

Hirogin Holdings, Inc. Summary of Q&A
Thematic IR – Day 1 September 19, 2025

Theme 1: Regional Economy

Theme 2: Corporate Solutions & Regional Development

Q1. How will population decline affect the local economy, corporate solutions, and regional development businesses?

A1. Hiroshima Prefecture's population has been declining since peaking at 2.88 million in 1995 and is projected to fall to 2.43 million by 2040 and 2.23 million by 2050. While the economic impact remains limited at present, we believe it is likely to become more visible over time.

To address this structural challenge, we are working to enhance the region's attractiveness by raising the visibility of local companies, fostering competitive industries, promoting diverse work styles, and supporting urban development initiatives. We are also strengthening tourism, particularly by enhancing the Setouchi region's tourism assets to expand visitor flows and reinforce the region's earning capacity. Given the strong manufacturing base in our region, client demand for digitalization support is substantial. In April, we established a dedicated Digital Consulting team within our Corporate Solutions Division to support productivity enhancement among local enterprises. We will continue to expand the breadth of our corporate solution offerings.

Q2. What is your approach to talent development in corporate solutions and regional development?

A2. We believe hands-on experience in real transactions—particularly coordinating with clients and stakeholders—is the most effective way to develop talent. Accordingly, we emphasize exposure to diverse and complex projects.

We also leverage external training programs and secondment initiatives to incorporate outside expertise. We are beginning to see examples of specialists trained in the Corporate Solutions Division returning to branch roles and generating results. Through this circulation of talent, we aim to further expand solution-driven business opportunities.

Q3. Do you prioritize broad skill development or specialization in talent development?

A3. We prioritize specialization and are focusing on developing deeper expertise in specific domains.

Q4. How confident are you in the earnings outlook for the regional development business?

A4. Under “Mid-Term Plan 2024,” we have set targets for the number of urban development and regional revitalization projects in which we are involved. Although regional development projects are typically long-term in nature, the number of engagements continues to increase steadily, and we view the achievement probability as high.

Q5. Which industries are expected to drive employment growth in Hiroshima?

A5. Semiconductor-related industries present meaningful upside. Micron Memory Japan and Disco are constructing new facilities, which are expected to generate employment growth.

In addition, we support venture businesses and promote innovation within existing companies. Through partnerships with external consultants and the utilization of university-based technologies, we facilitate matching between startups and local enterprises to stimulate job creation.

Q6. What specific initiatives are you undertaking in corporate solutions to generate employment?

A6. Our initiatives fall broadly into two categories: support for startups and venture companies, and support for existing businesses.

For startups, we provide comprehensive support across business model validation, technology assessment, and organizational development, leveraging the group’s integrated capabilities. We believe such support will contribute to long-term job creation in the region.

For existing companies, we collaborate with external consultants to identify internal seeds and support commercialization. We also promote partnerships between domestic and international startups and local manufacturers to drive innovation-led employment growth.

Representative initiatives include the “Hiroshima Open Accelerator,” which supports commercialization of corporate seeds; “Hiroshima Tech Planter,” which facilitates university–industry collaboration; and “TSUNAGU Hiroshima,” a matching event connecting local enterprises and startups. TSUNAGU Hiroshima event attracted 126 startups and approximately 3,400 participants, generating tangible collaboration cases such as fuel transition technologies and industrial video communication tools.

Q7. What solution support are you providing to the automotive sector?

A7. We are taking a comprehensive approach to sustaining the regional automotive supply chain. This includes core system renewal support in coordination with group companies, consulting for firms facing structural challenges, mid-term planning support, and M&A advisory services.

Q8. What are current trends in capital expenditure and funding demand in Hiroshima?

