



FY2017 Financial Highlights & FY2018 Prospects

FIDEA HOLDINGS CO. LTD.

June 2018

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 Financials Summary

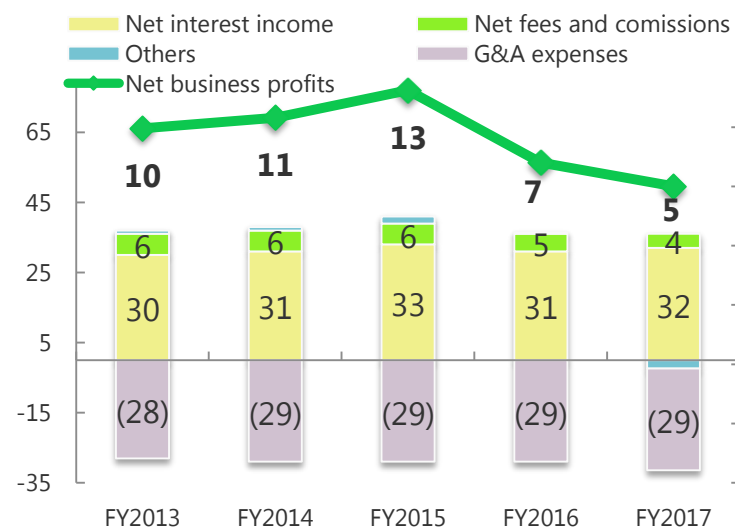
Income Statement

(JPY in billions)	FY16	FY17		y-o-y ③-①	Results vs. projected ③-②
	(results) ①	(projected) ②	(results) ③		
Ordinary revenue	52.1	–	51.0	(1.1)	–
Gross profits	37.1	33.9	35.0	(2.1)	1.1
Core Gross profits	35.9	34.4	36.8	0.9	2.4
Net interest income	31.4	30.3	32.5	1.1	2.2
Net fees and commissions	5.1	4.8	4.9	(0.2)	0.1
Net gains(losses) on debt securities	1.2	(0.4)	(1.8)	(3.0)	(1.4)
G&A expenses (excl. extraordinary expenses)	29.4	29.6	29.6	0.2	0.0
Personnel costs	15.9	15.6	15.6	(0.3)	0.0
Non-personnel costs	11.6	11.6	11.7	0.1	0.1
Net business profits	7.7	–	5.4	(2.3)	–
Total credit costs	3.1	0.6	1.1	(2.0)	0.5
Net gains (losses) on equity securities	1.1	1.3	1.7	0.6	0.4
Ordinary profits	5.9	5.4	6.5	0.6	1.1
Net extraordinary gains (losses)	(0.1)	(0.1)	(0.3)	(0.2)	(0.2)
Total of income taxes-current and income taxes-deferred	1.2	1.3	1.9	0.7	0.6
Net income	4.6	3.9	4.2	(0.4)	0.3
Core OHR	82.02%	abobe86%	80.40%	(1.62p)	

Financial Results Review

- Due to the decrease in loan interest revenue and gains on bond transactions, ordinary revenue decreased by ¥1.1bn (2.2%) to ¥51.0bn year on year. On the other hand, ordinary profits increased by ¥0.6bn (10.0%) to ¥6.5bn year on year due to the increase in interest and dividends on securities and the decrease in total credit costs. Net income (profits attributable to owners of the parent) decreased by ¥0.3bn (7.4%) to ¥4.2bn year on year.

<Net business profits>



Company Projections for Consolidated FY2018 Results

(JPY in billions)	FY17 (results) ①	FY18 H1 (projected)	FY18 (projected) ②	Change ② - ①
Ordinary revenue	51.0	—	—	—
Gross profits	35.0	16.0	32.6	(2.4)
Core Gross profits	36.8	16.3	33.0	(3.8)
Net interest income	32.5	14.0	28.3	(4.2)
Net fees and commissions	4.9	2.6	5.3	0.4
Net gains (losses) on debt securities	(1.8)	(0.2)	(0.3)	1.5
G&A expenses (excl. extraordinary expenses)	29.6	14.6	28.8	(0.8)
Personnel costs	15.6	7.6	15.2	(0.4)
Non-personnel costs	11.7	5.9	11.7	0.0
Total credit costs	1.1	0.3	1.7	0.6
Net gains (losses) on equity securities	1.7	0.2	0.3	(1.4)
Ordinary profits	6.5	1.6	3.2	(3.3)
Net extraordinary gains (losses)	(0.3)	(0.0)	(0.0)	0.3
Total of income taxes-current and income taxes-deferred	1.9	0.4	0.3	(1.6)
Net income	4.2	1.2	2.8	(1.4)
Core OHR	80.40%	—	above 87%	

Projections Summary

- As for financial results of the fiscal year 2018 on a consolidated basis, we estimate ordinary profits ¥3.2 billion and net income ¥2.8 billion due to the decrease in net interest income, mainly in interest and dividends on securities which increased in the fiscal year 2017.

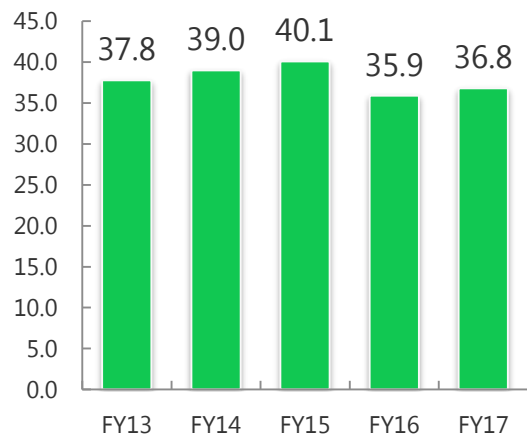
Dividend of common stock

- We have a basic policy to make stable dividend payments on ordinary share, making efforts to maintain the solid management foundation based on our long term perspective.
- We have decided to pay the term end dividend of ¥3 per ordinary share for the fiscal year 2017. Together with the already paid interim dividend, the annual dividend will be ¥6 per ordinary share. We are planning to pay ¥6 per ordinary share for the fiscal year 2018 (each of the interim and the term-end dividend will be ¥3).

Key Financials

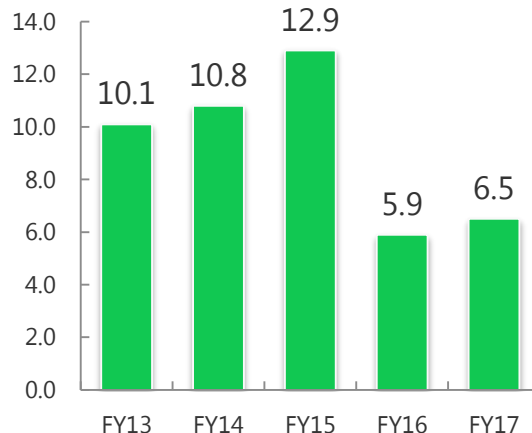
Core Gross Profits

(JPY in billions)



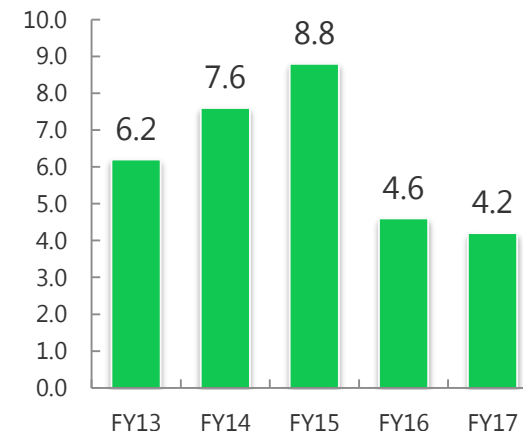
Ordinary Profits

(JPY in billions)



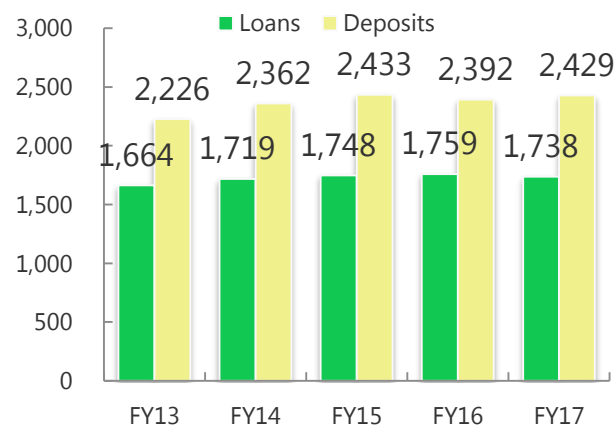
Net Income

(JPY in billions)



