

Hirogin Holdings, Inc. Summary of Q&A – Investor Briefing  
November 25, 2025

Q1. Amid heightened global economic uncertainty, could you comment on economic conditions in Hiroshima Prefecture and funding demand from clients, including shipbuilding and regional development?

A1. Economic conditions in Hiroshima remain closely linked to the performance of major automobile manufacturers, and the environment remains somewhat challenging. That said, the leading automaker plans to maintain domestic production at 700,000 units, and key suppliers are expected to remain profitable, which should help underpin the regional economy.

Tourism and inbound demand remain solid, and redevelopment projects in Hiroshima City are moving forward steadily.

As a result, funding demand in our core markets remains solid. We intend to prioritize loan growth within our home region rather than pursuing expansion outside our core markets.

Q2. How would the policy rate terminal level and rising credit costs in a tightening cycle affect earnings?

A2. Our base-case assumption for the terminal policy rate is approximately 1.25%. Should rates rise to 1.5%, higher funding costs, weaker loan repricing dynamics, and rising credit costs would likely create earnings headwinds.

That said, the structural benefits of a higher-rate environment would remain intact.

Given our current earnings mix, we believe the net impact of higher rates would remain positive for the time being.

Q3. What are your criteria for executing share buybacks while maintaining financial soundness?

A3. We evaluate share buybacks based on earnings performance, the external environment, and our ability to sustainably maintain a capital adequacy ratio above 10%.

While the current reference level is approximately ¥5 billion, we will consider increasing the amount depending on capital conditions and profitability trends.

Q4. Your medium-term plan targets growth in loans and deposits by the final year of “Mid-Term Plan 2024.” How achievable is this, and does the loan–deposit gap present any constraints?

A4. We currently hold approximately ¥800 billion in government-related loans, which we plan to gradually redeploy into business loans. Business loans and retail loans are currently expanding at an annual rate of just under 7%. While some moderation is

possible, we believe sustainable growth of 5–7% remains achievable.

On the deposit side, the reduction of government-related loans will provide near-term flexibility. Over the longer term, however, the environment is likely to become more challenging. Public-sector deposits face intensified rate competition, and retail deposits are subject to outflows associated with inheritance.

While inheritance-related outflows cannot be fully eliminated, testamentary trust services can help mitigate their impact.

Building a stable and sticky deposit base remains essential. There is no single solution; we must steadily strengthen transaction relationships and enhance digital engagement, including through our mobile app.

At present, we do not view the loan–deposit gap as a material constraint.

Q5. Is the 10% HD capital adequacy ratio target under “Mid-Term Plan 2024” based on the fully phased-in Basel III framework?

A5. Yes, the target assumes the fully phased-in Basel III framework.

Q6. Media reports indicate you aim to raise your housing loan market share in Hiroshima from 40% to 60%. What is the current progress?

A6. We have positioned our “Life Consult Plaza” as a primary customer engagement platform, offering comprehensive personal financial services that extend beyond housing loans to include asset management.

As a result, our housing loan market share in Hiroshima is approaching 50%.

We continue refining our products by incorporating feedback from partner real estate agencies and believe our competitiveness remains strong. Through these initiatives, we aim to increase market share to 60% over time.

Q7. With OHR already in the low-50% range, is reducing it below 40% achievable?

A7. We are enhancing productivity through initiatives such as centralizing inheritance-related administrative processes and utilizing AI to streamline loan documentation workflows. These measures are steadily gaining traction across the organization.

Combined with continued top-line expansion, we believe reducing OHR into the 40% range is achievable over the medium term.

Q8. How binding are the annually disclosed capital ratio targets?

A8. The targets are intended as flexible management guidelines rather than rigid commitments. We view “around 10%” as an operating benchmark, and if capital levels materially exceed that threshold, we would consider shareholder returns such as share buybacks.

Q9. What is the status of personnel allocation to priority areas (corporate solutions, regional

development, ship finance, securities/ALM)?

A9. Personnel deployment to priority areas, including corporate solutions and regional development, is progressing as planned, supported by structured training programs.

We expect to complete the required staffing by the final year of the medium-term plan.

Q10. What progress has been made in transforming corporate culture?

A10. A majority of employees recognize the need for transformation, and new initiatives are gradually taking hold. That said, some traditional mindsets remain, and we will continue advancing organizational reform through sustained cultural change efforts.

At the bank, we have overhauled our HR framework to ensure merit-based promotion to management roles, independent of tenure or gender. We have also enhanced transparency in performance evaluations and introduced regular one-on-one dialogue to clarify career paths and foster a stronger performance culture.