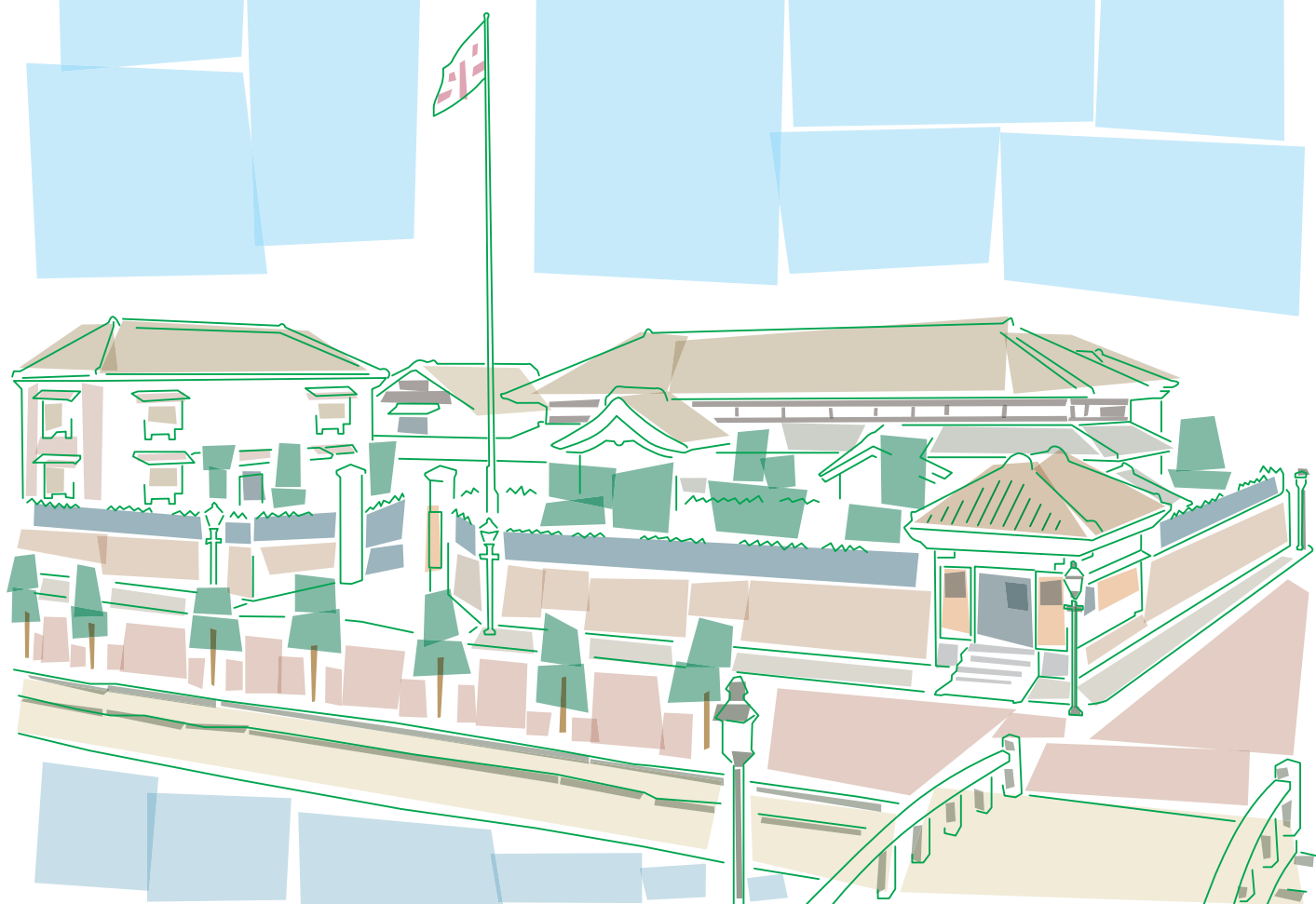


DAISHI REPORT 2018

Year ended March 31, 2018



A complete view of the Head Office at the time of its founding

Niigata, Our Target Market

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

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

Niigata Prefecture, Daishi Bank's target market

Area	12,584 km ²	(5 th of 47 pref.)
Population	2,267 thousands	(15 th of 47 pref.)
GDP	¥8,699 billion	(15 th of 47 pref.)
Gross agricultural output	¥258 billion	(12 th of 47 pref.)
Industrial shipment per capital	¥4,670 billion	(23 th of 47 pref.)
Annual sales	¥6,198 billion	(14 th of 47 pref.)

Profile (Consolidated)

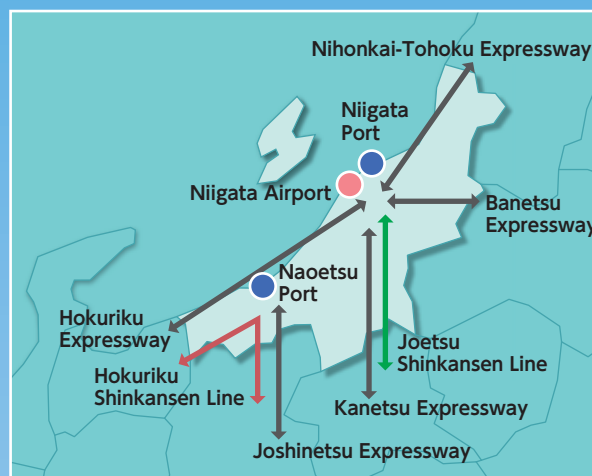
Based in Niigata Prefecture northwest of Tokyo, Daishi Bank is the oldest bank in Japan and the most influential financial institution in the prefecture.

It was founded in 1873 as the Fourth National Bank of Japan.

(As of March 31, 2018)

Head Office	1071-1, Higashiborimae-dori, 7-bancho, Chuo-ku, Niigata, Japan
Founded	November 1873
Deposits	¥4,840 billion
Loans	¥3,246 billion
Total assets	¥5,916 billion
Credit rating	A2 (Moody's)

(As of June 30, 2018)



Advantage of transportation networks

■ Expressways that extend in five directions (Kanetsu, Hokuriku, Joshinetsu, Banetsu and Nihonkai-Tohoku)

■ Joetsu Shinkansen Line
 ■ Hokuriku Shinkansen Line
 ■ Conventional railway line such as the Shinetsu Line Hokuriku Line, and Uetsu Line

■ Niigata Airport
 Domestic routes: 8 routes (Sapporo, Narita, Chubu International, Komaki, Itami, Kansai International, Fukuoka, and Okinawa)
 International routes: 6 routes (Seoul, Shanghai, Harbin, Khabarovsk, Vladivostok, Taiwan)

■ Niigata Port
 General port and functional port:
 International marine containers division
 Certified LNG (liquefied natural gas) division

■ Naoetsu Port
 Functional port: Certified LNG (liquefied natural gas) division

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Message from the President



Fujio Namiki President

Thank you very much for your continued support.

I would like to express my deepest condolences for the people who lost their lives and my sympathies for the people who suffered damage during the heavy rains in July 2018. I hope for the safety of everyone affected and that reconstruction is achieved as quickly as possible for the damaged areas.

We worked towards the evolution of the consulting function as the most important tactic of Step-Up 2nd Stage, the previous medium-term business plan, and we have achieved results in various fields including contributions to regional revitalization.

The environment that surrounds the financial community, including a rapid population decline at a faster rate than anticipated from the decline of birthrates and an aging population, the prolonging of a lax monetary policy, and the advance of digitalization, has rapidly increased the changing pace of the business, and has further added to the multi-faceted nature and complexity to the business that has brought about a revolutionary period of unprecedented proportions.

In response to these environmental changes, under the new medium-term business plan, “Step-Up New Stage—Transformation and Leap Forward—” that was started from this fiscal year, we will implement three branches of major structural reforms by utilizing digitalization in operational reforms, branch reforms, and channel reforms. Through various efforts including structural reforms, the Bank will put into practice the policy of putting the customer first by offering

the best quality and service to customers and aim for transformation into a bank that customers continue to choose. We also believe that we must leap forward to a new stage through our management integration with Hokuetsu Bank, Ltd.

As specific initiatives for channel reforms as part of structural reforms, we opened the Internet Branch in order to improve customer convenience and launched the Daishi Bank Account Opening App for smartphones from April of this year. We will continue to work to improve services so that the Bank is more convenient for customers going forward.

In order to fulfill our role and mission as a regional financial institution that grows in a sustainable manner together with the local community, we believe initiatives that take into consideration ESG (environment, society, and governance) are essential. The Bank is actively engaged in initiatives aimed at achieving regional revitalization including the establishment of the ESG Promotion Office in February 2018, the release of the Daishi Bank Group ESG Action Policies in May 2018, and the provision of eco-friendly products and services including green ATMs that received a Minister of the Environment Award. Going forward, we will continue to put into practice ESG management to fulfill our corporate social responsibility.

In addition, by further accelerating strategic partnerships in various fields in the Tsubasa Alliance that is a framework for wide-range cooperation among regional banks, we will endeavor to provide high added value service.

We ask for your continued support.

July 2018

Step-Up New Stage

New Medium-Term Business Plan

Step-Up New Stage

~ Transformation and Leap Forward ~

In light of the business environment that is characterized by a rapid population decline at a faster rate than anticipated from the decline of birthrates and an aging population, the prolonging of a lax monetary policy, and the rapid advance of digitalization, this plan will maintain the three basic strategies of the previous medium-term business plan and continue with the topline reforms as the most important strategies based on the policy of putting the customer first and implement three branches of major structural reforms by utilizing IT technologies on operational reforms, branch reforms, and channel reforms in order to overcome important management issues. Through the efforts involved in this plan, the Bank will accomplish its mission, and also perform its role as a regional bank that contributes to the regional economy and assists in the growth in regional communities and customers, in order to continue its sustainable growth with the local region through the creation of shared value. The “Transformation and Leap Forward” in the title of the plan expresses the aim for transformation into a bank that customers continue to choose through various measures including bold structural reforms and the intention to leap forward to a new stage through management integration with Hokuetsu Bank, Ltd.

Plan period

April 2018 to March 2021 (3 years)

Basic strategies



Benchmarks goals for management (KPI)

*The synergies from management integration with Hokuetsu Bank, Ltd. have not been incorporated. The plan will be flexibly revised as necessary in consideration of the management plans and future changes in the environment for the Daishi Hokuetsu Financial Group, Inc. that is scheduled to be established in October of this year.

Category	KPI	FY2018 targets	
Profitability	Consolidated net income *1	¥11.6 billion yen	*1 Net profit attributable to owners of the parent company
	SME loan balance	¥1,189.1 billion	
Growth potential	Consumption loan balance	¥798 billion	*2 Total of other operating income excluding profits from business dealings and gains (losses) on government bonds
	Non-interest revenue *2	¥14.8 billion	
Efficiency	Core operational gross profit OHR	74.9%	*3 The denominator is net assets excluding valuation difference on available-for-sale securities
	Consolidated ROE (shareholders' equity base ³)	3.47% (4.41%)	

Most important strategies

Topline reforms

Through structural reforms based on the three branches of operational reforms, branch reforms, and channel reforms, we will further strengthen the consulting function by reassigning 200 people to consulting positions in sales and planning departments (core business).

Offering the best quality and service to customers
Putting into practice of putting the customer first



Structural reform

Operational reform

Branch reform

Channel reform

Achievement of the "five lesses"

- (1) Back-end-less
- (2) Inspection-less
- (3) Cash management-less
- (4) Paper-less
- (5) Seal-less achievement

Use of RPA*1

Transformation of sales offices into consulting spaces

Migration to a next-generation sales office model

Review of branch function and branch network

Improvements in customer convenience through non-face-to-face channel

Opening of the Internet Branch

Expansion of procedures that do not require branch visits

Promotion of the simplification of procedures

Strengthening of consulting capabilities

Strengthening of personnel in sales and planning departments

Human resources development

Shifting personnel to core operations

Focused allocation of human resources

Conducting trade-offs*2 based on the market

Establishment of new human resources development programs

Development of human resources who achieve results

Improvements in leadership capabilities

Improvements in innovation capabilities and communication capabilities

Use of IT technologies

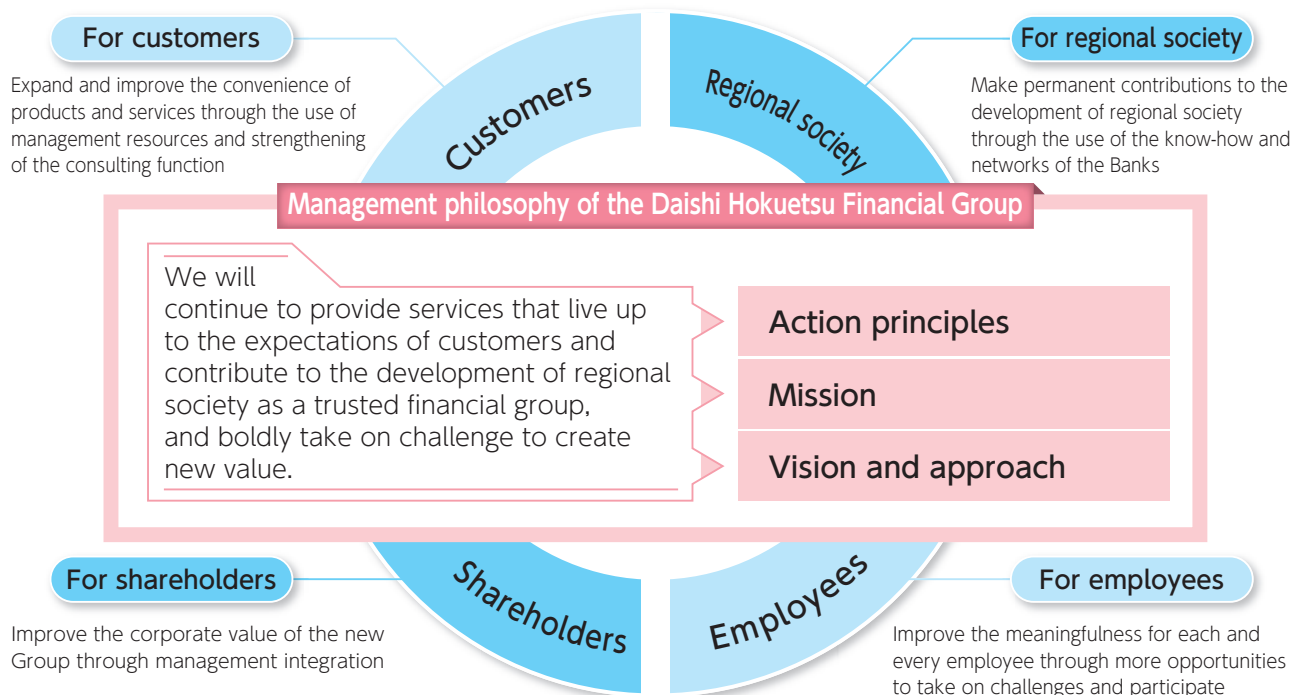
*1 RPA is an acronym for robotic process automation. RPAs are intended for automating routine tasks by personal computers which were previously undertaken by people through the utilization of software robots. It can also be referred to as digital labor or virtual intellectual labor, and it is attracting attention as a technology that can resolve management issues such as the decline in the working-age population and working style reforms.

*2 Making a trade-off is making a choice from two conflicting concepts.

Management Integration with Hokuetsu Bank

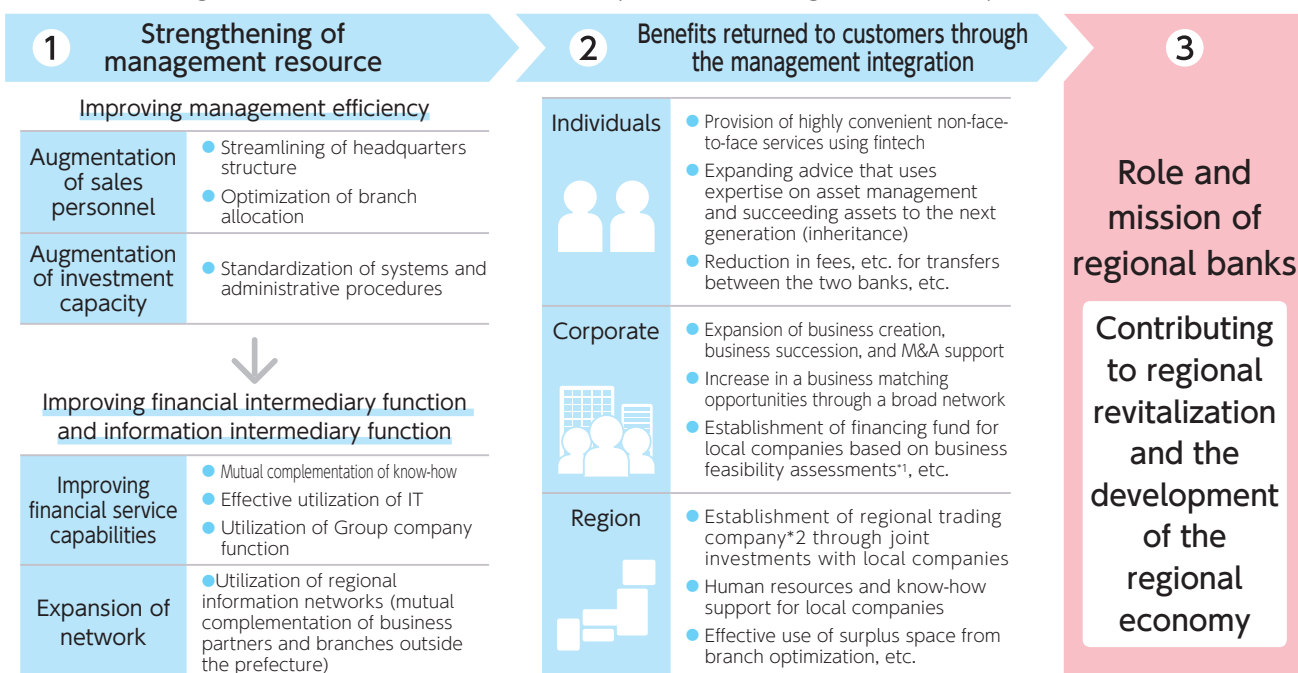
Daishi Bank and Hokuetsu Bank plan to establish Daishi Hokuetsu Financial Group, Inc. that will become the wholly-owning parent company of the Banks as of October 1, 2018, assuming that permissions, etc. are acquired from the relevant authorities.