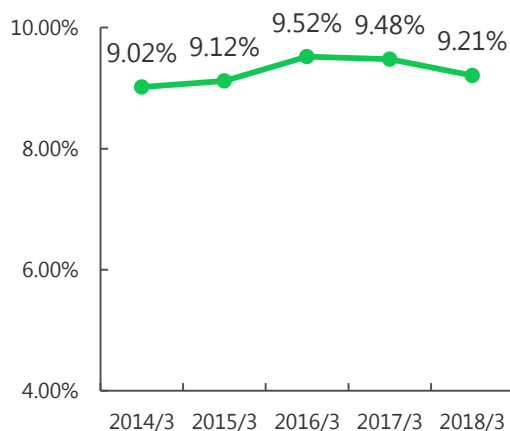
Loans and Deposits

(JPY in billions)

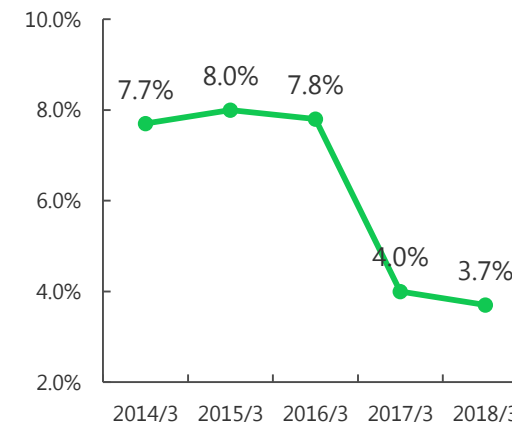


Capital Adequacy Ratio

(pertaining to the standard in Japan)

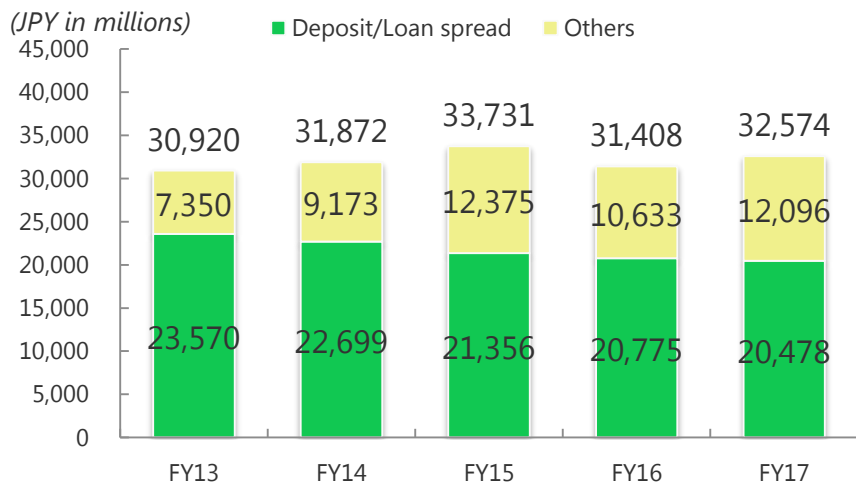


R O E (Return on Equity)

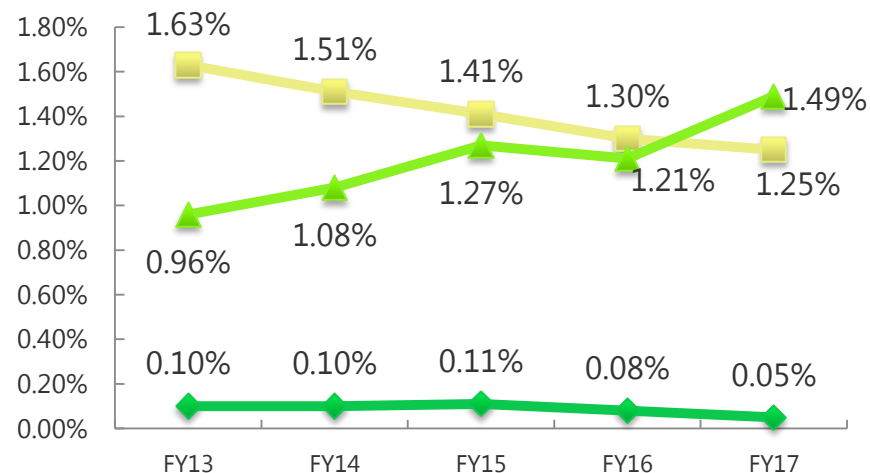


Net Interest Income

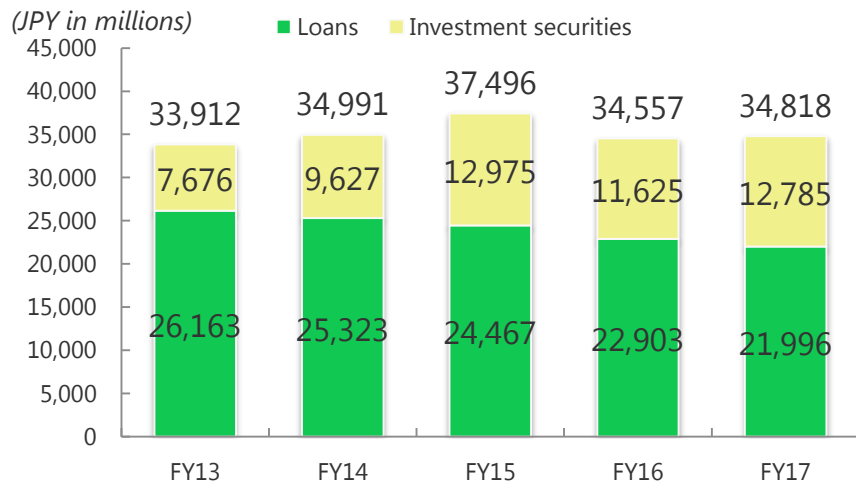
Net Interest Income



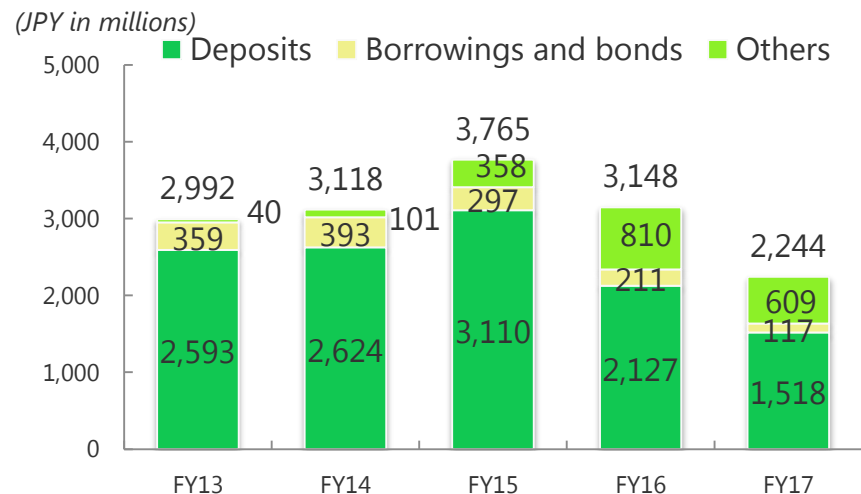
Deposit/Loan Rates and Investment Security Yield <2 Banks>



