

Hirogin Holdings, Inc.

未来を、ひろげる。

ひろぎんホールディングス

Overview of Interim Financial Results for FY2023 - IR Presentation -

December 2023

Today's key points

Financial results

- ▶ Interim profits came to **16.6 billion yen, an increase of 6.5 billion yen year on year**, due mainly to higher gains/losses related to equities and **favorable performance in main business areas**.
- ▶ Net income attributable to owners of the parent is planned to grow by 15 billion yen year on year to 27.5 billion yen in FY2023.
- ▶ We expect to **achieve the final target of Mid-Term Plan 2020 for net income attributable to owners of the parent of over 27 billion yen**.

Improving corporate value

- ▶ With a view to improving corporate value, we will push forward to **improve ROE through RORA improvement and financial leverage controls**, while also pursuing **nonfinancial initiatives**.
- ▶ We will strive to **improve RORA through efforts such as reinforcing loan pricing** with an eye on the potential for rising domestic interest rates, **strengthening ALM strategies**, and **rebuilding the securities portfolio**.

Toward the second stage of Hirogin Holdings

- ▶ Three years have passed since the transition to the holding company structure, and joint efforts among group companies are progressing. We are achieving **steady results under the first Mid-Term Plan since the transition, as stage one**.
- ▶ In the next Mid-Term Plan, as stage two, we will carry out initiatives based on formulation of **value creation strategies**, **management foundation reinforcement strategies**, and **strategy drivers**, to address materiality topics (priorities) in our community and the Group.

Returns to shareholders

- ▶ Targeting a payout ratio of roughly 40%, we **plan annual dividends per share of 36.0 yen in FY2023, up nine yen from last year**.
- ▶ We will implement **proactive acquisition of treasury stock (3 billion yen in FY2023)** aiming for a consolidated capital adequacy ratio of approximately 11% for the holding company.



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Overview of FY2023 1H financial results

- ▶ Interim profits attributable to owners of the parent came to 16.6 billion yen, an increase of 6.6 billion yen year on year (+3.6 billion yen over target disclosed at year-start).
- ▶ Progress in the interim period relative to the full-year earnings forecast was 60%, indicating steady progress towards profit targets for the final FY under Mid-Term Plan 2020.

Summary of consolidated business performance

(Billion yen)

	FY2023 1H	YoY change	(Change rate)	vs. Announced
Consolidated gross profit	49.0	0.5	(1.0%)	
(excluding gain/loss related to treasuries and other bonds)	① 50.3	-0.2		
Net interest income	35.2	0.5		
Income on service transactions and other fees	11.7	1.8		
Income from specific transactions and other businesses	2.0	-1.8		
(including gain/loss related to treasuries and other bonds)	-1.2	0.7		
Operating expenses (-)	28.5	-0.7		
Credit costs (-)	② 4.3	3.8		
Gains/losses related to equities, etc.	③ 7.4	11.5		
Equity in earnings of affiliates	-0	-0		
Other	0.3	0.2		
Ordinary profit	23.9	9.2	(62.1%)	4.9
Extraordinary gains/losses	-0	0.1		
Total income tax, etc. (-)	7.2	2.8		
Interim net income attributable to non-controlling interests (-)	0	0		
Interim net income attributable to owners of the parent	④ 16.6	6.6	(65.0%)	3.6
(Ref.) Operating overhead ratio (*2)	56.7%	-1.3%		

*1: Net non-interest income = Income on service transactions and other fees + Income on specified transactions and other business income – gain/loss related to treasuries and other bonds

*2: Operating overhead ratio = operating expenses / (consolidated gross profit-gain/loss from treasuries and other bonds)

Key points of FY2023 1H financial results

1 Consolidated gross profit (excluding gain/loss related to treasuries and other bonds)

- Net interest income grew due to steady revenue growth in main business areas, such as revenue from interest on loans.
- Revenue from derivatives, which increased last FY by a wide margin following growth in customer forex hedging needs due to forex liquidity, experienced a reactionary decline this interim period.
- Revenue from corporate solutions related to non-derivative consulting operations was favorable, with net non-interest income progressing briskly.

(Billion yen)	FY2020 1H	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
[Bank] Net non-interest income	7.4	8.2	10.2	9.3	-0.9
Corporate solutions income	1.4	1.6	3.7	2.8	-0.9
Customer derivatives	0.5	0.5	2.2	0.8	-1.4

2 Credit costs

- Posted allowance for doubtful accounts based on factors such as reduced business performance of customers due to the impact of steep price hikes in raw materials.

3 Gains/losses related to equities, etc.

- In addition to the gain on sales of cross-shareholdings, etc., the loss posted last FY (5.0 billion yen in amortization of shares, etc.), which stemmed from revaluation losses of stock holdings, was extinguished.

4 Interim net income attributable to owners of the parent

- Grew by 6.6 billion yen YoY due mainly to growth in profits related to shares, etc.
- Progress in full-year earnings net income forecast (27.5 billion yen) during the interim period was 60%.

Results for major Group companies - Bank -

- ▶ While the lending revenue-expenditure balance increased alongside fees and commissions income from syndicate loans, etc., the declining securities revenue-expenditure balance attributable to costs of raising funds in foreign currencies and a reactionary decline in revenues from derivatives for customers resulted in a slight drop in net income from our core businesses.
- ▶ Interim net income increased by 6.5 billion yen YoY to 16.6 billion yen owing mostly to the growth in profits related to shares, etc.

Hiroshima Bank

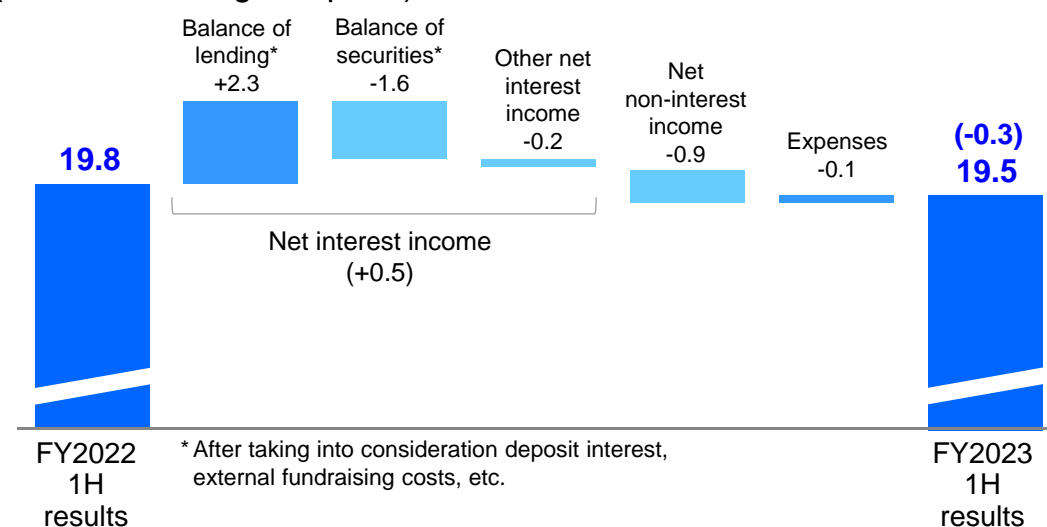
(Billion yen)

	FY2023 1H	YoY change	(Change rate)
Core business gross profit	45.7	-0.5	(-1.0%)
Net interest income	36.4	0.5	
Net non-interest income	9.3	-0.9	
Corporate solutions	2.8	-0.9	
Customer derivatives	0.8	-1.4	
Syndicate loans/ship-related	1.3	0.8	
Asset management	2.4	0	
Other (domestic exchange, foreign exchange, etc.)	4.1	0	
Expenses (excluding extraordinary disposal) (-)	26.2	-0.1	
Net income from core businesses	19.5	-0.3	(-1.8%)
Net income from core businesses (excluding gains/losses from cancellation of investment trusts)	19.5	-0.3	(-1.8%)
Gains/losses related to treasuries and other bonds	-1.2	0.7	
Effective net income from businesses	18.2	0.3	(2.0%)
Credit costs (-)	4.0	3.6	
Gains/losses related to equities, etc.	7.4	11.5	
Other temporary gains/losses	1.6	0.9	
Ordinary profit	23.2	9.2	(65.0%)
Extraordinary gains/losses	-0	0.1	
Total income tax, etc. (-)	6.4	2.7	
Interim net income	16.6	6.5	(65.0%)

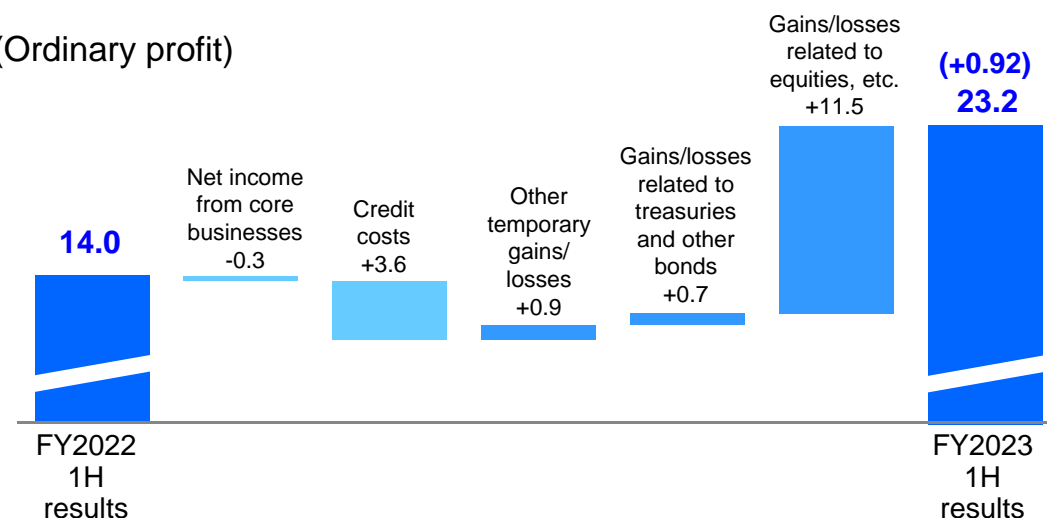
Factors underlying changes in core business gross profit and ordinary profit

(Core business gross profit)

(Billion yen)



(Ordinary profit)



Results for major Group companies - Excluding Hiroshima Bank -

- With earnings in the immediate term steadily progressing by and large at each Group company, we will secure an increase in interim net income for Group companies.

Hirogin Securities

(Million yen)	FY2023 1H	YoY change
Gross income	2,482	85
Ordinary profit	485	99
Interim net income	324	91

Hirogin Lease

(Million yen)	FY2023 1H	YoY change
Gross income	1,214	64
Ordinary profit	572	-29
Interim net income	391	0

Shimanami Servicer

(Million yen)	FY2023 1H	YoY change
Gross income	257	-114
Ordinary profit	-91	-248
Interim net income	-71	-179

Hirogin Human Resources

(Million yen)	FY2023 1H	YoY change
Gross income	132	61
Ordinary profit	16	50
Interim net income	9	34

Hirogin Capital Partners

(Million yen)	FY2023 1H	YoY change
Gross income	71	3
Ordinary profit	21	5
Interim net income	14	4

Hirogin IT Solutions

(Million yen)	FY2023 1H	YoY change
Gross income	549	90
Ordinary profit	126	68
Interim net income	83	45

Hirogin Area Design

(Million yen)	FY2023 1H	YoY change
Gross income	89	29
Ordinary profit	-16	33
Interim net income	-11	23

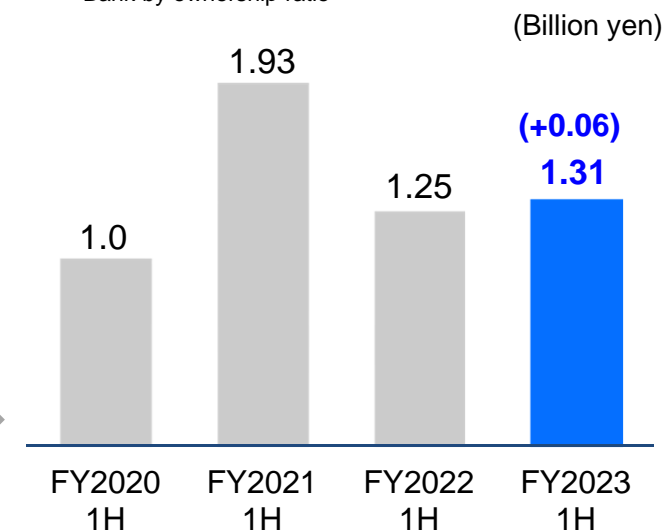
Hirogin Credit Service*

(Million yen)	FY2023 1H	YoY change
Gross income	1,824	138
Ordinary profit	858	74
Interim net income	561	44

* On April 1, 2023, Hirogin Guarantee absorbed and merged with Hirogin Card Service and changed its trade name to Hirogin Credit Service on the same day.
YoY figures are comparisons with sum calculations for Hirogin Guarantee and Hirogin Card Service.

Interim net income for Group companies

Interim net income for Group companies
= Total amount obtained after multiplying interim net income of consolidated subsidiaries, etc. excluding Bank by ownership ratio



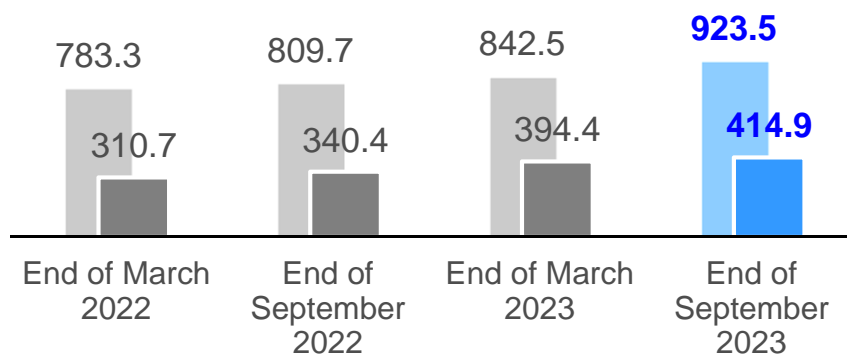
(Reference)

Hirogin Holdings nonconsolidated interim net income	6.4
(+) Bank	16.6
(+) Group companies excluding Bank	1.3
(-) Offsetting of dividends from subsidiaries, etc.	7.8
Hirogin Holdings consolidated interim net income	16.6

Results of main Group companies - Excluding Hiroshima Bank -

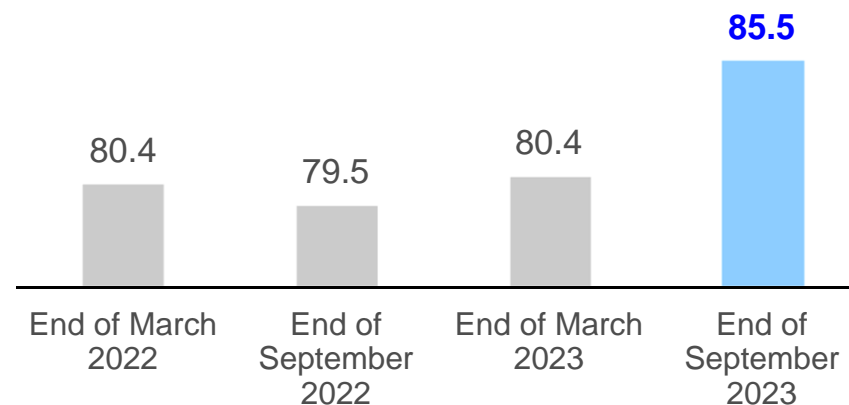
Hirogin Securities assets under management
(market capitalization)

(Subtotals indicate brokerage balances) (Billion yen)

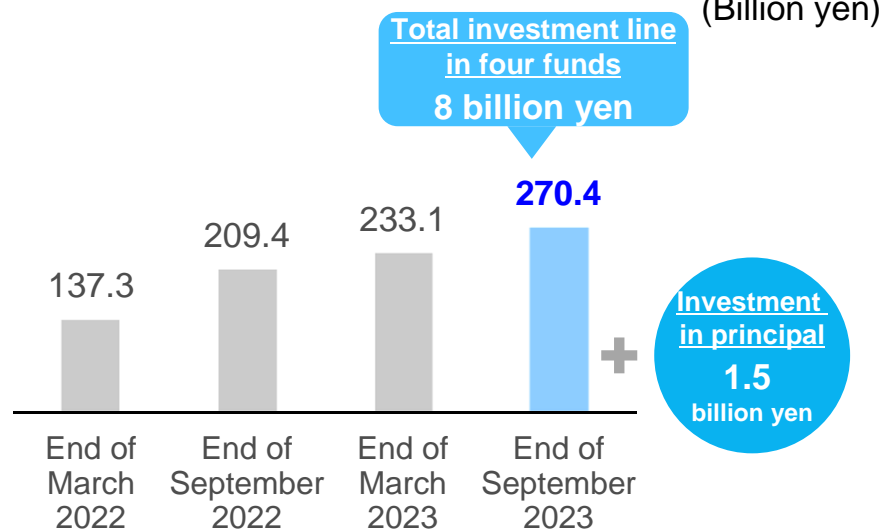


Hirogin Lease total asset balance

(Billion yen)

Hirogin Capital Partners balance of investment in funds
(book value, cumulative)

(Billion yen)



Progress of first stage of Hirogin Holdings

- ▶ As three years have passed since the transition to the holding company structure, mutual cooperation among group companies is progressing, and we are steadily expanding both customer and operational axes through the provision of solutions that leverage all group functions and alliances.

Main initiatives of Group companies

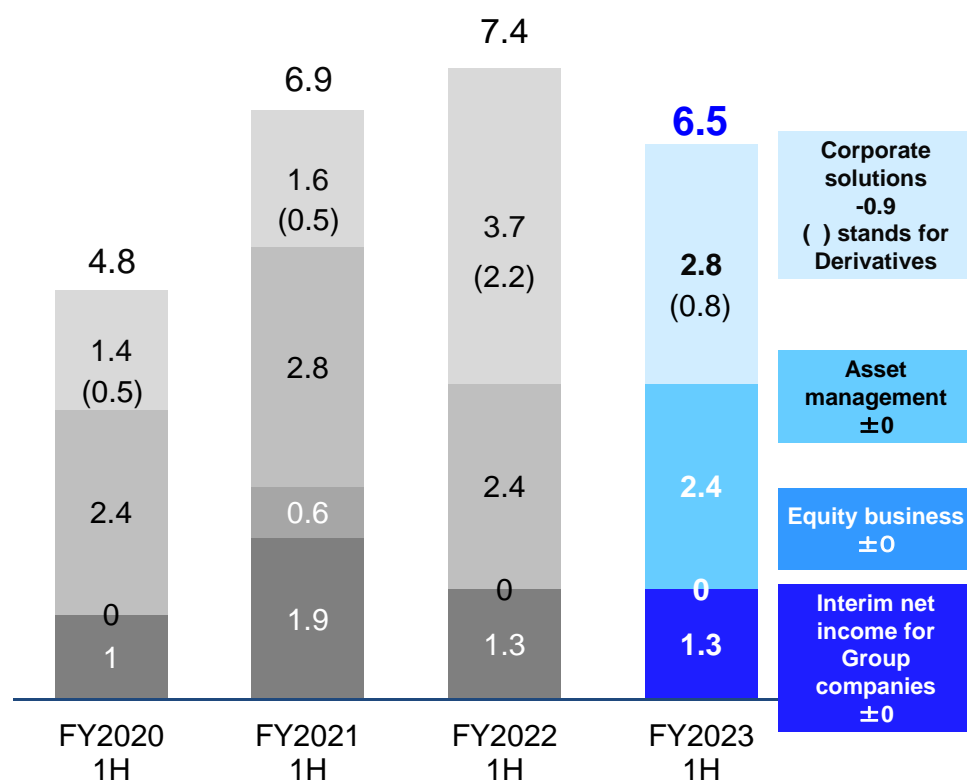
	Financial/ nonfinancial needs	Main solutions provider	Results		Cumulative total since transition to a holding company structure (October 2020)
Financial consolidated subsidiaries	Asset management	Hirogin Securities	Number of financial instruments brokerage accounts	End of September 2023 28,109 (+304 accounts vs. end of September 2022)	+7,066 accounts vs. end of September 2020
	Capital investment, leasing	Hirogin Lease	Number of customers	End of September 2023 6,450 (+88 vs. end of September 2022)	+292 vs. end of September 2020
	Capital enhancement (Business succession, business revitalization)	Hirogin Capital Partners	Amount invested (* total of fund and principal investment)	End of September 2023 3.5 billion yen (-0.1 vs. end of September 2022)	+3.4 billion yen vs. end of September 2020
	Diversification of payment methods	Hirogin Credit Service	Credit card balance	FY2023 1H 7.6 billion yen (+900 million yen vs. end of September 2022)	+2.7 billion yen vs. end of September 2020
Non- financial consolidated subsidiaries	Recruiting/HR systems development	Hirogin Human Resources (Established in April 2021)	Number of companies with whom consulting contracts concluded	End of September 2023 93 (+44 vs. end of September 2022)	+93 since April 2021
	ICT/ business efficiency	Hirogin IT Solutions (Made subsidiary in January 2021)	Number of contracts concluded	FY2023 1H 98 (+19 vs. end of September 2022)	+414 since January 2021
	Solutions to community issues	Hirogin Area Design (Established in April 2021)	Number of orders received during period	FY2023 1H 26 (+/-0 vs. end of September 2022)	+67 since April 2021

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

- ▶ Corporate solutions revenue at the Bank declined, resulting in revenue pertaining to consulting services for corporate and individual customers and net income for Group companies of 6.5 billion yen, or -900 million yen YoY
- ▶ Corporate solutions revenue at the Bank is steadily progressing except for derivatives for customers.

Trends in profits generated by the consulting business

(Billion yen)



Breakdown of profits generated by the consulting business

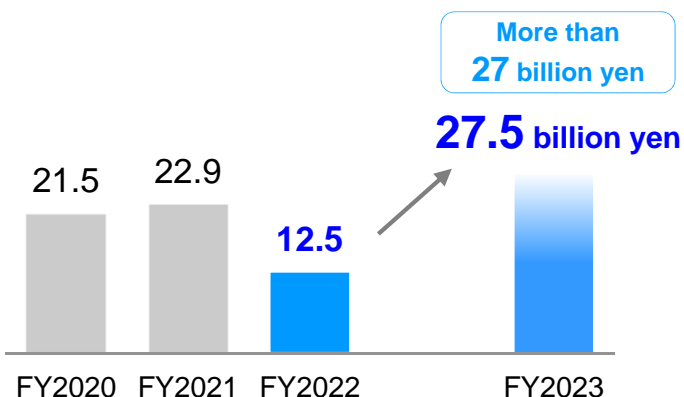
(Billion yen)

	FY2023 1H results	YoY change	FY2023 1H planned	YoY change
[Bank (nonconsolidated)]				
Profits from the consulting business for corporate and individual customers (i)	5.2	-0.9	12.0	-0.5
Corporate solutions	2.8	-0.9	5.6	-1.7
Syndicate loans, etc.	0.9	0.5	1.7	0.2
Derivatives	0.8	-1.4	1.5	-2.0
Asset management	2.4	0.0	5.0	0.0
Financial instruments brokerage	0.3	-0.1	0.6	-0.1
Investment trust	0.3	0.0	0.8	0.0
Equity business	0.0	0.0	1.4	1.2
Interim net income for Group companies (ii)	1.3	0.0	3.0	0.7
Hirogin Securities	0.3	0.1	0.5	0.4
Shimanami Servicer	-0.1	-0.2	0.3	0.1
Hirogin Lease	0.4	0.0	0.8	0.2
Total ((i) + (ii))	6.5	-0.9	15.0	0.2

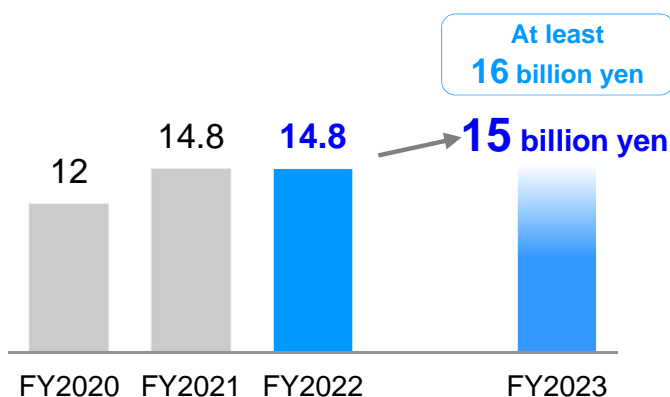
Progress toward management targets under Mid-Term Plan 2020 (October 2020 - March 2024)

- ▶ In FY2023, we expect to achieve targets for net income attributable to owners of the parent, consolidated capital adequacy ratio, and consolidated ROE, as Group joint efforts intensify.
- ▶ At the same time, due to lower asset management earnings attributable to lower sales of structured bonds due to tightening regulations and dramatic changes in market conditions, it will remain a challenge to achieve the targets for total revenue from the consulting businesses for corporate and individual customers and Group company net income and contributions of Group companies to consolidated performance.

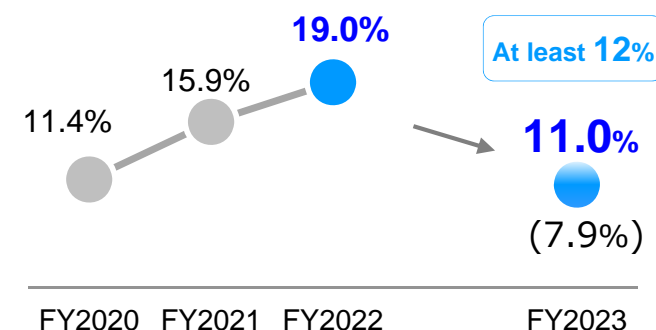
Net income attributable to owners of the parent



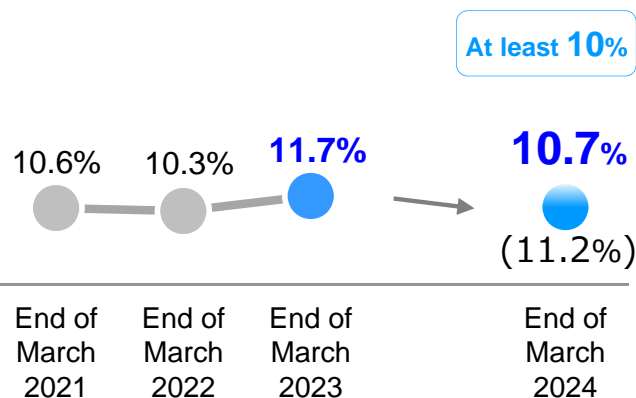
Total of revenues from consulting businesses for corporate and individual customers^{*1} and Group company net income^{*2}



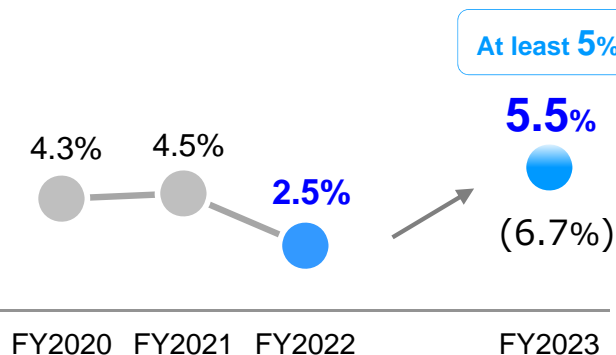
Contributions of Group companies to consolidated performance^{*3}



Consolidated capital adequacy ratio



Consolidated ROE



□ : Target for the final fiscal year of the Mid-Term Plan
 () : Results for the interim period of FY 2023 1H

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

^{*2} Group company net income
 = Total of net income of Group companies other than the Bank multiplied by the investment ratio in those companies

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

Performance forecasts

- ▶ Net income attributable to owners of the parent is projected to rise by 15 billion yen year on year to 27.5 billion yen.
- ▶ We expect to achieve the final target of the Mid-Term Plan 2020 of more than 27 billion yen in net income attributable to owners of the parent.

FY2023 performance forecasts

(Billion yen)

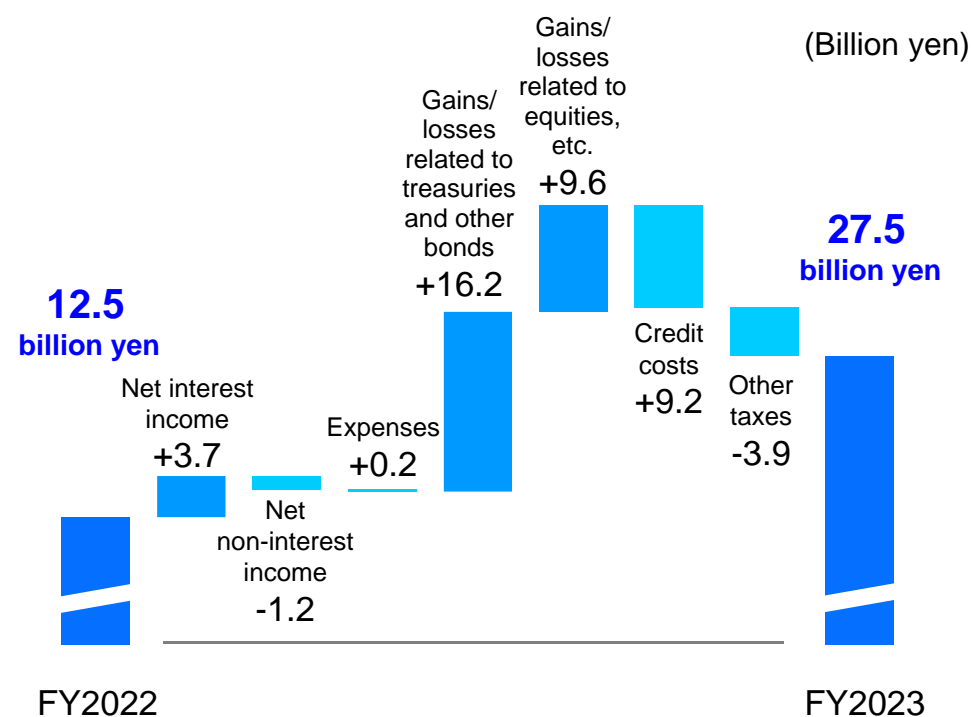
	Interim performance results	FY2023 performance forecast	YoY change	vs. initially announced forecasts
Ordinary profit	23.9	39.5	20.8	-
Net income attributable to owners of the parent	16.6	27.5	15.0	-

Reference: FY2023 nonconsolidated forecast for Hiroshima Bank

(Billion yen)

	Interim performance results	FY2023 performance forecast	YoY change	vs. initially announced forecasts
Net interest income	36.4	71.0	3.6	2.0
Net non-interest income	9.3	18.0	-1.1	1.5
Core business gross profit	45.7	89.0	2.5	3.5
Expenses (-)	26.2	52.5	0.2	-
Net income from core business	19.5	36.5	2.3	3.5
Gains/losses related to securities, etc.	6.1	7.0	26.0	1.0
Credit costs (-)	4.0	9.5	9.2	4.5
Ordinary profit	23.2	36.5	20.1	-
Net income	16.6	26.0	14.5	-

Major factors underlying changes in net income attributable to owners of the parent

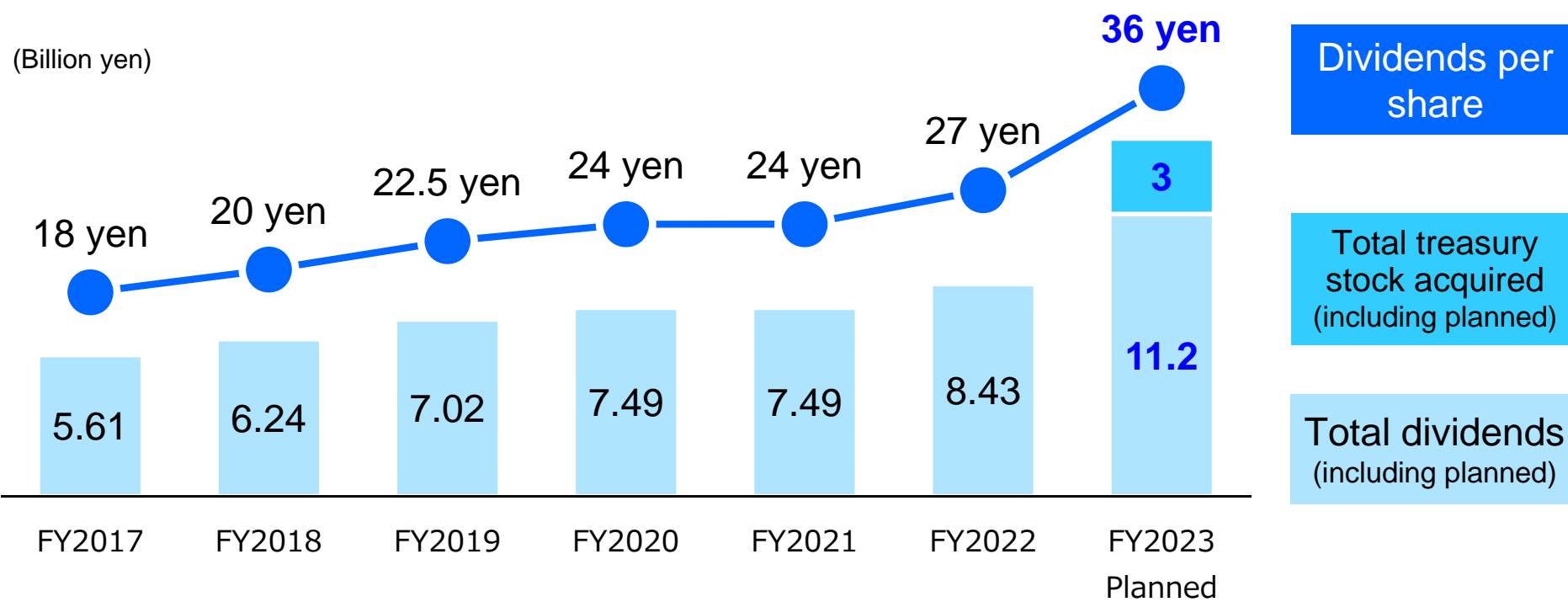


(Reference)

- Sale of foreign bonds, for which the spread had become negative (recording a loss on sales of 18.4 billion yen and a book value of 246.4 billion yen on the sale)
- Allowance for doubtful accounts was recorded in light of deteriorating business conditions of suppliers affected by soaring raw material prices

Dividend forecasts

- ▶ Full year dividends (forecasted) of 36.0 yen/share for FY2023 in line with forecast disclosed at year-start (Distributed interim dividend of 18.0 yen/share)
- ▶ Will implement flexible returns to shareholders through flexible acquisitions of treasury stock and other measures by enhancing internal reserves and realizing higher dividends by steadily posting profits.

Dividends per
shareTotal treasury
stock acquired
(including planned)Total dividends
(including planned)

Payout ratio	21.7%	24.3%	28.8%	34.6%	32.5%	67.1%	40.7%
Total return ratio	21.7%	24.3%	28.8%	34.6%	32.5%	67.1%	51.6%
Net income attributable to owners of the parent	25.8 billion yen	25.5 billion yen	24.2 billion yen	21.5 billion yen	22.9 billion yen	12.5 billion yen	27.5 billion yen

Notes:

- Dividends per share in FY2017 have been adjusted to reflect the reverse stock split (1:2 shares) implemented on October 1, 2017.
- Hirogin Holdings was established on October 1, 2020. The figures shown for FY2020 represent totals paid by Hiroshima Bank, including interim dividends of 12 yen per share (3,748 million yen in total).

01

Summary of business
performance

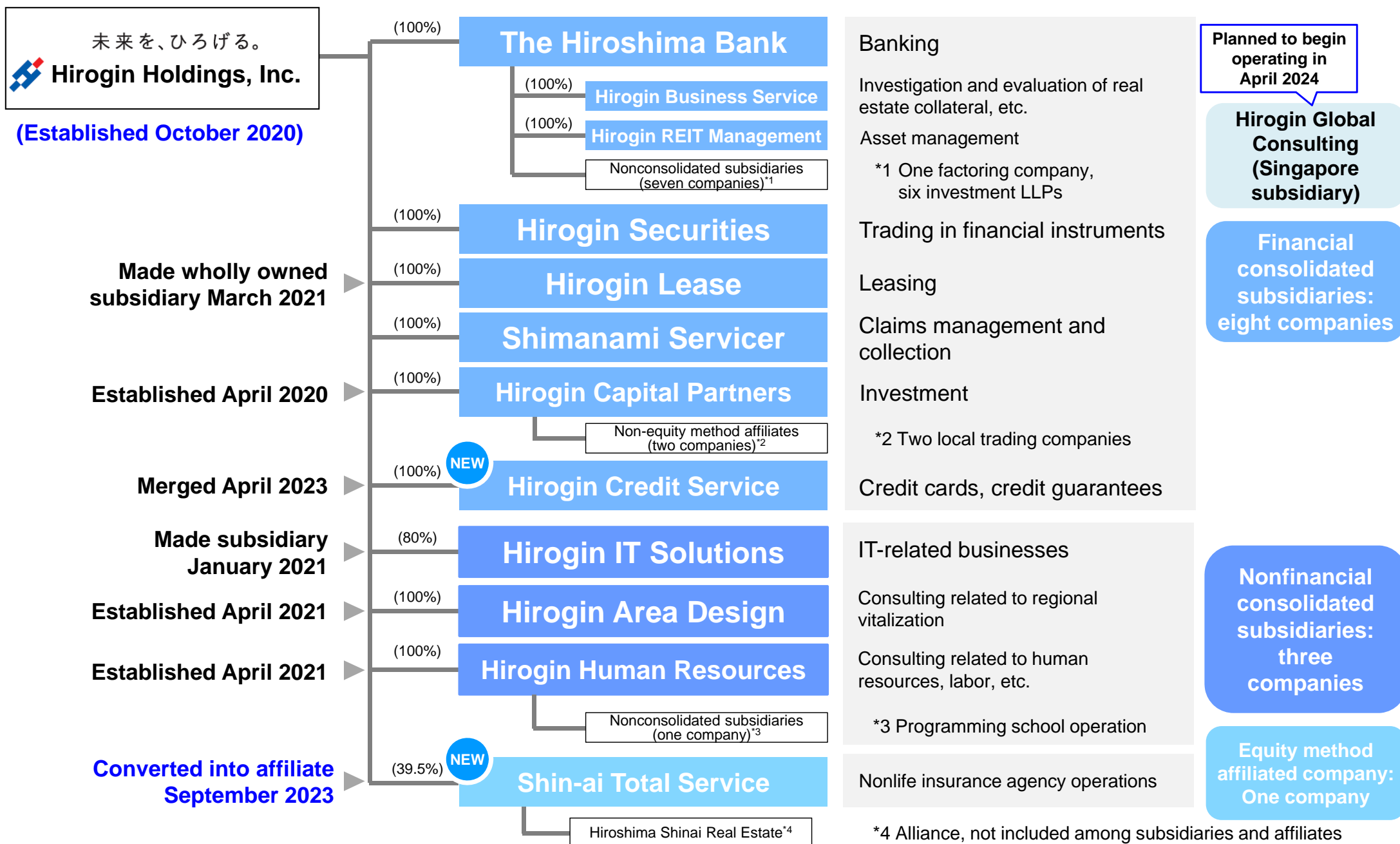
02

Strategy

03

Appendix

Group structure



Will continuously establish an optimal group structure to strengthen Group cooperation.

Group targets

- ▶ The first stage of the Mid-Term Plan following the transition to a holding company structure is generating steady results due to factors including efforts to transform employee awareness associated with this transition and progress on enhancing Groupwide joint efforts.
- ▶ In addition to achieving the earnings plans for FY2023, the final fiscal year of the Mid-Term Plan 2020, we will move forward with efforts to prepare for the next Mid-Term Plan, which starts with FY2024.

Results and issues through now

Results

- Realizing efforts to transform employee awareness to recognize our status as a Regional Comprehensive Services Group
- Steady progress on joint efforts among Group companies to deliver solutions, including solutions in nonfinancial areas, based on alliances with various Group functions, to drive steady growth in the customer base

Issues

- Moving forward to propose and deploy strategies centered on the holding company
 - Proposing and deploying strategies to improve future earning capacity in (personal sector) asset management and securities investment
 - Moving forward with business efficiency improvements and business consolidation

Steady progress on the first stage following the transition to a holding company structure

This year's initiatives

In the final fiscal year of the Mid-Term Plan 2020:

- Achieving Mid-Term Plan targets at high levels (net income attributable to owners of the parent to reach 27.5 billion yen)
 - Advancing efforts to prepare for the next Mid-Term Plan (which starts with FY2024)
- Enhancing the management strategies planning sections of the holding company
 - Enhancing efforts to draft Groupwide management strategies
 - Enhancing and intensifying involvement of subsidiaries in drafting measures and alliances
 - Enhancing initiatives in new businesses (expanding business axes)
 - Promoting digital transformation (DX)

»» To the second stage of Hirogin Holdings

The next Mid-Term Plan (which starts with FY2024) will clarify the following issues:

- Our responses to materiality topics in the region
- Our growth strategies

The second stage of Hirogin Holdings

- In the second stage, the functionally enhanced management planning sections of the holding company will play central roles in improving the quality of Group companies, expanding the axes along which their businesses are based, further enhancing Groupwide joint efforts, and reallocating management resources through structural reforms.



Assumptions underlying the next Mid-Term Plan

- ▶ **Deteriorating environment for regional financial institutions due to rapid shifts in external environment**
- ▶ **Will independently and directly address an increase in population and productivity with a view to maintaining and increasing prefectural GDP amid conjecture that GDP will fall in conjunction with decline in prefectural population.**

Environment surrounding regional financial institutions

Environment surrounding Hiroshima Bank from the standpoint of PEST from perspective of 10 years into the future

Politics

- **Forays into financial services based on nonfinancial industries and developments in open banking** following **deregulation based on various laws and regulations** (easing of prohibition of concurrent non-banking business and firewalls, lifting of ban on e-money salaries, etc.)

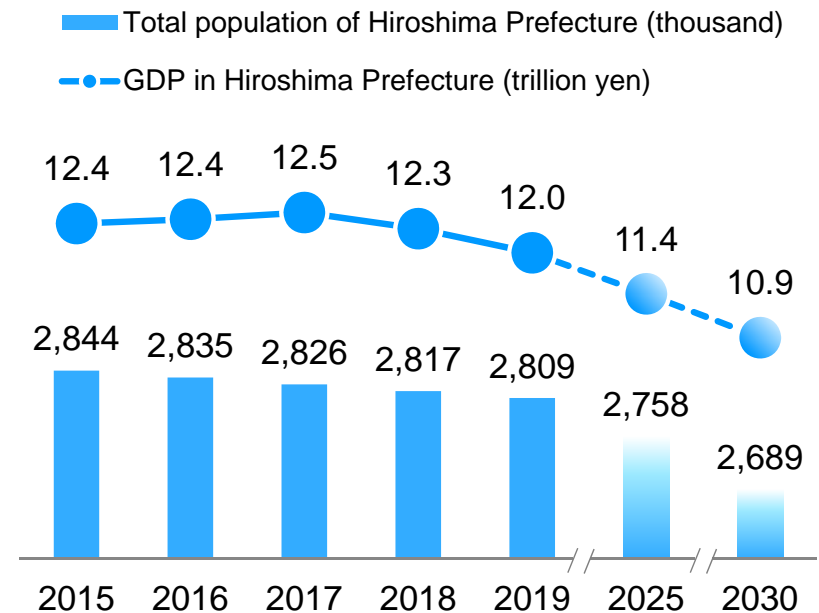
Economy/ Society

- **Declining numbers of and sluggishness in local business earnings** due to shrinking regional demand
- Growth in asset-building and insurance/inheritance needs due to **declining productive population**, longer life spans amid declining birthrate in line with expanding elderly population and growing awareness of self-help for elderly life

Technology

- **Decrease in bank branch and ATM visitation** due to popularization of cashless and digital processes
- Popularization of payment networks and cash mobility via remittances between individuals that do not involve bank accounts

Regional economic outlook (projected GDP and populations in Hiroshima Prefecture)



Estimates made by the Company based on national census data, population estimates from the National Institute of Population and Social Security Research, and the Cabinet Office's List of Japanese prefectures by GDP

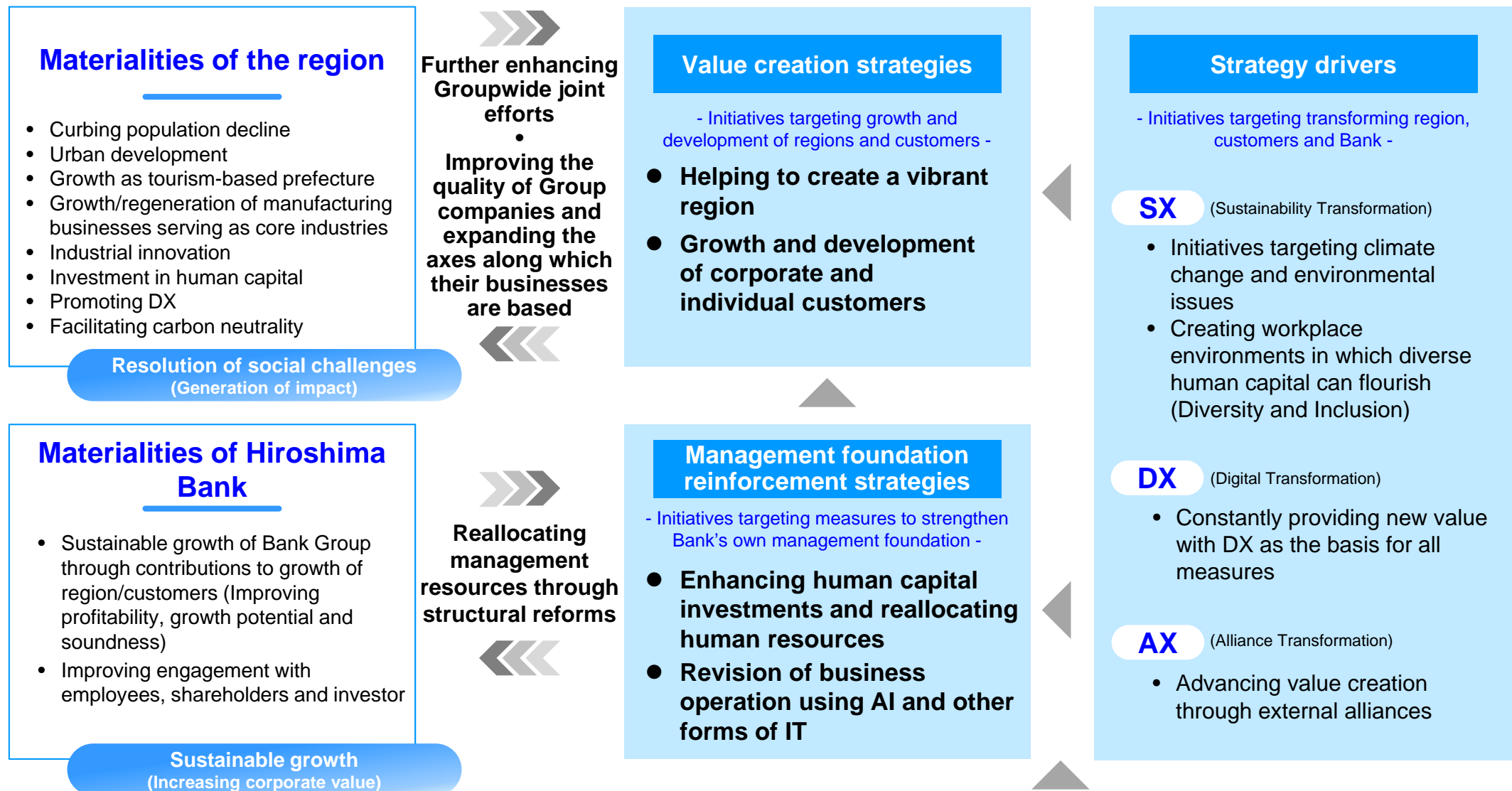
The contraction of regional economies is the biggest threat to regional financial institutions.



