

Expanding the horizons of the future



HIROGIN HOLDINGS

INTEGRATED REPORT 2021

Management Policy (Management Vision + Code of Conduct)

Management Vision

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

Code of Conduct

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

Notes on the Publication of the “Hirogin Holdings INTEGRATED REPORT 2021”

Hirogin Holdings, Inc. (the “Company”) has prepared this “Hirogin Holdings INTEGRATED REPORT 2021” to facilitate understanding among stakeholders, particularly investors, of the Company's initiatives aimed at sustainable value creation.

In editing this report, we referred to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC), the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation advocated by the Ministry of Economy, Trade and Industry, and other guidelines, and divisions of the Company worked closely together. The Report details the Company's business model and explains the mechanisms to sustainably create value. We will continue to take advantage of the Report as a tool for dialogue with all stakeholders with the aim of improving corporate value.

Toshio Heya, Representative Director and President



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Message from the President

Commit to the creation of a prosperous future for the regional community

Maximize Group synergy, and create a virtuous cycle for the region

Expand the horizons of the future: Together with everybody, working for a new era

Toshio Heya

Representative Director and President

Continuing to create value with our customers, as holding company Hirogin Holdings

On October 1, 2020, the Group transitioned to a holding company format, creating Hirogin Holdings, Inc. under a new business structure. The 66th National Bank, the predecessor of Hiroshima Bank or “Hirogin,” was established in Onomichi in 1878. In the more than 140 years since then, the Bank has developed and grown in tandem with customers in the prefectures of Hiroshima, Okayama, Yamaguchi, and Ehime. We are now relaunching under a new flag, Hirogin Group.

For us to continue to grow with local customers in years ahead, we have decided that we need to become a Comprehensive Regional Services Group, while deepening and expanding our customer base based on the trust in the Hirogin brand that we have cultivated in our long history. In addition to offering conventional financial services, we will deepen the scope of our business operation base in non-financial areas, to be able to respond to all the issues faced by the local community, companies, and individuals on an individualized basis.

In recent years, we have gone beyond the boundaries of the banking business and expanded our business domains under the slogan of a true first-call bank group or a group that can be approached by customers for consultation on any issue troubling them. The significance of our further taking strides in this direction and shifting to

the holding company structure is a thorough commitment to a “market in” (customer not product first) awareness. This means inevitably moving away from the concept of marketing our products and services to the customer, and transforming ourselves into a business entity that always seeks to find ways to be useful in problem-solving, taking as its starting point the needs of our customers.

The aim of our transition to a holding company structure is, then, by drawing on the full range of our capabilities and while maximizing synergies, to identify and share customers’ “issues” and “needs,” by building relationships through “dialogue” with customers, positioning us to go on meeting the challenge of value creation. By providing optimized solutions to individual customers, we aim to go beyond the conventional concept of “bringing money matters to the bank” and instead invite people to bring their problems to Hirogin Group, as the consulting partner of choice.

Changes in the world and our raison d’être Contributing to regional revitalization by invigorating industry

We now face a major turning point. The coronavirus crisis has caused changes in lifestyles and values on a global basis, and customer needs are becoming still more diversified, complex, and sophisticated. With rapid digital transformation spreading throughout daily life, and the “greening” of economic and everyday life, enormous upheavals have



occurred and continue to throw into relief changes in the structure of industry.

The shape of things to come will be decided by how we seize on these changes and what position we take toward them. We believe that the time is right to show resolution and take great strides forward, determinedly seizing the chances thrown up as this new age dawns.

Today, when the question of exactly what a business should do has arisen, we believe we are rushing headlong into a period in which major change will be inevitable in the very nature of industry, and major change can be expected in the way of manufacturing. Ensuring a soft landing amid this sudden wave of change and positioning ourselves for the next round of growth is a major issue for this area that has developed on the back of manufacturing. I see our greatest mission in years ahead as facing these issues together, and coming up with concrete support mechanisms for advancing together while seeking out possible routes to progress. It is our mission to contribute to regional revitalization of industrial activity through core business support.

To achieve this mission, I believe the key priority will be to further strengthen relationships, assets built up over our 140-year history, and use feasibility studies and other tools to gain a deep understanding of customers' potential and strengths in both quantitative and qualitative terms while sharing this knowledge with corporate managements so that together we can develop a vision for the future.

Mid-Term Management Plan 2020 for sustainable growth Vision for the future as a Regional Comprehensive Services Group

In tandem with our transition to a holding company structure in October 2020, we have again revamped our Mid-Term Management Plan to achieve the vision we have of our future. We will shift from the Group structure transition phase combining financial and non-financial solutions that we have developed to date, and shift to an accelerated overhaul of the business portfolio through Group alliances, based on thoroughly reforming employee consciousness and behavior. This will take us to the next stage.

If we look at the region not as a geographical point, but as an area, it will not be a matter of asking what a single company can accomplish, but rather of how it can draw together its strengths, with each department playing its separate role, to achieve a single goal. This will be the main thrust of the future. In this context, the roles we should play include building an innovation ecosystem (structure in which a whole industry provides value) that can continuously create new industries and business operators, as well as the creation of shared values with regional industries. On that basis, I believe that the most important role for us to play is to create a platform for joint action by people who, in this endeavor, share the same sense of direction, and pursue related activities.

■ Create a Group structure capable of developing financial and non-financial solutions



In carrying out specific activities, we will focus on strengthening the efforts to resolve problems of the regional community, aiming for regional vitalization, deepening the core business of each Group company to contribute to the growth of customers and expanding the Group-integrated business areas (establishing new profitable areas), and establishing a stable management base to support the sustainable growth of the regional community and customers. These are the three pillars. Specific strategies we have designed as starting points are Regional vitalization and regional revitalization, Strategy for individual customers, Strategy for corporate owners, a Channel strategy, a Digital strategy, a Human resources strategy, Structural reforms, and Strengthening SDGs initiatives. In addition to our efforts in existing financial areas that focus on deposit and lending businesses, we are strengthening inheritance services, business succession supports, the equity business, and other services that are expected to enjoy further growing demand. We aim to take advantage of every available function within the Group and alliances with companies, including those in other industries, to provide solutions in financial and non-financial areas.

This will enable us to overhaul our profit structure. By fiscal 2023, the final year of Mid-Term Management Plan 2020, we have a target of deriving at least 12% of our profit attributable to owners of the parent from Group companies other than Hiroshima Bank, while maintaining net interest income at current levels. In the future, we aim to raise this figure to at least 20%.

Serving as a platform for creating shared value for the region, by strengthening unified Group operations and leveraging alliances

■ Regional vitalization and regional revitalization

Centered on the newly created “Hirogin Area Design” unit, we are strengthening consulting services in community development and other areas. In regional vitalization initiatives, we believe maintenance of economic scale and capability to be extremely important, and consider it vital to step up our efficiency by involving ourselves in collaborations with local authorities and all kinds of business

enterprise, not only in terms of conventional bank financing but also from initial discussions and the upstream stage of planning of community development.

In addition to the redevelopment of the region, we have also assumed the important mission of seeding new industries and spurring evolution in regional industrial structures. We have taken on the role of creating new value for the region by organically linking human resources, community, and employment development.

■ Strategy for corporate customers - Expansion of business domains

Centered on our strengths in feasibility studies, we aim to expand and provide the necessary solution functions to meet the diverse needs affecting customers by understanding the issues facing them.

As one measure, we have established Hirogin Human Resources, which is intended to resolve various issues in the talent pool issues that enterprises now face. We are not only concerned with introducing or recommending staff for near-term vacancies but are also providing human resources who will secure the next generation for enterprises, as support for management and educators. In addition, we aim to provide optimized solutions that will spur workstyle reforms, such as program support for training and in-house talent development, personnel development system designs, and labor-relations matters.

Likewise, the use of IT is not just essential for major companies; improving productivity and streamlining operations are unavoidable issues for a company's survival. Hirogin IT Solutions will play the role of supporting the introduction of IT and promotion of digital transformation throughout our region, through services such as the provision of IT tools including accounting, inventory management, and time and attendance management, as well as security systems, cloud technologies and adoption of robotic process automation for currently labor-intensive tasks.

Additionally, we are strengthening alliances with other business formats that provide computer system services supporting enterprise back-yard operations. For example, Hirogin Bill is an accounts receivable recovery agency service for sales through online purchases. Given that we deal with an extremely diverse range of companies, from listed size to independent sole traders, it is important to have a wide range of choices in all services. That means not only by proposing proprietary original services but also by providing services that can be universally used and which cut costs. We have begun to market fully web-based services utilizing cloud technologies that can help us to streamline operations and expand sales.



value (assets and businesses) of SMEs, where a shortage of successors and other issues are becoming apparent. We will work to support the creation of next-generation SMEs, sharing with them a medium-to-long-term vision, by effectively making use of Group capabilities including the Business Succession Fund centered on the business succession and M&A team and the Business Owner Relations Office.

■ Strategy for individual customers

Acting as a “personal concierge” for retail customers, Hirogin Life Design Service ensures a full-spectrum response to all life-plan needs. Going beyond funding support, the Bank interviews retail customers about their thoughts and concerns, future dreams, and life plans, and devises a “life design” blueprint for the future, based on family structure and asset details, with the provision of information and services as needed. In partnership with Hirogin Securities and Hirogin Life Partner, the Bank also helps to provide solutions through highly sophisticated consultation on asset management, and, going beyond financial issues, everyday worries and troubles. This is one of a wide range of services for individuals that the Bank is building up, to create a profit structure that is less vulnerable to market movements.

■ Digital strategy

In the pursuit of digitalization and digital transformation, promotion and realization depend on the twin perspectives of finding ways of efficiently managing established businesses and of creating new added value. At the same time, we regard it as extremely important to consider how best to return back to the regional community from within the Group in a way that advances the digital transformation of the whole region, including the SMEs active in regional development.

With the coronavirus crisis prompting a shift to non-contact services and goods delivery, we too have used digitalization to expand services without face-to-face or physical contact. At the same time, given that a lot of customers prefer the

■ Strategy for corporate customers—strengthening equity business—

Through the equity business, run in collaboration with Hirogin Capital Partners and external funds, we are strengthening funding solution measures that go beyond conventional loans.

In addition to new ventures, the Company provides funding for enterprises and other entities that contribute to regional revitalization including through tourism and hotel business, as well as companies that have launched management improvement and business rehabilitation measures, and companies with business succession worries. In July 2020, we established a fund to support companies affected by the new coronavirus. Using feasibility studies, we provide fast-track financing including due diligence, and continuously offer support from analysis of the current business status and business planning through implementation.

■ Strategy for corporate customers—Support of inheritance and business succession measures

In terms of maintenance of economic power of the region, the key aspect is effectively ensuring the transfer to the next generation the ability to create

■ Three pillars of the Mid-Term Management Plan





conventional face-to-face style, rather than specializing in any particular direction, we believe that it is increasingly important to maintain a wide variety of options that can be used in different ways to meet the lifestyle needs of particular customers, with specific roles assigned to particular branches by location.

However, given that there is a limit to what we can do as a single company, it is extremely important to see where to place the emphasis. While monitoring external trends, we aim to allocate management resources based on the urgency of need and greatness of impact.

|| Sustainability for Hirogin Group

To fulfill our social responsibility as a corporate citizen, we need to be aware at the management level of attainment of the sustainable development goals (SDGs) adopted by the United Nations.

In line with the Hirogin Group SDGs Declaration, the Group is working to achieve the SDGs one by one, starting with what we can do as an organization. In addition to the “Region” and “Aging society” initiatives launched through our main businesses, our Policy on Investment and Financing lays down what areas are to be avoided under the themes of “Human rights” and “Environment,” while ensuring active support for decarbonization and biodiversity conservation initiatives. Likewise, we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are working to step up measures against climate change and enhance disclosure of information on climate-related risk opportunities.

We believe that spreading these perspectives and approaches among customers in the region is an extremely important role for us to fulfill. The Hirogin SDGs support services, which were launched in January 2020 to support the establishment of the SDGs Declaration by customer companies, have already handled 263 transactions (as of March 31, 2021). Looking ahead, we will not only support the formulation of SDGs Declarations but also strengthen our support for companies seeking ways to implement SDGs, down to the detailed process level. This will position the Bank to play its part in furthering activities across the region premised on sustainable development goals.

|| Fiscal year ended March 31, 2021 in retrospect, and approaches to risk governance

As things stand, I have a real sense that the process of customers sharing substantive needs and urgent issues with us is proceeding at a faster pace than expected. At the same time, I have a feeling that we are establishing a system to realize the “market in” (customer not product first) approach in a truly substantive way, making extensive use of the Group’s various capabilities.

I note that signs of success from our reorientation as a holding company have begun to appear in the fiscal year ended March 31, 2021, in terms of an increase in gross profit supported by expanding performance contributions from the stepping up of measures in our banking and securities collaboration strategy and our businesses targeting the elderly.

As a response to the new coronavirus infection, we have formed, in addition to providing financial support, a Management Improvements Support Team to refer partners for management improvement and to provide support for reorganization through M&A, and have set up a coronavirus response fund through Hirogin Capital Partners. In this way, I believe we are optimizing escort-runner style support for core businesses and consolidating relationships with customers.

At the same time, it is a fact that the range of risk is also broader, with a considerable expansion in credit costs. I recognize that a thoughtful management approach is essential, but the flip side of risk is returns; and because judgments will differ in a particular event as to whether we are facing a risk or an opportunity, I believe it is important to maintain a posture that takes on appropriate levels of risk. The fact is that at the moment, if we do not move, we may be able to avoid taking risks. But when times are changing, I also believe, the very act of not moving is also a risk. It will be very important to quantify the risks that need to be taken while being aware of the need for heightened sophistication of risk governance.

We are rethinking the basics of our business and shifting from the idea of receiving the value generated by taking risks in the form of returns, to one of how we should take risks within a permissible scope to generate returns. I believe this new approach is making itself felt in all of our newly established operating companies.

Key areas of focus for fiscal year ending March 31, 2022

The urgent task is to slim down the entire Group. This we believe will necessitate (1) a clear division of roles between the holding company and the operating companies; (2) elimination of obstacles in the way of cross-sectional alliances among operating companies, and (3) reducing costs on a Groupwide basis. Regarding item (1), the holding company can be regarded as a kind of container entity, though personally I think it is necessary, for good governance, to seek a specialized model in which business execution is separated from management and supervisory functions.

As our Mid-Term Management Plan approaches completion, fiscal 2021 will be a make-or-break year in terms of establishing a platform for creating a robust Group management structure for the coming fiscal years. We have designated this as a year for creating a platform that will decide how businesses can be expanded within the new holding company structure. It is said that it takes time to get from the preparation of the soil and of irrigation channels to planting the rice for harvesting. This year, we are finally reaching the time of planting for the harvest. Now I want to delineate a pathway to harvesting the results, starting from the coming fiscal year.

Improving the effectiveness of growth strategies Changing mindsets and building a corporate culture

For better efficiency in growth strategies, it is necessary to foster human resources strategies and work-style reforms and to transform the organizational culture into one inspired by the spirit of challenge.

I believe that it is important to transform mindsets, abolish the constraints that come from seeing the Bank as the center of things, and instill in people the idea that the Bank is merely one function within the Group. I believe it is important for all employees of each company to understand the functions of each company of the Group, leverage them, and thus expand the interface between the Group as a whole with the customer. For this reason, I would like to see greater personnel transfers and activity between operating companies.

Furthermore, for the achievement of robust relationships and provision of high value-added solutions supported by deep expertise, ensuring breadth and depth in our responses, fostering

talent is crucial. I think it is very important in other words to get away from the demerit system approach and find ways of shifting to a culture of "praise." At the moment, we are launching many projects centered on younger employees, in particular our digital strategy including digital transformation, and we will develop opportunities in more concrete ways going forward based on the thinking of young people.

In addition, we have introduced a job-description-based system in which the scope of work roles is clearly defined, getting away from generalized blanket criteria for hiring and candidate appraisal, to better position us to train highly specialized human resources and incorporate outside expertise. While accommodating employee individuality in various ways, I believe the keystone for growth into the future will indeed be a creation of a space where each employee can work on his own chosen task and reach his or her own goals.

On May 6, 2021, we opened a new Head Office building. In future, almost all Group companies will be concentrated in these premises. I feel that the impact of physical distance is indeed great and that there is great significance in everybody working together in the same building. While considering measures to prevent information leaks within the building, there will basically be no internal barriers, and staff of all companies of the Group will be able to come and go freely as they please. I get the impression that the firewalls within the Group are being abolished and a kind of natural integration is going on.

To our stakeholders: Expanding the horizons of the future, together

At the time of our transition to a holding company structure, we created a new brand slogan: Expanding the horizons of the future. The key aspect is to expand the horizons of this region in the future. I fully understand that if we do not deliver results, this slogan will have no meaning.

With the popularity of our revised shareholder privilege scheme, support from individual shareholders has spread widely nationwide. We sincerely believe that this is an expression of the potential of this region and of the expectation that the Hirogin Group can valuably contribute to its further development. In light of the management vision of contribution to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers, we will continue to act more boldly than ever to release the potential in terms of economic scale and growth opportunities that this region possesses. Our aim is sustainable growth and increased corporate value through the creation of an affluent future for the regional community.

I hope our stakeholders continue to support us.

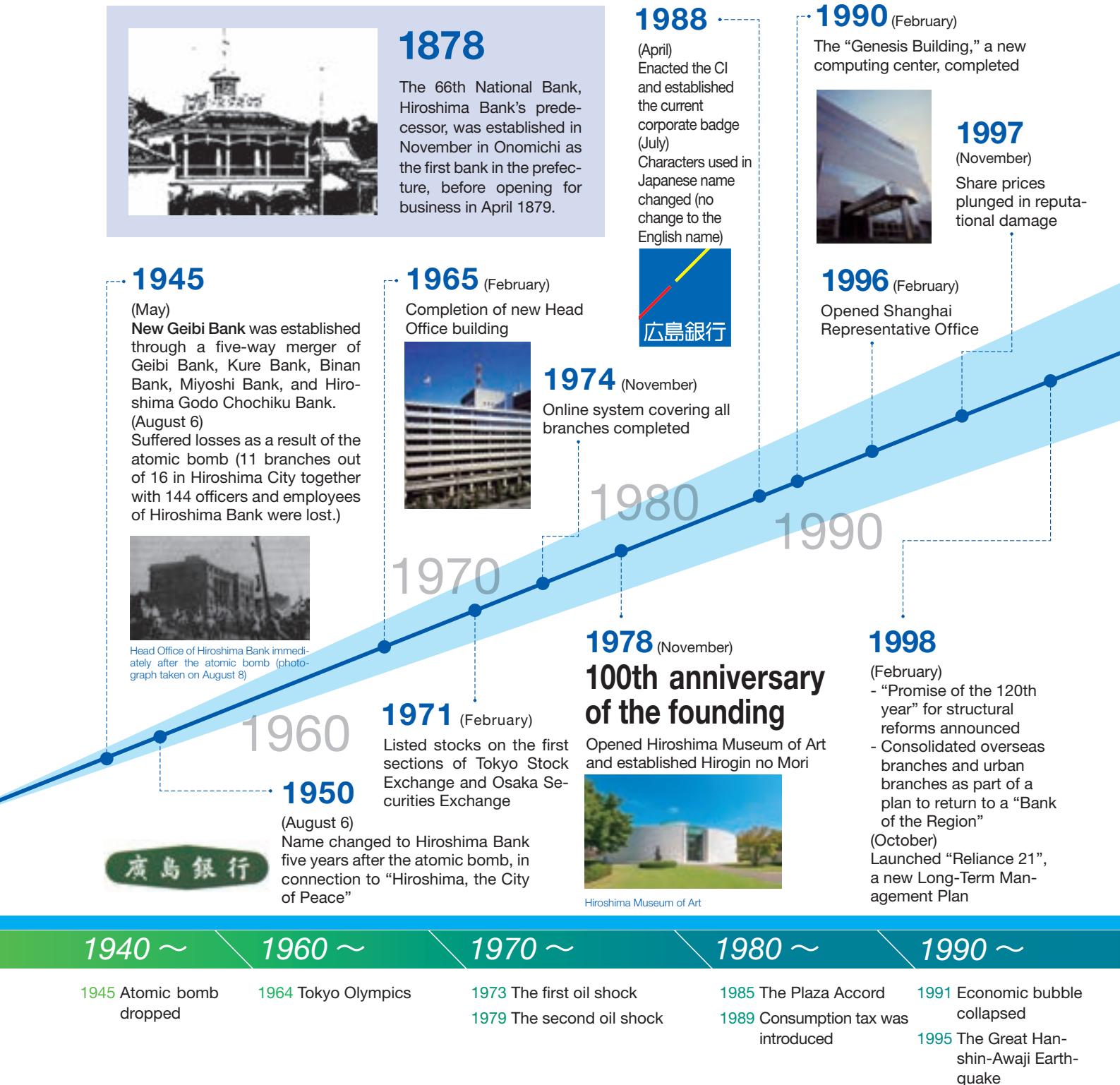
History

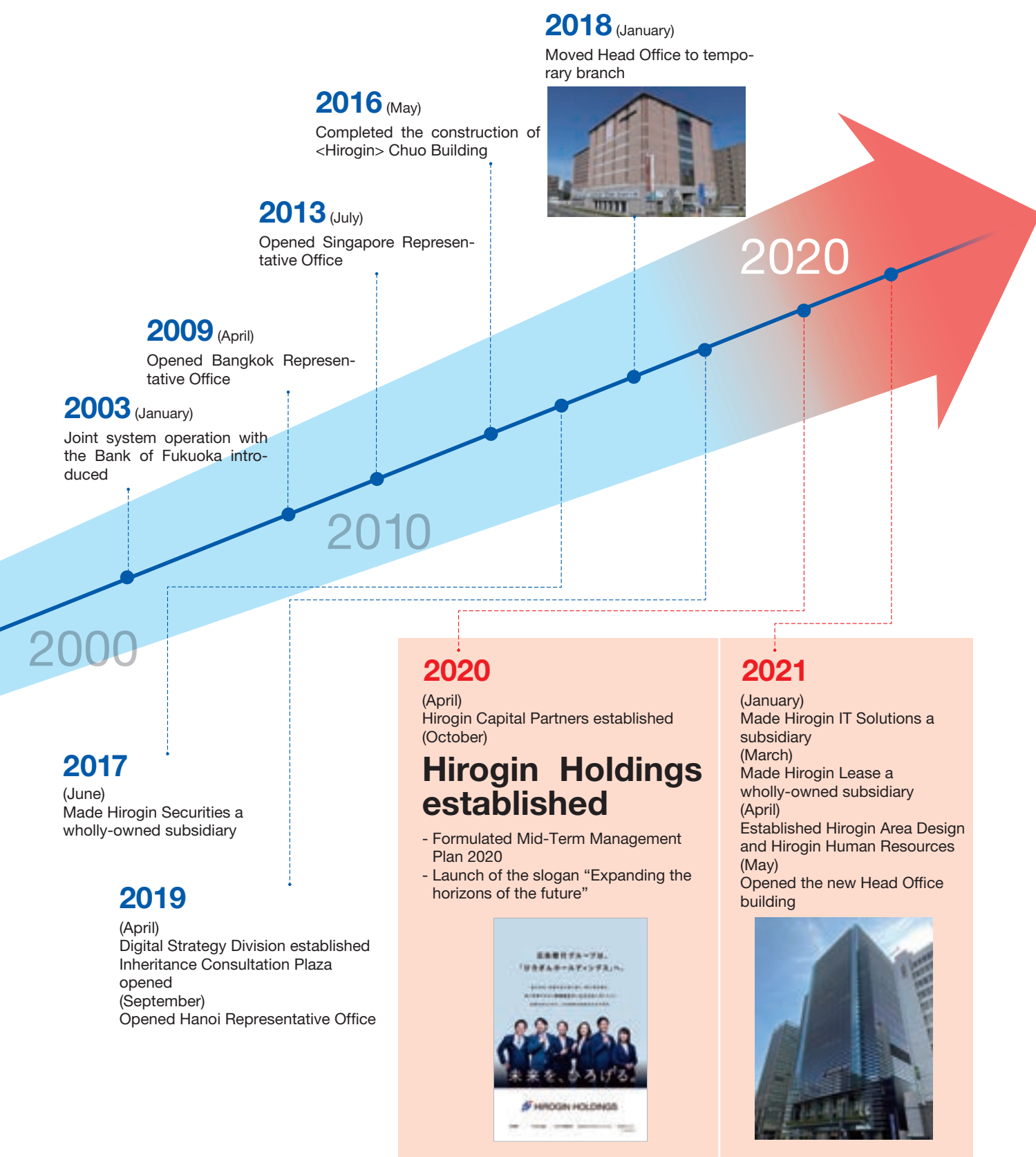
On August 8, 1945, just two days after the atomic bomb was dropped, Hiroshima Bank restarted its operations by borrowing a floor space from the Bank of Japan's business room along with desks, chairs, and other furnishings. Even though most of its customers did not have their personal seals or passbooks, Hiroshima Bank relied on employees' memories and took crisis measures in a flexible manner such as responding to requests for refund for convenience purposes. Despite these measures, Hiroshima Bank managed to maintain its credibility without any particular dispute at a later date.

After the period of reconstruction from the devastation of atomic bombing, we steadily expanded our business as the local economy grew. In November 1997, however, after the economic

bubble collapsed in Japan, we faced the second major crisis involving a sharp drop in share prices in reputational damage and a surge in withdrawals. But we were able to recover the market's confidence by actively disclosing our earnings and asset details, having many employees visit customers to explain the situation, and carrying out bold structural reforms.

Although we experienced two grave crises, we were able to overcome the difficulties and have continued to grow to this day, thanks to warm support from our customers and our employees' sincere and honest effort. Hirogin Holdings has inherited Hiroshima Bank's DNA of "customer-oriented business operations," which remains unchanged to this day.





2000 ~

2010 ~

2020 ~

2005 Deposit insurance fully deregulated
2006 Bank of Japan ended zero interest rate policy
2007 Subprime mortgage crisis occurred in the U.S.
2008 Global financial crisis occurred

2011 The Great East Japan Earthquake occurred
2012 The second Abe cabinet formed; “Abenomics” started
2013 Bank of Japan introduced “quantitative and qualitative monetary easing”

2016 Bank of Japan introduced negative interest rate policy
2018 Devastating floods occurred in July
2019 New Imperial era name, Reiwa, announced

2020 New coronavirus pandemic

Hiroshima Bank

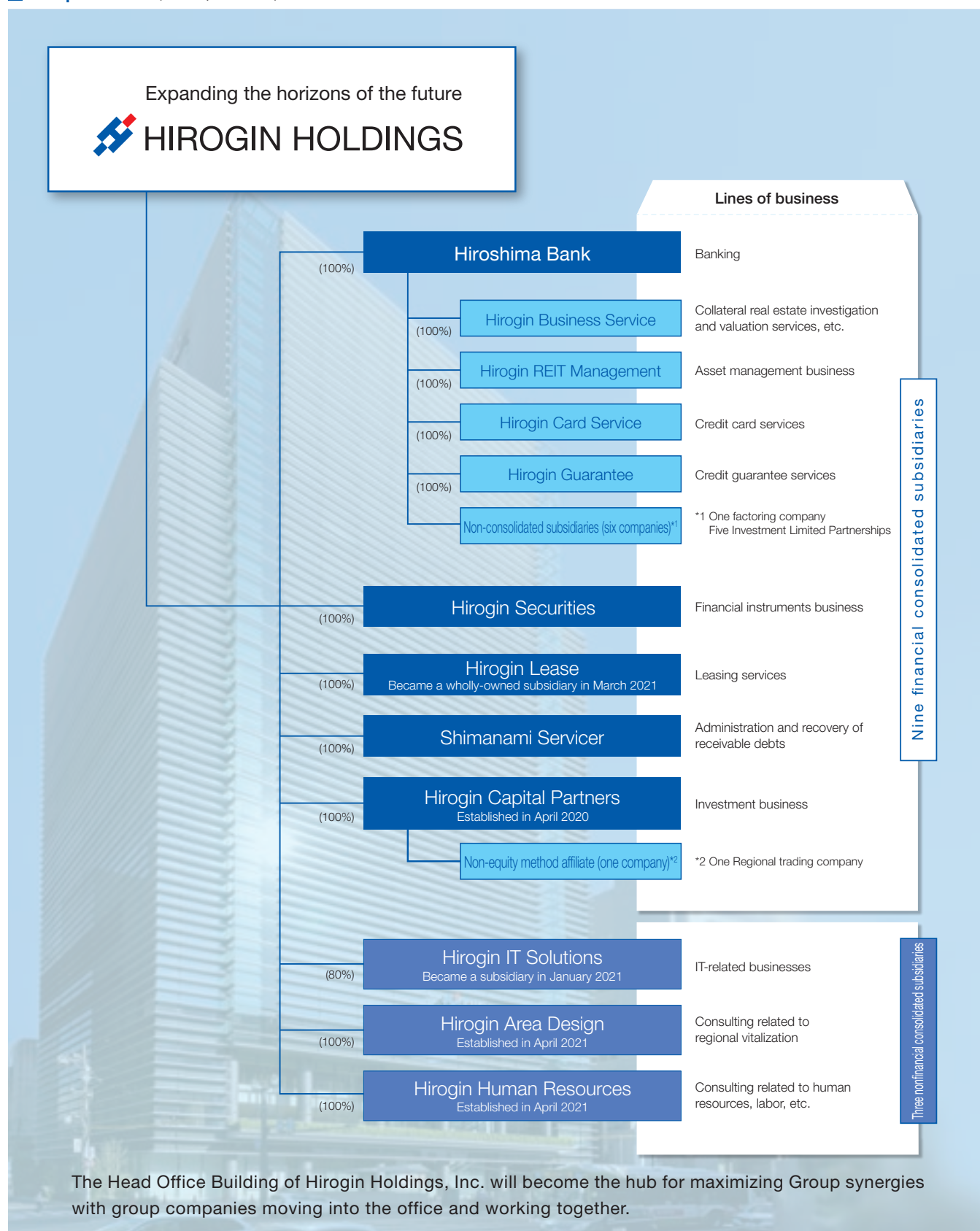
Hirogin Holdings

Holding Company Structure

Maximizing group synergy under a holding company structure

Starting on October 1, 2020, we will take steps to strengthen our unified group operation and collaboration within the group under a new group business structure and maximize the group synergy by taking advantage of the characteristics and strengths of group companies.

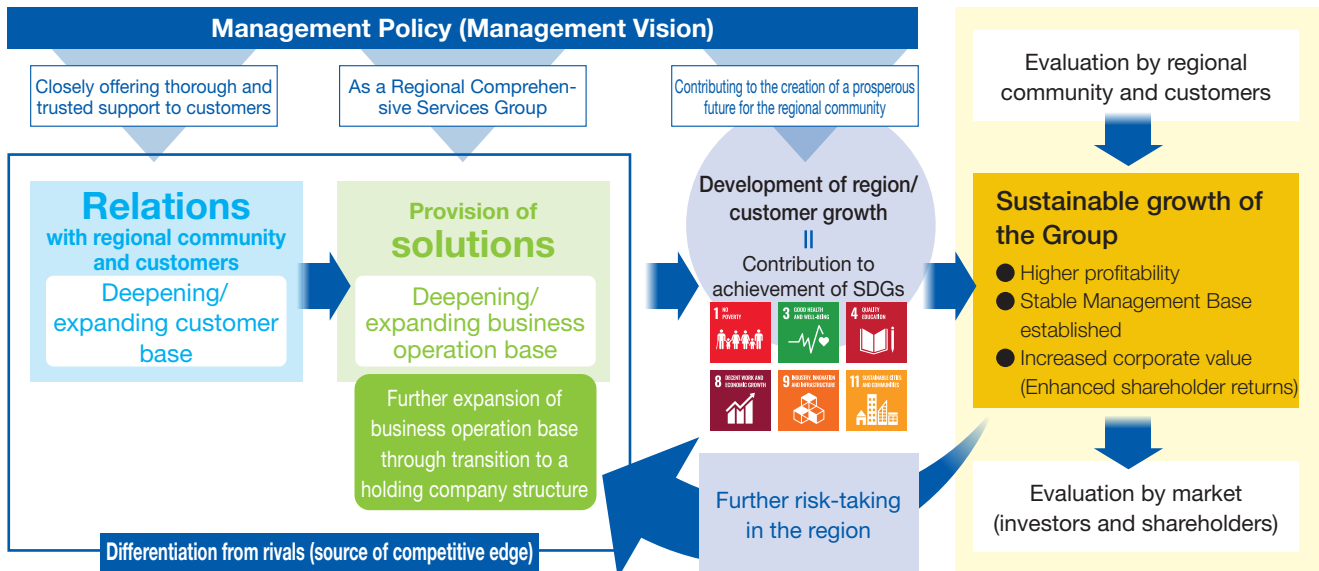
■ Group Structure (As of April 1, 2021)



Business model of the holding company

We are deepening and expanding the scope of our business operation base and our customer base in the markets of our four local prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential in terms of the size of economy and growth

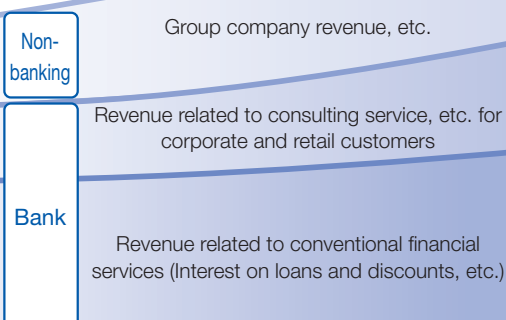
opportunities. At the same time, we aim to realize our management policy and achieve sustainable growth of the group by thoroughly working to resolve every issue that faces the local community and customers and actively committing ourselves to development of the region.



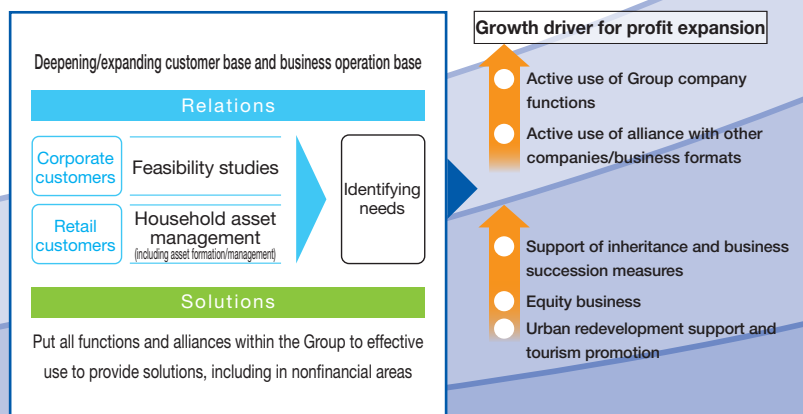
Outline of future profit expansion

In addition to our efforts in existing financial areas that focus on deposit and lending businesses, we are strengthening inheritance services, business succession supports, the equity business, and other services that are expected to enjoy further growing demand. We aim to take advantage of every available function within the group and alliances with companies, including those in other industries, to provide solutions in financial and non-financial areas.

● Outline of revenue makeup of overall group



Profit structure reforms with aim to establish stable management base



Provide every available solution to solve issues for customers

Contribution to regional development and customer growth

Sustainable growth of Group

Realization of Management Policy

Summary of Business Performance (FY2020)

Consolidated gross profit	Profit attributable to owners of the parent
¥95.2 billion	¥21.5 billion
Group total credit	Total custody assets (Hiroshima Bank and Hirogin Securities)
¥6,631.0 billion	¥10,265.2 billion
<small>* Group total credit = loans (consolidated) + lease claims + privately placed bonds + private equity investments (pledged investment amount), etc. (including private REIT investments)</small>	<small>* The balance of Hirogin Securities is stated at fair value. * Financial instrument intermediary services through the Hirogin App (Rakuten Securities and SBI Securities) are not included.</small>
Consolidated capital adequacy ratio	Consolidated ROE
10.6%	4.3%
Total of revenue related to consulting service for corporate and retail customers and net income for the Group companies	Contributions of Group companies to consolidated performance
¥12.0 billion	11.4%
<small>* Revenue related to consulting service for corporate and retail customers = Total of revenues from corporate solutions, asset management, and equity business * Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio</small>	<small>* Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies}}{\text{Profit attributable to owners of the parent}}$</small>

Characteristics of Hirogin Holdings' Main Business Area

Combined population and GDP of four prefectures in Hirogin Holdings' area



Population

Approx. 7.47 million A size rivaling Aichi Prefecture

Source: "Population, Demographics and Number of Households Derived from Basic Resident Registration" (as of January 1, 2020), released by the Ministry of Internal Affairs and Communications

GDP

Approx. ¥31 trillion A size rivaling Vietnam

Source: IMF, Cabinet Office (fiscal 2017), and the Bank of Japan

Number of companies for which Hiroshima Bank is the main bank

Japan (ranked No. 12)	Chugoku region (ranked No. 1 for 11 consecutive years)	Hiroshima Prefecture (ranked No. 1 for 11 consecutive years)
15,977 companies	15,530 companies	14,520 companies

Source: Teikoku Databank (as of the end of October 2020)

Nonfinancial Highlights

Initiatives for customer-oriented business operations (Hiroshima Bank and Hirogin Securities combined)

■ Number of qualified financial planners



CSPFP 1st grade:
397 persons
CSPFP 2nd grade:
1,685 persons
(as of the end of March 2021)

Note: 1st and 2nd grades include CFP and AFP holders, respectively.

