



DAISHI HOKUETSU REPORT 2019

Disclosure for the Year Ended March 31, 2019



Niigata, Our Target Market

In Niigata Prefecture, basic technology indispensable for manufacturing is accumulating at an accelerated rate. This includes mold-making, high-precision machining, casting, forging, and metal pressing. Niigata Prefecture is the number one manufacturer in Japan of products such as metal tableware and oil stoves.

With a prosperous agricultural industry centering on rice growing, it is a leading producer of rice and the number one manufacturer of rice confectionery in Japan.

Niigata Prefecture, our target market

Area	12,584 km ²	(5 th of 47 pref.)
Population	2,246 thousands	(15 th of 47 pref.)
GDP	¥8,884 billion	(14 th of 47 pref.)
Gross agricultural output	¥ 248 billion	(12 th of 47 pref.)
Industrial shipment per capital	¥4,835 billion	(23 th of 47 pref.)
Annual sales	¥7,015 billion	(16 th of 47 pref.)

Profile (Consolidated)

(As of March 31, 2019)

Head Office	2-14 Ote-dori 2-chome, Nagaoka-shi, Niigata
Principal Head Office Functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata-shi
Founded	October 2018
Deposits	¥7,177 billion
Loans	¥5,065 billion
Total assets	¥8,950 billion
Credit rating	A+ (JCR)

Advantage of transportation networks



- Expressways that extend in five directions (Kanetsu, Hokuriku, Joshinetsu, Banetsu and Nihonkai-Tohoku)
- Joetsu Shinkansen Line
- Hokuriku Shinkansen Line
- Conventional railway line such as the Shinetsu Line, Hokuriku Line, and Uetsu Line
- Niigata Airport
 - Domestic routes: 8 routes (Sapporo, Narita, Chubu International, Komaki, Itami, Kansai International, Fukuoka, and Okinawa)
 - International routes: 6 routes (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taiwan)
- Niigata Port
 - General port and functional port:
 - International marine containers division
 - Certified LNG (liquefied natural gas) division
- Naoetsu Port
 - Functional port: Certified LNG (liquefied natural gas) division

Contents

Message from Management

- 02 Message from Management

About the Daishi Hokuetsu FG

- 05 History of the Two Banks
- 07 Management Philosophy / Ideal Form

Medium-Term Management Plan

- 09 1st Medium-Term Management Plan
- 10 Management Indexes (KPI) / Evaluation Indexes for Contributing to the Community
- 11 Basic Strategy

Financial Highlights / Non-Financial Highlights

- 13 Overview of Financial Highlights for Year Ended March 31, 2019
- 16 Non-Financial Highlights

To Our Shareholders

- 17 Return to Shareholders / Shareholders Benefits
- 18 Information Disclosure

TSUBASA Alliance

- 19 TSUBASA Alliance

ESG Initiatives and Contributions to SDGs

- 21 Initiative Policy for ESG / SDGs Declarations
- 22 SDGs Declaration 1 Regional Economy / Society
- 30 SDGs Declaration 2 Aging Society
- 31 SDGs Declaration 3 Financial Services
- 33 SDGs Declaration 4 Diversity
- 34 SDGs Declaration 5 Environmental Protection
- 35 Corporate Governance

Company Information

- 41 List of Executives / Group Companies
- 43 Organization Chart / Major stockholders

Financial Data

- 44 Financial Data Contents
- 45 Consolidated Balance Sheets
- 47 Consolidated Statements of Income
- 47 Consolidated Statements of Comprehensive Income
- 48 Consolidated Statements of Shareholders' Equity
- 50 Consolidated Statements of Cash Flows
- 51 The Status of Financial Results (Consolidated)
- 73 Non-Consolidated Balance Sheets(Daishi Bank)
- 74 Non-Consolidated Statements of Income(Daishi Bank)
- 75 Non-Consolidated Balance Sheets(Hokuetsu Bank)
- 76 Non-Consolidated Statements of Income(Hokuetsu Bank)

Message from Management



Chairman and Representative Director

Katsuya Sato

President and Representative Director

Fujio Namiki

Thank you very much for your continued support.

The Daishi Bank and The Hokuetsu Bank underwent management integration on October 1, 2018 to establish the Daishi Hokuetsu Financial Group, Inc. as a wholly-owning parent company of the two banks. We would like to express our most sincere gratitude for the extraordinary understanding and support from all stakeholders towards establishment of the Company.

Through the management integration, the Group has implemented the following management philosophy: “We will continue to provide services that live up to the expectations of customers and contribute to the development of regional society as a trusted financial group, and boldly take on challenge to create new value.” We are committed to eternally fulfilling the financial intermediary function and the information intermediary function which are the mission and roles of a regional financial institution.

Implementation of the 1st Medium-Term Management Plan (October 2018 to March 2021)

The management environment surrounding the Group is an unprecedented period of great change due to factors such as a shrinking Japanese economy caused by population decline associated with the acceleration of a declining birthrate and aging population, the lengthening of monetary-easing policy, the growth of digitalization such as expanding cashless services, and the increased competition caused by new entry into the banking industry by corporations from other industries.

We formulated the 1st Medium-Term Management Plan in order to respond to these changes in the management environment, thus maintaining and improving the sustainability of the Group. In order to achieve the priority management themes of revitalizing the regional economy, strengthening profitability, and increasing management efficiency, the plan defines the three basic strategies of improving the financial intermediary function and the information intermediary function, increasing management efficiency, and increasing the sophistication of the Group management system. We are putting the total power of the entire Group into implementing these strategies.

Message from Management

Establishment of a Regional Trading Company

As a priority measure for contributing to the community as stated in the 1st Medium-Term Management Plan, we established and began operations of the regional trading company Bridge Niigata, Ltd. on April 1 of this year.

Furthermore, by organically integrating the vast amount of information held by the two banks, we are also working to expand corporate sales channels and engage in business matching, as well as to disseminate information on Niigata Prefecture's wealth of resources in area such as agriculture, forestry, marine products, and tourism throughout Japan and overseas, and to support increased productivity through measures such as utilizing IT technology of corporations in Niigata Prefecture.



Corporate logo of Bridge Niigata, Ltd.

Establishment of an Employment Agency

On May 24, we established Daishi Hokuetsu Career Bridge, Ltd. to support the resolution of human resources issues faced by corporations in Niigata Prefecture. We plan to start business activities at the new company from October of this year, pending approval from related government agencies.

Our new employment agency seeks to provide one-stop solutions as a comprehensive consulting company for human resources. For example, it responds to shortages of managers and expert personnel, cultivation of employees, acceptance of foreign laborers, and other human resources issues and needs of local corporations.

Through a partnership between Bridge Niigata, Ltd. and Daishi Hokuetsu Career Bridge, Ltd., we will expand the business fields of the Group and will boldly challenge fields outside of the traditional bank framework. By doing so, we are committed to fulfilling the expectations of our stakeholders.

Held the Niigata Food and Comprehensive Business Talks Conference (Shoku Biz!)

This May, the two banks cooperated to hold the Niigata Food and Comprehensive Business Talks Conference (Shoku Biz!), the largest such business conference in Niigata Prefecture. Based on the theme of regional revitalization, exhibiting corporations from all industries were given the opportunity to advertise their own products, services, and technologies, as well as to engage in business discussions.. We also advertised the appeal of Niigata Prefecture and provided information which will lead to regional revitalization.

The actual Shoku Biz! conference received high acclaim from everyone involved. The numbers of attendees, exhibiting companies, and business talks were all record highs compared to prior years.



Scene from the Niigata Food and Comprehensive Business Talks Conference (Shoku Biz!)

Initiatives in the TSUBASA Alliance

The TSUBASA Alliance is a framework for wide-reaching partnerships among regional banks. Since its founding in October 2015, the TSUBASA Alliance has conducted partnerships in a breadth of fields including collaboration in fintech, systems, and administrative tasks.

The range of cooperate was further widened through initiatives in the 2018 fiscal year. Examples include joint development of TSUBASA Smile, a new counter reception tablet which enables various procedures to be performed paperless and without the need to affix a personal seal, and holding of the Singapore Business Exchange Meeting, which supports the overseas business expansions of our customers.

This year, the two banks joined the alliance, bringing the current membership to a total of nine banks. Moving forward, we will further accelerate this strategic alliance in order to contribute to the sustainable growth of regional society through the provision of high added-value financial and information services.



Logo mark of TSUBASA Alliance

Initiatives for ESG and SDGs

In order to fulfill our corporate social responsibility for achieving a sustainable society, the Group has defined initiatives for ESG (Environment, Society, and Governance) and SDGs (Sustainable Development Goals) as main measures in our 1st Medium-Term Management Plan. We are actively conducting activities which are related to these initiatives. In May of this year, we established the Daishi Hokuetsu Financial Group SDGs Declaration, and also officially announced the TSUBASA SDGs Declaration as part of the TSUBASA Alliance.

During the period from November 2018 to March 2019, we handled Private Placement Bonds to Support Childrearing, Education, and Personal Development as a joint plan between the two banks for contributing to the achievement of SDGs. A total of 178 client corporations showed their support for the issuance.

In the bond plan, a portion of the proceeds from the joint issuance of private placement bonds by issuance corporations and the two banks was used to support business activities related to childrearing, education, and personal development by municipalities in Niigata Prefecture. We made a series of donations totaling 14.35 million yen.

Moving forward, we are committed actively to resolving environmental problems, addressing social issues, supporting the cultivation of the next generation, and fulfilling other social needs by providing financial products and services such as the aforementioned bonds. By doing so, we will implement ESG management and contribute to the achievement of SDGs.

Additionally, in order to establish unshakeable trust in the Group from society, we will continue to put our full effort into strengthening the compliance system which forms the core of management, as well as establishing an even higher ethical viewpoint. We will work to construct high-quality governance based on our corporate governance code, and will strive to improve corporate value from the viewpoint of our stakeholders.

We encourage society to expect the best for future activities of the Daishi Hokuetsu Financial Group. We sincerely look forward to your further support.



Private Placement Bonds to Support Childrearing, Education, and Personal Development

History of the Two Banks

THE DAISHI BANK

Profile of **The Daishi Bank**
(as of March 31, 2019)

Location of Head Office
1071-1 Higashiborimae-dori, 7-bancho,
Chuo-ku, Niigata-shi

Founded
November 2, 1873

Total Assets
¥5,976,100 million

Capital
¥32,700 million

Number of Employees
2,180

(2,238 when including employees
stationed from other organizations)

Number of Branches
122 branches; 1 representative office
(Shanghai)
113 branches in Niigata Prefecture
(including 5 field offices and 3 virtual
offices)
9 branches outside of Niigata Prefecture

1873

Founded as **The Fourth
National Bank of Japan**



Founded in current-day
Niigata City as Japan's third
national bank.

1917

Corporate name changed to
The Daishi Bank, Ltd.



Although the name had been
changed to Niigata Bank in
1896, customers continued
to use the nickname "Daishi"
when referring to the bank.
Therefore, the name was
changed to The Daishi Bank.

1928

Finished construction of its
third head office



The head office featured
stone construction using
architectural styles from
ancient Greece.

THE HOKUETSU BANK

Profile of **The Hokuetsu Bank**
(as of March 31, 2019)

Location of Head Office
2-14 Ote-dori 2-chome, Nagaoka-shi

Founded
December 20, 1878

Total Assets
¥2,941,400 million

Capital
¥24,500 million

Number of Employees
1,370

(1,415 when including employees
stationed from other organizations)

Number of Branches
84 branches
79 branches in Niigata Prefecture
5 branches outside of Niigata
Prefecture

1878

Founded as **The Sixty-Ninth
National Bank of Japan**



After the end of the Boshin
War, founded in current-day
Nagaoka City in order to
promote economic growth.

1896

Founded as **The Nagaoka
Bank**



Founded in current-day
Nagaoka City in conjunction
with economic growth such
as a boom in the petroleum
industry and establishment of
railway companies.

1942

Established as **The Nagaoka
Sixty-Ninth Bank**



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

1948

Corporate name
changed to **The
Hokuetsu Bank**

Corporate Logo and Corporate Color of the Daishi Hokuetsu FG

Corporate Logo



Daishi Hokuetsu Financial Group
Based on the motif of geography in Niigata Prefecture, the corporate logo uses a **golden** color representing bountiful harvests of rice to express the expansive land, and uses the corporate color **azure** to express the rivers which moisten that land and the vast Sea of Japan connecting with the rest of the world.

The elliptical shape in the center of the logo was designed in the image of islands and rice in Niigata Prefecture.

The two lines rising upwards depict how the two banks form a single massive surge, boldly challenging changes for the future and continuing to contribute to regional society.

Corporate Color



Blue colors create positive images such as trust, sincerity, and future orientation. Among blue colors, azure is a particularly rich and beautiful shade.

In our logo, the color azure represents the vast Sea of Japan which borders Niigata Prefecture; the Shinano River, Agano River, and other rivers which flow into the Sea of Japan after moistening the fertile land; and the clear expanse of blue skies. This color represents how our new financial group will continuously grow in the future while earning the trust of regional society.

1973

Listed on the Second Section of the Tokyo Stock Exchange

1975

Listing changed to the First Section of the Tokyo Stock Exchange

1992

Completed the current head office



Completed construction of the current head office (the fifth head office built) by expanding and remodeling for enhancement and development of functions and facilities.

October 2018

Establishment of the Daishi Hokuetsu Financial Group



Profile of the Daishi Hokuetsu Financial Group

(as of March 31, 2019)

Location of Head Office

2-14 Ote-dori 2-chome, Nagaoka-shi

Location of Principal Head Office Functions

1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi

Established

October 1, 2018

Capital

¥30,000 million

Listed Securities Exchange

Tokyo Stock Exchange (Securities Code: 7327)

January 2021

Merger of the two banks to form The Daishi Hokuetsu Bank (scheduled)



1965

Completed the current head office



In contrast to the red bricks of the former head office, the new head office was built in white marble.

1973

Listed on the First Section of the Tokyo Stock Exchange

Corporate Name of the Merged Bank and Other Related Items

Assuming that permission is received from applicable government agencies and other requirements are fulfilled, The Daishi Bank and The Hokuetsu Bank plan to merge in January of 2021.

The corporate name of the merged banks will be The Daishi Hokuetsu Bank, Ltd. Similar to the Daishi Hokuetsu FG, inheriting the corporate names of The Daishi Bank and The Hokuetsu Bank will allow us to utilize the brand power of the two banks' corporate names in Niigata Prefecture. The corporate logo and corporate color will become the same as the Daishi Hokuetsu FG.

January 2021

 THE DAISHI BANK

 THE HOKUETSU BANK



 DAISHI HOKUETSU BANK

The corporate name of the group company Daishi Securities will also change in October 2019.

By changing the corporate name to Daishi Hokuetsu Securities Co., Ltd., we will unify the corporate brand with the Daishi Hokuetsu FG, strengthen the sense of group unity, and strengthen the consulting function in the securities field. Additionally, we will maximize synergy in fields linking banking and securities.

October 2019

 THE DAISHI SECURITIES



 DAISHI HOKUETSU SECURITIES

Management Philosophy / Ideal Form

Management Philosophy / Ideal Form



Management Philosophy

As a trusted financial group,

Action Principles

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

Mission

We will boldly take on challenge to create new value.

Vision and Approach

Ideal Form

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

Main External Environment

Declining birthrate, aging society, and shrinking population

Lengthening of monetary-easing policy

Growth of digitalization

Spread of economic globalization

Increased participation in banking business by corporations from other industries

Strategy

1st Medium-Term Management Plan

Basic Strategy I

Improve our financial intermediary function and information intermediary function

Create topline synergy*¹ and reform our portfolio*²

Basic Strategy II

Increase management efficiency

Create cost synergy*³

Basic Strategy III

Increased sophistication of the Group management system strengthening of management infrastructure

► For details, see pp. 9 to 12

*1. Synergy which increases profits through management integration and merger

*2. Activities for reforming the composition of owned assets, heightening the composition ratio of interest on loans and non-interest income in the gross profit of core businesses, and strengthening profitability

*3. Synergy which decreases expenses through management integration and merger

< TSUBASA Alliance* >

*Framework for wide-ranging cooperation among regional banks with the aim of proposing and implementing measures to contribute in areas such as sustainable regional growth, increased sophistication of financial systems, and increased corporate value of corporate groups participating in the alliance.



► For details, see pp. 19 to 20

For Achievement of a Sustainable Society

Five Declarations for Implementing ESG Management and Achieving SDGs

In order to fulfill our corporate social responsibility for achieving a sustainable society, the Daishi Hokuetsu FG actively works to resolve social issues related to ESG (Environment, Society, and Governance) and contributes to the achievement of SDGs (Sustainable Development Goals) set by the United Nations. By doing so, we seek to grow continually with regional society.

Five Declarations

Declaration 1

Regional Economy / Society



Contribute to revitalization of the regional economy and community.

Declaration 2

Aging Society



Support a safe and secure lifestyle for the elderly.

Declaration 3

Financial Services



Provide financial services for leading an even better lifestyle.

Declaration 4

Diversity



Promote diversity and work-style reform.

Declaration 5

Environmental Protection



Contribute to sustainable environmental protection.

DAISHI HOKUETSU
Financial Group

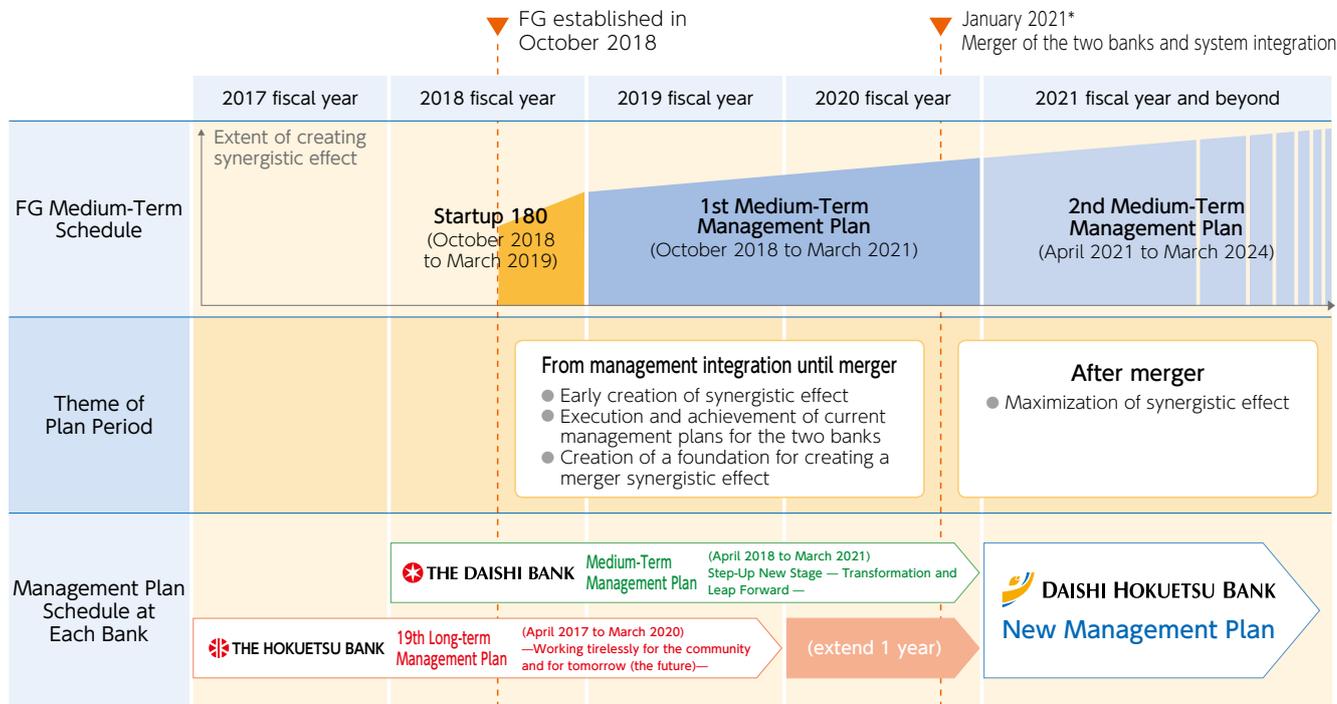


SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

► For details, see pp. 21 to 40

1st Medium-Term Management Plan

The Daishi Hokuetsu FG plans to merge the two banks and perform system integration in January 2021. The Medium-Term Management Plan consists of two phases: the 1st Medium-Term Management Plan for until the 2020 fiscal year in which the two banks will merge, and the 2nd Medium-Term Management Plan which seeks to maximize the synergistic effect of the merger.

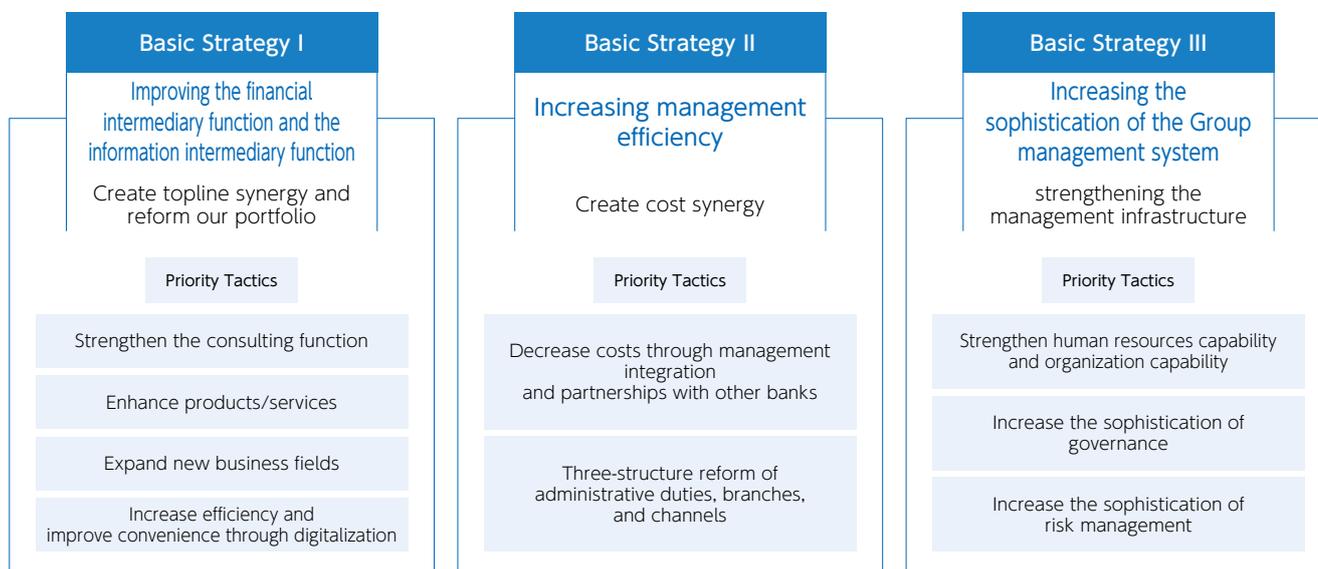


*The schedule for merger of the two banks and system integration is the plan as of March 2019. This schedule may be subject to change.

Basic Strategy

The three priority management themes of the Daishi Hokuetsu FG are revitalizing the regional economy, strengthening profitability, and increasing management efficiency. In order to achieve these themes, we are working to implement the following three basic strategies: **I) improving the financial intermediary function and the information intermediary function, II) increasing management efficiency, and III) increasing the sophistication of the Group management system.**

1st Medium-Term Management Plan Plan Period: October 2018 to March 2021



Management Indexes (KPI) / Evaluation Indexes for Contributing to the Community

Management Indexes (KPI)

The average small and mid-sized corporate loan balance, the average consumer loan balance, and the amount of non-interest income all increased steadily year-on-year. There are also steady results from efforts for the five indexes for portfolio reform, such as the ratio of small and mid-sized corporate loans to total loans.

*Items not listed as consolidated are calculated on a total basis for the two banks.

Management Index (KPI)		FY2017 Results	FY2018 Results	Five Indexes for Portfolio Reform	FY2017 Results	FY2018 Results		
Profitability	Consolidated income for the period ^{*1}	(100 million yen)	—	568				
	Average small and mid-sized corporate loan balance ^{*2}	(100 million yen)	17,629	↑ +977	18,606			
Growth potential	Average consumer loan balance	(100 million yen)	11,612	↑ +681	12,293			
	Non-interest income ^{*3}	(100 million yen)	165	↑ +11	176			
Efficacy	Core business gross profit OHR	(%)	73.4	↑ +1.4	74.8			
	Consolidated ROE (shareholder capital base ^{*4})	(%)	—		15.5 (17.8)			
Financial health	Consolidated capital equity ratio	(%)	—		9.5			
				Ratio of small and mid-sized corporate loans to total loans	(%)	37.1	↑ +0.1	37.2
				Ratio of consumer loans to total loans	(%)	24.4	↑ +0.2	24.6
				Ratio of unsecured loans to consumer loans	(%)	8.0	→	8.0
				Ratio of profit from assets on deposit to core business gross profit	(%)	7.6	↑ +1.8	9.4
				Ratio of financial solutions income to core business gross profit	(%)	6.7	↑ +0.8	7.5

*1. Net income attributable to parent company shareholders

*2. Annual average balance before partial direct depreciation

*3. Total amount of other business profits excluding fees/commissions and gains (losses) related to bonds (government bonds, etc.)

*4. The denominator is calculated by subtracting valuation difference on available-for-sale securities, etc., from net assets

Evaluation Indexes for Contributing to the Community

From among the 37 items for benchmarks of the financial intermediary function, the Daishi Hokuetsu FG has selected eight items for initiatives as indexes to evaluate the status of contribution to the community. For all eight of these items, results have exceeded the corresponding targets, and initiatives are going smoothly at the two banks.

Evaluation Indexes for Contributing to the Community		FY2018		*Calculation base for the two banks	
		Target	Results	Comparison with target	
Top-priority index for measuring extent of contribution to community	Number of corporations doing business with the Daishi Hokuetsu FG as their main bank	13,950	↑	14,237	+287
Maintenance/increase of leaders for the regional economy	Number of projects involving startup/restart of a business	1,050	↑	1,136	+86
	Corporations supported in finding a business successor	1,400	↑	1,433	+33
Support for increasing added value of corporations	Number of borrowers/balance based on evaluation of business feasibility	900 210,000 million yen	↑	2,355 452,800 million yen	+1,455 +242,800 million yen
	Number of corporations utilizing Guidelines for Personal Guarantee Provided by Business Owners	3,460	↑	3,836	+376
	Number of business partners who reformed their management indexes, etc.	8,750	↑	9,078	+328
	Number of projects for supporting main businesses	3,450	↑	3,729	+279
	Number of corporations being supported for formulation of management reform plans	520	↑	660	+140

Basic Strategy

Basic Strategy I: Improving the financial intermediary function and the information intermediary function

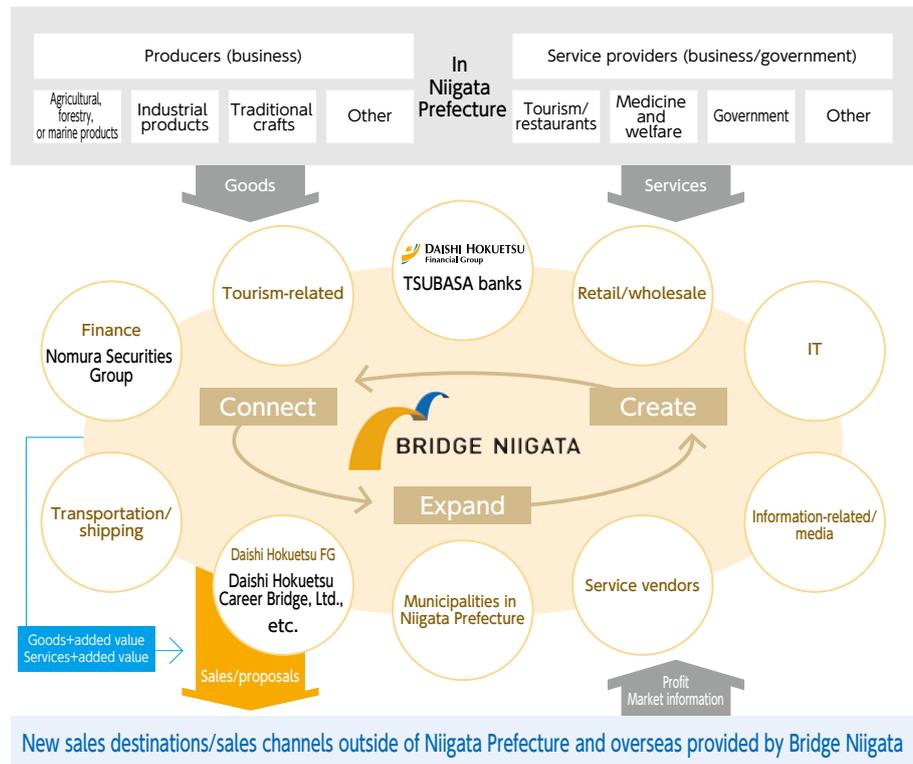
We will create even higher added value by working to expand new business fields, and to increase efficiency and improve convenience through digitalization.

Establishment of the Regional Trading Firm Bridge Niigata, Ltd.

As a priority measure for contributing to regional society, we established the regional trading firm Bridge Niigata, Ltd. in April 2019.

Based on the overwhelming amount of information held by The Daishi Bank and The Hokuetsu Bank, Bridge Niigata will conduct business by performing the three functions of connecting, expanding, and creating.

As a "Niigata sales company," Bridge Niigata contributes to the growth of the regional economy by functioning as a bridge between the Niigata Prefecture economy and markets outside of the region. For example, the company develops new sales channels for high-quality agricultural products, forestry products, marine products, industrial products, crafts, and other products of Niigata Prefecture. The company also engages in effective marketing through partnerships with major corporations possessing strengths in each field, promotes tourism by communicating information throughout Japan and overseas, and utilizes ICT to support the increased productivity of small and medium-sized corporations.

