

Overview of Financial Results for FY2020

— IR Presentation —

June 2021

Hirogin Holdings, Inc.

未来を、ひろげる。



ひろぎんホールディングス

Table of Contents

1. Summary of Business Performance

Overview of FY2020 financial results	...	3
Results for major Group companies	...	4

2. Overview of Mid-Term Plan 2020

Overview	...	6
Management targets	...	7

3. Responses to COVID-19

Responses to COVID-19	...	9
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4. Progress of the Mid-Term Plan (FY2021 initiatives)

Business portfolio reforms	...	11
Reforms in the revenue structure	...	12
Regional vitalization and local revitalization	...	13
Strategy for corporate customers		
- Business development in nonfinancial fields -	...	14
- Equity business -	...	15
Strategy for individual customers	...	16
Digital strategy		
- Expanding data utilization -	...	17
- Digitalization of channels, settlement, etc. -	...	18
Restructuring	...	19

5. Capital Policy

Thinking on capital policy	...	21
Trends in capital adequacy ratio	...	22
Capital allocation	...	23
Dividends	...	24

6. Sustainability Initiatives (SDGs/ESG initiatives)

Initiatives to date	...	26
Policies on sustainability initiatives	...	27

7. Business Forecast for FY2021

FY2021 performance and dividend forecasts	...	29
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Appendix① Overview of Financial Results for FY2020

[Hirogin Holdings (Consolidated)]

... 31-33

Appendix② Overview of Financial Results for FY2020

[Hiroshima Bank (nonconsolidated)]

... 35-42



To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group will strive to help local communities address social and environmental issues and enjoy sustainable growth by providing high value added regional comprehensive services.

1. Summary of Business Performance

Overview of FY2020 financial results

Summary of financial results

(Billion yen)

	FY2020	YoY change	(Change rate)	vs. forecasts
Consolidated gross profit	1 95.2	0.9	(0.9%)	
Net interest income	66.8	-0.6		
Net fees and commissions income	19.5	1.2		
Income from specific transactions and other businesses	8.8	0.3		
Operating expenses (-)	2 57.8	0.5		
Credit costs (-)	3 11.2	6.8		
Gains/losses related to equities, etc.	4.5	-1.1		
Gains/losses from equity method investments	0.1	0.0		
Other	0.1	-0.5		
Ordinary profit	31.0	-7.9	(-20.4%)	0
Extraordinary gains/losses	4 -0.1	3.4		
Total income tax, etc. (-)	9.3	-1.8		
Net income attributable to owners of the parent	5 21.5	-2.7	(-11.1%)	0

* There are no consolidated figures for the Company in FY2019 (nor at the end of March 2020) because it was established October 1, 2020. Hereinafter in this document, consolidated figures for the former organization in which the Hiroshima Bank was the parent company in FY2019 (or at the end of March 2020) are shown for reference.

Despite increased credit costs, 21.5 billion yen in net income attributable to owners of the parent was recorded, as planned

1 Consolidated gross profit

- Net interest income was down 600 million yen year on year due to lower interest on loans and interest and dividends on securities resulting from extended negative interest rate policies and lower overseas interest rates.
- Net fees and commissions income were up 1.2 billion yen year on year due mainly to higher earnings from corporate solutions (syndicate loans, business succession support, M&A, etc.) and in the net operating profit of Hirogin Securities (stock commissions, offering of investment trusts).
- As a result, consolidated gross profit rose by 900 million yen year on year to 95.2 billion yen.

2 Operating expenses

- Operating expenses were up 500 million yen year on year due mainly to increased consumption tax on the new head office building.
- The overhead ratio improved to 60.7% (down 0.1 points year on year) thanks to growth in consolidated gross profit.

3 Credit costs

- Credit costs rose by 6.8 billion yen year on year due to increases in reserves for certain customers on a precautionary basis, in addition to higher costs resulting from the impact of the COVID-19 pandemic.

4 Extraordinary gains/losses

- Extraordinary gains/losses rose by 3.4 billion yen year on year due mainly to the elimination of depreciation losses, etc., on property, plant, and equipment planned for disposal and recorded in the previous fiscal year.

5 Net income attributable to owners of the parent

- Despite a decrease of 2.7 billion yen year on year, net income attributable to owners of the parent of 21.5 billion yen was recorded, in line with plans (performance forecasts).
- Dividends per share in FY2020 were 24 yen,* up 1.5 yen year on year

* Including 12 yen in interim dividends paid by Hiroshima Bank

Results for major Group companies

The Hiroshima Bank

(Billion yen)

	FY2020	YoY change	(Change rate)
Business gross profit	89.7	2.3	(2.6%)
(including core business gross profit)	1 86.5	2.8	(3.3%)
Net interest income	70.2	1.9	
Net fees and commissions income	13.9	0.9	
Income from specific transactions	0.8	0.1	
Income from other operations	4.7	-0.5	
(including gain/loss related to treasuries and other bonds)	3.2	-0.4	
Expenses (not including extraordinary disposal) (-)	2 53.3	0.6	
Effective business gains/losses	36.3	1.6	(4.8%)
Net income from core businesses	33.1	2.1	(6.7%)
Net income from core businesses (not including gains/losses from cancellation of investment trusts)	33.1	2.1	(6.7%)
Credit costs (-)	3 11.1	6.9	
Gains/losses related to equities, etc.	4.5	-1.1	
Other	1.2	0.0	
Ordinary profit	31.0	-6.4	(-17.1%)
Extraordinary gains/losses	4 -0.0	3.3	
Total income tax, etc. (-)	8.6	-1.3	
Net income	5 22.3	-1.8	(-7.3%)

We secured a net income of more than 20 billion yen despite increased credit costs

1 Core business gross profit

- Up 2.8 billion yen year on year due mainly to increased net interest income and net fees and commissions income

2 Expenses (not including extraordinary disposal)

- Up 0.6 billion yen year on year due mainly to increased consumption tax on the new head office building
- The overhead ratio based on core business gross profit (core OHR) improved to 61.6% (down 1.3 points year on year) thanks to growth in core business gross profit.

3 Credit costs

- Up 6.9 billion yen year on year due to increases in reserves for certain customers on a precautionary basis

4 Extraordinary gains/losses

- Up 3.3 billion yen year on year due mainly to the elimination of depreciation losses, etc., on property, plant, and equipment recorded in the previous fiscal year

5 Net income

- Despite five consecutive years of decreases, we recorded net income of more than 20 billion yen (22.3 billion yen) for the eighth consecutive year.

Major Group companies other than Hiroshima Bank

(Million yen)

Company	Ordinary profit		Net income	
	FY2020	YoY change	FY2020	YoY change
Hirogin Securities	1,447	723	989	529
Shimanami Servicer	390	189	256	74
Hirogin Capital Partners	-31	—	-22	—
Hirogin Lease	1,323	223	908	157

2. Overview of Mid-Term Plan 2020

Overview

Period covered by plan

■ October 2020 – March 2024

Basic concept

- While deepening and expanding the operation axis and customer axis in the markets of our four local prefectures (Okayama, Yamaguchi, Ehime, and Hiroshima), which have potentials in terms of economic scale and growth opportunities, Hirogin Holdings will thoroughly work on solving every issue faced by the regional community and customers and actively commit itself to the development of the region, thereby realizing its management philosophy and achieving the group's sustainable growth.



Advancing to the next stage by boldly accelerating Group integration through reformed awareness and actions triggered by becoming a holding company structure

Three main pillars

Seeing the sustained progress of our community as a Group growth opportunity



1

Enhancing efforts to revitalize the community and find solutions to community issues

Seeing the growth of customers in our community as a Group growth opportunity



2

Enhancing the core businesses of each Group company to contribute to customer growth and expanding business domains through Group integration (establishing new revenue generation fields)

Continuing to support our community and customers into the future



3

Establishing stable management foundations to support the sustained growth of our community and customers

Growth drivers for increased earnings

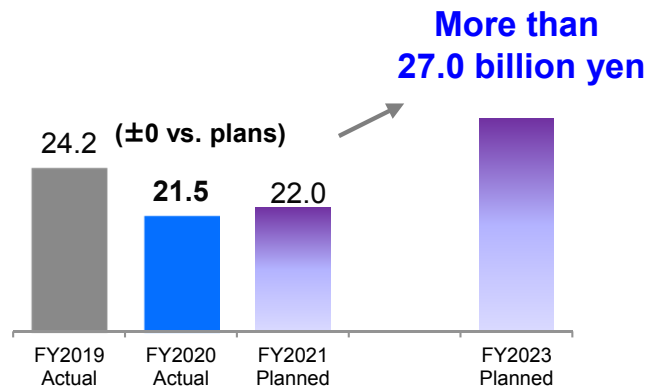
- **Support for inheritance and business succession measures**
- **Equity business**
- **Support for urban redevelopment and tourism promotion**



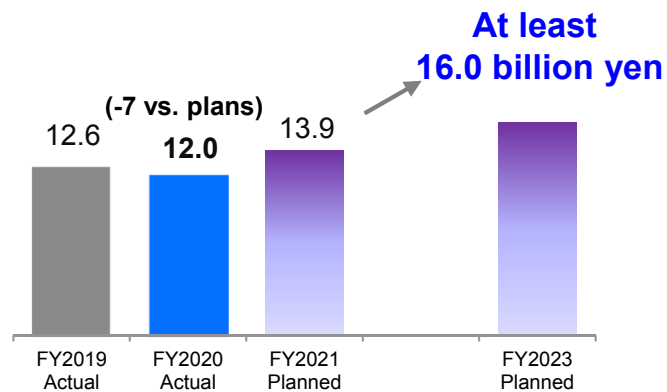
- **Applying the functions of Group companies**
- **Drawing on alliances with other companies and industries**

Management targets

Net income attributable to owners of the parent



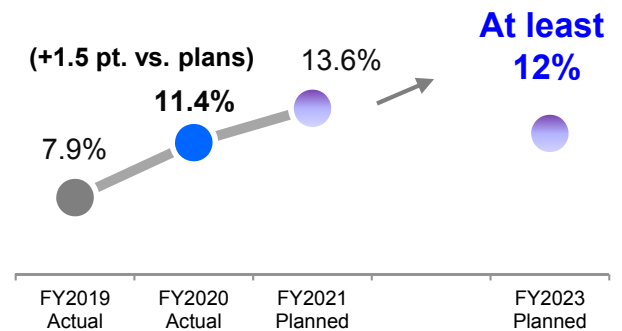
Total of revenues from consulting businesses for corporate and individual customers*1 and Group company net income*2



*1 Revenues from consulting businesses for corporate and individual customers = Total of revenues from corporate solutions, asset management, and equity business

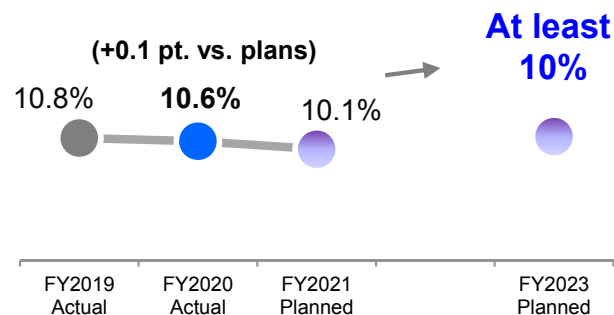
*2 Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding the bank, multiplied by investment ratio

Contributions of Group companies to consolidated performance*3

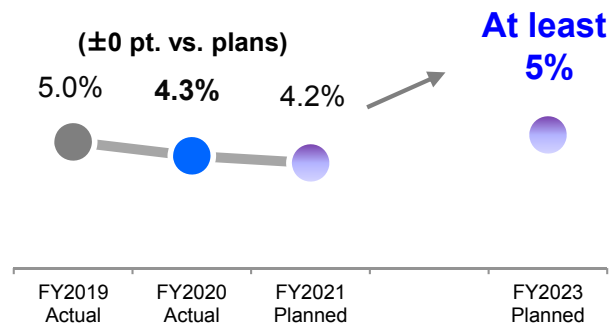


*3 Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies (*2)}}{\text{Net income attributable to owners of parent}}$

Consolidated capital adequacy ratio



Consolidated ROE



3. Responses to COVID-19

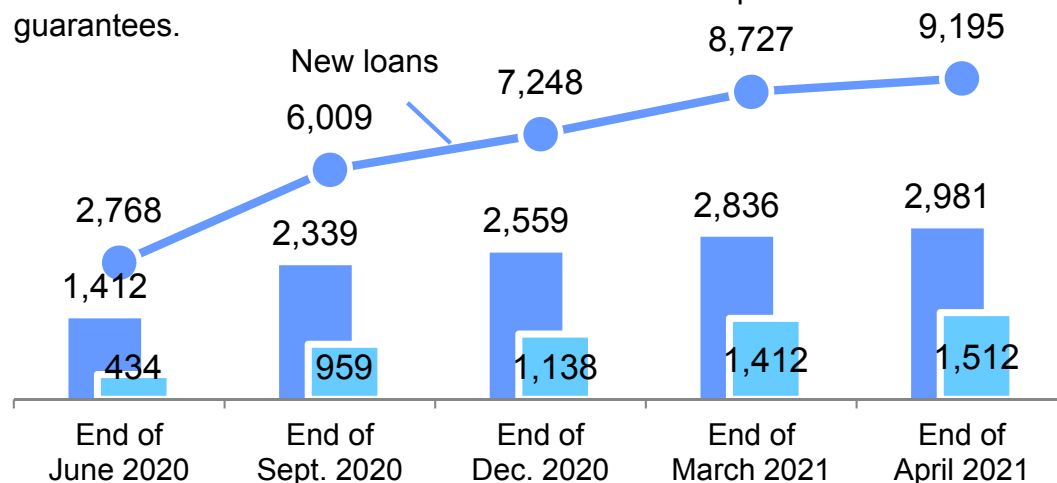
Responses to COVID-19

Deploying proactive customer support during the COVID-19 pandemic

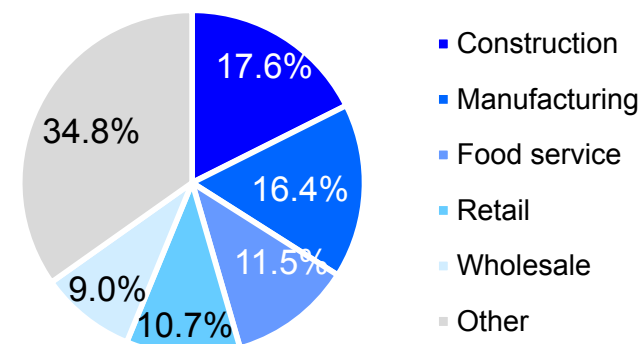
State of customer support

- Cumulative new financing related to COVID-19 (number of loans) and total amount (100 million yen)

*Subtotals indicate loans with Credit Guarantee Corporation guarantees.



- Consultation requests received by industry (as of April 30, 2021)



In addition to financial assistance, business support such as introductions to buyers and support for reorganization through M&As is provided.

Management Improvements Support Team

Consists of 14 team members from across the Bank organization to support management improvements and revitalization for customers whose business conditions have declined due to COVID-19.

■ We identified 400 customer firms impacted significantly by COVID-19.

