



FY2017 Interim Financial Highlights & FY2017 Prospects

FIDEA Holdings Co. Ltd.
December 2017

This document contains forward-looking statements in regard to forecasts, targets and plans of FIDEA Holdings Co. Ltd. ("FIDEA") and its group companies (collectively, "the group"). These forward-looking statements are based on information currently available to the group and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties. Please see other disclosure and public filings made or will be made by FIDEA and the other companies comprising the group, including the latest kessan-tanshin, financial reports, Japanese securities reports and annual reports, for additional information regarding such risks and uncertainties. The group has no obligation or intent to update any forward-looking statements contained in this document.

In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the group and cannot be guaranteed.

The financial information used in this document was prepared in accordance with accounting standards generally accepted in Japan, or Japanese GAAP.

Definitions of figures used in this document

Consolidated: FIDEA Holdings (consolidated)

2 Banks: Shonai Bank (non-consolidated) + Hokuto Bank (non-consolidated)

FY2017 H1 Financials Summary

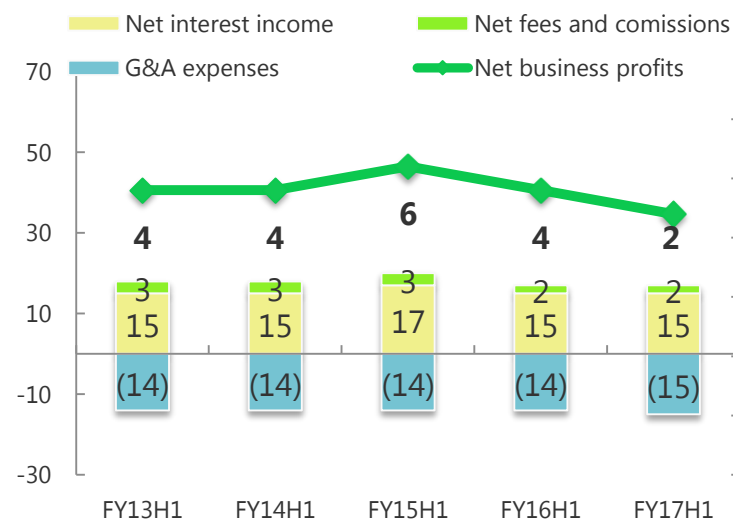
Income Statement

(JPY in billions)	FY16H1 (results) ①	FY17H1		y-o-y ③-①	Results vs. projected ③-②
		(projected) ②	(results) ③		
Ordinary revenue	25.0	–	24.8	(0.2)	–
Gross profits	19.4	16.9	17.3	(2.1)	0.4
Core Gross profits	18.2	16.8	17.9	(0.3)	1.1
Net interest income	15.6	14.8	15.8	0.2	1.0
Net fees and commissions	2.9	2.4	2.4	(0.5)	0.0
Net gains(losses) on debt securities	1.1	0.0	(0.6)	(1.7)	(0.6)
G&A expenses (excl. extraordinary expenses)	14.8	15.2	15.0	0.2	(0.2)
Personnel costs	7.9	7.9	7.8	(0.1)	(0.1)
Non-personnel costs	5.8	6.0	5.9	0.1	(0.1)
Net business profits	4.6	–	2.2	(2.4)	–
Total credit costs	0.8	0.8	(0.8)	(1.6)	(1.6)
Net gains (losses) on equity securities	(0.0)	0.9	0.4	0.4	(0.5)
Ordinary profits	3.6	1.8	3.6	0.0	1.8
Net extraordinary gains (losses)	(0.0)	(0.0)	(0.0)	0.0	0.0
Total of income taxes-current and income taxes-deferred	0.3	0.5	0.5	0.2	0.0
Interim net income	3.3	1.3	3.1	(0.2)	1.8
Core OHR	81.04%	–	83.75%	2.71p	

Financial Results Review

- Due to the decrease in interest on loans influenced by the prolonged low-interest rate environment and the reduction of the gain on sale of securities, Ordinary revenue decreased by ¥0.2bn (0.8%) to ¥24.8bn over the same period of the previous year. On the other hand, Ordinary profits increased by ¥0.0bn (0.7%) to ¥3.6bn over the same period of the previous year due to the main factor of the decrease in Total credit costs. Interim net income decreased by ¥0.2bn (6.1%) to ¥3.1bn over the same period of the previous year.

<Net business profits>



FY2017 Financials Prospects

Company Projections for Consolidated FY2017 Results

(JPY in billions)	FY16 (results) ①	FY17 H1 (results)	FY17 (projected) ②	Change ② - ①
Ordinary revenue	52.1	24.8	—	—
Gross profits	37.1	17.3	33.9	(3.2)
Core Gross profits	35.9	17.9	34.4	(1.5)
Net interest income	31.4	15.8	30.3	(1.1)
Net fees and commissions	5.1	2.4	4.8	(0.3)
Net gains (losses) on debt securities	1.2	(0.0)	(0.4)	(1.6)
G&A expenses (excl. extraordinary expenses)	29.4	15.0	29.6	0.2
Personnel costs	15.9	7.8	15.6	(0.3)
Non-personnel costs	11.6	5.9	11.6	0.0
Total credit costs	3.1	(0.8)	0.6	(2.5)
Net gains (losses) on equity securities	1.1	0.4	1.3	0.2
Ordinary profits	5.9	3.6	5.4	(0.5)
Net extraordinary gains (losses)	(0.1)	(0.0)	(0.1)	0.0
Total of income taxes-current and income taxes-deferred	1.2	0.5	1.3	0.1
Net income	4.6	3.1	3.9	(0.7)
Core OHR	82.02%	83.75%	above 86%	

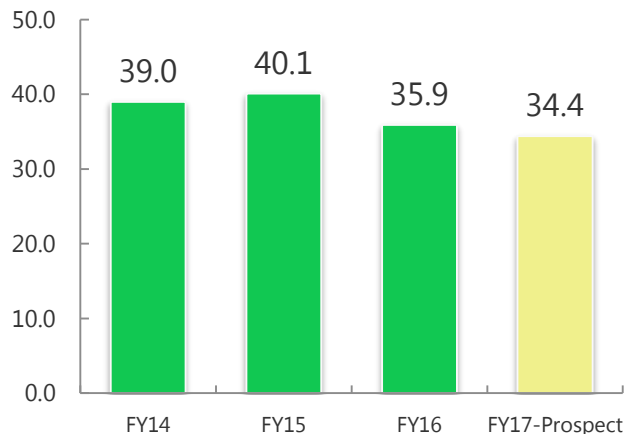
Projections Summary

- Based on financial results for H1 FY2017, we revised the consolidated financial results forecasts announced on May 15, 2017 for the fiscal year 2017. Ordinary profits ¥5.4bn from ¥3.6bn, and Net income ¥3.9bn from ¥2.7bn, respectively.

Key Financials

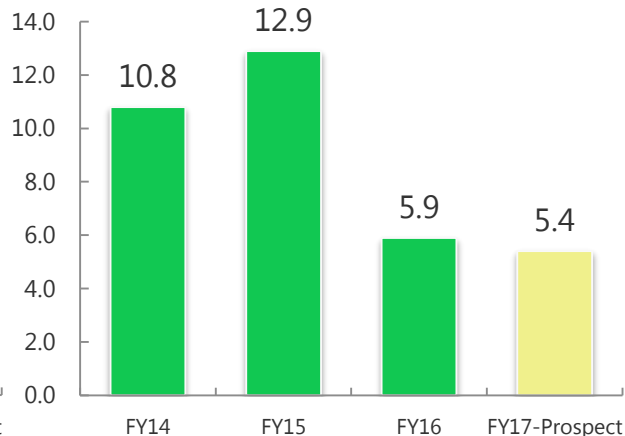
Core Gross Profits

(JPY in billions)



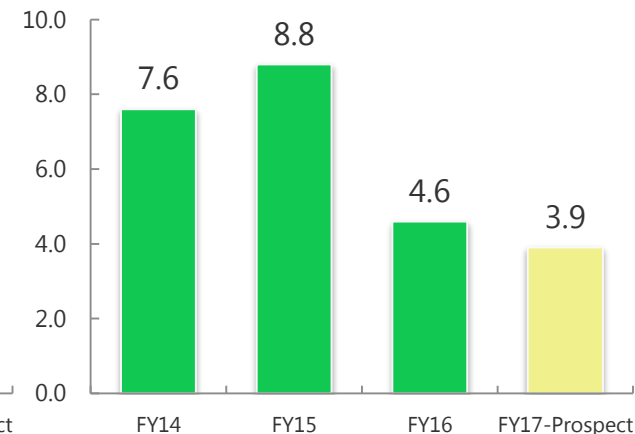
Ordinary Profits

(JPY in billions)