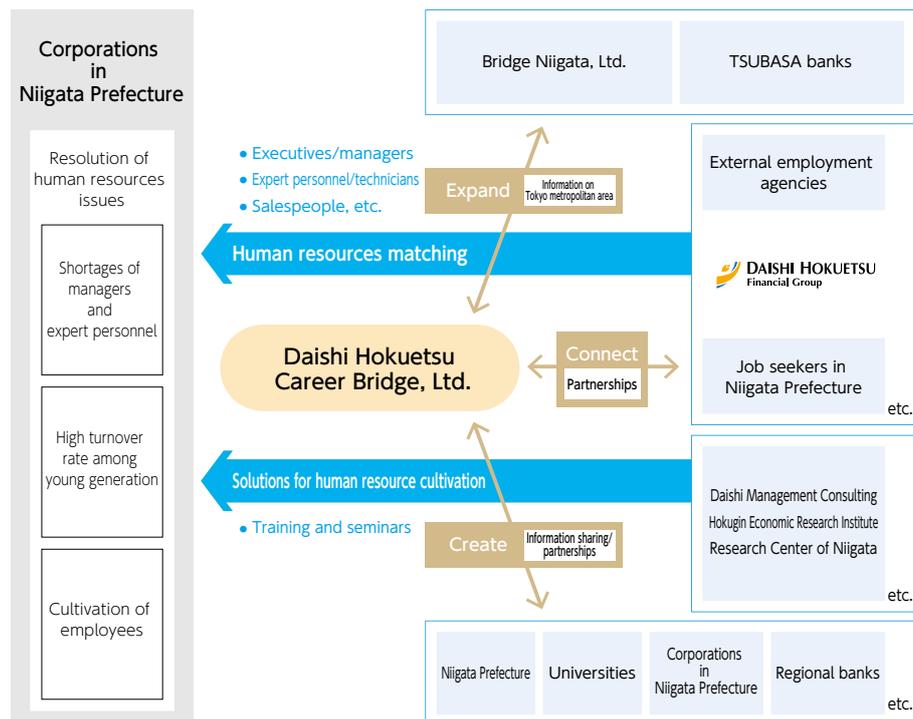


Establishment of the Employment Agency Daishi Hokuetsu Career Bridge, Ltd.

In May 2019, we established Daishi Hokuetsu Career Bridge, Ltd. to support the resolution of human resources issues faced by client corporations. For example, the company responds to shortages of managers and expert personnel, cultivation of employees, and acceptance of foreign laborers.

As a comprehensive consulting company for human resources, Daishi Hokuetsu Career Bridge supports the resolution of regional human resources issues through the three functions of connecting, expanding, and creating.

*Daishi Hokuetsu Career Bridge is scheduled to start business operations in October 2019 assuming the fulfillment of certain requirements, including certification as a private employment service by the Ministry of Health, Labour, and Welfare based on the Employment Security Act.



Basic Strategy II: Increasing management efficiency

In addition to implementing three-structure reform for administrative duties, branches, and channels, we are increasing management efficiency through management integration and partnerships with other banks via the TSUBASA Alliance.

Initiatives for Three-Structure Reform

Based on the principle of placing the customer first, we are actively implementing three-structure reform based on the three pillars of reforming administrative duties, reforming branches, and reforming channels.

Three-Structure Reform

Reform of Administrative Duties	Reform of Branches	Reform of Channels
<p>Reduce administrative personnel in sales offices by half (reduction of approx. 260 people by March 31, 2021)</p> <p>Reduce financial administrative personnel in sales offices (reduction of approx. 150 people by March 31, 2021)</p> <p>Elimination in Five Categories</p> <ul style="list-style-type: none"> Eliminate back-office administrative duties Eliminate verification Eliminate cash management Eliminate use of paper Eliminate use of personal seals <p>Reform of Financing Duties</p> <ul style="list-style-type: none"> Standardization of administrative rules Reconstruction of systems Expansion of administrative concentration Review of decision-making authority Utilization of tablets 	<p>Change sales offices into consulting spaces</p> <p>Specific Examples</p> <p>November 2018 Implementation of TSUBASA Smile (p. 47)</p> <p>November 2018 Installation of remote consultation service</p>	<p>Increase customer convenience through non-face-to-face channels</p> <p>Specific Examples</p> <p>November 2018 Implementation of Web Completion Scheme for personal loans (p. 47)</p> <p>April 2019 Implementation of Bank Passbook App (p. 47)</p>
<p>Specific Examples</p> <p>November 2017 Implementation of RPA (p. 19)</p> <p>January 2018 Paperless application for investment trusts and insurance</p> <p>May 2018 Establishment of Middle Office</p>		
<p>Reallocation to core business (sales and planning divisions) 200 people *Plan for The Daishi Bank by March 31, 2021</p>		

Branch Integration after Merger of the Two Banks

(Branch network)
Branches of The Daishi Bank and The Hokuetsu Bank

(adjacent branches)

(regional single branches)

(Adjacent Branches) Integration of 50 Branches (Daishi: 20; Hokuetsu: 30) starting from April 2021

Branch-in-Branch Format

Integrate adjacent branches via a branch-in-branch format* while considering factors such as the useful life of the building area, location, and market/branch characteristics

Reallocation of personnel
Enhancement of sales personnel

Branch B is relocated to the adjacent Branch A
*Method in which the locations of multiple sales offices are merged into the same location and coexist in the same building

Finished recording branch impairment costs (total of 6,400 million yen for the two banks) associated with branch integration in financial results for the 2018 fiscal year

Branch Empty Space

As a general rule, empty space is sold. However, we are also reviewing utilization methods in accordance with needs of the community.

(Regional Single Branches) For the time being, plan to maintain even after merger of the two banks

For the time being, we plan to maintain branches in regions where a branch for only one of the two banks is located (regional single branch), in former municipality units prior to municipal mergers in the Heisei Period

Basic Strategy III: Increasing the sophistication of the Group management system

By strengthening human resources capability and organizational capability, and by increasing the sophistication of governance, we will seek further sophistication of the management system for the entire Group and will strengthen the management infrastructure.

Initiatives for Organizational Harmony

Start of Personnel Interaction

Since the management integration in October 2018, we have encouraged the sharing of know-how and strengthening of functions through interaction of the two banks' personnel for specialized divisions such as securities divisions and consulting divisions.

In April 2019, we started personnel interaction for branch managers and assistant branch managers of the two banks.

Furthermore, we hold joint seminars on days off and in evenings for bank personnel of the two banks, and have started mutual availability for training centers of the two banks.



Joint training for new bank personnel of the two banks

Number of employees participating in seminars held on days off and in evenings during the year ended March 31, 2019

3,375 employees
(tabulated from October 2018)

Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2019

Consolidated Results for the Daishi Hokuetsu Financial Group

Profit and Loss

(Unit: 100 million yen)

Item	Year Ended March 31, 2019
Ordinary income	1,180
Ordinary profit	167
Profit attributable to owners of parent	568
Consolidated capital equity ratio	9.54 %

*Consolidated results for the first year of establishment (year ended March 31, 2019) were calculated by adding the consolidated profit/loss of The Hokuetsu Bank after the management integration to the full-year consolidated profit/loss of The Daishi Bank.

*Net income attributable to shareholders of the parent company includes 47,200 million yen in gain on bargain purchase due to the corporate integration.

Ratings

Daishi Hokuetsu Financial Group

Japan Credit Rating Agency (JCR)

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

A⁺
A
A ⁻

We received an A+ (long-term senior debt rating) from the Japan Credit Rating Agency (JCR).

● Rating

The certainty of fulfillment for bonds (corporate bonds, etc.) issued by a corporation is evaluated by a ratings organization which is a fair third party. The evaluation results are displayed as an easy-to-understand symbol that objectively assesses the creditworthiness and safety of the corporation. This rating is an important index.

The Daishi Bank

Japan Credit Rating Agency (JCR)

A⁺

Moody's

A2

The Hokuetsu Bank

Japan Credit Rating Agency (JCR)

A⁺

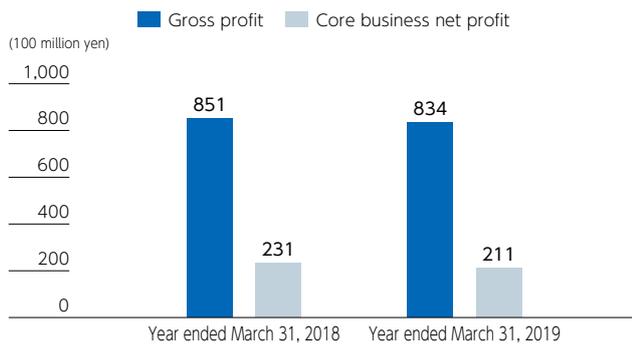
Totals of the Two Banks

The following numbers are a simple summation of the full-year non-consolidated financial results of the two banks. These numbers do not match the consolidated financial results of the Daishi Hokuetsu Financial Group.

Profit and Loss

Gross profit **¥83,400 million**

Core business net profit **¥21,100 million**



Despite an increase in profit from fees and commissions consisting of interest on loans and non-interest income, gross profit decreased to 83,400 million yen (down 1,600 million yen year-on-year) mainly due to a decrease in interest and dividends on securities. Core business net profit decreased to 21,100 million yen (down 2,000 million yen year-on-year) mainly due to a decrease in gross profit.

● Gross profit

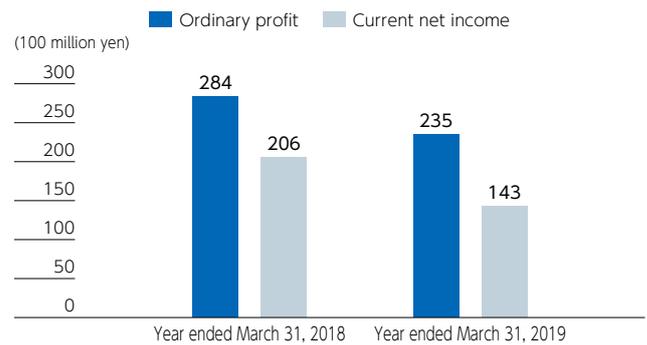
Total profit calculated by adding capital income consisting of interest income such as deposits, loans, and securities; fees and commissions which are income from fees; and other business interest which is income from other business activities.

● Core business net profit

Profit obtained from main business activities of the bank. Calculated by deducting gains (losses) related to bonds (government bonds, etc.) from gross profit and then subtracting expenses such as personnel expenses and property costs.

Ordinary profit **¥23,500 million**

Current net income **¥14,300 million**



Ordinary profit decreased to 23,500 million yen (down 4,900 million yen year-on-year) mainly due to an increase in net credit costs.

Current net income decreased to 14,300 million yen (down 6,300 million yen year-on-year) due to a decrease in ordinary profit, as well as to 6,400 million yen in extraordinary losses for branch integration expenses in conjunction with the management integration.

● Ordinary profit

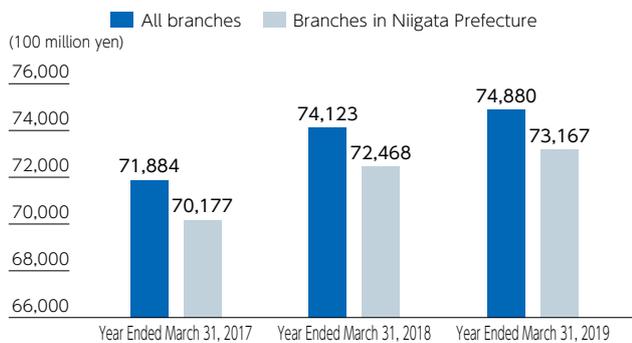
Profit obtained from normal operating activities. Calculated by subtracting ordinary expenses from ordinary profit.

● Current net income

Final income calculated by subtracting extraordinary losses, taxes, etc., from ordinary profit.

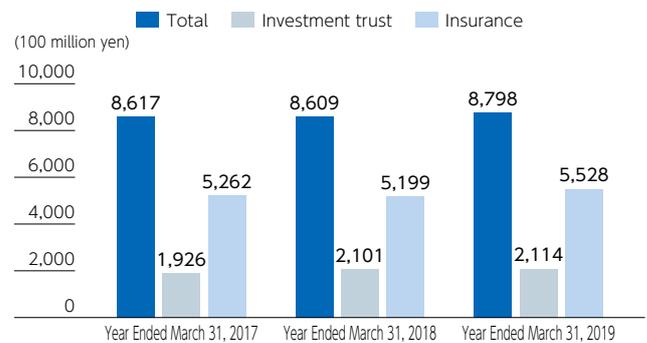
Deposits and Assets on Deposit

Deposits **¥7,488,000 million**



The deposit balance (including negotiable deposits) increased to 7,488,000 million yen, with the main increase being deposits from customers in Niigata Prefecture.

Assets on deposit **¥879,800 million**



Assets on deposit increased to 879,800 million yen as a result of proposals matching the assets management needs of our customers.

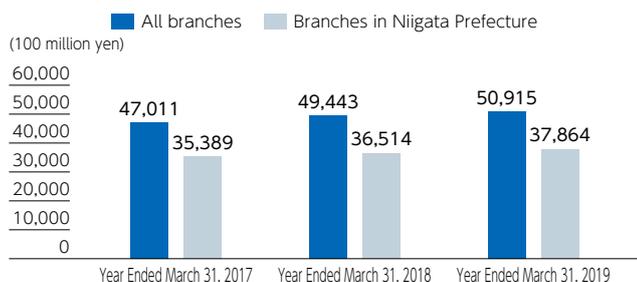
Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2019

Totals of the Two Banks

The following numbers are a simple summation of the full-year non-consolidated financial results of the two banks. These numbers do not match the consolidated financial results of the Daishi Hokuetsu Financial Group.

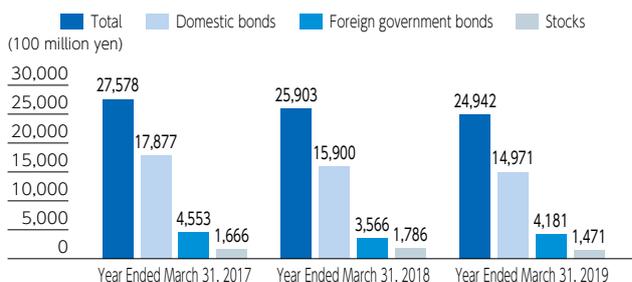
Loans and Securities

Loans **¥5,091,500 million**



The loan balance increased to 5,091,500 million yen as the result of actively responding to the lending needs of customers.

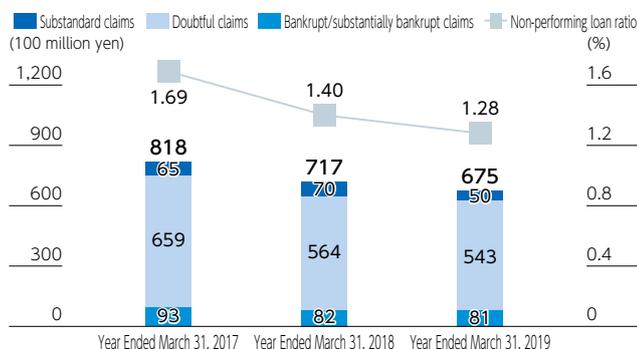
Securities **¥2,494,200 million**



The securities balance decreased to 2,494,200 million yen as the result of decreases in domestic bonds, etc.

Bad Debt

Bad debt **¥67,500 million**



Non-performing loan balance based on the Financial Revitalization Act (loans reported based on the Financial Revitalization Act) was 67,500 million yen, which was 1.28% of non-performing loan.

The head offices and sales offices are working together to support management reform at our customers.

Substandard claims

Delinquent loans of 3 months or longer and restructured loans to substandard debtors, excluding doubtful claims and bankrupt/substantially bankrupt claims.

Doubtful claims

Loans for which the debtor has not entered business bankruptcy, but is experiencing worsened financial status and economic performance, and there is a high possibility that it may not be possible to recover capital or receive interest on the loan according to the contract.

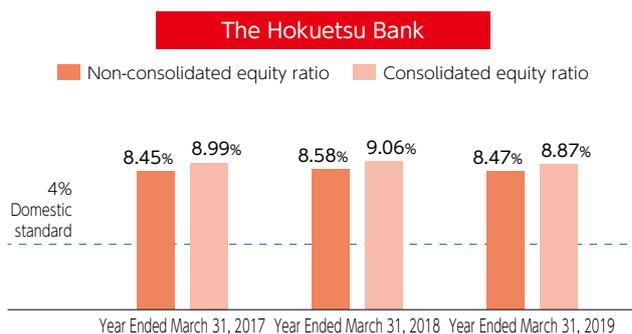
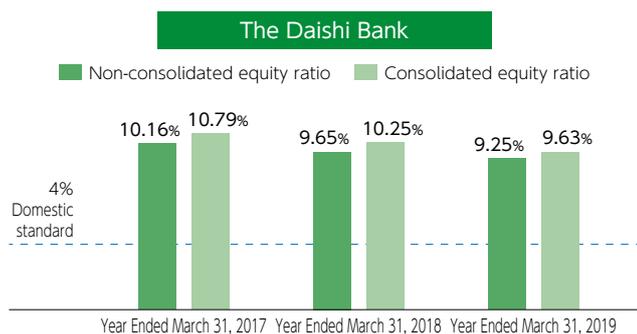
Bankrupt/substantially bankrupt claims

Loans of debtors with bankrupt business due to reasons such as the start of bankruptcy procedures, the start of reorganization procedures, or declaration for the start of reorganization procedures, or loans to which these conditions apply.

The Daishi Bank / The Hokuetsu Bank Consolidated / Non-Consolidated

Status of equity ratio

*A level of at least 4% is required for banks operating only in Japan.



Non-Financial Highlights

Support for Startups



Business startups or re-startups in which the two banks were involved
(FY2018)

1,136

Support for Business Succession/M&A



Number of companies supported in business succession
(FY2018)

856

Number of companies supported in M&A
(FY2018)

577

Handling of Private Placement Bonds



Handling of private placement bonds for donations
(total since the start of handling)

1,025
¥96,700 million

Promotion of Diversity



Female manager ratio*
(as of March 31, 2019)

22.8%

*Ratio of female employees holding the rank of acting branch manager, assistant director, or higher from among all bank employees holding the rank of acting branch manager, assistant director, or higher.

Support for Growth of Next Generation



Number of participants in financial education activities
(total since the year ended March 31, 2014)

9,927

Environmental Protection



Number of participants in afforestation activities
(total since the start of activities)

3,063



Amount/ratio of decrease in CO₂
(compared to the year ended March 31, 2010)

3,840 tons **25.4%**

Support for Cultural Activities



Number of events* held by the two banks
(total since the year ended March 31, 1993)

150

Support for the Elderly



Number of employees certified as Service Care-Fitters
(FY2018)

225

Number of employees attending lectures to train Dementia Supporters
(total since the year ended March 31, 2017)

4,889

*Mainly consisting of classical music concerts and rakugo (Japanese comedy) performances with the aim of providing local residents with low-priced events that contribute to the promotion of local culture and art.

Return to Shareholders / Shareholders Benefits

Policy for Return to Shareholders

While considering the public nature of the banking business, in order to reward each one of our shareholders moving forward, our basic policy is to continue stable returns to shareholders while also ensuring an increase in internal reserves in order to strengthen our revenue base.

Specifically, we aim for a shareholder return rate of approximately 40% when combining dividends and acquisition of treasury stock.

Furthermore, our policy is to work to increase ROE based on strengthening of current net income. Our mid- to long-term goal is at least 5%.

Dividends per share

Year-end dividends for the year ended March 31, 2019	60yen
--	-------

Shareholder Benefits System

We have implemented a shareholder benefits system in order to thank shareholders for their continued support, to increase the appeal of investing in our company's stock, and to encourage more people to engage in long-term ownership of our company's stock.

Applicable Shareholders

The first benefits package is offered to shareholders who are listed in our company's shareholder register as of March 31, 2019 and who own at least 50 shares. Afterwards, benefits packages will be offered to shareholders who continuously owned at least 100 shares (1 share unit) for period of at least one year, using March 31 of each year as the reference date (the same shareholder number is listed continuously at least three times in the shareholder register as of March 31 and September 30 of each year). Shareholders who own at least 50 shares but less than 100 shares as of March 31, 2019 will continue to be eligible for the shareholder benefits system by purchasing additional shares to reach ownership of at least 100 shares by March 31, 2020.

• First Benefit (March 31, 2019)

Shareholders owning the following number of shares as of March 31, 2019

Number of Shares Owned	Amount of Gift
50 shares to less than 1,000 shares	Equivalent to 2,500 yen
1,000 shares or more	Equivalent to 6,000 yen

• Second and Subsequent Benefits (from March 31, 2020)

Shareholders continuously owning the following number of shares for at least 1 year

Number of Shares Owned	Amount of Gift
100 shares to less than 1,000 shares	Equivalent to 2,500 yen
1,000 shares or more	Equivalent to 6,000 yen

Contents of the Shareholder Benefits System

Depending on the number of shares owned, the shareholder can select their desired gift from either of the following two catalogs.

- (1) Catalog listing special local goods from Niigata Prefecture or donations to the Hokugin Scholarship Fund
- (2) Catalog listing special local goods from other prefectures as TSUBASA Alliance Joint Plan*

*Catalog listing special local goods from four regional banks participating in the TSUBASA Alliance (The Chiba Bank: Chiba Prefecture, The Chugoku Bank: Okayama Prefecture, The Iyo Bank: Ehime Prefecture, The Toho Bank: Fukushima Prefecture).

Notes

- This benefits system can only be used by the shareholder. Benefits cannot be transferred, loaned, or otherwise assigned to a third party, including family members.
- For details on how to apply for the benefits services and how to use the services, please refer to the catalogs sent to eligible shareholders.
- Contents, conditions, and other details of benefits are subject to change depending on factors such as changes in the finance environment. Advance notifications of such changes will be announced on the Company website or through other mediums.



Information Disclosure

Disclosure Activities

With the goal of achieving transparency and health of management, we actively hold disclosure activities for disclosure of management status and other information. Through these activities, we seek to create understanding towards our management status from stakeholders including customers, regional residents, and shareholders.

In addition to disclosing our disclosure journal and other PR materials on our website, we hold company information sessions in Tokyo for institutional investors. Through these sessions, we seek to increase corporate value. We also hold company information sessions for individual investors in Niigata Prefecture, which is the main business infrastructure of our company.



Information session for investors

Disclosure Policy

At the time of our establishment in October 2018, we announced the Daishi Hokuetsu Financial Group Disclosure Policy which defines topics such as our company's basic posture towards disclosure of information.

1. Basic Posture

Accurately conveying our company's activities and management status to stakeholders is fundamental and essential for obtaining trust towards our company. We recognize that timely and appropriate disclosure of company information will help increase the health and transparency of our management.

In particular, we recognize that timely and appropriate disclosure of important company information which will affect the investment decisions of investors is an extremely important responsibility of a listed company. In the future, we will continue to engage in sincere and timely disclosure.

2. Information Disclosure Method

Our company discloses important information in compliance with the Companies Act, the Banking Act, the Financial Instruments and Exchange Act, other related laws, and rules defined by the Tokyo Stock Exchange.

We use a Timely Disclosure Network (TDnet) system for timely disclosure of applicable items. Furthermore, we immediately list said items on our company's website in order to ensure broad transmission of applicable information.

Moreover, even in the case of information that is not subject to disclosure regulations, we consider fairness and appropriateness in order to actively disclose information which we believe will have a significant effect on investment decisions and information which we consider as pertinent for increasing understanding towards our company.

3. Fair Disclosure Initiatives

We strive to engage in fair disclosure of information through measures to avoid selective disclosure to certain individuals when conveying undisclosed important information that will affect investment decisions.

Immediately after company information sessions held for institutional investors, we disclosure materials used at the session on our website.

4. Development of Internal Systems

We will continually develop and enhance internal systems for implementing our disclosure policy.

Moreover, we are working to further enhance the contents of timely disclosed information, etc., and to further enhance the contents, issuance form, etc., of publications such as our disclosure journal. Additionally, through active utilization of tools such as our website, we are working to enable fast and easy access by stakeholders to a variety of management and financial information.

5. Items Related to Future Forecasts

Disclosed information includes future forecasts related to the financial condition and results of companies in the Daishi Hokuetsu Financial Group. We make no guarantee that future results will be achieved in accordance with these future forecasts. Future forecasts contain a certain element of risk and uncertainty. Actual results may differ due to factors such as future changes in the environment surrounding management.

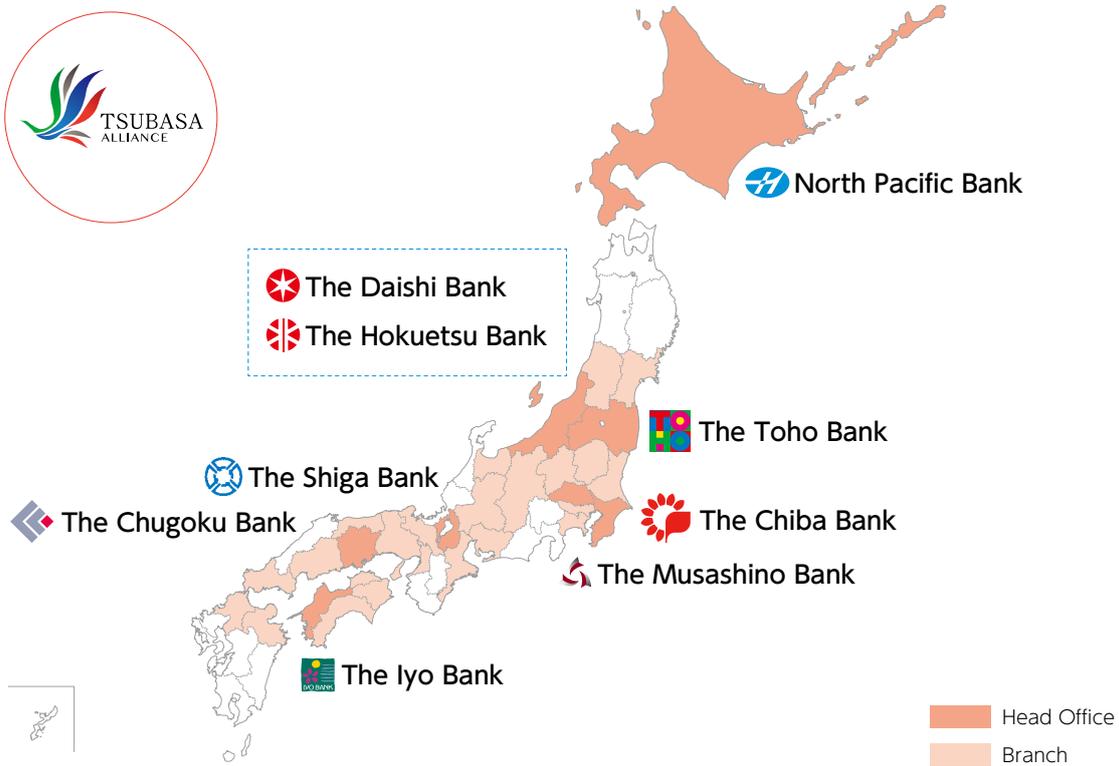
TSUBASA Alliance

The TSUBASA Alliance is a framework for wide-range regional partnerships aimed at proposing and implementing measures for contributing to sustainable regional growth, sophistication of financial systems, increased corporation value of member bank groups, and other initiatives.

The Musashino Bank joined the alliance in March 2019, followed by The Shiga Bank in May 2019. A total of nine banks now participate in the alliance.

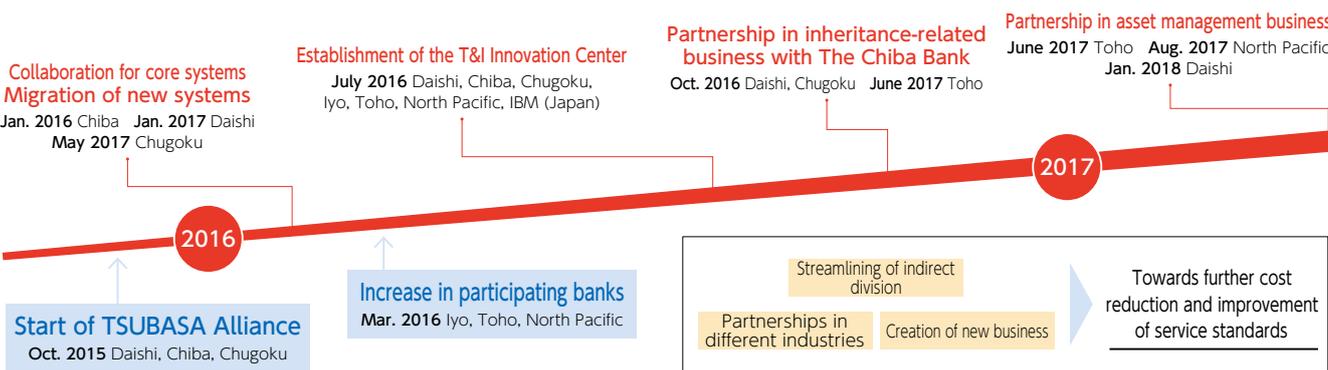


Banks Participating in the TSUBASA Alliance Location of Head Office and Branches



History of the TSUBASA Alliance

Since its founding in October 2015, the alliance has worked to form partnerships involving the group companies of participating banks in a wide range of fields such as sharing of fintech and systems, sharing of administrative duties, inheritance-related business, and international business.



TSUBASA SDGs Declaration

On May 22, 2019, The Daishi Bank, The Hokuetsu Bank, The Chiba Bank, The Chugoku Bank, The Iyo Bank, The Toho Bank, North Pacific Bank, The Musashino Bank, and The Shiga Bank enacted the TSUBASA SDGs Declaration as a joint measure of the TSUBASA Alliance. The declaration is a joint initiative for achieving SDGs set by the United Nations.

One of the joint goals of the TSUBASA Alliance is sustainable regional growth. Based on mutual understanding that member banks share the same regional social and environmental issues, the joint declaration was made to further strengthen response to these issues.

