

June 30, 2020

Translation

FIDEA Holdings Co. Ltd.

Announcement of Fourth Medium-term Management Plan

FIDEA Holdings Co. Ltd. (President & CEO: Yuichi Tao; hereinafter, “FIDEA”) hereby announces that we have formulated the Fourth Medium-term Management Plan for three years from FY2020 to FY2022.

In FY2017, FIDEA started the preceding plan, the Third Medium-term Management Plan. With “Consulting & Innovation” as a slogan, we strengthened our consulting capabilities to provide solutions to our customers, reformed the cost structure and clerical works at branches, and promoted the integration of our two banks, thereby establishing a leaner and meaner management structure and contributing further to regional revitalization.

Yamagata and Akita Prefectures, our operating base, have structural problems including declining and aging populations. Furthermore, the aftermath of the COVID-19 pandemic is likely to drag the regional economy and the surrounding business environment is becoming harsher. Under these adverse circumstances, in the Fourth Medium-term Management Plan, we aim to be a reliable bank with a fountain of wisdom that will provide services to satisfy the needs and challenges of our customers.

1. Name: Fourth Medium-term Management Plan

2. Plan period: FY2020 to FY2022 (Three years)

3. Vision:

- Continuously contribute to regional development as a community-based region-wide financial group
- Ensure and maintain financial soundness to act as financial mediators in the region
- Create a corporate culture that motivates, encourages and nurtures employees as well as enhancing the ES (employee satisfaction)

4. Slogan: Your reliable consulting bank with a fountain of wisdom

5. Basic Policy

(1) Strengthen the top-line profit:

- Expand intra-prefectural business loan bases and enhance service related profitability as a result of this expanded bases
- Revamp group's investment portfolio

(2) Reform cost structure

- Review area-based strategy constantly by concentrating regional competence, and optimize the staff allocation of the branches
- Take drastic cost reduction without sanctuary through complete integration of the two banks including headquarters functions

(3) Create an ideal working environment

- Create an ideal working environment to maximize each employee's potential

(4) SDGs/ESG Initiatives

- Take actions on the FIDEA Group SDGs Declaration

6. Target Indicators

- Targets for FY2022, the final year of the plan
 - Net income (Profit attributable to owners of parent): 3 billion yen or more
 - Precondition: Back to net operating "profit" of customer services section (*)
- ※ Consolidated capital adequacy ratio: In the 9% range
 - Long-term perspective
 - After repayment of public funds basis

(*) Net operating profit of customer services: "Gross profit in the customer service section" minus "Related expenses"

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FIDEA Group Fourth Medium-term Management Plan

「Your reliable consulting bank with a fountain of wisdom.」

June, 2020

Outline of Fourth Medium-term Management Plan

Vision	<ul style="list-style-type: none">❑ Continuously contribute to regional development as a community-based region-wide financial group❑ Ensure and maintain financial soundness to act as financial mediators in the region❑ Create a corporate culture that motivates, encourages and nurtures employees as well as enhancing the ES (employee satisfaction)
Slogan	Your reliable consulting bank with a fountain of wisdom
Plan Period	FY2020 to FY2022 (Three years)
Basic Policy	<ul style="list-style-type: none">(1) Strengthen the top-line earning power<ul style="list-style-type: none">➢ Expand intra-prefectural business loan bases and enhance service related profitability as a result of this expanded bases➢ Revamp group's investment portfolio(2) Reform the cost structure<ul style="list-style-type: none">➢ Review area-based strategy constantly by concentrating regional competence, and optimize the staff allocation of the branches➢ Take drastic cost reduction without sanctuary through complete integration of the two banks including headquarters functions(3) Create an ideal working environment<ul style="list-style-type: none">➢ Create an ideal working environment to maximize each employee's potential(4) SDGs / ESG Initiatives<ul style="list-style-type: none">➢ Take actions on the FIDEA Group SDGs Declaration
Target Indicators	<ul style="list-style-type: none">❑ Targets for FY2022, the final year of the plan<ul style="list-style-type: none">Net income (Profit attributable to owners of parent): 3 billion yen or more<ul style="list-style-type: none">-Precondition: Back to net operating “profit” of customer services section (*)※ Consolidated capital adequacy ratio: In the 9% range<ul style="list-style-type: none">-Long-term perspective-After repayment of public funds basis <p style="text-align: right;">(*) Net operating profit of customer services: “Gross profit in the customer service section” minus “Related expenses”</p>

