

# 61

## How We Will Grow

### Progress of Mid-Term Management Plan 2020

Hirogin Group is deepening and expanding the scope of business operations and customer base in the markets of its four local prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential in terms of the size of its economy and growth opportunities. At the same time, the Group aims to realize its management policy and achieve sustainable growth by thoroughly working to resolve every issue that faces the local community and customers and actively committing itself to the development of the region.



### Key Progress

(Progress Highlights Since April 2022)

#### | Corporate Value Enhancement

Specific actions aligned with ROE-enhancing policies and strategies that contribute to a higher PBR . . . . . P.65~66

#### | Regional Vitalization and Regional Revitalization

Promotion of entrepreneurship and launch of “Hiromalab,” a co-working space for community formation . . . . . P.74

#### | Strategy for Corporate Customers/Strategy for Retail Customers

Launch of the Hirogin Business Portal, a portal site for business operators . . . . . P.80

Introduction of fund wrap services to realize a goal-based sales approach . . . . . P.81

#### | Channel Strategy/IT Strategy

Revamp of the Hirogin App (with enhanced banking transaction functions and the addition of a digital marketing environment) . . . P.86

Announcement of the establishment of a next-generation backbone system for cloud migration (scheduled to migrate to MEJAR in FY2030) . . . P.87~88

## Management targets in the Mid-Term Management Plan 2020 (Key indicators for FY2023, the final year of the Mid-Term Management Plan 2020)

	Targets	Results
	FY2023	FY2022
Profit attributable to owners of the parent	More than ¥27.0 billion	¥12.5 billion
	FY2023	FY2022
Total of revenue related to consulting services for corporate and retail customers*1 and profit for the Group companies*2	¥16.0 billion or more	¥14.8 billion
	FY2023	FY2022
Contributions of Group companies to consolidated performance*3	12% or more	19.0%
	FY2023	FY2022
Consolidated capital adequacy ratio	10% or more	11.7%
	FY2023	FY2022
Consolidated ROE	5% or more	2.5%

\*1 Revenue related to consulting service for corporate and retail customers = Total of revenues from corporate solutions, asset management, and equity business

\*2 Profit for the Group companies = Total of profit for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

\*3 Contributions of Group companies to consolidated performance = Profit for the Group companies (\*) / Profit attributable to owners of the parent



### Message from the Financial Officer

**We will improve the Group's corporate value by balancing the maintenance of financial soundness with investment for growth and the enhancement of shareholder returns, while also striving to further improve capital efficiency.**

#### Akira Ogi

Director & Senior Managing Executive Officer

In fiscal 2022, which was actually the second year of Mid-Term Management Plan 2020, we worked to deepen and expand our customer base by fostering intra-Group cooperation, and to expand our business operation base, including enhancing Group solution functions.

In fiscal 2023, which is the final year of the plan, we are aiming to achieve our target of more than ¥27.0 billion in profit attributable to owners of the parent. Also, looking toward our next mid-term management plan, we will work to realize sustainable growth by implementing investment for growth that pursues higher profitability, while also advancing a range of strategies, including reallocating management resources through initiatives such as concentrating and streamlining operations with a focus on the holding company.

## Business performance for fiscal 2022 and financial results forecasts for fiscal 2023

### | Business performance for fiscal 2022

In fiscal 2022, the local economy experienced a weakening of exports and production in some of the core industries, including the auto industry, but capital investment was steady. Additionally, as economic and social activity in Japan returned to normal due to factors such as the easing of restrictions on the movement of people that accompanied the COVID-19 pandemic, consumer spending picked up and the business climate gradually improved.

Under such economic circumstances, consolidated gross profit fell by ¥12.7 billion year on year to ¥79.3 billion. Performance by our core businesses was strong, as the Bank experienced an increase in interest on foreign currency-denominated loans and discounts, and in our consulting operations, which is one of our priorities, corporate solutions that have been a particular focus saw an increase in revenues. However, we recorded a loss on the disposal of foreign bonds as the rise in overseas interest rates overturned the balance of income and expenditure.

Furthermore, regarding shareholdings, we recorded a loss (loss on devaluation of equity securities) due to an increase in valuation losses accompanying falling share prices and as a result, profit attributable to owners of the parent declined by ¥10.4 billion year on year to ¥12.5 billion.

### | Financial results forecasts for fiscal 2023

For fiscal 2023, we plan to steadily accumulate revenues through methods such as continuing to increase revenues from interest on loans and discounts at Hiroshima Bank, as well as improving income from asset management as we rebuild our securities portfolio.

On the other hand, we anticipate a decline in asset management revenues from Hiroshima Bank and Hirogin Securities accompanying factors such as a decrease in sales of structured bonds, as well as an increase in credit expenses due to high raw materials prices and an uncertain economic outlook, among other reasons.

Considering the above, we forecast that profit attributable to owners of the parent will increase ¥15.0 billion year on year to ¥27.5 billion.

As a result, we expect to achieve our target for the final year of our mid-term management plan, which is more than ¥27.0 billion in profit attributable to owners of the parent.

## Hirogin Holdings (consolidated)

(¥ billion)	FY2022 results (YoY)	FY2023 forecast (YoY)
Consolidated gross profit (excluding gains and losses related to bonds, such as government bonds)	79.3 (−12.7) 96.1 (−3.1)	— (—) — (—)
Ordinary profit	18.7 (−8.3)	39.5 (+20.8)
Profit attributable to owners of the parent	12.5 (−10.4)	27.5 (+15.0)
Total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank* <sup>1</sup> and profit for the Group companies* <sup>2</sup>	14.8 (±0.0)	13.0 (−1.8)
Contributions of Group companies to consolidated performance* <sup>3</sup>	19.0% (+3.1 pt)	9.8% (−9.2 pt)
Consolidated capital adequacy ratio	11.7% (+1.4 pt)	11.0% (−0.7 pt)
Consolidated ROE	2.5% (−2.0 pt)	5.6% (+3.1 pt)

## Hiroshima Bank (non-consolidated)

(¥ billion)	FY2022 results (YoY)	FY2023 forecast (YoY)
Core gross banking profit	86.5 (−1.4)	85.5 (−1.0)
Core banking profit	34.2 (−0.5)	33.0 (−1.2)
Ordinary profit	16.4 (−6.4)	36.5 (+20.1)
Profit	11.5 (−9.1)	26.0 (+14.5)
(Reference) Credit expenses	0.3 (−11.6)	5.0 (+4.7)

\*1 Bank's revenue related to consulting services for corporate and retail customers is the total of revenues from corporate solutions, asset management, and equity business.

\*2 Profit for the Group companies is the total of profit for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio.

\*3 Contributions of Group companies to consolidated performance is profit for the Group companies (\*2) divided by profit attributable to owners of the parent.

## (Reference) Management objectives for Mid-Term Management Plan 2020

In Mid-Term Management Plan 2020, we are aiming to achieve higher profitability through intra-Group cooperation and have set out management objectives of over ¥16.0 billion in total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank and profit for the Group companies and 12% or more in contributions of Group companies to consolidated performance.

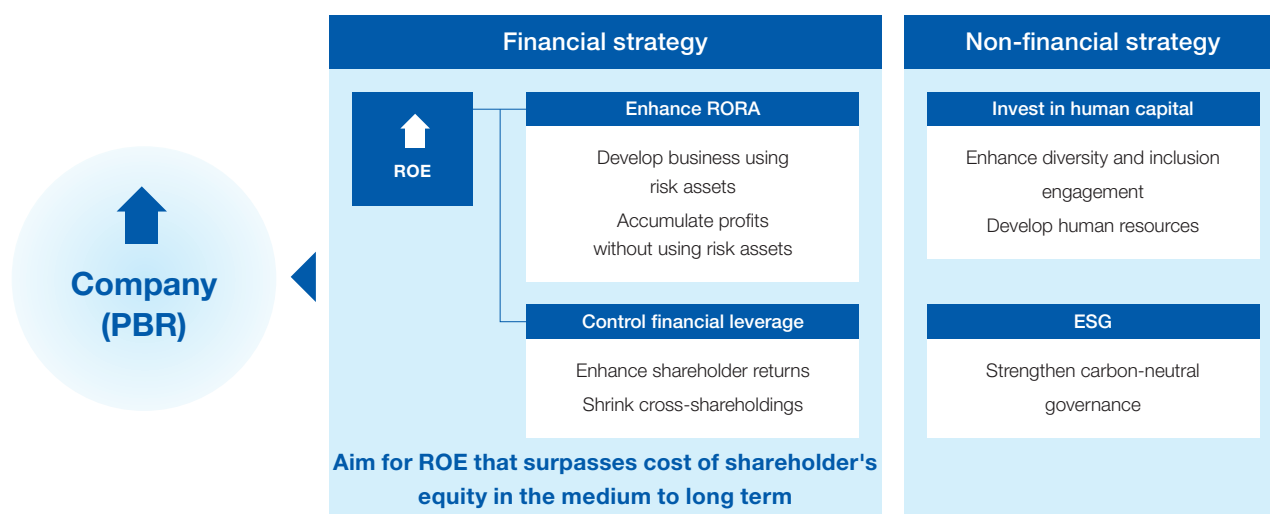
Moreover, we are also forecasting over ¥27.0 billion in profit attributable to owners of the parent and 5% or more in consolidated ROE.

Please see page 68 for a progress report on Mid-Term Management Plan 2020.

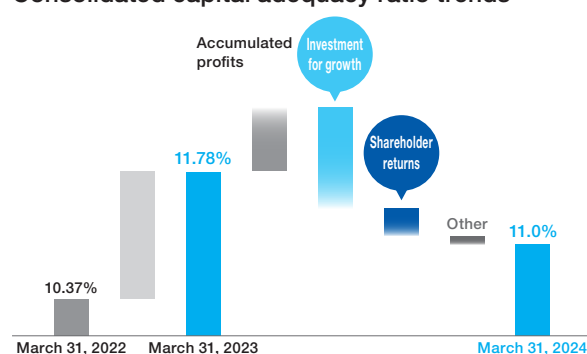
	FY2023
Profit attributable to owners of the parent	More than ¥27.0 billion
Total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank and profit for the Group companies	¥16.0 billion or more
Contributions of Group companies to consolidated performance	12% or more
Consolidated capital adequacy ratio	10% or more
Consolidated ROE	5% or more



## Working to Enhance Corporate Value



### Consolidated capital adequacy ratio trends



### Enhancing ROE through investment for growth and strengthening shareholder returns with a target consolidated capital adequacy ratio of 11%

As of the end of March 2023, Hirogin Holdings' consolidated capital adequacy ratio ("capital adequacy ratio") had increased 1.41 percentage points year on year to 11.78% due to the effects of factors such as the early adoption of the Basel III Endgame.

In fiscal 2023, amid efforts to further enhance capital adequacy, we will make investment for growth aimed at improving profitability and strengthen shareholder returns as follows.

### Enhance RORA

#### Develop business using risk assets

Regarding loans and bills discounted, we will be proactive in taking on credit risk by demonstrating our loan mediation function, particularly in our four home prefectures. Furthermore, in anticipation of future rises in interest rates, we will strengthen initiatives for lending to local small- and medium-sized enterprises and take risks in terms of structured finance.

In addition to this, the manufacturing industry accounts for a large proportion of the industry in our four home prefectures, and this industry is notable for generating large volumes of CO<sub>2</sub> emissions, so we anticipate that movement toward carbon neutrality will have a considerable impact on the regional economy. Within this climate, we plan to reinforce net interest income by focusing on sustainability-related finance, including carbon neutrality measures.

Additionally, in its securities asset management activities, Hiroshima Bank will work to rebuild its securities portfolio to ensure stable and continuous net interest income. It will achieve this by proactively using risk assets with the medium- to long-term aim of realizing a 1% yield on securities after taking external procurement costs into consideration.

In order to advance these initiatives, we will allocate additional capital to risk assets as follows.

#### FY2023 additional risk asset capital allocation

Item	Amount of additional capital allocation
Loans and bills discounted	¥140 billion
Net investment in securities	¥220 billion
Equity investment	¥20 billion

#### Accumulate profits without using risk assets

In the corporate field, which is one of the Group's strengths, we are working to enhance profits that are not based on interest by providing customers with financial and non-financial solutions covering not only M&A and business succession, but also IT application, DX, and personnel affairs solutions, as well as by strengthening our engagement of areas such as businesses for the elderly.

Through these types of initiatives, we will improve RORA (Return on Risk-Weighted Assets)

## Enhance shareholder returns

Previously, we used a dividend criteria table to decide the amount of dividend per share depending on which range the amount of profit attributable to owners of the parent fell under.

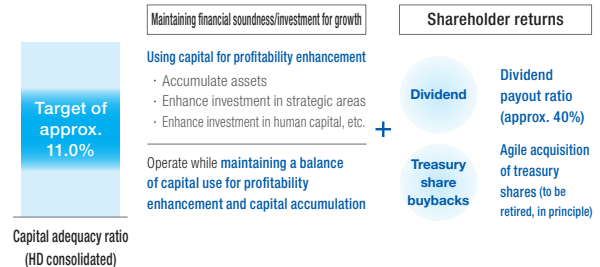
In May 2023, we revised our shareholder return policy, abolishing the dividend criteria table. Our new policy is based on an assumed consolidated capital adequacy ratio for the holding company of 11% and comprises a dividend payout ratio of about 40% and the timely implementation of treasury share buybacks.