Interest Income

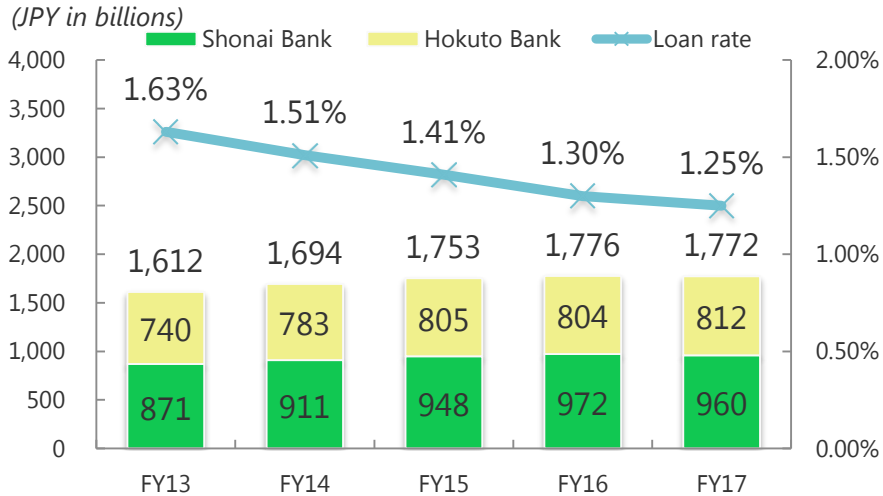


Interest Expenses

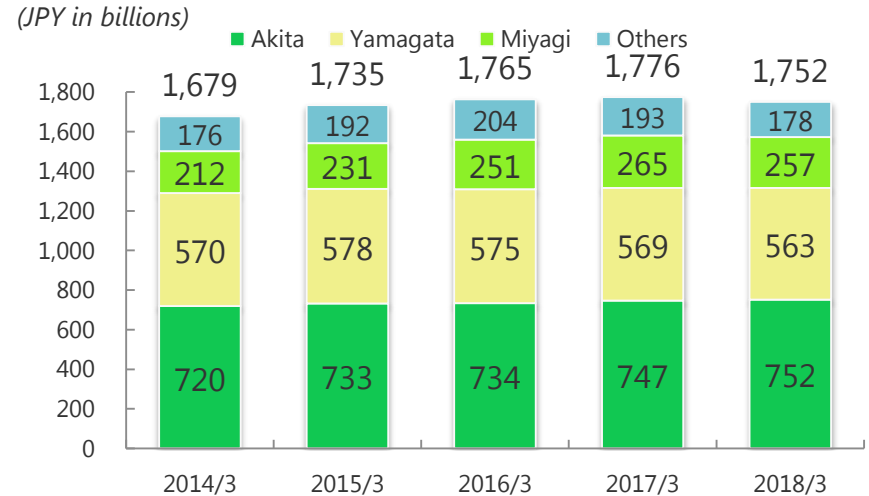


(Including Negotiable Deposits)

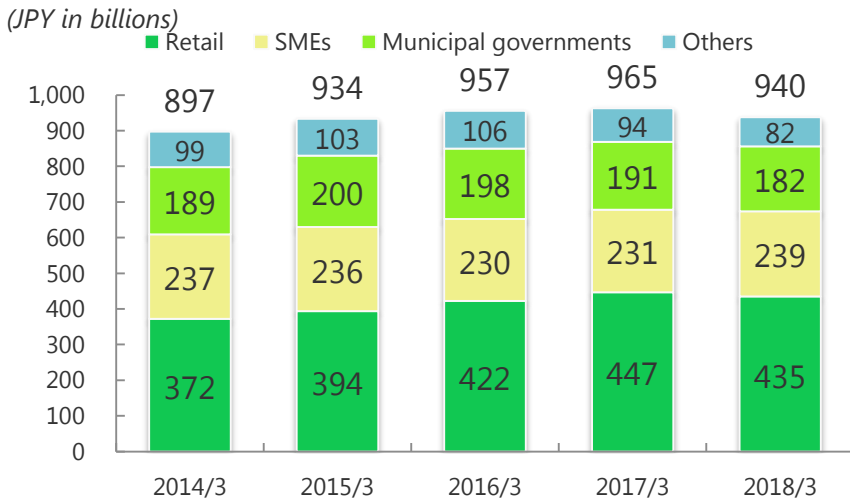
Average Balance and Loan Rate <2 Banks>



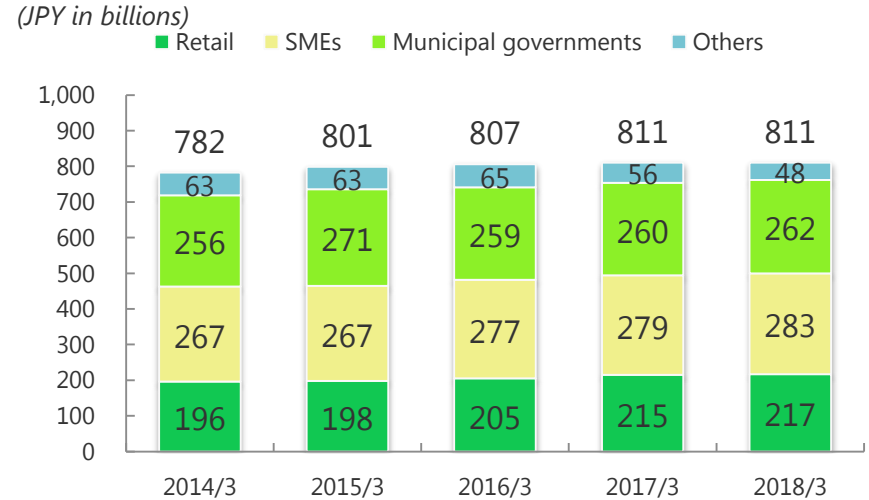
Balance by Prefecture <2 Banks>



Balance by Borrower <Shonai Bank>



Balance by Borrower <Hokuto Bank>



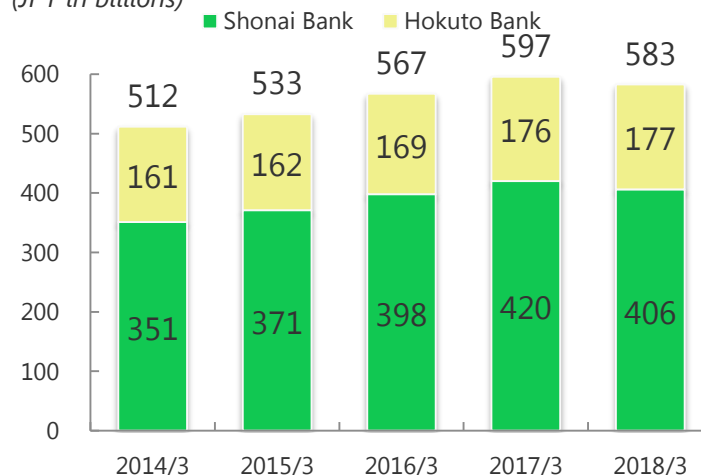
Breakdown of Loans

Loans Classified by Type of Industry <2Banks>

Type of industry (2banks)	2017/3		2018/3	
	JPY bn	%	JPY bn	%
Domestic offices (excluding loans booked at offshore markets)	1,776.3	100.0	1,752.7	100.0
Manufacturing	108.0	6.1	106.0	6.0
Agriculture and forestry	3.2	0.2	3.0	0.1
Fishery	0.2	0.0	0.1	0.0
Mining, quarrying of stone and gavel	2.7	0.2	2.3	0.1
Construction	59.5	3.3	57.9	3.3
Utilities	45.9	2.6	58.5	2.6
Communication and information services	6.9	0.4	6.9	0.3
Transport and postal activities	19.1	1.1	18.3	1.0
Wholesale and retail	93.1	5.2	87.1	4.9
Finance and insurance	80.0	4.5	77.9	4.4
Real estate and goods rental and leasing	119.7	6.2	107.9	6.1
Scientific research and professional and technical services	6.0	0.3	6.0	0.3
Accommodations, eating and drinking services	22.1	1.2	22.3	1.2
Living-related and amusement services	18.0	1.0	16.5	0.9
Education learning support	2.5	0.1	4.0	0.2
Medical, social welfare	52.9	3.0	50.4	2.8
Services	40.8	2.3	38.1	2.1
Municipal government	451.8	25.4	445.4	25.4
Others (Including Mortgage Loans)	653.0	36.8	643.3	36.7
Overseas offices and loans booked at offshore markets	-	-	-	-
Total	1,776.3	100.0	1,752.7	100.0