Regional Economy / Society	Declaration 1	Contribute to revitalization of the local economy and community.
Aging Society	Declaration 2	Support a safe and secure lifestyle for the elderly.
Financial Services	Declaration 3	Provide financial services for leading an even better lifestyle.
Diversity	Declaration 4	Promote diversity and work-style reform.
Environmental Protection	Declaration 5	Contribute to sustainable environmental protection.

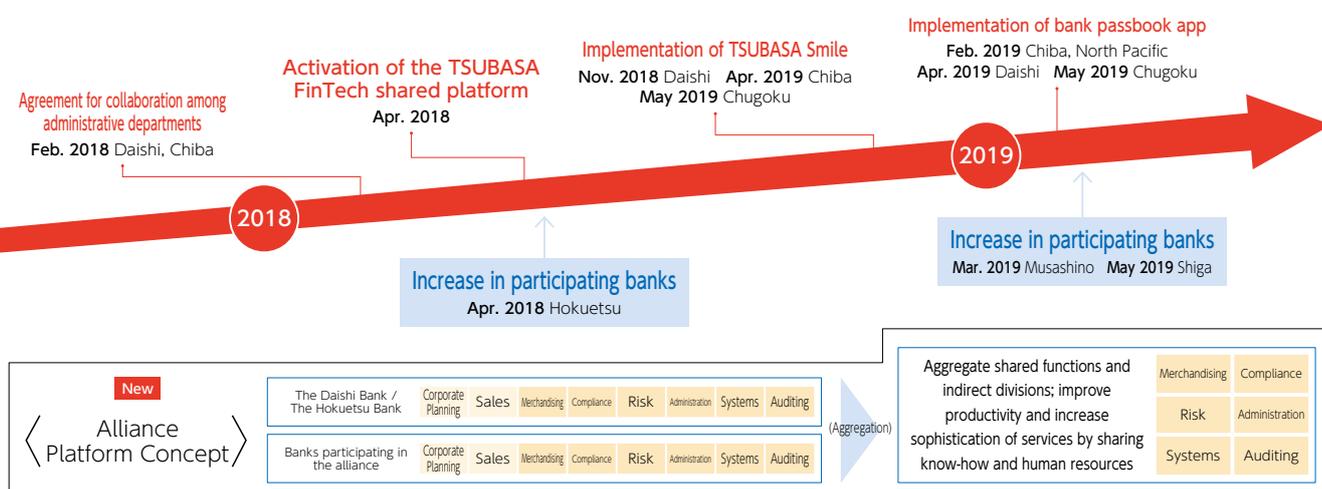
Comparison of Other Banks Financial Results (Consolidated) for the Year Ended March 31, 2019—In Order of Total Assets

	Total Assets	Deposits	Loans
Mitsubishi UFJ Financial Group	¥311.1 trillion	¥180.1 trillion	¥107.4 trillion
Sumitomo Mitsui Financial Group	¥203.6 trillion	¥122.3 trillion	¥77.9 trillion
Mizuho Financial Group	¥200.7 trillion	¥124.3 trillion	¥78.4 trillion
TSUBASA^{*1}	¥65.7 trillion	¥54.1 trillion	¥41.8 trillion
Resona Holdings ^{*2}	¥59.1 trillion	¥51.1 trillion	¥36.1 trillion
Sumitomo Mitsui Trust Holdings ^{*3}	¥57.0 trillion	¥31.9 trillion	¥29.0 trillion
TSUBASA	¥55.0 trillion	¥45.1 trillion	¥34.5 trillion
Fukuoka Financial Group	¥20.8 trillion	¥14.0 trillion	¥12.9 trillion
Concordia Financial Group	¥18.9 trillion	¥15.9 trillion	¥12.6 trillion
Mebuki Financial Group	¥17.3 trillion	¥14.3 trillion	¥11.1 trillion

- *1. The Musashino Bank joined in March 2019. The Shiga Bank joined in May 2019.
- *2. The Kansai Mirai Financial Group (Kansai Urban Banking Corporation, The Minato Bank) was included in consolidation from April 2018.
- *3. Japan Trustee Services Bank and two other companies are not included in consolidation from October 2018.

The scale of total net assets comes after mega banks

Moving forward, we will further accelerate strategic alliances by concentrating the know-how and knowledge of each bank. By doing so, we will contribute to sustainable growth of regional society through the provision of high added-value financial services, etc.



Initiative Policy for ESG

In order to fulfill its social responsibility for achieving a sustainable society, the Daishi Hokuetsu FG actively works to resolve social issues related to ESG (Environment, Society, and Governance). Furthermore, the Group contributes to achievement of SDGs (Sustainable Development Goals) set by the United Nations. Through these activities, we seek to realize sustainable growth together with the region.

	<h3>Environment</h3>	<p>In order to protect the rich and beautiful natural environment of our home in Niigata Prefecture, and to contribute to the achievement of a sustainable society, the Group supports customers who engage in environmental protection. Furthermore, as a corporate citizen, we actively hold environmental protection activities for the region and work to solve global environmental issues.</p>
	<h3>Society</h3>	<p>In addition to supporting the real-life regional economy by providing a wide range of financial services that respond to needs of the region and society, the Group conducts activities based on regional and social needs for contributing to growth of regional society by utilizing management resources such as diverse human resources.</p>
	<h3>Governance</h3>	<p>In order to obtain high recognition and establish unshakeable trusts from stakeholders including customers, local residents, and shareholders, the Group will work to improve financial health and profitability. We recognize that strengthening and enhancing corporate governance is an important management issue, and we strive to augment auditing and supervisory functions for corporate management, as well as to increase the transparency of management activities.</p>

SDGs Declarations

In May 2019, we set the Daishi Hokuetsu FG SDGs Declaration in accordance with the TSUBASA SDGs Declaration which were set together with banks in the TSUBASA Alliance. Detailed initiatives for each declaration are introduced starting from the following page.

Declaration 1
Regional Economy / Society



Contribute to revitalization of the local economy and community.

Declaration 2
Aging Society



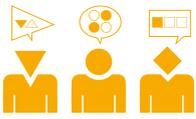
Support a safe and secure lifestyle for the elderly.

Declaration 3
Financial Services



Provide financial services for leading an even better lifestyle.

Declaration 4
Diversity



Promote diversity and work-style reform.

Declaration 5
Environmental Protection



Contribute to sustainable environmental protection.

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



SDGs Declaration 1 Regional Economy / Society Initiatives for achieving regional revitalization

In order to achieve perpetual contribution to regional society which is the prime purpose of the management integration, the entire Daishi Hokuetsu FG is actively working to implement measures which will create a positive cycle for communities, people, and work.



Community
Problem-solving based on regional characteristics



People
Create a flow of new people to rural areas



Work
Create stable employment in rural areas

Held the Niigata Food and Comprehensive Business Talks Conference (Shoku Biz!)

The two banks hold a variety of business meetings aimed at developing sales channels and expanding suppliers for our customers.

In May 2019, we held the Niigata Food and Comprehensive Business Talks Conference (Shoku Biz!).

Shoku Biz! is the largest such business conference in Niigata Prefecture and was based on the theme of regional revitalization. Exhibiting corporations from all industries were given the opportunity to advertise their own products, services, and technologies, as well as to engage in business discussions. The Group advertised the appeal of Niigata Prefecture and provided information which will lead to regional revitalization.



Exhibitor booth at Shoku Biz!

Held the Niigata Startup Awards 2018

The Niigata Startup Awards recruit and award outstanding ideas and initiatives for business startups. Award-winners receive cash prizes. Furthermore, as a supplementary prize, the two banks provide support for growth after startup. For example, the banks support the expansion of sales channels and interaction with regional corporations.



Awards ceremony

Following selection by the screening committee, a single Grand Prize and three Excellence Prizes were awarded in January 2019.

Award-winning Business Plans

	Business Plan
Grand Prize	Development of an ultra-lightweight system for observation/recording of nystagmus for diagnosing vertigo
Excellence Prize Advanced Technology Utilization Model	Production/sale of fertilized eggs for beef cows and dairy cows in order to increase efficiency of calf production
Excellence Prize Surface Regional Revitalization Model	Compact beer brewery for revitalization of the brewery town Nuttari
Excellence Prize Regional Value Creation Model	Next-generation monpe (women's work pants) made by local women using Niigata <i>kamedajima</i> fabric

Held the 3rd Niigata Business Idea Contest

The 3rd Niigata Business Idea Contest was jointly held by Niigata Mitsukoshi Isetan Ltd., the Niigata Branch of the East Japan Railway Company, and the two banks (hereinafter, "the Four Companies").

In addition to awarding the outstanding business ideas of businesses and students, the contest provides support from the Four Companies for commercialization activities such as marketing and business matching.

The Student Category is for university students in Niigata Prefecture. Applications were received from a total of 42 teams. In November 2018, six finalist teams gave presentations for the final screening, after which a Grand Prize and Runner-Up Prizes were selected.

The Business Category received applications from 50 teams. In March 2019, six teams gave final presentations, after which a Grand Prize and Runner-Up Prizes were selected.



During the presentation



Awards ceremony (Student Category)



Awards ceremony (Business Category)

Award-Winning Business Ideas

	Business Idea	
Student Category	Grand Prize	· Establishment of sixth-sector industrial business aimed at advertising products brewed in Settaya through regional cooperation
	Runner-Up Prize	· Sumbrella: A folding parasol with a traditional Niigata pattern · First in Niigata! A café-style diner specializing in kurumafu (baked pieces of wheat gluten cut into rings)
Business Category	Grand Prize	· Vacuum-packed knit hat for cancer patients featuring sterilized processing
	Runner-Up Prize	· Seeking ideal sound—Manufacturing a spherical speaker made from Echigo cedar!! · Land cultivation business for silver salmon from Niigata Prefecture

SDGs Declaration 1: Regional Economy / Society –Initiatives for achieving regional revitalization–



Held JBMC-NIIGATA 2018



In November 2018, we cooperated with ICLOVE (Minamiuonuma City Local Industry Support Liaison Council) to hold JBMC (Japan Business Model Competition)-NIIGATA 2018 for contributing to new regional business and regional revitalization.

The competition was made possible through close cooperation by Minamiuonuma City, local industries, universities, and banks. At the competition, eleven teams presented their business model aiming for regional revitalization and activation of the regional economy.

After careful consideration, two teams were selected for awards and qualified for the national competition (JBMC Finals) to be held in Tokyo.



Awards ceremony

Awards Results

	Business Model
Daishi Hokuetsu FG Award	Water tank that utilizes an improved water circulation system to eliminate the need to change water
ICLOVE Award	Using smartphones to manage study schedules, hold classes, and give advice

Support for Business Succession / M&As



The two banks are engaged in a Business Succession Support Program offering comprehensive one-stop support for topics including succession among family members, succession to executives or employees, and M&As. Support is offered when managers are still unsure of whether they will find a successor for their business or close the business.

Also, at the 7th Bank of the Year Awards Ceremony held by Nihon M&A Center Inc. in June 2019, The Hokuetsu Bank won the Special Award for its efforts towards M&As.



Awards ceremony



Information about the Business Succession Support Program

Support for Overseas Business Expansion



The two banks support overseas business expansion by customers in areas such as trade and settlement with overseas companies, establishment of overseas branches, expansion of overseas sales, overseas fund raising, and overseas equipment leasing.

Distributing information through seminars

In April 2019, the two banks held a joint Chinese Business Exchange Meeting in Shanghai, China. Moreover, The Hokuetsu Bank cooperated with its business partner the Bank for Investment and Development of Vietnam (BIDV) and fifteen Japanese financial institutions who work together with the BIDV to hold the BIDV Business Seminar and Exchange Meeting in Hanoi, Vietnam.

Support by local staff overseas

Japanese employees of The Daishi Bank are stationed full-time at the Daishi Bank Shanghai Representative Office in order to support business expansion in China. The employees also provide information on local economic development and opportunities for business matching with Chinese companies.

Furthermore, the two banks dispatch employees to multiple overseas financial institutions who are our business partners so that they can offer a wide range of support for overseas expansion by our customers.

Daishi Hokuetsu FG Overseas Network



Support for Grant Applications



We are working to support problem-solving utilizing grants in response to various management issues at our customers; for example, implementation of new projects and facilities investment for improving productivity.

Distributing information through seminars

There are many different types of grants which can be applied to diverse corporate management issues such as the need to install equipment for saving manpower in order to alleviate a labor shortage, or the desire to develop products for growing a new business. There are numerous different conditions for application of these grants.

The two banks hold seminars on grants to ensure timely dissemination of the latest information on grants offered by national and local governments.



Number of people attending the seminar
5,540 participants
(total since 2013)

Seminar on utilizing grants from the Ministry of Economy, Trade, and Industry

Individual grant consultations for advice on creating application materials

The two banks provide attentive support by holding individual grant consultations for easy-to-understand advice to customers who are considering applying for grants such as Monozukuri Grants, which support facilities investment for increasing productivity, and Energy Conservation Grants, which support facilities upgrades for saving energy. Our advice focuses on topics such as understanding grant systems and methods for creating application materials.

During past applications for Monozukuri Grants, numerous customers supported by the two banks were selected to receive grants. As a result, these customers were able to improve productivity by installing the latest facilities.



Individual grant consultations

Holding Seminars for Healthcare and Nursing Care Providers



In order to support healthcare providers and nursing care providers, the two banks hold a variety of joint seminars aimed at providing information.

In July 2019, the two banks held a joint seminar entitled "Nursing Care Management Seminar: Work-Style Reform and Implementation of IoT/AI at Nursing Care Facilities." The seminar explained caution points and latest trends related to implementation of the Act on the Arrangement of Related Acts to Promote Work Style Reform. It also explained utilization of IoT and AI while introducing actual examples.

Other activities by the two banks include consulting by teams specializing in healthcare and nursing care. For example, we provide support for opening medical clinics based on analysis of the catchment area where opening is planned, as well as support for management, personnel, and labor management.



Information on Nursing Care Management Seminars

Initiatives for Utilization of Vacant Homes



Cooperating with municipalities in Niigata Prefecture to implement measures for utilization of vacant homes

We have formed partnership agreements with 19 municipalities in Niigata Prefecture in order to encourage people from the Tokyo metropolitan area to move and settle in our prefecture, as well as to promote efficient utilization of vacant homes. Additionally, we have partnered with the Japan Trans-Housing Institute (JTI) to provide the *Sumai no Kakehashi* (Home Bridge) Loan for reform of vacant homes, as well as reverse mortgage loans utilizing vacant homes.

Number of partner municipalities utilizing vacant homes
19 cities
(as of March 31, 2019)

List of partner local governments (in order of municipality code)

Niigata City, Nagaoka City, Sanjo City, Kashiwazaki City, Shibata City, Ojiya City, Tokamachi City, Mitsuke City, Murakami City, Tsubame City, Itoigawa City, Myoko City, Gosen City, Joetsu City, Agano City, Sado City, Uonuma City, Minamiuonuma City, Tainai City

SDGs Declaration 1: Regional Economy / Society –Initiatives for achieving regional revitalization–



Initiatives for PPP and PFI

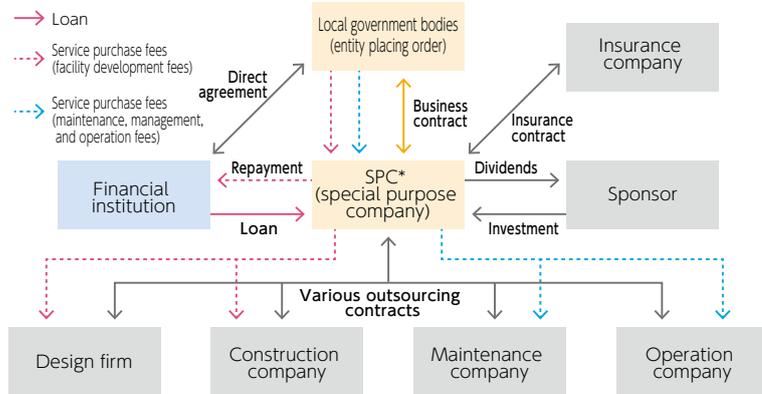


Supporting the construction, operation, etc., of public facilities through cooperation among municipalities, private businesses, and financial institutions

We actively engage in PFI (Private Finance Initiatives) which utilize private funds, management capability, and technological capability in order to support the construction, maintenance, operation, etc., of public facilities and other organizations. Furthermore, we are active in PPP (Public-Private Partnerships) in which government and the private sector cooperate in order to improve various government services, promote efficient use of financial capital, contribute to efficient government administration, etc., by utilizing the diverse know-how and technology of the private sector.

In September 2018, The Hokuetsu Bank constructed uniquely arranged syndication-type project financing for development and operation of the Niigata Prefectural Budokan, which is a PFI project implemented by Niigata Prefecture.

By developing the Budokan as a core prefectural sports facility, this project seeks to improve the competitive ability of prefectural martial arts, to cultivate healthy young people through the martial arts, and to contribute to improved health of local residents. This large-scale project of Niigata Prefecture makes significant contributions to the public good and regional well-being.



*SPC (Special Purpose Company): A company established in order to execute a certain business.



Image of completed Niigata Prefectural Budokan

Initiatives Utilizing the Regional Industry Evaluation System of Daishi (RIED*)



Supporting industrial policy of local government based on industry analysis for each municipality

The Daishi Bank uses big data to analyze industrial characteristics and regional commercial flow for each municipality and broad region. Based on analysis results, we support the execution of regional comprehensive strategy by holding discussions with local governments to propose methods for cultivating core corporations and measures for industry. Furthermore, we cooperate with the Development Bank of Japan and the Value Management Institute to hold study sessions on regional analysis.

We held discussions with 21 local governments in fiscal 2018.

*Regional Industry Evaluation System of Daishi



Regional analysis study session with local governments

Initiatives for Supporting Increased Productivity



We are implementing various initiatives aimed at increasing productivity in Niigata Prefecture. Examples include providing information on measures for utilizing AI and IoT, and promotion of IoT through public-private partnerships.

In May 2019, the two banks cooperated with Bridge Niigata, Ltd. and NCS Corporation to hold the Frontline Seminar on IoT & Work-Style Reform. The seminar aimed to support increased productivity at our customers. Our explanation on the theme of work-style reform included the latest examples on topics such as advanced solutions which utilize AI and IoT to encourage corporate reform and growth, and business outsourcing through RPA.

Additionally, the two banks agree with the purpose of Local IoT Acceleration Labs. As a participating member organization of the Niigata IoT Acceleration Lab and Nagaoka City IoT Acceleration Lab, we actively work to raise awareness for IoT and spread the technology throughout Niigata Prefecture.



Frontline Seminar on IoT & Work-Style Reform

The Hokuetsu Bank Award



The Hokuetsu Bank Award is presented to support the activities of groups and individuals who have made outstanding contributions to social welfare in Niigata Prefecture. We started the award in 1977 in order to commemorate the 100th anniversary of The Hokuetsu Bank's founding. In fiscal 2018, the award was presented to twelve new groups and individuals at the 42nd awards ceremony. A total of 444 groups and individuals have been recognized with the award.

Number of winners of
The Hokuetsu Bank Award
444 groups and individuals
(total as of March 31, 2019)

We received the following comments from award-winners: "The award has inspired me to do even more." "I never expected to win such an award. I am truly honored."



Awards ceremony for the Hokuetsu Bank Award

Initiatives for Promoting Sports



The two banks actively work to promote regional sports. The Daishi Bank supports the Niigata City Marathon that is held every October. Bank employees compete as runners and help with volunteer activities. Through these efforts, we enliven the Niigata City Marathon together with the local community. The bank also actively promotes local sports by sponsoring events such as youth baseball tournaments.

The Hokuetsu Bank has sponsored the "Healthy Hokuetsu Bank Cup—Volleyball Tournament for Niigata Prefecture Elementary School Students" since 1989. Through this tournament, the bank contributes to the healthy physical and emotion growth of young boys and girls, helps form friendships through sports, and promotes local sports.



Niigata City Marathon



Healthy Hokuetsu Bank Cup: Volleyball Tournament for Niigata Prefecture Elementary School Students

Holding the Life-Up Concert



In order to promote regional music and artistic culture, The Daishi Bank has continued to hold the Daishi Life-Up Concert to provide high-quality music, traditional performing arts, and other events at a low price. For fiscal 2018, we held a classical concert by Noé Inui who has performed in various parts of the world as a master of reinterpreting European violin music. Also, as a joint event with The Hokuetsu Bank, we held a rakugo (Japanese comedy) performance by Kikunojo Kokontei, a rakugo performer who specializes in classic rakugo and has won numerous awards for classic performing arts.

For fiscal 2019, we held the Daishi Hokuetsu Life-Up Concert in July. It was a classical concert by the Kuroda, Campagnari, and Dillon Trio Orchestra composed of Aki Kuroda, Aldo Campagnari, and Francesco Dillon. Furthermore, we plan to hold a rakugo performance by Kenko Sanyutei in March 2020.



Kuroda, Campagnari, and Dillon Trio Orchestra



Kenko Sanyutei
©Masako Yamada

SDGs Declaration 1: Regional Economy / Society —Initiatives to support next generation growth—



Holding the Daishi Hokuetsu Academy



In order to support the physical and emotional development of children, The Daishi Bank has held the Daishi Academy since fiscal 2013.

The Daishi Academy provides local children with the opportunity to interact with professionals in various fields on social themes to develop their sensitivities outside of school and home, and to make them more familiar with finance.

Since the Daishi Academy was first held in fiscal 2013, over 1,000 children have participated every year, and the total number of participants as of March 31, 2019 was 9,553.

Additionally, in fiscal 2018, we incorporated the perspective of

SDGs in academy classes in order to cultivate and enlighten human resources who will contribute to the sustainable growth of the region. In the new class on living organisms, we offered students an opportunity to develop interest in a sustainable recycling-oriented society by studying nature from the nearby Sea of Japan and nearby areas. The theme of the new class was "Let's Learn About Our Future from the Sea!"

In fiscal 2019, we will cooperate with The Hokuetsu Bank to hold the Daishi Hokuetsu Academy.

Number of participants at the Daishi Academy
9,553 participants
(total as of March 31, 2019)



Living organisms



Cooking



Basketball



Art

Held the Niigata Regional Championships of the 13th All-Japan High School Economics Quiz Tournament



In December 2018, we held the Niigata Regional Championships of the 13th All-Japan High School Economics Quiz Tournament. It was the sixth time that the championships had been held in Niigata Prefecture. A total of 29 teams participated in the 2018 championships. After intense competition consisting of a written preliminary round and a lightning round using buzzers, the team from Niigata High School won the tournament and earned the right to compete in the national tournament.



Niigata Regional Championships of the Economics Quiz Tournament

Held a Bus Tour for Families during Spring Vacation: "Niigata Family Adventure—Behind the Scenes at a Newspaper Company, Bank, and Power Station!"



In March 2019, the two banks cooperated with Niigata Nippo Co., Ltd. and the Niigata Branch of Tohoku Electric Power Co., Inc. to hold a family bus tour named "Niigata Family Adventure—Behind the Scenes at a Newspaper Company, Bank, and Power Station!"

Through collaboration with a newspaper company, bank and electric power company, the bus tour gave participants a behind-the-scenes look at each company. Participants toured newspaper printing equipment,

bank vaults containing 100 million yen, the turbine buildings of a thermal power station, and other facilities which normally cannot be seen. The tours helped broaden the perspective of children who will lead the future generation.

On the day of the tour, a total of 43 family members participated in 20 groups. Participants asked many questions during the tours. It was a very meaningful experience for everyone involved.



Touring the Omoshiro Shinbunkan (newspaper museum)



Touring the Head Office of The Daishi Bank, Ltd.



Touring the Higashi-Niigata Thermal Power Station of Tohoku Electric Power Co., Inc.

Started Handling of the Niigata Future Japan Stock Fund

The Daishi Securities

From May 2019, Daishi Securities started the sale of the Niigata Future Japan Stock Fund (nicknamed *Niigata no Kakehashi* (Bridge to Niigata)), a donation-type investment trust for supporting the future of Niigata Prefecture.

By investing a portion of its capital into "Niigata-related stocks" of listed corporations with head offices located in Niigata Prefecture, this investment trust supports corporations which contribute to the prefectural economy.

Moreover, a portion of administrative expenses (custodian expenses) paid by customers is donated to support a better future for Niigata Prefecture. Our entire Group including related companies will work together to support the asset formation of our customers and to contribute to regional growth for a sustainable society.



Information on the Niigata Future Japan Stock Fund

Handling of Donation-Type Private Placement Bonds

The Daishi Bank
The Hokuryu Bank

The two banks handle donation-type private placement bonds aimed at achieving regional revitalization through our main banking business.

From November 2018 to March 2019, we offered Private Placement Bonds to Support Childrearing, Education, and Personal Development as a joint project by the two banks. We received support from a total of 178 corporations.

In this project, issuing corporations and the two banks cooperate in order to use a portion of private placement bond issuance fees to support local government initiatives for child-raising, education, and human resources development in Niigata Prefecture. Since July 2019, we have made total donations of 14.35 million yen. Additionally, in cooperation with the corporations issuing private placement

bonds, The Daishi Bank uses a portion of issuance fees to offer Future Support Private Placement Bonds which donate books, sports equipment, and other school supplies to local schools.

Donation-Type Private Placement Bonds

1,025 cases
96.7 billion yen
(total as of March 31, 2019)



Information on Private Placement Bonds to Support Childrearing, Education, and Personal Development



Information on Future Support Private Placement Bonds

Provision of an HR Cultivation Support Program

The Daishi Bank
The Hokuryu Bank

Through cooperation with Daishi Management Consulting and the Hokuin Economic Research Institute, the two banks provide an HR Cultivation Support Program for resolving issues faced by business in terms of cultivating human resources.

From fiscal 2019, we have enhanced our lineup of seminars to better meet the needs of our customers. For example, in addition to the previously available level-based seminars, we now offer six types of objective-based seminars.

Six types of objective-based seminars

- (1) How to perform SWOT for management ability (beginner/intermediate)
- (2) Improving manners for serving customers and providing business entertainment
- (3) Career design for working women
- (4) nvigoration of internal communication
- (5) Mental health management
- (6) Crucial points of cash flow management and bank reviews



Level-based seminars



Information on the HR Cultivation Support Program

SDGs Declaration 1: Regional Economy / Society –Initiatives to support next generation growth–



Scholarships from the Hokugin Scholarship Association



The Hokugin Scholarship Association provides assistance in the form of obligation-free scholarships to young people who graduated with outstanding academic records from high schools in Niigata Prefecture, but are unable to attend university due to economic reasons. The Hokugin Scholarship Association is a public interest incorporated foundation which seeks to cultivate human resources who will contribute to society. The secretariat office of the association is located in The Hokuetsu Bank.

The association started issuing scholarships from 1962. A total of 1,167 students have received scholarships as of April 2019.

Number of students being issued scholarships
1,167 students
(total as of April 30, 2019)

Furthermore, starting from applications in fiscal 2018, we expanded eligible students by adding special-needs schools to eligible organizations. We will continue to contribute to regional society by providing more scholarship opportunities for young people.



At the Party for Hokugin Scholarship Recipients

Presented Banners Featuring a Traffic Safety Slogan



In order to promote traffic safety campaigns and raise awareness for traffic ethics, we presented banners featuring a traffic safety slogan to all elementary schools and junior high schools in Niigata Prefecture.

The Hokuetsu Bank has continued this project every year since 1969. The two banks started jointly operating the project from the 51st presentation in fiscal 2019.

In April 2019, a presentation ceremony was held at Niigata Prefectural Office for the list of traffic safety slogans. In May, a traffic safety helicopter landed on the grounds of Uonuma City Ukaji Elementary School to present the banner to children and to encourage greater awareness towards traffic safety.

Banners Featuring a Traffic Safety Slogan

Presentation Destination	Traffic Safety Slogan	Number of Banners Presented
Elementary schools	"Don't run into the street! Stop and look both ways!"	485 banners
Junior high schools	"Always be cautious even on familiar roads to and from school!"	269 banners



Ceremony to present banners

Cooperating with Niigata University to Hold a Curriculum for Students



The two banks have partnered with Niigata University to cooperate in curriculums for students at the school and to encourage understanding among students towards corporation in Niigata Prefecture.

As part of our projects led by Niigata University to promote regional revitalization, The Daishi Bank participated in a curriculum held based on the theme of "exploring the appeal of Niigata corporations." Through the curriculum, we are cooperating in activities for cultivating human resources who are interested in local Niigata industry, and who will actively contribute to regional invigoration and growth of industry.

Additionally, in January 2019, The Hokuetsu Bank participated in a curriculum entitled "Corporate Principles and Management Strategy in Niigata" for students at Niigata University. By introducing the appeal of the regional economy and industry in Niigata Prefecture the curriculum seeks to increase recognition among students for corporations in the prefecture, to increase rate of employment at corporations in the prefecture, to prevent young people from living outside the prefecture, and to encourage young people to settle down in the prefecture.



At a lecture for students

SDGs Declaration 2: Aging Society

Universal Design at Branches

The two banks are working to create branches which can be used with peace of mind by all customers, from elderly customers to customers with disabilities.

Universal design measures such as removing all uneven surfaces at main entrances have been implemented at 189 of the two banks' total of 201 branches. Through such measures, we are creating branches which can be used with peace of mind by people who have difficulty walking or who use wheelchairs.

Stationing of Service Care-Fitters and Dementia Supporters

The two banks station staff with expert knowledge at all of our sales offices to support procedures at counters. This enables smooth visits by elderly customers and customers with disabilities.

The Daishi Bank stations at least one employee certified as a Service Care-Fitter*1 and one employee certified as a Dementia Supporter*2 at each sales office. The Hokuetsu Bank stations at least one employee certified as a Dementia Supporter at each sales office.

*1 Service Care-Fitters
Certified by the Nippon Care-Fit Education Institute (Public Interest Incorporated Foundation)

*2 Dementia Supporters
Certified by the Community-Care Policy Network (NPO)

Tulip Donation Activities

The Daishi Bank donates tulips (the official flower of the bank) to social welfare facilities, etc. in Niigata Prefecture. We have conducted this activity since 1970, making it the longest-running social contribution activity at The Daishi Bank. We deliver potted plants every spring and bulbs every fall to a total of over 130 facilities.

