Hirogin Holdings, Inc. Summary of Q&A – Investor Briefing
June 12, 2025

1. Tariffs

Q1. What is your outlook if the impact of tariffs on the region's key automotive suppliers becomes prolonged?

A1. Most of our automotive-related clients are classified as performing borrowers, and we do not anticipate any abrupt credit deterioration. If tariff impacts are short-term (around one year), we believe the effect would be limited. However, if they persist over a longer period (approximately five years), the impact could become more significant.

Q2. How are tariffs affecting clients' funding needs and investment appetite?

A2. Among manufacturers in particular, some clients have postponed investment plans. At present, we have not observed any notable impact on shipping-related clients.

2. Industry Consolidation

Q3. What is your view on potential consolidation among neighboring regional banks? Is there any possibility of integrating with banks outside your core region?

A3. We do not expect consolidation to occur in the Chugoku-Shikoku region in the near term. As a "regional comprehensive services group," we are not considering integration with banks that have no strategic relevance to our four core prefectures: Hiroshima, Okayama, Yamaguchi, and Ehime.

3. Deposits

Q4. With rising deposit rates, how likely is a shift from ordinary deposits to time deposits?

A4. Even with relatively small rate gaps, we are already seeing some shift into time deposits, and we expect this trend to continue.

Q5. Longer-tenor time deposits with higher rates appear to offer competitive advantages. Do you plan to expand such offerings?

A5. We recognize the importance of product differentiation and development to strengthen deposit growth, and we will consider expanding such offerings going forward.

Q6. What is your view on how a decline in the monetary base may affect deposit trends in Japan?

A6. While domestic liquidity remains ample, deposits are likely to decline gradually over time, reflecting population decline and the continued shift from savings to investment. Securing deposit market share within our region remains our top priority.

Q7. How is the shift "from savings to investment" progressing among your retail clients?

A7. In our core regional markets, the customer base tends to be older, and deposit preference remains strong. To expand engagement with younger clients, we are utilizing Hirogin Life Partners and enhancing partnerships with online brokerage platforms.

Q8. As the loan-to-deposit ratio rises, what level do you consider acceptable?

A8. At present, we do not see any particular concerns. We believe a loan–deposit gap of approximately ¥400–500 billion remains manageable.

Q9. What factors are behind the slowdown in growth of retail deposits?

A9. The primary factors are population decline and aggressive high-rate campaigns by competitors. Deposits acquired through high-rate promotions tend to be volatile and short-lived. Therefore, we are not actively pursuing campaign-driven deposit growth and instead prioritize strengthening relationships with our core clients.

Q10. What initiatives are you taking to increase corporate deposits?

A10. We are working to capture deposit share in line with our lending share and intensifying outreach to clients with surplus liquidity.

4. Capital Policy

Q11. Why is your ROE higher than that of other regional banks in the Chugoku-Shikoku region?

A11. We recognize that our capital base is not particularly strong relative to peers. In other words, the equity denominator is relatively small, which makes ROE appear comparatively high. While we believe our profitability is also solid relative to peers, the capital base effect is significant.

Q12. Given higher earnings volatility risk amid rising interest rates, do you plan to increase capital?

A12. We acknowledge that our capital base is not particularly strong compared with peers. Under our medium-term plan, we aim to raise BPS to ¥2,000 by FY2028, corresponding to total equity of approximately ¥600 billion.
We will manage capital with careful balance among shareholder returns (dividends and share buybacks), strategic investment for growth, and steady capital accumulation.

Q13. You mentioned capital is not fully sufficient, yet your capital adequacy ratio is around 11%, which appears stable. Could you clarify?

A13. With a stronger capital base, we would be able to take on additional risk and pursue greater growth opportunities.

Q14. Could you elaborate on your policy regarding strategic shareholdings?

A14. As a general principle, we intend to continue holding shares of key local partners. For non-local holdings, we will continue reduction discussions and target a ratio of less than 15% of net assets by FY2028, the final year of our medium-term plan.

5. Earnings

Q15. What is your policy regarding JGBs currently carrying unrealized losses?

A15. We are considering disposals with the aim of reducing the current unrealized losses by roughly half.

Q16. What are the growth prospects and strategic priority of your regional development business?

A16. In Hiroshima City, demand for mid-sized urban development projects remains strong, and we are working with local authorities on hotel and commercial developments. Hiroshima does not yet have a modern arena or a convention-capable MICE facility, and discussions regarding their development are moving forward.

To support a shift from day-trip tourism to longer-stay tourism, we view regional development as a key strategic priority.