



FY2018 Interim Financial Highlights & FY2018 Prospects

FIDEA Holdings Co. Ltd.
December 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)

FY2018 H1 Financials Summary

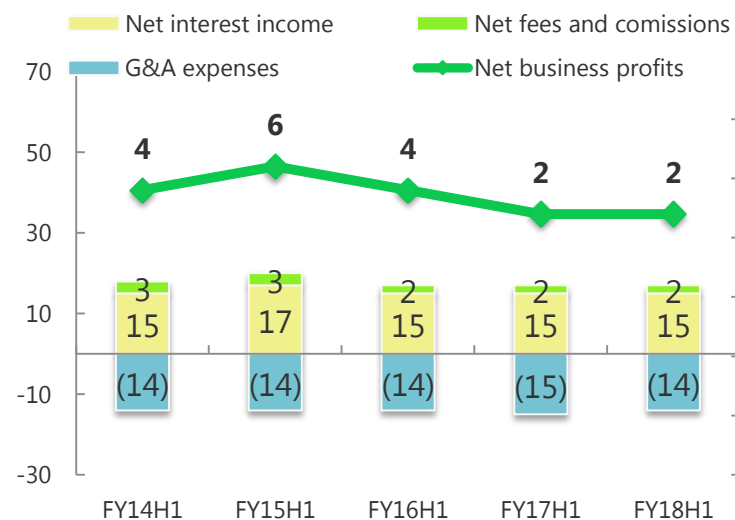
Income Statement

(JPY in billions)	FY17H1 (results) ①	FY18H1		y-o-y ③-①	Results vs. projected ③-②
		(projected) ②	(results) ③		
Ordinary revenue	24.8	—	23.5	(1.2)	—
Gross profit	17.3	16.0	16.9	(0.3)	0.9
Core Gross profit	17.9	16.3	17.2	(0.6)	0.9
Net interest income	15.8	14.0	15.0	(0.8)	1.0
Net fees and commissions	2.4	2.6	2.6	0.1	0.0
Net gains(losses) on sales of bonds	(0.6)	(0.2)	(0.2)	0.3	0.0
G&A expenses (excl. extraordinary expenses)	15.0	14.6	14.3	(0.7)	(0.3)
Personnel costs	7.8	7.6	7.5	(0.3)	(0.1)
Non-personnel costs	5.9	5.9	5.8	(0.0)	(0.1)
Net business profit	2.2	1.4	2.6	0.3	1.2
Core net business profit	2.9	1.7	2.9	0.0	1.2
Total credit costs	(0.8)	0.3	(0.3)	0.4	(0.6)
Reversal of allowance for loan losses	0.8	—	0.3	(0.5)	—
Net gains (losses) on sales of stocks and other securities	0.4	0.2	0.3	(0.1)	0.1
Net gains (losses) on money held in trust	0.4	—	(0.1)	(0.5)	—
Ordinary profit	3.6	1.6	3.2	(0.4)	1.6
Net extraordinary gains (losses)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)
Income taxes	0.5	0.4	0.8	0.2	0.4
Interim net income	3.1	1.2	2.1	(0.9)	0.9
Core OHR	83.75%	—	83.01%	0.74p	

Financial Results Review

- Core net business profit increased by ¥0.014bn (0.0%) to ¥2.9bn mainly due to an increase in net fees and commissions and a decrease in general and administrative (G&A) expenses. On the other hand, ordinary profit decreased by ¥0.4bn (12.3%) to ¥3.2bn, mainly due to a decrease in reversal of allowance for loan losses and a decrease in net gains on money held in trust. Interim net income (Interim profit attributable to owners of parent) decreased by ¥0.9bn (30.7%) to ¥2.1bn over the same period of the previous year.

<Net business profit>



Company Projections for Consolidated FY2018 Results

(JPY in billions)	FY17 (results) ①	FY18 H1 (results)	FY18 (projected) ②	Change ② - ①
Ordinary revenue	51.0	23.5	—	—
Gross profit	35.0	16.9	33.7	(1.3)
Core Gross profit	36.8	17.2	34.0	(2.8)
Net interest income	32.5	15.0	29.4	(3.1)
Net fees and commissions	4.9	2.6	5.3	0.4
Net gains (losses) on sales of bonds	(1.8)	(0.2)	(0.3)	1.5
G&A expenses (excl. extraordinary expenses)	29.6	14.3	29.0	(0.6)
Personnel costs	15.6	7.5	15.2	(0.4)
Non-personnel costs	11.7	5.8	11.8	(0.1)
Total credit costs	1.1	(0.3)	0.9	(0.2)
Net gains (losses) on sales of stocks and other securities	1.7	0.3	0.3	(1.4)
Ordinary profit	6.5	3.2	4.4	(2.1)
Net extraordinary gains (losses)	(0.3)	(0.2)	(0.5)	(0.2)
Income taxes	1.9	0.8	0.4	(1.5)
Net income	4.2	2.1	3.45	(0.75)
Core OHR	80.40%	83.01%	above 85%	

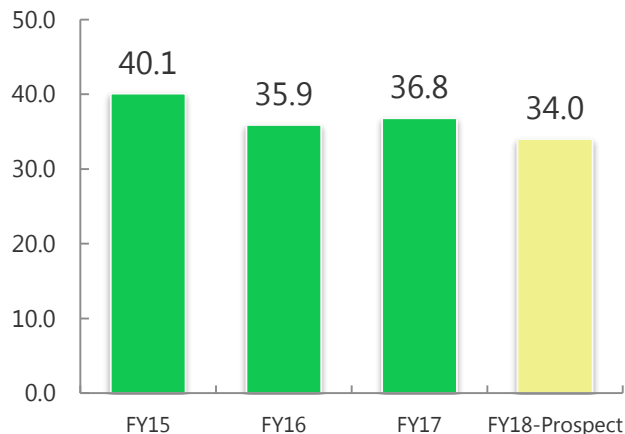
Projections Summary

- Based on financial results for H1 FY2018, we revised upward our consolidated financial results forecasts announced on May 14, 2018 for the fiscal year 2018: ordinary profit from ¥3.2bn to ¥4.4bn and net income from ¥2.8bn to ¥3.45bn.

Key Financials

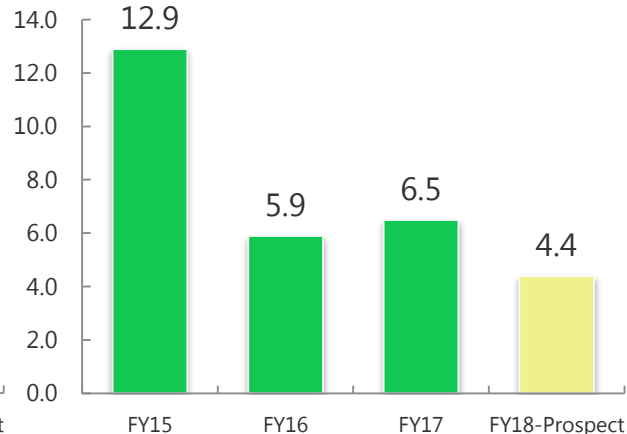
Core Gross Profit

(JPY in billions)



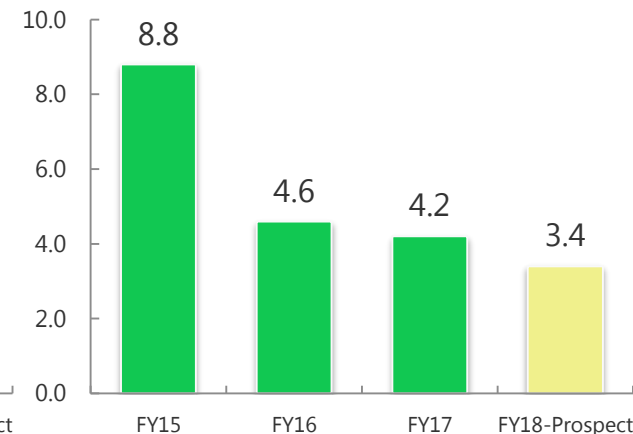
Ordinary Profit

(JPY in billions)