Review of Third Medium-term Management Plan: (1) Target Indicators

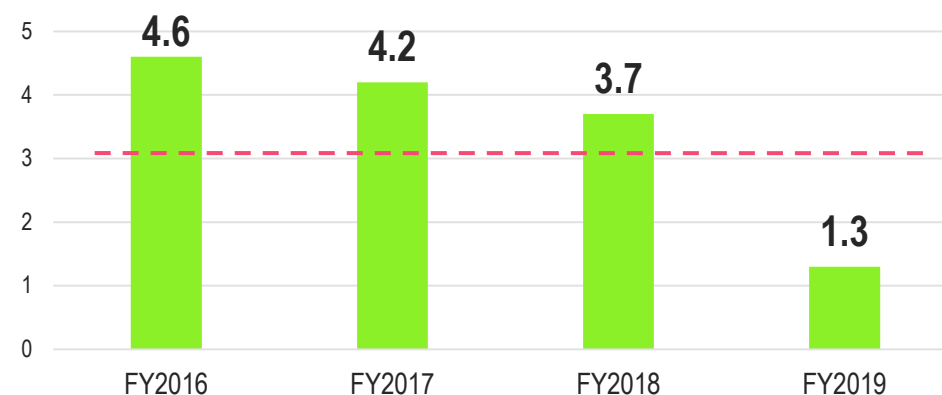
❑ In FY2019, the final year of the third medium-term management plan, the Group fell short of the targets of the net income (profit attributable to owners of parent) and the ratio of fees and commissions. It was mainly due to our strategic action to reduce the risk assets to maintain financial soundness under the unstable financial market affected by the COVID-19 pandemic, resulting in a 3.8 billion yen loss on securities sold by the investment section in March 2020, and also the decrease of fee income as the sales of investment trusts and life insurances decreased.

❑ We maintained the capital adequacy ratio in the 9% range by strict control of the risk assets despite the premature redemption of subordinated debt (total 10 billion yen).

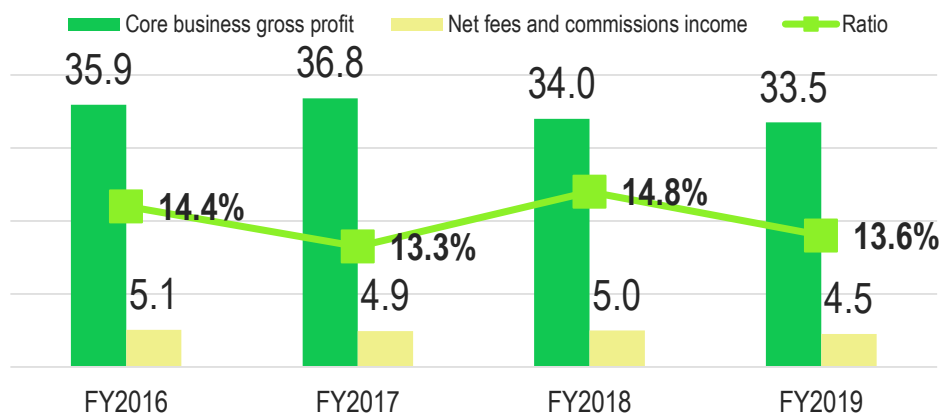
Third Medium-Term Management Plan Target Indicators (consolidated)		Final Year (FY2019) Targets
Profitability	Net income (Profit attributable to owners of parent)	¥3 billion or more
Management strategy	Ratio of fees and commissions (Ratio against core business gross profit)	19% or more
Financial soundness	Capital adequacy ratio	In the 9% range

