



DAISHI HOKUETSU INTEGRATED REPORT 2020

Disclosure for the Year Ended March 31, 2020



DAISHI HOKUETSU
Financial Group

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Message from Management



Chairman and Representative Director

Katsuya Sato

President and Representative Director

Fujio Namiki

Thank you very much for your continued support.

We would like to express our deepest condolences for the people who have lost their lives in the COVID-19 pandemic, and our sympathies for those who have been infected as well as their families and people close to them. At the same time, we wish to express our appreciation and respect for medical professionals and others who are working hard to stop the spread of the virus and administer medical treatments. Japan was also struck with heavy damage from torrential rains in July of this year, and we express our sympathy for those affected as well as my hope that the stricken areas can recover and rebuild as quickly as possible.

We are also determined to go the extra mile in supporting communities in many different ways to counter the spread of the coronavirus which does not yet have any clear end in sight. We have established new COVID-19 consultation counters at all branches of our subsidiaries Daishi Bank and Hokuetsu Bank and are working to keep finances flowing in local economies, while also providing information on various support systems related to COVID-19 and offering matching support for finding suppliers and customers. Whatever you might need, come talk to us. In the Daishi Hokuetsu Financial Group, we will continue reinforcing our organizational structure to resist the spread of infections, making the health and safety of all our customers and stakeholders our number one priority. At the same time, we will fulfill our financial and information intermediary function and mission in the community to facilitate the recovery and growth of local economies.

Implementing the 1st Medium-Term Management Plan (October 2018 - March 2021)

Looking at the economic environment surrounding our financial group, we are embarking on a transformation period unlike any we have experienced before. Japan's population is shrinking faster than expected as the birthrate declines and the society ages, while extremely low interest rate conditions drag on long-term. We are seeing increasingly intense competition that transcends the traditional industry types, along with the accelerated advancement of digital technologies integrated with 5G (fifth-generation mobile communication) systems.

Message from Management

In this business climate we are pursuing our three basic strategies of improving our financial and information functions, increasing management efficiency, and increasing the sophistication of our Group management system, in order to achieve the key business challenges defined in our 1st Medium-Term Management Plan (October 2018 - March 2021) - revitalizing local economies, strengthening profitability, and increasing management efficiency. In the 2019 fiscal year we achieved steady year-on-year improvement on all of our declared growth KPIs - small and medium enterprise (SMEs) corporate loan balance, consumer loan balance (to individuals), and non-interest income. Our performance also exceeded all nine of the targets we had set as our evaluation indexes for contributing to the community. In April of last year we established Bridge Niigata, Ltd. as a key initiative for contributing to communities. Bridge Niigata operates in the business areas of market development, tourism promotion, and productivity improvement. In market development, the company organizes the local food and product fair Niigata Marche at seven locations in the Tokyo area including at large corporate sites, and in October of last year opened a permanent “antenna shop” called Bridge Niigata in the Nihonbashi area of Tokyo selling local Niigata products. Additionally, the staffing company that our group launched in October of last year Daishi Hokuetsu Career Bridge Co., Ltd. receives staffing inquiries from clients in a broad range of industries, for positions including executives and management personnel. In the six months since launching operations they have already received at least 400 staffing inquiries. Including these two new companies we will engage in even more in-depth collaboration throughout the group as a whole going forward, as we boldly go beyond the traditional bounds of the banking field.



"antenna shop" Bridge Niigata



Daishi Hokuetsu Career Bridge Co., Ltd.

Initiatives in the Tsubasa Alliance

The Tsubasa Alliance regional collaborative framework for regional banks now includes 10 member banks with the addition of Bank of the Ryukyus in April of this year. Since its initiation in October 2015 the alliance has been working together in many different fields such as FinTech and at sharing system resources and administrative work. In FY2019 the alliance concluded a partnership agreement on M&A operations, in addition to jointly developing and implementing a tablet-operated item keeping management system to manage the receipt and return of documents and other items from customers. As a joint effort between securities brokerage subsidiaries of Tsubasa Alliance member banks we have also been working to expand the scope of collaboration, including sales of World Bank sustainable development bonds by Daishi Hokuetsu Securities Co., Ltd.

Going forward, we will fully leverage the economies of scale made possible by this, the largest alliance of regional banks totaling roughly 70 trillion yen in assets, in order to provide high value-added financial and information services.



Logo mark of Tsubasa Alliance

Initiatives for ESG and SDGs

Our financial group's 1st Medium-Term Management Plan defined key initiatives toward ESG (environment, social, and governance) and the SDGs (Sustainable Development Goals) in order to fulfill our corporate social responsibility to help create a sustainable society. In May of last year we established the Daishi Hokuetsu Financial Group SDGs Declarations, and we have been actively engaged in a series of efforts based on this declaration. As part of these efforts we are administering donation-type private placement bonds which donate some of the issuance fees to organizations such as local government agencies and educational institutions. During the 2019 fiscal year both of our banks issued private placement bonds geared toward the SDGs. Our Private Placement Bonds to Assist in Publicizing the Attractiveness of Niigata facilitate efforts to publicize appealing tourism resources in Niigata Prefecture to tourists in Japan and around the world. Private Placement Bonds to Monitor Local Safety help to keep local communities safe while promoting attractive urban development projects. In total, 262 of our corporate customers have expressed their support for each of these efforts, and we are donating part of the issuance fees to the Niigata Prefectural Tourist Association and municipal governments within Niigata Prefecture.



Private Placement Bonds to Assist in Publicizing the Attractiveness of Niigata



Private Placement Bonds to Monitor Local Safety

We are determined to continue actively working to tackle issues in regional society such as environmental problems and educating future generations, while putting ESG management into practice to do our part toward achieving the SDGs. Additionally, to solidify people's trust in our financial group we will continue dedicating our full efforts to strengthening our legal compliance system which forms a core component of our management, with even higher ethical standards. At the same time, we will work to build a high-quality governance structure based on our corporate governance code, and strive to boost corporate value from the viewpoint of our stakeholders.

In January 2021 our two banks will merge and set out on a new path in history as the Daishi Hokuetsu Bank, Ltd. Advance preparations for the merger are proceeding according to plan, including the consolidation of systems and clerical operations which will be the basis for harnessing the synergies of unified management. These preparations have now entered the final phase. Officers and employees of our financial group will continue working together to ensure the success of this merger, harness the maximum synergy effects in a short period of time, and by doing so, continuously fulfill the ultimate goal of this management unification, to contribute to regional communities.



Daishi Hokuetsu Bank logo

Please look forward to exciting developments at the Daishi Hokuetsu Financial Group going forward. We ask for your continued support.

July 2020

History of the Daishi Bank & Hokuetsu Bank

THE DAISHI BANK

Profile of **The Daishi Bank**
(as of March 31, 2020)

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

Founded
November 2, 1873

Total Assets
¥5,947,000 million

Capital
¥32,700 million

Number of Employees
2,095

(2,160 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, 2020)

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

Founded
December 20, 1878

Total Assets
¥2,977,400 million

Capital
¥24,500 million

Number of Employees
1,302

(1,352 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, 2020)

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)



DAISHI HOKUETSU BANK

1965

Completed the current head office

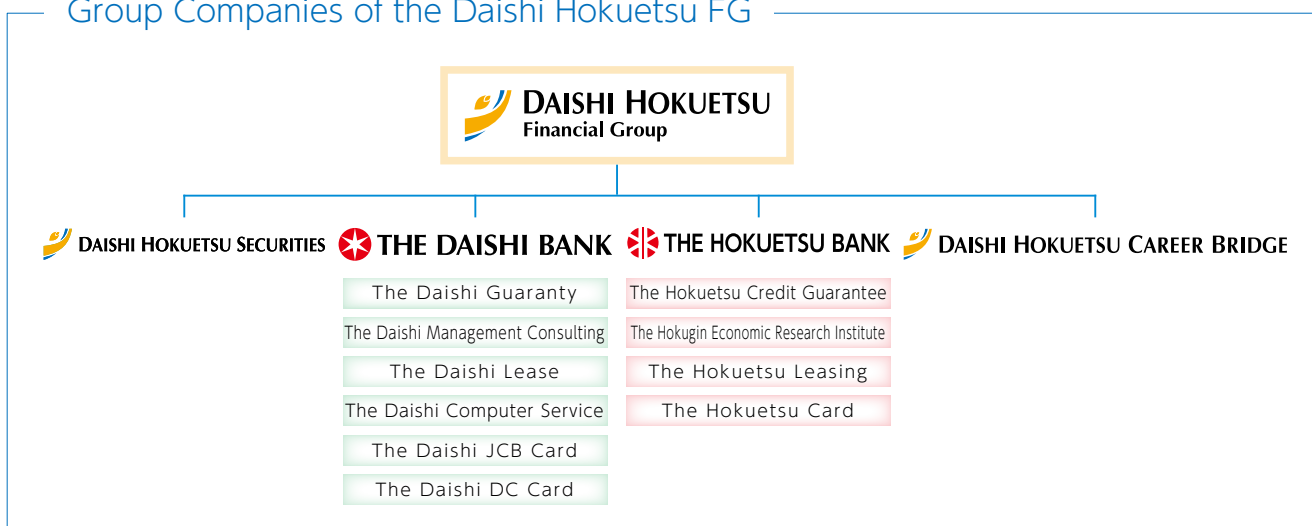


In contrast to the red bricks of the former head office, the new head office was built in white marble.

1973

Listed on the First Section of the Tokyo Stock Exchange

Group Companies of the Daishi Hokuetsu FG



Business Area

Niigata Prefecture is the main geographical base of the Daishi Hokuetsu Financial Group. Located on the Sea of Japan side of Japan's main island of Honshu, thanks to its geography and climate the prefecture has long been recognized for its booming agriculture industry and for production of foods such as rice confectionery and processed seafood products made from its abundant rice, agricultural and fishery resources. Additionally, among the first five ports in Japan including Hakodate, Yokohama, Kobe, and Nagasaki, the Port of Niigata was the only port on the Sea of Japan side designated to be created by the Treaty of Amity and Commerce Between the United States and Japan concluded in 1858. From its opening in 1869 until this very day, the Port of Niigata has continuously been entrenching its position as a port of international trade. Today, in addition to manufacturing, agriculture, forestry, and fishery industries, Niigata Prefecture ranks first in Japan in many different indexes, including for culture and education.

Current State and Future Potential of Niigata Prefecture

Major economic indexes

Index	Niigata Prefecture	National rank	Applicable year or date
Total area	12,584.24 km ²	5th	October 1, 2019
Total population	2,223 thousand	15th	October 1, 2019
Household size	2.51 people/household	4th	January 1, 2019
Number of farms	78,000	4th	February 1, 2015
Agricultural output	¥246.2 billion	13th	2018
Wet rice harvest volume	646,000 tons	1st	2019
Number of industrial business facilities	5,227	9th	June 1, 2019
Number of factory locations (not counting laboratories)	38	7th	2019
Value of industrially manufactured goods shipped	¥5,077.1 billion	23rd	2018
Number of commercial business facilities	29,006	14th	June 1, 2016
Annual value of goods sold	¥7,015.7 billion	16th	2015
Gross product (nominal)	¥8,884 billion	16th	2016
Homeownership rate	74.0%	7th	October 1, 2018
Cars owned	1,845,000	13th	March 31, 2019

Source: Major Indexes for Niigata Prefecture, Niigata Prefecture website

Ratio of nominal gross product per economic activity type

Industry	Niigata Prefecture	Nationally
Agriculture, forestry, and fishery	1.9%	1.2%
Mining	0.9%	0.1%
Manufacturing	22.5%	20.7%
Power, gas, water utilities, waste management	3.9%	2.6%
Construction	6.1%	5.7%
Wholesale, retail	11.2%	13.9%
Transport, postal services	4.4%	5.1%
Lodging, food service	2.7%	2.5%
Telecommunications	2.8%	4.9%
Finance, insurance	3.2%	4.1%
Real estate	13.3%	11.3%
Specialized, science & technology, business support services	5.3%	7.4%
Public sector	4.4%	4.9%
Education	4.1%	3.6%
Health and social services	8.2%	7.0%
Other services	4.6%	4.3%
Subtotal	99.4%	99.4%
Other (tax)	0.6%	0.6%
Total	100.0%	100.0%

Source: Niigata Prefectural Statistics Box, Niigata Prefecture website
Statistical Data, Cabinet Office website

Niigata Prefecture this-and-that top three

Rank	Domain	Item	Figures	Applicable year or date	
1st	Manufacturing	Value of processed seafood products shipped	¥34 billion	2017	
		Value of rice confectionery shipped	¥146 billion	2017	
		Value of cut and packaged mochi rice cakes shipped	¥30.2 billion	2017	
		Value of knitted men's sweaters, etc. shipped	¥1.6 billion	2017	
		Value of knitted women's sweaters, etc. shipped	¥13.8 billion	2017	
		Metal silverware output	¥11.4 billion	2017	
		Kerosene heater output	¥48.1 billion	2017	
		Number of licensed sake breweries	98	March 31, 2019	
	Agriculture, forestry, and fishery industries	Rice output	¥144.5 billion	2018	
		Tulip (cut flowers) output	¥600 million	2017	
Education	High school advancement rate	99.63%	Graduating March 2019		
	Vocational school (specialized programs) advancement rate	25.99%	Graduating March 2019		
Energy	Crude oil output	338,659 kl	2018		
	Natural gas output	2,139,994,000 m ³	2018		
1st	Culture	Number of (National) Important Tangible Folk Cultural Properties	17	April 1, 2020	
		Health, medical	Average height of boys (age 7)	123.4 cm	2019
			Average height of girls (age 5)	110.6 cm	2019
	Social services	Number of regional childcare support center program locations (for every 100,000 of the population)	10.3	2018	
	Living	Volume of sake consumed (per adult)	10.5 liters	2018	
	Tourism	Number of inbound swans	21,166	January 2019	
2nd	Nature	Area of natural parks	316,891 ha	March 31, 2019	
	Manufacturing	Sharp-edged tools and craftsman tools shipped	¥13.4 billion	2017	
		Agriculture, forestry, and fishery industries	Cultivated mushrooms shipped	¥46.5 billion	2018
	Potted plants (flowers and trees) shipped		6.98 million	2018	
Culture	Number of (National) Important Intangible Folk Cultural Properties	13	April 1, 2020		
3rd	Culture	Number of Officially Designated Traditional Japanese Crafts	16	November 20, 2019	
	Tourism	Number of hot spring areas (with lodging facilities)	144	March 31, 2019	
		Skiing and snowboarding resorts	43	October 1, 2018	

Source: Niigata Prefecture This-and-That Top Five in Japan, Niigata Prefecture website

Niigata Prefecture Transport Infrastructure

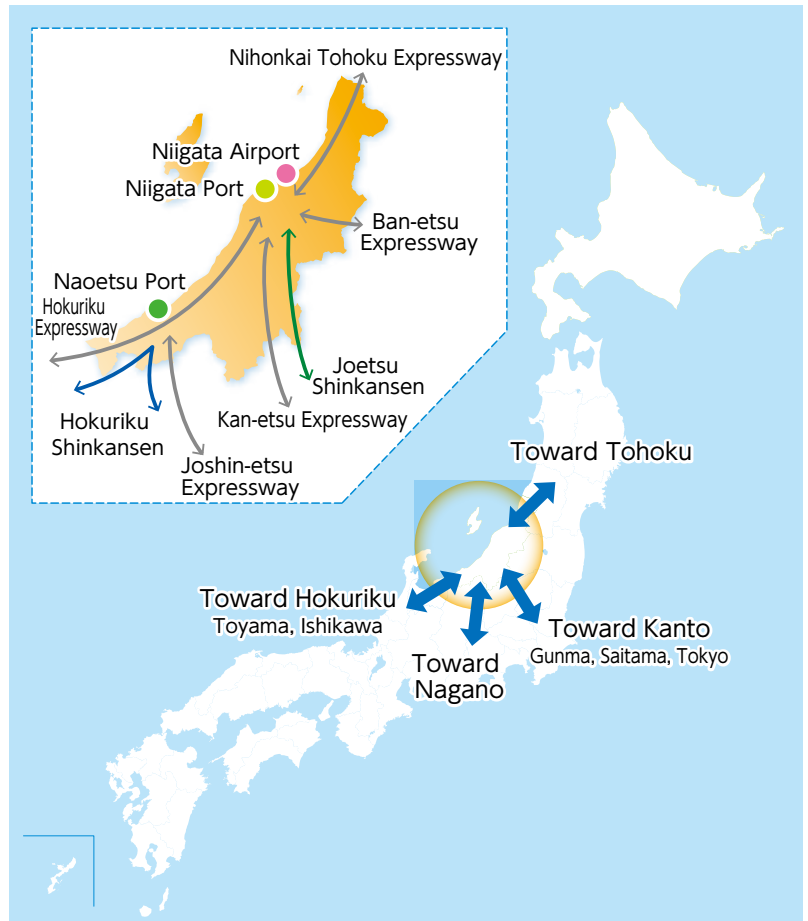
Niigata Prefecture can be quickly and efficiently reached from the Kanto, Kansai, and Tohoku regions and others thanks to its outstanding high-speed transport infrastructure. Logistics business and tourist movement is also active between Niigata Prefecture and countries in Northeast Asia such as China, South Korea and Russia.

Political and economic connections with Northeast Asia

- Airline routes connecting to northeast China and South Korea
- Consular offices for South Korea, China, and Russia in the city of Niigata
- Utilization of natural energy and resources development in Russia

Advantages of transportation network

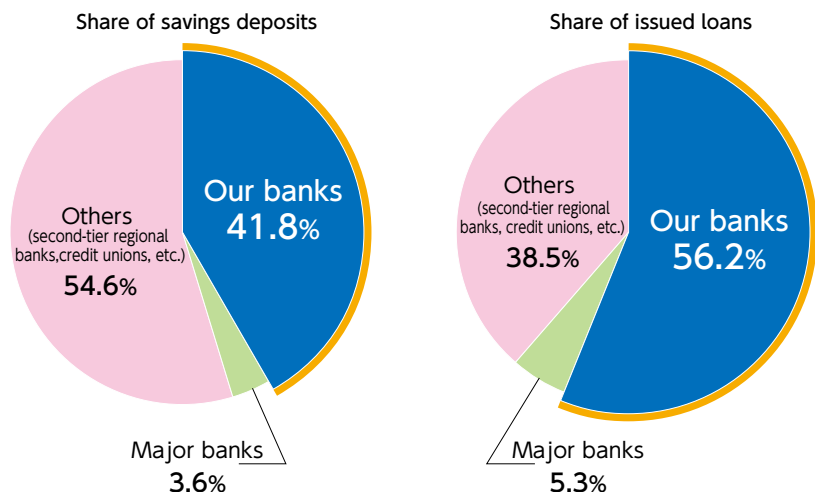
- ↔ **Highways stretching out in five different directions** (Kan-etsu, Hokuriku, Joshin-etsu, Ban-etsu, and Nihonkai Tohoku)
- ↔ **Joetsu Shinkansen**
- ↔ **Hokuriku Shinkansen**
- ↔ **Conventional railroad lines such as the Shin-Etsu Line, Hokuriku Line, and Uetsu Line**
- **Niigata Airport**
Domestic routes:
8 (New Chitose, Narita, Chubu Centrair International, Komaki, Itami, Kansai International, Fukuoka, Okinawa)
International routes:
6 (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taipei)
- **Niigata Port**
Comprehensive ports, function-specific ports:
International container shipping sector
Designated as LNG (liquefied natural gas) sector
- **Naoetsu Port**
Function-specific ports:
Designated as LNG (liquefied natural gas) sector



As of May 31, 2020

Share of Business in Niigata Prefecture

Daishi Bank and Hokuetsu Bank both have large shares of overall savings deposits and lending in Niigata Prefecture. Additionally, in January 2021 the two banks will merge and set out on a new path in history as the Daishi Hokuetsu Bank. Building on the customer trust and regional community networks our banks have established over our 140 years of history, we will quickly harness maximum synergy effects from this management unification and continuously fulfill its ultimate goal, to contribute to regional communities.

