Internet Disclosure Items for
Notice of Convocation of the 207th Annual General Meeting of Shareholders

(Business Report)

Note Concerning Share Options, etc.

(Financial Statements)

Statements of Shareholders' Equity for the 207th Fiscal Year

Notes to Financial Statements

(Consolidated Financial Statements)

Consolidated Statements of Shareholders' Equity for the 207th Fiscal Year

Notes to Consolidated Financial Statements

(Reference Documents for the General Meeting of Shareholders)

The following materials relating to Proposal No. 1 "Approval of the Share Transfer Plan with The Hokuetsu Bank, Ltd.

- The Hokuetsu Bank, Ltd. – Note Concerning Share Options, etc.
- The Hokuetsu Bank, Ltd. – Statements of Shareholders' Equity
- The Hokuetsu Bank, Ltd. – Notes to Financial Statements
- The Hokuetsu Bank, Ltd. – Consolidated Statements of Shareholders' Equity
- The Hokuetsu Bank, Ltd. – Notes to Consolidated Financial Statements

The above Internal Disclosure Items for Notice of Convocation of the 207th Annual General Meeting of Shareholders are provided to shareholders on the Bank's website (http://daishi-bank.co.jp/) (Japanese only) pursuant to laws and regulations and Article 15 of the articles of incorporation. "The Bank" in pages 1 to 32 refers to Daishi Bank, and "The Bank" in pages 33 to 63 refers to Hokuetsu Bank.

Note Concerning Share Options, etc.

(1) Share Options, etc. of the Bank held by the Bank's Officers at the End of the Fiscal Year

	Outline of the Share Options, etc.	Number of Officers Holding Share Options, etc.
Directors (Excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors)	1. Name The Daishi Bank, Ltd. Series 1 Share Options 2. Type and number of shares underlying share options 10,780 shares of common stock 3. Exercisable period July 28, 2010 to July 27, 2040 4. Exercise price (per share) 1 yen	4
	1. Name The Daishi Bank, Ltd. Series 2 Share Options 2. Type and number of shares underlying share options 17,730 shares of common stock 3. Exercisable period July 29, 2011 to July 28, 2041 4. Exercise price (per share) 1 yen	5
	1. Name The Daishi Bank, Ltd. Series 3 Share Options 2. Type and number of shares underlying share options 26,200 shares of common stock 3. Exercisable period July 31, 2012 to July 30, 2042 4. Exercise price (per share) 1 yen	7
	1. Name The Daishi Bank, Ltd. Series 4 Share Options 2. Type and number of shares underlying share options 20,960 shares of common stock 3. Exercisable period July 31, 2013 to July 30, 2043 4. Exercise price (per share) 1 yen	8
	1. Name The Daishi Bank, Ltd. Series 5 Share Options 2. Type and number of shares underlying share options 18,470 shares of common stock 3. Exercisable period July 31, 2014 to July 30, 2044 4. Exercise price (per share) 1 yen	8

Directors (Excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors)	1. Name The Daishi Bank, Ltd. Series 6 Share Options 2. Type and number of shares underlying share options 14,450 shares of common stock 3. Exercisable period July 31, 2015 to July 30, 2045 4. Exercise price (per share) 1 yen	8
	1. Name The Daishi Bank, Ltd. Series 7 Share Options 2. Type and number of shares underlying share options 26,260 shares of common stock 3. Exercisable period July 30, 2016 to July 29, 2046 4. Exercise price (per share) 1 yen	9
	1. Name The Daishi Bank, Ltd. Series 8 Share Options 2. Type and number of shares underlying share options 19,260 shares of common stock 3. Exercisable period July 29, 2017 to July 28, 2047 4. Exercise price (per share) 1 yen	9
Outside Directors (Excluding Outside Directors serving as Audit and Supervisory Committee Members)	—	—
Directors serving as Audit and Supervisory Committee Members	—	—

(2) Share Options, etc. of the Bank Delivered to the Bank's Employees, etc. During the Fiscal Year

	Outline of the Share Options, etc.	Number of Employees, etc. to whom Share Options, etc. were Delivered
Executive Officers	1. Name The Daishi Bank, Ltd. Series 8 Share Options 2. Type and number of shares underlying share options 6,480 shares of common stock 3. Exercisable period July 29, 2017 to July 28, 2047 4. Exercise price (per share) 1 yen	6
Employees	—	—
Officers and employees of subsidiaries and subsidiary corporations	—	—

Statements of Shareholders' Equity for the 207th Fiscal Year
(from April 1, 2017 to March 31, 2018)

(Millions of Yen)

	Shareholders' Equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at April 1, 2017	32,776	18,635	—	18,635	25,510	168,910	194,421	(2,831)	243,002
Changes of items during the period									
Dividends from surplus						(3,065)	(3,065)		(3,065)
Profit						13,489	13,489		13,489
Purchse of treasury stock								(1,817)	(1,817)
Disposal of treasury stock						(32)	(32)	407	375
Reversal of revaluation reserve for land						3	3		3
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	—	—	—	10,395	10,395	(1,409)	8,986
Balance at March 31, 2018	32,776	18,635	—	18,635	25,510	179,306	204,817	(4,240)	251,989

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at April 1, 2017	50,939	(361)	6,988	57,566	498	301,067
Changes of items during the period						
Dividends from surplus						(3,065)
Profit						13,489
Purchse of treasury stock						(1,817)
Disposal of treasury stock						375
Reversal of revaluation reserve for land						3
Net changes of items other than shareholders' equity	(2,219)	(19)	(3)	(2,242)	55	(2,186)
Total changes of items during the period	(2,219)	(19)	(3)	(2,242)	55	6,800
Balance at March 31, 2018	48,719	(380)	6,984	55,324	554	307,867

Notes to Financial Statements

Amounts less than one million yen are rounded down.

Important Accounting Policies

1. Valuation standards and method of trading account securities

Trading securities are recorded at market value, with cost of sales determined mainly by the moving average method.

2. Valuation standards and valuation method of securities

Held-to-maturity debt securities are carried at amortized cost using the straight-line method with cost determined by the moving average method. Equity securities issued by subsidiaries and subsidiary corporations are carried at cost determined by the moving average method. In principle, other securities are carried at fair value based on the market prices at the balance sheet date with cost of sales determined mainly by the moving average method. However, securities whose fair value is judged to be extremely difficult to determine are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of the other securities is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

3. Valuation standards and valuation method of derivatives

Derivatives held or written are stated at fair value.

4. Depreciation method of noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

The Bank uses the declining-balance method for depreciation of property, plant and equipment other than the buildings and accompanying facilities acquired on and after April 1, 2016, which are depreciated by the straight-line method.

Buildings ....10 to 50 years
Other assets ....2 to 20 years

(2) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank (generally 5 to 9 years).

(3) Lease assets

Among “property, plant and equipment” and “intangible assets,” lease assets relating to finance leases which do not transfer ownership to lessees are amortized using the straight-line method over the lease term. For residual value, residual value guarantees determined based on lease contracts are shown at the aforementioned residual value guarantee amount, and others are shown as zero.

5. Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

6. Standards for Provision

(1) Allowance for loan losses

An allowance for loan losses of the Bank is recognized as follows in accordance with its predetermined amortization and provision criteria.

For loans to customers who are undergoing legal insolvency proceedings such as bankruptcy and special liquidation (“borrowers under bankruptcy proceedings”) or who are in a similar financial condition although not yet in bankruptcy (“borrowers substantially in bankruptcy”), an allowance for loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the amounts that are deemed recoverable from the guarantors. For the loans to borrowers not presently in the above insolvency circumstances, but with a high probability of becoming so, an allowance for loan losses is provided at the amount deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer’s overall financial condition.

For other loans, an allowance for loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

All branches and other business related sections evaluate all loans in accordance with the self-assessment rules, and their evaluations are audited by the asset audit section, which is independent from the branches and other business related sections.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amount of such direct write-off is ¥7,935 million.

(2) Provision for directors' bonuses

Provision for directors' bonuses is appropriated as the total amount of bonuses expected to be paid to directors within the current fiscal year.

(3) Provision for retirement benefits

Provision for retirement benefits (including prepaid pension cost) is appropriated to provide against payment of retirement benefits to employees, on the basis of the total estimated amount of retirement benefit liabilities and pension funds as of the end of the current fiscal year. In calculating the retirement benefit obligations for employees, the estimated retirement benefit amount is attributed to each fiscal year using the benefit formula method.

Unrecognized prior service cost and unrecognized actuarial gains and losses are amortized as follows. Unrecognized prior service cost is amortized using the straight–line method over a certain period of time (10 years) within the average remaining service years of the current employees.

Unrecognized actuarial gains and losses are amortized from the following fiscal year using the straight-line method over a certain period (10 years) within the average remaining service years of the current employees.

(4) Provision for reimbursement of deposits

Reserves against refund of inactive bank accounts are prepared against repayment losses that may be incurred when the holders of inactive bank accounts with suspended liability appropriation demand repayment. These reserves are prepared in the amount of the estimated future repayment loss based on past repayment results.

(5) Provision for contingent loss

The reserve for contingent liabilities is a reserve for unexpected or incidental losses not covered by the other reserves. Losses expected to occur in the future are estimated, and the amount deemed necessary is appropriated.

7. Hedge accounting

(1) Hedge accounting for interest rate risks

As hedge accounting for interest rate risk accompanying various financial assets and liabilities, the Bank applies individual hedges directly corresponding to the hedged item and the hedging instrument for some assets and liabilities, treating them as deferred hedges. The effectiveness of a hedge is assessed through the integrated management of the hedging instrument and the hedged item, and verifying whether interest risks associated with the hedged item are being mitigated by the hedging instrument.

In addition, for interest rate swap that fulfills the requirements for the exceptional accrual method, the assessment of hedge effectiveness is omitted.

(2) Hedge accounting for exchange rate risk

As for the hedge accounting method applied to hedging transactions for exchange rate risk arising from foreign currency- denominated financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in the "Treatment for Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002) . The effectiveness of such hedge accounting is assessed by considering the hedge methods such as currency swap transactions and foreign exchange swap transactions, which are for the purpose of offsetting foreign exchange risks arising from foreign currency- denominated financial assets and liabilities, and by verifying the existence of foreign-currency-position of such hedging methods matching up to the foreign currency- denominated assets and liabilities of the hedged item.

8. Accounting treatment for consumption taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes ("consumption taxes") for the Bank. However, non-deductible consumption taxes related to property, plant and equipment are recorded as an expense for the current fiscal year.

9. Accounting treatment for retirement benefits

Accounting method for difference between unrecognized actuarial gains and losses and unrecognized prior service cost with respect to retirement benefits differ from the accounting method therefor in the consolidated financial statements.

Additional Information

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

The notes to Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts are omitted because the same description is provided in "Additional Information ((Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)" in the Notes to the Consolidated Financial Statements.

Notes

(Notes to Balance Sheets)

1. The total equity securities and capital contribution of the associated companies: 7,448 million yen

2. Among "Loans and bills discounted," loans to borrowers under bankruptcy proceedings is 983 million yen and past due loans is 37,184 million yen.

Loans to borrowers under bankruptcy proceedings mean nonaccrual loans which have no prospects for recovery or repayment of principal or interest due to such reasons as payment of principal or interest not having been received for a substantial period of time (excluding loans written-off ("Non-Accrual Loans")) and for which circumstances apply as stipulated in Article 96, Paragraph (1), item (iii), (a) through (e) or item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Past due loans mean Non-Accrual Loans other than (i) loans to borrowers under bankruptcy proceedings and (ii) loans for which payments of interest are deferred in order to facilitate the restructuring of, or assist, borrowers in financial difficulties.

3. Among "Loans and bills discounted," loans past due for three months or more are 942 million yen.

Loans past due for three months or more mean loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the payment date under the contract, and which are not either loans to borrowers under bankruptcy proceedings or past due loans.

4. Among "Loans and bills discounted," rescheduled loans are 3,925 million yen.

Rescheduled loans mean loans as to which contracts have been amended in favor of borrowers, such as reduction of or exemption from stated interest, deferral of interest payments, extension of maturity dates, and renunciation of claims, in order to assist or facilitate the restructuring of borrowers in financial difficulties; loans to borrowers under bankruptcy proceedings, past due loans, or loans past due for three months or more are not included.

5. The total amount of loans to borrowers under bankruptcy proceedings, past due loans, loans past due for three months or more, and rescheduled loans is 43,036 million yen.

The amounts of loans stated in items 2 through 5 above are the amounts before deducting the amount of the "Allowance for loan losses" therefrom.

6. "Bills discounted" are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). As for commercial bills discounted and foreign exchange bought which have been accepted due to the foregoing, the Bank is entitled to sell or repledge such bills without restriction. The total face value of such bills is 13,134 million yen.

7. Assets pledged as collateral are as follows:

Assets pledged as collateral:	
Securities	739,552 million yen
Liabilities related to assets pledged:	
Deposit	48,926 million yen
Payables under repurchase agreements	36,735 million yen
Guarantee deposits received under securities lending transactions	326,708 million yen
Borrowed money	347,161 million yen

Initial margins deposited with central clearing organizations of 29,000 million yen and guarantee deposits of 828 million yen are included in "Other."

8. Commitment line agreements relating to overdrafts and loans represent agreements to extend overdrafts or loans to customers up to agreed amounts at their request as long as no violation of the conditions of the agreements exists. Unused commitment lines under such agreements are 1,186,180 million yen. Among these, commitment line agreements whose original maturity is within one year or for which the Bank can cancel at any time without any penalty amount to 1,106,783 million yen.

Since most of such agreements are terminated without being exercised, the amount of unexercised commitment lines does not necessarily affect the future cash flows of the Bank. Most of these agreements have provisions which stipulate that the Bank may deny extensions of loans or decrease the commitment line when there are certain changes in financial markets, certain issues in securing loans, or other reasonable circumstances. Upon providing such commitments, the Bank requests collateral in the form of real property or securities as deemed necessary. In addition, the Bank monitors the financial condition of customers in accordance with its pre-established internal rules on a regular basis and takes necessary measures, including revisiting the terms of commitments and other means, in order to prevent credit losses.

９． Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Bank has revalued the land used for business purposes by the Bank. Among the differences incurred from such revaluation, the amount equivalent to tax regarding the revaluation difference is accounted for in "Liabilities" as "Deferred tax liabilities for land revaluation," while the revaluation difference net of these deferred tax liabilities is accounted for in "Net Assets" as "Revaluation reserve for land."

Date of revaluation:	March 31, 1998
Revaluation method stipulated in Article 3, Paragraph (3) of the Act on Revaluation of Land:	The revaluation value was calculated by making reasonable adjustments based on the method (e.g. value adjustment for setback) published by the Commissioner of the National Tax Agency for the calculation of land value for a basis of determining the taxable amount subject to land value tax stipulated in Article 16 of the Land Value Tax Act (Act No. 69 of 1991), which is set forth in Article 2, item (iv) of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

Difference between the total fair value at the end of the fiscal year of the land used for business purposes that is subject to revaluation pursuant to Article 10 of the Act on Revaluation of Land and the total carrying amount of the land after such revaluation: 14,484 million yen.

１０． Aggregate amount of accumulated depreciation of property, plant and equipment: 53,490 million yen

１１． Aggregate amount of advanced depreciation of property, plant and equipment: 7,546 million yen (－ million yen for the current fiscal year)

１２． Among the "Corporate bonds" in "Securities," the Bank's guarantee obligations on corporate bonds through private placement of securities (as specified in Article 2, Paragraph (3) of the Financial Instruments and Exchange Law) amount to 74,853 million yen.

１３． Total amount of monetary claims against associated companies: 23,470 million yen

１４． Total amount of monetary obligations owed to associated companies: 20,927 million yen

(Notes to Statements of Profit or Loss)

１． Income from the transactions with associated companies

Aggregate income pertaining to interest and dividends	1,160 million yen
Aggregate income pertaining to fees and commissions	594 million yen
Aggregate other operating income and other operating income	80 million yen
Aggregate income pertaining to other transactions	－million yen

Expenses for transactions with associated companies

Aggregate interest expenses	1 million yen
Aggregate expenses pertaining to fees and commissions	886 million yen
Aggregate other operating expenses and other ordinary expenses	737 million yen
Aggregate expenses pertaining to other transactions	－million yen

There is no material transaction with a related party that must be stated.

(Notes to Statements of Shareholders' Equity)

1. Class and number of shares of treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year	Remarks
Treasury stock					
Common stock	5,591	3,655	8,394	852	(Notes) 1, 2, 3 and 4
Total	5,591	3,655	8,394	852	

Notes:

1. The Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017.

2. The number of shares at the beginning of the year of treasury stock includes 1,636 thousand shares of the Bank held by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account.
3. The number of shares at the end of the year of treasury stock includes 110 thousand shares of the Bank held by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account.
4. The number of common stock held as treasury stock increased as follows.

Increase due to the acquisition of treasury stock based on a resolution of the board of directors	3,645 thousand shares
Increase due to the acquisition of common stock in response to the requests to buy back shares constituting less than one unit	10 thousand shares

The number of common stock held as treasury stock decreased as follows.

Transfer through the exercise of stock options	211 thousand shares
Decrease due to the sale of shares of the Bank by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account	294 thousand shares
Decrease due to the sale of treasury stock in response to the request to purchase additional shares from the holders of shares constituting less than one unit	0 thousand share
Decrease due to share consolidation	7,889 thousand shares

2. Other retained earnings are stated in the total amount, and its breakdown is as follows.

	Balance at the beginning of the year	Changes of items during the period	Balance at March 31, 2018
Reserve for advanced depreciation of non-current assets	673 million yen	(16 million yen)	656 million yen
General reserve	147,334 million yen	7,000 million yen	154,334 million yen
Retained earnings brought forward	20,903 million yen	3,412 million yen	24,316 million yen

(Securities)

Securities include “Government bonds,” “Local government bonds,” “Corporate bonds,” “Stock” and “Other securities” in the balance sheet as well as “Trading government bonds,” “trading local government bonds,” trust beneficiary interests in “Monetary claims bought” and some components of “Other assets.”

1. Trading account securities (as of March 31, 2018)

	Valuation difference included in loss or profit in the current year (millions of yen)
Trading account securities	6

2. Held-to-maturity debt securities (as of March 31, 2018) (Millions of yen)

	Category	Amount on balance sheet	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds the amount on the balance sheet	overnment bonds	71,055	73,442	2,386
	Corporate bonds	2,088	2,117	29
	Subtotal	73,144	75,560	2,416
Held-to-maturity debt securities whose fair value does not exceed the amount on the balance sheet	Government bonds	—	—	—
	Corporate bonds	227	226	(0)
	Subtotal	227	226	(0)
Total		73,371	75,786	2,415

3. Equity securities issued by subsidiaries and subsidiary corporations and equity securities issued by affiliated

corporations (as of March 31, 2018) (Millions of yen)

	Amount on balance sheet
Equity securities issued by subsidiaries and subsidiary corporations	6,592

Note) No market price exists for the above securities, and accordingly their fair value is judged to be extremely difficult to determine.