*Units: billion yen

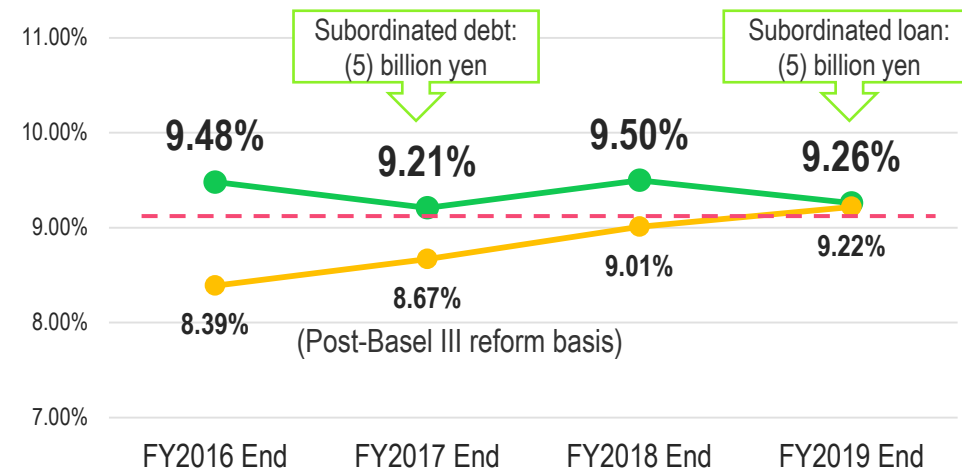
Net income (Profit attributable to owners of parent)



Ratio of Fees and Commissions (consolidated)



Capital adequacy ratio (consolidated, under Japanese domestic standard)



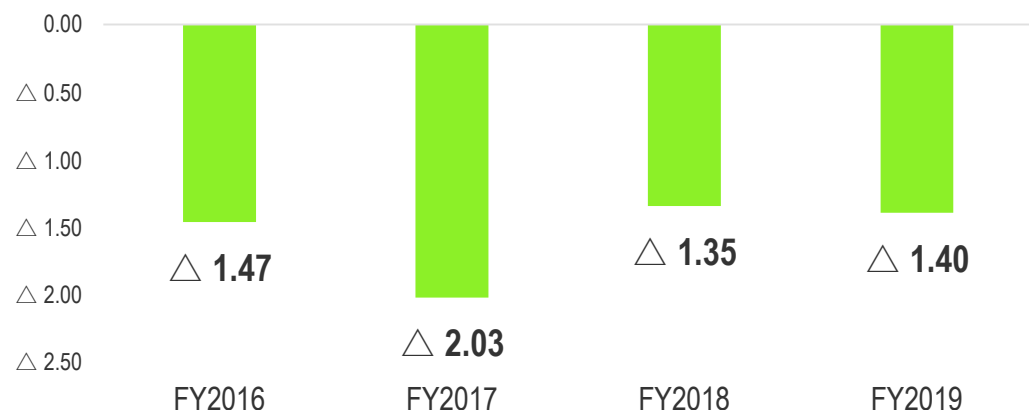
Review of Third Medium-term Management Plan: (2) Main Indicators

- Net operating profit/loss of customer services (*) remained approximately the same year on year, not returning to profitability
- Achieved more-than-initially-planned cost reduction (¥1.5 billion vs. ¥1.82 billion); however, loan-to-deposit spread contracted due to prolonged negative interest rates. Furthermore, the net fees and commissions income decreased due to the sales decrease during the COVID-19 pandemic and the fee reduction of life insurance sales

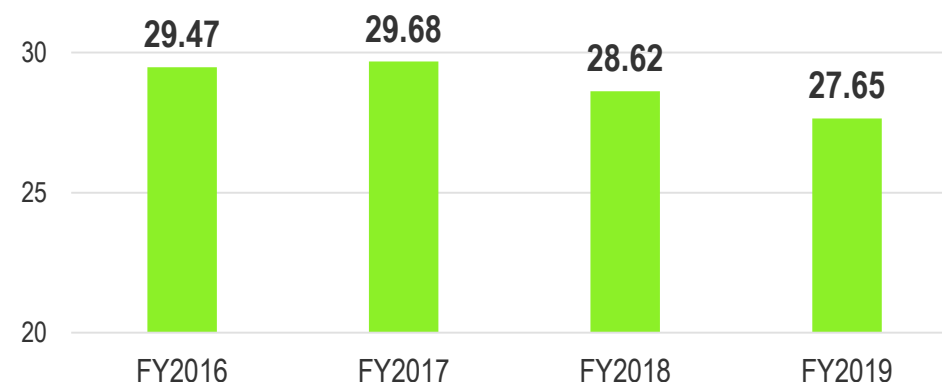
(*) Net operating profit of customer services: "Gross profit in the customer service section" minus "Related expenses"