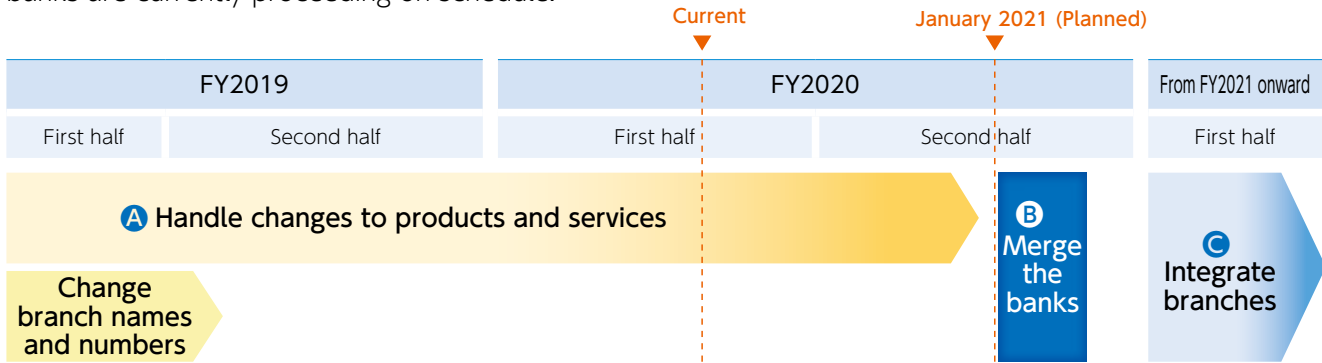


Source: Financial Journal (end of March 2019)

Topics

Initiatives for the Merger of Daishi Bank and Hokuetsu Bank

Daishi Bank and Hokuetsu Bank plan to merge as of January 2021, contingent on gaining approval from the relevant authorities. Projects to consolidate systems and clerical operations for the merger of the banks are currently proceeding on schedule.



A Handle Changes to Products and Services - Reorganize Branches for Personal Loans -

For personal loans, both of our banks are reorganizing branches (including newly established branches) and handling sales within the same branch office. Hokuetsu Bank is not accepting new applications for personal loans at this time, in order to focus on facilitating smooth systems integration for the merger.

As of May 31, 2020

Locations before reorganization	Locations after reorganization (combined branches)
Hokuetsu Bank Nagaoka Loan Plaza	Daishi Bank inside Nagaoka Consulting Plaza
Hokuetsu Bank Joetsu Loan Plaza	Daishi Bank inside Joetsu Consulting Plaza
Hokuetsu Bank Kurashi no Ouen Hiroba Ken-ou	Daishi Bank inside Ken-ou Loan Center
Daishi Bank Niigata Minami Loan Center	Hokuetsu Bank inside Kurashi no Ouen Hiroba Niigata
Daishi Bank Niigata Higashi Loan Center (new establishment)	Hokuetsu Bank inside Fujimicho Loan Plaza

*1. There is no change to Daishi Bank Niigata Loan Center, Dekijima Loan Center, Shibata Loan Center, or Nagaoka Nishi Loan Center.
 *2. Open days and business hours of both banks remain unchanged.

Last day for new applications

Housing loans	No longer accepting new applications
Unsecured loans (car loans, student loans, etc.)	Wednesday, September 30, 2020

B Merger of the Banks



C Branch Integration after Merger of the Two Banks

Adjacent Branches Integration of 50 branches (20 Daishi and 30 Hokuetsu branches) over roughly three years starting in April 2021

We anticipate integration of adjacent branches via a branch-in-branch format*

*Method in which the locations of multiple sales offices are merged into the same location and coexist in the same building



Branch B is relocated to the adjacent Branch A

Measures Against COVID-19

The Daishi Hokuetsu Financial Group is implementing organizational measures against the spread of COVID-19, with the health and safety of our stakeholders first and foremost. We also provide many different forms of support such as holding conferences about various financial grants and offering matching support for finding suppliers and customers, while also providing the financing support to keep funds flowing in our regional economy based on our management philosophy that emphasizes our role in underpinning the regional economy. For details about the measures we have taken to combat COVID-19, please see the websites for each of our two banks.

Daishi Bank measures against COVID-19
https://www.daishi-bank.co.jp/release/corona_info.php



Hokuetsu Bank measures against COVID-19
https://www.hokuetsubank.co.jp/dhfg/corona_info/



Key Measures Against the Spread of COVID-19

We are taking a variety of measures to prevent the spread of infections at both of our banks to ensure the safety of our customers.

Measures taken at sales offices

- ✓ Installed acrylic boards, plastic sheets
- ✓ Made sanitizer available
- ✓ Disinfectant cleanings inside business offices (twice daily)
- ✓ Informational posters
- ✓ Conducting sales according to customer preferences (by phone, email, postal mail, etc.)
- ✓ Providing instructions for procedures via Internet etc.

Measures taken by staff

- ✓ Wearing masks, washing hands, disinfecting with alcohol, etc.
- ✓ Avoiding the three C's (canceling meetings, restricting trainings, etc.)
- ✓ Working staggered hours or from home
- ✓ Using video conference systems, having meetings by phone or online
- ✓ "Split operations" etc.

Both banks let customers check account balances, make bank transfers, buy investment trusts and more online.

Daishi Bank



Hokuetsu Bank



Main Forms of Regional Community Support

The Daishi Hokuetsu Financial Group provide various forms of support to residents of regional communities affected by the spread of COVID-19.

- ✓ COVID-19 Consultation Counters are now available at all offices
- ✓ [Conducting individual consultations for Employment Adjustment Subsidies
- ✓ Private Placement Bonds to Support Niigata Culture and Sports
- ✓ Various Living Support Plan loan products for individuals
- ✓ ¥30 million in donations in Niigata Prefecture for improving medical care
- ✓ Using crowd-funding to donate to restaurants in the prefecture etc.



COVID-19 Consultation Counter



Letter of gratitude from Niigata Prefecture for donations

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

Decline in population due to low birthrate and aging, and Decline in the working-age population

Lengthening of monetary-easing policy

Acceleration of digital technology

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. 13 to 16

*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. 25 to 26

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. 27 to 48

1st Medium-Term Management Plan

The Daishi Hokuetsu Financial Group has a 1st Medium-Term Management Plan that runs through the 2020 fiscal year when Daishi Bank and Hokuetsu Bank merge, and a 2nd Medium-Term Management Plan in which to harness the maximum effects of the synergies from merging the two banks. In the first of these two steps, we are pursuing our 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.** In order to overcome our key business challenges—revitalizing the regional economy, strengthening profitability, and increasing management efficiency.

▼ October 2018 Financial Group established

▼ January 2021 Merger of the two banks and integration of their systems

	FY2018	FY2019	FY2020	From FY2021 onward
FG Medium-Term Schedule	1st Medium-Term Management Plan (October 2018 - March 2021)			2nd Medium-Term Management Plan (April 2021 - March 2024)
Theme of Plan Period	Early creation of synergistic effect and Creation of a foundation for creating a merger synergistic effect			Maximization of synergistic effect

Management Indexes (KPI)

In addition to solid increases in KPIs such as small and medium enterprise (SMEs) corporate loan balance, consumption loan balance, and non-interest income, we are also generally making improvements in our five indexes for portfolio reform. These include loans to SMEs which comprise a significant portion of overall loans. Our efforts are producing steady results.

*Items without consolidated figures are on a combined basis

Management Index (KPI)		FY2018 Results	FY2019 Results	Five Indexes for Portfolio Reform		FY2018 Results	FY2019 Results
Profitability	Consolidated income for the period ¹ (100 million yen)	568	128 △439	Ratio of small and mid-sized corporate loans to total loans (%)	37.2	37.9 ↑0.7	
Growth potential	Average small and mid-sized corporate loan balance ² (100 million yen)	18,606	19,122 ↑516	Ratio of consumer loans to total loans (%)	24.6	25.6 ↑1.0	
	Average consumer loan balance (100 million yen)	12,293	12,930 ↑637	Ratio of unsecured loans to consumer loans (%)	8.0	8.3 ↑0.3	
Efficacy	Non-interest income ³ (100 million yen)	176	204 ↑28	Ratio of profit from assets on deposit to core business gross profit (%)	9.4	7.9 △1.5	
	Core business gross profit OHR (%)	74.8	74.1 △0.7	Ratio of financial solutions income to core business gross profit (%)	7.5	8.0 ↑0.5	
Financial health	Consolidated ROE (shareholder capital base ⁴) (%)	15.5	3.2 △12.3				
	Consolidated capital equity ratio (%)	(17.8)	(3.3) △14.5				
		9.54	9.65 ↑0.11				

*1. Net income attributable to parent company shareholders. For the year ended March 2019, net income includes 47,200 million yen in gain on bargain purchase due to the corporate integration.

*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. Calculated value subtracts valuation difference on available-for-sale securities, etc., from the net asset that is the denominator

Evaluation Indexes for Contributing to the Community

Figures for all nine of our evaluation indexes for contributing to the community in the fiscal year ended March 2020 exceeded their targets, and efforts at both banks are making steady progress.

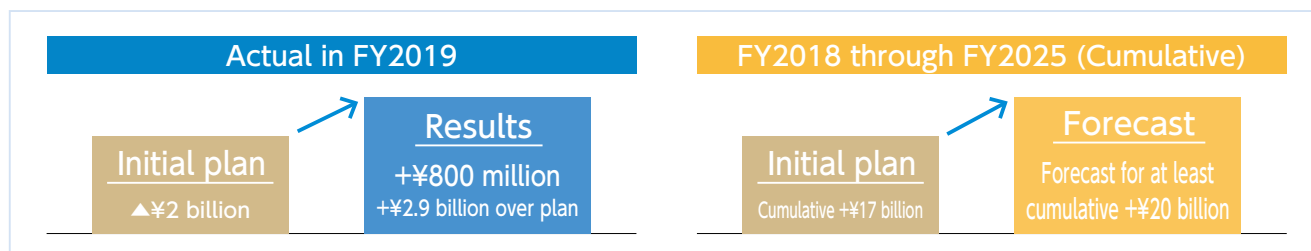
Evaluation Indexes for Contributing to the Community		FY2019		*Calculation base for the two banks
		Target	Results	Comparison with target
Top-priority index for measuring extent of contribution to community	Number of corporations doing business with the Daishi Hokuetsu FG as their main bank	14,430	14,891 ➤	+461
Maintenance/increase of leaders for the regional economy	Number of projects involving startup/restart of a business	1,175	1,612 ➤	+437
	Corporations supported in finding a business successor	1,470	1,555 ➤	+85
Support for increasing added value of corporations	Number of borrowers based on evaluation of business feasibility	3,350	3,790 ➤	+440
	Number of balance based on evaluation of business feasibility	740,000 million yen	793,300 million yen ➤	+53,300 million yen
	Number of corporations utilizing Guidelines for Personal Guarantee Provided by Business Owners	4,100	4,905 ➤	+805
	Number of business partners who reformed their management indexes, etc.	9,229	9,863 ➤	+634
	Number of projects for supporting main businesses	3,820	4,399 ➤	+579
	Number of corporations being supported for formulation of management reform plans	550	605 ➤	+55

Synergy Effects of Management Integration, Basic Strategy

Synergy Effects of Management Integration

The Daishi Hokuetsu Financial Group officers and employees are working together on various measures to harness the maximum synergy effects of the management integration in a short period of time. The balance of our total actual synergy effects in the 2019 fiscal year, including the negative impact of expenses from the management integration, outperformed the initial plan of negative 2 billion yen by a margin of 2.9 billion yen - achieving an overall gain of 800 million yen.

Synergy effects achieved and future forecast



FY2019 breakdown of synergy effects

Positive effects	Top-line + cost synergies for the year (+¥3.6 billion) exceeded the year plan (+¥1.3 billion) by ¥2.4 billion			
	Top-line synergies	+ ¥3 billion	Cost synergies	+ ¥600 million
	Lending & finance solutions	+ ¥1.2 billion	Reduced personnel expenses, etc.	+ ¥500 million
	Asset management advisory	+ ¥600 million	Reduced outsourcing expenses, etc.	+ ¥100 million
	Service charges	+ ¥1.2 billion		
Negative effects	Negative synergies (▲¥2.9 billion) were less costly than the year plan (▲¥3.3 billion) by ¥400 million			
	Negative synergies (expenses from management integration)			▲ ¥2.9 billion

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

We will further improve our financial and information intermediary functions by strengthening our consulting function and bolstering our products and services.

Strengthening our consulting function Bolstering our products and services

Business Loan & Finance Solutions

- Joint project by both banks to handle donation-type SDGs Private Placement Bonds on commission ▶ **P.36**
- The Business Succession Support Program offered by both banks ▶ **P.30**
- Offering Daishi Bank's business finance instrument Loans with Special Provisions for Exemption of Principal at Earthquake Disaster to customers of Hokuetsu Bank ▶ **P.39**

Consumption Loans

- Integrating the loan offices of the two banks ▶ **P.9**
- Introducing the Web Completion Scheme for unsecured loans ▶ **P.38**
- Introducing Hokuetsu Bank housing loans Coverage Plan for the Three Major Ailments + All Illnesses and Injuries at Daishi Bank

Asset Management Advisory

- Make Daishi Bank subsidiary Daishi Securities into a 100% subsidiary of the financial group, and change trade name to Daishi Hokuetsu Securities
- Expand Hokuetsu Bank's securities brokerage operations with Daishi Hokuetsu Securities to all offices
- Launch client introductory business in testamentary trusts at Daishi Bank and Daishi Hokuetsu Securities

Basic Strategy

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

We will work to expand our new business areas and create additional added value.

Expand new business areas

Regional trading company Bridge Niigata, Ltd.

At Bridge Niigata, Ltd. we operate in the three business areas of market development, tourism promotion, and productivity improvement.

The company is engaged in a variety of activities connecting the two cities of Niigata and Tokyo. In its first year of operation in 2019 Bridge Niigata organized local food and product fair Niigata Marche at seven venues in Tokyo, and in October opened a permanent “antenna shop” called Bridge Niigata in the Nihonbashi area of Tokyo as a support base for market development .



“Antenna shop” Bridge Niigata

Business	Main achievements (April 1, 2019 - March 31, 2020)
Developing markets	Received requests for market development support from 480 companies (for 962 products)
Promoting tourism	Offered to implement multilingual translation tool for foreign visitors to Japan (used by 30 companies)
Improving productivity	Proposing productivity improvement measures such as RPA and services to digitalize forms. Three companies have already implemented these measures, and 62 companies are currently considering them.



Multilingual translation tool that uses QR codes

Staffing company Daishi Hokuetsu Career Bridge Co., Ltd.

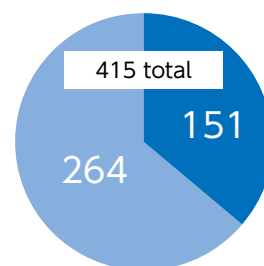
In the six months since launching operations (October 2019-March 2020) Daishi Hokuetsu Career Bridge Co., Ltd. had already received over 400 staffing inquiries.

Since April 2020 Daishi Hokuetsu Career Bridge has also launched human resources development operations through cooperation with Daishi Management Consulting Co., Ltd., and Hokugin Economic Research Institute, offering the HR Development Support Program as a training program for companies in Niigata Prefecture.

Through Daishi Hokuetsu Career Bridge, our financial group will continue working together to solve problems in the areas of employment and staffing in the regional community as a comprehensive HR consultancy that offers all the solutions that regional companies need for their long-term HR strategies, all in one place.

Our financial group was selected as an indirect aid organization for the Cabinet Office’s Advanced Human Resources Matching Project that began in March 2020.

Number of consultations conducted



- Executives/managers
- General employees/others

HR Development Support Program FY2020 schedule

(as scheduled when the program began)

Month	March, April	May	June	July	August	September
Rank-specific seminars	New employees in FY2020 One-day course Two-day course			Management basics Two-day course	Follow-up for new and younger employees Two-day course	Mid-career skills building Two-day course
Purpose-specific seminars One-day course		Formulating business plans	Improving customer service skills and business etiquette	Basics of personnel systems to develop human resources	Career design for working women	Cost accounting basics
Month	October	November	December	January	February	March
Rank-specific seminars	Step-up for younger employees One-day course				Leadership development One-day course	New employees in FY2021 Two-day course
Purpose-specific seminars One-day course	Facilitating internal communication	Enhancing teaching and coaching skills		Marketing and branding that learns from failures	Cash flow management and focal points for bank screenings	

* Some seminars have been cancelled or rescheduled due to the spread of COVID-19.



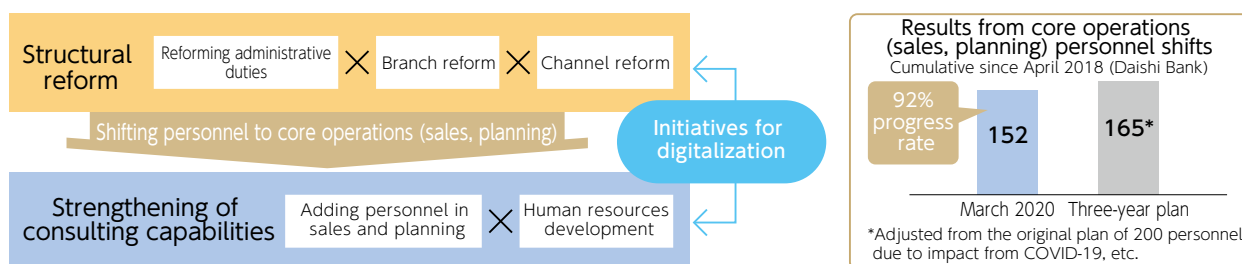
Basic Strategy II: Increasing management efficiency

In addition to pushing forward with our three-structure reform of administrative duties, branches, and channels, we will also improve management efficiency through management integration and by collaborating with other banks in the Tsubasa Alliance (p. 25-26).

Initiatives for Three-structure Reform

Based on the principle of placing the customer first, we are actively implementing our Three-structure Reform in line with the three pillars of reforming administrative duties, reforming branches, and reforming channels.

Three-structure Reform



Main initiatives ● Daishi Hokuetsu Financial Group initiatives ● Tsubasa Alliance initiatives

Operational reform - Reduce administrative staff for operations and lending at sales offices -

- November 2017 ● Implement RPA → Cumulative reduction of 30,557 man-hours (as of March 31, 2020)
- May 2018 ● Consolidate the administrative duties of sales offices at Middle Office (Head Office) → Consolidated 82 offices (as of March 31, 2020)
- July 2019 ● Implement the item keeping management system
- February 2020 ● Implement auto-execution feature for loans

Branch reform - Transform sales offices into consulting spaces -

- January 2018 ● Launch paperless sales of investment trusts and life insurance
- November ● Establish remote consultation service
- November ● Implement the TSUBASA Smile counter reception system

Channel reform - Improve customer convenience through non-face-to-face channels -

- November 2018 ● Implement the Web Completion Scheme for unsecured consumption loans
- April 2019 ● Begin providing the Passbook App

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

Add an extra level of sophistication to our Group management system and strengthen our management infrastructure by building human resources capabilities and organizational strength, and strengthening governance.

Initiatives for Organization Harmony

Status of personnel interaction

Since the management integration we have been implementing a system to make the adjacent offices of both banks into “partner offices,” and unifying the administrative duties of the banks’ various divisions. In April 2019 we also began personnel interactions between ranks such as branch managers and assistant branch managers of the two banks. Furthermore, we are also providing more opportunities for mutual interaction such as seminars on days off and in evenings, and joint training sessions for personnel of our two banks.

7,265 total participants in seminars on days off and in evenings as of March 31, 2020 (cumulative since October 2018)



Joint training session for our two banks

Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2020

Consolidated Results for the Daishi Hokuetsu Financial Group

Profit and Loss

(Unit: 100 million yen)

Item	Year Ended March 31, 2019		Year Ended March 31, 2020
Ordinary income	1,180	↗ +366	1,546
Ordinary profit	167	↗ +27	194
Profit attributable to owners of parent	568	↘ △440	128
Consolidated capital equity ratio	9.54 %	↗ +0.11%	9.65 %

*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 (year ended March 31, 2019) 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 ⁻

● 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)

Moody's

A⁺

A3

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.

