

Overview of Financial Results for FY2021

— IR Presentation —

June 2022

Hirogin Holdings, Inc.

未来を、ひろげる。



ひろぎんホールディングス

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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.

Key messages

FY2021 financial results and FY2022 financial targets

- ◆ **FY2021 financial results...** Net income attributable to owners of the parent rose 1.4 billion yen year on year to 22.9 billion yen.

In addition to progress on Group contributions during this fiscal year—effectively the first fiscal year under the holding company structure—we undertook efforts in various areas, including adjustments in the portfolio of foreign bonds held and provisions for reserves on a precautionary basis to increase financial soundness in anticipation of future losses.

- ◆ **FY2022 financial targets...** Net income attributable to owners of the parent is projected to rise 2.1 billion yen year on year to 25.0 billion yen.

In addition to further enhancement of the strategy for individual customers, to ensure permeation and practice of customer-centric management, we will make progress on solidifying the holding company structure through various means, including joint efforts among nonbanking Group companies, continuing improvements in business efficiency, and streamlining efforts centered on the holding company.

Sustainability

- ◆ **Carbon neutrality...** Contributing to community decarbonization by setting our own CO₂ emissions reduction and sustainable finance targets and enhancing customer consultations

Capital policy

- ◆ **Dividends...** In light of projected business performance and based on the payout table, annual dividends per share in FY2022 are projected to rise by three yen year on year to 27 yen.

1. Summary of Business Performance

Overview of Financial Results for FY2021

◆ Net income attributable to owners of the parent rose 1.4 billion yen year on year to 22.9 billion yen.

Summary of consolidated financial results

(Billion yen)

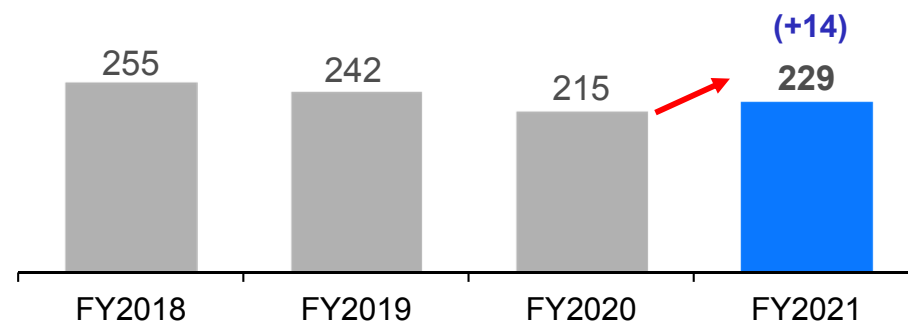
	FY2021	YoY change	(% change)	vs. Announced
Consolidated gross profit	92.0	- 3.2	(-3.4%)	
(Excluding gain/loss related to treasuries and other bonds)	1 99.2	7.2		
Net interest income	69.5	2.7		
Net fees and commissions income	21.1	1.6		
Income from specific transactions and other businesses	1.3	- 7.5		
(including gain/loss related to treasuries and other bonds)	2 - 7.2	- 10.4		
Operating expenses (-)	58.0	0.2		
Credit costs (-)	3 12.4	1.2		
Gains/losses related to equities, etc.	5.0	0.5		
Gains/losses from equity method investments	-	- 0.1		
Other	0.4	0.3		
Ordinary profit	27.0	- 4.0	(-12.8%)	-6.5
Extraordinary gains/losses	5.8	5.9		
(including gains on refunds of retirement allowance trust)	4 7.0	7.0		
(including impairment loss) (-)	5 2.2	1.8		
Total income tax, etc. (-)	9.9	0.6		
Net income attributable to non-controlling interests (-)	0	0		
Net income attributable to owners of the parent	6 22.9	1.4	(6.2%)	-0.6
(Ref.) Operating overhead ratio	58.5%	-4.3%		

*Operating overhead ratio = operating expenses / (consolidated gross profit-gain/loss from treasuries and other bonds)

Key points of financial results for FY2021

- Consolidated gross profit (excluding gain/loss related to treasuries and other bonds)**
 - Significant contributions from increased earnings at the Hiroshima Bank, Hirogin Securities, and Shimanami Servicer and from Hirogin Lease becoming a wholly owned subsidiary
- Gain/loss from treasuries and other bonds**
 - We recorded losses on sales due to adjustments of the portfolio of foreign bonds held to improve returns, including sales of all low-yield US treasuries with interest rates of 1.5% or lower amid expectations of incremental US interest rate hikes.
- Credit costs**
 - We recorded reserves of 11.6 billion yen on a precautionary basis, including increases in reserves for certain customers, as well as revisions in the method for calculating the allowance for doubtful accounts (lengthening the calculation period for the anticipated loss rate and adoption of Group reserves).
- Gains on refund of retirement allowance trust**
 - Part of the retirement allowance trust established to prepare for future retirement benefits was refunded because pension assets greatly exceeded pension liabilities, a state of affairs expected to continue.
- Impairment loss**
 - We recorded impairment losses in connection with branches, attributed to decisions on future policies (e.g., consolidation, relocation) amid a comprehensive streamlining of branches and steady reductions in branch numbers.
- Net income attributable to owners of the parent**

Details on p. 8



Results for major Group companies

(Billion yen)

The Hiroshima Bank

	FY2021	YoY change	(Change rate)
Business gross profit (including core business gross profit)	80.6	- 9.1	(-10.1%)
	① 87.9	1.4	(1.6%)
Net interest income	70.7	0.5	
Net fees and commissions income	14.5	0.6	
Income from specific transactions	0.6	- 0.2	
Income from other operations	-5.2	- 9.9	
(including gain/loss related to treasuries and other bonds)	-7.2	- 10.4	
Expenses (not including extraordinary disposal) (-)	53.2	- 0.1	
Effective business gains/losses	27.4	- 8.9	(-24.5%)
(Net income from core businesses)	34.7	1.6	(4.6%)
(Net income from core businesses (not including gains/losses from cancellation of investment trusts))	34.7	1.6	(4.6%)
Credit costs (-)	11.9	0.8	
Gains/losses related to equities, etc.	5.0	0.5	
Other	2.3	1.1	
Ordinary profit	22.8	- 8.2	(-26.4%)
Extraordinary gains/losses	5.9	5.9	
Total income tax, etc. (-)	8.1	- 0.5	
Net income	② 20.6	- 1.7	(-7.7%)

① Core business gross profit

- Up 1.4 billion yen year on year due to increases in net interest income and net fees and commissions income

② Net income

- Although down 1.7 billion yen year on year to 20.6 billion yen, net income effectively increased after excluding the effects of lower dividends from subsidiaries (which fell 2.4 billion yen year on year but had no negative effect on income on a consolidated basis for the holding company).

Hirogin Securities

	FY2021	YoY change
Net operating income	7.30	0.57
(Bank brokerage)	4.74	0.48
Commission received	3.43	0.21
Trading gains/losses (structured bonds, foreign bonds)	3.66	0.33
Expenses	5.45	0.16
Operating income	1.85	0.41
Ordinary income	1.85	0.41
Net income	1.26	0.28

Hirogin Lease

	FY2021	YoY change
Net sales	21.61	0.66
Leasing fees income	15.29	0.23
Installment payment income	4.85	0.41
Cost of sales	19.28	0.61
Gross profit	2.32	0.05
Expenses	1.25	0.28
Operating income	1.07	-0.22
Ordinary income	1.13	-0.19
Net income*1	0.73	-0.17

*1 Since Hirogin Lease became a wholly owned subsidiary, its impact on net income attributable to owners of the parent has increased by 550 million yen year on year.

Shimanami Servicer

	FY2021	YoY change
Net sales	1.56	-0.01
Purchased from other companies	1.35	-0.02
Cost of sales	0.62	-0.16
Gross profit	0.94	0.15
Expenses	0.58	0.13
Operating income	0.35	0.01
Ordinary income	0.35	-0.04
Net income	0.24	-0.01

Net income for Group companies*1

	FY2021	YoY change*2
Net sales	4.40	-
Cost of sales	3.42	-
Gross profit	0.98	-
Expenses	0.73	-
Operating income	0.24	-
Ordinary income	0.30	-
Net income	0.18	-

*2 Hirogin IT Solutions is excluded in the previous year's results because it was made a wholly owned subsidiary in March 2021.

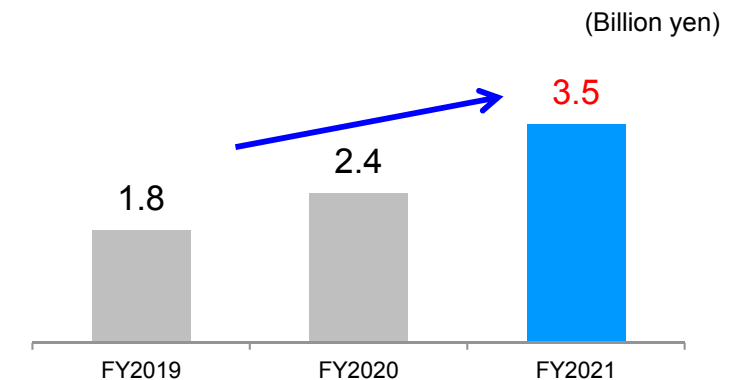
Results of strengthening Group cooperation under a holding company structure

- ◆ During this fiscal year, effectively the first under a holding company structure, our efforts included intensification and expansion of the customer base through mutual cooperation among Group companies, as well as enhancements in new solutions functions. These efforts led to improved results and considerable growth in net income for Group companies.
- ◆ Another synergistic effect of Group cooperation has been steady growth in the numbers of companies for which Hiroshima Bank is their primary bank.

Results for Group companies

Financial/ nonfinancial needs	Main solution provider	Results * FY2021/end of March 2022
Capital enhancement (Business succession, business revitalization)	Capital Partners	Amount invested (Total of fund and principal investment) 2.9 billion yen (+1 billion yen)
Securing human resources, developing HR systems	Human Resources	Number of HR placement contracts concluded 92 (+19)
Capital investment, leasing	Lease	Number of customers 6,324 (+117)
ICT/ business efficiency	IT Solutions	Number of contracts concluded 100 (+68)
Diversification of settlement methods	Card Service	Number of corporate cardholders 8,519 (+76)
Asset management	Securities	Number of financial instruments brokerage accounts 26,121accounts (+3,806 accounts)
Claims purchased	Shimanami Servicer	Number of counterparties in claims purchase transactions 1,626 (+266)

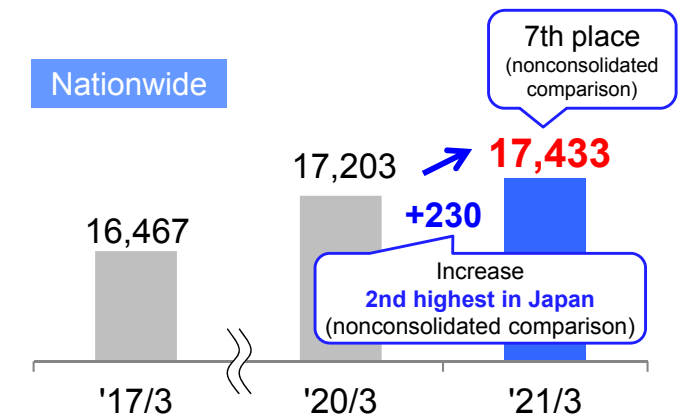
Net income for Group companies*1



*1 Net income for Group companies = product of multiplying total net income of nonbanking consolidated subsidiaries by their investment ratios

Number of companies for which Hiroshima Bank is their primary bank (Bank)

(Companies) Source: Tokyo Shoko Research, Ltd.

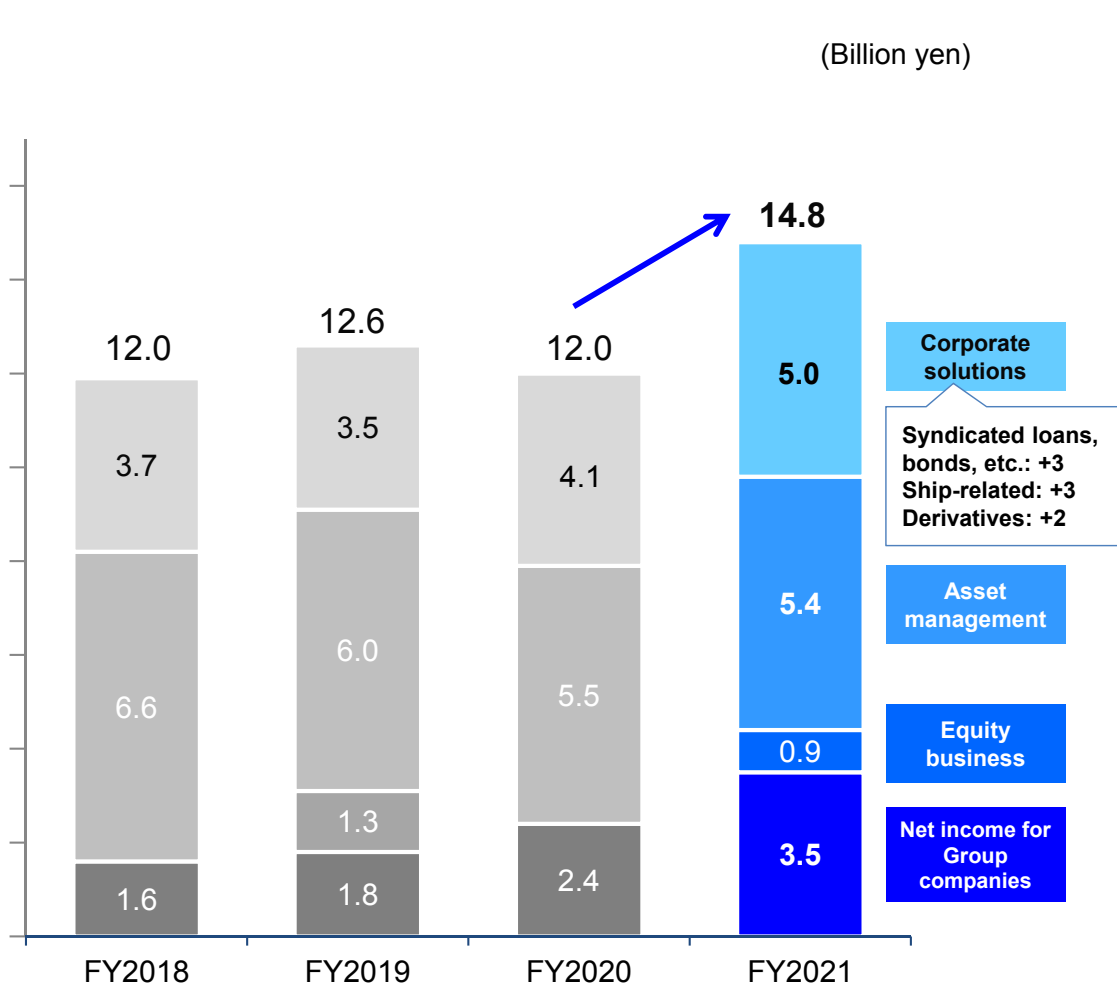


Figures in parentheses are provided to allow comparison to FY2020 or the end of March 2021.

Profits related to the consulting business

- ◆ Profits related to the consulting business rose by 2.8 billion yen year on year to 14.8 billion yen. This was mainly due to growth in corporate solutions, the equity business, and net income for Group companies.

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



(Billion yen)

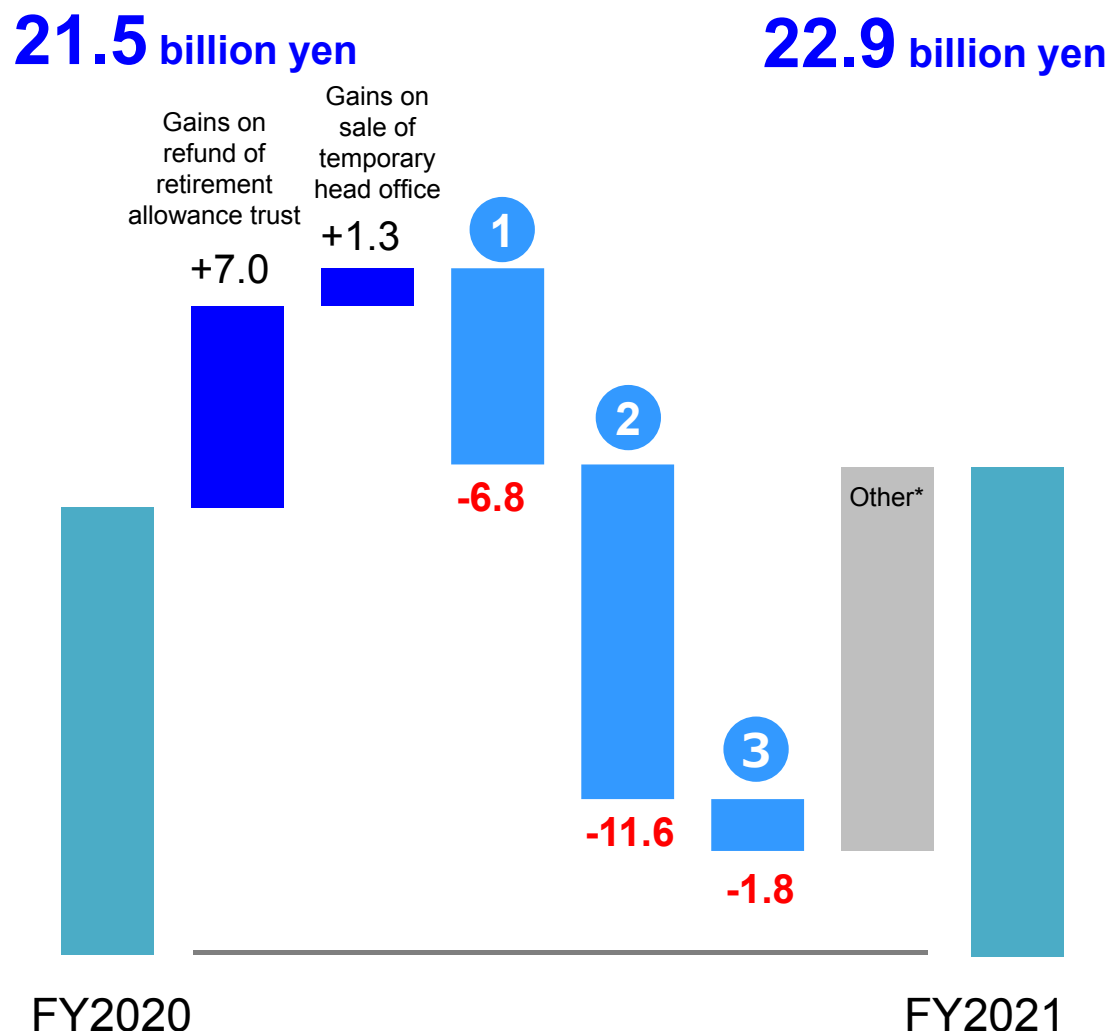
	FY2020 results	FY2021 results	YoY change
[Bank (nonconsolidated)]			
Profits from the consulting business for corporate and individual customers (i)	9.6	11.3	1.7
Corporate solutions	4.1	5.0	0.9
Business succession support, M&As (included above)	0.6	0.6	0.0
Asset management	5.5	5.4	-0.1
Investment trust (included above)	1.1	1.1	0.0
Insurance (included above)	2.1	1.8	-0.3
Financial instruments brokering (included above)	1.0	1.0	0.0
Trust (included above)	0.6	0.7	0.1
Equity business	0	0.9	0.9
Net income for Group companies (ii)	2.4	3.5	1.1
Hirogin Securities (included above)	0.9	1.2	0.3
Shimanami Servicer (included above)	0	0.2	0.2
Hirogin Lease (included above)*	0.1	0.7	0.6
Total ((i) + (ii))	12.0	14.8	2.8

* Results for Hirogin Lease in FY2020 have been multiplied by the percentage of voting rights held (20%) prior to making it a wholly owned subsidiary.

Financial soundness initiatives

- ◆ Through initiatives undertaken in FY2021 to help improve financial soundness, including sales of low-yield US treasuries with interest rates of 1.5% or lower and provisions for reserves on a precautionary basis, we set the foundations for improving the bottom line in FY2022 and beyond.

Special factors affecting net income attributable to owners of the parent in FY2021



Efforts to improve financial soundness in FY2021

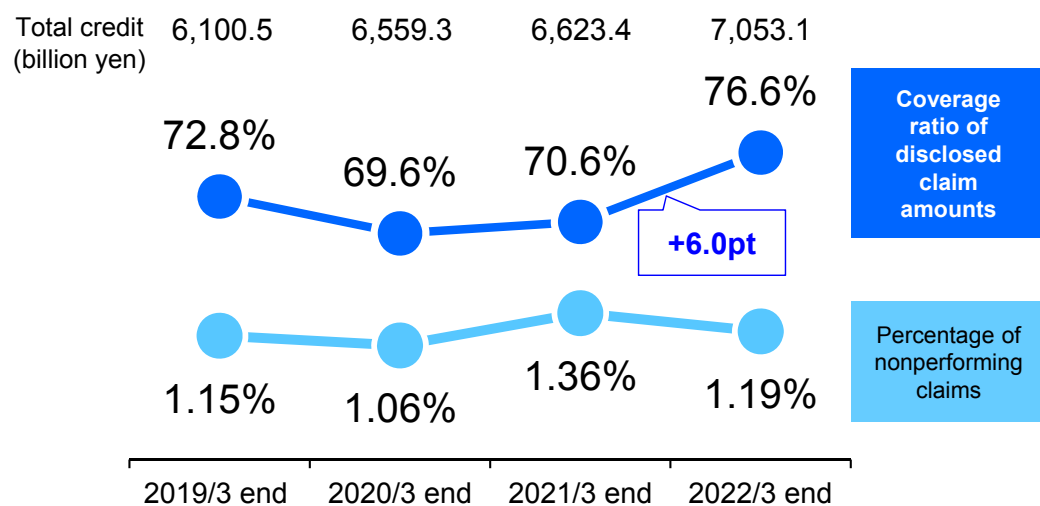
- 1 Loss on sale of bonds accompanying adjustments in the portfolio of foreign bonds held (-6.8 billion yen)**
 - We made adjustments in the portfolio of foreign bonds held to improve yields, including sales of all low-yield US treasuries with interest rates of 1.5% or lower (approx. 99 billion yen).[Details on next page](#)
- 2 Credit costs from provisions for reserves on a precautionary basis (-11.6 billion yen)**
 - 4.5 billion yen from lengthening of the calculation period for the anticipated loss rate and 3.0 billion yen from adoption of Group reserves
 - 4.1 billion yen from increases in reserves for certain customers[Details on next page](#)
- 3 Impairment loss related to branches (-1.8 billion yen)**
 - Policies (e.g., consolidation, relocation) were determined for about 20 individual branches for various purposes, including reducing branch numbers.

* Other refers to the total of all accounts other than the above, including corporate income tax.

Implementing provisions for reserves on a precautionary basis and adjusting the portfolio of foreign bonds held

- ◆ Implementing provisions for reserves on a precautionary basis in FY2021 improved the coverage ratio of disclosed claim amounts by 6.0 pt year on year to 76.6%.
- ◆ In addition, the yield on foreign bonds increased by 0.4 pt due to adjustments in the portfolio of comparatively low-yield US treasuries and other bonds.

Nonperforming claims, credit costs (Bank)



Provisions for reserves on a precautionary basis increased the capital adequacy ratio by approx. 0.1 pt (decrease in shortage of legal reserves, 2022/3 end compared to 2021/12 end).

- As total credit increases, implementation of provisions for reserves on a precautionary basis in FY2021 increased the coverage ratio of disclosed claim amounts and reduced the percentage of nonperforming claims.

**Credit costs of 4 billion yen planned for FY2022
(Down 7.9 billion yen from FY2021)**

Loss on sales accompanying adjustments in the portfolio of foreign bonds in anticipation of rising interest rates

Figures in parentheses are interest rates

	Sale price	Loss on sales
US bonds	Approx. 82 billion yen (0.65%)	-5.4 billion yen
Others	Approx. 17 billion yen (0.60%)	-1.4 billion yen
Total	Approx. 99 billion yen	-6.8 billion yen

Yield (foreign bonds)

End of Dec. 2021	→	End of March 2022
Approx. 1.3%		Approx. 1.7%
+0.4pt		

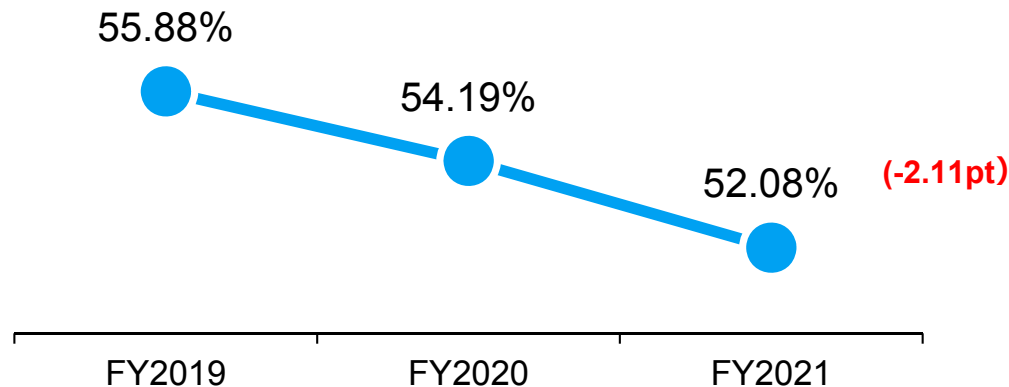
Bank of Japan's system of special interest

- ◆ We expect to meet Bank of Japan requirements for special interest on current accounts in FY2021, based on an increase in topline profit in the Bank and other businesses
- ◆ We will seek to meet the requirements in FY2022 as well through various measures, including thoroughgoing business process reforms based on digital technologies and the consolidation of shared services within the Group, in addition to increases in topline profit through enhancements in Group cooperation.

Interest rates under the Bank of Japan's system of special interest on current accounts to strengthen community finance

Trends in consolidated overhead ratio (OHR)

Rate of improvement in OHR under BOJ requirements for special interest on current accounts
OHR = consolidated expenses (excluding depreciation) / consolidated gross profit (excluding gain/loss related to treasuries and other bonds)



Requirements for special interest

Satisfied

Projected to be satisfied

Interest amounts

FY2020 portion

FY2021/H2
1.2 billion yen

FY2022/H1
900 million yen

FY2021
portion*

FY2022/H2
projected
800 million yen

FY2023/H1
projected
800 million yen

* Projections based on Company estimates

Major factors in FY2021 (YoY change, billion yen)

	YoY change	Main factor
Consolidated gross profit	+6.1	Increase in topline profit in the Bank and other businesses
Consolidated expenses	+1.2	Increase in expenses related to the head office building

* OHR improved as profits grew more than expenses.

We will also seek to satisfy requirements in FY2022 by doing the following:

- Increasing topline profit through enhanced Group cooperation
- Cutting expenses through comprehensive business process reforms based on digital technologies and the consolidation of shared services within the Group.

Responding to the risk of rising interest rates

- ◆ Interest rate risk in the banking book (IRRBB), which indicates the interest rate risk on core capital in the banking account, remains at a level significantly below the base level (20%). We see no problems in terms of value at risk regarding the response to needs for long-term fixed-rate lending.
- ◆ We will respond energetically to the rising need for long-term fixed-rate lending while maintaining an appropriate spread.

IRRBB (Bank consolidated)

△EVE	Equity capital	Materiality test result
31.8 billion yen	396.8 billion yen	8.0% ≤ 20%

* Materiality test result: △EVE (economic value of equity, decrease in economic value in response to interest rate shock included in interest rate risk on banking account)

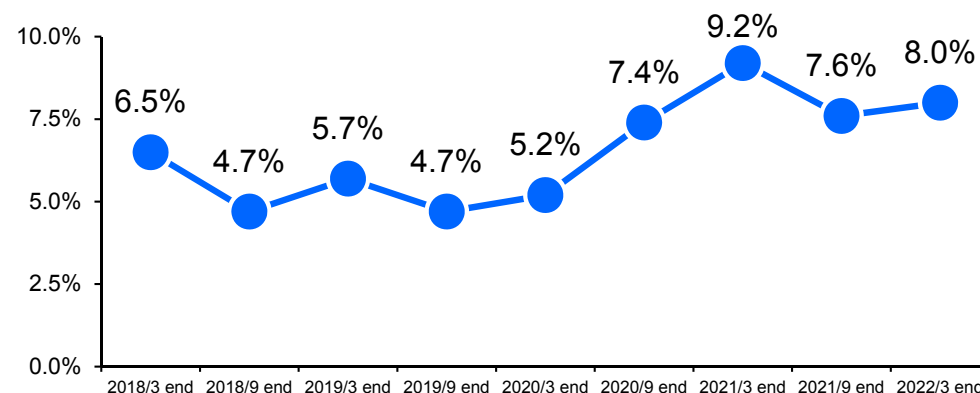
△EVE	Yen		Foreign currency		Currencies with positive △EVE
		vs. end of September 2021		vs. end of September 2021	
Upward parallel shift	-21.8	-3.2	31.8	+1.9	31.8
Downward parallel shift	24.2	+3.5	-41.1	-6.6	24.2

* Upward parallel shift: Decrease in current value when interest rates rise by 1% on yen accounts and 2% on foreign currency accounts

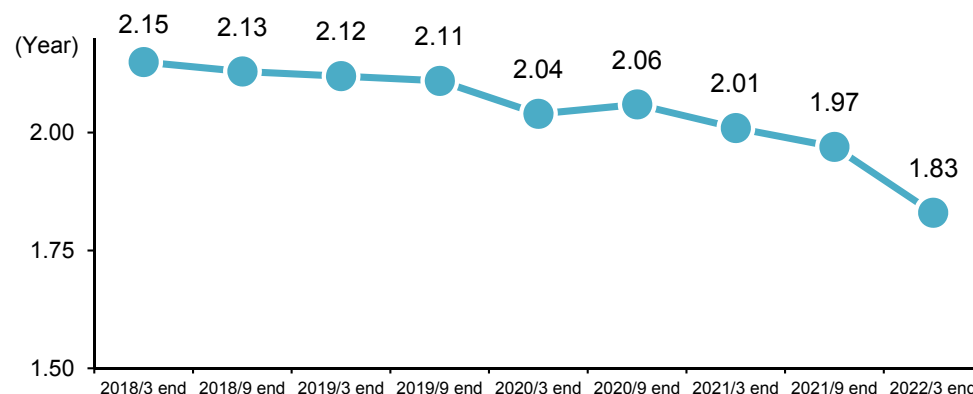
* Downward parallel shift: Decrease in current value when interest rates have fallen by 1% on yen accounts and 2% on foreign currency accounts

- The materiality test result of 8.0% is sufficiently below the level of 20% required by FSA supervisory guidelines

Trend in materiality test results (upward parallel shift)



Trend in duration* of yen loans



* After accounting for hedging, excluding loans to the Ministry of Finance

FY2022 performance and dividend forecasts

- ◆ Net income attributable to owners of the parent is projected to rise 2.1 billion yen year on year to 25.0 billion yen.
- ◆ In light of projected business performance and based on the payout table, annual dividends per share in FY2022 are projected to rise by three yen year on year to 27 yen.