■ Number of holders of financial instruments and balances



211,080 customers
¥1,528.4 billion
(as of the end of March 2021)

Initiatives for feasibility studies (Hiroshima Bank)

■ Number of qualitative analysis cases conducted



4,718 cases
(FY2012 to FY2020)

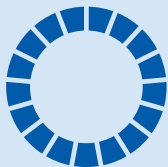
■ Number of borrowers to whom loans are granted based on feasibility studies and balance of outstanding loans



3,849 customers
¥767.6 billion
(as of the end of March 2021)

Products and initiatives related to sustainability (Hiroshima Bank)

■ Number of cases of Hirogin SDGs support services



Number of cases
263 cases
(From start of service in January
2020 to the end of March 2021)

➡ See page 23 for details

■ Number of cases of privately placed bonds (SDGs Type): Community Development Contribution Type and Corporate SDGs PR Type and amounts handled



90 cases
¥9.4 billion

(From start of service in November
2019 to the end of March 2021)

➡ See page 24 for details

■ Reduction in greenhouse gas emission



23.9%
reduction

Between FY2014 and FY2019

➡ See page 25 for details

■ Number of employees taking childcare leave



Female 154 persons
Male 16 persons

(FY2020)

➡ See page 69 for details

■ Promotion of active participation of women (ratio of women in managerial and supervisory positions)



13.0%
(181 persons)
(April 1, 2021)

➡ See page 68 for details

■ Employment of disabled persons



2.4%
(86 persons)
(June 1, 2021)

➡ See page 69 for details

■ Certified as Health and Productivity Management Organization (White 500)



Value Creation Process

Mid- to long-term changes in economic and social environments

Aggravation of social issues

- Declining population
- Falling birthrate and aging society
- Shrinking regional economy
- Global warming and climate change

Environmental change

- Sustained low-interest-rate environment
- Accelerated progression of digital transformation and digitalization
- Demand for productivity improvement
- Demand for more sophisticated risk management

○ Outbreak of new coronavirus infections

Management Policy
(Management Vision)

Closely offering thorough and
trusted support to customers

As a Regional Comprehensive
Services Group

**Establishment of
relations**
with regional community and
customers through feasibility studies
and household asset management

Deepening/expanding customer base

Put all functions and alliance
within the Group to effective use to
provide
solutions,
including in nonfinancial areas

Deepening/expanding business operation base

Source of competitive edge

Intangible
assets that
support
strategy

Financial capital

- High earning power
- Sound lending assets
- Strong capital
- Advanced risk management

Human capital

- Diverse human resources in each group company
- FP skills and other advanced expertise
- Organizational culture focused on employees' motivation to work

Social capital

- High-quality and steady customer base
- Corporate culture that thoroughly implements customer-oriented business operations, inherited from the time of our founding and the atomic bomb
- Store network closely attached to the region
- Framework for continuing business operation that responds to natural disasters, etc.

Natural capital

- Rich in tourism resources, including World Heritage Sites such as the Hiroshima Peace Memorial and Itsukushima Shinto Shrine
- A temperate area with an abundant natural environment, surrounded by the Seto Inland Sea and the Chugoku Mountains

Foundation that supports
sustainable growth

Corporate Governance

Risk Governance
(Compliance risk management)

Hirogin Group SDGs Declaration Key SDGs issues (materiality)

**SUSTAINABLE
DEVELOPMENT
GOALS**

Region



Human rights



Aging society



Environment



Contributing to the creation of a prosperous future for the regional community

Provision of value to all stakeholders of the Group

Creation of shared value

Intellectual capital

- Feasibility studies accumulated based on expertise thus far
- Functions for providing advanced and diverse solutions
- Functions for developing new services utilizing state-of-the-art digital technology

Customers

- Business partners' growth (increase in corporate value)
- Stable asset formation and succession for customers
- Customer satisfaction and peace of mind

Regional community

- Contribution to development of regional community
- Stimulation of the regional economy through development of industry and job creation
- Contribution to creation of a sustainable regional community through our main businesses

Employees

- A bright working environment that motivates employees
- Enhancing integrity and career development
- Promotion of a diverse range of workstyles and achievement of work-life balance
- Promotion of diversity and inclusion

Shareholders

- Sustainable increase in shareholder value
- Highly transparent information disclosure
- Constructive dialogue

Contribution to Achievement of SDGs

To help achieve the “sustainable development goals (SDGs)” adopted by the United Nations, Hirogin Group will continue to contribute to solving social and environmental issues of the region and achieving sustainable growth through provision of high value-added regional comprehensive services and by coordinating efforts by group members.

Evaluations by external institutions

S&P/JPX Carbon Efficient Index



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

MSCI ESG rating (As of January 2021)

BBB

Rating by MSCI of corporate ESG risk and related risk management on a scale from AAA to CCC

Hirogin Group SDGs Declaration

We want to make our region better. We want to pave the way for a better future. All the employees of the Group will work together to take on issues one by one and contribute to the sustainable growth of the region.



We will put our Management Policy into practice by stepping up efforts to address priority matters (materiality) of our SDGs, which will contribute to

Specific measures in the Mid-Term Management Plan

Region → See pages 23 and 43 for details

Efforts to revitalize local communities and economy



- Continuous efforts in regional development projects (participation in PPP/PFI projects)
- Resolution of local issues and support for development of industry (initiatives to resolve fundamental issues in regional economy)
- Creation of new industries through strengthening equity business (support for venture development and business rehabilitation)



Aging society → See page 51 for details

Provision of regional comprehensive services suited to aging society



- Strengthening initiatives toward business succession and inheritance consultation business by utilizing equity investment, etc.
- Total support for the life plans of all household members through household management and further enhancement on banking-securities collaboration strategy for stable asset formation support for customers
- Building channels that fuse the physical and the digital



Human rights → See page 64 for details

Promotion of diversity and inclusion: Building a community where local customers can live in peace



- Creating an organization in which all employees of the Group can demonstrate their abilities and expertise, be highly motivated and engaged, and work actively
- Reforming systems to achieve diverse work styles
- Enhancing measures to counter financial crimes such as money laundering and to eliminate any relationships with antisocial organization



Internal training and preparation and distribution of handbooks on SDGs

In addition to training employees to learn more about the SDGs, helping to raise awareness of SDGs within the community through distribution of handbooks to customers



Raising awareness of SDGs within the community

Promoting and supporting local SDGs-related initiatives

Launch of Hirogin SDGs support services

Checking on the status of customers' SDGs initiatives, providing feedback, and publishing information on their initiatives if so requested.

Support for formulation of SDGs Declaration by customers

Number of cases handled
(From January 2020 to March 2021)
263 cases



better sustainability at the Hirogin Group and local communities as well as to the enhancement of corporate value over the medium and long term.

Environment

➔ See page 19 for details

Response to climate change and global warming



- Reduction of climate change risks through renewable energy businesses to bring about a decarbonized society in line with our investment and financing policies
- Appropriate disclosure relating to perceived climate change risks and opportunities, and strengthening of risk management framework



Management Policy (Management Vision + Code of Conduct)

Management Vision

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



Code of Conduct

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

1. Contributing to local communities

Work in step with regional communities to actively contribute to their development

2. Contributing to customers

Think and act from the customers' points of view to contribute to their prosperous life and business development

3. Enhancing corporate value

Continuously enhance the Company's corporate value

4. Increased job satisfaction

Create a cheerful, rewarding corporate group where everyone works healthfully

5. Compliance

Exercise a high level of compliance

Response to Climate Change and Global Warming



Hirogin Group has established Environmental Protection Activities in its Corporate Behavior Charter, and has positioned environmental protection as the foundation of management. In addition, the Company has announced that it will actively pursue environmental protection activities in the Environmental Declaration and the Hirogin Group SDGs Declaration.

We will continue to contribute to the realization of a sustainable society while working to reduce climate change risks by working to reduce the environmental impact on local communities and engaging in environmental protection activities of our home area including the Seto Inland Sea as well as by supporting customers' businesses and initiatives to conserve the environment.

Formulating Policy on Investment and Financing for Environmental and Social Solutions

As environmental and social issues have surfaced in recent years, the financial sector likewise has come under pressure to contribute to the resolution of issues through its main businesses.

In order to realize the Sustainable Development Goals (SDGs) adopted by the United Nations, the Group will aggressively engage in risk-taking in our four local prefectures of Okayama, Yamaguchi, Ehime, and, most of all, Hiroshima, based on awareness of our role as a financial institution that supports the regional economy. At the same time, by providing the highest quality financial services

through our investment and financing business, we would like to contribute to the resolution of regional environmental and social issues as well as to the regional sustainable development.

Based on this thinking, the Group has formulated the Policy on Investment and Financing for Environmental and Social Solutions, clearly defining which businesses are to be prohibited, in principle, and which businesses are to be proactively supported, in order to solve environmental and social issues.

Prohibited businesses in principle	<ol style="list-style-type: none"> 1. Those involved in the development and manufacture of inhumane weapons such as nuclear weapons and cluster bombs 2. Those involved in human trafficking and other violations of human rights or forced labor 3. New construction of coal-fired power plants <p>* Careful consideration may be given to coal-fired power plant initiatives on an exceptional basis, accounting for matters such as the background and distinguishing features of each project, based on each country's energy policies and circumstances and international guidelines, such as the OECD Arrangement on Officially Supported Export Credits. This prohibition also does not apply in unavoidable cases—for example, when responding to disasters or other emergencies. In addition, support is provided for advanced eco-friendly technologies such as carbon capture and storage as initiatives to help reduce greenhouse gas emissions.</p>
Projects to be proactively supported	<ol style="list-style-type: none"> 1. Initiatives to reduce climate change risks, including renewable energy projects intended to realize a decarbonized society 2. Initiatives to protect biodiversity, including conservation of forestry resources and endangered species

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Recently, the Company and Hiroshima Bank agreed to the Task Force on Climate-related Financial Disclosures (TCFD)*, amid an international emphasis on responding to social changes caused by climate change. We will continue to strengthen our response to climate change, and will enhance our disclosures on climate-related risks and opportunities based on TCFD recommendations.



* Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In December 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) in response to the intentions of the G20 Finance Ministers and Central Bank Governors. In June 2017, TCFD published the final report outlining recommendations for encouraging voluntary disclosure by companies. The recommendations are not only for the financial sector alone, but for all firms.

Governance	<p>[Implemented] At the Board of Directors meetings etc., the status of responses to TCFD are reviewed and future measures are considered.</p> <p>[Implemented] In formulating management plans, we use "climate change risks" as a possible risk scenario, and assess the degree of impact and likelihood from both quantitative and qualitative perspectives.</p>
Strategy	<p>[Implemented] The Hirogin Group SDGs Declaration stipulates "the environment (measures to deal with global warming and climate change)" as a priority (materiality) of our SDGs.</p> <p>[Implemented] The Hirogin Group is working to reduce climate change risks through the provision of high-value-added financial services, including eco-friendly financing products.</p>
Risk Management	<p>[Planned] The Hirogin Group plans to identify and analyze the effects of risk of climate change-related transition and physical risks.</p> <p>[Under review] The Hirogin Group considers the establishment of a management system within the comprehensive risk management framework, etc.</p>
Indicators and Targets	<p>[Under review] Considering the establishment of indicators and goals for realizing a decarbonized society.</p>

Efforts to combat climate change by exerting financial intermediary functions

Promotion of eco-friendly finance

Hiroshima Bank actively provides financial support to companies and projects that contribute to measures for climate change through its eco-friendly

financing system, aiming to realize a low-carbon society and to transition to a decarbonized society, including the utilization of renewable energy.

Hirogin Solar Power Loan

System features

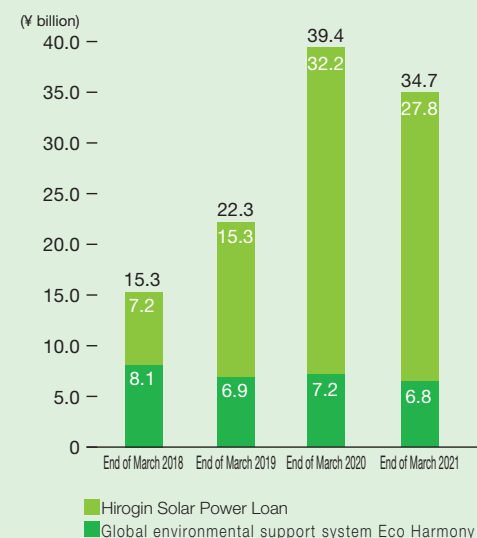
- ◎ Available for users of the Feed-in Tariff Scheme for Renewable Energy
- ◎ Applicable up to 15 years of loan period

Global environmental support system Eco Harmony

System features

- ◎ Available for companies that have obtained ISO 14001 certification or Eco-Action 21 certification, aiming to reduce the environmental load
- ◎ Available for purchases of low-emission vehicles, installation of clean energy equipment, and acquisition of emission credits

Track records of eco-friendly finance



The new Head Office building: Environmental and safety/disaster prevention performance

At the Head Office building, we have put in place the highest level of environmental functions and safety and disaster prevention capabilities, by integrating the state-of-the-art environmental and disaster prevention technologies, to provide a comfortable and reassuring space for customers

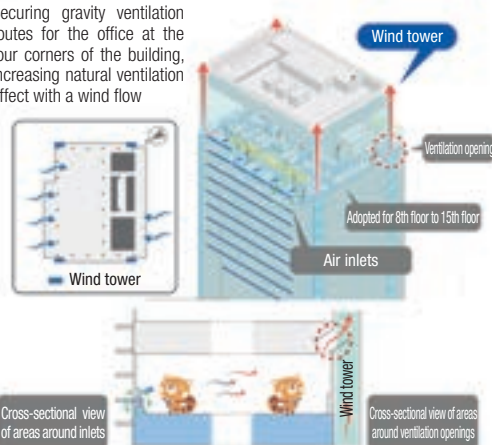
and staff at work. We have also build a thorough business continuity plan (BCP) to ensure our continued operation as a hub of the regional economy even in the event of disasters.



Heat

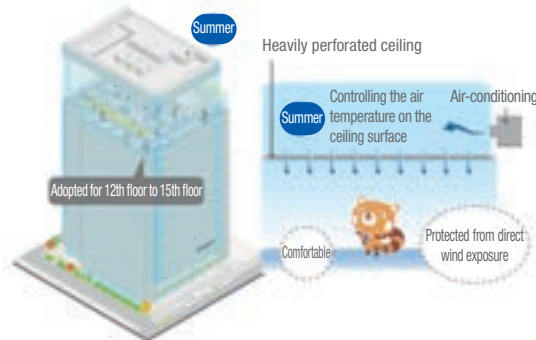
1 Wind tower (Ecovoid/gravity ventilation)

Securing gravity ventilation routes for the office at the four corners of the building, increasing natural ventilation effect with a wind flow



2 Pneumatic radiant air conditioning

Controlling the temperature of the ceiling surface to provide a comfortable air-conditioning environment and achieve energy conservation

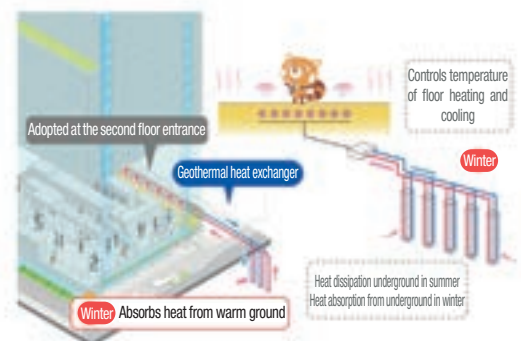


3 Solar radiation shading with eaves

Installing eaves that are finely spaced on the building exterior to shield the sunlight while securing a view

4 Geothermal heat pump

Burying underground heat utilization piping to use for air-conditioning the entrance

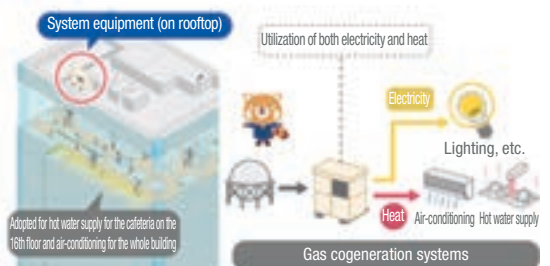


5 BEMS (Building Energy Management System)

Visualization of energy consumption, using a monitor

6 Compact gas cogeneration systems

Power generation using city gas as fuel and use of heat energy for air-conditioning and hot-water supply



Water

1 Use of rainwater

Storing rainwater underground at the parking lot building and reuse for miscellaneous purposes

Light

1 LED lighting

Adopting LED lighting for the whole building

Heat island mitigation

1 Terrace greenery

Greening the lower part and the second-floor terrace

2 Mist spraying

Spraying dry mist from the pilot area facing the Rijo Street

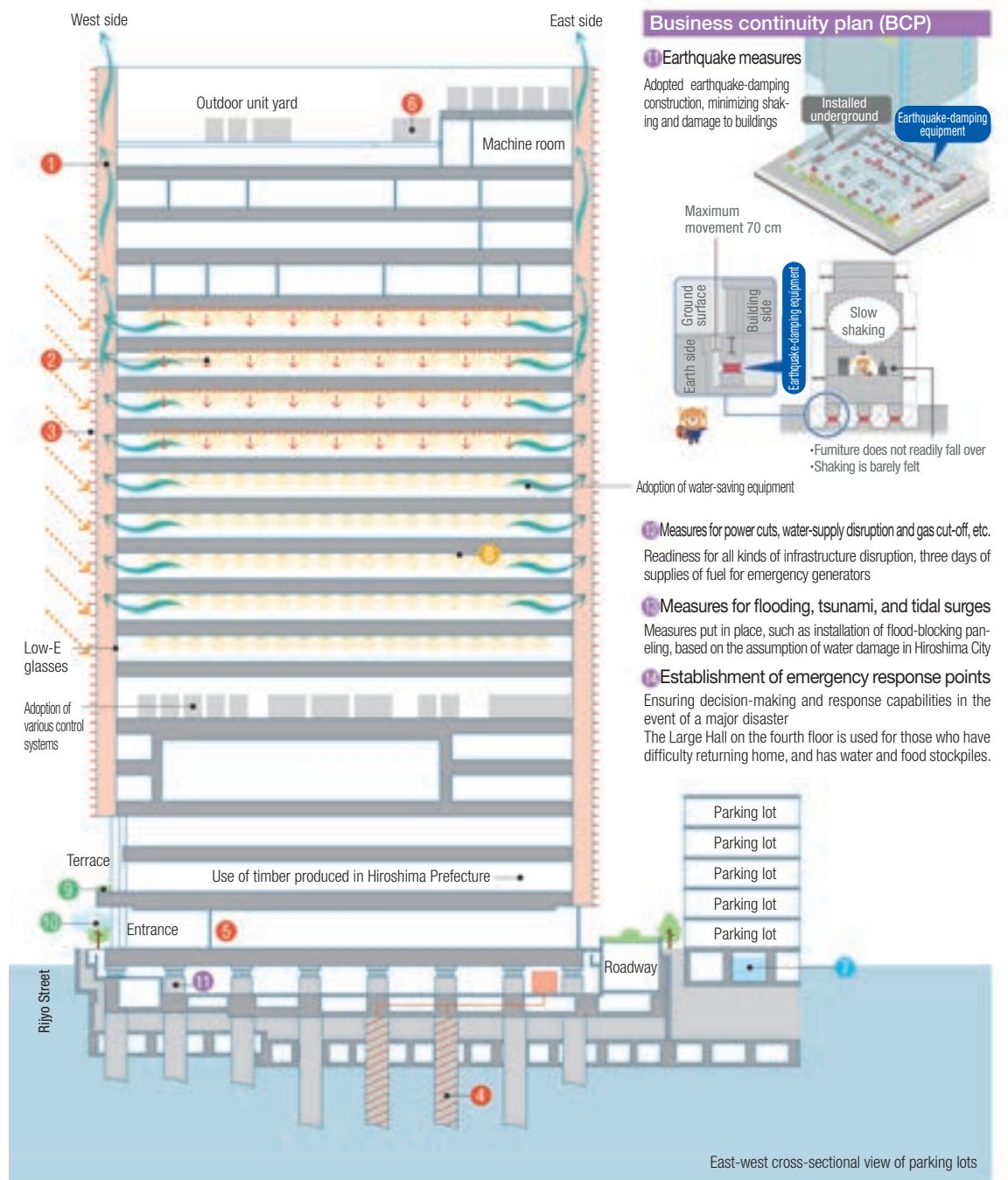


Environment-friendly measures

At the new Head Office building, we are proactively reducing environmental load by thoroughly implementing measures on heat, water, lighting, and the heat island effect, utilizing a full range of cutting-edge technologies. Our designs are equivalent of an S grade, the highest grade under CASBEE Hiroshima (Comprehensive Assessment System for Built Environment Efficiency).

Expansion and effectiveness of disaster prevention functions

We have thorough BCP measures in place in the event of emergency in preparation for disasters such as earthquakes, power outages, water supply disruption, and flooding, in order to ensure continued operation of business even in times of major disasters. Additionally, the Large Hall on the fourth floor is also equipped with functions to be used as temporary evacuation facilities for those who have difficulty returning home in the event of major disasters.



Initiatives to Revitalize Local Communities and Economy



The Company supports SDGs efforts of its business partners in order to make the region a better place and to lead to sustainable growth. We actively promote and support SDGs efforts of local companies, because SDGs initiatives, which are becoming a social requirement for companies,

lead to business expansion, innovation, and other opportunities, and are also effective in securing human resources. We will realize sustainable growth for both the region and the Hirogin Group by resolving ESG issues through our business activities.

Products that support sustainability measures at local companies

Handling of Hirogin SDGs Support Services

Hiroshima Bank considers raising awareness of the SDGs among local businesses and helping local companies bolster their initiatives in achieving the SDGs to be one of the missions of a regional financial institution. As such, in January 2020, we began providing a service for corporate customers

to promote and support the initiatives taken by business partners to achieve the SDGs.

Regarding the issues and needs identified in the course of using the service, we will utilize solutions provided by the Hirogin Group companies to support efforts to improve initiatives towards the SDGs.

Handling started in January 2020 – 263 cases handled as of the end of March 2021

Hirogin SDGs Support Services

Features

1. Provision of feedback sheet

The status of initiatives being taken is checked and a “feedback sheet” is provided to customers to understand the current status and use it as a reference in their future efforts to improve their initiatives.

2. Support for formulation of SDGs Declaration

Customers’ own dedicated “SDGs Declaration” will be formulated based on the status of initiatives taken and contribution made to the SDGs through their core businesses, and data available for posting on websites will be provided.

Example of feedback sheet



Example of SDGs Declaration

Outline of the service

Customers eligible for the service

Corporate customers who have deposit transactions with Hiroshima Bank

Details of the service

The service ranges from checking the status of initiatives being taken to achieve the SDGs and organizing the items that need to be addressed, to providing support for external PR activities

(checking the status of initiatives being taken and organizing the items that need to be addressed)

In accordance with the Bank's original check sheet prepared based on “Basic Items Expected by Markets and Society from SDGs Perspectives” published by the Kanto Bureau of Economy, Trade and Industry (METI-Kanto), the status of initiatives being taken will be checked and the results that organize and show the items that need to be addressed will be given back to customers in the form of a dedicated feedback sheet.

*Partners in developing check sheet and methodology: Mitsui Sumitomo Insurance Company, Limited and MS&AD Inter-Risk Research & Consulting, Inc.

(External PR support)

- A dedicated SDGs Declaration will be formulated and provided in the form of data available for posting on websites

- Upon request, Hiroshima Bank will issue news releases on initiatives toward the SDGs.

Handling of privately placed bonds (SDGs Type): Community Development Contribution Type and Corporate SDGs PR Type

Through the issuance of these privately placed bonds, Hiroshima Bank will make donations within 0.2% of the issue amount of privately placed bonds with the aim of contributing to local communities, and publicize SDGs efforts of the issuing companies.



Donation ceremony for Community Development Contribution Type privately placed bonds

Facility maintenance company MentecWorld Co., Ltd. donated nursing care equipment to Hachihonmatsu Hospital. Other companies made donations to Hiroshima City Funairi Citizens Hospital, which is struggling to cope with the new coronavirus pandemic, and are working with business partners on activities that contribute to the regional communities.



Example of corporate SDGs PR advertisement

Creation of shared values with regional industries

Hiroshima Open Accelerator 2020

We are working to create new businesses through open innovation that links the management resources of companies in Hiroshima Prefecture with the services of startup companies nationwide. In fiscal 2020, 12 cooperative proposals were adopted.

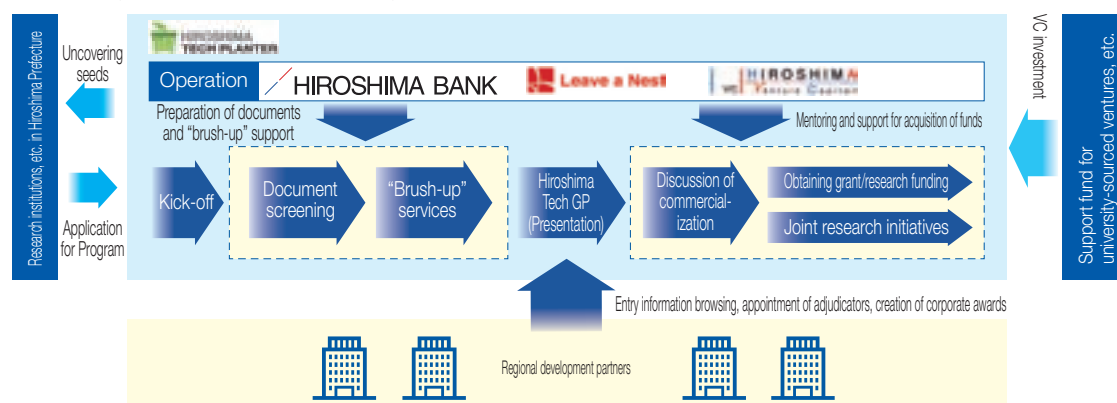
In fiscal 2021, the event was held for the third time, and we began recruiting participating companies in July.



HIROSHIMA TECH PLANTER

HIROSHIMA TECH PLANTER is an acceleration program aimed at uncovering the seeds of research at universities and other institutions and providing an end-to-end support starting from commercialization to growth.

We aim to create new businesses in Hiroshima Prefecture and form an ecosystem that utilizes networks within the region, and thereby contribute to the development of the regional economy.



Environment-conscious office activities

Reduction of the amount of electric power, gas and copy paper used

We are making efforts to reduce the amount of electric power, gas and copy paper used by encouraging use of stairs, duplex printing, and N-up printing.

Room temperature control in summer and winter

We are working to reduce electricity and gas consumption (reduce CO₂ emissions) through controlling room temperatures in summer and winter. Employees are allowed to be dressed comfortably based on their judgment in accordance with the TPO, and heightens their awareness so that they will set temperature for air conditioners in a conservative manner.

■ Amount of electricity used and CO₂ emission (Hiroshima Bank)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Amount of electricity used (thousand kwh)	21,113	19,881	20,371	20,559	18,795	18,490
Amount of CO ₂ emission (t-CO ₂)	15,682	14,400	14,631	14,665	13,096	11,924

Further introduction of environment-conscious low-emission car

Hiroshima Bank is working to reduce CO₂ emissions, as it aims to increase the proportion of environment-conscious low-emission vehicles (such as electric and hybrid vehicles) to 50% of all business vehicles, by 2030.

Collection of eco-caps (plastic bottle caps)

We started to collect eco-caps in February 2010 for the purpose of recycling them and providing vaccines to children in developing countries.

Environmental protection activities

Activities for protecting forests

In order to preserve the rich nature of our home area and pass it on to future generations, Hiroshima Bank's directors, employees and their families planted a total of 1,500 saplings such as Japanese chestnut, Japanese oaks, beeches and wild cherry trees in *Hirogin no Satoyama* (village

forest) (Akiota-cho, Yamagata-gun, Hiroshima Prefecture; 3.0 ha) over five years from 2010. Furthermore, Hiroshima Bank has maintained the village forest by, for example, removing undergrowth since 2015 to grow the trees planted in the forest.



Investment in Green Bonds

Through investments in Green Bonds, Hiroshima Bank supports companies and individual customers who actively engage in social

contribution activities, and it also actively promotes social contribution activities.

Communication with the region

Contribution to the peace city

We constructed “Inori-no-izumi (fountain of prayer)” in the Hiroshima Peace Memorial Park in November 1964 and presented it to Hiroshima City in order to console the souls of the victims, who passed away while feeling thirsty for water in a town burnt by the atomic bomb, and wish everlasting peace. The fountain of prayer was completely renovated as part of our 140th anniversary business in 2018.

At the new Head Office building, we installed a monument to the atomic-bomb victims as well as a bombed column capital, the remains of former Head Office of Hiroshima Bank, in order to pass down Hiroshima Bank's DNA, which overcame the atomic bomb and continued its business to this day, to all employees of the Group and to continue to get across the message of eternal peace to people in Japan and overseas, as a company based in Hiroshima.

Financial education activities

The Company provides a variety of financial education programs to get younger generations that will bear the future of the region familiar with finance indispensable for people's life.

The Kids Money School for elementary school students provides tours at Hiroshima Bank and lectures about the importance and proper use of money; the Work Experience Programs for junior and senior high school students provide lectures about the financial system, economic conditions, and other matters to give

opportunities for the participants to acquire better financial literacy.

In addition, Hiroshima Bank's directors and employees in charge of various operations visit local universities to provide lectures about such matters as the financial system, financial products, and services of banks and management strategies of Hiroshima Bank to students who are about to enter the world of work.

These visits were cancelled in fiscal 2020 due to the spread of the coronavirus infections, but we will continue these activities in the future.

Welfare activities

The Company gives Christmas presents to children's homes in Hiroshima Prefecture every year from 1994.

Furthermore, we, together with MetLife, Inc., donate money to children's homes, infant homes, and foster parent organizations organized as a

social welfare corporation from 2007, to create an environment where children who will lead the next generation can grow healthily by equally receiving education and participating in communities.

Hiroshima Museum of Art

The Hiroshima Museum of Art was established in November 1978 by Hiroshima Bank in commemoration of the 100th anniversary of its foundation as we move through history together with the region.

In the hope that the museum would bring peace of mind to the people of Hiroshima, the

city once reduced to ruins by the atomic bomb on August 6, 1945, the museum came into being as a magnificent edifice of art on the theme of love and peace of mind.

It was also built to pray for the repose of souls of the victims that laid the foundation of today's Hiroshima and to express wishes for peace.

Support for three Hiroshima-based professional bodies

The Company supports three professional sports and cultural organizations in Hiroshima, the Hiroshima Toyo Carp baseball team, the Sanfrecce Hiroshima (FC) football team, and the Hiroshima Symphony Orchestra. We join hands with local companies to cheer the teams, hold games sponsored by us, and hold Hirogin Holdings Tomorrow

Concert performed by the Hiroshima Symphony Orchestra.

In FY2019, from a viewpoint of developing the next generation, we started to hold the Hirogin Holdings Dream Future Concert to provide an opportunity at which high school students can perform with Hiroshima Symphony Orchestra.

Corporate Governance

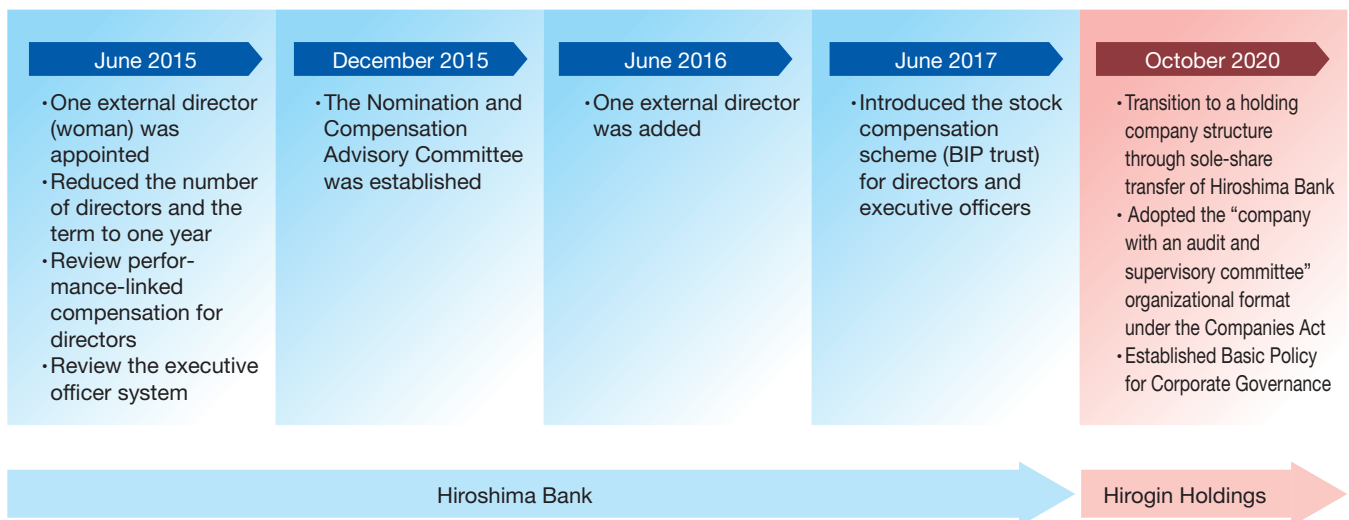
Basic approach

While fulfilling our social responsibility and public mission, Hirogin Group will receive high evaluation from and build unshakable bonds of trust with our stakeholders, including both customers and shareholders by raising management soundness, efficiency, and transparency. In this way, Hirogin Group works to promote sustainable medium- to long-term growth and increase corporate value.

To attain this goal, based on the intent and spirit of the Corporate Governance Code of the Tokyo Stock Exchange, Inc., we set out the following five principles in an effort to realize effective corporate governance.

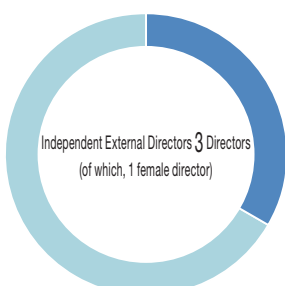
- (1) We respect shareholders' rights, secure equality and develop an appropriate environment for the exercise of the rights.
- (2) We strengthen measures in the sustainable development goals (SDGs) adopted by the United Nations and corporate social responsibility (CSR), and work in effective collaboration with all stakeholders, including the regional community, customers and employees, thereby fostering a corporate culture and climate in respect for their rights and standpoints.
- (3) We maintain transparent management by providing fuller disclosure in a timely and appropriate manner.
- (4) Our Board of Directors supervises the Company's business execution effectively and makes decisions swiftly, based on its fiduciary responsibility and accountability to shareholders.
- (5) We promote constructive dialogues with shareholders and respond appropriately.

Efforts to enhance governance

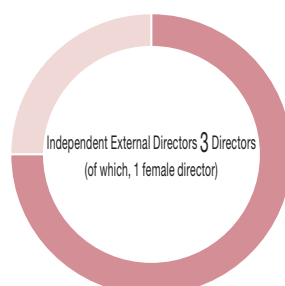


Corporate Governance Overview (As of June 25, 2021)

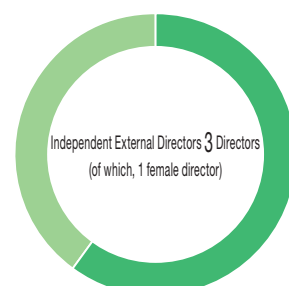
Board of Directors **9 Directors**
(of which, 4 directors are Audit and Supervisory Committee members)



Audit and Supervisory Committee **4 Directors**



Group Nomination and Compensation Advisory Committee **5 Directors**



The Company's Board of Directors consists of nine members, including three external Directors. The board convenes once a month, in principle, and is responsible for making management decisions and overseeing business execution. The Company has established the Group Management Board, under the Board of Directors, as a body for discussing, determining, and deliberating important matters relating to overall management based on the basic policy determined by the Board of Directors. The members of the Group Management Board are the Chairman, President, senior managing executive officers, managing executive officers and executive officers, and the Board convenes once a week, in principle.

The Company has also introduced an executive officer system. The system is structured such that the President and executive officers shall be responsible for business execution under the supervision of the Board of Directors. The decision-making functions related to important management items and supervisory functions on business execution, which are to be carried out by directors are separated from business execution functions, which are to be carried out by executive officers, and directors and executive officers fulfill their respective roles and responsibilities, thereby appropriately ensuring operations and enhancing sustainable corporate value.

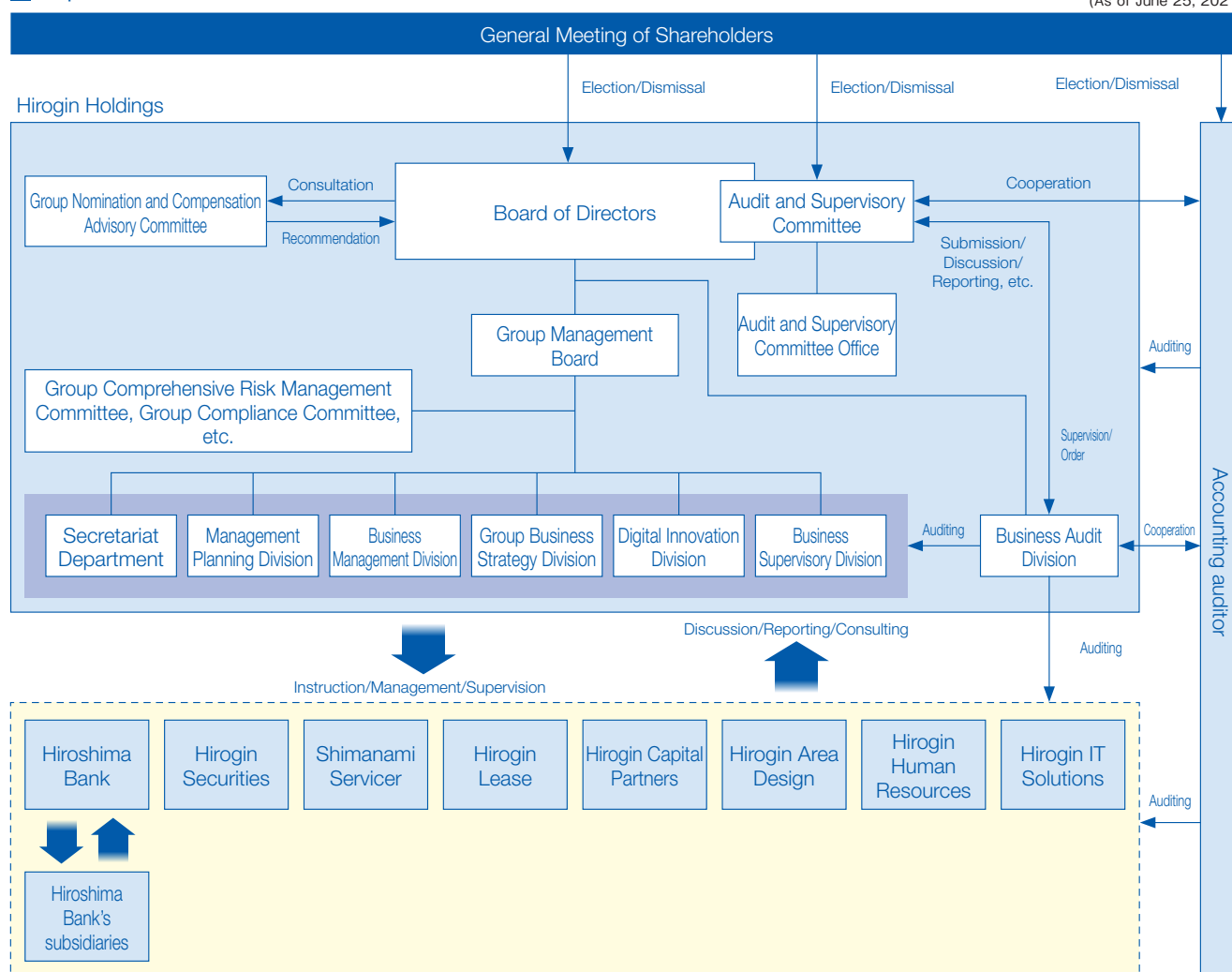
The Company has also set up special organizations to carry out specific tasks (such as the Group Workstyle Reform Promotion Headquarters and the Group System

■ Corporate Governance Structure

Failure Countermeasures Office), as well as committees for investigating, researching, or coordinating in specific areas (such as the Group Management Strategy Committee). These organizations and committees are operated by general managers from related divisions serving as members. Each special organization and committee holds meetings regularly, or whenever necessary, to address major management issues as well as other items requiring group-wide policies and discussions. Matters agreed or discussed at the special organizations and committees are proposed or reported to the Board of Directors or the Group Management Board or other organs as necessary, thereby contributing to the enhancement of Group governance as well as to improvement in the soundness and appropriateness of business operations.