Number of facilities receiving deliveries of potted plants and bulbs
More than 130 facilities



Donation of tulips

Prevention of Special Scams

The two banks have formulated a variety of measures in order to protect important deposits from damage caused by malicious special scams targeting mainly elderly customers.

Bank employees visit welfare facilities and other facilities in each region in order to raise awareness on current special scams. By explaining the status of scams, the methods used, and other related information, the visiting employees raise awareness for preventing damage in advance.



Please be careful of special scams which claim changes to the branch name, changes to the branch number, or integration of branches at The Daishi Bank or The Hokuetsu Bank.

In Niigata Prefecture, there have been multiple instances of suspicious telephone calls or visits from individuals claiming to be employees of The Daishi Bank or The Hokuetsu Bank. These individuals state that changes to the branch name, changes to the branch number, or integration of branches have made it necessary to collect the bank passbooks or cash cards of customers, or to confirm the PIN numbers of customers.

Bank employees will never collect cash cards or personal seals from customers, and will never ask for the PIN number of a customer's cash card. In some cases, bank employees may collect bank passbooks when necessary to fulfill a request from a customer; for example, printing information in the passbook or carrying over information to a new passbook. However, bank employees will never collect bank passbooks without being requested to do so by a customer.

Please be very careful regarding these points.

Also, please be sure to contact the police or a bank branch if you receive a suspicious telephone call or visit.



Pamphlet: "Increasing Caution towards Special Scams"

SDGs Declaration 3: Financial Services

Initiatives for Private Placement Bonds Conveying Niigata Appeal (SDGs Private Placement Bonds)

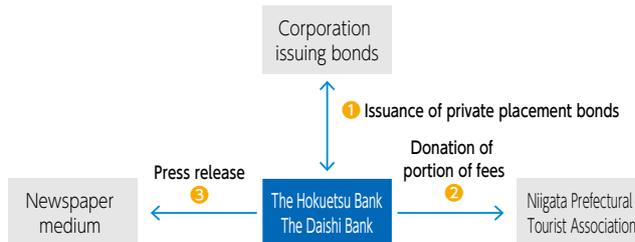
In June 2019, the two banks started the joint project of Private Placement Bonds Conveying Niigata Appeal (SDGs Private Placement Bonds).

Through an industry-government-finance partnership, this project supports initiatives for conveying the appealing tourist resources of Niigata Prefecture to tourists from Japan and overseas. By doing so, we seek to attract the increasing inbound demand, etc., to



Niigata Prefecture, and to contribute to the promotion of regional revitalization and achievement of SDGs. In addition to providing capital support to corporations that support these initiatives, the corporations issuing the bonds, The Daishi Bank, and The Hokuetsu Bank donate a portion of fees to the Niigata Prefectural Tourist Association (a public interest incorporated association).

(Flow from issuance of private placement bonds until donations)



Enhancement of Smartphone Applications

From April 2019, The Daishi Bank started providing the Daishi Bank Passbook App for smartphones.

The Daishi Bank Passbook App is a service that enables real-time reference of balances and deposit/withdrawal details for registered accounts via smartphone 24 hours a day. The app is used by many customers.

The Passbook App is part of an environmentally-friendly account known as a "Green Account." Customers can apply for this type of account at a bank counter. Bank passbooks are not issued for Green Accounts, so there is no need to print information in passbooks or carry over information to new passbooks. This reduces paper consumption and CO2 emissions. Green Accounts also eliminate the worry of losing your passbook or having it stolen. Many new customers are applying for Green Accounts and existing customers are changing from existing accounts.

Green Accounts
5,048 accounts
(as of March 31, 2019)

Construction of Web Completion Scheme for Personal Loan Products, and Start of Accepting Applications via the "TSUBASA Smile" Counter Reception System

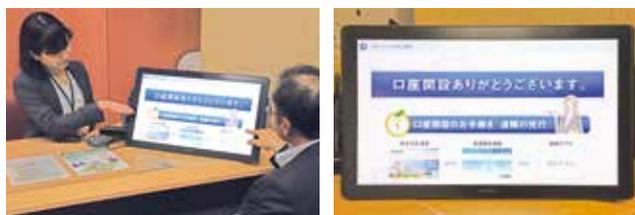
From November 2018, we started offering a Web Completion Scheme for personal loan products, and started using the TSUBASA Smile counter reception system.

Web Completion Scheme is a personal loan service in which all procedures from application to borrowing can be performed on the internet (smartphones, computers, etc.). This service is available for all personal loans except for home loans. Starting use of this service has eliminated the need for customers to visit branches or to fill out written contracts. This has made it easier to use personal loan products for customers who have difficulty coming to a bank counter.

The TSUBASA Smile counter reception system features a dedicated terminal at the counter. The system enables customers to complete application procedures by selecting a product and then following instruction on the screen to enter required items. The procedures are paperless, do not require a personal seal, and are performed in a conversation format with the customer. The system significantly

simplifies customer application procedures and increases the speed of response for screening results.

Furthermore, from April 2019, we have started using TSUBASA Smile for handling administrative tasks related to deposits. Examples include the opening of new accounts for checking accounts and applications for the Daishi Willink credit card. Moving forward, we will continue to successively expand the handled procedures in order to increase convenience for our customers.



Counter reception system: TSUBASA Smile

Handling of Loans with Special Provisions for Exemption of Principal at Earthquake Disaster

The Daishi Bank

In April 2018, we established Loans with Special Provisions for Exemption of Principal at Earthquake Disaster in order to support business continuity and recovery measures at regional corporations in the event of a major earthquake. Numerous corporations use the loans.

Scale of loans as of May 31, 2019

75 corporations,
12.4 billion yen
(total from April 2018)



Newspaper advertisement for Loans with Special Provisions for Exemption of Principal at Earthquake Disaster

Held the Asset Management Seminar Commemorating the Founding of Daishi Hokuetsu Financial Group

The Daishi Bank

The Hokuetsu Bank

In October and November of 2018, the two banks held the Asset Management Seminar Commemorating the Founding of Daishi Hokuetsu Financial Group. A total of 584 customers attended the seminars at all venues.

The seminar featured lectures by instructors from Pictet Asset Management (Japan) Ltd. and Rheos Capital Works Inc. The respective lectures were based on the themes of "Which of Pictet's asset conservation techniques are utilized by the world's wealthy class?" and "Increase while protecting! Asset creation through long-term investment." The speakers explained the necessity and results of long-term diversified investment.



Scene from the Asset Management Seminar



Information on the Asset Management Seminar

Handling of World Bank Sustainable Development Bonds and Green Bonds: Cooperation Measures of TSUBASA Alliance

The Daishi Securities

In September 2018, as a joint measure together with group securities subsidiaries of other banks participating in the TSUBASA Alliance, Daishi Securities sold Sustainable Development Bonds (Indian Rupee denominated) issued by the World Bank.

Sustainable Development Bonds are issued by the World Bank on the international capital market in order to support projects in a wide range of fields including education, health, infrastructure, government, agriculture, and the environment. The goal of these projects is to reduce poverty and support development in developing countries. The World Bank uses the capital received from investors in financing projects aimed at achieving sustainable growth in developing nations.

The group securities subsidiaries of the TSUBASA Alliance have served as a bridge between investors who want to contribute to society through investment and a variety of projects implemented by the World Bank in developing nations. For example, the

securities subsidiaries have sold Green Bonds which are issued by the World Bank.

Our Group will continue to promote impact investment which seeks to balance social results with financial return, and to contribute to the achievement of Sustainable Development Goals (SDGs).



TSUBASA Alliance logo



Information on the World Bank Sustainable Development Bonds

Investments in Social Bonds (JICA Bonds)

The Daishi Bank

The Hokuetsu Bank

The two banks have invested in the JICA Bond as a social bond* issued by the Japan International Cooperation Agency (an independent administrative corporation; hereinafter, "JICA") in June 2019. As an ESG investment aimed at the realization of a sustainable society, this bond aims to achieve economic and social development in developing areas, as well as to contribute to environmental considerations and the resolution of social issues from a long-term perspective.

*Social bond: A social contribution-based bond that takes into consideration ESG and allocates the funds procured to projects that contribute to the resolution of social issues such as basic infrastructure development (water supply and sewerage systems, sanitation, transportation, etc.) and improving access to social services (health, education, employment, financial services, etc.).

SDGs Declaration 4: Diversity

Career Improvement Exchange Training with Corporations in Other Industries

The two banks participated in career improvement training led by the Niigata Prefecture Women's Foundation. The training seeks to create desire for career improvement among female bank employees and to form an interpersonal network with employees in other industries.

At the training, female employees from our Group participated together with female employees from insurance companies and securities companies. The training featured group discussion held on the theme of "advice for continuous growth." Participants engaged in a lively exchange of opinions on topics such as special techniques for achieving work-life balance and useful tips gained from examples at other companies. The training was an outstanding opportunity for female bank employees to discover their vision for a fulfilling career.



Career improvement exchange training with corporations in other industries

Domestic Corporation Observation Training for Female Bank Employees

In October 2018, 17 female employees of The Hokuetsu Bank visited Fukui Prefecture for training by observing corporations.

The training aimed to increase the motivation of female employees at The Hokuetsu Bank by interacting with female executives in order to study the fulfillment of corporate management and organizational management. Participants listened to discussion on topics such as leadership and management from a female executive who had founded a company manufacturing parts for eyeglasses, and from a female director of a Japanese inn.



Domestic corporation observation training for female bank employees

Established the Health Management Promotion Office

A priority tactic in the 1st Medium-Term Management Plan of the Daishi Hokuetsu FG is "strengthening human resources capability and organization capability." As part of achieving this goal, we established Health Management Promotion Offices in clinics at The Daishi Bank. By doing so, we have constructed a system for even more active promotion of health management at our Group. Specific activities include enhancing the medical checkup system for employees and implementing activities for promoting health.

Evaluation from External Institutions

The two banks are working to create an environment where employees can work with peace of mind and perform to their true potential.

In July 2018, The Daishi Bank received the special Platinum Kurumin certification from the Minister of Health, Labour and Welfare as a corporation that supports child-raising in compliance with the Act on Advancement of Measures to Support Raising Next-Generation Children*1. Additionally, the bank received the Eruboshi Accreditation III (highest level) certification as a company taking excellent action in compliance with the Act on Promotion of Women's Participation and Advancement in the Workplace*2.

The Daishi Bank was the first corporation in Niigata Prefecture to have obtained double certification for both Platinum Kurumin and Eruboshi Accreditation III (highest level).

In June 2019, The Hokuetsu Bank became the second corporation in Niigata Prefecture to have obtained double certification for both Platinum Kurumin and Eruboshi Accreditation III (highest level).

In February 2019, The Daishi Bank was certified as an Excellent Enterprise of Health and Productivity Management 2019 (White 500) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program jointly conducted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. It was the second consecutive year that the bank received this certification. The Daishi Bank believes that the maintenance and improvement of the health of employees is the foundation of human resources that contribute to the region, and accordingly, we have worked to expand opportunities for disease prevention and improve mental health care. We are working to achieve health management throughout our entire organization; for example, we established the Health Management Declaration in November 2018.



Platinum Kurumin certification logo



Eruboshi Accreditation III (highest level) certification logo



Certificate of Excellent Enterprise of Health and Productivity Management 2019 (White 500)



Logo of Excellent Enterprise of Health and Productivity Management 2019 (White 500)

*1 The Act on Advancement of Measures to Support Raising Next-Generation Children is a law intended to promote initiatives for supporting child-raising and work at corporations, etc., with the goal of developing an environment for the healthy birth and growth of children who will lead society in the next generation.
*2 The Act on Promotion of Women's Participation and Advancement in the Workplace is a law that defines the responsibility of entities (nation government, local governments, private business owners (general business owners)) in promoting women's participation and advancement in order to achieve a society where women can fully exhibit their individuality and capabilities.

SDGs Declaration 5: Environmental Protection

Afforestation Activities



The Daishi Bank participates in forest preservation activities in order to maintain green and abundant forests in the region in the future. Since fiscal 2009, the bank has operated the Daishi-no-Mori (Daishi Forest) project in the Agamachi district of Higashikanbara County, Niigata Prefecture. Furthermore, in fiscal 2017, we started afforestation activities at Araiama Forest Park in Tainai-shi, Niigata Prefecture. In October 2018, a total of 602 executives, employees, and their family members (including executives and employees from The Hokuetsu Bank) participated in activities to plant 500 broadleaf trees.



Afforestation activities

Protecting the Crested Ibis



In 1967, The Hokuetsu Bank designated the crested ibis as our official bank bird. Native to Niigata Prefecture, the crested ibis is an internationally protected bird species. From 1968, we started the Crested Ibis Protection Fund as one activity to protect and raise crested ibis. During the 51 years since then, we have sent donations from The Hokuetsu Bank and its employees to Niigata Prefecture.

In May 2019, we made a donation together with The Daishi Bank. Total donations as of May 31, 2019 have reached 36,479,000 yen.



Donations to Niigata Prefecture

Volunteer Activities by the Hokugin Magokoro Association



The Hokugin Magokoro Association is an organization operated through voluntary participation and donations from executives and employees. Through the association, The Hokuetsu Bank participates in volunteer activities and donates to projects for environmental protection, social welfare, etc.

In fiscal 2018, we participated in volunteer activities to protect endangered species in Niigata Prefecture, including the crested ibis and the mountain lily. In fiscal 2019, executives and employees of The Daishi Bank joined us to participate in volunteer activities throughout Niigata Prefecture.



Environmental protection volunteer activities

Green ATMs (Using Carbon Offset Function to Contribute to the Environment)



Since August 2014, The Daishi Bank has installed green ATMs as part of providing environmentally-friendly products and services. Green ATMs have a carbon offset*1 function under the Niigata

Credit*2 program based on the concept of ATMs that contribute to the environment more the more they are used. Specifically, we offset 20g of CO₂ every time these ATMs are used. As of March 31, 2019, 43 of these ATMs have been installed at 19 locations in Niigata Prefecture.

Carbon offset results as of March 31, 2019
222 tons
(total since August 2014)



Green ATM symbol

- *1 Carbon offsetting is an approach in which greenhouse gases such as CO₂ emitted in daily life or economic activities are offset through credits recognized in other areas.
- *2 Niigata Credit is a program in which Niigata Prefecture approves credits (amount of reduction/absorption of greenhouse gases) for increased CO₂ absorption amounts achieved by maintaining forests in Niigata Prefecture. These credits can be offset against the CO₂ emitted by a corporation or can be utilized in environmental activities.

Corporate Governance

Basic Philosophy of Corporate Governance

We recognize the strengthening and enhancement of corporate governance as important management issue for improving financial soundness and profitability in order to establish a strong reputation and unshakable credibility from stakeholders including customers, the local community, and shareholders, and it works to enhance the functions of audits and oversight on corporate management and improve the transparency of management activities.

Corporate Governance Guidelines and Corporate Governance Reports of the Daishi Hokuetsu FG are available on our website.

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



Governance Structure

The Group has established governance organizations such as the Board of Directors, which attends to basic management matters, makes important decisions regarding business management, and monitors the status of business execution by each director, the Audit and Supervisory Committee, which has a supervisory function similar to the Board of Directors and also audits the business execution of directors, and the Executive Committee, which decides on business management items on the basis of policies decided at board meetings and manages the progress of Group management plans and strategies. Other governance organizations include the ALM (Asset Liability Management) & Risk Management Committee, the Compliance Committee, and the Merger Promotion Committee.

Furthermore, we have established a Nomination and Compensation Committee which ensures opportunities for obtaining appropriate involvement and advice from outside directors when reviewing important matters related to the appointment, dismissal and remuneration of directors, thus strengthening fairness, transparency, and objectivity.

Additionally, full-time members of the Audit and Supervisory Committee attend meetings of the Executive Committee and various other committee meetings in order to provide appropriate advice and recommendations.

● Board of Directors

In principle, board meetings are held once per month. In addition to attending to basic management matters and making important decisions regarding business management, the Board of Directors monitors the status of business execution by each director.

● Audit and Supervisory Committee

In principle, committee meetings are held once per month. The Committee complies with regulations such as laws, the Articles of Incorporation, and Rules of the Audit and Supervisory Committee. The Committee has a supervisory function similar to the Board of Directors and also audits the business execution of directors.

● Nomination and Compensation Committee

As an advisory body to the Board of Directors, the Committee ensures opportunities for obtaining appropriate involvement and advice from outside directors when reviewing important matters related to the appointment, dismissal and remuneration of directors, thus strengthening fairness, transparency, and objectivity. In principle, the Committee meets in March and April each year, and also holds special meetings as necessary.

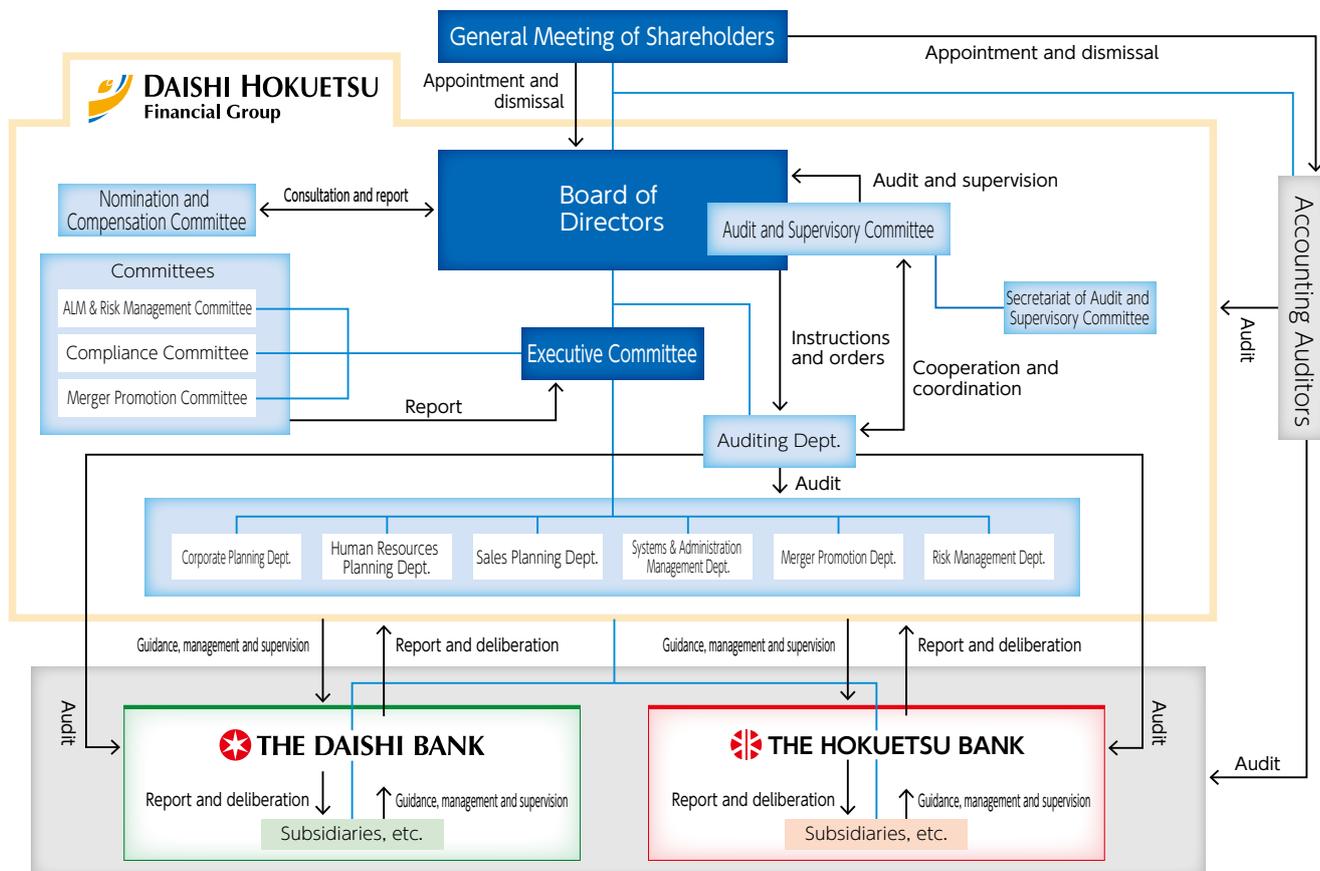
● Executive Committee

The Executive Committee is established as management meeting under the Board of Directors. In principle, the Committee meets twice per month. The Committee decides on business management items on the basis of policies decided at board meetings, manages the progress of Group management plans and strategies, and decides on and deliberates matters delegated from the Board of Directors.

● Other Committees

The ALM (Asset Liability Management) & Risk Management Committee, the Compliance Committee, and the Merger Promotion Committee have been established as advisory bodies to the Executive Committee.

Corporate Governance Organization Chart



Governance Initiatives



Formulation of Basic Policy on Anti-Money Laundering and Counter-Terrorism Financing Measures

The Daishi Hokuetsu FG and the two banks have formulated the Basic Policy on Anti-Money Laundering and Counter-Terrorism Financing Measures in order to prevent money laundering and financing of terrorists.

During transactions with customers, financial institutions are required to formulate risk-appropriate measures for preventing money laundering as based on related laws and regulations*. By formulating this Basic Policy, the Group clarifies our operational policy, management posture, etc., in relation to money laundering and financing of terrorists. The entire Group takes organizational action to implement appropriate measures.

*Act on Prevention of Transfer of Criminal Proceeds; Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism (formulated by the Japan Financial Services Agency); etc.

Niigata Prefecture Financial Institutions Cybersecurity Information Committee

The two banks participate in the Niigata Prefecture Financial Institutions Cybersecurity Information Committee for strengthening cybersecurity. The Daishi Bank Systems Department serves as the secretariat office for the Committee. Members of the Committee include 29 financial institutions with head offices in Niigata Prefecture, as well as the Niigata Bankers Association, the Niigata Shinkin Bank Association, the Niigata Prefecture Credit Union Cooperative, and the Niigata Securities Union. The Niigata Prefecture Police Department also participates as an observer.

The second meeting of the Committee was held in February 2019. The meeting featured lectures and cybersecurity demonstrations on topics such as the latest examples of fraudulent remittance techniques and the latest cyber information. Furthermore, an information exchange session was held by financial institutions which fulfill a leading role in the financial infrastructure of Niigata Prefecture.

Moving forward, the Group will continue to cooperate with financial institutions in Niigata Prefecture and to strengthen cybersecurity. We will also strive to provide our customers with secure and safe services.



Scene from a lecture



Institutions exchanging information

Corporate Governance

Internal Controls Basic Policy

● System for Ensuring that Business Execution by Our Directors and Employees is in Compliance with Laws, Regulations, and the Articles of Incorporation

The Group has established Compliance Rules to ensure the directors and employees of the Group and Group companies comply with laws, regulations, the Articles of Incorporation, and social norms, and operate business in an appropriate and healthy manner.

The Group has established a Compliance Committee and departments for the supervision of compliance. In addition to comprehensively ascertaining and managing the status of compliance at the Group and Group companies, these organizations develop systems related to compliance.

The Group has established an Auditing Department that is independent from departments being audited. The Auditing Department periodically implements audits on operations at the Group and Group companies, and then reports the audit results to the Board of Directors.

The Group has established Rules for Operation of the Whistleblowing System. In addition to defining appropriate methods for whistleblowing and consultation in regards to legal violations, etc., by directors and employees of the Group and Group companies, the Group has developed systems for the protection of whistleblowers, etc.

The Group has established the Management Policy for Protection of Customers, Etc., and has established the Rules for Managing Conflicts of Interest. Furthermore, the Group has developed systems for protecting and increasing convenience for customers of the Group and Group companies, and developed systems for managing conflicts of interest to prevent unfair damage to customer profit.

The Group has established the Basic Policy Against Anti-Social Forces, and has established the Rules for Responding to Anti-Social Forces. The Group develops systems for the Group and Group companies to block relations with antisocial forces which harm the order and safety of civil society. Furthermore, the Group implements organizational response to unreasonable requests, etc., from antisocial forces.

Based on Guidelines for Preventing Insider Trading, Etc., the Group develops systems for appropriate management of undisclosed important facts which are related to business partners of the Group or Group companies, and which were obtained during business activities.

● System for Saving and Managing Information on Execution of Business by Directors

The Group has constructed a system for saving and managing information on execution of business by directors for the applicable period. Furthermore, based on the Document Management Rules, the Group creates and saves minutes for the General Meeting of Shareholders, meetings of the Board of Directors, and other important meetings involving directors.

● Regulations and Other Systems for Managing the Risk of Loss

The Group has established the Group Risk Management Basic Regulations for establishing healthy management at the Group and Group companies, and to secure appropriate income which is commensurate with various risks.

The Group has established the Group Comprehensive Risk Management Regulations in order to ensure appropriate and healthy business at the Group and Group companies. Furthermore, the Group performs appropriate risk management in response to the types and scope of risk.

The Group has established the ALM & Risk Management Committee and the Risk Management Administration Division in order to manage risk at the Group and Group companies. Moreover, the Group develops systems for managing the risk of loss.

The Group has constructed a system in which the Auditing Department verifies the appropriateness and efficacy of risk management systems at the Risk Management Administration Division, and works to enhance/strengthen the risk management systems.

The Group has established Basic Rules for Business Continuity in order to quickly recover business in the event of a crisis, and appropriately develops systems for crisis management.

● System for Ensuring Efficient Execution of Business by Directors

In addition to defining management targets, the Group formulates management plans and uses appropriate methods to manage business operations.

The Group has established Rules for the Board of Directors and operates the Board of Directors appropriately. Furthermore, the Group has established an Executive Committee which is delegated the responsibility of deciding on certain matters from the Board of Directors. In addition to deciding on the delegated issues, the Executive Committee conducts preliminary review of items being deliberated by the Board of Directors in order to contribute to decision-making by the Board of Directors. In order to ensure the business is executed efficiently by directors, officers, and employees, the Group has established Organization Regulations, etc., which define rules for business duties, authority, and decision-making.

● Systems for Ensuring Appropriate Business at the Group and at Corporate Bodies Composed of Group Companies

Based on our Management Philosophy, the Group and Group companies share business strategy as a corporate body and conduct management by utilizing the capabilities of the entire Group. The Group Management Regulations define basic rules related to deliberation, reporting, etc., of important matters such as management plans of subsidiaries, etc., as pertains to management of Group companies by the Group. The Group develops systems for ensuring healthy, appropriate, and efficient management of the Group.

Based on the Group Internal Control Regulations for Financial Reporting, the Group and Group companies develop an internal control system to ensure the appropriateness and reliability of financial report at the Group and Group companies.

In addition to ensuring appropriate response in compliance with laws, regulations, etc., for transactions, etc., within the Group, the Group and Group companies perform appropriate management with a focus on ensuring healthy business of the Group, as based on our Basic Policy for Transactions Within the Group and our Basic Policy for Business Partnerships in the Group.

Based on the Basic Policy for Internal Controls, the Auditing Department conducts audits to ensure appropriate operation of business, and provides necessary recommendations for contributing to the appropriateness of those operations.

The Group develops systems for immediate reporting to directors of the Group if a director or employee of the Group or a Group company discovers a significant legal violation or other important compliance-related matter at a Group company. The Group has also clarified standards for reporting from subsidiaries to the Group, and develops reporting systems for matter required for Group operation.

The Group develops systems to ensure that directors and employees engaging in reporting as described above are not subject to unfair treatment as the result of reporting.

● Matters Concerning the Dispatching of Employees to Assist in Duties of the Audit and Supervisory Committee

In order to increase the efficiency and efficacy of its duties, the Audit and Supervisory Committee dispatches employees to supplement duties of the Committee (hereinafter, "Assistants").

● Matters Concerning the Independence of Assistants from Directors (Excluding Directors who are Members of the Audit and Supervisory Committee)

Appointment, transfer, personnel evaluation, and disciplinary action for Assistants is decided upon after deliberation with the Audit and Supervisory Committee.

The Group develops systems to prevent Assistants from being concurrently involved in executive positions which are related to their execution of business duties. Furthermore, (excluding directors who are members of the Audit and Supervisory Committee) directors must show consideration to ensure that Assistants are not subject to any unfair restrictions on the execution of their business duties.

● Systems for Reporting to the Audit and Supervisory Committee by Directors and Employees, and Systems Related to Other Reports to the Audit and Supervisory Committee

Based on internal regulations such as the Rules of the Audit and Supervisory Committee, if a director or employee of the Group or a Group company discovers a matter which has the potential of causing serious harm to the Group or a Group company, the director or employee shall report said matter to the Audit and Supervisory Committee. Furthermore, in addition to matter defined by laws, regulations, and rules, the Audit and Supervisory Committee shall be able to request reports as necessary from directors, employees of the Internal Controls Department, and other persons. No individual who has reported to the Audit and Supervisory Committee shall be subject to unfair treatment as the result of reporting.

The Group develops systems for reporting the results of internal audits at the Group and Group companies to the Audit and Supervisory Committee from the Internal Controls Department.

● Systems for Ensuring Efficient Auditing by the Audit and Supervisory Committee

The Group develops systems for effective audits by facilitating cooperation such as the exchange of opinions between the Audit and Supervisory Committee and accounting auditors, officers, the Risk Management Department, the Auditing Department, and other internal departments that possess internal controls functions.

If the Audit and Supervisory Committee requests that the Group pay in advance, provide reimbursement, engage in debt processing, etc., for expenses occurring due to execution of the Committee's duties, the Group shall immediately process those expenses. Moreover, the Group shall pay the expenses for obtaining recommendations, etc., from outside experts when deemed it necessary by the Audit and Supervisory Committee.