FY2022 performance forecasts

(Billion yen)

	Interim performance forecast	FY2022 performance forecast	YoY change
Ordinary profit	18.5	37.0	10.0
Net income attributable to owners of the parent	12.5	25.0	2.1

Reference: FY2022 nonconsolidated forecast for Hiroshima Bank (Billion yen)

	Interim performance forecast	FY2022 performance forecast	YoY change
Net interest income		69.0	-1.7
Other income		17.0	-0.1
Core business gross profit		86.0	-1.9
Expenses (-)		53.5	0.3
Net income from core business		32.5	-2.2
Ordinary profit	17.5	33.5	10.7
Net income	12.0	23.0	2.4
Credit costs (-)		4.0	-7.9

<Market scenarios applied in performance forecasts>

JPY TIBOR 3M: 0.07%; 10-year JGBs: 0.05%; exchange rate (USD/JPY): 115.0 yen; Nikkei Average: 28,000 yen

FY2022 dividend forecasts

Annual dividends per share: 27 yen

(Reference) Payout table

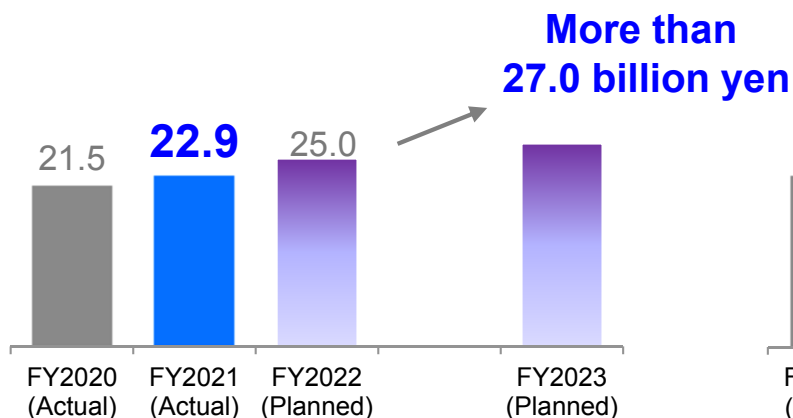
Net income attributable to owners of the parent	Dividends per share			Consolidated payout ratio
	(i) Fixed	(ii) performance-based	(i) + (ii)	
More than 33 billion yen	18 yen	18 yen	36 yen	Less than 34.1%
30-33 billion yen		15 yen	33 yen	31.2-34.4%
27-30 billion yen		12 yen	30 yen	31.2-34.7%
24-27 billion 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

2. Toward sustained growth (progress on Mid-Term Plan and future outlook)

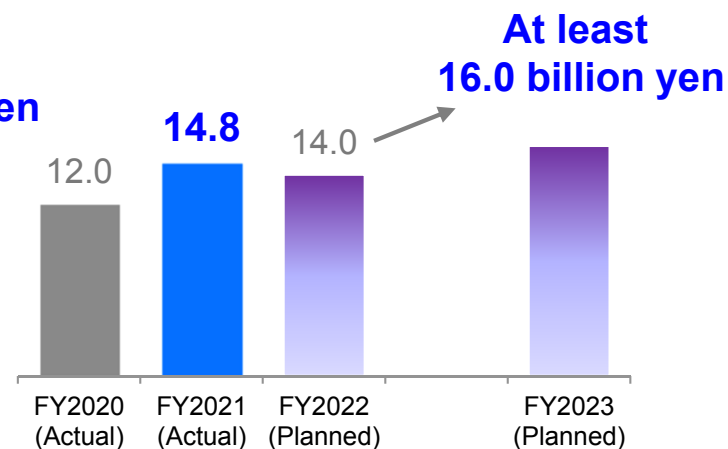
Progress toward management targets of Mid-Term Plan 2020

(Billion yen)

Net income attributable to owners of the parent

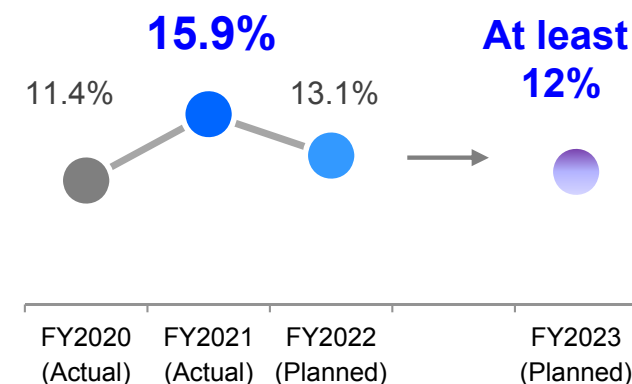


Total of revenues from consulting businesses for corporate and individual customers*1 and Group company net income*2



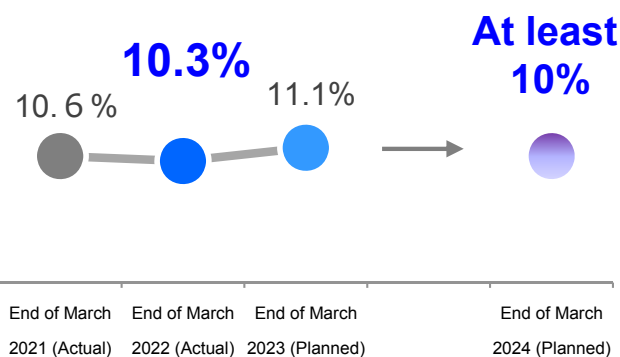
*1 Revenues from consulting businesses for corporate and individual customers = Total of revenues from corporate solutions, asset management, and equity business
 *2 Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding the bank, multiplied by investment ratio

Contributions of Group companies to consolidated performance*3

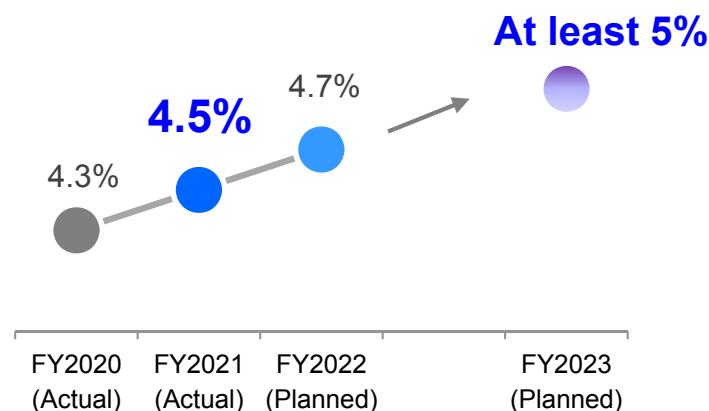


*3 Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies (*2)}}{\text{Net income attributable to owners of parent}}$

Consolidated capital adequacy ratio

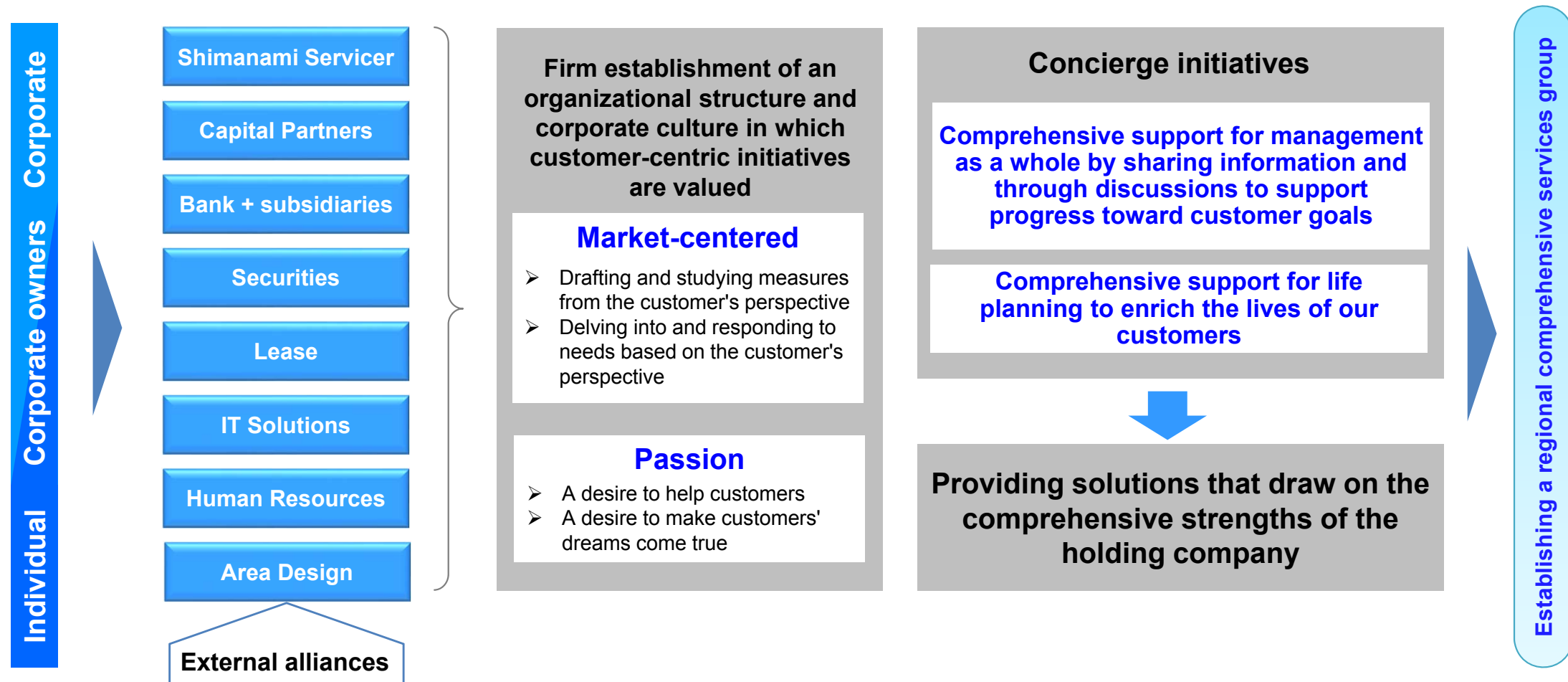


Consolidated ROE



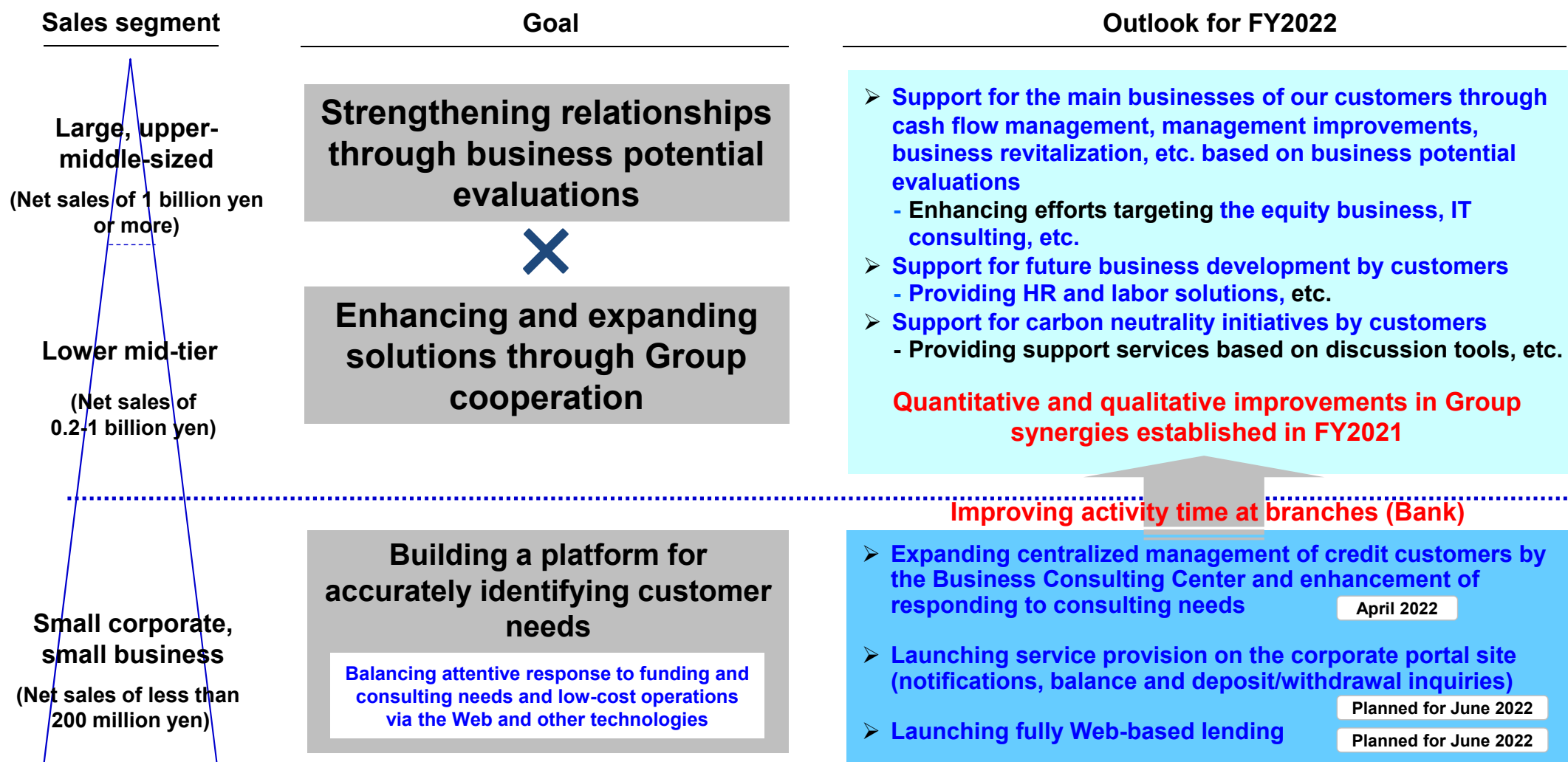
Achieving the goals of Mid-Term Plan 2020

- ◆ Customer-centric management and providing high-value-added Group solutions at even higher levels will be essential to realize the vision of a Regional Comprehensive Services Group.
- ◆ In FY2022, we will grow integrated Group solutions while thoroughly implementing concierge business initiatives and steadily establishing a corporate culture of customer-centric management.

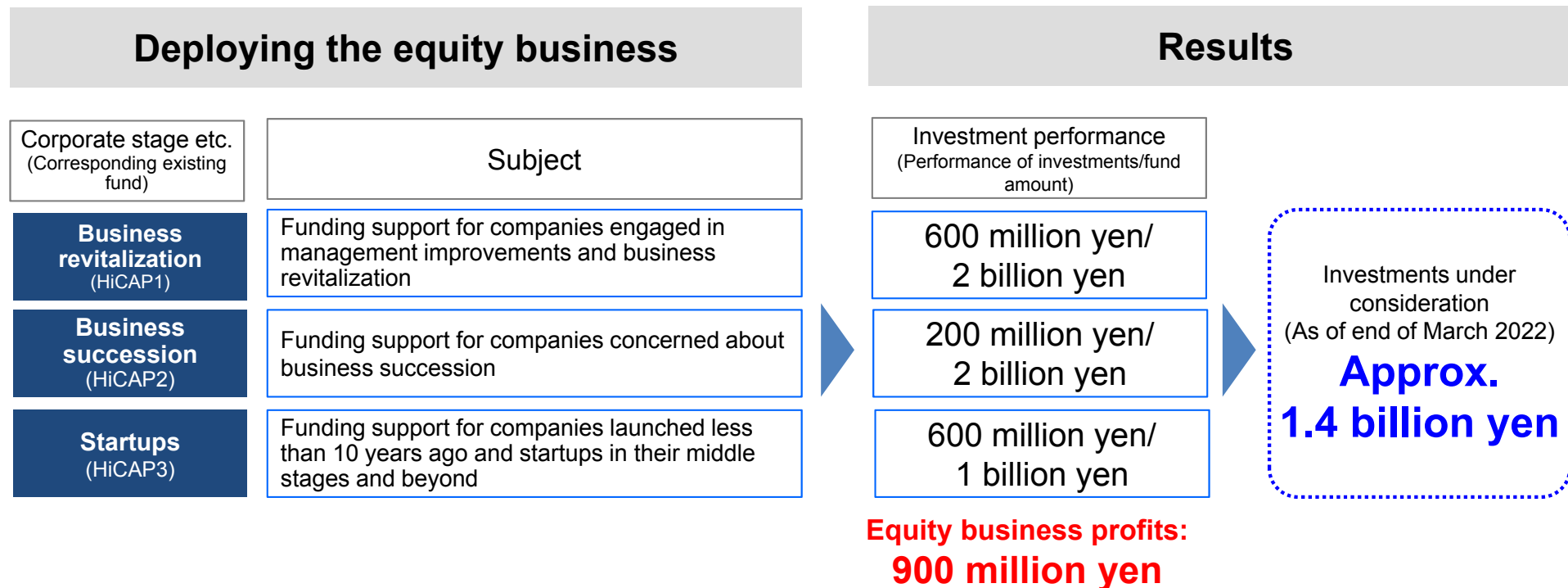


Strategy for corporate customers - Outlook for FY2022 -

- ◆ Enhancing and expanding solutions provision to lower mid-tier corporate customer levels through Group cooperation based on strong relationships built by branches (Bank)
- ◆ For smaller corporate customers, advancing low-cost operations through various means, including migrating customers to the Business Consulting Center
(Quantitatively and qualitatively improving Group synergies established in FY2021 by improving activity time at branches)



- ◆ While drawing on Group strengths in evaluating business potential, further enhancing the equity business through various means, including establishment of new funds in response to amendment of the Enforcement Regulations to the Banking Act in November 2021



Future outlook

Enhancing equity and other funding of community vitalization and growth businesses, in response to deregulation, and enhancement of support for growth of the community and customer businesses

Community vitalization/growth businesses (HiCAP4)	Established April 2022 Funding support for companies that contribute to community vitalization (fund amount: 2 billion yen)
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This new fund has been established because the Bank can now take a majority (more than 50%) investment based on the amendment of the Banking Act in November 2021 (expansion of the percentage of voting rights that may be held in company operating businesses to contribute to community vitalization [from 40% to 100%]).

- ◆ Corporate needs related to human beings are expected to continue growing. We offer one-stop solutions to a wide range of issues related to human resources and labor, primarily through Hirogin Human Resources (established April 2021).

Human resource and labor solutions		Results	
Human resources	Human-resource placement business	Consultations (Bank-related)	679 (+275 year on year)
		Contracts concluded	92 (+19 year on year)
	Training business	Number of training sessions held	57 (+47 held last year)
		Participants	1,482 (+881 held last year)
	Consulting business	Consultations (Bank-related)	188 (none last year)
		Contracts concluded	49 (none last year)
		Consulting contracts concluded	31 (none last year)

Note: Results for last year are results for the Bank and other companies

Future outlook

Enhancing responses to issues and needs related to human beings through launch of the temporary staffing business and expansion of HR solutions, such as welfare services management

HR (worker) dispatch business

Business launched in April 2022

Through an absorption-type merger with Mighty Net Plus Co., Ltd., dispatching workers mainly for administrative positions (e.g., sales, accounting, general affairs and other office work requiring PC skills)

Providing employee welfare services

New: Planned for September 2022

Services for businesses that add funding support using the Group's functions to general welfare services

Bank

- ◆ In response to wide-ranging corporate needs related to IT and digital transformation (DX), we are deploying IT solutions, primarily through Hirogin IT Solutions, which became a subsidiary in January 2021.

Delivering IT solutions to improve productivity and business efficiency

Productivity improvements, business efficiency improvements

- Adopting attendance management systems
- Adopting robotic process automation (RPA)

IT/DX support

- Delivering solutions utilizing alliances with other vendors, etc.

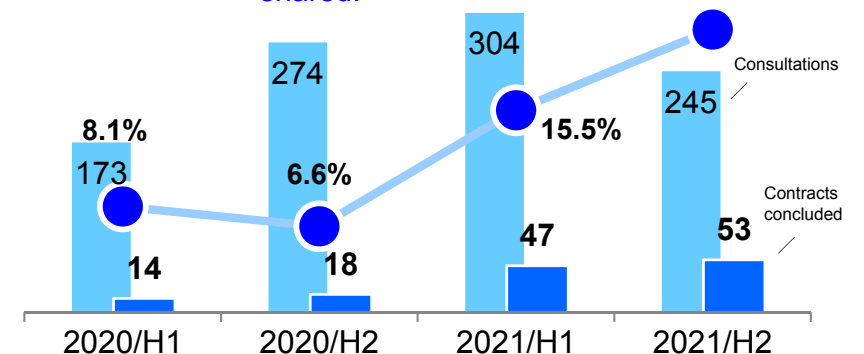
Support for adoption of e-medical records

- Support for adoption of e-medical records
- Sales of pathological diagnosis support systems

Results

Consultations (Bank-related) and number of contracts concluded / conclusion rate

Cooperation performance is growing in terms of both quantity and quality (contract conclusion rate) as IT literacy improves and case studies are shared.



Future outlook

Enhancing response to corporate IT and DX needs while further strengthening cooperation among Group companies

Hirogin Human Resources

Cooperation in preparing in-house rules, including responding to the Act Concerning Preservation of National Tax Records in Electronic Form

Hirogin Lease

Approaching lease customers about cooperation (e.g., proposing IT solutions to customers on expiration of their lease agreements)

Bank

IT Solutions

Strategy for corporate customers - Supporting customers in preparation for the post-COVID era (i) -

- ◆ Fully leveraging Group company solutions to provide strong support for the main businesses of our customers, including cashflow support for local firms, in preparation for the post-COVID era

Support for SMEs for the post-COVID era

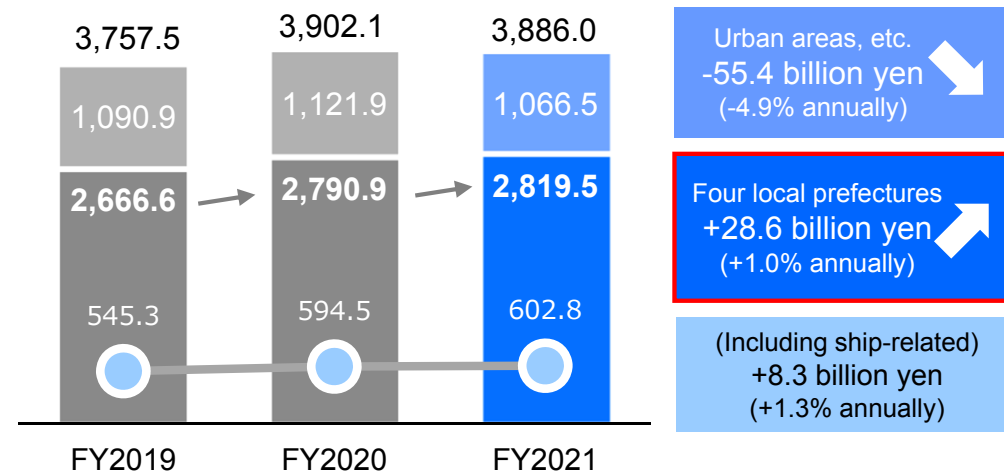
- Providing support hand in hand with customers to identify solutions to their challenges based on business potential evaluations on a Groupwide basis

Securing cash flow	<ul style="list-style-type: none"> • Securing funding for business stabilization • Securing funding for capital investment, etc.
Business succession, management improvements	<ul style="list-style-type: none"> • Planning for business succession and management improvements • M&As, etc.
Securing sales channels and sales figures	<ul style="list-style-type: none"> • Business expansion • Business restructuring including ventures into new fields and different business sectors • Expanding online services (e.g., use of e-commerce sites)
Securing human resources	<ul style="list-style-type: none"> • Developing environments for remote working • Developing systems to accommodate diverse work styles and a diverse work force
Business efficiency improvements	<ul style="list-style-type: none"> • Productivity improvements, adoption of IT in production control • Adopting IT in HR and labor management, etc.

Results

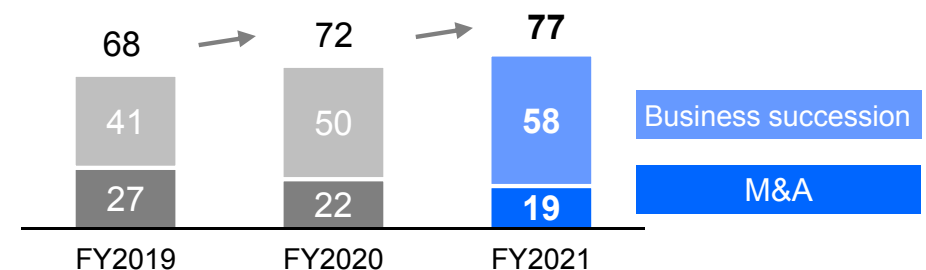
Business lending (average balance, billion yen)

- Lending in the four local prefectures is increasing annually due to attentive support for cash flows at local firms.



Trends in M&A and business-succession contracts concluded (contracts)

- Numbers of contracts concluded are trending up thanks to the response to needs related to business expansion and business succession.



Strategy for corporate customers - Supporting customers in preparation for the post-COVID era (ii) -

◆ Using the Bank's specialized lines to support effective use of subsidies related to business restructuring and management improvements

Business restructuring

- Providing support for applying for business restructuring subsidies related to ventures into new fields or different sectors

Subsidies awarded for business restructuring

182

* Cumulative total for first through fourth subsidies

Ranked ninth among financial institutions nationwide on number of fourth subsidies awarded

Case study: Supporting a previously rejected business as it takes on the trial of re-application

We provide continual follow-up support, including planning reviews, for those seeking to take on the trial of re-application.

Overview of subject business

Industry	Accommodations
Net sales	340 million yen
Employees	37
Main bank (Share of lending)	Hiroshima Bank (51%)
Subsidized business expenses	52 million yen

Details of business restructuring

- The customer was continually rejected for subsidies despite applying for a shift to restaurant dining, intended to adapt to inbound tourism demand and improve food service efficiency.
- In cooperation with specialized consultants, the Bank provided support including interviews with local firms and marketing efforts. This resulted in a subsidy grant in response to an application that incorporated plans for multi-night stays for workcation guests and plans to improve the dining hall for refreshments for these guests. (Subsidy: 31 million yen)

Management improvements

- The Bank formed the Management Improvement Support Team to provide support for customer management improvements and revival after the business environment worsened due to COVID-19 (September 2020).

- We identified **476** customer firms impacted significantly by COVID-19.

- In cooperation with branches, a support team (of 12 persons in total) takes various actions, including visiting prospective customer firms, and decides on details of support for individual firms.
- Support is provided hand in hand with our customers based on cooperation not just with the Bank's central front office sections and Group companies, but outside agencies such as revitalization support associations.

Corresponding solutions (examples)

- Support for formulating medium-term plans toward improving profits
- Support for business restructuring
- Support for more advanced use of IT in attendance management, settlement of expenses, etc.
- Support for considering the spinoff of business sections into separate companies

Future outlook

Enhancing support based on maximum leveraging of the Group's solutions, to stabilize customers including local SMEs in particular and enable their sustained growth in the post-COVID era

Strategy for individual customers - Strategic review of the asset management business -

- ◆ Implementing a strategic review of the asset management business to realize customer-centric operations based on a market-centered approach
- ◆ For medium- and long-term goals, proposing asset management to customers and providing hand in hand support to strengthen stock revenues through the accumulation of non-deposit balances (trust fees, etc.)

Deployment in FY2022 (strategic review)

1 Review of the customer management structure

- To enhance solutions suited to customer needs, shifting from area management to segment management corresponding to the customers' investment assets

2 Taking on goal-based asset management sales

- Further accelerating the shift toward customer-centric operations through the continuing process of sharing goals from life planning through continual review

3 Clarifying roles between the Bank and Hirogin Securities

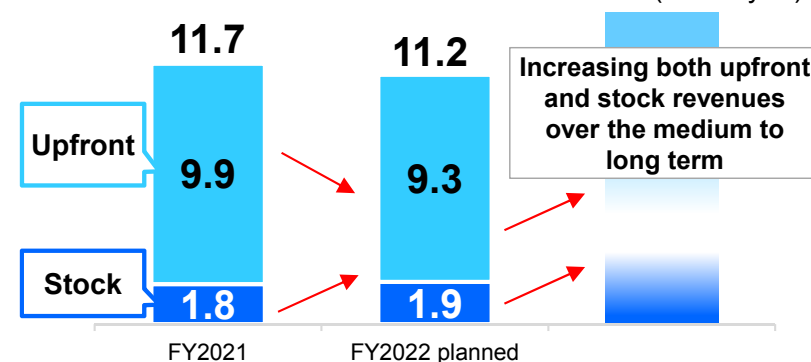
- Further enhancing referrals to Hirogin Securities as the Bank focuses on broadening its base

Increasing stock revenue share of Group asset management revenues in the future

→The Bank will seek to increase its share of stock revenues from the current level of approximately 20% to approximately 40% over the medium to long term.

Group asset management revenues

- While upfront revenues (e.g., commissions) will decrease temporarily due to structural changes and other results of the strategic review, we will seek to increase both upfront and stock revenues over the medium to long term. (Billion yen)



Reference: Stock revenues as a share of Bank asset management revenues (Billion yen)

	FY2019	FY2020	FY2021	YoY change
Asset management revenues (Hiroshima Bank)	6.0	5.5	5.4	- 0.1
(Including stock revenues)	1.3	1.1	1.1	0
Reference: Share of stock revenues	21.7%	20.0%	20.4%	0.4%

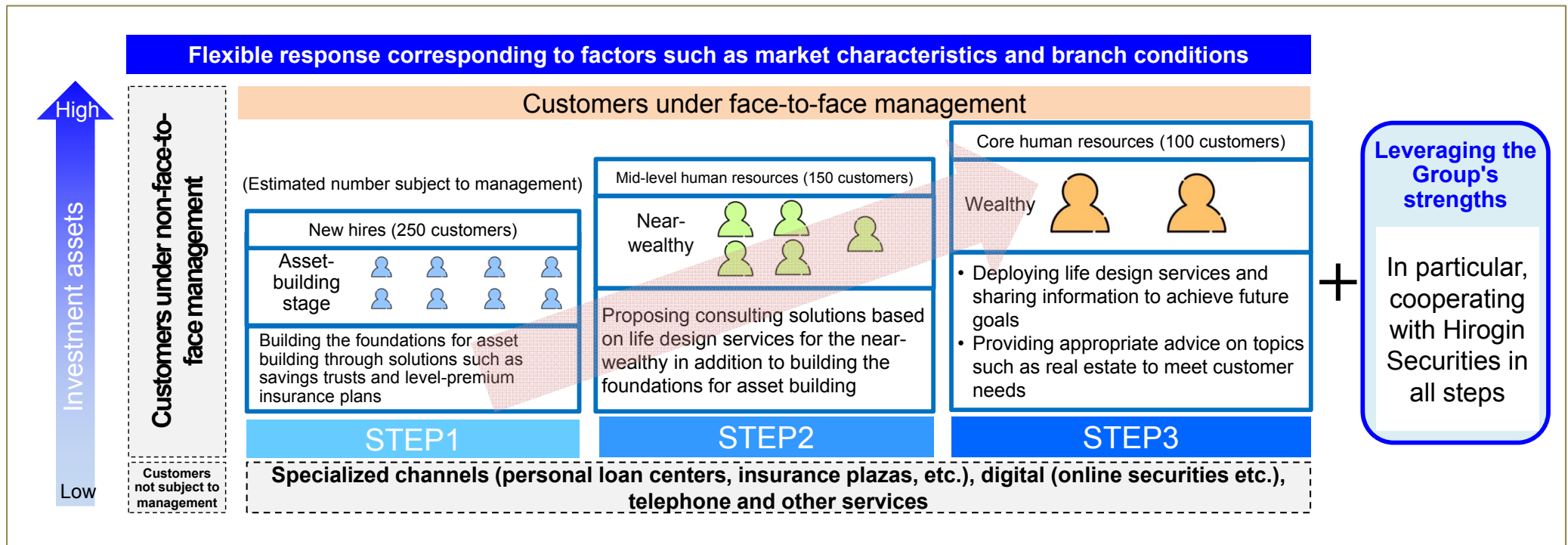
Targeting an increase to approximately 40% over the medium to long term

- ◆ Striving to develop consulting businesses based on comprehensive support provided in our role as concierges, for the life plans of our customers and asset management for entire households

Review of the customer management structure (since April 2022)

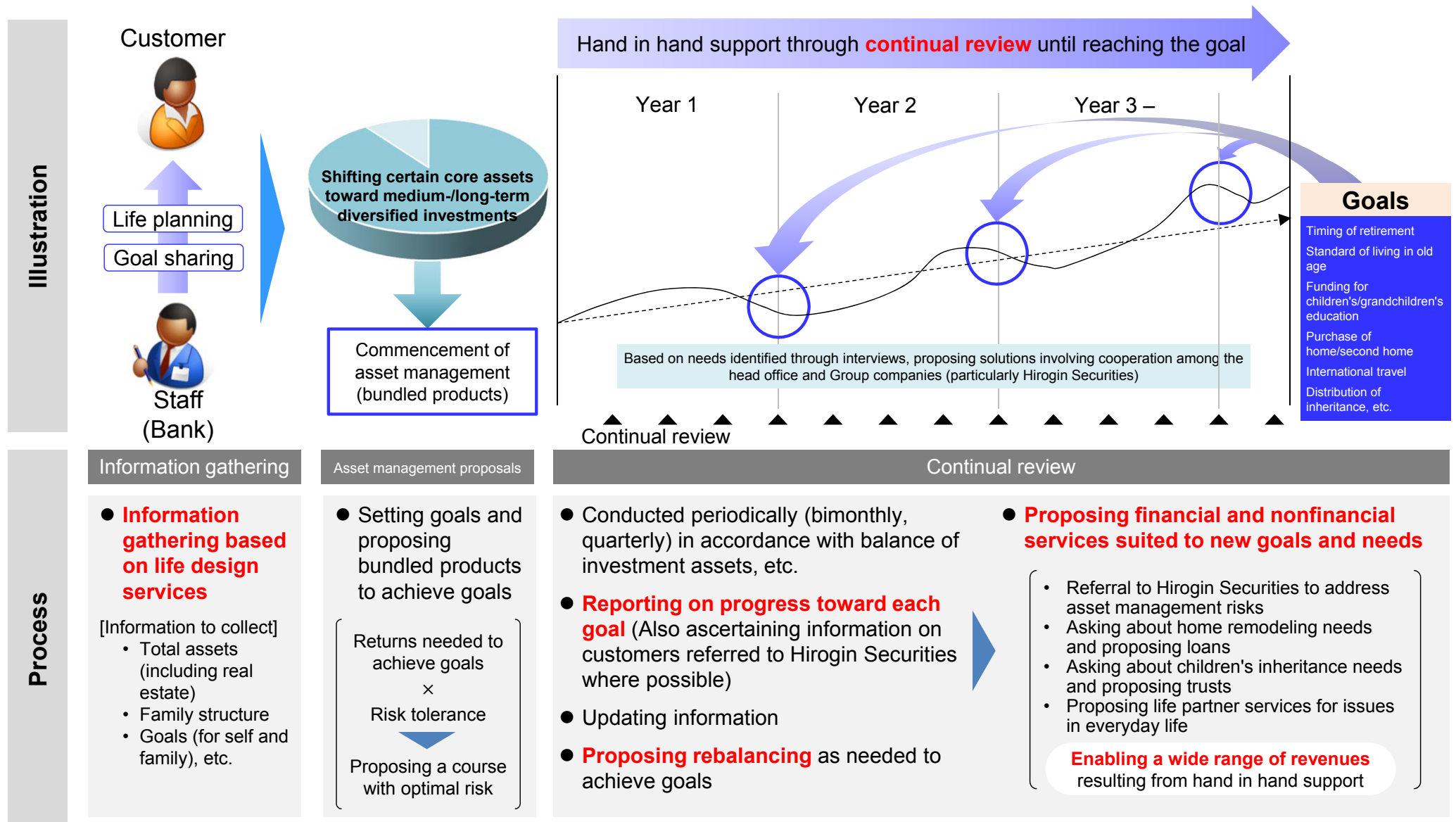
Fully deploying the concierge functions and their advantages by shifting from traditional area management to segment management corresponding to customers' investment assets

[Segment management (illustration)]



- ◆ Further advancing customer-centric operations and providing hand in hand support through goal-based asset management sales based on a continuous process of sharing goals from life planning through continual review

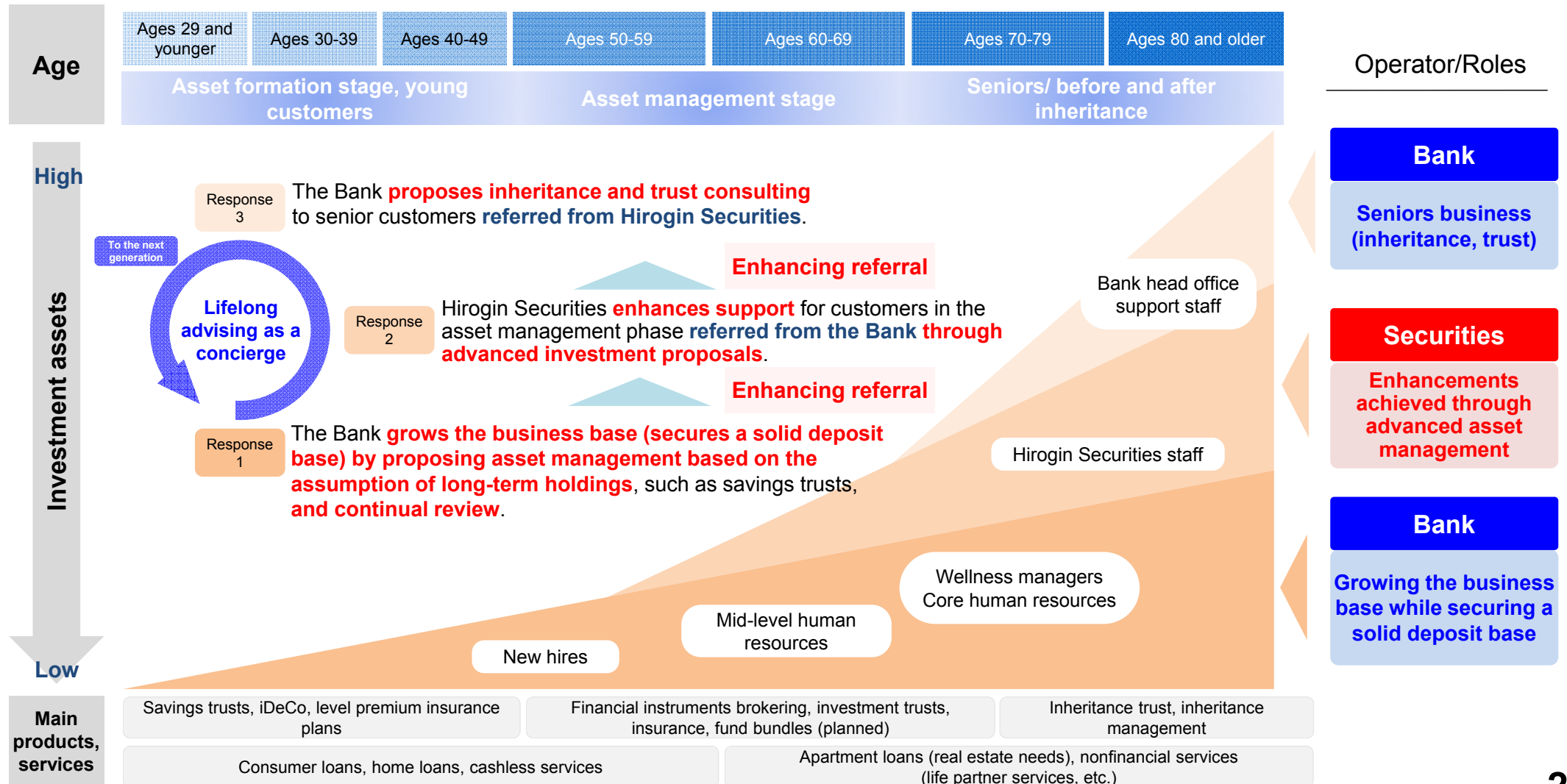
[Goal-based asset management sales (illustration)]



◆ Growing the customer base Groupwide and intensifying transactions by clarifying the roles of Bank and Hirogin Securities

- The Bank strives to grow the business base and secure a solid deposit base by proposing asset management based on the assumption of long-term holdings, such as savings trusts. It refers asset management customers to Hirogin Securities while serving the senior business (asset management from a goal-based approach).
- Hirogin Securities proposes advanced, expert portfolio management, mainly to customers in the asset management life stage (investment and asset management from a goal-based approach).