Additionally, the 11% capital adequacy ratio represents a level that can be maintained above regulatory requirements, even in a worst-case scenario with the same impact as the 2008 financial crisis.

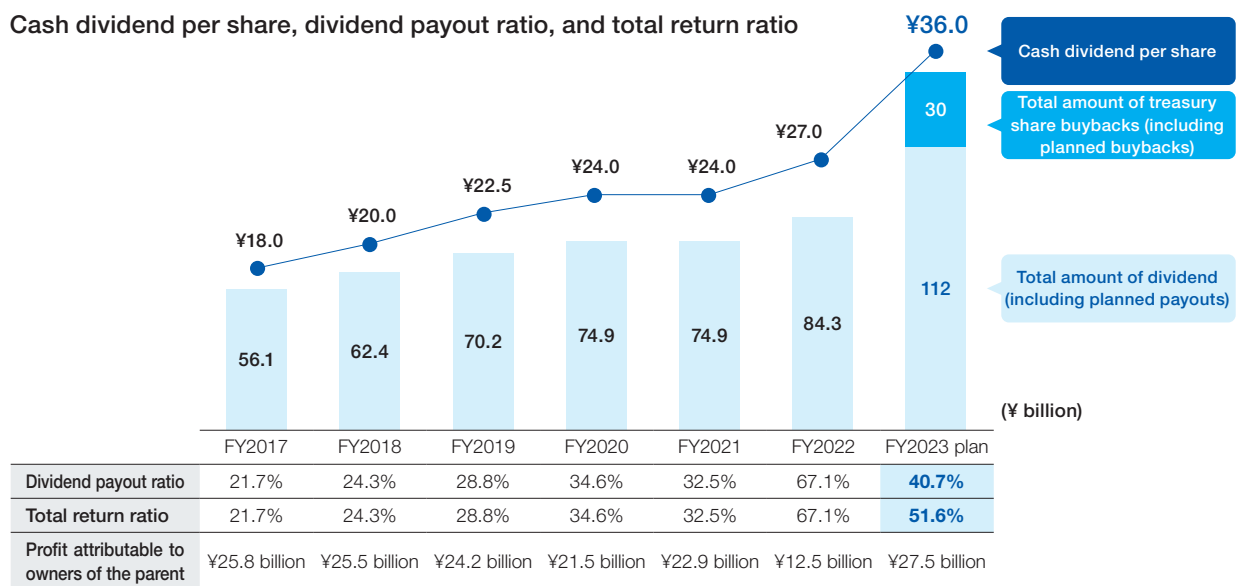
In accordance with this new shareholder return policy, we forecast that the dividend for fiscal 2023 will be ¥36 per share with a dividend payout ratio of 40.7%.

We also plan to repurchase treasury shares totaling ¥3 billion in fiscal 2023. As a result, we anticipate that the total return ratio for fiscal 2023 will be 51.6%.

### Approach to shareholder returns



### Cash dividend per share, dividend payout ratio, and total return ratio



Note: 1. The Group conducted a share consolidation of common shares at the ratio of 1 share for 2 shares on October 1, 2017. Cash dividends per share figures in fiscal 2017 are amounts accounting for the share consolidation.  
2. For fiscal 2020, as Hirogin Holdings was established on October 1, 2020, the interim dividend of ¥12 per share (total of dividends paid: ¥3,748 million) paid by Hiroshima Bank is included.

## Shrink cross-shareholdings

The Group has a basic policy of not engaging in cross-shareholding, except where it is deemed that the holding has a rationale such as development of the regional economy or improvement of corporate value.

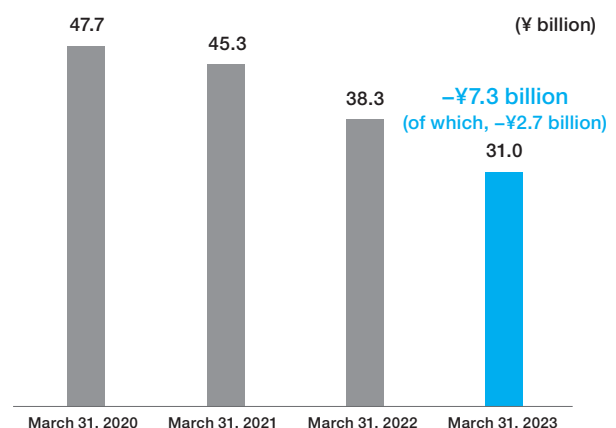
As for shares held, the Group examines the rationale for the shareholding, also taking ESG perspectives into account, and if the Group cannot find sufficient rationale for the shareholding, it will decide whether to continue to hold them after having dialogue with the issuing company.

In fiscal 2022, we reduced our cross-shareholdings by 20 companies (including partial reduction) and by ¥4.6 billion (based on acquisition cost), as a result of dialogue with issuing companies.

**Shrink target**

**Less than 10% of the value of consolidated net assets (based on market value; medium- to long-term target)**

### Shareholding of listed shares and cross-shareholdings (¥ billion; based on acquisition cost; excludes deemed shareholdings)



Please see page 98 for details of our policy regarding cross-shareholdings, etc.

# Mid-Term Management Plan 2020

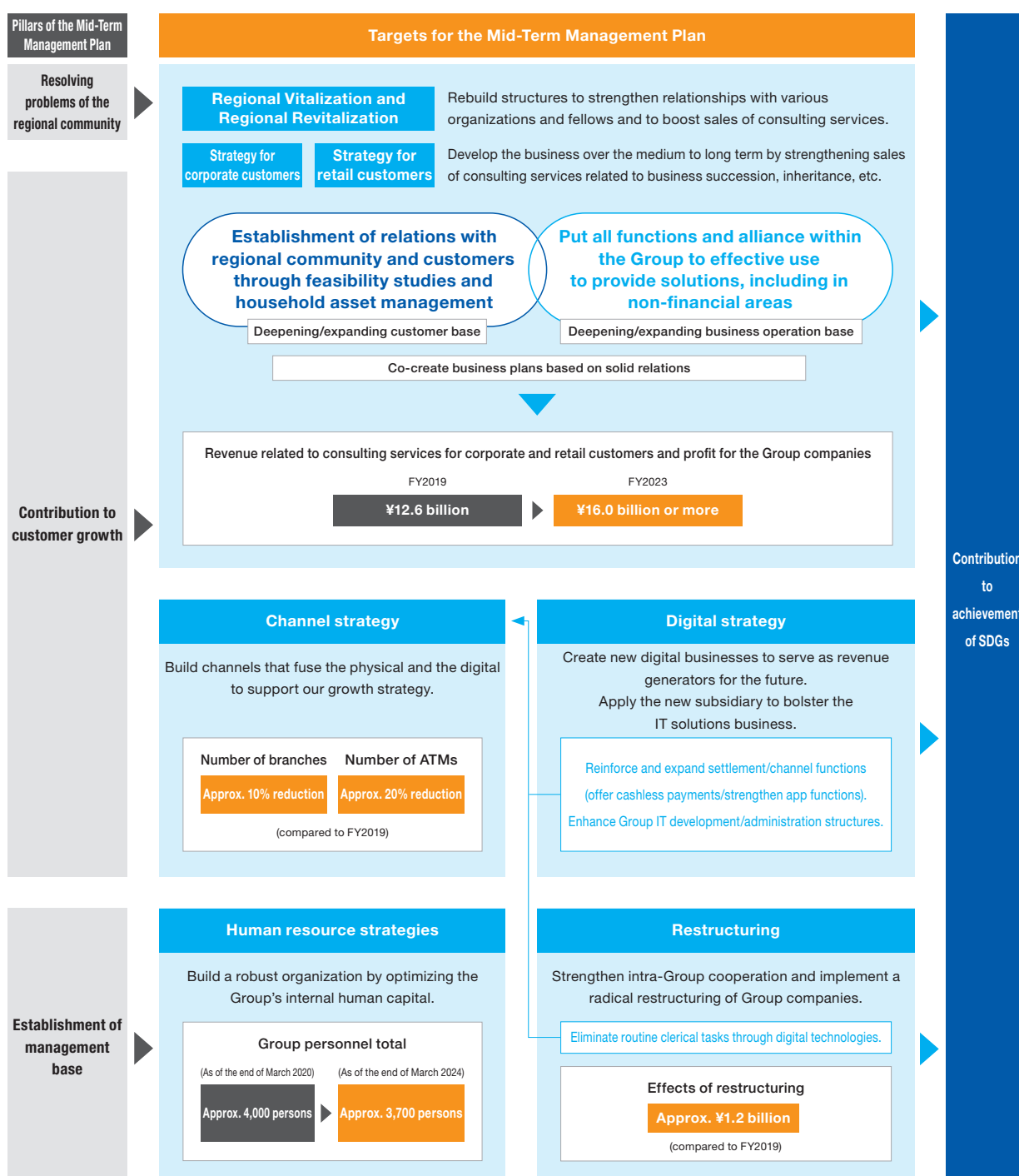
## Basic approach to Mid-Term Management Plan 2020

We are deepening and expanding the scope of our business operations and our customer base in the markets of our four local prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential in terms of the size of economy and growth opportunities. At the same time, we aim

to realize our management philosophy and achieve sustainable growth of the Group by thoroughly working to resolve every issue that faces the local community and customers and actively committing ourselves to development of the region.

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

### Overall picture of Mid-Term Management Plan 2020



## Progress toward management targets in Mid-Term Management Plan 2020

### FY2023 objectives in the Mid-Term Management Plan 2020

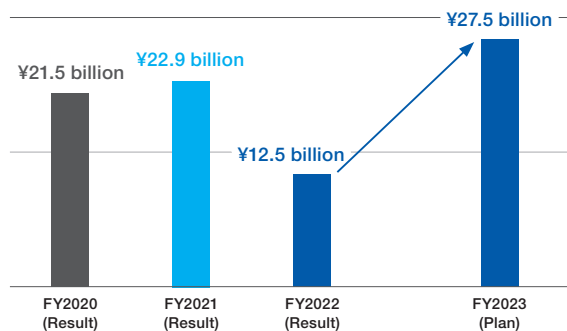
Hirogin Holdings	Profit attributable to owners of the parent	More than ¥27.0 billion
	Consolidated ROE	5% or more
	Consolidated capital adequacy ratio	10% or more
Hiroshima Bank	Revenue related to consulting services for corporate and retail customers of Hiroshima Bank <sup>*1</sup>	} Total ¥16.0 billion or more
Excluding Hiroshima Bank	Profit for the Group companies <sup>*2</sup>	
	Contributions of Group companies to consolidated performance <sup>*3</sup>	12% or more

<sup>\*1</sup> Revenue related to consulting services for corporate and retail customers = Total of revenues from corporate solutions, asset management, and equity business

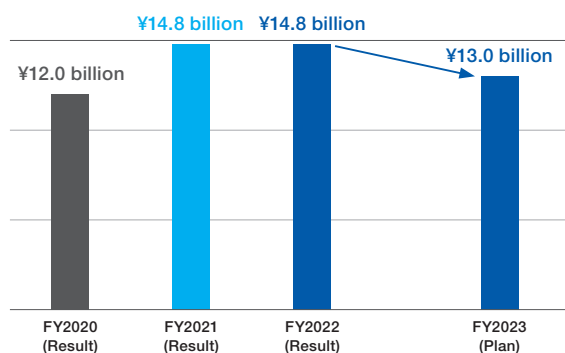
<sup>\*2</sup> Profit for the Group companies = Total of profit for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

<sup>\*3</sup> Contributions of Group companies to consolidated performance = Profit for the Group companies (<sup>\*2</sup>) / Profit attributable to owners of the parent

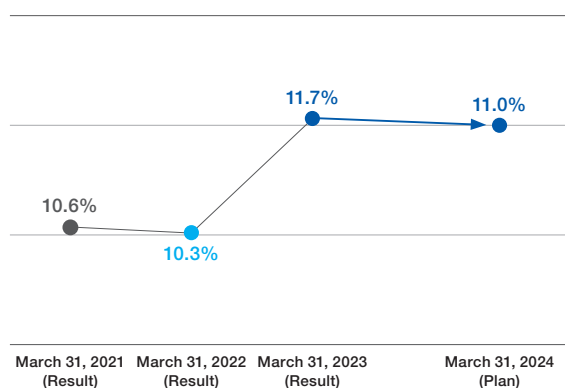
### Profit attributable to owners of the parent



### Total of revenue related to consulting services for corporate and retail customers and profit for the Group companies



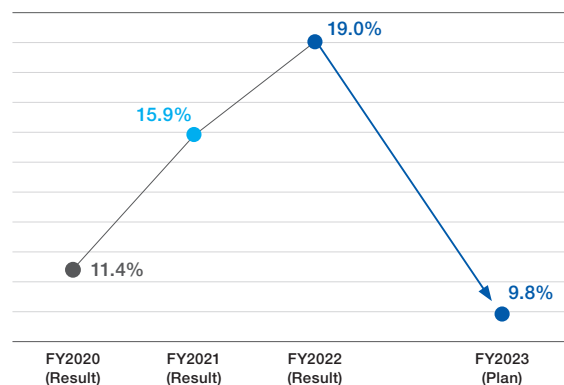
### Consolidated capital adequacy ratio



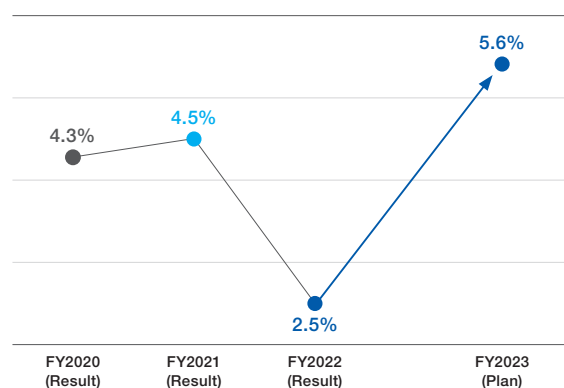
Regarding the plan for fiscal 2023, which marks the final year of the Mid-Term Management Plan 2020, we anticipate meeting the targets for profit attributable to owners of the parent, consolidated capital adequacy ratio, and consolidated ROE through our efforts to enhance intra-Group cooperation.

