite an increasingly complex and fast-changing business environment.

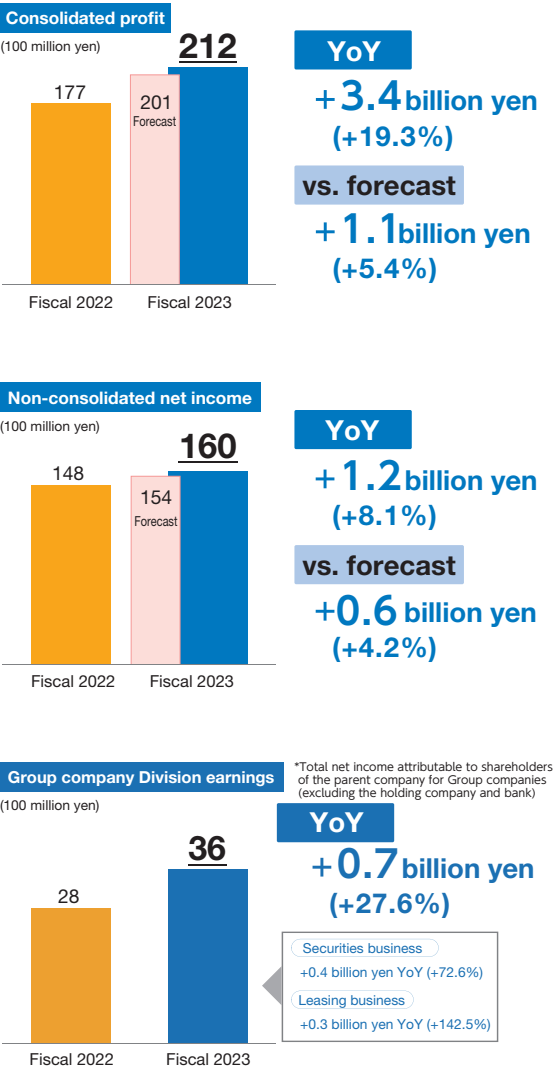
On a non-consolidated basis, net income from Daishi Hokuetsu Bank increased by 1.2 billion yen year on year to 16.0 billion yen. In addition to providing financial support to our customers, the bank also offered business succession, M&A, and a range of solutions, which resulted in an increase in both interest income on loans and non-interest income.

Earnings from the Group Company Division excluding the holding company and bank (Total net income attributable to shareholders of the parent company) increased by 0.7 billion yen year on year to 3.6 billion yen. Our leasing and all other businesses performed well, with the securities business in particular boasting one of the highest results among regional bank-affiliated securities companies.

During the 2nd Medium-Term Management Plan, we strategically re-assigned approximately 450 employees to positions both inside and outside the Group as we consolidated a total of 53 bank branches and streamlined head office operations, and sought to enhance activities that focused on generating high-value-added proposals for our customers. Furthermore, we have not only focused on increasing links between the bank and Group companies, but have also worked hard to provide optimal, one-stop Group functions that can satisfy all customer needs by encourage multifaceted co-operation between Group companies.

As a direct result of these efforts, the Daishi Hokuetsu Bank loan balance increased by approximately 500.0 billion yen over the management plan's three-year period of the 2nd Medium-Term Management Plan. Meanwhile, the Group is developing some formidable strengths in various non-interest income fields. We generate one of the highest levels among regional banks of income from corporate services such as M&A and foreign exchange derivatives. Furthermore, our goal-based approach and customer-centric asset management proposals have proved successful, and we boast the highest level of life-insurance fee income and one of the highest numbers of Nippon ISA (NISA) accounts among regional banks.

Having said that, I believe that there is still considerable room for improvement in Group earning potential when compared to the earnings of other regional banks with similar total assets. Following the business integration in October 2018, the bank merger in January 2021, and now the achievement of the goals stipulated in the 2nd Medium-Term Management Plan, we can finally take our place at the starting line for sustainable growth together with our local community. We are ready to fully demonstrate the true value of our financial and information services group, born and bred in Niigata Prefecture, by helping build sustainable local communities, while also capitalizing on a challenging and rapidly changing business environment to create new value.



New 3rd Medium-Term Management Plan (Details P. 37)

In the 3rd Medium-Term Management Plan launched in April 2024, we have designated "Environmental and Social Issues" pertaining to our immediate environment and social perspectives and "Financial Issues" relating to our company's finances as priority business challenges for promoting sustainable regional and corporate growth. (Details P. 36)

Four key performance indicators (KPIs) have been chosen to measure management performance on financial issues, namely consolidated profit, consolidated overhead ratio (OHR), consolidated return on equity (ROE), and consolidated capital adequacy ratio (CAR). We will be looking to strike a balance between the need to maintain financial soundness and our quest to attain higher earnings.

Daishi Hokuetsu FG plans, or earnings forecasts, have always been set at a level that must absolutely be achieved to fulfill our commitments. Once again, the fiscal 2023 results significantly exceeded our earnings forecasts, and all our executives and employees will work together to achieve higher-than-planned results in fiscal 2024 as well.

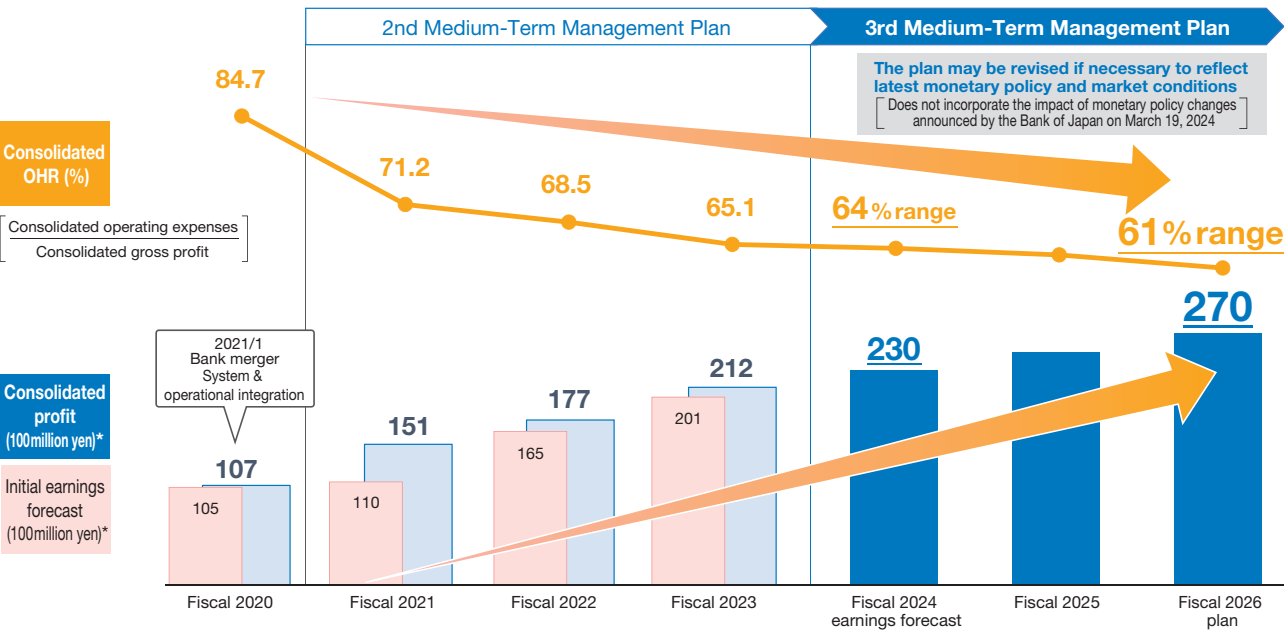
● KPIs related to financial issues

KPIs	Fiscal 2023	Fiscal 2026 targets
Consolidated profit*	21.2 billion yen	27.0 billion yen
Consolidated OHR	65.1%	61% range
Consolidated ROE	4.6%	5% or more
Consolidated CAR	10.03%	10% or more

*Net income attributable to shareholders of the parent company

This plan does not factor in any impact due to changes in Bank of Japan monetary policy, so the plan may be revised if deemed necessary based on fresh assessments of future monetary policy, market conditions, or other factors.

Consolidated Profit and OHR



*Net income attributable to shareholders of the parent company

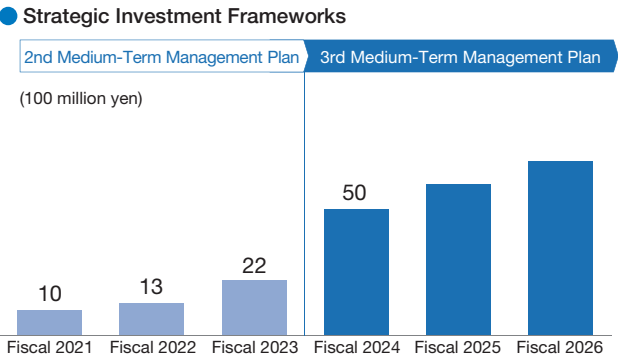
Initiatives to Achieve KPIs: Deepen and Explore Group Management

In order to solve double materiality considerations across both environmental and social issues, and financial issues under the 3rd Medium-Term Management Plan, the entire Daishi Hokuetsu Financial Group is determined to work together on the following four basic strategies, and on deepening the TSUBASA Alliance, which is a common theme across all strategies. We will also accelerate our efforts to deepen and explore Group management.

Basic Strategy I: Demonstration of Group comprehensive capabilities. Involves thoroughly improving the Group's consulting functions that draw on the Group's collective financial functions, information, expertise, and strong domestic and overseas networks. We already launched the Tokyo Sales HQ in July as the linchpin of our drive to strengthen business promotion in markets outside Niigata Prefecture that are expected to enjoy future growth. We will also do our utmost to channel any information, networks, and expertise obtained outside the area back into Niigata Prefecture in order to revitalize the prefectural economy and invigorate the whole region.

Basic Strategy II: Pursuit of productivity improvement. Focuses on increasing the Group's labor productivity. More specifically, this strategy involves halving the amount of internal administrative work performed during the 3rd Medium-Term Management Plan period and increasing the amount of added value (profit) per employee by moving employees to priority areas.

Furthermore, in addition to actively reducing costs, we intend to significantly expand strategic investments and invest in measures to increase the value of our human capital. We will also actively expand the functions of remote services, such as our Daishi Hokuetsu Little Bank smartphone app and CONNECT-BIZ portal site for business operators.



Basic Strategy III: Enhancement of human capital value (Details P. 46). This strategy will focus on strengthening our human resource base as a united Group. We will also work on Basic Strategy IV: Deepening risk management (Details P. 57) to ensure we appropriately address climate change and various other risks in an increasingly uncertain business environment, and conduct business operations that focus both on profitability and financial soundness.

Message: Executive Officer in Charge of Finance

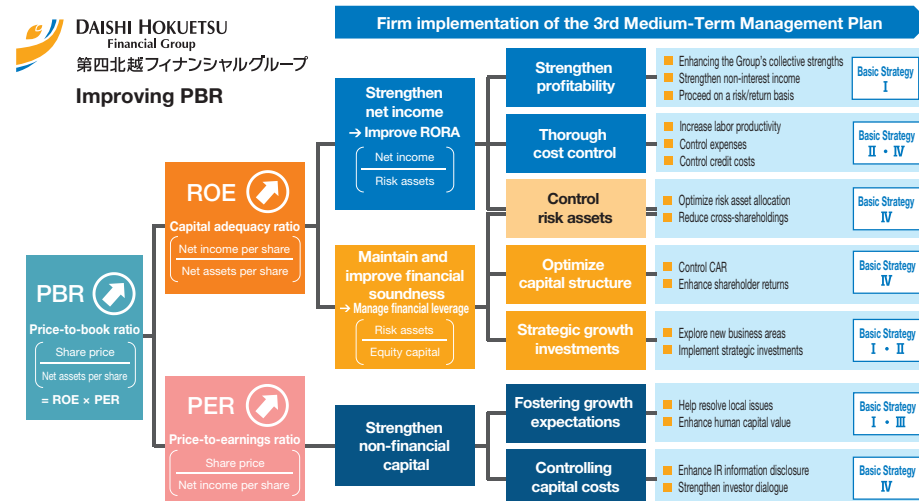
Enhancing Corporate Value

The basic strategies that I have just described for achieving our KPIs are initiatives designed to further improve corporate value by putting into practice a value creation process that is deeply rooted in our Management Philosophy. Since corporate value is reflected in the market capitalization and stock price, we are also implementing management practices with a view to improving the company's price-to-book ratio (PBR), which is a key measure for appraising stock prices. To improve PBR, it is important to increase return on equity (ROE) and the price-to-earnings ratio (PER). Our previous target for ROE was 5% or more over the medium to long term. However, the 3rd Medium-Term Management Plan includes an ROE target of 5% or more over the three-year period, so, in April 2024, we changed our policy to achieve ROE of 5% or more as soon as possible, and then aim for an even higher level.

In order to increase PER, we believe it is necessary to raise expectations regarding both the future growth of Daishi Hokuetsu FG and the future potential of Niigata Prefecture where our company is based. To that end, we are determined to help revitalize the whole area by working together as a group and taking even greater strides forward.

Meanwhile, efforts are being made to enhance the disclosure of information on ongoing activities and their impact,

and to eradicate any information asymmetry by promoting active dialogue with institutional investors and other shareholders.



Improving ROE

The company's cost of capital sits currently in the mid 6% range according to the Capital Asset Pricing Model (CAPM) calculated by DHFG using risk-free rates, expected TOPIX returns, and other market data. The company's ROE stood at 4.6% in the fiscal year ended March 2024, which was higher than the 3.1% average for regional banks, but lower than the cost of capital. We believe this is the main reason why our PBR remains persistently low.

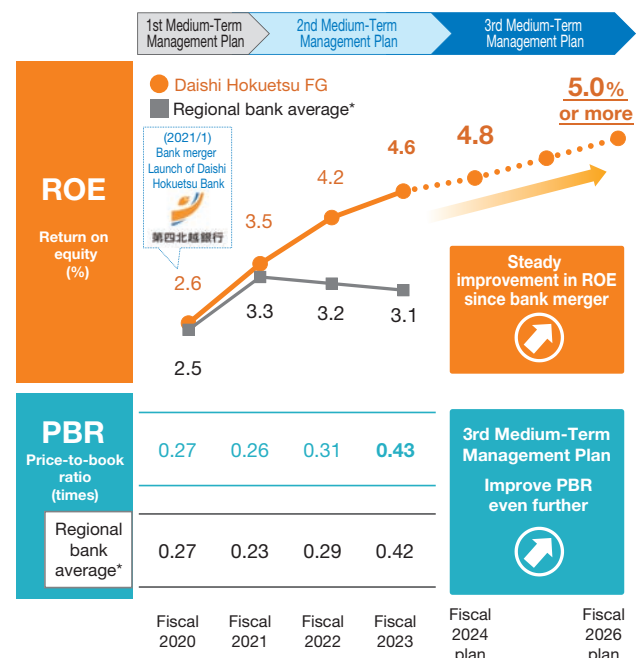
In order to achieve a level of ROE that exceeds our cost of capital as soon as possible, we are currently working on a two-pronged strategy of improving both return on risk assets (RORA) and financial leverage management.

To improve RORA, the ALM & Risk Management Committee has set

RORA targets for each business field and is enhancing initiatives that consider profitability relative to risk assets.

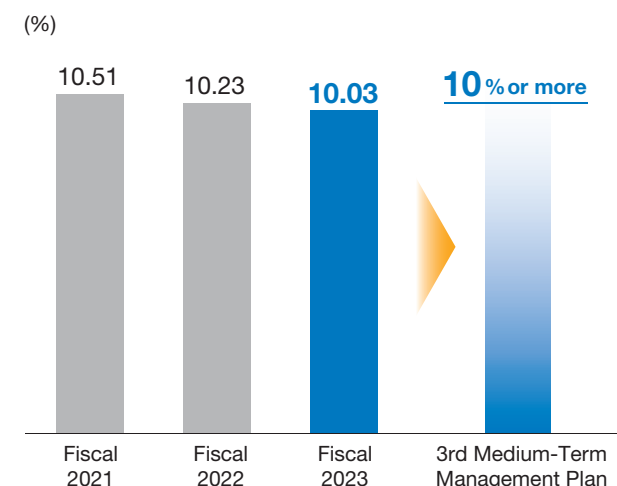
For financial leverage management, we use a risk appetite framework (RAF) designed to promote the integrated management of earnings, risk, and financial soundness, and intend to further enhance capital efficiency.

The company has set a target for a consolidated capital adequacy ratio of 10% or more during the 3rd Medium-Term Management Plan, which will involve proactive risk-taking and a swift response to rapid changes in the company's business environment.



*Regional bank average: Average of regional banks and groups listed on the Tokyo Stock Exchange (DHFG estimate)

Consolidated Capital Adequacy Ratio



Enhance shareholder returns

In July 2024, we revised our policy on shareholder returns stipulating our aim to generate a shareholder return rate of 40%, while also offering a progressive dividend per share in principle and a dividend payout ratio in the region of 35%. The timing for achieving a 35% dividend payout ratio was brought forward from sometime during the 3rd Medium-Term Management Plan period to fiscal 2024.

In conjunction with the policy revision on shareholder returns, we an-

nounced an increase of 10 yen in both the interim and year-end dividends for fiscal 2024 compared to our initial forecast, resulting in a scheduled annual dividend of 180 yen* per share. We also announced our intention to conduct 1.2 billion yen in share buybacks.

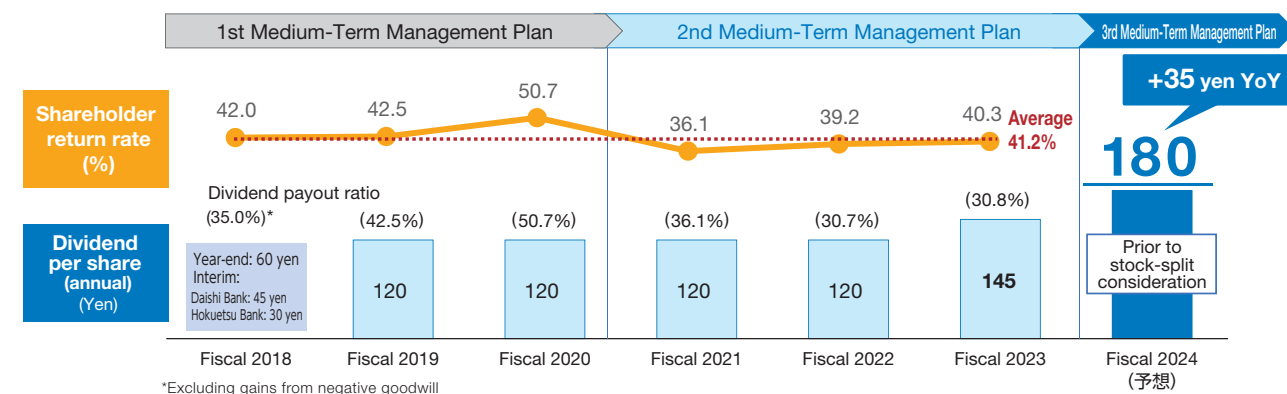
*The year-end dividend will become 45 yen per share following the two-for-one stock split scheduled to take place on October 1, 2024.

Daishi Hokuetsu Financial Group Policy on Shareholder Returns (Revised July 2024)

In consideration of the public nature of the financial group and in order to reward every one of our shareholders moving forward, our basic policy is to continue offering stable returns to shareholders while also taking into account the need to enhance internal reserves to strengthen our earnings base.

Specifically, we aim to maintain a shareholder return rate of approximately 40% through a combination of dividends and share buybacks, and to offer a progressive dividend per share in principle and a dividend payout ratio of roughly 35%.

Furthermore, we will work to improve ROE by basically increasing net income, and, after achieving ROE of 5% or more as soon as possible, we will aim to boost ROE to an even higher level.



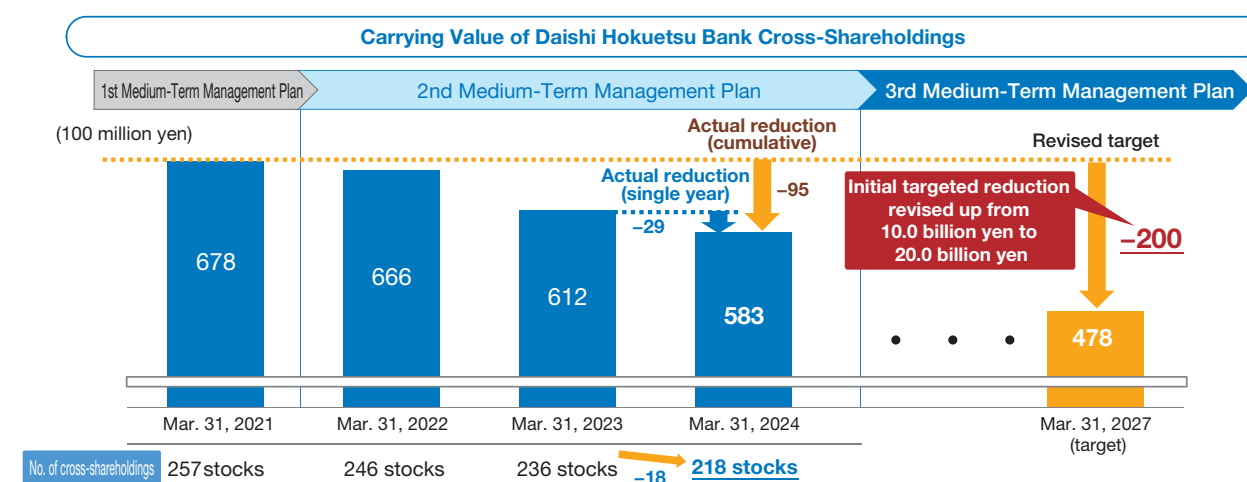
Reducing Cross-Shareholdings

Daishi Hokuetsu FG holds limited cross-shareholdings that are considered to help maintain and enhance the medium- to long-term corporate value of our business partners and the Group. The Board of Directors verifies the significance of such holdings each year, conducting a quantitative assessment of each individual holding to ascertain whether the income from dividends, deposits and loans is commensurate with the cost of capital as well as a qualitative assessment of the growth potential and future prospects of business partners, the status of business transactions, their relationship with the regional economy, and other pertinent factors. Cross-shareholdings with scant significance are being sold following ample dialogue with the relevant business partners on improving transaction conditions. To date, 18 stocks have been transferred into the pure investment category. By agreement with

the issuing company, there are no restrictions on the sale of these stocks, and six have already been sold at the discretion of the Market Investment Division.

In May 2024, the targeted reduction in cross-shareholdings was increased to help further accelerate their reduction. The current plan is to reduce cross-shareholdings by 20.0 billion yen between fiscal 2020 and the end of March 2027 when the 3rd Medium-Term Management Plan comes to an end.

The capital released from the sale of cross-shareholdings will be used to enhance the company's medium- to long-term corporate value, to invest in sustainable regional development, and to improve the company's securities portfolio and strengthen our financial position.



Reflection on the Medium-Term Management Plan

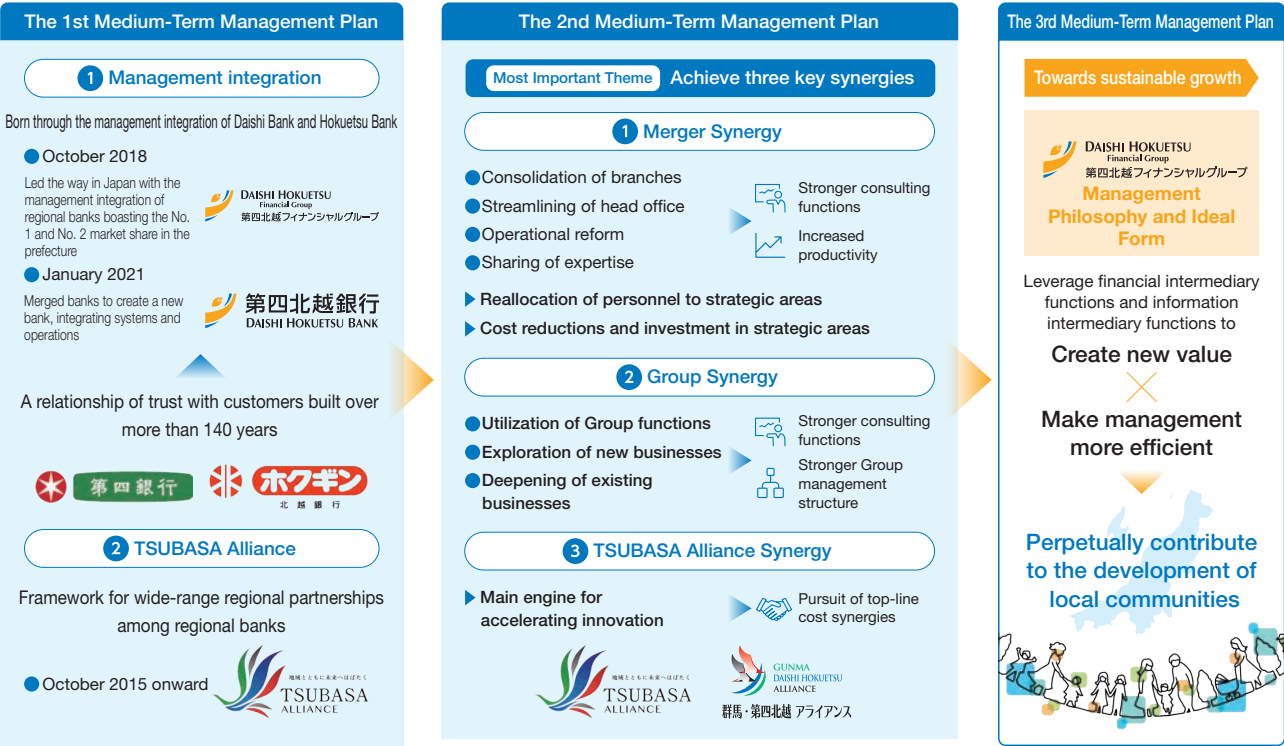
Initiatives for Sustainable Growth

Under the 1st Medium-Term Management Plan (October 2018 to March 2021), spanning the period from the company's establishment (management integration) in October 2018 to the merger of Daishi Bank and Hokuetsu Bank, we laid the groundwork to make maximum use of the synergies generated through the merger and strengthened the business base.

Under the 2nd Medium-Term Management Plan (April 2021 to March 2024) for the period after the bank merger, we built on the foundations established in the 1st Medium-Term Management Plan to engage in leveraging

three key synergies: “merger synergy,” “group synergy,” and “TSUBASA Alliance synergy.”

As a result, we have attained greater profitability and steadily strengthened our management structure. We will continue to work together Group-wide to boost corporate value for the sustainable growth of the region and the company.



Reflection on the 2nd Medium-Term Management Plan

Under the 2nd Medium-Term Management Plan, we implemented the following main initiatives.

1. Merger Synergy

» Strategic redistribution of human capital to key areas and branch consolidation

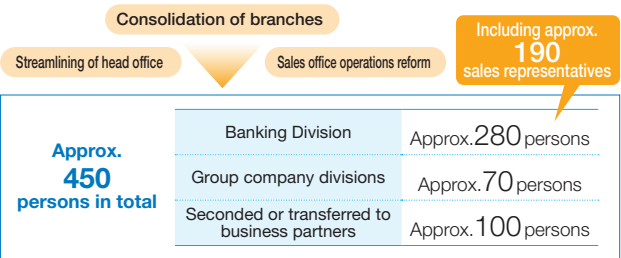
The Group progressed with the strategic redistribution of human capital to key areas through measures such as the consolidation of bank branches, streamlining of head office, and operations reform at sales offices. Approximately 450 persons in total were reallocated within and outside the Group between the time of the bank merger in January 2021 and March 2024.

Of these, approximately 190 were redeployed as sales representatives (external relations staff at sales offices and head office consulting staff) at Daishi Hokuetsu Bank, while approximately 70 persons in total were rede-

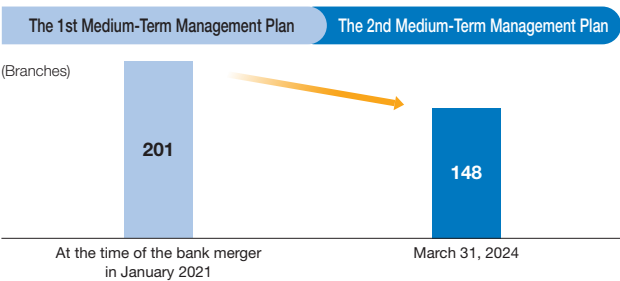
ployed to Group companies such as Daishi Hokuetsu Securities and The Daishi Hokuetsu Lease. In this way, we have further strengthened our consulting capabilities to meet the increasingly diverse and sophisticated needs of our customers.

Daishi Hokuetsu Bank also engaged in the consolidation of branches to strengthen our management structure. A total of 53 branches were consolidated between the time of the bank merger in January 2021 and March 2024.

● Redistribution of human capital



● Consolidation of branches (number of brick-and-mortar branches)



2. Group Synergy

» Group reorganization and initiatives to expand business domains

In April 2023, we made N.C.S. Co., Ltd. a wholly owned subsidiary and changed its name to “Daishi Hokuetsu IT Solutions Co., Ltd.,” while also making the regional trading company “Bridge Niigata Co., Ltd.” a consolidated subsidiary, to maximize Group synergies.

In October 2023, we went on to integrate The Daishi Computer Service Co., Ltd. into Daishi Hokuetsu Bank as part of our efforts to promote digital transformation (DX) and strengthen our in-house system capabilities.

This substantially completed the Group restructuring aimed at contributing to the region and consolidating overlapping businesses, which we began with the establishment of the company in October 2018. Today, the Group comprises 15 companies, including the company as a holding company.

» Collaborative initiatives between Group companies

We are working to fully utilize the functions of each Group company to strengthen our capacity to meet all the needs of our customers. In addition to “single-track” collaboration between the bank and each Group company, we are enhancing “double-track” collaboration, in which Group companies

cooperate with each other to provide optimal solutions to customer needs.

3. TSUBASA Alliance Synergy

Details P. 56

Under the “TSUBASA Alliance,” a framework for wide-range regional partnerships among 10 regional banks including Daishi Hokuetsu Bank, we take advantage of our scale as one of the largest regional banking alliances across all fields: not only in sales, administrative, and systems but also in fields such as human capital and sustainability.

Under the “Gunma-Daishi Hokuetsu Alliance,” a partnership agreement between Daishi Hokuetsu Bank and The Gunma Bank, we engage in collaborative measures that leverage the geographic characteristic of our position in adjacent prefectures.

Management Indicators (KPIs) under the 2nd Medium-Term Management Plan

The 2nd Medium-Term Management Plan was implemented in a business environment marked by dramatic changes in economic and social conditions, including the changes in social and industrial structure that accompanied the spread of COVID-19 and the advance of DX, the acceleration of irreversible trends in response to global environmental issues, heightened geopolitical risks, and shifts in monetary policies in Japan and overseas. Amid these changes, consolidated profit, a management indicator of profit-

ability, increased by 10.4 billion yen over three years to 21.2 billion yen, and consolidated OHR, a management indicator of efficiency, improved by 19.6 percentage points to 65.1%.

Management indicators of growth potential also increased steadily, demonstrating the results of our efforts to realize the three key synergies that are the most important themes of the 2nd Medium-Term Management Plan.

Management indicators (KPIs)		The 1st Medium-Term Management Plan	The 2nd Medium-Term Management Plan	
		FY2020	FY2023	Increase (decrease) vs. FY2020
Profitability	Consolidated profit ¹ (billions of yen)	10.7	21.2	10.4
Growth potential	Growth rate of average balance ² of loans to SMEs (%)	1.4	1.1	1.2
	Average balance ² of loans to SMEs (billions of yen)	1,939.8	1,963.2	23.3
	Growth rate of average balance ² of consumer loans (%)	3.0	3.7	9.9
	Average balance ² of consumer loans (billions of yen)	1,332.6	1,464.6	131.9
	Growth rate of non-interest income ³ (%)	(7.3)	9.1	55.7
	Non-interest income ³ (billions of yen)	18.4	28.6	10.2
	Growth rate of Group company income ⁴ (%)	53.4	27.6	24.2
	Group company income ⁴ (billions of yen)	2.9	3.6	0.7
Efficiency	Consolidated OHR (%)	84.7	65.1	(19.6)
	Consolidated ROE (%)	2.6	4.6	2.0
Soundness	Consolidated capital adequacy ratio (%)	10.35	10.03	(0.32)

¹ Net income attributable to shareholders of the parent company

² Average annual balance before partial direct amortization

³ Total amount of other business income, etc., excluding income from fees and commissions and gains or losses on bonds (excluding income from the Capital Markets Division and foreign currency funding costs)

⁴ Total net income attributable to shareholders of the parent company for the Group companies excluding Daishi Hokuetsu Bank

Identification of Materiality

Recognition of the Environment

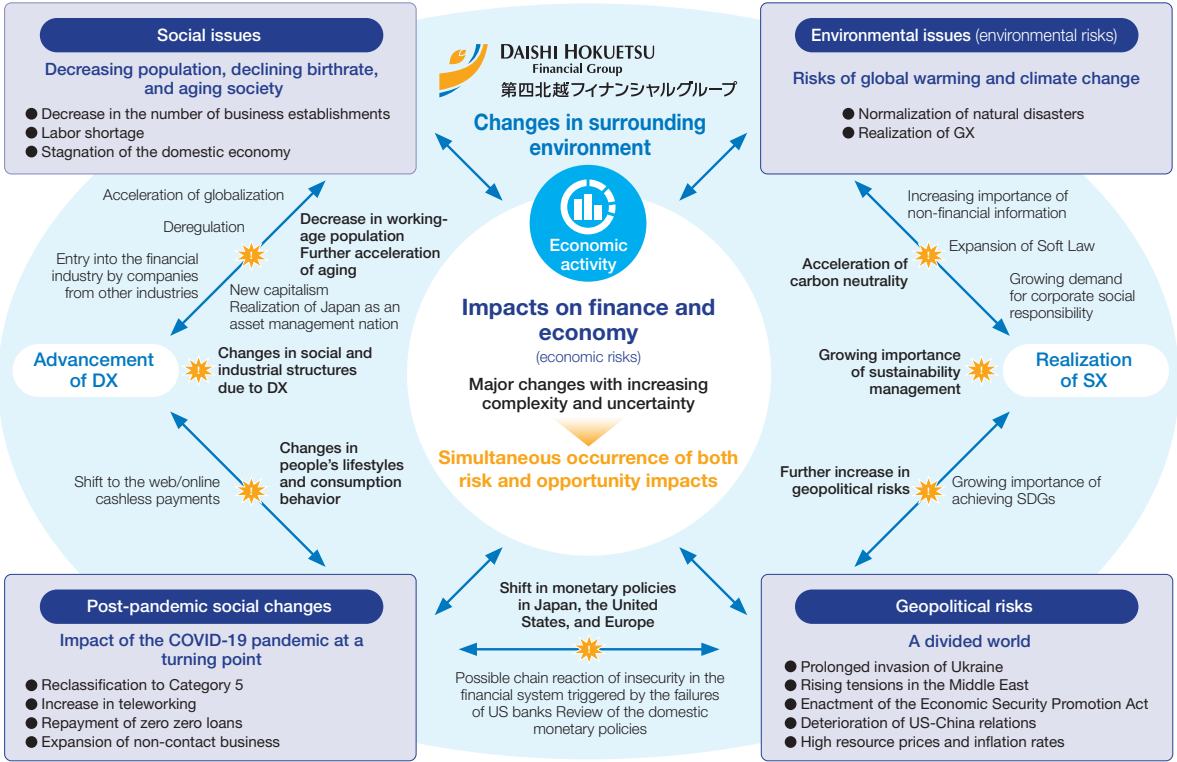
In Niigata Prefecture, which is the main business base of the Group, structural issues are becoming more serious, such as “decreasing population, declining birthrate, and aging population” and the “decreasing number of business establishments in the prefecture.” In addition, there have been frequent occurrences of severe damage to infrastructure and agricultural crops due to climate change, such as the torrential rains in northern Niigata Prefecture that occurred in August 2022 and the heat wave in the summer of 2023. All of this points to the urgent necessity of addressing environmental and social issues.