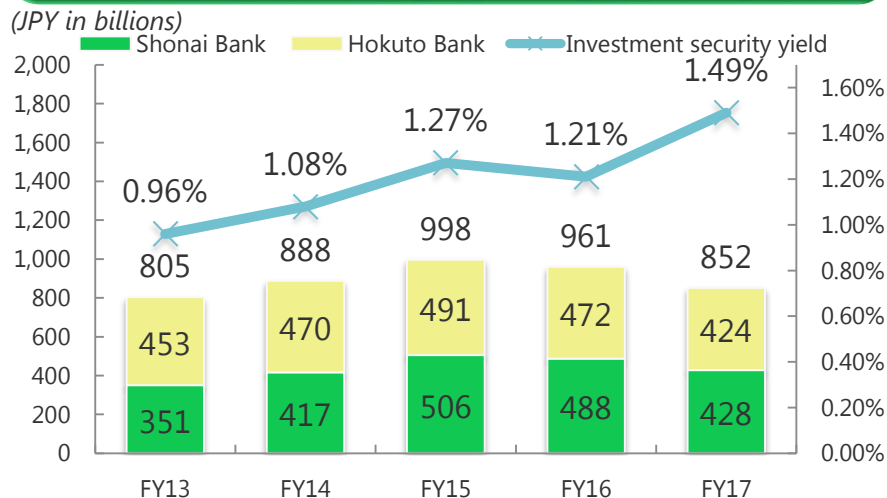
Mortgage Loans

(JPY in billions)

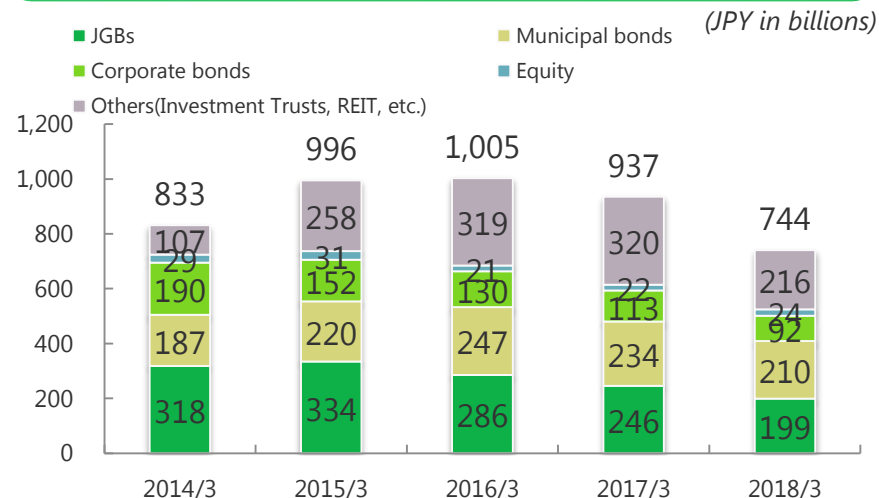


Investment Securities

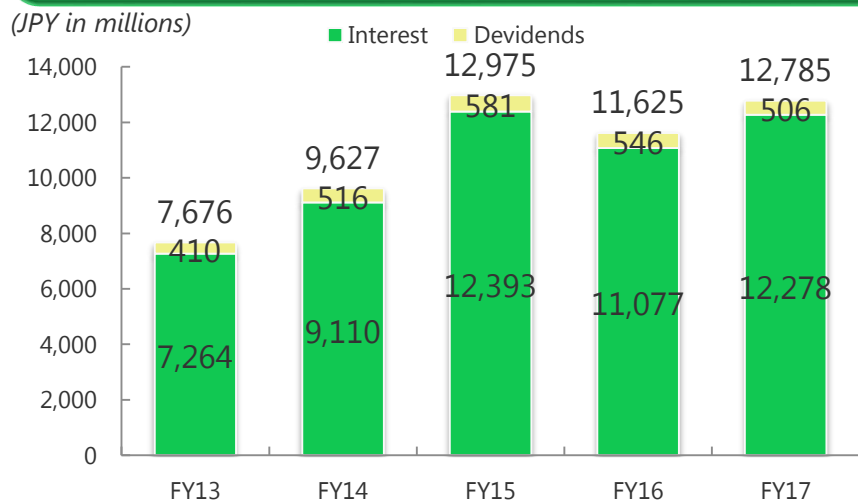
Average Balance and Investment Security Yield <2 Banks>



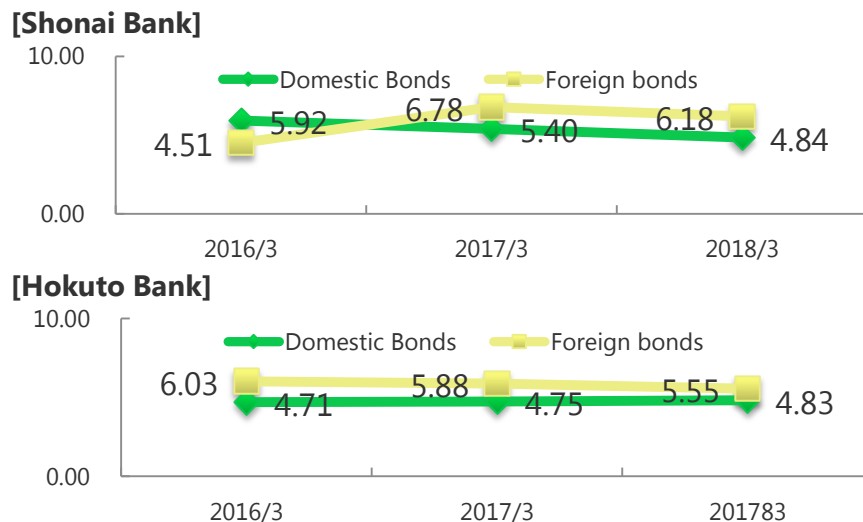
Balance by Product Type <2 Banks>



Interest and Dividends on Securities



Duration of Bonds <non-consolidated>



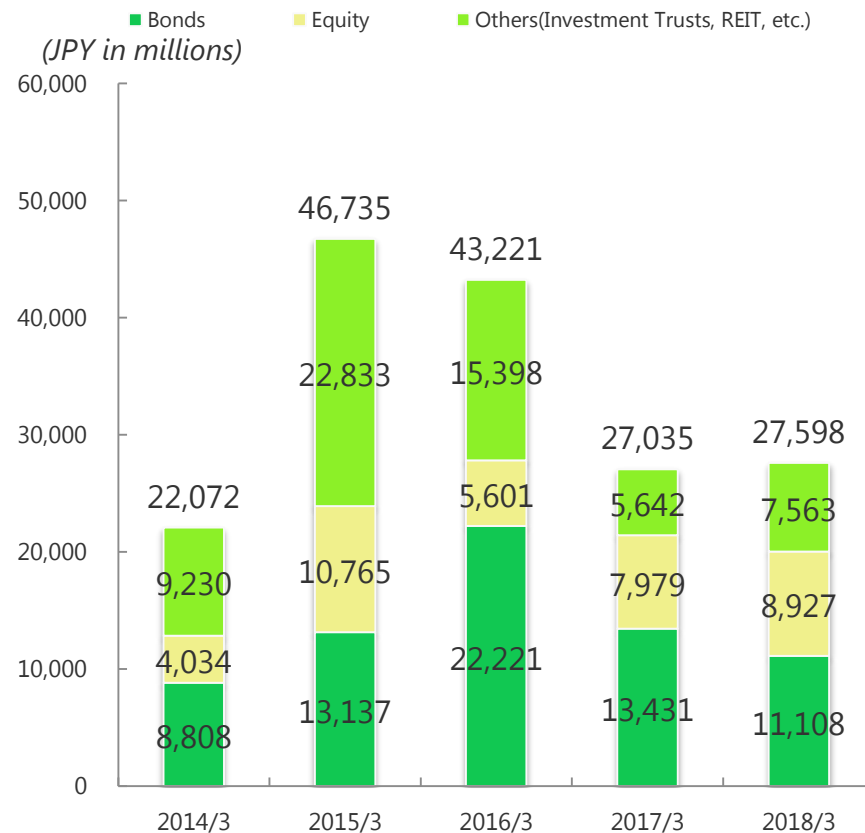
Gains/Losses on Debt Securities

(JPY in millions)	FY13	FY14	FY15	FY16	FY17
Selling gains	1,750	1,276	2,683	4,775	2,479
Redemption gains	-	41	-	-	-
Selling losses	947	264	536	3,499	4,300
Redemption losses	-	-	-	-	-
Impairment	-	-	-	28	-
Gains/Losses on Debt Securities	802	1,053	2,147	1,247	(1,820)

