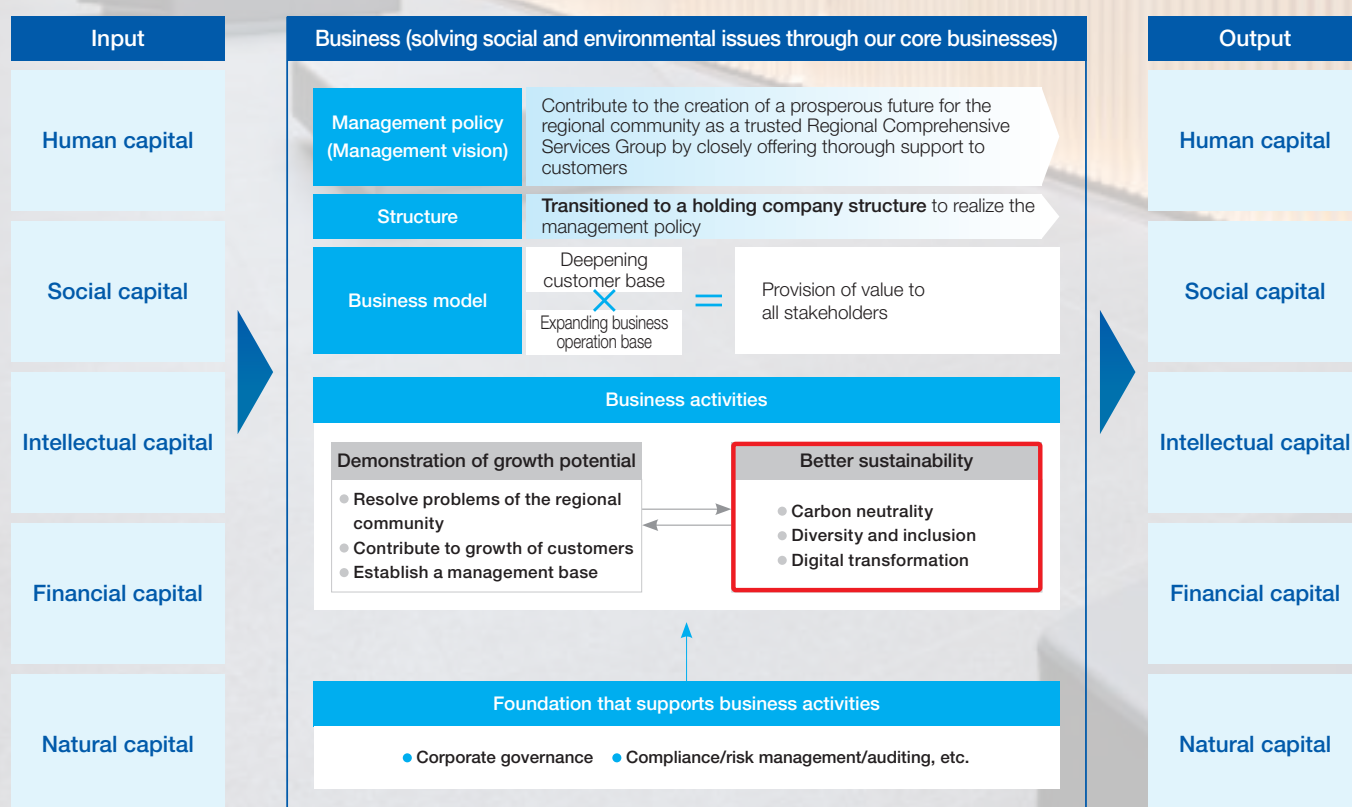


How We Will Enhance Sustainability

– Initiatives for Sustainability –

The Group recognizes that addressing issues surrounding sustainability is an important management issue, and strives to realize the Group's management policy by creating a virtuous cycle of the Group's sustainable growth and enhancement of corporate value as well as solving social and environmental issues and realizing sustainable growth in the region.

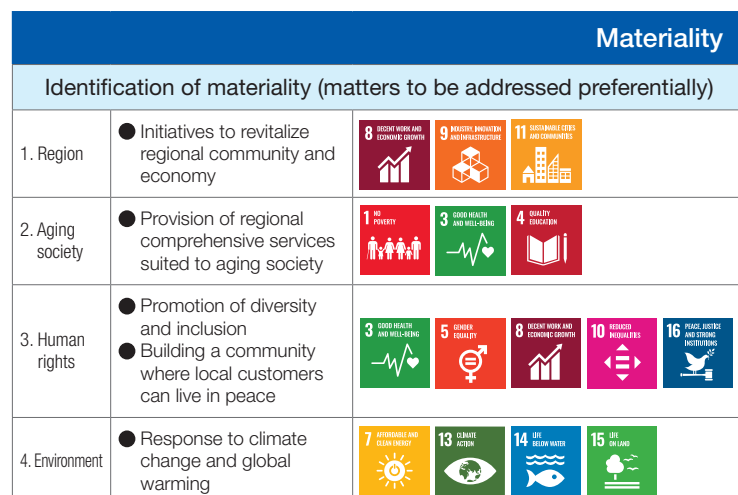
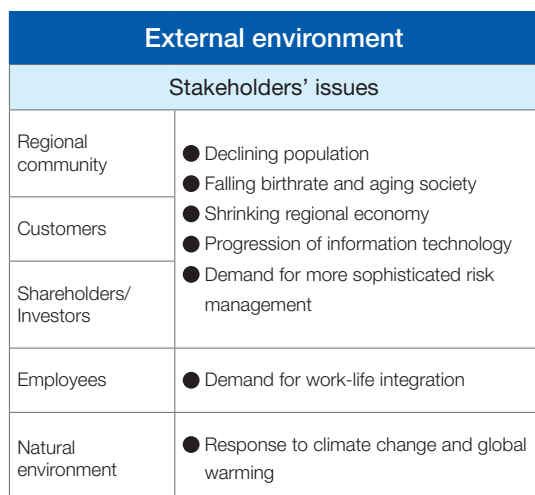
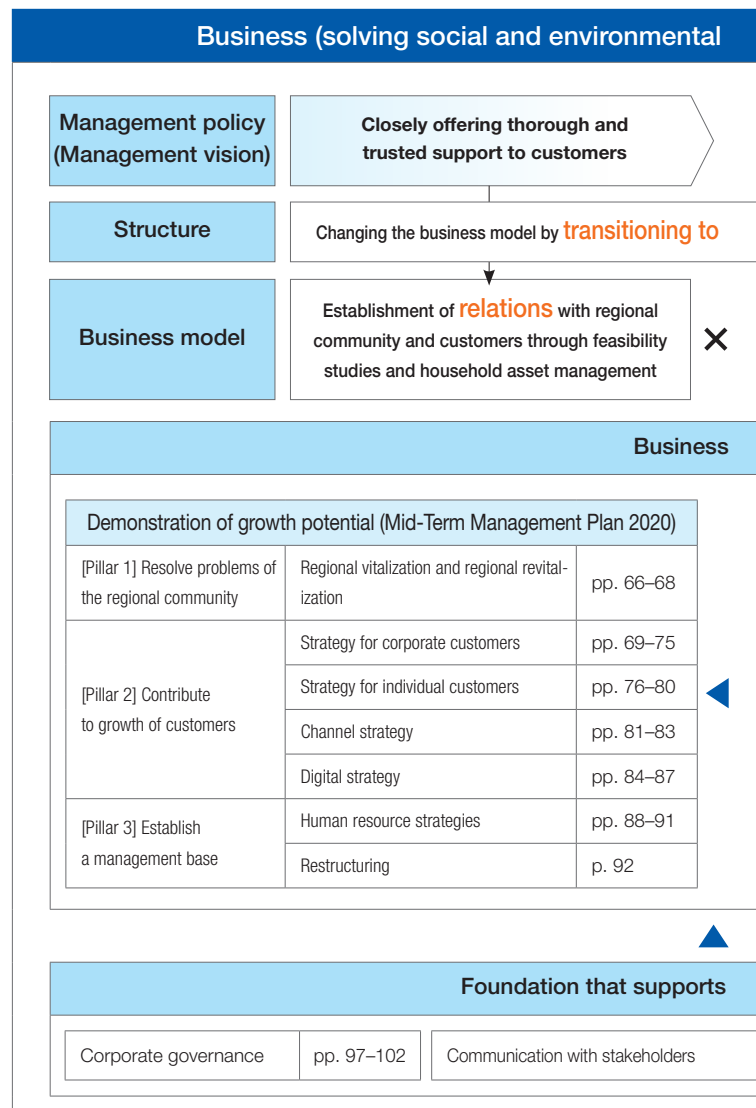
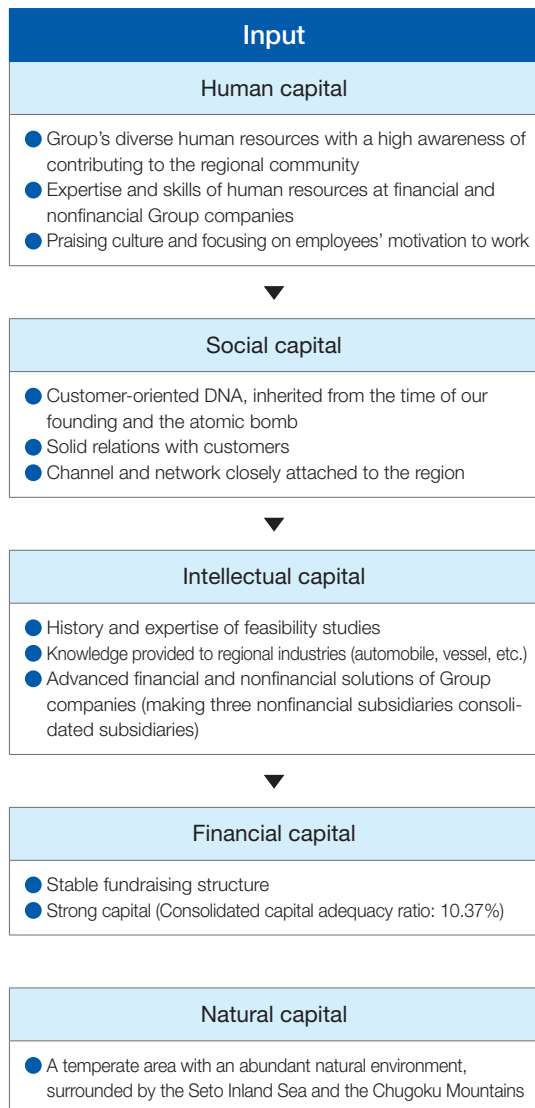
Value Creation Process Map



Entrance at the second floor of Head Office Building of Hirogin Holdings, Inc.

At the Head Office building, we are promoting the consumption of materials produced in the region by using cypress produced in Hiroshima Prefecture for wooden louvers and thoroughly implementing measures on heat, water, lighting, and the heat island effect. Our designs are equipped with environmental functions equivalent to an S grade, the highest grade under CASBEE Hiroshima (Comprehensive Assessment System for Built Environment Efficiency).

Value Creation Process



issues through our core businesses)

As a Regional Comprehensive Services Group

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

a holding company structure to realize management policy (management vision)

Put all functions and alliance within the Group to effective use to provide **solutions**, including in nonfinancial areasProvision of **value** to all stakeholders

activities

Better sustainability

Promotion and enhancement of sustainability management	pp. 25–26
Promotion and support for sustainability management of business partners	p. 27
Carbon neutrality	pp. 28–40
Diversity and inclusion	pp. 41–48
Digital transformation (DX)	pp. 49–51
Contribution to achievement of SDGs	pp. 52–54

business activities

pp. 105–107	Compliance/risk management/auditing, etc.	pp. 108–112
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Output

Human capital

- Promotion of diversity (recruitment and appointment of diverse and talented human resources)
- Realization of inclusion (enhancement of comfort and motivation of work)

Social capital

- Deepening/expanding customer base (Number of companies for which Hiroshima Bank is the main bank: + 230 year-on-year)

Intellectual capital

- Deepening/expanding business operation base (Revenue related to consulting service: + ¥1.7 billion year-on-year) (Net income for the Group companies: + ¥1.1 billion year-on-year)

Financial capital

- Stable revenue structure by maximizing Group synergy (Profit attributable to owners of the parent: + ¥1.4 billion year-on-year)

Natural capital

- CO₂ emissions reduction of the Group (-32% compared to FY2013)
- CO₂ emissions reduction of the region and business partners

management

Response to materiality (matters to be addressed preferentially)

<ul style="list-style-type: none"> Digital transformation Diversity and inclusion Carbon neutrality 	Strategies of the Mid-Term Management Plan 2020	<ul style="list-style-type: none"> Digital innovation (creating new digital businesses) Digitalization (enhancement of customer value through digitalization) Digitization (digitization of operations)
		<ul style="list-style-type: none"> Recruitment of specialists with diverse values and skills Proactive promotion and support for active participation of female employees Promoting employment of disabled persons
		<ul style="list-style-type: none"> Strengthening of response for realization of carbon-neutral region

Outcome

Creation of shared value with stakeholders

Regional community	<ul style="list-style-type: none"> Solution to social and environmental issues of regional community and customers and sustainable growth through Group solution
Customers	
Shareholders/Investors	<ul style="list-style-type: none"> Enhancing dialogues Enhancing corporate value
Employees	<ul style="list-style-type: none"> Employees' workstyle reform Promoting engagements
Natural environment	<ul style="list-style-type: none"> Inheritance of rich natural environment to future generations

Promotion and Enhancement of Sustainability Management

Basic Policy on Sustainability

- The Group will promote initiatives through its core business as a Regional Comprehensive Services Group, and strive to realize the Group's management policy by creating a virtuous cycle of the Group's sustainable growth and enhancement of corporate value as well as solving social and environmental issues and realizing sustainable growth in the region.
- The Group will reduce negative impacts by always considering social and environmental impacts of business activities on future generations and will work on initiatives to continuously increase positive impacts.