In Japan, as the COVID-19 pandemic comes to an end, social and economic activities are heading toward normalization, while the issues of full-scale repayment of so-called zero zero loans (loans with no interest and no collateral), high commodity prices, and labor shortages are coming to the surface.

Overseas, concerns have increased over geopolitical risks such as Russia’s invasion of Ukraine and the conflict between Israel and Hamas. Events have occurred that have a significant impact on the supply chains of our business partners, such as energy insecurity and soaring raw material prices.

Under these trends, the importance of sustainability initiatives is increasing at an accelerating pace in Japan and overseas, and companies are required to implement “Sustainability Transformation (SX),” which is about improving corporate value in a medium- to long term sustainable manner through the solution of issues faced by local communities, and reforming the management and business necessary for that purpose.

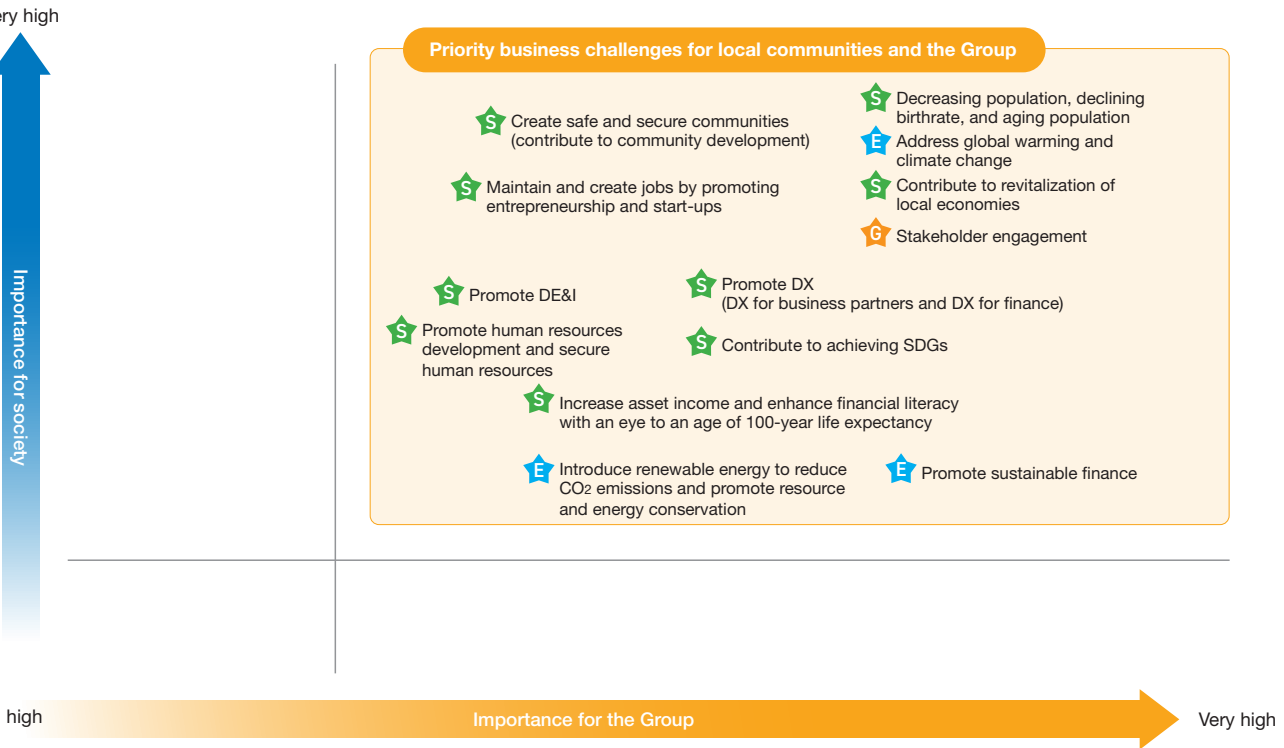
The Group has identified priority business challenges (materiality) from the perspective of “E (environment), S (society), and G (governance),” with the aim of transforming itself and local communities toward sustainable development and growth.



Identification Process of Materiality

STEP 1	Prepare for identification of materiality	Review the Group's sustainability activities
STEP 2	Identify issues	We extracted some 100 issues in the three ESG categories by referring to information such as materials released by the Cabinet Office, the Niigata Prefecture Comprehensive Plan, and the Niigata Industrial Vision as well as international information disclosure frameworks emphasized by institutional investors.
STEP 3	Organize and examine materiality	The issues identified were sorted by level of importance, and were mapped on the two axes of "importance for society" and "importance for the Group," and the most important items were identified. <div></div>
STEP 4	Organize and integrate issues Organize approaches for solutions	The Group organized and integrated the issues identified, taking into consideration the consistency with and comprehensiveness over the Group's "Basic Sustainability Policy," "SDGs Declarations," and "ESG Initiatives Policy," and organized the approaches to solving the issues.
STEP 5	Identification of Materiality	We discussed the issues thus organized and integrated and the approaches to solving them within the Company, and identified materiality among them after deliberation by the Board of Directors.

The Group's Management Issues Extracted Through Mapping, and Materiality Identified (Priority Business Challenges)



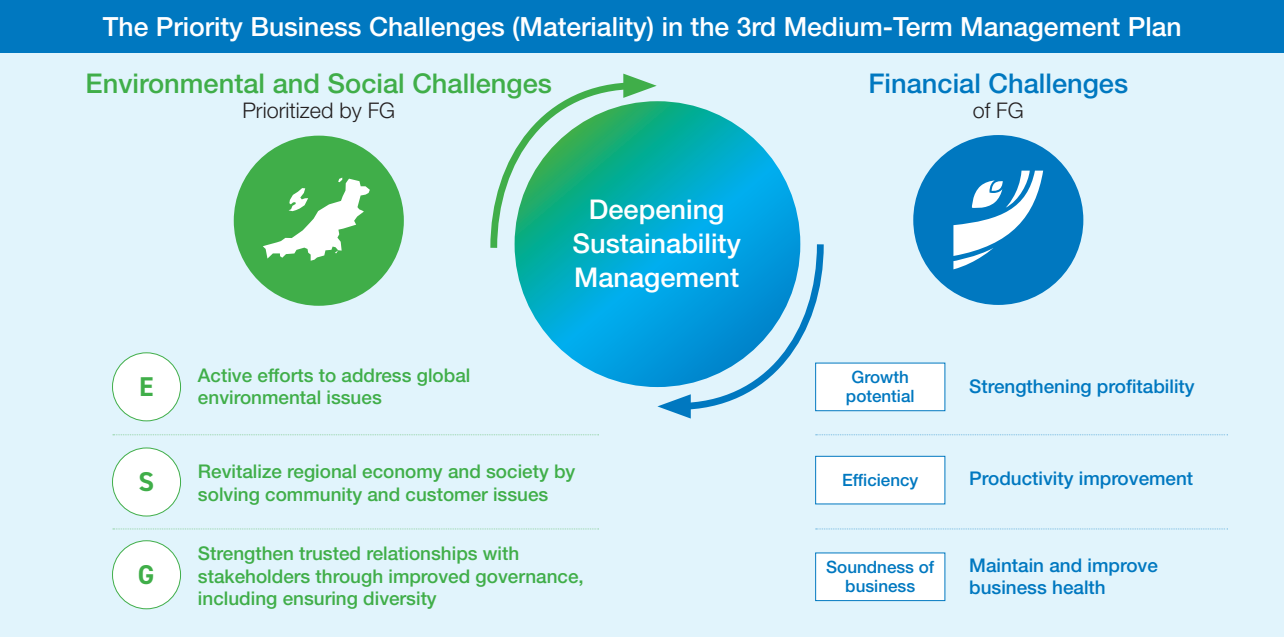
● Materiality for the Group (priority business challenges)

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

Initiatives under the 3rd Medium-Term Management Plan

Under the 3rd Medium-Term Management Plan, which began in April 2024, we have adopted the concept of “double materiality” and address the two priority business challenges, namely “financial issues” aimed at improving the Group’s economic value, which we have been addressing, and “environmental and social issues,” which we have recently identified.

The Group will work as one to solve these two priority business challenges at the same time, and further deepen sustainability management aimed at creating a virtuous cycle of sustainable growth for local communities and the Company (Please see page 37 and thereafter for an overview of the 3rd Medium-Term Management Plan.).

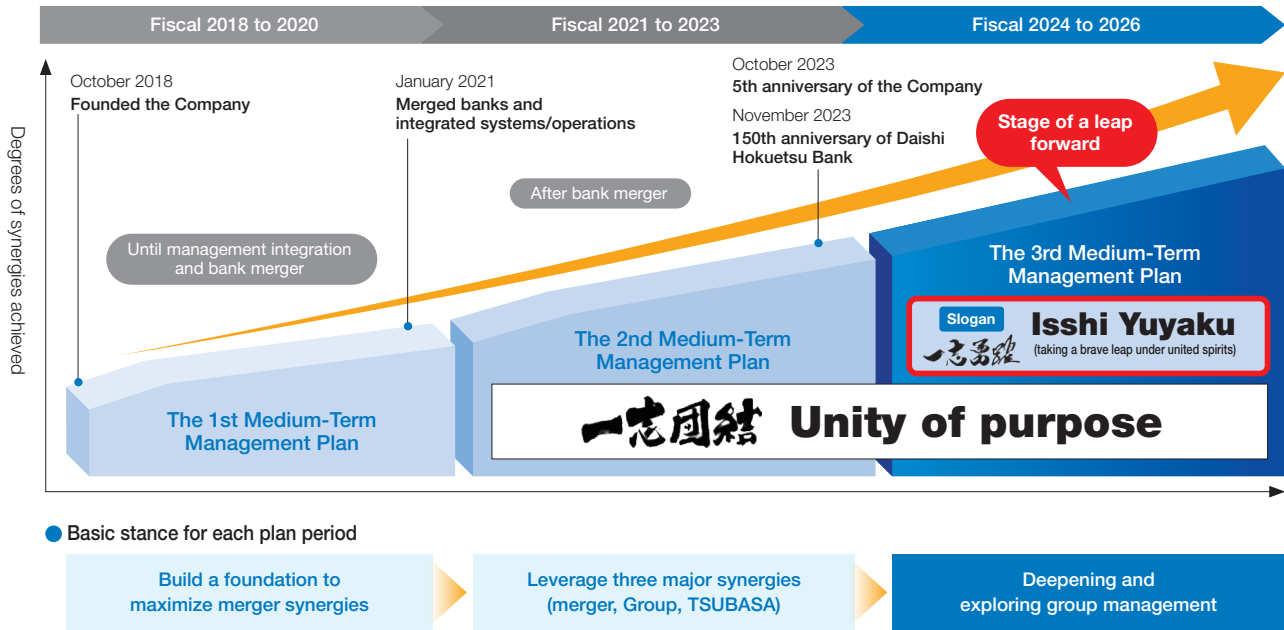


The 3rd Medium-Term Management Plan

Overview of the 3rd Medium-Term Management Plan (Plan Period: April 2024 to March 2027)

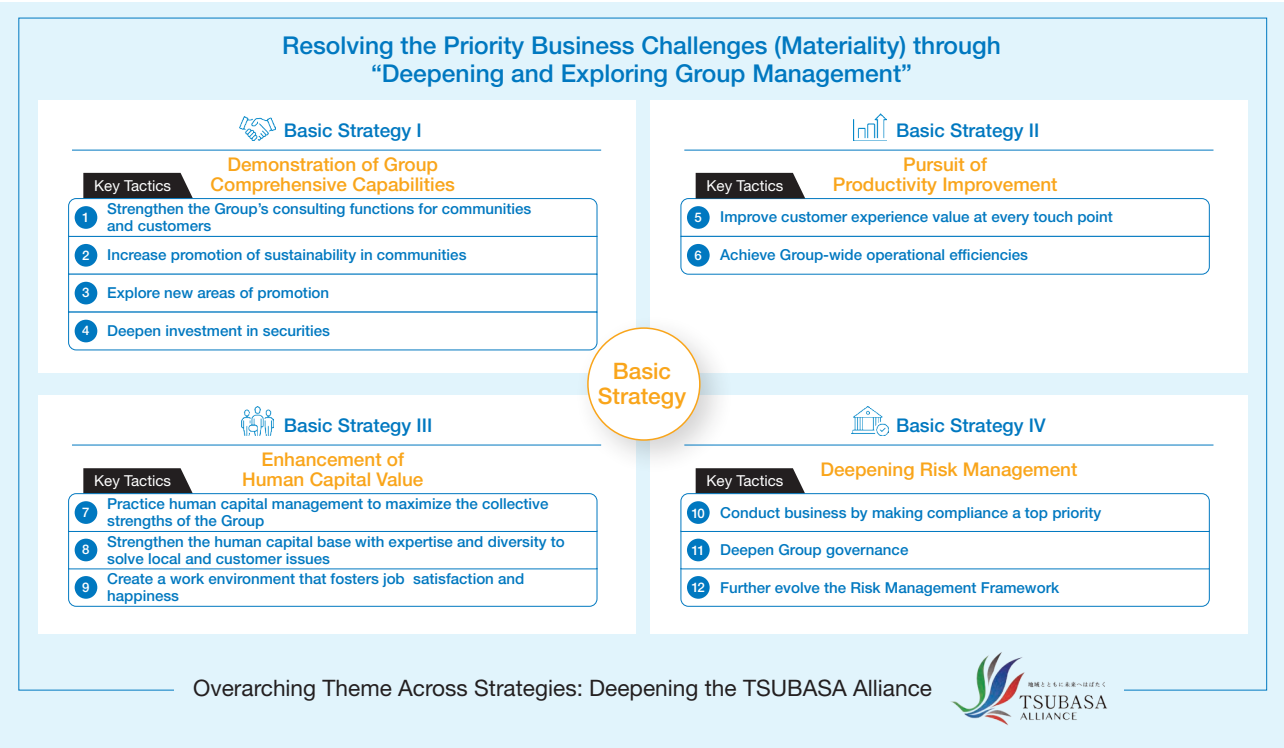
Positioning of the 3rd Medium-Term Management Plan

Under the 3rd Medium-Term Management Plan, which began in April 2024, the Group, as one of the leading financial and information services groups in Niigata Prefecture, has positioned the Plan as “a stage where all the officers and employees of the Group will boldly take on the challenge of change and take a leap, united by their aspirations,” and will take initiatives for “deepening and exploring Group management.”



Basic Strategies and Key Tactics

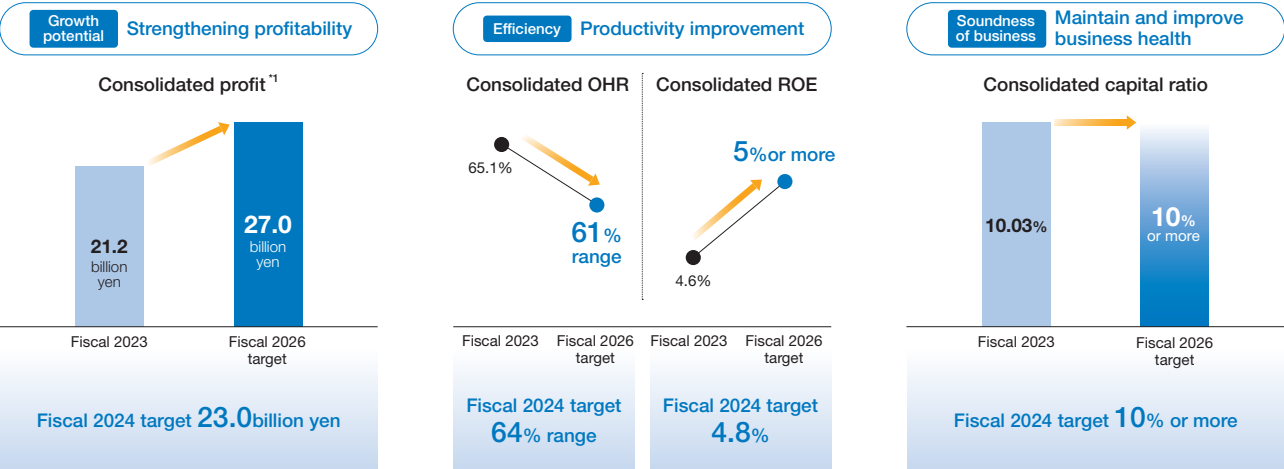
We will take into consideration the business environment surrounding the Company and solve the priority business challenges (materiality, page 36) under the basic strategies: “I Demonstration of Group Comprehensive Strengths,” “II Pursuit of Productivity Improvement,” “III Enhancement of Human Capital Value,” and “IV Deepening Risk Management,” as well as “Deepening the TSUBASA Alliance,” which is a theme common to all strategies, and will work together to implement 12 key tactics to realize these basic strategies.



Management Indicators (KPIs)

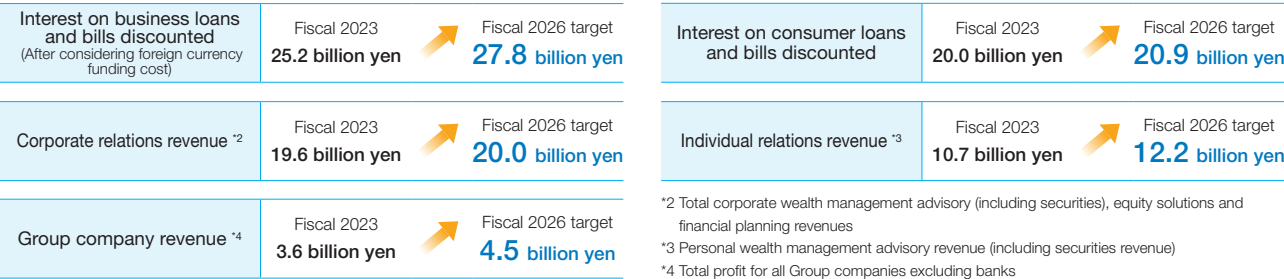
In the 3rd Medium-Term Management Plan, we set KPIs for “financial issues” and “environmental and social issues,” and aim to achieve consolidated net income of 27 billion yen and a consolidated OHR of 61% or higher in the final year of the plan (fiscal 2026). We set KPIs related to “financial issues” for each of the three priority business challenges, as well as indicators related to the transformation of the business portfolio for achieving the KPIs. The KPIs related to “environmental and social issues” consist of 12 indicators categorized by ESG field, and we will commit ourselves to solving local and customer issues. The Company’s policy is to flexibly revise each target as necessary, taking into account factors such as future monetary policies and market environments.

Management Indicators (KPIs) Related to “Financial Issues”



^{*1} Profit attributable to owners of parent

<Reference Indices> Indicators for Transformation of Business Portfolios



^{*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” Key Performance Indicators (KPI)

Environmental and social challenges		KPI	Fiscal 2024 target	Fiscal 2026 target
E	Active efforts to address global environmental issues	CO2 emissions reduction rate (vs. fiscal 2013)	59% range	62% range
		Executed amounts for sustainable finance *5	650.0 billion yen	1,100.0 billion yen
S	Revitalize regional economies and society by solving community and customer issues	Number of Number of business start-ups and succession support	2,850 cases	3,000 cases
		Number of DX/productivity improvement support	75 cases	95 cases
		Ratio of business clients with improved management indicators, etc.	75% or more	75% or more
		Number of cases supported to develop a business improvement plan	420 cases	440 cases
		Number of digital customers *6	450,000 cases	800,000 cases
		Balance of Group assets under custody	1,479.0 billion yen	1,690.0 billion yen
		Number of clients supported in sales channel development *7	720 cases	930 cases
		Number of HR solutions supported	190 cases	240 cases
G	Strengthen relationships of trust with stakeholders by enhancing governance, such as ensuring diversity	Proportion of female managers *8	26% or more	27% or more
		Total number of business partners of the Group *9	62,700 cases	69,000 cases

^{*5} Cumulative total from fiscal 2021 ^{*6} Number of Daishi Hokuetsu ID holders (e.g. Little Bank, My Page users) and individual e-net banking users ^{*7} Cumulative total since October 2019
^{*8} Ratio of female managers (deputy level and above) (Non-consolidated) ^{*9} Number of corporate clients with recurring business with the Group companies (total number)

The 3rd Medium-Term Management Plan

Basic Strategy I Leverage the Group's Comprehensive Strengths

Key Tactics

1

Strengthen the Group's consulting functions from the perspective of the local community and customers

2

Increase promotion of sustainability in communities

3

Explore new area of promotion

4

Deepen investment in securities

Strengthen the Group's Consulting Functions - Corporations -

Initiatives for Regional Revitalization

The Group is strengthening initiatives for regional revitalization in cooperation with business operators, the government, external alliances, and other partners. Under the "Human Capital Value Enhancement Project," which was newly established in fiscal 2023, the Headquarters and branches will work together to strengthen relationships with project operators for large-scale regional revitalization projects that are underway in various parts of Niigata Prefecture, and contribute to the sustainable development of the prefecture.

Examples of regional revitalization projects

Comprehensive Revitalization Project in the Sado Region

RWE Offshore Wind Japan Murakami and Tainai Project

Myoko District Development Project

Initiatives for Business Startups and Re-startups, and Business Succession

The Company is making concerted efforts as the entire Group to maintain and create employment opportunities in local communities, as part of efforts to address the issues of population decline and low startup rate faced by Niigata Prefecture. At the "Niigata Power Up Salon," a management consultation meeting hosted by Daishi Hokuetsu Bank and Daishi Hokuetsu Research & Consulting, we provide a wide range of consultation services, from business ideas to specific earnings plans and action plans, for clients who have various management issues, including business operators who are considering a business startup or re-startup and those who have just founded a business.

To maintain employment in the local community and achieve sustainable economic growth, it is essential for us as a local financial institution to support business succession through M&A and other means, in addition to curbing business closures.

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

Furthermore, Daishi Hokuetsu Capital Partners, a specialist investment subsidiary of the Company, established the "No.1 Daishi Hokuetsu Regional Initiatives Investment Limited Partnership" (December 2021) and the "No.2 Daishi Hokuetsu Regional Initiatives Investment Limited Partnership" (April 2023) in partnership with Daishi Hokuetsu Bank, with the objective of supporting business succession, startups, and new business development, which are pressing issues for local companies. In April 2023, we established a new equity business line within the Daishi Hokuetsu Bank Business Headquarters. Through efforts to further promote collaboration between Daishi Hokuetsu Bank and Daishi Hokuetsu Capital Partners, we will provide capital funds and management support with hands-on participation in management, thereby contributing to the sustainable growth of the regional economy and the enhancement of the corporate value of investee companies.

Results

Involvement in business startups or re-startups

1,968 cases

(fiscal 2023)

Number of companies supported in business succession

1,743 cases

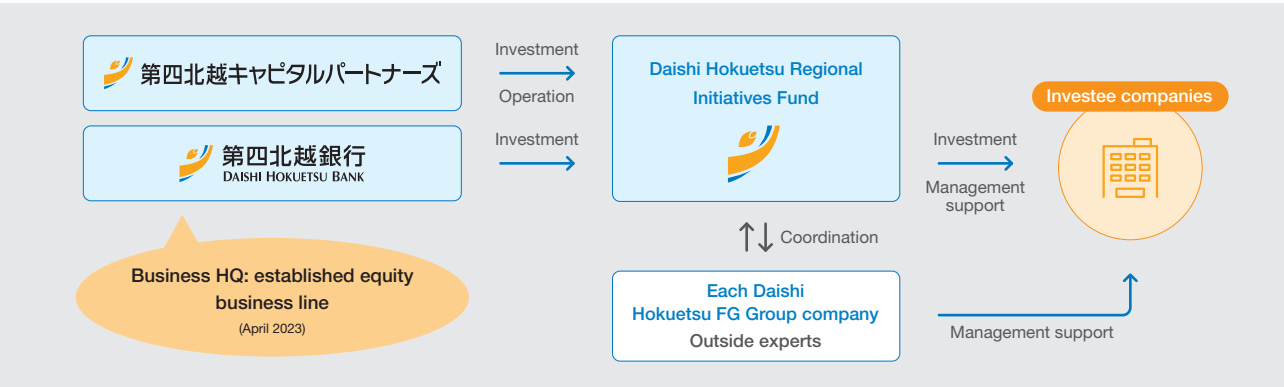
(fiscal 2023)

Number of companies supported in business founding and succession

3,000 cases

(fiscal 2026 target)

KPI



Strengthen the Group's Consulting Functions - Individuals -

Fulfill Consulting Functions According to the Customer's Life Stage

Daishi Hokuetsu Bank and Daishi Hokuetsu Securities are working on enhancing their consulting functions, such as strengthening their "asset management businesses" according to life stages, through face-to-face meetings with customers and accurately identifying their needs.

KPI

Assets under custody of the Group

1,690.0 billion yen (fiscal 2026 target)

A generation that "creates and increases" assets for the future

A generation that "increases and protects" assets for themselves and their families

A generation that "utilizes" assets for an affluent second life

A generation that "leaves and cedes" assets for their families

Required guarantee amounts according to life stages

Getting a job, Getting married, Birth of a child, A child entering a kindergarten, Purchase of an automobile, Purchase of a house, Domestic travel, A child entering college, A child getting married, Mandatory retirement, Management continuation period, Planned divestment period

Income

Assets

Salary, business income, etc.

Retirement benefits

Receipt of pension, Home renovation, Domestic travel, Overseas travel, Purchase of a grave, Public pension

Expenditure

Basic living expenses

Living expenses after retirement

Wedding expenses, Housing purchase expenses, Education expenses, Advance repayment of housing loan, Home renovation, Nursing care expenses for parents, Nursing care expenses for oneself

Expansion of Consulting Plaza Functions

In September 2023, Daishi Hokuetsu Bank integrated and relocated the Niigata Consulting Plaza and Dekijima Consulting Plaza, and newly established the "Money Plan Lab," an asset management consulting booth in the same building staffed by specialists in asset management to further address a wide range of customers' needs according to their life stages.



Niigata Consulting Plaza



Money Plan Lab

Strengthen the Group's Consulting Functions - Deepen and Explore the Group's Functions -

Establish a New HQ Organization

In July 2024, the Company newly established the "New Business Planning Office" within the Group Strategy Promotion Department as a section that specializes in supervising the examination, planning, and implementation of new business fields for the sustainable growth of local communities and the Group.

In July 2024, Daishi Hokuetsu Bank newly established the "Tokyo Sales HQ" within the Sales HQ in order to develop a sales promotion system aimed at strengthening intra-prefectural as well as extra-prefectural cooperation. In addition, the "Overseas Business Strategy Office" was newly established within the Consulting Business Department in order to facilitate the sustainable growth of the Niigata Prefecture economy by supporting the expansion of customers' overseas sales channels utilizing the overseas networks of the banks participating in the TSUBASA Alliance and external alliances, as well as by attracting capital and investment from overseas. Furthermore, Daishi Hokuetsu Bank newly established the "Sales Planning Office" within the Business Development Planning Department. The Sales Planning Office supervises sales promotion planning to further strengthen the consulting function of the entire Group.

The 3rd Medium-Term Management Plan

Basic Strategy I Demonstration of Group Comprehensive Capabilities

Support for Solving Issues Related to Human Resources

第四北越キャリアブリッジ

Daishi Hokuetsu Career Bridge focuses on the maintenance and creation of regional employment by supporting the solution of human resource issues faced by companies in the prefecture through two businesses: the personnel-matching business and the personnel development support business.

In the personnel-matching business, we support the matching of human resources suited to the needs of regional companies, centering on senior management and managers who are necessary for the business continuity of regional companies and specialist human resources who can support business expansion, etc. In addition, we also provide personnel matching services for part-time and secondary jobs to introduce employees with highly specialized skills, mainly in the Tokyo metropolitan area, to companies in the prefecture. In March 2024, Daishi Hokuetsu Career Bridge took over

the agency business (fee-charging employment placement business) from a company in Niigata Prefecture, with the aim of expanding functions and services for the direct introduction of professional human resources, and is strengthening its business foundation.

There is a high demand for the personnel matching business, and we received over 1,700 consultation requests and made over 500 hiring decisions between the launch of the business and the end of March 2024.

In the personnel development support business, we held training and seminars for the development of human resources at companies in the prefecture. We are steadily expanding this business, including winning a contract for the "Project for Development of Women and Next Generation General Managers" (Niigata Prefecture) in July 2023.

Results

KPI

Number of personnel matches that lead to solution of corporate issues

118 cases
(fiscal 2023)

Number of companies supported in human resources solution

240 cases
(fiscal 2026 target)



Seminar for fostering next-generation female leaders



Seminar for new employees

Support for Sales Channel Development and Expansion

ブリッジにいがた

Although Niigata Prefecture has strengths related to regional resources, such as abundant nature and distinctive regional industries, as well as being a major transportation hub on the Sea of Japan side of Japan, these strengths have not been fully leveraged. In addition, an increasing number of regional companies are interested in expanding their sales channels outside the prefecture and overseas, in anticipation of a shrinking market in the prefecture due to a declining and aging population. Taking advantage of the rich range of information and extensive network of the Group, "Bridge Niigata," a regional trading company, is working to expand sales channels for regional companies. At the "Bridge Niigata" permanent antenna shop opened in Nihonbashi, Chuo-ku, Tokyo, Bridge Niigata manages all operations related to the sale of products from Niigata Prefecture, from planning and procurement

to in-store sales. The range of goods offered has expanded to approximately 750 products, with approximately 270 products available on its own e-commerce website. In July 2024, we expanded the event space on the first floor to approximately twice its previous area, and expanded the test marketing space for trial sales of new products by business operators in the prefecture, thus strengthening the function of the shop as a base for disseminating information. Bridge Niigata will continue to actively share information on the attractiveness of local products and the technological capabilities of companies in Niigata. The shop also returns market information, such as feedback from people in Tokyo metropolitan area on products from Niigata and related needs, to companies in the prefecture, thereby contributing to increasing the added value of prefectural products.

Bridge Niigata, an antenna shop

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

Expansion in the number of products offered to approximately

750



Exterior of the antenna shop



Products



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

"Bridge Niigata" online store

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

270



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

Results

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

638 cases
(fiscal 2023)

Support for Management Improvement

第四北越リサーチ&コンサルティング

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

as issuing journals for members. In our management consulting services, we provide support in formulating management improvement plans for businesses that find it difficult to do so on their own. Under the Small and Medium Enterprise Agency's "Support for the Formulation of Management Improvement Plans (commonly referred to as 'Project 405')," Daishi Hokuetsu Research & Consulting had the highest number of cases (39 in the fiscal year ended March 2024) in Niigata Prefecture, which in turn had the fourth highest number of 405 cases in Japan (91 cases).

KPI

Percentage of business partners with improved management indicators, etc.

75% or more
(fiscal 2026 target)

Number of companies supported in formulating management improvement plans

440 cases
(fiscal 2026 target)

Providing Products and Services that Contribute to Local Communities

Contributing to Local Communities by Promptly Establishing a Counter for Responding to Disasters

Daishi Hokuetsu Bank set up a "2023 Heat Wave Impact Loan Consultation Desk" in August 2023 to promptly respond to inquiries from customers who were affected by the record-breaking heat wave in the summer of 2023, and also offered "2023 Heat Wave Impact Emergency Special Loan." Daishi Hokuetsu Bank also extended its support for customers affected by the

2024 Noto Peninsula Earthquake that occurred in January 2024 by setting up the 2024 Noto Peninsula Earthquake Impact Loan Consultation Desk, offering the 2024 Noto Peninsula Earthquake Impact Emergency Special Loan, and providing consultations on matters such as funds necessary for recovery and business continuity.

Contributing to Local Communities through Donation-type Private Placement Bonds

Daishi Hokuetsu Bank is focusing on donation-type private placement bonds, in which a portion of the private placement bond issuance fees received from customers are donated to local governments, educational institutions, etc. In September 2013, Daishi Hokuetsu Bank became the first bank in Japan to begin handling donation-type private placement bonds, and as of the end of March 2024, donations had been made to 1,018 organizations, bringing the total amount of donations to 200 million yen.