- Details of support for individual companies identified through various activities, including company visits by the Support Team, in cooperation with branches
- Side-by-side support implemented in cooperation with external agencies, including business rehabilitation support cooperatives, in addition to Bank front office sections and Group companies

Credit costs (Impact of COVID-19)

〈FY2020〉

+ Approximately 3 billion yen

(including about 1 billion yen in precautionary reserves)

▶ 〈FY2021 forecast〉

Approximately 4 billion yen

4. Progress of the Mid-Term Plan (FY2021 initiatives)

Improving the Group structure to realize business portfolio reforms

Structural improvements (October 2020 – March 2021)

Business portfolio reforms

Establishing a Group structure capable of deploying both financial and nonfinancial solutions

Accelerating the shift toward Group management, by transforming our human resources and mindset

March 2021
Hirogin Lease
made a wholly owned subsidiary

Revisions to capital structure

April 2021
Hirogin Human Resources
established

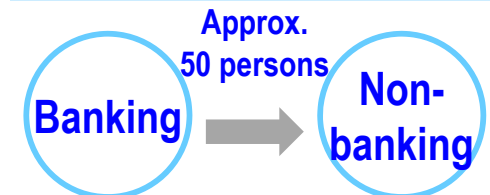
January 2021
Hirogin IT Solutions
made a wholly owned subsidiary

The Group's first nonfinancial consulting subsidiary

April 2021
Hirogin Area Design
established

October 1, 2020
Hirogin Holdings established
(Migration to a holding company structure)

Reassignment of staff (April 2021)

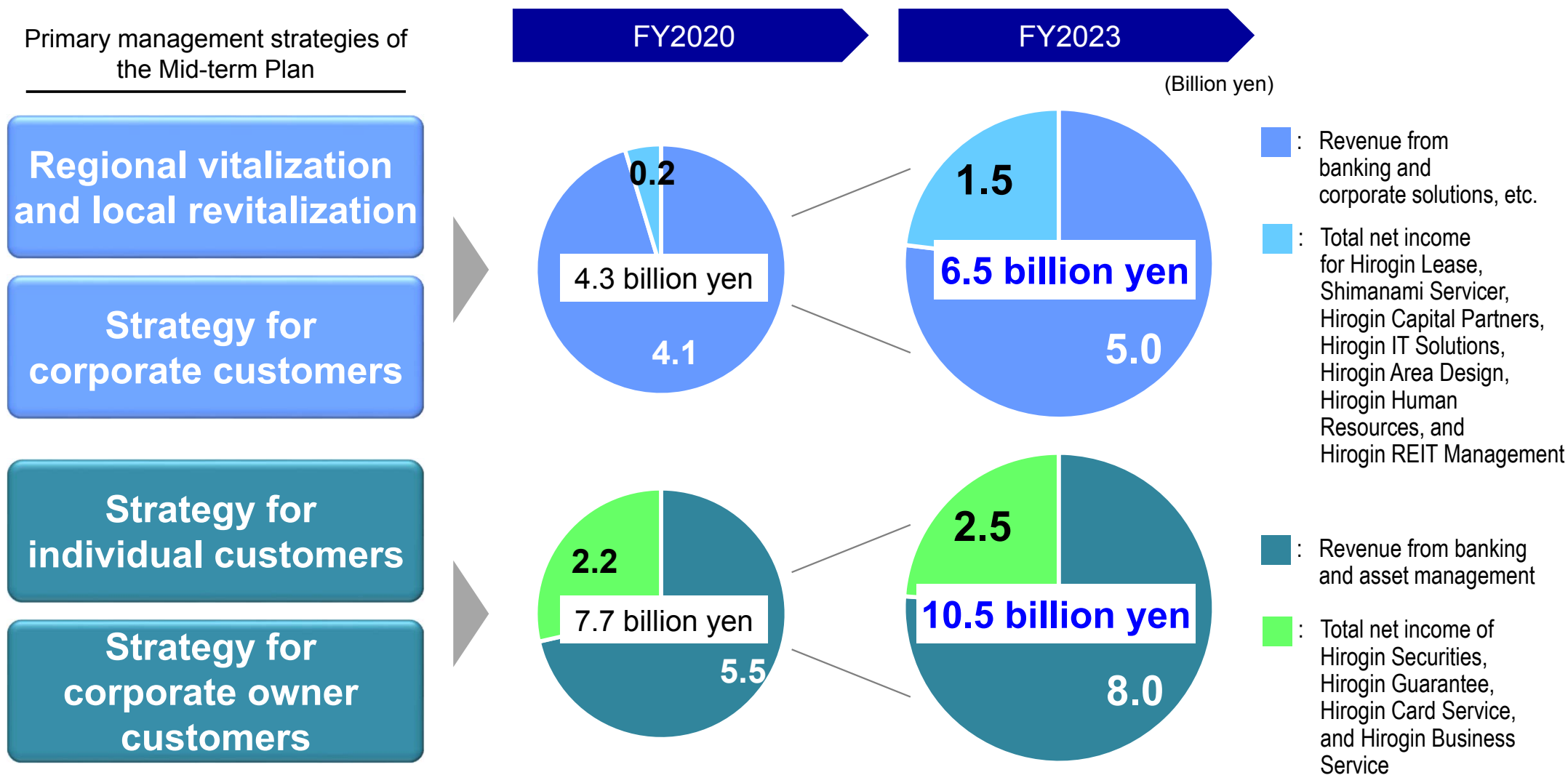


Transformation of mindset



Reforms in the revenue structure

Efforts based on banking revenues to further increase contributions from non-banking revenue



Transforming the banking-centric business portfolio

Regional vitalization and local revitalization

New business development to achieve local revitalization through alliances and cooperation with local public agencies and businesses; targeting functional enhancement by establishing new companies and other measures

Business development with a focus on contributing to community development and solutions to regional issues

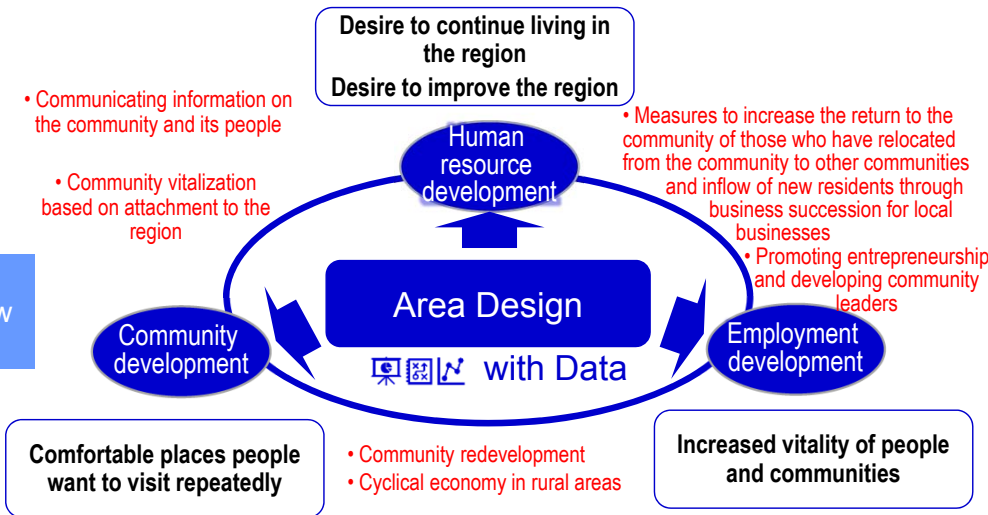
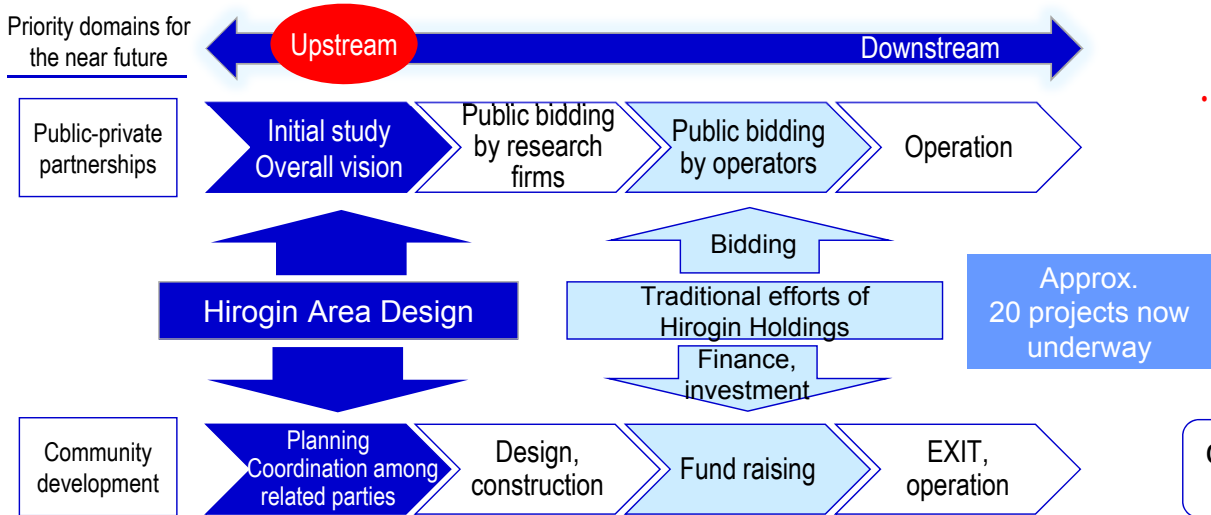
◆ New company Hirogin Area Design established (April 2021)

Point 1

Increasing efficacy through participation from upstream stages, including initial study and planning, in public-private partnerships and community development

Point 2

Creating new regional value by organically linking community development, human resource development, and employment development by Hirogin Area Design



Urban redevelopment

◆ Deploying measures to contribute to regional vitalization by participating in urban redevelopment projects from the planning stages

Case study Attracting Hilton Hotels

This project goes beyond simple real estate development to create new value for the region by involving community development, human resource development, and employment development in various ways, including efforts to enable use as a conventional facility and create employment.



Tourism promotion

◆ Proactive participation in the community tourism infrastructure

- Establishment of Setouchi DMO
- Participation in community trading company business
- Participation in privatization of Hiroshima Airport

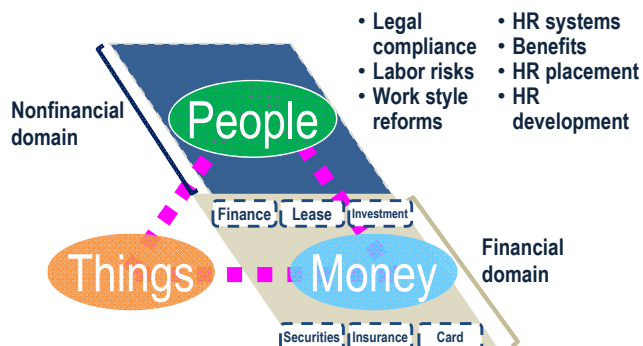
Strategy for corporate customers - Business development in nonfinancial fields -

Providing Group-based solutions, including those in nonfinancial fields, for diverse customer needs based on our strength of evaluation of business

HR and labor consulting business development

- ◆ Providing optimal solutions for local SME management challenges related to human resources and employment, such as the need to secure human resources and workstyle reforms, through Hirogin Human Resources (new company established in April 2021)

Support to identify solutions to the various challenges and issues facing customers regarding human resources



- Legal compliance
- Labor risks
- Work style reforms
- HR systems
- Benefits
- HR placement
- HR development

〈Challenges facing managers in Hiroshima Prefecture (Top 10)〉

Decreased sales and orders received	62.1%
Enhancing HR development, improving employee skills	38.8%
Securing human resources, labor shortage	35.1%
Increasing productivity	16.6%
Responding to work-style reforms	14.6%
Aging facilities	14.4%
Employment stability and maintenance	12.3%
Adding value to products and services	11.9%
Rising labor costs	11.7%
Falling sale prices	11.3%

Source: Survey of managers by Hiroshima Bank Research Institute in the second half of FY2020 (up to three answers accepted from respondents across all industries, n = 699)

Details of our businesses

Training business

- Implementing various types of training
- Supporting internal development programs, etc.

HR placement business

- Core human resources
- External human resources capable of contributing immediately, etc.

Consulting business

- Consulting related to HR and labor
- HR systems development, etc.

Results

HR placement (FY2020 results, transactions)

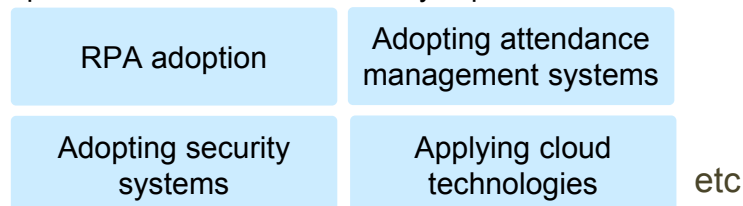
	Core management, etc.	Middle management and below	Total
Recruitment	151	253	404
Successful contracts	38	35	73

Note: Figures above are for HR placement by the Bank.

Consulting business development in IT-related fields

- ◆ Providing optimal solutions through specialized consulting in response to IT-related needs, centered on Hirogin IT Solutions (made wholly owned subsidiary in January 2021)

- Providing IT solutions to contribute to productivity improvements, business efficiency improvements, etc.



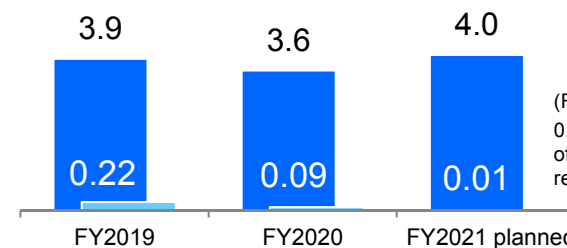
Results

(Billion yen)

Ascertaining IT needs

Our sales (left axis), net income (right axis)

Customer IT needs referred by the Bank to the Company: 451 cases (FY2020 results, up 223 YOY)



Note: Figures shown are for Hirogin IT Solutions (formerly Mighty Net) on a nonconsolidated basis.

(FY2021)
0.09 billion yen in head office and data center relocation costs recorded

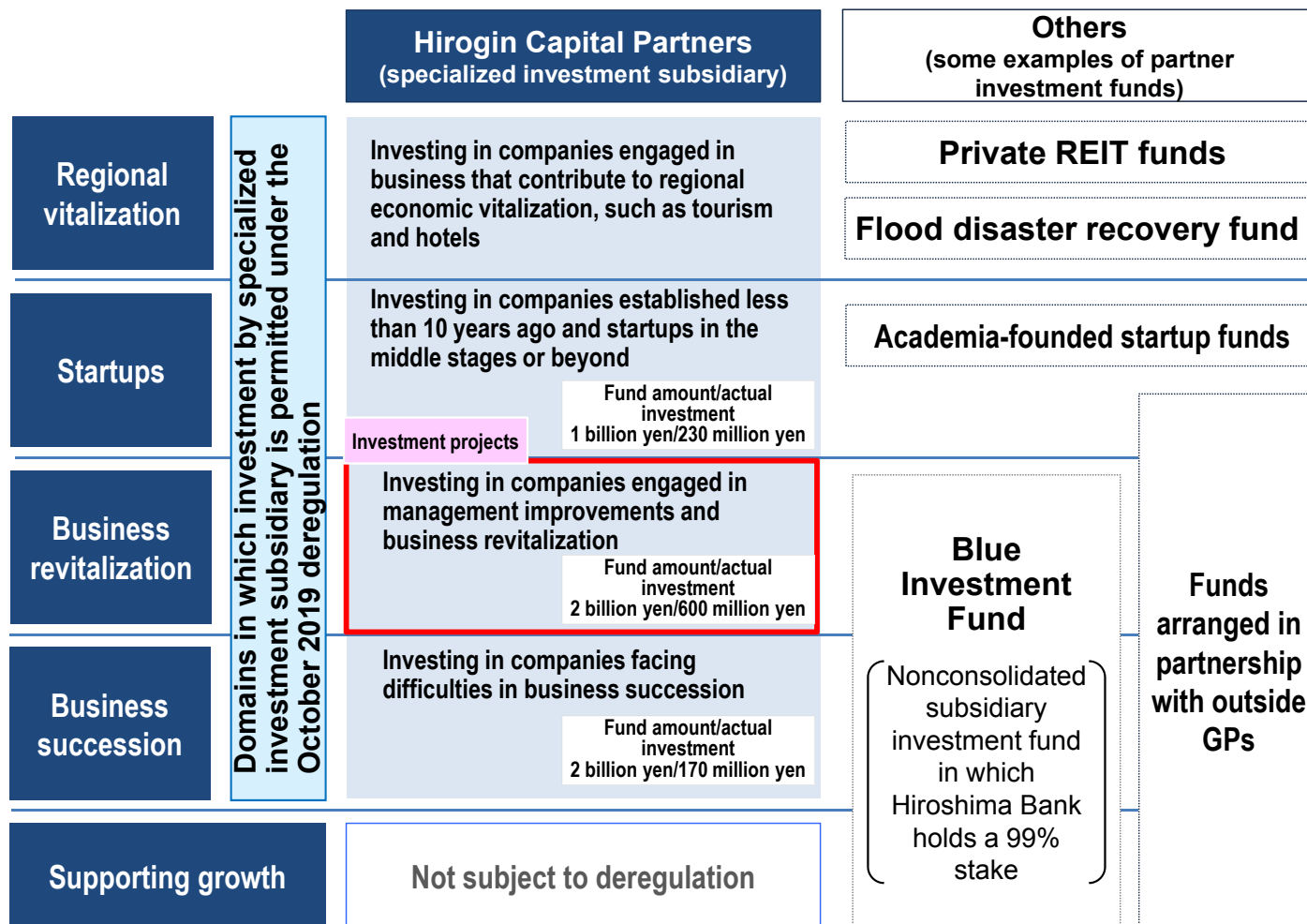
Strategy for corporate customers - Equity business -

