

Overview of Financial Results for FY2017

— IR Presentation —

The Hiroshima Bank Ltd.



May 30, 2018

President Koji Ikeda

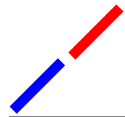


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1. Highlights of FY2017

| | | |
|---|---|------------|
| 1 | Net income on both parent and consolidated basis exceeded the mid-term plan target. | P.4 |
| 2 | The average balance of loans, including focused areas of loans to SMEs, steadily increased and the interest on loans increased for the first time in 10 years. | P.5 P.9 |
| 3 | Both corporate and personal deposit assets steadily increased. The non-interest income ratio, including income from Hirogin Securities, was 35.6%. | P.6 P.7 |
| 4 | The non-performance loan ratio was at a favorable level, at a historical low of 1.20% thanks to the support for management improvement. | P.12 |
| 5 | ROE, an indicator of management efficiency, maintained the latter half of 5%, while net assets steadily increased. | P.13 |
| 6 | The year-end dividend is planned to be 18.0 yen (after stock consolidation), which is the same as the projection announced last November. <small>* Initial projection (May 2017) +2.0 yen</small> | |



2. Overview of Financial Results for FY2017

(1) Summary of business performance in FY2017

- As for profit and loss in FY2017, net income decreased by 2.9 billion yen (-9.9%) on a year-on-year basis to 27.0 billion yen owing to a decrease in profit and loss on securities, and profit attributable to owners of the parent was down by 5.4 billion yen (-17.3%) to 25.8 billion yen from the previous year.
- With efforts to increase net interest income and net fees and commissions income as well as to reduce expenses, **net income on both parent and consolidated basis surpassed the mid-term business plan target.**

(Billion yen)

| | | Results in FY2017 | YoY change (Change rate) | Difference from the announcement in November | Difference from the mid-term plan target (Difference from the announcement in May) |
|--|---------------------------------|----------------------|--------------------------|---|--|
| | Net interest income | 68.2 | -3.2 | 0.0 | 2.4 |
| | Net fees and commissions income | 17.8 | 0.1 | 0.6 | 1.8 |
| Core gross banking profit | | 86.1 | -3.0 (-3.4%) | 0.6 | 4.3 |
| | - Expenses | 53.7 | -1.0 | -0.6 | -1.6 |
| Core banking profit | | 32.3 | -2.1 (-6.2%) | 1.2 | 5.8 |
| | Gains/Losses on securities | 4.0 | -7.6 | -1.2 | -0.5 |
| | - Credit costs | 0.2 | -2.5 | -2.1 | -0.8 |
| Ordinary profit | | 37.9 | -5.3 (-12.1%) | -0.2 | 6.9 |
| Net income | | 27.0 | -2.9 (-9.9%) | -0.5 | 5.2 |
| Consolidated ordinary profit | | 35.0 | -10.0 (-22.2%) | 0.4 | 2.4 |
| Profit attributable to owners of the parent | | 25.8 | -5.4 (-17.3%) | -0.1 | 2.7 |

(2) Net interest income

Net interest income was down by 3.2 billion yen from the previous year owing mainly to a decrease in interest and dividends on securities despite **an increase in interest on loans for the first time in 10 years.**

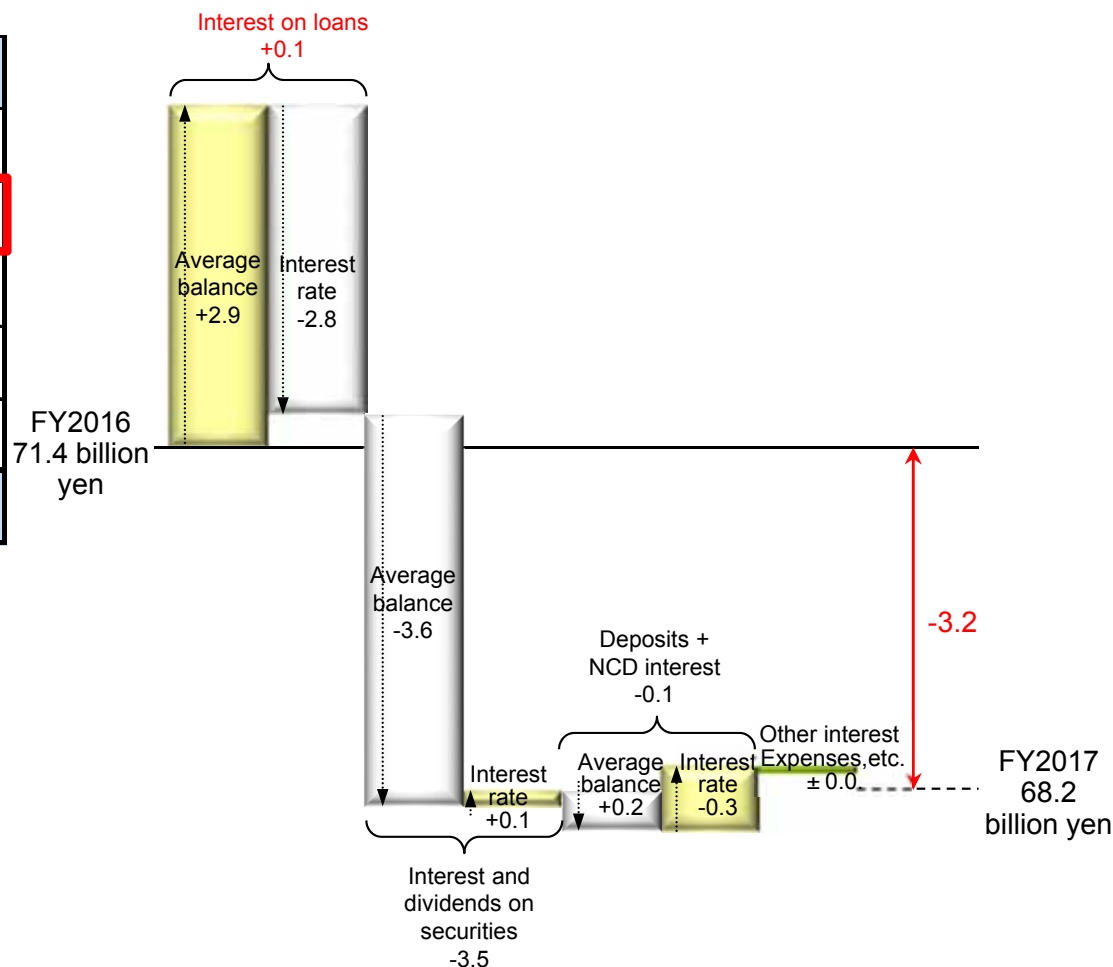
Breakdown of net interest income

(Billion yen)

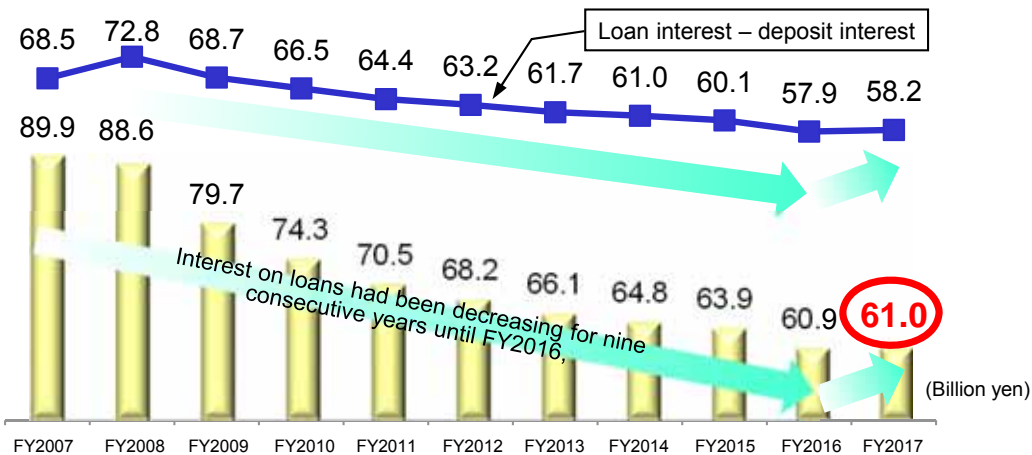
| | Results in FY2017 | YoY change |
|--------------------------------------|-------------------|-------------|
| Interest on loans | 61.0 | 0.1 |
| Interest and dividends on securities | 15.1 | -3.5 |
| Deposits + NCD interest (-) | 2.9 | -0.1 |
| Other interest expenses, etc. (-) | 5.1 | 0.0 |
| Net interest income | 68.2 | -3.2 |

Details of each item in net interest income

(Average balance and interest rate)



<Changes in loan interest>



(3) Net fees and commissions income

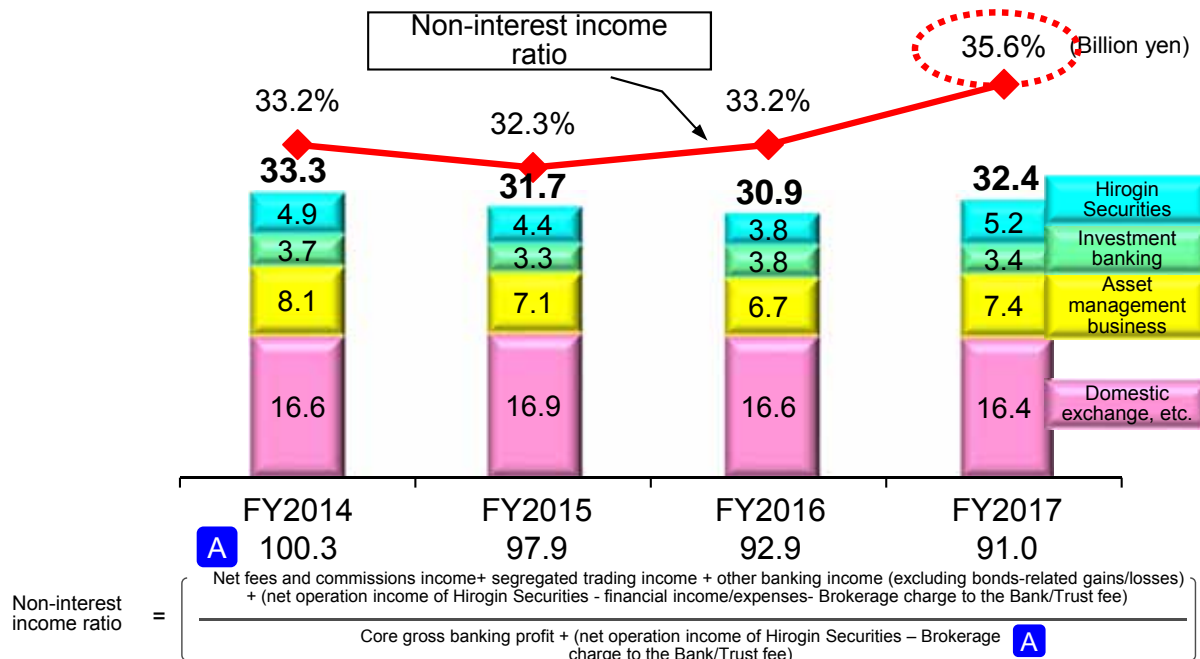
- Net fees and commissions income **increased by 0.1 billion yen on a year-on-year basis** as a result of expanding the transaction foundation by shifting the business model from flow-type to stock-type business.
- The ratio of non-interest income (including income from Hirogin Securities) **steadily increased to 35.6%** due to an increase in net sales income from Hirogin Securities.

Breakdown of net fees and commissions income

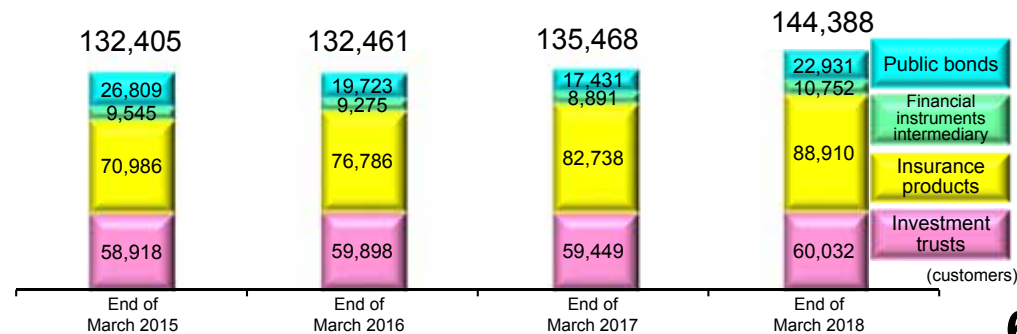
| | Results in (Billion yen) | |
|--|--------------------------|------------|
| | FY2017 | YoY change |
| Investment banking business | 3.4 | -0.3 |
| Syndicated loans, etc. | 2.0 | -0.1 |
| Sales of derivatives to customers | 0.6 | 0.0 |
| Asset management business | 7.4 | 0.7 |
| Investment trusts | 2.1 | 0.0 |
| Public bonds | 0.2 | 0.1 |
| Insurance products | 3.0 | -0.2 |
| Financial instrument intermediary services | 0.5 | 0.1 |
| Foreign currency deposits | 1.2 | 0.4 |
| Personal loan-related | -4.2 | -0.2 |
| Group insurance premium | -2.7 | 0.0 |
| Domestic exchange, etc. | 11.2 | -0.1 |
| Net fees and commissions income | 17.8 | 0.1 |

Trend of non-interest income and its ratio

(including income from Hirogin Securities)



An increasing number of customers who hold non-deposit financial instruments with the bank



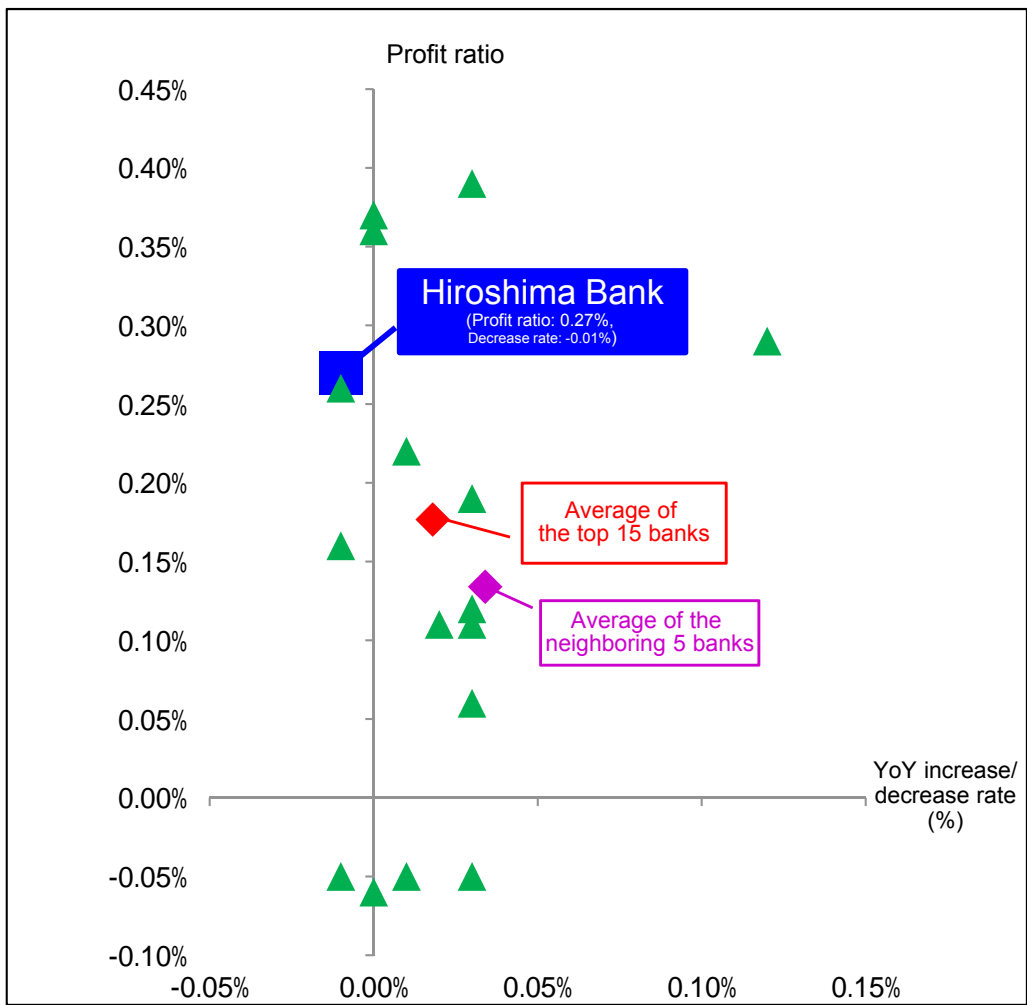
(* For the total number of customers, one customer who holds two or more financial instruments is counted as one. (The number of customers in each product is counted respectively.)