In January 2024, we began offering "Noto Peninsula Earthquake Recovery Support Private Placement Bonds <SDGs Private Placement Bonds>" with the aim of contributing to the reconstruction assistance for the areas damaged by the 2024 Noto Peninsula Earthquake. A total of 49 companies issued private placement bonds, which we offered for a limited period until March 2024, in support of this initiative. In June 2024, we donated a total of 3,623,000 yen to Niigata Prefecture and the Japanese Red Cross Society. Daishi Hokuetsu Bank also offered local donation-type private placement bonds aimed at solving problems specific to each region of Niigata Prefecture and revitalizing the area. Between July 2023 and March 2024, we offered "<SDGs Private Placement Bonds> Green & Food Support Private Placement Bonds 2" as a joint project with Gunma Bank, our partner in the "Gunma-Daishi Hokuetsu Alliance," in order to support social initiatives such

as support for food banks and children's cafeteria operators in Niigata and Gunma Prefectures, and environmental initiatives such as carbon neutrality.



"<SDGs Private Placement Bonds> Green & Food Support Private Placement Bonds 2" donation ceremony

Main Donations of Private Placement Bonds

Name of private placement bonds	Donation recipient	Details of donation
"<SDGs Private Placement Bonds> Green & Food Support Private Placement Bonds 2"	Niigata Prefecture	2.039 million yen (food and donations)
"Noto Peninsula Earthquake Recovery Support Private Placement Bonds <SDGs Private Placement Bonds>"	Japanese Red Cross Society, Niigata Chapter	3.623 million yen (donation)

Contributing to Local Communities Through the "Niigata Future Japan Stock Fund," a Donation-type Investment Trust

第四北越証券

Starting in May 2019, Daishi Hokuetsu Securities has been conducting sales for the Niigata Future Japan Stock Fund (nicknamed Niigata no Kakehashi (Bridge to Niigata)), a donation-type investment trust for supporting the future of Niigata Prefecture. This investment trust supports companies that contribute to the economy of Niigata Prefecture by investing a portion of its funds in "Niigata-related stocks," which are listed companies headquartered in Niigata. In addition, a portion of the investment management fees (trust fees) received from customers is donated to welfare organizations in the prefecture, alongside a donation from the management company, to support the future development of Niigata Prefecture. As of the end of March 2024, a cumulative total of approximately 72 million yen had been donated.



Inventory presentation ceremony for the Niigata Future Japan Stock Fund

The 3rd Medium-Term Management Plan

Basic Strategy II Pursue Higher Productivity

Key Tactics

5 Improve customer experience at every touch point

6 Achieve Group-wide operational efficiency

Improve customer experience at every touch point

Support for Customers Aiming to Improve Operational Efficiency through DX

In Niigata Prefecture, a labor shortage due to a declining population and changes in the business environment, such as work-style reforms, have made the improvement of productivity a major issue for corporate managers, meaning that companies must promote DX.

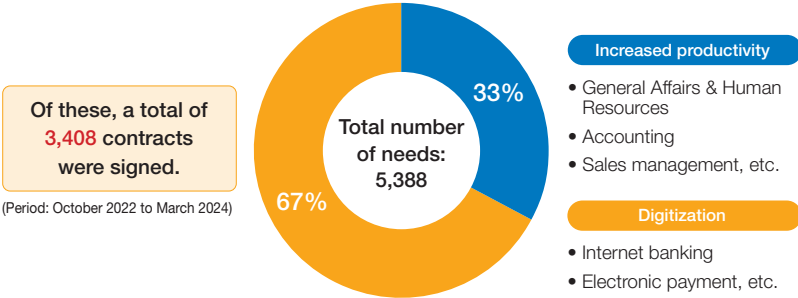
As part of its DX initiatives, the Group actively promotes “DX support for business partners.” Since October 2022, the Group has been promoting the “DX All Branch Campaign” based on business feasibility evaluation. As of the end of March 2024, the number of needs exceeded 5,300, and the number of DX-related consulting contracts reached 3,408. In September 2023, Daishi Hokuetsu Bank and Daishi Hokuetsu IT Solutions were certified as “Information Processing Support Institutions (Smart SME Supporters)” under the “Smart SME Supporter” system * established by the Ministry of Economy, Trade and Industry, as the first financial institutions in Niigata Prefecture to

be certified as such.

Additionally, at “Bridge Niigata,” a regional trading company, we have won contracts for many projects to promote DX from the national and prefectural government and is working on improving DX and operational efficiency for companies and local governments in Niigata Prefecture.

The Company will continue to exercise the Group’s multifaceted problem-solving capabilities to actively support the efforts of customers to improve productivity through the utilization of digital technologies.

DX All Branch Campaign



Smart SME Supporter

*A system in which the Ministry of Economy, Trade and Industry certifies IT vendors that support the use of IT by small and medium-sized enterprises as information processing support institutions.

Increased productivity

- General Affairs & Human Resources
- Accounting
- Sales management, etc.

Digitization

- Internet banking
- Electronic payment, etc.

< Main Operations Initiatives at Bridge Niigata >

April 2023	"Project to Develop Regional DX Promotion Environment" (Fiscal 2022 amendment/Ministry of Economy, Trade and Industry)
June 2023	Support for developing sales channels for prefectural products for Vietnam (Fiscal 2023/Niigata Prefecture)
July 2023	"DX Promotion Awareness Reform Support Operations" (Fiscal 2023/Niigata Prefecture)
May 2024	Received the "Area Award" for the Kanto/Koshinetsu region in "CYBOZU AWARD 2024"

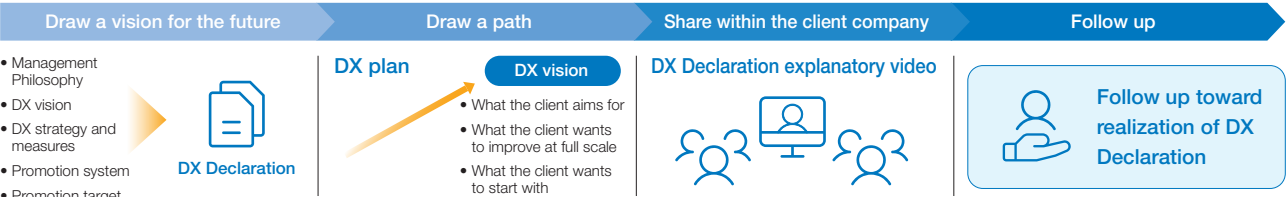
Launch of “Daishi Hokuetsu DX Consulting Service” - Offering “DX Declaration Formulation Support Service” -

In April 2024, Daishi Hokuetsu Bank began offering the “Daishi Hokuetsu DX Consulting Service,” which supports the DX promotion of regional companies, thus revitalizing regional DX initiatives. The first initiative launched under this service is the “DX Declaration Formulation Support Service.”

The “DX Declaration Formulation Support Service” organizes and visualizes the “vision” and “issues to be worked on” through dialogue with customers, and declares them internally and externally in the form of a DX Declaration.

laration, thereby helping customers take their first step toward DX. After the DX Declaration, the Daishi Hokuetsu Bank will cooperate with other Group companies and business partners to provide medium - to long-term support for the realization of the content of the Declaration.

Image of DX Declaration Formulation Support Service



Strengthen Non-Face-to-Face Channels

Expanded Functions of “My Page,” a Web Service for Individuals

In April 2023, Daishi Hokuetsu Bank began offering a personalized online service called “My Page,” and in December 2023, expanded its functions, adding an electronic delivery service for various forms such as loan repayment schedules, with the aim of further enhancing customer convenience. On “My Page,” various procedures are available through a dedicated website

for each customer, without having to visit a bank. Daishi Hokuetsu Bank will continue to expand the functions of “My Page,” which is an important channel connecting customers and the bank.

Main Functions of My Page

April 2023	<ul style="list-style-type: none">Procedures for formally applying for a housing loanConfirmation of coverage of group credit life insurance
December 2023	<ul style="list-style-type: none">Electronic delivery service for various forms such as loan repayment schedulesRequest for estimates of fire insurance, etc.



Provision of smartphone apps

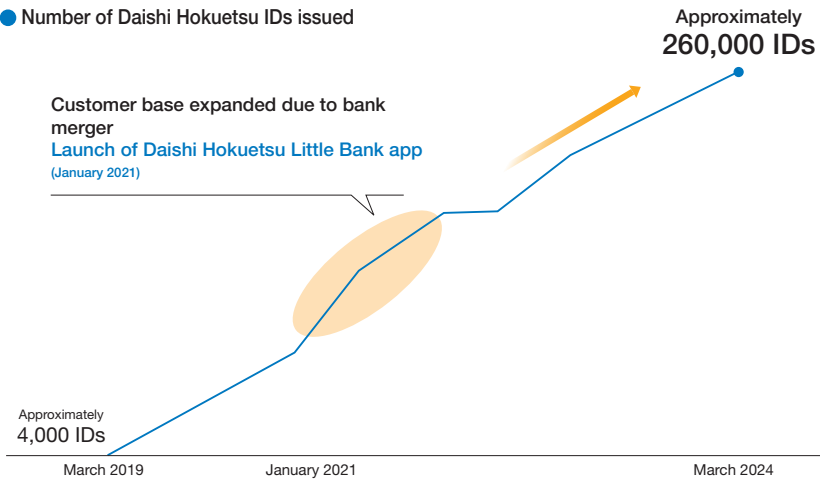
To increase customer convenience, Daishi Hokuetsu Bank offers smartphone apps such as the “Daishi Hokuetsu Little Bank” app, which has functions such as checking the balance of accounts, checking the details of deposits and withdrawals, and providing information on financial products tailored to customer life stages, and the “Daishi Hokuetsu Passbook App,” a digital passbook app that enables customers to check the details of deposits and withdrawals for up to 10 years.

In November 2023, we added a money transfer function as well as a function to pay taxes and public utility charges, etc. to the smartphone application “Daishi Hokuetsu Little Bank” for even more convenient use by customers.

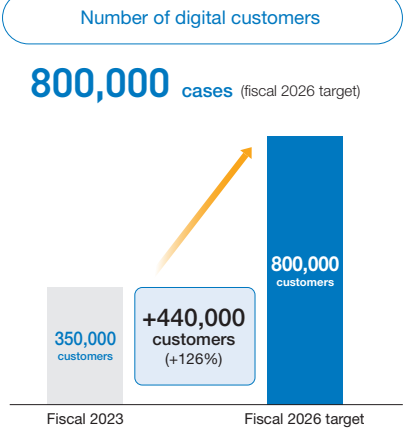
As of March 31, 2024, the number of “Daishi Hokuetsu IDs” issued, which are required to use these applications, exceeded 260,000. Under the 3rd Medium-Term Management Plan, we will advance the optimization of the store network in face-to-face channels, improve the visibility and functions of non-face-to-face channels, and contribute to enhancing customer convenience, thereby increasing the number of digital customers* to 800,000.

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

Number of Daishi Hokuetsu IDs issued



KPI



Common administrative procedures with financial institutions in Niigata Prefecture

Daishi Hokuetsu Bank has implemented the “standardization of procedures for inheritance of deposits” with THE TAIKO BANK, LTD. since November 2022. Starting in April 2023, all shinkin banks, credit unions and Niigata Labour Bank with their head offices in Niigata Prefecture also participated in the initiative. Furthermore, in April 2024, we began “standardization

of adult guardianship system procedures” with THE TAIKO BANK, LTD. Going forward, we will actively deepen cooperation with financial institutions in Niigata Prefecture in areas where collaboration is possible, for further enhancement of customer convenience.

Support for digitalization of school operations such as payment of school fees

In February 2024, Daishi Hokuetsu Bank began providing a school-dedicated website “Internet Account Transfer Reception Service” as a means of improving convenience for students’ parents and assisting school staff in streamlining administrative work. As of the end of March 2024, a total of 10 junior high schools, senior high schools, and universities in Niigata Prefecture had introduced the service.

Through this service, parents can complete account transfer procedures

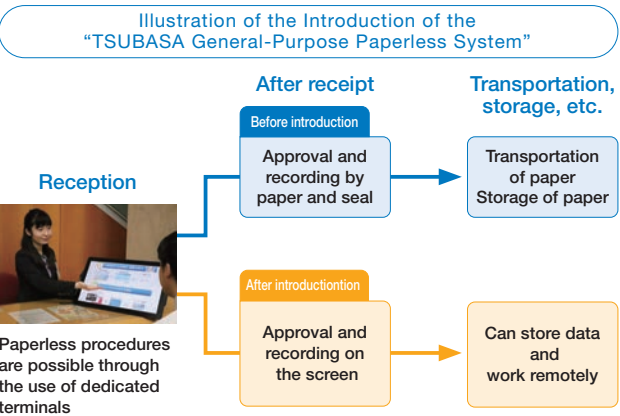
for tuition fees, for example, over the internet without visiting a bank, and there is no need to fill out an application form or affix a seal. In addition, schools can obtain account transfer information by data, thus preventing erroneous input and reducing work time.

We also actively support the digitalization of school operations, including promotion of internet banking for public elementary and junior high schools in Niigata Prefecture.

The 3rd Medium-Term Management Plan

• Introduction of the “TSUBASA General-Purpose Paperless System”

In September 2023, Daishi Hokuetsu Bank introduced the “TSUBASA General-Purpose Paperless System,” which was jointly developed with The Chiba Bank, The Chugoku Bank, and IBM Japan, Ltd., with the aim of making branch office operations paperless. This system allows for completely paperless procedures for opening a new account or changing items requiring notification such as an address, using a tablet device, and a significant improvement in administrative efficiency has been achieved at banks.



■ Achieve Group-wide operational efficiency

• Establishment of the “Productivity Improvement and DX Promotion Committee” and “Productivity Improvement Office”

In July 2024, the Company expanded the cross-headquarters-based PDCA (Plan-Do-Check-Act) cycle across the Group, which had been conducted by the “Structural Re-form and DX Promotion Committee” at Daishi Hokuetsu Bank, by newly establishing the “Productivity Improvement and DX Promotion Committee.” The Committee is chaired by the President of the Company, comprises general managers of the FG and banks and presidents

of Group companies, and provides a Group-wide framework for promoting productivity improvement. Furthermore, the Company will promote initiatives aimed at improving productivity across the Group by establishing the “Productivity Improvement Office” within the Corporate Planning Division of the Company to implement PDCA across the Group organizations.

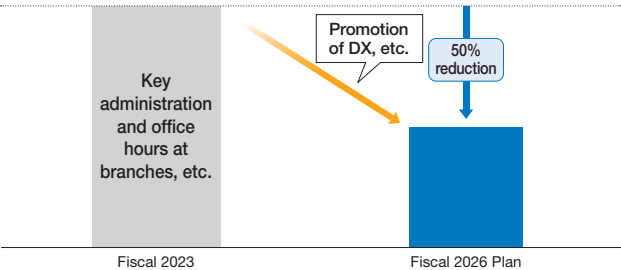
• Implementation of the “FG-Wide All Store ECRS Campaign” and review of operations

Since April 2024, the Group has implemented the “FG-Wide All Store ECRS Campaign,” which incorporates the “ECRS Principles,” with an aim of significantly improving productivity through the unified efforts of the operations and sales divisions. We will proactively strive to improve inefficient administrative processes, thus halve the volume of administrative processes in the main operations of branch offices, and promote the digitalization, consolidation, and restructuring of operations in departments where administrative work is concentrated.

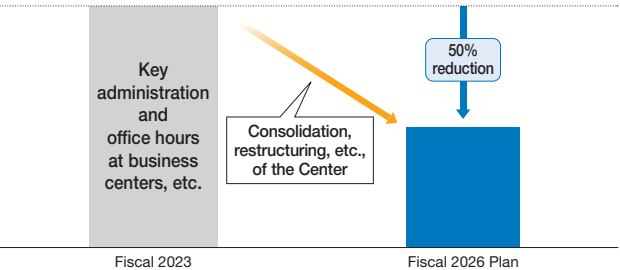


*An acronym of four terms “Eliminate,” “Com-bine,” “Rearrange,” and “Simplify,” which represents the order and perspective for implementing business improvement.

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



● Major review of HQ operations (Bank Division)



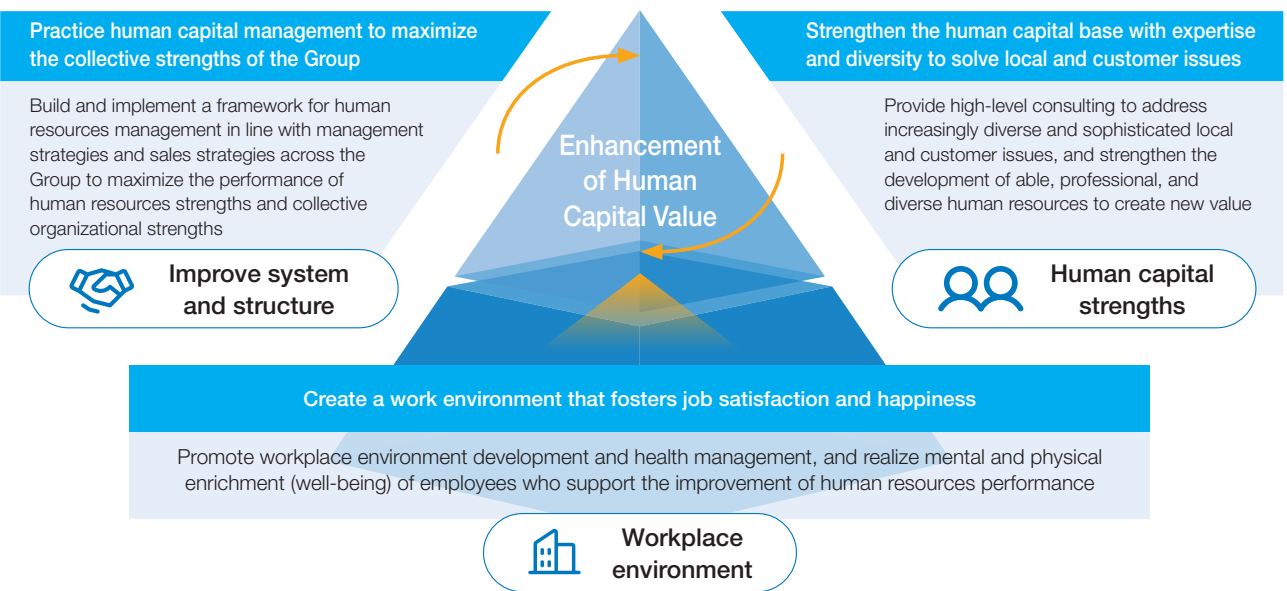
Basic Strategy III Enhancement of Human Capital Value

Key Tactics

- 7 Practice human capital management to maximize the collective strength 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

Based on our long-held recognition that our employees are an important asset, the Group refers to our personnel as “human resources,” and we have promoted management that prioritizes these “human resources.” In the 3rd Medium-Term Management Plan, we will further accelerate our initiatives regarding human capital, set Basic Strategy III (“Enhancement of Human Capital Value”) and implement the three key tactics (“Practice human capital management to maximize the collective strengths of the Group,” “Strengthen

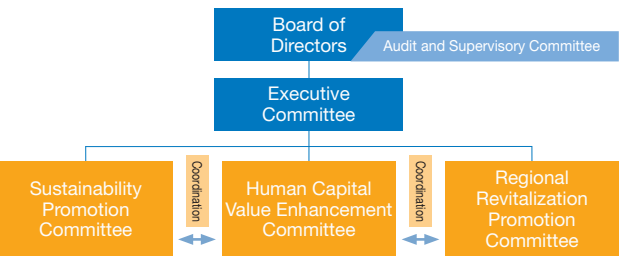
the human capital base with expertise and diversity to solve local and customer issues,” and “Create a work environment that fosters job satisfaction and happiness”). We will thus work on a human resources strategy that will lead to the realization of the Group’s Management Philosophy, “Continue to provide new value” to customers and local communities and “contribute to the development of local communities.”



■ Implement human resources management to maximize the Group’s comprehensive strengths

• Establishment of the “Human Capital Value Enhancement Committee” (July 2024)

The Company has newly established the “Human Capital Value Enhancement Committee,” which is chaired by the President of the Company, and has established a framework for formulating comprehensive human capital value enhancement strategies for the entire Group and conducting PDCA (Plan, Do, Check, Act) in cooperation with the Sustainability Promotion Committee and the Regional Revitalization Promotion Committee. Through these initiatives, the Company will enhance human capital value.

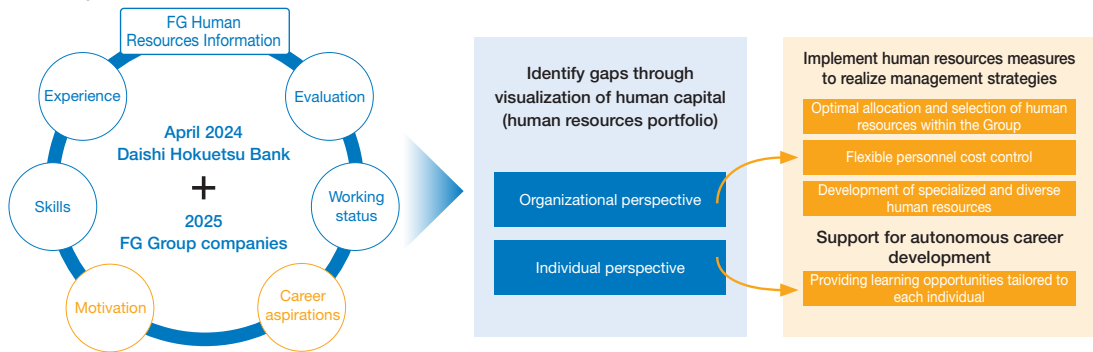


The 3rd Medium-Term Management Plan

• Introduction of Career Support System (April 2024)

In April 2024, the Group introduced a career support system (Human Resources Information Platform System) at Daishi Hokuetsu Bank. This system centrally manages and shares the Group's human resources information, and supports the implementation of effective human resources measures and career development backed by hu-man resources data. We plan to introduce the sys-tem at each Group company in 2025.

● Career Support System



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

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

» Establish “DE&I (Diversity, Equity & Inclusion) Promotion Office” (July 2024)

The Company established the “DE&I Promotion Office” within the FG Human Capital Strategy Division (renamed from Human Resources Planning Department in July 2024).

The DE&I Promotion Office serves as the “control tower” for promoting DE&I in Basic Strategy III, “Enhancement of Human Capital Value,” of the 3rd Medium-Term Management Plan, which began in fiscal 2024, and will strengthen the foundation of diverse human resources.

- Planning and operation of training, etc. for the promotion of the active participation of women
- Initiatives for the advancement of diverse human resources, including mid-career hire employees and persons with disabilities
- Initiatives to transform work styles, including support for balancing work with childcare and nursing care
- Elimination of gender-related unconscious bias, and planning and operation of training to promote understanding and reform awareness of LGBTQ issues

We held a study meeting for Directors and Audit & Supervisory Committee Members in May 2024 to promote understanding among management team about LGBTQ issues, prior to the establishment of the DE&I Promotion Office.

» Implementation of a selective development program aimed at ensuring the diversity of management personnel (since December 2023)

Developing diverse management personnel, mainly women, and ensuring the diversity of the Company's Board of Directors are essential elements for “Enhancement of Human Capital Value,” and are also strongly demanded by stakeholders.

The Company has been developing the next generation of female leaders through the “Empowerment Program for Women,” which focused on developing job functions and raising awareness for promotion to higher positions. However, we have come to the recognition that producing management talent requires clarification of the career goals of employees, provision of practical opportunities to acquire the skills and management capabilities in

the corporate field and other areas necessary for management talent, and thereby nurturing confidence and motivation for higher positions. Accordingly, we launched the “Female Director Development Program” in December 2023. Under this program, approximately 40 persons selected from Group companies are divided into three groups according to their past careers, management experience, skills, etc. While expanding the number of persons selected as necessary, we will accelerate initiatives to promote diversity and the advancement of women by promoting development in line with the “hands-on curriculum.”

The Company aims to increase the ratio of female Directors to 30% by 2030. To this end, we will increase the ratio of female general managers to 10% by the end of fiscal 2026.



Female Director Development Program
“Management training for female managers”
by the Chairman



Empowerment Program for Women



Members of the Empowerment Program for Women

● Hands-On Curriculum of the “Female Director Development Program”

Curriculum	Purpose and Overview
Lectures by the management of the Company and discussions	Improve the quality of management personnel through lectures by the management and by discussions based on the Group's management environment, management strategies, and other conditions.
Lectures by female corporate managers from outside the Company and discussions	Hold training sessions in which female managers from outside the Company serve as lecturers, absorb knowledge that transcends industry, and raise awareness by their examples, which demonstrate, among other things, how they have enhanced their own drive and motivation toward forming careers in high-ranking positions.
Corporate Sales/Loan Master Course (Daishi Hokuetsu Bank)	Dispatch trainees to specialized divisions of the Headquarters for an extended period of time to provide them with opportunities to gain hands-on experience in consulting in the corporate field, specifically project structuring, corporate screen-ing, and business succession based on business feasibility evaluation, to acquire the skills necessary as a manager, such as a general manager of a general branch of a bank, and to enhance self-confidence and motivation toward appointment to senior positions.
Planned allocation to important posts (Daishi Hokuetsu Bank)	Appoint personnel to important posts such as general manager of a general branch and general manager of the Headquarters or assign personnel to the strategy department of the Headquarters, to hone the management capabilities required of management personnel, and thus systematically allocate personnel and help form careers for the development of management personnel.
Dispatch for external training (including joint training with banks participating in the TSUBASA Alliance)	Learn about a wide range of insights including specialized knowledge and the latest management methods, etc., interact with external human resources who aim to improve the quality of their skills and knowledge, thus acquire new perspectives and awareness, and expand human networks.
Enhance mentoring	Continue to conduct mentoring utilizing the “TSUBASA Cross-Mentor System” among the banks participating in the TSUBASA Alliance to provide mental support for program participants, and improve their willingness to develop their careers

» Women's Empowerment and Appointment

Daishi Hokuetsu Bank achieved its target of 26.0% for one of the important DE&I indicators, namely the proportion of female managers, which was set out in the 2nd Medium-Term Management Plan. Going forward, we will further develop and appoint female human resources toward achieving the 27.0% target for the fiscal year ending March 31, 2027, which is set out in the 3rd Medium-Term Management Plan.

Specifically, the Company is expanding the scope of the “Empowerment Program for Women,” which aims to develop female leaders, by increasing the number of participants in the program. At the same time, the Company is promoting the appointment of those who have completed the program to higher positions and their participation in the “Female Director Development Program.” The “Empowerment Program for Women” sets an intensive training period of one year and three months and provides training and career interviews to develop leadership, thinking skills, and planning skills, aiming at improving quality and cultivating awareness as leaders. Those who have completed the program have been promoted to positions such as branch managers of Daishi Hokuetsu Bank and presidents and managers of Group companies. In June 2024, the first female Director of the Company was appointed. She had experienced this program and had accumulated important and diverse careers within the Group, such as General Manager of a branch office and General Manager at the Headquarters of Daishi Hokuetsu Bank, as well as President of a Group company.

The Company intends to further accelerate the promotion of women's participation and advancement in the workplace across the entire Group.

Daishi Hokuetsu Bank					
Proportion of female managers (deputy level and above)		Fiscal 2022	25.8%	→	Fiscal 2023 26.0%
Disparity in wages between men and women	All employees		45.8%	→	47.7%
	Bank employees (regular employees)	Fiscal 2022	61.2%	→	Fiscal 2023 61.9%
	Part-time/fixed-term workers		66.5%	→	69.0%
Proportion women among new graduate hires		Fiscal 2022	47.3%	→	Fiscal 2023 35.8%

» Empowerment Promotion of Mid-Career Hire Human Resources and Diversification of Recruitment Methods

At Daishi Hokuetsu Bank, mid-career hire human resources play an important role in asset management consulting and systems as well as in productivity improvement through DX, and we believe that the roles they play will continue to grow. We will expand mid-career hire of highly specialized human resources by utilizing Daishi Hokuetsu Career Bridge, a recruitment company within the Group, and diversifying mid-career recruitment methods, and will thus secure necessary human resources.

Daishi Hokuetsu Bank				
Mid-career hire ratio	Fiscal 2022	12.9%	→	Fiscal 2023 20.2%

To that end, the Company has expanded since fiscal 2023 the scope of the “Empowerment Program for Women” (which had been implemented only by Daishi Hokuetsu Bank) to all Group companies, thus developing and appointing female human resources.

While the Group has not established a disparity of wages between men and women in the operation of its personnel system or in its wage structure, the proportion of relatively high-paid managers at Daishi Hokuetsu Bank is higher for men than for women, and the proportion of women among part-time and fixed-term employees is higher. These factors are contributing to the disparity in wages between men and women. The Group is promoting the development of human resources who can play active roles in high-ranking positions by programs such as the “Empowerment Program for Women” and the “Female Director Development Program” launched in fiscal 2023, and the “Part-time to Bank Employee Transition Program” and is also proactively providing support for balancing work with childcare and nursing care.

Daishi Hokuetsu Bank has also established a “region limitation system,” which enables employees to limit where they work to areas they are able to commute from, thus supporting a variety of work styles suited to employees' lifestyles. This system, which allows employees to assume all positions, is widely utilized by women (64% of women and 10% of men has chosen the system). One of the reasons for the disparity in wages between men and women is that if they choose this system, their salary will be around 8.5 to 90% of the amount before their choice.

Daishi Hokuetsu Financial Group					
Proportion of female managers (deputy level and above)		Fiscal 2022	23.8%	→	Fiscal 2023 23.8%
Disparity in wages between men and women	All employees		46.8%	→	49.8%
	Bank employees (regular employees)	Fiscal 2022	61.6%	→	Fiscal 2023 63.1%
	Part-time/fixed-term workers		66.0%	→	68.1%

» Active Efforts to Employ People with Disabilities

The Company is expanding operations tailored to the situation of the disabilities to ensure that employees with disabilities can continue to work with peace of mind by making use of their abilities and aptitudes. In the fiscal year ended March 31, 2024, Daishi Hokuetsu Bank secured a rate of employment of people with disabilities that exceeded the statutory rate. The Company will proactively engage in the employment of persons with disabilities, holding seminars for Group employees to promote mutual understanding and develop a workplace environment both in tangible and intangible manner.

Daishi Hokuetsu Bank				
Rate of employment of persons with disabilities	Fiscal 2022	2.3%	→	Fiscal 2023 2.3%

The 3rd Medium-Term Management Plan

• Strengthen the Human Capital Base with expertise to Solve Local and Customer Issues

The Group's approach to management strategy is to deepen sustainability management, thereby address the environmental and social issues of local communities and customers, as well as the financial issues of the Group,

and to create a virtuous cycle for sustainable growth. To that end, the Group is strengthening its human resources base so that it can combine its expertise and practical capabilities to solve issues.

» Strengthen the Development of Sales Management Human Resources and Build a Human Resources Platform with a High Level of Expertise

In order to deepen relationships with local communities and customers, understand issues, and provide solutions that meet their expectations, it is required to expand human resources who perform management as the core of sales activities as well as human resources who specialize in supporting

problem solving with a high level of specialties. We have implemented various initiatives with the aim of expanding our human resources base, to help us realize our management strategy.

- Implement programs to develop sales management human resources at an early stage (selective train-ing, dispatch of external trainees, strategic place-ment, etc.)
- Strengthen dispatch of external trainees in response to the sophistication of the IT and DX fields
- Hold seminars that support the acquisition of professional qualifications such as FP Grade 1 and Small and Medium Enterprises Management Consultant, which are necessary for executing management strategies, and provide support including financial incentives therefor
- Enhance career motivation of professional human resources by utilizing the Expert System (recruitment system for professional human resources)

As a result of strengthening human resources development, the number of holders of advanced and specialist qualifications is steadily increasing across the Group. We will also aim to equip our employees with literacy in DX and SX, which are becoming important management issues in the

region, and will further advance our efforts to solve problems with an eye to the future of the region through collaboration within the Group that lever-ages our expertise.

Daishi Hokuetsu Financial Group					
FP Grade 1	Fiscal 2022	197 persons	➡	Fiscal 2023	205 persons
Small and Medium Enterprises Management Consultant	Fiscal 2022	48 persons	➡	Fiscal 2023	51 persons
Securities Analyst	Fiscal 2022	53 persons	➡	Fiscal 2023	54 persons
Basic-Level Decarbonization Advisor*	Fiscal 2022	—	➡	Fiscal 2023	1,371 persons
Information Security Management	Fiscal 2022	104 persons	➡	Fiscal 2023	153 persons
IT Coordinator	Fiscal 2022	18 persons	➡	Fiscal 2023	25 persons
IT Passport	Fiscal 2022	1,066 persons	➡	Fiscal 2023	1,236 persons
Persons appointed under expert system	Fiscal 2022	6 persons	➡	Fiscal 2023	11 persons

*Certification started by the Ministry of the Envi-ronment in October 2023

» Amount of investment in human resources de-velopment

The Group increases the amount of investment in human resources development every year, and develops human resources with a high level of expertise and practical capabilities that can solve local and customer issues. We promote acquisition of expertise and conduct training in a wide range of fields, includ-ing management, diversity, and compliance, and employees are working on im-proving their skills.

