

2018

HOKUETSU BANK

ANNUAL REPORT

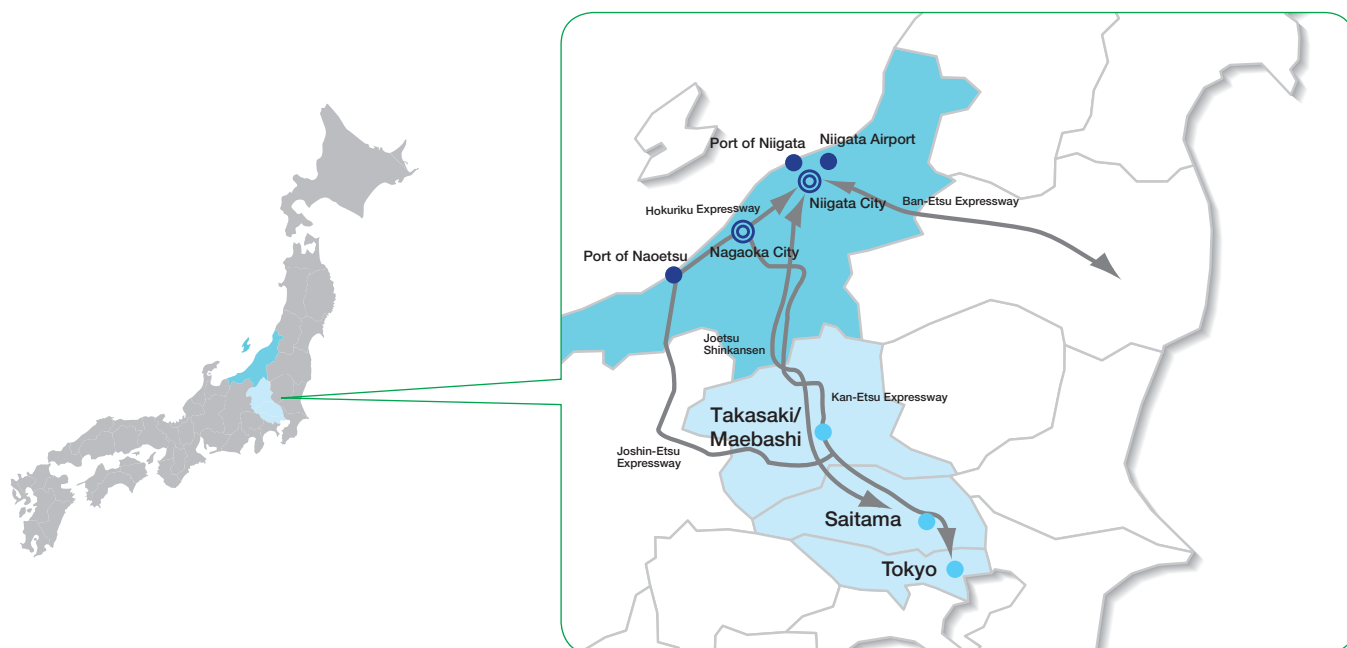
April 1, 2017 - March 31, 2018

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About Hokuetsu Bank

Since starting operations in December 1878, The Hokuetsu Bank, Ltd. has been operating with the support of customers from the local communities, with Niigata Prefecture as its main operating base.



■ Characteristics of Niigata Prefecture

Niigata Prefecture is located at the center of the coast of the Sea of Japan and has the fifth largest land area among the prefectures in Japan spanning 12,584 km², which is home to a population of about 2.3 million.

In terms of industries, agriculture is thriving in Niigata Prefecture, boasting the largest output of rice in Japan, while a variety of commerce and industries including Western metal tableware, kerosene heaters and rice crackers have also been gathering in the prefecture.

With such domestic traffic networks as Shinkansen lines and expressway networks, as well as an international airport and an international trading port, Niigata Prefecture has geographical conditions which make it an excellent base in the Northeast Asian region.

■ Corporate Philosophy

Mission

The Hokuetsu Bank, Ltd. will extensively provide financial services, gain the trust of its customers and fulfill its role of contributing to the development of local communities.

■ Overview of the Bank

Name:	The Hokuetsu Bank, Ltd.
Location of the Head Office:	2-14, Otedori 2-chome, Nagaoka City, Niigata 940-8650
Date of Foundation:	December 20, 1878
Total Assets:	2,799,898 million yen
Paid-in Capital:	24,538 million yen
Number of Branches:	84 (79 in Niigata Prefecture; five outside the prefecture)
Number of Employees:	1,490 (including 53 seconded employees)

(as of March 31, 2018)



Disclaimer Concerning the Proper Use of These Materials

These materials contain statements on future business results. Such statements do not guarantee the future business results, and involve risks and uncertainties. They may vary from the plans or forecasted figures due to changes in business conditions and other factors.

Financial Performance Highlights

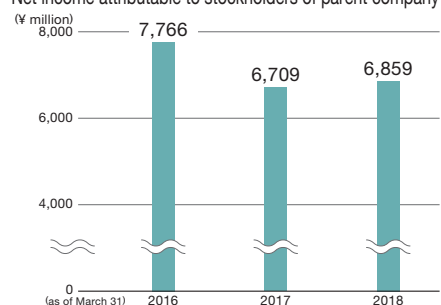
Consolidated Basis

(Unit: Million yen, %)

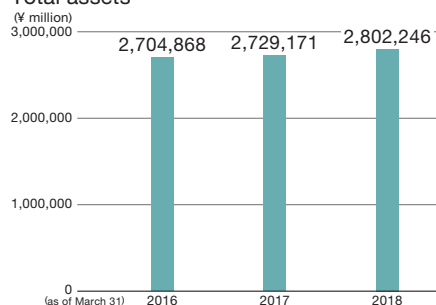
Year ended March 31	2014	2015	2016	2017	2018	Thousand U.S. dollars
Ordinary income	51,413	57,013	57,818	48,206	48,693	\$458,330
Ordinary profit	9,242	11,896	13,099	9,149	9,789	\$92,140
Net income attributable to stockholders of parent company	4,838	6,438	7,766	6,709	6,859	\$64,561
Comprehensive income	2,209	22,106	7,283	(645)	5,600	\$52,710
Total net assets	93,125	113,562	118,021	115,972	120,169	\$1,131,108
Total assets	2,495,717	2,616,867	2,704,868	2,729,171	2,802,246	\$26,376,562
Capital adequacy ratio (based on Japanese domestic standards)	11.02%	9.09%	9.01%	8.99%	9.06%	9.06%

(Note) With the application of standards such as the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Consolidated net income" has been changed to "Net income attributable to stockholders of parent company."