* Units: billion yen

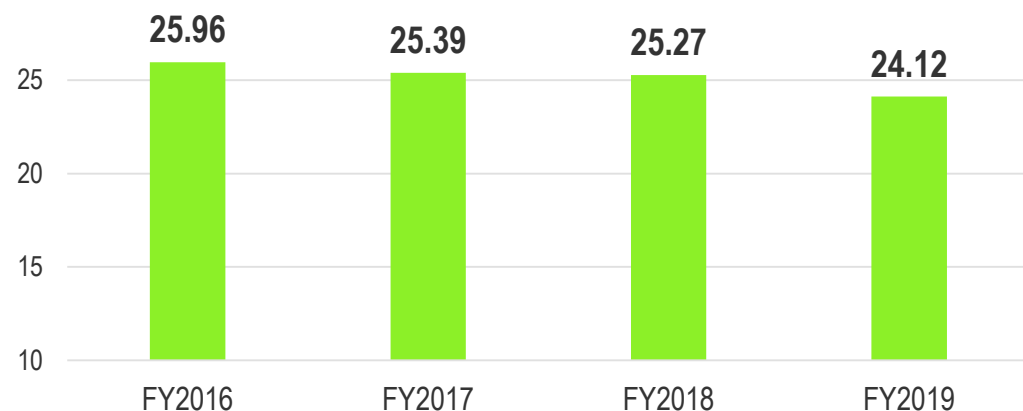
Net operating profit/loss of customer services (*) (2 banks)



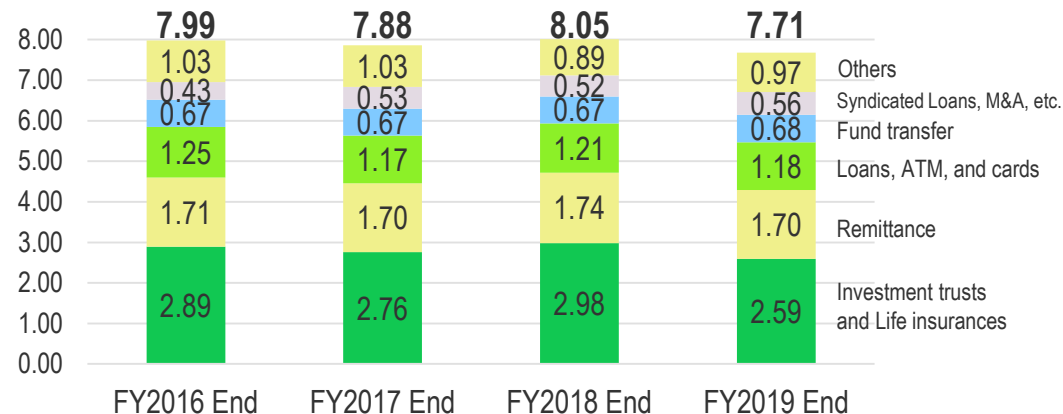
Expenses (consolidated)



"Loan-to-deposit spread" + "Net fees and commissions income" (consolidated)