Enhancing initiatives targeting the equity business, which goes beyond the traditional debt (borrowing) approach, to meet the increasingly diverse needs of corporate customers

Equity business development

- ◆ Enhancing initiatives targeting the equity business in cooperation with Hirogin Capital Partners (new company established in April 2020) and outside investment funds to deliver solutions going above and beyond traditional lending to local SMEs

〈Solutions related to equity investment〉



Domains in which investment by specialized investment subsidiary is permitted under the October 2019 deregulation

“Equity investment”



“Business participation”

Hands-on support through means including dispatching executives and human resources

Investment project

【Investment in a prominent and long-established ryokan inn in Miyajima】

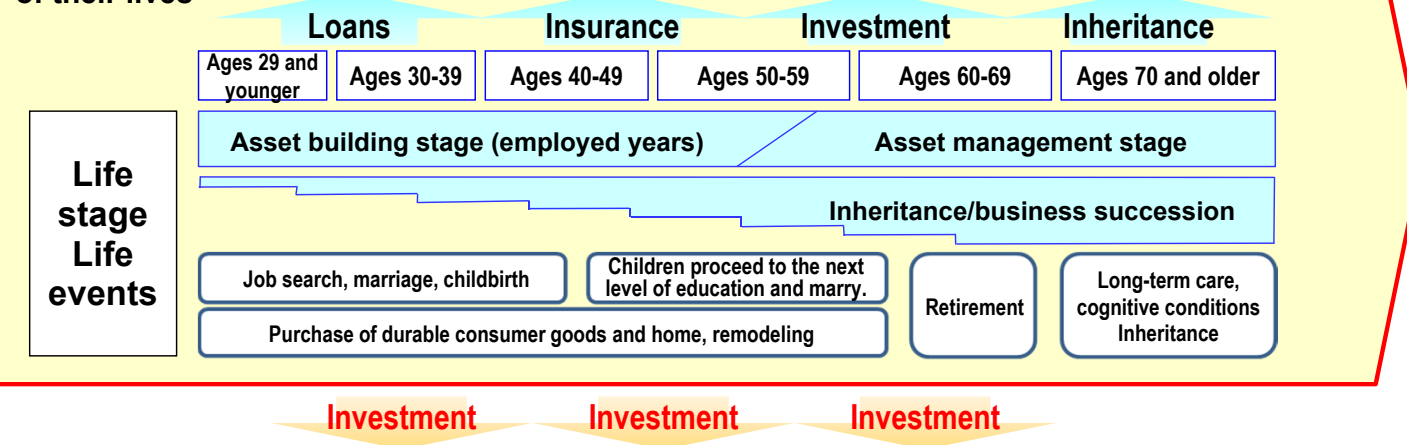
- Numbers of tourists to Miyajima decreased dramatically due to COVID-19.
- We invested in this inn to support a long-established business that could be described as the jewel of the community. We had previously ascertained its business potential; it had established relations of trust with the Company.
- After investing in the inn, we stationed staff on site full time for more than one month to analyze current conditions and formulate a management plan. Since then, we've continued to provide support for implementing the plan.

Strategy for individual customers

Deploying optimal solutions for household asset management, reflecting our clients' own life plans

Asset management business (outline)

As a life partner, the **bank** helps clients to respond to a wide range of needs over the course of their lives



Hirogin **Securities** offers advanced asset management advising functions to meet client asset management needs.

Responding to inheritance needs

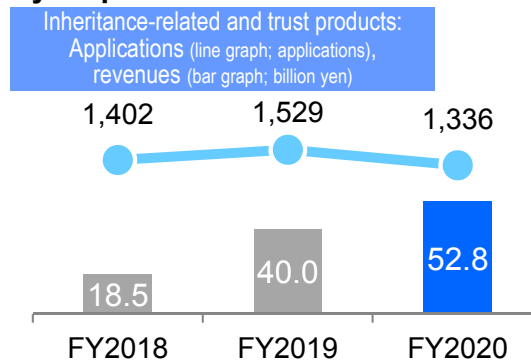
- ◆ We have also begun offering products in response to asset management needs during client lifetimes, including those for addressing cognitive conditions, in addition to consulting-based trust products such as living trusts and bequeathed property disposition.

Inheritance-related	Trust
Living trusts	Land trust
Support for will preparation	Public trust
Bequeathed property disposition	Specific gift in trust
Support for management succession	Surrogate trust
Private trust management services	

Asset management trust

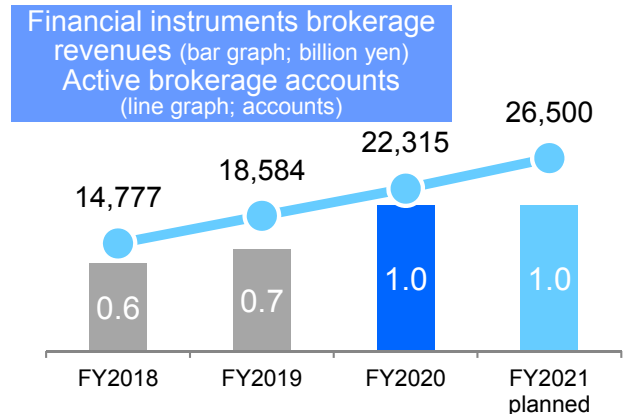
- In response to cognitive conditions (December 2020)

Enhancing products to help respond to cognitive conditions, including guardianship support deposits



Enhancing cooperation between the Bank and Hirogin Securities

- ◆ Cooperation between the Bank and Hirogin Securities is steadily advancing as brokerage revenues and numbers of accounts grow.



Alliances

- ◆ Enhancing alliances with external institutions for asset management for younger clients

Opening financial instrument brokerage accounts through the Hirogin App

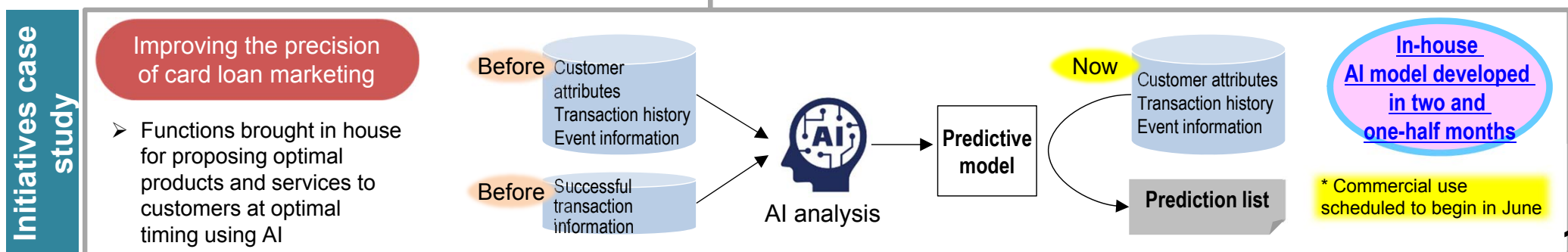
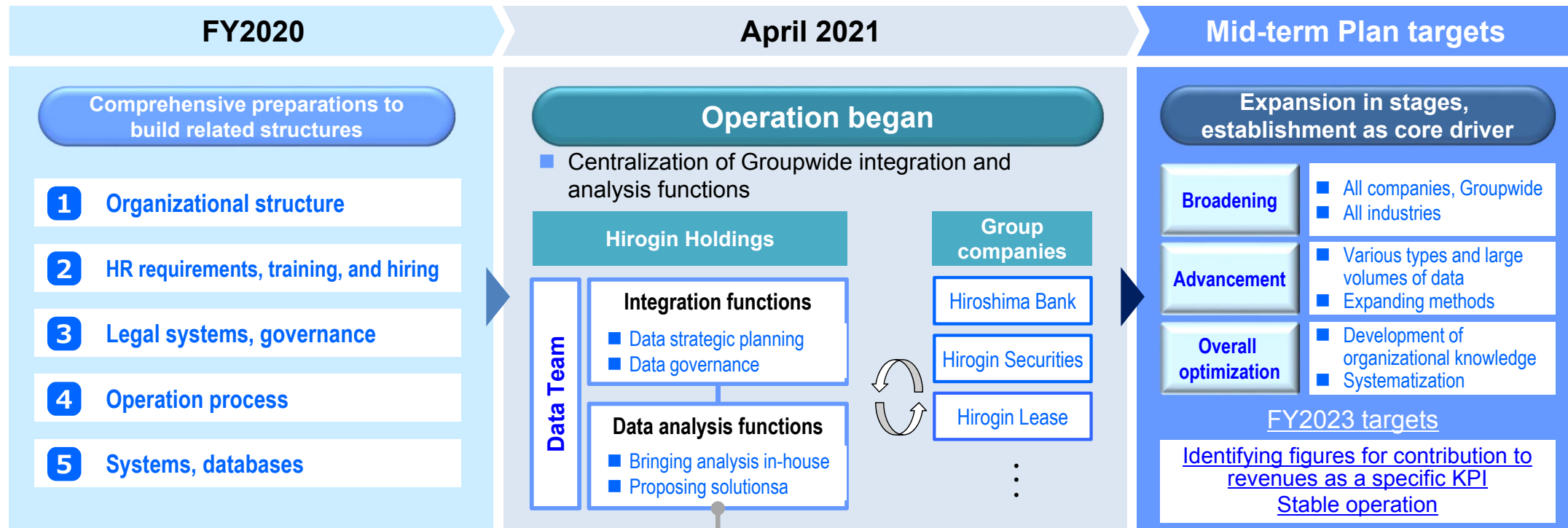
The Hirogin App began offering financial instrument brokerage accounts with Rakuten Securities and SBI Securities (April 2020).

Digital strategy - Expanding data utilization -

Initiatives to expand data utilization, which we consider a core driver in realizing various strategies, began in FY2020.

Initiatives to expand data utilization

- ◆ Data utilization will expand in stages during the period covered by the Mid-term Plan to enable business development based on swift, objective, and logical decision-making (backed by data), in addition to the appointment of a team specializing in data utilization from April 2021.



Digital strategy - Digitalization of channels, settlement, etc. -

Deploying new services through means such as alliances with companies in other industries, in addition to our own services, as thinking on channels and digital technologies change dramatically

Improving business efficiency and increasing sales through fully web-based services utilizing cloud technologies

- ◆ We began offering Hirogin Bill, which supports the digital transformation (DX) of businesses through means such as improving business efficiency and growing sales in response to growing demand for remote transactions (such as e-commerce) due to COVID-19.

ひろぎん Bill

powered by Money Forward Kessai

- ▶ Handles the full series of operations from credit review, issuing and sending bills, and managing receipts for accounts receivable.
- ▶ Money Forward Kessai guarantees 100% of credited amounts.

Hiroshima Bank



Solid relationships with corporate customers based on evaluation of business, etc.



Money Forward

Kessai

A track record in settlement as a service (SaaS) services (cloud computing), knowledge of user interfaces and user experience, etc.



- Supporting the proactive development of remote and contactless businesses (e-commerce)
- Usable at any time and in any place (optimal for remote working)

Contactless solutions for service and product provision

- ◆ Enhancing remote and contactless services, to stop the spread of COVID-19 and for other reasons

Shifting financial and service transactions from branches to in-home and elsewhere

- Expanding cashless and remote transactions
- Developing channels accessible from anyplace nationwide



New smartphone settlement service
(Introduced June 2020)

Cumulative downloads
(through March 2021)

Approx. 10,000



ひろぎんアプリ
Hirogin App

Cumulative downloads
(through March 2021)

Approx. 330,000



ひろぎん カーブ支店
Hirogin Carp Branch
(Online-only branch)

Cumulative accounts
(through March 2021)

Approx. 8,400

Restructuring

Through various Group-integrated “transformations,” we will establish a stable management base that supports our growth strategy.

Efforts to revise branch functions and reduce costs

Branch transformation

■ Revamping branches in view of environmental changes

- Achieve efficient branch operation by clarifying the roles of large branches, medium-sized branches, and small branches (e.g., ones specializing in deposit/exchange business) in view of changes in the market.
- Thorough revision of maintenance operations at branches, etc.
- Reducing numbers of ATMs and forming alliance with Chugoku Bank on fee-free customer use of each other's ATMs (December 2020)

Operational transformation

■ Minimizing clerical work at branches

- Expanding full self-service for in-store operations (individual customer transactions) using branch tablets and other devices
- Allow the receipt of various notifications via smartphone.
- Expand elimination of two-line system (centralize back-office processes at headquarters) from area branches to cover the whole of Hiroshima Prefecture

Elimination of two-line system

Elimination of two-line system:
This refers to centralization at the head office of operations for which two-line system (back office) operations had been conducted at branches other than those that cannot be centralized, such as immediate transactions and cash management.

- Begun the second half of FY2019
- Plans call for enhancing area facilities to cover all of Hiroshima Prefecture.

Mid-term Plan targets

Branches
Approx. 10% reduction
ATMs
Approx. 20% reduction
(compared to FY2019)

Group employees
Approx. 3,700 persons
(reduction of approx. 300 persons compared to FY2019)

Personnel selection
Approx. 220 persons
(cumulative total from FY2018)

Impact on revenues
(vs. FY2019)
(Results through FY2020)
850 million yen
(FY2023 target)
Approx. 1.2 billion yen

5. Capital policy

We will deploy a capital policy that stresses a balance among maintaining soundness, making strategic investments, and returning value to shareholders.

Thinking on capital policy

Maintain
soundness

Consolidated capital adequacy ratio of at least 10% (March 31, 2024)

Make strategic
investments

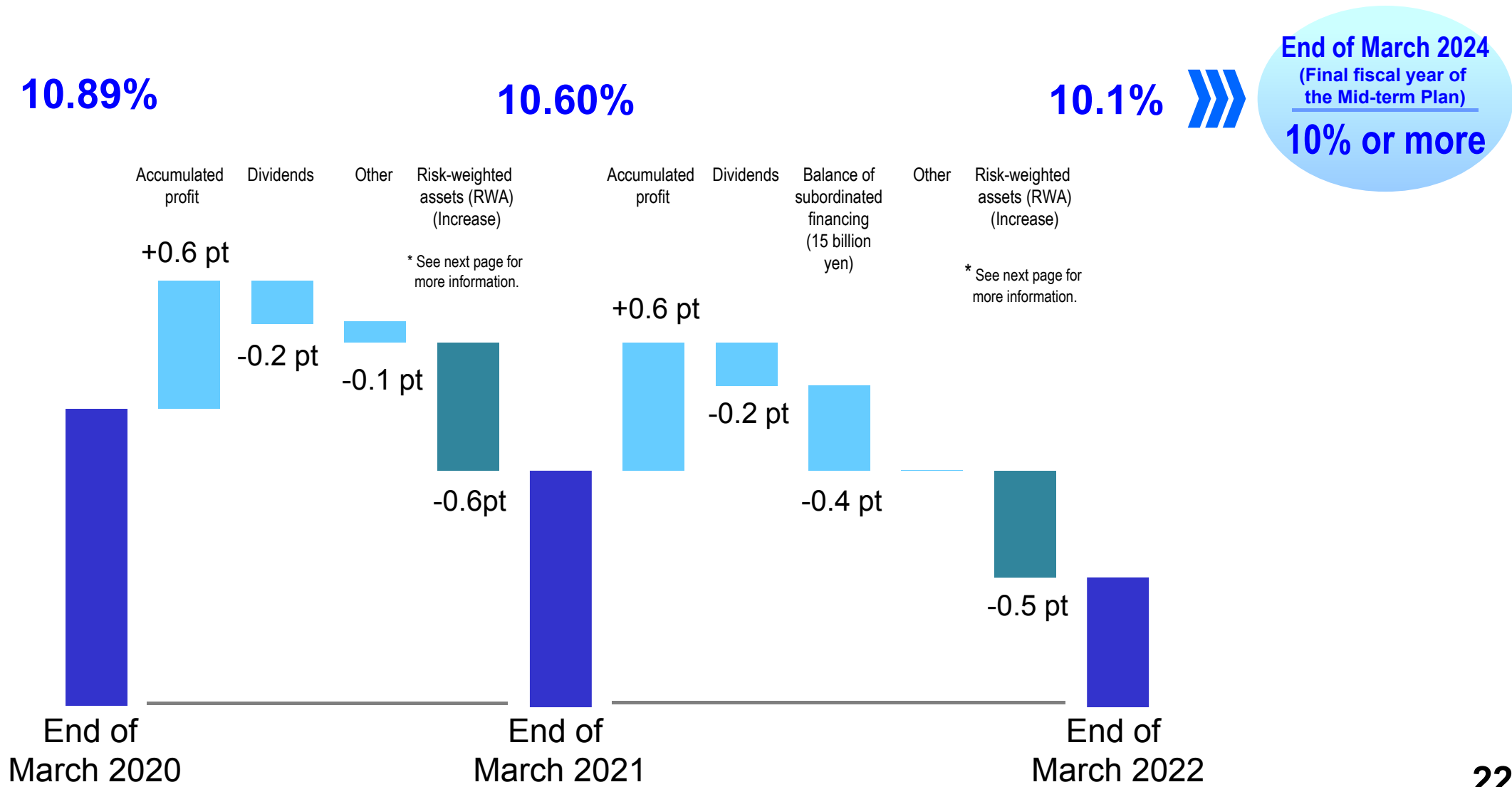
Make investments with a view to enthusiastically taking on credit risk in the region and securing new earnings opportunities.