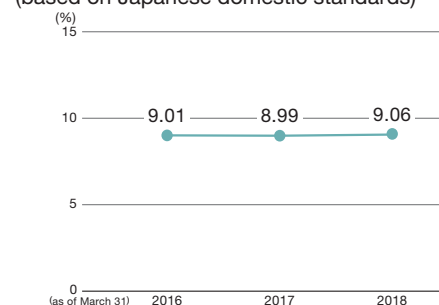
Net income attributable to stockholders of parent company



Total assets



Capital adequacy ratio (based on Japanese domestic standards)



Non-consolidated Basis

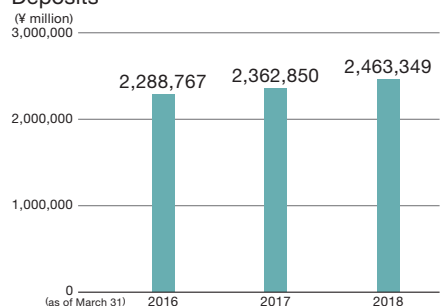
(Unit: Million yen, Thousand shares, %, persons)

Year ended March 31	2014	2015	2016	2017	2018	Thousand U.S. dollars
Ordinary income	46,281	51,640	52,315	42,562	43,319	\$407,746
Ordinary profit	8,214	10,571	12,109	8,326	9,836	\$92,582
Net income	4,467	5,901	7,332	6,707	7,161	\$67,403
Common stock	24,538	24,538	24,538	24,538	24,538	\$230,967
Total number of outstanding shares	245,142	245,142	245,142	24,514	24,514	24,514
Total net assets	90,151	107,387	114,168	111,631	115,860	\$1,090,549
Total assets	2,489,268	2,610,936	2,701,914	2,726,621	2,799,898	\$26,354,461
Deposits	2,164,734	2,220,376	2,288,767	2,362,850	2,463,349	\$23,186,643
Loans and bills discounted	1,423,505	1,472,673	1,515,019	1,545,998	1,698,179	\$15,984,365
Securities	854,354	942,841	936,303	994,923	831,761	\$7,829,075
Capital adequacy ratio (based on Japanese domestic standards)	10.53%	8.55%	8.48%	8.45%	8.58%	8.58%
Dividend payout ratio	32.94	24.76	19.74	21.41	20.08	20.08
Number of employees	1,429	1,444	1,431	1,427	1,437	1,437

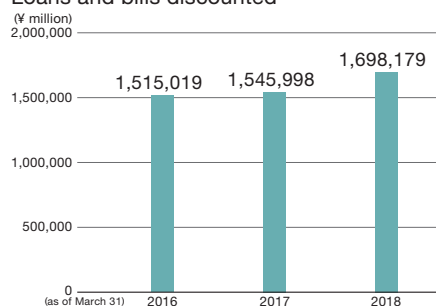
Notes: 1. The number of employees does not include seconded employees, employees on a short-term contract, and temporary employees.

2. The Bank's common shares were consolidated at the ratio of 1 share for 10 common shares on October 1, 2016.

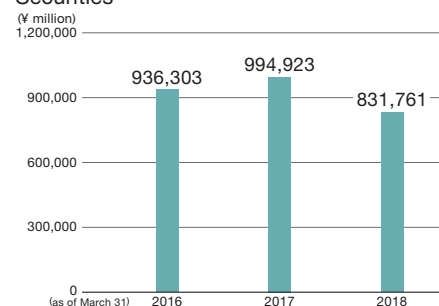
Deposits



Loans and bills discounted



Securities



Notes: 1. Yen amounts of less than one million yen are omitted.

2. Amount in U.S. dollar is translated from Japanese yen, solely for convenience, at ¥106.24 = U.S. \$1.00, the exchange rate prevailing on March 31, 2018.

Management System

Corporate Governance

The basic policy of the Bank is to win the trust of customers and regional residents through provision of financial services and make contributions to the development of local communities. In addition, the Bank intends to fulfill its responsibilities for its shareholders and employees by ensuring stable earnings and improving management transparency.

To that end, the Bank will continue to aim at well-balanced management based on proper risk management, while further enhancing management functions for corporate governance in light of the purpose of Japan's "Corporate Governance Code."

As companies are highly expected to act in accordance with corporate ethics, the Bank has positioned the reinforcement of compliance as a top-priority management issue and is actively and organizationally applying measures based on the Bank's compliance plan.

Status of Business Management Organizations Pertaining to Management Decision-Making, Execution and Supervision and Other Corporate Governance Structures

Details on the Corporate Organs

The Bank has adopted a corporate auditor system and established the Board of Directors, which decides on important management matters and other matters, and the Board of Corporate Auditors, which audits management.

The Board of Directors comprises 13 Directors, including two Outside Directors, (as of July 2018), and holds meetings once a month, in principle, to decide on matters stipulated by laws and regulations, and the Bank's Articles of Incorporation and on important business execution.

Meanwhile, the Board of Corporate Auditors is composed of four Corporate Auditors, including two Outside Corporate Auditors, (as of July 2018). Each Corporate Auditor attends the Board of Directors' meetings among other important meetings and conducts audit on the status of business execution and property, performance of duties by Directors and other matters, pursuant to the audit policy and plan decided by the Board of Corporate Auditors.

Reinforcement of Compliance

The Bank has positioned the reinforcement of compliance as a top-priority management issue and all officers and employees are carrying out corporate activities fairly and sincerely in accordance with various regulations, including the Hokuetsu Bank Ethics Charter.

Regarding business operations, important issues are decided by the Board of Directors, while the Legal Affairs Office of the Risk Control Division, which oversees compliance matters, the operations divisions and legal compliance coordinators in the respective divisions and branches are making thorough efforts for compliance. In addition, the functions to check conformity in the performance of duties by officers and employees are maintained through verifications by the audit division, the establishment of systems including a whistle-blowing system and other measures.

Establishment of Risk Management

With regard to the establishment of risk management, basic ideas are clarified in the General Policy on Risk Management, and management subjects and management systems are specified systematically in the General Rules on Risk Management.

Regarding business operations, the Board of Directors receives reports on the status of material risk management and decides on basic policies and other necessary matters. Furthermore, the Risk Control Division is designated as the department in control of risk management and the organizations respectively responsible for the management of each type of risk are specified, while various committees and organs have been established to cope with individual themes. These activities are verified by the Audit Division.

Proper Business Operation at Each Group Company

Appropriateness of business at each Group company is ensured through the Rules on Affiliated Company Operation as well as application and mutatis mutandis application of various regulations of the Bank. In addition, audits are performed on each Group company to verify whether its business is properly operated in line with Group management.

Performance of Duties by Directors

The Bank is striving to speed up decision-making of management by establishing the Council of Managing Directors, which comprises officers with titles who hold posts of Managing Director or higher, as an organ to discuss and decide on matters entrusted by the Board of Directors.

Information and documents pertaining to the performance of duties by Directors are properly stored and managed (including disposal) in accordance with the Bank's internal regulations and rules, while the status of their management and operation is verified and the regulations and rules are reviewed, as necessary.

