



The Daishi Bank, Ltd.

Securities Code: 8324

207th Annual General Meeting of Shareholders Supplementary Materials

To The Shareholders Regarding Business Integration with The Hokuetsu Bank, Ltd.

Table of Contents

1 Background and Purpose of the Integration ...	1
2 Integration Overview	2
3 Holding Company Overview	3
4 Management Philosophy and Organizational Structure of the Holding Company	4
5 Overview of the New Financial Group's Management Base	5
6 Expected Effects From Business Integration...	7
7 Future Efforts on the Business Integration...	12
8 Q&A on Business Integration	13

1 Background and Purpose of the Integration

Background

- Shrinking bank deposits and lending due to declining population
- Prolonged monetary easing policy squeezing profit margins on lending and gains on securities
- Advances in FinTech, which integrates finance and IT technology, raises the challenge of flexibly responding to new customer needs and creating further value added
- More local companies expand overseas, raising the challenge to bolster consulting services with a global perspective to provide know-how for business development in overseas markets

Purpose

We aim to become a financial group that gains the overwhelming support of its customers and local communities by realizing higher value-added financial intermediary functions and information intermediary functions

Contribute to local communities

Contribute to local communities by developing and expanding our consulting functions as a community-based financial institution

Improve financial and information intermediary functions

Share lending expertise and information between the Banks to bolster our financial intermediary and information intermediary functions as part of our marketing bases

Enhancement of business efficiency

Build a sustainable business model based on creating additional value by fully leveraging rationalization and streamlining to pursue economies-of-scale gains

2 Integration Overview

Business integration process

Method of integration

- The integration will be done in the form of a joint share transfer, with the Banks becoming wholly owned subsidiaries of the Joint Holding Company following the share transfer.
- Basic agreement in place to pursue a merger of the Banks within two years

Share transfer ratio

- One common share of the Joint Holding Company to be allotted for each Daishi Bank common share
- 0.5 common shares of the Joint Holding Company to be allotted for each Hokuetsu Bank common share

Integration schedule

- **Mar 23, 2018**
Execution of definitive agreement on share transfer
- **May 11, 2018**
Adoption of share transfer plan resolutions at the board meetings for both Banks
- **Jun 26, 2018**
Share transfer plan approved at both Banks' General Shareholders' Meeting
- **Sep 26, 2018 (scheduled)**
Delisting (of both Banks)

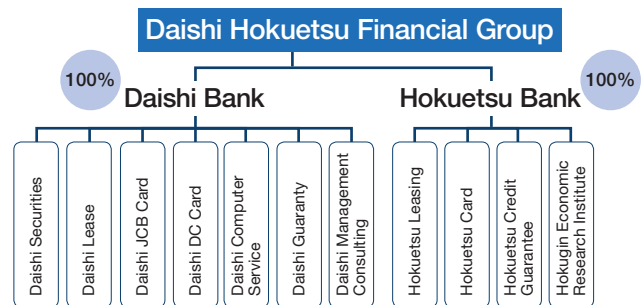
1st Step

- **Oct 1, 2018 (scheduled)**
Holding Company established and listed

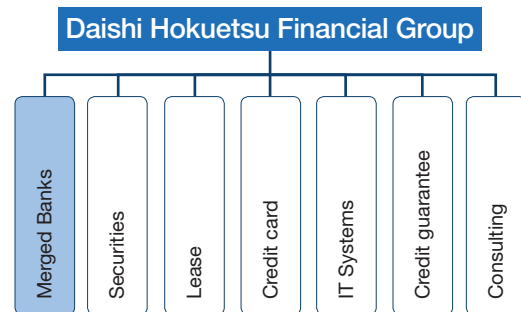
2nd Step

- **Within 2 years of Holding Co. est'd (scheduled)**
Merger

1st Step Holding Company established via joint share transfer



2nd Step Banks merger and group company optimization



3 Holding Company Overview

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
Representatives, directors and executives, etc. (tentative)	<p>Chairman and Representative Director ...Katsuya Sato (currently President of Hokuetsu Bank)</p> <p>President and Representative Director ...Fujio Namiki (currently President of Daishi Bank)</p> <p>DirectorSatoshi Hasegawa (currently Senior Managing Director of Daishi Bank)</p> <p>DirectorKazuyoshi Hirokawa (currently Senior Managing Director of Hokuetsu Bank)</p> <p>DirectorTakuya Watanabe (currently Managing Director of Daishi Bank)</p> <p>DirectorKiyofumi Obara (currently Managing Director of Daishi bank)</p> <p>DirectorMakoto Takahashi (currently Director of Hokuetsu Bank)</p> <p>DirectorMichiro Ueguri (currently Director and Executive Officer of Daishi Bank)</p> <p>Director (Audit and Supervisory Committee Member) Shinjiro Kawai (currently Director and Audit and Supervisory Committee Member of Daishi Bank)</p> <p>Director (Audit and Supervisory Committee Member) Koichi Masuda (currently Outside Director and Audit and Supervisory Committee Member of Daishi Bank)</p> <p>Director (Audit and Supervisory Committee Member) Hiroshi Fukuhara (currently Outside Director of Hokuetsu Bank)</p> <p>Director (Audit and Supervisory Committee Member) Toshizo Oda (currently Outside Director and Audit and Supervisory Committee Member of Daishi Bank)</p> <p>Director (Audit and Supervisory Committee Member) Kazuaki Matsumoto (currently Professor, Faculty of Economy and Management, Nagaoka University)</p> <p>(Note) Each of Directors (Audit and Supervisory Committee Members) Koichi Masuda, Hiroshi Fukuhara, Toshizo Oda and Kazuaki Matsumoto are outside directors as defined under Article 2, item (xv) of the Companies Act.</p>
Nature of business	Management and operation of banks and other companies that the Company may have as subsidiaries under the Banking Act and any and all businesses incidental or related thereto.
Capitalization	30 billion yen
Date of establishment	October 1, 2018 (scheduled)
Fiscal year end	March 31
Stock exchange	TSE (scheduled)
Share unit	100 shares
Accounting auditor	KPMG AZSA LLC
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation

