

Overview of Financial Results for FY2018

— IR Presentation —

The Hiroshima Bank Ltd.



June 5, 2019

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1. Highlights of FY2018

1

At **more than 25 billion yen for the fifth consecutive year**, profit attributable to owners of the parent remains high.

P.4

2

Measures to cut expenses improved the adjusted overhead ratio to **61.7%**; core banking profit rose for the first time **in four years to 32.6 billion yen** (up 0.3 billion yen from the previous year).

P.4
P.7

3

Consulting sales involving evaluations of business potential were strengthened. Lending to SMEs (average balance), a priority, **has increased steadily**.

P.10

4

The non-performance loan ratio was **at a historical low of 1.15%** thanks to the support for management improvement.

P.12

5

Consolidated ROE, an indicator of management efficiency, **was maintained between 5% and 5.4%**, while net assets steadily increased.

P.13

6

Plans call for a year-end dividend of **10.00 yen/share** (including a commemorative dividend of 1.00 yen/share to mark the 140th anniversary of the Bank's founding) as projected.

2. Overview of Financial Results in FY2018

(1) Summary of business performance in FY2018

- While core banking profit rose by 0.3 billion yen from the previous year, due mainly to steady growth in interest on loans and reductions in expenses, net income fell to 25.3 billion yen, down 1.7 billion yen (-6.1%) from the previous year, due to factors such as the effects of removal of transfers from allowances for investment loss recorded previous year.
- Profit attributable to owners of the parent fell 0.3 billion yen (-0.9%) from the previous year to 25.5 billion yen, due to the effects of removal of gains on negative goodwill recorded previous year.

(Billion yen)

	Results in		
	FY2018	YoY change	(Change rate)
Net interest income	68.1	-0.1	
Net fees and commissions income	17.2	-0.6	
Core gross banking profit	85.3	-0.8	(-0.9%)
- Expenses	52.7	-1.0	
Core banking profit	32.6	0.3	(0.9%)
Gains/Losses on securities	5.5	1.5	
- Credit costs	3.1	2.9	
Other extraordinary gains/losses	0.9	-1.0	
<small>(Gains on transfers from allowance for investment loss included in the above)</small>	(-)	(-4.9)	
Ordinary profit	35.9	-2.0	(-5.4%)
Net income	25.3	-1.7	(-6.1%)

Consolidated ordinary profit	37.0	2.0	(5.5%)
Profit attributable to owners of the parent	25.5	-0.3	(-0.9%)
<small>(Gains on negative goodwill included in the above)</small>	(-)	(-2.0)	

(2) Net interest income

Net interest income was down by 0.1 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 second consecutive year.**

Breakdown of net interest income

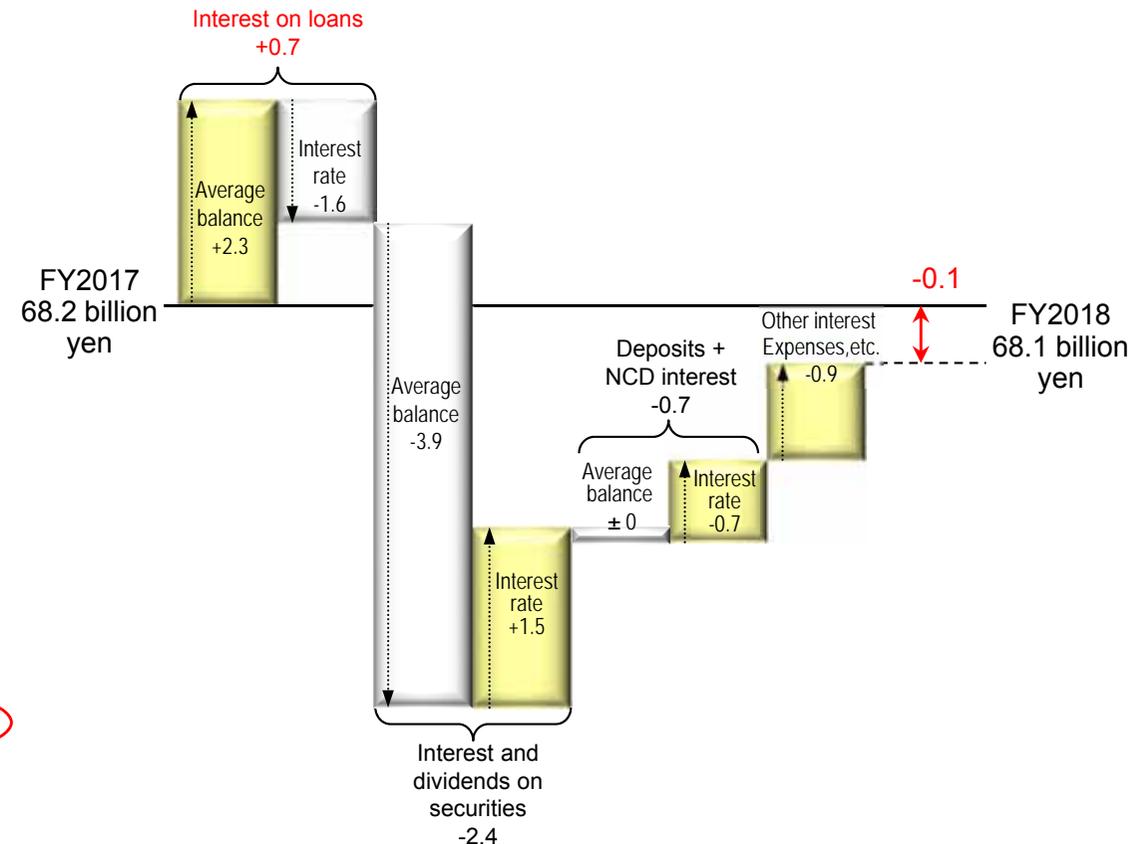
(Billion yen)

	Results in FY2018	
	YoY change	
Interest on loans	61.7	0.7
Interest and dividends on securities	12.7	-2.4
Deposits + NCD interest (-)	2.2	-0.7
Other interest expenses, etc. (-)	4.1	-0.9
Net interest income	68.1	-0.1

Details of each item in net interest income

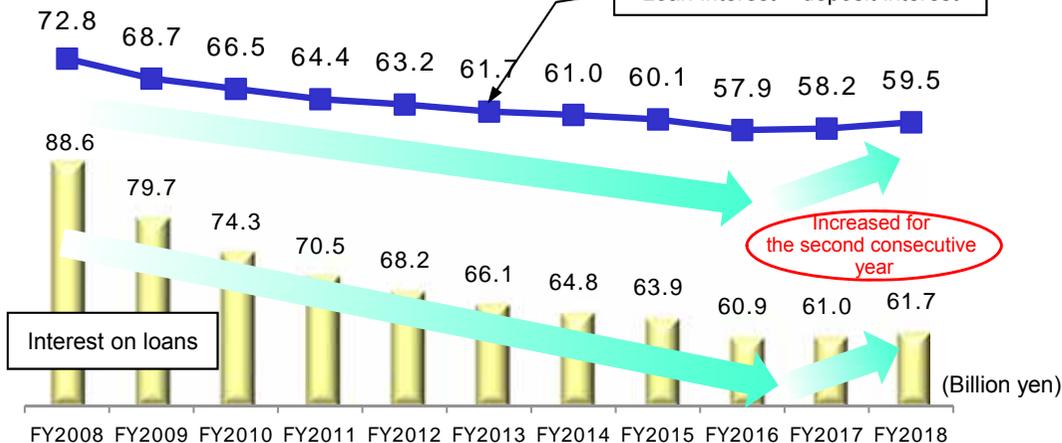
(Average balance and interest rate)

(Billion yen)



<Changes in loan interest>

Loan interest – deposit interest



(3) Net fees and commissions income

- Net fees and commissions income declined by 0.6 billion yen from the previous year, due mainly to lower commissions on sales of investment trusts.
- Non-interest income ratio (after adjustments for Hirogin Securities) fell 0.4 points from the previous year, due mainly to lower gains from the asset management business and lower net operating income from Hirogin Securities.

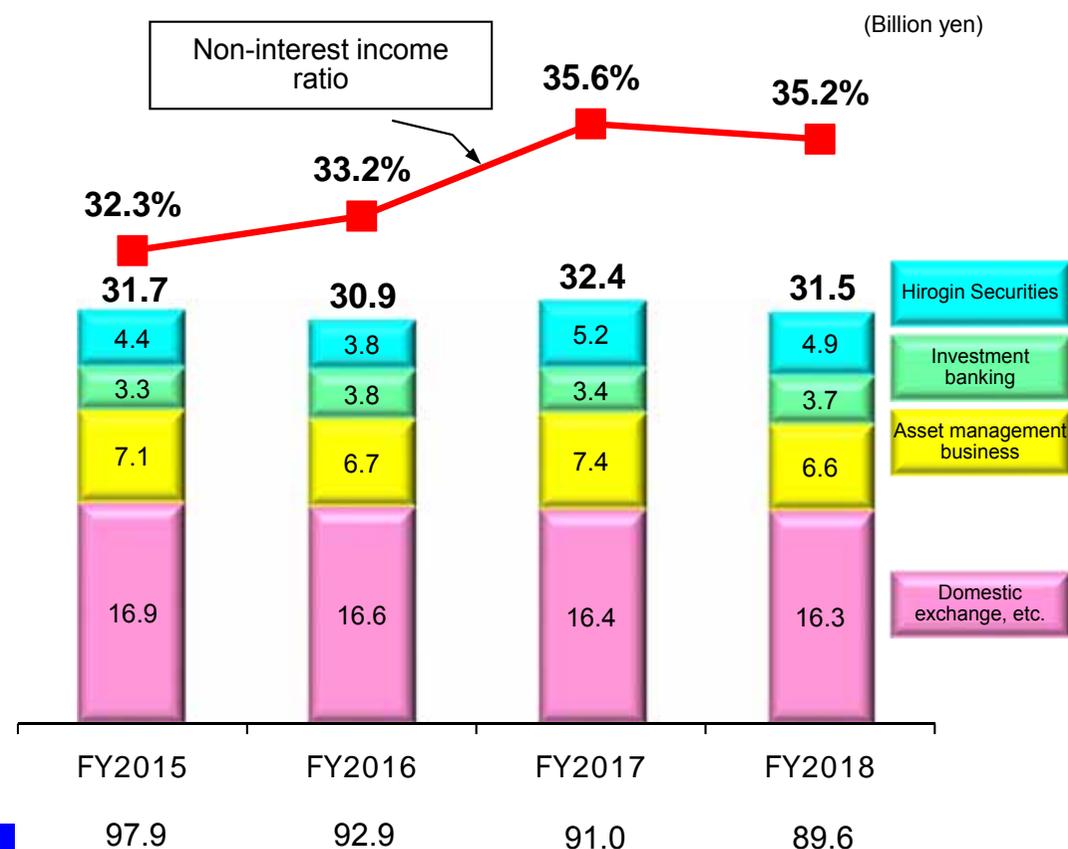
Breakdown of net fees and commissions income

	Results in (Billion yen)	
	FY2018	YoY change
Investment banking business	3.7	0.3
Syndicated loans, etc.	1.7	-0.3
Sales of derivatives to customers	1.0	0.4
Asset management business	6.6	-0.8
Investment trust, insurance, etc.	5.5	-0.8
Consulting services*	0.4	0.1
Financial instrument intermediary services	0.6	0.1
Personal loan-related	-4.5	-0.3
Domestic exchange, etc.	11.4	0.2
Net fees and commissions income	17.2	-0.6

* Total gains from trust, 401k, and consulting fees

Trend of non-interest income and its ratio

(including income from Hirogin Securities)



A

Non-interest income ratio

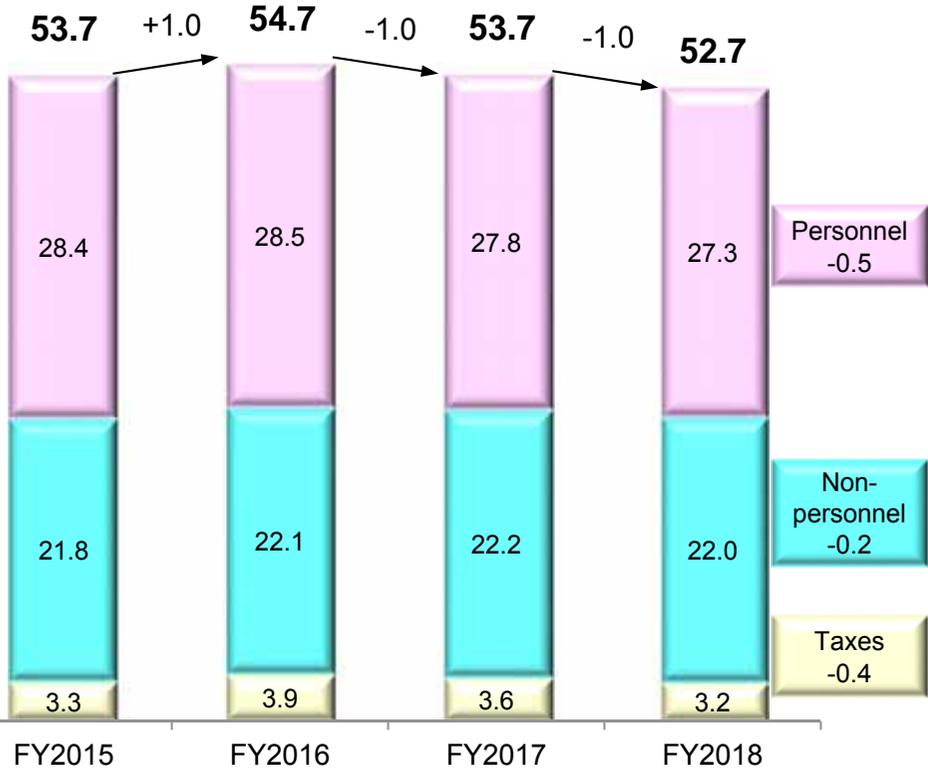
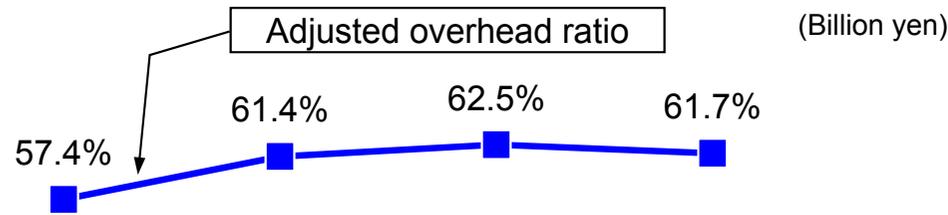
$$= \frac{\text{Net fees and commissions income} + \text{segregated trading income} + \text{other banking income (excluding bonds-related gains/losses)} + \text{(net operation income of Hirogin Securities - financial income/expenses - Brokerage charge to the Bank/Trust fee)}}{\text{Core gross banking profit} + \text{(net operation income of Hirogin Securities - Brokerage charge to the Bank/Trust fee)}}$$

A

(4) Expenses

■ Expenses were **down by 1.0 billion yen from the previous year** owing to declines in personnel and non-personnel expenses and taxes.

