

Expanding the horizons of the future



HIROGIN HOLDINGS

HIROGIN HOLDINGS INTEGRATED REPORT

Management Policy

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.



Contributing to local communities

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



Contributing to customers

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



Enhancing corporate value

Continuously enhance the Company's corporate value



Increased job satisfaction

Create a cheerful, rewarding corporate group where everyone works healthfully



Compliance

Exercise a high level of compliance

Brand slogan

Expanding the horizons of the future



未来を、ひろげる。

私たちは、お客さまに寄り添い、声に耳を傾け、真に信頼される〈地域総合サービスグループ〉としてお客さまとともに、この地域の未来をひろげます。





HIROGIN HOLDINGS

広島銀行 | ひろぎん証券 | しまなみ債権回収 | ひろぎんキャピタルパートナーズ | ひろぎんITソリューションズ
 ひろぎんリース | ひろぎんエリアデザイン | ひろぎんヒューマンリソース

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Editorial Policy

Hirogin Holdings, Inc. (the "Company") has prepared this "Hirogin Holdings INTEGRATED REPORT 2022" 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 the Report details the Company's business model and explains the mechanisms to sustainably create value.

Hirogin Holdings

INTEGRATED REPORT 2022

Expanding the horizons of the future together with our customers

Achievements and challenges apparent eighteen months after transition to a holding company structure

Based on our strong commitment of “contributing to the creation of a prosperous future for the regional community,” eighteen months after launching our transition to a holding company structure, Group management has taken root at a faster pace than envisaged.

I had thought that the cooperation of the operating companies would be our greatest challenge, but Group employees have a good understanding of the direction that the Group is heading in and are engaging in business activities by collaborating with Group companies. An operational flow has started to move in the appropriate areas in which the bank's branch offices, which stand at the front lines of customer relationship building, are identifying customers' issues and needs beyond financial areas and passing that information appropriately and accurately to the respective operating companies, and the operating companies are demonstrating their specializations in proposing solutions to those issues and meeting those needs.

Their achievements in building many relationships through dialogue with customers will lead to a sense of fulfillment among our employees, and give them a sense of enjoyment and reward in their work. I am increasingly hopeful that creating more opportunities to recognize their own role in society will help them to make even greater contributions to the growth and prosperity of the region.

Under our previous organization, we dealt with customers in a “product-out” approach, in which we made proposals from among the product and service options handled by the bank. However, more and more often, we found ourselves failing to come up with good

ideas in the face of issues and needs that could not be resolved with financial products and services alone. Now, having made the complete shift toward Group management and expanded our operations and businesses into areas other than banking, the options that we are able to propose have expanded, and we are on the way to realizing a “market-in” approach.

For example, we are starting to see concrete outcomes from moves to combine the functions of Group companies, Hirogin Lease and Hirogin IT Solutions, to propose IT and DX solutions to customers while also making use of leasing arrangements. These kinds of moves are giving me a sense of a considerable change in our employees' awareness. When the people involved in these businesses come together in person and cooperate on the ground, they come up with unexpected ideas, revealing ideas for the creation of new added value. The fact that all Group companies have been brought together into our new head office building is also, I believe, adding to this effect.

On the other hand, one issue that I regard as urgent is the advancement of the specializations that each of the Group companies should be demonstrating. Currently, there are still many areas in which we are not yet able to offer a wide range of products and services to meet all of our customers' diverse needs. Constantly raising the quality of our operating companies will be a never-ending challenge.

We also need to put more effort into making people in the region more aware of us as a Regional Comprehensive Services Group. I have always believed that, more than increases in the size of loans and deposited assets, the most important thing is the increase in the number of regional customers who recognized Hiroshima Bank as their main trading bank. One indicator of this that we have emphasized is the number of companies identifying us as their main bank



Toshio Heya

Representative Director and President

according to main bank surveys. Over the past several years, as we have been stepping up our efforts to become a Regional Comprehensive Services Group, we have been pleased to see a definite increase in this number. This has given us certainty that we are heading in the right direction. Having said that, our output is still not as strong as it should be, and we recognize that further efforts to raise awareness are needed. At the same time, whereas until recently, people were naturally aware of Hirogin's presence as they walked the streets of this city, with physical branches and ATMs catching their eye, now, with the increasing use of net banking, we are proceeding with plans to reduce the number of branches and ATMs. This presents the major challenge of how we replace and compensate for the role of branches and ATMs in advertising our presence to customers. There is a growing sense of urgency in the realization that raising our brand awareness and thoroughly advertising our presence will be extremely important factors in the maintenance and creation of relationships going forward.

Becoming an indispensable connector for the region

Amid loud claims about the need to reorganize regional banks and the acceleration of moves by regional bank alliances to convert to a holding company structure, the Hirogin Group embarked on Group management with its own by transforming into an independent holding company. This was entirely due to our desire to become a corporate group that is indispensable to this region and to be the Group that the people of the region would most trust and rely on for advice and appropriate responses when they face problems.

For all this talk about changes in the business environment, it must be remembered that each region has its own different factors. The region of Hiroshima and other three prefectures (Okayama, Yamaguchi and Ehime), which is the Group's main sales base, has maintained a considerably large economy and population compared with other regions of Japan. It is for precisely that reason that taking the independent route was an option for us, and it is also a true indication of our faith in the region's potential. Nevertheless, maintaining the status quo will mean a decline, and with the population shrinking, we are not in a position to sit and do nothing.

As we aim for the economic development of the region from perspectives such as how we can encourage new industries or how we can support the redevelopment of the region or revitalize tourism, the question of how to provide the necessary functions to achieve these aims is instilled in 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."

There is no way that a single corporate group could ever accomplish these kinds of initiatives on its own. It is essential we pursue such initiatives by uniting and collaborating with the regional community, including local governments. Our objective in establishing one of our subsidiaries, Hirogin Area Design, lies precisely in that aim of regional revitalization. One thing that is often said about regional banks is that their role is to "connect." To connect customers with other customers. To connect government administrations with customers and to the region. These are our roles, and, by fulfilling those functions properly, we hope to boost the redevelopment and revitalization of the region and, together, pursue activities to "expand the horizons of the future."

Considered from the perspective of the ideal business portfolio for achieving this goal, the list of necessary



functions would be never-ending. In fact, pursuant to the revision of the Banking Act in 2021, Hirogin Human Resources launched a registration-style human resources dispatch business in April 2022. However, there would be no point in increasing functions if they are not going to be used. A sudden increase in service offerings could even invite confusion. For this reason, we will approach any increase in functions by first comprehensively considering the level of our proposal capabilities in light of market needs and actively incorporate those functions that need to be increased and services that have truly high market needs.