4 Management Philosophy and Organizational Structure of the Holding Company

Management Philosophy

Management Philosophy of Daishi Hokuetsu Financial Group, Inc.

We will,

as a trustworthy financial group,
provide services that meet customers' expectations and
continue to contribute to the development of regional society.

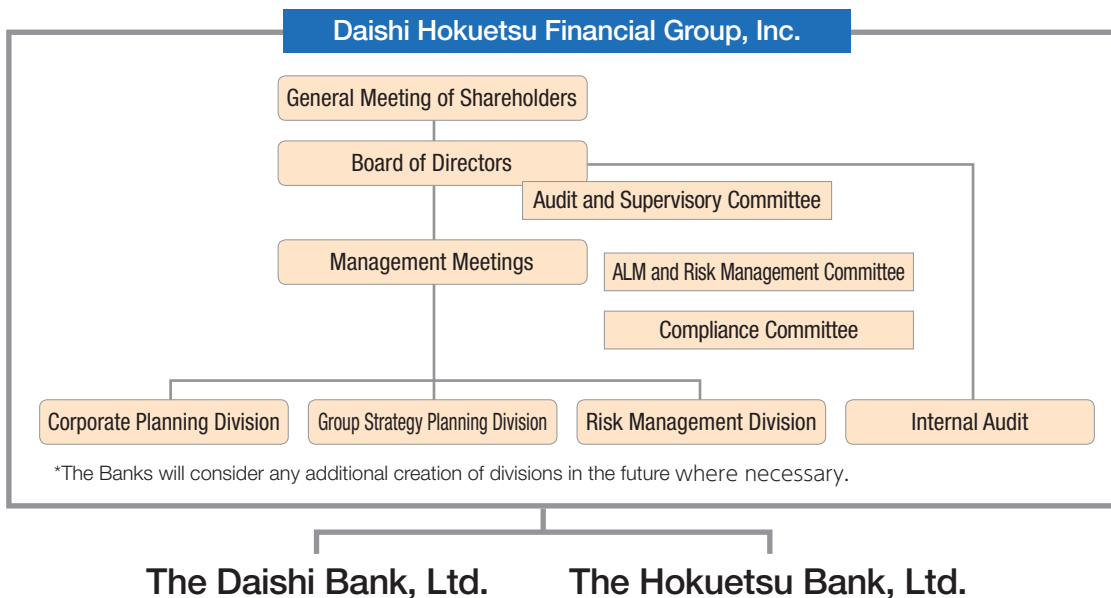
..... Principle

..... Mission

We will resolutely face changes,
and create new value.

..... Vision

Main Organizational Structure (Plan)



5 Overview of the New Financial Group's Management Base

1 Key Metrics

The combined entity will be one of Japan's largest financial groups and the primary bank for over 18,000 companies in the prefecture, with total assets of ¥8.7tn.

Key metrics for Daishi Bank and Hokuetsu Bank^{*1}

	Daishi	Hokuetsu	Daishi Hokuetsu (2-bank total)
Branches	121 ^{*2}	84	205 ^{*2}
Employees	2,328	1,490	3,818
Deposits (includes C/Ds)	¥4.8tn	¥2.5tn	¥7.4tn
within prefecture	¥4.7tn	¥2.5tn	¥7.2tn
Loans	¥3.2tn	¥1.6tn	¥4.9tn
within prefecture	¥2.3tn	¥1.2tn	¥3.6tn
Gross operating profit	¥55.5bn	¥29.5bn	¥85.0bn
Net operating profit	¥13.9bn	¥7.5bn	¥21.4bn
Pref. companies served as primary bank (share)	11,650 (35.8%)	6,579 (20.2%)	18,229 (56.0%)

^{*1} Total values are on a non-consolidated basis; values are rounded to tenths decimal place; figures for branch locations and employees are as of March 31, 2018; figures for business results are as of the fiscal year ended March 31, 2018 (the balance is not released); and figures for the number of companies within the prefecture that the Banks serve as the primary Bank are as of October 31, 2017.