(Reference) Comparison with other banks*1 (FY2017)

(*1) Target... Top 15 first-tier regional banks, including FG and FH, in terms of the amount of funds (deposits + NCD) and first-tier regional banks in Hiroshima, Yamaguchi, Ehime, Okayama, and Shimane prefectures
 Mebuki FG, Kyushu FG, Concordia FG, Nishi-Nippon FH, Chiba Bank, Gunma Bank, 77 Bank, Fukuoka FG, Shizuoka Bank, Hachijuni Bank, Bank of Kyoto, Hokuohoku FG, San-in Godo Bank, Chugoku Bank, Iyo Bank, and Yamaguchi FG

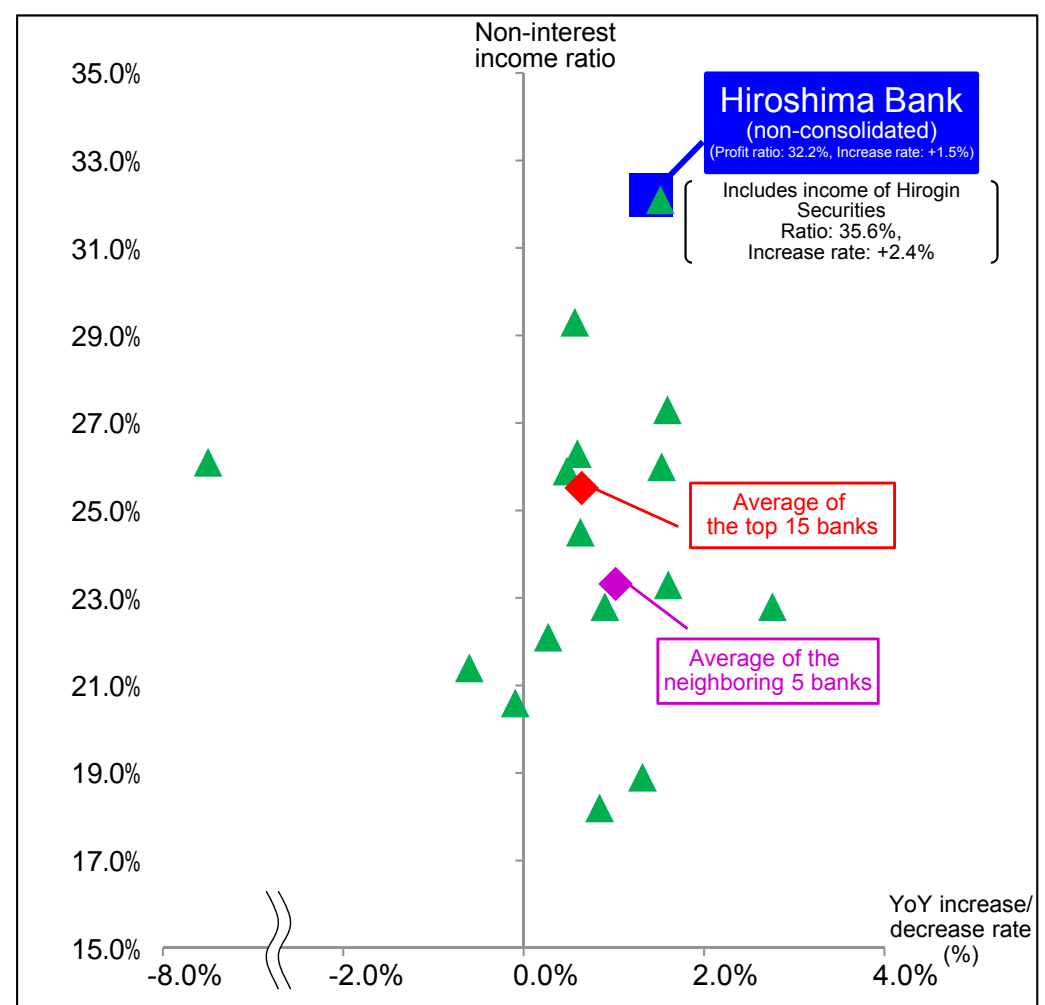
* Each data is calculated by Hiroshima Bank based on each bank's financial statements. Data of FG and FH are simple aggregation of their owned banks.

Profit ratio of service businesses for customers and its increase/decrease rate



$$\text{Profit ratio of service business for customers} = \frac{\text{Loan balance} \times (\text{loan interest rate} - \text{deposit rate}) + \text{fees and commissions income} - \text{operating expenses}}{\text{Average balance of deposits, etc.} \times 2}$$

Non-interest income ratio and its increase/decrease rate



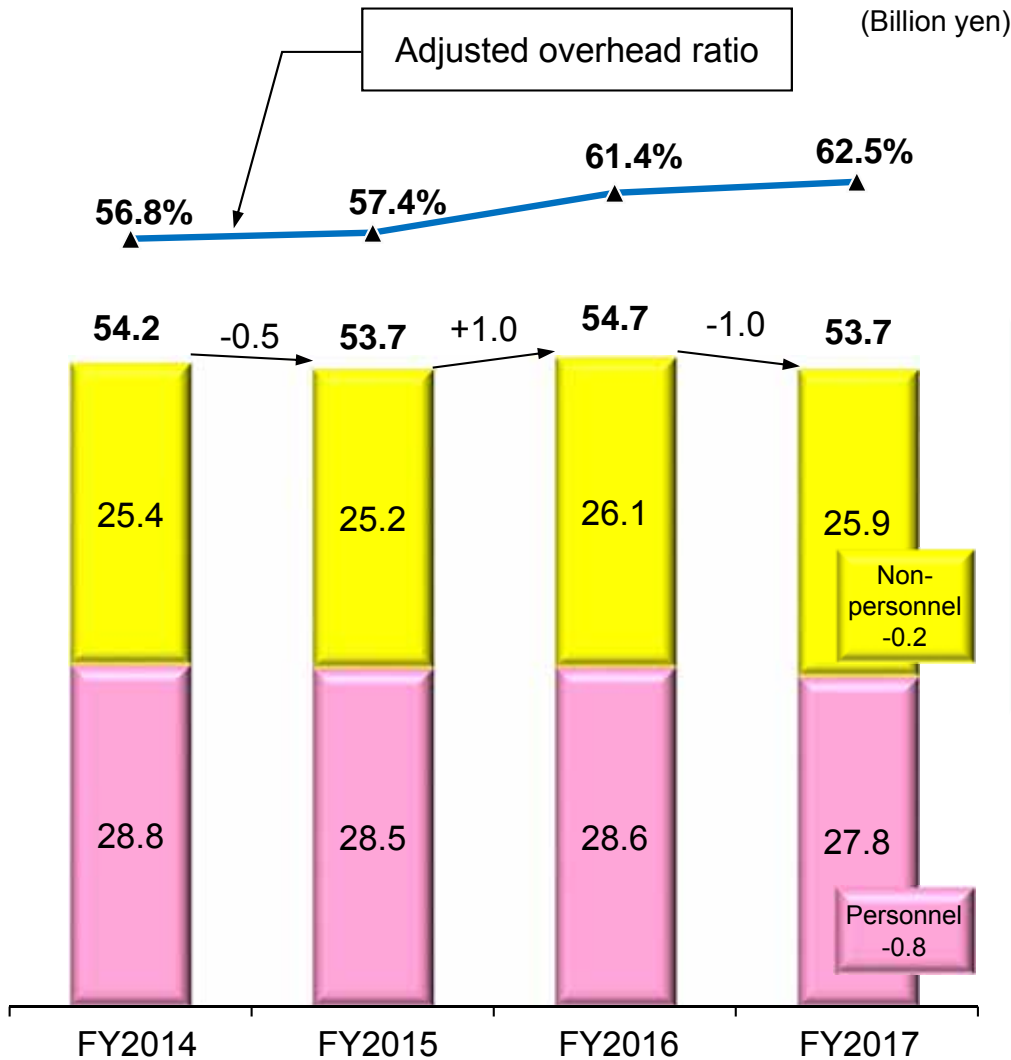
$$\text{Non-interest income ratio} = \frac{\text{Fees and commissions income} + \text{segregated trading income} + \text{other banking income (excluding bonds-related gains/losses)}}{\text{Core gross banking profit}}$$

(*2) Average balance of banks, which are not disclosed, are calculated by our bank using the formula mentioned below.
 Average deposit balance + (beginning balance of NCDD + ending balance of NCD)/2

(4) Expenses

Expenses were **down by 1.0 billion yen from the previous year** owing mainly to a decrease in personnel expenses.

Trend of expenses and Adjusted overhead ratio



* Adjusted overhead ratio = Expenses / Core gross banking profit

Breakdown of expenses

(Billion yen)

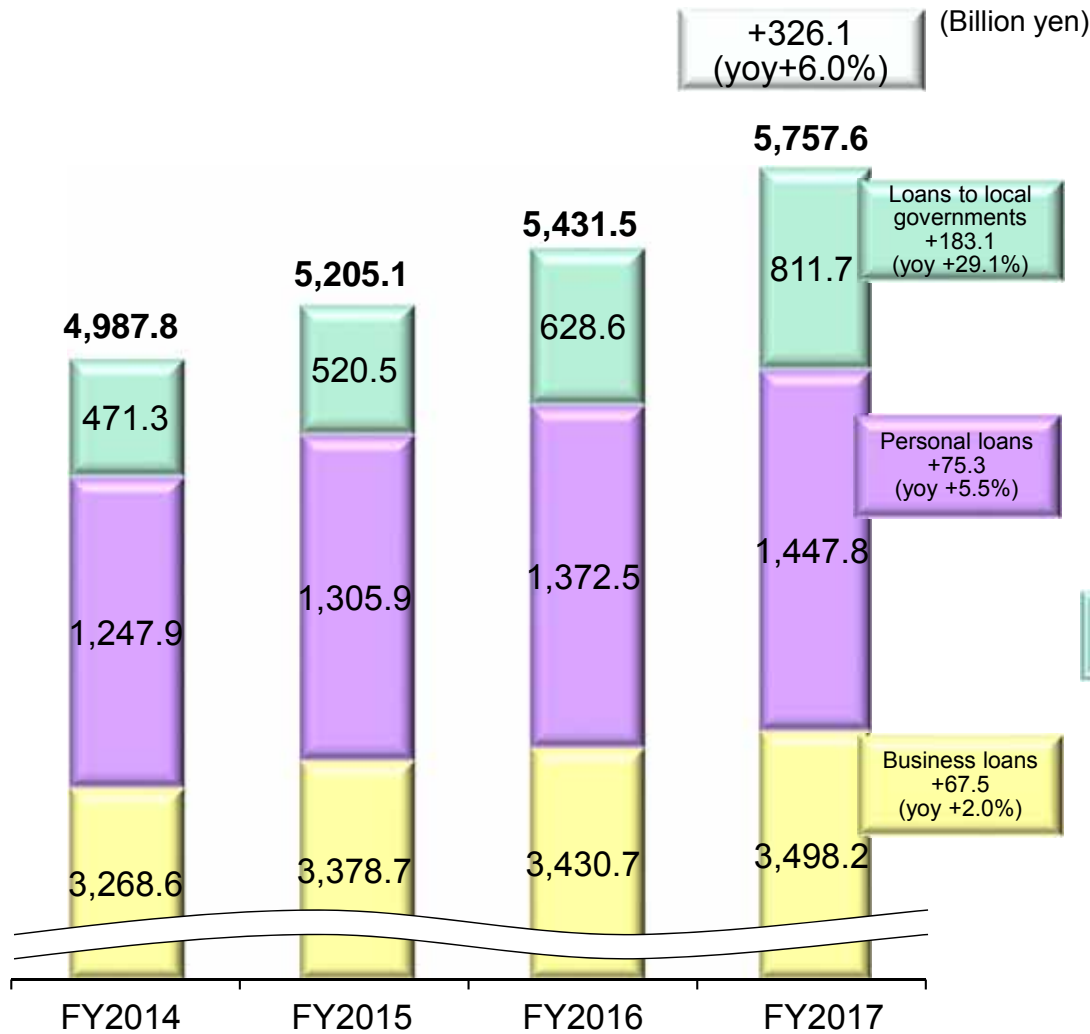
| Non-personnel expenses | |
|--|--------|
| Major factors | Change |
| Depreciation costs | +0.2 |
| Deposit insurance premium | -0.2 |
| Tax on acquisition of real estate etc. | -0.2 |

| Personnel expenses | |
|---|--------|
| Major factors | Change |
| Promotion of the work-style reform (overtime pay) | -0.2 |
| Bonus (using a decision table of performance-linked pay) etc. | -0.8 |

(5) Balance of loans, deposits, etc. (deposits+NCD) and foreign currency funding

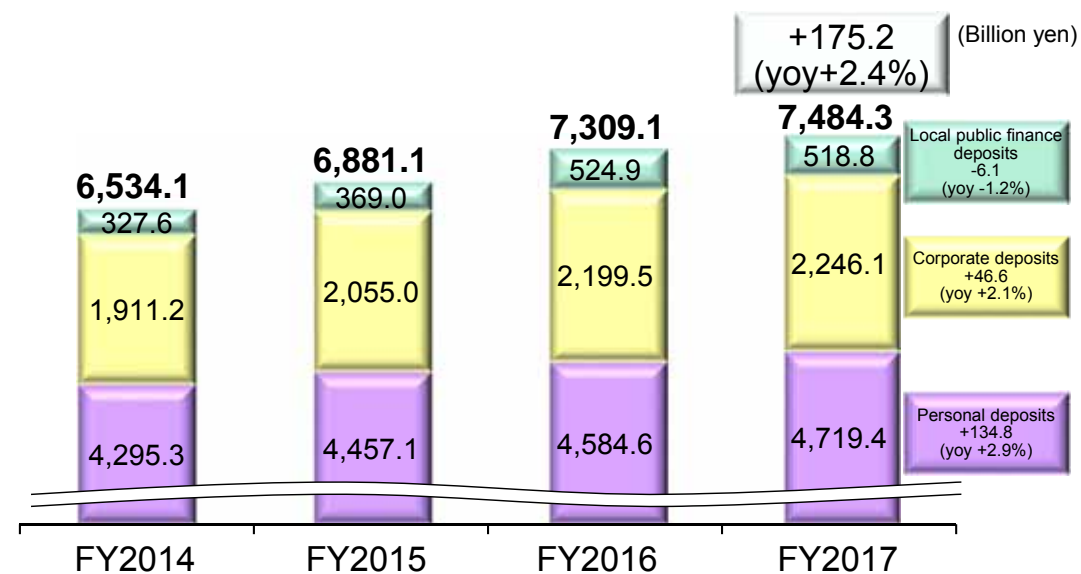
- The average balance of loans increased in all the business, personal, and local public sectors, **up by 326.1 billion yen (+6.0% yoy)**.
- The average balance of deposits increased in the personal and corporate sectors, **up by 175.2 billion yen (+2.4% yoy)**.
- For foreign currency loans, a sufficient and stable fund-raising capacity was secured.