4. Other securities (as of March 31, 2018) (Millions of yen)

	Category	Amount on balance sheet	Acquisition cost	Difference
Other securities whose amount on the balance sheet exceeds the acquisition cost	Stock	119,554	57,964	61,590
	Bond	893,947	880,834	13,112
	Government bonds	505,492	495,810	9,681
	Local government bonds	225,595	223,437	2,158
	Corporate bonds	162,859	161,586	1,272
	Others	122,331	109,191	13,139
	Subtotal	1,135,833	1,047,990	87,843
Other securities whose amount on the balance sheet does not exceed the acquisition cost	Stock	10,666	11,758	(1,092)
	Bond	97,418	97,821	(402)
	Government bonds	2,017	2,024	(7)
	Local government bonds	20,114	20,163	(49)
	Corporate bonds	75,287	75,633	(346)
	Others	431,400	448,342	(16,942)
	Subtotal	539,485	557,921	(18,436)
Total		1,675,318	1,605,912	69,406

(Note)Other securities whose fair value is judged to be extremely difficult to determine

(Millions of yen)

	Amount on balance sheet
Stock	2,450
Others	1,766
Total	4,216

No market price exists for the above securities and their fair value is judged to be extremely difficult to determine. Therefore, these are not included in the table of other securities above.

Also note that impairment loss of 2 million yen was recorded for stock.

5. Held-to-maturity debt securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Cost of sales	Sales price	Gain or loss on sales
Corporate bonds	5	5	0

(Reason for sales)Retirement by purchase

6. Other securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Sales price	Total gain on sales	Total loss on sales
Stock	12,120	2,436	49
Bonds	48,657	1,123	—
Government bonds	16,474	504	—
Local government bonds	25,496	519	—
Corporate bonds	6,686	99	—
Other	228,993	1,881	3,413
Total	289,771	5,441	3,463

7. Securities whose holding purpose was changed

None

8. Securities for which impairment loss was recorded

For securities other than trading securities (excluding the securities whose fair value is judged to be extremely difficult to determine), if their fair value has significantly declined from the acquisition cost and is deemed unlikely to recover to the acquisition cost, such fair value is recorded as the amount on the balance sheet and the valuation difference is treated as loss for the current fiscal year ("Impairment Loss").

The amount of Impairment Loss for the current fiscal year is 46 million yen (including 43 million yen for stock and 2 million yen for bonds).

The Bank has its self-assessment criteria for the judgment that the fair value has "significantly declined." An impairment loss is recorded if the fair value declines 30% or more from the acquisition cost or if it is necessary to do so after taking into account the financial position of the issuer. An impairment loss on stock and securities investment trusts is recorded if the fair value as of the last day of the fiscal year has declined by 50% or more from the acquisition cost, or the fair value has declined by 30% or more but less than 50% and is judged to be irrecoverable, taking into account the changes in fair value during a certain period before the reference date or the financial position of the issuer.

(Money Held in Trust)

None

(Tax Effect Accounting)

The breakdown of deferred tax assets and deferred tax liabilities by main causes are as follows.

Deferred tax assets	
Amount in excess of upper limit of inclusion of deductible expenses for allowance for loan losses and write-off of claims	3,997 million yen
Amount in excess of upper limit of inclusion of deductible expenses for allowance for retirement benefits	2,924 million yen
Amount in excess of upper limit of inclusion of deductible expenses for depreciation and amortization	1,400 million yen
Amount in excess of upper limit of inclusion of deductible expenses for amortization of securities	930 million yen
Other	3,172 million yen
Subtotal	12,424 million yen
Valuation allowance	(1,586 million yen)
Total deferred income tax assets	10,838 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(20,686 million yen)
Gain on contribution of securities to employee retirement benefit trust	(907 million yen)
Other	(335 million yen)
Total deferred income tax liabilities	(21,928 million yen)
Net deferred tax assets (liabilities)	(11,090 million yen)

(Matters Related to Business Combinations)

Additional Information

Business Integration between the Bank and The Hokuetsu Bank, Ltd.

The Bank and The Hokuetsu Bank, Ltd. (President: Katsuya Sato) ("Hokuetsu Bank") (collectively, "Banks") resolved at their respective meetings of the board of directors held on March 23, 2018 to incorporate a company named "Daishi Hokuetsu Financial Group, Inc." (the "Joint Holding Company") that would become a wholly-owning parent company of the Banks effective as of October 1, 2018 through a joint share transfer (the "Share Transfer"), subject to obtaining the approval of shareholders of the Banks and regulatory approvals, and resolved the outline of the Joint Holding Company and terms of the Share Transfer. The Banks also entered into the business integration agreement on the same day.

Furthermore, the Banks jointly prepared a share transfer plan for the Share Transfer based on the resolutions of their respective meetings of the board of directors held on May 11, 2018.

1. Goals of the Business Integration through the Share Transfer

(1) Background and Goals of the Business Integration

From the early Meiji period (i.e., 1870's) to today, the Bank and Hokuetsu Bank have long established solid management bases as regional banks whose head offices are both located in Niigata Prefecture, by playing roles and accomplishing their missions as regional banks with support from local communities.

However, due to the effect of such factors as the declining population, it is expected that the size of bank deposits and lending will shrink in the future, and profit margins on lending and gains on investments in securities will further decrease due to Japan's prolonged monetary easing policy. As described above, the business environment surrounding the Banks is expected to become much harsher, and establishing more solid management bases is now a common business challenge for the Banks.

In addition to the above, with the developments in the integration of finance and IT technology, typified by FinTech, and in digitalization, flexible responses to new customer needs, such as the introduction of IT technology to financial services, and creating further additional value are part of the important challenges. Moreover, now that Niigata companies are increasingly entering overseas markets and dealing with foreign companies, the Banks are also expected to expand and improve their consulting function with a global perspective, including providing know-how for business development in overseas markets.

The Banks have cooperated with each other to achieve their common goal of regional development by executing a comprehensive partnership agreement concerning regional revitalization with Niigata Prefecture, forming syndicated loans and other approaches, as well as promoting operational efficiency partnerships, such as jointly operating cash transportation cars. However, in light of changes in the business environment in which the Banks are operating, diversified customer needs and a host of other developments, the Banks, which have long fostered a relationship of trust, have concluded that if they integrate their businesses and address their common challenges by using their respective strengths, then they will be able to continue to play their roles and accomplish their missions as regional banks on a permanent basis, and also contribute significantly to the Banks' shareholders, customers and local communities. Accordingly, the Banks formed a basic agreement on April 5, 2017 to proceed with discussions and considerations toward a business integration, the basic policy of which is to establish the Joint Holding Company through the Share Transfer and to merge the Banks under the Joint Holding Company in the future (the "Business Integration"). Moreover, the date of the formation of the Joint Holding Company through the Share Transfer (i.e., the effective date of the Share Transfer) was decided to be October 1, 2018 (scheduled), and on March 23, 2018 the Banks reached a definitive agreement to carry out the Business Integration on an equal footing.

(2) Method of Share Transfer, Details of Allotment Relating to the Share Transfer

(i) Method of the Share Transfer

The Share Transfer will take the form of a joint share transfer, under which the Banks will become wholly-owned subsidiaries of the Joint Holding Company to be incorporated following the share transfer, and the Joint Holding Company will become the wholly-owning parent company of the Banks.

(ii) Details of Allotment in the Share Transfer

Company name	Daishi Bank	Hokuetsu Bank
Share transfer ratio	1	0.5

(Note 1) Share allotment ratio

One (1) share of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of the Bank, and 0.5 share(s) of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of Hokuetsu Bank. One unit of shares of common stock of the Joint Holding Company is planned to comprise 100 shares.

If the number of Joint Holding Company shares which will be delivered to a shareholder of the Banks through the Share Transfer includes a fraction of less than one share, the Joint Holding Company will, pursuant to Article 234 of the Companies Act of Japan ("Companies Act") and other relevant laws and regulations, pay the relevant shareholder a cash amount corresponding to such fractional share.

Changes to the above Share Transfer Ratio may be made during the period after the execution of the Business Integration Agreement and until the effective date of the Share Transfer upon consultation between the Banks in the event that matters that cause a material effect to the Share Transfer Ratio are newly found to exist or have occurred.

(Note 2) Number of newly issued Joint Holding Company shares to be delivered through the Share Transfer

(scheduled)

Common stock: 45,876,355 shares

The above number has been calculated based on the total number of issued and outstanding shares of the Bank (34,625,347 shares) and that of Hokuetsu Bank (24,514,280 shares) as of March 31, 2018. However, the Banks plan to cancel their treasury shares (however, excluding treasury shares owned by the Bank that are the trust assets of the exclusive trust of the Daishi Bank Employee Stock Ownership Plan pertaining to all of the Bank's trust-type employee stock ownership incentive plan (E-Ship) (owner name: "The Nomura Trust and Banking Co., Ltd. (Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account)"); the same hereinafter) immediately before the Joint Holding Company acquires all of the Banks' issued and outstanding shares ("Record Time"). Accordingly, treasury shares held by the Bank (742,205 shares) and Hokuetsu Bank (527,854 shares) as of March 31, 2018 have not been included in the scope of the new share delivery in calculating the above number. The number of newly issued Joint Holding Company shares to be delivered through the Share Transfer may change if the number of the Banks' treasury shares as of March 31, 2018 changes before the Record Time due to reasons such as exercise of the right to request purchase of shares by a shareholder of the Bank or Hokuetsu Bank.

(Note 3) Handling of shares constituting less than one unit

The Banks' shareholders who receive an allocation of shares constituting less than one unit (100 shares) of the common stock of the Joint Holding Company ("Shares Constituting Less than One Unit") through the Share Transfer may not sell Shares Constituting Less than One Unit on the TSE or any other securities exchange. Shareholders who own Shares Constituting Less than One Unit may request the Joint Holding Company to purchase their Shares Constituting Less than One Unit pursuant to Article 192, paragraph (1) of the Companies Act. It is planned that such shareholders may also request the Joint Holding Company to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit owned by such shareholder, to constitute one unit pursuant to Article 194, paragraph (1) of the Companies Act and provisions planned to be stipulated in the Articles of Incorporation of the Joint Holding Company.

(3) Handling of stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiaries

In connection with the Share Transfer, the Joint Holding Company will deliver to the holders of stock acquisition rights issued by the Bank and Hokuetsu Bank outstanding as of the Record Time stock acquisition rights of the Joint Holding Company based on the terms of stock acquisition rights and the Share Transfer Ratio. Neither of the Banks has issued bonds with stock acquisition rights.

2. Schedule of the Share Transfer

Friday, March 23, 2018	Adoption of resolutions at the board of directors' meetings for the execution of the Business Integration Agreement Execution of the Business Integration Agreement (Banks)
Saturday, March 31, 2018	Record date of the annual shareholders' meetings (Banks)
Friday, May 11, 2018 (scheduled)	Adoption of resolutions at the board of directors' meeting for the preparation of the Share Transfer Plan Preparation of the Share Transfer Plan (Banks)
Tuesday, June 26, 2018 (scheduled)	Convening of the annual shareholders' meetings (adoption of resolution approving the Share Transfer Plan) (Banks)
Wednesday, September 26, 2018 (scheduled)	TSE delisting date (Banks)
Monday, October 1, 2018 (scheduled)	Date of formation of the Joint Holding Company (i.e., effective date of the Share Transfer) Share listing date of the Joint Holding Company

(Note) The above schedule may be changed upon consultation between the Banks where necessary in the course of moving towards the Share Transfer or for other reasons.

3. Profile of the Banks (as of the end of March 2018)

Name	The Daishi Bank, Ltd.	The Hokuetsu Bank, Ltd.
Location	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Name and Title of Representative	Fujio Namiki, President	Katsuya Sato, President
Nature of Business	Banking business	Banking business
Amount of capital	32,776 million yen	24,538 million yen
Date of foundation	November 2, 1873	December 20, 1878

Number of issued shares	34,625,347 shares	24,514,280 shares
Fiscal year end	March 31	March 31

4. Company to be Established through the Share Transfer

Trade name	Daishi Hokuetsu Financial Group, Inc.
Location of head office	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Capital	30,000 million yen
Fiscal year end	March 31

5. Overview of Accounting Treatment of the Share Transfer

It is expected that the purchase method will be applied as the accounting treatment of the Share Transfer since it falls under "purchase" stipulated in the Accounting Standard for Business Combination. The amount of goodwill (or negative goodwill) in connection with the Share Transfer has not been determined at the present stage.

(Per Share Information)

Net assets per share	9,099.48 yen
Profit per share	398.74 yen
Diluted profit per share	396.82 yen

* Since the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017, net assets per share, profit per share, and diluted profit per share are calculated on the assumption that the share consolidation was conducted at the beginning of the current fiscal year.

In calculating net assets per share, profit per share, and diluted profit per share, the Bank's shares outstanding in the trust recorded as treasury stock in shareholders' equity are included in treasury stock that is deducted in the calculation of the number of shares at the end of the fiscal year and the average number of shares during the fiscal year.

The number of shares of the treasury stock at the end of the fiscal year deducted for the calculation of net assets per share is 110 thousand shares.

The average number of shares of treasury stock during the fiscal year deducted for the calculation of profit per share and diluted profit per share is 136 thousand shares.

(Material Subsequent Events)

None

Consolidated Statements of Shareholders' Equity for the 207th Fiscal Year
(from April 1, 2017 to March 31, 2018)

(Millions of Yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	32,776	25,152	197,851	(2,831)	252,949
Changes of items during the period					
Dividends from surplus			(3,065)		(3,065)
Profit attributable to owners of parent			13,776		13,776
Purchse of treasury stock				(1,817)	(1,817)
Disposal of treasury stock			(32)	407	375
Reversal of revaluation reserve for land			3		3
Change in treasury shares of parent arising from transactions with non-controlling shareholders		27			27
Net changes of items other than shareholders' equity					
Total changes of items during the period	－	27	10,682	(1,409)	9,300
Balance at March 31, 2018	32,776	25,179	208,533	(4,240)	262,249

	Other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remesearment of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2017	52,648	(361)	6,988	(2,123)	57,151	498	15,542	326,142
Changes of items during the period								
Dividends from surplus								(3,065)
Profit attributable to owners of parent								13,776
Purchse of treasury stock								(1,817)
Disposal of treasury stock								375
Reversal of revaluation reserve for land								3
Change in treasury shares of parent arising from transactions with non-controlling shareholders								27
Net changes of items other than shareholders' equity	(1,522)	(19)	(3)	1,457	(87)	55	715	683
Total changes of items during the period	(1,522)	(19)	(3)	1,457	(87)	55	715	9,984
Balance at March 31, 2018	51,126	(380)	6,984	(666)	57,064	554	16,258	336,126

Notes To Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

Each of subsidiaries, subsidiary corporations and affiliated corporations is defined in Article 2, paragraph (8) of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

Amounts less than one million yen are rounded down.

1. Matters Concerning Scope of Consolidation

(1) Number of consolidated subsidiaries and subsidiary corporations: 7

The Daishi Lease Co., Ltd., The Daishi Computer Service Co., Ltd.
The Daishi Guaranty Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi Management Consulting Co., Ltd.,
The Daishi DC Card Co., Ltd., and Daishi Securities Co., Ltd.

(2) Number of non-consolidated subsidiaries and subsidiary corporations: 4

Investment Limited Partnership “Daishi Enterprise Development Fund No. 2”
Investment Limited Partnership “Daishi Food Industry Revitalization Fund”
Investment Limited Partnership “Daishi Food and Agriculture Growth Support Fund”
Investment Limited Partnership “Daishi Enterprise Incubation Support Fund”

Non-consolidated subsidiary corporations are excluded from the scope of consolidation due to their insignificance in light of, among others, their assets, ordinary income, profit (to the extent of equity position) and retained earnings (to the extent of equity position) to the extent its exclusion from the scope of consolidation would not hinder reasonable judgment as to the financial position or operating results of the group.

2. Matters Concerning the Application of the Equity Method

(1) Unconsolidated subsidiaries and subsidiary corporations accounted for by the equity method: None

(2) Affiliated corporations accounted for by the equity method: None

(3) Non-consolidated subsidiaries and subsidiary corporations accounted for by the equity method: 4

Investment Limited Partnership “Daishi Enterprise Development Fund No. 2”
Investment Limited Partnership “Daishi Food Industry Revitalization Fund”
Investment Limited Partnership “Daishi Food and Agriculture Growth Support Fund”
Investment Limited Partnership “Daishi Enterprise Incubation Support Fund”

The non-consolidated subsidiary corporations which are not accounted for by the equity method are excluded from the scope of equity method, due to their exclusion from the scope of equity method having no material effect on the consolidated financial statements in light of, among others, their profit or loss (to the extent of equity position), retained earnings (to the extent of equity position) and accumulated other comprehensive income (to the extent of equity position).

(4) Affiliated corporations not accounted for by the equity method: None

3. Matters Concerning Fiscal Years of Consolidated Subsidiaries and Subsidiary Corporations

The fiscal year ending date of the consolidated subsidiaries and subsidiary corporations is as follows.

March 31 7 companies

4. Matters Concerning Special Purpose Companies Subject to Disclosure

None

5. Matters Concerning Accounting Policies

(1) Valuation standards and method of trading account securities

Trading securities are recorded at market value, with cost of sales determined mainly by the moving average method.

(2) Valuation standards and valuation method of securities

Held-to-maturity debt securities are carried at amortized cost using the straight-line method with cost determined by the moving average method. In principle, other securities are carried at fair value based on the market prices at the consolidated balance sheet date with cost of sales determined mainly by the moving average method. However, securities whose fair value is judged to be extremely difficult to determine are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of the other securities is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

(3) Valuation standards and valuation method of derivatives

Derivatives held or written are stated at fair value.

(4) Depreciation method of noncurrent assets

①Property, plant and equipment (excluding lease assets)

The Bank mainly uses the declining-balance method for depreciation of property, plant and equipment other than the buildings and accompanying facilities acquired on and after April 1, 2016, which are depreciated by the straight-line method.

The useful lives for major asset categories are as follows:

Buildings ....10 to 50 years

Other assets ....2 to 20 years

②Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries and subsidiaries corporations (generally 5 to 9 years).

③Lease assets

Among "property, plant and equipment" and "intangible assets," lease assets relating to finance leases which do not transfer ownership to lessees are amortized using the straight-line method over the lease term. For residual value, residual value guarantees determined based on lease contracts are shown at the aforementioned residual value guarantee amount, and others are shown as zero.

(5) Allowance for loan losses

An allowance for loan losses of the Bank is recognized as follows in accordance with its predetermined amortization and provision criteria.

For loans to customers who are undergoing legal insolvency proceedings such as bankruptcy and special liquidation ("borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy ("borrowers substantially in bankruptcy"), an allowance for loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the amounts that are deemed recoverable from the guarantors. For the loans to borrowers not presently in the above insolvency circumstances, but with a high probability of becoming so ("borrowers with high probability of becoming insolvent"), an allowance for loan losses is provided at the amount deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, an allowance for loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

All branches and other business related sections evaluate all loans in accordance with the self-assessment rules, and their evaluations are audited by the asset audit section, which is independent from the branches and other business related sections.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amount of such direct write-off is ¥7,935 million.

Consolidated subsidiaries and subsidiary corporations record a general allowance for loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific allowance for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(6) Provision for directors' bonuses

Provision for directors' bonuses is appropriated as the total amount of bonuses expected to be paid to directors within the current consolidated fiscal year.