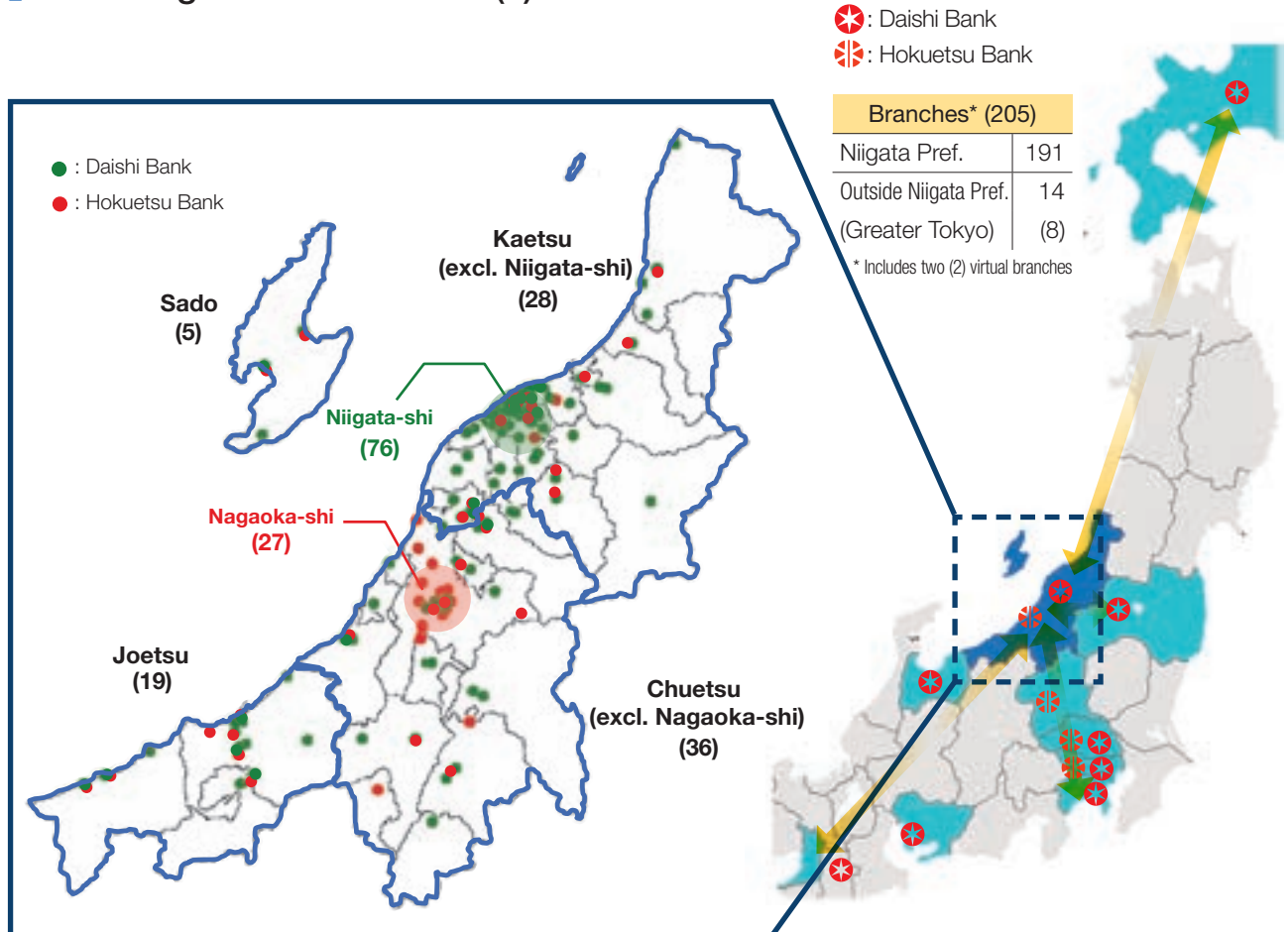
^{*2} Includes two (2) virtual branches

Source: Regional Banks Association of Japan "Analysis of Financial Statements of All Banks"; Teikoku Databank 9th survey of primary banks for Niigata companies

2 Marketing Base

We will offer carefully tailored service by leveraging our dominant branch network within Niigata Prefecture and our robust marketing base outside of the Prefecture.