Meanwhile, as well as expanding into new business domains, we are also pursuing repositioning initiatives by reorganizing and amalgamating existing functions. This is because we believe that, even if the functions that exist within the business portfolio are the same, rearranging and repositioning them could breathe new life into those functions. Breathing fresh air into the corporate culture to change the atmosphere and changing the mindsets and behavior of the people who work there to revitalize business in ways that suit the times; These are perspectives that we will continue to value. At the moment, we are examining a merger of the existing Hirogin Guarantee and Hirogin Card Service in 2023 and positioning the merged company as a direct subsidiary of the holding company, rather than as a subsidiary of the Bank. This decision will be made to pursue the promotion of cashless payment services even more proactively than before.

As society changes, inevitably, so too do the market's needs. We must respond appropriately to each era as it arrives and, recognizing that the day will come when our business portfolio will require a major rearrangement, we will make careful decisions one by one for the construction of a business portfolio with which we can properly provide the functions precisely when they are needed.

Progress of New Mid-Term Management Plan

Identifying the now from a sustainability perspective

In terms of our progress in achieving the targets declared in our Mid-Term Management Plan, excluding the Bank, profit from Group companies alone expanded to ¥3.5 billion in fiscal 2021, so our view is that outcomes are steadily being achieved. The two new operating companies established in April 2021 (Hirogin Area Design and Hirogin Human Resources) are both performing even better than expected, with Hirogin Human Resources, in particular, on track to make a profit in fiscal 2022. However, we understand that it will not be easy to achieve the highly ambitious targets declared for the final year of the Plan (fiscal 2023) of over ¥27.0 billion in profit attributable to owners of the parent, over ¥16.0 billion in total of revenue related to consulting service for corporate and retail customers and net income for the Group companies, and 12% or more in contributions of Group companies to consolidated performance. Therefore, we will focus our energies on making fiscal 2022 an extremely important bridging year for reaching our final targets. In addition, our business model aimed at corporate customers is taking shape, and we see the question of how to evolve our business model aimed at retail customers as our greatest challenge for fiscal 2022.

As an overall summary of the single fiscal year of fiscal 2021, despite increases in defensive costs in anticipation of the future, including credit costs, as well as losses caused by the replacement of securities amid the sudden rise in interest rates overseas, we managed to finish the year within a reasonable range of our targets. I believe that this fact is something to be commended.

When future generations look back on the times we now live in, they are certain to see them as a major turning point. This means that we must make significant changes to conventional mechanisms and our very ways of thinking. After thirty-plus years of deflation in Japan, today's younger generations have never known inflation and rising interest rates. Nevertheless, the inflationary trend is definitely growing worldwide. This is also an era of one unprecedented situation after another, such as carbon neutrality action and the Russia-Ukraine conflict.

When we look back on Japan's modern industrial history, due to cost concerns, Japan has been totally dependent on overseas for both production and resources, and the negative ramifications of that dependence are now starting to emerge. I feel strongly that we are at a point in time that requires drastic re-examination of what we should do next. We must accept calmly the possibility that the foundations of the region's survival will be threatened in such an era of massive change. However, regional financial institutions such as ours have an extremely important role to play to prevent the ruination of the region itself, by providing support that will allow a soft landing for companies that, unfortunately, make the decision to close or withdraw from their business.

In terms of carbon neutrality, in addition to Hiroshima Prefecture's industrial structure, coal-fired thermal power generation accounts for a large percentage of the region's power mix, placing our region among the worst in terms of per capita CO₂ emissions. When setting 2030 as one target, given that new energies are not going to become widespread overnight, unless we think about how the region should respond as a whole and start building mechanisms from the perspective of how to secure renewable energies and deliver them to companies in the region, it will be difficult to improve those emission levels. Without such an improvement, the region's manufacturing industry itself will be bound to fall into decline, ruining the region's very economy as a result. Of course, this is not something that our group can achieve on our own. We will accelerate our efforts to solve these issues together with government administrations and companies within and outside the region. This, truly, is the greatest responsibility of regional financial institutions in this region. First, in terms of things that we can do as a banking-centered group, we propose products and services such as consulting to support carbon neutrality action, support services for the introduction of sustainability-oriented management, and sustainable loans. As our next step, we hope to coordinate with various social functions to fulfill our role through initiatives that share a mindset of "not for a single company, but for the entire region."



Greater sophistication of human capital x ensuring diversity x organizational capabilities x culture of praise = ability to create regional value

In recent years, one intangible asset that has taken on greater importance is human resources, and companies are being called on to ensure the diversity of their core personnel. What the Hirogin Group truly needs are the greater sophistication of its human capital and greater diversity as a collection of people. The greatest asset of our organization is, without a doubt, our "people." It is our job as the executive management team to create an environment in which the people working here can engage in their work positively every day. If we do not become such an organization, there is no way that we will grow. To take it a step further, it will become increasingly difficult to recruit new people.

I believe that we are making considerable progress in the development of organizations and systems that enable diverse career development. This includes personnel exchanges and human resources development within the Group, as well as the appropriate appointment and promotion of people from outside the Group. In particular, in terms of personnel systems, there has been considerable progress made in the establishment of multiple career paths. However, going forward, we will need to consider recruitment and development of people who will engage in relationship building with customers, mainly in the branch offices, and human resources who will take those relationships and demonstrate specializations in particular areas to meet customers' needs. I also believe that we will need to invest much more in human resources development.

What we ask of our employees on the front lines assuming the role as connectors to customers, are to cultivate their abilities to appropriately understand customers' needs in a broad range of areas and to connect them accurately to specialists. However, those sensibilities will differ from person to person, as will the areas they gravitate toward. There is also certainly no one uniform approach regarding just how much each employee will cover. We must remember that we are an organization. Each of us within that organization has our own role to play, and it is by combining those roles that we will execute our operations. I feel keenly that it is top management's job to make the most of the characteristics of each individual, from those who know and can do a little bit of everything to those who are better at mastering a particular specialization, while establishing an environment that will make the whole run smoothly. It is for this very reason that we want to seek out people who love their local community and people who have an essential understanding of what it is to work in an organization, and welcome them as our colleagues who will commit alongside us to creating a prosperous future for the region. Under present circumstances, we are fortunate to be experiencing an increase in applicants to Hiroshima Bank, and also to Hirogin Securities, Hirogin Lease, and Hirogin IT Solutions. Nevertheless, we must not let our guard down and continue our push to create an environment that anyone will find pleasant and rewarding to work in.

From the perspective of the organizational culture, it is important that we create a foundation in which our people can work with a high sense of motivation. As I mentioned at the beginning, as well as shifting our business approach from “product out” to “market in,” I believe that it is essential that we foster a “culture of praise.” In other words, we need to break free from the demerit-system approach. The more challenges we take on, the more failures there will be. There is no denying that fact. Therefore, instead of being an organization with a “demerit system” that condemns failure, we need to become an organization where it is easy to take on challenges and that commends failures made in the course of such challenges.

