

# Establishing Our Purpose / Mid-Term Plan 2024

March 2024

Expanding the horizons of the future



Hirogin Holdings, Inc.

## Establishment of our purpose

**Purpose:** The Group's raison d'être

# Expanding the horizons of the future alongside the regional community through wide-ranging services

### Backdrop and reasons for requiring a purpose

- Era of high uncertainty
- Increased diversity in organizations and human resources
- Trend toward emphasizing social significance
- Transition from shareholder capitalism to stakeholder capitalism in corporate management



**Significant changes from the past both within corporate organizations and in how society views companies**

### Clarification of the basis and objective of the Group's businesses and starting point to which the Group and its employees should return

- Foster a sense of unity within the corporate organization
- Strengthen employee motivation (Clarify the social significance of the work of each employee)
- Clearly indicate that the objective of our business activities is to contribute to resolving social issues

# Purpose / management philosophy / brand slogan

**Purpose:** The Group's raison d'être

Expanding the horizons of the future alongside the regional community through wide-ranging services

**Management Policy:** Management Vision & Code of Conduct

**Management Vision:** The ideal state of the Group

Contribute to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers.

**Code of Conduct:** Basic concept for deploying the management vision in concrete ways and our promise to stakeholders

Hirogin Holdings will endeavor to create shared value with the regional community and realize a sustainable society, based on the five items of the Code of Conduct.

1. Work in step with regional communities to actively contribute to their development
2. Think and act from the customers' points of view to contribute to their prosperous life and business development
3. Continuously enhance the Company's corporate value
4. Create a cheerful, rewarding corporate group where everyone works healthfully
5. Exercise a high level of compliance