Gains/Losses on Equity

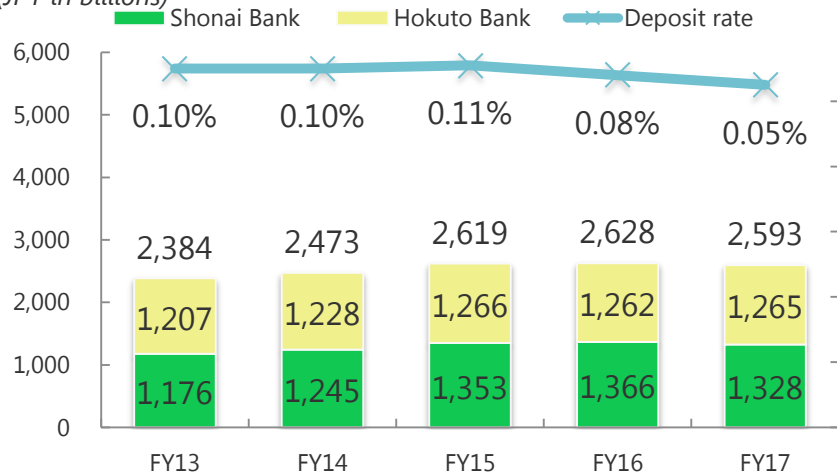
(JPY in millions)	FY13	FY14	FY15	FY16	FY17
Selling gains	2,232	1,834	3,281	1,624	2,018
Selling losses	147	78	918	476	272
Impairment	119	36	24	15	28
Gains/Losses on Equity	1,965	1,718	2,338	1,132	1,717

Unrealized Gains/Losses on Securities Portfolio



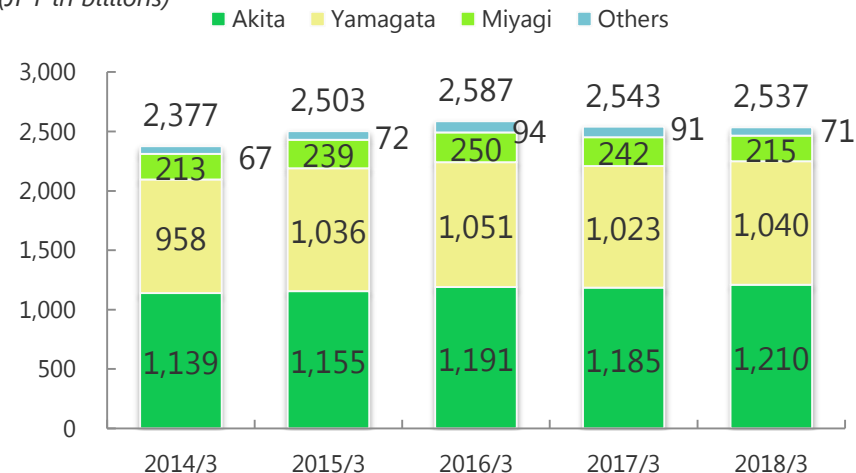
Average Balance and Deposit Rate (Including Negotiable Deposits) <2 Banks>

(JPY in billions)



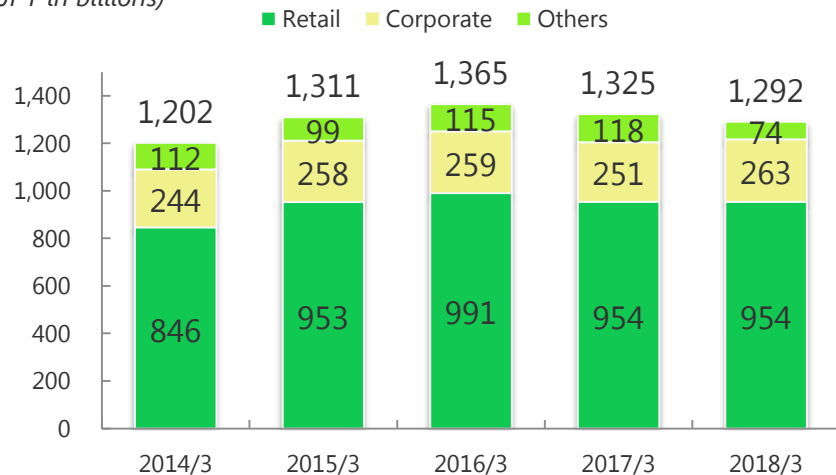
Balance by Prefecture <2 Banks>

(JPY in billions)



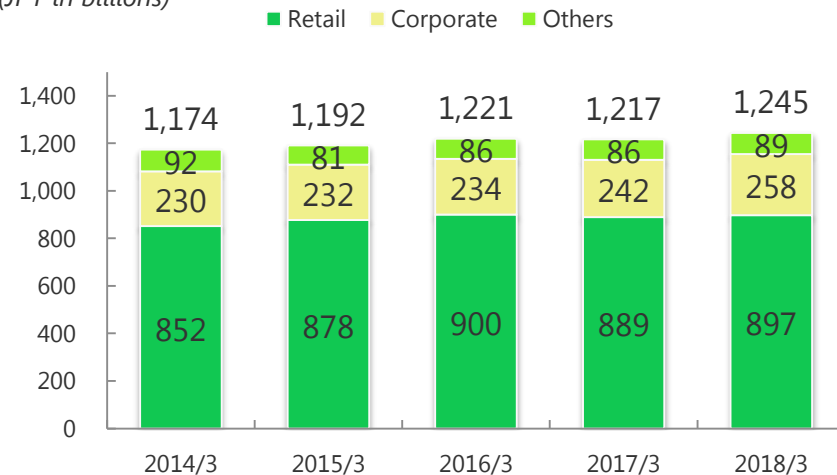
Balance by Depositor <Shonai Bank>

(JPY in billions)



Balance by Depositor <Hokuto Bank>

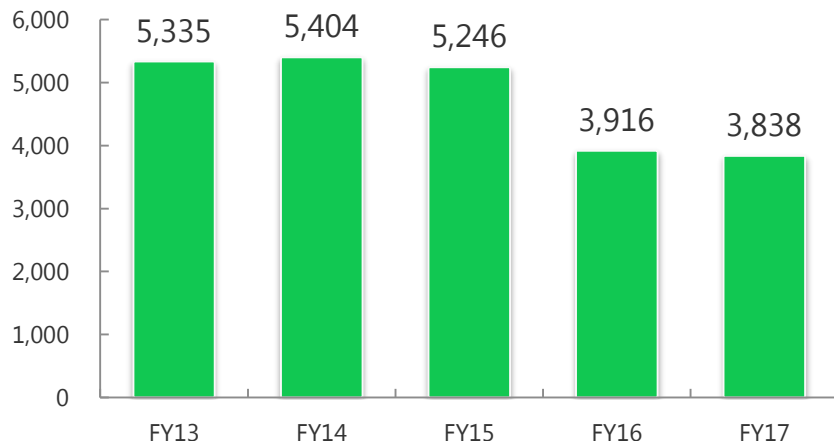
(JPY in billions)



Net Fees and Commissions

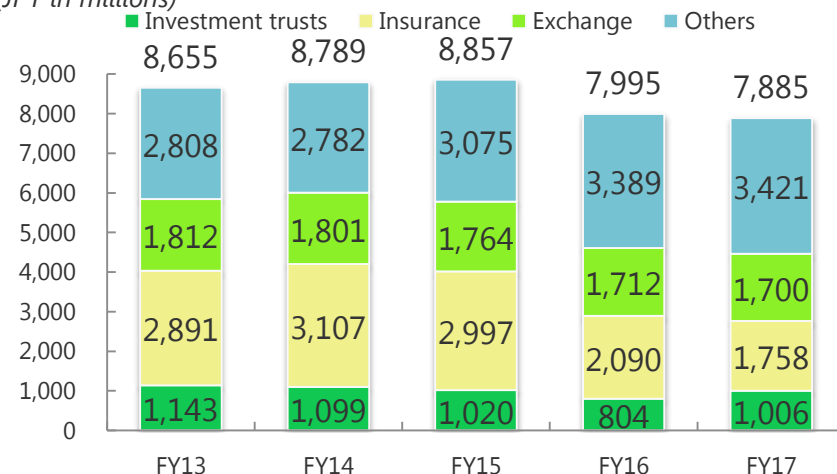
Net Fees and Commissions Income <2 Banks>

(JPY in millions)