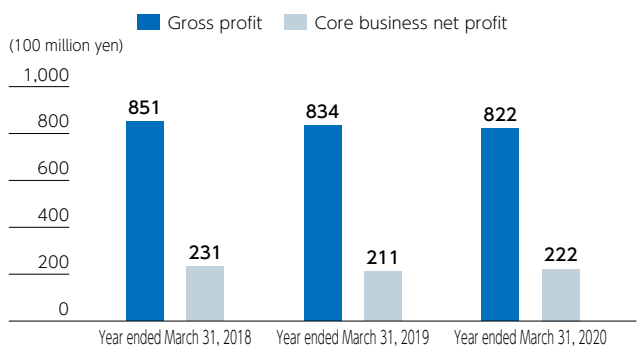
Profit and Loss

Gross profit ¥82,200 million

Core business net profit ¥22,200 million

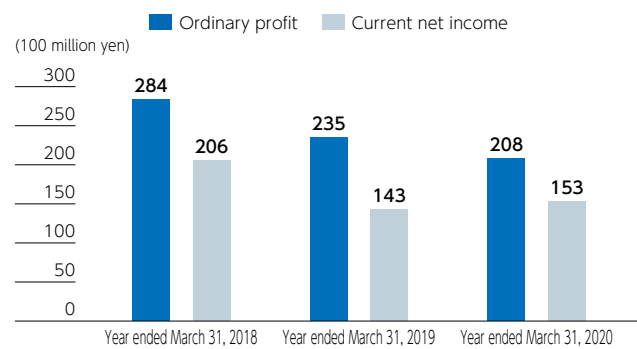
Ordinary profit ¥20,800 million

Current net income ¥15,300 million



Despite an increase profit from financial solutions, gross profit decreased to 82,200 million yen (down 1,200 million yen year-on-year) due to a decrease in interest and dividends on securities, and lower profit in asset management advisory services.

Core business net profit excluding gains and losses related to government and other bonds increased to 22,200 million yen (up 1,100 million yen year-on-year).



Ordinary profit decreased to 20,800 million yen (down 2,700 million yen year-on-year) due to an increase in net credit costs in addition to lower net business profit.

Current net income increased to 15,300 million yen (up 1,000 million yen year-on-year) which mainly reflects a reversion from the 6,400 million yen in extraordinary losses recorded from branch integration and elimination expenses the previous year.

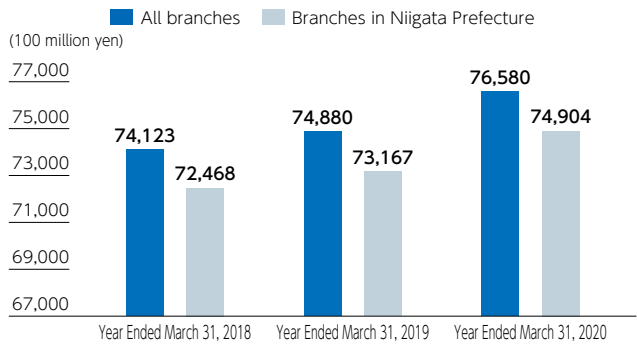
- Gross profit**
Total profit calculated by adding capital income consisting of interest income such as deposits, loans, and securities; fees and commissions which are income from fees; and other business interest which is income from other business activities.
- Core business net profit**
Profit obtained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

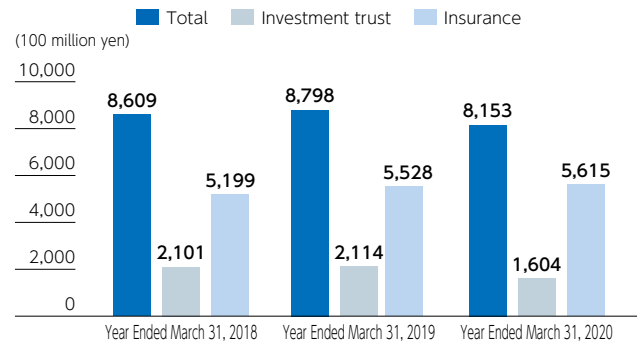
Deposits and Assets on Deposit

Deposits ¥7,658,000 million

Assets on deposit ¥815,300 million



The deposit balance (including negotiable deposits) increased to 7,658,000 million yen, with the main increase being deposits from customers in Niigata Prefecture.



Assets on deposit decreased to 815,300 million yen due to a decrease in investment trust balances resulting from US-China trade friction as well as the spread of COVID-19 which began during the 4th quarter.

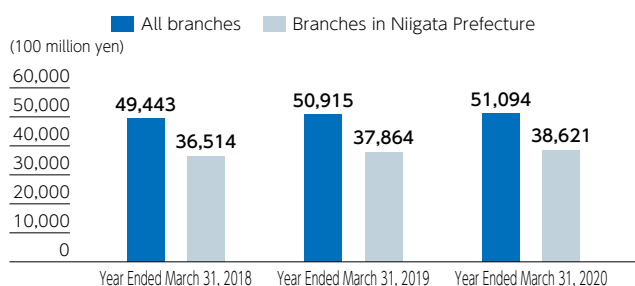
Financial Highlights Overview of Financial Highlights for the Year Ended March 31, 2020

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.

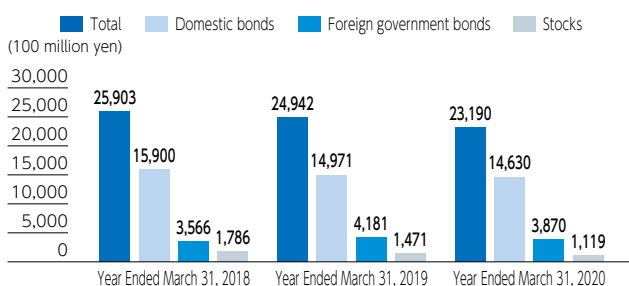
Loans and Securities

Loans **¥5,109,400 million**



The loan balance increased to 5,109,400 million yen due to more loans mainly to customers within Niigata Prefecture, thanks to our active efforts to address their financing needs.

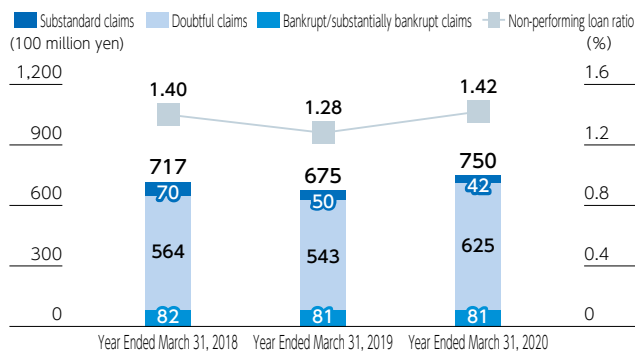
Securities **¥2,319,000 million**



The securities balance decreased to 2,319,000 million yen due to curbed investment in low-yield domestic bonds and other factors.

Bad Debt

Bad debt **¥75,000 million**



Non-performing loan balance based on the Financial Revitalization Act (loans reported based on the Financial Revitalization Act) was 75,000 million yen, which was 1.42% 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.

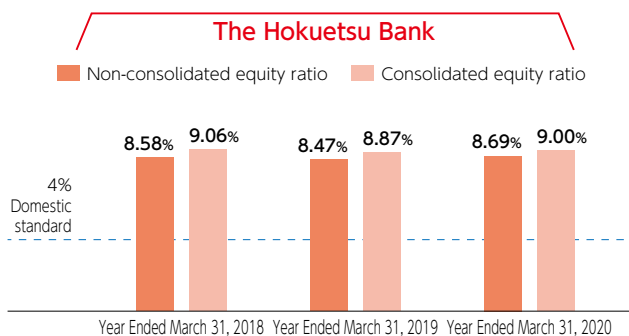
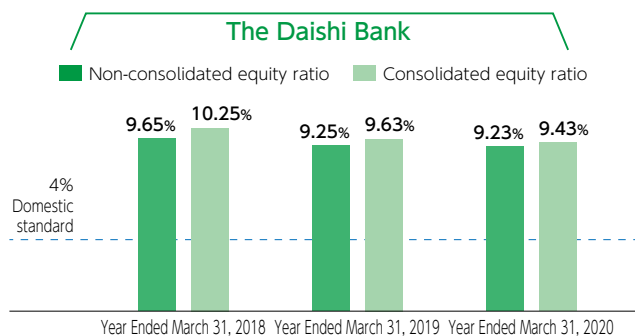
Bankrupt/substantially bankrupt claims

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

We have established the Daishi Hokuetsu Financial Group SDGs Declarations (p. 27) with the aim of helping to achieve the Sustainable Development Goals (SDGs) adopted by the United Nations. Results from main initiatives related to the five declarations are as follows.

SDGs Declaration 1 **Regional Economy/Society** Contribute to revitalization of the local economy and community 

Support for Startups



Business startups or re-startups (FY2019)

1,612

Support for Business Succession/M&A



Number of companies supported in business succession (FY2019)

976

Number of companies supported in M&A (FY2019)

579

Support for Growth of Next Generation



Number of participants in financial education activities (cumulative since FY2013)

10,848

Number of students being issued scholarships (cumulative since FY1962)

1,194


Support for Cultural Activities



Number of events* held by the two banks (cumulative since FY1992)

151

*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.

SDGs Declaration 2 **Ageing Society** Support a safe and secure lifestyle for the elderly. 

Support for the Elderly and Social welfare



Number of employees certified as Service Care-Fitters (As of March 31, 2020)

227

Number of Hokuetsu Bank Awards presented to social welfare volunteer groups and individuals (cumulative since FY1977)

454

Number of employees attending lectures to train Dementia Supporters (As of March 31, 2020)

4,889

Number of tulips donated to social welfare facilities, etc. (cumulative since FY1970)

209,710

Non-Financial Highlights

SDGs Declaration 3 **Financial Services** Provide financial services for leading an even better lifestyle. 

Donation-type Private Placement Bonds



Handling of donation-type private placement bonds
(cumulative since FY2013)

Bonds commissioned **1,400**

Amount commissioned
¥124,600 million

Donations to local governments & educational institutions, etc.
(cumulative since FY2013)

Donation recipients **753**

Total donations
¥124 million

Loans with Special Provisions for Exemption of Principal at Earthquake Disaster



Loans handled (cumulative since FY2018)

Loan recipients **110**

Amount loaned
¥16,200 million

Niigata Future Japan Stock Fund



Niigata Future Japan Stock Fund* past figures and expected donation amount (FY2019)

Applications **2,776**

Total expected donations **¥3.6** million

*This investment trust donates a portion of administrative expenses (trust fees) paid by customers to help create a better future for Niigata Prefecture. Donations handled in FY2019 are scheduled to be processed in September 2020.

SDGs Declaration 4 **Diversity** Promote diversity and work-style reform. 

Promotion of Diversity



Female manager ratio* (as of March 31, 2020)

24.4%

*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.

Work-style Reform



Work hours reduced by implementing RPA
(cumulative since FY2017)

30,557



Environmental Conservation



Number of participants in afforestation activities (cumulative since FY2009)

3,470

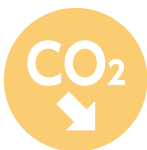
Results of environmental protection activities by Hokugin Magokoro Association* (cumulative since FY2012)

Number of activities performed **49**

Number of participants **857**

* The Hokugin Magokoro Association is an organization operated through voluntary participation and donations from Hokuetsu Bank executives and employees, which engages in volunteer environmental protection and other activities in Niigata Prefecture.

Volume/Ratio of CO₂ Reduction



Volume/ratio of CO₂ reduction due to reduced usage of power, gas, and oil (in FY2019, compared to FY2009)

3,713_t 24.6%

Volume of CO₂ reduction through collection of plastic bottle "eco caps" (cumulative since FY2010)

1.2_t

Volume of carbon offset through use of Green ATMs (cumulative since August 2014)

287_t

Volume of CO₂ reduction through the Passbook App (reducing number of passbooks printed; reduction in FY2019 compared to FY2018)

3.0_t

Volume of CO₂ reduction through the Item Keeping Management System (reduction in FY2019 compared to FY2018)

0.8_t



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

Fiscal year ended March 2020 (annual)	120 yen
Interim dividend (actual)	60 yen
Year-end dividend (actual)	60 yen

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

Shareholders who have continuously owned at least 100 shares (1 unit) for at least one year (the same shareholder number is listed continuously at least three times in the shareholder registry as of March 31 and September 30 of each year), with March 31 as the date of record shall be applicable.

As of March 31, 2020
 Donation applications to the Hokugin Scholarship Fund from shareholders
150 donors **630,000 yen**
 (Cumulative since FY2017)

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.
- Catalogs are sent to the addresses recorded in our shareholder registry. If you have moved please perform the change of address procedure at your securities brokerage.
- 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.



Shareholder Benefits Catalog

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.

Wide-range regional partnerships by 10 regional banks "TSUBASA Alliance"

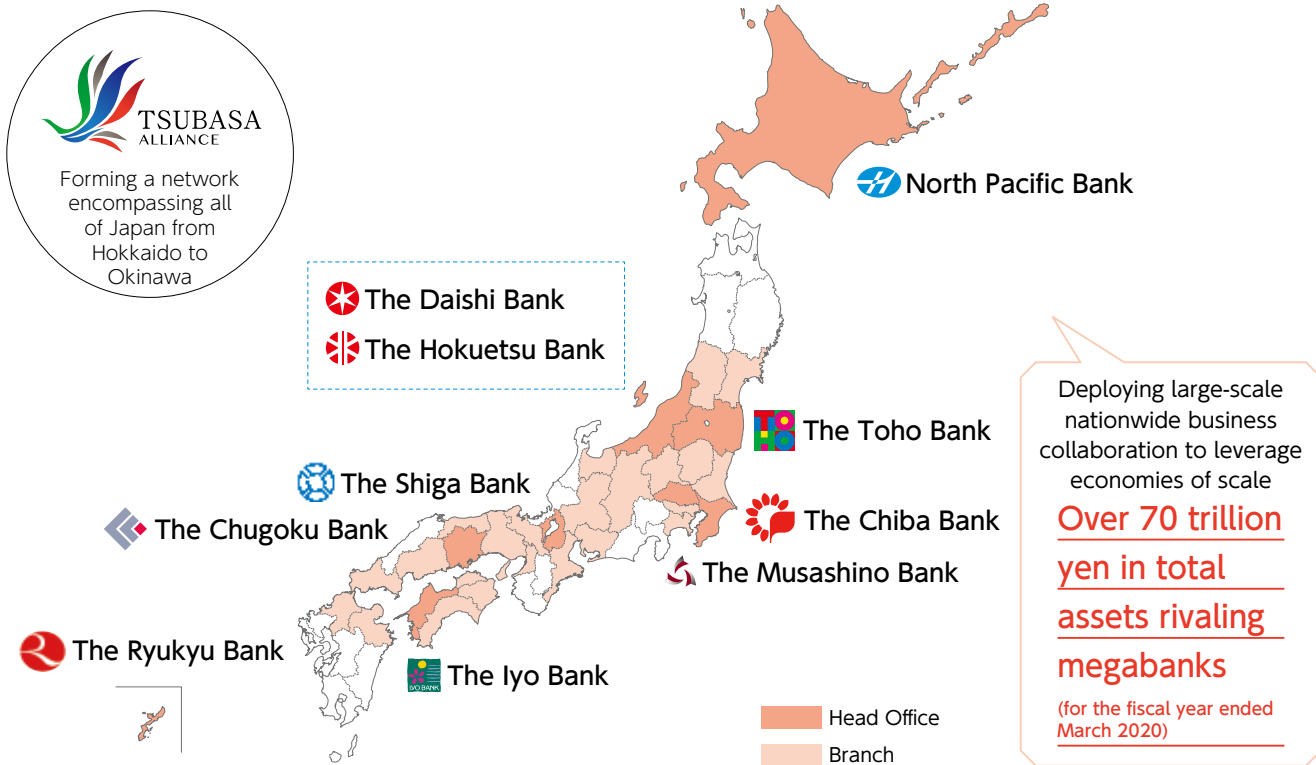
The TSUBASA Alliance is a framework for wide-range regional partnerships aimed at proposing and implementing measures for contributing to sustainable regional growth, sophistication of financial systems, increased corporation value of member bank groups, and other initiatives.

The Ryukyu Bank joined the alliance in April 2020. A total of ten banks now participate in the alliance.



TSUBASA Alliance Logo

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



Eco-Friendly Shopping Bags Produced by the Alliance



Tsubasa Alliance member banks have teamed up to produce original eco-friendly shopping bags as part of efforts to reduce plastic waste. We plan to distribute these eco-friendly bags at future seminars and events held by our banks.

Through this initiative the Tsubasa Alliance is participating in the Plastics Smart Campaign* promoted by Japan's Ministry of the Environment.

*Campaign that supports each and every autonomous entity, including individuals, companies, organizations and governments, at engaging in whatever initiatives their respective positions allow, to tackle the problem of marine plastic waste.



Plastics Smart logo

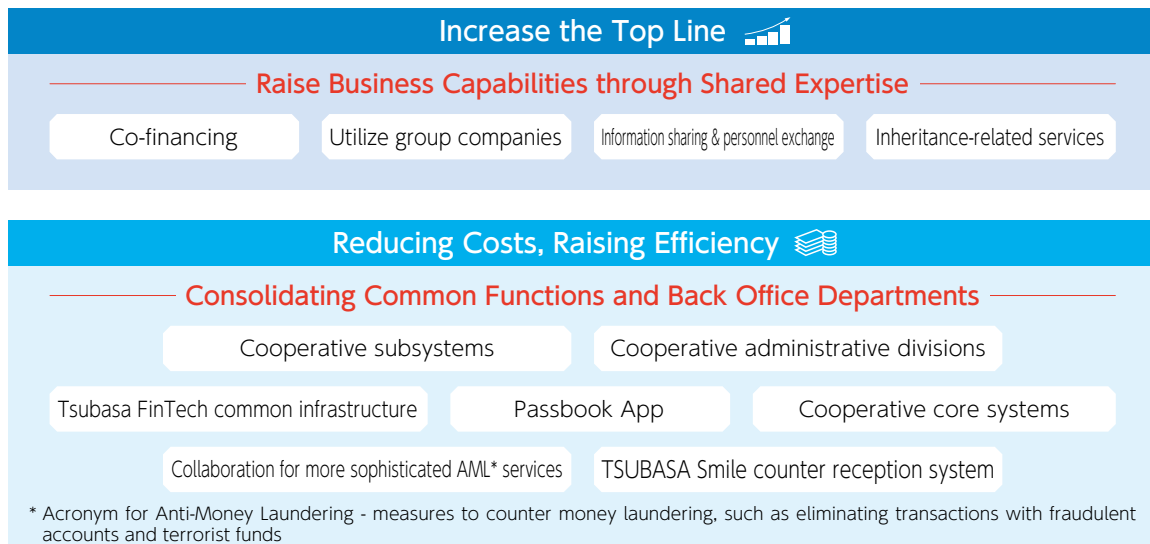
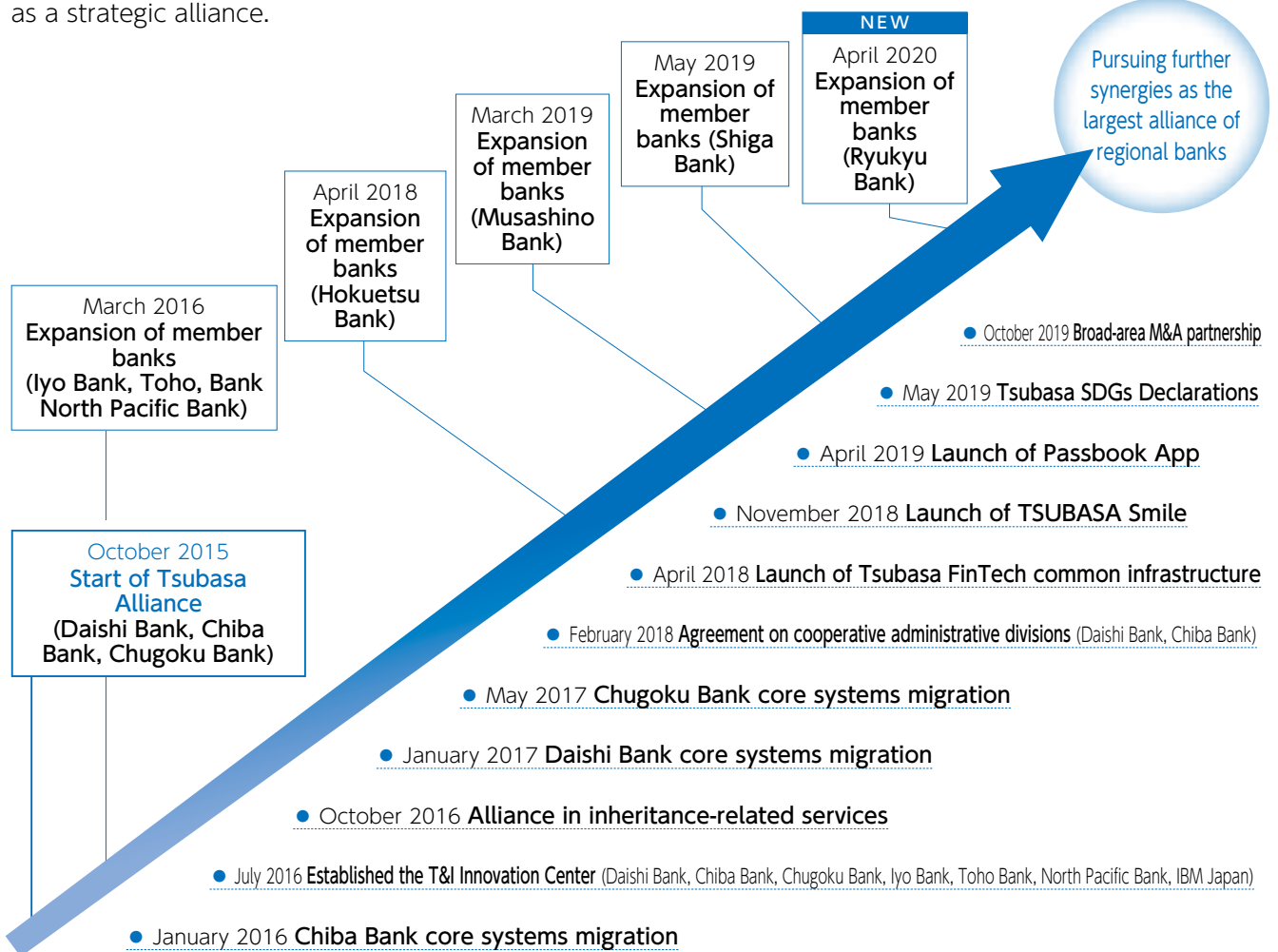


The tote bag type is highly durable and easy to carry. It even goes over your shoulder, so you can also use it for heavy items!

