

Overview of Interim Financial Results for FY2021

— IR Presentation —

December 2021

Hirogin Holdings, Inc.

未来を、ひろげる。



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To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group will strive to help local communities address social and environmental issues and enjoy sustainable growth by providing high value added regional comprehensive services.

1. Summary of Business Performance and FY2021 Business Performance and Dividend Projections

Overview of FY2021 1H financial results

Summary of consolidated financial results

(Billion yen)

	FY2021 1H	YoY change [*]	(Change rate)
Consolidated gross profit	① 47.7	1.6	(3.5%)
Net interest income	33.8	0.7	
Net fees and commissions income	10.5	1.7	
Income from specific transactions and other businesses (including gain/loss related to treasuries and other bonds)	3.4	-0.7	
	-0.6	-2.2	
Operating expenses (-)	② 29.6	1.4	
Credit costs (-)	③ 5.0	0.7	
Gains/losses related to equities, etc.	3.4	2.0	
Gains/losses from equity method investments	-	0	
Other	0.2	-0.1	
Ordinary profit	16.7	1.2	(7.7%)
Extraordinary gains/losses	-0.6	-0.6	
Total income tax, etc. (-)	4.8	0	
Net income attributable to non-controlling interests (-)	0	0	
Interim net income attributable to owners of the parent	④ 11.1	0.5	(4.7%)

Thanks to significant contributions from increased earnings at Hirogin Securities and Shimanami Servicer and from Hirogin Lease becoming a wholly owned subsidiary, interim net income attributable to owners of the parent rose 500 million yen year on year to 11.1 billion yen.

1 Consolidated gross profit

- Net interest income rose 700 million yen year on year, due mainly to higher interest and dividends on securities and lower foreign currency fundraising costs, despite lower interest on loans.
- Net fees and commissions income rose 1.7 billion yen year on year due to the substantial contributions of Hirogin Securities and Shimanami Servicer, as well as higher earnings from corporate solutions and asset management.
- Despite large-scale decreases in gains from treasuries and other bonds, income from specific transactions and other businesses fell just 700 million yen year on year. This was due to Hirogin Lease becoming a wholly owned subsidiary and to the contributions of Hirogin Securities.
- As a result, consolidated gross profit rose 1.6 billion yen year on year to 47.7 billion yen.

2 Operating expenses

- Operating expenses rose 1.4 billion yen year on year, due mainly to increased expenses related to the new head office building (including initial expenses accompanying relocation) and the increase in numbers of consolidated subsidiaries.
- The adjusted overhead ratio (② / ①) was 62.1% (up 1.0 point year on year).

3 Credit costs

- Credit costs rose by 700 million yen year on year due to increases in reserves for certain customers on a precautionary basis, as well as individual factors pertaining to various major companies.

4 Interim net income attributable to owners of the parent

- Net income attributable to owners of the parent grew for the first time in two years, rising 500 million yen year on year to 11.1 billion yen.

^{*} There are no consolidated figures for the Company in FY2020 1H because it was established on October 1, 2020. Hereinafter in this document, consolidated figures for the former organization, of which the Hiroshima Bank was the parent company in FY2020 1H, are shown for reference purposes.

Results for major Group companies

(Billion yen)

The Hiroshima Bank

	FY2021 1H	YoY change	(Change rate)
Business gross profit	42.6	-3.2	(-6.9%)
(including core business gross profit) 1	43.3	-0.8	(-1.9%)
Net interest income	35.0	-1.6	
Net fees and commissions income	7.2	0.9	
Income from specific transactions	0.3	0	
Income from other operations	0	-2.4	
(including gain/loss related to treasuries and other bonds)	-0.6	-2.2	
Expenses (not including extraordinary disposal) (-)	27.3	1.3	
Effective business gains/losses	15.2	-4.5	(-22.7%)
Net income from core businesses	15.9	-2.2	(-12.1%)
Net income from core businesses (not including gains/losses from cancellation of investment trusts)	15.9	-2.2	(-12.1%)
Credit costs (-)	4.9	0.6	
Gains/losses related to equities, etc.	3.3	1.9	
Other	1.2	0.5	
Ordinary profit	14.9	-2.7	(-15.4%)
Extraordinary gains/losses	-0.6	-0.6	
Total income tax, etc. (-)	3.8	-0.8	
Interim net income 2	10.4	-2.5	(-19.2%)

1 Core business gross profit

- Down 800 million yen year on year, due mainly to lower net interest income resulting from decreased dividends from subsidiaries (down 2.4 billion yen), despite an increase in net fees and commissions income.

2 Interim net income

- Although down 2.5 billion yen year on year, net income at 10.4 billion yen remained largely unchanged year on year on a real basis after excluding the effects of lower dividends from subsidiaries, which had no negative effect on income on a consolidated basis for the holding company.

Hirogin Securities

	FY2021 1H	YoY change
Net operating income	3.79	0.97
(Bank brokerage)	2.46	0.74
Commission received	1.71	0.37
Trading gains/losses (structured bonds, foreign bonds)	1.97	0.58
Expenses	2.78	0.40
Operating income	1.00	0.57
Ordinary income	1.01	0.57
Interim net income	0.66	0.37

Hirogin Lease

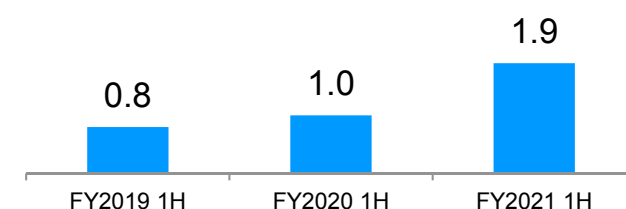
	FY2021 1H	YoY change
Net sales	10.61	0.17
Leasing fees income	7.60	0.04
Installment payment income	2.31	0.02
Cost of sales	9.49	0.18
Gross profit	1.12	-0.01
Expenses	0.58	0.16
Operating income	0.54	-0.17
Ordinary income	0.59	-0.11
Interim net income	* 0.39	-0.10

* Since Hirogin Lease became a wholly owned subsidiary, its impact on interim net income attributable to owners of the parent has increased by 290 million yen year on year.

Shimanami Servicer

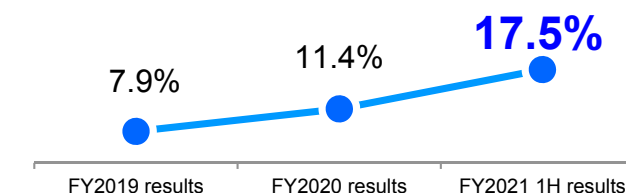
	FY2021 1H	YoY change
Net sales	1.07	0.75
Purchased from other companies	0.97	0.74
Cost of sales	0.45	0.32
Gross profit	0.61	0.43
Expenses	0.21	0.00
Operating income	0.39	0.41
Ordinary income	0.39	0.37
Interim net income	0.27	0.26

Interim net income for Group companies*1



*1 Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding the bank, multiplied by investment ratio

Contributions of Group companies to consolidated performance*2

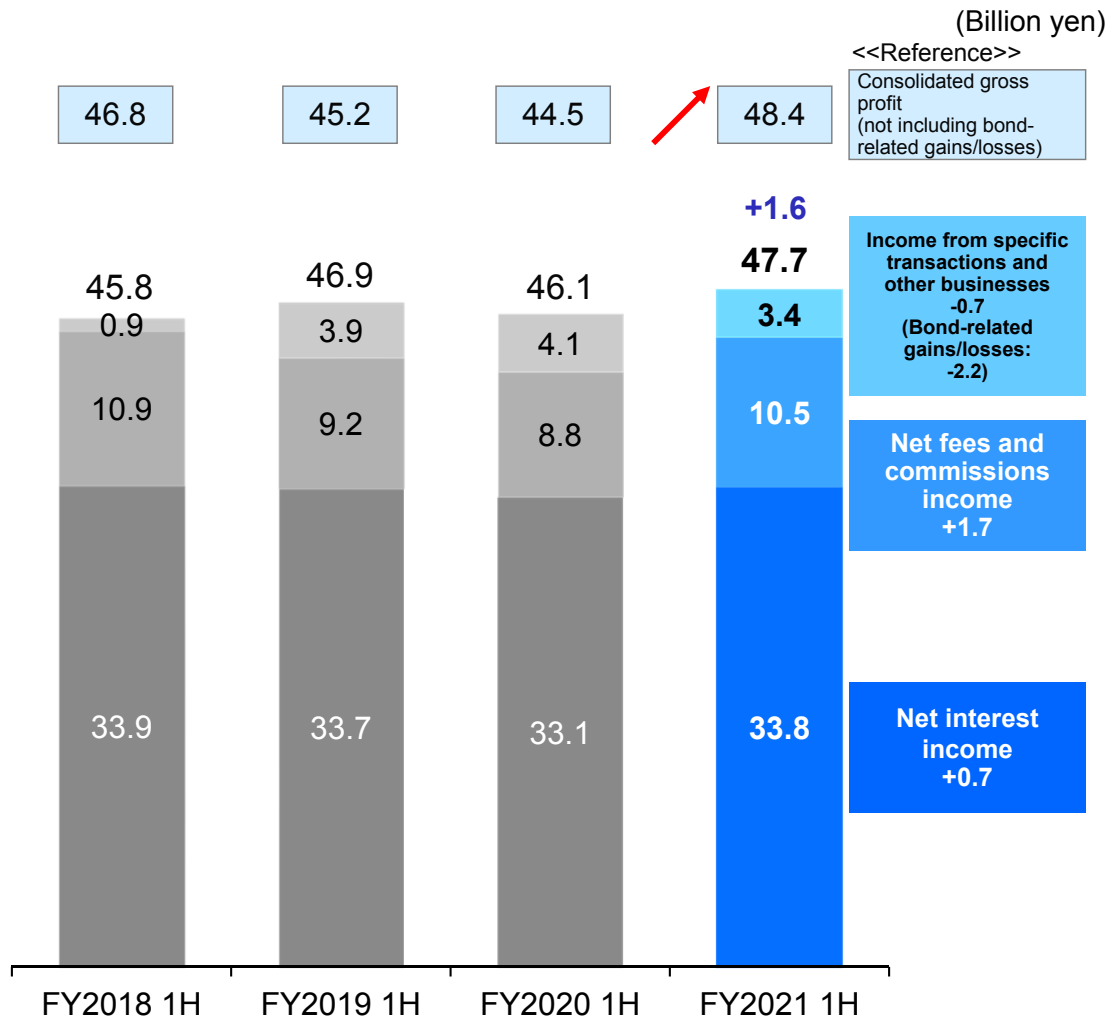


*2 Contributions of Group companies to consolidated performance = $\frac{\text{Interim net income for the Group companies (*1)}}{\text{Interim net income attributable to owners of parent}}$

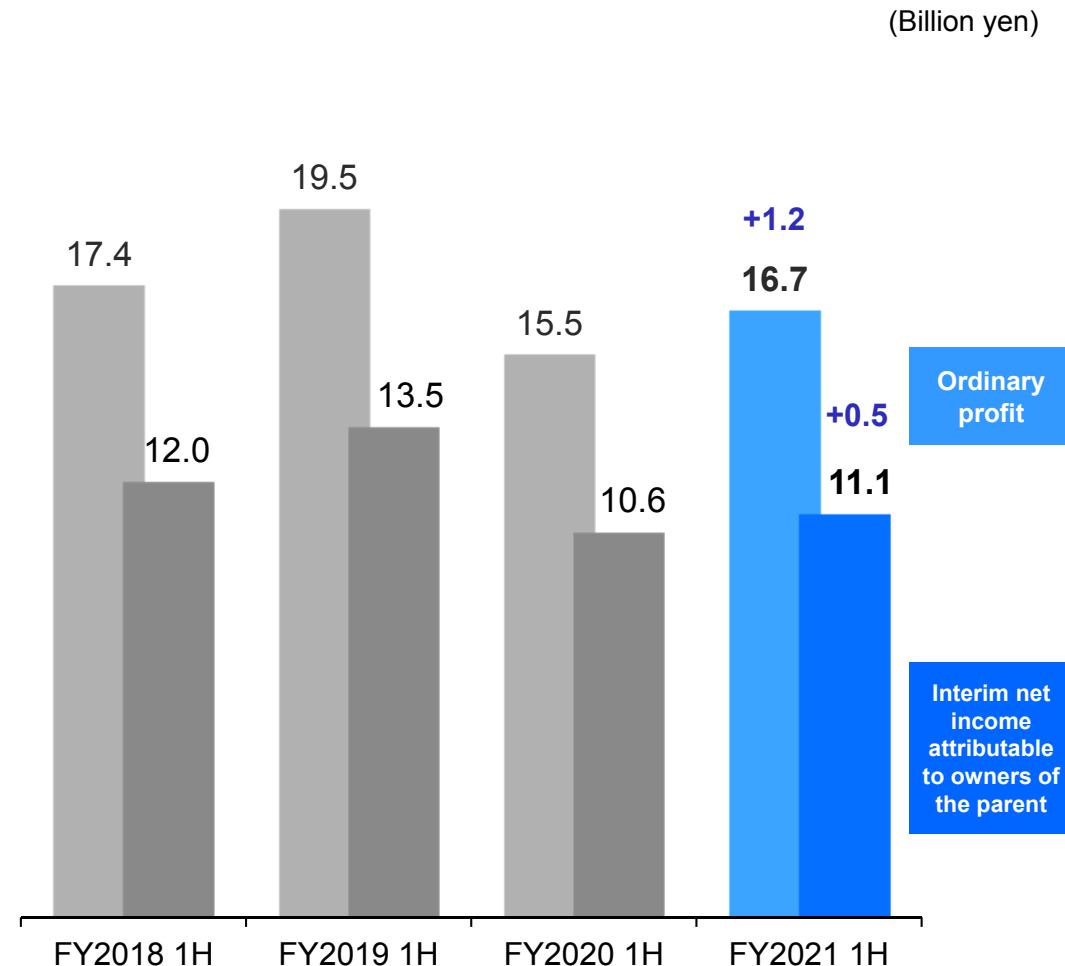
Consolidated gross profit, ordinary profit, and interim net income attributable to owners of the parent

- ◆ Despite significantly lower gains from treasuries and other bonds (down 2.2 billion yen), consolidated gross profit rose 1.6 billion yen year on year to 47.7 billion yen, due to substantial contributions arising from Hirogin Lease becoming a wholly owned subsidiary and from Hirogin Securities and Shimanami Servicer.
- ◆ Consolidated gross profit (excluding gains from treasuries and other bonds) rebounded significantly after a period of continued decreases due to negative interest rates.
- ◆ Both ordinary income and interim net income attributable to owners of the parent rose for the first time in two years.

Trend in consolidated gross profit



Trends in ordinary profit and interim net income attributable to owners of the parent



Profits related to the consulting business; net income of Group companies

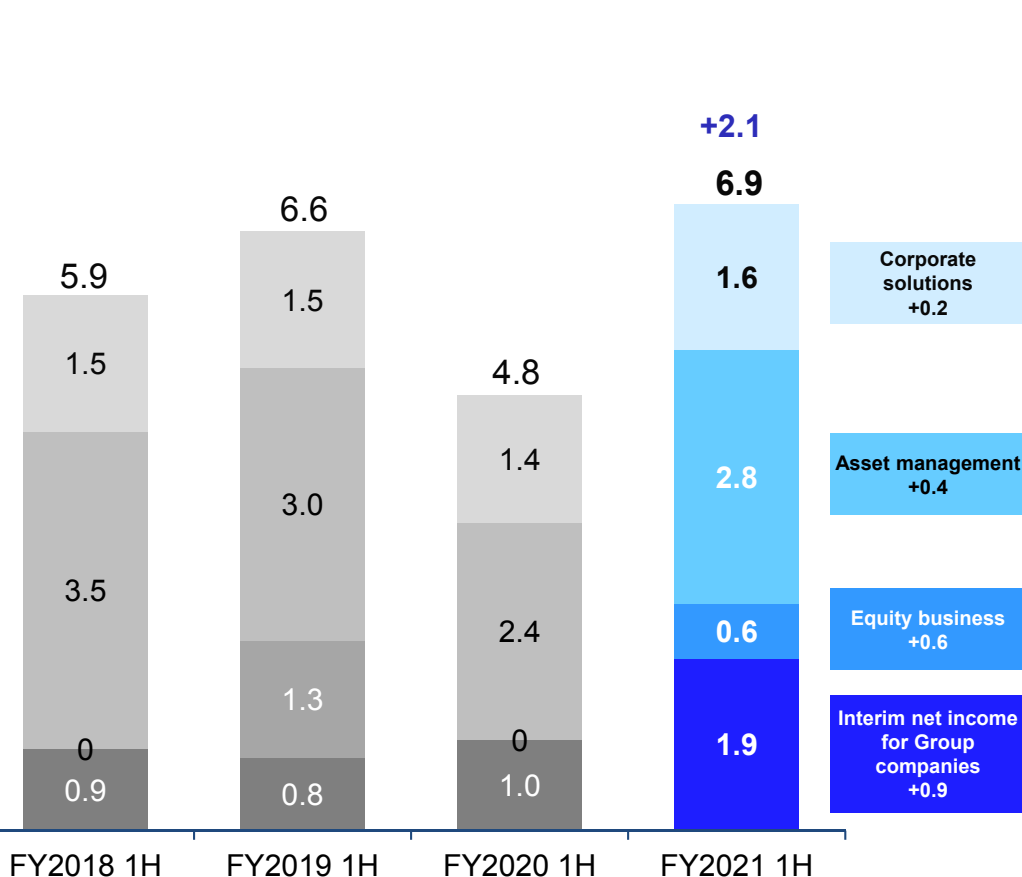
- ◆ Profits related to the consulting business and net income of Group companies, priority management targets under Mid-Term Plan 2020, rose steadily 2.1 billion yen year on year to 6.9 billion yen.
- ◆ Profits increased year on year in each of the priority businesses of corporate solutions, financial instruments brokering, and trust services.
- ◆ Interim net income for Group companies increased significantly year on year thanks to the contributions of Hirogin Securities and Shimanami Servicer, among others.