(7) Provision for directors' retirement benefits

The reserve for directors' retirement benefits of the consolidated subsidiaries and subsidiary corporations is appropriated in the amount of the portion of expected total retirement benefit payment that is recognized as having been generated as of the consolidated fiscal year under review, to provide for payment of retirement benefits to directors.

(8) Provision for reimbursement of deposits

Reserves against refund of inactive bank accounts are prepared against repayment losses that may be incurred when the holders of inactive bank accounts with suspended liability appropriation demand repayment. These reserves are prepared in the amount of the estimated future repayment loss based on past repayment results.

(9) Provision for contingent loss

The reserve for contingent liabilities is a reserve for unexpected or incidental losses not covered by the other reserves. Losses expected to occur in the future are estimated, and the amount deemed necessary is appropriated.

(10) Provision under special laws

Reserves under special laws are reserves for financial products transaction liabilities of consolidated subsidiaries, including securities business subsidiaries, and in order to compensate for any losses incurred with respect to securities futures, etc., are appropriated at an amount calculated based on the establishment of article 46-5 of the Financial Instruments and Exchange Act.

(11) Accounting for retirement benefits

In calculating the retirement benefit obligations for employees, the estimated retirement benefit amount is attributed to each consolidated fiscal year using the benefit formula method. Unrecognized prior service cost and unrecognized actuarial gains and losses are amortized as follows.

Unrecognized prior service cost is amortized using the straight–line method over a certain period of time (10 years) within the average remaining service years of the current employees.

Unrecognized actuarial gains and losses are amortized from the following fiscal year using the straight-line method over a certain period (10 years) within the average remaining service years of the current employees.

For some consolidated subsidiaries and subsidiary corporations, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end.

(12) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(13) Lease transaction revenue and expense appropriation standards

Revenue and expense appropriation standards concerning finance lease transactions depend on the appropriation method for proceeds and costs of sales at the time of lease charge acceptance.

(14) Hedge accounting

a) Hedge accounting for interest rate risks

As hedge accounting for interest rate risk accompanying various financial assets and liabilities, the Bank applies individual hedges directly corresponding to the hedged item and the hedging instrument for some assets and liabilities, treating them as deferred hedges. The effectiveness of a hedge is assessed through the integrated management of the hedging instrument and the hedged item, and verifying whether interest risks associated with the hedged item are being mitigated by the hedging instrument.

In addition, for interest rate swap that fulfills the requirements for the exceptional accrual method, the assessment of hedge effectiveness is omitted.

b) Hedge accounting for exchange rate risk

As for the hedge accounting method applied to hedging transactions for exchange rate risk arising from foreign currency- denominated financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in the "Treatment for Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002) . The effectiveness of such hedge accounting is assessed by considering the hedge methods such as currency swap transactions and foreign exchange swap transactions, which are for the purpose of offsetting foreign exchange risks arising from foreign currency-denominated financial assets and liabilities, and by verifying the existence of foreign-currency-position of such hedging methods matching up to the foreign currency- denominated assets and liabilities of the hedged item.

None of the consolidated subsidiaries and subsidiary corporations conducts derivative transactions.

(15) Accounting treatment for consumption taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes ("consumption taxes") for the Bank and its consolidated subsidiaries and subsidiary corporations. However, non-deductible consumption taxes related to property, plant and equipment are recorded as an expense for the current consolidated fiscal year.

Additional Information

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

(1) Overview of transaction

Since November 13, 2015, as part of the welfare program for the employees, the Bank has been allocating its own stock to the Employee Stock Ownership Plan through a special trust.

This is an incentive plan for all employees who are members of the Daishi Bank Employee Stock Ownership Plan ("Plan"). In this plan, the Bank has set up a Daishi Bank Employee Stock Ownership Plan Exclusive Trust ("Employee Special Trust") in a trust bank. The Employee Special Trust acquires in advance the number of the Bank's stock that it expects the Plan to acquire over the five years following the setup of the Employee Special Trust. The Bank stock is then continuously sold to the Plan from the Employee Special Trust. Also, in the case of an accumulated amount equivalent to profit on the sale of stock in the Employee Special Trust at the time of its maturity, the said amount will be distributed as a residual asset to those who qualify as beneficiaries. Further, the Bank guarantees the loan taken out by the Employee Special Trust to acquire the Bank stock. Accordingly, if losses on the sale of stock are accumulated in the Employee Special Trust due to a fall in the Bank stock price and at the time of its maturity there is a remaining debt equivalent to said loss, the Bank will repay said remaining debt in accordance with the guarantee contract.

(2) The Bank stock held by the Employee Special Trust

The remaining stock of the Bank in the Trust is booked as treasury stock in the Net Assets section. The book value and number of shares of the treasury stock is 634 million yen and 110 thousand shares, respectively.

(3) The book value of the loan that has been booked through the adoption of the total method:

779 million yen

Notes

(Notes to Consolidated Balance Sheets)

1. The total capital contribution of the associated companies (excluding the shares of consolidated subsidiaries and consolidated subsidiary corporations): 864 million yen

2. Among "Loans and bills discounted," loans to borrowers under bankruptcy proceedings is 1,175 million yen and past due loans is 38,190 million yen.

   Loans to borrowers under bankruptcy proceedings mean nonaccrual loans which have no prospects for recovery or repayment of principal or interest due to such reasons as payment of principal or interest not having been received for a substantial period of time (excluding loans written-off ("Non-Accrual Loans")) and for which circumstances apply as stipulated in Article 96, Paragraph (1), item (iii), (a) through (e) or item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

   Past due loans mean Non-Accrual Loans other than (i) loans to borrowers under bankruptcy proceedings and (ii) loans for which payments of interest are deferred in order to facilitate the restructuring of, or assist, borrowers in financial difficulties.

3. Among "Loans and bills discounted," loans past due for three months or more are 942 million yen.

   Loans past due for three months or more mean loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the payment date under the contract, and which are not either loans to borrowers under bankruptcy proceedings or past due loans.

4. Among "Loans and bills discounted," rescheduled loans are 3,925 million yen.

   Rescheduled loans mean loans as to which contracts have been amended in favor of borrowers, such as reduction of or exemption from stated interest, deferral of interest payments, extension of maturity dates, and renunciation of claims, in order to assist or facilitate the restructuring of borrowers in financial difficulties; loans to borrowers under bankruptcy proceedings, past due loans, or loans past due for three months or more are not included.

5. The total amount of loans to borrowers under bankruptcy proceedings, past due loans, loans past due for three months or more, and rescheduled loans is 44,233 million yen.

   The amounts of loans stated in items 2 through 5 above are the amounts before deducting the amount of the "Allowance for loan losses" therefrom.

6. "Bills discounted" are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). As for commercial bills discounted and foreign exchange bought which have been accepted due to the foregoing, the Bank is entitled to sell or repledge such bills without restriction. The total face value of such bills is 13,134 million yen.

7. Assets pledged as collateral are as follows:

   Assets pledged as collateral:

Securities	739,781 million yen
Liabilities related to assets pledged:	
Deposit	48,926 million yen
Payables under repurchase agreements	36,735 million yen
Guarantee deposits received under securities lending transactions	326,708 million yen
Borrowed money	347,238 million yen

In addition, trading account securities of 20 million yen and securities of 4,101 million yen were pledged as collateral for settlement of exchange or short-term financial transactions or as an alternative to collateral for derivatives transactions.

Cash collateral paid for financial instruments of 5,696 million yen, initial margins deposited with central clearing organizations of 29,000 million yen and guarantee deposits of 854 million yen are included in “Other.”

8. Commitment line agreements relating to overdrafts and loans represent agreements to extend overdrafts or loans to customers up to agreed amounts at their request as long as no violation of the conditions of the agreements exists. Unused commitment lines under such agreements are 1,231,180 million yen. Among these, commitment line agreements whose original maturity is within one year or for which the Bank can cancel at any time without any penalty amount to 1,151,783 million yen.

Since most of such agreements are terminated without being exercised, the amount of unexercised commitment lines does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries and subsidiary corporations. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries and subsidiary companies may deny extensions of loans or decrease the commitment line when there are certain changes in financial markets, certain issues in securing loans, or other reasonable circumstances. Upon providing such commitments, the Bank requests collateral in the form of real property or securities as deemed necessary. In addition, the Bank monitors the financial condition of customers in accordance with its pre-established internal rules on a regular basis and takes necessary measures, including revisiting the terms of commitments and other means, in order to prevent credit losses.

9. Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Bank has revalued the land used for business purposes by the Bank and its consolidated subsidiaries. Among the differences incurred from such revaluation, the amount equivalent to tax regarding the revaluation difference is accounted for in “Liabilities” as “Deferred tax liabilities for land revaluation,” while the revaluation difference net of these deferred tax liabilities is accounted for in “Net Assets” as “Revaluation reserve for land.”

Date of revaluation:	March 31, 1998
Revaluation method stipulated in Article 3, Paragraph (3) of the Act on Revaluation of Land:	The revaluation value was calculated by making reasonable adjustments based on the method (e.g. value adjustment for setback) published by the Commissioner of the National Tax Agency for the calculation of land value for a basis of determining the taxable amount subject to land value tax stipulated in Article 16 of the Land Value Tax Act (Act No. 69 of 1991), which is set forth in Article 2, item (iv) of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

Difference between the total fair value at the end of the fiscal year of the land used for business purposes that is subject to revaluation pursuant to Article 10 of the Act on Revaluation of Land and the total carrying amount of the land after such revaluation: 14,484 million yen.

10. Aggregate amount of accumulated depreciation of property, plant and equipment: 67,328 million yen
11. Aggregate amount of advanced depreciation of property, plant and equipment: 7,546 million yen (－ million yen for the current fiscal year)
12. Among the “Corporate bonds” in “Securities,” the Bank’s guarantee obligations on corporate bonds through private placement of securities (as specified in Article 2, Paragraph (3) of the Financial Instruments and Exchange Law) amount to 74,853 million yen.

(Notes to Consolidated Statements of Profit or Loss)

1. “Other ordinary income” includes 4,517 million yen of gain on sales of stocks and other securities.
2. “Other ordinary expenses” includes 1,187 million yen of written-off of loans and 372 million yen of losses on sales of stocks and other securities.

(Notes to Consolidated Statements of Shareholders’ Equity)

1. Class and total number of issued shares; class and number of shares of treasury stock

(Thousands of shares)

		Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year	Remarks
Number of issued shares						
	Common stock	346,253	—	311,628	34,625	Notes 1 and 4
	Total	346,253	—	311,628	34,625	
Treasury stock						
	Common stock	5,591	3,655	8,394	852	Notes 1, 2, 3 and 5
	Total	5,591	3,655	8,394	852	

Notes:

1. The Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017.
2. The number of shares at the beginning of the year of treasury stock includes 1,636 thousand shares of the Bank held by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account.
3. The number of shares at the end of the year of treasury stock includes 110 thousand shares of the Bank held by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account.
4. The number of issued shares of common stock decreased as follows.
   - Decrease due to share consolidation: 311,628 thousand shares
5. The number of common stock held as treasury stock increased as follows.
   - Increase due to the acquisition of treasury stock based on a resolution of the board of directors: 3,645 thousand shares
   - Increase due to the acquisition of common stock in response to the requests to buy back shares constituting less than one unit: 10 thousand shares

   The number of common stock held as treasury stock decreased as follows.
   - Transfer through the exercise of stock options: 211 thousand shares
   - Decrease due to the sale of shares of the Bank by the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account: 294 thousand shares
   - Decrease due to the sale of treasury stock in response to the request to purchase additional shares from the holders of shares constituting less than one unit: 0 thousand share
   - Decrease due to share consolidation: 7,889 thousand shares

2. Matters concerning subscription rights to shares and treasury subscription rights to shares

Category	Breakdown of subscription rights	Class of shares subject to subscription rights	Number of shares subject to subscription rights (shares)				Balance at end of the year (million yen)	Note
			Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year		
Bank	Subscription rights as stock options	—					554	
Total		—					554	

3. Dividends of surplus

(1) Amount of dividends paid during the year ended March 31, 2018

(Resolution)	Class of shares	Total amount of dividends (Note)	Dividend amount per share	Record date	Effective date
May 12, 2017 Board of directors	Common stock	1,540 million yen	4.50 yen	March 31, 2017	June 1, 2017
November 10, 2017 Board of directors	Common stock	1,524 million yen	4.50 yen	September 30, 2017	December 4, 2017
Total		3,065 million yen			

(Note) The total amount of dividends includes the dividends to the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account (7 million yen resolved at the May 12, 2017 board of directors and 6 million yen resolved at the November 10, 2017 board of directors).

(2) Dividends with a record date falling within the year ended March 31, 2018, whose effective date falls on a day after March 31, 2018

(Scheduled resolution)	Class	Total amount of dividends (Note 1)	Source of dividends	Dividend amount per share (Note 2)	Record date	Effective date
May 11, 2018 Board of directors	Common stock	1,524 million yen	Retained earnings	45.00 yen	March 31, 2018	June 1, 2018

(Note) 1. The total amount of dividends includes the dividends of 4 million yen to the Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account.

2. The Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017.

(Financial Instruments)

Items whose amount reported on the consolidated balance sheets has little significance are omitted.

1. Matters concerning status of financial instruments

(1)Policies for financial instruments

The Group is engaged in the financial service businesses such as lease businesses and securities businesses, with the Bank engaged in banking businesses. The Group invests funds raised mainly in the form of deposits and negotiable deposits in loans and securities. Given that the Group has financial assets and financial liabilities that are mainly subject to interest rate fluctuation, the Bank operates asset-liability management (ALM) to prevent adverse impact due to interest rate fluctuation and as part of such management the Bank also conducts derivative trading.

In addition, the Bank and some of its consolidated subsidiaries conducts securities trading.

(2)Types of financial instruments and related risks

The financial assets held by the Group are mainly comprised of loans and bills discounted, which are exposed to credit risk that may result in the principal and interest of loans and other similar instruments becoming difficult to be recovered due to such reasons as bankruptcy and deterioration in financial positions of the customers. Securities consist mainly of stocks, debt securities, investment trusts and contributions to partnerships, which are held to maturity, for investment purpose only or for the purpose of business promotion. These securities are exposed to credit risk of issuers. The Group also has trading account securities, which are debt securities and are held for trading purposes. These debt securities are exposed to market risk that may result in the Group incurring losses from declined value of its assets due to fluctuation in market factors such domestic and foreign interest rate, price of securities, foreign exchange rates.

Moreover, imbalance between the periods of fund investment and procurement, unexpected outflow of funds or market turmoil may cause suspension of market transactions, resulting in fund shortage. In such a scenario, the Bank may be forced to make transactions at a significantly unfavorable price than usual, which could cause losses and adverse impact on its business results.

The Bank engages in derivative transactions, including interest rate swaps, foreign exchange contracts, and currency options, to meet customers' needs for risk hedging relating to interest rate and foreign currency risks. The Bank also engages in interest rate swaps and currency swaps to control interest rate risk, manage excess and shortage of funds and stably secure liquidity of funds in the banking business as part of asset-liability management (ALM). Moreover, the Bank engages in bond futures contracts and other similar transactions to pursue trading profits to the extent to the extent appropriate based on the Banks' earnings capacity and business vitality. The hedge accounting is applied to the derivative transactions for risk-hedging purposes. The effectiveness of hedging is evaluated by verifying every quarter that the risk amount of the derivative transactions being used as the hedge is within the limit of the approved risk amount defined in the Bank's risk management criteria and that the risk subject to hedging has been mitigated.

(3)Risk management system for financial instruments

①Credit risk management

The Bank appropriately manages and controls credit risk in accordance with the Credit Risk Management Regulations that provide for the basic matters concerning credit risk management. In terms of organizations, the Risk Supervision Division develops various regulations concerning credit risk management and also plans and manages analysis, assessment and improvement activities.

The Loan Examination Division, which is completely isolated from the Business Promotion Division, conducts strict loan screening and appropriately manages the questionable loans. The Bank also works to enhance the soundness of its assets through bank-wide efforts such as management improvement support activities for customers.

Credit ratings and self-assessments for loans are strictly conducted through a two-step assessment system that involves sales branches and the Head Office. Furthermore, the appropriateness and suitability of credit ratings and self-assessments are verified through audits by the Audit and Inspection Division.

The Bank is working to develop and enhance its credit rating system for more sophisticated credit risk management. The Bank quantifies credit risk (Note) and establishes a credit risk threshold commensurate with its shareholders' equity.

(Note) To quantify credit risk means to compute and estimate the amount of credit risk entailed in credit portfolios.

②Market risk management

In order to adjust the risk amount to an appropriate level and achieve stable profits, the Bank establishes an ALM operation policy and determines the matters such as the market division's maximum risk amount and maximum loss amount in accordance with that policy. The Bank's ALM Committee meets each month to deliberate important matters relating to the risk management, and if a material event occurs in the market division, it will be immediately reported to the management.

In managing market transactions, the Bank clearly separates the department responsible for executing transactions (Treasury and Capital Markets Division), the department responsible for business administration (Securities Operation Administration Office) and the department responsible for managing market risk (Risk Supervision Division). Moreover, the Bank has its internal audit divisions conduct audits and otherwise has established a system in which the check-and-balance function fully works.

In addition, the Bank measures value at risk (VaR) on a daily basis to immediately and appropriately recognize and analyze risks entailed in the changes in the financial market.

③Liquidity risk management

The Bank has established the Liquidity Risk Management Regulations and accurately controls liquidity risk according to the situation. The Bank particularly considers cash management as fundamental risk for a financial institution. Based on the understanding that it is the basis for the liquidity risk management to maintain a solid business structure and gain confidence of customers and the financial market, the Treasury and Capital Markets Division, which is responsible for controlling cash management, appropriately controls cash management and the Risk Supervision Division, which is responsible for managing liquidity risk, monitors liquidity risk, in order to ensure smooth cash management.

The Bank has also established the measures to procure funds and otherwise respond in the event of contingencies.

In accordance with the Group Risk Management Guidelines that provides for the basic policy and system with respect to the Group's risk management, including risks entailed in the financial instruments mentioned above, the Bank manages risk of the entire Group, while having group companies conduct their own risk management. The Bank grasps the risk management status of each group company and monitors whether the risk management system of each group company is fully functioning, and if such system is not fully functioning, makes proposals on the measures to improve the system and other related matters. The risk management structure is as follows – the Risk Supervision Division, which is the Bank's division responsible for supervising risks and the Bank's other individual divisions that have jurisdiction over individual risks will request a report and other information from group companies as necessary, and report the status of risks they have recognized to the board of directors or the executive committee. The board of directors or the executive committee will in response determine necessary measures and related matters based on risk information obtained by way of a risk status report and instruct the risk supervisory divisions and the departments having jurisdiction over risks with respect to how to handle such risk. The risk supervisory divisions and the departments having jurisdiction over risks will then handle and monitor such risk based on the instruction, and subsequently make another report on the status of risks to the board of directors or the executive committee as necessary.

(4)Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

2. Matters concerning estimated fair value of financial instruments

The consolidated balance sheet amounts, fair values, and their differences as of March 31, 2018 are as follows. Non-listed stock, etc. whose fair value is judged to be extremely difficult to determine are not included in the following table (see Note 2).