Trend of expenses and Adjusted overhead ratio



* Adjusted overhead ratio = Expenses / Core gross banking profit

Breakdown of expenses

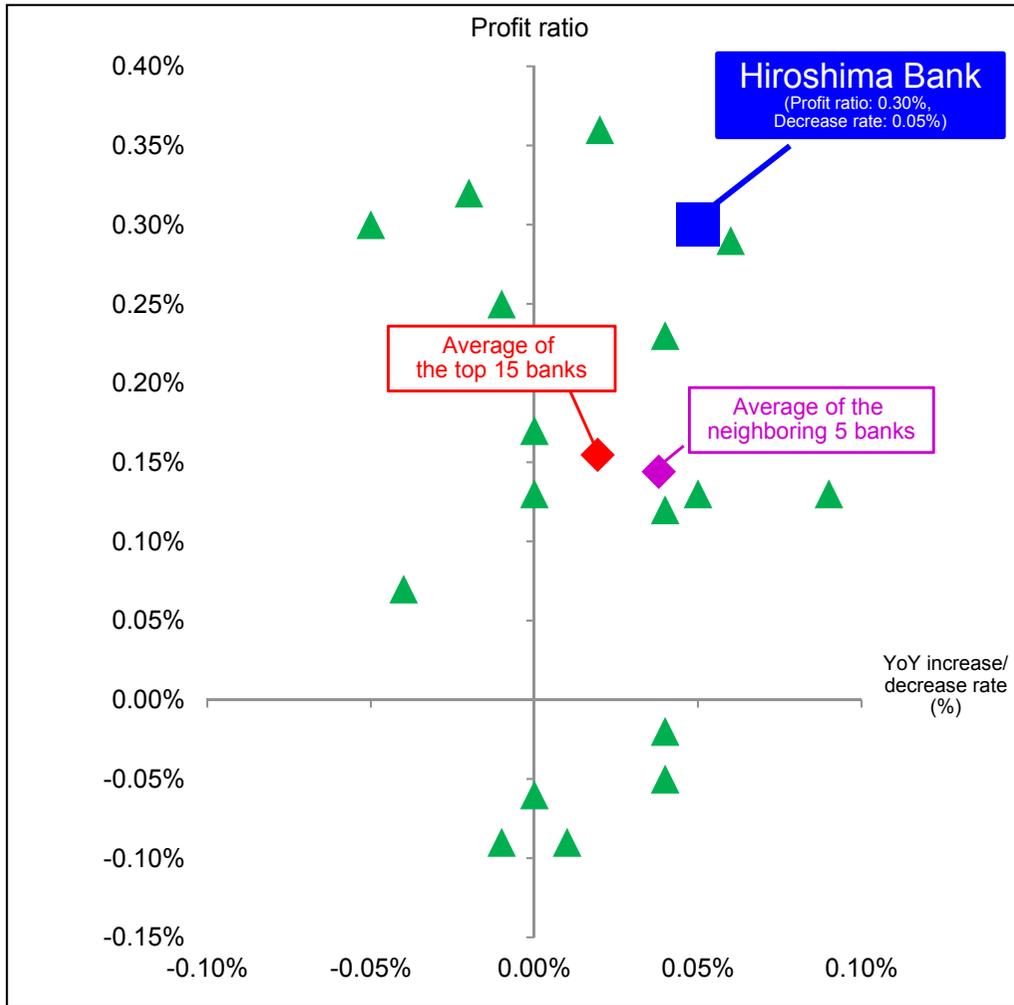
Personnel expenses		(Billion yen)
Major factors		Change
Promotion of the work-style reform (overtime pay)	-0.1	-0.5
Retirement benefit costs	-0.3 etc.	
Non-personnel expenses, taxes		(Billion yen)
Major factors		Change
Depreciation costs	+0.1	-0.6
Provisional head office relocation costs	-0.3	
Deposit insurance premium	-0.1	
Taxes	-0.4 etc.	

(Reference) Comparison with other banks*1 (FY2018)

(*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, Daishi Hokuetsu FG, Kansai Mirai FG, Chiba Bank, 77 Bank, Fukuoka FG, Shizuoka Bank, Hachijuni Bank, Bank of Kyoto, Hokuhoku 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.

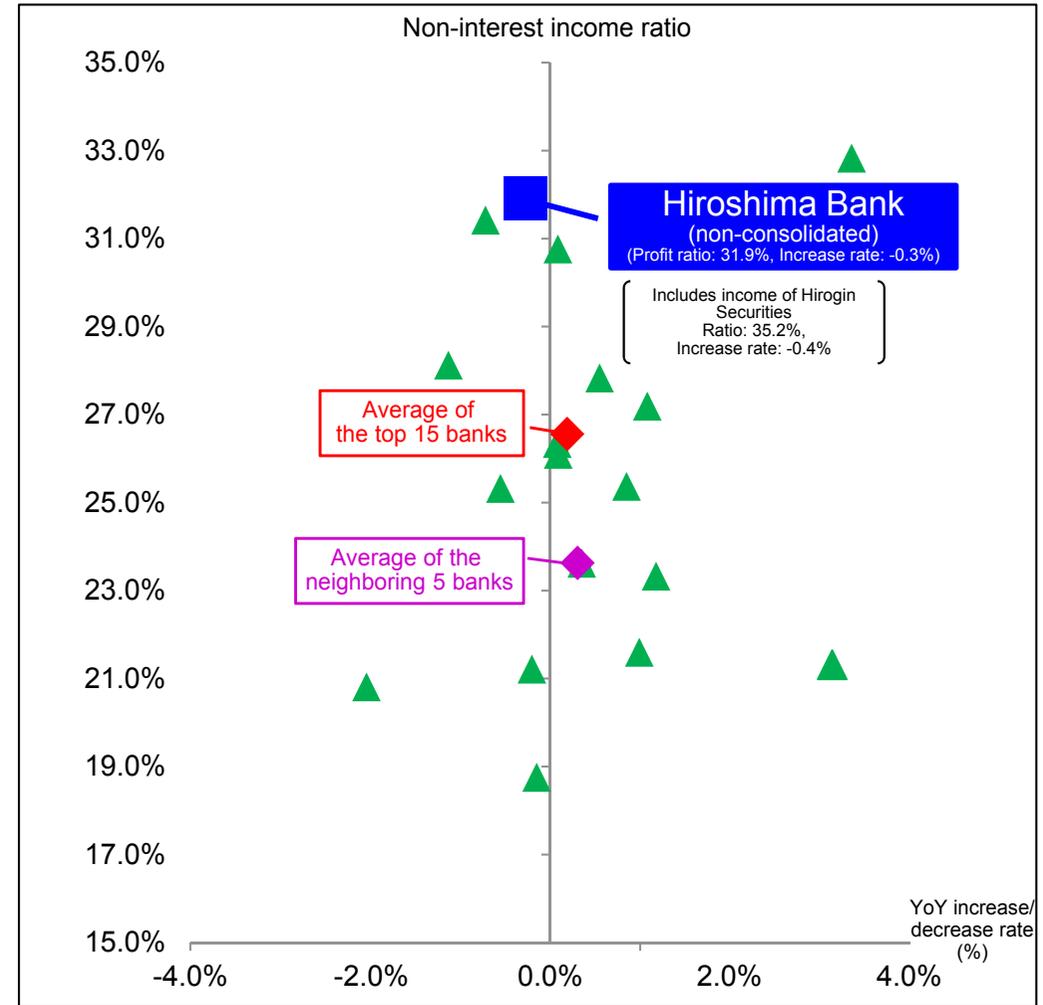
Profit ratio of main businesses and rate of growth/decline



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

(*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 NCD + ending balance of NCD)/2

Non-interest income ratio and its increase/decrease rate

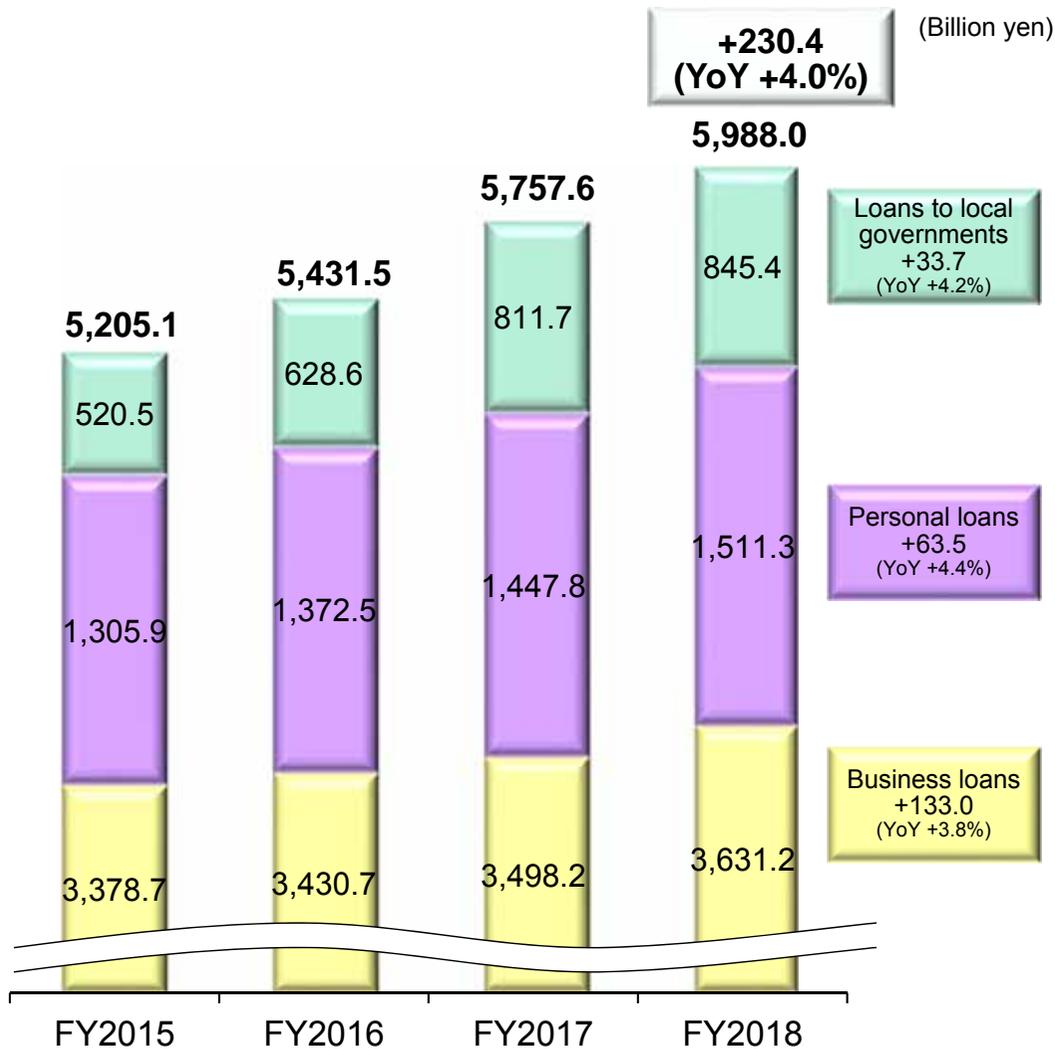


$$\text{Non-interest income ratio} = \frac{\text{Fees and commissions income} + \text{segregated trading income} + \text{other banking income (excluding bonds-related gains/losses)}}{\text{Core gross banking profit}}$$

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

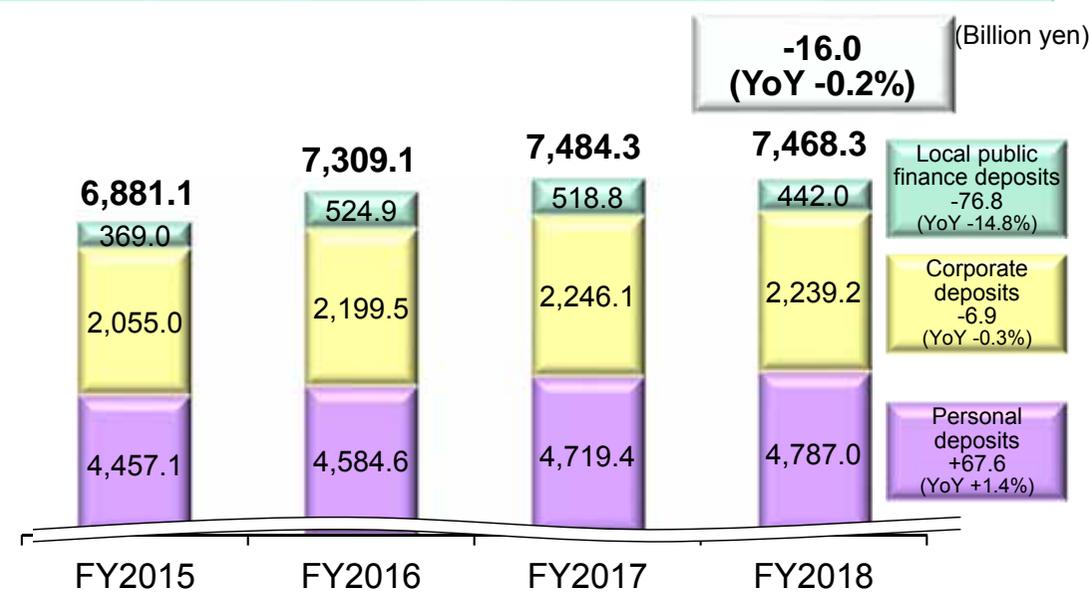
- The average balance of loans increased in all the business, personal, and local public sectors, **up by 230.4 billion yen (+4.0% YoY)**.
- The average balance of deposits was **down 16 billion yen (-0.2% YoY)**, due to decreases in the public and corporate sectors and despite an increase in the personal sector.
- 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 2019)