History of the Tsubasa Alliance



Since it began in 2015 the alliance has been working together in many different fields including those of group companies of member banks from FinTech to cooperating on system resources and administrative work and inheritance-related services, to international banking and more. Harnessing maximum economies of scale as the largest alliance of regional banks, the Tsubasa Alliance will continue to bolster its presence as a strategic alliance.



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 established the Daishi Hokuetsu Financial Group SDGs Declarations and we have been working toward solutions to social and environmental problems in the regional community in order to help them achieve sustainable growth.

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

～ Actions to realize 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

Organizing Niigata Startup Contest 2019



Daishi Bank and Hokuetsu Bank teamed up with Daishi Management Consulting to organize Niigata Startup Contest 2019 which facilitates the creation of appealing new

businesses in the regional community. In February 2020 a judging panel selected one company to receive the first prize and three companies to receive excellence awards.



Niigata Startup Contest 2019 awards ceremony

< Award winners >

Category	Award	Winner	Business plan
Startup	First prize	iSEQ. inc	Consulting for health assistance services and insurance via analysis of medical examination data
	Excellence award	KaaP Inc.	E-commerce platform for colored carp fish which employs an AI price calculation system
Revitalized company	Excellence award	SIIG inc. (Formerly sho. DESIGN WORKS inc.)	Smartphone app that uses gamification and AR to optimize fishing experiences for anglers
	Excellence award	Soumei Arts Co., Ltd.	Laundry craft (a new method of wet cleaning for upscale fur clothing)

Established a Preparatory Committee for the SDGs Niigata Regional Revitalization Platform



Our banks partnered with Niigata Prefecture, Niigata University, Niigata Nippo Co., Ltd. and Niigata Hakuodo Inc. to establish a preparatory committee for the SDGs Niigata Regional Revitalization Platform in April 2020 with the aim of spreading awareness of the SDGs in Niigata Prefecture and promoting corporate actions toward achieving them.

In addition to working to build the organization for this platform the committee is also engaged in efforts toward achieving the SDGs. This includes holding seminars and exchanging information related to SDGs between members through the website.

Both of our banks also participated as collaborators at Niigata SDGs Forum 2020 (Organizer: Niigata Nippo Co., Ltd.) held in February 2020. The forum introduced recent initiatives by nine different groups in Niigata Prefecture, including the city of Mitsuke which has been selected as an SDGs Future City.



Logo of the SDGs Niigata Regional Revitalization Platform



At Niigata SDGs Forum 2020

< SDGs Niigata Regional Revitalization Platform preparatory committee >

Promoter members	Daishi Bank, Hokuetsu Bank, Niigata Prefecture, Niigata University, Niigata Nippo Co., Ltd., Niigata Hakuodo Inc.
Number of members	115 companies/groups (as of July 15, 2020)

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

~ Actions to realize Regional revitalization ~

Organizing JBMC Niigata Round 2019



Working together with ICLOVE (Minamiuonuma City Local Industry Support Council) we organized the Japan Business Model Competition (JBMC) Niigata Round in December 2019 to promote creation of new business in the region and facilitate regional revitalization. This competition was held through close cooperation with industry, universities, financial institutions, and the city of

Minamiuonuma. The eight teams that passed the first round document review gave presentations on their business models that aim for development in local communities and revitalization of regional economies.

After a rigorous review by the judges, two teams were awarded prizes and earned spots in the nationwide JBMC Final held in Tokyo.



JBMC Niigata Round 2019 Award Ceremony

Award received	Business model
Daishi Hokuetsu Financial Group Award	【Health Toothbrushes】 Toothbrush production and sales services model that leverages manufacturing technologies of Niigata Prefecture
ICLOVE Award	【Toothbrushes that Pass Health on from Mother to Children】 Development and market penetration plan for toothbrushes made with designs and materials that are easy for pregnant women to use

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

Both of our banks partner with regional financial institutions, local governments, and other local entities to jointly organize business seminars, networking events, and business conventions locally at overseas locations. In Ho Chi Minh City, Vietnam, we partnered with Nagaoka University of Technology to organize the Ho Chi Minh Industry-Academia-Finance Collaboration Networking Event in October 2019, and the - From M&A to the Acquisition of Professional Human Resources - Use it to Your Advantage! Overseas Business Expansion Seminar in March 2020.

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 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 8th Bank of the Year Awards held by Nihon M&A Center Inc. in June 2020, The Hokuetsu Bank won the Deal of the year for its efforts towards M&As.



The 8th Bank of the Year Awards Ceremony



Information about the Business Succession Support Program

Support for Grants and Subsidy Applications



We are working to support problem solving via grants and subsidies for the business challenges of a variety of customers, such as for capital investment to facilitate new business development and productivity improvements.

Distributing information through seminars

Both of our banks hold seminars to ensure that customers are quickly informed of the latest information on grants and subsidies offered by national and local governments. Subsidy Utilization Seminars - Utilizing Monozukuri Subsidies and Energy Saving Subsidies to Improve Productivity were held at four venues in Niigata Prefecture in December 2020 to share recent trends in Monozukuri (Manufacturing) Subsidies and Energy Saving Subsidies that many companies take advantage of every year, as well as tips for being selected to receive them.



As of March 31, 2020
Number of seminar attendees
5,822
(cumulative since 2013)

Subsidy Utilization Seminar

Assisting subsidy applications through individual consultations

Both of our banks held individual consultations for Employment Adjustment Subsidies* at five different venues in Niigata Prefecture in May 2020. Customers who have been forced to reduce their business operations due to the impact of the COVID-19 pandemic were given the opportunity to meet with social insurance consultants about matters such as how to apply for Employment Adjustment Subsidies and labor management for employee leave and other circumstances.

* Employment Adjustment Subsidies

This is Japan's system to provide subsidies that compensate employers who have been forced to reduce business operations for the leave allowances and other payments made to employees in order to maintain their employment. Relevant cases and content were added to this system in April 2020 as special exceptions due to the impact of the COVID-19 pandemic.

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.

In December 2019 our banks also held Healthcare Management Seminars to explain points to keep in mind and recent trends in the application of the Work Style Reform Act in medical settings, as well as the aims of fiscal year 2020 medical fee revisions and measures to address them.



Healthcare Management Seminar



Information about Healthcare Management Seminars

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



～ Actions to realize Regional revitalization ～

Initiatives for PPP and PFI

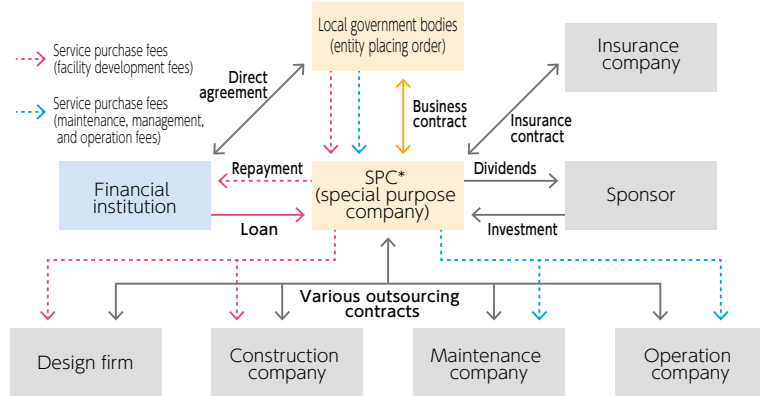


Supporting the construction, operation, etc., of public facilities through cooperation among municipalities, private businesses, and financial institutions

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 Hokutsu 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.

Niigata Prefectural Budokan (nickname: Kenshinko Budokan) opened on December 1, 2019 as the largest budokan in the Hokushin'etsu area.



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



Niigata Prefectural Budokan (Kenshinko 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 16 local governments in fiscal 2019.

*Regional Industry Evaluation System of Daishi



Regional analysis study session with local governments

Initiatives for Supporting Increased Productivity



Both of our banks have teamed up with Daishi Management Consulting and the Hokugin Economic Research Institute to offer a Human Resources Development Program to help business operators solve their problems in the area of developing human resources. Starting in the 2019 fiscal year there have been six types of purpose-specific seminars in addition to the existing rank-specific seminars.

As part of this program we held the Work Style Reform Productivity Improvement Seminar for supervisors and team leaders as a purpose-specific seminar in February 2020. This seminar clarified the challenges that work styles present, and provided explanations of practical case examples for improving productivity as well as subsidies that can be utilized.



Information on the Work Style Reform Productivity Improvement Seminar

Initiatives for Utilization of Vacant Homes



Cooperating with municipalities in Niigata Prefecture to utilize vacant homes

We have formed partnership agreements with 19 municipalities in Niigata Prefecture to encourage people from the Tokyo metropolitan area to move and settle in our prefecture and to promote effective 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 renovating vacant homes, as well as reverse mortgage loans that make use of vacant homes.

List of partner municipalities (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

As of March 31, 2020
Number of partner municipalities utilizing vacant homes
19 cities

Initiatives for Promoting Sports



Both of our banks actively work to promote local and regional sports.

Daishi Bank has sponsored the Daishi Bank Battle of the Flags youth baseball tournament since 1999, while Hokuetsu Bank has sponsored the Healthy Hokuetsu Bank Cup Volleyball Tournament for Niigata Prefecture

Elementary School Students since 1989.

Through these efforts we are doing our part to promote sports in communities while contributing to the healthy physical and emotional growth of young boys and girls and also helping them form friendships through sports.



Daishi Bank Battle of the Flags youth baseball tournament



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

Organizing 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.

In 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.

A solo performance of Rakugo (Japanese comedy) by Kenko Sanyutei scheduled for March 2020 was cancelled due to circumstances caused by the COVID-19 pandemic. We apologize for the inconvenience caused to everyone who was planning to attend. Information about future performances will be made available again once we can ensure the safety of all visitors.



Daishi Hall



The Kuroda, Campagnari, and Dillon Trio Orchestra



Kenko Sanyutei
©Masako Yamada

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

～ Actions to realize Regional revitalization ～

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, 2020 was 11,082.

Since fiscal 2018 we have also been incorporating the

perspective of SDGs in lesson material in order to develop and educate human resources who contribute to the sustainable growth of the region. In fiscal 2019 it was held jointly with Hokuetsu Bank as Daishi Hokuetsu Academy. To give finance a more familiar feel we have added an experience the flow of money element to the lessons, in which students sell their handicrafts and other items in exchange for mimic paper money which they then deposit into a bank.

As of March 31, 2020
Number of participants at Daishi Academy
11,082
(cumulative since FY2013)



Life science



Cooking



Finance



Art

Held the Niigata Regional Championships of the 14th All-Japan High School Economics Quiz Tournament

In December 2019, we held the Niigata Regional Championships of the 14th All-Japan High School Economics Quiz Tournament. It was the seventh time that the championships had been held in Niigata Prefecture. A total of 25 teams (49 persons) participated in the 2019 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.

Then, among the 46 teams that won their regional tournaments and advanced to the national tournament held in Tokyo in February 2020 (organizer: Association for the Promotion of Financial Literacy), the team from Niigata advanced all the way to the final round and achieved the incredible final result of 3rd place in all of Japan.

As of March 31, 2020
Number of participants in the Niigata tournament
359
(Cumulative since FY2013)



Economics Koshien Niigata Tournament



Economics Koshien National Championship

Cooperation with Career Learning Programs Held by Local Governments for Elementary, Junior High, and High Schools

Both of our banks actively cooperate with career learning events hosted by local governments in Niigata Prefecture which offer opportunities for local elementary, junior high, and high school students to learn about industries and companies that support their community and actually experience the work they do.

In fiscal 2019 we exhibited at

the learning events Nagaoka Work Experience Land (Nagaoka City), Neighborhood Industry Discovery Academy (Tokamachi City), Ojiya Future Work Academy (Ojiya City), and Junior High First Graders "Learn and Try Job Navigator" (Tainai City), where we offered children and students the experience of "working" at a bank.



Junior High First Graders "Learn and Try Job Navigator" organized by Tainai City

Scholarships from the Hokugin Scholarship Association

The Hokuetsu Bank

The administrative office of Hokugin Scholarship Association has been established within Hokuetsu Bank. The association aims to develop human resources who will contribute to society by providing assistance in the form of scholarships with no repayment obligations to young people who graduated with outstanding academic records from high schools in Niigata Prefecture, but are unable to attend university due to financial reasons.

The 57th Reception for Hokugin Scholarship Recipients was held in August 2019. Scholarship recipients exchanged information with each other and observed various companies based in Niigata Prefecture.

The association started issuing scholarships in 1962. A total of 1,194 students have received scholarships as of May 2020.

As of May 31, 2020
Number of scholarship recipients
1,194
(Cumulative since FY1962)



At the Reception for Hokugin Scholarship Recipients

Presented Banners Featuring a Traffic Safety Slogan

The Dashu Bank
The Hokuetsu Bank

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.

Banners Featuring a Traffic Safety Slogan (Fiscal 2020)

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 Dashu Bank
The Hokuetsu Bank

Both of our banks have partnered with Niigata University to cooperate on curriculum offered to students at the school and to encourage students to learn about companies in Niigata Prefecture.

In December 2019 we participated in a curriculum featuring lectures on the topic of Exploring the Appeal of Niigata Companies as part of a Niigata University-led project to promote development in local communities. Additionally, in January 2020, we participated in a curriculum entitled Corporate Principles and Management Strategy in Niigata for students at Niigata University. It was the fifth time our banks had participated in such a curriculum this fiscal year.



A lecture for students

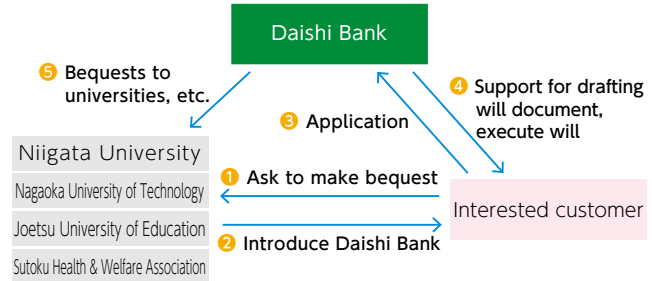
Declaration 2 Aging Society Support a safe and secure lifestyle for the elderly.

Concluded Agreements on Introductions of Testamentary Trust Services

Daishi Bank received authorization in September 2019 to engage in trust business activities according to Article 1 of the Act on Engagement in Trust Business Activities by Financial Institutions, and in October began handling inheritance strategies and asset succession-related instruments.

The bank then concluded testamentary trust services introduction agreements with Niigata University, Nagaoka University of Technology, and Joetsu University of Education in December 2019, and then with Sutoku Health & Welfare Association in April 2020. Through these agreements, entities with whom we have established agreements will introduce Daishi Bank to their customers who want to make bequests to them. The bank will then provide comprehensive support from the drafting of will documents through their execution, catering to customers' will and bequest-related needs while ultimately facilitating the advancement of education, healthcare, and other services in Niigata Prefecture.

Illustration of how the concluded agreements work



Received Award for Creating Communities that are Accessible to People (Facilities Category)

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

The Hokuetsu Bank Muikamachi Branch which opened in December 2017 received the Award for Creating Communities that are Accessible to People* in fiscal 2019, awarded by Niigata Prefecture.

Located in an area that receives heavy snowfall, the Hokuetsu Bank Muikamachi Branch has earned a strong recognition as a facility catered to safe and easy use by the elderly and those with disabilities, including a barrier-free environment inside the branch and an arcade erected in the space leading to the entrance from the parking lot and the road.

The Daishi Bank Sanjo Branch and Sanjohigashi Branch that relocated and opened in April 2017 also received the same award in fiscal 2017.



Hokuetsu Bank Muikamachi Branch



Daishi Bank Sanjo Branch & Sanjohigashi Branch

* The Award for Creating Communities that are Accessible to People is provided by Niigata Prefecture in recognition of groups, individuals, and other entities that spearhead community building efforts which take into consideration social welfare, enabling everyone including the elderly and those with disabilities to freely participate in society while living independently. It is awarded for facilities, institutions, group activities, and other efforts that serve as exemplary models within the prefecture.

The Hokuetsu Bank Awards

The Hokuetsu Bank Awards are presented to support the activities of groups and individuals who have made outstanding contributions to social welfare and disaster relief in Niigata Prefecture. The awards were created in 1977 to commemorate the 100th anniversary of the Hokuetsu Bank's founding. In fiscal 2019, the award was presented to ten new groups and individuals at the 43rd awards ceremony.

As of March 31, 2020
Total award winners
454 groups and individuals
(Cumulative since FY1977)



The Hokuetsu Bank Awards ceremony

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.

As of March 31, 2020
Number of tulips
donated to social
welfare facilities, etc.
209,710
(Cumulative since FY1970)



Donation of tulips

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 and one employee certified as a Dementia Supporter at each sales office. The Hokuetsu Bank stations at least one employee certified as a Dementia Supporter at each sales office.

As of March 31, 2020
Service Care-Fitters
227 certified
(Certified by the Nippon
Care-Fit Education Institute)

As of March 31, 2020
Total number of employees
who have taken lectures as
Dementia Supporters **4,889**
(Certified by the Community-Care
Policy Network (NPO))

Declaration 3 Financial Services Provide financial services for leading an even better lifestyle.

