



FY2018 Financial Highlights & FY2019 Prospects

FIDEA HOLDINGS CO. LTD.

June 2019

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 Financials Summary

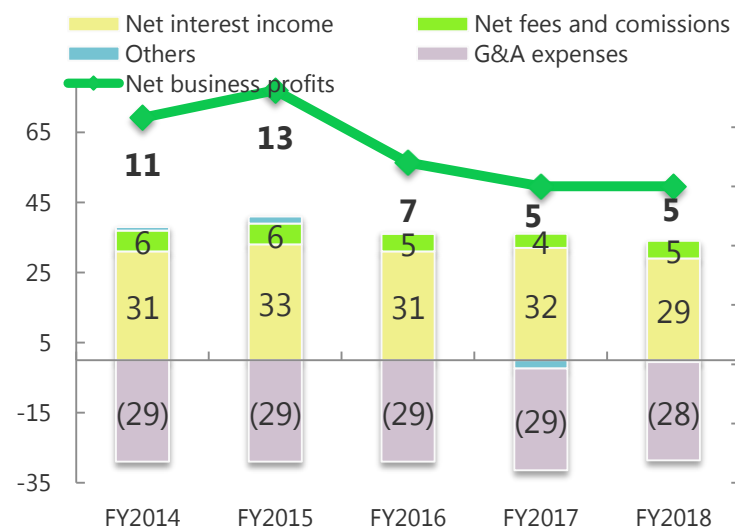
Income Statement

(JPY in billions)	FY17	FY18		y-o-y ③-①	Results vs. projected ③-②
	(results) ①	(projected) ②	(results) ③		
Ordinary revenue	51.0	-	48.8	(2.2)	-
Gross profits	35.0	33.7	34.3	(0.7)	0.6
Core Gross profits	36.8	34.0	34.0	(2.8)	0.0
Net interest income	32.5	29.4	29.9	(2.6)	0.5
Net fees and commissions	4.9	5.3	5.0	0.1	(0.3)
Net gains(losses) on debt securities	(1.8)	(0.3)	0.2	2.0	0.5
G&A expenses (excl. extraordinary expenses)	29.6	29.0	28.6	(1.0)	(0.4)
Personnel costs	15.6	15.2	15.0	(0.6)	(0.2)
Non-personnel costs	11.7	11.8	11.6	(0.1)	(0.2)
Net business profits	5.4	4.7	5.7	0.3	1.0
Total credit costs	1.1	0.9	0.5	(0.6)	(0.4)
Net gains (losses) on equity securities	1.7	0.3	0.4	(1.3)	0.1
Ordinary profits	6.5	4.4	5.0	(1.5)	0.6
Net extraordinary gains (losses)	(0.3)	(0.5)	(0.7)	(0.4)	(0.2)
Total of income taxes-current and income taxes-deferred	1.9	0.4	0.4	(1.5)	0.0
Net income	4.2	3.4	3.7	(0.5)	0.3
Core OHR	80.40%	abobe85%	84.00%	(3.60p)	

Financial Results Review

- While fees and commissions increased and expenses decreased, interest on loans and discounts, interest and dividends on securities and gain on money held in trust decreased. As a result, ordinary revenue decreased by ¥2.2bn (4.1%) to ¥48.8bn year on year. Ordinary profits decreased by ¥1.5bn (22.8%) to ¥5.0bn year on year. Net income (profits attributable to owners of the parent) decreased by ¥0.5bn (11.6%) to ¥3.7bn year on year.

<Net business profits>



Company Projections for Consolidated FY2018 Results

(JPY in billions)	FY18 (results) ①	FY19 H1 (projected)	FY19 (projected) ②	Change ② - ①
Ordinary revenue	48.8	—	—	—
Gross profits	34.3	16.2	32.5	(1.8)
Core Gross profits	34.0	16.1	32.2	(1.8)
Net interest income	29.9	13.9	27.9	(2.0)
Net fees and commissions	5.0	2.7	5.4	0.4
Net gains (losses) on debt securities	0.2	0.1	0.3	0.1
G&A expenses (excl. extraordinary expenses)	28.6	14.0	27.8	(0.8)
Personnel costs	15.0	7.4	14.8	(0.2)
Non-personnel costs	11.6	5.6	11.1	(0.5)
Total credit costs	0.5	0.3	1.0	0.5
Net gains (losses) on equity securities	0.4	0.5	1.0	0.6
Ordinary profits	5.0	2.4	4.7	(0.3)
Net extraordinary gains (losses)	(0.7)	(0.1)	(0.6)	0.1
Total of income taxes-current and income taxes-deferred	0.4	0.6	1.0	0.6
Net income	3.7	1.6	3.0	(0.7)
Core OHR	84.00%	—	above 86%	

Projections Summary

- As for financial results of the fiscal year 2019 on a consolidated basis, we estimate ordinary profits ¥4.7 billion and net income ¥3.0 billion mainly due to decrease in net interest income.

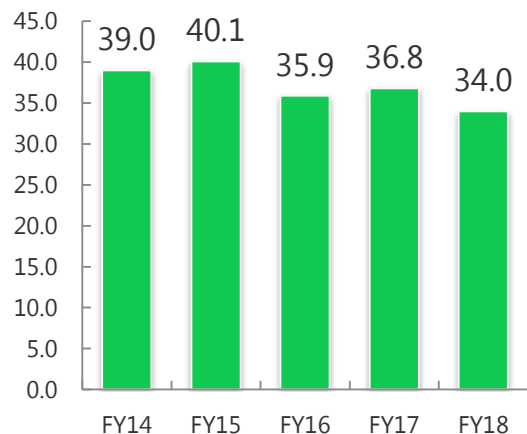
Dividend of common stock

- We have a basic policy to make stable dividend payments on ordinary share through 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 2018. Together with ¥3 per ordinary share as the interim dividend paid already, the annual dividend will be ¥6 per ordinary share.
- We are planning to pay ¥6 per ordinary share for the fiscal year 2019 (both of the interim and the term-end dividend will be ¥3 respectively).

Key Financials

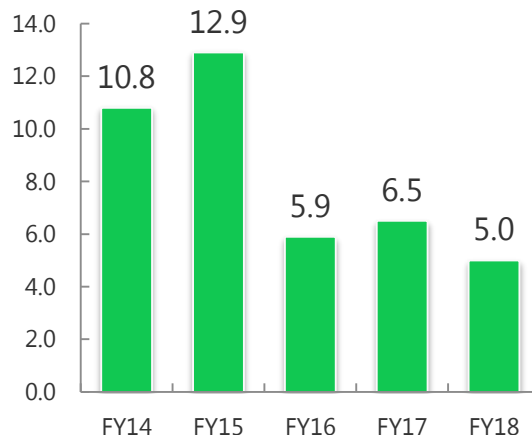
Core Gross Profits

(JPY in billions)



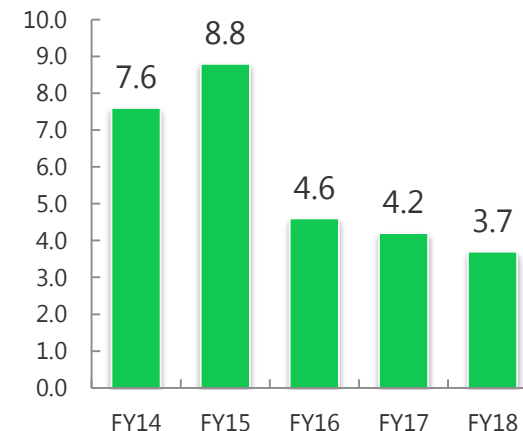
Ordinary Profits

(JPY in billions)



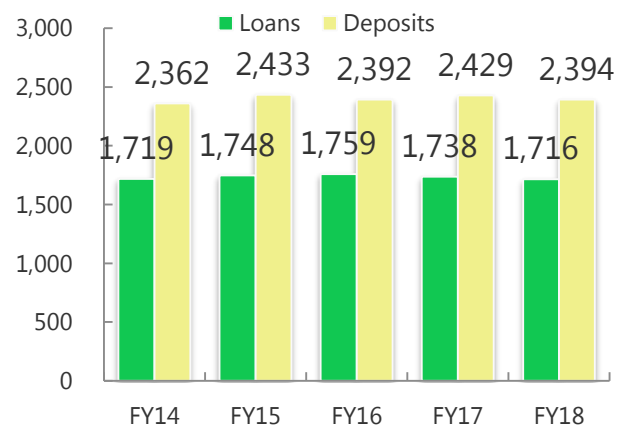
Net Income

(JPY in billions)