- A8. Capital investment remains solid across company sizes. Labor shortages are driving automation investment, which we expect to remain structurally strong. However, elevated raw material and construction costs have led some firms to adopt a cautious stance toward large-scale investment. Regarding funding demand, while some companies are utilizing internal funds amid rising rates, SME borrowing demand remains firm. Under “Mid-Term Plan 2024,” we target 3% annual growth in business and retail lending. We also provide subsidy information and application support as part of our corporate solution services. Success fees are charged upon approval, and the investment and organizational insights gained through the process enhance our lending proposals.
- Q9. How do you encourage capital circulation within Hiroshima Prefecture?
- A9. In regional development projects—such as hotel development—we structure participation so that local companies are involved, thereby facilitating capital circulation within the prefecture.
- Q10. What are wage trends in Hiroshima?
- A10. Wage increases of more than 2% have continued, driven by labor shortages. Our survey indicates that approximately 30% of companies implemented higher wage increases than the previous year, and nearly 80% maintained or increased wages. We expect this trend to persist.
- Q11. How long does it take to develop talent in corporate solutions, and when does per-capita profitability improve?
- A11. Finance-related capabilities can be developed relatively quickly. However, highly specialized areas such as M&A typically require around three years. We significantly increased staffing in corporate solutions last year, which has temporarily reduced per-capita profitability. As these professionals mature, we expect per-capita productivity to return to a growth trajectory.
- Q12. How strong is the focus on deposit acquisition within corporate solutions?
- A12. Management consistently emphasizes the importance of deposit awareness. Deposit acquisition is embedded as a core mission across branches. At the head office level, deposit negotiations are standard practice in large corporate and public-sector transactions.

Thematic IR – Day 2 September 26, 2025

Theme 3: Board Function (Governance)

Theme 4: Securities Portfolio Management

Board Function (Governance)

Q1. In recent years, consolidation among regional banks has accelerated. What direction is the Hirogin Group envisioning regarding potential consolidation or integration? Please share each of your views.

A1. (Shinmen)

Japan's overarching challenge is improving productivity. This should not be pursued through cost-cutting alone; rather, it requires reallocating resources toward growth areas. To achieve that, greater scale is essential, and consolidation can improve investment efficiency and optimize workforce allocation.

In particular, spending on IT infrastructure—such as digitalization and cybersecurity—will continue to increase. It will be difficult for individual banks to fund these investments on a standalone basis, which is why consolidation can be highly meaningful. Over time, we expect to see more regional banks with balance sheets around ¥20 trillion, and potentially even banks around ¥30 trillion.

That said, we do not feel an immediate need for Hiroshima Bank to pursue integration. We have a strong local corporate customer base and the organizational capability to execute our strategy independently. Unlike some other prefectures, we are not in a situation where an in-prefecture merger is necessary. Our ability to steadily pursue an independent strategy is a key strength.

While multi-bank integration can deliver cost synergies, it does not necessarily lead to top-line growth or the creation of innovation. Therefore, consolidation is not a universal solution. We believe the *raison d'être* of regional banks is to support local companies and revitalize the regional economy.

(Matsumura)

Before discussing nationwide consolidation, an "area strategy" should come first. We already have an alliance with Chugin Financial Group in the sustainability domain, and we expect similar alliances to expand going forward.

Our core operating area spans four prefectures, including Hiroshima. As this region faces population decline and structural changes in industry, it is important to deepen collaboration from a broader, cross-prefecture perspective.

While such collaboration could evolve into consolidation or integration over time, our immediate priority is how we respond to local challenges. The unique strength of

regional banks lies in their close, on-the-ground customer relationships. To compete with nationwide financial institutions, the key is how we leverage that strength.

Consolidation or integration may emerge as a “natural outcome” along that path.

Q2. In your medium-term plan, Materiality 1 includes “mitigating population decline.” How do you evaluate your initiatives related to this materiality, particularly in addressing youth outflow and labor shortages?