The Company has four Directors who are Audit and Supervisory Committee Members, three of whom are external Directors. They are tasked with auditing the execution of duties by Directors. In addition to a monthly meeting of the Audit and Supervisory Committee, they hold meetings as necessary. Each of the Directors who are Audit and Supervisory Committee Members actively utilizes the information and knowledge acquired through the execution of audit and other duties for the deliberations and other discussions at the Board of Directors, thereby ensuring the effectiveness of the supervisory functions of the Board of Directors and promoting appropriate decision-making on business matters.

(As of June 25, 2021)



Reasons for selecting the current corporate governance structure

As a bank holding company, in light of the intent of its incorporation to enhance group governance by controlling and supervising the management and operations of subsidiaries and other Group companies, the Company has adopted the “Company with an Audit and Supervisory Committee” system as its organizational structure under the Companies Act.

By adopting the “Company with an Audit and Supervisory Committee” system, the Company aims to strengthen auditing and supervisory functions by granting voting rights at the Board of Directors to Directors who are Audit and Supervisory Committee Members (including multiple external Directors), and also aims to streamline the management and strengthen its functions

by delegating authority over business execution to Representative Directors. Through such measures, we aim to further enhance corporate governance and increase corporate value.

By adopting the “Company with an Audit and Supervisory Committee” system, the Company establishes a system to allow the internal audit department to support not only the Board of Directors but also the Audit and Supervisory Committee, and thereby aims to ensure the Group’s sound and sustainable growth as well as its social trust through highly effective and systematic auditing utilizing internal control by the Audit and Supervisory Committee.

Composition and functions, etc., of the Board of Directors

Based on the concept of fiduciary responsibility and accountability to shareholders, the Board of Directors will appropriately fulfill the following roles and responsibilities, to foster sustainable growth and help improve medium-to long-term corporate value of the Group, and to improve profitability and capital efficiency.

- (1) Present the Group’s aspiration
- (2) Put in place a system to ensure the appropriateness of operations, including the creation of an environment that supports appropriate levels of risk-taking by the management team
- (3) Conduct highly effective supervision over the management team from an independent and objective standpoint

The Board of Directors decides on the following matters and other important matters related to the Group’s management.

- (1) Items stipulated in laws and regulations and the Articles of Incorporation
- (2) Basic management policy, management strategy, and management planning of the Group
- (3) Important matters relating to risk management
- (4) Important matters relating to compliance
- (5) Important matters relating to internal audits

The Board of Directors draws up the “Basic Policy on the Establishment of Internal Control System,” and puts in place the management control system, risk management system, compliance system, and internal audit system of the

Group companies based on the policy, and conducts supervision to ensure effective functioning of each system.

The Board of Directors values its overall balance of knowledge, experience and ability as well as ensuring diversity in order to fulfill its roles and responsibilities, and it is comprised of internal Directors who are familiar with the Company’s operations and external Directors who have rich experience and a wide range of insights in their areas of expertise. To ensure its efficacy, the Board of Directors shall be comprised of no more than 10 Directors (excluding Directors who are Audit and Supervisory Committee Members), and no more than 5 Directors who are Audit and Supervisory Committee Members, with a considerable number of external Directors with a high degree of independence being included, in principle.






Candidates for External Director shall be nominated from among those who meet the Company’s Criteria for Judging the Independence of External Directors,” in principle, and three external Directors (Directors who are Audit and Supervisory Committee Members) are deemed eligible for office as independent officers without risk of conflict of interest arising with ordinary shareholders, and their names have been filed with Tokyo Stock Exchange, Inc.

Under the above scheme, every fiscal year the Board of Directors receives a report on the status of development and operation of systems for ensuring appropriate business operation and confirms that they are appropriately developed and operated. The board also conducts surveys such as the “Board of Directors Self-evaluation Questionnaire” to analyze and evaluate the effectiveness of the Board of Directors based on its results.

Additionally, the Company encourages and supports self-improvement efforts by directors to acquire knowledge and information necessary for effectively fulfilling their roles and responsibilities, and it facilitates and provides various training sessions and seminars by external institutions and organizations.

Effective use of external directors

At the Board of Directors meetings, external Directors provide advice on decision-making by the Board of Directors and overall management, based on their knowledge and ideas different from those of internal Directors. They also receive reports on the results of internal audits and accounting audits, as well as reports on the state of internal controls from the division in charge of internal controls. The external Directors have the role of supervising management from a neutral, fair, and objective perspective outside the Company.

Directors	Internal	
		
	External	 Professor of Hiroshima City University
		 Certified public accountant  Former Chairman of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION

- External directors account for one-third of the Board of Directors
- Of which, one female external director

In this context, the Company has established the Group Nomination and Compensation Advisory Committee, the majority members of which are independent external Directors, in order to ensure the transparency and objectivity of decision-making processes concerning the nomination and compensation of Directors, which are important management decision-making matters. As members of the Committee, external Directors have the role of supervising the selection of candidates for Company officers and the process of determining officer compensation from an objective and neutral standpoint.

Analysis and evaluation of effectiveness of the Board of Directors

Regarding the evaluation of effectiveness of the Board of Directors, the Basic Policy for Corporate Governance (Article 26) stipulates as follows:

For the purpose of strengthening its functions and ensuring its effectiveness, the Board of Directors shall analyze and evaluate the effectiveness of the Board every fiscal year in regards to the composition and operational status of the Board of Directors, based on Directors' self-appraisal, including the status of the maintenance and operation of internal controls. Results of such evaluations shall be disclosed.

Regarding the status of maintenance and operation of internal control systems for fiscal 2020, the Board of Directors received a report at fiscal year-end and confirmed that there were no issues with effectiveness.

Based on the results of the analysis and evaluation of the effectiveness of the Board of Directors at Hiroshima Bank before the transition to the holding company structure, we are working to raise the Board of Directors' effectiveness by taking the measures outlined below.

- Increasing the proportion of external directors.
- Implementation of advance explanations to external officers regarding Board of Directors meeting materials
- Appropriate reflection of the opinions given in advance explanation at the Board of Directors
- Advance deliberations and summarizing of key points via the Group Management Board and various other committees
- Revisions as needed on matters resolved and reported by the Board of Directors, etc.

Regarding analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2020, in order to proceed with discussions on points that should be evaluated positively and on issues and policies for continuous improvement, the analysis and evaluation were carried out based on the following methods with the support of an external organization.

1. Based on the issues acknowledged by the Company, questionnaire items were designed after receiving advice from the external organization, and the effectiveness of the Board of Directors was evaluated with reference to the results of analysis by the external organization on the content of the answers given.
2. We asked the external organization to conduct interviews with all Directors. The external organization

We have introduced a system for external Directors to review and check in advance the agenda items of a meeting of the Board of Directors and its reporting materials even from outside the Company, and we provide them with devices for reviewing purposes. Furthermore, the secretariat and various departments responsible for administrative work for Board of Directors meetings hold advance explanatory meetings on documents for external Directors, and there is also a support system put in place such as developing an environment to review the Company's internal information such as internal regulations and notices as well as Hiroshima Bank's internal rules and notices.

prepared more specific questions based on the analysis of questionnaires, and proceeded with interviewing each Director on their awareness of issues and obtained their opinions. The Board of Directors received a report on the results of the analysis.

3. In response to the results report from the external organization, discussions were held at a Board of Directors meeting in May 2021 on the awareness of issues and the direction of future response for further improvement in the effectiveness of the Board of Directors.

As a result of the above, the external organization confirmed that the effectiveness of the Company's Board of Directors was ensured and that one of the strengths characteristic of the Company's Board of Directors is that "there is a shared sense of objectives to promote the Group's management policies by leveraging the knowledge and experience of external Directors and improving the functions of the Board of Directors of a holding company, and that constructive relations of trust have been fostered between supervisors and executives."

Given this result, based on the results of analysis and evaluation as well as advice of the external organization, the Company's Board of Directors has decided to take measures in the future regarding the following points, in order to further strengthen its effectiveness.

1. Measures to sophisticate the deliberations at Board of Directors meetings
 - In light of the shift to a holding company structure, comprehensive discussions by the Board of Directors on the Group management strategy shall be further promoted.
 - Information sharing regarding the management environment and the status of business execution shall be enhanced, the Board of Directors' supervisory functions regarding the execution of operations shall be further strengthened.
 - Deliberations regarding important management issues shall be further enhanced, and strategic advisory functions and management supervisory functions of the Company's Board of Directors shall be strengthened.
2. Measures for streamlining the operation of the Board of Directors
 - Efforts to streamline the overall operations, including the selection of agenda items and the details of explanations shall be continued, and allocation of time shall be prioritized for important agenda items such as the formulation and supervision of the Group management policies and other strategic responses to important management issues, etc.

In order to achieve effective corporate governance, the Company will proceed with efforts to further improve the effectiveness of the Board of Directors through continued evaluation of the effectiveness of the Board of Directors.

Officer compensation system

Policies regarding decisions on the details of individual compensation of Directors

For policies regarding decisions on the details of individual compensation of Directors, the Company has stipulated as follows, based on resolutions at Board of Directors meetings, in light of the results of deliberations at the Group Nomination and Compensation Advisory Committee (the majority members being independent external Directors), which is comprised of Representative Directors and independent external Directors.

a. Basic policy

Compensation, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter the same shall apply) of the Company shall be determined based on a compensation system that is linked to shareholder interests so as to fully function as an incentive to work for the sustainable growth and enhancement of the corporate value of the Group, and the basic policy is to determine compensation of individual Directors at an appropriate level from the perspectives of transparency, objectiveness and fairness.

Specifically, compensation, etc. of Directors excluding external Directors shall consist of fixed-amount compensation, performance-linked compensation, and stock-based compensation. For the sake of neutrality in view of responsibilities, compensation for external Directors is only composed of fixed-amount compensation.

As a bank holding company, the Company will establish and operate a compensation plan in an integrated manner with Hiroshima Bank, which is a subsidiary bank of the Company, and in the event that concurrent positions are held at the Company and the Bank, compensation, etc. shall be prorated at a fixed rate.

b. Policy regarding the determination of the amount of individual compensation, etc. as fixed-amount compensation (monetary compensation) (including the policy regarding the determination of the timing, etc. of the compensation, etc.)

Fixed-amount compensation shall be monthly basic compensation and shall be determined based on job titles and paid on a regular basis during the term of office after comprehensively taking into consideration factors such as the compensation and salary levels of officers and employees of Group companies under the Company and the status of officer compensation at other companies of a similar scale

c. Policy regarding the determination of the amount of individual compensation, etc. as performance-linked compensation (including the policy regarding the determination of the timing, etc. for payment of the compensation, etc.)

Performance-linked compensation shall be monetary compensation (paid at a certain time each year) that reflects performance indicators and is calculated each business year according to the degree of achievement of those performance indicators, and shall be determined based on job titles with the aim of raising awareness of the contribution to improved business performance.

Specifically, from the perspective of ensuring transparency, objectivity, and fairness and fully fulfilling accountability to shareholders and other stakeholders, the Company's "net profit attributable to owners of the parent" shall be used as a performance indicator and the performance-linked compensation, which is calculated by multiplying the job title-based standard amount established by resolution of the board of Directors by the payment ratio

linked to said performance indicator, is paid after the end of each business year.

The performance-linked coefficients are as follows.

Coefficients used in the calculation of performance-linked compensation

[Net profit attributable to owners of the parent] (yen)	[Performance-linked coefficient]
More than 33 billion	1.500
More than 30 billion – 33 billion or less	1.375
More than 27 billion – 30 billion or less	1.250
More than 24 billion – 27 billion or less	1.125
More than 21 billion – 24 billion or less	1.000
More than 18 billion – 21 billion or less	0.875
More than 15 billion – 18 billion or less	0.750
More than 12 billion – 15 billion or less	0.625
More than 9 billion – 12 billion or less	0.500
More than 6 billion – 9 billion or less	0.375
6 billion or less	—

d. Policy regarding the determination of individual compensation, etc. as stock-based compensation (non-monetary compensation) (including the policy regarding the determination of the timing, etc. for payment of the compensation, etc.)

Stock-based compensation shall be calculated and paid based on an amount obtained by multiplying the fixed-amount compensation determined based on job titles by a certain percentage with the aim of clarifying the link between officer compensation and the Company's share price. The stock compensation plan is managed by the officer compensation BIP trust. During the trust period, certain points are granted, and Directors will receive the delivery of the shares in accordance with the number of points accumulated at the time Directors retire from both the Company and The Hiroshima Bank, Ltd.

However, in the event of non-conformity as stipulated separately, the Company may request the refund of the amount equivalent to the share delivery.

e. Policy regarding the determination of the ratio of monetary compensation, performance-linked compensation, and non-monetary compensation to the amount of individual compensation, etc. of Directors

The ratios of compensation by type for Directors shall be determined by comprehensively taking into consideration matters such as the status of officer compensation at other companies of a similar scale from the perspective of providing an incentive to aim for the sustainable growth and enhancement of corporate value of the Group and an increase in the share price of the Company while emphasizing the stability and soundness of management as a bank holding company.

f. Matters regarding the determination of details of individual compensation, etc. for Directors

Details of all individual compensation, etc. for Directors shall be determined by the board of Directors based on deliberations and findings of the Group Nomination and Compensation Advisory Committee, which is composed of Representative Directors and independent external Directors (the majority of the Committee members are independent external Directors).

Officer compensation system

	Directors (excluding directors who are Audit and Supervisory Committee members)	Executive Officers	Directors who are Audit and Supervisory Committee members
Fixed amount compensation	○	○	○
Performance-linked compensation	○	○	—
Stock-based compensation*	○	○	—

* A system that utilizes a framework known as an officer compensation board incentive plan (BIP) trust. Utilizing compensation amounts for eligible officers as funds contributed by the Company and its consolidated subsidiary Hiroshima Bank, the trust acquires shares of the Company, and provides the shares and cash equivalent to disposal of the Company's shares upon officers' retirement from both the Company and Hiroshima Bank.

Deliberations by the Group Nomination and Compensation Advisory Committee

The Company's Basic Policy for Corporate Governance (Article 23) stipulates as follows regarding the Group Nomination and Compensation Advisory Committee.

1. To ensure the transparency and objectivity of the decision-making process for nomination and compensation of Directors, Audit and Supervisory Board members, and executive officers of the Company and major Group companies, the Board of Directors shall establish the Group Nomination and Compensation Advisory Committee comprised of Representative Directors and independent external Directors.
2. A majority of the members of the above-mentioned Group Nomination and Compensation Advisory Committee shall be independent external Directors.

Regarding matters relating to the amounts of compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) and executive officers, the Company makes decisions by resolutions at the

Board of Directors meeting, based on deliberations and reports at the Group Nomination and Compensation Advisory Committee, the majority members of which are independent external Directors.

Development of successors to management

The Group has put in place at Hiroshima Bank a rank-based training system and clarifies the standards and abilities required for each job position and rank in order to develop human resources systematically. The training system includes the "Hirogin Management School" aimed at developing management personnel from a medium- to long-term perspective. The Hirogin Management School provides a

program in which selective employees who are expected to undertake future management of the Bank learn to demonstrate the "ability of thinking befitting of a corporate manager (management strategy, business reform, etc.)."

(See page 65 for details)

Cross-shareholdings

In the Basic Policy for Corporate Governance (Article 8), the Company stipulates the following policies regarding cross-shareholdings of listed shares and the exercise of voting rights.

As shown below, the Group has established the “Policies regarding cross-shareholdings of listed shares” and the “Standards for exercise of voting rights for cross-shareholdings” in order to ensure the appropriateness of cross-shareholdings.

(1) Policies regarding cross-shareholdings of listed shares

- (a) The Group has a basic policy of not engaging in cross-shareholding, except where it is deemed that the holding has a rationale such as development of the regional economy or improvement of corporate value.
- (b) As for shares held, the Board of Directors periodically evaluates capital cost against returns, level of contribution by the issuing company to the regional economy, growth potential and future prospects, and medium- to long-term profitability of transactions with the Group.

(2) Standards for exercise of voting rights for cross-shareholdings

- (a) In exercising voting rights, the Group determines the exercise of voting rights after examining the management principles and the status of maintenance of corporate governance at the company in question, in addition to the policies described below.
 - Whether or not the company is conducting appropriate decision-making that will lead to medium-to long-term increases in corporate value and improvement of shareholder value
 - Whether or not there is any possibility that it inflicts damage upon the Group as a shareholder
- (b) In particular, the following items shall be examined regarding any potential impacts on corporate value and shareholder value:
 - Proposals for appropriation of surplus that potentially have a significantly detrimental effect on financial soundness
 - Proposals for election of directors and Audit & Supervisory Board members and provision of retirement benefits at companies where misconduct or antisocial behavior incidents occurred or that have recorded losses or paid no dividends for a certain period of time
 - Proposals for anti-takeover measures, among other items.

As a result of evaluations on cross-shareholdings carried out at the Board of Directors meeting in March 2021, approximately 80% of the companies in which the Group holds shares satisfy these standards. For shares in companies that

fail to satisfy these standards, the Group is currently holding discussions to improve profitability in transactions with the company in question or reduce shareholdings.

Risk Governance

Risk Governance

In order to establish robust risk governance, the Group has introduced a risk appetite framework, prepared a risk appetite statement describing the risk appetite framework and risk appetite to make them well understood within the Group.

In addition, to ensure that the risk appetite framework functions effectively, we are working to foster a sound risk culture that encourages

everyone in the Group to behave in accordance with the Group's values regarding risk-taking and risk appetite.

Risk culture

In order to realize the sustainable development of local communities and the sustainable enhancement of the corporate value of the Hirogin Group, it is essential for each employee to make decisions and act not only in compliance with laws and regulations but also in accordance with the expectations and requests of all stakeholders, including customers, and the Group's management policy.

The Group recognizes that risk culture is the fundamental concept for organizational and individual decision-making related to risk recognition, risk-taking, risk management, etc., and that it is a factor to base for building strong risk governance.

Based on that recognition, the Group has established the Hirogin Group's Risk Culture, while ensuring consistency with its Code of Conduct.

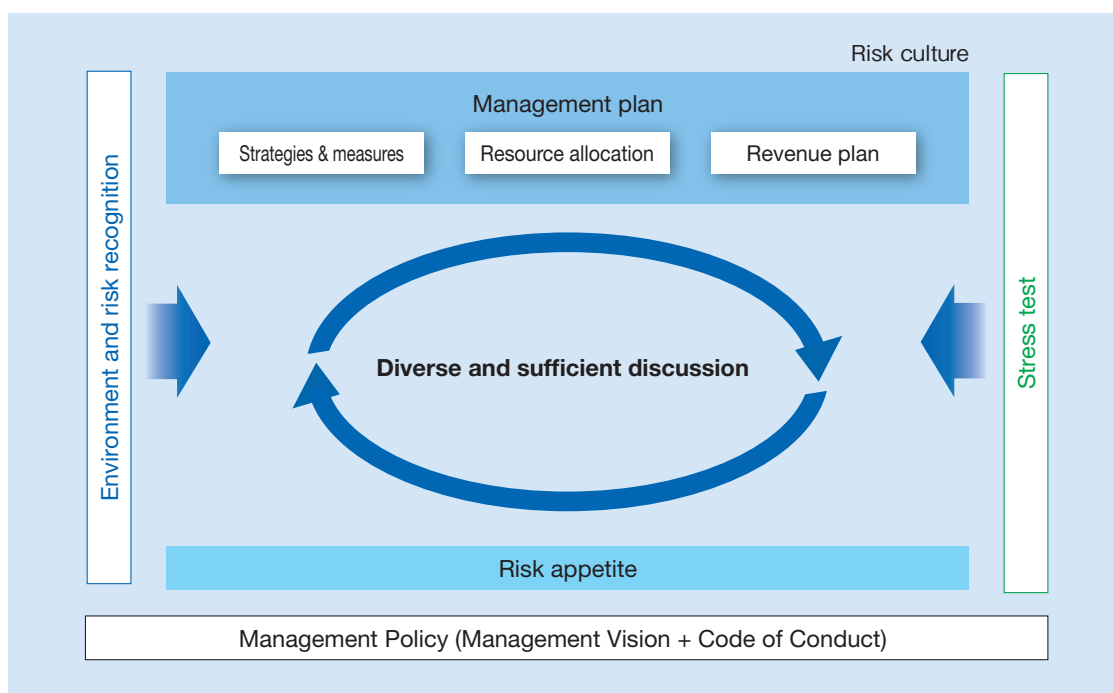
In addition, in order to foster and disseminate the risk culture within the Group, we share and spread it through such means as sending messages from management and conducting training.

Risk appetite framework

The risk appetite framework is positioned as a framework that supports the management of the Group as a whole to "promote risk-taking and control risk," based on the appropriate recognition of the environment and risks.

The introduction of the risk appetite framework clarifies the risk appetite (the type and level of risk that the Group is prepared to accept) for

achieving the management plan and enables the Group to pursue more profit opportunities and promote appropriate risk-taking.



Message from an External Director

Toward the creation of new shared regional value based on the progressivity of awareness of paradigm change and the trust, confidence, and peace of mind built up over the years

Kaori Maeda, External Director

Thinking together: Incorporating the viewpoint of an IT expert

Conventionally, the Bank was the point of contact with the customer, and transactions were face-to-face at the counter. Now, there has been an increase in services provided by the Internet, including use of ATMs and online banking. For securities and other Group companies likewise, we are entering an era in which the digitalization of contact with the customer is advancing, and using IT is a source of competitive strengths.

Since accepting this position, though conscious of speaking from an expert perspective, I have felt a strong disinclination to becoming a mere critic. Of course, cultural differences exist among sectors, and there are aspects of IT that cannot be introduced overnight. I am mindful of the need to consider together how to go about change and what steps to take. In addition to deliberations at the Board of Directors meetings, I also provide pointers in monthly audit reports on matters relating to security and computer systems included in risk management.

External Directors also participate in IT strategic meetings, and discuss strategic changes, including a first-hand look at the strategies of individual Group companies, with a review of the progress they have made and changes in society, as well as compliance with Financial Services Agency policies and measures. Concerning operations handled by conventional large mainframe

computers, there are discussions on downsizing computer systems by using cloud facilities—these are the kind of things I give an opinion on. Additionally, I have a real sense that the opinions of external Directors have been amply brought to bear in areas such as the development of security systems and prevention of computer system failures.

Effectiveness of governance

When a Board of Directors meeting is convened, traditionally advance explanatory meetings have been held for the benefit of external Directors at each department involved. But in fiscal 2020, some changes were made to these advance meetings in light of recommendations following evaluation of effectiveness of the Board of Directors by an external organization. The system was further developed to enable thorough discussion of pressing matters at the Board of Directors meetings, by having the director responsible for each area in question give explanations, including background details and assumptions, enabling more frank questions and opinions.

Likewise, a corporate culture has been created in which external Directors can proactively make recommendations even if their area of expertise differs. I highly appreciate the way views are listened to and new perspectives accepted, beyond the conventional bounds of such discussion.

While the speed of response is important, there are many key areas, particularly in IT, where things cannot readily be changed, and fixes cannot be improvised, due to security issues and protection of personal information. I feel the Company has struck a very fine balance between the need to be daring and yet cautious.

I would like to add that the expertise of external Director Satoshi Miura, former President and Chairman of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) was extremely helpful in this transition, based on his wealth of knowledge on the transition to a holding company.

What we have learned from the coronavirus crisis

My impression is that approaches to work have indeed changed greatly. This is true across the board. People can finish their work tasks even though not going to the office is being normalized. I recognize that that is due to the blessings of IT, including establishment of a good telecommunications environment and compatibility of IT with both daily and corporate life.

As an external Director at Hiroshima Bank, who has watched the progress of IT over the past six years, I believe that the Group's transition to online operations has been fairly smooth, with appropriately staged preparations spanning home-based work, online meetings, and consultation-based decision-making.

Furthermore, since it is currently virtually impossible to carry out face-to-face sales, we have had to rely on online sales as the primary point of contact with our customers. Even so, we have been able to skillfully slide our functions to continue with our activities.

At the same time, much work is carried out on a team basis, and I think there have been big changes in the day-to-day mode of communication between employees. Fortunately, because of the rapid development in tools for virtual and stand-up meetings over the past year, I feel the need to seek out new ways of communicating tailored to new working approaches, with due consideration to the use of such tools looking ahead.

Further improving corporate value

Following our transition to the holding company structure, I believe we need to spread the message that the Bank can play the role of a partner in all aspects of life, that customers can rely on in their daily life and in the operation of their business.

For example, Hirogin IT Solutions, which was established to take on IT operations, provides IT services that help customers solve

problems, and offers system construction and consulting services, just as general IT companies do, on top of system construction and operation within the Group. There are many different kinds and scales of companies in IT. Many may not be able to continue operations, but Hirogin IT Solutions is a trusted company that can be turned to without worry as a member of the Group. We aim for growth that can survive fierce competition within the IT sector, and we need people to understand this.

However, within the holding company structure, given that Hirogin IT Solutions has the most distinctive culture in terms of hiring, employment, and other systems in the Group, I believe that it will be extremely important to change our thinking in such a way as to let each company's strengths come to the fore, while fully understanding the differences and special characteristics of each.

In addition, we expect to make further progress in the sharing of computer system assets created at individual Group companies to date, and I expect to see the number of situations in which we can play a role further rising in the future. Of course, certain functions are more efficient when shared, but certain things cost more. Because of this dichotomy, I think it is necessary to consider how to improve productivity and operational efficiency.

To create new services and add value to those that we currently provide, we also need to make meaningful our transition to a holding company system in terms of data handling and usage, ensuring too that this is in line with the spirit of the times.




Profile

Born in Hiroshima Prefecture. After working as an assistant at School of Engineering, Hiroshima University, joined the Radiation Effects Research Foundation, a Cooperative Japan-US Research Organization, in 1990. Worked on establishing an Internet connection point*, which was rare at that time in Japan, and then went on to the field of information communication and computer network research. Joined Hiroshima City University in June 1994, then assumed office as professor of the Graduate School of Information Sciences of the same university in April 2007. In recent years, she has continued her research into technologies that support IoT infrastructure, in areas such as IT and cloud computing security, operational management, and wireless LAN communication quality. Served as an External Director of Hiroshima Bank from June 2015 to September 2020. Assumed office as External Director of the Company in October 2020.

* A point to connect with the Internet, offered by companies and internet service providers

Message from Financial Officer



We will work to improve the Group's corporate value by maintaining and improving the capital adequacy ratio through ample retained earnings, appropriate risk-taking and strategic investment.

Akira Ogi, Director & Senior Managing Executive Officer

Due to the spread of new coronavirus, fiscal 2020 has been an unstable year both politically and economically. Under such circumstances, on October 1, 2020, Hirogin Holdings was established through a sole-share transfer of Hiroshima Bank. Under a new group business structure and aiming at “further contribution to regional community and customers,” and “sustainable growth and improved corporate value for the Group,” we formulated our Mid-Term Management Plan 2020, which spans the period from October 2020 to March 2024. In fiscal 2021, technically the first fiscal year of the holding company structure, we will enforce solid management strategies.

Business performance for fiscal 2020 and financial results forecasts for fiscal 2021

Business performance for fiscal 2020

Regarding the economy in this region during fiscal 2020, exports and production remained at a low level primarily in the mainstay automobile industry, and corporate performance also remained weak, as economic activities were stagnant in Japan and overseas due to the impact of new coronavirus. Moreover, the overall economy continued to suffer from severe conditions with sluggish consumer spending owing to factors such as the deterioration of employment and income conditions and decreasing consumer sentiment. Under such economic circumstances, despite a decrease in net interest income due to a prolonged period of negative interest rates and low interest rates overseas, the Company's consolidated gross profit increased ¥0.9 billion year on year to ¥95.2 billion as a result of increased income in corporate solutions such as support for business succession and M&A, as well as increased

income from asset management business owing to the reinforcement of the banking-securities collaboration strategy.

Profit attributable to owners of the parent decreased ¥2.7 billion year on year to ¥21.5 billion due to increase in expenses related to the new Head Office building and increase in credit expenses due to reasons such as the spread of new coronavirus and the recording of proactive allowance for some corporate customers, etc.

On the other hand, as we promote consulting services as a unified group, the total revenue related to consulting service for corporate and retail customers of Hiroshima Bank and net income for the Group companies, which is one of the management objectives, was ¥12.0 billion and contributions of Group companies to consolidated performance was 11.4%.

Financial results forecasts for fiscal 2021

For fiscal 2021, the total revenue related to consulting service for corporate and retail customers of Hiroshima Bank and net income for the Group companies is forecast at ¥13.9 billion. We plan to achieve this by strengthening our provision of solutions as a unified group, including those for nonfinancial areas, and continuing our “escort-runner style support” for corona-affected corporate customers to support their financing needs.

Credit expenses are forecast at ¥8.5 billion, taking into account the increase due to the spread of new coronavirus, etc.

For profit attributable to owners of the parent, despite an increase in general and administrative expenses related to the new Head Office building, we expect an increase to ¥22.0 billion.

■ Hirogin Holdings (Consolidated) (¥ billion)		
	FY2020	FY2021
Consolidated gross profit	95.2	—
Ordinary profit	31.0	31.5
Profit attributable to owners of the parent	21.5	22.0
Total of revenue related to consulting service for corporate and retail customers of Hiroshima Bank* ¹ and net income for the Group companies* ²	12.0	13.9
Contributions of Group companies to consolidated performance* ³	11.4%	13.6%
Consolidated capital adequacy ratio	10.6%	10.1%
Consolidated ROE	4.3%	4.2%

■ Hiroshima Bank (Non-consolidated) (¥ billion)		
	FY2020	FY2021
Core gross banking profit	86.5	84.5
Core banking profit	33.1	29.5
Ordinary profit	31.0	28.5
Net income	22.3	20.5

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

*2 Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

*3 Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies}^2}{\text{Profit attributable to owners of the parent}}$

Management objectives for Mid-Term Management Plan 2020

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

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

In addition, we hope to secure 10% or more in consolidated capital adequacy ratio, an indicator of financial soundness, even amid the increase in risk assets as a result of our active credit risk-taking in the local community.

Management objectives for Mid-Term Management Plan 2020

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

Capital policy

Management aimed at maintaining soundness and improving capital efficiency

The consolidated capital adequacy ratio of the Company at the end of March 2021 was 10.60%. This was attributable to an increase in risk assets of ¥185.8 billion compared with the end of March 2020 to ¥3,850.4 billion resulting from the impact of Hirogin Lease becoming a wholly-owned subsidiary in addition to loans, including financing support for companies affected by the coronavirus crisis, and active credit risk-taking on equity investment.

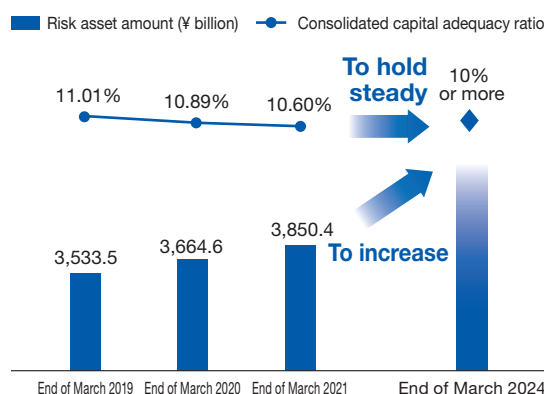
The Group sets a risk appetite framework to operate business in a way that soundness is maintained and the capital efficiency is improved. We position active credit risk-taking in the region and strategic investment aimed at gaining new revenue opportunities as one of the pillars of our management strategy. To strengthen the equity business, which is a growth driver of the



Mid-Term Management Plan 2020, we are allocating capital based on strategic risk assets.

We aim to maintain a consolidated capital adequacy ratio of at least 10% for the medium to long term by continuing to focus on achieving appropriate levels of profitability concerning the amount of risk assets and striking the right balance against the capital adequacy ratio.

Consolidated capital adequacy ratio and risk asset amount



<Reference> External credit rating

	Japan Credit Rating Agency (JCR)	Rating and Investment Information (R&I)	Moody's
Hirogin Holdings	AA-	A	—
Hiroshima Bank	AA-	A+	A2

Reducing cross-shareholdings for improved capital efficiency

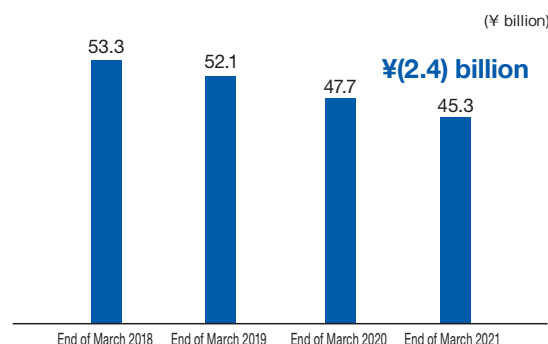
The Group has a basic policy of not engaging in cross-shareholding, except where it is deemed that the holding has a rationale such as development of the regional economy or improvement of corporate value.

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

In fiscal 2020, we reduced our cross-shareholdings by ten companies (including partial reduction) and by ¥2.4 billion (based on acquisition cost), as a result of dialogue with issuing companies.

We will continue to reduce cross-shareholdings through dialogue with the issuing companies with a view to efficient utilization of capital.

Shareholding of listed shares and cross-shareholdings (based on acquisition cost)



See page 33 for details of our policy regarding cross-shareholdings, etc.

Enhanced shareholder returns

The Group takes care to enhance shareholder returns and retained earnings in order to thoroughly address various issues facing the regional community and our customers and contribute to the region's sustainable growth as a Regional Comprehensive Services Group, and pays "performance-linked dividends," which reflect profit attributable to owners of the parent, in addition to "stable dividends."

In fiscal 2020, we paid out an annual ordinary dividend of ¥24 per share and the consolidated payout ratio came to 34.6%. For fiscal

2021, we plan to pay an annual dividend of ¥24 per share, based on the dividend criteria table.

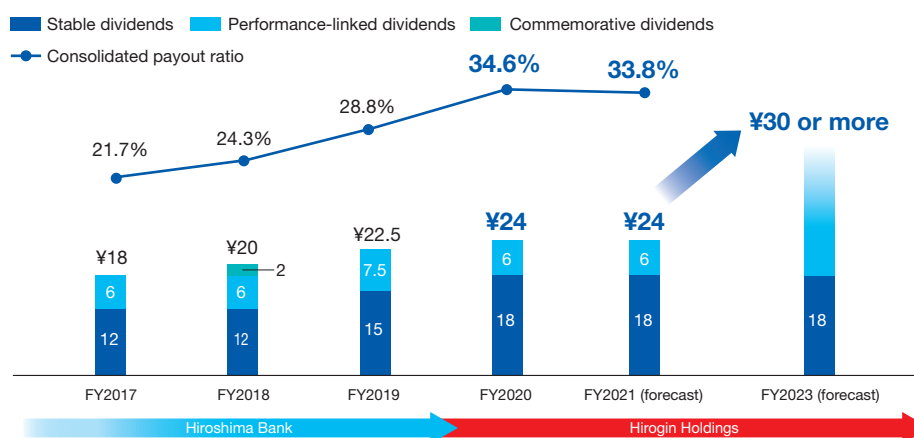
In addition, we aim to pay an annual dividend of ¥30 or more per share for the last year of the mid-term management plan (fiscal 2023).

We will continue to aim for enhanced shareholder returns, while steadily increasing retained earnings.

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

Cash dividends per share and consolidated payout ratio



Note: The Group conducted a share consolidation of common shares at the ratio of 1 share for 2 shares on October 1, 2017. Cash dividends per share figures in fiscal 2017 or earlier are amounts accounting for the share consolidation.

As we revised the dividend criteria table in fiscal 2019, proportionate figures for the period before and after the revision are shown.

For fiscal 2020, as Hirogin Holdings was established on October 1, 2020, the interim dividend of ¥12 per share (total of dividends paid: ¥3,748 million) paid by Hiroshima Bank is included.

Mid-Term Management Plan 2020

**Period covered
by the Plan:**
From October 2020
to March 2024

Basic approach

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

Three pillars of the Mid-Term Management Plan

**First
pillar**

Strengthen the efforts to resolve problems of the regional community, aiming for regional revitalization

See page 43 for details

**Second
pillar**

Deepen the core business of each group company to contribute to growth of customers and expand the group-integrated business areas (establish new profitable areas)

See page 45 for details

**Third
Pillar**

Establish a stable management base to support the sustainable growth of the regional community and customers

See page 63 for details

Targets for the Mid-Term Management Plan and

**Regional vitalization
and regional revitalization**

Rebuild structures to strengthen relationships with various

Strategy for corporate customers

Strategy for individual customers

Strategy for corporate owners

Develop the business over the services related to business

Channel strategy

Build channels that fuse the physical and the digital to support our growth strategy.

- Number of branches Reduce by approx. 10%
- Number of ATMs Reduce by approx. 20%
(compared to FY2019)

Digital strategy

Create new digital businesses to generators for the future.

Reinforce and expand settlement/
(offer cashless payments/strengthen

Earnings from new digital
Approx. ¥0.3 billion

Human resource strategies

Build a robust organization by optimizing the Group's internal human resources.