[Illustration of cooperation between the Bank and Hirogin Securities]



Strategy for individual customers - Addressing inheritance needs -

- ◆ **As the market ages, in response to growing inheritance needs, the Bank itself will offer trust services and enhance related services, proposing optimal solutions from estate planning through support for inheritance procedures**

* Seniors as a percentage of Hiroshima Prefecture population (those aged 65 or older based on 2020 national census): 29.4% (national average 28.6%)

All five of the Chugoku region prefectures have rates above the national average.

Addressing inheritance needs

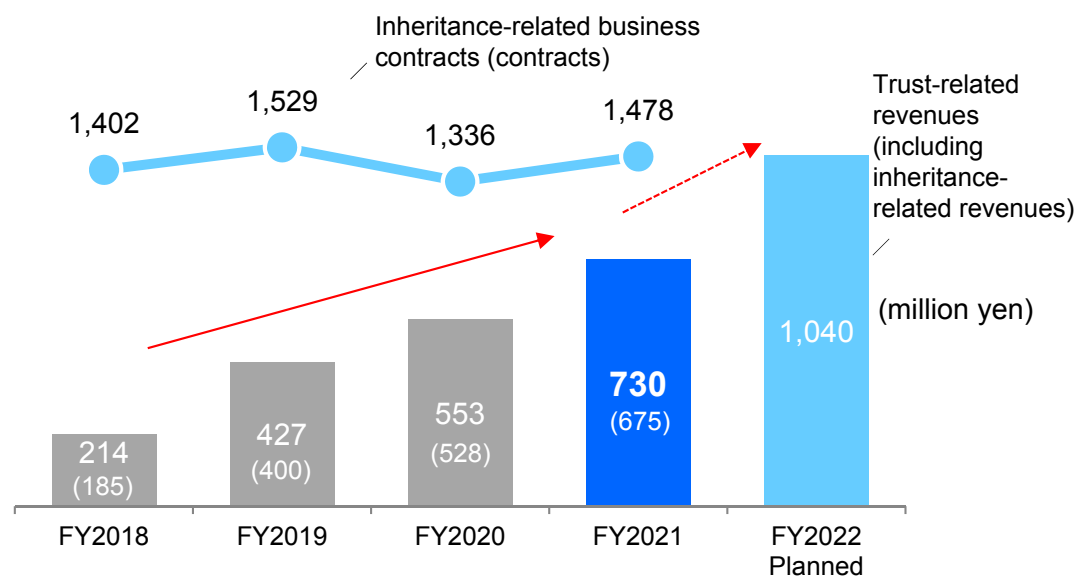
- The Bank itself has long been involved in the trust business and is positioned to handle main trust businesses.
- The Bank began offering inheritance trusts and inheritance management services in 2018 to enhance its responses to inheritance needs.

Inheritance	Other trust
Inheritance proxy trust (since 2014)	Land trust (since 1993)
Private trust management services (since 2016)	Public trust (since 1993)
Inheritance trust (since 2018)	Specific gift trust (since 1993)
Inheritance management services (since 2018)	Asset management trust (responding to cognitive illnesses) (since 2020)

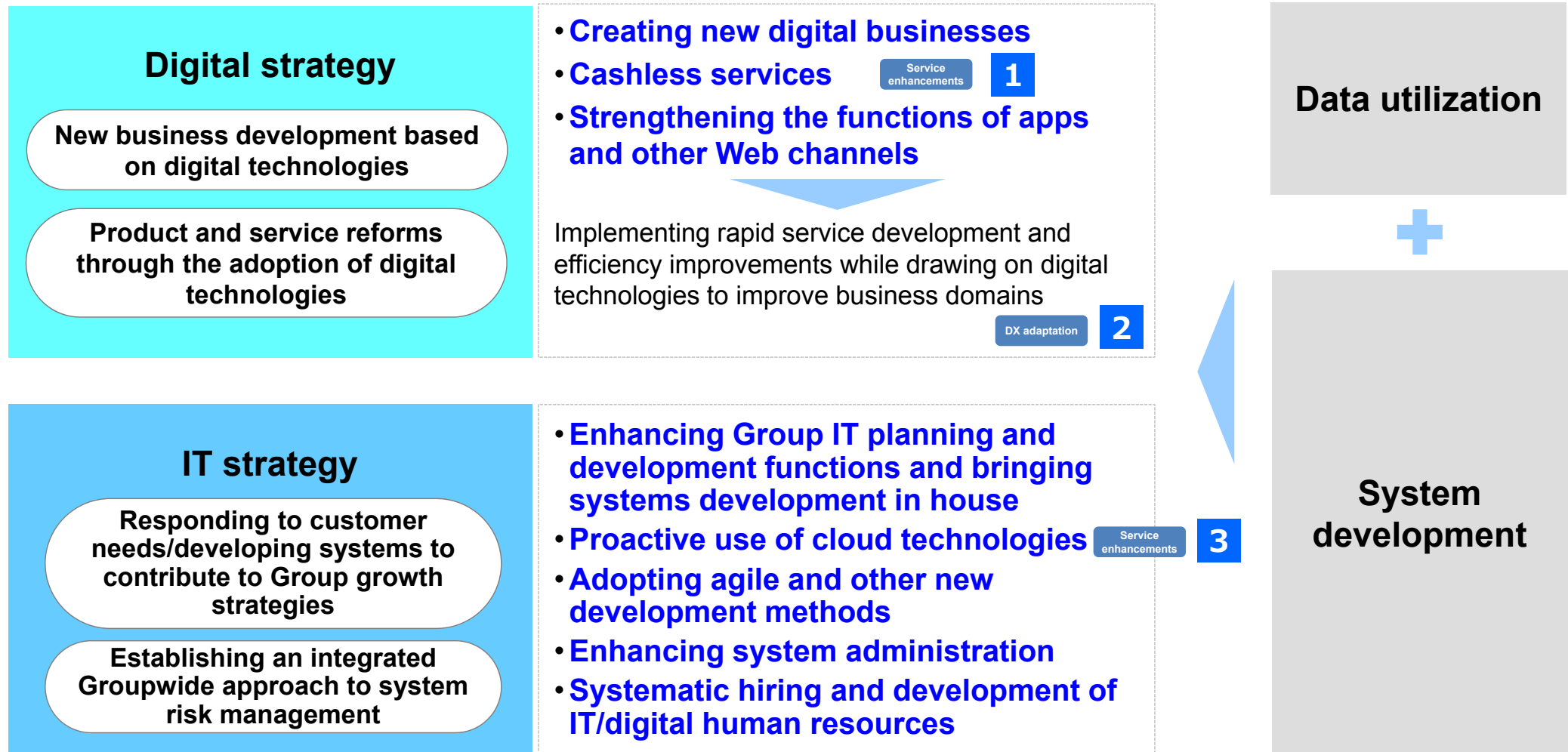
Inheritance/trust-related income

- Revenue related to the inheritance and trust businesses is increasing annually amid growing needs for inheritance trusts and inheritance management services.
- Plans to exceed 1 billion yen in FY2022

Inheritance/trust business performance



- ◆ Enhancing cashless services and structures based on the cloud and other technologies to realize the visions of the digital and IT strategies

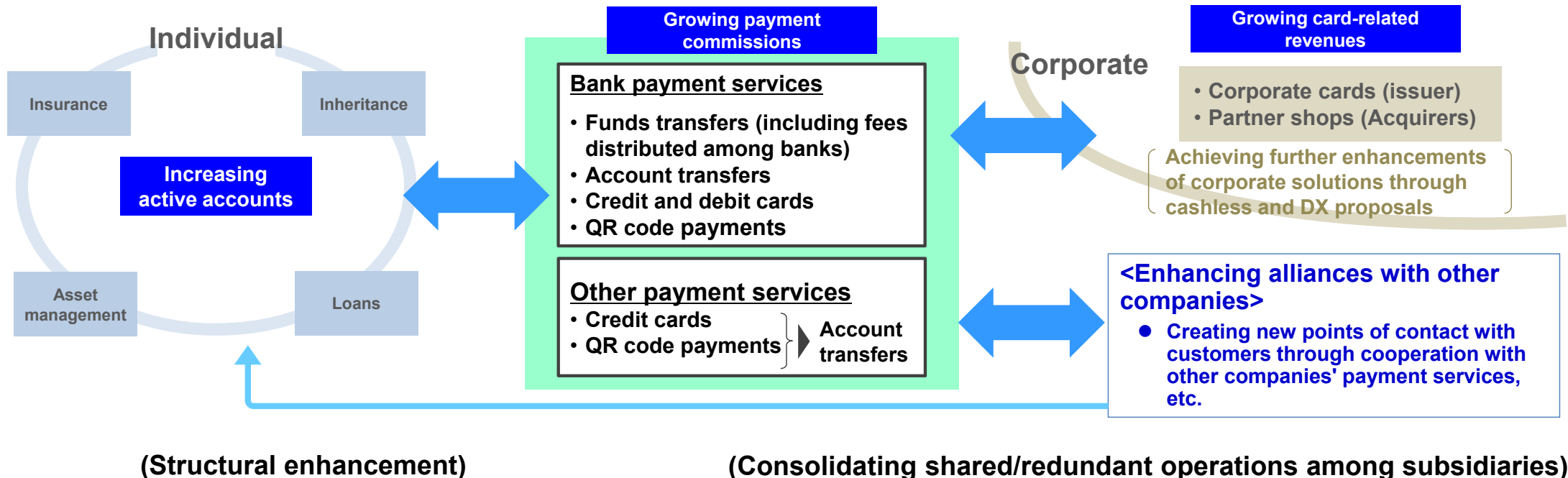


Digital strategy/IT strategy - Cashless payments business 1 -

◆ Strengthening structures and implementing business integration in stages to grow the cashless payments business

Business development

- Increasing active accounts (expanding points of contact with customers through the Web and alliances with other firms)
- Growing fee-based businesses through payment service sales expansion



New Payment Services Division established at the Bank (October 2021)





New division established to oversee the payments business as a whole by integrating planning, promotion, and other management functions related to the payments business, previously divided across multiple sections

Merger of Hirogin Guarantee Co., Ltd. with Hirogin Card Service Co., Ltd. (planned for April 2023)

Efficiency improvements through consolidation of shared/redundant operations related to loan review etc.

⇒ Expected to contribute to business enhancement and expansion through provision of new services including those in the cashless payments and guarantee fields in the future

◆ Implementing rapid service development and efficiency improvements while drawing on digital technologies to improve business domains

Domain		Specific initiatives
Digital innovation	➤ New business creation based on digital technologies	<div> Business succession support  </div> <div> <p>* Business succession and M&A support through a portal site</p>  </div>
Digitalization (aggressive deployment of digital technologies)	➤ Business reforms based on digital technologies (creation and provision of new customer value)	<div>  <div> Hirogin app  </div> </div> <div> Cross Order, Hirogin Bill <p>* See next page for more information.</p> </div> <div> <div>AI investment</div> <div>Online subsidy diagnostics</div> </div> <p>etc.</p>
Digitization (defensive use of digital technologies)	➤ Adopting IT in existing operations (cost savings, efficiency improvements)	<div> AI voice bot <p>* See next page for more information.</p> </div> <div> <div>Sales support terminals</div> <div>RPA</div> </div> <div> <div>Branch computer system</div> <div>eKYC</div> </div> <p>etc.</p>

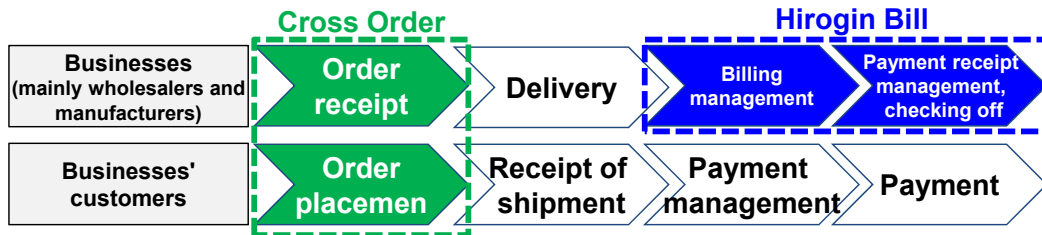
Rapid responses based on advanced data analysis (e.g., AI)



◆ Introducing services to boost value in customer services and support DX initiatives based on various approaches, including deployment of the latest technologies and alliances with outside firms

Cross Order, Hirogin Bill: DX support services for order receipt/placement and billing management

- Providing DX support services to meet SME needs in order receipt/placement and billing management through an alliance with an outside firm



Supporting order receipt/placement operations for wholesalers and restaurants/bars

クロスオーダー Cross Order

- ▶ Service launched in October 2021. Enables customers of businesses (e.g., restaurants/bars) to make simple order placement using LINE, which most customers already use on a regular basis.
- ▶ Enables recommendation of products to customers who place orders using LINE.

Supporting efficiency improvements, sales expansion, etc. in contactless transactions

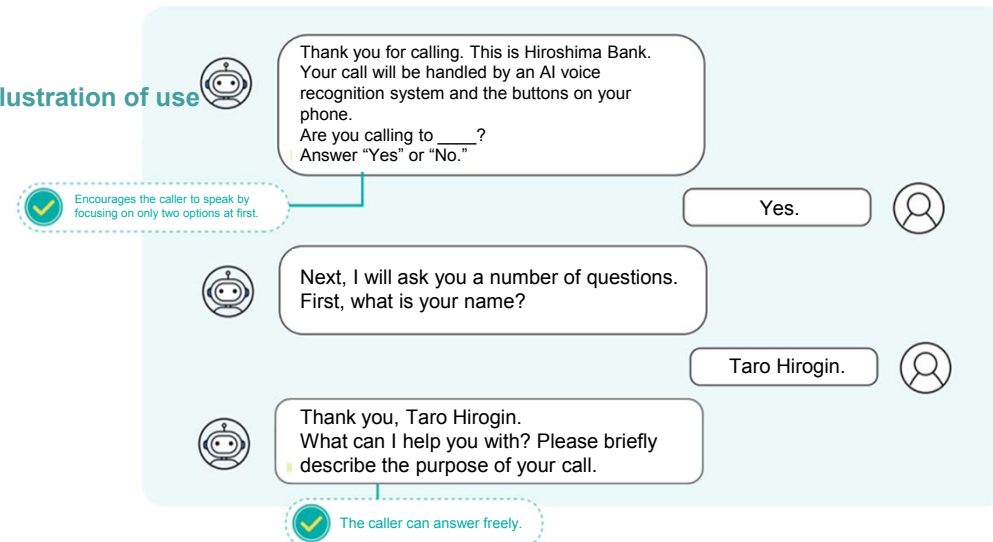
ひろぎん Bill Hirogin Bill
powered by Money Forward Kessai

- ▶ Service launched in April 2021. Handles on behalf of the customers the series of billing operations from credit review for accounts receivables customers, issuing and sending bills, and management of receipt of payment.
- ▶ Planned to be compatible with the invoice system to be adopted in October 2023

AI voice bot using AI to automate telephone services

- A telephone service automation service that draws on AI to achieve smooth voice services, interactive and differing from traditional voice guidance systems, was introduced in February 2022.
- As the first step, this system was adopted for telephone services for card cancellation at the Bank's credit card center.

Illustration of use



- ◆ Making progress on use of cloud technologies and creation of human resources skilled in new technologies, aiming for a Groupwide structure for internal development and provision of computer systems to help meet customer needs and advance the Company's growth strategies based on advancing digital technologies

Responding to cloud use

- Developing a structure for proactive cloud use and adoption of rapid, flexible development methods

Development of rules on use of software as a service (SaaS, software provided via the cloud)

- ▶ Establishing rules and security checks for cloud use
- ▶ SaaS system evaluation: 109 times

Bringing server development in house (AWS)

- ▶ Developing a propriety system infrastructure on AWS
- ▶ Infrastructure operations brought in house using AWS: 11

Bringing app development in house
Use of agile advanced development tools

- ▶ Adopting a cloud-based rapid app development tool and using agile development to develop apps in house
- ▶ System development projects brought in house using rapid app development tools: 10

Establishment of the C-BIZ Lab, a new line specializing in promoting cloud use (April 2022)

- The C-BIZ Lab, a new line specializing in cloud solutions, was established within the Bank's IT Management Division to implement cloud development and the development of cloud-experienced human resources.

C-BIZ Lab

Striving to be **a group of professionals** implementing **businesses** related to various “**C's**” centered on the “**C**loud” and including “**C**reativity,” “**C**ustomer relations,” and “**C**ooperation.”

Development of internal Bank systems using cloud technologies

Training human resources specialized in cloud technologies

Deployment of customer services using cloud technologies through app development and other means (to be studied in the future)

- ◆ With a view to delivering fundamental solutions to issues with regional communities and industrial structures, we will step up initiatives we have been implementing for some time. In cooperation with local public bodies and business operators, we will ensure that the Group plays a central role in pushing forward with new businesses tied to local revitalization.

Strengthening community attractions

Revitalizing local tourism facilities <Area Design × Capital Partners>

● Citrus Park project in Setodacho, Onomichi City

Area Design is participating in a project intended to create interconnections and revitalize the community. Capital Partners is investing in Setomосу, the project operator.

Revitalization as a park
(Making the facility more attractive to visitors)

Tourism project
(Glamping facility)

Agricultural project
(Lemon growing)

Community promotion <Area Design>

● Miyoshi City Promotion Project

A contract has been awarded by the city of Miyoshi for a project to create new community attractions, including citizen conferences, high-school student workshops, and strategic study meetings for related organizations.

Developing cycles to make the city more attractive

Connecting city residents through brand building

Media strategy

Infrastructure development/Vitalization

● Hiroshima International Airport Co., Ltd. <Capital Partners>



- In addition to the Group (Capital Partners) and leading local businesses, investors in this privatization project for Hiroshima Airport (subcontracting operation to a private-sector firm) include real estate firms, trading companies, and other firms from Tokyo with strong management expertise.
- Plans call for expanding international flights. As the air gateway to Hiroshima, the airport will capture inbound tourist demand and contribute to community vitalization.

● Attracting a Hilton Hotel <Area Design>



- This project in partnership with Setouchi DMO seeks to create new value for the region through multiple avenues, including community development, human resource development, and employment development, including efforts to enable use as a conference facility and create jobs.
- Area Design invested in the hotel operator.

● Deploying the regional trading company business <Area Design>



- In partnership with Chugoku Shimbun and the Hiroshima Electric Railway, this regional trading company project is seeking to build structures that will attract people from inside and outside the region to the city of Hiroshima and encourage excursions and consumption (for example, a rest house operating in the Hiroshima Peace Memorial Park).

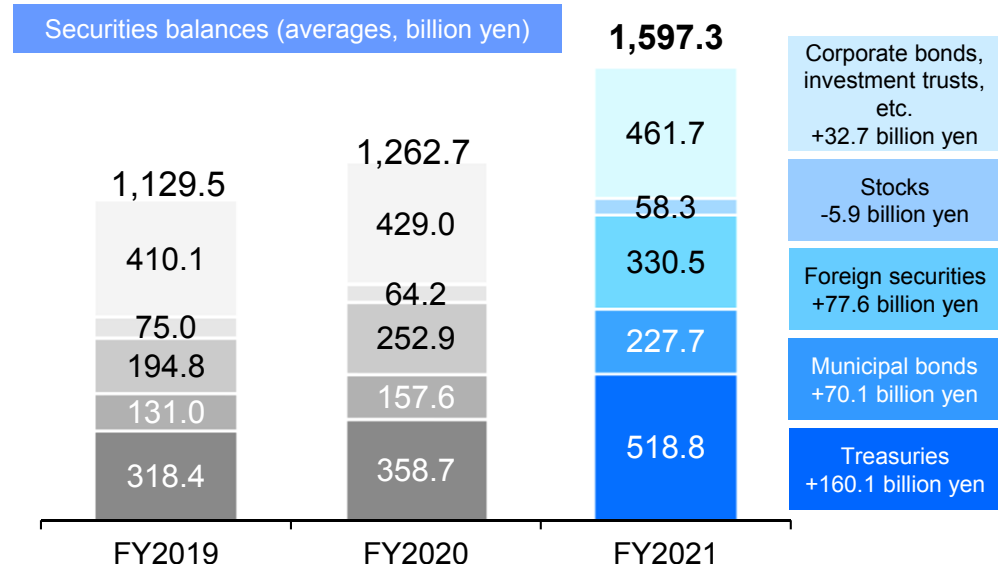
Securities strategy (i)

- ◆ As the portfolio steadily grows, deploying portfolio management based on medium- to long-term perspectives to enhance net interest income and improve valuation gains/losses.

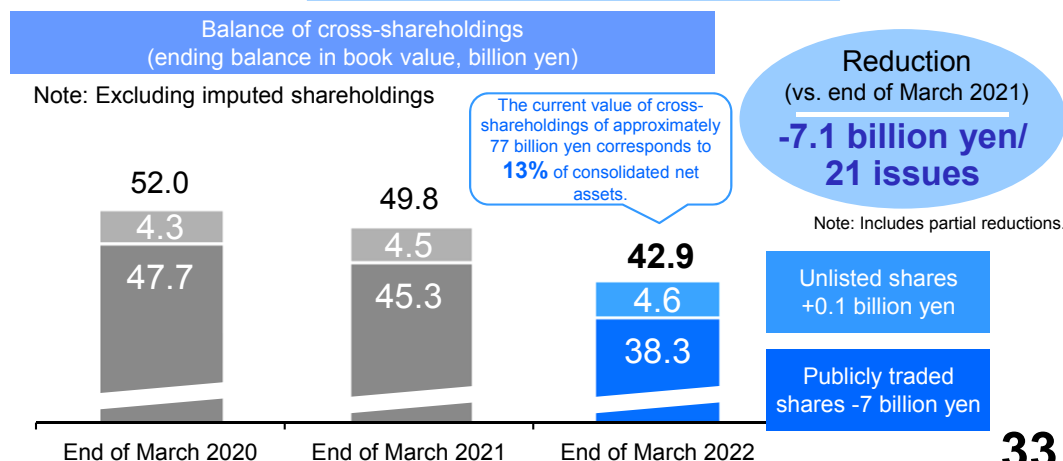
Securities strategy in FY2021

Bonds	<ul style="list-style-type: none"> Enhancing net interest income and improving valuation gains/losses through flexible response to changes in monetary policy 	<ul style="list-style-type: none"> Increasing performance over the medium to long term by enhancing ESG investment in stages
Stocks, ETFs, etc.	<ul style="list-style-type: none"> Investing in equities with a focus on areas such as high-yield stocks and based on medium- to long-term perspectives Enhancing net interest income through increasing investment in investment trusts and other instruments that provide stable and continuous net interest income 	
Other	<ul style="list-style-type: none"> Continuing pursuit of multi-asset investment using specified money trusts 	
Cross-shareholdings	<ul style="list-style-type: none"> Reducing cross-shareholdings through dialogue with issuers 	

Performance








+ 30 billion yen in investment in specified money trusts



Securities strategy (ii)

Portfolio directions

(Billion yen)	FY2021 results	Balance illustration
Securities balance (average)	1,597.3	
(Including yen bonds)	1,028.8	
(Including foreign bonds)	311.3	
(Including stocks)	137.4	
(Including others)	119.8	

Future investments policies

- Building a portfolio that generates stable returns on funds while maintaining a medium- to long-term perspective
- Gradually growing the portfolio while diversifying risks in accordance with financial conditions and risk tolerance
- Striving to increase assets and yields, centered on foreign bonds and stock-related assets

• In accordance with the outlook on monetary policy, investing with an awareness of the need for balance among yield, duration, credit rating, and liquidity

- Investing at levels capable of generating stable income from a medium- to long-term perspective while building gradually a bond ladder portfolio
- Building balances in stages as interest rates rise

- Investments in growth areas to secure stable dividends and unrealized gains from rising stock prices

- Drawing on outsourced asset management in funds and other investments with high levels of asset management skills (e.g., multi-asset investments)
- Enhancing autonomous investment capabilities through specified money trusts

Expanding ESG investment in stages

Note: Based on internal management calculations; balances are based on book values; excluding specified money trusts

Structural reforms

◆ Striving to establish stable management foundations to support growth strategies through various Groupwide reforms

State of efforts to review branch functions and reduce costs

Branch reforms

■ Review of branch functions suited to environmental changes

- Efficient branch management through clarification of the roles of general and consumer-focused branches in light of market changes
- Reducing branch numbers in various ways, including the branch-within-a-branch approach
- Reducing numbers of ATMs

Business reforms, cost improvements

■ Comprehensive business reforms within each Group company

- Steady cost savings achieved in various ways, including lowering rents on branches and ATMs and reviewing outsourcing agreements and office building management operations
- Adopting digital technologies in internal Group operations

e-Contract services

- Adopting digital contracts for business finance (eliminating the need for stamp tax, seals)

AI translation services

- AI machine translation of foreign contracts and market reports (compatible with 23 languages)

Investment robo-advisors

- Checking customer investment goals and proposing optimal funds

Recent performance (including plans)

Branches Reduced by 14 branches ^{*1}

70% progress

ATMs Reduced by approximately 140 ATMs ^{*1}

82% progress

Medium-term targets

Branches Reduced by approximately 20 branches (10%)

ATMs Reduced by approximately 170 ATMs (20%) (vs. FY2019)

Reference: Number of branches by role (as of April 2022)
(excluding special remote offices and branches within branches)

Full-service banking branches:	103
Consumer-focused branches:	25
Deposit / foreign exchange focused branches:	23
Total:	151

Cost savings achieved through structural reforms

Approx. 1 billion yen
Improvement in service
revenues/expenditures
Approx. 300 million yen
**Total
approx. 1.3 billion yen^{*2}**

Expected to achieve
Mid-Term Plan targets

Effect of structural
reforms on
revenues/expenditures
Approx. 1.2 billion yen
(vs. FY2019)

^{*1} Projected for FY2022, vs. FY2019

^{*2} Projected for FY2023, vs. FY2019

Toward sustained growth - Further demonstrating Group synergies -

- ◆ Cooperation between the Bank and nonbanking subsidiaries has begun to generate results through progress on strengthening Group cooperation. This approach includes the migration to a holding company structure.
- ◆ Future plans call for solidifying the holding company structure through cooperation among nonbanking subsidiaries and further progress in business efficiency improvements and consolidation led by the holding company.

Enhancing solutions functions

- Cooperation between the Bank and nonbanking subsidiaries is generating results to provide solutions to customers
- In FY2022, we will enhance solutions functions still further through employee quality improvements and enhanced cooperation among nonbanking subsidiaries.

Maximizing Group synergies



Improving the quality of each company and employee



Generating collaboration without going through the Bank



Building a structure whereby each Group company can provide one-stop solutions to meet customer needs (i.e., practicing customer-centric management)

Business efficiency improvements and consolidation within the Group

- Drawing on Group functions and digital technologies to build a more muscular revenue structure in the form of business efficiency improvements and cost savings

➤ Consolidating middle- and back-office operations distributed among individual companies, with the holding company playing a central role

➤ Adopting digital technologies in internal Group operations

→ Consolidating shared services and minimizing cash outflows from the Group

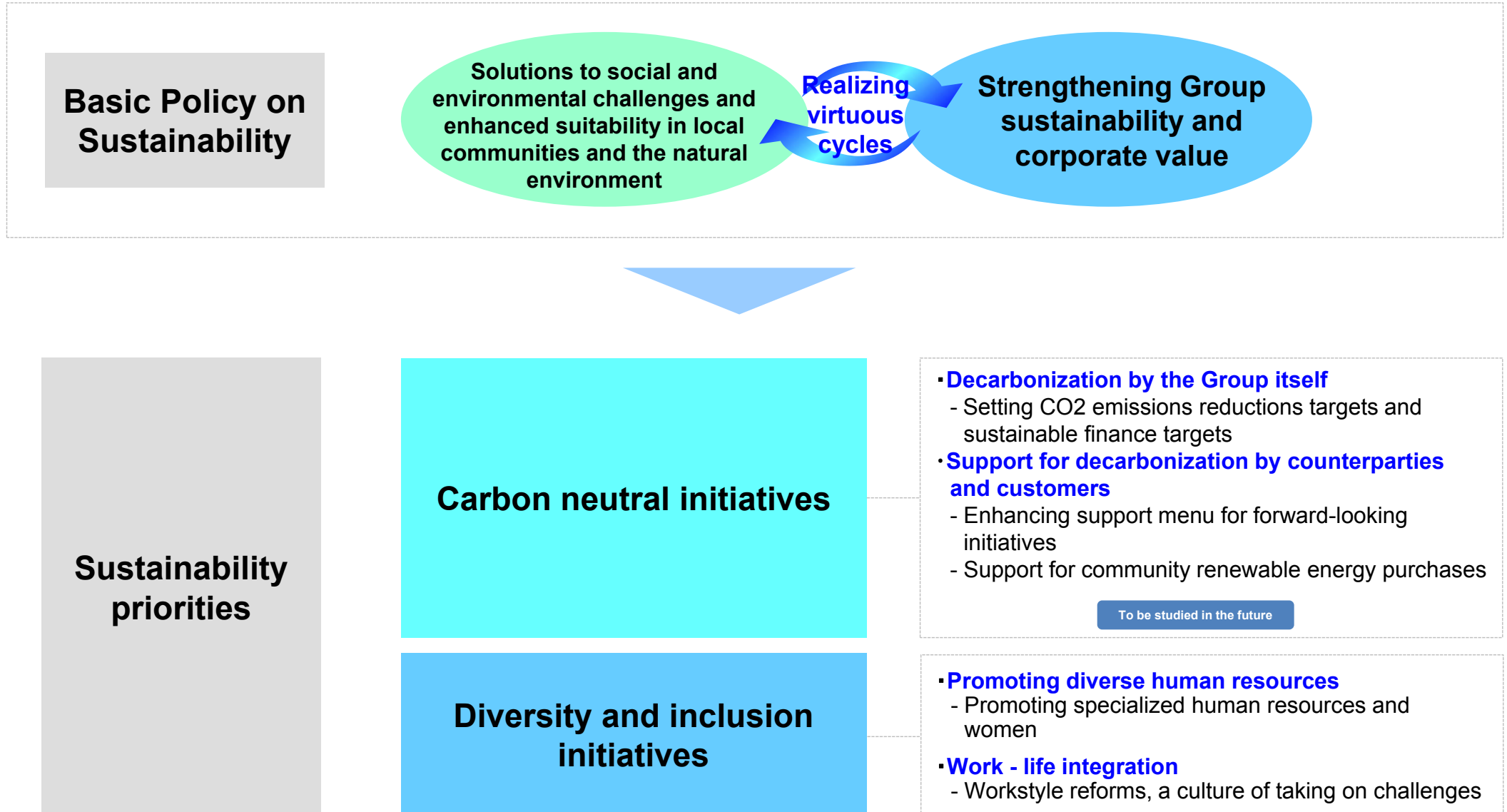


Enhancing business cooperation within the Group through progress in various areas, including consolidation of shared services among the Group companies

3. Sustainability initiatives

Sustainability initiatives

- ◆ Based on the Basic Policy on Sustainability (established in November 2021), advancing initiatives toward solutions to the social and environmental challenges facing not just the Group, but local communities and customers



Carbon neutral initiatives (i) - Environmental awareness -

- ◆ We see a need for proactive support for community decarbonization. Given its nature as a highly manufacturing-oriented region, the four local prefectures, including Hiroshima Prefecture, may be especially impacted among localities in Japan by the impacts of climate change and migration to a carbon-zero society.

CO2 emissions per capita

- In light of their nature as a highly manufacturing-oriented region, Hiroshima Prefecture and the rest of the four local prefectures (Okayama Prefecture, Yamaguchi Prefecture, and Ehime Prefecture) have high CO2 emissions per capita.