Total profits from the consulting business for corporate and individual customers and net income for Group companies

(Billion yen)

[Breakdown]

[Reference] (Billion yen)



	FY2020 1H results	FY2021 1H results	YoY change	FY2021 planned	YoY change
[Bank (nonconsolidated)]					
Profits from the consulting business for corporate and individual customers ①	3.8	5.0	1.2	11.4	1.8
Corporate solutions	1.4	1.6	0.2	4.3	0.2
Business succession support, M&As (included above)	0.2	0.2	0.0	0.9	0.3
Asset management	2.4	2.8	0.4	6.1	0.6
Investment trust (included above)	0.5	0.6	0.1	1.1	0.0
Insurance (included above)	0.9	0.9	0.0	2.3	0.2
Financial instruments brokerage (included above)	0.4	0.5	0.1	1.0	0.0
Trust (included above)	0.2	0.3	0.1	0.8	0.2
Equity business	-	0.6	0.6	0.9	0.9
Interim net income for Group companies ②	1.0	1.9	0.9	3.3	0.9
Hirogin Securities (included above)	0.3	0.7	0.4	1.1	-0.1
Shimanami Servicer (included above)	-	0.3	0.3	0.3	0.1
Hirogin Lease (included above)*	0.1	0.4	0.3	0.7	-0.5
Total (① + ②)	4.8	6.9	2.1	14.7	2.7

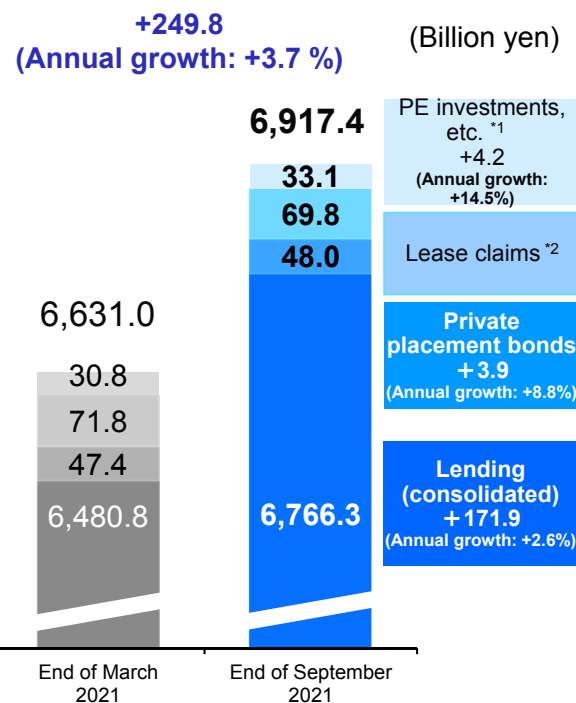
* Results for Hirogin Lease in FY2020 2Q have been multiplied by the percentage of voting rights held (20%) prior to making it a wholly owned subsidiary.

Group total credit, total assets under management (balances at end of September 2021)

- ◆ While prioritizing risk-taking for local customers, Group total credit grew 249.8 billion yen from the end of September 2020 to 6.9174 trillion yen, as a result of proactive efforts by the Group as a whole, including private equity investments and lending and leasing activities.
- ◆ Total assets under management (Hiroshima Bank + Hirogin Securities) rose 485.3 billion yen from the end of September 2020 to 10.3658 trillion yen, due mainly to increased assets under management at Hirogin Securities and in financial instruments brokering resulting from enhanced banking securities collaboration and to growth in deposits, etc.

Trend in group total credit (e.g., lending + lease claims + PE investments)

Note: Comparisons are vs. the end of the same month in the previous year.



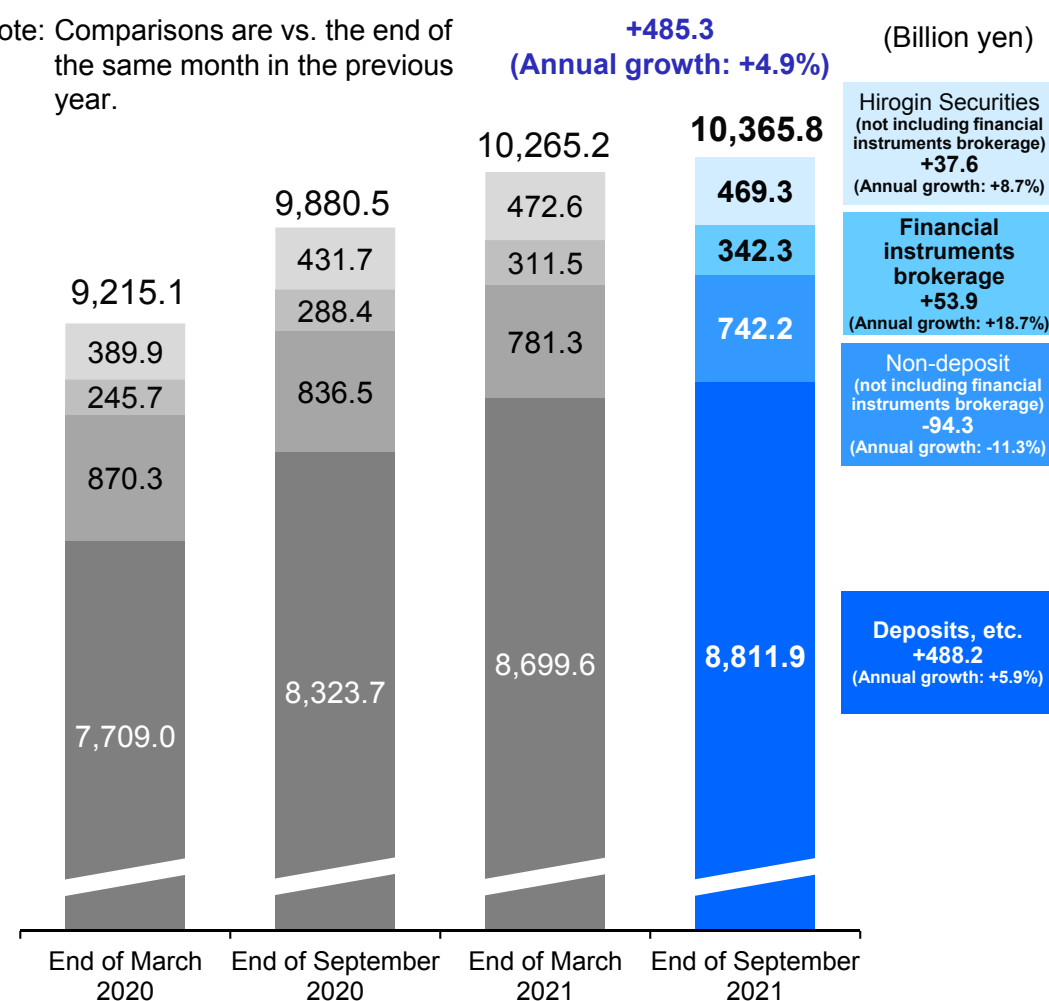
	End of March 2020	End of September 2020	End of March 2021	End of September 2021	vs. end of Sept. 2020
PE investments (pledged investment amount), etc. *1	23.9	28.9	30.8	33.1	4.2
Balance of investments (included above)	9.6	10.3	13.1	14.7	4.4
Lease claims *2	-	-	71.8	69.8	69.8
Private placement bonds	42.3	44.1	47.4	48.0	3.9

*1 PE investments, etc. includes private REIT investments.

*2 Represents the lease claims of Hirogin Lease, which was made a wholly owned subsidiary effective March 1, 2021.

Total assets under management (Bank + Securities)

Note: Comparisons are vs. the end of the same month in the previous year.



Notes: 1. Hirogin Securities balances are shown on a mark-to-market basis.

2. Not including financial instruments brokerage through the Hirogin App (Rakuten Securities, SBI Securities)

FY2021 performance and dividend forecasts

- ◆ Forecasts of full-year business performance have been revised upward from the figures announced at the beginning of the year.
(The figure announced at the beginning of the year was 22 billion yen.)
- ◆ Projected dividends remain unchanged at 24 yen per share.
- ◆ As projected at the beginning of the year, we paid interim dividends of 12 yen per share.

FY2021 performance forecasts

(Billion yen)

	1H Results	FY2021 performance forecast	YoY change	vs. initially announced forecasts
Ordinary profit	16.7	33.5	2.5	2.0
Net income attributable to owners of the parent	11.1	23.5	2.0	1.5

Reference: FY2021 nonconsolidated forecast for
Hiroshima Bank

(Billion yen)

	1H Results	FY2021 performance forecast	YoY change	vs. initially announced forecasts
Net interest income	35.0	69.0	-1.2	1.5
Other income	8.2	17.0	0.7	-
Core business gross profit	43.3	86.0	-0.5	1.5
Expenses (-)	27.3	54.5	1.2	-0.5
Net income from core business	15.9	31.5	-1.6	2.0
Ordinary profit	14.9	29.5	-1.5	1.0
Net income	10.4	21.5	-0.8	1.0
Credit costs (-)	4.9	9.5	-1.6	1.0

<Market scenarios applied in performance forecasts>

JPY TIBOR 3M: 0.07%; 10-year JGBs: 0.00%; exchange rate (USD/JPY): 108.0 yen; Nikkei Average: 29,000 yen

FY2021 dividend forecasts

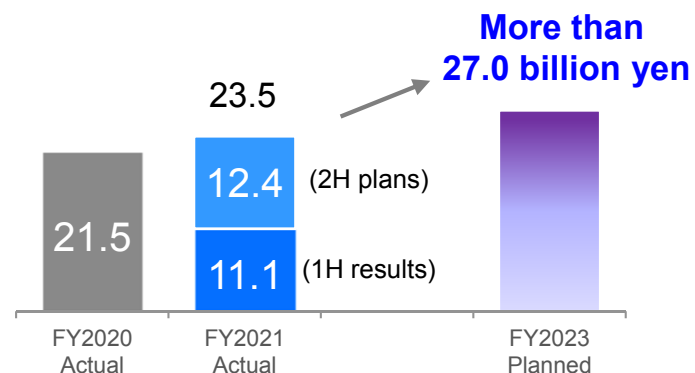
Annual dividends per share: 24 yen

(Reference) Payout table

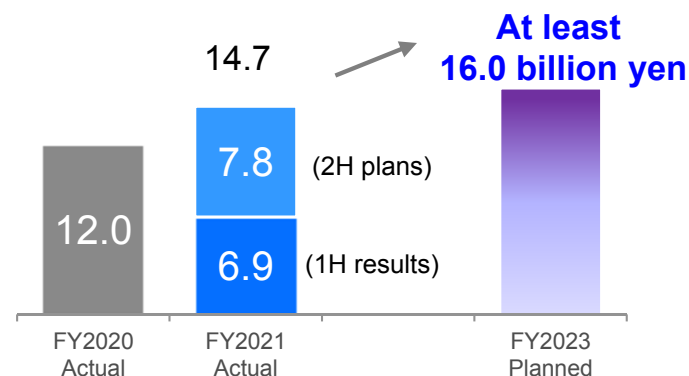
Net income attributable to owners of the parent	Dividends per share			Consolidated payout ratio
	(i) Fixed	(ii) performance- based	(i) + (ii)	
More than 33 billion yen	18 yen	18 yen	36 yen	Less than 34.1%
30-33 billion yen		15 yen	33 yen	31.2-34.4%
27-30 billion yen		12 yen	30 yen	31.2-34.7%
24-27 billion yen		9 yen	27 yen	31.2-35.1%
21-24 billion yen		6 yen	24 yen	31.2-35.7%
18-21 billion yen		3 yen	21 yen	31.2-36.4%
18 billion yen or less		0 yen	18 yen	31.2% or more

Progress on management targets under Mid-Term Plan 2020

Net income attributable to owners of the parent



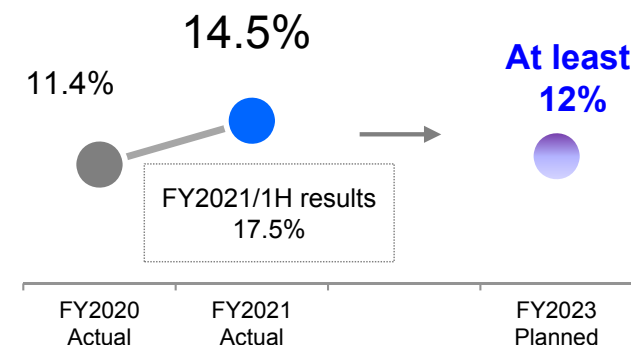
Total of revenues from consulting businesses for corporate and individual customers*¹ and Group company net income*²



*¹ Revenues from consulting businesses for corporate and individual customers = Total of revenues from corporate solutions, asset management, and equity business

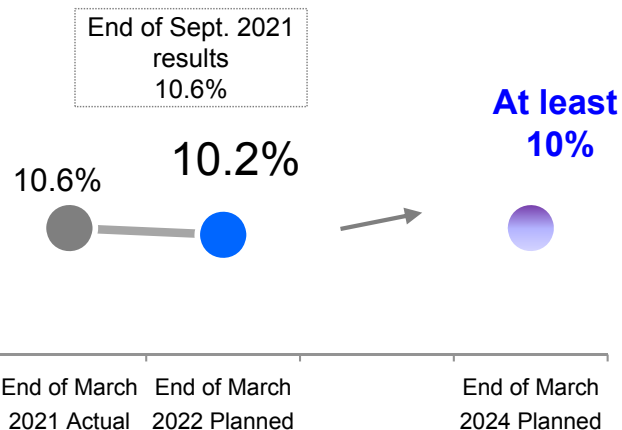
*² Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding the bank, multiplied by investment ratio

Contributions of Group companies to consolidated performance*³

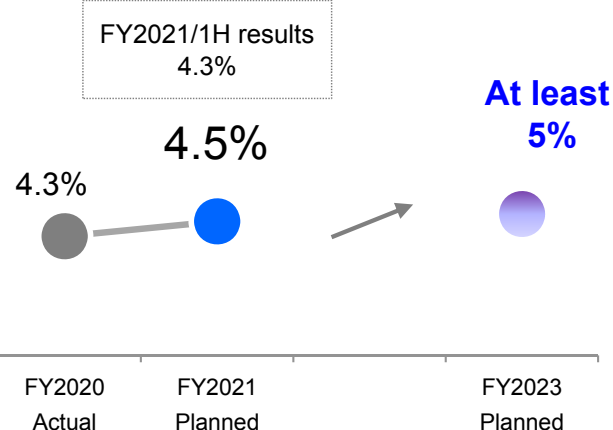


*³ Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies (*2)}}{\text{Net income attributable to owners of parent}}$

Consolidated capital adequacy ratio



Consolidated ROE



2. Results of transitioning to a holding company structure and progress on the Mid-Term Plan

The ideal goal for Hirogin Holdings

Deploying the Group business model to realize the management philosophy (i.e., long-term vision)

**Management
Philosophy
(Management
Vision)**

Contributing to the creation of a prosperous future for the regional community, as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers

**Basic policy
(business model)
of Mid-Term Plan
2020**

While deepening and expanding the operation axis and customer axis in the markets of our four local prefectures (Okayama, Yamaguchi, Ehime, and Hiroshima), which have potentials in terms of economic scale and growth opportunities, Hirogin Holdings will thoroughly work on solving every issue faced by the regional community and customers and actively commit itself to the development of the region, thereby realizing its management philosophy and achieving the group's sustainable growth.

Provide various solutions to solve customers' issues

Contribute to the regional development and to the growth of customers

Achieve sustainable growth for the Group

Further expanding the operation axis through the transformation to a holding company structure

One year after migrating to a holding company structure

One year after migrating to a holding company structure, steady progress is being made in Group management as a result of systemic enhancements including the establishment of three nonfinancial subsidiaries and progress in employee awareness.

Initiatives since migration to a holding company structure on October 1, 2020

Evolution into a comprehensive regional services group

Establishment of nonfinancial subsidiaries

Hirogin IT Solutions made subsidiary
Hirogin Human Resources established
Hirogin Area Design established

Revising subsidiary capital structure

Hirogin Lease made wholly owned subsidiary

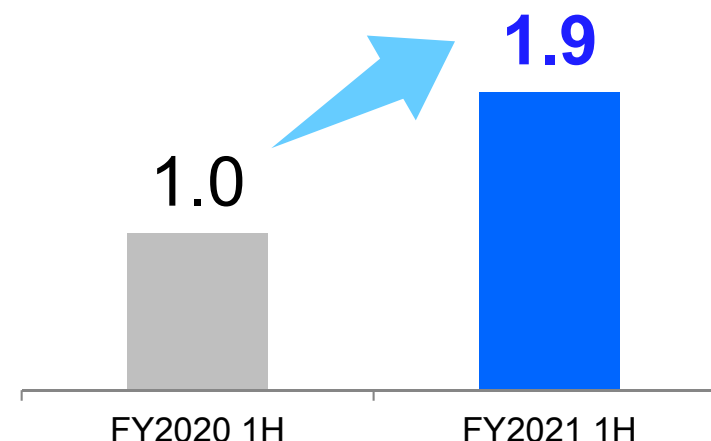
Reassignment of staff

50 staff members reassigned from the Bank to non-banking subsidiaries (April 2021)

Transformation of mindset

From a Bank-centric mindset to one based on **a unified Group**

Total net income of non-banking subsidiaries (billion yen)



Steady progress in shifting to Group management

A thorough market orientation

Note: Net income of Hirogin Lease in FY2020 1H is multiplied by the percentage of voting rights held (20%) before it became a wholly owned subsidiary.

Results of strengthening Group cooperation

Efforts including enhancements in new solutions functions and intensification and expansion of the customer base through mutual cooperation among Group companies have led to steady progress on improving the results of Group companies and increasing numbers of companies for which Hiroshima Bank is their primary bank.

