

Hirogin Holdings, Inc. Summary of Q&A – Small Meeting  
February 26, 2026

① **PBR, ROE, and Capital Policy**

- Q1. How do you view the current valuation of your stock (PBR near 1x, PER around 14x), and what are your priority measures for improving capital efficiency and ROE?
- A1. ROE has been approaching a level above our cost of capital, which has resulted in PBR rising to around 1x. Major banks enjoy even higher valuations, and we recognize room for further capital efficiency improvement. We are prioritizing quality enhancements - profitability and operational efficiency - to steadily raise ROE. We are reviewing KPIs, including the ROE target for the final year of the medium - term plan, and plan to announce the revisions at the May earnings release.
- Q2. Has the rise in market capitalization above ¥500 billion led to more investor meetings or new investor engagement?
- A2. During our recent overseas IR meetings in Singapore and Hong Kong, we observed strong interest from investors, and the overall feedback was positive. Many investors are still in the research phase, so we intend to proactively communicate our strengths, including improvements in capital efficiency and our growth strategy.
- Q3. What were the main questions raised by investors?
- A3. The most common inquiries concerned the outlook for Japan's interest rate policy. Investors were particularly focused on understanding how potential rate increases could positively impact our earnings and sought clarification on our forward - looking assumptions.
- Q4. Your ROE target for FY2028 is at least 9.5%, with 10% in sight. How do you assess your current progress and outlook?
- A4. Our ROE is expected to come in at around 8% this fiscal year. For the final year of the medium - term plan, we currently project ROE in the range of 9.5% to 10%. We are in the process of reassessing this target within the company.
- Q5. Do you expect upside to the ¥60 billion net income target for FY2028?
- A5. Our net income outlook for FY2028 depends heavily on how much policy rates rise by that time. At this stage, we are reviewing our projections based on the assumption that policy rates will increase to around 1.5%.
- Q6. With the PBR approaching 1x, has your stance on share buybacks changed?
- A6. As the PBR moves toward the 1x level, we recognize the need to reassess how we operate our share buyback. While we continue to maintain our basic policy of a 40% dividend - payout ratio, we believe we are entering a stage where a higher payout ratio could be considered in the future.

② **Deposits and Loans**

- Q7. What is driving the strong loan growth in Okayama and Yamaguchi Prefectures?
- A7. The growth is largely attributable to borrower - specific factors, such as lending to shipowners.
- Q8. Other banks - including Yamaguchi FG - have said that loan growth in Yamaguchi Prefecture is difficult, yet your loans are increasing steadily. What explains this difference?
- A8. Yamaguchi FG already holds more than a 60% share in the prefecture, leaving limited room for further expansion. In contrast, we still have room to increase our share in Yamaguchi, which has supported our recent growth. That said, we currently allocate a greater portion of management resources to Hiroshima, making our presence in Okayama and Yamaguchi relatively lighter. With the resources available today, it is difficult to deploy sufficient capacity to those two prefectures. As regional markets vary - some shrinking and others expanding - we will continue to review and optimize our overall allocation of management resources.
- Q9. Excluding government - related factors, is it correct to understand that underlying loan growth remains solid?
- A9. Government - related loans will drop to zero in May, so total loan growth may appear weaker on the surface. However, the actual loan portfolio is shifting toward higher - yield corporate loans, which we expect to continue growing at an annual rate of at least around 5%. Housing loans and other retail loans are also growing at around 7–8%, and we believe that overall funding demand will remain strong for the time being.

Q10. What is your future policy regarding housing loans?

A10. Our core focus will remain on corporate lending. However, in the Hiroshima metropolitan area, there is a clear trend of people moving back from the suburbs into the city center, which is driving strong housing - loan demand - particularly for high - rise condominiums. We are working toward achieving a 50% share of the housing - loan market within the prefecture. We are also expanding the "Hirogin Life Consulting Plaza," which provides not only housing - loan services but also asset - management consultations, and this expansion is already showing positive results. Since housing loans also support deposit acquisition, we plan to continue strengthening our efforts in this area.

Q11. How do you assess the risks associated with ship finance - such as market downturns and competitiveness - and what is your outlook for this business?

A11. Of our approximately ¥1 trillion ship - finance portfolio, around 90% consists of oceangoing vessels. Although the business is subject to significant market volatility, we have never experienced an uncollectible case. Even when temporary repayment delays have occurred, we have been able to recover through vessel sales and other measures. While we naturally anticipate risks such as rating fluctuations, we do not see major concerns regarding credit costs. As for the shipbuilding sector, Japan's global market share has declined to single - digit levels. However, the government has indicated strong support for restoring and enhancing competitiveness. If Japan's technological advantages are recognized, domestic orders could increase even at higher price points. We believe the extent of government support will be a critical factor influencing the competitiveness of domestic shipbuilders and, consequently, the future development of our ship - finance business.