Trend of the average balance of loans



* Loans to local governments include public corporations.

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



Foreign currency fund-raising for foreign currency loans
(Total of all currencies as of the end of March 2018)

| Items | Balance (Billion yen) |
|------------------------|-----------------------|
| Loans | 238.5 |
| Total | 238.5 |
| Deposits | 142.7 |
| Long-term fund-raising | 91.6 |
| Commitment line | 49.7 |
| Total | 284.0 |

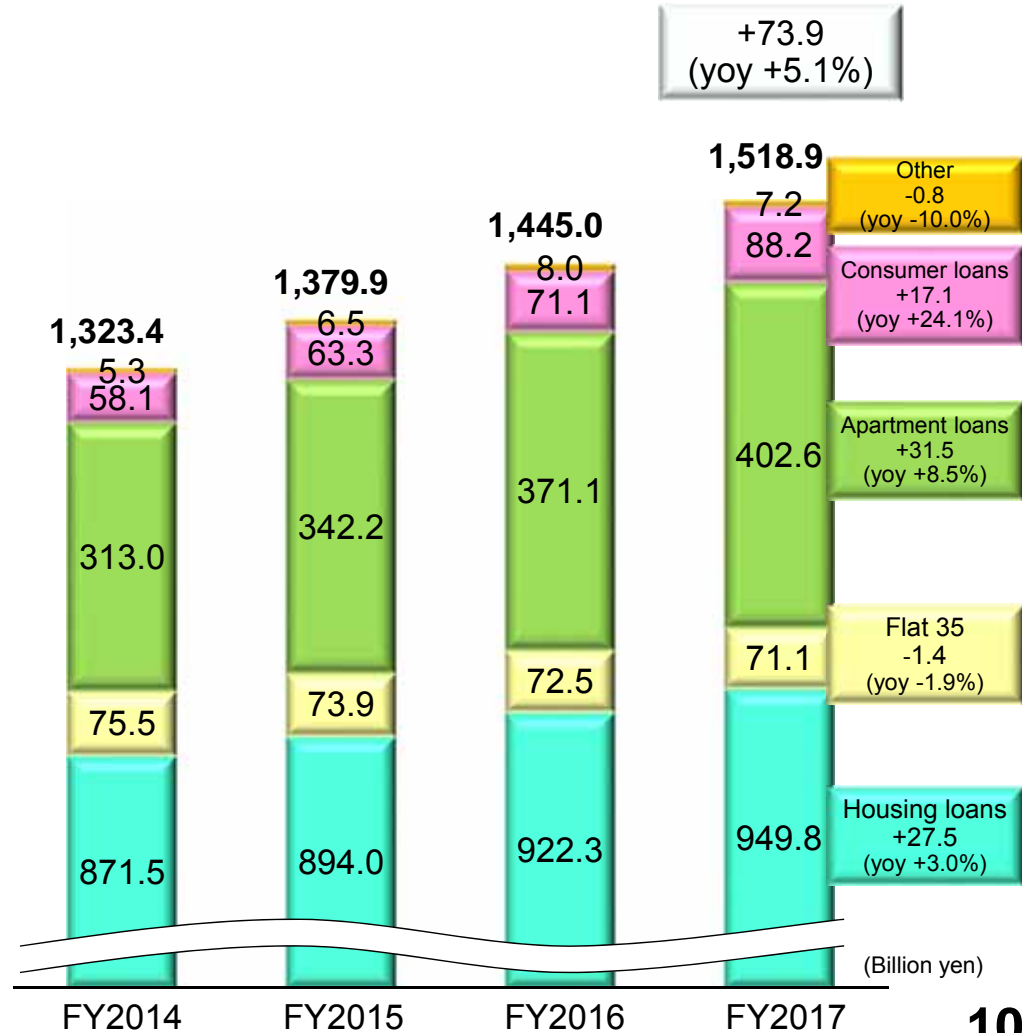
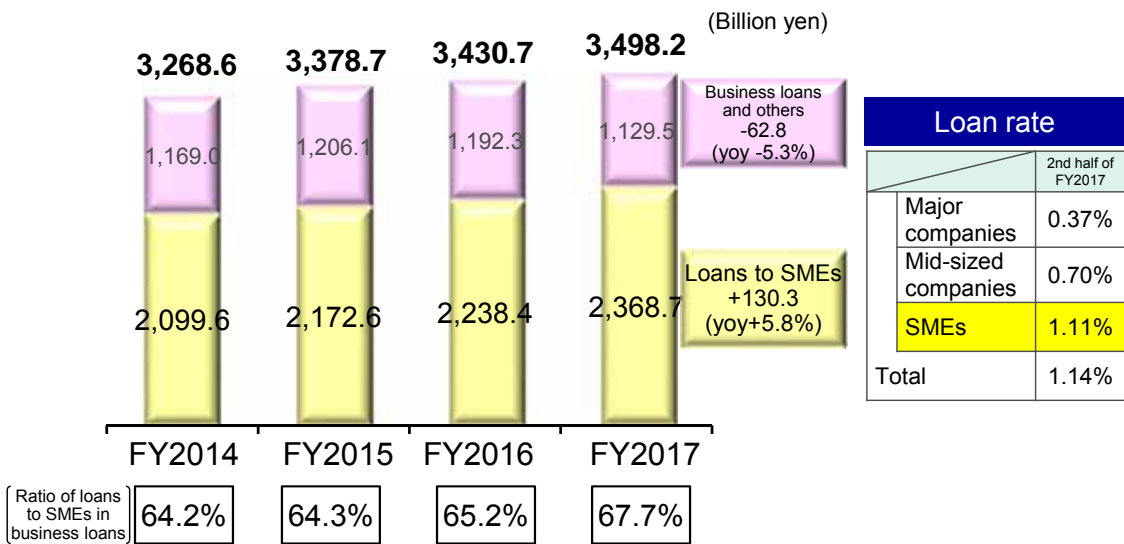
Stable fund-raising capacity (credit line)
+ 45.5

(6) Loans to SMEs and personal loans

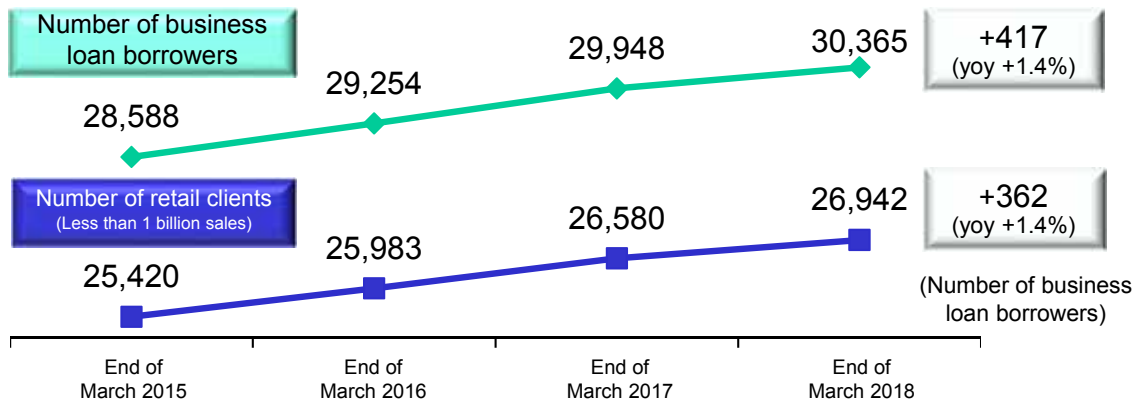
- The average balance of loans to SMEs steadily **increased**, supported by financial intermediary functions, including the enhancement of consulting sales.
- **The ratio of loans to SMEs in business loans steadily increased**, steadily promoting the change of portfolio.
- As a result of efforts to increase personal loans led by the headquarters, including telemarketing, personal loans **increased by 73.9 billion yen (yoy +5.1%)**.
- With regard to apartment loans, we took up loans that have sufficient stress tolerance, being recognized as effective as inheritance tax saving measures or effective use of owned property.

Trend of the average balance of business loans

Trend of the average balance of personal loans (including Flat 35)



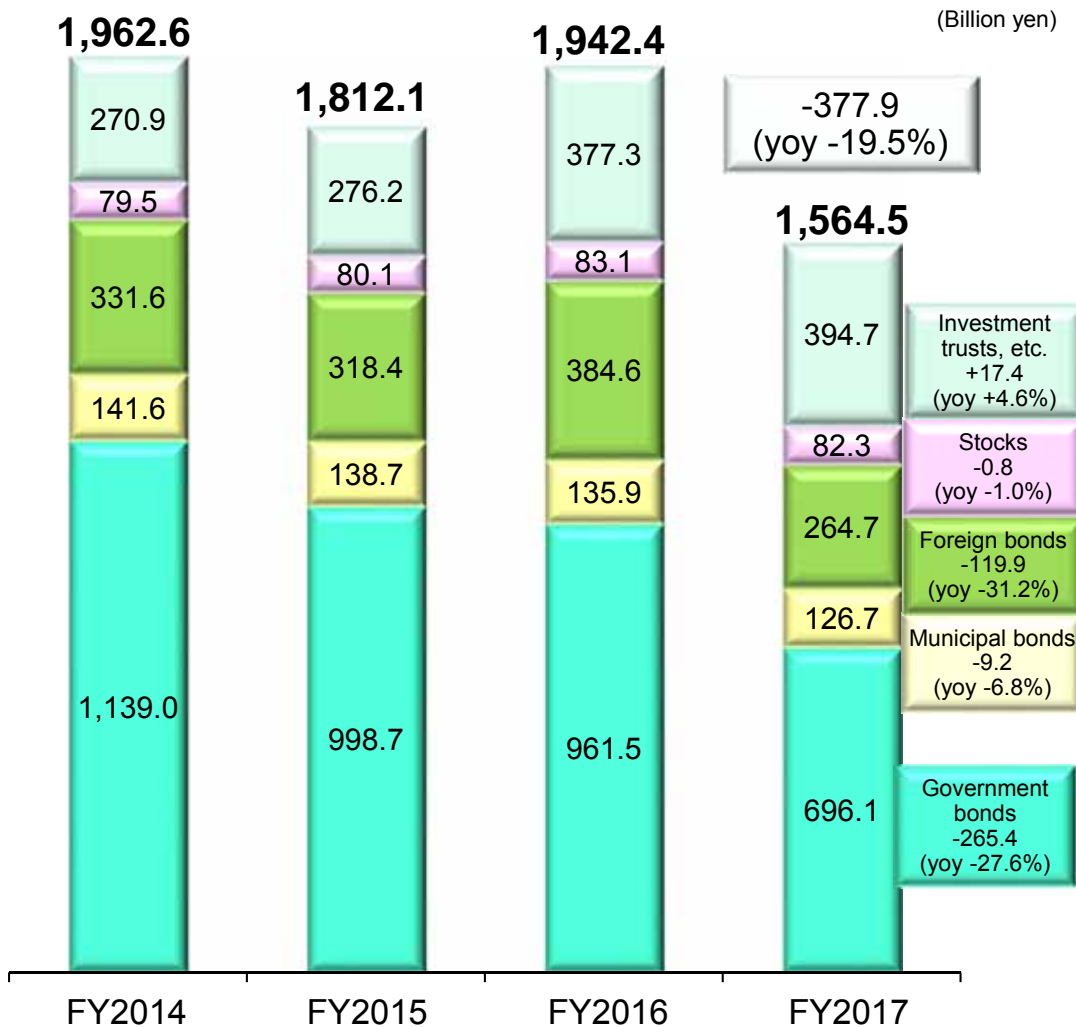
Trend of the number of business loan borrowers



(7) Securities

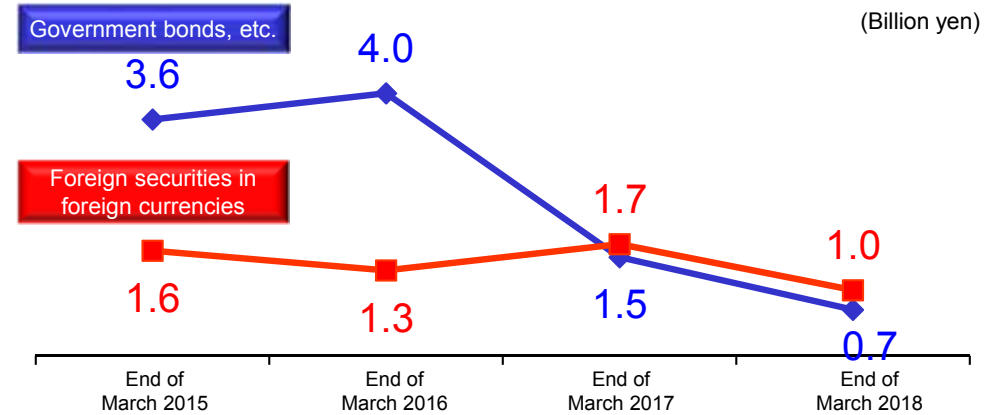
- The average balance of securities **decreased by 377.9 billion yen** despite the re-investment of redeemed government bonds in investment trusts.
- The amount of interest-rate risk **decreased from the previous year.**
- The balance of cross-shareholdings **reduced by 0.4 billion yen on a year-on-year basis** through dialogues with issuing entities.