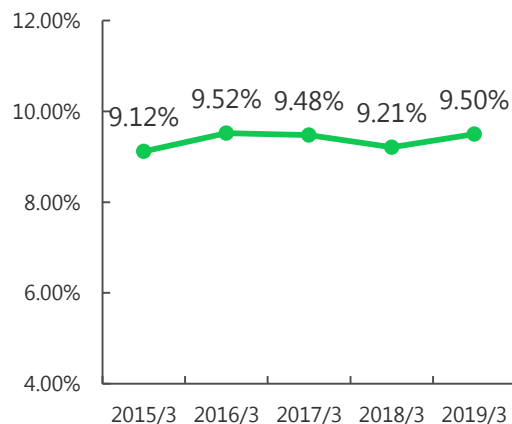
Loans and Deposits

(JPY in billions)

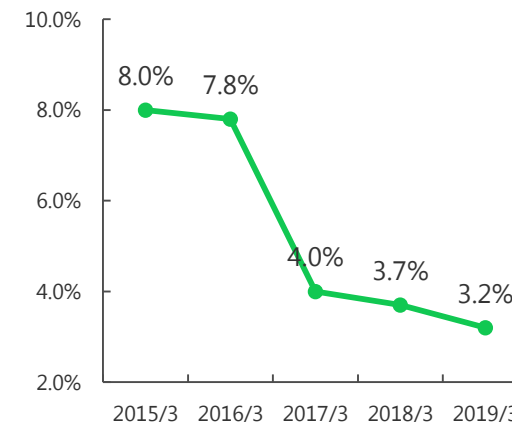


Capital Adequacy Ratio

(pertaining to the standard in Japan)

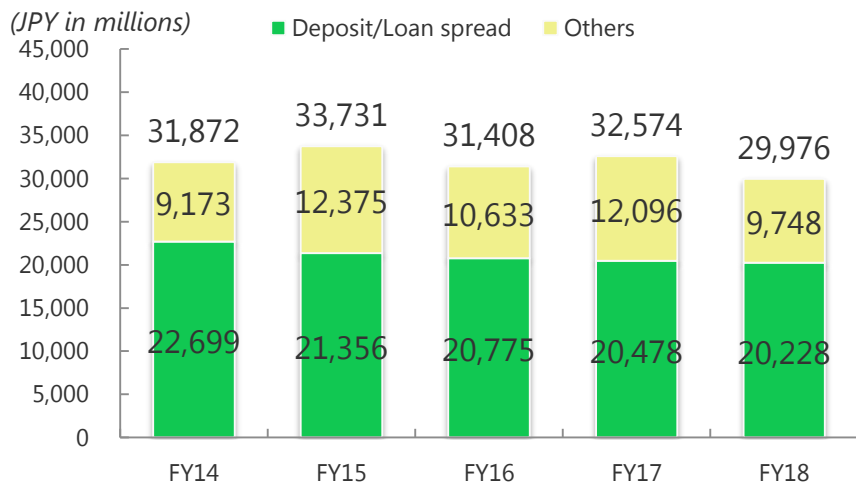


R O E (Return on Equity)

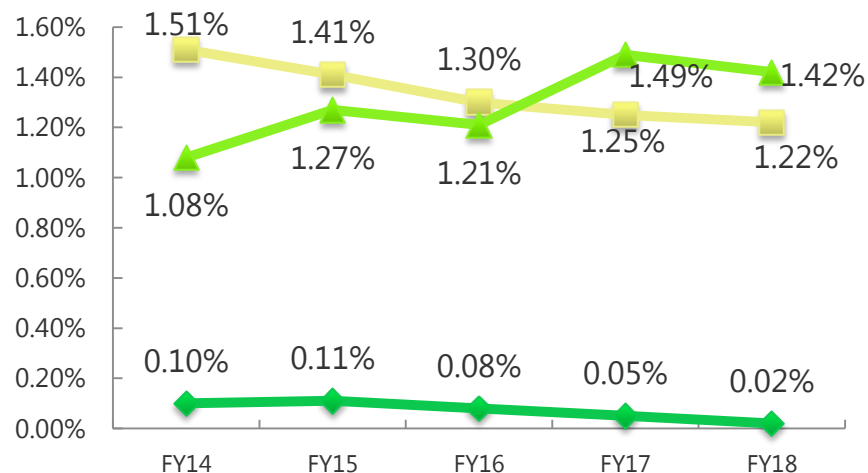


Net Interest Income

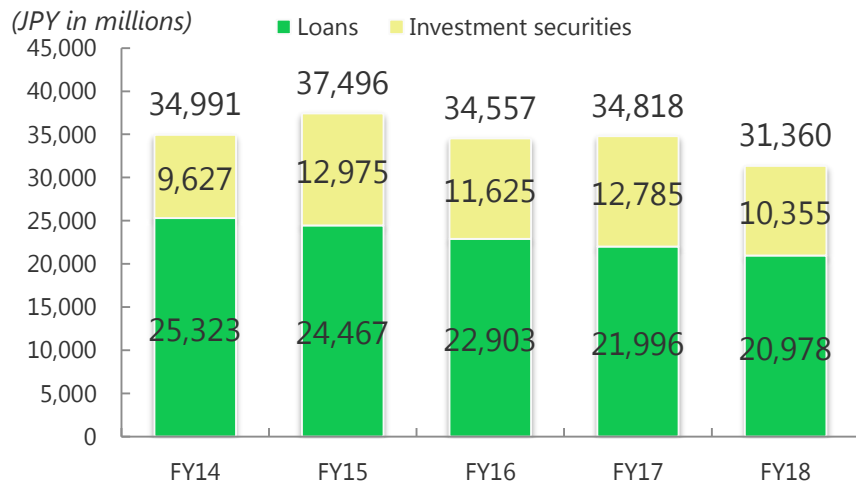
Net Interest Income



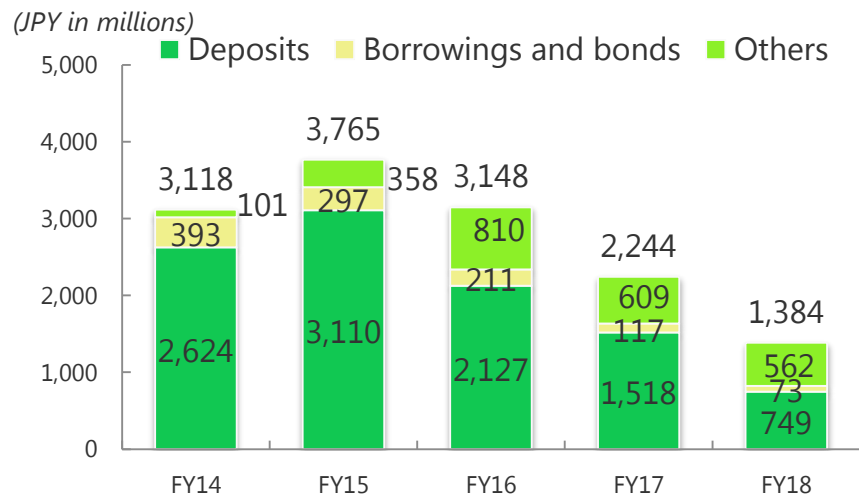
Deposit/Loan Rates and Investment Security Yield <2 Banks>