Management philosophy of the Daishi Hokuetsu Financial Group



Benefits expected from management integration

By strengthening management resources through the management integration we will work to improve convenience for customers and support the maximization of corporate value for customers and perpetually contribute to regional revitalization and the development of the regional economy.



*1 Appropriately assessing the business details and growth potential, etc., of local companies without relying on financial data and collateral or guarantees more than necessary.

*2 A company that distributes information on and sells regional resources inside and outside of the region through consistent production including manufacturing, processing, and sales, as well as branding of local resources (local products, tourism, etc.).

Overview of the management integration

Form of the management integration

Integration method	<ul style="list-style-type: none"> ● The Banks shall conduct a joint share transfer where they create a newly established wholly-owning parent company incorporated in a share transfer as a holding company, and in which the Banks become wholly-owned subsidiaries of the holding company established through the same share transfer. ● The basic policy is for the Banks to conduct the merger about two years following the effective date of the share transfer (October 1, 2018).
Share transfer ratio	<ul style="list-style-type: none"> ● The holding company shall deliver 1 common share of the holding company for 1 common share of Daishi Bank and 0.5 common shares of the holding company for 1 common share of Hokuetsu Bank to the respective shareholders of Daishi Bank and Hokuetsu Bank.

Business integration schedule



最終契約締結時の記者会見

FAQ

A FAQ regarding the management integration with Hokuetsu Bank, Ltd. is available on our website.

URL : <https://www.daishi-bank.co.jp/inquiry/tougou/qa.php>



Jointly held one of the largest business panels in Niigata Prefecture with Hokuetsu Bank "Niigata Business Panel of Food and Integrated Business (Shoku Biz!) - Improving Productivity for the Future -"

We jointly held "Niigata Business Panel of Food and Integrated Businesses (Shoku Biz!) - Improving Productivity for the Future -" with Hokuetsu Bank in May 2018. We expanded the scope of industries that were covered in "Food Eco-Plus! Niigata Food, Environment, and Health Exhibition Meeting" that had been held eight times up until now since 2010 to offer companies from all industries PR and business panel opportunities for their products and technologies, and also provided the latest information that could lead to improvements in productivity through the use of AI, IoT, and other technologies. The business panel that was one of the largest in Niigata Prefecture was visited by 2,685 people and featured 566 individual business meetings with buyers from inside and outside of the prefecture.



Exhibition booths



Individual business meetings



Information pamphlet for Shoku Biz!

URL : <https://www.shoku-biz.jp/>

Financial Highlights (Consolidated)

(For the Years ended March 31)	Millions of Yen			Thousands of U.S. Dollars
	2016	2017	2018	2018
Income				
Interest on Loans and Discounts.....	¥ 32,275	¥ 29,608	¥ 29,051	\$ 273,450
Interest and Dividends on Securities.....	18,852	19,373	19,421	182,811
Total Income.....	99,627	94,827	99,445	936,041
Expenses				
Interest on Deposits	1,991	1,081	806	7,589
General and Administrative Expenses.....	46,797	48,261	47,087	443,213
Total Expenses.....	75,508	78,144	78,846	742,156
Net Income	14,467	11,527	13,776	129,670
Assets				
Securities.....	1,784,598	1,765,941	1,762,555	16,590,314
Loans and Bills Discounted.....	2,949,815	3,142,667	3,236,059	30,459,893
Total Assets.....	5,342,251	5,673,726	5,957,587	56,076,689
Liabilities				
Deposits	4,545,036	4,694,499	4,819,992	45,368,904
Total Liabilities.....	5,022,567	5,347,584	5,621,461	52,912,850
Net Assets				
Capital Stock	32,776	32,776	32,776	308,518
Shareholders' Equity	245,571	252,949	262,249	2,468,464
Total Net Assets	319,683	326,142	336,126	3,163,839
		Yen		U.S. Dollars
Amounts per Share of Capital Stock				
Net Income.....	42.04	33.66	407.22	3.83
Cash Dividends.....	9.00	9.00	49.50	0.46

Notes: (1) In this annual report, Japanese yen in millions are indicated with fractions omitted.

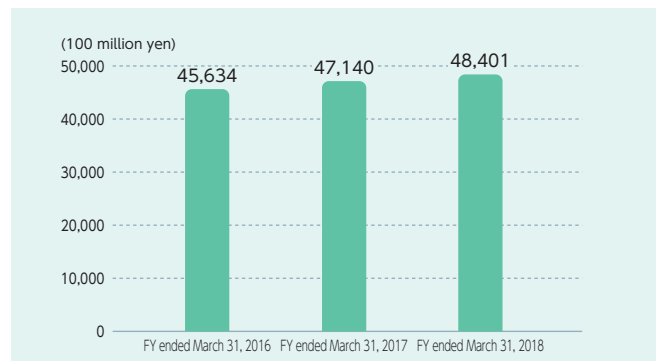
(2) The translations of the Japanese yen amounts into U.S. dollars are using the prevailing exchange rate at March 31, 2018, which was ¥109.24 to U.S. \$1.

(3) This is the total of the interim dividend of 4.5 yen and the year-end dividend of 45 yen. The dividend per share for FY2017 without taking into consideration the share consolidation would be 9 yen.

Financial Review (Non-Consolidated)

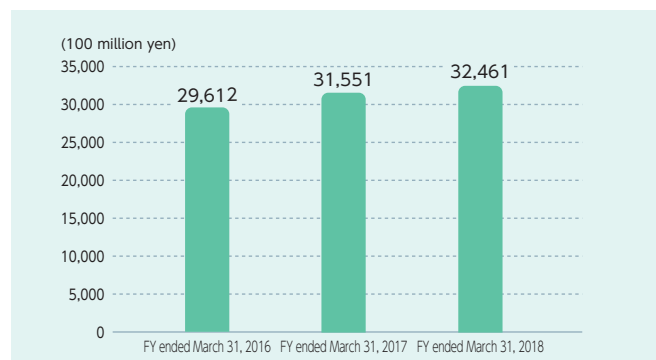
Balance of deposits

Deposits increased mainly among customers making deposits in Niigata Prefecture, and the deposit balance (including negotiable certificates of deposit) as of March 31, 2018 was 4,840.1 billion yen.



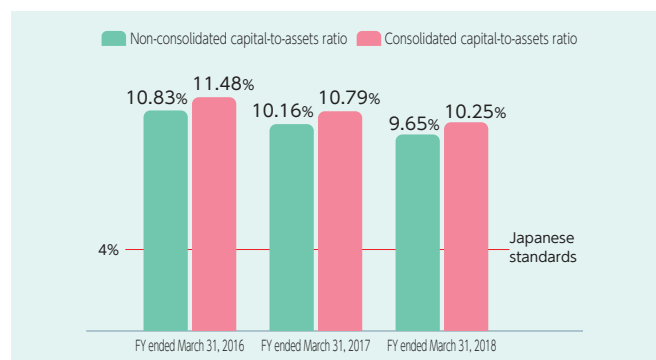
Balance of loans

As a result of actively responding to the financial needs of customers, the loan balance as of March 31, 2018 was 3,246.1 billion yen.



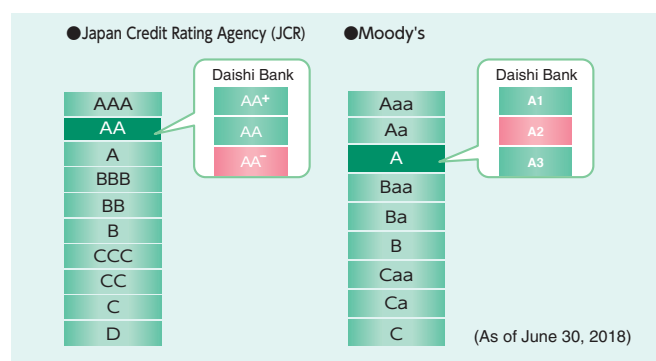
Capital-to-assets ratio

Although this must be at least 4% based on the Japanese domestic standards adopted by the Bank, the ratio is over 10% on both a non-consolidated and consolidated basis, and accordingly a high degree of soundness continues to be maintained.



Credit rating

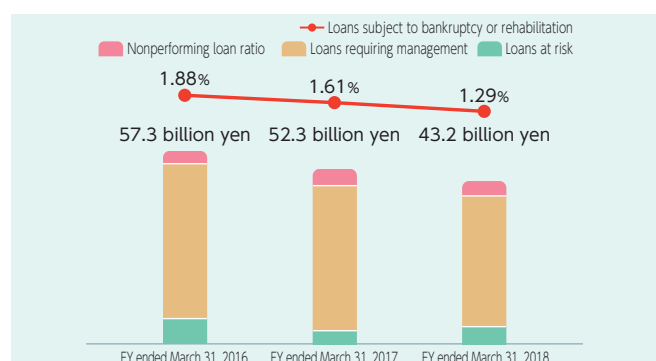
Although this must be at least 4% based on the Japanese domestic standards adopted by the Bank, a sufficient level has been secured on both a non-consolidated and consolidated basis, and accordingly a high degree of soundness continues to be maintained.



Status of nonperforming loans

The balance of nonperforming loans based on the Financial Reconstruction Law (assets subject to disclosure under the Financial Reconstruction Law) as of March 31, 2018 was 43.2 billion yen, and the ratio of nonperforming loans was 1.29%.

The head office and sales offices are working together to provide customers with management improvement support.



Daishi's ESG Report

The Daishi Bank Group actively works to resolve social issues related to ESG (environment, society, and governance) in order to fulfill its social responsibility of achieving a sustainable society, and aims to achieve sustainable growth with the local community by contributing to the realization of SDGs* (sustainable development goals) promoted by the United Nations.

*SDGs: Abbreviation for sustainable development goals. These goals were adopted in a United Nations summit in September 2015, and all 193 UN member countries have decided to work towards the attainment of these goals. The SDGs consist of 17 goals and 169 targets as efforts to ensure that nobody is left behind while trying to eliminate all forms of poverty, combat inequality, and respond to climate change in the period of 15 years until 2030.

SUSTAINABLE DEVELOPMENT GOALS

世界を変えるための17の目標



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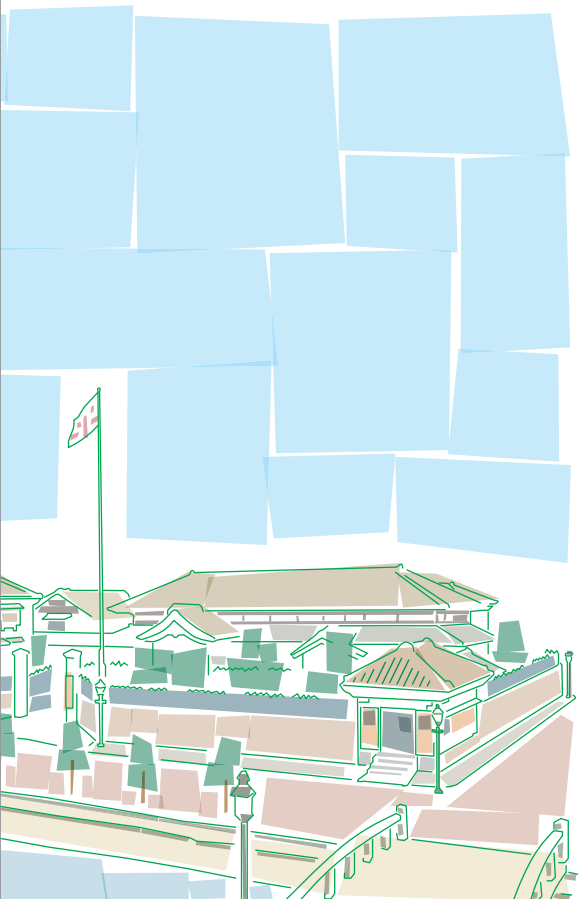
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Environmental Initiatives



We support customers involved in environmental conservation while actively engaging in regional environmental conservation activities and global environmental issues as a corporate citizen in order to protect the abundant and beautiful nature in its base of Niigata Prefecture and contribute to the achievement of a sustainable society.

Daishi Bank Group Environmental Policy

Basic Philosophy

The Bank has established the Daishi Bank Group Environmental Policy, and is actively engaged in activities including efforts to reduce our environmental footprint, the provision of environmentally-friendly financial products and services, and regional environmental conservation activities.

Action Guidelines

1 Comply with laws, regulations, etc.

We will comply with laws, regulations, policies, etc. related to the environment and conduct activities while giving sufficient consideration to their impact on the environment.

2 Promote activities to reduce our environmental footprint

We will set targets aimed at reducing our environmental footprint, and conduct ongoing activities aimed at environmental improvements including energy saving, resource saving, and recycling activities.

3 Support customers through our core business

We will provide comprehensive financial services through the development, etc. of environmentally-friendly products and services, and support customers involved in environmental conservation.

4 Implement environmental conservation activities

All employees of the Group will deepen their understanding of environmental issues and implement activities with an awareness of environmental conservation.

Signing of Agreement on the Niigata Prefecture Carbon Offset Program

In order to promote the further use of the Niigata Prefecture Carbon Offset*1 Program, we signed the Agreement on the Niigata Prefecture Carbon Offset Program Coordinator with Niigata Prefecture in January 2018. At the same time, we signed the Contract on Introduction Services by the Niigata Prefecture Carbon Offset Program Coordinator with forestry businesses, etc.*3 who hold carbon offset credit*2 ("credit"), and we will serve as a coordinator to introduce the sales and use of credit to customers working to prevent global warming, etc.

*1 "Carbon offsetting" is an approach in which greenhouse gases such as CO2 emitted in daily life or economic activities are offset with the amount of greenhouse gases that are recognized as absorbed in another location through purchasing.

*2 "Carbon offset credit" is credit certified for the amount of CO2 absorbed through activities by forestry businesses, etc. in Niigata Prefecture (carbon offsetting project).

*3 "Forestry businesses, etc." are five bodies consisting of the Niigata Agriculture & Forestry Corporation, Tsunanmachi Forestry Cooperative, Agamachi, Uonuma City, and Minamiuonuma City.



Niigata Carbon Offset Agreement ceremony



Information pamphlet on the Niigata Carbon Offset Program

Green ATMs

We are continuing our efforts with green ATMs with a carbon offset function under the Niigata Credit program based on the concept of ATMs that contribute to the environment more the more they are used, for which we will offset 20g of CO2 every time these ATMs are used. As of March 31, 2018, 43 of these ATMs have been installed at 19 locations in Niigata Prefecture, and approximately 167 tons of CO2 have been offset since the initiative was commenced in August 2014.



Carbon offset results as of March 31, 2018
 167 t (cumulative total since August 2014)

Environmental Initiatives

Green accounts

In order to expand environmentally-friendly products and services, we started offering accounts without passbooks (nickname: green accounts) for individual customers for the first time in January 2018. Because no passbooks are issued for these accounts, procedures for entry and carrying-over are not

required. These accounts are also environmentally friendly because they help to reduce paper and CO2. Many customers are also submitting new applications or switching over to these accounts from existing accounts because you do not have to worry about your passbook becoming lost or stolen.

Start of paperless sales of investment trusts and life insurance

From January 2018, we started offering services for customers for investment trusts and life insurance through the use of tablet devices for the whole process ranging from the proposal to contract signing. This is the first time that a financial institution in Niigata Prefecture has used a tablet device to support the full range of procedures ranging from the proposal to the customer, confirmation of intent, production selection, and settlement.

Through confirmation and a digital signature on the tablet device, it is possible to complete seal-less and paperless procedures, reduce the burden for the customer associated with filling in and attaching a seal to documents, and reduce the time required for procedures.



Paperless sales through a tablet device

Opening of the Internet Branch, enhancement of smartphone app

We opened the Internet Branch and launched the Account Opening App for smartphone in April 2018.

The Internet Branch differs from conventional branches in that it is a virtual branch on the Internet. It allows customers that cannot easily visit physical branches to make conduct procedures for deposit account opening and loans ranging from applications until contract signing. In addition, the Account Opening App can be used to open an account at the Internet Branch that does not require a branch visit or at the Bank's headquarters and branches within Niigata

Prefecture.

The Daishi Bank App for smartphones has been renewed as the Niigata Town Information App. For even more convenient use, in addition to the standard bank transaction menu, the app offers a wide variety of content including dining information and outing information for Niigata Prefecture and discount coupons that can be used at dining establishments in Niigata Prefecture and leisure facilities in Japan. It can also be used by people who do not do business with the Bank.



Account Opening App

See here for iPhone



See here for Android



Niigata Town Information App

See here for iPhone



See here for Android



Handling World Bank Green Bonds

Daishi Securities of the Daishi Bank Group sold Green Bonds (INR-denominated) that were issued by the World Bank in September 2017.

Green Bonds are issued to support developing countries struggling with global warming, and the funds procured are used to finance development projects of the World Bank including projects to reduce greenhouse gas emissions.

This product was developed as a joint measure of the group securities companies of the member banks of the Tsubasa Financial System Advancement Alliance, and the Bank also offers this product through financial product intermediary services (introduction intermediary services).



Information pamphlet on World Bank Green Bonds

Expansion of lineup of investment trust products

We expanded our lineup of investment trust products with a focus on balanced funds in order to support medium to long-term asset formation based on the Basic Policy on Customer-Oriented Business Management developed and released in June 2017.

In addition, in July 2018 we started handling the Sumitomo Mitsui Japanese Equities ESG Fund (Distribution Re-investment Course) (asset manager: Sumitomo Mitsui Asset Management), which is a fund that invests in stocks of Japanese companies that are expected to invest more in ESG. We will endeavor to expand our lineup of investment trust products in the future in response to diversifying investment needs.



Sumitomo Mitsui Asset Management "Sumitomo Mitsui Japanese Equities ESG Fund (Distribution Re-investment Course)"

Receipt of Minister of Environment Award

Reflecting the strong reputation of initiatives aimed at reducing our environmental footprint including the Energy Saving Equipment Support Fund and Green ATMs, we received the top award entitled the Minister of Environment Award for both the FY2014 Ministry of the Environment's Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century) and the FY2015 5th Carbon Offset Awards from the Ministry of the Environment.



