



FY2020 Interim Financial Highlights & FY2020 Prospects

FIDEA HOLDINGS CO. LTD.

December 2020

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)

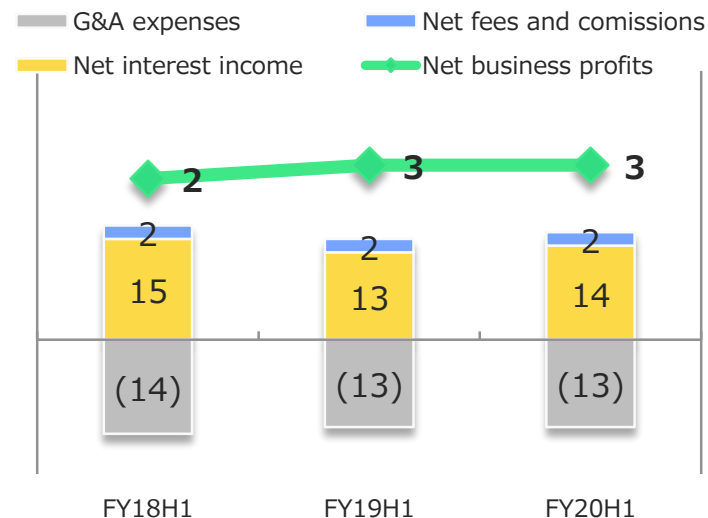
FY2020 H1 Financials Summary

(JPY in billions)	FY19H1 (results) ①	FY20H1		y-o-y ③-①	Results vs. projected ③-②
		(projected) ②	(results) ③		
Ordinary revenue	24.7	-	23.7	(1.0)	-
Gross profits	17.7	15.4	16.7	(1.0)	1.3
Core Gross profits	16.1	15.5	17.0	0.9	1.5
Net interest income	13.9	12.9	14.5	0.6	1.6
Net fees and commissions	2.4	2.4	2.2	(0.2)	(0.2)
Net gains(losses) on debt securities	1.6	(0.0)	(0.3)	(1.9)	(0.3)
G&A expenses (excl. extraordinary expenses)	13.8	13.8	13.4	(0.4)	(0.4)
Personnel costs	7.2	7.0	7.0	(0.2)	0.0
Non-personnel costs	5.6	5.7	5.3	(0.3)	(0.4)
Net business profits	3.9	1.6	3.2	(0.7)	1.6
Total credit costs	0.4	0.9	0.2	(0.2)	(0.7)
Net gains (losses) on equity securities	0.3	0.1	0.5	0.2	0.4
Ordinary profits	3.2	1.3	3.2	0.0	1.9
Net extraordinary gains (losses)	(0.1)	(0.0)	(0.8)	(0.7)	(0.8)
Total of income taxes-current and income taxes-deferred	1.2	0.5	1.0	(0.2)	0.5
Net income	1.9	0.8	1.4	(0.5)	0.6
Core OHR	85.84%	-	78.81%	(7.03p)	

Financial Results Review

Due to the increase in net interest income and the decrease in expenses, ordinary profit increased by ¥0.02bn (0.8%) to ¥3.2bn year on year. Interim net income (Interim profit attributable to owners of parent) decreased by ¥0.48bn (25.1%) to ¥1.4bn year on year.

<Net business profits>



FY2020 Financials Prospects

(JPY in billions)	FY19 (results) ①	FY20 H1 (results)	FY20 (projected) ②	Change ② - ①
Ordinary revenue	50.8	23.7	—	—
Gross profit	32.8	16.7	32.7	(0.1)
Core Gross profit	33.5	17.0	32.7	(0.8)
Net interest income	28.9	14.5	27.4	(1.5)
Net fees and commissions	4.5	2.2	4.7	0.2
Net gains (losses) on sales of bonds	(0.6)	(0.3)	0.0	0.6
G&A expenses (excl. extraordinary expenses)	27.6	13.4	27.1	(0.5)
Personnel costs	14.4	7.0	13.9	(0.5)
Non-personnel costs	11.1	5.3	11.1	0.0
Total credit costs	1.4	0.2	2.2	0.8
Net gains (losses) on sales of stocks and other securities	0.1	0.5	1.0	0.9
Ordinary profit	2.8	3.2	4.7	1.9
Net extraordinary gains (losses)	(0.4)	(0.8)	(1.5)	(1.1)
Income taxes	1.1	1.0	1.1	0.0
Net income	1.3	1.4	2.1	0.8
Core OHR	82.43%	78.81%	above 82%	

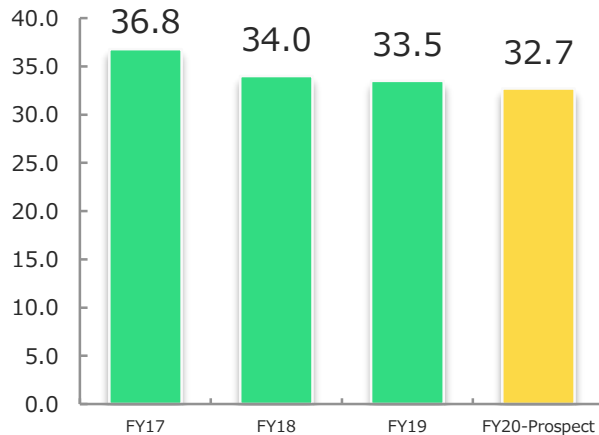
Projections Summary

Based on financial results for H1 FY2020, we revised upward our consolidated financial results forecasts announced on May 14, 2020 for the fiscal year 2020: ordinary profit from ¥2.3bn to ¥4.7bn and net income from ¥1.4bn to ¥2.1bn.

Key Financials

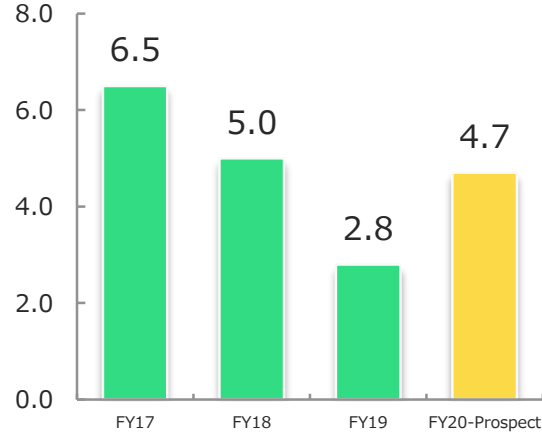
Core Gross Profits

(JPY in billions)



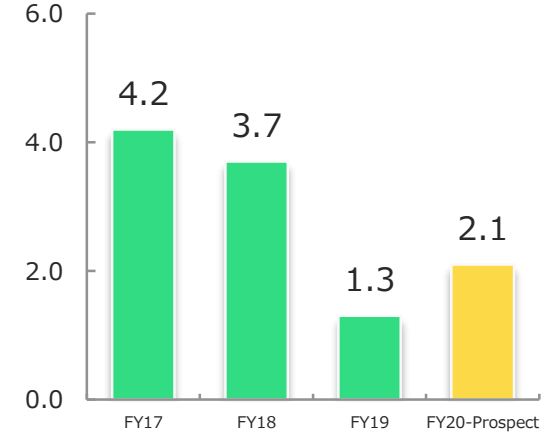
Ordinary Profits

(JPY in billions)



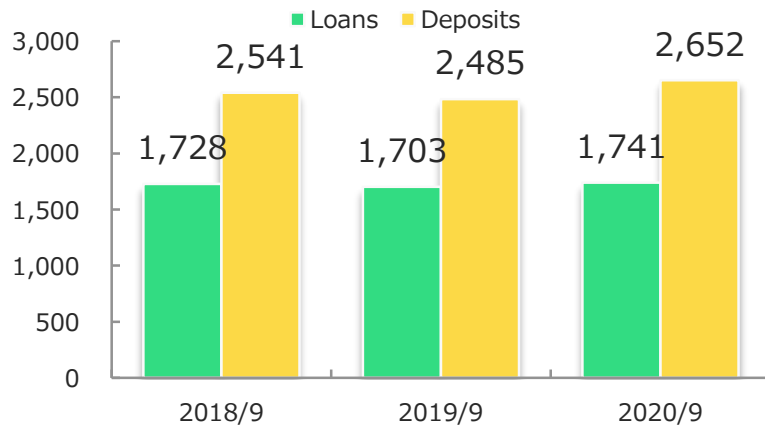
Net Income

(JPY in billions)