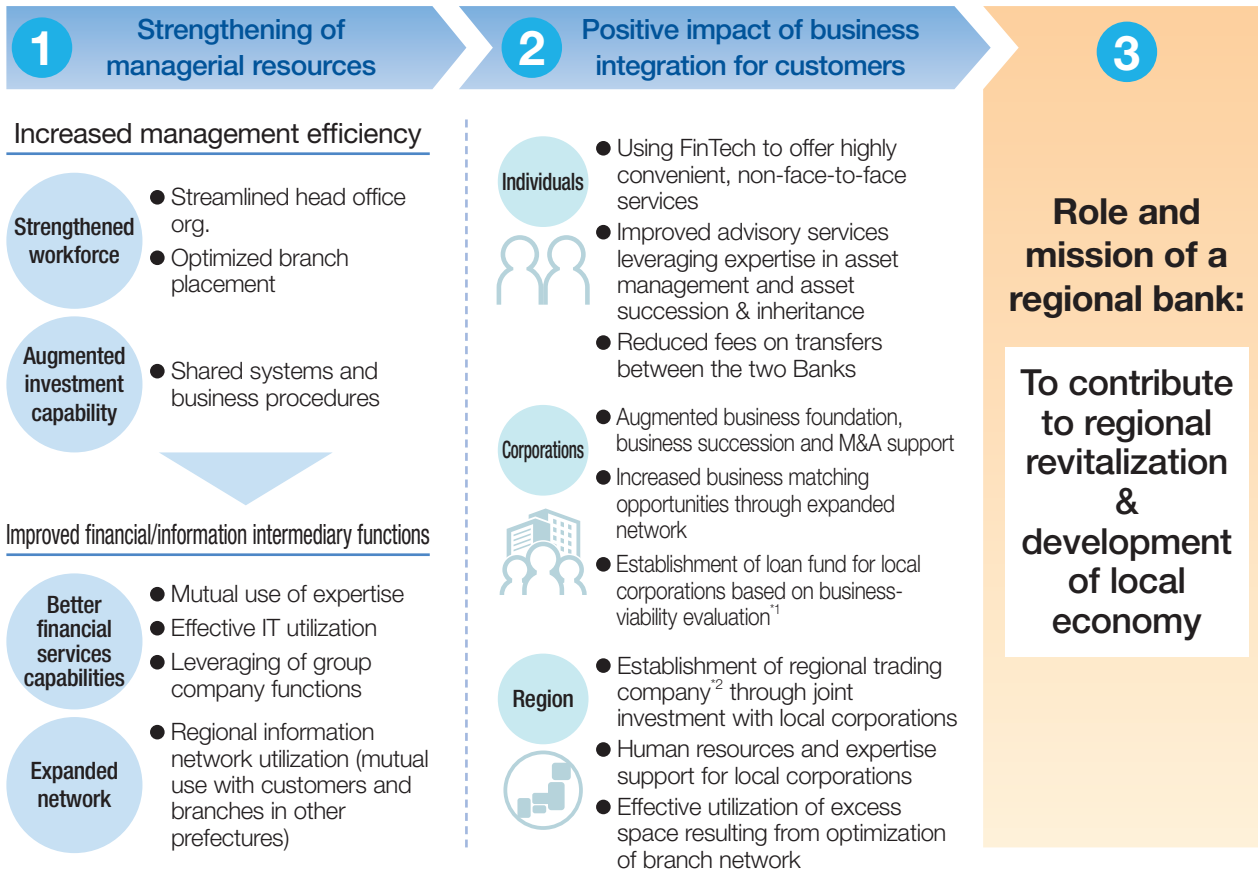
Marketing Base for the Two (2) Banks () no. of branches



6 Expected Effects From Business Integration

Overall

By strengthening managerial resources through the business integration, we will strive to increase customer convenience and support the maximization of enterprise value, and thereby work unceasingly to contribute to regional revitalization and the development of the local economy.

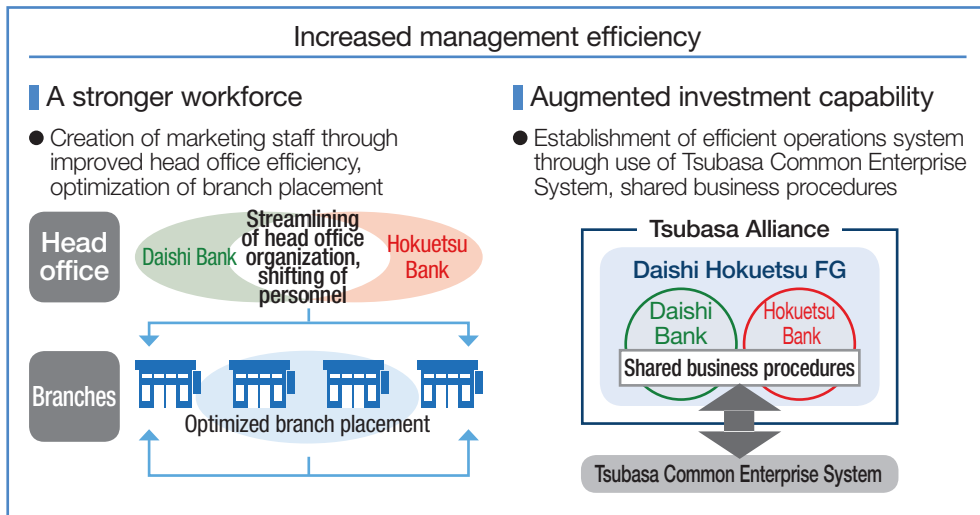


*1 An appropriate evaluation of regional corporations' business content and growth potential that does not rely more than necessary on financial data or collateral/guarantee information.