Group personnel total

As of the end of March 2020 Approx. 4,000 persons → As of the end of March 2024 Approx. 3,700 persons

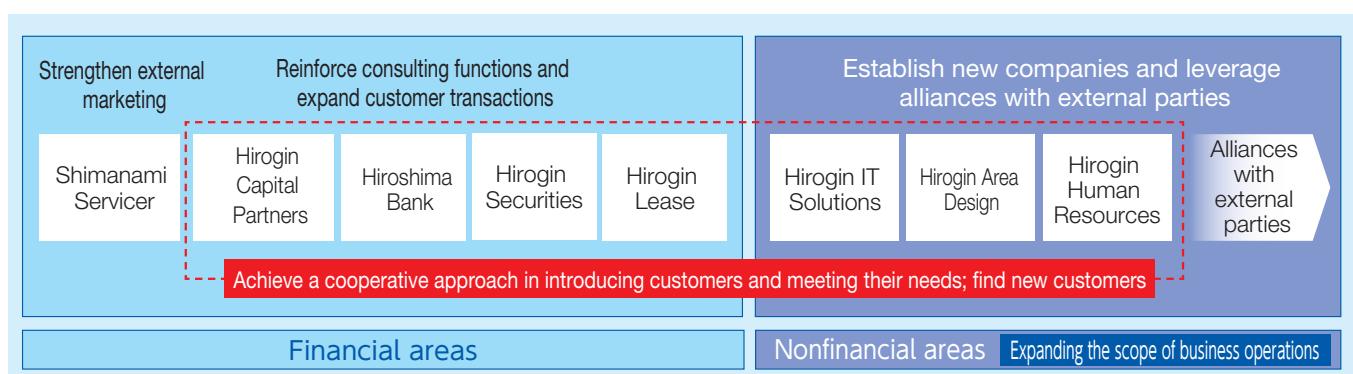
Strengthen intra-Group cooperation
Eliminate routine clerical tasks

Impact of restructuring

Expanding business areas through strengthened intra-group cooperation

The Group companies will introduce customers to each other and expand their customer base. At the same time, by combining each company's function, creating new businesses, and expanding the scope of business operation base

through alliances, we will build a Regional Comprehensive Services Group that provides unrivaled solutions to expand the horizons of the future to stakeholders.



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

contribution to achievement of SDGs

organizations and fellows and to boost sales of consulting services.

medium to long term by strengthening sales of consulting succession, inheritance, etc.

	IT strategy
serve as revenue	Apply the new subsidiary to bolster the IT solutions business.
channel functions (app functions).	Enhance Group IT development/administration structures.
businesses	

Restructuring

and implement a radical restructuring of Group companies through digital technologies.

Approx. ¥1.2 billion (compared to FY2019)

Contribution to achievement of SDGs

Management Policy (Management Vision + Code of Conduct)

Management Vision

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

+

Code of Conduct

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

1. Contributing to local communities

Work in step with regional communities to actively contribute to their development

2. Contributing to customers

Think and act from the customers' points of view to contribute to their prosperous life and business development

3. Enhancing corporate value

Continuously enhance the Company's corporate value

4. Increased job satisfaction

Create a cheerful, rewarding corporate group where everyone works healthfully

5. Compliance

Exercise a high level of compliance

Management objectives (for FY2023)

Hirogin Holdings	Profit attributable to owners of the parent	More than ¥27.0 billion
	Consolidated ROE	5% or more
	Consolidated capital adequacy ratio	10% or more
	Hiroshima Bank Revenue related to consulting service for corporate and retail customers of Hiroshima Bank	¥16.0 billion or more
	Excluding Hiroshima Bank Net income for the Group companies ^{*1}	
Excluding Hiroshima Bank	Contributions of Group companies to consolidated performance ^{*2}	12% or more

^{*1} Net income for the Group = Total of net income for consolidated subsidiaries, excluding companies Hiroshima Bank, multiplied by investment ratio

^{*2} Contributions of Group companies to consolidated performance = $\frac{\text{Net income for the Group companies}^{\text{*1}}}{\text{Profit attributable to owners of the parent}}$

Initiatives for the Mid-Term Management Plan

Medium to long-term initiatives

Deepening/expanding customer base

Bank

- ◎ Leverage the bank's customer base to offer solutions, including solutions in the nonfinancial field, provided by the bank and by Group companies

Non-bank

- ◎ Leverage the bank's customer base to offer solutions
- ◎ Attract new customers

➡ Expand the Group's customer base

Take advantage of alliance in other business formats

Deepening/expanding operations

Expand new solutions functions and create new businesses in fields in which needs are projected to increase and growth is expected

➡ Establish new earnings sources

- ◎ Find new customers that have never transacted with the Group
- ◎ Scrap-and-build of new businesses and cooperating with other industries in line with regulatory easing

Three pillars of the Mid-Term Management Plan

1. Strengthen the efforts to resolve problems of the regional community, aiming for regional vitalization



Basic policy

With a view to delivering fundamental solutions to issues with regional communities and industrial structures, we will step up initiatives we have been implementing. In cooperation with local public bodies and business

operators, we will ensure that the Group will play a central role in pushing forward with new businesses tied to local revitalization.

Surrounding environment and current issues

Outflow of regional industries to other regions, outflow of population to large cities, shortage of personnel for community development, aging of buildings in city centers, shortage of hotels and offices, slump in demand from foreign tourists due to the coronavirus crisis, and shrinking regional economy (decline in the region's GDP)

have been observed. While regional revitalization by local public bodies has transitioned from a strategy planning phase into a strategy execution phase, specific projects are expected to increase, leading to an increase in the importance of taking initiatives for regional vitalization and regional revitalization.

Key strategies

While strengthening relationships with various organizations and fellows, we contribute to regional vitalization and regional revitalization by developing new businesses through ways such as actively making efforts to identify the issues facing the regional community, which is the “upstream” of the projects.

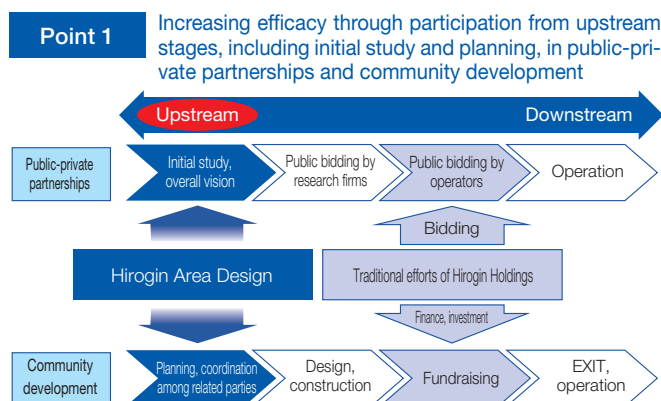
Key areas of focus

- [Further strengthen past initiatives]
 - Urban redevelopment and tourism promotion
 - Consulting for government organizations
- [Develop new businesses]
 - Resolution of local issues and development of industry

Regional revitalization and regional revitalization

As we aim for functional enhancement by establishing new companies and other measures in alliance and cooperation with local public bodies and business operators, we will push forward with new businesses tied to regional revitalization

Business development with a focus on contributing to community development and solutions to regional issues



Hirogin Holdings has traditionally been involved in bidding processes for public projects in relation to the government administration and mainly taking part in the financing stage of community development projects after the projects are materialized.

Furthermore, by getting involved in projects by confronting issues from upstream stage together with the region, Hirogin Area Design will increase efficacy of each initiative, thereby contributing to the creation of better lives.

Initiatives by Hirogin Area Design

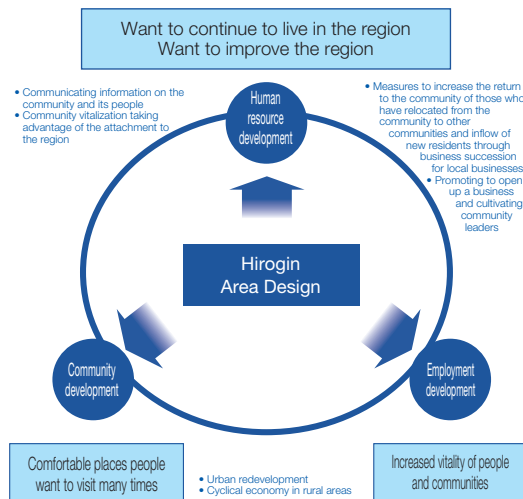
Hirogin Area Design joins three themes: human resource development, community development, and employment development, to design the region.

Specifically, in human resource development, we will increase the number of people who wish to continue to live in and improve the region, and will provide our support to these people. In community development, we will create a community where people feel comfortable with and want to visit many times. In employment development, we will contribute to creating jobs that will revitalize the people and the community.

As actual activities extend over each theme of human resource, community, and employment, we will carry out activities that can achieve synergistic effects from these themes rather than generating a single effect from human resource, community, and employment independently, and will implement activities that can have an impact on the region in a way suitable for the phrase “design the region.”

Point 2

Creating new regional value by organically linking community development, human resource development, and employment development by Hirogin Area Design



TOPICS

Tourism promotion

Proactive participation in the community tourism infrastructure

- Establishment of Setouchi DMO
- Participation in regional trading company business
- Participation in privatization of Hiroshima Airport

Urban redevelopment

Deploying measures to contribute to regional revitalization by participating in urban redevelopment projects from the upstream stages

[Case study] Attracting Hilton Hotels

This project goes beyond simple real estate development to create new value for the region by involving community development, human resource development, and employment development in various ways, including efforts to enable use as a conventional facility and create employment.



Three pillars of the Mid-Term Management Plan

2. Deepen the core business of each group company to contribute to growth of customers and expand the group-integrated business areas



Basic policy

While ensuring a “market-in” approach, the Group as a whole aims to deepen and expand customer base and

business operation base and makes thorough efforts to resolve issues facing our customers in the region.

Surrounding environment and current issues

The environment remains severe due to factors such as deterioration of the earnings environment owing to a prolonged period of negative interest rates and intensifying competition with the entry of competitors from

other industries, in addition to contraction of the regional economy due to declining and aging population in Japan.

Key strategies

[Strategy for corporate customers and strategy for individual customers]

To deepen and expand customer base, we will strengthen relations through feasibility studies, household management for individual customers, etc., while aiming for mutual utilization and expansion of customer base by reinforcing information alliance between Group companies.

By strengthening solutions functions of each Group company, we will make use of new solutions functions in areas such as equity business.

By utilizing alliances, we aim to expand our customer base and business operation base, including in non-financial areas.

[Channel strategy and sales promotion framework]

In order to overhaul and improve the efficiency of Group sales locations in response to changes in contact points with customers, we will work to (i) overhaul physical channels (reducing the number of bank branches and ATMs), (ii) expand services that can be completed on the internet, and (iii) construct new channels that utilize digital technologies such as online meetings.

We will construct a sales promotion framework to enhance consulting functions and sophisticated specialized expertise.

Key areas of focus

[Strategy for corporate customers]

- Strengthen and expand solution services by intra-group cooperation
- Construct a platform that accurately captures customers' needs

[Strategy for individual customers]

- Total support to meet a wide variety of needs as "personal concierge"
- Construct a platform with Hirogin App as the starting point

[Strategy for corporate owners]

- Exquisite customer service that builds on approaches to both corporate customer side and individual customer side

[Channel strategy]

- Sophistication of consulting services in physical channels and expansion of contact points with customers in digital channels

[Digital strategy]

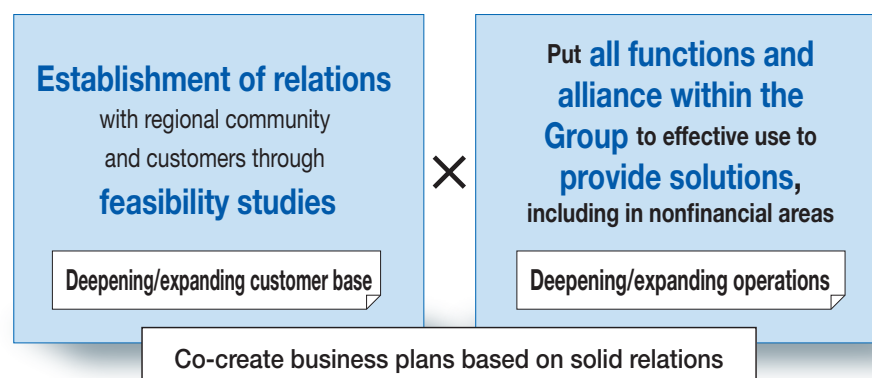
- Creation of new digital businesses
- Promotion for cashless payments
- Enhancement of functions in online channels such as apps
- Digitalization of Group companies' operations

[IT strategy]

- Sophisticated utilization of data
- Consideration of next-generation core systems
- Strengthen group-wide IT planning and development
- Construct a structure that accommodates digitalization
- Strengthen system management
- Human resource development in IT and digital fields

Strategy for corporate customers

Providing Group-based solutions, including in nonfinancial fields, for diverse customer needs based on feasibility studies.



Relations (Deepening/expanding customer base)

—Establishment of relations with regional community and customers through feasibility studies—

Initiatives toward feasibility studies

As we previously realized the importance of qualitative information linked to future business prospects, we have positioned Hiroshima Bank's feasibility studies at the core of sales based on customer needs.

[Views on environment and issues]

Prolonged period of negative interest rates, decreasing population and business offices, diversifying needs of businesses

[Issues that need to be addressed]

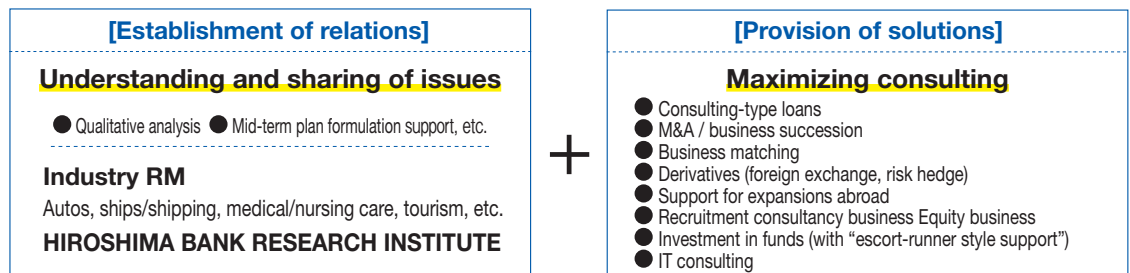
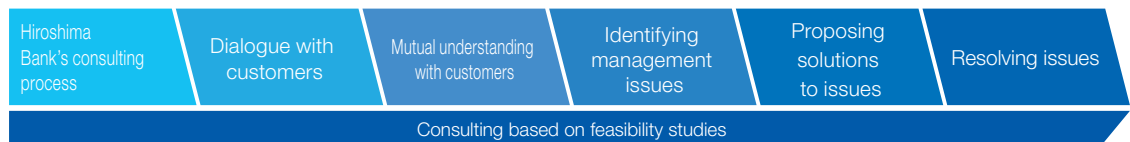
Support to companies' growth and new business creation, contribution to efforts to revitalize regional communities and sustainable economic development in the region

[Goals]

Practice high-value-added banking business based around "feasibility studies," which are the advantages of Hiroshima Bank

Our "feasibility studies," which we have developed through many years providing support suited to characteristics of local industries, is one of our advantages. Our goal as a financial institution that will remain in the region is to understand the region and its industry and provide loans and core business support that can lead to customers' growth.

■ Consulting process



Feasibility studies

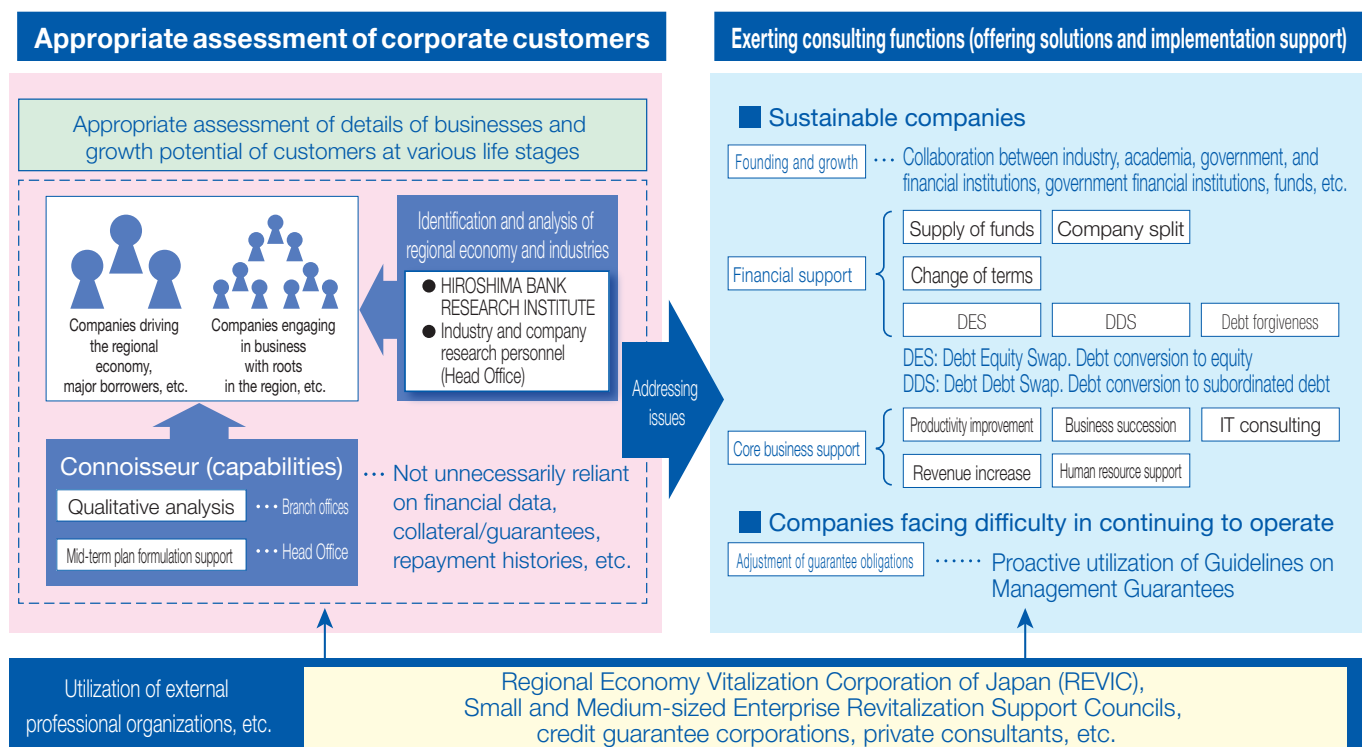
Background to this initiative

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



In January 2001, in order to accurately respond to the diversification and sophistication of business partners in the automobile-related industries, Hiroshima Bank newly established the "Automobile-related Measures Office" by hiring personnel transferred from the auto industry. Experts visited suppliers' plants and gained an understanding of the technical side of their businesses. To this, the financial analysis made by Hiroshima Bank enables understanding of customers' businesses in terms of both "technical" and "financial" aspects. Even in the midst of rapid external changes such as the Lehman shock, we were able to deal with these changes while remaining committed to this approach. This led to the development of Hiroshima Bank's feasibility studies.

■ Hiroshima Bank's "feasibility studies"



Solutions (Deepening/expanding business operation base)

—Put all functions and alliance within the Group to effective use to provide solutions, including in nonfinancial areas—

1. Strengthen initiatives for IT consulting (Hirogin IT Solutions)

IT supports for customers

Hirogin IT Solutions provides a variety of solutions, such as ICT business and worker dispatching business, for customers.

Leveraging Hiroshima Bank's feasibility studies, Hirogin IT Solutions supports problem-solving such as improving operational efficiency by system construction from "IT

diagnosis" and provision of generic packages, etc.

Furthermore, for large-scale system construction projects, we provide comprehensive financing methods by cooperating with external vendors and in alliance with Hirogin Lease.



ICT business

- Providing IDC services (cloud, housing, system operation, and information and data processing services)
- System planning, development, operation, and maintenance
- Sale of software package and computer equipment



Worker dispatching business

- Dispatch of system development and operation specialists for corporations such as financial institutions
- Human resource outsourcing

IDC and outsourcing services

With a data center serving as a base that continues to operate under all kinds of natural disasters, we are deploying a wide range of services from cloud services to BPO.

◎ IDS services

■ Cloud ■ Housing ■ Hosting

◎ Outsourcing

■ BPO ■ Management of My Number

■ Operation and monitoring

◎ Security

■ Network construction ■ Management of IT assets

■ Management of cyber security

Software development

In software development, to understand the current situation and needs of customers, we provide consulting such as IT diagnosis, aiming for outcomes that exceed customers' expectations.



IT diagnosis



Design



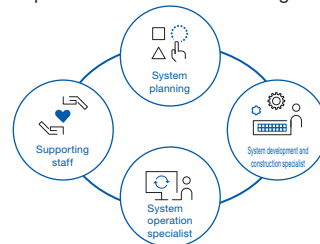
Development



Operation

Dispatch of system planning and operation specialists

Dispatching specialists such as system planning engineers, system engineers, and network engineers to our customers. We support customers in system construction and operation with human resources that possess specialized skills and knowledge.



Skills possessed (List of qualifications acquired)

◎ National qualifications

■ Systems Auditor ■ Registered Information Security Specialist ■ Information Security Specialist ■ Project Manager ■ Network Specialist ■ Database Specialist ■ Applied Information Technology Engineer ■ Fundamental Information Technology Engineer ■ Information Security Management ■ Information Technology Passport

◎ Public qualifications

■ Project Management Professional ■ Certified Systems Auditor ■ Project Management Specialist ■ IT Coordinator ■ ITIL Foundation ■ IT Planning Sales

◎ Vendor certified qualifications

■ OracleMaster(Platinum, Gold, Silver) ■ Oracle Certified Java Programmer (Gold, Silver) ■ OB2 Engineer ■ Oracle Certified Java Associate ■ CCNA ■ .com Master ■ Ruby Association Certified Ruby Programmer (Gold, Silver) ■ UML Fundamentals

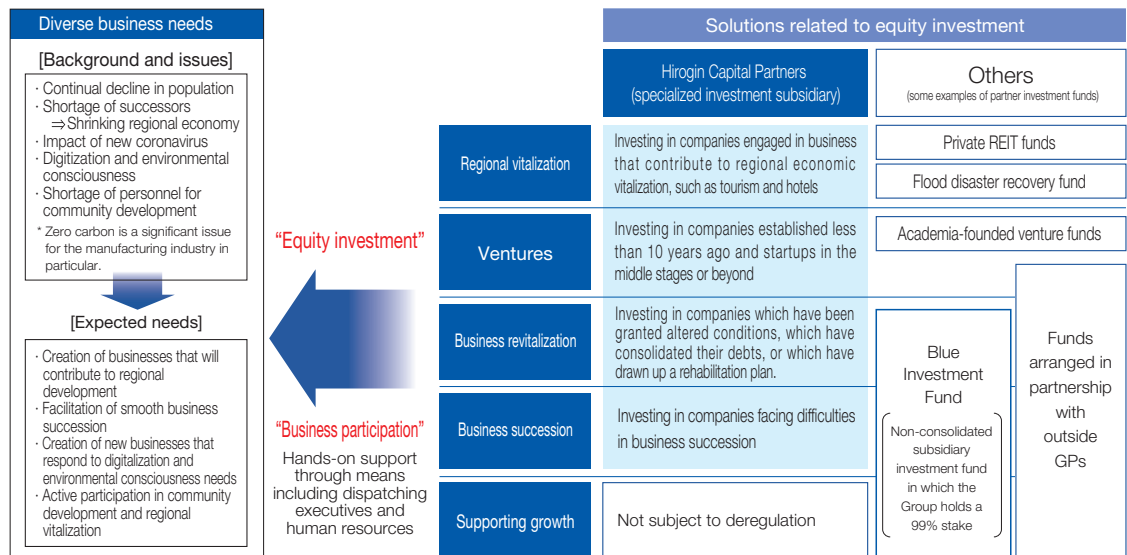
2. Strengthen initiatives for equity business (Hirogin Capital Partners)

Hiroshima Bank invests in three funds formed by Hirogin Capital Partners Co., Ltd., which are the Business Rehabilitation Fund, the Business Succession Fund and the Venture Fund.

Cooperating with external funds, Hiroshima Bank will provide a kind of support in the forms of “business participation,” which goes beyond the “escort-runner style support,” by leveraging “equity investment,” which targets

customers contributing to solving regional issues and those working to grow their business, and “consulting functions,” which we have developed over the years.

Through these efforts, we aim to deepen and expand the Group’s customer and business axes, improve corporate value of investee companies and help revitalize the regional economy.



3. Strengthen initiatives for human resource support (Hirogin Human Resources)

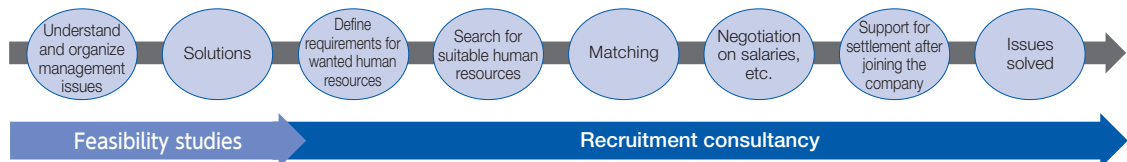
Recruitment consultancy business

Hiroshima Bank launched a recruitment consultancy business in April 2019 to help corporate customers resolve the issue of labor shortage. Furthermore, Hirogin Human Resources was established in April 2021 to conduct recruitment consultancy business, which

had been previously carried out by Hiroshima Bank. At the same time, by strengthening co-operation with external recruitment agencies, we are building a structure that can respond to a wide range of employment needs of customers.

■ Phases of recruitment consultancy

It is a highly effective solution with a close affinity with initiatives for feasibility studies.



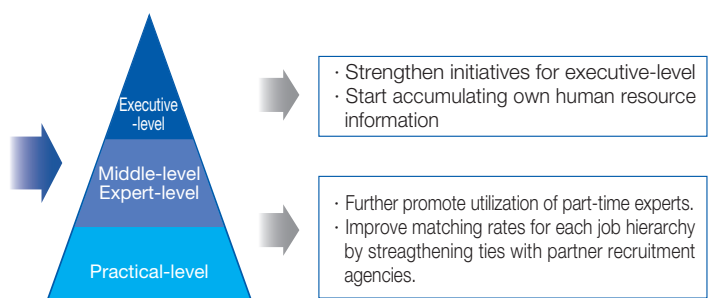
Challenges facing managers in Hiroshima Prefecture

(Top 10)

Decreased sales and orders received	62.1%
Enhancing HR development, improving employee skills	38.8%
Securing human resources, labor shortage	35.1%
Increasing productivity	16.6%
Responding to work-style reforms	14.6%
Aging facilities	14.4%
Employment stability and maintenance	12.3%
Adding value to products and services	11.9%
Rising labor costs	11.7%
Falling sale prices	11.3%

Source: Survey of managers by HIROSHIMA BANK RESEARCH INSTITUTE in the second half of FY2020 (up to three answers accepted from respondents across all industries, n = 699)

Details of initiatives



Training business

Among the challenges facing managers in Hiroshima Prefecture, “Enhancing HR development, improving employee skills” has been raised as one of the top challenges. Hirogin

Human Resources is responding to diverse needs for human resource training, such as expanding training menu and dispatching lecturers.

Challenges facing managers in Hiroshima Prefecture

(Top 10)

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Source: Survey of managers by HIROSHIMA BANK RESEARCH INSTITUTE in the second half of FY2020 (up to three answers accepted from respondents across all industries, n = 699)

Details of initiatives

- Expanding line-up of seminars and training responding to customers' training needs
- Enhancing contents of seminar and training curriculums
- Supporting implementation of internal training programs such as dispatching lecturers in response to customers' needs.

Consulting business

As a significant number of items have been raised among the top challenges facing managers in Hiroshima Prefecture, we will take initiative in supporting to resolve issues related to

various personnel and labor matters, such as workstyle reform which is expected to grow in demand in the future.

Challenges facing managers in Hiroshima Prefecture

(Top 10)

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Details of initiatives

Consulting related to HR and labor

- Responding to work-style reforms
- Support for introducing IT related to HR and labor
- consultations related to labor management etc.

Consulting related to HR systems development

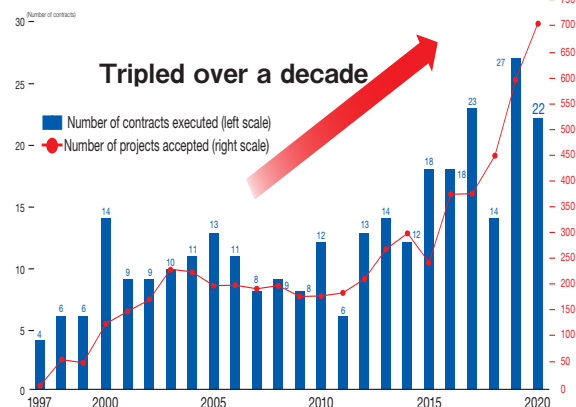
- Support for designing human resource system, such as reviewing evaluation system and compensation system, and other consultations

4. Strengthen initiatives for business succession (Hiroshima Bank)

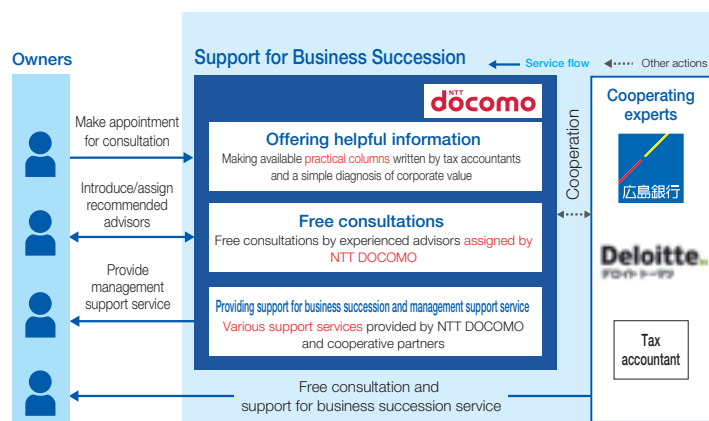
As business succession is becoming an increasingly serious issue in the regional economy amid aging business owners and a shortage of successors, Hiroshima Bank supports business succession through M&A advisory services. The number of customers seeking our support has been increasing in recent years.

Moreover, in February 2021, we initiated a non-face-to-face online service on a trial basis by utilizing the portal site provided by NTT DO-COMO, INC. This service is available regardless of time and place, capable of responding to issues related to business succession.

Number of successful M&A contracts and consultations offered

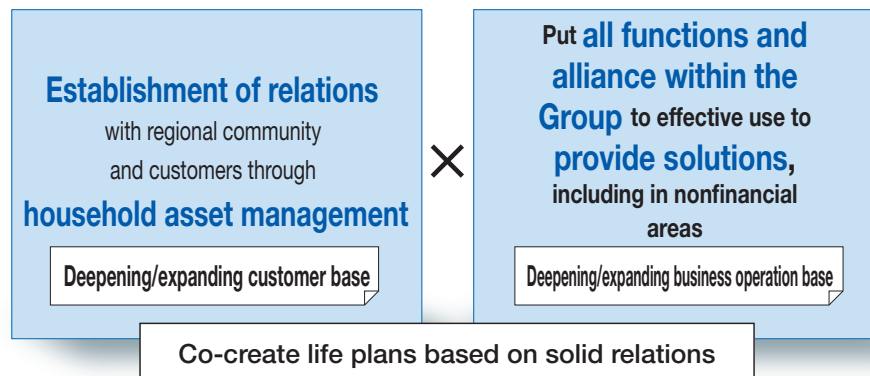


Support for Business Succession trial service



Strategy for individual customers

We provide customers with optimized solutions for household asset management that are tailor-made to their life plans.



Relations (Deepening/expanding customer base)

— Establishment of relations with regional community and customers through household asset management —

As customers' concierge

Aiming to be a “personal concierge”

Hiroshima Bank will reinforce relationships with customers. In highly specialized areas, by utilizing solutions functions of the Head Office, Group companies, and alliance partners, we are aiming to become the company customers can rely on most by consistently providing support for consultation from start to finish.

Furthermore, to be able to respond to an ever-wider range of consultation topics concerning our customers' livelihood and dreams, Hirogin Holdings will offer various products and services such as securities and insurance life partner service going beyond the boundaries of the existing banking business and will serve as a personal concierge making the life of our customers more comfortable.



[Views on environment and issues]

Prolonged period of negative interest rates, declining population, aging society, diversified/sophisticated/complex customer needs

[Issues that need to be addressed]

Hirogin Life Design Service

Based on the concept of concierge, Hiroshima Bank will provide various proposals on future lives of our customers. As part of efforts to provide support for making our customers' lives more comfortable, we are offering “Hirogin Life Design Service” to offer total support to meet a wide range of needs including non-financial areas.

We will ask our customers for information on such matters as their family structure, asset information (financial assets, insurance, real estate properties, etc.), and life events, and will provide a life design which will be a design specification for the future. Over the mid- to long-term, we will share information with our customers and will individually provide

necessary information and support in response to customers' concerns.

[Goals]

As a “concierge” for our customers, we will gather a broad range of customer needs and aim to provide support to make our customers' lives more comfortable by offering non-financial services which support various daily needs.



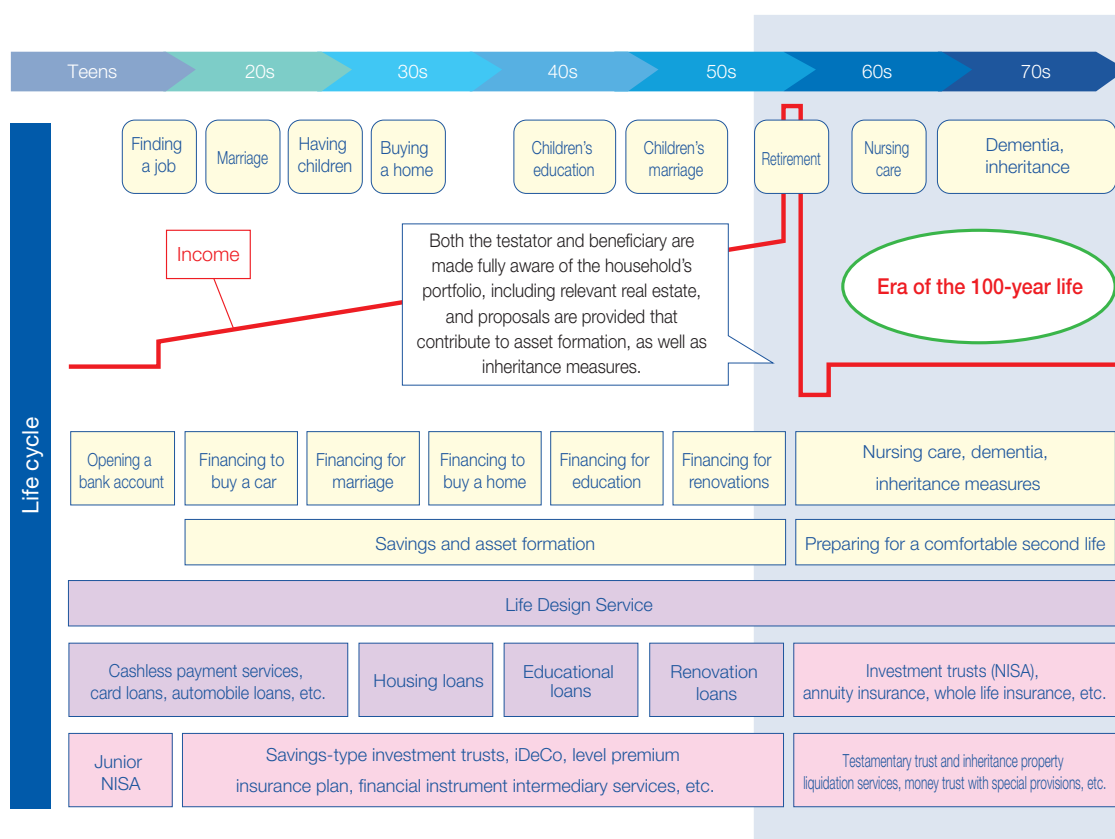
Solutions (Deepening/expanding business operation base)

—Put all functions and alliance within the Group to effective use to provide solutions, including in nonfinancial areas—

1. Strengthen total support for life plans (Hiroshima Bank)

Hiroshima Bank proposes optimal solutions that address the life events of our customers and the needs of each generation. For those in the period of asset formation, we will contribute to their stable asset formation by long-term and diversified investments. For the elderly generation, in addition to

strengthening efforts for inheritance-related business and helping with smooth inheritance and succession of assets, we will proceed with relationship building with the next generation through efforts such as proposing secondary inheritance measures.



TOPICS

1. Hiroshima Bank launched the "Life Design Service," which provides customers with necessary information and individual support by sharing information with customers over the mid-to long-term. (starting from April 2021)
2. Due to the grand opening of the new Head Office building, *Insurance Plazas* and *Inheritance Consultation Plazas* have moved to a new office (starting from May 2021)
3. We launched "Trust that Watches over Family" in response to the needs of the elderly and families who feel anxiety over managing their assets during their lifetime, in addition to a smooth transfer of assets to the next generation. (starting from January 2021)

2. Strengthen initiatives for inheritance consultation business (Hiroshima Bank)

Inheritance Consultation Plazas

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



Basic knowledge about inheritance

I want to research inheritance property and confirm legal heirs.



I want to learn about necessary procedures and actions to take for eventualities.



I want to learn about the difference between inheritance with and without a will.



What happens to inheritance for a couple without children?



Weekday and weekend contact point

Hiroshima Bank Inside Head Office Business Department 1-3-8, Kamiya-cho, Naka-ku, Hiroshima City

Sunday-only contact point

Hiroshima Bank Inside Fukuyama Sales Division 1-1-1, Kasumicho, Fukuyama City

Key solutions

We offer optimum solutions for customers to address issues including from inheritance measures taken before the devisor's death to support for procedures after his or her death.