Promotion and Enhancement of Sustainability Management

For realization of sustainable society and environment

Target values

Creation of social and environmental value

Initiative policy

- Support for sustainable growth of regional industries and companies
- Contribution to regional livable community development

- Practicing customer-oriented business operations
- Support for future stable asset formation and smooth inheritance and business succession
- Provision of advanced and convenient network and regional comprehensive services

- Respect for human rights of all people
- Creation of society where everyone feels rewarded in their job and can live fulfilling lives based on diversity
- Complete cut-off of relations with anti-social elements, more sophisticated measures to prevent financial crimes

- Initiatives for the mitigation of environmental burden in the regional community and environmental protection activities in the region including Seto Inland Sea
- Support for customers' businesses and initiatives for environmental protection
- Reduction of climate change risks



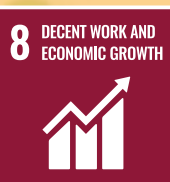
Digital transformation

FY2023

DX Manager/DX Leader

For each division/department of each company

FY2023

Ratio of Information Technology Passport acquisition: **30%**

Diversity and inclusion

FY2030

Ratio of women in managerial positions: Approx. **10%**

FY2030

Ratio of women in managerial and supervisory positions: Approx. **25%**

Carbon neutrality

FY2030

Carbon neutrality in the Group (Scope 1 and 2)

FY2050

Carbon neutrality in the area including companies the Group invests in and finances (Scope 1, 2 and 3)

FY2030

Cumulative sustainable finance for 10 years: **¥2 trillion** (including **¥1 trillion** in the environmental field)

Promotion and Support for Sustainability Management of Business Partners

Initiatives to enhance sustainability at business partners

The Group recognizes that addressing issues surrounding sustainability is an important management issue, and strives to realize the Group's management policy by creating a virtuous cycle of the Group's sustainable growth and enhancement of corporate value as well as solving social and environmental issues and realizing sustainable growth in the region.

Hirogin SDGs Support Services

Hiroshima Bank considers raising awareness of the sustainability/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.

Features of Hirogin SDGs Support Services

- Confirming SDGs initiatives, organizing matters to be addressed and providing a feedback sheet
- Support for formulation of the SDGs Declaration and external PR

Total number of cases of Hirogin SDGs Support Services

510

(From start of service in January 2020 to the end of March 2022)

Sustainability Management Adoption Support Services

In January 2022, Hiroshima Bank established services to help local companies introduce and practice sustainability management for the purpose of further developing the above initiative of Hirogin SDGs Support Services, putting the services into actual use by integrating sustainability elements with management of local companies and leading to the enhancement of regional sustainability.

Features of Sustainability Management Adoption Support Services

- Support for identification of materiality that is the basis of the companies' sustainability management through dialogues with management
- Provision of a feedback report created based on the results of examination and analysis made using tools dedicated to Hiroshima Bank
- Support for formulation of sustainability management policy available for internal awareness and external information disclosure

Hirogin Sustainable Loan

In December 2021, Hiroshima Bank established a loan to provide financial support for carbon neutrality and

Therefore, the Company is promoting initiatives through core businesses as a Regional Comprehensive Services Group to solve environmental and social issues faced by not only the Group but also regional community and customers by enhancing and strengthening solutions including those in nonfinancial field using various functions and alliances of the Group.

Example of feedback sheet



Example of the SDGs Declaration



Example of sustainability management policy



Feature of Hirogin Sustainable Loan

- Provide two types of loans of Sustainability-Linked Loan and Green Loan under a finance framework* that is consistent with guidelines stipulated by the Ministry of the Environment and other organizations

* The Company obtained a third-party opinion on the finance framework's consistency with the Green Loan Principles, etc. from Rating and Investment Information, Inc.

ESG/SDGs as part of initiatives to help business partners solve issues surrounding sustainability.

Carbon Neutrality

Carbon neutrality at Hirogin Group

The region of Hiroshima and other three prefectures (Okayama, Yamaguchi and Ehime), which is the Group's main sales base, has a large amount of greenhouse gas emissions per population due to the region with the thriving manufacturing industry.

Therefore, the Group, taking the stance of management thoroughly rooted in the region and building coexistence and co-prosperity relations with the region, recognizes that its mission as a Regional Com-

prehensive Services Group is to promote and support response to carbon neutrality of business partners and smoothly transition to decarbonized society in the region.

With this in mind, the Group is accelerating the initiatives to realize regional carbon neutrality through its core business as a Regional Comprehensive Services Group.

CO₂ emissions per population by prefecture

Rank	Prefecture	Emission/population (t-CO ₂ /person)	Emission (thousand t-CO ₂)	Population (thousand)
1	Oita	23	26,014	1,135
2	Yamaguchi	22	29,596	1,358
3	Okayama	22	40,904	1,890
4	Hiroshima	17	46,507	2,804
5	Wakayama	16	14,562	925
6	Ibaraki	14	39,358	2,860
7	Ehime	13	16,785	1,339
8	Mie	12	21,976	1,781
9	Chiba	11	67,352	6,259
10	Aomori	10	12,877	1,246
	Nationwide	8	1,026,622	126,167

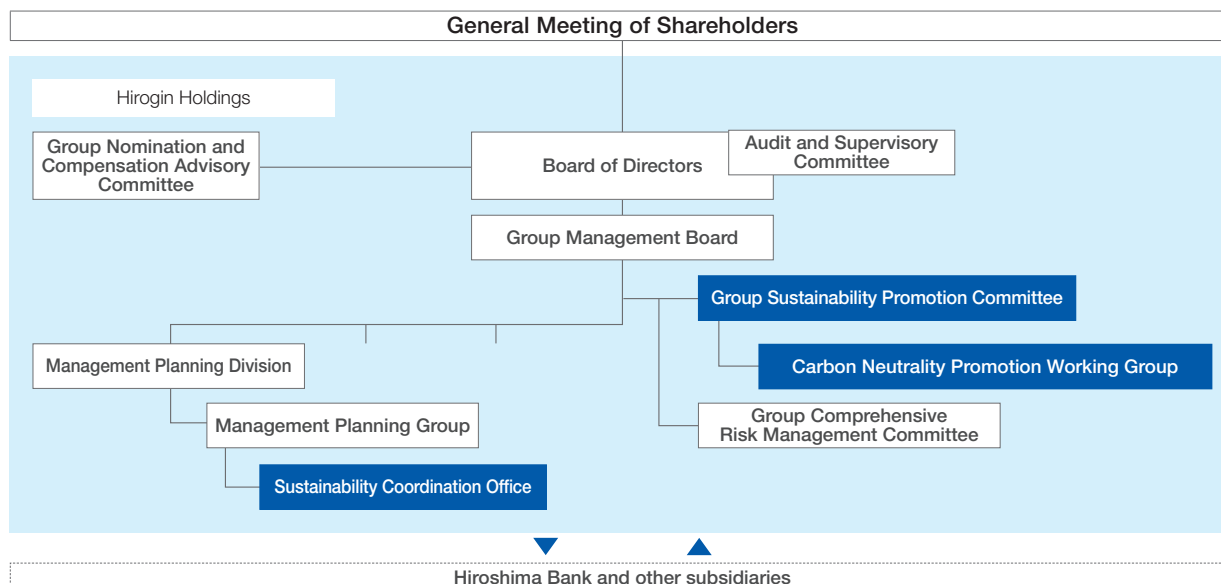
Source: Estimated by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications "Japanese Statistics 2021" and the Ministry of the Environment "Estimation of Current Status of CO₂ Emissions by Field"

Promotional structure

In November 2021, the Group established the Group Sustainability Promotion Committee as a consultation organization of the Company's President to deliberate and consider response to the Group's issues surrounding sustainability and the Carbon Neutrality Promotion Working Group as its subordinate organization.

This Working Group discusses matters related to promotion of carbon neutrality of the region and business partners as well as the Group to take various measures.

Carbon neutrality promotional structure (as of April 1, 2022)



Response for carbon neutrality by the Group

In May 2022, the Group established a new mid- and long-term target of “aiming at achievement of carbon neutrality of the Group’s greenhouse gas emissions (Scope 1 and 2) by FY2030” in order to reduce greenhouse gas emissions of the Group.

The Group considers that it is important to have dialogues with the awareness and attitude of “working together” when encouraging business partners to reduce greenhouse gas emissions. We will steadily carry

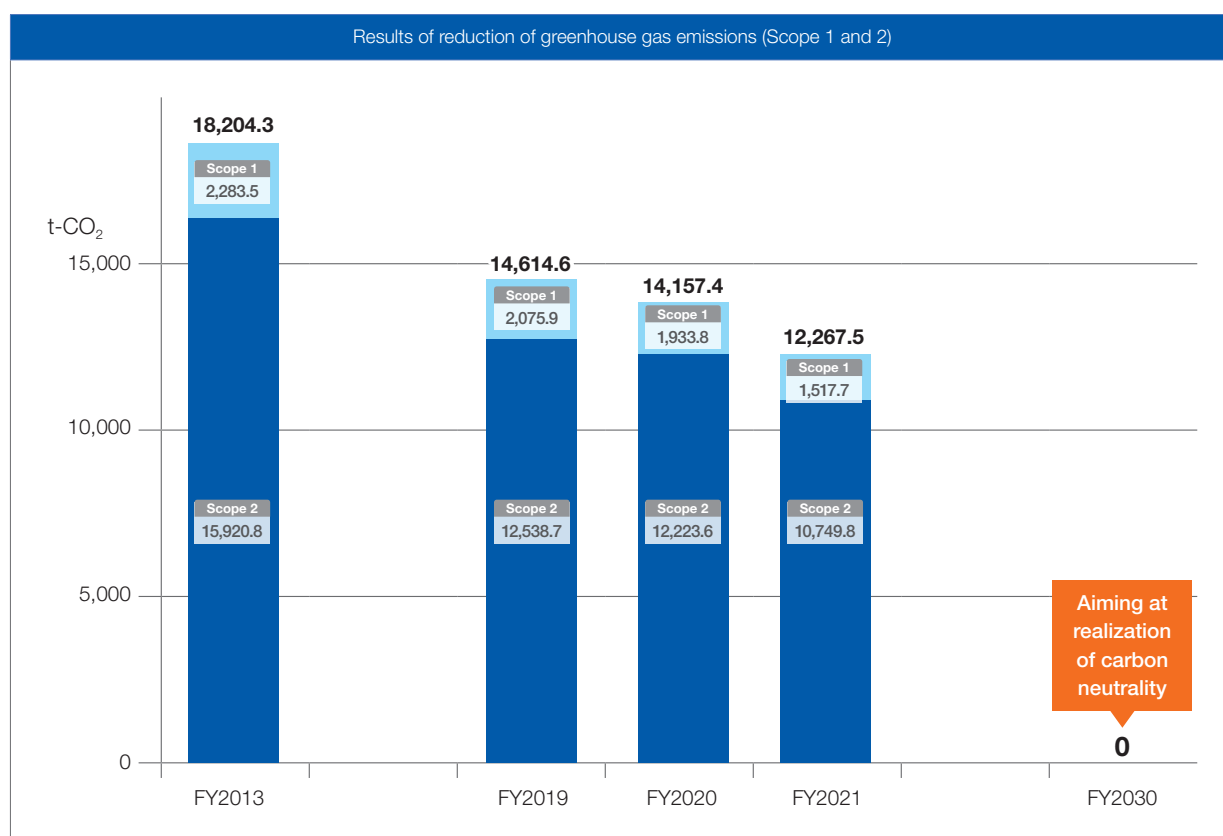
out initiative to reduce greenhouse gas emissions of the Group in the first place.

In addition, in order to link the Group’s initiatives to reduce greenhouse gas emissions to dialogues with business partners, the Group encourages its employees to deepen understanding of carbon neutrality and to take actions by individuals to reduce greenhouse gas emissions caused by the Group’s business activities and individual lifestyles.