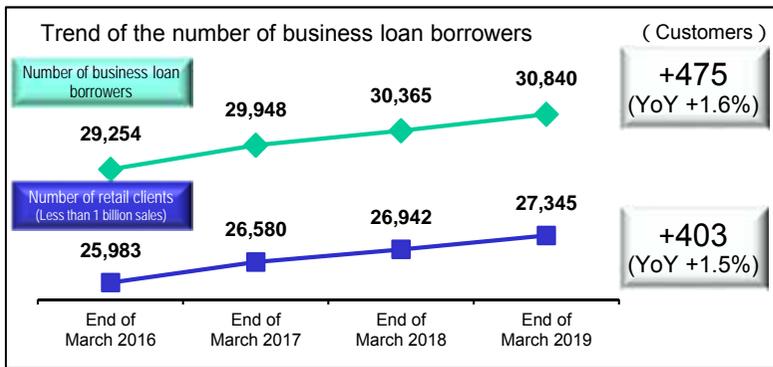
Items	Balance (Billion yen)
Loans	241.7
Total	241.7
Deposits	128.3
Long-term fund-raising	78.1
Commitment line	49.9
Total	256.3

Stable fund-raising capacity (credit line) **+14.6**

(6) Loans to SMEs and personal loans

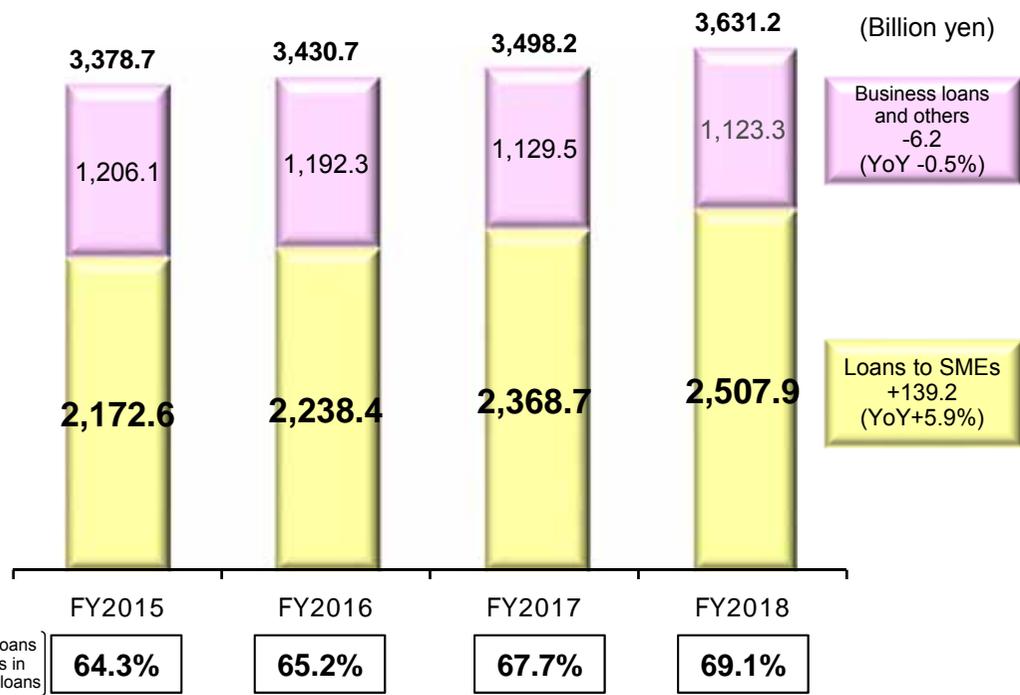
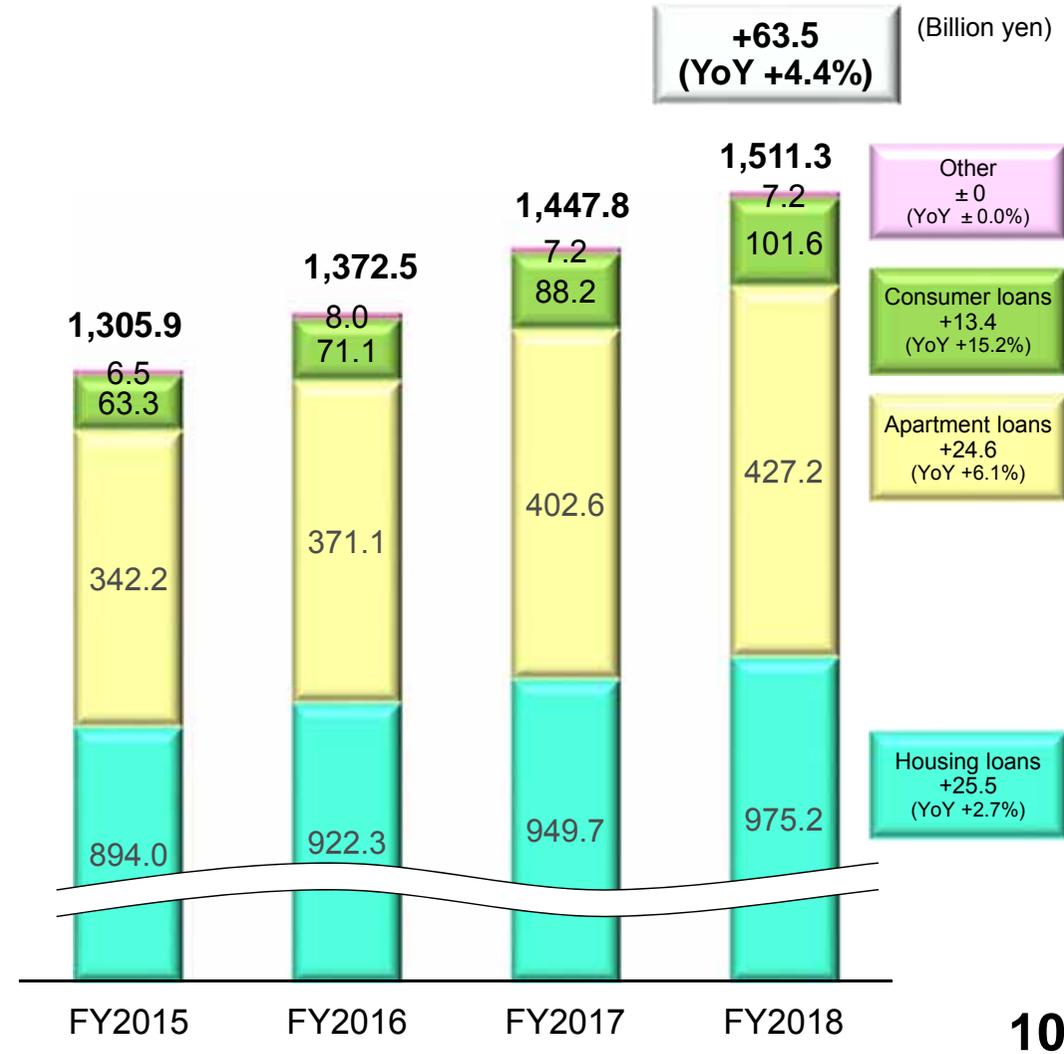
- The average balance of loans to SMEs steadily **increased**, supported by financial intermediary functions, including the enhancement of consulting sales.
- As a result of efforts to increase personal loans led by headquarters, personal loans **grew 63.5 billion yen (YoY +4.4%)**.
- With regard to 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.

Trends in the average balance of business loans and number of business loan borrowers



Loan rate	
	2nd half of FY2018
Major companies	0.35%
Mid-sized companies	0.63%
SMEs	1.07%
Total	1.10%

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

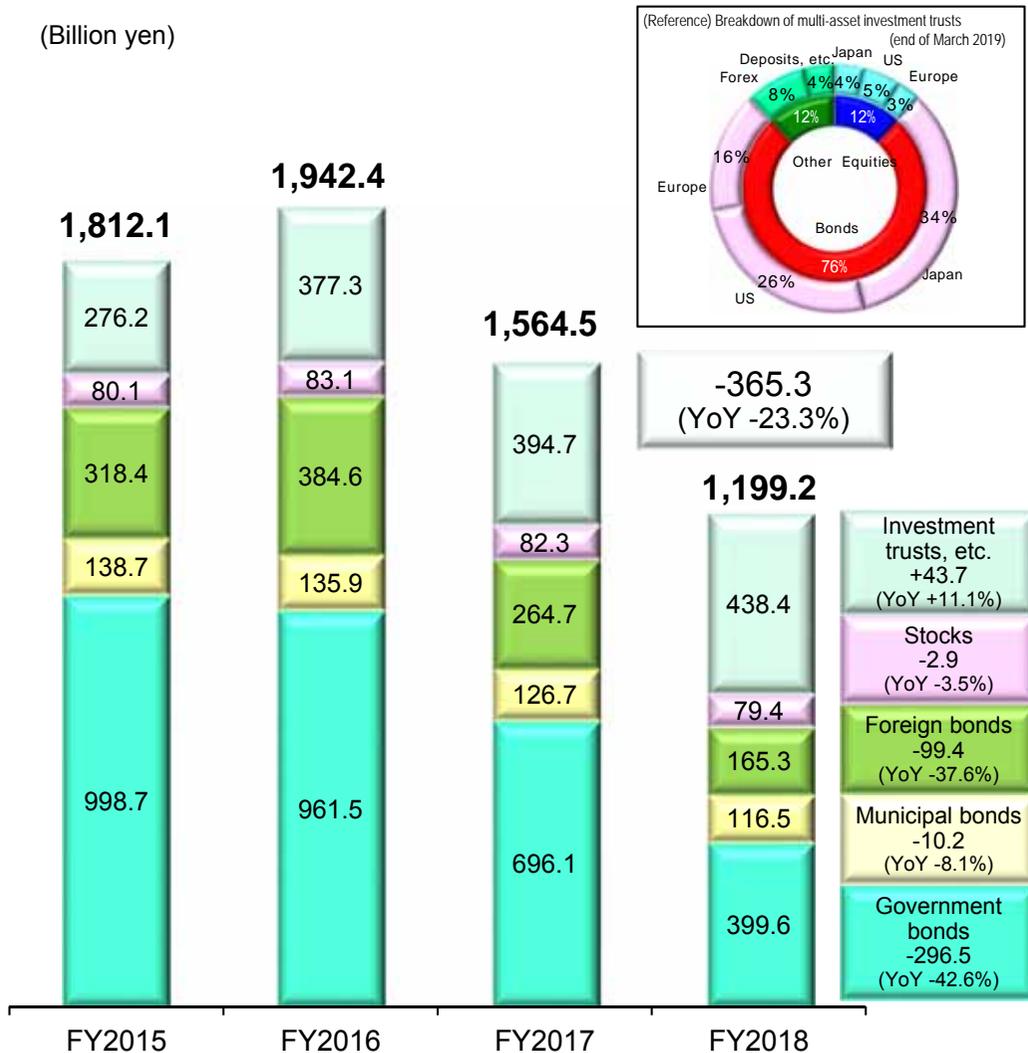


(7) Securities

- The average balance of securities **declined 365.3 billion yen** despite the re-investment of redeemed government bonds in investment trusts.
- The balance of cross-shareholdings was **reduced by 1.1 billion yen from the previous year** through dialogue with issuing entities.
- The scope of interest-rate risk **remained low**, despite increased holdings of some government bonds.

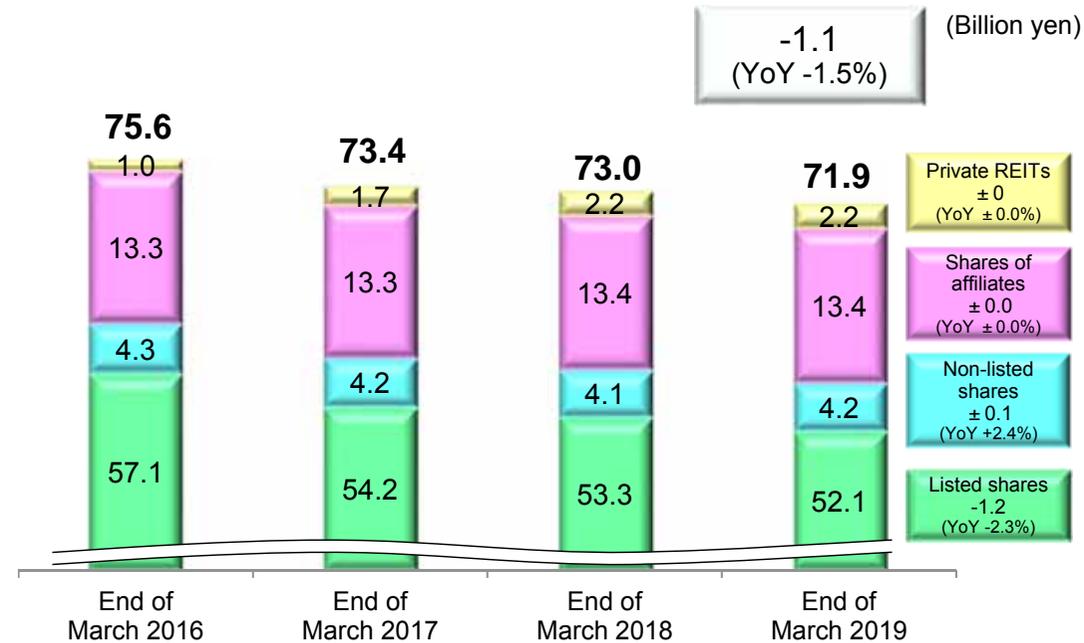
Trends in the average balance of securities

(Billion yen)



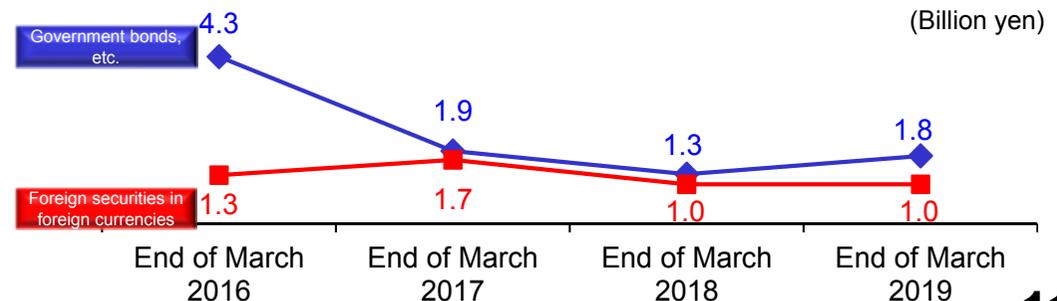
Trend of the term-end balance of cross-shareholding (including private REITs)

(Billion yen)