(Millions of yen)

	Book value	Fair value	Difference (*1)
(1) Cash and due from banks	775,395	775,395	—
(2) Securities			
Trading securities	1	1	—
Held-to-maturity debt securities	73,371	75,786	2,415
Other securities	1,684,669	1,684,669	—
(3) Loans	3,236,059		
Allowance for loan losses (*2)	(12,268)		
	3,223,790	3,236,973	13,183
Total assets	5,757,229	5,772,827	15,598
(1) Deposits	4,626,744	4,626,865	(120)
(2) Negotiable certificates of deposit	193,248	193,248	(0)
(3) Payable under securities lending transactions	326,708	326,708	—
(4) Borrowed money	357,105	357,122	(16)
Total liabilities	5,503,807	5,503,944	(137)
Derivative transactions (*3)			
Hedge accounting not applied	1,653	1,653	—
Hedge accounting not applied	1,323	1,044	(278)
Total derivative transactions	2,976	2,697	(278)

(*1) The amounts in the difference column are valuation gains/losses.

(*2) The general allowance for loan losses and the specific allowance for loan losses, which correspond to loans and bills discounted, have been deducted.

(*3) Derivative transactions recorded in Other assets and Other liabilities as well as transactions to which special accounting treatment for interest rate swaps is applied are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) Methods for estimating the market value of financial instruments

Assets

(1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. For due from banks that has stated maturity, since its term is short (one year or less) and the fair value approximates its carrying value, the carrying value is treated as the fair value.

(2) Securities

The fair value of stock is based on its market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the correspondent financial institutions. The fair value of investment trusts is based on its market price on the stock exchange, the announced reference price or the price quoted by the correspondent financial institutions.

Because private placement bonds with the Bank's own guarantee with floating interest rates reflect market interest rates in a short period of time, the fair value of such bonds approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such bonds is treated as the fair value. The fair value of private placement bonds with the Bank's own guarantee with fixed interest rates is based on the total amount of principal and interest categorized by the type of private placement bonds, internal rating and term, discounted by an appropriate index such as swap interest rate plus credit spread, and factoring in a guarantee fee.

Notes to securities categorized according to the purpose of holding are stated in "(Notes Related to Securities)."

(3) Loans and bills discounted

Because loans and bills discounted with floating interest rates reflect market interest rates in a short-term period, the fair value of such loans approximates their carrying value (before setting aside general allowance for loan losses) as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by an appropriate index such as swap interest rate plus credit spread or by the interest rate expected for a new similar loan. Because the fair value of loans and bills discounted with a short-term contractual maturity (one year or less) approximates their carrying value (before setting aside general allowance for loan losses), the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and borrowers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the allowance for loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value (before setting aside general allowance for loan losses) from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities

(1) Deposits, and (2) Negotiable certificates of deposit

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits and negotiable certificates of deposit is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of time deposits and negotiable certificates of deposit with a short deposit term (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(3) Payables under securities lending transactions

Since payables under securities lending transactions have contractual short-term maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(4) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short-time period and the credit standing of the Bank and its consolidated subsidiaries and subsidiary corporations has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the interest rate expected for similar borrowings. Because the fair value of borrowed money with contractual short-term maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

Derivative transactions

Derivative transactions include interest related transactions (e.g. interest rate options and interest rate swaps) and currency related transactions (currency options and currency swaps). Calculation of fair value is based on the market price on the stock exchange, the discounted cash flow method, option price calculation models or others.

(Note 2) The consolidated balance sheet amounts of the financial instruments whose fair value is judged to be extremely difficult to determine are as follows, and are not included in “Assets: (2) Other securities” presented in “Matters concerning estimated fair value of financial instruments.”

(Millions of yen)

Type	Carrying value
① Non-listed stock (*1) (*2)	2,769
② Investments in partnerships (*3)	1,775
Total	4,544

(*1) Because non-listed stock has no market price and it is judged to be extremely difficult to determine its fair value, it is not subject to the fair value disclosure.

(*2) In the year ended March 31, 2018, impairment losses of 2 million yen was recorded for non-listed stock.

(*3) Investments in partnerships whose fair value is judged to be extremely difficult to determine because the partnership's assets are non-listed stock, etc. are not subject to the fair value disclosure. Investments in partnerships include some of "Other assets."

(Note 3) The scheduled repayment amount after the consolidated balance sheet date for monetary claims and matured securities

(Millions of yen)

	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	739,022	—	—	—	—	—
Securities	233,840	546,701	279,894	94,707	324,813	12,026
Held-to-maturity debt securities	6,909	40,100	26,174	150	—	—
Other securities with maturity	226,931	506,601	253,719	94,557	324,813	12,026
Loans (*)	432,871	684,927	478,005	285,490	340,065	580,122
Total	1,405,735	1,231,628	757,900	380,198	664,879	592,148

(*) The amounts do not include 39,365 million yen in loans of which scheduled repayment amount is not expected to be recovered, including the loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and borrowers with high probability of becoming insolvent, and 395,354 million yen in loans with indefinite term.

(Note 4) The scheduled repayment amount after the consolidated balance sheet date for borrowed money and other interest-bearing debt

(Millions of yen)

	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	4,315,094	285,517	21,559	1,983	2,589	—
Negotiable deposit	193,248	—	—	—	—	—
Payable under securities lending transactions	326,708	—	—	—	—	—
Borrowed money	71,086	234,737	50,907	295	64	13
Total	4,906,138	520,254	72,466	2,279	2,654	13

(*) Of deposits, demand deposits are included in "Within 1 year."

(Securities)

Securities include “Securities” in the consolidated balance sheet as well as “Trading account securities” and trust beneficiary interests in “Monetary claims bought.”

1. Trading account securities (as of March 31, 2018)

	Valuation difference included in loss or profit in the current year (millions of yen)
Trading account securities	6

2. Held-to-maturity debt securities (as of March 31, 2018) (Millions of yen)

	Category	Amount on consolidated balance sheet	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds the amount on the consolidated balance sheet	Government bonds	71,055	73,442	2,386
	Corporate bonds	2,088	2,117	29
	Subtotal	73,144	75,560	2,416
Held-to-maturity debt securities whose fair value does not exceed the amount on the consolidated balance sheet	Government bonds	—	—	—
	Corporate bonds	227	226	(0)
	Subtotal	227	226	(0)
Total		73,371	75,786	2,415

3. Other securities (as of March 31, 2018) (Millions of yen)

	Category	Amount on consolidated balance sheet	Acquisition cost	Difference
Other securities whose amount on the consolidated balance sheet exceeds the acquisition cost	Stock	129,630	61,657	67,972
	Bond	893,947	880,834	13,112
	Government bonds	505,492	495,810	9,681
	Local government bonds	225,595	223,437	2,158
	Corporate bonds	162,859	161,586	1,272
	Others	122,331	109,191	13,139
	Subtotal	1,145,908	1,051,682	94,225
Other securities whose amount on the consolidated balance sheet does not exceed the acquisition cost	Stock	10,798	11,917	(1,118)
	Bonds	97,418	97,821	(402)
	Government bonds	2,017	2,024	(7)
	Local government bonds	20,114	20,163	(49)
	Corporate bonds	75,287	75,633	(346)
	Others	431,400	448,342	(16,942)
	Subtotal	539,617	558,080	(18,463)
Total		1,685,526	1,609,763	75,762

4. Held-to-maturity debt securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Cost of sales	Sales price	Gain or loss on sales
Corporate bonds	5	5	0

(Reason for sales) Retirement by purchase

5. Other securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Sales price	Total gain on sales	Total loss on sales
Stock	12,613	2,677	49
Bonds	48,657	1,123	—
Government bonds	16,474	504	—
Japanese local government bonds	25,496	519	—
Corporate bonds	6,686	99	—
Other	228,993	1,881	3,413
Total	290,265	5,681	3,463

6. Securities whose holding purpose was changed
   None

7. Securities for which impairment loss was recorded
   For securities other than trading securities (excluding the securities whose fair value is judged to be extremely difficult to determine), if their fair value has significantly declined from the acquisition cost and is deemed unlikely to recover to the acquisition cost, such fair value is recorded as the amount on the consolidated balance sheet and the valuation difference is treated as loss for the current fiscal year ("Impairment Loss").
   The amount of Impairment Loss for the current fiscal year is 46 million yen (including 43 million yen for stock and 2 million yen for bonds).
   The Bank has its self-assessment criteria for the judgment that the fair value has "significantly declined." An impairment loss is recorded if the fair value declines 30% or more from the acquisition cost or if it is necessary to do so after taking into account the financial position of the issuer. An impairment loss on stock and securities investment trusts is recorded if the fair value as of the last day of the fiscal year has declined by 50% or more from the acquisition cost, or the fair value has declined by 30% or more but less than 50% and is judged to be irrecoverable, taking into account the changes in fair value during a certain period before the reference date or the financial position of the issuer.

(Money Held in Trust)
None

(Stock Options)

1. Amount recorded as stock option expenses for the current fiscal year and its account title
   General and administrative expenses 126 million yen

2. Details and scale of stock options and changes

(1) Details of stock options

	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options
Number and type of option holders	9 directors, 8 executive officers of the Bank	8 directors, 10 executive officers of the Bank	7 directors, 9 executive officers of the Bank	8 directors, 8 executive officers of the Bank
Number of stock options by class of stock (Note)	46,540 shares of common stock of the Bank	60,660 shares of common stock of the Bank	59,760 shares of common stock of the Bank	42,390 shares of common stock of the Bank
Date of grant	July 27, 2010	July 28, 2011	July 30, 2012	July 30, 2013
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period
Exercise period	July 28, 2010 to July 27, 2040	July 29, 2011 to July 28, 2041	July 31, 2012 to July 30 2042	July 31, 2013 to July 30, 2043

	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Number and type of option holders	8 directors, 7 executive officers of the Bank	8 directors, 7 executive officers of the Bank	9 directors, 6 executive officers of the Bank	9 directors, 6 executive officers of the Bank
Number of stock options by class of stock (Note)	32,980 shares of common stock of the Bank	24,910 shares of common stock of the Bank	36,780 shares of common stock of the Bank	25,740 shares of common stock of the Bank
Date of grant	July 30, 2014	July 30, 2015	July 29, 2016	July 28, 2017
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period
Exercise period	July 31, 2014 to	July 31, 2015 to	July 30, 2016 to	July 29, 2017 to

	July 30, 2044	July 30, 2045	July 29, 2046	July 28, 2047

(Note) As the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017, the number of stock options by class of stock has been adjusted and converted into the number of shares.

(2) Scale of stock options and changes

①Number of stock options (Note)

	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options
Prior to vesting (shares)				
At end of previous consolidated fiscal year	12,620	19,960	28,700	24,190
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	1,840	2,230	2,500	3,230
Unvested	10,780	17,730	26,200	20,960
After vesting (shares)				
At end of previous consolidated fiscal year	—	—	—	—
Vested	1,840	2,230	2,500	3,230
Exercised	1,840	2,230	2,500	3,230
Forfeited	—	—	—	—
Unexercised	—	—	—	—

	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Prior to vesting (shares)				
At end of previous consolidated fiscal year	23,950	19,430	36,780	—
Granted	—	—	—	25,740
Forfeited	—	—	—	—
Vested	4,050	2,920	4,360	—
Unvested	19,900	16,510	32,420	25,740
After vesting (shares)				
At end of previous consolidated fiscal year	—	—	—	—
Vested	4,050	2,920	4,360	—
Exercised	4,050	2,920	4,360	—
Forfeited	—	—	—	—
Unexercised	—	—	—	—

② Unit prices (Note)

	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options
Exercising price (¥)	1	1	1	1
Average stock price at time of exercising (¥)	5,170	5,170	5,170	5,170
Fair carrying value per unit at date of grant (¥)	2,860	2,360	2,110	3,000

	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Exercising price (¥)	1	1	1	1
Average stock price at time of exercising (¥)	5,190	5,190	5,190	—
Fair carrying value per unit at date of grant (¥)	3,690	5,110	3,430	4,900

(Note) As the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017, the numbers of stock options and the unit prices have been adjusted.

3. Pro forma calculation of the fair carrying value per unit of stock options

The pro forma calculation of the fair carrying value per unit of 2017 Stock Options granted in the current consolidated fiscal year is as follows.

(1) Applied evaluation method: Black-Scholes method

(2) Main base numerical value and pro forma calculation

	2017 Stock Options
Volatility of stock price (Note 1)	33.28%
Expected remaining period (Note 2)	2 years and 0 month
Expected dividend (Note 3)	9 yen per share
Risk-free interest rate (Note 4)	Minus 0.099%

(Notes) 1. The volatility of stock price is calculated based on the actual share prices for the period corresponding to the expected remaining period of 2 years and 0 month (July 28, 2015 to July 27, 2017).

2. The expected remaining period is the average of the remaining period of the current officers by position calculated based on the tenure of the retired officers over the last 10 years.

3. The amount actually paid for the fiscal year ended March 2017

4. The interest rate of the government bonds for the period corresponding to the expected remaining period.

4. The method for estimating the number of stock options vested

As it is difficult to reasonably estimate the number of stock options to be forfeited in the future, the actual number of stock options forfeited has been reflected.

(Matters Related to Leases and Other Real Properties)

None

(Matters Related to Business Combinations)

Additional Information

Business Integration between the Bank and The Hokuetsu Bank, Ltd.

The Bank and The Hokuetsu Bank, Ltd. (President: Katsuya Sato) ("Hokuetsu Bank") (collectively, "Banks") resolved at their respective meetings of the board of directors held on March 23, 2018 to incorporate a company named "Daishi Hokuetsu Financial Group, Inc." (the "Joint Holding Company") that would become a wholly-owning parent company of the Banks effective as of October 1, 2018 through a joint share transfer (the "Share Transfer"), subject to obtaining the approval of shareholders of the Banks and regulatory approvals, and resolved the outline of the Joint Holding Company and terms of the Share Transfer. The Banks also entered into the business integration agreement on the same day.

Furthermore, the Banks jointly prepared a share transfer plan for the Share Transfer based on the resolutions of their respective meetings of the board of directors held on May 11, 2018.

1. Goals of the Business Integration through the Share Transfer

(1) Background and Goals of the Business Integration

From the early Meiji period (i.e., 1870's) to today, the Bank and Hokuetsu Bank have long established solid management bases as regional banks whose head offices are both located in Niigata Prefecture, by playing roles and accomplishing their missions as regional banks with support from local communities.

However, due to the effect of such factors as the declining population, it is expected that the size of bank deposits and lending will shrink in the future, and profit margins on lending and gains on investments in securities will further decrease due to Japan's prolonged monetary easing policy. As described above, the business environment surrounding the Banks is expected to become much harsher, and establishing more solid management bases is now a common business challenge for the Banks.

In addition to the above, with the developments in the integration of finance and IT technology, typified by FinTech, and in digitalization, flexible responses to new customer needs, such as the introduction of IT technology to financial services, and creating further additional value are part of the important challenges. Moreover, now that Niigata companies are increasingly entering overseas markets and dealing with foreign companies, the Banks are also expected to expand and improve their consulting function with a global perspective, including providing know-how for business development in overseas markets.

The Banks have cooperated with each other to achieve their common goal of regional development by executing a comprehensive partnership agreement concerning regional revitalization with Niigata Prefecture, forming syndicated loans and other approaches, as well as promoting operational efficiency partnerships, such as jointly operating cash transportation cars. However, in light of changes in the business environment in which the Banks are operating, diversified customer needs and a host of other developments, the Banks, which have long fostered a relationship of trust, have concluded that if they integrate their businesses and address their common challenges by using their respective strengths, then they will be able to continue to play their roles and accomplish their missions as regional banks on a permanent basis, and also contribute significantly to the Banks' shareholders, customers and local communities. Accordingly, the Banks formed a basic agreement on April 5, 2017 to proceed with discussions and considerations toward a business integration, the basic policy of which is to establish the Joint Holding Company through the Share Transfer and to merge the Banks under the Joint Holding Company in the future (the "Business Integration"). Moreover, the date of the formation of the Joint Holding Company through the Share Transfer (i.e., the effective date of the Share Transfer) was decided to be October 1, 2018 (scheduled), and on March 23, 2018 the Banks reached a definitive agreement to carry out the Business Integration on an equal footing.

(2) Method of Share Transfer, Details of Allotment Relating to the Share Transfer

(i) Method of the Share Transfer

The Share Transfer will take the form of a joint share transfer, under which the Banks will become wholly-owned subsidiaries of the Joint Holding Company to be incorporated following the share transfer, and the Joint Holding Company will become the wholly-owning parent company of the Banks.

(ii) Details of Allotment in the Share Transfer

Company name	Daishi Bank	Hokuetsu Bank
Share transfer ratio	1	0.5

(Note 1) Share allotment ratio

One (1) share of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of the Bank, and 0.5 share(s) of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of Hokuetsu Bank. One unit of shares of common stock of the Joint Holding Company is planned to comprise 100 shares.

If the number of Joint Holding Company shares which will be delivered to a shareholder of the Banks through the Share Transfer includes a fraction of less than one share, the Joint Holding Company will, pursuant to Article 234 of the Companies Act of Japan ("Companies Act") and other relevant laws and regulations, pay the relevant shareholder a cash amount corresponding to such fractional share.

Changes to the above Share Transfer Ratio may be made during the period after the execution of the Business Integration Agreement and until the effective date of the Share Transfer upon consultation between the Banks in the event that matters that cause a material effect to the Share Transfer Ratio are newly found to exist or have occurred.

(Note 2) Number of newly issued Joint Holding Company shares to be delivered through the Share Transfer (scheduled)

Common stock: 45,876,355 shares

The above number has been calculated based on the total number of issued and outstanding shares of the Bank (34,625,347 shares) and that of Hokuetsu Bank (24,514,280 shares) as of March 31, 2018. However, the Banks plan to cancel their treasury shares (however, excluding treasury shares owned by the Bank that are the trust assets of the exclusive trust of the Daishi Bank Employee Stock Ownership Plan pertaining to all of the Bank's trust-type employee stock ownership incentive plan (E-Ship) (owner name: "The Nomura Trust and Banking Co., Ltd. (Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account)"); the same hereinafter) immediately before the Joint Holding Company acquires all of the Banks' issued and outstanding shares ("Record Time"). Accordingly, treasury shares held by the Bank (742,205 shares) and Hokuetsu Bank (527,854 shares) as of March 31, 2018 have not been included in the scope of the new share delivery in calculating the above number. The number of newly issued Joint Holding Company shares to be delivered through the Share Transfer may change if the number of the Banks' treasury shares as of March 31, 2018 changes before the Record Time due to reasons such as exercise of the right to request purchase of shares by a shareholder of the Bank or Hokuetsu Bank.

(Note 3) Handling of shares constituting less than one unit

The Banks' shareholders who receive an allocation of shares constituting less than one unit (100 shares) of the common stock of the Joint Holding Company ("Shares Constituting Less than One Unit") through the Share Transfer may not sell Shares Constituting Less than One Unit on the TSE or any other securities exchange. Shareholders who own Shares Constituting Less than One Unit may request the Joint Holding Company to purchase their Shares Constituting Less than One Unit pursuant to Article 192, paragraph (1) of the Companies Act. It is planned that such shareholders may also request the Joint Holding Company to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit owned by such shareholder, to constitute one unit pursuant to Article 194, paragraph (1) of the Companies Act and provisions planned to be stipulated in the Articles of Incorporation of the Joint Holding Company.