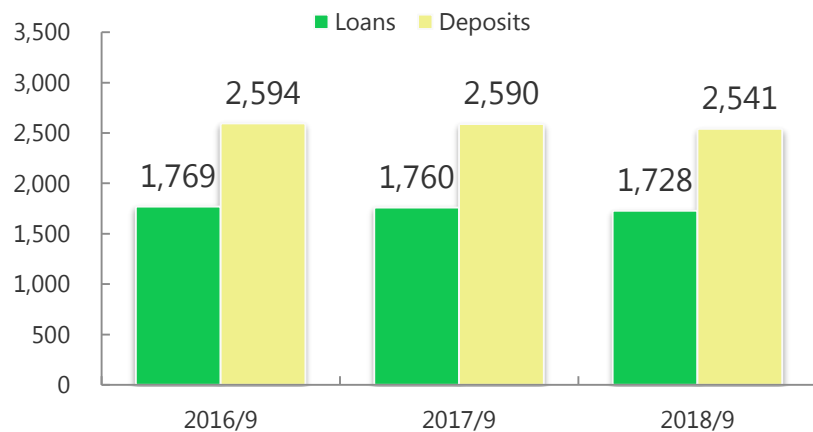
Net Income

(JPY in billions)



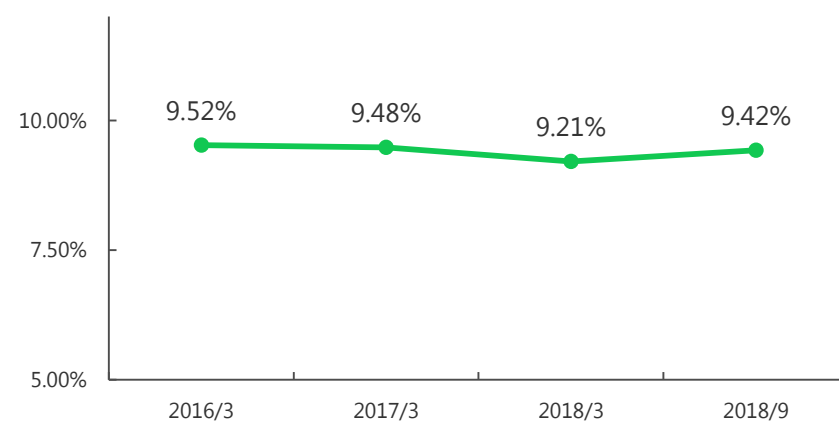
Loans and Deposits

(JPY in billions)



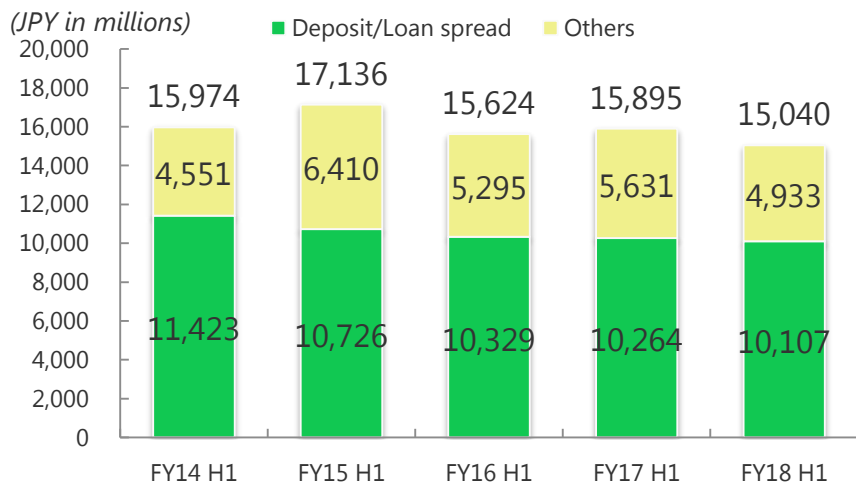
Capital Adequacy Ratio

(pertaining to the standard in Japan)

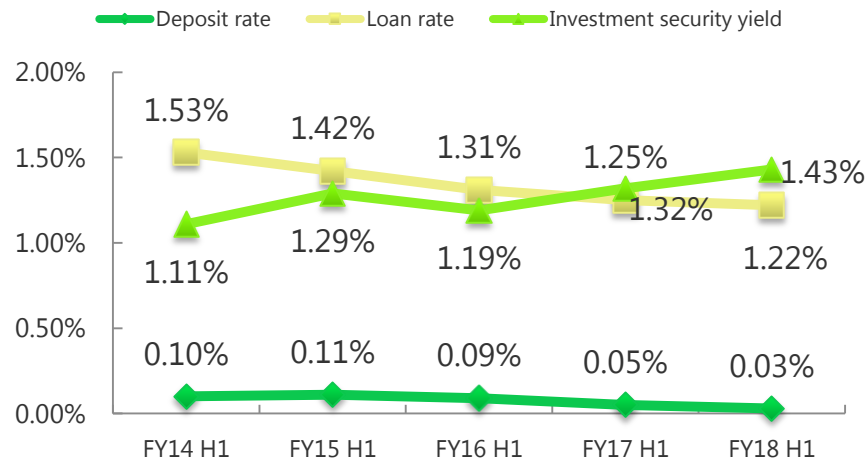


Net Interest Income

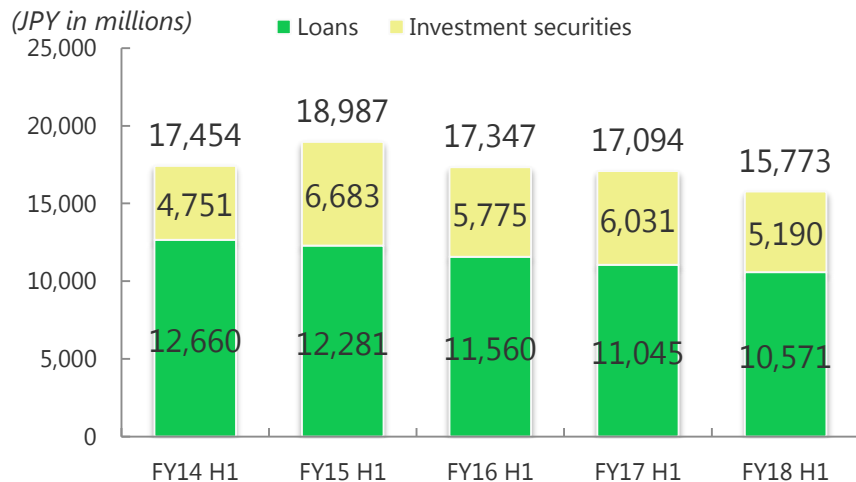
Net Interest Income



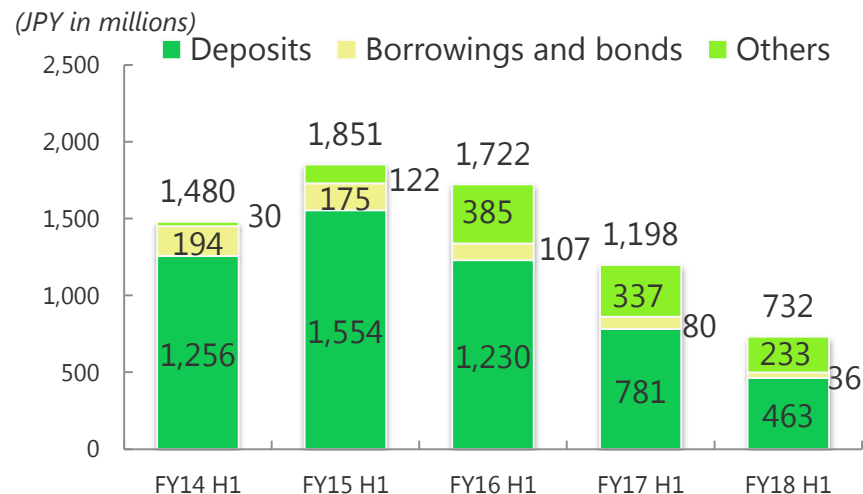
Deposit/Loan Rates and Investment Security Yield <2 Banks>