<Prefectures ranked by CO2 emissions per capita>

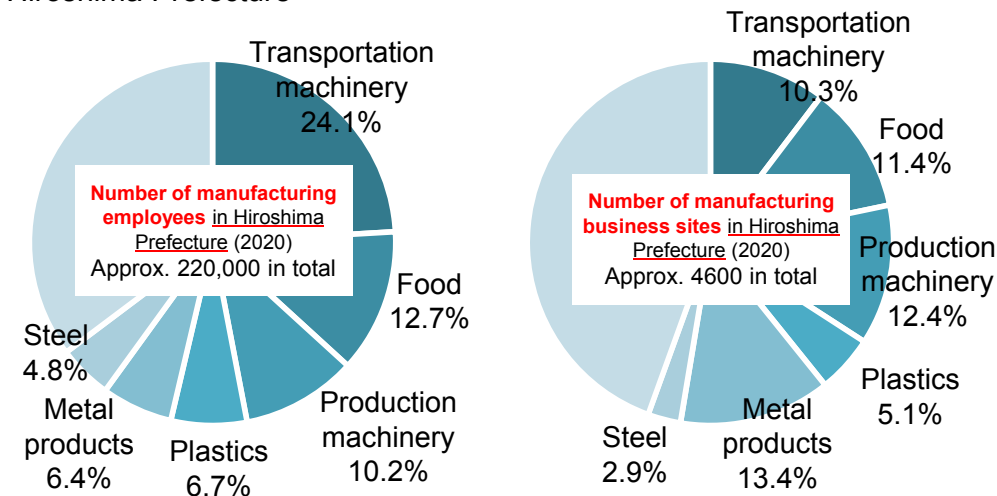
Rank	Prefecture	Emissions/population (t-CO2/person)		
			Emissions (thousand t-CO2)	Population (thousand persons)
1	Oita Prefecture	23	26,014	1,135
2	Yamaguchi Prefecture	22	29,596	1,358
3	Okayama Prefecture	22	40,904	1,890
4	Hiroshima Prefecture	17	46,507	2,804
5	Wakayama Prefecture	16	14,562	925
6	Ibaraki Prefecture	14	39,358	2,860
7	Ehime Prefecture	13	16,785	1,339
8	Mie Prefecture	12	21,976	1,781
9	Chiba Prefecture	11	67,352	6,259
10	Aomori Prefecture	10	12,877	1,246
National average		8	1,026,622	126,167

Source: Estimated by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications, "Statistical Handbook of Japan 2021" and Ministry of the Environment, "Estimated CO₂ Emissions by Sector"

Numbers of employees and business sites in manufacturing

- In consideration of the numbers of employees and business sites in manufacturing in Hiroshima Prefecture, the impact of climate change on the community is expected to be significant.

<Numbers of manufacturing employees and business sites in Hiroshima Prefecture>



Source: Hiroshima Prefecture, Industrial Statistical Survey 2020

Carbon neutral initiatives (ii) - Environmental awareness -

- ◆ Proactively supporting decarbonization in the community by setting CO2 emissions reduction targets and Group targets for sustainable finance

CO2 emissions reduction initiatives

CO2 emissions reduction targets

- Carbon neutral in Scopes 1 and 2 by FY2030
- Carbon neutral in Scopes 1, 2, and 3 by FY2050

- Group CO2 emissions (Scopes 1 and 2) reduction performance (FY2020)
→ Down 22% vs. FY2013

Reference: The thinking behind **Scope 1**, **Scope 2**, and **Scope 3** emissions

Type	Scope of calculation	Specific scope of calculation
Scope 1	Company direct emissions	Direct emissions by the business itself (e.g., fuel consumption)
Scope 2	Company indirect emissions	Indirect emissions from use of electricity supplied by other companies
Scope 3	Indirect emissions outside the Company	Other emissions related to the business's activities

Sustainable finance initiatives

Sustainable finance implementation target **2 trillion yen**
(Cumulative total for FY2021-2030)

Environmental finance implementation target included in the above **1 trillion yen**
(Cumulative total for FY2021-2030)

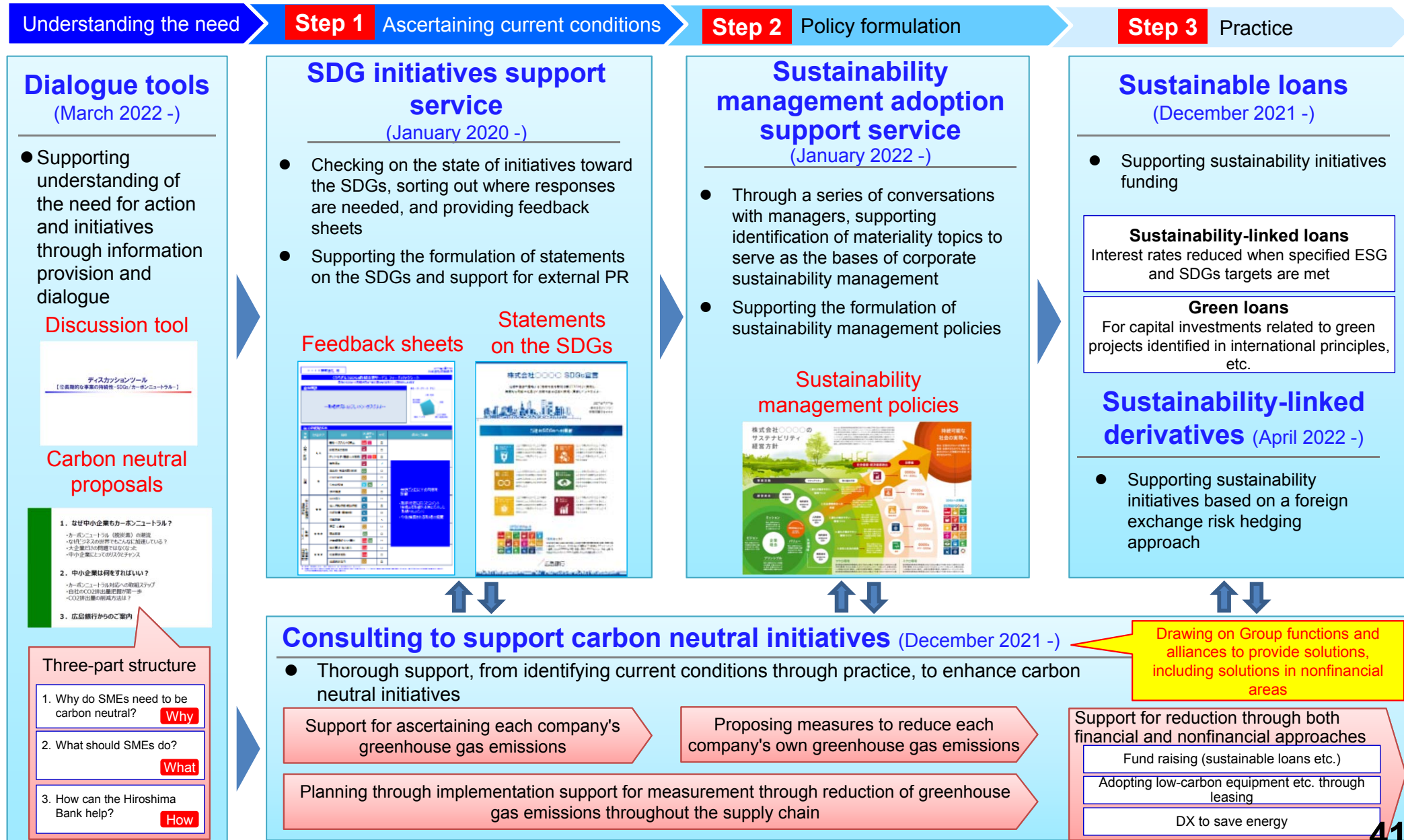
- The Group's sustainable finance implementation performance:
→ 122.0 billion yen in FY2021 (including 85.0 billion yen related to the environment)

<Investment and finance subject to sustainable finance>

- (1) Investment and finance conforming to international principles and government guidelines (e.g., green loans/bonds, sustainable loans/bonds)
- (2) Finance related to renewable energy businesses
- (3) Investment and finance related to social areas (e.g., SDGs; health, welfare, and education facilities; entrepreneurial funding; business succession; business continuity planning)
- (4) Social facilities in general (e.g., public infrastructure)

Carbon neutral initiatives (iii) - Support for carbon neutral initiatives in the community and among counterparties -

- ◆ Enhancing and promoting efforts to support carbon neutral initiatives in the community and among counterparties by expanding the service menu to meet needs and the state of various initiatives

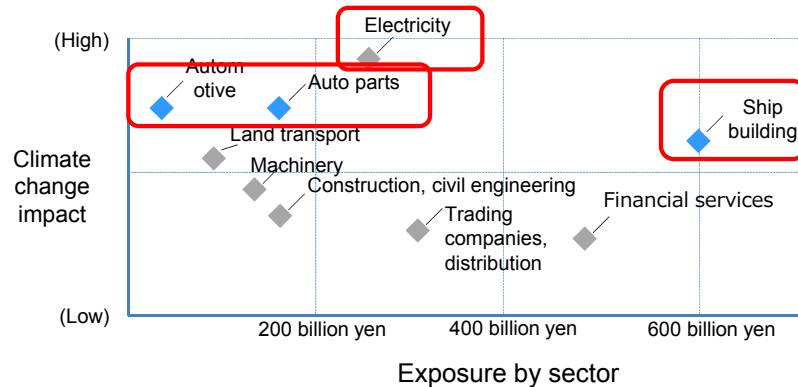


Carbon neutral initiatives (iv) - Responding to climate change risks -

- ◆ In addition to enhancing risk analysis and disclosure based on TCFD recommendations, stimulating and developing carbon neutral businesses through dialogue with customers based on the results of analysis

Climate change risk / scenario analysis

Climate change impact and exposure by industry (only certain industries shown)



Implementing scenario analysis (ascertaining extent of impact) for the following sectors as priorities, based on climate change impact, exposure, etc.:

Ship building sector

Automotive sector

Electricity sector

Impact of suspension of business operations by counterparties

Impact of damage to mortgaged real estate

Implemented by giving priority to business borrowers with highest balances

Implemented by giving priority to mortgaged real estate in the city of Hiroshima

Ministry of the Environment ESG Community Finance Promotion Project

Goals

Supporting initiatives such as the development of business potential evaluation processes reflecting consideration for ESG elements by local financial institutions

Our initiatives

Studying new business creation support schemes for automotive suppliers based on a consideration of ESG elements

Studying schemes for conversion of existing technologies at automotive suppliers to new businesses

* Support for counterparties in light of the anticipated rapid progress of vehicle electrification

Support for community purchases of electricity from renewable energy To be studied in the future

Further expansion of electricity from renewable energy is essential to carbon neutrality. In cooperation with local businesses and public agencies, we will examine various potential contributions to community purchases of electricity from renewable energy.

- Cooperative agreement to support carbon neutrality by local businesses concluded with Chugoku Electric Power in December 2021
- Participation in the Chugoku Economic Federation's Carbon Neutral Electricity Promotion Subcommittee (April 2022)

Migration risk

Physical risks

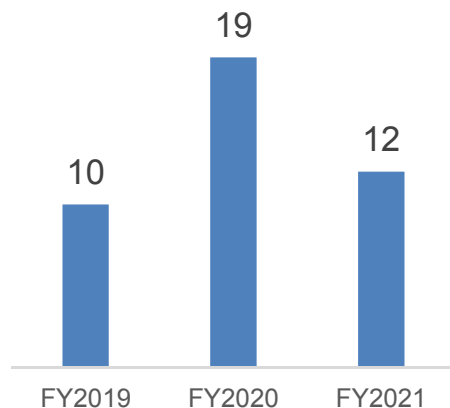
Diversity and inclusion (i) - Promoting diverse human resources -

- ◆ Considering diversity and inclusion to constitute an important human resource strategy, promoting human resources with diverse values and skills

Promoting specialized human resources

- In addition to the proactive hiring of specialized human resources, establishing specialized courses and developing structures to promote deployment

<Results in hiring of specialized human resources>



[Main fields of hiring]

- Various solutions (e.g., M&A, PB, startup support)
- IT, digital, settlement
- Group companies (e.g., licensed social insurance consultants, first-class registered architects)
- Others (e.g., insurance plaza staff, specialized audit human resources)

<Establishing specialized courses>

Job-based hiring

Five persons as of April 1, 2022

- Employing persons with appropriate job qualifications in special operations such as IT and digital (including rapid promotion)

New graduate hiring

Four persons joined in April 2022.

- Established a new IT/digital human resources hiring course in new graduate hiring and enhanced approaches to students in cooperation with local universities

Promoting women in the workplace

- By enhancing various support programs, boosting the percentage of women in managerial positions and women in upper management

	Goal		Progress	
	FY2023 (April 1, 2024)	FY2030 (April 1, 2031)	April 1, 2021 (Actual)	April 1, 2022 (Actual)
Percentage of women in managerial positions	Approx. 7%	Approx. 10%	5.2%	6.3%
Percentage of women in upper management (management supervisory positions)	Approx. 20%	Approx. 25%	15.4%	15.6%

[Main support programs]

One-on-one coaching	Professional coaching for women managerial candidates who satisfy the conditions for promotion but do not yet have the appropriate mindset.
Career design program	Adopting a career change support program to support autonomous career development by employees through internal internships to acquire temporary experience in other duties and temporary placement in appropriate posts (treated as training) to support transition to desired positions (starting April 2022)

Diversity and inclusion (ii) - Work – life integration and organizational culture -

- ◆ Proactively adopting work – life integration to integrate work and life at high levels and to generate synergies in productivity and quality of life while fostering appropriate organizational culture

Creating comfortable working environments

- Advancing business reforms and system reforms to create environments in which people can work in keeping with their lifestyle and life stage

Business reforms	<ul style="list-style-type: none">• Adopting e-approval workflows• Paperless meetings• Adopting branch tablets
System reforms	<ul style="list-style-type: none">• Adopting remote working• Ability to take paid vacation in hourly units• Adopting an interval system for working hours (11 hours)• Encouraging men to take childcare leave → Taking approximately one month's childcare leave or five or more days of childcare leave and one month or longer of shortened working hours (starting April 2022)

[Results at Hiroshima Bank]

- Monthly average overtime hours per person decreasing from year to year

7.15 hours in FY2021 (down 6.73 hours from FY2016)

- Number of days of paid vacation taken per person increasing continuously

15.0 days in FY2021 (up 5.0 days from FY2016)

- Selected under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (“White 500”) for the fourth year in a row

A culture of taking on challenges

● Holding business contests

Implemented since
FY2021

- Holding business contests to seek business ideas related to new businesses and business efficiency improvements from Group employees
- For the idea chosen by the judges (including outside experts) as most promising, a study of commercialization has been underway since April 2022, with the originator of the idea named as the project leader.

● “Culture of Praise” awards

Implemented since
FY2020

- Launched to foster a culture of taking on challenges and an organization whose members take an interest in and complement one another

<Past awards>

- Development of return gifts under the “hometown tax” system, in cooperation with local public agencies (branch)
- Support for branding of local specialties (branch)
- Independent preparation of disaster prevention maps to raise awareness of disaster prevention in the community (branch) etc.

4. 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%

(Mid-Term Plan by the end of March 2024

*** Before final adoption of Basel III)**

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%.

Trend in capital adequacy ratio and capital allocation

Maintain soundness.

Make strategic investments.

Return value to shareholders.

- ◆ Planning a consolidated capital adequacy ratio of 11% through the early adoption of Basel III at the end of March 2023 while proactively continuing to take risks in the four local prefectures

Trends in capital adequacy ratio and risk assets

Consolidated capital adequacy ratio (Hirogin Holdings consolidated)

10.60%



Effect of eliminating subordinated financing (15 billion yen): -0.4 pts.

10.37%



Impact of final adoption of Basel III
Approx. + 1.0 pt

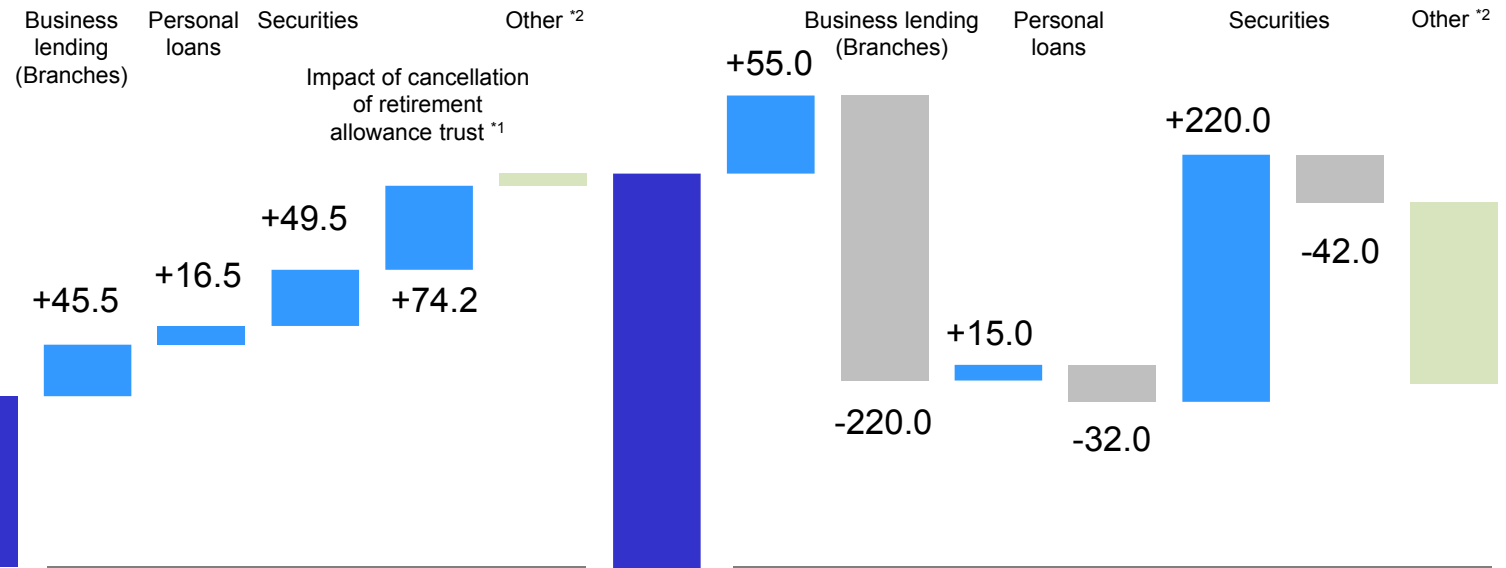
11.1%

Risk assets (Billion yen)

3,850.4

4,046.8

3,860.0

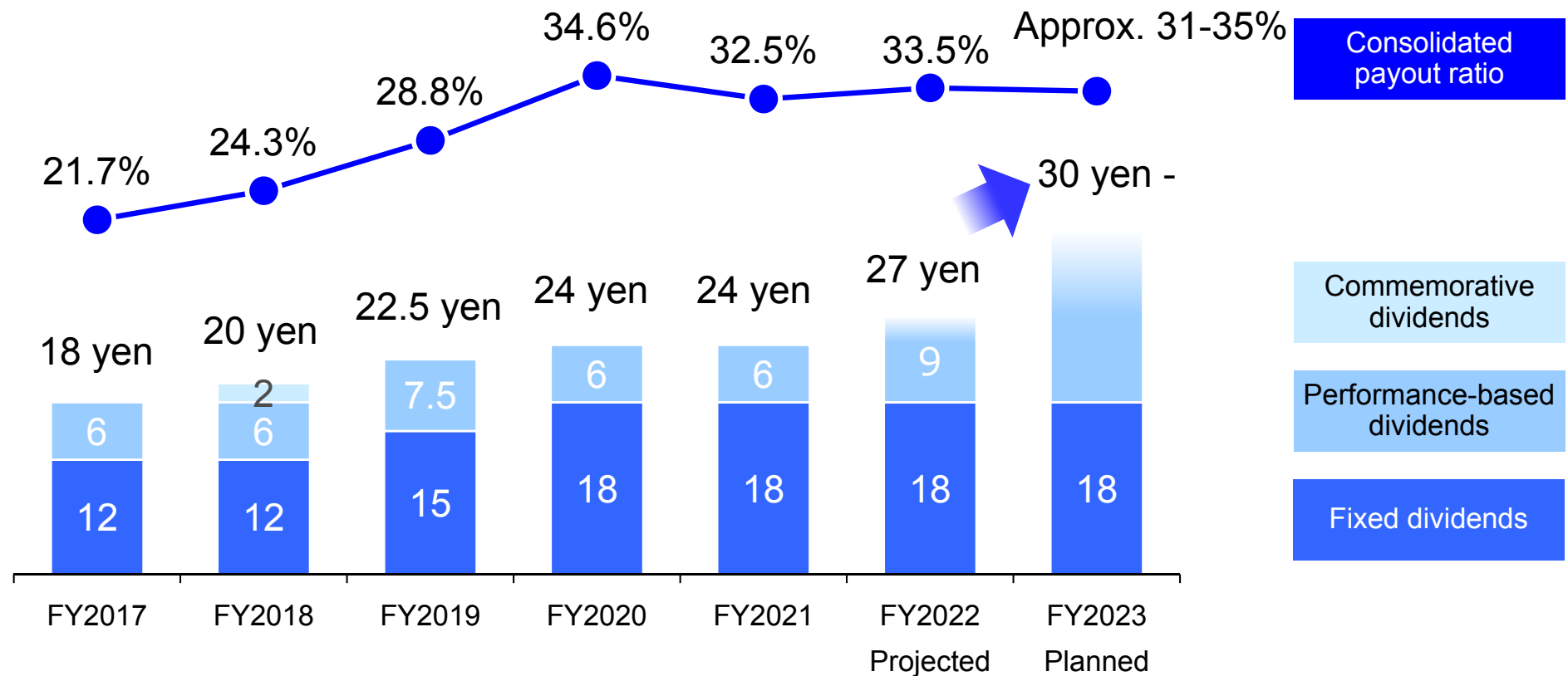


*1 Recorded under assets as securities (stock) due to cancellation of retirement allowance trust
*2 Other includes assets of nonbanking Group companies, fixed assets, operation risk, etc.

Impact of early final adoption of Basel III
(Also includes impact of other operating risk assets.)

- ◆ In addition to increasing dividends by recording steady profits, we will consider flexible returns to shareholders while securing a consolidated capital adequacy ratio of 11% or higher over the medium to long term.

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



Note: 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.

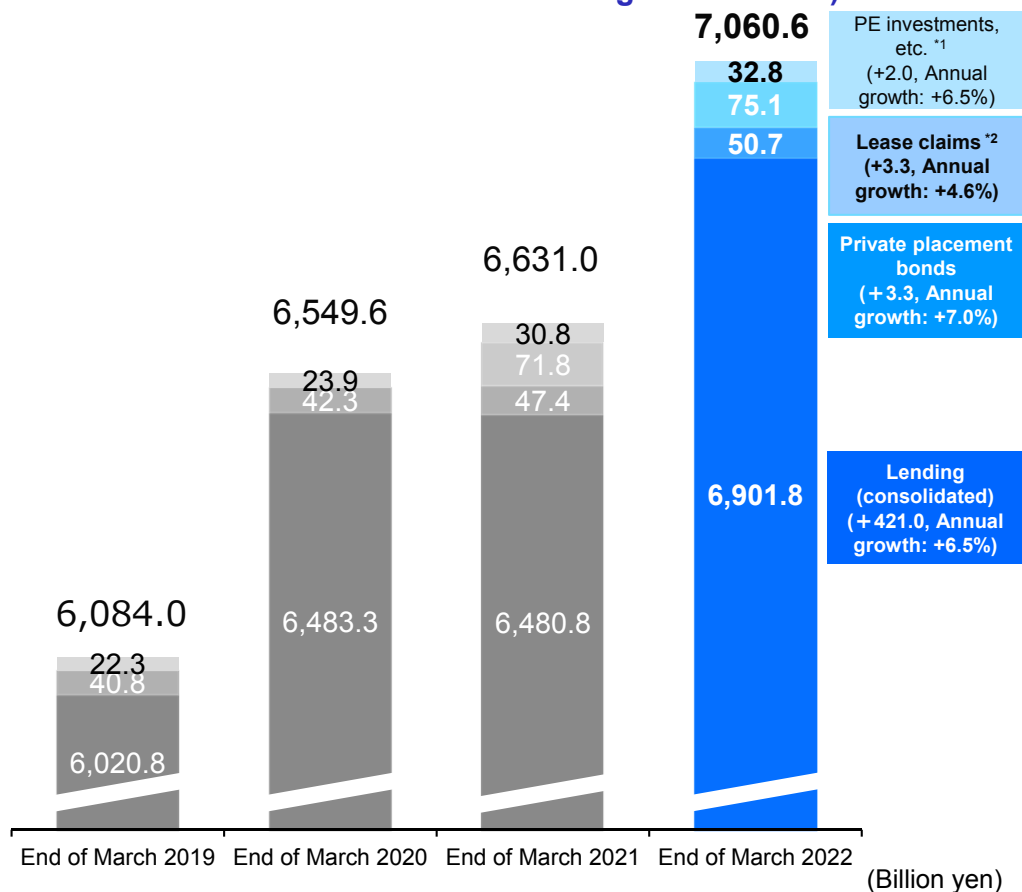
Appendix Overview of Financial Results for FY2021

Group total credit, total assets under management (balances at end of March 2022)

(Hirogin Holdings consolidated)

[Hirogin Holdings consolidated] Trend in group total credit

(+429.6, Annual growth: +6.5%) (Billion yen)



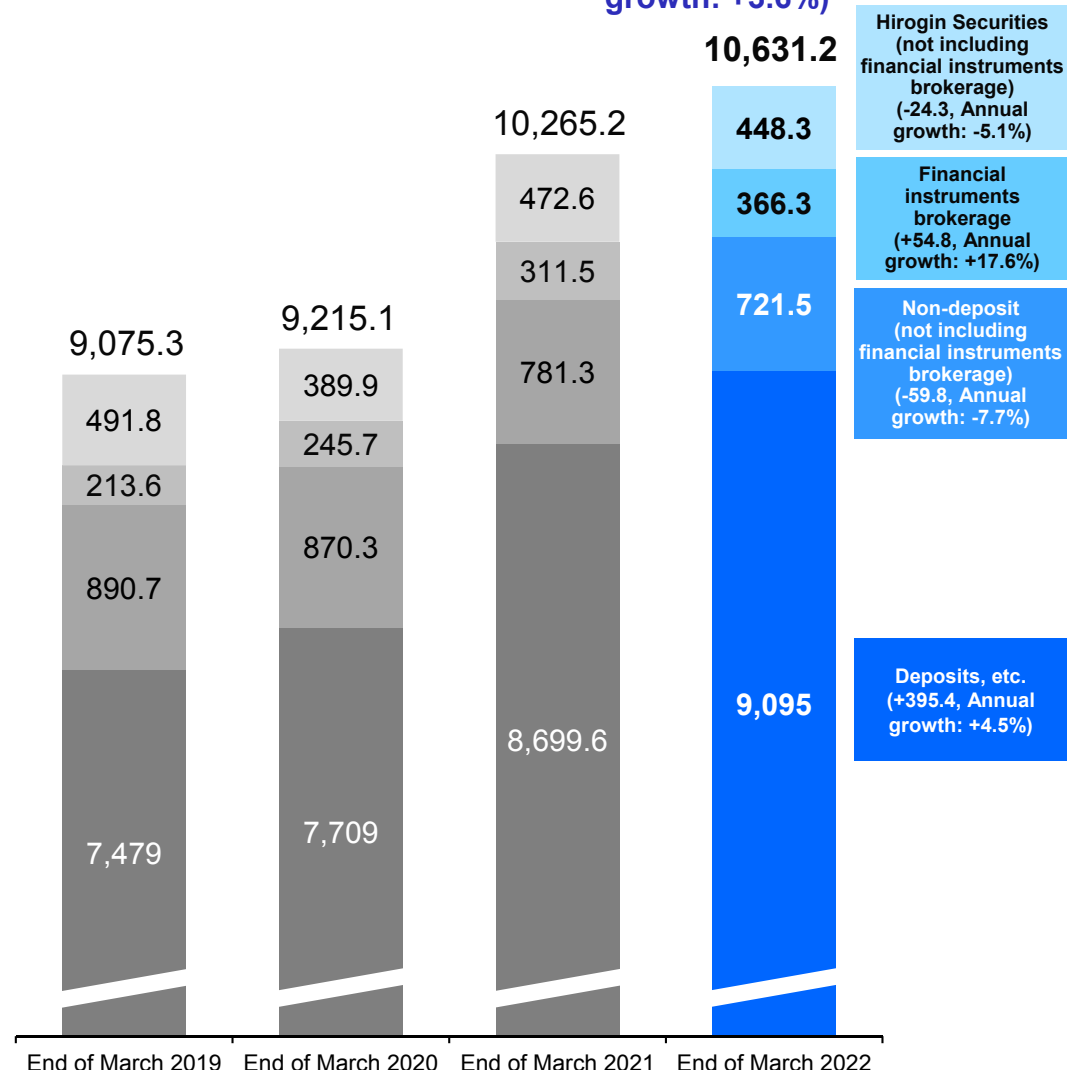
	End of March 2019	End of March 2020	End of March 2021	End of March 2022	vs. end of March 2021
PE investments (pledged investment amount), etc. ^{*1}	22.3	23.9	30.8	32.8	2.0
Balance of investments (included above)	9.4	9.6	13.1	16.0	2.9
Lease claims ^{*2}	-	-	71.8	75.1	3.3
Private placement bonds	40.8	42.3	47.4	50.7	3.3

*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.

[Hirogin Holdings consolidated] Total assets under management (Hiroshima Bank + Hirogin Securities)

(+366.0, Annual growth: +3.6%) (Billion yen)



Notes: 1. Hirogin Securities balances are shown on a mark-to-market basis.

2. Not including financial instruments brokerage through the Hirogin App (Rakuten Securities, SBI Securities)

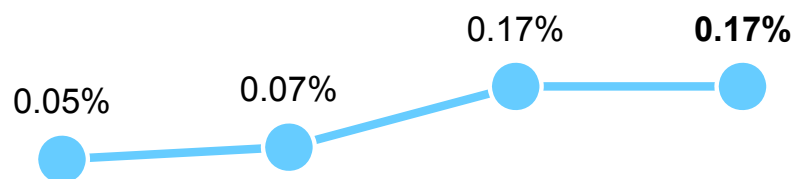
Credit costs and non-performing loans

Bank
nonconsolidated

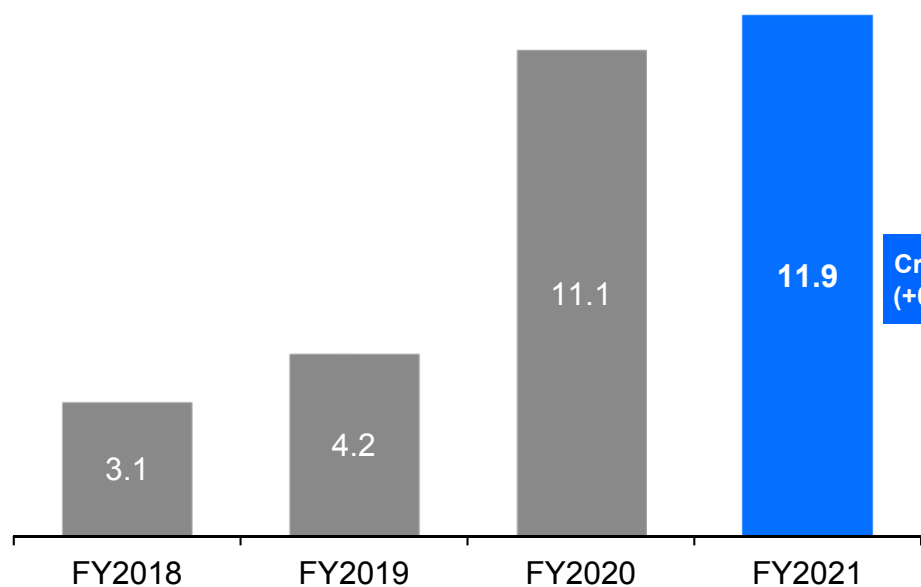
Trends in credit costs

$$\text{Credit cost ratio} = \frac{\text{Credit costs}}{\text{Outstanding loan balance}}$$

(Billion yen)



Credit cost ratio



Credit costs
(+0.8 billion)

(Billion yen・%)

	FY2008	FY2009	FY2010	FY2011
Credit costs	23.2	14.6	11.9	9.1
Credit cost ratio	0.53	0.33	0.27	0.20

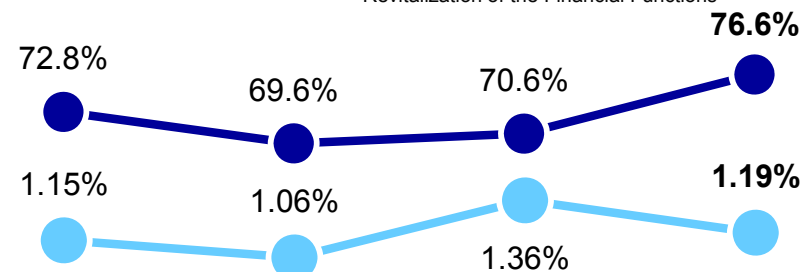
	FY2018	FY2019	FY2020	FY2021
Credit costs	3.1	4.2	11.1	11.9
Credit cost ratio	0.05	0.07	0.17	0.17

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

$$\text{NPL ratio} = \frac{\text{Amount of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}{\text{Total credit}}$$

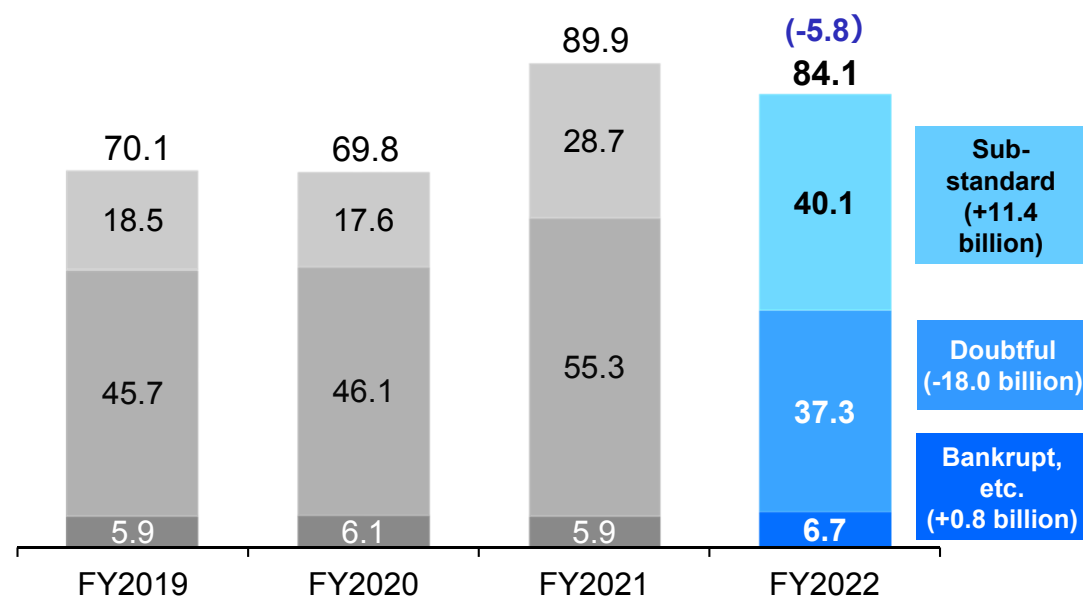
$$\text{Coverage ratio of disclosed claim amounts} = \frac{\text{Coverage amount (coverage by allowance for doubtful accounts, security, etc.)}}{\text{Amount of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions}}$$