■ Response to reduce greenhouse gas emissions (Scope 1 and 2)

Mid- and long-term target for the reduction of greenhouse gas emissions (Scope 1 and 2)

Aiming at achieving carbon neutrality of greenhouse gas emissions
(Scope 1 and 2) of the Group **by FY2030**



Key measures to be taken for the reduction of greenhouse gas emissions (Scope 1 and 2) (* including those under consideration)

(1) Further promotion of energy saving

- Replacement of equipment to energy-saving one such as LED lighting and highly efficient air-conditioners
- Promotion of environment-conscious office activities

(2) Electrification of power sources

- Gradual introduction of electrified vehicles such as HVs and EVs

(3) Utilization of renewable energy

- Switch to power generated by renewable energy

New Head Office building with high environmental performance

The Group reduced greenhouse gas emissions by renovating the Head Office building with high environmental performance (grand-opened in May 2021) and moving the main Group companies into the building to streamline the use of energy in the entire Group.

The new Head Office building is entirely operated by LED lighting and utilizes a full range of cutting-edge technologies such as ecovoid with higher natural

ventilation effect and efficient geothermal heat pumps. It also utilizes thoroughly implementing measures on heat, water, lighting, and the heat island effect. Our designs are equipped with environmental performance equivalent of an S grade, the highest grade under CASBEE Hiroshima (Comprehensive Assessment System for Built Environment Efficiency).



Promotion of environment-conscious office activities

All Group employees are working together to reduce its greenhouse gas emissions further by promoting environment-conscious office activities such as reduction of the amount of electric power, gas and copy paper

used, room temperature control in summer and winter, further introduction of environment-conscious low-emission vehicles and collection of eco-caps (plastic bottle caps).

Response and support for carbon neutrality of the region and business partners

In May 2022, the Group established a new mid- and long-term target of “aiming at achievement of carbon neutrality of the entire supply chain’s greenhouse gas emissions including the investment and financing portfolio (Scope 1, 2 and 3) by FY2050” in order to reduce greenhouse gas emissions of the entire supply chain including the investment and financing portfolio.

In FY2021, the Group worked to enhance and strengthen solutions including those in nonfinancial

field using various functions and alliances of the Group. In FY2022, the Group will focus on comprehensive consulting related to carbon neutrality of business partners mainly by strengthening initiatives for awareness and dialogues and supporting financing and core businesses based on feasibility studies. We will also further respond to regional carbon neutrality in collaboration with core companies in the region.

■ Response to reduction of greenhouse gas emissions (Scope 1, 2 and 3)

Mid- and long-term target for the reduction of greenhouse gas emissions (Scope 1, 2 and 3)

Aiming at achievement of carbon neutrality of greenhouse gas emissions (Scope 1, 2 and 3) of the entire supply chain including the investment and financing portfolio **by FY2050**

Principal measures to be taken for the reduction of greenhouse gas emissions (Scope 1, 2 and 3) (* including those under consideration)

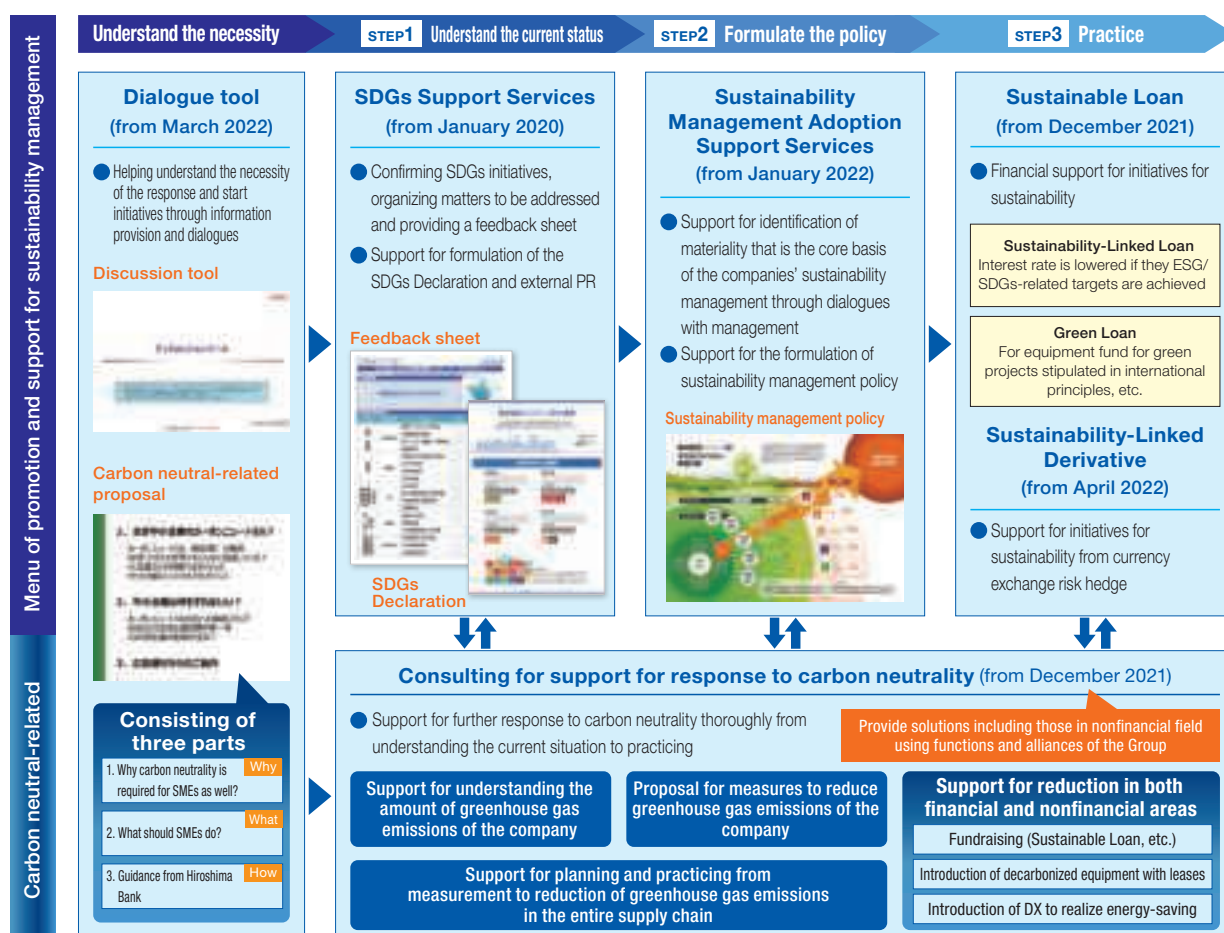
(1) Comprehensive consulting related to carbon neutrality of business partners

- Strengthen initiatives for awareness and dialogue
- Support financing and core businesses based on feasibility studies, etc.

(2) Further responding to regional carbon neutrality in collaboration with external stakeholders

- Examination of and response to expansion of the regional renewable energy ecosystem, etc.

■ Overview of comprehensive consulting related to carbon neutrality of business partners



Consulting for support for response to carbon neutrality

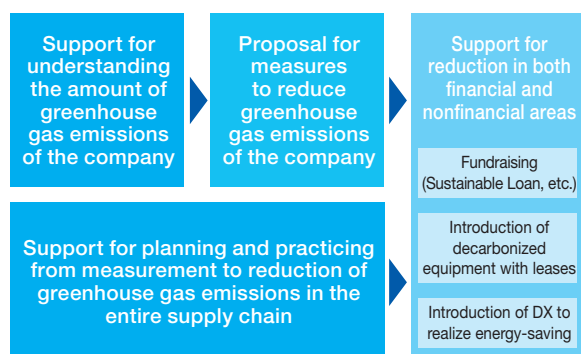
In December 2021, Hiroshima Bank started consulting to support from awareness to practice related to response to carbon neutrality of business partners utilizing functions and alliances within the Group (such as energy saving diagnosis for SMEs and support for introduction to strategies and reduction for response to carbon neutrality).

For the proposal of measures for from measurement to reduction of greenhouse gas emissions of the companies, the Group collaborates with Chugai

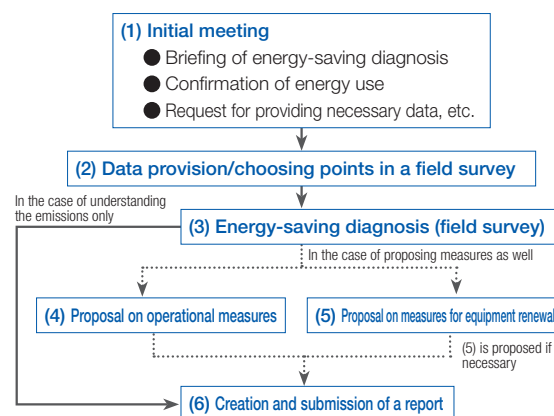
Technos Corporation, the company rooted in Hiroshima and receiving energy-saving diagnosis, etc. from government agencies with its specialized knowledge on energy-saving consulting, to actively promote response to carbon neutrality in the region.

The Group also provides financial and nonfinancial support for business partners' specific initiatives for their carbon neutrality, utilizing Group functions including Hirogin Lease and other companies in the Group.

Overview of consulting for support for response to carbon neutrality



Overview of energy-saving diagnosis (support for understanding the amount of greenhouse gas emissions)



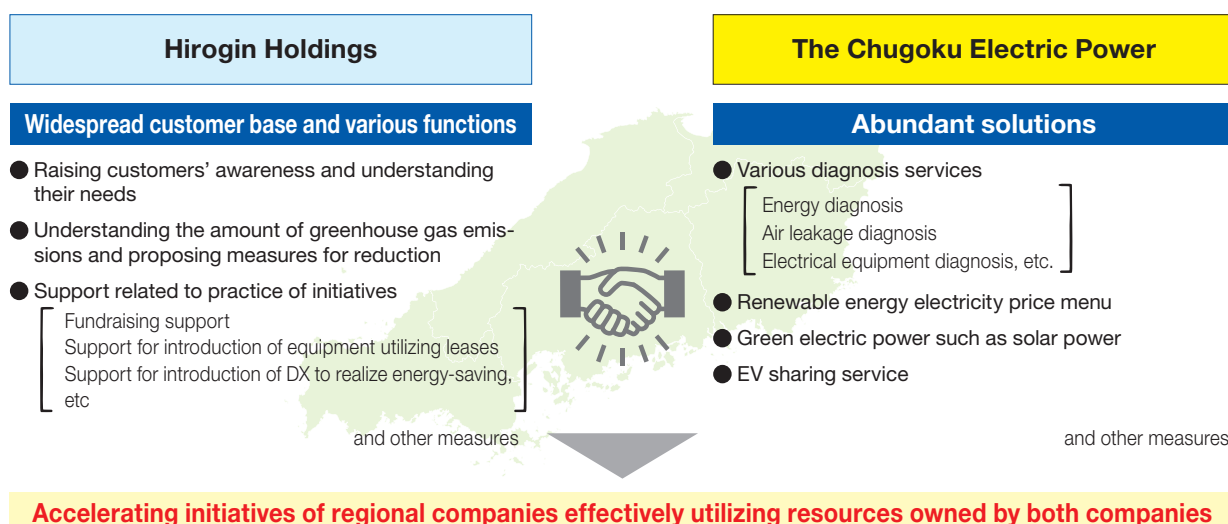
Further collaboration with external stakeholders

The Group strengthens collaboration with external stakeholders including regional core companies to realize carbon neutrality in the region.

As part of initiatives, the Company concluded a collaboration agreement with The Chugoku Electric Power Co., Inc. in December 2021 to help regional companies respond to carbon neutrality.

In addition, since December 2021, the Company has participated in the Chugoku Regional Carbon Neutrality Promotion Council and Carbon Neutral Electric Power Promotion Subcommittee, which were established by Chugoku Economic Federation as its subordinate organizations, and examines and responds to initiatives to realize regional carbon neutrality together with regional companies and municipalities.

Overview of collaboration with The Chugoku Electric Power Co., Inc.