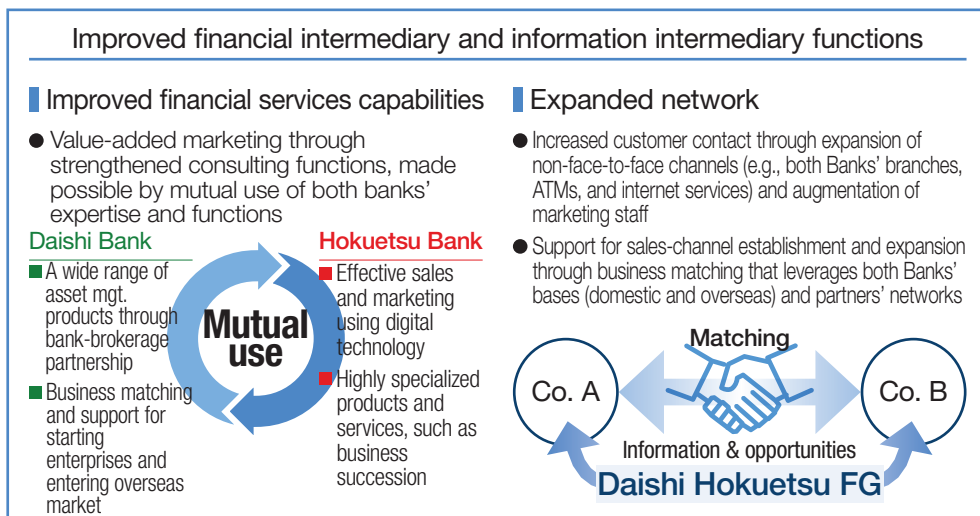
*2 An organization that publicizes and markets regional resources (e.g., local products and tourism destinations) inside and outside the prefecture, through processes encompassing manufacture, processing, and sales, including branding.

1 Strengthening Managerial Resources Banks

We aim to create synergistic effects of at least ¥10bn by increasing management efficiency and thereby augmenting marketing staff and investment capability, and by jointly using and expanding both banks' expertise, functions, and networks.



Staff creation: 400 or more



Synergies
 (FY25*)

* Synergistic effect in FY25 on standalone basis (vs. FY17)

Cost synergies
 ¥7 bn or more

+

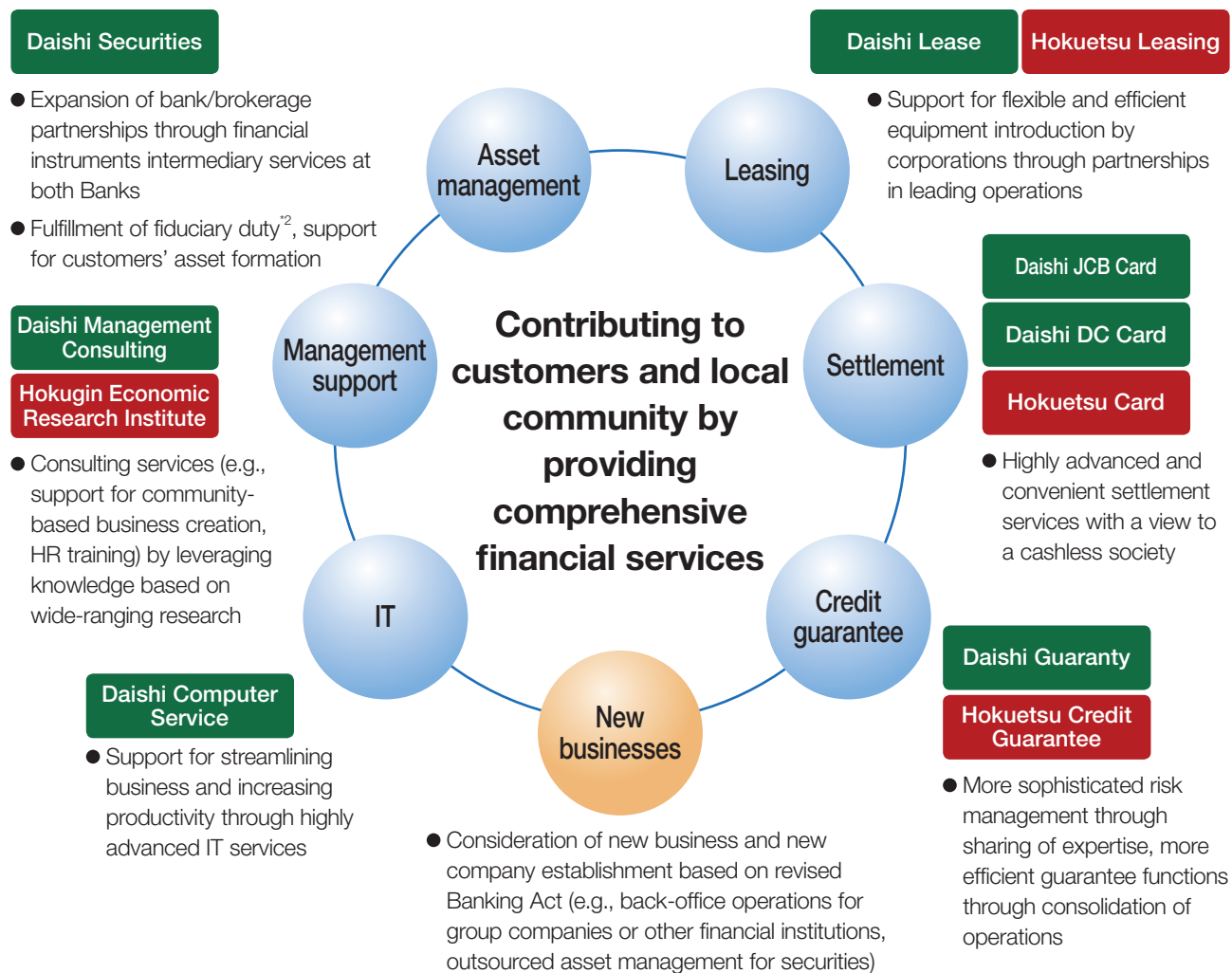
Top-line synergies
 ¥3bn or more

||

Total (annual)
 ¥10bn or more
 (after taking integration costs into account, including costs for system integration and branch optimization)

1 Strengthening Managerial Resources Group Companies

We provide greater added value and contribute to customers and local community by making maximum use of group companies*1 operating in such areas as securities, leasing, and IT.