Consultation topics

Devisor

- Smooth inheritance
- Will preparation

Heir

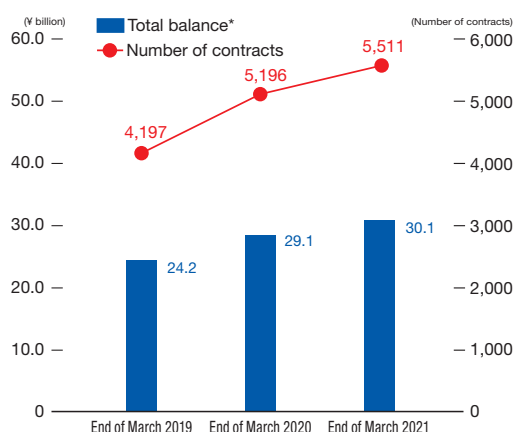
- Smooth procedures
- Secondary inheritance measures

Solutions

- Inheritance measure proposals
- Testamentary trusts
- Yearly gift trusts
- Inheritance property liquidation services
- Will execution
- Insurance
- Others

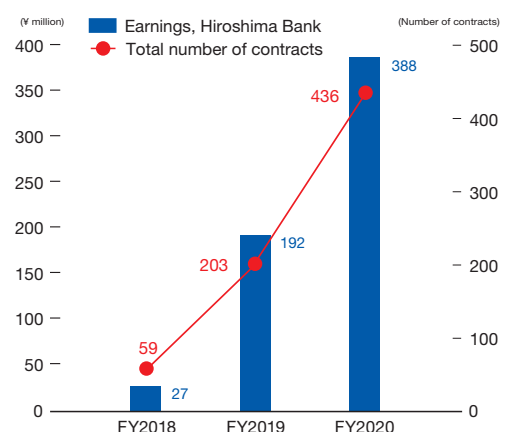


■ Number of contracts of inheritance-related trust products and balance



*Asset trust, Trust that Connects Family, Trust that Passes on Thoughts, Trust that Connects Family (savings-type investment trust type), and Trust that Watches over Family

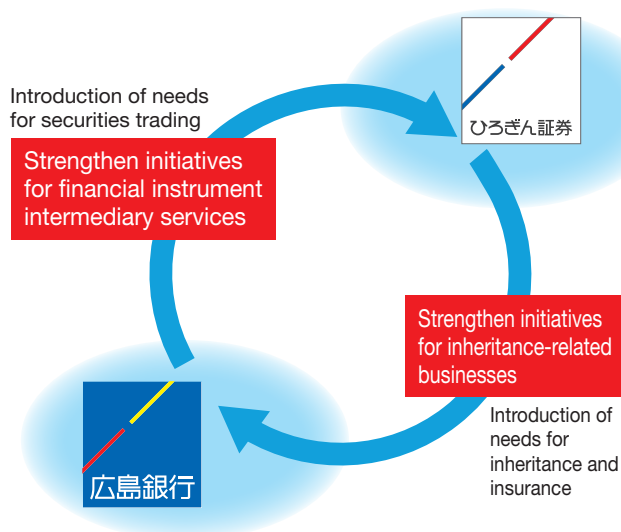
■ Number of contracts and earnings of Hiroshima Bank's testamentary trust and inheritance property liquidation services



3. Further enhancing the banking-securities collaboration strategy (Hiroshima Bank and Hirogin Securities)

Status of joint branches

Hiroshima Bank has 24 branches jointly operated with Hirogin Securities. They can address a wide range of consultation needs and requests related to asset management and inheritance under a one-stop service platform.

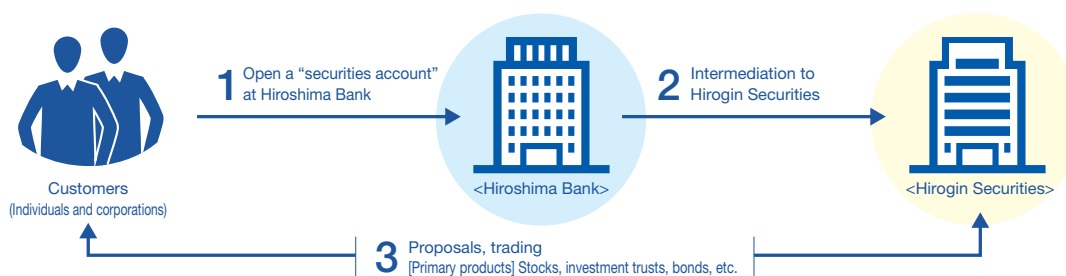


Joint branches established (as of May 31, 2021)

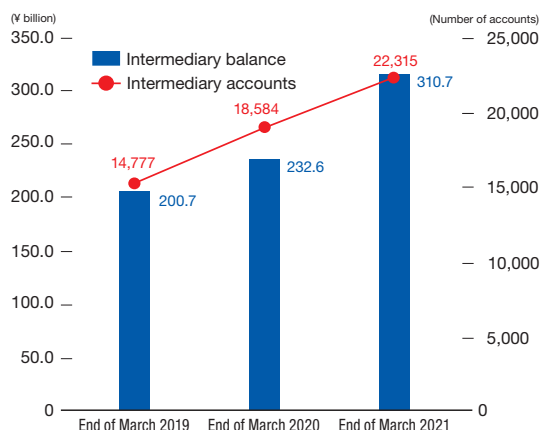
Hiroshima Bank	Hirogin Securities	Date of Establishment	Hiroshima Bank	Hirogin Securities	Date of Establishment
Hatsukaichi Branch	Hatsukaichi Branch	November 2008	Saijo Branch	Higashihiroshima Branch	July 2019
Okayama Branch	Okayama Branch Office	May 2014	Onomichi Branch	Onomichi Branch	August 2019
Mihara Branch	Mihara Branch Office	January 2018	Hiroshima-Nishi Branch	Hiroshima-Nishi Branch	September 2019
Ube Branch	Ube Branch	March 2018	Matsuyama Branch	Matsuyama Branch Office	November 2019
Kabe Branch	Kabe Branch	May 2018	Innoshima Branch	Innoshima Branch	December 2019
Kure Branch	Kure Branch	May 2018	Takehara Branch	Takehara Branch	January 2020
Fuchu Branch	Fuchu Branch	July 2018	Kaita Branch	Kaita Branch Office	January 2020
Imabari Branch	Imabari Branch Office	August 2018	Tokuyama Branch	Tokuyama Branch	February 2020
Tokaichi Branch	Miyoshi Branch	October 2018	Minamimachi Branch	Minamimachi Branch Office	April 2020
Iwakuni Branch	Iwakuni Branch	November 2018	Hofu Branch	Hofu Branch	October 2020
Fukuyama Sales Division	Fukuyama Branch	January 2019	Furuichi Branch	Furuichi Branch Office	October 2020
Tokyo Branch	Tokyo Branch	March 2019	Head Office Business Department	Head Office Business Department	May 2021

Financial instrument intermediary services

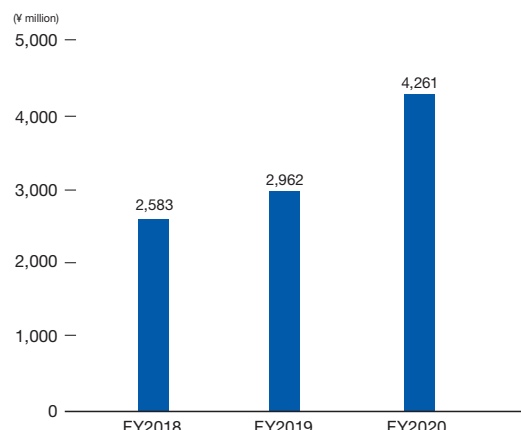
At Hiroshima Bank, customers can open a securities account with Hirogin Securities and Hiroshima Bank handles some of the products offered by Hirogin Securities.



Hirogin Securities <Trends in the number of intermediary accounts and balance>



Hirogin Securities <Trends in earnings from intermediary services>



4. Enhance solutions for various life's concerns (Hiroshima Bank)

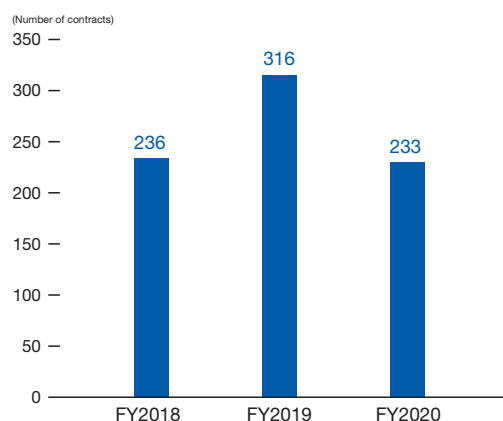
Hirogin Life Partner service

The “Hirogin Life Partner service,” started in September 2017 through a tie-up with Hiroshima Life Partner Co., Ltd., provides an optimum solution for various everyday concerns and problems, such

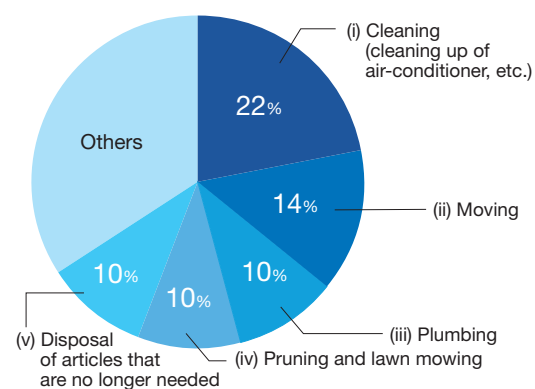
as fixing or renovating the house, cleaning the air conditioner and range hood, and assisting with the housekeeping.



■ Number of contracts of Hirogin Life Partner service



■ Popular services provided by Hirogin Life Partner service



Channel strategy

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

Against this background, as we ensure a market-in approach, we will accurately respond to customers' diverse and increasingly sophisticated needs. At the same time, the Group is working as one to build a channel that supports the implementation of "comprehensive regional services" by deepening and expanding customer base and business operation base.

1. Sophistication of consulting services in physical channels and expansion of contact points with customers in digital channels

Basic approach

As we aim to integrate the physical channels and digital channels, we will change the way we operate contact points with customers. By so doing, we will strive to achieve the goal of deepening the core business of each group company to

contribute to the growth of customers and expanding the group-wide business areas (establishment of new profit areas), which is one of our pillars of the mid-term management plan.

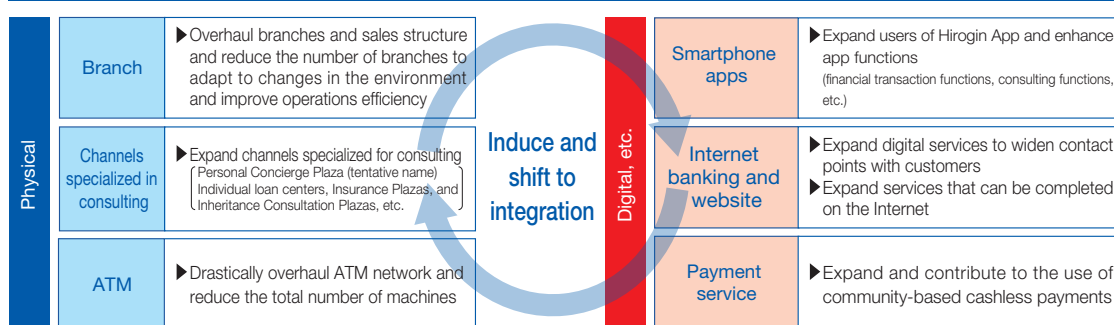
Channel strategy and sales promotion framework

Based on the basic approach, we are proceeding with the following priority measures.

- ◎ Overhaul and improve the efficiency of Group sales locations, in response to changes in contact points with customers

- ◎ Construct a sales promotion framework to enhance consulting functions and strengthen specialized expertise
- ◎ Expand services that can be completed on the internet

[Channel strategy] Sophistication of consulting services in physical channels and expansion of contact points with customers in digital channels



2. Overhaul and improve the efficiency of Group sales locations, in response to changes in contact points with customers

Overhaul of physical channels

In light of market changes and progress in digitization, since April 2020 Hiroshima Bank has been proceeding with the implementation of efficient branch operations in a sequential manner by clarifying the roles of large branches, medium-sized

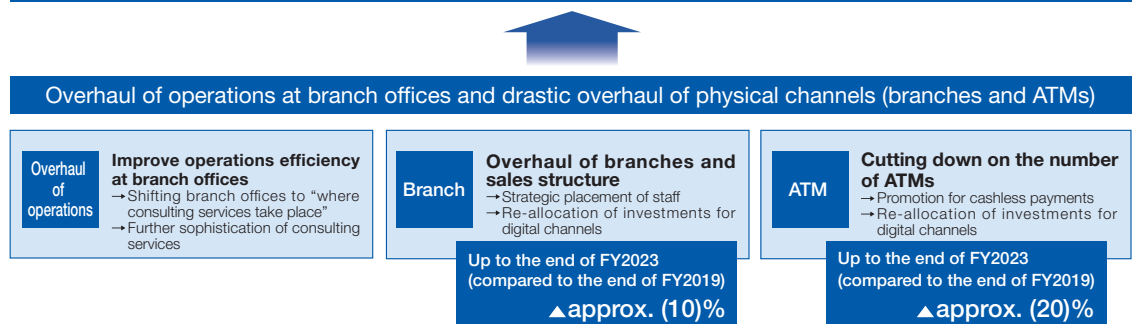
branches, and small branches specializing in deposit/exchange business with no lending business, in accordance with the market characteristics by each area, thereby strengthening its sales organization and optimizing management resources.

To eliminate the two-line system caused by the concentration of back-office processes of branch offices at headquarters, we will set up “area support” for the concentrated locations at the Administration Center and large branches in each area. By expanding the “area support” system across Hiroshima Prefecture, we will achieve efficient branch operations in each area rather than each branch office.

Going forward, by further enhancing non-face-to-face channels and digital channels, we plan to reduce the number of bank branches by 10% and ATMs by approximately 20% compared to the end of fiscal 2019 by the end of fiscal 2023 in the mid-term management plan, and reallocate management resources to new business areas including Group companies and non-financial areas.

Overhaul of physical channels

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



3. Constructing a sales promotion framework to enhance consulting functions and strengthen specialized expertise

Provide one-stop service with securities

The Group has been actively operating joint branches to offer one-stop service for both banking and securities and to enhance convenience for customers.

We further accelerated the operation after Hirogin Securities became a wholly-owned subsidiary in June 2017, and completed the joint transfer

of the Head Office Business Department in conjunction with the opening of the new Head Office building in May 2021. Currently, we are operating 24 joint branches, building a structure to provide services that accurately meet the diverse and sophisticated needs of the customers.

Expand channels specialized for consulting

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

Going beyond the scope of services traditionally provided by banks and securities companies to

meet the financial needs of customers, a variety of channels (people, branch, and functions) will serve as a “personal concierge” to offer total support for life planning to make each individual customer's life more comfortable. As a channel to realize such Group strategy for individual customers, we will consider the integration of functions in the future.

How the contact points with customers should be amid the coronavirus pandemic

In the era of the coronavirus pandemic, the Group will create new contact points with customers by actively utilizing online meetings in order to

accommodate the accelerating expansion of non-face-to-face channels, while maintaining the added value of face-to-face sales activities.

4. Expand services that can be completed on the Internet

Start accepting various notifications via smartphones

As part of the business process reform together with the overhaul of physical channels, we started making the individual customer transactions handled at the bank counter completely self-service by deploying tablets at branch counters, in order

to minimize clerical work at branch offices. At the same time, we implemented paperless operations and eliminated hanko seals, and started accepting notifications such as address change via smartphones and PCs starting December 2020.

Start accepting various notifications via smartphones

No need to come to our branch! Apply for procedures anytime and anywhere

E a s y
p r o c e d u r e s



For customers with cash cards of ordinary deposit accounts (including Value One Cards), the following procedures can be completed on smartphones or computers.

- Change of address
- Reissuance and discovery (restart of service) of passbook of comprehensive account, switch to passbook-free account
- Reissuance and discovery (restart of service) of passbook of ordinary deposit account
- Reissuance and discovery (restart of service) of cash card of ordinary deposit account
- Reissuance of Value One Card
- Reissuance of Direct Banking Card

Internet-only branch - Hirogin Carp Branch

Hiroshima Bank is supporting the region-wide effort to support and cheer the Hiroshima Toyo Carp baseball team, a local professional baseball team. We renewed a previous internet branch in March 2019 and opened the internet-only branch “Hirogin Carp Branch” in order to contribute to the expansion of contact points with customers and the revitalization of the local economy.

The branch is the first of its kind in Japan as a bank branch named after a professional baseball team. As we offer various benefits, we would like to continue supporting Hiroshima Toyo Carp, the treasure of our home city Hiroshima, together with


Hiroshima Toyo Carp fans across Japan.

For customers who cannot visit the branch due to work or those who live in areas where Hiroshima Bank's branch is not available, it is possible to open an account without visiting the branch and make transactions. While expanding contact points with such customers, we will utilize the internet branch as a channel for procuring deposits to prevent the outflow of assets such as inheritance to places outside of Hiroshima Prefecture and areas where the branch network of Hiroshima Bank is not available.


Internet-only branch - Hirogin Carp Branch

ひろぎんカープ支店

Original card designs




Cash card



Direct banking card

- Issues exclusive cash cards, etc. with Toyo Carp designs
- Accounts may be opened via Hirogin app or from the Bank website
- HIROGIN Debit (debit card) with a Toyo Carp design is also available!



HIROGIN Debit

2021 恒例のイベント 当てる!! 特典

1試合につき2名・ペアで90歳180歳

■ Added interest rate corresponding to the number of league championships won in the regular seasons over three years (maximum +0.15% for three championships won)

常勝カープ応援 定期預金

ひろぎんカープ支店専用ネット定期預金

2020/12/23~2021/07/31

■ Win the lottery to get Toyo Carp merchandise and tickets to the game

■ Distribution of mail magazine exclusive for Carp Branch customers

Search our website for more on Hirogin Carp Branch!

ひろぎんカープ支店

Digital strategy

1. Initiatives aimed at digital transformation

Amid the trend of rapidly advancing digitalization, the Company believes that the initiative aimed at digital transformation (transformation of business structure through digital technologies) is an important management strategy.

By utilizing digital technologies and data, we will take on challenges to create new values to be able to contribute to the development of the region and the growth of customers.



Understanding the environment

In addition to the existing management issues such as declining birthrate and aging population, market contraction, negative interest rate policy, deregulation of financial services, and entry of competitors from other industries, we are faced with environmental changes such as diverse ways of participating in society, new working styles, spread of digital devices and the increasing importance of open innovation. Amid this situation, we

recognize that taking on new challenges is essential to achieve sustainable growth. Based on this recognition, we are working to create new values by utilizing the strengths of the Group which are “relations with regional community and customers,” “vast wealth of data,” and “credibility within the region” by utilizing digital technologies undergoing remarkable progress.

Structure for carrying out initiatives

Based on the above understanding of the environment, in August 2016, Hiroshima Bank established the New Business Development Promotion Office within the Management Planning Division as a department that conducts evaluations over a mid-to-long-term perspective to create new businesses, including nonfinancial businesses.

Since then, through numerous discussions on creating new businesses, we steadily integrated smartphone apps and cashless payment functions, and established the Digital Strategy Division in April 2019. Moreover, in conjunction with the start at the Company, we formed the Digital Innovation Division as an organization working across the Company on initiatives such

as more sophisticated use of data in each Group company and implementing various measures utilizing digital technologies. Under the initiative of top management, we have been building a structure to press toward a speedier and more challenging digital transformation.

[Hiroshima Bank]

August 2016 New Business Development Promotion Office, Management Planning Division

February 2018 Digital Innovation Office, Management Planning Division

April 2019 Digital Strategy Division

[Hirogin Holdings]

October 2020 Digital Innovation Division

Key items

By making more sophisticated use of digital technologies and information assets (data) held by the Group, allying with other industries, developing and appointing digital human resources, we aim to realize a Regional Comprehensive Services Group

that contributes to the development of the regional community and accommodates the diverse needs of customers, and work on the following five key items.

(i) Creation of new digital businesses

- Work with Group companies and alliances in other industries to create new businesses
- Develop regional alliance-based businesses that deliver a broad range of data and services via the web channel

(ii) Promotion for cashless payments

- Provide desirable service and expand the use of community-based cashless payments
- Active collaboration with regional projects and organizations, etc.

(iii) Enhancement of functions in online channels such as apps

- Strengthen smartphone app's functions as a pillar of contact points with the digital native generation
- Strengthen marketing through website, social media, and other outlets, strengthen cooperation between channels of Group companies

(iv) Digitalization of Group companies' operations

- Initiatives to raise productivity and improve operational efficiency by using digital technologies
- Efforts to strengthen initiatives for IT consulting

(v) Sophisticated utilization of data

- Set up and launch a specialist team
- Provide new values through solutions backed by data and development of models

2. Hirogin Group's digital transformation initiatives

“Hirogin Bill” provides BtoB automated billing service that guarantees accounts receivables, acting as an agent for credit and billing operations

Hiroshima Bank formed a business alliance with Money Forward Kessai, Inc., realizing an agency service covering a series of billing and settlement operations, from conducting credit screening when corporate and individual business owner customers sell on credit, issuing and sending invoices to managing payments. Furthermore, the

service is a web-based solution utilizing cloud services and implemented as part of the DX (digital transformation) addressing initiatives such as improving the operational efficiency of the increasing number of non-face-to-face transactions due to the COVID-19 pandemic.

[Main features of the service]

- Acts as an agent for handling time-consuming billing and settlement operations, contributing to efficiency improvement and reduction of operations to a great extent.
- After credit screening is passed, it is possible to avoid risks such as overdue payments which are common with selling on credit. So new transactions on a non-face-to-face basis can be initiated safely.
- Use of the speedy money transfer function will improve the cash flow as account receivables can be transferred in three business days at the earliest upon receiving the application.



It takes only 5 minutes online! Subsidy diagnosis service

As various subsidies related to the coronavirus pandemic and workstyle reform are being newly established and expanded, Hiroshima Bank has formed a business alliance with Writeup Co., Ltd., which has a track record in the subsidy benefit support business for small and medium-sized companies. Through this alliance, we started offering a subsidy benefit support service available through non-face-to-face contacts via the internet from October 2020.

By simply answering the questionnaire in the “automatic diagnosis system for subsidies and grants” page on the website of Hiroshima Bank, the

subsidy amount eligible for the customer will be automatically assessed. It is also possible to receive consultation about the application on the spot.



Trial service of Support for Business Succession for small and medium-sized companies

In alliance with NTT DOCOMO, INC. and Deloitte Tohmatsu Financial Advisory LLC, Hiroshima Bank started providing trial service of Support for Business Succession for small and medium-sized companies from February 2021.

With this service, the most suitable advisor will be introduced via the portal site provided by NTT DOCOMO, INC. to the business managers of small and medium-sized businesses and small-sized businesses with no successor. This service will provide consultation free of charge on the customer's general concerns until the customer's policy is decided.

The advisor will ask the customers about their current situation, and provide various advice and suggestions on how they can help from a neutral standpoint not limited to M&A.

We are aiming to expand this service nationwide and to fully commercialize it in February 2022.



Features of Support for Business Succession

[Provide open consultation]

We will provide consultation on any concerns even if they are vague.

[Provide consultation from a neutral standpoint]

M&A will not be a prerequisite and we will proceed with the consultation in accordance with the customer's intentions.

[Introduce the most suitable advisor]

We will introduce an advisor who is best suited to resolve customers' concerns.

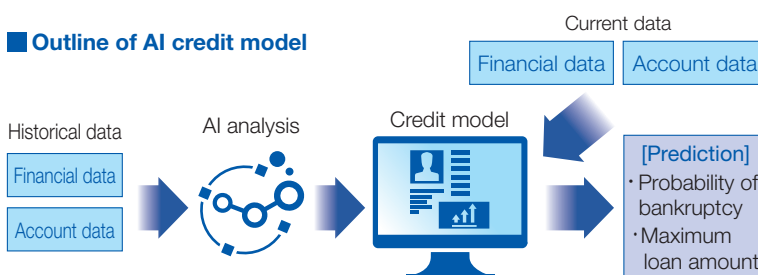
Business finance products that utilize artificial intelligence (AI)

In order to quickly respond to funding needs of small and medium-sized businesses and small-sized businesses, Hiroshima Bank partnered with The Risk Data Bank of Japan, Limited. to build a credit model for analyzing information on deposits and withdrawal of accounts and financial information utilizing artificial intelligence (AI). In July 2020, we launched the business finance product "Hirogin Accel Business Loans" utilizing the credit model.

By utilizing the credit model, customers who meet the specific criteria of Hiroshima Bank can complete the procedures from application submission to contract conclusion without having to visit the bank, and we provide speedy loans based on credit screening on the same day at the earliest.

We will continue to proceed with considering introducing new services such as loan transactions utilizing digital technologies that can be completed on the internet, and work to provide greater convenience to customers.

■ Outline of AI credit model



The credit model built on AI-analyzed past financial data and account data can immediately calculate the probability of bankruptcy and allowable loan amount based on current financial data and account data, which can be utilized for credit assessment.

Promoting cashless payment

Hiroshima Bank helps customers issue "multifunctional IC cards," which hold several brands of electronic money and can serve as their employee ID cards and student ID, etc. In addition to serving as electronic money and badges, the IC cards can be utilized for multiple functions such as attendance management and as a key card (entry and exit management) with the personal identification function on IC chips, all in one card.

In March 2021, Rakuten Edy (prepaid type) has been newly added to the existing brands of electronic money, You-me IC card (prepaid type),

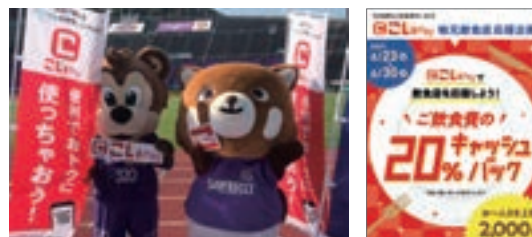
and QUICPay (pay later type), allowing the availability of a wider range of options.

We are also actively contributing to the region by utilizing cashless payment. By leveraging Hiroshima Bank's proprietary mobile payment service COi Pay, we have been implementing campaigns for the purpose of providing a cashless environment for occasions such as



Front side

local events and supporting restaurants that are hard hit by the coronavirus crisis by referring customers. In the future, we will also continue to carry out initiatives specific to the region.



Expanding functions of the Hirogin App

Hiroshima Bank positions Hirogin App as a new customer contact point to emerge after branch counters and ATMs, which are closer to customers and can be very convenient. We have enhanced its functionality since the February 2019 update. Its slogan is “Hirogin, always in your hand.”

Aiming to make it a portal app serving as an entrance and a starting point for carrying out daily transactions without physically being at the branches, from balance inquiry and banking transactions to applying for various services, in simple operation, we will continue to further strengthen its functions and enhance its convenience.

[Main functions]

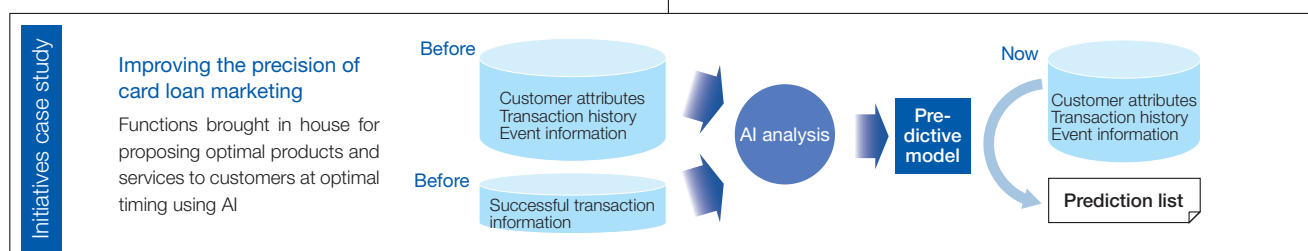
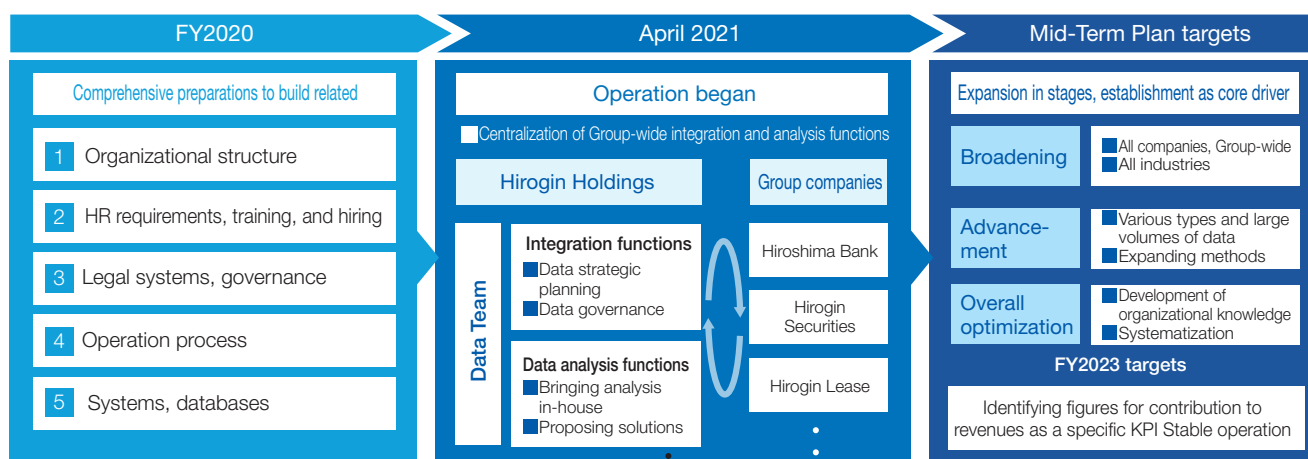
- Open account request (Hirogin Carp Branch)
- Balance inquiry
- Deposit and withdrawal statements inquiry (up to 36 months)
- Biometric identification for internet banking logins
- Request opening of investment trust accounts
- Linkage with online brokers (SBI Securities and Rakuten Securities) in functions such as open account request
- Security check function
- Others (FAQ function using automated response “AI support,” search for branches and ATMs, etc.)



Sophisticated utilization of data

By positioning “Sophisticated utilization of data” as the core driver which helps to realize various strategies of Hirogin Group as a whole, we have been systematically preparing to create a structure since FY2020 and started taking initiative as of April 2021 by forming a team with dedicated people in charge.

We will gradually expand our initiatives during the mid-term management plan on a group-wide basis, in order to contribute to addressing business challenges based on speedy, objective, and rational judgment backed by data.



Three pillars of the Mid-Term Management Plan

3. Establish a stable management base to support the sustainable growth of the regional community and customers



Basic policy

We will realize sustainable growth by creating a lively organization where all Group companies' employees can demonstrate their abilities and expertise to the fullest while being fully engaged and highly motivated.

In addition, as we keep challenging ourselves to implement measures by making a group-wide effort, we aim to increase the effects of expected results through strategic cost management from the medium to long term perspective.

Surrounding environment and current issues

In order to construct a solid financial base that enables aggressive risk-taking, which contributes to solving issues for regional community and customers, while

fulfilling our functions as financial infrastructure, we will improve productivity through a drastic overhaul of business processes and digitalization of operations.

Key strategies

[Human resource strategies]

- We manage personnel affairs as a unified group and optimize the Group's internal human resources, while constructing a structure that values customer-oriented initiatives.
- We secure and develop highly specialized human resources, while putting diversity and inclusion into practice.

[Restructuring]

- Strengthen intra-Group cooperation (streamlining operations and minimizing cash outflow from the Group)

- Eliminate routine clerical tasks through drastic business processes reforms and utilization of digital technologies in each Group company

Key areas of focus

[Human resource strategies]

- Direction of human resource strategies under a holding company structure

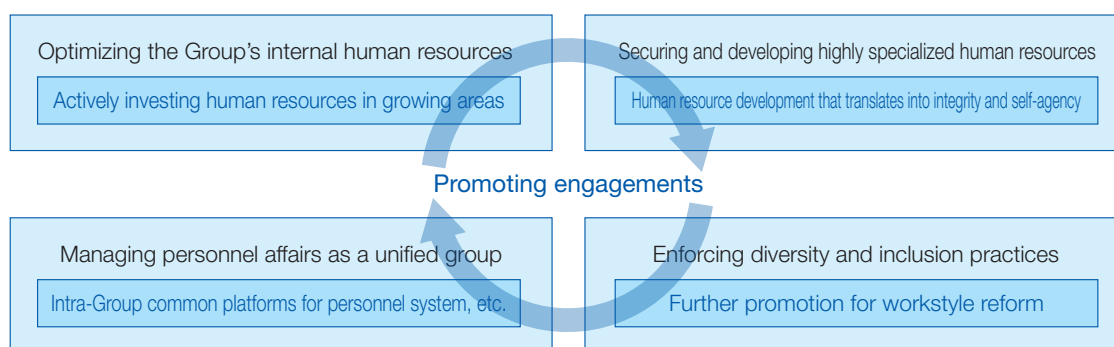
[Restructuring]

- Strengthening intra-Group cooperation
- Drastic business processes reforms in each Group company

Human resource strategies

1. Basic policy

- The Group encourages each and every employee to proactively contribute to the regional community with pride, grow on their own, and work actively in and outside the Company. In light of this, the Group has developed human resource strategies to enhance quality (skills and abilities) and awareness (motivation and job satisfaction) of the Group's employees and to contribute to improving its organizational strength.
- Specifically, the Bank is working to increase employee engagement, centering on initiatives to “optimize the Group's internal human resources,” “manage personnel affairs as a unified group,” “secure and develop highly specialized human resources,” and “enforce diversity and inclusion practices” in accordance with the human resource strategy of Mid-Term Management Plan 2020.



2. Strengthening of human resource development

In the human resources strategy of the Mid-Term Management Plan 2020, we have put a priority on “human resource development that translates into integrity and self-agency” and aim at constructing “a structure that helps human resources develop their careers while optimally leveraging their knowledge and experience.”

We believe that strengthening human resource development is indispensable in order to realize our management vision of “contribute to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers.” Based on this idea, we are implementing the following measures.

(1) Helping younger employees grow to become professional early on

We are conducting various growth support measures mainly for younger employees to realize a more sophisticated consulting business with customer needs as a starting point.

- (i) Establishing systems and plans for developing younger employees

- The three-year period after joining the Company is important for developing new employees as core personnel.

- In particular, the development system up until the third year after joining Hiroshima Bank, with a large number of new graduate hires, is as follows.
First year: After learning the basic flow of operations mainly at branch offices and through training programs in the first half-year, they will accumulate first-hand experience by visiting customers with superiors or seniors.

Second year: Learn both banking operations and asset management operations by independently visiting customers.

Third year onward: The development system is designed so that the employees choose from either banking operations or asset management operations themselves, and hone their expertise in the respective area to grow into a core player.

Furthermore, based on the concept that new employees should be educated organizationally, we have established an instructor system to strengthen their mind and integrity as a person, in addition to their operating abilities.

(ii) Strengthen off-JT

- We have development programs and training systems for each operation area through which entry-level employees can step up to mid- or high-level in a steady manner.
- We are improving training effects by proactively adopting practical training programs such as group work and active learning, in addition to knowledge acquisition through lectures.

[Specific example of active learning]

■ Theater learning training

A training program through theatrical experience for the improvement of communication skills and training of team building

■ Top athlete training

A training through dialogue with local professional athletes featuring their experience and discussing trainees' careers so that they can obtain views and approaches as a professional and enhance their self-motivated attitude toward work.

■ Job crafting training

A training to enable autonomous career-building in one's own style by addressing work from a new point of view through group workshops.

(iii) Creating learning opportunities

- We have created a learning environment by holding "free college" seminars on Saturday at which attendance is voluntary and adopting the "home learning support system @Home-Web" which enables online learning using their household computer and smartphone. In this way, we encourage employees to develop themselves.
- With an eye on rising future demand from customers in the field of IT, we refer employees to the Information Technology Passport correspondence course designed to enhance IT literacy. The lineup of new learning tools for referral include a flat-rate video website to brush up basic skills as a working member of society and apps that summarize the content of books.

(2) Expanding training programs that aim at improving integrity and self-agency

The Group has conducted mainly position-based training programs at key career milestones mostly for selected employees, namely, for new employees,

those with two or three years of experience, and for newly promoted managers and supervisors. In addition to the existing position-based training, from fiscal 2021, we rolled out a new initiative. Theme-based training programs are available to those who apply to help develop the underlying views and approaches they hold as an individual, and improve their basic skills as a working member of society. While operation-based training programs are held per department, position-based and theme-based training programs are provided Company-wide from the perspective of improving integrity and managerial skills, etc.

(3) Strengthening expertise

- As the surrounding environment is increasingly sophisticated, we are required to strengthen the expertise of each and every employee to respond to customer needs reliably. Based on this concept, we are taking various measures including establishing the Meister System as a final goal of operational skills for employees and proactively sending employees to business schools in and outside Japan.

(4) Development of future executives (for strengthening governance into the future)

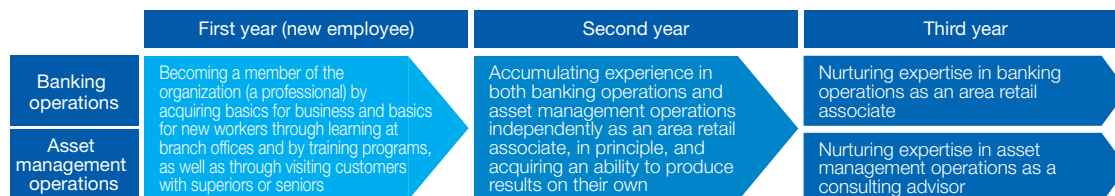
- The Group holds the Hirogin Management School for developing future executive candidates with support from GLOBIS CORPORATION to strengthen the "ability of thinking befitting of a corporate manager" in considering management strategies and business reform.
- Under the program, participants learn the leadership and management theory and business frameworks with specific cases as examples and ultimately make suggestions on management.

