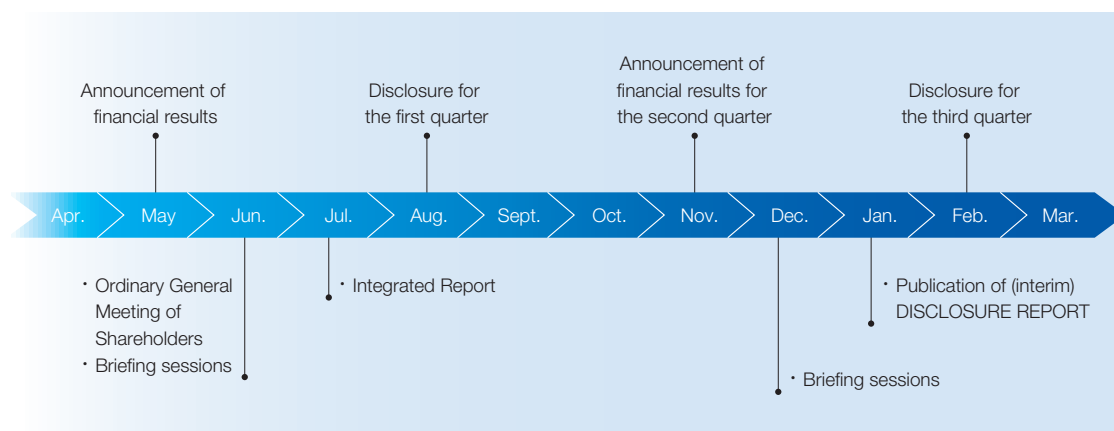


Communication with Shareholders, Investors and Customers

IR calendar



Stock information

[Fiscal year end date] March 31 each year
 [Ordinary General Meeting of Shareholders]
 Ordinary General Meeting of Shareholders is held within three months after the end of each fiscal year.
 [Dates for determining eligible shareholders receiving dividends]
 Year-end dividend March 31
 Interim dividend September 30
 [Reference date]
 For Ordinary General Meeting of Shareholders March 31
 In other cases where necessary, the reference dates will be announced in advance.
 [Share units] 100 shares

[Method of public notice]
 Public notice shall be made in the form of electronic public notice
<https://www.hirogin-hd.co.jp/ir/library/e-publicnotice/index.html>
 However, if due to unavoidable circumstances public notice cannot be made in the form of electronic public notice, it shall be published in the Nihon Keizai Shimbun and the Chugoku Shimbun, which is published in Hiroshima City.

General Meeting of Shareholders

With respect to the Ordinary General Meeting of Shareholders held in June every year, we strived to enhance the environment for exercising voting rights and convenience for shareholders, and we implemented measures to prevent the spread of new coronavirus infection. For shareholders who were unable to attend, we webcast the meeting. (Viewers were allowed to only view the meeting via live broadcast.)

* Early mail-out of Convocation Notices and announcement (posted on the Stock Exchange and the Company's website about a week before mail-out), participating in the voting platform, voting rights exercisable via the Internet from a PC or smartphone, and prompt posting of resolution notice on the Company's website after the General Meeting of Shareholders, etc.

* We reduced the number of seats at the venue to secure social distance, requested all participants to wear face masks with temperature inspection required, while our staff were wearing face guards, set up acrylic boards at the chairperson's seat and at the speaker seat for shareholders, and so on.



Measures were taken at the reception to prevent the spread of new coronavirus infection

Dividends

In addition to “stable dividends,” the Company introduced “performance-linked dividends,” determined in accordance with a dividend criteria table based on profit attributable to owners of the parent.

Stable dividends

From the perspective of stable dividends payment, the annual amount of ¥18 per share is paid.

Performance-linked dividends

Dividends linked to profit attributable to owners of the parent are paid.

Dividend criteria table

Profit attributable to owners of the parent	Cash dividends per share			Consolidated payout ratio
	(i) Stable dividends	(ii) Performance-linked dividends	(i) + (ii)	
Over ¥33.0 billion	¥18	¥18	¥36	Below 34.1%
Over ¥30.0 billion - up to ¥33.0 billion		¥15	¥33	31.2% - below 34.4%
Over ¥27.0 billion - up to ¥30.0 billion		¥12	¥30	31.2% - below 34.7%
Over ¥24.0 billion - up to ¥27.0 billion		¥9	¥27	31.2% - below 35.1%
Over ¥21.0 billion - up to ¥24.0 billion		¥6	¥24	31.2% - below 35.7%
Over ¥18.0 billion - up to ¥21.0 billion		¥3	¥21	31.2% - below 36.4%
Up to ¥18.0 billion		¥0	¥18	31.2% or more

Shareholder benefits

To express appreciation for our shareholders' support and raise the appeal to shareholders of holding the Company's shares over the medium to long term, the Company has introduced a shareholder benefit system.

Reference date

March 31, 2021 is the first reference date and March 31 of each year thereafter shall be the reference date (once in every year).

Eligible shareholders

Shareholders who have 100 shares or more of the Company's common shares as listed on the Company's register of shareholders as of the reference date shall be eligible.

Details of the benefit system

Eligible shareholders can choose from the courses below, receive tickets for Hiroshima Museum of Art, and be awarded the right to participate in the drawing to win tickets for the three major professional sports event and concert in Hiroshima.

Courses

Name of course		Number of shares held		
		100 shares - below 1,000 shares	1,000 shares - below 5,000 shares	5,000 shares or more
Time deposit course	Details of privileges ^{*1}	Additional 0.05% to the interest rate presented at branches	Additional 0.10% to the interest rate presented at branches	Additional 0.20% to the interest rate presented at branches
	Length of time-deposit	One year	One year	One year
	Upper limit	¥5.00 million	¥5.00 million	¥5.00 million
Catalog gift of local products	Details of privileges ^{*2}	Products equivalent to the value of ¥2,500	Products equivalent to the value of ¥5,000	Products equivalent to the value of ¥10,000

^{*1} Products eligible for additional interest rates are Super Time Deposit and Super Time Deposit 300. The additional interest rates listed are per annum rates before tax.