Daishi-no-Mori (Daishi Forest) creation

In order to maintain green and abundant forests in the region in the future, Daishi Bank has participated in forest preservation promotion activities. In addition to the Daishi-no-Mori (Daishi Forest) project in Agamachi, Higashikanbara-gun, Niigata Prefecture that we have been involved with since FY2009, we started afforestation activities at Arahama Forest Park in Tainai, Niigata Prefecture in FY2017.

In October 2017, a total of 571 executives and employees and their family members participated in activities to plant 500 broadleaf trees.

We will continue to actively promote local environmental conservation activities.



Initiatives to Fulfill Our Social Mission



We work to provide an underpinning for the actual regional economy through the provision of a wide range of financial services that live up to the expectations of the local community and society while contributing to the development of the regional society through the use of management resources including diverse human resources in consideration of the needs of the local community and society.

Initiatives aimed at achieving regional revitalization

Community-focused financial services -Together with the local community-

Use of policies for initiatives for SME management support and regional revitalization and financial intermediary function benchmarks (FY2017)

A part of our corporate philosophy is to “contribute to the region while being appreciated and trusted as Niigata Prefecture’s best bank.” We believe that it is our social responsibility to offer management support to SMEs (including small-scale businesses) in the region and contribute to the regional revitalization through the performance of a financial intermediary function and consulting function and active participation in overall regional regeneration. In providing management support for customers and promoting regional revitalization, we will contribute to the development of the regional society and economy through the smooth provision of comprehensive financial services to customers with a focus on the following four priority items. Furthermore, in initiatives for community-focused financial services including the performance of a financial intermediary function, we will conduct objective self-assessments while also utilizing financial intermediary function benchmarks, and strengthen PDCA management in an aim for further improvements in corporate value for customers.

Policies for initiatives for SME management support and regional revitalization

- I** Performance of a management support and consulting function for client companies
- II** Performance of a financial intermediary function including the smooth provision of funds companies
- III** Active efforts aimed at regional revitalization
- IV** Active provision of information to the local community and users

Financial intermediary function benchmarks

Benchmarks for objectively assessing the level of performance of a financial intermediary function at a financial institution, including the provision of financing and solutions in accordance with needs and challenges of customer companies

Shared benchmarks	Benchmarks for assessing progress, challenges, etc. related to financial intermediary efforts by all financial institutions
Selective benchmarks	Benchmarks that can be selected based on the business strategy, business model, etc. that applies for each financial institution
Independent benchmarks	Benchmarks that can be independently set by financial institutions when conducting a self-assessment of financial intermediary efforts if there is a more appropriate benchmark

*The financial intermediary function benchmarks (FY2017) are described in the sections of each of the related items on the next page.

*The numbers of customers stated on the follow page are totals on a non-consolidated basis for Daishi Bank, as long as there are no notes stating otherwise.

I Performance of a Management Support and Consulting Function for Client Companies

Actively supporting client companies in accordance with their life stage

SMEs in the region fulfill the important role as pillars that support the regional society and economy. The Bank will contribute to the development of the regional economy by actively providing management support based on the life stages of SMEs in the region.

Number of customers and loan balance by life stage			All credit customers					
				Foundation	Growth	Maturity	Decline	Regeneration
Shared	Number of credit customers	FY 2016	18,282	972	799	8,735	530	2,190
		FY 2017	18,530	972	722	8,794	631	1,998
	Loan balance	FY 2016	1,904.6 billion yen	866 billion yen	1,338 billion yen	11,760 billion yen	450 billion yen	1,228 billion yen
		FY 2017	19,631 billion yen	1,048 billion yen	1,246 billion yen	11,400 billion yen	739 billion yen	1,143 billion yen

		FY 2016			FY 2017			
Shared	Number of customers and loan balance in cases which the Bank is the main bank (loan balance number 1) (note: number of customers is on a Group basis)	6,008	9,348 billion yen		6,256	9,890 billion yen		
	Of the above, number of customers that improved management indicators, etc. (note: figures are on a Group basis)	4,698			4,943			
	Loan balance for last three years for customers that improved management indicators, etc. among the above	FY 2014	FY 2015	FY 2016	FY 2015	FY 2016	FY 2017	
		7,812 billion yen	8,194 billion yen	8,232 billion yen	8,301 billion yen	8,637 billion yen	8,745 billion yen	
Selective	all customers and number of customers by region	Within Niigata Prefecture	Outside of Niigata Prefecture	Total	Within Niigata Prefecture	Outside of Niigata Prefecture	Total	
		16,760	1,522	18,282	16,845	1,685	18,530	
	Number of customers in cases which the Bank is the main bank (loan balance number 1) and their percentage of all customers	Number of customers in cases which the Bank is the main bank	Their percentage of all customers		Number of customers in cases which the Bank is the main bank	Their percentage of all customers		
		7,912	43.3 %		8,744	47.2 %		
		Percentage of customers which the Bank is the main bank that management improvement proposals are provided for	14.4 %			23.9 %		
		Percentage of all credit customers that financial instruments are sold to and percentage of all credit customers that financial instruments are not sold to	Percentage of credit customers that financial instruments are sold to	Percentage of credit customers that financial instruments are not sold to	Percentage of credit customers that financial instruments are sold to	Percentage of credit customers that financial instruments are not sold to	Percentage of credit customers that financial instruments are not sold to	Percentage of credit customers that financial instruments are not sold to
	9.2 %	90.8 %	13.4 %	86.6 %				
Percentage of branch performance evaluation to evaluation related to core business support for customers	13.4 %			15.5 %				

		FY 2016		FY 2017	
Selective	Number of customers supported with core business (improvement in corporate value) and their percentage of all customers (note: number of customers is on a Group basis)	1,675	10.6%	3,132	19.6%
	Number of customers solutions are proposed to and their percentage of all customers (note: number of customers is for the entire Daishi Bank Group)	2,203	13.9%	3,515	21.9%
	Loan balance of customers solutions are proposed to and percentage of loan balance of all customers	5,173 billion yen	27.2%	5,968 billion yen	30.4%
	Number of support measures for attracting companies to the local region	- *		303	
	Number of management human resources, management support human resources, and specialized human resources introductions for SMEs	28 people		44 people	

*Because measurement started from FY2017, FY2016 is displayed as -.

Together with the Local Community

Foundation



We support companies aiming to become established or develop new business in consideration of their technologies, products, services, and the uniqueness and growth potential of their business model. From November 2017, we started the New Business One-stop Support Program in cooperation with the Group company Daishi Management Consulting Co., Ltd. as a one-stop support program for customers planning to establish business in Niigata Prefecture (including the second stage of business establishment) that are in the foundation stage to growth stage. We also actively hold various seminars for customers considering business establishment or developing new business.

Assumed major challenges and needs for companies	Contents of main solution proposals
Financing	Utilization of venture funds, institutional financing, and guarantee systems
Development of sales channels	Utilization of business panels, business matching, and Bridge Niigata
Information and consultation environment	Provision of assistance information, provision of JETRO overseas information

		FY 2016	FY 2017
Shared	Cases of involvement in business establishment by the Bank	398 cases	740 cases
	Cases of involvement in second stage of business establishment by the Bank	3 cases	41 cases
Selective	Cases of support using SME support measures (subsidiary applications, etc.) related to core business support for customers *	438 cases	100 cases

*The main reason for the decrease in FY2017 was the decrease in the number of invitations for applications to the manufacturing subsidy provided by the Small and Medium Enterprise Agency (from two times in FY2016 to one time in FY2017)

Growth



We position areas such as the environment, health, agriculture, and tourism as growth fields, in which we conduct various support measures for business expansion including business panels and business matching. In addition to within the prefecture, we are also actively involved in business panels and business support outside of the prefecture and overseas, as well as financing support utilizing various funds and the holding of seminars, etc. to make businesses have higher added value.

Assumed major challenges and needs for companies	Contents of main solution proposals
Securing human resources	Human resources matching and development in cooperation with external organizations
Financing, hedging risks	Support for increased operating and capital funds, derivatives, interest rate swaps
Product development and developing higher added value	Expert advice (energy saving diagnosis, industry-academia collaboration, general management)

		FY 2016	FY 2017	
Selective	Customers assisted with sales channel development	Sales channel development support for local companies	615	593
		Sales channel development support for companies other than local companies	355	669
		Sales channel development support for overseas	324	688

Maturity



In March 2018, we launched the Business Succession Support Program to offer broad one-stop support for succession among group companies, succession to executives and employees, and M&As. etc. for the purpose of strengthening support for consultations regarding business succession. In addition, we also work together with a variety of external organizations including Daishi Management Consulting Co., Ltd. to support business succession and M&As in order to resolve the management issues of customers. Furthermore, we propose a variety of financing methods depending on the needs of customers, including syndicated loans and private placement bonds.

Assumed major challenges and needs for companies	Contents of main solution proposals
New market development	Support for new business development in partnership with external organizations
Succession and M&As	Business succession and M&A support
Financing	Support for various forms of financing including syndicated loans, private placement bonds, liquidity solutions, and ABL

		FY 2016	FY 2017
Selective	Number of customers assisted with business succession (number of own shares evaluation and consulting contract customers)	182	208
	Number of customers assisted with M&As	48	52



We propose optimal solutions and support the formulation of management improvement plans through multi-faceted studies after sharing management issues and challenges with customers. After plans are formulated, we conduct follow-up activities aimed at plan achievement. In addition, we are strengthening alliances with external agencies and external experts and performing a consulting function that includes utilizing the optimal regeneration methods and designing mechanisms to support prompt business regeneration by customers.

Assumed major challenges and needs for companies	Contents of main solution proposals
Declining or sluggish demand	Management improvement plan formulation support, holding seminars to improve management capabilities
Poor performance in core business	Regeneration support utilizing the Council to Support Revitalization of Small and Medium Enterprises
Financing	ABL, utilization of business regeneration fund

		FY 2016	FY 2017	
Shared	Core business support customers that saw improvements in management	948	1,962	
	Number of customers using REVIC (Regional Economy Vitalization Corporation of Japan) and the Organization for Small & Medium Enterprises and Regional Innovation	REVIC	11	9
		Organization for Small & Medium Enterprises and Regional Innovation	4	9
	Average number of years remaining a potentially bankrupt borrower		5.0 years	5.3 years
Selective	Number of customers that improved rank from potentially bankrupt borrower in classification of obligors	141	184	



II Performance of a Financial Intermediary Function Including the Smooth Provision of Funds

Initiatives to facilitate financing

The Bank is sufficiently aware of its public and social responsibility and mission as a regional financial institution, and it works to facilitate financing through the establishment of its Basic Policy on Financial Facilitation in order to fulfill an appropriate and active financial intermediary function while taking into consideration the soundness and appropriateness of business operations.

Supporting new loans and changes in loan conditions

We respond sincerely when we receive consultations or applications from customers regarding matters such as new loans and changes in loan conditions. When we receive a consultation or application, we do not make judgments merely on cosmetic aspects such as financial statements. We instead conduct appropriate reviews that aim to assess in detailed manner aspects including technological capabilities, sales capabilities, future potential, management conditions, and business values. If a customer has received loans from other financial institutions, we respond appropriately by making an effort to work together closely with these financial institutions (including credit guarantee associations) after gaining the consent of the customer.

		FY 2016			FY 2017		
Shared	Number of SMEs that have changed loan terms	2,097			1,928		
	Progress of management improvement plans by companies above	Good progress	Steady progress	Unfavorable progress	Good progress	Steady progress	Unfavorable progress
		252	565	1,280	231	627	1,070

*Unfavorable progress includes companies that have not formulated a management improvement plan (1,118 companies for FY 2016, 861 companies for FY 2017).

Utilization of financing methods that are not excessively dependent on real estate collateral or guarantees

In order to contribute to the growth of customers and improvements in management at customers, we work to conduct detailed assessment of business values and management conditions including technological capabilities, sales capabilities, and future potential while proposing financing that is not excessively dependent on collateral or guarantees by using assets such as movable property or accounts receivable as necessary.

		FY 2016		FY 2017	
Selective	Number of unsecured credit customers and percentage of unsecured finance amount among local SME credit customers	Percentage of unsecured credit customers	Percentage of unsecured finance amount	Percentage of unsecured credit customers	Percentage of unsecured finance amount
		53.4 %	23.4 %	54.3 %	24.7 %
	Percentage of credit customers that fixed collateral has not been set for among local SME credit customers	70.7 %		72.1 %	
	Percentage of non-guaranteed main customers among local SME credit customers	3.0 %		3.3 %	
	Percentage of finance amount with a guarantee from a credit guarantee association and percentage of financing with a 100% guarantee among local SME financing	Percentage of finance amount with a guarantee	Percentage of finance amount with a 100% guarantee	Percentage of finance amount with a guarantee	Percentage of finance amount with a 100% guarantee
	9.7 %	2.8 %	7.6 %	1.9 %	
	Number of cases of fund utilization (business establishment, business revitalization, regional revitalization, etc.)	6		7	

Efforts in response to Guidelines on Management Guarantees

We promote further financing that is not dependent on management guarantees after taking into full consideration the intent and details of the Guidelines on Management Guarantees.

		FY 2016		FY 2017	
Selective	Number of customers using Guidelines on Management Guarantees and percentage of all credit customers	1,691	9.2 %	1,569	8.6 %

Business Feasibility Assessment Initiatives

The Bank defines business feasibility assessment as using appraisal capabilities to assess the business feasibility of partners businesses and provide growth and management improvement support in order to back the actual economy in the region and contribute to the development of regional society and partner businesses, and it is actively engaged in developing systems and human resources development for business feasibility assessments. The Regional Industrial Promotion Fund and Jimoto (Local) Fund were established as financing programs for instilling business feasibility assessments in June 2017. These funds actively work to improve corporate value and improve productivity through the performance of a financial intermediary function aimed at solving problems and attaining goals for customers.

[Main initiatives aimed at improving appraisal capabilities]

Company Support Review Meeting	Review meeting for all sales personnel involved to exchange opinions with the participation of the department or branch manager on the nature of the customer's business, assumed management challenges, and solutions for these challenges
Partnership with the Regional Economy Vitalization Corporation of Japan (REVIC)	Partnership for providing multifaceted management support by accepting human resources with specialized know-how dispatched from REVIC and utilizing REVIC knowledge

		FY 2016			FY 2017		
Shared	Number of credit customers provided finance based on business feasibility assessments and their loan balance	1,703	5.64 billion yen		2,665	6,73.7 billion yen	
	Ratio of the above to all credit customers and the loan balance	9.3 %	29.6 %		14.4 %	34.3 %	
Selective	Number of partner businesses that have been presented the results of business feasibility assessment and local benchmark in dialogue	2,304			3,502		
	Percentage of short-term loans in working capital	26.7 %			31.0 %		
	Number of customers provided with core business support utilizing external experts	18			33		
Independent	Number of times training provided on core business support for partner businesses, number of participants in this training, and number of people acquiring qualification	Number of time training held	Number of participants in training	Number of people acquiring qualification	Number of time training held	Number of participants in training	Number of people acquiring qualification
		48 times	442	207	70 times	922	306
	Average number of days from date of receiving financing inquiry to date of response to customers	10.9 days			9.8 days		

III Active Efforts Aimed at Regional Revitalization

The Daishi Bank Group is cooperating with comprehensive strategies of the national government and local governments, and working actively as an entire Group towards measures that lead to the virtuous cycle of towns, people, and jobs in order to achieve regional revitalization.

Creation of Towns and People

Initiatives through industry, government, academia, and finance partnerships

We are actively working together with Niigata University, local governments, etc. to create opportunities for companies in the prefecture and university students to interact in order to improve the employment rate in the prefecture in the future and promote the creation of an environment for joint research by universities and companies.

In June 2017, we worked together with six companies in the prefecture to support the establishment of a curriculum for learning about the entire agricultural and food industry that is the major industry of Niigata Prefecture through the supply chain (extracurricular class for the Niigata University College of Creative Studies).

In addition, we continued from the previous fiscal year to conduct company visits and exchange projects with companies in Niigata Prefecture for students from Niigata University. In FY2017, projects were conducted in the three cities of Shibata City, Joetsu City, and Ojiya City, and these efforts that mainly consisted of company visits deepened exchanges with employees.

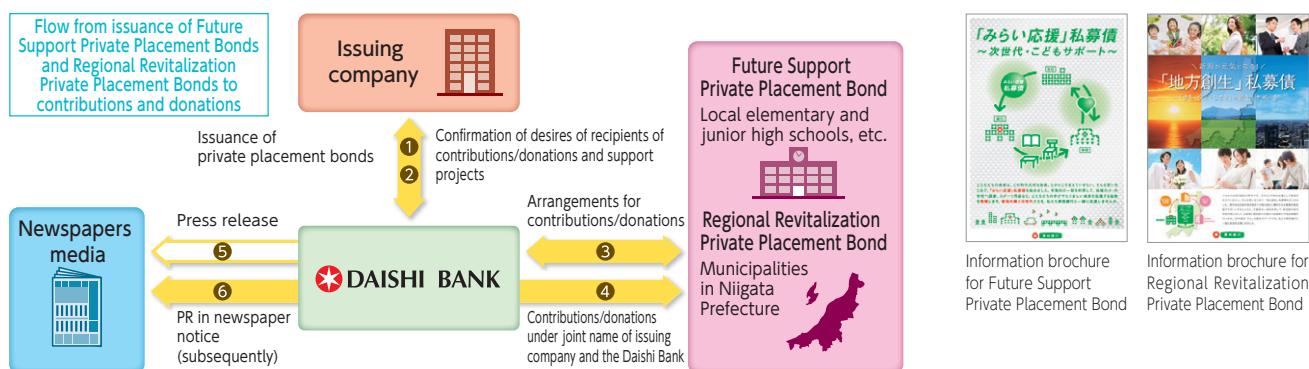


Exchanges between university students and companies through industry, government, academia, and finance partnerships

	FY 2016	FY 2017
Independent Number of companies with technology alliances with local universities and efforts to promote employment of local university students	28	68

Flow from issuance of Future Support Private Placement Bonds and Regional Revitalization Private Placement Bonds to contributions and donations

We offer the Future Support Private Placement Bond that uses a portion of bond issuance fees to donate schools supplies such as books and sporting goods to local schools together with private placement bond issuing companies. In addition, we offer the Regional Revitalization Private Placement Bond with bond issuing companies that donates a portion of bond issuance fees to local governments as a product that supports the town, people, and job creation efforts of local governments.