Initiatives to revitalize regions (maximize prefectural GDP) are crucial.

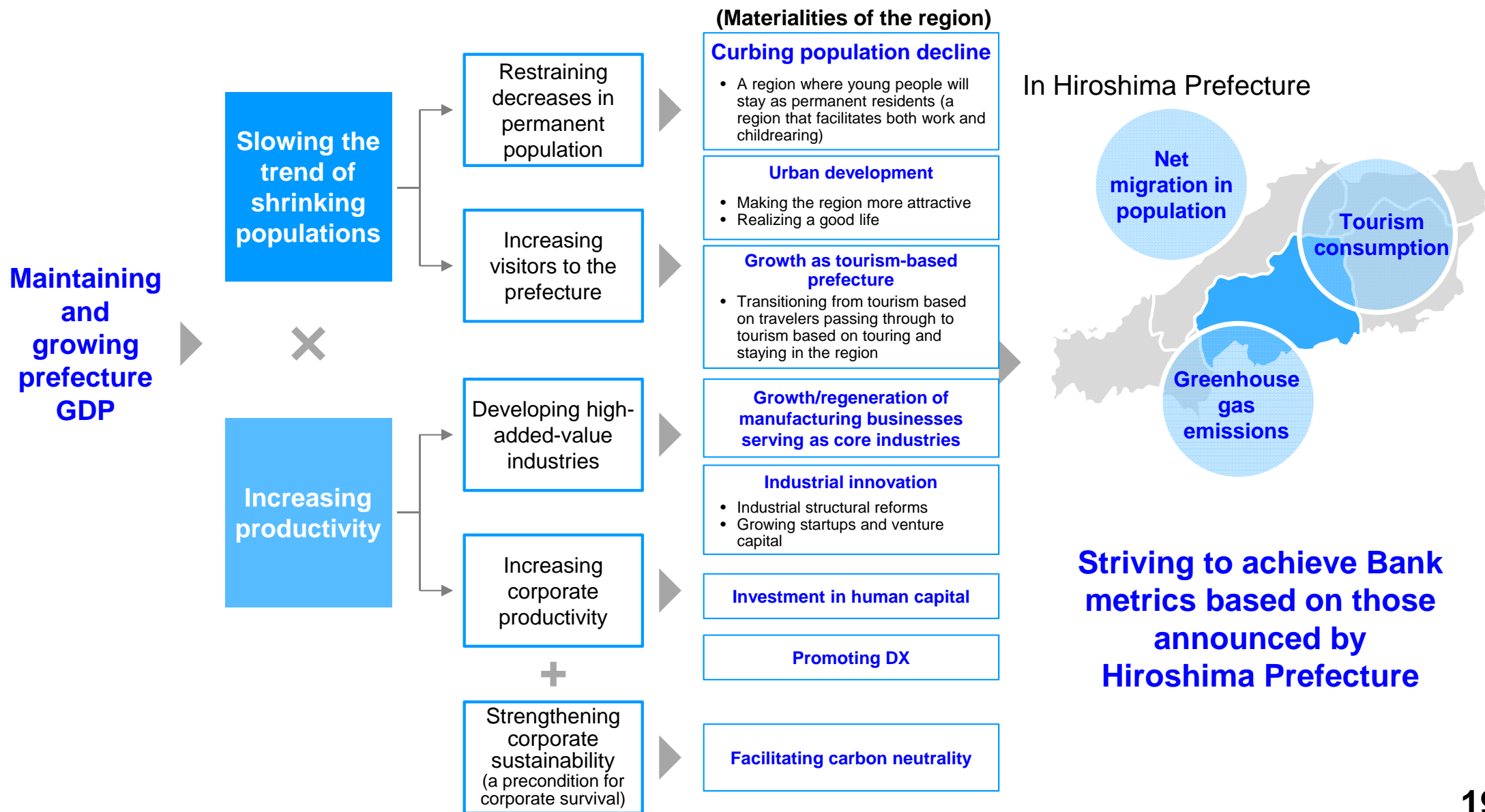
Overview of the next Mid-Term Plan - Overall strategy -

- In our next Mid-Term Plan, we will instigate action after formulating value creation strategies, management foundation reinforcement strategies, and strategy drivers to address the materialities of the region and Hiroshima Bank.



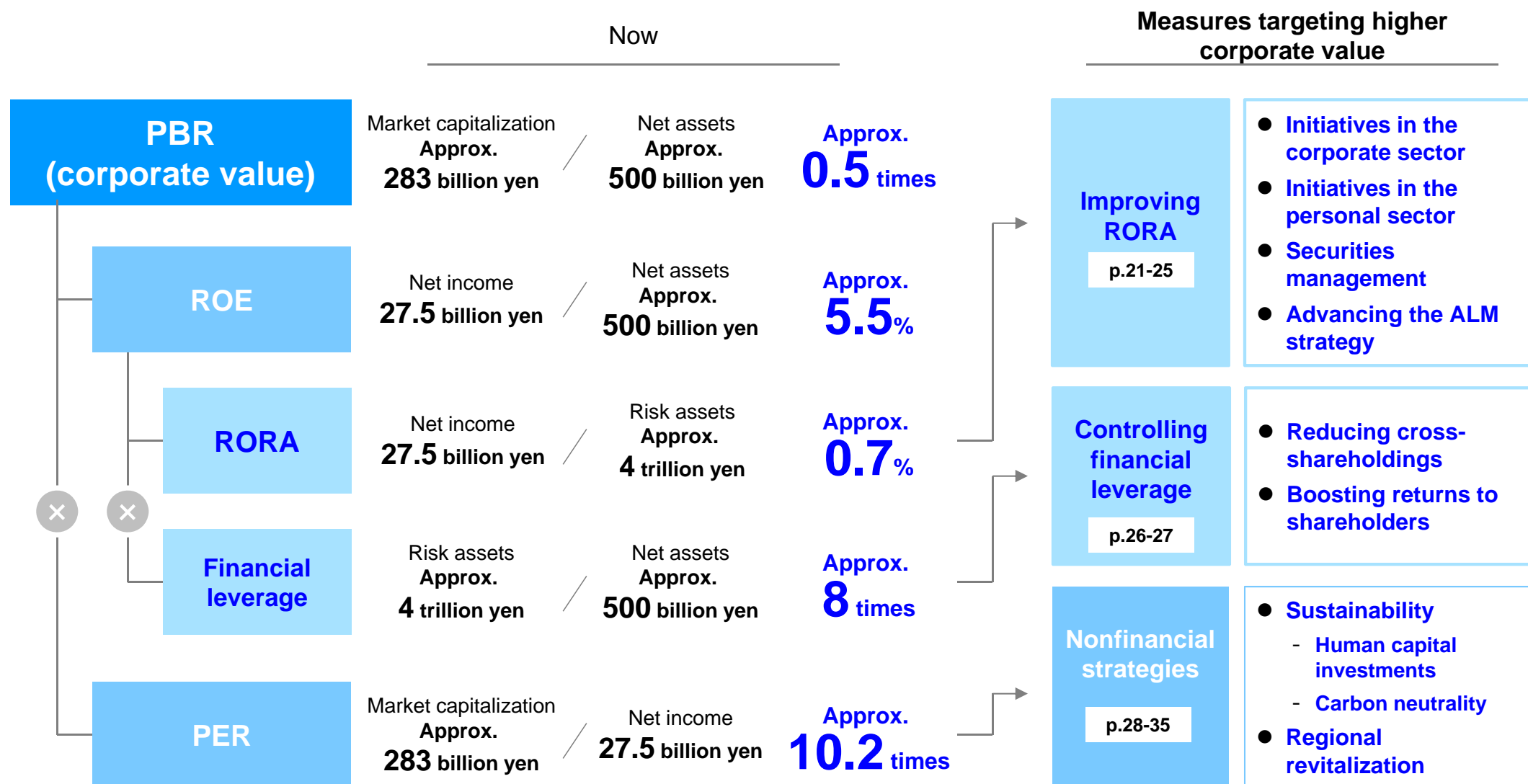
Overview of the next Mid-Term Plan - Sustainability Metrics -

- Based on the belief that the Group cannot progress without regional revitalization, we will work in collaboration with governments and local communities focusing on Hirogin Area Design.



Improving PBR

- ▶ Current PBR is approx. 0.5x.
- ▶ With a view to improving PBR, we will push forward to improve ROE by improving RORA and financial leverage controls while pursuing nonfinancial initiatives. Additionally, we will proceed to boost our corporate value.



Note: Figures under "Now" above are projections for the year ending March 2024; market capitalization is as of the end of September 2023.

Improving RORA - Initiatives in the corporate sector -

- ▶ To date, we have primarily assumed local credit risks.
- ▶ Moving forward, we will proactively take risks in structured finance in anticipation of rising interest rates, etc.
- ▶ Additionally, we will continue to focus on domains in which we do not use risk-weighted assets, such as mergers and acquisitions and business succession, and work to bolster revenue.

Initiatives and measures taken in the corporate sector

Initiatives to date

Financial

- Risk-taking centered on the four local prefectures (lending, equity investment)
- Addressing business succession and M&A needs

Nonfinancial

- Enhancing efforts in the IT consulting business
- Offering HR and labor management solutions



Financial

- Aggressive risk-taking in structured finance, etc.
- Reinforcement of carbon neutrality-related finance
- Promoting mergers and acquisitions and business succession through strengthened partnerships with external alliance partners

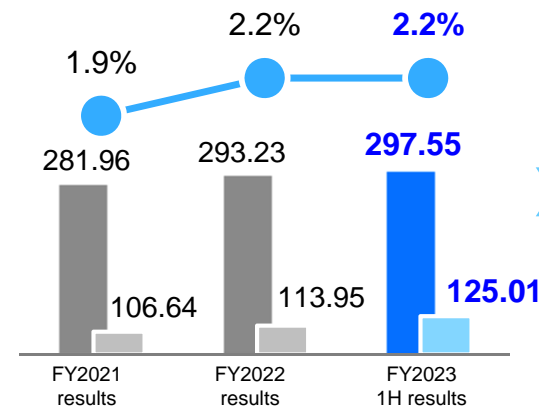
Nonfinancial

- Securing new revenue sources using funds and alliances
- Acquisition of new functions through Group realignment and measures to strengthen DX initiatives (augmentation of Group revenue)
- Examination of scheme to supply renewable energy to region in partnership with local businesses

Sectors we plan to increasingly focus on

Results of initiatives

Four local prefectures*1 (left bar), average balance of business lending pertaining to structured finance, etc. (right bar), and RORA*2 for loans overall



(Interim targets)
RORA exceeding **2.3%**

* RWA of + approx. 600 billion yen (vs. end of March 2023)

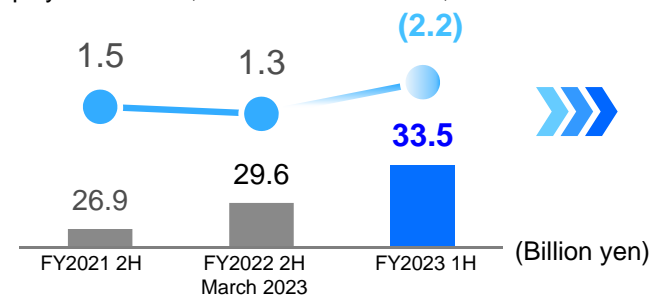
(Interest assumptions)

Yen	Policy interest rate	0.0%
	Japanese government bonds 10 yr	1.0%
Foreign currency	FF interest rate	3.5%
	US government bonds 10 yr	3.6%

*1 Structured finance, etc. includes business lending at branches outside the four local prefectures.

*2 RORA is loan interest during the period (spread for foreign currency) divided by the RWA at the end of the period.

Balance of fund investments, etc.*3 (book value, bar graph), revenues from equity investment, business succession, and M&A



(Interim targets)
+ over **5 billion yen**

* Sum of corporation solutions revenue and equity-related revenue (vs. FY2023 target)

(*3) Balance of fund investments, etc. is the total of pledged investment amounts in policy investment securities and the balance of Hirogin Capital Partners' principal investment.

Note: FY2023 1H revenues above show planned figures for FY2023.

Improving RORA - Initiatives in the personal sector -

- Based on a focus on initiatives for non-face-to-face businesses that contribute to customer asset building and medium- to long-term business foundations, we will proceed to support such asset-building through a goal-based approach.

Initiatives and measures for the personal sector

Goal-based asset management sales

- Sharing goals through life planning with the aid of life design services
- Implementation of ongoing reviews

Review of customer management structure

- Change from area management to segment management according to customer assets held to make proposals in line with their needs

Advancement of monetary training

- Holding of kids' money courses for elementary and middle school students
- Holding of monetary training courses at local universities

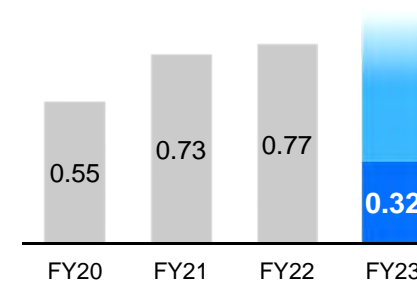


Initiatives seeking to double asset income

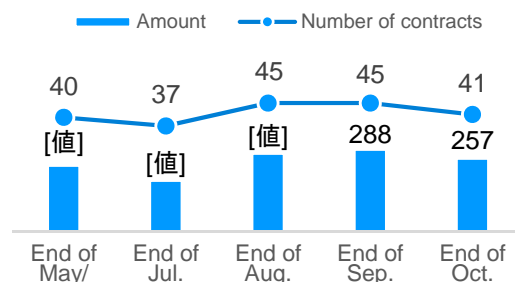
- Asset-building proposals that make use of fund wraps, insurance, investment trusts, etc. in accordance with the goal-based approach
- Asset-building proposals targeting the new NISA scheme (January 2024)
- Strengthening proposals of investment trusts to address inheritance-related needs
- Consolidating sales sites intended to reinforce long-term side-by-side customer management and human capital development
- Proactive use of non-face-to-face channels to expand the customer base

Results of initiatives

Inheritance/trust-related revenue (billion yen)

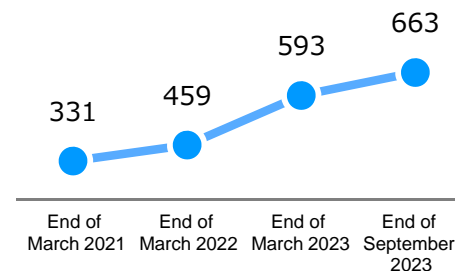


Status of fund wrap contracts (million yen, contracts)



Note: Carried since May 2023

Hirogin app downloads (thousand)



Ranked first in customer satisfaction on Orion

(Online banking app usability ranking 2023)



Hirogin Reward Point Service Scheduled for implementation in January 2024

- Reward points earned through financial instruments trading can be used by redeeming them for other reward points with other companies.

Improving RORA - Initiatives in the personal sector -

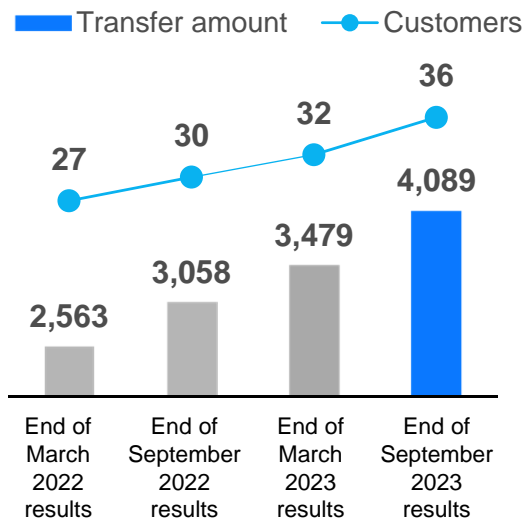
- ▶ Amid a growing trend toward asset building, aiming to help customers enrich their lives through asset management
- ▶ Building foundations for earnings resilient to the market environment, aiming for a future target of 70% of recurring revenues

Increasing recurring revenues

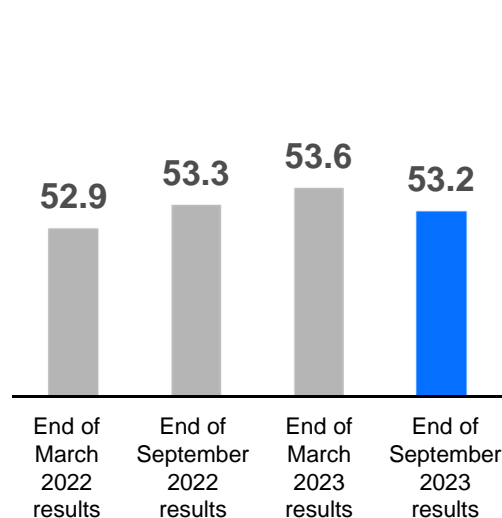
(Initiatives in the personal sector)

- Toward foundations for earnings resilient to the market environment
- Enhancing initiatives at the retail level
- Enhancing human resource development, including improving advisers' skills

Number of savings investment trust contract customers, transfer amount
(Units: thousand; million yen)



Number of level-premium insurance policy customers
(Unit: thousand)



Future outlook

Results at end of March 2023

Upfront revenues: 86%

Recurring revenues:
14%

Future outlook

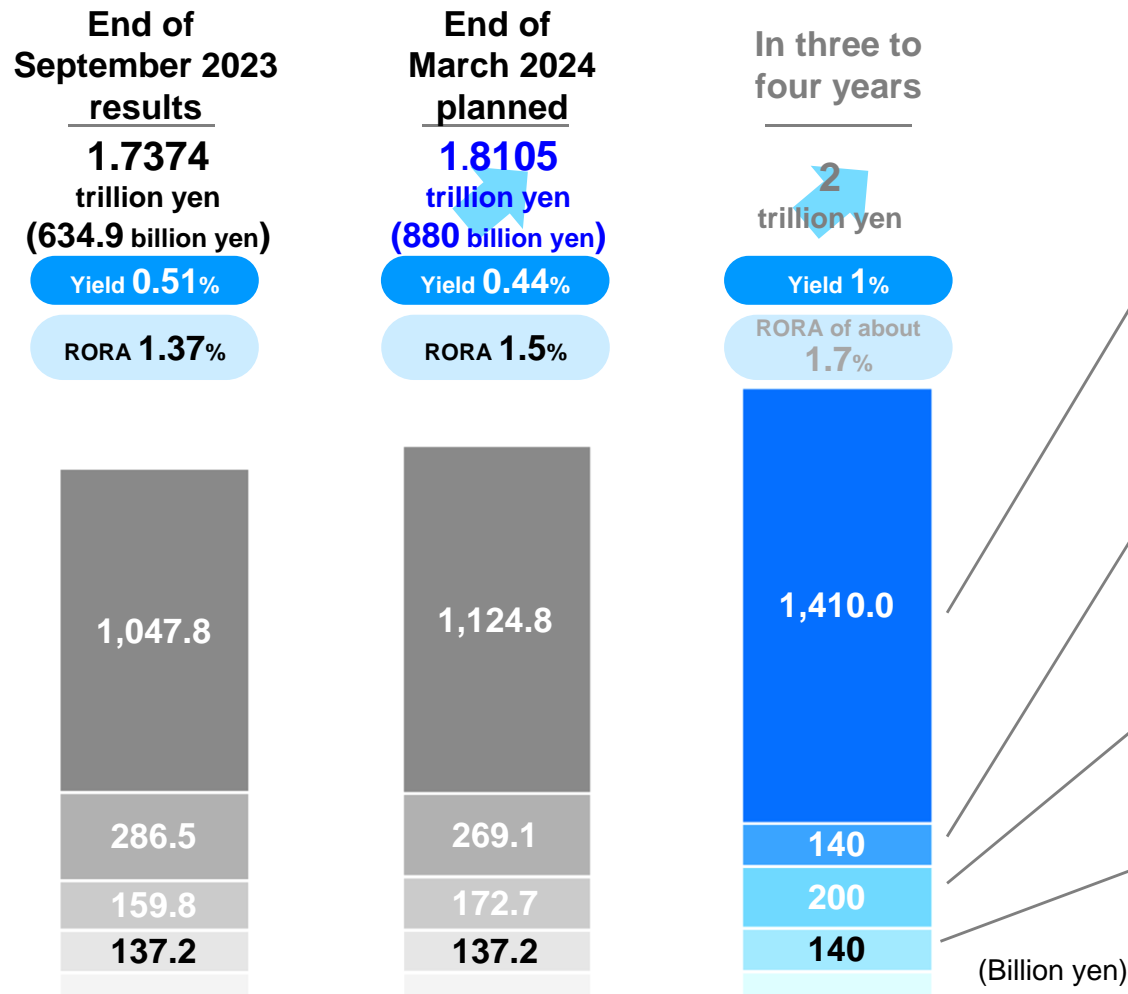
Upfront revenues: 30%

Recurring revenues:
70%

Improving RORA - Securities management -

- We will seek to achieve 1% yields on securities (after reflecting costs of raising funds externally) by building a securities portfolio capable of generating sustained and stable high returns on funds from a medium- to long-term perspective within the range of tolerable risks.

Target portfolio



Future investment policy

(Basic policy)

Build a securities portfolio conducive to securing high interest revenues on a stable and continuous basis from a medium- to long-term standpoint within the scope of acceptable risk.

Government, municipal and corporate bonds

- Accumulating and strengthening treasuries in stages as interest rates rise (with the goal of building a ladder portfolio through periodic purchases over the long term)
- Accumulating and strengthening municipal bonds using lines for holding to maturity, etc.

Foreign bonds

- Reducing fixed rate bonds with negative spreads
- Responding to interest rate fluctuations by growing investment in variable rate bonds issued by foreign firms (corporate bonds, CMO floaters)

Shares/ETF

- Increasing yields by growing the ratio of risk assets centered on domestic equity assets

Investment trusts, etc.

- Increasing yields through investment in foreign bonds with no fund-raising costs (taking forex risk through balanced investment with consideration for correlations among portfolio assets)
- Reducing risk assets such as existing investment trusts and foreign exchange positions

Risk-weighted asset amounts are given in parentheses.

Note: Based on internal managerial figures; balances based on book values; yields reflect consideration for external fundraising costs; securities balances (overall) include cross-shareholdings; investment trusts, etc. include specified monetary trusts.

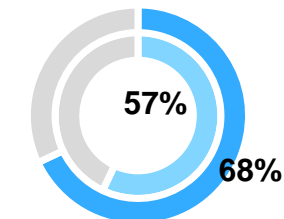
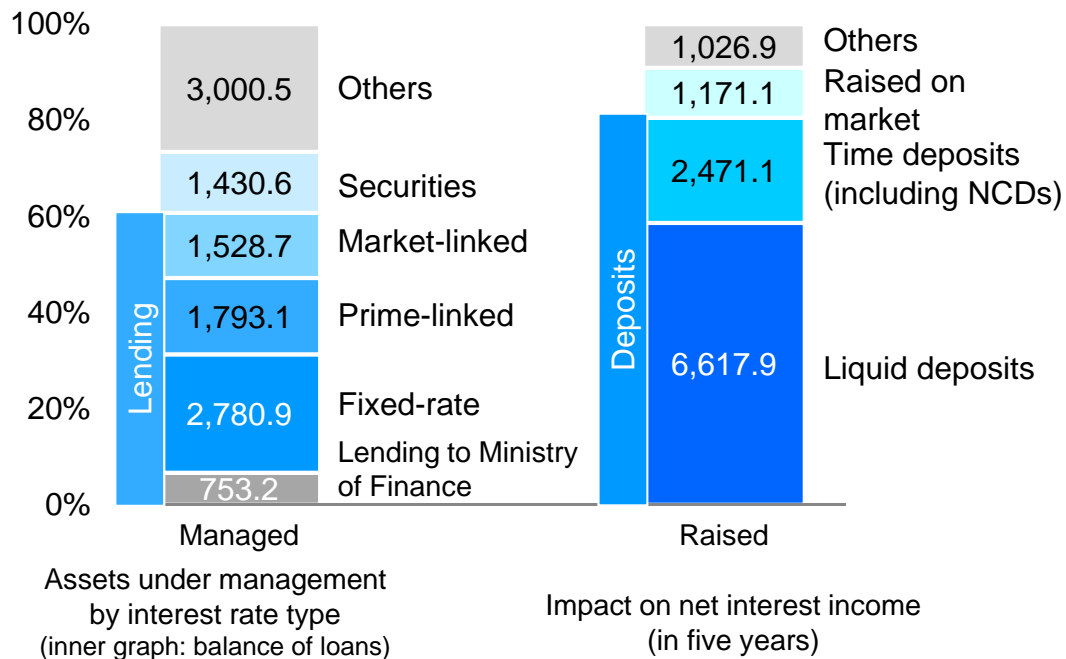
Improving RORA - Advancing the ALM strategy -

- In an environment characterized by growing uncertainty both within Japan and abroad, we will proceed to work to stabilize revenues through interest rate risk controls that account for our overall balance sheet, deposits and loans included.

Yen balance sheet

(As of September 30, 2023)

(Billion yen)



■ Variable ■ Fixed

Release from zero interest rate policy

Release from negative interest rate policy

+ approx.
13 billion yen

+ approx.
8 billion yen

(Simulation assumptions)

- Balance as of the end of March 2023 maintained (reinvestment of redemption in identical amounts and interest rate types)
- For termination of negative interest rates, the policy interest rate is 0.0%. For termination of zero interest rates, the policy interest rate is 0.1%.
- The scope of effects reflect comparison to single-year earnings in the absence of the simulation assumptions based on the balance sheet as of the end of March 2023.

Key points

Point 1

Expanding revenues by strengthening the ALM strategy

- Reinforcing management and analysis related to the status of assets and liabilities and control of interest rate risks
- Implementing risk-weighted asset controls based on balance sheet and profit/loss at Bank overall and state of risk-weighted assets

Point 2

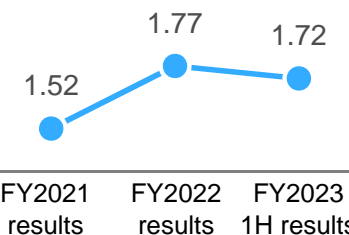
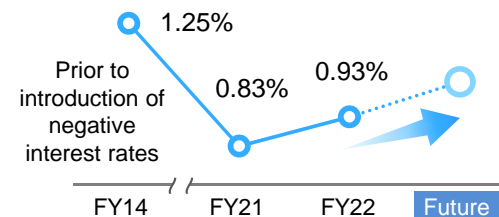
Reinforcing future loan pricing

- Reinforcing further pricing going forward with an eye on the potential for rising domestic interest rates

(Movement in corporate lending spread)

(RORA* based on spread)

* Yen-denominated loans overall



* Amount obtained after subtracting the amount corresponding to market interest rates (funding) from loan interest then dividing the difference by the RWA as of the end of the period

Point 3

Stable raising of deposits

- Reinforcing the acquisition of payment accounts, etc. going forward to secure stably raise deposits

(Reference) Balance of settlement accounts* as a percentage of the balance in corporate and individual deposits: **59.1%**

* Settlement accounts refer to accounts used for receipt of salary and pension payments and payment of utilities for individual depositors and lending balances for corporate depositors.

Controlling financial leverage - Cross-shareholdings -

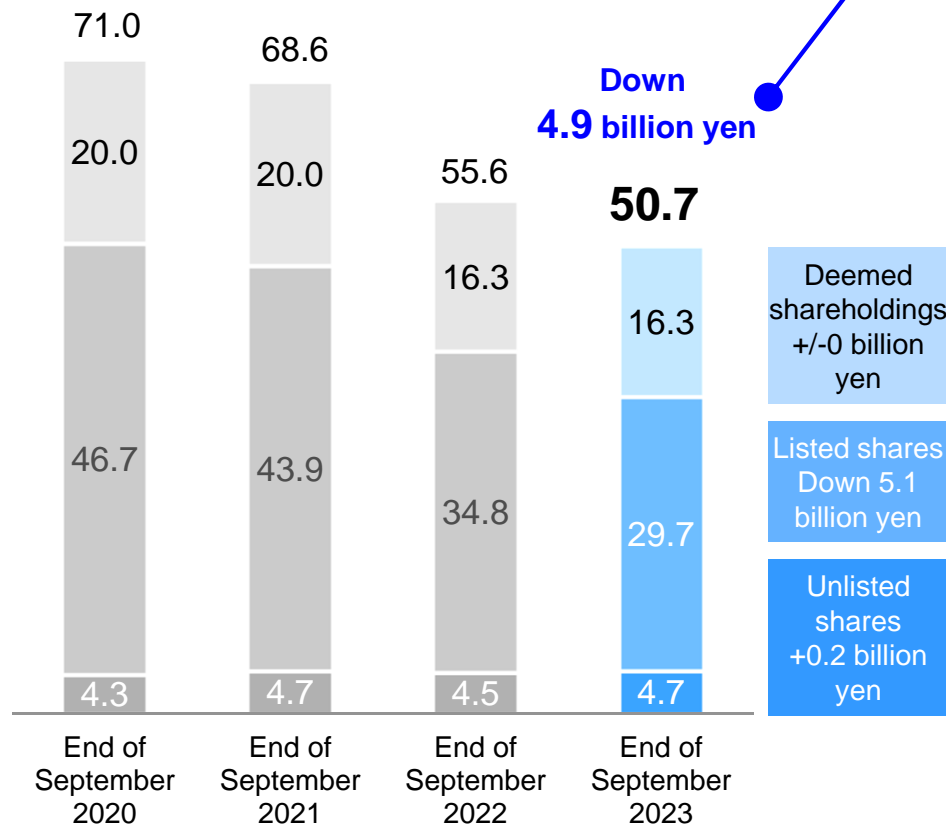
- ▶ As we sought to invest in growth, cross-shareholdings declined by 4.6 billion yen from the end of September 2022 thanks to continuing progress on discussions with the issuers.
- ▶ In the future as well, we will continue to decrease cross-shareholdings through dialogue, targeting a current value balance of less than 20% of consolidated equity capital by the end of March 2025.

Reductions in cross-shareholdings (book value balance)

Down by **4.6 billion yen/14 issues**

(vs. end of September 2022)

Note: Includes some reductions



* Includes impairment loss of 0.3 billion yen

Reduction target

Total market capitalization of

listed shares

+

deemed shareholdings

154 billion yen

Percentage of consolidated net assets
Equivalent to **30%**

(Policy on holding cross-shareholdings)

- Ongoing dialogue with issuers
- Continuing in principle to hold cross-shareholdings with customers in the four local prefectures to support and grow the local economy side by side
- Reducing cross-shareholdings in customers with relatively weak ties to local areas through ongoing dialogue

End of March 2025

Less than 20% of consolidated equity capital (market capitalization basis)

Controlling financial leverage - Boosting returns to shareholders -

- ▶ Deploying management reflecting the level of the capital adequacy ratio, targeting a consolidated capital adequacy ratio of roughly 11% for the holding company
- ▶ We will continue treasury stock acquisition.

Maintaining soundness, investing in growth

Returns to shareholders

Utilizing capital to enhance earnings capacity

- Accumulating and strengthening assets
- Growing investment in strategic areas
- Growing investment in human capital, etc.

Targeting
roughly
11%

Asset management **balancing use of capital to enhance earnings capacity and capital accumulation**



- Payout ratio of roughly 40%
- Proactive acquisition of treasury stock (3 billion yen in FY2023, for up to 5 million shares)



(Rationale regarding consolidated capital adequacy ratio of 11%)

- The difference in capital adequacy ratio between consolidated and nonconsolidated figures (i.e., difference between consolidated holding company ratio and nonconsolidated Bank ratio) is approx. 1.0 pt.
- If the Bank's nonconsolidated capital adequacy ratio is maintained at roughly 10%, even in times of stress it can **maintain a capital adequacy ratio above the regulatory limit.**

Capital
adequacy ratio
(consolidated
for holding
company)

Nonfinancial strategies - Carbon neutrality -

- ▶ We will strive to achieve carbon neutrality for greenhouse gas emissions (Scopes 1, 2, and 3) across our supply chain and in our investment and lending portfolios by FY2050.
- ▶ We will bolster initiatives in the automotive and sea shipping industries in particular to achieve medium- to long-term targets.

Carbon neutrality targets

Goal

- Strive to **achieve carbon neutrality** for Bank Group greenhouse gas emissions (**Scopes 1 and 2**) by **FY2023**.
- Striving to **achieve carbon neutrality** with respect to all greenhouse gas emissions throughout the supply chain, including investment and lending portfolio (**Scopes 1, 2, and 3**), by **FY2050**

Scope 3 / Category 15 calculations based on regional properties of four local prefectures, where manufacturing industries are concentrated

Greenhouse gas emissions of Hiroshima Bank's business lending (financed emissions) (FY ended March 2022, t-CO₂)

	Industry	t-CO ₂	Total of local, main, and sub-main
1	Electricity	1,591,000	441,717
2	Metals, mining	988,365	448,050
3	Sea shipping	889,379	545,699
4	Automotive	538,381	275,277
	⋮	⋮	
	Total	10,287,278	5,537,914

See p.30
for more info.

Future initiative policies

(The following policies are based on the calculations to the left:)

- Reinforce comprehensive consulting pertaining to carbon neutrality at business partner companies through stronger engagement.
- Boost efforts to achieve regional carbon neutrality in cooperation with external stakeholders.
 - Examinations, actions, etc. to expand the region's renewable energy ecosystem

Point 1

Concretization of engagement with business partners

- Implementing the 2023 Engagement Implementation Program based on TCDF Disclosure for Regional Financial Institutions by the Ministry of the Environment (adopted in September 2023)
- Examining concrete support measures in addition to arriving at a better understanding of risks, opportunities, etc. through engagement with individual companies

Sea shipping sector

- Signing the Poseidon Principles
- Working with business partners to calculate CO₂ emissions of each company and bolster engagement targeting reductions
- Striving to calculate CO₂ emissions and realize carbon neutrality for Bank's ship finances as a whole

Point 2

Sustainability support for business partner companies (Details on next page)

Nonfinancial strategies - Carbon neutrality -

- In the future, in addition to promoting customer engagement we will utilize various solutions and alliances to grow businesses by promoting carbon neutrality in the community.

Support for carbon neutrality among our customers

Assessing the current conditions

Planning

Implementation

SDGs initiative support service

- Checking on the state of SDGs initiatives, identifying items that need to be addressed, and providing feedback sheets
- Support for formulating SDGs Statements and public promotion of these services

Sustainability management adoption support services

- Supporting identification of materiality as main axes for corporate sustainability management through repeated dialogue with management
- Supporting the formation of Sustainability Management Policies

Sustainability-related financial services

- Supporting sustainability initiatives in the areas of funding and forex risk hedging



Carbon neutrality support consulting

- Integrated support for enhancing carbon neutrality initiatives from assessment of current conditions through implementation
Example: Assessing company and supply chain greenhouse gas emissions and proposing solutions to reduce them

Alliance

Renewable energy supply schemes

- Considering schemes to supply renewable energy to the community in cooperation with local businesses

Alliance

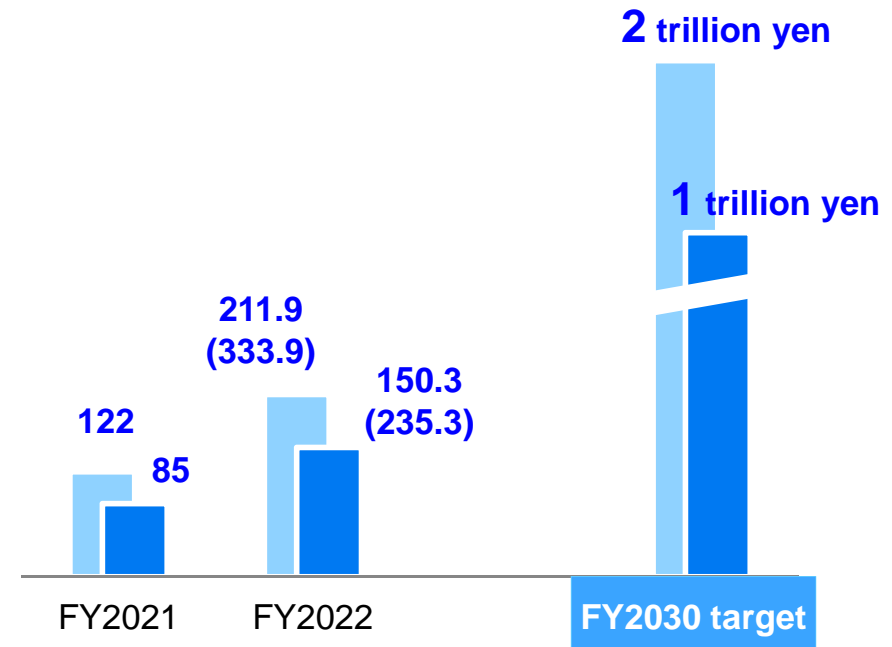
Medium- to long-term goal of sustainable finance

Goal

Executing 2 trillion yen in sustainable finance to contribute to solutions to environmental and social issues (cumulative FY2021-2030, including 1 trillion yen in environmental finance)

Execution of sustainable finance (billion yen)

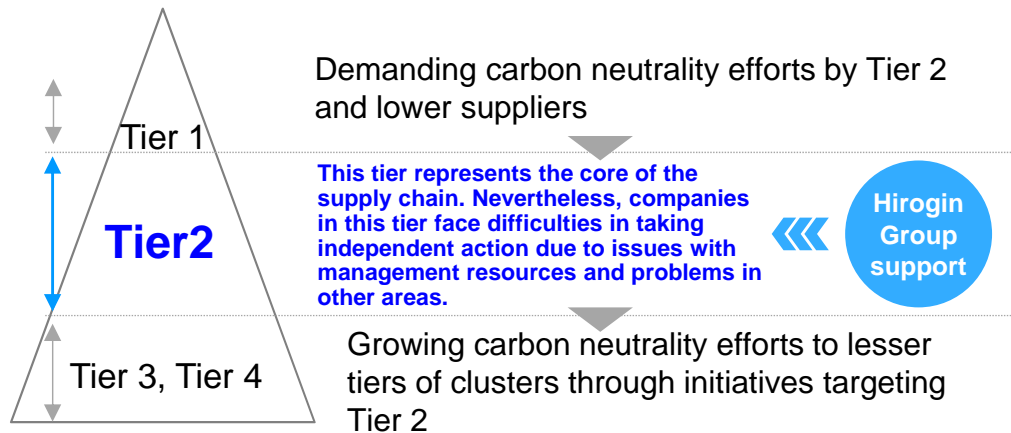
* Right: environmental finance (parentheses: cumulative totals)



Nonfinancial strategies - Carbon neutrality -

- For automobile-related industries, the base industries in Hiroshima, our home prefecture, we will endeavor in our efforts to achieve carbon neutrality.

Initiatives targeting Mazda suppliers



(Drawing on alliances, etc.)

Executed
MOU on
August 28

Point 3 Strengthening automotive industry support in cooperation with seven regional banks

- Sharing information on the status of initiatives for automotive industry support, solutions for business partners, and examples of actual use at each bank
- Reinforcing support for automotive sector, including assistance with carbon neutrality amid endeavors to share information based on business partner needs such mergers and acquisitions / business succession and business matching



(Hirogin Group initiatives)

Point
1

Forming a specialized team for automotive industries

- Assigning specialized team members to cover automotive industries (members with a minimum track record of 20 years)
- Accumulating a wealth of quantitative and qualitative data on topics such as importance, technological capabilities, extent of impact of electrification, management qualities, and successors, based on solid relationships with members of the supply chain
- Providing support optimized for the conditions of each company

Point
2

Accumulating information to support carbon neutrality

- Interviewing approx. 160 companies (through meetings and other interactions) based on demand from upstream in the supply chain
- Ascertaining awareness and the status of efforts on a per-company basis (undertaken periodically to ascertain changing awareness, efforts over time, and other matters)

Point
4

Promoting carbon neutrality efforts pertaining to automobile parts manufacturing

Selected
on July 11

- Selected for 2023 ESG Regional Finance Promotion Program by the Ministry of the Environment
- We will proceed to examine the promotion of carbon neutrality for casting processes in automobile parts manufacturing by business partner companies.

Point
5

Supporting supplier reorganization in cooperation with the manufacturer

Nonfinancial strategies - Human capital investments -

- ▶ We will promote improvements in job satisfaction and the fostering of a culture of self-development based on support for autonomous career-building by each individual employee.
- ▶ Empowering human resources with diverse values and skills while deploying various measures and designing various systems to put diversity and inclusion into practice

Growth support

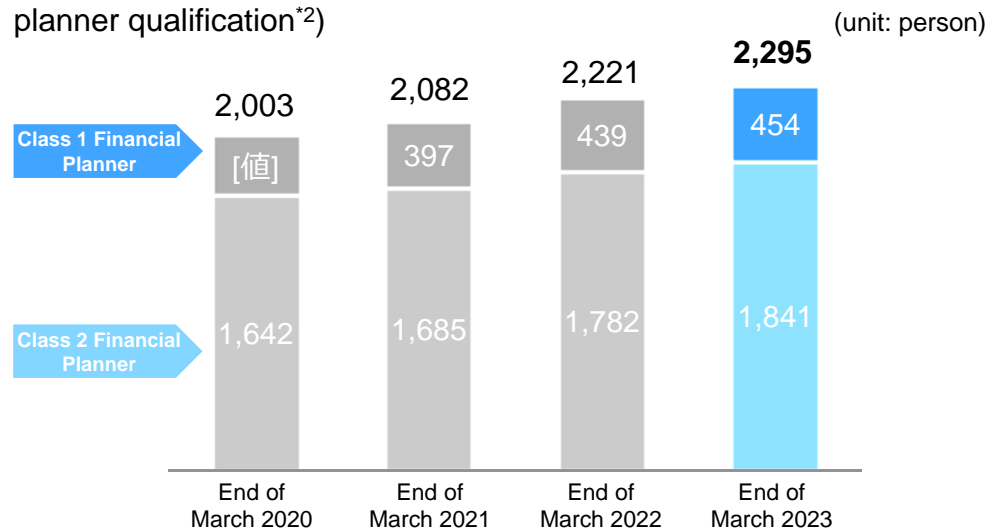
- To accommodate broad-ranging customer needs, we have set in place an environment for active and proactive learning through which we support employee self-development.

FY2022 result

Investment in personal growth incentives*1 **5.2 million yen**

*1 We grant self-improvement incentives based on examination fees, etc. to employees who pass qualifications to encourage them to take on the challenge of advancing their careers.

(Number of employees holding financial planner qualification*2)



*2 Employees holding both Class 1 Financial Planner: Certified Financial Planner (CFP) and Class 2 Financial Planner: Affiliated Financial Planner (AFP) are counted once. Holder total for Hiroshima Bank and Hirogin Securities

Diversity and inclusion

- Building an organization in which employees with diverse perspectives and values can demonstrate their abilities based on their own visions and awareness
- Ensuring diversity and inclusion within the organization

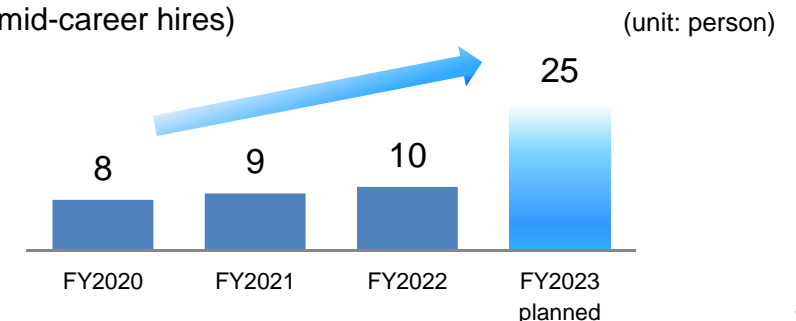
(Women as percentage of)

	As of October 1, 2023	April 1, 2024 target	April 1, 2031 target
Managers*1	7%	Approx. 7%	Approx. 25%
Management class*2	17%	Approx. 20%	Approx. 30%
Management class candidates	35%	Approx. 35%	Approx. 45%
New hires	42%	Approx. 50%	
Total employees	42%	—	Approx. 45%

*1 Managers and supervisors under the Labor Standards Act and those with equivalent authority (e.g., managerial personnel)

*2 Total of managers and employees approaching manager status

(Number of mid-career hires)



Nonfinancial strategies - Human capital investments -

- For sectors in which we can anticipate further business expansion, we will carry out the strategic allocation of some 180 to 200 personnel members during the period of our next Mid-Term Plan by selecting personnel using DX and other means.

Strategic allocation of human resources

Point
1

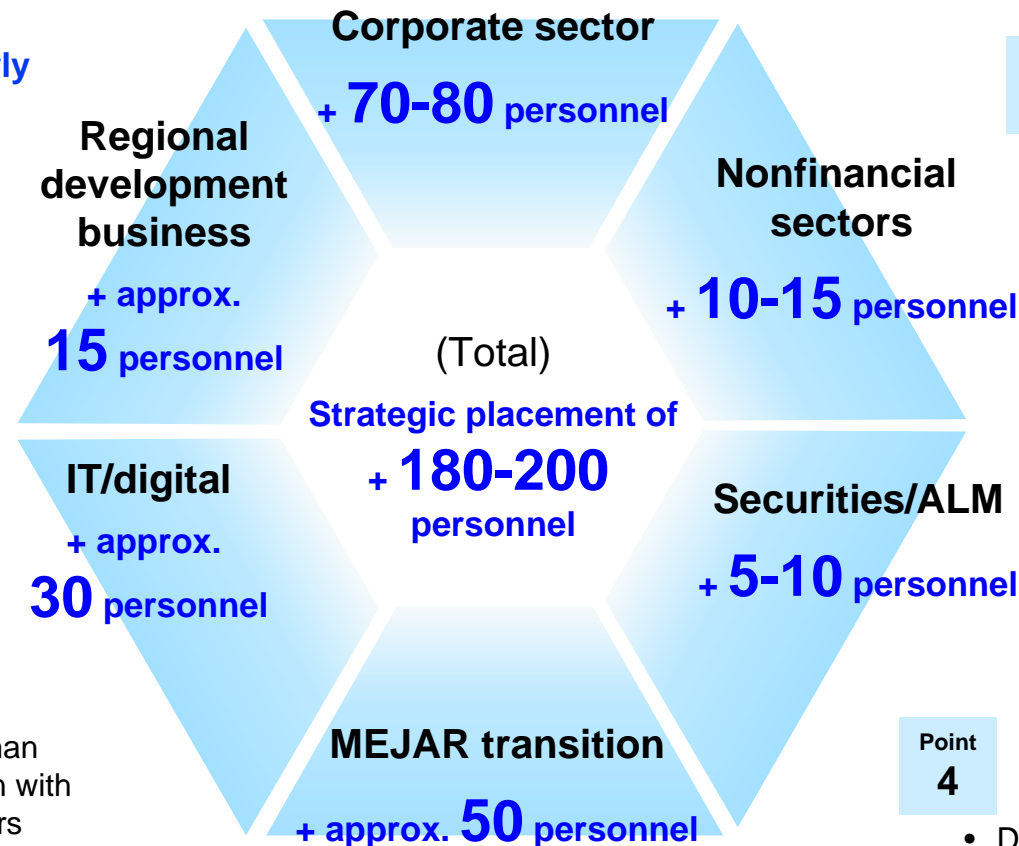
Hiring mid-career and elderly individuals

- Strategic allocation of personnel = Posts that require expertise
- Proactively deploying mid-career hires and elderly individual who possess expertise

Point
2

Specialized human capital portfolio management

- Implementing comprehensive human capital management in conjunction with business models for various sectors
 - Formulating a development policy
 - Implementing methodical hiring and assignment/reassignment
 - Human capital portfolio management



Point
3

Selecting personnel

- Revising sales structures and enhancing efficiency using DX to select personnel, particularly those in the administrative/loans/planning sections

Point
4

HR program reform

- Developing diverse HR programs to accept employees in line with their levels of specialization and job responsibilities

Nonfinancial strategies - Human capital investments -

- We will deploy various engagement measures focusing on our next Mid-Term Plan and the ideal shape of the Bank Group.