Trend of the interest rate delta

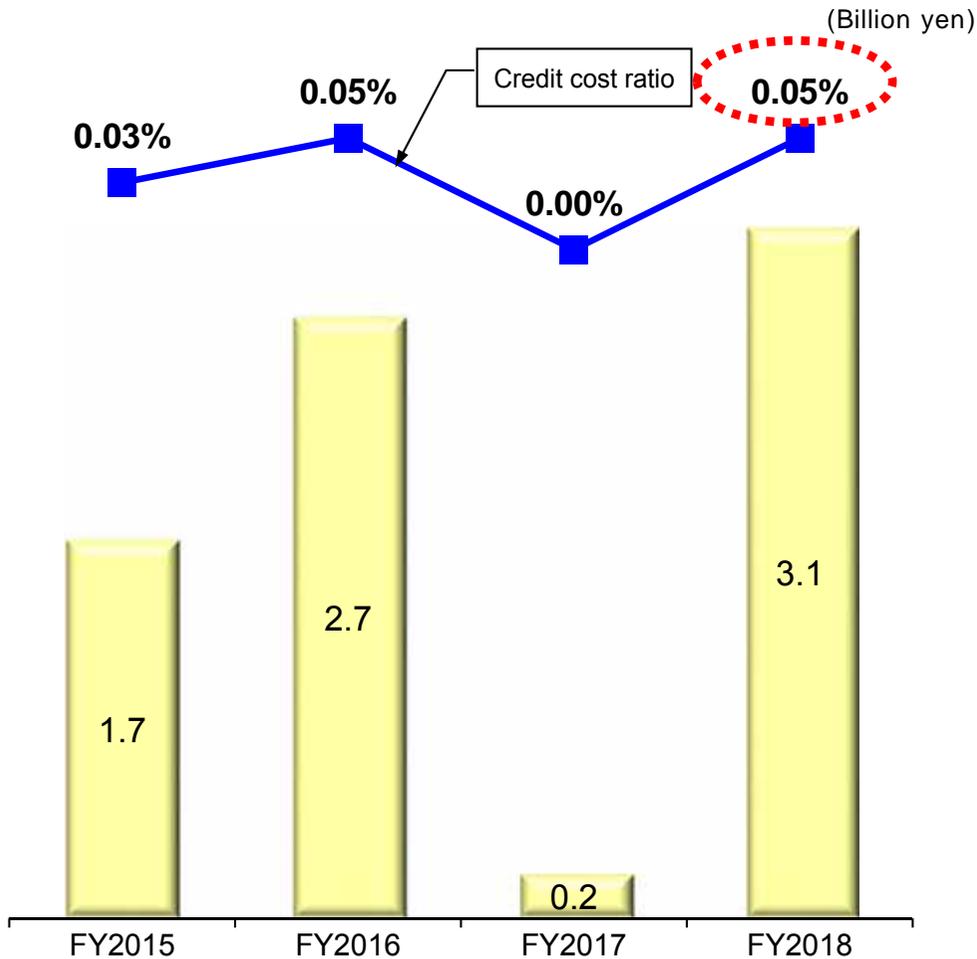
*The amount of change in the fair value when the interest rate declines by 10bp



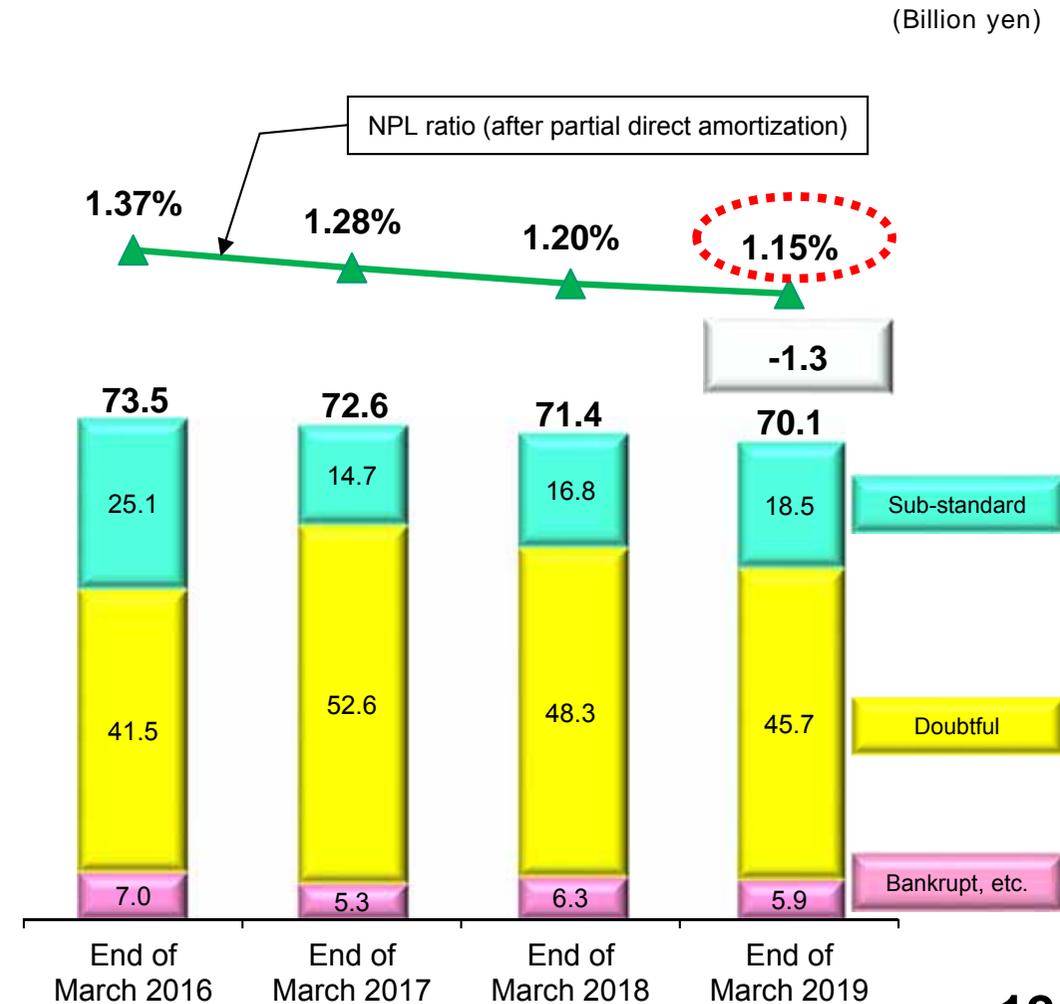
(8) Credit costs and non-performing loans

- Credit costs rose 2.9 billion yen from the previous year due to increased processing of NPLs resulting from factors including the bankruptcy of a major borrower.
- Loans reported under the Financial Reconstruction Act were down 1.3 billion yen from the previous year to **70.1 billion yen**. The NPL ratio reached a **historical low of 1.15%**.

Trend of credit costs



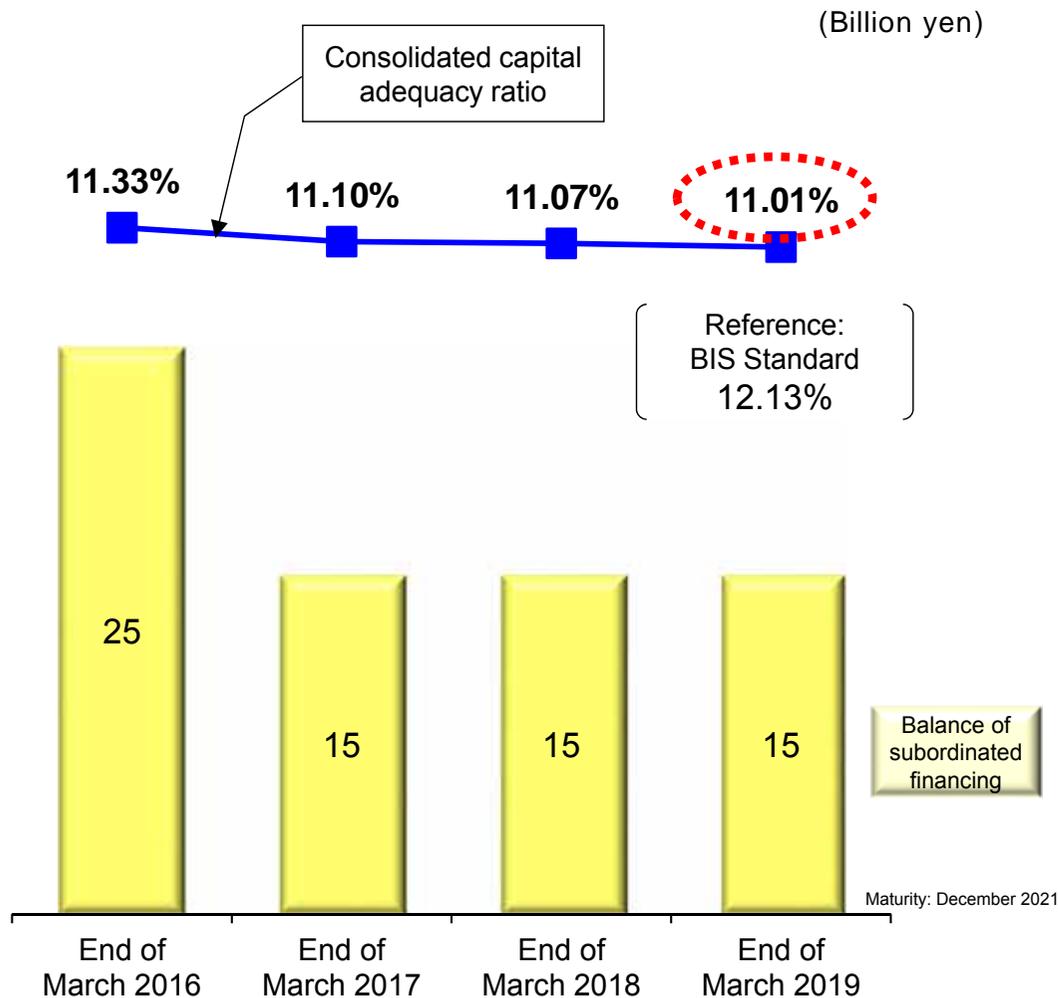
Trend of NPLs (term-end balance) and NPL ratio



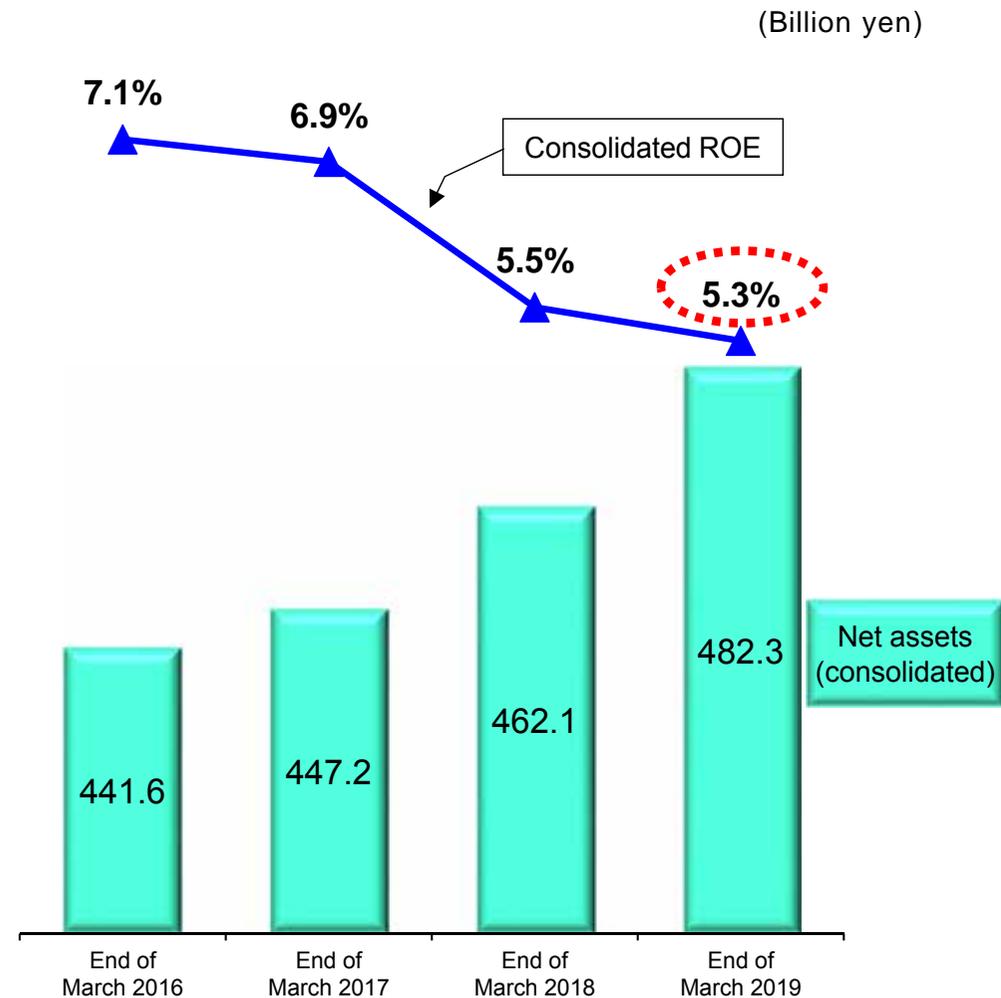
(9) Capital adequacy ratio and ROE

- Consolidated capital adequacy ratio was at a sufficient level of 11.01%.
- Consolidated ROE was maintained between 5% and 5.4% while net assets steadily increased.