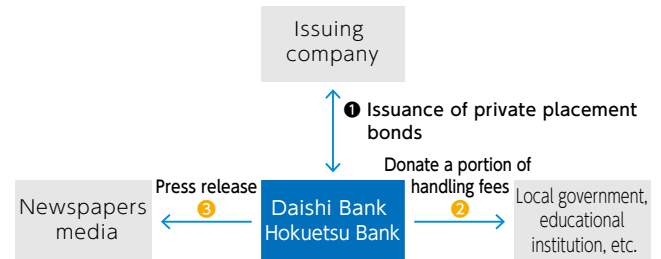
Initiatives for Donation-type and SDGs Private Placement Bonds

Private Placement Bonds to Assist in Publicizing Attractiveness of Niigata and Private Placement Bonds to Monitor Local Safety

As a joint project in fiscal 2019 our two banks handled two types of private placement bonds geared toward the SDGs - Private Placement Bonds to Assist in Publicizing Attractiveness of Niigata and Private Placement Bonds to Monitor Local Safety. In total, 262 companies have expressed their support for each of these efforts, and we are donating part of the handling fees to the Niigata Prefectural Tourist Association and municipal governments within Niigata Prefecture.

Both of our banks have been handling these donation-type private placement bonds since fiscal 2013, through which 753 total donations totaling 124 million yen have been made to entities such as local governments and educational institutions.

Flow from issuance of donation-type private placement bonds to donations



As of March 31, 2020
Number of donations to governments, schools, and others through donation-type private placement bonds
753
Total donations
¥124million
(Cumulative since FY2013)



Information on Private Placement Bonds to Assist in Publicizing Attractiveness of Niigata



Information on Private Placement Bonds to Monitor Local Safety

Private Placement Bonds to Supporting Niigata Culture and Sports

Starting in May 2020 both of our banks began working on Private Placement Bonds to Supporting Niigata Culture and Sports as the fourth installment of this joint project for donation-type private placement bonds.

The aim of this project is to collaborate with the Niigata Musubu Project* to support culture and sports-related business in Niigata Prefecture which was impacted by COVID-19. While also supporting our customers with their financing needs, we also donate a portion of the handling fees from these bonds to the Niigata Cultural Foundation, the Niigata Sport Association, and four professional sports teams in Niigata Prefecture.

* The Niigata Musubu Project raises funds through methods such as crowd-funding and donations to connect (musubu = connect) sentiments of support for Niigata citizens with those who have been impacted by the COVID-19 pandemic. Both of our banks are participating in the project through partnership with local governments in the prefecture as well as Niigata Prefecture itself, and businesses such as Niigata Nippo.



Information on Private Placement Bonds to Supporting Niigata Culture and Sports



Niigata Musubu Project logo

Declaration 3 Financial Services Provide financial services for leading an even better lifestyle.



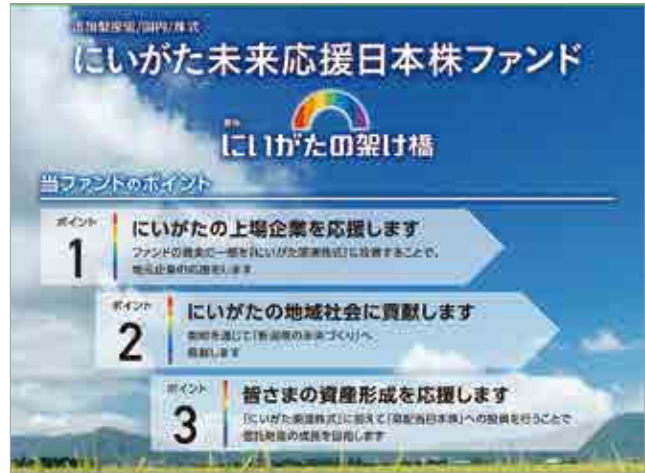
Handling of the Niigata Future Japan Stock Fund

The Daishi Hokuetsu Securities

Starting in May 2019, Daishi Hokuetsu Securities has been conducting sales for the Niigata Future Japan Stock Fund (nicknamed Niigata no Kakehashi (Bridge to Niigata)), a donation-type investment trust for supporting the future of Niigata Prefecture.

This investment trust is a financial instrument that supports companies which contribute to the prefectural economy by investing a portion of its capital into Niigata-related stocks of listed companies and other businesses with their head offices in Niigata Prefecture. Additionally, it donates a portion of administrative expenses (trust fees) paid by customers to help create a better future for Niigata Prefecture.

As of March 31, 2020
Niigata Future Japan Stock Fund Applications Total expected donations
2,776 cases **¥3.6 million**
 (Cumulative since May 2019)



Information about the Niigata Future Japan Stock Fund

Providing a Quality Smartphone App

TSUBASA ALLIANCE The Daishi Bank

The Daishi Bank Passbook App which Daishi Bank began providing in April 2019 is a service that allows customers real-time 24-hour access to their bank account balances and transaction records via smartphone. The app is now highly popular with customers.

Because no passbooks are issued for the accounts to which this service applies (Green Accounts), no procedures are needed for updating the passbook record or carrying over to new passbooks. The accounts are also environmentally friendly because they help to reduce paper and CO₂. Because of these reasons and since there is no danger of passbook loss or theft, we have received large numbers of new applications from customers, as well as requests to switch over from existing accounts.

As of March 31, 2020
Passbook App
31,908 downloads
CO₂ emissions reduction
3,095kg
 (Cumulative since April 2019)

Passbook App

See here for iPhone

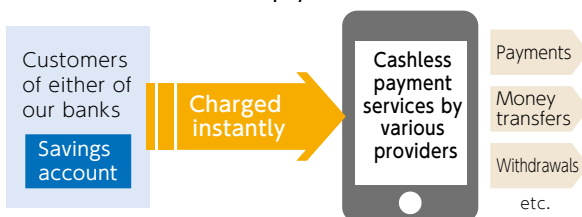
See here for Android

Going Cashless

The Daishi Bank The Hokuetsu Bank

Both of our banks are working with many different smartphone-based cashless payment services provided by outside companies in order to offer greater convenience for our customers by going cashless.

Illustration of how cashless payments work



For details about cashless payment services please see each company's website

Available cashless payment services

Partner	Cashless payment service	Daishi Bank	Hokuetsu Bank
PayPay Corp.	PayPay	○	○
LINE Pay Corp.	LINE Pay	○	○
Mizuho Bank, Ltd.	J-Coin Pay	○	
Merpay, Inc.	Merpay	○	
Wellnet Corp.	Shiharaihisho	○	

As of June 30, 2020

Web Completion Scheme for Personal Loans



Both of our banks operate the Web Completion Scheme for loans to individual customers (excluding some loan types such as housing loans).

The Web Completion Scheme is a service that makes it possible to do everything from loan application to receiving loan funds online via smartphone, computer, or any other compatible device. This service makes personal loans more

accessible since it eliminates the need for customers to come to the bank and perform procedures such as filling out contracts.

Both of our banks are running various promotional campaigns for customers who have submitted loan applications online. Please give our online loan services a try.



Information about Daishi Bank Car Loans



Information about Daishi Housing Loans

TSUBASA Smile Counter Reception System



Daishi Bank is using the TSUBASA Smile counter reception system.

TSUBASA Smile is a system that guides customers through the application procedure on special tablets installed at bank counters, with on-screen instructions for entering the required information fields until the application is complete. This has greatly simplified the application procedure by doing away with paper and rubber stamping.

From October 2019 onward we have been gradually expanding the scope of banking services available through TSUBASA Smile, such as processing new applications for time and savings deposits.

Services available through the TSUBASA Smile counter reception system

November 2018	Began handling personal loans
April 2019	Began handling new savings account setup
July	Began handling changes to notified matters (change of name or address)
October	Began handling installment savings
November	Began handling time and savings deposits



TSUBASA Smile counter reception system

Declaration 3 Financial Services Provide financial services for leading an even better lifestyle.



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



Daishi Bank offers Loans with Special Provisions for Exemption of Principal at Earthquake Disaster for local corporate customers, to support their business continuity and recovery efforts when major earthquakes occur. In April 2019 we also began offering information about these loans to Hokuetsu Bank customers. Many of them are now using the loans.

Main features of these loans

- The principal of the borrowed loan is exempted by a predetermined ratio (either 100% or 50%) regardless of whether direct or indirect damage is suffered when a major earthquake of intensity 6.0 or higher occurs as measured at a predetermined seismograph station.
- The portion of the borrowed principal that is exempted becomes gain on forgiveness of debt, covering customers financially against the financial damage suffered in a major earthquake occurrence while also supporting their business continuity and recovery efforts by giving them the capacity to raise funds.

As of March 31, 2020
Loan statistics
110 loans for
¥16,200 million
(Cumulative since April 2018)



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

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



As a joint effort between securities brokerage subsidiaries of Tsubasa Alliance member banks, Daishi Hokuetsu Securities sold World Bank Sustainable Development Bonds (yen-denominated step down-type debt subject to redemption before maturity, linked to two indexes) in September 2019.

Sustainable Development Bonds are bonds issued in international capital markets by the World Bank in its efforts to aid development and reduce poverty in developing countries. These bonds support projects and programs in a broad range of fields including agriculture, food security, education, energy, finance, trade and industry, insurance, government, infrastructure and governance, water and public health, and the environment.

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

国際復興開発銀行 (世界銀行)
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

2024年9月27日満期

ステップダウン型期限前償還条項付 日米2指数連動 デジタルクーポン円建債券(サステナブル・ディベロップメント・ボンド)

利率 (税引前、年率、円建て)	期 間 5年
当初 3か月 1.00%~5.00% (※優待)	売出期間 2019年9月18日~9月26日
以降 1.00%~5.00% (※優待) または 0.10%	満期償還日 2024年9月27日

2銘柄以降の利率変動のすべてを併せて算出する際の利率は、掲載の上記1.00%~5.00%(※優待)・新発債数の超過のいずれか一方でも利率約定償還率の1.0%
0.1%のいずれか一方の利率は、上記各条件の範囲外となる可能性があります。期間は2019年9月17日(金)に決定される予定です。

Information on the World Bank Sustainable Development Bonds

Declaration 4 Diversity Promote diversity and work-style reform.



Observation and Training at Japanese Companies for Female Bank Employees



In October 2019 both of our banks organized the second edition of Observation and Training at Japanese Companies, in which 18 female employees of our banks visited companies in Fukushima, Yamagata, and Miyagi Prefectures.

The purpose of the training is to boost the motivation of female bank employees by learning about the fulfilling aspects of managing businesses and organizations by interacting with female

business managers.

For the second edition of the program, trainees heard lectures about leadership and management from an education and study-support business that won First Prize in the Japan Chamber of Commerce and Industry Female Entrepreneur Awards, and a female business manager who also inherited a confectionery wholesale business.

As of March 31, 2020
Number of participants
35
(Cumulative since FY2018)



Second edition of Observation and Training at Japanese Companies 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 (Platinum Kurumin, Eruboshi, White 500)



Both of our banks received the special Platinum Kurumin certification from the Minister of Health, Labour and Welfare as corporations that support child-raising in compliance with the Act on Advancement of Measures to Support Raising Next-Generation Children^{*1}. Additionally, the banks also received Eruboshi Accreditation III certification as companies taking excellent action in compliance with the Act on Promotion of Women’s Participation and Advancement in the Workplace^{*2}.

Our banks were the first corporations in Niigata Prefecture to have obtained double certification with both Platinum Kurumin and Eruboshi Accreditation III.

We are bolstering organization-wide health management at both of our banks. In March 2020, both of our banks were certified as Excellent Enterprises of Health and Productivity Management 2020 (White 500) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program conducted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. This was the third consecutive year that Daishi Bank received the certification, and the first for Hokuetsu Bank.

^{*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.



Platinum Kurumin logo



Eruboshi Accreditation III certification logo



2020
健康経営優良法人
Health and productivity
ホワイト500

Excellent Enterprises of Health and Productivity Management 2020 (White 500) logo



Afforestation Activities



In order to maintain green and abundant forests in the region into the future, our banks participate in forest preservation activities.

In addition to the Daishi-no-Mori (Daishi Forest) project in Agamachi, Higashikanbara-gun, Niigata Prefecture that we have been involved with since fiscal 2009, we have been working on

afforestation activities at Araiama Forest Park in Tainai, Niigata Prefecture since fiscal 2017.

In October 2019, a total of 407 of our financial group executives, employees, and their family members participated in Daishi Hokuetsu Afforestation Activities, planting 500 broadleaf trees.

As of March 31, 2020
Afforestation activity participants
3,470
 (cumulative since FY2009)

As of March 31, 2020
Tree planting statistics in Araiama Forest Park

Number of participants	Seedlings planted	Planting area
1,580	1,500	1.5 ha

(Cumulative since FY2017)



Afforestation Activities

Volunteer Activities by the Hokugin Magokoro Association



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

Starting in fiscal 2019, Daishi Bank executives and employees have also joined

volunteer activities being performed in various locations, such as protecting the crested ibis and the togeso which are endangered species in Niigata Prefecture, and environmental protection of the rice terraces in the Mitsuyama District of Tokamachi. In total 139 officers, employees, and related family members from the two banks have participated.

As of March 31, 2020
Volunteer activities by the Hokugin Magokoro Association

Number of activities performed	Number of participants
49	857

(cumulative since FY2012)



Volunteer activities by the Hokugin Magokoro Association

Protecting the Crested Ibis



Hokuetsu Bank designated internationally protected bird the crested ibis, the Niigata Prefectural bird, as its official bank bird starting in 1967. From 1968, Hokuetsu Bank started the Crested Ibis Protection Fund as an activity to protect and raise crested ibis birds. During the 52 years since then, the bank has been combining funds raised from bank employees with its own donations and giving these to Niigata Prefecture. Donations

have been made jointly with Daishi Bank starting in fiscal 2019.

Hokuetsu Bank is also selling investment trust instruments called the Crested Ibis Aid Fund and the Crested Ibis Chick Raising Aid Fund, and has been donating a portion of the trust fee income to the Niigata Prefecture Crested Ibis Protection Fund over the past 10 years since fiscal 2010.

As of March 31, 2020
Crested Ibis Protection Fund
Total donations
¥36,479thousand
(Cumulative since FY1968)

As of March 31, 2020
Niigata Prefecture Crested Ibis Protection Fund
Total donations
¥21,616thousand
(Cumulative since FY2010)



Crested Ibis Protection Fund donation ceremony



Niigata Prefecture Crested Ibis Protection Fund donation ceremony

Nature Preservation Activities

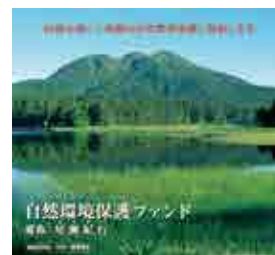


Daishi Bank works together with Daishi Hokuetsu Securities and Asset Management One to sell Natural Environment Preservation Fund (nicknamed Oze Travelogue) investment trust instruments, and over 13 years since fiscal 2007 has been donating a portion of the trust fee income to the Oze Preservation Foundation.

As of March 31, 2020
Total donations
¥17,289thousand
(Cumulative since FY2007)



Ceremony for donation to Oze Preservation Foundation



Natural Environment Preservation Fund investment trust

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, 2020, 43 of these ATMs have been installed at 20 locations in Niigata Prefecture.

Carbon offset results as of March 31, 2020
287 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.

Going Paperless (Item Keeping Management System)



Daishi Bank introduced the Item Keeping Management System in June 2019, which was then introduced at Hokuetsu Bank two months later.

Using this system, when bank employees accept items from customers they use a tablet to register the items and get signatures (electronic signature) from the customers. In addition to

preventing clerical errors and improving work efficiency when accepting items from customers, the system also helps reduce CO₂ emissions by going paperless.

As of March 31, 2020
Volume of CO₂ reduction through the Item Keeping Management System
0.8t
(Compared to FY2018)

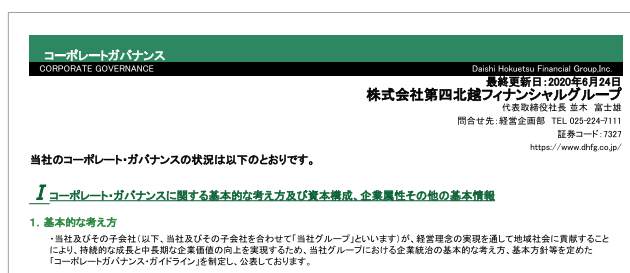
Corporate Governance

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.

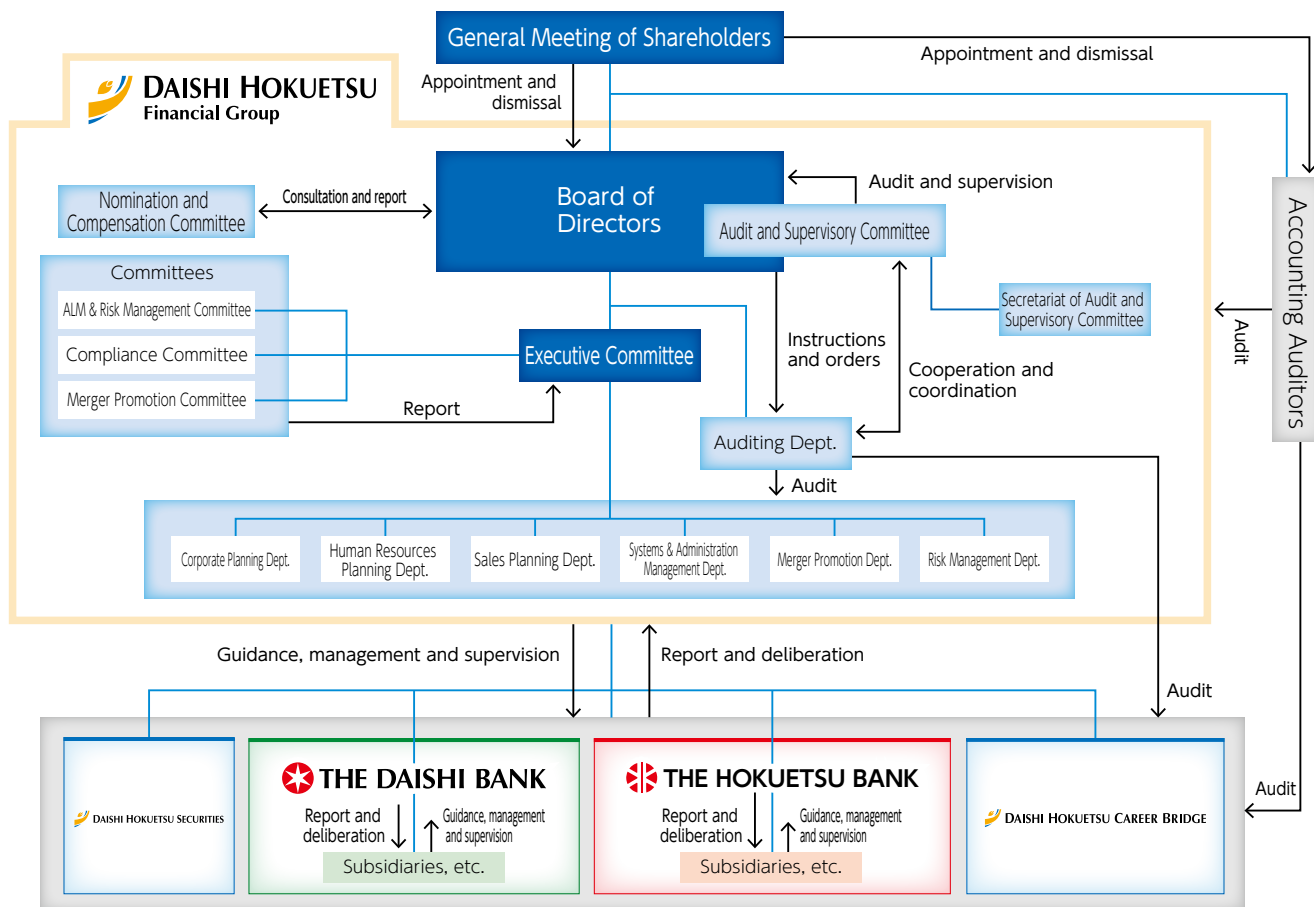
● Executive Committee

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

Analyzing and Evaluating the Effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of our Board of Directors, including its composition and the state of its activities and operations, to ensure its effectiveness while strengthening its function. During the fiscal year ended March 2020 all of our directors completed self-evaluations in survey format. After compiling the results, we performed an analysis and evaluation at the meeting of the Board of Directors in April 2020. The results of the analysis and evaluation at the Board of Directors meeting in April 2020 affirmed that the Board of Directors had functioned effectively in the fiscal year ended March 2020, which included proper advice and oversight regularly provided by outside directors based on their own knowledge.