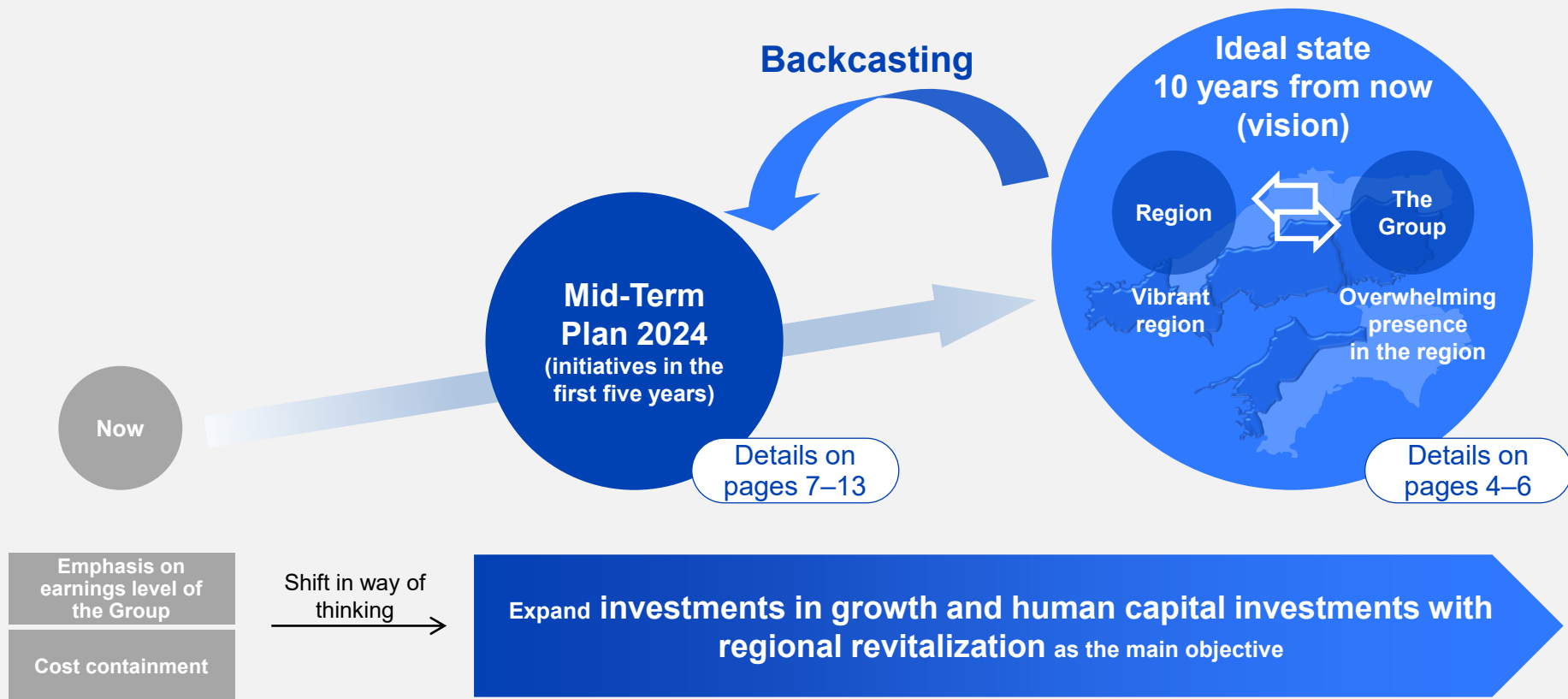
**Brand slogan**

Expanding the horizons of the future



# Philosophy underpinning the Mid-Term Plan 2024

Based on the shared ideal state of the region and the Group 10 years from now, we formulated Mid-Term Plan 2024, which covers the first five-year period by backcasting from the ideal state 10 years from now.



# Vision of the ideal state 10 years from now: Materialities in the region

State of the region  
desired 10 years  
from now

Vibrant region  
=  
A sustainably  
developing region



Maintaining and  
growing  
prefectural GDP

Slowing the trend  
of shrinking  
populations



Increasing  
productivity



Restraining decreases in  
permanent population



Increasing visitors to the  
prefecture



Developing high value-added  
industries that drive the future  
growth of the regional economy



Increasing corporate  
productivity



Strengthening corporate  
sustainability  
(a precondition for corporate survival)



Ideal state 10 years from now

Mid-Term Plan 2024

## Materialities in the region

### Curbing population decline

A region where young people will stay as permanent residents (A region that facilitates both work and childrearing)

### Urban development

Making the region more attractive; realizing a good life

### Growth as tourism-based prefecture

Transitioning from tourism based on travelers passing through to tourism based on touring and staying in the region