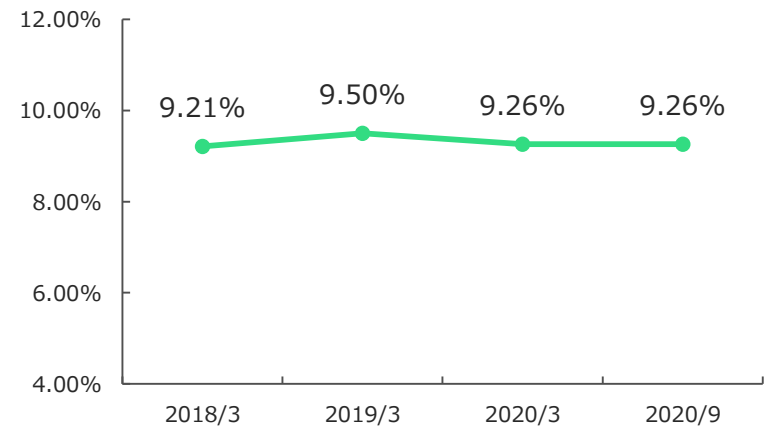
Loans and Deposits

(JPY in billions)



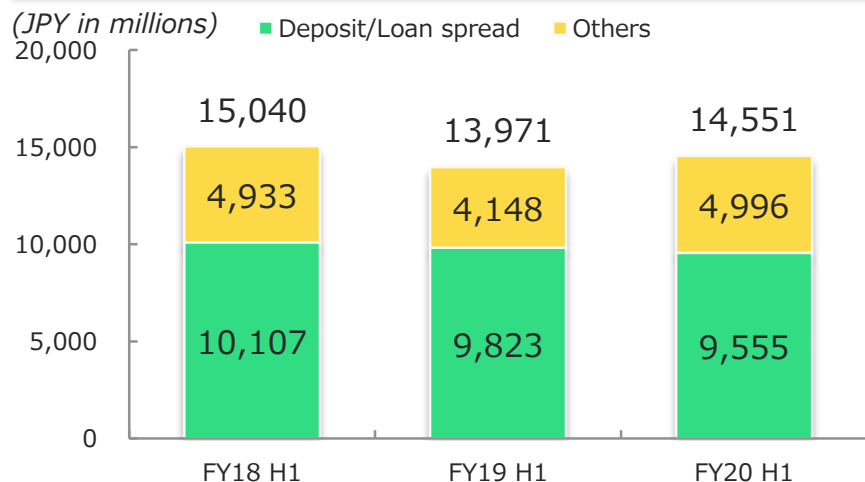
Capital Adequacy Ratio

(pertaining to the standard in Japan)

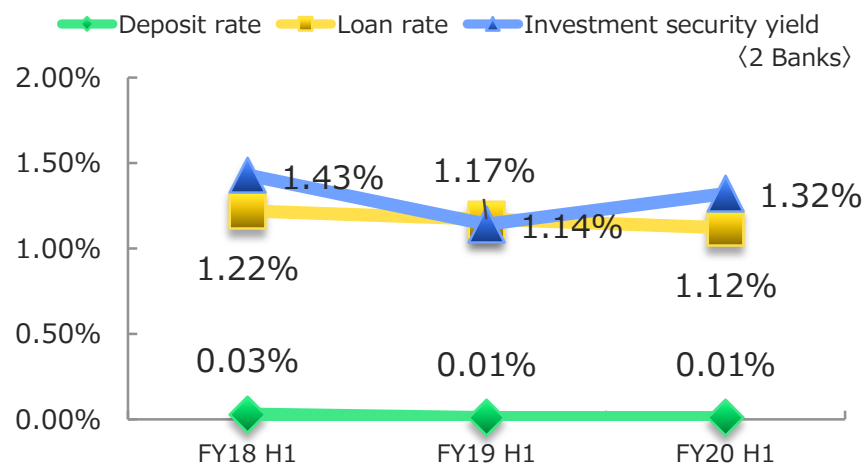


Net Interest Income

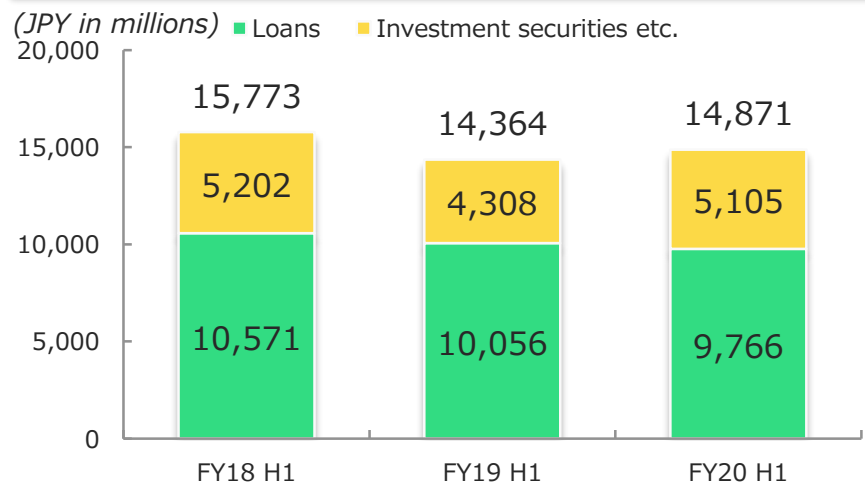
Net Interest Income



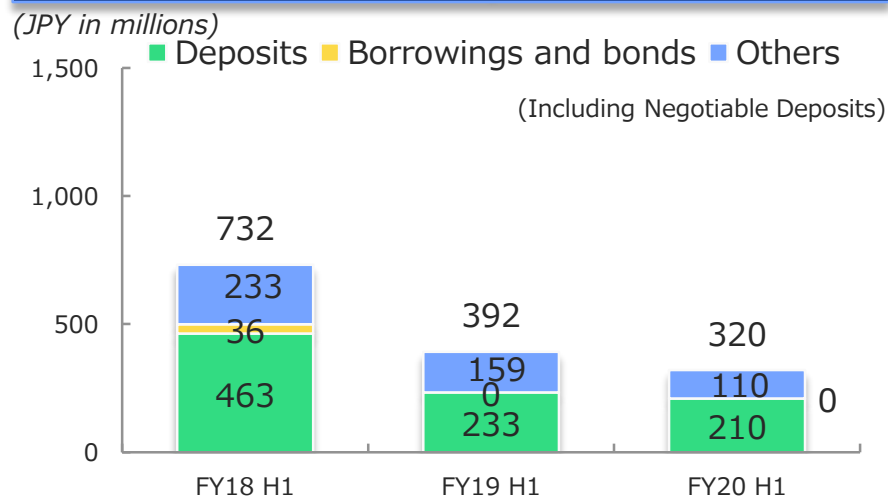
Deposit/Loan Rates and Investment Security Yield



Interest Income



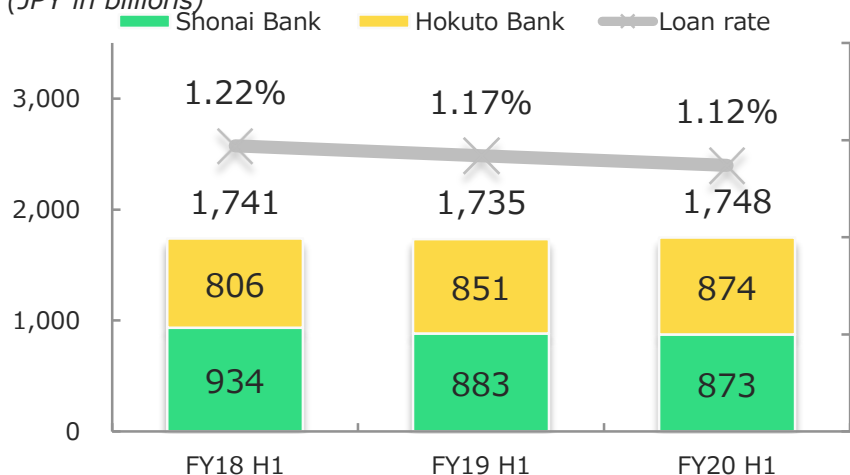
Interest Expenses



Loans

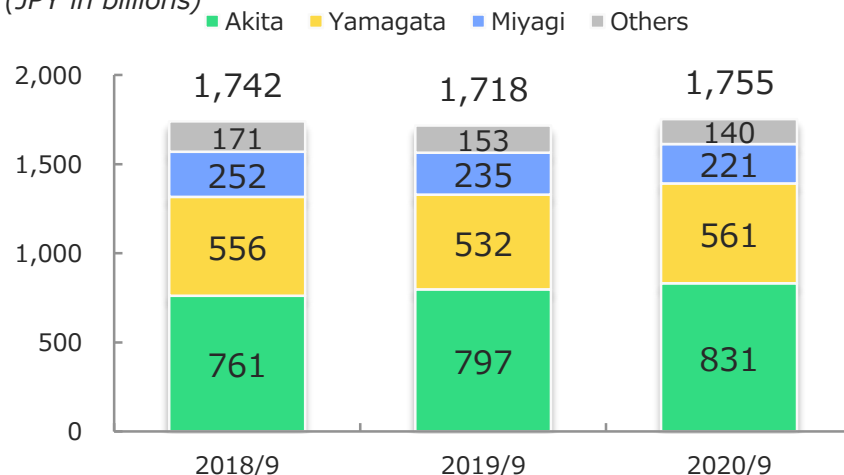
Average Balance and Loan Rate <2 Banks>

(JPY in billions)