On the other hand, rapid changes in the market environment, a decrease in structured bond sales

### Contributions of Group companies to consolidated performance



### Consolidated ROE



and other factors have resulted in a decline in asset management revenue, probably preventing us from reaching the targets set for the total of revenue related to consulting services for corporate and retail customers and profit for the Group companies, and contributions of Group companies to consolidated performance as outlined in the Mid-Term Management Plan.



## Initiatives Aimed at Practicing Customer-Oriented Business Operations

The Group has strived for the development of the regional economy while enhancing customers' satisfaction and peace of mind.

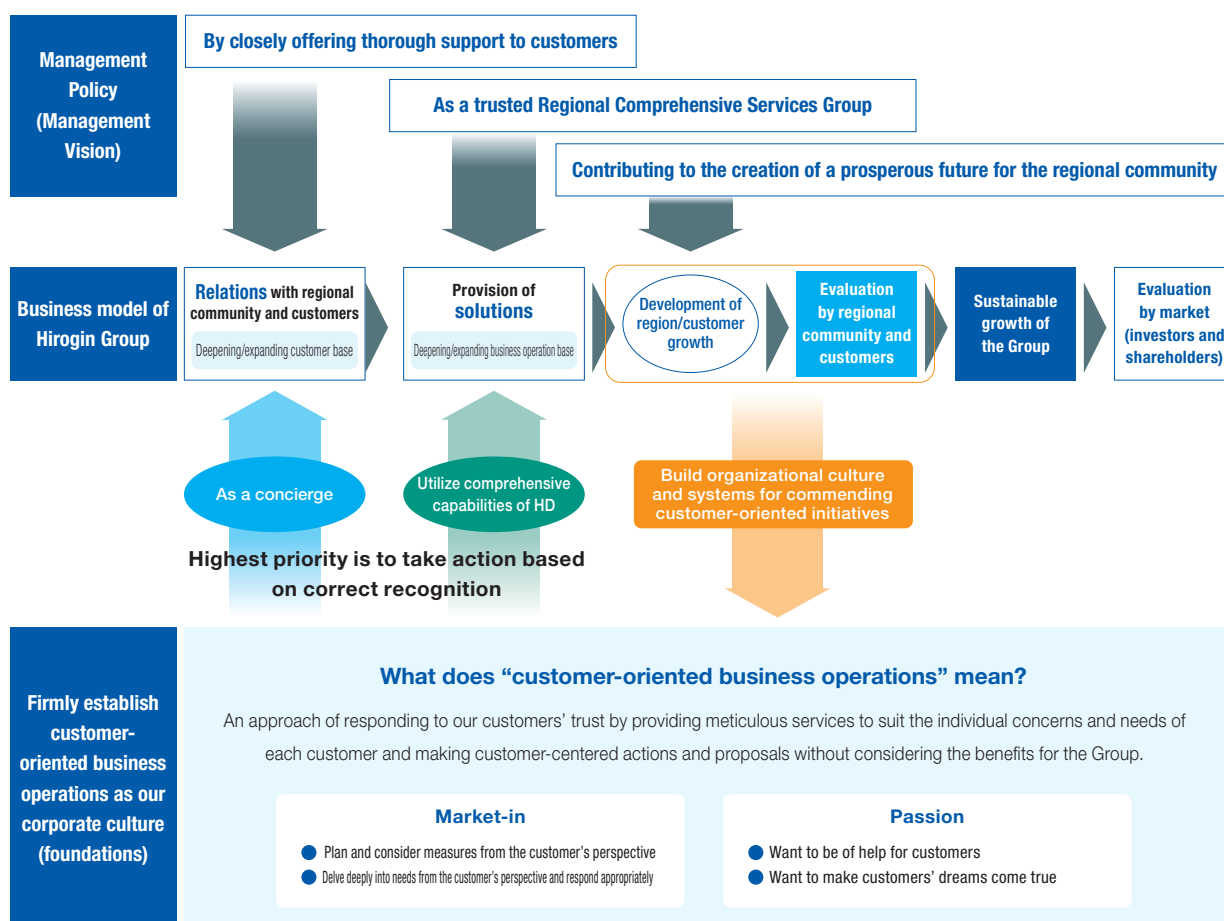
However, as changes in the environment surrounding customers grow more intense, customers' concerns and needs are likely to become even more complicated.

Based on that recognition, the Group has placed customer-oriented business operations at the core of its sales operations, reorganized the Group Fiduciary Duty (FD) Committee into the Group Customer-oriented Business Operation Committee in May 2022, and has undertaken other actions, based on the concept that "customer-oriented business operations" means to respond to our customers' trust by providing meticulous

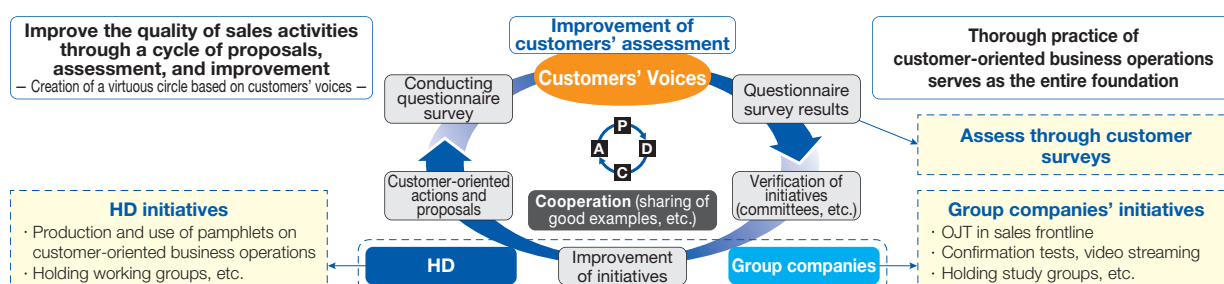
services to suit the individual concerns and needs of each customer and making customer-centered actions and proposals, with the aim of realizing a Regional Comprehensive Services Group. In doing so, we will strive for the Group-wide penetration and practice of customer-oriented business operations that go beyond financial product trading.

With a "market-in" approach based on customers' voices and "passion" as keywords, we will continue in our efforts to give form to our business model of being a Regional Comprehensive Services Group that is our aim and to realize our management policy by further establishing customer-oriented business operations as our corporate culture.

### Customer-oriented business operations to realize the Group's management policy



### Creation of a PDCA cycle based on customers' voices and initiatives to realize a virtuous circle



## Policy for initiatives aimed at practicing customer-oriented business operations

Striving for customer-oriented business operations, the Hirogin Group declares and practices the following basic policy for initiatives and policy for initiatives in financial product transaction business.

### Basic policy for initiatives

#### Basic approach

With the aim of achieving its management vision, “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,” the Hirogin Group deals with customers with sincerity to contribute to solving customer issues, leveraging all functions and alliances within the Group, prepares for terrorism, cyber-attacks, and natural disasters that threaten civilian life and business activities, and provides the highest quality regional comprehensive services with full consideration for appropriate protection of customers’ interests by improving security standards and ensuring business continuity in the event

of disasters. Through these efforts, the Group strives to enhance customer satisfaction and peace of mind and contributes to the sustainable development of the regional economy.

Furthermore, in the provision of products and services, we hold customers’ interests to the maximum priority. In line with this attitude, we demonstrate a high level of expertise and offer high-value-added products and services that encompass both the financial and non-financial areas from a customer perspective, which we believe would result in sustainable growth for the Hirogin Group. Based on such recognition, we will practice our customer-oriented business operations.

#### Frameworks to give appropriate incentives to employees for the pursuit of customer-oriented business operations

The Hirogin Group has established frameworks to give appropriate incentives to its employees including various performance evaluation systems that contribute to customer-oriented business operations in order to firmly establish customer-oriented business operations as its corporate culture (foundations).

Furthermore, to better address diversifying and more complicated customer issues by demonstrating a high level of expertise, we promote the development of our human resources by expanding the number of

personnel with professional certification and enhancing the quality of education for our sales staff through training programs to further advance the level of our consulting services.

We study the status of customer-oriented consultation and information provision conducted by sales representatives through customer surveys and monitoring performed by headquarters and utilize it for the education of sales representatives to enhance the quality of sales activities.

Based on the aforementioned basic policy for initiatives, the Hirogin Group will implement the following policy for initiatives specifically in the financial product transaction business.

### Policy for initiatives in financial product transaction business

#### Customer-oriented lineup of products

Hiroshima Bank and Hirogin Securities work as one to offer a wide range of financial products that meet a variety of asset formation needs depending on the customer’s purpose for asset management, knowledge and experience, asset and liability composition, and risk tolerance.

When adopting new financial products, we thoroughly review “matters to be considered in product selection (merchantability, product structure, and commission level, etc.),” which are set by each group

company, to select products that aid customers’ medium- to long-term asset formation and asset management.

In addition, we periodically verify whether the current lineup of products of each group company complies with the above matters to be considered.

When adopting products, we check matters on credit quality and support systems of asset management companies.

**| Proposals for portfolios that contribute to customer asset formation (promotion of long-term, deposit, or diversified investment)**

For inexperienced or beginner investors, we help them understand the necessity of asset investment in line with life events, risk and return relationships, and investment procedures.

We precisely identify customers' target asset amounts based on their investment purposes, risk tolerance, needs, knowledge and experience, financial assets, and life plans, and the appropriate proportions of financial products to achieve that target.

When proposing products based on customers' purposes, risk tolerance, needs, target asset amounts, and other information identified, we provide an easy-to-understand explanation of products, including commissions that customers bear, using materials and tools such as a product brochure and a proposal tool in accordance with the customer's level of understanding.

When proposing a complicated product with high risks, we carefully explain in an easy-to-understand way, using key information sheets, to make it easier for the customer to compare the proposed product with similar products.

In order to reduce customer paperwork for product applications, we are improving operational efficiency.

To meet a variety of customer needs for asset management, we strive to research and actively use FinTech, including the introduction of a robo-advisor.

We hold seminars to help customers improve financial literacy in areas such as understanding market environments and gaining knowledge on finance and investment.

**| Customer-oriented follow-up services**

We explain to our customers the characteristics and management status of products, and verify any changes in the initially identified investment purpose, risk tolerance, needs, and target asset amounts in order to propose reviews of customers' portfolio and life plans. As such, we provide appropriate and easy-to-understand information regularly from long-term perspectives, according to the degree of the customer's understanding.


In case of a drastic change in market trends, we provide customers with information necessary for

making investment decisions, such as forecasts on market value and management status of the products to provide customers with information in a timely and appropriate manner.

We hold periodical seminars to provide customers with information including related market trends and management status necessary for making investment decisions on products that customers hold.

Status of initiatives for customer-oriented business operations

Please refer to our website for a detailed explanation of Key Performance Indicators (KPIs), including the status of initiatives other than those mentioned above.



# Regional Vitalization and Regional Revitalization

## Development of new business related to regional vitalization and regional revitalization

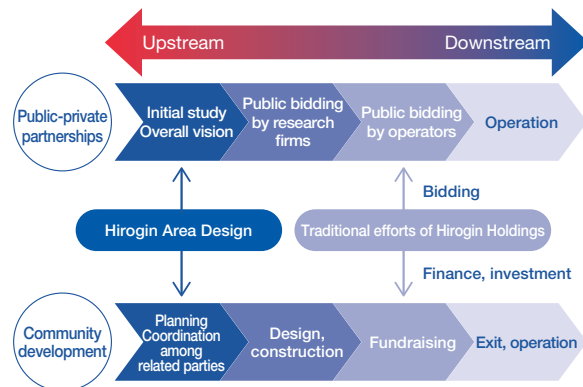
The Group has been working on regional vitalization and regional revitalization, including consulting for tourism promotion, urban redevelopment, and government organizations, mainly through Hiroshima Bank. Most of our involvement has been in the downstream stages, such as bidding for public projects and lending in the financing stage.

However, in order to solve increasingly diverse issues in the regional community, it is important that we be actively involved in projects from the upstream stages, such as initial studies, planning, and coordination among related parties.

To this end, the Group established Hirogin Area Design in April 2021, centralizing Group functions related to regional vitalization and regional revitalization to strengthen our response framework.

The trust and results that we have fostered with stakeholders in the regional community through the history of thorough community-based management are important intangible assets of the Group.

Going forward, the Group, with Hirogin Area Design at the center, will become a leader in pushing



forward with new businesses tied to local vitalization and local revitalization, cooperating with local public bodies and business operators along the way, by becoming actively involved in regional vitalization projects from the upstream stages.

### Matching support services for the corporate version of Hometown Tax Donations

As the population continues to decline and our society ages, coupled with the intensification of local social issues in terms of complexity and diversity, it is becoming ever more difficult for municipalities to independently address these local issues.

