

The Hokuetsu Bank, Ltd.

Securities Code: 8325

113th Annual General Meeting of Shareholders Supplementary Materials

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

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1 Background and Purpose of the Integration

Background

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

Purpose

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

Contribute to local communities

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

Improve financial and information intermediary functions

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

Enhancement of business efficiency

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

2 Integration Overview

Business integration process

Method of ntegration

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

Share transfer ratio

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

Integration schedule

Mar 23, 2018

Execution of definitive agreement on share transfer

May 11, 2018

Adoption of share transfer plan resolutions at the board meetings for both Banks

Jun 26, 2018

Share transfer plan approved at both Banks' General Shareholders' Meeting

Sep 26, 2018 (scheduled)

Delisting (of both Banks)

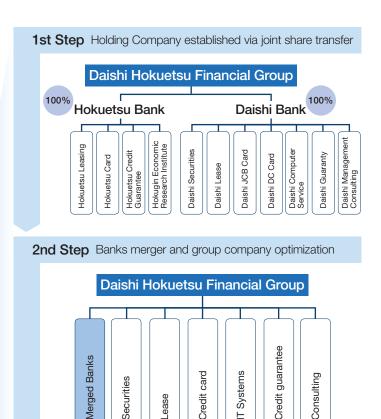
1st Step

Oct 1, 2018 (scheduled)

Holding Company established and listed

2nd Step

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

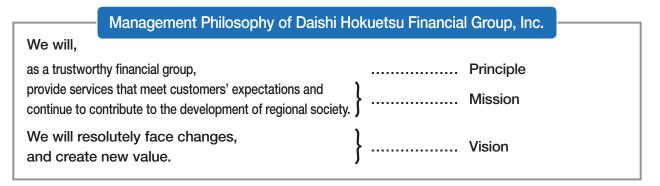


Holding Company Structure - Company Overview

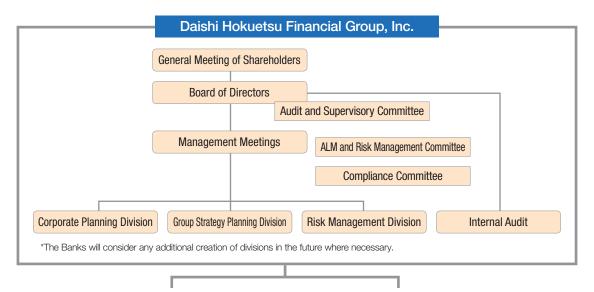
Trade name	Daishi Hokuetsu Financial Group, Inc.		
Location of head office	2-14 Ote-dori 2-chome, Nagaoka, Niigata, Japan		
Location of principal head office functions	1071-1 Higashiborimae-dori 7-bancho, Chuo-ku, Niigata, Niigata, Japan		
Representatives, directors and executives, etc. (tentative)	Chairman and Representative Director Katsuya Sato (currently President of Hokuetsu Bank) President and Representative Director Fujio Namiki (currently President of Daishi Bank) Director Satoshi Hasegawa (currently Senior Managing Director of Daishi Bank) Director Kazuyoshi Hirokawa (currently Senior Managing Director of Hokuetsu Bank) Director Takuya Watanabe (currently Managing Director of Daishi Bank) Director Makoto Takahashi (currently Director of Hokuetsu Bank) Director Makoto Takahashi (currently Director of Hokuetsu Bank) Director Michiro Ueguri (currently Director and Executive Officer of Daishi Bank) Director (Audit and Supervisory Committee Member) Shinjiro Kawai (currently Director and Audit and Supervisory Committee Member of Daishi Bank) Director (Audit and Supervisory Committee Member) Koichi Masuda (currently Outside Director and Audit and Supervisory Committee Member) Director (Audit and Supervisory Committee Member) Hiroshi Fukuhara (currently Outside Director of Hokuetsu Bank) Director (Audit and Supervisory Committee Member) Toshizo Oda (currently Outside Director and Audit and Supervisory Committee Member of Daishi Bank) Director (Audit and Supervisory Committee Member) Toshizo Oda (currently Professor, Faculty of Economy and Management, Nagaoka University) (Note) Each of Directors (Audit and Supervisory Committee Members) Koichi Masuda, Hiroshi Fukuhara, Toshizo Oda and Kazuaki Matsumoto are outside directors as defined under Article 2, item (xv) of the Companies Act.		
Nature of business	Management and operation of banks and other companies that the Company may have as subsidiaries under the Banking Act and any and all businesses incidental or related thereto.		
Capitalization	30 billion yen		
Date of establishment	October 1, 2018 (scheduled)		
Fiscal year end	March 31		
Stock exchange	TSE (scheduled)		
Share unit	100 shares		
Accounting auditor	KPMG AZSA LLC		
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation		