Trend of the average balance of securities

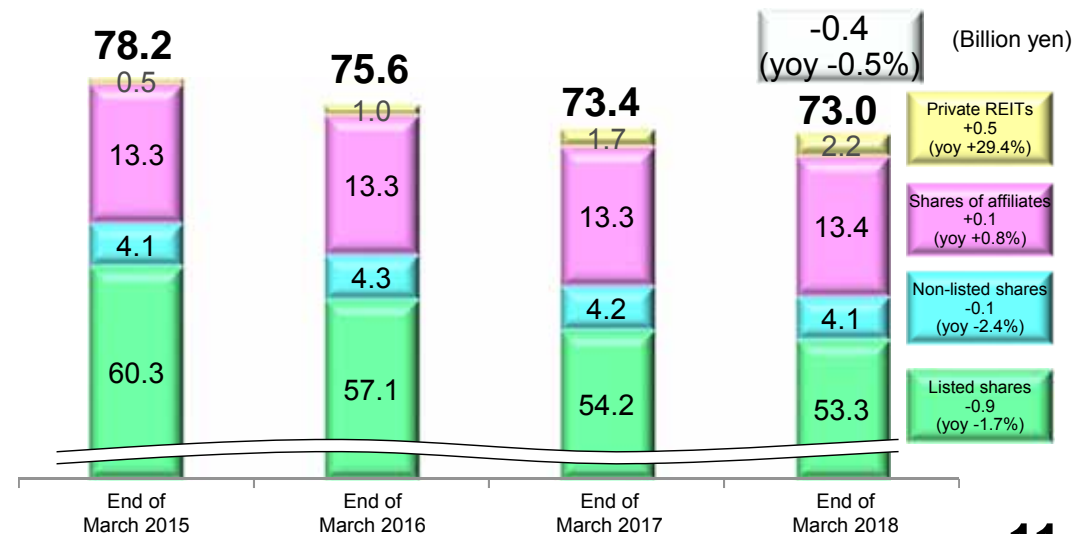


Trend of the interest rate delta

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



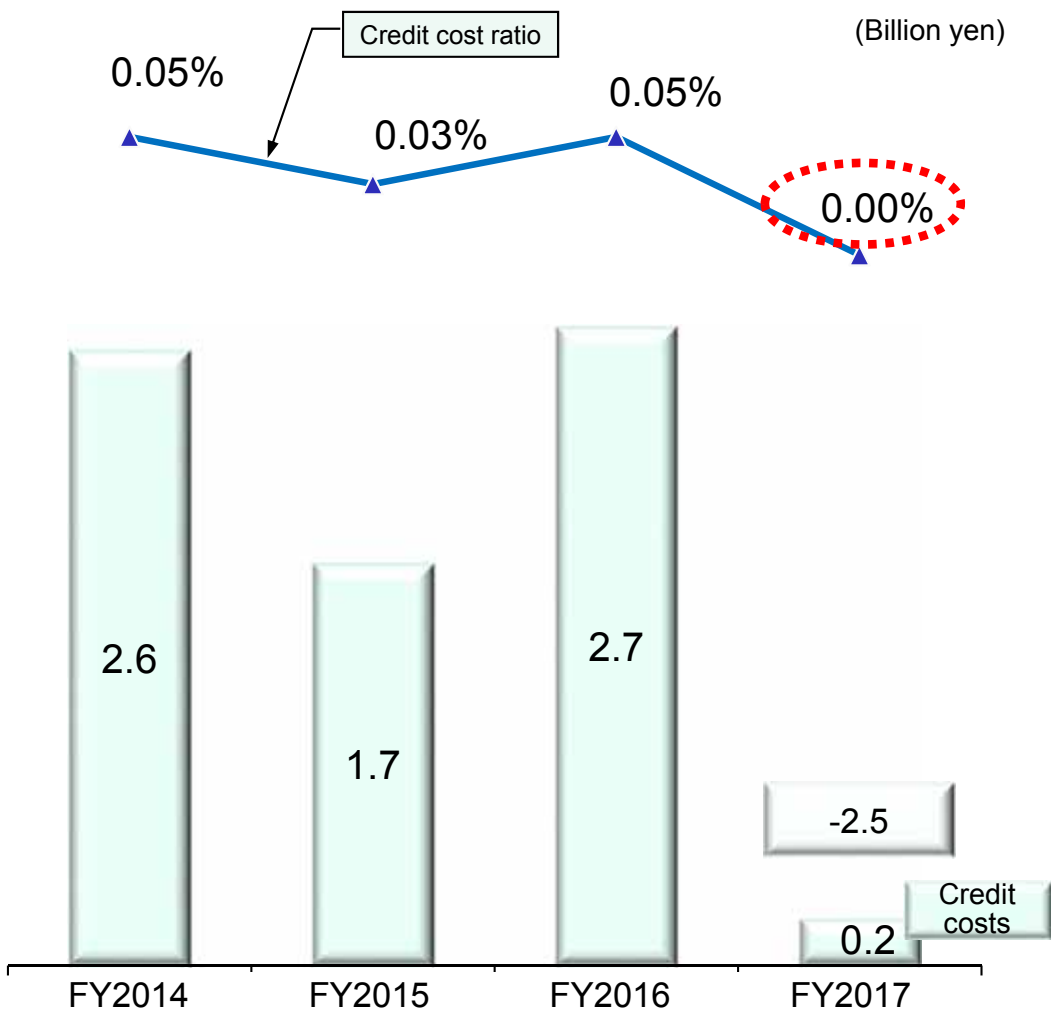
Trend of the term-end balance of cross-shareholding (including private REITs)



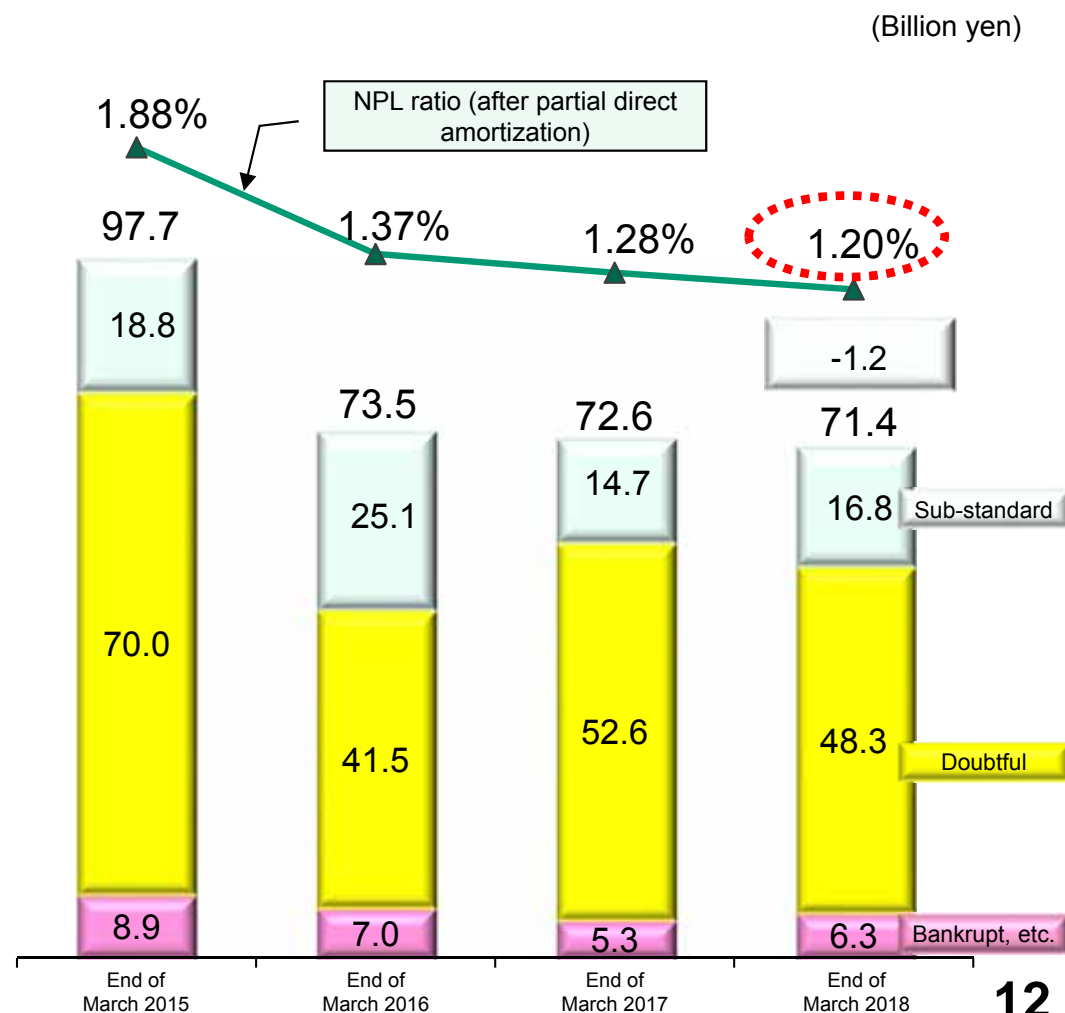
(8) Credit costs and non-performing loans

- Credit costs **remain continuously low** as a result of active support for business revitalization and management improvement of clients.
- NPLs (term-end balance) decreased by 1.2 billion yen to **71.4 billion yen** on a year-on-year basis, with NPL ratio **hitting the historical low of 1.20%**.

Trend of credit costs



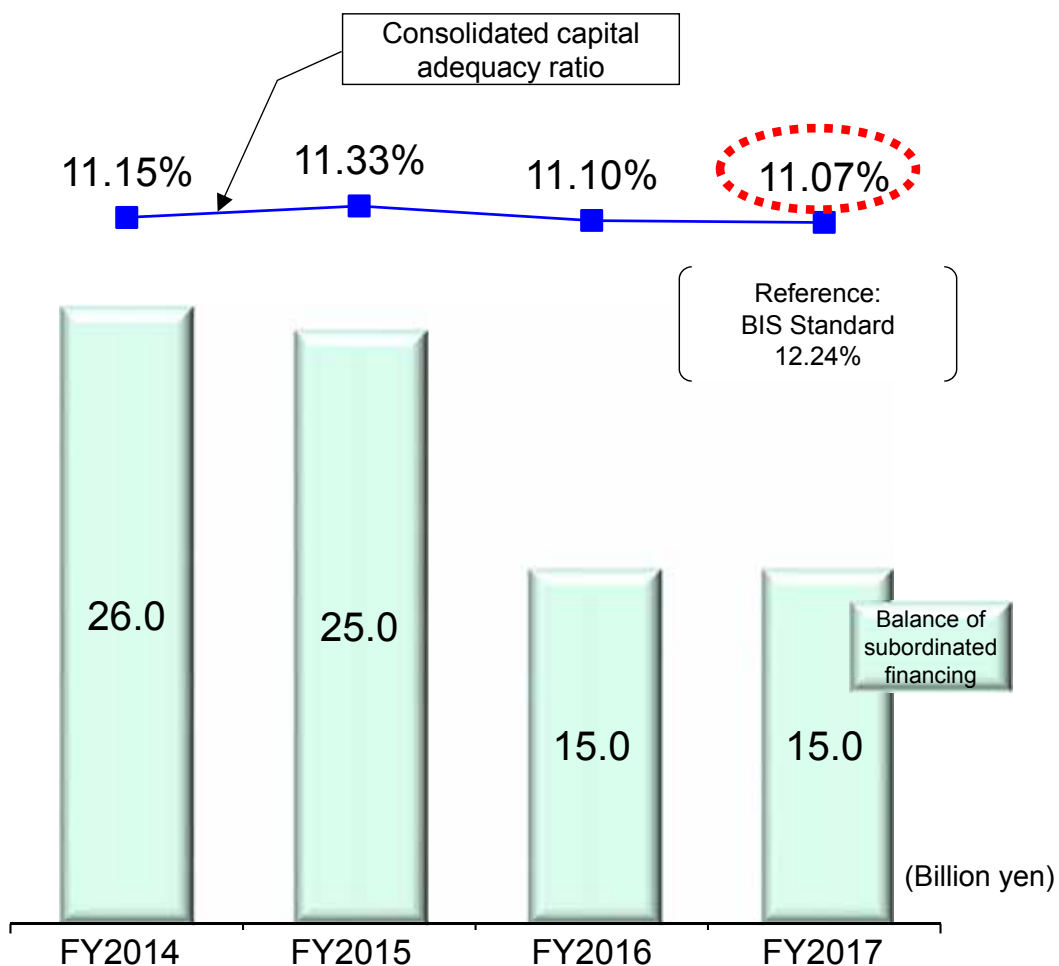
Trend of NPLs (term-end balance) and NPL ratio



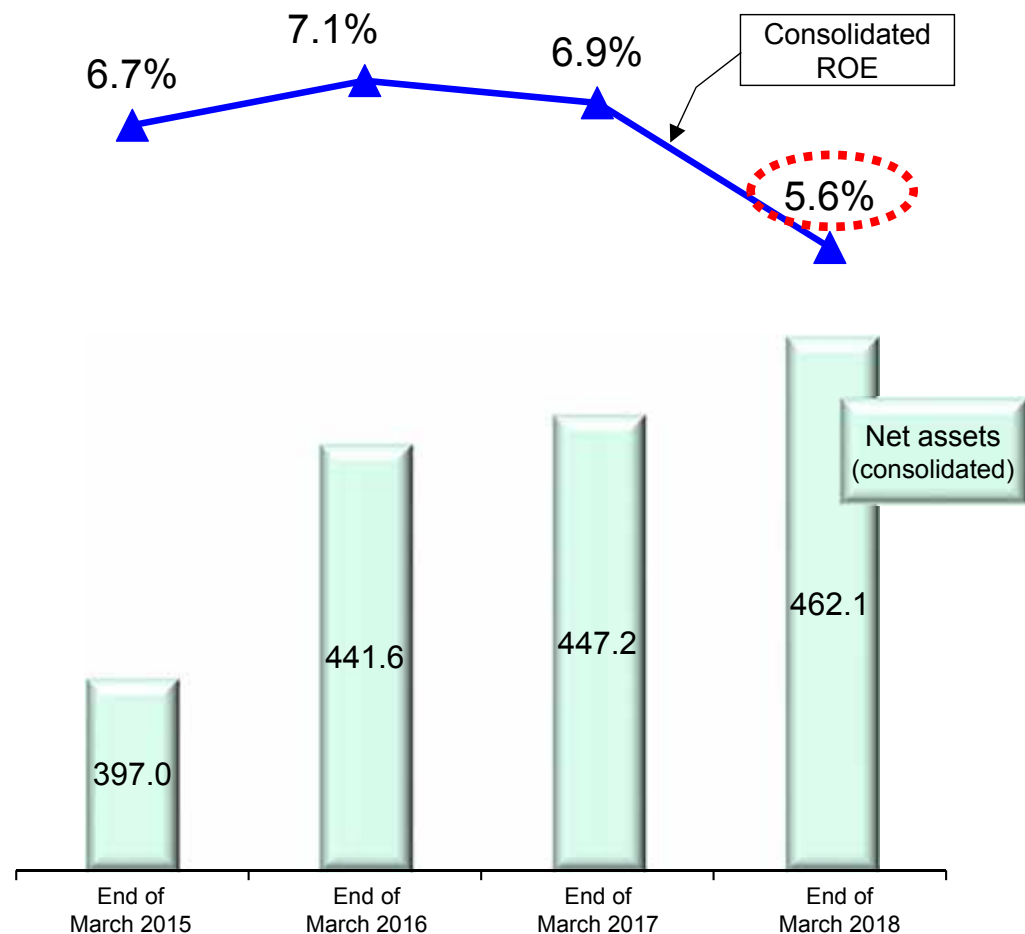
(9) Capital adequacy ratio and ROE

- Consolidated capital adequacy ratio was at a sufficient level of 11.07%.
- Consolidated ROE was maintained at a level of latter half of 5% while net assets steadily increased.