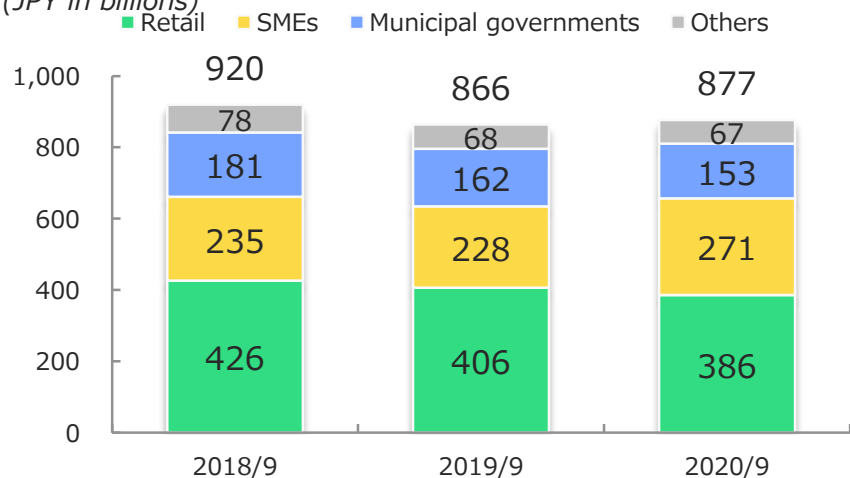
Balance by Prefecture <2 Banks>

(JPY in billions)



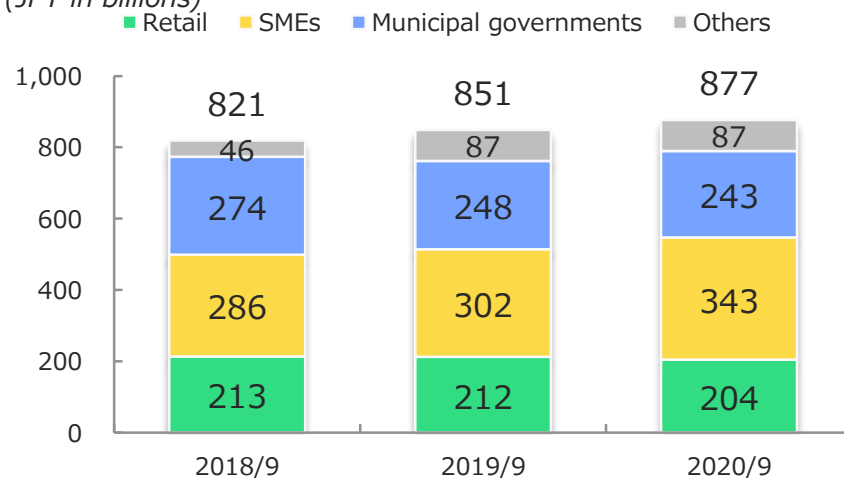
Balance by Borrower <Shonai Bank>

(JPY in billions)



Balance by Borrower <Hokuto Bank>

(JPY in billions)

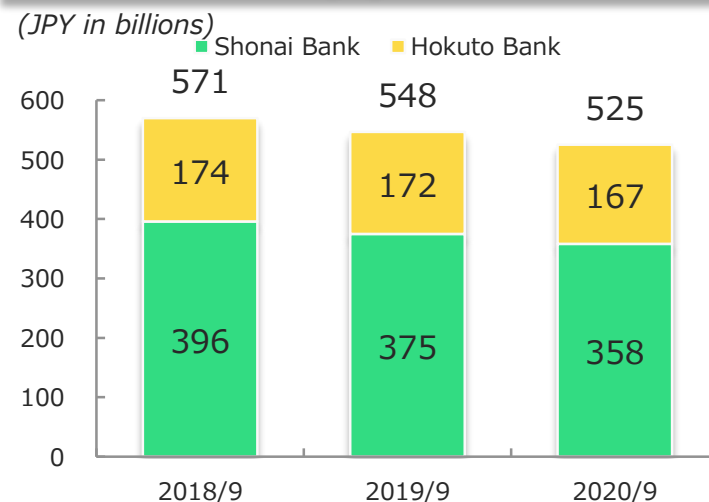


Breakdown of Loans

Loans Classified by Type of Industry <2Banks>

Type of industry (2banks)	2019/9		2020/9	
	JPY bn	%	JPY bn	%
Domestic offices (excluding loans booked at offshore markets)	1,718.0	100.0	1,755.0	100.0
Manufacturing	101.4	5.9	117.8	6.7
Agriculture and forestry	3.4	0.2	3.7	0.2
Fishery	0.1	0.0	0.1	0.0
Mining, quarrying of stone and gavel	1.9	0.1	2.2	0.1
Construction	57.4	3.3	75.7	4.3
Utilities	82.6	4.8	82.1	4.6
Communication and information services	6.2	0.3	9.1	0.5
Transport and postal activities	17.1	1.0	19.9	1.1
Wholesale and retail	87.3	5.1	101.9	5.8
Finance and insurance	60.8	3.5	53.3	3.0
Real estate and goods rental and leasing	105.3	6.1	113.3	6.4
Scientific research and professional and technical services	5.7	0.3	9.4	0.5
Accommodations, eating and drinking services	18.7	1.1	24.1	1.3
Living-related and amusement services	16.0	0.9	17.7	1.0
Education learning support	4.4	0.2	4.5	0.2
Medical, social welfare	50.1	2.9	53.7	3.0
Services	33.9	1.9	38.3	2.1
Municipal government	411.6	23.9	396.5	22.5
Others (Including Mortgage Loans)	653.3	38.0	630.7	35.9
Overseas offices and loans booked at offshore markets	-	-	-	-
Total	1,718.0	100.0	1,755.0	100.0

Mortgage Loans

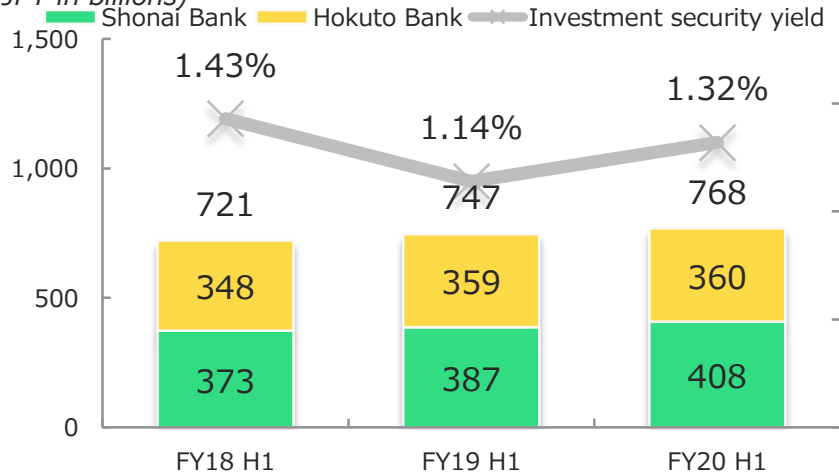


Investment Securities

<2 Banks>

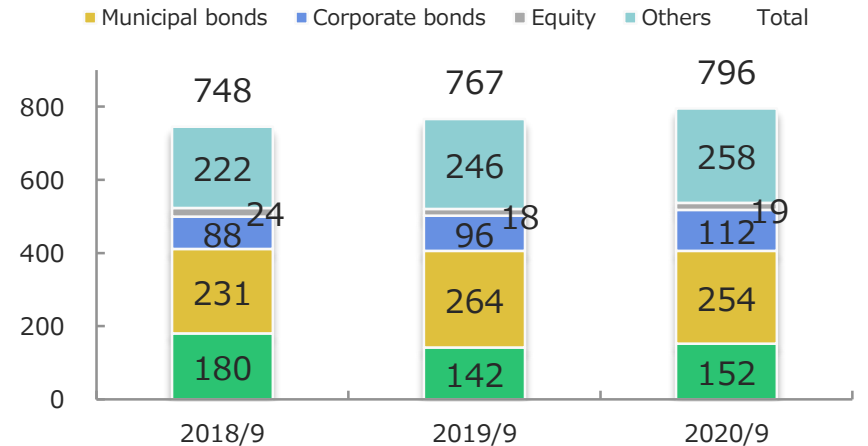
Average Balance and Investment Security Yield