Interest Income

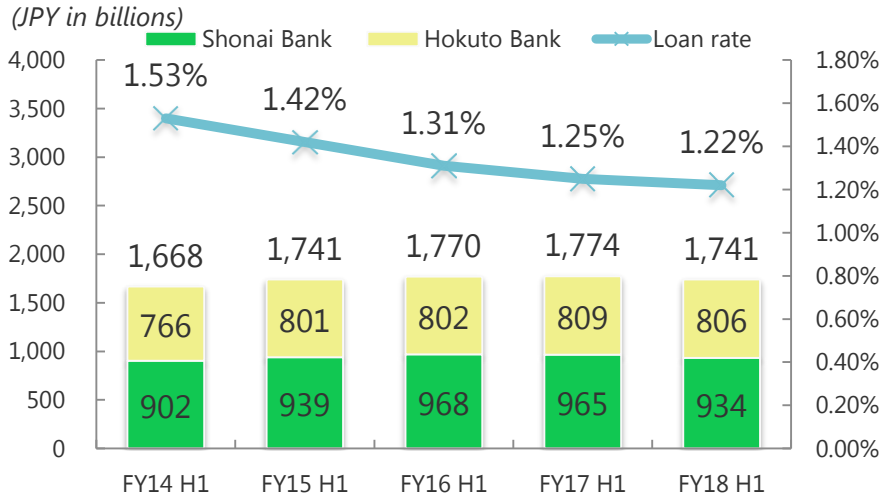


Interest Expenses

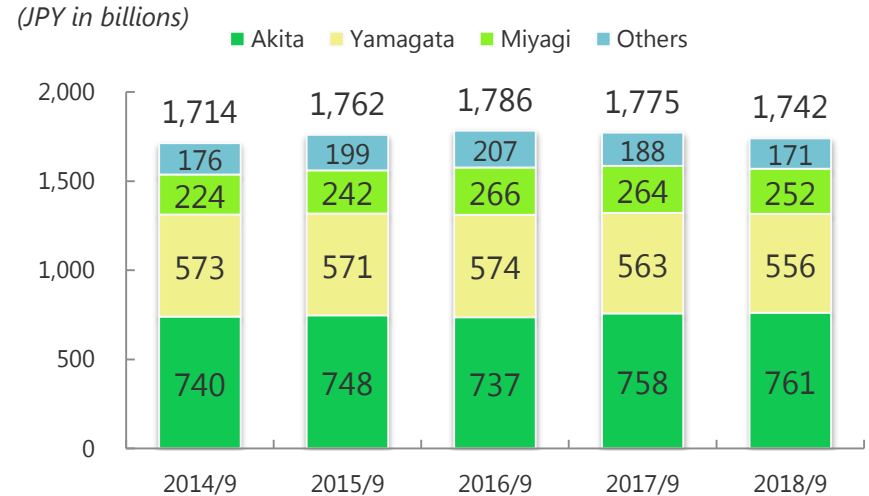


(Including Negotiable Deposits)

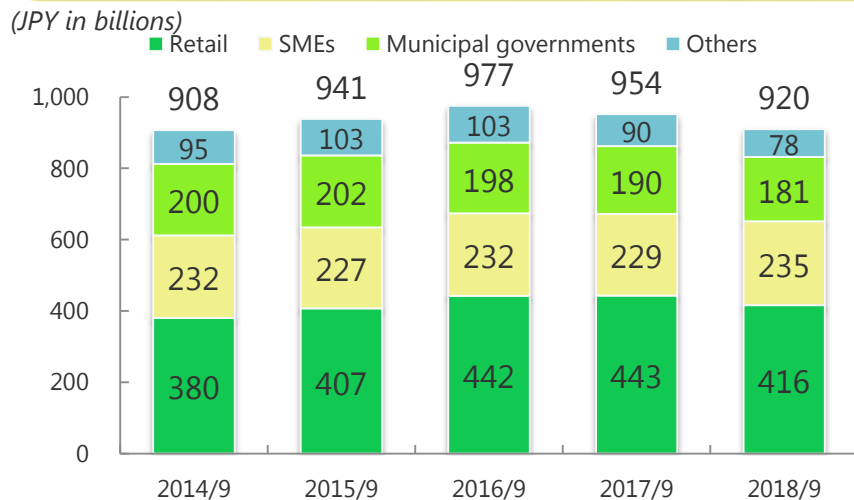
Average Balance and Loan Rate <2 Banks>



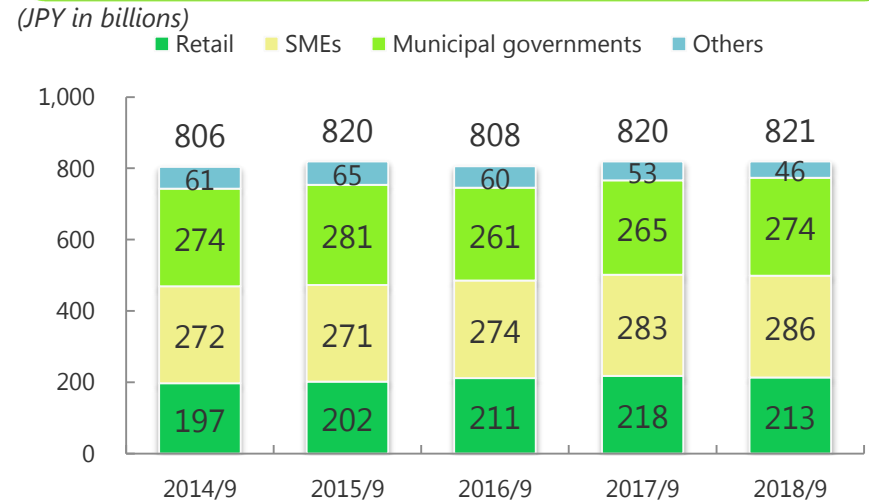
Balance by Prefecture <2 Banks>



Balance by Borrower <Shonai Bank>



Balance by Borrower <Hokuto Bank>



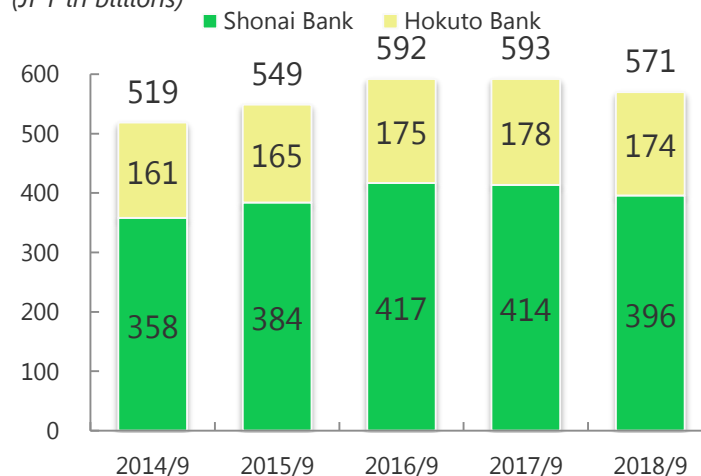
Breakdown of Loans

Loans Classified by Type of Industry <2Banks>

Type of industry (2banks)	2017/9		2018/9	
	JPY bn	%	JPY bn	%
Domestic offices (excluding the special international financial transactions account)	1,775.1	100.0	1,742.7	100.0
Manufacturing	106.1	5.9	104.0	5.9
Agriculture and forestry	3.1	0.1	2.9	0.1
Fishery	0.2	0.0	0.1	0.0
Mining and quarrying of stone and gravel	2.3	0.1	2.3	0.1
Construction	59.6	3.3	56.8	3.2
Electricity, gas, heat supply and water	50.7	2.8	67.1	3.8
Information and communication	7.1	0.3	6.2	0.3
Transport and postal activities	18.6	1.0	17.8	1.0
Wholesale trade and retail trade	91.0	5.1	87.0	4.9
Finance and insurance	76.9	4.3	73.8	4.2
Real estate and goods rental and leasing	112.9	6.3	102.6	5.8
Scientific research, professional and technical services	5.3	0.2	5.1	0.2
Accommodations, eating and drinking services	21.8	1.2	21.2	1.2
Living-related and personal services and amusement services	17.7	0.9	15.9	0.9
Education, learning support	3.2	0.1	3.8	0.2
Medical, health care and welfare	51.0	2.8	50.1	2.8
Other services	38.2	2.1	38.0	2.1
Local governments	456.6	25.7	455.7	26.1
Individuals (Including Mortgage Loans)	651.7	36.7	631.4	36.2
Overseas yen loans, domestic loans transferred overseas	-	-	-	-
Total	1,775.1	100.0	1,742.7	100.0