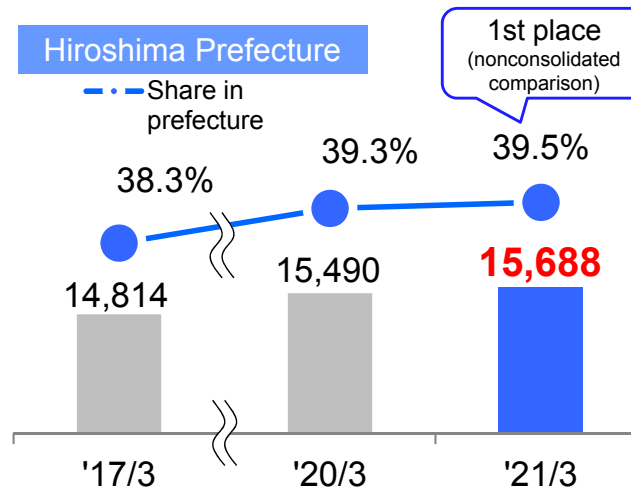
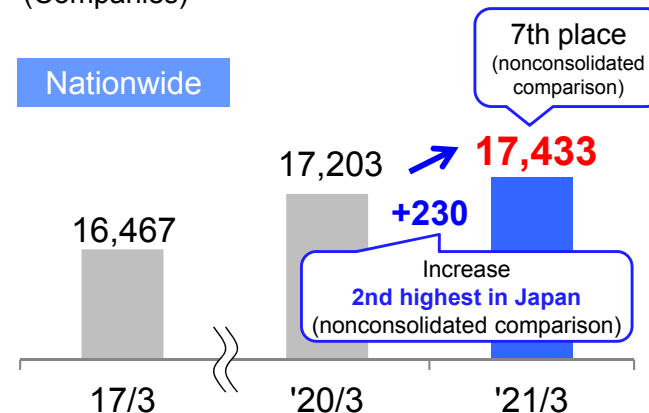
Results for Group companies

Financial/ nonfinancial needs	Main solution provider	Results * FY2021 1H/end of September 2021
Capital enhancement (Business succession, business revitalization)	Capital Partners	Amount invested (Total of fund and principal investment) 2.5 billion yen (+700 million yen)
Securing human resources, developing HR systems	Human Resources	Number of HR placement contracts concluded 42 (+13)
Capital investment, leasing	Lease	Number of customers 6,282 (+75)
ICT/ business efficiency	IT Solutions	Number of HR placement contracts concluded 47 (+33)
Diversification of settlement methods	Card Service	Number of corporate cardholders 8,473 (+30)
Asset management	Securities	Number of financial instruments brokerage accounts 24,112 accounts (+1,797 accounts)
Claims purchased	Shimanami Servicer	Number of counterparties in claims purchase transactions 1,431 (+71)

Figures in parentheses are provided to allow comparison to FY2020 or the end of March 2021.

Number of companies for which Hiroshima Bank is their primary bank (Bank)

(Companies)



**External evaluations
also are improving**

Source: Tokyo Shoko Research, Ltd.

Progress on Mid-Term Plan 2020

Under Mid-Term Plan 2020, we are deploying strategies founded on three main pillars that reflect our proactive commitment to regional development. We are currently implementing sweeping initiatives to realize solutions to the various issues facing our communities and customers.

Priority strategies of Mid-Term Plan 2020

- **Enhanced initiatives involving creating solutions for community issues**

Regional vitalization and local revitalization

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- Initiatives targeting community vitalization projects to achieve virtuous circles in the community through attracting visitors and stimulating consumption

- **Enhanced initiatives to support customer growth**

Corporate strategy, individual strategy

p.17-22

- Initiatives responding to diverse needs in financial and nonfinancial fields
- Deployment of asset management businesses tailored to personal life plans

Concierge initiatives

p.15

Digital and IT strategy

p.23-24

- Initiatives to digitize services and create new digital businesses

- **Enhancing management foundations**

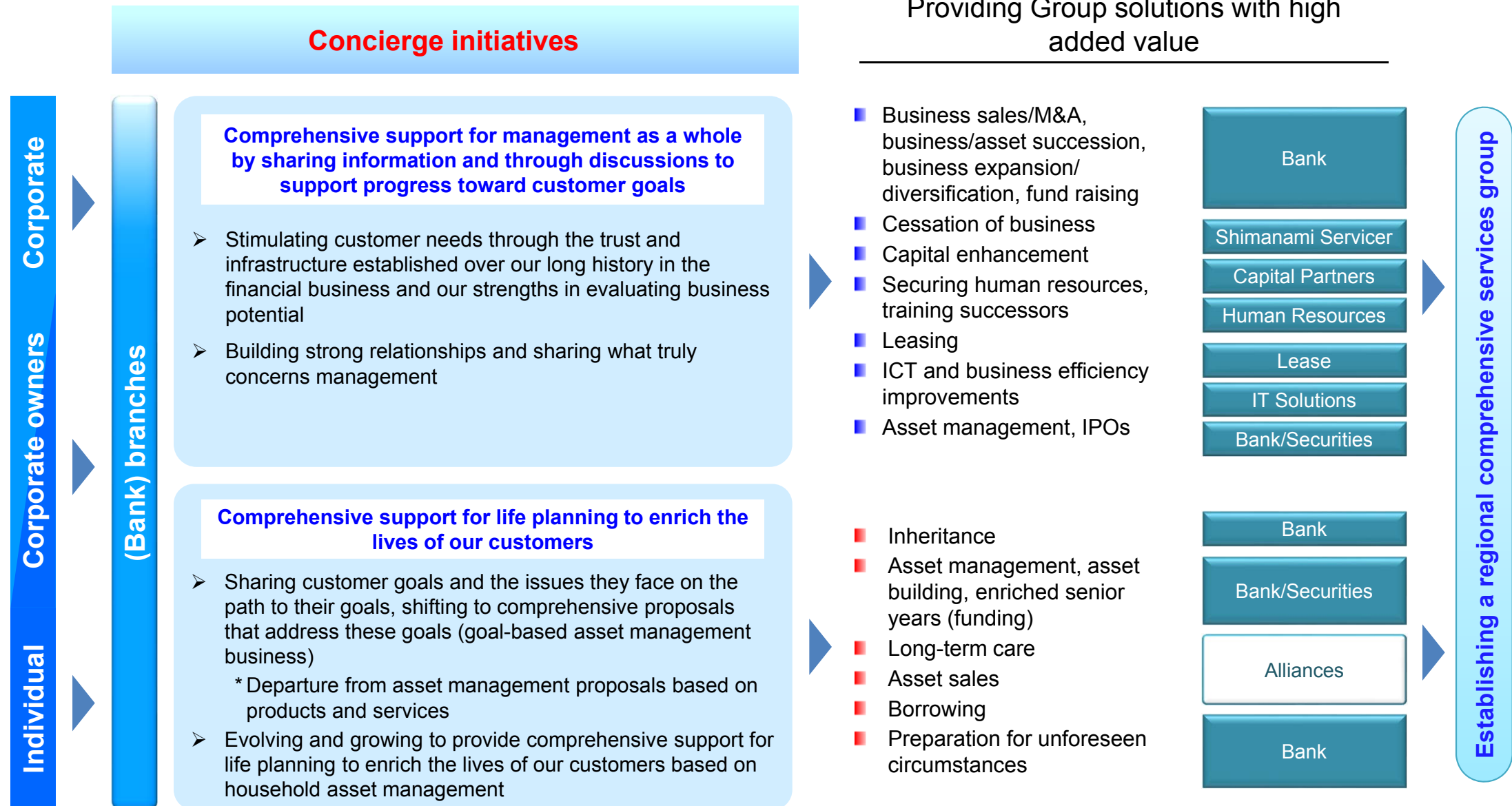
Channel strategy, restructuring

p.25

- Initiatives related to reforms implemented by the Group as a whole

Achieving the goals of Mid-Term Plan 2020

Together with delving more deeply into customer needs based on the powerful relationships we have achieved with customers, itself grounded in the trust and reputation built up through now, providing solutions to diverse needs not only within the Group but through alliances as well



With a view to delivering fundamental solutions to issues with regional communities and industrial structures, we will step up initiatives we have been implementing for some time. In cooperation with local public bodies and business operators, we will ensure that the Group plays a central role in pushing forward with new businesses tied to local revitalization.

Vitalization

● Hirogin Holdings head office building



Creating a vital community space on the first floor



● Deploying the regional trading company business



Developing systems to attract people from inside and outside the region to the city of Hiroshima; encouraging excursions and consumption

Infrastructure development (e.g., responding to inbound tourist demand)

● Hiroshima International Airport Co., Ltd. <Capital Partners>



- In addition to the Group and leading local businesses, investors include real estate firms, trading companies, and other firms from Tokyo with strong management expertise.
- Plans call for expanding international flights. As the air gateway to Hiroshima and after COVID-19 is under control, the airport will capture inbound tourist demand and contribute to community vitalization.

Strengthening community attractions

● Project to put to use Citrus Park, a closed theme park in Setodacho, Onomichi City <Area Design>

We are participating in a public call for proposals for the future of Citrus Park, a project intended to create interconnections and revitalize the community. Three companies have been chosen as project candidates.



Revitalization as a park
(Making the facility more attractive to visitors)

Tourism project
(Glamping facility)

Agricultural project
(Lemon growing)

● Miyoshi City Promotion Project <Area Design>

A contract has been awarded by the city of Miyoshi for this project to create new community attractions

Developing cycles to make the city more attractive

Connecting city residents through brand building

Media strategy

● Attracting a Hilton Hotel <Area Design>



- This project goes beyond simple real estate development to create new value for the region by involving community development, human resource development, and employment development in various ways, including efforts to enable use as a conventional facility and create employment.

In response to corporate needs hard to meet through traditional lending alone, drawing on Group strengths in evaluating business potential to contribute to community businesses through proactive credit risk-taking, including equity investments

Deploying the equity business

Capital Partners (HiCAP)

Startups	Funding support for companies launched less than 10 years ago and startups in their middle stages and beyond
Business revitalization	Funding support for companies engaged in management improvements and business revitalization
Business succession	Funding support for companies concerned about business succession

Deploying measures to enhance funding support through equity investment in addition to traditional lending

Numbers of consultations
(as of end of Sept. 2021)

Fund	Number
HiCAP1	5
HiCAP2	44
HiCAP3	14
Other	4
Total	67

Projected future investment
(as of end of Nov. 2021)
Approx. 1.3-1.7 billion yen

One-half of these were introduced through Bank branches

Strong needs

Bank

Results

Investment

Investment results through investment funds (Investment results/amount of fund)

- HiCAP1 Fund (business revitalization): 600 million yen/2 billion yen
- HiCAP2 Fund (business succession): 200 million yen/2 billion yen
- HiCAP3 Fund (startups): 200 million yen/1 billion yen

Prominent and long-established ryokan inn in Miyajima

- We invested in this inn to support a long-established business that could be described as the jewel of the community.
- After investing in the inn, we stationed staff on site full time for more than one month to analyze current conditions and formulate a management plan. We continue to provide support for implementing the plan.

EXIT

**Equity business profits:
900 million yen***

* Projected for FY2021, including profits from Blue Investments LLP, a nonconsolidated subsidiary investment fund in which Hiroshima Bank holds a 99% share (includes unrealized gains, since the fund's fiscal year ends in December)

Future outlook

- **Securing stable profits from the equity business in addition to supporting the growth of customer firms through proactive equity investments (including principal investment)**

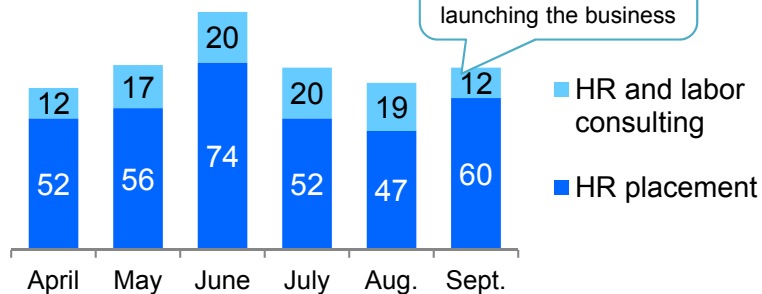
Customer firms have extremely high human resource needs. We propose solutions for human resources and labor primarily through Hirogin Human Resources (established April 2021).

Support for solutions to various human resource issues and challenges

Human resources	Human-resource placement business	<ul style="list-style-type: none"> Core human resources External human resources capable of contributing immediately
	Training business	<ul style="list-style-type: none"> Implementing various types of training Support for internal training programs
	Consulting business	<ul style="list-style-type: none"> Consulting concerning human resources and labor Developing HR systems

Deploying consulting concerning human resources and labor in addition to the HR placement business undertaken by the Bank to date

Trend in number of deals



Results

Support requests	340 (+151 year on year)
Contracts concluded	42 (+13 year on year)
Number of training sessions held	27 (8 held last year)
Participants	809 (208 last year)
Support requests	110 (none last year)
Contracts concluded	25 (none last year)
Consulting transactions	13 (none last year)

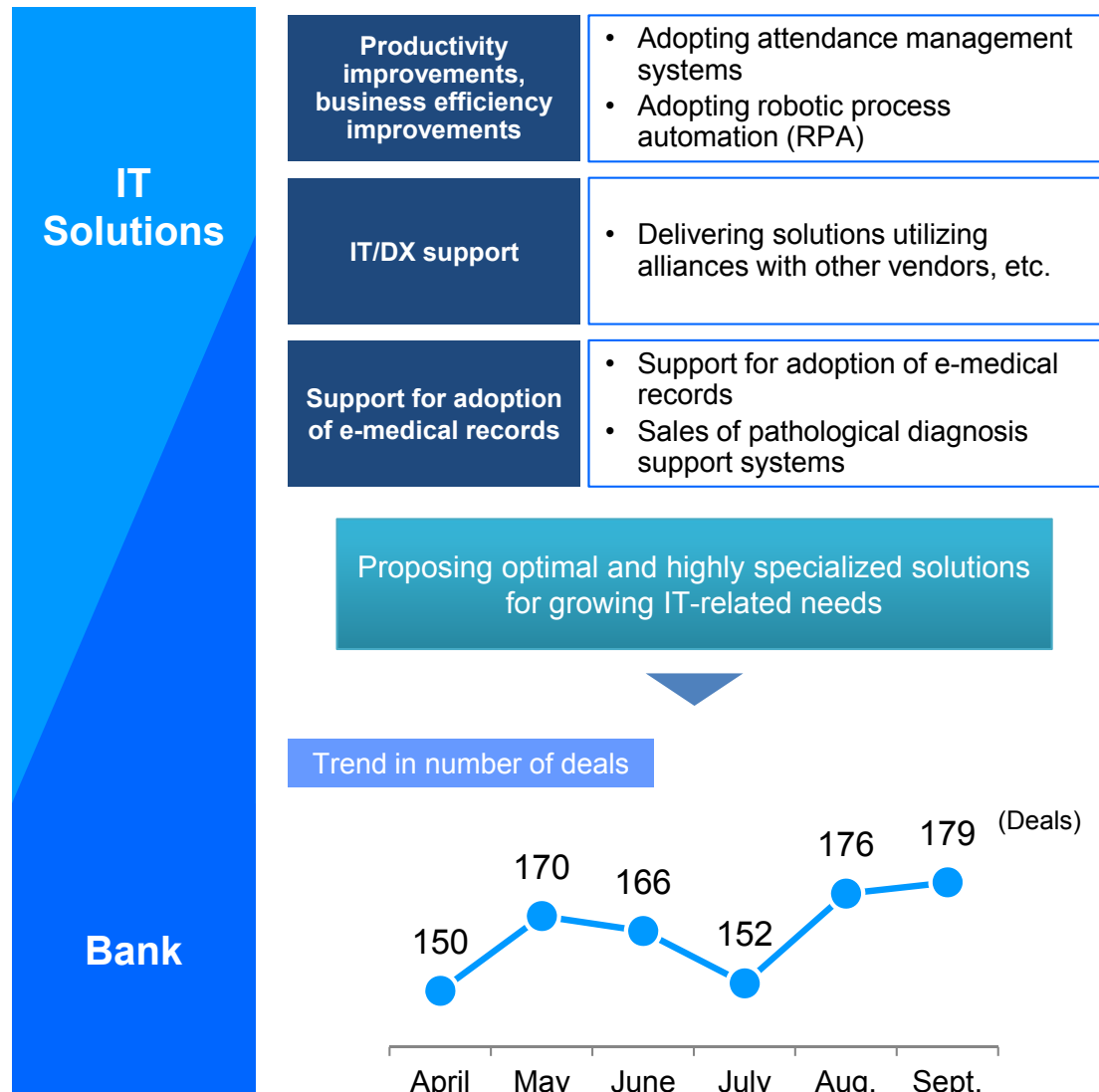
Note: Results for last year are results for the Bank and other companies

Future outlook

Deploying a wide range of solutions related to HR and labor, including introducing labor consulting and new entries in the HR placement business

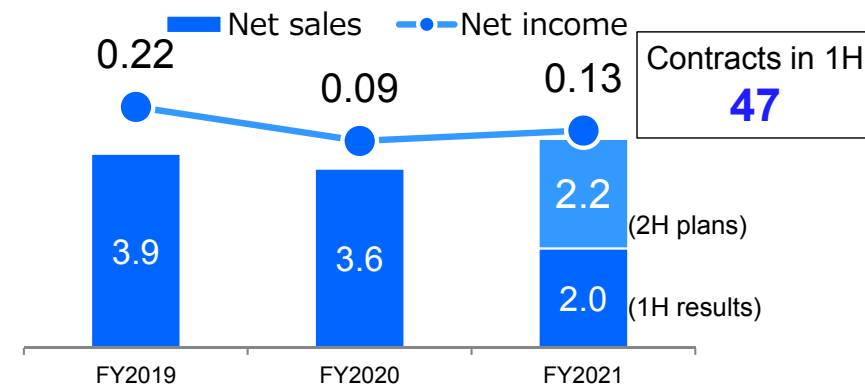
Amid wide-ranging corporate needs related to IT and digital transformation (DX) in light of the coming post-COVID age, we are deploying IT solutions, primarily through Hirogin IT Solutions, which became a subsidiary in January 2021.