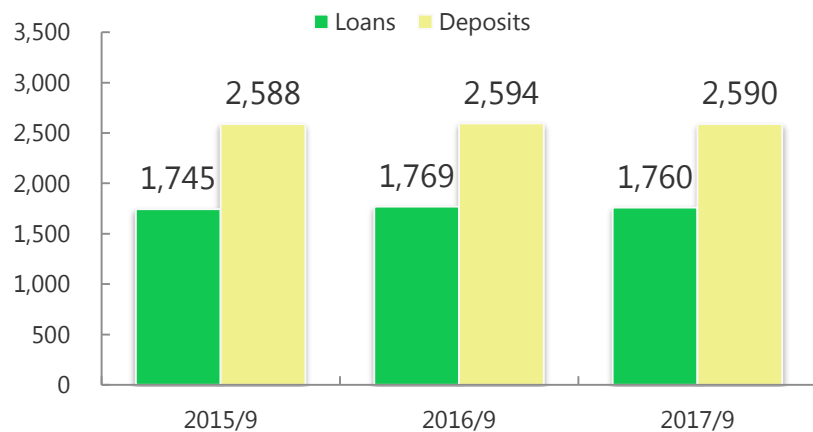
Net Income

(JPY in billions)



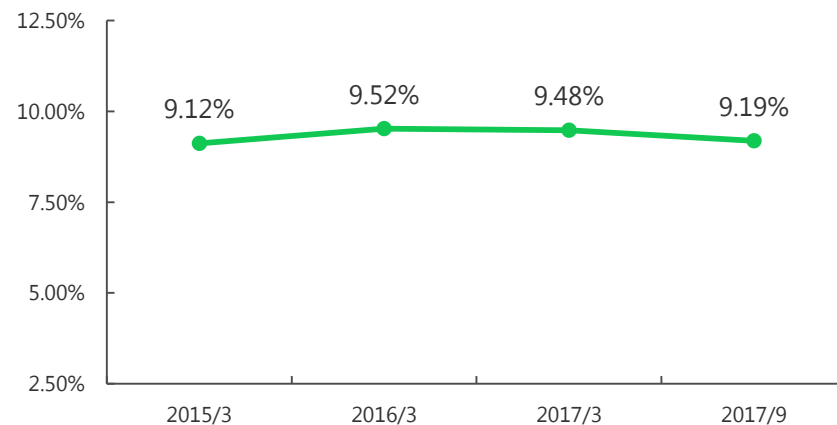
Loans and Deposits

(JPY in billions)



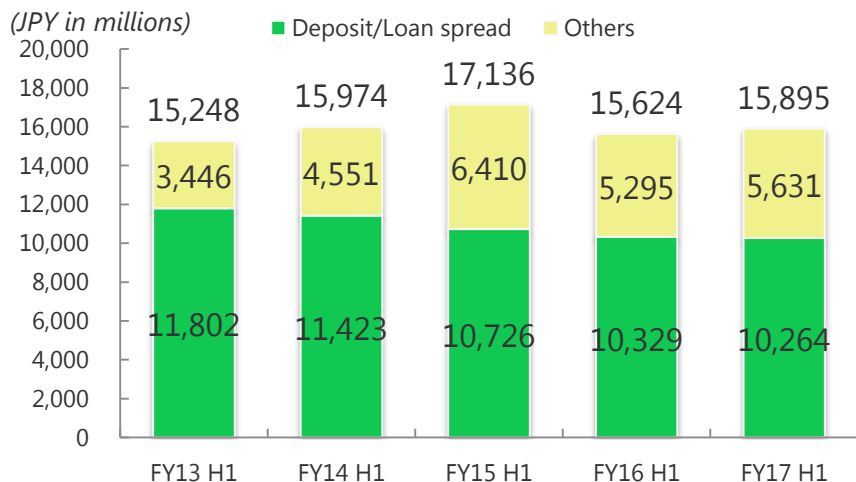
Capital Adequacy Ratio

(pertaining to the standard in Japan)

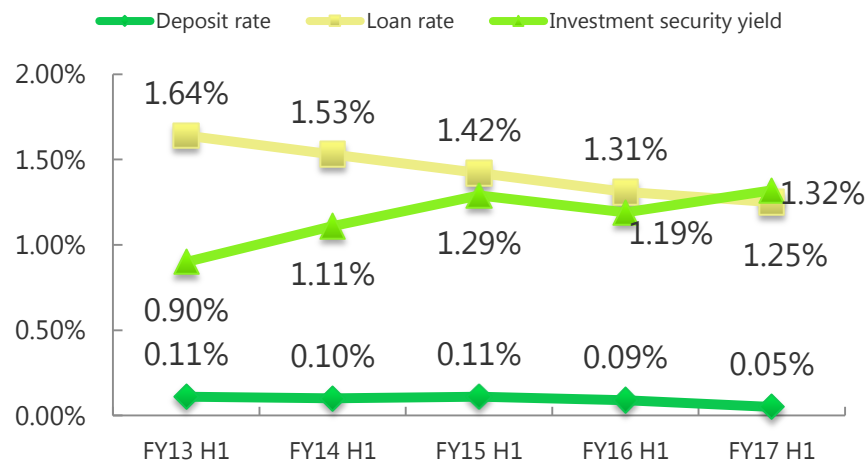


Net Interest Income

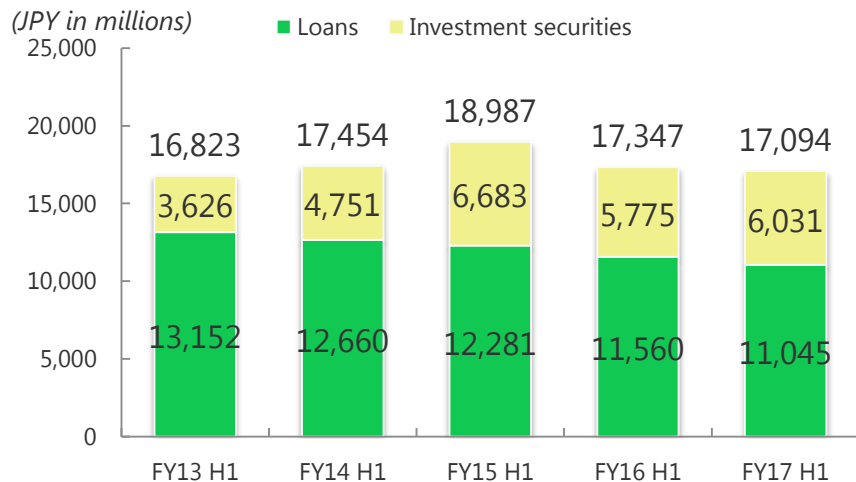
Net Interest Income



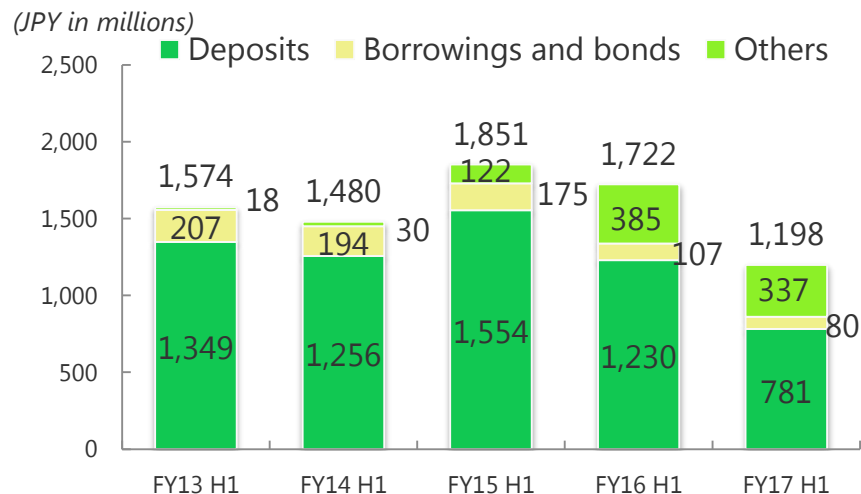
Deposit/Loan Rates and Investment Security Yield <2 Banks>



