

January 25, 2024
FIDEA Holdings Co. Ltd.

**Reorganization of The Shonai Bank, Ltd. and The Hokuto Bank, Ltd.,
wholly owned subsidiaries of FIDEA Holdings Co. Ltd.**

FIDEA Holdings Co. Ltd. (hereinafter, “FIDEA”), and its wholly owned subsidiaries, The Shonai Bank, Ltd. and The Hokuto Bank, Ltd. resolved at their respective board of directors’ meetings held today to proceed with detailed discussions regarding the merger of the two banks, subject to the approval, etc. of the relevant authorities.

1. Background leading to discussions of the Group reorganization

Since the implementation of the management integration in 2009, FIDEA and its subsidiaries (hereinafter, the “Group”) have promoted the sharing of sales know-how, the efficiency of headquarters functions by utilizing the platform functions of the holding company, the integration of core systems, the integration of affiliated companies, etc., with the aim of enhancing corporate value by realizing the effects of the management integration. In addition, since the introduction of the negative interest rate policy in 2016, we have worked to further improve management efficiency in order to rebuild the customer services section, which had fallen into the red due to the reduced interest margins on deposits and loans. Specifically, we proceeded with the reform of the sales structure, the consolidation of the headquarters functions across the holding company and both banks, and the integration of operations by function in sections where there are a lot of clerical work. As a result, in February 2023, we fully repaid the public funds provided to us to strengthen the financial intermediary function.

On the other hand, Yamagata and Akita Prefectures, our operating base, have structural problems, such as a decline in the working-age population due to the aging of the population and a decrease in the number of business establishments.

Under these circumstances, in order to continue to contribute to realizing sustainable local communities, it is necessary to enhance the comprehensive strength of the Group, further streamline our management resources, and achieve a higher level of integration synergies. Accordingly, we have decided to proceed with discussions toward the merger of the two banks as the final step in the management integration.

2. Purpose and aim of the merger

The Shonai Bank, Ltd. and The Hokuto Bank, Ltd. have worked to revitalize local economies by developing sales activities for both individual and corporate customers to meet their needs, leveraging their strengths in community-based operations. At the same time, they have been actively involved in

renewable energy projects that lead to regional revitalization, settlement and migration promotion projects, and community development projects that utilize tourist attractions, in cooperation with local governments.

Going forward, they will extract the synergies of the merger, such as enhanced fund supply capacity due to the expanded scale and sales capabilities and resources resulting from more efficient headquarters operations, to further strengthen the relationships with local customers that the two banks have built over the years. Furthermore, they will make effective use of human resources with advanced expertise and collectively utilize their skills. Specific initiatives include providing support for business succession and M&A through the utilization of specialized talent, assisting our customers in reducing CO₂ emissions towards achieving a decarbonized society, participating in offshore wind power generation projects, and offering problem-solving support in the DX field for local companies. In this way, they aim to become a bank that proactively contribute to the creation of the region's industrial base, excel in consulting in the GX and DX fields, excel in regional development projects centered on tourism, and is indispensable to the region, while fostering mutual development with the region.

In order to realize the Group Management Philosophy “We will make the Tohoku region a center for producing happiness and hope through the passion, wisdom, and challenging spirit of all employees,” by integrating the features and strengths of the two banks, the FIDEA will further strengthen its support for business operators and business management improvement, and establish more efficient organizational operations and a stronger management foundation to continue contributing to realizing sustainable local communities.

3. Date of merger

During FY2026 (planned)

(We plan to proceed with the merger, subject to obtaining necessary approvals and permits from relevant authorities. In addition, we intend to conclude the merger agreement at an appropriate time, taking into account the progress of future merger discussions and other relevant factors.)

4. Establishment of Merger Preparatory Committee

We will consider establishing a Merger Preparatory Committee to determine the details of the new bank.

5. Outlook for future performance

This matter has no effect on the FIDEA's previously announced full-year forecast of financial results for the fiscal year ending March 31, 2024. The Group synergies resulting from the reorganization and the impact of the reorganization on financial results for the fiscal year ending March 2025 and beyond will be calculated and announced as we proceed with detailed discussions.

6. Overview of the companies involved

(1) Company overview (as of the end of September 2023)

(i) Name	The Shonai Bank, Ltd.	The Hokuto Bank, Ltd.
(ii) Location	1-9-7 Honmachi, Tsuruoka City, Yamagata Prefecture	3-1-41 Nakadori, Akita City, Akita Prefecture
(iii) Representative	Masahiko Matsuta, President and Representative Director	Arata Ito, President and Representative Director
(iv) Description of business	Banking	Banking
(v) Capital	¥8.5 billion	¥12.5 billion
(vi) Date of establishment	December 1, 1878	May 3, 1895
(vii) Number of issued shares	121,321 thousand shares	282,339 thousand shares
(viii) Fiscal year-end	March	March
(ix) Number of employees	542	540
(x) Major shareholders and shareholding ratio	FIDEA Holdings Co. Ltd. 100%	FIDEA Holdings Co. Ltd. 100%