Accordance with Japan's Stewardship Code

Through partnership with the Tsubasa Alliance, the corporate pension funds of both of our banks expressed their accordance with the Principles for Responsible Institutional Investors (Japan's Stewardship Code)* in September 2019. The aim of the stewardship code is to engage in dialogue with investment target companies through the asset management institutions in order to promote the sustainable growth of these companies and increase their corporate value, while also increasing their medium to long-term investment returns.



* The Principles for Responsible Institutional Investors (Japan's Stewardship Code) is a set of guidelines for the behavior of institutional investors, released by Japan's Financial Services Agency in 2014. Bolstering the stewardship of our corporate pension funds as investors is expected to lead to stronger corporate governance for the parent organization, help employees steadily build assets, and have a positive impact on the financial position of our company.

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

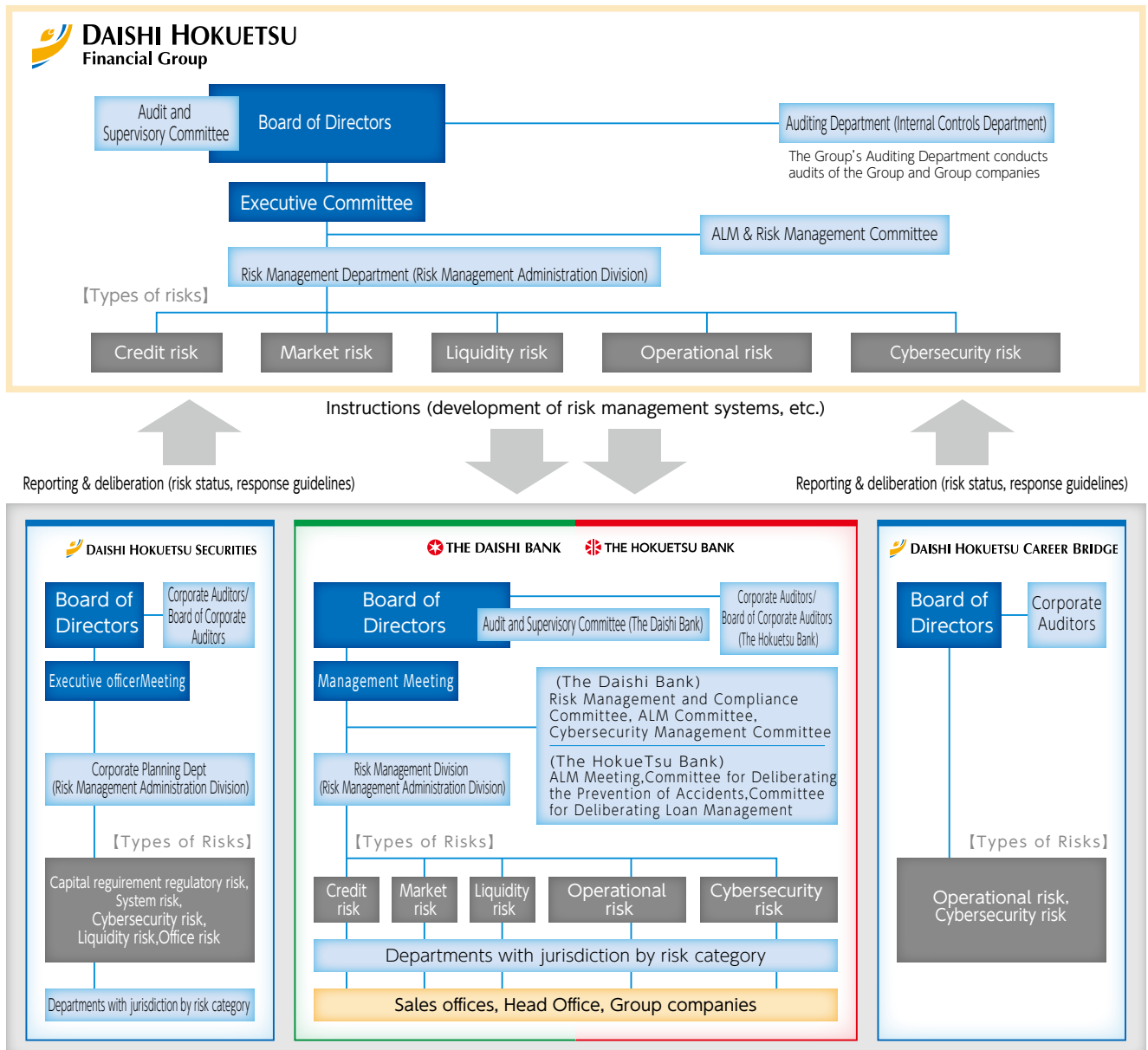
The Group's basic policy of risk management is to stably secure profits corresponding to risk and plan the appropriate distribution of management resources, as well as to construct a system of mutual checks and balances for the various risks faced by the Group. This is possible by accurately recognizing 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. Full-time members of the Audit and Supervisory Committee attend meetings of this committee in order to provide

appropriate advice and recommendations. 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 Both Banks, 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 Both Banks. 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.

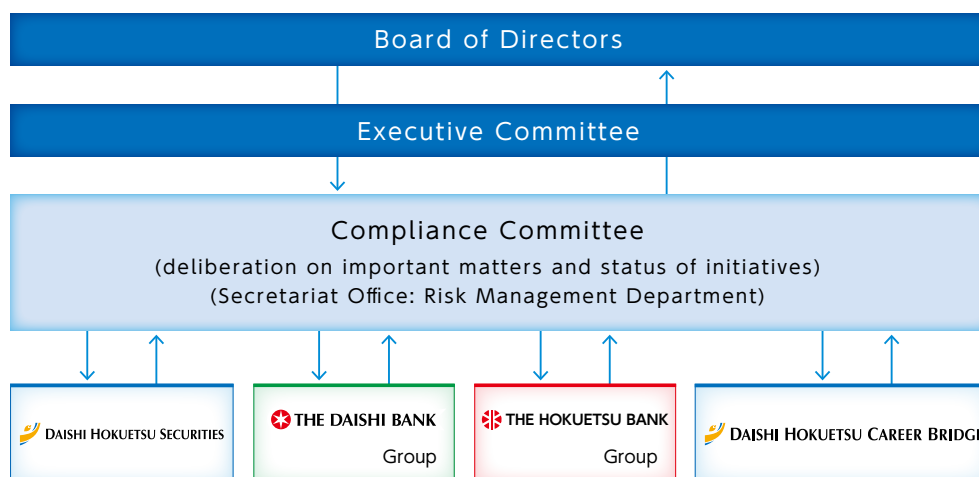
Basic Policy

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 24, 2020)

	Chairman and Representative Director Katsuya Sato		President and Representative Director Fujio Namiki
	Director Satoshi Hasegawa		Director Kazuyoshi Hirokawa
	Director Takuya Watanabe		Director Makoto Takahashi
	Director Michiro Ueguri		Director Ken Shibata
	Director (Audit and Supervisory Committee Member) Yutaka Kimura		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 24, 2020)

President and CEO (Officer)		Fujio Namiki
Deputy President (Officer)		Satoshi Hasegawa
Senior Managing Director (Officer)		Takuya Watanabe
Managing Director		Michiro Ueguri
Managing Director	General Manager of Planning Coordination Division	Ken Shibata
Managing Director	General Manager of Head Office Business Division General Manager of Niigata Airport Office	Takayoshi Tanaka
Managing Director	General Manager of Regional Revitalization Headquarters General Manager of Business Headquarters	Toshiyuki Maki
Director and Executive Officer	General Manager of Operation Administration Division	Toshiyuki Kobayashi
Director	Audit and Supervisory Committee Member	Takayoshi Konomura
Director (outside)	Audit and Supervisory Committee Member	Eiichi Tsurui
Director (outside)	Audit and Supervisory Committee Member	Katsuaki Fujikura
Executive Officer	General Manager of Tokyo Office	Naruhito Hosaka
Executive Officer	General Manager of Nagaoka Main Office	Takehiko Hori
Executive Officer	General Manager of Minami-Niigata Office	Katsutoshi Sakai
Executive Officer	General Manager of Takada Main Office General Manager of Honcho Office	Nobuaki Takahashi
Executive Officer	General Manager of Systems Planning Division	Kazuo Kokai
Executive Officer	General Manager of Sanjo Office General Manager of Sanjohigashi Office	Masaki Kagoshima
Executive Officer	General Manager of Personnel Division	Toru Hirota

Directors at The Hokuetsu Bank (as of June 24, 2020)

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	General Manager of Head Office Sales Dept.	Ryuji Takahashi
Director	General 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)		Yoshiharu Izu
Executive Officer	General Manager of Market Sales Dept.	Tadanori Miyakoshi
Executive Officer	General Manager of Sales Supervision Dept.	Takashi Ishizaka

Overview of Group Corporations

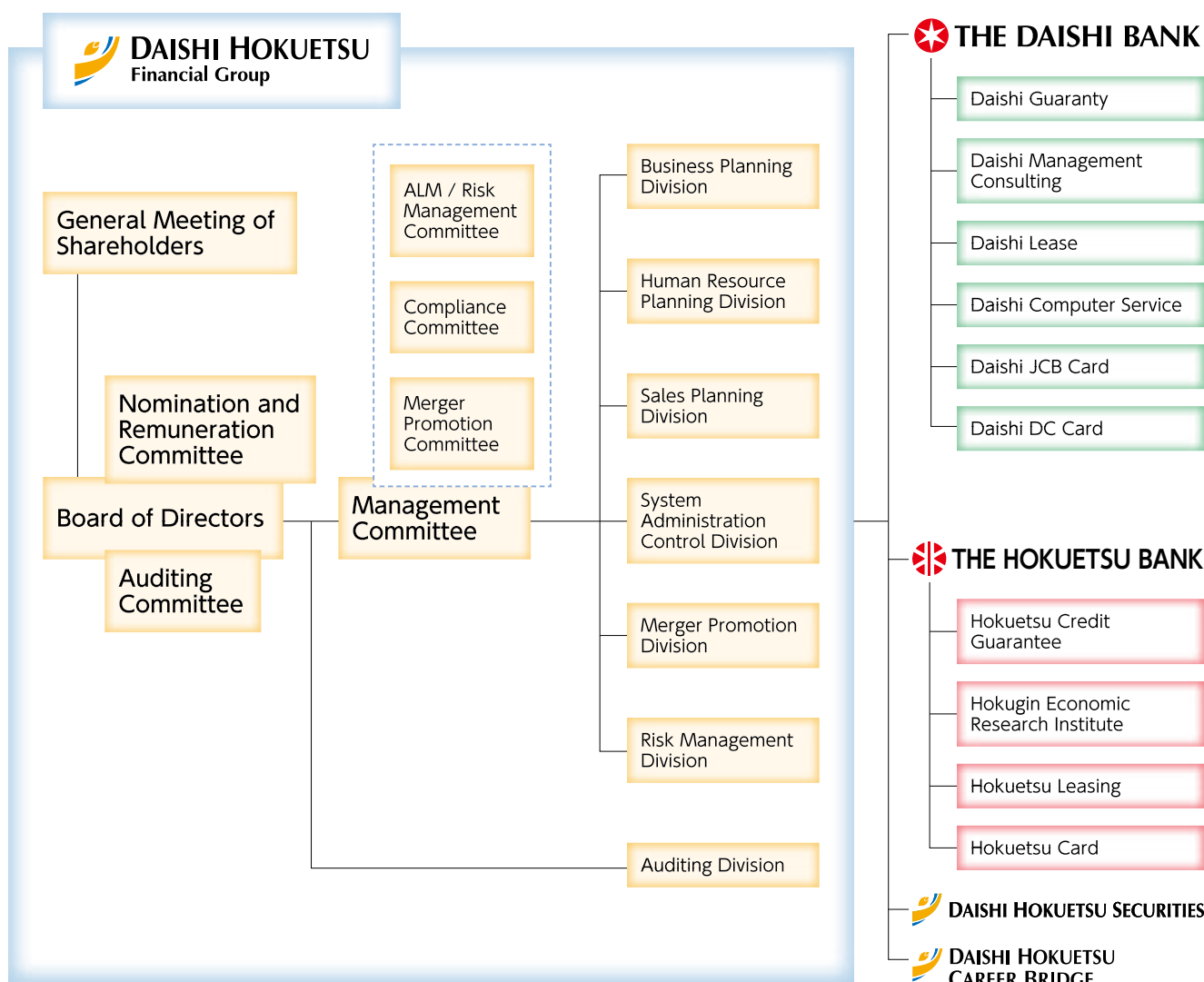
(as of July 1, 2020)

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 Securities Co., Ltd. 8-26 Jonaicho3-chome, Nagaoka-shi	Securities	August 8, 1952	¥600 million	100.0%
Daishi Hokuetsu Career Bridge, Co., Ltd. Hokuetsu Daiichi Bldg., 2nd Floor 2-25 Higashi-odori1-chome, Chuo-ku, Niigata-shi	Comprehensive HR consulting	May 24, 2019	¥30 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 13-23 Miyabara2-chome, 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 2-1 Omotemachi3-chome, 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. 2-10 Akashi2-chome, Chuo-ku, Niigata-shi	Comprehensive leasing services	November 11, 1974	¥100 million	26.0%
The Hokuetsu Leasing Co., Ltd. Hokuetsu Higashi Bldg., 5th Floor 9-20 Kesajiro1-chome, Nagaoka-shi	Comprehensive leasing services	November 1, 1982	¥100 million	100.0%
The Daishi Computer Service Co., Ltd. 1-17 Abumi1-chome, 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 9-20 Kesajiro1-chome, 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, 2020)



Major stockholders (10 largest)

(As of March31,2020)

株主名	Number of Share	Percent
1 Japan Trustee Services Bank, Ltd. (Trust Account)	2,744 (Thousand)	6.01 %
2 The Master Trust Bank of Japan ,Ltd. (Trust Account)	2,204	4.83
3 Meiji Yasuda Life Insurance Company	1,624	3.55
4 Nippon Life Insurance Company	1,156	2.53
5 DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank N.A.,Tokyo Branch)	892	1.95
6 Tohoku Electric Power Co., Inc.	852	1.86
7 Daishi Bank Employee' s stockholdings	808	1.77
8 Sompo Japan Nipponkoa Insurance Inc.	803	1.76
9 Daido Life Insurance Company	705	1.54
10 Japan Trustee Services Bank , Ltd. (Trust Account 5)	695	1.52

Financial Data

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Consolidated Balance Sheet

Years ended March 31, 2020

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US \$1.

Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Cash and due from banks	¥1,108,007	¥1,236,293	\$11,359,855
Call loans and bills bought	3,773	4,788	44,000
Monetary claims bought	17,414	13,288	122,100
Trading account securities	3,911	3,181	29,237
Securities	2,496,047	2,326,206	21,374,678
Loans and bills discounted	5,065,891	5,083,319	46,708,806
Foreign exchanges	19,661	20,472	188,111
Other assets	160,157	189,980	1,745,666
Tangible fixed assets	54,167	56,534	519,472
Intangible fixed assets	14,220	17,222	158,250
Asset for retirement benefits	3,387	2,697	24,790
Deferred tax assets	5,012	16,379	150,502
Customers' liabilities for acceptances and guarantees	19,108	19,178	176,225
Allowance for loan losses	(20,538)	(23,104)	(212,302)
Total Assets	¥8,950,224	¥8,966,437	\$82,389,395
Liabilities	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Deposits	¥7,177,466	¥7,373,174	\$67,749,465
Negotiable certificates of deposit	279,430	252,208	2,317,456
Call money and bills sold	4,994	2,176	20,000
Payables under repurchase agreements	110,272	72,437	665,606
Payables under securities lending transactions	403,529	326,131	2,996,705
Borrowed money	433,879	399,232	3,668,400
Foreign exchanges	755	289	2,661
Borrowed money from trust account	—	126	1,157
Other liabilities	66,079	91,860	844,075
Provision for bonuses	2,290	2,331	21,425
Provision for directors' bonuses	116	130	1,194
Provision for retirement benefits	7,852	8,945	82,195
Provision for directors' retirement benefits	41	39	360
Provision for reimbursement of deposits	2,989	2,418	22,219
Provision for system cancellation losses	457	412	3,789
Provision for contingent loss	1,131	1,265	11,627
Reserves under the special laws	11	11	107
Deferred tax liabilities	5,504	2,377	21,849
Deferred tax liabilities for land revaluation	5,239	5,236	48,114
Acceptances and guarantees	19,108	19,178	176,225
Total Liabilities	¥8,521,150	¥8,559,984	\$78,654,639

■ Net Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Capital stock	¥30,000	¥30,000	\$275,659
Capital surplus	87,667	87,670	805,576
Retained earnings	258,756	266,161	2,445,665
Treasury stock	(1,336)	(1,023)	(9,402)
Shareholders' equity	375,088	382,809	3,517,498
Valuation difference on available-for-sale securities	41,032	20,596	189,258
Deferred gains or losses on hedges	(5,657)	(14,856)	(136,510)
Revaluation reserve for land	6,424	6,417	58,967
Remeasurements of defined benefit plans	(5,505)	(6,850)	(62,949)
Accumulated other comprehensive income	36,292	5,307	48,766
Subscription rights to shares	637	767	7,053
Non-controlling interests	17,054	17,569	161,438
Total Net assets	429,073	406,453	3,734,756
Total Liabilities and Net assets	¥8,950,224	¥8,966,437	\$82,389,395

Consolidated Statements of Income

Years ended March 31, 2020

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Ordinary Income	¥118,007	¥154,698	\$1,421,466
Interest income	58,956	67,938	624,259
Interest on loans and discounts	38,713	47,170	433,429
Interest and dividends on securities	19,669	20,134	185,008
Interest on call loans and bills bought	4	8	80
Interest on receivables under resale agreements	(6)	(13)	(125)
Interest on deposits with banks	226	237	2,183
Other interest income	349	400	3,682
Trust Fees	—	1	12
Fees and commissions	24,535	28,292	259,971
Other ordinary income	25,385	40,271	370,043
Other income	9,130	18,194	167,179
Ordinary Expenses	101,301	135,288	1,243,113
Interest expenses	6,454	5,939	54,571
Interest on deposits	946	1,002	9,209
Interest on negotiable certificates of deposit	35	36	334
Interest on call money and bills sold	38	55	513
Interest on bills sold	686	391	3,599
Interest on payables under securities lending transactions	2,617	1,921	17,660
Interest on borrowings and rediscounts	151	113	1,043
Other interest expenses	1,979	2,417	22,211
Fees and commissions payments	6,752	8,654	79,518
Other ordinary expenses	21,214	33,478	307,620
General and administrative expenses	57,301	69,863	641,954
Other expenses	9,578	17,352	159,448
Ordinary profit	16,706	19,410	178,352
Extraordinary income	47,208	240	2,208
Gain on disposal of noncurrent assets	0	240	2,208
Gain on bargain purchase	47,207	—	—
Extraordinary loss	2,472	108	995
Loss on disposal of noncurrent assets	131	74	687
Impairment loss	2,248	33	307
Transfer to reserve for system cancellation losses	92	—	—
Income before income taxes	61,441	19,542	179,566
Income taxes-current	6,988	6,988	64,218
Income taxes-deferred	(3,121)	(992)	(9,122)
Net income	57,574	13,546	124,470
Profit attributable to non-controlling interests	729	670	6,162
Profit attributable to owners of parent	¥56,844	¥12,875	\$118,307