^{*2} Miscellaneous fees are included in the privileges.

System to gather customers' voice

Customer opinion cards

We place customer opinion cards on counters or desks so that they can easily catch the eyes of customers, to gather a wide range of customers' voice. Opinions received are utilized to improve our services.



Customer satisfaction survey

We periodically conduct customer satisfaction surveys for individual and corporate customers. Based on the results, the Company identifies areas for improvement in customer satisfaction, and then branch offices, headquarters, and Group companies team up to improve and enhance our services.



Call center

The call center responds to inquiries from customers on products, services, and procedures, etc. accurately and speedily, and works on improving customer satisfaction by cooperating with related departments and other means. In addition, since the second half of fiscal 2020, we started the Hi-rogin Chat Support, which responds to customers' inquiries via the internet.

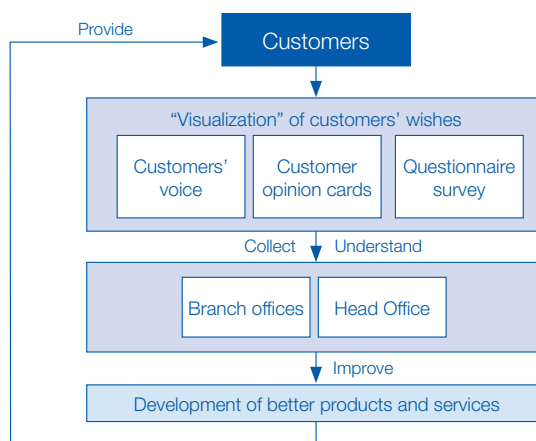


System to translate customers' voice into better customer satisfaction

In addition to customers' voice sent to branch offices and the call center, we receive numerous opinions and wishes via customer opinion card placed at each branch office.

In addition, we carry out regular questionnaire surveys aiming at "Visualization" of customers' wishes.

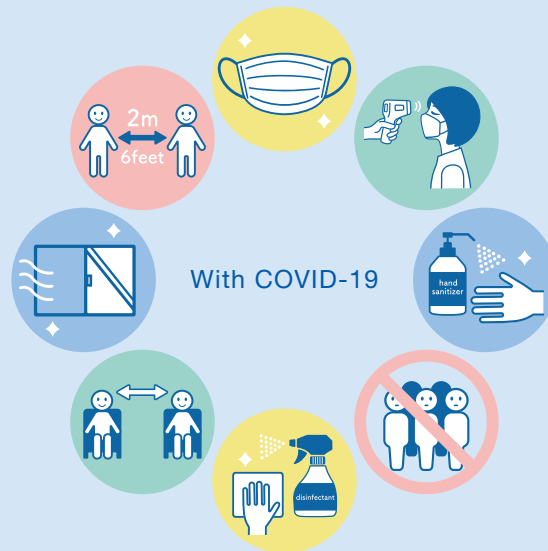
In order to utilize customer feedback to improve satisfaction, we try to identify points for improvement in products and services based on customers' opinions and requests, and make every effort to provide better products and services with branch offices and the headquarters working together to consider countermeasures.



Response to New Coronavirus Infection

Amid the nationwide outbreak of new coronavirus infection, Hirogin Group, as an infrastructure essential for maintaining social functions, is responsible for supporting business partners' financial positions and regional economic activities so that our basic policy has been to continue our

operation in tackling the issue. We place top priority on "protecting the health and lives of our customers and employees," and constantly consider what we can do and have accordingly taken the following actions.



Support for customers

(Hiroshima Bank)

- Establishment of loan consultation desks
- Handling of Special Loan to Cope with New Corona Virus (up to ¥1.0 billion, 5-year grace period)
- Holding sales promotion events to support sales of goods of business partners
- Handling of the scheme of substantially interest-free loans
- Waiving part of loan-related fees (loan modification fees, etc.)
- Introduction of business partners (desired suppliers)
- Handling of Hirogin Remote Overseas Business Trip Service

Ensuring the safety and security of customers and employees

- Acrylic boards and vinyl sheets installed
- Periodic disinfection of equipment
- Shortening of business days and business hours and implementation of extraordinary closure
- Implementation of business operations with minimum personnel (introduction of closure for lunch)
- Promotion of time difference and remote work
- Split operations (decentralized work) implemented at the headquarters
- Workplace vaccination of vaccines for new coronavirus
- Participation in Hiroshima QR Code Notification for New Coronavirus



Measures at the General Meeting of Shareholders

- Wider spaces between seats to secure social distance
- Measuring body temperature (using thermography, etc.) at the venue
- Live broadcast of the meeting for shareholders who are unable to attend the meeting
- Introduction of a system that enables the exercise of voting rights via the Internet

While placing top priority on protecting the health and lives of our customers and employees, we will continue to support local economic activities through measures such as prevention of splash infection and remote work, keeping "new lifestyles" in mind.

Initiatives Aimed at Practicing Customer-Oriented Business Operations

Basic approach

With the awareness of being a regional comprehensive services group that supports the regional economy, we deal with our customers with sincerity, prepare for terrorism, cyber-attacks, and natural disasters that threatens civilian life and business activities, and provide 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 development of the regional economy.

In particular, in providing financial services, we hold customers' interests to the maximum priority. In line with this attitude, we maintain a high level of expertise and offer high-value-added products and services from a customer perspective, which we believe would result in improved corporate value of the Group over the medium and long term. Based on such recognition, we have established, published, and practiced the "policy for Hirogin Group's customer-oriented business operations."

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 is 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' investment purposes, risk tolerance, needs, knowledge and experience, and financial assets.

When proposing products based on customers' purposes, risk tolerance, needs 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.