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



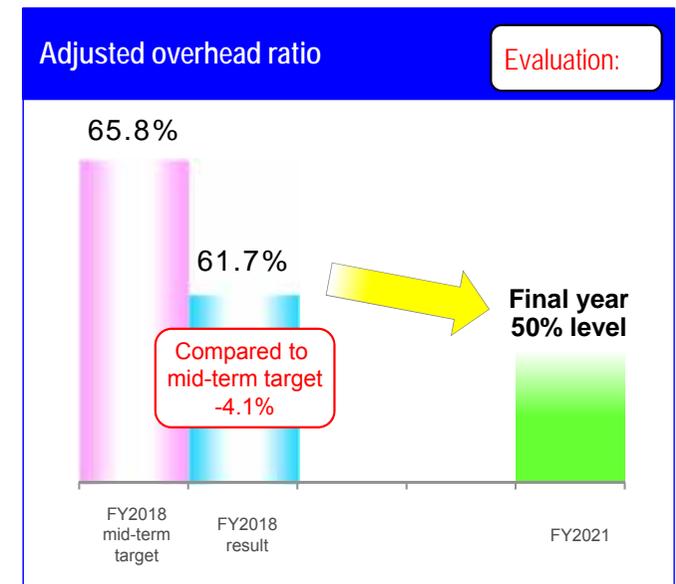
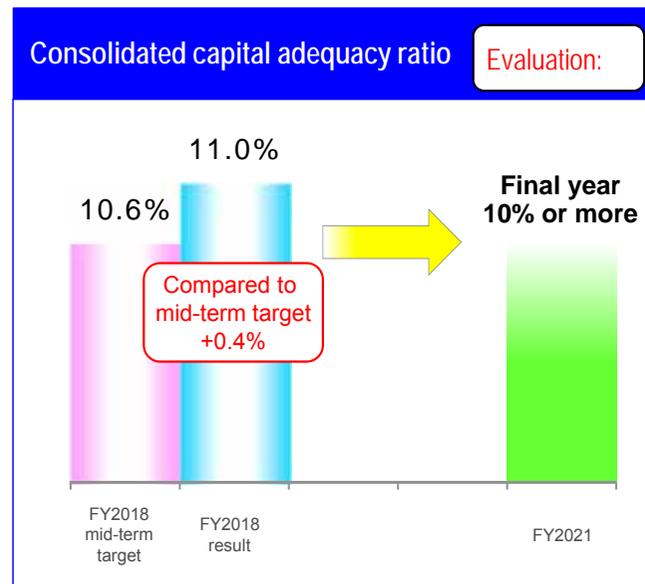
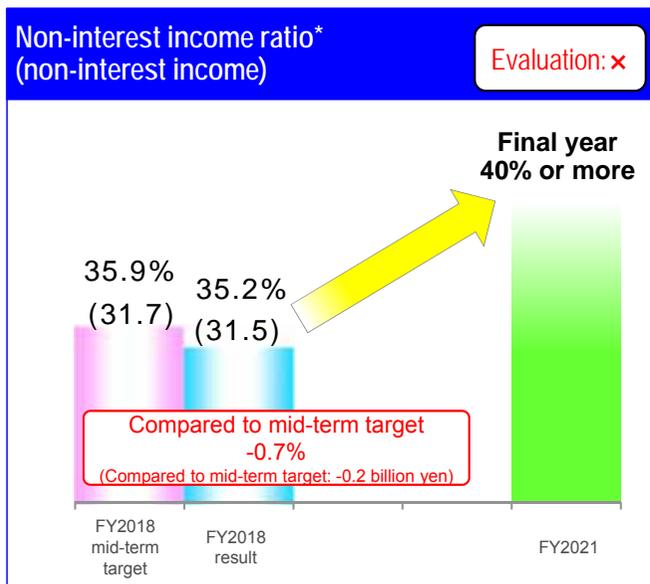
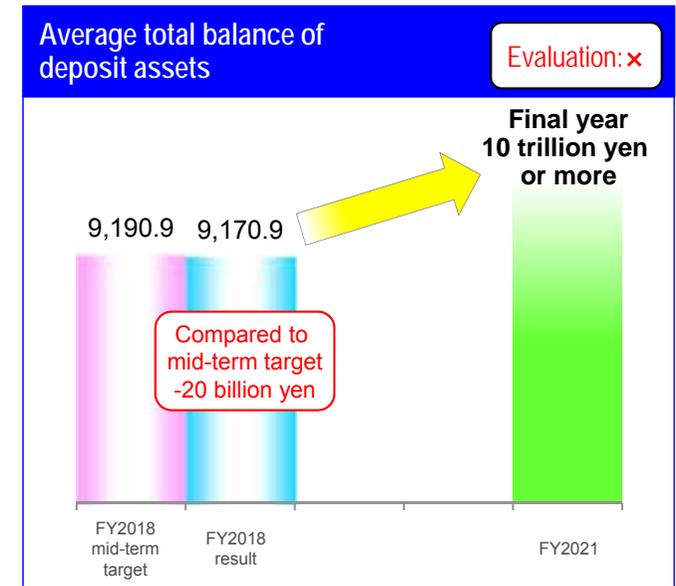
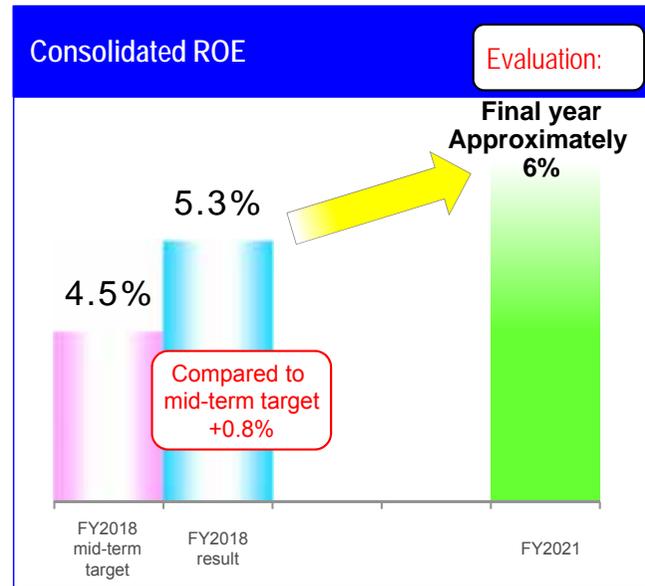
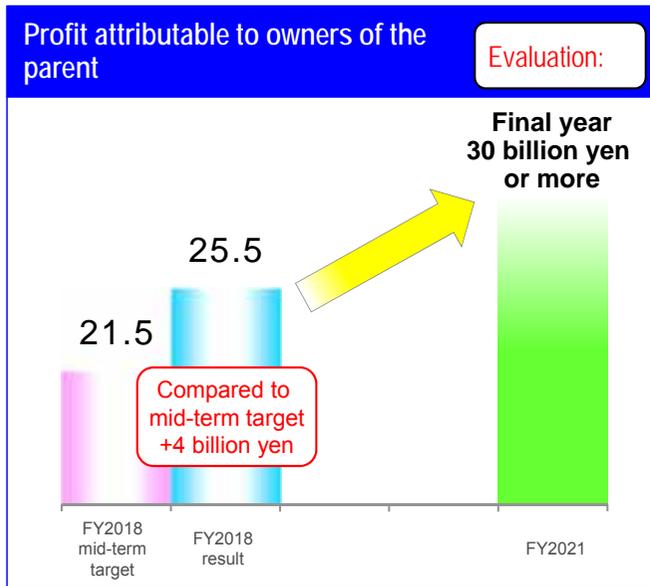
Trend of consolidated ROE and net assets



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

(Reference) State of progress toward the Management objectives of Mid-term Plan 2017

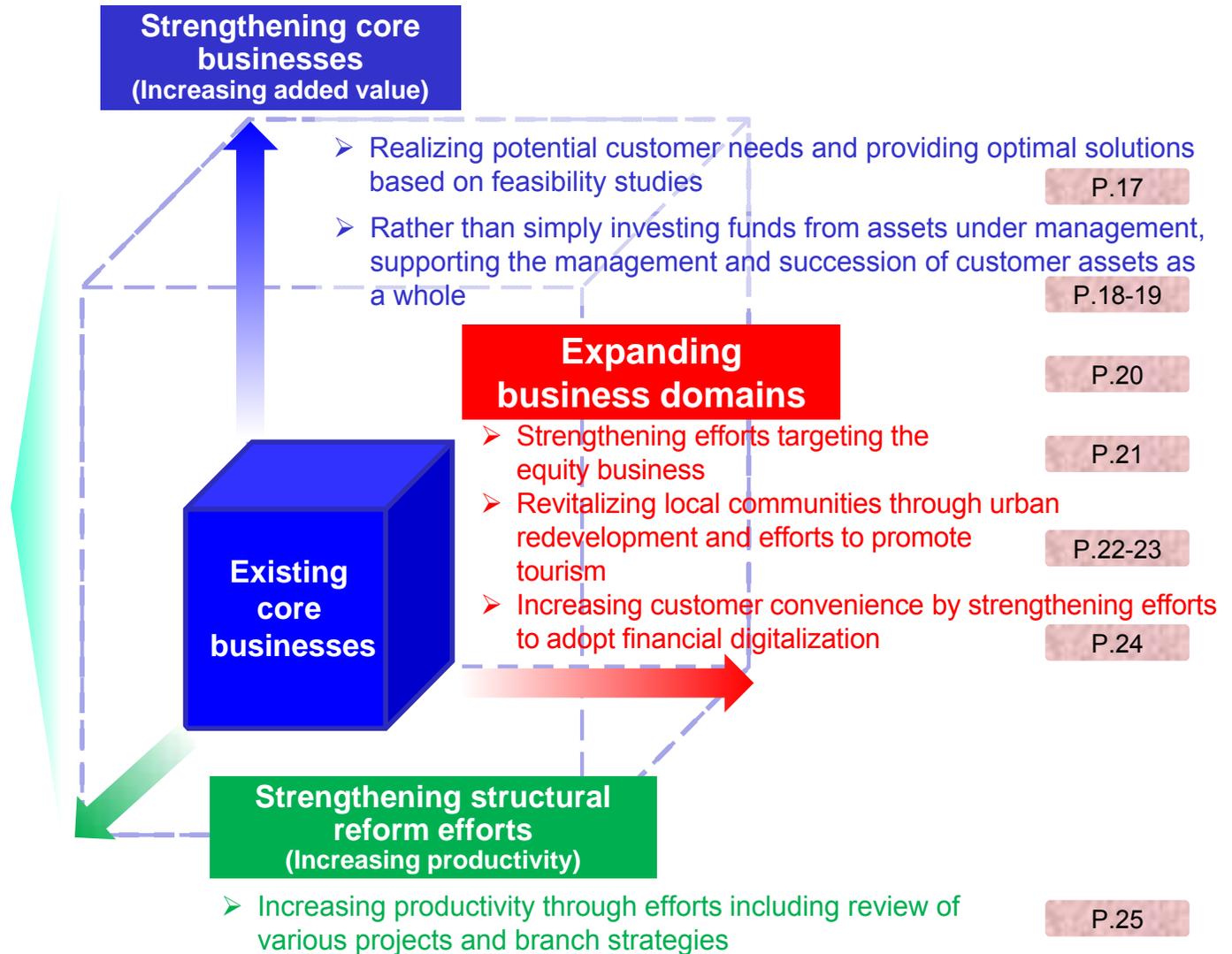
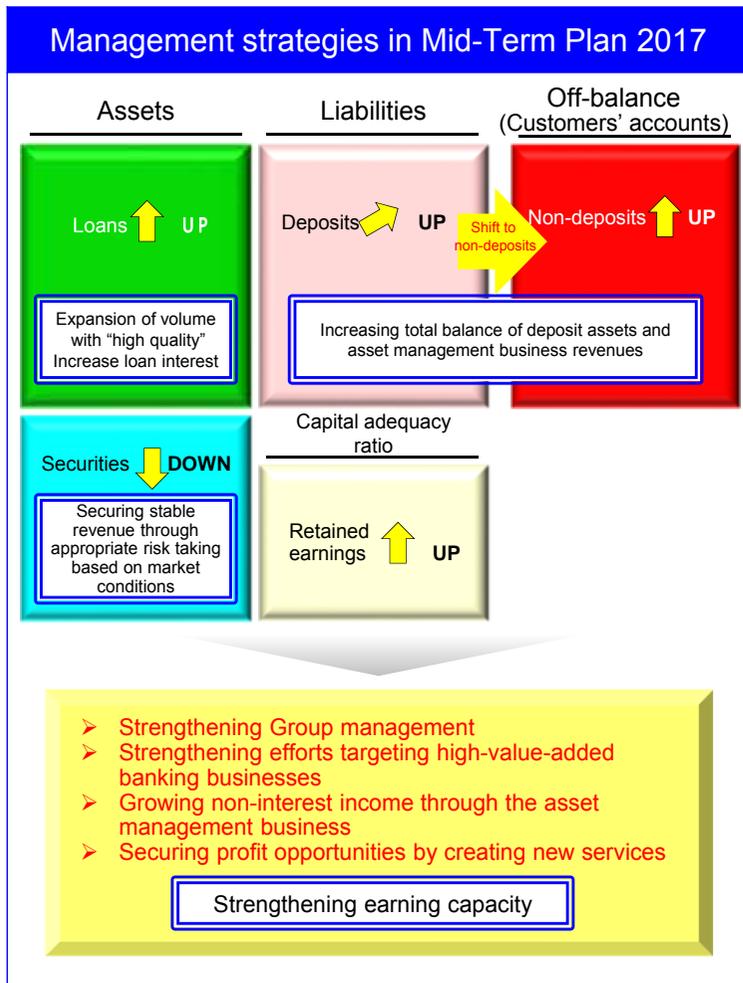
(Billion yen, %)



*Including income from Hirogin Securities

3. Progress of Mid-term Plan 2017

■ Achieving sustainable growth in corporate value through sales generating greater added value and increasing productivity while growing business domains: for example, by strengthening efforts targeting new businesses



Sustainable growth in corporate value

(2) Initiatives to strengthen core businesses

Feasibility studies –Banking business–

- Building strong relationships to identify business true customer needs
- Showcasing consulting functions to provide proactive support for increasing customers' corporate value— for example, by proposing integrated solutions for customer business needs based on evaluations of business potential

Delivering solutions based on feasibility studies

What business customers want from a regional financial institution

- Stable and continuous funding **Approx. 50%**
- Business matching and support for sales channel development and management improvements **Approx. 15%**
- Proposing and delivering new financial services **Approx. 10%** ... etc .