Interest Income

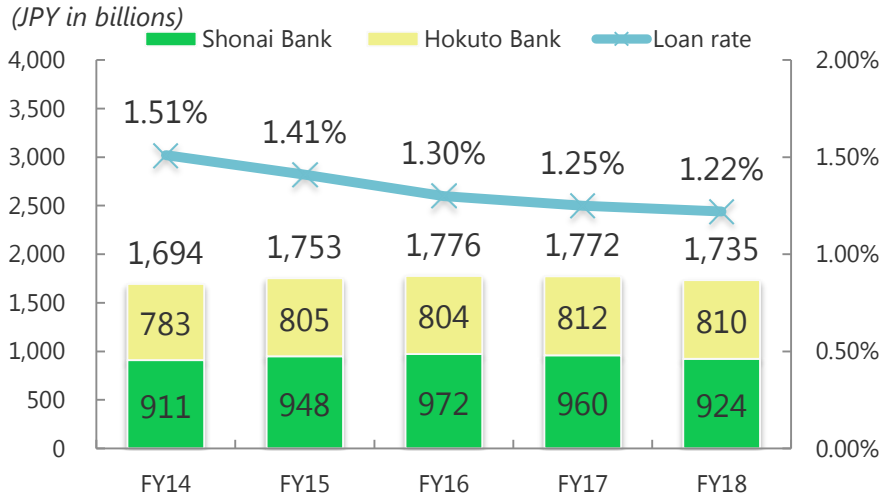


Interest Expenses

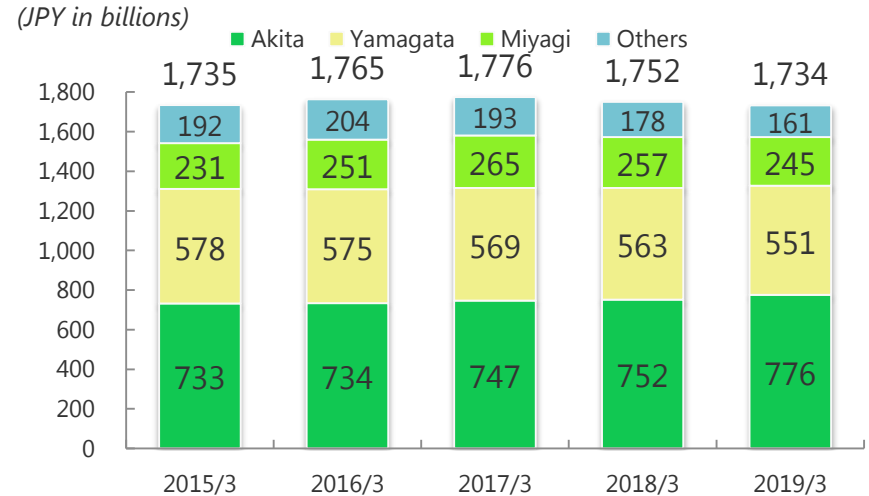


(Including Negotiable Deposits)

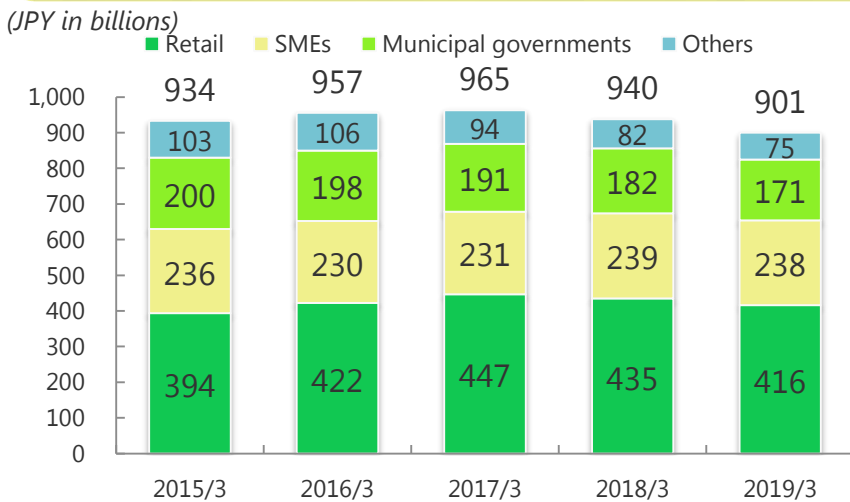
Average Balance and Loan Rate <2 Banks>



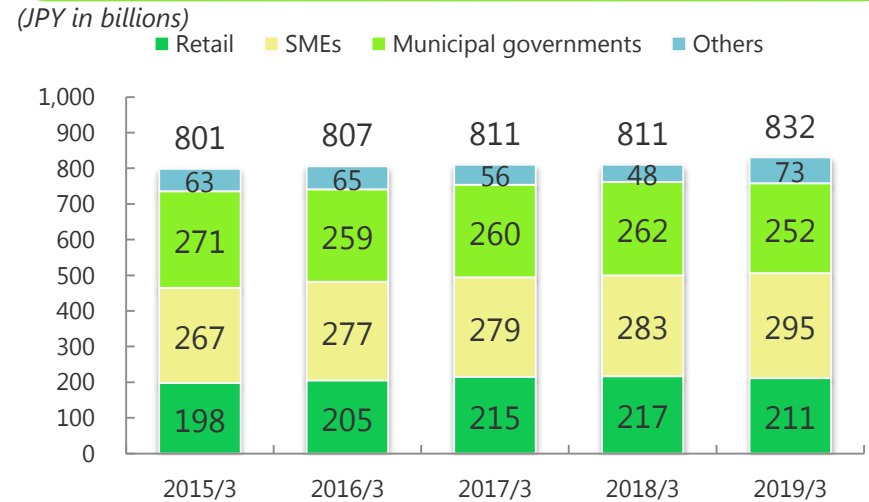
Balance by Prefecture <2 Banks>



Balance by Borrower <Shonai Bank>



Balance by Borrower <Hokuto Bank>



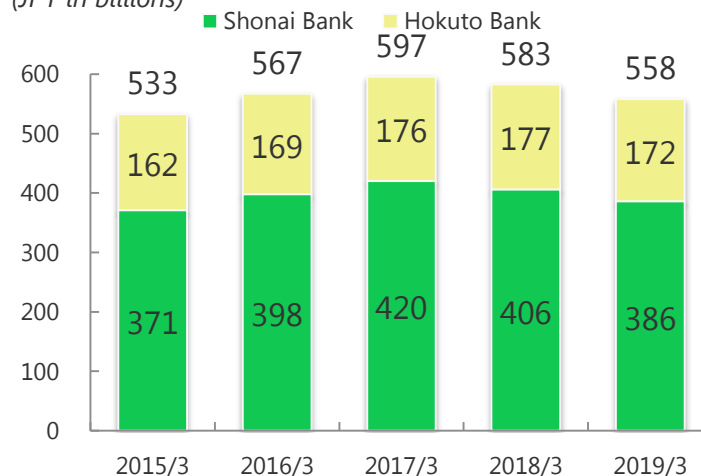
Breakdown of Loans

Loans Classified by Type of Industry <2Banks>

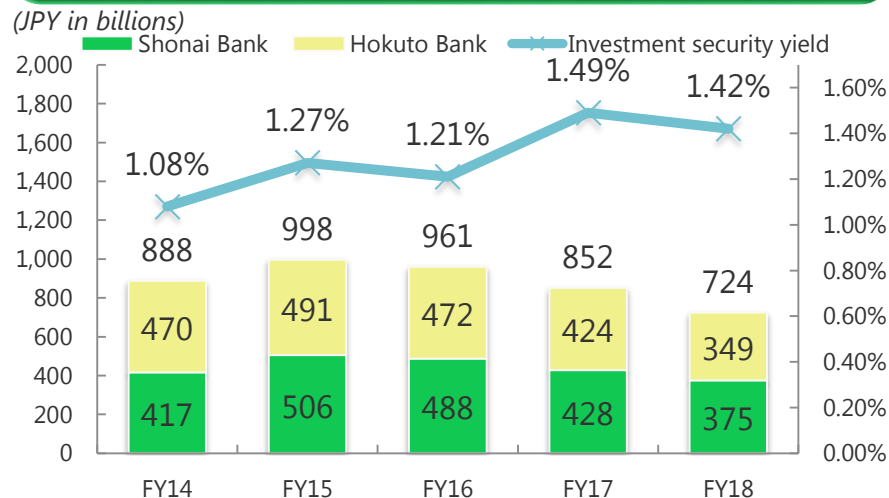
Type of industry (2banks)	2018/3		2019/3	
	JPY bn	%	JPY bn	%
Domestic offices (excluding loans booked at offshore markets)	1,752.7	100.0	1,734.5	100.0
Manufacturing	106.0	6.0	103.5	6.0
Agriculture and forestry	3.0	0.1	2.9	0.1
Fishery	0.1	0.0	0.1	0.0
Mining, quarrying of stone and gavel	2.3	0.1	2.0	0.1
Construction	57.9	3.3	61.6	3.5
Utilities	58.5	2.6	79.7	4.6
Communication and information services	6.9	0.3	5.8	0.3
Transport and postal activities	18.3	1.0	17.2	1.0
Wholesale and retail	87.1	4.9	85.9	4.9
Finance and insurance	77.9	4.4	71.4	4.1
Real estate and goods rental and leasing	107.9	6.1	104.8	6.0
Scientific research and professional and technical services	6.0	0.3	5.4	0.3
Accommodations, eating and drinking services	22.3	1.2	20.8	1.2
Living-related and amusement services	16.5	0.9	15.4	0.9
Education learning support	4.0	0.2	4.1	0.2
Medical, social welfare	50.4	2.8	49.1	2.8
Services	38.1	2.1	35.4	2.0
Municipal government	445.4	25.4	423.7	24.4
Others (Including Mortgage Loans)	643.3	36.7	644.7	37.1
Overseas offices and loans booked at offshore markets	-	-	-	-
Total	1,752.7	100.0	1,734.5	100.0