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 on 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

For customers, we confirm the content of products, explain the management status of the products, and verify any changes in the initially identified investment purpose, risk tolerance and needs in order to propose reviews of the portfolio. As such, we provide information according to 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.

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

We have established a performance evaluation system that contributes to customer-oriented business operations.

To maintain a high level of expertise that is responsive to diversifying and more sophisticated customer needs for asset management, we enhance the quality of education for our sales staff and improve performance evaluation management by expanding the number of personnel with the

financial planner certification and providing training programs to refine the level of consulting services.

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

Status of initiatives for customer-oriented business operations

Explanation of KPIs and the status of our initiatives other than the above can be found on our website.



Customer Protection Management

Solicitation policy

In the solicitation of financial products, Hiroshima Bank complies with the rules below.

1. The Bank endeavors to solicit customers for suitable products in consideration of the customer's knowledge of the product, experience, asset composition, and investment purpose.
2. The Bank endeavors to provide the customer with adequate information on important matters such as the content of the product and details of risks to enable the customer to carry out transactions at their own discretion.
3. The Bank does not solicit customers by providing misleading statements, such as arbitrary decisions or false information.
4. The Bank does not solicit customers in a time or a place causing inconvenience to them.
5. The Bank continues to develop knowledge of products to make sound and appropriate solicitations that satisfy customers.

Structure of customer protection management

The Group has established the Group Customer Protection Management Regulations at the Board of Directors as a guideline to secure a structure aimed at protecting and enhancing convenience for customers.

In the Group Customer Protection Management Regulations, we formulate policies and management matters regarding explanation to customers, customer support (consultation and complaints), customer information, outsourcing,

and conflict of interests, making these known to all of the Group's employees.

In addition, we have designated the Risk Coordination Group as the controlling division and established a group compliance program at the Board of Directors meeting on a semiannual basis as basic procedures to be performed to ensure customer protection, and status of progress in the plan is reported to the Board of Directors on a regular basis.

Information management

Based on our published Privacy Policy, the Group acquires or provides personal information prudently and strives to continuously improve safety control measures including strengthening system protections against cyber-attacks.

In order to manage customers' valuable information assets in an appropriate and prudent manner, all employees regularly receive training for information security to ensure a high level of awareness when handling information.

We conduct thorough internal audits on handling personal information to improve the effectiveness of information management.

If disclosure, correction, or suspension of personal information is requested by a customer, the Group responds to the request after verifying the customer's identification.

Board of Directors and Executive Officers

(As of June 25, 2021)

Directors



Koji Ikeda

Representative Director and Chairman

April 1977 Joined Hiroshima Bank
April 2006 Executive Officer; General Manager, Fukuyama Sales Division, Hiroshima Bank
April 2008 Managing Executive Officer; General Manager, Fukuyama Sales Division, Hiroshima Bank
April 2009 Managing Executive Officer; General Manager, Management Planning Division, Hiroshima Bank
June 2009 Managing Director, General Manager, Management Planning Division, Hiroshima Bank
April 2011 Managing Director, Hiroshima Bank
June 2012 President (Representative Director), Hiroshima Bank
June 2018 Chairman (Representative Director), Hiroshima Bank (current position)
October 2020 Chairman (Representative Director), the Company (current position)



Toshio Heya

Representative Director and President

April 1983 Joined Hiroshima Bank
April 2008 General Manager, Hiroshima-Higashi Branch, Hiroshima Bank
April 2011 General Manager, Management Planning Division, Hiroshima Bank
April 2013 Executive Officer; General Manager, Head Office Business Department, Hiroshima Bank
April 2015 Managing Executive Officer; General Manager, Head Office Business Department, Hiroshima Bank
April 2016 Managing Executive Officer, Hiroshima Bank
June 2016 Director & Managing Executive Officer, Hiroshima Bank
June 2018 President (Representative Director), Hiroshima Bank (current position)
October 2020 President (Representative Director), the Company (current position)



Akira Ogi

Director & Senior Managing Executive Officer

April 1986 Joined Hiroshima Bank
April 2008 General Manager, Business Planning Department of Banking Business Planning Division, Hiroshima Bank
April 2013 General Manager, Hiro Branch, Hiroshima Bank
April 2015 General Manager, Personnel & General Affairs Division, Hiroshima Bank
April 2016 General Manager, Management Planning Division, Hiroshima Bank
April 2017 Executive Officer; General Manager, Management Planning Division, Hiroshima Bank
October 2018 Managing Executive Officer, Hiroshima Bank
June 2019 Director & Managing Executive Officer, Hiroshima Bank
April 2020 Director & Senior Managing Executive Officer, Hiroshima Bank (current position)
October 2020 Director & Senior Managing Executive Officer, the Company (current position)



Kazuo Kiyomune

Director & Managing Executive Officer

April 1986 Joined Hiroshima Bank
October 2008 General Manager, Loan Business Planning Department of Banking Business Planning Division, Hiroshima Bank
April 2010 General Manager, Loan Business Planning Department of Loan Business Planning Division, Hiroshima Bank
April 2013 General Manager, Honkawa Branch, Hiroshima Bank
April 2015 General Manager, Otemachi Branch, Hiroshima Bank
April 2018 Executive Officer; General Manager, Kure Branch and Kure City Hall Sub-branch, Hiroshima Bank
April 2020 Managing Executive Officer, Hiroshima Bank
June 2020 Director & Managing Executive Officer, Hiroshima Bank (current position)
October 2020 Director & Managing Executive Officer, the Company (current position)



Fumitsugu Kariyada

Director & Managing Executive Officer

April 1987 Joined Hiroshima Bank
June 2007 General Manager, Planning Department of Management Planning Division, Hiroshima Bank
April 2012 General Manager, Furuichi Branch, Hiroshima Bank
April 2014 Deputy General Manager, Banking Business Planning Division, Hiroshima Bank
April 2015 General Manager, Banking Business Planning Division, Hiroshima Bank
April 2018 Executive Officer; General Manager, Tokyo Branch, Hiroshima Bank
April 2020 Managing Executive Officer, Hiroshima Bank Advisor, Hirogin Securities
June 2020 President (Representative Director), Hirogin Securities (current position)
October 2020 Director & Managing Executive Officer, the Company (current position)