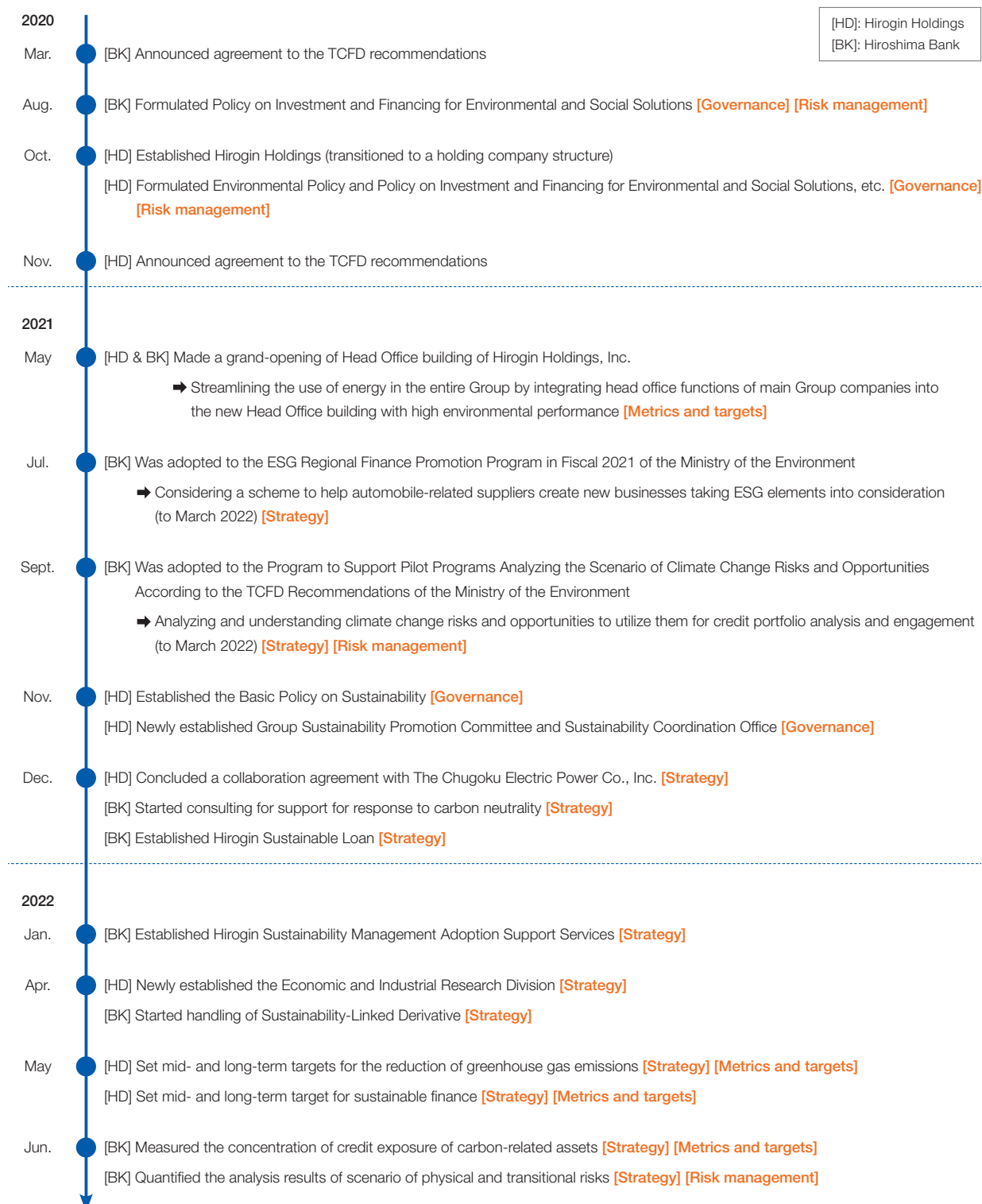


Response to TCFD recommendations

The Company and its subsidiary, Hiroshima Bank, announced their agreement to the Task Force on Climate-related Financial Disclosures (TCFD), and have enhanced quality and quantity of disclosure of information on the impact of risks and revenue opportunities related to climate change on the Group's business activities, revenue, etc. according to the TCFD framework.



■ Path toward sophisticated response to climate change based on the TCFD recommendations



Response to TCFD recommendations (1): Governance

The Board of Directors of the Company recognizes that response to climate change and other issues surrounding sustainability is an important management

issue, and has built a structure of governance for response to climate change that is led by the Board of Directors.

Governance for response to climate change of the Board of Directors

The Board of Directors of the Company performs a decision-making function for more sophisticated response to climate change by formulating the Group's management plan and integrated risk management policy based on the deliberations and examinations on climate change response in the Group Sustainability Promotion Committee and Group Comprehensive Risk Management Committee.

The Board of the Directors of the Company also performs a supervision function related to business execution for climate change response by receiving reports on the implementation status of the above management plan and integrated risk management regularly or as necessary.

Principal resolutions and reported matters in the Board of Directors

(1) Strengthening the response to issues surrounding sustainability

- Promotion and enhancement of sustainability management (mainly for response to carbon neutrality)
- New establishment of the Basic Policy on Sustainability
- Building of organizational structure by newly establishing the Group Sustainability Promotion Committee and Sustainability Coordination Office

(2) Initiatives for climate change response as a management issue (Incorporating principal measures into management strategies and plans)

- Response for carbon neutrality of the Group
- Response and support for carbon neutrality of the region and business partners

(3) Management of climate change risks as top risks (Incorporating principal measures into the integrated risk management policy)

- Response policy to identify climate change risks

(4) Setting of mid- and long-term targets to realize carbon neutrality in the region

- Setting of mid- and long-term targets for the reduction of greenhouse gas emissions (Scope 1, 2 and 3)
- Setting of mid- and long-term target of sustainable finance

(5) Status of response to the Corporate Governance Code of the Tokyo Stock Exchange

- Status of response to TCFD recommendations

Business execution structure related to climate change response

The Company established the Group Sustainability Promotion Committee (chaired by the Representative Director and President) as a consultation organization of the Company's President. The Committee deliberates and considers response to climate change and other issues surrounding sustainability, and reports the status regularly (every six months) or as necessary to the Board of Directors.

The Company also established the Sustainability Coordination Office in the Management Planning Group, the Management Planning Division for the purpose of strengthening coordinating functions related to response to climate change and other issues surrounding sustainability.

Principal meeting bodies related to climate change response (as of April 1, 2022)


Organization name	Headed by	Main roles and responsibilities related to climate change response of each organization
Board of Directors	Chairman	● Making managerial decisions on response to issues surrounding sustainability and supervising business execution
Group Sustainability Promotion Committee	President	● Deliberating and considering basic policies, key measures and status of initiatives related to response to issues surrounding sustainability as a consultation organization of the Company's President
Carbon Neutrality Promotion Working Group	Manager, Management Planning Group	● Deliberating and considering matters related to promotion of carbon neutrality of the region and business partners as well as the Group as a subordinate organization of the Group Sustainability Promotion Committee
Group Comprehensive Risk Management Committee	General Manager, Business Management Division	● Identifying and analyzing climate change risks and various other risks in an integrated manner and conducting appropriate operation and management as a consultation organization of the Company's President (Deliberating and considering scenario analysis and the risk of credit concentration of carbon-related assets)

Establishment of various basic policies on climate change responses

Recognizing responses to issues related to sustainability, including climate change action, as key management issues, the Board of Directors of Hirogin Holdings has established various basic policies on

climate change responses, including the Basic Policy on Sustainability, Environmental Policy, and Policy on Investment and Financing for Environmental and Social Solutions.

Basic policies on climate change responses

Policy	Outline (Summary/Excerpt)
Basic Policy on Sustainability	<ul style="list-style-type: none"> The Group will promote initiatives through its core business as a Regional Comprehensive Services Group, and strive to realize the Group's management policy by creating a virtuous cycle of the Group's sustainable growth and enhancement of corporate value as well as solving social and environmental issues in the region and growing sustainably.  <ul style="list-style-type: none"> Constantly consider the impacts of our business activities on society and the environment into future generations and roll out initiatives that will reduce negative impacts and continuously amplify positive impacts.
Hirogin Group SDGs Declaration	<ul style="list-style-type: none"> To help achieve the "sustainable development goals (SDGs)" adopted by the United Nations, Hirogin Group declares the following four priority matters (materiality) and will contribute to solving social and environmental issues of the region and achieving sustainable growth through provision of high value-added regional comprehensive services. <ol style="list-style-type: none"> Region Aging society Human rights Environment <div style="border: 1px solid black; padding: 5px; margin-left: 100px;"> Declare "environment" as a materiality and engage in responses to global warming and climate change </div>
Environmental Policy	<ul style="list-style-type: none"> Action to preserve the regional environment is the social responsibility of Hirogin Group as a member of the local community. All employees of the Group will actively and continuously engage in environmental protection activities through total participation with a high awareness of environmental protection. <ol style="list-style-type: none"> We will strive to reduce the environmental footprint of our office activities. We will support environmental protection activities in the region through our regional comprehensive services operations. The Group's employees will engage in actions that take environmental protection into consideration.
Policy on Investment and Financing for Environmental and Social Solutions	<ul style="list-style-type: none"> Hirogin Group will actively support businesses that contribute to the realization of a sustainable environment and society, including initiatives to mitigate climate change risk, such as renewable energy businesses, for the realization of a carbon-free society, and initiatives for the preservation of biodiversity, such as the protection of forest resources and endangered species. Meanwhile, the Group will, in principle, not invest in or finance any businesses that fall under the following, based on the severity of their risk to or impact on the environment and society. <ol style="list-style-type: none"> Companies that manufacture inhumane weapons such as nuclear weapons and cluster bombs Companies that are suspected of human rights violations, etc. Projects for the new construction of coal-fired power plants <p>*However, careful consideration may be given to 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, to respond to disasters or other emergencies. In addition, support is provided for advanced ecofriendly technologies such as carbon capture and storage as initiatives to help reduce greenhouse gas emissions.</p>

Status of Responses to TCFD Recommendations (2) – Strategy

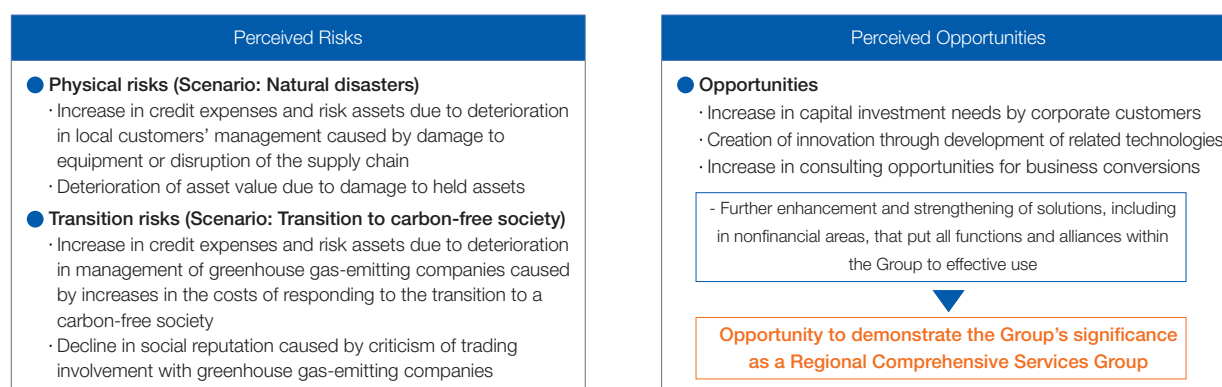
The entire Hirogin Group will strengthen its responses, including the further enhancement and strengthening of solutions, by putting all functions and alliances of the Group to effective use to provide solutions, includ-

ing in nonfinancial areas, for the realization of carbon neutrality not only in the Group but also in the region and among corporate customers.

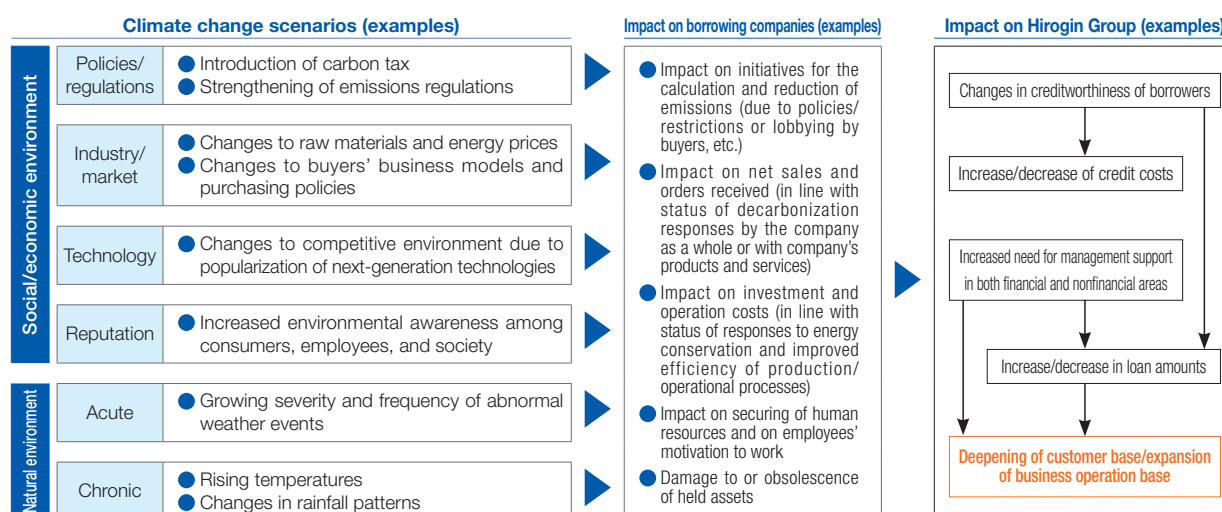
Perceived climate change risks and opportunities at Hirogin Group

Hirogin Group perceives physical risks resulting from changes in the natural environment in connection with rising temperature and other factors, as well as transition risks resulting from changes in the social and economic environment in connection with the transition to a carbon-free society, as climate change risks.