Mortgage Loans

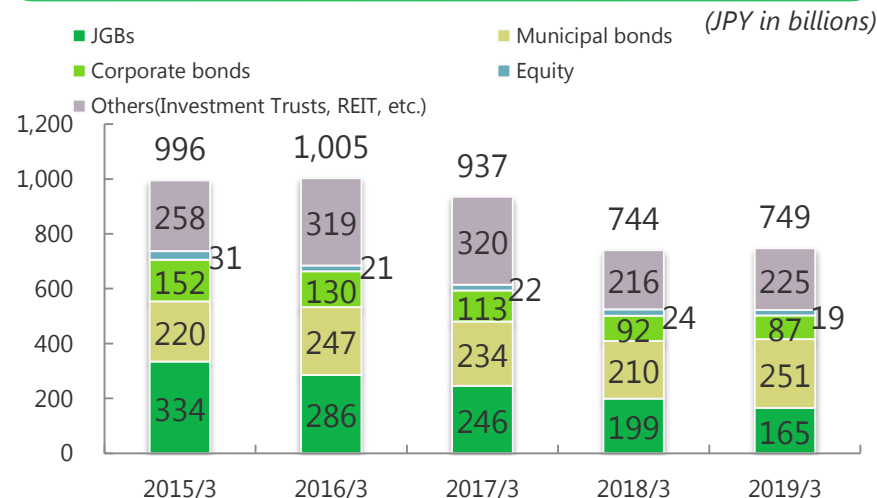
(JPY in billions)



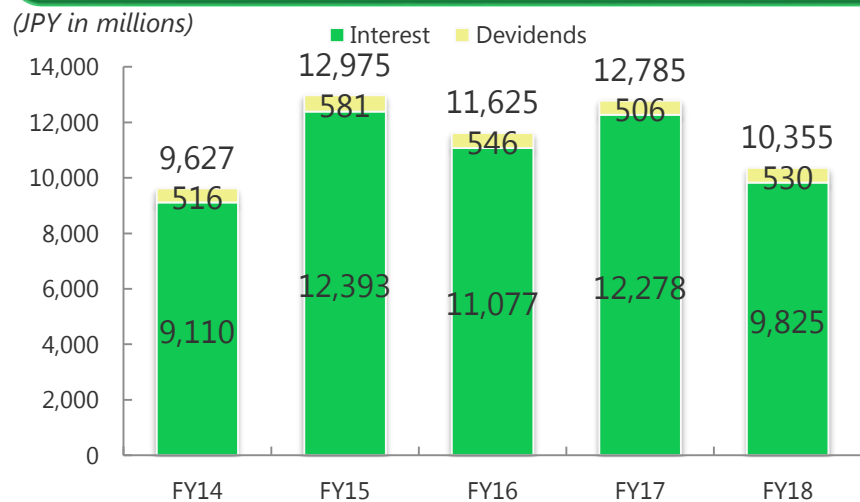
Average Balance and Investment Security Yield <2 Banks>



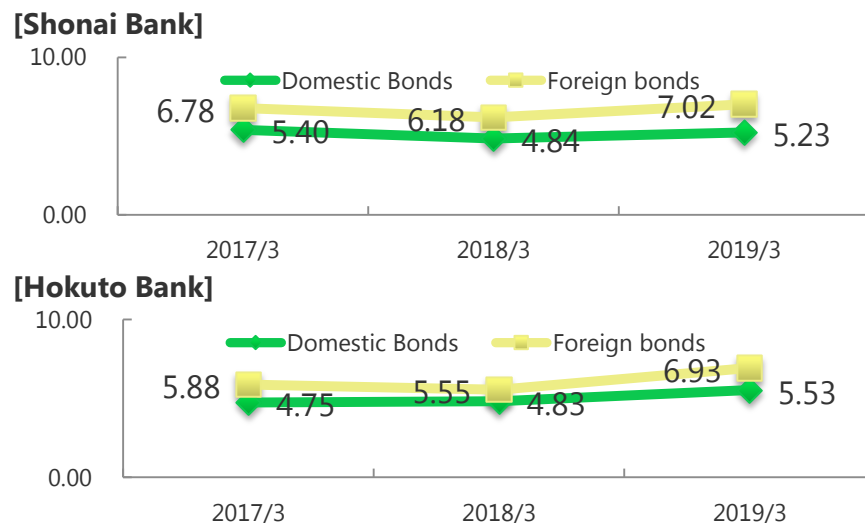
Balance by Product Type <2 Banks>



Interests and Dividend on Investment Securities



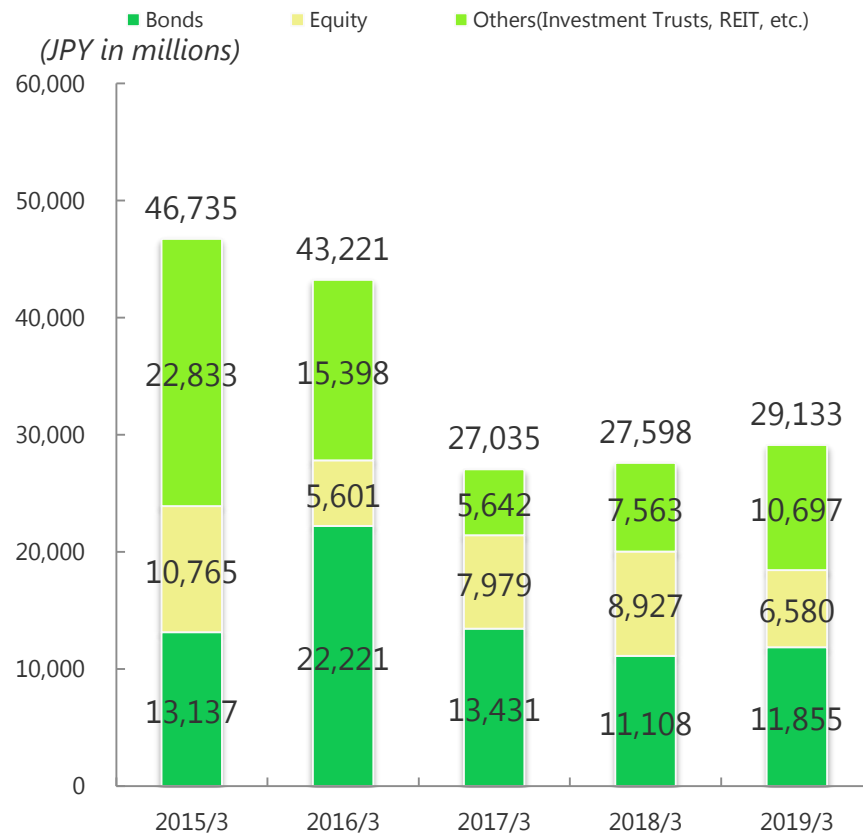
Duration of Bonds <non-consolidated>



Gains/Losses on sales of bonds

(JPY in millions)	FY14	FY15	FY16	FY17	FY18
Selling gains	1,276	2,683	4,775	2,479	3,718
Redemption gains	41	-	-	-	-
Selling losses	264	536	3,499	4,300	3,466
Redemption losses	-	-	-	-	-
Impairment	-	-	28	-	-
Gains/Losses on Debt Securities	1,053	2,147	1,247	(1,820)	252