4 Management Philosophy and Organizational Structure of the Holding Company

Management Philosophy



Main Organizational Structure (Plan)



The Hokuetsu Bank, Ltd. The Daishi Bank, Ltd.

5 Overview of the New Financial Group's Management Base

1 Key Metrics

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

Key metrics for Hokuetsu Bank and Daishi Bank 1

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

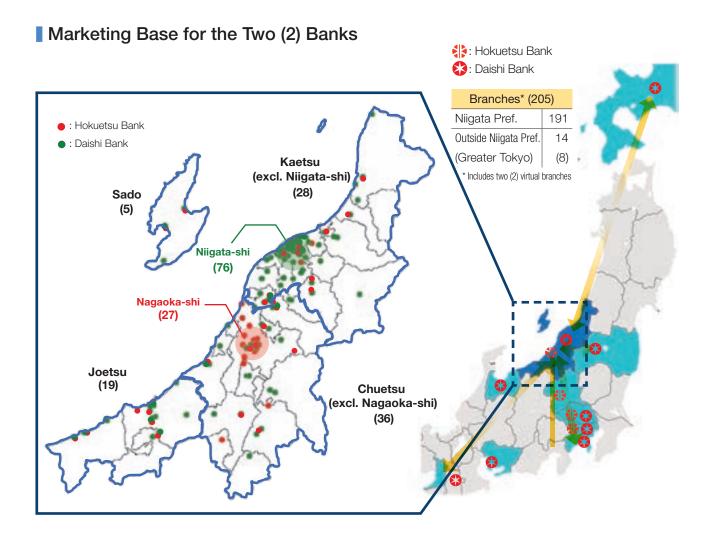
^{*1} Total values are on a non-consolidated basis; values are rounded to tenths decimal place; figures for branch locations and employees are as of March 31, 2018; figures for business results are as of the fiscal year ended March 31, 2018 (the balance is not released); and figures for the number of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

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

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

2 Marketing Base

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



6 Expected Effects From Business Integration

Overall

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



Strengthening of managerial resources

Positive impact of business integration for customers

3

Increased management efficiency

Strengthened workforce

- Streamlined head office org.
- Optimized branch placement

Augmented investment capability

 Shared systems and business procedures



- Using FinTech to offer highly convenient, non-face-to-face services
- Improved advisory services leveraging expertise in asset management and asset succession & inheritance
- Reduced fees on transfers between the two Banks



- Augmented business foundation, business succession and M&A support
- Increased business matching opportunities through expanded network
- Establishment of loan fund for local corporations based on businessviability evaluation¹



- Establishment of regional trading company² through joint investment with local corporations
- Human resources and expertise support for local corporations
- Effective utilization of excess space resulting from optimization of branch network

3

Role and mission of a regional bank:

To contribute to regional revitalization & development of local economy

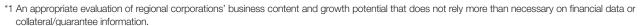
Improved financial/information intermediary functions



- Mutual use of expertise
- Effective IT utilization
- Leveraging of group company functions

Expanded network

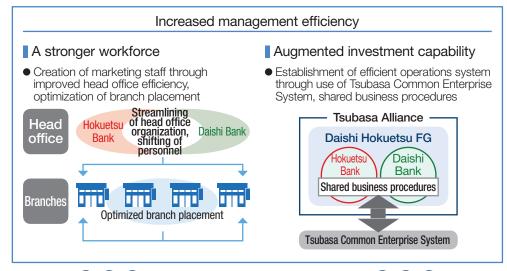
 Regional information network utilization (mutual use with customers and branches in other prefectures)