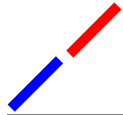
Trend of consolidated capital adequacy ratio and the balance of subordinated financing



Trend of consolidated ROE and net assets

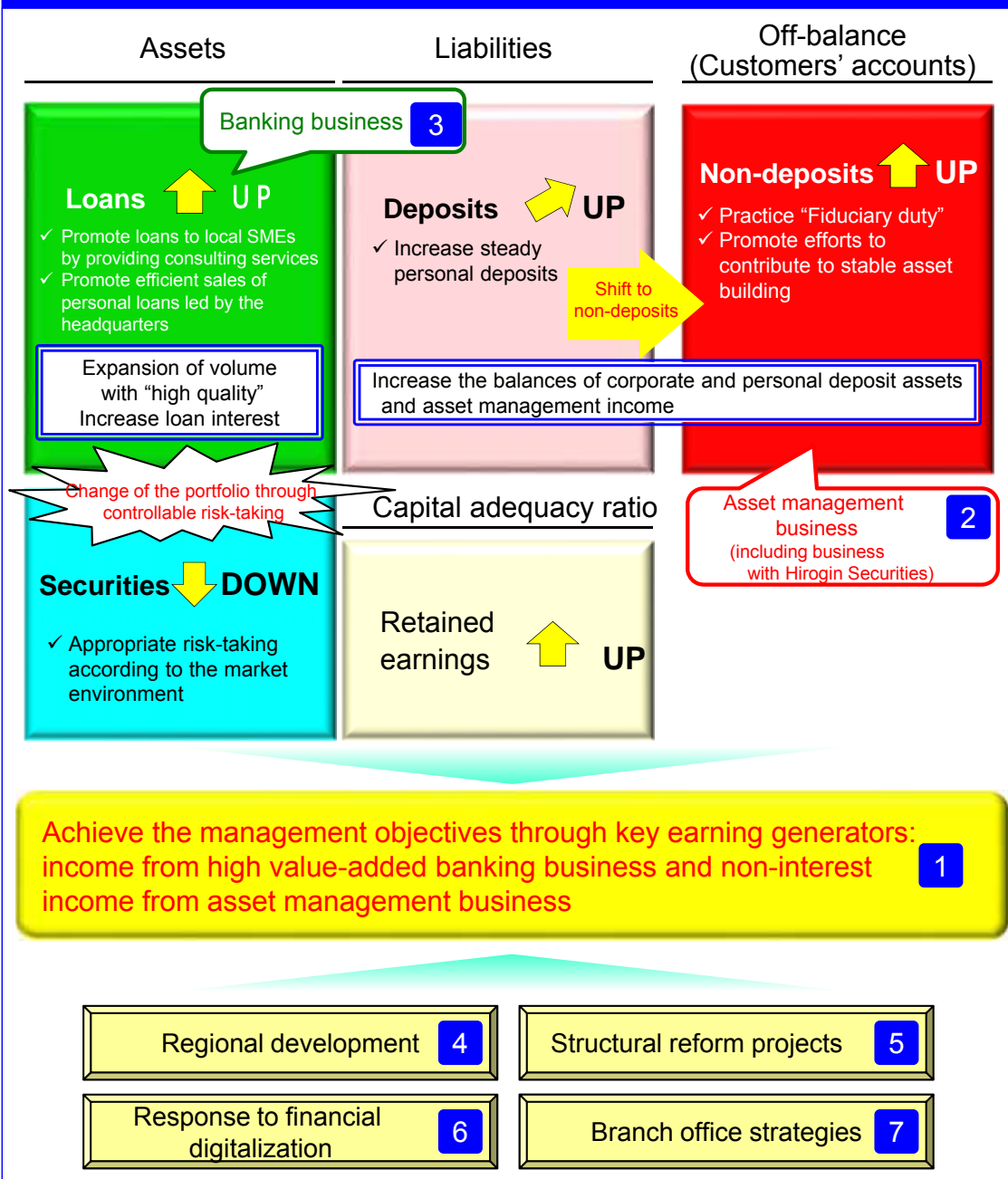


Net assets = [Total term-beginning balance of net assets (excluding share acquisition right) + Total term-end balance of net assets (excluding share acquisition right)] / 2



3. Progress of Mid-term Plan 2017

Management strategies in Mid-Term Plan 2017

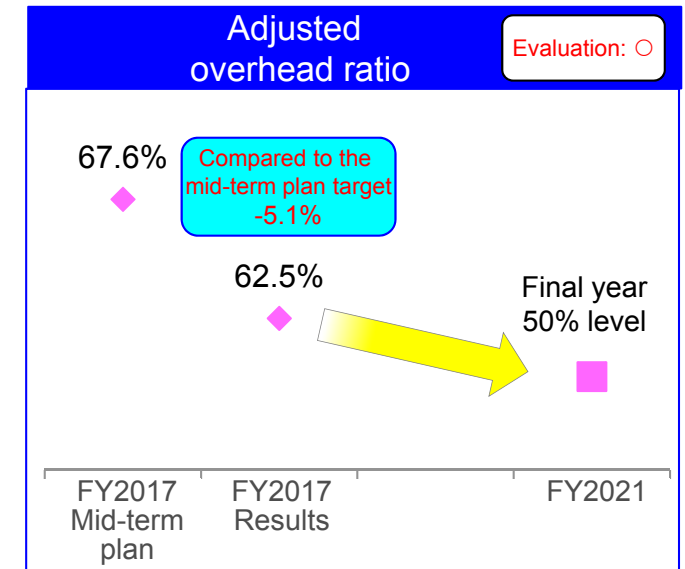
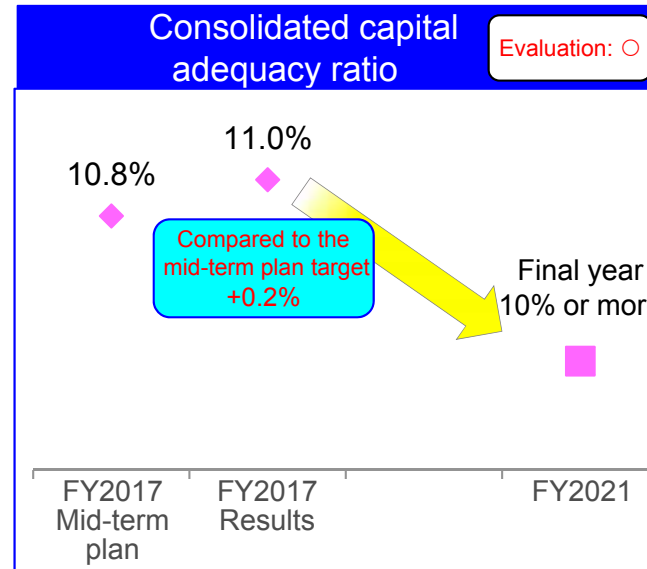
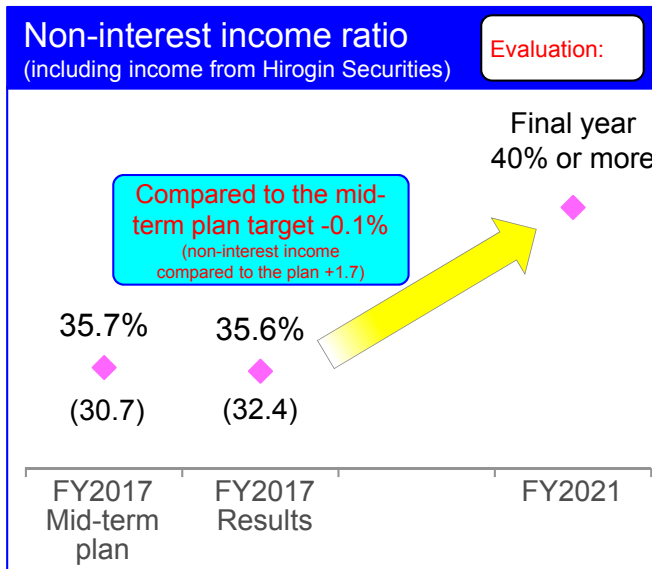
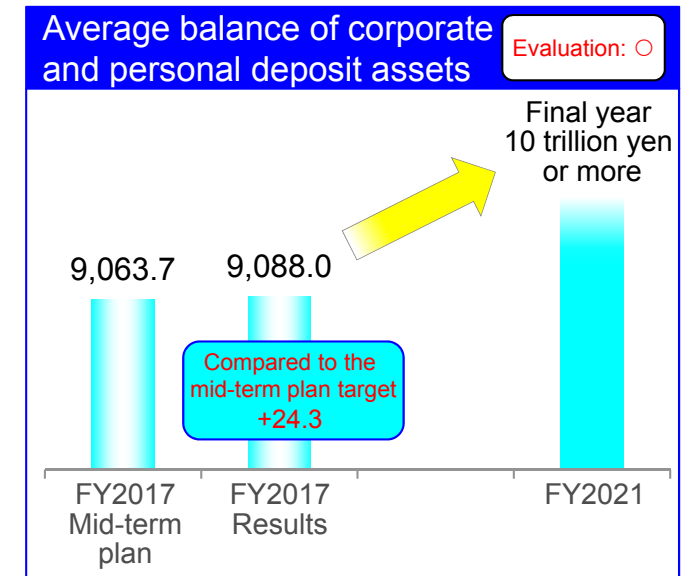
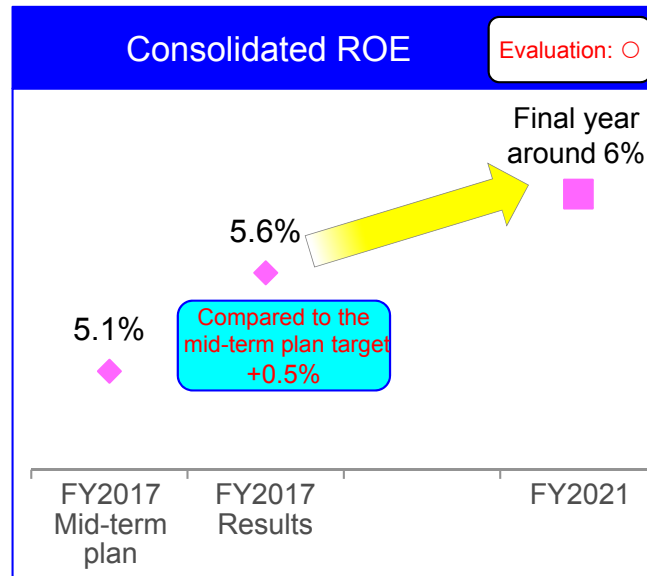
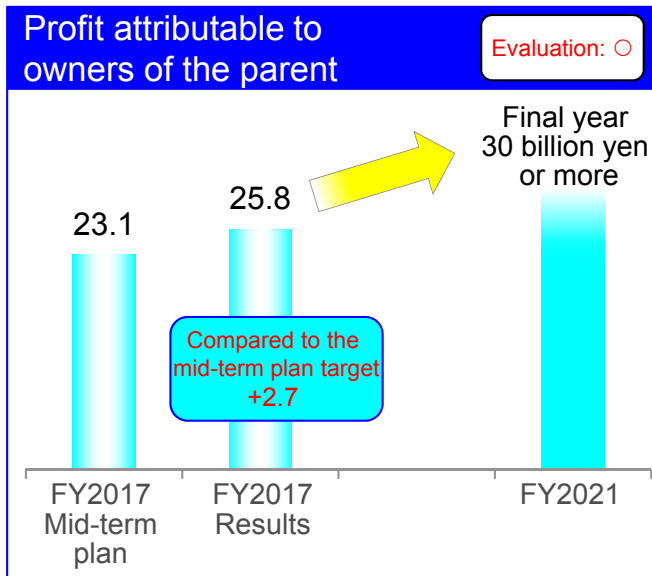


Results of FY2017 (Summary)

- 1 We steadily executed management strategies and **generally achieved the management objectives** in the first year of the mid-term plan. P.16
- 2 We enhanced asset management business, including collaboration between banking and securities businesses, **achieving the target of the balances of corporate and personal deposit assets**. P.17-18
- 3 We enhanced consulting sales through feasibility studies (qualitative analysis) to practice value-added sales. P.19-20
- 4 We actively participated in local development, including **structuring of private REITs**. P.21
- 5 We managed to secure personnel by implementing the work-style reform and reallocated them to promising markets. P.22-24
- 6 We enhanced the system to make a speedy response and strengthened efforts for new payment methods. P.25
- 7 We considered building new channels (including branch offices) to provide customers with optimal financial services, **including establishing innovative branch offices with a view to the next generation**. P.26

(2) State of achievement of Management objectives

(Billion yen, %)



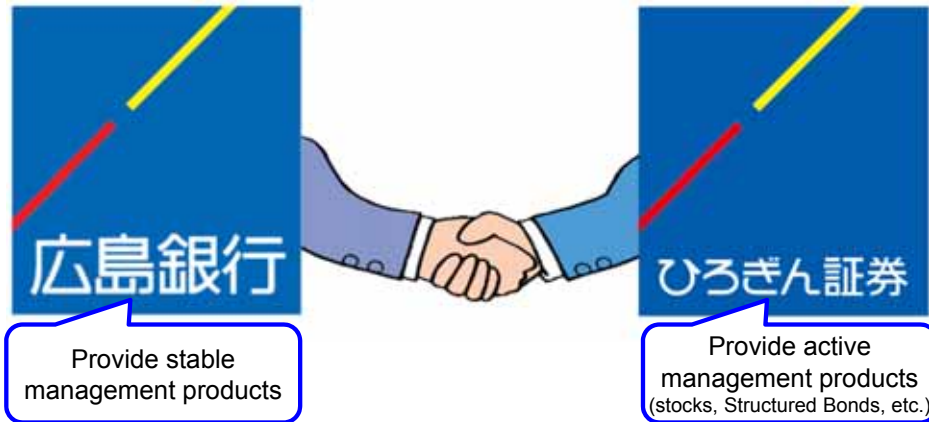
(3) Enhancement of asset management business 1

— Collaboration between banking and securities businesses —

■ Promote increasing the number of joint offices (from FY2016 +11 offices) and increasing the number of sales persons (from FY2016 +20 persons) and provide customers with financial products and services to meet their diverse needs by working together with Hirogin Securities.

Enhancement of BK/SE unified management

Promotion of financial instrument intermediary services



Measures

Strengthen sales power to acquire new accounts of financial instrument intermediary services

Enhance measures to meet needs for inheritance tax saving

Increase the number of joint offices to provide one-stop function

Results (including estimates)

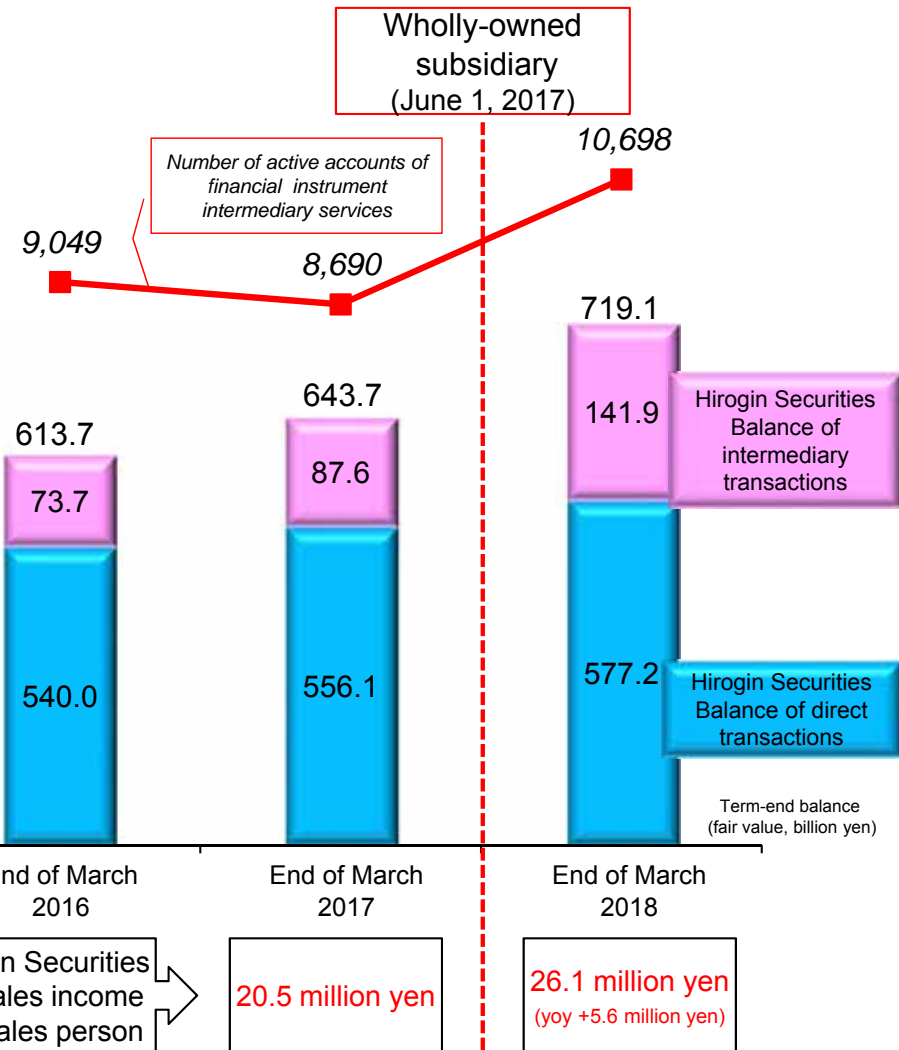
The number of employees of the bank **seconded** to Hirogin Securities **+ 20 persons** (April 1, 2017 to April 1, 2018.)