Unrealized Gains/Losses on Securities Portfolio

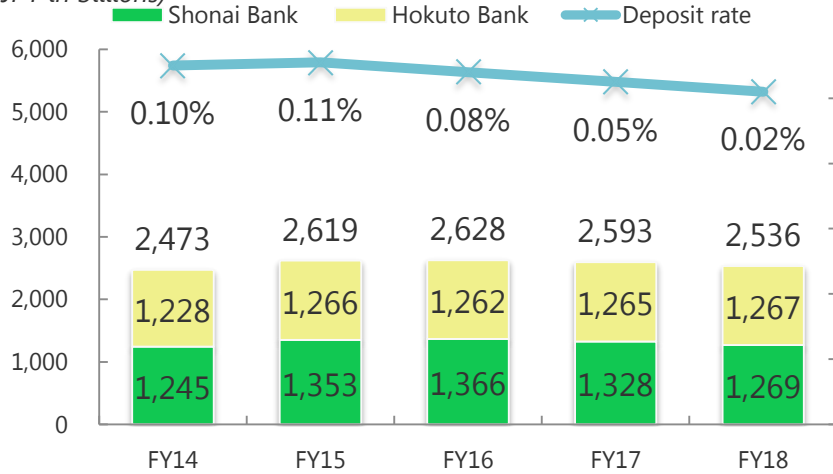


Gains/Losses on sales of stocks and other securities

(JPY in millions)	FY14	FY15	FY16	FY17	FY18
Selling gains	1,834	3,281	1,624	2,018	1,842
Selling losses	78	918	476	272	1,342
Impairment	36	24	15	28	0
Gains/Losses on Equity	1,718	2,338	1,132	1,717	498

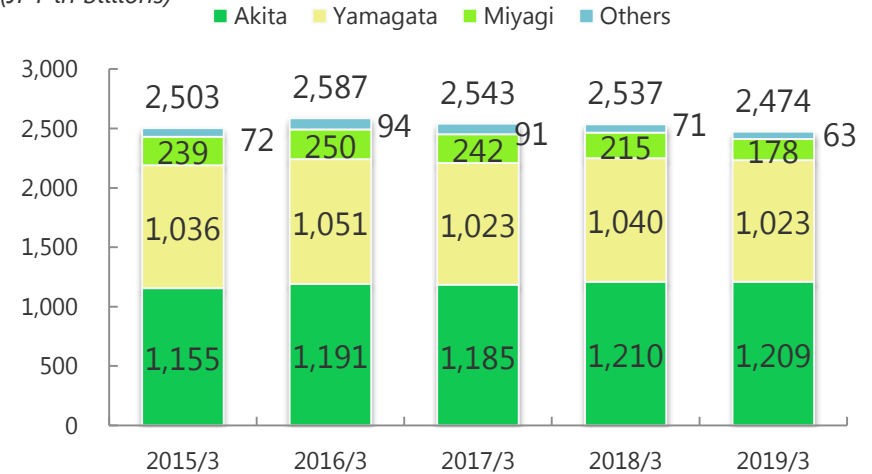
Average Balance and Deposit Rate (Including Negotiable Deposits) <2 Banks>

(JPY in billions)



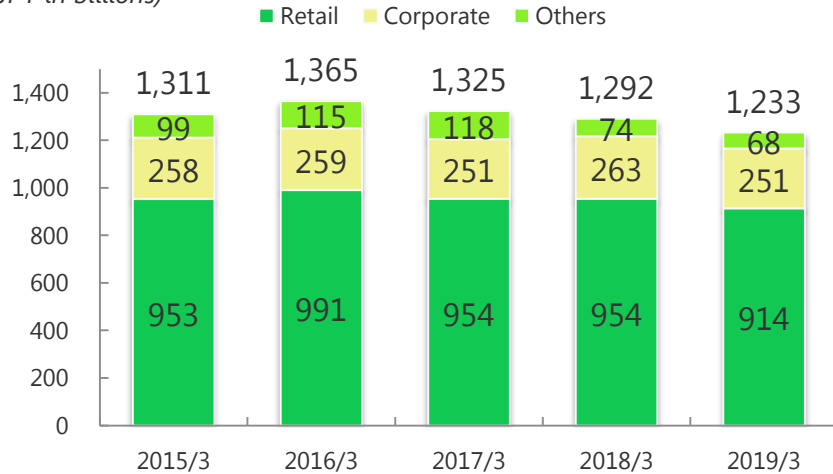
Balance by Prefecture <2 Banks>

(JPY in billions)



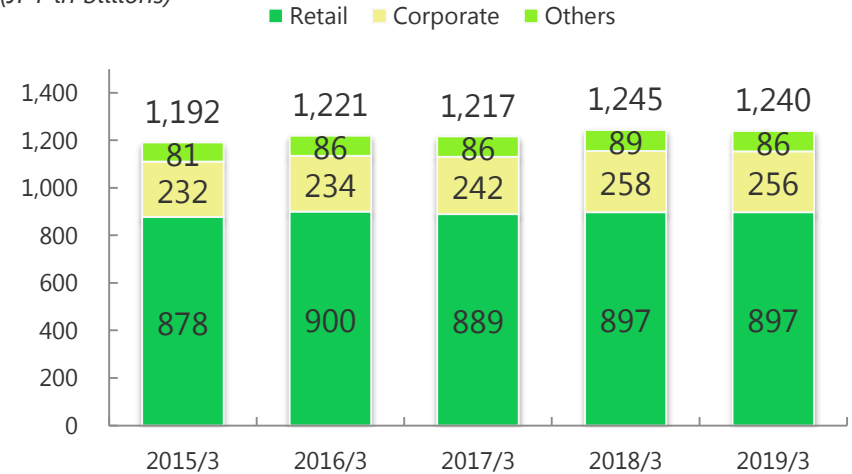
Balance by Depositor <Shonai Bank>

(JPY in billions)



Balance by Depositor <Hokuto Bank>

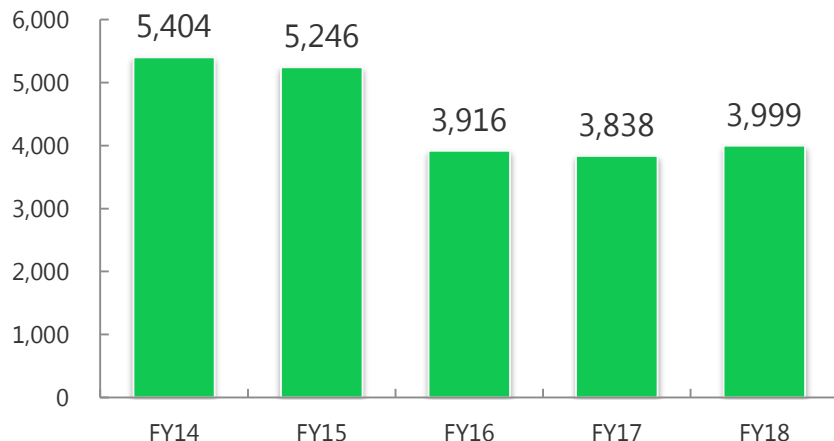
(JPY in billions)



Net Fees and Commissions

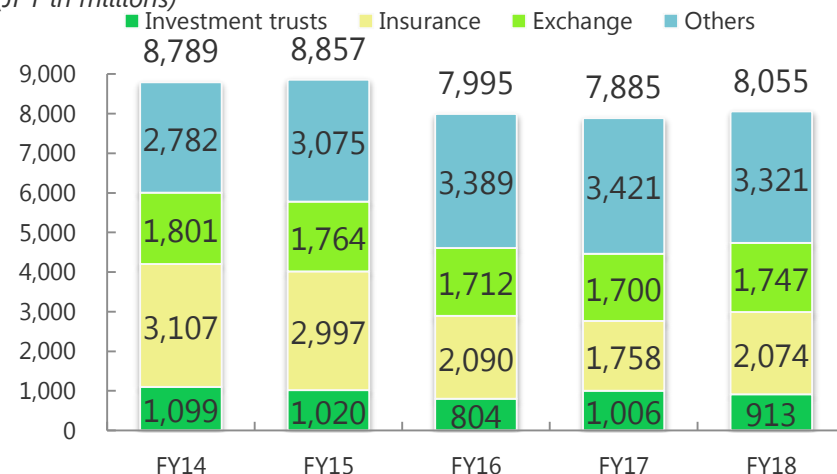
Net Fees and Commissions Income <2 Banks>