Maintaining the Functions of Corporate Auditors

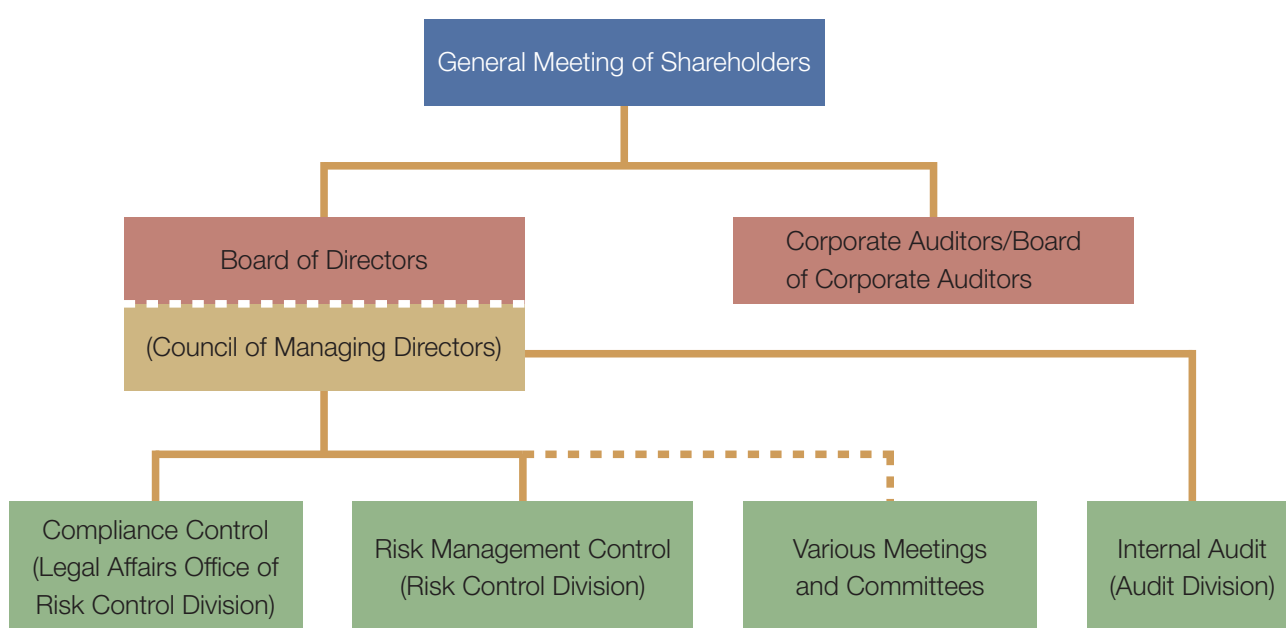
Corporate Auditors attend important meetings which include the Board of Directors' meetings, the Council of Managing Directors, various meetings and committees, and read principal internal approval documents and other important documents concerning business execution. They can also seek explanations concerning such documents from Directors or employees.

Directors and employees of the Bank and its Group companies provide necessary information pursuant to provisions stipulated by the laws and regulations and by the Board of Corporate Auditors, and report the status of performance of their duties and other matters.

Furthermore, to raise the effectiveness of audits, Corporate Auditors exchange opinions and information with Representative Directors as well as endeavor to cooperate with the Audit Division and the accounting auditor.

The corporate governance structure mentioned above is based on the "Basic Policy on Establishment of Internal Control System," established by the Bank.

Corporate Governance Structure of the Bank



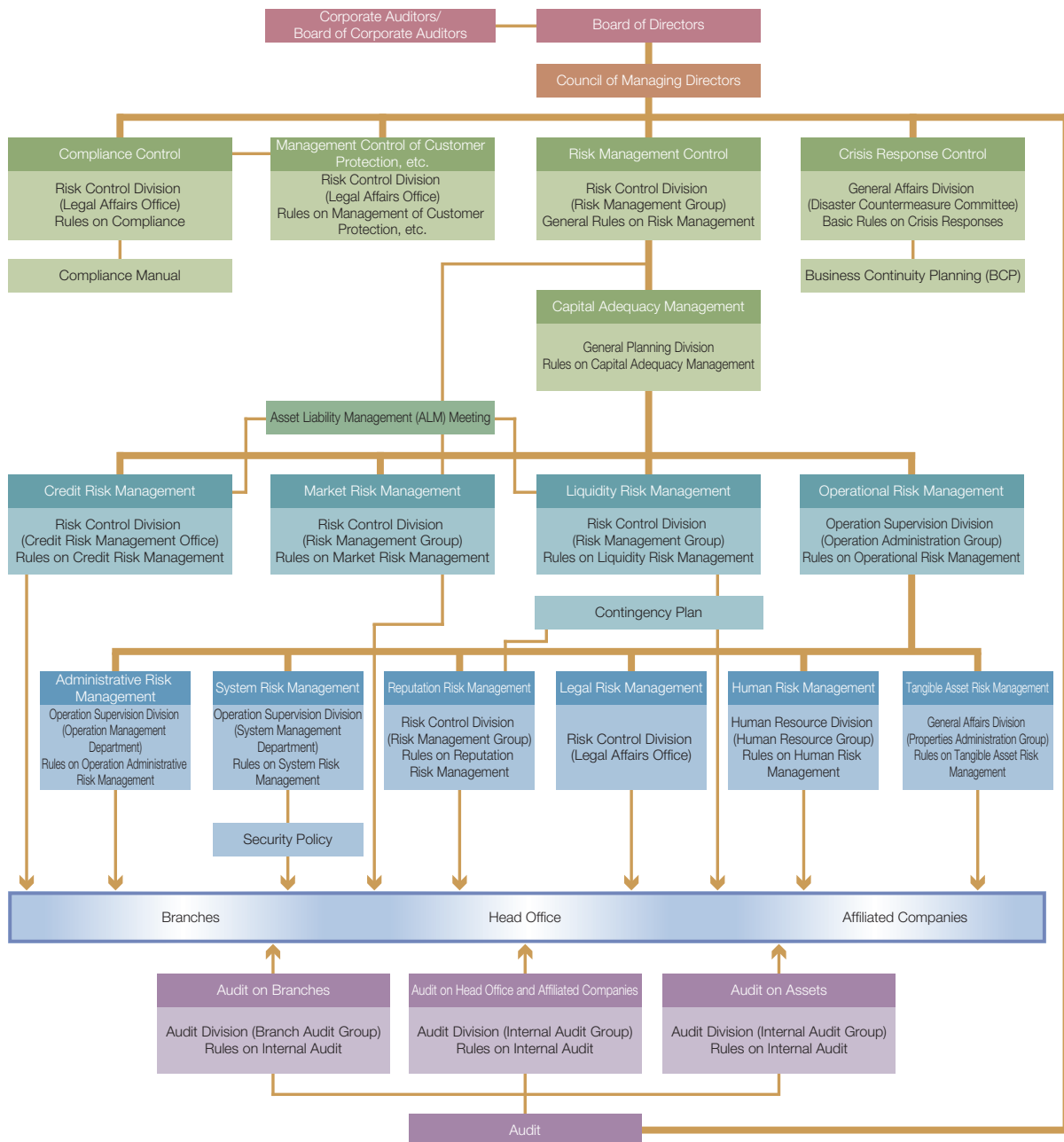
Risk Management Structure

While banking operations are becoming more diverse and earnings opportunities are expanding, there have been more risks than ever before at the same time. In keeping with changes in the financial environment and the rapid progress of financial techniques, increasingly complex and advanced risks have greater impact on bank management.

The Bank fully recognizes the crucially important role of risk management, which is positioned as one of the primary tasks in its management. In accordance with the General Rules on Risk Management, the Bank has implemented a risk management structure whereby the organizations responsible for the management of individual types of risks are specified and the Risk Control Division oversees the management of these diverse risks to ensure overall risk control.

The Audit Division, which is independent of sales operations and credit-assessment operations, conducts stringent internal audits of branches and divisions at the head office regarding their overall risk management.

Chart of Risk Management Structure



Management Condition of Each Risk

[1] Capital Adequacy Management

Capital adequacy management involves the use of measures aimed at improving capital adequacy, the evaluation of the sufficiency of capital adequacy, and the calculation of an accurate capital adequacy ratio.

The Bank's basic policy includes: [1] maintain an appropriate capital adequacy level to ensure sound management while allocating management resources efficiently to improve earning power and build a strong management constitution; and [2] ensure a proper response to increasingly diverse customer needs by monitoring changes in the environment of economics and finance while controlling total risks at levels according to the amount of capital.

To calculate an accurate capital adequacy ratio, the Bank also employs a system to ensure that the numbers calculated by related divisions are checked by other divisions. The Internal Audit Group of the Audit Division verifies the appropriateness and accuracy of this calculation process.