Given this backdrop, starting from fiscal 2021, Hirogin Area Design has been supporting the matching of companies interested in donations through the corporate version of Hometown Tax Donations with

municipalities engaged in regional revitalization. Through these donations, Hirogin Area Design promotes public-private partnerships and helps solve social issues in local communities.

In fiscal 2022, we facilitated the matching of 40 companies and more with four municipalities, including the Hiroshima Prefectural Government, resulting in actual donations.

### Project to make use of Citrus Park in Setodacho, Onomichi City

In January 2021, after a public call was made for proposals for the use of Citrus Park Setoda, which is owned by the City of Onomichi, a consortium comprising Hirogin Area Design and two other companies was selected as project operators.

Hirogin Capital Partners has acquired a stake in the park's operating entity, Setomosu Co., Ltd., and, mainly through Hirogin Area Design, the Group is involved in growing lemons, operating glamping facilities, and other projects to rehabilitate the park.

We will contribute to regional vitalization and regional revitalization by rehabilitating Citrus Park in Setodacho, Onomichi, which is currently closed, to make it a park where everyone can familiarly and casually enjoy with peace of mind. Our contribution will also solve regional issues concerning business succession resulting from the aging of lemon growers in Setoda, which is one of Japan's most prominent lemon-growing regions, as well as tourism-related issues.



## Tourism promotion and urban redevelopment initiatives

Our local region, including Hiroshima, is rich in tourism resources, including World Heritage Sites such as the Hiroshima Peace Memorial (Genbaku Dome) and Itsukushima Shinto Shrine, as well as the Seto Inland Sea and surrounding semi-mountainous areas.

With Hirogin Area Design taking the lead, Hirogin Group is pursuing initiatives for communicating these

tourism resources and the appeal of the local region as well as initiatives aimed at the further vitalization of urban functions.

With the G7 Summit to be held in Hiroshima in 2023, the eyes of the world will be on our region. Seeing this as an opportunity, we will focus even more on tourism promotion and urban redevelopment.

### Providing financial support to the historic Japanese inn *Nishiyama Bekkan*

In March 2022, Hiroshima Bank extended financial support to Setouchi Ryokan Corporation, the operator of *Nishiyama Bekkan*, a historic Japanese inn in Onomichi-shi, Hiroshima. This support was facilitated through funds in which the general incorporated foundation Organization for Promoting Urban Development and regional financial institutions, including Hiroshima Bank, have made investments.

We will continue our efforts to revitalize tourism by offering various forms of support for valuable local tourism resources.



### Attracting Hilton Hotels

October 2022 saw the grand opening of the Hilton Hiroshima, the first Hilton-branded hotel to open in the Chugoku/Shikoku region.

Hirogin Group provided investment and financing for this hotel project and is also supporting operations related to the hotel's management, including market research.

In addition to its use as a MICE facility and capturing inbound tourism demand, hotel-related businesses and job creation will contribute to the revitalization of the regional economy.



### Operation of Hiroshima Airport

With the privatization of Hiroshima Airport (outsourcing of operations to the private sector), a consortium comprising local influential companies, including Hiroshima Bank and Hirogin Capital Partners, and Tokyo-based real estate companies and trading firms with operational expertise was selected and is now engaged in the operation of the airport. There are plans to expand international routes with the aim of making the airport the sky gateway to Hiroshima to capture inbound tourism and vitalize the region.





## Initiatives for developing regional industries

The Group, through Hiroshima Bank and Hirogin Area Design, is engaged in a variety of initiatives to develop regional industries. In December 2022, we launched "Hiromalab," a co-working space designed to bring together the diverse needs of local startups, students,

and individuals from various backgrounds and form a community. In addition to this initiative, we are engaged in acceleration programs to discover university spin-off ventures and support the creation of new businesses by companies.

### Co-working space "Hiromalab"

In collaboration with ATOMica Co., we are working to vitalize the region by providing satellite offices, rental conference rooms, and other spaces, as well as hosting events to encourage the exchange of human resources and the formation of a community, ultimately creating new businesses and entrepreneurial ventures.

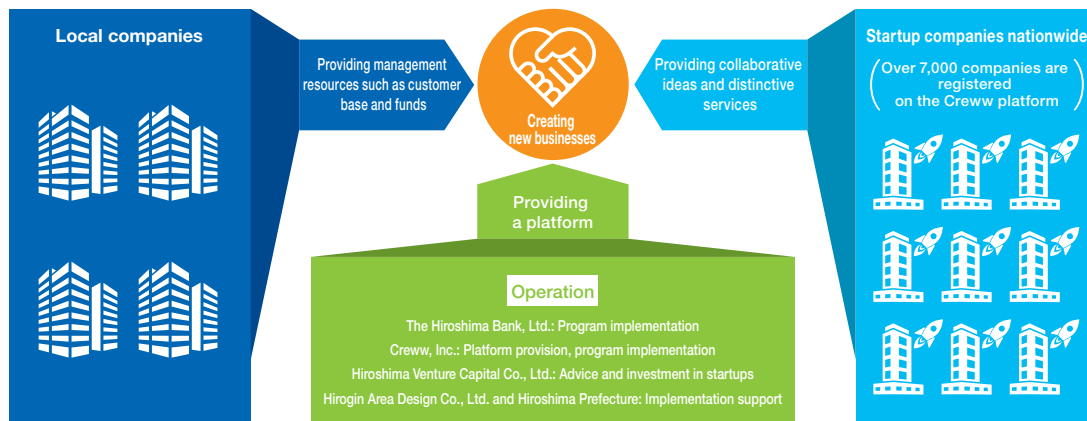


### Hiroshima Open Accelerator

In collaboration with Creww, Inc., we are implementing acceleration programs with the aim of new business creation through open innovation, linking the management resources of companies in Hiroshima Prefecture with the distinctive services of startup companies nationwide.

#### Track Record in Holding Hiroshima Open Accelerator

Year held	Participating companies	New business proposals
FY2019	5 companies	8 proposals
FY2020	4 companies	12 proposals
FY2021	6 companies	12 proposals
FY2022	3 companies	6 proposals

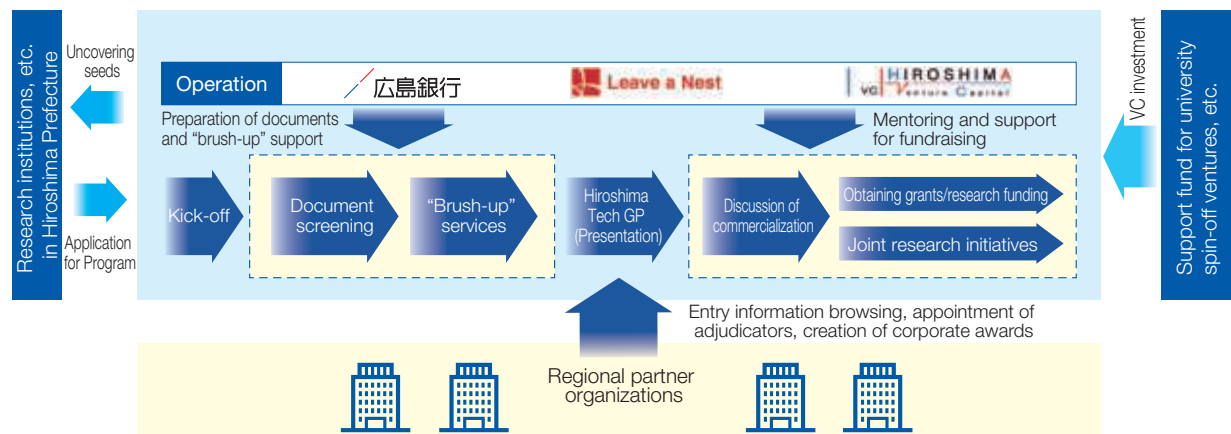


### HIROSHIMA TECH PLANTER

In collaboration with Leave a Nest Co., Ltd., we are implementing HIROSHIMA TECH PLANTER, an acceleration program aimed at uncovering the seeds of research at universities and other institutions and providing end-to-end support starting from commercialization to growth.

#### Track Record in Holding HIROSHIMA TECH PLANTER

Year held	Entry	Business launch support
FY2020	24	9
FY2021	24	9
FY2022	21	9



# Strategy for Corporate Customers

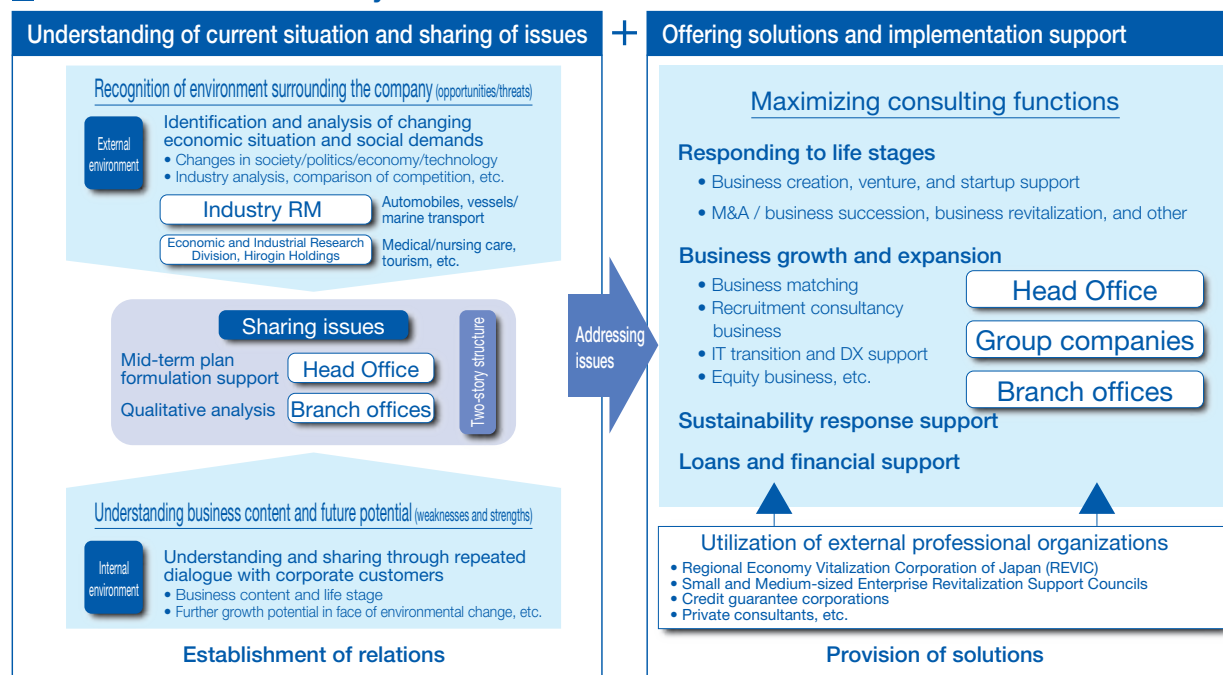
## Practice of customer-oriented consulting based on feasibility study

As we previously realized the importance of qualitative information linked to our corporate customers' future business prospects, Hirogin Group has positioned Hiroshima Bank's feasibility studies at the core of consulting sales based on corporate customers' needs.

The history and know-how of feasibility studies, which we have developed through many years of providing support suited to characteristics of local industries, are an important intangible asset of the Group.

Going forward, through the provision of high-value-added financial and non-financial solutions based on feasibility studies that are our strength, we will pursue initiatives to understand the region and industry and to provide core business support that can lead to customers' growth.

### Hiroshima Bank's "feasibility studies"



## T O P I C S

### History of feasibility studies

In the 1990s, a decade plagued by the issue of bad debt disposal, Hiroshima Bank provided financing to suppliers in the automobile industry (components manufacturers) by looking at their financials. However, when the suppliers possess irreplaceable technical expertise, they must be supported if they are in a financially difficult position, even if it means taking a step into management restructuring, or it would deteriorate the automobile industry. It became necessary to place more importance on qualitative information from the perspective of whether or not they were necessary for their industry cluster, instead of looking solely at their financial position.

In January 2001, in order to accurately respond to the diversification and sophistication of corporate customers in the automobile-related industries, Hiroshima Bank newly established the "Automobile-related Measures Office" by hiring personnel transferred from the auto industry. Experts visited suppliers' plants and gained an

understanding of the technical side of their businesses. To this, the financial analysis made by Hiroshima Bank enabled an understanding of customers' businesses in terms of both "technical" and "financial" aspects. Even in the midst of rapid external changes such as the global financial crisis, we were able to deal with these changes while remaining committed to this approach. This led to the development of Hiroshima Bank's feasibility studies.