Yuji Eki

Director (Audit and Supervisory Committee Member)

April 1986 Joined Hiroshima Bank
June 2003 Associate General Manager in charge of Personnel & General Affairs Division, Hiroshima Bank
October 2007 General Manager, Miyauchi Branch, Hiroshima Bank
October 2010 General Manager, Itsukaichi-Yahata Branch, Hiroshima Bank
April 2013 General Manager, Secretariat Department, Hiroshima Bank
April 2016 General Manager, Hiroshima-Higashi Branch, Hiroshima Bank
April 2019 Senior General Manager, Risk Management Division, Hiroshima Bank
June 2019 Standing Audit & Supervisory Board Member, Hiroshima Bank
October 2020 Full-time Audit & Supervisory Board Member, Hiroshima Bank
June 2021 Director (Audit and Supervisory Committee Member), the Company (current position)



Kaori Maeda

Director (Audit and Supervisory Committee Member) External

April 1982 Assistant, School of Engineering, Hiroshima University
April 2007 Professor, Graduate School of Information Sciences, Hiroshima City University (current position)
June 2015 Director, Hiroshima Bank
April 2020 Director, Faculty of Information Sciences and Dean, Graduate School of Information Sciences, Hiroshima City University (current position)
October 2020 Director (Audit and Supervisory Committee Member), the Company (current position)



Yoshinori Takahashi

Director (Audit and Supervisory Committee Member) External

March 1980 Registered as a certified public accountant
June 2006 General Manager, Hiroshima Branch, KPMG AZSA LLC
July 2011 Representative, Takahashi CPA & Tax Accountant Office (current position)
June 2015 Audit & Supervisory Board Member, Hiroshima Bank
October 2020 Director (Audit and Supervisory Committee Member), the Company (current position)



Satoshi Miura

Director (Audit and Supervisory Committee Member) External

June 1996 Senior Vice President and Head of Personnel, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
June 2002 President and Representative Director, Nippon Telegraph and Telephone East Corporation
June 2007 President & CEO, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
June 2012 Chairman of the Board, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
June 2016 Director, Hiroshima Bank
June 2018 Special Advisor, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current position)
October 2020 Director (Audit and Supervisory Committee Member), the Company (current position)

Executive Officers

Shinichi Fukamachi Managing Executive Officer

Yoshitaka Yamashita Managing Executive Officer

Kenichiro Fujii Executive Officer

Compliance

Basic approach

In order for the Group to secure unwavering trust from our shareholders, investors, and customers, we believe it is important to build a stronger management base and execute compliance-oriented business by further deepening relations with regional community and customers, working thoroughly to address their respective needs and solve their issues, and providing reliable solutions.

Establishment of the system

The Group has established a Group Compliance Committee to follow laws and regulations as well as social norms thoroughly and build corporate ethics, and the committee deliberates and considers matters relating to compliance. In this and other ways, we ensure that we never commit violations of compliance.

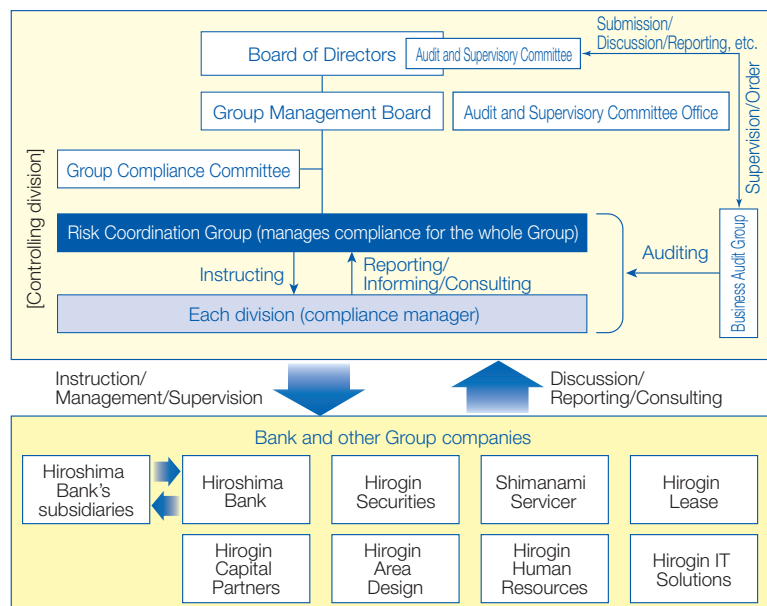
In addition, compliance managers have been placed in divisions and branches of each Group

company to exchange legal information and monitor daily compliance status. The Group is also continuously striving to strengthen a central management system relating to compliance and management functions through the Risk Coordination Group.

Furthermore, the Business Audit Group reinforces the internal check and balance system by implementing monitoring from an independent perspective.

Operation

Compliance structure



The Board of Directors resolves on the group compliance program every half fiscal year as a practical plan for realization of desired compliance. Based on the group compliance program, we carry out relevant measures steadily.

Specifically, the Group has formulated and disclosed the compliance manual on the company intranet, etc., and strived to ensure that all employees are familiar with this manual, through various activities such as rank-based training sessions and training sessions for compliance managers. Also, the Group has been promoting initiatives including the development of a check system by involving executive members actively in compliance and strengthening a central compliance management system.

Progress and achievements of the group compliance program are reviewed every quarter. While striving to identify and solve problems, the Group has been making persistent efforts for putting high-level compliance into practice.