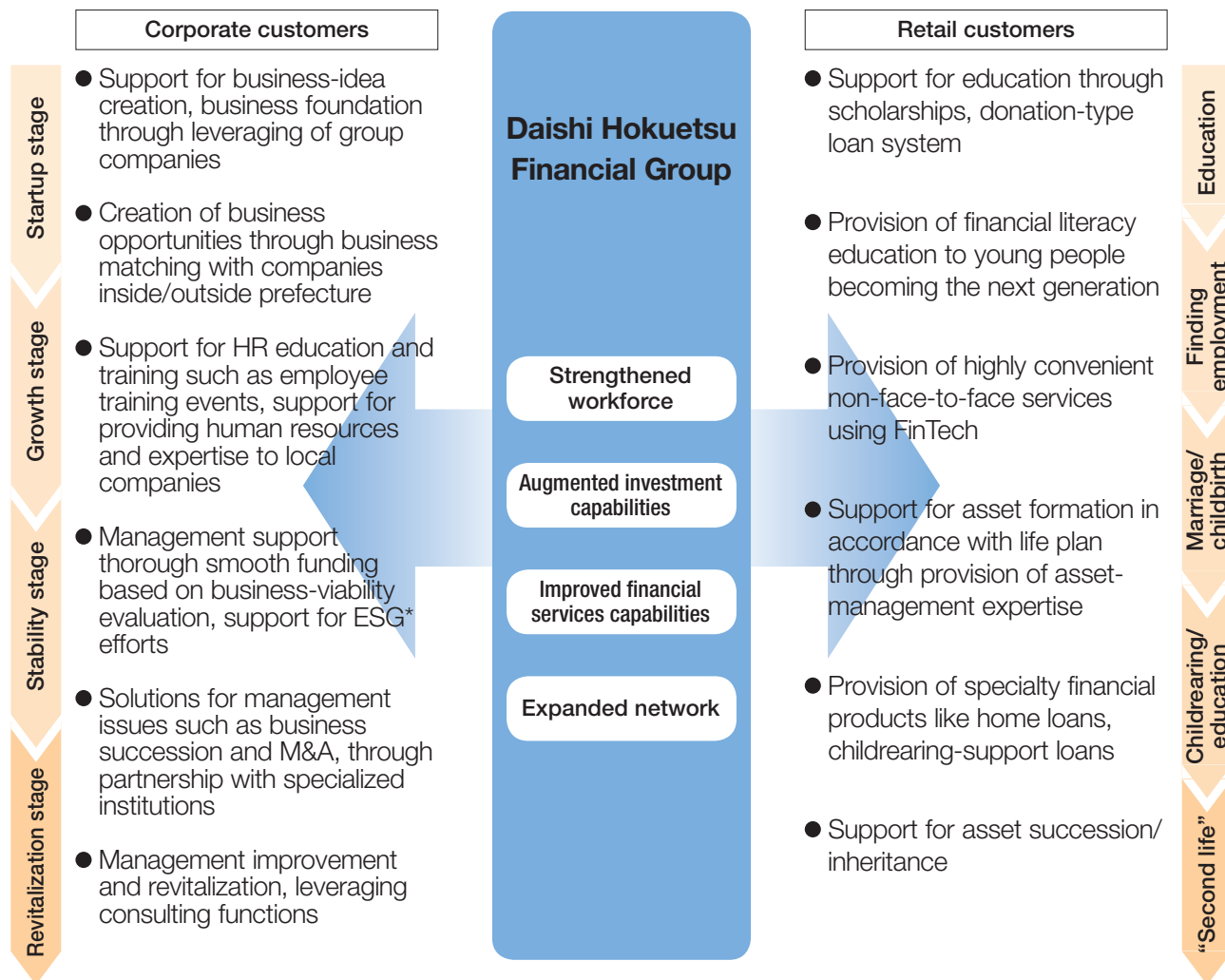


*1 In addition to consolidated subsidiaries, group think tanks, insurance agencies, IT companies, real estate companies, and new companies established through joint investment with operating companies

*2 The obligation to conduct business in the best interest of the customer

2 Positive Impact of Business Integration on Customers

By strengthening the new group's managerial resources through newly created synergies, we will provide a wide range of products and services to customers in every life stage, ensuring that they too feel positive impact from the business integration.