Hirogin Securities was qualified to conduct **trust agreement agency business and bank agency business** (January 4, 2018)

Number of joint offices (total number including booths)

| | | |
|----------|----------|----------------------|
| 3 | 8 | 14 |
| (FY2016) | (FY2017) | (Planned for FY2018) |

Japan's first Securities companies affiliated with regional banks

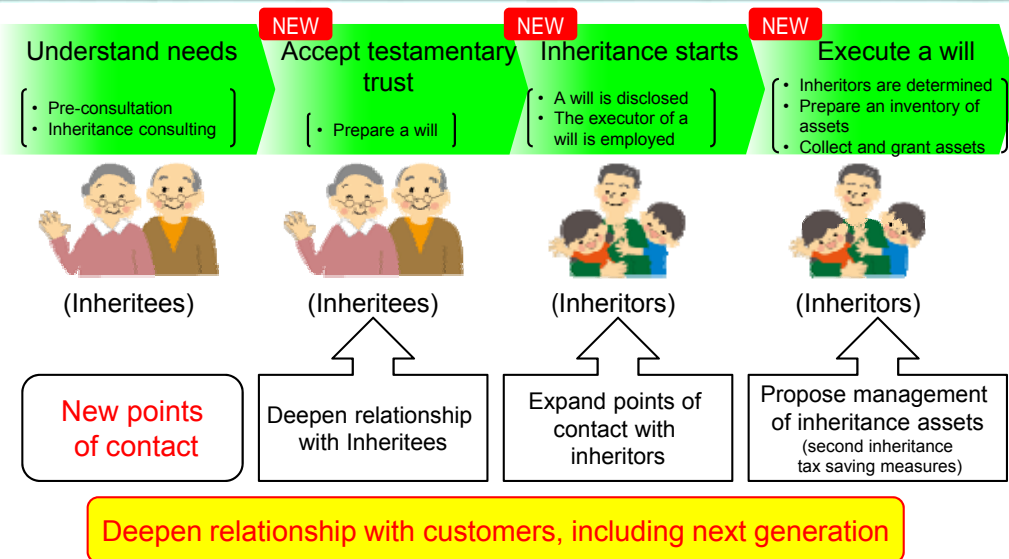


(4) Enhancement of asset management business 2

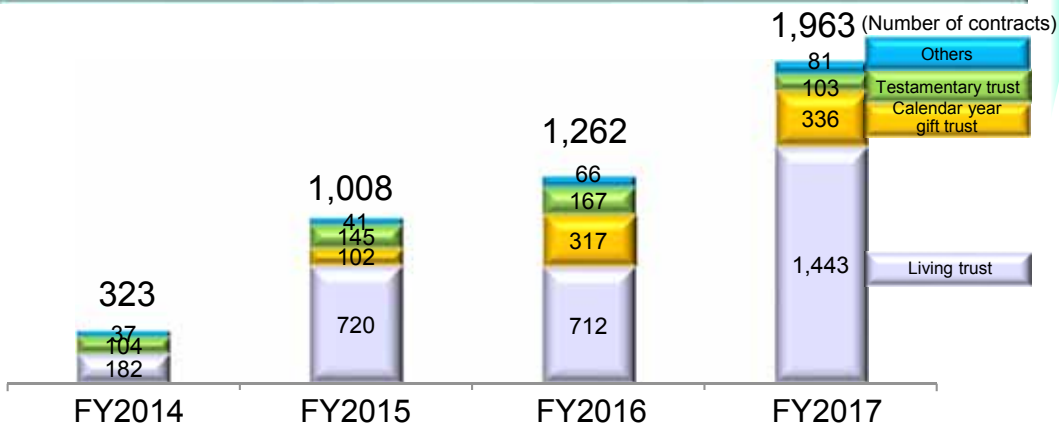
— Business for senior customers —

Enhance the business targeting senior customers, including corporate owners, based on services for inheritance/donation, and aim to achieve the target of 9.36 trillion yen of corporate/personal deposit assets as well as 35.8% of non-interest income ratio by implementing customer-oriented business activities.

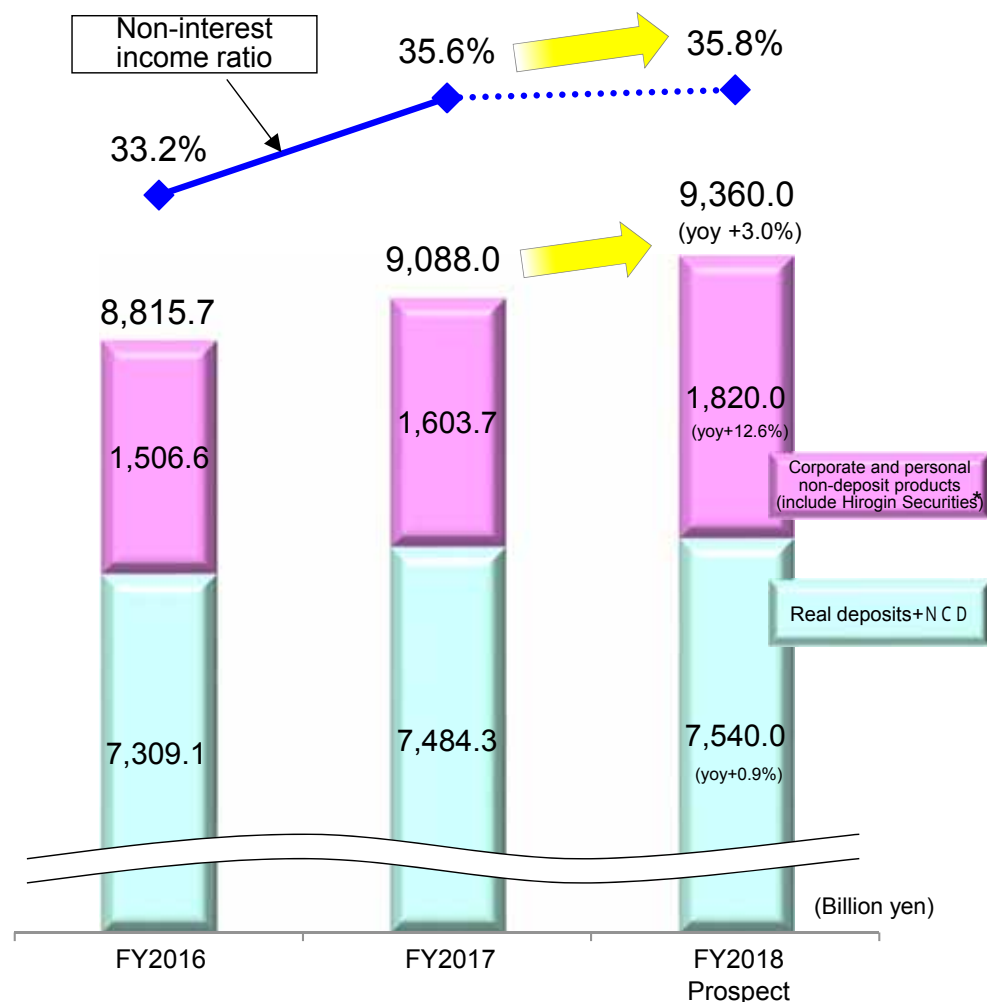
Hiroshima Bank entered into the trust business (testamentary trust) (from April 2018)



Trend of the number of contracted business with senior customers (inheritance related businesses)



Accumulation of average balance of corporate/personal deposit assets (including Hirogin Securities)



(*) The balance of Hirogin Securities' non-deposit products is fair value.

(5) Enhancement of high value-added banking business 1

— Business loans —

With provision of comprehensive solutions to customers' diversified needs, we increase the balance of loans to SMEs as well as income from investment banking business.

Mazda-related suppliers' needs

Mazda

- ✓ Launch the next-generation products from FY2018 (7th generation)
- ✓ Establish a joint venture with Toyota Motor Corporation and build a new plant in the U.S (2021)



Relevant suppliers

- Establish and update facilities for the next-generation products
- Build new plants and enhance the existing plants in line with Mazda's advance to the U.S.

Needs arise for funding, overseas advance and business matching

Government support for SMEs

- ✓ The government developed a new economic policy package to aim to realize a nominal GDP of 600 trillion yen.
- ✓ The next three years until 2020 have been set as a period of intensive investments.

Productivity revolution

- Promote new capital investment
- Improve operation by introducing IT
- Support for smooth business succession

Subsidies · Tax breaks

Needs arise for capital investment and business succession

Ratio of absence of successor in Hiroshima Prefecture 73.4%
(National average 66.5%)
5th in Japan

Higher needs for business succession than other prefectures

(Reference) Teikoku Databank

Develop a system to meet the diverse needs

Products and services

- ✓ Our unique consulting-type loans
 - Loans with principal-exempted in case of large earthquake
 - Loan system to support growing fields
 - Business succession support loan, etc.
- ✓ Business matching
- ✓ Derivatives (hedge against foreign exchange and interest rate risk)
- ✓ Support for overseas advance

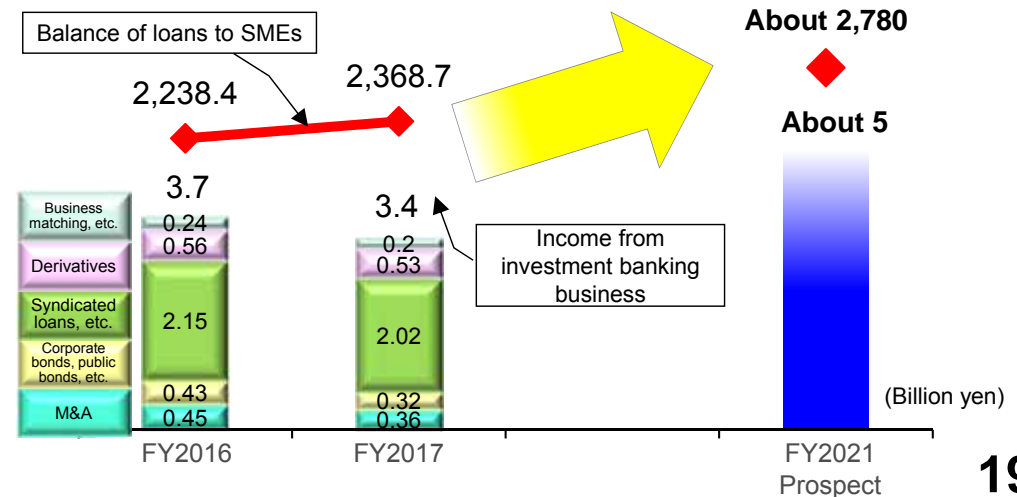
Support system

- ☐ RM by industry
- ☐ Persons in charge of business matching
- ☐ Persons in charge of M & A
- ☐ Overseas representative offices
- ☐ Persons in charge of consulting with corporate owners



Feasibility studies (qualitative analysis) = Base FY2017 results: 735 cases

Accumulate income from banking business



(6) Enhancement of high value-added banking business 2

— Personal loans —

- Increase the balance of personal loans by establishing a promotion system through launch of new products and utilization of headquarter functions without involving branch offices.
- Enclose customers by providing companies and schools with employee identification IC card and student identification IC card that integrate daily-use functions and financing functions.

Accumulation of the average balance of personal loans

Introduction of "Super Flat 35"

- ✓ Fixed rate is available for the entire period (up to 35 years)
- ✓ More interest advantage than the existing Flat 35
- ✓ Our interest risk and credit risk are reduced by securitization

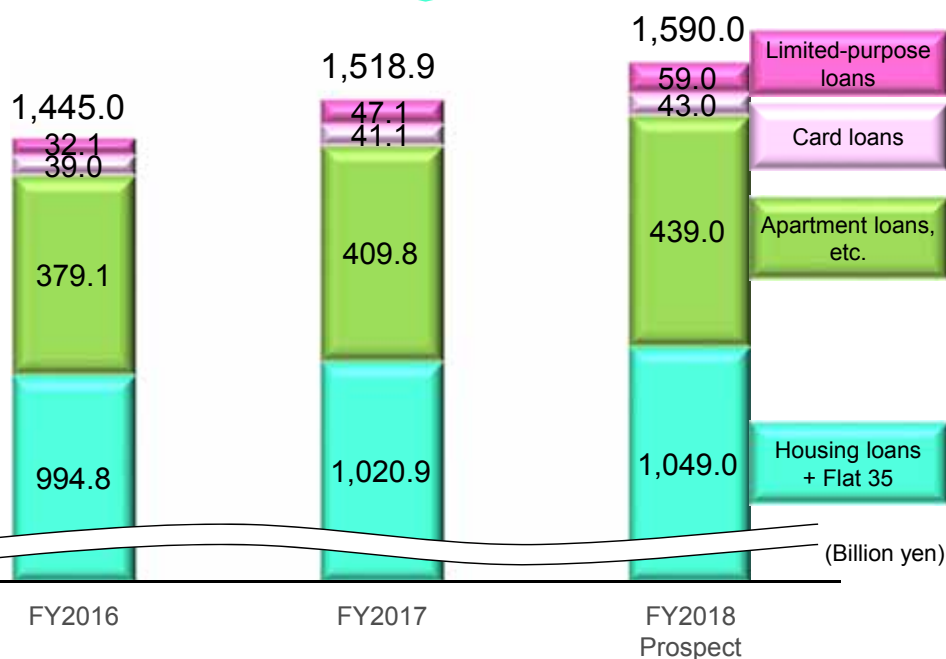
* Launched on May 7, 2017

First regional bank in western Japan

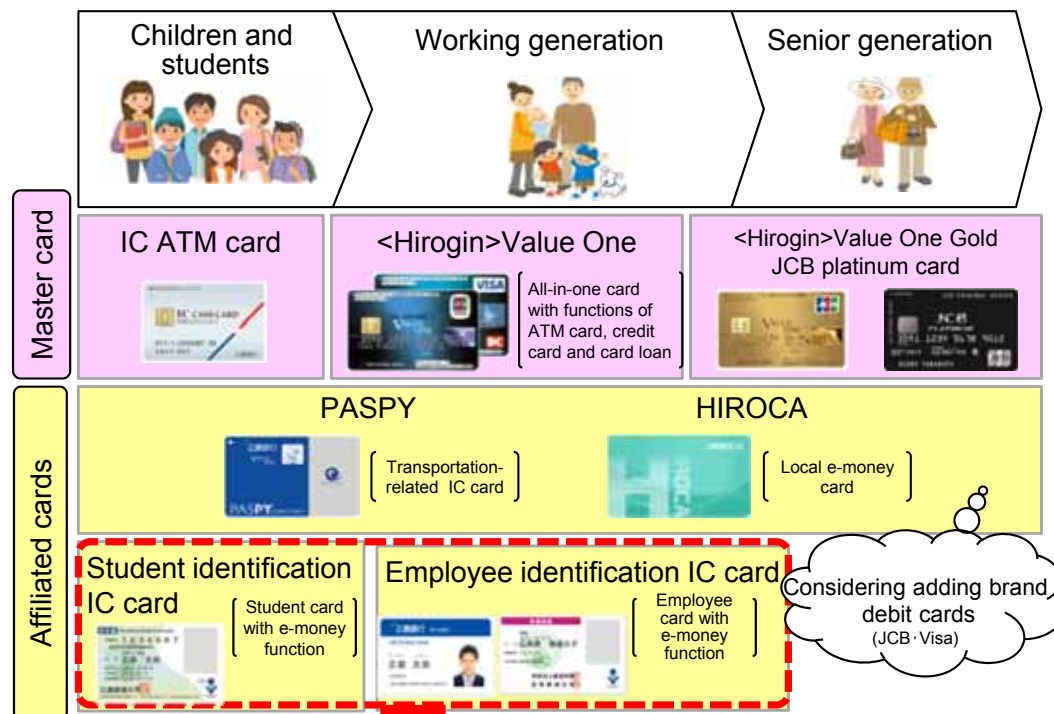
Effective promotion led by the headquarters with sophisticated EMB* support