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Net Income	¥57,574	¥13,546	\$124,470
Other Comprehensive Income	(20,221)	(31,124)	(285,990)
Valuation difference on available-for-sale securities	(10,104)	(20,580)	(189,106)
Deferred gains or losses on hedges	(5,276)	(9,198)	(84,524)
Remeasurements of defined benefit plans, net of tax	(4,839)	(1,344)	(12,358)
Comprehensive income	37,353	(17,578)	(161,519)
(Comprehensive income attributable to)			
Comprehensive income attributable to equities of parent	36,634	(18,103)	(166,347)
Comprehensive income attributable to non-controlling interests	719	525	4,828

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

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31, 2019	¥30,000	¥87,667	¥258,756	¥(1,336)	¥375,088
Changes of items during the period					
Dividends from surplus			(5,476)		(5,476)
Profit attributable to owners of parent			12,875		12,875
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		2		317	320
Reversal of revaluation reserve for land			6		6
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	7,405	312	7,721
Balance at March 31, 2020	¥30,000	¥87,670	¥266,161	¥(1,023)	¥382,809

	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, 2019	¥41,032	¥(5,657)	¥6,424	¥(5,505)	¥36,292	¥637	¥17,054	¥429,073
Changes of items during the period								
Dividends from surplus								(5,476)
Profit attributable to owners of parent								12,875
Purchase of treasury stock								(5)
Disposal of treasury stock								320
Reversal of revaluation reserve for land								6
Net changes of items other than shareholders' equity	(20,435)	(9,198)	(6)	(1,344)	(30,985)	129	514	(30,341)
Total changes of items during period	(20,435)	(9,198)	(6)	(1,344)	(30,985)	129	514	(22,619)
Balance at March 31, 2020	¥20,596	¥(14,856)	¥6,417	¥(6,850)	¥5,307	¥767	¥17,569	¥406,453

Years ended March 31 , 2020

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at March 31,2019	\$275,659	\$805,548	\$2,377,619	\$(12,276)	\$3,446,551
Changes of items during the period					
Dividends from surplus			(50,323)		(50,323)
Profit attributable to owners of parent			118,307		118,307
Purchase of treasury stock				(46)	(46)
Disposal of treasury stock		27		2,921	2,948
Reversal of revaluation reserve for land			61		61
Net changes of items other than shareholders' equity					
Total changes of items during period	—	27	68,045	2,874	70,947
Balance at March 31,2020	\$275,659	\$805,576	\$2,445,665	\$(9,402)	\$3,517,498

	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 31,2019	\$377,030	\$(51,985)	\$59,029	\$(50,590)	\$333,483	\$5,860	\$156,708	\$3,942,602
Changes of items during the period								
Dividends from surplus								(50,323)
Profit attributable to owners of parent								118,307
Purchase of treasury stock								(46)
Disposal of treasury stock								2,948
Reversal of revaluation reserve for land								61
Net changes of items other than shareholders' equity	(187,772)	(84,524)	(61)	(12,358)	(284,717)	1,193	4,730	(278,793)
Total changes of items during period	(187,772)	(84,524)	(61)	(12,358)	(284,717)	1,193	4,730	(207,845)
Balance at March 31,2020	\$189,258	\$(136,510)	\$58,967	\$(62,949)	\$48,766	\$7,053	\$161,438	\$3,734,756

Consolidated Statement of Cash Flows

Years ended March 31, 2020

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Net cash provided by (used in) operating activities:			
Income before income taxes	¥61,441	¥19,542	\$179,566
Depreciation and amortization	4,270	5,393	49,561
Impairment loss	2,248	33	307
Gain on bargain purchase	(47,207)	—	—
Increase (decrease) in allowance for loan losses	2,353	2,566	23,580
Increase (decrease) in provision for contingent loss	(204)	134	1,234
Increase (decrease) in provision for bonuses	115	41	377
Increase (decrease) in provision for directors' bonuses	15	13	123
Increase (decrease) in provision for retirement benefits	94	689	6,333
Increase (decrease) in provision for retirement liability	335	1,092	10,040
Increase (decrease) in provision for directors' retirement benefits	(2)	(2)	(20)
Increase (decrease) in provision for reimbursement of deposits	312	(571)	(5,253)
Increase (decrease) in provision for system cancellation losses	92	(45)	(415)
Financing income	(58,956)	(67,938)	(624,259)
Financing expenses	6,454	5,939	54,571
Loss (gain) related to securities	(2,224)	(3,570)	(32,806)
Loss (gain) on investments in money held in trust	18	3	31
Foreign exchange losses (gains)	(5)	(1)	(11)
Loss (gain) on disposal of noncurrent assets	130	(165)	(1,520)
Net decrease (increase) in trading account securities	(574)	730	6,708
Net decrease (increase) in loans and bills discounted	(122,750)	(17,427)	(160,136)
Net increase (decrease) in deposit	49,680	195,707	1,798,290
Net increase (decrease) in negotiable certificates of deposit	(16,867)	(27,221)	(250,132)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	76,723	(34,647)	(318,362)
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	1,551	320	2,948
Net decrease (increase) in call loans	(5,875)	3,111	28,594
Net increase (decrease) in call money	7,890	(40,652)	(373,536)
Net increase (decrease) in payables under securities lending transactions	(11,989)	(77,397)	(711,179)
Net decrease (increase) in foreign exchanges-assets	(5,470)	(810)	(7,445)
Net increase (decrease) in foreign exchanges-liabilities	285	(465)	(4,279)
Net increase (decrease) in borrowed money from trust account	—	126	1,157
Revenue for finance	59,883	72,369	664,981
Payments for finance	(6,069)	(6,285)	(57,750)
Other, net	(5,278)	315	2,898
sub-total	(9,577)	30,929	284,196
Income taxes paid	(7,454)	(8,045)	(73,924)
Net cash provided by (used in) operating activities	¥(17,032)	¥22,883	\$210,271
Net cash provided by (used in) investment activities:			
Purchase of securities	(631,225)	(991,579)	(9,111,274)
Proceeds from sales of securities	525,926	789,399	7,253,508
Proceeds from redemption of securities	258,549	323,840	2,975,650
Purchase of increase in money trust	—	(2,000)	(18,377)
Proceeds from decrease in money trust	1,984	1,996	18,343
Purchase of property, plant and equipment	(1,484)	(4,596)	(42,233)
Proceeds from sales of property, plant and equipment	96	74	683
Purchase of intangible assets	(3,138)	(6,063)	(55,719)
Net cash provided by (used in) investment activities:	¥150,708	¥111,069	\$1,020,582
Net cash provided by (used in) financing activities:			
Cash dividends paid	(3,772)	(5,476)	(50,323)
Dividends paid to non-controlling interests	(10)	(10)	(97)
Purchase of treasury stock	(1,016)	(5)	(46)
Proceeds from sales of treasury stock	248	143	1,322
Net cash provided by (used in) financing activities	¥(4,549)	¥(5,348)	(49,145)
Effect of exchange rate change on cash and cash equivalents	5	1	11
Net increase (decrease) in cash and cash equivalents	129,133	128,606	1,181,720
Cash and cash equivalents at beginning of the year	773,856	1,105,851	10,161,273
Increase in cash and cash equivalents due to share transfer	202,862	—	—
Cash and cash equivalents at the end of the year	¥1,105,851	¥1,234,458	\$11,342,994

**Notes (From April 1, 2019 to March 31, 2020)
(Basic items that form the foundation for preparation
of consolidated financial results)**

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries: 14 companies

Company names:

The Daishi Bank, Ltd., The Hokuetsu Bank, Ltd., The Daishi Hokuetsu Career Bridge Co., Ltd., The Daishi Hokuetsu Securities Co., 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., Hokuetsu Leasing Co., Ltd., The Hokuetsu Credit Guarantee Co., Ltd., The Hokuetsu Card Co., Ltd., The Hokugin Economic Research Institute.

(Note) On October 1, 2019, the trade name of Daishi Securities Co., Ltd. was changed to Daishi Hokuetsu Securities Co., Ltd.

(Change of scope of consolidation) Daishi Hokuetsu Career Bridge Co., Ltd. was established on May 24, 2019, and is therefore included in the scope of consolidation starting this consolidated fiscal year.

(2) Non-consolidated subsidiaries: 3 companies

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: 3 companies

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: 14 companies

4. Matters related to accounting policies

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

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

(2) Valuation criterion and valuation method for 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 were mainly recorded based on predictions of anticipated losses over the next one year or anticipated losses over the next three years. Amounts of anticipated losses were calculated by determining the loss rate based on average values of bad debt ratio over a set period of time in the past, according to actual bad debt over one or three years, then adding the necessary corrections for future predictions and other factors.

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 ¥11,045 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.

(Additional information)

The COVID-19 pandemic is a phenomenon with broad repercussions on economics and corporate business activities. We expect these repercussions to last for a certain amount of

time into the future. Although there will be some impact from the temporary worsening of credit circumstances resulting from the contraction in economic activities, it is also feasible to assume that economic measures to counter this impact will also have some effect against the worsening of credit. Based on this assumption, we will not be making any changes to our method of estimating allowances for loan losses at the end of this consolidated fiscal year.

However, there are many uncertainties about the future of this pandemic and the timing of when it will subside. It is possible that our consolidated financial statements next fiscal year and onward could also be impacted by additional losses.

- (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.

(Yet to be applied accounting standards, etc.)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 March 31, 2020)

(1) Overview

The Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement (collectively "Accounting Standard for Fair Value Measurement, etc.") were developed in order to improve comparability with the stipulations of international accounting standards, and guidance on methods for measuring fair value

was defined. The Accounting Standard for Fair Value Measurement, etc. applies to the fair value of the following items.

- Financial instruments specified in Accounting Standard for Financial Instruments

The Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised and items of note were added, such as breakdowns of each level of fair value for financial instruments.

- (2) Scheduled date of application

Scheduled to apply starting at the beginning of the fiscal year ending March 2022.

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

At the time of creating these consolidated financial statements we are assessing the financial amount of this impact.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24 March 31, 2020)

- (1) Overview

The purpose is to present an overview of the principles and procedures for the accounting process chosen for cases in which the stipulations of related accounting standards are unclear.

- (2) Scheduled date of application

Scheduled to apply starting at the end of the fiscal year ending March 2021.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 March 31, 2020)

- (1) Overview

The purpose is to disclose information that helps those who use our financial statements to understand details about the items among the accounting estimates recorded in our financial statements this fiscal year which involve risk that will have a significant impact on our financial statements the following fiscal year.

- (2) Scheduled date of application

Scheduled to apply starting at the end of the fiscal year ending March 2021.

(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.

Please note that this trust terminated on October 29, 2019.

- (2) Shares of the company held by the trust

We recorded held shares of the company remaining in the trust as treasury shares in the net assets section of the statements according to their book value in the trust (excluding the amount of incidental expenses). However, since we sold all the treasury shares held by the trust during this consolidated fiscal year, there are no shares in the trust at the end of the fiscal year.

- (3) Book value of payables recorded by application of gross price method

There was no book value of payables recorded by application of gross price method at the end of this consolidated fiscal year.

(Consolidated Balance Sheet related)

1. Total amount of shares or contribution in non-consolidated subsidiaries and affiliated companies:

Contribution: ¥471 million

2. The amount of bankrupt debtor claims and overdue claims in loans are as follows:

Bankrupt debtor claims ¥2,445 million

Overdue claims ¥68,887 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 unrecruited 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.

3. The amount of loans overdue for three (3) months or longer is as follows:

Loans overdue for three (3) months or longer ¥684 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.

4. Of the loans, those with relieved loan conditions are as follows:

Loans with relieved loan conditions: ¥3,868 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.

5. 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: ¥75,886 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: ¥19,042 million

7. Assets provided as security are as follows:

Assets provided as security

Securities ¥762,274 million

Loans ¥137,383 million

Other assets ¥31 million

Total ¥899,689 million

Liabilities corresponding to security assets

Deposits ¥68,232 million

Payable under repurchase agreements ¥72,437 million

Payables under securities lending transactions ¥326,131 million

Borrowed money ¥390,359 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	¥1,169 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	¥33,324 million
Central clearing organization security deposits	¥50,000 million
Guarantees	¥1,411 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	¥1,729,863 million
Of which the original term of loan is within 1 year or can be cancelled unconditionally at any time	¥1,650,474 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:

¥13,252 million

10. Aggregate amount of depreciation of tangible fixed assets
Aggregate amount of depreciation ¥82,909 million

11. Amount of compressed entry of tangible fixed assets
Amount of compressed entry ¥8,110 million
(Amount of compressed entry in current consolidated fiscal year) (¥63 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".
¥138,550 million

13. Trust principal with principal compensation agreement
Money in trust ¥126 million

(Consolidated Statements of Income Related)

1. The following is included in Other ordinary income.

Gain on sales of stocks and other securities ¥15,408 million

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

Salaries and allowances	¥31,895 million
Retirement benefit costs	¥1,747 million

3. The following are included in Other expenses.

Written-off of loans	¥2,009 million
Loss on sales of stocks and other securities	¥6,580 million
Loss on devaluation of stocks and other securities	¥2,151 million

4. Impairment loss have been recorded for the following asset groups.

This information is omitted because it lacks materiality.

(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	(24,057)
Recycling	(5,415)
Before tax effect adjustment	(29,473)
Tax effect amount	8,892
Valuation difference on available-for-sale securities	(20,580)
Deferred gains or losses on hedges	
Incurred cost for this term	(17,565)
Recycling	4,348
Before tax effect adjustment	(13,216)
Tax effect amount	4,018
Deferred gains or losses on hedges	(9,198)
Remeasurements of defined benefit plans(net of tax)	
Incurred cost for this term	(2,636)
Recycling	703
Before tax effect adjustment	(1,933)
Tax effect amount	588
Remeasurements of defined benefit plans(net of tax)	(1,344)
Total Other comprehensive income	(31,124)

(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	45,942	—	—	45,942	
Total	45,942	—	—	45,942	
Treasury stocks					
Ordinary shares	356	1	60	297	(Note) 1, 2
Total	356	1	60	297	

(Note) 1. 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.

2. The breakdown of increase in the number of ordinary shares of Treasury stocks is as follows.

Increase by purchase request of fractional unit shares 1 thousand shares

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

Transfer by exercise of stock option rights 10 thousand shares

Decrease by sales of Company shares by Employee stock trust 47 thousand shares

Decrease by purchase request of fractional unit shares 2 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	-				767		
Total		-				767		

3. Matters related to dividends

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

(Resolution)	Type of shares	Total amount of dividends (¥ million) (Note)	Dividend per share (¥)	Reference date	Effective date
Board of directors, May 10, 2019	Ordinary shares	2,738	60.00	March 31, 2019	June 3, 2019
Board of Directors, November 8, 2019	Ordinary shares	2,739	60.00	September 30, 2019	December 2, 2019

(Note) The total amount of dividends includes dividends for Employee stock trust (¥2 million from the Board of Directors Meeting on May 10, 2019. ¥0 million from the Board of Directors Meeting on November 8, 2019).

(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 15, 2020	Ordinary shares	2,738	Retained earnings	60.00	March 31, 2020	June 1, 2020

(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	¥1,236,293 million
Deposits (excluding Bank of Japan deposit)	(¥1,834 million)
Cash and cash equivalents	¥1,234,458 million

(Note: Figures indicated in parenthesis are negative values)

(Lease transaction related)

Operating lease transactions

<Borrower side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	80
Exceeding one (1) year	177
Total	257

<Lender side>

Unearned lease fees concerning irrevocable operating lease transactions

(Unit: ¥ million)

One (1) year or less	200
Exceeding one (1) year	355
Total	555

(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 ¥34,840 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 ¥31,531 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	1,236,293	1,236,293	—
(2) Securities			
Trading account securities	1	1	—
Held for ownership until maturity	59,934	60,658	724
Other securities	2,257,248	2,257,248	—
(3) Loans and bills discounted	5,083,319		
Allowances for loan losses (*2)	(21,927)		
	5,061,391	5,102,582	41,190
Total Assets	8,614,868	8,656,783	41,915
(1) Deposits	7,373,174	7,373,306	(132)
(2) Negotiable certificates of deposit	252,208	252,209	(0)
(3) Payables under securities lending transactions	326,131	326,131	—
(4) Borrowed money	399,232	399,235	(3)
Total Liabilities	8,350,746	8,350,882	(136)
Derivative transactions (*3)			
Hedge accounting not applied	2,174	2,174	—
Hedge accounting applied	(21,194)	(21,217)	(23)
Total derivative transactions	(19,019)	(19,043)	(23)

(*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 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.

(4) 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, 2020
(i) Non-listed stock (*1) (*2)	4,473
(ii) Investment in capital of partnerships, etc. (*3)	4,642
Total	9,115

(*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	1,166,878	—	—	—	—	—
Securities	273,000	445,553	298,841	219,974	576,086	293,142
Bonds to be held to maturity	32,353	26,110	150	—	1,300	—
Government bonds	32,000	26,000	—	—	—	—
Corporate bonds	353	110	150	—	1,300	—
Other securities with maturity	240,647	419,442	298,691	219,974	574,786	293,142
Government bonds	97,473	134,907	76,114	24,684	17,146	204,215
Local government bonds	15,343	35,611	47,330	101,354	309,633	13,267
Corporate bonds	46,188	118,579	102,142	18,527	17,379	14,755
Loans and bills discounted (*)	659,883	869,848	804,118	503,322	475,617	1,046,288
Total	2,099,762	1,315,401	1,102,960	723,297	1,051,703	1,339,431

(*) Loans and bills discounted do not include ¥71,333 million in cases in which the scheduled amount of redemption cannot be foreseen nor ¥653,311 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 (*)	6,835,768	479,147	52,776	1,916	3,564	—
Negotiable certificates of deposit	251,808	400	—	—	—	—
Payables under securities lending transaction	326,131	—	—	—	—	—
Borrowed money	127,113	190,807	81,233	58	20	—
Total	7,540,821	670,355	134,009	1,975	3,584	—

(*) 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 (¥19 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	58,020	58,739	718
	Corporate bonds	1,330	1,341	11
	Sub total	59,350	60,080	729
Market value does not exceed amount recorded in consolidated balance sheet	Government bonds	—	—	—
	Corporate bonds	583	578	(5)
	Sub total	583	578	(5)
Total		59,934	60,658	724

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	73,583	39,029	34,554
	Bonds	985,279	970,438	14,840
	Government bonds	471,827	461,155	10,672
	Local government bonds	351,723	348,889	2,833
	Corporate bonds	161,727	160,393	1,333
	Other	467,004	436,422	30,581
	Foreign bonds	373,160	347,096	26,063
	Sub total	1,525,867	1,445,891	79,975
Amount recorded in consolidated balance sheet does not exceed cost of acquisition	Stocks	41,041	53,361	(12,319)
	Bonds	417,856	420,355	(2,498)
	Government bonds	86,831	88,077	(1,245)
	Local government bonds	173,681	174,142	(461)
	Corporate bonds	157,344	158,136	(791)
	Other	272,579	305,523	(32,943)
	Foreign bonds	13,920	14,348	(428)
	Sub total	731,477	779,239	(47,762)
	Total	2,257,345	2,225,131	32,213

 4. Bonds to be held till maturity sold during the current consolidated fiscal year
 No applicable items

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

Type	Fiscal 2019		
	Cost of sale (¥ million)	Amount of sale (¥ million)	Sales profit and loss (¥ million)
Stocks	34,885	9,631	1,837
Bonds	230,815	3,011	497
Government bonds	155,515	2,288	487
Local government bonds	58,750	542	—
Corporate bonds	16,549	180	10
Other	321,274	13,469	9,095
Foreign bonds	177,553	6,044	582
Total	586,975	26,112	11,431

 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 ¥3,168 million (of which, ¥2,150 million is in stock, ¥754 million is in bonds and 263 million is in other).