Engagement

- Developing measures to encourage employees to tackle new challenges by being free from established concepts
- Fostering a culture to improve employee motivation and to support autonomous career development, thereby establishing solid engagement

Future Creativity Working Group

- Discussion and deliberation by younger employees (20s through mid-30s) and the middle-ranking and core generations (mid-30s through 40s) of matters related to promoting efforts to build the future of the region and the Group
- Making recommendations and offering opinions to management and others concerning the details thereof and other matters

Reverse mentoring program

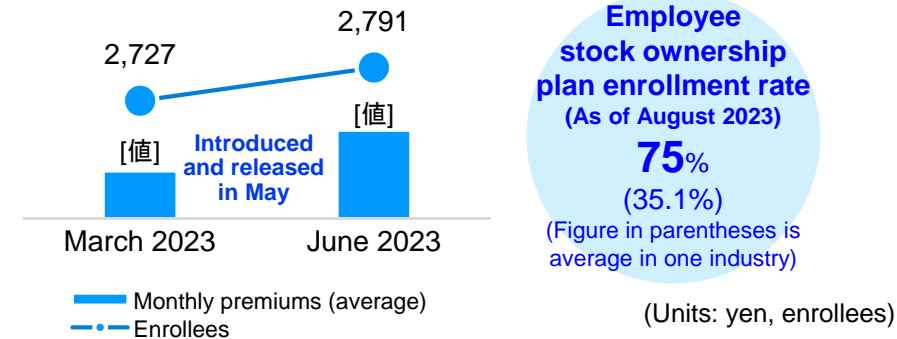
- Program under which younger and middle-ranking employees exchange advice and feedback with executives based on two-way dialogue
- Working to build a horizontal organizational structure as the foundations for diverse workstyles; fostering a culture of seeking out challenge by strengthening the movement toward mutual understanding and toward a sense of solidarity among different generations and job tiers

In-house trainee program

- Accumulating diverse business experience through short-term internships to enable individuals to build career paths based on their own visions

ESOP trusts

- We introduced ESOP trusts in August 2023 as an initiative aimed at higher employee financial wellness.



Salary increases (in the form of higher base pay, one-off allowances, and regular raises)

- We increased employee base pay for the first time in eight years since 2015 to help raise personal financial well-being.



Note: Data for monthly premiums (average) and enrollees is for Hiroshima Bank

Note: Data for higher base pay, one-off allowances and regular raises is for Hiroshima Bank

Nonfinancial strategies - Digital transformation (DX) initiatives -

- ▶ Adopting new services as needed to increase value for customers through the use of technology, external alliances, and other means; making human resources available and strategically reassigning them through efficiency improvements and other means

DX in various operations and measures

Digital innovation (new business creation)

Using digital technologies to create new businesses

- Improving customer value by creating new business models and businesses using digital technologies

Digitalization (Transition to digital on the offense)

Applying digital technologies to reform existing businesses and processes

- Renewing the organizational business model as a whole and increasing customer value by using digital technologies to change existing businesses and processes

Digitization (Transition to digital on the defense)

Adopting IT in existing businesses (cost cutting, efficiency improvements)

- Generating resources for growth (people, things, money, data) by adopting digital technologies to improve efficiency without changing existing processes

Results

AI voice bot

- Adopting an AI-based telephone answering service to accept credit card cancellations
- Improving usability by automating reception operations and eliminating the need to visit a branch and wait times

Bringing video content production in house

- Intuitively and effectively communicating information on existing products and solutions
- Bringing production in house will help cut costs and accumulate video production expertise

Business portal

- A fully integrated digital portal sight for commercial customers featuring various notification functions, online lending, etc.

Web branch appointment service

- Creating opportunities for more in-depth customer contact, free of wait times, for opening accounts, submitting various notices, and other procedures



etc.

Making personnel available and reassigning them strategically through efficiency improvements and other means

- Making human resources available by revising business processes through digitalization and digitization
- Strategically assigning human resources to lift the top line and to build infrastructure for management



etc.

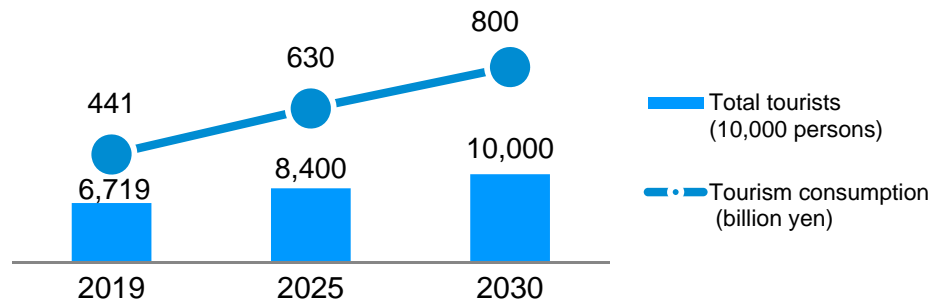
Tourism

- ▶ Since hosting the Hiroshima G7 Summit, Hiroshima Prefecture has seen growing numbers of overseas visitors, and inbound tourism demand is expected to grow further in the future as well.
- ▶ Hiroshima Prefecture is home to a wealth of tourism resources. Various factors, including growth in tourism from abroad spurred by the Hiroshima G7 Summit, are expected to boost inbound tourism demand.

Economic effects of the Hiroshima G7 Summit

Hiroshima Prefecture tourism plans

(source: Hiroshima Prefecture Tourism Promotion Plan)



Economic ripple effects, etc. of Hiroshima Summit

(Source: Citizens Council for the Hiroshima Summit Secretariat, General Affairs Division)

Direct economic effects

Approx. **121.7** billion yen

In Hiroshima Pref.

Approx. 72.5 billion yen

Outside Hiroshima Pref.

Approx. 49.2 billion yen

Advertising equivalent based on media exposure

Approx. **883.2** billion yen

Japan

Approx. 203.9 billion yen

Overseas

Approx. 679.3 billion yen

Post-summit economic ripple effects

(Est. applicable period: 2023-2027)

Approx. **164.9** billion yen

Centered on Hirogin Area Design, we intend to continue implementing initiatives for regional revitalization in cooperation with government and local communities.

Regional revitalization via alliances

Collaboration with W TOKYO

Collaborating with W TOKYO in similar fashion to The Shizuoka Bank, The 77 Bank and The Yamanashi Chuo Bank



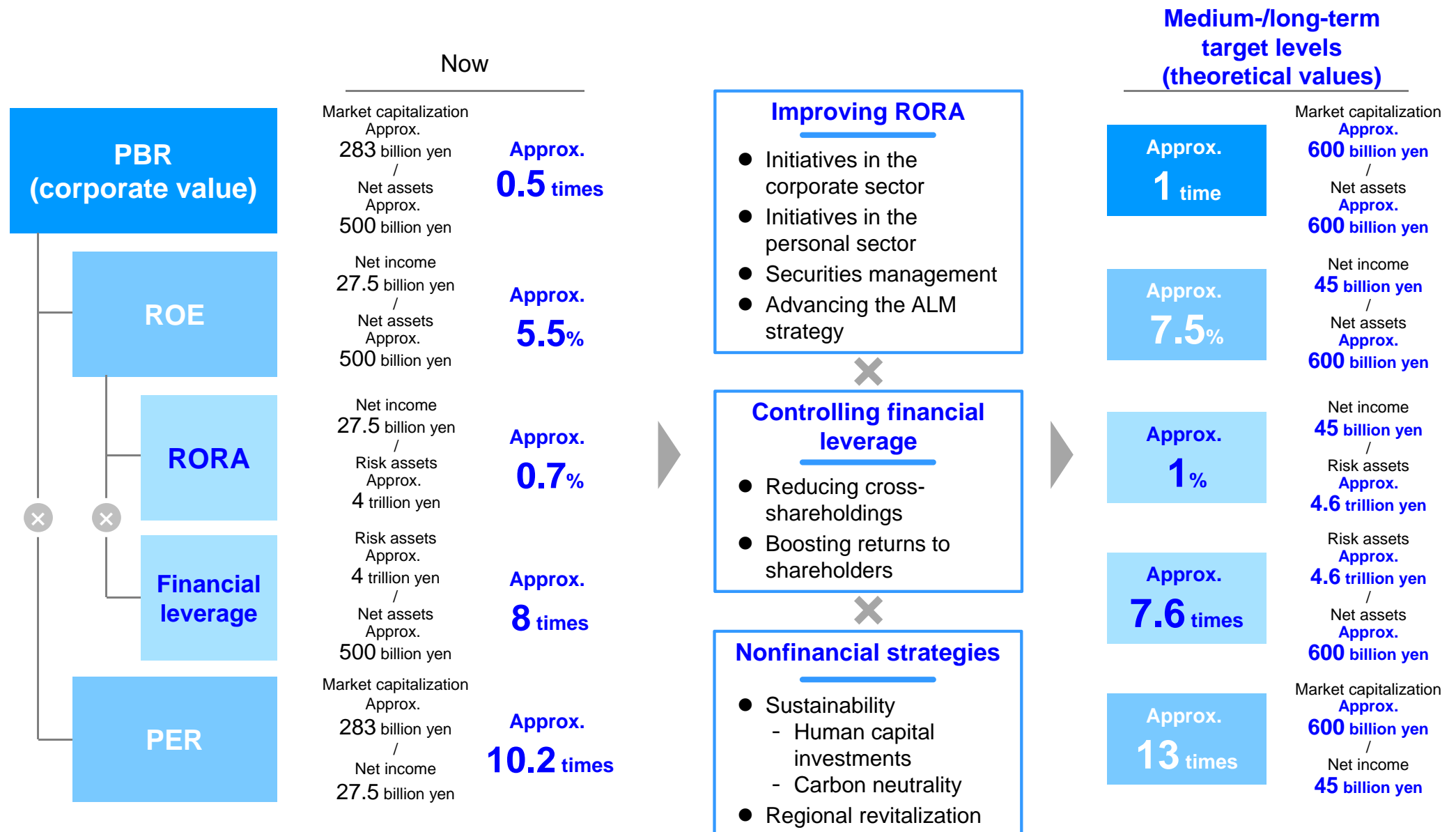
- For sustainable development of the region, a key imperative is to help maintain the younger generation.
- Owing to the serious problem of outflow of the youth population, as part of our efforts to raise numbers of the younger generation, the Bank collaborated with W TOKYO to launch a platform, Tokyo Girls Collection, to increase the attractiveness of the region.

(Reference)

W TOKYO is a branding company that continues to create added value by leveraging its proprietary production knowhow through which it has nurtured Tokyo Girls Collection into one of Japan's largest platforms.

Improving PBR Medium-/long-term target levels

- As we strive to realize “ROE>cost of shareholders’ equity” in the medium to long term, we will endeavor to improve ROE through the execution of various strategies as we strive for a PBR of 1x.



Note: Figures under “Now” above are projections for the year ending March 2024; market capitalization is as of the end of September 2023.

01

Summary of business
performance

02

Strategy

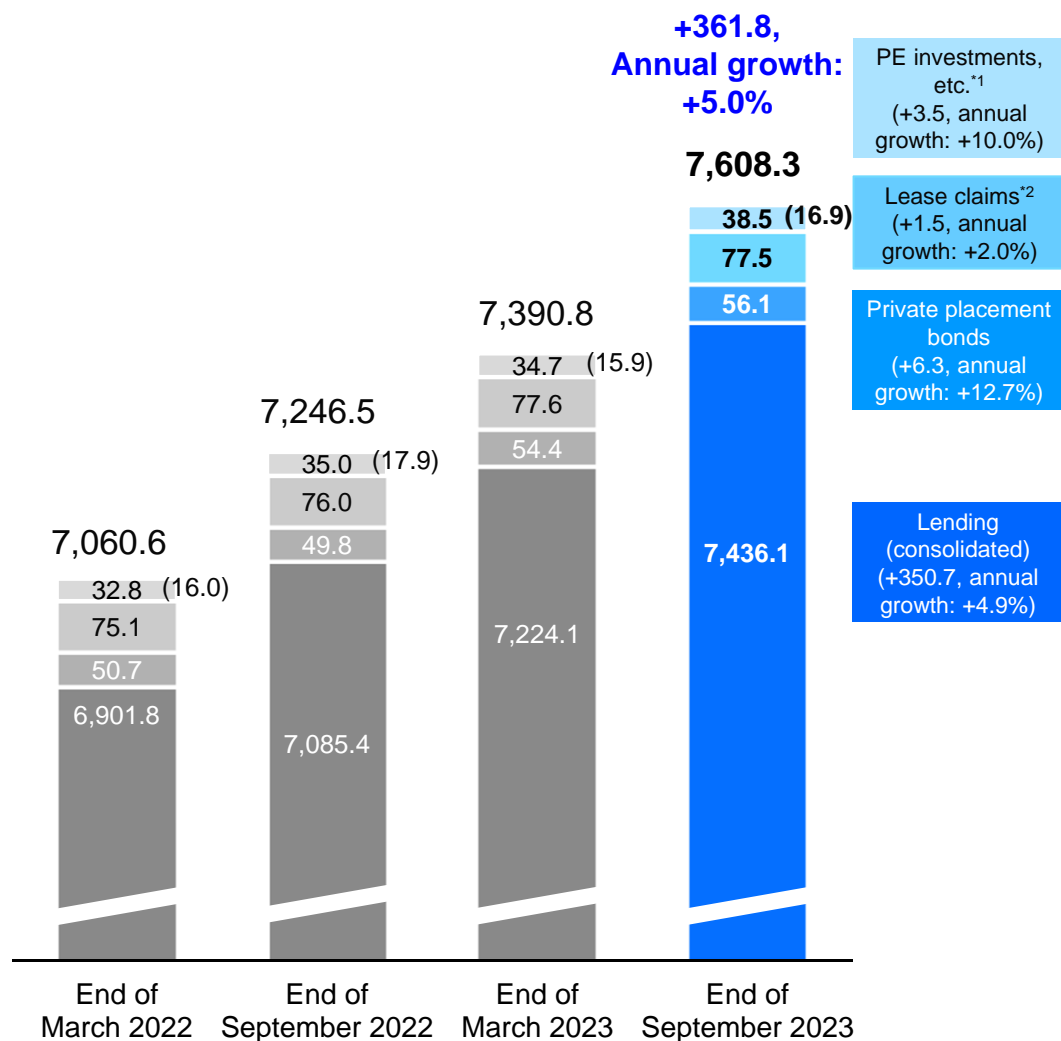
03

Appendix

Group total credit, Group total assets under management (balances at end of September 2023)

Trend in group total credit

(Billion yen)



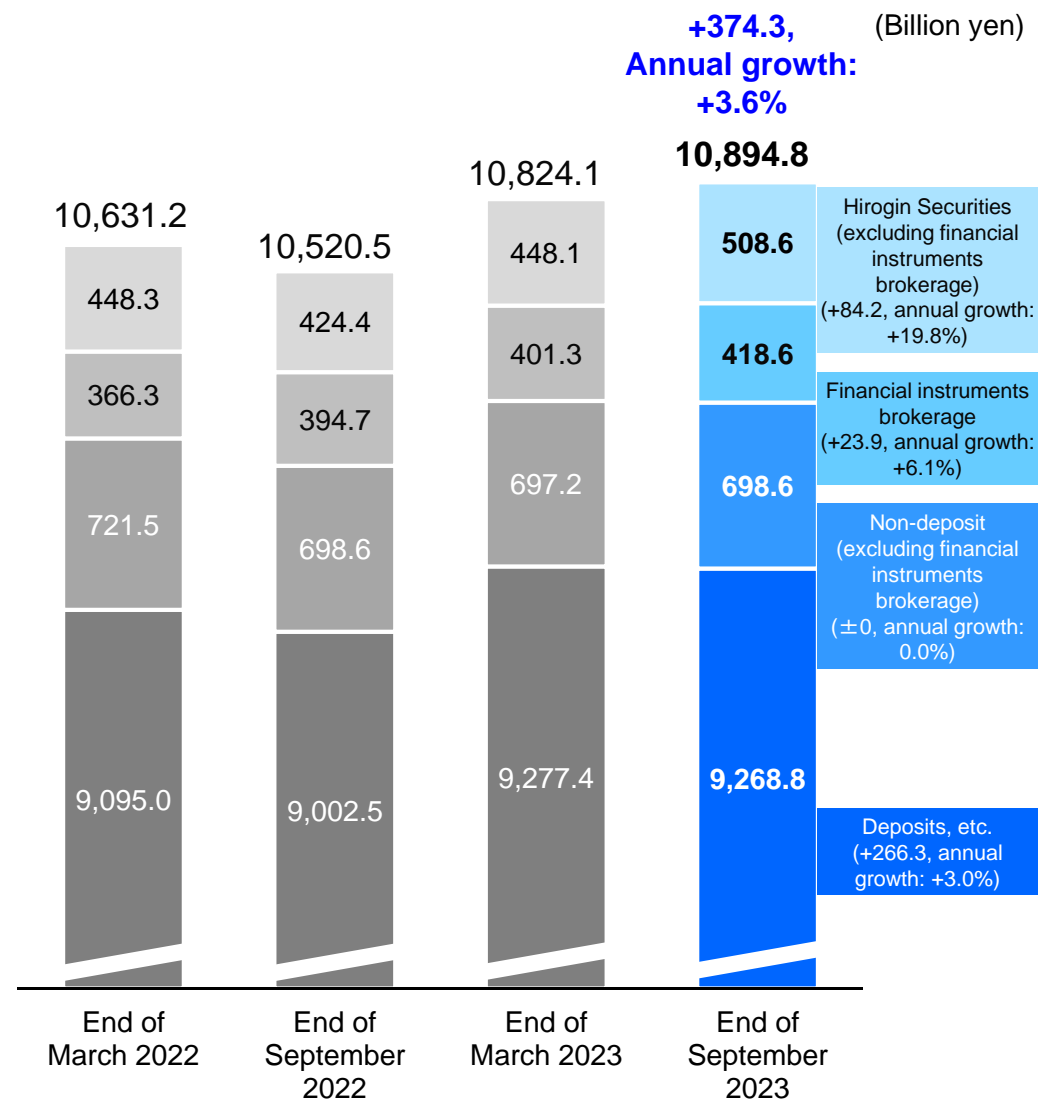
*1 PE investments, etc. includes private REIT investments. Balance of investments indicated in parentheses.

*2 Represents the lease claims of Hirogin Lease.

(Note 1) Changes and annual rates are vs. September 30, 2022

Total assets under management (Hiroshima Bank + Hirogin Securities)

(Billion yen)

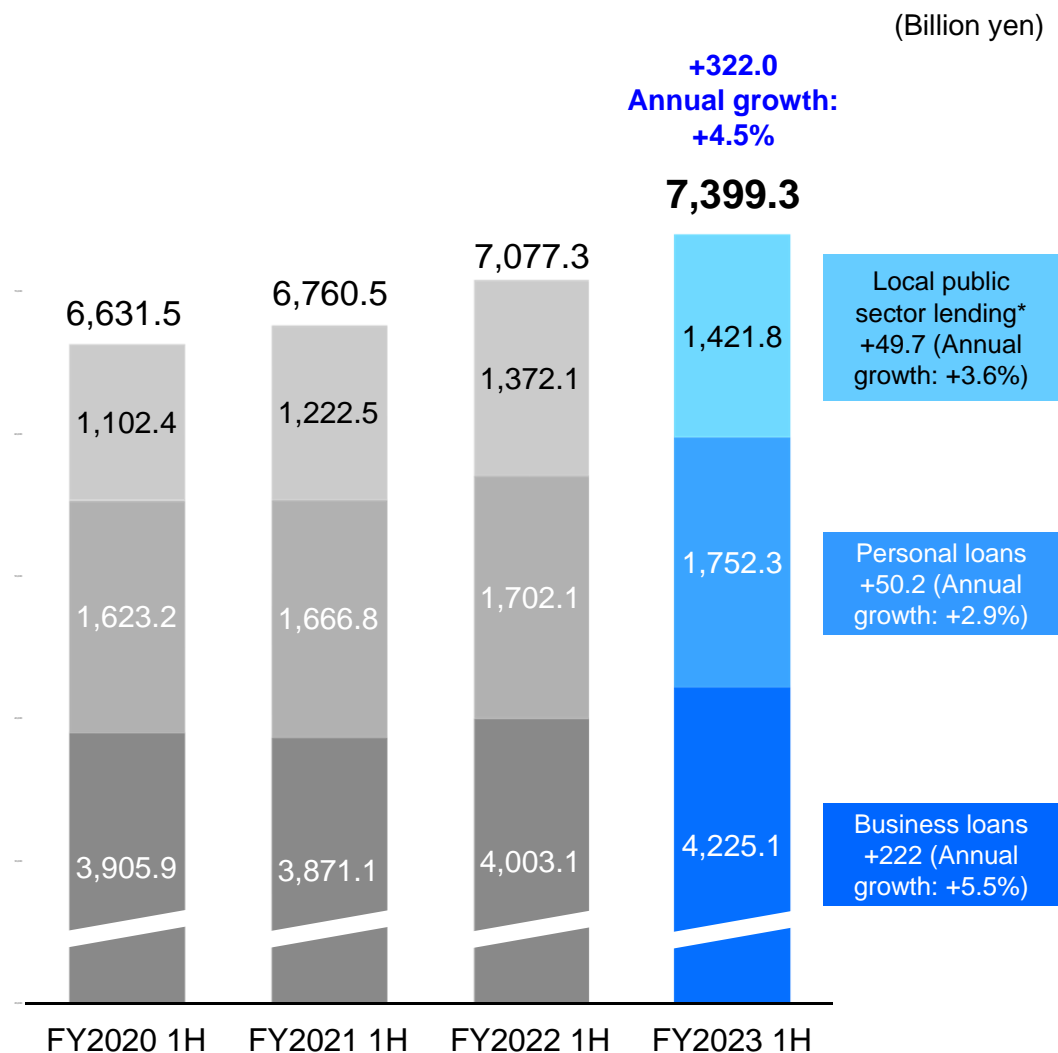


(Note 2) Hirogin Securities balances are shown on a mark-to-market basis.

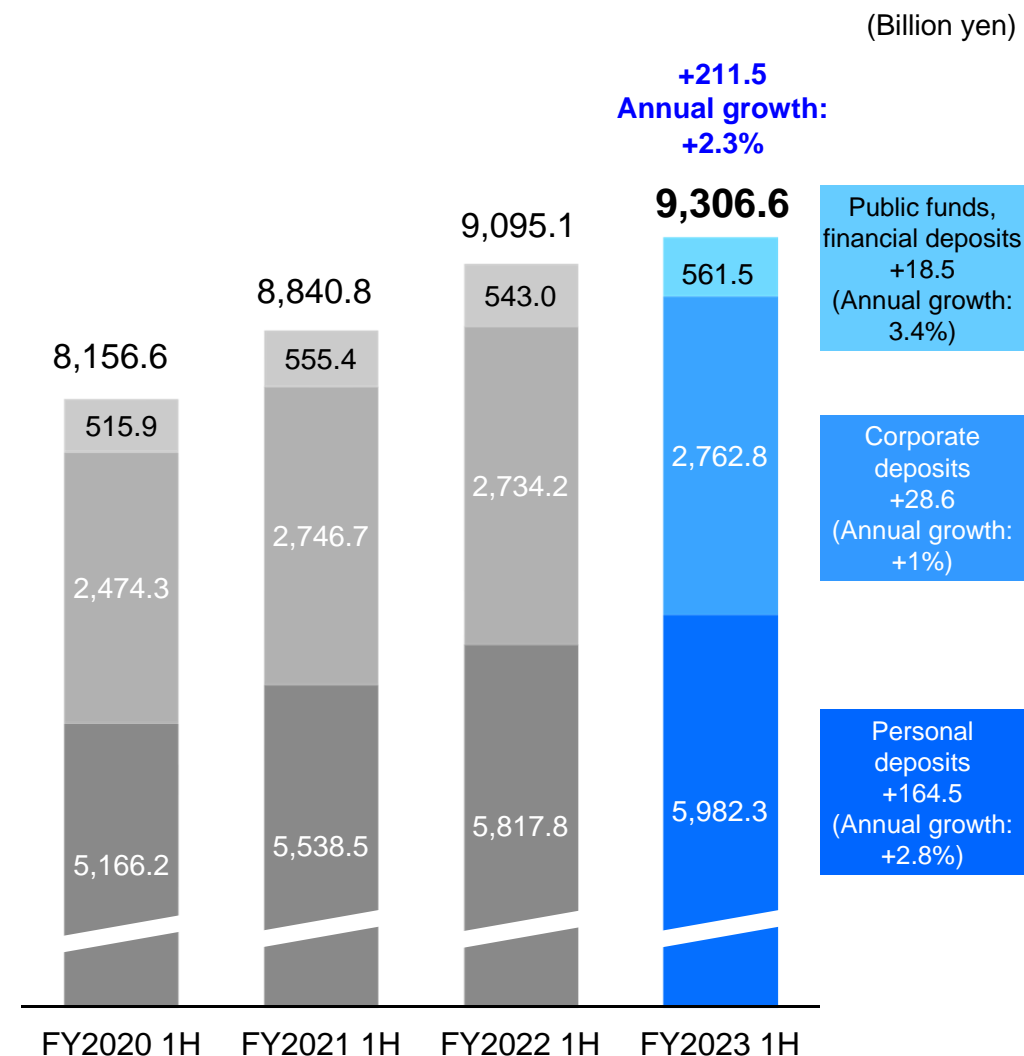
(Note 3) Excluding financial instruments brokerage through the Hirogin App.
(Rakuten Securities, SBI Securities)

Balances of loans, deposits, etc. (deposits + NCDs) (average)

Trends in (average) balances of loans



Trends in balances of deposits, etc. (deposits + NCDs) (average)



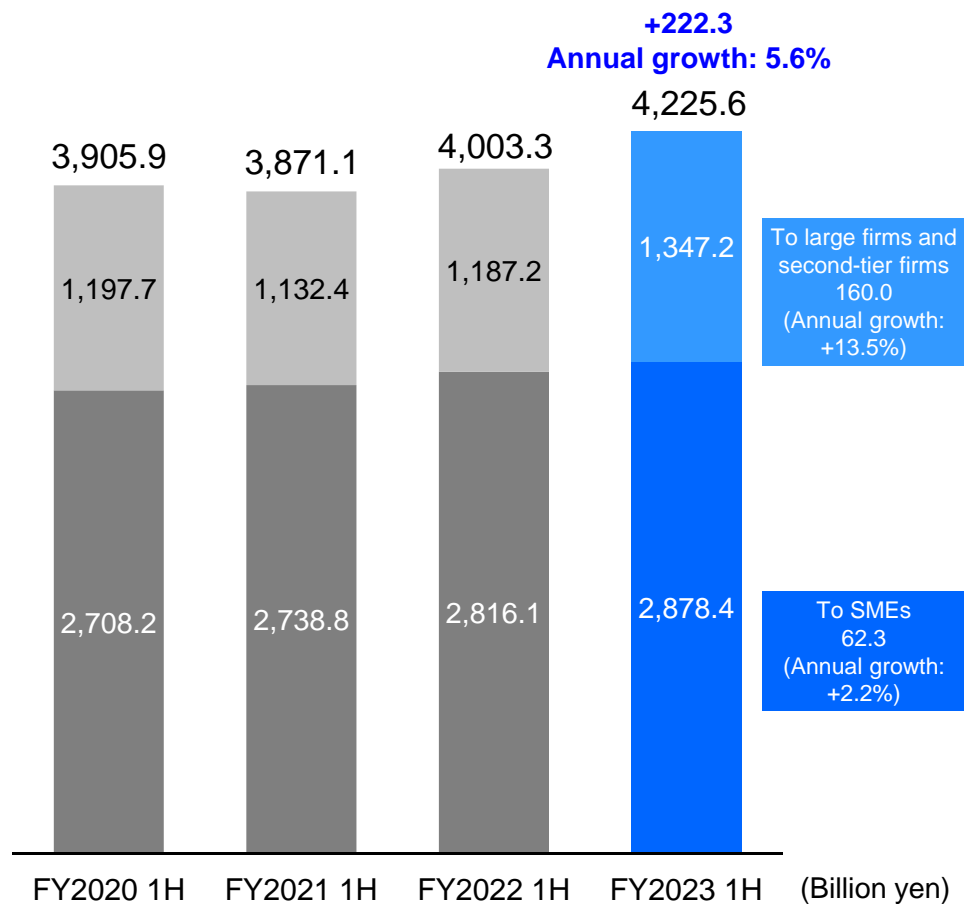
* Local public sector lending: Lending to local public agencies and public corporations

SME lending, personal loans

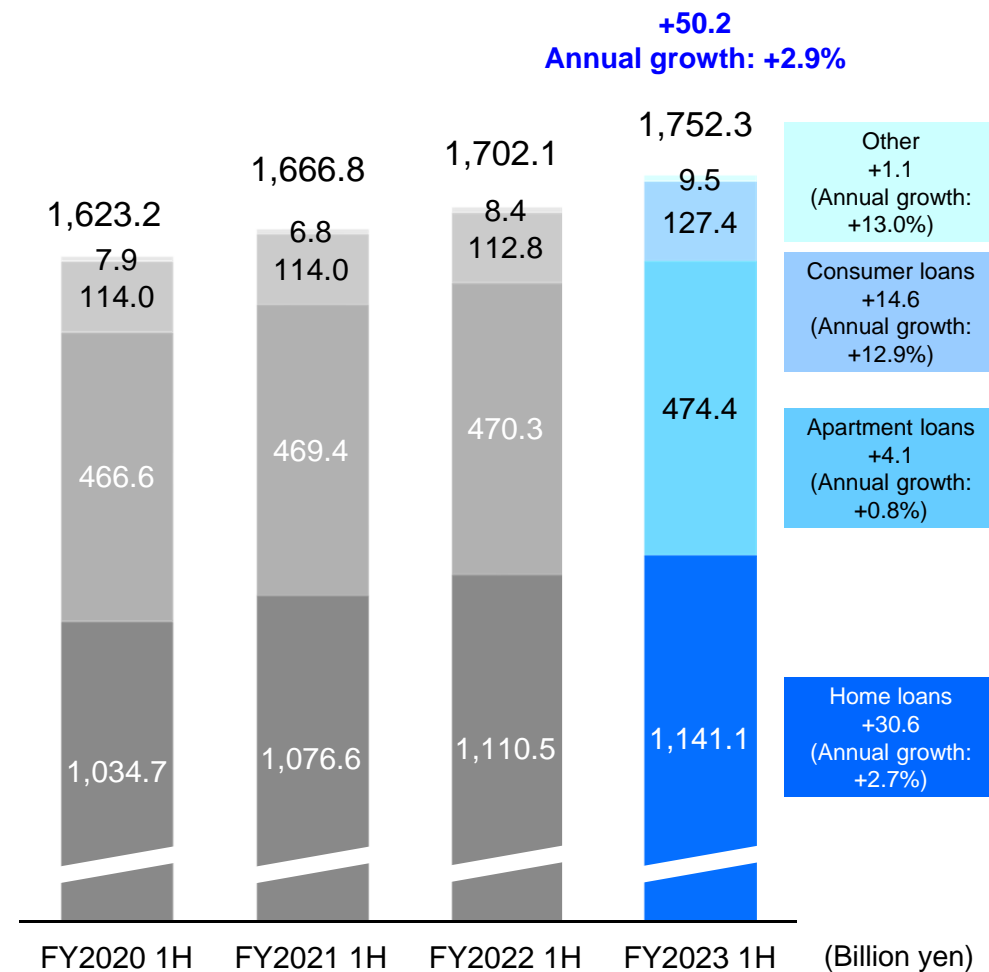
Trends in balances of business loans (average)

Yields on loans
(stock rates)
in FY2023 1H

Large firms	0.41%
Second-tier firms	0.50%
SMEs	0.94%
(Total)	0.75%



Trends in balance of personal loans (average)



Loans to SMEs as
a percentage of
commercial
lending

69.3%

70.7%

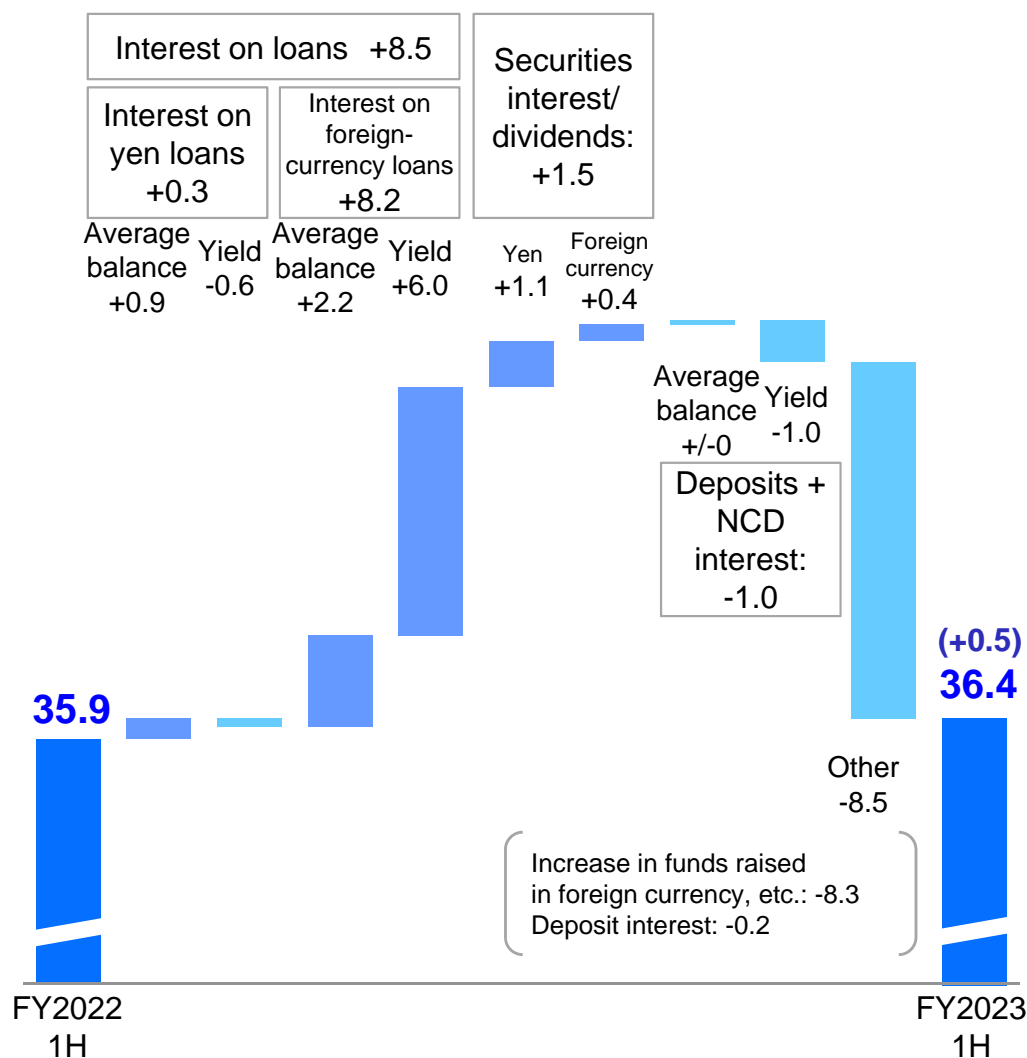
70.3%

68.1%

Net interest income, net non-interest income

Factors contributing to changes in net interest income

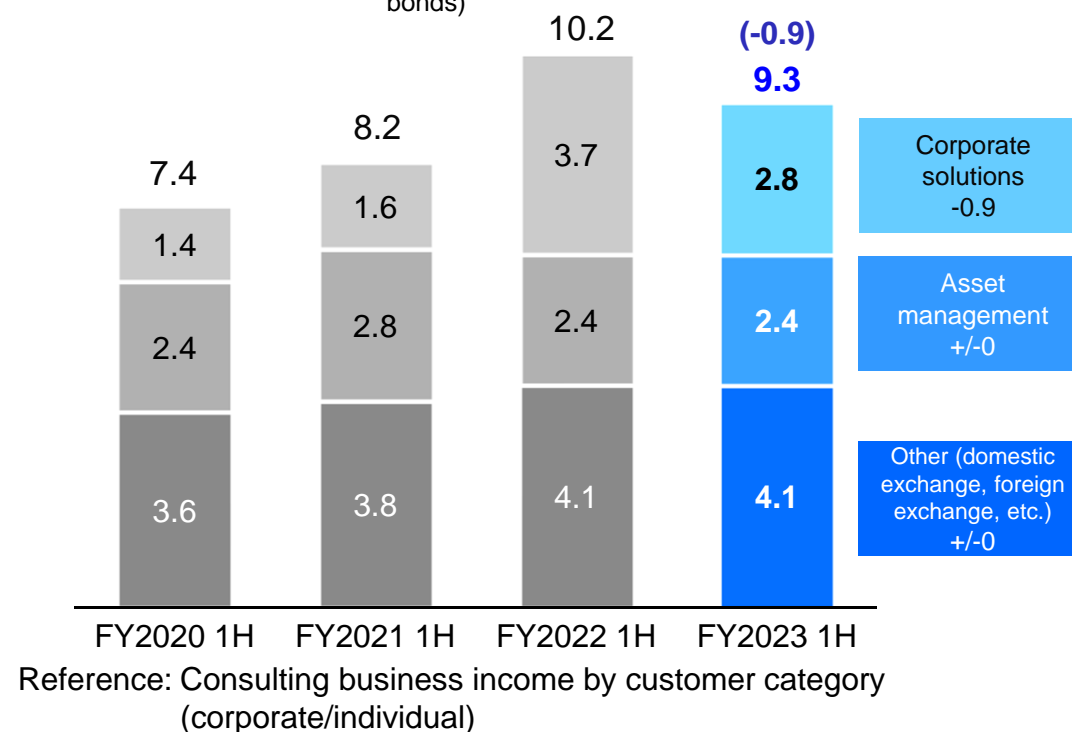
(Billion yen)



Net non-interest income

Net non-interest income = Income on service transactions and other fees
 + income on specified transactions
 + other business income (excluding gain/loss related to treasuries and other bonds)

(Billion yen)



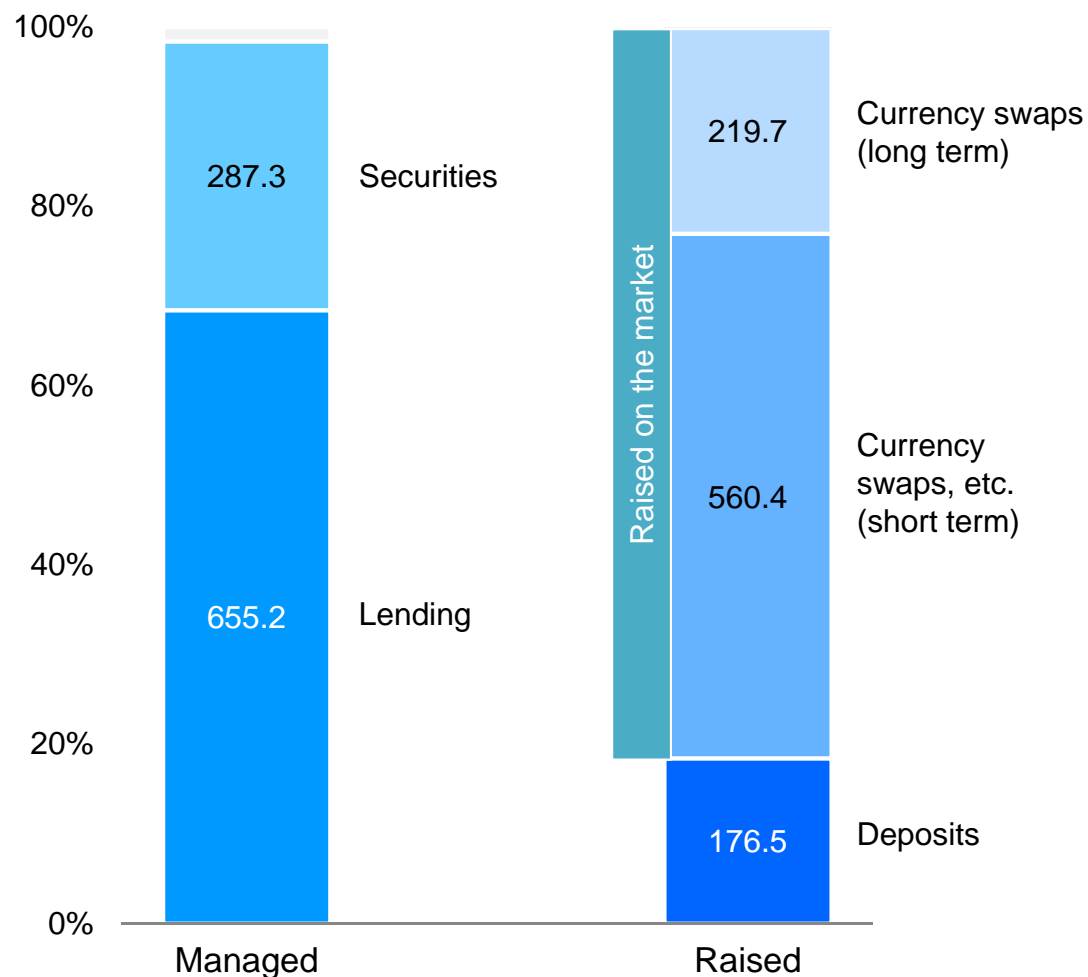
	FY2020 1H	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
Corporate solutions	1.4	1.6	3.7	2.8	-0.9
Customer derivatives	0.5	0.5	2.2	0.8	-1.4
Finance-related (ships incl.)	0.5	0.6	0.5	1.3	0.8
Asset management	2.4	2.8	2.4	2.4	0.0
Investment trust	0.2	0.3	0.3	0.3	0.0
Equity business	-	0.6	0.0	-	0.0
Total	3.8	5.0	6.1	5.2	-0.9

Foreign currency balance sheet

Foreign currency balance sheet

(As of September 30, 2023)

(Billion yen)

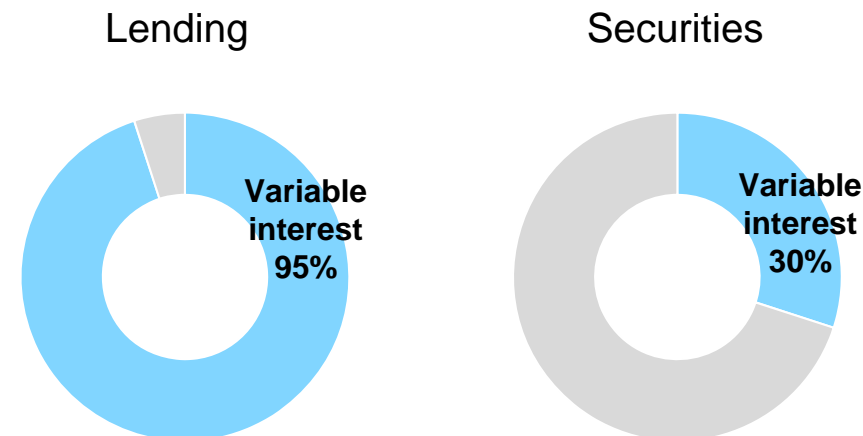


(Notes)

- Converted at 1 US dollar = 149.58 yen

Key points

(As of September 30, 2023)



Point
1

Response policies for foreign currency securities

- Building a portfolio less susceptible to the effects of net interest revenues when short-term interest rates rise by increasing the ratios of variable bonds and forex open transactions (no forex hedge)

Point
2

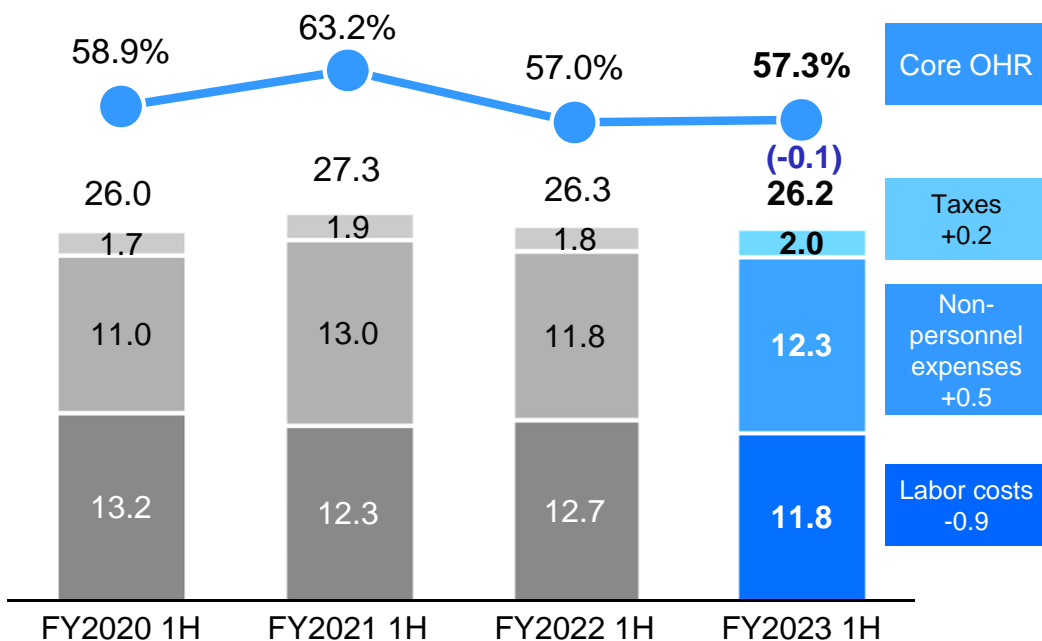
Stable procurement structure

- We have commitment limit of approximately 300 billion yen as additional procurement capacity

Expenses, core OHR, interim net income

Expenses (excluding one-time disposal), core OHR

Core OHR = $\frac{\text{Expenses}}{\text{Gross profit on core businesses}}$ (Billion yen)

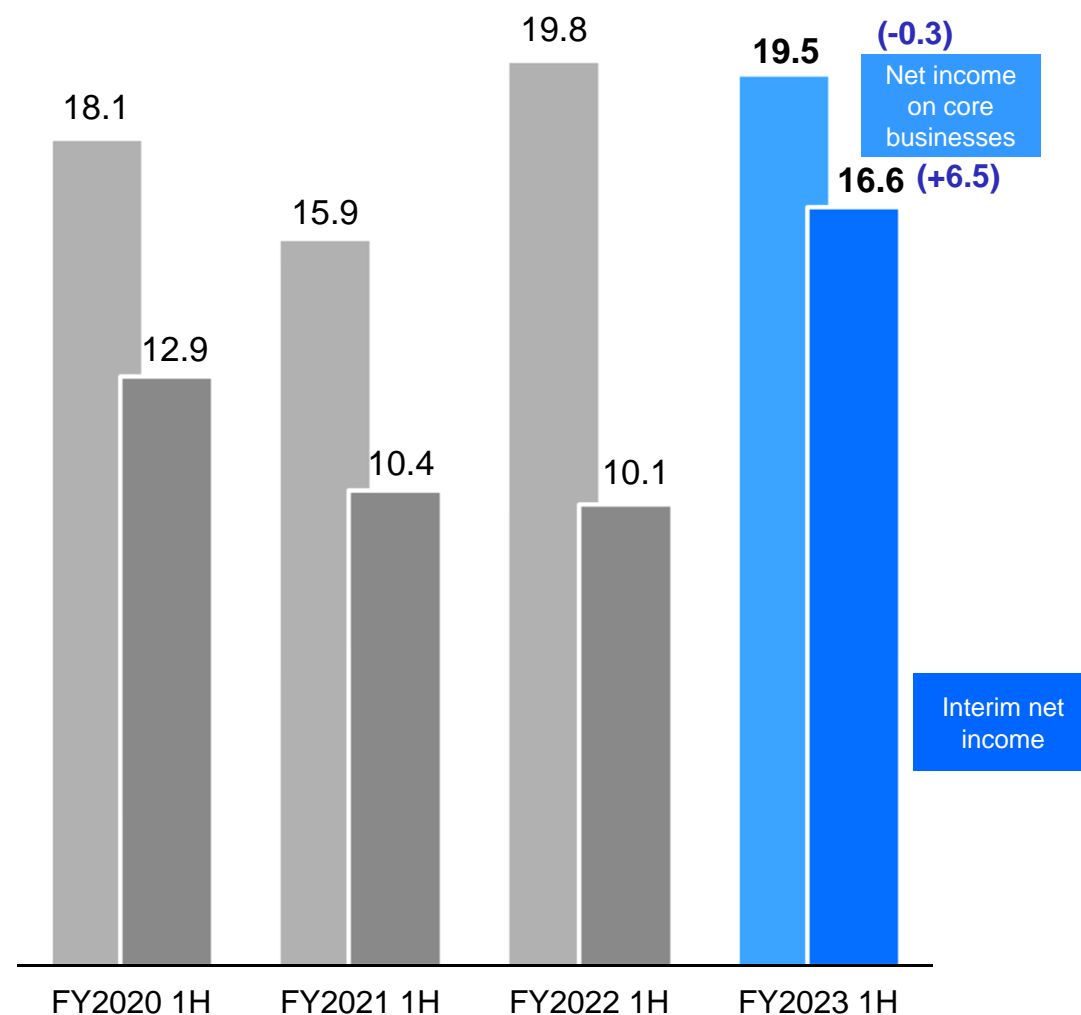


Reference: Main factors underlying changes in expenses (Billion yen)

	YoY change	Main factor
Labor costs	-0.9	<ul style="list-style-type: none"> Retirement benefit expenses -0.3 Bonuses (performance-based) -0.2 Increase in the holding company's share of executive and employee (seconded personnel) costs -0.1
Non-personnel expenses	+0.5	<ul style="list-style-type: none"> Measures to augment revenue (marketing, advertising expenses, etc.) +0.2 Administrative charges paid to the holding company +0.2 (offset in consolidation of accounts)
Taxes	+0.2	<ul style="list-style-type: none"> Pro forma standard taxation +0.2
Total expenses	-0.1	

Net income on core businesses/interim net income

(Billion yen)



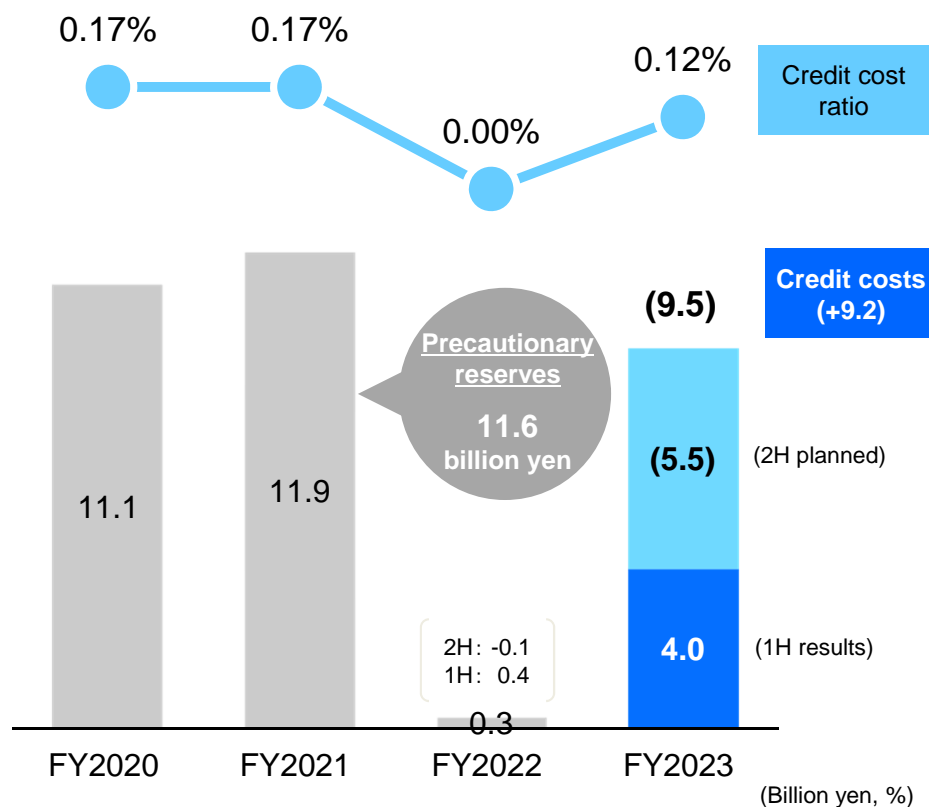
Credit costs, NPLs

Credit costs, credit cost ratio

(Billion yen)

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

(* Figures in parentheses for FY2023 are planned figures.)