Source: Financial Services Agency, "Results of Business Survey"



- ### Products and services
- ✓ Our unique consulting-based financial products
 - Loans with riders on waiver of principal in the event of earthquakes
 - Loans with riders on waiver of principal in the event of flooding
 - Business succession support loans, etc.
 - ✓ Business matching
 - ✓ Derivatives (forex, interest rate swap hedging)
 - ✓ Support for efforts to expand abroad
 - ✓ Support for formulating medium-term plans

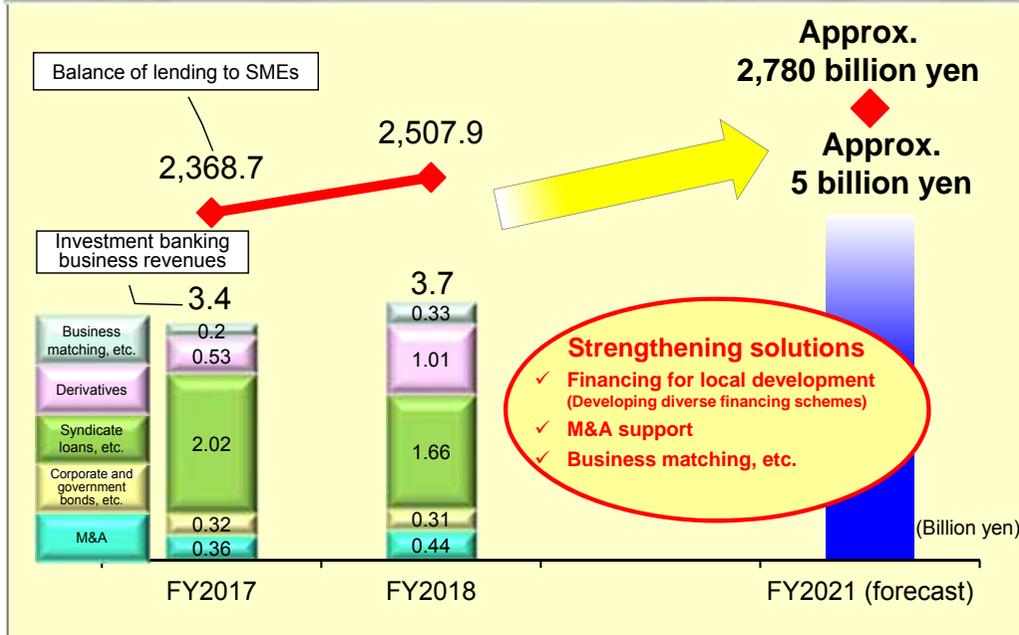


- ### Support structure
- ✓ Industry RMs
 - ✓ Business matching staff
 - ✓ M&A staff
 - ✓ Overseas resident offices
 - ✓ Owner consulting staff

Feasibility studies (qualitative analysis, etc.) = Foundations

FY 2018 track record: 793 cases

Lending to SMEs and bolstering investment banking business revenues



Reference: Efforts related to M&A support



Sixth National Financial M&A Research Meeting (2018)
Deal of the Year Award *(third time won)

- * Awarded by the Nihon M&A Center for the most outstanding example of a successful deal during the year
- ✓ Proactive deployment of the M&A support business, capitalizing on our wealth of experience and our human resources
 - ✓ Drawing on our experience, our track record, and our network of external partner firms to provide optimal support

(3) Initiatives to strengthen core businesses

Banking and securities alliance –Asset management business–

Expanding jointly operated branches and strengthening sales capabilities while engaging in other activities, including enhancing our lineup of made-to-order products, to provide products and services meeting diverse customer needs based on joint efforts between the banking and securities businesses

Strengthening integrated management of banking and securities

Measures

Expanding jointly operated branches to deliver one-stop functions

Strengthening sales capabilities to enhance our capacity to secure financial instrument brokerage accounts

Enhancing the lineup of made-to-order products to meet the needs of corporate customers

Results (including forecasts)

Number of jointly operated branches
(cumulative total, including booths)

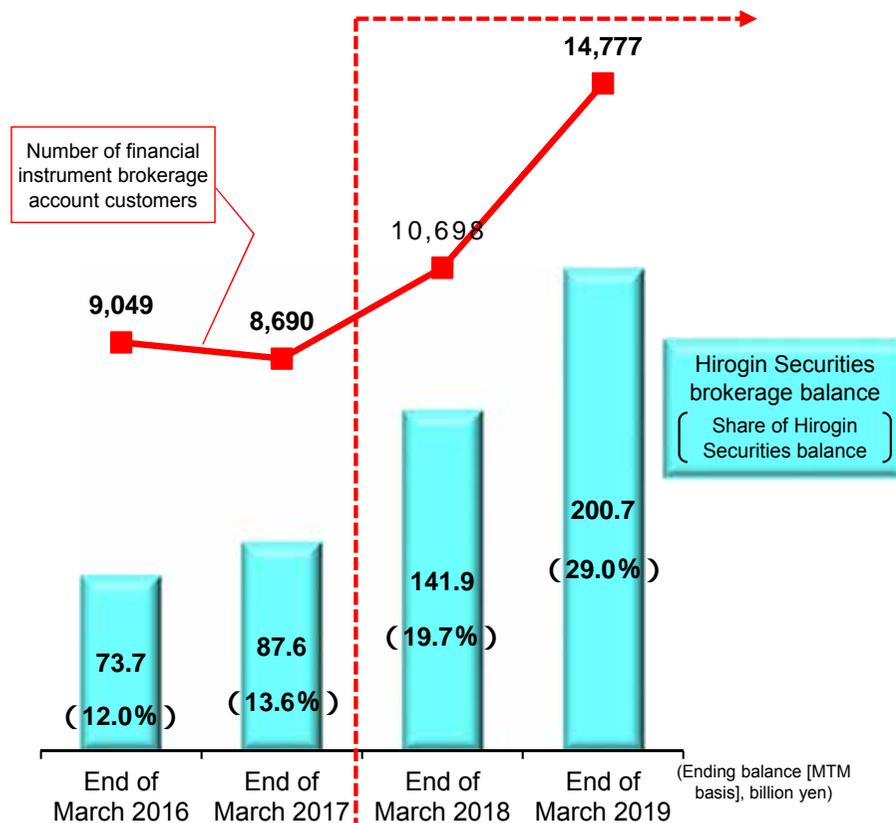
3	8	16	19
(FY2016)	(FY2017)	(FY2018)	(FY2019, planned)

Adding 34 individuals to staff seconded to Hirogin Securities
(Cumulative total April 1, 2017 – April 1, 2019)

- | | |
|--|--|
| <ul style="list-style-type: none"> Those with strong need to secure principal Step-up bonds
(Redeemed at 100% of face value) Those with foreign-currency deposits (those needing to convert foreign currency into yen) Jump bonds (installment redemption)
(invested in foreign currency, redeemed in installments in yen if the yen falls below its value at the time of deposit) | <ul style="list-style-type: none"> Those with strong need for short-term asset management Bonds linked to equities indices Those trading in foreign currency (those raising foreign currency funds) Flat bonds
(Invested in yen, redeemed in installments in foreign currency) |
|--|--|

Trends in the financial instrument brokerage business

Made wholly owned subsidiary (June 1, 2017)



Overview of Hirogin Securities

Established: January 1, 2008
(Made wholly owned subsidiary: June 1, 2017)
Capital: 5 billion yen

Employees: 250
Branches (including offices): 25

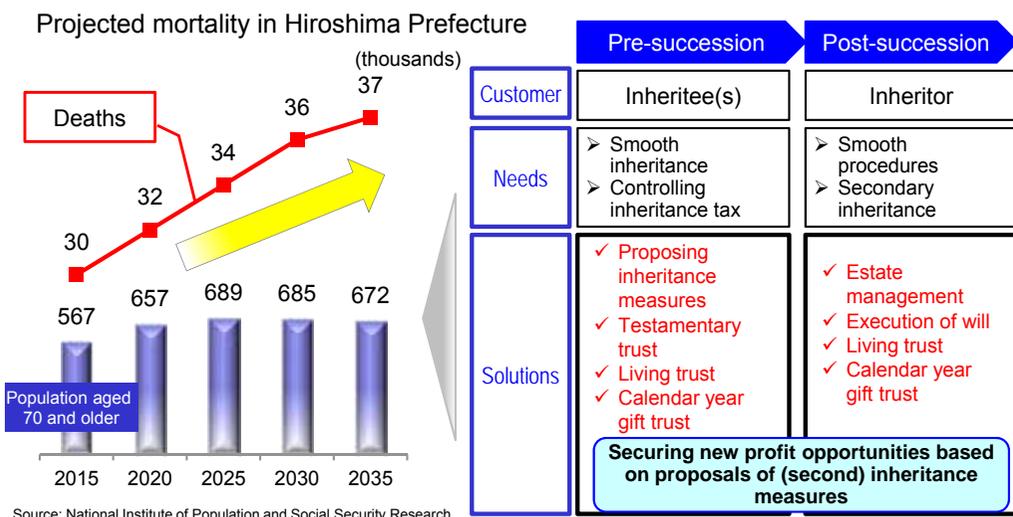
Brokerage revenues as a share of Hirogin Securities' net operating revenues	FY2016 18.4%	FY2017 30.8%	FY2018 47.1%
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(4) Initiatives to strengthen core businesses

Inheritance/business succession businesses –Asset management business–

- Providing optimal solutions based on trusts and other means, on a consulting basis, in response to rising inheritance-related needs
- Securing local employment and contributing to the sustained growth of local economies through redoubled efforts to contribute to business continuity at local firms

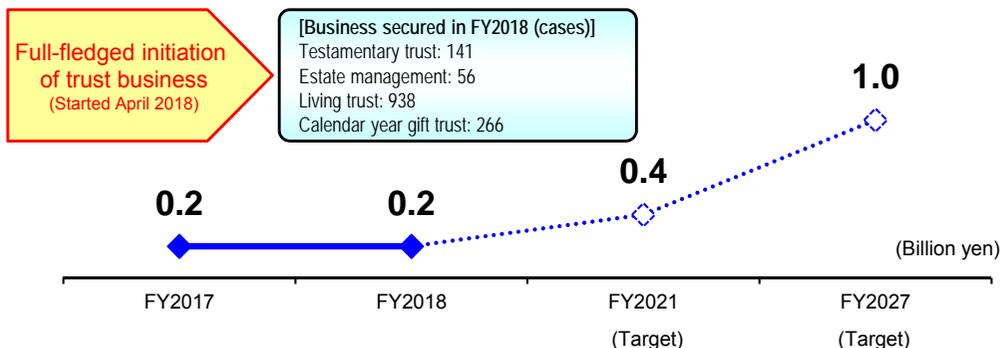
Rising inheritance needs



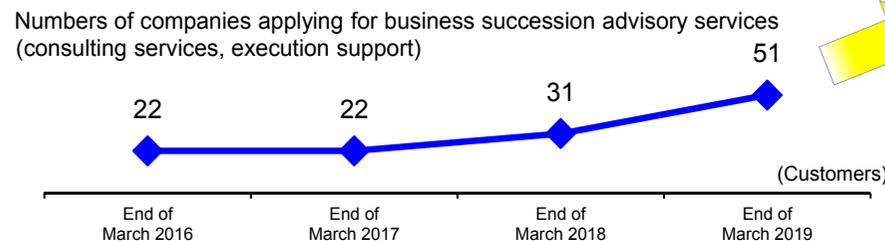
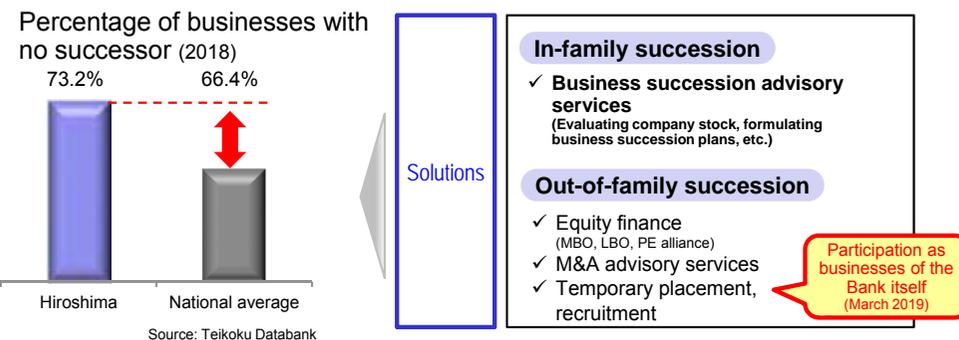
Need to strengthen systems to optimally meet customer needs ...

Newly established **Succession Consulting Plaza** **Trust Consulting Office** (April 2019)

Performance of and targets for revenues related to trust consulting, etc.



Rising business succession needs



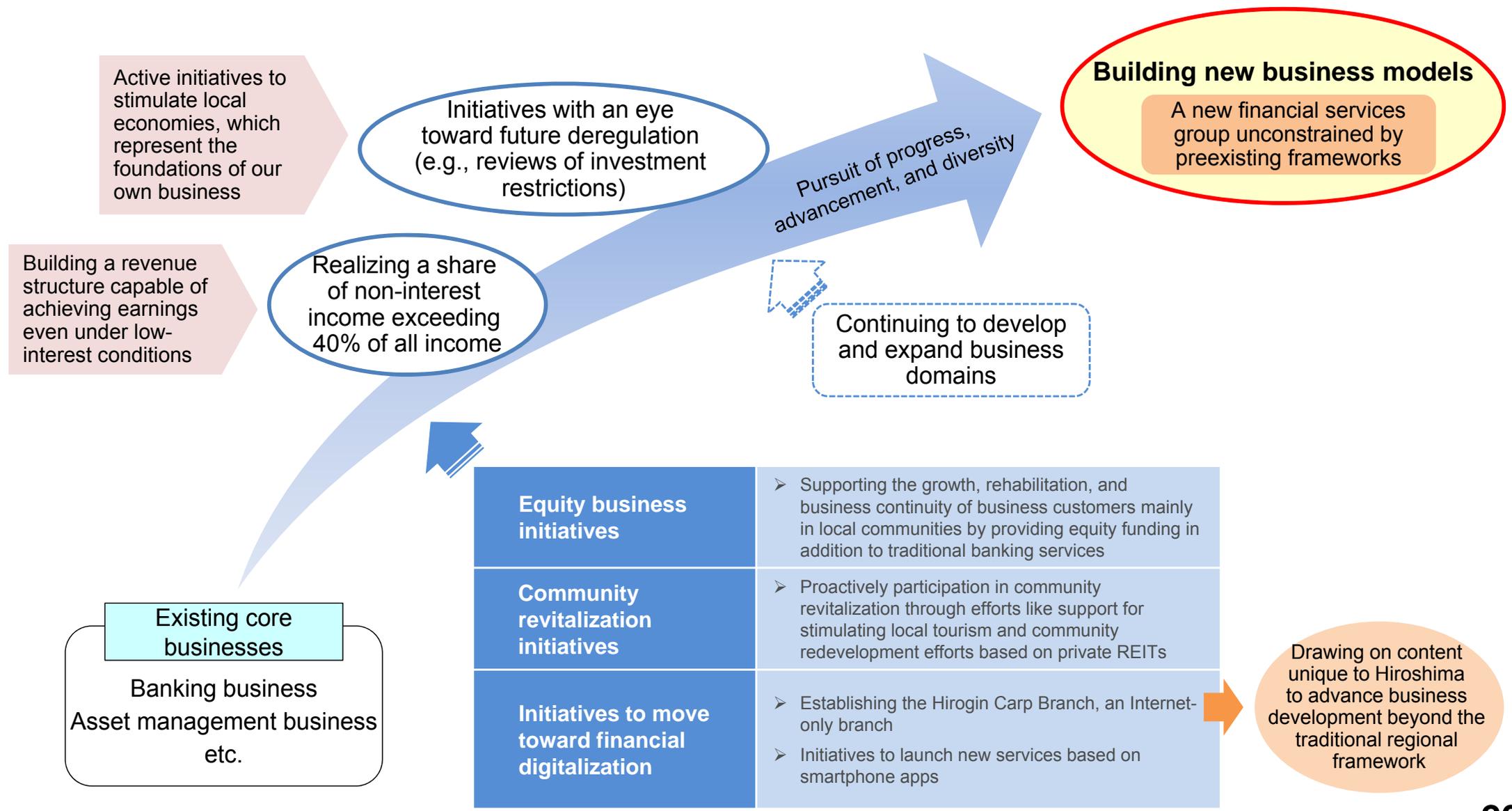
Bolstering the asset management business revenues to grow non-interest income