Risk Management System

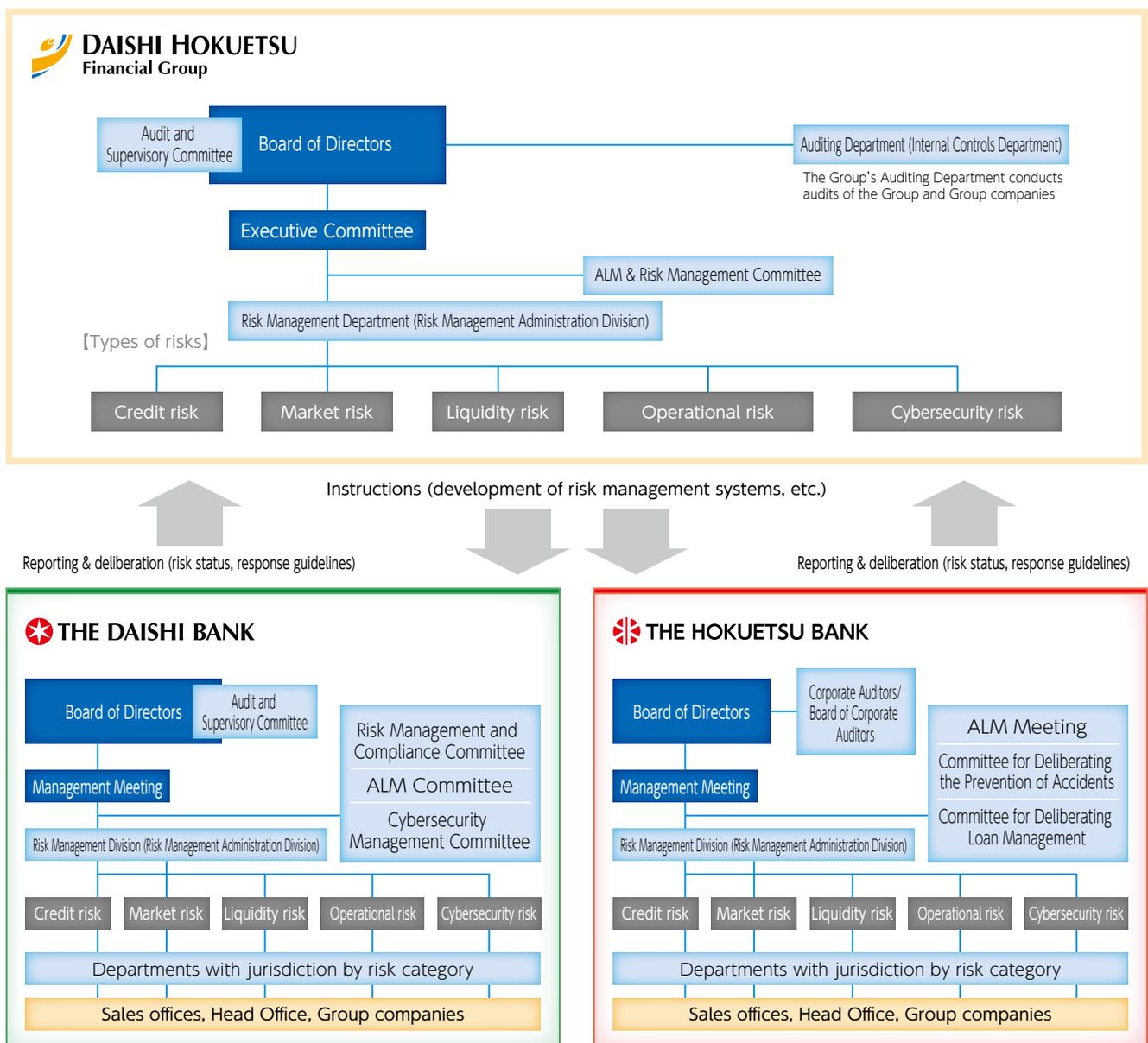
The Group's basic policy of risk management is to stably secure profits corresponding to risk and plan the appropriate distribution of management resources, as well as to construct a system of mutual checks and balances for the various risks faced by the Group. This is possible by accurately recognizing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

Based on this policy, the Group has established a Risk Management Department as a supervisory organization that understands and manages risk comprehensively, cutting across organizational boundaries.

Furthermore, the Group has established the ALM & Risk Management Committee to comprehensively ascertain and manage the status of ALM and risks throughout the Group, and to contribute to maintaining a healthy Group and increasing profitability by reviewing appropriate response measures, etc. Meetings of the ALM & Risk Management Committee are held as necessary and are also attended by members of the Audit and Supervisory Committee. Minutes from meetings of the ALM & Risk Management Committee are reported to the Board of Directors and other entities as appropriate in an effort to resolve and reform problems related

to risk. Additionally, the Auditing Department (Internal Controls Department) is under direct supervision of the Board of Directors and is ensured independence from the department being audited. The Auditing Department conducts strict audits for overall business, and verifies the appropriateness and effectiveness of internal controls systems. Under this risk management system, the Group implements risk capital allocation at its subsidiary banks in order to maintain healthy business and achieve efficient utilization of capital. Additionally, the Group anticipates the interruption of business due to unexpected emergencies such as earthquakes and other large-scale disasters, and defines priority business operations, etc., for continuity at subsidiary banks. The Group has established the Basic Rules for Business Continuity to define timely and accurate management and instructions for subsidiary banks, and has constructed a risk management system.

Diagram of FG Risk Management System



Corporate Governance

Credit Risk Management Systems

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

The Group appropriately operates and manages credit risk based on our regulations for credit risk management.

In the Group's system, the Risk Management Department serves as an organization for managing credit risk. The Department develops regulations for credit risk management, and plans and operates activities for analyzing, assessing, and improving risk.

At The Daishi Bank and The Hokuetsu Bank, screening departments which are completely separated from sales departments perform strict loan screening and appropriate management of problem loans. Also, the two banks strive to

maintain healthy assets through bank-wide initiatives such as activities to support management reform at business partners. Strict credit examinations and autonomous assessments of loans, etc., are carried out through a two-level examination system at local sales offices and departments at the head office. Then, the Auditing Department conducts a final review to ensure the accuracy and appropriateness of the credit examinations and autonomous assessments. For our credit portfolio, we appropriately manage credit concentration to particular regions, industries, corporations, groups, etc. Moreover, the two banks take measures such as quantifying credit risk* and setting credit risk limits in accordance with equity capital.

*Quantification of credit risk is the process of using statistical methods to quantify in numerical form and estimate the amount of credit risk contained in a credit portfolio.

Market Risk Management Systems

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

The Group has established an ALM Operation Policy in order to adjust market risk to the appropriate amount and

secure stable income. Based on this policy, we set limits for risk-taking, loss, etc., for securities management.

In addition, the ALM & Risk Management Committee discusses important issues in market risk management. If a serious incident has occurred in management of securities, this system ensures that details are reported to management immediately.

Liquidity Risk Management Systems

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

The Group has established the Liquidity Risk Management

Regulations at The Daishi Bank and The Hokuetsu Bank. Management departments involved in financing ascertain and analyze the financing status, and engage in appropriate market procurement as necessary. Furthermore, in preparation for unexpected events, the Group has established response measures and reporting/contact systems to enable fast response in a variety of situations in accordance with the degree of scarcity in financing.

Operational Risk Management Systems

Operational risk is the risk that the Group's internal administrative procedures, actions of directors or employees, or systems operations may be inappropriate or may fail to function, or that other external factors will occur resulting in a loss incurred by the bank. Based on risk factors, the Group categorizes and manages the following types of risk: 1) administrative risk, 2) systems risk, 3) information-security risk, 4) compliance risk, 5) human-error risk, 6) tangible-asset risk, 7) outsourcing risk, and 8) reputation risk.

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

Cybersecurity Risk Management Systems

Cybersecurity risk is the risk that the Group will incur a loss as the result of threats on the Group's cybersecurity from cyberattacks (the act of maliciously using an information communications network or information system for unauthorized entry via a cyberspace, for stealing, modifying, or destroying information, for stopping the operation of information systems or causing incorrect operation, for executing unauthorized programs, for conducting DDoS attacks, etc.).

In order to strengthen our response to cybersecurity, the Group has established a Cybersecurity Management Committee, a Basic Policy for Cybersecurity Management,

and response manuals for different types of cyberattacks. Furthermore, the Group reviews advance prevention and predictive management of cybersecurity incidents. In the event that a cybersecurity incident occurs, the Group reviews countermeasures for fast recovery, measures to prevent damage from spreading, measures to prevent reoccurrence, etc.

Additionally, based on instructions from the Executive Committee and other management organizations, we recognize cybersecurity risks as risk that must be managed throughout the entire Group, and we work to strengthen our management of cybersecurity.

Business Continuity System

The Group has defined rules such as Basic Rules for Business Continuity. Even in the event of a disaster or other unforeseen occurrence, the Group has developed a business continuity system that will minimize the impact on our customers and will enable us to maintain financial functions

by limiting the impact on the Group management.

In the event of a large-scale natural disaster or system malfunction, we will immediately establish a Disaster Response Headquarters and work for the recovery/continuity of business.

Compliance System

Compliance is one of the top management priorities at the Group. In accordance with the following Basic Policy, all directors and employees work to ensure management based on our Management Philosophy.

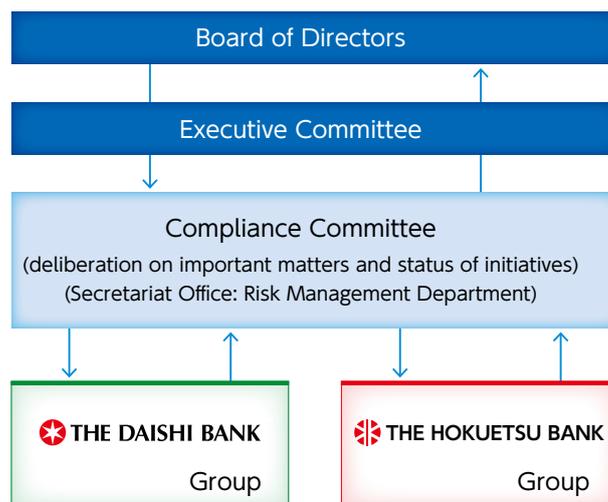
Basic Policy

1. All directors and employees in the Group always act in accordance with our Management Philosophy, and recognize the social responsibility and public mission that must be fulfilled by our Group. Furthermore, all directors and employees understand and follow the code of conduct regulated by the Japanese Bankers Association.
2. The Group works to develop and establish a compliance system for maintaining trust in the Group, and for ensuring the health and appropriateness of our business.

Compliance System

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

Additionally, we formulate a Compliance Program every year as a detailed execution plan for thorough compliance, and work to establish compliance systems in accordance with our Management Philosophy.



List of Executives / Group Companies

Daishi Hokuetsu Financial Group Board Members

(as of June 25, 2019)

	Chairman and Representative Director Katsuya Sato		President and Representative Director Fujio Namiki
	Director Satoshi Hasegawa		Director Kazuyoshi Hirokawa
	Director Takuya Watanabe		Director Kiyofumi Obara
	Director Makoto Takahashi		Director Michiro Ueguri
	Director (Audit and Supervisory Committee Member) Shinjiro Kawai		Outside Director (Audit and Supervisory Committee Member) Koichi Masuda
	Outside Director (Audit and Supervisory Committee Member) Hiroshi Fukuhara		Outside Director (Audit and Supervisory Committee Member) Toshizo Oda
	Outside Director (Audit and Supervisory Committee Member) Kazuaki Matsumoto		

* Each of the Outside Directors Koichi Masuda, Hiroshi Fukuhara, Toshizo Oda and Kazuaki Matsumoto are outside directors as defined under Article 2, item (xv) of the Companies Act.

Directors at The Daishi Bank (as of June 25, 2019)

President and CEO (Officer)		Fujio Namiki
Deputy President (Officer)		Satoshi Hasegawa
Senior Managing Director (Officer)		Takuya Watanabe
Managing Director		Kiyofumi Obara
Managing Director		Jumatsu Eizuka
Managing Director		Michiro Ueguri
Managing Director	Director of Head Office Sales Dept., Director of Niigata Airport Branch	Hiroshi Shindo
Director and Executive Officer	Director of Comprehensive Planning Dept.	Ken Shibata
Director and Executive Officer	Director of Human Resources Dept.	Takayoshi Tanaka
Director and Executive Officer	Director of Sales Headquarters	Toshiyuki Maki
Director	(Audit and Supervisory Committee Member)	Nobuaki Miyamoto
Director (outside)	(Audit and Supervisory Committee Member)	Eiichi Tsurui
Director (outside)	(Audit and Supervisory Committee Member)	Katsuaki Fujikura
Executive Officer	Director of Market Operations Dept.	Masahito Toda
Executive Officer	Manager of Tokyo Branch	Naruhito Hosaka
Executive Officer	Manager of Nagaoka Sales Dept.	Takehiko Hori
Executive Officer	Manager of Minami- Niigata Branch	Katsutoshi Sakai
Executive Officer	Director of Business Administration Dept.	Toshiyuki Kobayashi
Executive Officer	Manager of Takada Sales Dept., Manager of Honcho Branch	Nobuaki Takahashi

Directors at The Hokuetsu Bank (as of June 25, 2019)

President and CEO (Officer)		Katsuya Sato
Senior Managing Director (Officer)		Kazuyoshi Hirokawa
Senior Managing Director (Officer)		Hiroyuki Kaizu
Managing Director		Ichiro Muromoto
Managing Director		Makoto Takahashi
Managing Director		Masami Watanabe
Managing Director		Hiroki Hoshi
Director	Director of Head Office Sales Dept.	Ryuji Takahashi
Director	Manager of Niigata Branch	Motoi Yamada
Director (outside)		Kiroku Takeuchi
Standing Corporate Auditor		Shuichi Nomizu
Standing Corporate Auditor		Matsuichi Nanba
Corporate Auditor (outside)		Toshio Kitamura
Corporate Auditor (outside)		Shiro Watanabe
Executive Officer	Director of Market Sales Dept.	Tadanori Miyakoshi
Executive Officer	Director of Sales Supervision Dept.	Takashi Ishizaka

Overview of Group Corporations

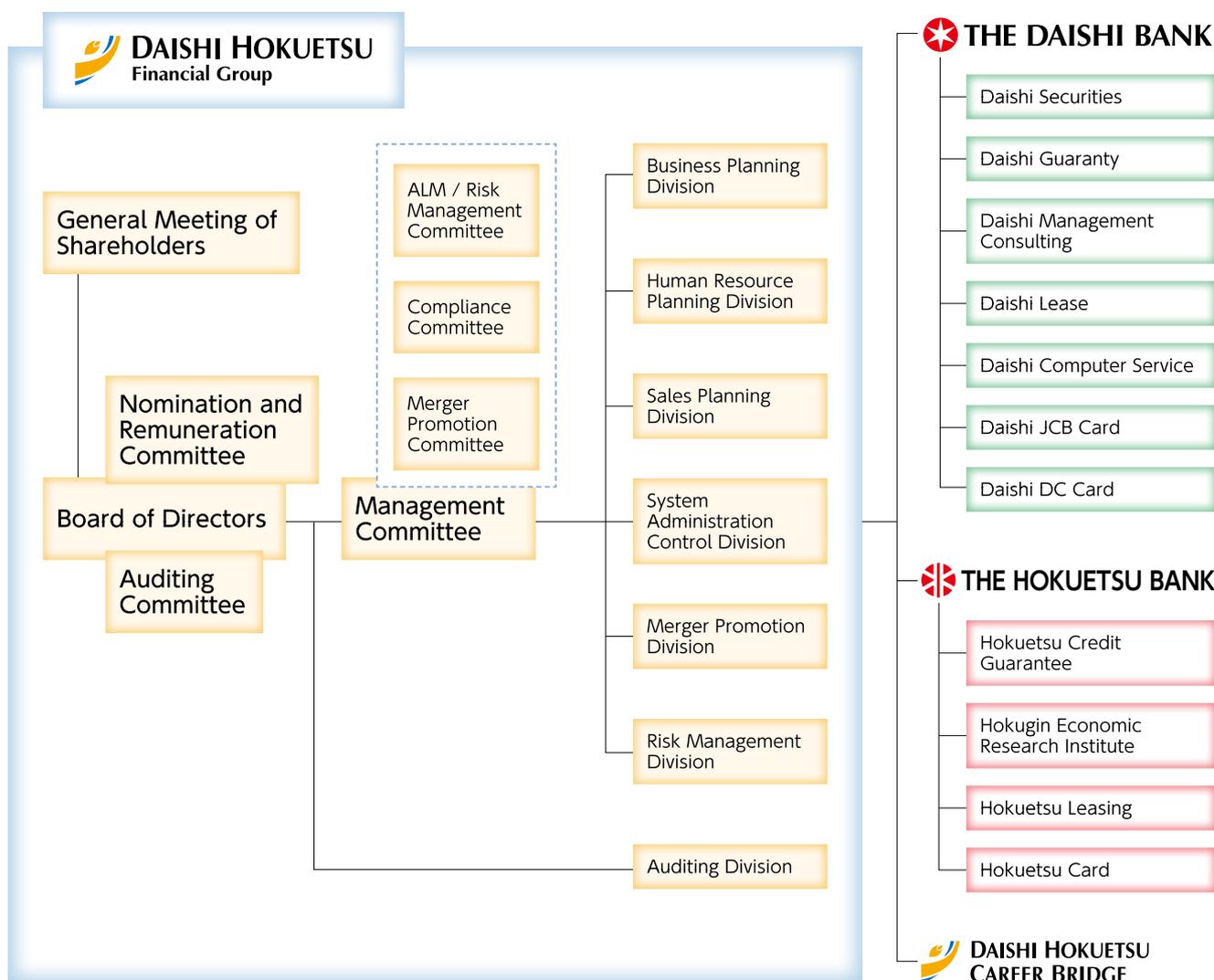
(as of July 1, 2019)

Company	Main business activities	Date of establishment	Capital	Ratio of the Group's voting rights in the subsidiary, including indirect ownership
The Daishi Bank, Ltd. 1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi	Banking	November 2, 1873	¥32,700 million	100.0%
The Hokuetsu Bank, Ltd. 2-14 Ote-dori 2-chome, Nagaoka-shi	Banking	December 20, 1878	¥24,500 million	100.0%
Daishi Hokuetsu Career Bridge, Ltd. Hokuetsu Daiichi Bldg., 2nd Floor 1-2-25 Higashi-odori, Chuo-ku, Niigata-shi	Comprehensive HR consulting	May 24, 2019	¥30 million	100.0%
Daishi Securities Co., Ltd. 3-8-26 Jonaicho, Nagaoka-shi	Securities	August 8, 1952	¥600 million	100.0%
The Daishi Guaranty Co., Ltd. Fuyu-Sha Bldg., 3rd Floor 224-1 Honcho-dori 5-bancho, Chuo-ku, Niigata-shi	Credit guarantees	October 27, 1978	¥50 million	100.0%
The Hokuetsu Credit Guarantee Co., Ltd. Choryo-Sha Bldg., 1st Floor 2-13-23 Miyabara, Nagaoka-shi	Credit guarantees	August 20, 1986	¥210 million	100.0%
The Daishi Management Consulting Co., Ltd. Fuyu-Sha Bldg., 2nd Floor 224-1 Honcho-dori 5-bancho, Chuo-ku, Niigata-shi	Consulting and venture capital	June 8, 1984	¥20 million	100.0%
The Hokugin Economic Research Institute, Ltd. Omotemachi Bldg., 1st Floor 3-2-1 Omotemachi, Nagaoka-shi	Survey research and information provision related to the economy and society	July 1, 1997	¥30 million	50.0%
The Daishi Lease Co., Ltd. 2-2-10 Akashi, Chuo-ku, Niigata-shi	Comprehensive leasing services	November 11, 1974	¥100 million	26.0%
The Hokuetsu Leasing Co., Ltd. Hokuetsu Higashi Bldg., 5th Floor 1-9-20 Kesajiro, Nagaoka-shi	Comprehensive leasing services	November 1, 1982	¥100 million	100.0%
The Daishi Computer Service Co., Ltd. 1-1-17 Abumi, Chuo-ku, Niigata-shi (inside the Daishi Bank Business Center)	Computer-related business	May 10, 1976	¥15 million	30.0%
The Daishi JCB Card Co., Ltd. Daishi Kami-Okawa-mae Bldg., 3rd Floor 1245 Kamiokawamae-dori 8-bancho, Chuo-ku, Niigata-shi	Credit cards and credit guarantees	November 12, 1982	¥30 million	66.6%
The Daishi DC Card Co., Ltd. Daishi Kami-Okawa-mae Bldg., 1st Floor 1245 Kamiokawamae-dori 8-bancho, Chuo-ku, Niigata-shi	Credit cards	March 1, 1990	¥30 million	70.0%
The Hokuetsu Card Co., Ltd. Hokuetsu Higashi Bldg., 4th Floor 1-9-20 Kesajiro, Nagaoka-shi	Credit cards and credit guarantees	June 1, 1983	¥20.45 million	100.0%

Organization Chart / Major stockholders

Organization Chart of the Daishi Hokuetsu Financial Group

(as of July 1, 2019)



Major stockholders (10 largest)

(As of March31,2019)

株主名	Number of Share	Percent
1 Japan Trustee Services Bank, Ltd. (Trust Account)	2,978 (Thousand)	6.52 %
2 Meiji Yasuda Life Insurance Company	1,624	3.55
3 The Master Trust Bank of Japan ,Ltd. (Trust Account)	1,434	3.14
4 Nippon Life Insurance Company	1,156	2.53
5 Sompo Japan Nipponkoa Insurance Inc.	888	1.94
6 DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank N.A.,Tokyo Branch)	886	1.94
7 Tohoku Electric Power Co., Inc.	852	1.86
8 Daishi Bank Employee' s stockholdings	804	1.76
9 Daido Life Insurance Company	705	1.54
10 JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho bank Settlement & Clearing Services Department)	673	1.47

Financial Data

CONTENTS

Consolidated Balance Sheets	45
Consolidated Statements of Income	47
Consolidated Statements of Comprehensive Income	47
Consolidated Statements of Shareholders' Equity	48
Consolidated Statements of Cash Flows	50
The Status of Financial Results (Consolidated)	51
Non-Consolidated Balance Sheets(Daishi Bank)	73
Non-Consolidated Statements of Income(Daishi Bank)	74
Non-Consolidated Balance Sheets(Hokuetsu Bank)	75
Non-Consolidated Statements of Income(Hokuetsu Bank)	76

Consolidated Balance Sheet

Years ended March 31, 2019

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to US \$1.

	2019	
	(Millions of Yen)	(Thousands of U.S. Dollars)
■ Assets		
Cash and due from banks	¥1,108,007	\$9,982,946
Call loans and bills bought	3,773	34,000
Monetary claims bought	17,414	156,902
Trading account securities	3,911	35,246
Securities	2,496,047	22,488,943
Loans and bills discounted	5,065,891	45,642,776
Foreign exchanges	19,661	177,150
Other assets	160,157	1,442,990
Tangible fixed assets	54,167	488,042
Intangible fixed assets	14,220	128,125
Asset for retirement benefits	3,387	30,518
Deferred tax assets	5,012	45,159
Customers' liabilities for acceptances and guarantees	19,108	172,162
Allowance for loan losses	(20,538)	(185,049)
Total Assets	¥8,950,224	\$80,639,915

	2019	
	(Millions of Yen)	(Thousands of U.S. Dollars)
■ Liabilities		
Deposits	¥7,177,466	\$64,667,685
Negotiable certificates of deposit	279,430	2,517,621
Call money and bills sold	4,994	45,000
Payables under repurchase agreements	110,272	993,531
Payables under securities lending transactions	403,529	3,635,724
Borrowed money	433,879	3,909,175
Foreign exchanges	755	6,806
Other liabilities	66,079	595,367
Provision for bonuses	2,290	20,638
Provision for directors' bonuses	116	1,050
Provision for retirement benefits	7,852	70,750
Provision for directors' retirement benefits	41	373
Provision for reimbursement of deposits	2,989	26,938
Provision for system cancellation losses	457	4,122
Provision for contingent loss	1,131	10,190
Reserves under the special laws	11	105
Deferred tax liabilities	5,504	49,590
Deferred tax liabilities for land revaluation	5,239	47,204
Acceptances and guarantees	19,108	172,162
Total Liabilities	¥8,521,150	\$76,774,040

■ Net Assets

	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2019
Capital stock	¥30,000	\$270,294
Capital surplus	87,667	789,871
Retained earnings	258,756	2,331,348
Treasury stock	(1,336)	(12,037)
Shareholders' equity	375,088	3,379,477
Valuation difference on available-for-sale securities	41,032	369,693
Deferred gains or losses on hedges	(5,657)	(50,973)
Revaluation reserve for land	6,424	57,880
Remeasurements of defined benefit plans	(5,505)	(49,606)
Accumulated other comprehensive income	36,292	326,993
Subscription rights to shares	637	5,746
Non-controlling interests	17,054	153,658
Total Net assets	429,073	3,865,874
Total Liabilities and Net assets	¥8,950,224	\$80,639,915

Consolidated Statements of Income

Years ended March 31, 2019

(Millions of Yen)

(Thousands of U.S. Dollars)

	2019	2019
Ordinary Income	¥118,007	\$1,063,227
Interest income	58,956	531,183
Interest on loans and discounts	38,713	348,797
Interest and dividends on securities	19,669	177,219
Interest on call loans and bills bought	4	36
Interest on receivables under resale agreements	(6)	(60)
Interest on deposits with banks	226	2,043
Other interest income	349	3,147
Fees and commissions	24,535	221,064
Other ordinary income	25,385	228,715
Other income	9,130	82,263
Ordinary Expenses	101,301	912,705
Interest expenses	6,454	58,150
Interest on deposits	946	8,528
Interest on negotiable certificates of deposit	35	315
Interest on call money and bills sold	38	342
Interest on bills sold	686	6,183
Interest on payables under securities lending transactions	2,617	23,579
Interest on borrowings and rediscounts	151	1,367
Other interest expenses	1,979	17,832
Fees and commissions payments	6,752	60,836
Other ordinary expenses	21,214	191,137
General and administrative expenses	57,301	516,280
Other expenses	9,578	86,301
Ordinary profit	16,706	150,521
Extraordinary income	47,208	425,335
Gain on disposal of noncurrent assets	0	7
Gain on bargain purchase	47,207	425,328
Extraordinary loss	2,472	22,276
Loss on disposal of noncurrent assets	131	1,185
Impairment loss	2,248	20,254
Transfer to reserve for system cancellation losses	92	837
Income before income taxes	61,441	553,580
Income taxes-current	6,988	62,965
Income taxes-deferred	(3,121)	(28,120)
Net income	57,574	518,735
Profit attributable to non-controlling interests	729	6,576
Profit attributable to owners of parent	¥56,844	\$512,159

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019

(Millions of Yen)

(Thousands of U.S. Dollars)

	2019	2019
Net Income	¥57,574	\$518,735
Other Comprehensive Income	(20,221)	(182,187)
Valuation difference on available-for-sale securities	(10,104)	(91,042)
Deferred gains or losses on hedges	(5,276)	(47,543)
Remeasurements of defined benefit plans, net of tax	(4,839)	(43,601)
Comprehensive income	37,353	336,547
(Comprehensive income attributable to)		
Comprehensive income attributable to equities of parent	36,634	330,069
Comprehensive income attributable to non-controlling interests	719	6,478

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2018	¥32,776	¥25,179	¥208,533	¥ (4,240)	¥262,249
Changes of items during the period					
Increase by share transfers	(2,776)	62,488		(49)	59,661
Dividends from surplus			(3,772)		(3,772)
Profit attributable to owners of parent			56,844		56,844
Purchase of treasury stock				(1,016)	(1,016)
Disposal of treasury stock			(84)	643	559
Retirement of treasury stock			(3,326)	3,326	—
Reversal of revaluation reserve for land			560		560
Net changes of items other than shareholders' equity					
Total changes of items during period	(2,776)	62,488	50,222	2,904	112,838
Balance at March 31, 2019	¥30,000	¥87,667	¥258,756	¥ (1,336)	¥375,088

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2018	¥51,126	¥(380)	¥6,984	¥(666)	¥57,064	¥554	¥16,258	¥336,126
Changes of items during the period								
Increase by share transfers								59,661
Dividends from surplus								(3,772)
Profit attributable to owners of parent								56,844
Purchase of treasury stock								(1,016)
Disposal of treasury stock								559
Retirement of treasury stock								—
Reversal of revaluation reserve for land								560
Net changes of items other than shareholders' equity	(10,093)	(5,276)	(560)	(4,839)	(20,771)	83	796	(19,891)
Total changes of items during period	(10,093)	(5,276)	(560)	(4,839)	(20,771)	83	796	92,947
Balance at March 31, 2019	¥41,032	¥(5,657)	¥6,424	¥(5,505)	¥36,292	¥637	¥17,054	¥429,073

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2018	\$295,314	\$226,863	\$1,878,852	\$(38,207)	\$2,362,822
Changes of items during the period					
Increase by share transfers	(25,020)	563,008		(449)	537,539
Dividends from surplus			(33,986)		(33,986)
Profit attributable to owners of parent			512,159		512,159
Purchase of treasury stock				(9,154)	(9,154)
Disposal of treasury stock			(757)	5,801	5,043
Retirement of treasury stock			(29,971)	29,971	—
Reversal of revaluation reserve for land			5,052		5,052
Net changes of items other than shareholders' equity					
Total changes of items during period	(25,020)	563,008	452,496	26,169	1,016,654
Balance at March 31, 2019	\$270,294	\$789,871	\$2,331,348	\$(12,037)	\$3,379,477

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2018	\$460,637	\$(3,429)	\$62,933	\$(6,004)	\$514,136	\$4,995	\$146,482	\$3,028,437
Changes of items during the period								
Increase by share transfers								537,539
Dividends from surplus								(33,986)
Profit attributable to owners of parent								512,159
Purchase of treasury stock								(9,154)
Disposal of treasury stock								5,043
Retirement of treasury stock								—
Reversal of revaluation reserve for land								5,052
Net changes of items other than shareholders' equity	(90,944)	(47,543)	(5,052)	(43,601)	(187,143)	750	7,175	(179,216)
Total changes of items during period	(90,944)	(47,543)	(5,052)	(43,601)	(187,143)	750	7,175	837,437
Balance at March 31, 2019	\$369,693	\$(50,973)	\$57,880	\$(49,606)	\$326,993	\$5,746	\$153,658	\$3,865,874

Consolidated Statement of Cash Flows

Years ended March 31, 2019

	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2019
Net cash provided by (used in) operating activities:		
Income before income taxes	¥61,441	\$553,580
Depreciation and amortization	4,270	38,474
Impairment loss	2,248	20,254
Gain on bargain purchase	(47,207)	(425,328)
Increase (decrease) in allowance for loan losses	2,353	21,203
Increase (decrease) in provision for contingent loss	(204)	(1,844)
Increase (decrease) in provision for bonuses	115	1,037
Increase (decrease) in provision for directors' bonuses	15	142
Increase (decrease) in provision for retirement benefits	94	848
Increase (decrease) in provision for retirement liability	335	3,020
Increase (decrease) in provision for directors' retirement benefits	(2)	(18)
Increase (decrease) in provision for reimbursement of deposits	312	2,814
Increase (decrease) in provision for system cancellation losses	92	837
Financing income	(58,956)	(531,183)
Financing expenses	6,454	58,150
Loss (gain) related to securities	(2,224)	(20,038)
Loss (gain) on investments in money held in trust	18	169
Foreign exchange losses (gains)	(5)	(53)
Loss (gain) on disposal of noncurrent assets	130	1,177
Net decrease (increase) in trading account securities	(574)	(5,180)
Net decrease (increase) in loans and bills discounted	(122,750)	(1,105,960)
Net increase (decrease) in deposit	49,680	447,614
Net increase (decrease) in negotiable certificates of deposit	(16,867)	(151,972)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	76,723	691,266
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	1,551	13,980
Net decrease (increase) in call loans	(5,875)	(52,936)
Net increase (decrease) in call money	7,890	71,096
Net increase (decrease) in payables under securities lending transactions	(11,989)	(108,021)
Net decrease (increase) in foreign exchanges-assets	(5,470)	(49,292)
Net increase (decrease) in foreign exchanges-liabilities	285	2,576
Revenue for finance	59,883	539,535
Payments for finance	(6,069)	(54,684)
Other, net	(5,278)	(47,555)
sub-total	(9,577)	(86,288)
Income taxes paid	(7,454)	(67,166)
Net cash provided by (used in) operating activities	¥(17,032)	\$(153,455)
Net cash provided by (used in) investment activities:		
Purchase of securities	(631,225)	(5,687,230)
Proceeds from sales of securities	525,926	4,738,503
Proceeds from redemption of securities	258,549	2,329,487
Proceeds from decrease in money trust	1,984	17,883
Purchase of property, plant and equipment	(1,484)	(13,378)
Purchase of intangible assets	(3,138)	(28,273)
Proceeds from sales of property, plant and equipment	96	867
Net cash provided by (used in) investment activities:	¥150,708	\$1,357,859
Net cash provided by (used in) financing activities:		
Cash dividends paid	(3,772)	(33,987)
Dividends paid to non-controlling interests	(10)	(93)
Purchase of treasury stock	(1,016)	(9,154)
Proceeds from sales of treasury stock	248	2,243
Net cash provided by (used in) financing activities	¥(4,549)	\$(40,991)
Effect of exchange rate change on cash and cash equivalents	5	53
Net increase (decrease) in cash and cash equivalents	129,133	1,163,466
Cash and cash equivalents at beginning of the year	773,856	6,972,303
Increase in cash and cash equivalents due to share transfer	202,862	1,827,752
Cash and cash equivalents at the end of the year	¥1,105,851	\$9,963,522

**Notes (From April 1, 2018 to March 31, 2019)
(Basic items that form the foundation for preparation
of consolidated financial results)**

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries: 13 companies

Company names:

The Daishi Bank, Ltd., The Hokuetsu Bank, Ltd., The Daishi Lease Co., Ltd., The Daishi Computer Service Co., Ltd., The Daishi Guaranty Co., Ltd., The Daishi JCB Card Co., Ltd., The Daishi DC Card Co., Ltd., The Daishi Management Consulting Co., Ltd., Daishi Securities Co., Ltd., Hokuetsu Leasing Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., The Hokuetsu Card Co., Ltd., The Hokugin Economic Research Institute.