	FY 2016		FY 2017		
Independent	Number of Future Support Private Placement Bond issues and issuance amount	85 cases	9.2 billion yen	106 cases	10.1 billion yen
		Cumulative total since launch in September 2013 ▶		422 cases	41.9 billion yen
	Number of Regional Revitalization Private Placement Bond issues and issuance amount	53 cases	8.6 billion yen	43 cases	3.8 billion yen
		Cumulative total since launch in July 2016 ▶		96 cases	12.4 billion yen

Introduction of RPA

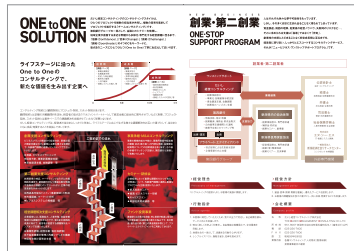
The Bank is currently introducing RPA (robotics process automation) that is a form of software robot that performs standard tasks instead of people in order to improve work productivity as part of working style reform. The BizRobo! of RPA Technologies, Inc. is being introduced, and robot development is being conducted by The Daishi Computer Service Co., Ltd.

Going forward, we will expand the tasks applying RPA, improve productivity and make fundamental revisions in administrative work, and work to improve the efficiency of management while promoting working style reforms.

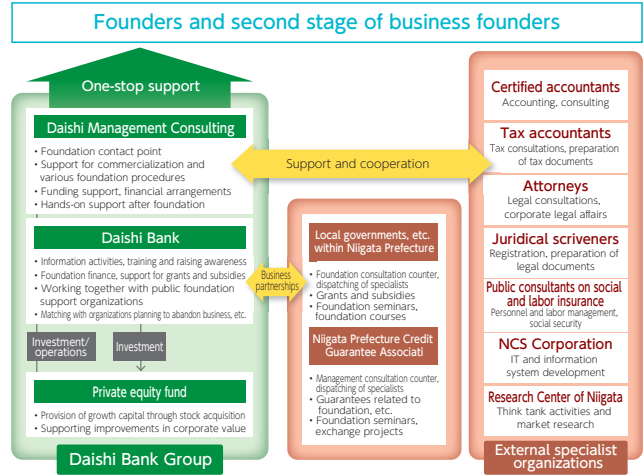
Creation of  Jobs

New Business One-stop Support Program

From November 2017, we started the New Business One-stop Support Program in cooperation with the Group company Daishi Management Consulting Co., Ltd. as a one-stop support program from the foundation stage to growth stage. We offer paid consulting services providing one-stop support for various management issues that arise depending on the progress of the business from the foundation stage to growth stage, including various foundation procedures, business feasibility assessment, and the formulation of business plans and management strategy.



Information on the New Business One-stop Support Program



Business Succession Support Program

In March 2018, we launched the Business Succession Support Program to offer broad one-stop support for succession among group companies, succession to executives and employees, and M&As. etc. for the purpose of strengthening support for consultations regarding business succession that have increased along with the aging of managers. We accept and provide support for a wide range of consultations from the stage when the manager is not sure whether to succeed or abandon a business.



Information on the Business Succession Support Program

Niigata Glocal Strategy Promotion Program

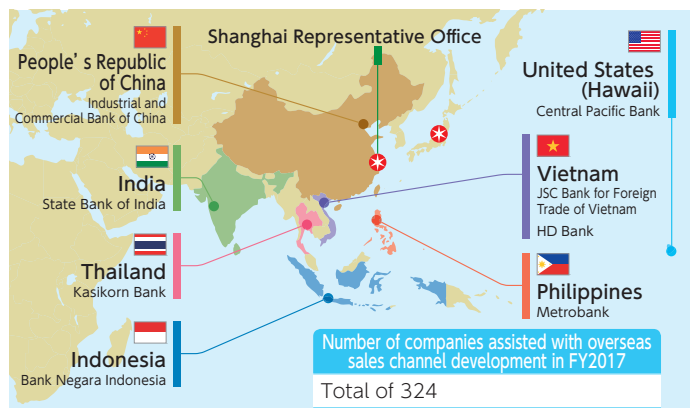
Since April 2016, we have offered a full support program from advance preparations to commencement of overseas transactions for customers that are interested in business overseas based on the main theme of overseas market expansion and development as the Global Market Development Challenge Program.

In April 2018, we deepened this program and launched the Niigata Glocal Strategy Promotion Program to further improve the effect of regional revitalization in the field of international business. We are promoting glocalization* in Niigata by expanding the scope of support to related areas such as outbound business (export and overseas penetration) of prefectural products (products, technologies, and know-how), inbound business for foreigners (tourism and sales within Japan), and the utilization of foreign human resources, and further strengthening of local partnerships.

Going forward, we will implement various forms of overseas business support that utilize the Bank's rich overseas network.

*Glocal (= glocalization): This word means acting locally while thinking on a global scale as a hybrid word blending the two words of globalization as a trend that is simultaneously involving the whole world and localization as a trend that takes into consideration the characteristics and qualities of the region.

[Overseas partner banks]



	FY 2016	FY 2017
Number of companies assisted with overseas expansion in Japan or overseas	140 cases	273 cases
Number of companies assisted utilizing external cooperation bodies or support systems	47 cases	79 cases

Holding of the Niigata Foundation Award and Niigata Business Idea Contest

We sponsored the Niigata Foundation Award for the purpose of revitalizing regional business foundation, and held the Niigata Business Idea Contest with Niigata Isetan Mitsukoshi and the Niigata Branch of East Japan Railway Company for the purpose of establishing new regional brands in Niigata and distributing information throughout Japan.

After these events were held, we also provided follow up through means such as marketing and sales channel expansion

support for business plans and ideas submitted in order to support new business in getting started and growing in Niigata.



Niigata Foundation Award ceremony
Niigata Business Idea Contest ceremony



IV Active provision of information to the local community and users

Distributing information through the website

Through our website, we actively distribute various forms of information in a manner that is easy to understand on topics such as seminars and campaigns. In addition, we have incorporated the feedback we have received from customers to enhance the part of the website that introduces products and services, and to revise how information is displayed so that customers can more easily find the information they are looking for in an effort to improve convenience.



Daishi Bank's website URL
<http://www.daishi-bank.co.jp/>

Distributing information through seminars

By providing timely information in response to changes in the environment by holding seminars, we actively implement measures that effectively support the growth of our customers. Some of the themes of the seminars held are listed on the right.



Seminar on Utilizing Measures of the Ministry of Economy, Trade and Industry

[Seminar themes]

- **Seminar on Utilizing Measures of the Ministry of Economy, Trade and Industry**
Introduction to manufacturing and energy saving subsidies
- **AI/IoT Seminar**
Introduction to AI and IoT utilization methods to improve productivity
- **Business Founder Seminar**
Introduction of experiences by senior management, etc.
- **Business Succession and M&A Seminar**
Introduction to business succession and M&A case studies
- **Overseas Business Seminar**
Introduction of information for expansion of sales channels and manufacturing bases overseas

	FY 2016	FY 2017
Independent Number of seminars held for corporate customers to support improvements in unique corporate value	39 times	42 times

Issued Aiming to Achieve Regional Revitalization

We have issued Aiming to Achieve Regional Revitalization, a booklet that introduces initiatives aimed at regional revitalization by the Bank. The booklet is available at each branch and can also be viewed on our website.

Website address for Aiming to Achieve Regional Revitalization
http://www.daishi-bank.co.jp/company/csr/pdf/creation_2905.pdf



Bridge Niigata

The Bridge Niigata exhibition and business talks space in Nihonbashi, Tokyo is used by various municipalities and companies as a base for communicating products and information from Niigata to the Tokyo metropolitan area.

	FY 2016	FY 2017
Independent Number of times Bridge Niigata was used for sales channel development and regional industry support through external collaboration*	30 times	34 times

*Industry, government, and academia collaboration with companies, universities, municipalities, etc. from outside the prefecture



Bridge Niigata in Nihonbashi, Tokyo

Initiatives to facilitate financing

While the deadline for the Act on Financial Facilitation for Small and Medium-sized Enterprises was reached at the end of March 2013, the entire Bank will continue to actively perform a consulting function and promote initiatives aimed at the facilitation of financing.

Consultation number for financial facilitation

☎ 0120-041151

Opening hours: 9:00 to 17:00 on weekdays
(Excluding bank holidays and national holidays)

Social contributions and measures to improve customer satisfaction

In an aim to “contribute to the region while being appreciated and trusted as Niigata Prefecture’s best bank,” we are actively engaged in financial and economic education and the promotion of regional culture and sports. In addition, we will work to expand our network and enhance products and services in an aim to become a more accessible and convenient bank.

Daishi Hall

We have continued to hold the Daishi Life-up Concert that invites leading musician from Japan and overseas to provide high-quality music at a low price.

For FY2017, we held a piano recital by the Ukrainian pianist Anna Fedorova who has received awards in many international contests in Niigata for the first time and a rakugo performance by rakugo performer Karoku Yanagiya, which was the first such event for the Bank.

For FY2018, in July we held a classical concert by Noé Inui who has performed in various parts of the world as a master of reinterpreting European violin

music, and in March 2019 we plan to hold a rakugo performance by rakugo performer Kikunojo Kokontei. Information including the schedule will be announced through the Daishi Bank website as appropriate.



Anna Fedorova



Karoku Yanagiya

Daishi Academy

In order to support the mental and physical development of children, we have held the Daishi Academy since FY 2013.

The Daishi Academy provides children in the area with the opportunity to interact with professionals in various fields in order to develop sensitivities outside of school and home, and to make them more familiar with finance. Since the Daishi Academy was held in FY2013, over 1,000 students have participated every year, and the total cumulative number of participants up to FY2017 was 8,326. In addition, we plan to incorporate the perspective of SDGs in classes from FY2018 in order to develop and educate human resources who will contribute to the sustainable growth of the region. In the new class on living things, we offer students an opportunity to become interested in and curious about a sustainable

recycling-oriented society from the nearby Sea of Japan and local nature, based on the theme of thinking about our future through the sea.

Finance



Science



Cooking



Basketball

Economics Koshien

The Twelfth National High School Student Finance and Economics Quiz Championships Economics Koshien Niigata Tournament was sponsored by the Bank in December 2017. This championship that was held for the fifth time in Niigata Prefecture was participated in by a record-high 32 teams and 64 participants. Among the six teams that advanced to finals, “N’ Shinano boys” from Niigata Meikun Senior High School won the championship and advanced to

the national championship to aim for the top to compete with 1,297 teams from 517 schools on financial knowledge.



Economics Koshien Niigata Tournament

Promoting Sports

As part of efforts to promote local sports, we will continue to support the Niigata City Marathon that is scheduled to be held in October 2018.

The Bank’s employees plan to participate as runners under the team name of “Speedy Solutions”, and to also participate in volunteer activities in order to make the Niigata City Marathon lively together with everyone in the local community. The Bank also actively promotes local sports through sponsorship of youth baseball tournaments such as the 39th Little Senior

Niigata Bloc Chairman’s Cup Scramble Tournament and the 35th Japan Youth Rubber Baseball Tournament Niigata Preliminary Tournament.



Niigata City Marathon



Youth baseball tournament

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

The Sanjo Branch and Sanjohigashi Branch that were relocated and opened in April 2017 received the FY2017 Award for Creating Communities that are Accessible to People from Niigata Prefecture.

The Award for Creating Communities that are Accessible to People is provided by Niigata Prefecture in recognition of groups, individuals, etc., that lead community building that takes into consideration social welfare that enables everyone including elderly people and people with disabilities to freely participate in society while maintaining their autonomy. It is provided for the development of facilities and the activities of groups, etc. that serve as a model within the prefecture. The Sanjo Branch and Sanjohigashi Branch were recognized as a facility developed in a

manner that allows safe and comfortable use by many people including elderly people and people with disabilities.

Sanjo Branch and Sanjohigashi Branch



Spacious waiting lobby



Kids corner in the waiting lobby

CotoCoto Community Art Museum

In support of the efforts of the CotoCoto Community Art Museum, works of art including paintings made by people with disabilities are on display in the lobby of the Minami Niigata Branch. The lease fees received for the works on exhibition are partially paid to the creators and they are also allocated to discovering new creators, which leads to an increase in income and creation of employment for people with disabilities, as well as the creation of contact points for people with disabilities and society.



Daishi Bank Minami Niigata Branch

Tulip Donation Activities

We donate tulips that are the Bank's official flower to social welfare facilities, etc. within Niigata Prefecture. We have conducted these activities since 1970, and they have become instilled as the social contribution activities with the longest history for the Bank. Potted plants and bulbs are delivered to a total of over 130 facilities, every spring and fall, respectively.



Donation of tulips

Tsubasa Alliance

The Bank participates in the Tsubasa Alliance as a framework for wide-range cooperation in different business areas with the seven banks of Daishi Bank, Chiba Bank, Chugoku Bank, Iyo Bank, Toho Bank, Hokuyo Bank, and Hokuetsu Bank. Cooperation covers various fields such as surveys and research on fintech, the joint formation of syndicated loans, mutual introductions of customers, and joint operations for administrative work.

We will contribute to the sustainable growth of local communities through the further acceleration of strategic alliances that maximize the benefits of wide-range

cooperation and the provision of financial services with high added value for customers.



Tsubasa Alliance

Investments in Social Bond (JICA Bond)

We have invested in the JICA Bond as a social bond* issued by the Japan International Cooperation Agency ("JICA", President: Shinichi Kitaoka) in June 2018. As an investment in ESG (environment, society, and governance) aimed at the realization of a sustainable society, this bond aims to achieve economic and social development in developing areas and contribute to environmental considerations and the resolution of social issues from a long-term perspective.

In support of these objectives of the JICA Bond, the Bank has made an investment for the purpose of resolving social issues through its core business and further strengthening the

degree of social contribution and information communication capabilities as part of putting ESG management in practice for sustainable growth that is an important tactic of new medium-term business plan, "Step-Up New Stage—Transformation and Leap Forward—", to realize the creation of shared values with stakeholders.

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

Measures to Improve Market Value: For Shareholders

In consideration of public nature of the banking industry and in order to be able to continue providing to shareholders returns in the future, our policy for returns to shareholders is a basic policy of continuing to provide stable returns to shareholders while giving consideration to the increase of internal reserves in order to strengthen the earnings base.

Policy for Returns to Shareholders

Our policy for returns to shareholders is a basic policy of continuing to provide stable returns to shareholders while giving consideration to the increase of internal reserves in order to strengthen the earnings base, and we aim for a rate of return to shareholders of about 40%, combining dividends and the acquisition of treasury shares.

The Bank conducted a share consolidation that consolidated 10 common shares into 1 common share with an effective date of October 1, 2017. The annual dividend for FY2017 was an interim dividend of 4.5 yen (before the share consolidation) and a year-end dividend of 45 yen (after the share consolidation).

Information on the dividends for Daishi Hokuetsu Financial Group, Inc. that will be the holding company after business integration will be provided promptly after it is decided on.

[Annual dividends per share (unit: yen)]

FY2013	FY2014	FY2015	FY2016	FY2017
8 *1	8	9	9	49.5 *2

*1 Annual dividends per share for FY2013 include a 140 anniversary commemorative dividend of 1 yen.

*2 This is the total of the interim dividend of 4.5 yen and the year-end dividend of 45 yen. The dividend per share for FY2017 without taking into consideration the share consolidation would be 9 yen.

Shareholder Privilege System

The Bank has introduced a shareholder privilege system as a means of expressing thanks to shareholders for their everyday support and increasing the attractiveness in investing in our shares so that even more shareholders hold our shares over the long-term.

[Applicable shareholders]

Shareholders that own at least 1,000 shares (1 unit) consecutively for at least one year*, with March 31 as the base date shall be applicable.

*A share consolidation (consolidation of 10 shares into 1 share) was conducted on October 1, 2017.

consecutive times with the same shareholder number on our current shareholder register as of March 31 and September 30 every year.

[Details of the shareholder privilege system]

Shareholders can select the specialty products and other goods they prefer based on the number of shares they hold from either a catalog that mainly contains specialty products from Niigata Prefecture or a catalog jointly created by five participating banks of the Tsubasa Alliance (Daishi, Chiba, Chugoku, Iyo, and Toho banks).

Number of share held	Local specialty products	Tsubasa Alliance joint specialty products course
100 to 1,000 shares	Equivalent to 2,500 yen	
10,000 shares or more	Equivalent to 6,000 yen	



Shareholder privilege catalog

Information on the shareholder privilege system for Daishi Hokuetsu Financial Group, Inc. after business integration will be provided promptly after it is decided on.

Disclosure Activities

For the purpose of ensuring the transparency and soundness of management, and so that all of our stakeholders including customers, the local community, and shareholders have an understanding of our management situation, we are actively engaged in disclosure activities aimed at communication of our management situation and other information. The Daishi Bank Disclosure Policy that stipulates matters such as the Bank's basic stance toward information disclosure was released in April 2018. We release the DAISHI REPORT and other publications through our website, and we also hold briefings on the company in

Tokyo for institutional investors in an aim to improve corporate value. Furthermore, we also hold company briefings for individual investors in Niigata Prefecture where we have our main business base.



Company briefing for institutional investors (Tokyo)

CSR Measures to Improve Employee Satisfaction: Promotion of a Work-Life Balance

We work to develop working environments that support the values of diversifying employees and allow each and every employee to work in a vibrant and lively manner while performing to the best of their ability.

Creating Friendly Working Environment and Revising Working Styles

For yearly paid holidays, we promote the acquisition of holiday through the establishment of various systems including continuous leave, season leave, power-up leave, and anniversary day leave, and the creation and management of holiday acquisition plans. In addition, in order to control long working hours and promote effective

and well-balanced working styles, we regularly hold Bank-wide early work completion campaigns such as Bank-wide no overtime days and sales office no overtime days, and we also promote the use of the morning work system as part of efforts to revise working styles in order to achieve further improvements in productivity and reduce overtime work.