	FY2008	FY2009	FY2010	FY2011		FY2020	FY2021	FY2022	FY2023
Credit costs	23.2	14.6	11.9	9.1	...	11.1	11.9	0.3	[9.5]
Credit cost ratio	0.53	0.33	0.27	0.20		0.17	0.17	0.00	[0.12]

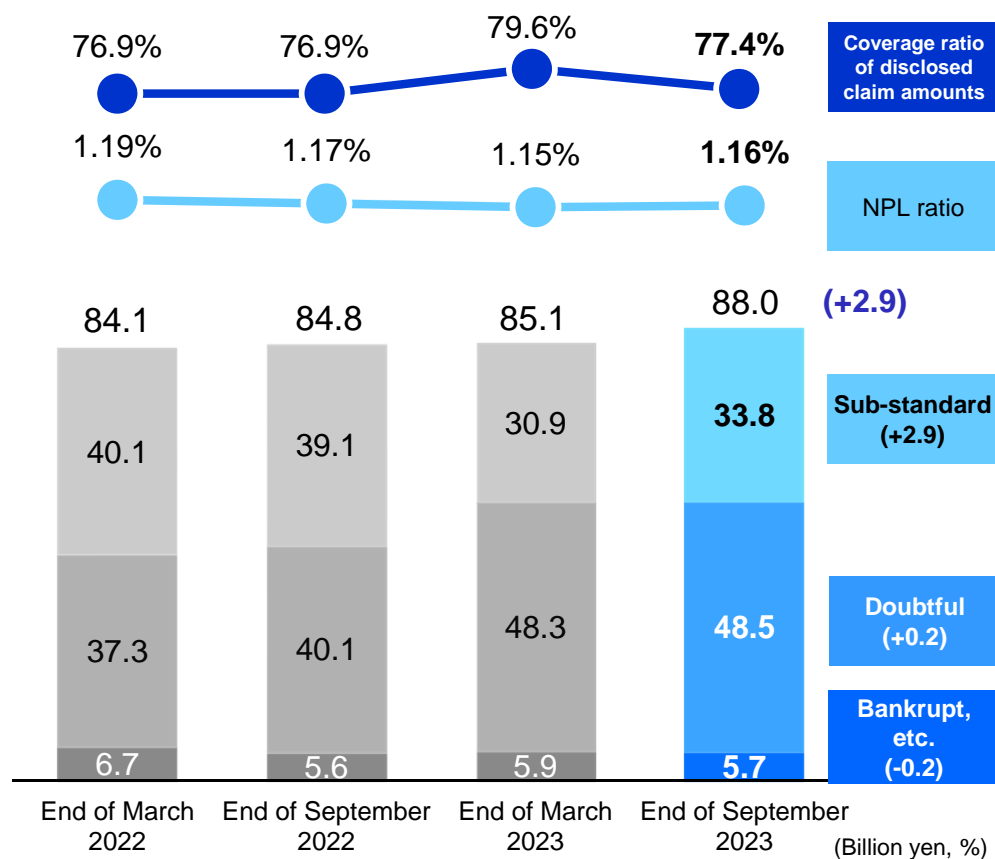
Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions, NPL ratio

(Billion yen)

$$\text{NPL ratio} = \frac{\text{Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}{\text{Total credit}}$$

$$\text{Coverage ratio of disclosed claim amounts} = \frac{\text{Coverage amount (coverage by allowance for doubtful accounts, security, etc.)}}{\text{Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}$$

Figures in parentheses are vs. end of March 2023 figures.



	End of March 2009	End of March 2010	End of March 2011	End of March 2012		End of March 2021	End of March 2022	End of March 2023	End of September 2023
Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions	128.4	111.9	115.8	105.2	...	89.9	84.1	85.1	88.0
NPL ratio	2.82	2.50	2.60	2.31		1.36	1.19	1.15	1.16

Note: Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions above are rounded to the nearest whole number.

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.



To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group contributes solutions to community social and environmental challenges and sustainable growth by providing comprehensive community services characterized by high added value.



Hirogin Holdings, Inc.

未来を、ひろげる。

ひろぎんホールディングス

Overview of Interim Financial Results for FY2023 - IR Presentation -

December 2023

Financial results

- ▶ Interim profits came to 16.6 billion yen, an increase of 6.5 billion yen year on year, due mainly to higher gains/losses related to equities and favorable performance in main business areas.
- ▶ Net income attributable to owners of the parent is planned to grow by 15 billion yen year on year to 27.5 billion yen in FY2023.
- ▶ We expect to achieve the final target of Mid-Term Plan 2020 for net income attributable to owners of the parent of over 27 billion yen.

Improving corporate value

- ▶ With a view to improving corporate value, we will push forward to improve ROE through RORA improvement and financial leverage controls, while also pursuing nonfinancial initiatives.
- ▶ We will strive to improve RORA through efforts such as reinforcing loan pricing with an eye on the potential for rising domestic interest rates, strengthening ALM strategies, and rebuilding the securities portfolio.

Toward the second stage of Hirogin Holdings

- ▶ Three years have passed since the transition to the holding company structure, and joint efforts among group companies are progressing. We are achieving steady results under the first Mid-Term Plan since the transition, as stage one.
- ▶ In the next Mid-Term Plan, as stage two, we will carry out initiatives based on formulation of value creation strategies, management foundation reinforcement strategies, and strategy drivers, to address materiality topics (priorities) in our community and the Group.

Returns to shareholders

- ▶ Targeting a payout ratio of roughly 40%, we plan annual dividends per share of 36.0 yen in FY2023, up nine yen from last year.
- ▶ We will implement proactive acquisition of treasury stock (3 billion yen in FY2023) aiming for a consolidated capital adequacy ratio of approximately 11% for the holding company.

01	Summary of business performance	p.3
02	Strategy	p.13
03	Appendix	p.37

01 Summary of business performance

02 Strategy

03 Appendix

Overview of FY2023 1H financial results

- ▶ Interim profits attributable to owners of the parent came to 16.6 billion yen, an increase of 6.6 billion yen year on year (+3.6 billion yen over target disclosed at year-start).
- ▶ Progress in the interim period relative to the full-year earnings forecast was 60%, indicating steady progress towards profit targets for the final FY under Mid-Term Plan 2020.

Summary of consolidated business performance

(Billion yen)

	FY2023 1H	YoY change (Change rate)	vs. Announced
Consolidated gross profit (excluding gain/loss related to treasuries and other bonds)	49.0	0.5 (1.0%)	
①	50.3	-0.2	
Net interest income	35.2	0.5	
Income on service transactions and other fees	11.7	1.8	
Income from specific transactions and other businesses (including gain/loss related to treasuries and other bonds)	2.0	-1.8	
	-1.2	0.7	
Operating expenses (-)	28.5	-0.7	
Credit costs (-)	② 4.3	3.8	
Gains/losses related to equities, etc.	③ 7.4	11.5	
Equity in earnings of affiliates	-0	-0	
Other	0.3	0.2	
Ordinary profit	23.9	9.2 (62.1%)	4.9
Extraordinary gains/losses	-0	0.1	
Total income tax, etc. (-)	7.2	2.8	
Interim net income attributable to non-controlling interests (-)	0	0	
Interim net income attributable to owners of the parent	④ 16.6	6.6 (65.0%)	3.6
(Ref.) Operating overhead ratio (*2)	56.7%	-1.3%	

*1: Net non-interest income = Income on service transactions and other fees + Income on specified transactions and other business income – gain/loss related to treasuries and other bonds

*2: Operating overhead ratio = operating expenses / (consolidated gross profit-gain/loss from treasuries and other bonds)

Key points of FY2023 1H financial results

1 Consolidated gross profit (excluding gain/loss related to treasuries and other bonds)

- Net interest income grew due to steady revenue growth in main business areas, such as revenue from interest on loans.
- Revenue from derivatives, which increased last FY by a wide margin following growth in customer forex hedging needs due to forex liquidity, experienced a reactionary decline this interim period.
- Revenue from corporate solutions related to non-derivative consulting operations was favorable, with net non-interest income progressing briskly.

(Billion yen)	FY2020 1H	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
[Bank] Net non-interest income	7.4	8.2	10.2	9.3	-0.9
Corporate solutions income	1.4	1.6	3.7	2.8	-0.9
Customer derivatives	0.5	0.5	2.2	0.8	-1.4

2 Credit costs

- Posted allowance for doubtful accounts based on factors such as reduced business performance of customers due to the impact of steep price hikes in raw materials.

3 Gains/losses related to equities, etc.

- In addition to the gain on sales of cross-shareholdings, etc., the loss posted last FY (5.0 billion yen in amortization of shares, etc.), which stemmed from revaluation losses of stock holdings, was extinguished.

4 Interim net income attributable to owners of the parent

- Grew by 6.6 billion yen YoY due mainly to growth in profits related to shares, etc.
- Progress in full-year earnings net income forecast (27.5 billion yen) during the interim period was 60%.

- Interim profits attributable to owners of the parent in the FY2023 1H financial results came to 16.6 billion yen, an increase of 6.5 billion yen year on year, amid positive performance in the main business areas.
- These results significantly outpaced the anticipated figures announced at the start of the year. Progress during the interim period relative to the full-year earnings forecast was 60%, indicating steady progress towards profit targets for the final year of Mid-Term Plan 2020.
- Consolidated gross profit excluding gain/loss related to treasuries and other bonds showed growth in net interest income due to steady revenue growth in main business areas, such as revenue from interest on loans. At the same time, net non-interest income experienced a reactionary decline this interim period, due mainly to a drop in revenue from derivatives, which had increased last year due to forex liquidity.
- Revenue related to non-derivative consulting operations was favorable.
- Credit costs rose by 3.8 billion yen year on year, as a result of having posted allowance for doubtful accounts based on factors such as customers' worsening business performance due to the impact of steep hikes in raw-material prices.
- Gains/losses related to equities, etc. were up 11.5 billion yen year on year due to extinguishment of the loss posted last year on amortization of stock holdings in addition to the gain on sales of cross-shareholdings, etc.
- As a result, interim net income attributable to owners of the parent grew by 6.6 billion yen year on year.

Results for major Group companies - Bank -

- ▶ While the lending revenue-expenditure balance increased alongside fees and commissions income from syndicate loans, etc., the declining securities revenue-expenditure balance attributable to costs of raising funds in foreign currencies and a reactionary decline in revenues from derivatives for customers resulted in a slight drop in net income from our core businesses.
- ▶ Interim net income increased by 6.5 billion yen YoY to 16.6 billion yen owing mostly to the growth in profits related to shares, etc.

Hiroshima Bank

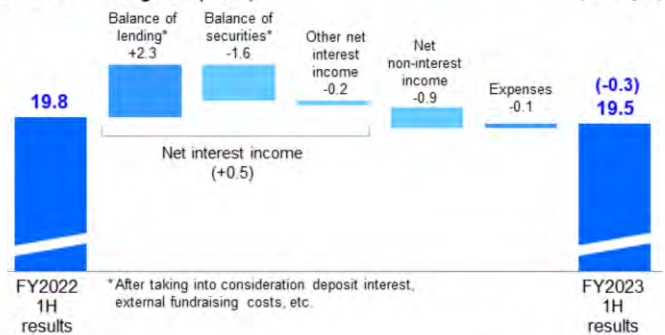
(Billion yen)

	FY2023 1H	YoY change	(Change rate)
Core business gross profit	45.7	-0.5	(-1.0%)
Net interest income	36.4	0.5	
Net non-interest income	9.3	-0.9	
Corporate solutions	2.8	-0.9	
Customer derivatives	0.8	-1.4	
Syndicate loans/ship-related	1.3	0.8	
Asset management	2.4	0	
Other (domestic exchange, foreign exchange, etc.)	4.1	0	
Expenses (excluding extraordinary disposal)	(-) 26.2	-0.1	
Net income from core businesses	19.5	-0.3	(-1.8%)
Net income from core businesses (excluding gains/losses from cancellation of investment trusts)	19.5	-0.3	(-1.8%)
Gains/losses related to treasuries and other bonds	-1.2	0.7	
Effective net income from businesses	18.2	0.3	(2.0%)
Credit costs	(-) 4.0	3.6	
Gains/losses related to equities, etc.	7.4	11.5	
Other temporary gains/losses	1.6	0.9	
Ordinary profit	23.2	9.2	(65.0%)
Extraordinary gains/losses	-0	0.1	
Total income tax, etc.	(-) 6.4	2.7	
Interim net income	16.6	6.5	(65.0%)

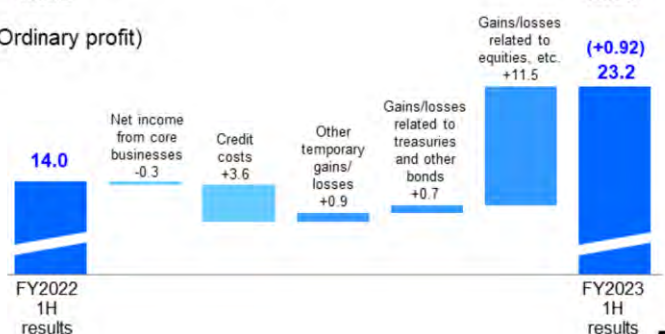
Factors underlying changes in core business gross profit and ordinary profit

(Core business gross profit)

(Billion yen)



(Ordinary profit)



5

- ▶ This slide shows the results for Hiroshima Bank, one of the Group's main companies.
- ▶ The upper graph at right shows the factors underlying changes in core business gross profit, which represents the earnings of the Bank's main businesses.
- ▶ The lending revenue-expenditure balance increased alongside fees and commissions income from syndicate loans, etc., which are included in net non-interest income.
- ▶ However, the declining securities revenue-expenditure balance attributable to higher costs of raising funds in foreign currencies resulting from overseas interest rate hikes and a reactionary decline in revenues from derivatives for customers, which had been high in the previous year, resulted in a slight drop in net income from our core businesses.
- ▶ The lower graph at right shows the factors underlying changes in ordinary profit.
- ▶ While credit costs rose, substantial growth in profits related to shares, etc. contributed to a 9.2-billion-yen increase in ordinary profit year on year.
- ▶ As a result, interim net income increased by 6.5 billion yen year on year.

Results for major Group companies - Excluding Hiroshima Bank -

- ▶ With earnings in the immediate term steadily progressing by and large at each Group company, we will secure an increase in interim net income for Group companies.

Hirogin Securities			Hirogin Lease			Shimanami Servicer		
(Million yen)	FY2023 1H	YoY change	(Million yen)	FY2023 1H	YoY change	(Million yen)	FY2023 1H	YoY change
Gross income	2,482	85	Gross income	1,214	64	Gross income	257	-114
Ordinary profit	485	99	Ordinary profit	572	-29	Ordinary profit	-91	-248
Interim net income	324	91	Interim net income	391	0	Interim net income	-71	-179

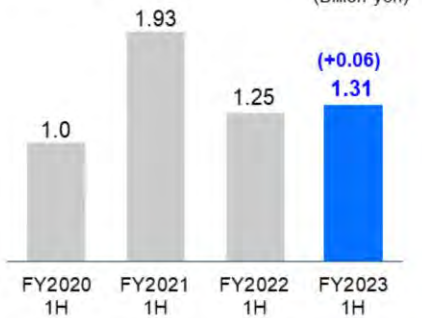
Hirogin Human Resources			Hirogin Capital Partners			Hirogin IT Solutions		
(Million yen)	FY2023 1H	YoY change	(Million yen)	FY2023 1H	YoY change	(Million yen)	FY2023 1H	YoY change
Gross income	132	61	Gross income	71	3	Gross income	549	90
Ordinary profit	16	50	Ordinary profit	21	5	Ordinary profit	126	68
Interim net income	9	34	Interim net income	14	4	Interim net income	83	45

Hirogin Area Design			Hirogin Credit Service*		
(Million yen)	FY2023 1H	YoY change	(Million yen)	FY2023 1H	YoY change
Gross income	89	29	Gross income	1,824	138
Ordinary profit	-16	33	Ordinary profit	858	74
Interim net income	-11	23	Interim net income	561	44

* On April 1, 2023, Hirogin Guarantee absorbed and merged with Hirogin Card Service and changed its trade name to Hirogin Credit Service on the same day.
YoY figures are comparisons with sum calculations for Hirogin Guarantee and Hirogin Card Service.

Interim net income for Group companies

Interim net income for Group companies
= Total amount obtained after multiplying interim net income of consolidated subsidiaries, etc. excluding Bank by ownership ratio



(Reference)

Hirogin Holdings nonconsolidated interim net income	6.4
(+) Bank	16.6
(+) Group companies excluding Bank	1.3
(-) Offsetting of dividends from subsidiaries, etc.	7.8
Hirogin Holdings consolidated interim net income	16.6

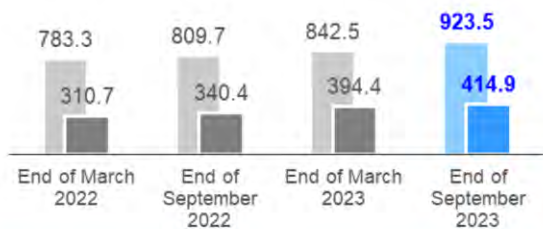
- ▶ This slide shows the results for the Group's main companies, excluding Hiroshima Bank.
- ▶ Recent results at each company show a steady trend, as interim profits of Group companies increased.

Results of main Group companies - Excluding Hiroshima Bank -

Hirogin Securities assets under management
(market capitalization)

(Subtotals indicate brokerage balances)

(Billion yen)

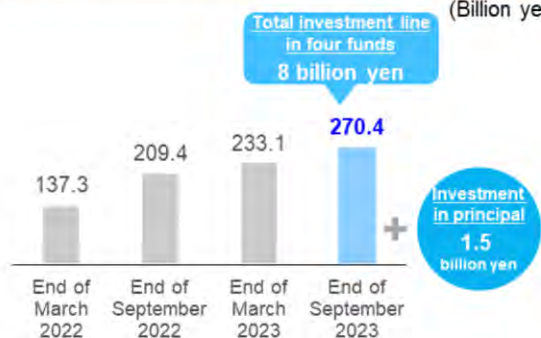


Hirogin Lease total asset balance

(Billion yen)

Hirogin Capital Partners balance of investment in funds
(book value, cumulative)

(Billion yen)



- This slide shows trends in various balances at main Group companies.
- Each company shows a steady trend in balances.

Progress of first stage of Hirogin Holdings

- ▶ As three years have passed since the transition to the holding company structure, mutual cooperation among group companies is progressing, and we are steadily expanding both customer and operational axes through the provision of solutions that leverage all group functions and alliances.

Main initiatives of Group companies

	Financial/ nonfinancial needs	Main solutions provider		Results	Cumulative total since transition to a holding company structure (October 2020)
Financial consolidated subsidiaries	Asset management	Hirogin Securities	Number of financial instruments brokerage accounts	End of September 2023 28,109 (+304 accounts vs. end of September 2022)	+7,066 accounts vs. end of September 2020
	Capital investment, leasing	Hirogin Lease	Number of customers	End of September 2023 6,450 (+88 vs. end of September 2022)	+292 vs. end of September 2020
	Capital enhancement (Business succession, business revitalization)	Hirogin Capital Partners	Amount invested (* total of fund and principal investment)	End of September 2023 3.5 billion yen (-0.1 vs. end of September 2022)	+3.4 billion yen vs. end of September 2020
	Diversification of payment methods	Hirogin Credit Service	Credit card balance	FY2023 1H 7.6 billion yen (+900 million yen vs. end of September 2022)	+2.7 billion yen vs. end of September 2020
Non- financial consolidated subsidiaries	Recruiting/HR systems development	Hirogin Human Resources (Established in April 2021)	Number of companies with whom consulting contracts concluded	End of September 2023 93 (+44 vs. end of September 2022)	+93 since April 2021
	ICT/ business efficiency	Hirogin IT Solutions (Made subsidiary in January 2021)	Number of contracts concluded	FY2023 1H 98 (+19 vs. end of September 2022)	+414 since January 2021
	Solutions to community issues	Hirogin Area Design (Established in April 2021)	Number of orders received during period	FY2023 1H 26 (+/-0 vs. end of September 2022)	+67 since April 2021

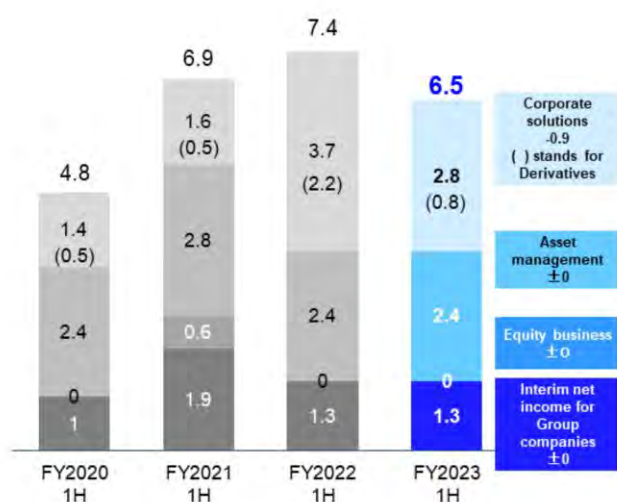
- ▶ October 2023 marked three years since the Group transitioned to a holding-company structure. The Group is making steady progress on cooperation among Group companies over the current three-year period.
- ▶ The Group is growing steadily along both customer and operational axes, through providing solutions that leverage various Group functions and alliances.

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

- ▶ Corporate solutions revenue at the Bank declined, resulting in revenue pertaining to consulting services for corporate and individual customers and net income for Group companies of 6.5 billion yen, or -900 million yen YoY
- ▶ Corporate solutions revenue at the Bank is steadily progressing except for derivatives for customers.

Trends in profits generated by the consulting business

(Billion yen)



Breakdown of profits generated by the consulting business

(Billion yen)

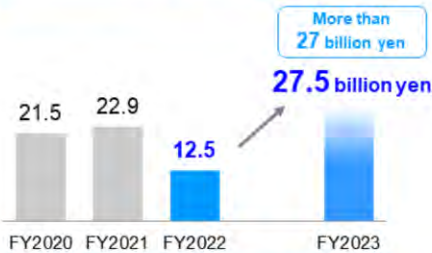
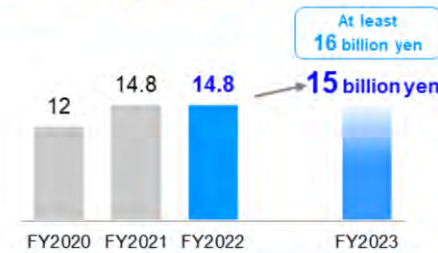
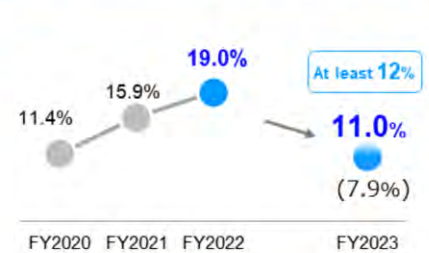
	FY2023 1H results	YoY change	FY2023 1H planned	YoY change
[Bank (nonconsolidated)]				
Profits from the consulting business for corporate and individual customers (i)	5.2	-0.9	12.0	-0.5
Corporate solutions	2.8	-0.9	5.6	-1.7
Syndicate loans, etc.	0.9	0.5	1.7	0.2
Derivatives	0.8	-1.4	1.5	-2.0
Asset management	2.4	0.0	5.0	0.0
Financial instruments brokerage	0.3	-0.1	0.6	-0.1
Investment trust	0.3	0.0	0.8	0.0
Equity business	0.0	0.0	1.4	1.2
Interim net income for Group companies (ii)	1.3	0.0	3.0	0.7
Hirogin Securities	0.3	0.1	0.5	0.4
Shimanami Servicer	-0.1	-0.2	0.3	0.1
Hirogin Lease	0.4	0.0	0.8	0.2
Total ((i) + (ii))	6.5	-0.9	15.0	0.2

- ▶ While revenue from Hiroshima Bank's consulting services fell due to a reactionary decline in revenue from derivatives, revenue from corporate solutions other than revenue from derivatives, such as fees and commissions income from syndicate loans, etc., showed a favorable trend.
- ▶ In addition, total profits from the consulting business and net income for Group companies other than Hiroshima Bank was 6.5 billion yen.
- ▶ We plan a figure of 15 billion yen for the full year.

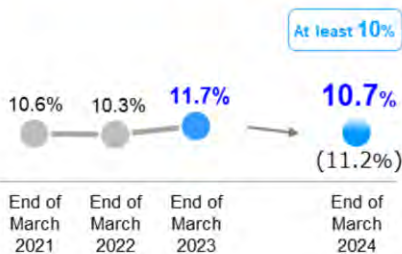
Progress toward management targets under Mid-Term Plan 2020 (October 2020 - March 2024)

- ▶ In FY2023, we expect to achieve targets for net income attributable to owners of the parent, consolidated capital adequacy ratio, and consolidated ROE, as Group joint efforts intensify.
- ▶ At the same time, due to lower asset management earnings attributable to lower sales of structured bonds due to tightening regulations and dramatic changes in market conditions, it will remain a challenge to achieve the targets for total revenue from the consulting businesses for corporate and individual customers and Group company net income and contributions of Group companies to consolidated performance.

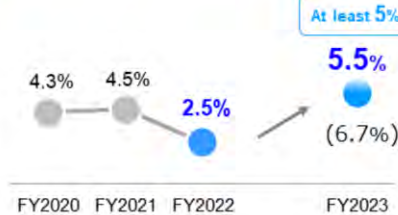
Net income attributable to owners of the parent

Total of revenues from consulting businesses for corporate and individual customers^{*1} and Group company net income^{*2}Contributions of Group companies to consolidated performance^{*3}

Consolidated capital adequacy ratio



Consolidated ROE



□ : Target for the final fiscal year of the Mid-Term Plan

() : Results for the interim period of FY 2023 1H

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

^{*2} Group company net income
= Total of net income of Group companies other than the Bank multiplied by the investment ratio in those companies

^{*3} Contributions of Group companies to consolidated performance
= Net income of Group companies^{*2}
= Net income attributable to owners of the parent

- ▶ This slide reviews the state of progress toward the management targets of Mid-Term Plan 2020.
- ▶ In FY2023, the final year of the Mid-Term Plan, we expect to achieve targets for net income attributable to owners of the parent, consolidated capital adequacy ratio, and consolidated ROE.
- ▶ At the same time, we expect to fall short of the targets for total revenue from the consulting businesses for corporate and individual customers and Group company net income and contributions of Group companies to consolidated performance.
- ▶ This is due mainly to lower asset management earnings at Hiroshima Bank and Hirogin Securities, as the business environment has changed dramatically from our initial assumptions when preparing the Mid-Term Plan. For example, sales of structured bonds have decreased due to tightening regulations and dramatic changes in market conditions.

Performance forecasts

- ▶ Net income attributable to owners of the parent is projected to rise by 15 billion yen year on year to 27.5 billion yen.
- ▶ We expect to achieve the final target of the Mid-Term Plan 2020 of more than 27 billion yen in net income attributable to owners of the parent.

FY2023 performance forecasts

(Billion yen)

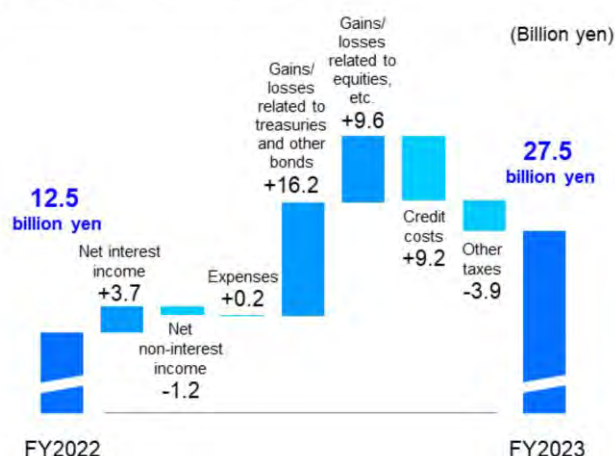
	Interim performance results	FY2023 performance forecast	YoY change	vs. initially announced forecasts
Ordinary profit	23.9	39.5	20.8	-
Net income attributable to owners of the parent	16.6	27.5	15.0	-

Reference: FY2023 nonconsolidated forecast for Hiroshima Bank

(Billion yen)

	Interim performance results	FY2023 performance forecast	YoY change	vs. initially announced forecasts
Net interest income	36.4	71.0	3.6	2.0
Net non-interest income	9.3	18.0	-1.1	1.5
Core business gross profit	45.7	89.0	2.5	3.5
Expenses (-)	26.2	52.5	0.2	-
Net income from core business	19.5	36.5	2.3	3.5
Gains/losses related to securities, etc.	6.1	7.0	26.0	1.0
Credit costs (-)	4.0	9.5	9.2	4.5
Ordinary profit	23.2	36.5	20.1	-
Net income	16.6	26.0	14.5	-

Major factors underlying changes in net income attributable to owners of the parent



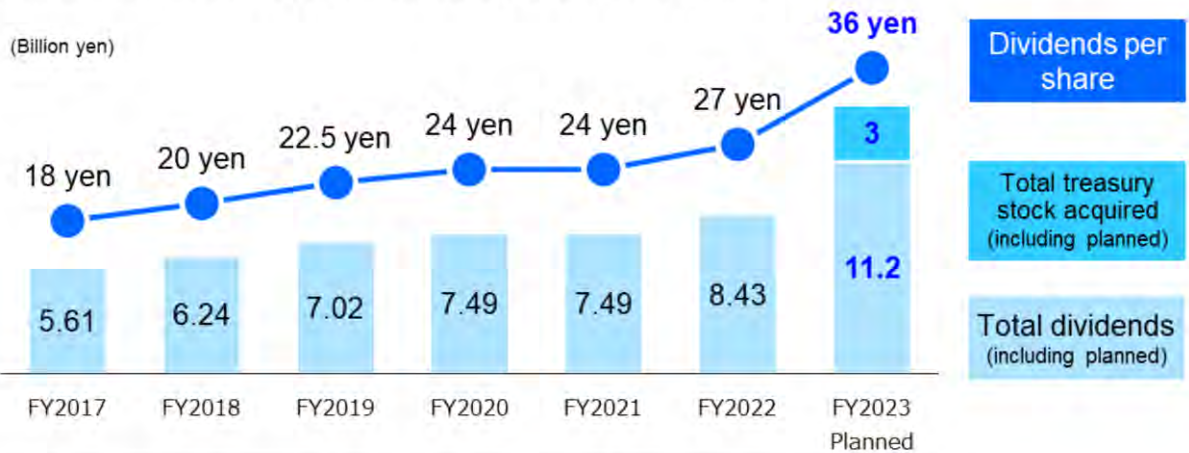
(Reference)

- Sale of foreign bonds, for which the spread had become negative (recording a loss on sales of 18.4 billion yen and a book value of 246.4 billion yen on the sale)
- Allowance for doubtful accounts was recorded in light of deteriorating business conditions of suppliers affected by soaring raw material prices

- These are our performance forecasts for FY2023.
- Net income attributable to owners of the parent is projected to rise by 15 billion yen year on year to 27.5 billion yen in FY2023. This is unchanged from the forecast announced at the beginning of the year.

Dividend forecasts

- ▶ Full year dividends (forecasted) of 36.0 yen/share for FY2023 in line with forecast disclosed at year-start (Distributed interim dividend of 18.0 yen/share)
- ▶ Will implement flexible returns to shareholders through flexible acquisitions of treasury stock and other measures by enhancing internal reserves and realizing higher dividends by steadily posting profits.



Payout ratio	21.7%	24.3%	28.8%	34.6%	32.5%	67.1%	40.7%
Total return ratio	21.7%	24.3%	28.8%	34.6%	32.5%	67.1%	51.6%
Net income attributable to owners of the parent	25.8 billion yen	25.5 billion yen	24.2 billion yen	21.5 billion yen	22.9 billion yen	12.5 billion yen	27.5 billion yen

Notes:

- Dividends per share in FY2017 have been adjusted to reflect the reverse stock split (1:2 shares) implemented on October 1, 2017.
- Hirogin Holdings was established on October 1, 2020. The figures shown for FY2020 represent totals paid by Hiroshima Bank, including interim dividends of 12 yen per share (3,748 million yen in total).

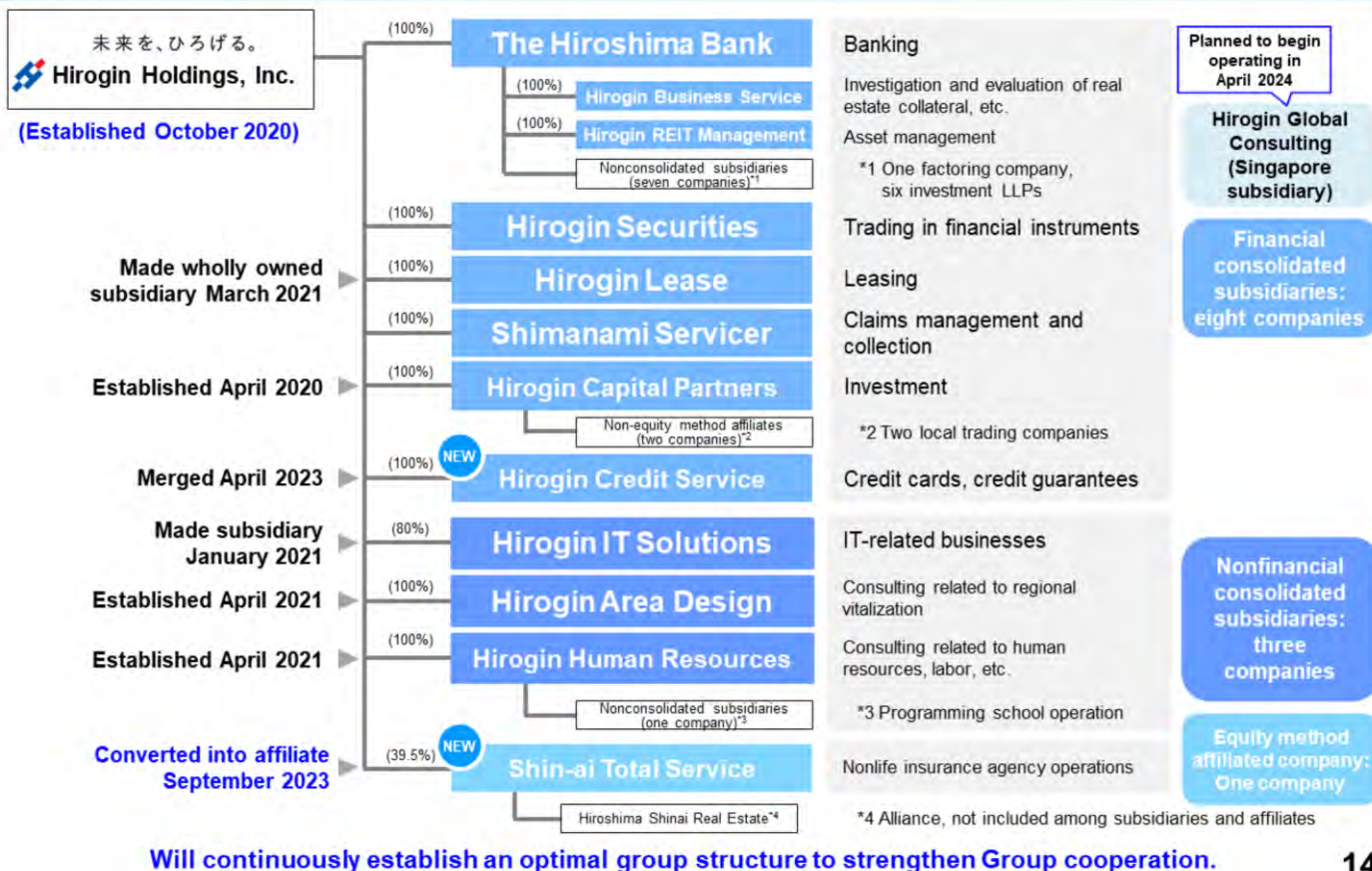
- These are our dividend forecasts for FY2023.
- Our current dividend policy calls for a payout ratio of about 40%.
- In line with this policy, we project dividends of 36.0 yen/share for FY2023 for a payout ratio of 40.7%.
- We are also pursuing flexible acquisitions of treasury stock targeting a consolidated capital adequacy ratio of 11%. We implemented 2 billion yen of these acquisitions in the first half and plan 1 billion yen in the second half.
- As a result, we project a total return ratio of 51.6% for FY2023.

01 Summary of business performance

02 Strategy

03 Appendix

Group structure



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- This slide shows the group structure.
- In April of this year, Hirogin Securities and Hirogin Card Service, which were subsidiaries of the Bank, merged to form Hirogin Credit Service, the ninth direct subsidiary of the holding company.
- In September of this year, Shin-ai Total Service, which operates a nonlife insurance agency business, was made a new equity method affiliate.
- We also plan to begin operating at a Singapore subsidiary in April 2024.
- Together with providing advanced consulting services in the Singapore and ASEAN markets, it will enhance our support structure for maritime businesses.
- We will continue to consider the optimal Group structure while also growing our business base and enhancing Group synergies, to meet the needs and issues of our community and our customers, including in nonfinancial fields.

Group targets

- ▶ The first stage of the Mid-Term Plan following the transition to a holding company structure is generating steady results due to factors including efforts to transform employee awareness associated with this transition and progress on enhancing Groupwide joint efforts.
- ▶ In addition to achieving the earnings plans for FY2023, the final fiscal year of the Mid-Term Plan 2020, we will move forward with efforts to prepare for the next Mid-Term Plan, which starts with FY2024.

Results and issues through now

This year's initiatives

Results

- Realizing efforts to transform employee awareness to recognize our status as a Regional Comprehensive Services Group
- Steady progress on joint efforts among Group companies to deliver solutions, including solutions in nonfinancial areas, based on alliances with various Group functions, to drive steady growth in the customer base
- Moving forward to propose and deploy strategies centered on the holding company

Issues

- Proposing and deploying strategies to improve future earning capacity in (personal sector) asset management and securities investment
- Moving forward with business efficiency improvements and business consolidation

In the final fiscal year of the Mid-Term Plan 2020:

- Achieving Mid-Term Plan targets at high levels (net income attributable to owners of the parent to reach 27.5 billion yen)
- Advancing efforts to prepare for the next Mid-Term Plan (which starts with FY2024)
- Enhancing the management strategies planning sections of the holding company
 - Enhancing efforts to draft Groupwide management strategies
 - Enhancing and intensifying involvement of subsidiaries in drafting measures and alliances
- Enhancing initiatives in new businesses (expanding business axes)
- Promoting digital transformation (DX)

»» To the second stage of Hirogin Holdings

The next Mid-Term Plan (which starts with FY2024) will clarify the following issues:

- Our responses to materiality topics in the region
- Our growth strategies

Steady progress on the first stage following the transition to a holding company structure

- We are steadily growing our customer base by providing solutions in areas including nonfinancial fields as we generate steady results due to factors including efforts to transform employee awareness to recognize our status as a Comprehensive Community Services Group and progress on enhancing Groupwide joint efforts.
- Issues for the future include moving forward to propose and deploy strategies centered on the holding company to improve earning capacity in asset management and proceeding with further business efficiency improvements.
- However, even as we confront such issues, we are making steady progress on the first stage following our transition to a holding company structure.
- In FY2023, the final fiscal year of the current Mid-Term Plan, alongside achieving target net income of 27.5 billion yen we will prepare to clarify our responses to materiality topics in the region and our growth strategies in the next Mid-Term Plan.

The second stage of Hirogin Holdings

- In the second stage, the functionally enhanced management planning sections of the holding company will play central roles in improving the quality of Group companies, expanding the axes along which their businesses are based, further enhancing Groupwide joint efforts, and reallocating management resources through structural reforms.



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- How specifically will we proceed in the second stage of Hirogin Holdings based on the first-stage results reviewed up to this point?
- First, we will improve the quality of the solutions provided by Group companies and expand the extent and quantity of their solutions, for further quality improvements and growth of the axes along which their businesses are based.
- We will also consider M&A activities and other means, including establishing new operating companies, as well as actively using external alliances including those with firms in other industries.
- In addition to cooperation between the Bank and non-banking subsidiaries, which generated results in the first stage, we need to enhance cooperation further among non-banking subsidiaries or with the holding company.
- We will also stimulate exchange of human resources through means including establishing a new short-term trainee program among operating companies.
- We will reallocate management resources to the corporate sector and new businesses, through reorganization of Group companies and thorough reforms of each company's businesses, and invest actively in priority areas.
- Through these efforts, we will continue growing alongside our community and our customers.

Assumptions underlying the next Mid-Term Plan

- ▶ Deteriorating environment for regional financial institutions due to rapid shifts in external environment
- ▶ Will independently and directly address an increase in population and productivity with a view to maintaining and increasing prefectural GDP amid conjecture that GDP will fall in conjunction with decline in prefectural population.

Environment surrounding regional financial institutions

Environment surrounding Hiroshima Bank from the standpoint of PEST from perspective of 10 years into the future

Politics

- Forays into financial services based on nonfinancial industries and developments in open banking following deregulation based on various laws and regulations (easing of prohibition of concurrent non-banking business and firewalls, lifting of ban on e-money salaries, etc.)

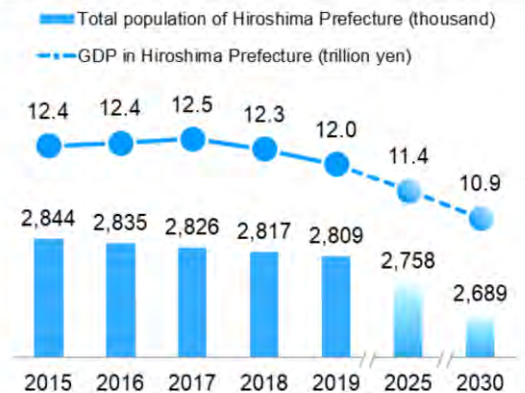
Economy/ Society

- Declining numbers of and sluggishness in local business earnings due to shrinking regional demand
- Growth in asset-building and insurance/inheritance needs due to declining productive population, longer life spans amid declining birthrate in line with expanding elderly population and growing awareness of self-help for elderly life

Technology

- Decrease in bank branch and ATM visitation due to popularization of cashless and digital processes
- Popularization of payment networks and cash mobility via remittances between individuals that do not involve bank accounts

Regional economic outlook (projected GDP and populations in Hiroshima Prefecture)



Estimates made by the Company based on national census data, population estimates from the National Institute of Population and Social Security Research, and the Cabinet Office's List of Japanese prefectures by GDP

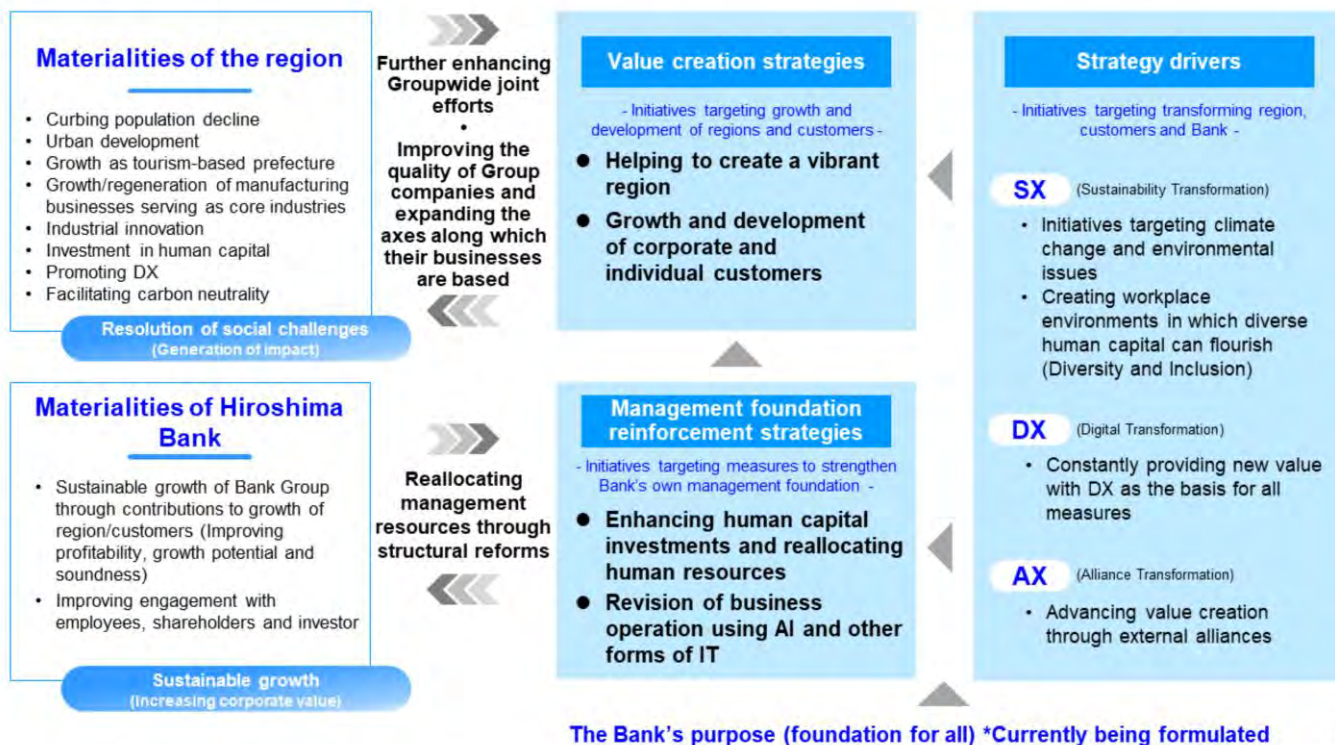
The contraction of regional economies is the biggest threat to regional financial institutions.