A2. (Matsumura)

As I noted in an interview for the integrated report, the challenges around women’s empowerment can also be viewed as a driver of youth outflow. The outflow of women and younger people from Hiroshima is not due solely to a “Tokyo orientation,” but also because there are relatively few workplaces locally that are perceived as easy to work in. We believe it is essential to improve working environments, ensure equal treatment regardless of gender, enhance compensation, and promote a broader shift in mindset across the local community. As a leading company in the region, we first need to embody a workplace where young people and women can work comfortably. Through such internal transformation, we aim to generate spillover effects across local industries and contribute to reducing outflows.

(Shinmen)

Across the group, we are taking a wide range of measures to address demographic challenges, including promoting labor mobility, hiring and utilizing overseas talent, and improving the technical intern framework.

At the same time, we must face the reality that population decline itself is unavoidable. What matters is helping local companies achieve sustainable growth in a shrinking market, thereby creating jobs for younger generations. Supporting companies through our corporate business ultimately connects to regional employment and the maintenance of population.

Government regional revitalization policy is also shifting—from “competing for population” toward “how to adapt to population decline.” We share this perspective and are making clear our commitment to supporting the region’s industrial transformation.

Q3. Some regional banks appear to be moving faster on reforms such as allowing side jobs and expanding mid-career hiring. How would you assess Hirogin Group’s human capital strategy in relative terms?

A3. (Shinmen)

Our institutional reforms are still in the early stages, and we would characterize our pace as measured. That said, faster is not always better. By learning from peers and adopting proven approaches, we can reduce execution risk.

More important than the mechanics of any policy is a transformation in mindset and corporate culture. In particular, we are taking concrete steps to increase the share of women in management, and internal recognition of these efforts is steadily improving. Ultimately, fostering a culture that employees are proud of is one of the most effective ways to attract and retain talent.

(Matsumura)

From this fiscal year, we have accelerated HR system reforms significantly—expanding mid-career hiring, reviewing compensation, and making bold adjustments to personnel allocation. Even so, compared with nationwide companies, our pace may still appear slower.

That said, at branches and frontline locations, employee proposals and proactive comments have increased sharply, and we plan to reflect these in organizational reforms in the second half of FY2025. While this may be less visible externally, the acceleration in surfacing and mobilizing existing talent is a major achievement. We would characterize our approach as “moderate in speed, but steadily expanding the seeds of transformation.”

Q4. How do you position M&A and alliances within your growth strategy? In particular, please discuss your initiatives in IT and digital transformation.

A4. (Shinmen)

For companies to grow, reallocating resources toward growth domains is essential. M&A is an effective means of “buying time,” and is important both for securing talent and entering new business areas. Alliances with specialized firms outside our group are also effective from a complementary perspective, and we believe we should pursue them more proactively.

The holding company and group companies continuously examine both alliances and M&A. In the IT/digital domain, we are advancing initiatives by leveraging a new alliance partner called MEJAR.

(Matsumura)

At present, we do not have a specific M&A case in the IT/digital domain. However, in IT it is difficult to proceed on a standalone basis, so we will develop our initiatives with the MEJAR alliance as the core platform.

In terms of growth strategy more broadly, we are investing actively in regional redevelopment and tourism asset development, with projects underway in Hiroshima City and Kure City. We are also focusing on key local industries, including ship-related sectors.

Q5. To Director Matsumura, who has experience in the distribution industry with direct

customer contact: Do you believe the Hirogin Group has sufficient capabilities and services to acquire deposits from local retail customers?

A5. (Matsumura)

Our frontline sales teams—especially branch counters—are in the midst of ongoing reform, and many proposals for improvement are emerging directly from the customer-facing sites.

Customers' "life design" does not stay within Hiroshima Prefecture; it extends to the Tokyo metropolitan area and other prefectures. Issues such as inheritance increasingly cannot be handled in a "within-prefecture only" manner. Accordingly, the challenge is to combine "local intimacy" with "wider-area coverage," and regional banks are expected to deliver flexible services that reflect this reality.

Looking ahead, the future of retail banking should be based on focused "selection and concentration," and we need to further refine services that truly align with customer needs.

Q6. Please explain the background behind setting an ROE target of 9.5%.