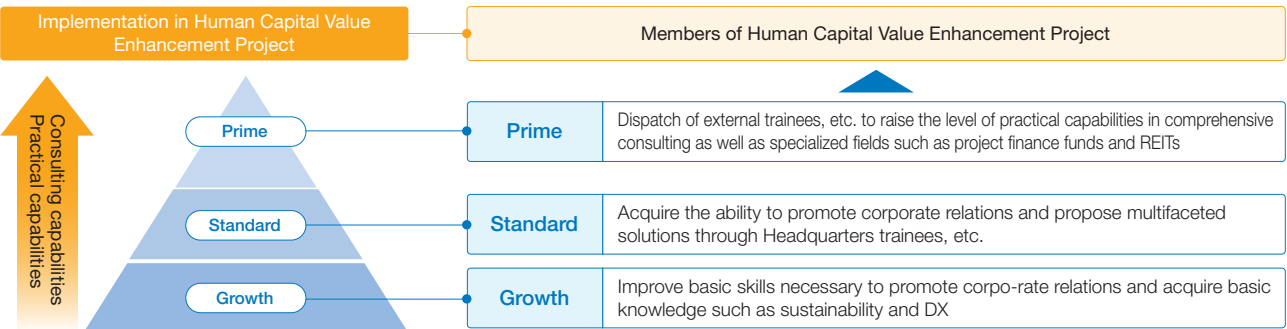
Daishi Hokuetsu Bank				
Training expenses per person (investment in human resources development)*	Fiscal 2022	55,000 yen	➡	Fiscal 2023
			➡	Fiscal 2026 target
				70,000 yen

*Training expenses do not include expenses related to training facilities.

» Enhance Hands-On Skills and Expertise Through Participation in Human Capital Value Enhancement Project

In August 2023, Daishi Hokuetsu Bank launched the "Human Capital Value Enhancement Project," which aims to raise the level of practical skills and expertise of sales staff through project activities in collaboration with the Headquarters and branches. The project involves the participation of branch staff in large-scale regional revitalization projects in various parts of the

prefecture, which had been led by the Headquarters. We are implementing training programs according to the skill level of the staff to gradually raise consulting capabilities to a level where they can participate in the project.



» New Structural Reform 2030 Project

This project has been implemented annually as a cross-organizational initiative since fiscal 2021, and examines the "Vision for the Group in 2030" and initiatives toward its realization. In fiscal 2023, 20 young employees within the Group participated in the project, where they repeatedly dis-cussed in the workshops and group works the "Group's initiatives leading to the realization of sustainable local societies," under the theme of "Local Issues," and explored new business models. They identified local issues

from a future-oriented and customer-oriented perspective and engaged in discussions toward the creation of ideas, and acquired flexible ideas and a new perspective and vision. We thus provided opportunities to put our management philosophy into practice, which has led to the development of capabilities and increased engagement of project members.

Voices of Project Members: Implementation of Project Activities

*As of June 30, 2024

Eri Tawaraki
Branch of Daishi Hokuetsu Bank

I feel that I improved my problem-solving and proposal-making capabilities by putting the problem-solving framework I had learned into practice as I considered ideas for solving local issues in this project. I also leverage knowledge and skills acquired through these activities in my workplace, and am trying to improve skills and engagement in the workplace as a whole.

Keisuke Hoshino
Branch of Daishi Hokuetsu Bank

I felt I had made improvements in my project management skills such as consensus building and schedule management as we developed a single idea among members with different experiences and environments. I put the skills I learned through the project into practice in the regional develop-ment support activities that I actually engage in at my workplace.

● Training system of Daishi Hokuetsu Bank

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.)
Human skills	Motivation Membership	Orientation for new bankers Junior employees	New/Mid-career		
	Management			New/Deputy VP Development of executive candidates Female Director Development Program Branch manager/management Keio Business School, etc.	
	Career design		Mid-career design Empowerment Program for Women	Middle Careers	Career design
	Diversity		DE&I, unconscious bias		
	Communication and problem-solving skills		Project 2030		
	Group comprehensive capabilities		Group company trainees Securities, staffing, trading companies, credit card, IT, etc.		
Technical skills (Implementing banking business)	Corporate consulting	R Corporate sales basics R Corporate owner (Beginner) Derivative Corporate owner (Middle level) Corporate consulting leader Corporate Master Plan (External) Dispatch to mega-banks, securities companies, and other companies (External) External training by Regional Banks Association of Japan, etc.		Human Capital Value Enhancement Project Corporate marketing (Feasibility assessment, sus-tainability)	
	Personal consulting	R External relations starter Asset management advice	Business insurance master (External) Courses by Regional Banks Association of Japan, trainees to banks participating in TSUBASA Alliance, etc. Pension, inheritance, and nursing care		
	Screening	R Loan beginner	Support for business management improvement R Credit Dept. trainee (short-term)	Credit Dept. trainee (long-term)	
	Administration/operations	Various administration basics	Improvement of administration	Manager position Audit Dept. trainee Branch manager training	
	Risk management compliance			Compliance at Dept./Branch	

Number of participants in each training program

The individual training programs in the chart are described in different colors according to the scale of participation shown on the right.

- Attendance scale: All employees
- Attendance scale 100 persons or more
- Attendance scale 10 persons or more
- Attendance scale Less than 10 persons

(External) External dispatch

- R Menu designed for reskilling both men and women
- R Menu designed mainly for reskill-ing women



Sustainability training

Promoting Diversity, Equity & Inclusion (DE&I)

— Dialogue between Ms. Baba, Director, and Ms. Okura, General Manager, DE & I Promotion Office —

Ms. Baba, who has been appointed as the company's first female Director, and Ms. Okura, who serves as General Manager of the DE&I Promotion Office, discussed the theme of promoting the Group's DE&I and women's empowerment.

Ms. Baba was appointed the company's first female director in June 2024, while Ms. Okura was appointed the first General Manager of the company's new DE&I Promotion Office. Please tell us about your aspirations.

Director Baba: I feel a strong sense of motivation to be able to take on new challenges since my election as the company's first female Director at the General Meeting of Shareholders in June 2024. At the same time, I am aware of the high level of interest from shareholders and customers, and I realize the magnitude of my responsibilities.

Through the organization-wide women's empowerment initiatives promoted by the company, I have been able to serve in a wide range of positions since my early 30s. I have been given the opportunity to meet with various customers and I have been able to involve myself in work that I find interesting. This is the driving force that has enabled me to continue my work with a sense of fulfillment throughout my career.

Looking ahead, I believe that one of my main missions is to connect younger employees with these experiences. I think that this is one way to repay the kindness shown by the customers who helped me grow and the senior personnel and organizations that opened

the way forward for me. I feel that it is also my mission to be a role model, demonstrating the opportunities provided by the Group for diverse people to play active roles and the way that they can actually play such roles. I hope to engage in this mission in my own way.

General Manager Okura, DE&I Promotion Office: Diversity is becoming increasingly important in corporate management, and I feel tremendous responsibility as head of the newly established DE&I Promotion Office. At the same time, I am excited to be able to take on new challenges in a new field.

The company has consistently pursued the empowerment of women and the establishment of systems to balance work with family, childcare, and nursing care, even before its management integration. I hope to build on the foundations established through these efforts, reinforcing our DE&I initiatives as we adapt to changes in the environment and contributing to the company's promotion of sustainability management.

Both of you are graduates of the company's Empowerment Program for Women. The level of women's participation and empowerment in the workplace appears to be extremely high at present, with companies listed on the Prime Market of the Tokyo Stock Exchange required to appoint a minimum percentage of female directors. What is your view of this, and what kind of issues do you think will arise in the future?

Director Baba: About half of the employees of the Group are women. Many of these women have been active on the Group's front line, working directly with customers. Until now, however, many women have felt unable to aspire to senior positions, or have not been conscious of their aspirations, whether because of life events or traditional conceptions of male and female roles. In this context, the company has consistently maintained a system for human resources development including the Empowerment Program for Women that General Manager Okura and I participated in, as well as the new, higher-level Female Director Development Program. The Group boasts an increasing number of women capable of perceiving the high social demands placed upon them as a fulfilling challenge, and I feel that the Group is supporting this positive trend. I also see it as one of my own roles to add new perspectives to discussions

through my participation at meetings of the Board of Directors.

I believe we should enable female employees who aspire to senior management positions to accumulate the necessary experience at an early stage. The issue of how to accomplish this is a key challenge. Especially at the bank, the field of corporate sales is vital. Despite the Group's various initiatives so far, I still feel that today, the lack of this type of experience makes women anxious when they consider taking the challenge of serving in senior and mid-level management positions.

In the past, the corporate sales field was plagued by an image of employees working long hours. It represented a difficult challenge for women, who still have a heavy workload in the home. However, the flexible and diverse work styles that the company has promoted so far have steadily increased the number of women taking on challenges in the corporate sales field. I believe that women's career opportunities will continue to expand as men in management positions gain a deeper understanding of diverse work styles and the development of new job functions, and this understanding permeates the organization.

General Manager Okura, DE & I Promotion Office: I am currently participating in the Female Director Development Program, where I have gained a real appreciation of the seriousness and high expectations demonstrated by senior management toward women's empowerment. Under the program, I am learning the management way of thinking, including aspects such as the difference between "leadership ability" and "management ability" and the importance



Yoshiko Baba
Director

Hiromi Okura
General Manager,
DE&I Promotion Office,
Human Capital Strategy Department

of corporate governance, through lectures by senior management, incorporating real case studies. I have learned that senior managers, in particular, always turn to the management philosophy as their reference point when making key decisions. I have become keenly aware of the importance of passing on and communicating the spirit of this philosophy.

Many women from younger generations participate in this program, too, and I feel that it is very meaningful for them to have the opportunity to learn senior managers' ways of thinking at an early stage. In recent years, younger employees are actively seeking opportunities to participate in the program with the intention of expanding their fields of activity: a development that I feel is very promising. A high level of female participation and empowerment is now demanded of companies. I perceive this in a positive light with a sense of expectation that the fields in which women can play an active role will expand further.

It is important to steadily promote and spread flexible and diverse

work styles throughout the organization. This is related to what Director Baba was saying. As a bank branch manager, my contact with subordinates of parenting age made me realize that this is predicated on the idea that couples must naturally share housework and childcare responsibilities. One of my female subordinates happily confided in me how grateful she was to her husband for cooperating with her to share their housework and look after their children.

Comments like this also made me keenly aware of how little childcare leave men still take at the company. I believe that lengthening the amount of childcare leave taken by men will lead to a change in the consciousness of the men in senior management. Extending the period of childcare leave presents issues such as improving the productivity of individual employees and adjusting the personnel structure for smooth business operations at each workplace. However, at the DE&I Promotion Office, we hope to thoroughly address these issues.

Under the new medium-term management plan launched this fiscal year, the Group targets the "enhancement of human capital value." What kind of role do you think that DE&I initiatives will play in this?

Director Baba: We were just talking about childcare leave for men. Through my interactions with subordinates in the field I felt that, for the present generation of parents, the concept of childcare leave for men has shifted from simply supporting one's wife to making important moments and memories with one's children. It has become part of men's career and life planning. There is a significant conceptual gap between this and the management generation's notion that we've simply entered an era when men are also involved in childcare.

Recognizing this gap will help us dispel unconscious bias. I think it is vital that we do so, not only for the promotion of women's empowerment but also as a DE&I initiative. I think the same thing applies to nursing care. Nursing care also represents an important time that employees spend with their families. Speaking from my own experience of nursing my parents, I can say that the ability to successfully balance nursing care with work has been a great asset in my life.

I believe that raising DE&I awareness and ensuring that this is an organization that supports employees to live life in their own style will lead to greater job satisfaction and engagement among employees of all generations. If we create an organization in which employees with diverse value perceptions can make the most of their abilities, I am convinced that this will be an important factor in enhancing the vitality and added value of the organization: in other words, enhancing human capital value.

As the branch manager of a sales office of the bank, I go to work every day with the feeling that no other job could be so exciting and rewarding. I try to share this excitement with my subordinates. I think that the development and promotion of female human resources

through DE&I initiatives will also have a positive impact on organizational development and management.

General Manager Okura, DE&I Promotion Office: Until recently, I was also working as a branch manager of the bank. I always told my subordinates that being a branch manager is a fun and rewarding job. When it comes to human capital value, people tend to focus on capabilities and skills, but I think motivation and engagement are very important.

I agree with Director Baba that creating an organization in which employees with diverse value perceptions can make the most of their abilities is crucial for the enhancement of human capital value. To this end, my greatest hope is to raise DE&I awareness company-wide and create workplace environments where all employees of the Group can work in comfort and enjoy vigorous lives with a sense of happiness and fulfillment.



The 3rd Medium-Term Management Plan

Create a Work Environment That Fosters Job Satisfaction and Happiness

Improve Employee Engagement and Achieve Wellbeing

The Group has been working to foster an autonomous and positive organizational culture in which psychological safety is secured and employees can have a sense of unity with their superiors and colleagues.

We are committed to creating a work environment that fosters job satisfaction and happiness. To that end, we promote a wide range of initiatives, including support for autonomous career development, work style transformation, and strengthening of health management systems. We will also realize the psychological and physical wellbeing of employees and improve employee engagement for the maximization of the Group's comprehensive strengths.



Employee Engagement Total Score and Initiatives to Improve Engagement

The Group has conducted employee awareness surveys on an ongoing basis since its establishment in 2018 with the view to appropriately understanding employee engagement and promoting initiatives to improve it.

The "Employee Engagement Total Score" is based on the results of responses to the three elements of "willingness to contribute," "self-efficacy," and "motivation to grow," which are the driving forces behind the implementation of the Group's Management Philosophy, in addition to "job satisfaction," which is a basic element of engagement. These elements are included in the questions in the employee awareness survey. The score is calculated after receiving analysis and advice from Japan Investor Relations and Investor Support, Inc., an external organization.

The Group's "Employee Engagement Total Score" has been evaluated to be at a satisfactory level by Japan Investor Relations and Investor Support, Inc.

The Group has been working on improving employee engagement through initiatives such as "promotion of DE&I," "promotion of management philosophy and promotion of organizational harmony," and "creation of a work environment that fosters job satisfaction and happiness." Going forward, the Group will continue to take active initiatives to improve employee engagement.

Daishi Hokuetsu Financial Group (Results of survey in December 2023)	
Employee Engagement Total Score	76.8 (out of 100)

Specific Initiatives to Achieve Wellbeing and Improve Engagement

Spread the Management Philosophy and Foster a Sense of Unity with the Company

The Management Philosophy is the "purpose" of all our officers and employees, and it is the core of the Group's organizational culture to share this "purpose" with all officers and employees and to put it into practice together with superiors, subordinates and colleagues. It also supports job satisfaction of all employees, and drives their engagement.

As the Group has largely completed the process of integrating awareness and organizational harmony through various initiatives that have been

ongoing since the management integration in 2018, it has moved its human resources strategy to a more practical stage. In the 3rd Medium-Term Management Plan, the Group has set "Enhancement of human capital value" as a basic strategy, and will accelerate improvements in employee engagement and maximize the Group's overall strength through initiatives to further spread the Management Philosophy and enhance job satisfaction, willingness to contribute, and motivation to grow.

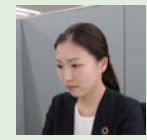
- The "Briefing session on Medium-Term Management Plan" and the "Dialogue exchange meetings with officers" for direct dialogue between officers and employees of the Group to disseminate the Management Philosophy
- President's briefing for managers "Isshi Koryukai" and President's briefing for young employees "Isshi Koryukai Next"
- Hands-on communication training for management aimed at further revitalizing communication within the organization (started in fiscal 2023)

Support for autonomous career development

Autonomous career development is a major factor in enhancing job satisfaction and ensuring the well-being of each and every employee. Therefore, the Company will strengthen measures to support career development.

- Further expand self-development programs that utilize online media such as the "Manabot" business college within the Group, which provides programs related to DX that take reskilling into account.
- Expand the Career Challenge System implemented at Daishi Hokuetsu Bank

Voices of Members of the Empowerment Program for Women: Going for a New Career



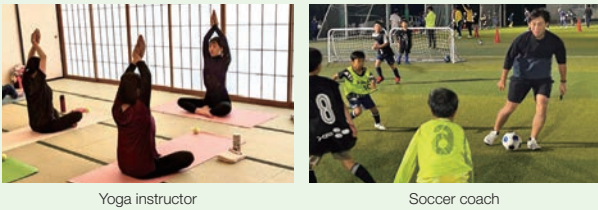
Ai Sato
Branch of Daishi Hokuetsu Bank

Currently, I am involved in the corporate loan business. Going forward, I would like to challenge myself to a wide range of businesses as a corporate sales person beyond the framework of loan business, and improve my skills.

I would also like to support my colleagues and subordinates by fully utilizing the knowledge, skills, and experience I have gained through my work, and become a manager who is a role model for those around me.

Side Job and Concurrent Employment System at Daishi Hokuetsu Bank

The Side Job and Concurrent Employment System at Daishi Hokuetsu Bank is designed to encourage employees to enhance their self-realization and self-improvement, as well as to develop their careers autonomously and in a double-track manner. The Group aims to contribute to the sustainable growth of local communities through participation in educational and cultural activities and community contribution activities that make use of its skills and capabilities, as well as through engaging in concurrent businesses with local companies.



	Details of the System	Number of persons utilizing the system (total) (March 2023 to May 2024)	Details of the users of the Side Job and Concurrent Employment System
Side job program	A program that enables employees to engage in other businesses (mainly education, culture, community contribution, family businesses, etc.) outside the working hours of the bank	32 persons	Soccer coach, baseball club instructor, yoga instructor, local professional team cheerleader, cookbook writer, jazz musician, etc.
External dual employment program	"Temporary and limited-time secondment" program to meet the needs of local companies for human resources with side jobs	2 persons	Consulting services for business succession, etc. of local companies
Second career business start-up support program	A program in which high-skilled employees who reach statutory retirement age sign business entrustment contracts with banks to support business start-ups	1 person	DX-related services

Work Style Transformation

Ease of working is an important element that supports well-being and engagement, and the Company has been developing its work and welfare system centered on a leave system and a system to support a balance between work and childcare.

Daishi Hokuetsu Bank, which has taken the lead in developing systems within the Group, is promoting the introduction of efficient working styles that are not bound by time and place as part of health management, and is developing and utilizing systems that enable flexible working styles, such as telework, flextime, leave systems that respond to diverse needs and objectives, and childcare leave (for men and women). As of March 2024, the percentage of employees taking childcare leave was higher for both men and women than the previous fiscal year, and the percentage of employees taking annual paid leave also increased from the previous year.

These efforts were accorded recognition, and in May 2023, the Company received "Platinum Eruboshi," the highest-level certification for promoting women's careers, and "Platinum Kurumin Plus," a certification for parenting support, and balancing fertility treatment and work.

第四北越銀行

Acquired "Platinum Kurumin Plus certification" (May 2023)



Parenting support
Balancing fertility treatment and work

First acquisition by a company in Niigata Prefecture

第四北越銀行

Acquired "Platinum Eruboshi certification" (May 2023)



Promoting women's careers
Highest-level certification

First acquisition by a company in Niigata Prefecture

Daishi Hokuetsu Bank			
Take-up rate of childcare leave	Fiscal 2022	103.7%	Fiscal 2023 104.0%
Men	Fiscal 2022	106.0%	Fiscal 2023 108.8%
Women	Fiscal 2022	101.3%	Fiscal 2023 98.5%

Daishi Hokuetsu Bank			
Annual paid leave take-up rate	Fiscal 2022	64.1%	Fiscal 2023 67.3%

The 3rd Medium-Term Management Plan

Voices of Members of the Empowerment Program for Women: Balancing Work and Childcare



Miwa Tsukano
Consulting Division at
Daishi Hokuetsu Bank

My current job is to support sales office operations related to business loans. After returning from childcare leave, I took advantage of the “Restriction on overtime work for child-care” system for one year, and managed to balance childcare and work. Going forward, I would like to be a role model and a supporter for the next generation as a leader who practices the balance of work and childcare.

I am participating in the Empowerment Program for Women, and I would like to learn about what is required of a leader in an era of rapid change. I would also like to acquire the ability to see things from a wide range of perspectives and the ability to put things into practice, and to be able to think for myself and to put my ideas into practice. I would like to demonstrate “my kind of leadership” while playing an active role as a role model for working mothers.

» Financial security (Financial wellness)

The Group has established compensation and welfare systems such as a shareholding association and a defined contribution pension (DC) to improve the treatment of employees, and will continue to maintain and improve the financial security of the Group’s employees.

- Efforts to raise base salaries for all employees of the Group
- Members of the Daishi Hokuetsu FG Employee Shareholding Association can receive dividends in proportion to the increase in the price of the Company’s shares as compensation.
- Introduction of the “Trust-Type Employee Stock Ownership Incentive Plan (E-Ship®)” (November 2023)
- Support for asset formation through training aimed at improving financial literacy and raising awareness of the retirement allowance and pension systems

» Mental and physical health (Strengthening the health management system)

The Company practices health management, so that each and every one of our diverse human resources can work energetically in good physical and mental health and make the most of their abilities, promotes the creation of a workplace that is comfortable to work in, supports the development of the next generation, and promotes the expansion of the mental and physical health management system for employees.

In the area of employee health management, the Company actively cooperates with health insurance societies (Collaboration Health) to help employees work and to maintain and improve the physical and mental health of employees and their families. To this end, the Company promotes various initiatives for promoting exercise and improving lifestyle habits, as well as for disease prevention, early detection and treatment, and health improvement. The Group runs a clinic for disease prevention, early detection and early treatment (Daishi Hokuetsu Bank Health Insurance Society Clinic), where industrial physicians provide health management and guidance and physicians and psychiatrists provide medical care, and we also have a system in place whereby nurses including public health nurses provide meticulous support for the health of each and every employee. In fiscal 2023, we expanded the range of ages eligible for comprehensive medical checkups, which also serve as regular health checkups (excluding some Group companies). We

also distributed goods for prevention of heat strokes to all employees in response to the heat wave in the summer of 2023.

As a result of these efforts, the medical expenses of the Daishi Hokuetsu Bank Health Insurance Society for all age groups between their 20s and 60s were financially sound compared to the average of all health insurance societies and business categories (according to the Health Scoring Report for FY 2023).

The Company recognizes that mental and physical health is the foundation that supports the well-being of employees and is the most fundamental part of it. Accordingly, we will continue to enhance our health management system and improve health literacy and exercise habits.

Daishi Hokuetsu Bank		
Rate of regular health checkups	Fiscal 2022	Fiscal 2023
	100.0%	100.0%

Topic

Certification as a “Health & Productivity Management Outstanding Organization for 2024” (“White 500”) and the “Sports Yell Company 2024”

The Company and Daishi Hokuetsu Bank have been accorded high recognition for their initiatives for health and productivity management, and have been certified as a “Health & Productivity Management Outstanding Organization for 2024” (“White 500” in the large enterprise category) under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program” sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. The Company was certified for the second consecutive year, and Daishi Hokuetsu Bank was certified for the seventh consecutive year, including the period of its predecessor.

Daishi Hokuetsu Bank was also recognized as a “Sports Yell Company 2024” by the Japan Sports Agency for its efforts to provide employees with opportunities to exercise and for its support for health awareness improvement, for example, holding walking campaigns and yoga seminars for health promotion and lending wearable devices free of charge.



Overarching Theme Across Strategies Deepening the TSUBASA Alliance

“TSUBASA Alliance” Initiative

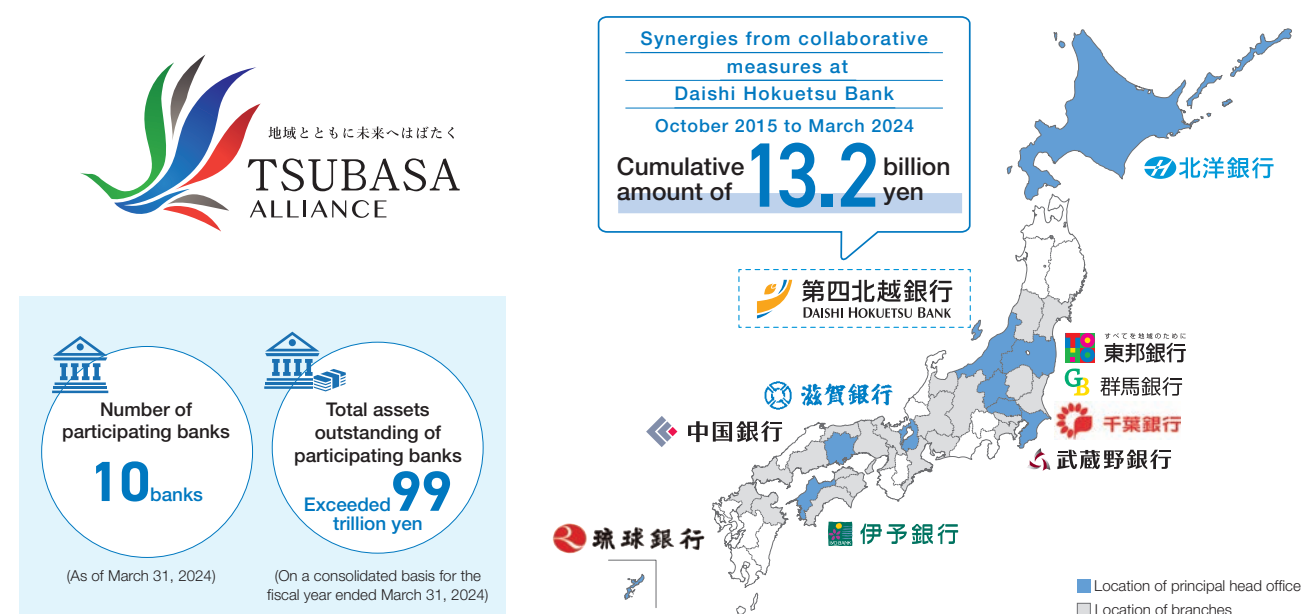
Under the “TSUBASA Alliance”, a framework for wide-range regional partnerships among 10 regional banks including Daishi Hokuetsu Bank are expanding collaboration in all areas, not only in the systems and administrative fields, but also in sales promotion, risk management, and initiatives to strengthen human capital.

In the fiscal year ended March 2024, we engaged ourselves in various collaborative measures. Specifically, we introduced the “TSUBASA General-Purpose Paperless System” aimed at making sales office operations paperless (September 2023), established the “TSUBASA-AML Center, Ltd.”

aimed at strengthening and enhancing measures to prevent money laundering and terrorist financing (November 2023), and participated in the “TSUBASA-Jyudankai Joint Study Group” aimed at accumulating and sharing knowledge and know-how in areas such as systems, operational efficiency, and cybersecurity (March 2024).

The Alliance has generated a cumulative total of 13.2 billion yen in synergies for the Daishi Hokuetsu Bank, and we will make maximum use of the Alliance as the “main engine for accelerating innovation” in the 3rd Medium-Term Management Plan.

* A framework for wide-range regional partnerships launched in October 2015 by the following three banks: Daishi Hokuetsu Bank, The Chiba Bank, and The Chugoku Bank. At present, ten banks, namely Daishi Hokuetsu Bank, The Chiba Bank, The Chugoku Bank, The Iyo Bank, The Toho Bank, North Pacific Bank, The Musashino Bank, The Shiga Bank, Bank of The Ryukyus, and The Gunma Bank, participate in the framework.



“Gunma-Daishi Hokuetsu Alliance” Initiative

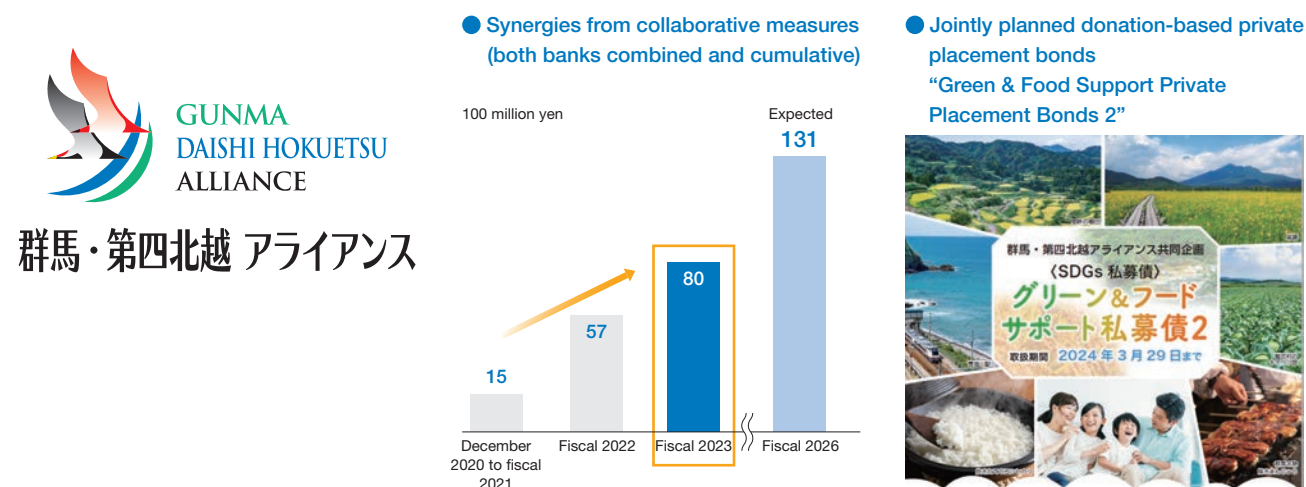
Under the “Gunma-Daishi Hokuetsu Alliance,” a partnership agreement between Daishi Hokuetsu Bank and The Gunma Bank, the areas of cooperation have steadily expanded since the launch of the alliance in December 2021. The two banks have cooperated in joint use of stores and in sales promotion as well as in personnel exchanges through joint training sessions and mutual acceptance of trainees.

In the fiscal year ended March 2024, we jointly planned donation-based private placement bonds and jointly used a second store*. The cumulative

synergies of the Alliance between the two banks through March 2024 were 8.0 billion yen.

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

*March 2023: Relocation of the Takasaki Branch of Daishi Hokuetsu Bank to the Tamachi, Takasaki-city Branch of The Gunma Bank
January 2024: Relocation of the Ikebukuro Branch of Daishi Hokuetsu Bank to The Gunma Bank Ikebukuro building



The 3rd Medium-Term Management Plan

Basic Strategy IV Deepening Risk Management

Basic Approach to Corporate Governance

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

Basic Policy

In order to obtain high recognition and establish unshakeable trust from stakeholders including customers, local residents, and shareholders, the Group endeavors to improve financial health and profitability, while also striving to augment auditing and supervisory functions for corporate management, as well as to increase the transparency of management activities, based on our recognition that strengthening and enhancing corporate governance is an important management issue.

Overview of Corporate Governance Structure

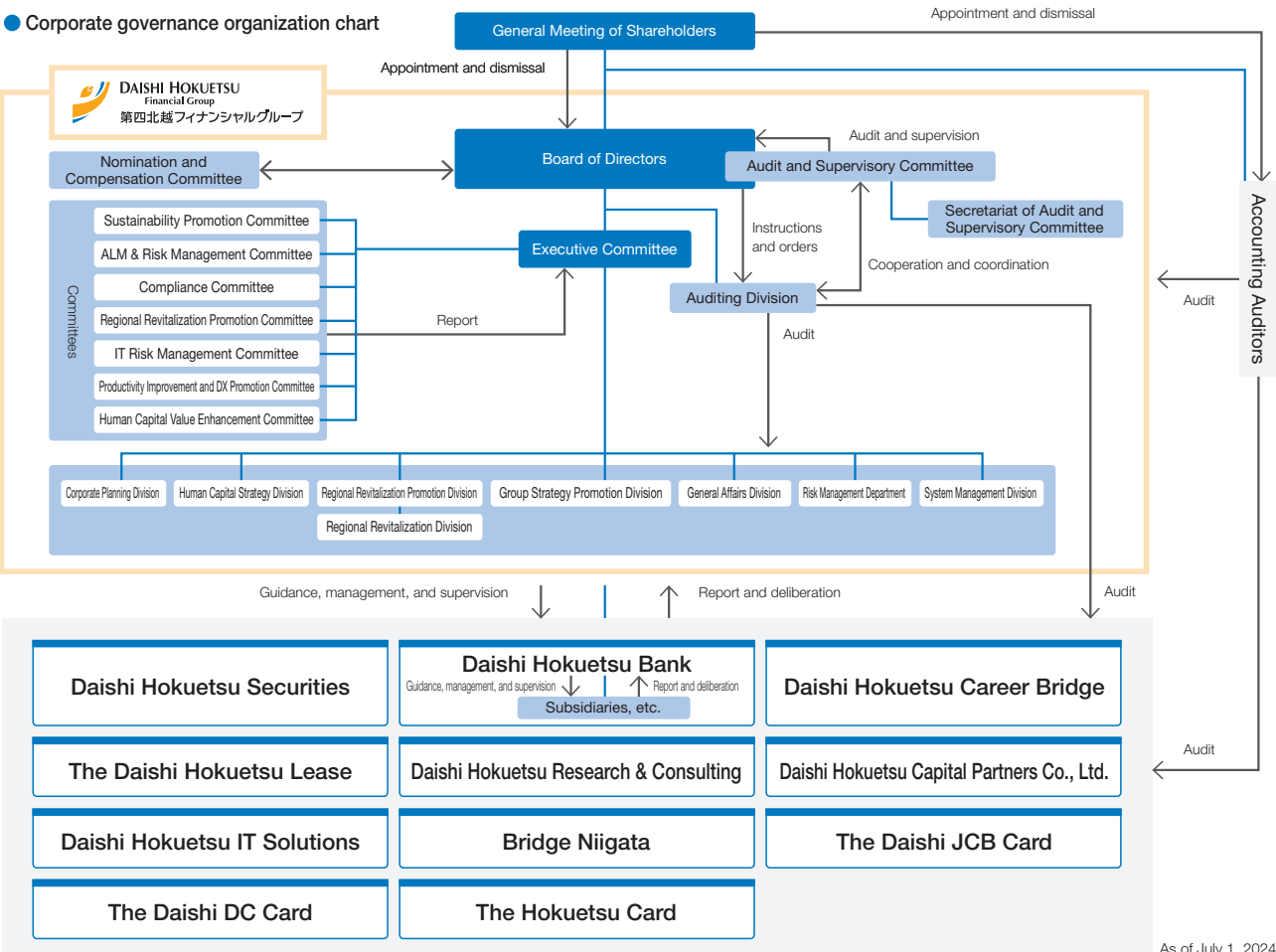
The Board of Directors of the Company is responsible for achieving the Group's sustainable growth and medium- to long-term enhancement of corporate value, in order to obtain high recognition and establish unshakeable trust from stakeholders including customers, local residents, and shareholders. In order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

In addition, the Company has established the Audit and Supervisory Committee, which has a supervisory function, like the Board of Directors, and also audits the execution of operations by directors, and the Executive Committee, which determines matters related to the execution of operations based on the policies of the Board of Directors, manages the execution status of Group management plans and strategies, and resolves and discusses matters delegated by the Board of Directors, as well as the Sustainability Promotion Committee, ALM & Risk Management Committee, Compliance Committee, Regional Revitalization Promotion Committee, IT Risk Management Committee, Productivity Improvement and DX Promotion Committee, Human Capital Value Enhancement Committee.