➤➤➤ **Initiatives to revitalize regions (maximize prefectural GDP) are crucial.**

- This slide presents the current state of considerations concerning the next Mid-Term Plan.
- The environment for regional financial institutions has recently been deteriorating, due to rapid shifts in the external environment.
- In particular, the greatest threats to regional financial institutions are those of declining numbers of and sluggishness in local business earnings due to shrinking regional demand and decreases in prefectural GDP due to declining productive populations.
- For these reasons, initiatives to revitalize regions (maximize prefectural GDP) are crucial.

Overview of the next Mid-Term Plan - Overall strategy -

- In our next Mid-Term Plan, we will instigate action after formulating value creation strategies, management foundation reinforcement strategies, and strategy drivers to address the materialities of the region and Hiroshima Bank.

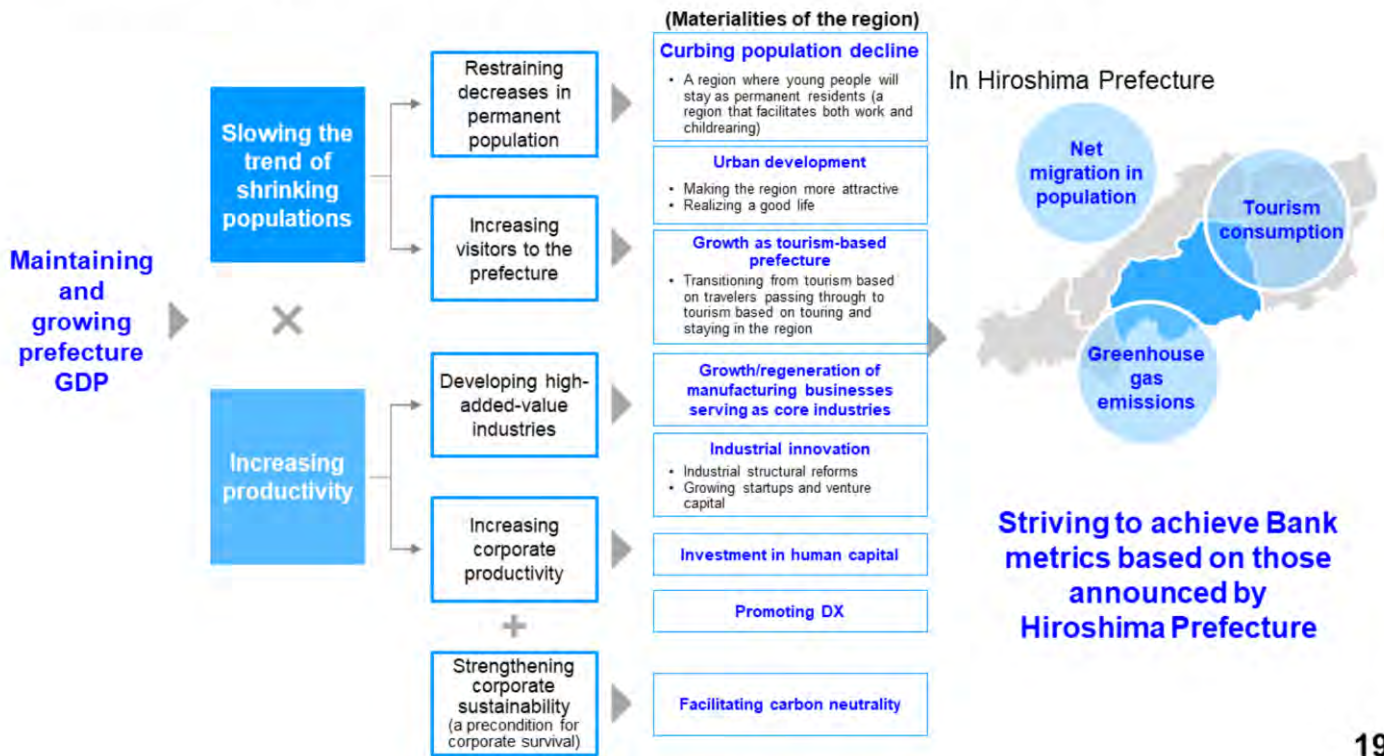


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- This slide provides an overview of the next Mid-Term Plan's overall strategy.
- During the period of the next Mid-Term Plan, to grow prefectural GDP, we will identify materiality topics for the region and the Company and value creation strategies and management foundation reinforcement strategies to achieve them, driven by sustainability transformation (SX), digital transformation (DX), and alliance transformation (AX).

Overview of the next Mid-Term Plan - Sustainability Metrics -

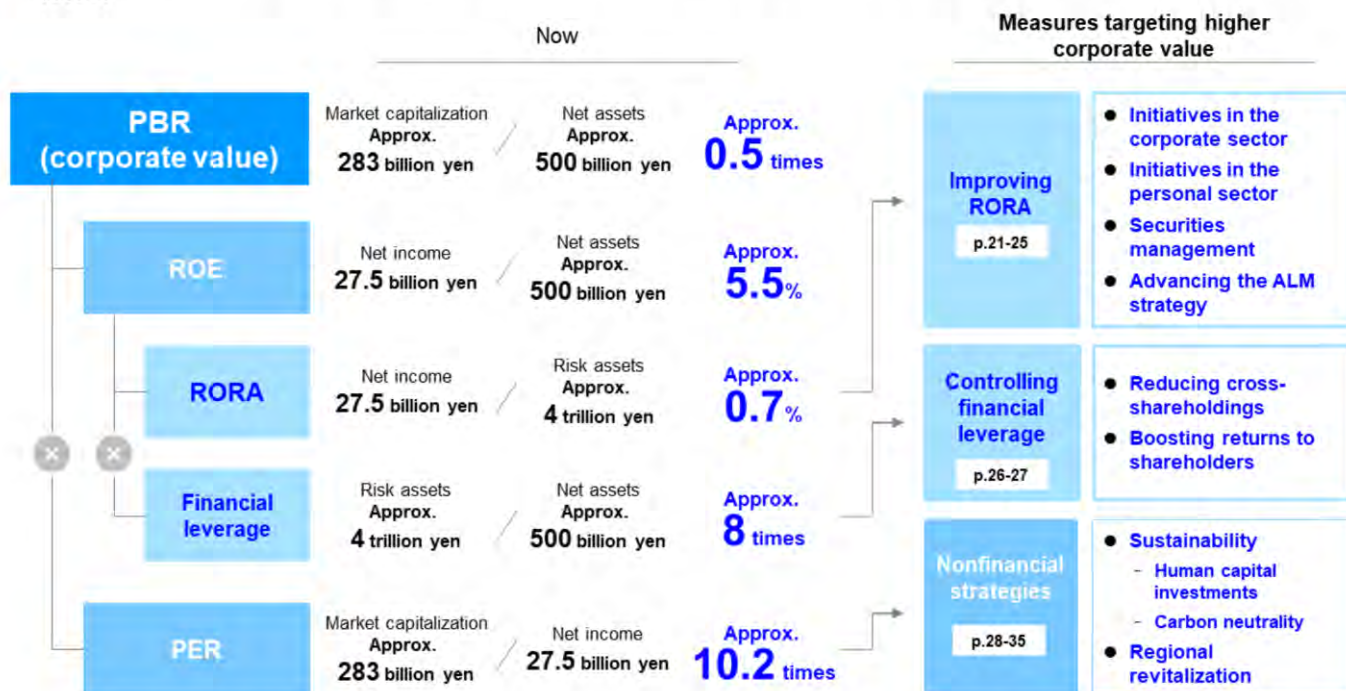
- Based on the belief that the Group cannot progress without regional revitalization, we will work in collaboration with governments and local communities focusing on Hirogin Area Design.



- Here we present our initiatives to address regional materiality topics.
- Based in Hiroshima Prefecture, where we proactively engage in various focused joint efforts centered on Hirogin Area Design, we aim to slow the trend of shrinking populations and increase productivity, in order to maintain and grow prefecture GDP.
- We will consider establishing quantitative metrics for these initiatives.

Improving PBR

- ▶ Current PBR is approx. 0.5x.
- ▶ With a view to improving PBR, we will push forward to improve ROE by improving RORA and financial leverage controls while pursuing nonfinancial initiatives. Additionally, we will proceed to boost our corporate value.



Note: Figures under "Now" above are projections for the year ending March 2024; market capitalization is as of the end of September 2023.

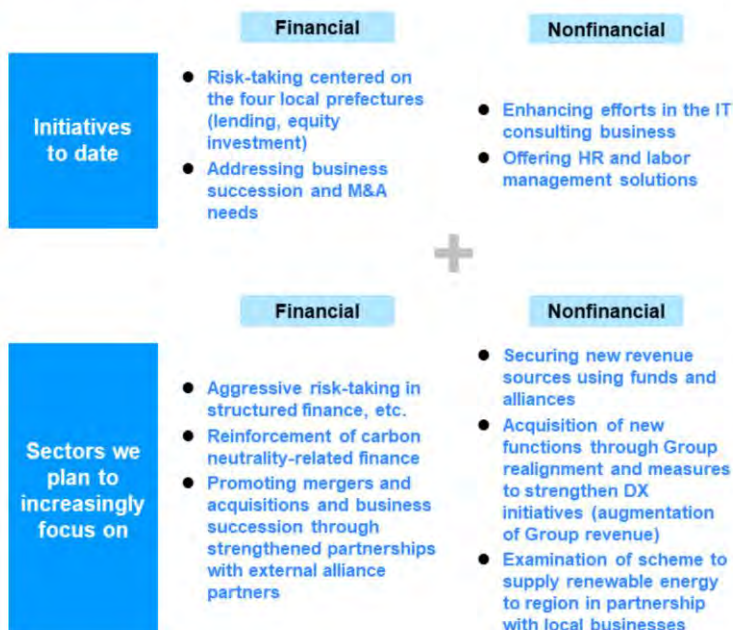
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- ▶ This slide shows how we plan to improve corporate value, or PBR.
- ▶ To improve ROE, we're moving forward to implement various RORA improvements and strengthen financial leverage.
- ▶ To increase PER, we're enhancing nonfinancial disclosure while also proceeding with initiatives in the areas of investment in human capital, carbon neutrality, and regional revitalization.
- ▶ Through these initiatives, we will proceed with further progress during the period of the next Mid-Term Plan and aim for ROE in excess of capital costs over the medium to long term, to improve PBR.

Improving RORA - Initiatives in the corporate sector -

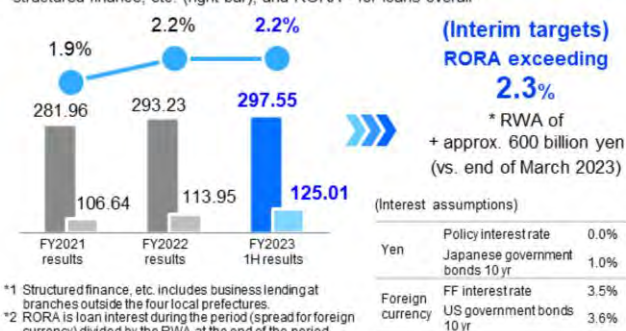
- ▶ To date, we have primarily assumed local credit risks.
- ▶ Moving forward, we will proactively take risks in structured finance in anticipation of rising interest rates, etc.
- ▶ Additionally, we will continue to focus on domains in which we do not use risk-weighted assets, such as mergers and acquisitions and business succession, and work to bolster revenue.

Initiatives and measures taken in the corporate sector



Results of initiatives

Four local prefectures*1 (left bar), average balance of business lending pertaining to structured finance, etc. (right bar), and RORA*2 for loans overall



*1 Structured finance, etc. includes business lending at branches outside the four local prefectures.
*2 RORA is loan interest during the period (spread for foreign currency) divided by the RWA at the end of the period.



Balance of fund investments, etc.*3 (book value, bar graph), revenues from equity investment, business succession, and M&A
(*3) Balance of fund investments, etc. is the total of pledged investment amounts in policy investment securities and the balance of Hirogin Capital Partners' principal investment.
Note: FY2023 1H revenues above show planned figures for FY2023.

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- ▶ This slide covers initiatives to improve RORA in the corporate sector.
- ▶ To date, our business has focused on local credit risks through means such as lending and equity investment based on risk-weighted assets.
- ▶ In the corporate field, one of the Group's traditional strengths, we've also advanced efforts in nonfinancial fields in response to diversifying customer needs, as well as bolstering revenue in the corporate solutions field in ways that do not use risk-weighted assets, such as mergers and acquisitions and business succession.
- ▶ While we will continue to focus on such businesses as drivers of the Group's future growth, we will also develop new businesses to put risk-weighted assets to effective use.
- ▶ Specifically, we will reinforce net interest income by proactively taking risks in structured finance in anticipation of rising interest rates and in newly created carbon neutrality-related finance.
- ▶ We will also secure new sources of earnings by reinforcing the equity business, centered on the specialized investment subsidiary Hirogin Capital Partners.
- ▶ In addition, we will consider providing schemes to supply renewable energy to the community in partnership with local firms, to contribute to regional carbon neutrality.
- ▶ Through initiatives such as these, we will aim to increase RORA to more than 2.3% in lending and revenues related to equity investments, business succession, and M&A activities to more than 5 billion yen over the medium to long term.

Improving RORA - Initiatives in the personal sector -

- Based on a focus on initiatives for non-face-to-face businesses that contribute to customer asset building and medium- to long-term business foundations, we will proceed to support such asset-building through a goal-based approach.

Initiatives and measures for the personal sector

Goal-based asset management sales

- Sharing goals through life planning with the aid of life design services
- Implementation of ongoing reviews

Review of customer management structure

- Change from area management to segment management according to customer assets held to make proposals in line with their needs

Advancement of monetary training

- Holding of kids' money courses for elementary and middle school students
- Holding of monetary training courses at local universities

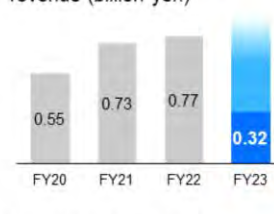


Initiatives seeking to double asset income

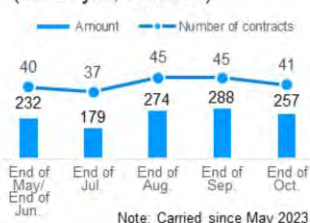
- Asset-building proposals that make use of fund wraps, insurance, investment trusts, etc. in accordance with the goal-based approach
- Asset-building proposals targeting the new NISA scheme (January 2024)
- Strengthening proposals of investment trusts to address inheritance-related needs
- Consolidating sales sites intended to reinforce long-term side-by-side customer management and human capital development
- Proactive use of non-face-to-face channels to expand the customer base

Results of initiatives

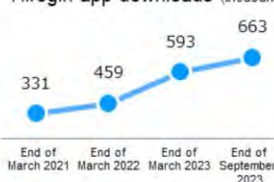
Inheritance/trust-related revenue (billion yen)



Status of fund wrap contracts (million yen, contracts)



Hirogin app downloads (thousand)



Ranked first in customer satisfaction on Oricon
(Online banking app usability ranking 2023)

NEW



ひろぎん
ポイント
サービス

Hirogin Reward Point Service Scheduled for implementation in January 2024

- Reward points earned through financial instruments trading can be used by redeeming them for other reward points with other companies.

- Now let's look at initiatives in the personal sector.
- To help customers enrich their lives through asset management amid a growing movement toward asset building, we will proceed with a shift toward consulting with an emphasis on asset management, using a goal-based approach.
- The Hirogin app also is ranked first in the Oricon customer satisfaction survey, which was a result of enhancing non-face-to-face channels toward relationship building in digital channels.
- In addition, we plan to introduce the Hirogin Reward Point Service in April 2024, as part of our efforts to build medium- to long-term transaction infrastructure.

Improving RORA - Initiatives in the personal sector -

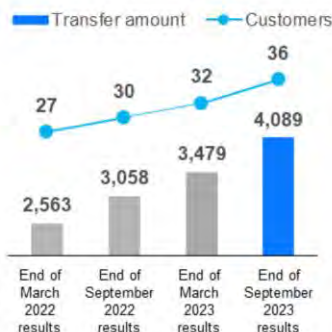
- ▶ Amid a growing trend toward asset building, aiming to help customers enrich their lives through asset management
- ▶ Building foundations for earnings resilient to the market environment, aiming for a future target of 70% of recurring revenues

Increasing recurring revenues

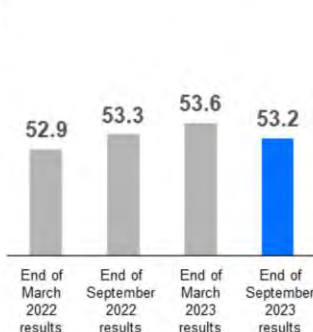
(Initiatives in the personal sector)

- Toward foundations for earnings resilient to the market environment
- Enhancing initiatives at the retail level
- Enhancing human resource development, including improving advisers' skills

Number of savings investment trust contract customers, transfer amount
(Units: thousand; million yen)



Number of level-premium insurance policy customers
(Unit: thousand)



Future outlook

Results at end of March 2023
 Upfront revenues: 86%
 Recurring revenues: **14%**

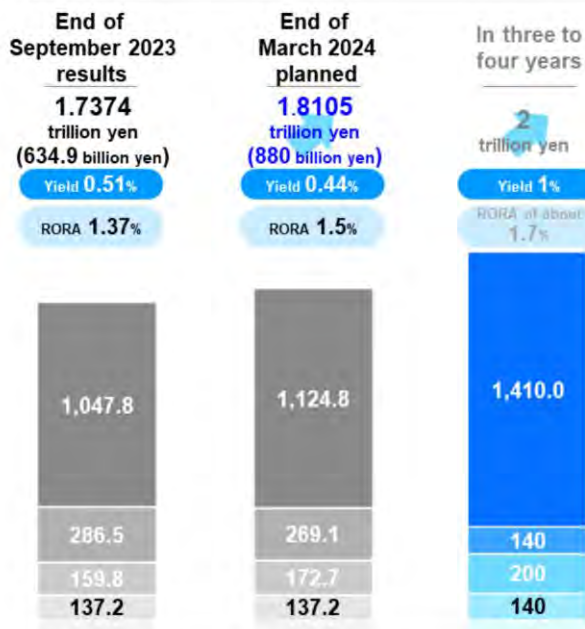
Future outlook
 Upfront revenues: 30%
 Recurring revenues: **70%**

- As we proceed with the shift toward consulting with an emphasis on asset management, we will aim for a percentage of 70% of revenues being recurring ones, through a transformation from the current business structure centered on up-front revenues to one centered on recurring revenues, which are less dependent on market conditions.

Improving RORA - Securities management -

- We will seek to achieve 1% yields on securities (after reflecting costs of raising funds externally) by building a securities portfolio capable of generating sustained and stable high returns on funds from a medium- to long-term perspective within the range of tolerable risks.

Target portfolio



Risk-weighted asset amounts are given in parentheses.

Note: Based on internal managerial figures; balances based on book values; yields reflect consideration for external fundraising costs; securities balances (overall) include cross-shareholdings; investment trusts, etc. include specified monetary trusts.

Future investment policy

(Basic policy)

Build a securities portfolio conducive to securing high interest revenues on a stable and continuous basis from a medium- to long-term standpoint within the scope of acceptable risk.

Government, municipal and corporate bonds

- Accumulating and strengthening treasuries in stages as interest rates rise (with the goal of building a ladder portfolio through periodic purchases over the long term)
- Accumulating and strengthening municipal bonds using lines for holding to maturity, etc.

Foreign bonds

- Reducing fixed rate bonds with negative spreads
- Responding to interest rate fluctuations by growing investment in variable rate bonds issued by foreign firms (corporate bonds, CMO floaters)

Shares/ETF

- Increasing yields by growing the ratio of risk assets centered on domestic equity assets

Investment trusts, etc.

- Increasing yields through investment in foreign bonds with no fund-raising costs (taking forex risk through balanced investment with consideration for correlations among portfolio assets)
- Reducing risk assets such as existing investment trusts and foreign exchange positions

- We are also rebuilding our securities portfolio.
- We are in the process of rebuilding our securities portfolio to establish a stable portfolio that contributes to increased earnings.
- Our goal is to achieve a balance of 2 trillion yen and a 1% yield on securities after two to three years, from current levels of 1.73 trillion yen and a 0.51% yield.
- We will target RORA of approximately 1.7% including gains on sale, through active risk taking.

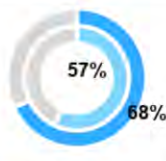
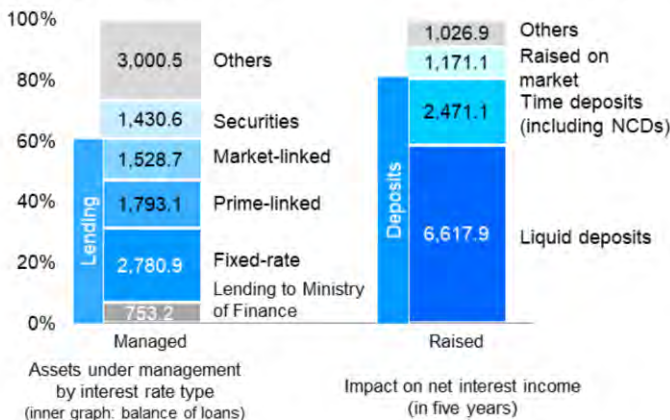
Improving RORA - Advancing the ALM strategy -

- In an environment characterized by growing uncertainty both within Japan and abroad, we will proceed to work to stabilize revenues through interest rate risk controls that account for our overall balance sheet, deposits and loans included.

Yen balance sheet

(As of September 30, 2023)

(Billion yen)



Release from zero interest rate policy

Release from negative interest rate policy

(Simulation assumptions)

- Balance as of the end of March 2023 maintained (reinvestment of redemption in identical amounts and interest rate types)
- For termination of negative interest rates, the policy interest rate is 0.0%.
- For termination of zero interest rates, the policy interest rate is 0.1%.
- The scope of effects reflect comparison to single-year earnings in the absence of the simulation assumptions based on the balance sheet as of the end of March 2023.

+ approx. 13 billion yen

+ approx. 8 billion yen

Key points

Point 1

Expanding revenues by strengthening the ALM strategy

- Reinforcing management and analysis related to the status of assets and liabilities and control of interest rate risks
- Implementing risk-weighted asset controls based on balance sheet and profit/loss at Bank overall and state of risk-weighted assets

Point 2

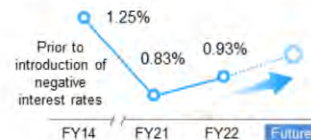
Reinforcing future loan pricing

- Reinforcing further pricing going forward with an eye on the potential for rising domestic interest rates

(Movement in corporate lending spread)

(RORA* based on spread)

* Yen-denominated loans overall



* Amount obtained after subtracting the amount corresponding to market interest rates (funding) from loan interest then dividing the difference by the RWA as of the end of the period

Point 3

Stable raising of deposits

- Reinforcing the acquisition of payment accounts, etc. going forward to secure stably raise deposits

(Reference) Balance of settlement accounts* as a percentage of the balance in corporate and individual deposits: **59.1%**

* Settlement accounts refer to accounts used for receipt of salary and pension payments and payment of utilities for individual depositors and lending balances for corporate depositors.

- This slide reviews our ALM strategy.
- In an environment characterized by growing uncertainty both in Japan and abroad, we will work to stabilize revenues through interest rate risk controls that account for our overall balance sheet, including deposits and loans.
- Going forward, we will also reinforce pricing with an eye on the potential for rising domestic interest rates and reinforce acquisition of payment accounts and other means to raise deposits stably.

Controlling financial leverage - Cross-shareholdings -

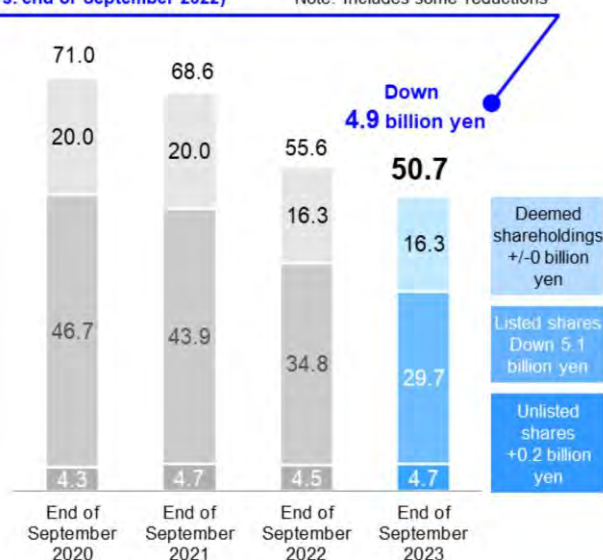
- ▶ As we sought to invest in growth, cross-shareholdings declined by 4.6 billion yen from the end of September 2022 thanks to continuing progress on discussions with the issuers.
- ▶ In the future as well, we will continue to decrease cross-shareholdings through dialogue, targeting a current value balance of less than 20% of consolidated equity capital by the end of March 2025.

Reductions in cross-shareholdings (book value balance)

Down by 4.6 billion yen/14 issues

(vs. end of September 2022)

Note: Includes some reductions



* Includes impairment loss of 0.3 billion yen

Reduction target

Total market capitalization of listed shares + deemed shareholdings = 154 billion yen

Percentage of consolidated net assets Equivalent to 30%

(Policy on holding cross-shareholdings)

- Ongoing dialogue with issuers
- Continuing in principle to hold cross-shareholdings with customers in the four local prefectures to support and grow the local economy side by side
- Reducing cross-shareholdings in customers with relatively weak ties to local areas through ongoing dialogue

End of March 2025

Less than 20% of consolidated equity capital (market capitalization basis)

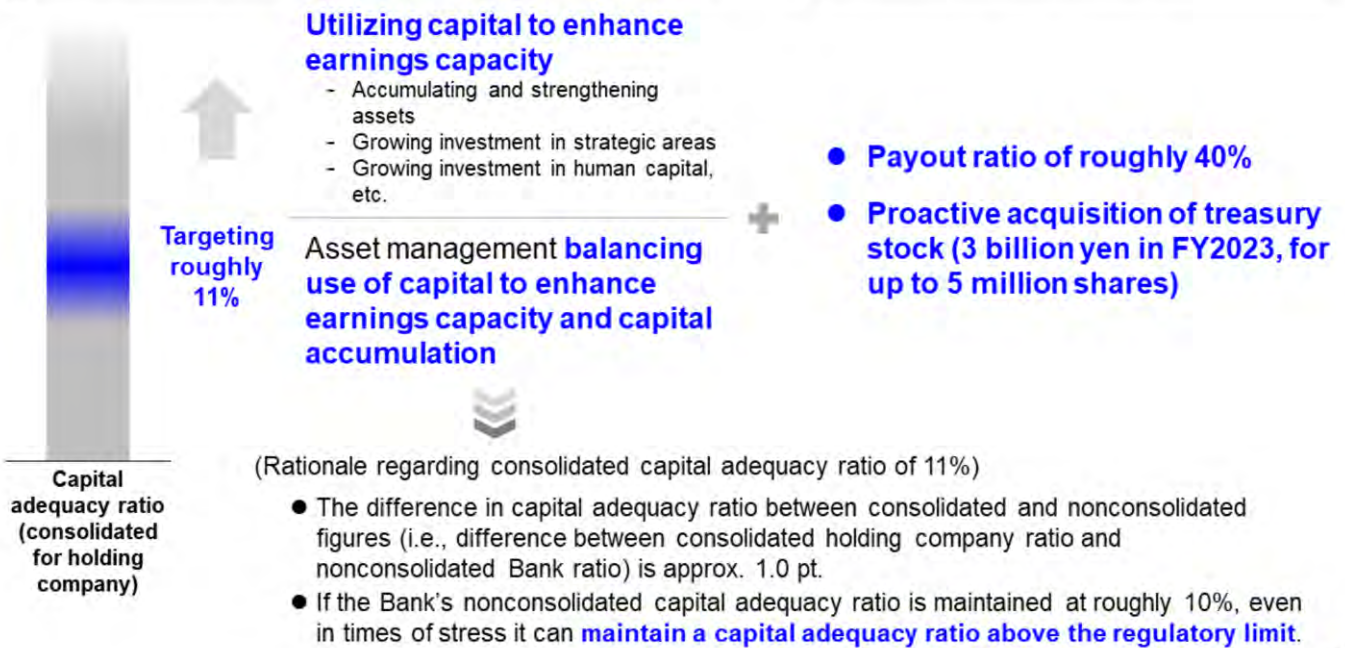
- This slide addresses the issue of controlling financial leverage.
- From the end of September 2022, thanks to progress on discussions with the issuers, we have reduced our cross-shareholdings by 4.6 billion yen, or 14 issues if partial reductions are included.
- We will continue to reduce cross-shareholdings through dialogue with the issuers, targeting a total market capitalization of listed shares and deemed shareholdings of less than 20% of consolidated equity capital by the end of March 2025.

Controlling financial leverage - Boosting returns to shareholders -

- ▶ Deploying management reflecting the level of the capital adequacy ratio, targeting a consolidated capital adequacy ratio of roughly 11% for the holding company
- ▶ We will continue treasury stock acquisition.

Maintaining soundness, investing in growth

Returns to shareholders



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- Here you see our policy on returns to shareholders.
- As we use capital to enhance earnings capacity and boost returns to shareholders, we're targeting a consolidated capital adequacy ratio of roughly 11% for the holding company.
- We will continue to acquire treasury stock.

Nonfinancial strategies - Carbon neutrality -

- ▶ We will strive to achieve carbon neutrality for greenhouse gas emissions (Scopes 1, 2, and 3) across our supply chain and in our investment and lending portfolios by FY2050.
- ▶ We will bolster initiatives in the automotive and sea shipping industries in particular to achieve medium- to long-term targets.

Carbon neutrality targets

Goal

- Strive to **achieve carbon neutrality** for Bank Group greenhouse gas emissions (Scopes 1 and 2) by **FY2023**.
- Striving to **achieve carbon neutrality** with respect to all greenhouse gas emissions throughout the supply chain, including investment and lending portfolio (Scopes 1, 2, and 3), by **FY2050**

Scope 3 / Category 15 calculations based on regional properties of four local prefectures, where manufacturing industries are concentrated

Greenhouse gas emissions of Hiroshima Bank's business lending (financed emissions) (FY ended March 2022, t-CO₂)

	Industry	t-CO ₂	Total of local, main, and sub-main
1	Electricity	1,591,000	441,717
2	Metals, mining	988,365	448,050
3	Sea shipping	889,379	545,699
4	Automotive	538,381	275,277
	⋮	⋮	
	Total	10,287,278	5,537,914

See p.30 for more info.

Future initiative policies

(The following policies are based on the calculations to the left:)

- Reinforce comprehensive consulting pertaining to carbon neutrality at business partner companies through stronger engagement.
- Boost efforts to achieve regional carbon neutrality in cooperation with external stakeholders.
 - Examinations, actions, etc. to expand the region's renewable energy ecosystem

Point 1

Concretization of engagement with business partners

- Implementing the 2023 Engagement Implementation Program based on TCDF Disclosure for Regional Financial Institutions by the Ministry of the Environment (adopted in September 2023)
- Examining concrete support measures in addition to arriving at a better understanding of risks, opportunities, etc. through engagement with individual companies

Sea shipping sector

- Signing the Poseidon Principles
- Working with business partners to calculate CO₂ emissions of each company and bolster engagement targeting reductions
- Striving to calculate CO₂ emissions and realize carbon neutrality for Bank's ship finances as a whole

Point 2

Sustainability support for business partner companies (Details on next page)

- Now let's consider nonfinancial strategies.
- First, let's look at the carbon neutrality initiatives of the region and the Company.
- The Group's targets are to achieve carbon neutrality for Bank Group greenhouse gas emissions for Scopes 1 and 2 by FY2030 and for Scopes 1, 2, and 3 by FY2050.
- Based on recent Scope 3 / Category 15 calculations in business lending, we will move ahead with efforts toward carbon neutrality utilizing alliances and other means while also enhancing consulting services through engagement.
- In particular, we will promote engagement with and consider practical support measures for Mazda suppliers and companies involved in the sea shipping industry, two of the region's main industries.

Nonfinancial strategies - Carbon neutrality -

- In the future, in addition to promoting customer engagement we will utilize various solutions and alliances to grow businesses by promoting carbon neutrality in the community.

Support for carbon neutrality among our customers

Medium- to long-term goal of sustainable finance

Assessing the current conditions
Planning
Implementation

SDGs initiative support service

- Checking on the state of SDGs initiatives, identifying items that need to be addressed, and providing feedback sheets
- Support for formulating SDGs Statements and public promotion of these services

Sustainability management adoption support services

- Supporting identification of materiality as main axes for corporate sustainability management through repeated dialogue with management
- Supporting the formation of Sustainability Management Policies

Sustainability-related financial services

- Supporting sustainability initiatives in the areas of funding and forex risk hedging



Carbon neutrality support consulting

Alliance

- Integrated support for enhancing carbon neutrality initiatives from assessment of current conditions through implementation
Example: Assessing company and supply chain greenhouse gas emissions and proposing solutions to reduce them

Renewable energy supply schemes

Alliance

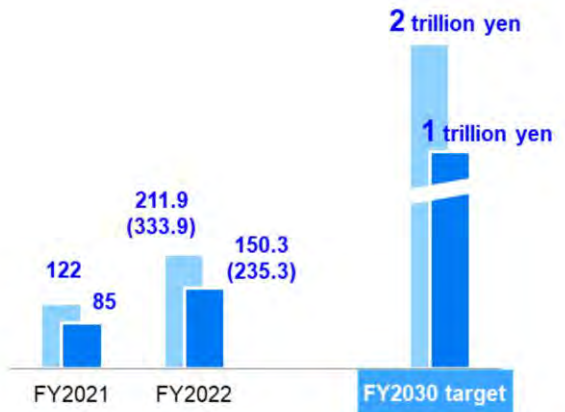
- Considering schemes to supply renewable energy to the community in cooperation with local businesses

Goal

Executing 2 trillion yen in sustainable finance to contribute to solutions to environmental and social issues (cumulative FY2021-2030, including 1 trillion yen in environmental finance)

Execution of sustainable finance (billion yen)

* Right: environmental finance (parentheses: cumulative totals)

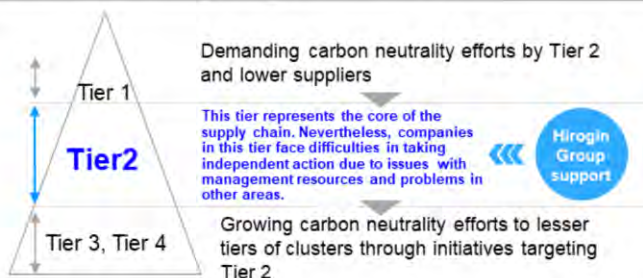


- Let's look at support for sustainability, including carbon neutrality.
- The Group is preparing various solutions to support carbon neutrality among our corporate customers, designed to meet their needs.
- We are aiming to execute a cumulative total of 2 trillion yen in sustainable finance to contribute to solutions to environmental and social issues through FY2030.

Nonfinancial strategies - Carbon neutrality -

- For automobile-related industries, the base industries in Hiroshima, our home prefecture, we will endeavor in our efforts to achieve carbon neutrality.

Initiatives targeting Mazda suppliers



(Hirogin Group initiatives)

Point 1 Forming a specialized team for automotive industries

- Assigning specialized team members to cover automotive industries (members with a minimum track record of 20 years)
- Accumulating a wealth of quantitative and qualitative data on topics such as importance, technological capabilities, extent of impact of electrification, management qualities, and successors, based on solid relationships with members of the supply chain
- Providing support optimized for the conditions of each company

Point 2 Accumulating information to support carbon neutrality

- Interviewing approx. 160 companies (through meetings and other interactions) based on demand from upstream in the supply chain
- Ascertaining awareness and the status of efforts on a per-company basis (undertaken periodically to ascertain changing awareness, efforts over time, and other matters)

(Drawing on alliances, etc.)

Point 3 Strengthening automotive industry support in cooperation with seven regional banks

- Sharing information on the status of initiatives for automotive industry support, solutions for business partners, and examples of actual use at each bank
- Reinforcing support for automotive sector, including assistance with carbon neutrality amid endeavors to share information based on business partner needs such mergers and acquisitions / business succession and business matching



Point 4 Promoting carbon neutrality efforts pertaining to automobile parts manufacturing

- Selected for 2023 ESG Regional Finance Promotion Program by the Ministry of the Environment
- We will proceed to examine the promotion of carbon neutrality for casting processes in automobile parts manufacturing by business partner companies.

Point 5 Supporting supplier reorganization in cooperation with the manufacturer

Executed
MOU on
August 28

Selected
on July 11

- The auto industry, a core industry in Hiroshima Prefecture, is expected to be greatly impacted by the movement toward carbon neutrality.
- To support carbon neutrality in automaking, we will enhance customer engagement via various alliances and other means.

Nonfinancial strategies - Human capital investments -

- ▶ We will promote improvements in job satisfaction and the fostering of a culture of self-development based on support for autonomous career-building by each individual employee.
- ▶ Empowering human resources with diverse values and skills while deploying various measures and designing various systems to put diversity and inclusion into practice

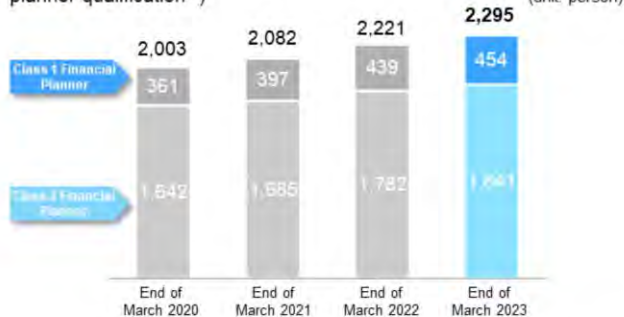
Growth support

- To accommodate broad-ranging customer needs, we have set in place an environment for active and proactive learning through which we support employee self-development.

FY2022 result Investment in personal growth incentives^{*1} 5.2 million yen

^{*1} We grant self-improvement incentives based on examination fees, etc. to employees who pass qualifications to encourage them to take on the challenge of advancing their careers.

(Number of employees holding financial planner qualification^{*2})



^{*2} Employees holding both Class 1 Financial Planner: Certified Financial Planner (CFP) and Class 2 Financial Planner: Affiliated Financial Planner (AFP) are counted once. Holder total for Hiroshima Bank and Hirogin Securities

Diversity and inclusion

- Building an organization in which employees with diverse perspectives and values can demonstrate their abilities based on their own visions and awareness
- Ensuring diversity and inclusion within the organization

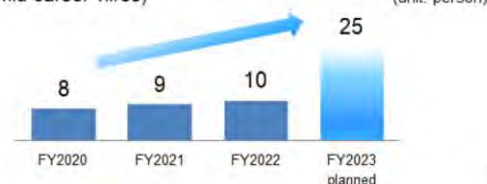
(Women as percentage of)

	As of October 1, 2023	April 1, 2024 target	April 1, 2031 target
Managers ^{*1}	7%	Approx. 7%	Approx. 25%
Management class ^{*2}	17%	Approx. 20%	Approx. 30%
Management class candidates	35%	Approx. 35%	Approx. 45%
New hires	42%	Approx. 50%	
Total employees	42%	—	Approx. 45%

^{*1} Managers and supervisors under the Labor Standards Act and those with equivalent authority (e.g., managerial personnel)

^{*2} Total of managers and employees approaching manager status

(Number of mid-career hires)

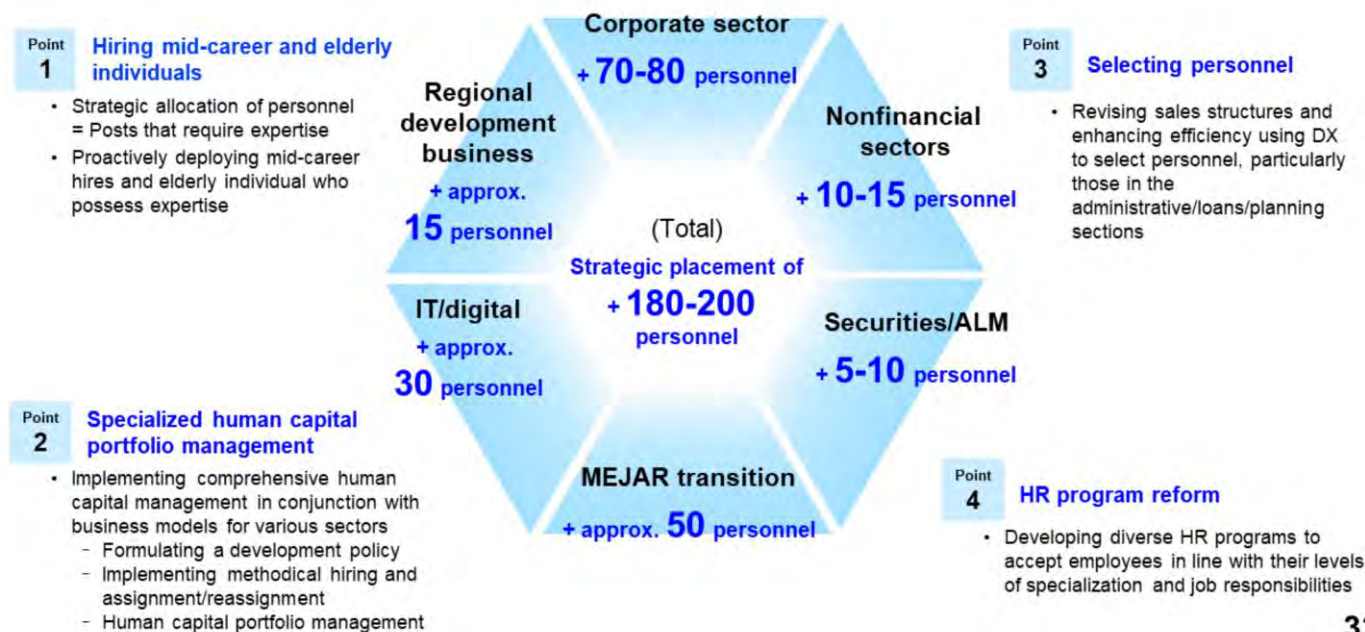


- This slide addresses investment in human capital.
- We will promote support for self-improvements and growth by each individual employee to improve their expertise to meet wide-ranging customer needs, in addition to actively realizing their own career paths.
- We will also promote diversity and inclusion through means such as actively hiring human resources with skills and experience in IT, digital, investment banking, and other fields, in addition to proactively promoting women.

Nonfinancial strategies - Human capital investments -

- For sectors in which we can anticipate further business expansion, we will carry out the strategic allocation of some 180 to 200 personnel members during the period of our next Mid-Term Plan by selecting personnel using DX and other means.

Strategic allocation of human resources



- Allocation of personnel to priority fields is essential to further increasing corporate value.
- Through means such as reviewing sales structures and use of digital transformation (DX), we will select personnel from sections centered on administrative, loans, and planning functions for assignment to strategic fields where we anticipate further business growth.
- In particular, we will increase earnings by focusing on corporate fields such as structured finance, carbon neutral finance, and the equity business.

Nonfinancial strategies - Human capital investments -

- We will deploy various engagement measures focusing on our next Mid-Term Plan and the ideal shape of the Bank Group.

Engagement

- Developing measures to encourage employees to tackle new challenges by being free from established concepts
- Fostering a culture to improve employee motivation and to support autonomous career development, thereby establishing solid engagement

Future Creativity Working Group

- Discussion and deliberation by younger employees (20s through mid-30s) and the middle-ranking and core generations (mid-30s through 40s) of matters related to promoting efforts to build the future of the region and the Group
- Making recommendations and offering opinions to management and others concerning the details thereof and other matters

Reverse mentoring program

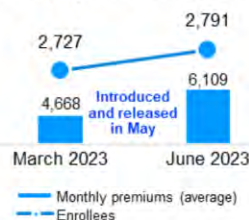
- Program under which younger and middle-ranking employees exchange advice and feedback with executives based on two-way dialogue
- Working to build a horizontal organizational structure as the foundations for diverse workstyles; fostering a culture of seeking out challenge by strengthening the movement toward mutual understanding and toward a sense of solidarity among different generations and job tiers

In-house trainee program

- Accumulating diverse business experience through short-term internships to enable individuals to build career paths based on their own visions

ESOP trusts

- We introduced ESOP trusts in August 2023 as an initiative aimed at higher employee financial wellness.



Employee stock ownership plan enrollment rate
(As of August 2023)
75%
(35.1%)
(Figure in parentheses is average in one industry)

(Units: yen, enrollees)

Salary increases (in the form of higher base pay, one-off allowances, and regular raises)

- We increased employee base pay for the first time in eight years since 2015 to help raise personal financial well-being.