Both Daishi Bank, Ltd. and Hokuetsu Bank, Ltd. have become full subsidiaries of the Company accompanying its establishment. Both banks and their consolidated subsidiaries have now been included in the scope of consolidation from this fiscal term.

(2) Non-consolidated subsidiaries: 4 companies

Daishi Food Industry Activation Fund Investment Limited Partnership, Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Start-up Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership.

Non-consolidated companies have been excluded from the scope of consolidation since their assets, current account balance, net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., have little relevance and will not prevent rational judgment to be made regarding the financial status and management performance of the corporate group.

2. Matters related to the application of equity method

(1) Non-consolidated subsidiaries subject to application of equity method:

None

(2) Affiliated companies subject to application of equity method:

None

(3) Non-consolidated subsidiaries not subject to application of equity method: 4 companies

Daishi Food Industry Activation Fund Investment Limited Partnership, Daishi Food and Agriculture Assist Fund Investment Limited Partnership, Daishi Start-up Support Fund Investment Limited Partnership, Hokuetsu Sixth Industry Support Fund Investment Limited Partnership.

Non-consolidated subsidiaries not subject to application of equity method have been excluded from the scope of application of equity method since their net profit or loss for the current term (amount corresponding to equity), retained earnings (amount corresponding to equity), and other accumulated comprehensive income (amount corresponding to equity), etc., do not have important impact on the consolidated financial statement.

(4) Affiliated companies not subject to application of equity method: None.

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

The closing date for consolidated subsidiaries is as follows:

Last day of March: 13 companies

4. Matters related to accounting policies

(1) Valuation criterion and valuation method for trading account securities:

Valuation of trading account securities is made using the market value method (cost of securities sold is calculated mainly by the moving average method).

(2) Valuation criterion and valuation method for valuable securities

- (i) The amortized cost method (straight-line method) using the moving average method is used for securities held for ownership until maturity. For other trading account securities, the market value method based on the market price on the consolidated closing date (cost of sale to be calculated using the moving average method) is used, as a rule. However, the prime cost principle using the moving average method is used for those for which market value is extremely difficult to ascertain. The valuation difference for other trading account securities is processed by the all net asset direct entry method.

- (ii) The market value method is used for valuation of securities managed as estates in an individually operated monetary trust held as trust assets with security operations as its main purpose.

(3) Valuation criterion and valuation method for derivative transaction
Valuation of derivative transactions is conducted using the market value method.

(4) Depreciation method for fixed assets

- (i) Tangible fixed assets (excluding leased assets)
The straight-line method is mainly used for tangible fixed assets.
Major service life is as follows:
Buildings: 10 to 50 years
Others: 2 to 20 years
- (ii) Intangible fixed assets (excluding leased assets)
The straight-line method is used for intangible fixed assets. Software used by the Company is depreciated based on the usage period (5 to 9 years) determined by the Company and its consolidated subsidiaries.
- (iii) Leased assets
"Tangible fixed assets" and "Intangible fixed assets" included in leased assets related to finance leases exempt from passage of title are depreciated by the straight-line method with the lease period set to the statutory service life. As for residual value, the guaranteed residual value shall be used in cases in which residual value clause is included in the lease agreement and zero for all other leases.

(5) Criteria for recording allowances for loan losses

Allowances for loan losses of consolidated subsidiaries in banking business are recorded as per the depreciation and allowance criteria set in advance, as follows:

Claims related to debtors who are legally insolvent, such as those facing bankruptcy or special liquidation ("Bankrupt debtors") or debtors under equivalent situations ("Effectively bankrupt debtors") are recorded as follows: The recorded amount is the remaining balance after deduction from the book value after direct reduction as stated in the proviso, from the possible marketable collateral amount and recoverable amount from guarantees. For claims against debtors not currently insolvent but with high risk of future insolvency ("Potentially bankrupt debtors"), an amount judged to be necessary after comprehensively considering the solvency of the debtor from the amount of balance, after deduction of the possible marketable collateral amount and recoverable amount from guarantees from the claim amount, is recorded.

Claims other than the above are recorded based on loan loss rate, etc., calculated from past performance over a certain period.

Sales related divisions and HQ related divisions have conducted asset audits on all claims based on asset self-assessment criteria and the assessment results have been audited by the asset auditing division independent of the division being audited.

Provided however, that for collateral and claims with guarantees against Bankrupt debtors and Effectively bankrupt debtors, the balance after deduction of the validated amount of collateral and the amount expected to be recoverable from the guarantee are deducted directly from the amount of the claim as the estimated uncollectable amount, and stands at ¥9,695 million.

An amount acknowledged to be necessary, in consideration of the past loan loss rate for general claims and estimated uncollectable amount in consideration of individual recovery possibilities for specific claims, such as those with default possibilities, are recorded as allowances for loan losses of other consolidated subsidiaries.

(6) Criteria for recording provision for bonuses

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

(7) Criteria for recording provision for directors's bonuses

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

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

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

(10) Criteria for recording provision for systems cancellation loss
Provisions for systems cancellation loss are recorded for the expected loss to be borne by Daishi Bank and Hokuetsu Bank, related to cancellation before maturity of the systems currently in use, accompanying the transition to the system to be adopted by the bank after the merger.

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

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

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

Prior service cost: Profit and loss processing using the straight-line method for a certain number of years (10 years) within the average employee residual term of service at the time of occurrence.

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

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

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

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

(16) Important risk hedging methods

(a) Interest risk hedge

As a method of hedge accounting of interest risk occurring from financial assets and liabilities of consolidated subsidiaries in the banking industry, "Individual hedge" that directly establish correspondence between the target of the hedge with the hedging method is partially adopted on assets and liabilities to conduct accounting processing by deferred hedges. This allows the target of the hedging

method and the target of the hedge to be integrally managed. The effectiveness of the hedge is evaluated by verification of whether the interest risk subject to hedging has been diminished by the hedging method. In addition, exceptional processing for interest swaps are made, and judgment regarding the requirements for exception processing is used in lieu of the judgment of hedge effectiveness.

(b) Exchange fluctuation risk hedging

Deferred hedge, as provided in "Handling in accounting and audit of foreign currency denominated transactions, etc., in the processing of accounts in the banking industry" (Special Audit Committee Report No. 25 by The Japanese Institute of Certified Public Accountants (JICPA) dated July 29, 2002. Hereinafter "Industry-wise Audit Committee Report No. 25") is adopted. The effectiveness of the hedge is evaluated with currency swap transactions and exchange swap transactions, etc., conducted with the aim of diminishing exchange fluctuation risks of foreign currency denominated debts and credits and the effectiveness of the hedge is evaluated by confirming the existence of a foreign currency position equivalent amount that matches the foreign currency denominated debts and credits, which are the targets of the hedge.

(17) Scope of funds in consolidated cashflow statements

The scope of funds in consolidated cashflow statements are cash and deposit with the Bank of Japan listed in "Cash and deposits" in the consolidated balance sheet.

(18) Account processing of consumption tax, etc.

The excluding tax method is mainly adopted for account processing of consumption tax and local consumption tax ("Consumption tax, etc.") by the Company and consolidated subsidiaries. However, non-deductible consumption tax related to tangible fixed assets is recorded as expenses in the consolidated accounting for the current fiscal year.

(Changes to accounting policies that are difficult to distinguish from changes in estimates in accounting)

The fixed percentage method had been adopted as the depreciation method for the tangible fixed assets of Daishi Bank (excluding buildings and facilities and structures annexed to buildings acquired on or after April 1, 2016). However this has been changed to the straight-line method from this consolidated fiscal year.

In the medium-term management plan starting from fiscal 2018, Daishi Bank has checked the actual state of use of operating branches and office equipment, etc., and as a result, found that these have been used stably over a long period, and that the use values are generally constant throughout their service-life. It has been judged that changing to the straight-line method, which allocates the costs evenly over the service life, more appropriately reflects the state of management.

In addition, accompanying the integration of management with Hokuetsu Bank in October 2018, review was conducted on the operating branches and the use of office equipment, etc., in the consolidated subsidiaries in banking business, switching to the straight-line method has been judged to more appropriately reflect the state of management.

This change has resulted in an increase of ¥197 million in ordinary income and net income before adjustments of taxes, etc., compared to adoption of the conventional method.

(Additional information)

(Transaction to grant shares of the Company to employees, etc. through trust)

(1) Summary of transaction

Daishi Bank Ltd., a subsidiary of the Company has been conducting transaction to grant shares of the Company via a trust through an employee stock ownership association from November 13, 2015, as a part of its service and benefit program for its employees. Accompanying the establishment of the holding company through a joint transfer of stock on October 1, 2018, its operating body has been transferred to the Company, as well as the transfer of E-ship trust assets to the Company.

The scheme is an incentive plan targeted at all employees participating in the "Daishi Bank Employee Stock Ownership Association" ("Stock ownership association"). Under this scheme, the Company has set up a "Special Trust for Daishi Bank

Employee Stock Ownership Association" ("Employee stock trust") and the Employee stock trust will acquire the shares of the Company in numbers expected to be acquired by the Stock ownership association during the period of five (5) years after its establishment in advance. Thereafter, the shares of the Company will be sold continuously from the Employee stock trust to the Stock ownership association, and in the event that an amount equivalent to profit from sales of stock has accrued within the Employee stock trust as of the end of the trust, such amount equivalent to profit from sales of stock shall be distributed to individuals qualifying as beneficiaries. As the Company will be providing guarantee for debt of the Employee stock trust to purchase the Company stock, in the event there is an accrued debt balance equivalent to loss from sales of stock occurring from a drop in the Company's stock price, the Company shall settle the remaining debt based on the guarantee contract.

- (2) Company shares owned by the trust
Company shares remaining in the trust are recorded at its book value (excluding the amount of ancillary expenses) in the trust as treasury stock in Net assets. Book value and the number of shares of said treasury stock is ¥ 273 million and 47 thousand shares.
- (3) Book value of borrowing recorded by application of the gross amount method. ¥525 million

(Consolidated Balance Sheet related)

- Total amount of shares or contribution in non-consolidated subsidiaries and affiliated companies:
Contribution: ¥488 million
- The amount of bankrupt debtor claims and overdue claims in loans are as follows:
Bankrupt debtor claims ¥2,044 million
Overdue claims ¥61,107 million
"Bankrupt debtor claims" refers to loans which the events indicated in a. through e. in Article 96, paragraph 1, item 3 or events provided in item 4 of the Order for the Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) have occurred, for loans in which unreceived interest payment has not been recorded, being judged that collection of capital, interest payment, or its settlement cannot be expected for continued delay in the repayment of capital or payment of interest for a reasonable period or for other causes (excluding portions for which bad debts have been written off) ("Uncollected interest non-recorded loan").
Furthermore, "Overdue claims" refers to uncollected interest non-recorded loans, other than loans in which the payment of interest has been given a grace period for the purpose of assisting the Bankrupt debtor claim or management reorganization or support.
- The amount of loans overdue for three (3) months or longer is as follows:
Loans overdue for three (3) months or longer ¥514 million
"Loans overdue for three (3) months or longer" refers to loans where payment of interest or repayment of capital has been delayed for three (3) months or longer, from the day following the contract due dates, in which Bankruptcy debtor claims or overdue claims do not apply.
- Of the loans, those with relieved loan conditions are as follows:
Loans with relieved loan conditions: ¥4,840 million
"Loans with relieved loan conditions" refers to loans for which a reduction in interest, a grace period for interest payment, a grace period for repayment of capital, debt forgiveness, or other agreements favorable to the debtor have been made for the purpose of assisting the debtor with management reorganization or support, that do not fall under Bankrupt debtor claims, overdue claims or loans overdue for three (3) months or longer.
- The aggregate total of Bankrupt debtor claims, overdue claims, loans overdue for three (3) months or longer, and loans with relieved loan conditions are as follows:
Total amount: ¥68,506 million
Note that the amount of loans indicated in 2. through 5. above are the amount prior to deduction of allowance for loan loss.

6. Discounting of bills is processed as financial transaction, based on "Handling in accounting and audit regarding the application of financial instruments accounting standards in the banking industry" (Special Audit Committee Report No. 24 by JICPA dated February 13, 2002). The Bank retains the right to freely dispose of bank acceptance bills, commercial bills, documentary bills, and foreign bills bought, etc., and thus received in the form of sales or (re)mortgaging and their face value is as follows: ¥25,358 million

7. Assets provided as security are as follows:
Assets provided as security
- | | |
|--------------|---------------------------|
| Securities | ¥1,031,998 million |
| Other assets | ¥52 million |
| Total | ¥1,032,050 million |

Liabilities corresponding to security assets

Deposits	¥ 57,276 million
Payable under repurchase agreements	¥110,272 million
Payables under securities lending transactions	¥403,529 million
Borrowed money	¥424,577 million

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

Trading account securities	¥20 million
Securities	¥5,269 million

Furthermore, financial instruments security deposits, central clearing organization security deposits, and guarantees are included in Other assets and their amount are as follows.

Financial instruments security deposits	¥14,536 million
Central clearing organization security deposits	¥50,000 million
Guarantees	¥1,446 million

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

Unexecuted loan balance	¥1,842,401 million
Of which the original term of loan is within 1 year or can be cancelled unconditionally at any time	¥1,752,435 million

Since many of these agreements terminate without the loan being executed, the unexecuted loan balance itself does not impact the future cashflow of the consolidated subsidiaries engaged in the banking business or to some of the consolidated subsidiaries. Many of these agreements contain a clause that the consolidated subsidiaries engaged in the banking business or to some of the consolidated subsidiaries may refuse the loan or decrease the limit amount in the event that applications for loans have been made, in the event that there have been changes in financial situation, securing of loans, and other reasonable reasons. In addition, guarantees, such as real estate, valuable securities, etc., are secured at the time of agreement as necessary, and the state of the customers are checked regularly (semi-annually) even after the agreement in accordance with the in-house regulations, and review of the agreement and measures to secure credit, etc., are conducted.

9. Based on the Act on Revaluation of Land (Act No. 34 dated March 31, 1998), revaluation of business-use land owned by Daishi Bank was conducted. For the valuation difference, the amount equivalent to tax related to the subject valuation difference has been recorded in Liabilities, as "Deferred tax liability related to revaluation" and the amount after deduction of this amount is recorded in Net assets under "Land revaluation difference".

Date of revaluation	March 31, 1998
---------------------	----------------

Method of revaluation as provided in Article 3 paragraph 3 of said Act.

Calculated based on the method provided and published by the Director General of National Tax Administration Agency to calculate the value of land on which the taxable value for the land tax, as provided in Article 16 of the Land-holding Tax Act (Act No. 69 of 1991) and established in the Order for Enforcement of Act on Revaluation of Land (Order No. 119 dated March 31, 1998) Article 2 item 4, with reasonable adjustments (rate of value correction by depth, etc.) made.

The difference between the total amount of market value of the business-use land revaluated as provided for in Article 10 of said Act as of the end of the term and the

total amount of book value after revaluation of said business-use land:

	¥12,670 million
10. Aggregate amount of depreciation of tangible fixed assets	
Aggregate amount of depreciation	¥83,708 million
11. Amount of compressed entry of tangible fixed assets	
Amount of compressed entry	¥8,046 million
(Amount of compressed entry in current consolidated fiscal year)	(¥4 million)
12. Amount of guarantee obligation for privately-placed bonds (under Article 2 paragraph 3 of Financial Instrument and Exchange Act) in bonds included in "Securities".	
	¥140,313 million

(Consolidated Statements of Income Related)

1. The following is included in Other ordinary income.	
Gain on sales of stocks and other securities	¥5,430 million
2. The following are included in General and administrative expenses.	
Salaries and allowances	¥26,879 million
Retirement benefit costs	¥1,738 million
3. The following are included in Other expenses.	
Written-off of loans	¥1,820 million
Loss on sales of stocks and other securities	¥1,501 million
4. Impairment loss have been recorded for the following asset groups.	
Mainly inside Niigata Prefecture	
Classification	Business use
Major usage	Branch office use 31 cases
Type	Land and buildings
Impairment loss	¥2,214 million
Classification	Owned
Major usage	Unutilized capital, etc. 13 cases
Type	land and buildings
Impairment loss	¥33 million

Accompanying the plans for integration (or relocation) of branches after the merger of Daishi Bank and Hokuetsu Bank in January 2021 (scheduled) and the fall in land prices, etc., recovery of investment can no longer be anticipated and their book value has been reduced down to the possible recoverable value. The amount of said impairment loss of ¥2,248 million has been recorded under Extraordinary loss.

The policy for grouping of assets of consolidated subsidiaries conducting banking business is as follows:

As a rule, grouping is conducted in sales branch units, which is the minimum division in management accounting. Assets scheduled for disposal and unemployed capital, etc., are grouped by individual asset units. Head office, administration centers, welfare facilities, etc., which are assets related throughout the bank are handled as common assets.

Net realizable value is used as the recoverable amount of the asset group for the current consolidated fiscal year and is calculated based mainly on real estate appraisal evaluation criterion, etc.

(Consolidated Statements of Comprehensive Income Related)

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

	(Unit: ¥ million)
Valuation difference on available-for-sale securities	
Incurred cost for this term	(9,756)
Recycling	(4,318)
Before tax effect adjustment	(14,075)
Tax effect amount	3,971
Valuation difference on available-for-sale securities	(10,104)
Deferred gains or losses on hedges	
Incurred cost for this term	(10,056)
Recycling	2,474
Before tax effect adjustment	(7,581)
Tax effect amount	2,305
Deferred gains or losses on hedges	(5,276)
Remeasurements of defined benefit plans(net of tax)	
Incurred cost for this term	(7,506)
Recycling	544
Before tax effect adjustment	(6,961)
Tax effect amount	2,122
Remeasurements of defined benefit plans(net of tax)	(4,839)
Total Other comprehensive income	(20,221)

(Consolidated Statements of Shareholders Equity related)

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

	Number of shares at the beginning of the current consolidated fiscal term	Number of increased shares during the current consolidated fiscal term	Number of decreased shares during the current consolidated fiscal term	Number of shares at the end of the current consolidated fiscal term	Remarks
Number of issued shares					
Ordinary shares	34,625	12,002	684	45,942	(Note) 1, 2
Total	34,625	12,002	684	45,942	
Treasury stocks					
Ordinary shares	852	309	805	356	(Note) 3, 4, 5
Total	852	309	805	356	

(Note) 1. Increase in issued ordinary shares are increase from share transfers.
 2. Decrease in issued ordinary shares are decrease from cancellation of Treasury stocks.
 3. Ordinary shares of Treasury stocks at the beginning of the current consolidated term includes 110 thousand Daishi Bank shares owned by the Special Trust for Daishi Bank Employee Stock Ownership Association ("Employee stock trust").
 4. Ordinary shares of Treasury stocks at the end of the current consolidated term includes 47 thousand Daishi Bank shares owned by the Employee stock trust.
 5. The breakdown of increase in the number of ordinary shares of Treasury stocks is as follows.

Increase by purchase request of fractional unit shares	3 thousand shares
Increase from share transfers	10 thousand shares
Acquisition of Treasury stocks based on board meeting resolution	295 thousand shares

Breakdown of decrease in the number of ordinary shares of Treasury stocks is as follows.

Transfer by exercise of stock option rights	58 thousand shares
Decrease by sales of Daishi Bank and Company shares by Employee stock trust	62 thousand shares
Decrease by purchase request of fractional unit shares	0 thousand shares
Decrease by cancellation of Treasury stocks based on board meeting resolution	684 thousand shares

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

Classification	Breakdown of right to subscribe to new shares	Type of shares to be target of the right to subscribe to new shares	Number of shares to be target of the right to subscribe to new shares (shares)			Balance as of the end of the current fiscal year (¥ million)	Remarks	
			Beginning of current consolidated fiscal year	Current consolidated fiscal year				End of current consolidated fiscal year
				Increase	Decrease			
Company	As Stock option	-				637		
Total		-				637		

3. Matters related to dividends

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

As the Company is a joint holding company established by joint transfer of stock on October 1, 2018, the amount of dividend paid is the amounts resolved in the Board of Directors Meeting of the following fully owned subsidiaries:

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Dividend per share (¥)	Reference date	Effective date
Board of directors, May 11, 2018	Ordinary shares of Daishi Bank	1,524	45.00	March 31, 2018	June 1, 2018
Board of Directors, November 8, 2018	Ordinary shares of Daishi Bank	1,527	45.00	September 30, 2018	December 3, 2018
Board of Directors, November 8, 2018	Ordinary shares of Hokuetsu Bank	720	30.00	September 30, 2018	December 3, 2018

(Note) The total amount of dividends of Daishi Bank includes dividends for Employee stock trust (¥4 million from the Board of Directors Meeting on May 11, 2018. ¥3 million from the Board of Directors Meeting on November 8, 2018).

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

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Source of fund	Dividend per share (¥)	Reference date	Effective date
Board of Directors, May 10, 2019	Ordinary shares of Daishi Hokuetsu Finance Group, Inc.	2,738	Retained earnings	60.00	March 31, 2019	June 3, 2019

(Note) The total amount of dividends include dividend of ¥2 million for Employee stock trust.

(Consolidated cashflow statement related)

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

Cash and deposit account	¥1,108,007 million
Deposits (excluding Bank of Japan deposit)	(¥2,155 million)
Cash and cash equivalents	¥1,105,851 million

(Note: Figures indicated in parenthesis are negative values)

2. Major breakdown of assets and liabilities of companies that have now become consolidated subsidiaries through the transfer of shares

Accompanying the consolidation of Hokuetsu Bank through the transfer of shares major breakdown of assets and liabilities, as of the start of consolidation, is as follows:

Total assets	¥2,900,457 million
Of which, loans and bills discounted	¥1,707,285 million
Of which, securities	¥908,396 million
Of which, allowance for loan losses	(¥ 5,551 million)
Total liabilities	¥2,793,366 million
Of which, deposits	¥2,501,042 million

(Lease transaction related)

Operating lease transactions

<Borrower side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	72
Exceeding one (1) year	175
Total	248

<Lender side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	182
Exceeding one (1) year	363
Total	546

(Financial instruments related)

Accounting titles with little relevance have been omitted from the amounts recorded in the consolidated balance sheet.

1. Matters concerning the status of financial instruments

(1) Policy regarding approach towards financial instruments

The Company group is engaged, with focus on banking business together with financial services covering lease operations, securities operations, credit guarantee operations, credit card operations, and others. Funds raised by deposits and negotiable certificate of deposits are mainly managed through loans and valuable securities.

As the Company has financial assets and liabilities that are accompanied by interest rate fluctuations, risks on assets and liabilities for the entire group is comprehensively grasped and controlled to avoid disadvantageous impact from interest rate fluctuations. A comprehensive Asset and Liability Management (ALM) is implemented to improve profits as well as stability. Derivative transactions are conducted as a part of the activities.

(2) Contents of financial instruments and their risks

Financial assets held by the Company group are mainly loans made to domestic companies and individuals, and are exposed to credit risk in which recovery of capital and interest on loans could be made difficult by bankruptcy of the customers or deterioration of financial status.

Valuable securities are mainly stocks, bonds, investment trusts, and investment in capital of partnerships. In addition to securities held for ownership until maturity, purely financial, and for business promotion purposes, trading account securities are bonds and are held for trading. These are exposed to market risks from fluctuation of market factors, in which the asset value held by the Company group may be reduced, incurring loss though credit risks of the issuing entity, domestic and overseas interest rates, the price of valuable securities, etc., and foreign exchange rates.

Of the financial liabilities of the Company group, deposits, etc., and marketable fund raising are exposed to liquidity risk. In addition to the possibility of outflow of deposits or not being able to raise necessary funds by the deterioration of the Company group's credibility, there is also a possibility of incurring loss by being forced to conclude transactions under unfavorable conditions.

Derivative transactions conducted by the Company group includes interest rate swaps, forward exchange contracts, currency options, etc., to respond to needs to hedge risks related to interest rates and foreign currency of the customers. Furthermore, as a part of ALM, interest rate swap transactions, currency swap transactions, etc., are being conducted for

interest rate risk control in banking operations, as well as for adjustment of fund surplus or deficit in banking operations and for stabilizing fund liquidity.

In addition, in the subsidiary banks and some of the consolidated subsidiaries, credit futures transaction, etc., aimed at pursuing trading profits are conducted within the extent of earning power and corporate strength. Risks generated from these derivative transactions include credit risks in which the counterpart of the transaction has defaulted, and market risks in which loss can be generated by fluctuation of interest rates and currency exchange. "Hedge accounting" is adopted for derivative transactions aimed at hedging risks. Evaluation of the effectiveness of hedging is made by checking that the amount of derivative transaction risk, as a hedge method, is within the range of allowable risk amount, as provided in the operating criteria concerning hedge transaction management, and quarterly verification of whether the risk subject to the hedge has been diminished is conducted.

(3) Risk management structure related to financial instruments

(i) Credit risk management

The Company group operates and manages credit risk in an appropriate manner based on various rules concerning credit risk management.

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

In both Daishi Bank and Hokuetsu Bank, credit divisions, completely detached from sales promoting divisions, conduct strict screening and manages problematic loans appropriately. It also aims for sound management of assets through management improvement support activities to customers, etc., the approach being promoted fully across both banks. Credit rating and self-assessment of loans, etc., is strictly enforced through a two-stage assessment system, one by the sales office and the other by the head office division. In addition, appropriateness and validity of credit rating and self-assessment is verified in the audit conducted by the Audit division.

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

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

(ii) Market risk management

The Company group has established an operation policy for ALM to adjust market risks to an appropriate magnitude and to secure stable income, and determines the risk limits and loss limits in valuable securities operation in line with the policy.

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

As a rule, the Company group conducts quantitative analysis concerning market risks for all financial instruments, mainly using Value at Risk (VaR), and is calculated and managed by Daishi Bank and Hokuetsu Bank respectively. Quantitative analysis is not conducted on some of the financial instruments that have little impact for its amount, etc., and some of the financial instruments of some group companies. Daishi Bank mainly adopts VaR by historical method (holding period: 120 days, confidence interval: 99%, observation period: 1,250 days) (note that the variance-covariance method is adopted on some of the investment trusts). The amount of market risk as of the end of the current consolidated fiscal year (excluding market risks of financial instruments whose market value is extremely difficult to assess, such as non-listed stock) is ¥38,656 million.