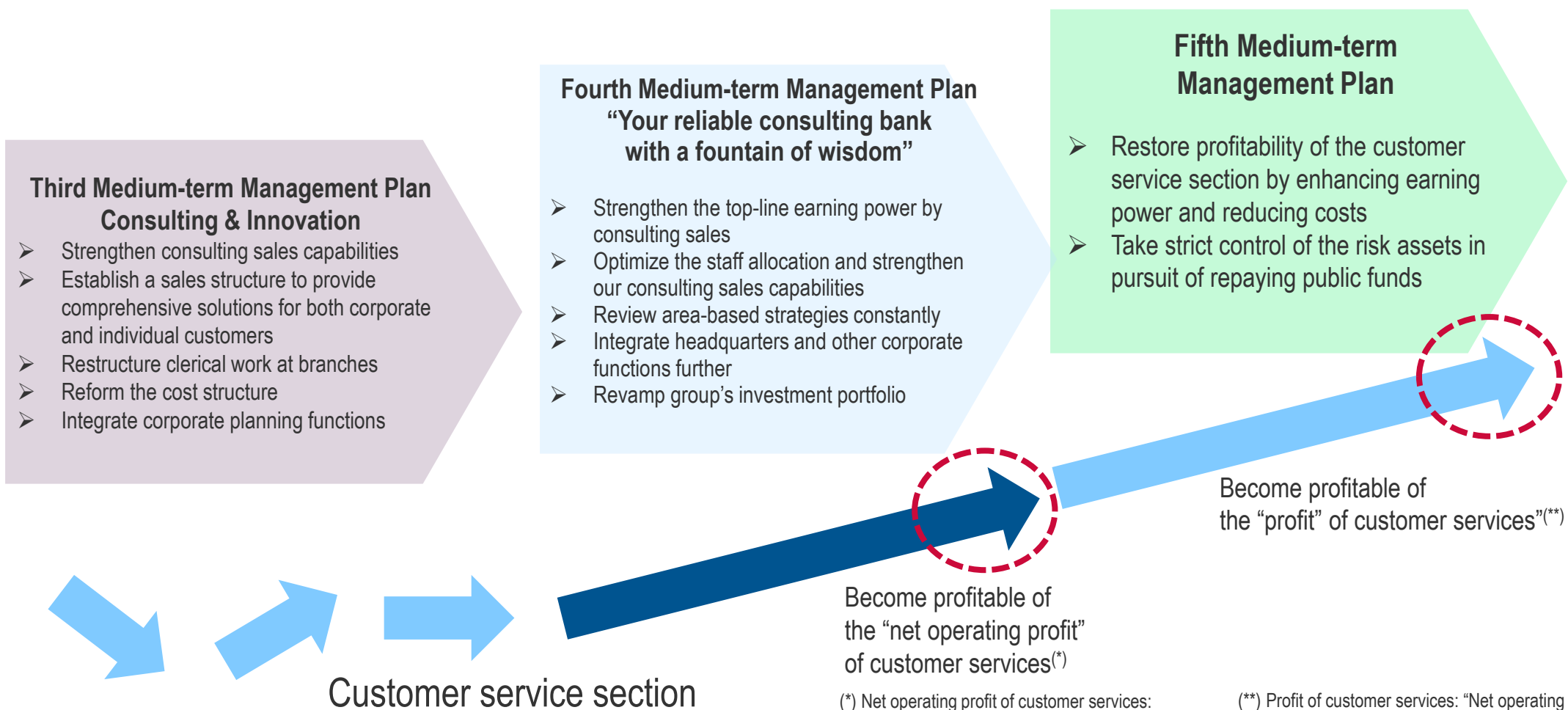
Breakdown of fees and commissions income (2 banks)



Direction of Fourth Medium-term Management Plan

- ❑ Strive to make the customer service section profitable under the Fifth Medium-term Management Plan by expanding the intra-prefectural customer bases, especially business loans, with comprehensive solutions for both corporate and individual customers and consulting sales tailored to each customer segment. Strengthen the top-line earning power from sales commission of investment trust and life insurance, and fees from corporate businesses through the above-mentioned operations. In addition, make drastic cost reduction
- ❑ Establish a lean operating management structure that enables steady accumulation of retained earnings in pursuit of repaying public funds by the end of FY2024

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
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(*) Net operating profit of customer services: “Gross profit in the customer service section” minus “Related expenses”

(**) Profit of customer services: “Net operating profit of customer services” minus “Credit-related expenses”

Practical Approaches

Business Policy under Fourth and Fifth Medium-term Management Plans

- ❑ **Customer service section:** Become profitable by improving earning power steadily through accelerating consulting sales, maintaining loan interest rates and increasing noninterest earnings.
- ❑ **Investment section:** Reconstruct group's investment portfolio to realize stable revenue while paying attention to liquidity, interest rate and price fluctuation risks.
- ❑ **Cost structure:** Reform cost structure, in response to narrowing interest margin, by integrating operations of the headquarters and business bases, shifting to paperless operations with ICT and streamlining clerical works at branches, thereby continuing to improve efficiency.
- ❑ **Capital adequacy ratio:** Continue controlling the risk assets to pave the way for repaying public funds before the conversion of the preferred shares into common shares (March 2025); the target level of the capital adequacy ratio after full repayment will be 9% or above.