It is not like Japan's rapid economic growth period of the latter half of the Showa era, in which we could expect to achieve growth as an extension of the past. We are now in an era in which we cannot see what lies ahead. This is exactly why, unless we think about things on the premise of breaking down the status quo, we will not be able to create a future. Each individual is inspired and encouraged from within him or herself. It is crucial that this point be conveyed properly and that an organizational culture be fostered in which everybody can nurture their own spirit while possessing the will

and courage to create a new tomorrow for themselves. It is for this reason as well that I keep in mind the need to move away from the style of communication that was common in many Japanese companies, not expressly stating what you want, but expecting others to know just by looking at how you operate, toward a style of “communication to convey” not only to employees but to all stakeholders.

Dedicating myself to the management of Hirogin Holdings

From April this year, I made the decision to step away from the management of Hiroshima Bank and to dedicate myself solely to the management of Hirogin Holdings. The aim of this decision was, simply, to strive for the greater sophistication of the holding company structure.

The fact was that, when serving concurrently as President of the holding company and the President of the Bank, much of my time was taken up with the Bank's operations, which account for the major proportion of the Group, and I found it difficult to shift my thinking away from banking. This made me wonder if I could truly look at the Group as a whole in an objective manner. Therefore, with the front lines of the business proceeding well, we decided that, to proceed to the next step, it was time to organize the roles of the holding company and the roles of the bank and other operating companies, and to make each of them more sophisticated. It was based on this decision that the current structure was formed.

One of the key points requiring greater sophistication was the question of how to operate the middle offices and back offices, and how to make our human capital more sophisticated. This is connected to the question of how much of our management resources we are able to inject into our current key areas. If we consider this to be a priority, we need to actively pursue initiatives to improve the efficiency and productivity of internal operations. Another key point is the advancement of DX. DX is an effective means of improving operational efficiency and productivity. Engaging in DX is also essential for the active planning and promotion of services that will help to enhance customer value. Three years ago, we set up a digital strategy division under the direct supervision of the President, and we identified room for improvement in the areas of more sophisticated utilization of data and the development of human resources who specialize in digital technologies and IT. The ideal process would be to seek out things that can be done to make individual operations more efficient and sophisticated, and progressively replace them with IT/DX in collaboration with the individual divisions. Unfortunately, however, that identification of needs has not gone well. Therefore, to further strengthen these efforts, in addition to re-examining the staff allocations, authority, organizational structure, and other aspects, moves to pick up the pace of implementation, as well as improving IT literacy, will be accelerated.

From the governance perspective as well, given the differences in industry sectors and cultures of the Group companies, there are limits to the uniform standardization that can be achieved. In particular, Hirogin



IT Solutions is a gathering of engineers, whose culture is quite different from finance, and we will need to carefully monitor the question of whether conventional bank-style approaches can or should be applied. Given the need to respond flexibly according to the culture, size, and circumstances of each company, from the perspective of Group governance, we decided that it would be more appropriate to have a dedicated management structure that could watch over the entire Group with an objective eye.

To our stakeholders: Pressing forward with activities for the future alongside the regional community

In recent times, there has been a conspicuous increase in redevelopment projects, particularly in Hiroshima City. They include the redevelopment of the south side of Hiroshima Station, multiple plans for the construction of high-rise buildings, and plans for the relocation of the soccer stadium. These redevelopment plans are being made at a time when no progress would be possible without mutual respect and conciliation. For this

reason, I believe that, instead of demanding their completion as separate projects, it is more important than ever to think about how to engage in community development with the entire region in mind. While making use of the functions of the Urban Hiroshima Meeting, of which I serve as Vice Chairman, I hope that these redevelopment projects will move in the same direction and contribute to the future growth and prosperity of the region.

In addition, although I acknowledge that, so far, we have achieved a smooth start to our business activities as a Regional Comprehensive Services Group through the total shift toward Group management, we will not sway from our greatest intention in our orientation toward autonomous, independent Group management, namely, to be an organization that customers can trust and depend on when they have problems. We will strengthen our resolve to carry out our original intention and press forward with corporate activities that make the greatest contribution to the local community. I hope that our stakeholders will continue to support us and trust us with their hopes and expectations.

Aerial photograph of Hiroshima city center



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.



1878

The 66th National Bank, Hiroshima Bank's predecessor, was established in November in Onomichi as the first bank in the prefecture, before opening for business in April 1879.

1988

(April)
Enacted the CI and established the current corporate badge

(July)
Characters used in Japanese name changed (no change to the English name)

広島銀行

1945

(May)

New Geibi Bank was established through a five-way merger of Geibi Bank, Kure Bank, Binan Bank, Miyoshi Bank, and Hiroshima Godo Chochiku Bank.

(August 6)

Suffered losses as a result of the atomic bomb (11 branches out of 16 in Hiroshima City together with 144 officers and employees of Hiroshima Bank were lost.)



Head Office of Hiroshima Bank immediately after the atomic bomb (photograph taken on August 8)

1965

(February)

Completion of new Head Office building



1960

1970

1950

(August 6)

Name changed to Hiroshima Bank five years after the atomic bomb, in connection to "Hiroshima, the City of Peace"



1971

(February)

Listed stocks on the first section of Tokyo Stock Exchange

1978

(November)

100th anniversary of the founding

Opened Hiroshima Museum of Art



Hiroshima Museum of Art

1990

(February)

The "Genesis Building," a new computing center, completed



1990

1940~

1960~

1970~

1980~

1990~

1945 Atomic bomb dropped

1964 Tokyo Olympics

1973 The first oil shock
1975 The completed San-yō Shinkansen opened
1979 The second oil shock

1985 The Plaza Accord
1987 Black Monday
1989 Consumption tax was introduced

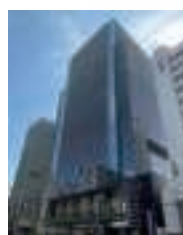
1991 Economic bubble collapsed
1993 Hiroshima Airport opened
1994 The Hiroshima Asian Games were held
1995 The Great Hanshin-Awaji Earthquake occurred
1996 The Hiroshima Peace Memorial (Genbaku Dome) and Itsukushima Shinto Shrine were registered as World Heritage Site

■ Expanding the business overseas

1996	Opened Shanghai Representative Office
2009	Opened Bangkok Representative Office
2013	Opened Singapore Representative Office
2019	Opened Hanoi Representative Office

2021

(May)
Opened the new
Head Office building



2018

(January)
Moved Head Office to
temporary branch



2000

1997

(November)
Share prices plunged in
reputational damage

2010

2016

(May)
Completed the construction
of <Hirogin> Chuo Building

2003

(January)
Joint system operation with the
Bank of Fukuoka introduced

1998

(February)
• "Promise of the 120th year" for structural reforms
announced
• Consolidated overseas branches and urban branches
as part of a plan to return to a "Bank of the Region"
(October)
Launched "Reliance 21,"
a new Long-Term Management Plan