(Billion yen)



Coverage ratio of disclosed claim amounts

NPL ratio



Sub-standard
(+11.4 billion)

Doubtful
(-18.0 billion)

Bankrupt, etc.
(+0.8 billion)

(Billion yen・%)

	End of March 2009	End of March 2010	End of March 2011	End of March 2012
NPLs	128.4	111.9	115.8	105.2
NPL ratio	2.82	2.50	2.60	2.31

	End of March 2019	End of March 2020	End of March 2021	End of March 2022
NPLs	70.1	69.8	89.9	84.1
NPL ratio	1.15	1.06	1.36	1.19

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

Trends in business results (net interest income, non-interest income)

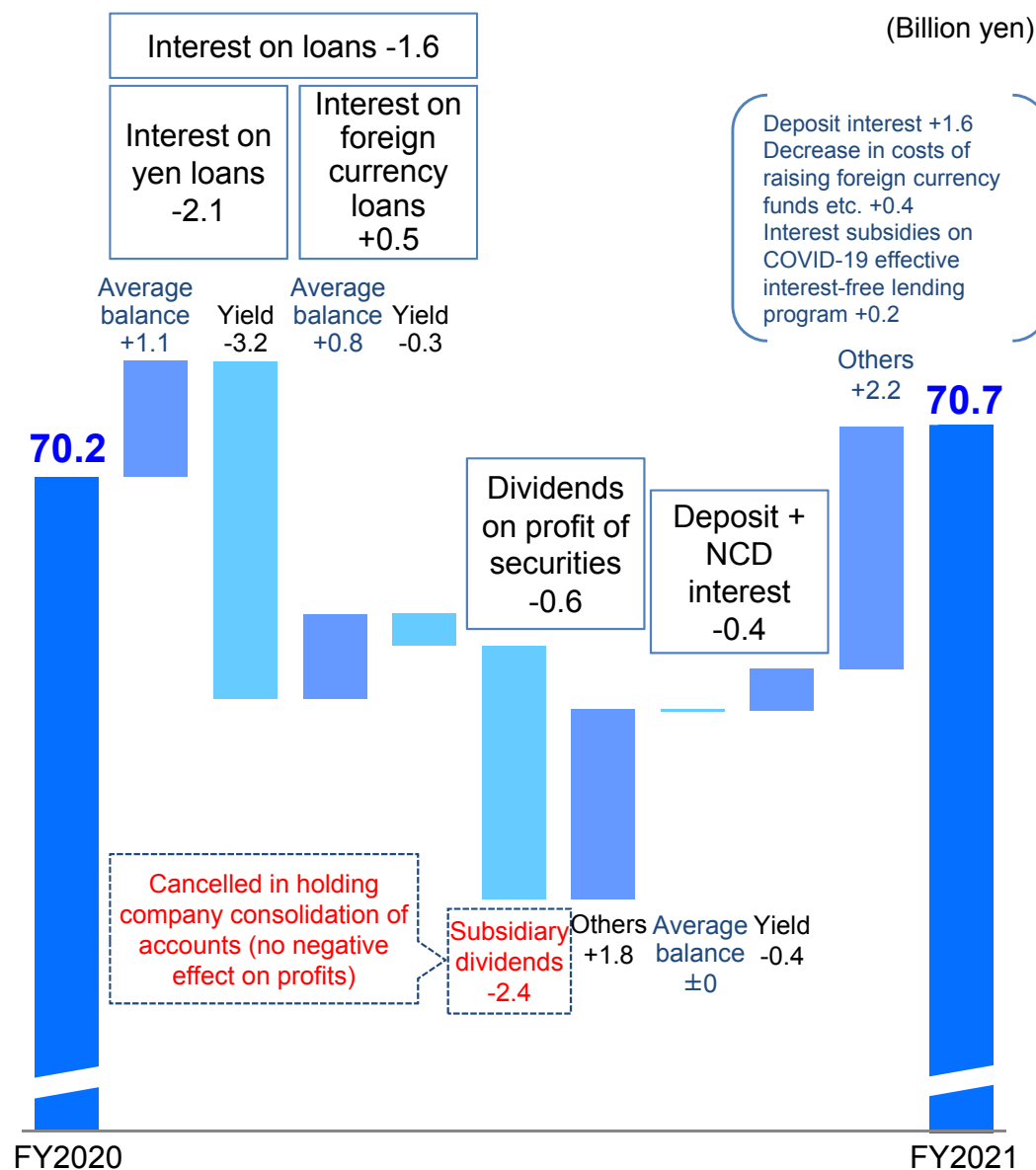
Bank
nonconsolidated

Breakdown of net interest income and non-interest income

(Billion yen)

	FY2021	YoY change
Interest on loans	57.0	- 1.6
Dividends on profit of securities	13.1	- 0.6
(Deposit + NCD interest)	0.8	- 0.4
Gains on external investments, (external fundraising costs), etc.	1.3	2.2
Net interest income	70.7	0.5
Corporate solutions	5.0	0.9
Asset management	5.4	- 0.1
Personal loans	-5.0	0.2
Domestic exchange, others	10.5	- 0.2
Cashless	0.3	0.1
Non-interest income	17.1	0.8

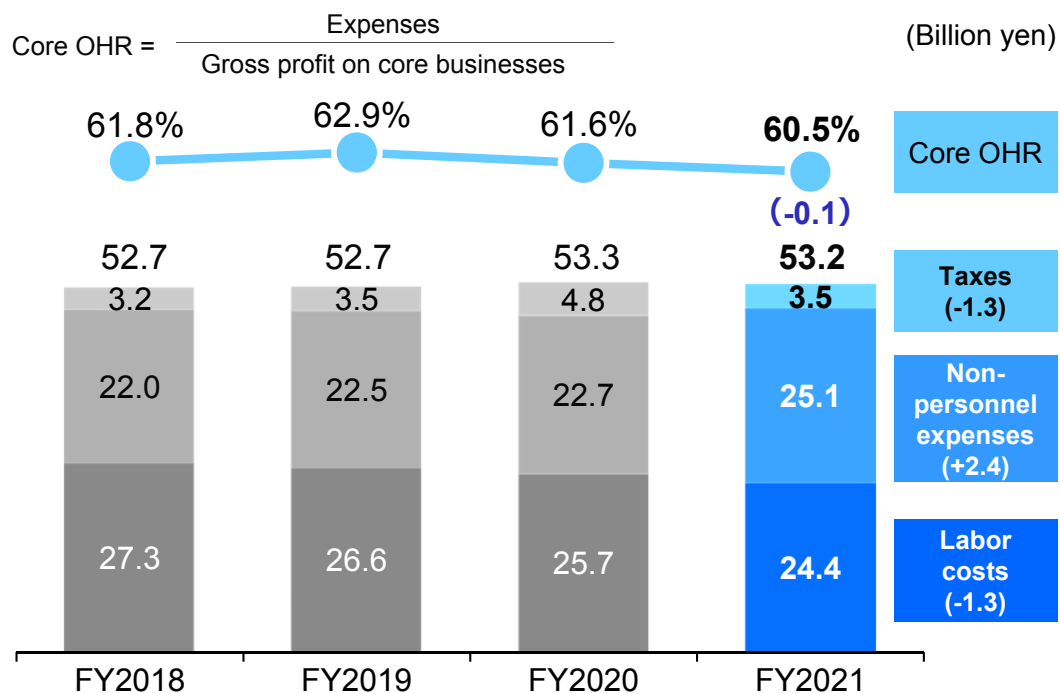
Factors underlying changes in net interest income



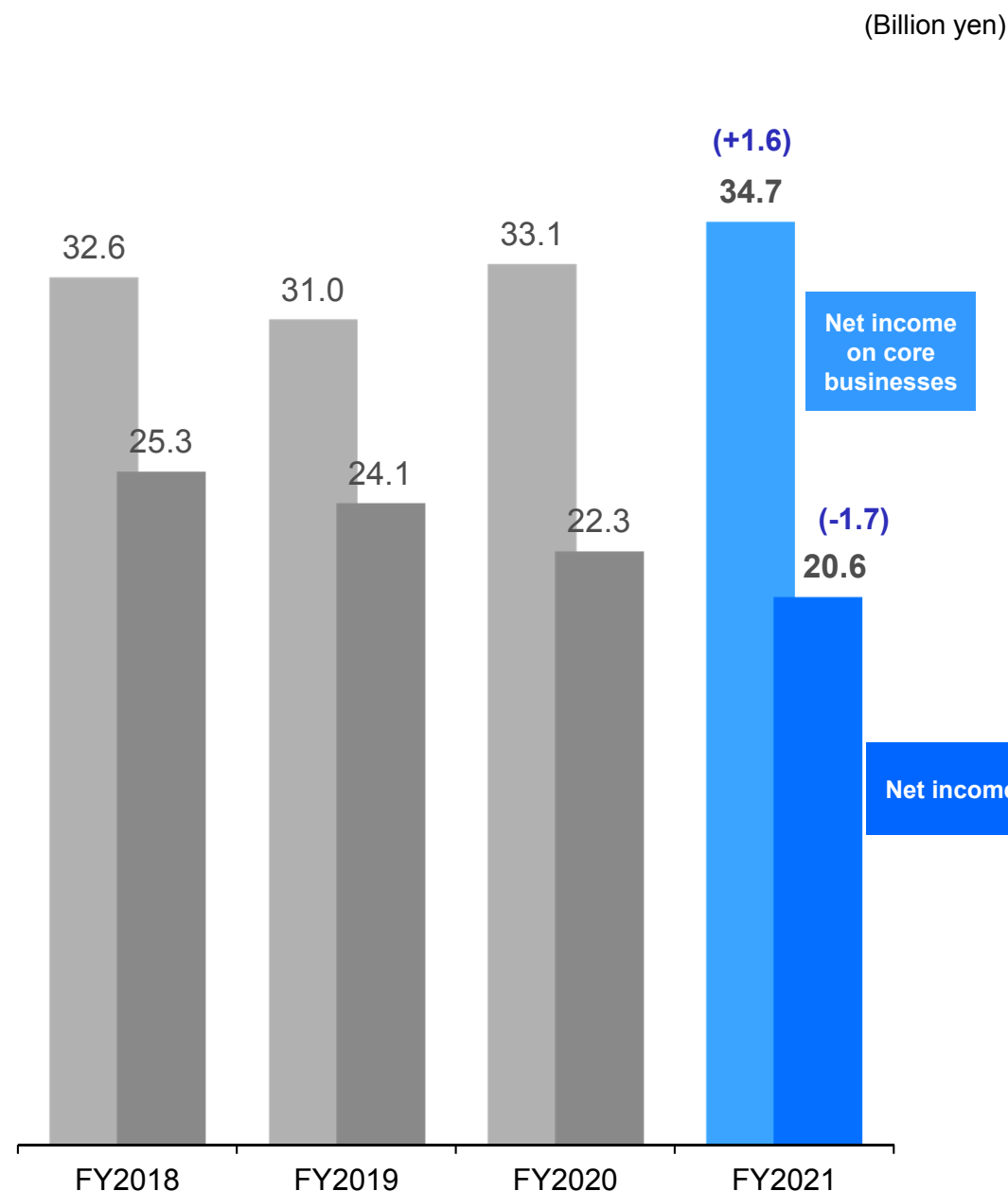
Trends in business results (expenses, net income on core businesses, net income)

Bank
nonconsolidated

Expenses (excluding one-time disposal), core OHR



Net income on core businesses, net income



Reference: Main factors underlying changes in expenses (Billion yen)

	YoY change	Main factors
Labor costs	-1.3	<ul style="list-style-type: none"> Retirement benefit expenses -0.5 Overtime allowance -0.1 Increase in share of costs of executives and employees (seconded personnel) borne by the holding company -0.5
Non-personnel expenses	+2.4	<ul style="list-style-type: none"> Related to head office building +1.9 (supplies, depreciation, etc.) Management administration fees to holding company +0.7 (offset in consolidation of accounts)
Taxes	-1.3	<ul style="list-style-type: none"> Consumption tax -1.1 (reduction in consumption tax on head office building recorded last year)
Total expenses	-0.1	
Including those related to the head office building	+0.8	<ul style="list-style-type: none"> Non-personnel expenses +1.9 Taxes -1.1

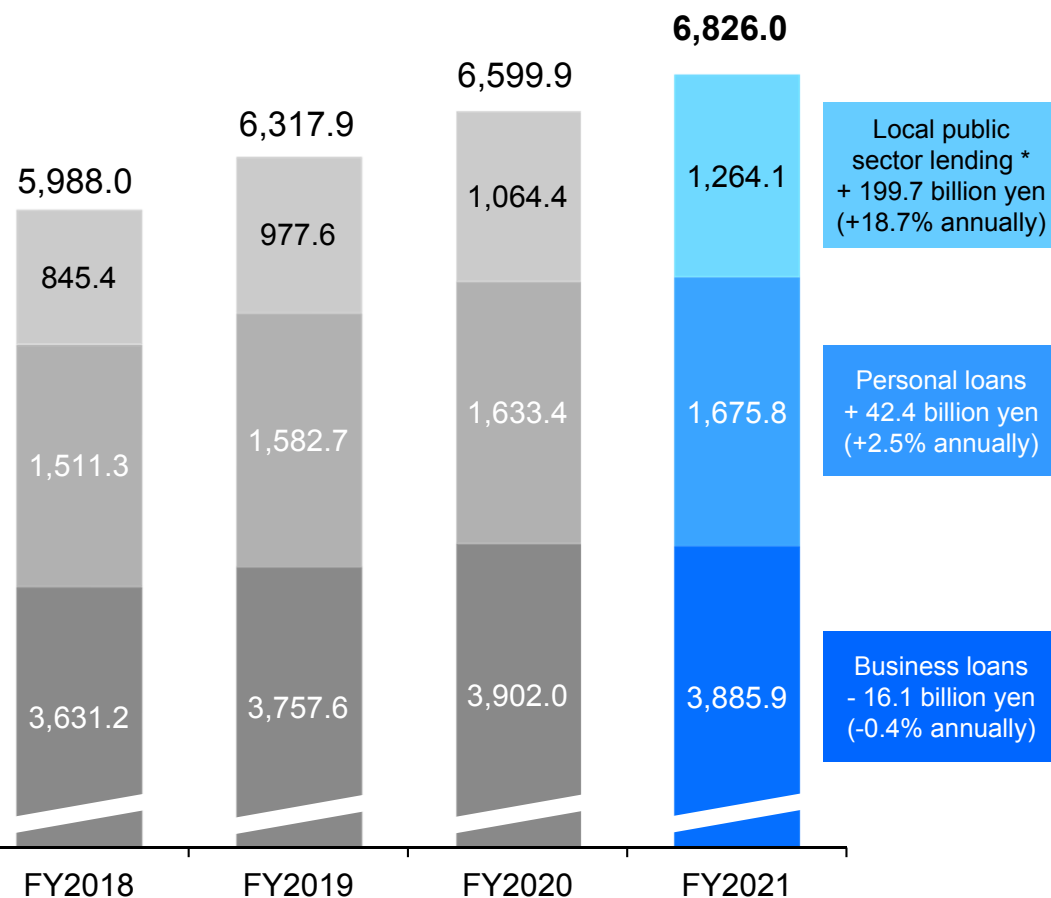
Balances of loans, deposits, etc. (deposits + NCDs)

Bank
nonconsolidated

Trends in balances of loans (average)

(Billion yen)

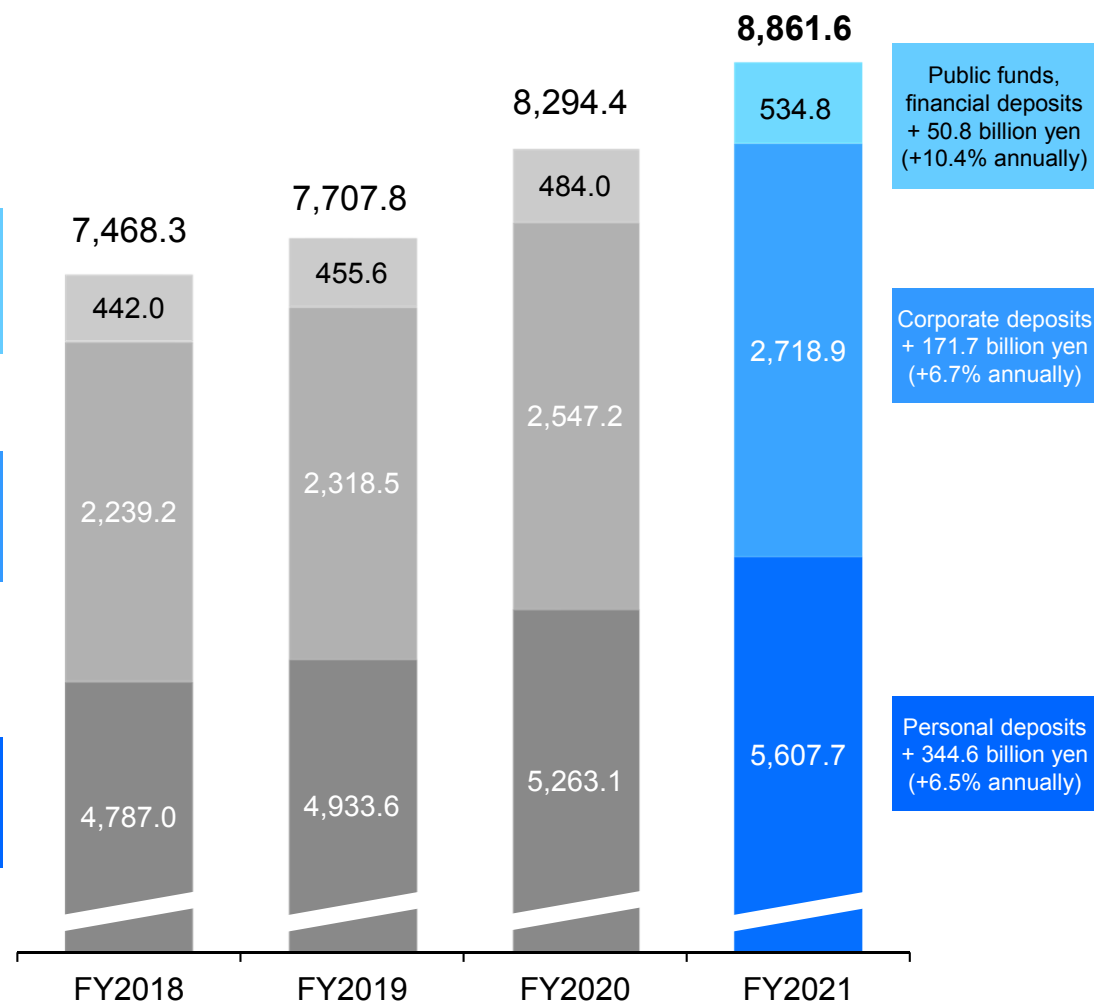
+225.9
Annual growth: **+3.4%**



Trends in balances of deposits, etc. (deposits + NCDs) (average)

(Billion yen)

+567.2
Annual growth: **+6.8%**



* Local public sector lending: Lending to local public agencies and public corporations

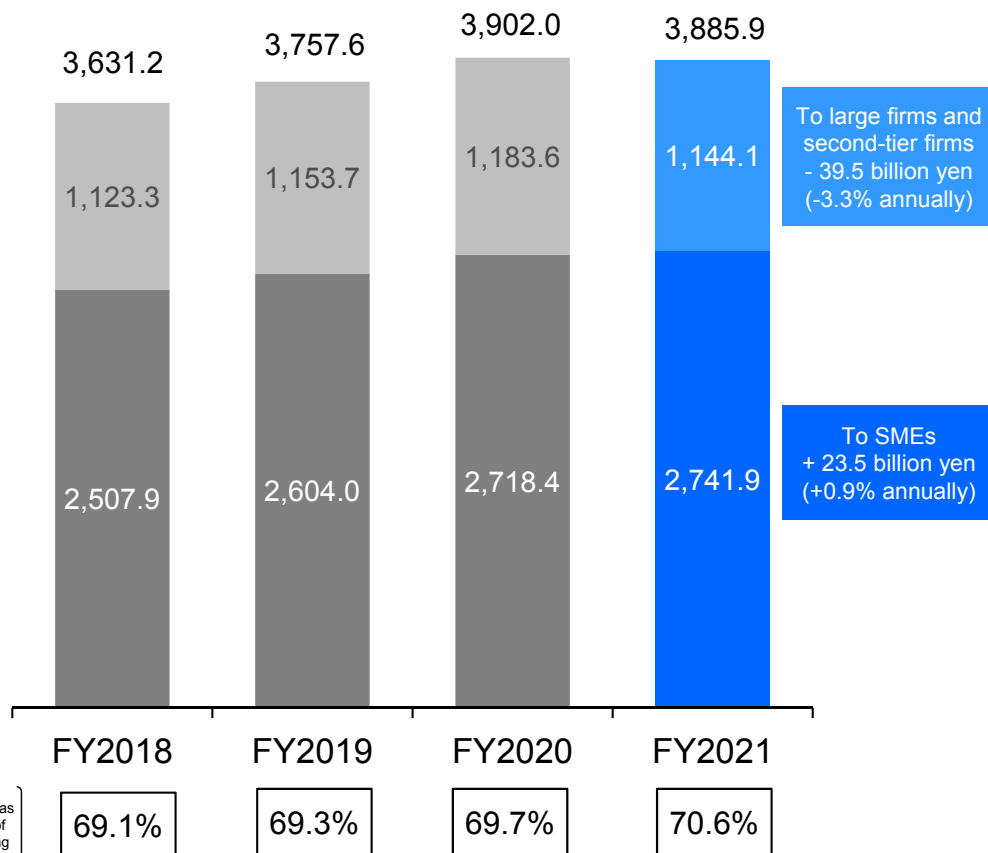
Lending to SMEs, personal loans

Bank
nonconsolidated

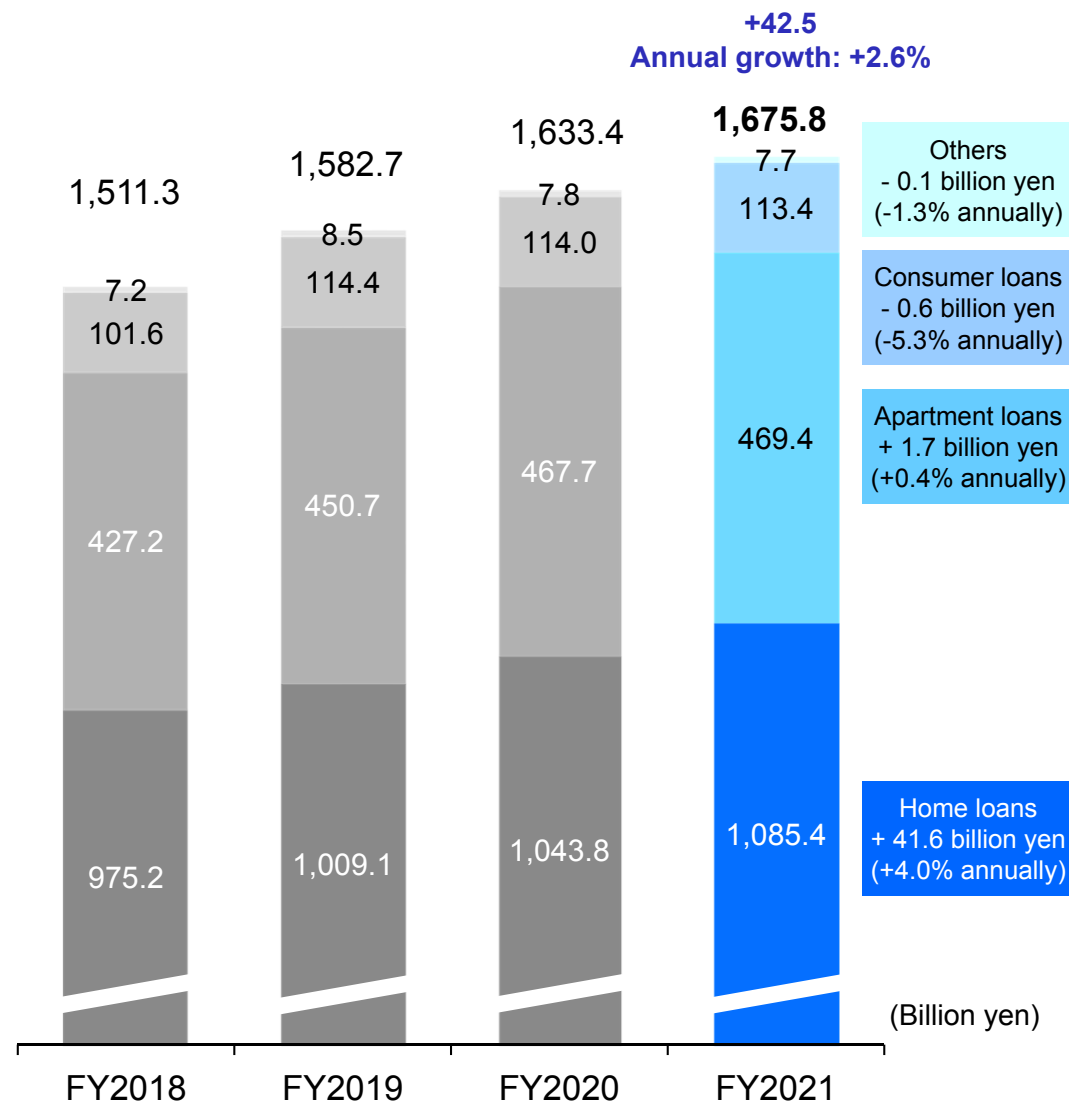
Trends in business lending (average balance)

Yields on loans (stock rates)	
	FY2021 H2
Including large firms	0.33%
Including second-tier firms	0.53%
Including SMEs	0.98%
Total lending	0.89%

(Billion yen)



Trends in personal loans (average balance)



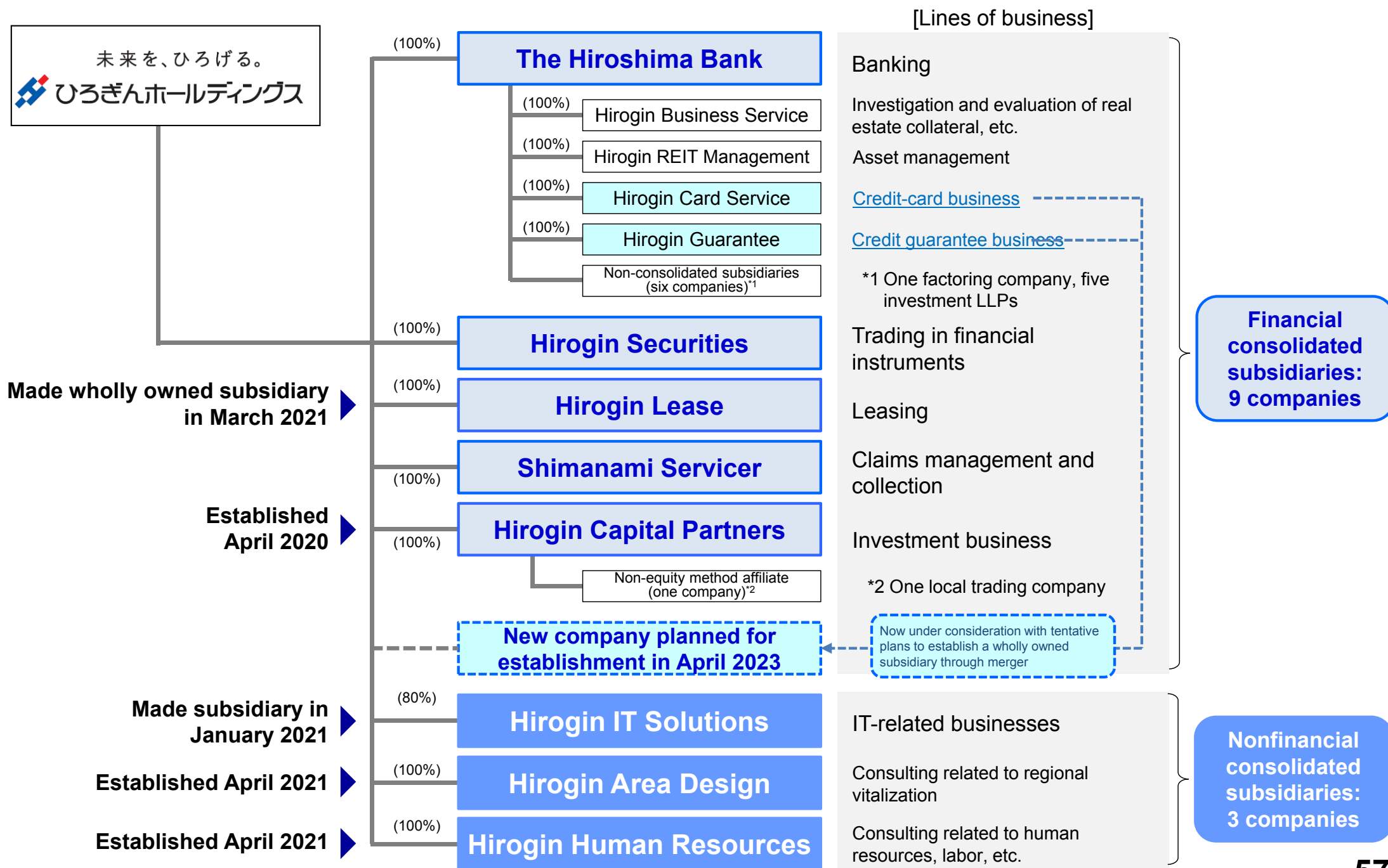
Self-assessment

Bank
nonconsolidated

Obligor category in self-assessment		Amount of claims disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions	Amount preserved by security, guarantee, etc.	Amount of reserves	Guidelines for write-off/reserves	Coverage ratio
Bankrupt	10	Claims in bankruptcy, rehabilitation, etc. 6.7	6.7 (99.4%)	0 (0.6%)	100% of amount of claims not preserved by security are subject to write-off/reserves.	100%
	Effectively bankrupt 57					
At risk of bankruptcy 372		Claims at risk 37.2	22.2 (59.7%)	13.0 (35.0%)	<input type="checkbox"/> In principle, reserves are based on calculation of anticipated losses over the next three years based on past actual rates of bankruptcy. <input type="checkbox"/> However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	94.8%
Obligors requiring caution	Obligors requiring management 549	Claims requiring management 40.1	9.9 (24.8%)	12.3 (30.9%)	<input type="checkbox"/> For the amount of claims subject to reserves (the portion not preserved by security), reserves are based on calculation of anticipated losses over the next three years. <input type="checkbox"/> However, for large-scale obligors for which future cash flow can reasonably be estimated, reserves are based on the discounted cash flow (DCF) method.	55.7%
	General obligors requiring caution 5,339	Normal claims 6,968.9	<div> <div>↑</div> <div>Total amount preserved: 38.9</div> </div>	<div> <div>↑</div> <div>Total amount of reserves: 25.4</div> </div>	<input type="checkbox"/> After categorization by degree of credit risk, in principle reserves are based on calculation of anticipated losses over one year. <input type="checkbox"/> However, for obligors recognized to involve relatively high risk due to lower market appraisal or other reasons, reserves are based on calculation of anticipated losses for each claim instead of using the above method.	<div> <div>↑</div> <div>Total coverage ratio: 76.6%</div> </div>
	Normal 64,752				Reserves are based on calculation of anticipated losses over one year	
Total 70,531		Total 7,053.1				

(100 Million yen)

(Reference) Group structure (as of April 1, 2022)



This material contains statements about future business performance.

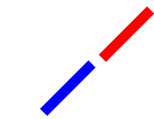
These statements do not guarantee future business performance and are subject to uncertainties.

Please note that actual future business performance may differ from our goals, depending on changes in the business environment and other factors.

Management Planning Group, Hirogin Holdings, Inc.

Tel.: 082-245-5151

URL: <https://www.hirogin-hd.co.jp/>



Reference Materials

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Part 1 Economic Data for Hiroshima Prefecture

1. Profile of Hiroshima Prefecture

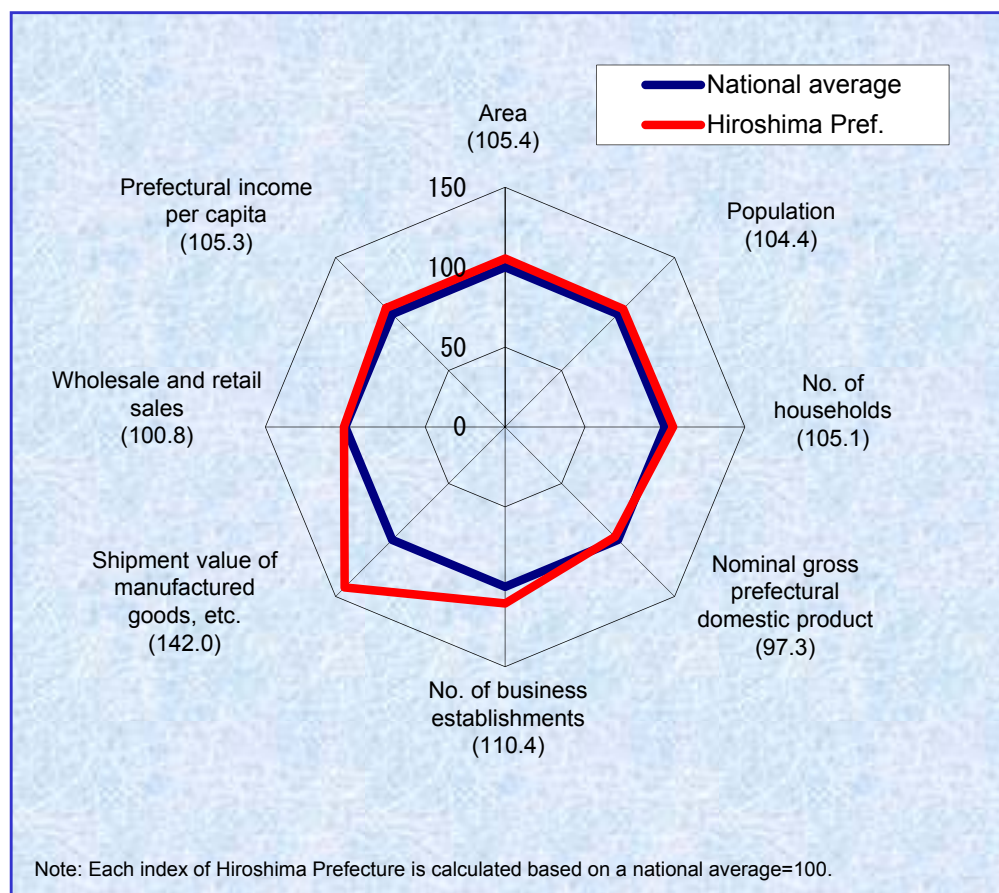
- In terms of key indexes, Hiroshima Prefecture accounts for about 2.2% of Japan and falls around 11th place in the national ranking.