Interest Income

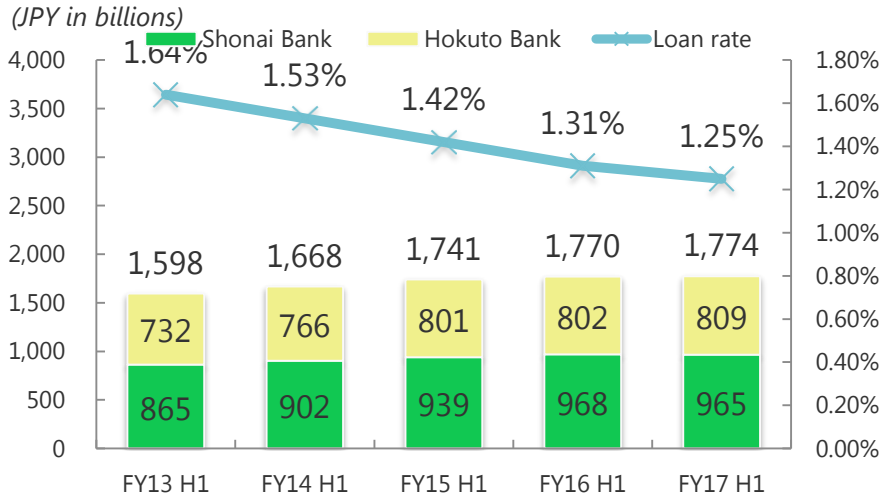


Interest Expenses

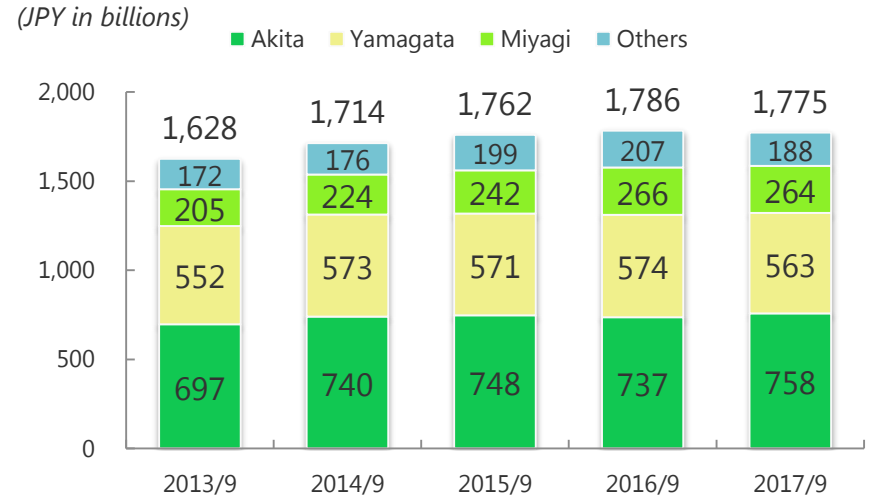


(Including Negotiable Deposits)

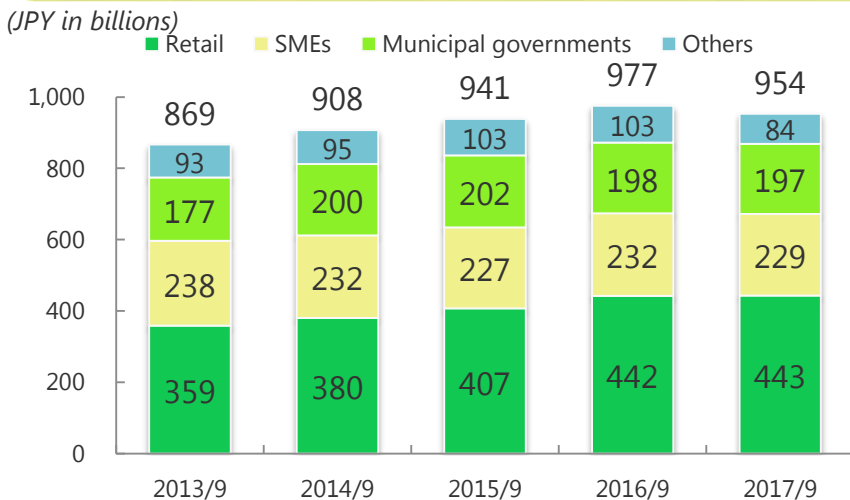
Average Balance and Loan Rate <2 Banks>



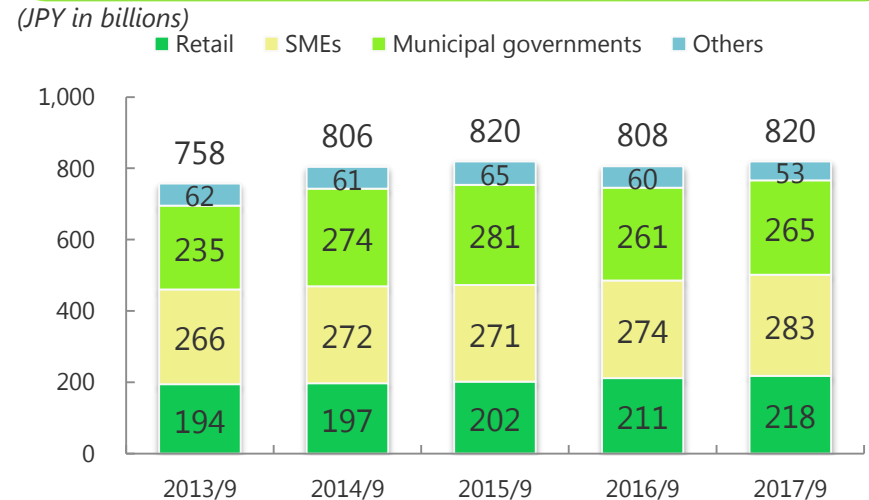
Balance by Prefecture <2 Banks>



Balance by Borrower <Shonai Bank>



Balance by Borrower <Hokuto Bank>



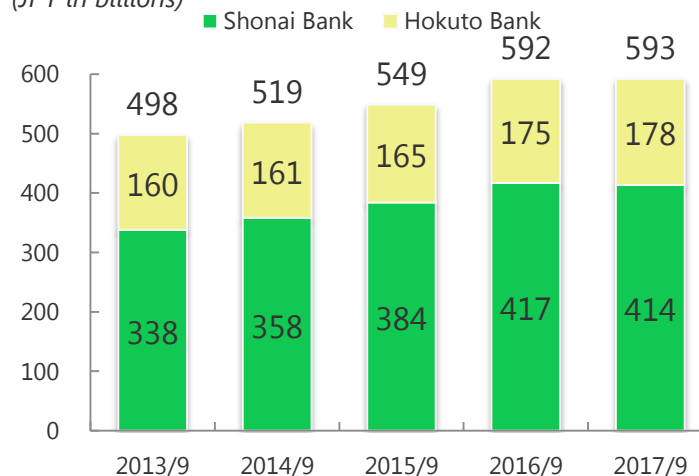
Breakdown of Loans

Loans Classified by Type of Industry <2Banks>

Type of industry (2banks)	2016/9		2017/9	
	JPY bn	%	JPY bn	%
Domestic offices (excluding loans booked at offshore markets)	1,786.2	100.0	1,775.1	100.0
Manufacturing	114.8	6.4	106.1	5.9
Agriculture and forestry	3.4	0.2	3.1	0.1
Fishery	0.6	0.0	0.2	0.0
Mining, quarrying of stone and gavel	2.8	0.2	2.3	0.1
Construction	61.1	3.4	59.6	3.3
Utilities	39.8	2.2	50.7	2.8
Communication and information services	7.8	0.4	7.1	0.3
Transport and postal activities	20.1	1.1	18.6	1.0
Wholesale and retail	98.2	5.5	91.0	5.1
Finance and insurance	83.1	4.7	76.9	4.3
Real estate and goods rental and leasing	107.6	6.0	112.9	6.3
Scientific research and professional and technical services	5.2	0.3	5.3	0.2
Accommodations, eating and drinking services	20.6	1.2	21.8	1.2
Living-related and amusement services	17.3	1.0	17.7	0.9
Education learning support	2.3	0.1	3.2	0.1
Medical, social welfare	52.5	2.9	51.0	2.8
Services	42.5	2.4	38.2	2.1
Municipal government	460.6	25.8	456.6	25.7
Others (Including Mortgage Loans)	645.1	36.1	651.7	36.7
Overseas offices and loans booked at offshore markets	-	-	-	-
Total	1,786.2	100.0	1,775.1	100.0

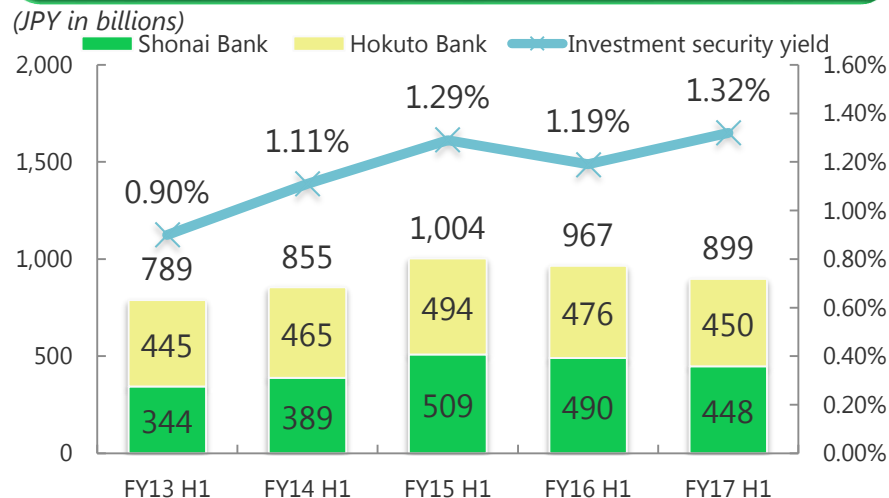
Mortgage Loans

(JPY in billions)