2020

(October)
• Transitioned to a holding company structure

Established



HIROGIN HOLDINGS

- Formulated Mid-Term Management Plan 2020
- Launch of the slogan "Expanding the horizons of the future"

■ History of Group companies (expansion of the scope of business operations)

1978	Established Shinai Guarantee (current Hirogin Guarantee Co., Ltd.)
1980	Established Green Lease (current Hirogin Lease Co., Ltd.)
1987	Established Hirogin Diamond Credit (current Hirogin Card Service Co., Ltd.)
1989	Established Hirogin Mortgage Service (current Hirogin Business Service)
2001	Established Shimanami Servicer Co., Ltd.
2008	Hirogin Utsumiya Securities (current Hirogin Securities Co., Ltd.) started operation
2015	Made Hirogin Guarantee Co., Ltd. and Hirogin Card Service Co., Ltd. wholly-owned subsidiaries
2017	Made Hirogin Securities Co., Ltd. a wholly-owned subsidiary Established Hirogin REIT Management
2020	Established Hirogin Capital Partners Co., Ltd.
2021	Made Hirogin IT Solutions Co., Ltd. a subsidiary Made Hirogin Lease Co. Ltd. a wholly-owned subsidiary Established Hirogin Area Design Co., Ltd. and Hirogin Human Resources Co., Ltd.

2000~

2010~

Hiroshima Bank

2020~

Hirogin Holdings

2005 Deposit insurance fully deregulated
2007 Subprime mortgage crisis occurred in the U.S.
2008 Global financial crisis occurred
2009 Hiroshima Municipal Baseball Stadium opened

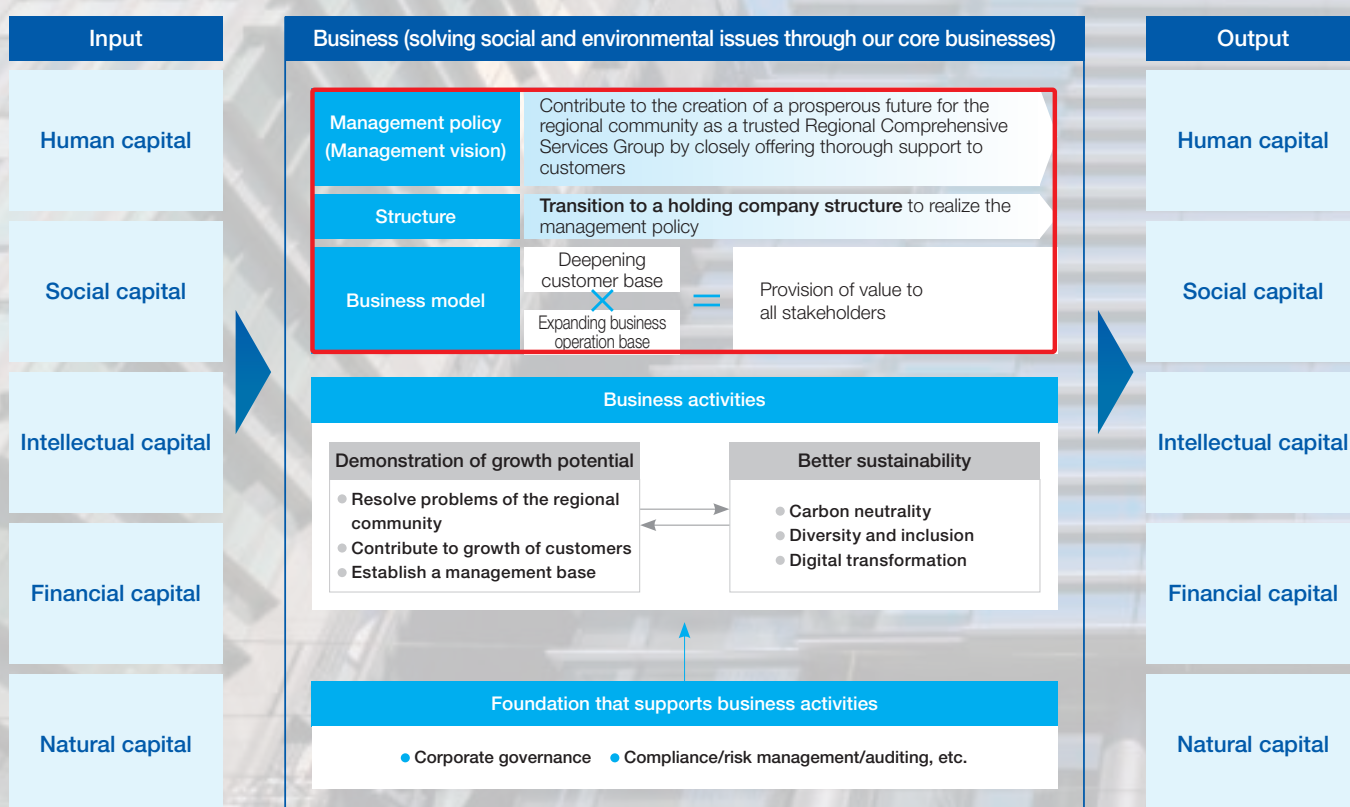
2011 The Great East Japan Earthquake occurred
2012 The second Abe cabinet formed; "Abenomics" started
2015 UN SDGs and Paris Agreement
2019 Imperial era name changed to Reiwa

2020 New coronavirus pandemic
2020 Japanese Government declared its intention to achieve carbon neutrality by 2050
2022 Restructuring of Tokyo Stock Exchange

What We Aim to Achieve by Transitioning to a Holding Company Structure

All employees of the Group are working together to create shared value with all of our stakeholders in order to realize our new 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.”

Value Creation Process Map



Head Office building of Hirogin Holdings, Inc.

The Group has evolved to a company with a holding company structure, aiming for a trusted Regional Comprehensive Services Group by closely offering thorough support to customers. The Head Office building has become the hub for maximizing Group synergies with Group companies moving into the office and sharing the office space to work together with information and human resources of each company.

Purpose of Our Transition to a Holding Company Structure

Thoughts behind the decision to transition to a holding company structure

Under the management vision of “Building a reliable Hirogin Group united through trusting relations with the regional community,” Hiroshima Bank has been striving to strengthen collaboration within the group from the perspective of promoting unified group operation. And it has built its position as a leading bank group in the region by demonstrating its comprehensive strength and has pursued sound management based on its solid operational base.

However, the business environment surrounding financial institutions, especially regional financial institutions, is expected to become even more severe due to factors such as the declining population and the entry of competitors from other industries. In addition, customer needs are becoming more and more diversified, complex, and sophisticated due to changes in economic and social conditions such as the rapid progress of digital transformation, as well as changes in customer lifestyles and values. In the future, it is expected to become difficult for a bank-centered system to flexibly respond to changes in the business environment, including regulatory easing, or to appropriately respond to customer needs.