### Growth/regeneration of manufacturing businesses serving as core industries

### Industrial innovation

Transformation of industrial structure; Growing startups and venture companies

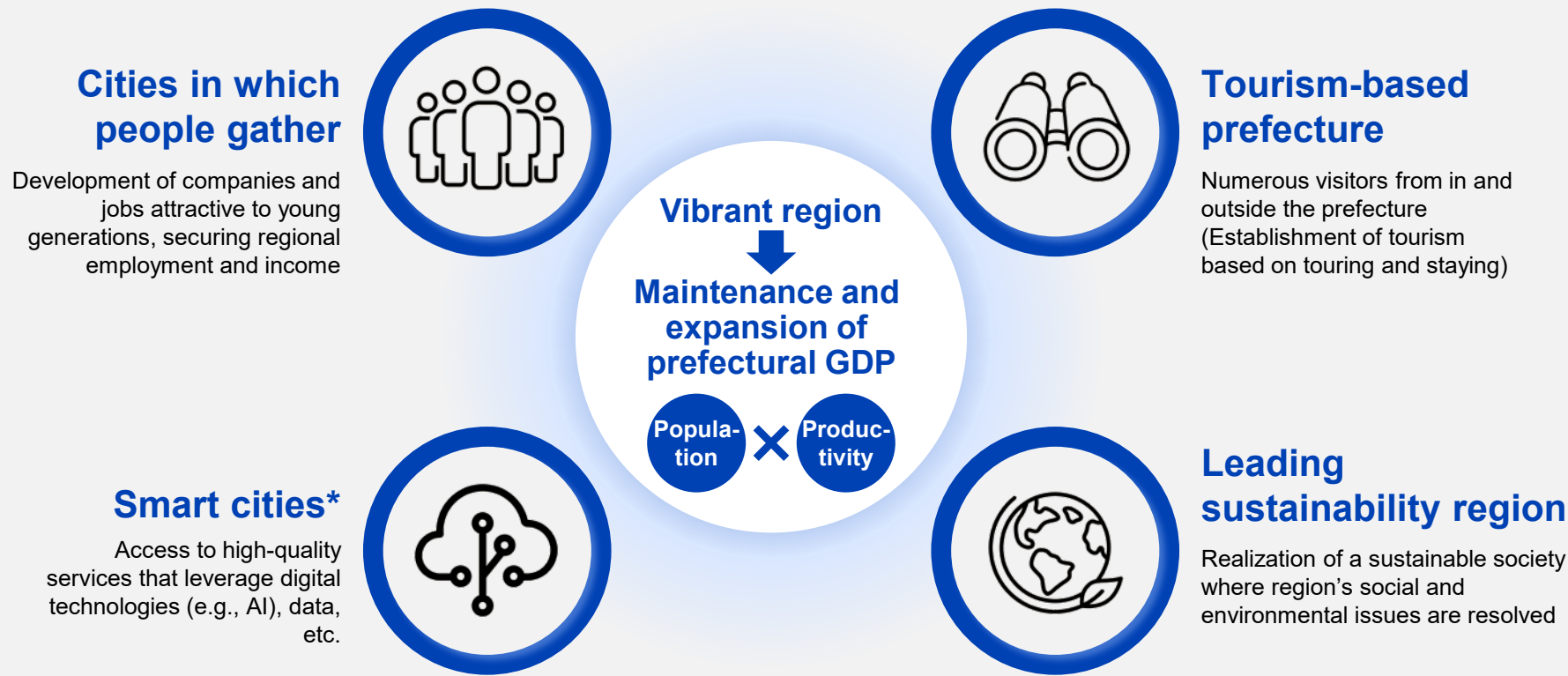
### Investment in human capital

### Promoting DX

### Facilitating carbon neutrality

Regional revitalization metrics set for  
materialities marked with 

# Ideal state of the region 10 years from now



\* Smart cities: Sustainable cities and regions that continue to create new value by solving the issues faced by cities and regions by leveraging new information, communication, and other technologies and enhancing the level of management (planning, maintenance, administration, operation, etc.)

# Ideal state of the Group 10 years from now



Demonstrating overwhelming presence in the region

## Deepening and expanding the business axes

Function



Structure  
(human  
resources)

## Maximizing human capital

Providing advanced financial and nonfinancial solutions

Providing wide-ranging services that leverage alliances

Strengthening of Groupwide joint efforts

Human resources sought by the Group:  
Generalists with both expertise and management capabilities  
Specialists capable of generating solutions

Providing organizational support for the autonomous career development of every employee  
(Enhancing human capital investments, including reskilling)

Ensuring the active engagement of every employee

Reviewing compensation levels, including base salary hikes, on a continual basis

Increasing  
corporate value

Continuous improvement in ROE  
(8–10%, which exceeds the cost of equity)

Increase in capital adequacy;  
enhancement of returns to shareholders and BPS

Continuous improvement in contribution of nonbank Group companies to consolidated performance

Continuous improvement in PBR  
(to ensure more than 1x)

Developing real strength in the Group in the first five years  
with eyes firmly on the state 10 years from now

# Overview of the Mid-Term Plan 2024

## Basic concept

### Striking a balance among investments in growth, soundness, and shareholder returns to further increase corporate value

Developing real strength in the Group through regional revitalization as we take on new risks, such as reviewing our structures and actively investing in new businesses (expanding the business axes), to address the needs of our customers and the region, in addition to improving the quality of our existing businesses (deepening the business axes)

(Materialities)