(5) Fair evaluation and treatment

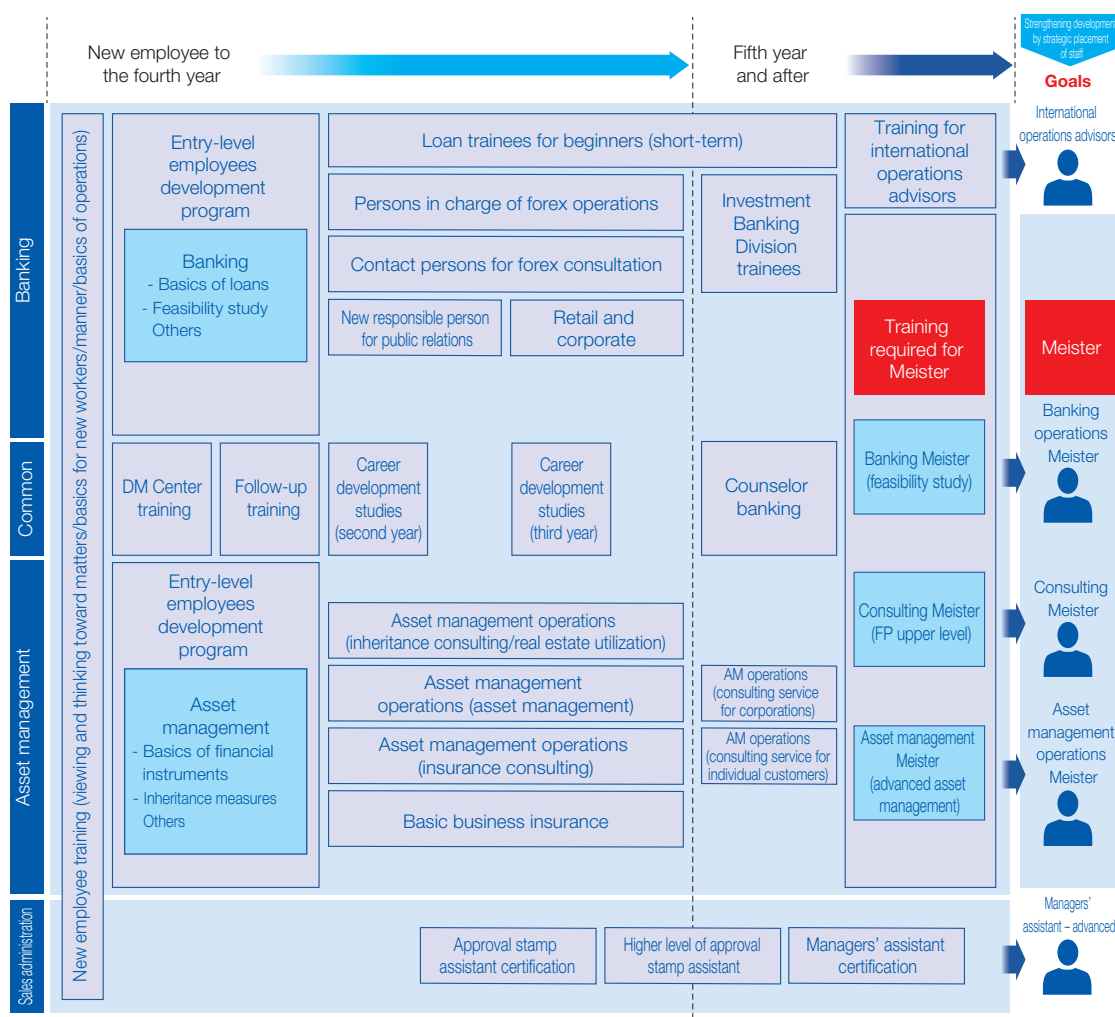
- To attain an objective of the human resource system, or to enhance the quality and motivation of employees, it is necessary to offer fair treatment based on fair evaluation and develop them by providing feedback of evaluation results.
- For this purpose, the Group has clarified our "missions" and "evaluation criteria." Furthermore, we evaluate both results and actions based on target management and take other measures to achieve a balance between results and skills, which is reflected in the treatment of our employees.

3. Training framework at Hiroshima Bank

Development system for three years after joining Hiroshima Bank for the new employees (FY2021)



Training system for personnel in charge of each operation in Hiroshima Bank (FY2021)



Number of trainees in FY2020

• Entry-level employees development program

Operations	Number of trainees
Banking	97 persons
Asset management	98 persons
Total	195 persons

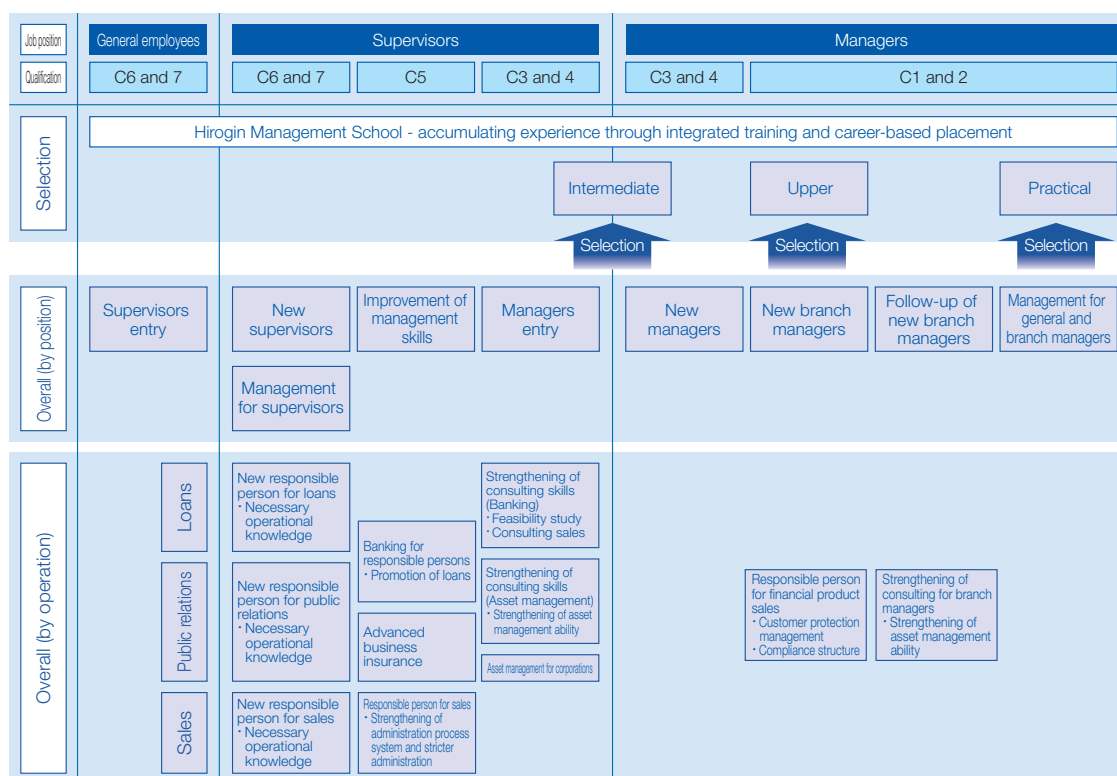
• Training required for Meister

Classification of Meister	Number of trainees
Banking operations	38 persons
Consulting	15 persons
Asset management operations	25 persons
Total	78 persons

• Number of certified Meister

Classification of Meister	Number of certified persons
Banking operations	20 persons
Consulting	5 persons
Asset management operations	31 persons
Total	56 persons

■ Training system for the management position at Hiroshima Bank (managers and supervisors) (FY2021)



■ Hirogin Management School conducted in FY2020

Level	Main contents	Lecturer	Number of trainees
Intermediate	Leadership Business strategies Marketing Business innovation Reinforcing influence on others	GLOBIS CORPORATION	20 persons
Upper	Technovative strategies Design thinking Leadership		18 persons
Practical	Program to nurture a sense of mission Organizational reform		11 persons
Total			49 persons

■ Rank-based training programs for managers conducted in FY2020

Program	Target	Frequency	Number of trainees
Training for new managers	Persons promoted to managers	Twice a year	34 persons
Training for new branch managers	New branch managers	Twice a year	21 persons
Follow-up training for new branch managers	A certain period after being assigned as new branch managers	Once a year	15 persons
Management training for general and branch managers	All general and branch managers	Once a year	156 persons

• All programs include lectures for strengthening management skills, human resource management, thorough compliance and elimination of harassment.

4. Diversity and inclusion

Companies' perpetual growth essentially requires the ability to innovate continuously according to changes of the times. Such innovation will be realized when employees with diverse viewpoints and values exhibit their abilities based on their intention and awareness. And this necessitates an environment and corporate culture where diverse human resources can continue to work lively.

The Group regards the initiative to "put diversity and inclusion into practice" as one of the major human resource strategies and conducts:

1. recruitment of specialists with diverse values and skills,
2. proactive promotion and support for career development of female employees, and
3. promoting employment of disabled persons.

Recruitment of specialists with diverse values and skills

The Group makes efforts to employ human resources with diverse backgrounds.

The four companies listed below proactively engage in recruitment activities hiring both new graduates and mid-career employees. In terms of mid-career employment, every year we recruit about twenty members with specialist expertise such as IT and digital specialists and lawyers. Going forward, the Group has decided to actively hire mid-career human resources that have abundant experience outside the Group and increase the percentage of mid-career hires to all hires.

At Hiroshima Bank, efforts are being made to ensure diversity in hires of new graduates. In April 2021, there were employments of foreign students. In the recruitment for fiscal 2022, the "IT and digital human resources recruitment course" was newly established. Moreover, to broaden the opportunities of employment for people with diverse backgrounds such as students who studied abroad and semi-recent college graduates, we will start recruitment activities in the fall.

Recruitment of skilled persons

	Hiroshima Bank	Hirogin Securities	Hirogin Lease	Hirogin IT Solutions
Hires of new graduates (Joined the Group in April 2021)	94 persons	14 persons	5 persons	15 persons
Mid-career hires (Joined the Group in FY2020)	8 persons	2 persons	1 person	8 persons

Proactive promotion and support for career development of female employees

The Group supports career development for female employees through proactive hires and promotion of women and enhancement of work-life balance support system.

[Proactive employment of women]

The Group proactively hires women while conducting fair recruitment activities. In April 2021, the ratio of female employees was approximately 50% of all hires of new graduates across the Group.

Ratio of female employees in hires of new graduates

	Hiroshima Bank	Hirogin Securities	Hirogin Lease	Hirogin IT Solutions
April 2021	50%	71%	60%	20%

[Proactive promotion of female employees]

We also proactively promote female employees to managerial and supervisory positions. The number of women in managerial and supervisory

positions at Hiroshima Bank has more than doubled to 181 persons in the past ten years (67 persons as of the end of March 2011).

Number and ratio of women in managerial and supervisory positions (as of April 1, 2021)

	Hiroshima Bank	Hirogin Securities	Hirogin Lease	Hirogin IT Solutions
Number of women in managerial and supervisory positions	181 persons	28 persons	1 person	30 persons
Ratio of women in managerial and supervisory positions	13.0%	27.2%	2.4%	22.4%

[Enhancement of work-life balance support system]

To enable female employees, who are more prone to bear the responsibilities and duties of family life such as childbirth, childcare, and nursing care, to continue working, we are making efforts to expand the work-life balance support system.

Specifically, regarding maternity leave before and after childbirth, childcare leave, and caregiver leave, all Group companies' systems offer more

than legally required. We also have a variety of leaves that allow employees to take leaves more flexibly.

For example, "care-cure leave" can be taken both for care for family members and treatments for the employee themselves such as visiting their child's school, accompanying family for hospital visits, and receiving infertility treatment.

[Learning and communication opportunities for career development]

The Group offers opportunities for awareness and learning as well as communication for each career stage and life stage to help female employees

develop their own career paths after experiencing various life events.

■ Examples of initiatives (Hiroshima Bank)

To prevent female employees from giving up their careers due to juggling between giving birth/childcare and work, Hiroshima Bank offers opportunities for younger employees to contemplate a mid-to-long-term career plan before they experience the

life events. At the next stage, Hiroshima Bank provides opportunities for potential managers and supervisors to improve their skills and for female managers and supervisors to interact with each other.

Younger employees	Before childbirth	During childcare period	Mid-career employees	Managers and supervisors
Seminar for considering a mid-to-long-term career plan	Lectures about systems available before and after childbirth and their usage methods	Communication events for employees using shorter working hour system and other systems	<ul style="list-style-type: none"> Upskilling seminars Meetings for cross-industrial exchange 	Communication events for female managers and supervisors

Besides measures for the employee themselves, we also actively raise awareness of their superiors through training programs on unconscious bias for managers and supervisors, and management seminars for superiors with female subordinates, etc.

Through these initiatives, we aim to be a Group where women can actively participate in diverse fields according to their skills and female

values and perspectives are incorporated into management.

In the future, Hiroshima Bank will further take measures to eliminate the stereotype of gender-based division of labor and consider new positions for proactive female assignment. Also, we will implement measures for gender diversity such as the promotion of understanding of LGBT.

Promoting employment of disabled persons

The Group actively employs disabled persons based on its social mission: "Support independent living of disabled persons." To create a workplace that gives them a sense of satisfaction with their lives and jobs instead of just a place for social

engagement, the Group offers jobs and work environments suitable for different types of their disabilities and aptitudes. In addition, we have follow-up system to prevent turnover.

<As of June 1, 2021 (only corporations with 43.5 or more employees are listed)>

	Hiroshima Bank	Hirogin Securities	Hirogin Lease	Hirogin IT Solutions
Ratio of disabled employees	2.4%	0.4%	0.0%	1.6%
Number of disabled employees	86 persons	1 person	0 persons	6 persons

■ Examples for work placement (Hiroshima Bank)

Work placement	Duty	Work details	Remarks
Work Support Center	General affairs	Printing bills and business cards, sealing and sending letters, sorting and sending documents, etc.	We established a better environment where persons with various disabilities can work comfortably, such as barrier-free facilities and a rest area.
General Affairs Department	Cleaning General affairs	Cleaning the Head Office	People with hearing impairments and other various disabilities work as a team
Branch	General affairs	Guiding at the lobby, cleaning in and outside the branch, guiding at a parking lot, etc.	They are employed at their local branch so that they can commute from home.
Administration Center	Administration affairs	Data entry (tax, currency transfer, etc.)	We instruct in such a way that even beginners can perform data entry operation.

5. Workstyle reform

Diverse human resources work actively with higher job satisfaction, which will result in the provision of high value-added services to customers. Based on such belief, integrating work and life on a higher level and improving quality of life while realizing improvement in productivity and growth, and aiming at multiplicative effects in the sense of achievement and happiness gained, the Group puts “work-life integration” as one of the human resource strategies of Mid-Term Management Plan 2020, and is endeavoring to nurture a corporate culture accordingly.

In an effort to make meaningful progress in the workstyle reform, we launched the Group Workstyle Reform Promotion Headquarters led by the President in October 2020. The Group regards the reform of culture, reform of operations and reform of systems as the core of our workstyle reform, and has been promoting well-balanced reform. We realize the reform of culture by changing mindsets and behaviors of employees through the reform of operations and reform of systems, and push forward with the reform of operations and reform of systems through the reform of culture. Through this interplay of the reforms, the Group is creating an employee-friendly work environment.

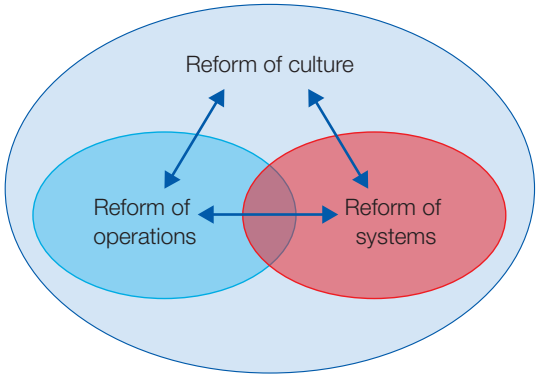
As a result of these efforts, overtime hours have declined by approximately 45% during six years from fiscal 2015 at Hiroshima Bank, which is

the major subsidiary of the Group. In addition, the number of days of paid leave taken increased to an average of 14.4 over the six years. In recognition of these efforts, the Group was accredited as one of the First Hiroshima Prefecture Workstyle Reform Good Practice Companies in September 2017.

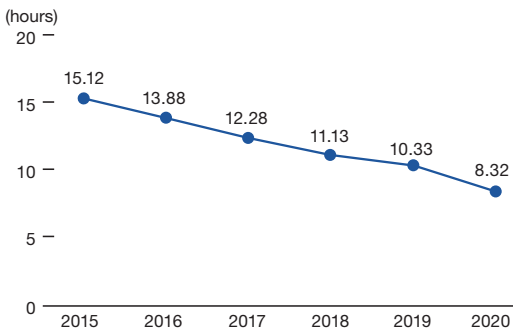
We will continue to strive to offer high value-added services while enhancing job satisfaction of employees by promoting the workstyle reform.

[Specific efforts at Hiroshima Bank]

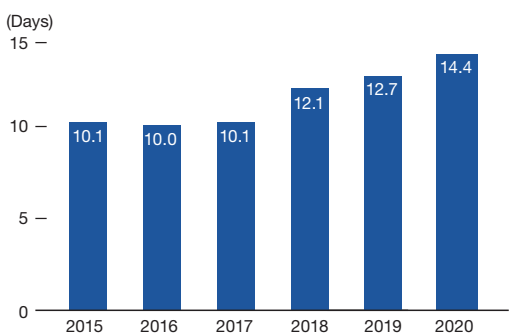
- 1. Reform of culture
 - (1) “Efforts for enhancing labor productivity” was added to the items of the “result evaluation” and “action evaluation” of employees.
- 2. Reform of operations
 - (1) Adoption of an electronic approval workflow
 - (2) Paperless meeting
 - (3) Use of tablets at branch counters
 - (4) Implementation of remote work
- 3. Reform of systems
 - (1) Lowered upper limit of hours regarding application of special clause under the agreement based on Article 36 of the Labor Standards Act
 - (2) Adoption of the work interval system (11 hours)
 - (3) Abolition of the core time in the flex time system (from April 2019)



■ Average monthly overtime per person at Hiroshima Bank



■ Average number of paid leave taken per person at Hiroshima Bank



6. Health of employees

Based on the recognition that keeping and enhancing the mental and physical health of employees and their families are indispensable for sustainable growth of corporations, the Group formulated the “Hirogin Group Health Management Declaration” in October 2020. The Personnel & General Affairs Group under the Business Management Division and related organizations and groups inside and outside the Company cooperate with each other under the supervision and order of the President and General Manager of Business Management Division to operate and promote the system. We are working for realizing health management, with “efforts for keeping and enhancing health,” “creating a pleasant workplace with job satisfaction where everyone works healthily” and “promoting close relationship with and contribution to the regional community” as priority items to be addressed.

As a result of these activities, in March 2021, Hiroshima Bank was recognized under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program.

Initiatives for keeping and enhancing health

The Group focuses on establishing health management and consulting systems in cooperation with industrial physicians and the health insurance association, and actively recommends that employees take a comprehensive health screening and a cancer examination. In addition, when employees of a certain age or older insured by the health insurance association take a comprehensive health screening or a breast and uterus cancer screening, the Group subsidizes all of the expenses incurred.

Furthermore, to prevent influenza and the development of severe symptoms, in cooperation with Hirogin Group Health Insurance Association, we subsidize fees for receiving vaccines against influenza with an upper limit at ¥3,000, and also compensate for the cost to quit smoking in order to help smokers quit smoking as a measure to comply with the revised Health Promotion Act. In

April 2021, on the home page of Hirogin Group Health Insurance Association, we have set up MY HEALTH WEB, a portal website for individuals, that provides various information such as results of health check-ups of members and past medical bills, to enhance employees' health.

Creating a pleasant workplace with job satisfaction where everyone works healthily

We value the work-life integration approach and are proactively promoting the workstyle reform. We have introduced systems to raise productivity in Group companies to reduce long working hours. As such, we are creating a culture of finishing work early while employees are increasingly concentrating on truly necessary jobs. As an example, Hiroshima Bank introduced a work interval system and sets a rule to take 11 hours of rest between the end of work and the start of work, as a general rule. Moreover, the Group is creating a workplace with job satisfaction by taking measures for improving both the productivity and workplace such as recommending internal recreational activities by creating a cost subvention system to facilitate communication in the workplace and holding sports events for all employees every year.

Promoting close relationship with and contribution to the regional community

Hiroshima Bank is fully working for helping employees enhance their health by forming a business alliance with the Hiroshima Branch of Japan Health Insurance Association in May 2015, for the purpose of enhancing and contributing to the health of employees in the local offices. Hiroshima Bank launched a Hirogin Health Management Evaluation Loan System as part of initiatives toward expansion of health investment through the banking businesses. Hiroshima Bank offers these services actively to regional small and medium-sized companies so that the services will be widely introduced and expanded to facilitate activities for enhancing working people's health.



7. Nurturing a corporate culture

Respecting diversifying values and changing lifestyles, the Company has prepared plans and training systems for each and every employee to develop their career path on their own and realize their ideal working style, while striving to create a corporate culture which gives job satisfaction.

A personnel system where employees can develop their career path on their own

Hiroshima Bank revised its personnel system in July 2020 with the aim of “building a system that can enhance and utilize specialized expertise” and “demonstrate the ability and skill in the right place.” Hiroshima Bank has adopted a personnel system based on specific course categories that enables employees to select either the BK business field or the AM business field according to their own aptitude and to increase their expertise within the business field, and to pursue higher expertise in specific fields such as the IT field and the market field.

Since July 2021, in light of our transition to a holding company structure, we introduced job-based employment to accelerate the assignment of the right resources in the right places at each Group company, as well as to secure human resources with high expertise, knowledge, and skills in operations besides banking operations.

Furthermore, to enable senior employees with high expertise to play active roles, since April 2021 Hiroshima Bank has introduced a system to secure employment opportunities for human resources up to 70 years old. We plan to introduce this system in other Group companies in the future.

Meanwhile, for employees to fully exhibit their abilities with high motivation, it is necessary to consider their respective situations and willingness carefully. Each Group company has established the work-location-restricted course with limited duties and the shorter working hour system, and therefore employees can select their workstyle depending on their physical and economic conditions.

Creation of a culture that supports employee trying something new

Employees’ diverse working styles cannot be realized without an understanding by people around them including their superiors. While steadily promoting awareness-raising through rank-based training programs and branch manager meetings, we focus on the creation of a culture that allows employees to actively try something new and supports employees to try something new. As part of this effort, we have included the item of “whether the employee tried something new” in one of the evaluation items for performance result evaluation, and the Group also aims to establish a “praising culture.”

In addition, to create a vibrant workplace and organizational culture, we conduct coaching and harassment training for managers and supervisors. To introduce measures that incorporate diverse opinions, we focus on dialogues with the employees union. The dialogues were held 33 times in fiscal 2020 at Hiroshima Bank, the major subsidiary of the Group. In this connection, 59% of employees of Hiroshima Bank are members of the employees union as of the end of March 2021.

Furthermore, as we raise employees’ sense of participation in management, we also introduced Employee Stock Ownership Plans (the “Plan”) to help employees’ asset formation through regular announcements about the Plan and payment of incentives in accordance with the amount accumulated in the Plan.



8. Human rights

The Group has deep relationships with customers through daily transactions.

With such relationships, words and behaviors of the Group's employees may significantly influence customers and society. Therefore, the Group considers execution of management and operations in respect for human rights as one of the corporate social responsibilities (CSR).

Furthermore, the Group positions the anti-discrimination and human rights issue as an important issue when considering relationship between corporations and human rights.

(1) Development of Group Ethics Regulations

- The Group formulated Group Ethics Regulations for the purpose of clarifying the code of conduct expected of the Group and our employees by society, establishing corporate ethics that are the base of trust, fulfilling social responsibility and public missions of the Group, as well as promoting response to the recently increasing attention to SDGs and ESG.
- Companies are required to take steps to eliminate violations of human rights from a wider viewpoint and Hirogin Holdings is also required to respect broader human rights. Therefore, we stipulated in the regulations that "the Group respects the human rights of all people."

(2) Periodic awareness-raising activities

- The Group has actively conducted awareness-raising activities by, for example, giving a lecture on the anti-discrimination and human rights issue during training programs on timing of milestones such as joining the Group and promotion to a higher position or rank as well as training programs provided to staff and mid-career hires just after they are employed.

(3) Anti-discrimination measures

- The Group regards anti-discrimination measures as a particularly important theme among awareness-raising activities for human rights.

- For the purpose of deepening a proper understanding and recognition of the anti-discrimination issue and executing the Group's social responsibility, we renamed the Anti-discrimination Issue Awareness Raising Promotion Committee, established in 1977 at Hiroshima Bank, as the Group Anti-discrimination Issue Awareness Raising Promotion Committee, chaired by General Manager of Business Management Division, upon establishment of the Company, in an effort to eradicate prejudice and discrimination.

(4) Prevention of sexual, power and other harassment

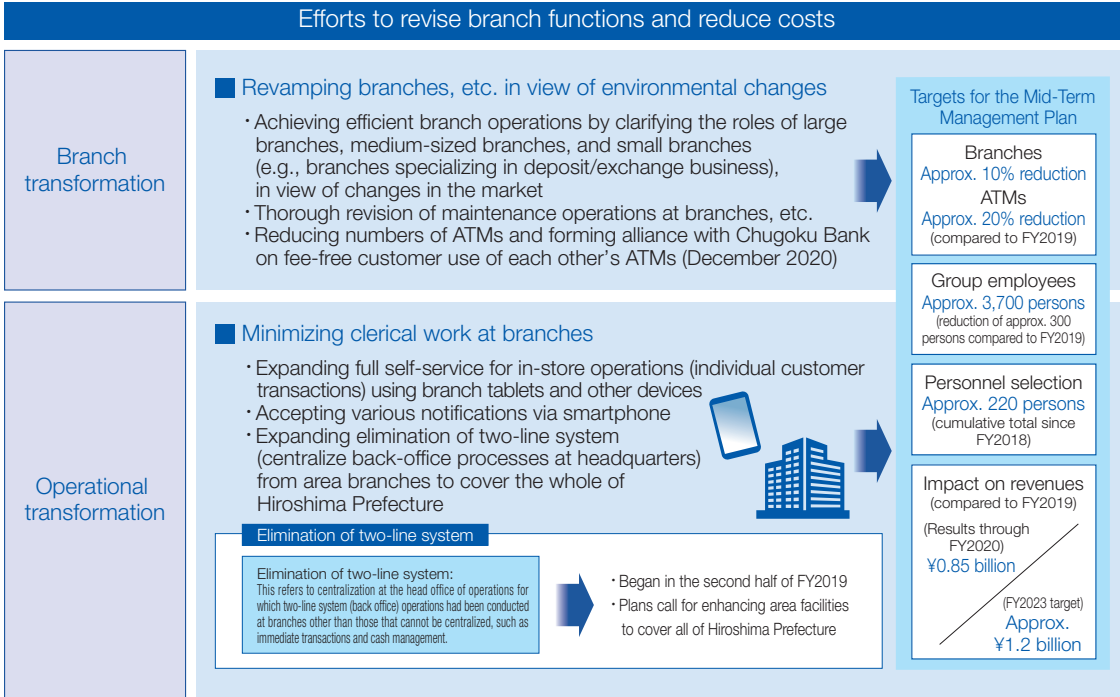
- The Group is striving to prevent sexual, power and other harassment behaviors as they must be strictly forbidden.
- Specifically, to prevent harassment behaviors in advance, the Group conducts awareness-raising at the Meeting of All Group Companies held at the beginning of every six months ending September and March and conducts a periodic anonymous questionnaire survey for all employees to detect such behaviors at their early stage.
- In addition, we set up hotlines in the Risk Coordination Group and an external law firm for consultation and complaints about harassment and any perpetrators are strictly punished.

(5) Fair screening for employment

- The Group recruits employees based on their personality rather than their gender, educational backgrounds, and nationality. The ratio of females among hires of new graduates for the whole Group is approximately 50%. In fiscal 2020 and 2021, at Hiroshima Bank, foreign nationals with expertise were hired as mid-career employees and foreign students joined the bank as new graduates.

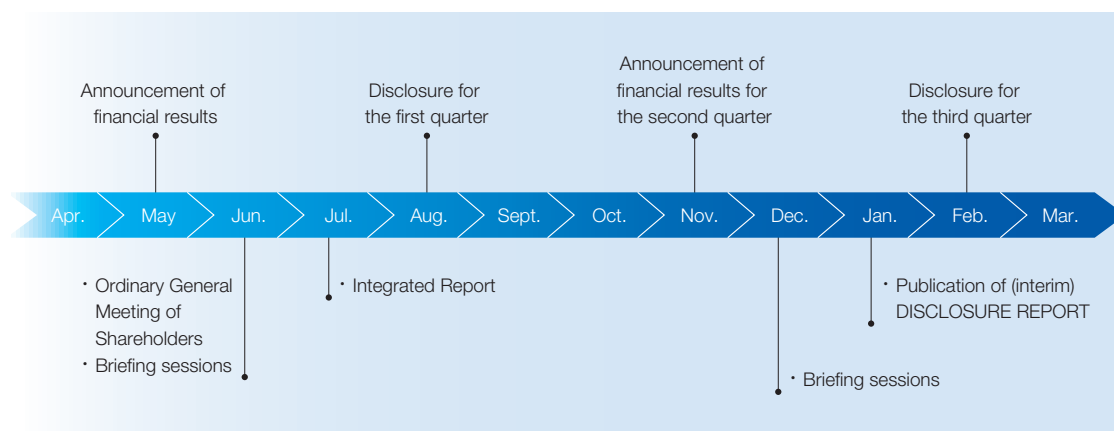
Restructuring

Through various reforms as a unified Group, we will implement strategic cost management from a medium to long term perspective, aiming to establish a stable management base that supports our growth strategies.



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.

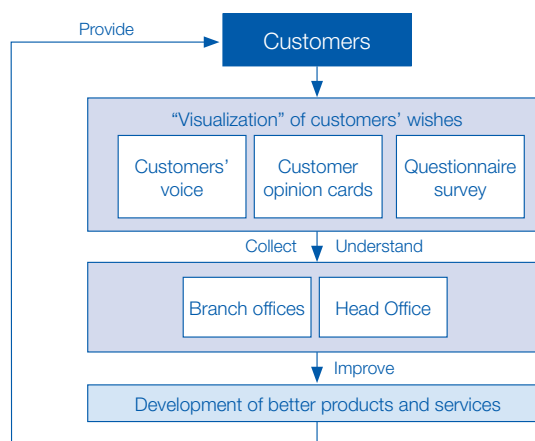


System to translate customers' voice into better customer satisfaction

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.

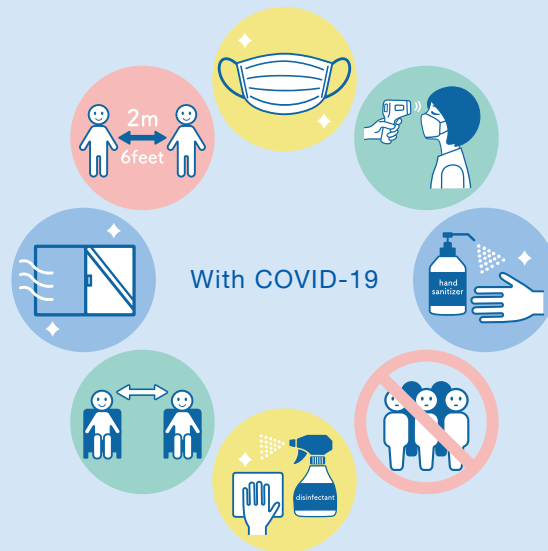
In order to utilize customer feedback to improve satisfaction, we try to identify points for improvement in products and services based on customers' opinions and requests, and make every effort to provide better products and services with branch offices and the headquarters working together to consider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

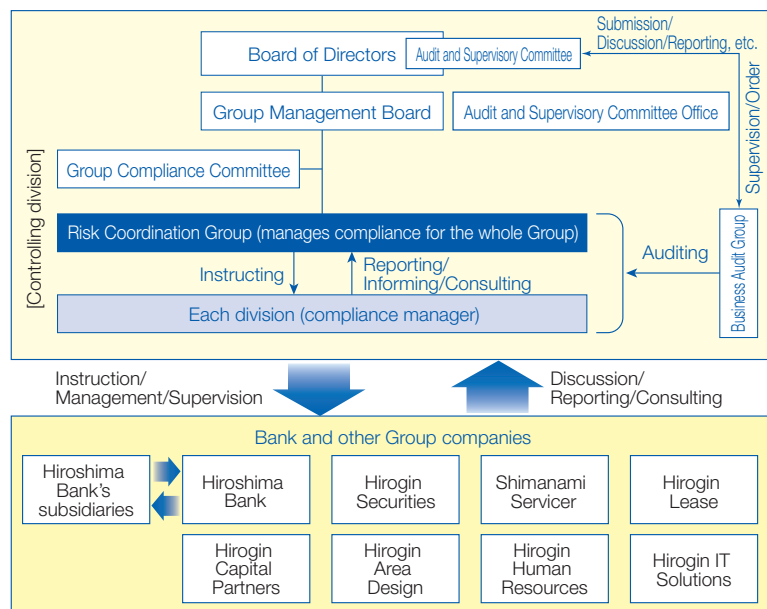
In this regard, the Group considers compliance as one of the top priorities of management and has made utmost efforts for establishing a compliance system and encouraging each and every employee to understand the system so that corporate ethics will take root as a culture.

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.

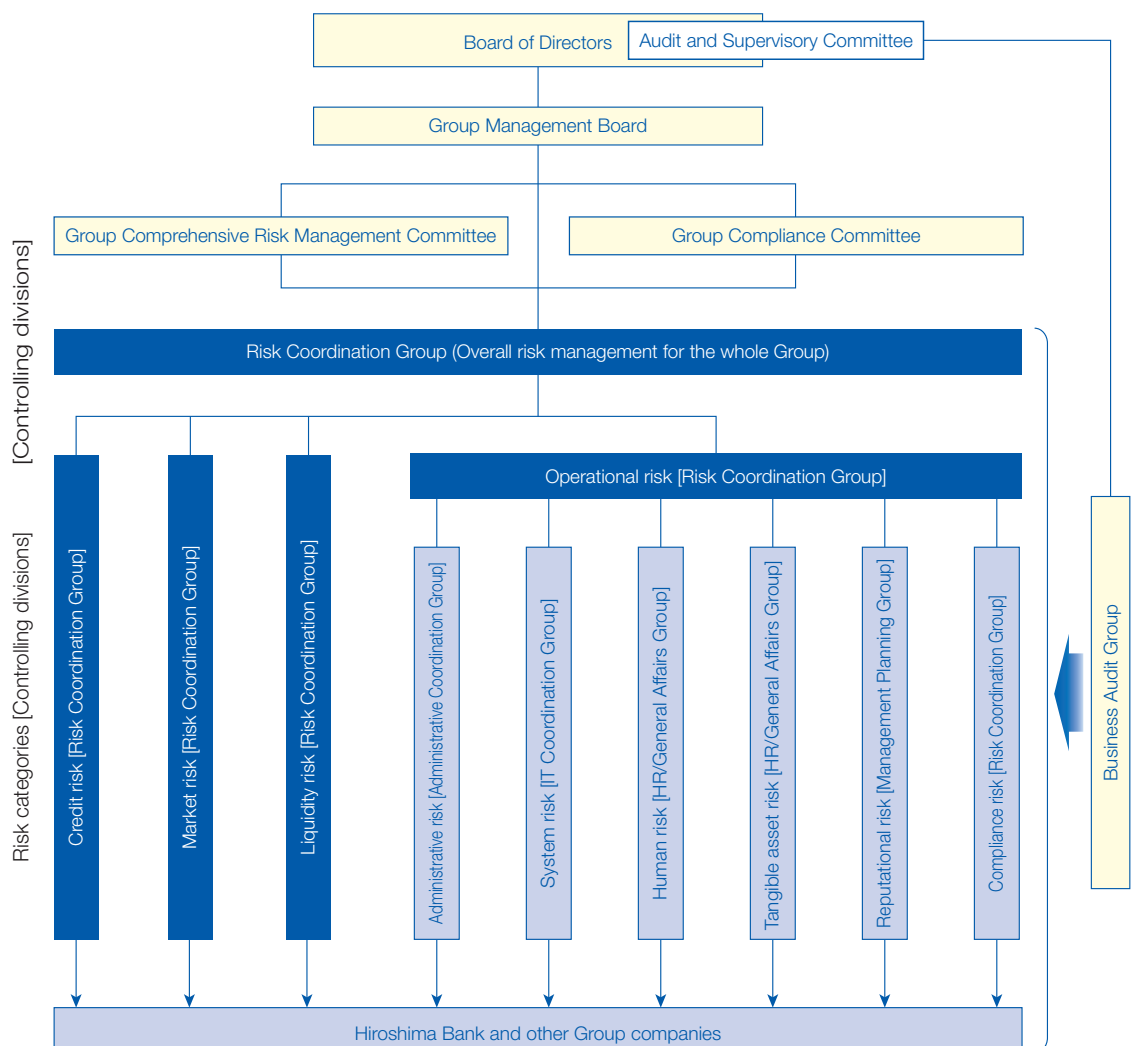
Risk management framework

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

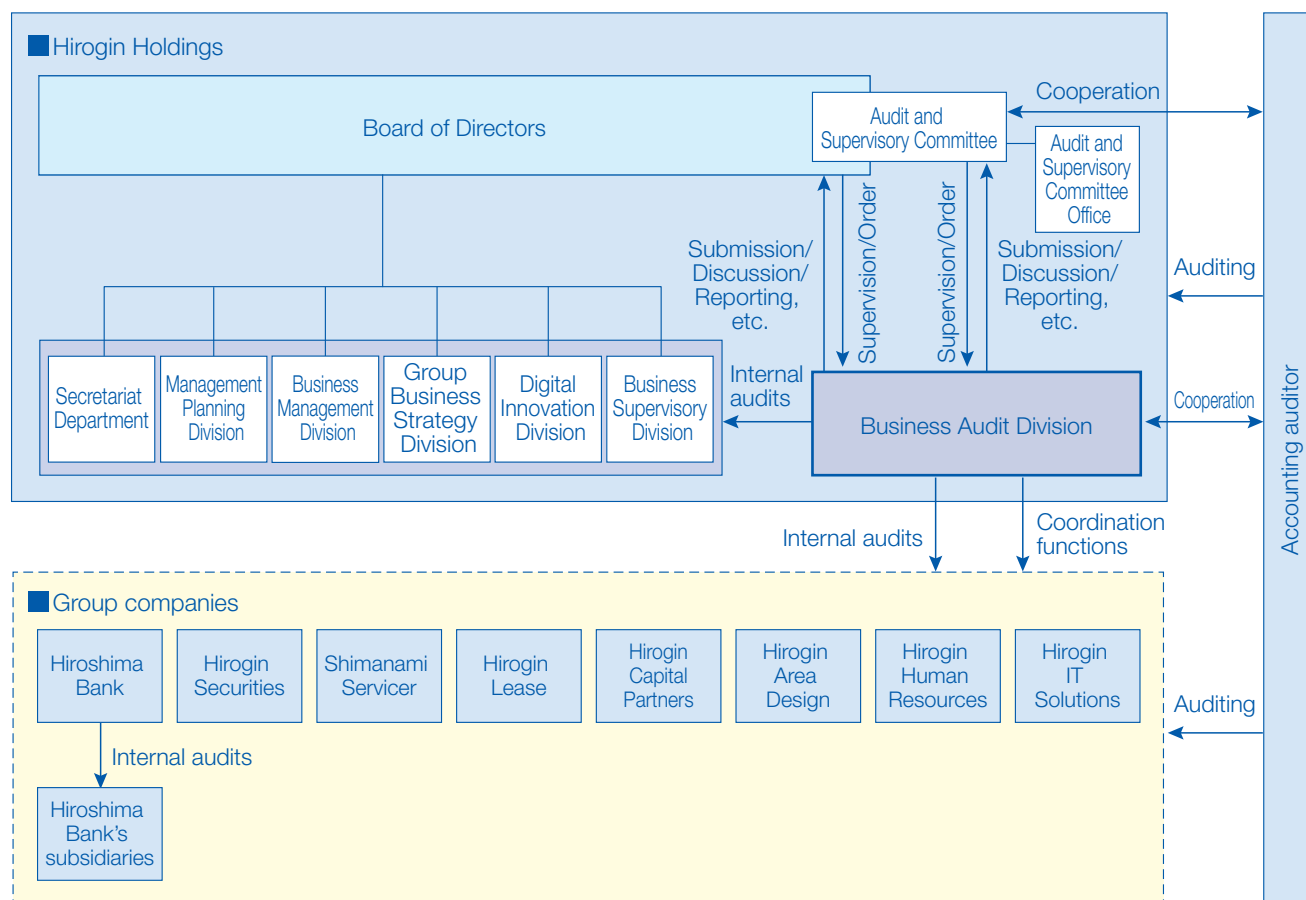
responsible for the Group's internal audit function, the Business Audit Division receives reports on basic plans for internal audit from Group companies and confirms consistency with the Group's basic plans for internal audit. While conducting internal audits in cooperation with Group companies' internal 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>)



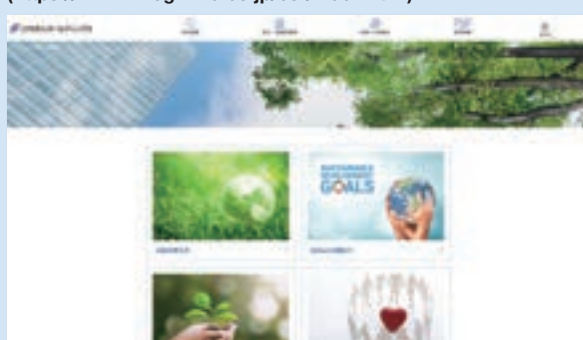
To Our Shareholders and Investors

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



CSR Initiatives

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



Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2021

For more details about the financial information contained in this annual report, please refer to the financial information that has been made public on Hirogin Holdings website.