[2] Credit Risk Management

Credit risk is a condition in which the value of loans and other assets of a financial institution decrease or are lost due to the bankruptcies and deteriorating financial conditions of customers, leading to a loss on the part of the financial institution.

The Bank always conducts a loan assessment based on the strict assessment standards before approving any loan, and it operates on the basic policy of managing its funds on a widely diversified basis without providing excessive loans to certain customers, in order to enhance the soundness of its assets.

For appropriate risk management corresponding to the degree of credit risk, in addition to the "credit rating" system based on objective criteria, we also put in place assessment and management structures based on the authorization system according to credit ratings.

[3] Market Risk Management

Market risk is a two-fold risk. It consists of the risk that the value of assets and liabilities held by a bank fluctuates and results in a loss due to market fluctuations of interest rates, exchange rates, share prices, etc., and also of a risk that the profits generated by the assets and liabilities held by the bank will fluctuate and result in a loss.

The Bank's Market and Capital Division is engaged in the market-capital-related activities. In addition to the segregation of duties between front-office operations and back-office operations, the Risk Management Group of the Risk Control Division is engaged in the management and control of market-related risks to ensure cross-checking.

Furthermore, the BPV (Basis Point Value) and VAR (Value at Risk) approaches are applied to measure market risks, and the results are reported monthly to the Board of Directors.

[4] Liquidity Risk Management

Liquidity risk refers to the risk that a financial institution becomes unable to secure necessary funds and faces a cash flow crunch or is forced to procure funds at significantly higher interest rates than normal due to the deterioration of its financial condition, etc., and eventually generates a loss.

The Market and Capital Division is engaged in daily cash-flow management and administration, while the Risk Management Group of the Risk Control Division monitors liquidity risk management indicators in order to continually clarify the cash-flow position.

[5] Operational Risk Management

Operational risk is the condition that emerges due to the inappropriateness or non-functioning of any of the Bank's operation processes or systems, due to the inappropriate action of any officer or employee of the Bank, or from the occurrence of any external event.

The Bank defines the six operational risks to be managed. They are:

[1] administrative risk [2] system risk [3] reputation risk [4] legal risk [5] human risk [6] tangible asset risk

In managing operational risks, the Operation Administration Group of the Operation Supervision Division centrally identifies and manages all operational risks, while each division subject to operational risks manages the applicable risks from a more detailed standpoint.

[6] Administrative Risk Management

Administrative risk is the condition in which an administrative error or inadvertent action by an officer or employee results in a loss to the financial institution.

The Bank's basic policy is to establish a reliable administrative structure centered on the Operation Supervision Division, with emphasis on the management of administrative risks in order to prevent administrative errors and inadvertent actions related to administration.

Accordingly, the Bank promotes the streamlining and enhancement of efficiency in administrative operations, the strengthening of training and provision of on-site guidance to staff at branches, and the review of procedures and establishment of internal regulations and rules.

The Bank, in addition to complying with the Act on the Protection of Personal Information, is vigorously enacting measures to prevent any damage due to criminal acts, such as fraudulent withdrawals using stolen bankbooks and fraudulent bank transfers, which have emerged as significant problems in society.

[7] System Risk Management

System risk is a condition that occurs due to an earthquake, flood or other force majeure; a hardware failure, program error or other accident; or due to cyber-attacks, computer crime, or other willful conduct.

The Bank has its mission-critical system at the "Regional Bank Shared Banking Center" operated by NTT Data Corp, with a daily operation facilities and backup facilities to ensure smooth recovery in the event a nature disaster occurs. The Center also taking safety measures such as duplication of communication lines and equipment.

In the matter of cyber-attacks, we putting priority on management by establishing "Basic Policy for Cyber Security" and setting up "CSIRT Committee" in order to secure social credit and proper operation.

[8] Reputation Risk Management

Reputation risk is the risk involving the potential occurrence of a false reputation contrary to reality, such as the dissemination of rumor or innuendo, that could negatively affect a company's business status.

The Bank is strengthening the management of reputation risks under the basic management policy of acting in a timely and appropriate manner to maintain calm and minimize damage should any reputation risk be generated.

We are stepping up the management of reputation risks through appropriate disclosure, the establishment of systems for gathering and reporting information on the Bank's reputation, and the implementation of contingency plans.

[9] Legal Risk Management

Legal risk is the condition in which failure to strictly comply with any law, ordinance, the Bank's internal regulation or other social norm could result in a loss.

The Bank's Legal Affairs Office of the Risk Control Division oversees all compliance matters. It implements proper measures to prevent these risks and thereby reinforce the management of legal risks.

[10] Human Risk Management

Human risk is the condition in which any discriminatory action of the Bank's officer or employee, such as fraud, crime or sexual harassment, results in a loss.

The Bank's Human Resource Group, which is part of the Human Resource Division, implements proper measures to prevent these risks to step up the management of human risks.

[11] Tangible Asset Risk Management

Tangible asset risk is the condition in which any external events, such as natural disasters, stop of social infrastructure and terrorism or destruction of tangible assets could result in a loss.

The Bank is striving to avoid or reduce these risks by conducting regular inspections and practices for prevention of accidents and disasters.

Efforts Regarding Legal Compliance

Financial institutions, in view of their responsibilities and roles with respect to the society, are required to maintain corporate cultures incorporating transparency of management and thorough legal compliance.

Based on this understanding, the Bank, in accordance with the Hokuetsu Bank Ethics Charter and its principles established for the purpose of establishing corporate ethics, endeavors to ensure thorough compliance with the laws, regulations and rules. Additionally, the Bank has positioned the reinforcement of compliance as a top-priority management issue and is actively and organizationally applying measures based on the Bank's compliance plan.

In the area of organizations and systems, important issues relating to compliance are decided by the Board of Directors, while the Legal Affairs Office of the Risk Control Division, which oversees compliance matters, the operations divisions and legal compliance coordinators in the respective divisions and branches are making thorough efforts for compliance. The efficiency of these processes is ensured through the audits performed by corporate auditors as well as verifications by the Audit Division, which is responsible for internal controls.

The Legal Affairs Office of the Risk Control Division, in order to enhance the cross-checking function for legal risks, conducts legal checks of the various documents and contracts used internally. Meanwhile, the twice-monthly Legal Consultation Meeting is one in which preliminary consultation and advice is sought on legal matters from our corporate counsel and various measures are examined according to the principles of compliance. If any legal matter requires further examination, a Compliance Conference Meeting is held, with attendance by the head of each relevant division and corporate counsel, to discuss a proper course of action in compliance with the law.

The Bank is implementing other measures to ensure compliance within the organization, such as the inclusion of compliance lectures as part of various seminars, the issuance of "Legal News," and self-compliance checks conducted by all Bank personnel. Additionally, the Bank hands out its compliance manual to all personnel to make sure each person understands the key points and items to note regarding regulations related to banking operations. These are only a few examples of how the Bank is working to enhance its compliance system.

Hokuetsu Bank Ethics Charter

[1] Sound Management and Establishment of Unwavering Confidence

The Hokuetsu Bank, Ltd. recognizes its social responsibilities and duties as a bank, and will establish unwavering confidence through sound and efficient business operation.

[2] Provision of High Quality Financial Services

The Hokuetsu Bank, Ltd. will provide high quality services, which fully give considerations to appropriate protection of interests of customers through the improvement of the security level, ensuring of business continuity at the time of disaster and other measures, while satisfying needs of customers by making the most of originality and ingenuity, to say nothing of its function as infrastructure that supports economic activities.