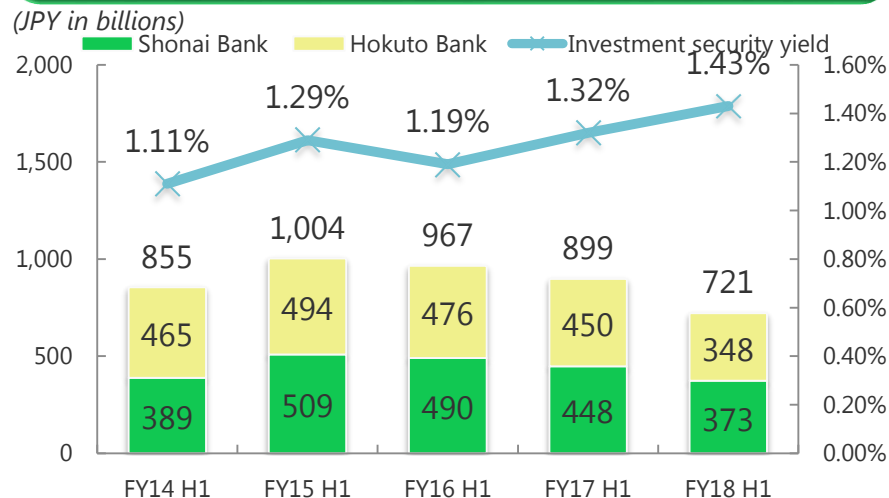
Mortgage Loans

(JPY in billions)

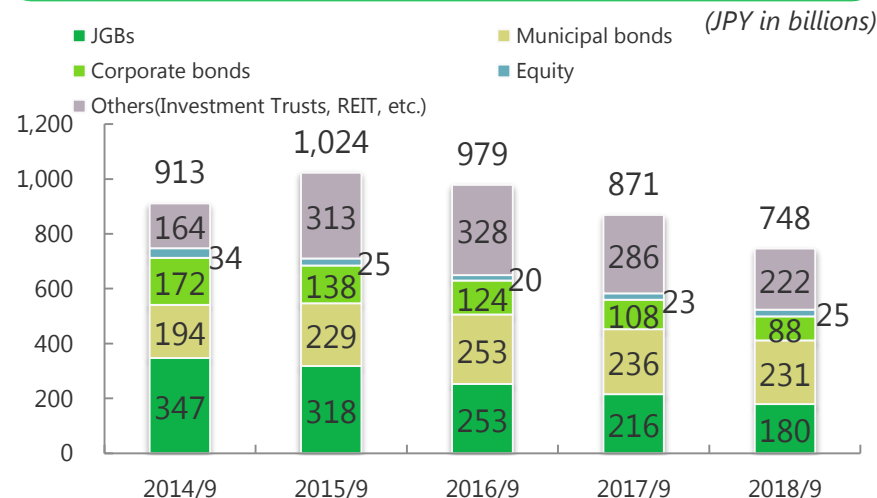


Investment Securities

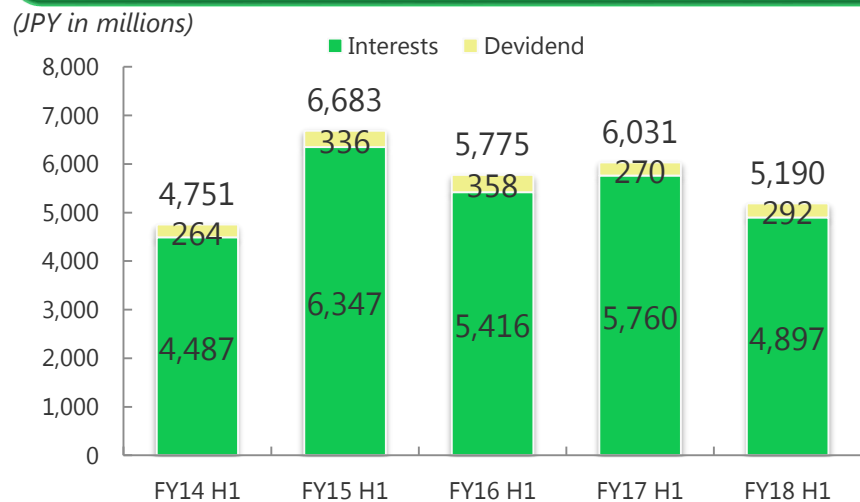
Average Balance and Investment Security Yield <2 Banks>



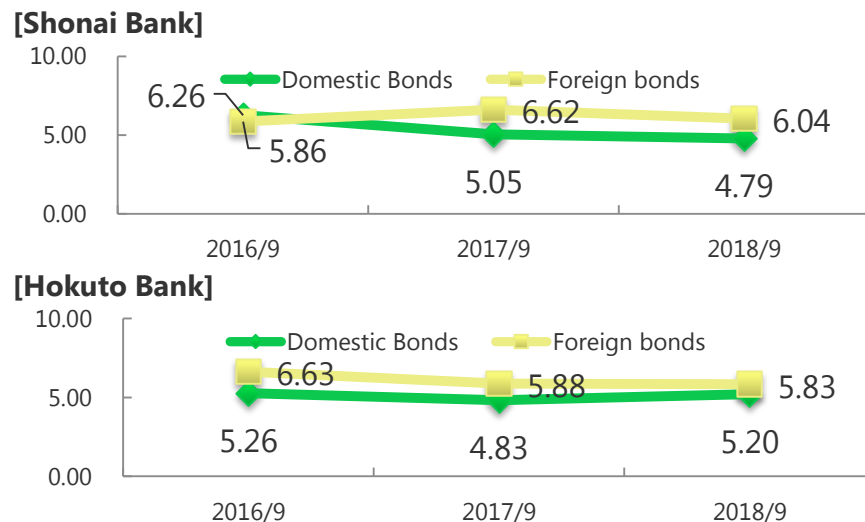
Balance by Product Type <2 Banks>



Interests and Dividend of Investment Securities



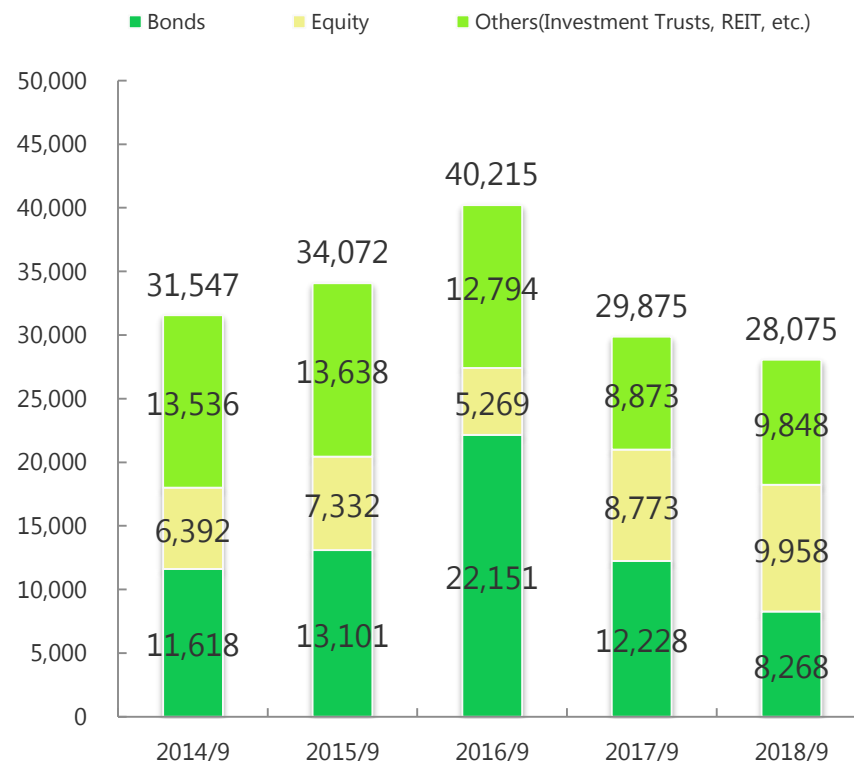
Duration of Bonds <non-consolidated>



Gains/Losses on sales of bonds

(JPY in millions)	FY14H1	FY15H1	FY16H1	FY17H1	FY18H1
Selling gains	904	447	1,841	789	1,280
Redemption gains	-	-	-	-	-
Selling losses	64	231	700	1,417	1,569
Redemption losses	-	-	-	-	-
Impairment	-	-	-	-	-
Gains/Losses on Debt Securities	839	215	1,141	(627)	(289)