(3) Handling of stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiaries

In connection with the Share Transfer, the Joint Holding Company will deliver to the holders of stock acquisition rights issued by the Bank and Hokuetsu Bank outstanding as of the Record Time stock acquisition rights of the Joint Holding Company based on the terms of stock acquisition rights and the Share Transfer Ratio. Neither of the Banks has issued bonds with stock acquisition rights.

2. Schedule of the Share Transfer

Friday, March 23, 2018	Adoption of resolutions at the board of directors' meetings for the execution of the Business Integration Agreement Execution of the Business Integration Agreement (Banks)
Saturday, March 31, 2018	Record date of the annual shareholders' meetings (Banks)
Friday, May 11, 2018 (scheduled)	Adoption of resolutions at the board of directors' meeting for the preparation of the Share Transfer Plan Preparation of the Share Transfer Plan (Banks)
Tuesday, June 26, 2018 (scheduled)	Convening of the annual shareholders' meetings (adoption of resolution approving the Share Transfer Plan) (Banks)
Wednesday, September 26, 2018 (scheduled)	TSE delisting date (Banks)
Monday, October 1, 2018 (scheduled)	Date of formation of the Joint Holding Company (i.e., effective date of the Share Transfer) Share listing date of the Joint Holding Company

(Note) The above schedule may be changed upon consultation between the Banks where necessary in the course of moving towards the Share Transfer or for other reasons.

3. Profile of the Banks (as of the end of March 2018)

Name	The Daishi Bank, Ltd.	The Hokuetsu Bank, Ltd.
Location	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Name and Title of Representative	Fujio Namiki, President	Katsuya Sato, President
Nature of Business	Banking business	Banking business
Amount of capital	32,776 million yen	24,538 million yen
Date of foundation	November 2, 1873	December 20, 1878
Number of issued shares	34,625,347 shares	24,514,280 shares
Fiscal year end	March 31	March 31

4. Company to be Established through the Share Transfer

Trade name	Daishi Hokuetsu Financial Group, Inc.
Location of head office	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Capital	30,000 million yen
Fiscal year end	March 31

5. Overview of Accounting Treatment of the Share Transfer

It is expected that the purchase method will be applied as the accounting treatment of the Share Transfer since it falls under "purchase" stipulated in the Accounting Standard for Business Combination. The amount of goodwill (or negative goodwill) in connection with the Share Transfer has not been determined at the present stage.

(Per Share Information)

Net assets per share	9,454.80 yen
Profit attributable to owners of parent per share	407.22 yen
Diluted profit attributable to owners of parent per share	405.26 yen

Since the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2017, net assets per share, profit attributable to owners of parent per share, and diluted profit attributable to owners of parent per share are calculated on the assumption that the share consolidation was conducted at the beginning of the current consolidated fiscal year.

In calculating net assets per share, profit attributable to owners of parent per share, and diluted profit attributable to owners of parent per share, the Bank's shares outstanding in the trust recorded as treasury stock in shareholders' equity are included in treasury stock that is deducted in the calculation of the number of shares at the end of the fiscal year and the average number of shares during the fiscal year.

The number of shares of the treasury stock at the end of the fiscal year deducted for the calculation of net assets per share is 110 thousand shares.

The average number of shares of treasury stock during the fiscal year deducted for the calculation of profit attributable to owners of parent per share and diluted profit attributable to owners of parent per share is 136 thousand shares.

(Material Subsequent Events)

None

(Reference Documents for the General Meeting of Shareholders)

The following materials relating to Proposal No. 1 “Approval of the Share Transfer Plan with The Hokuetsu Bank, Ltd.

- The Hokuetsu Bank, Ltd. – Note Concerning Share Options, etc.
- The Hokuetsu Bank, Ltd. – Statements of Shareholders’ Equity
- The Hokuetsu Bank, Ltd. – Notes to Financial Statements
- The Hokuetsu Bank, Ltd. – Consolidated Statements of Shareholders’ Equity
- The Hokuetsu Bank, Ltd. – Notes to Consolidated Financial Statements

(From April 1, 2017 to March 31, 2018)

Note: “The Bank” in pages 33 to 63 refers to Hokuetsu Bank.

Note Concerning Share Options, etc.

(1) Share Options, etc. of the Bank held by the Bank's Officers at the End of the Fiscal Year

	Outline of the Share Options, etc.	Number of Officers Holding Share Options, etc.
Directors (Excluding Outside Officers)	1. Name of share options The Hokuetsu Bank, Ltd. Series 1 Share-Based Compensation Share Options 2. Number of share options 209 (10 shares per share option) 3. Type and number of shares underlying share options 2,090 shares of common stock of the Bank 4. Exercisable period July 27, 2011 to July 26, 2041 5. Exercise price (per share) 1 yen 6. Major condition to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	1
	1. Name of share options The Hokuetsu Bank, Ltd. Series 2 Share-Based Compensation Share Options 2. Number of share options 462 (10 shares per share option) 3. Type and number of shares underlying share options 4,620 shares of common stock of the Bank 4. Exercisable period July 27, 2012 to July 26, 2042 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	2
	1. Name of share options The Hokuetsu Bank, Ltd. Series 3 Share-Based Compensation Share Options 2. Number of share options 728 (10 shares per share option) 3. Type and number of shares underlying share options 7,280 shares of common stock of the Bank 4. Exercisable period July 27, 2013 to July 26, 2043 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	3

	Outline of the Share Options, etc.	Number of Officers Holding Share Options, etc.
Directors (Excluding Outside Officers)	1. Name of share options The Hokuetsu Bank, Ltd. Series 4 Share-Based Compensation Share Options 2. Number of share options 605 (10 shares per share option) 3. Type and number of shares underlying share options 6,050 shares of common stock of the Bank 4. Exercisable period July 29, 2014 to July 28, 2044 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	3
	1. Name of share options The Hokuetsu Bank, Ltd. Series 5 Share-Based Compensation Share Options 2. Number of share options 1,021 (10 shares per share option) 3. Type and number of shares underlying share options 10,210 shares of common stock of the Bank 4. Exercisable period July 28, 2015 to July 27, 2045 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	7
	1. Name of share options The Hokuetsu Bank, Ltd. Series 6 Share-Based Compensation Share Options 2. Number of share options 1,370 (10 shares per share option) 3. Type and number of shares underlying share options 13,700 shares of common stock of the Bank 4. Exercisable period July 28, 2016 to July 27, 2046 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	7

	Outline of the Share Options, etc.	Number of Officers Holding Share Options, etc.
Directors (Excluding outside officers)	1. Name of share options The Hokuetsu Bank, Ltd. Series 7 Share-Based Compensation Share Options 2. Number of share options 1,552 (10 shares per share option) 3. Type and number of shares underlying share options 15,520 shares of common stock of the Bank 4. Exercisable period July 27, 2017 to July 26, 2047 5. Exercise price (per share) 1 yen 6. Major conditions to the exercise of share options Share option holders may only exercise the share options all at once, and such exercise shall be restricted to the 10-day period starting on the day immediately following the date that they lose their status as a director of Hokuetsu Bank.	11
Outside Directors	—	—
Corporate Auditors	—	—

(2) Share Options, etc. of the Bank Delivered to the Bank's Employees, etc. During the Fiscal Year

None

Statements of Stockholders' Equity for the 113th Fiscal Year (From April 1, 2017 to March 31, 2018)

(Unit: Million Yen)

	Stockholder Equity							
	Common Stock	Capital Surplus		Retained Earnings			Treasury Stock	Total Stockholder Equity
		Capital Reserves	Total Capital Surplus	Retained Earnings Reserves	Other Retained Earnings: Retained Earnings Forwarded	Total Retained Earnings		
Balance at beginning of current period	24,538	16,964	16,964	2,223	47,024	49,247	(1,387)	89,362
Changes during current period								
Dividends from surplus					(1,437)	(1,437)		(1,437)
Net income					7,161	7,161		7,161
Acquisition of treasury stock							(3)	(3)
Disposal of treasury stock					(28)	(28)	103	75
Retained earnings reserved				287	(287)	—		—
Reversal of unrealized gains from revaluation of land held for use					38	38		38
Changes of items other than stockholders' equity during current period (net amount)								
Total changes during the current period	—	—	—	287	5,446	5,734	100	5,834
Balance at end of current period	24,538	16,964	16,964	2,511	52,470	54,981	(1,287)	95,196

	Valuation and Translation Adjustment				Stock Subscription rights	Total net assets
	Other Securities Adjustment	Deferred Gains (Losses) on Hedges	Unrealized gains from revaluation of land held for use	Total Valuation and Translation Adjustment		
Balance at beginning of current period	20,918	(1,422)	2,616	22,112	156	111,631
Changes during current period						
Dividends from surplus						(1,437)
Net income						7,161
Acquisition of treasury stock						(3)
Disposal of treasury stock						75
Retained earnings reserved						—
Reversal of unrealized gains from revaluation of land held for use						38
Changes of items other than stockholders' equity during current period (net amount)	(2,670)	1,141	(38)	(1,567)	(37)	(1,605)
Total changes during the current period	(2,670)	1,141	(38)	(1,567)	(37)	4,229
Balance at end of current period	18,248	(280)	2,577	20,545	118	115,860

Notes to Financial Statements

Amounts less than one million yen are rounded down.

Matters Concerning Accounting Policies

1. Trading securities are recorded at market value, with cost of sales determined mainly by the moving average method.
2. Valuation standards and valuation method of securities

(1) In principle, securities available for sale are carried at fair value based on the market prices at the balance sheet date with cost of sales determined mainly by the moving average method, and by the moving average method using the cost method for subsidiaries and subsidiary corporations. However, securities available for sale, for which it is judged to be extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of the other securities, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

(2) The fair value method is used to determine the value of securities managed as the trust assets of entrusted cash in individually operated cash trusts with securities investment as its main purpose.

3. Valuation standards and valuation method of derivatives

Derivatives held or written are stated at fair value.

4. Depreciation method of fixed assets

(1) Tangible fixed assets

The declining-balance method is used for depreciation of tangible fixed assets.

The useful lives for major asset categories are as follows:

Buildings ....10 to 50 years

Other assets ....3 to 15 years

(2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank (5 years)

5. Translation standards for conversion of assets and liabilities denominated in foreign currencies to Japanese yen

Assets and liabilities denominated in foreign currencies are converted to Japanese yen values using the market exchange rate on the balance sheet date.

6. Standards for recording allowances

(1) Allowance for loan losses

A reserve for possible loan losses is recognized as follows in accordance with the predetermined amortization and provision criteria.

For loans to customers who are undergoing legal insolvency proceedings such as bankruptcy and special liquidation ("borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy ("borrowers substantially in bankruptcy"), an allowance for loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the amounts that are deemed recoverable from the guarantors. For the loans to borrowers not presently in the above insolvency circumstances, but with a high probability of becoming so, an allowance for loan losses is provided at the amount deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, an allowance for loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period. There are no foreign specified claims.

All business branches and head-office business related departments conduct initial evaluation of all loans in accordance with the self-assessment rules, and after undergoing secondary evaluation by head-office loan approval departments, their evaluations are audited by the asset audit section, which is independent from business related departments.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan. The amount of such direct write-off is

¥4,206 million.

(2) Provision for bonuses

An allowance for bonuses to employees is appropriated as the total amount of the bonuses expected to be paid to employees within the current business year.

(3) Allowance for bonuses to directors and corporate auditors

An allowance for bonuses for directors and corporate auditors is appropriated in the amount of the expected total bonus payment to directors and corporate auditors within the current business year.

(4) Provision for retirement benefits

The allowance for retirement benefits is appropriated in the necessary amount based on an estimate of the retirement benefit obligations and pension assets expected to be paid to employees at the end of the current business year. Because the amount of pension assets exceeds the amount of retirement benefit obligations minus the total of unconfirmed items for the business year under review, it is recorded in “Prepaid pension costs” in the balance sheets. In calculating the retirement benefit obligations for employees, the estimated retirement benefit amount is attributed to the current business year using the benefit formula method. Unrecognized prior service cost and unrecognized actuarial gains and losses are amortized as follows.

Unrecognized prior service cost is amortized using the straight–line method over a certain period of time (3 years) within the average remaining service years of the current employees.

Unrecognized actuarial gains and losses are amortized from the following business year using the straight-line method over a certain period (12 years) within the average remaining service years of the current employees.

(5) Provision for reimbursement of deposits

A reserve for reimbursement of deposits in inactive bank accounts is prepared against repayment losses that may be incurred when the holders of inactive bank accounts with suspended liability appropriation demand repayment. These reserves are prepared in the amount of estimated future repayment loss based on past repayment results.

(6) Provision for losses on system cancellation

The allowance for losses on system cancellation is a provision for the expected loss due to termination before the end of the contractual term of outsourcing service agreements for core systems of the Bank that are expected to be incurred in future in connection with the adoption of the core systems currently used by The Daishi Bank, Ltd. after the future scheduled merger with The Daishi Bank, Ltd.

(7) Provision for contingent losses

The reserve for contingencies is appropriated in the amount determined to be necessary based on estimates of future potential losses to provide for payments of obligations of the Bank to the Japan Federation of Credit Guarantee Corporations.

7. Hedge accounting

Hedge accounting for interest rate risks

Deferred hedges are used as hedge accounting for interest rate risks accompanying various financial assets and liabilities. With respect to hedge transactions, individual hedges are implemented using derivatives transactions such as interest swap transactions for each individual transaction as its hedging method to avoid the interest rate risks accompanying financial assets and liabilities that are the subject of the hedge.

The effectiveness of a hedge is assessed in accordance with risk management procedures, by designating the hedge and conducting integrated management of the hedging instrument and the hedged item, and verifying whether interest risks associated with the hedged item are being mitigated by the hedging instrument.

8. Accounting treatment for consumption taxes

The tax-excluded method is the accounting treatment mainly used for consumption taxes and local consumption taxes (“Consumption Taxes, etc.”).

However, Consumption taxes, etc. that cannot be deducted with respect to tangible fixed assets are recognized as costs for the current business year.

Notes

(Notes to Balance Sheets)

1. The total shares and capital contribution of affiliated companies: 3,098 million yen
2. Securities received under repurchase agreement, securities that can be disposed of freely by sale or (re-)pledged as collateral and were held without being disposed of at the end of the current business year: 742 million yen.
3. Among "Loans," loans to borrowers under bankruptcy proceedings is 431 million yen and past due loans is 25,726 million yen.

   Loans to borrowers under bankruptcy proceedings mean nonaccrual loans which have no prospects for recovery or repayment of principal or interest due to such reasons as payment of principal or interest not having been received for a substantial period of time (excluding loans written-off ("Non-Accrual Loans")) and for which circumstances apply as stipulated in Article 96, Paragraph (1), item (iii), (a) through (e) or item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

   Past due loans mean Non-Accrual Loans other than (i) loans to borrowers under bankruptcy proceedings and (ii) loans for which payments of interest are deferred in order to facilitate the restructuring of, or assist, borrowers in financial difficulties.
4. Among "Loans," loans past due for three months or more are 201 million yen.

   Loans past due for three months or more mean loans, for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the payment date under contract, and which are not either loans to borrowers under bankruptcy proceedings or past due loans.
5. Among "Loans," rescheduled loans are 1,963 million yen.

   Rescheduled loans mean loans as to which contracts have been amended in favor of borrowers, such as reduction of or exemption from stated interest, deferral of interest payments, extension of maturity dates, and renunciation of claims, in order to assist or facilitate the restructuring of borrowers in financial difficulties; loans to borrowers under bankruptcy proceedings, past due loans, or loans past due for three months or more are not included.
6. The total amount of loans to borrowers under bankruptcy proceedings, past due loans, loans past due for three months or more, and rescheduled loans is 28,322 million yen.

   The amounts of loans stated in items 3 through 6 above are the amounts before deducting the amount of the "Reserve for possible loan losses" therefrom.
7. "Bills discounted" are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). As for bills accepted by banks, commercial bills, documentary bills, and foreign exchange bought which have been accepted due to the foregoing, the Bank is entitled to sell or re-pledge such bills without restriction. The total face value of such bills is 12,519 million yen.
8. Assets pledged as collateral are as follows:

Assets pledged as collateral-	
Deposits paid	0 million yen
Securities	173,251 million yen
Other assets	480 million yen
Liabilities related to assets pledged	
Deposits received	3,046 million yen
Payables under repurchase agreements	64,365 million yen
Guarantee deposits received under securities lending transactions	24,960 million yen

   In addition, securities of 10,234 million yen were pledged as collateral for settlement of exchange transactions or as an alternative to collateral for derivatives transactions.

   Initial margins deposited with central clearing organization of 5,564 million yen, security deposits of 47 million yen, and guarantee deposits of 45 million yen are included in "Other assets."
9. Commitment line agreements relating to overdrafts and loans represent agreements to extend overdrafts or loans to customers up to agreed amounts at their request as long as no violation of the conditions of the agreements exists. Unused commitment lines under such agreements are 573,577 million yen. Among these, commitment line agreements whose original maturity is within one year or for which the Bank can cancel at any time without any penalty amount to 565,318 million yen.

   Since most of such agreements are terminated without being exercised, the amount of unexercised commitment lines does not necessarily affect the future cash flows of the Bank. Most of these agreements have provisions which stipulate that the Bank may deny extensions of loans or decrease the commitment line when there are certain changes in financial markets, certain issues in securing loans, or other reasonable circumstances. Upon providing such commitments, the Bank requests collateral in the form of real property or securities as deemed necessary. In addition, the Bank monitors the financial condition of customers in accordance with its pre-established internal rules on a regular basis and takes necessary measures, including revisiting the terms of commitments and other means, in order to prevent credit losses.

10. Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), land used for business purposes has been revalued. Among the differences incurred from such revaluation, the amount equivalent to tax regarding the revaluation difference is accounted for in "Liabilities" as "Deferred income taxes for revaluation," while the revaluation difference net of these deferred tax liabilities is accounted for in "Net Assets" as "Unrealized gains from revaluation of land for use."

    Date of revaluation: March 31, 1998
    Revaluation method stipulated in Article 3, Paragraph (3) of the Act on Revaluation of Land:
    The revaluation value was calculated by making reasonable adjustments based on the method (e.g. value adjustment for setback) published by the Commissioner of the National Tax Agency for the calculation of land value for a basis of determining the taxable amount subject to land value tax stipulated in Article 16 of the Land Value Tax Act (Act No. 69 of 1991), which is set forth in Article 2, item (iv) of the Order for Enforcement of the Act on Revaluation of Land.
    Difference between the total fair value as at the end of the business year of the land used for business purposes that is subject to revaluation pursuant to Article 10 of the Act on Revaluation of Land and the total carrying amount of the land after such revaluation: 10,703 million yen.
11. Aggregate amount of accumulated depreciation of tangible fixed assets: 32,834 million yen
12. Aggregate amount of advanced depreciation of tangible fixed assets: 1,750 million yen
13. Among the "Corporate bonds" in "Securities," the Bank's guarantee obligations on corporate bonds through private placement of securities (as specified in Article 2, Paragraph (3) of the Financial Instruments and Exchange Act) amount to 55,467 million yen.
14. Total monetary claims against affiliated companies: 10,187 million yen
15. Total monetary obligations to affiliated companies: 8,456 million yen
16. The Bank is subject to a restriction on dividends of surplus pursuant to the provisions of Article 18 of the Banking Act.
    Notwithstanding the provisions of Paragraph (4) of Article 445 of the Companies Act (Amounts of Stated Capital and Amounts of Reserves), when distributing dividends of surplus, the Bank recognizes as capital reserves or retained earnings reserves an amount calculated by multiplying the amount of surplus reduction due to such dividend by one fifth.
    The amount recorded to retained earnings reserves in relation to such dividends of surplus this business year is 287 million yen.