Hirogin Group also recognizes as climate change opportunities the provision of products and services that appropriately cater to the adaptation to and mitigation of changes in the social and economic environment and climate change accompanying the transition to a carbon-free society.



Propagation route of climate change risks and opportunities through lending portfolio (Conceptual diagram)



Degree of concentration of credit exposure of carbon-related assets

Based on the TCFD Recommendations, Hiroshima Bank, the Company's major subsidiary, has recognized the balance of credit extended to important sectors as "carbon-related assets" for the purposes of internal climate change risk management, and has measured the current degree of concentration of credit exposure in those sectors (as of the end of March, 2022) as follows.

Going forward, the Group will consider and take action as necessary, both on a periodic and as-needs basis, for the expansion, etc. of sectors to be measured from the perspective of advancing climate change responses and the enhancement of disclosures.

Target sectors	Percentage of credit balance
Energy (*excluding water supply businesses and renewable energy power generation businesses)	2.3%

Strengthening of regional carbon neutrality action

In its Group Management Plan for the second half of FY2021, Hirogin Group cited the strengthening of the Group's carbon neutrality actions and initiatives to support our customers' carbon neutrality responses as a priority matter to be addressed. Based on this, we pursued initiatives to strengthen our responses to sustainability-related issues, including actions to achieve carbon neutrality.

Further, positioning the strengthening of the region's carbon neutrality actions as a priority matter to be addressed in our Group Management Plan for FY2022, we are focusing on comprehensive consulting related to the carbon neutrality of corporate customers, mainly for strengthening awareness and dialogue initiatives, and supporting financing and core businesses based on feasibility studies, to further respond to regional carbon neutrality, in collaboration with core companies in the region.

Major initiatives in FY2021 concerning strengthening of the Group's carbon neutrality action

Purpose & Aims	Major initiatives in FY2021
(1) Formulation of policy/establishment of organizational framework	● For the promotion and bolstering of sustainability-oriented management, we formulated a Basic Policy on Sustainability and established an organizational framework, including the establishment of a new Group Sustainability Promotion Committee and Sustainability Coordination Office.
(2) Calculation and reduction of greenhouse gas emissions	● Based on the TCFD Recommendations, etc., we calculated the Group's greenhouse gases, set targets, and considered and implemented reduction measures.
(3) Assessment of climate change risks and opportunities in investment and financing portfolio	● Through its participation in the Program to Support Pilot Programs on Scenario Analysis of Climate Change Risks and Opportunities in Line with the TCFD Recommendations for which it was selected by the Ministry of the Environment, Hiroshima Bank implemented initiatives for the analysis and identification of climate change risks and opportunities.
(4) Promotion of understanding in the Group and awareness-raising and dialogue with corporate customers	● Through initiatives such as study groups for corporate officers, streaming of Group in-house e-learning programs, and surveys of corporate customers, we implemented measures to raise awareness of carbon neutrality in an effort to instill understanding within the Group and among corporate customers.

Main initiatives in FY2021 to support carbon neutrality responses of customers

Purpose & Aims	Major initiatives in FY2021															
(1) Gathering of knowledge and information about regional issues and major industries based on climate change	● We established an Economic and Industrial Research Division within the Company to strengthen economic and industrial survey functions, including industrial surveys of the region's major industries and surveys of different topics, including carbon neutrality.															
(2) Support for customers based on feasibility studies taking climate change impact into account	● Through its participation in the FY2021 ESG Regional Finance Promotion Program, for which it was selected by the Ministry of the Environment, Hiroshima Bank considered a new business creation support scheme that factored in ESG considerations for automotive-related suppliers.															
(3) Transition support for corporate customers through provision of financial and nonfinancial solutions	● To provide support for sustainability-oriented management, including carbon neutrality action, by corporate customers, we pursued the further enhancement and strengthening of solutions, including in nonfinancial areas, by putting all functions and alliance within the Group to effective use.															
	■ Examples of new products and services offered by Hiroshima Bank and other Group subsidiaries															
	<table><tr><th>Name</th><th>Domain</th><th>Launch date</th></tr><tr><td>Carbon Neutrality Action Support Consulting</td><td>Mainly nonfinancial</td><td>December 2021</td></tr><tr><td>Hiroshima Bank Sustainable Loan</td><td>Financial</td><td>December 2021</td></tr><tr><td>Hiroshima Bank Sustainability-oriented Management Introduction Support Service</td><td>Nonfinancial</td><td>January 2022</td></tr><tr><td>Sustainability-linked Derivative</td><td>Financial</td><td>April 2022</td></tr></table>	Name	Domain	Launch date	Carbon Neutrality Action Support Consulting	Mainly nonfinancial	December 2021	Hiroshima Bank Sustainable Loan	Financial	December 2021	Hiroshima Bank Sustainability-oriented Management Introduction Support Service	Nonfinancial	January 2022	Sustainability-linked Derivative	Financial	April 2022
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Sustainability-linked Derivative	Financial	April 2022														

Scenario analysis

Hirogin Group's major subsidiary, Hiroshima Bank, conducted physical risk and transition risk scenario analyses with the objective of using them in credit portfolio analysis and engagement. It conducted this initiative through its participation in the Program to

Support Pilot Programs on Scenario Analysis of Climate Change Risks and Opportunities in Line with the TCFD Recommendations for which it was selected by the Ministry of the Environment.

Outline of scenario analyses

Physical risk	
Risk events analyzed	<ul style="list-style-type: none"> ● Impairment of collateral property due to flood and landslide disaster ● Deterioration of finances accompanying suspension of borrower's business due to flood
Target portfolio	<ul style="list-style-type: none"> ● Business loans in Japan
Scenarios	<ul style="list-style-type: none"> ● Multiple scenarios, including RCP8.5 (4°C Scenario) and RCP2.6 (2°C Scenario) of the Intergovernmental Panel on Climate Change (IPCC)
Analysis method	<ul style="list-style-type: none"> ● Estimated degree of impact on borrower' collateral properties in light of the location, structure, etc. of business facilities
Analysis result	<ul style="list-style-type: none"> ● Increase in credit expenses likely by 2050: Up to ¥4 billion

Transition risk	
Risk events analyzed	<ul style="list-style-type: none"> ● Deterioration of borrower's finances due to decline in net sales and increase in costs accompanying transition to carbon-free society
Target portfolio	<ul style="list-style-type: none"> ● From among those sectors defined as "carbon-related assets" in the TCFD Recommendations, from strategic perspectives that took into account the importance of each sector in the four local prefectures' regional economy as a whole and Hiroshima Bank's loan portfolio, we selected three sectors, namely "power utilities," "automobiles and components," and "marine transport."
Scenarios	<ul style="list-style-type: none"> ● International Energy Agency's (IEA) (Below) 2°C Scenario and 4°C Scenario
Analysis method	<ul style="list-style-type: none"> ● Forecast future changes in business performance in the target sectors and estimated impact on credit ratings and credit costs based on the transition scenarios
Analysis result	<ul style="list-style-type: none"> ● Increase in credit expenses likely by 2050: ¥6 billion cumulative

Strategy resilience based on scenario analyses

As a result of the scenario analyses under current circumstances, our assessment is that impact on the credit portfolio will be limited.

However, in these current scenario analyses, given their nature of targeting events with a high degree of uncertainty of outcome and long-term events, certain assumptions have been made in the envisaged scenario and analysis targets. In the quantitative analysis of transitional risk in particular, we recognize the need to undertake improvements and reviews, etc on a periodic or as-needed basis.

Going forward, we will pursue ongoing deliberation and action regarding how the insights and information obtained throughout the scenario analysis project are put to use, including from the perspective of engagement with corporate customers as well as from the perspective of credit portfolio analysis. By further promoting and supporting corporate customers' carbon neutrality action, we will strive to further improve not only the Group's resilience, but also that of our corporate customers.

Status of Responses to TCFD Recommendations (3) – Risk Management

Having selected climate change risk as a “top risk,” Hirogin Group manages that risk within an integrated

risk management framework based on our risk appetite framework.

Recognition and assessment of climate change risk as a top risk

Based on our perceptions of the external environment, we have clarified our risk appetite, that is, the type and quantity of risks that we will take with the intention of achieving our management goals, and built an integrated risk management structure based on a risk appetite framework to achieve a balance of pursuit of profit opportunities and appropriate control of risks, in line with our management strategies and policies.

Within that framework, as a process for the recognition of the environment and risk for the formulation of management plans, we recognize and assess various risks, including climate change risks, and select our “top risks” from the perspective of their probability and degree of impact. These top risks are

deliberated and reported at the Group Comprehensive Risk Management Committee and other meetings every six months before being resolved in the Board of Directors.

Among climate change risks, Hirogin Group has selected the risks associated with the transition to a carbon-free society as “top risks.” To bolster our identification of climate change risks through our loan portfolio in particular, we pursue initiatives that use scenario analysis methods. As part of our ongoing scenario analysis efforts, we will strive to make our analysis methods more sophisticated and expand the scope of our analysis targets on a periodic or as-needed basis.

Reflection in Risk Appetite Statement

Based on the results of the recognition and assessment of various risks, including climate change risks, Hirogin Group formulates a Risk Appetite Statement

by Board of Directors resolution every six months. In that statement, we set forth our policies for responses to those risks and other related measures.



Climate change risk management within the comprehensive risk management framework

In our comprehensive risk management process based on the risk appetite framework, Hirogin Group has built a climate change risk management structure within the comprehensive risk management framework. This includes the recognition, assessment, and management of climate change risks as “top risks.”

Going forward, in addition to considering ongoing scenario analysis initiatives, we will deliberate and act on the establishment of concrete qualitative and quantitative criteria for the identification of key climate change risks as part of our efforts for the further sophistication of climate change risk management within the comprehensive risk management framework.

Status of Responses to TCFD Recommendations (4) – Indicators and Targets

With the objective of strengthening our monitoring of climate change-related risks and opportunities, Hirogin Group makes use of a variety of indicators, including

greenhouse gas emissions and amount of sustainable finance executed.

Medium-to-long-term targets for the realization of carbon neutrality in the region

In May 2022, by resolution of the Board of Directors, Hirogin Group established new medium-to-long-term targets for the Group's "greenhouse gas emissions reductions" and "sustainable finance," as part of the

bolstering of its initiatives toward the realization of carbon neutrality in the local community and our corporate customers.

Medium-to-long-term targets for the realization of carbon neutrality in the region

(1) Establishment of targets for reduction of greenhouse gas emissions

- Aim for achievement of carbon neutrality in the Group's greenhouse gas emissions (Scope 1 & 2*) by FY2030
- Aim for achievement of carbon neutrality in greenhouse gas emissions in the entire supply chain (Scope 1, 2 & 3*), including investment and financing portfolios, by FY2050

(2) Establishment of targets for sustainable finance

- Aim to execute a cumulative total of ¥2 trillion in sustainable finance (investment and loans) (including ¥1 trillion in environmental finance) that will contribute to solving environmental and social issues between FY2021 and FY2030

*Scope 1, 2 & 3 in the GHG Protocol (greenhouse gas calculation and reporting standards)

- Scope 1: Direct emissions of greenhouse gases by the business operator (fuel combustion, etc.)
- Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies
- Scope 3: Indirect emissions from sources other than Scope 1 & 2 (emissions by other companies related to the business operator's activities)

Reduction in greenhouse gas emission

Based on the TCFD Recommendations and other resources, Hirogin Group currently calculates greenhouse gas emissions as follows. Going forward, we

will expand the scope of those calculations, including Scope 3/Category 15 (investments).

(t-CO₂)

Calculated items		Scope	FY2013	FY2019	FY2020	FY2021
	Scope 1 (Fuel combustion)	Group overall	2,283.5	2,075.9	1,933.8	1,517.7
	Scope 2 (Purchased electricity)		15,920.8	12,538.7	12,223.6	10,749.8
Scope 1 & 2 Total			18,204.3	14,614.6	14,157.4	12,267.5
Scope 3 Category 1 (Purchased goods and services)		Hiroshima Bank (Non-consolidated)	13,261.7	14,098.5	13,661.0	14,815.7
Scope 3 Category 3 (Energy related activities)			1,236.6	1,673.9	1,665.9	1,601.0
Scope 3 Category 4 (Upstream transportation and distribution)			1,674.7	1,808.3	1,812.3	1,799.7
Scope 3 Category 6 (Business travel)			392.2	412.9	411.5	398.2
Scope 3 Category 7 (Employee commuting)			725.8	751.8	761.5	760.9

Amount of sustainable finance executed

Scope of sustainable finance	
● Investment, loans, and leases that contribute to solutions to environmental issues (renewable energy, vehicles, vessels and other equipment that lead to reduction of environmental footprint, etc.)	
● Investment, loans, and leases that contribute to solutions to social issues (SDGs-related, medical/welfare/education-related equipment, initial funding for startups, business succession, BCP, public infrastructure, etc.)	