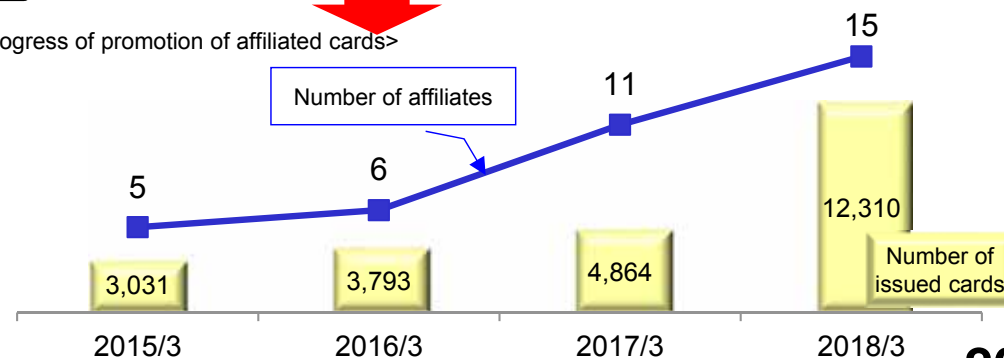
(* Event Based Marketing...Marketing reflecting changes in customer behavior)



Promotion of affiliated credit cards



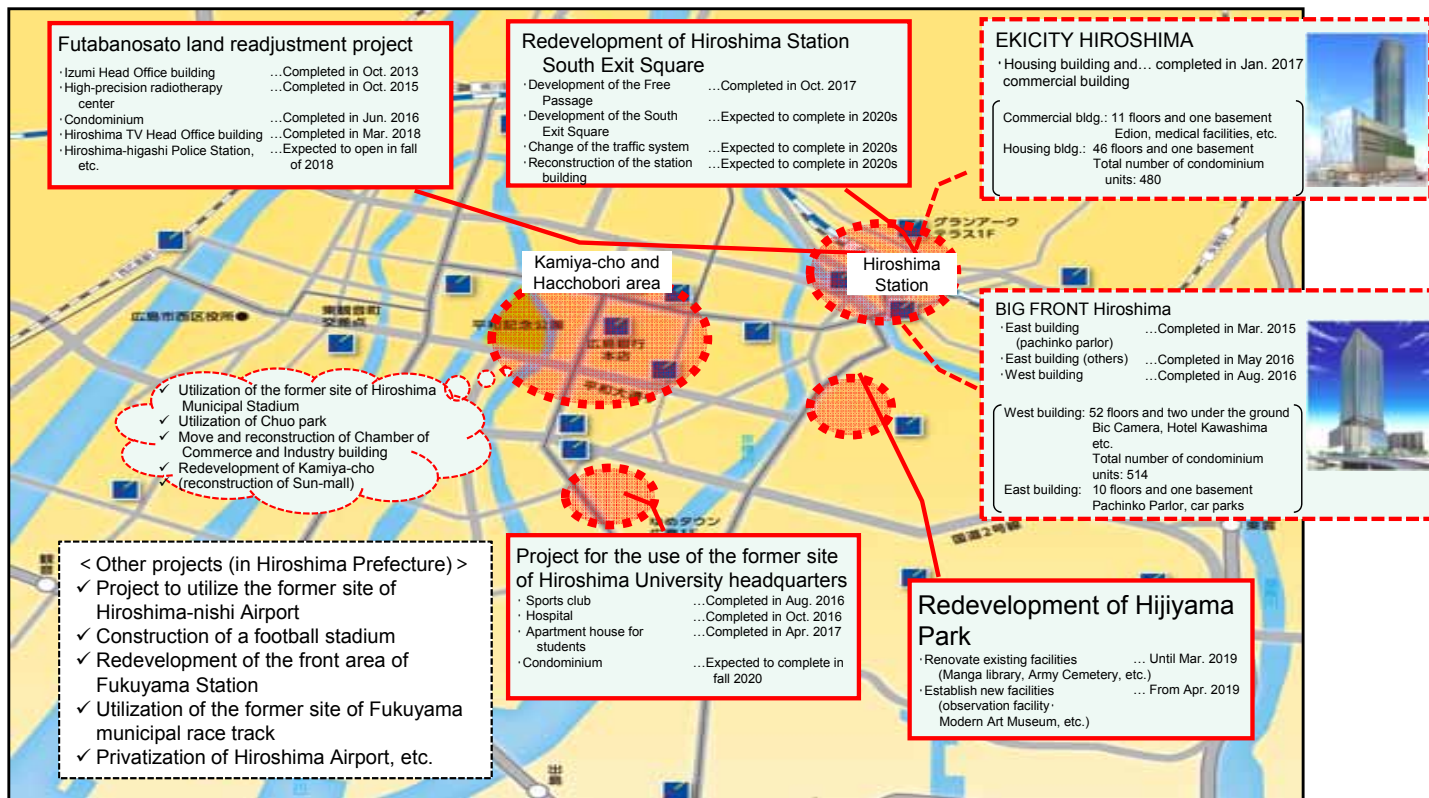
<Progress of promotion of affiliated cards>



(7) Initiatives for efforts for regional development

As a leader of local revitalization, we actively support regional development, including reconstruction of our Head Office building and structuring of private REITs.

<Major projects in Hiroshima city>



Project to rebuild Hiroshima Bank, Head Office building (Completion image of New H.O. building)

Expected to start construction in January 2019
Expected to complete in January 2021

Structuring of Private REITs **First regional bank**

- Investment targets are real estate related to local redevelopment and reconstruction projects
- Our wholly-owned subsidiary Hirogin REIT Management gives investment instructions
- As the leader of community development, the Bank takes initiatives for the regional redevelopment, contributing to local redevelopment and revitalization of regional economy

Kamiya-cho and Hacchobori area of Hiroshima was designated as a candidate for a city revitalization urgent development area (February 2018)
Being designated (determined), the area will have special benefits

- Restriction and limitations (use restriction and floor area limitation) will be eased.
- Special taxation (tax reduction on registration and license and acquisition of real estate, etc.)

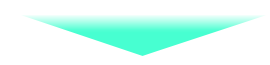
- It is expected that the population and the number of households will increase, and the level of land prices and rent also will increase.
- The number of private urban development projects will probably increase.

Contribute to the improvement of regional productivity

Actively engaged in community development from the planning stage, contributing to the revitalization of regional economy

(8) Initiatives for structural reform

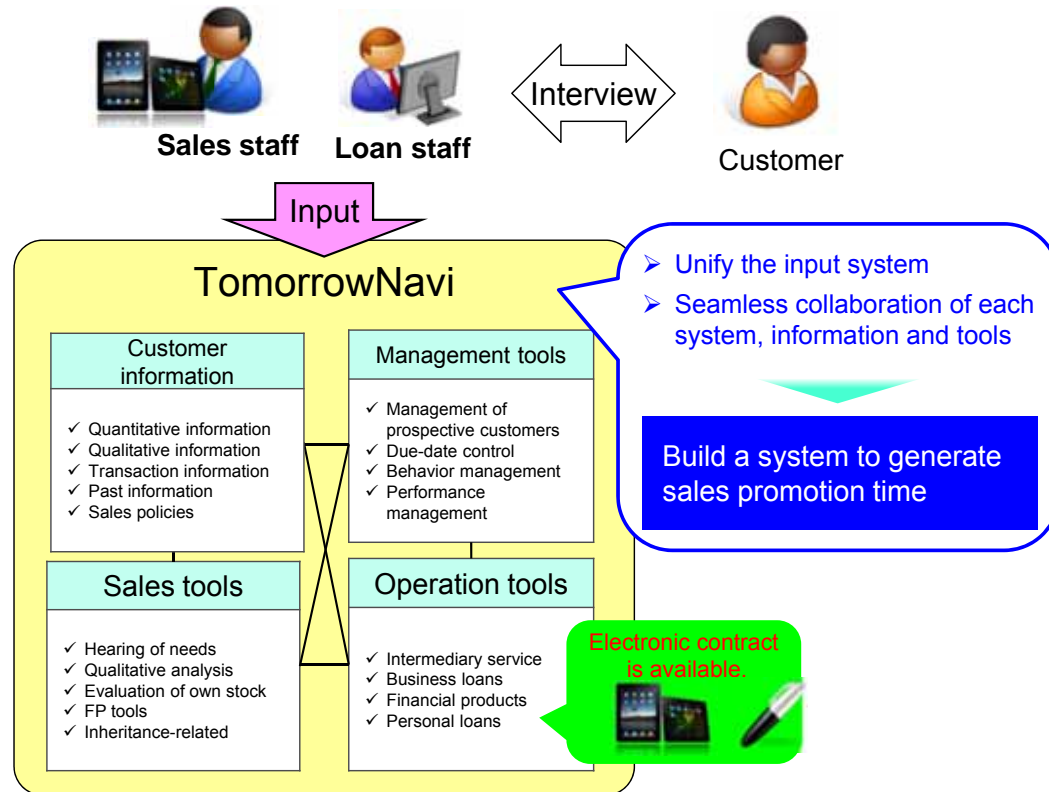
Find more time for sales promotion and personnel through various structural reform projects and relocate human resources to promising markets and the headquarters.

| Structural reform project name | Outline | Effects |
|--|--|--|
| <p>Sales Promotion Reform Project</p> <p>P.23</p> | <ul style="list-style-type: none"> ✓ Use sales-supporting devices (tablet) ✓ Integrate customer information and management tools dispersed by business type ✓ Receive application for financial instruments by tablet ✓ Secure customer service time through intensive management of actions and results | <p>Managed to secure 180 members of personnel (FY2017)</p>  <p>Reallocated personnel (April 2018)</p> |
| <p>Personal Loan Low Cost Operation</p> | <ul style="list-style-type: none"> ✓ Receive application for a personal loan by tablet ✓ Centralize back office work to the headquarters ✓ Centralize housing loan refinance and apartment loan sales to the headquarters | |
| <p>Project to Reduce the Labor Burden at Branch Offices</p> <p>P.23</p> | <ul style="list-style-type: none"> ✓ Thorough reduction <ul style="list-style-type: none"> ❑ Reduce documents ❑ Reduce the use of seals or signatures ❑ Reduce the vault ❑ Reduce manager's tasks ❑ Reduce the use of passbooks | <p>To secure about 130 members of personnel (in total between FY2018 and FY2021)</p> |
| <p>Head Office Reconstruction Project</p> <p>P.24</p> | <ul style="list-style-type: none"> ✓ Implement measures to reform working styles at the headquarters, taking advantage of the temporary Head Office <ul style="list-style-type: none"> ❑ Non-territorial office ❑ Electronic approval ❑ Internal mobile phones ❑ Mobile PC | <p>To secure personnel by improving productivity (FY2018 to FY2021)</p> |
| <p>Response to Financial Digitalization</p> <p>P.25</p> | <ul style="list-style-type: none"> ✓ Enhance functions of new channels (mobile application) ✓ Diversification and enhancement of settlement functions ✓ Respond to open API ✓ Enhance marketing | <p>Create new earning opportunities</p> |

■ Taking various effective measures, manage to secure personnel and customer service time to provide high-value-added services.

Increase customer service time by sales promotion reform project

Use of integrated operation support system TomorrowNavi



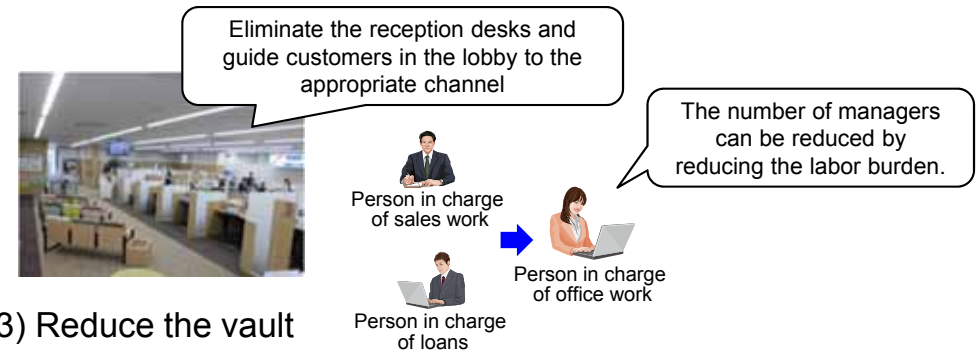
| | 1st Half of FY2016 | 2nd half of FY2017 (compared with 1st half of FY2016) |
|---------------------------------|--------------------|--|
| Customer Service time (per day) | | |
| CA: | About 200 minutes | About 270 minutes (+70 minutes) |
| AR: | About 240 minutes | About 280 minutes (+40 minutes) |

Project to reduce the labor burden at branch offices

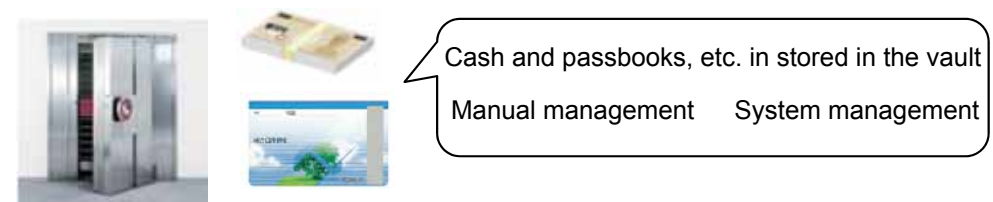
(1) Use of tablets for transactions in the lobby



(2) Reduce the labor burden and manager's task



(3) Reduce the vault



To reduce about **520,000 work hours** in total a year by developing the above measures and other measures (between FY2018 and FY2021, compared with the 2nd half of FY2017)

Secure about 130 employees and relocate them (FY2018 to FY2021)

Strengthen initiatives (including pilots) to improve productivity, taking advantage of the temporary Head Office in February 2018.