(Notes to Statements of Income)

1. Revenue from transactions with affiliated companies

Total revenue from fund management transactions	854 million yen
Total revenue from service transactions	24 million yen
Total revenue from other operating and other ordinary transactions	8 million yen
Costs of transactions with affiliated companies	
Total costs relating to financing transactions	0 million yen
Total costs relating to service transactions, etc.	567 million yen
Total costs relating to other transactions	174 million yen

2. Transactions with related parties are as follows.

Affiliatio n	Company, etc. Name	Percentage of Voting Rights Held In (by)	Relationship with Related Party	Details of Transactions	Transaction Amount (million	Item	End of Year Balance

					yen)		(million yen)
Subsidiary	The Hokuetsu Credit Guarantee Co., Ltd.	100.00% of voting rights held in the company	Guarantee of loans (Note 1)	Guarantees of the Bank's home loans (Note 2)	346,953 (Note 3)	—	—

(Note 1) The Hokuetsu Credit Guarantee Co., Ltd. provides to the Bank guarantees for home loan receivables, etc.

(Note 2) Guarantee terms are determined by taking into consideration factors such as the credit risk of home loans, etc. subject to the guarantee.

(Note 3) The transaction amount shows the balance of guarantees at the end of the current business year.

(Notes to Statements of Changes in Stockholders' Equity)

Class and total number of issued shares; class and number of shares of treasury stock

(Unit: Thousand shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year	Remarks
Treasury stock					
Common stock	568	1	42	527	(Note)
Total	568	1	42	527	

(Note) The breakdown of number of shares increased during the year is as follows

Increase due to the acquisition of common stock in response to the requests to buy back shares constituting less than one unit	1,000 shares

Breakdown of the number of shares decreased during the year

Decrease due to the sale of treasury stock in response to the request to purchase additional shares from the holders of shares constituting less than one unit	0 share
Decrease due to the exercise of stock options	42,000 shares

(Securities)

In addition to "Government bonds," "Local government bonds," "Corporate bonds," and "Other securities" shown on the balance sheets, securities includes "trading government bonds" and "trading local government bonds."

1. Trading securities (as of March 31, 2018)

	Valuation difference included in gains and losses for the current business year
Trading securities	(0)

2. Held-to-maturity debt securities (as of March 31, 2018)

None.

3. Shares of subsidiaries and subsidiary corporations and shares of affiliated corporations (as of March 31, 2018)

None.

(Note) Shares of subsidiaries and subsidiary corporations and shares of affiliated corporations for which it is judged to be extremely difficult to determine the fair value

(Unit: Million Yen)

	Carrying Value
Shares of subsidiary or subsidiary corporation	3,088
Shares of affiliated corporation	—

Total	3,088

Because there is no market price for these shares, it is judged to be extremely difficult to determine their fair value, and therefore they are not included in “Shares of subsidiaries and subsidiary corporations and shares of affiliated corporations.”

4. Other securities (as of March 31, 2018)

	Category	Amount on balance sheets (million yen)	Acquisition cost	Gain (Loss) (million yen)
Other securities whose amount on the balance sheet exceeds the acquisition cost	Stocks	32,234	14,333	17,901
	Bonds	474,750	464,986	9,764
	Government bonds	343,896	336,255	7,641
	Local government bonds	32,931	32,272	658
	Short-term corporate bonds	—	—	—
	Corporate bonds	97,921	96,457	1,463
	Other	133,343	129,941	3,402
	Foreign bonds	89,114	88,004	1,109
	Other	44,228	41,936	2,292
	Subtotal	640,328	609,260	31,067
Other securities whose amount on the balance sheet does not exceed the acquisition cost	Stocks	2,199	2,421	(221)
	Bonds	50,576	50,900	(324)
	Government bonds	33,208	33,476	(268)
	Local government	599	600	(0)
	Short-term corporate bonds	—	—	—
	Corporate bonds	16,767	16,823	(55)
	Other	131,727	136,364	(4,637)
	Foreign bonds	30,843	31,211	(367)
	Other	100,883	105,153	(4,269)
	Subtotal	184,503	189,686	(5,182)
Total		824,831	798,946	25,884

(Note) Other securities judged to be extremely difficult to determine the fair value of

	Carrying Value (million yen)
Stock	1,884
Other	1,956
Total	3,841

Because there is no market price it is judged to be extremely difficult to determine the fair value of these shares, and therefore they are not included in “Other securities.”

5. Other securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Unit: Million Yen)

	Sale price	Total gain on sales	Total loss on sales
Stocks	1,650	881	18
Bonds	298,532	3,213	109
Government bonds	298,226	3,208	109
Local government bonds	—	—	—
Corporate bonds	305	5	—
Other	181,666	3,353	983

Foreign bonds	169,939	1,051	841
Other	11,726	2,301	142
Total	481,849	7,449	1,111

6. Securities for which impairment loss was recorded

For securities other than trading securities (excluding the securities whose fair value is judged to be extremely difficult to determine), if their fair value has significantly declined from the acquisition cost and is deemed unlikely to recover to the acquisition cost, such fair value is recorded as the amount on the balance sheet and the valuation difference is treated as loss for the current business year ("Impairment Loss"). There was no Impairment Loss during the current business year.

The Bank has "a market value decline of 30% or more since the end of the previous fiscal year" as its "rational standard" for determining whether the fair value has "significantly declined." The Bank determines whether there is a possibility of recovery for securities falling under this standard, and applies Impairment Loss.

(Notes on Tax Effect Accounting)

The breakdowns of deferred tax assets and deferred tax assets by main causes are respectively as follows.

	(Unit: Million Yen)
Deferred tax assets	
Reserve for possible loan losses	2,527
Allowance for retirement benefits	929
Stock, etc. depreciation	804
Depreciable assets	584
Deferred hedge gains (losses)	122
Other	2,009
Deferred tax asset subtotal	6,978
Valuation allowances	(1,417)
Total deferred tax assets	5,560
Deferred tax liabilities	
Valuation gains and losses on other securities	(7,636)
Other	(9)
Total deferred tax liabilities	(7,645)
Net deferred tax liabilities	(2,084)

(Per Share Information)

Per share amount of net assets	4,825.31 yen
Net income per share	298.68 yen
Diluted net income per share	297.87 yen

(Matters Related to Business Combinations)

Additional information

Business Integration between the Bank and The Daishi Bank, Ltd.

The Bank and The Daishi Bank, Ltd. (President: Fujio Namiki) ("Daishi Bank") (collectively, "Banks"), resolved at their respective meetings of the board of directors held on March 23, 2018 to incorporate a company named "Daishi Hokuetsu Financial Group, Inc." (the "Joint Holding Company") that would become a wholly-owning parent company of the Banks effective as of October 1, 2018 through a joint share transfer (the "Share Transfer"), subject to obtaining the approval of shareholders of the Banks and regulatory approvals, and resolved the outline of the Joint Holding Company and terms of the Share Transfer. The Banks also entered into the business integration agreement on the same day.

Furthermore, the Banks jointly prepared a share transfer plan for the Share Transfer based on the resolutions of their respective meetings of the board of directors held on May 11, 2018.

1. Goals of the Business Integration through the Share Transfer

(1) Background and Goals of the Business Integration

From the early Meiji period (i.e., 1870's) to today, the Bank and Daishi Bank have long established solid management bases as regional banks whose head offices are both located in Niigata Prefecture, by playing roles and accomplishing their missions as regional banks with support from local communities.

However, due to the effect of such factors as the declining population, it is expected that the size of bank deposits and lending will shrink in the future, and profit margins on lending and gains on investments in securities will further decrease due to Japan's prolonged monetary easing policy. As described above, the business environment surrounding the Banks is expected to become much harsher, and establishing more solid management bases is now a common business challenge for the Banks.

In addition to the above, with the developments in the integration of finance and IT technology, typified by FinTech, and in digitalization, flexible responses to new customer needs, such as the introduction of IT technology to financial services, and creating further additional value are part of the important challenges. Moreover, now that Niigata companies are increasingly entering overseas markets and dealing with foreign companies, the Banks are also expected to expand and improve their consulting function with a global perspective, including providing know-how for business development in overseas markets.

The Banks have cooperated with each other to achieve their common goal of regional development by executing a comprehensive partnership agreement concerning regional revitalization with Niigata Prefecture, forming syndicated loans and other approaches, as well as promoting operational efficiency partnerships, such as jointly operating cash transportation cars. However, in light of changes in the business environment in which the Banks are operating, diversified customer needs and a host of other developments, the Banks, which have long fostered a relationship of trust, have concluded that if they integrate their businesses and address their common challenges by using their respective strengths, then they will be able to continue to play their roles and accomplish their missions as regional banks on a permanent basis, and also contribute significantly to the Banks' shareholders, customers and local communities. Accordingly, the Banks formed a basic agreement on April 5, 2017 to proceed with discussions and considerations toward a business integration, the basic policy of which is to establish the Joint Holding Company through the Share Transfer and to merge the Banks under the Joint Holding Company in the future (the "Business Integration"). Moreover, the date of the formation of the Joint Holding Company through the Share Transfer (i.e., the effective date of the Share Transfer) was decided to be October 1, 2018 (scheduled), and on March 23, 2018 the Banks reached a definitive agreement to carry out the Business Integration on an equal footing.

(2) Method of Share Transfer, Details of Allotment Relating to the Share Transfer

① Method of the Share Transfer

The Share Transfer will take the form of a joint share transfer, under which the Banks will become wholly-owned subsidiaries of the Joint Holding Company to be incorporated following the share transfer, and the Joint Holding Company will become the wholly-owning parent company of the Banks.

② Details of Allotment in the Share Transfer

Company name	Daishi Bank	Hokuetsu Bank
Share transfer ratio	1	0.5

(Note 1) Share allotment ratio

One (1) share of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of Daishi Bank, and 0.5 share(s) of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of the Bank. One unit of shares of common stock of the Joint Holding Company is planned to comprise 100 shares.

If the number of Joint Holding Company shares which will be delivered to a shareholder of the Banks through the Share Transfer includes a fraction of less than one share, the Joint Holding Company will, pursuant to Article 234 of the Companies Act of Japan ("Companies Act") and other relevant laws and regulations, pay the relevant shareholder a cash amount corresponding to such fractional share.

Changes to the above Share Transfer Ratio may be made during the period after the execution of the Business Integration Agreement and until the effective date of the Share Transfer upon consultation between the Banks in the event that matters that cause a material effect to the Share Transfer Ratio are newly found to exist or have occurred.

(Note 2) Number of newly issued Joint Holding Company shares to be delivered through the Share Transfer (scheduled)

Common stock: 45,876,355 shares

The above number has been calculated based on the total number of issued and outstanding shares of Daishi Bank (34,625,347 shares) and that of the Bank (24,514,280 shares) as of March 31, 2018. However, the Banks plan to cancel their treasury shares (however, excluding treasury shares owned by the Bank that are the trust assets of the exclusive trust of the Daishi Bank Employee Stock Ownership Plan pertaining to all of the Bank's trust-type employee stock ownership incentive plan (E-Ship) (owner name: "The Nomura Trust and Banking Co., Ltd. (Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account)"); the same hereinafter) immediately before the Joint Holding Company acquires all of the Banks' issued and outstanding shares ("Record Time"). Accordingly, treasury shares held by Daishi Bank (742,205 shares) and the Bank (527,854 shares) as of March 31, 2018 have not been included in the scope of the new share delivery in calculating the above number. The number of newly issued Joint Holding Company shares to be delivered through the Share Transfer may change if the number of the Banks' treasury shares as of March 31, 2018 changes before the Record Time due to reasons such as exercise of the right to request purchase of shares by a shareholder of Daishi Bank or the Bank.

(Note 3) Handling of shares constituting less than one unit

The Banks' shareholders who receive an allocation of shares constituting less than one unit (100 shares) of the common stock of the Joint Holding Company ("Shares Constituting Less than One Unit") through the Share Transfer may not sell Shares Constituting Less than One Unit on the TSE or any other securities exchange. Shareholders who own Shares Constituting Less than One Unit may request the Joint Holding Company to purchase their Shares Constituting Less than One Unit pursuant to Article 192, paragraph (1) of the Companies Act. It is planned that such shareholders may also request the Joint Holding Company to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit owned by such shareholder, to constitute one unit pursuant to Article 194, paragraph (1) of the Companies Act and provisions planned to be stipulated in the Articles of Incorporation of the Joint Holding Company.

(3) Handling of stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiaries

In connection with the Share Transfer, the Joint Holding Company will deliver to the holders of stock acquisition rights issued by the Bank and Daishi Bank outstanding as of the Record Time stock acquisition rights of the Joint Holding Company based on the terms of stock acquisition rights and the Share Transfer Ratio. Neither of the Banks has issued bonds with stock acquisition rights.

2. Schedule of the Share Transfer

Friday, March 23, 2018	Adoption of resolutions at the board of directors' meetings for the execution of the Business Integration Agreement Execution of the Business Integration Agreement (Banks)
Saturday, March 31, 2018	Record date of the annual shareholders' meetings (Banks)
Friday, May 11, 2018	Adoption of resolutions at the board of directors' meeting for the preparation of the Share Transfer Plan Preparation of the Share Transfer Plan (Banks)
Tuesday, June 26, 2018 (scheduled)	Convening of the annual shareholders' meetings (adoption of resolution approving the Share Transfer Plan) (Banks)
Wednesday, September 26, 2018 (scheduled)	TSE delisting date (Banks)
Monday, October 1, 2018 (scheduled)	Date of formation of the Joint Holding Company (i.e., effective date of the Share Transfer) Share listing date of the Joint Holding Company

(Note) The above schedule may be changed upon consultation between the Banks where necessary in the course of moving towards the Share Transfer or for other reasons.

3. Profile of the Banks (as of the end of March 2018)

Name	The Hokuetsu Bank, Ltd.	The Daishi Bank, Ltd.
Location	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Name and Title of Representative	Katsuya Sato, President	Fujio Namiki, President
Nature of Business	Banking business	Banking business
Amount of capital	24,538 million yen	32,776 million yen
Date of foundation	December 20, 1878	November 2, 1873

Number of issued shares	24,514,280 shares	34,625,347 shares
Fiscal year end	March 31	March 31

4. Company to be Established through the Share Transfer

Trade name	Daishi Hokuetsu Financial Group, Inc.
Location of head office	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Capital	30,000 million yen
Fiscal year end	March 31

5. Overview of Accounting Treatment of the Share Transfer

It is expected that the purchase method will be applied as the accounting treatment of the Share Transfer since it falls under "purchase" stipulated in the Accounting Standard for Business Combination. The amount of goodwill (or negative goodwill) in connection with the Share Transfer has not been determined at the present stage.

Consolidated Statement of Stockholders' Equity for the 113th Fiscal Year
(From April 1, 2017 to March 31, 2018)

(Unit: Million Yen)

	Stockholder Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Stockholder Equity
Balance at beginning of current period	24,538	19,002	53,488	(1,387)	95,641
Changes during current period					
Dividends from surplus			(1,437)		(1,437)
Net income attributable to stockholders of parent company			6,859		6,859
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock			(28)	103	75
Reversal of unrealized gains from revaluation of land held for use			38		38
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during the current period	—	—	5,432	100	5,532
Balance at end of current period	24,538	19,002	58,921	(1,287)	101,174

	Other Accumulated Comprehensive Income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	21,296	(1,422)	2,616	(2,394)	20,095	156	78	115,972
Changes during current period								
Dividends from surplus								(1,437)
Net income attributable to stockholders of parent company								6,859
Acquisition of treasury stock								(3)
Disposal of treasury stock								75
Reversal of unrealized gains from revaluation of land held for use								38
Net changes of items other than stockholders' equity during current period (net amount)	(2,571)	1,141	(38)	164	(1,304)	(37)	6	(1,335)
Total changes during the current period	(2,571)	1,141	(38)	164	(1,304)	(37)	6	4,196
Balance at end of current period	18,725	(280)	2,577	(2,230)	18,791	118	84	120,169

Notes To Consolidated Financial Statements

Amounts less than one million yen are rounded down.

Each of subsidiaries, subsidiary corporations and affiliated corporations is defined in accordance with Article 2, paragraph (8) of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

Basis of Presenting Consolidated Financial Statements

1. Matters Concerning Scope of Consolidation

(1) Number of consolidated subsidiaries and subsidiary corporations: 4

Company name

The Hokuetsu Leasing Co., Ltd.
The Hokuetsu Card Co., Ltd.
The Hokuetsu Credit Guarantee Co., Ltd.
The Hokugin Economic Research Institute,Ltd.

(2) Number of non-consolidated subsidiaries and subsidiary corporations: None

2. Matters Concerning the Application of the Equity Method

(1) Unconsolidated subsidiaries and subsidiary corporations accounted for by the equity method: None

(2) Affiliated corporations accounted for by the equity method: None

(3) Non-consolidated subsidiaries and subsidiary corporations accounted for by the equity method: None

(4) Affiliated corporations not accounted for by the equity method: 1

Company name

Hokuetsu Rokujisangyoka Ouen Fund

The non-consolidated affiliated corporations which are not accounted for by the equity method are excluded from the scope of equity method, due to their exclusion from the scope of equity method having no material effect on the consolidated financial statements in light of, among others, their profit or loss (to the extent of equity position), and retained earnings (to the extent of equity position).

3. Matters Concerning Fiscal Years of Consolidated Subsidiaries and Subsidiary Corporations

The fiscal year ending dates of the consolidated subsidiaries and subsidiary corporations are all March 31.

4. Matters Concerning Special Purpose Companies Subject to Disclosure

None.

5. Matters Concerning Amortization of Goodwill.

None.

Matters Concerning Accounting Policies

1. Valuation standards and method of trading account securities

Trading securities are recorded at market value, with cost of sales determined mainly by the moving average method.

2. Valuation standards and valuation method of securities

(1) In principle, securities available for sale are carried at fair value based on the market prices at the consolidated balance sheet date with cost of sales determined mainly by the moving average method. However, securities available for sale, for which it is extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of the other securities, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

(2) The fair value method is used to determine the value of securities managed as the trust assets of entrusted cash in individually operated cash trusts with securities investment as its main purpose.

3. Valuation standards and valuation method of derivatives

Derivatives held or written are stated at fair value.

4. Depreciation method of fixed assets

(1) Tangible fixed assets (excluding leased assets)

The Bank uses the declining-balance method for depreciation of tangible fixed assets.

The useful lives for major asset categories are as follows:

Buildings ....10 to 50 years

Other assets 3 to 15 years

The declining balance method based on the estimated useful life of assets is used for depreciation of tangible assets of consolidated subsidiaries and subsidiary corporations.

(2) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries and subsidiary corporations (generally 5 years).

