## THE DAISAN BANK, LTD.

# ANNUAL REPORT 2017

Fiscal Year Ended March 31, 2017

## The Daisan Bank, Ltd. and Consolidated Subsidiaries

## **Consolidated Financial Statements**

## Fiscal year ended March 31, 2017

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#### Message from the Chairman and the President

Thank you for your continued support and patronage of The Daisan Bank, Ltd. and The Daisan Bank Group.

In the Japanese economy, despite continuing sluggishness in personal consumption, corporate earnings proceeded on an improving glide path and public investment remained firm, pacing continued recovery. In Mie Prefecture, the Bank's region of operations, swelling exports and production lent buoyancy to employment, the regional economy recovered gradually.

In April 2015 the Bank launched "Jump Up! The 2nd Medium-term Management Plan for the New Century: Moving Together with Customers Towards a Stage for Rapid Progress Ver. 2." This plan is now entering its final fiscal year. The Bank is marshaling its variety of networks on many levels, including its branch network, human network and information network, to accelerate efforts to revitalize the regional community and stimulate the economy of Mie Prefecture.

On February 28, 2017, Daisan Bank concluded a basic agreement with The Mie Bank, Ltd. to move forward on consultations and deliberations toward a merger through the establishment of a holding company. The two banks have formed a joint Merger Preparation Committee and are progressing preparations toward conclusion of a final merger contract in September 2017, establishment of the holding company in April 2018, and subsequent stock-exchange listing. The two banks expect synergies from the upcoming merger to enable them to contribute further to the revitalization of the regional economy, thereby reinforcing the relationships of trust they enjoy with the people of Mie Prefecture. The common aim of Daisan Bank and Mie Bank is to enjoy the warm support of customers and to grow as a financial group along with customers and the region.

Through the united will and effort of all Bank directors and employees, Daisan Bank continues to do everything in its power to play a valuable role as a regional financial institution. In this endeavor we ask once more for your continuing support, guidance and encouragement.

July 2017

Kenzo Tanikawa, Chairman and CEO Hiroshi Iwama, President and COO

## Management Philosophy

- 1. We, The Daisan Bank, will serve the local community, and will be trusted and popular with the customers.
- 1. We, The Daisan Bank, will possess the enterprising energy and the rich creativity, and will develop steadily.
- 1. We, The Daisan Bank, will make the most of the employees' personality, and will build a bright, attractive workplace.

## Guidelines for Employee's Action

- 1. We address each new business opportunity with a spirit of adventure.
- 1. We constantly improve our knowledge and provide services of the highest quality.
- 1. We constantly seek out and solve problems, striving to improve our work.
- 1. We work as a close-knit team, proud to be The Daisan Bank employees.