Hiroshima Prefecture's ranking and share of Japan

			Actual data	National ranking	Share of Japan	As of
Regionality	Area	km ²	8,479	11th/47	2.2	Jan. 2022
	Population	Thousand people	2,812	12th/47	2.2	Jan. 2021
	No. of households	Thousand households	1,330	11th/47	2.2	Jan. 2021
Economy	Nominal gross prefectural domestic product	Trillion yen	11.7	12th/47	2.1	FY2018
	No. of business establishments	Thousand establishments	131	11th/47	2.3	2016
	Shipment value of manufactured goods, etc.	Trillion yen	9.7	11th/47	3.0	2019
	Wholesale and retail sales	Trillion yen	12.5	10th/47	2.1	2016
	Prefectural income per capita	Thousand yen	3,109	16th/47	—	FY2018
Finance	Deposits outstanding	Trillion yen	14.5	12th/47	1.6	Mar. 2021
	Loans outstanding	Trillion yen	10.6	10th/47	2.0	Mar. 2021

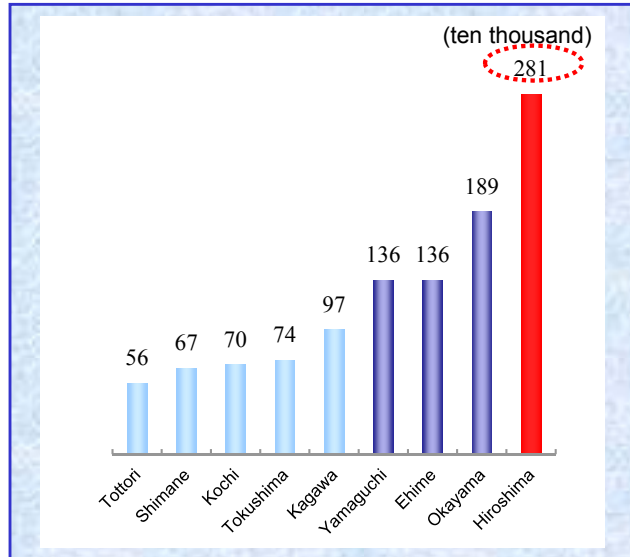
Source: Ministry of Internal Affairs and Communications, Ministry of Economy, Cabinet Office, Bank of Japan

[Comparison between Hiroshima Prefecture and national average]

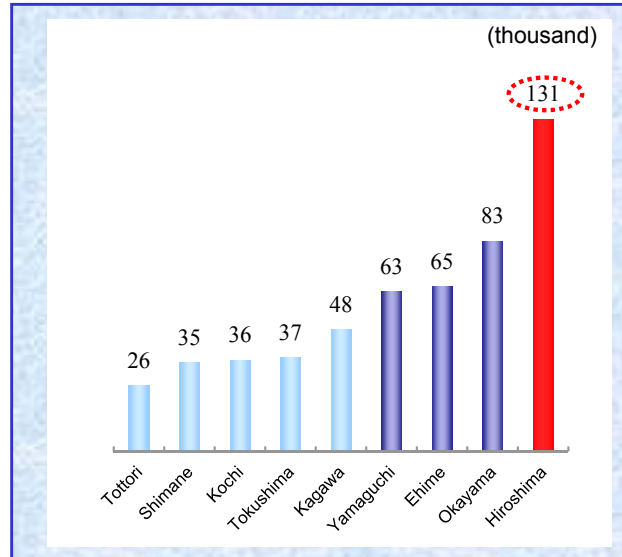


2. Hiroshima Prefecture and Four Local Prefectures(Chugoku and Shikoku regions) Comparisons

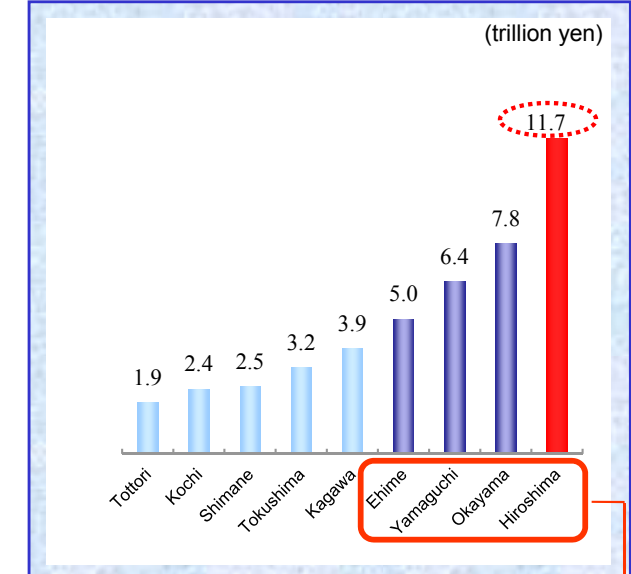
Population in the Chugoku and Shikoku regions by prefecture



Number of business establishments in the Chugoku and Shikoku regions by prefecture



Prefectural GDP (nominal)



Population ranking by prefecture

(ten thousand people)

1	Tokyo	1,384
2	Kanagawa Prefecture	922
3	Osaka Prefecture	884
4	Aichi Prefecture	756
5	Saitama Prefecture	739
...
12	Hiroshima Prefecture	281
13	Kyoto Prefecture	253
...
20	Okayama Prefecture	189
...
27	Ehime Prefecture	136
28	Yamaguchi Prefecture	136
...
47	Tottori Prefecture	56
Total		12,665

Source: The number of the population based on the Basic Resident Register, the population dynamics and the households by the Ministry of Internal Affairs and Communications(as of 1 January 2021)

Number of business establishments ranking by prefecture

(thousand)

1	Tokyo	686
2	Osaka Prefecture	423
3	Aichi Prefecture	323
4	Kanagawa Prefecture	307
5	Saitama Prefecture	250
...
11	Hiroshima Prefecture	131
12	Kyoto Prefecture	119
...
21	Okayama Prefecture	83
26	Ehime Prefecture	65
28	Yamaguchi Prefecture	63
...
47	Tottori Prefecture	26
Total		5,579

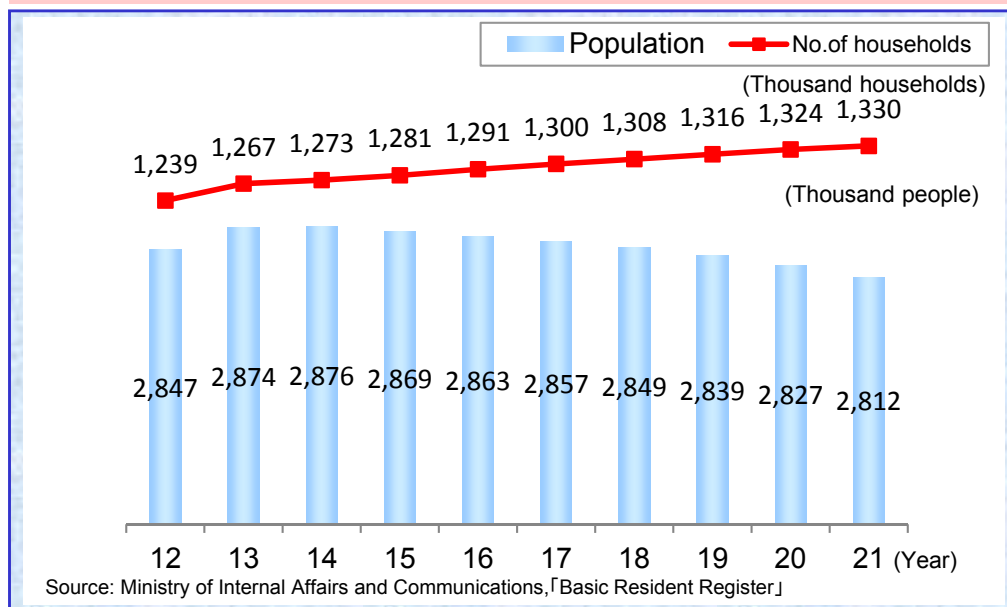
Source: Economic census 2016

Country/region	GDP(nominal)
Singapore	41.5trillion yen
Hong Kong SAR	39.9trillion yen
Vietnam	33.5trillion yen
Chile	32.8trillion yen
Four local prefectures	30.9trillion yen
Finland	30.5trillion yen
Portugal	26.8trillion yen
Hungary	17.7trillion yen
Morocco	13.0trillion yen
Hiroshima Prefecture	11.7trillion yen
Venezuela	10.9trillion yen
Sri Lanka	9.7trillion yen
Myanmar	7.4trillion yen

Note: Nominal gross prefectural domestic product figures are from FY2018; GDP (nominal) figures are from 2018.
Source: IMF, Cabinet Office, Bank of Japan

3. Population and Labor Force in Hiroshima Prefecture

Changes in population and number of households in Hiroshima Prefecture

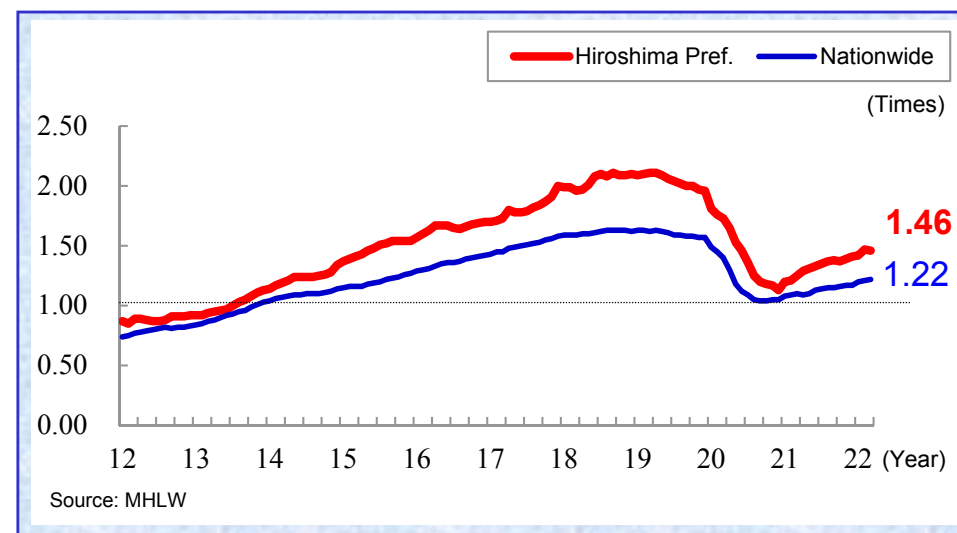


Estimates for future population

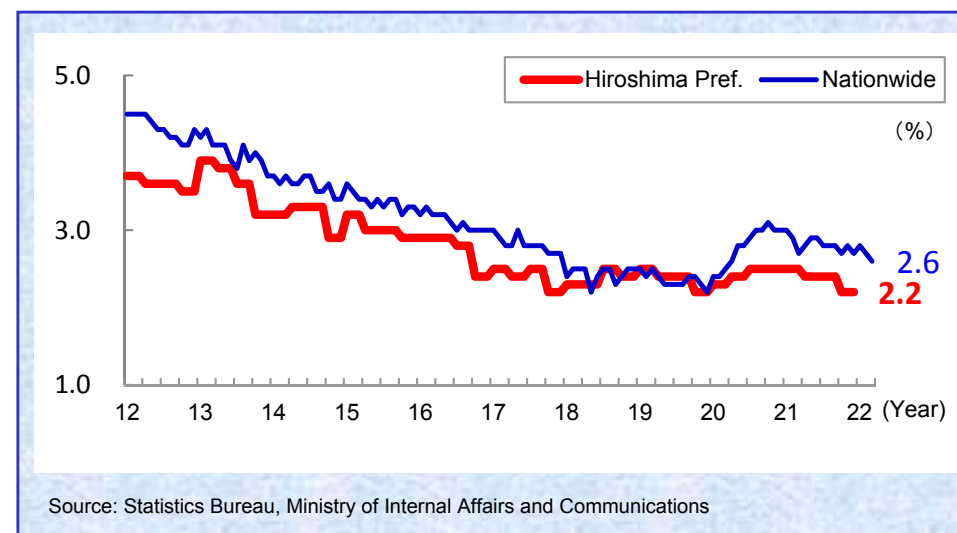
Population (Thousand people)	2015	2020	Rate of increase/ decrease	2030	Rate of increase/ decrease
Hiroshima Pref.	2,869	2,827	-1.5	2,689	-6.3
Okayama Pref.	1,940	1,904	-1.9	1,797	-7.4
Yamaguchi Pref.	1,432	1,370	-4.3	1,230	-14.1
Shimane Pref.	706	679	-3.8	615	-12.8
Tottori Pref.	583	561	-3.8	516	-11.4
Ehime Pref.	1,426	1,369	-4.0	1,212	-15.0
Kagawa Pref.	1,006	982	-2.4	889	-11.7
Tokushima Pref.	777	743	-4.4	651	-16.2
Kochi Pref.	747	709	-5.1	614	-17.7

Source: Ministry of Internal Affairs and Communications, 「Basic Resident Register」,
National Institute of Population and Social Security Research, 「March 2018 Estimates」

Changes in job-offers-to-seekers ratio

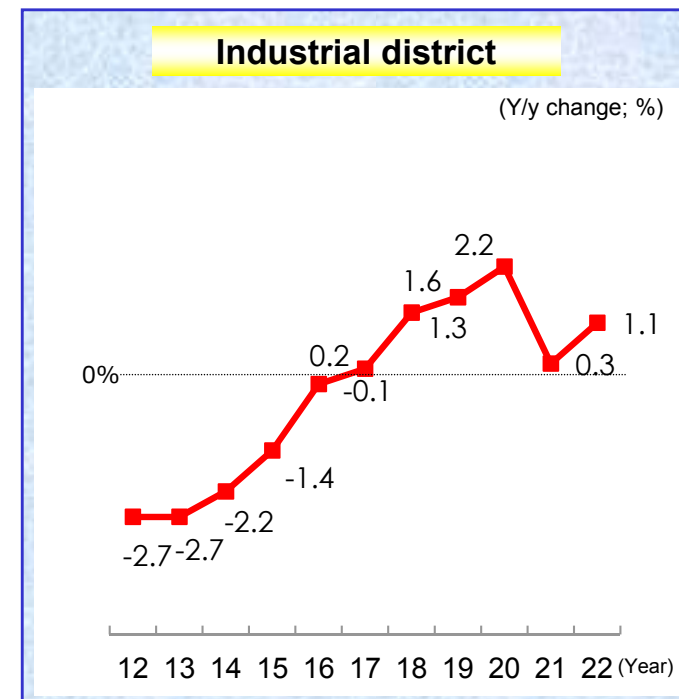
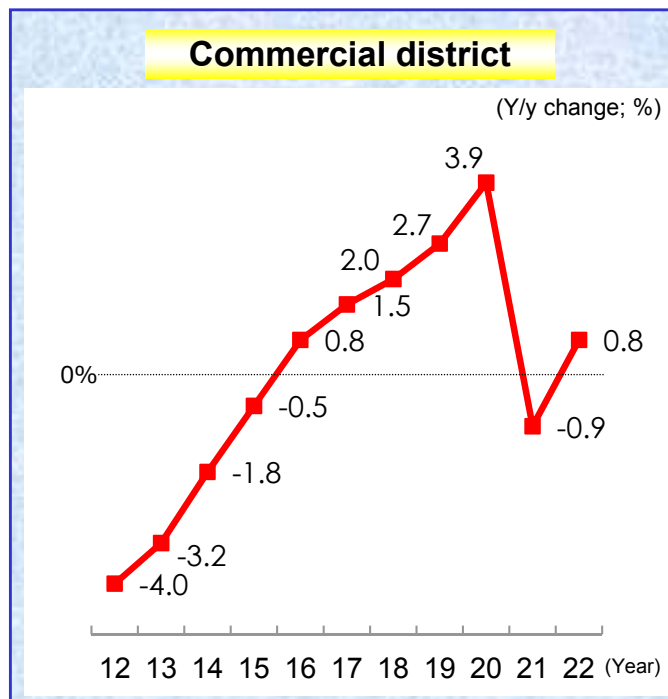
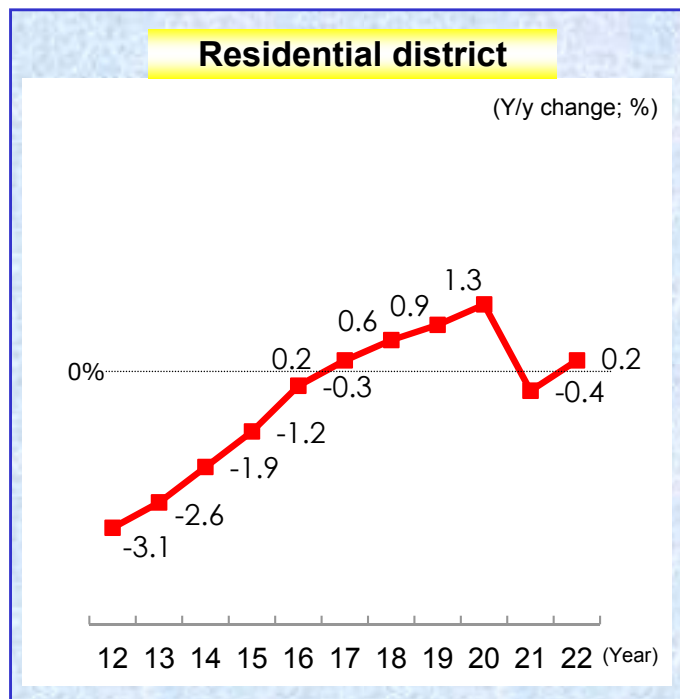


Changes in unemployment rate



4. Trends of Land Prices in Hiroshima Prefecture

Changes in official land price by use



Land price fluctuation rate in major cities of Hiroshima Prefecture

Major cities	Residential district			Commercial district			Industrial district		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Hiroshima City	3.1	0.4	1.4	7.7	-0.4	2.6	2.9	1.0	1.9
Kure City	-0.3	-1.4	-1.4	0.4	-0.9	-1.0	0.5	-1.2	-1.4
Fukuyama City	0.4	-1.0	-0.2	3.0	-1.4	0.8	2.4	-0.3	0.9
Higashihiroshima City	0.9	-0.3	0.3	2.0	0.3	1.2	5.2	3.1	3.2

Highest land price in 4 local prefectures

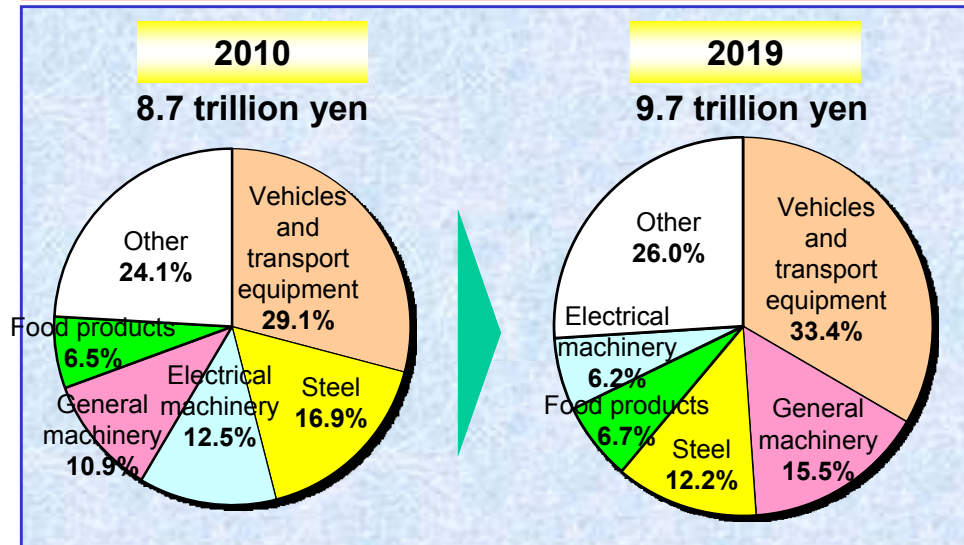
(Unit: Thousand yen/m²)

Hiroshima Prefecture	Residential district	442
	Commercial district	3,550
Okayama Prefecture	Residential district	200
	Commercial district	1,570
Yamaguchi Prefecture	Residential district	88
	Commercial district	186
Ehime Prefecture	Residential district	231
	Commercial district	821

Source: Ministry of Land, Infrastructure, Transport and Tourism, 「Land General Information System」

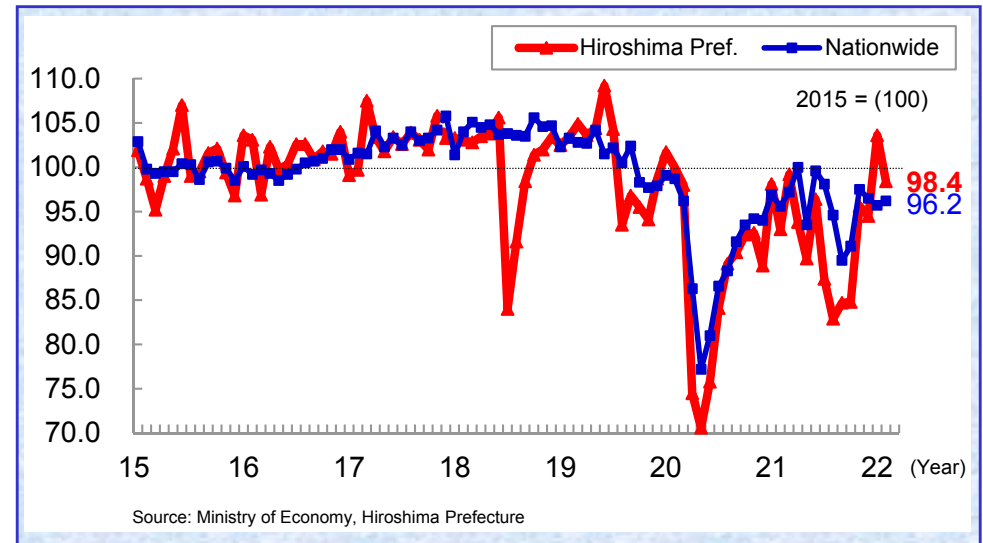
5. Production Activities in Hiroshima Prefecture

Trends of shipment value of manufactured goods, etc.
(Hiroshima Prefecture)



Source: Ministry of Economy

Industrial Production Index
(Hiroshima Prefecture)

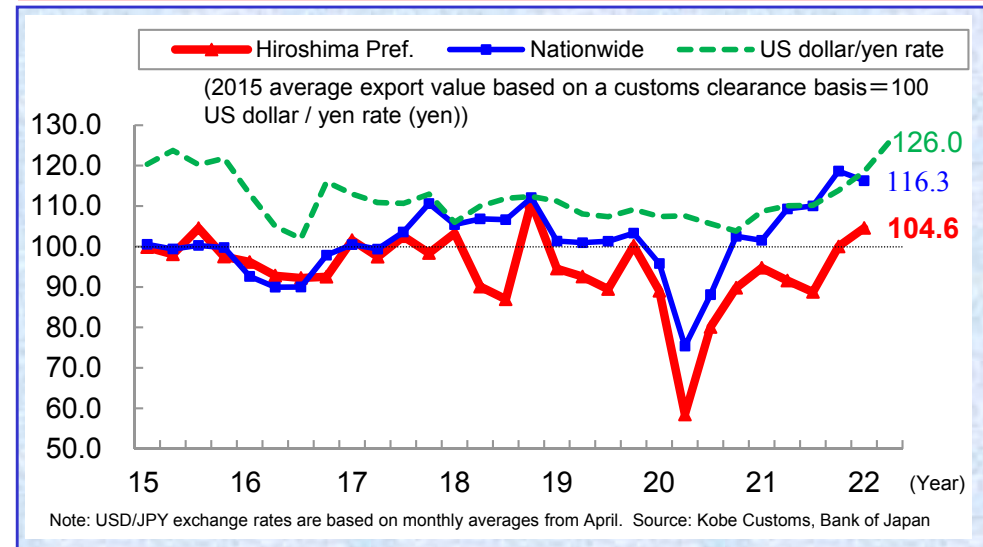


Major export destination countries and regions
(Hiroshima Prefecture)

(JPY Bn)				
	2010	2021	Increase/ decrease	Rate of increase/decrease
Total	1,989.2	2,229.1	239.9	12.1
Asia	926.7	837.6	-89.1	-9.6
China	348.4	219.9	-128.5	-36.9
Korea	180.4	141.8	-38.6	-21.4
Thailand	108.9	135.7	26.8	24.6
Taiwan	64.5	80.9	16.4	25.5
Singapore	46.2	56.3	10.1	21.9
North America	324.7	533.8	209.1	64.4
The United States	269.9	478.7	208.8	77.3
Western Europe	179.7	199.9	20.2	11.3
Germany	38.2	47.5	9.3	24.4
England	43.8	43.2	-0.6	-1.5

Source: Kobe Customs

Trend of export value on a customs clearance basis
(nationwide and Hiroshima Prefecture) and trend of US dollar/ yen rate



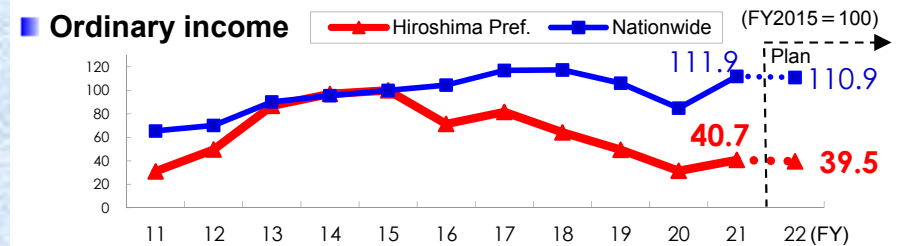
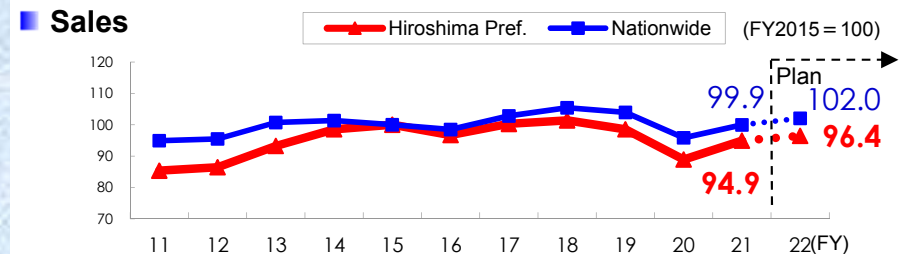
6. Overview of Hiroshima Prefecture's economy

Latest business confidence

		Movements by item	
		May 2021	May 2022
Hiroshima	Overview	While the economy as a whole is on a recovery trend, downward pressure has been increasing, mainly on service consumption, due to the impact of COVID-19.	Downward pressure persists, but the trend is one of gradual recovery.
	Private consumption	Despite the ongoing recovery, downward pressure, mainly on service consumption, is increasing.	Downward pressure persists, but with signs of recovery.
	Business investment	Beginning to bottom out	Slowly recovering
	Production	Recovering	Recovering
	Exports	Recovering	Recovering

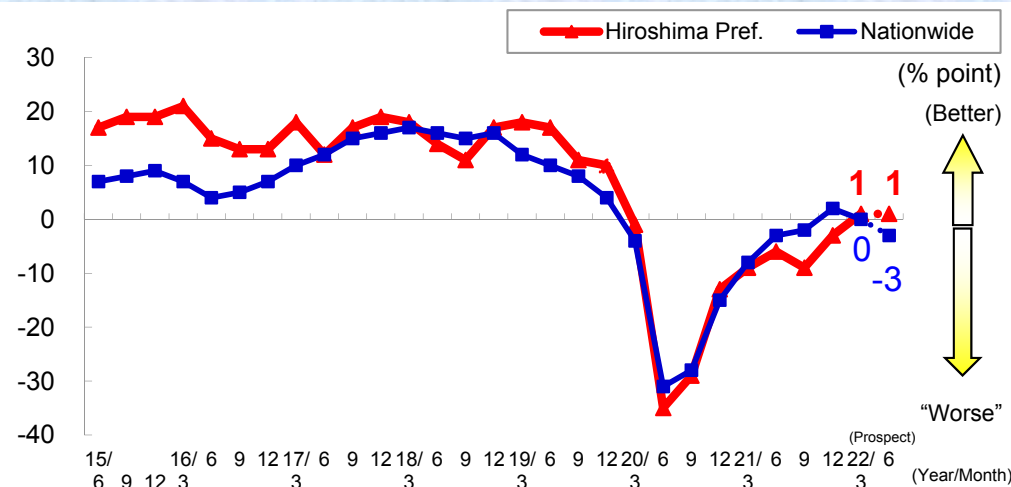
Source: Monthly report of recent economy and financial developments by Bank of Japan

Sales and ordinary income



Source: Tankan by Bank of Japan

Diffusion Index (D.I.) (all industries in Hiroshima Prefecture)



Source: Tankan by Bank of Japan

Amounts of capital investment

	(YoY change, %)		
	FY2020 results	FY2021 results	FY2022 plans
All industries	-7.9	12	8.6
Manufacturing	-27.6	46.9	20.3
Major companies	-21.9	45.3	11
Mid-sized companies	-33.7	55.0	52.9
SMEs	-49.9	43.2	24
Non-manufacturing	4.6	-3.9	0.5
Major companies	6.1	-3.4	-0.1
Mid-sized companies	8.3	-9.8	10.6
SMEs	-43.5	-5.8	-19.5

Source: Tankan by Bank of Japan

7. Major Industry Trends -Transportation Equipment-

Automobile

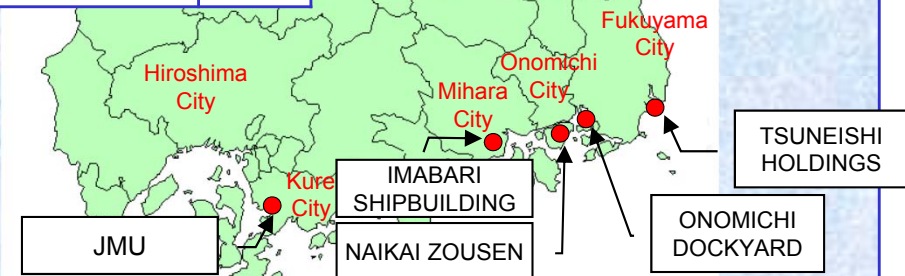
No. of business establishments in Hiroshima Prefecture	200
No. of persons engaged in Hiroshima Prefecture	40,544



Source: Hiroshima Prefecture, 2020 Census of Manufactures

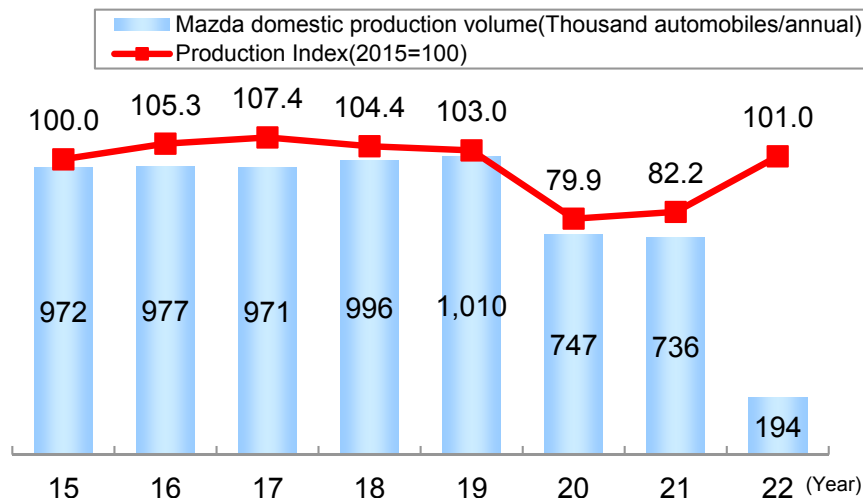
Shipbuilding

No. of business establishments in Hiroshima Prefecture	234
No. of persons engaged in Hiroshima Prefecture	9,751



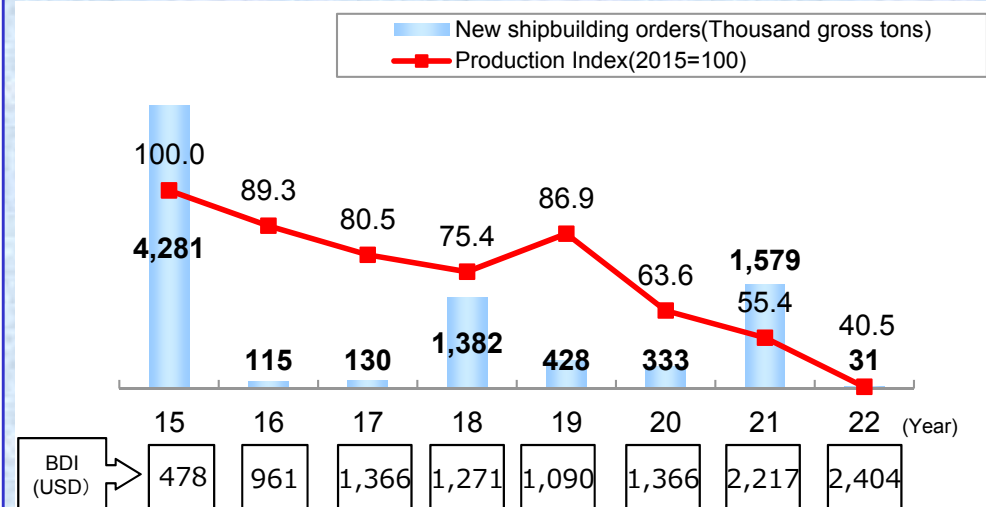
Source: Hiroshima Prefecture, 2020 Census of Manufactures

Production index in the automobile sector (Hiroshima Prefecture) and Mazda's annual production volume



Note: Figures for 2022 Mazda domestic production volume are from January-March; production index is based on January-February figures. Sources: Hiroshima Prefecture, Mazda Motor Corporation

Industrial Production Index of the shipbuilding sector and new shipbuilding orders (Hiroshima Prefecture)

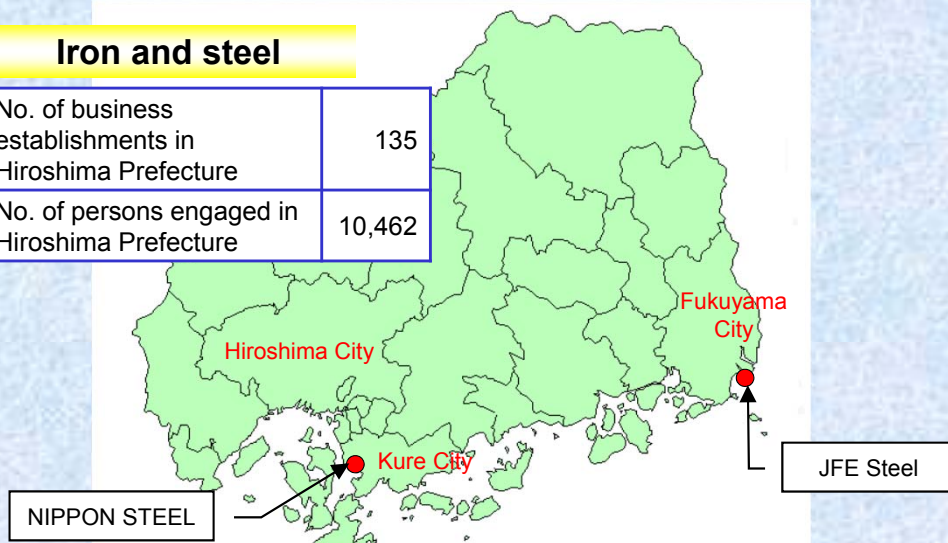


Note: Figures for 2022 new shipbuilding orders and the production index are from January-February; BDI shown as of end of April. Sources: Hiroshima Prefecture, Chugoku District Transport Bureau and Bloomberg L.P.

