

Hirogin Holdings, Inc. Summary of Q&A – Investor Briefing
May 26, 2025

Q1. Was the FY2025 credit cost plan conservatively formulated in consideration of the impact of U.S. tariff policies on the regional economy?

A1. We plan credit costs of ¥7.0 billion for FY2025. Outstanding credit exposure to sectors potentially affected by U.S. tariffs is approximately ¥970 billion for shipping-related businesses and approximately ¥170 billion for automobile-related businesses, most of which are classified as borrowers not requiring special monitoring.

Accordingly, we do not expect U.S. tariff policies to have a material impact on FY2025 credit costs.

Q2. Given your policy of maintaining a capital adequacy ratio of around 11% and your earnings outlook, the total payout ratio is estimated to exceed 50%. Could you reiterate your shareholder return policy?

A2. There is no change to our policy of maintaining a dividend payout ratio of around 40% combined with flexible share buybacks. If profits exceed our projections, we will consider increasing the amount of share repurchases.

At the same time, we intend to actively invest in growth areas, including new business initiatives as well as system and digitalization.

Q3. Expenses have increased by ¥9.5 billion compared with the level prior to the mid-term plan revision. Could you provide details?

A3. We have factored in investments in human capital and system-related initiatives. In addition, we have incorporated higher non-personnel expenses through the strategic use of operating expenditures.

Q4. Your FY2025 ROE target of 7.8% is high relative to other regional banks. However, your FY2028 target is just above 9.5%, which appears slower than peers targeting 10% ROE by FY2027. What measures are necessary to accelerate ROE improvement?

A4. To achieve our ROE target ahead of schedule, initiatives in our corporate banking segment—where Hiroshima Bank has competitive strength—will be key.

We need to strengthen our focus on higher-return areas such as structured finance and ship finance, which generate higher profitability than conventional corporate lending.

Additionally, we will expand non-lending businesses such as M&A advisory and business succession services to accelerate ROE achievement.

Q5. What is your group-wide workforce strategy?

A5. We expect overall headcount to remain broadly stable.

Through continued streamlining of head office functions, productivity enhancements

driven by digital initiatives, and targeted mid-career hiring, we will reallocate talent toward priority growth areas.

Q6. Could you elaborate on your deposit acquisition initiatives?

A6. We revised branch-level profitability management to visualize deposit earnings and foster stronger awareness of deposit acquisition.

For face-to-face channels, Consulting Advisors (CAs) are focusing on inheritance solutions using testamentary trusts. In FY2025, we have acquired 350 new testamentary trust contracts, bringing the cumulative total to over 2,000.

For non-face-to-face channels, we are utilizing the Hirogin App and other digital tools to strengthen the acquisition of transactional deposits.

Additionally, to reinforce deposit acquisition at branch counters, we changed our structure last year. Previously, branch managers of key branches concurrently managed smaller branches in the same district; we have now assigned dedicated branch managers to smaller branches.

Q7. When the short-term prime rate is raised, are interest rates on long-term loans linked to the prime rate adjusted immediately?

A7. Yes. Contract interest rates are adjusted in line with changes to the short-term prime rate.

Q8. What is the progress of your wealth management initiatives aimed at improving RORA?

A8. We are shifting from a transaction-oriented model to a recurring revenue model centered on assets under management. While progress is being made, it will take time for the full earnings impact to materialize.