#### Priorities for the region

Regional revitalization metrics set for materialities marked with

Curbing population decline

Urban development

Growth as tourism-based prefecture

Growth/regeneration of manufacturing businesses serving as core industries

Industrial innovation

Investment in human capital

Promoting DX

Facilitating carbon neutrality

#### Priorities for the Group

Increasing corporate value



Value creation strategies

Management foundation reinforcement strategies

Strategy drivers



# Overview of the strategy

Ideal state 10 years from now

Mid-Term Plan 2024

## Materialities in the region

- Curbing population decline
- Urban development
- Growth as tourism-based prefecture
- Growth/regeneration of manufacturing businesses serving as core industries
- Industrial innovation
- Investment in human capital
- Promoting DX
- Facilitating carbon neutrality

Regional revitalization metrics set for materialities marked with 

## Materialities in the Group

### Increasing corporate value

- Ensuring sustainable growth of the Group through contributions to the growth of the region and customers (Improving profitability, growth potential, soundness, and efficiency)
- Improving engagement with employees, shareholders, and investors

Further enhancing Groupwide joint efforts, improving the quality of Group companies, and expanding the axes along which their businesses are based

Reallocating management resources through structural reforms

## Value creation strategies

Initiatives targeting growth and development of the region and customers

### Basis of strategies

## Customer-centric business operation

Providing services carefully tailored to the problems and needs of individual customers to live up to their trust

Helping to create a vibrant region

Ensuring growth and development of corporate and individual customers

## Management foundation reinforcement strategies

Initiatives targeting measures to strengthen the Group's own management foundation

Enhancing human capital investments

Strengthening structures in priority areas

Reviewing business operation using IT and DX

## Strategy drivers

Initiatives targeting the transformation of the region, customers, and the Group

SX

Sustainability transformation

- Initiatives targeting climate change and environmental issues
- Creating workplace environments in which diverse human resources can flourish (Diversity and inclusion)

DX

Digital transformation

- Constantly providing new value with DX as the basis for all measures

AX

Alliance transformation

- Advancing value creation through external alliances

# Value creation strategies

Ideal state 10 years from now

Mid-Term Plan 2024

## Contributing to achieving materialities in the region

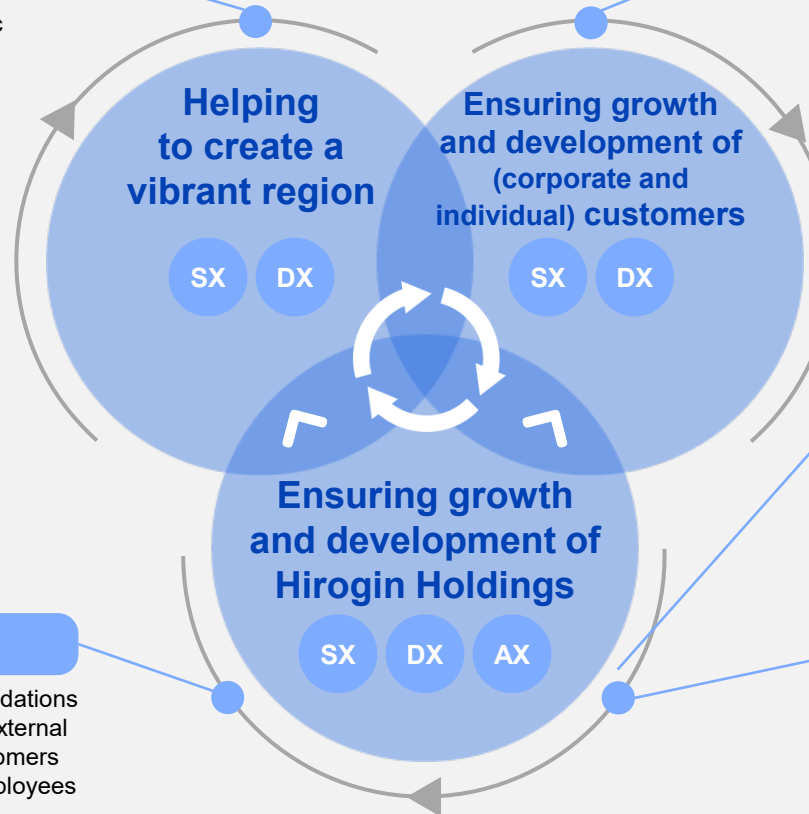
Working on regional revitalization by resolving regional issues in collaboration with local public agencies and local companies (Creating growth foundations for customers)