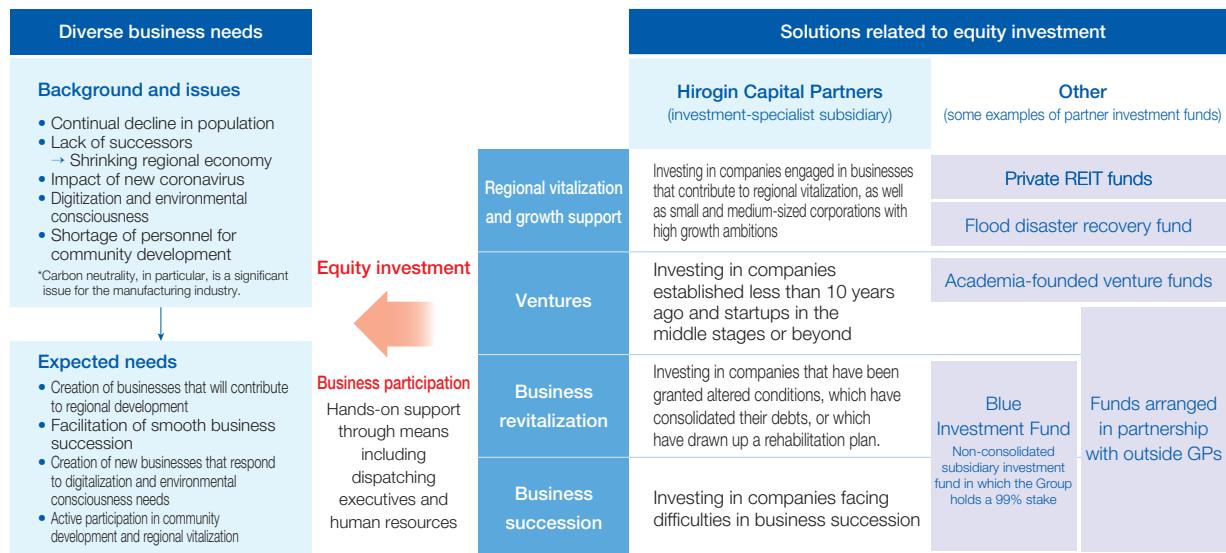


## Strengthen initiatives for equity business

Hirogin Group, with Hirogin Capital Partners at the center, provides “equity investment” for customers who work to solve regional issues and grow their business.

In April 2022, Hirogin Capital Partners formed a new fund (Regional Vitalization Fund), adding to its three existing funds, namely the Business Rehabilitation Fund, the Business Succession Fund, and the Venture Fund.

Going forward, leveraging Hiroshima Bank's feasibility studies, we will provide funds through equity investment and support our regional corporate customers' growth by strengthening our hands-on support initiatives, such as formulating a business plan or using our resources including the dispatch of personnel.

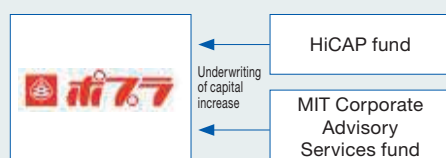


### Cooperation with external alliance partners aimed at strengthening of initiatives for equity business

Alliance domains (outline)	Partner	Alliance description	Timing
Management support for manufacturing companies, etc.	Serendip Holdings and Serendip Financial Services	Business alliance (Hiroshima Bank, Hirogin Capital Partners)	December 2020
Strengthening of fund management business	Frontier Management Inc.	Business alliance (Hiroshima Bank, Hirogin Capital Partners)	December 2020
Initial public offering (IPO) support	Bridge Consulting Group Inc.	Business alliance (Hiroshima Bank, Investment (Hirogin Capital Partners)	December 2021

### Examples of initiative

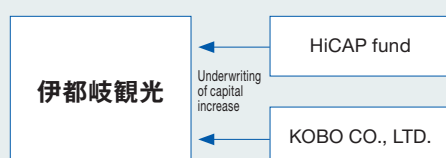
#### Example (1) Joint investment with other funds



##### POINT

- We subscribed shares of convenience store chain POPLAR through a third-party allotment, jointly with a fund operated by our alliance partner MIT Corporate Advisory Services, Co., Ltd.
- Through this investment, POPLAR will resolve balance-sheet insolvency and achieve financial soundness, and we support the company to improve performance and grow business by investing the fund in growth areas and implementing restructuring.
- In addition, we support further enhancement of its corporate value by using our group network and consulting function.

#### Example (2) Joint investment with existing shareholder (parent company)



##### POINT

- We subscribed shares of Itsuki Kanko K.K., which operates Iwaso Miyajima Japan Inn, through a third-party allotment, jointly with its parent company KOBO CO., LTD.
- Through this investment, Itsuki Kanko will strengthen its financial base, and we support the company to further enhance its corporate value by implementing measures to improve profit margins and operations in coordination with external experts.

## Strengthen initiatives for IT consulting

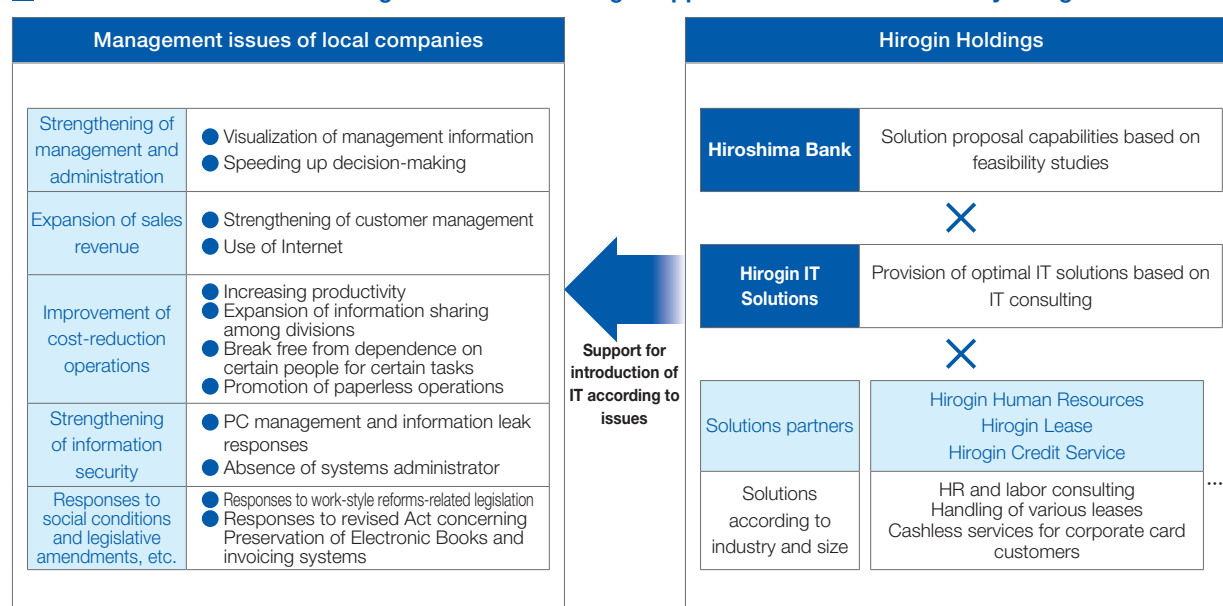
Hirogin Group provides a variety of solutions to help solve customers' management issues and concerns, mainly through Hirogin IT Solutions, which designs and develops information systems and provides cloud services utilizing its own internet data center.

Hirogin IT Solutions is a company formed as a joint venture with an existing business partner, Mighty Net Co., Ltd., which was subsequently made a subsidiary of Hirogin Holdings as an advanced banking service company in January 2021. It possesses extensive human resources and solutions in IT-related areas.

Leveraging Hiroshima Bank's feasibility studies, Hirogin IT Solutions supports management problem-solving through the provision of optimal IT solutions (e.g., introduction of cloud services and outsourcing services, system construction) based on IT consulting.

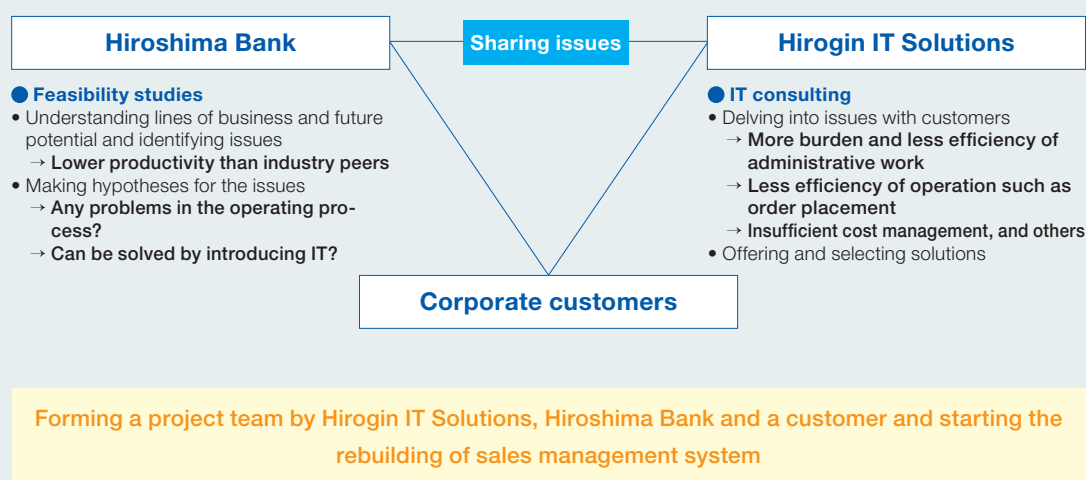
Going forward, it will cooperate with external solutions partners and Hirogin Holdings Group companies to respond to customers' various IT needs, which are becoming increasingly diverse and advanced.

### Solutions to customers' management issues through support for introduction of IT by Hirogin IT Solutions



### Initiatives by IT consultants for solutions to customers' management issues

Amid the rapid development of digital transformation (DX), we provide optimal solutions to the diverse needs of corporate customers through IT consulting.



## Strengthen initiatives for human resources support

Hirogin Group provides a variety of solutions, including a recruitment consultancy business, training business, and human resources consulting business, mainly through Hirogin Human Resources, to help solve corporate customers' issues related to "people," such as securing human resources, strengthening human resources development, and improving productivity.

Hirogin Human Resources is a subsidiary newly established in April 2021 to support solutions to people-related management issues faced by many company owners.

In addition to its recruitment consultancy business, training business, and human resources consulting business, which it has operated since it was first established, it has been pursuing the expansion of its operations, including a worker dispatching business, through M&As, since April 2022.

### Top ten challenges facing company owners in Hiroshima Prefecture

Rising prices of raw materials	54.2%
Securing human resources, labor shortage	44.3%
Decreased sales and orders received	35.1%
Improving employee skills, strengthening human resources development	28.4%
Rising costs of production, sales, logistics, etc.	17.7%
Difficulties in procuring raw materials, components, etc.	16.2%
Aging facilities and their replacement	12.4%
Difficulty in raising sales prices	12.2%
Rising labor costs	10.9%
Increasing productivity	9.9%

Source: Hirogin Holdings Survey of Company Owners

Going forward, leveraging Hiroshima Bank's feasibility studies, we will aim to build a one-stop framework for all manner of HR and labor issues to meet the people-related needs of our customers.

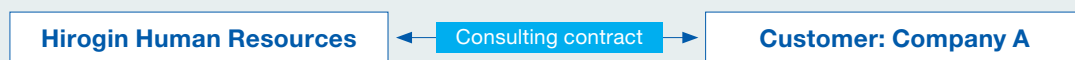
### Outline of Hirogin Human Resources businesses and services

Businesses and services	Details	Results (FY ended March 31, 2023)
Recruitment consultancy business	● Introduction of management human resources and specialist human resources through cooperation with external recruitment agencies	Number of contracts executed: 134 (Up 42 year on year)
Training business	● Holds training programs and seminars for all levels, from new employees to executive management ● Supports implementation of internal training programs such as dispatching lecturers	Number of participants: 1,897 (Up 415 year on year)
Human resources consulting business	● Consulting related to HR and labor (e.g., responding to workstyle reforms, various consulting related to labor management) ● HR systems construction consulting (e.g., reviews of evaluation system and compensation system, HR system design support)	Number of consulting contracts signed: 59 (Up 28 year on year)
Worker dispatching business	● Primarily dispatch of clerical personnel (office staff for sales, accounting, general administration, etc.)	Business launched in April 2022 (M&A of other company) Number of contracts executed: 31
Employee benefits and welfare support	● Provision of "Benefits and Welfare Support," which bundles health management, self-development, asset formation/loans, and discounts and bonuses in a single package	Services commenced in October 2022 Number of companies applied: 32

## Examples of support for corporate customers

### Support for corporate customers with HR and labor consulting as a start

Since Hirogin Human Resources (HHR) concluded a consulting contract with Company A, which was challenged with improving productivity and securing staff, it has received various HR-related inquiries and discussed solutions.