(5) Initiatives to expand business domains

Basic concepts

■ Expanding business domains not just to secure new profit opportunities, but to become a new financial services group unconstrained by preexisting frameworks; advancing initiatives with an eye toward future deregulation (e.g., reviews of investment restrictions)

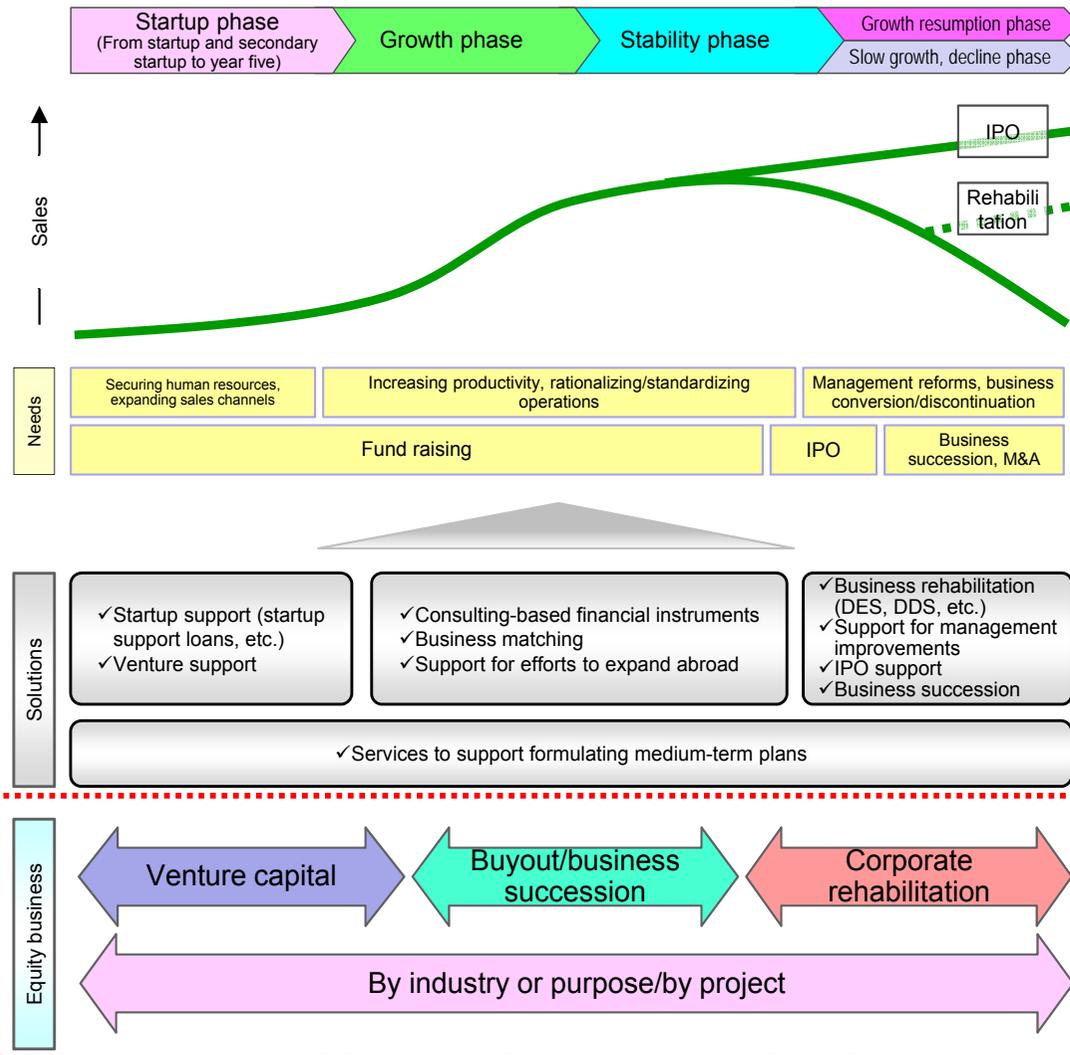


(6) Initiatives to expand business domains

Equity business

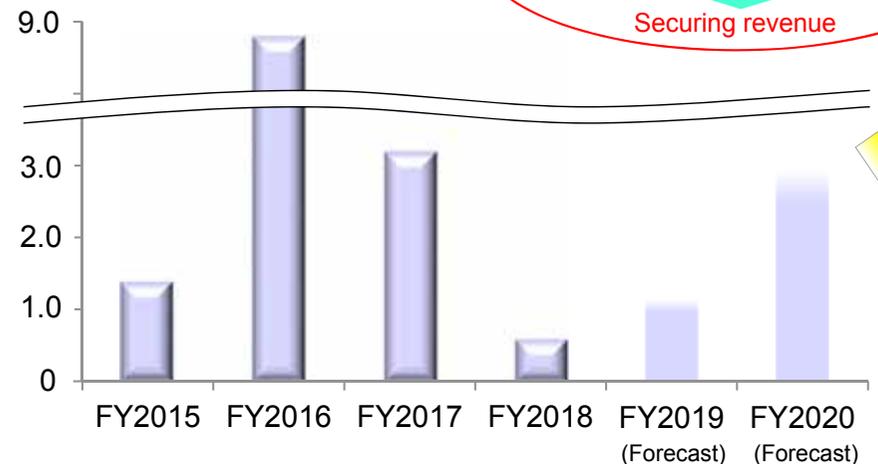
Helping to increase the corporate value of non-publicly traded customers by investing in funds (equity business) corresponding to the various life stages of the enterprise—not just the phases of growth and stability, but startup and return-to-growth-track stages

Enterprise life stages



- Providing equity funding to contribute to customer business growth, business succession measures, etc.
- Supporting business rehabilitation, drawing on the specialized consulting services of the subsidiary Shimanami Servicer, by purchasing receivables of enterprises undergoing rehabilitation, DES, DDS, and other procedures

Profit/loss of securities invested in *(per fiscal year)
(Billion yen)

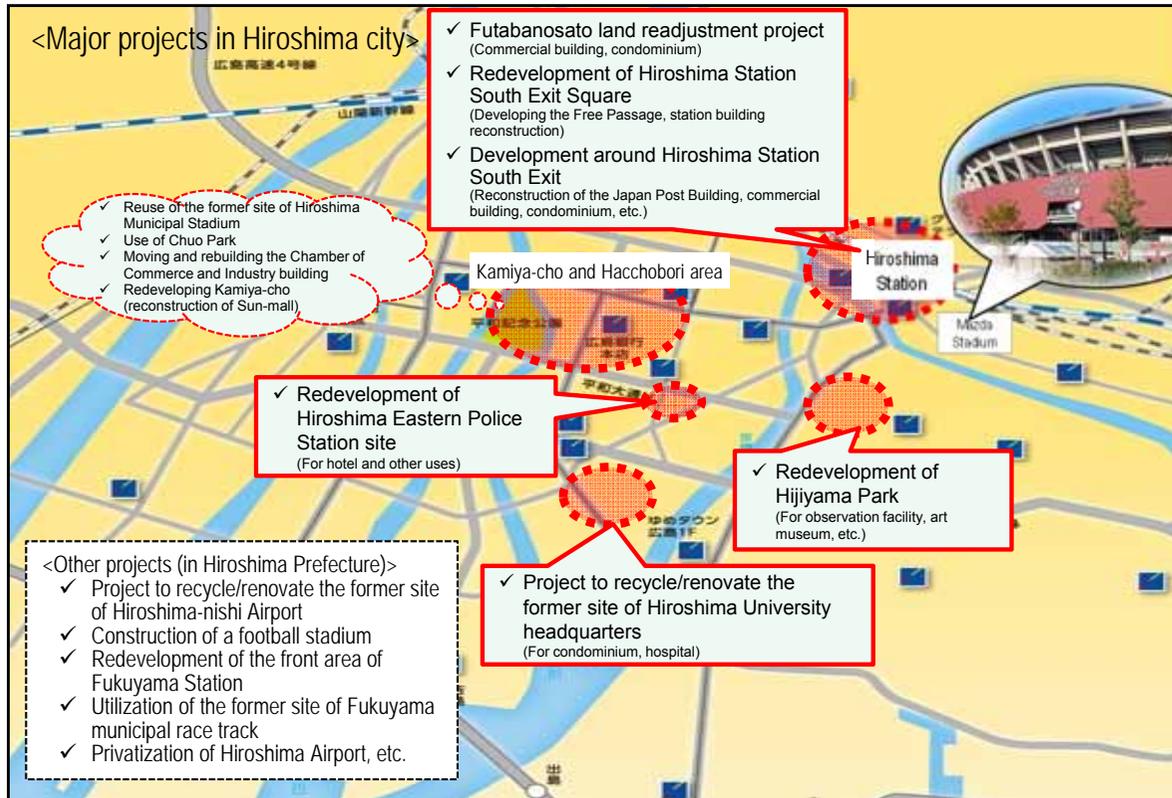


* Realized profit/loss + administrative costs

(7) Initiatives to expand business domains

Support for urban redevelopment –Community revitalization–

Proactive support for urban development as a leader in community revitalization in various ways, including forming a private REIT and the head office reconstruction project



First regional bank

Structuring of Private REITs

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

Project to rebuild the Hiroshima Bank Head Office building



Building features

- Landscaping of building vicinity and second-floor terrace
- Piling space installed at building entrance
- Installation of memorial to those killed in the nuclear bombing
- Securing aseismic performance and emergency power generation fuel for the building (To be used as an evacuation center)

Authorized as private sector urban redevelopment project

The Kamiya-cho and Hacchobori area of Hiroshima was designated a city revitalization urgent development area (October 2018)

Special benefits

- ✓ Easing of various regulations and restrictions (use regulations, floor area ratio restrictions)
- ✓ Special tax breaks (reduced registration/licensing tax, real estate acquisition tax, etc.)

Reference: Economic impact of designation

< Based on analysis of private sector urban redevelopment data for 2001-2011 >

Resident population in area (Tokyo):
grew 16%

Economic impact:
18.6 trillion yen

Employment created:
+1.33 million jobs

Land costs:
Increased 10%

Source: Office for Promotion of Regional Revitalization, Cabinet Secretariat

Contributing to increasing productivity in the regional economy

(8) Initiatives to expand business domains

Promoting tourism –Regional revitalization–

- With growing interest in the Setouchi region worldwide, the number of tourists from overseas has increased for seven consecutive years.
- Proactive participation in regional revitalization in cooperation with individual local governments to promote tourism

Growing interest in the Setouchi region

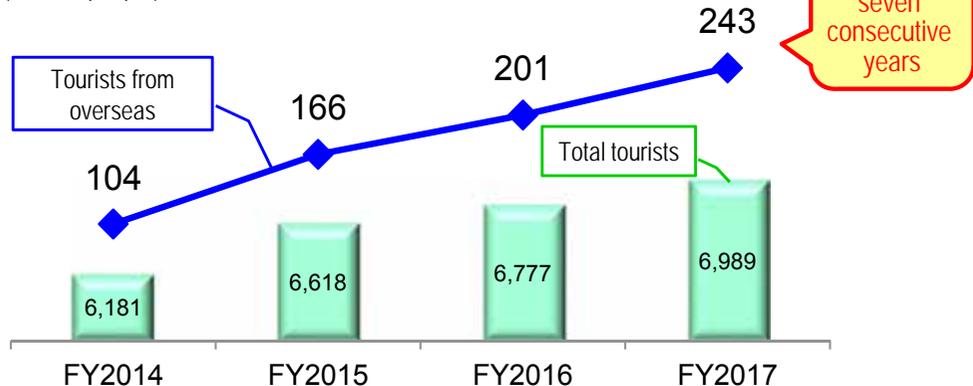
Covered in periodicals influencing the tourist market worldwide

Publication	Article	Rank
National Geographic Traveller (UK edition)	2019 Cool List destinations	No. 1
New York Times digital education	52 places to Go in 2019	Only destination in Japan listed

Also covered in five other periodicals

Trends in numbers of tourists (Hiroshima Prefecture)

(10,000 people)



Sources: Japan Tourism Agency, Hiroshima Prefecture

Hiroshima Prefecture is targeting an annual total of 76 million tourists in FY2022.

Track record of support for tourism businesses

In addition to proactive participation in the Inland Sea, SETOUCHI Tourism Authority (Setouchi DMO), partnership efforts with the Setouchi Brand Corporation on investment and financing for tourism businesses and others

Support provided through the Fund for Revitalizing Tourism in Setouchi

Business	Investment support
Hotel development (in city of Hiroshima)	Approx. 900 million yen
Developing tourist facilities	Approx. 450 million yen
Hotel development (in city of Hiroshima)	Approx. 280 million yen
⋮	⋮
Total	Seven projects/ approx. 1.8 billion yen

The Setouchi Brand Corporation has attracted a global hotel brand to a location in a redevelopment project in central Hiroshima.



The Bank invests funds in and dispatches personnel to the Inland Sea, SETOUCHI Tourism Authority.