Track record in sustainable finance (amount executed)		FY2021
Sustainable finance		¥122 billion
Of which, environmental finance		¥85 billion

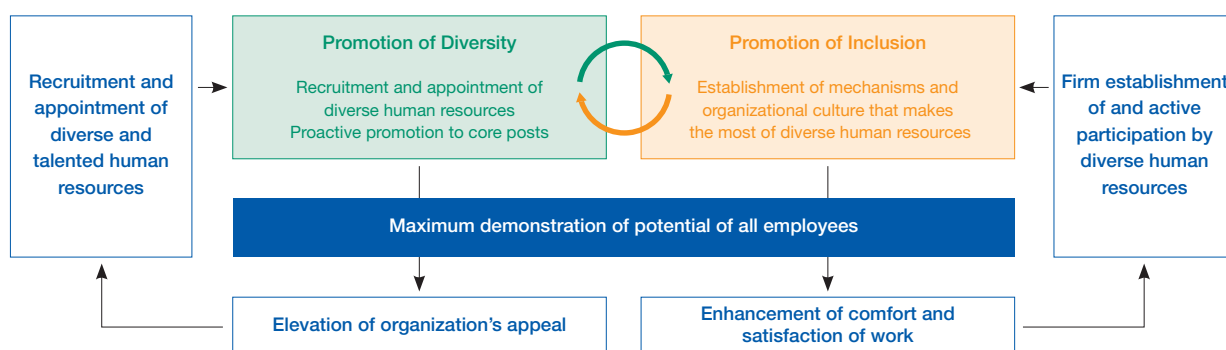
Diversity and Inclusion

Diversity and Inclusion at Hirogin Group

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. Among other initiatives, it conducts recruitment of specialists with diverse values and skills, proactive promotion and support for career development of female employees, promotion of employment of disabled persons, and work style reform.

Positioning of diversity and inclusion

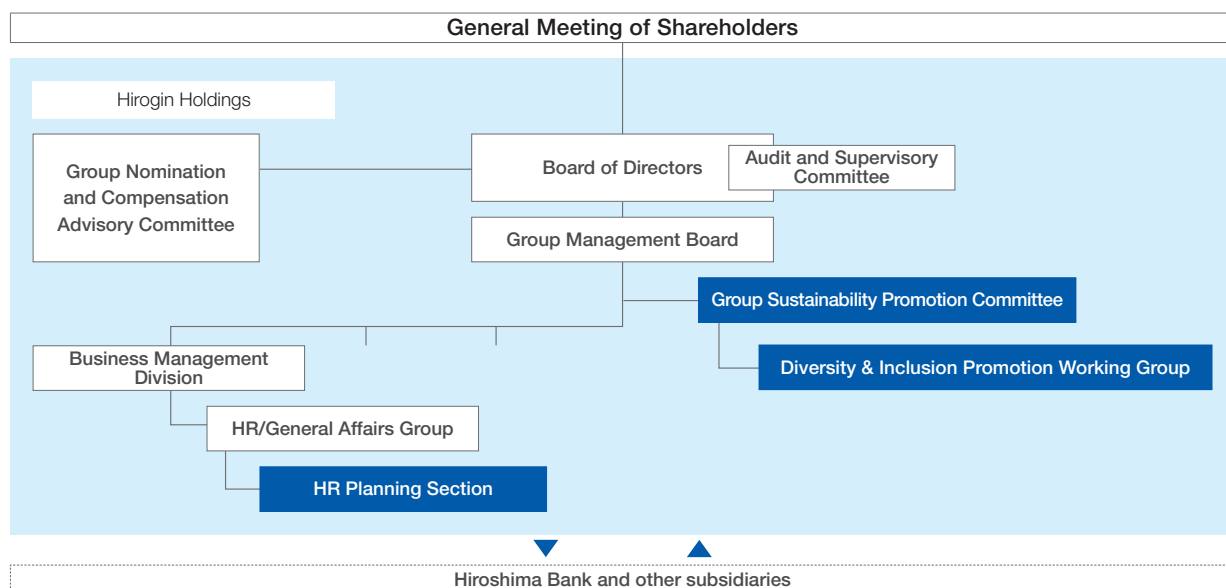


Promotional framework

In November 2021, the Group established the Group Sustainability Promotion Committee, an advisory organization for the Company's President to deliberate and consider responses to the Group's issues surrounding sustainability, and the Diversity & Inclusion Promotion Working Group as its subordinate organization.

This Working Group discusses matters such as the setting of targets for diversity and inclusion and Group-wide issues involved in achieving those targets, connecting them to various measures.

Diversity and Inclusion Promotional Structure (As of April 1, 2022)



Recruitment of specialists with diverse values and skills

Hirogin Group proactively recruits both new graduates and mid-career employees.

Hiroshima Bank is working to ensure diversity in its new graduate recruitment. For example, in addition to recruiting foreign students in April 2021, it established a new "IT and digital human resources recruitment course" for recruitment from April 2022. Moreover, to broaden the opportunities of employment for people with diverse backgrounds such as students who studied abroad and semi-recent college graduates, it has started recruitment activities in the fall.

In terms of mid-career employment, every year we recruit about twenty members with skills and experience in areas such as IT and digital technologies and

investment banking. 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.

■ Main areas of mid-career employment

- Solutions-related (M&A, PB, support for ventures, etc.)
- IT/digital and payment-related
- Group company-related (certified social insurance labor consultants, 1st class registered architects, etc.)
- Other (specialist human resources for insurance plazas, auditing, etc.)

Proactive promotion and support for career development of female employees

The Group has set voluntary targets for the ratio of women in each job rank and is actively conducting initiatives to achieve those targets.

Meeting our goals for the active participation of women requires solutions to issues in the series

of processes from recruitment to promotion. Hirogin Group is working to identify the issues in each process and undertake initiatives to solve those issues.

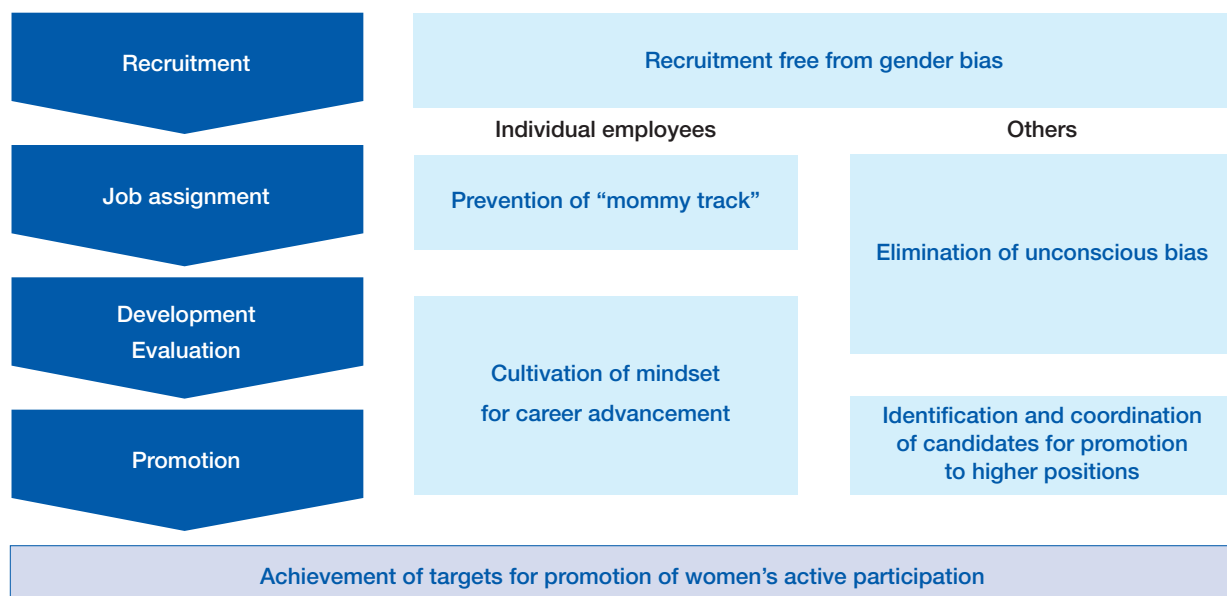
■ Voluntary, measurable targets and their status

		Current Status in FY2021* *As of April 1, 2022	FY2023* Targets *As of April 1, 2024 Final year of Mid-Term Management Plan 2020	FY2030* Targets *As of April 1, 2031
Ratio of women	Managers	6%	Approx. 7%	Approx. 10%
	Management positions	16%	Approx. 20%	Approx. 25%
	Candidates for management positions	32%	Approx. 35%	Approx. 40%
	New employees	45%	Approx. 50%	
	All employees	39%	—	Approx. 45%

*Definition of persons in "management positions" at Hirogin Group:

- Persons in the position of supervising or managing others pursuant to the Labor Standards Act and persons who possess equivalent authority (management positions, etc.)
- Persons who are placed in positions that require making decisions on daily operations, guiding and nurturing subordinates, and executing assigned operations and generating results, and persons who possess equivalent authority (supervisors, etc.; official title at Hiroshima Bank branch offices: "Section Head")

■ Steps in initiatives for proactive promotion and support for career development of female employees



Recruitment free from gender bias

Hirogin Group recruits employees based on their personality, which is determined through individual interviews, regardless of their gender.

We are maintaining our track record of women accounting for approximately half of all new-graduate hires, with a ratio of 49% female new-graduate hires in FY2021 and 45% in FY2022.

Ratio of female employees in hires of new graduates at major subsidiaries

Name	FY2021	FY2022
Hiroshima Bank	50%	48%
Hirogin Securities	71%	42%
Hirogin Lease	60%	50%
Hirogin IT Solutions	20%	29%

Prevention of “mommy track”

The Group is working to expand its systems to ensure that balancing childcare and nursing care obligations with work does not lead to protracted career stagnation.

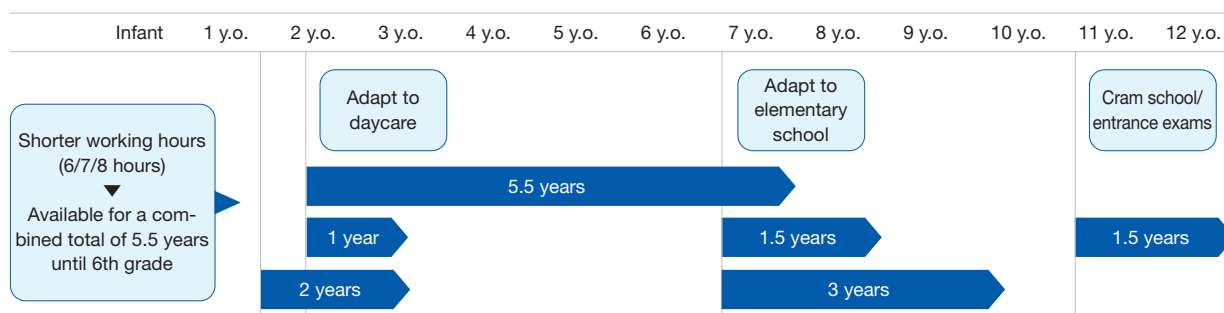
Starting in 2019, the Group companies have revamped their shorter working hours systems. Previously, this system was only available until the children in employees' care were in the lower grades of elementary school, but this has been extended to sixth grade. At the same time, with the objective of spreading out the periods of career disruption, the shortened working hours system can now be used for a combined total of five and a half years.

With the revision of this system, the working hours of employees working shorter hours at Hiroshima Bank has changed significantly compared with ten years ago. Until the revision, many female employees caring for children chose to work for six hours or less, but now, more than half have chosen to work for seven hours or more. In addition, progress has been made in the reduction of overtime worked by regular employees, and the gap between the hours worked by employees on shortened working hours and the hours of employees on regular hours is shrinking.

Work-life balance support and learning and communication opportunities for career development



Example of use of shorter working hours system (conceptual diagram)



Elimination of unconscious bias

Hirogin Group is engaged in a variety of measures to ensure that employee development and promotion is conducted fairly and free of unconscious bias.