Increase in base pay

+2%

+

One-off allowance Regular raises

+2%

→

Real increase of 4% in salaries

Note: Data for monthly premiums (average) and enrollees is for Hiroshima Bank

Note: Data for higher base pay, one-off allowances and regular raises is for Hiroshima Bank

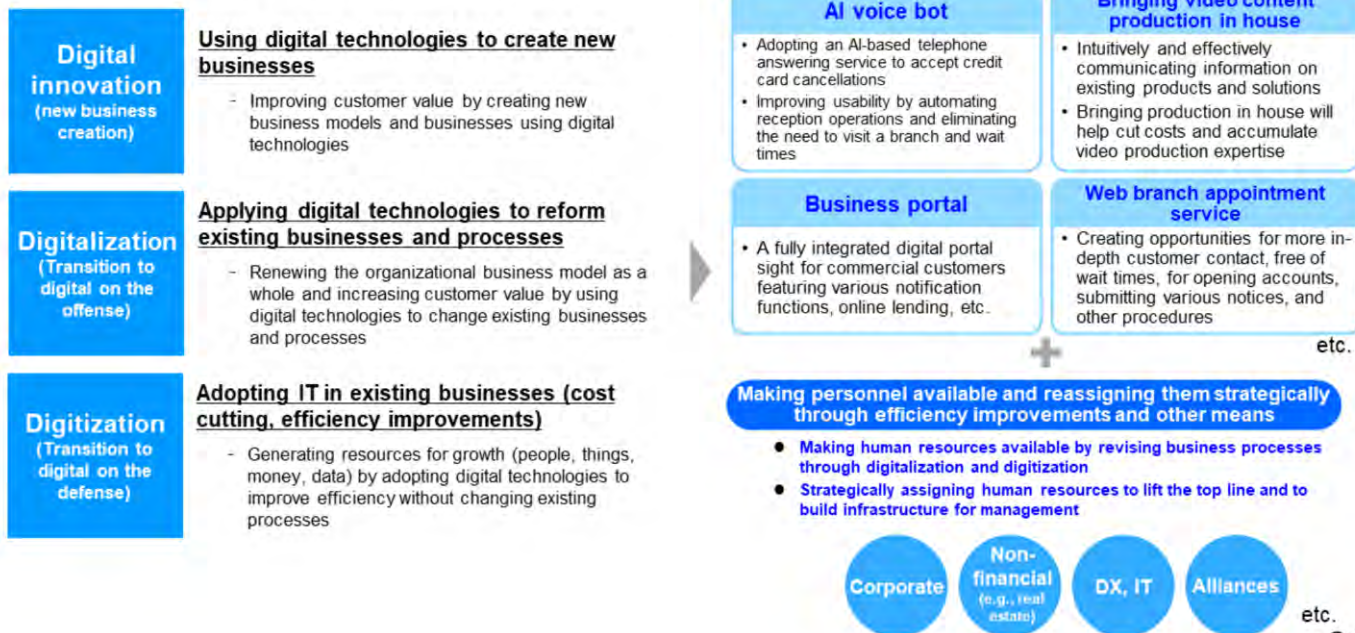
- Here we review our efforts on the subject of engagement.
- We will deploy measures to encourage employees to tackle new challenges by breaking free from established concepts, focusing on fostering a culture to encourage boldly taking on challenges and support employees' individual efforts to do so.
- Additionally, to invest in human capital we have introduced an ESOP trust and increased salary by 4%, and will continue to enhance investment in our people, our greatest asset.

Nonfinancial strategies - Digital transformation (DX) initiatives -

- Adopting new services as needed to increase value for customers through the use of technology, external alliances, and other means; making human resources available and strategically reassigning them through efficiency improvements and other means

DX in various operations and measures

Results



34

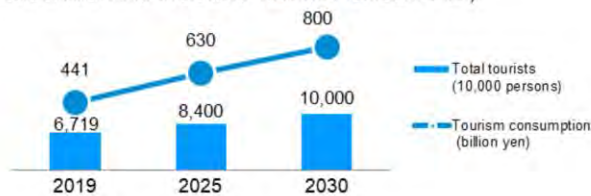
- This slide shows our digital transformation (DX) initiatives.
- In order to realize its management philosophy and business models through implementing DX strategy, the company is working to achieve its basic policies of applying digital transformation (DX) to all operations and measures, as well as proactive efforts and awareness transformation throughout the Group companies and across all employees.
- As part of these initiatives, we will adopt new services as needed to increase service value for customers by harnessing technology, external alliances, and other means, alongside efforts related to develop our foundations.

Tourism

- ▶ Since hosting the Hiroshima G7 Summit, Hiroshima Prefecture has seen growing numbers of overseas visitors, and inbound tourism demand is expected to grow further in the future as well.
- ▶ Hiroshima Prefecture is home to a wealth of tourism resources. Various factors, including growth in tourism from abroad spurred by the Hiroshima G7 Summit, are expected to boost inbound tourism demand.

Economic effects of the Hiroshima G7 Summit

Hiroshima Prefecture tourism plans
(source: Hiroshima Prefecture Tourism Promotion Plan)



Economic ripple effects, etc. of Hiroshima Summit
(Source: Citizens Council for the Hiroshima Summit Secretariat, General Affairs Division)

Direct economic effects	Approx. 121.7 billion yen
In Hiroshima Pref.	Approx. 72.5 billion yen
Outside Hiroshima Pref.	Approx. 49.2 billion yen
Advertising equivalent based on media exposure	Approx. 883.2 billion yen
Japan	Approx. 203.9 billion yen
Overseas	Approx. 679.3 billion yen
Post-summit economic ripple effects	Approx. 164.9 billion yen
(Est. applicable period: 2023-2027)	

Centered on Hirogin Area Design, we intend to continue implementing initiatives for regional revitalization in cooperation with government and local communities.

Regional revitalization via alliances

Collaboration with W TOKYO

Collaborating with W TOKYO in similar fashion to The Shizuoka Bank, The 77 Bank and The Yamanashi Chuo Bank



- For sustainable development of the region, a key imperative is to help maintain the younger generation.
- Owing to the serious problem of outflow of the youth population, as part of our efforts to raise numbers of the younger generation, the Bank collaborated with W TOKYO to launch a platform, Tokyo Girls Collection, to increase the attractiveness of the region.

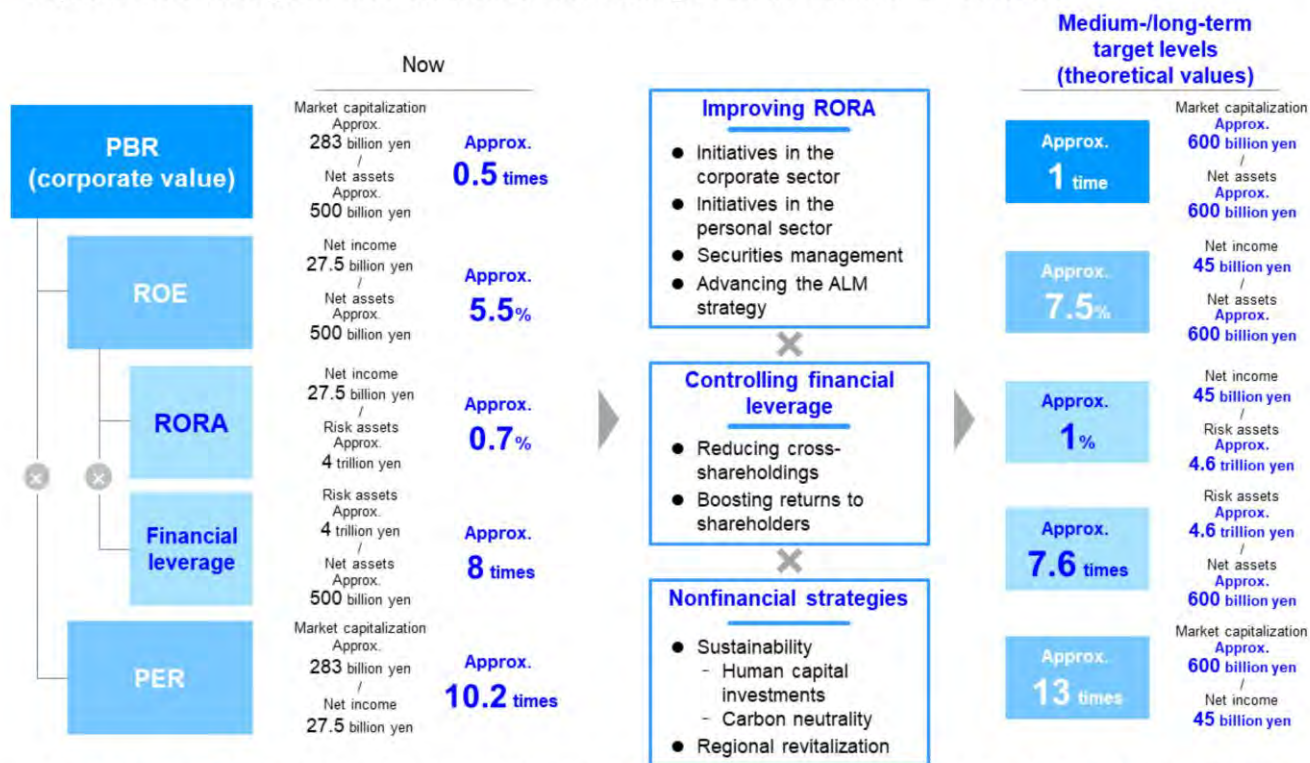
(Reference)

W TOKYO is a branding company that continues to create added value by leveraging its proprietary production knowhow through which it has nurtured Tokyo Girls Collection into one of Japan's largest platforms.

- This slide reviews our initiatives for regional revitalization.
- Since hosting the Hiroshima G7 Summit, Hiroshima Prefecture has seen growing numbers of overseas visitors, and inbound tourism demand is expected to grow further in the future as well.
- Centered on Hirogin Area Design, we intend to continue implementing initiatives for regional revitalization in cooperation with government and local communities.
- We also have concluded a partnership agreement with W TOKYO to promote regional revitalization.
- We will use this alliance and other means to maintain and grow the younger population in the region to drive its sustained growth.

Improving PBR Medium-/long-term target levels

- As we strive to realize “ROE>cost of shareholders’ equity” in the medium to long term, we will endeavor to improve ROE through the execution of various strategies as we strive for a PBR of 1x.



- As we deploy various strategies, in particular realizing ROE in excess of the cost of shareholders’ equity over the medium to long term, while improving RORA, we will aim for a PBR of 1x.

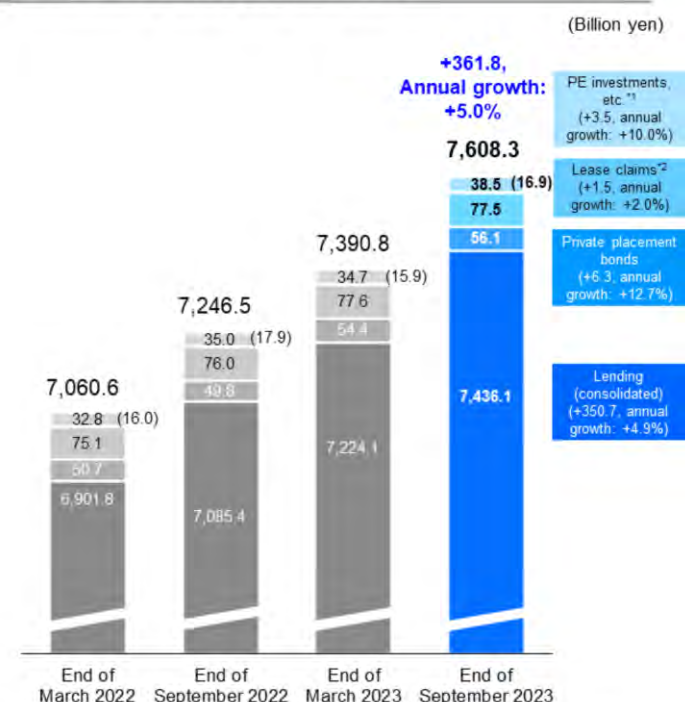
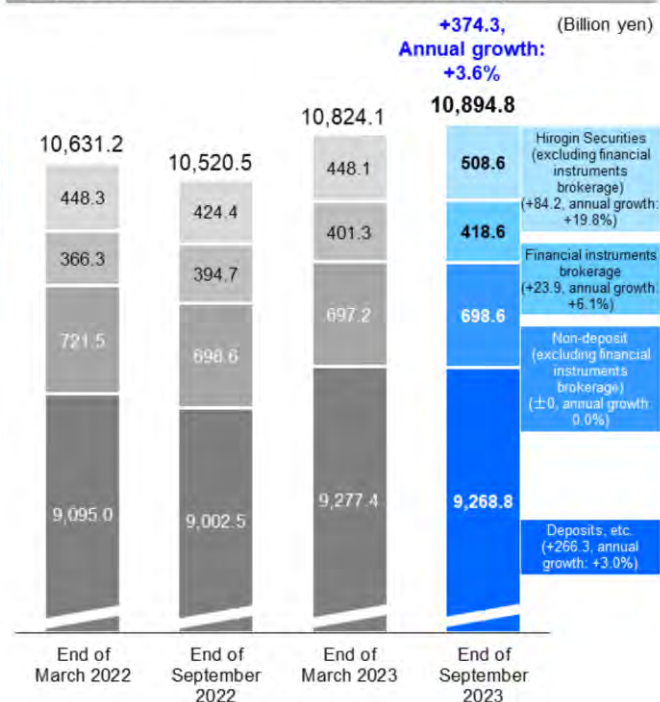
01 Summary of business performance

02 Strategy

03 Appendix

Group total credit, Group total assets under management (balances at end of September 2023)

Trend in group total credit

Total assets under management
(Hiroshima Bank + Hirogin Securities)

*1 PE investments, etc. includes private REIT investments. Balance of investments indicated in parentheses.

*2 Represents the lease claims of Hirogin Lease.

(Note 1) Changes and annual rates are vs. September 30, 2022

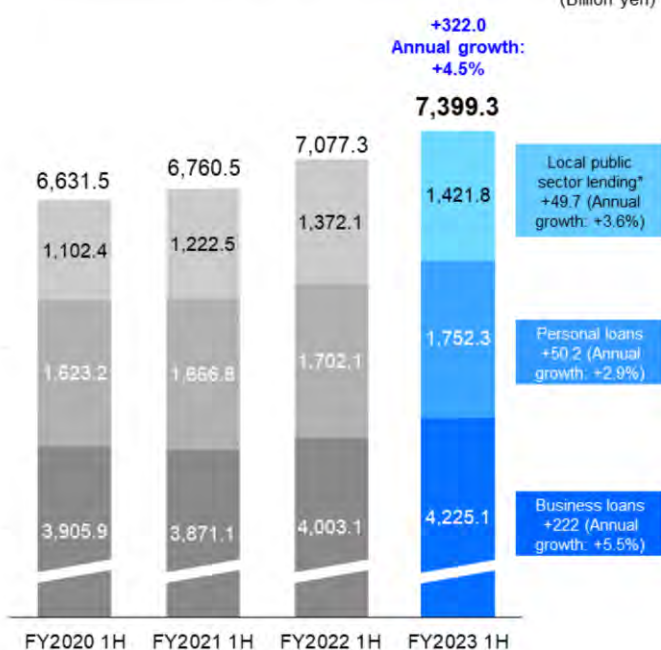
(Note 2) Hirogin Securities balances are shown on a mark-to-market basis.

(Note 3) Excluding financial instruments brokerage through the Hirogin App.
(Rakuten Securities, SBI Securities)

Balances of loans, deposits, etc. (deposits + NCDs) (average)

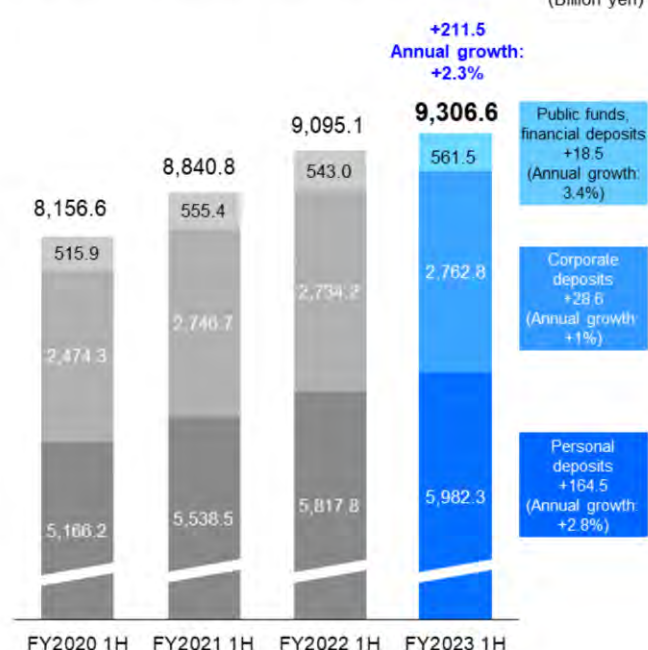
Trends in (average) balances of loans

(Billion yen)



Trends in balances of deposits, etc. (deposits + NCDs) (average)

(Billion yen)



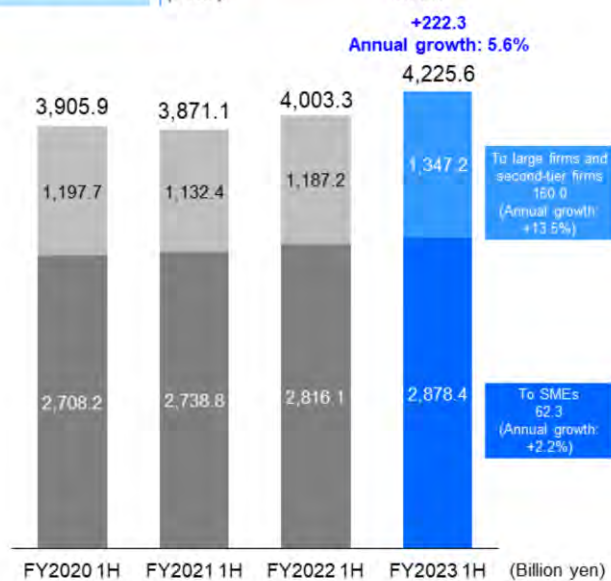
* Local public sector lending: Lending to local public agencies and public corporations

SME lending, personal loans

Trends in balances of business loans (average)

Yields on loans
(stock rates)
in FY2023 1H

Large firms	0.41%
Second-tier firms	0.50%
SMEs	0.94%
(Total)	0.75%



Loans to SMEs as
a percentage of
commercial
lending

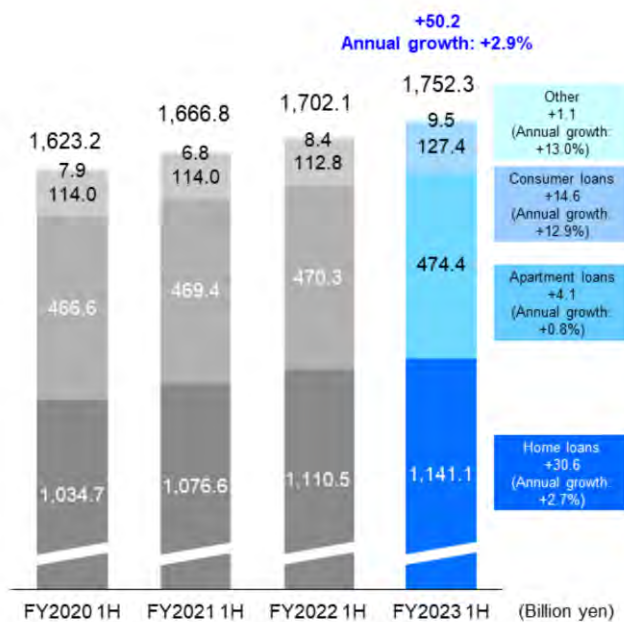
69.3%

70.7%

70.3%

68.1%

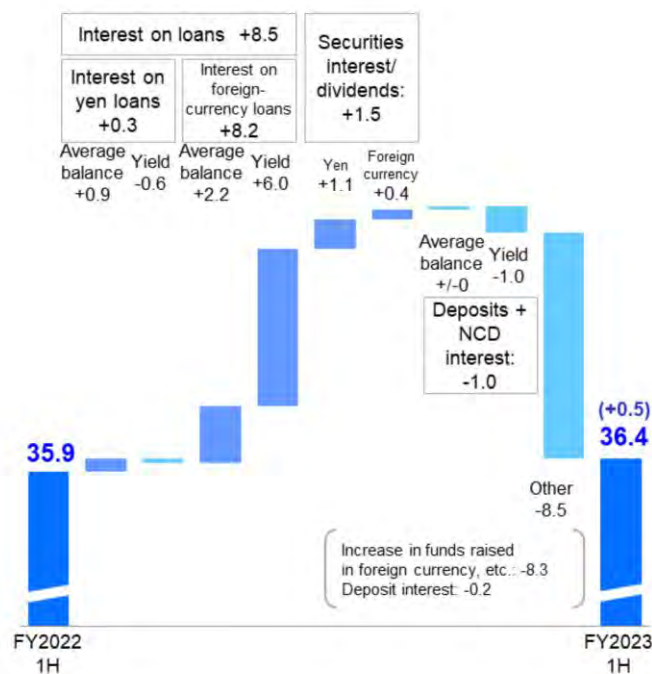
Trends in balance of personal loans (average)



Net interest income, net non-interest income

Factors contributing to changes in net interest income

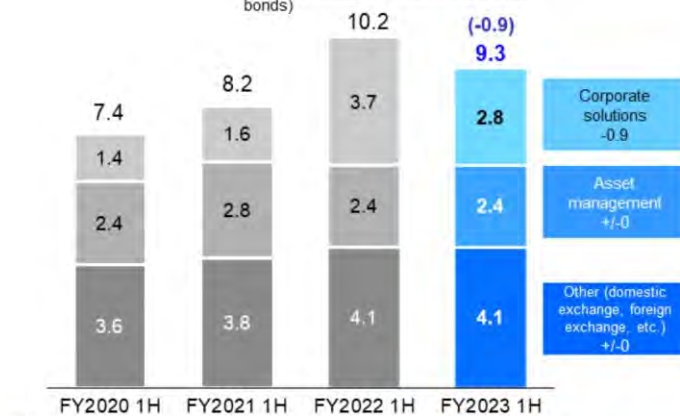
(Billion yen)



Net non-interest income

Net non-interest income = Income on service transactions and other fees
+ income on specified transactions
+ other business income (excluding gain/loss related to treasuries and other bonds)

(Billion yen)



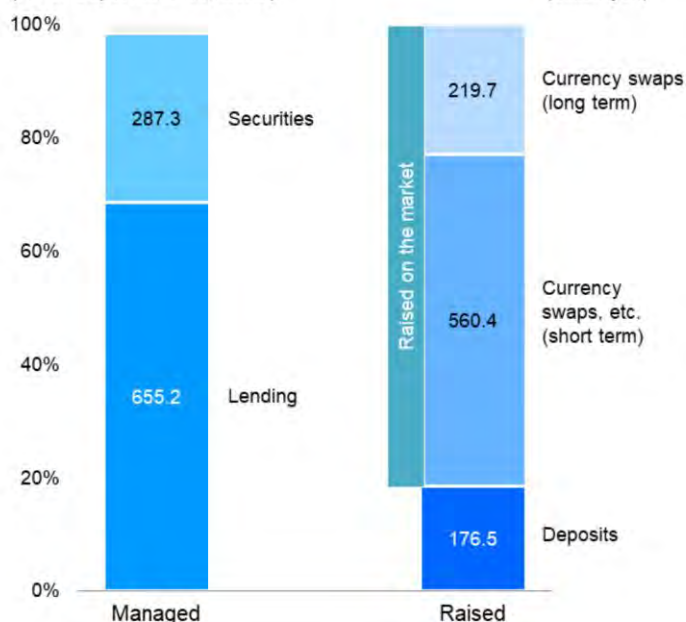
	FY2020 1H	FY2021 1H	FY2022 1H	FY2023 1H	YoY change
Corporate solutions	1.4	1.6	3.7	2.8	-0.9
Customer derivatives	0.5	0.5	2.2	0.8	-1.4
Finance-related (ships incl.)	0.5	0.6	0.5	1.3	0.8
Asset management	2.4	2.8	2.4	2.4	0.0
Investment trust	0.2	0.3	0.3	0.3	0.0
Equity business	-	0.6	0.0	-	0.0
Total	3.8	5.0	6.1	5.2	-0.9

Foreign currency balance sheet

Foreign currency balance sheet

(As of September 30, 2023)

(Billion yen)



(Notes)

- Converted at 1 US dollar = 149.58 yen

Key points

(As of September 30, 2023)

Lending



Securities

Point
1

Response policies for foreign currency securities

- Building a portfolio less susceptible to the effects of net interest revenues when short-term interest rates rise by increasing the ratios of variable bonds and forex open transactions (no forex hedge)

Point
2

Stable procurement structure

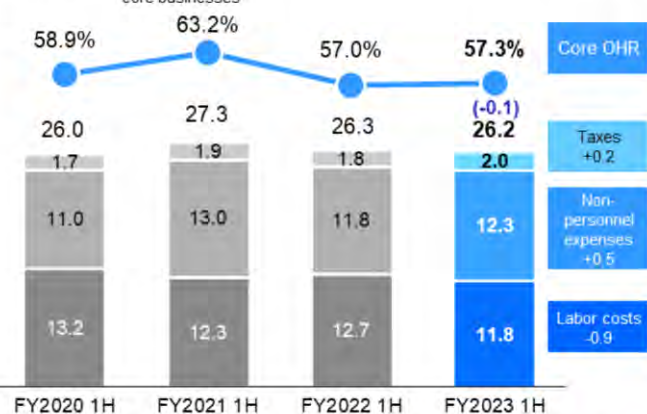
- We have commitment limit of approximately 300 billion yen as additional procurement capacity

Expenses, core OHR, interim net income

Expenses (excluding one-time disposal), core OHR

$$\text{Core OHR} = \frac{\text{Expenses}}{\text{Gross profit on core businesses}}$$

(Billion yen)

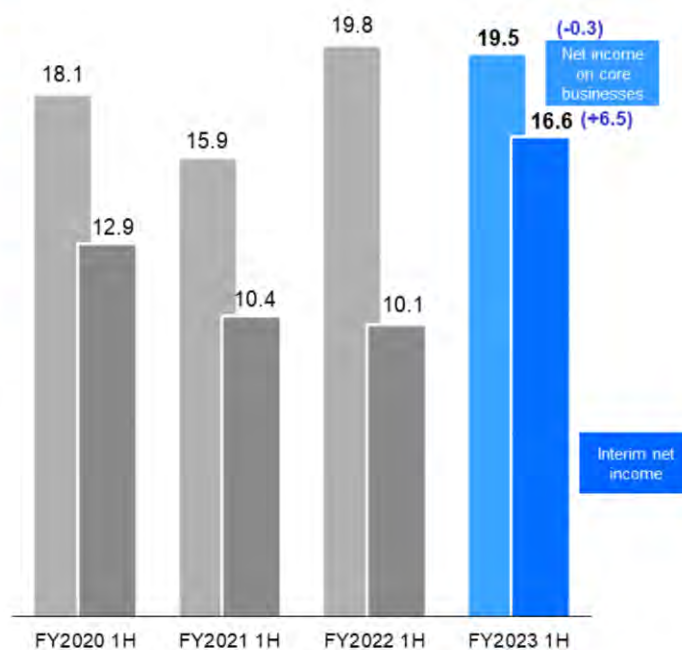


Reference: Main factors underlying changes in expenses (Billion yen)

	YoY change	Main factor
Labor costs	-0.9	<ul style="list-style-type: none"> Retirement benefit expenses -0.3 Bonuses (performance-based) -0.2 Increase in the holding company's share of executive and employee (seconded personnel) costs -0.1
Non-personnel expenses	+0.5	<ul style="list-style-type: none"> Measures to augment revenue (marketing, advertising expenses, etc.) +0.2 Administrative charges paid to the holding company +0.2 (offset in consolidation of accounts)
Taxes	+0.2	Pro forma standard taxation +0.2
Total expenses	-0.1	

Net income on core businesses/interim net income

(Billion yen)



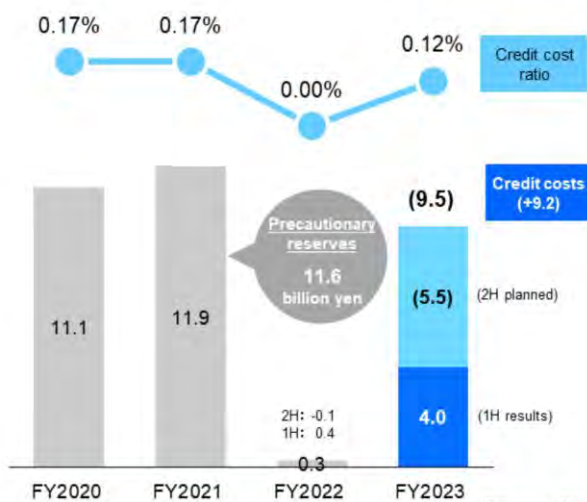
Credit costs, NPLs

Credit costs, credit cost ratio

(Billion yen)

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

(* Figures in parentheses for FY2023 are planned figures.)



	FY2008	FY2009	FY2010	FY2011	...	FY2020	FY2021	FY2022	FY2023
Credit costs	23.2	14.6	11.9	9.1	...	11.1	11.9	0.3	[9.5]
Credit cost ratio	0.53	0.33	0.27	0.20	...	0.17	0.17	0.00	[0.12]

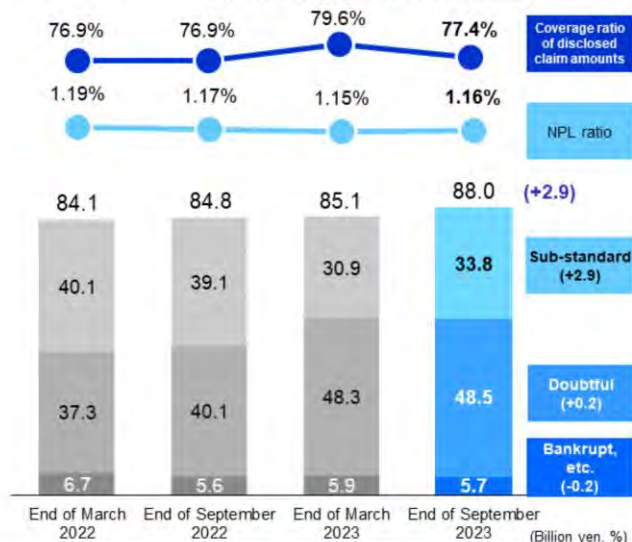
Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions, NPL ratio

(Billion yen)

$$\text{NPL ratio} = \frac{\text{Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}{\text{Total credit}}$$

Figures in parentheses are vs. end of March 2023 figures.

$$\text{Coverage ratio of disclosed claim amounts} = \frac{\text{Coverage amount (coverage by allowance for doubtful accounts, security, etc.)}}{\text{Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}$$



	End of March 2022	End of September 2022	End of March 2023	End of September 2023
Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions	128.4	111.9	115.8	105.2
NPL ratio	2.82	2.50	2.60	2.31

Note: Figures for claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions above are rounded to the nearest whole number.

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.



To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group contributes solutions to community social and environmental challenges and sustainable growth by providing comprehensive community services characterized by high added value.

Reference Materials

November 2023

Hiroain Holdings, Inc.

未来を、ひろげる。



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Part 1 Economic Data for Hiroshima Prefecture

1. Profile of Hiroshima Prefecture

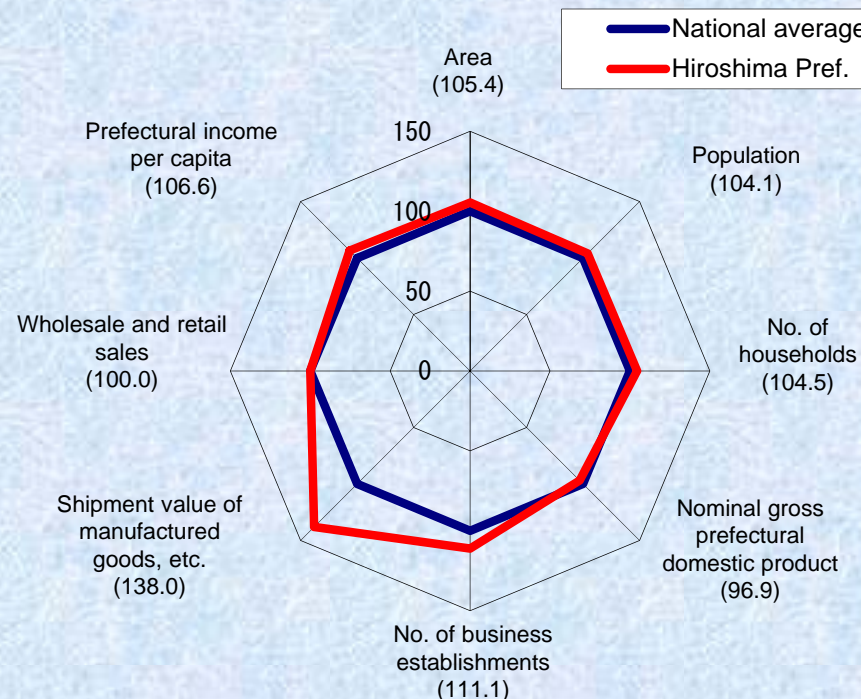
■ In terms of key indexes, Hiroshima Prefecture accounts for about 2.2% of Japan and falls around 11th place in the national ranking.

Hiroshima Prefecture's ranking and share of Japan

			Actual data	National ranking	Share of Japan	As of
Regionality	Area	km ²	8,479	11th/47	2.2	July, 2023
	Population	Thousand people	2,771	12th/47	2.2	January, 2023
	No. of households	Thousand households	1,335	11th/47	2.2	January, 2023
Economy	Nominal gross prefectural domestic product	Trillion yen	11.6	12th/47	2.1	FY2020
	No. of business establishments	Thousand establishments	123	11th/47	2.4	2021
	Shipment value of manufactured goods, etc.	Trillion yen	9.9	10th/47	3.0	2021
	Wholesale and retail sales	Trillion yen	11.5	10th/47	2.1	2021
	Prefectural income per capita	Thousand yen	2,969	12th/47	—	FY2020
Finance	Deposits outstanding	Trillion yen	15.4	12th/47	1.6	March, 2023
	Loans outstanding	Trillion yen	11.4	10th/47	2.0	March, 2023

Source: Ministry of Internal Affairs and Communications, Ministry of Economy, Cabinet Office, Bank of Japan

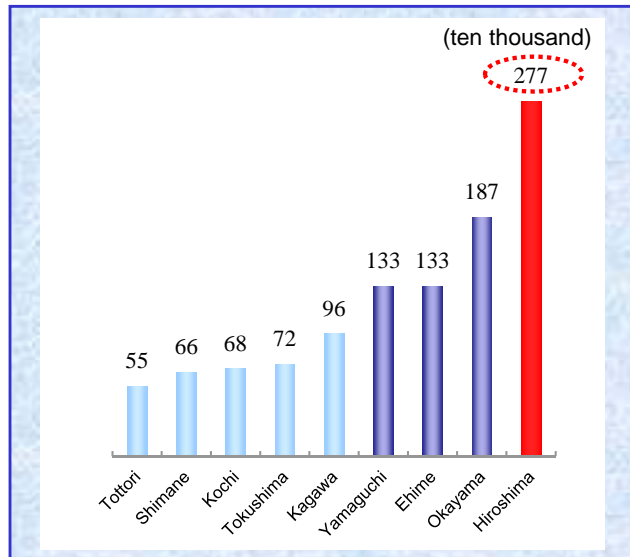
[Comparison between Hiroshima Prefecture and national average]



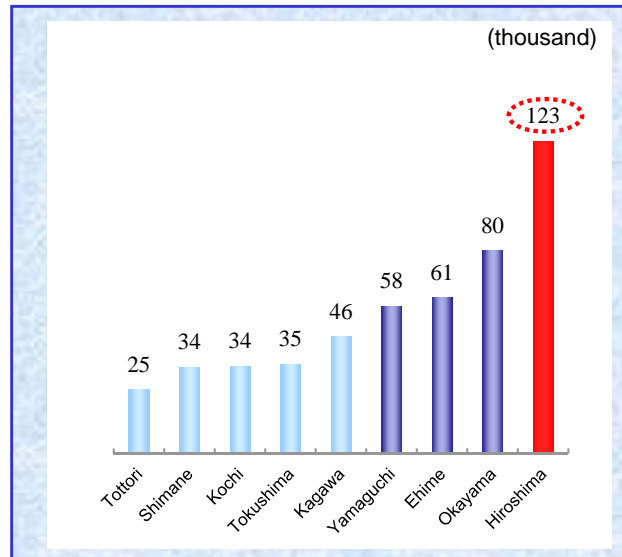
Note: Each index of Hiroshima Prefecture is calculated based on a national average=100.

2. Hiroshima Prefecture and Four Local Prefectures(Chugoku and Shikoku regions) Comparisons

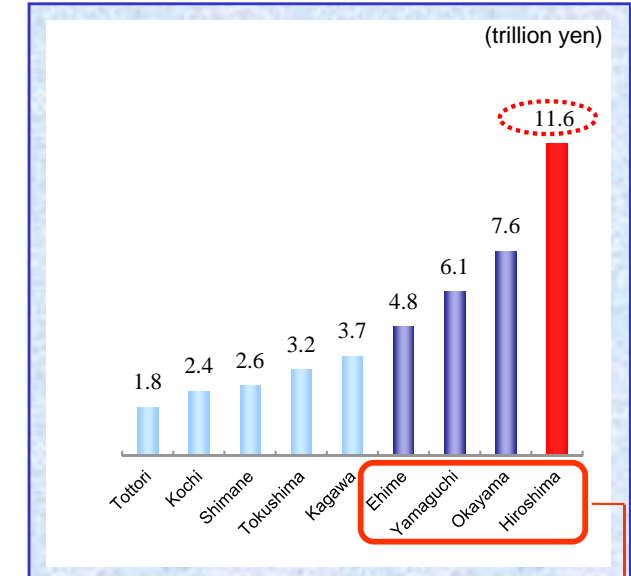
Population in the Chugoku and Shikoku regions by prefecture



Number of business establishments in the Chugoku and Shikoku regions by prefecture



Prefectural GDP (nominal)



Population ranking by prefecture

(ten thousand people)		
1	Tokyo	1,384
2	Kanagawa Prefecture	921
3	Osaka Prefecture	878
4	Aichi Prefecture	751
5	Saitama Prefecture	738
6	Chiba Prefecture	631
...		
12	Hiroshima Prefecture	277
13	Kyoto Prefecture	250
...		
20	Okayama Prefecture	187
...		
27	Ehime Prefecture	133
28	Yamaguchi Prefecture	133
...		
47	Tottori Prefecture	55
Total		12,542

Source: The number of the population based on the Basic Resident Register, the population dynamics and the households by the Ministry of Internal Affairs and Communications(as of 1 January 2023)

Number of business establishments ranking by prefecture

(thousand)		
1	Tokyo	624
2	Osaka Prefecture	383
3	Aichi Prefecture	301
4	Kanagawa Prefecture	285
5	Saitama Prefecture	231
...		
11	Hiroshima Prefecture	123
12	Kyoto Prefecture	111
...		
21	Okayama Prefecture	80
26	Ehime Prefecture	61
28	Yamaguchi Prefecture	58
...		
47	Tottori Prefecture	25
Total		5,211

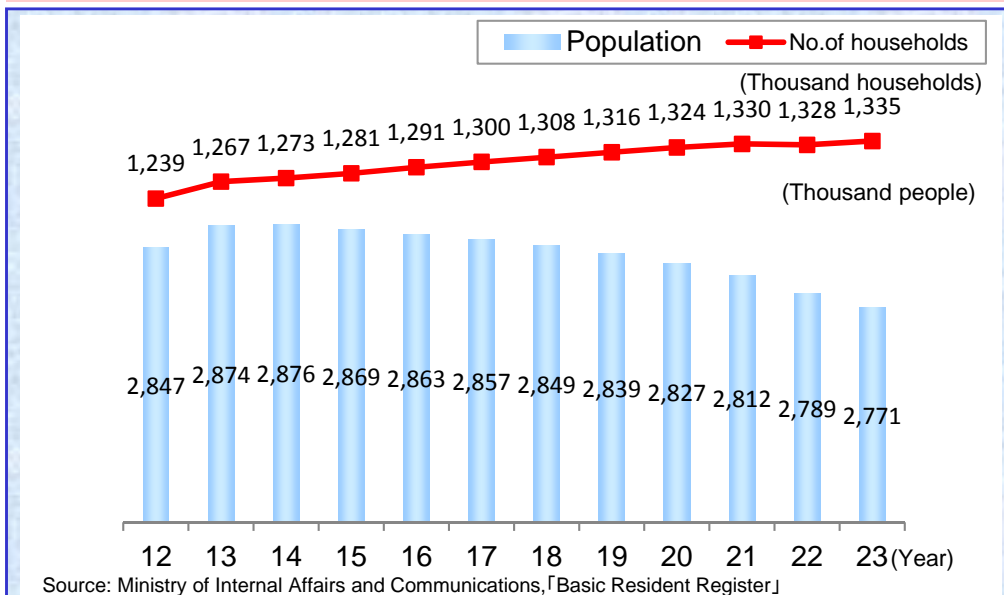
Source: Economic census 2021

Country/region	GDP(nominal)
South Africa	35.1trillion yen
Malaysia	35.0trillion yen
Central America	35.0trillion yen
Pakistan	31.2trillion yen
Four local prefectures	30.1trillion yen
Finland	28.2trillion yen
Colombia	28.1trillion yen
...	
Qatar	15.0trillion yen
Morocco	12.6trillion yen
Hiroshima Prefecture	11.6trillion yen
Slovakia	11.1trillion yen
State of Kuwait	11.0trillion yen

Note: Nominal gross prefectural domestic product figures are from FY2020; GDP (nominal) figures are from 2020.
Source: IMF, Cabinet Office, Bank of Japan

3. Population and Labor Force in Hiroshima Prefecture

Changes in population and number of households in Hiroshima Prefecture

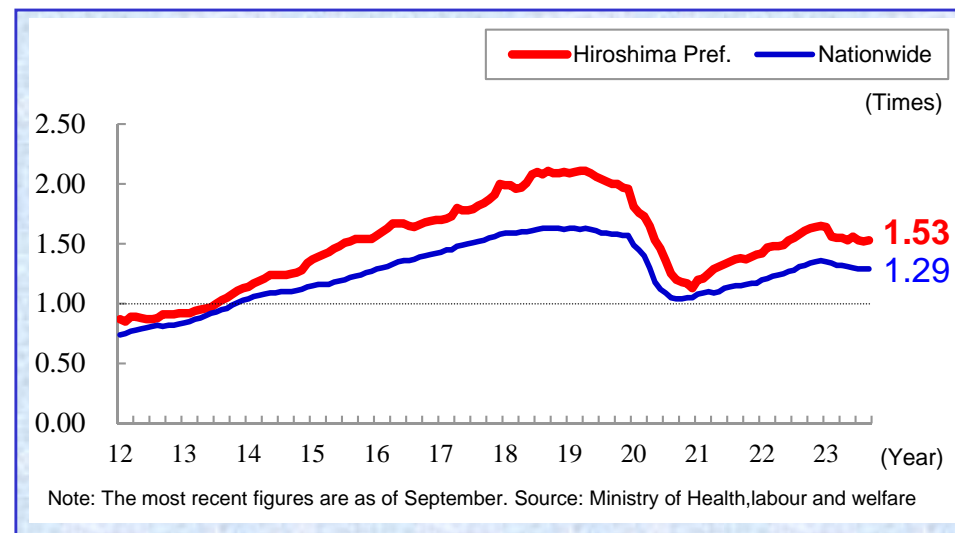


Estimates for future population Prefectures (Chugoku and Shikoku regions)

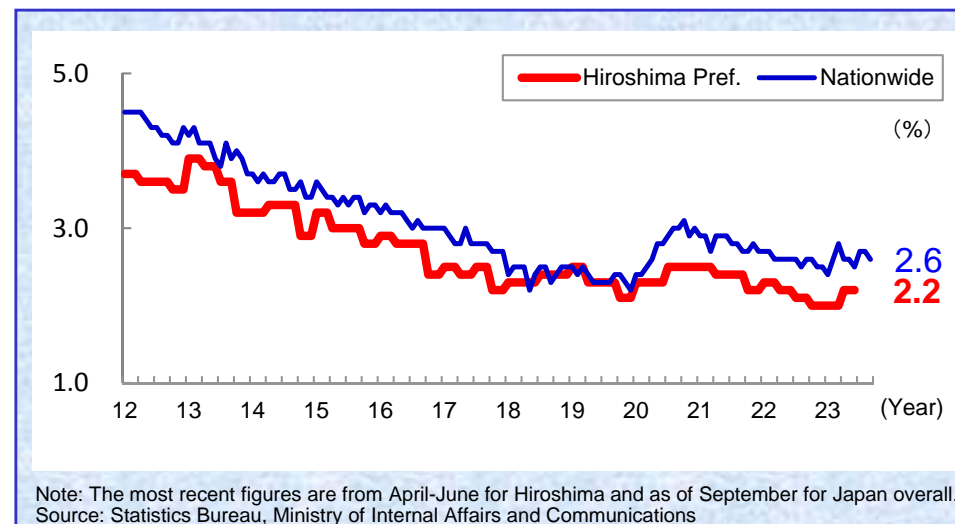
Population (Thousand people)	2015	2020	Rate of increase/ decrease	2030	Rate of increase/ decrease
Hiroshima Pref.	2,844	2,814	-1.1	2,689	-5.4
Okayama Pref.	1,922	1,890	-1.7	1,797	-6.5
Yamaguchi Pref.	1,405	1,352	-3.8	1,230	-12.4
Shimane Pref.	694	670	-3.5	615	-11.3
Tottori Pref.	573	556	-3.0	516	-9.9
Ehime Pref.	1,385	1,333	-3.8	1,212	-12.5
Kagawa Pref.	976	951	-2.6	889	-9.0
Tokushima Pref.	756	723	-4.4	651	-13.9
Kochi Pref.	728	691	-5.1	614	-15.6

Source: National Institute of Population and Social Security Research, 「March 2018 Estimates」

Changes in job-offers-to-seekers ratio

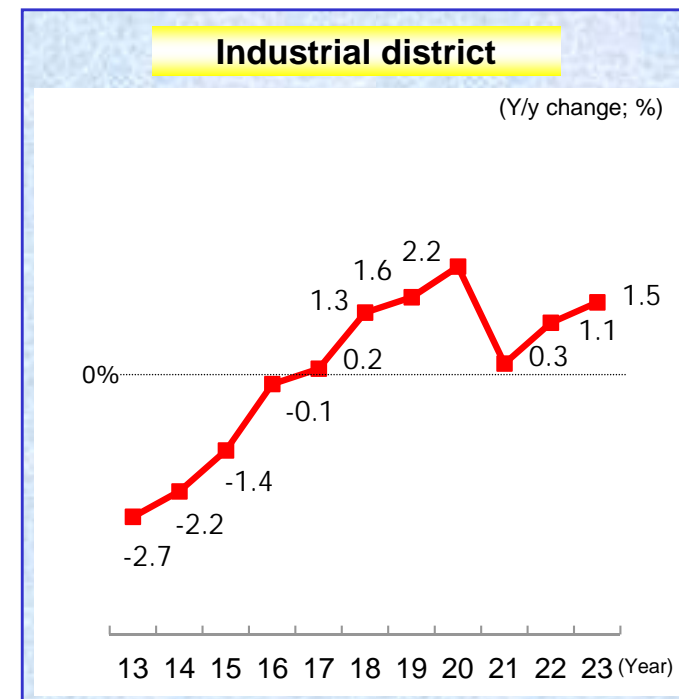
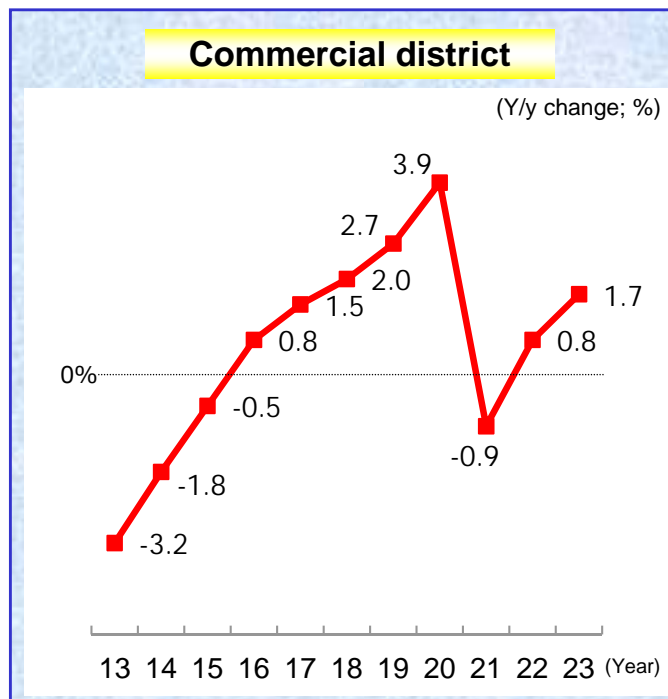
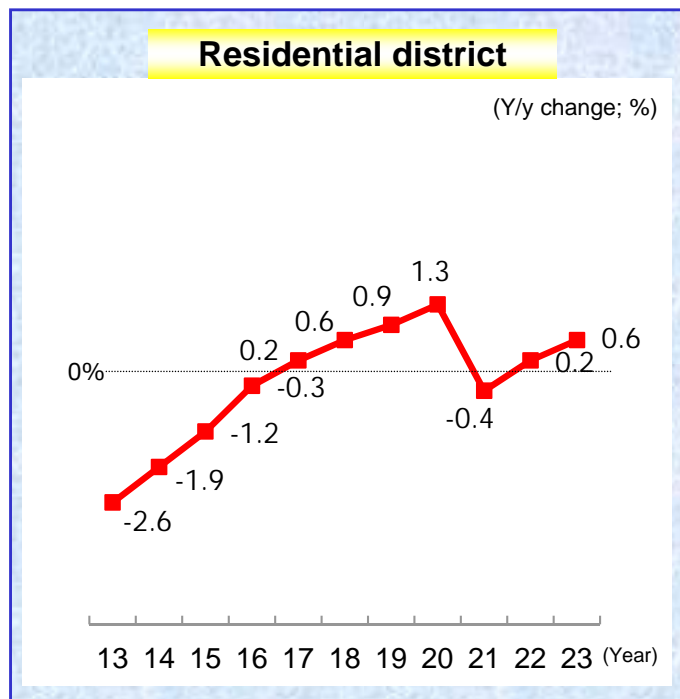