Track record for support for establishing regional destination management organizations (DMOs)

The Bank's roles

Phase 1
Identifying current conditions
Supporting identification of tourism resources

Phase 2
Supporting formulation of general plans and action plans

Phase 3
Supporting implementation (PDCA cycle)

FY2015

- Supported Onomichi/Shimanami DMO formation project

FY2016

- Supported establishment of Akitakata DMO
- Supported establishment of Miyoshi DMO

FY2017

- Advised on preparing to establish Tokushima East DMO
- Supported planning to establish DMO to promote Tsuyama community development project to encourage tourist stays

FY2018

- Supported development of Fukuyama tourism promotion structure
- Helped formulate Shobara promoting tourism plan

(9) Initiatives to expand business domains

- Enhancing relevant structures within the Bank to respond with a sense of urgency to the rapidly advancing financial digitalization
- Increasing customer convenience by diversifying payment methods, starting with smartphone apps

Digital transformation (DX) initiatives

Strategies, response policies

- Relations with local customers
- Massive volumes of customer information

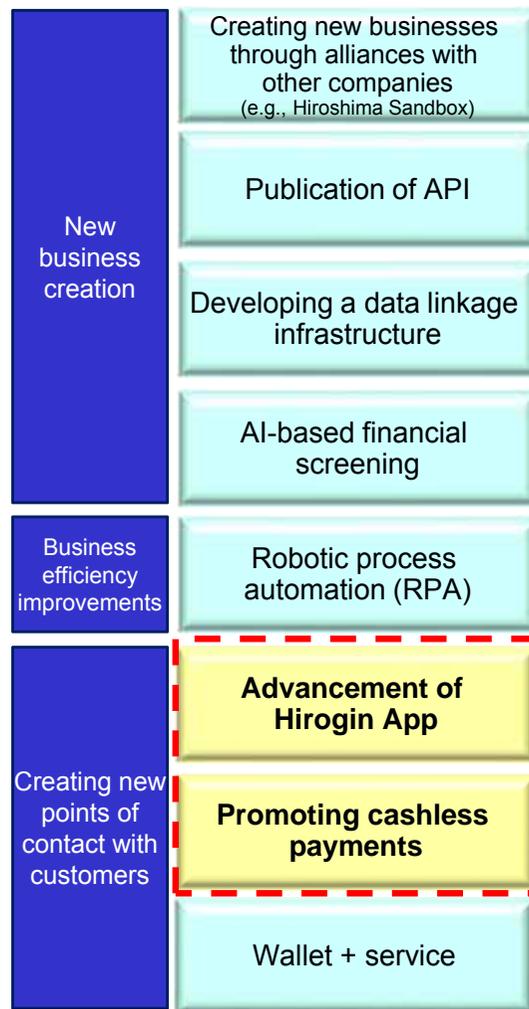
Drawing on our strengths as a regional bank

- Promoting full-fledged digital transformation grounded in our ties to local society as a regional bank
- Creating new businesses and open innovation through alliances with diverse players, including those in other industries
- Full-fledged efforts to apply data

Developing a promotion structure

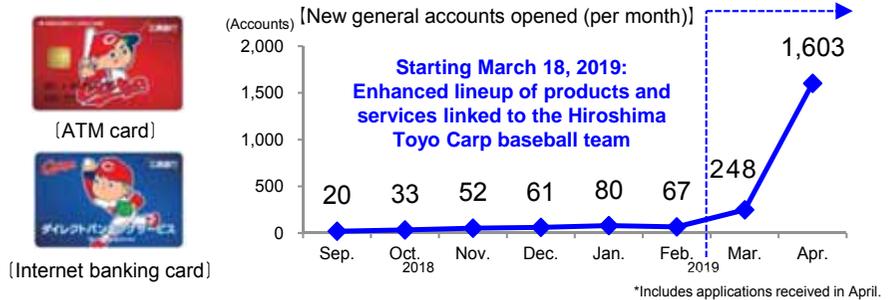
- August 2016 New Business Development Promotion Office formed
- February 2018 Reorganized into Digital Innovation Office
- April 2019 **Promoted to Digital Strategy Division**

Specific initiatives

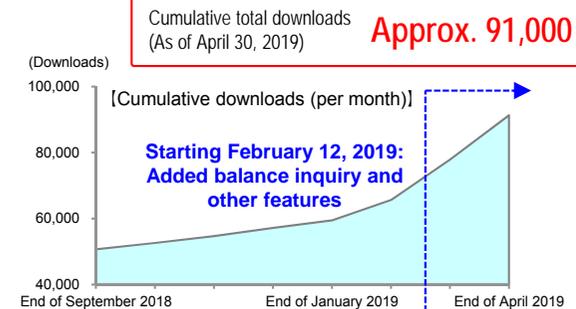


Creating new points of contact with customers

Establishing the Hirogin Carp Branch (renaming of the Hirogin Net Branch)



Adding new features to the Hirogin App



JCB and Visa debit cards

<Hirokun design> <Hiroshima Toyo Carp design>

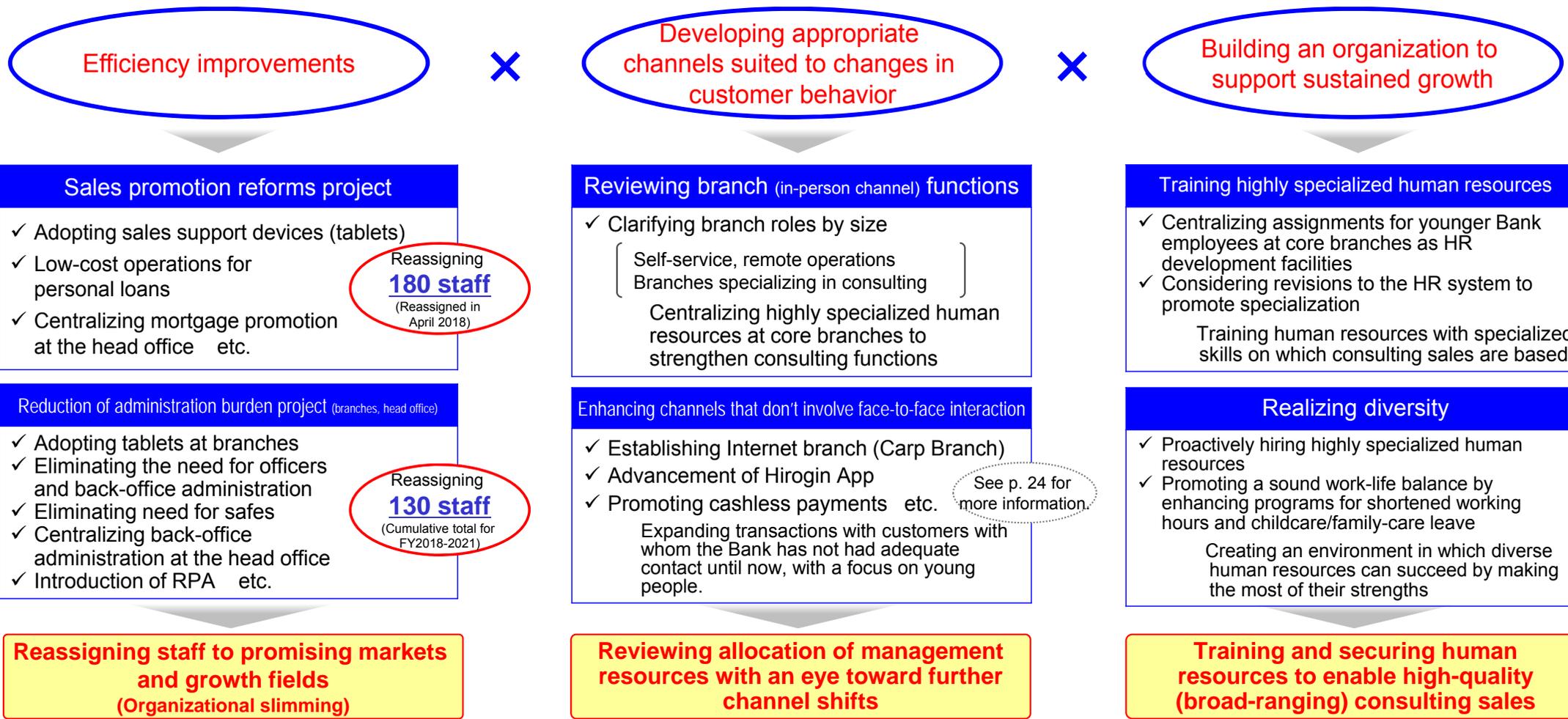


Number of applications: approx. 5,000
(As of the 25th business day after introduction)

- Intended to increase transactions with young people and those who dislike credit cards, two groups with whom the bank has had little transaction contact to date
- Developing new services using payment data

(10) Strengthening structural reform initiatives

Striving to increase productivity and strengthen HR development to implement high-quality consulting sales, based on various projects to achieve structural reforms and review branch functions



Improving productivity through structural reforms

<Final fiscal year of the Mid-term Plan (FY2021)>

- Employees: Approx. 3,300 (down 180 from current level)
- Adjusted overhead ratio: 50% level

4. SDGs/ESG initiatives

In addition to strengthening promotion systems intended to achieve sustained growth in corporate value over the medium to long term through environmental, social, and governance initiatives, we plan to begin issuing an integrated report to effectively communicate non-financial information (July 2019).

Sustainable Development Goals (SDGs) initiatives

- The Sustainable Development Goals (SDGs) are international goals adopted by the UN General Assembly in September 2015 and set to continue until 2030.
- As a financial institution and fellow community citizen, we're implementing various initiatives to promote sustained progress in our region.
- Our policy is to resolve social issues through the SDGs, seeking to create shared value alongside our community.



Adopting to ESG indices

We have been adopted to indices used by the Government Pension Investment Fund in choosing investments.



MSCI Japan Empowering Women Index (WIN)

- Identifies companies with outstanding gender diversity and positioned to withstand future labor shortages.



S&P/JPX Carbon Efficient Index

- Identifies companies that fully disclose environmental information and have high levels of carbon efficiency.

New SDGs/ESG initiatives

Starting April 2019

Assignment of SDGs/ESG staff

- One staff member assigned in the Management Planning Division to enhance the promotion structure
- Planning measures to achieve sustained growth in corporate value

Planned for July 2019

Publication of integrated report

- We plan to publish an integrated report to communicate information, including non-financial information, effectively

■ In addition to supporting the sports teams that represent Hiroshima, we support culture, including sponsoring the Hiroshima Symphony Orchestra.
 ■ We strive to increase corporate value by creating shared value, drawing on financial products to contribute to society and promote environmental protection activities.

Support for community sports and cultural activities

Hiroshima Museum of Art Foundation

Promotes culture by communicating information on art, including activities at the Hiroshima Museum of Art and support for numerous art exhibitions.



Hiroshima Symphony Orchestra

We support the orchestra's activities in various ways, including sponsoring Hirogin Tomorrow Concerts.



**Hiroshima Toyo Carp
Sanfrece Hiroshima**

We join with other local companies in supporting the Hiroshima Toyo Carp baseball team and in attending games. We host sponsored matches of the Sanfrece Hiroshima soccer team.



[Hosting Hiroshima Toyo Carp sponsored games]

Invited members of the Shiraki White Stars from the Konan School District



[Hosting Sanfrece Hiroshima sponsored matches]

Students from Ninoshima Elementary School

Accepting bank-guaranteed private placement bonds (donated to education)

Donating to educational institutions

To commemorate the issue of private placement bonds by customers, we donated books and other items to local educational institutions.

[Examples] (partial selection)

Donor	Recipient	Donation
Imoto Construction Inc.	Hiroshima Prefectural Hiroshima Technical High School	Air compressors Table saws
Nakayama Farm Inc.	Kurashiki Municipal Nakasu Elementary School	Curtains Televisions
Prova Holdings Inc.	Hiroshima Prefectural Hiroshima Kita Special Needs School	Two-wheeled scooters Three-wheeled scooters etc.
Morishita Inc.	Hiroshima Kyoso Junior High and High School	Soccer balls Ball boxes

Environmental protection initiatives

Participation in charitable trusts

We provide grants to volunteer organizations involved in community development and environmental beautification activities

Hiroshima Community Development Activities Support Fund

[FY2018 track record]

16 organizations
Total of 3.18 million yen in grants

Sanikleen Chugoku Environmental Beautification Fund

30 organizations and individuals
Total of 2.06 million yen in grants

Hirogin paperless account Smart-e

We encourage paperless banking by offering passbook-free accounts.



Item	The Bank's initiatives	
E : Environment	Eco-friendly financing programs	<ul style="list-style-type: none"> ➢ Financing program exclusively for solar power generation ➢ Eco-rating financing program (lending type or private-placement bond type)
	Investment in Fukuyama Mirai Energy Inc., a regional power producer and supplier (investment stake: 5%)	<ul style="list-style-type: none"> ➢ We're a joint investor with the city of Fukuyama and JFE Engineering Corporation. ➢ As one of Japan's largest regional power producers and suppliers, it purchases renewable energy in the city of Fukuyama and distributes it to public facilities in the region.
	Installing cycle port for shared bicycles (inside the Bank's temporary head office)	<ul style="list-style-type: none"> ➢ Promoted by the city of Hiroshima as part of efforts to promote tourism and revitalize the community (as of December 30, 2018, cycle ports were installed in 49 locations) ➢ We participate in this initiative of the city of Hiroshima as part of efforts to promote eco-friendly activities and contribute to the community.
S : Social	Response to flooding in July 2018	<ul style="list-style-type: none"> ➢ We contributed to a relief fund for recovery from flooding that struck a wide area of western Japan. ➢ The Hirogin Group donated 60 million yen and dispatched volunteers.
	Formulation of the Hiroshima Bank Healthy Management Declaration	<ul style="list-style-type: none"> ➢ This statement was formulated based on our understanding that maintaining and promoting the mental and physical health of our employees and others is vital to the Bank's growth. ➢ We encourage local firms to promote health management initiatives. <div data-bbox="1509 916 1944 1203" style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> ➢ Selected to Health Management Companies 2019 The first regional bank in Japan to be selected ➢ Selected to Top Health Management Companies 2019 (White 500) The first regional bank in the Chugoku region to be selected </div>
	Promoting diversity	<ul style="list-style-type: none"> ➢ Proactive hiring of women managers and supervisors (17 managers and 143 assistant managers as of April 1, 2019) ➢ Continual implementation of career hiring
	Strengthening efforts to fight money laundering and terrorism funding	<ul style="list-style-type: none"> ➢ We established a new line responsible for these efforts, further enhancing our management structure.
G : Governance	Strengthening governance systems	<ul style="list-style-type: none"> ➢ Three of our ten directors are outside directors (including one woman). ➢ Three of our five corporate auditors are outside auditors (including one woman).



5. Business Forecast for FY2019

(1) FY2019 performance and dividend forecasts

- FY2019 business performance is projected to remain largely unchanged from the previous year, due mainly to lower credit costs and other costs, with **net income attributable to owners of the parent totaling 25.5 billion yen.**
- We project annual dividends for **FY2019 of 18 yen**, based on the payout table.

Business forecast for FY2019

(Billion yen)

	Forecast for FY2019	YoY change
Net interest income	66.9	-1.2
Of which, Interest on loans	62.0	0.3
Net fees and commissions income	16.5	-0.7
Core gross banking profit	83.4	-1.9
- Expenses	53.4	0.7
Core banking profit	30.0	-2.6
Gains/Losses on securities	5.7	0.2
- Credit costs	1.0	-2.1
Ordinary profit	35.5	-0.4
Net income	25.0	-0.3
Profit attributable to owners of the parent	25.5	0.0

Payout table and estimated dividend in FY2019

Profit attributable to owners of the parent	Dividend per share			Consolidated payout ratio
	Fixed	Performance-based	+	
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: 0.03%, US\$ LIBOR3M: 2.95%, Exchange rate(USD/JPY): 108.0 yen, Nikkei stock average: 21,500 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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