8. Major Industry Trends -Iron and Steel/General Machinery-

Iron and steel

No. of business establishments in Hiroshima Prefecture	135
No. of persons engaged in Hiroshima Prefecture	10,462



Note: Nippon Steel Setouchi Works Kure Area halted blast furnace operations in September 2021; all facilities will be closed in September 2023. Source: Hiroshima Prefecture, Economic census 2020

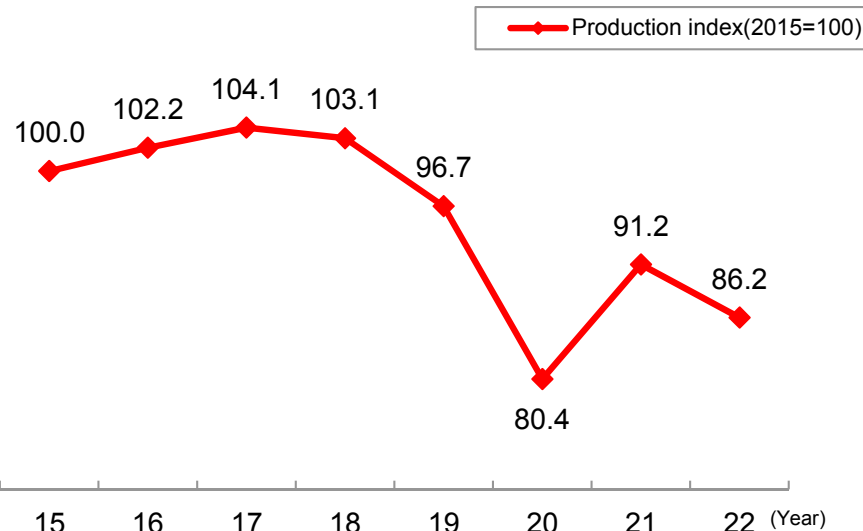
General machinery

Number of business establishments in Hiroshima Prefecture	817
No. of persons engaged in Hiroshima Prefecture	36,539



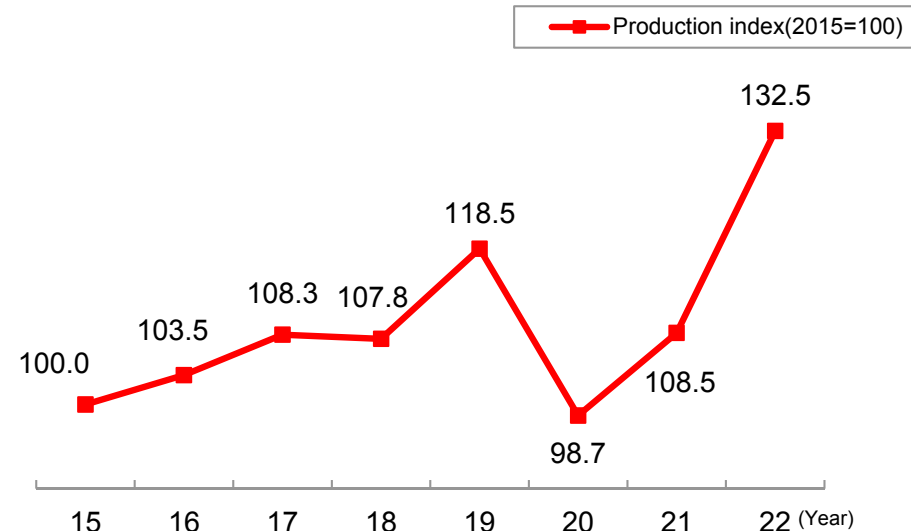
Source: Hiroshima Prefecture, Economic census 2020

Industrial Production Index of the iron and steel sector (Hiroshima Prefecture)



Note: 2022 figures are from January-February. Sources: Hiroshima Prefecture

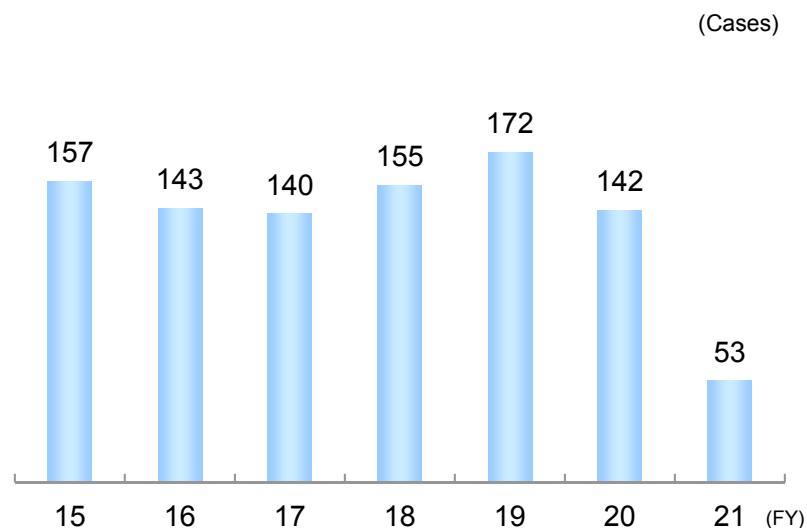
Industrial Production Index of the general machinery sector (Hiroshima Prefecture)



Note: 2022 figures are from January-February. Sources: Hiroshima Prefecture

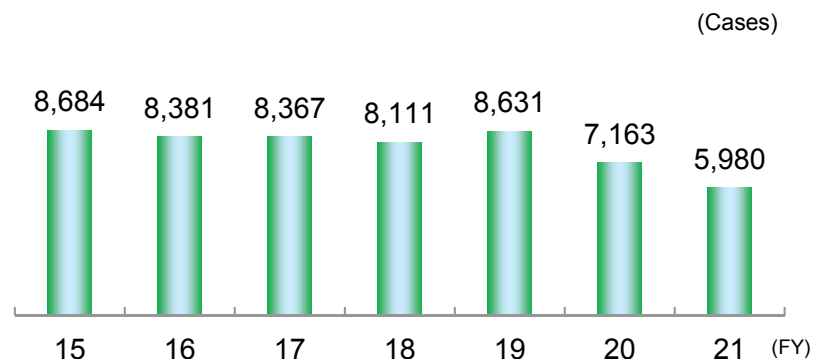
9. Bankruptcies in Hiroshima Prefecture

Number of bankruptcies in Hiroshima Prefecture



Source: Tokyo Shoko Research

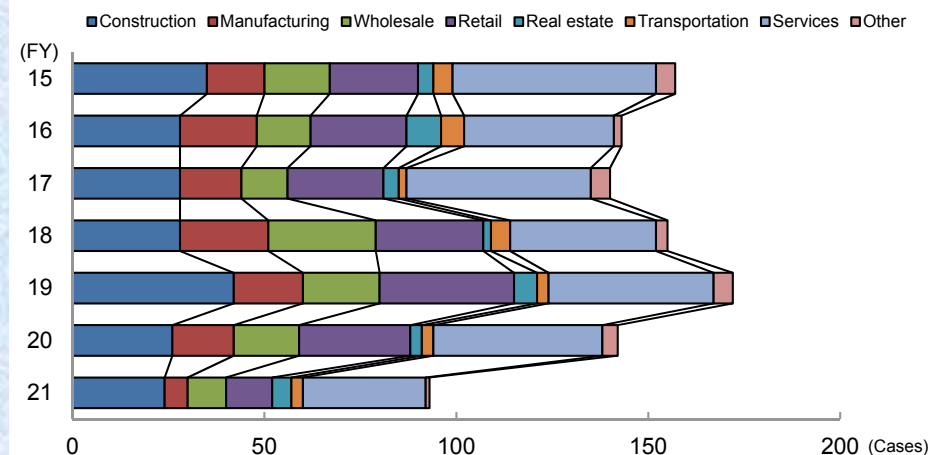
<Reference> Changes in number of bankruptcies nationwide



Source: Tokyo Shoko Research

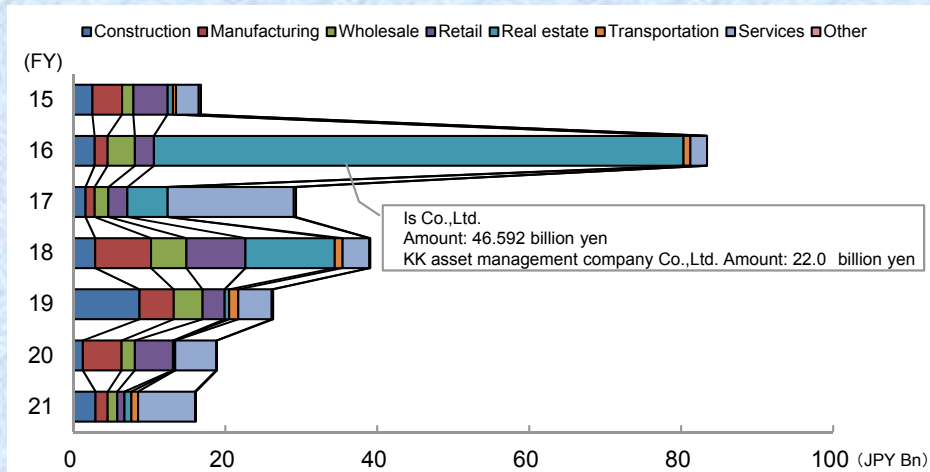
Bankruptcies in Hiroshima Prefecture by industry sector

Number of Bankruptcies



Source: Tokyo Shoko Research

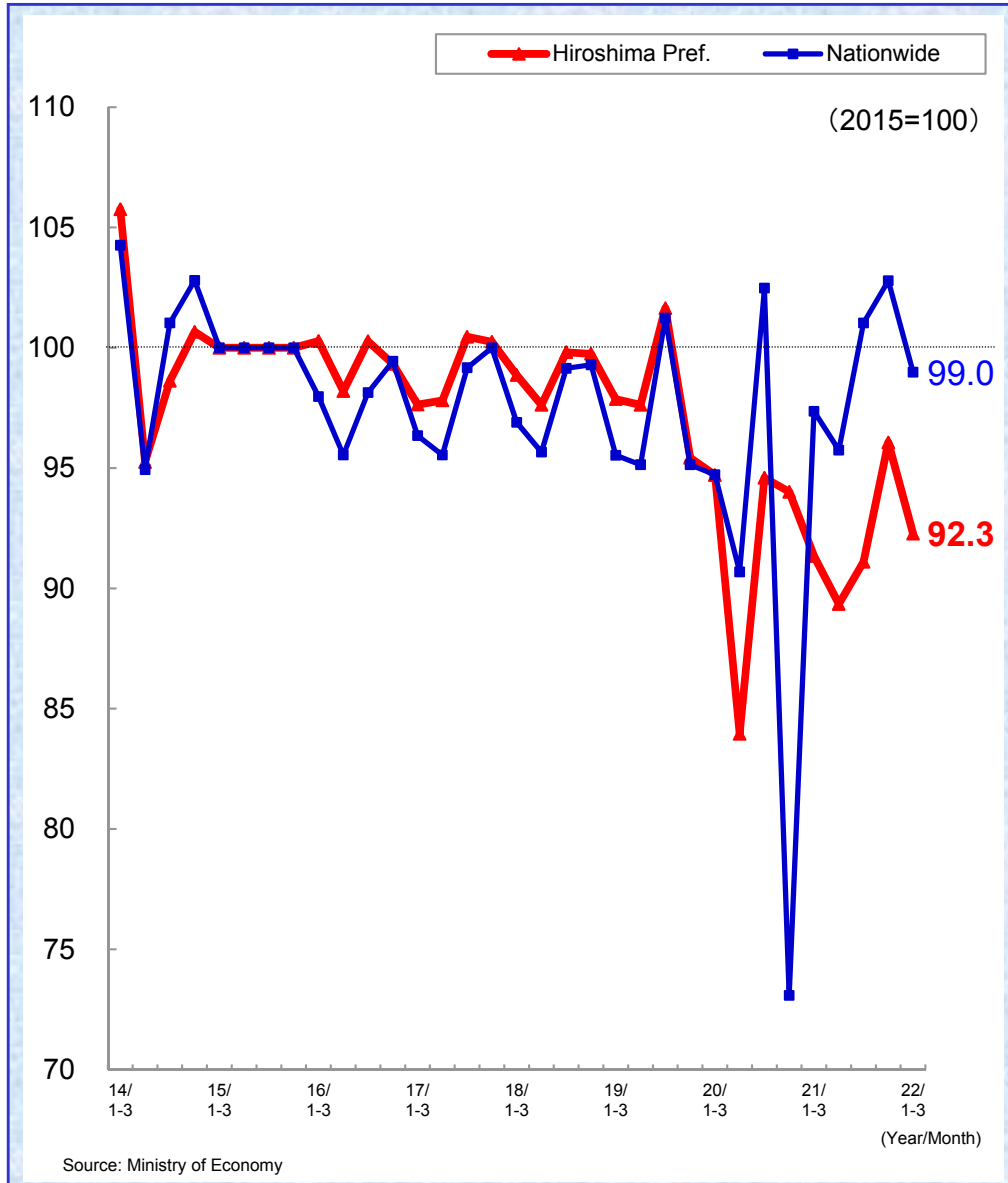
Total liabilities



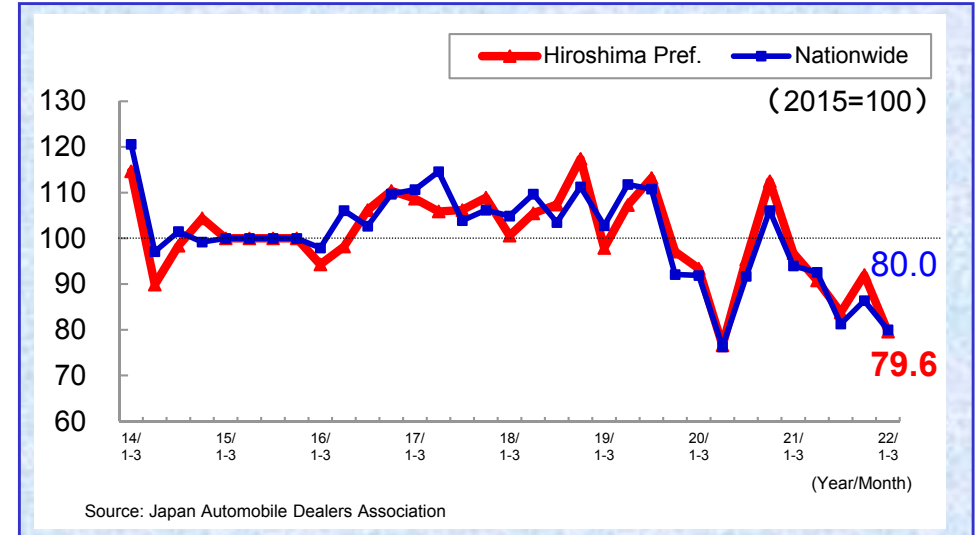
Source: Tokyo Shoko Research

10. Consumer Spending

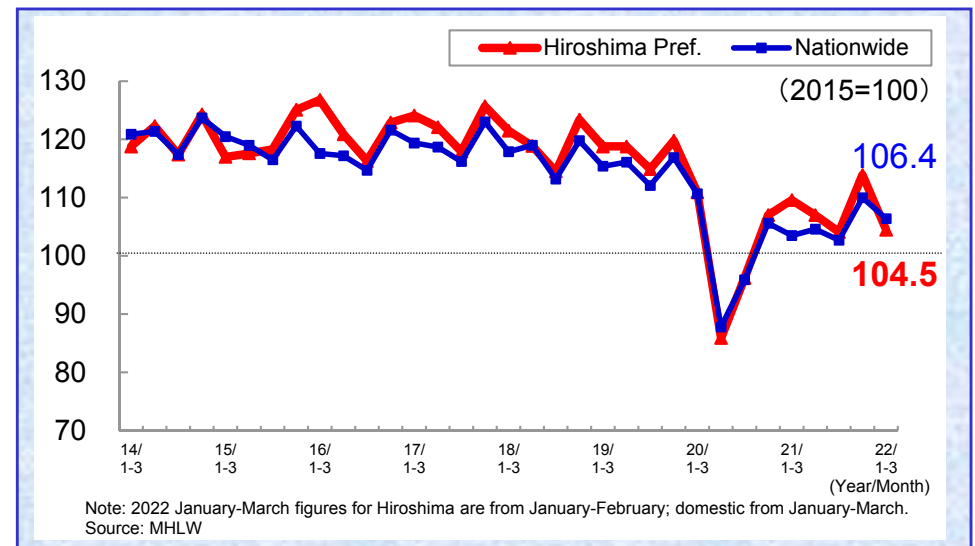
Changes in sales at large-scale retail stores
(department stores and supermarkets)



Changes in new car registration

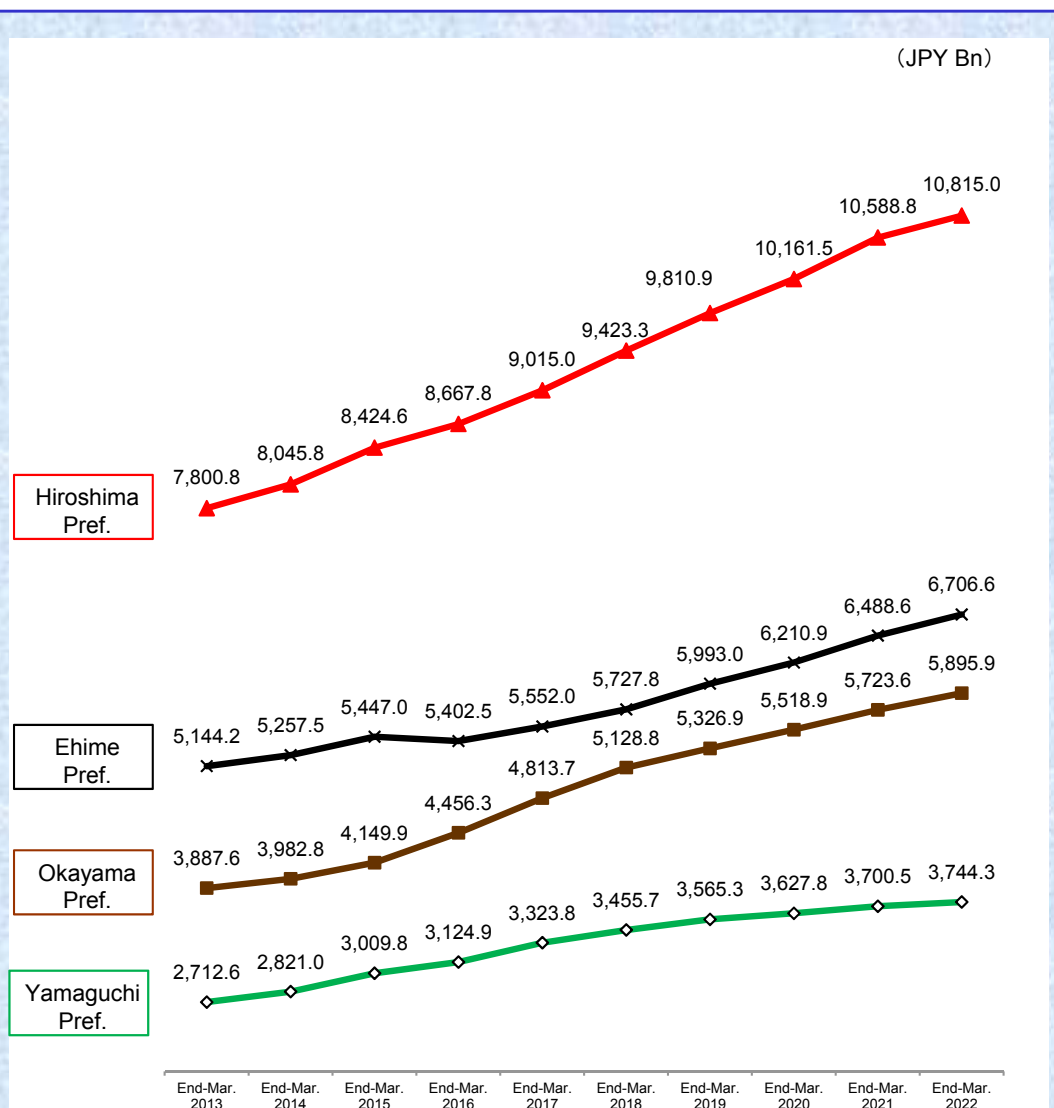


Changes in overtime working hours

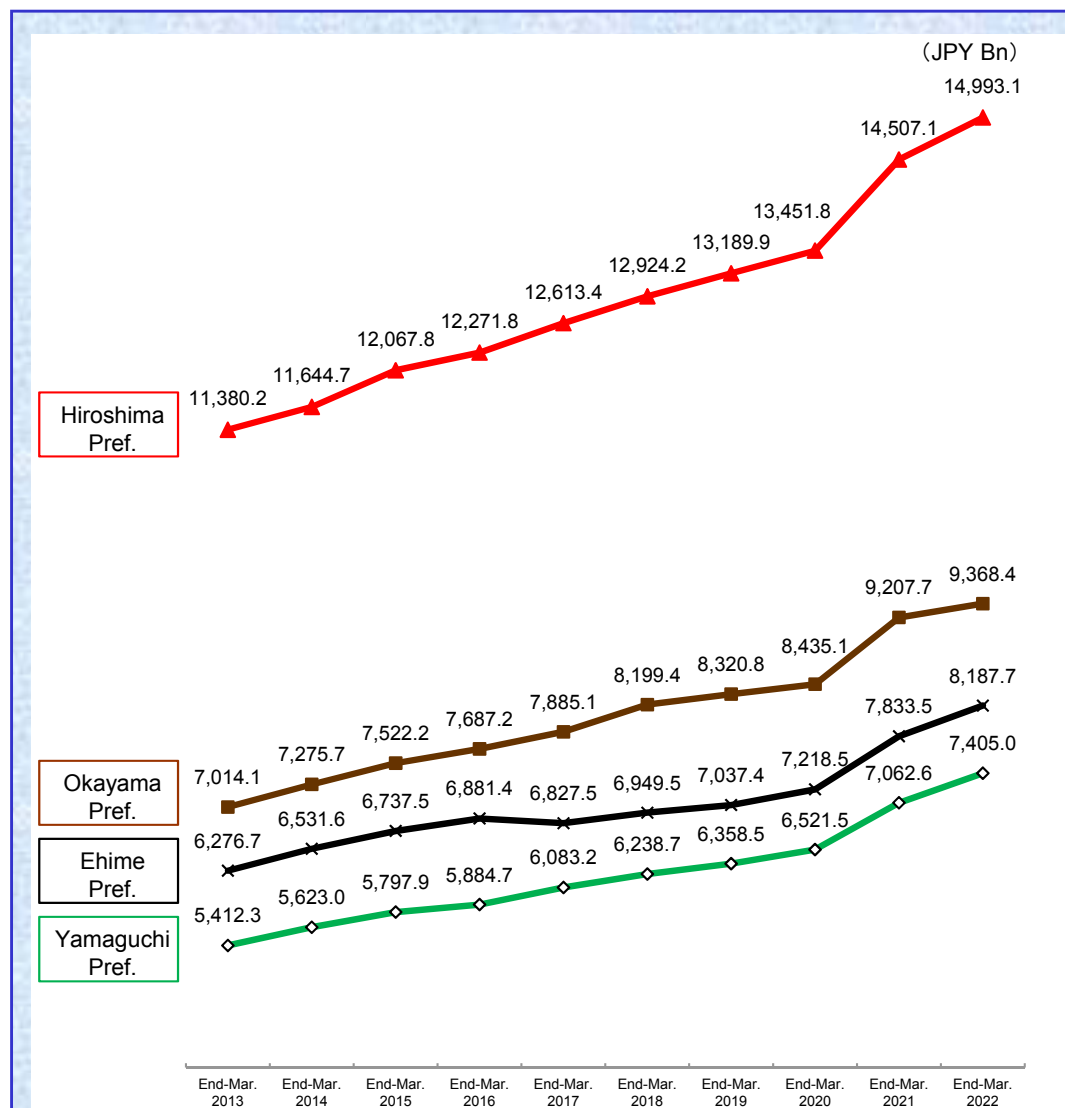


11. Trends of Loans/Deposits in Hiroshima Prefecture

Changes in loans outstanding



Changes in deposits outstanding



Source: The Bank of Japan, "Prefectural Deposits, Cash and Loans"

12. Comparison among Hiroshima City, Sapporo City, Sendai City, and Fukuoka City

Key indexes of each city

			Hiroshima City	Sapporo City	Sendai City	Fukuoka City	As of
Regional	Area	km ²	907	1,121	786	343	Jan. 2022
	Population	Thousand people	1,195	1,962	1,066	1,563	Jan. 2021
	No. of households	Thousand households	573	1,079	524	816	Jan. 2021
Economy	Nominal gross regional domestic product	Billion y en	5,593.2	7,053.1	5,165.6	7,849.8	FY2018
	No. of business establishments	Establishments	55,889	77,589	51,584	77,835	2016
	Shipment value of manufactured goods, etc.	Billion y en	3,100.8	589.6	994.4	582.3	2019
	Retail sales	Billion y en	1,463.3	2,289.9	1,491.4	2,139.9	2016
	Wholesale sales	Billion y en	6,380.8	7,666.2	7,632.7	11,603.3	2016
	City income per capita	Thousand y en	3,398	2,801	3,297	3,341	FY2018

Source: Ministry of Internal Affairs and Communications, Ministry of Economy, Cabinet Office

Part 2 Data for Hirogin Holdings

1. Changes in Earnings Performance (Hirogin Holdings Consolidated)

1. Status of consolidated financial results

(JPY Bn)

	FY2019	1H of FY2020	FY2020	1H of FY2021	FY2021	Compared to FY2020
Consolidated gross profit	94.3	46.1	95.2	47.7	92.0	-3.2
Net interest income	67.4	33.1	66.8	33.8	69.5	2.7
Net fees and commissions income	18.3	8.8	19.5	10.5	21.1	1.6
Income from specific transactions and other businesses	8.5	4.1	8.8	3.4	1.3	-7.5
Operating expenses (-)	57.3	28.2	57.8	29.6	58.0	0.2
Credit costs (-)	4.4	4.3	11.2	5.0	12.4	1.2
Gains/losses related to equities, etc.	5.6	1.4	4.5	3.4	5.0	0.5
Gains/losses from equity method investments	0.1	0.0	0.1	-	-	-0.1
Other	0.6	0.3	0.1	0.2	0.4	0.3
Ordinary profit	38.9	15.5	31.0	16.7	27.0	-4.0
Extraordinary gains/losses	-3.5	0.0	-0.1	-0.6	5.8	5.9
Total income tax, etc. (-)	11.1	4.8	9.3	4.8	9.9	0.6
Net income attributable to owners of the parent	24.2	10.6	21.5	11.1	22.9	1.4

Note: Consolidated figures for the first half of FY2020 and earlier fiscal years are not available because Hirogin Holdings was established on October 1, 2020. For reference purposes, consolidated figures of the former organization (parent company Hiroshima Bank) are provided here for comparison (same hereafter).

1. Changes in Earnings Performance (Hirogin Holdings Consolidated)

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

(JPY Bn)

	FY2019	1H of FY2020	FY2020	1H of FY2021	FY2021	Compared to FY2020
Corporate solutions	3.5	1.4	4.1	1.6	5.0	0.9
Asset management	6.0	2.4	5.5	2.8	5.4	-0.1
Equity business	1.3	-	-	0.6	0.9	0.9
Net income for Group companies	1.8	1.0	2.4	1.9	3.5	1.1
Hirogin Securities (included above)	0.4	0.3	0.9	0.7	1.2	0.3
Shimanami Servicer (included above)	0.1	0.0	0.2	0.3	0.2	0.0
Hirogin Lease (included above) ^{*1}	0.1	0.1	0.1	0.4	0.7	0.6
Total	12.6	4.8	12.0	6.9	14.8	2.8

*1: Since Hirogin Lease became a wholly owned subsidiary in FY2020, figures for FY2020 and earlier fiscal years were calculated based on the percentage of its voting rights (20%). Hirogin Lease's nonconsolidated net income for FY2021 was -200 million yen YOY.

3. Group total credit

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Group total credit	6,549.6	6,667.6	6,631.0	6,917.4	7,060.6	429.6
Lending (consolidated)	6,483.3	6,594.4	6,480.8	6,766.3	6,901.8	421.0
Lease claims ^{*2}	-	-	71.8	69.8	75.1	3.3
PE investments, etc. ^{*3}	23.9	28.9	30.8	33.1	32.8	2.0
Private placement bonds	42.3	44.1	47.4	48.0	50.7	3.3

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

*3 : "PE investments, etc." includes private REIT investments.

2. Consolidated Capital Adequacy Ratio

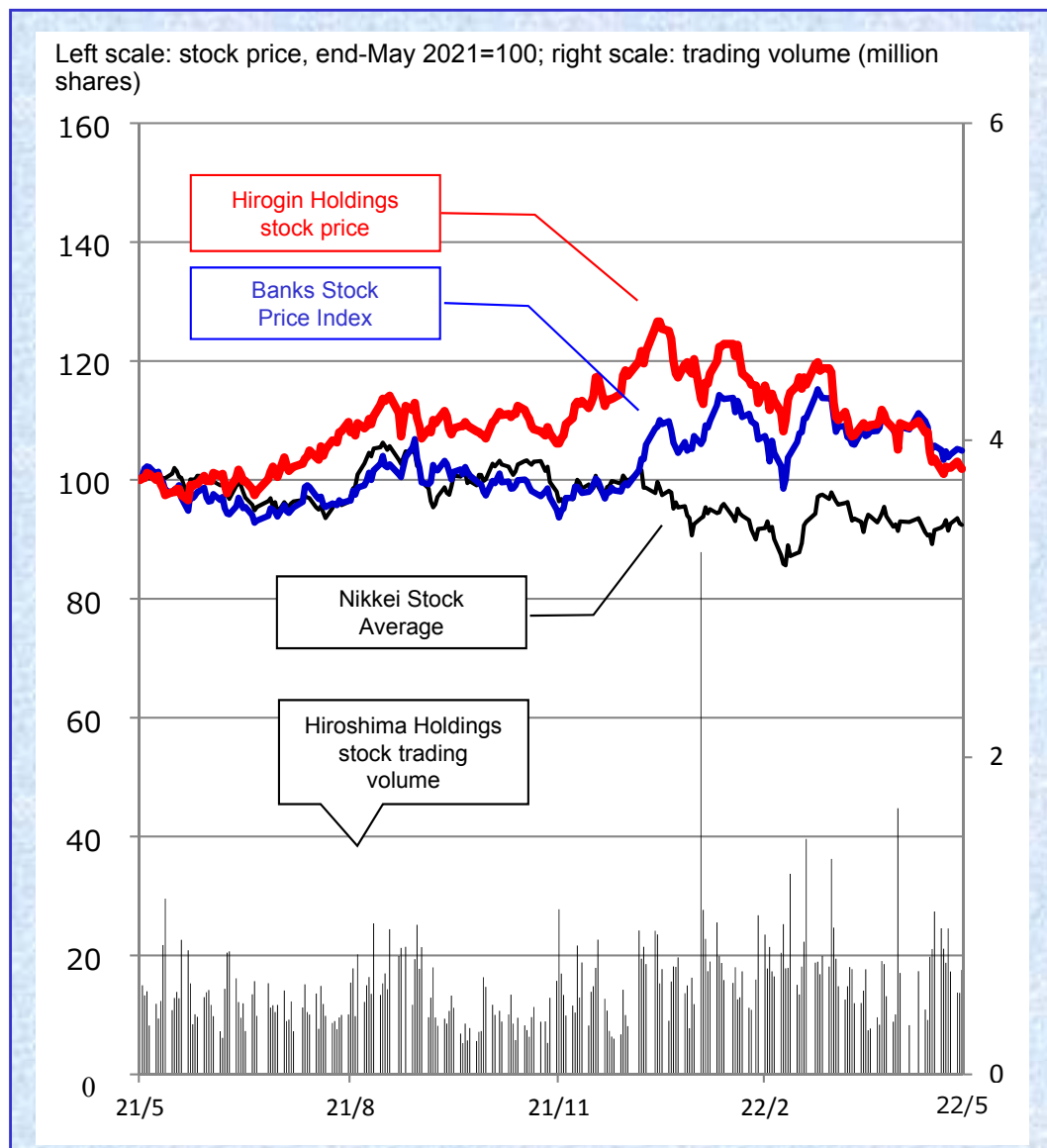
(JPY Bn)

		March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Amount of basic items related to core capital	①	480.5	487.7	467.0	-13.5
Of which, amount of shareholders' equity related to common stock or mandatory convertible preferred stock		441.3	449.3	457.4	16.1
Of which, amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments		15.0	15.0	-	-15.0
Amount of adjustment items related to core capital	②	72.2	74.5	47.2	-25.0
Amount of owned equity ① - ②	③	408.2	413.2	419.8	11.6
Total amount of risk-weighted assets, etc.	④	3,850.4	3,882.7	4,046.7	196.3
Consolidated capital adequacy ratio ③ / ④		10.60%	10.64%	10.37%	-0.23%

※ We (consolidated and nonconsolidated) apply domestic standards; specifically, we have adopted the Fundamental Internal Ratings Based Approach to calculate credit risk assets and the Standardized Approach to calculate operational risk equivalent amounts.