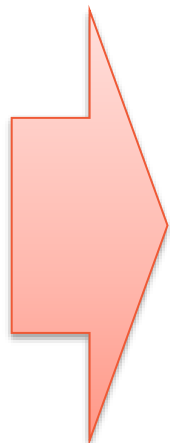
(2) Financial position and operating results for the immediately preceding fiscal year (ended March 31, 2023) (non-consolidated)

	The Shonai Bank, Ltd.	The Hokuto Bank, Ltd.
(i) Net assets	¥58.5 billion	¥37.8 billion
(ii) Total assets	¥1,490.0 billion	¥1,536.3 billion
(iii) Balance of deposits, etc.	¥1,353.7 billion	¥1,378.3 billion
(iv) Balance of loans and bills discounted	¥948.2 billion	¥959.9 billion
(v) Ordinary income	¥24,376 million	¥22,436 million
(vi) Ordinary profit	¥2,390 million	¥2,615 million
(vii) Net income	¥1,630 million	¥1,563 million

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The Group's Strategy From the Management Integration in 2009 Until Now

- ✓ The two banks will utilize the platform functions of the holding company to both improve efficiency and concentrate management resources on local operations
- ✓ Integrating the bank accounting system and sub-systems
- ✓ Consolidating headquarters functions across the holding company and both banks
- ✓ Standardizing administration at branch offices and integrating sections with high concentrations of administrative work
- ✓ Consolidating human resource systems
- ✓ Consolidating sales strategies (reforming sales structures, introducing area and segment strategies, establishing consulting departments across both banks)
- ✓ Consolidating securities investment strategies
- ✓ Reorganizing affiliated companies with overlapping functions



Becoming Tohoku's First Cross-Prefectural, Region-Wide Bank

- ✓ Realize the image of a regional bank that continuously contributes to the regional community by putting into practice the Group Management Philosophy: "We will make the Tohoku region a center for producing happiness and hope through the passion, wisdom, and challenging spirit of all employees"
- ✓ Contribute to regional development proactively and in more of a leading role than before by making effective use of the outstanding human resources and top talent of the two banks in an integrated manner
- ✓ Establish the new business model of a region-wide bank that grows with regions, for regions

Business environment

- | | | | |
|------------------------------------|--|--------------------------------|--|
| ✓ Declining and aging population | ✓ Changes in interest rate environment | ✓ Advancing inflation | ✓ Diversified customer needs |
| ✓ Decline in the number of offices | ✓ Drastic changes in investment environments | ✓ High resource prices | ✓ Accelerating speed of change |
| ✓ Awareness of shrinking market | | ✓ Heightened geopolitical risk | ✓ Intensified competition due to entry from other industries |

<Reference> Our Vision of the New Bank



The FIDEA Group's
Management Philosophy

We will make the Tohoku region a center for producing happiness and hope through the passion, wisdom, and challenging spirit of all employees.

Establish the new business model of a region-wide bank that grows with regions, for regions

1. Playing the role of a producer in the regional economy

- Proactively involved in more of a leading role in regional revitalization projects
- Proactively involved in regional development projects centered on tourism
- Robustly supporting supply chain construction
- Reinforcing business matching that binds Yamagata and Akita together



2. Supporting problem-solving in the GX and DX fields

- Supporting the decarbonization management of business partners
- Proactively involved in renewable energy projects
- Strengthening sustainable finance
- Enhancing DX consulting for business partners



3. Further promoting business revitalization support

- Enhancing support for management improvement and business revitalization
- Offering timely, appropriate solutions to companies facing management issues
- Utilizing equity finance



4. A one-stop shop for consulting proposals

- Sharing the knowledge and experience of specialized talent, as well as enhancing the training of professionals at the headquarters with a focus on specialized talent
- Sharing know-how on business succession and M&As
- Further strengthening consolidated sales activities for individual and corporate customers

5. Enhancing profitability in the investment section

- Revamping the group's investment portfolio
- Improving the efficiency and enhancing the profitability of section operations
- Sharing operational know-how and enhancing the training of the specialized talent responsible for investment

6. Governance structure with high standards, etc.

- Maintaining the organization of the financial holding company as a company with a nomination committee, etc.
- Speedy sales planning and sales promotion from working in unison with front line operations
- Moving toward a single license for the bank accounting system and sub-systems, and consolidating administrative processing

Integrating the strengths of the two banks and maximizing Group synergy

Headquarters

Branch office

Systems and administration

Yamagata

Akita

Improving organizational efficiency and shifting personnel in the headquarters, including in non-planning sections

Improving efficiency through optimal branch placement

Complete standardization of systems and administrative procedures

Creating sales capabilities and resources

Enhancing investment capacity



<Reference> (Proposed) Schedule

Fifth Medium-term Management Plan

Sixth Medium-term Management Plan

FY2023

FY2024

FY2025

FY2026

Deliberations in the Merger Preparatory Committee, etc.
(The name of the new bank, etc. to be announced when decided)

Regional IR
(Tsuruoka
and Akita)

(to be continued in the second
halves of each fiscal year)

Basic
agreement

Merger
agreement

Resolutions at general
meetings of shareholders
at both banks

Applications for
approval at relevant
authorities

**Launch of the
new bank
During FY2026
(planned)**