Through monthly meetings, HHR received inquiries on the following topics:

(1) Evaluation and compensation system

(2) Response to law revision

(3) Securing of staff

Based on the inquiries from Company A, HHR took the following measures:

#### (1) Development of HR system

Establish HR system tailored to the company's needs through consulting and provide advice on the introduction and operation of the established system

#### (2) Provision of solutions to law revision

Provide tools for addressing the Power Harassment Prevention Act and introduce an operator to respond to the revised Road Traffic Act

#### (3) Support for strengthening recruitment

Review the fixed days off (increasing holidays) with the aim of strengthening recruitment

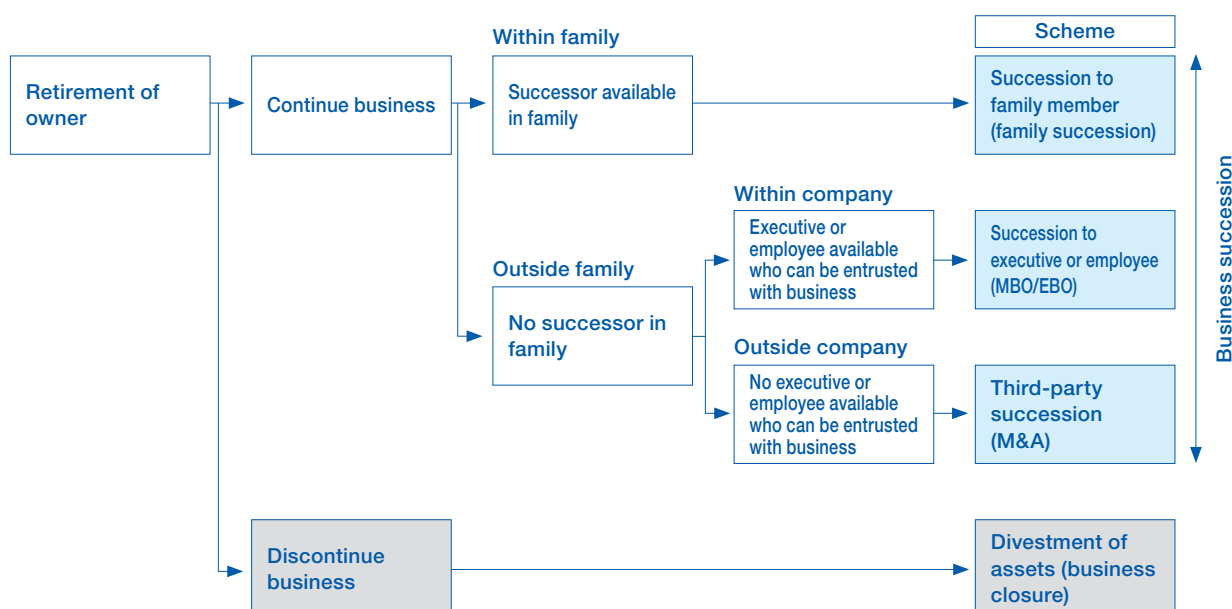
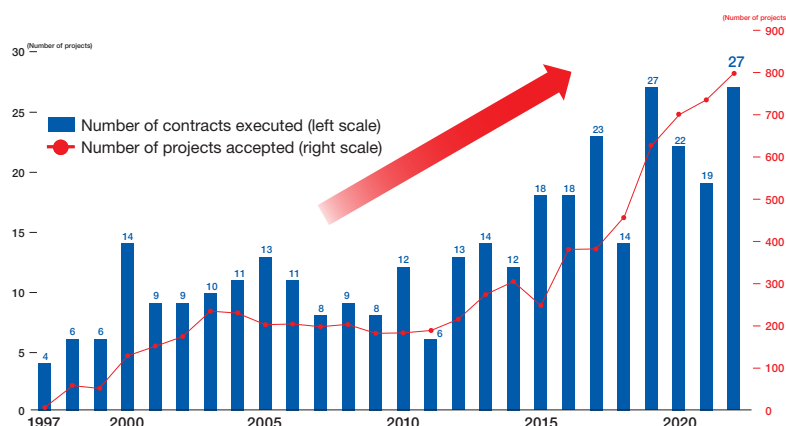


## Strengthen initiatives for business succession

Against a background of population aging and a shortage of successors, Hirogin Group supports business succession through M&A operations for the solution of corporate customers' issues relating to business succession, mainly through Hiroshima Bank.

Going forward, leveraging Hiroshima Bank's feasibility studies, we will aim to build a one-stop framework to meet all manner of needs concerning business succession, from succession to family members or employees to third-party succession (M&A), to support the smooth succession of our corporate customers' businesses.

### Number of M&A contracts successfully executed and consultations offered



## Examples of initiatives for business succession

We support customers as an advisor from the phase of considering the direction of business succession. For customers who have decided the direction, we provide tailored solutions.

We work to support customers to solve the issue of business succession. We provide solutions to their

needs under a one-stop service platform, from succession to family members or employees to M&A, which may change according to the situation of the company or family.

### Example of Company A (support for family succession and M&A)

Month and year	Details of support
July 2015	● Discussion continued on the future direction of business succession, whether to succeed the business to the son or transfer it to a third person.
August 2016	● The discussion concluded that the son would take over the business. We provided support for the transfer of the shares.
October 2017	● The son, who had worked for another company, entered the company, participating in management. The transfer of the shares to the son was completed.
April 2018	● The president suddenly passed away. The son assumed the presidency.
December 2021	● We learned from the new president that the company was seeking capital alliance with a large firm, with the aim of further growth.
May 2022	● We introduced a candidate of alliance by which synergy is expected and supported the M&A process until the completion of share transfer.

## Strengthening of core business support for corporate customers in anticipation of post-COVID times

The prolonged COVID-19 pandemic has had a major impact on economic activities in the four prefectures covered by the Hirogin Group. Our corporate customers face growing needs for conversion of their business structure and for digitalization responses that will help raise productivity.

Under these circumstances, mainly through Hiroshima Bank and based on feasibility studies, we

provide cashflow support, management improvement and business revitalization support, as well as equity funds that go beyond conventional lending in response to business conversion and succession needs. In these and other ways, we are strengthening our initiatives for core business support through the provision of financial and non-financial solutions that leverage all manner of Group functions.

### Strengthening of financial and non-financial support for core business in anticipation of post-COVID times

Management issues	Support for corporate customers (examples)
Securing cash flow	<ul style="list-style-type: none"> <li>● Securing funds to assist with stabilization of business</li> <li>● Securing of funds for capital investment, etc.</li> </ul>
Business succession/management improvement	<ul style="list-style-type: none"> <li>● Formulation of plans for business succession/management improvement</li> <li>● M&amp;A, etc.</li> </ul>
Securing of sales channels and sales revenue	<ul style="list-style-type: none"> <li>● Rebuilding of business, including business expansion, new areas, conversion of business type, etc.</li> <li>● Expansion of online services, e.g. use of e-commerce sites</li> </ul>
Securing of human resources	<ul style="list-style-type: none"> <li>● Development of remote work environments</li> <li>● Development of systems for acceptance of diverse working styles and workers</li> </ul>
Improvement of operational efficiency	<ul style="list-style-type: none"> <li>● Improvement of productivity, introduction of IT in production management</li> <li>● Introduction of IT in HR and labor management, etc.</li> </ul>

## Expansion of corporate solutions using digital technologies DX

### Portal site for business operators DX

In collaboration with NTT DATA Corporation and Credit Engine, Inc., Hiroshima Bank launched the Hirogin Business Portal, a portal site for business operators, in June 2022. This is an initiative for the digitalization of various transactions with corporate and individual business owner customers.

This free service enables customers to check their account balances, transaction details on deposits/

withdrawals, and complete financing processes, etc. entirely on the Internet.

We will continue to consider the introduction of new services utilizing digital technologies by progressively adding new content to this service and work to provide greater convenience to customers.

### Hirogin Business Portal services

Service name	Outline
Transaction Inquiry Service	● Inquiries about current savings balance and transaction details for the past 50 days
Other Banks' Account Inquiry Service	● Inquiries about balances and details of deposits and withdrawals of multiple banks' accounts
Hirogin Business Portal Loan	<ul style="list-style-type: none"> <li>● Loans that can be processed completely online using this service, from application to contract</li> <li>● Eligible customers will be shown this service on the service screen</li> </ul>
Electronic Issuing Service	● Fee Withdrawal Notice/Receipt, Loan Repayment Schedules, and other various notices that are sent to customers by post can also be viewed on this service's screen

### Expansion of alliance SaaS by intragroup cooperation DX

At Hirogin Group, Hiroshima Bank, Hirogin IT Solutions and Hirogin Lease have cooperated to expand the

handling of various SaaS through agency contracts and business matching contracts.

### SaaS alliances by intragroup cooperation

SaaS name	Support for corporate customers (examples)	Date of introduction	Cooperating Group companies
SmartDrive Fleet	Service combining telematics and vehicle management systems	From June 2021	Hirogin Lease
Hirogin Mikatano Works	Groupware with a schedule and workflow management function	From December 2022	Hirogin IT Solutions
Ai-Glies	Power and energy saving system, which reduces electricity rate by controlling air conditioners	From January 2023	Hirogin IT Solutions
b→dash	Marketing system, which enables no-code data analysis	From February 2023	Hirogin IT Solutions

## Strategy for Retail Customers

### Offering customer-centered total life support through our life design service

With the aim of becoming the most trusted “concierge” that closely offers thorough support to each and every customer, Hirogin Group has placed Hiroshima Bank’s Life Design Service at the core of our total support for life plans, including for customers’ households, based on their and their families’ dreams for the future.

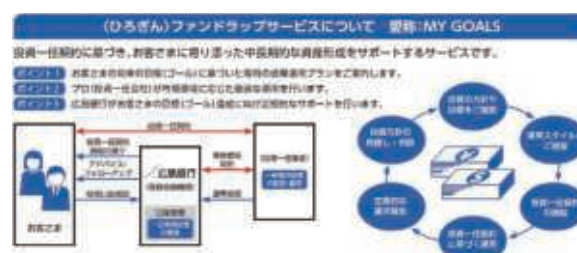
For the realization of customers’ and their families’ future dreams, it is first important that we be able to see what their present and future looks like and share their present situation in an objective manner.

To achieve this, in Hiroshima Bank’s Life Design Service, the Bank asks customers about their life plans, as well as information such as their family structure and asset details, and devises a “life design” blueprint for the future. Having gained a firm understanding

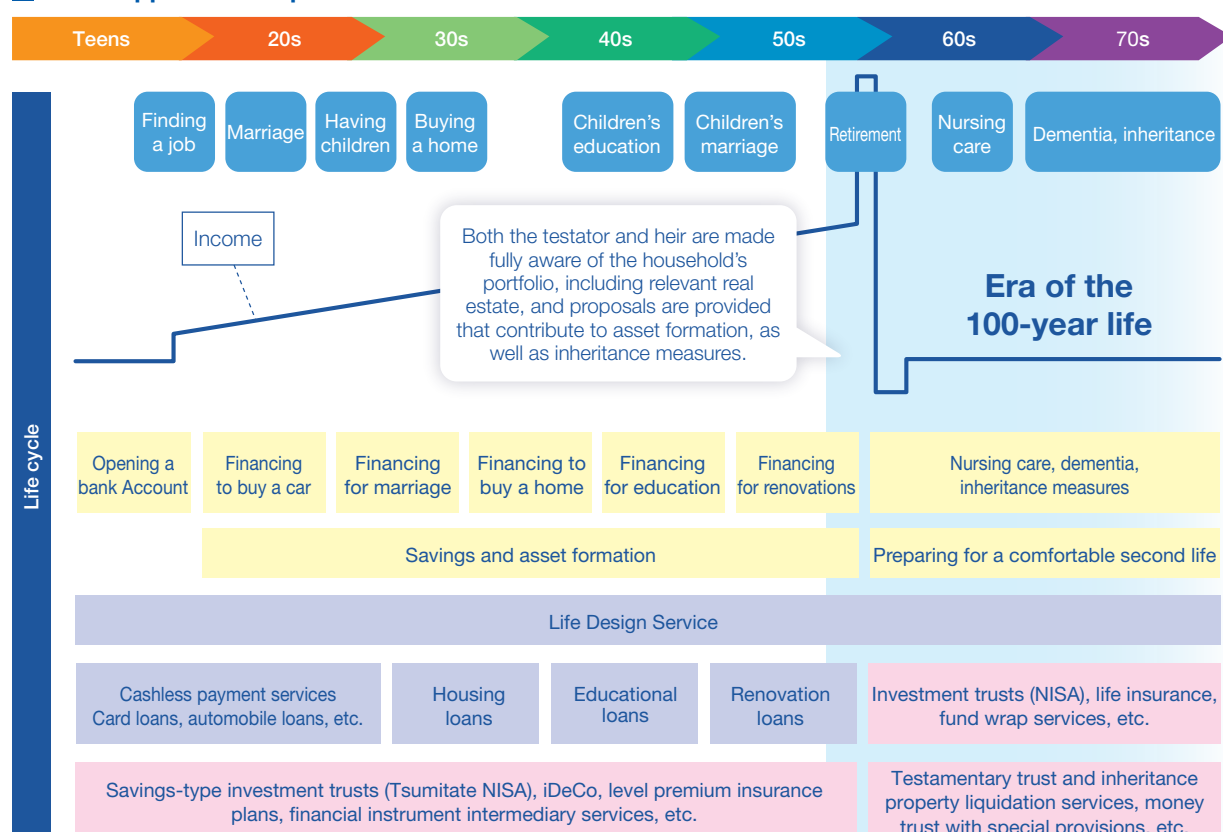
of customers’ thoughts and concerns, the Bank goes beyond funding support to provide them with a variety of information and services as needed, including in non-financial areas.

In May 2023, we introduced a fund wrap service to provide escort-runner-style support for the realization of customers’ dreams through mid- and long-term asset management. We provide customers with the most suitable asset management service toward the achievement of their goals, by offering a series of services including diagnosing risk tolerance, designing management plans, continuing follow-up, and others.

Going forward, we will continue to serve as a “concierge” for our customers to help enrich their lives, through total support for their individual life plans.



### Total support for life plans



## Strengthen initiatives for inheritance consultation business

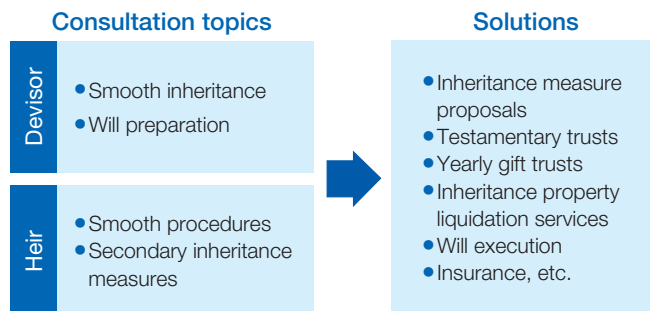
Hirogin Group, mainly through Hiroshima Bank, is strengthening its response to inheritance needs that are increasing as the region's population ages.