Return value to
shareholders.

Ensure consolidated payout ratio of 31-35%.

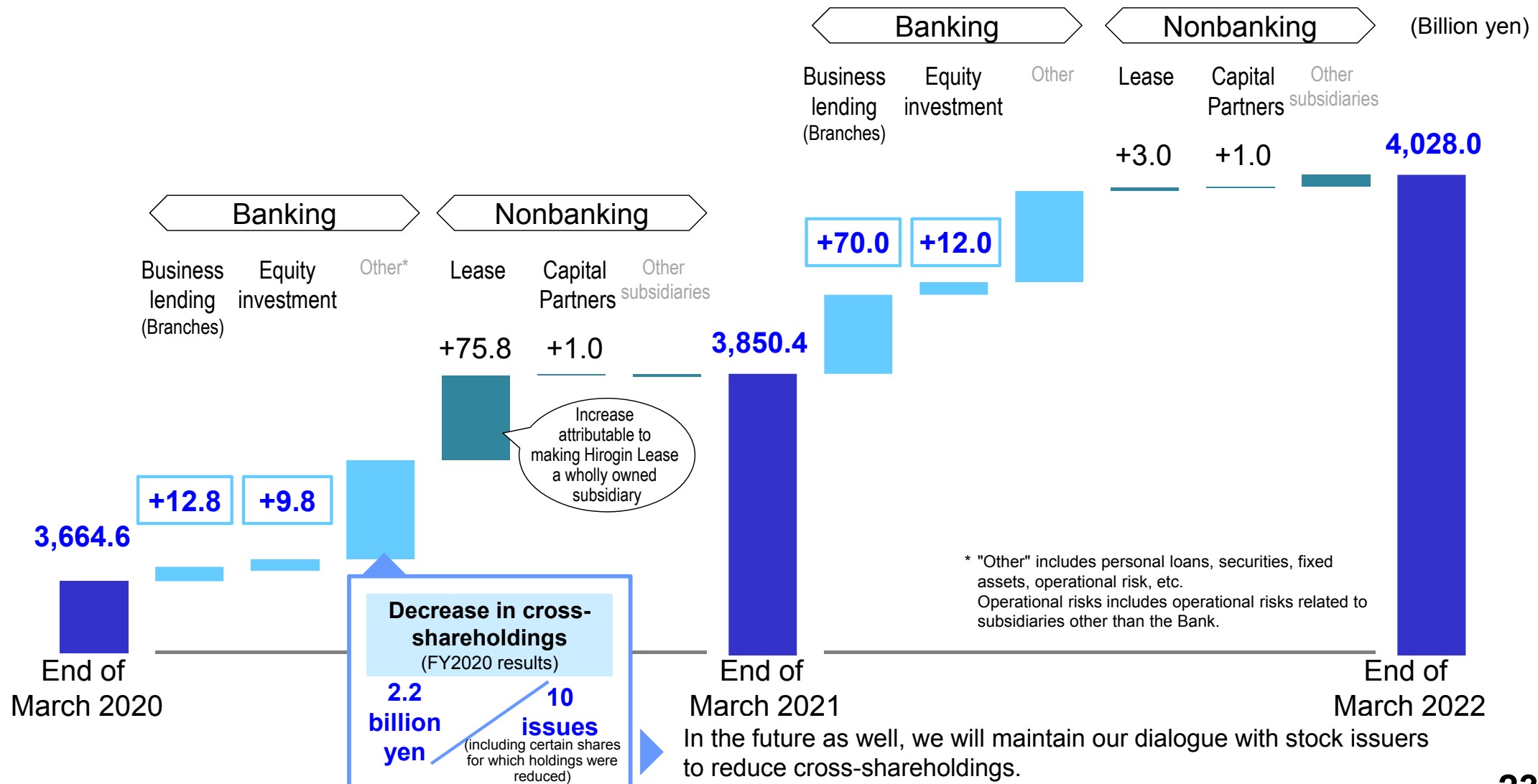
We are implementing efficient capital management to secure a consolidated capital adequacy ratio of 10% or more for the holding company.

Trends in the consolidated capital adequacy ratio of the holding company



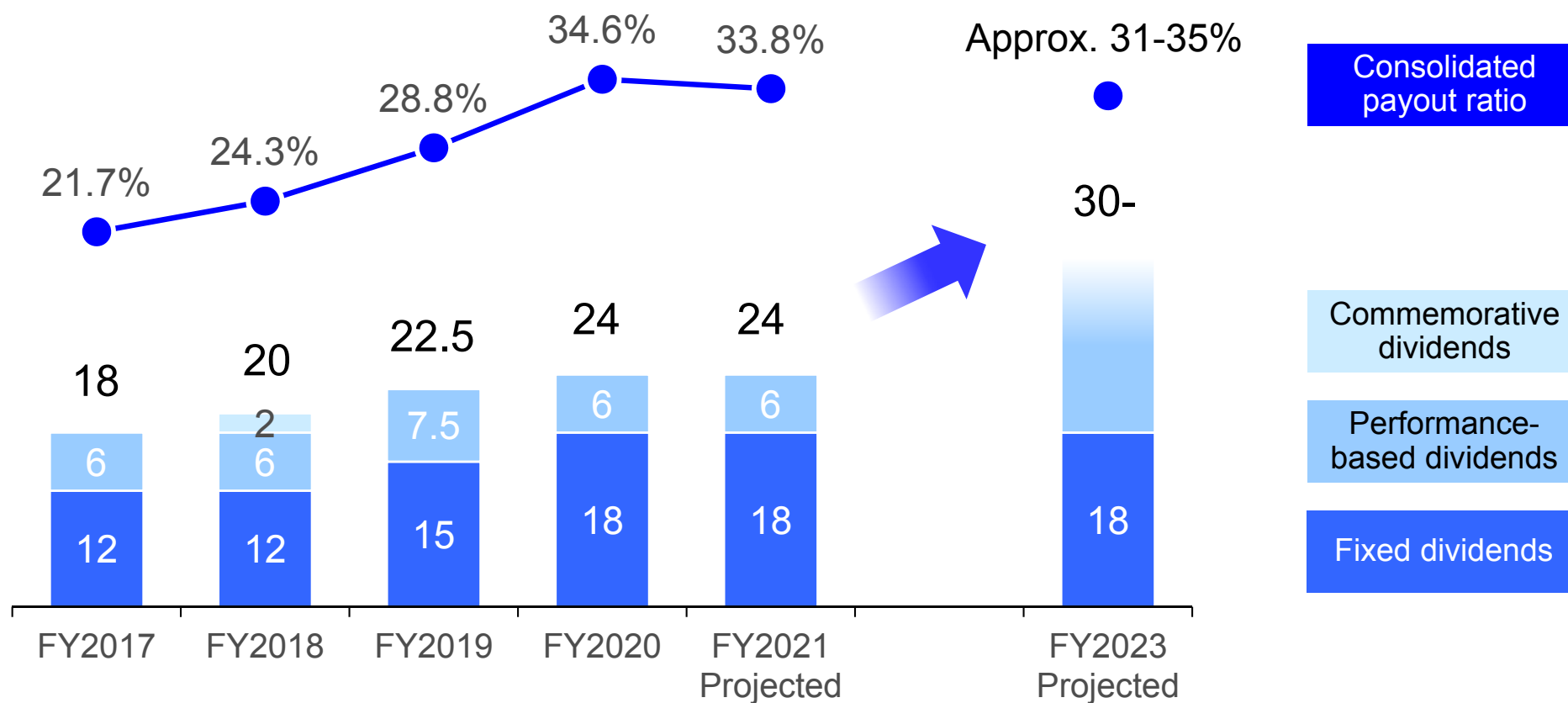
We will continue to make progress on reducing cross-shareholdings to utilize capital more efficiently, taking proactive risks in the four local prefectures.

Trends in risk assets (FY2020) and capital allocation (FY2021)



We will increase dividends by recording steady profits.

Trends in amount of dividends per share (yen) and consolidated payout ratio



Note: A reverse stock split (1:2 shares) was conducted on October 1, 2017. Dividends per share since FY2017 have been adjusted to reflect this stock split. Since the payout table was revised for FY2019, the figures shown are prorated based on those before and after this revision. Hirogin Holdings was established on October 1, 2020. The figures shown for FY2020 represent the totals including interim dividends of 12 yen per share (3,748 million yen in total) paid by Hiroshima Bank.

6. Sustainability initiatives (SDGs/ESG initiatives)

Initiatives to date

	Through 2015	2016	2018	2019	2020	2021
Overall				<ul style="list-style-type: none"> September 2019 Announcement of Hirogin Group SDGs statement 	<ul style="list-style-type: none"> August 2020 Policy on Investment and Financing for Environmental and Social Solutions announced 	
Environmental	<ul style="list-style-type: none"> 2010- Hirogin no Satoyama planting/improvement activities 		<ul style="list-style-type: none"> 2018- Selected to S&P/JPX Carbon Efficient Index 	<ul style="list-style-type: none"> February 2019- Smart-e passbook-free accounts launched February 2019 (March 2020) Recognized as a Health and Productivity Management company 	<ul style="list-style-type: none"> March 2020 Announced support for TCFD recommendations July 2020 Began disclosure in accordance with TCFD recommendations May 2021 New Head Office building opened 	
Social		<ul style="list-style-type: none"> April 2016 Participation in Setouchi DMO 	<ul style="list-style-type: none"> February 2018 Private REIT formed October 2018 Setouchi Brand Corporation concludes operations subcontracting agreement with Hilton Hotels 	<ul style="list-style-type: none"> May 2019 Hiroshima Open Accelerator launched September 2019 Selected as ESG financial promotion project 	<ul style="list-style-type: none"> January 2020 Handling of SDGs initiative support services begins April 2020 Investment in fund authorized by Hiroshima University and others February 2020 – Responses to COVID-19 	
Governance	<ul style="list-style-type: none"> June 2015 One (female) outside director appointed Director term of office switched to one year December 2015 Nomination and compensation advisory committee established 	<ul style="list-style-type: none"> June 2016 One outside director added 	<ul style="list-style-type: none"> June 2017 Stock-based compensation system for directors and executive officers adopted 		<ul style="list-style-type: none"> October 2020 Migration to holding company structure (Company with audit and supervisory board) 	

Policies on sustainability initiatives

We will deploy various initiatives to help realize a sustainable society.

Policy on Investment and Financing for Environmental and Social Solutions

Prohibited
in principle

- ① Those involved in the development and manufacture of inhumane weapons such as nuclear weapons and cluster bombs
 - ② Those involved in human trafficking and other violations of human rights or forced labor
 - ③ New construction of coal-fired power plants
- Note: Careful consideration may be given to coal-fired power plant initiatives on an exceptional basis, accounting for matters such as the background and distinguishing features of each project, based on each country's energy policies and circumstances and international guidelines, such as the OECD Arrangement on Officially Supported Export Credits. This prohibition also does not apply in unavoidable cases—for example, when responding to disasters or other emergencies. In addition, support is provided for advanced eco-friendly technologies such as carbon capture and storage as initiatives to help reduce greenhouse-gas emissions.

Proactive
support

- ① Initiatives to reduce climate change risks, including renewable energy projects intended to realize a decarbonized society
- ② Initiatives to protect biodiversity, including conservation of forestry resources and endangered species

Plans call for timely review of the above policies in light of their ultimate goal, a sustainable society (e.g., decarbonization).

Responding to TCFD recommendations

Governance	Implemented	Checking on the state of response to TCFD recommendations and studying future responses in the board of directors and other bodies
	Implemented	Identifying climate change risks as a possible future risk scenario in formulating management plans and quantitatively and qualitatively assessing impacts and probability
Strategy	Implemented	Identifying "Environment (responding to global warming and climate change)" as a priority matter (materiality) to be addressed under the SDGs in the Hirogin Group SDGs Statement
	Implemented	Implementing initiatives to reduce climate change risks through the provision of high-value-added financial services, such as eco-friendly loan products
Risk management	Planned	Plans call for ascertaining and analyzing the impact of transitional risks and physical risks attributable to climate change
	Study	Studying the development of management approaches under an integrated risk-management framework, etc.
Indicators and goals	Study	Studying the establishment of indicators and goals for realizing a decarbonized society

Implementing risk assessment and enhancing disclosure in accordance with TCFD recommendations

7. Business Forecast for FY2021

FY2021 performance and dividend forecasts

For FY2021, we forecast net income attributable to owners of the parent of 22 billion yen, up 500 million yen year on year.

We project dividends of 24 yen per share in FY2021, the same figure as in FY2020, based on the new payout table.