Committee, Regional Revitalization Promotion Committee, IT Risk Management Committee (newly established in April 2024), Productivity Improvement and DX Promotion Committee (newly established in July 2024) and Human Capital Value Enhancement Committee (newly established in July 2024).

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

Corporate governance organization chart

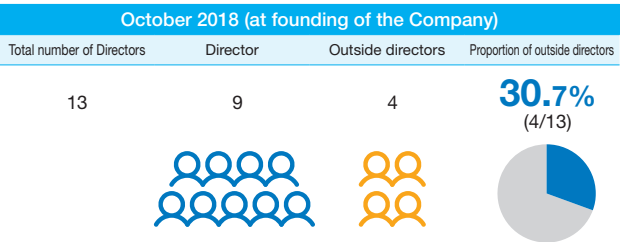


As of July 1, 2024

Board of Directors

Chair	President and Representative Director
Composition	Proportion of outside directors 33.3% (5 out of 15)
Number of meetings held in fiscal 2023	12 (once a month, in principle)

Proportion of outside directors

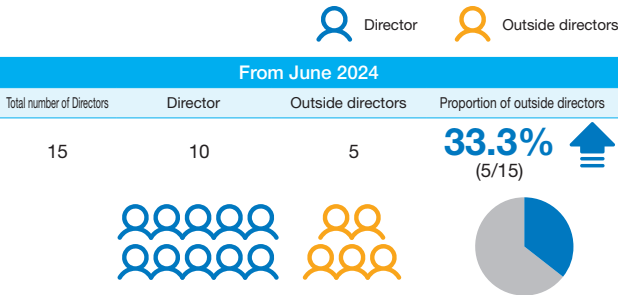


Audit and Supervisory Committee

Chair	Full-time Audit and Supervisory Committee Member
Composition	Proportion of outside directors 83.3% (5 out of 6)
Number of meetings held in fiscal 2023	12 (once a month, in principle)

Executive Committee

Chair	President and Representative Director
Composition	Directors (excluding Audit and Supervisory Committee Members)
Frequency of meetings	Three times a month, in principle



Nomination and Compensation Committee

Chair	President and Representative Director
Composition	Proportion of outside directors 62.5% (5 out of 8)
Number of meetings held in fiscal 2023	Twice
Main items deliberated	①Appointment and dismissal of directors ②Selection and dismissal of representative directors ③Selection and dismissal of directors with special duties ④Compensation, etc., for directors (excluding Audit and Supervisory Committee Members) (maximum amount of compensation and individual compensation amounts) ⑤Compensation, etc., for directors (Audit and Supervisory Committee Members) (excluding matters related to allocation of individual compensation amounts) ⑥Succession Planning

Knowledge, Experience, and Ability That the Board of Directors Needs to Be Equipped With1

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

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

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

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

*1. Outside indicates an outside director who fulfills the independence criteria established by the Tokyo Stock Exchange Inc. *2. The table above does not represent all of the expertise held by the Company's outside directors.

The 3rd Medium-Term Management Plan

Evaluation of the Effectiveness of the Board of Directors in Fiscal 2023

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

In fiscal 2023, the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors as a whole after considering the results of self-evaluations conducted through surveys of all Directors. In the assessment of the Board of Directors, the effectiveness of the Board of Directors as a whole has been ensured, for reasons such as those provided in the table on the right under < Results of analysis and evaluation in fiscal 2023 >.

In fiscal 2024, we consider and implement measures based on the evaluation of effectiveness in fiscal 2023 as part of efforts to further improve the effectiveness of the Board of Directors. Specific policies for these measures are described in the table below <Status of initiatives in fiscal 2023 and policies for initiatives in fiscal 2024 >.

Results of analysis and evaluation in fiscal 2023

Details
<ul style="list-style-type: none">Internal directors appropriately fulfill their duties and responsibilities as executive directors or Audit and Supervisory Committee Members by utilizing their extensive experience and knowledgeAs Audit and Supervisory Committee Members, outside directors actively speak at meetings of the Board of Directors and provide appropriate advice and supervision based on their own expert knowledgeAs the business environment surrounding the Company is changing at an accelerated pace and from multiple perspectives, with increasing complexity and uncertainty, we have taken various measures under the supervision of the Board of Directors to achieve "unity of purpose" and exercise the three major synergies set forth in the 2nd Medium-Term Management Plan (merger synergy, group synergy, and TSUBASA Alliance synergy). We have achieved our consolidated net profit target for fiscal 2023, the final year of the planThe Group as a whole is promoting measures for sustainability based on the "Basic Sustainability Policy" established in December 2021, implementing 190.0 billion yen in sustainable finance and introducing CO₂-free electricity derived from renewable energy sources (at 11 locations, including the head offices of subsidiary banks) to reduce CO₂ emissions.The Group has also been promoting measures related to human capital management. For example, the 3rd Medium-Term Management Plan, which began in April 2024, upholds "Enhancement of human capital value" as one of its basic strategies, and the Group has been working on building a Group-wide human capital management system for implementing its Management Philosophy. In addition, the Group has acquired "Health & Productivity Management Outstanding Organization for 2024" ("White 500" in the large enterprise category), "Sports Yell Company 2024," "Platinum Kurumin Plus Certification," and "Platinum Eruboshi Certification." Thus, we have been working on enhancing human capital value through the improvement of the workplace environment and the implementation of health management.In addition, we have implemented measures to address the issues identified based on the effectiveness evaluation in fiscal 2022. These measures include "establishment of a system to coordinate information with outside directors at a venue other than a Board of Directors meeting" and "participation of outside directors in general meetings where the management of the Group convenes." Through further exercise of audit and supervisory functions by outside directors, steady improvements have been made toward improving the effectiveness of the Board of Directors

Status of initiatives in fiscal 2023 and policies for initiatives in fiscal 2024

Matter	Fiscal 2023		Fiscal 2024
	Policies for initiatives	Main initiatives	Policies for initiatives
Ensuring the diversity of the Board of Director	<ul style="list-style-type: none">Human resources development with a view to appointing female directors through the continued implementation of development programs for female employees, to ensure diversity on the Board of DirectorsAppointment of persons with experience in other industries as directors and executive officers of Group companies (including subsidiary banks) eligible to be candidates for directors	<ul style="list-style-type: none">Continued implementation of the "Empowerment Program for Women" and the "TSUBASA Cross-Mentor System" and launching in fiscal 2023 of a new selective type of "Female Management Personnel Development Program"In June 2023, a female director was elected at Daishi Hokuetsu Bank (the first female director at the bank), a subsidiary of the CompanyIn June 2023, Daishi Hokuetsu Bank selected a former employee of a securities company (a mid-career hire) as executive officer (concurrently serving as Representative Director of Daishi Hokuetsu Securities) (the first such appointment at the bank)	<ul style="list-style-type: none">Systematic development of human resources and search for external candidates toward the appointment of women to Directors and management levels; for example, the ongoing implementation of development programs for female employees* In June 2024, a female director was selected from within the Company (the Company's first female director)
Continued development of successors	<ul style="list-style-type: none">Development of successor candidates through the implementation of a range of development initiatives that combine the "utilization of internal resources" such as the passing on of knowledge to Directors by Representative Directors and the "utilization of external resources," such as the TSUBASA Alliance, external experts, and industry associations, based on "successor development plans"	<ul style="list-style-type: none">Held a training session for Directors and Full-time Audit and Supervisory Committee Members of the Company and Daishi Hokuetsu Bank by the Chairman and Representative DirectorHeld individual meetings to exchange views with outside directors for Directors of the CompanyHeld study meetings and lectures on topics such as "carbon neutrality," "geopolitical risks," and "Chat GPT" by outside lecturers (4 times in total)	<ul style="list-style-type: none">Development of successor candidates through the implementation of a range of development initiatives that combine the "utilization of internal resources" such as the passing on of knowledge to personnel such as directors by representative directors and the "utilization of external resources," such as the TSUBASA Alliance, external experts, and industry associations, based on "successor development plans"
Further exercise of the functions of outside directors	<ul style="list-style-type: none">Further revitalization of the Board of Directors and the Nomination and Compensation Committee through continuous exchange of opinions between outside directors and Presidents of Group companies, provision of information on our company's activities, training for outside directors, and other measures	<ul style="list-style-type: none">Held information exchange meetings between outside directors and Presidents of Group companies to explain and exchange opinions about the management policies of Group companies for fiscal 2023.Monthly meetings of the Audit and Supervisory Committee featuring briefings on timely topics given by the responsible general manager (including the status of the formulation of the 3rd Medium-Term Management Plan)Participation of outside directors in general meetings, which bring together the management of the Group	-
Operation of the Board of Directors	<ul style="list-style-type: none">Strengthening systems for timely and appropriate information coordination for outside directors	<ul style="list-style-type: none">Strengthening systems for information sharing with outside directors at a venue other than a Board of Directors meeting; for example, clarifying the content of information to be shared with outside directors and providing timely and appropriate reports on the content and status of measures taken	-
Response to issues surrounding sustainability	<ul style="list-style-type: none">Further enhancing the quality of discussions related to sustainabilityPromotion of awareness of sustainability in the FG and local communities led by the Board of DirectorsEnhancement of disclosure related to sustainability, including disclosure based on the framework of the TCFD recommendations and the disclosure of information related to human capital	<ul style="list-style-type: none">The Board of Directors receives reports on matters discussed by the Sustainability Promotion Committee, such as the status of measures taken for sustainable finance, CO₂ reduction, improvement of human capital value, and improvement of sustainability awareness among employees and local communitiesIn terms of information disclosure, the Integrated Report gave more space to disclosure of sustainability-related items (e.g., SCOPE3 Category 15) and human capital-related items (e.g., a message from an officer in charge) and included messages from outside directors	<ul style="list-style-type: none">Further enhancing the quality of discussions related to sustainabilityPromotion of awareness of sustainability in the FG and local communities led by the Board of DirectorsExpansion and enhancement of sustainability disclosure, including disclosure of information related to climate change and biodiversity as well as human capital information, and improved accuracy of climate change-related figures such as CO₂ emissions
Support system for Directors	-	-	<ul style="list-style-type: none">Provide timely and appropriate information for appropriately responding to changes in the business environment; for example, hold seminars by external experts on corporate governance focusing on themes such as sustainability, human capital value (including the promotion of women's careers), stock value (e.g., PBR), and capital efficiency (e.g., ROE)
Revision of the implementation method of effectiveness evaluation	-	-	<ul style="list-style-type: none">Consideration of the use of external organizations (third parties) in the evaluation of the effectiveness of the Board of Directors

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

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

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

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

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

Officer Compensation System

Basic Compensation

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

Performance-linked Compensation

Bonuses are performance-linked compensation based on business performance in each fiscal year. Payment tables in accordance with target levels of profit and the degree of achievement of those targets are determined each fiscal year by the Board of Directors after deliberation and a report by the Nomination and Compensation Committee. The indicator target amounts and payment tables for fiscal 2024 are as follows.

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

Non-monetary Compensation

Non-monetary compensation consists of trust-type stock compensation, and the standard amount of compensation is determined for each position by the Board of Directors after deliberation and a report by the Nomination and Compensation Committee. Points corresponding to the amount of compensation are granted once a year, and shares of the Company and money equivalent to the conversion value of the Company's shares equivalent to the accumulated points is delivered or paid through the trust when both directors (including Directors who are Audit and Supervisory Committee Members) or executive officers of the Company and our subsidiary banks retire.

Composition Ratios of Compensation

Compensation for Directors who are not Audit and Supervisory Committee Members consists of basic compensation, bonuses, and trust-type stock compensation, which is non-monetary compensation, and standard amounts for each position have been set for each type of compensation. In terms of the composition ratios of compensation, a benchmark of 50:25:25 is generally used for the ratio of basic compensation to bonuses to trust-type stock compensation when the performance-linked coefficient for bonuses is 100%.

Succession Planning

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

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

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

Initiatives Related to Cross-shareholdings

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

Policy on Cross-shareholdings

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

Please see "Message from the Officer in Charge of Finance" for details on the status of the reduction of cross-shareholdings. (Details P.32)

The 3rd Medium-Term Management Plan

Risk Management System

The Group's basic policy of risk management is to stably secure profits corresponding to risk and plan the appropriate distribution of management resources, as well as to construct a system of mutual checks and balances for the various risks faced by the Group. This is possible by accurately recognizing and ascertaining various risks, engaging in appropriate management and supervision of risks, and auditing these processes related to risks.

Outline of Risk Management System

Based on the above basic policy, the Group has established a Risk Management Department as a supervisory organization that understands and manages risk comprehensively, cutting across organizational boundaries. Furthermore, the Group has established the ALM & Risk Management Committee to comprehensively ascertain and manage the status of ALM and risks throughout the Group, and to contribute to maintaining a healthy Group and increasing profitability by reviewing appropriate response measures, etc. Meetings of the ALM & Risk Management Committee are held as necessary. Audit and Supervisory Committee Members also attend meetings of the committee. Minutes from meetings of the ALM & Risk Management Committee are reported to the Board of Directors and other entities as appropriate in an to resolve and reform problems related to risk.

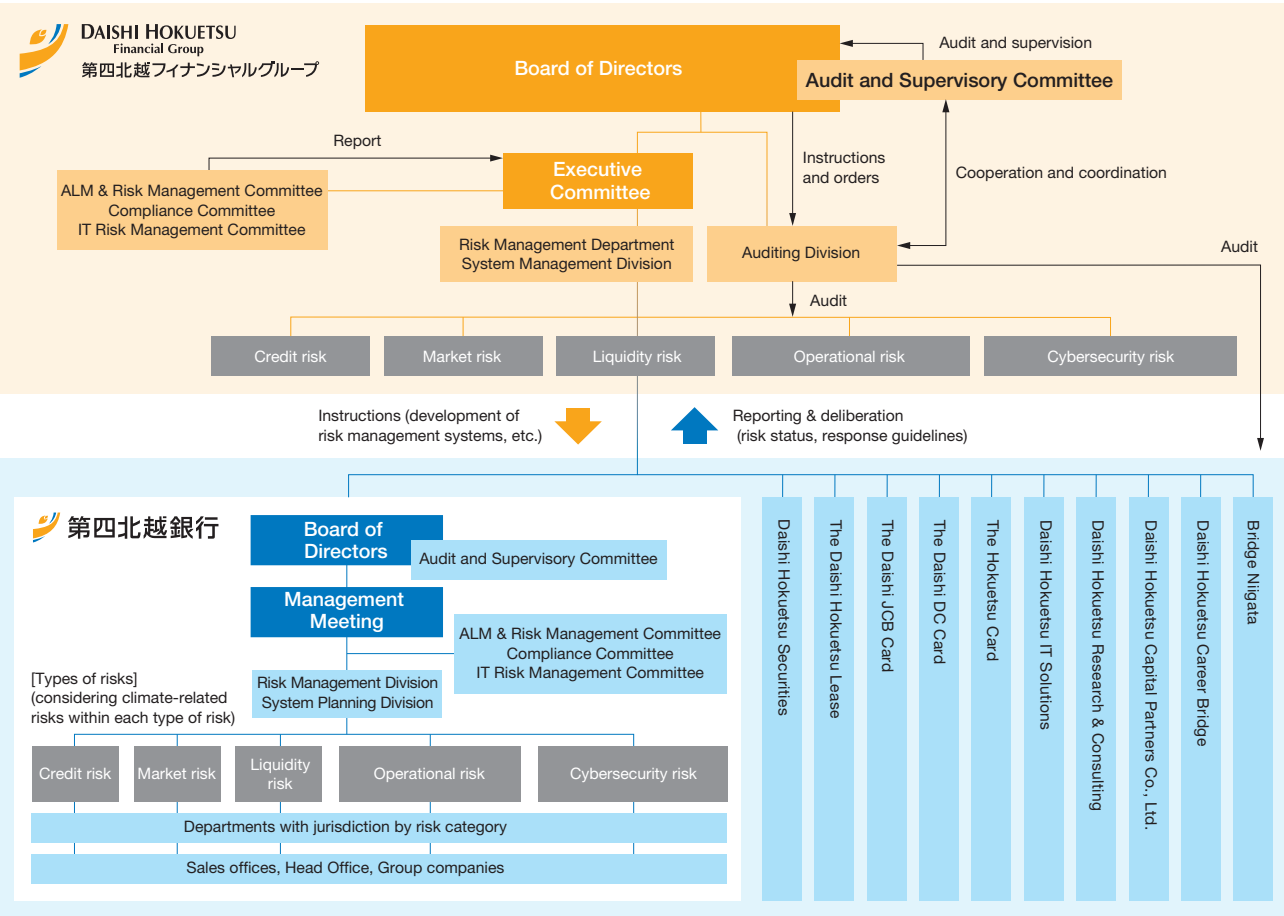
Additionally, the Auditing Department (Internal Audit Department) is under direct supervision of the Board of Directors and is ensured independence

from the department being audited. The Auditing Department conducts strict audits for overall business, and verifies the appropriateness and effectiveness of internal controls systems.

Under this risk management system, the Group implements risk capital allocation at subsidiary banks in order to maintain healthy business and achieve efficient utilization of capital.

Additionally, the Group anticipates the interruption of business due to unexpected emergencies such as earthquakes and other large-scale disasters, and defines priority business operations, etc., for continuity at Daishi Hokuetsu Bank. The Group has established the Basic Rules for Business Continuity to define timely and accurate management and instructions for the bank, and through such measures, has constructed a risk management system.

Diagram of risk management system



As of July 1, 2024

Definition of Each Type of Risk and Related Management Systems

Credit risk

Credit risk is the risk that the value of principal or interest of a loan will decrease or disappear due to bankruptcy, deterioration of credit, etc., at a business partner to whom a bank has lent money, thus resulting in a loss incurred by the bank.

The Group operates and manages credit risk in an appropriate matter based on various rules concerning credit risk management.

In terms of structure, the Risk Management Department is responsible for controlling credit risks, and maintains various rules concerning credit risk management, as well as for the planning and operation of analysis, evaluation, and improvement activities.

At Daishi Hokuetsu Bank, credit divisions, completely detached from sales promoting divisions, conduct strict screening and manage problematic loans appropriately. It also aims for sound management of assets through

management improvement support activities to customers, etc., the approach being promoted fully across both banks. Credit rating and self-assessment of loans, etc., is strictly enforced through a two-stage assessment system, one by the sales office and the other by the head office. In addition, the appropriateness and validity of credit rating and self-assessment is verified in the audit conducted by the Audit division.

Regarding the credit portfolio, credit concentration management for specific areas, industries, companies, groups, etc., are conducted in an appropriate manner. Furthermore, credit risk quantification* is being conducted and credit risk limits in line with total equity are being set.

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

Market risk

Market risk is the risk that assets and obligations may fluctuate in value due to changes in market factors, thus resulting in a loss incurred by the Group. Such market factors include domestic and foreign interest rates, valuations on securities, and foreign exchange rates.

The Group has established an operation policy for ALM to adjust market risks to an appropriate magnitude and to secure stable income, and de-

termines the risk limits and loss limits in securities operation in line with the policy.

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

Liquidity risk

Liquidity risk is the risk of the Group incurring a loss due to difficulty of securing required funds during financing or being forced to procure funds at an interest rate which is much higher than normal (financing risk). It is also the risk of incurring a loss due to being forced to engage in market transactions at significantly disadvantageous conditions or prices (market liquidity risk).

In the Group, "Liquidity risk management rules" have been established at Daishi Hokuetsu Bank to grasp and analyze the status of financing by the

administration division responsible for financing to raise funds from the market as necessary.

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

Operational risk

Operational risks occur when the Group's business procedures, actions of directors or employees, or systems operations are inappropriate or fail to function, or when other external factors occur resulting in a loss incurred by the bank. Based on risk factors, the Group categorizes and manages the following types of risk: administrative risk, systems risk, information-security risk, compliance risk, human-error risk, tangible-asset risk, outsourcing risk, reputation risk, and other risks.

In the Group, in order to manage operational risk appropriately, the Risk Management Department (a management supervisory organization) conducts activities such as making proposals on important matters related to operational risk management, accepting reports on operational risks from subsidiary banks and monitoring those risks, and verifying/improving the efficacy of management systems for operational risks.

Cybersecurity risk

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

Under the system for cybersecurity management, the Board of Directors formulates a plan for cybersecurity management, and the Board of Direc-

tors and the Executive Committee receive reports from the departments in charge and give instructions as necessary.

Also, the IT Risk Management Committee deliberates on the consideration and implementation of specific countermeasures against cyberattacks. In the event of a cyber security incident or any other such incident, the "In-house CSIRT," which is composed of members of the IT Risk Management Committee and other persons deemed necessary by the Cybersecurity Management Officer, investigates the impact and causes, and considers and implements recovery measures, with the entire Group taking emergency measures.

The 3rd Medium-Term Management Plan

Business Continuity

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

and the Group.

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

Compliance

Basic Policy on Compliance

The basic policy of the Company is that we work to develop and establish a compliance system for maintaining trust in the Group, and for ensuring the health and appropriateness of our business. At the same time, all directors and employees in the Group always act in accordance with our Manage-

ment Philosophy, and recognize the social responsibility and public mission that must be fulfilled by our Group. Furthermore, all directors and employees understand and follow the code of conduct regulated by the Japanese Bankers Association.

Compliance System

The Group has established the Risk Management Department as a department for overseeing compliance. The Department engages in activities such as formulating compliance-related measures and monitoring the status of compliance in the Group. In addition, the Group holds meetings of a Compliance Committee, which is connected directly with management, once a month, in principle. The Committee deliberates matters such as the status of compliance management in the Group, and works to develop and

establish compliance systems for the Group as a whole.

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

Initiatives to Instill and Establish Compliance Awareness

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

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

Internal Reporting System (Opinion Box)

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

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

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

Cutting Relations with Organized Crime

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

We will work in closer cooperation with external organizations with professional expertise, such as the police and lawyers, and will not engage in backroom deals with these elements nor provide them with inappropriate

favours or funds.

Furthermore, we have established a system through which the organization as a whole will deal with elements that pose a threat to social order and safety. This involves taking a decisive stance of cutting off all relations and using both civil and criminal legal measures to deal appropriately with any unreasonable demands.

System for Preventing Money Laundering, Etc.

The Group recognizes that the prevention of money laundering and terrorist financing, proliferation finance that provides funds for weapons of mass destruction, etc., and transactions that violate economic sanctions (hereinafter, "money laundering, etc.") are some of the most important responsibilities for a financial institution to perform. Accordingly, we deem them important in terms of business strategy, and we are implementing systematic measures in line with the "Basic Policy on Countermeasures against Money Laundering and Terrorist Financing, Etc."

In the Company, the officer in charge of the Risk Management Department is responsible for overseeing measures to combat money laundering, and the Risk Management Department oversees these efforts. The Group

has a system in place to centrally manage measures against money laundering, etc. throughout the Group as a whole, and the status of the management of these measures is regularly reported to the Compliance Committee, the Board of Directors, etc.

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

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

In November 2023, amid growing international demand, we established the "TSUBASA-AML Center, Ltd.," a joint venture with The Chiba Bank, The Chugoku Bank, and Nomura Research Institute, Ltd., which are among the banks participating in the TSUBASA Alliance.

The company plans and conducts research into measures to prevent money laundering and terrorist financing, combines the extensive knowledge and experience of the TSUBASA Alliance member banks with the advanced

financial IT solutions of Nomura Research Institute, Ltd., jointly operates core operations in measures against money laundering and terrorist financing, and thereby achieves collaboration at an operational level.

Going forward, the Company will continue to enhance measures to prevent money laundering and terrorist financing, as is required internationally, utilizing the knowledge and know-how of each bank participating in the TSUBASA Alliance.

Customer-Oriented Business Operations (Fiduciary Duty)

Daishi Hokuetsu Bank and Daishi Hokuetsu Securities have been conducting customer-oriented initiatives in the asset management advice business in accordance with our "Basic Policy on Customer-oriented Business Operations" and "Action Plan," which the Company announced in June 2019.

All our officers and employees will continue to work for the best interests of our customers, contributing to their stable asset building by proposing appropriate products and services that meet their investment objectives and life cycles, and by providing easy-to-understand information.

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

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

The "Basic Policy on Customer-oriented Business Operations," "Action Plan," and the status of initiatives and key performance indicators (KPIs) for fiscal 2023 are posted on the Company's website.

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



Matters Related to the Internal Control System

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

Corporate Governance Report

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

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



MESSAGE

Message from Outside Director

How do you view your role as an outside director?

Outside directors have various roles to play, but one of the most important is to inject diverse opinions that differ from the usual company view in Board meetings as part of their supervisory function. Every company has its own organizational culture and it is only natural that discussion among people from within the company might tend to lead in a similar direction. Given their neutral and objective position, outside directors on the other hand should voice different opinions based on multiple perspectives. Some opinions may be difficult to express from within the company. This goes without saying, but it is up to outside directors to firmly communicate any points that need to be conveyed.

I teach and research business administration and history at university level, and one of my main research topics is the sustainable growth of local communities. I think my role is to voice opinions from an academic perspective on Daishi Hokuetsu FG actions as a company that places local community development at the heart of its Management Philosophy, and to help the company maintain its commitment to sustainable local community development.

As the corporate business environment continues to change on a near daily basis, the role of outside directors with expertise and experience outside the financial industry is becoming increasingly important.

How do you rate the company's efforts during the 2nd Medium-Term Management Plan (FY2021-2023)?

The 2nd Medium-Term Management Plan was launched in April 2021, shortly after the merger of Daishi Bank and Hokuetsu Bank in January of the same year. Expectations were particularly high among stakeholders in the company's home base of Niigata Prefecture, so it was a period for demonstrating the true value of the business integration and bank mergers and the degree of synergy benefits generated. Management tackled various issues to optimize those synergy benefits, including consolidating roughly 50 branches and restructuring Group companies. As a result, the company achieved its targeted profit level in fiscal 2023, the final year of the 2nd Medium-Term Management Plan. I believe that achievement was a direct product of tireless efforts to help develop local communities, as stipulated in the Group's Management Philosophy.

In my opinion, in order to ensure sustainable corporate development, it is very important to encourage broad understanding and affinity toward a management philosophy across a corporate group. Throughout the three difficult years immediately following the bank merger, the Daishi Hokuetsu FG management team patiently and consistently conveyed the importance of that philosophy across the whole Group. I feel that the Management Philosophy permeates every facet of the company's activities and is supported by its employees to a high degree. There is no clear end to this endeavor however, so I hope the company remains as constant and dedicated in this area going forward.

How do you evaluate the new 3rd Medium-Term Management Plan (FY2024-2026) launched in April, and what was your involvement in the decision-making process?

Discussions regarding the 3rd Medium-Term Management Plan took place over a period of roughly one year from April 2023, and I was involved in its compilation. We had repeated discussions on the basic strategies and important tactics, and focused on specific individual measures as agenda items when necessary. In addition to discussions in the Board of Directors, we received timely information from general managers of relevant departments when required, which enriched the debate on how the 3rd Medium-Term Management Plan should be formulated.

The biggest difference compared to the 2nd Medium-Term Management Plan is the addition of environmental and social issues as priority business challenges alongside financial issues, and the adoption of a double materiality approach. In Niigata Prefecture, environmental issues, such as abnormal weather events caused by climate change, and social issues, such as a declining birthrate and a declining and aging population, are expected to become increasingly severe going forward. To enable Daishi Hokuetsu FG to continue to grow sustainably, it is both necessary and essential to improve the company's business performance and solve local environmental and social issues in tandem. The decision to firmly and sincerely focus on this approach

Director (outside)
Audit and Supervisory
Committee Member

Kazuaki
Matsumoto



is a major turning point in the Group's management.

When compiling the 3rd Medium-Term Management Plan, one of the most important challenges was how to build on the Group management foundation established in the 2nd Medium-Term Management Plan. During that process, I voiced various opinions, focusing on whether the plan's wording conveyed the company's intentions in a readily comprehensible way and how topics should be addressed.

For example, regarding the basic strategies for the 3rd Medium-Term Management Plan, I raised the idea of how effectively we could employ the word "Group." Why? Because the words you chose and the way you utilize them will affect how you communicate with stakeholders and how employees understand and incorporate what you say. Following discussions in Board of Directors' meetings, we reached a consensus among directors to make "demonstrating the Group's collective strength" the plan's Basic Strategy I, because we wanted to send a strong message that all Group employees were working towards the same goal of deepening and exploring Group management and further invigorating Group activities. This is just one example, but outside directors always express opinions based on their individual fields of expertise in Board meetings, and executive directors always take these opinions seriously, fueling useful debate.

The 3rd Medium-Term Management Plan, compiled from these kinds of repeated discussions, is a more refined plan because it reflects efforts to address and anticipate changes in the immediate business environment. Over the next three years, the most important thing of all is that all Group officers and employees remain mindful of the plan's slogan "leap forward with a unity of purpose" and work together as one. I believe the best way to generate even better results is to always be ready to tackle challenges, accept failures squarely, and still try again.

The company's first female director was elected from within the company at the 6th General Meeting of Shareholders in June. How did this debate progress in the Board of Directors and Nomination and Compensation Committee?

Both inside and outside directors recognized that the lack of female directors on the Board was an issues from a governance perspective. Various opinions regarding the appointment of female directors were voiced. The Nomination and Compensation Committee and the Board of Directors both concluded that they wanted to actively promote female directorships, but that it was important to focus on substance rather than external appearance. Internal initiatives to nurture female candidates for director cannot generate results overnight. Indeed, it is my understanding that the recent appointment of Yoshiko Baba as director is the result of passionate perseverance and a medium- to long-term stance. Going forward, I hope that Ms. Baba will offer fresh and richly diverse views and perspectives in the Board of the Directors and Management Meetings, and that she will become a role model for future female managers.

What areas does Daishi Hokuetsu FG need to tackle and improve?

I believe the company is steadily moving in the right direction following the integration of Daishi and Hokuetsu banks in October 2018 and the establishment of the Daishi Hokuetsu Financial Group. The synergies generated by the business integration and bank merger have exceeded my original expectations, and the company is accelerating proactive efforts on comprehensive regional revitalization together with local governments and other stakeholders. However, I do feel that the way the company conveys information, or appeals its message, to stakeholders is an issue that could be improved. In order to convey its various initiatives to stakeholders in a clear and instantly comprehensible way, it is important for Daishi Hokuetsu FG to proactively promote its activities and disclose information in ingenious ways. I think this would also help the company implement "management that is conscious of the cost of capital and stock prices" as requested by the Tokyo Stock Exchange.

For instance, sustainability initiatives are a major issue for Niigata Prefecture, but current initiatives across the region are still far from sufficient. As a pioneering company in the prefecture, Daishi Hokuetsu FG is working as a Group to help revitalize the whole region. However, I feel the company needs to aggressively voice sustainability considerations at every juncture in order to instill a deeper awareness of the importance of sustainability across the community. This is just one example, but, overall, I think the company would benefit from adopting a bolder and more challenging stance to spread news about its copious strengths and key selling points.

In relation to this, I suggested at a Board meeting over a year ago that comments from outside directors should be included in the integrated report because I thought it was important to convey how they feel about the company from an outside perspective. Outside director messages were first published in the fiscal 2023 integrated report. This year, it is my turn, and I hope I can help as many stakeholders as possible deepen their understanding of the company.

Finally, what developments would you most like to see at Daishi Hokuetsu FG going forward?

I usually tutor students at university, so I am aware of how diverse and versatile students' thinking and behavior is becoming as the times and surrounding environment change. For Daishi Hokuetsu FG to continue to operate as the stakeholders' company of choice, it must also appear attractive to these kinds of students. To achieve that, the people involved in the process must also be attractive. In July, the company established the Human Capital Value Improvement Committee and the DE & I Promotion Office to encourage diversity, equity and inclusion. While these can be viewed as unprecedented moves, I hope that the company will not become too narrow-minded and pedantic about rules, but will pursue initiatives that boost job satisfaction and motivation for all officers and employees across the Group, encourage inquisitive minds, and kindle a desire to explore uncharted territory.

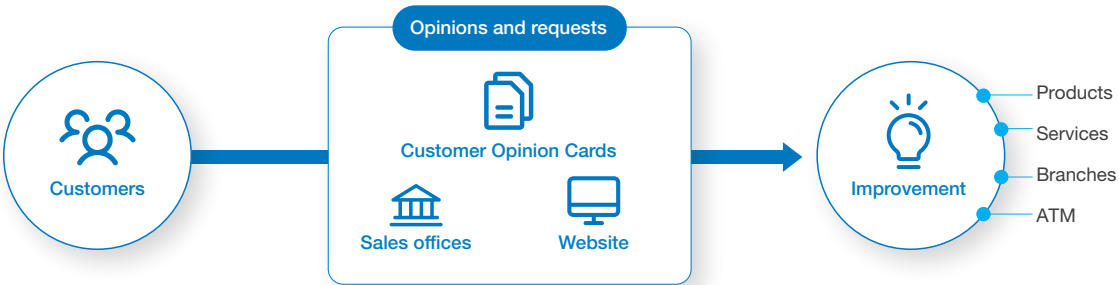
Since its founding in 1873, traditions, management integration, and various innovations have been passed down from generation to generation over the company's 150-year history. But it is the many people involved in this history that have embraced these developments with a challenging spirit and given them lasting shape. I strongly hope that Daishi Hokuetsu FG will continue to lead local communities and economies as a financial and information services group from Niigata Prefecture, with a management that continues to adapt to changing times and environments, stays ahead of the curve, and prizes people above all else.