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

1 Strengthening Managerial Resources Banks

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



Synergies (FY25*)

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

Cost synergies ¥7 bn or more



Top-line synergies

¥3bn or more

|| Total (annual)

¥10bn or more

(after taking integration costs into account, including costs for system integration and branch optimization)

Staff creation: 400 or more

Improved financial intermediary and information intermediary functions

Improved financial services capabilities

 Value-added marketing through strengthened consulting functions, made possible by mutual use of both banks' expertise and functions

Mutual

use

Hokuetsu Bank

- Effective sales and marketing using digital technology
- Highly specialized products and services, such as business succession

Daishi Bank

- A wide range of asset mgt. products through bank-brokerage partnership
- Business matching and support for starting enterprises and entering overseas market

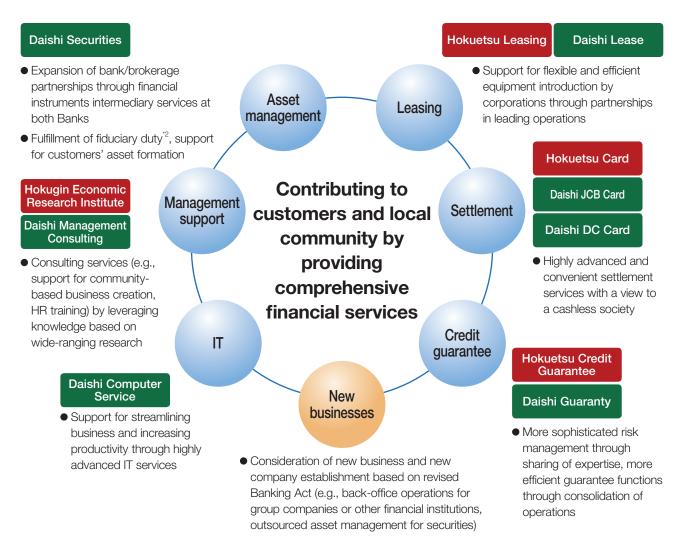
Expanded network

- Increased customer contact through expansion of non-face-to-face channels (e.g., both Banks' branches, ATMs, and internet services) and augmentation of marketing staff
- Support for sales-channel establishment and expansion through business matching that leverages both Banks' bases (domestic and overseas) and partners' networks



1 Strengthening Managerial Resources | Group Companies

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



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

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

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

Corporate customers

 Support for business-idea creation, business foundation through leveraging of group companies

Startup stage

Growth stage

Stability stage

Revitalization stage

- Creation of business opportunities through business matching with companies inside/outside prefecture
- Support for HR education and training such as employee training events, support for providing human resources and expertise to local companies
- Management support thorough smooth funding based on business-viability evaluation, support for ESG* efforts
- Solutions for management issues such as business succession and M&A, through partnership with specialized institutions
- Management improvement and revitalization, leveraging consulting functions

Daishi Hokuetsu **Financial Group**

Strengthened workforce

Augmented investment capabilities

Improved financial services capabilities

Expanded network

Retail customers

- Support for education through scholarships, donation-type loan system
- Provision of financial literacy education to young people becoming the next generation
- Provision of highly convenient non-face-to-face services using FinTech
- Support for asset formation in accordance with life plan through provision of assetmanagement expertise
- Provision of specialty financial products like home loans, childrearing-support loans
- Support for asset succession/ inheritance

Finding

Marriage/ childbirth

Education

Childrearing/ education

"Second life"

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

3 Contributions to Regional Revitalization and Advancement of Regional Economies

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

creation

Expanding sales

value-added

Jobs

channels in greater

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

A Increasing productivity by leveraging regional resources Expanding company

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

Tokyo & overseas • Increasing product End-to-end production spanning manufacturing, processing and sales

Regional specialty products, foods





To new markets inside/ outside pref. (including other countries)