(JPY in millions)



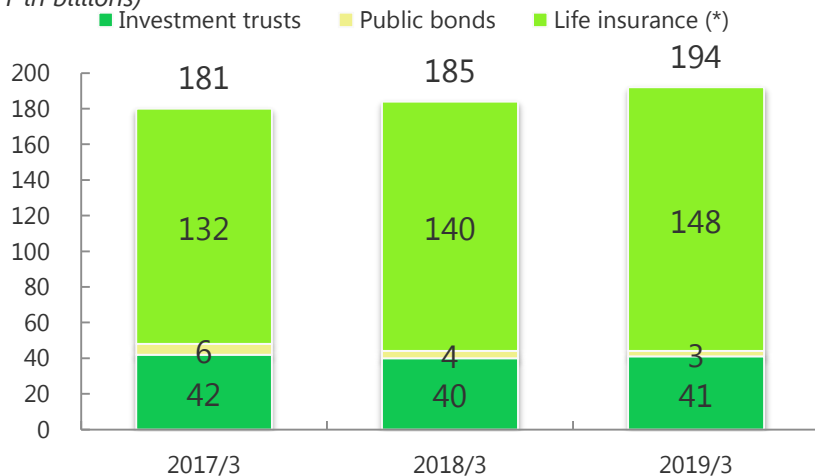
Net Fees and Commissions Revenue <2 Banks>

(JPY in millions)



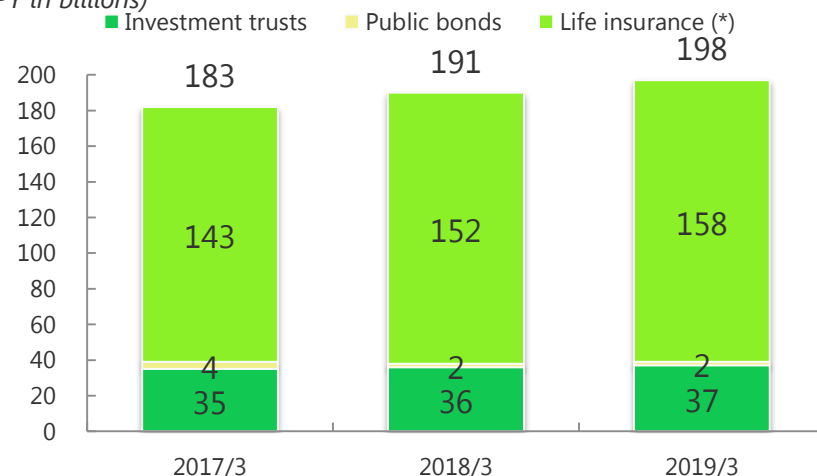
Investment Product Sales <Shonai Bank>

(JPY in billions)



Investment Product Sales <Hokuto Bank>

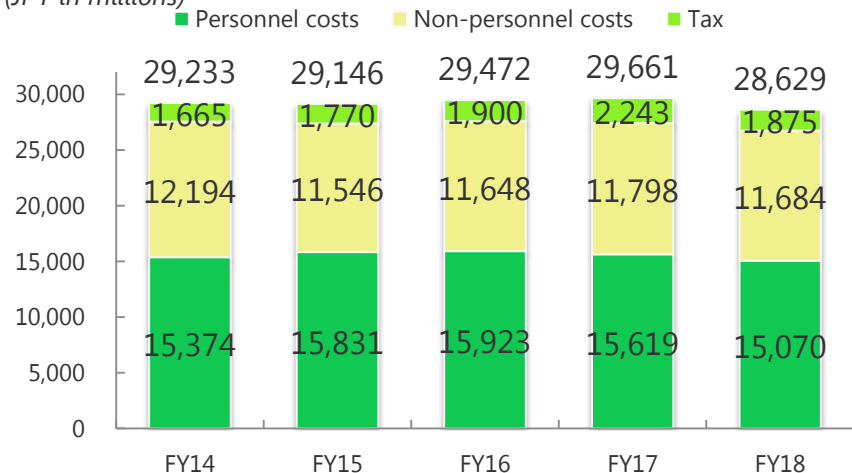
(JPY in billions)



* remaining balance of contracts as of term end

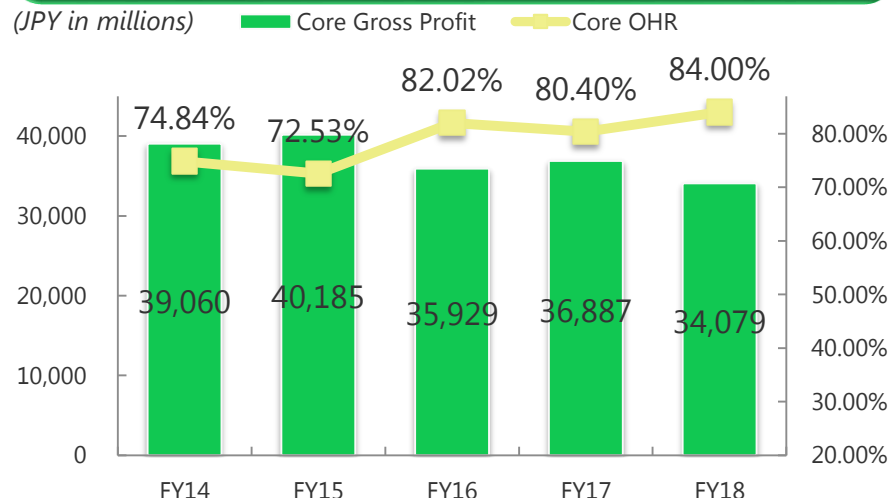
General and Administration Expenses

(JPY in millions)



Core Gross Profit and Core OHR

(JPY in millions)

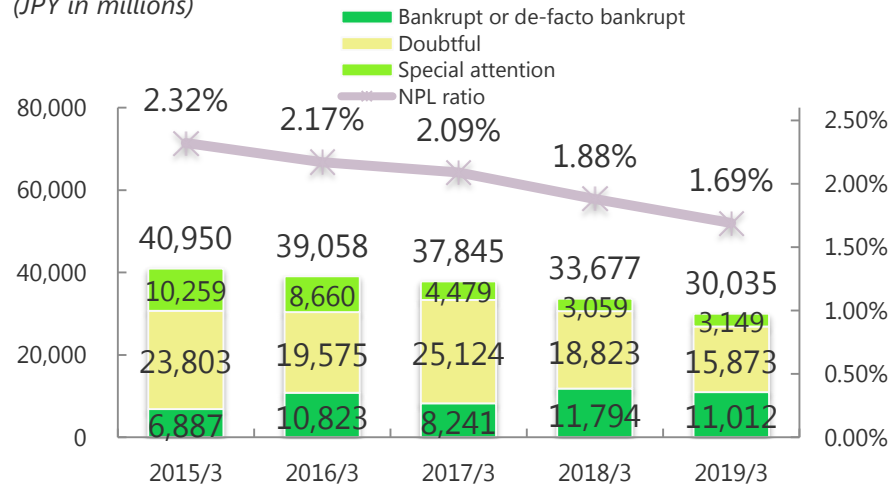


Credit Costs

(JPY in millions)	FY14	FY15	FY16	FY17	FY18
General allowance for loan losses	(23)	(12)	281	(713)	(44)
Write-off loans	2,735	2,861	2,982	2,005	740
Recoveries of written-off claims	191	214	150	104	157
Credit Costs	2,520	2,634	3,113	1,187	538

Non-Performing Loans <2 Banks>

(JPY in millions)



Covered Ratio of Non-Performing Loans <2 Banks>

2019 / 3 balance

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio $b \div a$
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	11,012	11,012	5,407	5,605	100.00%
Doubtful	15,873	14,061	11,826	2,234	88.58%
Special attention	3,149	2,078	1,294	783	65.98%
Total	30,035	27,151	18,528	8,623	90.39%