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	32,213
Other securities	32,213
Other monetary trust	—
Deferred tax liabilities to be deducted	9,813
Valuation difference on available-for-sale securities (before adjustment for equity)	22,399
Non-controlling interest equivalent to be deducted	1,802
Valuation difference on available-for-sale securities	20,596

(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	106,570	101,930	2,483	2,483
	Floating receipt, fixed payment	106,570	101,930	(806)	(806)
	Interest options				
	Short commitment	2,000	—	—	—
	Long commitment	2,001	—	—	(33)
	Total	—	—	1,677	1,643

- (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	10,513	9,994	(4)	(4)
	Forward exchange contract				
	Short commitment	85,961	157	232	232
	Long commitment	56,943	—	267	267
	Currency option				
	Short commitment	303,341	217,480	(2,395)	41,174
	Long commitment	303,337	217,480	2,395	(36,431)
Total	—	—	495	5,238	

- (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	15,510	—	(216)	—
	Long commitment	15,910	—	223	—
Total	—	—	7	—	

- (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	111,140	108,090	(20,584)
Exceptional interest swap processing	Interest swap Fixed receipt, floating payment	Loans and bills discounted	3,000	3,000	(12)
	Floating receipt, fixed payment		8,027	219	(10)
Total		—	—	—	(20,607)

(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	53,847	39,163	(609)
Total		—	—	—	(609)

(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	¥76,691 million
Service costs	¥1,796 million
Interest costs	¥164 million
Actuarial gain or loss amount generated	¥527 million
Amount of retirement benefits paid	(¥3,722 million)
Other	¥81 million
End of term retirement benefit liability balance	¥75,539 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	¥72,925 million
Anticipated operational earnings	¥1,508 million
Actuarial gain or loss amount generated	(¥2,108 million)
Contribution from employers	¥788 million
Amount of retirement benefits paid	(¥3,203 million)
Other	¥81 million
End of term pension assets balance	¥69,991 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	¥699 million
	Retirement benefit costs	¥78 million
	Amount of retirement benefits paid	(¥78 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	¥75,539 million
	Pension assets	(¥69,991 million)
		¥5,547 million
	Retirement benefit liability of non-savings-type scheme	¥699 million
	Net amount of liabilities and assets recorded in the consolidated balance sheet	¥6,247 million
	(Note) Includes schemes where simplified method is adopted.	
	Liabilities related to retirement benefits	¥8,945 million
	Assets related to retirement benefits	(¥2,697 million)
	Net amount of liabilities and assets recorded in the consolidated balance sheet	6,247 million
(5)	Retirement benefit costs and its itemized breakdown	
	Service costs	¥1,796 million
	Interest costs	¥164 million
	Expected operational earnings	(¥1,508 million)
	Actuarial gain or loss processing amount	¥765 million
	Prior service cost processing amount	(¥62 million)
	Retirement benefit costs calculated by the simplified method	¥78 million
	Other	¥126 million
	Retirement benefit cost related to defined benefit plan	¥1,361 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	(¥1,871 million)
	Total	(¥1,933 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	(¥25 million)
	Unrecognized actuarial gain or loss	¥9,880 million
	Total	¥9,854 million
(8)	Matters related to pension assets	
	(i) Ratio for each major classification in total pension assets is as follows:	
	Bonds	33%
	Stocks	33%
	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 22% 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	1.8% to 2.5%
	Expected salary increase rate	6.1% to 6.5%

3. Defined contribution scheme

Amount of required contribution to defined contribution schemes of consolidated subsidiaries for the current consolidated fiscal year is ¥385 million.

(Stock option related)

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

	Fiscal 2019
General and administrative expenses	¥169 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	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 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 28, 2014	July 27, 2015
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 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	Daishi Hokuetsu Financial Group 17th Stock Option
Resolution date	November 9, 2018, Board of Directors, Daishi Hokuetsu Financial Group	June 25, 2019, Board of Directors, Daishi Hokuetsu Financial Group
Classification and numbers of granted persons	8 directors of Daishi Hokuetsu Financial Group, Inc.; 8 directors of Dasishi Bank, Ltd.; 8 executive officers of Daishi Bank Ltd.; 11 directors of Hokuetsu Bank, Ltd.	8 directors of Daishi Hokuetsu Financial Group, Inc.; 10 directors of Dasishi Bank, Ltd.; 6 executive officers of Daishi Bank Ltd.; 9 directors of Hokuetsu Bank, Ltd.; 2 executive officers of Hokuetsu Bank, Ltd.
Number of stock options by type of stock (Note 2)	50,440 ordinary shares of the Company	65,900 ordinary shares of the Company
Grant date (Note 3)	December 7, 2018	July 29, 2019
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	December 8, 2018 to December 7, 2048	July 30, 2019 to July 29, 2049

- (Note) 1. 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.
2. The options have been converted to number of shares.
3. 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 (year ending March 2020) 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	7,400	11,400	16,610	13,450
Granted	—	—	—	—
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	13,540	10,220	21,420	18,050
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	—	—	1,540	1,080
Unfinalized balance	13,540	10,220	19,880	16,970
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	1,540	1,080
Rights exercised	—	—	1,540	1,080
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	1,020	1,885	1,565	3,910
Granted	—	—	—	—
Lapsed	—	—	—	—
Rights finalized	—	—	—	1,130
Unfinalized balance	1,020	1,885	1,565	2,780
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	—	—	—	1,130
Rights exercised	—	—	—	1,130
Lapsed	—	—	—	—
Unexercised balance	—	—	—	—

	Daishi Hokuetsu Financial Group 14th Stock Option	Daishi Hokuetsu Financial Group 15th Stock Option	Daishi Hokuetsu Financial Group 16th Stock Option	Daishi Hokuetsu Financial Group 17th Stock Option
Before rights finalization (shares)				
End of previous consolidated financial year	5,250	6,875	50,440	—
Granted	—	—	—	65,900
Lapsed	—	—	—	—
Rights finalized	1,520	1,360	3,620	—
Unfinalized balance	3,730	5,515	46,820	65,900
After rights finalization (shares)				
End of previous consolidated financial year	—	—	—	—
Rights finalized	1,520	1,360	3,620	—
Rights exercised	1,520	1,360	3,620	—
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 (¥)	—	—	2,756	2,756
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 (¥)	—	—	—	2,756
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	Daishi Hokuetsu Financial Group 17th Stock Option
Rights exercise price (¥)	1	1	1	1
Average share price at time of exercise (¥)	2,756	2,756	2,756	—
Average share price at time of exercise (¥)	1,830	2,394	3,276	2,571

(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 17th Stock Option
Stock price variability (Note 1)	28.66%
Expected remaining period (Note 2)	2.5 years
Expected dividend (Note 3)	¥120/share
No-risk interest rate (Note 4)	(0.208%)

- (Note) 1. Calculations were based on the actual stock prices of our financial group, and of Daishi Bank, Ltd. and Hokuetsu Bank, Ltd. during the 2.5-year expected remaining period (January 27, 2017-July 26, 2019).
2. Estimations were produced by setting this expected remaining period as the expected tenure of directors and executive officers of our financial group, Daishi Bank, Ltd. and Hokuetsu Bank, Ltd.
3. According to expected dividend for the fiscal year ended March 2020.
4. The yield on Japanese government bonds for the expected remaining period.

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	¥8,633 million
Retirement benefit related liabilities	¥7,365 million
Depreciation and amortization	¥2,035 million
Valuable securities amortization	¥1,384 million
Deffered gains or losses on hedges	¥6,380 million
Book value correction for fair market valuation	¥2,862 million
Other	¥7,147 million
Subtotal deferred tax assets	¥35,809 million
Valuation reserve related to future subtraction temporary difference, etc., total	(¥5,096 million)
Subtotal valuation reserve	(¥5,096 million)
Total deferred tax assets	¥30,713 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥9,813 million)
Retirement benefit trust establishment benefit	(¥1,105 million)
Book value correction for fair market valuation	(¥4,194 million)
Other	(¥1,598 million)
Total deferred tax liabilities	(¥16,712 million)
Net amount of deferred tax assets (liabilities)	¥14,001 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

The difference between enacted tax rate and corporate tax rate after tax effect accounting was five percent or less of the enacted tax rate so it is omitted.

(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 14 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.

Fiscal 2019 (April 1, 2019 through March 31, 2020)

(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	128,407	21,368	4,161	153,937	4,269	158,206	(3,508)	154,698
Internal ordinary income between segments	3,914	367	10	4,292	11,381	15,674	(15,674)	—
Total	132,322	21,736	4,171	158,230	15,651	173,881	(19,183)	154,698
Segment profits	20,842	839	1,169	22,852	8,208	31,060	(11,650)	19,410
Segment assets	8,924,449	64,083	19,336	9,007,869	360,830	9,368,699	(402,261)	8,966,437
Segment liabilities	8,545,250	46,387	8,176	8,599,814	22,998	8,622,813	(62,829)	8,559,984
Other items								
Depreciation costs	5,074	262	25	5,362	84	5,447	(53)	5,393
Interest income	71,756	193	183	72,132	6,685	78,818	(10,880)	67,938
Interest expenses	5,897	162	5	6,065	18	6,084	(145)	5,939
Increase in tangible and intangible fixed asset amount	10,237	287	7	10,532	63	10,595	64	10,660

- (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 (¥3,508million) in ordinary income from outside customers includes ordinary income adjustment of (¥3,285 million), accompanying the adoption of the purchase method.
 - (2) The adjustment of segment profit of (¥11,650 million) is from elimination of transactions between segments, etc.
 - (3) The adjustment of segment assets of (¥402,261 million) is from elimination of transactions between segments, etc.
 - (4) The adjustment of segment liabilities of (¥62,829 million) is from elimination of transactions between segments, etc.
 - (5) The adjustment of (¥53 million) in depreciation costs is the amount of adjustment accompanying purchase method, etc. for depreciation related to lease items acquired by contracts with the Leasing segment, in segments other than the Leasing segment.
 - (6) The adjustment of (¥10,880 million) in interest income is for elimination of transactions between segments, etc.
 - (7) The adjustment of (¥145 million) in interest expenses is for elimination of transactions between segments, etc.
 - (8) The adjustment of ¥64 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.

[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.

Fiscal year 2019 (From April 1, 2019 through March 31, 2020)

1. Information by each service

(Unit: ¥ million)

	Loan operations	Securities investment operations	Lease operations	Other	Total
Ordinary income from outside customers	51,368	48,080	21,177	34,071	154,698

(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

Fiscal year 2019 (From April 1, 2019 through March 31, 2020)

This information is omitted because it lacks materiality.

[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]

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

In the segment for banking, etc., 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.

Fiscal year 2019 (From April 1, 2019 through March 31, 2020)

No applicable items

(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)	Debt guarantee (note)	55 (note)	—	—

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

(Note) 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. Shiro Watanabe resigned from his role as auditor of said bank on September 9, 2019, so the transaction amount shown is the amount on the day of his resignation.

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	¥8,502.89
Net income per share for the current term	¥282.17
Net income per share for the current term after adjustment for potential voting	¥280.81

(Note 1) The basis for calculation of net asset per share is as follows:

Total amount of Net assets	¥406,453 million
Amount to be deducted from net assets (of which, rights to subscribe to new shares)	¥18,336 million
(of which, non-controlling shareholder equity)	¥767 million
Net asset amount at end of term concerning ordinary shares	¥17,569 million
Net asset amount at end of term concerning ordinary shares	¥388,116 million
Number of ordinary shares at the end of term used to calculate the amount of net assets per share	45,645 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	¥12,875 million
Net income reverting to parent company shareholders	¥ - million
Amount not reverting to ordinary shareholders	¥12,875 million
Net income reverting to parent company shareholders related to ordinary shares	45,630 thousand shares
Average number of ordinary shares during the term	

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 219 thousand shares

Of which, rights to subscribe to new shares 219 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) 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

12 thousand shares.

(Important subsequent events)

There are no applicable items

Non-Consolidated Balance Sheet

Years ended March 31, 2019 and 2020

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US \$1.

■ Assets	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Cash and due from banks	¥915,086	¥1,117,430	\$10,267,669
Monetary claims bought	17,414	13,288	122,100
Trading account securities	1,971	1,922	17,664
Securities	1,536,394	1,288,308	11,837,806
Loans and bills discounted	3,386,727	3,399,909	31,240,553
Foreign exchanges	11,885	13,771	126,539
Other assets	51,643	49,778	457,394
Tangible fixed assets	39,076	39,857	366,240
Intangible fixed assets	12,543	15,219	139,850
Prepaid pension cost	1,783	1,867	17,155
Deferred tax assets	—	4,994	45,894
Customers' liabilities for acceptances and guarantees	12,373	12,499	114,855
Allowance for loan losses	(10,705)	(11,754)	(108,006)
Total Assets	¥5,976,193	¥5,947,093	\$54,645,720
■ Liabilities			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Deposits	¥4,684,756	¥4,836,011	\$44,436,383
Negotiable certificates of deposit	188,780	171,038	1,571,614
Payables under repurchase agreements	40,736	25,241	231,937
Payables under securities lending transactions	290,289	212,840	1,955,710
Borrowed money	424,329	380,264	3,494,118
Foreign exchanges	459	173	1,593
Borrowed money from trust account	—	126	1,157
Other liabilities	20,522	21,445	197,056
Provision for bonuses	1,247	1,240	11,396
Provision for directors' bonuses	79	81	746
Provision for retirement benefits	729	590	5,425
Provision for reimbursement of deposits	2,367	1,894	17,406
Provision for system cancellation losses	297	268	2,463
Provision for contingent loss	779	888	8,167
Deferred tax liabilities	4,693	—	—
Deferred tax liabilities for land revaluation	5,239	5,236	48,114
Acceptances and guarantees	12,373	12,499	114,855
Total Liabilities	¥5,677,681	¥5,669,841	\$52,098,148
■ Net Assets			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Capital stock	¥32,776	¥32,776	\$301,176
Capital surplus	18,635	18,635	171,237
Retained earnings	206,505	206,033	1,893,166
Treasury stock	257,917	257,446	2,365,580
Valuation difference on available-for-sale securities	34,635	13,919	127,902
Deferred gains or losses on hedges	(466)	(530)	(4,878)
Revaluation reserve for land	6,424	6,417	58,967
Total Valuation and translation adjustments	40,593	19,806	181,991
Total Net assets	298,511	277,252	2,547,571
Total Liabilities and Net assets	¥5,976,193	¥5,947,093	\$54,645,720

Non-Consolidated Statements of Income
 Years ended March 31, 2019 and 2020

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Ordinary Income	¥76,616	¥89,562	\$822,960
Interest income	47,742	46,142	423,985
Interest on loans and discounts	30,022	30,779	282,818
Interest and dividends on securities	17,194	14,812	136,109
Interest on call loans	—	(0)	(1)
Interest on deposits with banks	208	207	1,910
Other interest income	316	342	3,149
Trust fees	—	1	12
Fees and commissions	16,687	15,452	141,984
Other ordinary income	4,253	10,959	100,706
Other income	7,933	17,007	156,272
Ordinary Expenses	60,570	74,872	687,972
Interest expenses	5,241	3,615	33,223
Interest on deposits	746	686	6,306
Interest on negotiable certificates of deposit	27	24	221
Interest on call money	(9)	(7)	(66)
Interest on bills sold	869	656	6,036
Interest on payables under securities lending transactions	1,827	566	5,201
Interest on borrowings and rediscounts	112	74	687
Interest on rate swaps	1,667	1,614	14,833
Other interest expenses	0	0	4
Fees and commissions payments	5,507	5,674	52,137
Other ordinary expenses	3,264	10,559	97,027
General and administrative expenses	42,077	42,786	393,145
Other expenses	4,479	12,236	112,437
Ordinary profit	16,046	14,690	134,987
Extraordinary income	388	0	1
Gain on disposal of noncurrent assets	0	0	1
Gain on reversal of subscription rights to shares	387	—	—
Extraordinary loss	2,653	55	506
Loss on disposal of noncurrent assets	107	42	388
Impairment loss	2,248	12	118
Transfer to reserve for system cancellation losses	297	—	—
Income before income taxes	13,781	14,635	134,482
Income taxes-current	4,335	4,498	41,335
Income taxes-deferred	(893)	(626)	(5,754)
Net income	¥10,339	¥10,763	\$98,900

Non-Consolidated Balance Sheet

Years ended March 31, 2019 and 2020

Note: The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US \$1.

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2019	2020	2020
■ Assets			
Cash and due from banks	¥192,439	¥118,411	\$1,088,039
Call loans	3,773	4,788	44,000
Trading account securities	1,847	1,168	10,732
Securities	957,897	1,030,695	9,470,693
Loans and bills discounted	1,704,795	1,709,563	15,708,570
Foreign exchanges	7,776	6,700	61,571
Other assets	38,094	67,349	618,852
Tangible fixed assets	24,389	25,723	236,363
Intangible fixed assets	1,315	1,643	15,098
Prepaid pension cost	5,604	4,781	43,936
Deferred tax assets	2,829	6,855	62,990
Customers' liabilities for acceptances and guarantees	6,734	6,678	61,369
Allowance for loan losses	(6,020)	(6,899)	(63,398)
Total Assets	¥2,941,479	¥2,977,460	\$27,358,819
■ Liabilities			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Deposits	¥2,510,204	¥2,556,076	\$23,486,878
Negotiable certificates of deposit	104,340	94,910	872,094
Call money	4,994	2,176	20,000
Payables under repurchase agreements	69,535	47,196	433,668
Payables under securities lending transactions	113,239	113,291	1,040,994
Borrowed money	—	10,000	91,886
Foreign exchanges	295	116	1,068
Other liabilities	18,082	40,816	375,048
Provision for bonuses	752	718	6,599
Provision for directors' bonuses	25	25	229
Provision for reimbursement of deposits	622	523	4,812
Provision for system cancellation losses	160	144	1,326
Provision for contingent loss	351	376	3,459
Deferred tax liabilities for land revaluation	2,463	2,462	22,630
Acceptances and guarantees	6,734	6,678	61,369
Total Liabilities	¥2,831,802	¥2,875,513	\$26,422,066
■ Net Assets			
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Capital stock	¥24,538	¥24,538	\$225,471
Capital surplus	16,964	16,964	155,879
Retained earnings	54,198	57,153	525,166
Shareholders' equity	95,700	98,656	906,518
Valuation difference on available-for-sale securities	15,282	13,732	126,182
Deferred gains or losses on hedges	(5,190)	(14,325)	(131,631)
Revaluation reserve for land	3,883	3,883	35,683
Total Valuation and translation adjustments	13,975	3,290	30,235
Total Net assets	109,676	101,946	936,753
Total Liabilities and Net assets	¥2,941,479	¥2,977,460	\$27,358,819

Non-Consolidated Statements of Income
Years ended March 31, 2019 and 2020

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	2019	2020	2020
Ordinary Income	¥40,760	¥43,033	\$395,422
Interest income	25,904	25,610	235,329
Interest on loans and discounts	17,049	16,186	148,734
Interest and dividends on securities	8,786	9,350	85,922
Interest on call loans	(2)	6	56
Interest on receivables under resale agreements	(14)	(13)	(125)
Interest on deposits with banks	32	27	255
Other interest income	52	52	486
Consolidated Statements of Income	7,287	8,271	76,005
Other ordinary income	2,512	5,903	54,249
Other income	5,055	3,247	29,838
Ordinary Expenses	33,235	36,882	338,896
Interest expenses	1,923	2,279	20,944
Interest on deposits	445	316	2,908
Interest on negotiable certificates of deposit	17	13	124
Interest on call money	61	60	554
Interest on bills sold	(350)	(265)	(2,436)
Interest on payables under securities lending transactions	1,232	1,355	12,458
Interest on borrowings and rediscounts	0	0	0
Interest on rate swaps	517	798	7,341
Other interest expenses	(0)	(0)	(6)
Fees and commissions payments	4,264	4,106	37,728
Other ordinary expenses	701	3,905	35,882
General and administrative expenses	22,517	23,054	211,841
Other expenses	3,828	3,536	32,499
Ordinary profit	7,524	6,151	56,525
Extraordinary income	289	1	9
Gain on disposal of noncurrent assets	—	1	9
Gain on system cancellation losses	204	—	—
Gain on reversal of subscription rights to shares	84	—	—
Extraordinary loss	4,264	31	292
Loss on disposal of noncurrent assets	34	26	242
Impairment loss	4,230	5	49
Income before income taxes	3,549	6,120	56,242
Income taxes-current	1,559	920	8,459
Income taxes-deferred	(2,020)	612	5,630
Net income	¥4,009	¥4,587	\$42,152



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



Daishi Hokuetsu FG and Tsubasa alliance has set the SDGs Declaration



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