Money laundering and other fraud prevention system

Money laundering prevention system

A growing number of organizations are taking action against money laundering and terrorism funding (hereinafter, "Money Laundering, Etc.") as laws and regulations controlling Money Laundering, Etc. are developed in Japan and overseas. In

response to this trend as well as requests from FATF and other international institutions, the Group regards the prevention of Money Laundering, Etc. as a critical management issue and established an effective control system for the entire Group with involvement of executive members.

Specifically, the Group has strengthened measures such as verification at the time of initial transaction, prevention of transactions with persons subject to asset-freezing sanctions and other economic sanctions, and detection of suspicious transactions, in order to prevent various transactions, products and services of the Group from being used for the purpose of Money Laundering, Etc. that seriously affects healthy economic activities.

In light of a business environment surrounding the Group and its management strategies, the Group conducts risk identification and assessment of Money Laundering, Etc. by using a risk-based approach and then risk reduction measures considering the identified risk to promote efforts for preventing Money Laundering, Etc.

Actions against anti-social elements

Based on the “Guideline for How Companies Prevent Damage from Anti-Social Forces” set forth by the Japanese government in June 2007, the Group completely severs any and all relations with anti-social elements which threaten the order and safety of civil society, including provision of financial services through an alliance with any other company (credit sales companies, etc.).

We have positioned the Risk Coordination Group as a controlling division for eliminating relationships with anti-social elements and established various internal regulations to eliminate

Bribery prevention system

The Group has stipulated compliance rules regarding bribery and corruption prevention in the internal regulations and regards them as an important compliance matter to promote Group-wide efforts for the prevention of bribery with the involvement of the executive members.

The Group has been strengthening the internal management system and making constant efforts for preventing bribery and corruption. Such efforts include establishing a prior approval system for business entertainment and gifts, the internal whistleblowing system in accordance with the Whistleblower Protection Act, conducting monitoring by internal audits and other means, and giving regular training and tests to directors and employees.

such relationships. We have also established a training and awareness-raising system and thoroughly get it across within the Group.

Furthermore, we have built a system for eliminating those transaction relationships by, for example, maintaining close relationships with the police, the National Center for Removal of Criminal Organizations, lawyers and other external professional organizations. The Group will counter any unjustified demands with a firm attitude and take legal measures, whether it is a civil or criminal procedure, as necessary.

Designated dispute resolution organization

Hiroshima Bank has signed a basic procedural agreement with the designated dispute resolution organization shown below. The following

organizations accept complaints and dispute claims from customers.

Bank operations	Japanese Bankers Association Contact: Japanese Bankers Association Consultation Office (https://www.zenginkyo.or.jp/adr/) [Consultation contact] (telephone):0570-017109 or 03-5252-3772

Trust operations	Trust Companies Association of Japan, Trust Consultation Center (https://www.shintaku-kyokai.or.jp/profile/profile04.html) [Consultation contact] (telephone):0120-817335 (toll-free) or 03-6206-3988

Internal whistleblowing system

Internal whistleblowing system (hotline)

The Group has established an internal whistleblowing system (hotline) in accordance with the Whistleblower Protection Act for the prevention and early detection of misconducts.

To ensure effectiveness of the internal whistleblowing system, the Group takes measures to protect whistleblowers and cooperators who assist investigation from any disadvantages and established multiple whistleblowing channels. In addition, a female lawyer (non-advisor) was added as an external contact in March 2020.

The Group believes that an effective internal

whistleblowing system (hotline) will enhance the Group's ability of self-correction and contributes to compliance-oriented management, leading to an increase in corporate value. Therefore, the Group holds various meetings, trainings, and Compliance Study Sessions through which all Group employees can learn about contents and importance of the internal whistleblowing system.

Contact points of the hotline and whistleblowing methods

Contact point	Risk Coordination Group	Group lawyer, female lawyer (non-advisor)
Whistleblowing methods	Extension line, dedicated phone number, mobile phone, e-mail, interview	Dedicated phone number, mobile phone, e-mail

Whistleblowing Compliance Management System Certification (Self-declaration of Conformity Registration System)

Hiroshima Bank, the Group's major subsidiary, is registered with the Whistleblowing Compliance Management System Certification (Self-declaration of Conformity Registration System)*, under the administrative jurisdiction of the Consumer Affairs Agency.

* A system under which business enterprises evaluate whether their own internal whistleblowing system conforms to the standards set by the Guidelines for Private Enterprises Regarding the Development and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act (December 9, 2016, Consumer Affairs Agency). Under the system, if the internal whistleblowing system is found to conform to the standards, a registration institution designated by the Consumer Affairs Agency will register the business enterprise as a Registered Corporation with Self-declaration of Conformity after reviewing the result of the evaluation based on application made by the business enterprise, and the business enterprise will be licensed to use the WCMS mark.

Risk Management

Basic approach

In order to fully justify the trust of customers and shareholders, the Group must be able to ensure appropriate levels of earnings and stable operations, by dealing appropriately with various kinds of risk its operations are subject to, while remaining a soundly managed institution.

Based on our Group Comprehensive Risk Management Regulations laid down by the Board of Directors, the Group decides on a detailed risk management policy for each fiscal year, and manages all categories of risk on an integrated basis.