Hokuetsu bank adopts the VaR by the variance/covariance method (holding period: 6 months, confidence interval: 99%, observation period: 5 years). The amount of market risk as of the end of the current consolidated fiscal year

(excluding market risks of financial instruments whose market value is extremely difficult to assess, such as non-listed stock) is ¥28,598 million.

A back test which compares the computed VaR and the theoretical profit and loss (profit and loss assumed to have generated when the portfolio is fixed as of the timing of risk amount measuring) is conducted to verify the validity of the measurement model.

However, VaR only indicates the amount of risk under a fixed certainty statistically computed from past market fluctuations, and may not be able to capture risks when the market environment should change inconceivably. This being the case, it is supplemented by separate stress tests, etc.

(iii) Liquidity risk management

In the Company group, "Liquidity risk management rules" have been established in each subsidiary bank to grasp and analyze the status of financing by the administration division responsible for financing to raise funds from the market as necessary.

In addition, response measures and reporting and communicating structure has been established in order to conduct prompt response under various situation, in the unlikely event to match the urgency of fund needs.

(4) Supplementary explanation regarding matters concerning the market value of financial instruments, etc.

In addition to the prices based on market price, the market value of financial instruments includes reasonably calculated prices in the event that there are no market prices. In this calculation, certain presumptions are adopted and said price may differ if calculated based on different presumptions.

2. Matters concerning the market value of financial instruments, etc.

The amount recorded in the consolidated balance sheet, their market value and the differences are as follow. Market value for non-listed shares that is extremely difficult to grasp has not been included in the table to follow (refer to (Note 2))

(Unit: ¥ million)

	Amount recorded in consolidated balance sheet	Market value	Difference (*1)
(1) Cash and due from banks	1,108,007	1,108,007	—
(2) Securities			
Trading account securities	0	0	—
Held for ownership until maturity	66,999	68,601	1,601
Other securities	2,420,308	2,420,308	—
(3) Loans and bills discounted	5,065,891		
Allowances for loan losses (*2)	(19,622)		
	5,046,269	5,080,072	33,802
Total Assets	8,641,585	8,676,989	35,404
(1) Deposits	7,177,466	7,177,652	(185)
(2) Negotiable certificates of deposit	279,430	279,431	(0)
(3) Payables under repurchase agreements	110,272	110,272	—
(4) Payables under securities lending transactions	403,529	403,529	—
(5) Borrowed money	433,879	433,886	(6)
Total Liabilities	8,404,577	8,404,770	(192)
Derivative transactions (*3)			
Hedge accounting not applied	1,170	1,170	—
Hedge accounting applied	(8,635)	(8,761)	(125)
Total derivative transactions	(7,464)	(7,590)	(125)

(*1) Appraisal profit or loss is indicated in the Difference column.

(*2) General and individual allowances for loan losses corresponding to loans and bills discounted have been deducted.

(*3) Derivative transactions recorded in other assets and liabilities, and transactions in which special processing of interest rate swap is adopted are indicated together as a batch.

Net debts and credits generated from derivative transactions are indicated in net amount and items in which its total will be net debt are indicated in (parenthesis).

Provisions for contingent loss corresponding to derivatives have been directly reduced in the consolidated balance sheet amounts as they have little relevance.

(Note 1) Calculation method for the market value of financial instruments

Assets

(1) Cash and due from banks

As the market price of due from banks without maturity is approximately the same as their book value, the book value is taken to be the market value. For due from banks with maturity, as their agreed period is short (within one (1) year), and its market value is approximately the same as their book value, the book value is taken to be the market value.

(2) Securities

Price at the exchange for stocks, reference bond trading statistics published by the Japan Securities Dealers Association or the price, etc., indicated by the correspondent financial institution is used for bonds. Price at the exchange, published reference price or price indicated by the correspondent financial institution is used for investment trusts. Privately-placed bonds guaranteed by the issuing bank with floating interest rate are short term and will reflect the market interest rate and are approximately the same as their book value, unless the credit status of the issuing body has differed significantly after its execution, and therefore said book value is taken to be the market value. Market value of privately-placed bonds with fixed interest rate is calculated by adding guarantee fees to the amount discounted by the interest rate added with a credit spread on appropriate indices, such as swap interest rate, on the total sum of capital and interest, for each classification based on type, internal rating, and period.

Notes regarding securities by holding purposes are indicated in [(Valuable securities related)].

(3) Loans and bills discounted

Loans and bills discounted with floating interest rates are short term and reflects the market interest rates and are approximately the same as their book value (before deduction of general allowance for loan losses) unless the credit status of the issuing body has differed significantly after its execution. Therefore said book value is taken to be the market value. Those with fixed interest rates are calculated by adding guarantee fees to the amount discounted by the interest rate added with a credit spread on appropriate indices, such as swap interest rate, on the total sum of capital and interest, for each classification based on type, internal rating, and period. The market value for those with short agreed period (within one (1) year) is approximately the same as their book value (before deduction of general allowance for loan losses) and the book value is taken to be the market value.

Since the estimated loan loss is calculated on claims, etc., for Bankrupt debtors, Effectively bankrupt debtors, and Potentially bankrupt debtors based on the present value of estimated future cashflow or the expected recovery value from mortgages and guarantees, its market value is approximately close to the amount of recorded amount of claims in the consolidated balance sheet after deduction of the recorded amount of allowance for loan losses, this amount is taken as the market value.

For loans and bills discounted with no due date for repayment set, for special characteristics, such as restricting said loan within the extent of security assets, its market value, from the estimated repayment period and interest rate conditions, etc., is assumed to be approximately the book value (before deduction of general allowance for loan losses), and this is taken as the market value.

Liabilities

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

For call deposits, the payment amount (book value) when payment request is made on the consolidated closing date is deemed to be the market value. Furthermore, the market value of time and savings deposits and negotiable certificates of deposit is segmented by a fixed period and their present value is calculated by discounting the future cash flow. The discount rate used is the interest rate used when accepting new deposits. Since the market value and book value is approximately the same for those with short term deposit period (within one (1) year), said book value is taken as the market value.

(3) Payables under repurchase agreements

Since the agreed period of payables under repurchase agreements is short (within one (1) year), its market value is approximately the book value, and this is taken as the market value.

(4) Payables under securities lending transactions

Since the market value of those with short agreed period short (within one (1) year), its market value is approximately the book value, and this is taken as the market value.

(5) Borrowed money

Of borrowed money, those with floating interest rates are short term, reflecting market interest rates. Furthermore, since the credit status of the Company and its consolidated subsidiaries have not differed much after their execution, the market value is considered to be approximate to the book value, and the book value is taken as the market value. For those with fixed interest rates, the present value is calculated by segmenting the total amount of capital and interest of the borrowed money into a fixed period, and discounting it with an interest rate expected to be applied in a similar borrowing.

Since the market value of those with short agreed period (within one (1) year) is approximately the book value, this is taken as the market value.

Derivative transactions

Derivative transactions are listed in "(Derivative transactions)".

(Note 2) The Amount of financial instruments recorded in the consolidated balance sheet of which the market value has been acknowledged to be extremely difficult to grasp is as follows. These are not included in "Assets (2) Other securities."

(Unit: ¥ million)

Segment	March 31, 2019
(i) Non-listed stock (*1) (*2)	4,475
(ii) Investment in capital of partnerships, etc. (*3)	4,355
Total	8,831

(*1)There are no market values for non-listed stocks and it is extremely difficult to grasp their market values and they have not been made subject to market value disclosure.

(*2)In the current consolidated fiscal year, no impairment (¥0 million) has been made for non-listed stocks.

(*3)Of investment in capital of partnerships, etc., those for which the market value is extremely difficult to grasp, such as cases in which the partnership estate is in non-listed stocks, have not been made subject to market value disclosure. Parts of "Other assets" are included in investment in capital of partnership, etc.

(Note 3) Expected amount of redemption of monetary claims and securities with maturity after consolidated closing date

(Unit: ¥ million)

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits	1,048,435	—	—	—	—	—
Securities	328,422	536,182	309,960	165,908	606,063	250,112
Bonds to be held to maturity	7,482	58,503	179	—	800	—
Government bonds	7,000	58,000	—	—	—	—
Corporate bonds	482	503	179	—	800	—
Other securities with maturity	320,940	477,679	309,781	165,908	605,263	250,112
Government bonds	161,253	168,408	113,554	52,879	43,651	155,661
Local government bonds	38,046	32,770	20,367	21,059	263,206	14,009
Corporate bonds	59,823	100,040	113,791	17,587	23,534	16,597
Loans and bills discounted (*)	705,405	919,844	764,442	485,092	521,157	1,019,909
Total	2,082,262	1,456,027	1,074,402	651,000	1,127,221	1,270,022

(*) Loans and bills discounted do not include ¥63,151 million in cases in which the scheduled amount of redemption cannot be foreseen nor ¥587,240 million without an agreed due date, against Bankrupt debtors, Substantial Bankrupt debtors, and Effective Bankrupt debtors, etc.

(Note 4) The amount of scheduled repayment of borrowed money and other interest-bearing debts after the consolidated closing date

(Unit: ¥ million)

	Within 1 year	Exceeding 1 year but within 3 years	Exceeding 3 years but within 5 years	Exceeding 5 years but within 7 years	Exceeding 7 years but within 10 years	Exceeding 10 years
Deposits (*)	6,618,134	478,907	74,973	2,097	3,353	—
Negotiable certificates of deposit	279,180	250	—	—	—	—
Payables under repurchase agreements	110,272	—	—	—	—	—
Payables under securities lending transaction	403,529	—	—	—	—	—
Borrowed money	125,041	168,257	140,435	110	27	6
Total	7,536,158	647,414	215,408	2,208	3,381	6

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

(Securities related)

- The trust beneficiary rights in "Trading account securities" and "Monetary claims bought" are also included in addition to "Securities" in the consolidated balance sheet.
- "Subsidiary company stocks and affiliated company stocks" are listed as notes in the financial statements.

1. Trading securities

Valuation difference included in profit and loss of the consolidated fiscal year ¥20 million

2. Bonds to be held to maturity

	Type	Amount recorded in consolidated balance sheet (¥ million)	Market value (¥ million)	Difference (¥ million)
Market value exceeds amount recorded in consolidated balance sheet	Government bonds	65,037	66,622	1,584
	Corporate bonds	1,912	1,928	16
	Sub total	66,949	68,551	1,601
Market value does not exceed amount recorded in consolidated balance sheet	Government bonds	—	—	—
	Corporate bonds	50	49	(0)
	Sub total	50	49	(0)
Total		66,999	68,601	1,601

3. Other securities

	Type	Amount recorded in consolidated balance sheet (¥ million)	Acquisition cost (¥ million)	Difference (¥ million)
Amount recorded in consolidated balance sheet exceeds cost of acquisition	Stocks	105,000	53,244	51,756
	Bonds	1,342,398	1,319,039	23,358
	Government bonds	691,443	674,837	16,605
	Local government bonds	389,570	384,777	4,793
	Corporate bonds	261,384	259,424	1,959
	Other	448,029	422,183	25,845
	Foreign bonds	348,323	334,934	13,389
	Sub total	1,895,428	1,794,468	100,960
Amount recorded in consolidated balance sheet does not exceed cost of acquisition	Stocks	39,457	46,575	(7,118)
	Bonds	87,735	88,140	(405)
	Government bonds	11,053	11,055	(1)
	Local government bonds	3,955	3,956	(0)
	Corporate bonds	72,725	73,129	(403)
	Other	398,188	429,937	(31,749)
	Foreign bonds	69,777	71,498	(1,720)
	Sub total	525,380	564,654	(39,273)
Total		2,420,809	2,359,122	61,686

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

Type	Fiscal 2018		
	Cost of sale (¥ million)	Amount of sale (¥ million)	Sales profit and loss (¥ million)
Corporate bonds	74	74	0
Total	74	74	0

(Reason for sale) Retirement by purchase

5. Other valuable securities sold during the current consolidated fiscal year

Type	Fiscal 2018		
	Cost of sale (¥ million)	Amount of sale (¥ million)	Sales profit and loss (¥ million)
Stocks	19,515	4,237	1,059
Bonds	150,297	1,106	17
Government bonds	84,006	854	10
Local government bonds	49,807	179	—
Corporate bonds	16,482	72	7
Other	266,247	2,091	3,470
Foreign bonds	232,405	690	3,004
Total	436,059	7,435	4,547

6. Valuable securities with changes to the purpose of ownership

No applicable items

7. Valuable securities written-down

For valuable securities other than trading account securities (excluding those for which market value is extremely difficult to grasp) in cases in which the market value has fallen significantly from the acquisition price and the market price is not expected to return to the acquisition price, said market price is recorded in the consolidated balance sheet and the valuation difference is processed as loss for the current consolidated fiscal year ("Write-down").

The amount of Write down in the current consolidated fiscal year in ¥694 million (of which, ¥439 million is in stock and ¥254 million is in bonds).

The criterion of judging the market value to have "fallen significantly" is provided in the Self-assessment criteria. For bonds, Write-down is conducted in the event that market value has fallen by 30% or more from its acquisition price or in consideration of the financial conditions, etc., of the issuing company. For stocks and investment trusts, Write-down for the full amount is made in the case of stocks for which the market price as of the end of the term has fallen by 50% or more from the acquisition price, and for stocks of which the market price has fallen by 30% or more but not exceeding 50%, Write-down is judged by the possibility of recovery of the market price, taking into account trends in market price for a fixed period prior to the reference date and the financial conditions, etc., of the issuing company.

(Monetary trust related)

No applicable items

(Valuation difference on available-for-sale securities)

The breakdown of other securities valuation difference recorded in the consolidated balance sheet is as follows:

	Amount (¥ million)
Valuation difference	61,686
Other securities	61,686
Other monetary trust	—
Deferred tax liabilities to be deducted	(18,706)
Valuation difference on available-for-sale securities (before adjustment for equity)	42,980
Non-controlling interest equivalent to be deducted	(1,948)
(+) Parent company equivalent of valuation difference related to other securities owned by equity method affiliated companies	—
Valuation difference on available-for-sale securities	41,032

(Derivative transaction related)

1. Derivative transactions where hedge accounting has not been applied
 The contract amount on the consolidated closing date or the amount equivalent to capital in contract, their market value and valuation profit and loss, and the method of calculation of their market price, for each transaction subject type for derivative transactions where hedge accounting has not been applied is as follows. It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest rate related transactions

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Interest swap				
	Fixed receipt, floating payment	91,189	80,826	1,923	1,923
	Floating receipt, fixed payment	91,189	80,826	(595)	(595)
	Interest options				
	Short commitment	5,009	5,000	(7)	(7)
	Long commitment	2,016	2,012	0	(35)
	Total	—	—	1,320	1,285

- (Note) 1. Market valuation is made for the abovementioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.
 2. Calculation of market price
 Calculation is done using discounted present value and option price computing models, etc.

(2) Currency related transactions

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Currency swap	15,477	8,862	(14)	(14)
	Forward exchange contract				
	Short commitment	59,420	219	(272)	(272)
	Long commitment	8,334	—	139	139
	Currency option				
	Short commitment	280,078	190,163	(4,121)	49,253
	Long commitment	280,899	190,829	4,122	(45,208)
Total	—	—	(144)	3,897	

- (Note) 1. Market valuation is made for the abovementioned transactions and the valuation profit or loss is recorded in the consolidated balance sheet.
 2. Calculation of market price
 Calculation is done using discounted present value, etc.

- (3) Stock related transactions
 No applicable items

- (4) Bond related transactions
 No applicable items

- (5) Goods related transaction
 No applicable items

- (6) Credit and derivative transactions
 No applicable items

(7) Other

Classification	Type	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)	Valuation profit and loss (¥ million)
Store	Earthquake derivative				
	Short commitment	10,810	—	(152)	—
	Long commitment	10,810	—	152	—
Total	—	—	—	—	

- (Note) The acquisition price is used as the market price, as determination of a fair valuation amount is extremely difficult for the above transactions.

2. Derivative transactions where hedge accounting has been applied
The contract amount as of the consolidated closing date or the amount equivalent to capital, market value provided under the contract, and the method to calculate said market value, for each transaction subject type and hedge accounting method, for derivative transactions where hedge accounting is applied are as follows: It must be noted that the amount of contract itself does not indicate the market risk related to the derivative transaction.

(1) Interest rate related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)
Generally applied processing method	Interest swap Floating receipt, fixed payment	Other securities, loans and bills discounted	114,093	108,845	(7,512)
Exceptional interest swap processing	Interest swap Fixed receipt, floating payment	Loans and bills discounted	3,000	3,000	(25)
	Floating receipt, fixed payment		8,862	8,862	(100)
Total		—	—	—	(7,638)

(Note) 1. A deferred hedge was adopted as the method of hedge accounting for interest risks occurring from financial assets and liabilities.

2. Calculation of market price

Calculation is done using discounted present value, etc.

(2) Currency-related transactions

Method of hedge accounting	Type	Major hedge subjects	Contract amount, etc. (¥ million)	Of which, exceeding 1 year (¥ million)	Market value (¥ million)
Generally applied processing method	Currency swap	Foreign currency denominated securities, and loans and bills discounted	54,496	32,988	(1,122)
Total		—	—	—	(1,122)

(Note) 1. Conducted mainly by deferred hedge based on "Handling in accounting and audit of foreign currency denominated transactions, etc., in the processing of accounts in the banking industry" (Special Audit Committee Report No. 25 by The Japanese Institute of Certified Public Accountants, dated July 29, 2002).

2. Calculation of market price

Calculation is done using discounted present value, etc.

(3) Stock related transactions

No applicable items

(4) Bond related transactions

No applicable items

(Retirement benefit-related)

1. Summary of the adopted retirement benefits scheme

The consolidated subsidiaries engaged in banking business have established a defined contribution pension plan as a defined-benefit plan, in addition to the corporate pension fund scheme and retirement allowance scheme. Furthermore, extra retirement allowance may be paid in case of retirement of employees.

A retirement benefit trust has been established on the defined contribution pension plan and retirement allowance scheme of consolidated subsidiaries engaged in the banking business.

In other consolidated subsidiaries, in addition to retirement allowance schemes being established, some of the consolidated subsidiaries have also established defined contribution pension plans.

Furthermore, liabilities related to retirement benefits and retirement benefit expenses of retirement allowance schemes held by some of the consolidated subsidiaries are calculated using the simplified method.

2. Defined contribution scheme

(1) Adjustment table of retirement benefit liabilities, as of the beginning and end of the term (excluding schemes adopting the simplified method)

Beginning of term retirement benefit liability balance	¥46,050 million
Increase by stock transfer	¥25,722 million
Service costs	¥1,379 million
Interest costs	¥483 million
Actuarial gain or loss amount generated	¥6,228 million
Amount of retirement benefits paid	(¥3,253 million)
Other	¥81 million
End of term retirement benefit liability balance	¥76,691 million

(2) Adjustment table of pension assets, as of the beginning and end of the term (excluding schemes adopting the simplified method)

Beginning of term pension assets balance	¥45,918 million
Increase by stock transfer	¥28,648 million
Anticipated operational earnings	¥1,108 million
Actuarial gain or loss amount generated	(¥1,277 million)
Contribution from employers	¥833 million
Amount of retirement benefits paid	(¥2,386 million)
Other	¥81 million
End of term pension assets balance	¥72,925 million

(3)	Adjustment table for debts related to retirement benefit liabilities as of the beginning and end of the term for schemes adopting the simplified method	
	Beginning of term retirement benefits related debts	¥679 million
	Increase by stock transfer	¥1 million
	Retirement benefit costs	¥61 million
	Amount of retirement benefits paid	(¥42 million)
	End of term retirement benefits related debts	¥699 million
(4)	Adjustment table for end of term balance of retirement benefit liabilities and pension assets, and debts and assets related to retirement benefits recorded in the consolidated balance sheet	
	Retirement benefit liability of savings-type scheme	¥76,691 million
	Pension assets	(¥72,925 million)
		¥3,766 million
	Retirement benefit liability of non-savings-type scheme	¥699 million
	Net amount of liabilities and assets recorded in the consolidated balance sheet	¥4,465 million
	(Note) Includes schemes where simplified method is adopted.	
	Liabilities related to retirement benefits	¥7,852 million
	Assets related to retirement benefits	(¥3,387 million)
	Net amount of liabilities and assets recorded in the consolidated balance sheet	4,465 million
(5)	Retirement benefit costs and its itemized breakdown	
	Service costs	¥1,379 million
	Interest costs	¥483 million
	Expected operational earnings	(¥1,108 million)
	Actuarial gain or loss processing amount	¥606 million
	Prior service cost processing amount	(¥62 million)
	Retirement benefit costs calculated by the simplified method	¥61 million
	Other	¥81 million
	Retirement benefit cost related to defined benefit plan	¥1,441 million
(6)	Retirement benefit adjustment amount	
	The breakdown of items recorded in the adjustment amount related to retirement benefits (before deduction of tax effects) is as follows:	
	Prior service cost	(¥62 million)
	Actuarial gain or loss	(¥6,899 million)
	Total	(¥6,961 million)
(7)	Aggregate amount of adjustment related to retirement benefits	
	The breakdown of items recorded in the aggregate amount of adjustment related to retirement benefits (before deduction of tax effects) is as follows:	
	Unrecognized prior service cost	(¥87 million)
	Unrecognized actuarial gain or loss	¥8,008 million
	Total	¥7,902 million
(8)	Matters related to pension assets	
	(i) Ratio for each major classification in total pension assets is as follows:	
	Bonds	33%
	Stocks	34%
	General life insurance account	28%
	Cash and deposits	0%
	Other	3%
	Total	100%
	(Note) Total pension assets include 9% from retirement benefit trust established on the corporate pension plan and 23% from retirement benefit trust established on the retirement allowance respectively, for the current consolidated fiscal year.	
	(ii) Method to set long-term expected rate-of-return ("ROR")	
	To determine the expected long-term ROR for pension assets, consideration is given on the distribution of current and expected pension assets, and the current and expected long-term ROR on diverse assets that comprise the pension assets.	
(9)	Matters regarding the basis of actuarial calculation	
	Major actuarial calculation basis	
	Discount rate	0.2% to 0.3%
	Long-term expected ROR	
	Corporate pension fund	2.0%
	Retirement benefit trust	0% to 2.5%
	Expected salary increase rate	6.2% to 6.6%

3. Defined contribution scheme

Amount of required contribution to defined contribution schemes of consolidated subsidiaries for the current consolidated fiscal year is ¥297 million.

(Stock option related)

1. Amount and accounting titles of costs recorded for stock options)

	Fiscal 2018
General and administrative expenses	¥196 million

2. Contents, size and fluctuation of stock options

(1) Contents of stock options

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Resolution date	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank
Classification and numbers of granted persons	3 directors of Daishi Bank, Ltd.	3 directors of Daishi Bank, Ltd.	4 directors of Daishi Bank, Ltd.	5 directors of Daishi Bank, Ltd.
Number of stock options by type of stock (Note 2)	7,400 ordinary shares of the Company	11,400 ordinary shares of the Company	16,610 ordinary shares of the Company	13,450 ordinary shares of the Company
Grant date (Note 3)	July 27, 2010	July 28, 2011	July 30, 2012	July 30, 2013
Rights finalizing conditions	Rights finalizing conditions not determined			
Applicable appointment period	Applicable appointment period not determined			
Rights exercising period	October 1, 2018 to July 27, 2040	October 1, 2018 to July 28, 2041	October 1, 2018 to July 30, 2042	October 1, 2018 to July 30, 2043

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Resolution date	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank	May 11, 2018, Board of Directors, Daishi Bank
Classification and numbers of granted persons	6 directors of Daishi Bank, Ltd.	6 directors of Daishi Bank, Ltd.	6 directors and 3 executive officers of Daishi Bank, Ltd.	6 directors and 5 executive officers of Daishi Bank, Ltd.
Number of stock options by type of stock (Note 2)	13,540 ordinary shares of the Company	10,220 ordinary shares of the Company	21,420 ordinary shares of the Company	18,050 ordinary shares of the Company
Grant date (Note 3)	July 30, 2014	July 30, 2015	July 29, 2016	July 28, 2017
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined	Applicable appointment period not determined
Rights exercising period	October 1, 2018 to July 30, 2044	October 1, 2018 to July 30, 2045	October 1, 2018 to July 29, 2046	October 1, 2018 to July 28, 2047

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Resolution date	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank
Classification and numbers of granted persons	1 director of Hokuetsu Bank, Ltd.	2 directors of Hokuetsu Bank, Ltd.	2 directors of Hokuetsu Bank, Ltd.	6 directors of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	1,020 ordinary shares of the Company	1,885 ordinary shares of the Company	1,565 ordinary shares of the Company	3,910 ordinary shares of the Company
Grant date (Note 3)	July 26, 2012	July 26, 2013	July 27, 2014	July 27, 2015
Rights finalizing conditions	Rights finalizing conditions not determined			
Applicable appointment period	Applicable appointment period not determined			
Rights exercising period	October 1, 2018 to July 26, 2042	October 1, 2018 to July 26, 2043	October 1, 2018 to July 28, 2044	October 1, 2018 to July 27, 2045

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option
Resolution date	May 11, 2018, Board of Directors, Hokuetsu Bank	May 11, 2018, Board of Directors, Hokuetsu Bank
Classification and numbers of granted persons	6 directors of Hokuetsu Bank, Ltd.	10 directors of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	5,250 ordinary shares of the Company	6,875 ordinary shares of the Company
Grant date (Note 3)	July 27, 2016	July 26, 2017
Rights finalizing conditions	Rights finalizing conditions not determined	Rights finalizing conditions not determined
Applicable appointment period	Applicable appoint period not determined	Applicable appoint period not determined
Rights exercising period	October 1, 2018 to July 27, 2046	October 1, 2018 to July 26, 2047

	Daishi Hokuetsu Financial Group 16th Stock Option
Resolution date	November 9, 2018, Board of Directors, Daishi Hokuetsu Financial Group
Classification and numbers of granted persons	8 directors of Daishi Hokuetsu Financial Group, Inc.; 8 directors of Daishi Bank, Ltd.; 8 executive officers of Daishi Bank Ltd.; 11 directors of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	50,440 ordinary shares of the Company
Grant date (Note 3)	December 7, 2018
Rights finalizing conditions	Rights finalizing conditions not determined
Applicable appointment period	Applicable appoint period not determined
Rights exercising period	December 8, 2018 to December 7, 2048

- (Note)
- From the 1st to the 15th stock options, the right to subscribe to new shares issued by both Daishi Bank and Hokuetsu Bank held by the rightsholders have been issued with the right to subscribe to new shares of the Company, accompanying the establishment of the Company as the full parent company of both banks through the joint transfer of shares dated October 1, 2018.
 - The options have been converted to number of shares.
 - The grant dates are the initial grant dates at Daishi Bank and Hokuetsu Bank respectively

(2) Size and fluctuation of stock options

Stock options existing in the current consolidated fiscal year have been converted to number of shares and listed.

(i) Number of stock options

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Granted	7,400	11,400	16,610	13,450
Lapsed	—	—	—	—
Rights finalized	—	—	—	—
Unfinalized balance	7,400	11,400	16,610	13,450
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	—	—
Rights exercised	—	—	—	—
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Granted	13,540	10,220	21,420	18,050
Lapsed	—	—	—	—
Rights finalized	—	—	—	—
Unfinalized balance	13,540	10,220	21,420	18,050
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	—	—
Rights exercised	—	—	—	—
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Granted	1,020	1,885	1,565	3,910
Lapsed	—	—	—	—
Rights finalized	—	—	—	—
Unfinalized balance	1,020	1,885	1,565	3,910
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	—	—
Rights exercised	—	—	—	—
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option	Daishi Hokuetsu Financial Group 16th Stock Option
Before rights finalization (shares)			
End of previous consolidated financial year	—	—	—
Granted	5,250	6,875	50,440
Lapsed	—	—	—
Rights finalized	—	—	—
Unfinalized balance	5,250	6,875	50,440
After rights finalization (shares)			
End of previous consolidated financial year	—	—	—
Rights finalized	—	—	—
Rights exercised	—	—	—
Lapsed	—	—	—
Unexercised balance	—	—	—

(ii) Unit price information

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option	Daishi Hokuetsu Financial Group 4th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	—	—	—	—
Average share price at time of exercise (¥)	2,860	2,360	2,110	3,000

	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	—	—	—	—
Average share price at time of exercise (¥)	3,690	5,110	3,430	4,900

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option	Daishi Hokuetsu Financial Group 13th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	—	—	—	—
Average share price at time of exercise (¥)	1,330	1,780	1,900	2,230

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option	Daishi Hokuetsu Financial Group 16th Stock Option
Rights exercise price (¥)	1	1	1
Average share price at time of exercise (¥)	—	—	—
Average share price at time of exercise (¥)	1,830	2,394	3,276

(Note) The fair evaluated unit prices of Daishi Bank and Hokuetsu Bank shares, on the initial grant date, are listed from the 1st through 15th stock options.

3. Fair stock option evaluated unit price estimation method

The fair evaluated unit price estimation method for stock options granted in the current consolidated fiscal year is as follows.