### Materialities in the region

- Curbing population decline
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- Industrial innovation
- Investment in human capital
- Promoting DX
- Facilitating carbon neutrality

## Branding

Improving Group marketing from the foundations by rebuilding the Hirogin brand through external branding that targets the region and customers as well as inner branding that targets employees and by establishing a regional presence



## Providing solutions according to business stages and life events

Uncovering the latent needs of customers according to business stages and life events and providing solutions by the Group to resolve every issue (Ensuring customer growth)

### Pillars of the strategies

Corporate customers	Individual customers
(1) Creating new businesses, developing industries	(1) Supporting customer asset building
(2) Taking risks strategically	(2) Creating nonfinancial retail services
(3) Promoting SX	(3) Strengthening points of contact with asset-building population
(4) Promoting DX	(4) Expanding customers from alliance partners, etc.
(5) Strengthening digitalization efforts	(5) Strengthening digitalization efforts

## Expanding businesses of Group companies

- Increasing the value of existing businesses: Improving the quality of solutions (Deepening business axes)
- Working on new businesses: Expanding the range of solutions (Expanding business axes)

## Creating new businesses

Creating new businesses through collaborations with startups, other industries, and other financial institutions, while using active investments, etc. (Expanding business axes in the Group)

## Value creation strategies

Strategic allocation of human resources, review of structures

### Strengthening structures in priority areas (Reinforcing resources)

Regional development business

Securities investment, ALM

Corporate sector  
(including equity, shipping, etc.)

Nonfinancial areas

Wealth management

IT, digitalization, MEJAR-related

- Review and efficiency improvements of operating structures in administrative areas and the planning and management areas of headquarters (Staff shifts)

Initiatives to realize the strategic allocation of human resources

### Strengthening the management of portfolio of specialized human resources

- Integrated human resource management linked to the business model for each area

Recruitment, development, allocation, etc. of human resources in areas requiring high specialization, such as regional development business, IT, digitalization

### Enhancing investment in human capital (e.g. reskilling)

- Support of skills acquisition in priority areas
- Review of human resource programs and compensation levels of Group companies

### Strengthening engagement

### Reviewing operating processes utilizing IT and DX

- Development of systems infrastructure (Transition to MEJAR, etc.)
- Enhancement of IT governance (Measures for cybersecurity)

Automation of operations through RPA, AI, etc.

Efficiency improvements achieved through centralization at headquarters

Investments in growth centered on DX

Strategy drivers

SX

DX

AX

## Strategy drivers

### SX

Sustainability transformation

- Striving to realize a sustainably developing region and to achieve sustainable growth of the Group through initiatives targeting carbon neutrality for the Group, customers, and the region
- Under the DE&I concept, creating workplace environments in which diverse human resources can flourish and engaging with customers

Realizing SX across the region by engaging with stakeholders and implementing specific measures

### DX

Digital transformation

- Constantly providing new value to employees (within the Group), customers, and the region with DX as the basis for all measures
- Transforming the awareness of all Group companies and employees and taking the initiative in DX

Generating social impact through digital innovation, digitalization, and digitization initiatives

### AX

Alliance transformation

- Considering capital and business tie-ups with other companies as needed to create higher value and strengthen management foundations at Group companies
- Ensuring alliances with startups, other industries, and other financial institutions to create new businesses (business and capital tie-ups, joint ventures, etc.)