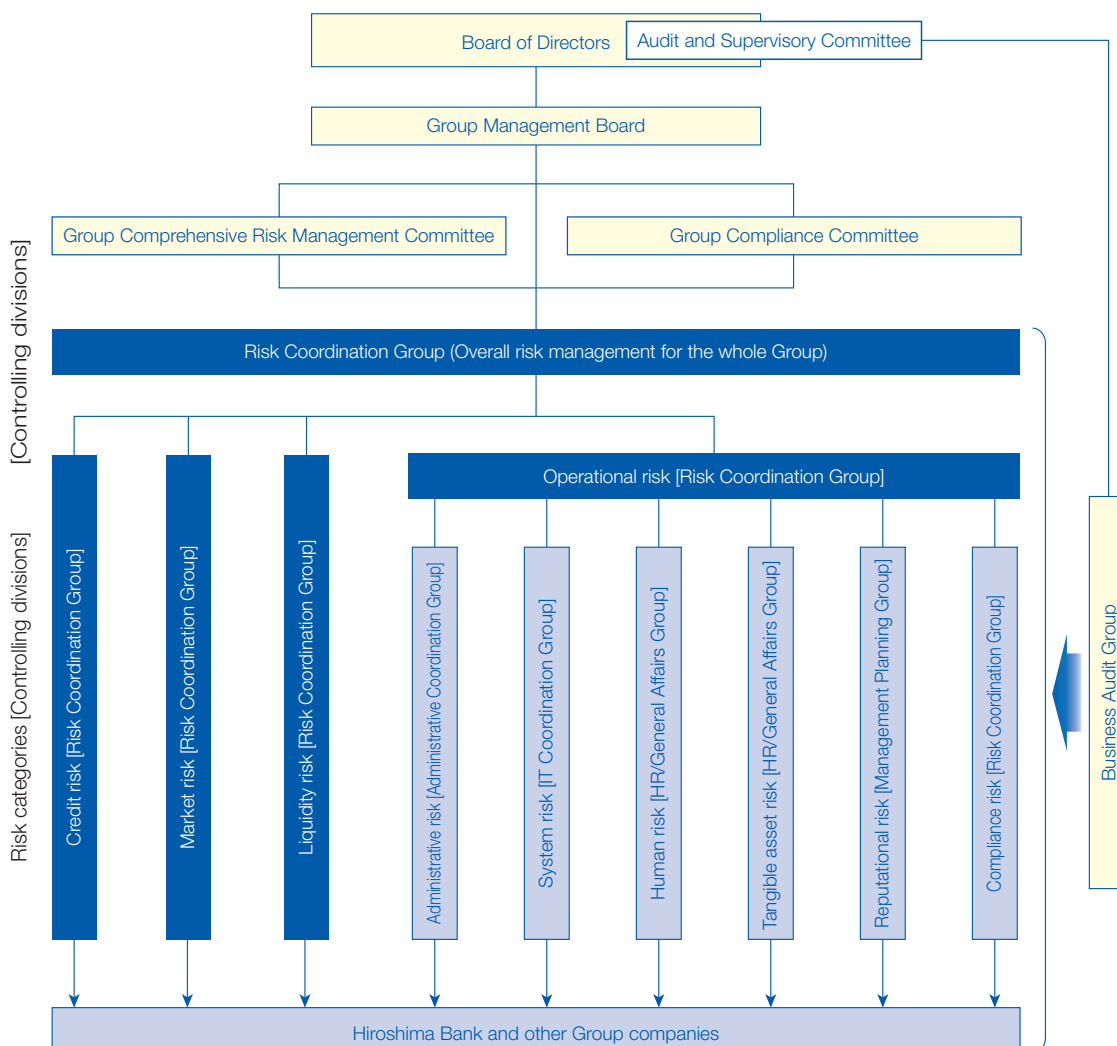
Risk management framework

For management of major categories of risk—credit, market, liquidity and operational risks—we have dedicated offices. The Risk Coordination Group manages risks centrally and comprehensively. To position us to deal appropriately with the increasing diversification and complexity of risk, we have established a Group Comprehensive Risk Management Committee and carry out regular

audits through the Business Audit Group into the appropriateness and effectiveness of our risk management systems.

Under this risk management regime, we aim to ensure sound, profitable operations, while striking an ideal balance between capital adequacy, risk management and earnings imperatives.

■ Risk management framework (as of April 1, 2021)



Comprehensive risk management

Comprehensive risk management is undertaken by measuring the various risks such as value at risk (VaR) and then measuring such risk against the Group's corporate strength.

We set ceilings (risk limit) for risk-monitored assets for each Group company and each risk category, with the Risk Coordination Group comprehensively managing risk-monitored assets. Centralized appraisal of risk-monitored assets as a proportion of Group capital is undertaken by the

Risk Coordination Group. We have also created a system for risk management reports to be submitted regularly to the Board of Directors, with implementation of appropriate countermeasures.

In addition, we evaluate and review the adequacy of our capital ratio through periodic stress tests, which clarify the possible impact on capital and earnings of losses arising from risk that could not be evaluated using statistical methods.

Credit risk

Credit risk is the risk of sustaining losses due to reduction or loss in value of assets due to deteriorating credit circumstances at a borrower.

The Group appropriately manages credit risks based on the Group Credit Risk Management Regulations, which stipulates our basic policy for credit risk management.

In addition, we established the Internal Credit

Rating System and the Self-assessment System to objectively review credit risks for loans, etc. and monitor the status of credit risk management of Group companies and credit concentration risks for the Group as a whole, while accurately recognizing the credit risks for each borrower and portfolio. The Company instructs and advises Group companies when deemed necessary.

Market risk

Market risk is the risk of incurring losses due to fluctuation in interest rates, stock and bond prices and foreign exchange rates, leading to changes in the market value of assets we hold.

The Group appropriately manages market risks based on the Group Market Risk Management Regulations, which stipulates our basic policy for market risk management.

The Group seeks to stabilize earnings by controlling interest rate and other market risk by expanding and strengthening asset-liability management (ALM), including not only securities holdings but also deposits and loans.

The Group has created frameworks to ensure stable earnings through rigorous management of market risk for the whole Group, enabling us to respond swiftly and appropriately to market movements. We set limits on risk-monitored assets and lay down hedging policy and rules for reporting and consultation when asset value falls. We

monitor compliance with the limits and other rules along with major data such as total value of positions, amount of risk-monitored assets and the status of losses on a daily basis.

In addition, accounting is rigorously based on a holding-purpose category, using mark-to-market accounting principles, that enables us to reflect changing market prices appropriately and accurately in financial data.