Promoting the Active Participation of Female Employees

A basic policy and numerical targets for promoting the active participation of female employees were set in FY2014, and further efforts have been made accordingly. The name "Shining Project Wing" has been used for positive actions to promote the active participation of female employees, under which efforts to transform awareness and revitalize the organization, support the active participation of radiant women, and support the continuation of work

have been implemented



Shining Project Wing activities

[Percentage of women in management and supervising positions]

Fiscal year	End of FY2014	End of FY2015	End of FY2016	End of FY2017	End of FY2018 (target)	End of FY2020 (target)
Results	20.99%	22.38%	24.02%	25.16%	26% or above	30% or above

[Childcare leave acquisition rate by person giving birth/spouse of person giving birth]

Fiscal year		FY2014	FY2015	FY2016	FY2017
Women	Number of people acquiring childcare leave	24 people	32 people	29 people	38 people
	Acquisition rate	100%	100%	100%	100%
Men	Number of people acquiring childcare leave	0 people	13 people	13 people	20 people
	Acquisition rate	0%	16.5%	22.4%	46.5%

Evaluation of External Institutions

["Eruboshi" Certification]

In July 2018, the Bank acquired the top rank of the three classes of "Eruboshi" Certification* from the Minister of Health, Labour and Welfare as an excellent company for initiatives to promote the active participation of women. We will continue efforts to create workplaces that allow each and every employee to feel secure working and experience the joys of growth.

*"Eruboshi" Certification is a system based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Under this system, the Minister of Health, Labour and Welfare certifies companies with excellent initiatives to promote the active participation of women. There are three ranks (1st, 2nd, and 3rd) based on the number of evaluation items that are fulfilled.



"Eruboshi" Certification mark

[Excellent Enterprise of Health and Productivity Management 2018 (White 500)]

In February 2018, the Bank was certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program jointly conducted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

The Certified Health & Productivity Management Outstanding Organizations Recognition Program recognizes excellence in the efforts of companies that are strategically working on the health management of their employees from the viewpoint of management.

Based on our corporate philosophy to "contribute to the region while being appreciated and trusted as Niigata Prefecture's best bank," we believe that the maintenance and improvement of the physical and mental health of employees is the foundation of human resources that

contribute to the region, and accordingly, we have worked to expand opportunities for disease prevention and improve mental health care.



[Excellent Enterprise of Health and Productivity Management 2018 (White 500)]



[Excellent Enterprise of Health and Productivity Management 2018 (White 500)]

Risk Management Structure

Risk Management Structure

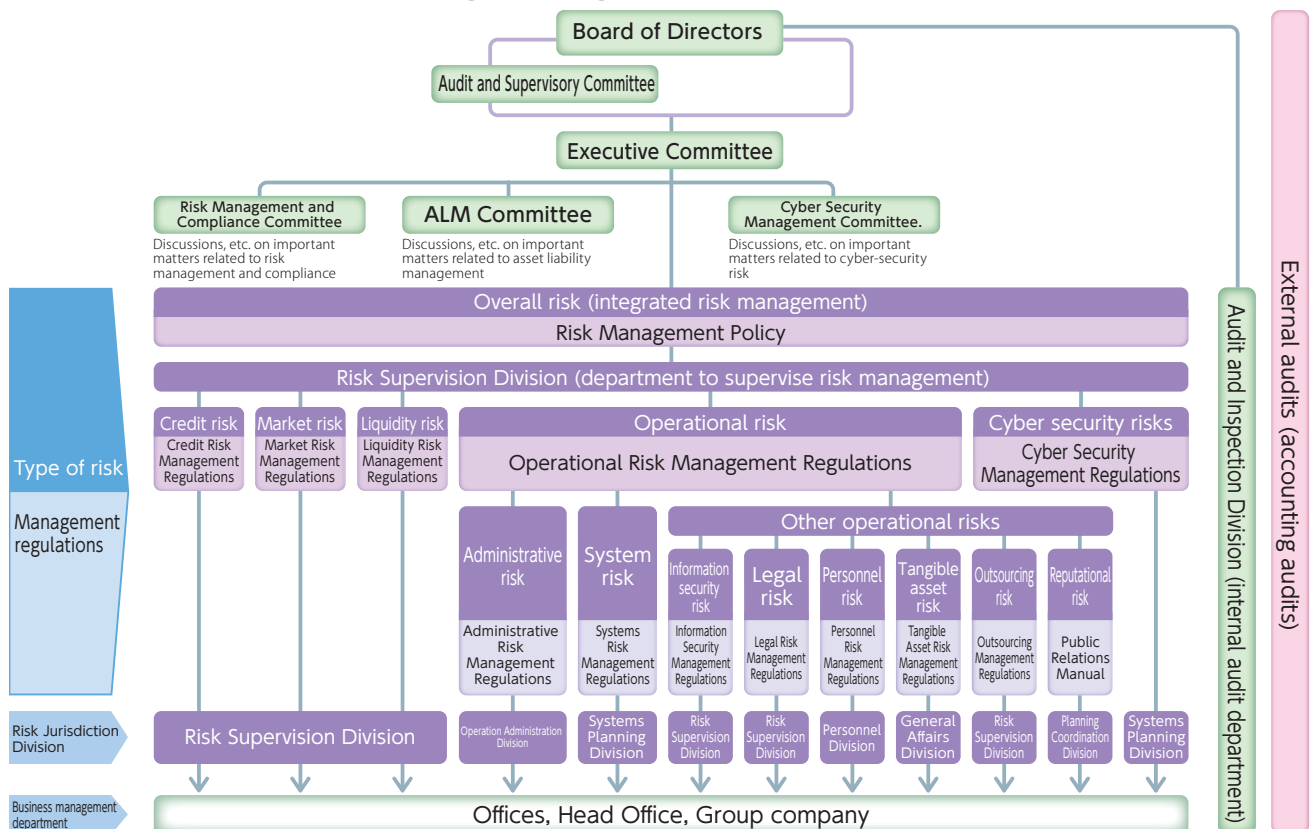
The Bank's basic policy of risk management is to stably secure profits corresponding to risk and plan the appropriate distribution of management resources by accurately assessing and appropriately managing risks, and by then auditing this process. Organizationally, under this basic policy, Daishi Bank assigns specific jurisdiction over responses to each type of risk to specific sectors to respond to various types of risks, while establishing a Management Administration Division that understands and manages risk comprehensively, cutting across organizational boundaries. The Audit and Inspection Division (internal audit department), which is separated from the sectors it audits and under the direct control of the Board of Directors, conducts rigorous audits of the general sweep of bank operations, testing the appropriateness and effectiveness of Daishi Bank's internal-control provisions.

Specifically, Daishi Bank has instituted a number of committees to oversee risk management. The Risk Management and Compliance Committee supervises risk management, advances organizational

restructuring for the entire bank, and pursues business management that thoroughly complies with laws and regulations. The ALM Committee measures and analyzes risk, with the aim of controlling risk and securing stable revenues. The Cyber Security Management Committee develops cyber security management systems. These committees are also attended by Audit and Supervisory committee members and are held on a regular basis and as required.

Under the risk-management system described above, For the purpose of ensuring financial soundness and using capital efficiently, Daishi Bank maintains sound control of its assets and conducts effective risk allocation, ensuring that assets are invested prudently for the effective management of risk capital. In addition, we have established a crisis management structure that included the formulation of a Basic Policy on Business Continuity that prioritizes the continuity of important operations in the event of an unexpected occurrence that would make it impossible to continue business, such as an earthquake or other major disaster, or the outbreak of a disease such as new strains of influenza.

Risk Management Organization Chart (as of July 1, 2018)



Compliance Structure

Fundamental Policies Toward Compliance

Customer trust is a bank's greatest asset. To ensure that we continue to earn and maintain the trust of our customers, we at Daishi Bank must improve the soundness of management and win the confidence of the community based on our corporate ethics.

The cornerstone of this effort is compliance. At Daishi Bank, compliance is our top priority. Adhering to four basic principles, all directors and employees are working every day to establish management that is firmly grounded in the spirit of compliance.

Four basic principles

- 1 Guided by our mission and adhering to our corporate ethics, we are establishing a thorough compliance framework through the development and execution of a practical compliance program.
- 2 In operations, all directors and employees understand both the letter and spirit of the code of conduct regulated by the Japanese Bankers Association. The directors and employees of Daishi Bank work together to apply the code of this charter with common principles of conduct.
- 3 Through training and awareness-raising exercises, we build and instill a strong ethical consciousness and compliance-oriented mindset in our employees. We also work hard to develop systems for checking business execution processes, and strengthening measures to prevent compliance violations and other problems.
- 4 We appropriately verify, evaluate, and report the status of compliance and of the implementation of our compliance program. We make every effort to discover issues early and solve them promptly, with effective measures for correction of problems and prevention of their recurrence.

Compliance Structure

Headquarters System

The Risk Management and Compliance Committee, whose activities are linked closely with management, meets to discuss important issues and the status of efforts on compliance.

In addition, the Compliance Office, established within the Risk Supervision Division as a supervisory department, plans compliance measures, monitors the status of compliance at each office, supports each Head Office division, and offers guidance on compliance issues to each branch.

Risk Management and Compliance Committee

Chair: Responsible executive of Risk Supervision Division
 Members: Manager of 11 related departments
 (observers: Audit and Supervisory Committee members)

- Consideration of Basic Policy on Compliance (Legal Compliance Policy) and internal rules (Legal Compliance Regulations)
- Consideration of Compliance Manual
- Consideration of and progress management for the compliance program
- Management and consideration of countermeasures related to violations
- Discussions on other important matters related to compliance

↑ Reports and proposals

System in Head Office Divisions and Offices

The manager of each Head Office division and office serves as the compliance supervisor for each respective division, while the second-highest ranking position is appointed as the legal check supervisor. Furthermore, an Office Compliance Committee has been established in each office to prevent and conduct early detection of compliance issues and consider and formulate recurrence prevention measures.

Risk Supervision Division (Compliance Office)

<Compliance Supervision Departments>

- Risk Management and Compliance Committee Office
- Planning and implementation concerning compliance
- Consultations and guidance concerning compliance
- Training, education, and awareness raising concerning compliance
- Legal checks on documents, etc. issued by the Head Office

Reporting and consultation ↑ ↓ Guidance and awareness raising

Training and Education Activities

Our Compliance Manual is distributed to all of our directors and employees, and is used in joint training sessions and in compliance seminars held in our offices and branches. We are strengthening our practical training curriculum, which includes e-learning sessions to test knowledge and understanding of major relevant laws, regulations and ordinances, and also includes group discussions and case studies. These are helpful in broadening employee awareness of compliance issues, and ensuring they remain vigilant about such matters.

Head Office divisions and offices

- Compliance supervisor
- Legal check supervisor

<Office Compliance Committees and Workshops>

- Confirmation of status of compliance in offices and consideration of improvement measures (causal analysis of problems and formulation of prevention and recurrence prevention measures)
- Implementation of compliance training in offices

Financial Data

Corporate Data

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Consolidated Balance Sheets

Years ended March 31, 2017 and 2018

Note : The translations of the Japanese yen amounts into US dollars are using the prevailing exchange rate at March 31, 2018, which was ¥ 106.24 to US \$1.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Assets			
Cash and due from banks	¥ 606,548	¥ 775,395	\$ 7,298,531
Monetary claims bought	15,554	15,313	144,137
Trading account securities	1,873	1,715	16,143
Securities	1,765,941	1,762,555	16,590,314
Loans and bills discounted	3,142,667	3,236,059	30,459,893
Foreign exchanges	11,506	9,479	89,229
Other assets	72,269	101,059	951,239
Property, plant and equipment	44,451	43,484	409,302
Intangible assets	13,440	12,209	114,923
Deferred tax assets	765	822	7,737
Customers' liabilities for acceptances and guarantees	13,065	12,330	116,061
Allowance for loan losses	(14,358)	(12,836)	(120,823)
Total Assets	¥ 5,673,726	¥ 5,957,587	\$ 56,076,689
Liabilities			
Deposits and Negotiable certificates of deposit	¥ 4,694,499	¥ 4,819,992	\$ 45,368,904
Payables under repurchase agreements	—	36,735	345,777
Payables under securities lending transactions	261,329	326,708	3,075,196
Borrowed money	309,754	357,105	3,361,311
Foreign exchanges	208	144	1,355
Other liabilities	45,231	45,541	428,661
Provision for directors' bonuses	91	100	948
Net defined benefit liability	2,786	811	7,641
Provision for directors' retirement benefits	34	33	319
Provision for reimbursement of deposits	385	2,088	19,660
Provision for contingent loss	830	770	7,251
Reserves under special laws	12	11	109
Deferred tax liabilities	13,832	13,566	127,693
Deferred tax liabilities for land revaluation	5,521	5,520	51,957
Acceptances and guarantees	13,065	12,330	116,061
Total Liabilities	¥ 5,347,584	¥ 5,621,461	\$ 52,912,850
Net Assets			
Capital stock			
Authorized-57,699 thousand shares,			
Issued-34,625 thousand shares	¥ 32,776	¥ 32,776	\$ 308,518
Capital surplus	25,152	25,179	237,006
Retained earnings	197,851	208,533	1,962,856
Treasury stock	(2,831)	(4,240)	(39,915)
Shareholders' equity	252,949	262,249	2,468,464
Valuation difference on available-for-sale securities	52,648	51,126	481,233
Deferred gains or losses on hedges	(361)	(380)	(3,583)
Revaluation reserve for land	6,988	6,984	65,747
Remeasurements of defined benefit plans	(2,123)	(666)	(6,273)
Valuation and translation adjustments	57,151	57,064	537,123
Subscription rights to shares	498	554	5,218
Non-controlling interests	15,542	16,258	153,031
Total Net assets	326,142	336,126	3,163,839
Total Liabilities and Net Assets	¥ 5,673,726	¥ 5,957,587	\$ 56,076,689

Consolidated Statements of Operations

Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Income			
Interest on loans and discounts	¥ 29,608	¥ 29,051	\$ 273,450
Interest and dividends on securities	19,373	19,421	182,811
Other interest income	538	518	4,879
Fees and commissions	17,683	19,129	180,059
Other ordinary income	4,572	4,865	45,801
Other income	23,051	26,457	249,038
Total Income	¥ 94,827	¥ 99,445	\$ 936,041
Expenses			
Interest on deposits	¥ 1,081	¥ 806	\$ 7,589
Interest on borrowings and rediscounts	189	149	1,410
Other interest expenses	3,261	3,827	36,031
Fees and commissions payments	4,748	4,630	43,582
Other ordinary expenses	2,231	3,098	29,160
General and administrative expenses	48,261	47,087	443,213
Other expenses	18,369	19,247	181,167
Total Expenses	¥ 78,144	¥ 78,846	\$ 742,156
Profit before income taxes	¥ 16,683	¥ 20,598	\$ 193,884
Provision for income taxes:			
Income taxes-current	4,768	6,539	61,550
Income taxes-deferred	(416)	(425)	(4,006)
Profit	12,331	14,484	136,340
Profit attributable to non-controlling interests	804	708	6,670
Profit attributable to owners of parent	¥ 11,527	¥ 13,776	\$ 129,670
	Yen		U.S. Dollars
Amounts per share of capital stock:			
Net income	¥ 336.63	¥ 407.22	\$ 3.83
Cash dividends	9.00	49.50	0.46

Because a 10 for 1 share consolidation for common shares was implemented on October 1, 2017, the calculation of net income per share assumed that this share consolidation was conducted at the beginning of the previous consolidated fiscal year.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Profit	¥ 12,331	¥ 14,484	\$ 136,340
Other comprehensive income	(1,760)	84	792
Valuation difference on available-for-sale securities	(4,120)	(1,353)	(12,744)
Deferred gains or losses on hedges	61	(19)	(181)
Remeasurements of defined	2,299	1,457	13,718
Total comprehensive income	10,571	14,569	137,133
Comprehensive income attributable to owners of parent	9,534	13,691	128,876
Comprehensive income attributable to non-controlling interests	1,036	877	8,257

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2017 and 2018

	Millions of Yen										
	Shares of Capital stock (Thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Subscription rights to shares	Non- controlling interests
Balance at March 31, 2016	¥ 35,735	¥ 32,776	¥ 25,987	¥ 193,584	¥ (6,777)	¥ 57,002	¥ (422)	¥ 6,931	¥ (4,423)	¥ 508	¥ 14,515
Dividends from surplus	—	—	—	(3,106)	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	11,527	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(1,505)	—	—	—	—	—	—
Disposal of treasury stock	—	—	(60)	—	579	—	—	—	—	—	—
Retirement of treasury stock	(1,110)	—	(774)	(4,097)	4,871	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(56)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(4,353)	61	56	2,299	(10)	1,026
Total changes of items during the period	—	—	(835)	4,267	3,945	(4,353)	61	56	2,299	(10)	1,026
Balance at March 31, 2017	¥ 34,625	¥ 32,776	¥ 25,152	¥ 197,851	¥ (2,831)	¥ 52,648	¥ (361)	¥ 6,988	(2,123)	¥ 498	¥ 15,542
Dividends from surplus	—	—	—	(3,065)	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	13,776	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(1,817)	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(32)	407	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	3	—	—	—	—	—	—	—
Changes to parent company's ownership due to transactions with non-controlling shareholders	—	—	27	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(1,522)	(19)	(3)	1,457	55	715
Total changes of items during the period	—	—	27	10,682	(1,409)	(1,522)	(19)	(3)	1,457	55	715
Balance at March 31, 2018	¥ 34,625	¥ 32,776	¥ 25,179	¥ 208,533	(4,240)	¥ 51,126	(380)	¥ 6,984	¥ (666)	¥ 554	¥ 16,258

A share consolidation (10 for 1 share consolidation for common shares) was implemented on October 1, 2017 based on a resolution made at the 206th Annual General Meeting of Shareholders held on June 27, 2017. As a result, the total number of issued shares decreased by 311,628,125 shares to 34,625,347 shares.