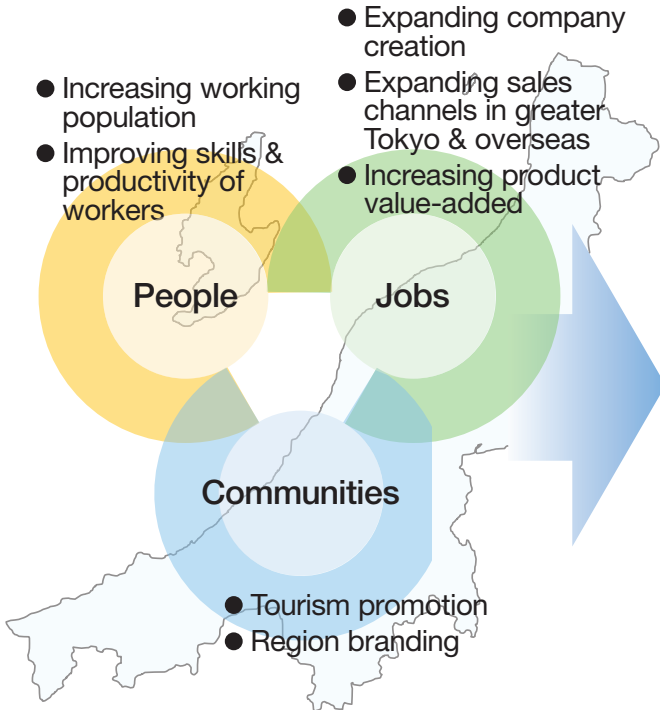
* ESG stands for "environmental, social, and governance" and denotes the belief that, since corporations have a major impact on the natural environment and society, working to care for the environment and local society, based on sound corporate government, leads to sustained growth for a company and ultimately to the creation of a sustainable society.

3 Contributions to Regional Revitalization and Advancement of Regional Economies

The new group will, in new business fields, endeavor to (A) increase productivity by leveraging regional resources, (B) raise the competitiveness of local companies, and (C) support the expansion of companies into other prefectures and countries and strengthen information dissemination, with a view to contributing to the development of the local economy.

Issues related to invigorating Niigata Prefecture

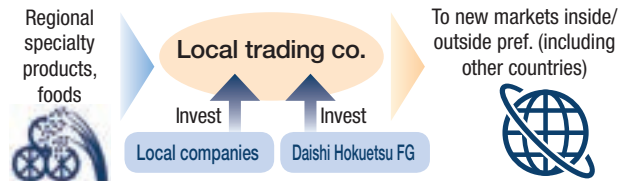
Examples of efforts to contribute to region through new group to be considered



(A) Increasing productivity by leveraging regional resources

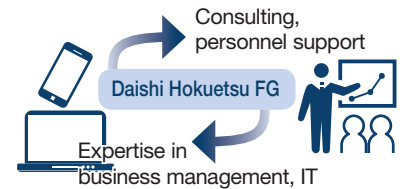
- Establish regional trading company through joint investment with local companies
- Effective use of excess space created through optimization of branches
 - ✓ Regional community centers
 - ✓ Rental space

End-to-end production spanning manufacturing, processing and sales



(B) Raising the competitiveness of local corporations

- Enhanced consulting functions such as business-founding support & HR education
- Human resources and expertise support for local companies
- Establishment of regional revitalization fund



(C) Strengthening support for expansion to other prefectures and countries as well as dissemination of information

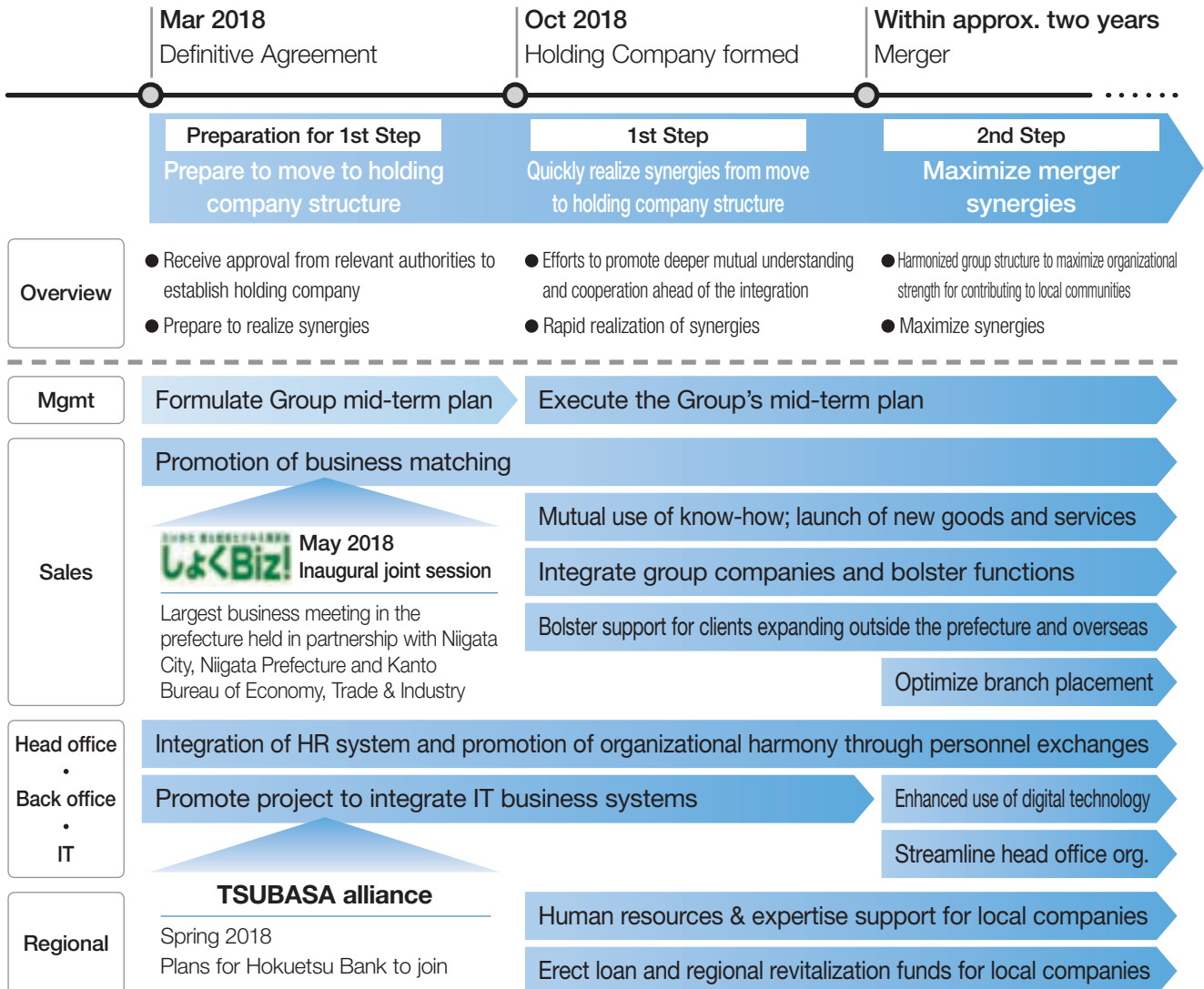
- Promotion of business matching, luring of companies and human resources through expansion of network (e.g., based in greater Tokyo or overseas markets)
- Luring tourists from other prefectures and countries through partnerships with local government, tourism associations