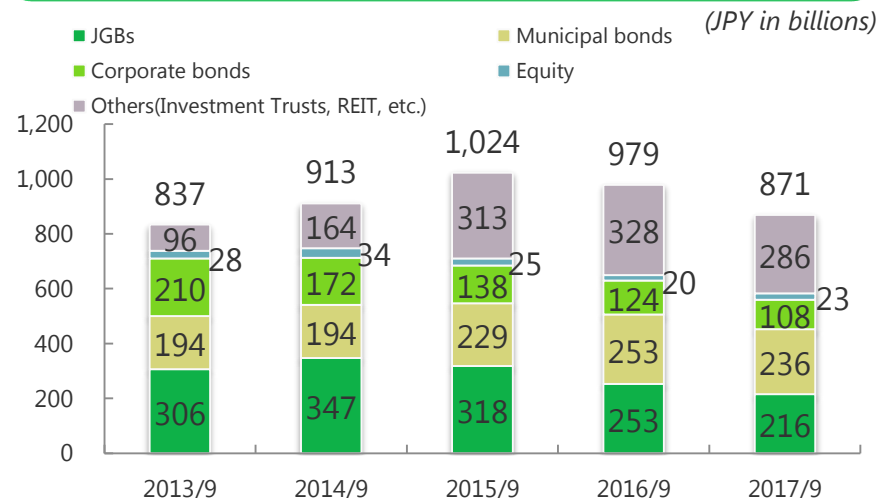


Investment Securities

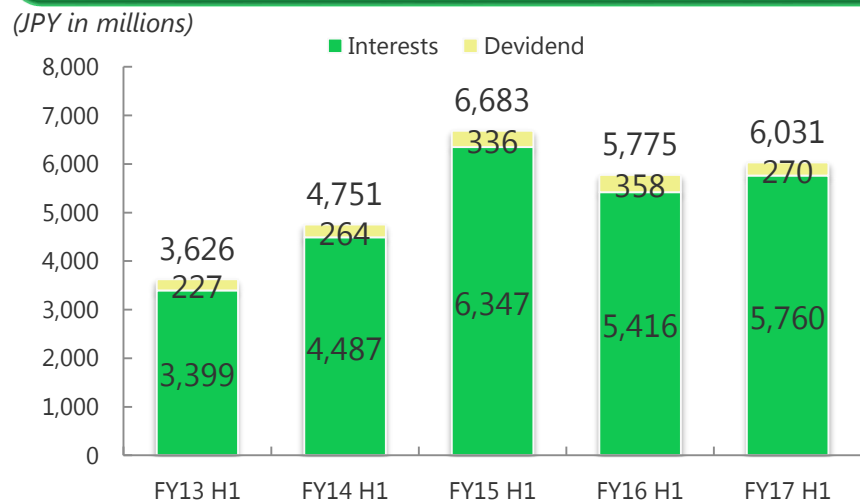
Average Balance and Investment Security Yield <2 Banks>



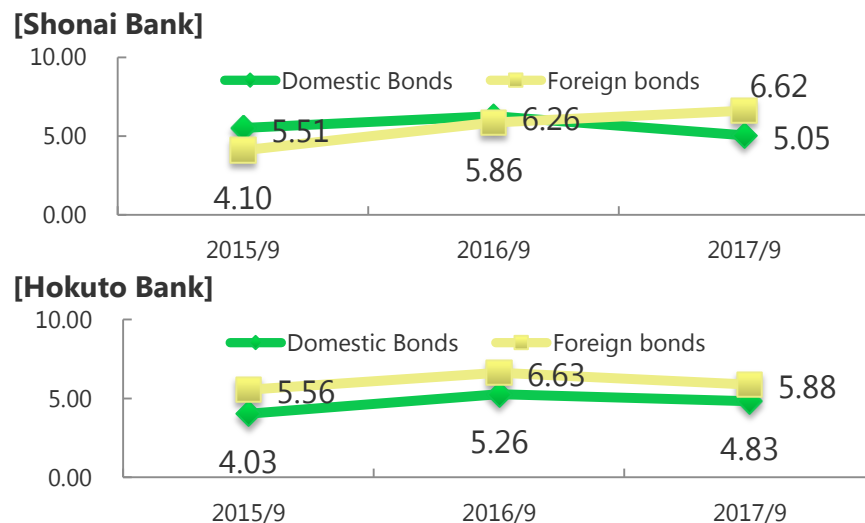
Balance by Product Type <2 Banks>



Interests and Dividend of Investment Securities



Duration of Bonds <non-consolidated>



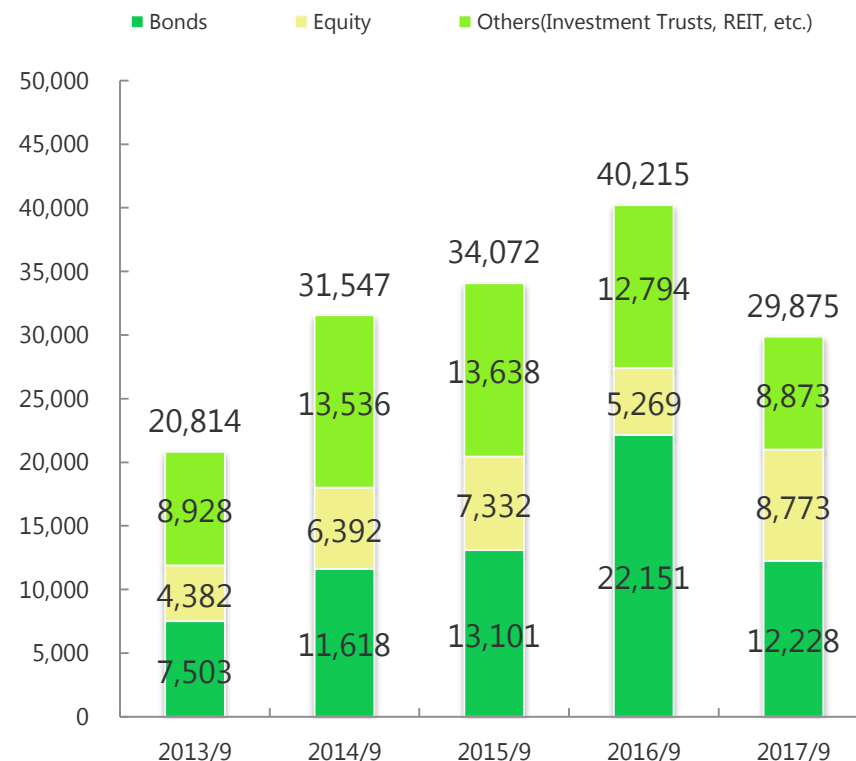
Gains/Losses on Debt Securities

(JPY in millions)	FY13H1	FY14H1	FY15H1	FY16H1	FY17H1
Selling gains	1,067	904	447	1,841	789
Redemption gains	-	-	-	-	-
Selling losses	893	64	231	700	1,417
Redemption losses	-	-	-	-	-
Impairment	0	-	-	-	-
Gains/Losses on Debt Securities	173	839	215	1,141	(627)

Gains/Losses on Equity

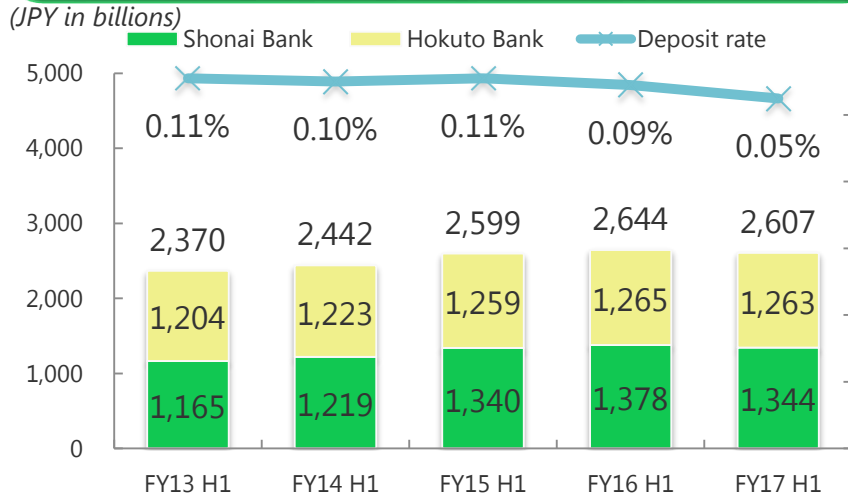
(JPY in millions)	FY13H1	FY14H1	FY15H1	FY16H1	FY17H1
Selling gains	1,429	430	1,990	340	605
Selling losses	55	45	217	419	116
Impairment	32	17	23	4	0
Gains/Losses on Equity	1,341	367	1,749	(83)	488