(3) Lease assets

Among "tangible fixed assets" and "intangible fixed assets," lease assets relating to finance leases which do not transfer ownership to lessees are amortized using the straight-line method over the lease term. For residual value, the residual value guarantees determined based on lease contracts are shown at the aforementioned residual value guarantee amount, and others are shown as zero.

5. Allowance for loan losses

A reserve for possible loan losses of the Bank is recognized as follows in accordance with its predetermined amortization and provision criteria.

For loans to customers who are undergoing legal insolvency proceedings such as bankruptcy and special liquidation ("borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy ("borrowers substantially in bankruptcy"), an allowance for loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the amounts that are deemed recoverable from the guarantors. For the loans to borrowers not presently in the above insolvency circumstances, but with a high probability of becoming so ("borrowers with high probability of becoming insolvent"), an allowance for loan losses is provided at the amount deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, an allowance for loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period. There are no foreign specified claims.

All business branches and head-office business related departments conduct initial evaluation all loans in accordance with the self-assessment rules, and after undergoing secondary evaluation by head-office loan approval departments, their evaluations are audited by the asset audit section, which is independent from business related departments.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amount of such direct write-off is ¥4,414 million.

Consolidated subsidiaries and subsidiary corporations record a general allowance for loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific allowance for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

6. Provision for bonuses

An allowance for bonuses to employees is appropriated as the total amount of the bonuses expected to be paid to employees within the current consolidated fiscal year.

7. Allowance for bonuses to directors and corporate auditors

An allowance for bonuses for directors and corporate auditors is appropriated in the amount of the expected total bonus payment to directors and corporate auditors within the current consolidated fiscal year.

8. Provision for retirement benefits for directors and corporate auditors

An allowance for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries and subsidiary corporations is appropriated in the amount required to be paid to directors and corporate auditors pursuant to internal rules at the end of the current consolidated fiscal year, to provide for payment of retirement benefits to directors.

9. Provision for reimbursement of deposits

A reserve for reimbursement of deposits in inactive bank accounts is prepared against repayment losses that may be incurred when the holders of inactive bank accounts with suspended liability appropriation demand repayment. These reserves are prepared in the amount of estimated future repayment loss based on past repayment results.

10. Provision for losses on system cancellation

The allowance for losses on system cancellation is a provision for the expected loss due to termination before the end of the contractual term of outsourcing service agreements for core systems of the Bank that are expected to be incurred in future in connection with the adoption of the core systems currently used by The Daishi Bank, Ltd. after the future scheduled merger with The Daishi Bank, Ltd.

11. Provision for contingent losses

The reserve for contingencies is appropriated in the amount determined to be necessary based on estimates of future potential losses to provide for payments of obligations of the Bank to the Japan Federation of Credit Guarantee Corporations.

12. Provision for losses on return of interest

The reserve for losses on return of interest is appropriated in the amount reasonably estimated to be returned, based on past returns of interest, to provide for claims for the return of interest on loans of consolidated subsidiaries and subsidiary corporations that exceed the maximum under the Interest Rate Restriction Act.

13. Accounting for retirement benefits

In calculating the retirement benefit obligations for employees, the estimated retirement benefit amount is attributed to each consolidated fiscal year using the benefit formula method. Unrecognized prior service cost and unrecognized actuarial gains and losses are amortized as follows.

Unrecognized prior service cost is amortized using the straight–line method over a certain period of time (3 years) within the average remaining service years of the current employees.

Unrecognized actuarial gains and losses are amortized from the following fiscal year using the straight-line method over a certain period (12 years) within the average remaining service years of the current employees.

These are both processed as costs from the consolidated fiscal year following the fiscal year in which they were incurred.

For consolidated subsidiaries and subsidiary corporations, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end.

14. Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

15. Lease transaction revenue and expense appropriation standards

Revenue and expense appropriation standards concerning finance lease transactions depend on the appropriation method for proceeds and costs of sales at the time of lease charge acceptance.

16. Hedge accounting

Hedge accounting for interest rate risks

The Bank uses deferred hedges as its hedge accounting for interest rate risks accompanying various financial assets and liabilities. With respect to hedge transactions, the Bank implements individual hedges using derivatives transactions such as interest swap transactions for each individual transaction as its hedging method to avoid the interest rate risks accompanying financial assets and liabilities that are the subject of the hedge.

The effectiveness of a hedge is assessed in accordance with risk management procedures, by designating the hedge and conducting integrated management of the hedging instrument and the hedged item, and verifying whether interest risks associated with the hedged item are being mitigated by the hedging instrument.

17. Accounting treatment for consumption taxes

The tax-excluded method is the accounting treatment mainly used for consumption taxes and local consumption taxes for the Bank and its consolidated subsidiaries and subsidiary corporations.

Notes

(Notes to Consolidated Balance Sheets)

1. The total capital contribution of associated companies (excluding the equity in consolidated subsidiaries and consolidated subsidiary corporations): 10 million yen
2. Securities received under repurchase agreement, securities that can be disposed of freely by sale or (re-)pledged as collateral and were held without being disposed of at the end of the current consolidated fiscal year: 742 million yen.
3. Among "Loans," loans to borrowers under bankruptcy proceedings is 470 million yen and past due loans is 25,849 million yen.

   Loans to borrowers under bankruptcy proceedings mean nonaccrual loans which have no prospects for recovery or repayment of principal or interest due to such reasons as payment of principal or interest not having been received for a substantial period of time (excluding loans written-off ("Non-Accrual Loans")) and for which circumstances apply as stipulated in Article 96, Paragraph (1), item (iii), (a) through (e) or item (iv) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

   Past due loans mean Non-Accrual Loans other than (i) loans to borrowers under bankruptcy proceedings and (ii) loans for which payments of interest are deferred in order to facilitate the restructuring of, or assist, borrowers in financial difficulties.
4. Among "Loans," loans past due for three months or more are 205 million yen.

   Loans past due for three months or more mean loans, for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the payment date under contract, and which are not either loans to borrowers under bankruptcy proceedings or past due loans.
5. Among "Loans," rescheduled loans are 2,242 million yen.

   Rescheduled loans mean loans as to which contracts have been amended in favor of borrowers, such as reduction of or exemption from stated interest, deferral of interest payments, extension of maturity dates, and renunciation of claims, in order to assist or facilitate the restructuring of borrowers in financial difficulties; loans to borrowers under bankruptcy proceedings, past due loans, or loans past due for three months or more are not included.
6. The total amount of loans to borrowers under bankruptcy proceedings, past due loans, loans past due for three months or more, and rescheduled loans is 28,767 million yen.

   The amounts of loans stated in items 3 through 6 above are the amounts before deducting the amount of the "Reserve for possible loan losses" therefrom.
7. "Bills discounted" are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). As for bills accepted by banks, commercial bills, documentary bills, and foreign exchange bought which have been accepted due to the foregoing, the Bank is entitled to sell or re-pledge such bills without restriction. The total face value of such bills is 12,519 million yen.
8. Assets pledged as collateral are as follows:

Assets pledged as collateral-	
Cash deposits	0 million yen
Securities	173,251 million yen
Lease claims and lease investment assets	63 million yen
Other assets	480 million yen
Liabilities related to assets pledged	
Deposits	3,046 million yen
Payables under repurchase agreements	64,365 million yen
Guarantee deposits received under securities lending transactions	24,960 million yen
Borrowed money	60 million yen

   In addition, securities of 10,234 million yen were pledged as collateral for settlement of exchange transactions or as an alternative to collateral for derivatives transactions.

   Cash collateral paid for financial instruments of 22,280 million yen, initial margins deposited with central clearing organization of 5,564 million yen, and guarantee deposits of 50 million yen are included in "Other assets."
9. Commitment line agreements relating to overdrafts and loans represent agreements to extend overdrafts or loans to customers up to agreed amounts at their request as long as no violation of the conditions of the agreements exists. Unused

commitment lines under such agreements are 592,254 million yen. Among these, commitment line agreements whose original maturity is within one year or for which the Bank can cancel at any time without any penalty amount to 583,995 million yen.

Since most of such agreements are terminated without being exercised, the amount of unexercised commitment lines does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries and subsidiary corporations. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries and subsidiary companies may deny extensions of loans or decrease the commitment line when there are certain changes in financial markets, certain issues in securing loans, or other reasonable circumstances. Upon providing such commitments, the Bank requests collateral in the form of real property or securities as deemed necessary. In addition, the Bank monitors the financial condition of customers in accordance with its pre-established internal rules on a regular basis and takes necessary measures, including revisiting the terms of commitments and other means, in order to prevent credit losses.

10. Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Bank has revalued the land used for business purposes by the Bank and its consolidated subsidiaries. Among the differences incurred from such revaluation, the amount equivalent to tax regarding the revaluation difference is accounted for in "Liabilities" as "Deferred income taxes for revaluation," while the revaluation difference net of these deferred tax liabilities is accounted for in "Net Assets" as "Unrealized gains from revaluation of land for use."

Date of revaluation: March 31, 1998

Revaluation method stipulated in Article 3, Paragraph (3) of the Act on Revaluation of Land:

The revaluation value was calculated by making reasonable adjustments based on the method (e.g. value adjustment for setback) published by the Commissioner of the National Tax Agency for the calculation of land value for a basis of determining the taxable amount subject to land value tax stipulated in Article 16 of the Land Value Tax Act (Act No. 69 of 1991), which is set forth in Article 2, item (iv) of the Order for Enforcement of the Act on Revaluation of Land.

Difference between the total fair value as at the end of the fiscal year of the land used for business purposes that is subject to revaluation pursuant to Article 10 of the Act on Revaluation of Land and the total carrying amount of the land after such revaluation: 10,703 million yen.

11. Aggregate amount of accumulated depreciation of tangible fixed assets: 35,190 million yen

12. Aggregate amount of advanced depreciation of tangible fixed assets: 1,750 million yen

13. Among the "Corporate bonds" in "Securities," the Bank's guarantee obligations on corporate bonds through private placement of securities (as specified in Article 2, Paragraph (3) of the Financial Instruments and Exchange Act) amount to 55,467 million yen.

(Notes to Consolidated Statements of Income)

1. "Other ordinary income" includes 3,149 million yen of gain on sales of stocks and other securities.
2. "Other ordinary expenses" includes 491 million yen of write-off of loans and 372 million yen of losses on sales of stocks and other securities.

(Notes to Consolidated Statements of Changes in Stockholders' Equity)

1. Class and total number of issued shares; class and number of shares of treasury stock

(Unit: Thousand shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year	Remarks
Number of issued shares					
Common stock	24,514	—	—	24,514	
Total	24,514	—	—	24,514	
Treasury stock					
Common stock	568	1	42	527	(Note)
Total	568	1	42	527	

(Note) The breakdown of number of shares increased during the year is as follows

Increase due to the acquisition of common stock in response to the requests to buy back shares constituting less than one unit	1,000 shares

Breakdown of the number of shares decreased during the year

Decrease due to the sale of treasury stock in response to the request to purchase additional shares from the holders of shares constituting less than one unit	0 share
Decrease due to the exercise of stock options	42,000 shares

2. Matters concerning subscription rights to shares and treasury subscription rights to shares

Category	Breakdown of subscription rights	Class of shares subject to subscription rights	Number of shares subject to subscription rights (shares)				Balance at end of the year (million yen)	Remarks
			Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at end of the year		
The Bank	Subscription rights as stock options	—					118	
Total		—					118	

3. Dividends of surplus

(1) Amount of dividends paid during the year ended March 31, 2018

(Resolution)	Class of shares	Total amount of dividends	Dividend per share	Record date	Effective date
June 23, 2017 Annual General Meeting of Shareholders	Common stock	718 million yen	30 yen	March 31, 2017	June 26, 2017
November 10, 2017 Board of Directors	Common stock	719 million yen	30 yen	September 30, 2017	December 4, 2017

(2) Dividends with a record date falling within the year ended March 31, 2018, with an effective date falling on a day after March 31, 2018

The following matters relating to common share dividends have been proposed for the agenda of the annual general meeting of shareholders to be held on June 26, 2018.

① Total amount of dividends	719 million yen
② Dividend per share	30 yen
③ Record date	March 31, 2018
④ Effective date	June 27, 2018

The Bank plans to use retained earnings for the dividends.

(Financial Instruments)

1. Matters concerning status of financial instruments

(1) Policies for financial instruments

The Group is engaged in financial service businesses such as lease business, credit guarantee business, and credit card business, with banking business as its core business.

Given that the Group mainly has financial assets and financial liabilities that are subject to interest rate fluctuations, the Bank operates asset-liability management (ALM) to prevent adverse impact due to interest rate fluctuations and to appropriately meet the diversified needs of the needs of customers in connection with changes to the economic and financial environment.

Derivatives transactions predominantly constitute hedging transactions, carried out to meet the diverse needs of our customers as well as to mitigate interest rate and exchange risks faced by the Bank.

(2) Types of financial instruments and related risks

The financial assets held by the Group are mainly comprise loans to corporate and individual customers in Japan, and are exposed to credit risks that may result in the principal and interest of loans and other similar instruments becoming difficult to recover due to such reasons as bankruptcy and deterioration in financial positions of the customers. Securities consist mainly of stocks, debt securities, and investment trusts, which are held for investment purposes only or as strategic shareholdings. These securities are exposed to the credit risk of issuers, interest rate fluctuation risk, and market price fluctuation risk.

Financial liabilities mainly comprise deposits, and these are exposed to interest fluctuation risks. The main derivatives transactions carried out by the Bank include interest swaps in relation to interest rates, forward exchange contracts and currency options in relation to currencies, and bond futures contracts and OTC bond options in relation to debt securities. These transactions are mainly carried out to meet the needs of customers, and to mitigate interest rate and exchange fluctuation risks, but some transactions are also carried out to diversify earnings opportunities.

Risk exposure due to such derivatives trading includes credit risk in the event that the counterparty defaults on the agreement, and market risks due to losses caused by fluctuations in interest rates and exchange rates.

Furthermore, at some consolidated subsidiaries, the financial assets and financial liabilities are exposed to risks including interest rate fluctuation risks and price fluctuation risks.

(3) Risk management system for financial instruments

① Credit risk management

The Bank conducts loan screening for each loan matter pursuant to strict screening standards in order to appropriately control credit risk, pursuant to loan rules and various rules for managing credit risk. In doing so, in order to prevent concentration of credit in a specific customer, the Bank sets a “maximum credit amount,” as well as implementing and operating credit management measures including a “credit rating system” to appropriately manage credit risk and providing “management improvement support” for customers. These credit management measures are carried out at each business branch, as well as by the Loan Division.

In addition, the Bank aims to build an optimum credit portfolio based on the fundamental principle of risk diversification, and the Risk Control Division conducts management to gain an understanding of, and analyze, the distribution status of loan assets, etc. as a measure to achieve this goal.

② Market risk management

In order to appropriately control market risk, every six months the Bank sets at the Council of Managing Directors a maximum risk amount within the scope of risk capital, based on the General Rules on Risk Management and Rules on Market Risk Management, and sets the position limit (maximum investment amount or holding amount), maximum risk amount, and alarm points for securities evaluation gain (loss), within the scope of the risk capacity limit for the entire Bank. The Market and Capital Division conducts flexible and effective market transactions based on these risk limits, etc.

(i) Interest risk management

The Bank manages interest rate fluctuation risks through ALM. Investment is carried out pursuant to policies on investment and loans deliberated at the ALM Meeting, and the status of interest risk in connection therewith is monitored by the Risk Control Division.

The Bank also conducts strict management with respect to future interest rate fluctuations, based on the fundamental principle of controlling the volume of interest risk so that it is appropriate for the Bank’s own capital.

Interest risk volume measurement is conducted daily for market and capital departments, and monthly on a bank-wide basis.

(ii) Exchange rate risk management

The Bank conducts fair valuation for, and manages, each individual matter, in relation to exchange rate fluctuation risk.

(iii) Price fluctuation risk management

In order to manage price fluctuation risk for shares, etc., the Bank pays particular attention to the risk of falls in share prices, sets appropriate maximum risk amounts and loss cut rules, and avoids excessive risk-taking.

With respect to investment amounts, the Bank takes into account the expected revenue and market fluctuation risk based on the outlook for future interest rates and market prices, etc., and makes the decision at the Council of Managing Directors after examination by the ALM Meeting.

(iv) Derivatives transactions

With respect to derivatives transactions, the Bank conducts its transactions based on its investment management standards, and ensures internal checks by separating transaction execution and administrative management.

(v) Quantitative information on market risk

The Bank conducts quantitative analysis of banking transactions such as deposits and loans, and securities, and predominantly measures market risk by means of VaR. The Bank uses the delta-normal method (holding period: 6 months; credit classification: 99%; observation period 5 years) when calculating VaR. Overall VaR is regarded as having an inverse correlation effect, with interest and share price cancelling one another out for some securities.

VaR as of March 31, 2018 was 25,100 million yen (inverse correlation effect of 1,600 million yen) (does not include unlisted shares, etc. for which are recognized to be extremely difficult to work out the fair value). With respect to the interest risk for deposits and loans, core deposits are calculated using an internal model. Floating deposits are allocated to each period based on the results of such calculations, and interest risk is recognized as an average remaining period of 4.8 years.

The Bank verifies its measurement model by conducting back testing that compares the calculated VaR with the actual gain or loss. We believe that the results of back testing and the measurement model used capture market risk with sufficient accuracy. However, in the event of major market upheavals that cannot normally be contemplated, it may be difficult to appropriately capture risk.

③ Funding liquidity risk management

The bank has set forth the Rules on Liquidity Risk Management, the Market and Capital Division conducts day-to-day management of financing, and by measures such as the Risk Control Division understanding the amount of immediate funds available based on securities held and monitoring liquidity risk indices (guidelines), the Bank endeavors to understand its liquidity risk at all times.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

2. Matters concerning estimated fair value of financial instruments

The consolidated balance sheet amounts, fair values, differences as of March 31, 2018 are as follows. Non-listed stock, etc. whose fair value is judged to be extremely difficult to determine are not included in the following table (see Note 2). Additionally, items whose value has a low significance in the consolidated balance sheet have been omitted.

(Unit: Million Yen)

	Book value	Fair value	Difference
(1) Cash and due from banks	182,697	182,697	—
(2) Securities			
Other securities	825,909	825,909	—
(3) Loans	1,688,563		
Reserve for possible loan losses (*1)	(5,374)		
	1,683,188	1,704,268	21,079
Total assets	2,691,796	2,712,876	21,079
(1) Deposits	2,460,893	2,461,028	134
(2) Certificates of deposit	102,780	102,780	0
(3) Payables under resale agreements	64,365	64,365	—
(4) Payables under securities lending transactions	24,960	24,960	—
Total liabilities	2,652,999	2,653,134	134
Derivative transactions (*2)			
Hedge accounting not applied	121	121	—
Hedge accounting supplied	(402)	(402)	—
Total derivative transactions	(280)	(280)	—

(*1) The general allowance for loan losses and the specific allowance for loan losses, which correspond to loans, have been deducted.

(*2) Derivative transactions recorded in Other assets and Other liabilities as well as transactions to which special accounting treatment for interest rate swaps is applied are presented in total.
The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) Methods for estimating the market value of financial instruments

Assets

(1) Cash and due from banks

For due from banks that does not have stated maturity and due from banks with a short term (one year or less), because fair value approximates its carrying value, the carrying value is treated as the fair value.