	Thousands of U.S. Dollars										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Subscription rights to shares	Non- controlling interests	
Balance at March 31, 2017	\$ 308,518	\$ 236,748	\$ 1,862,306	\$ (26,651)	\$ 495,564	\$ (3,401)	\$ 65,779	\$ (19,991)	\$ 4,693	\$ 146,294	
Dividends from surplus	—	—	(28,851)	—	—	—	—	—	—	—	
Profit attributable to owners of parent	—	—	129,670	—	—	—	—	—	—	—	
Purchase of treasury stock	—	—	—	(17,103)	—	—	—	—	—	—	
Disposal of treasury stock	—	—	(301)	3,839	—	—	—	—	—	—	
Reversal of revaluation reserve for land	—	—	32	—	—	—	—	—	—	—	
Changes to parent company's ownership due to transactions with non-controlling shareholders	—	257	—	—	—	—	—	—	—	—	
Net changes of items other than shareholders' equity	—	—	—	—	(14,331)	(181)	(32)	13,718	525	6,737	
Total changes of items during the period	—	257	100,549	(13,264)	(14,331)	(181)	(32)	13,718	525	6,737	
Balance at March 31, 2018	\$ 308,518	\$ 237,006	\$ 1,962,856	\$ (39,915)	\$ 481,233	\$ (3,583)	\$ 65,747	\$ (6,273)	\$ 5,218	\$ 153,031	

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net cash provided by (used in) operating activities:			
Profit before income taxes	¥ 16,683	¥ 20,598	\$ 193,884
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,725	3,930	36,999
Impairment loss	242	10	97
Increase (decrease) in allowance for loan losses	(1,246)	(1,522)	(14,331)
Increase (decrease) in provision for contingent loss	(176)	(59)	(564)
Increase (decrease) in provision for directors' bonuses	(11)	9	84
Increase (decrease) in net defined benefit liability	(484)	122	1,153
Increase (decrease) in provision for directors' retirement benefits	3	(0)	(7)
Increase (decrease) in provision for reimbursement of deposits	(69)	1,703	16,033
Gain on fund management	(49,520)	(48,991)	(461,141)
Financing expenses	4,533	4,784	45,032
Loss (gain) related to securities	(2,378)	(2,182)	(20,546)
Foreign exchange losses (gains)	(0)	(0)	(1)
Loss (gain) on disposal of noncurrent assets	34	44	415
Net decrease (increase) in trading account securities	378	158	1,489
Net decrease (increase) in loans and bills discounted	(192,852)	(93,391)	(879,061)
Net increase (decrease) in deposit	129,596	151,308	1,424,210
Net increase (decrease) in negotiable certificates of deposit	19,865	(25,815)	(242,987)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	112,687	47,350	445,697
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	51	(194)	(1,828)
Net decrease (increase) in call loans	952	242	2,279
Net increase (decrease) in call money	—	36,735	345,777
Net increase (decrease) in payables under securities lending transactions	69,281	65,379	615,395
Net decrease (increase) in foreign exchanges-assets	(303)	2,027	19,081
Net increase (decrease) in foreign exchanges-liabilities	77	(64)	(610)
Proceeds from fund management	48,724	47,133	443,648
Payments for finance	(4,603)	(5,013)	(47,193)
Other, net	527	(21,719)	(204,442)
sub-total	154,720	182,579	1,718,560
Income taxes paid	(4,807)	(4,531)	(42,649)
Total adjustments	133,229	157,450	1,482,026
Net cash provided by (used in) operating activities	¥ 149,912	¥ 178,048	\$ 1,675,911
Net cash provided by (used in) investment activities:			
Purchase of securities	(562,920)	(646,938)	(6,089,405)
Proceeds from sales of securities	351,924	423,380	3,985,131
Proceeds from redemption of securities	228,873	220,677	2,077,158
Purchase of property, plant and equipment	(2,162)	(1,032)	(9,715)
Purchase of intangible assets	(3,693)	(844)	(7,951)
Proceeds from sales of property, plant and equipment	110	112	1,060
Proceeds from sales of intangible assets	—	0	0
Net cash provided by (used in) investment activities:	¥ 12,131	¥ (4,645)	\$ (43,721)
Net cash provided by (used in) financing activities:			
Cash dividends paid	(3,106)	(3,065)	(28,851)
Dividends paid to non-controlling interests	(10)	(10)	(97)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(123)	(1,165)
Purchase of treasury stock	(1,505)	(1,817)	(17,103)
Proceeds from sales of treasury stock	279	265	2,500
Net cash provided by (used in) financing activities	¥ (4,342)	¥ (4,750)	\$ (44,717)
Effect of exchange rate change on cash and cash equivalents	0	0	1
Net increase (decrease) in cash and cash equivalents	157,702	168,653	1,587,472
Cash and cash equivalents at beginning of the year	447,500	605,202	5,696,563
Cash and cash equivalents at the end of the year	¥ 605,202	¥ 773,856	\$ 7,284,036

Notes To Consolidated Financial Statements

March 31, 2017 and 2018

1. Basis of presenting consolidated financial statements

The Daishi Bank, Ltd., (the “Bank”) and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen in accordance with the provisions set forth in the Japanese Corporation Law, the Bank Law of Japan, and the Financial Instruments and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of stockholders’ equity from the consolidated financial statements of the Bank which were prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S.Dollars are included solely for the convenience of the readers, using the prevailing exchange rate on March 31, 2018, which was ¥106.24 to U.S. \$1. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Bank and all of its significant subsidiaries (together, the “Group”). The number of consolidated subsidiaries as of March 31, 2018 and 2017 was 7. All significant intercompany balances and transactions have been eliminated.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and due from THE BANK OF JAPAN are considered to be cash and cash equivalents.

Trading account securities

The Bank’s trading account securities are stated at fair market value, and unrealized gains or losses are recognized in the consolidated statements of income.

Realized gains or losses on sale of such securities are

primarily computed using the moving-average cost.

Securities

According to the Japanese Accounting Standards for Financial Instruments, securities are classified as follows based on their intention of holdings: (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”)

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Other securities whose fair value is judged to be difficult to determine are stated at moving-average cost.

If there is significant decline in the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event that net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Derivatives

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

Property, plant and equipment (excluding lease assets)

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is computed mainly using the declining-balance method while the straight-line method is applied to buildings, building-attached facilities and structures acquired after April 1, 2016 at rates based on the estimated useful lives of respective assets. The estimated useful lives of major items are as follows:

Buildings; 10 – 50 years
Others; 2 – 20 years

Intangible assets (excluding lease assets)

Intangible assets are amortized on a straight-line depreciation.

Software for internal use is amortized on a straight-line basis over its estimated useful life (5 – 9 years).

Lease assets

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

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date.

Allowance for loan losses

For loans to insolvent customers who are undergoing bankruptcy or other collection proceeding or in a similar financial condition, allowance for loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to available security interests or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for which there is a high probability of so becoming, the allowance for loan losses is provided for estimated unrecoverable amounts determined after evaluating the customer’s overall financial conditions.

For other loans, allowance for loan losses are provided based on the rate of the Bank’s actual loan losses in the past.

All branches and other business related sections evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and other business related sections, and the evaluations are revised as required based on the audits.

Also, consolidated subsidiaries provide for an allowance for loan losses. It consists of the estimated uncollectible amount with respect to identified doubtful accounts and an amount calculated mainly using the rate of actual loan losses in the past.

Loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition are stated net of estimated uncollectible amount equal to the full amount of such loans less the portion that is estimated to be recoverable due to available security interests or guarantees.

Such estimated uncollectible amounts directly deducted from receivables amounted to ¥10,501 million and ¥7,935 million (\$74,696 thousand) at March 31, 2017 and 2018, respectively.

Accounting method for retirement benefits

For the calculation of retirement benefit obligations, the benefit formula criteria is used as a way to attribute the estimated retirement benefit amount into the period ending the current consolidated fiscal year. In addition, the following is the

treatment method of the past service cost and the actuarial gains and loss.

Past service cost: Treatment of gains and loss through straight-line method for the fixed amount of years (10 years) during the average remaining working lives of employees in practice.

Actuarial gains and loss: Treatment of gains and loss from the following consolidated fiscal year of the distributed amount resulting from the straight-line method of the fixed amount of years (10 years) during the average remaining working lives of employees in practice for each consolidated fiscal year.

For the calculation of the liabilities concerning retirement benefits and retirement benefit cost, some consolidated subsidiaries have applied the simplified method where the voluntary accrued benefits at the end of the year pertaining to retirement benefits will be deemed as retirement benefit obligations.

Provision for directors’ retirement benefits

The reserve for directors’ retirement benefits of the consolidated subsidiaries is appropriated in the amount of the portion of expected total retirement-benefit payment that is recognized as generated in the consolidated fiscal year under review, to provide for payment of retirement benefits to directors.

Provision for reimbursement of deposits

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

Provision for directors’ bonuses

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

Provision for contingent loss

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

Reserves under the special laws

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

Lease transaction revenue/expense appropriation standards

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

Hedge accounting

① Hedge accounting for interest rate risk

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

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

② Hedge accounting for exchange rate risk

As for the hedge accounting method applied to hedging transactions for exchange rate risk arising from foreign-currency-denominated financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in “the Treatment for Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No.25).

The effectiveness of such hedge accounting is assessed by considering currency swap transactions, which are for the purpose of offsetting foreign exchange risks arising from foreign-currency-denominated financial assets and liabilities as hedge methods, and by verifying the existence of foreign-currency-position of such hedging methods matching up to the foreign-currency-denominated assets and liabilities of the hedging objects.

Amounts per share

Computation of net income per share is based on the weighted-average number of capital shares outstanding during each year.

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows for 2017 and 2018 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2018
Cash and due from banks	¥ 606,548	¥ 775,395
Other	(1,345)	(14,495)
Cash and cash equivalents	¥ 605,202	¥ 773,856

(Changes in accounting policies)

Not applicable.

(Additional information)

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

(1) Overview of transaction

Since November 13, 2015, as part of the welfare program for the employees, the Bank has been allocating its own stocks to the Employee Stock Ownership Association through the Special Trust.

This is an incentive plan for all employees who are members of Daishi Bank Employee Stock Ownership Association (hereinafter, “the Association”). In this plan, the Bank will set up a Daishi Bank Employee Stock Ownership Association Special Trust (hereinafter, the “Employee Special Trust”) in the trust bank. The Employee Special Trust will acquire in advance the number of Bank stocks that the Association expects to obtain by 2020. The Bank stocks will then be continuously allocated to the Association from the Employee Special Trust. Also, in the case of an accumulated amount equivalent to profit on the sale of stocks in the Employee Special Trust at the time of its maturity, the said amount will be distributed as a remaining asset to those who qualify as recipients. Further, the Bank will act as the guarantor for a loan to enable the Employee Special Trust to acquire the Bank stocks. In the event that a fall in the Bank stock price generates an accumulated loss on the sale of stocks in the Employee Special Trust and at the time of its maturity there is a remaining debt equivalent to the said loss, the Bank will liquidate the said remaining debt in accordance with the guarantee contract.

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

The remaining stocks of the Bank in the Trust is booked as Treasury stock in the Net Assets section. The book value and number of shares of the Treasury stock is 634 million yen and 110,000 shares, respectively.

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

779 million yen.

3. Issues relating to fair value, etc. of financial instruments

The consolidated balance sheet amounts, fair values, and their differences as of March 31, 2017 and 2018 are as follows.

Non-listed stock, etc. whose fair value is judged to be difficult to determine are not included in the following charts (see Note 1).

	Millions of Yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 606,548	¥ 606,548	—
(2) Securities			
Trading securities	2	2	—
Held-to-maturity debt securities	75,903	79,352	3,449
Other securities	1,685,955	1,685,955	—
(3) Loans	3,142,667		
Allowance for loan losses	(13,733)		
	3,128,933	3,144,111	15,178
Asset capital	¥ 5,497,343	¥ 5,515,971	¥ 18,628
(1) Deposits	4,475,436	4,475,649	(213)
(2) Negotiable deposit	219,063	219,063	(0)
(3) Payables under securities			
lending transactions	261,329	261,329	—
(4) Borrowed money	309,754	309,780	(25)
Total liabilities	¥ 5,265,583	¥ 5,265,822	¥ (239)
Derivative transactions			
Hedge accounting not applied	673	673	—
Hedge accounting applied	(744)	(1,177)	(432)
Total derivative transactions	¥ (70)	¥ (503)	¥ (432)

	Millions of Yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 775,395	¥ 775,395	—
(2) Securities			
Trading securities	1	1	—
Held-to-maturity debt securities	73,371	75,786	2,415
Other securities	1,684,669	1,684,669	—
(3) Loans	3,236,059		
Allowance for loan losses	(12,268)		
	3,223,790	3,236,973	13,183
Asset capital	¥ 5,757,229	¥ 5,772,827	¥ 15,598
(1) Deposits	4,626,744	4,626,865	(120)
(2) Negotiable deposit	193,248	193,248	(0)
(3) Payables under securities			
lending transactions	326,708	326,708	—
(4) Borrowed money	357,105	357,122	(16)
Total liabilities	¥ 5,503,807	¥ 5,503,944	¥ (137)
Derivative transactions			
Hedge accounting not applied	1,653	1,653	—
Hedge accounting applied	1,323	1,044	(278)
Total derivative transactions	¥ 2,976	¥ 2,697	¥ (278)

	Thousands of U.S. Dollars		
	2018		
	Book value	Fair value	Difference
(1) Cash and due from banks	\$ 7,298,531	\$ 7,298,531	—
(2) Securities			
Trading securities	17	17	—
Held-to-maturity debt securities	690,622	713,355	22,733
Other securities	15,857,203	15,857,203	—
(3) Loans	30,459,893		
Allowance for loan losses	(115,481)		
	30,344,411	30,468,499	124,087
Asset capital	\$ 54,190,786	\$ 54,337,606	\$ 146,820
(1) Deposits	43,549,927	43,551,065	(1,137)
(2) Negotiable deposit	1,818,977	1,818,977	(0)
(3) Payables under securities			
lending transactions	3,075,196	3,075,196	—
(4) Borrowed money	3,361,311	3,361,471	(159)
Total liabilities	\$ 51,805,413	\$ 51,806,710	\$ (1,297)
Derivative transactions			
Hedge accounting not applied	15,560	15,560	—
Hedge accounting applied	12,453	9,834	(2,619)
Total derivative transactions	\$ 28,013	\$ 25,394	\$ (2,619)

(Note 1) The financial instruments whose fair value is judged to be difficult to determine are as follows. They are not included in “Assets Other securities” in fair value information for financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
① Listed stock	¥ 2,771	¥ 2,769	\$ 26,069
② Associated investments, etc.	1,341	1,775	16,709
Total	¥ 4,113	¥ 4,544	\$ 42,778

(Note 2) The scheduled repayment amount after the consolidated balance sheet date for monetary claims and matured securities.

	Millions of Yen					
	2017					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 569,881	—	—	—	—	—
Securities						
Held-to-maturity debt securities	2,184	14,737	58,729	193	—	—
Those that are Japanese government bonds	1,000	13,000	58,000	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	1,184	1,737	729	193	—	—
Other securities	215,322	525,593	361,960	122,432	220,771	6,036
Those that are Japanese government bonds	116,000	273,100	119,300	74,000	17,000	5,000
Japanese local government bonds	27,989	52,788	25,425	15,550	84,185	—
Corporate bonds	38,107	88,002	44,585	18,774	11,638	—
Loans	444,065	639,467	529,726	276,510	311,728	525,299
Total	¥ 1,231,453	¥ 1,179,798	¥ 950,416	¥ 399,135	¥ 532,499	¥ 531,335

	Millions of Yen					
	2018					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 739,022	—	—	—	—	—
Securities						
Held-to-maturity debt securities	6,909	40,100	26,174	150	—	—
Those that are Japanese government bonds	6,000	39,000	26,000	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	909	1,100	174	150	—	—
Other securities	226,931	506,601	253,719	94,557	324,813	12,026
Those that are Japanese government bonds	122,900	227,500	79,000	40,000	18,000	10,000
Japanese local government bonds	19,208	37,678	27,475	8,950	149,894	—
Corporate bonds	42,380	68,064	80,263	17,857	27,951	—
Loans	432,871	684,927	478,005	285,490	340,065	580,122
Total	¥ 1,405,735	¥ 1,231,628	¥ 757,900	¥ 380,198	¥ 664,879	¥ 592,148

	Thousands of U.S. Dollars					
	2018					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	\$ 6,956,160	—	—	—	—	—
Securities						
Held-to-maturity debt securities	65,032	377,447	246,371	1,411	—	—
Those that are Japanese government bonds	56,475	367,093	244,728	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	8,556	10,353	1,642	1,411	—	—
Other securities	2,136,028	4,768,463	2,388,174	890,038	3,057,354	113,197
Those that are Japanese government bonds	1,156,814	2,141,378	743,599	376,506	169,427	94,126
Japanese local government bonds	180,798	354,656	258,612	84,243	1,410,907	—
Corporate bonds	398,915	640,670	755,490	168,085	263,092	—
Loans	4,074,472	6,446,978	4,499,303	2,687,221	3,200,922	5,460,493
Total	\$13,231,693	\$11,592,889	\$ 7,133,849	\$ 3,578,671	\$ 6,258,277	\$ 5,573,691

(Note 3) The scheduled repayment amount after the consolidated balance sheet date for borrowed money and other interest-bearing debt.

	Millions of Yen					
	2017					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits	¥ 4,148,188	¥ 298,316	¥ 24,099	¥ 2,105	¥ 2,726	—
Negotiable deposit	218,852	211	—	—	—	—
Payables under securities lending transactions	261,329	—	—	—	—	—
Borrowed money	11,607	178,662	118,806	520	137	20
Total	¥ 4,639,977	¥ 477,190	¥ 142,905	¥ 2,626	¥ 2,863	¥ 20

	Millions of Yen					
	2018					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits	¥ 4,315,094	¥ 285,517	¥ 21,559	¥ 1,983	¥ 2,589	—
Negotiable deposit	193,248	—	—	—	—	—
Payables under securities lending transactions	326,708	—	—	—	—	—
Borrowed money	71,086	234,737	50,907	295	64	13
Total	¥ 4,906,138	¥ 520,254	¥ 72,466	¥ 2,279	¥ 2,654	¥ 13

	Thousands of U.S. Dollars					
	2018					
	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits	\$ 40,616,479	\$ 2,687,472	\$ 202,933	\$ 18,668	\$ 24,373	—
Negotiable deposit	1,818,977	—	—	—	—	—
Payables under securities lending transactions	3,075,196	—	—	—	—	—
Borrowed money	669,114	2,209,502	479,172	2,784	611	125
Total	\$ 46,179,767	\$ 4,896,975	\$ 682,106	\$ 21,453	\$ 24,984	\$ 125

4. Securities

(A) The following tables summarize acquisition costs, book values, fair value, and other information of securities with available fair values as of March 31, 2017 and 2018:

(1) Trading securities

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Book value	¥ 1,875	¥ 1,716	\$ 16,161
Amount of net unrealized gains included in the income statement	7	6	64

(2) Held-to-maturity debt securities

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Book value	¥ 75,903	¥ 73,371	\$ 690,622
Fair value	79,352	75,786	713,355
Difference	3,449	2,415	22,733

(3) Available-for-sale securities

	Millions of Yen		
	2017		
	Acquisition cost	Book value	Difference
Stocks	¥ 71,965	¥ 131,100	¥ 59,134
Bonds	1,012,956	1,032,950	19,993
Other than stocks and bonds	525,728	524,246	(1,481)
Total	¥ 1,610,650	¥ 1,688,297	¥ 77,646

	Millions of Yen		
	2018		
	Acquisition cost	Book value	Difference
Stocks	¥ 73,574	¥ 140,428	¥ 66,854
Bonds	978,655	991,365	12,710
Other than stocks and bonds	557,533	553,731	(3,802)
Total	¥ 1,609,763	¥ 1,685,526	¥ 75,762

	Thousands of U.S. Dollars		
	2018		
	Acquisition cost	Book value	Difference
Stocks	\$ 692,528	\$ 1,321,804	\$ 629,275
Bonds	9,211,742	9,331,381	119,638
Other than stocks and bonds	5,247,869	5,212,082	(35,787)
Total	\$ 15,152,141	\$ 15,865,267	\$ 713,126

(B) Held-to-maturity debt securities sold in the year ended March 31, 2017 were not applicable. and those sales in the year ended March 31, 2018 were ¥5 million and the related gain was ¥0 million.