[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%



**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"

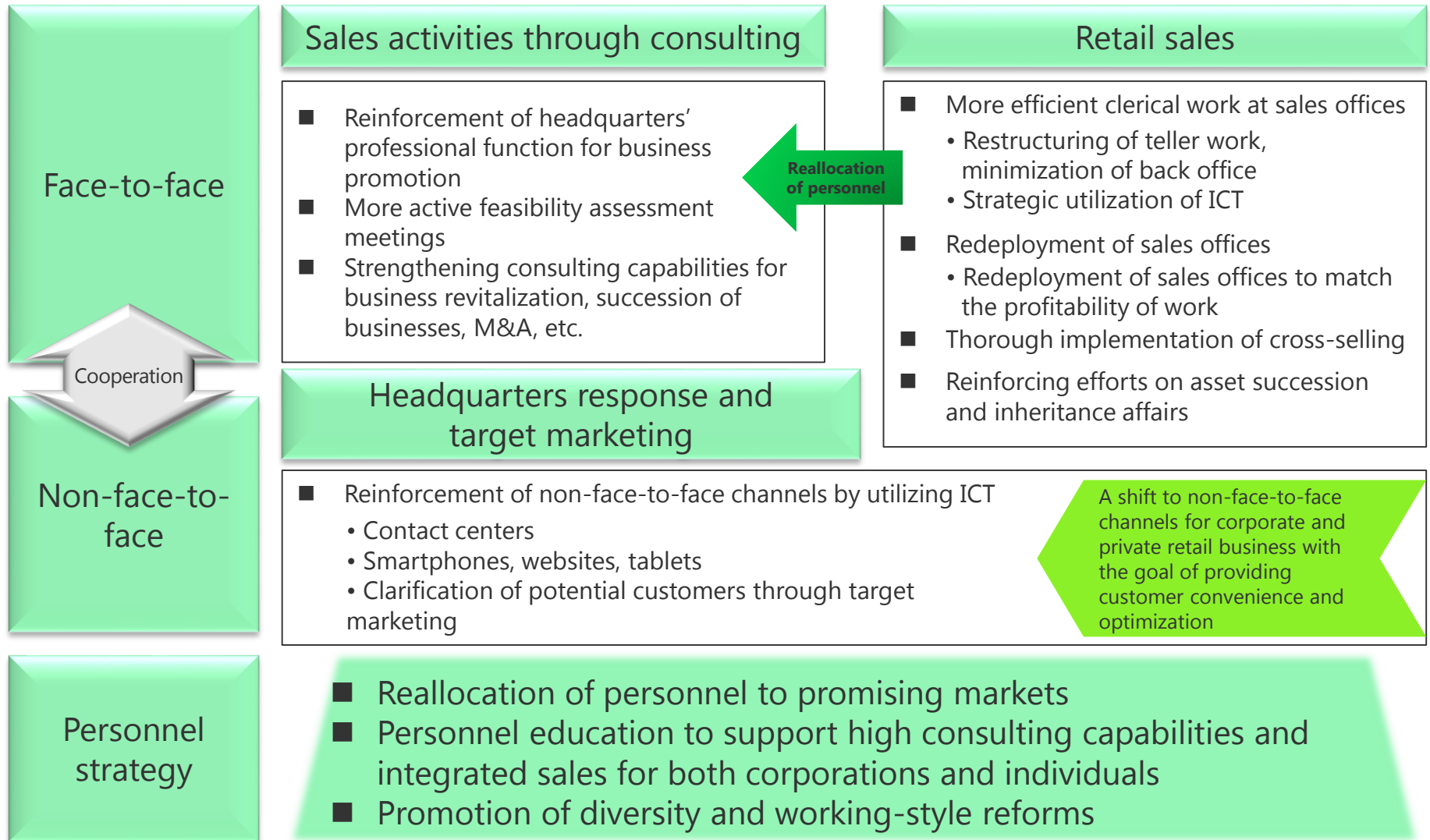
Slogan

Consulting & Innovation

Basic Policy

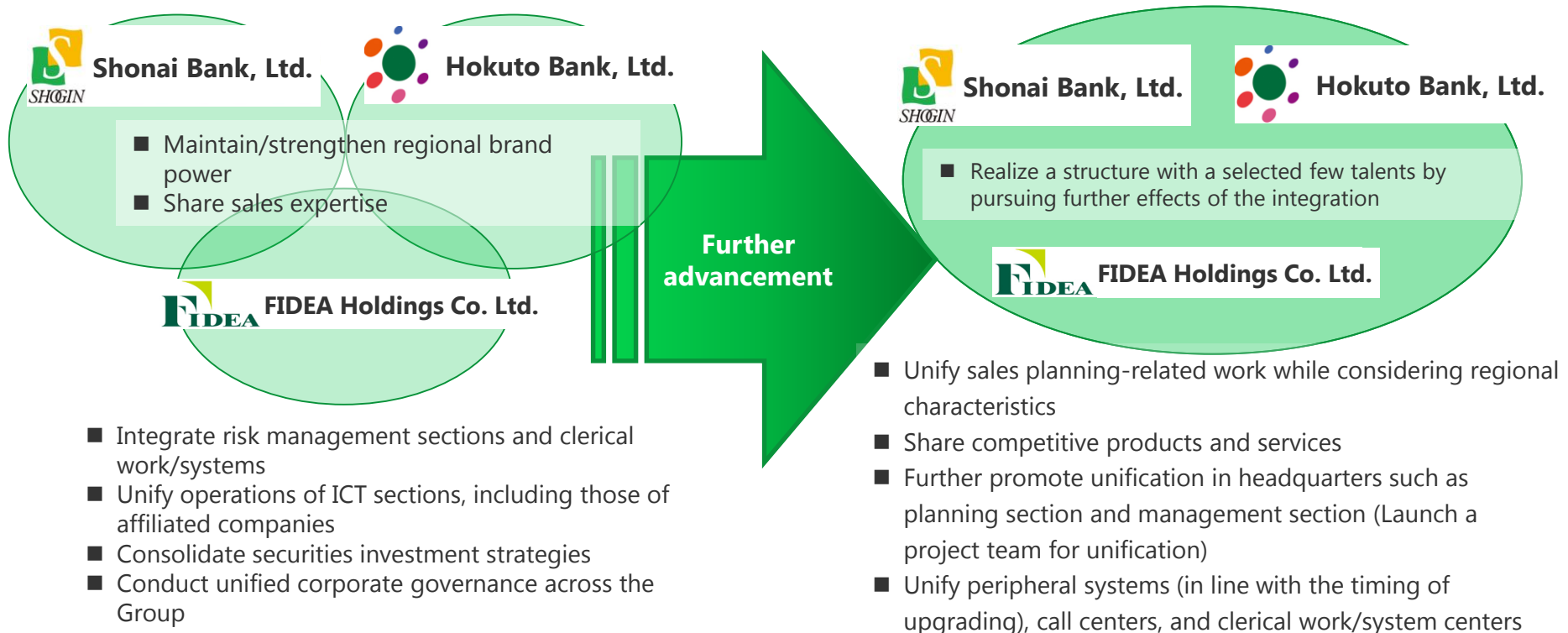
- (1) Exertion of consulting capabilities based on evaluation of customers' business potentials
- (2) Establishment of highly efficient retail sales structure
- (3) Reinforcement of personnel development to respond to the needs of customers
- (4) Pursuit of operational efficiency
- (5) Establishment 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 21.2 billion (as of May 31, 2019) 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 2019) • Yamagata:64, Miyagi:15, Akita:1, Fukushima:2 ,Tokyo: 4 and Web: 1



Hokuto Bank

Founded	1895
Headquarters	Akita city, Akita prefecture
CEO	Eikichi Saito
# of employees	832 (as of March 31, 2018)
Branches	85 (as of March 2019) • Akita:81, Miyagi:1, Yamagata:1 , Tokyo:1 and Web: 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