Q12. What quantitative impact do you expect from the government's shipbuilding - industry support measures?

A12. Of the government's planned ¥1 trillion fund, approximately ¥350 billion is expected to come from private - sector investment. Assuming we capture around 40% share across the four prefectures that form our core operating area, this implies roughly ¥150 billion of potential investment. We estimate that around 25% of this amount could translate into loans, and we expect these loans to materialize over the next three to four years.

Q13. Could you share your views on the current situation of the automotive sector, particularly the local automobile manufacturer suppliers?

A13. As long as the local automobile manufacturer maintains domestic production at around 700,000 units, we believe that Tier 1 and Tier 2 suppliers will generally be able to remain profitable. At present, we see very few borrowers of concern, and the short - term impact appears limited. In the medium to long term, supplier consolidation may progress, but we view this potential shift as a business opportunity - particularly in areas such as M&A - and intend to be actively involved.

Q14. What is your outlook on funding demand related to the semiconductor sector?

A14. In Higashihiroshima City, large - scale semiconductor - related investments continue, and we expect significant economic spillover effects for the region. While we do not anticipate providing direct loans to major semiconductor memory manufacturers, we are focusing on the growing demand for surrounding infrastructure - such as housing - resulting from the entry of related companies and increases in their workforce. In particular, plans are underway for a hotel with a convention center, and we have been involved from the planning stage. We recognize that these surrounding infrastructure needs represent major business opportunities for us.

Q15. Could you tell us about your initiatives in the regional development business?

A15. In our region, redevelopment demand in central Hiroshima is strong as many buildings are reaching the renewal phase. Our strength lies in our ability to support regional development projects seamlessly from start to finish. At the initial stage, Hirogin Area Design becomes involved from the early planning and attraction phases, providing advice on project concepts and land utilization. We also plan to establish an asset - management company (Hirogin Regional Advisors), which will participate in structuring project schemes and designing financing arrangements. Hiroshima Bank provides loans, while Hirogin Capital Partners handles equity investments. As an exit option, projects can be incorporated into the REIT managed by Hirogin REIT Management. Through this structure, we have built a group - wide framework that enables us to support regional development projects in an integrated manner from entry to exit.

Q16. Could you update us on your initiatives outside Hiroshima City?

A16. We are involved from the early stages in major projects across the prefecture, including the redevelopment of the area around Kure Station and the attraction of an international hotel in Ondo, Kure City. If these projects progress as planned, we expect to generate revenue consistently from the entry stage through the exit stage, and we believe they will contribute meaningfully to group earnings.

Q17. Does being involved from entry to exit increase your real - estate - related risks? Also, are there any regulatory restrictions?

A17. The projects we engage in are primarily local. Because we have a deep understanding of regional characteristics and demand dynamics, we can carefully review the feasibility of each project and avoid excessive risk accumulation. We have not received any particular concerns or restrictions from the regulators.

Q18. Tourism is an important element of regional revitalization. What direction are you pursuing in this area?

A18. We recognize that our region has extremely strong potential as a tourism destination. To fully leverage this potential, it is important to connect the various tourism resources across the Seto Inland Sea in a more integrated manner. We are currently exploring cruise - tourism concepts that link destinations such as Hiroshima, Miyajima, Matsuyama, the Shimanami area, Onomichi, and Fukuyama, with the aim of enhancing the unique mobility and connectivity of the Setouchi region. Through these efforts, we hope to help shift tourism from a transit - based model to a stay - based model, thereby increasing the economic impact on the region.

Q19. What is your view on the factors behind the slowdown in deposit growth among regional banks?

A19. For corporate customers, the slowdown is largely due to an increasing tendency to allocate surplus funds to investments rather than deposits. For individual customers, structural factors - such as population decline and outflows of funds associated with inheritance - are having a significant impact, which we believe is contributing to weaker deposit growth.

Q20. What initiatives are you taking to acquire deposits?

A20. For individual customers, we aim to position our accounts as their main banking relationship by combining settlement accounts - such as payroll, pension, and payment accounts - with products like housing loans. To prevent outflows related to inheritance, we are placing particular emphasis on will - trust services, for which we now have over 3,000 contracts. For corporate customers, we maintain strict management of loan - to - deposit ratios. Although deposit acquisition often leads to interest - rate competition, we currently have no intention of attracting deposits from other banks by offering higher rates.