(JPY in billions)



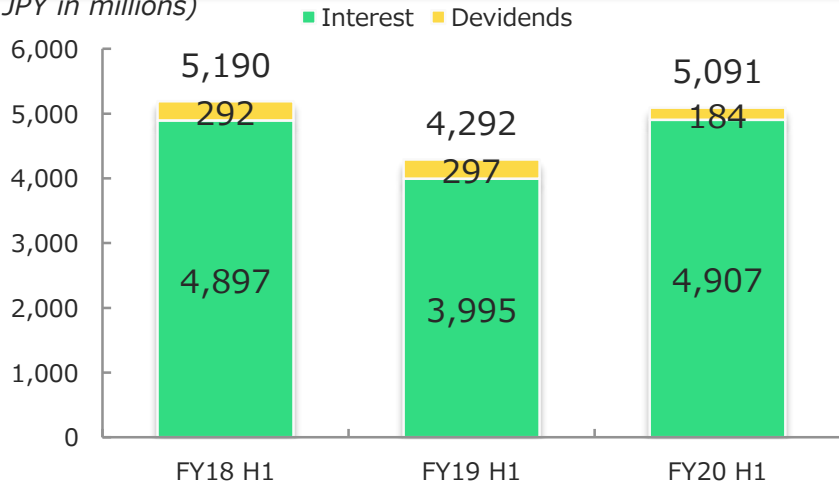
Balance by Product Type <2 Banks>

(JPY in billions)



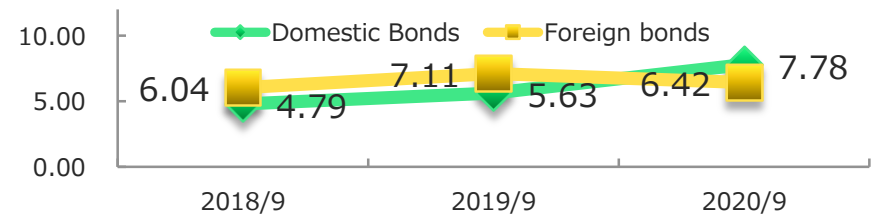
Interests and Dividend on Investment Securities

(JPY in millions)

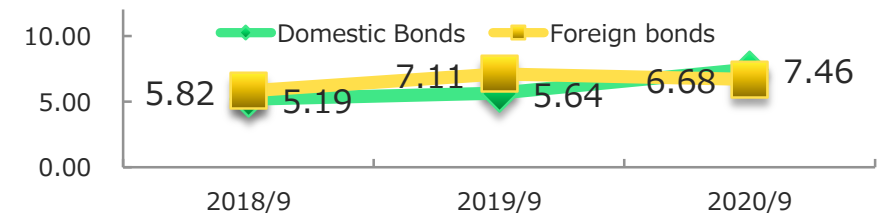


Duration of Bonds <non-consolidated>

[Shonai Bank]



[Hokuto Bank]



Investment Securities (Continued)

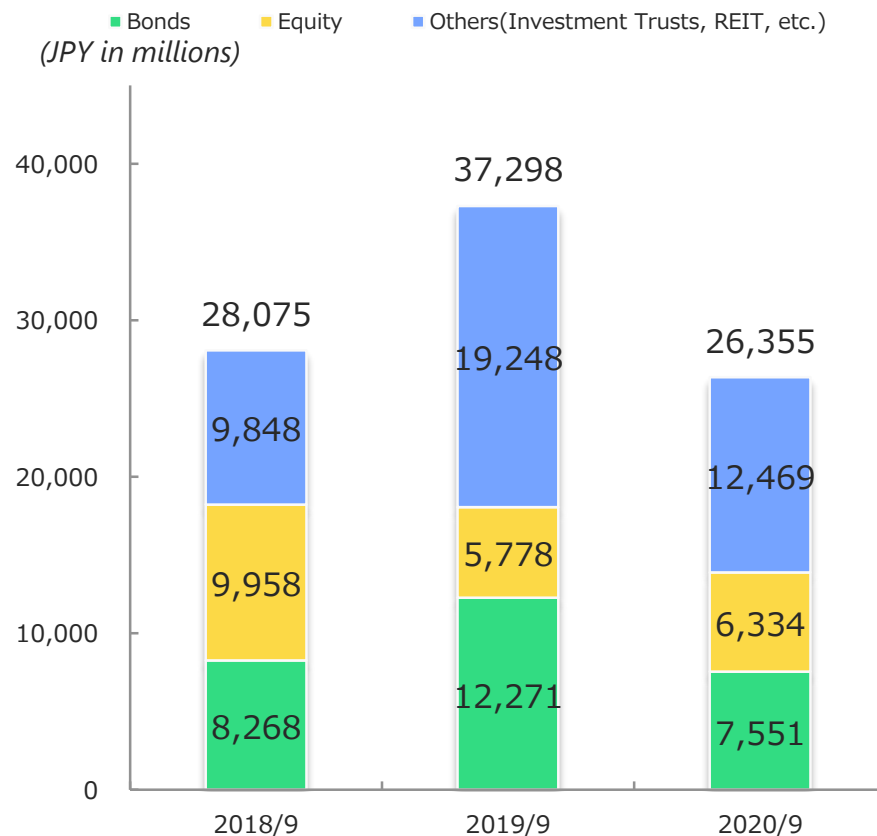
Gains/Losses on sales of bonds

(JPY in millions)	FY18H1	FY19H1	FY20H1
Selling gains	1,280	3,055	1,911
Redemption gains	-	-	-
Selling losses	1,569	1,441	2,259
Redemption losses	-	-	-
Impairment	-	-	-
Gains/Losses on Debt Securities	(289)	1,614	(348)

Gains/Losses on sales of stocks and other securities

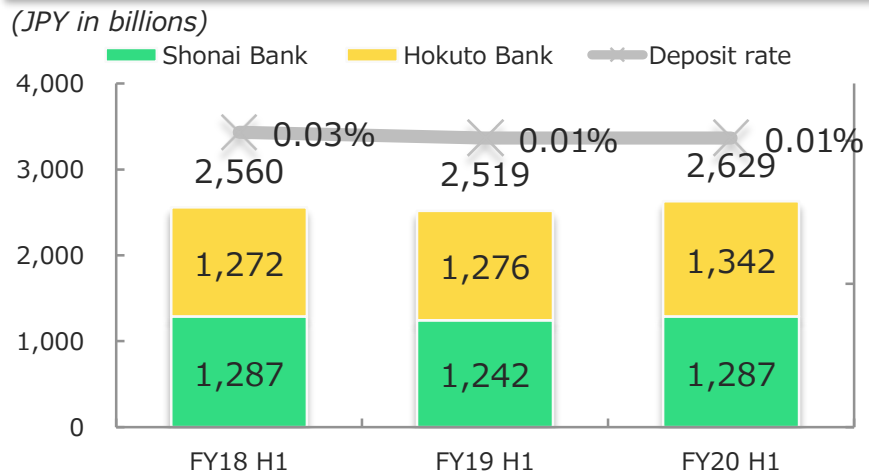
(JPY in millions)	FY18H1	FY19H1	FY20H1
Selling gains	625	1,036	897
Selling losses	247	732	271
Impairment	0	3	47
Gains/Losses on Equity	376	300	578