 <https://www.hirogin-hd.co.jp/english/index.html>

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
ASSETS		
Cash and due from banks (Notes 4, 14 and 21)	¥ 2,580,736	\$23,311
Call loans and bills purchased (Note 21)	942	9
Monetary claims bought (Notes 4 and 21)	7,533	68
Trading assets (Notes 4 and 21)	6,501	59
Money held in trust (Notes 5 and 21)	45,727	413
Securities (Notes 4, 7, 10 and 21)	1,479,829	13,367
Loans and bills discounted (Notes 6, 7, 8 and 21)	6,480,841	58,539
Foreign exchanges	15,463	140
Lease receivables and investments in lease assets	60,231	544
Other assets (Notes 7 and 21)	129,018	1,165
Tangible fixed assets (Note 15)	110,904	1,002
Intangible fixed assets	9,308	84
Net defined benefit assets (Note 17)	85,864	776
Deferred tax assets (Note 18)	1,487	13
Customers' liabilities for acceptances and guarantees	36,251	327
Reserve for possible loan losses (Note 21)	(41,072)	(371)
Total assets	¥11,009,572	\$99,445
LIABILITIES AND NET ASSETS		
Liabilities:		
Deposits (Notes 7 and 21)	¥ 8,670,076	\$78,313
Payables under repurchase agreements (Notes 7 and 21)	255,685	2,310
Deposits received for bonds lending/borrowing transactions (Notes 7 and 21)	382,445	3,454
Trading liabilities	3,607	33
Borrowed money (Notes 7, 9 and 21)	1,024,872	9,257
Foreign exchanges	1,985	18
Due to trust account	47	0
Other liabilities (Notes 9 and 21)	90,468	817
Net defined benefit liabilities (Note 17)	670	6
Reserve for retirement benefits of directors and Audit & Supervisory Board members	96	1
Reserve for reimbursement of deposits	1,745	16
Reserve for point loyalty programs	137	1
Reserve for stock payments	609	6
Reserve for dismantling costs for fixed assets	768	7
Reserve under Special Laws	28	0
Deferred tax liabilities (Note 18)	9,588	87
Deferred tax liabilities for land revaluation reserve	13,605	123
Acceptances and guarantees	36,251	327
Total liabilities	¥10,492,691	\$94,776
Net Assets (Note 11):		
Common stock:		
Authorized – 1,000,000,000 shares	¥ 60,000	\$ 542
Issued – 312,370,921 shares		
Capital surplus	25,209	228
Retained earnings	361,215	3,263
Common stock in treasury	(1,311)	(12)
Total stockholders' equity	¥ 445,112	\$ 4,021
Net unrealized holding gains on available-for-sale securities (Note 4)	¥ 27,327	\$ 247
Net deferred losses on hedging instruments	(1,938)	(18)
Land revaluation reserve	27,781	251
Remeasurements of defined benefit plans	18,348	166
Total accumulated other comprehensive income	¥ 71,519	\$ 646
Stock acquisition rights (Note 22)	¥126	\$1
Non-controlling interests	121	1
Total net assets	¥ 516,880	\$4,669
Total liabilities and net assets	¥11,009,572	\$99,445

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
Income:		
Interest income:		
Interest on loans and discounts	¥ 58,839	\$ 531
Interest and dividends on securities	10,132	92
Other interest income	2,418	22
Trust fees	128	1
Fees and commissions	28,852	261
Trading income	4,134	37
Other operating income	5,552	50
Other income	5,900	53
Total income	¥ 115,959	\$ 1,047
Expenses:		
Interest expenses:		
Interest on deposits	¥ 1,291	\$ 12
Interest on borrowings and rediscounts	1,121	10
Other interest expenses	2,172	20
Fees and commissions	9,456	85
Other operating expenses	797	7
General and administrative expenses (Note 12)	57,800	522
Other expenses (Note 13)	12,386	112
Total expenses	¥ 85,025	\$ 768
Income before income taxes	¥ 30,934	\$ 279
Income taxes (Note 18):		
Current income taxes	¥ 10,360	\$ 94
Deferred income taxes	(1,000)	(9)
Total income taxes	¥ 9,360	\$ 85
Net income	¥ 21,574	\$ 195
Net income attributable to owners of the parent	¥ 21,574	\$ 195

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 25):		
Net assets	¥1,664.01	\$15.03
Net income	69.26	0.63
Diluted net income	69.22	0.63
Cash dividends applicable to the year (Note 11)	24.00	0.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
Net income	¥21,574	\$195
Other comprehensive income (Note 23):		
Net unrealized holding gains on available-for-sale securities	12,322	111
Net deferred gains on hedging instruments	3,086	28
Remeasurements of defined benefit plans	6,264	57
Share of other comprehensive loss of an affiliated company accounted for by the equity method	(4)	(0)
Total other comprehensive income	¥21,668	\$196
Comprehensive income	¥43,243	\$391
Attributable to:		
Comprehensive income attributable to owners of the parent	¥43,243	\$391

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2021

Item	Millions of yen				
	2021				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,740	¥347,714	¥ (998)	¥432,030
Changes of items during the period					
Changes by stock transfers	5,426	(5,426)			—
Dividends from surplus			(7,964)		(7,964)
Net income attributable to owners of the parent			21,574		21,574
Purchase of common stock in treasury				(789)	(789)
Disposal of common stock in treasury		3		259	262
Retirement of common stock in treasury		(108)	(108)	216	—
Net changes of items other than stockholders' equity					
Total changes of items during the period	5,426	(5,531)	13,501	(313)	13,082
Balance at the end of current period	¥60,000	¥25,209	¥361,215	¥(1,311)	¥445,112

Item	Millions of yen							
	2021							
	Accumulated other comprehensive income							
	Net unrealized holding gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥15,010	¥(5,025)	¥27,781	¥12,084	¥49,850	¥176	¥—	¥482,057
Changes of items during the period								
Changes by stock transfers								—
Dividends from surplus								(7,964)
Net income attributable to owners of the parent								21,574
Purchase of common stock in treasury								(789)
Disposal of common stock in treasury								262
Retirement of common stock in treasury								—
Net changes of items other than stockholders' equity	12,317	3,086	—	6,264	21,668	(49)	121	21,741
Total changes of items during the period	12,317	3,086	—	6,264	21,668	(49)	121	34,823
Balance at the end of current period	¥27,327	¥(1,938)	¥27,781	¥18,348	¥71,519	¥126	¥121	¥516,880

Millions of U.S. dollars					
2021					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$ 493	\$ 278	\$3,141	\$ (9)	\$3,902
Changes of items during the period					
Changes by stock transfers	49	(49)			—
Dividends from surplus			(72)		(72)
Net income attributable to owners of the parent			195		195
Purchase of common stock in treasury				(7)	(7)
Disposal of common stock in treasury		0		2	2
Retirement of common stock in treasury		(1)	(1)	2	—
Net changes of items other than stockholders' equity					
Total changes of items during the period	49	(50)	122	(3)	118
Balance at the end of current period	\$542	\$228	\$3,263	\$(12)	\$4,021

Millions of U.S. dollars								
2021								
Accumulated other comprehensive income								
Item	Net unrealized holding gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$136	\$(45)	\$251	\$109	\$450	\$2	\$—	\$4,354
Changes of items during the period								
Changes by stock transfers								—
Dividends from surplus								(72)
Net income attributable to owners of the parent								195
Purchase of common stock in treasury								(7)
Disposal of common stock in treasury								2
Retirement of common stock in treasury								—
Net changes of items other than stockholders' equity	111	28	—	57	196	(0)	1	196
Total changes of items during the period	111	28	—	57	196	(0)	1	315
Balance at the end of current period	\$247	\$(18)	\$251	\$166	\$646	\$1	\$1	\$4,669

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2021

	Millions of yen	Millions of U.S. dollars (Note 1)
	2021	2021
Cash flows from operating activities:		
Income before income taxes	¥30,934	\$279
Depreciation of fixed assets	4,709	43
Impairment losses on fixed assets	439	4
Share of profit of an affiliated company accounted for by the equity method	(181)	(2)
Gain on step acquisition	(86)	(1)
Net change in reserve for possible loan losses	6,853	62
Net change in net defined benefit assets	(15,011)	(136)
Net change in net defined benefit liabilities	3	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	9	0
Net change in reserve for reimbursement of deposits	(785)	(7)
Net change in reserve for point loyalty programs	(4)	(0)
Net change in reserve for stock payments	61	1
Net change in reserve under special laws	(9)	(0)
Net change in reserve for dismantling costs for fixed assets	(408)	(4)
Interest income	(71,390)	(645)
Interest expense	4,585	41
Net gains on securities transactions	(7,730)	(70)
Net losses on dispositions of fixed assets	135	1
Net change in trading assets	(260)	(2)
Net change in trading liabilities	(206)	(2)
Net change in loans	(61,449)	(555)
Net change in deposits	982,239	8,872
Net change in borrowed money excluding subordinated loans	383,836	3,467
Net change in due from banks other than from the Bank of Japan	(1,192)	(11)
Net change in call loans and bills purchased	6,056	55
Net change in call money and bills sold	76,264	689
Net change in deposits received for bonds lending/borrowing transactions	61,437	555
Net change in foreign exchanges (assets)	19,526	176
Net change in foreign exchanges (liabilities)	(1,516)	(14)
Interest received	77,497	700
Interest paid	(4,794)	(43)
Other – net	5,579	50
Subtotal	1,495,141	13,505
Income taxes paid	(8,803)	(80)
Net cash provided by operating activities	1,486,338	13,426
Cash flows from investing activities:		
Purchases of securities	(831,611)	(7,512)
Proceeds from sales of securities	430,328	3,887
Proceeds from redemption of securities	88,936	803
Increase in money held in trust	(35,811)	(323)
Decrease in money held in trust	8	0
Purchases of tangible fixed assets	(19,977)	(180)
Purchases of intangible fixed assets	(2,342)	(21)
Proceeds from sales of tangible fixed assets	799	7
Payments for retirement of tangible fixed assets	(14)	(0)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(719)	(6)
Net cash used in investing activities	(370,404)	(3,346)
Cash flows from financing activities:		
Dividends paid	(7,957)	(72)
Purchases of treasury stock	(789)	(7)
Proceeds from sales of treasury stock	0	0
Payments of lease liabilities	(564)	(5)
Net cash used in financing activities	(9,312)	(84)
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	(0)
Net change in cash and cash equivalents	1,106,606	9,996
Cash and cash equivalents at the beginning of year	1,463,401	13,218
Cash and cash equivalents at the end of year (Note 14)	¥2,570,007	\$23,214

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2021

1 Basis of presenting consolidated financial statements

In accordance with the approval from shareholders at the shareholders' meeting held on June 25, 2020 and necessary approval from the Prime Minister and relevant authorities based on Article 52-17, Paragraph 1 of the Banking Act, Hirogin Holdings, Inc. (the "Company") was incorporated as a holding company pursuant to a sole-share transfer on October 1, 2020, through which The Hiroshima Bank, Ltd. (the "Bank") became a wholly-owned subsidiary of the Company. This sole-share transfer was accounted for as a transaction under common control pursuant to the Accounting Standard for Business Combinations and Implementation Guidance on Business Combinations and Business Divestitures (see Note 25 for further information on the business combination). The accompanying consolidated financial statements have been prepared on the assumption that the above transaction had been in effect as of April 1, 2020. Accordingly, the accounts of the Bank for the period from April 1, 2020 through September 30, 2020 have been included in the accompanying consolidated financial statements of the Company.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange

Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and ten subsidiaries (collectively the "Group") for the year ended March 31, 2021.

Under the control and influence concepts, the companies over which the Company is able to exercise control, directly or indirectly, are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

Following the incorporation of the Company, the Bank became a wholly-owned subsidiary of the Company. In addition, the Company obtained all shares in Hirogin Securities Co., Ltd., Shimanami Servicer Co., Ltd. and Hirogin Capital Partners Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank. Accordingly, the Bank and its consolidated subsidiaries were included in the scope of consolidation from the year ended March 31, 2021.

Furthermore, the Company made Hirogin IT Solutions Co., Ltd. its subsidiary by acquiring shares in the company. Accordingly, the company was included in the scope of consolidation from the year ended March 31, 2021.

In addition, following the incorporation of the Company, the Company acquired shares in Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank and included the company in the scope of equity method. However, as Hirogin Lease Co., Ltd. acquired its own shares and became a wholly-owned subsidiary of the Company, the company was included in the scope of consolidation from the year ended March 31, 2021.

All significant intercompany balances and transactions have been eliminated.

There are six subsidiaries which are not consolidated because the total assets, total income, net income, retained earnings and total other comprehensive income of these companies would not have a material effect on the consolidated financial statements.

There is no unconsolidated subsidiary nor an affiliated accompany which is accounted for using the equity method as of March 31, 2021.

As noted above, following the incorporation of the Company, the Company acquired shares in Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank and included the company in the scope of equity method. However, as Hirogin Lease Co., Ltd. acquired its own shares and became a wholly-owned subsidiary of the Company, the company was excluded from the scope of equity method from the year ended March 31, 2021.

There is an affiliated company which is not accounted for using the equity method because net income (corresponding to the share of interests), and other comprehensive income of the company would not have a material effect on the consolidated financial statements.

The six unconsolidated subsidiaries and an affiliated company are not accounted for using the equity method, but they are stated at cost, because these companies would not have a material effect on the consolidated financial statements even if they are excluded from the scope of equity method.

Goodwill incurred for the two consolidated subsidiaries is amortized using the straight-line method over a period of five years.

As of March 31, 2021, the fiscal year ending dates are March 31 for ten consolidated subsidiaries.

3 Significant accounting policies

Trading assets and trading liabilities

The Group adopted mark-to-market accounting for trading assets and trading liabilities including securities, monetary claims and financial derivatives for trading purpose. Trading assets and trading liabilities are recorded on a trade date basis, and revenues and expenses related to trading securities transactions are also recorded on a trade date basis. Securities and monetary claims for trading purposes are stated at market or fair value at the balance sheet date. Financial derivatives such as futures and option transactions are stated at a deemed settlement amount at the balance sheet date. Unrealized gains or losses incurred by the mark-to-market method are charged to income.

Securities

All companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereinafter, "trading securities"), (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and an affiliated company, and (d) for all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities").

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated, nor accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities whose fair value cannot be reliably determined are carried at cost determined by the moving-average method.

Debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair value are stated at moving-average cost.

If the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies not consolidated, nor accounted for by the equity method, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

When fair values of available-for-sale securities decline by 50% or more of the acquisition cost at the balance sheet date, the Group writes down such securities to the fair values and records the related write-downs as loss in its consolidated statements of income. When fair values of

available-for-sale securities decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair values may be recognized for certain issuers based on evaluation of issuers' debtor classification. For the year ended March 31, 2021, the Group did not recognize any write-downs of securities.

Derivatives and hedge accounting

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

(1) Hedging against interest rate fluctuations

The consolidated banking subsidiary (the "Bank") applies deferred hedge accounting pursuant to the treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24 on October 8, 2020) to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities. The Bank assesses the hedge effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and the hedging instruments such as interest rate swaps by their maturity.

With respect to hedging transactions to fix the cash flows, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Practical Guideline No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

(2) Hedging against foreign currency fluctuations

The Bank applies deferred hedge accounting to hedge transactions such as currency swaps and foreign exchange swaps entered into to mitigate foreign exchange risk arising from foreign-currency-denominated financial assets and liabilities.

The Bank applies the hedge accounting pursuant to "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25 on October 8, 2020) to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge effectiveness by

confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) do not exceed the corresponding foreign-currency-denominated monetary receivables and payables as hedged items.

(3) Exceptional treatment

For some assets and liabilities, the Bank defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized. Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Out of the above hedging relationships, all the hedging relationships included in the scope of application of the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issue Task Force ("PITF") Report No. 40, September 29, 2020) apply the special treatments defined by the PITF Report No. 40. The contents of hedging relationships to which the PITF Report No. 40 is applied are as follows:

Hedge accounting method:	Deferred accounting method in principle
Hedging instruments:	Interest rate swaps, currency swaps
Hedged items:	Loans, etc.
Type of hedging transaction:	Offset against market fluctuations, transactions to fix the cash flows

Tangible fixed assets (except for lease assets)

Tangible fixed assets of the Bank except for land utilized for business operations are stated at cost less accumulated depreciation. Accumulated impairment losses are deducted from acquisition costs.

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives. Estimated useful lives of major items are as follows:

Buildings:	22–50 years
Others:	3–20 years

The Company and its other consolidated subsidiaries depreciate their tangible fixed assets mainly using the declining-balance method (except for facilities attached to buildings acquired on or after April 1, 2016, which are depreciated using the straight-line method) based on the estimated useful lives of those assets.

Accumulated depreciation for tangible assets as of March 31, 2021 amounted to ¥46,747 million (\$422 million).

Deferred revenue deducted from the acquisition cost was ¥12,733 million (\$115 million) as of March 31, 2021.

Land revaluation reserve

In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998; the "Act"), land for business purposes of the Bank has been revalued as of the date indicated below. The tax equivalent with regard to the valuation differences was recognized as "Deferred tax liabilities for land revaluation" in liabilities, and the amount net of deferred tax liabilities for land revaluation was stated as "Land revaluation surplus" in equity.

Date of revaluation: March 31, 1998

The method of revaluation of assets set forth in Article 3, Paragraph 3 of the Act:

Fair values are determined based on land price determined using the method established and published by the Commissioner of the National Tax Agency of Japan in order to calculate land value used for determining taxable amounts subject to landholding tax stipulated in Article 16 of the Landholding Tax Act, which is stipulated in Article 2, Item 4 of the Order for Enforcement on Act on Revaluation of Land (Order No. 119, March 31, 1998), with reasonable price adjustments.

The difference between the total fair values and the total carrying amounts of land for business purposes which was revaluated pursuant to Article 10 of the Act as of March 31, 2021 was ¥22,207 million (\$201 million).

Intangible fixed assets (except for lease assets)

Intangible fixed assets are amortized using the straight-line method. Software utilized by the Group is amortized over the period in which it is expected to be utilized mainly for five or ten years.

Lease assets

Lease assets of the finance leases included in "Tangible fixed assets" other than those that transfer the ownership of leased property to the lessees are depreciated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

Reserve for possible loan losses

The Bank records its reserve for possible loan losses in accordance with a predetermined standard for write-offs and provisions as follows:

For loans to borrowers who are legally bankrupt due to special liquidation, etc. ("legally bankrupt" borrowers) or borrowers in a similar financial condition ("virtually bankrupt"

borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

For loans to borrowers who are not bankrupt at present, but likely to become bankrupt in future ("possibly bankrupt" borrowers), the reserve for possible loan losses is provided in the amounts considered to be necessary after comprehensively evaluating the borrower's overall financial conditions out of the amounts remaining after deducting the disposable value of collaterals and the estimated recoverable value from relevant guarantees from the carrying amounts of the loans.

Among loans to major borrowers who are possibly bankrupt and those with restructured loans, for loans to borrowers whose cash flows from collection of principal and interest can be reasonably estimated, the reserve for possible loan losses is provided in the amount of differences between the amount obtained by discounting the said cash flows at the contractual interest rate before restructuring and the carrying amounts of the loans (cash flow estimation method).

For other loans, the reserve for possible loan losses is provided based on the expected credit losses for the coming year or the coming three years. Expected credit losses are determined by adding necessary adjustments such as future prospects, etc. to the loss rate obtained by the average rate of actual loan losses for certain past periods based on bad debts for the past one year or the past three years.

The sales-related department conducts asset assessments for all the loans in accordance with the self-assessment rule, and their assessments are audited by the asset audit department, which is independent from the sales-related department.

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2021 were ¥18,863 million (\$170 million).

Other consolidated subsidiaries record the reserve for possible loan losses at the necessary amounts considering the historical bad debt ratio for general loans, and at the estimated uncollectible amounts for specific loans to possibly bankrupt borrowers.

Employees' severance and retirement benefits

The liabilities and expenses for severance and retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2021 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

In calculating the projected benefit obligation, the straight-line method is used to attribute the expected benefit attributable to the respective fiscal year. Prior service costs were recognized in the consolidated statements of income as incurred.

Other consolidated subsidiaries adopt the simplified method for the calculation of net defined benefit liability and expenses for severance and retirement benefits.

Reserve for retirement benefits of directors and Audit & Supervisory Board members

Reserve for retirement benefits of directors and Audit & Supervisory Board members is provided for in payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end.

Reserve for reimbursement of deposits

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal.

Reserve for point loyalty programs

Reserve for point loyalty programs is provided for the estimated expenses based on an estimate of the future usage of points. Points are granted to credit card holders through card usage under the point loyalty program which is designed to promote card usage.

Reserve for stock payments

Reserve for stock payments is provided for the Company's stock payment to directors (excluding outside directors and directors who are members of the audit committee) and executive officers of the Company and directors (excluding outside directors) and executive officers of the Bank based on the Director Share Payment Regulations at the estimated amount at the fiscal year-end.

Reserve for dismantling costs for fixed assets

Reserve for dismantling costs for fixed assets is provided to cover disbursements for dismantling buildings, etc. at the amount estimated to be incurred in future.

Reserve under Special Laws

Reserve under special laws is provided for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

Foreign currency translation

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates, etc.

Income taxes

Income taxes consist of corporation tax, enterprise tax and inhabitant tax. The provision for income taxes is computed based on the pretax income of the Company and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the recoverability of the tax benefits.

Consumption taxes

National and local consumption taxes of the Company and its domestic consolidated subsidiaries are accounted for using the tax-excluded method.

Consolidated statements of cash flows and cash equivalents

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

Amounts per share

Net assets per share is calculated by dividing net assets by the number of common stocks outstanding at the year-end (excluding "treasury stock").

Net income per share is calculated by dividing net income attributable to owners of the parent by the average number

of shares of common stock outstanding during the year (excluding "treasury stock").

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

Significant accounting estimates

The following items, which are items of accounting estimates recorded in the consolidated financial statements for the year ended March 31, 2021, may have significant effects on the consolidated financial statements for the following year:

• Reserve for possible loan losses

Accounting estimates associated with reserve for possible loan losses are considered to be material, since loans and other receivables of the Bank account for a relatively high portion in the consolidated balance sheet of the Group and therefore the recording of reserve for possible loan losses have a significant impact on the operating performance and financial position of the Group.

(1) Amount recorded in the consolidated financial statements as of March 31, 2021

Reserve for possible loan losses: ¥41,072 million (\$371 million)

(Amount recorded by the Bank: ¥38,881 million (\$351 million))

(2) Information about the contents of significant accounting estimates for the identified item

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2021

The calculation method for reserve for possible loan losses is stated in "Reserve for possible loan losses" under Note 3 "Significant accounting policies."

Asset assessments described in "Reserve for possible loan losses" above refer to the classification in accordance with the risk of recovery and loss probabilities that are investigated and analyzed specifically after classifying debtors depending on their circumstances associated with the loans and receivables they hold based on the self-assessment criteria, and appropriate write-offs and the recording of provisions according to debtor classification are implemented. Debtors are classified into normal borrowers, borrowers who require special attention, possibly bankrupt borrowers, virtually bankrupt borrowers and legally bankrupt borrowers in accordance with the outcome of investigation of the repayment ability of debtors based on the financial position, cash management status, profitability, etc. of the debtors.

b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2021

On the premise that there is a certain correlation between the historical loan loss ratio and the future expected loan loss ratio, for normal borrowers, borrowers who require special attention (including borrowers of restructured loans) and possibly bankrupt borrowers, the Group, in principle, records reserve for possible loan losses at an amount corresponding to the expected loan losses which are determined by multiplying the expected loss ratio computed based on the historical loss ratio.

The Group determines the debtor classification by comprehensively taking into account the projections about business continuity and profitability, reasonableness of management improvement plans, etc., ability to repay debt and the status of support from financial institutions, in consideration of the characteristics of the industry, etc., after investigating the debtor's ability to repay the debt based on the actual financial position, cash management status, profitability, etc. of the debtor, and confirming the lending terms and the fulfilment status of loans.

Furthermore, if the management reconstruction is expected to proceed in line with reasonable and highly feasible management improvement plans, such loans will not fall under the category of restructured loans or possibly bankrupt loans.

Of the possibly bankrupt borrowers and borrowers of restructured loans whose unsecured credit amount exceeds a certain amount, if the future cash flows from the collection of the principal and interest of the loans held by such borrowers can be reasonably estimated, reserve for possible loan losses are recorded using the estimation of future cash flows from the collection of the principal and interest based on management improvement plans, etc. as a main assumption, considering the actual management condition of the borrower. In addition, for certain possibly bankrupt borrowers, additional reserve for possible loan losses is recorded at an amount that is not expected to be recovered in the future.

In addition, the Company assumes that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future as of March 31, 2021. Reserve for possible loan losses is recorded on the assumption that significant losses would not arise from the loans thanks to economic measures taken by national and local governments as well as support from the Bank and other financial institutions, although there may be some impacts on certain industries.

c. Effects on the consolidated financial statements for the following fiscal year

Main assumptions used for calculating the amount of reserve for possible loan losses, such as expected loan losses based on the historical loan loss ratio by debtor classification, debtor classification as of the fiscal year end, estimated recoverable amounts based on estimated disposal value of collateral and guarantees as well as the impact of COVID-19, involve uncertainties of significant estimates.

Main assumptions related to the estimation of reserve for possible loan losses are based on best available information as of the preparation of the consolidated financial statements, but they might affect the performances and financial position of the Group depending on factors such as the deterioration of the management status of the borrowers, the fulfilment status of management improvement plans, a significant deviation of the expected amount of decline in collateral value compared to the assumption at the time of recording reserve for possible loan losses, and the prolongation of the spread of COVID-19 and changes in its impact on the economy.

Unapplied new accounting standards

Accounting Standards for Fair Value Measurement, etc.

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)

Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with provisions under international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively "Fair Value Accounting Standards, etc.") have been developed and the guidance on fair value measurement has been provided. Fair Value Accounting Standards, etc. will be applied to the fair value of financial instruments defined in "Accounting Standard for Financial Instruments."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and notes such as the breakdown of fair value of financial instruments under the fair value hierarchy were provided.

(2) Date of adoption

Fair Value Accounting Standards, etc. are scheduled to be applied from the beginning of the year ending March 31, 2022.

(3) The effect of adopting the accounting standards

The effect of adopting Fair Value Accounting Standards, etc. is under evaluation.

Accounting Standard for Revenue Recognition

Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

1. Overview

The above standards are comprehensive accounting standards for revenue recognition.

Revenue shall be recognized by applying the following five steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations under the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations under the contract.

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

2. Date of adoption

The above standards are scheduled to be applied from the beginning of the year ending March 31, 2022.

3. The effect of adopting the accounting standards

The effect of adopting the above standards is immaterial.

Additional information

Transactions vesting treasury stocks through trust

The Company and the Bank, which is a subsidiary of the Company, has introduced the Plan using a structure called a BIP (Board Incentive Plan) Trust for directors, etc. aiming at improvement of the mid- and long-term performance as well as an increase in the awareness of contributions to increasing corporate value.

(1) Outline

The Plan grants specified points to directors, etc. depending on the Director Share Payment Regulations. The Company's shares and cash in the amount of converted value of the Company's shares equivalent to the number of such points may be granted and paid through the trust at the time of

retirement. The Company's shares to be granted to directors are acquired using cash trusted by the Company in advance.

(2) The Company's shares remaining in the trust

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying value.
2. The carrying value of treasury stock remaining in the trust is ¥1,311 million (\$12 million) at March 31, 2021.
3. The number of the shares of the Company remaining in the trust is 1,895 thousand shares at March 31, 2021.

4 Securities

- (1) Trading securities included in "Trading assets," certificates of deposit with banks included in "Cash and due from banks," and trust beneficiary rights included in "Monetary claims bought," which are separately reported from "Securities" in the consolidated balance sheets, are included in this section.

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in "Securities" as of March 31, 2021 are as follows:

	Millions of yen	Millions of U.S. dollars
Equity securities	¥3	\$0
Investments in capital	3,850	35

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2021:

a) Trading securities:

	Millions of yen	Millions of U.S. dollars
Amount of net unrealized gains included in the consolidated statement of income	¥1	\$0

b) Available-for-sale securities:

	Millions of yen		
Carrying amount exceeding cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 72,989	¥ 26,324	¥46,665
Bonds:	459,966	455,551	4,414
National government bonds	188,783	187,055	1,727
Local government bonds	103,140	102,391	748
Corporate bonds	168,042	166,104	1,938
Others	188,088	181,971	6,117
Subtotal	721,043	663,846	57,197

Carrying amount not exceeding cost:

Equity securities	21,722	25,207	(3,485)
Bonds:	410,690	414,925	(4,234)
National government bonds	240,599	244,181	(3,581)
Local government bonds	70,191	70,396	(204)
Corporate bonds	99,899	100,347	(448)
Others	316,007	326,735	(10,727)
Subtotal	748,420	766,868	(18,447)
Total	¥1,469,464	¥1,430,714	¥38,750

	Millions of U.S. dollars		
Carrying amount exceeding cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	\$ 659	\$ 238	\$422
Bonds:	4,155	4,115	40
National government bonds	1,705	1,690	16
Local government bonds	932	925	7
Corporate bonds	1,518	1,500	18
Others	1,699	1,644	55
Subtotal	6,513	5,996	517

Carrying amount not exceeding cost:

Equity securities	196	228	(31)
Bonds:	3,710	3,748	(38)
National government bonds	2,173	2,206	(32)
Local government bonds	634	636	(2)
Corporate bonds	902	906	(4)
Others	2,854	2,951	(97)
Subtotal	6,760	6,927	(167)
Total	\$ 13,273	\$ 12,923	\$350

c) Held-to-maturity debt securities

There were no held-to-maturity debt securities acquired or sold during the year ended March 31, 2021.

(3) Available-for-sale securities sold during the year ended March 31, 2021 were as follows:

Type	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	¥ 3,965	¥ 1,554	¥143
Bonds:	58,251	426	54
National government bonds	54,866	360	—
Local government bonds	—	—	—
Corporate bonds	3,384	66	54
Others	356,024	6,708	728
Total	¥ 418,241	¥ 8,690	¥926

Type	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	\$ 36	\$ 14	\$1
Bonds:	526	4	0
National government bonds	496	3	—
Local government bonds	—	—	—
Corporate bonds	31	1	0
Others	3,216	61	7
Total	\$ 3,778	\$ 78	\$8

(4) Securities whose holding purpose was reclassified
There were no securities whose holding purpose was reclassified during the year ended March 31, 2021.

(5) Impairment of securities

No impairment losses were recognized on securities for the year ended March 31, 2021.

(6) Net unrealized holding gains on available-for-sale securities and other money held in trust at March 31, 2021 consisted of the following:

	Millions of yen	Millions of U.S. dollars
Net unrealized holding gains (losses):		
Available-for-sale securities	¥38,750	\$350
Other money held in trust	(46)	(0)
	38,703	350
Deferred tax assets	2,463	22
Deferred tax liabilities	(13,839)	(125)
Net unrealized holding gains on available-for-sale securities	¥27,327	\$247

5 Money held in trust

(1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2021.

(2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2021.

(3) Other money held in trust at March 31, 2021

	Millions of yen				
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥45,727	¥45,774	¥(46)	¥11	¥58

	Millions of U.S. dollars				
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$413	\$413	\$(0)	\$0	\$1

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2021 is ¥20,891 million (\$189 million).

6 Loans and bills discounted

(1) Doubtful loans included in loans and bills discounted at March 31, 2021 were as follows:

	Millions of yen	Millions of U.S. dollars
Non-accrual loans:		
Loans to borrowers under bankruptcy proceedings	¥ 1,118	\$ 10
Other delinquent loans	59,799	540
Accrual loans past due three months or more	4,160	38
Restructured loans, including loans to supported companies	24,556	222
Total	¥89,634	\$810

The Bank does not accrue interest on loans to borrowers under bankruptcy proceedings and other delinquent loans, which are classified based on the results of self-assessment.

(2) Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥17,121 million (\$155 million) at March 31, 2021.

7 Assets pledged

At March 31, 2021, the following assets were pledged as collateral for certain liabilities of the Group.

	Millions of yen	Millions of U.S. dollars
Securities	¥1,029,487	\$ 9,299
Loans and bills discounted	912,545	8,243
Other assets	1,119	10
Total	¥1,943,152	\$17,552

The collateral was pledged to secure:

	Millions of yen	Millions of U.S. dollars
Deposits	¥ 1,668	\$ 15
Payables under repurchase agreements	255,685	2,310
Deposits received for bonds lending/ borrowing transactions	382,445	3,454
Borrowed money	968,132	8,745

In addition, other assets not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements. Other assets amounted to ¥50,000 million (\$452 million) at March 31, 2021.

Security deposits, included in other assets, amounted to ¥2,373 million (\$21 million) at March 31, 2021, deposits for financial instruments amounted to ¥31,843 million (\$288

million) at March 31, 2021, and deposits for futures trading amounted to ¥552 million (\$5 million) at March 31, 2021.

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥20,539 million (\$186 million) at March 31, 2021.

Bills rediscounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥2 million (\$0 million) at March 31, 2021.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits totaled ¥1,886,204 million (\$17,037 million) relating to these contracts at March 31, 2021. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,784,013 million (\$16,114 million) at March 31, 2021.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank refuse customers' applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

9 Borrowed money and lease obligations

Subordinated loans included in borrowed money were ¥15,000 million (\$135 million) at March 31, 2021.

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2056 was 0.08%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in "Other liabilities" within five years at

March 31, 2021 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2022	¥479,604	\$4,332	¥74	\$1
2023	11,367	103	73	1
2024	334,754	3,024	69	1
2025	151,493	1,368	67	1
2026	2,273	21	66	1

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) included in "Securities" was ¥41,545 million (\$375 million) at March 31, 2021.

11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March

31, 2021 include the amount representing the year-end cash dividend of ¥3,748 million (\$34 million), ¥12.00 (\$0.11) per share, which was approved at the Board of Directors' meeting held on May 12, 2021.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥25,202 million (\$228 million) for the year ended March 31, 2021.

13 Other expenses

Other expenses for the year ended March 31, 2021 include the following:

	Millions of yen	Millions of U.S. dollars
Loss on sales of equity securities, etc.	¥ 143	\$ 1
Write-off of loans	1,173	11
Loss on sales of loans, etc.	308	3
Reserve for possible loan losses	9,736	88
Loss on disposal of fixed assets	149	1
Impairment losses on fixed assets	439	4

14 Supplementary cash flow information

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statement of cash flows at March 31, 2021 was as follows:

	Millions of yen	Millions of U.S. dollars
Cash and due from banks	¥2,580,736	\$23,311
Foreign currency deposits with banks	(10,729)	(97)
Cash and cash equivalents	¥2,570,007	\$23,214

Significant non-cash transactions

Hirogin Lease Co., Ltd. was excluded from the scope of equity method and included in the scope of consolidation from the year ended March 31, 2021 since it became a wholly-owned subsidiary of the Company. The amount of increase in assets and liabilities as a result of inclusion of the company in the scope of consolidation was as follows:

	Millions of yen	Millions of U.S. dollars
Total assets	¥78,273	\$707
Total liabilities	77,501	700

15 Lease transactions

Finance Leases

Tangible fixed assets in lease assets mainly consisted of

branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2021 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen	Millions of U.S. dollars
Due within 1 year	¥429	\$4
Due after 1 year	469	4
Total	¥898	\$8

16 Derivative transactions

Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2021 were as follows:

Interest related:

		Millions of yen			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥160,315	¥152,941	¥3,226	¥3,226
	Receive variable, pay fixed	160,315	152,941	(1,715)	(1,715)
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	1,733	1,733	(0)	2
	Buy	1,733	1,733	0	(2)
Total		—	—	¥1,510	¥1,510

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$1,448	\$1,381	\$29	\$29
	Receive variable, pay fixed	1,448	1,381	(15)	(15)
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	16	16	(0)	0
	Buy	16	16	0	(0)
Total		—	—	\$14	\$14

Notes: 1. The unrealized gains or losses on interest rate swaps, interest rate options and other contracts are recognized in the consolidated statement of income.

2. Fair value of transactions listed on exchanges is calculated using the closing prices on the Tokyo Financial Exchange and others. Fair value of OTC transactions is calculated using the discounted present value and option pricing models.

Currency related:

		Millions of yen			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	¥689,807	¥548,078	¥ 77	¥ 248
	Forward foreign exchange contracts:				
	Sell	79,335	20,791	(1,524)	(1,524)
	Buy	70,561	20,019	2,123	2,123
	Currency options:				
	Sell	207,726	98,596	(4,703)	511
	Buy	207,726	98,596	4,703	237
	Total	¥ —	¥ —	¥ 676	¥1,596

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	\$6,231	\$4,951	\$ 1	\$ 2
	Forward foreign exchange contracts:				
	Sell	717	188	(14)	(14)
	Buy	637	181	19	19
	Currency options:				
	Sell	1,876	891	(42)	5
	Buy	1,876	891	42	2
	Total	\$ —	\$ —	\$ 6	\$14

Notes: 1. The unrealized gains or losses on currency swaps, forward foreign exchange contracts and currency options are recognized in the consolidated statement of income.
2. Fair value is calculated using the discounted present value method and option pricing models.