(C) Valuation difference on available-for-sale securities at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Difference between Cost and Fair Value on available-for-sale securities	¥ 77,646	¥ 75,762	\$ 713,126
Deferred tax liability	(23,207)	(22,677)	(213,453)
Sub-total	54,439	53,085	499,672
Non-controlling interests	(1,790)	(1,958)	(18,439)
Valuation difference on Available-for-sale securities	¥ 52,648	¥ 51,126	\$ 481,233

(D) Total sales of available-for-sale securities sold in the year ended March 31, 2017 amounted to ¥271,462 million and the related gains and losses amounted to ¥5,315 million and ¥2,740 million, respectively, and those sales in the year ended March 31, 2018 amounted to ¥290,265 million (\$2,732,163 thousand) and the related gains and losses amounted to ¥5,681 million (\$53,482 thousand) and ¥3,463 million (\$32,599 thousand), respectively.

5. Derivative financial instruments

The Bank engages in derivative transactions to mitigate interest rate risk and liquidity risk of foreign currencies in the normal course of asset-liability management (ALM), and to meet customers' needs. The Bank established the ALM committee and Risk Control Team to assess derivative transactions and market risks surrounding these transactions according to the Bank's policy regarding derivative transactions. The Risk Control Team analyzes risks related to derivative transactions and reports to the ALM committee for review every month.

The Bank's consolidated subsidiaries did not engage in any derivative transactions for the years ended March 31, 2017 and 2018.

The following tables summarized the underlying notional principal amounts and fair values for outstanding derivative financial instruments by risk category and instrument type at March 31, 2017 and 2018:

(1) Interest rate-related transaction

	Millions of Yen		Thousands of U.S. Dollars	
	Notional principal amount	Fair value	Notional principal amount	Fair value
Swap:				
Receive fixed – pay variable rate	¥ 54,246	¥ 627		
Receive variable – pay fixed rate	54,246	(155)		
Option:				
Sell	2,104	(1)		
Buy	2,181	1		
	Millions of Yen		Thousands of U.S. Dollars	
	2018		2018	
Swap:				
Receive fixed – pay variable rate	¥ 75,925	¥ 1,148	\$ 714,663	\$ 10,813
Receive variable – pay fixed rate	75,925	(100)	714,663	(942)
Option:				
Sell	2,030	(0)	19,107	(4)
Buy	2,063	0	19,420	2

(2) Foreign exchange-related transactions

	Millions of Yen	
	Notional principal amount	Fair value
Currency Swap:	¥ 14,513	¥ 21
Foreign exchange contract:		
Sell	36,495	396
Buy	40,074	(217)
Currency options:		
Sell	161,813	(5,115)
Buy	161,808	5,117

	Millions of Yen		Thousands of U.S. Dollars	
	Notional principal amount	Fair value	Notional principal amount	Fair value
Currency Swap:	¥ 16,131	¥ 37	\$ 151,839	\$ 357
Foreign exchange contract:				
Sell	31,774	646	299,083	6,081
Buy	13,099	(80)	123,304	(759)
Currency options:				
Sell	178,841	(3,959)	1,683,369	(37,266)
Buy	178,828	3,960	1,683,250	37,277

Fair values of interest rate and currency swap contracts are estimated based on discounted cash flow method.

Derivative transactions for which hedge accounting is applied are excluded from the table above.

6. Information for certain lease transactions

(Finance lease transactions)

1. Lease receivables among lease investment assets, estimated residual value, and equivalent interest/dividends received values

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Cost estimation residual value amounts	¥ 33,503	¥ 32,475	\$ 305,682
Estimated residual value	1,046	960	9,044
Equivalent interest/dividends received values	(4,335)	(4,010)	(37,751)
Lease investment assets	¥ 30,213	¥ 29,425	\$ 276,975

2. Estimated receivables for lease receivables amounts after the consolidated balance sheet date regarding lease credit and lease investment assets.

(1) Lease credit

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Due within 1 year	¥ 964	¥ 928	\$ 8,742
Due after 1 year but within 2 years	871	764	7,194
Due after 2 years but within 3 years	636	622	5,861
Due after 3 years but within 4 years	494	489	4,603
Due after 4 years but within 5 years	382	260	2,448
Due after 5 years	375	358	3,374
Total	¥ 3,725	¥ 3,423	\$ 32,224

(2) Lease investment assets

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Due within 1 year	¥ 9,784	¥ 9,801	\$ 92,260
Due after 1 year but within 2 years	8,013	7,912	74,480
Due after 2 years but within 3 years	6,205	5,892	55,461
Due after 3 years but within 4 years	4,226	4,331	40,768
Due after 4 years but within 5 years	2,733	2,390	22,499
Due after 5 years	2,539	2,147	20,212
Total	¥ 33,503	¥ 32,475	\$ 305,682

(Operating lease transactions)

1. Lessees

Not applicable

2. Lessors

Future minimum lease receipts under non-cancelable finance and operating leases

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Due within 1 year	¥ 108	¥ 108	\$ 1,022
Due after 1 year	116	160	1,509
Total	¥ 224	¥ 268	\$ 2,531

7. Loans and bills discounted

Loans and bills discounted at March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Loans on notes	¥ 66,299	¥ 64,299	\$ 605,224
Loans on deeds	2,684,516	2,751,529	25,899,189
Bills discounted	12,320	13,130	123,593
Overdrafts	368,566	394,892	3,716,980
Other	10,963	12,209	114,927
Total	¥ 3,142,667	¥ 3,236,061	\$ 30,459,916

Non-accrual loans, accrual loans past due over more than three months, and restructured loans at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 1,116	¥ 1,175	\$ 11,062
Loans past due six months or more	46,595	38,190	359,474
Total non-accrual loans	¥ 47,711	¥ 39,365	\$ 370,536
Accrual loans past due over more than three months	¥ 798	¥ 942	\$ 8,875
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 4,255	¥ 3,925	\$ 36,945

8. Deposits

Deposits at March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Current deposits	¥ 231,370	¥ 273,174	\$ 2,571,294
Ordinary deposits	2,606,556	2,774,001	26,110,707
Negotiable certificates of deposits	219,063	193,248	1,818,977
Savings deposits	26,874	26,170	246,330
Deposits at notice	21,151	15,251	143,557
Time deposits	1,478,164	1,459,511	13,737,874
Other deposits	111,317	78,634	740,163
Total	¥ 4,694,499	¥ 4,819,992	\$ 45,368,904

9. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Assets pledged:			
Securities	¥ 596,544	¥ 739,781	\$ 6,963,306
Related liabilities:			
Deposits	76,917	48,926	460,523
Payables under repurchase agreements		36,735	345,777
Payables under securities lending transactions	261,329	326,708	3,075,196
Borrowed money	299,714	¥ 347,238	\$ 3,268,432

In addition, the following assets were pledged as collateral for settlement of exchange, short-term financial transaction, and forward exchange contracts.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Trading account securities	¥ 20	¥ 20	\$ 195
Securities	32,815	4,101	38,607
Total	¥ 32,836	¥ 4,122	\$ 38,802

Other assets include cash collateral paid for financial instruments and guarantee deposits, and the amounts are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Cash collateral paid for financial instruments	¥ 3,432	¥ 5,696	\$ 53,622
Guarantee deposits	1,141	854	8,038
Central counterparty clearing house initial margin	—	29,000	272,966
Total	¥ 4,573	¥ 35,550	\$ 334,627

10. Employee's severance and pension benefits

1. Defined benefit system

(1) Adjustment table for the opening and closing balances of retirement benefit obligations (excluding systems for which the simplified method has been applied)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Restated balance	¥ 46,531	¥ 46,335	\$ 436,143
Service costs – benefits earned during the year	1,090	1,082	10,185
Interest cost on projected benefit obligation	463	461	4,346
Actuarial gains and losses accrued amount	410	428	4,032
Retirement benefit payment amount	(2,247)	(2,341)	(22,039)
Past service cost accrued amount	—	—	—
Other	86	83	784
Closing balances of retirement benefit obligations	¥ 46,335	¥ 46,050	\$ 433,453

(2) Adjustment table for the opening and closing balances of pension assets (excluding systems for which the simplified method has been applied)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Opening balances of the pension assets	¥ 40,762	¥ 44,212	\$ 416,156
Expected return on plan assets	743	770	7,255
Actuarial gains and losses accrued amount	2,381	1,382	13,015
Contributions from the business owner	1,949	1,213	11,425
Retirement benefit payment amount	(1,709)	(1,745)	(16,426)
Contribution to retirement benefit trust	—	—	—
Other	86	83	784
Closing balances of the pension assets	¥ 44,212	¥ 45,918	\$ 432,212

(3) Adjustment table for the opening and closing balances of retirement benefit obligations of systems for which the simplified method has been applied

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Opening balances of retirement benefit obligations	¥ 809	¥ 662	\$ 6,240
Severance and retirement benefit expenses	62	62	589
Retirement benefit payment amount	(21)	(45)	(429)
Contributions to the system	—	—	—
Reduction accompanying transfer to a defined contribution pension plan	(186)	—	—
Closing balances of retirement benefit obligations	¥ 662	¥ 679	\$ 6,400

(4) Adjustment table for the closing balances of retirement benefit obligations and pension assets and retirement benefit obligations and retirement benefit assets recorded on the consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Savings-type system retirement benefit obligations	¥ 46,335	¥ 46,050	\$ 433,453
Pension assets	(44,212)	(45,918)	(432,212)
	2,123	131	1,240
Non-savings-type system retirement benefit obligations	662	679	6,400
Net liabilities and assets recorded on the consolidated balance sheets	¥ 2,786	¥ 811	\$ 7,641

(Note) Include systems for which the simplified method has been applied.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Retirement benefit obligations	¥ 2,786	¥ 811	\$ 7,641
Retirement benefit assets	—	—	—
Net liabilities and assets recorded on the consolidated balance sheets	¥ 2,786	¥ 811	\$ 7,641

(5) Retirement benefit costs and amounts for breakdown items

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Service costs – benefits earned during the year	¥ 1,090	¥ 1,082	\$ 10,185
Interest cost on projected benefit obligation	463	461	4,346
Expected return on plan assets	(743)	(770)	(7,255)
Amortization of actuarial gains and losses	1,400	1,204	11,339
Amortization of past service costs	(62)	(62)	(583)
Retirement benefit costs calculated through the simplified method	62	62	589
Other	63	78	735
Retirement benefit for the defined-benefit system	¥ 2,274	¥ 2,056	\$ 19,358

(6) Adjustments pertaining to retirement benefits

The breakdown of items (before tax credit) adjusted for retirement benefits is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Actuarial gains and losses	¥ (62)	¥ (62)	\$ (583)
Past service costs	3,370	2,159	20,322
Total	¥ 3,308	¥ 2,097	\$ 19,739

(7) Cumulative adjustments for retirement benefits

The breakdown of the items recorded under adjustments for retirement benefits (before tax effect exemption) is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unrecognized prior service costs	¥ (212)	¥ (149)	\$ (1,411)
Unrecognized actuarial gains and losses	3,268	1,108	10,437
Total	¥ 3,056	¥ 958	\$ 9,026

(8) Matters concerning pension assets

- ① The ratios for each major category of assets among total pension assets are as follows.

	2017	2018
Bonds	35%	35%
Stocks	33%	35%
Cash and deposits	0%	0%
General accounts	25%	23%
Other	4%	4%
Total	100%	100%

(Note) In total pension assets, the retirement benefit trust established for the corporate pension plan accounted for 12% during the previous consolidated fiscal year and 14% during the current consolidated fiscal year, and the retirement benefit trust established for the lump-sum pension plan accounted for 14% during the previous consolidated fiscal year and 14% during the current consolidated fiscal year.

- ② Method for determining the expected long-term investment return

In determining the expected long-term investment return, estimates are made of the current and expected distributions of pension assets and the current and expected long-term return rate from the various assets that compose the pension assets.

(9) Matters concerning calculation assumptions for actuarial calculations

Major calculation assumptions for actuarial calculations at the end of the fiscal year

	2017	2018
Discount rate	1.00%	1.00%
Expected long-term investment return	0%~2.0%	0%~2.0%
Projected promotion rate	1.51%~9.05%	0.73%~8.90%

2. Defined contribution system

The Bank's and its consolidated subsidiaries required contribution to defined contribution system was 229 million yen for the previous fiscal year and 224 million yen for the current fiscal year.

11. Income taxes

The Bank is subject to a number of taxes levied on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% for the year ended March 31, 2017 and 30.7% for the year ended March 31, 2018.

The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the years ended March 31, 2017 and 2018:

	2017	2018
Statutory tax rate	30.7%	—
Decrease (increase) of valuation allowance	(5.3)	—
Non-taxable income (dividend income, etc.)	(0.9)	—
Non-deductible expenses	0.5	—
Inhabitants tax	0.4	—
Other	0.6	—
Effective tax rate	26.0%	—

This information is omitted because the difference between the statutory effective tax rate and the burden of the corporate tax, etc. after the application of tax effect accounting is no more than 5% of the statutory effective tax rate during the current consolidated fiscal year.

Significant components of deferred tax assets and liabilities at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Deferred tax assets:			
Allowance for loan losses and write-off of claims	¥ 5,367	¥ 4,787	\$ 45,059
Net defined benefit liability	4,005	3,488	32,834
Depreciation	1,386	1,411	13,289
Other	4,680	5,234	49,273
Less valuation allowance	(2,956)	(2,679)	(25,218)
Total deferred income tax assets	12,483	12,242	115,238
Deferred tax liabilities:			
Unrealized gains on securities available for sale	(23,207)	(22,677)	(213,453)
Gain on contribution of securities to employee retirement benefit trust	(852)	(907)	(8,538)
Other	(1,490)	(1,402)	(13,202)
Total deferred income tax liabilities	(25,550)	(24,987)	(235,194)
Net deferred tax assets (liabilities)	¥ (13,066)	¥ (12,744)	\$ (119,956)

12. Revaluation reserve for land

Pursuant to the Law concerning Revaluation of Land (the “Law”), land used for business operations was revalued at fair value at March 31, 1998. Due to the revaluation, land was appreciated by ¥21,889 million to ¥41,412 million at March 31, 1998. Net unrealized gain was classified in a separate component of net assets, net of applicable income taxes, as “Revaluation reserve for land” and in liabilities as “Deferred tax liabilities for land revaluation” in the accompanying consolidated balance sheets. Under the Law, once after the Bank revalued the land, it is not permitted to revalue the land. Such unrealized revaluation loss at March 31, 2018 was ¥14,484 million (\$136,340 thousand).

13. Long-lived Assets

This information is omitted because it lacks materiality.

14. Accumulated depreciation

Accumulated depreciation of Property, plant and equipment were ¥70,355 million as of March 31, 2017 and ¥67,328 million (\$633,742 thousand) as of March 31, 2018.