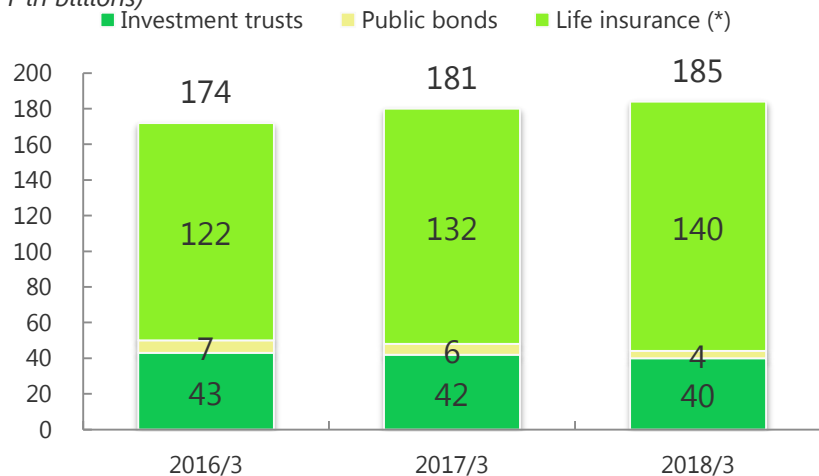
Net Fees and Commissions Revenue <2 Banks>

(JPY in millions)



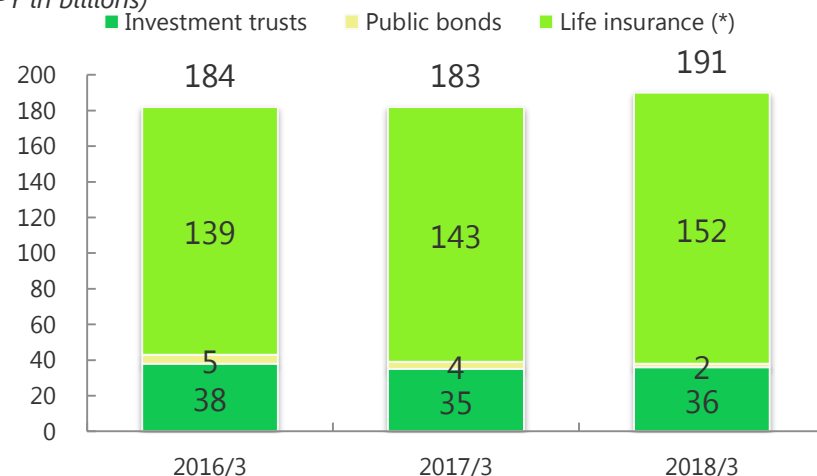
Investment Product Sales <Shonai Bank>

(JPY in billions)



Investment Product Sales <Hokuto Bank>

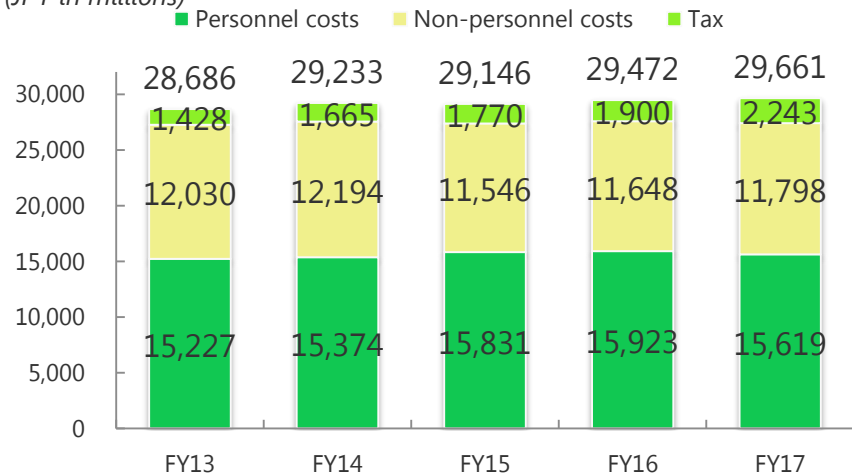
(JPY in billions)



* remaining balance of contracts as of term end

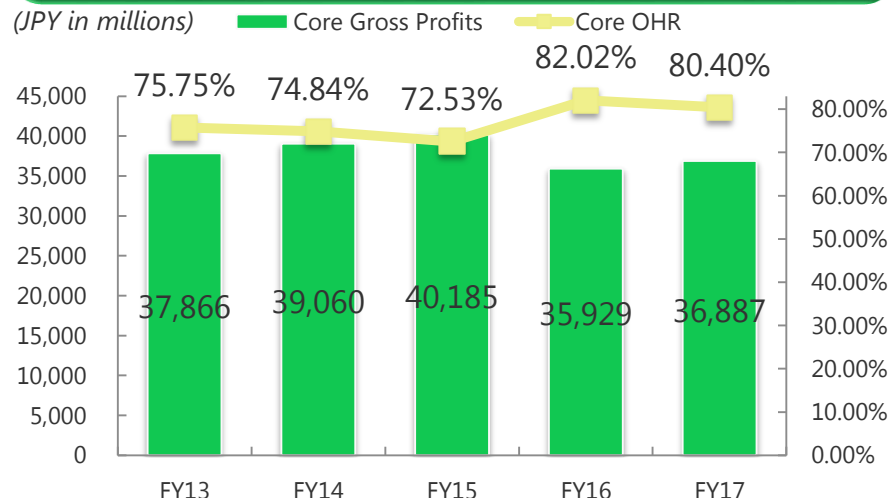
General and Administration Expenses

(JPY in millions)



Core Gross Profits and Core OHR

(JPY in millions)

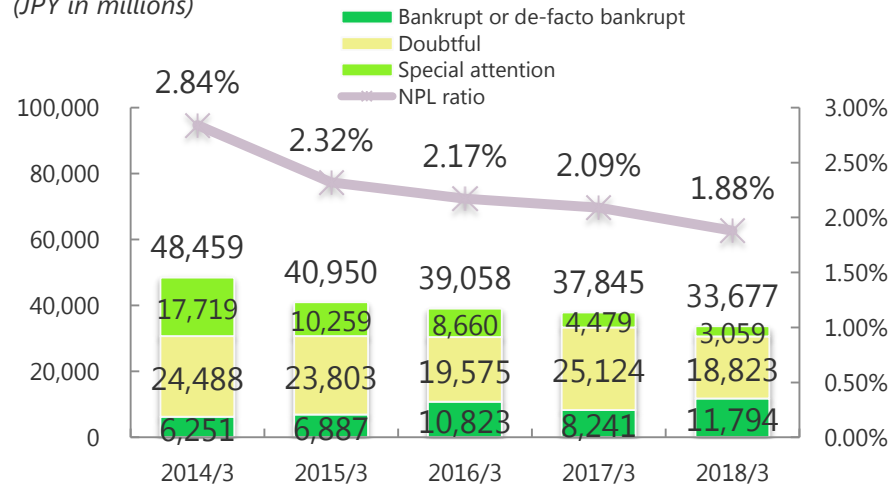


Credit Costs

(JPY in millions)	FY13	FY14	FY15	FY16	FY17
General allowance for loan losses	587	(23)	(12)	281	(713)
Write-off loans	2,015	2,735	2,861	2,982	2,005
Recoveries of written-off claims	129	191	214	150	104
Credit Costs	2,474	2,520	2,634	3,113	1,187

Non-Performing Loans <2 Banks>

(JPY in millions)



Covered Ratio of Non-Performing Loans <2 Banks>

2018 / 3 balance

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio $b \div a$
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	11,794	11,794	6,770	5,023	100.00%
Doubtful	18,823	16,805	14,045	2,759	89.27%
Special attention	3,059	1,986	1,432	554	64.95%
Total	33,677	30,587	22,249	8,337	90.82%

[2017 / 3 balance]

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio $b \div a$
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	8,241	8,241	4,630	3,611	100.00%
Doubtful	25,124	20,931	15,617	5,313	83.31%
Special attention	4,479	3,674	2,860	814	82.03%
Total	37,845	32,847	23,108	9,738	86.79%