FY2021 performance forecasts

(Billion yen)

	1H Performance forecast	FY2021 performance forecast	YoY change
Ordinary profit	14.5	31.5	0.5
Net income attributable to owners of the parent	9.5	22.0	0.5

Reference: FY2021 standalone forecast for Hiroshima Bank

(Billion yen)

	1H Performance forecast	FY2021 performance forecast	YoY change
Net interest income		67.5	-2.7
Other income		17.0	0.7
Core business gross profit		84.5	-2.0
Expenses (-)		55.0	1.7
Net income from core businesses		29.5	-3.6
Ordinary profit	14.0	28.5	-2.5
Net income	9.5	20.5	-1.8
Credit costs (-)		8.5	-2.6

<Market scenarios applied in performance forecasts>

JPY TIBOR 3M: 0.07%; 10-year JGBs: 0.00%; exchange rate (USD/JPY): 105.0 yen; Nikkei Average: 29,000 yen

FY2021 dividend forecasts

Annual dividends per share: 24 yen

(Reference) Payout table

Net income attributable to owners of the parent	Dividends per share			Consolidated payout ratio
	(i) Fixed	(ii) performance- based	(i) + (ii)	
More than 33 billion yen	18 yen	18 yen	36 yen	Less than 34.1%
30-33 billion yen		15 yen	33 yen	31.2-34.4%
27-30 billion yen		12 yen	30 yen	31.2-34.7%
24-27 billion yen		9 yen	27 yen	31.2-35.1%
21-24 billion yen		6 yen	24 yen	31.2-35.7%
18-21 billion yen		3 yen	21 yen	31.2-36.4%
18 billion yen or less		0 yen	18 yen	31.2% or more

Appendix①

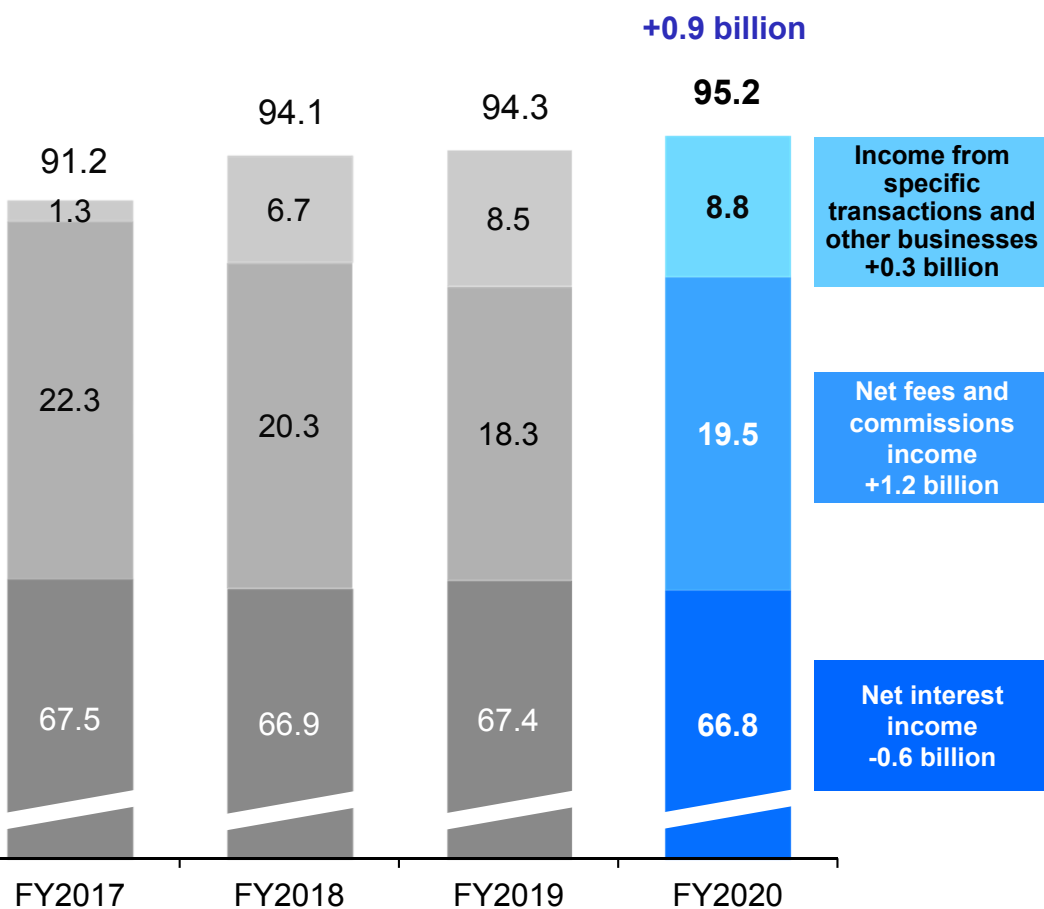
Overview of Financial Results for FY2020
【Hirogin Holdings (Consolidated)】

Consolidated gross profit, ordinary profit, and net income attributable to owners of the parent

- ◆ Despite lower net interest income, consolidated gross profit was up for the fourth consecutive year to 95.2 billion yen, due mainly to higher net fees and commissions income resulting from increased revenue from corporate solutions and net operating income from Hirogin Securities (stock commissions, sale of investment trusts).
- ◆ Net income attributable to owners of the parent was down 2.7 billion yen year on year to 21.5 billion yen due mainly to higher credit costs

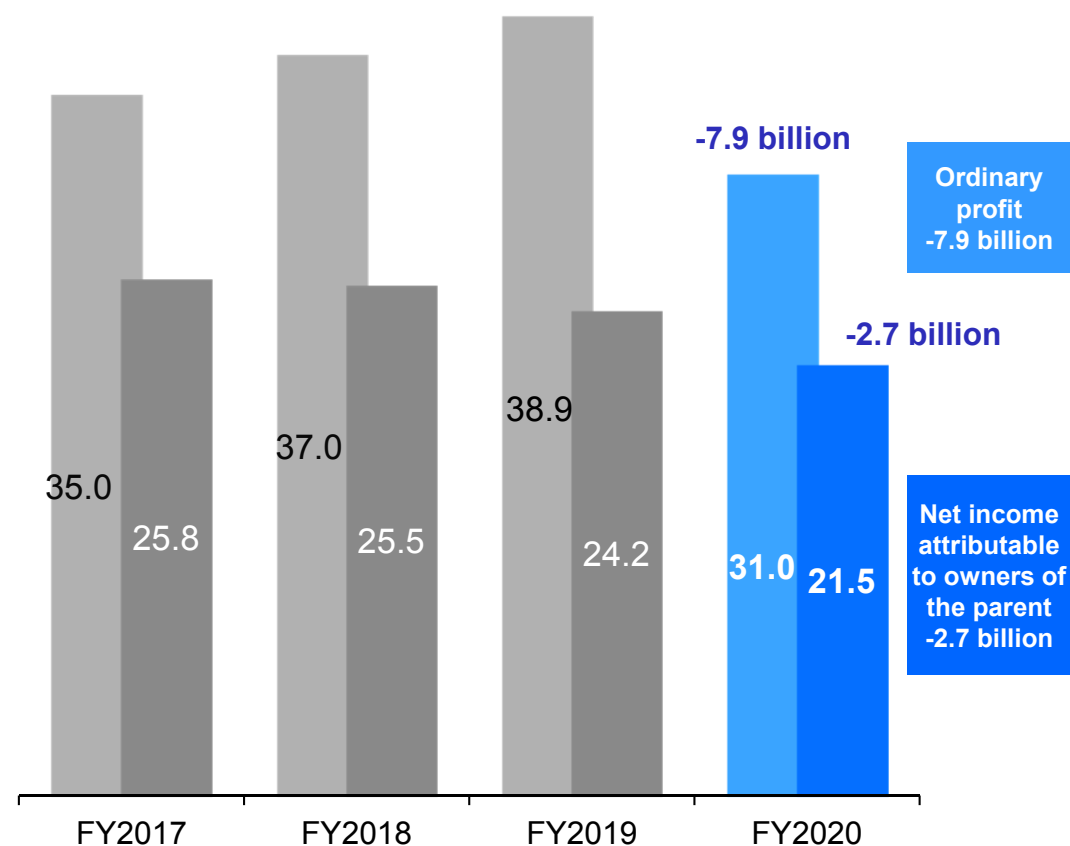
Trend in consolidated gross profit

(Billion yen)



Trends in ordinary profit and net income attributable to owners of the parent

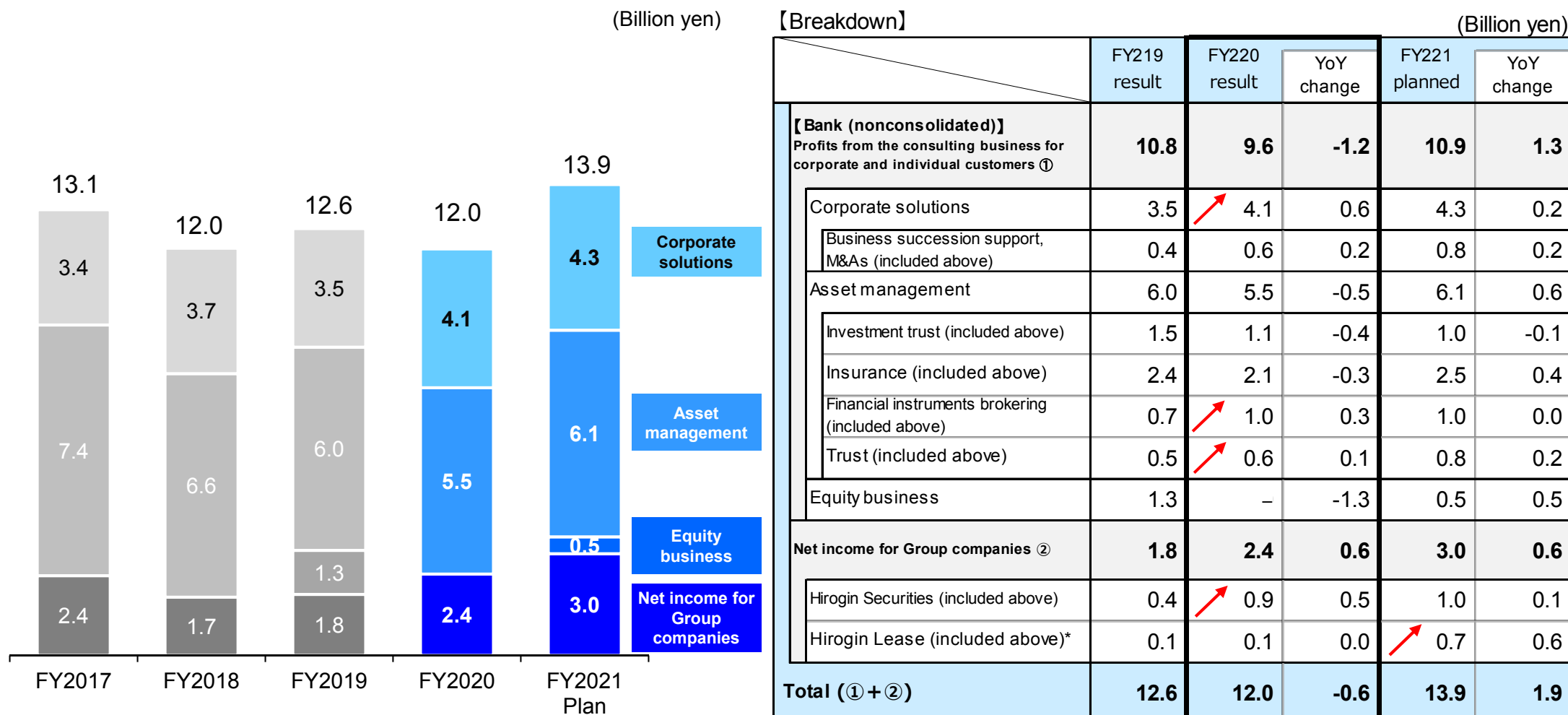
(Billion yen)



Profits related to the consulting business; net income of Group companies

- ◆ Profits increased year on year in each of the priority businesses of corporate solutions (e.g., business succession support, M&As), financial instruments brokering, and trust services.
- ◆ Among Group companies, Hirogin Securities recorded dramatic net income growth of 0.5 billion yen year on year.
- ◆ Net income for Group companies is projected to increase substantially in FY2021 as well due to steps to make Hirogin Lease a subsidiary.

Total profits from the consulting business for corporate and individual customers and net income for Group companies

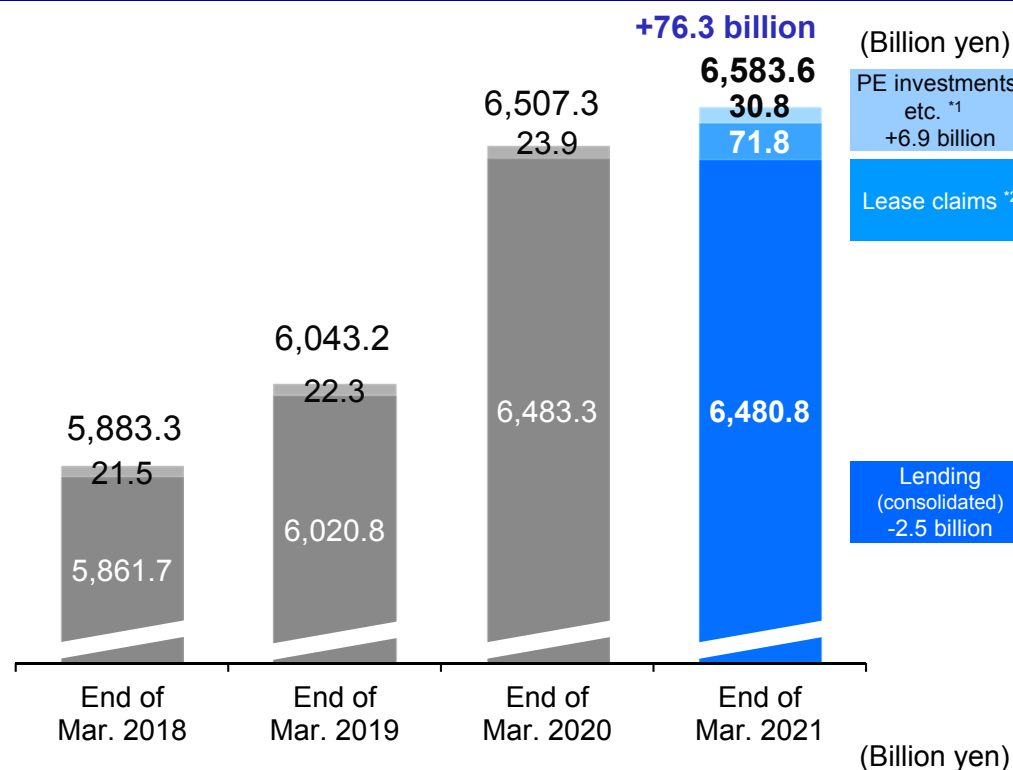


* Results for FY2019 and FY2020 result from multiplication by percentage of voting rights held (20%).

Group total credit, total assets under management (balances at end of March 2021)

- ◆ Despite a slight decrease in lending on a consolidated basis, Group total credit increased by 76.3 billion yen from the end of March 2020 to 6.5836 trillion yen, due to growth in lease claims resulting from making Hirogin Lease a subsidiary and in private equity investment (PE investments), etc.
- ◆ Total assets under management (Hiroshima Bank + Hirogin Securities) rose by 1.0501 trillion yen (surpassing 10 trillion yen at the end of the fiscal year for the first time ever) from the end of March 2020 to 10.2652 trillion yen due to increased assets under management (not including financial instruments brokering) at Hirogin Securities, in addition to growth in deposits, etc.

Trend in group total credit (e.g., lending + lease claims + PE investments)

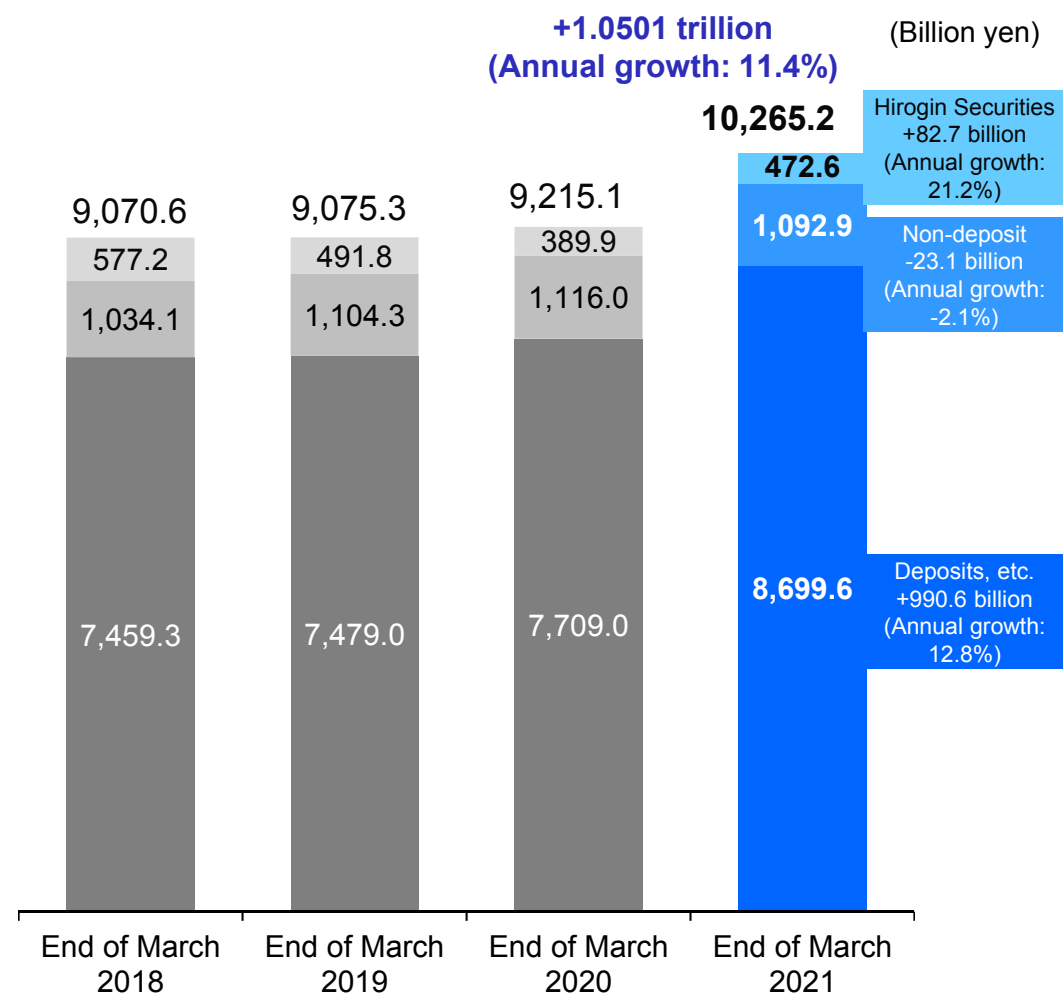


	End of March 2018	End of March 2019	End of March 2020	End of March 2021	YoY change
PE investments (pledged investment amount), etc. ^{*1}	21.5	22.3	23.9	30.8	6.9
Balance of investments (included above)	8.5	9.4	9.6	13.1	3.5
Lease claims ^{*2}	–	–	–	71.8	71.8

^{*1} PE investments, etc. includes private REIT investments.