3. Hirogin Holdings Stock Information

Trends in Hirogin Holdings stock price, Nikkei Stock Average, Banks Stock Price Index, and Hirogin Holdings stock trading volume



Composition of shareholders

	2021 (%)				
	20/3	20/9	21/3	21/9	22/3
Financial institutions	40.7	41.8	40.1	40.1	39.6
Financial instruments business operators (brokerage houses)	1.5	1.9	1.8	1.7	1.9
General corporations	29.7	29.5	29.3	29.3	29.0
Foreigners	13.7	12.6	13.0	11.9	11.6
Individuals	14.4	14.2	15.8	17.0	17.9
Treasury stock	0.1	0.0	0.0	0.0	0.0

Major shareholders (March 31, 2022)

Shareholder's name	No. of shares held (hundred shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	397,118	12.71
Custody Bank of Japan, Ltd. (trust account)	183,082	5.86
Meiji Yasuda Life Insurance Company	95,047	3.04
Sompo Japan Insurance Inc.	75,000	2.40
CP Chemical Incorporated	74,638	2.38
Sumitomo Life Insurance Company	60,380	1.93
The Chugoku Electric Power Co., Inc.	58,640	1.87
Employee stock ownership (Hirogin Holdings)	57,585	1.84
The Bank of Fukuoka, Ltd.	55,004	1.76
Nippon Life Insurance Company	48,339	1.54

Part 3 Data for Hiroshima Bank

1. Changes in Earnings Performance (nonconsolidated)

1. Total							(JPY Bn)
	FY2019	1H of FY2020	FY2020	1H of FY2021	FY2021	Compared to FY2020	
Net interest income	68.3	36.6	70.2	35.0	70.7	0.5	
Net fees and commissions income	13.0	6.3	13.9	7.2	14.5	0.6	
Specific transaction profit	0.7	0.3	0.8	0.3	0.6	-0.2	
Other banking profit (excluding gains/losses on bonds)	1.6	0.7	1.5	0.6	1.9	0.4	
Core gross banking profit	83.7	44.1	86.5	43.3	87.9	1.4	
- Expenses	52.7	26.0	53.3	27.3	53.2	-0.1	
Core banking profit	31.0	18.1	33.1	15.9	34.7	1.6	
Gains/losses on bonds	3.6	1.6	3.2	-0.6	-7.2	-10.4	
Actual net banking profit	34.7	19.7	36.3	15.2	27.4	-8.9	
- General provision for doubtful debt	0.3	1.3	1.2	0.2	6.0	4.8	
- Non-performing loans w/ritten off	3.8	2.9	9.8	4.6	5.9	-3.9	
Gains/losses on stocks	5.6	1.4	4.5	3.3	5.0	0.5	
Ordinary profit	37.4	17.6	31.0	14.9	22.8	-8.2	
Extraordinary income/loss	-3.3	0.0	-0.0	-0.6	5.9	5.9	
Income before income taxes	34.1	17.6	31.0	14.3	28.8	-2.2	
Corporate taxes	9.9	4.6	8.6	3.8	8.1	-0.5	
Net income	24.1	12.9	22.3	10.4	20.6	-1.7	
Adjusted overhead ratio	62.9%	58.9%	61.6%	63.2%	60.5%	-1.1%	

2. Domestic operations							(JPY Bn)
	FY2019	1H of FY2020	FY2020	1H of FY2020	FY2021	Compared to FY2020	
Net Interest income	60.5	32.2	61.2	30.8	60.9	-0.3	
Net fees and commissions income	12.9	6.2	13.7	7.2	14.4	0.7	
Specific transaction profit	0.1	0.0	0.0	0.0	0.0	0.0	
Other banking profit (excluding gains/losses on bonds)	0.0	0.0	0.0	0.0	0.0	0.0	
Core gross banking profit	73.5	38.5	75.0	38.1	75.4	0.4	

2. Investment and Fundraising

1. Total

(JPY Bn)

	FY2019		1H of FY2020		FY2020		1H of FY2021		FY2021		Compared to FY2020		
	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	YoY	Yield
Interest-earning assets	7,519.1	1.01%	7,983.4	0.97%	8,035.8	0.93%	8,459.6	0.86%	8,537.1	0.87%	501.3	6.2%	-0.06%
Loans and bills discounted	6,317.9	0.98%	6,631.5	0.88%	6,599.9	0.88%	6,760.5	0.84%	6,825.8	0.83%	225.9	3.4%	-0.05%
Trading securities	1,129.5	1.13%	1,192.9	1.46%	1,262.7	1.09%	1,528.6	0.90%	1,597.3	0.82%	334.6	26.5%	-0.27%
Call loans	19.9	1.42%	102.5	0.00%	118.1	0.00%	115.4	0.01%	60.1	0.04%	-58.0	-49.1%	0.04%
Due from banks*	7.5	4.84%	8.2	4.59%	8.4	5.73%	8.6	9.40%	9.0	22.72%	0.6	7.1%	16.99%
Interest-bearing liabilities	8,763.4	0.09%	9,368.3	0.04%	9,619.2	0.04%	10,643.0	0.03%	10,791.7	0.03%	1,172.5	12.2%	-0.01%
Deposits	7,323.2	0.02%	7,795.2	0.01%	7,920.6	0.01%	8,407.3	0.01%	8,436.6	0.00%	516.0	6.5%	-0.01%
Negotiable CDs	384.5	0.01%	361.3	0.01%	373.8	0.01%	433.4	0.00%	424.9	0.00%	51.1	13.7%	-0.01%
Call money	98.4	-0.03%	58.9	-0.03%	29.5	-0.03%	7.7	-0.01%	65.2	-0.01%	35.7	121.0%	0.02%
Borrowed money	558.1	0.12%	662.8	0.10%	766.3	0.07%	1,070.0	0.04%	1,114.7	0.03%	348.4	45.5%	-0.04%

2. Domestic operations

(JPY Bn)

	FY2019		1H of FY2020		FY2020		1H of FY2021		FY2021		Compared to FY2020		
	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	Yield	Average balance	YoY	Yield
Interest-earning assets	7,178.9	0.87%	7,609.3	0.87%	7,644.4	0.83%	8,013.7	0.79%	8,101.9	0.77%	457.5	6.0%	-0.06%
Loans and bills discounted	5,804.3	0.89%	6,059.7	0.84%	6,025.2	0.85%	6,162.1	0.81%	6,230.7	0.79%	205.5	3.4%	-0.06%
Trading securities	934.7	1.00%	972.5	1.49%	1,009.7	1.06%	1,192.9	0.99%	1,266.6	0.77%	256.9	25.4%	-0.29%
Call loans	3.8	-0.04%	96.2	-0.03%	114.2	-0.02%	112.3	-0.01%	56.3	-0.01%	-57.9	-50.7%	0.01%
Due from banks*	7.5	4.84%	8.2	4.59%	8.4	5.73%	8.6	9.40%	9.0	22.72%	0.6	7.1%	16.99%
Interest-bearing liabilities	8,424.4	0.02%	8,998.2	0.02%	9,232.0	0.02%	10,198.9	0.01%	10,358.4	0.02%	1,126.4	12.2%	0.00%
Deposits	7,166.6	0.01%	7,648.6	0.01%	7,770.6	0.01%	8,254.8	0.00%	8,279.4	0.00%	508.8	6.5%	-0.01%
Negotiable CDs	384.5	0.01%	361.3	0.01%	373.8	0.01%	433.4	0.00%	424.9	0.00%	51.1	13.7%	-0.01%
Call money	98.4	-0.03%	58.9	-0.03%	29.5	-0.03%	7.7	-0.01%	65.2	-0.01%	35.7	121.0%	0.02%
Borrowed money	547.0	0.08%	635.0	0.07%	749.2	0.06%	1,064.4	0.04%	1,109.4	0.03%	360.2	48.1%	-0.03%

*Bank of Japan checking account interest rates are included in the yield calculation.

3. Loans (1)

1. Loans outstanding by region

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans	6,479.7	100.0%	6,590.3	100.0%	6,540.8	100.0%	6,824.0	100.0%	6,965.5	100.0%	424.7	6.5%	-
Hiroshima	4,070.3	62.8%	4,136.7	62.8%	4,191.8	64.1%	4,206.5	61.6%	4,225.1	60.7%	33.3	0.8%	-3.4%
Okayama	345.0	5.3%	357.6	5.4%	355.1	5.4%	347.6	5.1%	347.5	5.0%	-7.6	-2.1%	-0.4%
Ehime	516.7	8.0%	514.0	7.8%	523.8	8.0%	516.1	7.6%	546.1	7.8%	22.3	4.3%	-0.2%
Yamaguchi	218.8	3.4%	219.4	3.3%	221.2	3.4%	216.6	3.2%	218.4	3.1%	-2.8	-1.3%	-0.2%
Other	1,328.9	20.5%	1,362.6	20.7%	1,248.9	19.1%	1,537.2	22.5%	1,628.4	23.4%	379.5	30.4%	4.3%

2. Loans outstanding by business category

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans	6,479.7	100.0%	6,590.3	100.0%	6,540.8	100.0%	6,824.0	100.0%	6,965.5	100.0%	424.7	6.5%	-
Business	3,801.7	58.7%	3,875.3	58.8%	3,870.0	59.2%	3,818.8	56.0%	3,913.7	56.2%	43.7	1.1%	-3.0%
Leading medium-sized and large enterprises	1,148.8	17.7%	1,172.9	17.8%	1,113.8	17.0%	1,131.4	16.6%	1,151.2	16.5%	37.4	3.4%	-0.5%
Small and medium-sized enterprises	2,652.9	40.9%	2,702.4	41.0%	2,756.2	42.1%	2,687.4	39.4%	2,762.5	39.7%	6.3	0.2%	-2.5%
Local governments	1,058.7	16.3%	1,081.5	16.4%	1,011.4	15.5%	1,329.6	19.5%	1,355.9	19.5%	344.5	34.1%	4.0%
Of which loans to the Ministry of Finance	434.1	6.7%	432.3	6.6%	360.8	5.5%	665.7	9.8%	704.1	10.1%	343.3	95.1%	4.6%
Personal loans	1,619.2	25.0%	1,633.5	24.8%	1,659.4	25.4%	1,675.6	24.6%	1,695.9	24.3%	36.5	2.2%	-1.0%

3. Business loans by interest rate

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Yen-based business loans	3,495.4	100.0%	3,507.4	100.0%	3,451.5	100.0%	3,417.3	100.0%	3,461.4	100.0%	9.9	0.3%	-
Fixed interest rates	934.5	26.7%	1,003.0	28.6%	997.4	28.9%	1,031.1	30.2%	1,032.3	29.8%	34.9	3.5%	0.9%
Variable interest rates	2,560.9	73.3%	2,504.4	71.4%	2,454.1	71.1%	2,386.2	69.8%	2,429.1	70.2%	-25.0	-1.0%	-0.9%
Market rates	1,261.2	36.1%	1,271.7	36.3%	1,286.4	37.3%	1,262.8	37.0%	1,306.8	37.8%	20.4	1.6%	0.5%
Short-term prime rates	1,299.7	37.2%	1,232.7	35.1%	1,167.7	33.8%	1,123.4	32.9%	1,122.3	32.4%	-45.4	-3.9%	-1.4%
Of which negotiation-based rates	429.8	12.3%	403.0	11.5%	379.5	11.0%	372.1	10.9%	382.1	11.0%	2.6	0.7%	0.0%
Of which market-linked rates	869.9	24.9%	829.6	23.7%	788.2	22.8%	751.4	22.0%	740.2	21.4%	-48.0	-6.1%	-1.5%

4. Breakdown of personal loans

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Personal loans	1,619.2	100.0%	1,633.5	100.0%	1,659.4	100.0%	1,675.6	100.0%	1,695.9	100.0%	36.5	2.2%	-
Of which housing loans	1,029.8	63.6%	1,042.9	63.8%	1,068.0	64.4%	1,084.7	64.7%	1,104.9	65.2%	36.9	3.5%	0.8%
Of which apartment loans	465.8	28.8%	468.7	28.7%	470.6	28.4%	469.6	28.0%	470.4	27.7%	-0.2	0.0%	-0.6%
Of which consumer loans	116.1	7.2%	114.1	7.0%	114.7	6.9%	113.1	6.7%	112.3	6.6%	-2.4	-2.1%	-0.3%
Of which loans by purpose	76.4	4.7%	77.5	4.7%	78.8	4.7%	77.8	4.6%	78.0	4.6%	-0.8	-1.0%	-0.1%
Of which card loans	39.7	2.5%	36.6	2.2%	35.9	2.2%	35.3	2.1%	34.3	2.0%	-1.6	-4.5%	-0.1%

4. Loans (2)

5. Loans outstanding by industry sector

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans	6,479.7	100.0%	6,590.3	100.0%	6,540.8	100.0%	6,824.0	100.0%	6,965.5	100.0%	424.7	6.5%	-
Manufacturing	747.8	11.5%	769.5	11.7%	740.6	11.3%	722.2	10.6%	708.5	10.2%	-32.1	-4.3%	-1.2%
Construction	174.5	2.7%	174.5	2.6%	174.8	2.7%	163.0	2.4%	169.8	2.4%	-5.0	-2.9%	-0.2%
Transportation and mailing	325.1	5.0%	346.8	5.3%	347.9	5.3%	379.1	5.6%	392.7	5.6%	44.8	12.9%	0.3%
Wholesale and retail	547.3	8.4%	558.2	8.5%	549.5	8.4%	544.9	8.0%	537.7	7.7%	-11.8	-2.1%	-0.7%
Finance and insurance	271.7	4.2%	252.2	3.8%	234.9	3.6%	229.8	3.4%	255.0	3.7%	20.1	8.6%	0.1%
Real estate	855.1	13.2%	861.9	13.1%	849.5	13.0%	842.0	12.3%	864.9	12.4%	15.4	1.8%	-0.6%
Leasing	218.0	3.4%	223.7	3.4%	292.2	4.5%	295.0	4.3%	301.0	4.3%	8.8	3.0%	-0.1%
Services	310.8	4.8%	333.4	5.1%	336.0	5.1%	329.2	4.8%	332.7	4.8%	-3.3	-1.0%	-0.4%
Other	3,029.4	46.8%	3,070.1	46.6%	3,015.4	46.1%	3,318.8	48.6%	3,403.2	48.9%	387.8	12.9%	2.8%

<Reference>

Automobile-related (domestic)	154.7	2.4%	187.4	2.8%	182.7	2.8%	183.3	2.7%	189.1	2.7%	6.4	3.5%	-0.1%
Shipbuilding and marine transportation	702.3	10.8%	716.7	10.9%	717.9	11.0%	710.2	10.4%	743.1	10.7%	25.2	3.5%	-0.3%

6. Moneylending shares in Hiroshima Prefecture

(%)

Shares in Hiroshima Prefecture	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
Hiroshima Bank		34.8%		34.5%		34.3%		34.1%		34.0%			-0.3%
Other regional banks		19.6%		19.6%		19.9%		20.1%		20.6%			0.7%
Second regional banks		19.9%		19.8%		19.2%		19.1%		19.0%			-0.2%
Mega banks		12.4%		12.6%		13.1%		13.2%		13.0%			-0.1%
Shinkin Banks		13.3%		13.5%		13.5%		13.5%		13.4%			-0.1%

7. Loans outstanding to small and medium-sized enterprises, etc. and their ratio

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Loans outstanding to small and medium-sized enterprises, etc.	4,272.1	65.9%	4,335.9	65.8%	4,415.6	67.5%	4,363.0	63.9%	4,458.4	64.0%	42.8	1.0%	-3.5%

5. Deposits

1. Breakdown of deposits

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	7,709.0	100.0%	8,323.7	100.0%	8,699.6	100.0%	8,811.9	100.0%	9,095.0	100.0%	395.4	4.5%	-
Liquid deposits	5,229.9	67.8%	5,566.4	66.9%	6,021.3	69.2%	6,017.0	68.3%	6,394.1	70.3%	372.8	6.2%	1.1%
Fixed-term deposits	2,193.5	28.5%	2,201.0	26.4%	2,215.7	25.5%	2,212.7	25.1%	2,190.5	24.1%	-25.2	-1.1%	-1.4%
Foreign currency deposits, etc.	118.0	1.5%	131.4	1.6%	131.3	1.5%	130.6	1.5%	166.4	1.8%	35.1	26.7%	0.3%
NCD	167.4	2.2%	424.8	5.1%	331.2	3.8%	451.4	5.1%	343.8	3.8%	12.6	3.8%	0.0%

2. Deposits outstanding by region

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	7,709.0	100.0%	8,323.7	100.0%	8,699.6	100.0%	8,811.9	100.0%	9,095.0	100.0%	395.4	4.5%	-
Hiroshima	6,824.5	88.5%	7,372.8	88.6%	7,707.5	88.6%	7,819.9	88.7%	8,085.7	88.9%	378.2	4.9%	0.3%
Okayama	301.8	3.9%	325.6	3.9%	345.5	4.0%	340.5	3.9%	331.1	3.6%	-14.4	-4.2%	-0.3%
Ehime	194.7	2.5%	205.6	2.5%	202.8	2.3%	212.9	2.4%	221.4	2.4%	18.6	9.2%	0.1%
Yamaguchi	200.3	2.6%	217.6	2.6%	228.7	2.6%	229.9	2.6%	225.0	2.5%	-3.7	-1.6%	-0.2%
Other	187.5	2.4%	201.9	2.4%	215.0	2.5%	208.4	2.4%	231.5	2.5%	16.5	7.7%	0.1%

3. Deposits outstanding by person

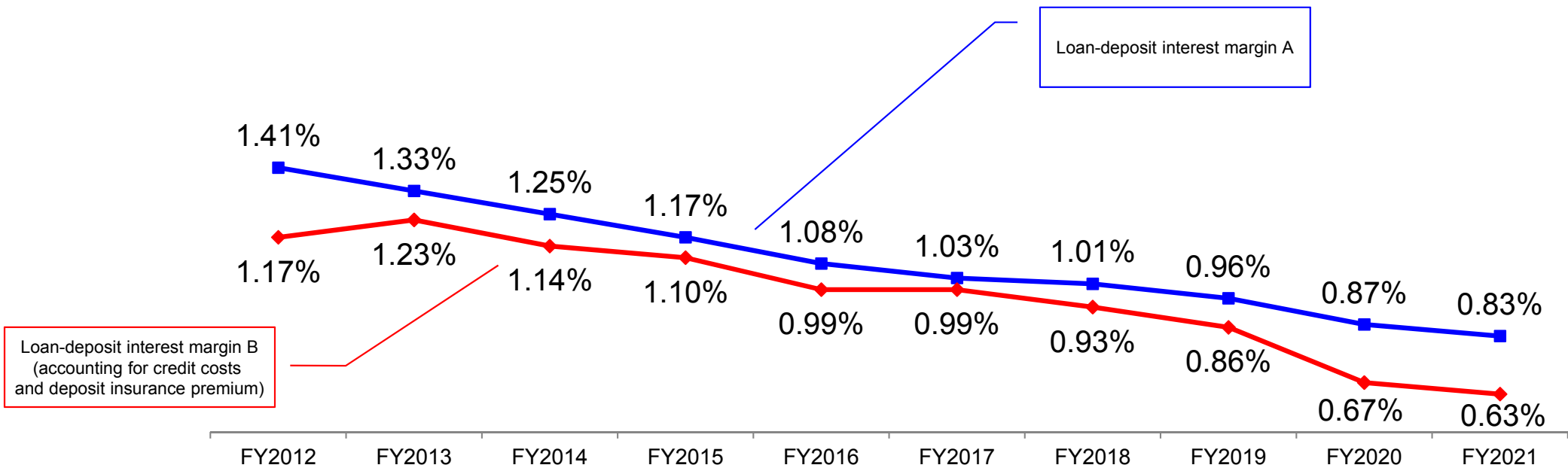
(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Deposits	7,709.0	100.0%	8,323.7	100.0%	8,699.6	100.0%	8,811.9	100.0%	9,095.0	100.0%	395.4	4.5%	-
Individual	4,999.8	64.9%	5,246.9	63.0%	5,448.5	62.6%	5,583.8	63.4%	5,735.5	63.1%	287.0	5.3%	0.4%
Liquid deposits	3,214.7	41.7%	3,445.1	41.4%	3,645.7	41.9%	3,777.4	42.9%	3,944.0	43.4%	298.3	8.2%	1.5%
Fixed-term deposits	1,752.2	22.7%	1,771.0	21.3%	1,771.5	20.4%	1,776.5	20.2%	1,766.2	19.4%	-5.3	-0.3%	-0.9%
Foreign currency deposits	32.7	0.4%	30.6	0.4%	31.2	0.4%	29.7	0.3%	25.2	0.3%	-6.0	-19.2%	-0.1%
NCD	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0%
Corporate	2,358.0	30.6%	2,572.9	30.9%	2,750.5	31.6%	2,696.7	30.6%	2,769.6	30.5%	19.1	0.7%	-1.2%
Liquid deposits	1,762.8	22.9%	1,959.5	23.5%	2,105.5	24.2%	2,068.5	23.5%	2,094.1	23.0%	-11.4	-0.5%	-1.2%
Fixed-term deposits	412.4	5.3%	393.0	4.7%	407.6	4.7%	394.2	4.5%	385.8	4.2%	-21.8	-5.3%	-0.4%
Foreign currency deposits	85.2	1.1%	100.7	1.2%	100.1	1.2%	100.8	1.1%	141.1	1.6%	41.0	41.0%	0.4%
NCD	97.4	1.3%	119.4	1.4%	137.2	1.6%	133.1	1.5%	148.5	1.6%	11.3	8.2%	0.1%
Public fund	292.3	3.8%	464.0	5.6%	432.0	5.0%	483.6	5.5%	511.8	5.6%	79.8	18.5%	0.7%
Financial	58.8	0.8%	39.7	0.5%	68.5	0.8%	47.7	0.5%	77.9	0.9%	9.4	13.7%	0.1%

* "Deposits" includes "NCD".

6. Status of Loan-Deposit Interest Margin Rates

Trend of loan-deposit interest margin rates



	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
(1) Loan interest rate	1.49%	1.39%	1.30%	1.22%	1.12%	1.06%	1.03%	0.98%	0.88%	0.83%
(2) Credit cost ratio	0.18%	0.04%	0.05%	0.03%	0.05%	0.00%	0.05%	0.07%	0.17%	0.17%
(3) Deposit rate, etc.	0.08%	0.06%	0.05%	0.05%	0.04%	0.03%	0.02%	0.02%	0.01%	0.00%
(4) Deposit insurance premium (deposit insurance premium/ average balance of deposits, etc.)	0.06%	0.06%	0.06%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%
(5) Loan-deposit margin A [(1) - (3)]	1.41%	1.33%	1.25%	1.17%	1.08%	1.03%	1.01%	0.96%	0.87%	0.83%
(6) Loan-deposit margin B [(1) - (2) - (3) - (4)]	1.17%	1.23%	1.14%	1.10%	0.99%	0.99%	0.93%	0.86%	0.67%	0.63%

7. Securities (1)

1. Balance of securities by term to maturity (market value)

(JPY Bn)

	One year or less	More than one year but not more than three years	More than three years but not more than five years	More than five years but not more than seven years	More than seven years but not more than 10 years	More than 10 years	Term to maturity not specified	Total
March 31, 2021								
Government bonds	30.2	24.3	5.1	-	180.8	188.7	-	429.3
Local government bonds	5.5	9.3	53.6	37.3	61.3	5.9	-	173.3
Corporate bonds	13.4	35.6	65.4	11.3	16.3	132.5	-	274.9
Stocks	-	-	-	-	-	-	99.5	99.5
Other securities	15.1	39.9	37.8	115.3	72.0	146.3	82.4	509.1
Of which foreign securities	5.6	5.1	29.1	104.5	54.4	129.4	18.9	347.4
March 31, 2022								
Government bonds	14.0	10.1	3.9	2.0	322.9	147.3	-	500.4
Local government bonds	5.3	29.4	54.1	32.9	91.1	50.8	-	263.9
Corporate bonds	14.5	60.0	48.9	12.4	15.8	131.4	-	283.2
Stocks	-	-	-	-	-	-	108.0	108.0
Other securities	19.7	50.1	57.3	87.0	78.7	128.5	91.7	513.3
Of which foreign securities	1.9	27.5	32.4	73.6	66.3	112.0	22.1	336.1

8. Securities (2)

2. Breakdown of net unrealized gains/losses on securities

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Securities	20.8	39.6	38.6	39.6	1.5	-37.1
Stocks	22.2	34.6	43.1	38.5	31.6	-11.5
Bonds	5.1	3.6	0.1	2.1	-11.2	-11.3
Government and local government bonds	3.3	1.6	-1.3	1.2	-10.1	-8.8
Corporate bonds	1.8	2.0	1.4	0.9	-1.0	-2.4
Other	-6.5	1.2	-4.6	-0.9	-18.9	-14.3
Of which foreign bonds	1.6	3.4	-5.8	-3.1	-16.0	-10.2

3. Balance of cross-shareholdings

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Cross-shareholdings	52.0	51.0	49.8	48.6	42.9	-6.9
Publicly traded shares	47.7	46.7	45.3	43.9	38.3	-7.0
Unlisted shares	4.3	4.3	4.5	4.7	4.6	-0.1

4. Duration

(Year)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Yen bond duration	6.21	6.32	6.54	6.95	7.24	0.70
Foreign bond duration	4.93	4.71	5.05	5.00	5.57	0.52

5. Interest rate delta*

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Government bonds, etc.	1.5	1.9	2.6	3.5	4.0	1.4
Foreign securities in foreign currencies	0.9	1.3	1.7	1.4	1.8	0.1

*Decrease in fair value when interest rates decline by 10bp

9. Business Operations

1. Breakdown of corporate solutions

(Trades/JPY Bn)

	FY2019		1H of FY2020		FY2020		1H of FY2021		FY2021		Compared to FY2020	
	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit	No. of trades	Profit
Corporate solutions	-	3.5	-	1.4	-	4.1	-	1.6	-	5.0	-	0.9
Business succession support, M&As	124	0.4	46	0.1	116	0.6	45	0.2	112	0.6	-4	0.0
Derivatives	126	1.0	63	0.5	153	1.1	61	0.5	148	1.2	-5	0.1
Syndicated loans	25	1.4	12	0.4	28	1.7	11	0.6	21	2.2	-7	0.5
Bond trustee services	93	0.4	53	0.2	129	0.4	72	0.2	152	0.5	23	0.1
Business matching, etc.	-	0.3	-	0.2	-	0.3	-	0.1	-	0.2	-	-0.1

2. Breakdown of asset management

(JPY Bn)

	FY2019		1H of FY2020		FY2020		1H of FY2021		FY2021		Compared to FY2020	
	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit	Sales	Profit
Asset management	-	6.0	-	2.4	-	5.5	-	2.8	-	5.4	-	-0.1
Investment trusts	39.2	1.5	9.7	0.5	24.3	1.1	11.9	0.6	23.9	1.1	-0.4	0.0
Pension insurance	29.0	1.1	7.9	0.3	21.3	0.7	8.5	0.3	15.1	0.4	-6.2	-0.3
Life insurance sales by banks	-	1.2	-	0.6	-	1.3	-	0.6	-	1.2	-	-0.1
Non life insurance	-	0.1	-	0.1	-	0.1	-	0.1	-	0.1	-	0.0
Public bonds	32.0	0.1	4.6	0.0	12.5	0.1	5.7	0.0	10.3	0.1	-2.2	0.0
Financial instruments intermediary services	6.9	0.7	8.0	0.5	10.7	1.0	2.7	0.5	7.0	1.0	-3.7	0.0
Foreign currency deposits	73.3	0.8	19.6	0.3	43.8	0.6	29.8	0.3	54.2	0.6	10.4	0.0
Trust business, etc.	-	0.5	-	0.2	-	0.6	-	0.3	-	0.7	-	0.1

3. Total assets in custody

(JPY Bn)

Outstanding balance	March 31, 2020		September 30, 2020		March 31, 2021		September 30, 2021		March 31, 2022		Compared to March 31, 2021		
	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	% of total	Ending balance	YoY	% of total
Total assets in custody	9,215.1	100.0%	9,880.5	100.0%	10,265.2	100.0%	10,365.8	100.0%	10,631.2	100.0%	366.0	3.6%	-
Deposits	7,709.0	83.7%	8,323.7	84.2%	8,699.6	84.7%	8,811.9	85.0%	9,095.0	85.6%	395.4	4.5%	0.8%
Individual (non-deposit)	956.2	10.4%	954.6	9.7%	914.1	8.9%	899.3	8.7%	897.0	8.4%	-17.1	-1.9%	-0.5%
Investment trusts	196.8	2.1%	185.0	1.9%	169.6	1.7%	160.1	1.5%	153.7	1.4%	-15.9	-9.4%	-0.2%
Public bonds	185.8	2.0%	175.1	1.8%	151.6	1.5%	135.2	1.3%	126.0	1.2%	-25.6	-16.9%	-0.3%
Pension insurance	435.1	4.7%	424.5	4.3%	404.3	3.9%	391.0	3.8%	382.5	3.6%	-21.8	-5.4%	-0.3%
Financial instruments intermediary services, etc.	138.2	1.5%	169.7	1.7%	188.5	1.8%	212.8	2.1%	234.5	2.2%	46.0	24.4%	0.4%
Corporate (non-deposit)	159.8	1.7%	170.4	1.7%	178.7	1.7%	185.1	1.8%	190.8	1.8%	12.1	6.8%	0.1%
Investment trusts	4.1	0.0%	4.0	0.0%	3.4	0.0%	2.9	0.0%	2.7	0.0%	-0.7	-20.6%	0.0%
Public bonds	18.2	0.2%	18.4	0.2%	18.3	0.2%	17.5	0.2%	16.6	0.2%	-1.7	-9.3%	0.0%
Financial instruments intermediary services, etc.	137.4	1.5%	147.8	1.5%	156.9	1.5%	164.6	1.6%	171.4	1.6%	14.5	9.2%	0.1%
Hirogin Securities (mark-to-market basis)	389.9	4.2%	431.7	4.4%	472.6	4.6%	469.3	4.5%	448.3	4.2%	-24.3	-5.1%	-0.4%

Note: EOY balance for Hirogin Securities excludes balances related to financial instruments intermediary services.

10. Disclosed Claims under the Financial Revitalization Law and Credit Costs

1. Breakdown of non-performing loans

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Disclosed claims under the Financial Revitalization Law	69.8	78.7	89.9	97.5	84.1	-5.8
(Ratio of non-performing loans)	(1.06%)	(1.18%)	(1.36%)	(1.41%)	(1.19%)	(-0.17%)
Substandard claims	17.6	26.8	28.7	39.6	40.1	11.4
Doubtful claims	46.1	45.6	55.3	52.3	37.2	-18.1
Bankrupt and substantially bankrupt claims	6.1	6.2	5.9	5.7	6.7	0.8
Manufacturing	20.9	19.2	20.0	20.9	13.7	-6.3
Construction	4.3	4.6	4.5	4.4	4.6	0.1
Transportation and mailing	0.5	0.9	1.0	1.9	2.2	1.2
Wholesale and retail	10.6	12.6	13.1	13.3	13.6	0.5
Real estate and leasing	8.6	9.5	14.1	16.9	15.7	1.6
Services	10.9	14.8	20.8	25.8	25.1	4.3
Other	13.9	17.1	16.4	14.3	9.3	-7.1
Total	69.8	78.7	89.9	97.6	84.1	-5.8

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

2. Non-performing loan coverage ratio

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Disclosed claims under the Financial Revitalization Law	69.6%	67.1%	70.6%	72.2%	76.6%	6.0%
Substandard claims	44.8%	41.2%	40.0%	44.3%	55.7%	15.7%
Doubtful claims	75.1%	77.9%	83.3%	90.4%	94.8%	11.5%
Bankrupt and substantially bankrupt claims	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%

3. Credit costs and credit cost ratio

	FY2019	1H of FY2020	FY2020	1H of FY2021	FY2021	Compared to FY2020
Credit costs	4.2	4.3	11.1	4.9	11.9	0.8
(Credit cost ratio)	(0.07%)	(0.13%)	(0.17%)	(0.14%)	(0.17%)	(0.00%)

11. Capital Adequacy Ratio

1. Capital adequacy ratio (consolidated)

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Amount of basic items related to core capital ①	462.8	451.7	459.6	469.2	444.2	-15.4
Of which amount of shareholders' equity related to common stock or mandatory convertible preferred stock	428.0	417.3	420.5	430.9	434.8	14.3
Of which amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments	15.0	15.0	15.0	15.0	-	-15.0
Amount of adjustment items related to core capital ②	63.4	66.8	72.3	74.5	47.3	-25.0
Amount of owned equity ① - ② ③	399.3	384.8	387.2	394.6	396.8	9.6
Total amount of risk-weighted assets, etc. ④	3,664.6	3,753.2	3,814.9	3,838.3	3,995.3	180.4
Consolidated capital adequacy ratio ③ / ④	10.89%	10.25%	10.15%	10.28%	9.93%	-0.22%

2. Capital adequacy ratio (nonconsolidated)

(JPY Bn)

	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021	March 31, 2022	Compared to March 31, 2021
Amount of basic items related to core capital ①	441.4	433.3	434.9	445.3	432.2	-2.7
Of which amount of shareholders' equity related to common stock or mandatory convertible preferred stock	418.7	410.6	414.2	424.7	428.5	14.3
Of which amount included in the amount of basic items related to core capital, of the amount of eligible former capital raising instruments	15.0	15.0	15.0	15.0	-	-15.0
Amount of adjustment items related to core capital ②	51.7	55.6	55.8	58.7	43.0	-12.8
Amount of owned equity ① - ② ③	389.6	377.7	379.0	386.5	389.1	10.1
Total amount of risk-weighted assets, etc. ④	3,675.6	3,790.0	3,833.7	3,854.4	4,007.6	173.9
Capital adequacy ratio ③ / ④	10.59%	9.96%	9.88%	10.02%	9.71%	-0.17%

12. Risk Management

[State of comprehensive risk management]

Operations conducted well within risk quantity limits

(JPY Bn)

		Risk quantity limits (2H of FY2021)		Risk quantity (March 31, 2022)
Credit risk		71.0		
Market risk	Interest rate risk	44.0		54.9
	Net investment in securities, etc. (excluding bonds)	56.0		2.3
	Policy investment securities, etc. (excluding bonds)	60.0		23.1
				26.4
Operational risk		15.0		15.0
Total		246.0		121.7

[Standards for measuring risk quantity]

		Measuring method	Confidence level	Holding period
Credit risk				One year
Market risk	Interest rate risk	VaR (Note)	99.9%	-
	Deposits, loans, etc.			One year
	Securities			Three months
	Net investment in securities, etc. (excluding bonds)			Three months
	Policy investment securities, etc. (excluding bonds)			Three months
	Cross-shareholdings			Six months
Operational risk			-	

Note: Method of calculating the maximum loss through statistical analysis of historical data

[State of interest rate risk in the banking book (IRRBB) (End of March 2022)]

Results of materiality tests

(JPY Bn)

①ΔEVE (*2)	31.8
②Amount of owned equity (consolidated)	396.8
Results of materiality tests (①÷②) (*3)	8.0%

*2: The IRRBB shows declines in market value attributable to interest rate shocks.

*3: The Financial Services Agency's Guidelines for Supervision call for ΔEVE to be no more than 20% of equity.