A6. (Shinmen)

Our current ROE has not yet reached 8%, and first we need to achieve 8%. Once ROE exceeds 8%, we believe earnings growth will become more stable and provide shareholders with greater confidence.

The medium-term target of 9.5% is ambitious, but it has no meaning unless it is accompanied by top-line growth.

Q7. What is the investment case for Hirogin compared with other regional banks?

A7. (Shinmen)

Our strengths lie in the quality of our corporate customer base and loan portfolio. We have strong resilience to credit costs and long-term stability.

(Matsumura)

In addition to the quality of corporate lending, we believe the quality of our people and corporate culture is also a key strength. We are playing a leading role in redevelopment and tourism-related investment, particularly around Hiroshima City, and the pace of the city's transformation is striking. We also serve as a "regional transformation leader," which is an important point of differentiation.

(Shinmen)

We would encourage you to visit Hiroshima on a business trip and experience this transformation firsthand.

Securities Portfolio Management

Q1. How much capital is allocated to securities investment? Also, if deposit growth weakens and loan demand strengthens, would it be possible to reduce securities and reallocate funds to lending?

A1. We manage the investment scale with “approximately 20% of total deposits” as a guideline. If deposit growth slows, we would revisit the plan; however, because the portfolio is centered on short-term assets, we have flexibility. Lending to local companies has high priority, and we will reallocate funds as needed. Lending outside the prefecture and market transactions are assessed based on risk–return comparisons, and decisions are made in coordination with ALM and planning functions. Under current conditions, we believe a portfolio of around ¥2 trillion can be managed without issue.

In terms of capital allocation (risk limits), for the first half, against a total risk limit of ¥317.4 billion, interest rate risk for securities is ¥123.0 billion and price fluctuation risk is ¥120.0 billion. For the second half, we plan to increase interest rate risk by ¥35.0 billion to ¥158.0 billion, and price fluctuation risk by ¥12.0 billion to ¥123.0 billion, and allocate these incremental limits to corporate bonds and equity investments.

In terms of capital allocation (risk assets), we expect “pure investment securities” of approximately ¥820.0 billion at FY2025 year-end, representing an increase of roughly ¥60.0 billion versus FY2024 year-end.

Q2. Under the fully phased-in Basel III framework, you may have additional capital headroom on a risk-asset basis. Could you take more credit risk? Also, do you intend to increase allocations to equities and corporate bonds over a 3–5 year horizon?

A2. We do not intend to take more credit risk than planned to pursue additional earnings. We also do not plan to invest in complex products such as CLOs. In other words, our strategy is to generate returns primarily through market risks such as interest rates and FX.

For listed equities, information availability is high, and we will invest more actively in names with high liquidity. For corporate bonds, we will focus mainly on around AA-rated issues and aim to earn returns through relatively low-risk assets.

While our medium-term plan sets a certain level of funding allocation to securities, we will prioritize the balance with the loan portfolio. We will maintain a cautious stance and will not aggressively expand credit risk for the time being.

Q3. If competition for deposit funding intensifies in a rising-rate environment, would your approach to securities risk-taking change?

A3. Our current plan was formulated in the “zero-interest-rate era,” and we will review it flexibly as conditions change. If JPY rates rise from 0.5% to 1% and then to 1.5%, our investment behavior will inevitably adjust.

At present, we are shifting both JPY and foreign bonds toward floating-rate structures. Once rates have fully risen, we would consider investments in fixed-rate bonds. Taking deposit funding costs into account, we will make disciplined decisions on which assets to hold.

Q4. If deposit growth slows further and loan demand strengthens, could this constrain your capacity for securities investment?

A4. The fundamental premise remains unchanged: securities investment depends on stable deposit funding. If loan demand strengthens, we would likely curb securities investment and prioritize lending.

At present, this is not an excessive concern, but we recognize it as a longer-term risk. Accordingly, we are taking preparatory steps such as shortening duration so that we can respond to changes in the funding environment.