^{*2} Represents the lease claims of Hirogin Lease, which was made a wholly owned subsidiary effective March 1, 2021.

Total assets under management (Bank + Securities)



Appendix②

Overview of Financial Results for FY2020
【Hiroshima Bank (nonconsolidated)】

Net interest income, other income

- ◆ Despite lower interest rates on loans, net interest income increased year on year due to increased interest and dividends on securities resulting from dividends paid by subsidiaries and lower external procurement costs, etc. resulting from lower interest rates overseas and other factors.
- ◆ Other income increased year on year due mainly to increased profits related to corporate solutions, resulting from large-scale M&A and syndicated loan transactions.

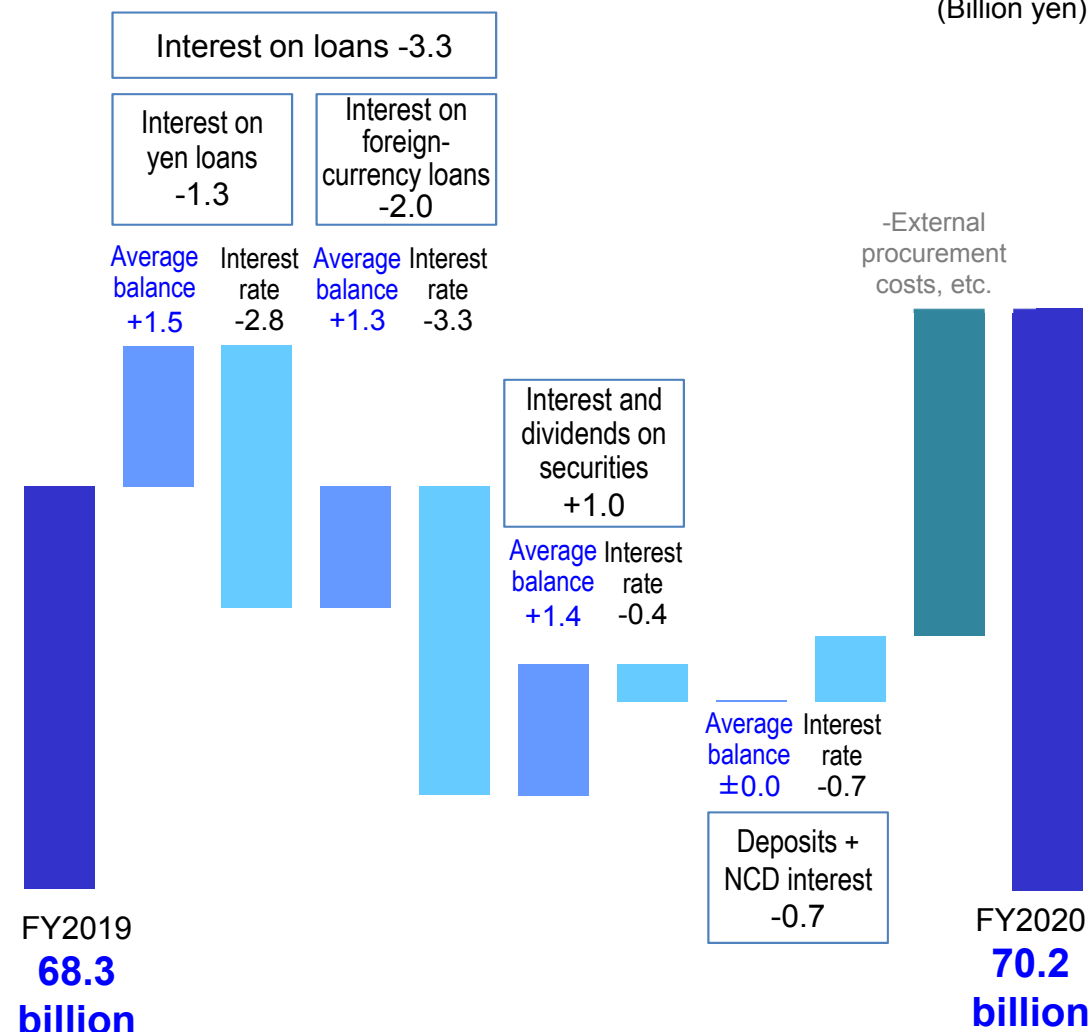
Breakdown of net interest income

(Billion yen)

	FY2020	YoY change
Interest on loans	58.6	-3.3
Interest and dividends on securities	13.7	1.0
Deposits + NCD interest (-)	1.2	-0.7
Foreign currency procurement costs, etc. (-)	0.8	-3.7
Net interest income	70.2	1.9
Corporate solutions	4.1	0.6
Asset management	5.5	0.1
Personal loan	-5.2	0.0
Domestic exchange, etc.	11.9	0.2
Cashless	0.2	0.1
Other income	16.3	0.9

Details of each item in net interest income (Average balance and interest rate)

(Billion yen)

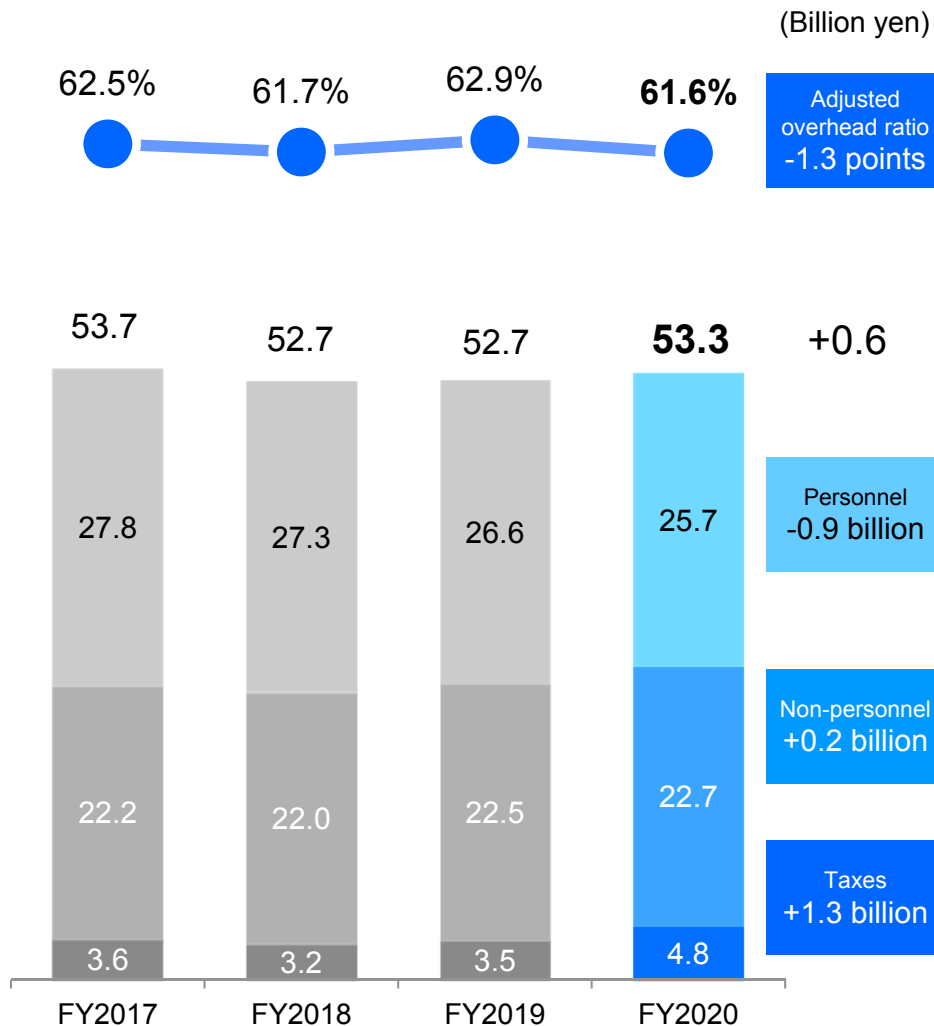


Expenses

- ◆ Despite a substantial decrease in personnel costs, expenses were up, due mainly to consumption tax on the new head office building.

<Bank (nonconsolidated)>

Trends in expenses and adjusted overhead ratio



Main causes of changes in expenses (YOY change, billion yen)

Personnel expenses	<ul style="list-style-type: none"> Retirement benefit expenses -0.2 Overtime pay due to workstyle reform -0.2 Transfer of executives and seconded personnel to the holding company -0.3 (offset in consolidation of accounts) etc.
Non-personnel expenses	<ul style="list-style-type: none"> Advertising expenses, postal expenses -0.3 Travel expenses, entertainment expenses -0.2 Business administration fees paid to the holding company +1.0 (offset in consolidation of accounts) etc.
Taxes	<ul style="list-style-type: none"> Consumption tax on the new head office building +1.2 etc.

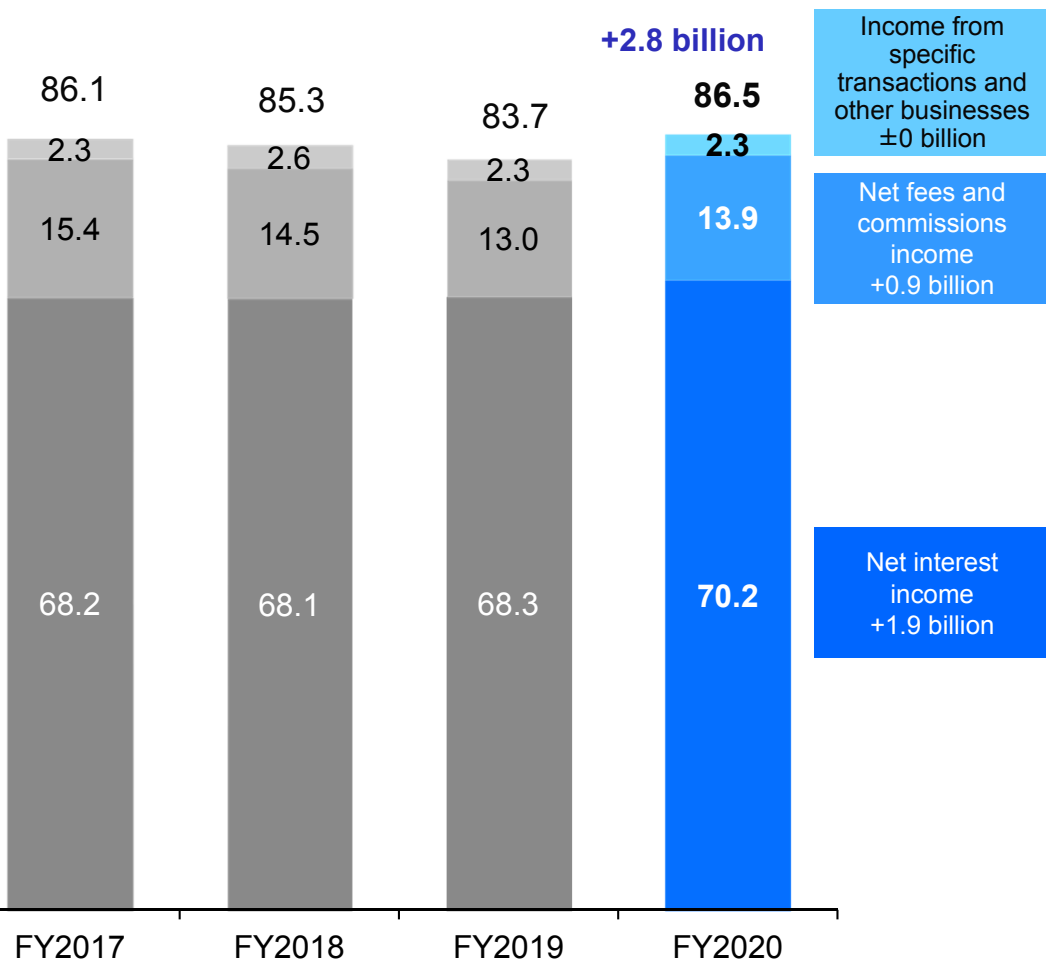
FY2020: We expect to satisfy the Bank of Japan's requirements for special interest on current accounts.

Core business gross profit, core business net profit, and net income

- ◆ Core business gross profit for the Bank on a nonconsolidated basis increased by 2.8 billion yen year on year to 86.5 billion yen, as net interest income and net fees and commissions income increased.
- ◆ While core business net profit increased by 2.1 billion yen year on year, even though the increase in profits offset the increase in expenses, net income was down 1.8 billion yen year on year to 22.3 billion yen due mainly to increased credit costs.