Communities

Increasing working

Improving skills &

productivity of

People

population

workers

- Tourism promotion
- Region branding

B Raising the competitiveness of local corporations

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



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

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

Attracting tourists

Daishi Hokuetsu FG

Attracting companies
& human resources

Support for overseas expansion

Disseminating information on regional

Support for expansion into greater Tokyo

resources

* Carrying out initiatives that will help solve regional issues and invigorate local economy

Providing support to customers through investment and advice, aimed at the creation of new companies and new businesses

7 Future Initiatives for Business Integration

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

	Mar 2018 Definitive Agreement	Oct 2018 Holding Company formed	Within approx. two years Merger		
	Preparation for 1st Step Prepare to move to holding company structure	1st Step Quickly realize synergies from move to holding company structure	2nd Step Maximize merger synergies		
Overview	 Receive approval from relevant authorities to establish holding company Prepare to realize synergies 	 Efforts to promote deeper mutual understanding and cooperation ahead of the integration Rapid realization of synergies 	 Harmonized group structure to maximize organizational strength for contributing to local communities Maximize synergies 		
Mgmt	Formulate Group mid-term plan	Execute the Group's mid-term plan			
	Promotion of business matching				
	May 2018	Mutual use of know-how; launch of new goods and services			
Sales	Inaugural joint session	Integrate group companies and bolster functions			
	Largest business meeting in the prefecture held in partnership with Niigata	Bolster support for clients expanding outside the prefecture and overseas			
	City, Niigata Prefecture and Kanto Bureau of Economy, Trade & Industry		Optimize branch placement		
Head office	Integration of HR system and promotion of organizational harmony through personnel exchanges				
Back office	Promote project to integrate IT business systems		Enhanced use of digital technology		
iT			Streamline head office org.		
Regional	TSUBASA alliance	Human resources & expertise support for local companies			
	Spring 2018 Plans for Hokuetsu Bank to join	Erect loan and regional revitalization funds for local companies			

B Q&A Regarding the Business Integration

Q1 Please tell us about share transfers.

Α1

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

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

A2

All shareholders of Hokuetsu Bank will be issued 0.5 common shares of Daishi Hokuetsu Financial Group, Inc. for each share of Hokuetsu Bank that they hold. After the holding company is incorporated through a business integration by means of a joint share transfer establishing a holding company, Hokuetsu Bank and Daishi Bank will become wholly-owned subsidiaries of the holding company (see Q1). Consequently, both banks are scheduled to be delisted from the Tokyo Stock Exchange as of September 26, 2018, and the holding company is scheduled to be listed as of October 1, 2018 in their place. On October 1, 2018, all current shareholders will automatically be allotted and issued shares of the holding company, in proportion to the share transfer ratio. No special procedures are required of shareholders who choose to continue to hold shares of the holding company. Shareholders will also continue to be able to trade shares of both banks until September 25, 2018, the day preceding the date on which the shares are delisted.

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

А3

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

Q4 What will happen to the shareholder special benefit program?

Α4

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

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

A5

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

Q6 What should shareholders do if the share transfer results in them holding shares of less than a whole unit?

A6

Shareholders allocated shares of less than one whole unit (100 shares of stock) through the share transfer will be able to demand that the holding company purchase the shares they hold that are less than one whole unit (appraisal rights) pursuant to the provisions of the Companies Act. Alternatively, they may also demand that the holding company sell them shares in the necessary number to ensure that they hold shares of at least one whole unit (right of claim to purchase additional shares).

Q7 What happens if a shareholder is allotted a fraction of a share through the share transfer?

Α7

If a fraction of less than one share is generated, pursuant to the provisions of the Companies Act of Japan, the relevant shareholder will be paid a cash amount corresponding to such fractional share. Such shareholders will be promptly notified on or after the effective date of the share transfer (October 1, 2018), once the amount, etc. have been determined.

Contact for Inquiries

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

[Until June 26, 2018]

Shareholder register administrator: Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department Telephone: 0120-288-324 (Toll free only from Japan) (Weekdays: 9:00-17:00)

[From June 27, 2018*]

Shareholder register administrator: Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department Telephone: 0120-232-711 (Toll free only from Japan) (Weekdays: 9:00-17:00)

* The shareholder register administrator will be changed to Mitsubishi UFJ Trust and Banking Corporation as from June 27, 2018.