[3] Strict Compliance with Laws, Regulations and Rules

The Hokuetsu Bank, Ltd. will strictly observe all laws, regulations and rules, performing fair and sincere corporate activities that are not against social norms.

[4] Fair Disclosure of Information on Management and Other Matters

The Hokuetsu Bank, Ltd. will extensively communicate with society and fairly and properly disclose information on management and other matters to realize transparent management.

[5] Respect to Human Rights of Employees

The Hokuetsu Bank, Ltd. will respect human rights and individuality of employees, and ensure a safe and pleasant workplace environment.

[6] Efforts for Environmental Issues

The Hokuetsu Bank, Ltd. will vigorously work on environmental issues by providing financial services that contribute to environmental conservation and through other measures, while efficiently using resources and reducing wastes.

[7] Efforts for Social Contribution Activities

The Hokuetsu Bank, Ltd. realizes that society is the very place where banks can continue to exist and develop, and will proactively focus on social contribution activities as a "good corporate citizen" that grows together with society.

[8] Cut-off of Relationships with Anti-Social Forces

The Hokuetsu Bank, Ltd. will firmly confront anti-social forces that pose a threat to the order and safety of civil society, and thoroughly cut off relationships with them.

[9] Contributions to Local Communities

The Hokuetsu Bank, Ltd. will deeply have roots in the region and contribute to the development of local communities.

Overview of Consolidated Settlement

Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Million yen)

Item	Period	End of previous consolidated accounting year March 31, 2017	End of current consolidated accounting year March 31, 2018	End of current consolidated accounting year March 31, 2018 Thousand USD
ASSETS				
Cash and due from banks		¥ 127,596	¥ 182,697	\$ 1,719,663
Call loans and bills purchased		—	5,418	50,997
Trading account securities		1,413	1,596	15,022
Securities		992,777	829,763	7,810,269
Loans and bills discounted		1,537,161	1,688,563	15,893,853
Foreign exchange		8,203	6,190	58,264
Lease claims and lease investment assets		11,594	11,961	112,584
Other assets		18,705	40,389	380,167
Tangible fixed assets		29,465	29,993	282,313
Buildings		8,729	8,913	83,894
Land		19,121	19,048	179,292
Lease assets		21	12	112
Construction in progress		111	23	216
Other tangible fixed assets		1,482	1,995	18,778
Intangible fixed assets		930	1,298	12,217
Software		515	1,083	10,193
Lease assets		11	5	47
Other intangible fixed assets		403	209	1,967
Net defined benefit assets		2,320	3,230	30,402
Deferred tax assets		127	157	1,477
Customers' liabilities for acceptances and guarantees		5,907	6,560	61,746
Reserve for possible loan losses		(7,034)	(5,574)	(52,466)
Total assets		¥ 2,729,171	¥ 2,802,246	\$ 26,376,562
LIABILITIES				
Deposits		2,359,644	2,460,893	23,163,525
Certificates of deposits		106,530	102,780	967,432
Payables under repurchase agreements		—	64,365	605,845
Payables under securities lending transactions		102,548	24,960	234,939
Borrowed money		80	60	564
Foreign exchange		332	228	2,146
Other liabilities		31,153	14,586	137,292
Accrued bonuses		834	828	7,793
Allowance for bonuses to directors and corporate auditors		25	25	235
Net defined benefit liabilities		563	582	5,478
Allowance for retirement benefits to directors and corporate auditors		12	7	65
Reserve for reimbursement of deposits		643	691	6,504
Reserve for losses on cancellation of systems		—	364	3,426
Reserve for contingencies		463	464	4,367
Reserve for losses on return of interest		35	29	272
Deferred income taxes		1,549	1,790	16,848
Deferred income taxes for revaluation		2,876	2,859	26,910
Acceptances and guarantees		5,907	6,560	61,746
Total liabilities		¥ 2,613,198	¥ 2,682,077	\$ 25,245,453
NET ASSETS				
Common stock		24,538	24,538	230,967
Capital surplus		19,002	19,002	178,859
Retained earnings		53,488	58,921	554,602
Treasury stock		(1,387)	(1,287)	(12,114)
Total stockholders' equity		95,641	101,174	952,315
Unrealized holding gains (losses) on securities		21,296	18,725	176,251
Deferred gains (losses) on hedges		(1,422)	(280)	(2,635)
Unrealized gains from revaluation of land held for use		2,616	2,577	24,256
Remeasurements of defined benefit plans		(2,394)	(2,230)	(20,990)
Accumulated total of other comprehensive income		20,095	18,791	176,873
Stock subscription rights		156	118	1,110
Non-controlling interests		78	84	790
Total net assets		115,972	120,169	1,131,108
Total liabilities and net assets		¥ 2,729,171	¥ 2,802,246	\$ 26,376,562

Consolidated Statement of Income

(Unit: Million yen)

Item	Period	Previous consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2017 through March 31, 2018)	Current consolidated accounting year (April 1, 2017 through March 31, 2018) Thousand USD
Ordinary income		¥ 48,206	¥ 48,693	\$ 458,330
Interest and dividends income		29,341	26,520	249,623
Loans and bills discounted		18,132	17,513	164,843
Interest and dividends on securities		11,140	8,942	84,167
Call loans and bills purchased		(2)	0	0
Receivables under resale agreements		(4)	(9)	(84)
Deposits		34	30	282
Other		41	43	404
Fees and commission		7,423	7,855	73,936
Other operating income		9,219	10,159	95,623
Other ordinary income		2,222	4,157	39,128
Gains from reversal of reserve for possible loan losses		132	—	—
Gains from recovery of written-off debts		545	424	3,990
Other income		1,544	3,732	35,128
Ordinary expenses		39,056	38,904	366,189
Interest expenses		1,965	1,503	14,147
Deposits		603	529	4,979
Certificates of deposits		23	16	150
Call money and bills sold		(3)	(0)	(0)
Payables under repurchase agreements		—	(161)	(1,515)
Securities lending		270	388	3,652
Borrowed money		30	4	37
Other		1,040	725	6,824
Fees and commissions		3,764	3,361	31,635
Other operating expenses		8,967	9,218	86,765
General and administrative expenses		22,647	23,590	222,044
Other expenses		1,711	1,229	11,568
Provision of allowance for doubtful accounts		—	281	2,644
Other expenses		1,711	948	8,923
Ordinary profit		9,149	9,789	92,140
Extraordinary gains		0	—	—
Gains from disposal of fixed assets		0	—	—
Extraordinary losses		66	512	4,819
Losses on disposal of fixed assets		47	61	574
Losses on impairment of fixed assets		18	85	800
Provision of reserve for losses on cancellation of systems		—	364	3,426
Income before income taxes		9,083	9,276	87,311
Corporate tax, corporate inhabitant tax and business tax		2,279	1,672	15,737
Adjustment of corporate taxes, etc.		91	738	6,946
Total corporate taxes, etc.		2,370	2,410	22,684
Net income		6,712	6,866	64,627
Net income attributable to non-controlling interests		2	6	56
Net income attributable to stockholders of parent company		¥ 6,709	¥ 6,859	\$ 64,561

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

Period	Previous consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2017 through March 31, 2018)	Current consolidated accounting year (April 1, 2017 through March 31, 2018) Thousand USD
Item			
Net income	¥ 6,712	¥ 6,866	\$ 64,627
Other comprehensive income	(7,358)	(1,265)	(11,907)
Unrealized holding gains (losses) on securities	(14,280)	(2,571)	(24,199)
Deferred gains (losses) on hedges	6,471	1,141	10,739
Remeasurements of defined benefit plans	449	164	1,543
Comprehensive income	¥ (645)	¥ 5,600	\$ 52,710
Comprehensive income related to stockholders of parent company	(648)	5,594	52,654
Comprehensive income related to non-controlling interests	2	6	56