Unrealized Gains/Losses on Securities Portfolio

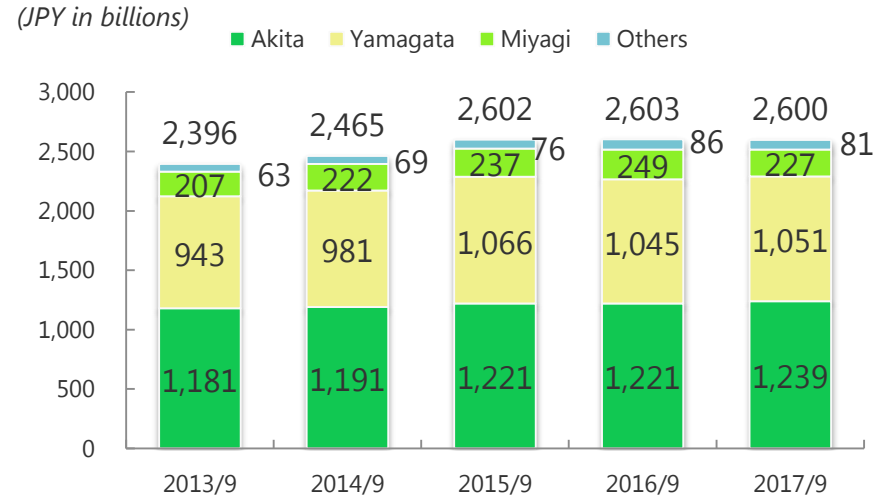


* Monthly average in September of each fiscal year

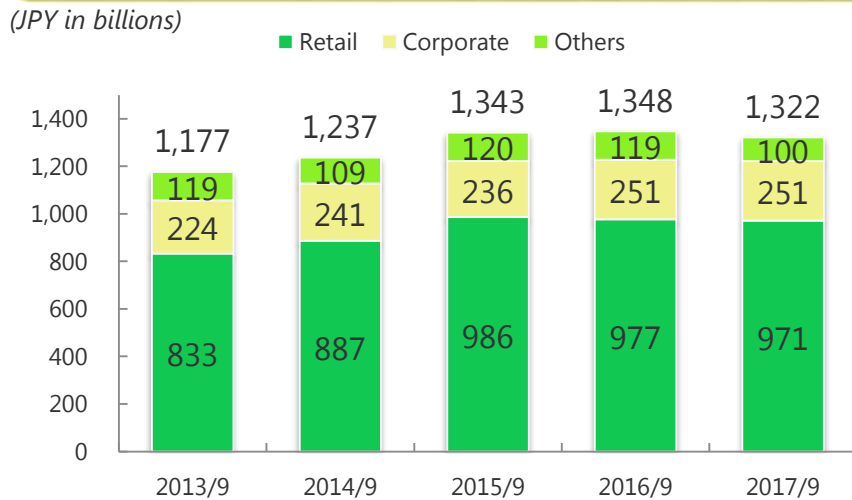
Average Balance and Deposit Rate (Including Negotiable Deposits) <2 Banks>



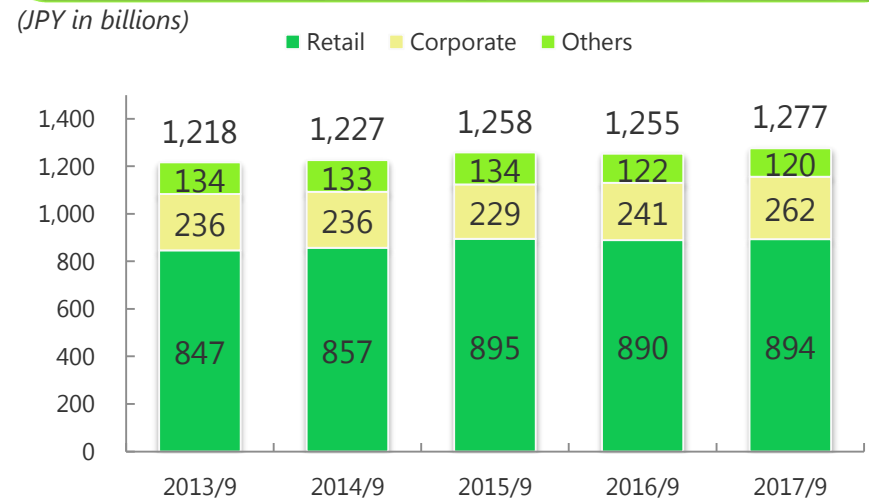
Balance by Prefecture <2 Banks>



Balance by Depositor <Shonai Bank>



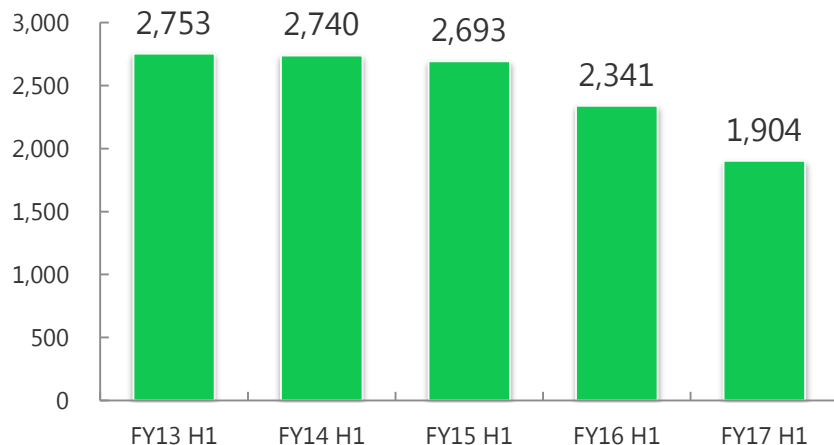
Balance by Depositor <Hokuto Bank>



Net Fees and Commissions

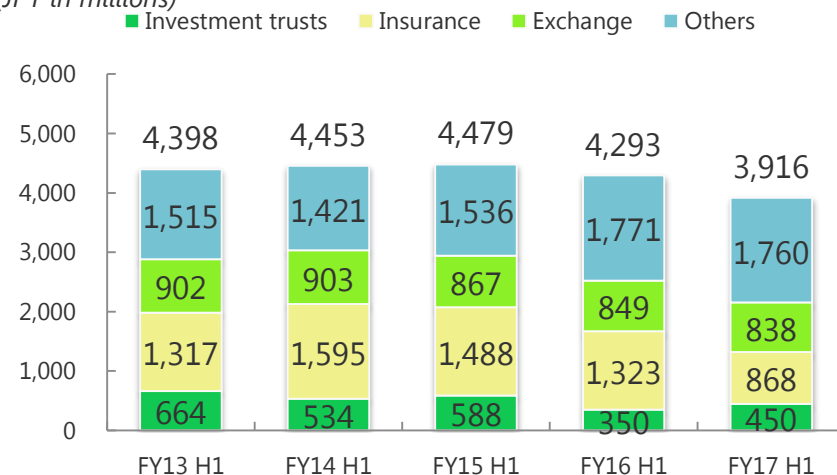
Net Fees and Commissions Income <2 Banks>

(JPY in millions)



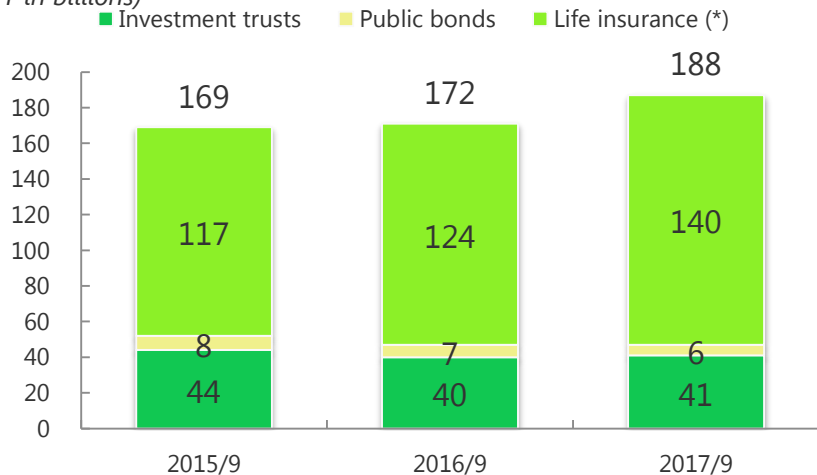
Net Fees and Commissions Revenue <2 Banks>

(JPY in millions)



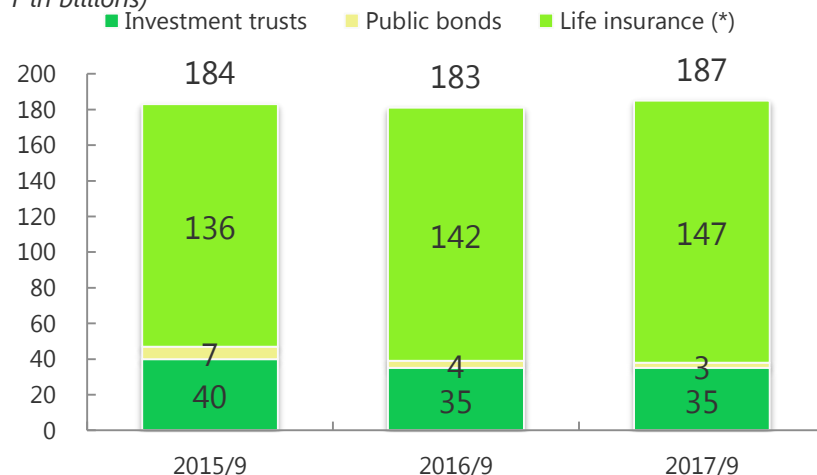
Investment Product Sales <Shonai Bank>

(JPY in billions)