Others:

		Millions of yen			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Earthquake derivatives:				
	Sell	¥6,950	¥ —	¥(101)	¥ —
	Buy	7,050	—	102	—
	Total	¥ —	¥ —	¥ 0	¥ —

		Millions of U.S. dollars			
	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Earthquake derivative:				
	Sell	\$63	\$—	\$ (1)	\$—
	Buy	64	—	1	—
	Total	\$ —	\$—	\$ 0	\$—

* Transactions above whose fair values are not readily determinable are stated at cost.

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2021 were as follows:

Interest related:

			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		¥ 20,000	¥ 20,000	¥ 197
	Receive variable, pay fixed		197,561	197,561	(1,721)
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		45,403	45,403	Note 3
	Other contracts:	Loans and bills discounted			
	Buy		—	—	
	Total		¥ —	¥ —	¥(1,523)

			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		\$ 181	\$ 181	\$ 2
	Receive variable, pay fixed		1,784	1,784	(16)
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		410	410	Note 3
	Other contracts:	Loans and bills discounted			
	Buy		—	—	
	Total		\$ —	\$ —	\$(14)

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.
2. Fair value of transactions listed on exchanges is calculated using the closing prices on the Tokyo Financial Exchange and others. Fair value of OTC transactions is calculated using the discounted present value, option pricing models and prices obtained from the counterparty financial institutions.
3. Interest rate swaps which meet specific matching criteria are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "21. Financial instruments and related disclosures."

Currency related:

			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥105,512	¥105,512	¥(4,818)
	Forward foreign exchange contracts		230,875	—	(4,631)
	Total		¥ —	¥ —	¥(9,449)

			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and	\$ 953	\$953	\$(44)
	Forward foreign exchange contracts	securities denominated in foreign currencies	2,085	—	(42)
	Total		\$ —	\$ —	\$(85)

Notes: 1. The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).
2. Fair value has been measured on the basis of the calculation of discounted or present value.

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

The Bank adopts funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries adopt lump-sum payment plans, all of which are unfunded.

2. Defined benefit plans

Changes in projected benefit obligation during the period

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Projected benefit obligation at beginning of the year	¥42,534	\$384
Service costs during the year	1,142	10
Interest cost on projected benefit obligation	15	0
Actuarial differences incurred	534	5
Benefits paid	(2,567)	(23)
Increase due to change in scope of consolidation	623	6
Other	107	1
Projected benefit obligation at end of the year	¥42,390	\$383

Changes in plan assets during the period

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Plan assets at beginning of the year	¥113,344	\$1,024
Expected return on plan assets	4,533	41
Actuarial differences incurred	10,768	97
Contribution by the business owner	869	8
Benefits paid	(2,034)	(18)
Other	103	1
Plan assets at end of the year	¥127,585	\$1,152

The adjustment of the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit assets

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Funded projected benefit obligation	¥ 41,720	\$ 377
Plan assets	(127,585)	(1,152)
	(85,864)	(776)
Unfunded projected benefit obligation	670	6
Net on consolidated balance sheets	¥ (85,194)	\$ (770)

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Net defined benefit liability	¥ 670	\$ 6
Net defined benefit asset	(85,864)	(776)
Net on consolidated balance sheets	¥(85,194)	\$(770)

Components of severance and retirement benefit expenses

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Service costs—benefits earned during the year	¥ 1,142	\$ 10
Interest cost on projected benefit obligation	15	0
Expected return on plan assets	(4,533)	(41)
Amortization of actuarial differences	(1,154)	(10)
Severance and retirement benefit expenses calculated by simplified method	4	0
Severance and retirement benefit expenses	¥ (4,525)	\$ (41)

Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Actuarial differences	¥9,079	\$82

Components of remeasurements of accumulated defined benefit plans in accumulated other comprehensive income (before tax)

At March 31, 2021	Millions of yen	Millions of U.S. dollars
Unrecognized actuarial differences	¥(26,592)	\$ (240)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2021 is as follows:

Debt securities	1.8%
Equity securities	74.8
Cash and due from banks	0.1
Other	23.3
Plan assets at end of the year	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans (65.4% in 2021) and the retirement benefit trust established for lump-sum payment plans (13.2% in 2021).

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

Major assumptions for actuarial computation for the year ended March 31, 2021 are as follows:

Discount rate	0.2%
Rates of expected return on plan assets	4.0%
Expected salary increase rate	3.0%

Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥293 million (\$3 million) for the year ended March 31, 2021.

18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

Significant components of deferred tax assets and liabilities at March 31, 2021 were as follows:

	Millions of yen	Millions of U.S. dollars
Deferred tax assets:		
Reserve for possible loan losses	¥ 17,183	\$ 155
Write-down of securities	700	6
Depreciation	1,542	14
Other	5,019	45
Subtotal of deferred tax assets	24,445	221
Valuation allowance for tax loss carryforwards	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,271)	(11)
Subtotal of valuation allowance	(1,271)	(11)
Total deferred tax assets	23,173	209
Deferred tax liabilities:		
Net defined benefit assets	(19,207)	(173)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(691)	(6)
Net unrealized holding gains on available-for-sale securities	(11,375)	(103)
Total deferred tax liabilities	(31,274)	(282)
Net deferred tax liabilities	¥ (8,101)	\$ (73)

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the year ended March 31, 2021 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

19 Segment information

The reportable segment of the Group consists solely of banking. As other business are immaterial, separate segment information is omitted for the year ended March 31, 2021.

Income by service

Year ended March 31, 2021	Millions of yen	Millions of U.S. dollars
Lending	¥ 58,832	\$ 531
Investment in securities	22,219	201
Fees and commissions	28,852	261
Other	5,573	50
Total	¥115,478	\$1,043

20 Related party transactions

Information about related party transactions for the year ended March 31, 2021 is omitted since they are immaterial.

21 Financial instruments and related disclosures

(1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

(2) Nature and extent of risk arising from financial instruments

Loans and bills discounted are primarily provided to domestic institutional and individual customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of stocks, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

(3) Risk management for financial instruments

Credit risk management

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

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

Market risk management

(i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

(ii) Quantitative information relating to market risk

(a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group primarily adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2021, the entire VaR of the Group was ¥4 million (\$0 million).

(b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group primarily adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2021 was ¥62,744 million (\$567 million).

(c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the "Group Liquidity Risk Management Rule" which

provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

Fair values of financial instruments at March 31, 2021 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥ 2,580,736	¥ 2,580,736	¥ —
(2) Call loans and bills purchased	942	942	—
(3) Monetary claims bought	7,533	7,533	—
(4) Trading assets*2			
Trading securities	1,305	1,305	—
(5) Money held in trust	45,727	45,727	—
(6) Securities:			
Available-for-sale securities	1,467,796	1,467,796	—
(7) Loans and bills discounted	6,480,841		
Reserve for possible loan losses*1	(38,677)		
Net	6,442,163	6,577,881	135,717
Total assets	¥10,546,207	¥10,681,924	¥135,717
(1) Deposits	¥ 8,344,597	¥ 8,344,885	¥ 287
(2) Negotiable certificates of deposit	325,478	325,480	2
(3) Payables under repurchase agreements	255,685	255,685	—
(4) Deposits received for bonds lending/borrowing transactions	382,445	382,445	—
(5) Borrowed money	1,024,872	1,025,974	1,101
Total liabilities	¥10,333,079	¥10,334,471	¥ 1,391
Derivative instruments*1, 3:			
Hedge accounting is not applied	¥ 2,172	¥ 2,172	¥ —
Hedge accounting is applied*4	(10,973)	(10,973)	—
Total derivative instruments	¥ (8,800)	¥ (8,800)	¥ —

	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and due from banks	\$23,311	\$23,311	\$ —
(2) Call loans and bills purchased	9	9	—
(3) Monetary claims bought	68	68	—
(4) Trading assets ^{*2}			
Trading securities	12	12	—
(5) Money held in trust	413	413	—
(6) Securities:			
Available-for-sale securities	13,258	13,258	—
(7) Loans and bills discounted	58,539		
Reserve for possible loan losses ^{*1}	(349)		
Net	58,190	59,415	1,226
Total assets	\$95,260	\$96,486	\$ 1,226
(1) Deposits	\$75,373	\$75,376	\$ 3
(2) Negotiable certificates of deposit	2,940	2,940	0
(3) Payables under repurchase agreements	2,310	2,310	—
(4) Deposits received for bonds lending/ borrowing transactions	3,454	3,454	—
(5) Borrowed money	9,257	9,267	10
Total liabilities	\$93,335	\$93,347	\$ 13
Derivative instruments ^{*1, *3} :			
Hedge accounting is not applied	\$ 20	\$ 20	\$ —
Hedge accounting is applied ^{*4}	(99)	(99)	—
Total derivative instruments	\$ (79)	\$ (79)	\$ —

*1. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted." Reserve for possible loan losses provided in "Derivative instruments" is directly deducted from the carrying amounts due to immateriality.

*2. Derivative instruments are not included in trading assets.

*3. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

*4. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied in principal. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, September 29, 2020) is applied to these hedging relationships.

(Note 1) Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

The carrying amounts of due from banks with no maturities approximate fair values because they have no maturity. For due from banks with maturities, the carrying amounts approximate fair value because most of them have short maturities.

(2) Call loans and bills purchased

The carrying amounts of call loans and bills purchased approximate fair values because most of these instruments have short maturities.

(3) Monetary claims bought

Out of monetary claims bought, trust beneficiary rights, that are divided by quality such as subordinated or preferred and owned by multiple holders, are measured at the quoted price from the counterpart financial institutions. For other monetary claims bought, the carrying amounts are considered as the fair value, as most of these instruments have short maturities and the fair values approximate the carrying amounts.

(4) Trading assets

The fair values of trading securities are measured at observable market prices or quoted price from counterpart financial institutions.

(5) Money held in trust

Of money held in trust, the fair values of securities managed as trust assets are determined by the method noted in (6) below. The fair values of securities, which have an external rating, are determined by discounting the aggregated amount of the principal and interest at the average interest rate by external rating for each period. For other money held in trust, the carrying amounts are considered as the fair value, as the components of trust assets consist of deposits with no maturities and the fair values approximate the carrying amounts.

(6) Securities

The fair values of marketable equity securities are measured at market prices. The fair values of bonds are measured at market prices or quoted price from counterpart financial institutions.

The fair values of investment trusts are measured at the published benchmark price or quoted price from counterpart financial institutions.

The value reasonably estimated for such bonds was calculated by discounting the estimated future cash flows at the rate derived from yields of Japanese government bonds. The yields of Japanese government bonds and volatility are major variables in pricing.

(7) Loans and bills discounted

The fair values of loans and bills discounted are determined by discounting expected cash flows at the rates that would be applied for the new same contract for each type of loan product, interest, period of time and internal ratings-based classification.

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," since the reserve is provided based

on amounts expected to be collected through the disposal of collateral or execution of guarantees, the net carrying amount as of the consolidated balance sheet date is the reasonable estimate of the fair value of those loans.

For loans without any repayment due dates, the carrying amounts are considered as the fair values, as the fair values approximate the carrying amounts from the viewpoints of estimated payment terms and interest rate conditions, etc.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The fair values of demand deposits are recognized as the payment at the date of the consolidated balance sheets. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the same, new contracts.

(3) Payables under repurchase agreements and (4) Deposits received for bonds lending/borrowing transactions

The fair values of these items are considered as the carrying amounts, as the contract terms are short and the fair values approximate the carrying amounts.

(5) Borrowed money

The fair values of borrowed money are determined by discounting the contractual cash flows at the rate that would be applied for the same, new contracts. For borrowed money with short contract terms, the carrying amounts are considered as the fair values, as the fair values approximate the carrying amounts.

Derivative instruments

The fair values of derivative instruments are measured at the market prices or determined using the discounted cash flow method or option pricing models.

(Note 2) Financial instruments whose fair value cannot be reliably determined at March 31, 2021
These financial instruments are not included in "Available-for-sale securities" under (6) Securities in the table.

	Carrying amount	
	Millions of yen	Millions of U.S. dollars
Equity securities without readily available market price*1, 2	¥ 5,250	\$ 47
Other	6,781	61
Total	¥12,032	\$109

*1. Equity securities without readily available market prices are out of the scope of fair value disclosure because their fair value cannot be reliably determined.

*2. Impairment loss on equity securities without readily available market prices was ¥35 million (\$0 million) for the year ended March 31, 2021.

(Note 3) Maturity analysis for financial assets with contractual maturities

At March 31, 2021	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,500,698	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	942	—	—	—	—	—
Monetary claims bought	7,533	—	—	—	—	—
Money held in trust	45,727	—	—	—	—	—
Securities	59,171	106,661	159,253	162,904	321,808	464,271
Available-for-sale:	59,171	106,661	159,253	162,904	321,808	464,271
National government bonds	30,000	24,000	5,000	—	174,000	187,200
Local government bonds	5,590	9,360	53,000	36,924	61,295	5,982
Corporate bonds	8,426	33,410	64,562	11,225	15,373	131,562
Others	15,155	39,890	36,691	114,755	71,138	139,526
Loans and bills discounted*	650,361	632,381	755,327	550,239	844,215	2,205,508
Total	¥3,264,435	¥739,042	¥914,580	¥713,143	¥1,166,023	¥2,669,779

At March 31, 2021	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	\$22,588	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	9	—	—	—	—	—
Monetary claims bought	68	—	—	—	—	—
Money held in trust	413	—	—	—	—	—
Securities	534	963	1,438	1,471	2,907	4,194
Available-for-sale:	534	963	1,438	1,471	2,907	4,194
National government bonds	271	217	45	—	1,572	1,691
Local government bonds	50	85	479	334	554	54
Corporate bonds	76	302	583	101	139	1,188
Others	137	360	331	1,037	643	1,260
Loans and bills discounted*	5,874	5,712	6,823	4,970	7,625	19,921
Total	\$29,486	\$6,675	\$8,261	\$6,442	\$10,532	\$24,115

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥60,917 million (\$550 million), is not included in the above table as of March 31, 2021. Loans that do not have contractual maturity, amounting to ¥781,890 million (\$7,063 million), are not included either.

(Note 4) Maturity analysis for interest-bearing liabilities at March 31, 2021

At March 31, 2021	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥8,125,170	¥183,149	¥ 24,568	¥ 5,724	¥ 5,984	¥ —
Negotiable certificates of deposit	325,423	55	—	—	—	—
Payables under repurchase agreements	255,685	—	—	—	—	—
Payables under securities lending transactions	382,445	—	—	—	—	—
Borrowed money	479,604	346,121	153,766	18,400	4,638	22,339
Total	¥9,568,329	¥529,326	¥178,335	¥24,125	¥10,623	¥22,339

At March 31, 2021	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	\$73,391	\$1,654	\$ 222	\$ 52	\$54	\$ —
Negotiable certificates of deposit	2,939	0	—	—	—	—
Payables under repurchase agreements	2,310	—	—	—	—	—
Payables under securities lending transactions	3,454	—	—	—	—	—
Borrowed money	4,332	3,126	1,389	166	42	202
Total	\$86,427	\$4,781	\$1,611	\$218	\$96	\$202

* Deposits on demand are included in “Less than 1 year.”

22 Stock options

1. No stock option expense was recorded for the year ended March 31, 2021.

2. Outline, size and changes of stock options in the year ended March 31, 2021

(1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

(2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2021

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding on April 1, 2020	—	—	—	—	—	—	—
Granted	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Forfeited	—	—	—	—	—	—	—
Vested	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Outstanding on March 31, 2021	—	—	—	—	—	—	—
Vested:							
Outstanding on April 1, 2020	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding on March 31, 2021	—	—	—	—	—	—	—

b. Price information for the year ended March 31, 2021

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	5.89	644	5.82	446	4.03	820	7.41

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.00	¥1	\$0.00	¥1	\$0.00
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	8.26	1,346	12.16	654	5.91

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

23 Other comprehensive income

Reclassification adjustments and the related tax effects concerning other comprehensive income for the year ended March 31, 2021 were as follows:

	Millions of yen	Millions of U.S. dollars
Net unrealized holding gains on available-for-sale securities:		
Amount arising during the period	¥26,012	\$235
Reclassification adjustments	(8,177)	(74)
Before adjustments for tax effect	17,834	161
Amount of tax effect	(5,512)	(50)
Net unrealized holding gains on available-for-sale securities	12,322	111
Net deferred gains on hedging instruments, net of tax:		
Amount arising during the period	3,122	28
Reclassification adjustments	1,350	12
Before adjustments for tax effect	4,473	40
Amount of tax effect	(1,386)	(13)
Net deferred gains on hedging instruments, net of tax	3,086	28
Remeasurements of defined benefit plans:		
Amount arising during the period	10,233	92
Reclassification adjustments	(1,154)	(10)
Before adjustments for tax effect	9,079	82
Amount of tax effect	(2,814)	(25)
Remeasurements of defined benefit plans	6,264	57
Share of other comprehensive income of an affiliated company accounted for using the equity method:		
Amount arising during the period	(4)	(0)
Reclassification adjustments	—	—
Share of other comprehensive income of an affiliated company accounted for using the equity method	(4)	(0)
Total other comprehensive income	¥21,668	\$196

24 Business combinations

(Transaction under common control)

1. Outline of transaction

(1) Name and business of combined companies

The Hiroshima Bank, Ltd., a wholly-owned subsidiary company resulting from a share transfer (banking business)

(2) Date of business combination

October 1, 2020

(3) Legal form of business combination

Incorporation of a holding company through a sole share transfer

(4) Name of company after business combination

Hirogin Holdings, Inc., a wholly owning parent company incorporated in a share transfer

(5) Others

The Company was established for the purpose of contributing to the creation of a prosperous future for the regional community, as a regional comprehensive services group that meets all the needs of customers, with a focus on finance, by further strengthening group governance as well as further expanding the business axis and enhancing group synergy.

The Company acquired all shares in Hirogin Securities Co., Ltd., Shimanami Servicer Co., Ltd., Hirogin Capital Partners Co., Ltd. and Hirogin Lease Co., Ltd., which had been owned by the Bank, by way of receiving dividends in kind from the Bank on October 1, 2020, and these four companies became wholly-owned subsidiaries of the Company.

2. Outline of accounting treatment applied

This transaction is treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019), as well as the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(Business combination through acquisition)

The Company acquired shares in Hirogin IT Solutions Co., Ltd. on January 4, 2021 based on the share transfer agreement entered into with Mighty Net Co. on October 1, 2020. As a result, Hirogin IT Solutions Co., Ltd. became a subsidiary of the Company.

1. Outline of transaction**(1) Name and business of the acquired company and its business**

Name of acquired company: Hirogin IT Solutions Co., Ltd.
Business of acquired company: IT-related business

(2) Major reason for business acquisition

To support local companies in introducing information technology in their business and to aim for sustainable growth of the Group

(3) Date of business combination

January 4, 2021 (deemed acquisition date: March 31, 2021)

(4) Legal form of business combination

Share acquisition to make the company a subsidiary

(5) Name of company after business combination

No change

(6) Ratio of voting rights acquired

80%

(7) Basis for acquiring the company

It is based on the fact that the Company acquired shares in consideration for cash.

2. Performances of the acquired company included in the consolidated financial statements

It is not applicable since March 31, 2021 is regarded as the deemed acquisition date.

3. Matters concerning calculation of acquisition cost**(1) Acquisition cost of the acquired company and breakdown by type of consideration**

This information is not disclosed due to the conclusion of a confidential agreement between the parties concerned. The acquisition cost is determined considering the outcome of calculation of the share value by a third party and is therefore considered as a fair value.

(2) Main acquisition-related costs and amount thereof

Due diligence costs, etc.: ¥10 million (\$0 million)

4. Allocation of acquisition costs**(1) Assets acquired and liabilities assumed at the date of business combination are as follows:**

	Millions of yen	Millions of U.S. dollars
Current assets	¥1,350	\$12
Non-current assets	653	6
Total assets	¥2,004	\$18
Current liabilities	¥721	\$ 7
Non-current liabilities	674	6
Total liabilities	¥1,395	\$13

(2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred: ¥233 million (\$2 million)

Reasons for the goodwill incurred: Goodwill was incurred as the acquisition cost of the acquired company exceeded its net asset value at the time of acquisition.

Method and period of amortization: Goodwill is amortized on a straight-line basis over five years.

5. Comparative information about net income and loss

Information on the effect of the business combination on the consolidated statement of income for the year ended March 31, 2021, on the assumption that the business combination was completed at the beginning of the year ended March 31, 2021, is omitted since the acquired company was incorporated on January 4, 2021.

(Acquisition of treasury stock by an affiliated company accounted for by the equity method)

Hirogin Lease Co., Ltd., which used to be an affiliated company accounted by using the equity method, acquired its own shares on March 1, 2021, and became a wholly-owned subsidiary of the Company.

1. Outline of transaction

(1) Name of the acquired company and its business

Name of acquired company: Hirogin Lease Co., Ltd.

Business of acquired company: Leasing business, installment sales business, lending business

(2) Major reason for business acquisition

To strengthen alliance with the acquired company and provide high value-added solutions to the equipment needs of customers.

(3) Date of business combination

March 1, 2021 (deemed acquisition date: March 31, 2021)

(4) Legal form of business combination

Changes in the ratio of voting rights as a results of the acquisition of own shares by the affiliated company accounted for by the equity method.

(5) Name of company after business combination

No change

(6) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business acquisition: 20%

Ratio of voting rights acquired at the date of business combination: 80%

Ratio of voting rights after the business combination: 100%

(7) Basis for acquiring the company

For the Company to acquire majority shares in the acquired company.

2. Performance period of the acquired company included in the consolidated financial statements

Operating results of the acquired company from April 1, 2020 through March 31, 2021 are recorded as share of profit of an affiliated company accounted for by the equity method since March 31, 2021 is regarded as the deemed acquisition date.

3. Matters concerning calculation of acquisition costs

(1) Acquisition cost of the acquired company

The fair value of shares in the acquired company held before the date of business combination was ¥1,179 million (\$11 million).

(2) Difference between the acquisition cost of the acquired company and total amount of acquisition cost for each transaction of acquisition

Gain on step acquisition: ¥86 million (\$1 million)

4. Allocation of acquisition costs

(1) Assets acquired and liabilities assumed at the date of business combination are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥75,513	\$682
Non-current assets	2,760	25
Total assets	¥78,273	\$707
Current liabilities	¥75,126	\$679
Non-current liabilities	2,374	21
Total liabilities	¥77,501	\$700

(2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred: ¥442 million (\$4 million)

Reasons for the goodwill incurred: Goodwill was incurred as the acquisition cost of the acquired company exceeded its net asset value at the time of acquisition.

Method and period of amortization: Goodwill is amortized on a straight-line basis over five years.

5. Comparative information about net income and loss

Information on the effect of the business combination on the consolidated statement of income for the year ended March 31, 2021, on the assumption that the business combination was completed at the beginning of the year ended March 31, 2021, is omitted since the effect is considered to be minimal.

25 Per share information

Per share information at March 31, 2021 and for the year then ended is as follows

	Yen	U.S. dollar
Net assets per share	¥1,664.01	\$15.03
Net income per share	69.26	0.63
Diluted net income per share	69.22	0.63

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen	Millions of U.S. dollars
Net assets	¥516,880	\$4,669
Amounts to be deducted from net assets	248	2
(Of which, stock acquisition rights)	(126)	(1)
(Of which, non-controlling interests)	(121)	(1)
Net assets at March 31 attributable to common stock	¥516,632	\$4,667

	Number of shares (in thousands)
Number of shares of common stock at end of the year which was used to compute net assets per share	310,473

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen	Millions of U.S. dollars
Net income per share:		
Net income attributable to owners of the parent	¥21,574	\$195
Net income not attributable to common shareholders	—	—
Net income attributable to owners of the parent of common stock	¥21,574	\$195

	Number of shares (in thousands)
Average number of shares of common stock outstanding during the year	311,472

	Millions of yen	Millions of U.S. dollars
Diluted net income per share:		
Adjustment to net income attributable to owners of the parent	¥—	\$—

	Number of shares (in thousands)
Number of shares of common stock that increased during the year	176
(Of which, stock acquisition rights)	176

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account 76131) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2021 and the average number of shares of the treasury stock during the year were 1,895 thousand shares and 870 thousand shares, respectively.

4. The average number of shares of common stock during the year is computed using the average number of shares of the Bank for the period from April 1, 2020 through September 30, 2020 and using the average number of shares of the Company for the period from October 1, 2020 through March 31, 2021, since the Company was incorporated through a sole-share transfer on October 1, 2020.

26 Significant subsequent events

(Incorporation of a subsidiary)

The Company resolved to incorporate a subsidiary wholly owned by the Company at the board of directors meeting held on December 18, 2020 and it was incorporated on April 1, 2021.

1. Purpose of incorporation

The Company has been actively engaged in regional revitalization and development efforts under the priority theme of "Active commitment to regional revitalization" in the mid-term plan (prepared by the Bank).

Under such circumstances, many issues have manifested in the region, such as a social population decline and shortage of successors of small and medium size enterprises, etc., and these are structural issues facing the region that must be provided with solutions.

The Group intends to promote its consulting business towards realizing regional revitalization and deepen its ties with the local governments and other related parties through the newly incorporated subsidiary engaged in consulting business. It will also actively involve itself in "city development" and strengthen its efforts to solve the fundamental issues faced by the region.

2. Outline of the subsidiary

(1) Name	Hirogin Area Design Co., Ltd.
(2) Business description	Consulting business
(3) Date of incorporation	April 1, 2021
(4) Stated capital	¥100 million (\$1 million)
(5) Stockholder	Hirogin Holdings, Inc. (owns all shares of the subsidiary)

(Incorporation of a subsidiary)

The Company resolved to incorporate a subsidiary wholly owned by the Company at the board of directors meeting held on January 28, 2021 and it was incorporated on April 1, 2021.

1. Purpose of incorporation

The Group has been committed to the enhancement of consulting services as a business model emphasizing feasibility study of businesses.

Under such circumstances, the top concerns of owners of small and medium size enterprises in the region are those

related to human resources and labor issues, such as the securing of human resources and workstyle reform, etc., and considering the social environment with a population decline, the spread and prolongation of the COVID-19 pandemic, etc., needs for solutions to these issues are expected to increase going forward.

The Group intends to develop human resource and labor related consulting business and strengthen its efforts to solve the issues faced by the small and medium size enterprises in the region through the newly incorporated subsidiary engaged in consulting business.

2. Outline of the subsidiary

(1) Name	Hirogin Human Resources Co., Ltd.
(2) Business description	Consulting business
(3) Date of incorporation	April 1, 2021
(4) Stated capital	¥100 million (\$1 million)
(5) Stockholder	Hirogin Holdings, Inc. (owns all shares of the subsidiary)

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars (Note 1)
	2020	2021	2021
ASSETS			
Cash and due from banks	¥1,471,326	¥2,579,575	\$23,300
Call loans and bills purchased	6,711	942	9
Monetary claims bought	6,313	6,133	55
Trading assets	6,235	6,501	59
Money held in trust	171	30,127	272
Securities	1,136,265	1,486,384	13,426
Loans and bills discounted	6,479,709	6,540,880	59,081
Foreign exchanges	34,990	15,463	140
Other assets	106,427	107,467	971
Tangible fixed assets	92,974	108,515	980
Intangible fixed assets	9,119	8,427	76
Prepaid pension cost	53,340	59,272	535
Deferred tax assets	4,965	—	—
Customers' liabilities for acceptances and guarantees	35,232	35,207	318
Reserve for possible loan losses	(31,848)	(38,881)	(351)
Total assets	¥9,411,933	¥10,946,017	\$98,871
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥7,709,050	¥ 8,699,667	\$78,580
Call money	100,000	—	—
Payables under repurchase agreements	79,420	255,685	2,310
Deposits received for bonds lending/borrowing transactions	321,008	382,445	3,454
Trading liabilities	3,814	3,607	33
Borrowed money	639,493	1,023,250	9,243
Foreign exchanges	3,502	1,985	18
Due to trust account	32	47	0
Other liabilities	41,541	58,559	529
Reserve for reimbursement of deposits	2,530	1,745	16
Reserve for point loyalty programs	94	93	1
Reserve for stock payments	547	599	5
Reserve for dismantling costs for fixed assets	1,177	768	7
Deferred tax liabilities	—	1,326	12
Deferred tax liabilities for land revaluation reserve	13,605	13,605	123
Acceptances and guarantees	35,232	35,207	318
Total liabilities	¥8,951,052	¥10,478,596	\$94,649
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 493
Issued – 312,633,171 shares in 2020 and 312,370,921 shares in 2021			
Capital surplus	30,739	30,634	277
Retained earnings	338,614	329,081	2,972
Common stock in treasury	(984)	—	—
Total stockholders' equity	¥ 422,943	¥ 414,289	\$ 3,742
Net unrealized holding gains on available-for-sale securities	¥ 15,005	¥27,288	\$246
Net deferred losses on hedging instruments	(5,025)	(1,938)	(18)
Land revaluation reserve	27,781	27,781	251
Total valuation and translation adjustments	¥ 37,762	¥53,131	\$480
Stock acquisition rights	176	—	—
Total net assets	¥ 460,881	¥ 467,420	\$ 4,222
Total liabilities and net assets	¥9,411,933	¥10,946,017	\$98,871

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.
Years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars (Note 1)
	2020	2021	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 62,266	¥ 58,614	\$ 529
Interest and dividends on securities	12,765	13,770	124
Other interest income	1,630	2,385	22
Trust fees	189	128	1
Fees and commissions	23,760	24,366	220
Trading income	750	809	7
Other operating income	9,352	5,521	50
Other income	9,533	5,775	52
Total income	¥ 121,120	¥ 111,372	\$ 1,006
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,935	¥ 1,292	\$ 12
Interest on borrowings and rediscounts	3,004	1,087	10
Other interest expenses	3,418	2,170	20
Fees and commissions	10,855	10,517	95
Other operating expenses	4,933	797	7
General and administrative expenses	52,138	52,605	475
Other expenses	10,706	11,878	107
Total expenses	¥ 86,992	¥ 80,348	\$ 726
Income before income taxes	¥ 34,127	¥ 31,024	\$ 280
Income taxes:			
Current income taxes	¥7,934	¥9,223	\$ 83
Deferred income taxes	2,031	(592)	(5)
Total income taxes	¥9,966	¥8,630	\$ 78
Net income	¥ 24,161	¥ 22,393	\$ 202

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Major Shareholders

(As of March 31, 2021)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	18,711	5.99
Custody Bank of Japan, T.	16,663	5.33
Meiji Yasuda Life Insurance	9,504	3.04
Sompo Japan Insurance	7,500	2.40
CP Chemical Inc.	7,463	2.38
Nippon Life Ins.	6,042	1.93
Sumitomo Life Ins.	6,038	1.93
Chugoku Electric Power	6,004	1.92
Hirogin Holdings For Employee Stock Ownership Plans	5,561	1.78
Bank of Fukuoka	5,500	1.76

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

Stock Information

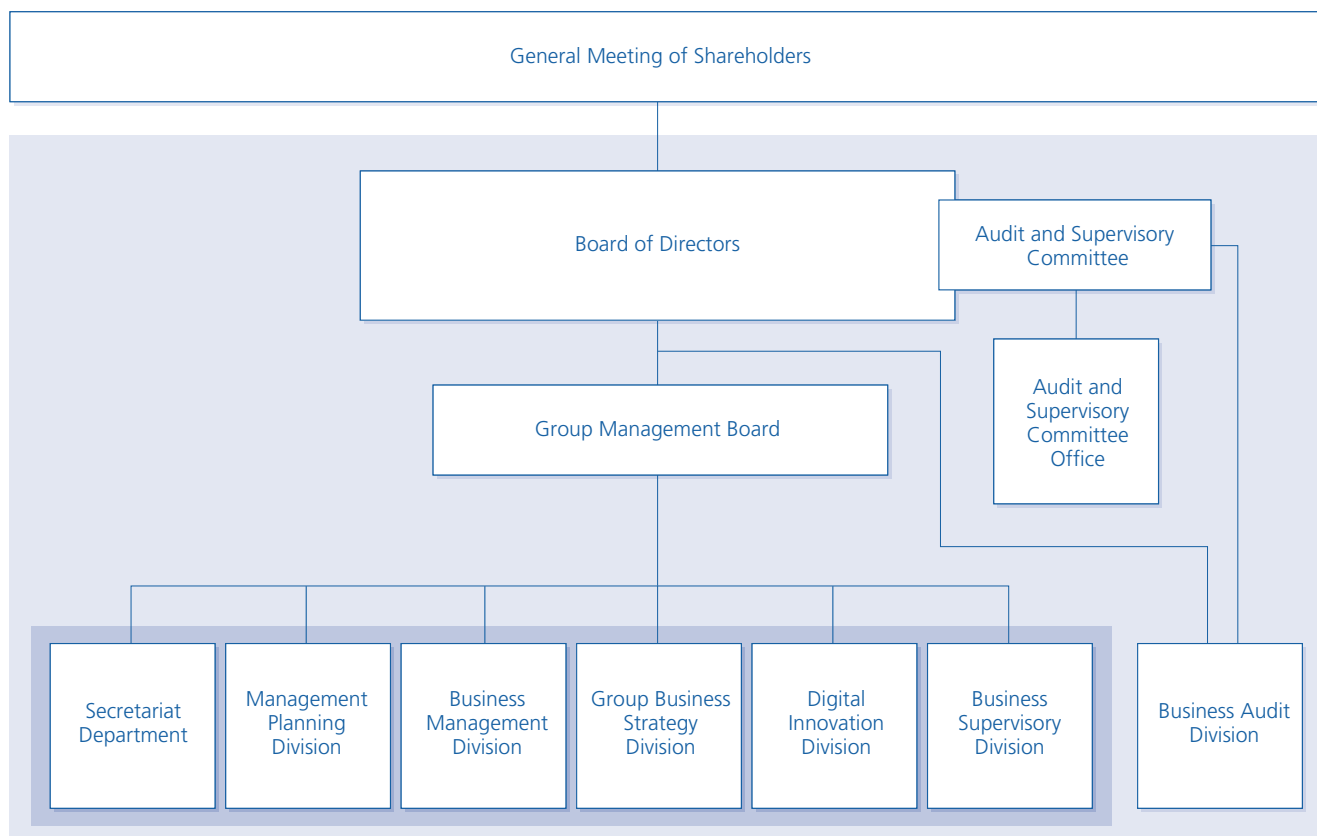
(As of March 31, 2021)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,369 thousand
Number of Shareholders	70,571

Organization

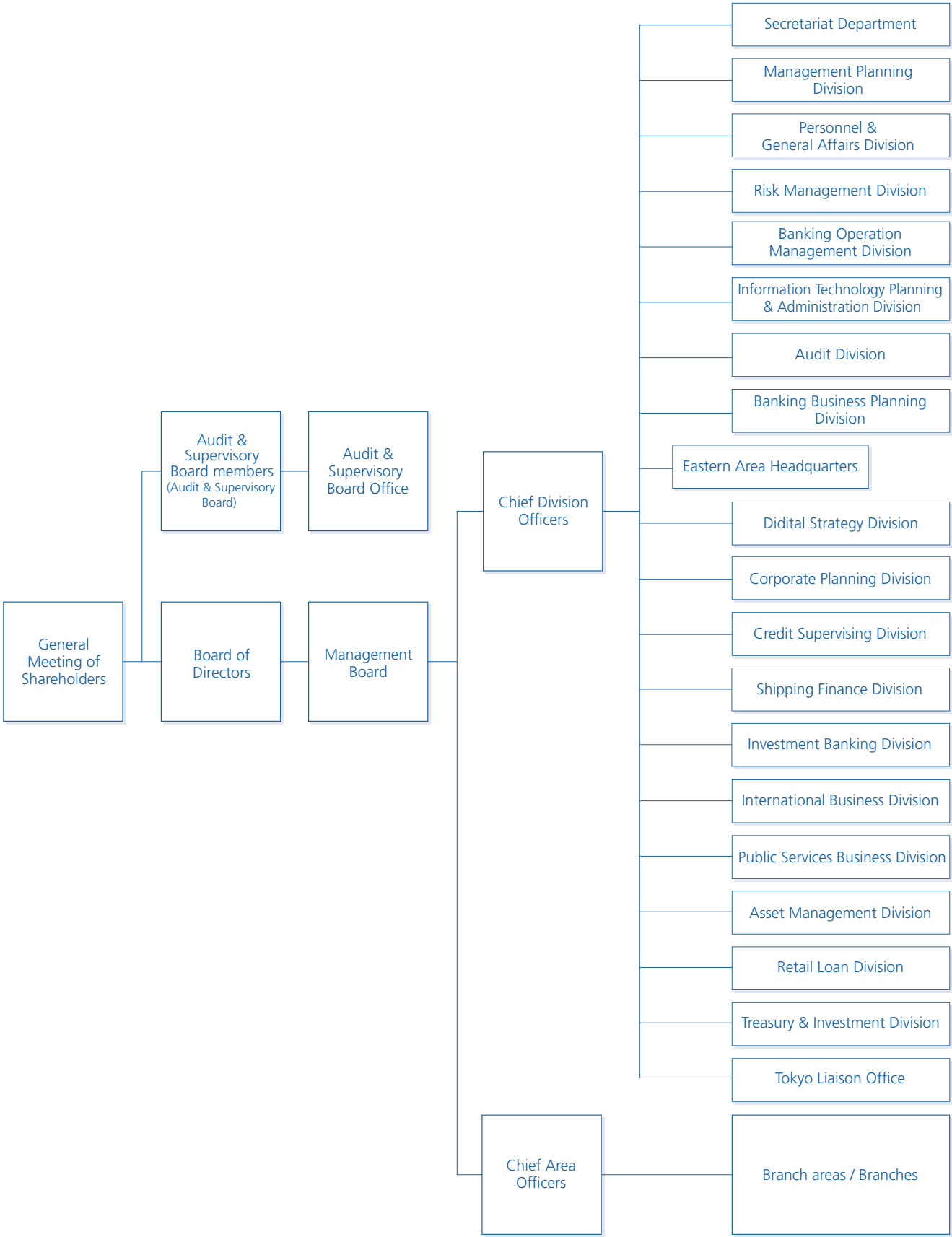
HIROGIN HOLDINGS

(As of March 31, 2021)



Organization

HIROSHIMA BANK
(As of March 31, 2021)



Expanding the horizons of the future



HIROGIN HOLDINGS

Securities
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7 3 3 7

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