Q21. Are you conducting any special campaigns to acquire individual deposits?

A21. While our basic policy is to focus on acquiring settlement deposits, we do run campaigns as appropriate. In line with regional characteristics in Hiroshima Prefecture, we will continue to offer products such as the "Carp Time Deposit" and "Sanfreccce Time Deposit," where interest rates vary depending on the teams' performance.

Q22. What is your strategy for customers who are primarily deposit - only clients?

A22. Among deposit - only customers, some have limited funding needs, while others may have potential borrowing needs in the future. For both groups, we provide support that captures non - financial needs - such as recruitment assistance and IT/digitalization support - which in turn contributes to deposit acquisition. For customers who may have future borrowing needs, our ongoing non - financial engagement helps build stronger relationships, and we are seeing a steady increase in cases where clients approach us when actual funding needs arise.

Q23. What are your views on the recent trends among megabanks and online banks in terms of deposit competition?

A23. We have not observed any notable moves from the megabanks at this point. While there is some level of competition from online banks, their scale in our region remains limited compared with the Tokyo metropolitan area. Competing directly with megabanks and online banks on interest rates would not be rational. Our approach is to focus on our locally rooted customer base and compete by delivering value that is tailored to the needs of our region.

### ③ Group Management

Q24. For your non - bank subsidiaries, are you aiming primarily for ROE improvement or profit growth?

A24. We aim for both. The combined net income of our group companies before the transition to a holding - company structure was around ¥2 billion, but we plan to achieve approximately ¥3.5 billion this fiscal year, and our target for the final year of the medium - term plan is around ¥6 billion. Among our group companies, Hirogin Lease and Hirogin Capital Partners are the main users of asset - heavy models, while the other businesses are primarily fee - based. This structure enables us to grow earnings without impairing capital efficiency, making it easier to improve ROE.

Q25. What is your framework for supporting customers in building their financial assets?

A25. We are still refining the optimal structure through trial and error. Essentially, the bank is responsible for managing the customer's overall life - plan needs, while the securities subsidiary handles the investment of surplus funds. Regarding investment - trust sales, excluding regular savings plans, we are considering a shift toward having the securities company take primary responsibility.

Q26. Do you have a system that allows customers to transfer funds between the bank and the securities company entirely through your app?

A26. We do not have such a system at this time. Taking into account the cost required to build it and the expected return, we believe it would be difficult to introduce such a feature under current conditions.

#### ④ **Securities Portfolio Management**

Q27. As domestic interest rates rise, unrealized losses on Japanese bonds have increased. How are you approaching securities portfolio management going forward?

A27. We are steadily progressing toward rebuilding our securities portfolio to a balance of ¥2 trillion with a net yield of 1.1%. We expect to achieve this target during the next fiscal year and are also considering revising the target for the final year of the medium - term plan. In the fourth quarter of this fiscal year, we intend to reduce unrealized losses as much as possible by realizing gains on equities and utilizing the upside in net interest income and operating profit. The interest - rate sensitivity of our yen - bond portfolio is slightly under ¥5 billion, and even if long - term interest rates rise further, we believe the potential increase in unrealized losses would be limited.

#### ⑤ **Other Topics**

Q28. How is generative AI perceived and utilized within the company?

A28. The use of generative AI is expanding, particularly among younger employees, for tasks such as preparing internal documents including approval requests, and we are already seeing efficiency gains. In a recent internal contest seeking ideas for generative - AI utilization, we received around 70 submissions, of which eight were selected for recognition and shared with employees through our internal intranet. Through these initiatives, we expect the internal use of generative AI to continue advancing.

Q29. What was the purpose of issuing ¥30 billion in senior bonds?

A29. As funding demand increased, risk - weighted assets expanded and our capital capacity had become tight. To address this, the holding company issued senior bonds and injected the proceeds as capital into the bank, thereby creating a more flexible environment for deploying risk - weighted assets. Going forward, we intend to raise our top line while managing risk - asset allocation, including securities.

Q30. What are your priority areas for capital allocation going forward?

A30. We intend to strengthen investment in human capital. However, we are entering a period in which current system - operation costs will overlap with system - related investments for the MEJAR migration. As a result, system costs are expected to increase from next fiscal year through around 2030. We will make decisions while carefully balancing these costs with our available investment capacity.

Q31. What is your view on potential consolidation or integration?

A31. During the current medium - term plan, our top priority is to solidify our presence and market share in our home region and to maximize corporate value through improved capital efficiency. Looking ahead over the next five to ten years, however, we recognize that consolidation and integration are themes that we should keep in consideration.