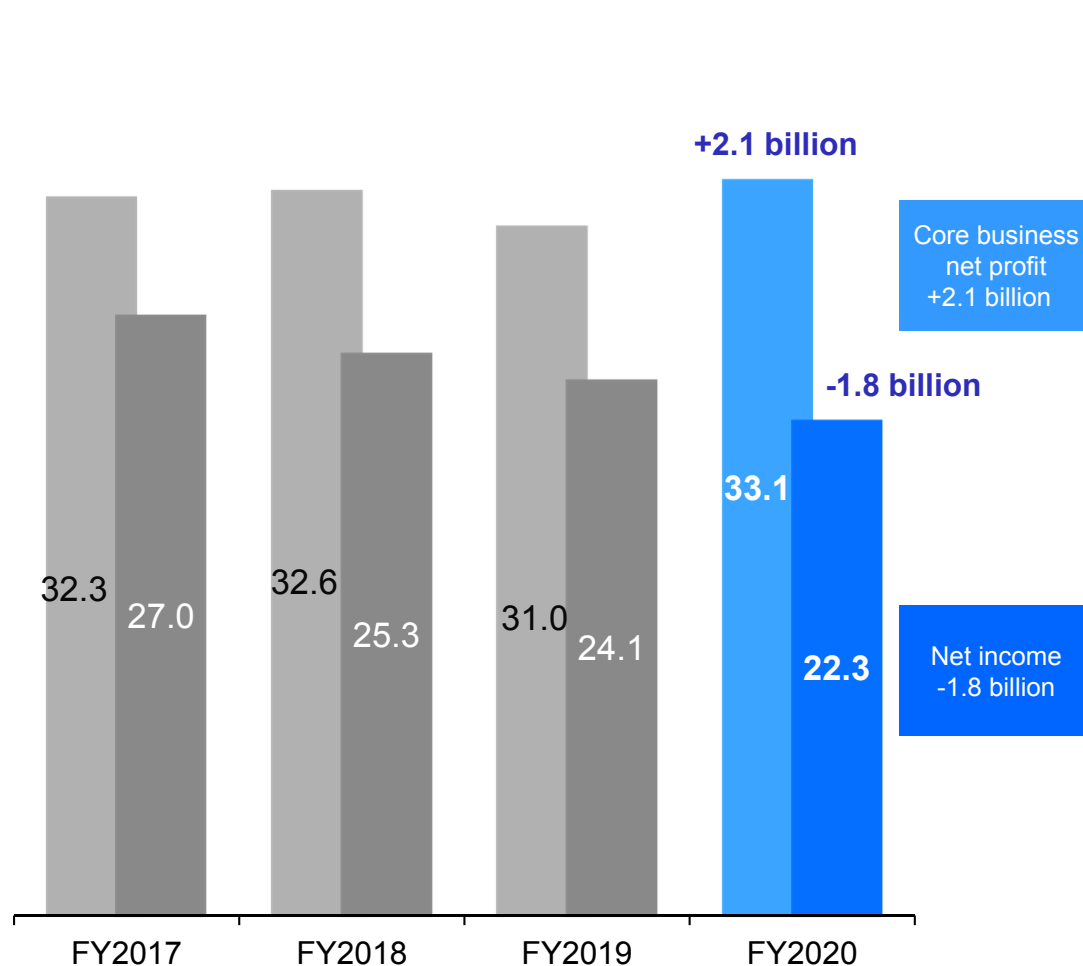
Core business gross profit

(Billion yen)



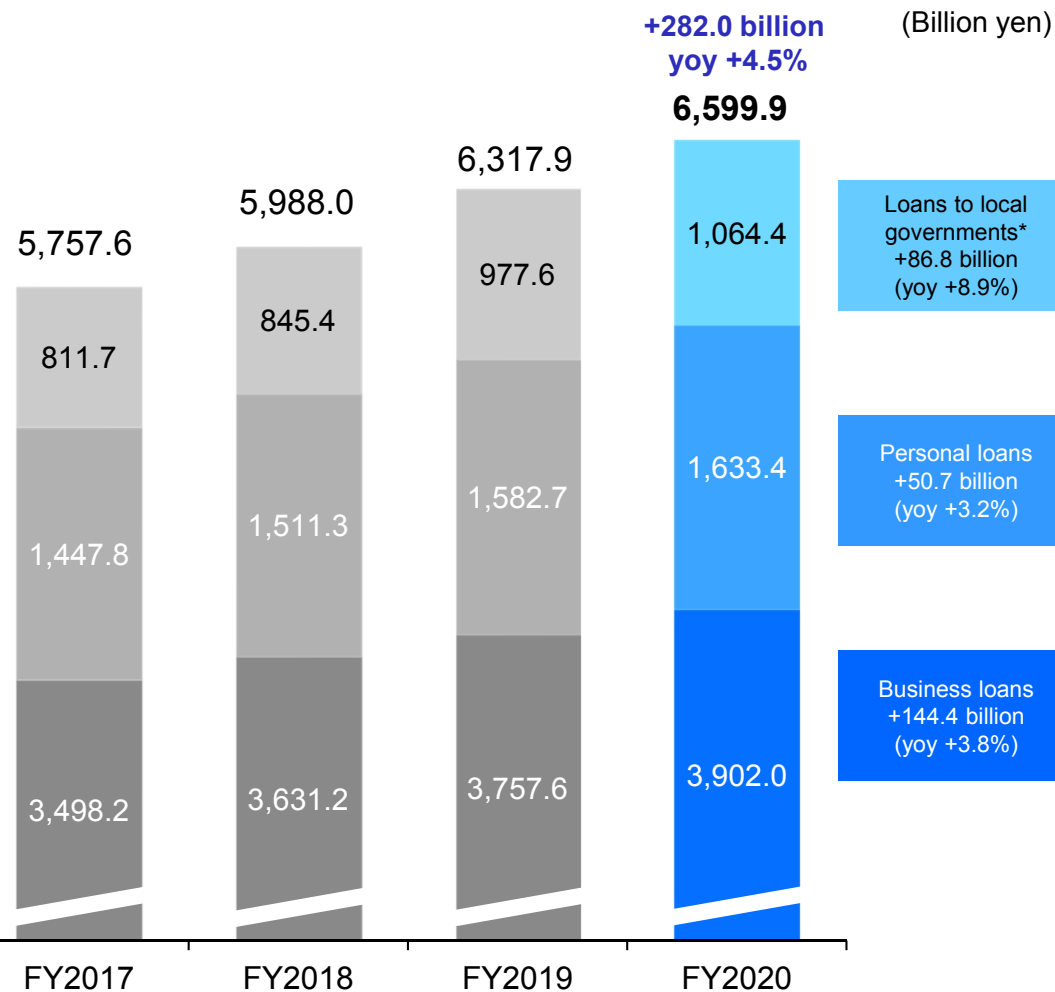
Trends in core business net profit and net income

(Billion yen)

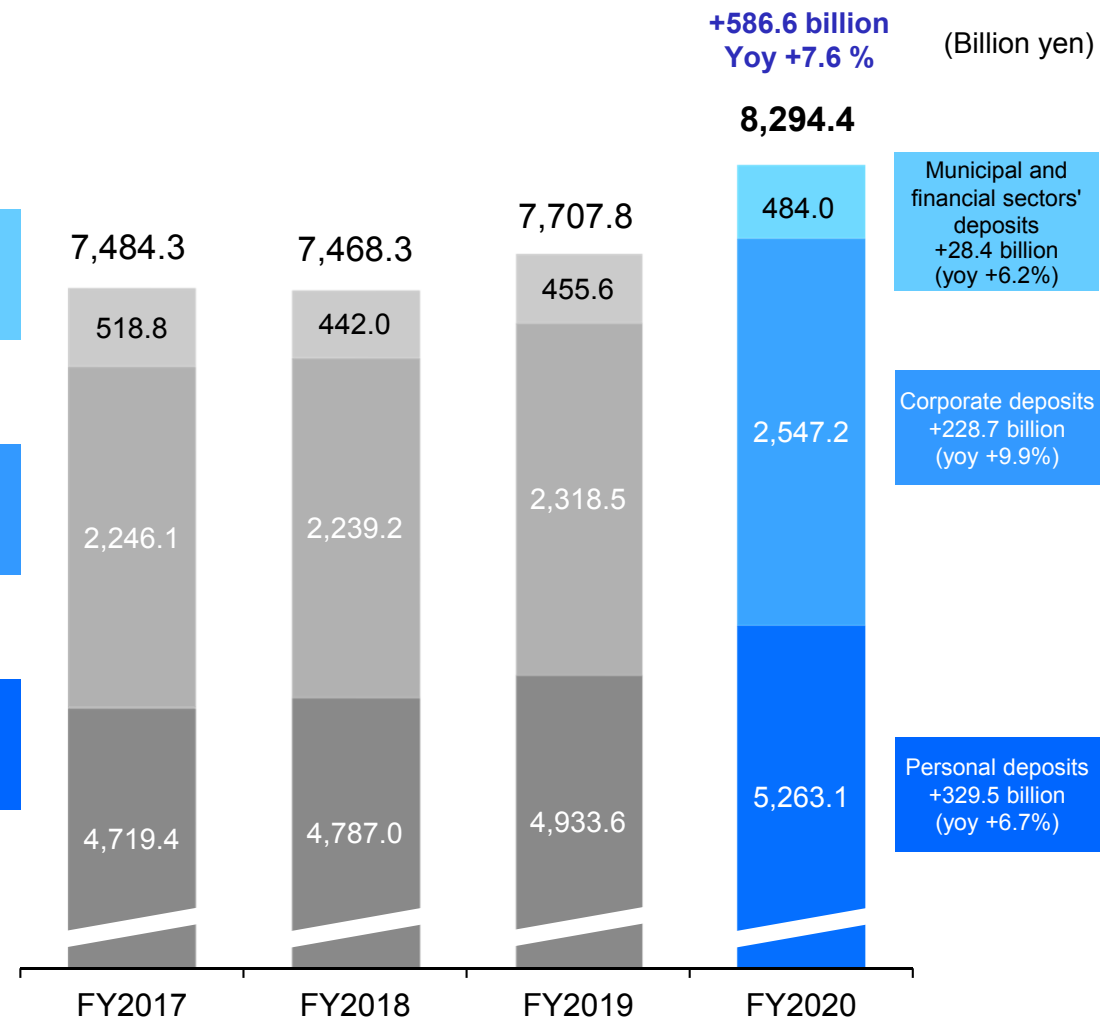


Balance of loans, deposits, etc. (deposits + NCD)

Trends in the average balance of loans



Trends in the average balance of deposits, etc. (deposits+NCD)

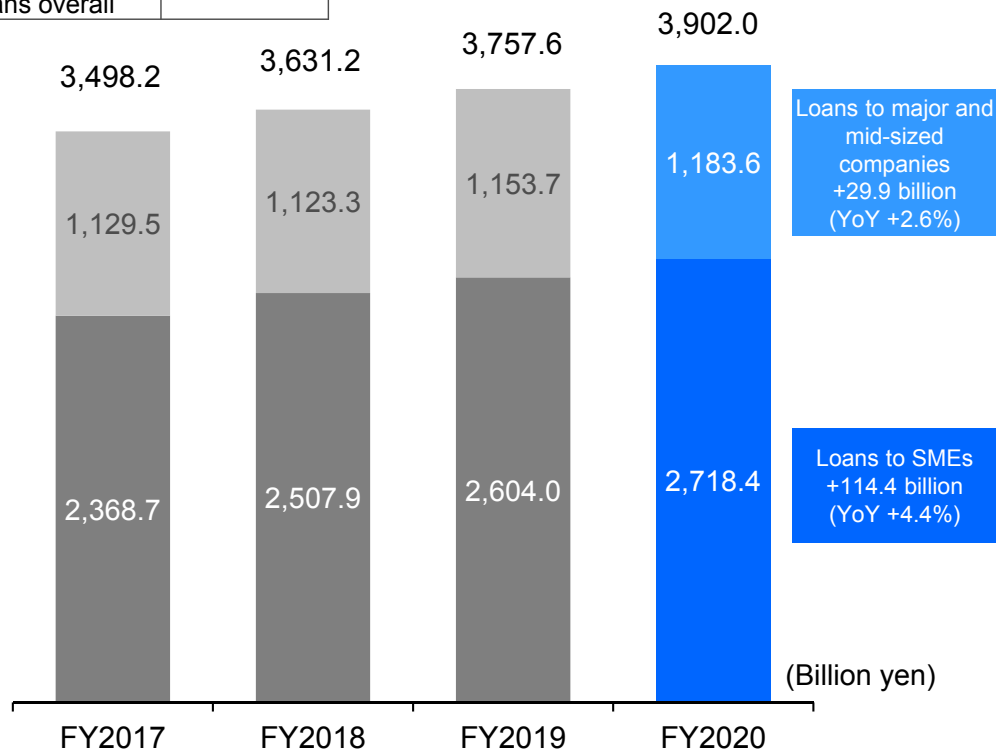


*Loans to local governments: Loans to local public organizations and public corporations

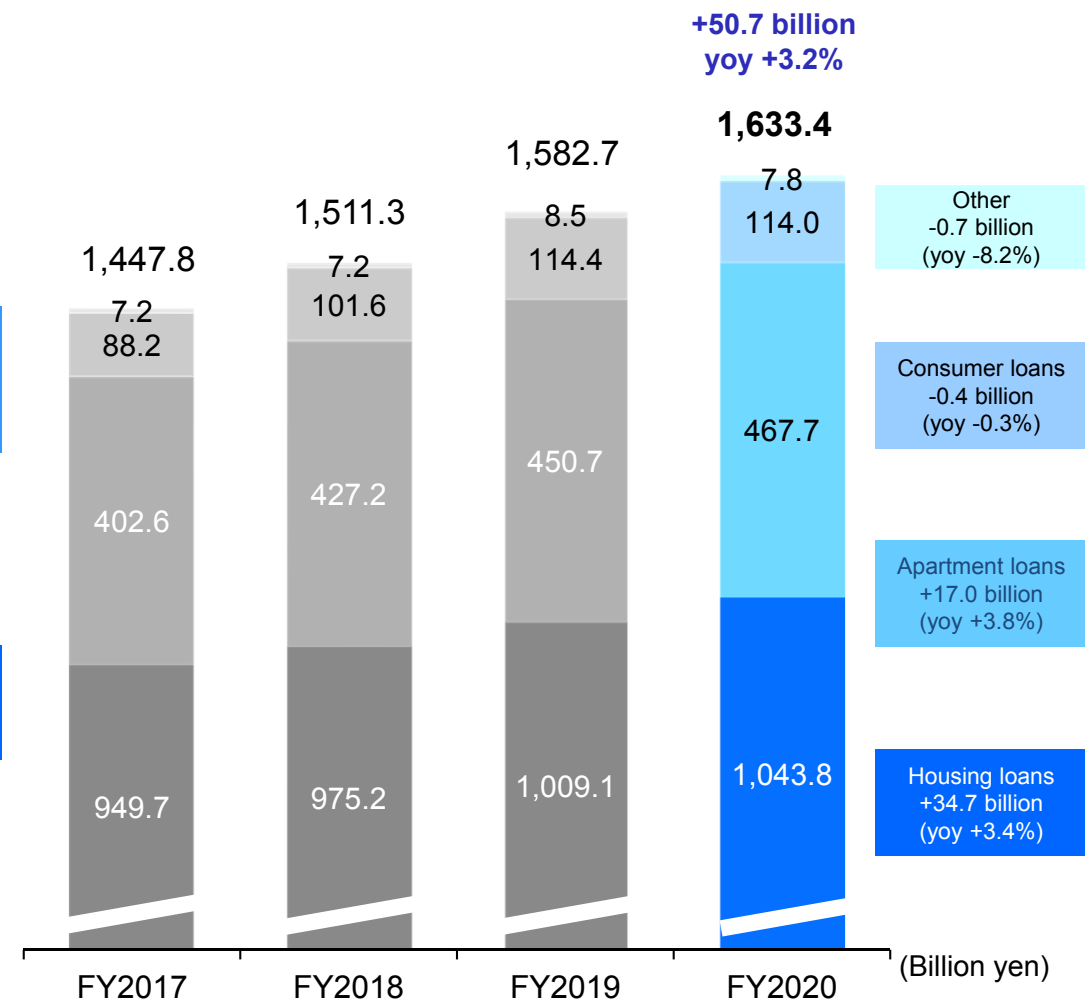
Loans to SMEs and personal loans

Trends in the average balance of business loans

Yield on lending (stock rate)	
	FY2020 H2
Major companies	0.35%
Mid-sized companies	0.53%
SMEs	1.02%
Interest on loans overall	0.95%



Trends in the average balance of personal loans



Ratio of loans to SMEs in business loans

67.7%

69.1%

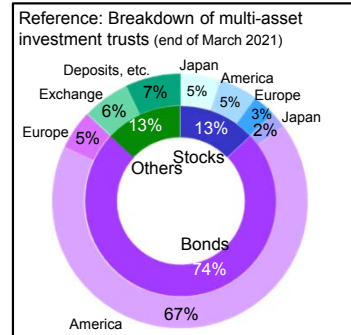
69.3%

69.7%

Securities

Trends in the average balance of securities

(Billion yen)