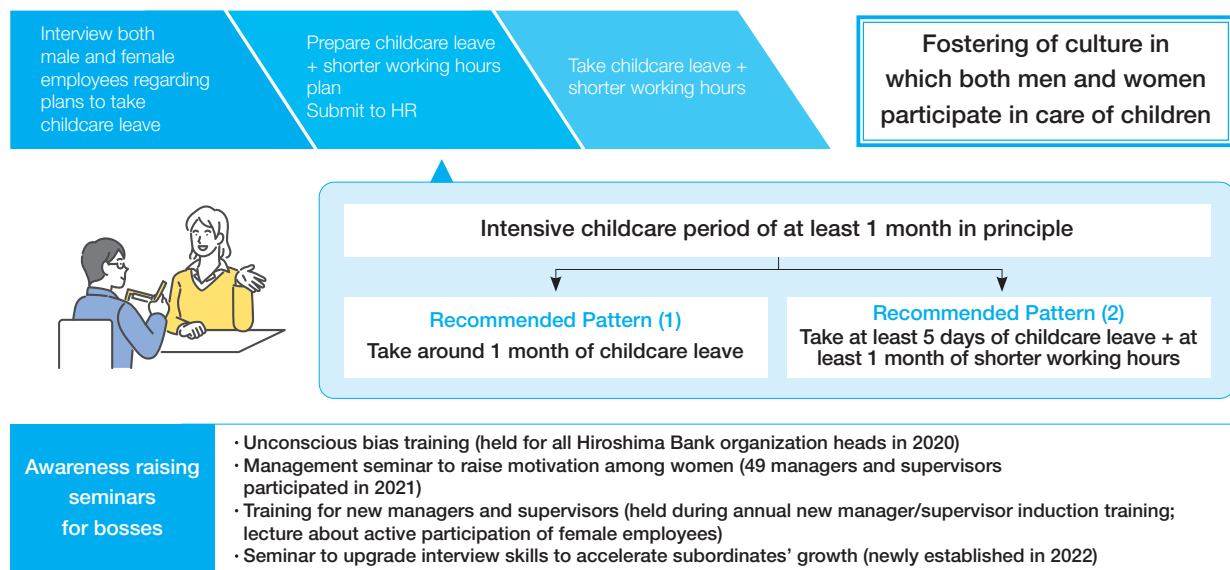
Specifically, we conduct awareness-raising seminars every year for managers and supervisors, who hold the key to the organization's culture. Further, from 2022, we are encouraging male employees to take a

period of intensive childcare of at least one month, by taking advantage of the childcare leave and shorter working hours systems, with the aim of encouraging men to participate in the care of their children.

Since the introduction of this policy, the percentage of male employees who intend to take childcare leave currently stands at 100%.

Initiatives for the elimination of unconscious bias

Message from Hirogin Holdings President sent to Presidents of individual companies
(stating that this was a serious initiative aimed at the problem of the declining birth rate
and at the elimination of unconscious bias)



Cultivation of mindset for career advancement

For the realization of female employees' active participation in the workforce, it is essential that women themselves are able to be proactive about advancing their careers. Hirogin Group is undertaking initiatives

to solve the issues at each job rank with the aim of increasing the number of female candidates for management positions and senior management positions.

Initiatives for cultivation of mindset for career advancement

Target	Issues	Measures
Younger employees	No role models nearby	Role model café (Forum to hear from role models about their experiences and talk to them directly)
Mid-career employees	Fear of stepping away from familiar work/position	Career design café (Seminar to visualize one's goals and steps to take toward that goal)
Management candidates	Not confident about ability to become a manager	One-to-one coaching (Mechanism to envisage preferred future, guided by a professional coach) Mentoring (One-on-one interviews between role model café speakers and attendees)
Employees balancing work and childcare	Not confident about continuing work and advancing	Return-to-work seminar (Seminar to learn about preparations and attitude toward returning to work)

Identification and coordination of candidates for promotion to higher positions

To increase the percentage of female managers, the HR division identifies candidates and coordinates with their section chiefs to promote those candidates. With the goal of producing future female corporate officers,

through the active promotion of women to management positions and future-oriented job assignments, the percentage of female managers is increasing year by year.

Promoting employment of disabled persons

The Group actively employs disabled persons based on its social mission: “Support independent living of disabled persons.” Our aim is to create a workplace that gives them a sense of satisfaction with their lives

and jobs, instead of just a place for social engagement, by offering jobs and work environments suitable for their different disabilities and aptitudes, as well as a full follow-up system.

■ Rate of employment of disabled persons

	June 1, 2021	June 1, 2022	Target
Employment of disabled persons	2.2%	2.4%	2.6%

■ Examples for work placement (Hiroshima Bank) *Rate of employment of disabled persons 2.5%

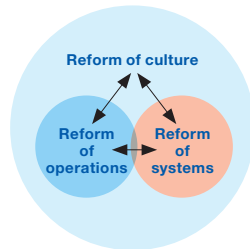
Work placement	Duty	Work details	Remarks
Work Support Center	General affairs	Printing bills and business cards, sealing and sending letters, sorting and sending documents, etc.	We established a better environment where persons with various disabilities can work comfortably, such as barrier-free facilities and a rest area.
General Affairs Department	Cleaning General affairs	Cleaning Head Office, etc.	People with hearing impairments and other various disabilities work as a team
Branch offices	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.

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, the Group is pursuing initiatives for work-life integration of a higher dimension, with the aim of multiplicative effects in the sense of achievement and happiness gained.

As part of these initiatives, the Group is strongly pursuing workstyle reform, with the reform of culture, operations and systems as its core.

As a result of these efforts, overtime hours have



halved during the seven 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 by more than 50% in the same period.

In recognition of these efforts, the Group has been certified as a Health and Productivity Management Organization (White 500) for four consecutive years.

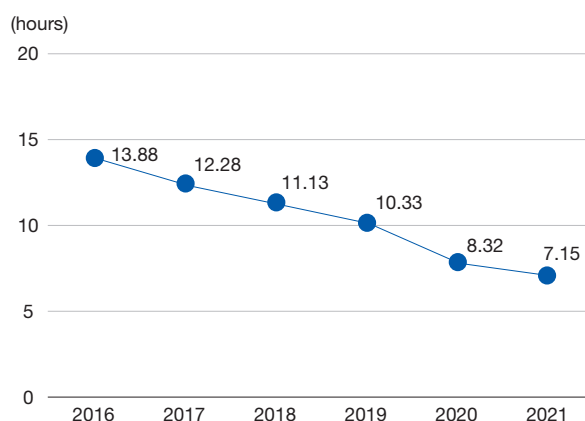
We will continue to strive to offer high value-added services while enhancing job satisfaction of employees by promoting the workstyle reform.



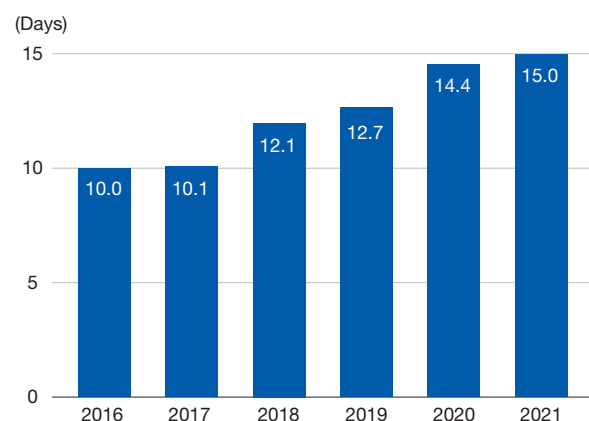
Examples of concrete initiatives for workstyle reform (Hiroshima Bank)

Reform type	Examples of concrete initiatives
Reform of culture	<ul style="list-style-type: none"> ● "Efforts for enhancing labor productivity" was added to the items of the "result evaluation" and "action evaluation" of employees.
Reform of operations	<ul style="list-style-type: none"> ● Adoption of an electronic approval workflow ● Paperless meeting ● Use of tablets at branch counters ● Implementation of remote work
Reform of systems	<ul style="list-style-type: none"> ● Lowered upper limit of hours regarding application of special clause under the agreement based on Article 36 of the Labor Standards Act ● Adoption of the work interval system (11 hours) ● Abolition of the core time in the flex time system (from April 2019) ● Revised the childcare leave system to encourage male employees to take either around one month of childcare leave or a combination of at least five days of childcare leave and at least one month of shorter working hours in principle (from April 2022)

Average monthly overtime per person (Hiroshima Bank)



Average number of paid leave taken per person (Hiroshima Bank)



Nurturing a corporate culture

Respecting the increasingly diverse values and changing lifestyles of individuals, Hirogin Group has devised 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 that encourages employees to try something new as the foundation for realizing diverse working styles.

Creation of a culture that supports employees trying something new

Recognizing that employees' diverse working styles cannot be realized without the understanding of people around them, including their superiors, we are steadily promoting awareness raising through rank-based training programs, branch manager meetings, and other avenues, and taking time to develop the necessary environment.

Specific examples include Hiroshima Bank's inclusion of the item of "whether the employee tried something new" as one of the evaluation items for performance result evaluation and "business contests" that all Group employees are eligible to enter. Our focus is on the creation of a culture that allows and supports employees to actively try something new. As part of this effort, the Group also aims to establish a "praising culture."

Examples of concrete initiatives for creation of a culture that supports employees trying something new

Examples of concrete initiatives	Target	Initiative overview
Implementation of a business contest	Group overall (Held from FY2021)	<ul style="list-style-type: none"> ● A "business contest" was held to seek out ideas aimed at creating new businesses. All Group employees were eligible to enter. ● For the project judged to be the best by a judging panel that includes outside experts, the person who made the proposal was nominated as project leader, and deliberation began in April 2022 with a view to turning it into a business.
Bank President's "Praising Culture" Commendations	Hiroshima Bank only (Held from FY2020)	<ul style="list-style-type: none"> ● Started with the aims of fostering a culture that supports employees trying something new and a culture in which people are interested in their surroundings and praise each other. <div> <p>(Examples of past commendation of branch office employees)</p> <ul style="list-style-type: none"> · Collaboration with local government agencies to develop <i>furusato nozei</i> (hometown tax program) return gifts (branch office) · Support for branding of local specialty products (branch office) · Production of original disaster prevention maps aimed at raising awareness of regional disaster prevention (branch office) </div>

Human rights

Hirogin Group has declared human rights as a materiality (priority matter) in the Hirogin Group SDGs Declaration and, in addition to respecting the human rights of all people, we are promoting initiatives to build a so-

ciety in which everyone can engage in their work with satisfaction and lead fulfilling lives, based on social and individual diversity.

Basic policy on human rights

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, and fulfilling

social responsibility and public missions of the Group. In these Regulations, we state clearly, as a standard of conduct of the Group and our employees, that “the Group respects the human rights of all people.”

Promotion of health and productivity management

Based on the recognition that maintaining 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 to operate and promote the system.



Prevention of 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.

Anti-discrimination measures

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

For the purpose of deepening a proper understanding and recognition of the anti-discrimination issue and executing the Group’s social responsibility, Hiroshima Bank established the Anti-discrimination Issue Awareness Raising Promotion Committee in 1977.

In October 2020, in line with the transition to a holding company structure, this committee was renamed the Group Anti-discrimination Issue Awareness Raising Promotion Committee (chaired by General Manager of Business Management Division), and we are working to eradicate prejudice and discrimination.

Further, the Group actively conducts awareness-raising activities by, for example, giving a lecture on anti-discrimination and human rights issues during training programs for new employees and promotion training programs, as well as training programs provided to staff and mid-career hires just after they are employed.



Digital Transformation (DX)

Digital transformation (DX) at Hirogin Group

Amid the trend of rapidly advancing digitalization, we believe that initiatives aimed at digital transformation (transformation of business structures through digital technologies) are an important growth strategy to realize Hirogin Group's management policy, management vision, and business model. They are also essential business activities for the enhancement of sustainability.

Hirogin Group positions digital transformation as a key action in response to each materiality (priority matters) and will continue to work on initiatives focusing on DX.

(Please refer to "Value Creation Process" on pages 23 and 24.)

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.

Initiative Objectives

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 to further enhance shareholder

value and employee satisfaction. To this end, we will strive for drastic reform through the following commitments that can be made possible through DX and that could not be achieved without DX.

Goals to be achieved with DX (Commitments to stakeholders)

Stakeholders	Goals to be achieved with DX (Commitments)
Regional community	Hirogin Group will actively pass the knowledge and insights we have accumulated regarding DX onto the regional community.
Customers	We will enhance the customer experience to deliver customers concrete value by leveraging the speed and ease of analysis that only digital technologies can offer, for the fundamental review of existing businesses and the potential creation of new services.
Shareholders/ Investors	In addition to striving to enhance corporate value through these initiatives, we will actively engage in disclosures and dialogue about Hirogin Group's advanced initiatives with the aim of obtaining fair evaluation from the market.
Employees	We will make work processes more rewarding, motivating, and pride-inducing, leading to the enhancement of engagement, by realizing a diverse range of workstyles and enhancing the quality of work in ways that only digital technology can achieve.

Promotional framework

Based on the above recognition of the environment and initiative objectives, 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 the enhancement of customer value through digital technology, we have progressively integrated smartphone apps and cashless payment functions and established the Digital Strategy Division in April 2019.

Further, in conjunction with the start of the holding company structure, we formed the Digital Innovation Division within Hirogin Holdings as an organization working across the Company on initiatives such as integration of DX in general and more sophisticated use of data in each Group company, and implementing various

measures utilizing digital technologies. Under the initiative of top management, including having the President of the Company concurrently serve as the head of this division, we are building a structure to promote speedier and more challenging digital transformation.