Fourth Medium-term Management Plan: Practical Approaches under Basic Policy

<p>(1) Strengthen the top-line earning power (customer services section)</p>	<p>(Strengthen consulting sales capabilities)</p> <ul style="list-style-type: none"> ❑ Promote sales activities with the business structure to provide comprehensive solutions for both corporate and individual customers based on customers' needs, and expand the intra-prefectural business loan customer bases and noninterest income ❑ Create OJT-based educational programs to improve sales skills for both corporate and individual customers ❑ Develop advanced personnel education to nurture professionals with higher consulting skills ❑ Review area-based and channel strategies constantly to optimize the branch network and staff allocation
<p>(2) Reform the cost structure</p>	<p>(Expand non-face-to-face channel services)</p> <ul style="list-style-type: none"> ❑ Expand non-face-to-face channel services to streamline branch operations and reallocate branch staff as sales specialists who handle both individual and corporate customers ❑ Utilize non-face-to-face tools such as smartphone apps ❑ Enhance the contact center operations to expand non-face-to-face transactions (online, phone, and chatbot) ❑ Increase efficiency of branch operations by shifting to paperless, increasing self-service transactions and reducing clerical work
<p>(3) Create an ideal working environment</p>	<ul style="list-style-type: none"> ❑ Unify business locations as well as headquarter operations of the group companies, and promote staff efficiency of headquarters ❑ Consolidate subsystems to complete integration of operations at both branches and the headquarters ❑ Constant and flexible review of the capital investment plans by the cross-Group investment committee <ul style="list-style-type: none"> ❑ Through extensive modification, establish human resource systems, reform working-style and provide employees' benefits; intending to encourage staff to achieve each one's dream ❑ Enhance ES (employee satisfaction) so as to enhance CS (customer satisfaction)
<p>(4) Implement the SDGs Declaration</p>	<ul style="list-style-type: none"> ❑ Under the FIDEA Group SDGs Declaration, all employees and executives will take proactive actions on "FIDEA's Key Initiatives".

FIDEA Group SDGs Declaration



- ❑ The FIDEA Group supports the SDGs (Sustainable Development Goals) adopted at the United Nations Summit and will pursue sustainable development of the community by tackling regional issues.
- ❑ All employees and executives of the FIDEA Group will take proactive actions on the SDGs to provide benefit to our community and the next generation.

FIDEA's Key Initiatives

1. Pursue sustainable growth of the regional economy

We will be closely involved with the community and customers, and work together to achieve their sustainable growth by fulfilling the needs and demands.



2. Achieve environmental sustainability of the region

We will promote environmental sustainability through environment-conscious management against global warming and climate change.





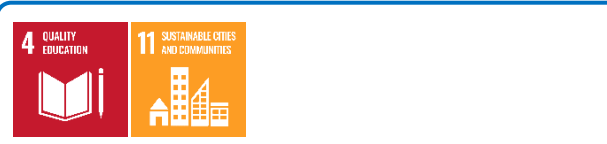





3. Create an ideal working environment to maximize each employee's potential

We will create a positive working environment that allows all employees to maximize their full potential and enhance their satisfaction as well as motivation.



SDGs/ESG Major Sustainability Achievements

	<p>Offer financial assistance through the Shonai Bank Furusato Fund and the Kumeta-ugo Scholarship Foundation</p> <p style="text-align: right;">ESG</p>
	<p>Support agribusiness with Akita Shokusai Produce and Akita Vegeful Support</p> <p style="text-align: right;">ESG</p>
	<p>Run the office of the Advanced Medical Care International Exchange Council of Faculty of Medicine, Yamagata University, and support to launch the East Japan Heavy Ion Center in 2021 with a world-leading technology</p> <p style="text-align: right;">ESG</p>
	<p>Cooperate with the local governments to revitalize region by supporting the Akita CCRC (Continuing Care Retirement Community) project, and offer training facilities for the Tokyo Olympic Games international teams</p> <p style="text-align: right;">ESG</p>
	<p>Support and encourage regional sports, cultural and artistic activities by operating a badminton junior club by our badminton team as supervisors, and by promoting regional culture and art</p> <p style="text-align: right;">ESG</p>
	<p>Support women's empowerment by creating working environment that promote employee retention such as the onsite childcare centers and the reemployment systems</p> <p style="text-align: right;">ESG</p>
	<p>Support to develop renewable energy with the Akita Wind Power Consortium that aims to contribute to local society by utilizing the rich wind energy resources, and support to generate solar and biomass power</p> <p style="text-align: right;">ESG</p>
	<p>Launch and operate the Shonai Bank Kaneyama KIZUNA Forestation Project</p> <p style="text-align: right;">ESG</p>



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

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