For the Group companies engaged in the banking industry, we have set up designated trading accounts regarding transactions for trading purposes (for securities and off-balance-sheet transactions that involve short-term gains on sales or purchases and trading at the behest of customers) as special management mechanisms, and we are strengthening their management using transparent accounting procedures based on mark-to-market principles.

Liquidity risk

Liquidity risk is the risk of losses arising from unforeseen fund outflows leading to a drying up of cash flow, and the necessity of raising funds at higher rates than normal.

The Group appropriately manages liquidity risks based on the Group Liquidity Risk Management Regulations, which stipulates our basic policy for liquidity risk management.

The Group manages the liquidity coverage ratio (LCR) in order to prepare for capital outflow

under short-term stress conditions. In addition, to alleviate long-term fund procurement risk, the Group manages the stability gap between loans with low liquidity and stable funding such as deposits and long-term market funding.

Furthermore, we monitor liquidity risk, cash flow, and matters that could affect cash flow, and have in place measures to ensure a swift and appropriate response to unexpected events.

Operational risk

Operational risk is the risk of losses arising due to failures in work processes and employee activities, computer system irregularities and the impact of external events.

To comprehensively and accurately manage operational risk, the Group has divided such risk into a number of subcategories: administrative risk, system risk, human risk, tangible asset risk, reputational risk, and compliance risk. Such risk is managed comprehensively.

Administrative risk

Administrative risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities.

Through various training programs, etc., the Group ensures rigorous performance of administrative duties by adhering to high standards of accuracy, speed, propriety and courtesy, and also puts in place various internal regulations.

The Group has a reporting system for relaying complaints and opinions from customers and details of major clerical errors and incidents. To better meet in-house regulations and ensure deeper staff commitment, we analyze factors and trends in matters raised in this feedback, and, where necessary, take effective countermeasures. In addition to proactively using underlying data to prevent recurrence of clerical errors, incidents and the like, we also identify and analyze potential administrative risk and take preventative measures.

System risk

System risk is the possibility of a loss arising from the failure, malfunction, or unauthorized use of computer systems.

The Group has established a basic security policy for due protection of information assets and specific operating rules. Their management is

geared to the degree of importance of information systems and of data.

Depending on their importance, IT systems use duplicated computers, communication lines, power supplies and other items. For Hiroshima Bank's core systems, we have backup centers located in both Hiroshima and Fukuoka, operated jointly with the Fukuoka Financial Group. We have taken measures to ensure that we can stay in business even in cases of major disasters. For critical customer information (data), we use strict security controls, such as encryption and other measures, to prevent unauthorized external access and information leaks.

Moreover, in response to increasingly sophisticated and serious cyber-attacks, the Group has made the issue a management priority and conducts constant information collection and analysis regarding attack trends. The Group has also established Hirogin Group CSIRT* (Note) as an organization to respond rapidly in the event of a cyber-attack, thereby strengthening its security management stance.

Furthermore, to prepare for unexpected situations, cybersecurity incidents, and other events that can jeopardize the stable operation of computer systems, the Group has formulated contingency plans and conducts regular drills.

* CSIRT: Computer Security Incident Response Team

Human risk

Human risk is the risk of losses arising from a fall in employee productivity or employee resignations, and employee acts leading to a loss of public confidence in the Group.

We seek to optimize personnel management through employee education, training and work guidance, by ensuring appropriate personnel management based on job description and personnel

policy. We also have in place preparations for dealing with virus infection and other major disasters that could interrupt operations, with measures in place for each stage in the development of a possible pandemic. By increasing key staff, we aim to create a framework for continuing operations.

Tangible asset risk

Tangible asset risk is the risk of losses arising due to damage to tangible assets caused by disasters, illegal acts or inappropriate asset management.

We keep full records on locations and status of movable assets and real estate that we own, borrow or lend out, and have in place management mechanisms for anticipated damage caused by disasters, illegal behavior, etc.

Reputational risk

Reputational risk is the risk of losses arising due to a loss of confidence in the Group on the part of customers and markets, as a result of the spreading of false information.

In addition to ensuring the highest standards of transparency in disclosure, we seek to prevent reputational risk from arising by monitoring the Group's reputation.

Compliance risk

Compliance risk refers to the risk of incurring losses due to penalties or legal responsibilities arising from violations of laws and regulations or nonperformance of contracts, as well as the risk of seriously affecting the fairness and transparency of customers and the market and seriously impairing the trust of the Group due to behaviors that deviate from social norms.

In addition to daily awareness-raising and training in compliance with laws and regulations as well as social norms, we ensure appropriate management through steady implementation of legal checks and establishment of a legal consultation framework.

Crisis management system

In addition to the above risk management measures, the Group has stipulated in the Group Emergency Management Regulations important operations to be prioritized as a business continuity plan (BCP). The plan has been stipulated in order to continue operations necessary for maintaining the functions of financial system even in

the event of emergency such as earthquakes and other large-scale natural disasters as well as epidemics, while putting respect for human lives as a top priority. In this way, we have established our crisis management framework appropriately.

Internal Audits

Basic approach

The Group believes it is necessary and crucial to construct an effective internal audit system within the Group for the purpose of contributing to achieve our management plan by adding values to and improving the Group's operation.

Based on this understanding, internal audit departments, which are independent of departments associated with business execution and perform appropriate checks and balances, are established in the Company and our major Group companies. They evaluate the appropriateness and effectiveness of each process of governance, risk management, and risk control at departments responsible for business execution, while adopting

an attitude of compliance with rules. They also express objective opinions and request improvement on issues identified, or recommend corrections and provide advice.

Specifically, items subject to internal audit include items related to governance and risk management for achieving management plan, items related to compliance and customer protection management, items related to the efficacy and efficiency of business operations and status of system development/operation, and items related to internal control associated with financial reporting, etc., and internal audits are conducted according to the types and degree of each risk.