Unrealized Gains/Losses on Securities Portfolio



Gains/Losses on sales of stocks and other securities

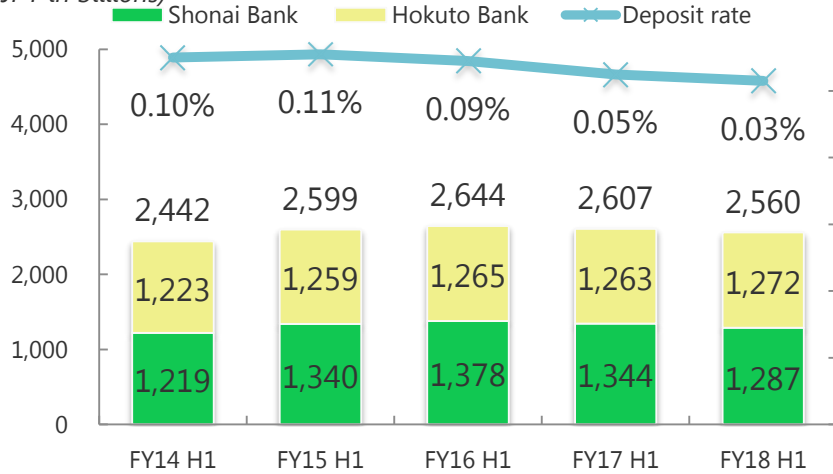
(JPY in millions)	FY14H1	FY15H1	FY16H1	FY17H1	FY18H1
Selling gains	430	1,990	340	605	625
Selling losses	45	217	419	116	247
Impairment	17	23	4	0	0
Gains/Losses on Equity	367	1,749	(83)	488	376

* Monthly average in September of each fiscal year

Deposits

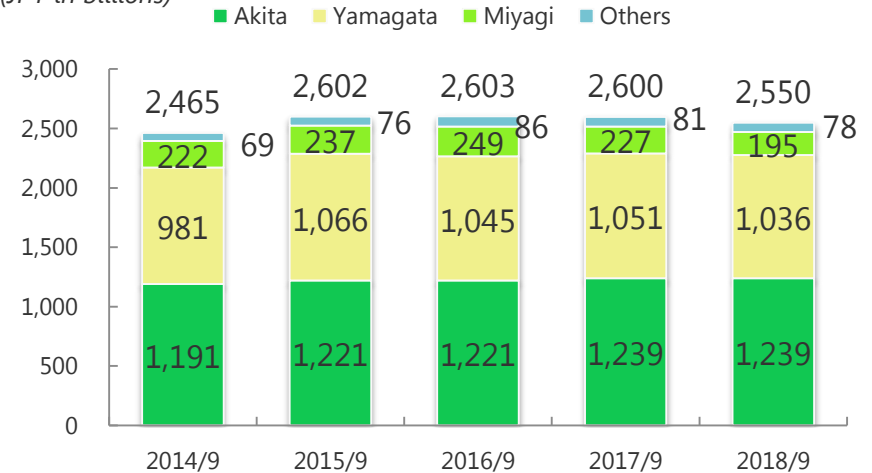
Average Balance and Deposit Rate (Including Negotiable Deposits) <2 Banks>

(JPY in billions)



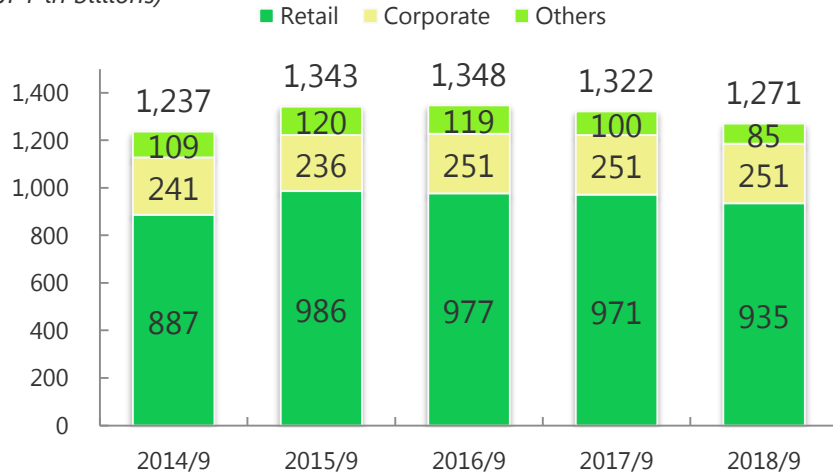
Balance by Prefecture <2 Banks>

(JPY in billions)



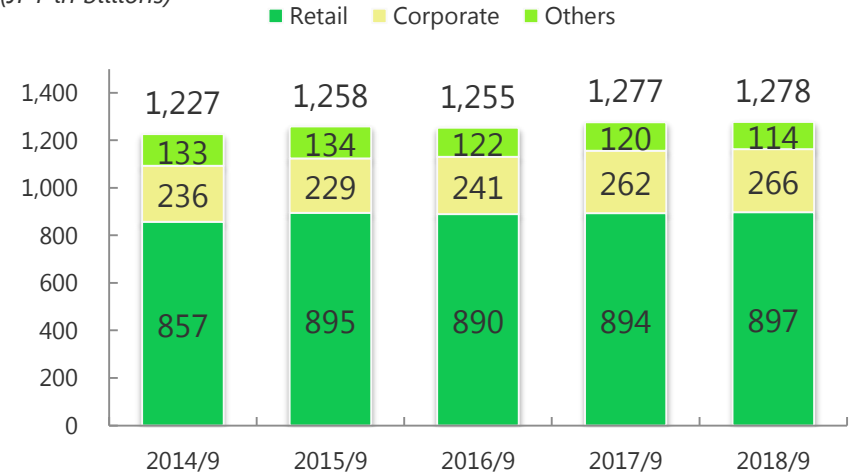
Balance by Depositor <Shonai Bank>

(JPY in billions)



Balance by Depositor <Hokuto Bank>

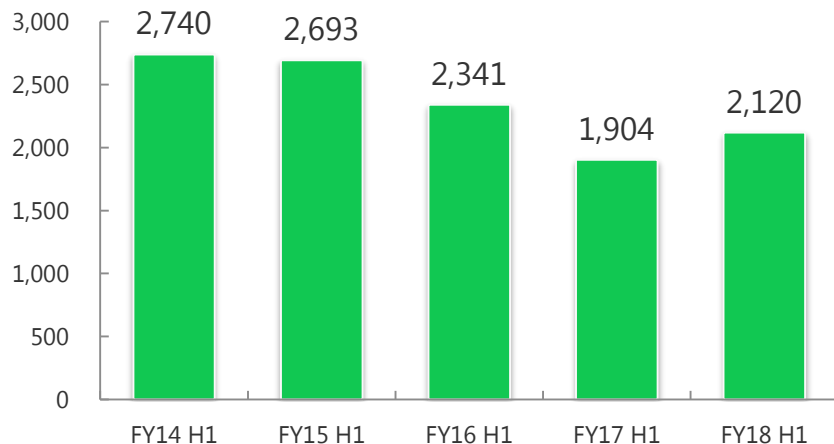
(JPY in billions)



Net Fees and Commissions

Net Fees and Commissions Income <2 Banks>

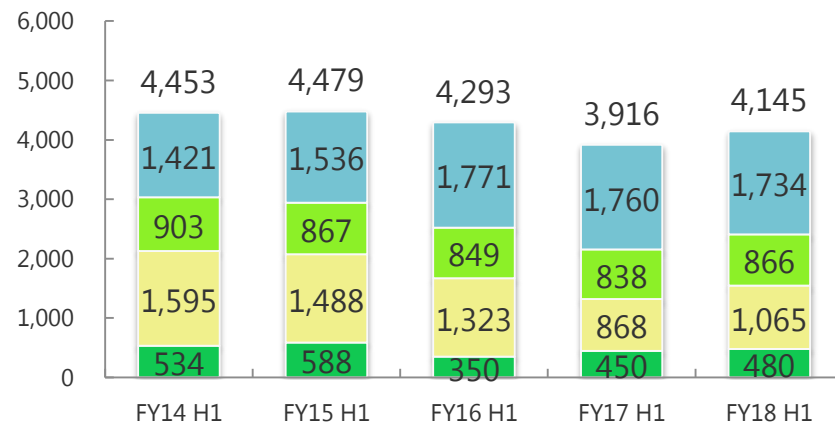
(JPY in millions)



Net Fees and Commissions Revenue <2 Banks>

(JPY in millions)