Consolidated Statement of Changes in Stockholders' Equity

Previous consolidated accounting year (April 1, 2016 through March 31, 2017)

(Unit: Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of current period	¥ 24,538	¥ 19,002	¥ 48,196	¥ (1,381)	¥ 90,355
Changes during current period					
Dividends from surplus			(1,436)		(1,436)
Net income attributable to stockholders of parent company			6,709		6,709
Acquisition of treasury stock				(6)	(6)
Disposal of treasury stock			(0)	0	0
Reversal of unrealized gains from revaluation of land held for use			20		20
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during current period	—	—	5,292	(6)	5,286
Balance at end of current period	¥ 24,538	¥ 19,002	¥ 53,488	¥ (1,387)	¥ 95,641

	Other accumulated comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	¥ 35,577	¥ (7,894)	¥ 2,636	¥ (2,844)	¥ 27,474	¥ 116	¥ 76	¥ 118,021
Changes during current period								
Dividends from surplus								(1,436)
Net income attributable to stockholders of parent company								6,709
Acquisition of treasury stock								(6)
Disposal of treasury stock								0
Reversal of unrealized gains from revaluation of land held for use								20
Net changes of items other than stockholders' equity during current period (net amount)	(14,280)	6,471	(20)	449	(7,378)	40	2	(7,335)
Total changes during current period	(14,280)	6,471	(20)	449	(7,378)	40	2	(2,049)
Balance at end of current period	¥ 21,296	¥ (1,422)	¥ 2,616	¥ (2,394)	¥ 20,095	¥ 156	¥ 78	¥ 115,972

Current consolidated accounting year (April 1, 2017 through March 31, 2018)

(Unit: Million yen)

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

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

Current consolidated accounting year (April 1, 2017 through March 31, 2018)

(Unit: Thousand USD)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of current period	\$ 230,967	\$ 178,859	\$ 503,463	\$ (13,055)	\$ 900,235
Changes during current period					
Dividends from surplus			(13,525)		(13,525)
Net income attributable to stockholders of parent company			64,561		64,561
Acquisition of treasury stock				(28)	(28)
Disposal of treasury stock			(263)	969	705
Reversal of unrealized gains from revaluation of land held for use			357		357
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during current period	—	—	51,129	941	52,070
Balance at end of current period	\$ 230,967	\$ 178,859	\$ 554,602	\$ (12,114)	952,315

	Other accumulated comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	\$ 200,451	\$ (13,384)	\$ 24,623	\$ (22,533)	\$ 189,147	\$ 1,468	\$ 734	\$ 1,091,603
Changes during current period								
Dividends from surplus								(13,525)
Net income attributable to stockholders of parent company								64,561
Acquisition of treasury stock								(28)
Disposal of treasury stock								705
Reversal of unrealized gains from revaluation of land held for use								357
Net changes of items other than stockholders' equity during current period (net amount)	(24,199)	10,739	(357)	1,543	(12,274)	(348)	56	(12,565)
Total changes during current period	(24,199)	10,739	(357)	1,543	(12,274)	(348)	56	39,495
Balance at end of current period	\$ 176,251	\$ (2,635)	\$ 24,256	\$ (20,990)	\$ 176,873	\$ 1,110	\$ 790	\$ 1,131,108

Consolidated Statement of Cash Flows

(Unit: Million yen)

Period	Previous consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2017 through March 31, 2018)	Current consolidated accounting year (April 1, 2017 through March 31, 2018) Thousand USD
Item			
Cash flows from operating activities:			
Income before income taxes	¥ 9,083	¥ 9,276	\$ 87,311
Depreciation	1,403	1,688	15,888
Impairment losses on fixed assets	18	85	800
Net increase (decrease) in reserve for possible loan losses	(128)	373	3,510
Net increase (decrease) in accrued bonuses	(2)	(6)	(56)
Net increase (decrease) in defined benefit assets	(861)	(910)	(8,565)
Net increase (decrease) in defined benefit liabilities	(275)	19	178
Net increase (decrease) in allowance for retirement benefits to directors and corporate auditors	4	(4)	(37)
Net increase (decrease) in reserve for reimbursement of deposits	92	48	451
Net increase (decrease) in reserve for losses on cancellation of systems	—	364	3,426
Net increase (decrease) in reserve for contingencies	135	0	0
Net increase (decrease) in reserve for losses on return of interest	(3)	(6)	(56)
Interest and dividends income	(29,341)	(26,520)	(249,623)
Interest expenses	1,965	1,503	14,147
Net (gains) losses on securities transactions	149	(3,025)	(28,473)
Net (gains) losses on money held in trust	5	(5)	(47)
Net foreign exchange (gains) losses	(11)	(17)	(160)
Net (gains) losses on disposal of fixed assets	47	61	574
Net (increase) decrease in loans and bills purchased	(32,985)	(153,235)	(1,442,347)
Net increase (decrease) in deposits	77,554	101,248	953,012
Net increase (decrease) in certificates of deposits	(590)	(3,750)	(35,297)
Net increase (decrease) in borrowings (other than subordinated borrowings)	(10,970)	(20)	(188)
Net (increase) decrease in due from banks (other than The Bank of Japan)	9	16	150
Net (increase) decrease in call loans, etc.	—	(5,418)	(50,997)
Net increase (decrease) in call money, etc.	—	64,365	605,845
Net increase (decrease) in payables under securities lending transactions	(21,755)	(77,587)	(730,299)
Net (increase) decrease in foreign exchange (assets)	(1,760)	2,013	18,947
Net increase (decrease) in foreign exchange (liabilities)	102	(103)	(969)
Net (increase) decrease in lease claims and lease investment assets	(1,077)	(366)	(3,445)
Interest and dividends received	29,890	27,155	255,600
Interest paid	(2,123)	(1,859)	(17,498)
Other	12,072	(43,683)	(411,172)
Subtotal	30,648	(108,298)	(1,019,371)
Income taxes paid	(3,604)	(1,274)	(11,991)
Net cash provided by (used in) operating activities	27,044	(109,573)	(1,031,372)
Cash flows from investing activities:			
Purchase of securities	(552,465)	(441,937)	(4,159,798)
Proceeds from sales of securities	398,733	513,276	4,831,287
Proceeds from redemption of securities	67,224	97,562	918,317
Increase in money held in trust	(2,000)	(2,000)	(18,825)
Decrease in money held in trust	1,994	2,005	18,872
Purchase of tangible fixed assets	(1,401)	(2,203)	(20,736)
Proceeds from sales of tangible fixed assets	66	5	47
Purchase of intangible fixed assets	(277)	(591)	(5,562)
Other	(3)	(1)	(9)
Net cash provided by (used in) investing activities	(88,129)	166,116	1,563,591
Cash flows from financing activities:			
Repayment of subordinated borrowed money	(2,000)	—	—
Dividends paid	(1,435)	(1,439)	(13,544)
Dividends paid to non-controlling stockholders	(0)	(0)	(0)
Purchase of treasury stock	(6)	(3)	(28)
Proceeds from sale of treasury stock	0	0	0
Net cash used in financing activities	(3,442)	(1,442)	(13,573)
Translation adjustments of cash and cash equivalents	11	17	160
Increase (decrease) in cash and cash equivalents	(64,517)	55,118	518,806
Cash and cash equivalents at beginning of year	191,808	127,290	1,198,136
Cash and cash equivalents at end of year	¥ 127,290	¥ 182,409	\$ 1,716,952