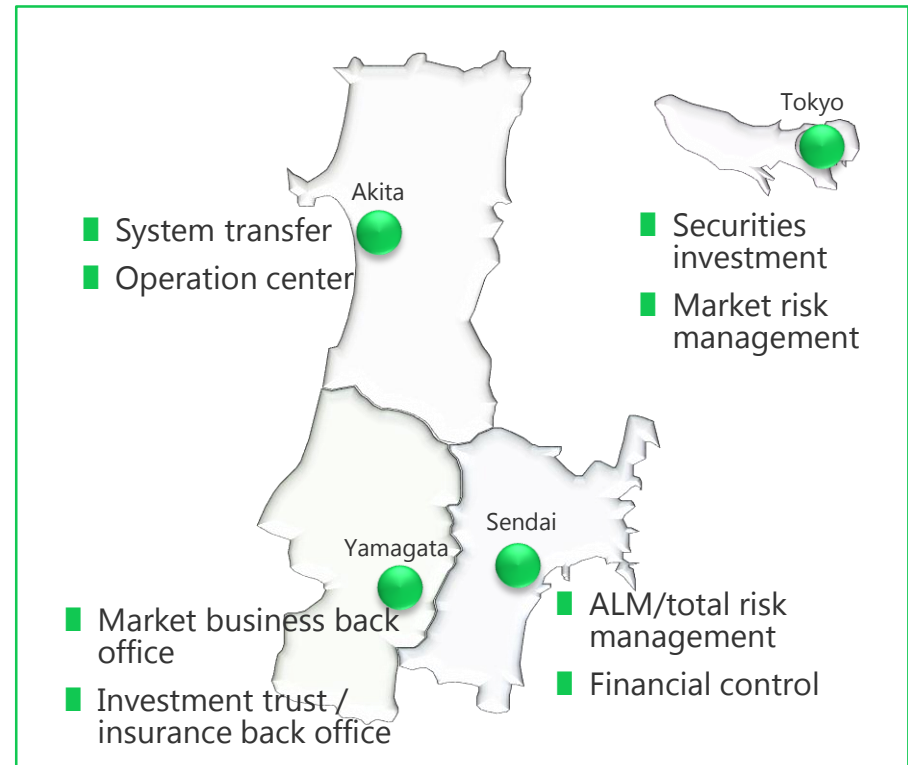
- " OPEN " means , " Open to any interested parties for encouraging them to join FIDEA"
- " PLATFORM " means, " FIDEA HOLDINGS is the platform integrating various expertise to carry on financial group strategy "

Revenue Accretion Initiatives under Single Strategy



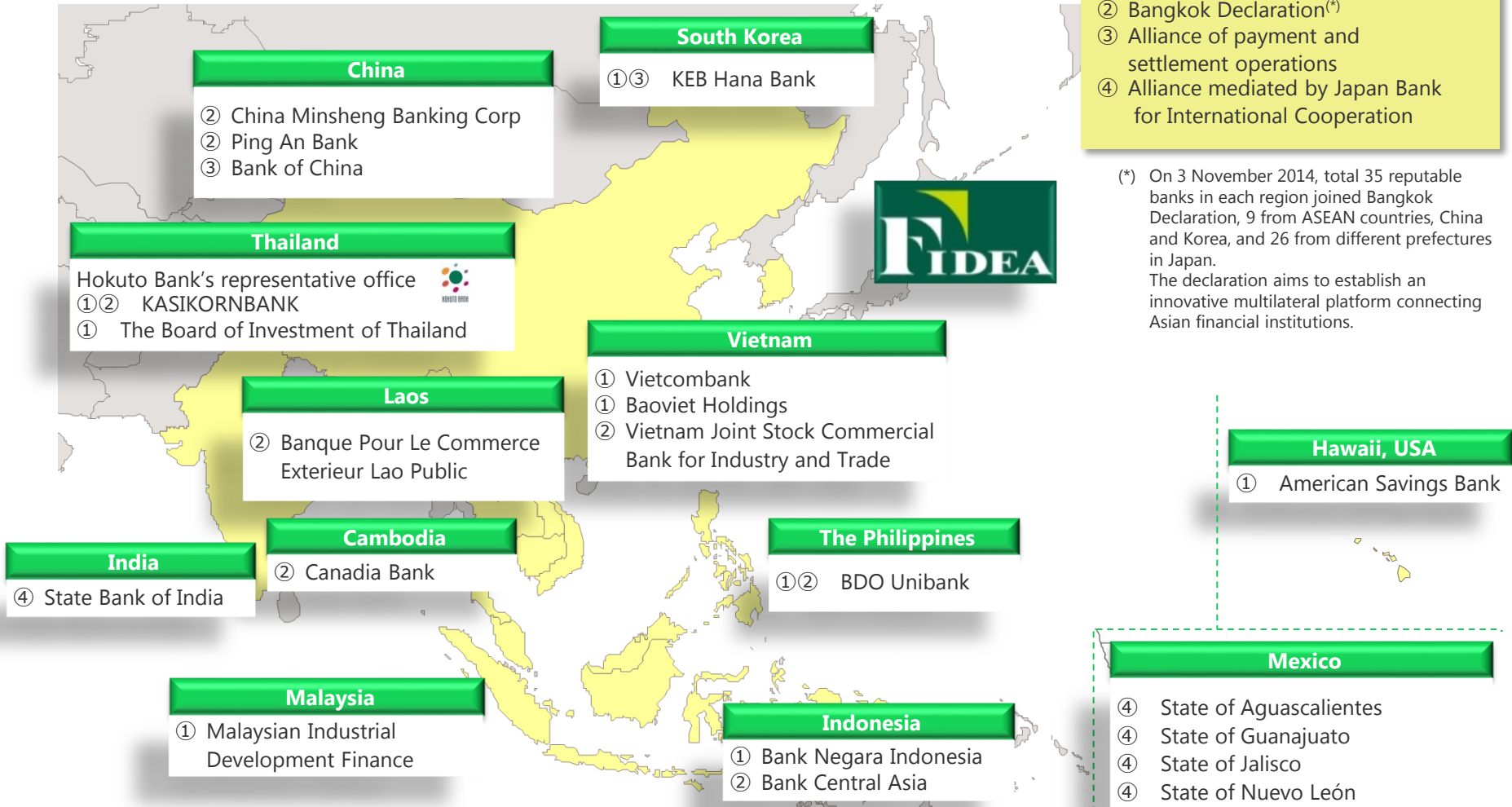
Integration of Middle and Back Office Functions and IT

- 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

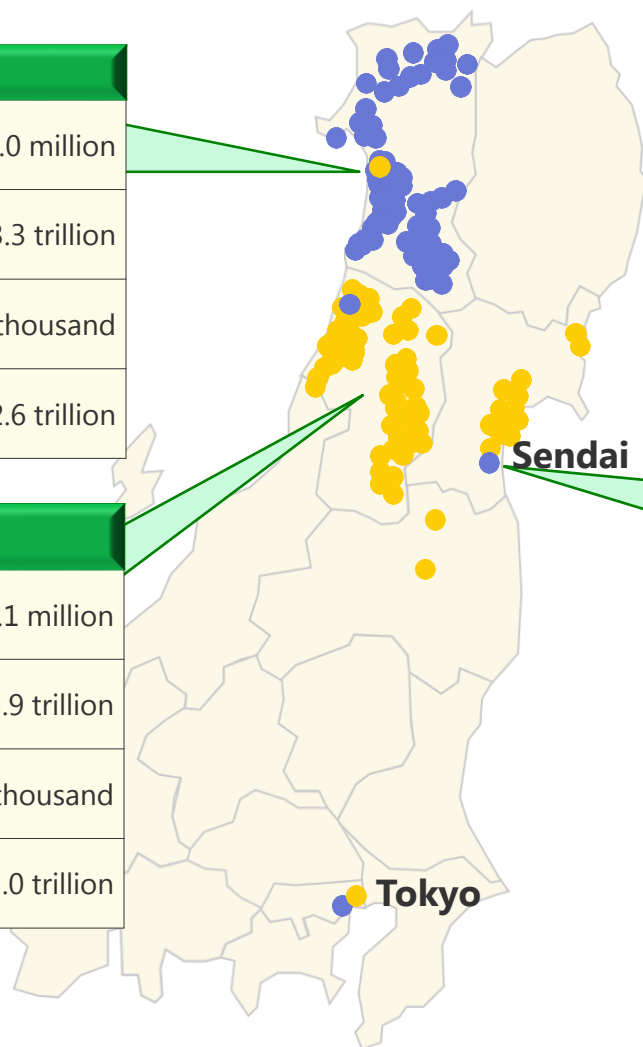
(*) On 3 November 2014, total 35 reputable banks in each region joined Bangkok Declaration, 9 from ASEAN countries, China and Korea, and 26 from different prefectures in Japan. The declaration aims to establish an innovative multilateral platform connecting Asian financial institutions.

■ 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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