## Consolidated Balance Sheets

March 31, 2016 and 2017

		20	16		2017				
				Thousands of				Thousands of	
ASEETS:		Millions of Yen		U.S Dollars		Millions of Yen		U.S Dollars	
Cash and due from banks	¥	121,605	\$	1,079,206	¥	127,643	\$	1,137,739	
Trading account securities		1,022		9,069		1,203		10,722	
Money held in trust		2,270		20,145		2,264		20,180	
Securities		609,024		5,404,898		590,737		5,265,504	
Loans and bills discounted		1,246,266		11,060,223		1,257,009		11,204,287	
Foreign exchanges		1,451		12,877		2,459		21,918	
Other assets		20,110		178,470		20,614		183,741	
Tangible fixed assets		25,642		227,564		24,439		217,835	
Buildings		5,393		47,861		5,187		46,234	
Land		17,784		157,827		17,578		156,680	
Lease assets		3		26		2		17	
Construction in progress		72		638		1		8	
Other tangible fixed assts		2,388		21,192		1,669		14,876	
Intangible fixed assets		3,904		34,646		3,406		30,359	
Software		3,815		33,856		3,325		29,637	
Lease assets		7		62		0		0	
Other intangible fixed assets		81		718		80		713	
Deferred tax assets		149		1,322		95		846	
Customers' liabilities for acceptances and guarantees	s	1,960		17,394		2,056		18,326	
Reserve for possible loan losses		(9,571)		(84,939)		(9,912)		(88,350)	
Total assets	¥	2,023,835	\$	17,960,906	¥	2,022,017	\$	18,023,148	
LIABILITIES:		1 700 170	Φ.	45.040.005		4 700 740		15.001.101	
Deposits	¥	1,782,472	\$	15,818,885	¥	1,790,710	\$	15,961,404	
Payables under securities lending transactions		31,851		282,667					
Borrowed money		44,450		394,479		85,963		766,226	
Foreign exchanges		5		44		9		80	
Bonds		4,800		42,598		_		_	
Bonds with subscription rights to shares		6,989		62,025		6,989		62,296	
Other liabilities		29,560		262,335		15,134		134,896	
Reserve for employees' bonuses		785		6,966		706		6,292	
Reserve for director's bonuses		8		70		8		71	
Employees' retirement benefit liability		3,012		26,730		2,326		20,732	
Reserve for director's retirement benefits		24		212		24		213	
Reserve for losses on dormant deposit repayments		263		2,334		299		2,665	
Reserve for contingent loss		335		2,973		433		3,859	
Deferred tax liabilityies		2,066		18,335		2,184		19,466	
Deferred tax liabilities for land revaluation excess		2,756		24,458		2,724		24,280	
Acceptances and guarantees		1,960		17,394		2,056		18,326	
Total liabilities	¥	1,911,343	\$	16,962,575	¥	1,909,570	\$	17,020,857	
NET ASSETS:									
Common stock	¥	37,461	\$	332,454	¥	37,461	\$	333,906	
Capital surplus		32,681		290,033		32,665		291,157	
Retained earnings		15,016		133,262		17,063		152,090	
Treasury stock		(1,046)		(9,282)		(1,023)		(9,118)	
Total shareholders' equity		84,112		746,467		86,166		768,036	
Unrealized gains on other securities		21,185		188,010		18,796		167,537	
Land revaluation excess		3,861		34,265		3,815		34,004	
Remeasurements of defind benefit plans		(929)		(8,244)		(900)		(8,022)	
Total accumulated other comprehensive income		24,116		214,022		21,711		193,519	
Preemptive right		106		940		132		1,176	
Minority interests		4,156		36,883		4,437		39,548	
Total net assets		112,492		998,331		112,447		1,002,290	
Total liabilities and net assets	¥	2,023,835		17,960,906	¥			18,023,148	

Exchange rate 1US\$=¥112.68 1US\$=¥112.19

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Fiscal years ended March 31, 2016 and 2017