Overview of Non-consolidated Settlement

Financial Statements

Balance Sheet

(Unit: Million yen)

Period	End of 112th period March 31, 2017	End of 113th period March 31, 2018	End of 113th period March 31, 2018 Thousand USD
Item			
(Assets)			
Cash and due from banks	¥ 127,543	¥ 182,643	\$ 1,719,154
Cash	23,353	23,634	222,458
Deposits	104,190	159,008	1,496,686
Call loans	—	5,418	50,997
Trading account securities	1,413	1,596	15,022
National government bonds	157	144	1,355
Municipal bonds	1,255	1,451	13,657
Securities	994,923	831,761	7,829,075
National government bonds	525,799	377,105	3,549,557
Municipal bonds	41,007	33,531	315,615
Corporate bonds	112,065	114,689	1,079,527
Stocks	35,771	39,407	370,924
Other securities	280,280	267,027	2,513,431
Loans and bills discounted	1,545,998	1,698,179	15,984,365
Bills discounted	10,721	10,624	100,000
Loans on bill	32,918	25,545	240,446
Loans on deed	1,328,560	1,490,047	14,025,291
Overdrafts	173,797	171,962	1,618,618
Foreign exchange	8,203	6,190	58,264
Deposits with other foreign branches	6,023	4,295	40,427
Foreign exchange purchased	2,168	1,894	17,827
Foreign exchange receivable	11	—	—
Other assets	13,964	35,939	338,281
Accrued income	2,822	2,128	20,030
Financial derivatives	3,073	2,690	25,320
Cash collateral paid for financial instruments	4,544	22,280	209,713
Other assets	3,523	8,840	83,207
Tangible fixed assets	28,573	29,079	273,710
Buildings	8,600	8,780	82,643
Land	18,432	18,359	172,806
Construction in progress	111	23	216
Other tangible fixed assets	1,429	1,916	18,034
Intangible fixed assets	909	1,163	10,946
Software	507	1,069	10,062
Other intangible fixed assets	401	93	875
Prepaid pension cost	5,199	5,854	55,101
Customers' liabilities for acceptances and guarantees	5,907	6,560	61,746
Reserve for possible loan losses	(6,015)	(4,487)	(42,234)
Total assets	¥ 2,726,621	¥ 2,799,898	\$ 26,354,461

(Unit: Million yen)

Item	Period		
	End of 112th period March 31, 2017	End of 113th period March 31, 2018	End of 113th period March 31, 2018 Thousand USD
(Liabilities)			
Deposits	¥ 2,362,850	¥ 2,463,349	\$ 23,186,643
Current deposits	110,979	135,154	1,272,157
Ordinary deposits	1,231,327	1,324,809	12,469,964
Savings deposits	29,863	30,333	285,513
Demand deposits	9,898	10,390	97,797
Time deposits	922,344	906,644	8,533,923
Time savings deposits	60	54	508
Other deposits	58,376	55,962	526,750
Certificates of deposits	111,530	108,780	1,023,908
Payables under repurchase agreements	—	64,365	605,845
Payables under securities lending transactions	102,548	24,960	234,939
Foreign exchange	332	228	2,146
Foreign exchange sold	24	23	216
Foreign exchange payable	307	204	1,920
Other liabilities	25,033	8,499	79,998
Corporate taxes, etc. payable	328	253	2,381
Unpaid expenses	1,142	784	7,379
Unearned income	760	598	5,628
Benefit compensation reserve	0	0	0
Financial derivatives	4,844	2,971	27,964
Payables under financial instruments, etc.	3,809	162	1,524
Asset retirement obligations	82	71	668
Other liabilities	14,065	3,658	34,431
Accrued bonuses	813	804	7,567
Allowance for bonuses to directors and corporate auditors	25	25	235
Reserve for reimbursement of deposits	643	691	6,504
Reserve for losses on cancellation of systems	—	364	3,426
Reserve for contingencies	463	464	4,367
Deferred income taxes	1,964	2,084	19,615
Deferred income taxes for revaluation	2,876	2,859	26,910
Acceptances and guarantees	5,907	6,560	61,746
Total liabilities	¥ 2,614,989	¥ 2,684,038	\$ 25,263,911
(Net assets)			
Common stock	24,538	24,538	230,967
Capital surplus	16,964	16,964	159,676
Capital reserve	16,964	16,964	159,676
Retained earnings	49,247	54,981	517,516
Legal reserve	2,223	2,511	23,635
Other retained earnings	47,024	52,470	493,881
Net retained earnings forwarded	47,024	52,470	493,881
Treasury stock	(1,387)	(1,287)	(12,114)
Total stockholders' equity	89,362	95,196	896,046
Unrealized holding gains (losses) on securities	20,918	18,248	171,762
Deferred gains (losses) on hedges	(1,422)	(280)	(2,635)
Unrealized gains from revaluation of land held for use	2,616	2,577	24,256
Total valuation and translation adjustments	22,112	20,545	193,382
Stock subscription rights	156	118	1,110
Total net assets	111,631	115,860	1,090,549
Total liabilities and net assets	¥ 2,726,621	¥ 2,799,898	\$ 26,354,461

Statement of Income

(Unit: Million yen)

Period	112th period (April 1, 2016 through March 31, 2017)	113th period (April 1, 2017 through March 31, 2018)	113th period (April 1, 2017 through March 31, 2018) Thousand USD
Item			
Ordinary income:	¥ 42,562	¥ 43,319	\$ 407,746
Interest and dividends income	29,306	27,278	256,758
Loans and bills discounted	18,115	17,494	164,664
Interest and dividends on securities	11,124	9,721	91,500
Call loans and bills purchased	(2)	0	0
Receivables under resale agreements	(4)	(9)	(84)
Deposits	32	28	263
Other	41	43	404
Fees and commissions	6,737	7,138	67,187
Foreign exchange commissions receivable	2,292	2,284	21,498
Income from other services	4,444	4,853	45,679
Other operating income	4,413	4,933	46,432
Gain on foreign exchange trading	—	66	621
Income from national government and other bonds	3,621	4,299	40,464
Income from financial derivatives	791	—	—
Other operating income	0	566	5,327
Other ordinary income	2,105	3,970	37,368
Gains from reversal of allowance for loan losses	208	—	—
Gains from recovery of written-off debts	544	424	3,990
Gain on sale of stocks, etc.	636	3,149	29,640
Gain on money held in trust	—	5	47
Other ordinary income	715	391	3,680
Ordinary expenses:	34,235	33,483	315,163
Interest expenses	1,960	1,500	14,118
Deposits	603	529	4,979
Certificates of deposits	23	17	160
Call money and bills sold	(3)	(0)	(0)
Payables under repurchase agreements	—	(161)	(1,515)
Securities lending	270	388	3,652
Borrowed money	25	0	0
Interest swaps	1,041	726	6,833
Other	(0)	(0)	(0)
Fees and commissions	4,312	3,900	36,709
Foreign exchange commissions payable	367	366	3,445
Other fees and commissions	3,945	3,533	33,254
Other operating expenses	4,576	4,418	41,585
Loss on foreign exchanges	171	—	—
Loss on trading securities transactions	8	0	0
Loss on sale of national government and other bonds	3,591	996	9,375
Loss on redemption of national government and other bonds	804	3,310	31,155
Expenses on financial derivatives	—	110	1,035
General and administrative expenses	21,719	22,658	213,271
Other expenses	1,666	1,006	9,469
Provision of reserve for possible loan losses	—	106	997
Loans amortized	1,185	453	4,263
Losses on sale of stocks, etc.	10	115	1,082
Losses on devaluation of stocks, etc.	—	0	0
Loss on money held in trust	5	—	—
Other expenses	464	330	3,106
Ordinary profit	8,326	9,836	92,582
Extraordinary gains	0	—	—
Gains from sales of fixed assets	0	—	—
Extraordinary losses	66	512	4,819
Losses on disposal of fixed assets	47	61	574
Losses on impairment of fixed assets	18	85	800
Provision of reserve for losses on cancellation of systems	—	364	3,426
Income before income taxes	8,259	9,324	87,763
Corporate tax, corporate inhabitant tax and business tax	2,016	1,394	13,121
Adjustment of corporate taxes, etc.	(464)	768	7,228
Total corporate taxes, etc.	1,551	2,162	20,350
Net income	¥ 6,707	¥ 7,161	\$ 67,403