+133.2 billion

1,262.7

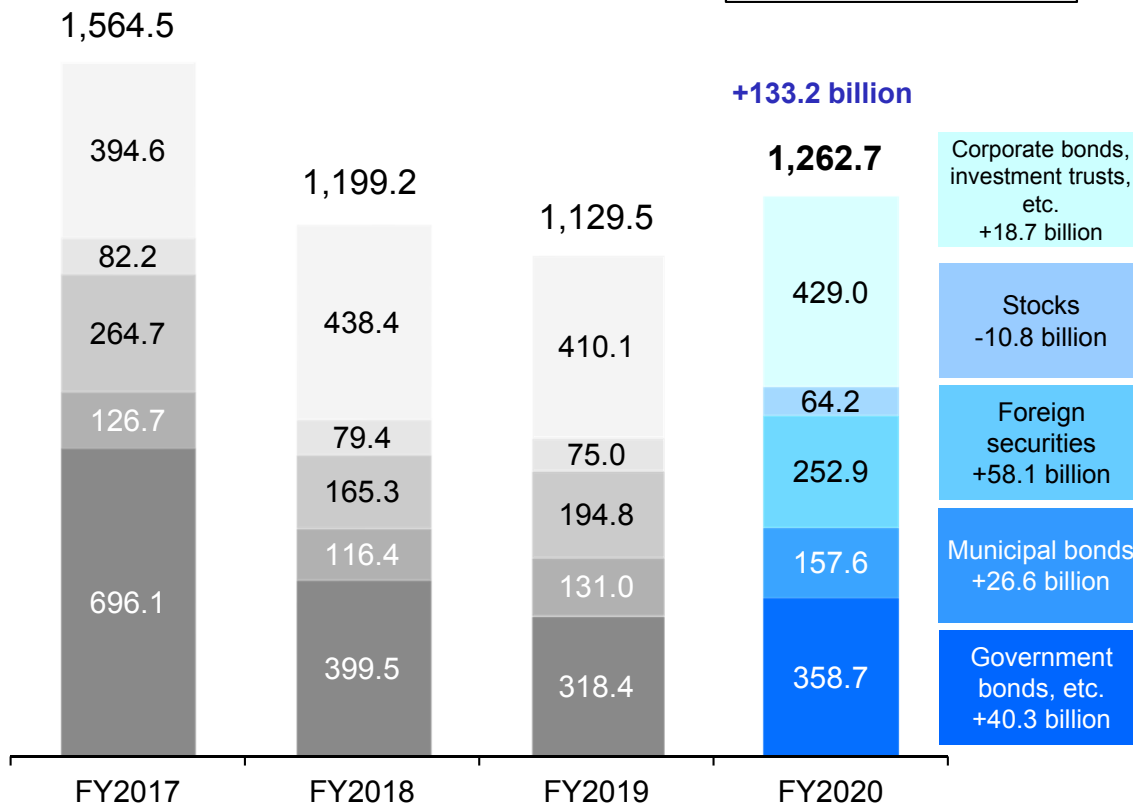
Corporate bonds, investment trusts, etc.
+18.7 billion

Stocks
-10.8 billion

Foreign securities
+58.1 billion

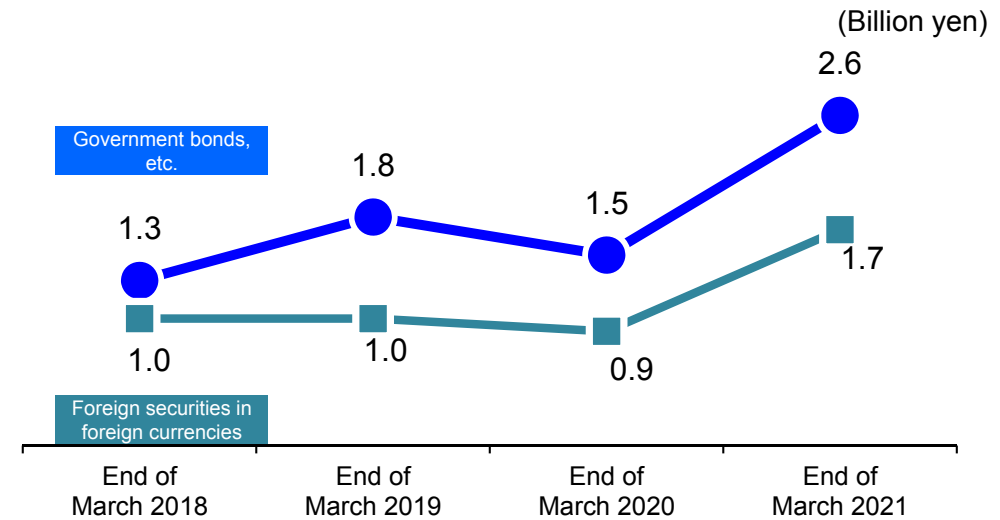
Municipal bonds
+26.6 billion

Government bonds, etc.
+40.3 billion



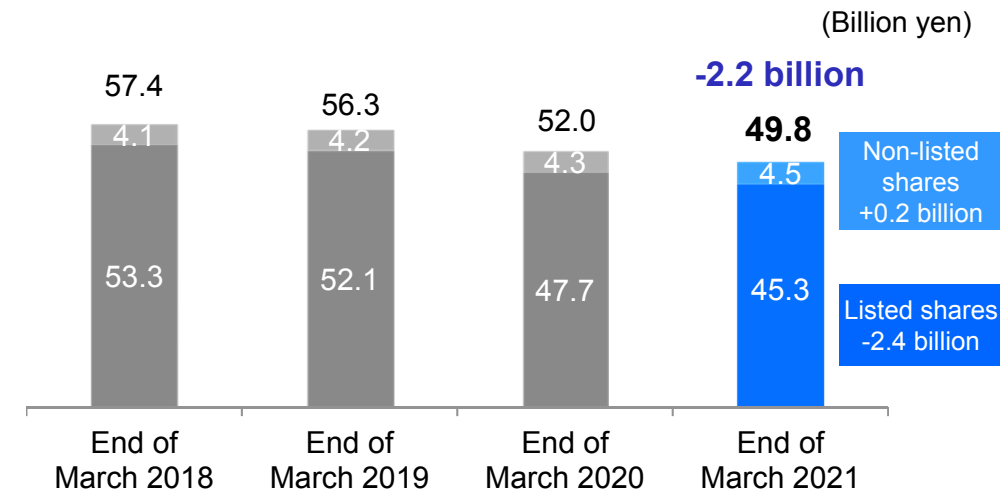
Trends in the interest rate delta

*The amount of change in fair value when interest rate declines by 10bp



Trends in the term-end balance of cross-shareholding

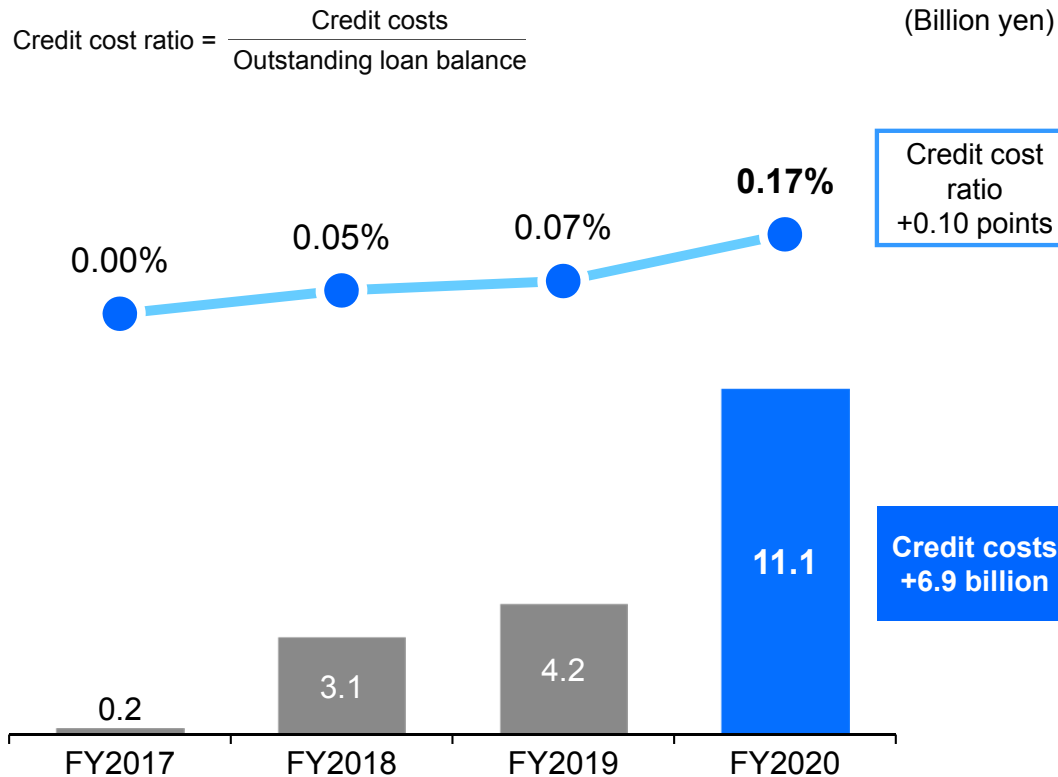
(Billion yen)



Credit costs and non-performing loans

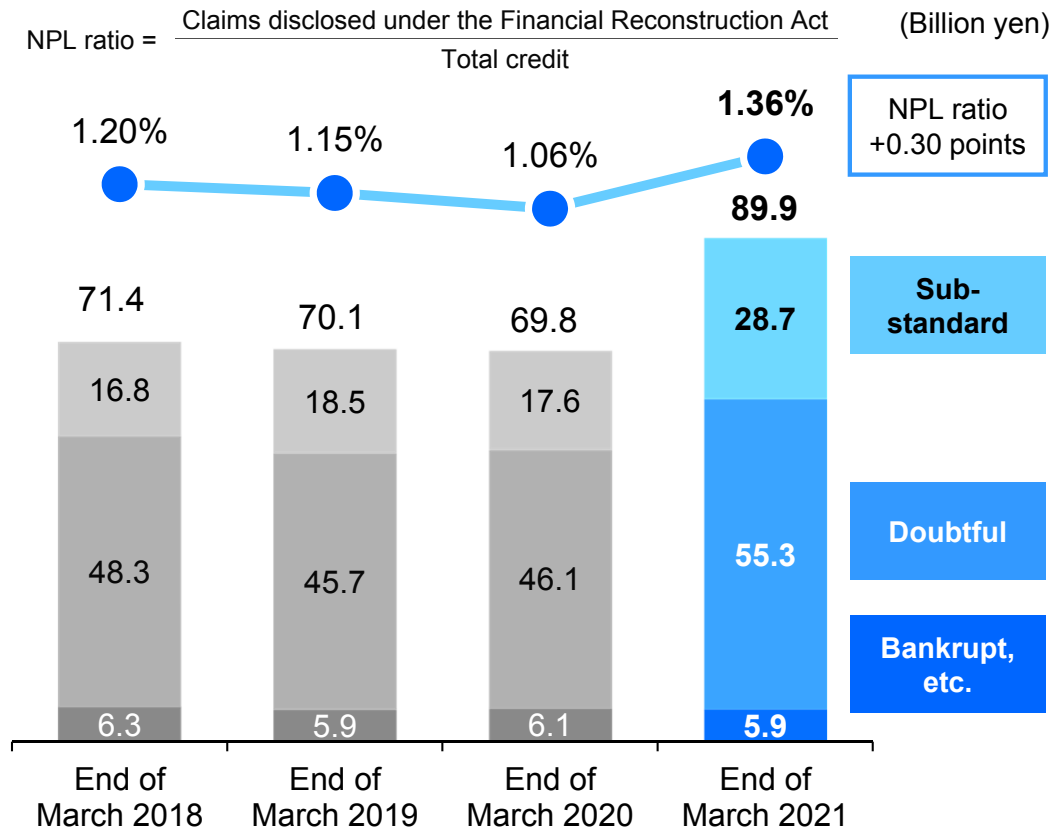
- ◆ Credit costs of the Bank on a nonconsolidated basis increased by 6.9 billion yen year on year to 11.1 billion yen (for a credit cost ratio of 0.17%) due to increases in reserves for certain customers on a precautionary basis, as well as higher costs resulting from the impact of the COVID-19 pandemic.
- ◆ The NPL ratio and claims disclosed under the Financial Reconstruction Act both remained low for the Bank on a nonconsolidated basis, despite increases in both since the end of March 2020.

Trends in credit costs



	(Billion yen・%)					(Billion yen・%)			
	FY2008	FY2009	FY2010	FY2011	...	FY2017	FY2018	FY2019	FY2020
Credit costs	23.2	14.6	11.9	9.1	...	0.2	3.1	4.2	11.1
Credit cost ratio	0.53	0.33	0.27	0.20	...	0.00	0.05	0.07	0.17

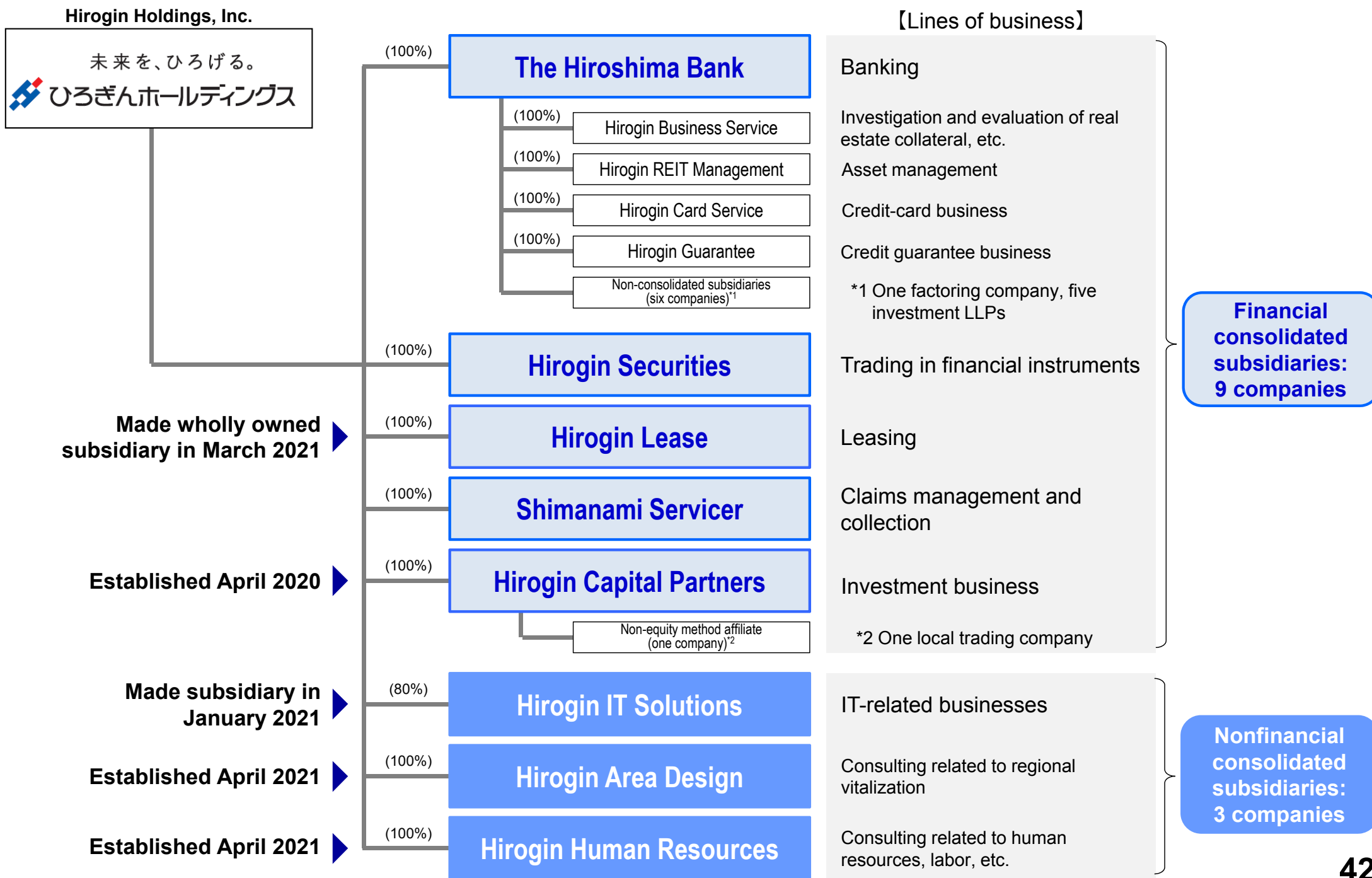
Trends in NPLs (term-end balance) and NPL ratio



	(Billion yen・%)					(Billion yen・%)			
	End of March 2009	End of March 2010	End of March 2011	End of March 2012	...	End of March 2018	End of March 2019	End of March 2020	End of March 2021
NPLs	128.4	111.9	115.8	105.2	...	71.4	70.1	69.8	89.9
NPL ratio	2.82	2.50	2.60	2.31	...	1.20	1.15	1.06	1.36

Note: The claims disclosed under the Financial Reconstruction Act as shown above are rounded to the nearest whole number.

(Reference) Group structure (as of April 1, 2021)



This material contains statements about future business performance. These statements do not guarantee future business performance and are subject to uncertainties. Please note that actual future business performance may differ from our goals, depending on changes in the business environment and other factors.

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