Communication with Stakeholders

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

Communication with Customers

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



Communication with Regional Society

Financial Education Activities

In order to support the physical and emotional development of children in local communities, Daishi Hokuetsu Bank has held the "Daishi Hokuetsu Academy" since the fiscal year ended March 2014, as an activity to provide financial education. A total of 15,294 students participated during the period from when the academy opened until the fiscal year ended March 2024.



Daishi Hokuetsu Academy

Donation of Scholarships from the Daishi Hokuetsu Scholarship Association

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

Number of students granted scholarships **1,306 people** (FY1962 to FY2023)

Initiatives to Promote Sports and Culture

Daishi Hokuetsu Bank is actively involved in the promotion of local sports, and has sponsored the "Healthy Daishi Hokuetsu Bank Cup Volleyball Tournament for Niigata Prefecture Elementary School Students" since 1989, and the "Daishi Hokuetsu Bank Battle of the Flags Youth Baseball Tournament" since 1999, while also providing support for local sports clubs.

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

Volunteer activities by the Daishi Hokuetsu Magokoro Association

Daishi Hokuetsu Bank engages in volunteer environmental protection activities and donates to environmental protection and social welfare groups in Niigata Prefecture through the Daishi Hokuetsu Magokoro Association, an organization operated through voluntary participation and donations from executives and employees.



Donation to the Sado Japanese Crested Ibis Conservation Center

Volunteer activities

Communication with Shareholders and Investors

In order to contribute to sustainable growth and the improvement of medium - to long-term corporate value, the company continuously carries out various investor relations (IR) activities and shareholder relations (SR) activities, and promotes constructive dialogue with shareholders and investors by striving to disclose information in an easy-to-understand manner through the company's website and the Integrated Report. Please refer to videos of company briefing sessions and related materials on the company's website.

Company Briefing Materials

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



Results of Main Activities (Fiscal 2022)

Activity	Number of times	Participants	Shareholders and investors with whom the Company mainly engaged in dialogue
Annual General Meeting of Shareholders	1	President, Directors, and Audit and Supervisory Committee Members	Individual and corporate shareholders, etc.
Company briefing session for institutional investors (Large IR)	2	President and Directors	Institutional investors, etc.
Company briefing session for institutional investors (Small IR)	1	President	Analysts, etc.
Company briefing session for individual investors (IR)	1	President	Individual shareholders
Individual meetings with analysts and institutional investors (IR)	9	Directors and Business Planning Division	Analysts, etc.
Individual meetings with institutional investors (SR)	40	Directors and Business Planning Division	Institutional investors, etc.

Opinions and other information obtained through dialogue with shareholders and investors are appropriately fed back to the management team and the Board of Directors, and are reflected in various initiatives aimed at improving the Company's corporate value.

Major Initiatives Reflecting the Opinions of Shareholders and Investors

Details	Timing of determination and publication	Overview
Formulation of the 3rd Medium-Term Management Plan	April 2024	Establishment of materiality (double materiality), formulation of a logic tree for improving PBR, etc., and changes to ROE targets
Review of the shareholder return policy	May 2024	Introduction of progressive dividends and setting of dividend payout ratio targets
Upward revision of targets for reduction of cross-shareholdings	May 2024	Increase in reduction target amount
Appointment of female Directors	June 2024	Appointment of female Directors from within the Company
Enhancement of the content of the Integrated Report	August 2024	Enhancement of sustainability-related contents, publication of a message from the officer in charge of finance, and publication of a dialogue between a female Director and the General Manager of the DE&I Promotion Office



Company briefing session for individual investors



Company briefing session for institutional investors (Large IR)

Communication with Employees

In order to achieve our Management Philosophy and ensure that all officers and employees can focus on their day-to-day operations by "taking a brave leap under united spirits," the company holds "Officer Dialogue Exchange Meetings," in which the President and other officers directly communicate their views and the importance of compliance to employees. These exchange meetings have also led to an increase in engagement and our collective strength as an organization, and we continue to hold them in the fiscal 2024.

In addition, "employee awareness surveys" are regularly conducted for employees, and the results are reported to the Board of Directors, thereby incorporating the opinions of employees into management and implementing other initiatives to increase engagement.



Officer Dialogue Exchange Meeting

List of Executives

Directors (As of June 25, 2024)



Chairman
Fujio Namiki

Number of years served as director	5 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	9,600



President and Representative Director
Michiro Ueguri

Number of years served as director	5 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	5,400



Senior Managing and Representative Director
Makoto Takahashi

Number of years served as director	5 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	5,950



Managing and Representative Director
Ken Shibata

Number of years served as director	4 years
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	4,000



Director
Toshiyuki Maki

Number of years served as director	3 years
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	1,300



Director
Takayoshi Tanaka

Number of years served as director	3 years
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	5,126



Director
Takashi Ishizaka

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	11 / 12
Number of the Company's shares held	1,600



Director
Tadanori Miyakoshi

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Number of the Company's shares held	950



Director
Yoshiko Baba

Newly appointed

Number of the Company's shares held	514
-------------------------------------	-----

Director (As of June 25, 2024)



Director (Audit and Supervisory Committee Member)
Takayoshi Konomura

Number of years served as director	1 year
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Number of the Company's shares held	2,000

Outside directors (As of June 25, 2024)




Director (outside) Audit and Supervisory Committee Member
Kazuaki Matsumoto

Number of years served as director	5 years 9 months
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	200




Director (outside) Audit and Supervisory Committee Member
Hiroyuki Kikuchi

Number of years served as director	2 years
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	0



Director (outside) Audit and Supervisory Committee Member
Kunio Mori

Number of years served as director	3 years
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	300



Director (outside) Audit and Supervisory Committee Member
Akira Sato

Newly appointed

Number of the Company's shares held	0
-------------------------------------	---



Director (outside) Audit and Supervisory Committee Member
Tadashi Shirai

Number of years served as director	2 years
Attendance at meetings of the Board of Directors	12 / 12
Attendance at meetings of the Audit and Supervisory Committee	12 / 12
Attendance at meetings of the Nomination and Compensation Committee	2 / 2
Number of the Company's shares held	600

* Attendance at meetings of the Board of Directors, the Audit and Supervisory Committee, and the Nomination and Compensation Committee is from the conclusion of the 5th annual general meeting of shareholders of the Company in June 2023 until the 6th annual general meeting of shareholders of the Company in June 2024.

Financial Data

Consolidated Financial Results (Millions of yen)

		Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Ordinary revenues		135,711	148,759	182,058
Consolidated gross profit		91,349	91,239	97,189
	Net interest income	60,396	67,919	64,268
	Fees and commissions	21,065	22,821	25,407
	Profit from other businesses	9,887	498	7,514
Operating expenses		65,070	62,556	63,338
Provision for bad debts written-offs		7,600	5,395	7,246
Recoveries of written off receivables		501	482	752
Gains (losses) on stocks		3,667	534	2,502
Other		698	744	1,010
Ordinary profit		23,545	25,048	30,868
Extraordinary income		418	1,046	1,512
Extraordinary losses		622	1,144	2,622
Profit before income taxes		23,342	24,949	29,758
Income taxes - current		8,281	6,699	9,198
Income taxes - deferred		(469)	366	(644)
Net Income		15,530	17,883	21,204
Net income reverting to non-controlling interests		385	115	1
Net income reverting to parent company shareholders		15,144	17,768	21,203

Consolidated Balance Sheet Summary (Millions of yen)

		Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Total assets		10,670,304	10,517,951	11,137,853
	Securities	2,501,271	2,871,378	3,072,041
	Loans and bills discounted	5,114,102	5,265,963	5,430,402
Total liabilities		10,236,798	10,102,527	10,638,477
	Deposits	8,207,503	8,367,554	8,498,683
	Negotiable certificates of deposit	233,401	213,228	206,769
Total net assets		433,505	415,423	499,376
	Total shareholders' equity	408,473	423,887	434,789
	Retained earnings	281,174	293,973	309,446
	Total accumulated other comprehensive income	19,987	(8,463)	64,568
	Non-controlling interests	5,044	—	19

Financial Indicators (Consolidated)

	Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Capital adequacy ratio (%)	10.51	10.23	10.03
Net assets per share (yen)	9,436.72	9,245.50	11,401.36
Net income per share (yen)	332.40	391.79	474.71
Dividend per share (yen)	120	120	145
Dividend payout ratio (%)	36.1	30.7	30.8
Return on equity (ROE) (%)	3.5	4.2	4.6

Non-Financial Data

Human Capital

Daishi Hokuetsu Financial Group

	Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Ratio of women in management positions (deputy level and above) (%)	—	23.8	23.8
Difference in wages between male and female workers (%)			
All employees	—	46.8	49.8
	—	61.6	63.1
	—	66.0	68.1

Daishi Hokuetsu Bank

	Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Ratio of women in management positions (deputy level and above) (%)	25.2	25.8	26.0
Difference in wages between male and female workers (%)			
All employees	—	45.8	47.7
	—	61.2	61.9
	—	66.5	69.0
Proportion of mid-career (experienced) hire employees (%)	9.2	12.9	20.2
Rate of employment of people with disabilities (%)	—	2.3	2.3
Take-up rate of childcare leave (%)			
Total	73.3	103.7	104.0
	48.8	106.0	108.8
	98.7	101.3	98.5

Financial Education Activities

	Fiscal year ended March, 2022	Fiscal year ended March, 2023	Fiscal year ended March, 2024
Number of Participants in “Daishi Hokuetsu Academy” (cumulative total)	12,146	13,486	15,294
Number of Recipients of Scholarships from the Daishi Hokuetsu Scholarship Association (cumulative total)	1,218	1,248	1,306

External Evaluation

CDP

The Company received a "B" score in the "Climate Change Report 2023" by CDP.



A DX-Certified Operator

The Company was certified as a "DX-Certified Operator" under the DX certification established by the Ministry of Economy, Trade and Industry.



Smart SME Supporter

Daishi Hokuetsu Bank and Daishi Hokuetsu IT Solutions were certified as "Information Processing Support Institutions (Smart SME Supporters)" under the "Smart SME Supporter" system " established by the Ministry of Economy, Trade and Industry.



List of Group Companies

Status of Each Group Company

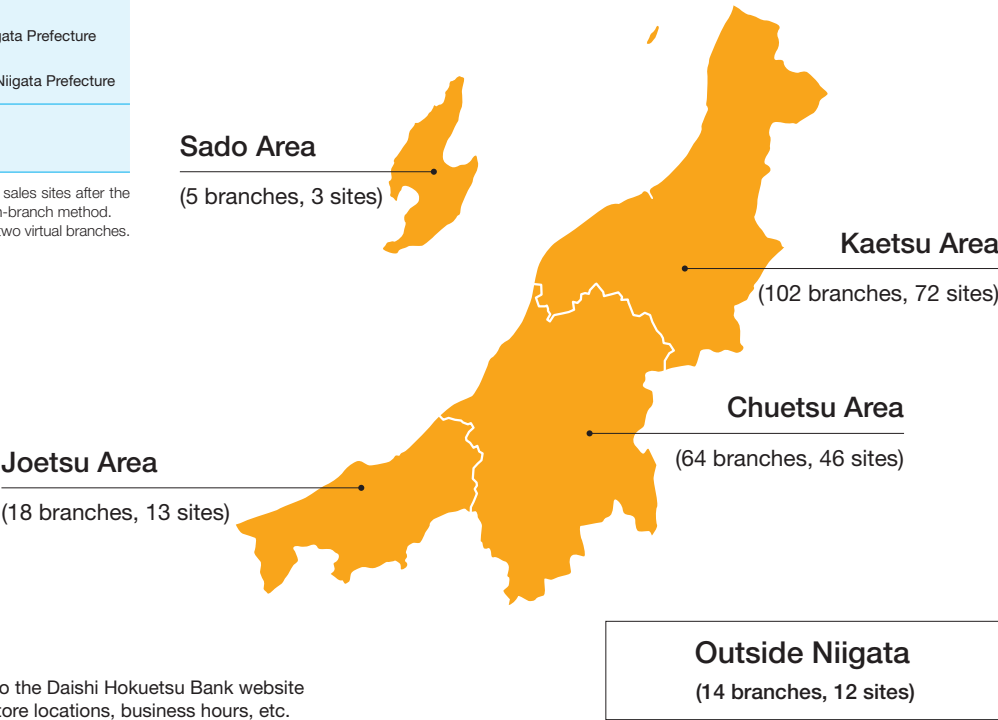
(As of July 31, 2024)

Company names	Main business activities	Date of establishment	Capital stock
The Daishi Hokuetsu Bank, Ltd. 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture	Banking	November 2, 1873	¥32,776.99 million
Daishi Hokuetsu Securities Co., Ltd. Kometyakudawara Place West Building, 6th Floor 3-10 Ote-dori 2-chome, Nagaoka-shi	Securities	August 8, 1952	¥600 million
The Daishi Hokuetsu Lease Co., Ltd. 2-10 Akashi 2-chome, Chuo-ku, Niigata-shi	Leasing	November 11, 1974	¥100 million
The Hokuetsu Leasing Co., Ltd. Kometyakudawara Place West Building, 7th Floor 3-10 Ote-dori 2-chome, Nagaoka-shi	Leasing	November 1, 1982	¥100 million
The Daishi JCB Card Co., Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori 2-chome, Chuo-ku, Niigata-shi	Credit cards and credit guarantees	November 12, 1982	¥30.00 million
The Daishi DC Card Co., Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori 2-chome, Chuo-ku, Niigata-shi	Credit cards	March 1, 1990	¥30.00 million
The Hokuetsu Card Co., Ltd. Hokuetsu Higashi Bldg., 4th Floor 9-20 Kesajiro 1-chome, Nagaoka-shi	Credit cards and credit guarantees	June 1, 1983	¥20.45 million
Daishi Hokuetsu IT Solutions Co., Ltd. 11-21 Nuttari-Higashi 2-chome, Chuo-ku, Niigata-shi	System-related business	March 20, 1970	¥100 million
Daishi Hokuetsu Research & Consulting, Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori 2-chome, Chuo-ku, Niigata-shi	Consulting services and survey, research, and information provision services related to the economy and society	July 1, 1997	¥30.00 million
Daishi Hokuetsu Capital Partners Co., Ltd. Daishi Kaijo Bldg., 1-18 Higashiodori 2-chome, Chuo-ku, Niigata-shi	Operations related to the composition and management of funds	June 8, 1984	¥20.00 million
Daishi Hokuetsu Career Bridge, Co., Ltd. Hokuetsu Daiichi Bldg., 2nd Floor 2-25 Higashi-odori 1-chome, Chuo-ku, Niigata-shi	HR recruitment services and consulting services related to corporate HR	May 24, 2019	¥30.00 million
Bridge Niigata Co., Ltd. 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi	Sales channel development, tourism promotion, and productivity improvement businesses	April 1, 2019	¥70.00 million
The Daishi Guaranty Co., Ltd. Hokuetsu Daiichi Bldg., 3rd Floor 2-25 Higashi-odori 1-chome, Chuo-ku, Niigata-shi	Credit guarantees	October 27, 1978	¥50.00 million
The Hokuetsu Credit Guarantee Co., Ltd. Hokuetsu Daiichi Bldg., 3rd Floor 2-25 Higashi-odori 1-chome, Chuo-ku, Niigata-shi	Credit guarantees	August 20, 1986	¥210.00 million

Information About The Daishi Hokuetsu Bank's Branch Network (as of July 31, 2024)

Number of branches	203 189 branches within Niigata Prefecture (including 5 field offices) 14 branches outside of Niigata Prefecture
Number of sites	146

* The number of sites shows the number of sales sites after the integration of branches using the branch-in-branch method.
* The number of branches does not include two virtual branches.



Click here for our website

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

CONTENTS

Consolidated Balance Sheets	76
Consolidated Statements of Income	78
Consolidated Statements of Shareholders' Equity	79
Consolidated Statements of Cash Flows	82
Non-Consolidated Balance Sheets (Daishi Hokuetsu Bank)	93
Non-Consolidated Statements of Income (Daishi Hokuetsu Bank)	94

Consolidated Balance Sheet

Years ended March 31, 2024

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to US \$1.

■ Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Cash and due from banks	¥2,031,509	¥2,230,849	\$14,733,832
Monetary claims bought	15,609	17,106	112,983
Trading account securities	2,558	2,452	16,200
Money trusts	—	4,966	32,801
Securities	2,871,378	3,072,041	20,289,557
Loans and bills discounted	5,265,963	5,430,402	35,865,544
Foreign exchanges	19,566	29,802	196,834
Other assets	213,929	256,040	1,691,039
Tangible fixed assets	56,018	55,948	369,517
Intangible fixed assets	11,428	8,893	58,735
Assets related to retirement benefits	16,521	35,779	236,309
Deferred tax assets	21,778	2,061	13,613
Customers' liabilities for acceptances and guarantees	20,738	21,078	139,212
Allowance for loan losses	(29,048)	(29,569)	(195,296)
Total assets	¥10,517,951	¥11,137,853	\$73,560,886

■ Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Deposits	¥8,367,554	¥8,498,683	\$56,130,265
Negotiable certificates of deposit	213,228	206,769	1,365,626
Securities sold under repurchase agreements	175,576	202,184	1,335,346
Payables under securities lending transaction	308,046	375,528	2,480,206
Borrowed money	902,795	1,167,666	7,711,949
Foreign exchanges	463	385	2,545
Borrowed money from trust account	8,386	14,813	97,837
Other Liabilities	91,348	124,318	821,074
Provision for bonuses	2,354	2,565	16,941
Provision for directors' bonuses	107	148	983
Provision for share-based payment	697	774	5,113
Retirement benefit related liabilities	625	760	5,020
Provision for directors' retirement benefits	37	47	312
Provision for reimbursement of deposits	1,189	1,058	6,989
Provision for contingent loss	1,910	1,935	12,780
Allowance for loss on debt guarantees	—	2	19
Provision for loss on dismantling of fixed assets	—	1,026	6,782
Reserves under the special laws	16	24	159
Deferred tax liabilities	2,541	13,905	91,838
Deferred tax liabilities for land revaluation	4,907	4,800	31,706
Acceptances and guarantees	20,738	21,078	139,212
Total Liabilities	¥10,102,527	¥10,638,477	\$70,262,712

■ Net Assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Capital stock	¥30,000	¥30,000	\$198,137
Capital surplus	102,980	102,980	680,145
Retained earnings	293,973	309,446	2,043,765
Treasury stocks	(3,066)	(7,638)	(50,448)
Shareholders' equity	423,887	434,789	2,871,600
Valuation difference on available-for-sale securities	(19,886)	12,026	79,433
Deferred gains or losses on hedges	288	29,163	192,612
Revaluation reserve for land	5,724	5,562	36,737
Remeasurements of defined benefit plans	5,409	17,815	117,664
Total accumulated other comprehensive income	(8,463)	64,568	426,447
Non-controlling interests	—	19	125
Total net assets	415,423	499,376	3,298,174
Total Liabilities and Net assets	¥10,517,951	¥11,137,853	\$73,560,886

Consolidated Statements of Income Years ended March 31, 2024

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Ordinary income	¥148,759	¥182,058	\$1,202,422
Financing income	80,060	99,006	653,898
Interest on loans and discounts	47,053	49,460	326,666
Interest and dividends on securities	28,861	39,065	258,010
Interest on call loans and bills bought	(78)	(15)	(102)
Interest on deposits with banks	2,524	1,466	9,682
Other interest income	1,698	9,030	59,641
Trust fees	117	146	968
Fees and commissions	30,492	36,033	237,984
Other ordinary income	32,902	37,910	250,380
Other income	5,185	8,961	59,189
Ordinary expenses	123,710	151,190	998,547
Financing expenses	12,140	34,738	229,436
Interest on deposits	435	560	3,702
Interest on negotiable certificates of deposit	12	11	74
Interest on call money and bills sold	—	(6)	(46)
Interest on bills sold	2,859	9,650	63,739
Interest on payables under securities lending transactions	5,889	16,683	110,185
Interest on borrowings and rediscounts	37	27	183
Other interest expenses	2,905	7,812	51,597
Fees and commissions payments	7,788	10,772	71,149
Other ordinary expenses	32,404	30,395	200,751
General and administrative expenses	62,556	63,338	418,327
Other expenses	8,820	11,943	78,883
Ordinary profit	25,048	30,868	203,874
Extraordinary income	1,046	1,512	9,990
Gain on disposal of noncurrent assets	1,046	60	398
Gain on step acquisitions	—	109	720
Gain on bargain purchase	—	1,343	8,871
Extraordinary loss	1,144	2,622	17,323
Loss on disposal of noncurrent assets	395	362	2,394
Impairment loss	749	1,039	6,862
Transfer to reserve for financial products transaction liabilities	—	7	47
Retirement benefit costs	—	187	1,237
Provision for loss on dismantling of fixed assets	—	1,026	6,782
Income before income taxes	24,949	29,758	196,541
Income taxes-current	6,699	9,198	60,749
Income taxes-deferred	366	(644)	(4,257)
Net Income	17,883	21,204	140,049
Profit attributable to non-controlling interests	115	1	9
Profit attributable to owners of parent	¥17,768	¥21,203	\$140,039

Consolidated Statements of Comprehensive Income Years ended March 31, 2024

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Net Income	¥17,883	¥21,204	\$140,049
Other Comprehensive Income	(28,526)	73,194	483,421
Valuation difference on available-for-sale securities	(28,519)	31,913	210,774
Deferred gains or losses on hedges	(176)	28,875	190,708
Retirement benefit adjustment amount	168	12,406	81,938
Comprehensive income	(10,643)	94,399	623,470
(Comprehensive income attributable to)			
Comprehensive income attributable to equities of parent	(10,156)	94,398	623,461
Comprehensive income attributable to non-controlling interests	¥(487)	¥1	\$9

Consolidated Statements of Shareholders' Equity

Year ended March 31, 2023

(Millions of Yen)

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

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

Year ended March 31, 2024

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Shareholders' equity
Balance at March 31, 2023	¥30,000	¥102,980	¥293,973	¥(3,066)	¥423,887
Changes of items during the period					
Dividends from surplus			(5,892)		(5,892)
Net income reverting to parent company shareholders			21,203		21,203
Purchase of treasury stock				(4,728)	(4,728)
Disposal of treasury stock		0		157	157
Reversal of revaluation reserve for land			162		162
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	15,473	(4,571)	10,901
Balance at March 31, 2024	¥30,000	¥102,980	¥309,446	¥(7,638)	¥434,789

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2023	¥(19,886)	¥288	¥5,724	¥5,409	¥(8,463)	—	¥415,423
Changes of items during the period							
Dividends from surplus							(5,892)
Net income reverting to parent company shareholders							21,203
Purchase of treasury stock							(4,728)
Disposal of treasury stock							157
Reversal of revaluation reserve for land							162
Net changes of items other than shareholders' equity	31,913	28,875	(162)	12,406	73,032	19	73,051
Total changes of items during period	31,913	28,875	(162)	12,406	73,032	19	83,952
Balance at March 31, 2024	¥12,027	¥29,163	¥5,562	¥17,815	¥64,568	¥19	¥499,376

Year ended March 31, 2024

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Shareholders' equity
Balance at March 31, 2023	\$198,137	\$680,145	\$1,941,572	\$(20,254)	\$2,799,600
Changes of items during the period					
Dividends from surplus			(38,920)		(38,920)
Net income reverting to parent company shareholders			140,039		140,039
Purchase of treasury stock				(31,230)	(31,230)
Disposal of treasury stock		0		1,036	1,037
Reversal of revaluation reserve for land			1,073		1,073
Net changes of items other than shareholders' equity					
Total changes of items during period	–	0	102,192	(30,193)	71,999
Balance at March 31, 2024	\$198,137	\$680,145	\$2,043,765	\$(50,448)	\$2,871,600

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2023	\$(131,341)	\$1,903	\$37,811	\$35,725	\$(55,900)	–	\$2,743,700
Changes of items during the period							
Dividends from surplus							(38,920)
Net income reverting to parent company shareholders							140,039
Purchase of treasury stock							(31,230)
Disposal of treasury stock							1,037
Reversal of revaluation reserve for land							1,073
Net changes of items other than shareholders' equity	210,774	190,708	(1,073)	81,938	482,348	125	482,473
Total changes of items during period	210,774	190,708	(1,073)	81,938	482,348	125	554,473
Balance at March 31, 2024	\$79,433	\$192,612	\$36,737	\$117,664	\$426,447	\$125	\$3,298,174

Consolidated Statement of Cash Flows
Years ended March 31, 2024

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Cash flows from operating activities			
Income before income taxes	¥24,949	¥29,758	\$196,541
Depreciation costs	6,695	7,081	46,767
Impairment loss	749	1,039	6,862
Loss (gain) on step acquisitions	–	(109)	(720)
Gains from Negative Goodwill	–	(1,343)	(8,871)
Increase (decrease) in allowance for loan losses	1,895	514	3,399
Increase (decrease) in provision for contingent loss	295	24	160
Increase (decrease) in provision for bonuses	4	89	594
Increase (decrease) in provision for directors' bonuses	(13)	28	191
Increase (decrease) in provision for share-based payment	156	76	505
Decrease (increase) in retirement benefit asset	(2,169)	(19,257)	(127,189)
Increase (decrease) in retirement benefit liability	(27)	(304)	(2,008)
Increase (decrease) in provision for directors' retirement benefits	1	(4)	(29)
Increase (decrease) in provision for reimbursement of deposits	(265)	(130)	(863)
Increase (decrease) in allowance for loss on guarantees	–	2	19
Increase (decrease) in provision for loss on dismantling of fixed assets	–	1,026	6,782
Financing income	(80,060)	(99,006)	(653,898)
Financing expenses	12,140	34,738	229,436
Loss (gain) related to securities	11,104	3,276	21,636
Loss (gain) on investments in money trusts	–	30	201
Foreign exchange losses (gains)	(0)	0	0
Loss (gain) on disposal of noncurrent assets	(651)	302	1,996
Net decrease (increase) in trading account securities	460	105	694
Net decrease (increase) in loans and bills discounted	(151,860)	(164,439)	(1,086,051)
Net increase (decrease) in deposits	160,050	131,128	866,050
Net increase (decrease) in negotiable certificates of deposit	(20,173)	(6,458)	(42,658)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(455,966)	264,869	1,749,353
Net decrease (increase) in deposits (excluding deposit paid to Bank of Japan)	170	(5,137)	(33,932)
Net decrease (increase) in call loans	(1,493)	(1,497)	(9,888)
Net increase (decrease) in call money	138,569	26,608	175,737
Net increase (decrease) in payables under securities lending transactions	9,648	67,481	445,687
Net decrease (increase) in foreign exchange-assets	(3,262)	(10,235)	(67,604)
Net increase (decrease) in foreign exchange-liabilities	254	(78)	(515)
Net increase (decrease) in borrowed money from trust account	5,500	6,426	42,445
Revenue for finance	71,668	95,233	628,976
Payments for finance	(10,065)	(34,495)	(227,825)
Other	(46,953)	(27,482)	(181,508)
Subtotal	(328,647)	299,863	1,980,474
Income taxes paid	(9,831)	(5,444)	(35,956)
Net cash provided by (used in) operating activities	(338,479)	294,419	1,944,517
Cash flows from investing activities			
Purchase of securities	(1,372,921)	(1,103,982)	(7,291,346)
Proceeds from sales of securities	835,385	879,052	5,805,778
Proceeds from redemption of securities	159,980	144,672	955,499
Purchase of increase in money trusts	–	(4,997)	(33,003)
Purchase of property, plant and equipment	(3,747)	(3,545)	(23,416)
Proceeds from sale of property, plant and equipment	2,097	336	2,224
Purchase of intangible assets	(1,572)	(1,579)	(10,430)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(127)	(841)
Net cash provided by (used in) investment activities	(380,777)	(90,170)	(595,536)
Cash flows from financing activities			
Cash dividends paid	(5,496)	(5,892)	(38,920)
Dividends paid to non-controlling interests	(2)	–	–
Purchase of treasury stock	(1,507)	(4,728)	(31,230)
Proceeds from sales of treasury stock	6	111	737
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,049)	–	–
Net cash provided by (used in) financing activities	(8,049)	(10,509)	(69,413)
Effect of exchange rate change on cash and cash equivalents	0	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(727,305)	193,739	1,279,567
Cash and cash equivalents at beginning of the year	2,757,277	2,029,972	13,407,119
Cash and cash equivalents at the end of the year	¥2,029,972	¥2,223,711	\$14,686,687

Notes (From April 1, 2023, to March 31, 2024)

(Basic items that form the foundation for preparation of consolidated financial results)

1. Matters regarding the scope of consolidation

- (1) Consolidated subsidiaries: 14 companies
Company names:
The Daishi Hokuetsu Bank, Ltd., Daishi Hokuetsu Securities Co., Ltd., The Daishi Hokuetsu Lease Co., Ltd., The Hokuetsu Leasing Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Hokuetsu Card Co., Ltd., Daishi Hokuetsu IT Solutions Co., Ltd., Daishi Hokuetsu Research & Consulting Ltd., Daishi Hokuetsu Capital Partners Co., Ltd., The Daishi Hokuetsu Career Bridge Co., Ltd., Bridge Niigata Co., Ltd., The Daishi Guarantee Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., (Change in the scope of consolidation)
On April 3, 2023, the Company acquired the shares of Daishi Hokuetsu IT Solutions Co., Ltd. (the trade name of which was changed from N.C.S. Co., Ltd. on April 3, 2023) and Bridge Niigata Co., Ltd., and they are included in the scope of consolidation from the current consolidated fiscal year.
The Daishi Computer Service Co., Ltd., which was dissolved on October 31, 2023, has been excluded from the scope of consolidation due to the completion of liquidation (March 18, 2024).
- (2) Nonconsolidated subsidiaries: 4 companies
Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Startup Support Fund Investment Limited Partnership, No. 1 Daishi Hokuetsu Regional Creation Investment Limited Partnership, No. 2 Daishi Hokuetsu Regional Creation Investment Limited Partnership.
Nonconsolidated companies have been excluded from the scope of consolidation since their assets, ordinary income, net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., have little relevance and will not prevent rational judgment from being made regarding the financial status and management performance of the corporate group.

2. Matters related to the application of equity method

- (1) Nonconsolidated subsidiaries subject to application of equity method
There are no applicable items
- (2) Affiliated companies subject to application of equity method
There are no applicable items
- (3) Nonconsolidated subsidiaries not subject to application of equity method: 4 companies
Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Startup Support Fund Investment Limited Partnership, No. 1 Daishi Hokuetsu Regional Creation Investment Limited Partnership, No. 2 Daishi Hokuetsu Regional Creation Investment Limited Partnership.
Nonconsolidated subsidiaries not subject to application of equity method have been excluded from the scope of application of equity method since their net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., do not have an important impact on the consolidated financial statements.
- (4) Affiliated companies not subject to application of equity method
There are no applicable items

3. Matters related to the fiscal year, etc., of consolidated subsidiaries

The closing date for consolidated subsidiaries is as follows:
Last day of March: 14 companies

4. Matters related to accounting policies

- (1) Valuation criterion and valuation method for trading account securities
Valuation of trading account securities is made using the market value method (cost of securities sold is calculated mainly by the moving average method).
- (2) Valuation criterion and valuation method for securities
(i) The amortized cost method (straight-line method) using the moving average method is used for securities held for ownership until maturity. For other securities, the market value method (cost of sale to be calculated using the moving average method) is used. However, the prime cost principle using the moving average method is used for shares without market value.
The valuation difference for other securities is all processed by the net asset direct entry method.
(ii) Valuation of securities invested as trust asset in individually-operated money trusts managed mainly for the purpose of securities management is made using the market value method.
- (3) Valuation criterion and valuation method for derivative transaction
Valuation of derivative transactions is conducted using the market value method.
- (4) Depreciation method for fixed assets
(i) Tangible fixed assets (excluding leased assets)
The straight-line method is mainly used for tangible fixed assets.
Major service life is as follows:
Buildings 10 to 50 years
Other 2 to 20 years
(ii) Intangible fixed assets (excluding leased assets)
The straight-line method is used for intangible fixed assets. Software used by the Company is amortized based on the usage period (5 to 9 years) determined by the Company and its consolidated subsidiaries.
(iii) Leased assets
"Tangible fixed assets" and "Intangible fixed assets" included in leased assets related to finance leases exempt from passage of title are depreciated by the straight-line method with the lease period set to the statutory service life. As for residual value, the guaranteed residual value shall be used in cases in which a residual value clause is included in the lease agreement and zero for all other leases.
- (5) Criteria for recording allowances for loan losses
Allowances for loan losses of consolidated subsidiaries in the banking business are recorded as per the depreciation and allowance criteria set in advance, as follows: Claims related to debtors who are legally insolvent, such as those facing bankruptcy or special liquidation ("Bankrupt debtors") or debtors under equivalent situations ("Effectively bankrupt debtors") are recorded as follows: The recorded amount is the remaining balance after deduction from the book value after direct reduction as stated in the proviso, from the possible marketable collateral amount and recoverable amount from guarantees.
For claims against debtors not currently insolvent but with a high risk of future insolvency ("Potentially bankrupt debtors"), anticipated losses over the next three years on the amount of balance, after deduction of the possible marketable collateral amount and recoverable amount from guarantees from the claim amount, are recorded. Amounts of anticipated losses are calculated by the loss rate based on averaged values of bad debt ratio over a set period of time in the past (three calculation periods), according to actual bad debt over the past three years. If the loss rate based on average values over a longer period of time taking the past business cycle into account is higher, then the difference is added to this calculation as necessary corrections for future predictions and other factors. For debtors from whom losses are anticipated to exceed the loss ratio, the amount deemed necessary is recorded after comprehensive judgment of the possible recoverable amount.

For claims against one classification of normal debtors, amounts of anticipated losses over the next year are mainly recorded. Furthermore, for debtors requiring attention, after they are classified into three based on whether business improvement plans and payables requiring special attention are present, the amount of anticipated loss over the next three years is mainly recorded for claims against the two classifications, which include debtors requiring special attention, and the amount of anticipated loss over the next one year for claims against the other classification for debtors requiring attention. Amounts of anticipated losses were calculated by the loss rate based on average values of bad debt ratio over a set period of time in the past (three calculation periods), according to actual bad debt over the past one or three years. If the loss rate based on average values over a longer period of time taking the past business cycle into account was higher, then the difference was added to this calculation as the necessary corrections for future predictions and other factors. Sales-related divisions have conducted asset audits on all claims based on asset self-assessment criteria and the assessment results have been audited by the asset auditing division independent of the division being audited.