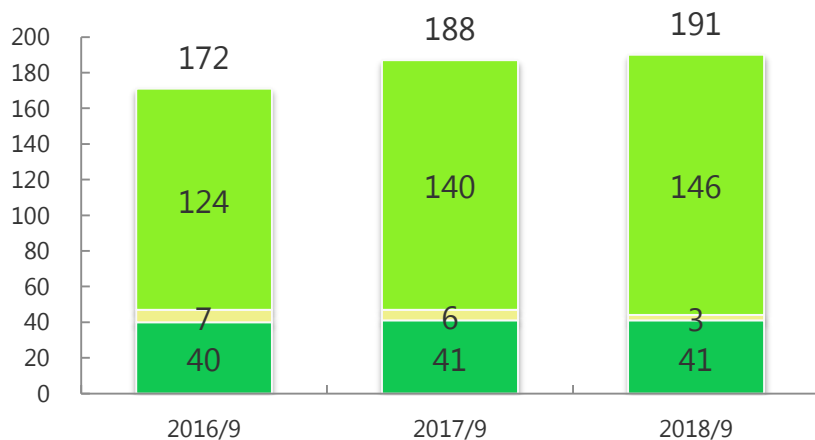
■ Investment trusts ■ Insurance ■ Exchange ■ Others



Investment Product Sales <Shonai Bank>

(JPY in billions)

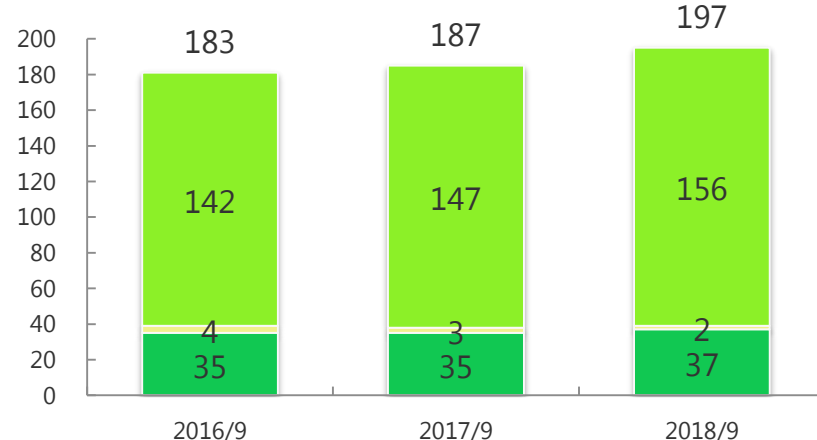
■ Investment trusts ■ Public bonds ■ Life insurance (*)



Investment Product Sales <Hokuto Bank>

(JPY in billions)

■ Investment trusts ■ Public bonds ■ Life insurance (*)

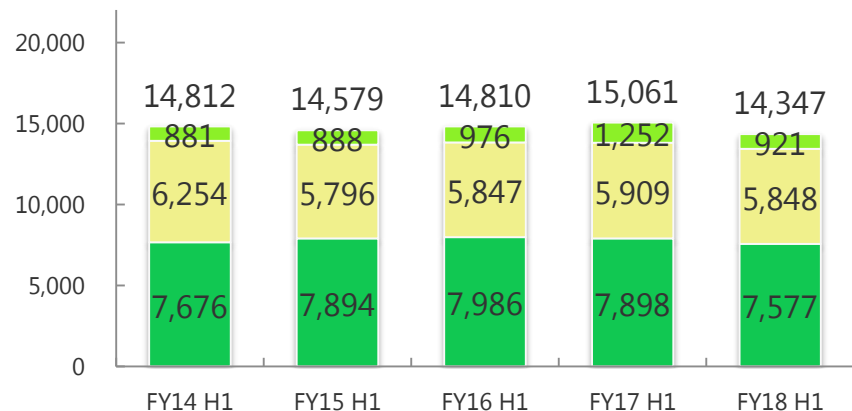


* remaining balance of contracts as of term end

General and Administration Expenses

(JPY in millions)

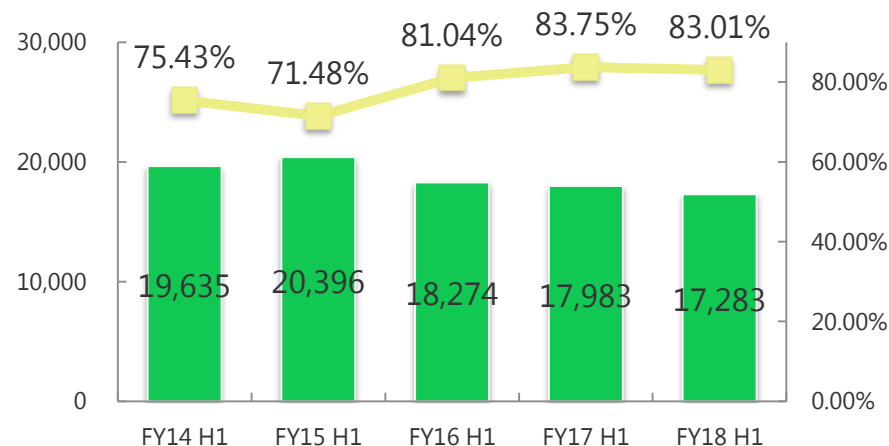
■ Personnel costs ■ Non-personnel costs ■ Tax



Core Gross Profit and Core OHR

(JPY in millions)

■ Core Gross Profit ■ Core OHR



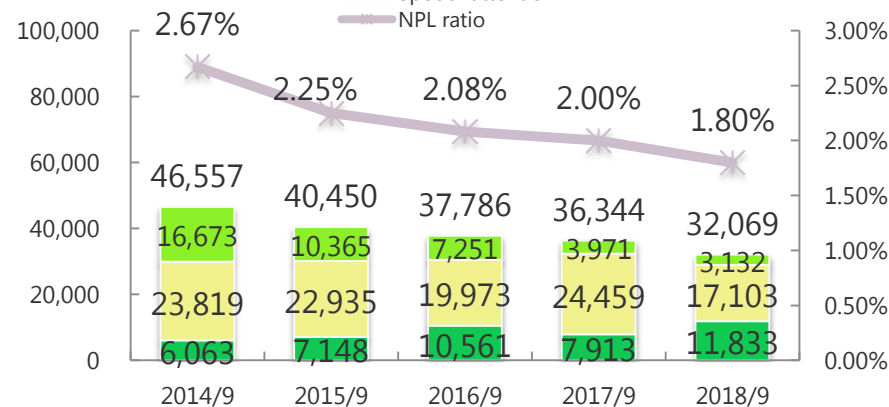
Credit Costs

(JPY in millions)	FY14H1	FY15H1	FY16H1	FY17H1	FY18H1
General allowance for loan losses	(271)	(346)	331	(858)	(394)
Write-off loans	52	108	47	39	35
Recoveries of written-off claims	1,055	490	588	86	33
Credit Costs	731	34	872	(811)	(396)

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>

2018/9 balance

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio b ÷ a
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	11,833	11,833	6,866	4,967	100.00%
Doubtful	17,103	15,068	12,558	2,509	88.10%
Special attention	3,132	1,920	1,393	527	61.32%
Total	32,069	28,823	20,819	8,003	89.87%

[2017/9 balance]

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio b ÷ 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%