Unrealized Gains/Losses on Securities Portfolio

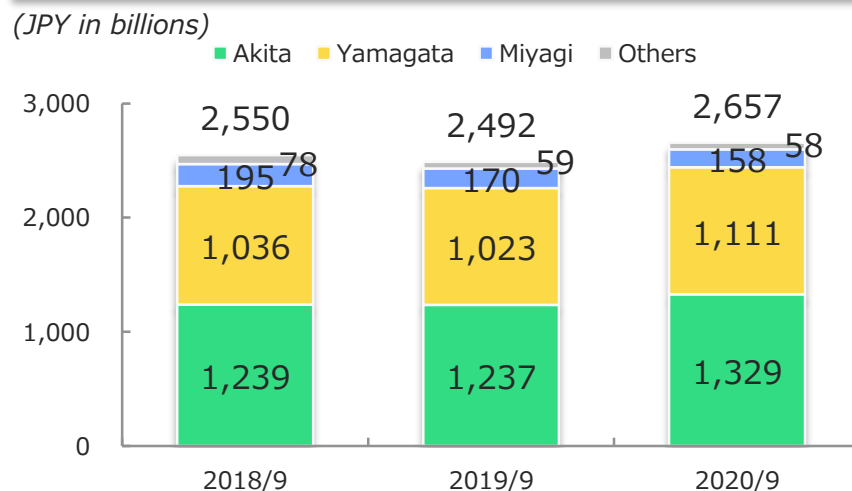


Deposits

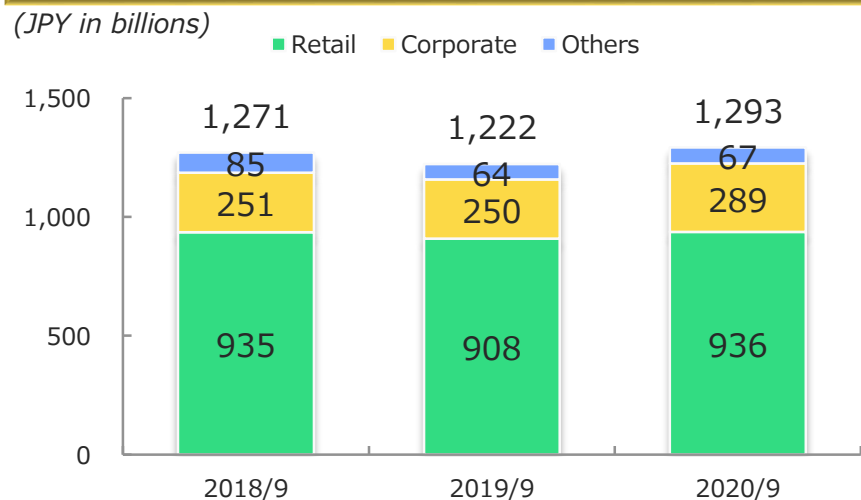
Average Balance and Deposit Rate (Including Negotiable Deposits) <2 Banks>



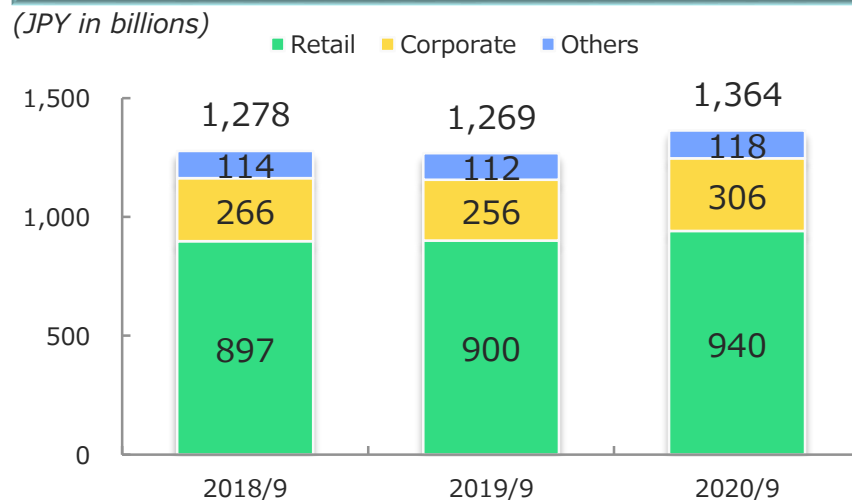
Balance by Prefecture <2 Banks>



Balance by Depositor <Shonai Bank>



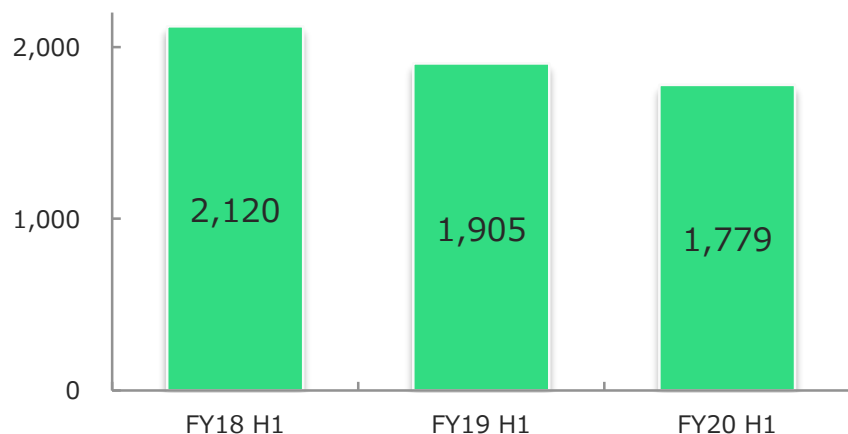
Balance by Depositor <Hokuto Bank>



Net Fees and Commissions

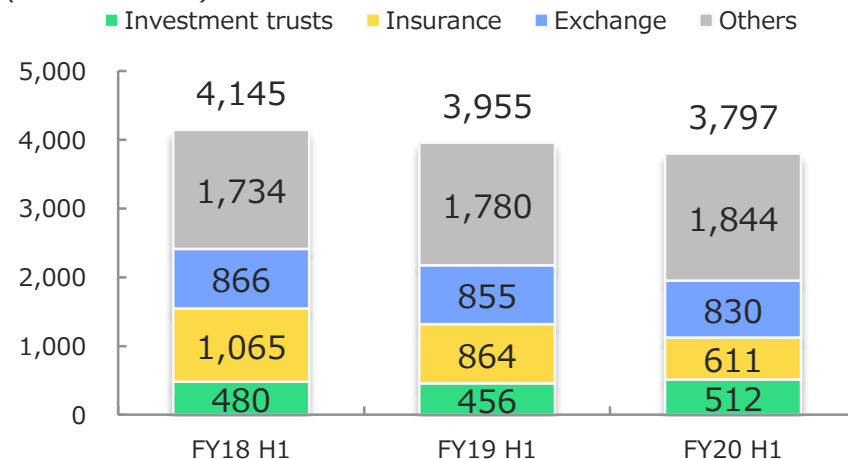
Net Fees and Commissions Income <2 Banks>

(JPY in millions)



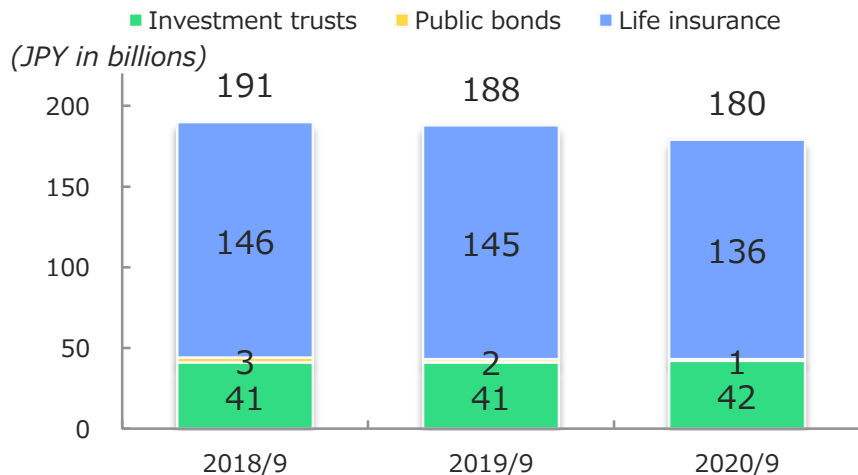
Net Fees and Commissions Revenue <2 Banks>

(JPY in millions)



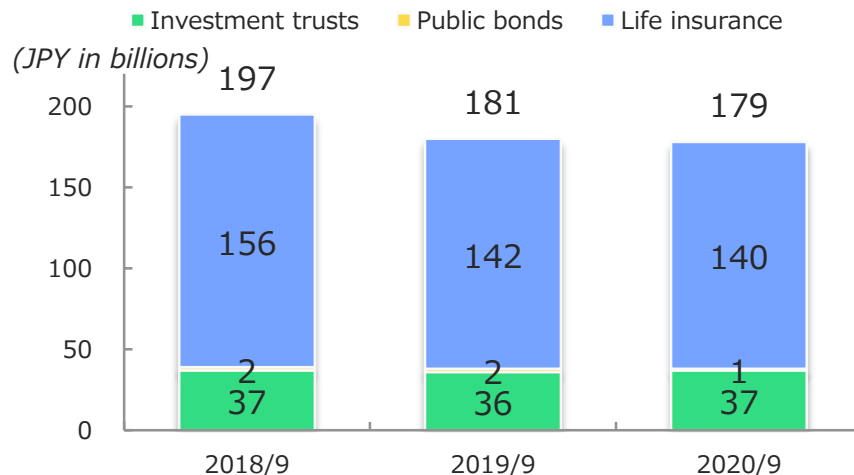
Investment Product Sales <Shonai Bank>

(JPY in billions)