Provided, however, that for collateral and claims with guarantees against Bankrupt debtors and Effectively bankrupt debtors, the balance after deduction of the validated amount of collateral and the amount expected to be recoverable from the guarantee are deducted directly from the amount of the claim as the estimated uncollectable amount, and this stands at 9,413 million yen.
An amount acknowledged to be necessary, in consideration of the past loan loss rate for general claims and estimated uncollectable amount in consideration of individual recovery possibilities for specific claims, such as those with default possibilities, are recorded as allowances for loan losses of other consolidated subsidiaries.

Criteria for recording provision for bonuses
In preparation for an expected bonus payment to employees, the amount of the expected bonus payment pertaining to the relevant consolidated fiscal year has been recorded as a provision for bonuses.

Criteria for recording provision for directors' bonuses
In preparation for expected bonus payments to directors, the amount of the expected bonus payment pertaining to the relevant consolidated fiscal year has been recorded as provision for directors' bonuses.

Criteria for recording provision for share-based payment
In preparation for payment of compensation to directors of the Company and some consolidated subsidiaries under the share-based payment plan, the amount of anticipated compensation to directors acknowledged to have occurred before the closing of the current consolidated fiscal year has been recorded as provisions for share-based payment.

Criteria for recording provision for loss on guarantees
In preparation for losses on guarantees to the Daishi Hokuetsu Financial Group Employee Shareholding Association Dedicated Trust, the amount of anticipated loss has been recorded as provision for loss on guarantees.

Criteria for recording provision for loss on dismantling of fixed assets
In preparation for expenditures associated with the dismantling of buildings, etc., the anticipated amount has been recorded as loss on dismantling of fixed assets.

Criteria for recording provision for director's retirement benefits
In preparation for payment of retirement benefits to directors of consolidated subsidiaries, the amount of expected retirement benefits for directors acknowledged to have occurred before the closing of the current fiscal year has been recorded as provisions for director's retirement benefits.

Criteria for recording provision for reimbursement of deposits
In preparation for reimbursement of deposits from depositors for deposits in which recording as a liability has been suspended, a loss occurring from future reimbursement claims has been estimated, and the amount deemed necessary has been recorded as a provision for reimbursement of deposits.

Criteria for recording provision for contingent loss
Provisions for contingent loss are recorded by estimating the loss and recording the amount judged to be necessary, for possible loss occurring in the future for contingent events other than events provided under other provisions.

Criteria for recording reserves under special laws
Reserves under special laws are reserves for financial product transaction liabilities for consolidated subsidiaries conducting the securities business. The amount calculated under the provisions of Article 46-5 of the Financial Instruments and Exchange Act is set aside to compensate for loss in incidents occurring related to securities future transactions, etc.

Accounting method related to retirement benefits
In the calculation of retirement benefit liabilities, the benefit formula standard is adopted as the method of attributing the expected amount of retirement benefits within the current consolidated fiscal year. Furthermore, the methods of processing profit and loss for prior service costs and actuarial gain or loss are as follows:

Prior service cost : Profit and loss processing using the straight-line method for a certain number of years (10 years) within the average employee residual term of service at the time of occurrence
Actuarial gain or loss : Profit and loss processing of the amount pro-rated by the straight-line method for a certain number of years (10 to 12 years) within the average employee residual term of service at the time of occurrence, will be treated as profit or loss from the following fiscal year

It must be noted that some consolidated subsidiaries have adopted a simplified method in the calculation of retirement benefit, in which the amount to be paid for voluntary retirement at the end of the term is taken as the retirement benefit liability in the calculation of retirement benefit liability and retirement benefit cost.

Criteria for recording of important profits and expenses
Criteria for recording profits and expenses related to finance lease transactions are conducted by recording sales and cost of sales, when lease fees are received.

Criteria for conversion of foreign currency-denominated assets and liabilities into Japanese yen
Foreign currency-denominated assets and liabilities are converted into Japanese yen using the rate of exchange on the consolidated closing date.

Important risk hedging methods
(i) Interest risk hedge
As a method of hedge accounting of interest risk occurring from financial assets and liabilities of consolidated subsidiaries in the banking industry, certain assets and liabilities are accounted for by deferred hedging by applying "individual hedging," which directly corresponds to the hedging target and the hedging instrument. The effectiveness of the hedge is evaluated by verification of whether the interest risk subject to hedging has been diminished by the hedging method.

In addition, exceptional processing for interest swaps are made, and judgment regarding the requirements for exception processing is used in lieu of the judgment of hedge effectiveness.
(ii) Exchange fluctuation risk hedging
A deferred hedge is adopted as the hedge accounting method for foreign exchange fluctuation risk arising from financial assets and liabilities denominated in foreign currencies of consolidated subsidiaries engaged in the banking business as provided in "Handling in accounting and audit of foreign currency-denominated transactions, etc., in the processing of accounts in the banking industry" (The Japanese Institute of Certified Public Accountants (IICPA) Industry-specific Committee Practical Guideline No. 25, October 8, 2020, hereinafter referred to as "Industry-specific Committee Practical Guideline No. 25." The effectiveness of the hedge is evaluated with currency swap transactions and exchange swap transactions, etc., conducted with the aim of diminishing exchange fluctuation risks of foreign currency-denominated monetary debts and credits and the effectiveness of the hedge is evaluated by confirming the existence of a foreign currency position equivalent amount that matches the foreign currency-denominated debts and credits, which are the targets of the hedge.

Of the above hedging relationships, the exceptional treatment prescribed in the PITF in question is applied to all hedging relationships included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022). The details of the hedging relationships to which this PITF is applied are as follows.

Hedge accounting ...Deferred hedge accounting and exceptional accounting for methods interest rate swaps
Hedging ...Currency swaps and interest rate swaps
instruments
Hedged items ...Securities and loans and bills discounted
Types of hedging ...Cash flow hedges and hedges against market fluctuations transactions

(19) Scope of funds in consolidated statement of cash flows

The scope of funds in the consolidated statement of cash flows is cash and deposits with the Bank of Japan listed in "Cash and deposits" in the consolidated balance sheet.

(Significant accounting estimates)

Items whose amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are given below.
(Allowance for loan losses)

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

1. Amount recorded in the consolidated financial statements for the current consolidated fiscal year
Allowance for loan losses ¥29,569 million

Of this amount, the allowance for loan losses of consolidated subsidiaries engaged in the banking business was 25,298 million yen, and corporate customers made up the majority of the allowance for loan losses.

2. Information that contributes to understanding the nature of the significant accounting estimates for the identified items

(1) Method of calculation

Estimated allowances for loan losses for consolidated subsidiaries engaged in the banking business are calculated by conducting asset assessments under the asset self-assessment criteria to determine "debtor classifications" (normal debtors, debtors requiring attention, debtors requiring special attention, potentially bankrupt debtors, effectively bankrupt debtors, and bankrupt debtors). Depreciations and allowances are then made in accordance with the determined debtor classifications under the depreciation and allowance criteria. These estimates include judgments and assumptions, the key details of which are as given below. Moreover, the method of calculation, including assumptions for depreciation and allowances, is described in "(5) Criteria for recording allowances for loan losses" in "4. Matters related to accounting policies."

In order to assess the estimated recorded amount of the allowance for loan losses, consolidated subsidiaries engaged in the banking business perform verification by considering various factors to determine whether the assumptions used in estimating the allowance for loan losses are reasonable and whether the balance of the allowance for loan losses is sufficient to cover potential future losses.

(2) Key assumptions

A key assumption is the "outlook on the borrower's future performance when determining debtor classifications." This key assumption is the same as that determined by the Company at the end of the previous consolidated fiscal year, and has been determined as important again by the Company since any material difference between the assumption and the actual results may have a material impact on the Company's business results.

The "outlook on the borrower's future performance when determining debtor classifications" is set based on individual assessments of each borrower's ability to earn income.

Each time a borrower discloses financial results or events that affect their creditworthiness, we evaluate their financial position, cash flow, ability to repay based on profitability, loan terms and conditions and their fulfillment, characteristics of their industry, etc., business continuity and profitability outlook, and ability to repay debts based on cash flow, determining the debtor classification by synthesizing these factors. Furthermore, in determining the debtor classification, we consider both qualitative and quantitative information about a borrower. Qualitative information includes assumptions about the borrower's technical capabilities, growth potential, and future performance outlook. In addition, in cases where the borrower has drawn up a radical business restructuring plan that is highly feasible or a business improvement plan that is reasonable and feasible, the debtor classification will be determined by taking into consideration the future business outlook in light of said plan.

Necessary corrections have been made to the depreciation and allowance in accordance with "(5) Criteria for recording allowances for loan losses" in "4. Matters related to accounting policies." All of these measures are designed to prepare for future loan losses and include assumptions about the outlook for the economic environment and the collectability of receivables.

Furthermore, the impact of COVID-19 infection trend on the economic and corporate activities is becoming more under control as economic activities resume and normalize on the assumption of a post COVID-19. On the other hand, the outlook for the domestic economy remains uncertain due to increasing uncertainties, including concerns over an economic recession resulting from global price hikes in energy and raw materials, monetary tightening, and others. Although some customers have experienced losses such as loan losses due to the impact of business performance and cash flow deterioration with the continued stagnation of economic activities, we have confirmed that the Company group's allowance for loan losses is sufficiently secured as a result of taking into account the status, likelihood, and impact of loan losses directly caused by various problems. Furthermore, the Company assumes that there will be no major impact on the debtor classification, etc., as the Group will work to grasp at an early stage changes in customers' business conditions and continue making every effort in activities to support their business improvement and revitalization. We have also not changed the method of estimating allowances for loan losses as of the end of the current consolidated fiscal year. This is because we have taken a position of taking the current deteriorating business performance into account as soon as possible when determining debtor classification.

(3) Effect on the consolidated financial statements for the following fiscal year

If the assumptions used for the initial estimate change, such as a significant change in the economic environment, the debtor classification and the estimated amount of collateral available for disposal may change. This may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year.

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

- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

With regard to the treatment of tax effects in cases where gain or loss arising from sale of shares of subsidiaries, etc. between consolidated companies is deferred for tax purposes, if deferred tax assets or deferred tax liabilities are reported for temporary differences pertaining to the gain or loss on sale in the financial statements of the company that sold the shares of subsidiaries, etc., the amount of deferred tax assets or deferred tax liabilities pertaining to the temporary differences has not been revised in the consolidated closing procedures so far. However, deferred tax assets or deferred tax liabilities pertaining to the temporary differences will be reversed in future.

(2) Scheduled date of application

The guidance is scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

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

With regard to the application of the accounting standard, etc., the Company plans to apply the new accounting policy retroactively to all prior periods. As a result, deferred tax assets for the fiscal year ended March 31, 2024 are expected to increase by 155 million yen, deferred tax liabilities are expected to decrease by 370 million yen, and retained earnings are expected to increase by 526 million yen, compared with the amounts before the retrospective application of the said accounting standard.

(Additional information)

(Share-based payment plan using trusts)

1. Overview of transactions

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

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

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

2. The Company's shares held by the trust

The book value and number of shares of the Company held by the trust were 993 million yen and 364 thousand shares at the end of the current consolidated fiscal year, and they are recorded as treasury stock under net assets.

(Transactions to deliver the Company's shares to employees, etc. through trusts)

1. Overview of transactions

The Company introduced the "Trust-Type Employee Shareholding Incentive Plan (E-Ship #)" (hereinafter, the "Plan") with the aim of providing the Group's employees with an incentive to enhance the corporate value over the medium to long term and enhancing welfare benefits.

The Plan is an incentive plan for all employees who belong to the "Daishi Hokuetsu Financial Group Employee Shareholding Association" (hereinafter, the "Shareholding Association"). Under the Plan, the Company establishes the "Daishi Hokuetsu Financial Group Employee Shareholding Association Dedicated Trust" (hereinafter, the "E-Ship Trust") with a trust bank, and the E-Ship Trust shall acquire the Company's shares in advance in the number expected to be acquired by the Shareholding Association for approximately five years after the establishment of the E-Ship Trust. Thereafter, the Company's shares will continue to be sold from the E-Ship Trust to the Shareholding Association, and if an amount equivalent to the gain on sale of shares is accumulated in the E-Ship Trust at the time of termination of the trust, the said amount equivalent to the gain on sale of shares will be distributed as residual assets to those who meet the beneficiary eligibility requirements. Furthermore, as the Company guarantees the borrowings to be used by the E-Ship Trust to acquire the Company's shares, if an amount equivalent to a loss on sale of shares is accumulated in the E-Ship Trust due to a decline in the Company's share price, and there are remaining borrowings equivalent to the loss on sale of shares in the E-Ship Trust at the time of termination of the trust, the Company shall repay the remaining borrowings.

2. The Company's shares held by the trust

The book value and number of shares of the Company held by the trust were 2,657 million yen and 668 thousand shares at the end of the current consolidated fiscal year, and they are recorded as treasury stock under net assets at the book value recorded by the trust.

3. Book value of borrowings accounted for using the gross price method

¥2,660 million at the end of the current consolidated fiscal year

(Consolidated Balance Sheet related)

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

Contribution: ¥1,246 million

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

Bankrupt/substantially bankrupt claims and similar claims	¥8,341 million
Doubtful claims	¥111,406 million
Loans overdue for three (3) months or longer	¥994 million
Loans with relieved loan conditions	¥4,101 million
Total amount	¥124,843 million

"Bankrupt/substantially bankrupt claims and similar claims" refers to loans of debtors with a bankrupt business due to reasons such as the start of bankruptcy procedures, the start of reorganization procedures, or declaration for the start of reorganization procedures, or loans to which these conditions apply.

"Doubtful claims" refers to loans for which the debtor has not entered business bankruptcy, but is experiencing worsened financial status and economic performance, and there is a high possibility that it may not be possible to recover capital or receive interest on the loan according to the contract, and which do not fall under bankrupt/substantially bankrupt claims and similar claims.

“Loans overdue for three (3) months or longer” refers to loans where payment of interest or repayment of capital has been delayed for three (3) months or longer, from the day following the contract due dates, and which do not fall under bankrupt/substantially bankrupt claims and similar claims and doubtful claims.

“Loans with relieved loan conditions” refers to loans for which a reduction in interest, a grace period for interest payment, a grace period for repayment of capital,debt forgiveness, or other agreements favorable to the debtor have been made for the purpose of assisting the debtor with management reorganization or support, and which do not fall under bankrupt/substantially bankrupt claims and similar claims, doubtful claims, and loans overdue for three (3) months or longer.
Note that the amount of loans above is the amount prior to deduction of allowance for loan loss.

3. Discounting of bills is processed as a financial transaction, based on “Handling in accounting and audit regarding the application of financial instruments accounting standards in the banking industry” (JICPA Industry-specific Committee Practical Guideline No. 24, March 17, 2022). The Bank retains the right to freely dispose of bank acceptance bills, commercial bills, documentary bills, and foreign bills bought, etc., and thus received in the form of sales or (re) mortgaging and their face value is as follows:

¥13,909 million

4. Assets provided as security are as follows:

Assets provided as security	
Securities	¥1,736,249 million
Loans and bills discounted	¥97,997 million
Total	¥1,834,246 million

Liabilities corresponding to security assets

Deposits	¥19,633 million
Securities sold under repurchase agreements	¥202,184 million
Payables under securities lending transaction	¥375,528 million
Borrowed money	¥1,155,440 million

In addition to the above, the following has been tendered as a substitute for security for foreign currency settlement, short-term financial transactions, or futures market transaction deposits, etc.

Trading account securities	¥22 million
Securities	¥2,639 million

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

Financial instruments security deposits	¥33,526 million
Central clearing organization security deposits	¥50,000 million
Guarantees	¥1,577 million

5. Overdraft agreements and commitment line agreements for loans are agreements to provide loans up to a prescribed limit, when application for a loan has been made by customers, in the event that there is no breach of the terms as provided for in the agreement. Unexecuted loan balances related to these agreements are as follows:

Unexecuted loan balance	¥1,746,370 million
Of which, those where the original term of loan is within 1 year	¥1,646,837 million
(or those that can be cancelled unconditionally at any time)	

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

6. Based on the Act on Revaluation of Land (Act No. 34, March 31, 1998), revaluation of business-use land owned by The Daiishi Hokuetsu Bank, Ltd. was conducted. For the valuation difference, the amount equivalent to tax related to the subject valuation difference has been recorded in Liabilities, as “Deferred tax liability related to revaluation” and the amount after deduction of this amount is recorded in net assets under “Land revaluation difference.”

Date of revaluation March 31, 1998
Method of revaluation as provided in Article 3, paragraph 3 of said Act.
Calculated based on the method provided and published by the Director General of the National Tax Administration Agency to calculate the value of land on which the taxable value for the land tax, as provided in Article 16 of the Land-holding Tax Act (Act No. 69 of 1991) and established in the Order for Enforcement of Act on Revaluation of Land (Order No. 119 dated March 31, 1998) Article 2, item 4, with reasonable adjustments (rate of value correction by depth, etc.) made.
The difference between the total amount of market value of the business-use land revaluated as provided for in Article 10 of said Act as of the end of the term and the total amount of book value after revaluation of said business-use land:

¥11,366 million

7. Aggregate amount of depreciation of tangible fixed assets

Aggregate amount of depreciation ¥76,150 million

8. Amount of compressed entry of tangible fixed assets

Amount of compressed entry ¥9,711 million
(Amount of compressed entry in current consolidated fiscal year) (¥1,707 million)

9. Amount of guarantee obligation for privately placed bonds (under Article 2, paragraph 3 of the Financial Instrument and Exchange Act) in bonds included in “Securities.”

¥94,695 million

10. Trust principal with principal compensation agreement

Money trusts ¥14,813 million

(Consolidated Statements of Income Related)

1. The following is included in other ordinary income.

Gain on sales of stocks and other securities ¥6,729 million

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

Salaries and allowances ¥29,749 million
Retirement benefit costs ¥225 million
Depreciation ¥6,814 million

3. The following are included in other expenses.

Written-off of loans ¥3,094 million

Loss on sales of stocks and other securities ¥4,151 million

Loss on devaluation of stocks and other securities ¥75 million

4. Impairment loss

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

Mainly in Niigata Prefecture

Classification	Sales
Main use	30 sales offices, etc.
Type	Land and buildings
Impairment loss	709 million yen
Classification	Owned
Main use	31 idle assets, etc.
Type	Land and buildings
Impairment loss	329 million yen

As a result of the decision to change the method of use aiming at the optimization of stores, etc., and the decline in land prices, etc., the book value of these sales offices was reduced to the recoverable amount and the reduced amount was recorded as an impairment loss (1,039 million yen) under extraordinary losses.

The method of grouping assets of consolidated subsidiaries engaged in the banking business is as follows: Sales offices, etc. are grouped by office unit, the smallest classification for management accounting purposes (however, for office areas where business is conducted cooperatively, such area will be the grouping unit). Assets planned for disposal and idle assets are grouped by each asset. Headquarters, administrative centers, welfare facilities, etc. which are assets of the entire bank are treated as common assets.

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

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

(Consolidated Statements of Comprehensive Income Related)

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

Valuation difference on available-for-sale securities	
Incurred cost for this term	40,864
Recycling	5,530

Before tax effect adjustment 46,395

Tax effect amount (14,482)

Valuation difference on available-for-sale securities 31,913

Deferred gains or losses on hedges

Incurred cost for this term 39,239

Recycling 2,313

Before tax effect adjustment 41,553

Tax effect amount (12,678)

Deferred gains or losses on hedges 28,875

Retirement benefit adjustment amount

Incurred cost for this term 18,379

Recycling (528)

Before tax effect adjustment 17,850

Tax effect amount (5,444)

Retirement benefit adjustment amount 12,406

Total other comprehensive income 73,194

(Consolidated Statements of Shareholders Equity Related)

1. Matters related to the type and total number of issued shares, and type and number of treasury stocks (1,000 shares)

	Current consolidated fiscal year	Current consolidated fiscal year	Current consolidated fiscal year	Current consolidated fiscal year	Remarks
	Number of shares at the beginning of the term	Number of shares at the beginning of the term	Number of shares at the beginning of the term	Number of shares at the beginning of the term	
Number of shares					
Ordinary shares	45,942	—	—	45,942	
Total	45,942	—	—	45,942	
Treasury stocks					
Ordinary shares	1,010	1,184	50	2,144	(Note)
Total	1,010	1,184	50	2,144	

(Note) The breakdown of increase in the number of ordinary shares of treasury stocks is as follows.
Increase due to acquisition of the Company’s shares by the E-Ship Trust: 684 thousand shares

Increase due to acquisition of treasury stocks based on the resolution of the Board of Directors 497 thousand shares

Increase due to request to purchase fractional unit shares 2 thousand shares

The breakdown of decrease in the number of ordinary shares of treasury stocks is as follows.

Decrease due to delivery of shares under the share-based payment plan 33 thousand shares

Decrease due to sale of the Company’s shares by the E-Ship Trust 15 thousand shares

Decrease due to request to purchase fractional unit shares 1 thousand shares

The number of ordinary shares of treasury stocks at the end of the current consolidated fiscal year includes 364 thousand shares of the Company held by the trust for the share-based payment plan and 668 thousand shares of the Company held by the E-Ship Trust.

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

There are no applicable items

3. Matters related to dividends

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

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Dividend per share (¥)	Reference date	Effective date
--------------	----------------	--	------------------------	----------------	----------------

Board of Directors, May 12, 2023 Ordinary shares 2,719 60.00 March 31, 2023 June 1, 2023

Board of Directors, November 10, 2023 Ordinary shares 3,173 70.00 September 30, 2023 December 1, 2023

(Note1) The total amount of dividends includes dividends on the Company’s shares held by the trust for the share-based payment plan (23 million yen, the Board of Directors, May 12, 2023 / 25 million yen, the Board of Directors, November 10, 2023).

(Note2) The dividend per share resolved at the Board of Directors held on November 10, 2023 includes a commemorative dividend of 5 yen.

(2) Dividends for which the reference date falls within the current consolidated fiscal year with the effective date occurring after the last day of the current consolidated fiscal year

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Source of funds	Dividend per share (¥)	Reference date	Effective date
--------------	----------------	--	-----------------	------------------------	----------------	----------------

Board of Directors, May 10, 2024 Ordinary shares 3,362 Retained earnings 75.00 March 31, 2024 June 3, 2024

(Notes1) The total amount of dividends includes 27 million yen of dividends on the Company’s shares held by the trust for the share-based payment plan and 50 million yen of dividends on the Company’s shares held by the E-Ship Trust.

(Notes2) The dividend per share includes a commemorative dividend of 5 yen.

(Consolidated Statement of Cash Flows Related)

1. Relationship between the end of term cash and cash equivalents and the amount indicated in the account titles in the consolidated balance sheet

Cash and deposit account	¥2,230,849 million
Deposits (excluding Bank of Japan deposits)	(¥7,138 million)
Cash and cash equivalents	¥2,223,711 million

2. Description of assets and liabilities of the companies that became consolidated subsidiaries due to the acquisition of shares

The breakdown of assets and liabilities at the beginning of the consolidation associated with the new consolidation of Daiishi Hokuetsu IT Solutions Co., Ltd. and Bridge Niigata Co., Ltd. through the acquisition of shares, as well as the relationship between the acquisition value of the shares and expenditures for the acquisition (net), are as follows.

Assets	¥3,738 million
Liabilities	(¥1,404) million
Non-controlling interests	¥(17) million
Gain on bargain purchase	¥(1,343) million
Acquisition price of shares	¥973 million
Acquisition cost up to the acquisition of control	¥(126) million
Gain on step acquisitions	¥(109) million
Cash and cash equivalents	¥(610) million
Balance: Expenditures for the acquisition	¥127 million

(Lease transaction related)

Operating lease transactions

<Borrower side>

Unearned lease fees concerning irrevocable operating lease transactions	(¥ million)
One (1) year or less	25
Exceeding one (1) year	27
Total	53

<Lender side>

Unearned lease fees concerning irrevocable operating lease transactions	(¥ million)
One (1) year or less	101
Exceeding one (1) year	76
Total	177

(Financial instruments related)

1. Matters concerning the status of financial instruments

(1) Policy regarding approach towards financial instruments
The Company group is engaged, with a focus on the banking business together with financial services covering lease operations, securities operations, credit guarantee operations, credit card operations, and others. Funds raised by deposits and negotiable certificates of deposits are mainly managed through loans and securities.
As the Company has financial assets and liabilities that are accompanied by interest rate fluctuations, risks relating to assets and liabilities for the entire group are comprehensively grasped and controlled to avoid any disadvantageous impact from interest rate fluctuations. Comprehensive asset and liability management (ALM) is implemented to improve profits as well as stability. Derivative transactions are conducted as part of the activities.

(2) Contents of financial instruments and their risks
Financial assets held by the Company group are mainly loans made to domestic companies and individuals, and are exposed to credit risk in which recovery of capital and interest on loans could be made difficult by bankruptcy of the customers or deterioration of financial status.

Securities are mainly stocks, bonds, investment trusts, and investment in capital of partnerships. In addition to securities held for ownership until maturity, pure investment, and for business promotion purposes, trading account securities are bonds and are held for trading. These are exposed to market risks in which the asset value held by the Company group may be reduced and incur a loss from the change in credit risks of issuing entities and fluctuation of market factors, including domestic and overseas interest rates, price of securities, etc., and foreign exchange rates.

Of the financial liabilities of the Company group, deposits, etc., and marketable fundraising are exposed to liquidity risk. In addition to the possibility of an outflow of deposits or inability to raise the necessary funds due to the deterioration of the Company group’s credibility, a loss may be incurred by being forced to conclude transactions under unfavorable conditions.

Derivative transactions conducted by the Company group include interest rate swaps, forward exchange contracts, currency options, etc., to respond to needs to hedge risks related to interest rates and foreign currency of the customers. Furthermore, as a part of ALM, interest rate swap transactions, currency swap transactions, etc., are being conducted to control interest rate risk in banking operations, as well as to adjust a fund surplus or deficit in banking operations and to stabilize fund liquidity.

In addition, subsidiary banks and some consolidated subsidiaries are conducting credit futures transactions, etc., to pursue trading profits within the extent of earning power and corporate strength.

Risks generated from these derivative transactions include credit risks incurred when the counterpart of the transaction defaults and market risks in which a loss can be incurred by fluctuation of interest rates and currency exchange. “Hedge accounting” is adopted for derivative transactions aimed at hedging risks. Evaluation of hedging effectiveness is verified quarterly as to whether the amount of derivative transaction risk, as a hedge method, is within the range of allowable risk amount, as provided in the operating criteria concerning hedge transaction management, and whether the risk subject to the hedge is reduced.

(3) Risk management structure related to financial instruments

(i) Credit risk management

The Company group operates and manages credit risk in an appropriate manner based on various rules concerning credit risk management.

In terms of structure, the Risk Management Department is responsible for controlling credit risks and establishes various rules concerning credit risk management. It plans and runs analysis, evaluation, and improvement activities as well.

At The Daiishi Hokuetsu Bank, Ltd., credit divisions, completely detached from sales promoting divisions, conduct strict screening and manage problematic loans appropriately. It also aims for sound management of assets through management improvement support activities for customers, etc., and the approach is promoted bank-wide. Credit rating and self-assessment of loans, etc., is strictly enforced through a two-stage assessment system, one by the sales office and the other by the head office division. In addition, the appropriateness and validity of credit rating and self-assessment are verified in the audit conducted by the Audit Division.

Regarding the credit portfolio, credit concentration management for specific areas, industries, companies, groups, etc., is conducted in an appropriate manner. Furthermore, credit risk quantification (Note) is being conducted and credit risk limits are corresponding to equity.

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

(ii) Market risk management

The Company group has established an operation policy for ALM to adjust market risks to an appropriate magnitude and to secure stable income, and determines the risk limits and loss limits in managing securities in line with the policy.

Furthermore, important matters concerning risk management are reviewed at the ALM & Risk Management Committee. The Committee is established to promptly report to the management if any critical situation occurs in managing securities.

As a rule, the Company group conducts quantitative analysis concerning market risks for all financial instruments. The risks are calculated and managed by The Daiishi Hokuetsu Bank, Ltd. mainly using Value at Risk (VaR). Quantitative analysis is not conducted on some of the financial instruments when there is little impact on their amount, etc., and some of the financial instruments of some group companies.

The Daiishi Hokuetsu Bank, Ltd. mainly adopts VaR calculated by the historical method (holding period: 120 days, confidence interval: 99%, observation period: 1,250 days). The amount of market risk as of the end of the current consolidated fiscal year (excluding market risk of financial instruments without market prices such as non-listed stock) was 43,619 million yen. Interest risks associated with deposits and loans are recognized by defining liquid deposits remaining in banks for a long time as core deposits and allocating those deposits to maturities of up to 10 years based on an internal model.

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

However, as the VaR indicates the amount of risk under a fixed certainty statistically computed from past market fluctuations, it may not be able to capture risks that could occur if the market environment should change inconceivably. This being the case, the approach is supplemented by separate stress tests, etc.

(iii) Liquidity risk management

In the Company group, The Daiishi Hokuetsu Bank, Ltd. has established “Liquidity risk management rules” under which the division managing financing ascertains, analyzes the financing status, and appropriately funds from the market as necessary.

In addition, response measures and a reporting and communicating structure has been established to be able to respond promptly under various situations according to the financing urgency for preparing for unforeseeable circumstances.

(4) Supplementary explanation regarding matters concerning the market value of financial instruments, etc.

In calculating the market value of financial instruments, certain presumptions are adopted, and said price may differ if it is calculated based on different presumptions.

2. Matters concerning the market value of financial instruments, etc.

The amount recorded in the consolidated balance sheet, their market value, and the differences are as follows: Shares without market prices and investment in capital of partnerships, etc. are not included in the following table (see Note 1). The notes to cash and due from banks, receivables under resale agreements, and payables under securities lending transactions are omitted because they are settled in a short period of time and their market value approximates their book value. In addition, notes to accounting titles with little relevance to the amounts recorded in the consolidated balance sheet have been omitted.

	Amount recorded on consolidated balance sheet	Market value	Difference
(1) Securities			
Trading securities	1	1	—
Bonds to be held to maturity	123,052	123,193	140
Other securities	2,938,737	2,938,737	—
(2) Loans and bills discounted	5,430,402		
Allowance for loan losses (*1)	(27,912)		
	5,402,490	5,429,636	27,146
Total Assets	8,464,282	8,491,569	27,287
(1) Deposits	8,498,683	8,498,667	(15)
(2) Negotiable certificates of deposit	206,769	206,769	—
(3) Borrowed money	1,167,666	1,164,954	(2,712)
Total Liabilities	9,873,119	9,870,391	(2,727)
Derivative transactions (*2)			
Hedge accounting not applied	218	218	—
Hedge accounting applied (*3)	20,298	20,298	—
Total derivative transactions	20,516	20,516	—

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

(*2) Derivative transactions recorded in other assets and liabilities are indicated together as a batch. Net debts and credits generated from derivative transactions are indicated in net amount and items in which the total will be a net debt are indicated in parentheses. Provisions for contingent loss corresponding to derivatives have been directly reduced in the consolidated balance sheet amounts as they have little relevance. Transactions subject to exceptional interest swap processing are included in the market value of loans to be hedged.

(*3) These are interest rate swaps designated as hedging instruments to fix the cash flows of loans to be hedged. In most cases, deferred hedge accounting is applied. For these hedge relationships, we have applied the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, March 17, 2022).

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

		(¥ million)
Classification	March 31, 2024	
Non-listed stock (*1) (*2)		5,240
Investment in capital of partnerships, etc. (*3)		5,440

(*1) The market value of non-listed stocks is not disclosed in accordance with paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).
(*2) In the current consolidated fiscal year, no impairment (75 million yen) has been made for non-listed stocks.
(*3) The market value of investment in capital of partnerships, etc. is not disclosed in accordance with paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021). Some of “other assets” are included in investment in capital of partnership, etc.

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

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits	2,174,299	–	–	–	–	–
Securities	144,138	405,363	562,929	319,795	369,967	944,485
Bonds to be held to maturity	–	20,000	50,739	12,129	41,004	–
Government bonds	–	20,000	10,000	–	–	–
Local government bonds	–	–	38,939	11,629	39,944	–
Corporate bonds	–	–	1,800	500	1,060	–
Other securities with maturity	144,138	385,363	512,190	307,666	328,962	944,485
Government bonds	14,000	24,000	26,000	89,000	81,000	313,500
Local government bonds	45,432	219,839	239,860	159,969	28,798	30,077
Corporate bonds	47,373	65,162	48,506	7,588	11,104	3,846
Loans and bills discounted*	663,469	944,760	899,570	596,327	466,945	1,220,273
Total	2,981,907	1,350,124	1,462,500	916,123	836,913	2,164,759

Loans and bills discounted do not include 118,676 million yen in cases in which the scheduled amount of redemption cannot be foreseen nor 519,773 million yen without an agreed due date, against bankrupt debtors, effectively bankrupt debtors, and potentially bankrupt debtors.

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

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits*	7,993,494	426,414	63,322	2,804	12,648	–
Negotiable certificates of deposit	206,769	–	–	–	–	–
Securities sold under repurchase agreements	202,184	–	–	–	–	–
Payables under securities lending transaction	375,528	–	–	–	–	–
Borrowed money	209,947	643,538	313,753	286	140	–
Total	8,987,923	1,069,952	377,075	3,091	12,788	–

* Demand deposits in Deposits are included in “Within 1 year.”