(2) Securities

The fair value of stock is based on its market price on the stock exchange, while the fair value of debt securities is based on the market prices for OTC Bond Transactions published by the Japan Securities Dealers Association, etc. or the price quoted by the correspondent financial institutions. The fair value of investment trusts is based on its market price, the announced reference price or the price quoted by the correspondent financial institutions.

The fair value of private placement bonds with the Bank's own guarantee is calculated by discounting future cash flows by the market rate incorporating the credit cost rate.

Notes to securities categorized according to the purpose of holding are stated in "(Securities)" below.

(3) Loans

Because loans with floating interest rates reflect market interest rates in a short-term period, the fair value of such loans approximates their carrying value, as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans with fixed interest rates is based on the total amount of principal and interest categorized by the type of loans, internal rating and term, calculated by discounting future cash flows by the market rate incorporating the credit cost rate. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and borrowers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the allowance for loan losses, which is calculated based on the present value of the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities

(1) Deposits and (2) Certificates of deposit

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits and negotiable certificates of deposit is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those time deposits and negotiable certificates of deposit with a short deposit term (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(3) Payables under resale agreements

Since payables under resale agreements have contractual short-term maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(4) Payables under securities lending transactions

Since payables under securities lending transactions have contractual short-term maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

Derivative transactions

Derivative transactions include interest related transactions (interest rate swaps) and currency related transactions (forward exchange contracts and currency options). Calculation of fair value is based on the discounted cash flow method and option price calculation models, etc.

(Note 2) financial instruments whose fair value is judged to be extremely difficult to determine are as stated below. They are not included in “Assets: (2) Other securities” presented in “Matters concerning estimated fair value of financial instruments.”

(Unit: Million Yen)

Type	Carrying value
① Non-listed stock (*1)(*2)	1,896
② Investment in investment limited partnerships (*3)	1,956
Total	3,853

(*1) Because non-listed stock has no market price it is judged to be extremely difficult to determine its fair value, it is not subject to the fair value disclosure.

(*2) In the year ended March 31, 2018, impairment losses of ¥0 million was recorded for non-listed stock.

(*3) Investments in investment limited partnerships whose fair value is judged to be extremely difficult to determine because the partnership’s assets are non-listed stock, etc. are not subject to the fair value disclosure.

(Note 3) The scheduled repayment amount after the consolidated balance sheet date for monetary claims and matured securities

(Unit: Million Yen)

	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	159,062	—	—	—	—	—
Securities	65,814	131,437	141,097	67,760	161,780	196,307
Other securities with maturity	65,814	131,437	141,097	67,760	161,780	196,307
Government bonds	30,206	31,865	57,083	40,558	70,667	146,724
Local government bonds	7,237	12,660	1,969	5,898	5,764	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	16,834	42,385	21,822	11,203	4,347	17,060
Other	11,535	44,525	60,222	10,100	81,001	32,521
Loans(*)	283,322	284,754	226,495	157,957	179,377	366,279
Total	508,199	416,192	367,593	225,717	341,157	562,587

(*) The amounts do not include 26,319 million yen in loans of which scheduled repayment amount is not expected to be recovered, including the loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and borrowers with high probability of becoming insolvent, and 164,056 million yen in loans with indefinite term.

(Note 4) The scheduled repayment amount after the consolidated balance sheet date for borrowed money and other interest-bearing debt.

(Unit: Million Yen)

	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	2,216,732	172,941	70,152	437	628	—
Certificates of deposit	102,680	100	—	—	—	—
Payables under resale agreements	64,365	—	—	—	—	—
Payables under securities lending transactions	24,960	—	—	—	—	—
Total	2,408,739	173,041	70,152	437	628	—

(*)Of deposits, demand deposits are included in “Within 1 year.”

(Securities)

Securities include "Securities" in the consolidated balance sheet as well as "Trading account securities."

1. Trading account securities (as of March 31, 2018)

	Valuation difference included in loss or profit in the current year (million yen)
Trading account securities	(0)

2. Held-to-maturity debt securities (as of March 31, 2018)

None.

3. Other securities (as of March 31, 2018)

	Category	Amount on consolidated balance sheets (million yen)	Acquisition cost	Gain (Loss) (million yen)
Other securities whose amount on the consolidated balance sheet exceeds the acquisition cost	Stocks	33,312	14,461	18,850
	Bonds	474,750	464,986	9,764
	Government bonds	343,896	336,255	7,641
	Local government bonds	32,931	32,272	658
	Short-term corporate bonds	—	—	—
	Corporate bonds	97,921	96,457	1,463
	Other	133,343	129,941	3,402
	Foreign bonds	89,114	88,004	1,109
	Other	44,228	41,936	2,292
	Subtotal	641,406	609,389	32,017
Other securities whose amount on the consolidated balance sheet does not exceed the acquisition cost	Stocks	2,199	2,421	(221)
	Bonds	50,576	50,900	(324)
	Government bonds	33,208	33,476	(268)
	Local government bonds	599	600	(0)
	Short-term corporate bonds	—	—	—
	Corporate bonds	16,767	16,823	(55)
	Other	131,727	136,364	(4,637)
	Foreign bonds	30,843	31,211	(367)
	Other	100,883	105,153	(4,269)
	Subtotal	184,503	189,686	(5,182)
Total		825,909	799,075	26,834

4. Other securities sold during the current year (from April 1, 2017 to March 31, 2018)

(Unit: Million Yen)

	Cost of sales	Sales price	Gain (loss) on sales
Stocks	1,650	881	18
Bonds	298,532	3,213	109
Government bonds	298,226	3,208	109
Local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	305	5	—
Other	181,666	3,353	983

Foreign bonds	169,939	1,051	841
Other	11,726	2,301	142
Total	481,849	7,449	1,111

5. Securities for which impairment loss was recorded

For securities other than trading securities (excluding the securities whose fair value is judged to be extremely difficult to determine), if their fair value has significantly declined from the acquisition cost and is deemed unlikely to recover to the acquisition cost, such fair value is recorded as the amount on the consolidated balance sheet and the valuation difference is treated as loss for the current consolidated fiscal year ("Impairment Loss").

There was no Impairment Loss during the current consolidated fiscal year.

The Bank has "a market value decline of 30% or more since the end of the previous fiscal year" as its "rational standard" for determining whether the fair value has "significantly declined." The Bank determines whether there is a possibility of recovery for securities falling under this standard, and applies Impairment Loss.

(Per Share Information)

Per share amount of net assets	5,001.39 yen
Per share amount of net income attributable to stockholders of parent company	286.09 yen
Diluted per share amount of net income attributable to stockholders of parent company	285.33 yen

(Stock Options)

1. Amount recorded as stock option expenses for the current fiscal year and its account title

General and administrative expenses 37 million yen

2. Details and scale of stock options and changes

(1) Details of stock options

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Number and type of option holders	11 directors of the Bank	11 directors of the Bank	11 directors of the Bank	11 directors of the Bank	11 directors of the Bank	11 directors of the Bank	11 directors of the Bank
Number of stock options by class of stock (Note)	23,910 shares of common stock of the Bank	29,500 shares of common stock of the Bank	24,070 shares of common stock of the Bank	20,000 shares of common stock of the Bank	16,370 shares of common stock of the Bank	21,960 shares of common stock of the Bank	15,520 shares of common stock of the Bank
Date of grant	July 26, 2011	July 26, 2012	July 26, 2013	July 28, 2014	July 27, 2015	July 27, 2016	July 26, 2017
Vesting conditions	No vesting conditions.	No vesting conditions.	No vesting conditions.	No vesting conditions.	No vesting conditions.	No vesting conditions.	No vesting conditions.
Vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period	No set vesting period
Exercise period	July 27, 2011 to July 26, 2041	July 27, 2012 to July 26, 2042	July 27, 2013 to July 26, 2043	July 29, 2014 to July 28, 2044	July 28, 2015 to July 27, 2045	July 28, 2016 to July 27, 2046	July 27, 2019 to July 26, 2047

(Note) As the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2016, the number of stock options by class of stock has been adjusted and converted into the number of shares.

(2) Scale of stock options and changes

Covers stock options that exist during the current consolidated fiscal year. The number of stock options shows the number of shares to which they can be converted.

① Number of stock options (Note)

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Prior to vesting (shares)							
At end of previous consolidated fiscal year	7,480	11,280	15,900	13,210	16,370	21,960	—
Granted	—	—	—	—	—	—	15,520
Forfeited	—	—	—	—	—	—	—
Vested	5,390	6,660	8,620	7,160	6,160	8,260	—
Unvested	2,090	4,620	7,280	6,050	10,210	13,700	15,520
After vesting (shares)							
At end of previous consolidated fiscal year	—	—	—	—	—	—	—
Vested	5,390	6,660	8,620	7,160	6,160	8,260	—
Exercised	5,390	6,660	8,620	7,160	6,160	8,260	—
Forfeited	—	—	—	—	—	—	—
Unexercised	—	—	—	—	—	—	—

② Unit prices (Note 1) (Note 2)

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options
Exercising price (¥)	1	1	1	1	1	1	1
Average stock price at time of exercising (¥)	2,686	2,686	2,686	2,686	2,686	2,686	—
Fair varying value per unit at date of grant (¥)	1,520	1,330	1,780	1,900	2,230	1,830	2,394

(Note 1) As the Bank consolidated its common stock at the ratio of 10 shares to one share on October 1, 2016, the numbers of stock options and the unit prices have been adjusted.

(Note 2) Shown converted to the figure per share.

3. Pro forma calculation of the fair carrying value per unit of stock options

The pro forma calculation of the fair carrying value per unit of 2017 Stock Options granted in the current consolidated fiscal year is as follows.

(1) Applied evaluation method: Black-Scholes method

(2) Main base numerical value and pro forma calculation

	2017 Stock Options
Volatility of stock price (Note 1)	29.1%
Expected remaining period (Note 2)	4.7 years
Expected dividend (Note 3)	60 yen/share
Risk-free interest rate (Note 4)	(0.08)%

(Note 1) The volatility of stock price is calculated based on the actual share prices for the period corresponding to the expected remaining period (November 5, 2012 to July 17, 2017).

(Note 2) The expected remaining period is estimated by deducting the average period of office of current officers from the average term of office for officers in the past.

(Note 3) The amount actually paid for the fiscal year ended March 2017 (incorporating the share consolidation conducted on October 1, 2016)

(Note 4) The interest rate of the government bonds for the period corresponding to the expected remaining period.

4. The method for estimating the number of stock options vested

As it is difficult to reasonably estimate the number of stock options to be forfeited in the future, the actual number of stock options forfeited has been reflected.

(Matters Related to Business Combinations)

Additional Information

Business Integration between the Bank and The Daishi Bank, Ltd.

The Bank and The Daishi Bank, Ltd. (President: Fujio Namiki) ("Daishi Bank") (collectively, "Banks"), resolved at their respective meetings of the board of directors held on March 23, 2018 to incorporate a company named "Daishi Hokuetsu Financial Group, Inc." (the "Joint Holding Company") that would become a wholly-owning parent company of the Banks effective as of October 1, 2018 through a joint share transfer (the "Share Transfer"), subject to obtaining the approval of shareholders of the Banks and regulatory approvals, and resolved the outline of the Joint Holding Company and terms of the Share Transfer. The Banks also entered into the business integration agreement on the same day.

Furthermore, the Banks jointly prepared a share transfer plan for the Share Transfer based on the resolutions of their respective meetings of the board of directors held on May 11, 2018.

1. Goals of the Business Integration through the Share Transfer

(1) Background and Goals of the Business Integration

From the early Meiji period (i.e., 1870's) to today, the Bank and Daishi Bank have long established solid management bases as regional banks whose head offices are both located in Niigata Prefecture, by playing roles and accomplishing their missions as regional banks with support from local communities.

However, due to the effect of such factors as the declining population, it is expected that the size of bank deposits and lending will shrink in the future, and profit margins on lending and gains on investments in securities will further decrease due to Japan's prolonged monetary easing policy. As described above, the business environment surrounding the Banks is expected to become much harsher, and establishing more solid management bases is now a common business challenge for the Banks.

In addition to the above, with the developments in the integration of finance and IT technology, typified by FinTech, and in digitalization, flexible responses to new customer needs, such as the introduction of IT technology to financial services, and creating further additional value are part of the important challenges. Moreover, now that Niigata companies are increasingly entering overseas markets and dealing with foreign companies, the Banks are also expected to expand and improve their consulting function with a global perspective, including providing know-how for business development in overseas markets.

The Banks have cooperated with each other to achieve their common goal of regional development by executing a comprehensive partnership agreement concerning regional revitalization with Niigata Prefecture, forming syndicated loans and other approaches, as well as promoting operational efficiency partnerships, such as jointly operating cash transportation cars. However, in light of changes in the business environment in which the Banks are operating, diversified customer needs and a host of other developments, the Banks, which have long fostered a relationship of trust, have concluded that if they integrate their businesses and address their common challenges by using their respective strengths, then they will be able to continue to play their roles and accomplish their missions as regional banks on a permanent basis, and also contribute significantly to the Banks' shareholders, customers and local communities. Accordingly, the Banks formed a basic agreement on April 5, 2017 to proceed with discussions and considerations toward a business integration, the basic policy of which is to establish the Joint Holding Company through the Share Transfer and to merge the Banks under the Joint Holding Company in the future (the "Business Integration"). Moreover, the date of the formation of the Joint Holding Company through the Share Transfer (i.e., the effective date of the Share Transfer) was decided to be October 1, 2018 (scheduled), and on March 23, 2018 the Banks reached a definitive agreement to carry out the Business Integration on an equal footing.

(2) Method of Share Transfer, Details of Allotment Relating to the Share Transfer

① Method of the Share Transfer

The Share Transfer will take the form of a joint share transfer, under which the Banks will become wholly-owned subsidiaries of the Joint Holding Company to be incorporated following the share transfer, and the Joint Holding Company will become the wholly-owning parent company of the Banks.

② Details of Allotment in the Share Transfer

Company name	Daishi Bank	Hokuetsu Bank
Share transfer ratio	1	0.5

(Note 1) Share allotment ratio

One (1) share of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of Daishi Bank, and 0.5 share(s) of common stock of the Joint Holding Company will be allocated and delivered for each share of common stock of the Bank. One unit of shares of common stock of the Joint

Holding Company is planned to comprise 100 shares.

If the number of Joint Holding Company shares which will be delivered to a shareholder of the Banks through the Share Transfer includes a fraction of less than one share, the Joint Holding Company will, pursuant to Article 234 of the Companies Act of Japan ("Companies Act") and other relevant laws and regulations, pay the relevant shareholder a cash amount corresponding to such fractional share.

Changes to the above Share Transfer Ratio may be made during the period after the execution of the Business Integration Agreement and until the effective date of the Share Transfer upon consultation between the Banks in the event that matters that cause a material effect to the Share Transfer Ratio are newly found to exist or have occurred.

(Note 2) Number of newly issued Joint Holding Company shares to be delivered through the Share Transfer (scheduled)

Common stock: 45,876,355 shares

The above number has been calculated based on the total number of issued and outstanding shares of Daishi Bank (34,625,347 shares) and that of the Bank (24,514,280 shares) as of March 31, 2018. However, the Banks plan to cancel their treasury shares (however, excluding treasury shares owned by the Bank that are the trust assets of the exclusive trust of the Daishi Bank Employee Stock Ownership Plan pertaining to all of the Bank's trust-type employee stock ownership incentive plan (E-Ship) (owner name: "The Nomura Trust and Banking Co., Ltd. (Daishi Bank Employee Stock Ownership Plan Exclusive Trust Account)"); the same hereinafter) immediately before the Joint Holding Company acquires all of the Banks' issued and outstanding shares ("Record Time"). Accordingly, treasury shares held by Daishi Bank (742,205 shares) and the Bank (527,854 shares) as of March 31, 2018 have not been included in the scope of the new share delivery in calculating the above number. The number of newly issued Joint Holding Company shares to be delivered through the Share Transfer may change if the number of the Banks' treasury shares as of March 31, 2018 changes before the Record Time due to reasons such as exercise of the right to request purchase of shares by a shareholder of the Bank or Daishi Bank.

(Note 3) Handling of shares constituting less than one unit

The Banks' shareholders who receive an allocation of shares constituting less than one unit (100 shares) of the common stock of the Joint Holding Company ("Shares Constituting Less than One Unit") through the Share Transfer may not sell Shares Constituting Less than One Unit on the TSE or any other securities exchange. Shareholders who own Shares Constituting Less than One Unit may request the Joint Holding Company to purchase their Shares Constituting Less than One Unit pursuant to Article 192, paragraph (1) of the Companies Act. It is planned that such shareholders may also request the Joint Holding Company to sell the number of shares needed, together with the number of Shares Constituting Less than One Unit owned by such shareholder, to constitute one unit pursuant to Article 194, paragraph (1) of the Companies Act and provisions planned to be stipulated in the Articles of Incorporation of the Joint Holding Company.

(3) Handling of stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiaries

In connection with the Share Transfer, the Joint Holding Company will deliver to the holders of stock acquisition rights issued by the Bank and Daishi Bank outstanding as of the Record Time stock acquisition rights of the Joint Holding Company based on the terms of stock acquisition rights and the Share Transfer Ratio. Neither of the Banks has issued bonds with stock acquisition rights.

Schedule of the Share Transfer

Friday, March 23, 2018	Adoption of resolutions at the board of directors' meetings for the execution of the Business Integration Agreement Execution of the Business Integration Agreement (Banks)
Saturday, March 31, 2018	Record date of the annual shareholders' meetings (Banks)
Friday, May 11, 2018	Adoption of resolutions at the board of directors' meeting for the preparation of the Share Transfer Plan Preparation of the Share Transfer Plan (Banks)

Tuesday, June 26, 2018 (scheduled)	Convening of the annual shareholders' meetings (adoption of resolution approving the Share Transfer Plan) (Banks)
Wednesday, September 26, 2018 (scheduled)	TSE delisting date (Banks)
Monday, October 1, 2018 (scheduled)	Date of formation of the Joint Holding Company (i.e., effective date of the Share Transfer) Share listing date of the Joint Holding Company

(Note) The above schedule may be changed upon consultation between the Banks where necessary in the course of moving towards the Share Transfer or for other reasons.

3. Profile of the Banks (as of the end of March 2018)

Name	The Hokuetsu Bank, Ltd.	The Daishi Bank, Ltd.
Location	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Name and Title of Representative	Katsuya Sato, President	Fujio Namiki, President
Nature of Business	Banking business	Banking business
Amount of capital	24,538 million yen	32,776 million yen
Date of foundation	December 20, 1878	November 2, 1873
Number of issued shares	24,514,280 shares	34,625,347 shares
Fiscal year end	March 31	March 31

4. Company to be Established through the Share Transfer

Trade name	Daishi Hokuetsu Financial Group, Inc.
Location of head office	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan
Capital	30,000 million yen
Fiscal year end	March 31

5. Overview of Accounting Treatment of the Share Transfer

It is expected that the purchase method will be applied as the accounting treatment of the Share Transfer since it falls under "purchase" stipulated in the Accounting Standard for Business Combination. The amount of goodwill (or negative goodwill) in connection with the Share Transfer has not been determined at the present stage.