15. Segment information

Segment information for the years ended March 31, 2017 and 2018 is shown in the tables below:

	Millions of Yen							
	2017							
	Banking	Leasing	Securities	Subtotal	Others	Total	Adjustment	Consolidated
Operating income:								
External customers	¥ 72,500	¥ 17,093	¥ 3,161	¥ 92,755	¥ 2,729	¥ 95,485	¥ (661)	¥ 94,823
Intersegment	1,731	587	5	2,324	1,553	3,877	(3,877)	—
Total	¥ 74,231	¥ 17,681	¥ 3,166	¥ 95,079	¥ 4,282	¥ 99,362	¥ (4,538)	¥ 94,823
Operating profit	15,231	943	639	16,813	1,253	18,067	(1,110)	16,956
Assets	¥ 5,635,239	¥ 50,573	¥ 20,571	¥ 5,706,383	¥ 21,446	¥ 5,727,830	¥ (54,103)	¥ 5,673,726
Liabilities	¥ 5,334,171	¥ 37,861	¥ 8,746	¥ 5,380,779	¥ 11,465	¥ 5,392,245	¥ (44,661)	¥ 5,347,584
Others								
Depreciation and amortization	2,344	324	24	2,693	19	2,713	11	2,725
Interest income	49,908	130	200	50,239	333	50,573	(1,052)	49,520
Interest expenses	4,475	176	4	4,656	7	4,663	(129)	4,533
Increase in tangible and intangible fixed assets	5,430	276	8	5,715	75	5,790	65	5,855

	Millions of Yen							
	2018							
	Banking	Leasing	Securities	Subtotal	Others	Total	Adjustment	Consolidated
Operating income:								
External customers	¥ 76,719	¥ 16,791	¥ 3,746	¥ 97,257	¥ 2,773	¥ 100,030	¥ (589)	¥ 99,441
Intersegment	1,819	458	4	2,282	1,686	3,969	(3,969)	—
Total	¥ 78,538	¥ 17,249	¥ 3,751	¥ 99,539	¥ 4,460	¥ 103,999	¥ (4,558)	¥ 99,441
Operating profit	18,658	819	1,077	20,555	1,333	21,889	(1,237)	20,651
Assets	¥5,916,232	¥ 49,679	¥ 21,425	¥ 5,987,337	¥ 23,340	¥ 6,010,678	¥ (53,090)	¥ 5,957,587
Liabilities	¥5,608,364	¥ 36,295	¥ 8,966	¥ 5,653,626	¥ 12,846	¥ 5,666,473	¥ (45,012)	¥ 5,621,461
Others								
Depreciation and amortization	3,560	279	34	3,874	23	3,897	32	3,930
Interest income	49,513	148	195	49,857	302	50,159	(1,168)	48,991
Interest expenses	4,735	143	6	4,885	6	4,892	(108)	4,784
Increase in tangible and intangible fixed assets	1,404	386	18	1,809	52	1,862	14	1,876

	Thousands of U.S. Dollars							
	2018							
	Banking	Leasing	Securities	Subtotal	Others	Total	Adjustment	Consolidated
Operating income:								
External customers	\$ 722,134	\$ 158,052	\$ 35,260	\$ 915,447	\$ 26,104	\$ 941,551	\$ (5,545)	\$ 936,006
Intersegment	17,121	4,313	46	21,482	15,877	37,359	(37,359)	—
Total	\$ 739,256	\$ 162,366	\$ 35,307	\$ 936,929	\$ 41,981	\$ 978,911	\$ (42,905)	\$ 936,006
Operating profit	175,628	7,710	10,145	193,483	12,554	206,038	(11,650)	194,387
Assets	\$ 55,687,432	\$ 467,619	\$ 201,667	\$ 56,356,720	\$ 219,694	\$ 56,576,414	\$ (499,725)	\$ 56,076,689
Liabilities	\$ 52,789,579	\$ 341,634	\$ 84,399	\$ 53,215,613	\$ 120,921	\$ 53,336,534	\$ (423,684)	\$ 52,912,850
Others								
Depreciation and amortization	33,513	2,632	324	36,470	219	36,689	310	36,999
Interest income	466,056	1,393	1,838	469,288	2,848	472,137	(10,995)	461,141
Interest expenses	44,576	1,351	61	45,989	62	46,051	(1,019)	45,032
Increase in tangible and intangible fixed assets	13,220	3,633	177	17,032	496	17,528	138	17,667

(Related information)

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

1. Segment information by service

Millions of Yen					
	Loans	Securities Investment	Leasing	Others	Total
Operating income:					
External customers	¥ 34,170	¥ 25,711	¥ 16,643	¥ 22,915	¥ 99,441

Thousands of U.S. Dollars					
	Loans	Securities Investment	Leasing	Others	Total
Operating income:					
External customers	\$ 321,637	\$ 242,017	\$ 156,658	\$ 215,691	\$ 936,006

2. Segment information by location

(1) Operating income

Since the operating income for external customers of Japan is more than 90% of the operating income of the consolidated income statement, such information is not disclosed.

(2) Tangible fixed assets

Since the amount of tangible fixed assets in Japan is more than 90% of the tangible fixed assets of the consolidated balance sheet, such information is not disclosed.

3. Segment information by main customers

Since the operating income for specific customers is less than 10% of the operating income of the consolidated income statement, such information is not disclosed.

(Information on impairment loss of fixed assets by reported segment)

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

Millions of Yen						
	Banking	Leasing	Securities	Subtotal	Others	Total
Impairment loss	¥ 10	—	—	¥ 10	—	¥ 10

Thousands of U.S. Dollars						
	Banking	Leasing	Securities	Subtotal	Others	Total
Impairment loss	\$ 97	—	—	\$ 97	—	\$ 97

(Information on amortization of goodwill and unamortized balance by reported segment)

None available

(Information on gain on negative goodwill by reported segment)

None available

16. Other income

Other income for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Reversal of allowance for loan losses	¥ 24	¥ 683	\$ 6,433
Gain on sales of stocks and other securities	3,634	4,517	42,523
Recoveries of written-off claims	985	805	7,585
Other	18,406	20,450	192,496
Total	¥ 23,051	¥ 26,457	\$ 249,038

17. Other expenses

Other expenses for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Written-off of loans	¥ 1,296	¥ 1,187	\$ 11,178
Losses on sales of fixed assets	34	46	440
Losses on sales of stocks and other securities	675	372	3,507
Losses on devaluation of stocks and other securities	44	45	432
Impairment losses	242	10	97
Other	16,076	17,583	165,511
Total	¥ 18,369	¥ 19,247	\$ 181,167

18. Stock options

1. Stock-based compensation expenses was ¥126 million (\$1,187 thousand) for the fiscal year ended March 31, 2018.

2. Details/scale of stock options and changes

(1) Stock option details

	2010 Stock options	2011 Stock options	2012 Stock options	2013 Stock options
Number and type of option holders	9 directors and 8 executive officers of the Daishi Bank	8 directors and 10 executive officers of the Daishi Bank	7 directors and 9 executive officers of the Daishi Bank	8 directors and 8 executive officers of the Daishi Bank
Number of stock options by stock type	Daishi Bank common stock: 46,540 stocks	Daishi Bank common stock: 60,660 stocks	Daishi Bank common stock: 59,760 stocks	Daishi Bank common stock: 42,390 stocks
Date of grant	July 27, 2010	July 28, 2011	July 30, 2012	July 30, 2013
Vesting conditions	None set	None set	None set	None set
Vesting period	None set	None set	None set	None set
Exercise period	July 28, 2010 to July 27, 2040	July 29, 2011 to July 28, 2041	July 31, 2012 to July 30, 2042	July 31, 2013 to July 30, 2043

	2014 Stock options	2015 Stock options	2016 Stock options	2017 Stock options
Number and type of option holders	8 directors and 7 executive officers of the Daishi Bank	8 directors and 7 executive officers of the Daishi Bank	9 directors and 6 executive officers of the Daishi Bank	9 directors and 6 executive officers of the Daishi Bank
Number of stock options by stock type	Daishi Bank common stock: 32,980 stocks	Daishi Bank common stock: 24,910 stocks	Daishi Bank common stock: 36,780 stocks	Daishi Bank common stock: 25,740 stocks
Date of grant	July 30, 2014	July 30, 2015	July 29, 2016	July 28, 2017
Vesting conditions	None set	None set	None set	None set
Vesting period	None set	None set	None set	None set
Exercise period	July 31, 2014 to July 30, 2044	July 31, 2015 to July 30, 2045	July 30, 2016 to July 29, 2046	July 29, 2017 to July 28, 2047

Because a 10 for 1 share consolidation for common shares was implemented on October 1, 2017, the number of stock options by stock type that has been adjusted and converted into shares is stated.

(2) Scale of stock options and changes

① Number of stock options

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

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

② Unit price

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

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

Because a 10 for 1 share consolidation for common shares was implemented on October 1, 2017, the number of stock options and unit price information have been adjusted.

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

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

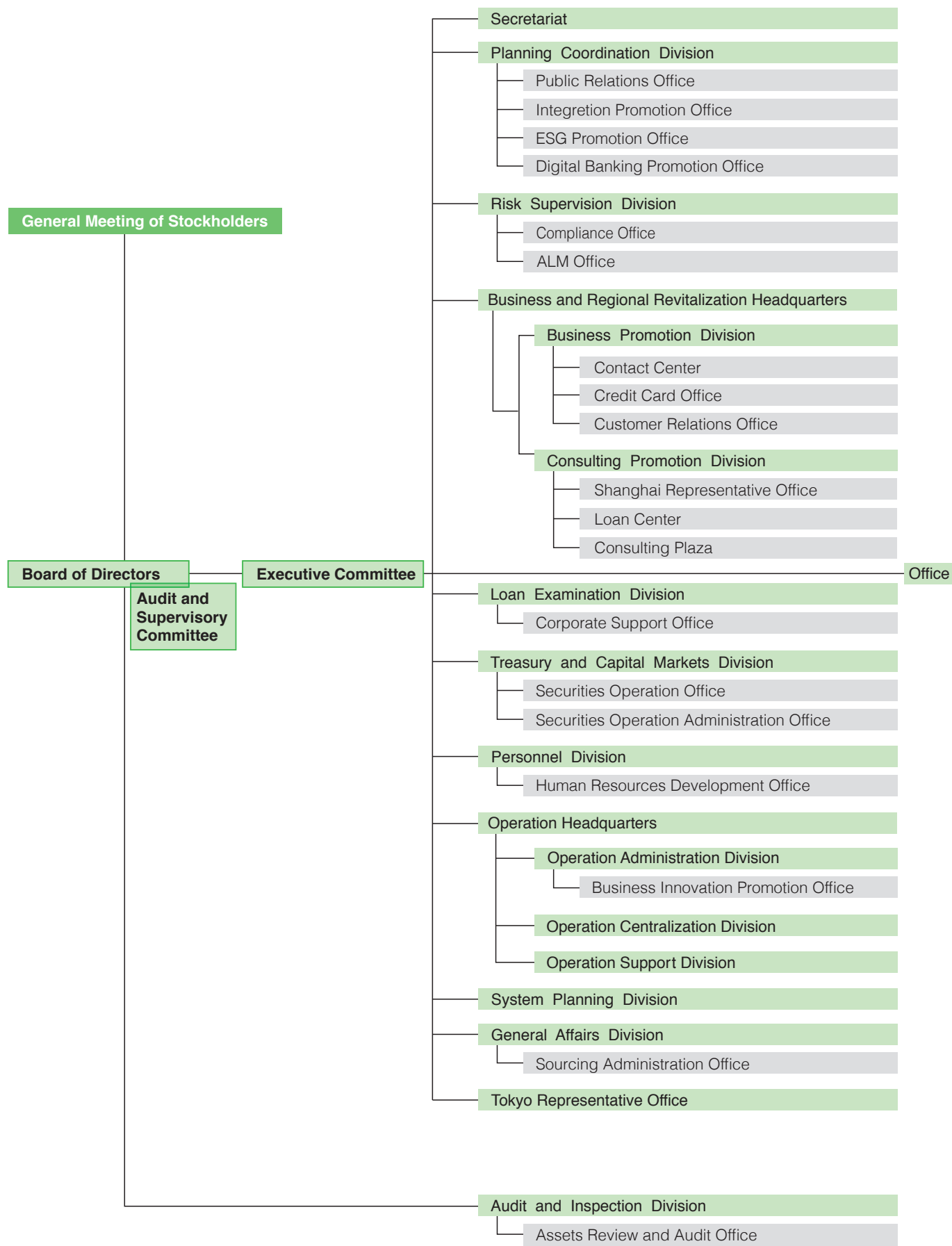
(1) Applied evaluation method: Black-Scholes method

(2) Main base numerical value and pro forma calculation

	2017 Stock options
Volatility of stock price	33.28%
Expected remaining period	2year
Expected dividend	¥9 per share
Risk-free interest rate	△0.099%

Corporate Organization Directory Chart

(As of June 26, 2018)



Corporate Data

Board of Directors and Audit and Supervisory Committee

President Fujiro Namiki	Director and Executive Officer Ken Shibata
Deputy President Satoshi Hasegawa	Director, Audit and Supervisory Committee Member Shinjiro Kawai Nobuaki Miyamoto
Senior Managing Director Takuya Watanabe	Director(outside), Audit and Supervisory Committee Member Eiichi Tsurui Koichi Masuda Toshizo Oda Katsuaki Fujikawa
Managing Directors Kiyofumi Obara Jumatsu Eizuka Michiro Ueguri Hiroshi Shindo	

(As of June 26, 2018)

Service Network

Head Office

1071-1, Higashiborimae-dori
7-bancho chuo-ku, Niigata 951-8066, Japan
Telephone: 81(25)222-4111
URL: <http://www.daishi-bank.co.jp/>

International Division Headquarters

Address: same as above.
Telephone: 81(25)222-4111
Facsimile: 81(25)225-2331
SWIFT: DAIS JPJT

Shanghai Representative Office

28 th floor, Hang Seng Bank Tower,
No.1000 Lujiazui Ring Road,
Pudong New Area, Shanghai,
200120, People's Republic of China
Telephone: 86(21)5011-9832
Facsimile: 86(21)5011-9833

Chief Representative
Masanori Kawabe

Number of Offices by Area

Domestic	
Niigata	112
Tokyo	2
Others	7
Total	121
Overseas	
Shanghai	1

(As of March 31, 2018)

Major stockholders (10 largest)

	Number of Share (Thousand)	Percent
1. Japan Trustee Services Bank, Ltd. (Trust Account)	1,746	5.15
2. Nippon Life Insurance Company	1,026	3.02
3. Meiji Yasuda Life Insurance Company	1,015	2.99
4. Tohoku Electric Power Co., Inc.	837	2.47
5. Employee's stockholdings	827	2.44
6. The Master Trust Bank of Japan ,Ltd. (Trust Account)	764	2.25
7. Japan Trustee Services Bank, Ltd. (Trust Account 9)	736	2.17
8. Daido Life Insurance Company	705	2.08
9. Sompo Japan Nipponkoa Insurance Inc.	688	2.03
10. DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank N.A.,Tokyo Branch)	660	1.94

(As of March 31, 2018)

Subsidiaries

Company	Major business	Incorporation	Capital	Ratio of shareholder voting rights held by the Daishi Bank
Daishi Securities Co., Ltd. 8-26, Jonaicho 3-chome, Nagaoka 940-0061	The securities industry	Aug. 8, 1952	¥ 600 million	100%
The Daishi Guaranty Co., Ltd. 224-1, Honcho-dori 5-bancho chuo-ku, Niigata 951-8067	Credit guarantee business	Oct. 27, 1978	¥ 50 million	100%
The Daishi Management Consulting Co., Ltd. 224-1, Honcho-dori 5-bancho chuo-ku, Niigata 951-8067	Venture capital and consulting business	June 8, 1984	¥ 20 million	50%
The Daishi Lease Co., Ltd. 2-10, Akashi 2-chome chuo-ku, Niigata 950-0084	General leasing business	Nov. 11, 1974	¥ 100 million	5%
The Daishi Computer Service Co., Ltd. 1-17, Abumi 1-chome chuo-ku, Niigata 950-0913	Computer-related services	May 10, 1976	¥ 15 million	5%
The Daishi JCB Card Co., Ltd. 1245, Kamiokawamae-dori 8-bancho chuo-ku, Niigata 950-8068	Credit card and credit guaranty businesses	Nov. 12, 1982	¥ 30 million	5%
The Daishi DC Card Co., Ltd. 1245, Kamiokawamae-dori 8-bancho chuo-ku, Niigata 950-8068	Credit card business	March 1, 1990	¥ 30 million	5%

(As of July 1, 2018)

Company History



A complete view of the Head Office at the time of its founding

- 1873** Founded as The Fourth National Bank of Japan
Capital of 200 thousand yen
- 1874** Operations begin, and the Tokyo Office opened



A complete view of the newly built Head Office in 1882

- 1896** Reorganized as Niigata Bank, Ltd.
Capital of 1 million yen

- 1912** Successive mergers with banks in Niigata prefecture
- 1917** Corporate name changed to The Daishi Bank, Ltd.
Capital of 5 million yen



A complete view of the newly built Head Office in 1928

- 1943** Niigata Bank and Nou Bank merged, inherits business of 139 Bank, Kashiwazaki Bank, and Yasuzuka Bank (major merge of banks within the prefecture)
- 1945** Merged with Niigata Trust Company to operate trust services concurrently This brings the number of banks merged with to 29
Capital of 30 million yen
- 1949** Listed on the Niigata Stock Exchange
- 1956** Capital of 500 million yen
- 1959** Capital of 1 billion yen
- 1961** Began foreign exchange trading



A complete view of the newly built Head Office in 1962

- 1963** Trust services discontinued
- 1964** Capital of 2 billion yen
- 1967** Capital of 3 billion yen
- 1968** EDPS (computers) introduced
- 1970** Capital of 4.5 billion yen
- 1971** Administration center established
- 1973** Integrated online operations
Capital of 7.5 billion yen
The Daishi Bank celebrates 100 years since its founding
Listed on the second section of the Tokyo Stock Exchange

- 1975** Capital of 10 billion yen
Changed listing of shares to the first section of the Tokyo StockEx change
- 1977** Began direct dealings with overseas banks
- 1978** Outstanding deposits reach 1 trillion yen
- 1979** Capital of 13 billion yen
- 1980** New online started
- 1981** Second online completion
- 1982** Obtained all-inclusive approval for overseas correspondent agreements
- 1983** Government bonds sales started
- 1984** Mutual use of ATMs with prefectural financial institutions started
- 1985** Began dealing operations
Capital of 17 billion yen
- 1986** The New York Representative Office is opened
- 1987** Acquired charter for secured debenture trust business.
Outstanding deposits reach 2 trillion yen
- 1988** Began handling Japanese commercial paper
The Hong Kong Representative Office is opened
Issued first unsecured convertible bond

- 1989** Began financial futures transaction services
- 1990** The New York Office is opened
- 1991** Full-scale operation of third online system
- 1992** The New Head Office is completed



A complete view of the current Head Office completed in 1992

- 1993** The Hong Kong Office is opened
Began operation as a trust services agent
- 1994** Acquired license for interest forward transactions and forward exchange transaction
- 1995** Median price share issue through allotment to shareholders
Capital of 32.7 billion yen
- 1998** Began handling open foreign currency deposits
Began over-the-counter sales of investment trusts
- 1999** The New York Office is closed
- 2000** The Hong Kong Office is closed
- 2001** Began services as a non-life insurance agent
- 2002** Began services as a life insurance agent
- 2003** Offered shares and conducted overseas IR activities
- 2005** Began a securities brokerage business
- 2006** Niigata Securities Co., Ltd. made a consolidated subsidiary
- 2009** Takada Sales Department and Nagaoka Sales Department established
- 2011** The Shanghai Representative Office is opened
- 2012** Outstanding deposits reach 4 trillion yen
- 2013** The Daishi Bank celebrates 140 years since its founding
- 2015** Start of the Medium-Term Business Plan
"Step-up 2nd Stage - Further evolution for the 145th year"
Niigata Securities Co., Ltd. became a wholly-owned subsidiary and name changed to Daishi Securities Co., Ltd.
- 2016** The Daishi Guaranty Co., Ltd. became a wholly-owned subsidiary
- 2017** Launched operations of new core banking systems Entered a basic agreement on business integration with The Hokuetsu Bank, Ltd.
- 2018** Signing of business integration agreement with Hokuetsu Bank, Ltd.

 **THE DAISHI BANK, LTD.**