Value creation strategies

Management foundation reinforcement strategies

# Regional revitalization metrics

Ideal state 10 years from now

Mid-Term Plan 2024

## Materialities in the region

Curbing population decline

Urban development

Growth as tourism-based prefecture

Growth/regeneration of manufacturing businesses serving as core industries

Industrial innovation

Investment in human capital

Promoting DX

Facilitating carbon neutrality

## Group initiatives to achieve the regional revitalization metrics (Initiatives in Hiroshima Prefecture)

(Cumulative of five years)

Support for startups and venture companies:

**800** cases

Number of staff introductions:

**350** cases

Involvement in urban and regional development:

**120** cases

(Cumulative number of involved cases including cases until March 31, 2024: 200 cases)

Investments and loans to the tourism industry:

**130.0** billion yen

(Balance as of March 31, 2029 including balance until March 31, 2024: 200.0 billion yen)

Environmental financing executed:

**180.0** billion yen

(Cumulative amount executed from FY2021 to FY2028: 300.0 billion yen)

## Regional revitalization metrics

Net migration in population in Hiroshima Prefecture

**Reduction of decrease**  
(2028)

Tourism consumption in Hiroshima Prefecture

**Continuous increase\***  
(2028)

Greenhouse gas emissions in Hiroshima Prefecture

**Continuous reduction**  
(FY2028)

## Hiroshima Prefecture's metrics

Net migration in population in Hiroshima Prefecture

**Equilibrium**  
Results for 2023:  
11,409 fewer people

Tourism consumption in Hiroshima Prefecture

**800.0 billion yen**  
(2030)  
Results for 2019:  
441.0 billion yen

Greenhouse gas emissions in Hiroshima Prefecture

**-39.4%** vs. FY2013  
(FY2030)  
Reduction from 59.03 million tons of CO<sub>2</sub> in FY2013 to 35.74 million tons of CO<sub>2</sub> in FY2030

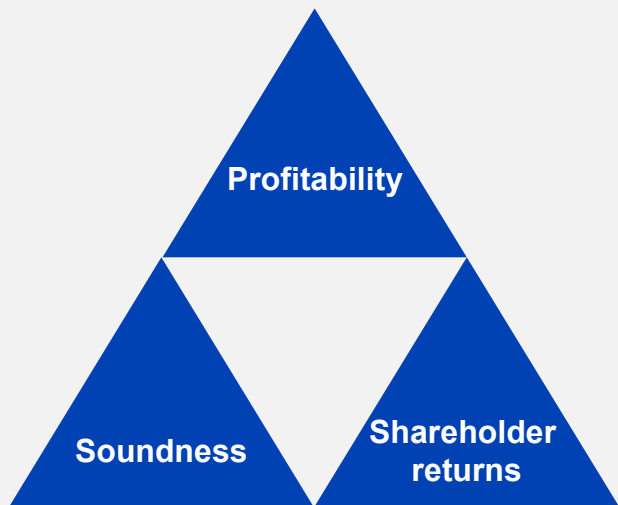
\* Raise consumption per capita by shifting from tourism based on travelers passing through to tourism based on touring and staying in the region

Regional revitalization metrics set for materialities marked with

# Management metrics (FY2028)

Ideal state 10 years from now

Mid-Term Plan 2024



Implementing management that strike a balance between a continuous and steady increase in earnings (increase in internal reserves) and shareholder returns

Improving profitability relative to consolidated net assets

Consolidated ROE:  
**7% or higher**

Results for FY2018: **5.3%**  
Outlook for FY2023: **5.5%**

Consolidated ROE =  $\frac{\text{Net income attributable to owners of the parent}}{\text{Average of net assets at the beginning and end of the fiscal year}^*}$

\* Excluding share acquisition rights and noncontrolling interests

Ensuring soundness

Consolidated capital adequacy ratio:  
**Approx. 11%**

Results for FY2018: **11.0%**  
Outlook for FY2023: **10.7%**

Consolidated capital adequacy ratio =  $\frac{\text{Amount of capital adequacy}}{\text{Amount of risk assets}}$