Delivering IT solutions to improve productivity and business efficiency



Results

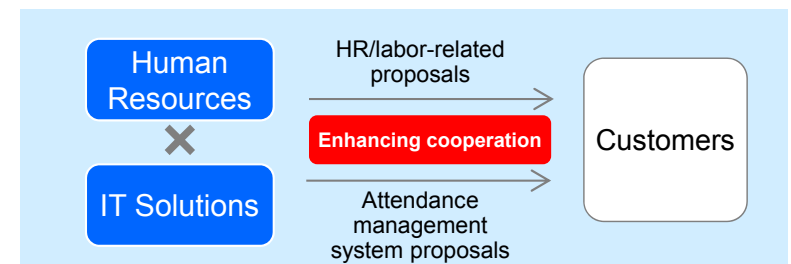
IT Solutions/net sales, net income (billion yen)



Note: Figures shown are for Hirogin IT Solutions (formerly Mighty Net) on a nonconsolidated basis.

Future outlook

Enhancing joint efforts to find solutions and increase Group synergies based on business affinities



Strategy for corporate customers - Supporting customers in preparation for the post-COVID era -

Businesses need to adapt to dramatic changes in society, including the coming post-COVID era. In addition to traditional fundraising support, we're committed to supporting local businesses in enhancing their management capabilities by strengthening our support for management improvements and business restructuring.

Support for SMEs for the post-COVID era

Businesses require support to respond to rapid changes in society, centered on the need to secure sales channels and sales figures and secure human resources, issues that have become focal points during the COVID-19 pandemic.

Securing sales channels and sales figures

- Business restructuring including ventures into new fields and different business sectors
- Expanding online services (e.g., use of e-commerce sites)

Securing human resources

- Developing environments for remote working
- Developing systems to accommodate diverse work styles and a diverse work force

➡ Implementing partnership-based support Groupwise to realize solutions to challenges based on evaluation of business potential

Business restructuring

Support for applying for business restructuring subsidies

Providing support for applying for business restructuring subsidies related to ventures into new fields or different sectors

[Results of support for applying for business restructuring subsidies]

158 applications
(First through third rounds)

State of support for customers

Management Improvements Support Team

Establishing a cross-organizational team made up of related Bank sections to support management improvements and revitalization for customers whose business conditions have worsened due to COVID-19

■ We identified 452 customer firms impacted significantly by COVID-19.

- Details of support for individual companies identified through various activities, including company visits by the Support Team, in cooperation with branches
- Side-by-side support implemented in cooperation with external agencies, including business rehabilitation support cooperatives, in addition to Bank front office sections and Group companies

Corresponding solutions (examples)

- Support for formulating medium-term plans toward improving profits
- Support for international advancement
- Support for more advanced use of IT in attendance management, settlement of expenses, etc.
- Support for considering the spinoff of business sections into separate companies

Strategy for individual customers (1)

Striving to develop consulting businesses based on comprehensive support provided in our role as concierges, for the life plans of our customers and asset management for entire households

Now

Consulting through life planning based on asset management

- Collecting information based on the Life Design Service
- Sharing goals (what customers want to achieve themselves or on behalf of their families)

Comprehensive support for enriching customers' lives, through regular communication

〈ひろぎん〉ライフデザインサービス Hirogin Life Design Service

* A tool for visualizing future cash flows based on the life plans of our customers



Asset management needs

Asset ownership needs

Inheritance needs

Future

Enhancing the goal-based asset management business

Comprehensive support to help customers achieve their goals based on sharing their goals and issues faced toward their achievement (a departure from asset management proposals based on products and services)

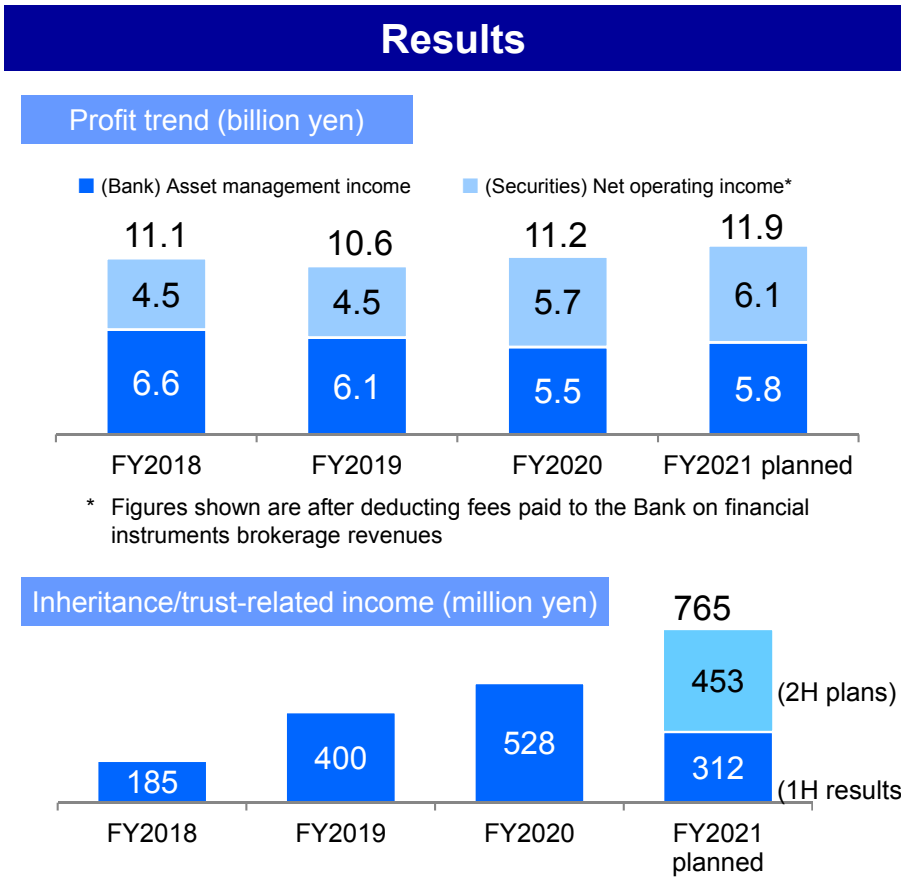
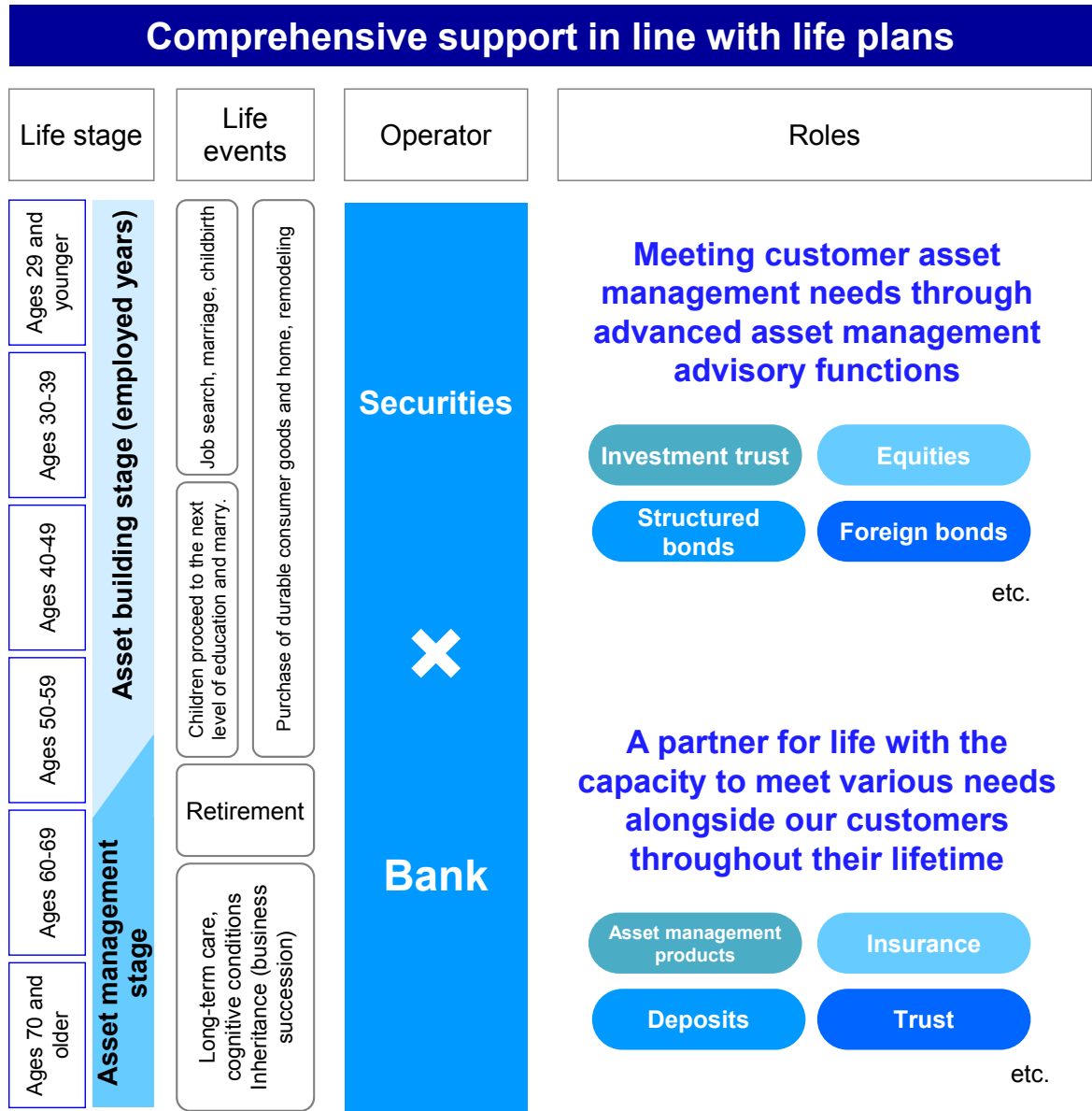
<Business model summary>

- Partnership-based support through goal sharing and continual review toward goal achievement
- Provided for trust and investment advisory fees (stock revenues) for instruments managed

Medium- to long-term goal

Building a consulting business based on asset management for the entire household

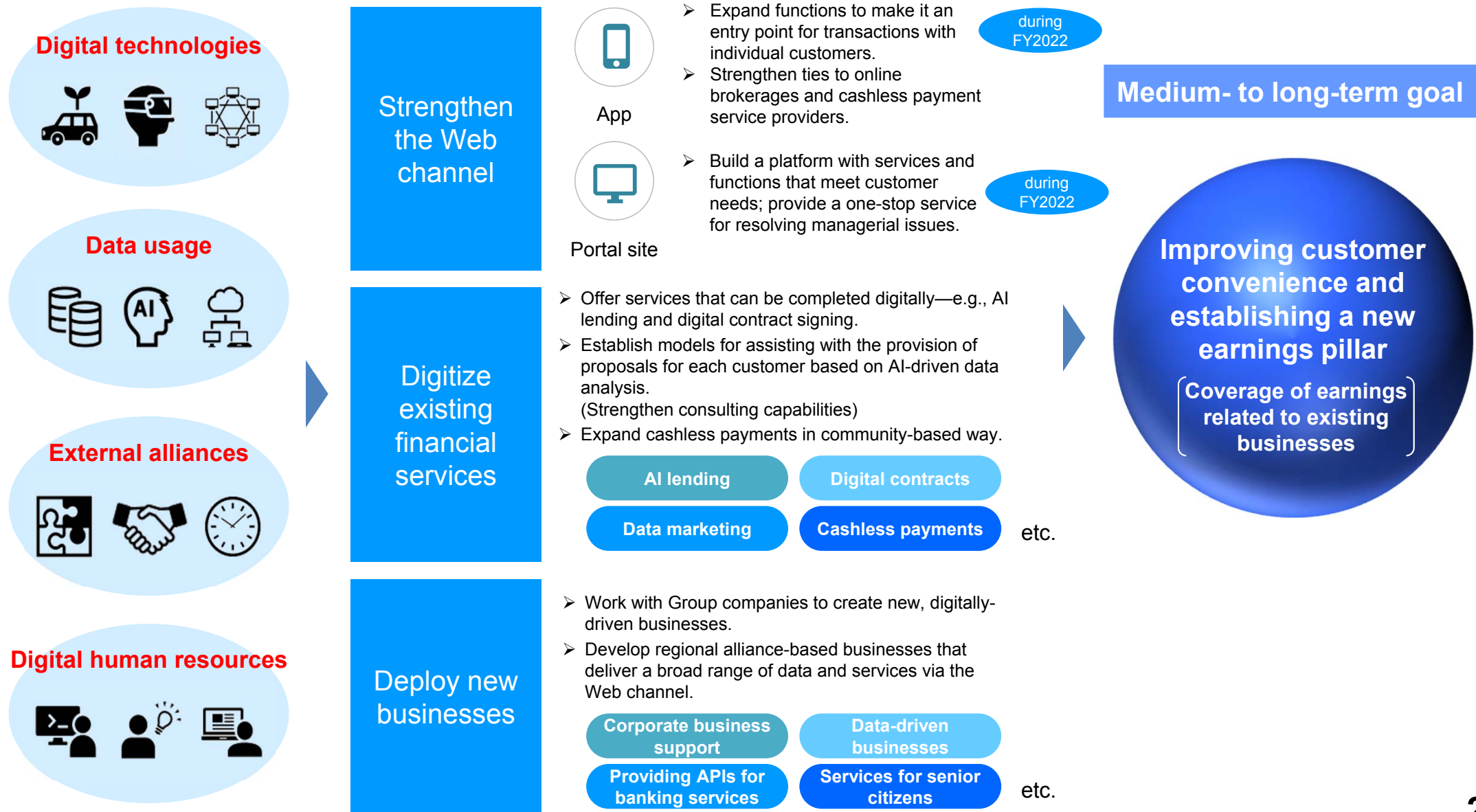
In addition to enhancing joint efforts between the Bank and Securities, providing solutions for various needs, not just asset management



Future outlook

Developing a household asset management business as a partner for our customers; establishing a fully Web-based business model

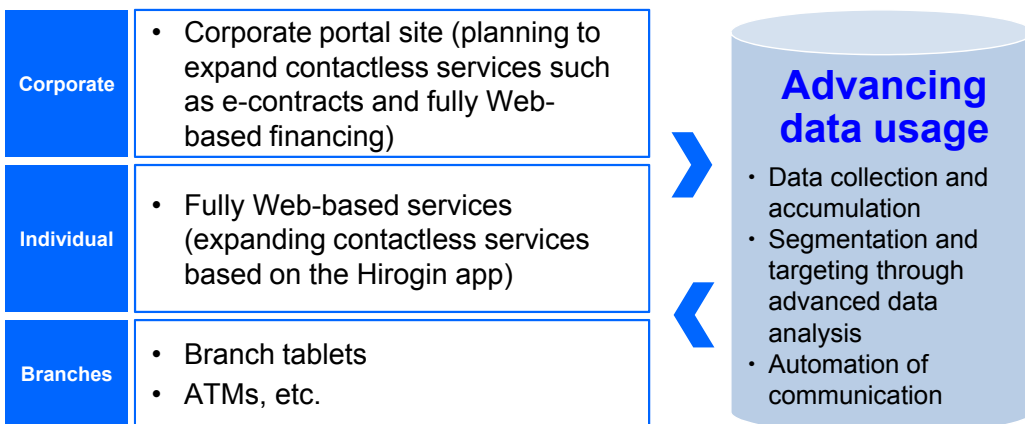
Improving customer convenience and building new earnings pillars for the Group by enhancing efforts to create new digital businesses and advancing the digitization of services and businesses



In addition to advancing data usage for digitization of services, centered on Hirogin Holdings, deploying efforts toward training IT and digital human resources

Advancing data usage for digitization of services

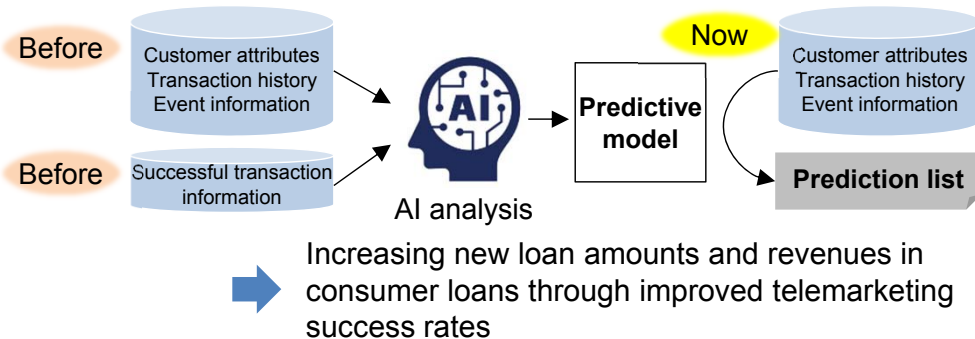
Expanding digital services



Providing optimal communication services tailored to individual customers

Improving the precision of card loan marketing

Developing a model for outputting lists of prospective targets for card loans based on credit scores



<Bank and IT Solutions> State of new digital businesses

Released as bank services

Online subsidy diagnostics service

- Fill out a simple questionnaire on the Web
- Enables identification of available subsidies and application procedures

October 2020 – November 15, 2021
Application procedures: 2 cases
Cumulative consultations: 18 cases

ひろぎん Bill
powered by Money Forward Kessai

- Handles credit review and billing for accounts receivable
- Also can offer purchase of accounts receivable

May 2021 – November 15, 2021
Cumulative applications: 8 cases
Inquiries: 50 cases

Provided by IT Solutions

- Inventory management and automatic ordering service based on IoT (since April 2021)
- Process management services focusing on manufacturing companies (since April 2021)
- Construction management services focusing on construction companies (since July 2021)

<Bank and IT Solutions> Securing and developing IT and digital human resources

Before:
Human resources secured through internal training on transfer and midcareer hiring

Strategic hiring of new graduates is needed to enhance the development field

Newly established IT/digital specialist course

(Hired in April 2021)

Responsibilities	New Bank	HITS
Cloud app development	2 persons	2 persons
Open technologies, in-house development, etc. in information science		7 persons

Enhancing approaches to students from both inside and outside the prefecture while working with local universities

Channel strategy, restructuring

Through various Group-integrated “transformations,” we will establish a stable management base that supports our growth strategy.