**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"

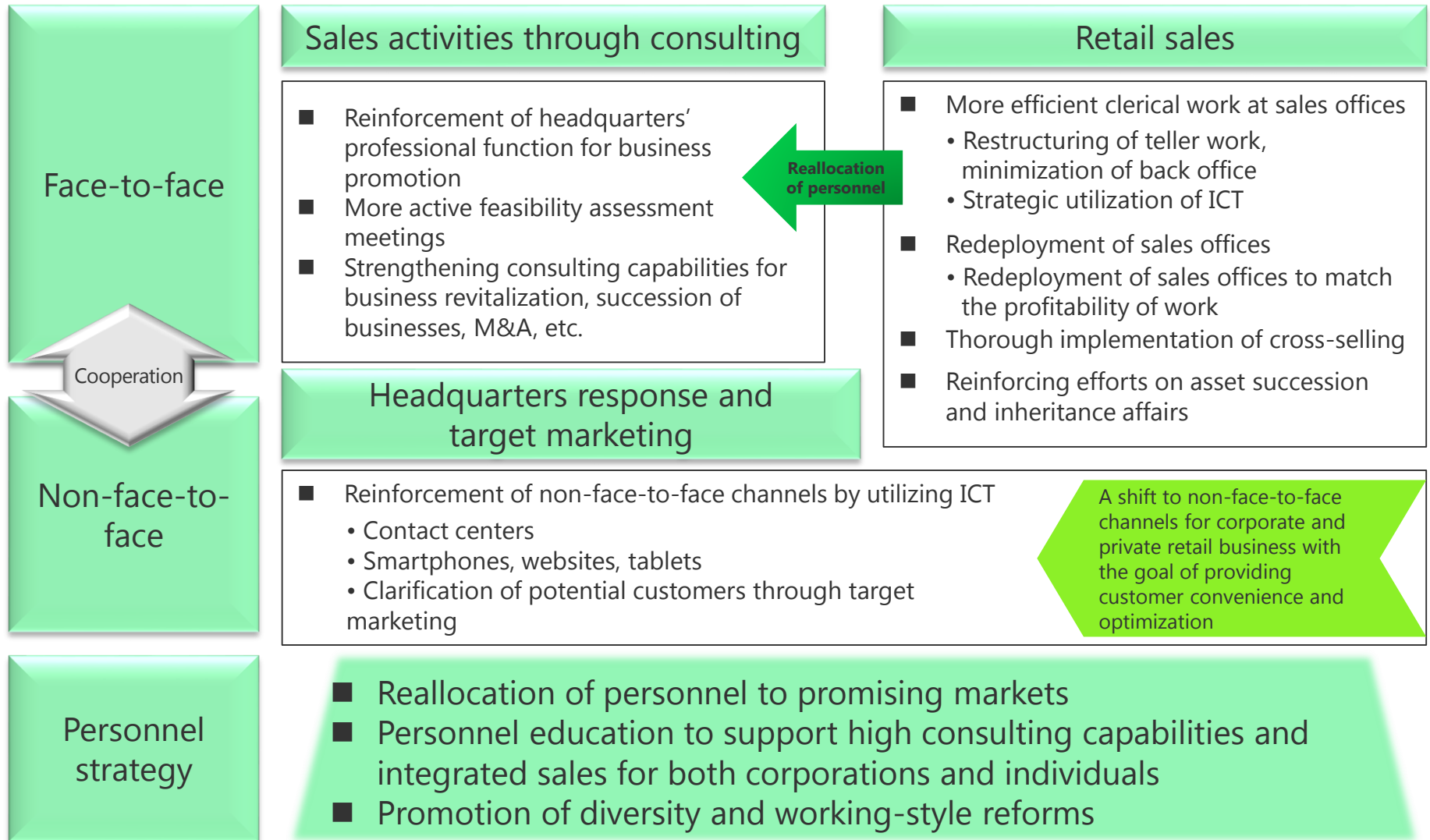
Slogan

Consulting & Innovation

Basic Policy

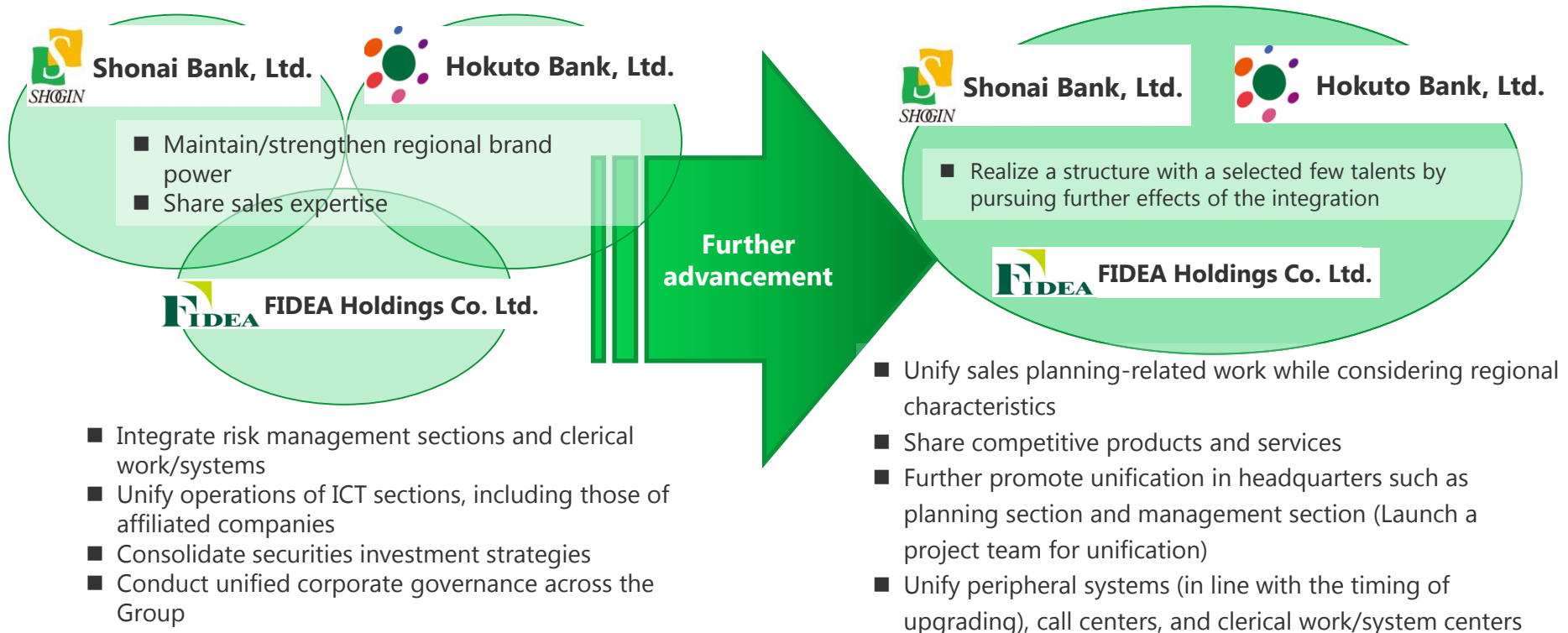
- (1) Exertion of consulting capabilities based on evaluation of customers' business potentials
- (2) Establishment of highly efficient retail sales structure
- (3) Reinforcement of personnel development to respond to the needs of customers
- (4) Pursuit of operational efficiency
- (5) Establishment 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 business gross profit)	19% or more
Capital adequacy ratio	In the 9% range



Snapshot of FIDEA Holdings

Overview of FIDEA Holdings

 FIDEA Holdings	
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 32.1 billion (as of May 31, 2018) Tokyo Stock Exchange 1st Section



Shonai Bank

Founded	1878
Headquarters	Tsuruoka city, Yamagata prefecture
CEO	Masashi Ueno
# of employees	840 (as of March 31, 2018)
Branches	87 (as of March 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	832 (as of March 31, 2018)
Branches	83 (as of March 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