* Carrying out initiatives that will help solve regional issues and invigorate local economy
Providing support to customers through investment and advice, aimed at the creation of new companies and new businesses

7 Future Initiatives for Business Integration

To maximize the effect of the integration, the Banks will work proactively towards a merger between the Banks within approximately two years of the Holding Company's establishment in October 2018.



8 Q&A Regarding the Business Integration

Q1 Please tell us about share transfers.

A1

A share transfer is when one company, or two or more companies, cause a newly incorporated company to acquire all of their issued and outstanding shares. In the business integration between Daishi Bank and Hokuetsu Bank, the banks will jointly establish a holding company, Daishi Hokuetsu Financial Group, Inc., and all shares of both banks held by their respective shareholders will transfer to Daishi Hokuetsu Financial Group, Inc.

Q2 What will happen to the Daishi Bank shares I hold?

A2

All shareholders of Daishi Bank will be issued one common share of Daishi Hokuetsu Financial Group, Inc. for each share of Daishi Bank that they hold. After the holding company is incorporated through a business integration by means of a joint share transfer establishing a holding company, Daishi Bank and Hokuetsu Bank will become wholly-owned subsidiaries of the holding company (see Q1). Consequently, both banks are scheduled to be delisted from the Tokyo Stock Exchange as of September 26, 2018, and the holding company is scheduled to be listed as of October 1, 2018 in their place. On October 1, 2018, all current shareholders will automatically be allotted and issued shares of the holding company, in proportion to the share transfer ratio. No special procedures are required of shareholders who choose to continue to hold shares of the holding company. Shareholders will also continue to be able to trade shares of both banks until September 25, 2018, the day preceding the date on which the shares are delisted.

Q3 What will happen regarding the fiscal 2018 interim dividend of Daishi Bank?

A3

The interim dividend for fiscal 2018 will be paid to all shareholders holding common shares, and registered pledgees of shares, listed or recorded on the shareholder register as of September 30, 2018, before the business integration. The planned dividend is 45 yen per share for the fiscal 2018 interim dividend. At this stage, it has not been determined whether the holding company, Daishi Hokuetsu Financial Group, Inc., will distribute a fiscal 2018 year-end dividend. An announcement will be made once a decision is made.

Q4 What will happen to the shareholder special benefit program?

A4

We want to implement a shareholder special benefit program for the holding company, and are currently examining the matter. We will make an announcement, including the details of the program, once it has been discussed between Daishi Bank and Hokuetsu Bank and a decision has been made.

Q5 What should customers do if they have deposits with, or loans from, etc. both banks?

A5

After transitioning to a holding company through the joint share transfer, customers will be able to continue their business with Daishi Bank and Hokuetsu Bank without any change, so we hope that customers will continue to avail themselves of our services. With respect to business after the merger between the banks, scheduled for approximately two years after incorporation of the holding company, we will strive to further strengthen the relationships with our customers, and provide fine tuned responses to customer needs based on dialogue with our customers.

Contacts for Inquiries

- (1) For inquiries regarding the number of a shareholder's own shares as well as various procedures related to shares such as change of registered address, succession, designation of an account to which dividends are transferred, please contact your brokerage.
- (2) For inquiries related to shares other than the above, including the methods of receiving unreceived dividends, please contact the shareholder register administrator set out below.

Shareholder register administrator: Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department
Telephone: 0120-232-711 (Toll free only from Japan) (Weekdays 9 a.m. to 5 p.m.)

The Daishi Bank, Ltd.