Efforts to revise branch functions and reduce costs

Branch transformation

■ Revamping branches in view of environmental changes

- Achieve efficient branch operation by clarifying the roles of large branches, medium-sized branches, and small branches (e.g., ones specializing in deposit/exchange business) in view of changes in the market.

Review of branch roles

- Transferring corporate customers and revising branches into functionally specified units to enhance consulting functions

- Reducing numbers of ATMs

Operational transformation, expenses transformation

■ Comprehensive operational transformation at Group companies

- Steadily reducing expenses by reducing rents on branches and ATMs, concluding outsourcing agreements, and reviewing building management operations
- Digitization of operations inside the Group

e-Contract services

- Digitization of business lending contracts (no need for revenue stamps, seals, etc.)

AI translation service

- Automatic AI translations of overseas contracts and market reports (compatible with 23 languages)

Investment-trust robotic advisory service

- Checking on customer investment preferences and proposing optimal funds

Recent results (including plans)

Branches
Reduction of 7 branches planned ^{*1}

Progress: 35%

ATMs
Reduction of approx. 100 ATMs planned ^{*1}

Progress: 59%

Reference: Numbers of branches by branch role (as of October 31, 2021)

Core/full-serve branches:	83
Branches specializing in corporate customers (outside the prefecture and in urban areas):	25
Branches specializing in individual customers, etc.:	41
Total:	149 branches

Reducing expenses through restructuring
Approx. 700 million yen

Improving service revenues and expenditures
Approx. 200 million yen

Total: Approx. 900 million yen^{*2}

Progress: 75%

Mid-term plan targets

Branches
Reduction of approx. 20 branches (10%)

ATMs
Reduction of approx. 170 ATMs (20%)
(vs. FY2019)

Group employees
Approx. 3700
(down approx. 300 vs. FY2019)

Impact of restructuring on earnings
Approx. 1.2 billion yen
(vs. FY2019)

*1 FY2021 projections vs. FY2019

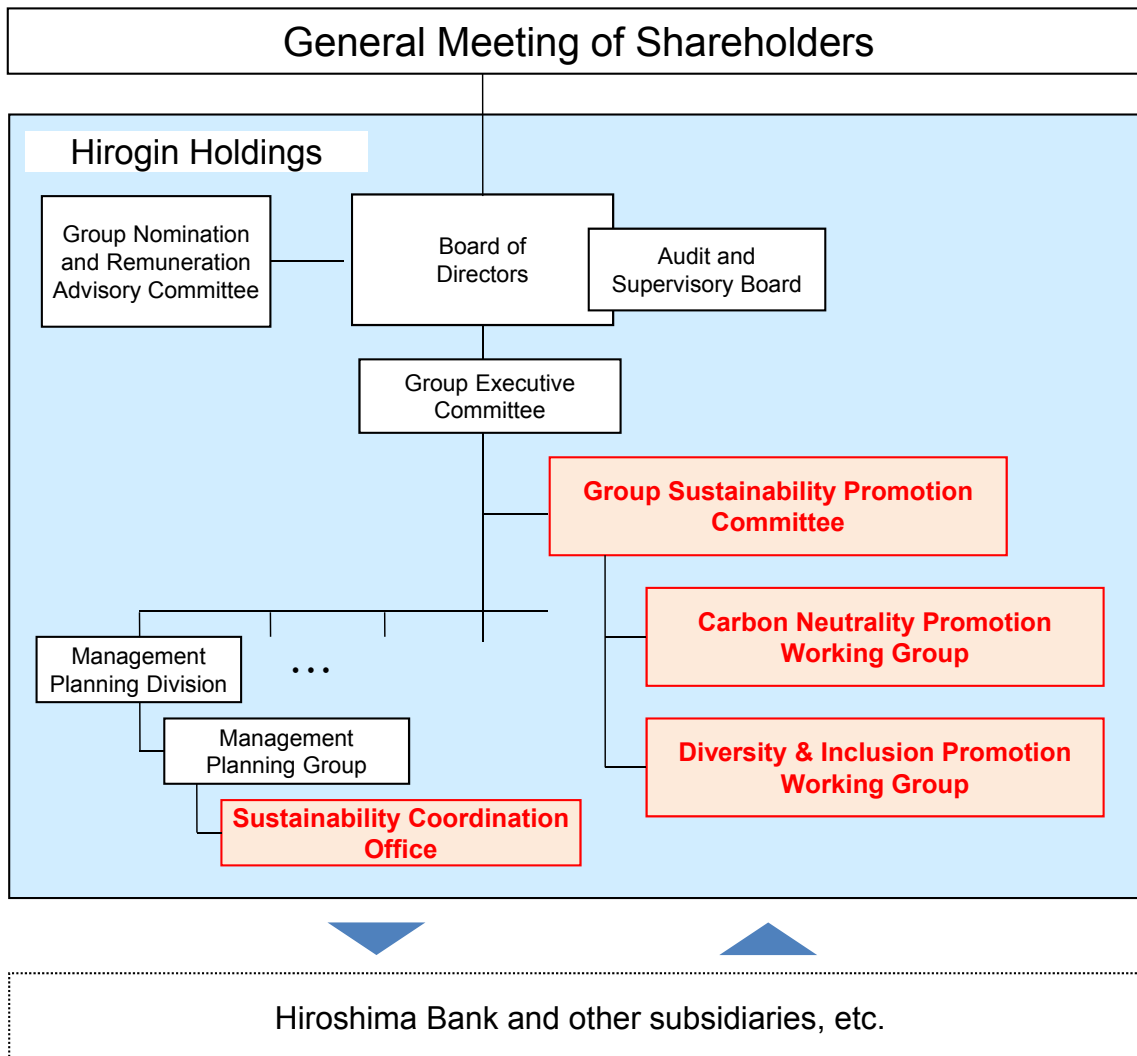
*2 FY2023 projections vs. FY2019

3. Responses to climate change and initiatives toward carbon neutrality

Enhancing the governance structure to contribute to responses to sustainability issues

New organizations were established in Hirogin Holdings in November 2021 to enhance initiatives targeting sustainability issues.

Enhancing the governance structure to contribute to responses to sustainability issues



Establishment of new Sustainability Coordination Office

- Enhancing coordination functions to address sustainability issues in the Group
- Enhancing and expanding Groupwide initiatives

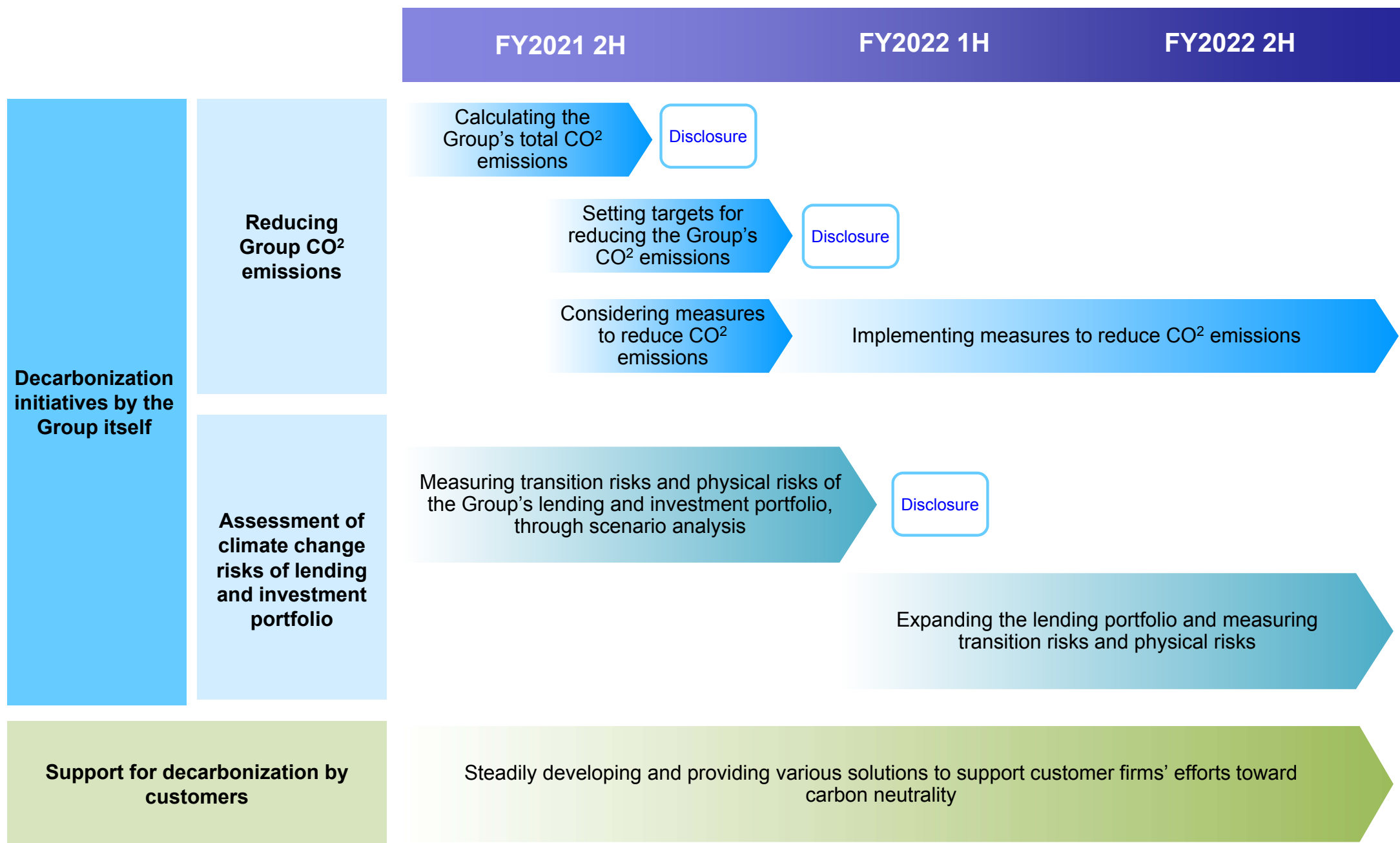
Establishing the new Group Sustainability Promotion Committee

- An advisory body to the President intended to consider and deliberate on Group responses to sustainability issues
- Two new specialized subcommittees, the Carbon Neutrality Promotion Working Group and the Diversity & Inclusion Promotion Working Group, have been established under the Committee.

Formulation of the Hirogin Group Basic Policy on Sustainability

- This Policy is formulated to realize a virtuous cycle consisting of the sustained growth of the Group and growing corporate value, as well as the growth of the community, through the deployment of integrated community services based on a recognition of sustainability issues as important management topics.

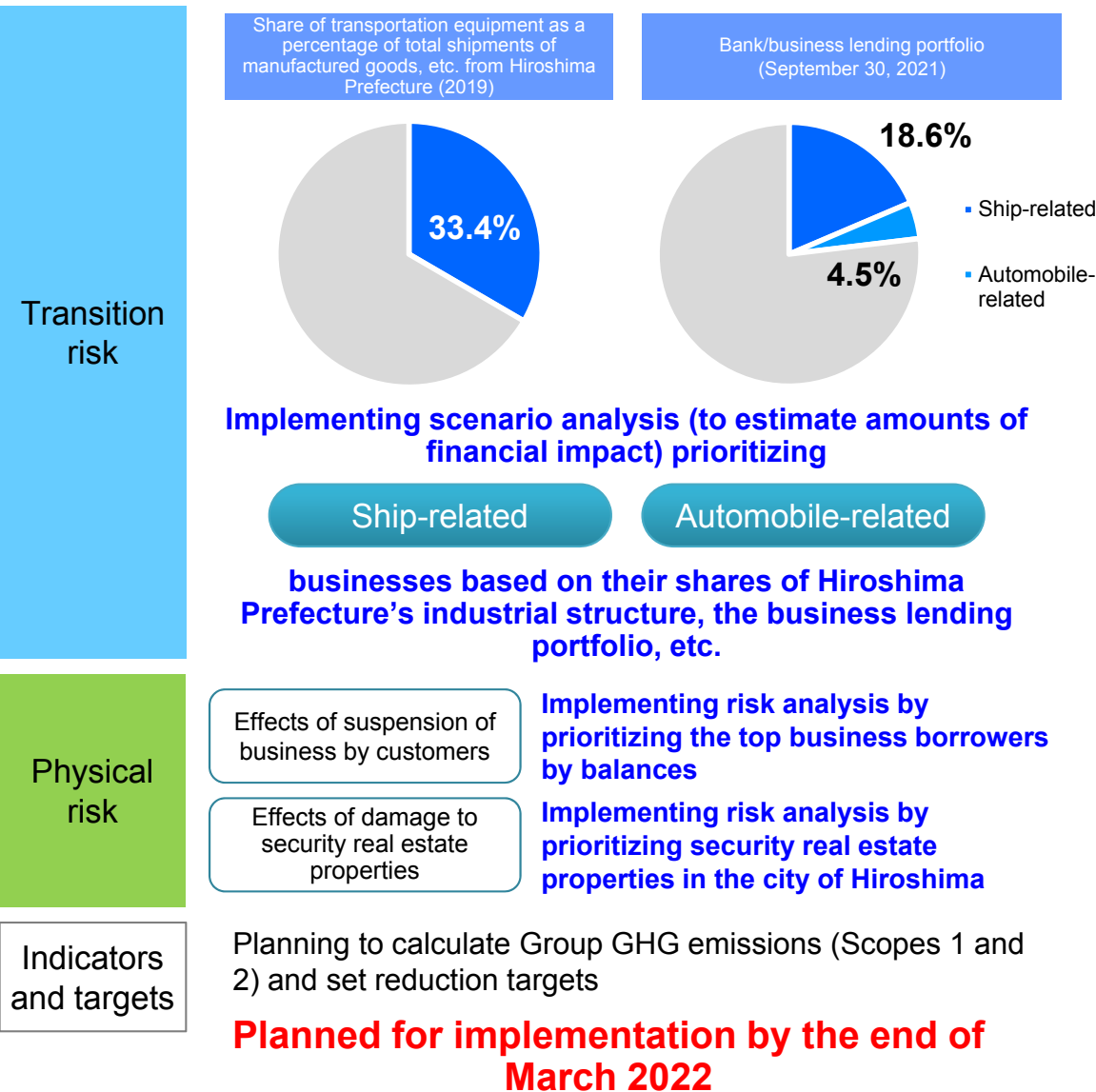
Responding to issues related to climate change and carbon neutrality (1)



Responding to issues related to climate change and carbon neutrality (2)

Stimulating needs and advancing business development related to carbon neutrality by implementing risk analysis and enhancing disclosure based on TCFD recommendations, as well as engaging in dialogue with customers based on the results of analysis

Risk analysis and target-setting initiatives based on TCFD recommendations (planned)



The Ministry of the Environment's Regional ESG Finance Promotion Program

Goals

To support regional financial institutions in areas such as development of business potential evaluation processes with consideration for ESG elements

Our initiatives

Studying new business creation support schemes for automotive suppliers, with consideration for ESG elements

Studying schemes for repurposing automotive suppliers' technologies in new businesses

* Supporting customers in light of expected rapid electrification of motor vehicles

Introduction of lending programs related to responses to climate change

Independently creating highly effective systems to support fund-raising by businesses in light of local experiences with torrential downpours

Lending with special provisions on waivers of principal in response to damage due to torrential downpours

(Established March 2019)

- A lending system whereby all or part of the principal is waived when a torrential downpour at or above a predetermined level of precipitation has struck in a predetermined location
- Cumulative results: 24 cases/2,260 million yen

Loans with insurance for business continuity costs

(Established December 2018)

- A lending system that comes with insurance to cover business continuity costs in the event of a disaster
- Cumulative results: 29 cases/855 million yen

Responding to issues related to climate change and carbon neutrality (3)

Deploying various measures to help customers improve their SDGs, sustainability, and carbon neutrality initiatives


<Bank> Deploying various solutions to strengthen customers' sustainability management



SDGs initiatives support services

- Checking the state of SDGs initiatives and providing feedback on current state and matters that need to be addressed
- Support for formulation of SDGs statements

Feedback sheet SDGs statement



Cumulative number of cases handled: 402
(January 2020 – September 30, 2021)

Supporting sustainability management initiatives

- Identifying management resources and main materiality issues
- Support for formulation of sustainability management policies (identifying future goals and visions based on the management philosophy and management resources)

Service introduction planned this year

Plans call for steadily adding solutions such as sustainability-linked loans

Support for carbon-neutrality efforts

- Energy conservation diagnostics and consulting for SMEs
- Support from adoption of carbon-neutrality efforts through strategy and reductions

Plans call for steady introduction of services, including alliances with outside agencies

Given the possibility that addressing sustainability and carbon neutrality may require business restructuring by local companies, we will develop structures for stimulating needs by incorporating our strengths in evaluating business potential as well as implementing highly effective side-by-side support.

4. Capital policy

We will deploy a capital policy that stresses a balance among maintaining soundness, making strategic investments, and returning value to shareholders.