**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”

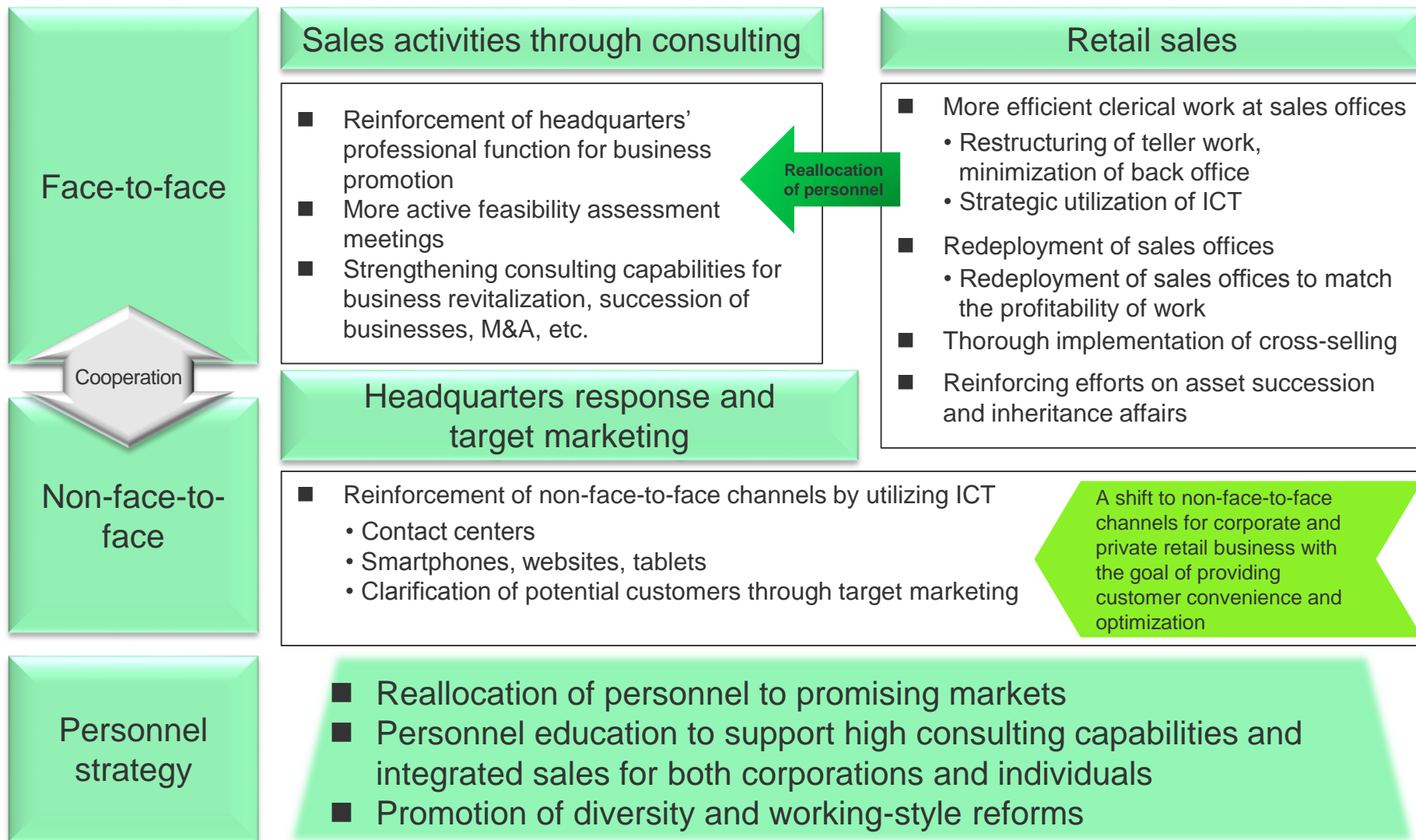
Slogan

Consulting & Innovation

Basic Policy

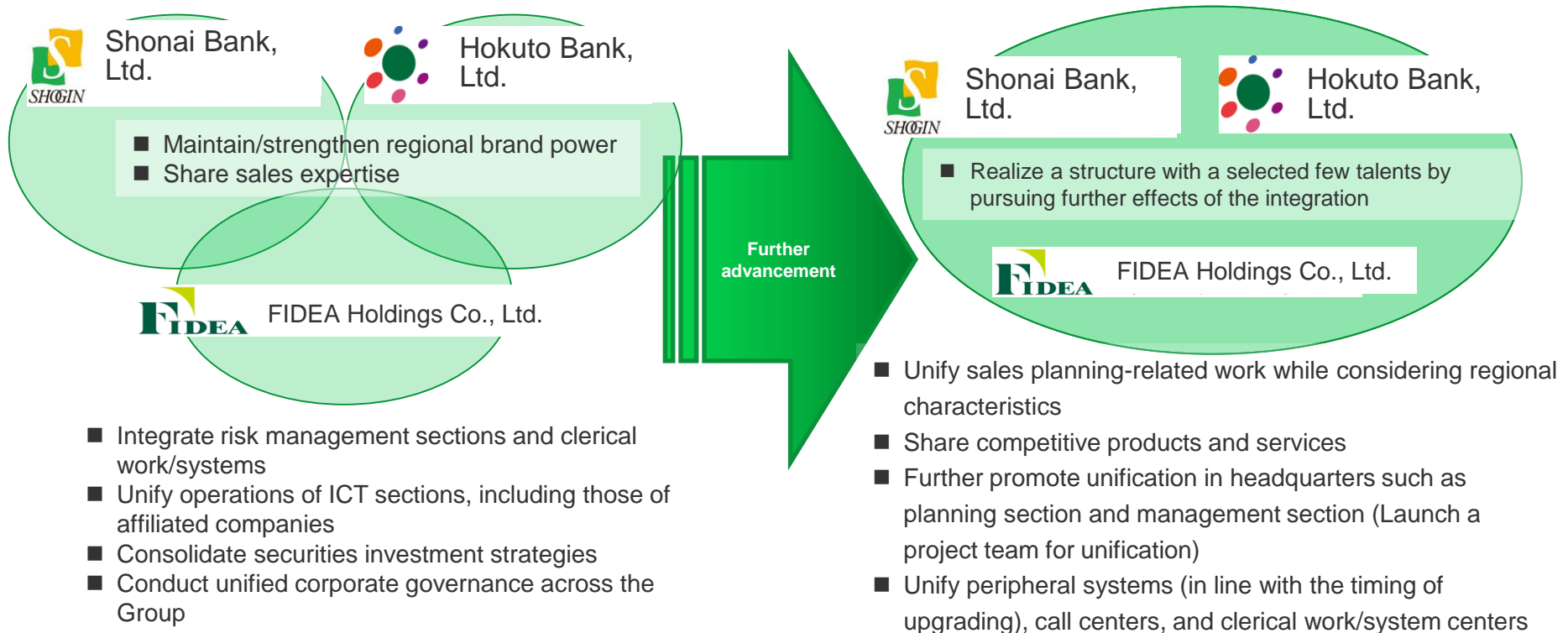
- (1) Exertion of consulting capabilities based on evaluation of customers' business potentials
- (2) Establishment of highly efficient retail sales structure
- (3) Reinforcement of personnel development to respond to the needs of customers
- (4) Pursuit of operational efficiency
- (5) Establishment 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 (Profit 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



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 28.3 billion (as of December 3, 2018) Tokyo Stock Exchange 1st Section



Shonai Bank

Founded	1878
Headquarters	Tsuruoka city, Yamagata prefecture
CEO	Masashi Ueno
# of employees	809 (as of September 30, 2018)
Branches	87 (as of September 2018) • 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	820 (as of September 30, 2018)
Branches	83 (as of September 2018) • Akita:79, Miyagi:1, Yamagata:1 , Tokyo:1 and Other: 1

- FIDEA Holdings Co. Ltd. is a holding company of a wide-area financial group, which has The Shonai Bank, Ltd. (Yamagata Prefecture) and The Hokuto Bank, Ltd. (Akita Prefecture) under its umbrella. The Group is strengthening consulting capabilities based on evaluation of customers' business potentials to expand fees and commissions through promotion of solution sales for business succession and M&A, starting with loans.
- Shonai Bank has been expanding its business on the back of its strength in retail area such as sales of investment products and housing loans, but it is now focusing on loans based on business evaluation and fee business for corporate customers in the Prefecture. Hokuto Bank has strength in corporate area including support for customers' business based on evaluation of customers' business potentials and is strengthening loans to new areas such as renewable energy, agriculture and senior businesses. FIDEA Holdings is promoting operational efficiency including integration of headquarters functions, products, clerical work and system centers in the Group, relocation of offices, higher office work efficiency. In April 2018, it revamped its organization and integrated the Group's headquarters functions to FIDEA Holdings to create group synergy.