Investment Product Sales <Hokuto Bank>

(JPY in billions)

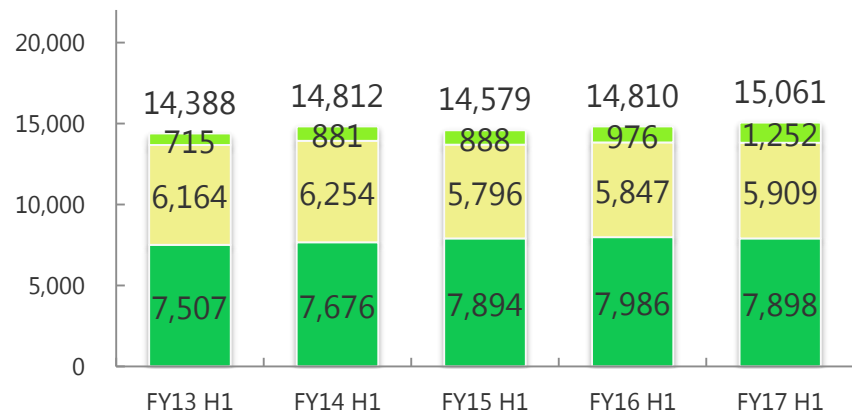


* remaining balance of contracts as of term end

General and Administration Expenses

(JPY in millions)

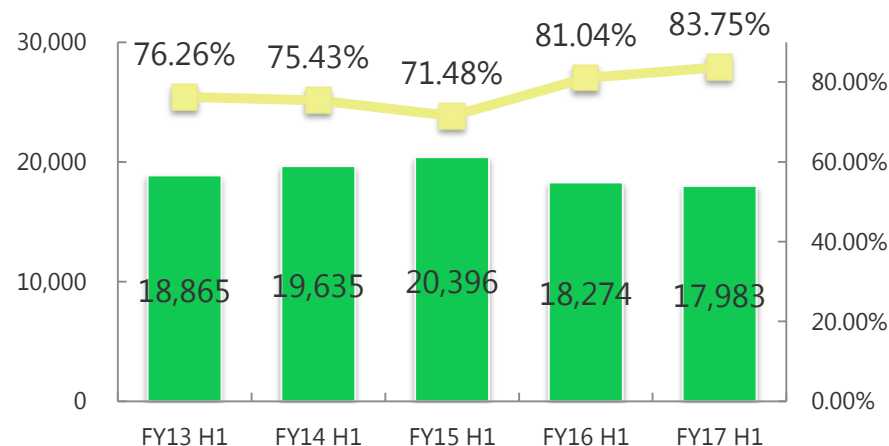
■ Personnel costs ■ Non-personnel costs ■ Tax



Core Gross Profits and Core OHR

(JPY in millions)

■ Core Gross Profits ■ Core OHR



Credit Costs

(JPY in millions)	FY13H1	FY14H1	FY15H1	FY16H1	FY17H1
General allowance for loan losses	(207)	(271)	(346)	331	(858)
Write-off loans	63	52	108	47	39
Recoveries of written-off claims	1,371	1,055	490	588	86
Credit Costs	1,101	731	34	872	(811)

Non-Performing Loans <2 Banks>

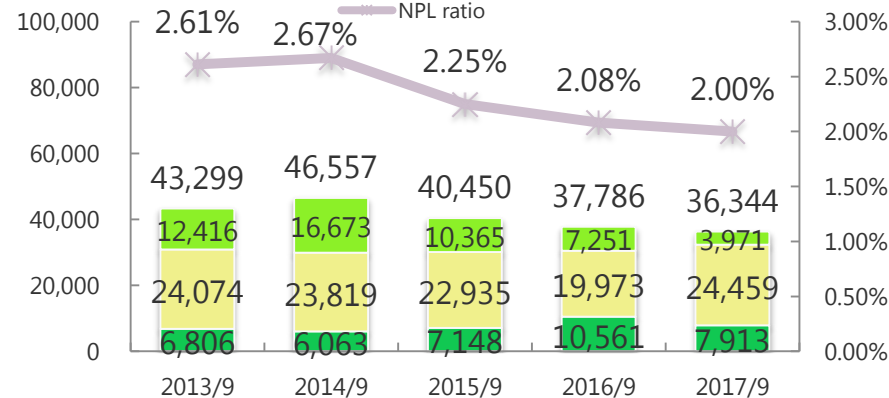
(JPY in millions)

■ Bankrupt or de-facto bankrupt

■ Doubtful

■ Special attention

◆ NPL ratio



Covered Ratio of Non-Performing Loans <2 Banks>

2017/9 balance

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio $b \div a$
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	7,913	7,913	4,836	3,076	100.00%
Doubtful	24,459	20,924	17,030	3,894	85.54%
Special attention	3,971	2,569	2,127	441	64.70%
Total	36,344	31,407	23,994	7,412	86.41%

[2016/9 balance]

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio $b \div a$
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	10,561	10,561	4,894	5,667	100.00%
Doubtful	19,973	18,115	15,072	3,042	90.69%
Special attention	7,251	4,142	3,287	855	57.12%
Total	37,786	32,819	23,254	9,564	86.85%



**Third Medium-Term Management Plan
~Consulting & Innovation~**



Third Medium-term Management Plan

(Period under the plan: from fiscal 2017 to 2019)

Aim

“Continue contributing to regional revitalization as a community-based, region-wide banking group”
“Establish a lean and flexible management base to support the sustainable growth of our customers as well as regional areas”