Changes in unemployment rate



4. Trends of Land Prices in Hiroshima Prefecture

Changes in official land price by use



Land price fluctuation rate in major cities of Hiroshima Prefecture

Major cities	Residential district			Commercial district			Industrial district		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Hiroshima City	0.4	1.4	1.7	-0.4	2.6	3.7	1.0	1.9	2.4
Kure City	-1.4	-1.4	-1.1	-0.9	-1.0	-0.6	-1.2	-1.4	-1.1
Fukuyama City	-1.0	-0.2	0.5	-1.4	0.8	2.1	-0.3	0.9	1.6
Higashihiroshima City	-0.3	0.3	0.7	0.3	1.2	1.3	3.1	3.2	3.0

Highest land price in 4 local prefectures

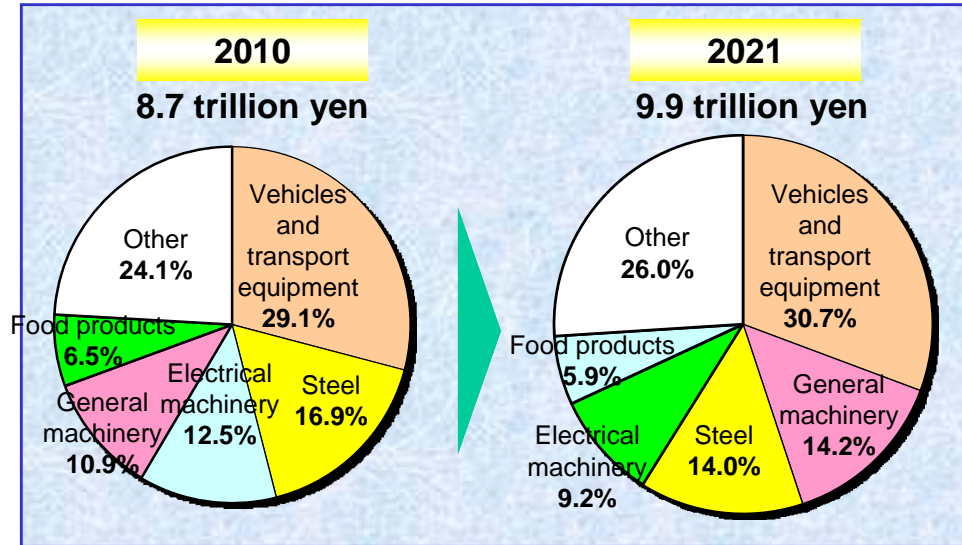
(Unit: Thousand yen/m²)

Hiroshima Prefecture	Residential district	1,530
	Commercial district	3,700
Okayama Prefecture	Residential district	180
	Commercial district	1,650
Yamaguchi Prefecture	Residential district	89
	Commercial district	179
Ehime Prefecture	Residential district	236
	Commercial district	831

Source: Ministry of Land, Infrastructure, Transport and Tourism, 「Land General Information System」

5. Production Activities in Hiroshima Prefecture

**Trends of shipment value of manufactured goods, etc.
(Hiroshima Prefecture)**



Source: Ministry of Economy

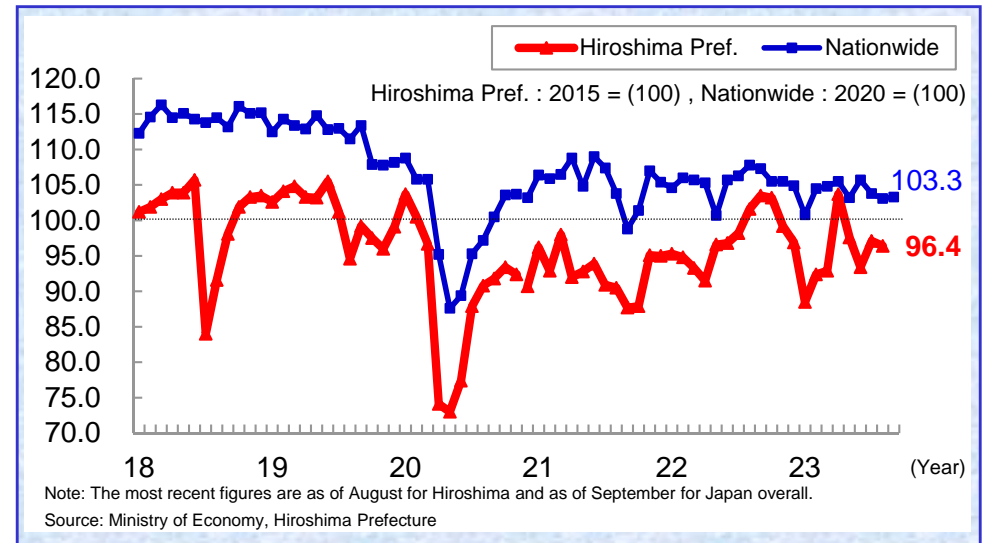
**Major export destination countries and regions
(Hiroshima Prefecture)**

	2010	2022	Increase/ decrease	Rate of increase/decrease
Total	1,989.2	2,745.3	756.1	38.0
Asia	926.7	1,025.4	98.7	10.7
China	348.4	206.9	-141.5	-40.6
Korea	180.4	169.1	-11.3	-6.2
Thailand	108.9	182.0	73.1	67.1
Taiwan	64.5	114.3	49.8	77.2
Singapore	46.2	52.9	6.7	14.4
North America	324.7	818.3	493.6	152.0
The United States	269.9	729.4	459.5	170.2
Western Europe	179.7	232.6	52.9	29.4
Germany	38.2	56.0	17.8	46.6
England	43.8	46.6	2.8	6.4

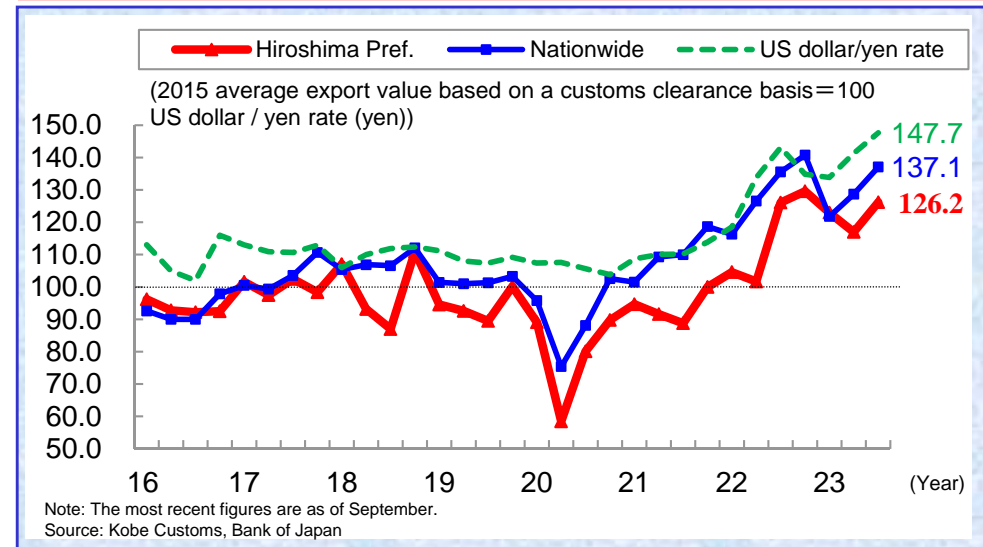
(JPY Bn)

Source: Kobe Customs

**Industrial Production Index
(Hiroshima Prefecture)**



**Trend of export value on a customs clearance basis
(nationwide and Hiroshima Prefecture) and trend of US dollar/ yen rate**



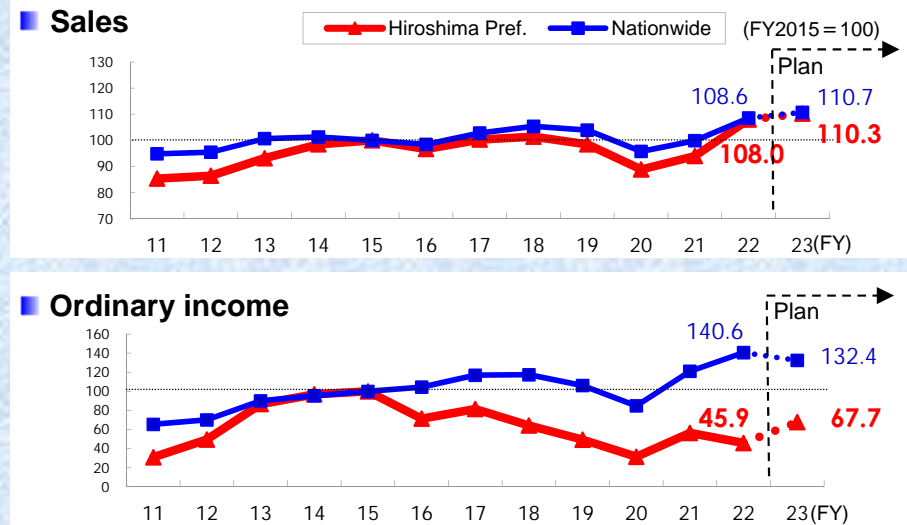
6. Overview of Hiroshima Prefecture's economy

Latest business confidence

		Movements by item	
		October 2022	October 2023
Hiroshima	Overview	Slowly recovering	Gently recovering
	Private consumption	Recovering	Gently recovering
	Business investment	Slowly recovering	Slowly increasing
	Production	Recovering as supply constraints ease	A gentle recovering trend
	Exports	Recovering as supply constraints ease	A recovering trend as supply-chain restrictions ease

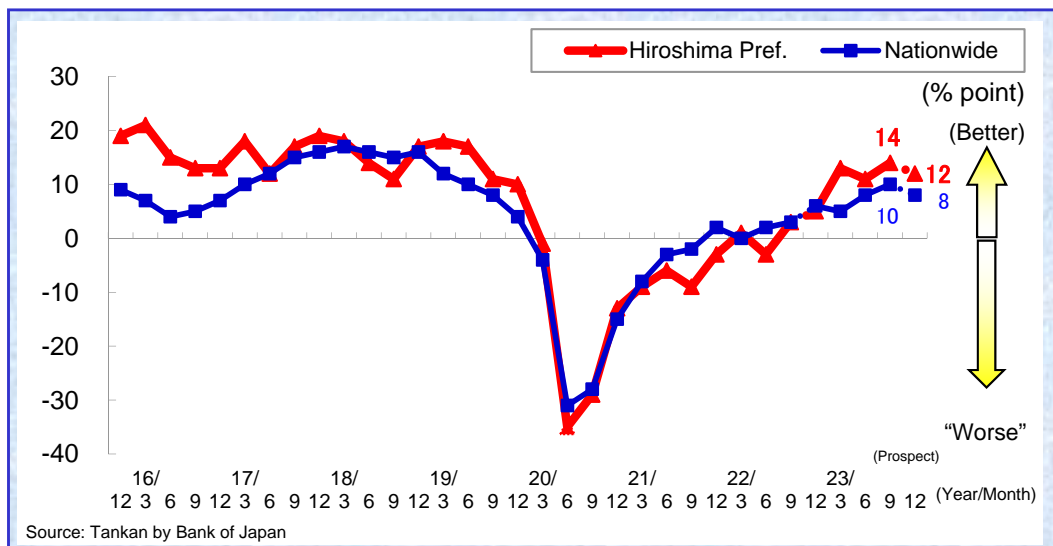
Source: Monthly report of recent economy and financial developments by Bank of Japan

Sales and ordinary income



Source: Tankan by Bank of Japan

Diffusion Index (D.I.) (all industries in Hiroshima Prefecture)



Source: Tankan by Bank of Japan

Amounts of capital investment

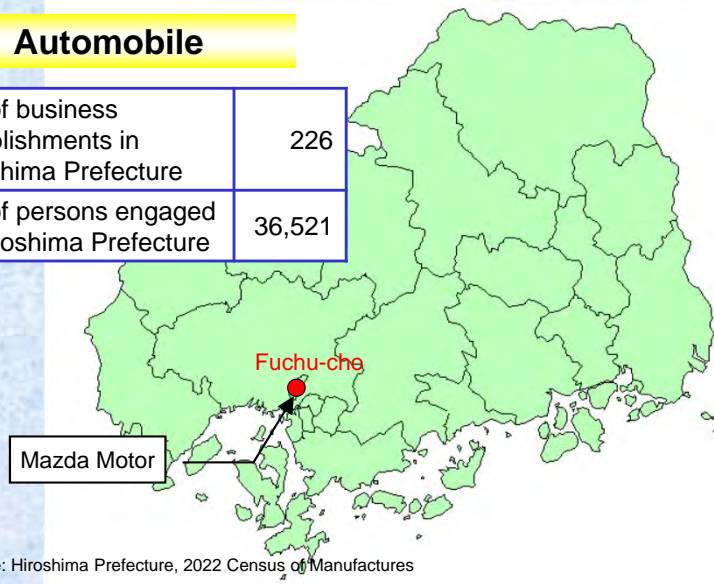
(YoY change,%)			
	FY2021 results	FY2022 results	FY2023 plans
All industries	8.0	9.5	11.3
Manufacturing	47.0	0.2	17.0
Major companies	42.6	1.1	19.9
Mid-sized companies	66.8	-9.8	21.3
SMEs	42.2	15.8	-5.3
Non-manufacturing	-9.8	15.9	7.9
Major companies	-10.0	17.3	6.6
Mid-sized companies	-8.3	-3.4	28.8
SMEs	-7.2	40.3	-10.7

Source: Tankan by Bank of Japan

7. Major Industry Trends -Transportation Equipment-

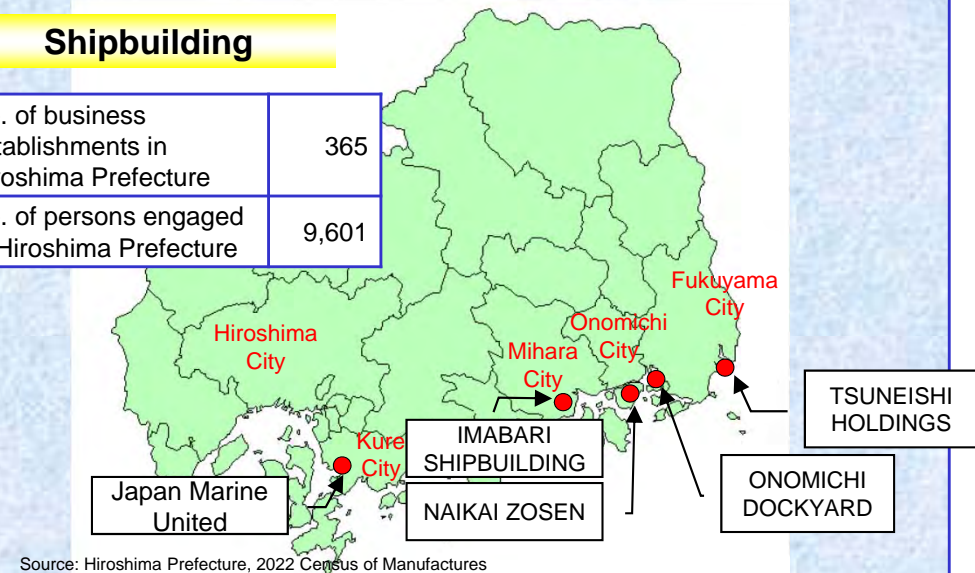
Automobile

No. of business establishments in Hiroshima Prefecture	226
No. of persons engaged in Hiroshima Prefecture	36,521

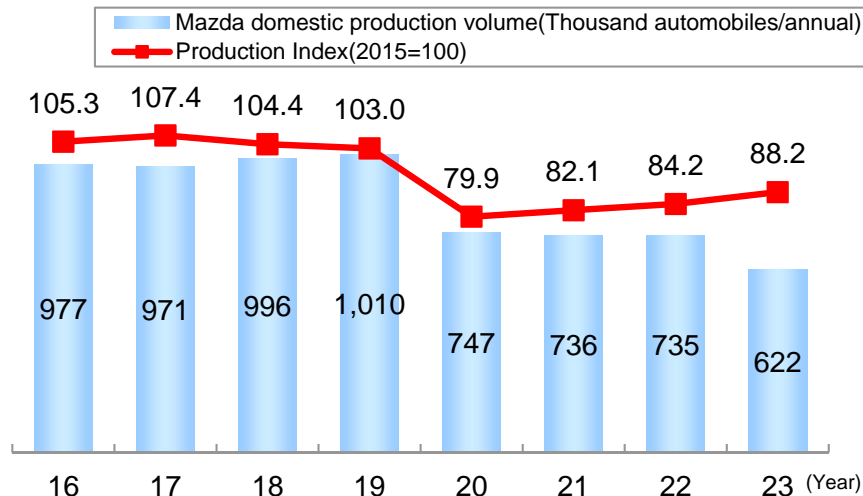


Shipbuilding

No. of business establishments in Hiroshima Prefecture	365
No. of persons engaged in Hiroshima Prefecture	9,601

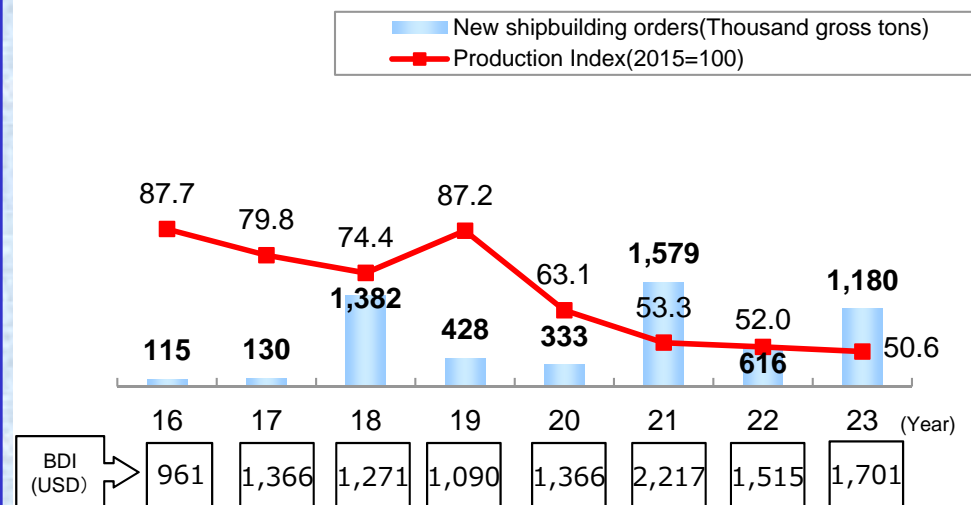


Production index in the automobile sector (Hiroshima Prefecture) and Mazda's annual production volume



Note: Figures for 2023 Mazda domestic production volume are from January-September; production index is based on January-August figures. Sources: Hiroshima Prefecture, Mazda Motor Corporation

Industrial Production Index of the shipbuilding sector and new shipbuilding orders (Hiroshima Prefecture)

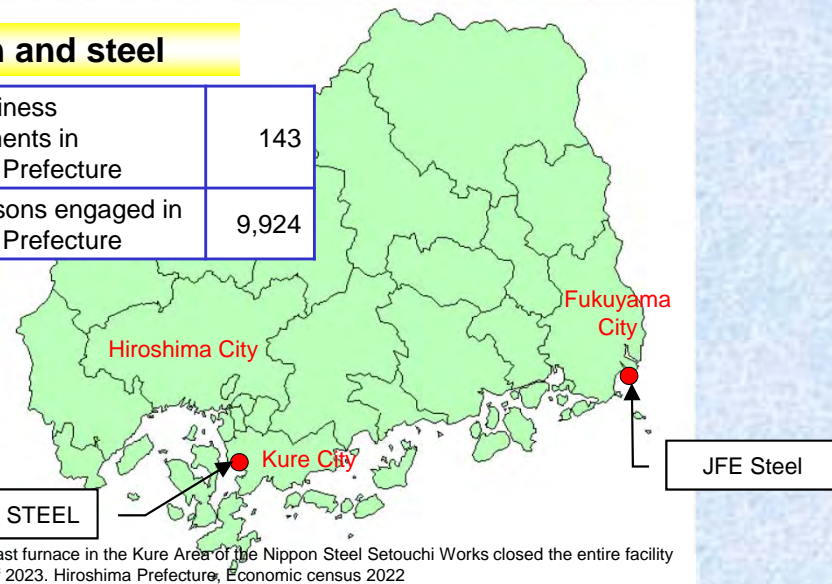


Note: Figures for 2023 new shipbuilding orders and the production index are from January-August; BDI shown as of end of September. Sources: Hiroshima Prefecture, Chugoku District Transport Bureau and Bloomberg L.P.

8. Major Industry Trends -Iron and Steel/General Machinery-

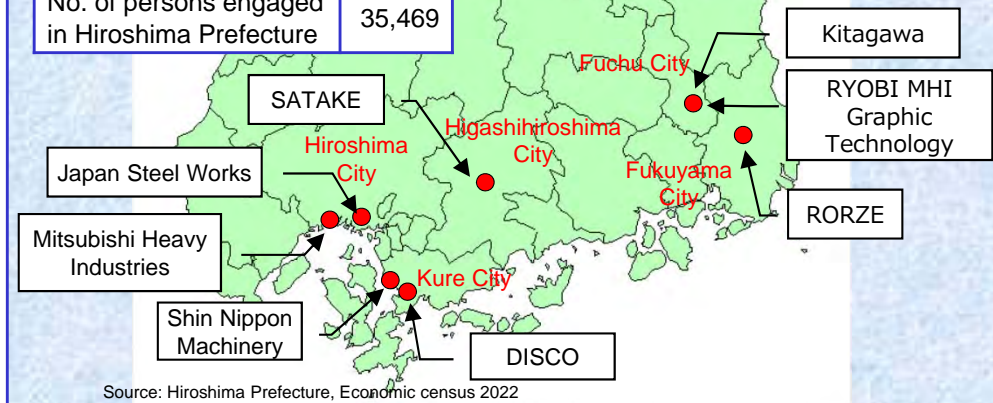
Iron and steel

No. of business establishments in Hiroshima Prefecture	143
No. of persons engaged in Hiroshima Prefecture	9,924

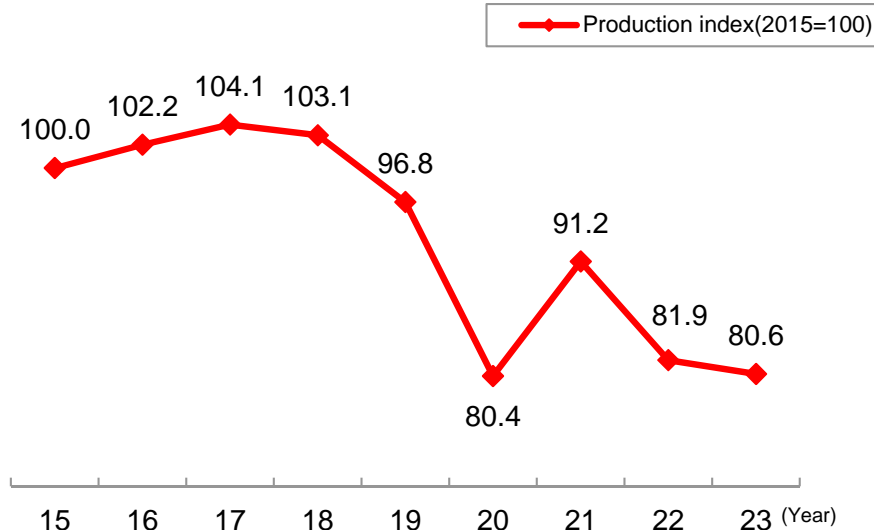


General machinery

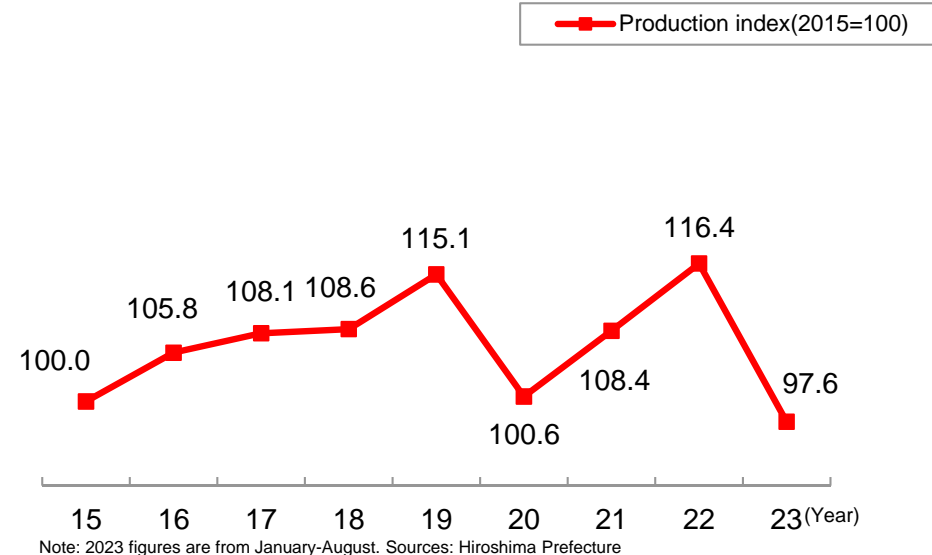
Number of business establishments in Hiroshima Prefecture	1,066
No. of persons engaged in Hiroshima Prefecture	35,469



Industrial Production Index of the iron and steel sector (Hiroshima Prefecture)

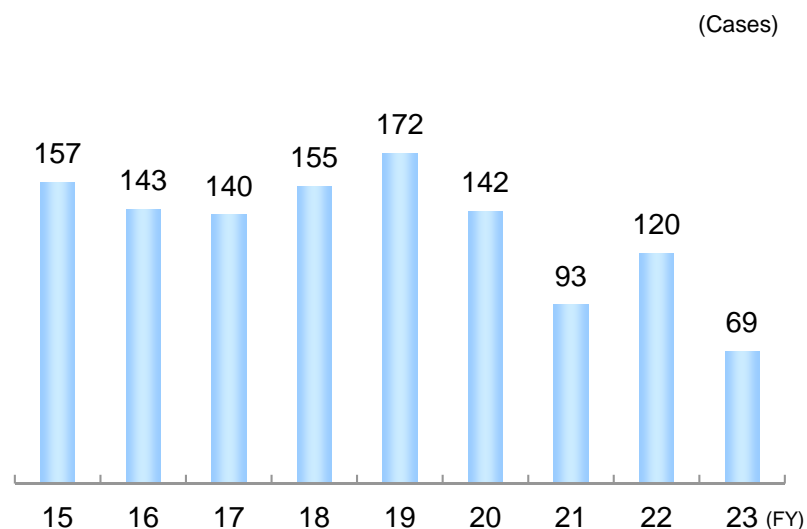


Industrial Production Index of the general machinery sector (Hiroshima Prefecture)



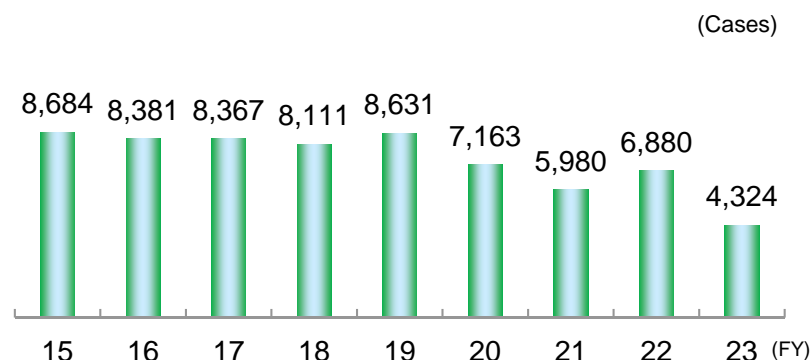
9. Bankruptcies in Hiroshima Prefecture

Number of bankruptcies in Hiroshima Prefecture



2023 figures are from April-September. Source: Tokyo Shoko Research

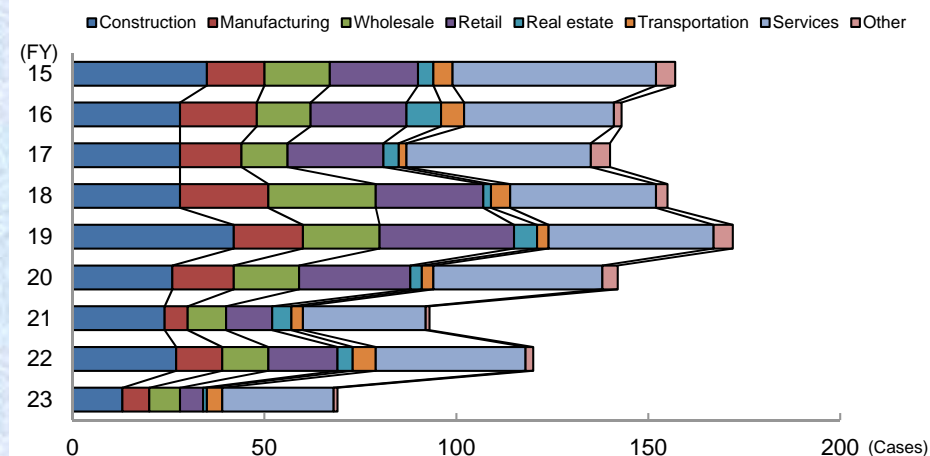
<Reference> Changes in number of bankruptcies nationwide



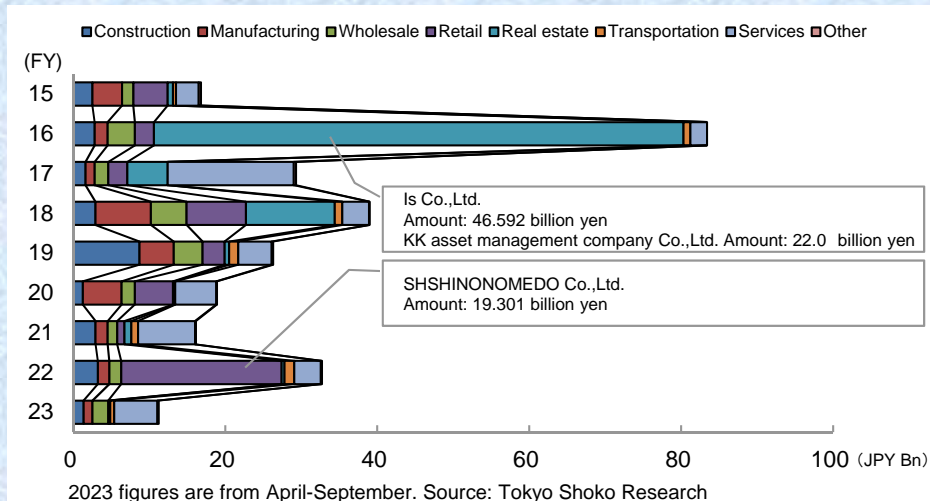
2023 figures are from April-September. Source: Tokyo Shoko Research

Bankruptcies in Hiroshima Prefecture by industry sector

Number of Bankruptcies

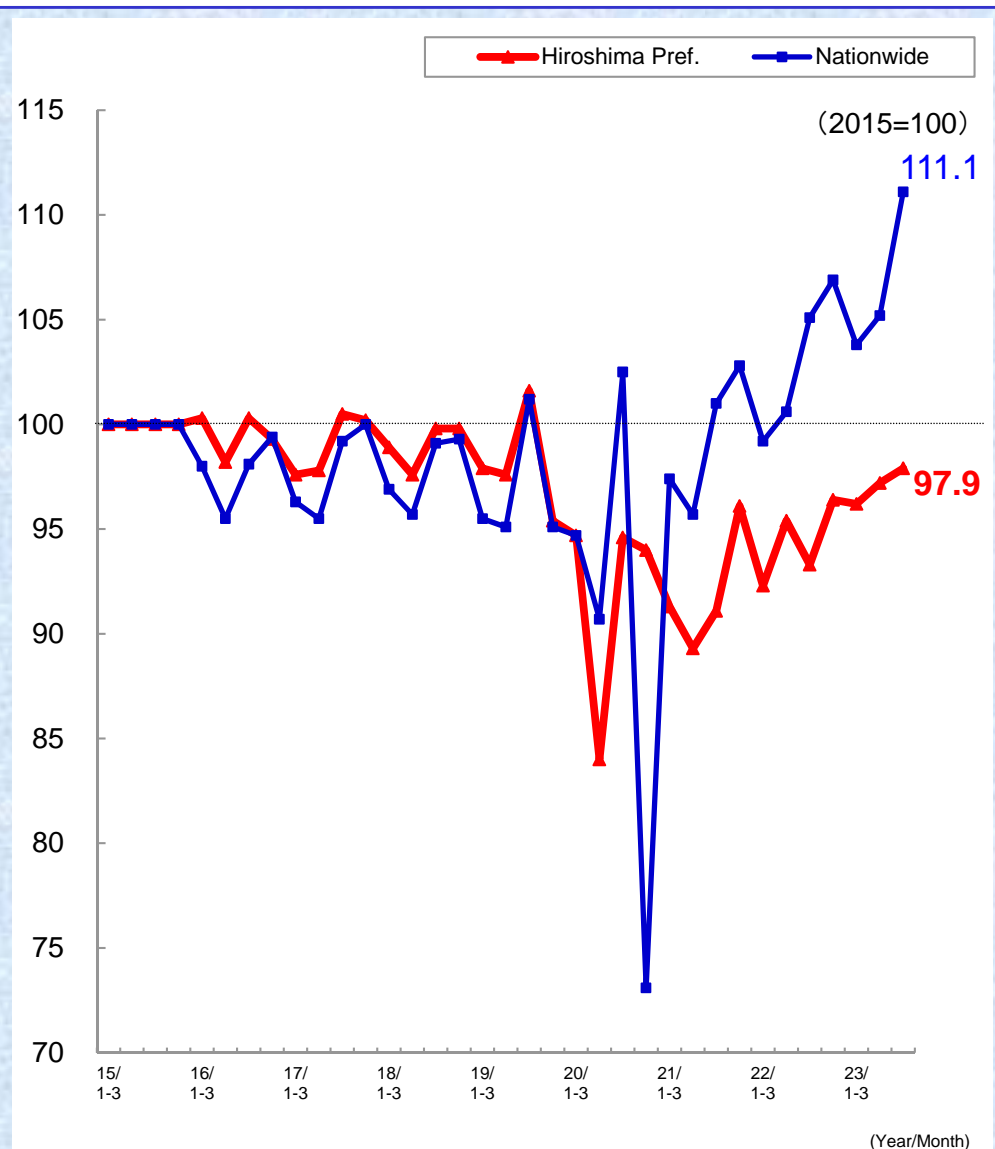


Total liabilities



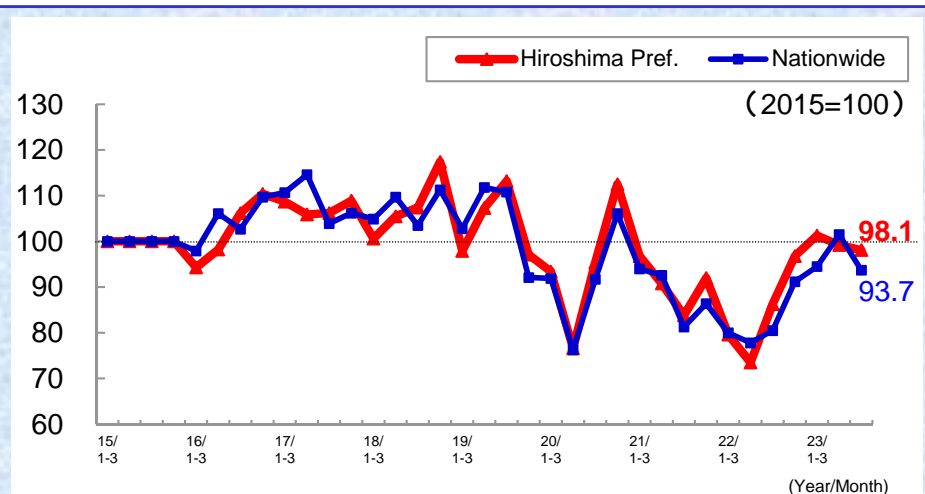
10. Consumer Spending

Changes in sales at large-scale retail stores
(department stores and supermarkets)



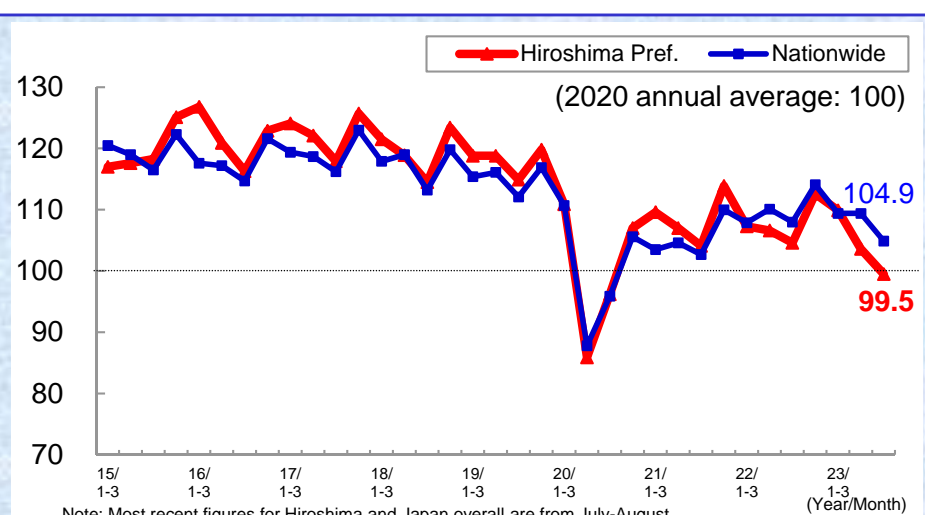
Source: Ministry of Economy

Changes in new car registration



Source: Japan Automobile Dealers Association

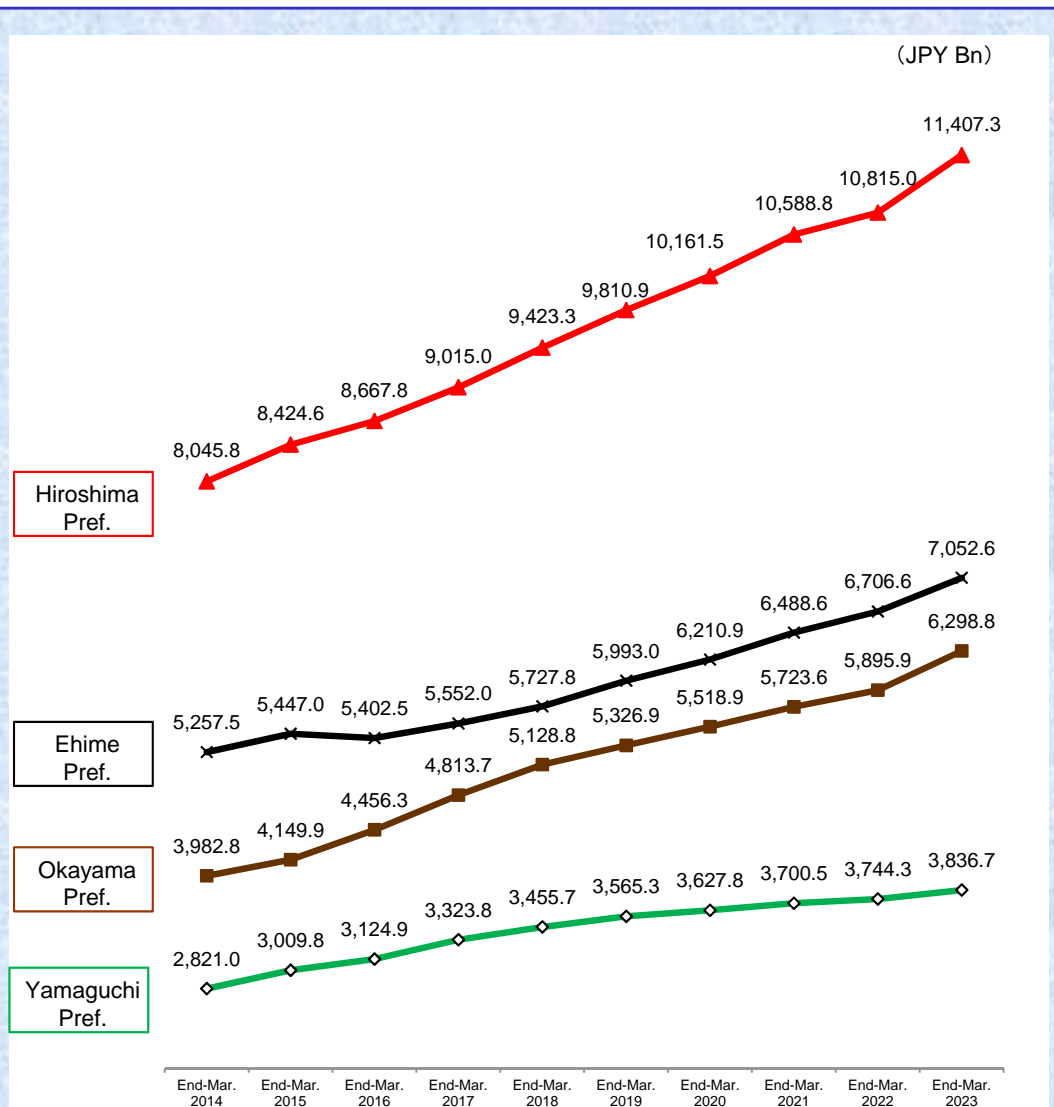
Changes in overtime working hours



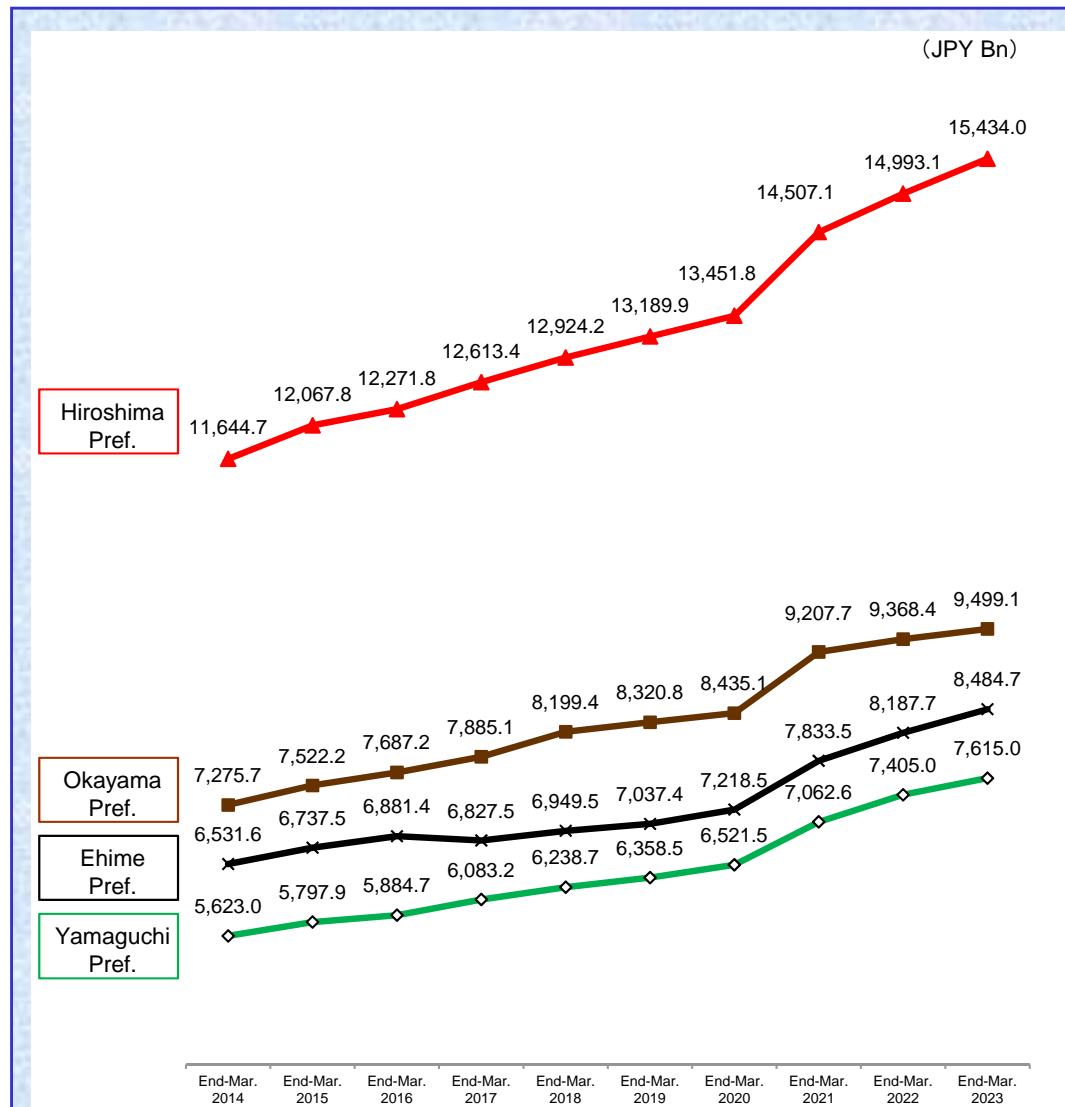
Note: Most recent figures for Hiroshima and Japan overall are from July-August.
Source: MHLW

11. Trends of Loans/Deposits in Hiroshima Prefecture

Changes in loans outstanding



Changes in deposits outstanding



Source: The Bank of Japan, "Prefectural Deposits, Cash and Loans"

12. Comparison among Hiroshima City, Sapporo City, Sendai City, and Fukuoka City

Key indexes of each city

			Hiroshima City	Sapporo City	Sendai City	Fukuoka City	As of
Regional	Area	km ²	907	1,121	786	343	July. 2023
	Population	Thousand people	1,185	1,960	1,067	1,581	January. 2023
	No. of households	Thousand households	578	1,097	538	842	January. 2023
Economy	Nominal gross regional domestic product	Billion yen	5,317.1	7,610.0	5,327.3	7,604.5	FY2019
	No. of business establishments	Establishments	52,041	71,870	47,077	73,223	2021
	Shipment value of manufactured goods, etc.	Billion yen	2,776.2	567.5	1,012.9	624.5	2021
	Retail sales	Billion yen	1,406.7	2,278.7	1,487.9	2,120.6	2021
	Wholesale sales	Billion yen	6,021.4	7,182.7	7,195.5	11,437.5	2021
	City income per capita	Thousand yen	3,345	2,928	3,313	3,274	FY2019

Source: Ministry of Internal Affairs and Communications, Ministry of Economy, Cabinet Office

Part 2 Data for Hirogin Holdings

1. Changes in Earnings Performance (Hirogin Holdings Consolidated)

1. Status of consolidated financial results

(JPY Bn)

	1H of FY2021	FY2021	1H of FY2022	FY2022	1H of FY2023	Compared to 1H of FY2022	Compared to 1H of FY2021
Consolidated gross profit	47.7	92.0	48.5	79.3	49.0	0.5	1.3
Net interest income	33.8	69.5	34.7	66.2	35.2	0.5	1.4
Net fees and commissions income	10.5	21.1	9.9	20.8	11.7	1.8	1.2
Income from specific transactions and other businesses	3.4	1.3	3.8	-7.7	2.0	-1.8	-1.4
Operating expenses (-)	29.6	58.0	29.2	58.0	28.5	-0.7	-1.1
Credit costs (-)	5.0	12.4	0.5	0.6	4.3	3.8	-0.7
Gains/losses related to equities, etc.	3.4	5.0	-4.1	-2.2	7.4	11.5	4.0
Gains/losses from equity method investments	-	-	-	-	-0.0	-0.0	-0.0
Other	0.2	0.4	0.1	0.4	0.3	0.2	0.1
Ordinary profit	16.7	27.0	14.7	18.7	23.9	9.2	7.2
Extraordinary gains/losses	-0.6	5.8	-0.1	-0.5	-0.0	0.1	0.6
Total income tax, etc. (-)	4.8	9.9	4.4	5.7	7.2	2.8	2.4
Net income attributable to owners of the parent	11.1	22.9	10.0	12.5	16.6	6.6	5.5

1. Changes in Earnings Performance (Hirogin Holdings Consolidated)

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

(JPY Bn)

	1H of FY2021	FY2021	1H of FY2022	FY2022	1H of FY2023		
						Compared to 1H of FY2022	Compared to 1H of FY2021
Corporate solutions	1.6	5.0	3.7	7.3	2.8	-0.9	1.2
Asset management	2.8	5.4	2.4	5.0	2.4	0.0	-0.4
Equity business	0.6	0.9	0.0	0.2	-	-0.0	-0.6
Net income for Group companies	1.9	3.5	1.3	2.3	1.3	0.0	-0.6
Hirogin Securities (included above)	0.7	1.2	0.2	0.1	0.3	0.1	-0.4
Shimanami Servicer (included above)	0.3	0.2	0.1	0.2	-0.0	-0.1	-0.3
Hirogin Lease (included above)	0.3	0.7	0.3	0.5	0.3	0.0	0.0
Total	6.9	14.8	7.4	14.8	6.5	-0.9	-0.4

3. Group total credit

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023		
						Compared to September 30, 2022	Compared to September 30, 2021
Group total credit	6,917.4	7,060.6	7,246.5	7,390.8	7,608.3	361.8	690.9
Lending (consolidated)	6,766.3	6,901.8	7,085.4	7,224.1	7,436.1	350.7	669.8
Lease claims ^{*1}	69.8	75.1	76.0	77.6	77.5	1.5	7.7
PE investments, etc. ^{*2}	33.1	32.8	35.0	34.7	38.5	3.5	5.4
Private placement bonds	48.0	50.7	49.8	54.4	56.1	6.3	8.1

*1 : Represents the lease claims of Hirogin Lease.