Thinking on capital policy

Maintain
soundness

Consolidated capital adequacy ratio of at least 10% (March 31, 2024)

Make strategic
investments

Make investments with a view to enthusiastically taking on credit risk in the region and securing new earnings opportunities.

Return value to
shareholders.

Ensure consolidated payout ratio of 31-35%.

Implementing efficient capital management to maintain a consolidated capital adequacy ratio of at least 10% while proactively taking risks in the four local prefectures

Trends in capital adequacy ratio and risk assets

Consolidated capital adequacy ratio (Hirogin Holdings consolidated)

10.60%



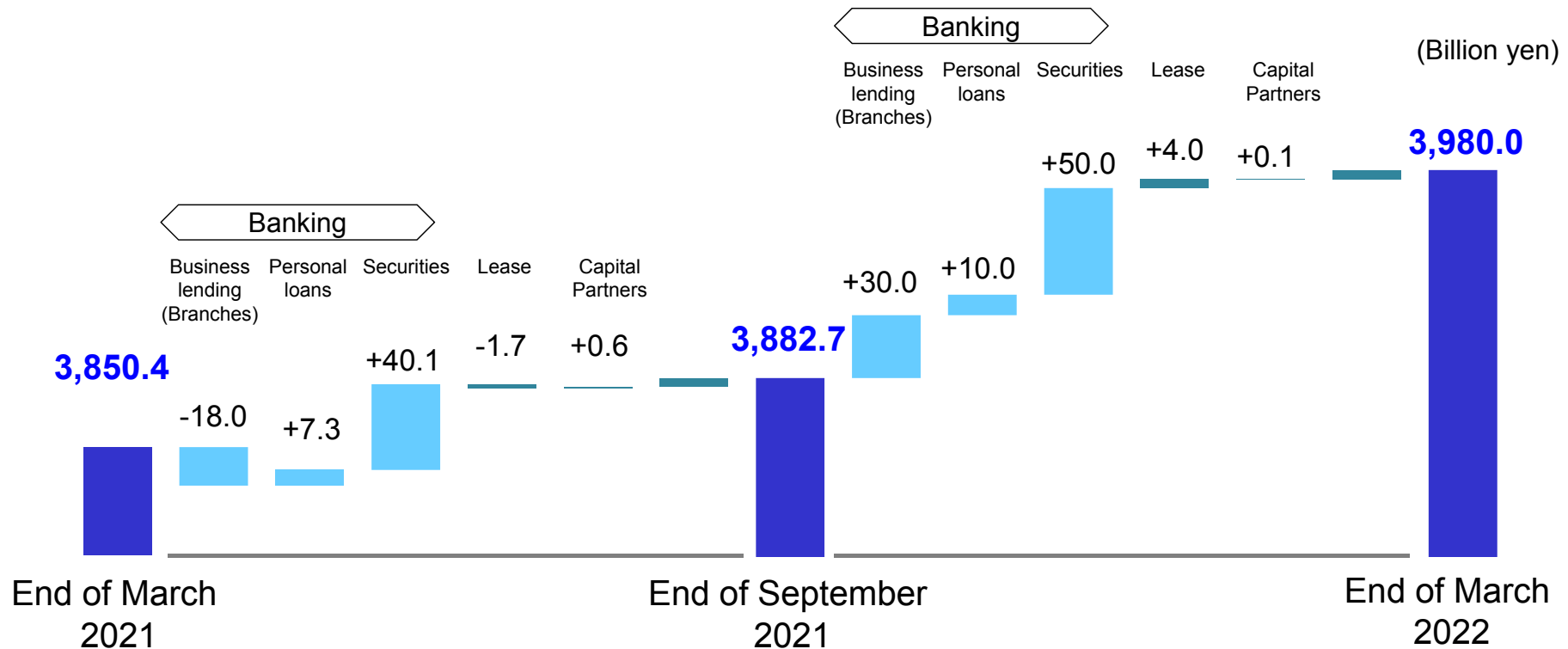
10.64%



10.2%

Effect of eliminating subordinated financing (15 billion yen): -0.4 pts.

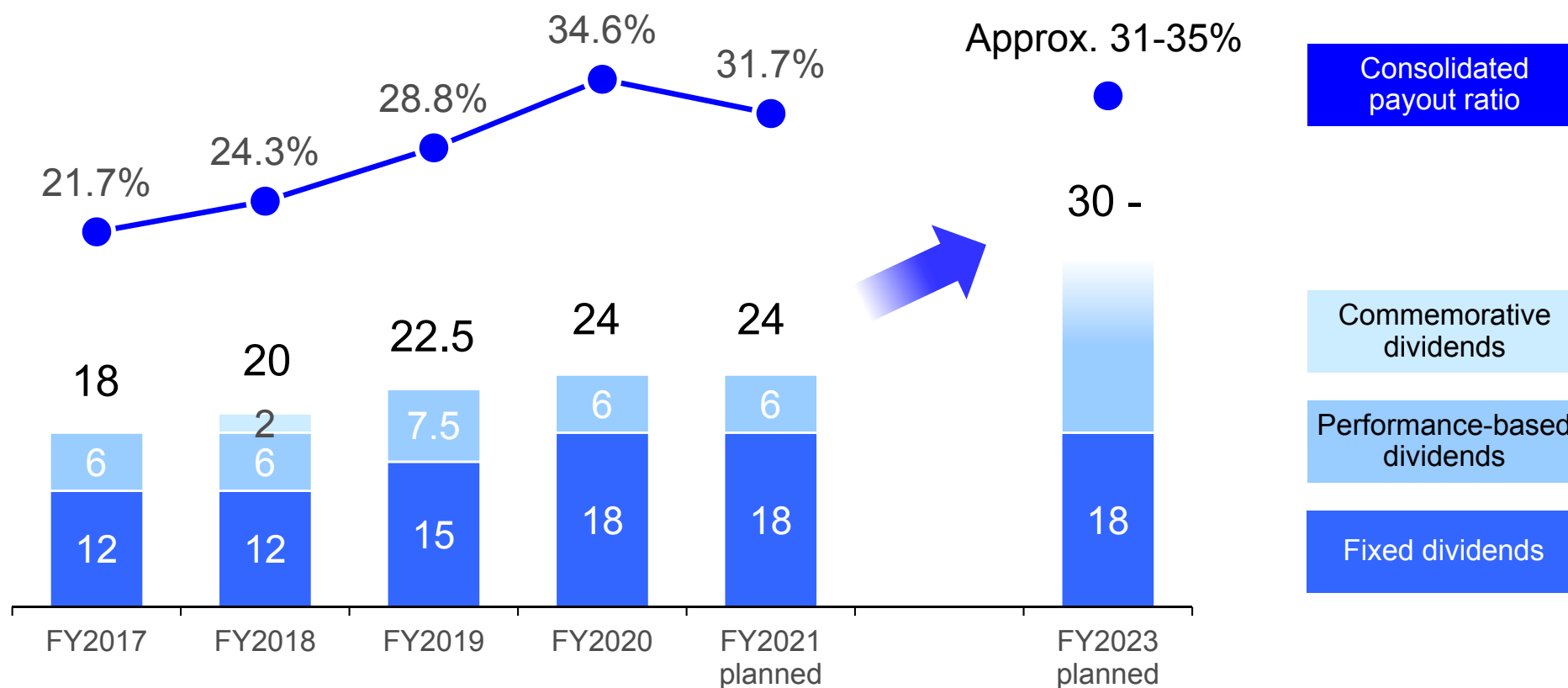
Risk assets



* Other includes fixed assets, operation risk, etc.

We will increase dividends by recording steady profits.

Trends in amount of dividends per share (yen) and consolidated payout ratio



Note: A reverse stock split (1:2 shares) was conducted on October 1, 2017. Dividends per share since FY2017 have been adjusted to reflect this stock split. Since the payout table was revised for FY2019, the figures shown are prorated based on those before and after this revision.
Hirogin Holdings was established on October 1, 2020. The figures shown for FY2020 represent the totals including interim dividends of 12 yen per share (3,748 million yen in total) paid by Hiroshima Bank.

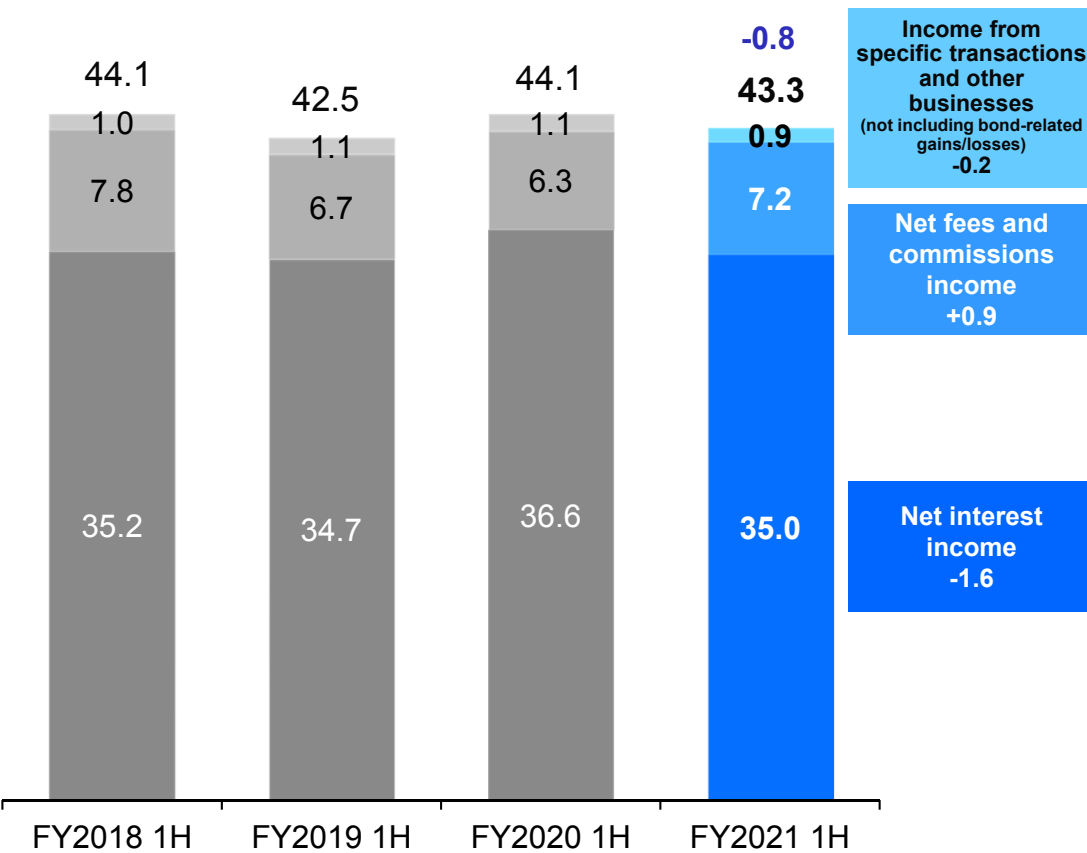
Appendix

Overview of Hiroshima Bank's Financial Results for FY2021 1H

Core business gross profit, core business net profit, and interim net income

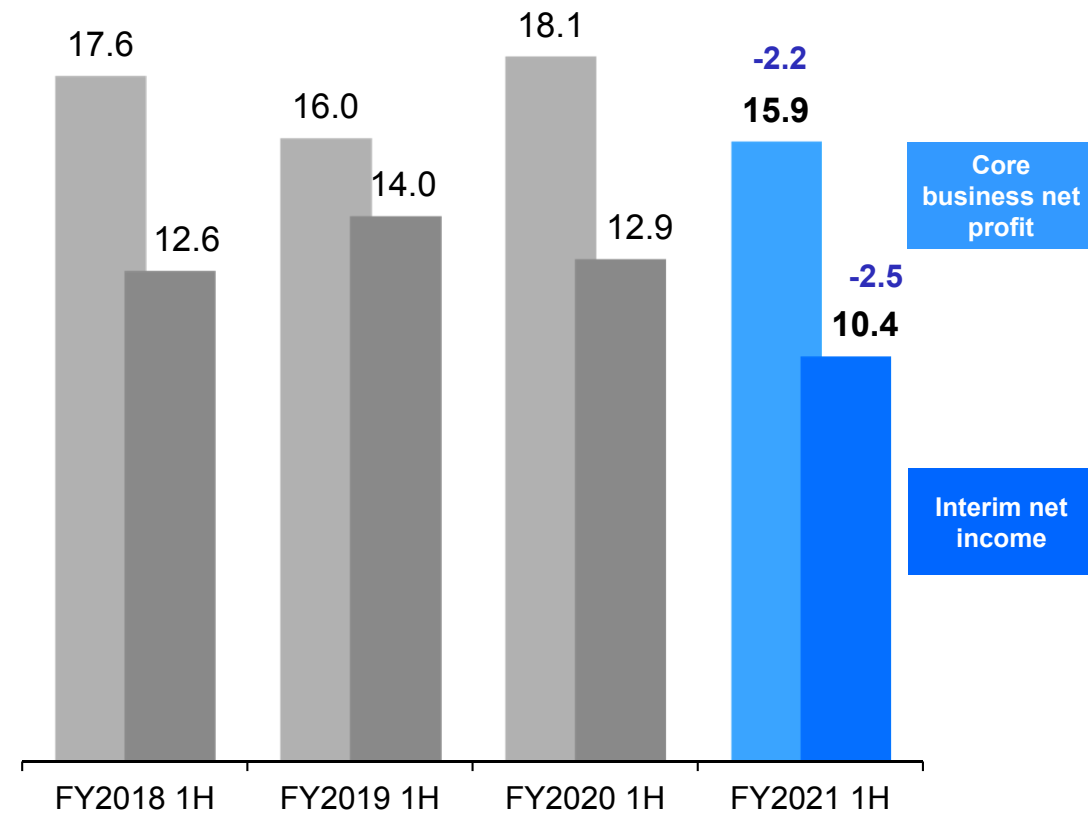
Core business gross profit

(Billion yen)



Trends in core business net profit and interim net income

(Billion yen)



Net interest income, other income

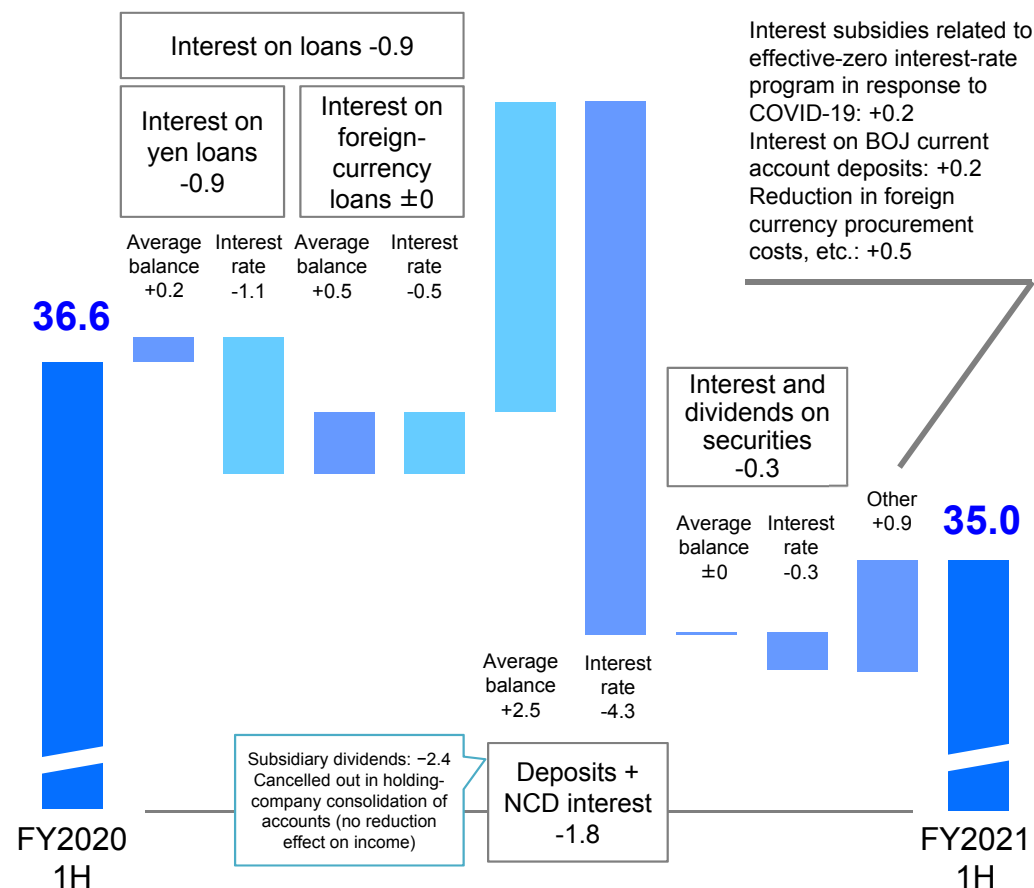
Breakdown of net interest income and other income

(Billion yen)

	FY2021 1H	YoY change
Interest on loans	28.6	-0.9
Interest and dividends on securities	6.9	-1.8
Deposits + NCD interest (-)	0.4	-0.3
Foreign currency investment gains, foreign currency procurement costs, etc. (-)	0.0	0.9
Net interest income	35.0	-1.6
Corporate solutions	1.6	0.2
Asset management	2.6	0.3
Personal loan	-2.0	0.2
Domestic exchange, etc.	5.4	0.1
Cashless	0.1	0
Other income	8.2	0.8