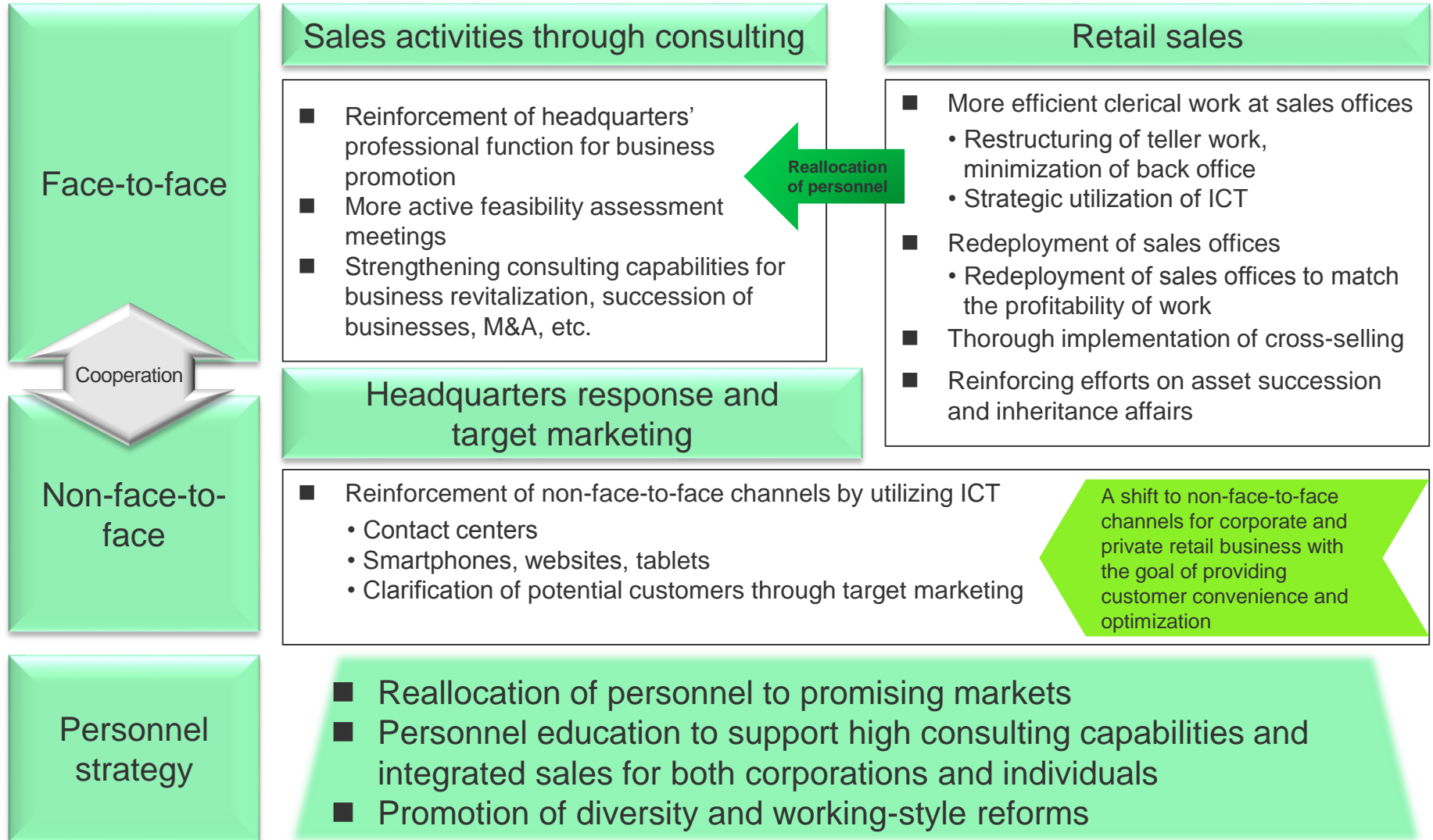
Slogan

Consulting & Innovation

Basic Policy

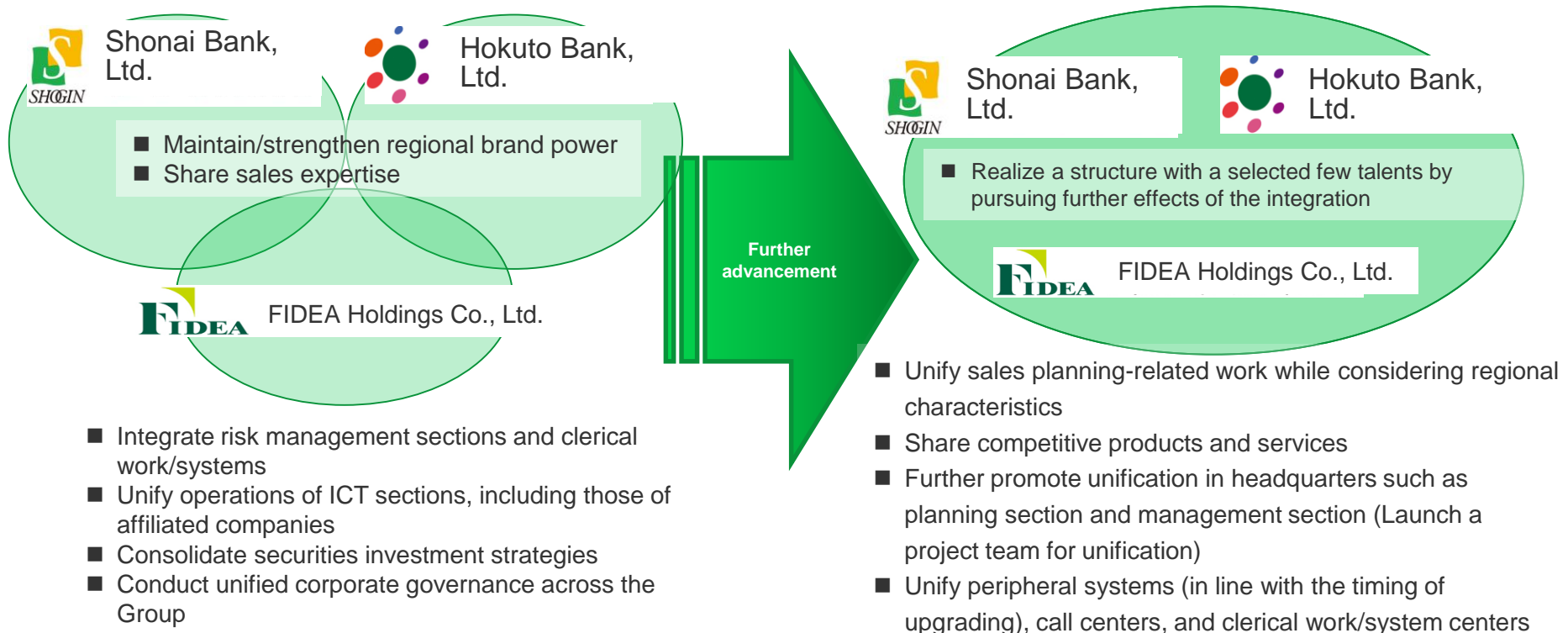
- (1) Exertion of consulting capabilities based on evaluation of customers' business potentials
- (2) Establishment of highly efficient retail sales structure
- (3) Reinforcement of personnel development to respond to the needs of customers
- (4) Pursuit of operational efficiency
- (5) Establishment of a securities-market-management structure capable of responding to changes in the securities market

- Create new value as a provider of information and expertise for identifying and solving customers' issues through exertion of consulting capabilities



Advancement of Open Platform Strategy

- (1) More active engagement of both banks in regional revitalization projects while focusing on maintaining/expanding businesses in their respective business areas
- (2) Promotion of further integration of headquarters functions, such as consolidating corporate functions into the holding company, to strengthen sales capabilities of both banks
- (3) Pursuit of early integration of products, clerical work, system centers, etc. with unification of sales planning-related sections in April 2017



Indicators (non consolidated basis)	Target for fiscal 2019
Net income (Profits attributable to owners of parent)	¥3 billion or more
Ratio of fees and commissions (Ratio against core gross profit)	19% or more
Capital adequacy ratio	In the 9% range



Snapshot of FIDEA Holdings

Overview of FIDEA Holdings



FIDEA Holdings Co. Ltd.

Founded	2009 through consolidation of Hokuto Bank and Shonai Bank
Headquarters	Sendai city, Miyagi prefecture
CEO	Yuichi Tao
Function	Management & administrative functions only
Market Capitalization & Listing	JPY 37.2 billion (as of December 1, 2017) Tokyo Stock Exchange 1st Section



Shonai Bank

Founded	1878
Headquarters	Tsuruoka city, Yamagata prefecture
CEO	Masashi Ueno
# of employees	860 (as of September 30, 2017)
Branches	87 (as of September 2017) • Yamagata:64, Miyagi:15, Akita:1, Fukushima:2 ,Tokyo: 4 and Other: 1



Hokuto Bank

Founded	1895
Headquarters	Akita city, Akita prefecture
CEO	Eikichi Saito
# of employees	851 (as of September 30, 2017)
Branches	83 (as of September 2017) • Akita:79, Miyagi:1, Yamagata:1 , Tokyo:1 and Other: 1

- Fidea Holdings Co. Ltd. is a holding company for the Fidea Group, a regional financial group that serves a wide geographical area. The group was established through the management integration of The Shonai Bank, Ltd. and The Hokuto Bank, Ltd. The holding company is responsible for formulating group strategies, bolstering the group's franchise value through regional revitalization and handling group-wide asset liability management and risk control.
- Shonai Bank and Hokuto Bank are regional banks based in Yamagata Prefecture and Akita Prefecture, respectively, with the former maintaining a large market share in the northern part of Yamagata and the latter in the southern part of Akita. By expanding into Miyagi Prefecture, Shonai Bank has been increasing transactions with individual customers.

[Open Platform Strategy]

- (1) FIDEA HOLDINGS and affiliated Banks are sharing clearly own missions , responsibilities and roles of FIDEA group management.
- (2) While globalization of regional economies is progressing, FIDEA is enhancing its "Competitive Edge" through pursuing specialties at the Holding Company.



SHONAIBANK

[Creating the Platform for the Regions] as a management strategy



HOKUTOBANK



[Providing the Innovative Foundation] as a management strategy

- Fortifying corporate governance over the group
- Expanding own market by pursuing wider range of business area
- Securing personnel who have expertise in various fields related to financial services and management
- Enhancing risk management and internal audit system over the whole Group
- Establishing and executing ICT Strategy covering the whole Group comprehensively
- Planning and implementing the optimum capitalization strategy focusing on soundness, efficiency and business expansion

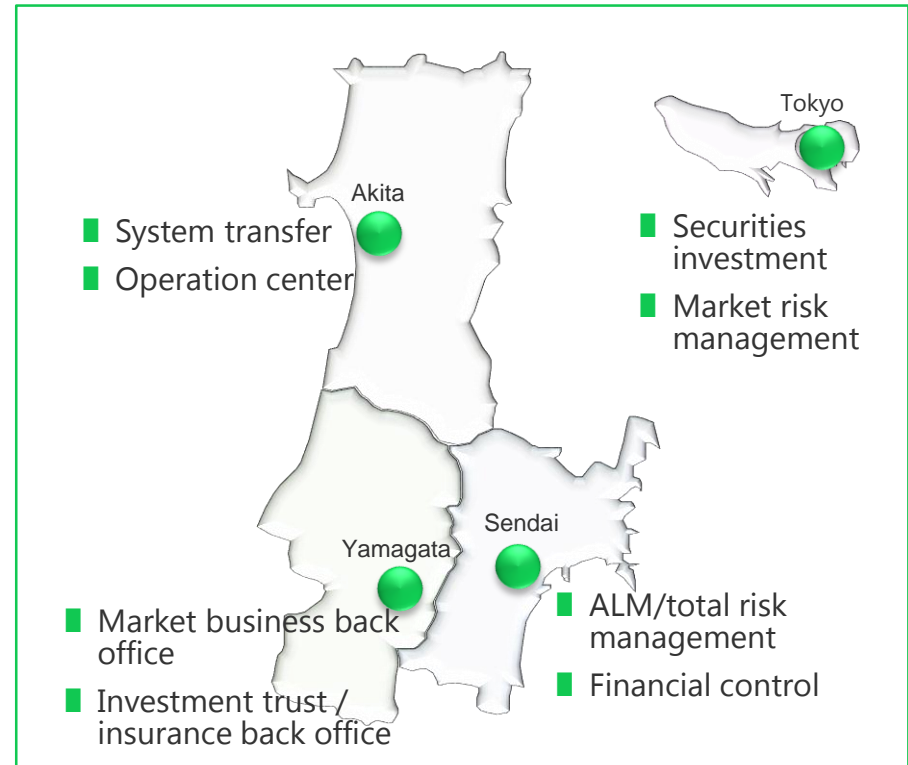
- " OPEN " means , " Open to any interested parties for encouraging them to join FIDEA"
- " PLATFORM " means, " FIDEA HOLDINGS is the platform integrating various expertise to carry on financial group strategy "