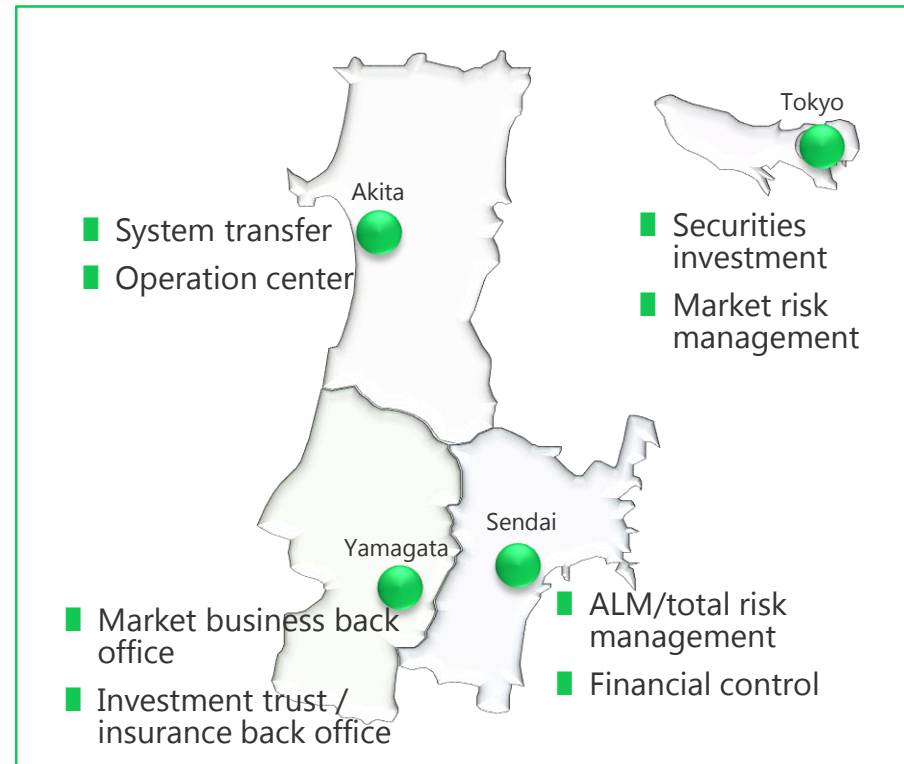
- " OPEN " means , " Open to any interested parties for encouraging them to join FIDEA"
- " PLATFORM " means, " FIDEA HOLDINGS is the platform integrating various expertise to carry on financial group strategy "

Revenue Accretion Initiatives under Single Strategy

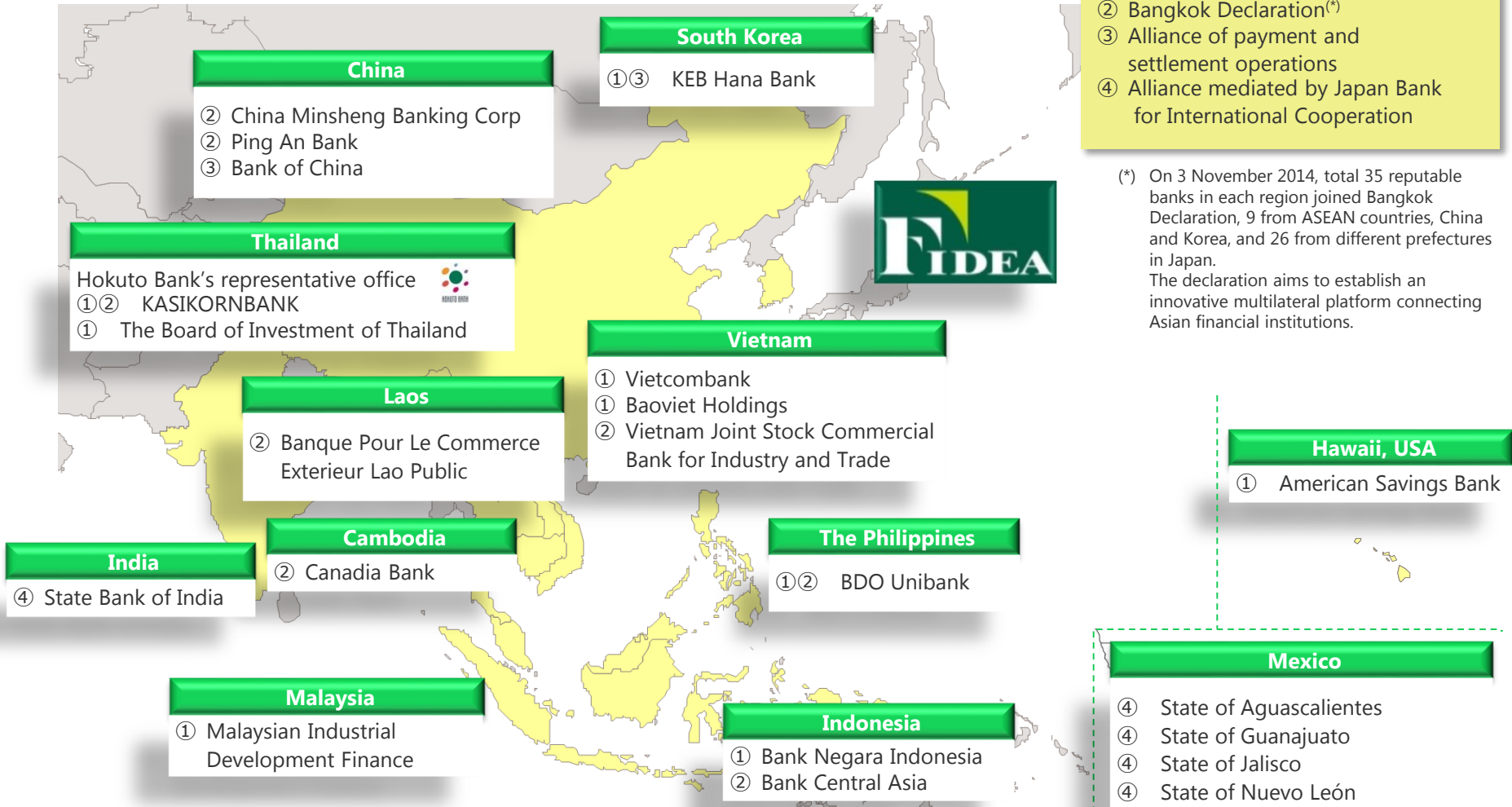


Integration of Middle and Back Office Functions and IT

- 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

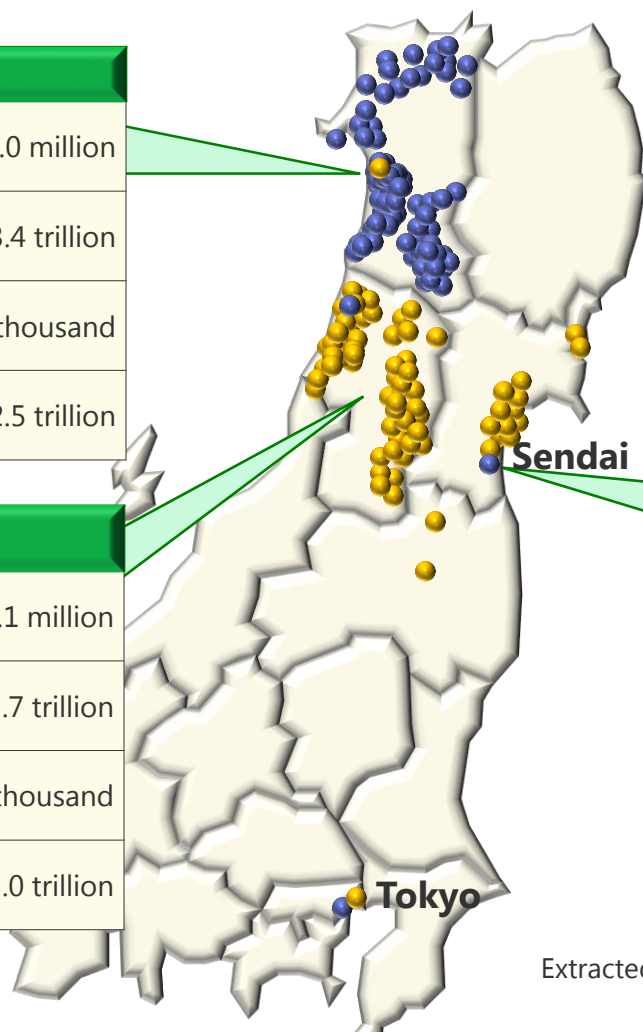
(*) On 3 November 2014, total 35 reputable banks in each region joined Bangkok Declaration, 9 from ASEAN countries, China and Korea, and 26 from different prefectures in Japan. The declaration aims to establish an innovative multilateral platform connecting Asian financial institutions.

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 'kinu map' of The Financial Journal Co., Ltd.

■ Due to the population increase in Sendai, there are substantial retail business opportunities in Miyagi



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

FIDEA HOLDINGS CO. LTD.