Introduced the non-territorial office system



The pilot project started in March 2018

Promoted collaboration beyond the border of sections

Reduced documents



Reduced storage costs

August 2017
Started disposal and digitalization of the existing documents

February 2018
Reduced 80% of the existing documents

Introduced internal mobile phones



The pilot project started in February 2018
230 phones (as of April 2018)

Use time effectively to provide high-value-added services

Dramatic improvement of decision-making speed

Introduced the electronic approval workflow



Full introduction from April 2018

Introduced mobile PCs



Initial introduction from August 2017

Expanded gradually 189 PCs (as of April 2018)

Reduced printing costs

| | FY2016 | FY2017 |
|--------------------------|---------------------------|---|
| Number of printed sheets | About 12.6 million sheets | About 11.4 million sheets (reduction rate: about 10%) |

Reduce 50% of printed sheets by September 2018 (compared with the monthly average in FY2017)

■ Strengthen the internal structure in order to speedily respond to rapidly progressing “Financial digitalization.”
 ■ Aim to realize customer services utilizing new payment methods starting with mobile application and new technologies.

Strengthen the structure to make speedy responses

Changes in the environment surrounding the bank

- ✓ Progress of cashless payment
- ✓ Diversified and sophisticated payment methods
- ✓ Progress of open innovation (including disclosure of API)

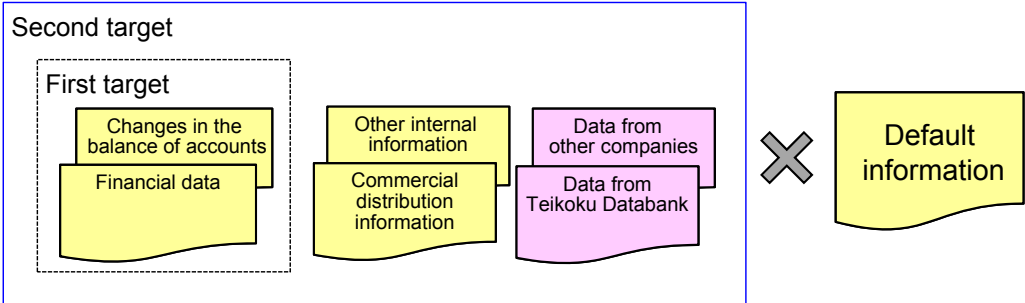
Compete with other industries

Start operation of payment application

ひろぎんPayB

- ✓ Targets are tax, public utility fees and mail-order payment.
- ✓ Scan the bar code on a payment slip with a smartphone camera and the payer’s account is debited simultaneously.
- ✓ Those payments are available with a smartphone anytime, anywhere and easily.

Demonstration experiment of sophisticated examination of loans with the use of AI (Second round)



➤ Aim to improve the accuracy of business model and enlarge versatility
 ⇒ Consider structuring business loans in the future

✓ Utilize mobile application
 ✓ Initiatives for diversified and sophisticated payment methods
 ✓ Develop new services and businesses according to changing environment

Urgent

Reorganized to “Digital Innovation Office”
 (February 2018)
 (Formerly “New Business Development Promotion Office”)

- Unified headquarters’ functions regarding mobile application, etc.
- Strengthened the organization (4 members (April 1, 2017) ⇒ 11 members (April 1, 2018))

- To build new channels that can provide customers with optimal financial services, the bank is considering reviewing the branch office functions, reflecting the market changes and deregulations.
- Collaborating with other industries, the bank has established “an innovative branch office with a view to the next generation” that has advanced features and information transmission functions that contributes to local revitalization.

Review the branch functions

Establish innovate branch offices with a view to the next generation

Changes in the market

- ✓ Decreasing number of visitors to branch offices reflecting the declining population
- ✓ Various non-face-to-face channels and changing customer needs in line with the progress of ICT · FinTech (*Information and Communication Technology)

Deregulations (Banking Act)

- ✓ Flexible business days and hours set up by each branch office
- ✓ Joint office managed by multiple banks

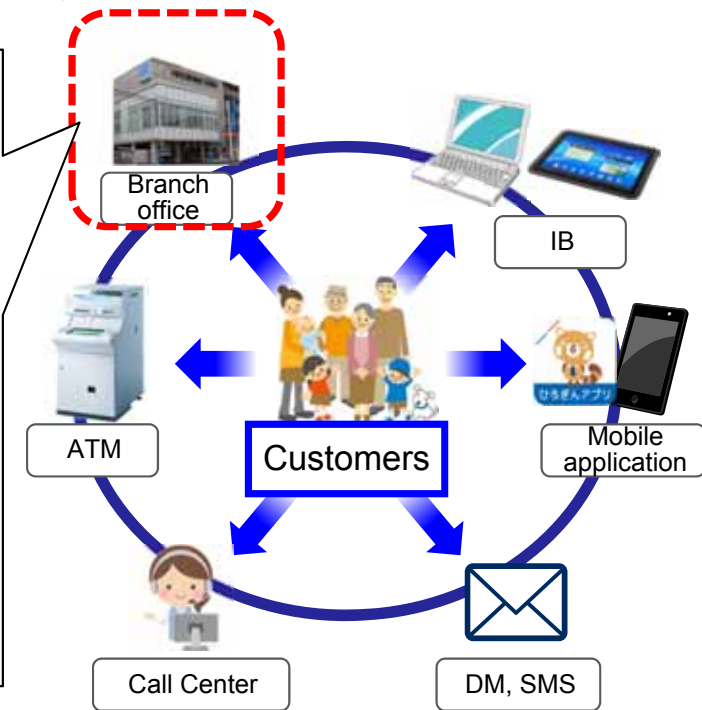
(New) Hacchobori Branch* (from Dec.19 2017)

In addition to enhanced consulting functions, the office has advanced features and functions with the use of ICT and an information transmission function that contributes to local revitalization and regional benefits.

(* Startram 1-2 F 16-11 Hacchobori, Naka-ku, Hiroshima)

The bank aims to provide customers with consultation services and transactions through any channel they prefer to use anytime and anywhere.

- ### < Review the branch functions >
- Enhance customer services by building a network of core branch offices and small and compact branch offices
 - Review the form and functions of branch offices by reducing the labor burden
 - Specify the roles of branch offices according to the characteristics of the market
 - Increase the number of joint offices with Hirogin Securities, focusing on medium branch offices
 - Flexible branch office management reflecting deregulations
 - Flexible setting of business days and hours (realize both “strengthening of customer contacts and enhanced customer services” and “efficiency” according to regional circumstances and customers’ needs)

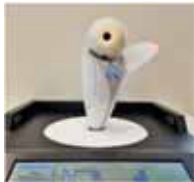


Foreign tourist information center Setouchi Information Center @ HIROSHIMA BANK



- ✓ Operated by Setouchi Brand Corporation
- ✓ Introduce specific places where tourists can discover the attractiveness of Setouchi.
- ✓ Aim to inspire tourists to extend their stay and repeat visiting the Setouchi area

Robot concierge Robopin



- ✓ Communication robot developed by Fujitsu Laboratories Ltd.
- ✓ It guides office facilities and provides information on tourist facilities in the surrounding area on behalf of human staff employees
- ✓ Verify the scope of future banking operations that may be substituted by robot (joint proof experiment with Fujitsu Ltd.)

Large digital signage



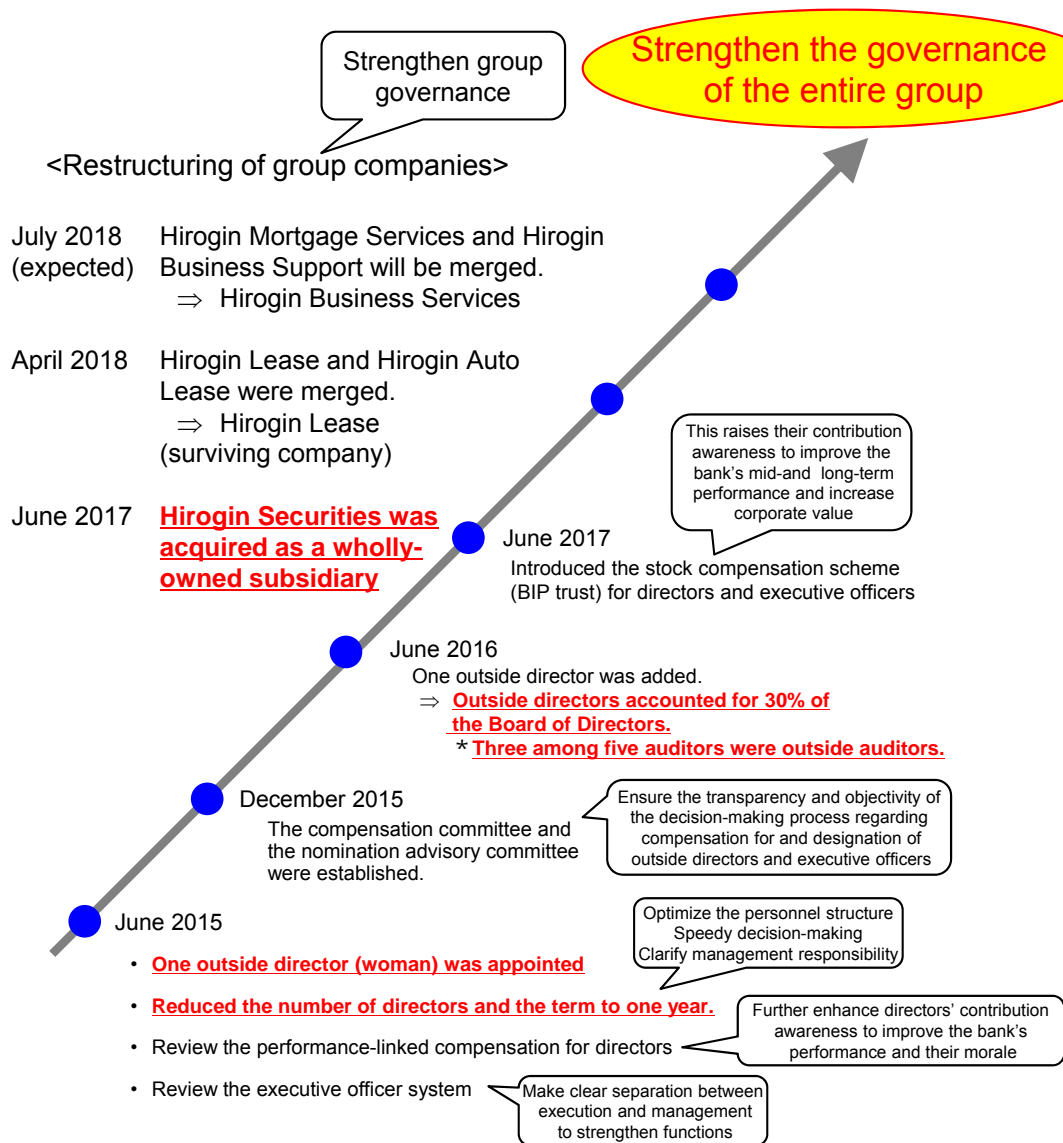
- ✓ Mesh LED display through which the other side is visible while displaying
- ✓ All windows have this display (First in western Japan)



4. Initiatives for E S G

■ Aims to enhance corporate value on a long-term and continual basis through initiatives for the environment, society and governance

Efforts to enhance governance



Efforts to consider environments

Loans for environment-friendly companies

Global environmental support system Eco Harmony

Characteristics

- Available for companies that have obtained ISO14001 certification or Eco-Action 21 certification, aiming to reduce the environmental load
- Available for the purchase of low-emission vehicles, the establishment of clean energy facilities, and funds for the purchase of carbon emission rights

Balance

Loan type: 1.9 billion yen / private placement bond type: 6.1 billion yen (end of March 2018)

Hirogin Solar power loan

Characteristics

- Available for users of the Feed-in Tariff Scheme for Renewable Energy
- Available for up to 15 years of loan period

Balance

9.2 billion yen (end of March 2018)

Eco-friendly new Head Office building with the use of latest environmental technologies

Wind **Heat** Natural ventilation system
Use of underground heat
Natural control of blinds

Light LED lighting

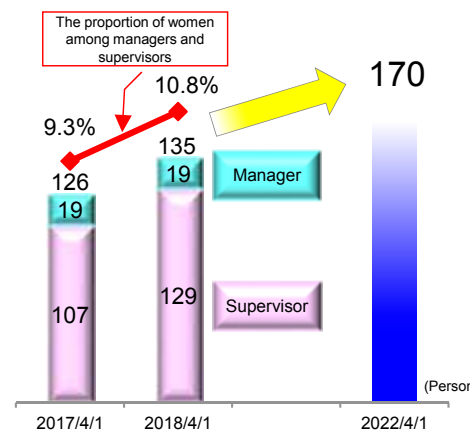
Water Use of rainwater



* Expected to complete in January 2021

Encourage female workers

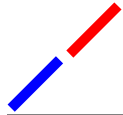
Female managers and supervisors



- ✓ Introduced the remote work system (work-at-home) to some of users of the short-time work system
- ✓ Strengthen support for the career advancement of users of the work-family balance support system, etc.

The bank was selected as MSCI Japan Empowering Women Index (WIN)

- Select Japanese companies that have gender diversity and can withstand the future labor shortage
- It is invested in by Government Pension Investment Fund (GPIF)



5. Business Forecast for FY2018

(1) Forecast of business performance and dividend in FY2018

- For the performance in FY2018, we expect that the net income will decrease to **25.6 billion yen** owing to the impact of no benefit of the reversal of provision for investment loss regarding shares of Hirogin Securities in FY2017, while **profit attributable to owners of the parent will increase to 26.5 billion yen for the first time in three years.**
- The forecast for the **annual dividend** is expected to be **18 yen** per share based on the payout table.

Business forecast for FY2018

(Billion yen)

| | Forecast for FY2018 | |
|--|---------------------|-------------|
| | Forecast for FY2018 | YoY change |
| Net interest income | 69.0 | 0.8 |
| Interest on loans | 61.2 | 0.2 |
| Net fees and commissions income | 17.2 | -0.6 |
| Core gross banking profit | 86.2 | 0.1 |
| - Expenses | 54.0 | 0.3 |
| Core banking profit | 32.2 | -0.1 |
| Gains/Losses on securities | 3.7 | -0.3 |
| - Credit costs | 0.5 | 0.3 |
| Ordinary profit | 36.3 | -1.6 |
| Net income | 25.6 | -1.4 |
| Profit attributable to owners of the parent | 26.5 | 0.7 |

Payout table and estimated dividend in FY2018

| Profit attributable to owners of the parent | Dividend per share | | | Consolidated payout ratio |
|---|--------------------|-----------------------|---------|---------------------------|
| | (1) Fixed | (2) Performance-based | (1)+(2) | |
| Over 33 billion yen | 12 yen | 12 yen | 24 yen | Less than 22.7% |
| Over 30 to 33 billion yen | 12 yen | 10 yen | 22 yen | 20.8% to less than 22.9% |
| Over 27 to 30 billion yen | 12 yen | 8 yen | 20 yen | 20.8% to less than 23.1% |
| Over 24 to 27 billion yen | 12 yen | 6 yen | 18 yen | 20.8% to less than 23.4% |
| Over 21 to 24 billion yen | 12 yen | 4 yen | 16 yen | 20.8% to less than 23.8% |
| Over 18 to 21 billion yen | 12 yen | 2 yen | 14 yen | 20.8% to less than 24.3% |
| 18 billion yen or less | 12 yen | 0 yen | 12 yen | 20.8% or over |

<Market scenario for the business forecast>

JPY TIBOR3M: 0.07%, JGB 10 years: 0.10%, Exchange rate(USD/JPY): 112.5 yen, Nikkei stock average: 23,500 yen



This material contains statements about future business performance.

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

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

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