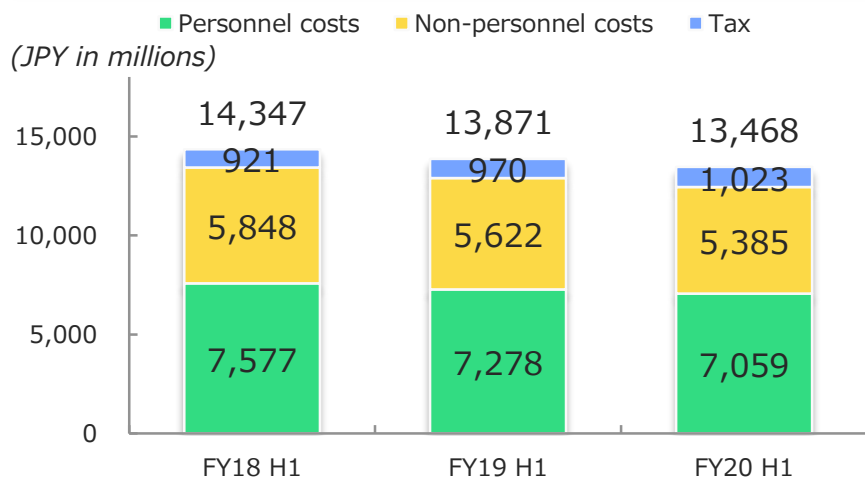
Investment Product Sales <Hokuto Bank>

(JPY in billions)

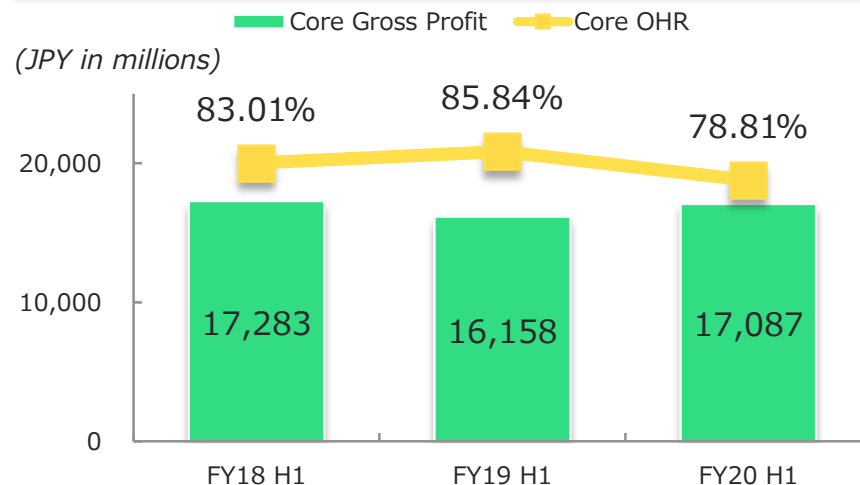


General and Administration Expenses, OHR, Credit Costs, NPL

General and Administration Expenses



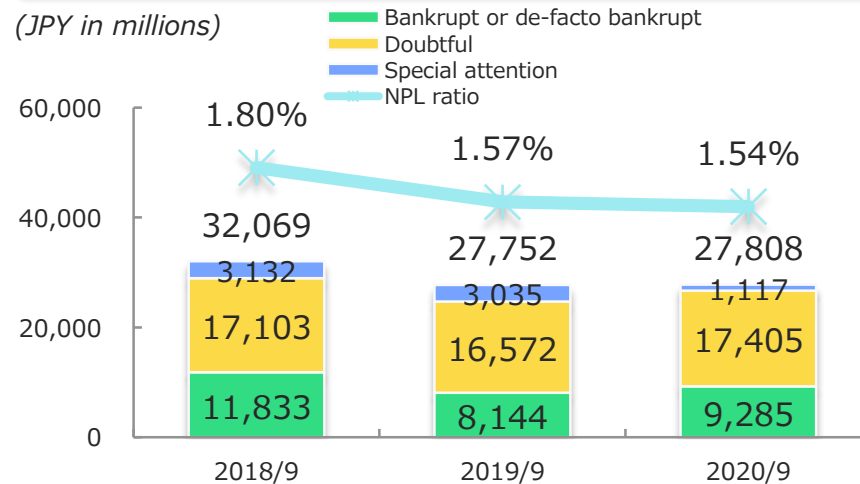
Core Gross Profit and Core OHR



Total Credit Costs

(JPY in millions)	FY18H1	FY19H1	FY20H1
Provision of allowance for loan losses	—	354	157
Write-off loans	4	3	7
Reversal of allowance for loan losses	394	—	—
Recoveries of written-off claims	35	50	24
Others	29	192	148
Total Credit Costs	(396)	499	288

Non-Performing Loans <2 Banks>



Covered Ratio of NPL

Covered Ratio of Non-Performing Loans <2 Banks>

2020 / 9 balance

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio b ÷ a
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	9,285	9,285	5,387	3,898	100.00%
Doubtful	17,405	15,043	12,047	2,996	86.43%
Special attention	1,117	1,002	744	258	89.71%
Total	27,808	25,332	18,178	7,153	91.09%

【2019 / 9 balance】

(JPY in millions)	NPL amount (a)	Covered amount			Covered ratio b ÷ a
		(b)	Collateral, Guaranties	Reserve	
Bankrupt or de-facto bankrupt	8,144	8,144	4,795	3,348	100.00%
Doubtful	16,572	14,452	11,976	2,475	87.20%
Special attention	3,035	2,103	1,288	815	69.29%
Total	27,752	24,700	18,060	6,639	89.00%



FIDEA Group Fourth Medium-term Management Plan

「Your reliable consulting bank with a fountain of wisdom」

Outline of Fourth Medium-term Management Plan

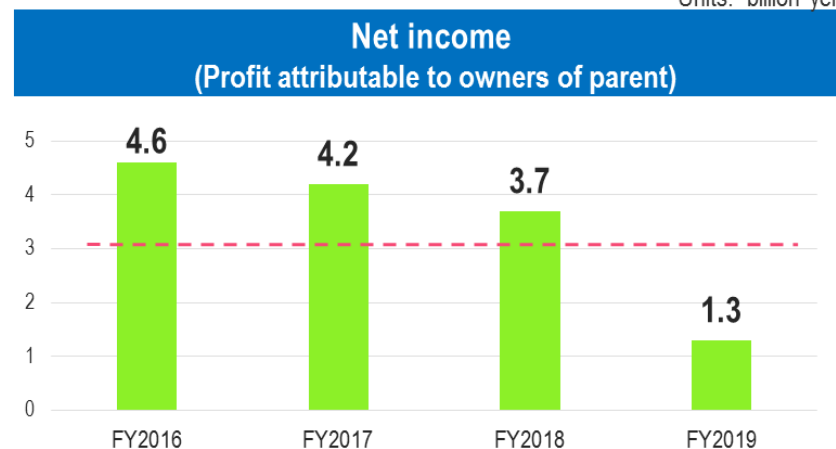
<p>Vision</p>	<ul style="list-style-type: none"> ❑ Continuously contribute to regional development as a community-based region-wide financial group ❑ Ensure and maintain financial soundness to act as financial mediators in the region ❑ Create a corporate culture that motivates, encourages and nurtures employees as well as enhancing the ES (employee satisfaction)
<p>Slogan</p>	<p>Your reliable consulting bank with a fountain of wisdom</p>
<p>Plan Period</p>	<p>FY2020 to FY2022 (Three years)</p>
<p>Basic Policy</p>	<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
<p>Target Indicators</p>	<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 -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; font-size: small;">(*) 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

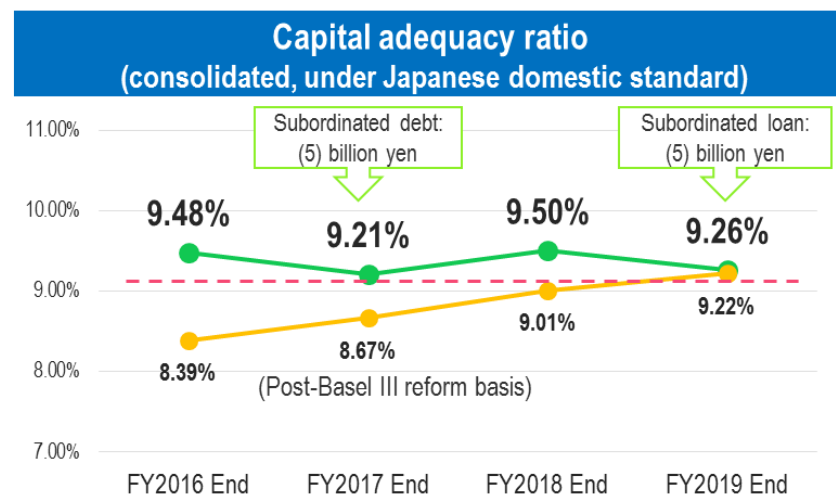
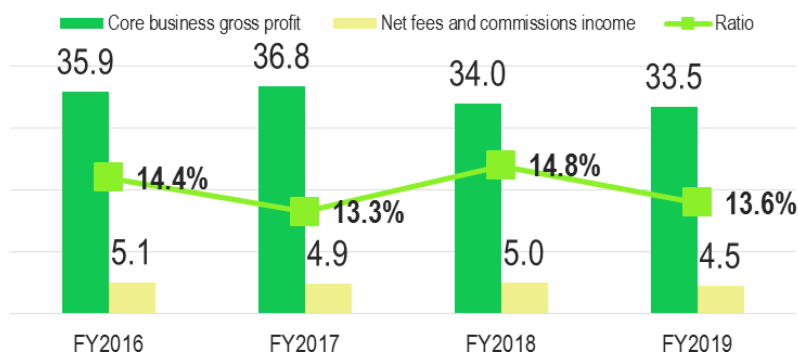
- In FY2019, the final year of the third medium-term management plan, the Group fell short of the targets of the net income (profit attributable to owners of parent) and the ratio of fees and commissions. It was mainly due to our strategic action to reduce the risk assets to maintain financial soundness 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