Specifically, since 2019, we have established two Inheritance Consultation Plazas where staff specialized in inheritance matters give easy-to-understand explanations and provide support for free at dedicated consultation booths, for which customers are asked to make a reservation.

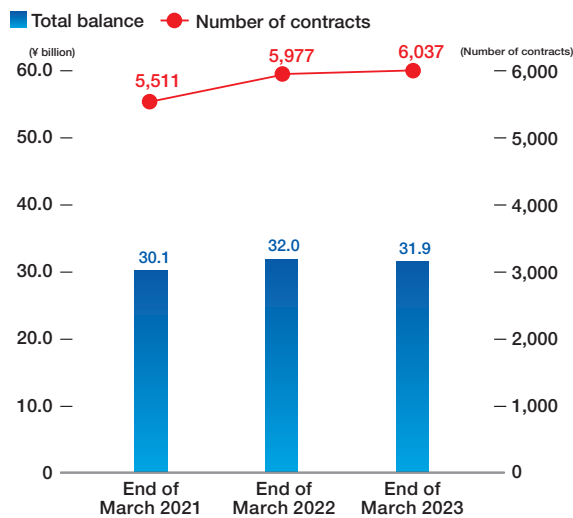
In addition, Hiroshima Bank itself began handling testamentary trust and inheritance property liquidation services in 2018.

Going forward, leveraging Hiroshima Bank's Life Design Service, we will provide optimal solutions to address customers' inheritance needs, from the development of inheritance measures taken before the devisor's death to support for procedures after his or her death.

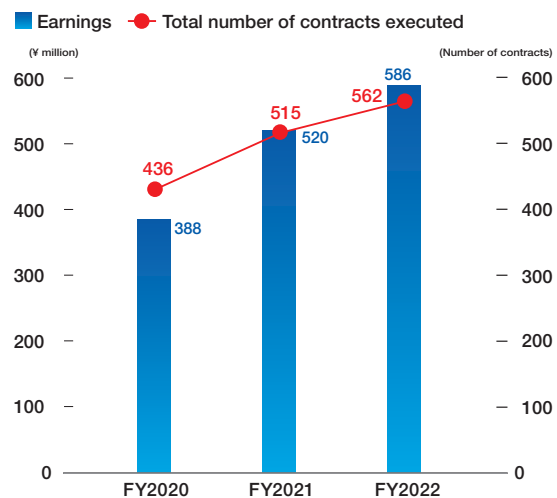
### Key solutions for inheritance needs



### Number of contracts of inheritance-related trust products and balance



### Number of contracts executed and earnings of Hiroshima Bank's testamentary trust and inheritance property liquidation services



## Enhance solutions for various life's concerns

The Hirogin Life Partner service, started in September 2017, provides an optimum solution for customers'

various everyday concerns and problems.

「ひろぎん」生活パートナーサービスは、くらしの中のさまざまなお悩みやお困り事に対し、安心して相談できるパートナー企業をご紹介します。

**住まいのサポート**  
お住まいの環境から家具や設備の修理、電器製品の修理など、役所に関するさまざまなサポートやリフォームや外壁工事、屋根や窓などのメンテナンス、お引っ越し、お引っ越しの相談など、お気軽にご相談ください。

**終活や相続のサポート**  
誰もが年を重ねると、将来の相続のことや自分の将来について考えるようになります。生活パートナーサービスは、相続人対策や財産整理、墓じまい、遺品整理、お葬式の準備など、終活・相続に関するご相談に対応しています。

**結婚や婚活のサポート**  
「自分の理想がよくわからない」「異性と話す機会が少ない」「こんな悩みから、生活パートナーサービスへ、相談しやすくなるためのサービスが、サービスとなり、結婚できるパートナー企業をご紹介します。

**介護や福祉のサポート**  
高齢になると、なにがとあがりごとが様々で、一人暮らしでは、難しいことから、福祉、介護など、さまざまな悩みや不安、サービスとなり、介護や福祉に関するご相談など、ぜひ生活パートナーサービスにお電話ください。

生活パートナーサービスは、くらしの中のさまざまなお悩みやお困り事に対し、安心して相談できるパートナー企業をご紹介します。

生活パートナーサービスは、くらしの中のさまざまなお悩みやお困り事に対し、安心して相談できるパートナー企業をご紹介します。

生活パートナーサービスは、くらしの中のさまざまなお悩みやお困り事に対し、安心して相談できるパートナー企業をご紹介します。

## Further strengthen banking-securities collaboration

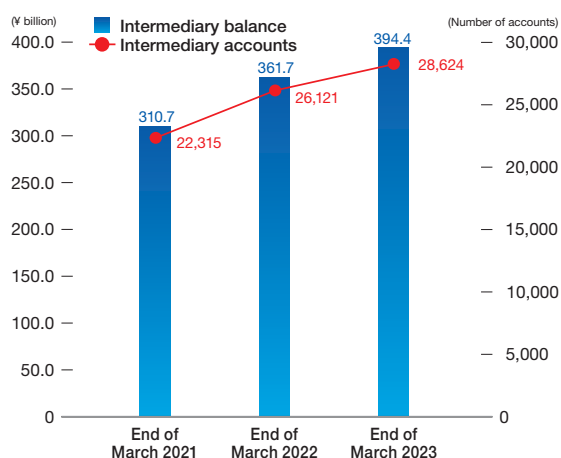
At Hirogin Group, Hiroshima Bank and Hirogin Securities have established a system for responding to customers' consultation needs and requests related to advanced, specialized asset management and inheritance issues, from a one-stop platform, primarily

through their 24 joint branches. In doing so, they have built an appropriate operational management system based on preventive measures against adverse effects (firewall regulations) pursuant to the Financial Instruments and Exchange Act.

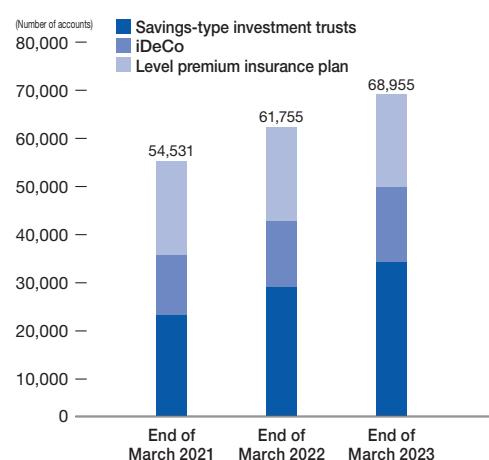
### ■ Joint branches established (as of May 31, 2023)

Total 24 branches

### ■ Trends in the number of intermediary accounts and balance (Hirogin Securities)



### ■ Number of customers of products or services conducive to asset formation (Group)



## Strengthen financial education initiative

Based on the growing importance of financial education, Hirogin Group assigns financial education advisors within the Business Planning Division of Hiroshima Bank, as a supporter to improve the financial literacy of customers in the region.

As part of the initiative, we provide financial education to students and adults in the region, such as seminars and lectures.





## Action on DX and cashless payment in companies and schools DX DX

### I Hirogin multifunctional IC cards

This solution uses IC cards to add multiple functions to employee IDs, student cards, and membership cards. With the digitalization of work and school attendance management, stricter management of building entry/exit and key, and the provision of cashless payment tools on and off company premises using electronic money, these cards support DX and workstyle reforms where they are introduced by improving convenience for customers.



### COi Pay

By leveraging COi Pay, which is even more convenient with the addition of an individual transfer function, we provide a cashless environment for local events, give two percent of the purchase price back all the time, and conduct attractive campaigns aimed at regional vitalization.

Going forward, in addition to providing highly convenient services, we will contribute to the expansion of cashless payments in the region through initiatives that are unique to the local community.

### Nothing beats Hirogin's smartphone payment solution, which gives you peace of mind.



## Establishment of a platform based on Hirogin App DX

We reinforced the banking function of the Hirogin App in August 2022, including transfer, card loan borrowing and repayment, and savings. In July 2023, we redesigned the app and strengthened interaction with Internet banking, thereby enhancing the banking function of the digital channel.

In addition, the Hirogin App implements the communication function to provide information most relevant to the customer. We also established a digital marketing environment, which utilizes marketing automation tools and a customer data platform.

Positioning the Hirogin App as a regular digital contact point with customers, we will strive to enhance its functionality and convenience.



# Channel Strategy

## Overhaul of physical channels in response to changes in contact points with customers

The lifestyles of our customers are changing significantly due to factors including declining population, falling birthrate and aging society, rapid progress of the internet, and the spread and expansion of smartphones to all generations. While the number of customers visiting physical branches is decreasing, financial transactions via digital channels such as the Internet and websites are increasing, and the roles and functions of physical branches have been undergoing major changes.

While seeking to fuse physical channels and digital channels in light of market changes and progress in digitization, Hiroshima Bank is now working to review its operations at branch offices and the network of branches and ATMs, as well as to reallocate management resources to new business areas including Group companies and non-financial areas, in order to accurately respond to customers' diverse and increasingly sophisticated needs.

### Overhaul of sales organization

Since April 2020, Hiroshima Bank has been proceeding with the implementation of efficient branch operations in a sequential manner by clarifying the roles of full-service branches, branches specializing in

individual customers and other branches in accordance with the market characteristics of each area, thereby strengthening its sales organization and optimizing management resources.

### Overhaul of operations at branch offices

With a view to eliminating the "two-line system" (back-office clerical tasks conventionally performed at branches) through centralization at headquarters, Hiroshima Bank will set up centralized locations called "area support" at the Administration Center and large

branches in each area. By expanding the "area support" system across Hiroshima Prefecture, we will achieve efficient branch operations in each area rather than each branch office.

### Overhaul of the network of branches and ATMs

Hiroshima Bank will further enhance its non-face-to-face channels and digital channels, and reallocate its management resources to new business areas by

reducing the number of bank branches by 10% and ATMs by approximately 20% in the period of the current Mid-Term Management Plan.

### Overhaul of physical channels

Create a structure for reallocating management resources to new business areas including Group companies and non-financial areas



### Overhaul of operations at branch offices and drastic overhaul of physical channels (branches and ATMs)

<div>Overhaul of operations</div> <div>Improve operations efficiency at branch offices</div> <div>→Shifting branch offices to "where consulting services take place"</div> <div>→Further sophistication of consulting services</div>	<div>Branch</div> <div>Overhaul of branches and sales structure</div> <div>→Strategic placement of staff</div> <div>→Re-allocation of investments for digital channels</div>	<div>ATM</div> <div>Cutting down on the number of ATMs</div> <div>→Promotion for cashless payments</div> <div>→Re-allocation of investments for digital channels</div>
--	--	--

## Construction of physical channels to enhance consulting functions and sophisticate specialized expertise

The Group is working to construct physical channels to enhance consulting functions and sophisticate specialized expertise to deepen core businesses and expand

business areas, in order to contribute to the growth of customers.

### Expand channels specialized for consulting

In addition to banks and securities branches, the Group is operating Hirogin Individual loan centers, Hirogin Insurance Plazas, Hirogin Customer Consultation Plaza and Hirogin Inheritance Consultation Plazas as physical channels specialized in consulting related to individual customers' life plans, in order to accommodate a wide range of customers' needs. They are open not only on weekdays but on weekends and holidays.

Going beyond the scope of services traditionally provided by banks and securities companies to meet the financial needs of customers, a variety of channels (people, branches, and functions) will serve as a “con-cierge” to offer total support for life planning to make each individual customer's life more comfortable. As a channel to realize such Group strategy for individual customers, we will proceed with considering the integration of functions in the future.

## Strengthening digital channels to expand contact points with customers DX

In light of the progress of digitization, changes in the lifestyles of our customers, etc., the Group has been working to further strengthen digital channels and enhance convenience for customers in order to expand

contact points with customers, through efforts such as reinforcing functions of the Hirogin App and expanding services that can be completed on the internet.

### Reinforcing functions of the Hirogin App

Hiroshima Bank positions the Hirogin App as a new digital contact point to emerge after branch counters and ATMs, which are closer to customers and can be very convenient. Aiming to make it a portal app for carrying out daily transactions without physically being at the branches, from balance inquiry and banking transactions to applying for various services, in simple operation, we will continue to further strengthen its functions and enhance its convenience.

#### Main functions of the Hirogin App

- Open account request (Hirogin Carp Branch)
- Balance inquiry
- Deposit and withdrawal statements inquiry (up to 36 months)
- Inter-account transfer
- Card loan borrowing and repayment
- Deposit for specific purpose
- Request opening of investment trust accounts
- Linkage with Hirogin Securities and online brokers (SBI Securities and Rakuten Securities) in functions such as open account request
- Security check function
- FAQ function using automated response “AI support”
- Search for branches and ATMs, etc.



## IT Strategy (Building a Next-Generation Backbone System)

### Preparation for a next-generation backbone system (participation in the MEJAR system and the basic agreement on detailed study)

Hiroshima Bank aims for the migration from a main-frame-based system to a cloud-based system, a next-generation backbone system, by 2030.