Implementation structure

1. Hirogin Holdings

(1) Organization

The Company has established the Business Audit Division, which is independent from departments associated with business execution and reports to the Board of Directors and the Audit and Supervisory Committee, and its collaboration with the Board of Directors and the Audit and Supervisory Committee as well as role sharing and cooperation with internal audit departments of Group companies enhance supervision and checks and balances (governance) on management and business execution departments.

(2) Functions and responsibilities

The Business Audit Division is responsible for the overall coordination of basic plans for the Group's internal audit. The Group's basic plans for internal audit in light of important risk items across Group companies are determined at the Board of Directors and the Audit and Supervisory Committee. Regarding the results of internal audit, the Business Audit Division coordinates the internal audit results by the Group's internal audit departments and the status of improvements and corrections, and reports to the Board of Directors and the Audit and Supervisory Committee on a regular basis.

Furthermore, acting as a controlling division

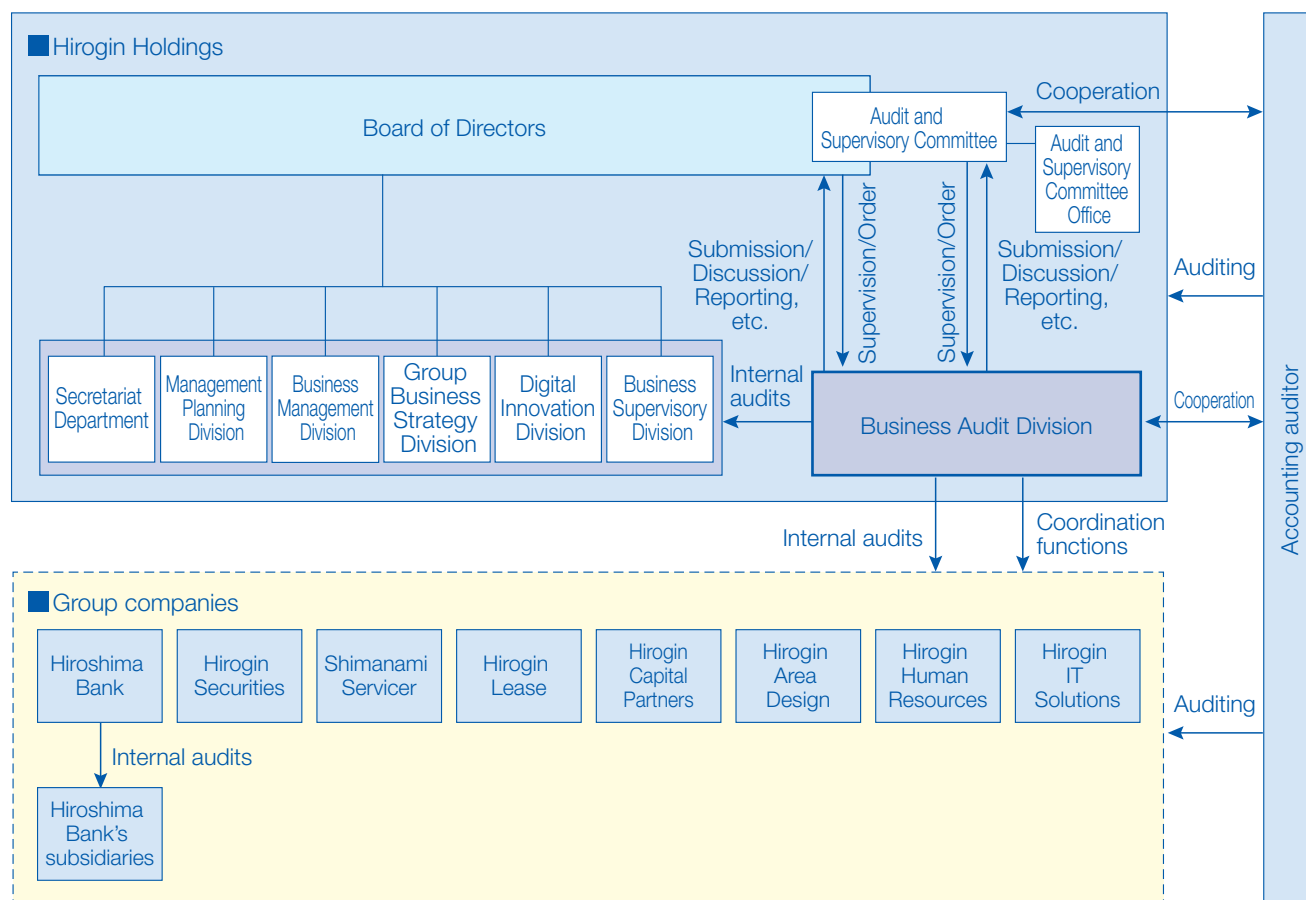
responsible for the Group's internal audit function, the Business Audit Division receives reports on basic plans for internal audit from Group companies and confirms consistency with the Group's basic plans for internal audit. While conducting internal audits in cooperation with Group companies' internal audit departments, the Business Audit Division also plays the roles of receiving reports on internal audit results from Group companies, monitoring and examining internal control systems and the status of internal audits of Group companies, and giving instructions or taking other measures if necessary.

2. Group companies

At the Group's major subsidiaries such as Hiroshima Bank as well, internal audit departments independent from departments associated with business execution are established to conduct internal audits. Each of these Group companies formulates basic plans for internal audit in accordance with the Group's basic plans for internal audit, and the plans are determined by the Board of Directors and other organs.

Internal audit results are reported to each president and the Company without delay, while also being reported to the Board of Directors and other organs on a regular basis.

Internal audit system



Refer to our website for our corporate profile and IR information.

Top page

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



Corporate Information

(<https://www.hirogin-hd.co.jp/company/index.html>)



To Our Shareholders and Investors

(<https://www.hirogin-hd.co.jp/ir/index.html>)



CSR Initiatives

(<https://www.hirogin-hd.co.jp/csr/index.html>)