*2 : "PE investments, etc." includes private REIT investments.

2. Consolidated Capital Adequacy Ratio

2. Consolidated Capital Adequacy Ratio

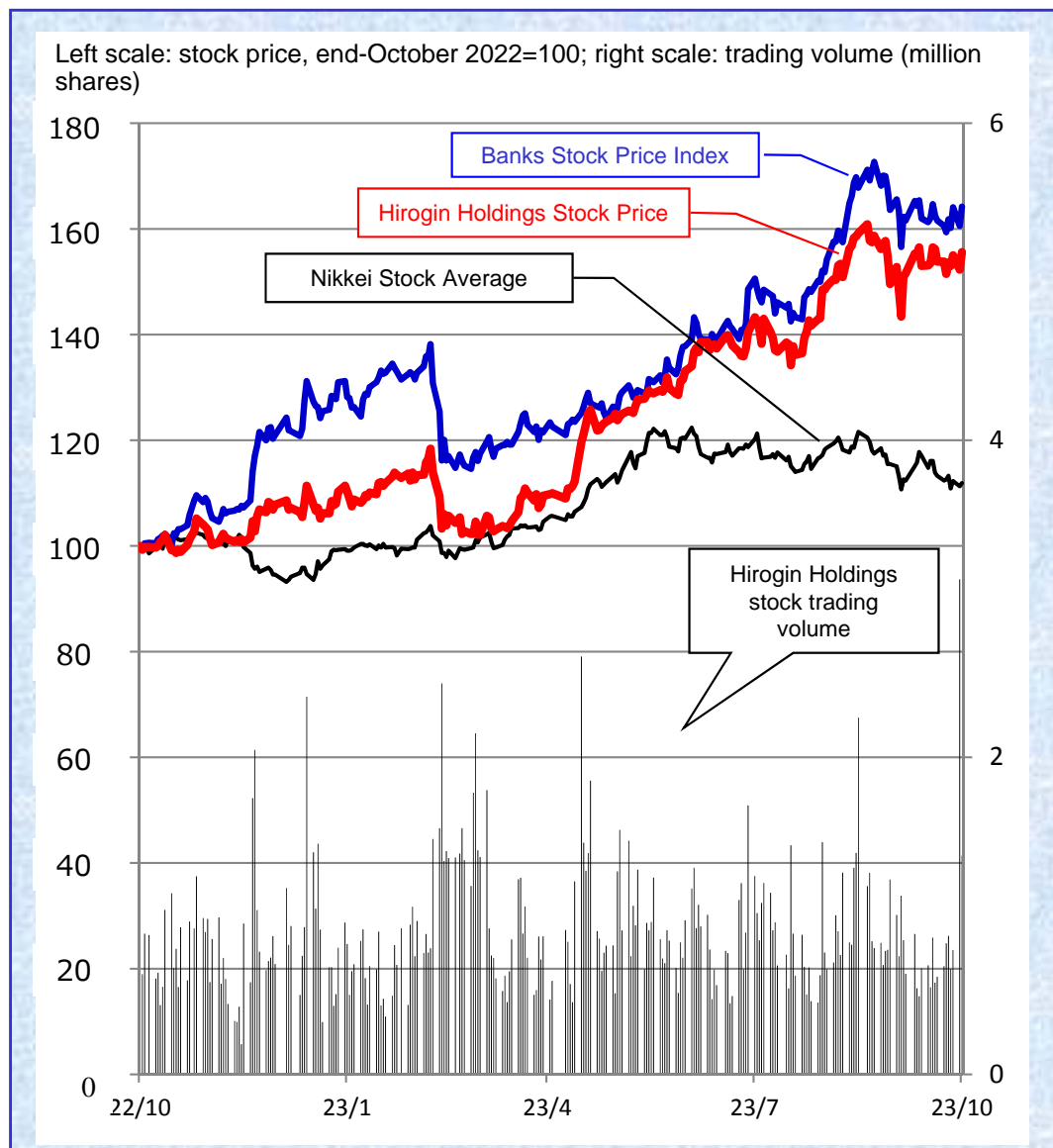
(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Amount of basic items related to core capital ①	487.7	467.0	472.9	481.0	485.4	4.4	12.5
Of which, amount of shareholders' equity related to common stock or mandatory convertible preferred stock	449.3	457.4	462.1	461.7	467.7	6.0	5.6
Of which, amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments	15.0	-	-	-	-	-	-
Amount of adjustment items related to core capital ②	74.5	47.2	48.3	59.3	62.0	2.7	13.7
Amount of owned equity ① - ② ③	413.2	419.8	424.5	421.7	423.4	1.7	-1.1
Total amount of risk-weighted assets, etc. ④	3,882.7	4,046.7	4,006.8	3,576.8	3,771.2	194.4	-235.6
Consolidated capital adequacy ratio ③ / ④	10.64%	10.37%	10.59%	11.78%	11.22%	-0.56%	0.63%

※ We (consolidated and nonconsolidated) apply domestic standards; specifically, we have adopted the Fundamental Internal Ratings Based Approach to calculate credit risk assets and the Standardized Approach to calculate operational risk equivalent amounts.

3. Hirogin Holdings Stock Information

Trends in Hirogin Holdings stock price, Nikkei Stock Average, Banks Stock Price Index, and Hirogin Holdings stock trading volume



Composition of shareholders

	2023 (%)				
	21/9	22/3	22/9	23/3	23/9
Financial institutions	40.1	39.6	37.9	35.8	37.2
Financial instruments business operators (brokerage houses)	1.7	1.9	2.2	2.6	2.7
General corporations	29.3	29.0	28.5	27.5	26.9
Foreigners	11.9	11.6	12.3	13.3	13.2
Individuals	17.0	17.9	19.1	20.8	19.1
Treasury stock	0.0	0.0	0.0	0.0	0.8

Major shareholders (September 30, 2023)

Shareholder's name	No. of shares held (hundred shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	361,686	11.57
Custody Bank of Japan, Ltd. (trust account)	231,987	7.42
Meiji Yasuda Life Insurance Company	82,047	2.62
Sompo Japan Insurance Inc.	75,000	2.40
CP Chemical Incorporated	74,638	2.38
Sumitomo Life Insurance Company	60,380	1.93
Employee stock ownership (Hirogin Holdings)	58,848	1.88
The Bank of Fukuoka, Ltd.	55,004	1.76
Nippon Life Insurance Company	48,339	1.54
JP MORGAN CHASE BANK	39,759	1.27

Part 3 Data for Hiroshima Bank

1. Changes in Earnings Performance (nonconsolidated)

1. Total

(JPY Bn)

	1H of FY2021	FY2021	1H of FY2022	FY2022	1H of FY2023	Compared to 1H of FY2022	Compared to 1H of FY2021
Net interest income	35.0	70.7	35.9	67.4	36.4	0.5	1.4
Net fees and commissions income	7.2	14.5	6.9	14.2	7.6	0.7	0.4
Specific transaction profit	0.3	0.6	0.8	1.4	0.6	-0.2	0.3
Other banking profit (excluding gains/losses on bonds)	0.6	1.9	2.4	3.4	0.9	-1.5	0.3
Core gross banking profit	43.3	87.9	46.2	86.5	45.7	-0.5	2.4
- Expenses	27.3	53.2	26.3	52.3	26.2	-0.1	-1.1
Core banking profit	15.9	34.7	19.8	34.2	19.5	-0.3	3.6
Gains/losses on bonds	-0.6	-7.2	-1.9	-16.7	-1.2	0.7	-0.6
Actual net banking profit	15.2	27.4	17.9	17.4	18.2	0.3	3.0
- General provision for doubtful debt	0.2	6.0	-0.8	-6.0	2.2	3.0	2.0
- Non-performing loans written off	4.6	5.9	1.3	6.3	1.8	0.5	-2.8
Gains/losses on stocks	3.3	5.0	-4.1	-2.2	7.4	11.5	4.1
Ordinary profit	14.9	22.8	14.0	16.4	23.2	9.2	8.3
Extraordinary income/loss	-0.6	5.9	-0.1	-0.5	-0.0	0.1	0.6
Income before income taxes	14.3	28.8	13.8	15.9	23.1	9.3	8.8
Corporate taxes	3.8	8.1	3.7	4.3	6.4	2.7	2.6
Net income	10.4	20.6	10.1	11.5	16.6	6.5	6.2
Adjusted overhead ratio	63.2%	60.5%	57.0%	60.4%	57.3%	0.3%	-5.9%

2. Domestic operations

(JPY Bn)

	1H of FY2021	FY2021	1H of FY2022	FY2022	1H of FY2023	Compared to 1H of FY2022	Compared to 1H of FY2021
Net Interest income	30.8	60.9	30.4	59.1	31.8	1.4	1.0
Net fees and commissions income	7.2	14.4	6.9	14.0	7.6	0.7	0.4
Specific transaction profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other banking profit (excluding gains/losses on bonds)	0.0	0.0	-0.0	-0.0	0.0	0.0	0.0
Core gross banking profit	38.1	75.4	37.3	73.2	39.4	2.1	1.3

2. Investment and Fundraising

1. Total

(JPY Bn)

	1H of FY2021		FY2021		1H of FY2022		FY2022		1H of FY2023		Compared to FY2022		Compared to 1H of FY2022		
	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	YoY	Yield
Interest-earning assets	8,459.6	0.86%	8,537.1	0.87%	8,913.6	0.94%	9,016.8	0.97%	9,165.3	1.13%	148.5	0.16%	251.7	2.8%	0.19%
Loans and bills discounted	6,760.5	0.84%	6,825.8	0.83%	7,077.3	0.88%	7,184.2	0.94%	7,399.3	1.07%	215.1	0.13%	322.0	4.5%	0.19%
Trading securities	1,528.6	0.90%	1,597.3	0.82%	1,760.4	1.05%	1,749.2	0.95%	1,635.8	1.30%	-113.4	0.35%	-124.6	-7.1%	0.25%
Call loans	115.4	0.01%	60.1	0.04%	23.6	0.33%	27.4	0.59%	37.9	1.07%	10.5	0.48%	14.3	60.6%	0.74%
Due from banks*	8.6	9.40%	9.0	22.72%	10.8	22.78%	13.0	17.29%	18.4	11.19%	5.4	-6.10%	7.6	70.4%	-11.59%
Interest-bearing liabilities	10,643.0	0.03%	10,791.7	0.03%	10,877.1	0.11%	10,959.9	0.18%	11,417.7	0.27%	457.8	0.09%	540.6	5.0%	0.16%
Deposits	8,407.3	0.01%	8,436.6	0.00%	8,670.2	0.01%	8,683.7	0.02%	8,948.2	0.03%	264.5	0.01%	278.0	3.2%	0.02%
Negotiable CDs	433.4	0.00%	424.9	0.00%	424.9	0.00%	405.6	0.00%	358.3	0.00%	-47.3	0.00%	-66.6	-15.7%	0.00%
Call money	7.7	-0.01%	65.2	-0.01%	67.9	-0.02%	222.8	-0.03%	481.8	-0.04%	259.0	-0.01%	413.9	609.6%	-0.02%
Borrowed money	1,070.0	0.04%	1,114.7	0.03%	963.1	0.02%	946.0	0.02%	1,016.4	0.02%	70.4	0.00%	53.3	5.5%	0.00%

2. Domestic operations

(JPY Bn)

	1H of FY2021		FY2021		1H of FY2022		FY2022		1H of FY2023		Compared to FY2022		Compared to 1H of FY2022		
	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	YoY	Yield
Interest-earning assets	8,013.7	0.79%	8,101.9	0.77%	8,387.8	0.73%	8,527.3	0.71%	8,736.7	0.73%	209.4	0.02%	348.9	4.2%	0.00%
Loans and bills discounted	6,162.1	0.81%	6,230.7	0.79%	6,407.8	0.75%	6,489.2	0.74%	6,663.8	0.73%	174.6	-0.01%	256.0	4.0%	-0.02%
Trading securities	1,192.9	0.99%	1,266.6	0.77%	1,346.3	0.77%	1,368.6	0.65%	1,367.5	0.91%	-1.1	0.26%	21.2	1.6%	0.14%
Call loans	112.3	-0.01%	56.3	-0.01%	19.5	0.00%	22.6	0.00%	30.5	0.01%	7.9	0.01%	11.0	56.4%	0.01%
Due from banks*	8.6	9.40%	9.0	22.72%	10.8	22.78%	13.0	17.29%	18.4	11.19%	5.4	-6.10%	7.6	70.4%	-11.59%
Interest-bearing liabilities	10,198.9	0.01%	10,358.4	0.02%	10,359.9	0.01%	10,474.5	0.01%	11,026.5	0.00%	552.0	-0.01%	666.6	6.4%	-0.01%
Deposits	8,254.8	0.00%	8,279.4	0.00%	8,489.1	0.00%	8,495.1	0.00%	8,754.4	0.00%	259.3	0.00%	265.3	3.1%	0.00%
Negotiable CDs	433.4	0.00%	424.9	0.00%	424.9	0.00%	405.6	0.00%	358.3	0.00%	-47.3	0.00%	-66.6	-15.7%	0.00%
Call money	7.7	-0.01%	65.2	-0.01%	67.9	-0.02%	222.8	-0.03%	481.8	-0.04%	259.0	-0.01%	413.9	609.6%	-0.02%
Borrowed money	1,064.4	0.04%	1,109.4	0.03%	958.3	0.02%	942.8	0.02%	1,015.3	0.02%	72.5	0.00%	57.0	5.9%	0.00%

*Bank of Japan checking account interest rates are included in the yield calculation.

3. Loans (1)

1. Loans outstanding by region

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022	
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY % of total
Loans	6,824.0	100.0%	6,965.5	100.0%	7,144.7	100.0%	7,275.3	100.0%	7,488.9	100.0%	213.6	-	344.2	4.8%
Hiroshima	4,206.5	61.6%	4,225.1	60.7%	4,266.5	59.7%	4,296.5	59.1%	4,424.4	59.1%	127.9	0.0%	157.9	3.7%
Okayama	347.6	5.1%	347.5	5.0%	350.7	4.9%	356.1	4.9%	356.9	4.8%	0.8	-0.1%	6.2	1.8%
Ehime	516.1	7.6%	546.1	7.8%	600.3	8.4%	598.6	8.2%	658.7	8.8%	60.1	0.6%	58.4	9.7%
Yamaguchi	216.6	3.2%	218.4	3.1%	230.6	3.2%	232.8	3.2%	226.4	3.0%	-6.4	-0.2%	-4.2	-1.8%
Other	1,537.2	22.5%	1,628.4	23.4%	1,696.6	23.7%	1,791.3	24.6%	1,822.5	24.3%	31.2	-0.3%	125.9	7.4%

2. Loans outstanding by business category

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022	
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY % of total
Loans	6,824.0	100.0%	6,965.5	100.0%	7,144.7	100.0%	7,275.3	100.0%	7,488.9	100.0%	213.6	-	344.2	4.8%
Business	3,818.8	56.0%	3,913.7	56.2%	4,037.4	56.5%	4,104.0	56.4%	4,311.7	57.6%	207.7	1.2%	274.3	6.8%
Leading medium-sized and large enterprises	1,131.4	16.6%	1,151.2	16.5%	1,206.8	16.9%	1,288.4	17.7%	1,387.6	18.5%	99.2	0.8%	180.8	15.0%
Small and medium-sized enterprises	2,687.4	39.4%	2,762.5	39.7%	2,830.6	39.6%	2,815.6	38.7%	2,924.1	39.0%	108.5	0.3%	93.5	3.3%
Local governments	1,329.6	19.5%	1,355.9	19.5%	1,395.8	19.5%	1,432.0	19.7%	1,412.4	18.9%	-19.6	-0.8%	16.6	1.2%
Of which loans to the Ministry of Finance	665.7	9.8%	704.1	10.1%	735.2	10.3%	783.5	10.8%	753.2	10.1%	-30.3	-0.7%	18.0	2.4%
Personal loans	1,675.6	24.6%	1,695.9	24.3%	1,711.5	24.0%	1,739.2	23.9%	1,764.8	23.6%	25.6	-0.3%	53.3	3.1%

3. Business loans by interest rate

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022	
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY % of total
Yen-based business loans	3,417.3	100.0%	3,461.4	100.0%	3,490.0	100.0%	3,564.8	100.0%	3,678.2	100.0%	113.4	-	188.2	5.4%
Fixed interest rates	1,031.1	30.2%	1,032.3	29.8%	1,047.9	30.0%	1,105.9	31.0%	1,200.6	32.6%	94.7	1.6%	152.7	14.6%
Variable interest rates	2,386.2	69.8%	2,429.1	70.2%	2,442.1	70.0%	2,458.9	69.0%	2,477.6	67.4%	18.7	-1.6%	35.5	1.5%
Market rates	1,262.8	37.0%	1,306.8	37.8%	1,329.1	38.1%	1,381.4	38.8%	1,382.0	37.6%	0.6	-1.2%	52.9	4.0%
Short-term prime rates	1,123.4	32.9%	1,122.3	32.4%	1,113.0	31.9%	1,077.5	30.2%	1,095.6	29.8%	18.1	-0.4%	-17.4	-1.6%
Of which negotiation-based rates	372.1	10.9%	382.1	11.0%	390.0	11.2%	367.5	10.3%	375.6	10.2%	8.1	-0.1%	-14.4	-3.7%
Of which market-linked rates	751.4	22.0%	740.2	21.4%	723.0	20.7%	710.0	19.9%	719.9	19.6%	9.9	-0.3%	-3.1	-0.4%

4. Breakdown of personal loans

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022	
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY % of total
Personal loans	1,675.6	100.0%	1,695.9	100.0%	1,711.5	100.0%	1,739.2	100.0%	1,764.8	100.0%	25.6	-	53.3	3.1%
Of which housing loans	1,084.7	64.7%	1,104.9	65.2%	1,116.0	65.2%	1,132.9	65.1%	1,149.2	65.1%	16.3	0.0%	33.2	3.0%
Of which apartment loans	469.6	28.0%	470.4	27.7%	470.9	27.5%	474.5	27.3%	475.3	26.9%	0.8	-0.4%	4.4	0.9%
Of which consumer loans	113.1	6.7%	112.3	6.6%	115.4	6.7%	123.2	7.1%	129.7	7.3%	6.5	0.3%	14.3	12.4%
Of which loans by purpose	77.8	4.6%	78.0	4.6%	81.4	4.8%	89.3	5.1%	95.8	5.4%	6.5	0.3%	14.4	17.7%
Of which card loans	35.3	2.1%	34.3	2.0%	34.0	2.0%	33.9	1.9%	33.9	1.9%	0.0	0.0%	-0.1	-0.3%

4. Loans (2)

5. Loans outstanding by industry sector

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans	6,824.0	100.0%	6,965.5	100.0%	7,144.7	100.0%	7,275.3	100.0%	7,488.9	100.0%	213.6	-	344.2	4.8%	-
Manufacturing	722.2	10.6%	708.5	10.2%	714.3	10.0%	725.3	10.0%	738.2	9.9%	12.9	-0.1%	23.9	3.3%	-0.1%
Construction	163.0	2.4%	169.8	2.4%	174.8	2.4%	177.0	2.4%	185.8	2.5%	8.8	0.0%	11.0	6.3%	0.0%
Transportation and mailing	379.1	5.6%	392.7	5.6%	421.6	5.9%	434.9	6.0%	475.6	6.4%	40.7	0.4%	54.0	12.8%	0.4%
Wholesale and retail	544.9	8.0%	537.7	7.7%	548.8	7.7%	567.9	7.8%	563.6	7.5%	-4.3	-0.3%	14.8	2.7%	-0.2%
Finance and insurance	229.8	3.4%	255.0	3.7%	247.5	3.5%	287.3	3.9%	359.6	4.8%	72.3	0.9%	112.1	45.3%	1.3%
Real estate	842.0	12.3%	864.9	12.4%	882.2	12.3%	897.3	12.3%	915.9	12.2%	18.6	-0.1%	33.7	3.8%	-0.1%
Leasing	295.0	4.3%	301.0	4.3%	308.8	4.3%	303.5	4.2%	320.3	4.3%	16.8	0.1%	11.5	3.7%	0.0%
Services	329.2	4.8%	332.7	4.8%	334.1	4.7%	327.5	4.5%	323.3	4.3%	-4.2	-0.2%	-10.8	-3.2%	-0.4%
Other	3,318.8	48.6%	3,403.2	48.9%	3,512.6	49.2%	3,554.6	48.9%	3,606.6	48.2%	52.0	-0.7%	94.0	2.7%	-1.0%

<Reference>

Automobile-related (domestic)	183.3	2.7%	189.1	2.7%	206.9	2.9%	193.7	2.7%	196.2	2.6%	2.5	0.0%	-10.7	-5.2%	-0.3%
Shipbuilding and marine transportation	710.2	10.4%	743.1	10.7%	819.6	11.5%	808.7	11.1%	892.6	11.9%	83.9	0.8%	73.0	8.9%	0.4%

6. Moneylending shares in Hiroshima Prefecture

(%)

Shares in Hiroshima Prefecture	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
Hiroshima Bank		34.1%		33.9%		33.2%		32.9%		33.4%		0.5%		0.2%	
Other regional banks		20.1%		21.0%		21.0%		21.0%		21.4%		0.4%		0.4%	
Second regional banks		19.1%		18.9%		18.7%		18.6%		18.4%		-0.2%		-0.3%	
Mega banks		13.2%		12.9%		14.1%		14.5%		13.8%		-0.7%		-0.3%	
Shinkin Banks		13.5%		13.3%		13.0%		13.0%		13.0%		0.0%		0.0%	

7. Loans outstanding to small and medium-sized enterprises, etc. and their ratio

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans outstanding to small and medium-sized enterprises, etc.	4,363.0	63.9%	4,458.4	64.0%	4,542.1	63.6%	4,554.8	62.6%	4,688.9	62.6%	134.1	0.0%	146.8	3.2%	-1.0%

5. Deposits

1. Breakdown of deposits

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	8,811.9	100.0%	9,095.0	100.0%	9,002.5	100.0%	9,277.4	100.0%	9,268.8	100.0%	-8.6	-	266.3	3.0%	-
Liquid deposits	6,017.0	68.3%	6,394.1	70.3%	6,281.0	69.8%	6,638.5	71.6%	6,628.3	71.5%	-10.2	0.0%	347.3	5.5%	1.7%
Fixed-term deposits	2,212.7	25.1%	2,190.5	24.1%	2,186.5	24.3%	2,167.4	23.4%	2,161.8	23.3%	-5.6	0.0%	-24.7	-1.1%	-1.0%
Foreign currency deposits, etc.	130.6	1.5%	166.4	1.8%	147.0	1.6%	138.9	1.5%	176.4	1.9%	37.5	0.4%	29.4	20.0%	0.3%
NCD	451.4	5.1%	343.8	3.8%	387.9	4.3%	332.5	3.6%	302.2	3.3%	-30.3	-0.3%	-85.7	-22.1%	-1.0%

2. Deposits outstanding by region

(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	8,811.9	100.0%	9,095.0	100.0%	9,002.5	100.0%	9,277.4	100.0%	9,268.8	100.0%	-8.6	-	266.3	3.0%	-
Hiroshima	7,819.9	88.7%	8,085.7	88.9%	8,001.0	88.9%	8,281.4	89.3%	8,251.5	89.0%	-29.9	-0.2%	250.5	3.1%	0.1%
Okayama	340.5	3.9%	331.1	3.6%	330.0	3.7%	317.9	3.4%	321.2	3.5%	3.3	0.0%	-8.8	-2.7%	-0.2%
Ehime	212.9	2.4%	221.4	2.4%	245.2	2.7%	242.8	2.6%	261.6	2.8%	18.8	0.2%	16.4	6.7%	0.1%
Yamaguchi	229.9	2.6%	225.0	2.5%	225.8	2.5%	238.6	2.6%	231.3	2.5%	-7.3	-0.1%	5.5	2.4%	0.0%
Other	208.4	2.4%	231.5	2.5%	200.4	2.2%	196.6	2.1%	203.0	2.2%	6.4	0.1%	2.6	1.3%	0.0%

3. Deposits outstanding by person

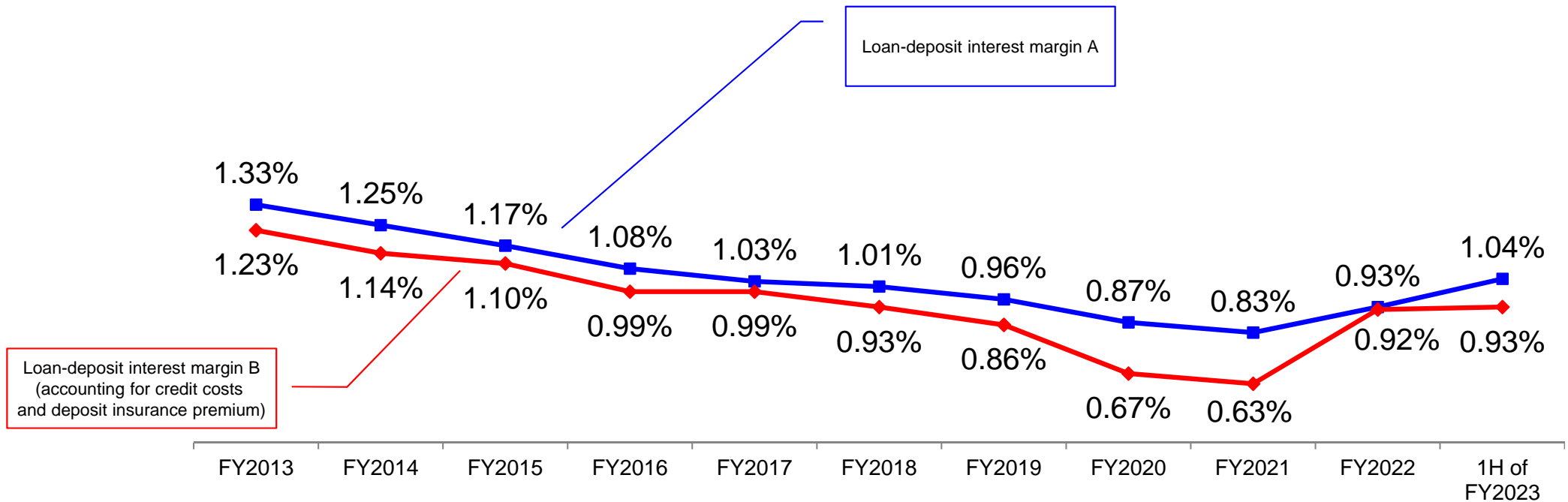
(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	8,811.9	100.0%	9,095.0	100.0%	9,002.5	100.0%	9,277.4	100.0%	9,268.8	100.0%	-8.6	-	266.3	3.0%	-
Individual	5,583.8	63.4%	5,735.5	63.1%	5,843.4	64.9%	5,922.7	63.8%	6,008.4	64.8%	85.7	1.0%	165.0	2.8%	-0.1%
Liquid deposits	3,777.4	42.9%	3,944.0	43.4%	4,056.2	45.1%	4,159.5	44.8%	4,259.9	46.0%	100.4	1.1%	203.7	5.0%	0.9%
Fixed-term deposits	1,776.5	20.2%	1,766.2	19.4%	1,765.9	19.6%	1,743.3	18.8%	1,729.0	18.7%	-14.3	-0.1%	-36.9	-2.1%	-1.0%
Foreign currency deposits	29.7	0.3%	25.2	0.3%	21.2	0.2%	19.8	0.2%	19.4	0.2%	-0.4	0.0%	-1.8	-8.5%	0.0%
NCD	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0%
Corporate	2,696.7	30.6%	2,769.6	30.5%	2,719.0	30.2%	2,753.1	29.7%	2,797.7	30.2%	44.6	0.5%	78.7	2.9%	0.0%
Liquid deposits	2,068.5	23.5%	2,094.1	23.0%	2,094.1	23.3%	2,136.6	23.0%	2,172.3	23.4%	35.7	0.4%	78.2	3.7%	0.2%
Fixed-term deposits	394.2	4.5%	385.8	4.2%	379.0	4.2%	384.1	4.1%	380.9	4.1%	-3.2	0.0%	1.9	0.5%	-0.1%
Foreign currency deposits	100.8	1.1%	141.1	1.6%	125.8	1.4%	119.1	1.3%	157.0	1.7%	37.9	0.4%	31.2	24.8%	0.3%
NCD	133.1	1.5%	148.5	1.6%	120.0	1.3%	113.2	1.2%	87.5	0.9%	-25.7	-0.3%	-32.5	-27.1%	-0.4%
Public fund	483.6	5.5%	511.8	5.6%	399.7	4.4%	539.8	5.8%	419.6	4.5%	-120.2	-1.3%	19.9	5.0%	0.1%
Financial	47.7	0.5%	77.9	0.9%	40.2	0.4%	61.7	0.7%	42.8	0.5%	-18.9	-0.2%	2.6	6.5%	0.0%

* "Deposits" includes "NCD".

6. Status of Loan-Deposit Interest Margin Rates

Trend of loan-deposit interest margin rates



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	1H of FY2023
(1) Loan interest rate	1.39%	1.30%	1.22%	1.12%	1.06%	1.03%	0.98%	0.88%	0.83%	0.94%	1.07%
(2) Credit cost ratio	0.04%	0.05%	0.03%	0.05%	0.00%	0.05%	0.07%	0.17%	0.17%	0.00%	0.10%
(3) Deposit rate, etc.	0.06%	0.05%	0.05%	0.04%	0.03%	0.02%	0.02%	0.01%	0.00%	0.01%	0.03%
(4) Deposit insurance premium (deposit insurance premium/ average balance of deposits, etc.)	0.06%	0.06%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.01%	0.01%
(5) Loan-deposit margin A [(1) - (3)]	1.33%	1.25%	1.17%	1.08%	1.03%	1.01%	0.96%	0.87%	0.83%	0.93%	1.04%
(6) Loan-deposit margin B [(1) - (2) - (3) - (4)]	1.23%	1.14%	1.10%	0.99%	0.99%	0.93%	0.86%	0.67%	0.63%	0.92%	0.93%

7. Securities (1)

1. Balance of securities by term to maturity (market value)

(JPY Bn)

	One year or less	More than one year but not more than three years	More than three years but not more than five years	More than five years but not more than seven years	More than seven years but not more than 10 years	More than 10 years	Term to maturity not specified	Total
September 30, 2022								
Government bonds	4.0	10.0	26.9	18.9	313.8	117.4	-	491.1
Local government bonds	4.7	43.3	76.4	42.1	91.6	51.4	-	309.7
Corporate bonds	19.2	61.1	50.8	21.3	6.2	124.8	-	283.7
Stocks	-	-	-	-	-	-	103.9	103.9
Other securities	33.2	53.0	78.5	80.6	67.5	175.9	92.4	581.5
Of which foreign securities	2.8	47.0	53.8	66.6	56.9	158.0	20.5	406.0
September 30, 2023								
Government bonds	-	-	14.8	85.4	282.0	65.8	-	448.1
Local government bonds	8.6	69.9	67.8	47.4	80.5	46.4	-	320.8
Corporate bonds	33.7	56.1	51.7	17.6	7.1	126.6	-	293.0
Stocks	-	-	-	-	-	-	97.6	97.6
Other securities	4.9	25.2	46.4	13.6	36.5	242.9	163.7	533.6
Of which foreign securities	2.2	8.1	9.7	2.0	22.8	212.5	0.0	257.6

8. Securities (2)

2. Breakdown of net unrealized gains/losses on securities

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Securities	39.6	1.5	-50.4	-12.5	-24.0	-11.5	26.4
Stocks	38.5	31.6	33.1	40.6	49.1	8.5	16.0
Bonds	2.1	-11.2	-20.4	-21.3	-36.7	-15.4	-16.3
Government and local government bonds	1.2	-10.1	-18.0	-18.3	-30.8	-12.5	-12.8
Corporate bonds	0.9	-1.0	-2.4	-3.0	-5.9	-2.9	-3.5
Other	-0.9	-18.9	-63.1	-31.8	-36.4	-4.6	26.7
Of which foreign bonds	-3.1	-16.0	-52.9	-22.4	-31.0	-8.6	21.9

3. Balance of cross-shareholdings

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Cross-shareholdings	48.6	42.9	39.3	35.6	34.3	-1.3	-5.0
Publicly traded shares	43.9	38.3	34.8	31.0	29.8	-1.2	-5.0
Unlisted shares	4.7	4.6	4.5	4.6	4.5	-0.1	0.0

4. Duration

(Year)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Yen bond duration	6.95	7.24	6.83	6.57	6.31	-0.26	-0.52
Foreign bond duration	5.00	5.57	5.21	5.24	4.19	-1.05	-1.02

5. Interest rate delta*

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Government bonds, etc.	3.5	4.0	3.9	3.6	3.5	-0.1	-0.4
Foreign securities in foreign currencies	1.4	1.8	2.3	1.3	1.5	0.2	-0.8

*Decrease in fair value when interest rates increase by 10bp

9. Business Operations

1. Breakdown of corporate solutions

(Trades/JPY Bn)

	1H of FY2021		FY2021		1H of FY2022		FY2022		1H of FY2023		Compared to 1H of FY2022		Compared to 1H of FY2021	
	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit
Corporate solutions	-	1.6	-	5.0	-	3.7	-	7.3	-	2.8	-	-0.9	-	1.2
Business succession support, M&As	45	0.2	112	0.6	48	0.7	106	1.0	37	0.3	-11	-0.4	-8	0.1
Derivatives	61	0.5	148	1.2	192	2.2	325	3.5	64	0.8	-128	-1.4	3	0.3
Syndicated loans, etc.	11	0.6	21	2.2	13	0.5	26	1.9	13	1.3	0	0.8	2	0.7
Bond trustee services	72	0.2	152	0.5	40	0.1	109	0.5	38	0.2	-2	0.1	-34	0.0
Business matching, etc.	-	0.1	-	0.2	-	0.1	-	0.2	-	0.1	-	0.0	-	0.0

2. Breakdown of asset management

(JPY Bn)

	1H of FY2021		FY2021		1H of FY2022		FY2022		1H of FY2023		Compared to 1H of FY2022		Compared to 1H of FY2021	
	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit
Asset management	-	2.8	-	5.4	-	2.3	-	5.0	-	2.4	-	0.1	-	-0.4
Investment trusts	11.9	0.6	23.9	1.1	17.0	0.5	30.5	0.9	17.5	0.5	0.5	0.0	5.6	-0.1
Pension insurance	8.5	0.3	15.1	0.4	9.1	0.3	25.1	0.8	13.6	0.6	4.5	0.3	5.1	0.3
Life insurance sales by banks	-	0.6	-	1.2	-	0.5	-	1.0	-	0.3	-	-0.2	-	-0.3
Non life insurance	-	0.1	-	0.1	-	0.0	-	0.1	-	0.0	-	0.0	-	-0.1
Public bonds	5.7	0.0	10.3	0.1	6.3	0.0	16.0	0.0	9.4	0.0	3.1	0.0	3.7	0.0
Financial instruments intermediary services	2.7	0.5	7.0	1.0	5.4	0.4	5.9	0.7	0.0	0.3	-5.4	-0.1	-2.7	-0.2
Foreign currency deposits	29.8	0.3	54.2	0.6	24.2	0.2	48.6	0.4	22.8	0.2	-1.4	0.0	-7.0	-0.1
Trust business, etc.	-	0.3	-	0.7	-	0.3	-	0.8	-	0.3	-	0.0	-	0.0

3. Total assets in custody


(JPY Bn)

Outstanding balance	September 30, 2021		March 31, 2022		September 30, 2022		March 31, 2023		September 30, 2023		Compared to March 31, 2023		Compared to September 30, 2022		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Total assets in custody	10,365.8	100.0%	10,631.2	100.0%	10,520.5	100.0%	10,824.1	100.0%	10,894.8	100.0%	70.7	-	374.3	3.6%	-
Deposits	8,811.9	85.0%	9,095.0	85.6%	9,002.5	85.6%	9,277.4	85.7%	9,268.8	85.1%	-8.6	-0.6%	266.3	3.0%	-0.5%
Individual (non-deposit)	899.3	8.7%	897.0	8.4%	898.1	8.5%	894.4	8.3%	898.1	8.2%	3.7	0.0%	0.0	0.0%	-0.3%
Investment trusts	160.1	1.5%	153.7	1.4%	157.0	1.5%	160.3	1.5%	164.8	1.5%	4.5	0.0%	7.8	5.0%	0.0%
Public bonds	135.2	1.3%	126.0	1.2%	113.7	1.1%	101.0	0.9%	94.6	0.9%	-6.4	-0.1%	-19.1	-16.8%	-0.2%
Pension insurance	391.0	3.8%	382.5	3.6%	368.3	3.5%	368.8	3.4%	370.0	3.4%	1.2	0.0%	1.7	0.5%	-0.1%
Financial instruments intermediary services, etc.	212.8	2.1%	234.5	2.2%	259.0	2.5%	264.1	2.4%	268.4	2.5%	4.3	0.0%	9.4	3.6%	0.0%
Corporate (non-deposit)	185.1	1.8%	190.8	1.8%	195.2	1.9%	204.1	1.9%	219.1	2.0%	15.0	0.1%	23.9	12.2%	0.2%
Investment trusts	2.9	0.0%	2.7	0.0%	3.5	0.0%	3.5	0.0%	3.6	0.0%	0.1	0.0%	0.1	2.9%	0.0%
Public bonds	17.5	0.2%	16.6	0.2%	17.8	0.2%	17.2	0.2%	18.8	0.2%	1.6	0.0%	1.0	5.6%	0.0%
Financial instruments intermediary services, etc.	164.6	1.6%	171.4	1.6%	173.9	1.7%	183.2	1.7%	196.5	1.8%	13.3	0.1%	22.6	13.0%	0.2%
Hirogin Securities (mark-to-market basis)	469.3	4.5%	448.3	4.2%	424.4	4.0%	448.1	4.1%	508.6	4.7%	60.5	0.5%	84.2	19.8%	0.6%

Note: EOY balance for Hirogin Securities excludes balances related to financial instruments intermediary services.

10. Self-assessment (1H of FY2023)

(JPY Bn)

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		Claims in bankruptcy, rehabilitation, etc.	5.6	0.1	100% of amount of claims not preserved by security are subject to write-off/reserves.	100%
Effectively bankrupt						
4.5		5.7	(98.0%)	(2.0%)		
At risk of bankruptcy		Claims at risk	26.2	20.0	①In principle, reserves are based on calculation of anticipated losses over the next three years based on past actual rates of bankruptcy. ②However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	95.5%
48.5		48.5	(54.1%)	(41.4%)		
Obligors requiring caution	Obligors requiring management	Claims requiring management	7.3	8.6	①For 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. ②However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	47.5%
	49.0	33.7	(21.9%)	(25.6%)		
		General obligors requiring caution	Normal claims	 Total amount preserved: 39.2		①After categorization by degree of credit risk, in principle reserves are based on calculation of anticipated losses over one year. ②However, 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.
	436.6	7,503.2		Total amount of reserves: 28.8		
Normal		7,503.2			Reserves are based on calculation of anticipated losses over one year	
7,051.3						
Total		Total				
7,591.3		7,591.3				

11. Disclosed Claims under the Financial Revitalization Law and Credit Costs

1. Breakdown of non-performing loans

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Disclosed claims under the Financial Revitalization Law	97.5	84.1	84.7	85.0	88.0	3.0	3.3
(Ratio of non-performing loans)	(1.41%)	(1.19%)	(1.17%)	(1.15%)	(1.16%)	(0.01%)	(-0.01%)
Substandard claims	39.6	40.1	39.1	30.8	33.7	2.9	-5.4
Doubtful claims	52.3	37.2	40.0	48.3	48.5	0.2	8.5
Bankrupt and substantially bankrupt claims	5.7	6.7	5.5	5.8	5.7	-0.1	0.2
Manufacturing	20.9	13.7	13.6	18.1	23.5	5.4	9.9
Construction	4.4	4.6	4.5	4.4	4.7	0.3	0.2
Transportation and mailing	1.9	2.2	3.1	3.2	3.3	0.1	0.2
Wholesale and retail	13.3	13.6	14.7	12.8	11.9	-0.9	-2.8
Real estate and leasing	16.9	15.7	15.3	13.1	13.3	0.2	-2.0
Services	25.8	25.1	23.9	24.3	22.3	-2.0	-1.6
Other	14.3	9.3	9.6	9.1	9.1	0.0	-0.5
Total	97.6	84.1	84.7	85.1	88.0	2.9	3.3

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

2. Non-performing loan coverage ratio

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Disclosed claims under the Financial Revitalization Law	72.2%	76.6%	76.9%	79.6%	77.4%	-2.2%	0.5%
Substandard claims	44.3%	55.7%	55.8%	52.5%	47.5%	-5.0%	-8.3%
Doubtful claims	90.4%	94.8%	94.4%	94.5%	95.5%	1.0%	1.1%
Bankrupt and substantially bankrupt claims	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%

3. Credit costs and credit cost ratio

	1H of FY2021	FY2021	1H of FY2022	FY2022	1H of FY2023	Compared to FY2022	Compared to 1H of FY2022
Credit costs	4.9	11.9	0.4	0.3	4.0	3.7	3.6
(Credit cost ratio)	(0.14%)	(0.17%)	(0.01%)	(0.00%)	(0.10%)	(0.10%)	(0.00%)

12. Capital Adequacy Ratio

1. Capital adequacy ratio (consolidated)

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Amount of basic items related to core capital ①	469.2	444.2	452.5	447.2	451.4	4.2	-1.1
Of which amount of shareholders' equity related to common stock or mandatory convertible preferred stock	430.9	434.8	442.9	429.2	436.4	7.2	-6.5
Of which amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments	15.0	-	-	-	-	-	-
Amount of adjustment items related to core capital ②	74.5	47.3	47.7	58.7	61.3	2.6	13.6
Amount of owned equity ① - ② ③	394.6	396.8	404.8	388.4	390.1	1.7	-14.7
Total amount of risk-weighted assets, etc. ④	3,838.3	3,995.3	3,971.0	3,534.1	3,691.9	157.8	-279.1
Consolidated capital adequacy ratio ③ / ④	10.28%	9.93%	10.19%	10.99%	10.56%	-0.43%	0.37%

2. Capital adequacy ratio (nonconsolidated)

(JPY Bn)

	September 30, 2021	March 31, 2022	September 30, 2022	March 31, 2023	September 30, 2023	Compared to March 31, 2023	Compared to September 30, 2022
Amount of basic items related to core capital ①	445.3	432.2	442.2	429.1	441.6	12.5	-0.6
Of which amount of shareholders' equity related to common stock or mandatory convertible preferred stock	424.7	428.5	438.6	422.9	436.3	13.4	-2.3
Of which amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments	15.0	-	-	-	-	-	-
Amount of adjustment items related to core capital ②	58.7	43.0	43.2	48.2	51.7	3.5	8.5
Amount of owned equity ① - ② ③	386.5	389.1	399.0	380.8	389.9	9.1	-9.1
Total amount of risk-weighted assets, etc. ④	3,854.4	4,007.6	3,986.2	3,530.4	3,701.2	170.8	-285.0
Capital adequacy ratio ③ / ④	10.02%	9.71%	10.01%	10.78%	10.53%	-0.25%	0.52%

13. Risk Management

[State of comprehensive risk management]

Operations are well within the limits on risk exposure.

		Risk quantity limits (1H of FY2023)	Risk quantity (September 30, 2023)
Credit risk		64.0 billion yen	50.1 billion yen
Market risk	Interest rate risk	67.0 billion yen	46.8 billion yen
	Net investment in securities, etc. (excluding bonds)	74.0 billion yen	32.9 billion yen
	Policy investment securities, etc. (excluding bonds)	55.0 billion yen	19.5 billion yen
	Cross-shareholdings		
Operational risk		8.2 billion yen	8.2 billion yen
Total		268.2 billion yen	157.5 billion yen

[Standards for measuring risk quantity]

		Measuring method	Confidence level	Holding period
Credit risk		VaR (Note)	99.9%	One year
Market risk	Interest rate risk			-
	Deposits, loans, etc.			One year
	Securities			Three months
	Net investment in securities, etc. (excluding bonds)			Three months
	Policy investment securities, etc. (excluding bonds)			Three months
	Cross-shareholdings			Six months
Operational risk				-

Note: Method of calculating the maximum loss through statistical analysis of historical data

[State of interest rate risk in the banking book (IRRBB) (End of September 2023)]

■ Results of materiality tests

(JPY Bn)

①ΔEVE (*2)	34.6
②Amount of owned equity (consolidated)	390.1
Results of materiality tests (①÷②) (*3)	8.9%

*2: The IRRBB shows declines in market value attributable to interest rate shocks.

*3: The Financial Services Agency's Guidelines for Supervision call for ΔEVE to be no more than 20% of equity.