minority interests

Exchange rate

	2016				2017				
_				Thousands of				Thousands of	
	Milli	ons of Yen		U.S Dollars		Millions of Yen		U.S Dollars	
Ordinary income:	¥	39,582	\$	351,277	¥	37,563	\$	334,815	
Interest income		25,724		228,292		23,402		208,592	
Interest on loans and discounts		18,306		162,460		17,048		151,956	
Interest and dividends on securities		7,340		65,140		6,287		56,038	
Interest on call loans and bills bought		15		133		0		0	
Interest on deposits with banks		42		372		39		347	
Other interest income		19		168		26		231	
Fees and commissions		6,721		59,646		6,805		60,656	
Other operating income		964		8,555		241		2.148	
Other ordinary income		6.172		54,774		7.114		63,410	
Recoveries of written-off claims		5		44		2		17	
Other income		6,166		54,721		7,111		63,383	
Ordinary expenses:		33,027		293,104		31,674		282,324	
Interest expenses		2,306		20,465		1,577		14,056	
Interest expenses Interest on deposits		2,015		17.882		1,416		12,621	
Interest on deposits Interest on call money and bills sold		2,013		17,882		1,410		12,021	
Interest on payables under securities lending transactions	•	0		0		2		17	
Interest on borrowings and rediscounts	5	157		1,393		125		1,114	
Interest on bonds		124		1,100		27		240	
Other interest expenses		5		44		5		44	
Fees and commissions payments		2,273		20.172		2,299		20,492	
Other operating expenses		500		4,437		68		606	
General and administrative expenses		21,358		189,545		21,080		187,895	
Other ordinary expenses		6,589		58,475		6,649		59,265	
Provision for reserve for possible loan losses		1,031		9,149		1,438		12,817	
Other expenses		5,557		49,316		5,210		46,439	
Ordinary profits		6,554		58,164		5,889		52,491	
Extraordinary gains		2		17		93		828	
Gains on disposal of fixed assets		2		17		93		828	
Extraordinary losses		44		390		220		1,960	
Losses on disposal of fixed assets		17		150		21		1,300	
Impairment loss on fixed assets		26		230		198		1,764	
Income before income taxes		6,513		57.800		5,762		51,359	
Income taxes		2,411		21,396		2.225		19,832	
Current		417		3,700		663		5,909	
Deferred		1,994		17,696		1.561		13,913	
Income before minority interest		4,101		36,395		3,536		31,517	
Minority interest in income		357		00,000		243		2,165	
Net income	¥	3,744	\$		¥	3,293	\$	29,351	
Exchange rate	•	1US\$=	_	12.68		1US\$=			
Consolidated Statements of Compreh	nens					103φ-	-#11	2.19	
Income before minority interests		4,101		36,395		3,536		31,517	
Oher comprehensive income		(4,798)		(42,580)		(2,315)		(20,634	
Net unrealized gains on other securities		(4,200)		(37,273)		(2,345)		(20,902	
Net land revaluation excess		147		1,304					
Remeasurements of defined benefit plans		(744)		(6,602)		29		258	
Comprehensive income		(696)		(6,176)		1,220		10,874	
Comprehensive income attributable to		(000)		(0,170)		1,220		10,077	
owners of parent		(1,050)		(9,318)		933		8,316	
Comprehensive income attributable to		(1,000)		(3,010)		300		0,010	
minerity interests		0.50		0.100		007		0.550	

3,132

1US\$=¥112.68

2,558

1US\$=¥112.19

#### **Directors and Executive Officers**

as of June 30, 2017

Kenzo Tanikawa	Chairman and CEO
Hiroshi Iwama	President and COO, Executive officer
Atsushi Iguchi	Managing Director, Executive Officer
Takahiro Fujita	Managing Director, Executive Officer
Akira Asano	Managing Director, Executive Officer
Akira Kitamura	Director, Executive Officer
Yasutaka Sakamoto	Director
Ken-ichi Yamakawa	Director, Executive Officer
Kazuya Kawase	Director, Executive Officer
Masami Hamaoka	Director, Audit Committee Member (Outside)
Noboru Nakagawa	Director, Audit Committee Member (Outside)
Kazuhiro Nakamura	Director, Audit Committee Member
Akihiko Noro	Director, Audit Committee Member (Outside)
Yasushi Satomura	Executive Officer
Tomoyoshi Urakawa	Executive Officer
Hisao Shibata	Executive Officer
Toshiharu Tsujinaka	Executive Officer
Takashi Ohata	Executive Officer
Hiroshi Kyodo	Executive Officer
Hisatoshi Umeda	Executive Officer
Toshikimi Aoki	Executive Officer
Shin-ya Yoshida	Executive Officer

#### Bank Data

as of March 31, 2017, non-consolidated

Name: THE DAISAN BANK, LTD.

Location of Head Office: 510 KYOMACHI, MATSUSAKA, MIE

URL: http://www.daisanbank.co.jp

**TEL:** 0598-25-0377

Network: Number of Branches and Offices: 98

(64 within Mie Prefecture :34 outside of Mie Prefecture)

Number of Housing Loan Plazas: 12

Number of ATM Sites outside Branches and Offices: 124

Number of Employees: 1,400

Paid-in Capital: ¥37,461 million

Total Assets: ¥2,009,423 million

Deposits: ¥1,797,029 million

Loans: ¥1,260,183 million

Capital Adequency Ratio: 8.33%
Credit Rating: BBB+

Rating and Investment Information, Inc (R&I)

Japan Credit Rating Agency, Ltd.



## THE DAISAN BANK, LTD. Securities and International Department

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