- (1) Evaluation technique used: Black-Scholes method
- (2) Major basic values and estimation method

	Daishi Hokuetsu Financial Group 1st Stock Option	Daishi Hokuetsu Financial Group 2nd Stock Option	Daishi Hokuetsu Financial Group 3rd Stock Option
Stock price variability (Note 1)	36.50%	25.26%	25.30%
Expected remaining period (Note 4)	2.0 years	1.5 years	2.5 years
Expected dividend (Note 7)	¥7/share	¥7/share	¥7/share
No-risk interest rate (Note 10)	0.137%	0.146%	0.103%

	Daishi Hokuetsu Financial Group 4th Stock Option	Daishi Hokuetsu Financial Group 5th Stock Option	Daishi Hokuetsu Financial Group 6th Stock Option
Stock price variability (Note 1)	30.24%	31.23%	25.96%
Expected remaining period (Note 4)	2.0 years	2.0 years	2.0 years
Expected dividend (Note 7)	¥7/share	¥8/share	¥8/share
No-risk interest rate (Note 10)	0.129%	0.073%	0.002%

	Daishi Hokuetsu Financial Group 7th Stock Option	Daishi Hokuetsu Financial Group 8th Stock Option
Stock price variability (Note 1)	30.58%	33.28%
Expected remaining period (Note 4)	2.0 years	2.0 years
Expected dividend (Note 7)	¥9/share	¥9/share
No-risk interest rate (Note 10)	(0.360%)	(0.099%)

	Daishi Hokuetsu Financial Group 10th Stock Option	Daishi Hokuetsu Financial Group 11th Stock Option	Daishi Hokuetsu Financial Group 12th Stock Option
Stock price variability (Note 2)	22.40%	27.00%	26.20%
Expected remaining period (Note 5)	2.3 years	4.7 years	3.7 years
Expected dividend (Note 8)	¥6/share	¥6/share	¥6/share
No-risk interest rate (Note 11)	0.100%	0.270%	0.090%

	Daishi Hokuetsu Financial Group 13th Stock Option	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option
Stock price variability (Note 2)	25.10%	28.90%	29.10%
Expected remaining period (Note 5)	4.1 years	3.1 years	4.7 years
Expected dividend (Note 8)	¥6/share	¥6/share	¥60/share
No-risk interest rate (Note 11)	0.050%	(0.340%)	(0.080%)

	Daishi Hokuetsu Financial Group 16th Stock Option
Stock price variability (Note 3)	13.95%
Expected remaining period (Note 6)	2.5 years
Expected dividend (Note 9)	¥60/share
No-risk interest rate (Note 12)	(0.136%)

- (Note) 1. Calculation based on Daishi Bank recorded stock prices corresponding to the following expected remaining period:
- 1st right to subscribe to new shares: July 27, 2008 to July 26, 2010
 - 2nd right to subscribe to new shares: January 28, 2010 to July 27, 2011
 - 3rd right to subscribe to new shares: January 28, 2010 to July 27, 2012
 - 4th right to subscribe to new shares: July 30, 2011 to July 29, 2013
 - 5th right to subscribe to new shares: July 30, 2012 to July 29, 2014
 - 6th right to subscribe to new shares: July 30, 2013 to July 29, 2015
 - 7th right to subscribe to new shares: July 29, 2014 to July 28, 2016
 - 8th right to subscribe to new shares: July 28, 2015 to July 27, 2017
2. Calculation based on Hokuetsu Bank recorded stock prices corresponding to the following expected remaining period:
- 10th right to subscribe to new shares: March 29, 2010 to July 16, 2012
 - 11th right to subscribe to new shares: November 3, 2008 to July 22, 2013
 - 12th right to subscribe to new shares: November 8, 2010 to July 21, 2014
 - 13th right to subscribe to new shares: June 13, 2011 to July 20, 2015
 - 14th right to subscribe to new shares: June 17, 2013 to July 18, 2016
 - 15th right to subscribe to new shares: November 5, 2012 to July 17, 2017
3. Calculation based on recorded stock prices of the Company, Daishi Bank, and Hokuetsu Bank, corresponding to the following expected remaining period.
- 16th right to subscribe to new shares: June 7, 2016 to December 6, 2018
4. The expected remaining period for Daishi Bank has been estimated using the average period in office for directors and executive officers that have retired in the past.
5. The expected remaining period for Hokuetsu Bank has been estimated using the average period in office for directors that have retired in the past.
6. Estimated by using the average period in office of the directors of the Company, Daishi Bank and Hokuetsu Bank and the executive officers of Daishi Bank as the expected remaining period.
7. Based on the closest dividend record when the right to subscribe to new shares was granted at Daishi Bank.
8. Based on the closest dividend record when the right to subscribe to new shares was granted at Hokuetsu Bank.
9. Based on the expected amount of dividend for the year ended March 31, 2019.
10. The yield for government bonds corresponding to the expected remaining period when the right to subscribe to new shares was granted at Daishi Bank.
11. The yield for government bonds corresponding to the expected remaining period when the right to subscribe to new shares was granted at Hokuetsu Bank.
12. The yield for government bonds corresponding to the expected remaining period when the right to subscribe to new shares was granted at the Company.

4. Method to estimate the stock option rights finalized numbers
 Since it is difficult to rationally estimate future lapses, a method only to reflect recorded lapses has been adopted.

(Tax effect accounting related)

1.	Breakdown of major causes generating deferred tax assets and deferred tax liabilities	
	Deferred tax assets	
	Allowance for loan losses	¥7,652 million
	Retirement benefit related liabilities	¥7,129 million
	Depreciation and amortization	¥2,050 million
	Valuable securities amortization	¥1,212 million
	Deffered gains or losses on hedges	¥2,372 million
	Book value correction for fair market valuation	¥3,948 million
	Other	¥6,727 million
	Subtotal deferred tax assets	¥31,095 million
	Valuation reserve related to future subtraction temporary difference, etc., total	(¥4,926 million)
	Subtotal valuation reserve	(¥4,926 million)
	Total deferred tax assets	¥26,168 million
	Deferred tax liabilities	
	Valuation difference on available-for-sale securities	(¥18,706 million)
	Retirement benefit trust establishment benefit	(¥1,016 million)
	Book value correction for fair market valuation	(¥5,226 million)
	Other	(¥1,710 million)
	Total deferred tax liabilities	(¥26,660 million)
	Net amount of deferred tax assets (liabilities)	(¥ 491 million)
2.	Breakdown of major items causing material difference between the enacted tax rate of companies submitting consolidated financial statements and the burden rate of corporate tax, etc., after application of tax effect accounting	
	Enacted tax rate	30.5%
	(Adjustment)	
	Items permanently excluded from expenses, such as entertainment expenses, etc.	0.2%
	Items permanently excluded from gross revenue, such as dividends received, etc.	(0.4%)
	Per capita levy of resident tax	0.1%
	Increase/decrease in valuation reserves	(1.2%)
	Negative goodwill profit	(23.4%)
	Other	0.5%
	Burden rate of corporate tax, etc., after application of tax effect accounting	6.3%

(Business merger related)

The Company was established in October 1, 2018 through a joint transfer of stocks of Daishi Bank, Ltd. and Hokuetsu Bank, Ltd. In the accounting processing of stock transfer, purchase method as provided in the accounting standards was adopted for business merger with Daishi Bank, Ltd. being the acquiring company and Hokuetsu Bank, Ltd., being the acquired company.

(1) Outline of business merger

(i) Name and business of the acquired company

Hokuetsu Bank, Ltd., Banking business

(ii) Major reasons for business merger

With the lengthening of monetary relaxation in Japan and expected shrinkage in deposits and loans expected in the future from the effects of decreased population, etc., further decrease in profit margin in loan operations and securities investments is expected to further progress. The management environment surrounding both banks is expected to become further severe and the establishment of a firmer management foundation has become a management issue common to both banks.

In addition, with progress being made in fintech, such as integration of finance and IT, and digitalization, swift response to new customer needs, such as digitization of financial services and creation of further additional values has become one of the important tasks. With an increase in local companies starting operations overseas and business transactions with overseas companies in Niigata prefecture, enhancement of consulting functions with a global point of view is also being required.

In view of the management environment facing both banks, as well as the diversification of customer needs, the banks have judged that the merger of the two banks that have established mutual trust over the years will lead to perpetually fulfilling the role and mission of each as a regional bank by addressing common management issues using the strengths of each and will contribute most to the shareholders of each bank, our customers, and those in the community.

(iii) Business combination date

October 1, 2018

(iv) Legal form of business merger

Establishment of a joint holding company through the transfer of stocks.

(v) Name of company after business merger

Daishi Hokuetsu Financial Group, Inc. ("Daishi Hokuetsu Financial Group")

(vi) Acquired voting rights

100%

(vii) Major basis in determining the acquiring company

Based on acquisition determining elements in accounting principle regarding business merger.

(2) Term of the acquired company performance included in the consolidated financial statement

From October 1, 2018 through March 31, 2019

(3) Acquisition cost and breakdown by type of consideration

Market value of ordinary shares of Daishi Hokuetsu Financial Group granted on the day of business merger:	¥59,711 million
Market value of rights to subscribe to new shares of Daishi Hokuetsu Financial Group granted on the day of business merger:	¥84 million
Acquisition cost	¥59,796 million

- (4) Transfer ratio by type of stock, their calculation method, and number of granted stocks
- (i) Transfer ratio by type of stock
- (a) 1 ordinary share of Daishi Hokuetsu Financial Group for 1 ordinary share of The Daishi Bank, Ltd.
- (b) 0.5 ordinary share of Daishi Hokuetsu Financial Group for 1 ordinary share of The Hokuetsu Bank, Ltd.
- (ii) Calculation method
Requests for the calculation of stock transfer ratios were made to Nomura Securities Co., Ltd. by Daishi Bank and to Mizuho Securities Co., Ltd. by Hokuetsu Bank as a third-party calculating computing institution, and consultations were conducted based on the submitted reports, to agree and determine the transfer ratio.
- (iii) Number of granted stocks
45,942,978 ordinary shares
- (5) Details and amount of major acquisition related costs
- | | |
|---------------------|--------------|
| Advisory fees, etc. | ¥500 million |
|---------------------|--------------|
- (6) Amount of accepted assets and received liabilities on the day of business merger and their major breakdown
- (i) Amount of assets
- | | |
|--------------------------------------|--------------------|
| Total assets | ¥2,900,457 million |
| Of which, loans and bills discounted | ¥1,707,285 million |
| Of which, valuable securities | ¥908,396 million |
| Of which, allowance for loan loss | (¥5,551 million) |
- (ii) Amount of liabilities
- | | |
|--------------------|--------------------|
| Total liabilities | ¥2,793,366 million |
| Of which, deposits | ¥2,501,042 million |
- (7) Amount of negative goodwill generated profit and generating factor
- (i) Amount of negative goodwill generated profit
- | | |
|--|-----------------|
| | ¥47,207 million |
|--|-----------------|
- (ii) Generating factor
Since the acquisition cost was less than the net amount distributed over received assets and received liabilities, the difference has been acknowledged as negative goodwill generated profit.
- (8) Estimated amount of impact on consolidated financial statement related to the current consolidated fiscal year, in the event that this business merger is assumed to have started on the first day of the current consolidated fiscal year, and the method of their calculation
- | | |
|---|-----------------|
| Ordinary income | ¥21,716 million |
| Ordinary profit | ¥3,655 million |
| Profit attributable to owners of parent | ¥2,521 million |

The above estimated amount of impact has been calculated based on the consolidated profit and loss statement from April 1, 2018 through September 30, 2018 of the acquired company, Hokuetsu Bank, Ltd.

Please note that the above estimated amount has not been audited by KPMG AZSA LLC.

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

Some consolidated subsidiary companies own real estate for lease. However, their total amount is minor and has been omitted.

(Segment information, etc.)

[Segment information]

1. Outline of reporting segments

The Company group consists of the Company, which is the bank holding company, and 13 consolidated subsidiaries, including The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd. It provides a wide range of financial instruments and services to the customers in the region, focused on banking operations, as well as for leasing, securities, credit guarantees, credit card operations, etc., and financial information by companies in the group are reported regularly to the Company's board of directors.

Therefore, even though the Company group consists of segments formed by the Company and each consolidated subsidiary, "Banking" which account for approximately 80% of all segments, together with "Leasing" and "Securities" have been established as reporting segments, in view of their importance.

"Banking" is focused mainly on deposit operations and loan operations, with investments in securities, domestic currency operations, foreign currency operations, and as the contact point for the sales of public bonds, investment trusts, insurance policies, etc., and is positioned as the core of the group.

Furthermore, "Leasing" conducts integrated leasing operations, while securities operations are conducted in "Securities".

2. The method of calculation for ordinary income, profit or loss, assets, liabilities, etc., of each reporting segment

The accounting method adopted for each reporting segments is identical to the preparation policy for consolidated financial statements. Internal ordinary income between the segments is based on the actual amount of transaction.

3. Information regarding the amount of ordinary income, profit or loss, assets, liabilities, and other items of each reporting segment

Fiscal 2018 (April 1, 2018 through March 31, 2019)

(Unit: ¥ million)

	Reporting segment				Other	Total	Adjustments	Amount recorded in consolidated financial statement
	Banking	Leasing	Securities Total	Banking				
Ordinary income								
Ordinary income from outside customers	95,117	19,676	4,200	118,993	3,483	122,477	(4,469)	118,007
Internal ordinary income between segments	2,568	334	6	2,909	6,845	9,754	(9,754)	—
Total	97,685	20,010	4,206	121,903	10,328	132,232	(14,224)	118,007
Segment profits	19,849	1,034	1,497	22,381	5,262	27,644	(10,938)	16,706
Segment assets	8,913,283	64,374	19,549	8,997,207	358,727	9,355,934	(405,710)	8,950,224
Segment liabilities	8,510,505	46,835	7,686	8,565,027	21,942	8,586,969	(65,818)	8,521,150
Other items								
Depreciation costs	3,913	262	30	4,206	57	4,264	5	4,270
Interest income	60,822	162	239	61,224	3,756	64,980	(6,024)	58,956
Interest expenses	6,412	151	3	6,567	10	6,577	(123)	6,454
Increase in tangible and intangible fixed asset amount	4,108	342	14	4,465	114	4,579	43	4,622

- (Note) 1. Ordinary income is indicated instead of amount of sales used generally for corporations. "Adjustment difference" refers to the difference between ordinary income and the recorded amount of ordinary income in the consolidated financial statement .
2. "Other" refers to are business segments not included in the reporting segments, and includes credit guarantee operations, credit card operations, and others.
3. The amount of adjustments is as follows:
- (1) The adjustment amount of (¥4,469 million) in ordinary income from outside customers includes ordinary income adjustment of (¥3,799 million), accompanying the adoption of the purchase method.
 - (2) The adjustment of segment profit of (¥10,938 million) is from profit adjustment accompanying purchase method of (¥4,666 million) and elimination of transactions between segments, etc.
 - (3) The adjustment of segment assets of (¥405,710 million) is from profit adjustment accompanying purchase method and elimination of transactions between segments, etc.
 - (4) The adjustment of segment liabilities of (¥65,818 million) is from adjustment accompanying purchase method and elimination of transactions between segments, etc.
 - (5) The adjustment of ¥5 million in depreciation costs is the amount of adjustment, etc. for deprecation related to lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.
 - (6) The adjustment of (¥6,024 million) in interest income is for elimination of transactions between segments, etc.
 - (7) The adjustment of (¥123 million) in interest expenses is for elimination of transactions between segments, etc.
 - (8) The adjustment of ¥43 million in increase in tangible and intangible fixed asset amount is mainly the acquisition cost of lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.
4. Segment profit has been adjusted with ordinary income of consolidated profit and loss statement.
5. The values for Hokuetsu Bank, Ltd. are a compilation of consolidated results of operations from October 1, 2018 through March 31, 2019.

[Related information]

Fiscal year 2018 (From April 1, 2018 through March 31, 2019)

1. Information by each service

(Unit: ¥ million)

	Loan operations	Securities investment operations	Lease operations	Other	Total
Ordinary income from outside customers	43,022	27,766	19,416	27,801	118,007

(Note) Ordinary income is indicated instead of amount of sales for corporations.

2. Information for each region

(1) Ordinary income

Listing has been omitted since the amount of ordinary income of the Company group, segmented into external customers in Japan accounts for 90% or more of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Listing has been omitted since the amount of tangible fixed assets of the Company group existing inside Japan accounts for 90% or more of the tangible fixed assets of the consolidated balance sheet.

3. Information by each major customer

Listing has been omitted since there are no specific customers whose ordinary income account for 10% or more of the consolidated statements of income.

[Information regarding impairment loss of fixed assets for each segment]

Fiscal year 2018 (From April 1, 2018 through March 31, 2019)

(Unit: ¥ million)

	Reporting segment				Other	Total
	Banking	Leasing	Securities	Total		
Impairment loss	2,248	—	—	2,248	—	2,248

[Information concerning amortization of good will and unamortized balance by reporting segment]

No applicable items

[Information concerning negative goodwill generation profit by each reporting segment]

In the segment for banking, etc., in the current consolidated fiscal year, a negative goodwill generation profit has been recorded owing to the merger of Daishi Bank and Hokuetsu Bank on October 1, 2018. The amount of negative goodwill profit generated for said matter is ¥47,207 million.

(Related party information)

1. Transactions with related parties

(1) Transactions between consolidated companies submitting consolidated financial statements and related parties.

No applicable items

(2) Transactions between consolidated subsidiaries submitting consolidated financial statements and related parties.

(a) The parent company and major shareholders (limited only to companies, etc.) of companies submitting consolidated financial statements

No applicable items

(b) Non-consolidated subsidiaries and affiliated companies of companies submitting consolidated financial statements

No applicable items

(c) Companies with the same parent company as the company submitting consolidated financial statements and other affiliated companies of companies submitting consolidated financial statements, etc.

No applicable items

(d) Directors and major shareholders, etc. (limited only to individuals) of companies submitting consolidated financial statements, etc.

Type	Company name or full name	Address	Capital or contribution (¥ million)	Business or occupation	Ownership of voting rights (Owned ratio (%))	Relationship with related party	Details of transaction	Transaction amount (¥ million)	Accounting item	End of term balance (¥ million)
Director of an important subsidiary of company submitting consolidated financial statement	Shiro Watanabe	—	—	Auditor, The Hokuetsu Bank, Ltd.	Owned, Direct, 0.01	Debt guarantee (note 1)	Debt guarantee (note 1)	55 (note 2)	—	—

Terms of transaction and policy to determine the terms of transaction, etc.

(Note) 1. The Hokuetsu Bank, Ltd., a consolidated subsidiary of the Company has received debt guarantee from Mr. Shiro Watanabe, the auditor of said bank, for a loan to a third party.

2. The transaction amount shown is the amount of guarantee balance as of March 31, 2019.

2. Notes concerning the parent company or important affiliated companies

(1) Parent company information

No applicable items

(2) Summarized financial information of important affiliated companies

No applicable information

(Per share information)

Net assets per share	¥9,024.23
Net income per share for the current term	¥1,427.50
Net income per share for the current term after adjustment for potential voting	¥1,422.06
(Note 1) The basis for calculation of net asset per share is as follows:	
Total amount of Net assets	¥429,073 million
Amount to be deducted from net assets	¥17,692 million
(of which, rights to subscribe to new shares)	¥637 million
(of which, non-controlling shareholder equity)	¥17,054 million
Net asset amount at end of term concerning ordinary shares	¥411,381 million
Number of ordinary shares at the end of term used to calculate the amount of net assets per share	45,586 thousand shares
(Note) In the calculation of the amount of net assets per share, Company shares remaining in trust recorded as treasury stock in shareholder's equity are included in the treasury stock deducted from the number of shares at the end of the term. The number of treasury stock deducted at the end of the term in the calculation of the amount of net assets per share is 47 thousand shares.	
(Note 2) The basis for calculation of net income per share for the current term and net profit per share for the current term after adjustment for potential voting are as follows.	
Net income per share for the current term	
Net income reverting to parent company shareholders	¥56,844 million
Amount not reverting to ordinary shareholders	¥ - million
Net income reverting to parent company shareholders related to ordinary shares	¥56,844 million
Average number of ordinary shares during the term	39,821 thousand shares
Net income per share for the current term after adjustment for potential voting	
Amount of adjustment of net income for the current term reverting to parent company shareholders	¥ - million
Increase in number of ordinary shares	152 thousand shares
Of which, rights to subscribe to new shares	152 thousand shares
Summary of potential voting shares not included for lack of diluting effects, in the calculation of net income per share for the current term adjustment for potential voting.	-
(Note) 1. Company shares remaining in trust recorded as treasury stock in shareholder's equity are included in the treasury stock deducted from the number of shares at the end of the term in the calculation of the amount of net income per share for the current term and in the calculation of net income per share for the current term after adjustment of potential voting. The number of shares of treasury stock deducted at the end of the term in the calculation of the amount of net income per share for the current term and in the calculation of net income per share for the current term after adjustment of potential voting is 81 thousand shares.	
(Note) 2. Due to the establishment of the Company on October 1, 2018 through joint transfer of stocks, the average number of ordinary shares during the period between April 1, 2018 through September 30, 2018 has been calculated using the value obtained by multiplying the average number of Daishi Bank shares during the period by share transfer ratio, and the average number of shares of the Company during the period between October 1, 2018 through March 31, 2019.	

(Important subsequent events)

There are no applicable items

Non-Consolidated Balance Sheet

Years ended March 31, 2018 and 2019

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to US \$1.

■ Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Cash and due from banks	¥774,756	¥915,086	\$8,244,763
Monetary claims bought	15,313	17,414	156,902
Trading account securities	1,662	1,971	17,762
Securities	1,758,610	1,536,394	13,842,638
Loans and bills discounted	3,246,170	3,386,727	30,513,803
Foreign exchanges	9,479	11,885	107,087
Other assets	52,627	51,643	465,294
Tangible fixed assets	41,526	39,076	352,072
Intangible fixed assets	12,047	12,543	113,013
Prepaid pension cost	1,853	1,783	16,067
Customers' liabilities for acceptances and guarantees	12,330	12,373	111,483
Allowance for loan losses	(10,145)	(10,705)	(96,456)
Total Assets	¥5,916,232	¥5,976,193	\$53,844,431
■ Liabilities			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Deposits	¥4,641,357	¥4,684,756	\$42,208,812
Negotiable certificates of deposit	198,838	188,780	1,700,880
Payables under repurchase agreements	36,735	40,736	367,028
Payables under securities lending transactions	326,708	290,289	2,615,455
Borrowed money	347,941	424,329	3,823,134
Foreign exchanges	144	459	4,142
Other liabilities	22,562	20,522	184,907
Provision for bonuses	1,161	1,247	11,239
Provision for directors' bonuses	88	79	720
Provision for retirement benefits	1,026	729	6,568
Provision for contingent loss	770	779	7,022
Provision for system cancellation losses	-	297	2,679
Provision for reimbursement of deposits	2,088	2,367	21,328
Deferred tax liabilities	11,090	4,693	42,287
Deferred tax liabilities for land revaluation	5,520	5,239	47,204
Acceptances and guarantees	12,330	12,373	111,483
Total Liabilities	¥5,608,364	¥5,677,681	\$51,154,896
■ Net Assets			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Capital stock	¥32,776	¥32,776	\$295,314
Capital surplus	18,635	18,635	167,904
Retained earnings	204,817	206,505	1,860,575
Treasury stock	(4,240)	-	-
Shareholders' equity	251,989	257,917	2,323,794
Valuation difference on available-for-sale securities	48,719	34,635	312,064
Deferred gains or losses on hedges	(380)	(466)	(4,204)
Revaluation reserve for land	6,984	6,424	57,880
Total Valuation and translation adjustments	55,324	40,593	365,740
Subscription rights to shares	554	-	-
Total Net assets	307,867	298,511	2,689,534
Total Liabilities and Net assets	¥5,916,232	¥5,976,193	\$53,844,431

Non-Consolidated Statements of Income
 Years ended March 31, 2018 and 2019

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Ordinary Income	¥78,538	¥76,616	\$690,302
Interest income	49,513	47,742	430,152
Interest on loans and discounts	28,737	30,022	270,497
Interest and dividends on securities	20,263	17,194	154,923
Interest on call loans	0	-	-
Interest on deposits with banks	209	208	1,878
Other interest income	303	316	2,852
Fees and commissions	15,327	16,687	150,348
Other ordinary income	3,733	4,253	38,323
Other income	9,963	7,933	71,478
Ordinary Expenses	59,879	60,570	545,728
Interest expenses	4,735	5,241	47,226
Interest on deposits	780	746	6,724
Interest on negotiable certificates of deposit	26	27	245
Interest on call money	0	(9)	(85)
Interest on bills sold	614	869	7,837
Interest on payables under securities lending transactions	2,014	1,827	16,466
Interest on borrowings and rediscounts	105	112	1,009
Interest on rate swaps	1,192	1,667	15,020
Other interest expenses	0	0	8
Fees and commissions payments	5,166	5,507	49,624
Other ordinary expenses	3,098	3,264	29,411
General and administrative expenses	42,998	42,077	379,107
Other expenses	3,880	4,479	40,357
Ordinary profit	18,658	16,046	144,574
Extraordinary income	-	388	3,498
Gain on disposal of noncurrent assets	-	0	6
Gain on reversal of subscription rights to shares	-	387	3,491
Extraordinary loss	56	2,653	23,904
Loss on disposal of noncurrent assets	46	107	970
Impairment loss	10	2,248	20,254
Transfer to reserve for system cancellation losses	-	297	2,679
Income before income taxes	18,601	13,781	124,168
Income taxes-current	5,407	4,335	39,065
Income taxes-deferred	(295)	(893)	(8,050)
Net income	¥13,489	¥10,339	\$93,153

Non-Consolidated Balance Sheet

Years ended March 31, 2018 and 2019

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to US \$1.

■ Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Cash and due from banks	¥182,643	¥192,439	\$1,733,846
Call loans	5,418	3,773	34,000
Trading account securities	1,596	1,847	16,646
Securities	831,761	957,897	8,630,488
Loans and bills discounted	1,698,179	1,704,795	15,359,905
Foreign exchanges	6,190	7,776	70,062
Other assets	35,939	38,094	343,226
Tangible fixed assets	29,079	24,389	219,743
Intangible fixed assets	1,163	1,315	11,852
Prepaid pension cost	5,854	5,604	50,493
Deferred tax assets	-	2,829	25,497
Customers' liabilities for acceptances and guarantees	6,560	6,734	60,678
Allowance for loan losses	(4,487)	(6,020)	(54,243)
Total Assets	¥2,799,898	¥2,941,479	\$26,502,198
■ Liabilities			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Deposits	¥2,463,349	¥2,510,204	\$22,616,494
Negotiable certificates of deposit	108,780	104,340	940,084
Call money	-	4,994	45,000
Payables under repurchase agreements	64,365	69,535	626,503
Payables under securities lending transactions	24,960	113,239	1,020,269
Foreign exchanges	228	295	2,664
Other liabilities	8,499	18,082	162,924
Provision for bonuses	804	752	6,779
Provision for directors' bonuses	25	25	225
Provision for reimbursement of deposits	691	622	5,609
Provision for system cancellation losses	364	160	1,443
Provision for contingent loss	464	351	3,168
Deferred tax liabilities	2,084	-	-
Deferred tax liabilities for land revaluation	2,859	2,463	22,191
Acceptances and guarantees	6,560	6,734	60,678
Total Liabilities	¥2,684,038	¥2,831,802	\$25,514,037
■ Net Assets			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Capital stock	¥24,538	¥24,538	\$221,083
Capital surplus	16,964	16,964	152,846
Retained earnings	54,981	54,198	488,316
Treasury stock	(1,287)	-	-
Shareholders' equity	95,196	95,700	862,246
Valuation difference on available-for-sale securities	18,248	15,282	137,691
Deferred gains or losses on hedges	(280)	(5,190)	(46,769)
Revaluation reserve for land	2,577	3,883	34,993
Total Valuation and translation adjustments	20,545	13,975	125,915
Subscription rights to shares	118	-	-
Total Net assets	115,860	109,676	988,161
Total Liabilities and Net assets	¥2,799,898	¥2,941,479	\$26,502,198

Non-Consolidated Statements of Income
Years ended March 31, 2018 and 2019

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2018	2019	2019
Ordinary Income	¥43,319	¥40,760	\$367,242
Interest income	27,278	25,904	233,393
Interest on loans and discounts	17,494	17,049	153,611
Interest and dividends on securities	9,721	8,786	79,168
Interest on call loans	0	(2)	(26)
Interest on receivables under resale agreements	(9)	(14)	(129)
Interest on deposits with banks	28	32	295
Other interest income	43	52	474
Consolidated Statements of Income	7,138	7,287	65,660
Other ordinary income	4,933	2,512	22,635
Other income	3,970	5,055	45,553
Ordinary Expenses	33,483	33,235	299,450
Interest expenses	1,500	1,923	17,333
Interest on deposits	529	445	4,013
Interest on negotiable certificates of deposit	17	17	156
Interest on call money	(0)	61	554
Interest on bills sold	(161)	(350)	(3,158)
Interest on payables under securities lending transactions	388	1,232	11,108
Interest on borrowings and rediscounts	0	0	0
Interest on rate swaps	726	517	4,661
Other interest expenses	(0)	(0)	(2)
Fees and commissions payments	3,900	4,264	38,418
Other ordinary expenses	4,418	701	6,324
General and administrative expenses	22,658	22,517	202,882
Other expenses	1,006	3,828	34,490
Ordinary profit	9,836	7,524	67,792
Extraordinary income	-	289	2,608
Gain on system cancellation losses	-	204	1,842
Gain on reversal of subscription rights to shares	-	84	765
Extraordinary loss	512	4,264	38,423
Loss on disposal of noncurrent assets	61	34	306
Impairment loss	85	4,230	38,117
Transfer to reserve for system cancellation losses	364	-	-
Income before income taxes	9,324	3,549	31,976
Income taxes-current	1,394	1,559	14,052
Income taxes-deferred	768	(2,020)	(18,200)
Net income	¥7,161	¥4,009	\$36,124



Daishi Hokuetsu Financial Group, Inc.

Location of head office :

2-14 Ote-dori 2-chome, Nagaoka-shi, Niigata Prefecture

Location of principal head office functions :

1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata Prefecture

TEL : 025-224-7111 (representative)

URL : <https://www.dhfg.co.jp/>

Edited and issued by the Business Planning Division of Daishi Hokuetsu Financial Group

Issued in July 2019



This disclose uses easy-to-read universal design font.



The Daishi Bank has signed the Principles for Financial Action for the 21st Century.



The Hokuetsu Bank has signed the Principles for Financial Action for the 21st Century.