Under these circumstances, in order to strive to become a Regional Comprehensive Services Group that can respond to all customer needs centered on finance as well as to achieve sustainable improvement of the Hirogin Group’s popularity in the market and its corporate value, we have judged that it is necessary to further enhance group governance and to further expand the scope of business operations and strive to strengthen group synergies. Accordingly, in October 2020, we established Hirogin Holdings and evolved into a new group business structure of a holding company.

The decision to transition to a holding company structure reflects our sincere desire to pursue “what the Hirogin Group wants to be.”

Under our new brand slogan “Expanding the horizons of the future,” the Group aspires to realize its new 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.” To that end, all employees of the Group will work together to create shared value with all of our stakeholders.

What we mean by the trade name

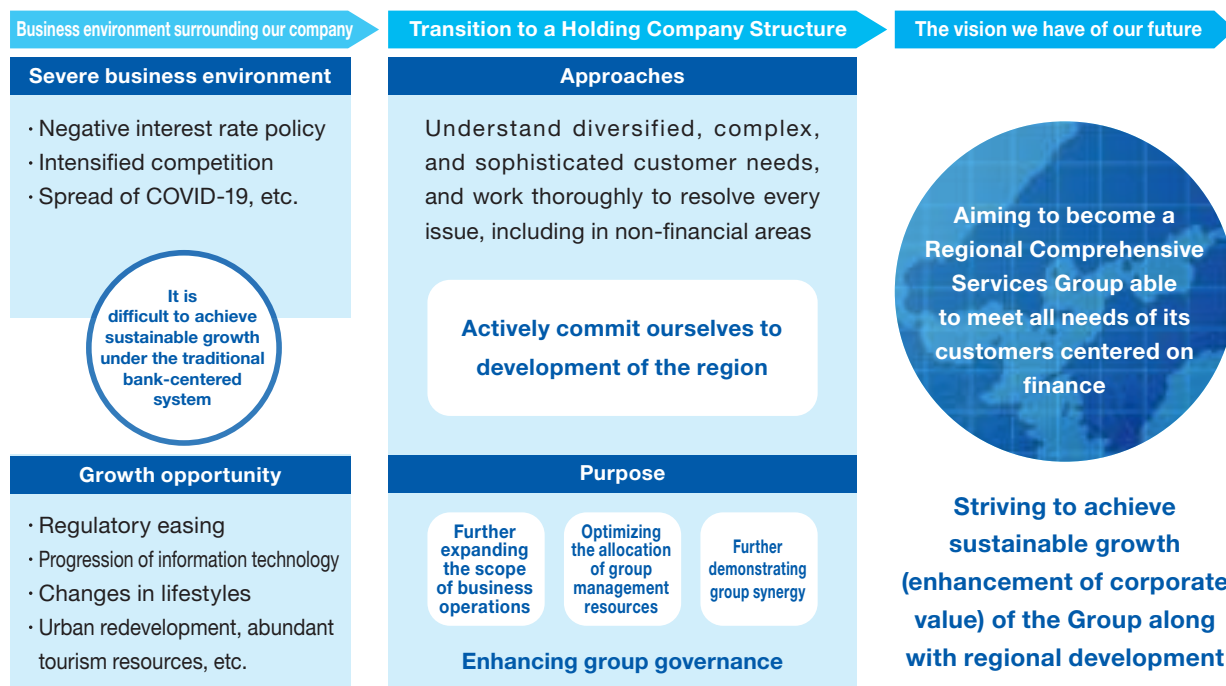


Hirogin Holdings, Inc.

What we mean by the trade name —————

By adding “Hirogin,” a brand that our group companies have built up over the years, to the trade name of the holding company, we made it clear that the new company is the holding company of the group and hoped that the company would strengthen the sense of unity among group members and boost our popularity in the market.

Background and Purpose behind the Transition to a Holding Company Structure



Business Model / Source of Value Creation

Business model after the transition to a holding company

In order to realize our new management policy, the Group aims to further evolve from a Comprehensive Financial Services Group to a Regional Comprehensive Services Group with the transition to a holding company structure.

We will further deepen our relations with regional community and customers and understand individual needs and issues in the markets of our four local

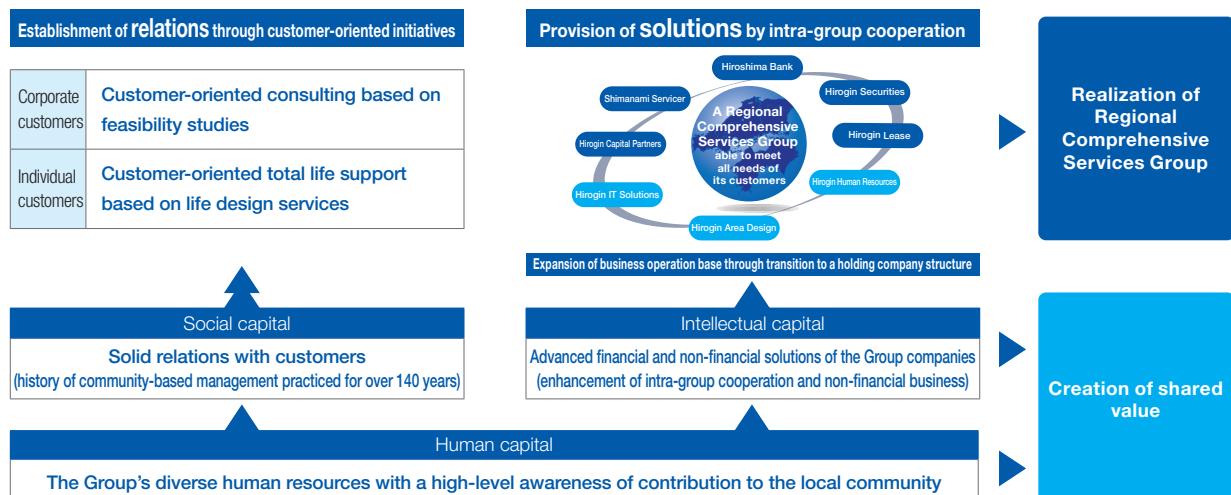
prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential. In our efforts to resolve those issues, we aim to contribute to the development of the region and the growth of our customers by providing solutions not only in the financial areas but also in the nonfinancial areas, thereby achieving the sustainable growth of the Group.



Hirogin Group's strengths (source of value creation)

Hirogin Group's strengths are "solid relations with customers" backed by the history of community-based management practiced by Hiroshima Bank for over 140 years and "advanced financial and non-financial solutions of the Group companies" that have been expanded and strengthened through the transition to a holding company structure.

The Group's diverse human resources with a high-level awareness of contribution to the local community are responsible for establishing relations and providing solutions. They will act as customers' concierge and create shared value with local communities and customers by providing escort-runner style support that utilizes the Group's comprehensive capabilities.