Ratio of Fees and Commissions (consolidated)



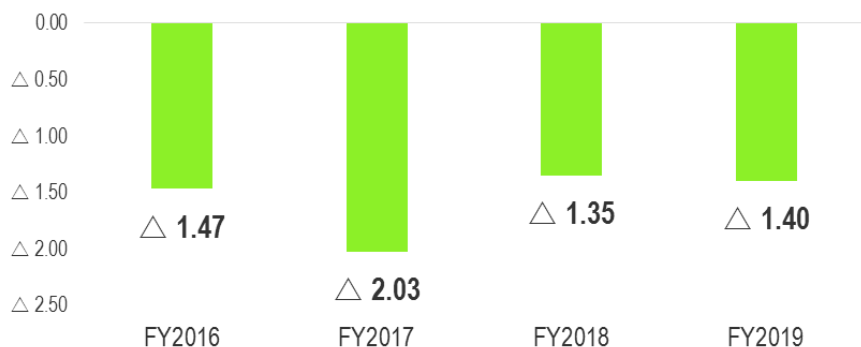
Review of Third Medium-term Management Plan: (2) Main Indicators

- 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

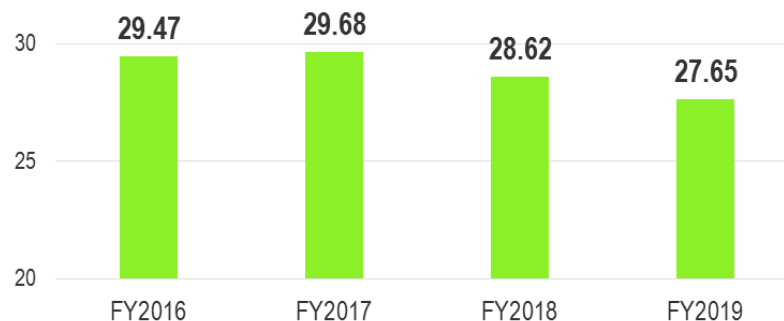
(*) Net operating profit of customer services: "Gross profit in the customer service section" minus "Related expenses"

* Units: billion yen

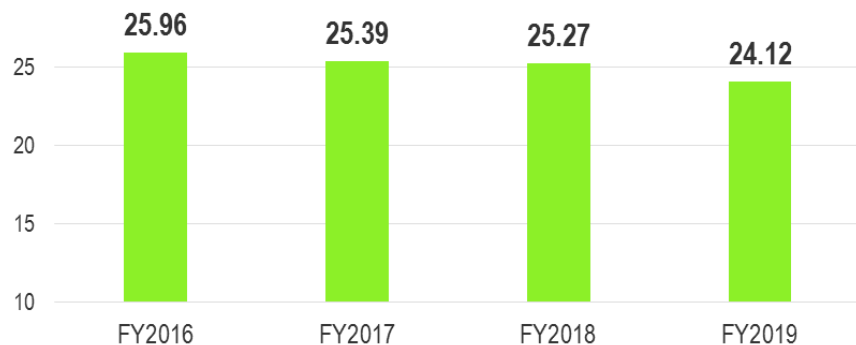
Net operating profit/loss of customer services (*) (2 banks)



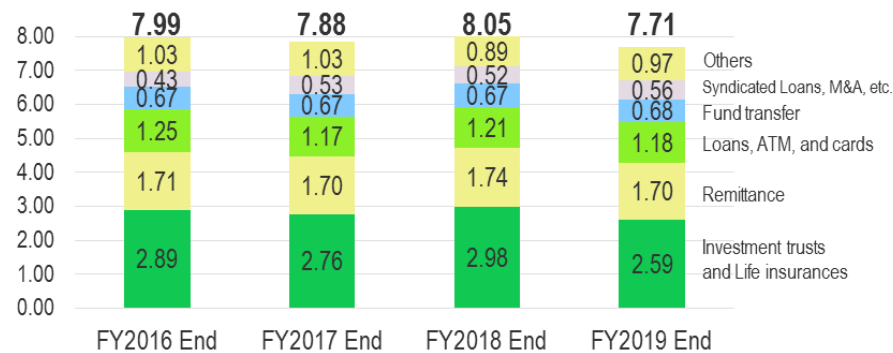
Expenses (consolidated)



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



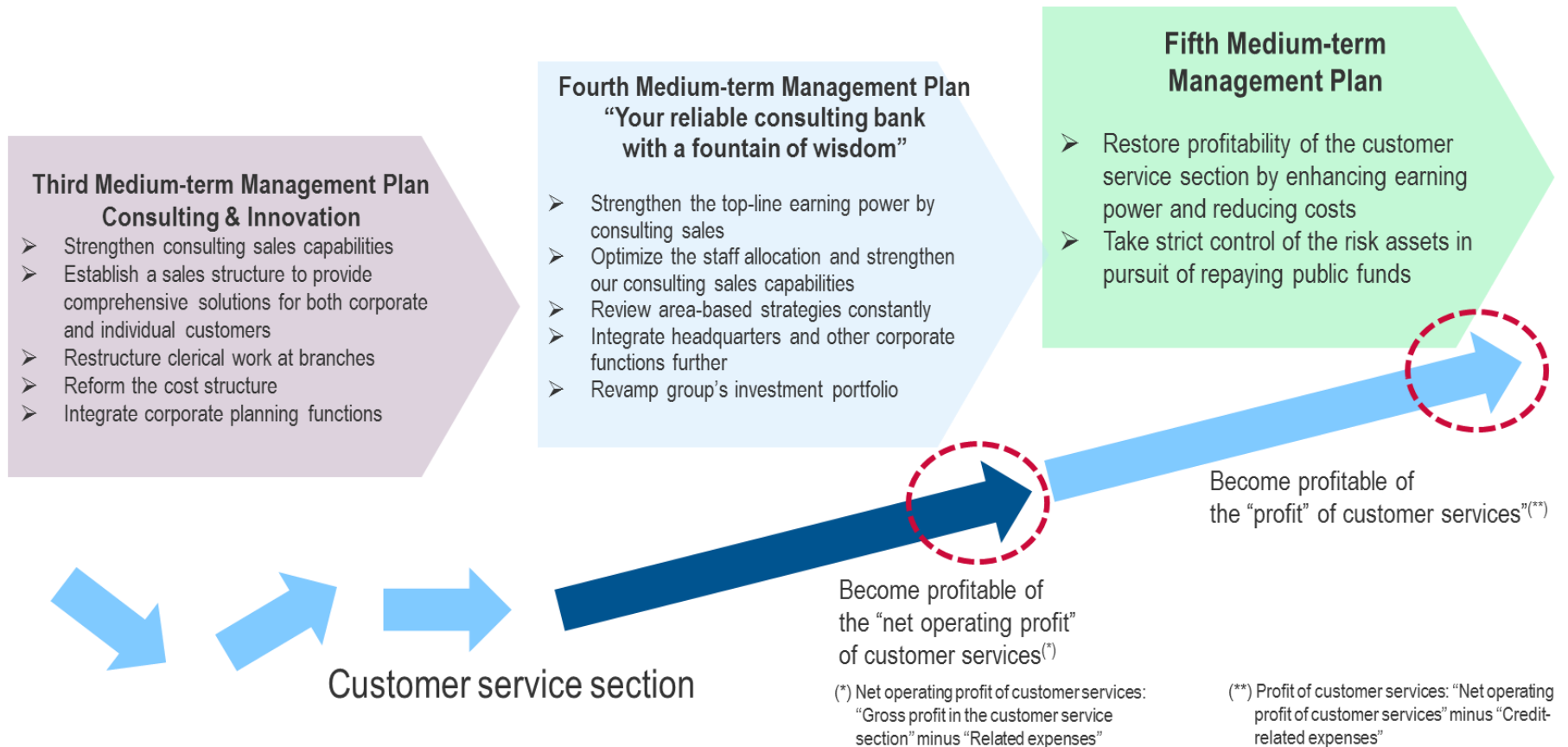
Breakdown of fees and commissions income (2 banks)



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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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>(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>(2) Reform the cost structure</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
<p>(3) Create an ideal working environment</p>	<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.