Open Platform Strategy of FIDEA Group

[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

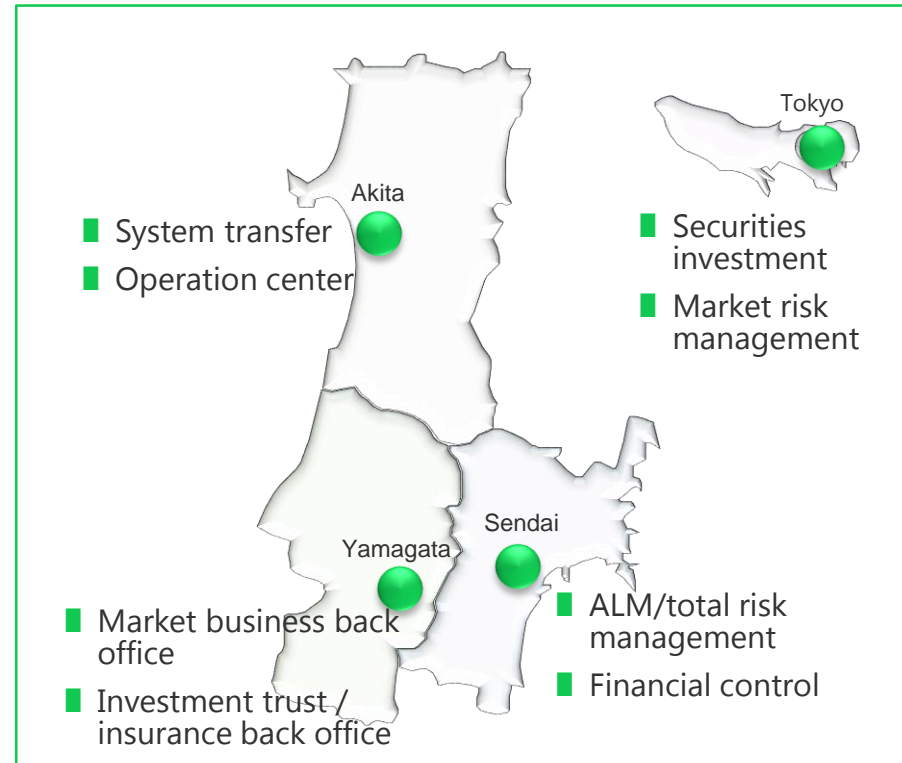
- " OPEN " means , " Open to any interested parties for encouraging them to join FIDEA"
- " PLATFORM " means, " FIDEA HOLDINGS is the platform integrating various expertise to carry on financial group strategy "

Revenue Accretion Initiatives under Single Strategy



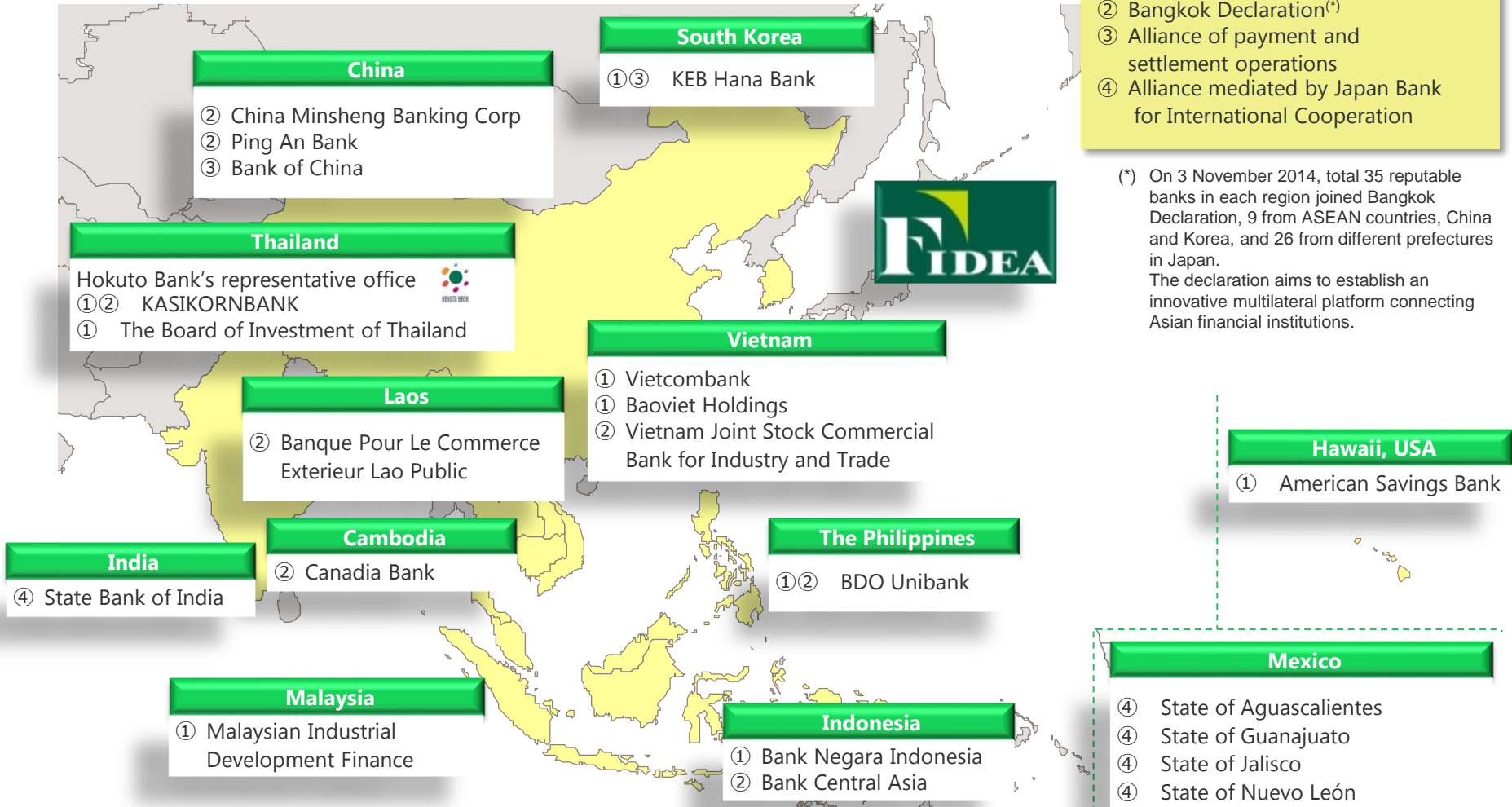
Integration of Middle and Back Office Functions and IT

- 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

Global Business Alliance



- 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

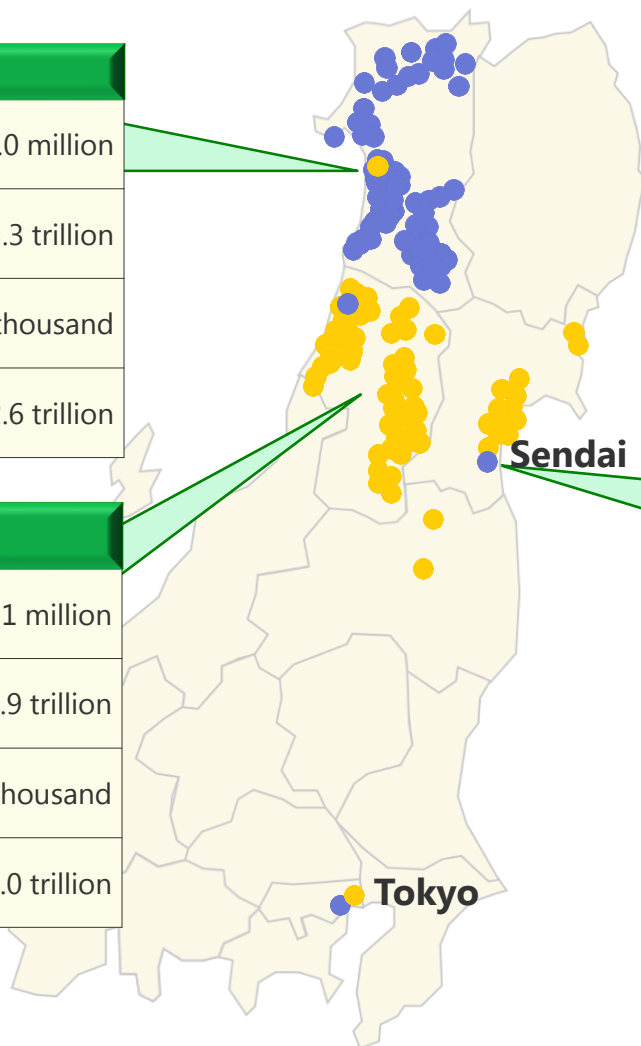
Population (2018)	1.0 million
Gross prefectural product (nominal 2015)	JPY 3.3 trillion
# of companies (2017)	16 thousand
Deposits for individual customers of banks (2018)	JPY 2.6 trillion

Yamagata Prefecture

Population (2018)	1.1 million
Gross prefectural product (nominal 2015)	JPY 3.9 trillion
# of companies (2017)	19 thousand
Deposits for individual customers of banks (2018)	JPY 3.0 trillion

Miyagi Prefecture

Population (2018)	2.2 million
Gross prefectural product (nominal 2015)	JPY 9.4 trillion
# of companies (2017)	42 thousand
Deposits for individual customers of banks (2018)	JPY 6.9 trillion



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

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



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into the next generation. Trust FIDEA.**

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