Group Structure

Group structure as a Regional Comprehensive Services Group

In order to realize our new management policy, the Group shifted its group structure by transitioning to a holding company structure in October 2020.

In addition, after the transition to a holding company structure, in order to implement our business model as a Regional Comprehensive Services Group, we have built a group system capable of providing high value-added solutions, including in nonfinancial areas,

by establishing three nonfinancial subsidiaries and making them our subsidiaries.

We will continue to deepen and expand our customer base and business operation base, and maximize the group synergy by further moving ahead with reforming employee consciousness and behavior to further strengthen intra-group cooperation.

History of major group companies after the transition to a holding company structure (expansion of the scope of business operations)

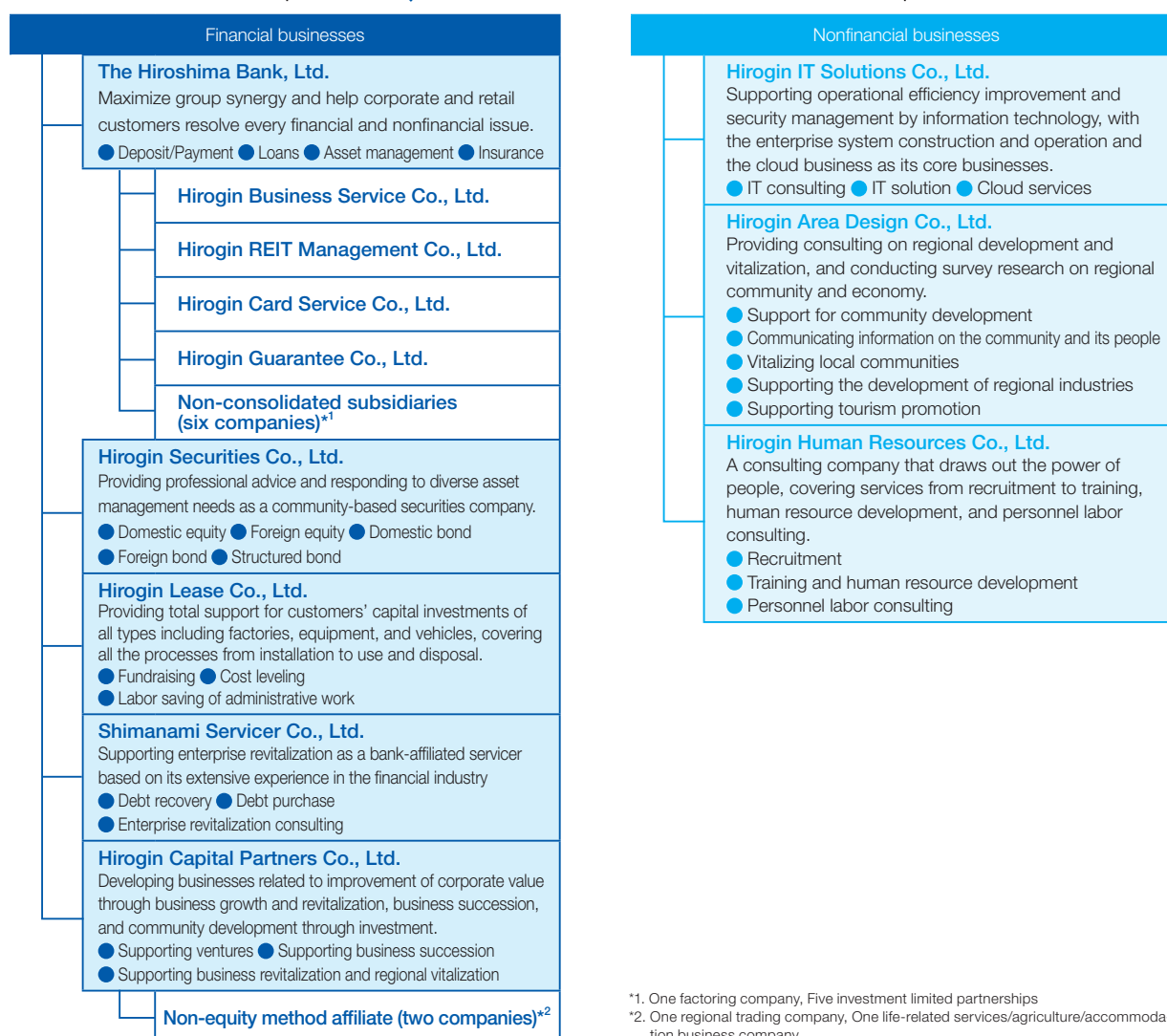
Period	History	Business domains	
January 2021	Hirogin IT Solutions became a subsidiary (M&A)	IT-related businesses	Non-financial
March 2021	Hirogin Lease became a subsidiary (M&A)	Leasing businesses	Financial
April 2021	Establishment of Hirogin Area Design (spin-out)	Consulting related to regional vitalization	Non-financial
	Establishment of Hirogin Human Resources (spin-out)	Consulting related to human resources, labor, etc.	Non-financial

Group Structure (As of April 1, 2022)

Expanding the horizons of the future



HIROGIN HOLDINGS



*1. One factoring company, Five investment limited partnerships

*2. One regional trading company, One life-related services/agriculture/accommodation business company

Growth Driver (Growth Strategy for a Holding Company Structure)

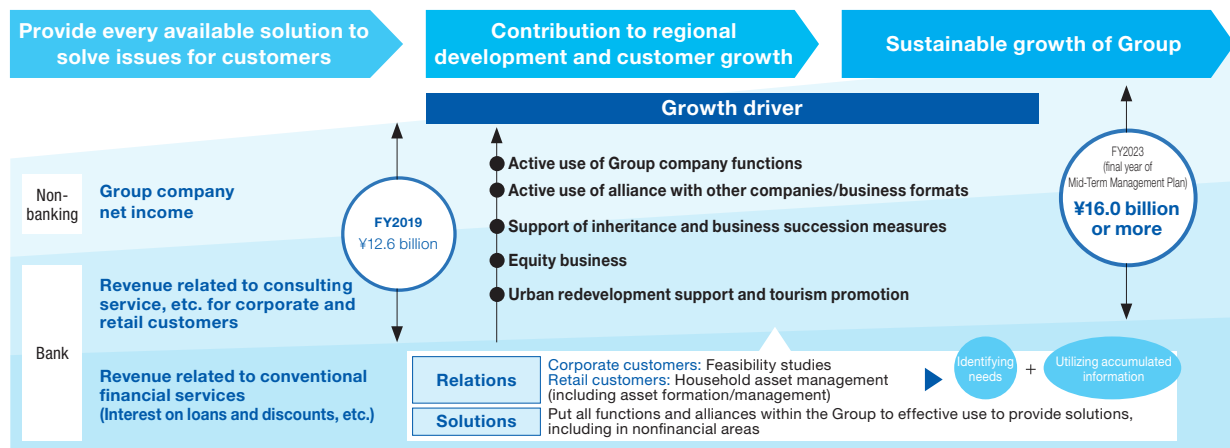
Profit Structure Reforms

In conjunction with the transition to a holding company structure, the Group has formulated Mid-Term Management Plan 2020 (period covered: October 2020 to March 2024) as a growth strategy under the new group format.