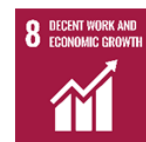
2. Achieve environmental sustainability of the region

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;">E S G</p>
	<p>Support agribusiness with Akita Shokusai Produce and Akita Vegeful Support</p> <p style="text-align: right;">E S G</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;">E S G</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;">E S G</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;">E S G</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;">E S G</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;">E S G</p>
	<p>Launch and operate the Shonai Bank Kaneyama KIZUNA Forestation Project</p> <p style="text-align: right;">E S G</p>



Snapshot of FIDEA Holdings

Overview of FIDEA Holdings

- 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. And 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.
- 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 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 20.3 billion (as of December 2, 2020) Tokyo Stock Exchange 1st Section

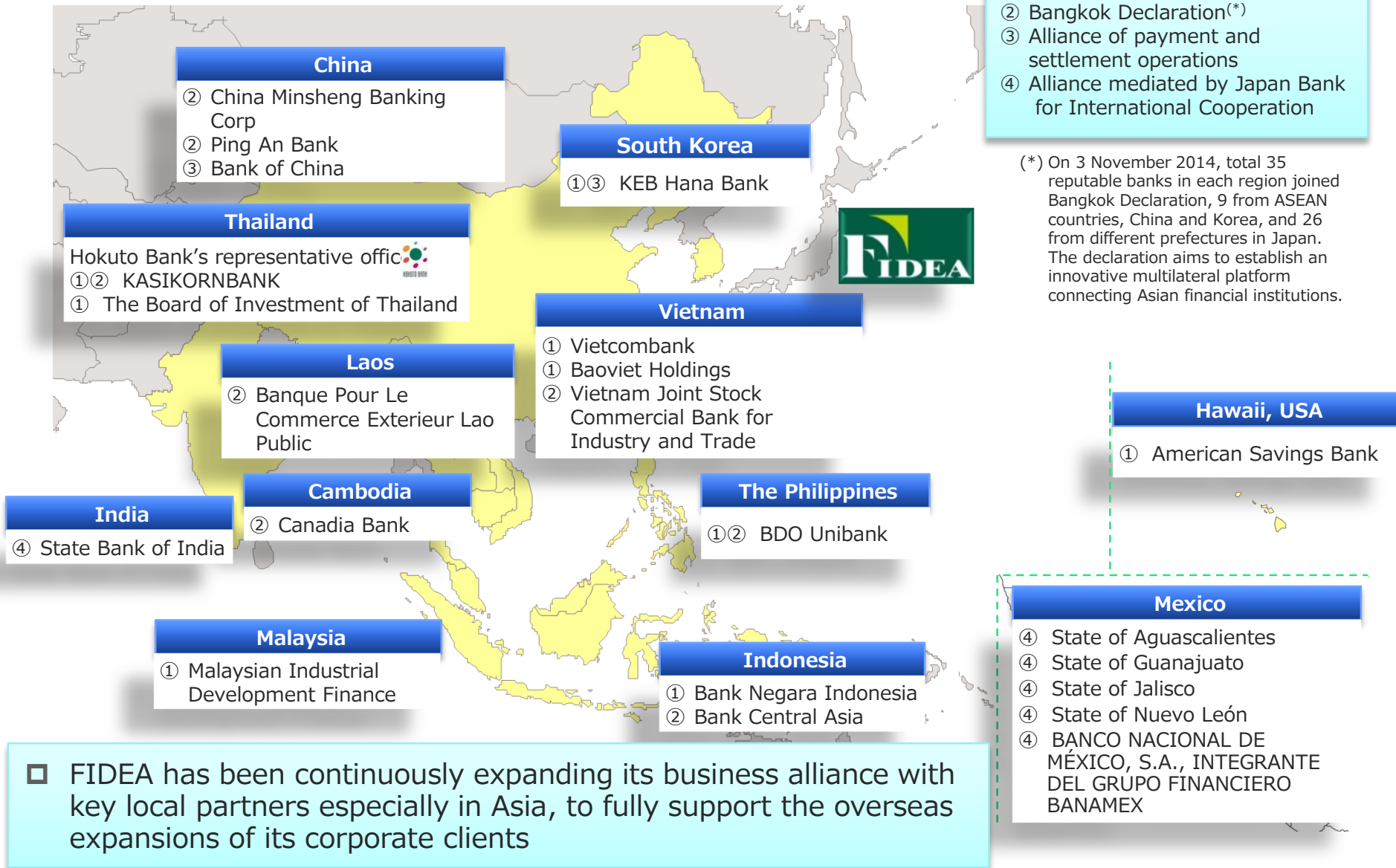
Shonai Bank

Founded	1878
Headquarters	Tsuruoka city, Yamagata prefecture
CEO	Yuichi Tao
# of employees	725 (as of March 31, 2020)
Branches	87 (as of March 2020) • Yamagata:64, Miyagi:15, Akita:1, Fukushima:2 ,Tokyo: 4 and Web: 1

Hokuto Bank

Founded	1895
Headquarters	Akita city, Akita prefecture
CEO	Arata Ito
# of employees	716 (as of March 31, 2020)
Branches	85 (as of March 2020) • Akita:81, Miyagi:1, Yamagata:1 , Tokyo:1 and Web: 1

Global Business Alliance



Business Areas

Akita Prefecture

Population (2020)	0.9 million
Gross prefectural product (nominal 2016)	JPY 3.5 trillion
# of companies (2019)	16 thousand
Deposits for individual customers of banks (2020)	JPY 2.7 trillion

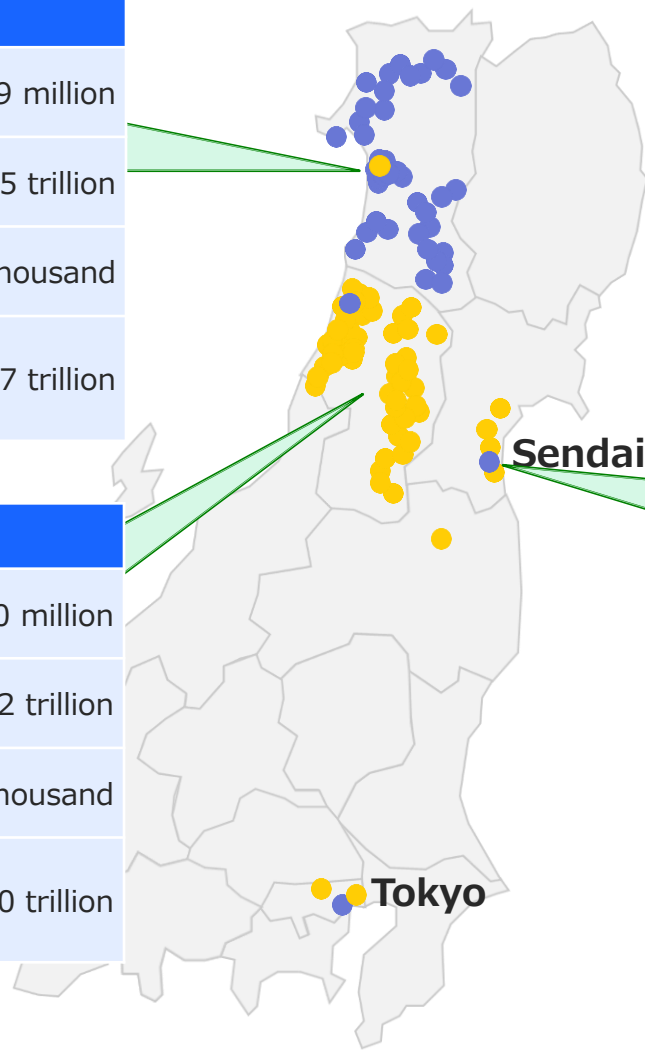
Yamagata Prefecture

Population (2020)	1.0 million
Gross prefectural product (nominal 2016)	JPY 4.2 trillion
# of companies (2019)	19 thousand
Deposits for individual customers of banks (2020)	JPY 3.0 trillion

Miyagi Prefecture

Population (2020)	2.2 million
Gross prefectural product (nominal 2016)	JPY 9.4 trillion
# of companies (2019)	43 thousand
Deposits for individual customers of banks (2020)	JPY 7.1 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.