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

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

Level 2 market value : Market values calculated using inputs for calculation of market value other than Level 1 inputs out of observable inputs for market value

Level 3 market value : Market values calculated using unobservable inputs for calculation of market value

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

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

		(¥ million)			
Classification	Market value				
	Level 1	Level 2	Level 3	Total	
Securities					
Trading securities					
Stocks	1	—	—	1	
Other securities					
Stocks	193,429	23,796	—	217,226	
Government bonds	532,673	—	—	532,673	
Local government bonds	—	716,847	—	716,847	
Corporate bonds	—	79,386	103,227	182,614	
Foreign government bonds	459,682	248,897	3,407	711,987	
Other	135,749	441,640	—	577,389	
Derivative transactions					
Interest-rate-related	—	45,850	—	45,850	
Currency related	—	6,081	—	6,081	
Other	—	—	50	50	
Total Assets	1,321,535	1,562,500	106,685	2,990,721	
Derivative transactions					
Interest-rate-related	—	1,550	—	1,550	
Currency related	—	29,862	—	29,862	
Other	—	—	50	50	
Total Liabilities	—	31,413	50	31,463	

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

		(¥ million)			
Classification	Market value				
	Level 1	Level 2	Level 3	Total	
Securities					
Bonds to be held to maturity					
Government bonds	30,031	—	—	30,031	
Local government bonds	—	89,838	—	89,838	
Corporate bonds	—	3,323	—	3,323	
Loans and bills discounted	—	—	5,429,636	5,429,636	
Total Assets	30,031	93,162	5,429,636	5,552,830	
Deposits					
	—	8,498,667	—	8,498,667	
Negotiable certificates of deposit	—	206,769	—	206,769	
Borrowed money	—	1,164,954	—	1,164,954	
Total Liabilities	—	9,870,391	—	9,870,391	

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

Assets

Securities

Securities whose unadjusted market prices in active markets are available are classified as Level 1 market value. They mainly include shares, exchange-traded funds, and government bonds. In the case of using published market prices, if the market is not active, they are classified as Level 2 market value. They mainly include local government bonds and corporate bonds.

In addition, investment trusts with no market transaction price are classified as Level 2 market value, provided that no significant restrictions exist that may cause market participants to request compensation for the risks relating to the cancellation or repurchase. Of privately placed bonds guaranteed by the issuing bank, those with floating interest rates are short term, reflecting market interest rates. Since the market value is approximate to the book value unless the credit status of the issuing body has not differed significantly after its execution, the said book value is taken as the market value, and classified as Level 3 market value. The market value of privately placed bonds with a fixed interest rate is calculated by adding guarantee fees for the accrued portion (unearned guarantee fees) to the total sum of capital and interest discounted by the interest rate that combines the swap interest rate or other appropriate indices and credit spreads, for each classification based on type, internal rating, and period. Since the credit spreads and the unearned guarantee fees are unobservable, they are classified as Level 3 market value.

For securitized products (including some bonds), prices obtained from external business operators (e.g., brokers) are recognized as market value based on periodic status checks, such as a price comparison between similar products, time-series price comparison of a single product, and analysis of consistency with published market indicators, and classified as Level 3.

Loans and bills discounted

Loans and bills discounted with fixed interest rates are calculated by adding guarantee fees to the amount discounted by the interest rate added with a credit spread on appropriate indices, such as a swap interest rate, on the total sum of capital and interest, for each classification based on type, internal rating, and period. Those with a floating interest rate are short term and will reflect the market interest rate and are approximate to their book value, unless the credit status of the borrower has not differed significantly after its execution, and therefore said book value is taken to be the market value.

Since the estimated loan loss is calculated on claims, etc., for bankrupt debtors, effectively bankrupt debtors, and potentially bankrupt debtors based on the present value of estimated future cashflow or the expected recovery value from mortgages and guarantees, its market value is approximate to the amount of recorded amount of claims in the consolidated balance sheet after deducting the recorded amount of allowance for loan losses, this amount is taken as the market value.

For loans and bills discounted with no due date for repayment set, for special characteristics, such as restricting said loan within the extent of security assets, its market value, from the estimated repayment period and interest rate conditions, etc., is assumed to be approximate to the book value, and this is taken as the market value.

Since the market value of those with a short agreed period (within one (1) year) is approximate to the book value, this is taken as the market value.

These are classified as Level 3 market value.

Liabilities

Deposits and negotiable certificates of deposit

For call deposits, the payment amount (book value) when a payment request is made on the consolidated closing date is deemed to be the market value. Furthermore, the market value of time and savings deposits and negotiable certificates of deposit is segmented by a fixed period and their present value is calculated by discounting the future cash flow. The discount rate used is the interest rate used when accepting new deposits. Since the market value and book value is approximate to those with a short-term deposit period (within one (1) year), said book value is taken as the market value. These are classified as Level 2 market value.

Borrowed money

Of borrowed money, those with floating interest rates are short term, reflecting market interest rates. Furthermore, since the credit status of the Company and its consolidated subsidiaries has not differed much after their execution, the market value is considered to be approximate to the book value, and the book value is taken as the market value. For those with fixed interest rates, the present value is calculated by segmenting the total amount of capital and interest of the borrowed money into a fixed period, and discounting it with an interest rate expected to be applied in a similar borrowing. Since the market value of those with a short agreed period (within one (1) year) is approximate to the book value, this is taken as the market value. These are classified as Level 2 market value.

Derivative transactions

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

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

(1) Quantitative information on important unobserved inputs

Classification	Evaluation technique	Important unobservable inputs	Range of input	Weighted average of inputs
Securities				
Other securities				
Corporate bonds				
Private-placed bonds	Present value technique	Credit spread Unearned guarantee fee	0.1%–7.3% 0.0%–1.4%	0.7% 0.2%

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

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

	Beginning balance	Profit and loss for the current term or other comprehensive income	Net amount of purchases, sales, issuance and settlements	Transfer to Level 3 market value	Transfer from Level 3 market value	Ending balance	Valuation profit and loss on financial assets and financial liabilities held as of the date of the consolidated balance sheet in the amount recorded in profit and loss for the current term (*1)
(¥ million)							
Securities		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)				
Other securities							
Corporate bonds	125,503	211	(23)	(22,463)	–	103,227	–
Foreign government bonds	5,679	(43)	193	(2,422)	–	3,407	–
Derivative transactions							
Other							
Short commitment	(104)	175	–	(121)	–	(50)	71
Long commitment	104	(175)	–	121	–	50	(71)

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

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

(3) Explanation of the valuation process for market value

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

(4) Explanation of the effect of changes in important unobserved inputs on market value

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

Unearned guarantee fee

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

(Securities related)

“Trading account securities” are included in addition to “Securities” in the consolidated balance sheet.

1. Trading securities
Valuation difference included in profit and loss of the consolidated fiscal year (¥9 million)

	Type	Amount recorded in consolidated balance sheet (¥ - million)	Market value (¥ - million)	Difference (¥ - million)
Market value exceeds the amount recorded in the consolidated balance sheet	Government bonds	30,010	30,031	20
	Local government bonds	49,241	49,541	299
	Corporate bonds	758	759	0
	Subtotal	80,010	80,332	321
Market value does not exceed the amount recorded in the consolidated balance sheet	Local government bonds	40,443	40,297	(146)
	Corporate bonds	2,598	2,564	(33)
	Subtotal	43,041	42,861	(180)
Total		123,052	123,193	140

3. Other securities

	Type	Amount recorded in consolidated balance sheet (¥ - million)	Acquisition cost (¥ - million)	Difference (¥ - million)
Amount recorded in consolidated balance sheet exceeds cost of acquisition	Stocks	210,321	99,630	110,691
	Bonds	138,762	138,073	689
	Government bonds	83,094	82,574	520
	Local government bonds	9,649	9,632	17
	Corporate bonds	46,018	45,866	151
	Other	389,359	364,157	25,201
	Foreign government bonds	115,909	113,477	2,432
	Subtotal	738,444	601,861	136,582
	Stocks	6,904	7,223	(318)
	Bonds	1,293,372	1,330,562	(37,190)
Amount recorded in consolidated balance sheet does not exceed cost of acquisition	Government bonds	449,578	476,787	(27,209)
	Local government bonds	707,197	716,128	(8,930)
	Corporate bonds	136,596	137,647	(1,050)
	Other	900,017	982,315	(82,298)
	Foreign government bonds	596,077	655,789	(59,711)
	Subtotal	2,200,293	2,320,101	(119,807)
Total		2,938,737	2,921,962	16,775

4. Bonds to be held till maturity sold during the current consolidated fiscal year
There are no applicable items

5. Other securities sold during the current consolidated fiscal year

Type	Amount of sale (¥ - million)	Total gain on sale (¥ - million)	Total loss on sale (¥ - million)
Stocks	18,620	1,687	1,127
Bonds	304,243	3,996	3,420
Government bonds	301,270	3,995	3,420
Corporate bonds	2,973	0	0
Other	320,542	5,851	10,301
Foreign government bonds	124,397	406	6,922
Total	643,406	11,535	14,849

6. Securities with changes to the purpose of ownership
There are no applicable items

7. Securities written-down

For securities other than trading securities (excluding shares without market prices and investment in capital of partnerships) in cases in which the market value has fallen significantly from the acquisition price and the market price is not expected to return to the acquisition price, said market price is recorded in the consolidated balance sheet and the valuation difference is processed as a loss for the applicable consolidated fiscal year (“Write-down”). The amount of Write-down in the current consolidated fiscal year is ¥52 million (of which, ¥52 million is in bonds).

The criterion of judging the market value to have “fallen significantly” is provided in the self-assessment criteria. For bonds, Write-down is conducted in the event that the market value has fallen by 30% or more from its acquisition price or in consideration of the financial conditions, etc., of the issuing company. For stocks and investment trusts, Write-down for the full amount is made in the case of stocks for which the market price as of the end of the term has fallen by 50% or more from the acquisition price, and for stocks whose market price has fallen by 30% or more but not exceeding 50%. Write-down is made, judged by the possibility of recovery of the market price, taking into account trends in the market price for a fixed period prior to the reference date and the financial conditions, etc., of the issuing company.

(Money trusts related)

1. Money trusts for investment purposes

	Amount on the consolidated balance sheet (¥ -million)	Valuation difference included in profit or loss for the consolidated fiscal year (¥ - million)
Money trusts for investment purposes	4,966	—

2. Money trusts held to maturity
There are no applicable items

3. Other money trusts (other than those for investment purposes and held-to-maturity purposes)
There are no applicable items

(Valuation difference on available-for-sale securities)

The breakdown of valuation difference on available-for-sale securities recorded in the consolidated balance sheet is as follows:

	Amount (¥ million)
Valuation difference	16,780
Other securities	16,780
Other money trusts	—
(less) Deferred tax liabilities	4,753
Valuation difference on available-for-sale securities (before adjustment for equity)	12,026
Non-controlling interests equivalent to be deducted	—
Valuation difference on available-for-sale securities	12,026

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

(Derivative transactions related)

1. Derivative transactions where hedge accounting has not been applied

The contract amount on the consolidated closing date or the amount equivalent to capital in contract, and their market value and valuation profit and loss, for each transaction subject type for derivative transactions where hedge accounting has not been applied are as follows. It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest-rate-related transactions					
Classification	Type	Contract amount, etc. (¥ - million)	Of which, exceeding 1 year (¥ - million)	Market value (¥ - million)	Valuation profit and loss (¥ - million)
Store	Interest swap				
	Fixed receipt, floating payment	95,966	88,847	(582)	(582)
	Floating receipt, fixed payment	95,966	88,847	1,849	1,849
	Interest options				
	Short commitment	—	—	—	—
	Long commitment	—	—	—	—
Total		—	—	1,266	1,266

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

(2) Currency-related transactions					
Classification	Type	Contract amount, etc. (¥ - million)	Of which, exceeding 1 year (¥ - million)	Market value (¥ - million)	Valuation profit and loss (¥ - million)
Store	Currency swap	23,657	22,347	96	96
	Forward exchange contract				
	Short commitment	108,047	18,961	(5,707)	(5,707)
	Long commitment	26,313	18,392	4,941	4,941
	Currency option				
	Short commitment	770,582	659,710	22	24,173
Store	Long commitment	770,582	659,710	(398)	(12,729)
	Total	—	—	(1,046)	10,773

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

(3) Stock-related transactions
There are no applicable items

(4) Bond-related transactions
There are no applicable items

(5) Commodity-related transactions
There are no applicable items

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

(7) Other				
Classification	Contract amount, etc. (¥ - million)	Of which, exceeding 1 year (¥ - million)	Market value (¥ - million)	Valuation profit and loss (¥ - million)
Store	Earthquake derivative			
	Short commitment	8,200	—	(50)
	Long commitment	8,200	—	71
Total		—	—	—

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

2. Derivative transactions where hedge accounting has been applied

The contract amount on the consolidated closing date or the amount equivalent to capital in contract, and their market value, for each transaction subject type and for each hedge accounting method for derivative transactions where hedge accounting has been applied are as follows. It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest-rate-related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ - million)	Of which, exceeding 1 year (¥ -million)	Market value (¥ - million)
Generally applied processing method	Interest swap Floating receipt, fixed payment	Other securities	567,666	567,666	43,033
Exceptional interest swap processing	Interest swap Fixed receipt, floating payment Floating receipt, fixed payment	Loans and bills discounted	3,000	3,000	(Note 2)
Total			—	—	43,033

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

(2) Currency-related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ - million)	Of which, exceeding 1 year (¥ -million)	Market value (¥ - million)
Generally applied processing method	Currency swap	Foreign currency denominated securities, and loans and bills discounted	158,681	138,636	(22,735)
Total			—	—	(22,735)

(Note) Conducted primarily by deferred hedge in accordance with Industry-specific Committee Practical Guideline No. 25.

(3) Stock-related transactions
There are no applicable items

(4) Bond-related transactions
There are no applicable items

(Retirement benefit related)

1. Summary of the adopted retirement benefits scheme

The consolidated subsidiaries engaged in the banking business have established a defined contribution pension plan as a defined benefit plan, in addition to the corporate pension fund scheme and lump-sum retirement allowance scheme. In addition, extra retirement payments may be paid upon employees’ retirement, etc. In other consolidated subsidiaries, in addition to a lump-sum retirement allowance scheme being established, some of the consolidated subsidiaries have also established a defined contribution pension plan. Furthermore, liabilities related to retirement benefits and retirement benefit costs of a lump-sum retirement allowance scheme held by some of the consolidated subsidiaries are calculated using the simplified method. In addition, consolidated subsidiaries engaged in the banking business have set up a retirement benefit trust.

2. Defined benefit plan

(1) Adjustment table of retirement benefit liabilities, as of the beginning and end of the term (excluding schemes adopting the simplified method)	
Beginning of term retirement benefit liability balance	¥62,361 million
Service costs	¥1,278 million
Interest costs	¥499 million
Actuarial gain or loss amount generated	(¥2,712 million)
Amount of retirement benefits paid	(¥3,700 million)
Increase due to business combination	¥402 million
Other	¥1 million
End-of-term retirement benefit liability balance	¥58,130 million

(2) Adjustment table of pension assets, as of the beginning and end of the term (excluding schemes adopting the simplified method)	
Beginning-of-term pension assets balance	¥78,883 million
Expected operational earnings	¥1,611 million
Actuarial gain or loss amount generated	¥15,666 million
Contribution from employers	¥393 million
Amount of retirement benefits paid	(¥2,645 million)
Other	¥1 million
End-of-term pension assets balance	¥93,910 million

(3) Adjustment table for debts related to retirement benefit liabilities as of the beginning and end of the term for schemes adopting the simplified method	
Beginning-of-term retirement benefit-related debts	¥625 million
Retirement benefit costs	¥39 million
Amount of retirement benefits paid	(¥128 million)
Increase (decrease) due to the effect of business combination	¥222 million
End-of-term retirement benefit-related debts	¥760 million

(4) Adjustment table for end of term balance of retirement benefit liabilities and pension assets, and debts and assets related to retirement benefits recorded in the consolidated balance sheet	
Retirement benefit liability of savings-type scheme	¥58,130 million
Pension assets	(¥93,910 million)
	(¥35,779 million)
Retirement benefit liability of non-savings-type scheme	¥760 million
Net amount of liabilities and assets recorded in the consolidated balance sheet	(¥35,019 million)

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

Retirement benefit-related liabilities	¥760 million
Assets related to retirement benefits	(¥35,779 million)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(¥35,019 million)

(5) Retirement benefit costs and its itemized breakdown	
Service costs	¥1,278 million
Interest costs	¥499 million
Expected operational earnings	(¥1,611 million)
Actuarial gain or loss processing amount	(¥317 million)
Prior service cost processing amount	(¥211 million)
Retirement benefit costs calculated by the simplified method	¥39 million
Amount recorded as expenses due to the effect of business combination	¥187 million
Other	¥123 million
Retirement benefit costs related to the defined benefit plan	(¥10 million)

(6) Retirement benefit adjustment amount The breakdown of items recorded in the adjustment amount related to retirement benefits (before deduction of tax effects) is as follows:	
Prior service cost	(¥211 million)
Actuarial gain or loss	¥18,061 million
Total	¥17,850 million

(7) Aggregate amount of adjustment related to retirement benefits The breakdown of items recorded in the aggregate adjustment amount related to retirement benefits (before deduction of tax effects) is as follows:	
Unrecognized prior service cost	(¥1,371 million)
Unrecognized actuarial gain or loss	(¥24,262 million)
Total	(¥25,633 million)

(8) Matters related to pension assets (i) Ratio for each major classification in total pension assets is as follows:	
Bonds	23%
Stocks	57%
General life insurance account	16%
Cash and deposits	0%
Other	1%
Total	100%

(Note) Total pension assets include 20% from retirement benefit trust established on the corporate pension plan and 24% from retirement benefit trust established on the lump-sum retirement allowance scheme, respectively, for the current consolidated fiscal year.

(ii) Method to set long-term expected rate-of-return (“ROR”)
To determine the expected long-term ROR for pension assets, consideration is given to the distribution of current and expected pension assets and the current and expected long-term ROR on diverse assets that comprise the pension assets.

(9) Matters regarding the basis of actuarial calculation Major actuarial calculation basis	
Discount rate	1.2%
Long-term expected ROR	
Corporate pension fund	2.0%
Retirement benefit trust	1.4% to 2.0%
Expected salary increase rate	2.6%

* The expected rate of salary increase is shown as a weighted average.

3. Defined contribution scheme
Amount of required contribution to defined contribution schemes of consolidated subsidiaries for the current consolidated fiscal year is ¥423 million.

(Stock option related)
There are no applicable items

(Tax effect accounting related)

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

Deferred tax assets	
Allowance for loan losses	¥10,348 million
Depreciation costs	¥2,185 million
Valuable securities amortization	¥1,644 million
Book value correction for fair market valuation	¥2,276 million
Other	¥5,541 million
Subtotal deferred tax assets	¥21,996 million
Valuation reserve related to total future subtracted temporary difference, etc.	(¥4,980 million)
Subtotal valuation reserve	(¥4,980 million)
Total deferred tax assets	¥17,015 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥4,753 million)
Retirement benefit asset	(¥3,115 million)
Retirement benefit trust establishment benefit	(¥2,383 million)
Deferred gains or losses on hedges	(¥12,815 million)
Book value correction for fair market valuation	(¥4,713 million)
Other	(¥1,077 million)
Total deferred tax liabilities	(¥28,859 million)
Net deferred tax assets (liabilities)	(¥11,844 million)

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

Statutory effective tax rate	30.5%
(Adjusted)	
Items including entertainment expenses permanently excluded from deductible expenses	0.4%
Items including dividends income permanently excluded from gross revenue	(1.9%)
Inhabitant tax on per capita basis	0.2%
Increase/decrease in valuation allowance	0.1%
Other	(0.5%)
Income tax burden rate after the application of tax effect accounting	28.7%

(Business combination, etc. related)

<Making N.C.S. Co., Ltd. and Bridge Niigata Co., Ltd. subsidiaries>

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

1. Overview of business combinations

(i) Name and description of the businesses of the acquired companies	
Name of the acquired company	Description of business
N.C.S. Co., Ltd.	Computer-related business
Bridge Niigata Co., Ltd.	Regional trading company business

(ii) Main reasons for the business combination
The purpose is to further contribute to the local economy and maximize the Company’s consolidated profit by strengthening Group governance through the reorganization of the system business and demonstrating the Group’s comprehensive capabilities.

(iii) Date of business combination
April 3, 2023

(iv) Legal form of business combination
Acquisition of shares from non-controlling interests and dividends in kind from consolidated subsidiaries

(v) Name of the company after combination	
Name of the concerned company before combination	Name of the concerned company after combination
N.C.S. Co., Ltd.	Daishi Hokuetsu IT Solutions Co., Ltd.

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

(vi) Voting rights ratio acquired			
Name of the concerned company before combination	Voting rights ratio held immediately prior to the business combination	Voting rights ratio acquired on the date of business combination	Voting rights ratio after acquisition
N.C.S. Co., Ltd.	14.9%	85.0%	100.0%
Bridge Niigata Co., Ltd.	14.3%	71.4%	85.7%

(vii) Main basis for determining the company to be acquired
It is based on the acquisition decision factors under the Accounting Standards for Business Combinations.

2. Matters concerning calculation etc., of acquisition cost

(1) Acquisition cost of the acquired company	
Market value of common shares held immediately prior to the business combination on the date of the business combination	¥235 million
Market value of common shares additionally acquired	¥737 million
Acquisition cost	¥973 million

(2) Difference between the acquisition cost of the acquired company and the total acquisition cost of each transaction acquired
Gain on step acquisitions ¥109 million

3. Matters concerning allocation of acquisition costs

(1) Major breakdown of assets accepted and liabilities assumed on the date of business combination	
Current assets	¥2,179 million
Fixed assets	¥1,559 million
Total assets	¥3,738 million
Current liabilities	¥939 million
Non-current liabilities	¥464 million
Total liabilities	¥1,404 million

(2) Amount of negative goodwill arising and its cause
1) Amount of negative goodwill arising ¥1,343 million
2) Cause
The market value of net assets at the time of the business combination exceeded the acquisition cost of the acquired company.

(Real estate for lease, etc.)

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

(Segment information, etc.)

[Segment information]

1. Outline of reporting segments

The Company group consists of the Company, which is the bank holding company, and 14 consolidated subsidiaries, including The Daishi Hokuetsu Bank, Ltd. The Group provides a wide range of financial instruments and services to local customers, mainly through the banking business, together with leasing, securities, credit guarantees, credit card businesses, etc. Financial information by Group companies is reported regularly to the Company's Board of Directors.

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

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

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

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

The accounting method adopted for each reporting segment is identical to the preparation policy for consolidated financial statements. Internal transactions between the segments are based on the actual amount of transaction.

3. Information regarding the amount of ordinary income, profit or loss, assets, liabilities, and other items of each reporting segment

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

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

(Notes) 1. Ordinary income is indicated instead of amount of sales used generally for corporations. "Adjustment difference" refers to the difference between ordinary income and the recorded amount of ordinary income in the consolidated statement of income.

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

3. The amount of adjustments is as follows:

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

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

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

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

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

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

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

(8) The adjustment of ¥123 million in increase in tangible and intangible fixed asset amount is mainly the acquisition cost of lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.

4. Segment profit has been adjusted with ordinary income of the consolidated statement of income.

Fiscal 2024 (April 1, 2023, through March 31, 2024)

	Reporting segment				Other	Total	Adjustments	(¥ million) Amount recorded in consolidated financial statements
	Banking	Leasing	Securities	Total				
Ordinary income								
Ordinary income from outside customers	148,394	20,349	5,170	173,913	8,488	182,401	(343)	182,058
Internal ordinary income between segments	633	379	48	1,061	10,500	11,562	(11,562)	—
Total	149,027	20,728	5,219	174,975	18,989	193,964	(11,905)	182,058
Segment profits	25,417	923	2,039	28,380	10,245	38,625	(7,757)	30,868
Segment assets	11,040,998	76,780	35,682	11,153,461	375,499	11,528,961	(391,107)	11,137,853
Segment liabilities	10,611,103	56,443	15,836	10,683,382	31,403	10,714,785	(76,308)	10,638,477
Other items								
Depreciation costs	6,699	206	21	6,926	178	7,105	(24)	7,081
Financing income	98,719	333	188	99,242	7,627	106,870	(7,863)	99,006
Financing expenses	34,708	161	3	34,873	9	34,883	(144)	34,738
Increase in tangible and intangible fixed asset amount	4,621	184	41	4,847	208	5,056	68	5,124

(Notes) 1. Ordinary income is indicated instead of amount of sales used generally for corporations. "Adjustment difference" refers to the difference between ordinary income and the recorded amount of ordinary income in the consolidated statement of income.

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

3. The amount of adjustments is as follows:

(1) The adjustment amount of (¥343 million) in ordinary income from outside customers includes ordinary income adjustment of (¥353 million), accompanying the adoption of the purchase method.

(2) The adjustment of segment profit of (¥7,757 million) is from elimination of transactions between segments, etc.

(3) The adjustment of segment assets of (¥391,107 million) is from elimination of transactions between segments, etc.

(4) The adjustment of segment liabilities of (¥76,308 million) is from elimination of transactions between segments, etc.

(5) The adjustment of (¥24 million) in depreciation costs is the amount of adjustment accompanying purchase method, etc.

(6) The adjustment of (¥7,863 million) in interest income is for elimination of transactions between segments, etc.

(7) The adjustment of (¥144 million) in interest expenses is for elimination of transactions between segments, etc.

(8) The adjustment of ¥68 million in increase in tangible and intangible fixed asset amount is mainly the acquisition cost of lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.

4. Segment profit has been adjusted with ordinary income of the consolidated statement of income.

[Related information]

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

1. Information by each service

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

(Note) Ordinary income is indicated instead of amount of sales for corporations.

2. Information for each region

(1) Ordinary income
Listing has been omitted since the amount of ordinary income of the Company group, segmented into external customers in Japan, accounts for over 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets
Listing has been omitted since the amount of tangible fixed assets of the Company group existing inside Japan accounts for over 90% of the tangible fixed assets of the consolidated balance sheet.

3. Information by each major customer

Listing has been omitted since there are no specific customers from which ordinary income accounts for 10% or more of the ordinary income in the consolidated statements of income.

Fiscal 2024 (April 1, 2023, through March 31, 2024)

1. Information by each service

	Loan operations	Securities investment operations	Lease operations	Other	Total
Ordinary income from outside customers	55,306	55,063	20,055	51,633	182,058

(Note) Ordinary income is indicated instead of amount of sales for corporations.

2. Information for each region

(1) Ordinary income
Listing has been omitted since the amount of ordinary income of the Company group, segmented into external customers in Japan, accounts for over 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets
Listing has been omitted since the amount of tangible fixed assets of the Company group existing inside Japan accounts for over 90% of the tangible fixed assets of the consolidated balance sheet.

3. Information by each major customer

Listing has been omitted since there are no specific customers from which ordinary income accounts for 10% or more of the ordinary income in the consolidated statements of income.

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

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

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

Fiscal 2024 (April 1, 2023, through March 31, 2024)

	Reporting segment				Other	Total
	Banking	Leasing	Securities	Total		
Impairment loss	933	—	105	1,039	—	1,039

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

There are no applicable items

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

There are no applicable items

Fiscal 2024 (April 1, 2023, through March 31, 2024)

In the "Other" segment, negative goodwill generation profit was recorded as a result of making Daishi Hokuetsu IT Solutions Co., Ltd. (the trade name of which was changed from N.C.S. Co., Ltd. on April 3, 2023) a consolidated subsidiary as of April 3, 2023. The amount of negative goodwill generation profit as a result of this event was 1,343 million yen in the current consolidated fiscal year.

(Related party information)

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

(Significant subsequent events)

There are no applicable items.

(Per share information)

Net assets per share	¥11,401.36
Net income per share for the current term	¥474.71
Net income per share for the current term after adjustment for potential shares	—

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

Total amount of net assets	¥499,376 million
Amount to be deducted from total net assets	¥19 million
(of which, subscription rights to new shares)	¥— million
(of which, non-controlling interests)	¥19 million
Net asset amount at end of term concerning ordinary shares	¥499,357 million
Number of ordinary shares at the end of term used to calculate the amount of net assets per share	43,798 thousand shares

(Note) The Company's shares remaining in the trust recorded as treasury stocks in shareholders' equity are included in the number of treasury stocks to be deducted in the calculation of the number of shares at the end of the term for calculating net assets per share.

Number of treasury stocks at the end of the term deducted for calculating net assets per share	
Current consolidated fiscal year	1,033 thousand shares

(Note 2) The basis for calculation of net income per share for the current term and the net income per share for the current term after adjustment for potential shares are as follows.

Net income per share for the current term	
Net income reverting to parent company shareholders	¥21,203 million
Amount not reverting to ordinary shareholders	¥— million
Net income reverting to parent company shareholders related to ordinary shares	¥21,203 million
Average number of ordinary shares during the term	44,664 thousand shares

(Notes) 1. The Company's shares remaining in the trust that are recorded as treasury stocks in shareholders' equity are included in the number of treasury stocks to be deducted in the calculation of the average number of shares during the term for calculating the net income per share for the current term.

Average number of treasury stocks during the term deducted for calculation of net income per share for the current term	
Current consolidated fiscal year	591 thousand shares

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

Non –Consolidated Balance Sheet

Years ended March 31, 2023 and 2024

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to US \$1.

Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Cash and due from banks	¥2,031,155	¥2,229,928	\$14,727,748
Monetary claims bought	15,609	17,106	112,983
Trading account securities	2,497	2,399	15,849
Money trusts	–	4,966	32,801
Securities	2,859,579	3,054,248	20,172,036
Loans and bills discounted	5,288,112	5,455,166	36,029,103
Foreign exchanges	19,566	29,802	196,834
Other assets	136,671	170,691	1,127,349
Tangible fixed assets	62,830	61,494	406,144
Intangible fixed assets	11,202	8,717	57,572
Prepaid pension cost	9,482	10,697	70,650
Deferred tax assets	22,767	–	–
Customers' liabilities for acceptances and guarantees	20,738	21,078	139,212
Allowance for loan losses	(24,562)	(25,298)	(167,087)
Total assets	¥10,455,650	¥11,040,998	\$72,921,200

Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Deposits	¥8,387,619	¥8,524,198	\$56,298,779
Negotiable certificates of deposit	228,518	221,769	1,464,694
Securities sold under repurchase agreements	175,576	202,184	1,335,346
Payables under securities lending transaction	308,046	375,528	2,480,206
Borrowed money	892,900	1,155,400	7,630,935
Foreign exchanges	463	385	2,545
Borrowed money from trust account	8,386	14,813	97,837
Other Liabilities	55,565	81,307	536,998
Provision for bonuses	2,021	2,100	13,872
Provision for directors' bonuses	85	95	628
Provision for share-based payment	516	595	3,931
Provision for reimbursement of deposits	1,189	1,058	6,989
Provision for contingent loss	1,910	1,935	12,780
Provision for loss on dismantling of fixed assets	–	890	5,880
Deferred tax liability	–	1,177	7,774
Deferred tax liabilities for land revaluation	6,780	6,586	43,502
Acceptances and guarantees	20,738	21,078	139,212
Total Liabilities	¥10,090,319	¥10,611,103	\$70,081,917

Net Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Capital stock	¥32,776	¥32,776	\$216,478
Capital surplus	60,138	60,138	397,187
Retained earnings	280,347	289,324	1,910,865
Shareholders' equity	373,263	382,239	2,524,532
Valuation difference on available-for-sale securities	(16,501)	10,568	69,797
Deferred gains or losses on hedges	288	29,163	192,612
Revaluation reserve for land	8,281	7,924	52,340
Total valuation and translation adjustments	(7,931)	47,656	314,751
Total net assets	365,331	429,895	2,839,283
Total Liabilities and Net assets	¥10,455,650	¥11,040,998	\$72,921,200

Non-Consolidated Statement of Income

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S.Dollars)
	2023	2024	2024
Ordinary income	¥122,639	¥149,027	\$984,267
Financing income	79,413	98,719	652,002
Interest on loans and discounts	46,815	49,226	325,119
Interest and dividends on securities	28,457	39,019	257,704
Interest on call loans	(78)	(15)	(102)
Interest on deposits with banks	2,523	1,463	9,666
Interest on interest swaps	1,276	8,532	56,351
Other interest income	419	494	3,263
Trust fees	117	146	968
Fees and commissions	23,827	24,938	164,709
Other ordinary income	11,569	16,531	109,180
Other income	7,710	8,691	57,406
Ordinary expenses	100,070	123,610	816,393
Financing expenses	12,101	34,708	229,234
Interest on deposits	435	560	3,703
Interest on negotiable certificates of deposit	12	11	76
Interest on call money	–	(6)	(46)
Interest on bills sold	2,859	9,650	63,739
Interest on payables under securities lending transactions	5,889	16,683	110,185
Interest on borrowings and rediscounts	0	0	0
Interest on interest swaps	2,907	7,819	51,641
Other interest expenses	(3)	(9)	(65)
Fees and commissions payments	8,517	9,431	62,293
Other ordinary expenses	14,080	10,944	72,284
General and administrative expenses	57,450	57,718	381,206
Other expenses	7,919	10,806	71,375
Ordinary profit	22,568	25,417	167,873
Extraordinary income	1,046	60	397
Gain on disposal of noncurrent assets	1,046	60	397
Extraordinary loss	3,134	2,694	17,798
Loss on disposal of noncurrent assets	393	355	2,344
Impairment loss	2,741	1,262	8,335
Retirement benefit costs	–	187	1,237
Provision for loss on dismantling of fixed assets	–	890	5,880
Income before income taxes	20,480	22,783	150,472
Income taxes-current	5,108	7,260	47,951
Income taxes-deferred	524	(539)	(3,563)
Total income taxes	5,632	6,720	44,387
Net Income	¥14,847	¥16,062	\$106,084

DAISHI HOKUETSU Financial Group, Inc.

Location of principal head office functions: 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture

TEL 025-224-7111 (representative)

URL <https://www.dhfg.co.jp/>

Edited and issued by the Business Planning Division of Daishi Hokuetsu Financial Group

Issued in August 2024



This Disclosure Magazine is printed with vegetable oil ink.



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



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



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