Revenue Accretion Initiatives under Single Strategy

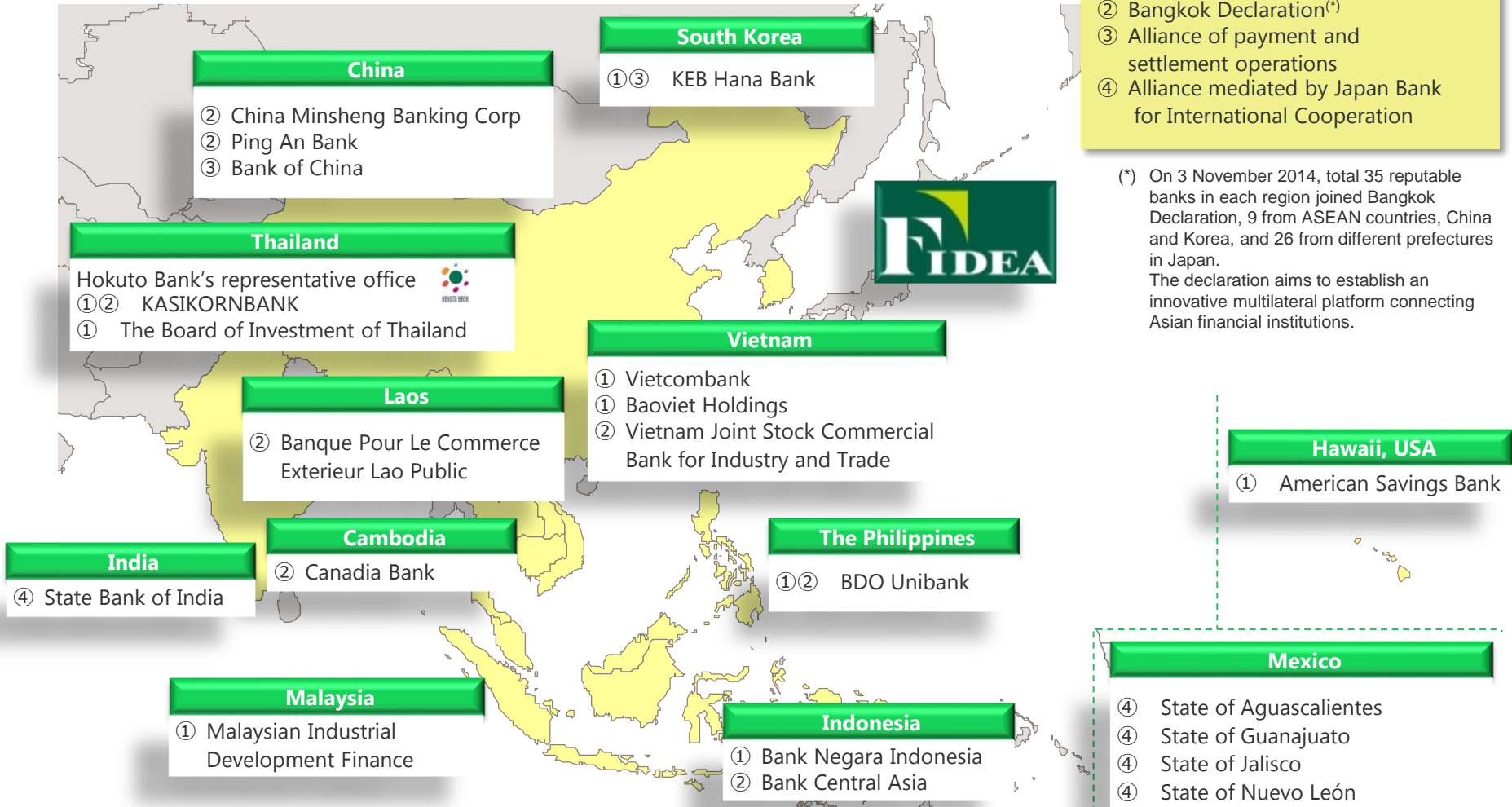


Integration of Middle and Back Office Functions and IT

- Completed integration of backbone IT system in May 2014
- Completion of integration of middle and back office functions



- Implementation of group-wide initiatives for revenue accretion
- Completed integration of middle and back office functions and IT system



- ① Direct alliance
- ② Bangkok Declaration^(*)
- ③ Alliance of payment and settlement operations
- ④ Alliance mediated by Japan Bank for International Cooperation

(*) On 3 November 2014, total 35 reputable banks in each region joined Bangkok Declaration, 9 from ASEAN countries, China and Korea, and 26 from different prefectures in Japan. The declaration aims to establish an innovative multilateral platform connecting Asian financial institutions.

■ FIDEA has been continuously expanding its business alliance with key local partners especially in Asia, to fully support the overseas expansions of its corporate clients

Akita Prefecture

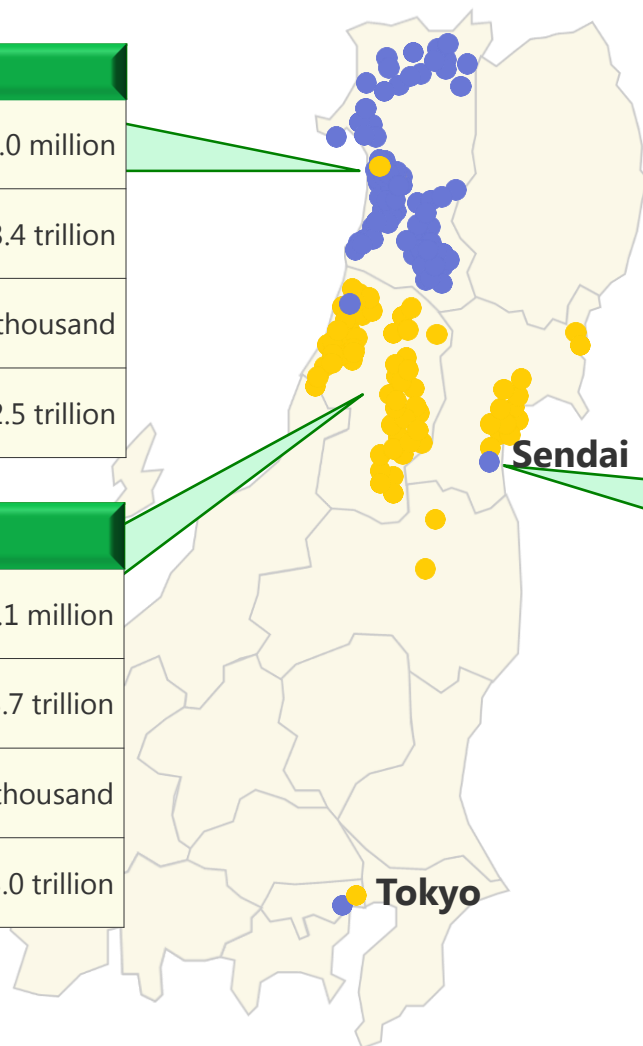
Population (2017)	1.0 million
Gross prefectural product (nominal 2014)	JPY 3.4 trillion
# of companies (2016)	16 thousand
Deposits for individual customers of banks (2017)	JPY 2.5 trillion

Yamagata Prefecture

Population (2017)	1.1 million
Gross prefectural product (nominal 2014)	JPY 3.7 trillion
# of companies (2016)	19 thousand
Deposits for individual customers of banks (2017)	JPY 3.0 trillion

Miyagi Prefecture

Population (2017)	2.3 million
Gross prefectural product (nominal 2014)	JPY 8.8 trillion
# of companies (2016)	42 thousand
Deposits for individual customers of banks (2017)	JPY 6.8 trillion



- Shonai Bank's branches
- Hokuto Bank's branches

Extracted from the 'kinyu map' of The Financial Journal Co., Ltd.



**Reaching out to the community and stepping
into the next generation. Trust FIDEA.**

FIDEA Holdings Co. Ltd.