The Group reorganized its digital strategy anew in June 2022, with a focus on strengthening the systems for DX promotion and governance management and clarifying our vision for DX human resource. This move was in light of issues that emerged while carrying out the digital strategy under the current Mid-Term Management Plan and the knowledge and know-how acquired along the way. Positioning this effort as the implementation phase toward the culmination of the Mid-Term Management Plan 2020, we will strive to accelerate and further strengthen our Group-wide DX initiatives.

(Please refer to "Digital strategy" on pages 84 - 87.)

History

Hiroshima Bank	
August 2016	● Formed the New Business Development Promotion Office, Management Planning Division
February 2018	● Reorganized into the Digital Innovation Office, Management Planning Division
April 2019	● Integrated into the Digital Strategy Division

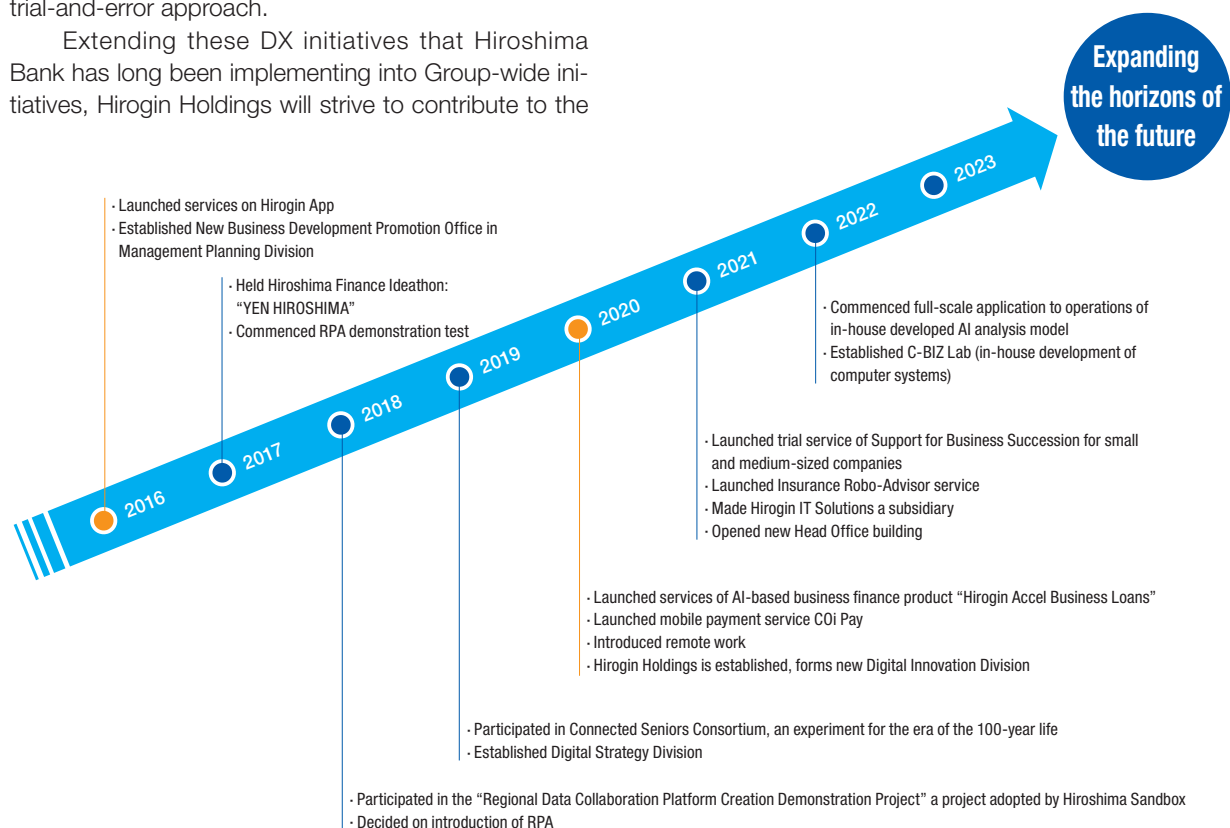
Hirogin Holdings	
October 2020	● Formed the Digital Innovation Division
June 2022	● Review of digital strategy

Initiatives aimed at digital transformation to date

Hiroshima Bank has been aggressively working on various initiatives and demonstration projects with a trial-and-error approach.

Extending these DX initiatives that Hiroshima Bank has long been implementing into Group-wide initiatives, Hirogin Holdings will strive to contribute to the

creation of a prosperous future for the regional community as a Regional Comprehensive Services Group.



Major DX initiatives currently being implemented

Before implementing any initiatives, Hirogin Group first considers the potential for the use of DX.

In our recently reorganized digital strategy, we classified our DX areas into three categories, namely “digital innovation,” “digitalization,” and “digitization” (Please refer to “Digital Strategy” on pages 84 - 87), and we are currently implementing the following initiatives in each of the DX areas. (Details of each initiative are explained in each growth strategy later in this report.)

We are also working on the following four items in parallel: “establishing a structure for DX promotion and governance management,” “defining DX human resource types,” “developing DX system infrastructure,” and “sophisticated utilization of data” to build the infrastructure to support each DX project.

By working on these DX projects and DX infrastructure development concurrently, we aim to optimize DX across the entire Group and to accelerate and advance DX initiatives, while ensuring the necessary governance.

DX areas and major initiatives

DX areas	Major initiatives (DX projects)		
Digital innovation (new businesses/business creation)	Multiple projects		Establish a DX promotion and governance management structure
	Support for business succession		Define DX human resource types
Digitalization (transformation of existing operations and processes)	Hirogin App	Online subsidy diagnosis	Develop DX system infrastructures
	COi Pay	Various SaaS	
	Hirogin Bill	AI voice bot	More sophisticated utilization of data
	eKYC		
	Terminal device for public relations support		
Digitization (introducing IT to existing operations)	RPA		

Contribution to Achievement of SDGs

Contribution to achievement of SDGs through initiatives as Regional Comprehensive Services Group

To help achieve the “sustainable development goals (SDGs)” adopted by the United Nations, Hirogin Group established and announced the Hirogin Group SDGs Declaration and 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.



Hirogin Group SDGs Declaration Materiality (priority matters)

1. Identification of materiality	Response to materiality
1. Region <ul style="list-style-type: none"> Efforts to revitalize local communities and economy 	<p>(Specific measures in the Mid-Term Management Plan 2020)</p> <ul style="list-style-type: none"> Development of new business related to regional vitalization and regional revitalization Tourism promotion and urban redevelopment initiatives Development of regional industry through acceleration programs <p>(Specific measures for sustainability initiatives)</p> <ul style="list-style-type: none"> Digital innovation (creating new digital businesses)
2. Aging society <ul style="list-style-type: none"> Provision of regional comprehensive services suited to aging society 	<p>(Specific measures in the Mid-Term Management Plan 2020)</p> <ul style="list-style-type: none"> Strengthening initiatives for business succession Customer-oriented total life support based on life design services Strengthening initiatives for inheritance consultation business Strengthening digital channels to expand customers contact points <p>(Specific measures for sustainability initiatives)</p> <ul style="list-style-type: none"> Digitalization (enhancement of customer value through digitalization) Digitalization (digitalization of operations)
3. Human rights <ul style="list-style-type: none"> Promotion of diversity and inclusion Building a community where local customers can live in peace 	<p>(Specific measures in the Mid-Term Management Plan 2020)</p> <ul style="list-style-type: none"> Strengthening initiatives for human resource support Strengthening the development of the Group's human resources <p>(Specific measures for sustainability initiatives)</p> <ul style="list-style-type: none"> Recruitment of specialists with diverse values and skills Proactive promotion and support for career development of female employees Promoting employment of disabled persons Workstyle reform / Nurturing a corporate culture / Human rights
4. Environment <ul style="list-style-type: none"> Response to climate change and global warming 	<p>(Specific measures in the Mid-Term Management Plan 2020)</p> <ul style="list-style-type: none"> Customer-oriented consulting based on feasibility studies <p>(Specific measures for sustainability initiatives)</p> <ul style="list-style-type: none"> Response for carbon neutrality by the Group Response and support for carbon neutrality of the region and business partners Response to TCFD recommendations

Handling of bank-guaranteed privately placed bonds (SDGs type)

Through the handling of these privately placed bonds, including privately placed bonds (SDGs type), namely “Community Development Contribution Type” and “Corporate SDGs PR Type” bonds, Hiroshima Bank donates up to 0.2% of the issue amount of privately placed bonds with the aim of contributing to local communities. We also publicize the SDGs efforts of the issuing companies.

Track record of bank-guaranteed privately placed bonds (SDGs type) handled

140 bonds / ¥13.75 billion
(From launch of service in November 2019 to March 31, 2022)

Example of corporate SDGs PR-type advertisement

Project to vitalize SDGs initiatives by companies in Hiroshima Prefecture

In January 2021, Hiroshima Bank launched the project “TEAM HIROSHIMA SDGs” in collaboration with Hiroshima Home Television Co., Ltd. and Dentsu West Japan inc. to encourage the cultivation and vitalization of the momentum toward SDGs initiatives in Hiroshima Prefecture.

Together with local companies participating in this project, we will actively engage in SDGs from the

perspective of sustainable management in anticipation of the future and promote the vitalization of SDGs initiatives in Hiroshima Prefecture. This includes communicating information about the importance of SDGs initiatives and examples of initiatives by individual companies and strengthening cooperation between companies and local communities. In so doing, we will contribute to the enhancement of corporate value of local companies that are indispensable for regional revitalization and the realization of a sustainable regional community.

Example of benefits of project participation (external PR support)

(1) Production of video commercial for each participating company

Each participating company will be interviewed about their SDGs initiatives, and video footage will be filmed and edited into a 15-second commercial. The videos will be available for secondary use by the respective companies.



(2) Produced videos will be broadcast as TV commercials.

The 15-second videos produced in (1) will be broadcast by Hiroshima Home Television Co., Ltd. The powerful content of these TV commercials will inform the public about the efforts being made by participating companies.



(3) Launch of official website

Videos and written articles about each company will be posted on the project's official website, and the secretariat will actively introduce participating companies.



(4) Posting of interviews (certain plans only)

Articles featuring interviews with company representatives and roundtable discussions with younger employees will be posted on the project's official website.





Promotion of SDGs activities demonstrating the creativity and ingenuity of companies, divisions and branches within the Group

Based on the Hirogin Group SDGs Declaration, which was formulated to contribute to the resolution of social and environmental issues and sustainable growth in the region for the achievement of the SDGs, the Group is working to raise awareness of the SDGs among all employees and promote voluntary and proactive activi-

ties by all employees. Initiatives in this regard include presentation of awards to groups, such as companies, divisions and branches, and individuals within the Group who have undertaken SDGs activities that will serve as models for other employees.

Examples of SDGs activities by branches

Example of award presented for Group SDGs activities (1)	
Cooperation with local tourism promotion activities and marine resource conservation activities 	
Motivation for activities	<ul style="list-style-type: none"> In the belief that there is room to take further advantage of regional tourist attractions as tourism resources, a branch office decided to engage in tourism promotion activities on its own, with a focus on communicating information to local residents. At the same time, the branch also decided to cooperate in marine resource conservation activities after hearing about a project to strengthen marine resource conservation to commemorate the incorporation of the city.
Outline of activities	<ul style="list-style-type: none"> After extensive information-gathering activities, including reading up about the city's tourism promotion vision, visiting and interviewing the city's tourism association, and conducting a survey of visitors to the branch, the branch held an exhibition of things that were inconspicuous yet valuable in the area (tourism resources). In addition, after finding out the details of the commemorative project from City Hall's environmental affairs department, the branch held educational exhibitions on its sales display and supported research presentations related to the project made by local high school students. <p>The branch was interviewed by a local newspaper about its activities, which led to the promotion of local attractions. The activities produced excellent outcomes, including expressions of appreciation by the parties involved, including the local government.</p> <p>There are many different ways to contribute to the local community, and it is important to implement activities that suit the character of the local community. To make this happen, we recognized anew the importance of knowing about the region, wanting to learn more about the region, and feeling an affection for the region.</p>
Example of award presented for Group SDGs activities (2)	
SDGs and finance educational program at a local junior high school (planning/ visiting lectures by branch employees) 	
Motivation for activity	<ul style="list-style-type: none"> When a local junior high school asked for cooperation with its SDGs program, a branch considered how to design a program from the students' perspective. The branch also decided to establish a scheme to ensure that this activity would not just be a one-off, but could become an ongoing initiative, including being adopted by other branches.
Outline of activity	<ul style="list-style-type: none"> They carefully designed the program by preparing materials in collaboration with Hirogin Holdings Head Office and using financial quizzes and other means to ensure ease of understanding by the students. The program was delivered by younger employees as lecturers, which also made it an opportunity for human resources development. <p>Using the know-how and tools used in this program, the branch also conducted a similar program at another junior high school nearby. The program was so well received by both schools that the branch was asked to continue the program the following year. In this way, this activity has led to the establishment of the foundations for disseminating education on SDGs and financial literacy as a scheme within the Group.</p>