In addition to our efforts in existing financial areas that focus on deposit and lending businesses, we are strengthening support for inheritance and business

succession measures, 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, and provide solutions in financial and nonfinancial areas, thereby proceeding with profit structure reforms in order to establish a stable management base.

Outline of profit expansion under Mid-Term Management Plan 2020

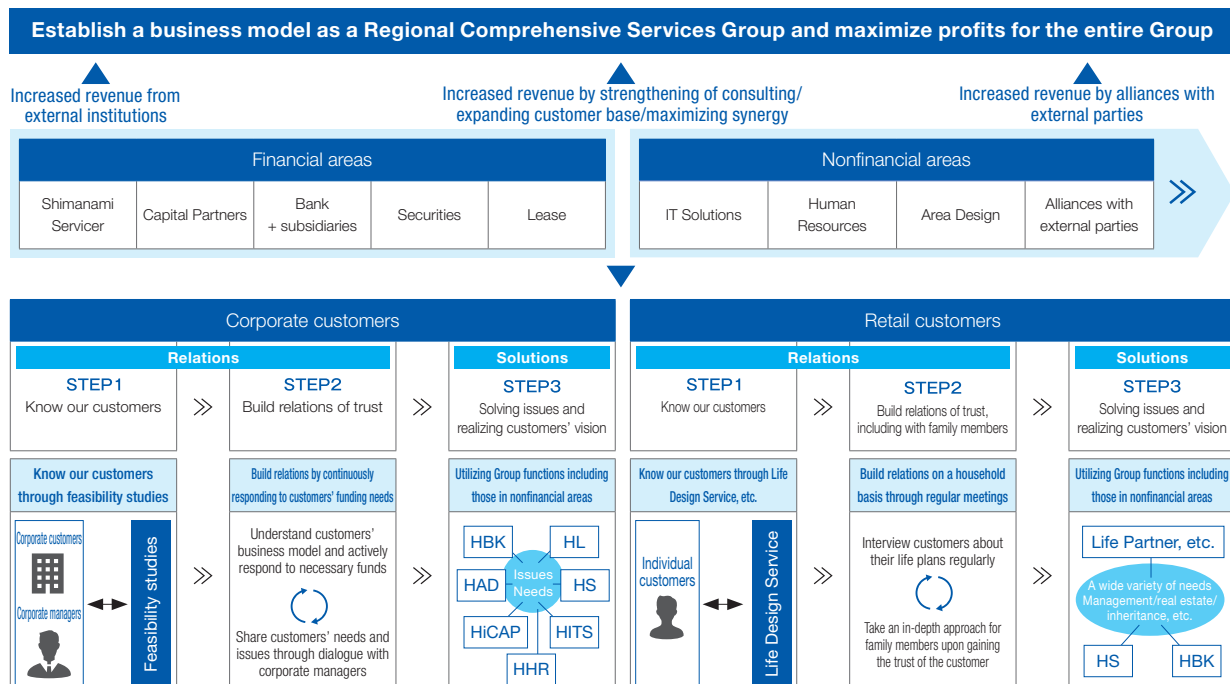


Strengthening intra-group cooperation

Under the holding company structure, the Group will further strengthen intra-Group cooperation with its group companies referring their business partners to each other to deepen and expand their customer

base. At the same time, we will deepen and expand our business operation base by combining each group company's function and utilizing alliances.

Image of expanding business areas through strengthened intra-group cooperation



Progress of Group Management (Initiatives after Transition to Holding Company Structure)

Initiatives after Transition to Holding Company Structure

The Group is proceeding with various initiatives to achieve the purpose of its transition to a holding company structure, namely, “enhancing group governance,” “expanding business operation base,” “optimizing allocation of group management resources,” and “strengthening intra-group cooperation.”

We will continue to accelerate intra-group cooperation through further progress of reformed consciousness and behavior, aiming to move on to the next stage.

■ Purpose of Our Transition to a Holding Company Structure

Purpose		Traditional approach (before transition to a holding company structure)	Current approach (after transition to a holding company structure)
Governance	Enhancing group governance	Group-based management supervisory functions and business execution functions are not separated (A bank with business execution functions supervises the management of the entire group)	Group-based management supervisory functions (a holding company) and business execution functions (subsidiaries) are separated
Strategic Decision	Expanding business operation base (enhancing non-financial business)	Comprehensive financial services group	A regional comprehensive services group (meet all needs of its customers centered on finance, including non-financial areas)
Resource Allocation	Optimizing allocation of group management resources	Partial optimization (resource allocation centered on the bank)	Overall optimization (resource allocation by the holding company independently from its subsidiaries including the bank)
Execution	Strengthening intra-group cooperation (reforming consciousness and behavior)	Bank-based consciousness and behavioral patterns	Group-based consciousness and behavioral patterns

■ Enhancing group governance

With the transition to a holding company structure, the Group has worked on various measures to further demonstrate the functions of the Board of Directors based on the evaluation of its effectiveness, in order to strengthen the decision-making functions and management supervisory functions of the Board of Directors.

In April 2022, after the overhaul of the Hiroshima Bank’s executive structure (replacement of the President), the concurrent post of holding company president and bank president was eliminated. Accordingly, we will strive to further evolve group management under the new governance structure.

Main initiatives after the transition to a holding company structure

(1) Further demonstrating the functions of the Board of Directors based on the evaluation of its effectiveness

- Review for a group management plan formulation process based on the Board of Directors of the holding company
- Introduction of free discussions on “important management themes” at the Board of Directors meetings of the holding company
- Introduction of executive presentations by the presidents of group companies (excluding Hiroshima Bank) at the Board of Directors meetings of the holding company

(2) Further separating management supervisory functions (holding company) and business execution functions (subsidiaries including the bank)

- Elimination of the concurrent post of holding company president and bank president (to concentrate on group management)

■ Expanding business operation base (enhancing non-financial business)

With the transition to a holding company structure, the Group has deepened and expanded its business operation base starting with customer needs, centering on nonfinancial businesses, through efforts including the establishment of three nonfinancial subsidiaries and

making them subsidiaries, and entry to new businesses by utilizing alliance partners, in order to transform from a Comprehensive Financial Services Group to a Regional Comprehensive Services Group.

Main initiatives after the transition to a holding company structure

(1) Establishment of three nonfinancial subsidiaries and making them subsidiaries

- Made Hirogin IT Solutions a subsidiary (strengthen initiatives for IT consulting)
- Established Hirogin Area Design (strengthen initiatives for regional vitalization and regional revitalization)
- Established Hirogin Human Resources (strengthen initiatives for human resource support)

(2) Initiatives for new businesses by utilizing alliance partners, etc.