Amount in U.S. dollar is translated from Japanese yen, solely for convenience, at ¥106.24 = U.S. \$1.00, the exchange rate prevailing on March 31, 2018.

Corporate Data

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President and CEO

Katsuya Sato

Senior Managing Director

Kazuyoshi Hirokawa
Hiroyuki Kaizu

Managing Director

Ichiro Muromoto
Satoru Kumakura
Terasu Sato
Makoto Takahashi

Directors

Masami Watanabe
Ryuji Takahashi
Hiroki Hoshi
Motoi Yamada
Hiroshi Fukuhara
Kiroku Takeuchi

Standing Corporate Auditors

Mikiya Toyooka
Shuichi Nomizu

Corporate Auditors

Toshio Kitamura
Shiro Watanabe
(as of June 26, 2018)

BASIC DATA

Date of Foundation

December 20, 1878

Date of Incorporation

December 7, 1942

Authorized Shares

(in thousands)
600,000

Outstanding Shares

(in thousands)
24,514

Paid-in Capital

24,538 million yen

Number of Shareholders

7,480

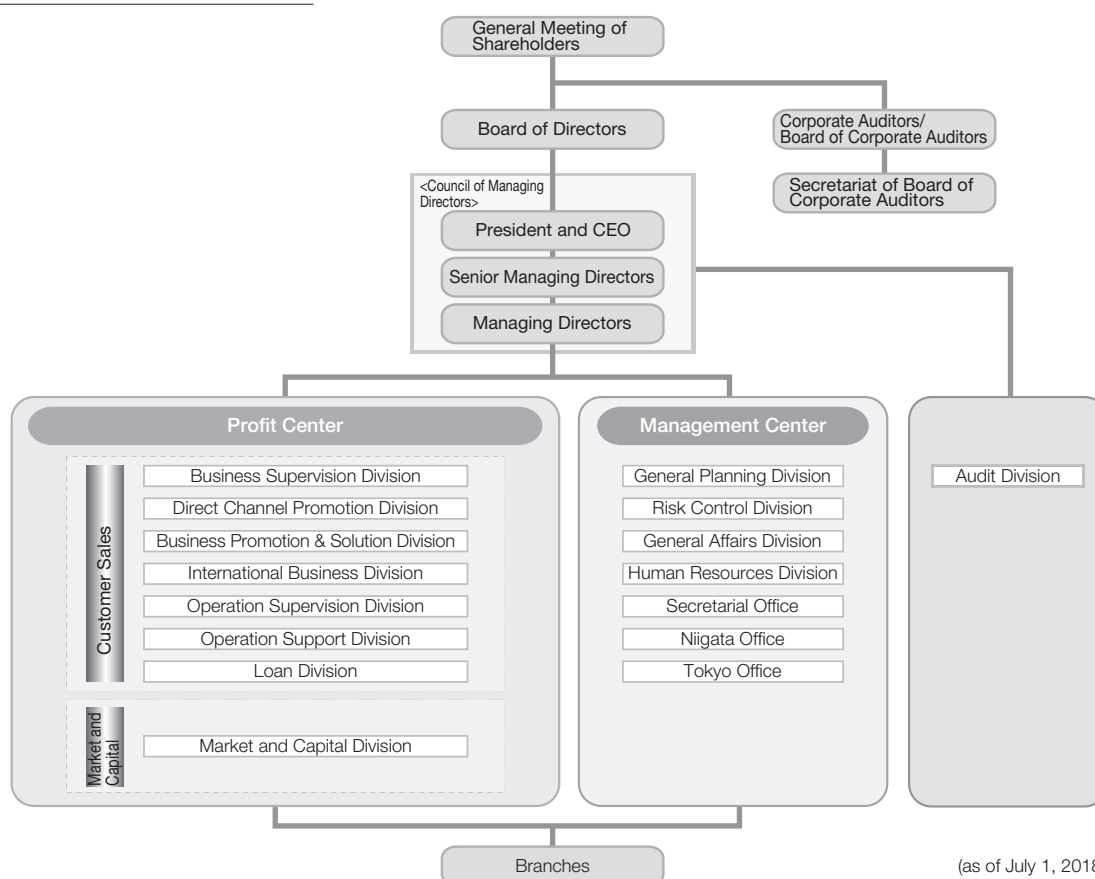
Employees

1,437

Stock Listing

First Section of the Tokyo Stock Exchange
(as of March 31, 2018)

ORGANIZATIONAL STRUCTURE OF THE HEADQUARTERS



(as of July 1, 2018)

ACCOUNTING AUDITOR

Ernst & Young ShinNihon LLC
(as of June 25, 2018)

*The accounting auditor have changed to KPMG Azusa LLC from June 26, 2018.

Subsidiaries

Consolidated Subsidiaries of The Hokuetsu Bank, Ltd.			
Name of Companies	Type of Business	Capital (Million yen)	Voting Share (%)
The Hokuetsu Leasing Co., Ltd.	Leasing	100	100
The Hokuetsu Card, Ltd.	Credit Guarantee Business Credit Card Business	20	100
The Hokuetsu Credit Guarantee Co., Ltd.	Credit Guarantee Business	210	100
The Hokugin Economic Research Institute, Ltd.	Research and investigation as well as provision of information on socioeconomic issues	30	50

SERVICE NETWORK

Head Office

2-14, Otedori 2-chome, Nagaoka City,
Niigata 940-8650
Phone: (0258) 35-3111

International Business Division

Address: same as Head Office
SWIFT: HETSJPJT
Phone: (0258) 39-7371

Number of Branches by Area

Niigata Prefecture	79
Gunma Prefecture	2
Saitama Prefecture	2
Tokyo	1
Total	84

(as of March 31, 2018)

Foreign Exchange Offices

The following are the major branches providing a full range of foreign exchange banking services:

Head Office

Niigata Branch

1300, Hachibancho, Kamiookawamaedori, Chuo-ku,
Niigata City, Niigata 951-8691

Sanjo Branch

2-4-31, Asahicho, Sanjo City,
Niigata 955-0065

Tsubame Branch

2-10, Kokucho, Tsubame City,
Niigata 959-1256

Tokyo Branch

16-1, Nihonbashi Koamicho Chuo-ku,
Tokyo 103-0016

Ken-oh Tsubame Branch

1-2 Butsuryu Center, Tsubame City,
Niigata 959-1277