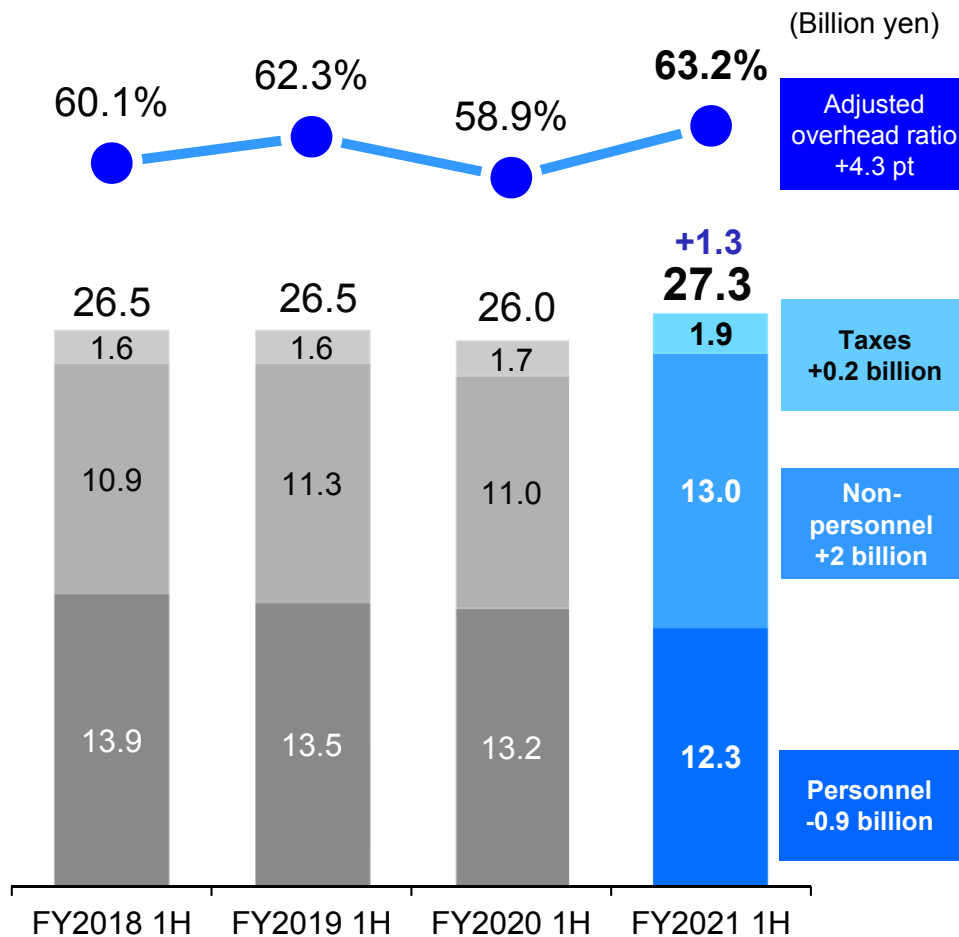
Details of each item in net interest income (Average balance and interest rate)

(Billion yen)



Expenses

<Bank (nonconsolidated)>
Trends in expenses and adjusted overhead ratio

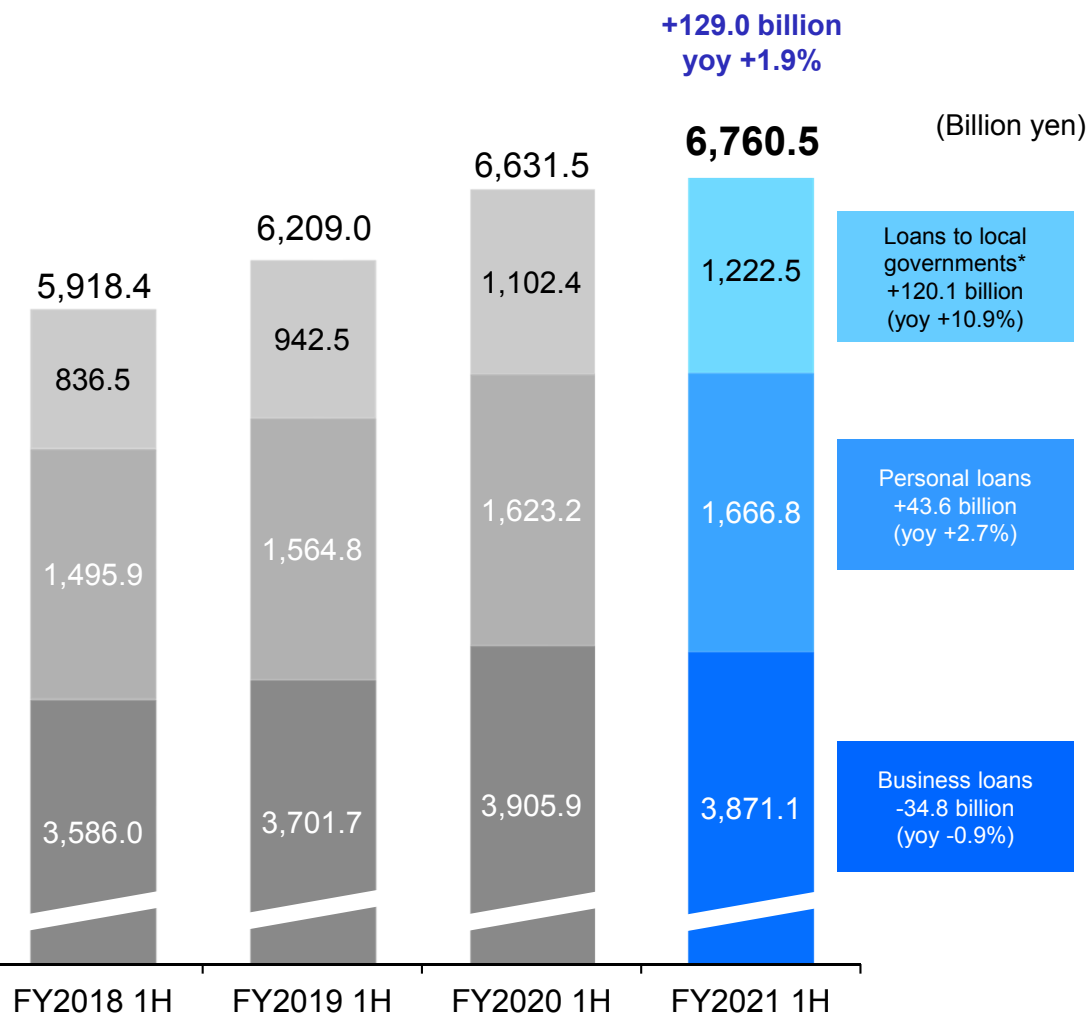


Main causes of changes in expenses (YOY change, billion yen)

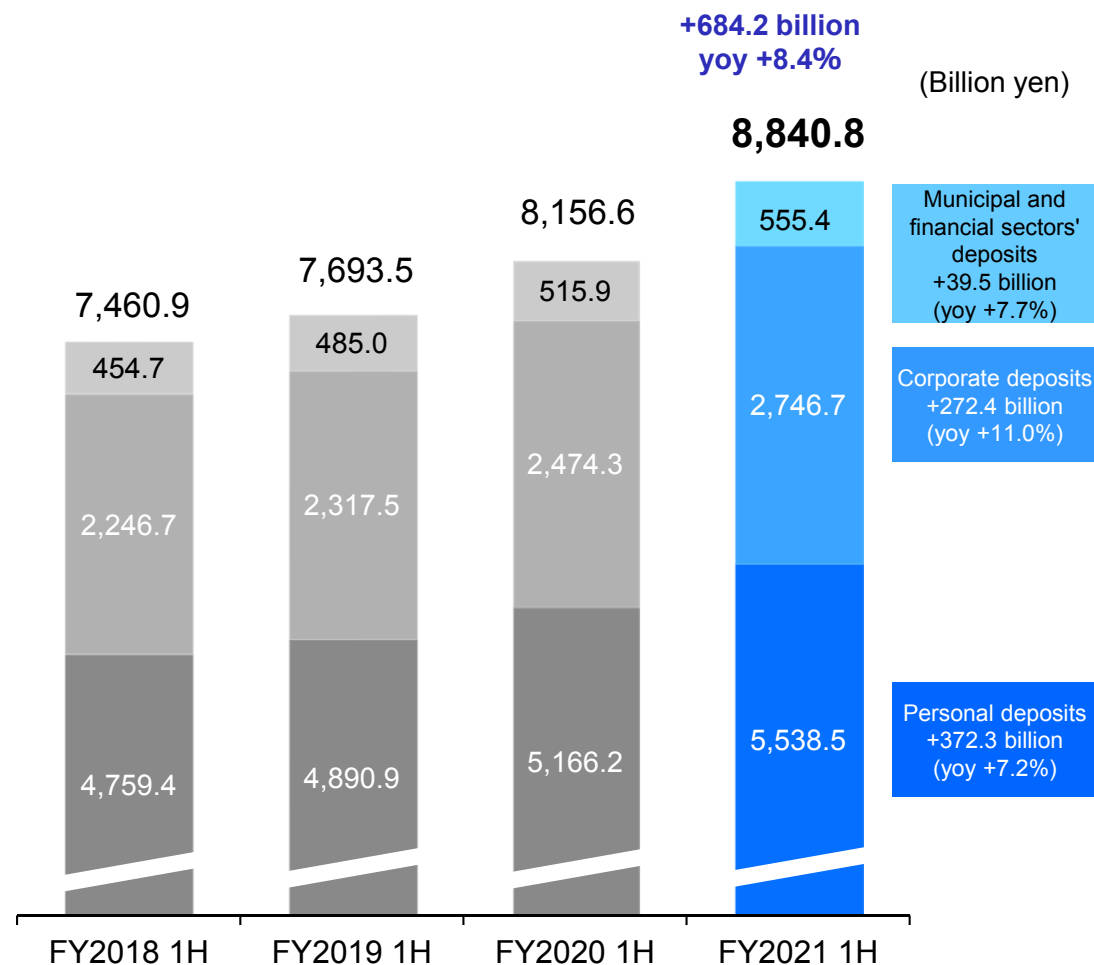
Personnel expenses	<ul style="list-style-type: none"> Retirement benefit expenses -0.3 Transfer of executives and seconded personnel to the holding company -0.4 (offset in consolidation of accounts) <p>etc.</p>
Non-personnel expenses	<ul style="list-style-type: none"> Head office building: +1.2 (Fixtures etc.: +0.6; depreciation expense: +0.4; security service charges, etc.: +0.2) Business administration fees paid to the holding company +0.9 (offset in consolidation of accounts) <p>etc.</p>
Taxes	<ul style="list-style-type: none"> Consumption tax +0.2 <p>etc.</p>

Balance of loans, deposits, etc. (deposits + NCD)

Trends in the average balance of loans



Trends in the average balance of deposits, etc. (deposits+NCD)



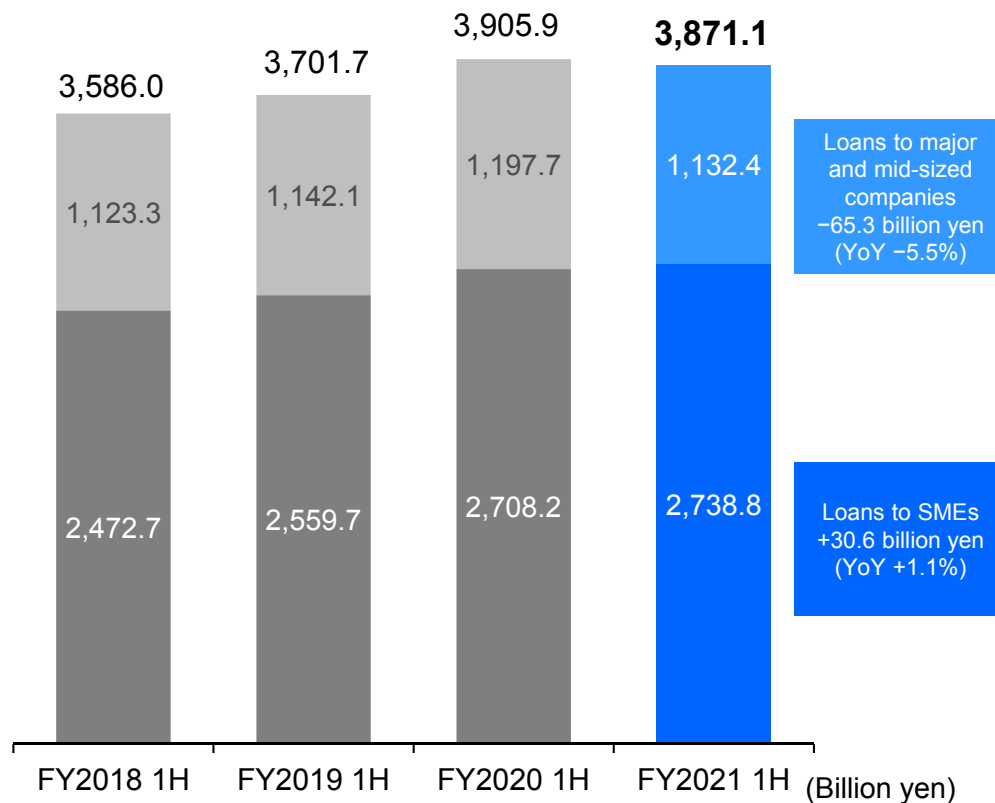
*Loans to local governments: Loans to local public organizations and public corporations

Loans to SMEs and personal loans

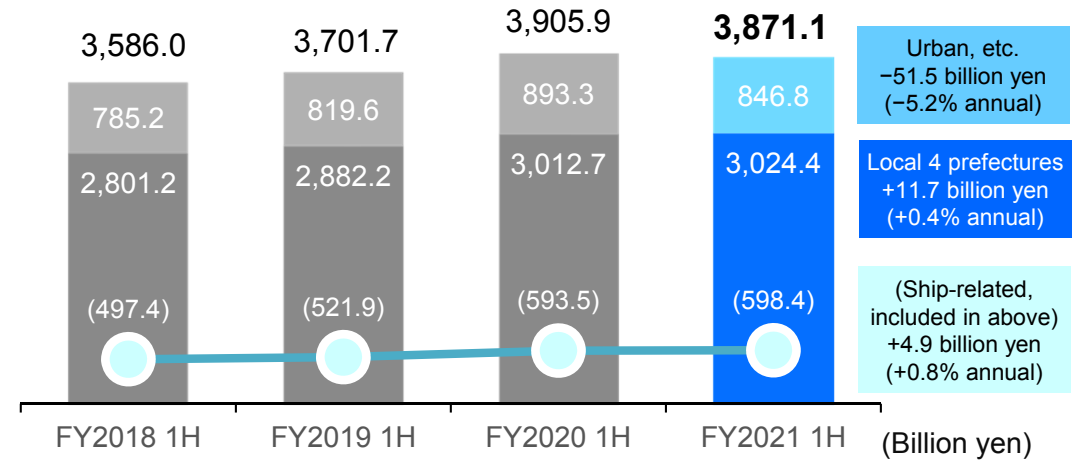
Trends in the average balance of business loans

Yield on lending (stock rate)

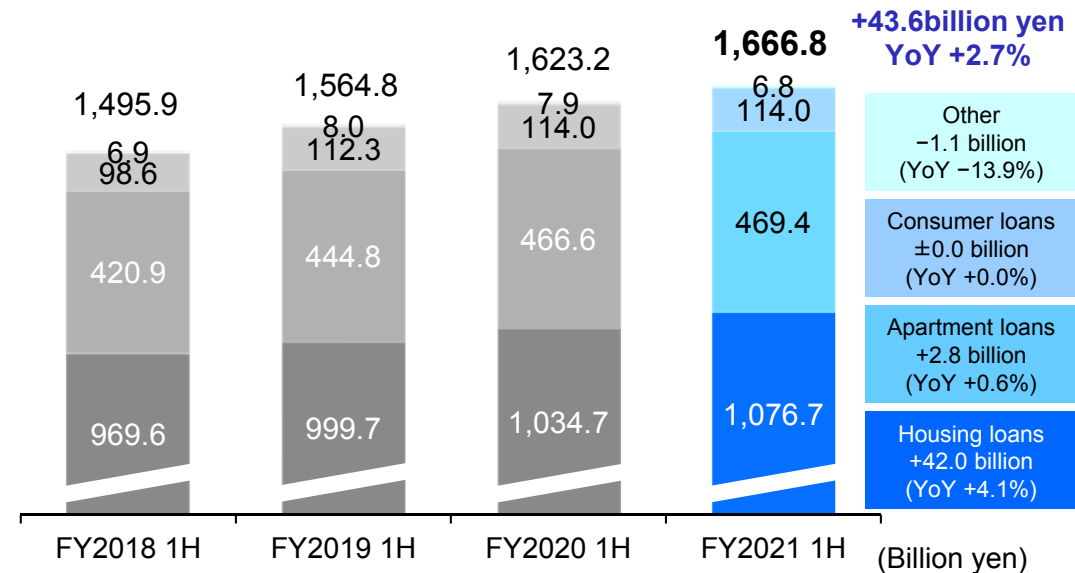
	FY2021 1H
Major companies	0.35%
Mid-sized companies	0.54%
SMEs	1.00%
Total	0.93%