Increasing net assets per share

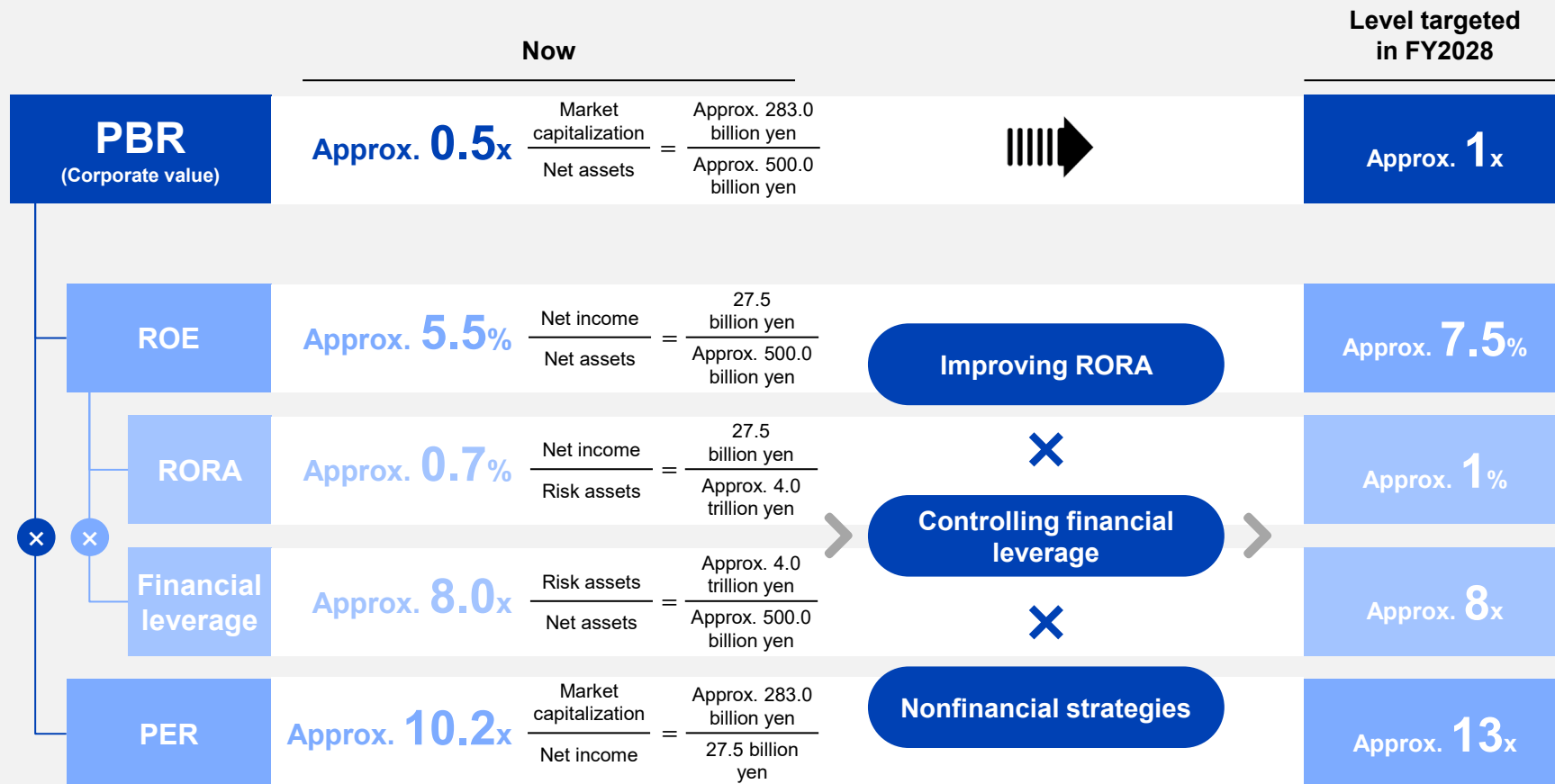
Consolidated BPS:  
**2,000 yen or higher**

Results for FY2018: **1,564 yen**  
Outlook for FY2023: **1,708 yen**

Consolidated BPS =  $\frac{\text{Net assets at the end of the fiscal year}^*}{\text{Shares outstanding at the end of the fiscal year (excluding treasury stock)}}$

\* Excluding share acquisition rights and noncontrolling interests

# Initiatives targeting PBR of 1x



Note: Figures under "Now" above are projections for FY2023; market capitalization and net assets are as of September 30, 2023.