In order to achieve the migration, Hiroshima Bank participated in the shared system (MEJAR\*), which had been operated by the Bank of Yokohama, Ltd., the Hokuriku Bank, Ltd., the Hokkaido Bank, Ltd., the 77 Bank, Ltd., and the Higashi-Nippon Bank, Limited since January 2010. We also concluded the basic

agreement to conduct a detailed study toward sharing the system among the six banks.

By participating in the MEJAR scheme, we will realize a next-generation backbone system based on a cloud platform, which enables the flexible provision of financial services and the reduction of IT investment. At the same time, we will promote the DX strategies to achieve the growth of the core business.

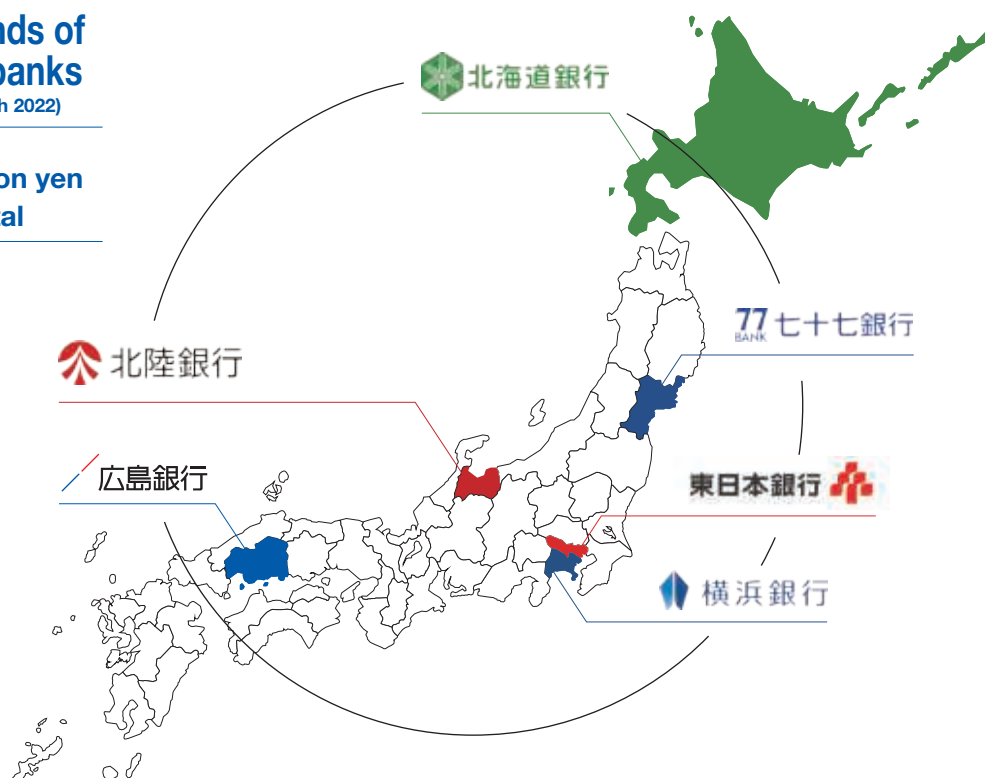
\* MEJAR stands for Most Efficient Joint Advanced Regional banking-system.

Scope to be considered for the shared system	In addition to the core banking system MEJAR, which has the operation function of deposit-taking, foreign exchange, and lending businesses, we will consider the possibility of sharing other systems among the six banks. These systems, currently shared by five banks, include data accumulation and analysis systems, support systems for Internet banking, and business loans.
Timing of MEJAR system sharing	We will consider sharing the system on the premise of the start in FY2030.
Other cooperation	In time for sharing MEJAR in FY2030, we will align other systems in stages as well. We also aim to start non-system cooperation as appropriate from the areas in which the mutual operation function is fulfilled.

\*With the conclusion of this basic agreement as a springboard, we established the Alliance Promotion Office in the Management Planning Division of Hiroshima Bank, toward enhancing the cooperation with MEJAR participating banks.

### Total funds of the six banks (As of March 2022)

**50** trillion yen  
in total



## Arrangement during the period until migration to a next-generation backbone system (from FY2022 to FY2030)

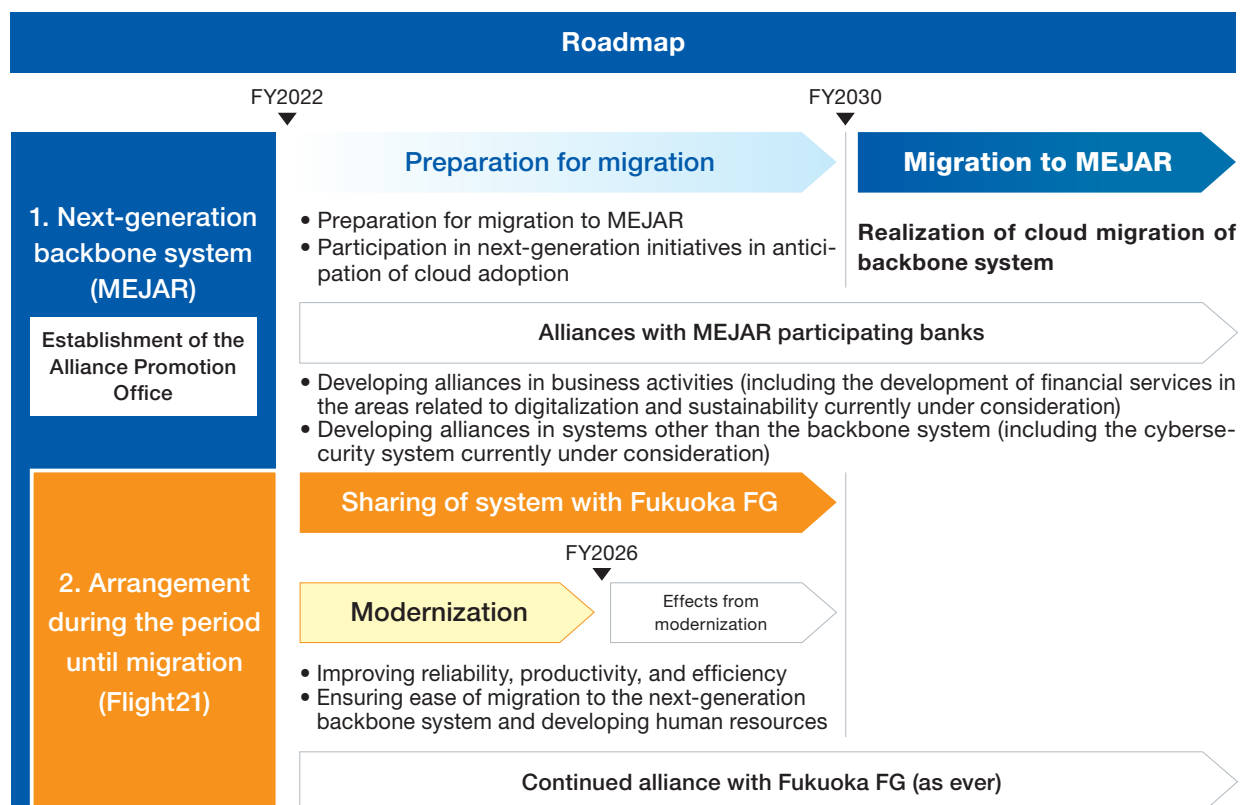
Hiroshima Bank has extended the operation of backbone system Flight21 until FY2030, which has been shared with Fukuoka Financial Group, Inc. (Fukuoka FG), IBM Japan Ltd (General Manager: Akio Yamaguchi) and Kyndryl Japan KK (President: Takashi Uesaka). At the same time, we started the core banking system modernization for the period from FY2022 to FY2026. Through the modernization, we will work with Fukuoka FG to (1) improve efficiency in the accounting and information systems by renewing of the structure and transiting to open architecture and (2) newly establish a

channel integration infrastructure and sophisticate it by enhancing the API infrastructure.

Hiroshima Bank and Fukuoka FG have been working together as important partners both in system and business activities, from the go-live in 2003 of the current backbone system (through system sharing) up until now. As a result of Hiroshima Bank's migration to the next-generation backbone system, the two banks will operate systems separately from FY2030 onward. However, we will maintain the business partnership even after FY2030.

### Roadmap for building a next-generation backbone system

1	<b>Preparation for a next-generation backbone system (participation in the MEJAR system and the basic agreement on detailed study)</b> <ul style="list-style-type: none"> <li>Preparation for migration to a cloud-based system in FY2030</li> <li>Establishment of the Alliance Promotion Office in the Management Planning Division of Hiroshima Bank toward enhancing the cooperation with MEJAR participating banks</li> </ul>
2	<b>Arrangement during the period until migration to a next-generation backbone system (from FY2022 to FY2030)</b> <ul style="list-style-type: none"> <li>Continued operation and modernization of the current core banking system (Flight21)</li> </ul>





# Restructuring

## Strategic cost management

Through various reforms as a unified Group, we will implement strategic cost management from a medium- to long-term perspective, aiming to establish a stable

management base that supports the foundation for our growth.

### Branch transformation

The Group is working to optimize the allocation of its management resources through revamping branches and other sites mainly of Hiroshima Bank, in view of

environmental changes and looking to new business areas including those of Group companies and non-financial businesses.

### Major actions for branch transformation

- Achieving the efficiency of branch operations by clarifying the roles of full-service branches, branches specializing in individual customers and other branches, in view of changes in the market
- Offering one-stop service through joint operations of banking and securities services at joint branches that have increased in number and scale
- Reducing the number of branches by the use of a branch-in-branch arrangement
- Reducing the number of ATMs

### Targets and results of branch transformation under the Mid-Term Management Plan 2020

Target (by the end of FY2023)		Result (including plans within FY2023)	
<b>Reduction in the number of branches: Approx. 20</b> (down approx. 10% from FY2019)	▶	<b>Reduction in the number of branches: 25</b>	<b>Achievement: 125%</b>
<b>Reduction in the number of ATMs: Approx. 170</b> (down approx. 20% from FY2019)	▶	<b>Reduction in the number of ATMs: Approx. 170</b>	<b>Achievement: 100%</b>

### Operational transformation and cost transformation

We pursue Groupwide efforts to reduce costs from medium- to long-term perspectives for reform, including eliminating routine clerical tasks through drastic operational transformation and utilization of digital

technologies in each Group company, which is also intended to allow Group employees to have more time (to allocate to more productive work).

### Major actions for operational transformation and cost transformation

- Steady cost reduction through reductions in branch and ATM rents, and revisions of outsourcing contracts and building management operations, etc.
- Eliminating or increasing the efficiency of operations through digitizing operations in the Group

Major operations digitized	Description of operations
Electronic contracting service	Using an electronic contract service for business loans (No need for revenue stamps or seals, etc.)
AI translation service	Automatic translation of overseas contracts and market reports (23 languages) by AI
Investment trust robo-advisor service	Finds out customers' preferences in investment and guides them to the most suitable funds
AI voice bot	Automated call handling using AI for interactive voice response

- Progress in the shift to self-service for in-store operations using branch tablets and other devices, paperless operation, and elimination of hanko seals
- Improving efficiency in branch operations through expanding elimination of a two-line system (centralize back-office processes at headquarters) from area branches to cover the whole of Hiroshima Prefecture
- Improving efficiency in operations through alliance with other companies in the same or other sector, such as the alliance with Chugoku Bank on fee-free customer use of each other's ATMs (December 2020)

### Targets and results of operational and cost transformation under the Mid-Term Management Plan 2020

Target (by the end of FY2023)		Result (including plans within FY2023)	
<b>Revenue increase from restructuring</b> <b>Approx. ¥1.2 billion</b>	▶	<b>Effect of restructuring</b> <ul style="list-style-type: none"> <li>• Cost reduction: <b>Approx. ¥1.4 billion</b> (from FY2019)</li> <li>• Improvement in the balance of service transactions: <b>Approx. ¥0.3 billion</b> (from FY2019)</li> </ul> <b>Total: Approx. ¥1.7 billion</b>	<b>Expected to achieve the target under the Mid-Term Management Plan</b>

## T O P I C S

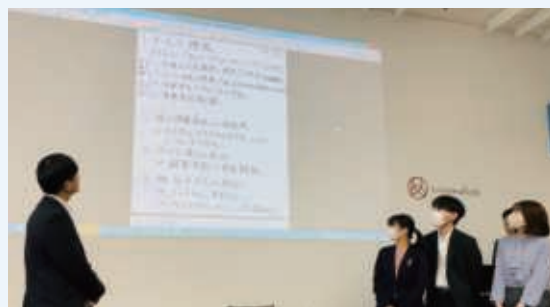
### “Future Hirogin” initiative by Generation Z employees

As members of Generation Z (Gen Z), born from 1995 to 2010 are expected to play a central role in society going forward, Hiroshima Bank held a planning event “Future Hirogin” for Gen Z employees in June 2023. It was designed to absorb their ideas so that we can change current “Services and functions,” “Channels,” and “Branches” into new forms to meet the demands of the next generation.

Participated in the two brainstorming sessions of this event were 24 employees in their second or

third years, who had volunteered and been elected. They made recommendations to the officer in charge about “Services and functions,” “Channels,” and “Branches” that Gen Z customers would expect from future financial institutions from their own perspectives.

We will consider adopting their various ideas into our business strategies and measures.



### Theme

### What will Gen Z expect from financial institutions when they start working?

Services and  
functions

Channels

Branches