Trends in the average balance of business loans by region



Trends in the average balance of personal loans



Ratio of loans to SMEs in business loans

69.0%

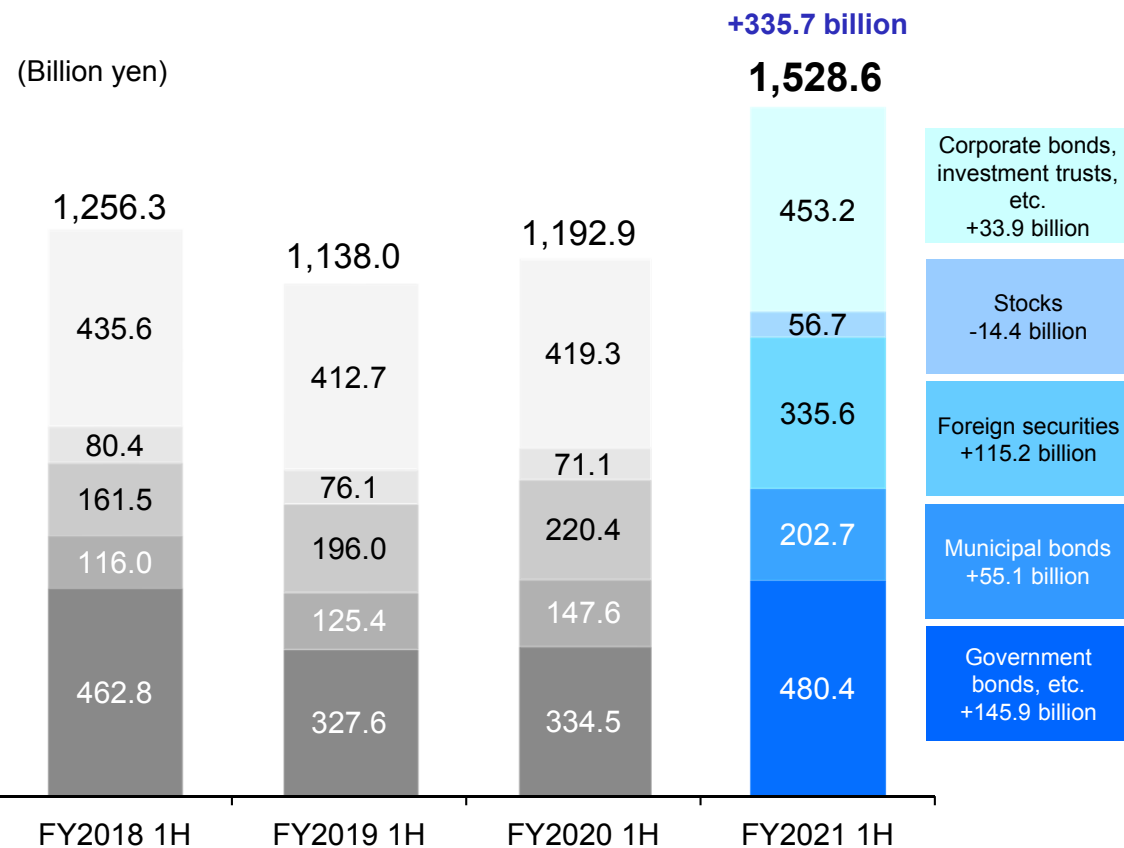
69.1%

69.3%

70.7%

Securities

Trends in the average balance of securities



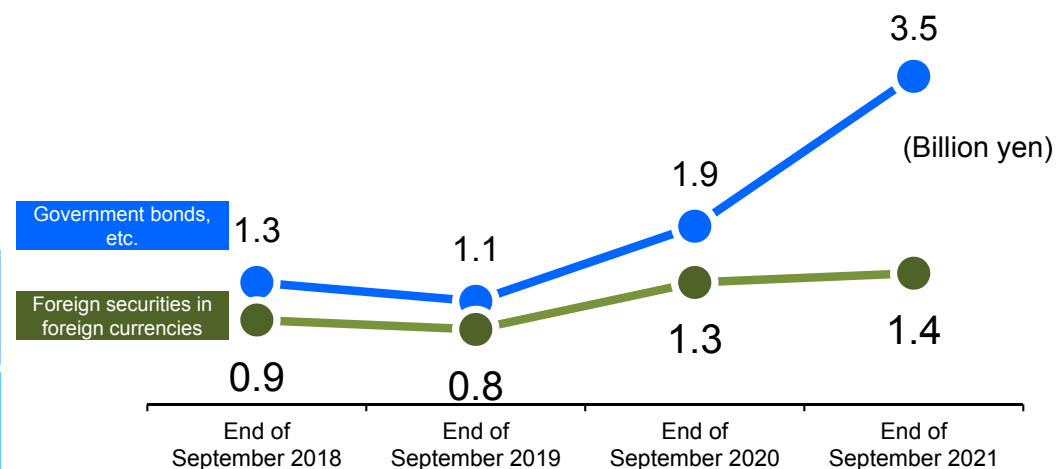
Reference:

In addition to traditional securities investment shown above, investment through specified money trusts began in FY2020 H2

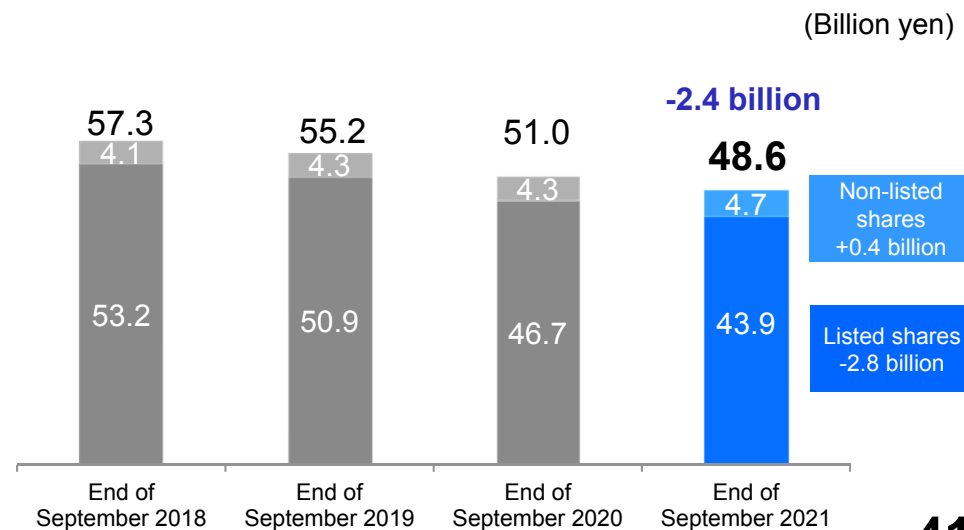
FY2021 1H average balance: 30 billion yen

Trends in the interest rate delta

*The amount of change in fair value when interest rate declines by 10bp



Trends in the term-end balance of cross-shareholding



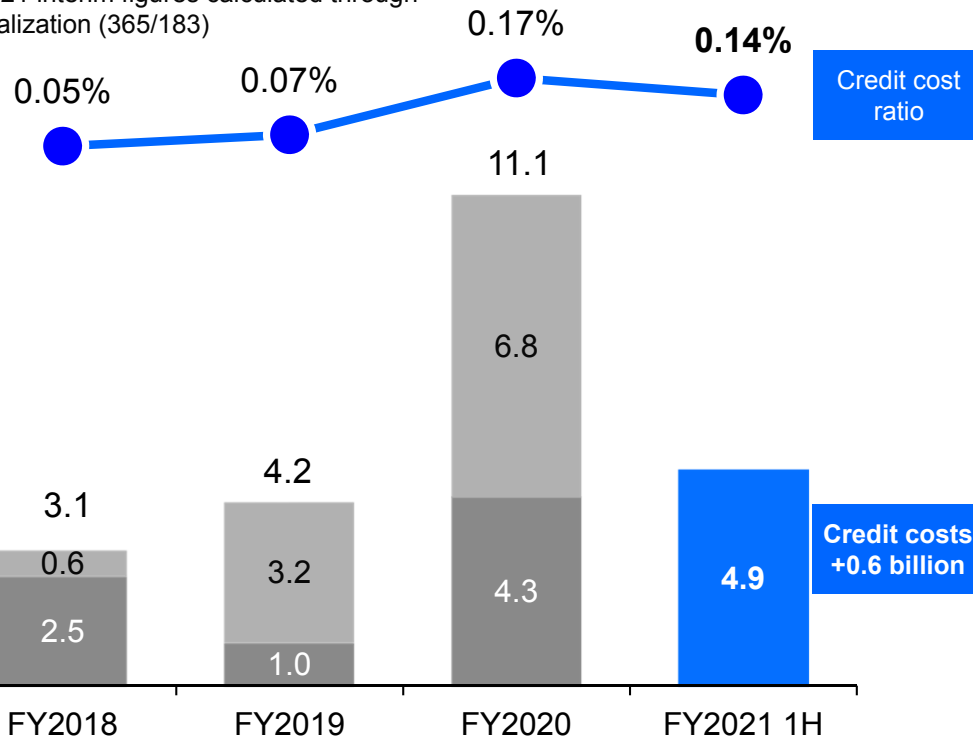
Credit costs and non-performing loans

Trends in credit costs

$$\text{Credit cost ratio} = \frac{\text{Credit costs}}{\text{Outstanding loan balance}}$$

(Billion yen)

* FY2021 interim figures calculated through annualization (365/183)

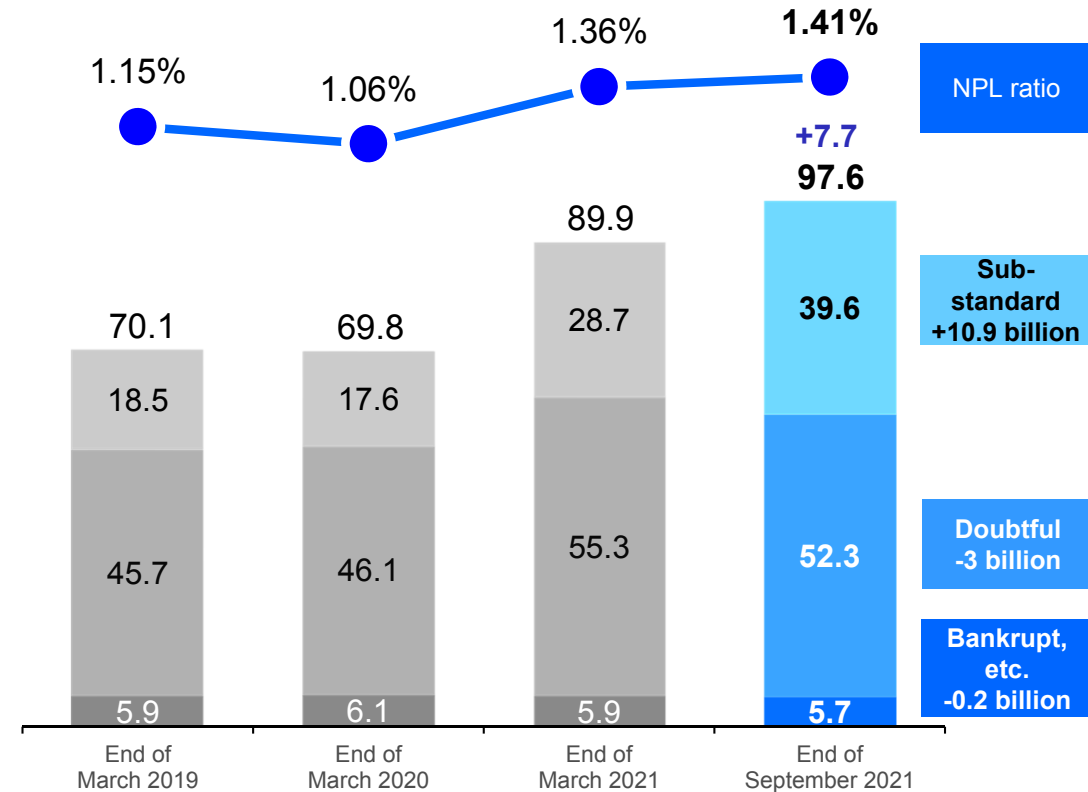


Credit costs
+0.6 billion

Trends in NPLs (term-end balance) and NPL ratio

$$\text{NPL ratio} = \frac{\text{Claims disclosed under the Financial Reconstruction Act}}{\text{Total credit}}$$

(Billion yen)



NPL ratio

Sub-standard
+10.9 billion

Doubtful
-3 billion

Bankrupt,
etc.
-0.2 billion

(Billion yen・%)

(Billion yen・%)

	FY2008	FY2009	FY2010	FY2011
Credit costs	23.2	14.6	11.9	9.1
Credit cost ratio	0.53	0.33	0.27	0.20

...

	FY2018	FY2019	FY2020	FY2021 1H
Credit costs	3.1	4.2	11.1	4.9
Credit cost ratio	0.05	0.07	0.17	0.14




	End of March 2009	End of March 2010	End of March 2011	End of March 2012
NPLs	128.4	111.9	115.8	105.2
NPL ratio	2.82	2.50	2.60	2.31

...

	End of March 2019	End of March 2020	End of March 2021	End of Sept. 2021
NPLs	70.1	69.8	89.9	97.6
NPL ratio	1.15	1.06	1.36	1.41

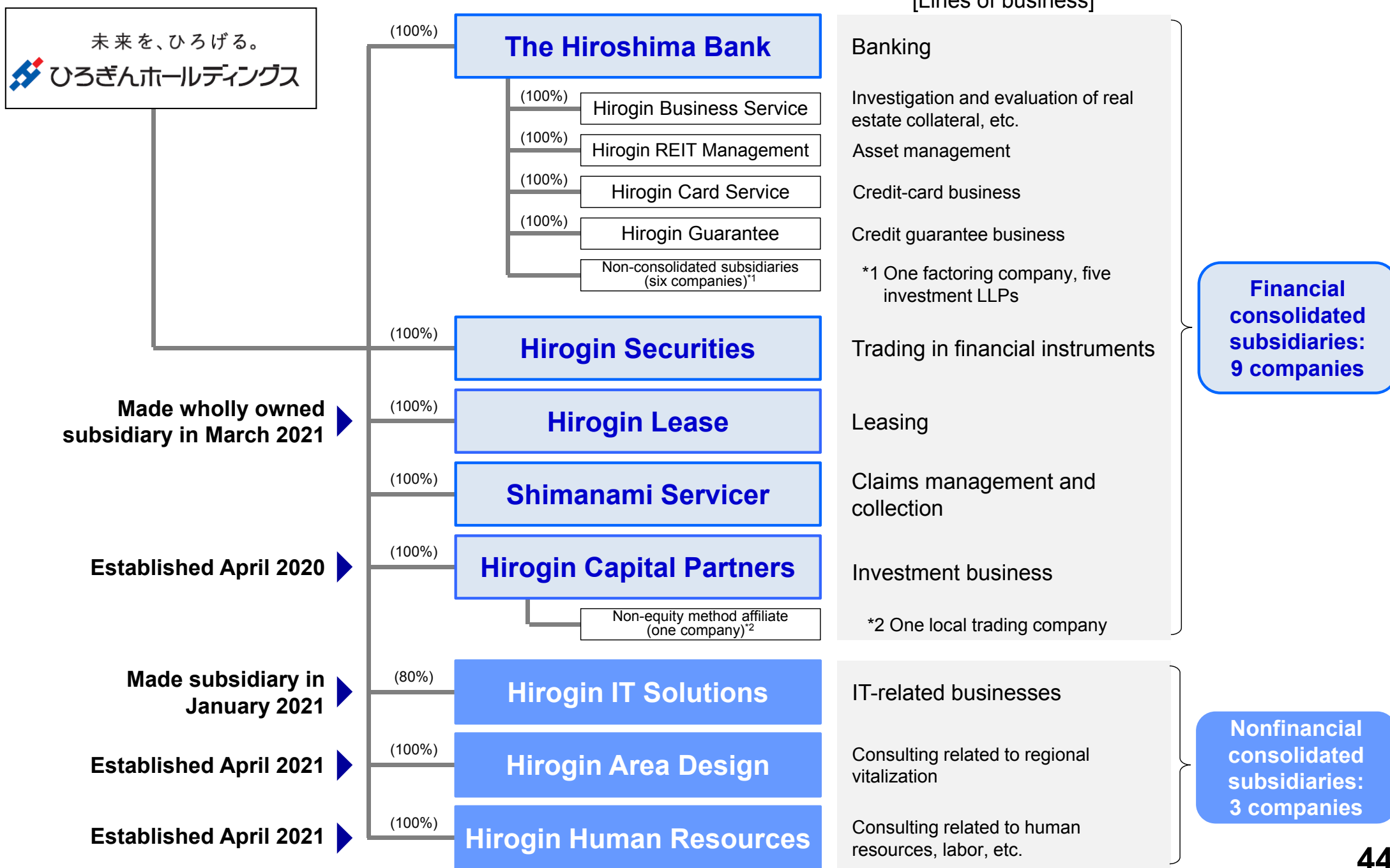
Note: The claims disclosed under the Financial Reconstruction Act as shown above are rounded to the nearest whole number.

Self-assessment

Obligor category in self-assessment		Amount of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions	Amount preserved by security, guarantee, etc.	Amount of reserves	Guidelines for write-off/reserves	Coverage ratio
Bankrupt 1.1		Claims in bankruptcy, rehabilitation, etc. 5.7	5.6 (99.2%)	0 (0.8%)	100% of amount of claims not preserved by security are subject to write-off/reserves.	100%
Effectively bankrupt 4.6						
At risk of bankruptcy 52.3		Claims at risk 52.3	23.3 (44.5%)	24.0 (45.9%)	In principle, reserves are based on calculation of anticipated losses over the next three years based on past actual rates of bankruptcy. However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	90.4%
Obligors requiring caution	Obligors requiring management 52.0	Claims requiring management 39.6	8.9 (22.5%)	8.6 (21.7%)	For the amount of claims subject to reserves (the portion not preserved by security), reserves are based on calculation of anticipated losses over the next three years. However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	44.3%
	General obligors requiring caution 492.2	Normal claims 6,808.4	<div><div> Total amount preserved: 37.8</div><div> Total amount of reserves: 32.6</div></div>		After categorization by degree of credit risk, in principle reserves are based on calculation of anticipated losses over one year. However, for obligors recognized to involve relatively high risk due to lower market appraisal or other reasons, reserves are based on calculation of anticipated losses for each claim instead of using the above method.	<div><div> Total coverage ratio: 72.2%</div></div>
	Normal 6,303.8				Reserves are based on calculation of anticipated losses over one year	
Total 6,906.0		Total 6,906.0	(Billion yen)			

(Billion yen)

(Reference) Group structure (as of October 1, 2021)



This material contains statements about future business performance.

These statements do not guarantee future business performance and are subject to uncertainties.

Please note that actual future business performance may differ from our goals, depending on changes in the business environment and other factors.

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