- Entry to new businesses by Hirogin Area Design and Hirogin Capital Partners (cooperation with alliance partners)
- Entry to worker dispatching business by Hirogin Human Resources (M&A)
- Implementation of a business contest aimed at creating new businesses
- Operation of a cafe on the first floor of the new Head Office building by an investee (a regional trading company) of Hirogin Capital Partners

Optimizing allocation of group management resources

With the transition to a holding company structure, the Group has worked on initiatives to optimize the business portfolio of the Group as a whole and the allocation of human resources within the Group, such as overhauling the capital structure of subsidiaries and

activating secondment within the Group, in order for the holding company to optimize allocation of group management resources independent from its subsidiaries, including the bank.

Main initiatives after transition to a holding company structure

(1) Optimization of business portfolio

- Expansion of business domain into growing areas (establishment of three nonfinancial subsidiaries and making them subsidiaries, etc.)
- Made Hirogin Lease a wholly-owned subsidiary (overhaul of capital structure of subsidiaries)

(2) Optimization of human resource portfolio

- Activate secondment within the Group (a total of 111 employees seconded after transition to a holding company structure)
- Introduction of the Career Design System at Hiroshima Bank (internal internships, career change support for desired duties, etc.)

Strengthening intra-group cooperation (reforming consciousness and behavior)

The Group recognizes that the key to the success or failure of the transition to a holding company structure depends on “whether the Group’s employees become able to always consider matters on a group basis, turn their ideas into initiatives and actions, and contribute to customers in the region and society.” Based on this

recognition, with the transition to a holding company structure, we proceeded with various initiatives to reform consciousness and behavior in both soft and hard aspects in order to change our mindset from seeing the bank as the center of things to seeing the group as a united entity.

Main initiatives after transition to a holding company structure

(1) Reform of consciousness

- Sending messages from the management team including top management
- Awareness-raising through various training sessions at Group companies and dissemination of news on good examples of cooperative initiatives

(2) Fostering mutual understanding among group companies

- Understanding the solutions of group companies through the use of TV study sessions and solution booklets
- Exchange of human resources among Group companies (secondment within the Group/short-term trainee)

(3) Activation of communication among Group companies

- Reconstruction of the new Head Office building (activation of inter-group cooperation with the headquarters departments of major group companies relocating/moving into the Head Office building)
- Appointment of “persons in charge of strengthening cooperation” with major group companies at each branch of Hiroshima Bank

T O P I C S

Introduction of “Tomorrow Square” on the 1st floor of the Head Office building

The first floor of the new Head Office building, which opened in May 2021, serves as a gateway to receive customers. We regarded it as a place to create liveliness and diverse exchanges to vitalize the center of Hiroshima city, and named the place “Tomorrow Square.”

“Tomorrow Square” is a space that symbolizes what Hirogin Holdings aims to achieve, namely the provision of new value by people’s gathering, meeting, talking and being connected.



Maximizing Group Synergy (Results of Transition to a Holding Company Structure)

Results of transition to a holding company structure

The Group positioned FY2021 as an important fiscal year to start a substantial holding company structure, and worked on deepening and expanding customer base through mutual cooperation of Group companies and enhancing new solution functions. As a result, in FY2021, the Group companies' performance improved,

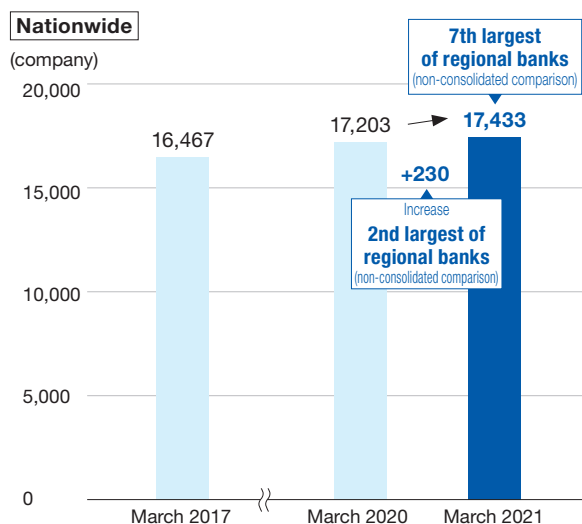
and as a synergy of intra-Group cooperation, we saw the results of awareness and behavior reform under the holding company structure with a steady increase in the number of companies for which Hiroshima Bank is the main bank.

Main results of Group companies (FY2021)

Numbers in parentheses indicate results of FY2020 or comparison with the end of March 2021.

Financial and nonfinancial needs	Main solution	Results * FY2021 or the end of March 2022
Increase in capital (business succession and revitalization)	Capital Partners	Amount of investment (Total of fund and principal investment) ¥2.9 billion (+ ¥1 billion)
Inheritance measures	Bank	EXIT revenue ¥0.9 billion (+ ¥0.9 billion)
Securing human resources, building HR systems	Bank	Trust-related revenue ¥0.7 billion (+ ¥0.1 billion)
Capital investment, utilization of leases	Human Resources	Total number of recruitment contracts 92 (+ 19)
ICT, streamlining of operations	Lease	Number of customers 6,324 (+ 117)
Diversification of payment methods	IT Solutions	Number of contracts 100 (+ 68)
Asset management	Card Service	Number of corporate customers using card services 8,519 (+ 76)
Debt purchase	Bank, Securities	Number of financial instrument intermediary accounts 26,121 (+ 3,806)
	Bank, Securities	Revenue from financial instrument intermediary services ¥4.7 billion (+ ¥0.4 billion)
	Shimnami Servicer	Number of customers in debt purchase services 1,626 (+ 266)

Number of companies for which Hiroshima Bank is the main bank

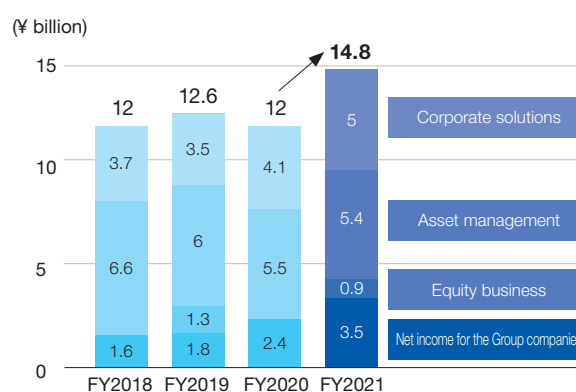


Enhancing social capital value

Deepening/expanding customer base

Enhancing financial capital value

Total of revenue related to consulting service for corporate and retail customers and net income for the Group companies



Enhancing intellectual capital value

Deepening/expanding business operation base

Stable revenue structure by maximizing Group synergy

Further Maximizing Group Synergy

Recognition of current issues and future initiatives

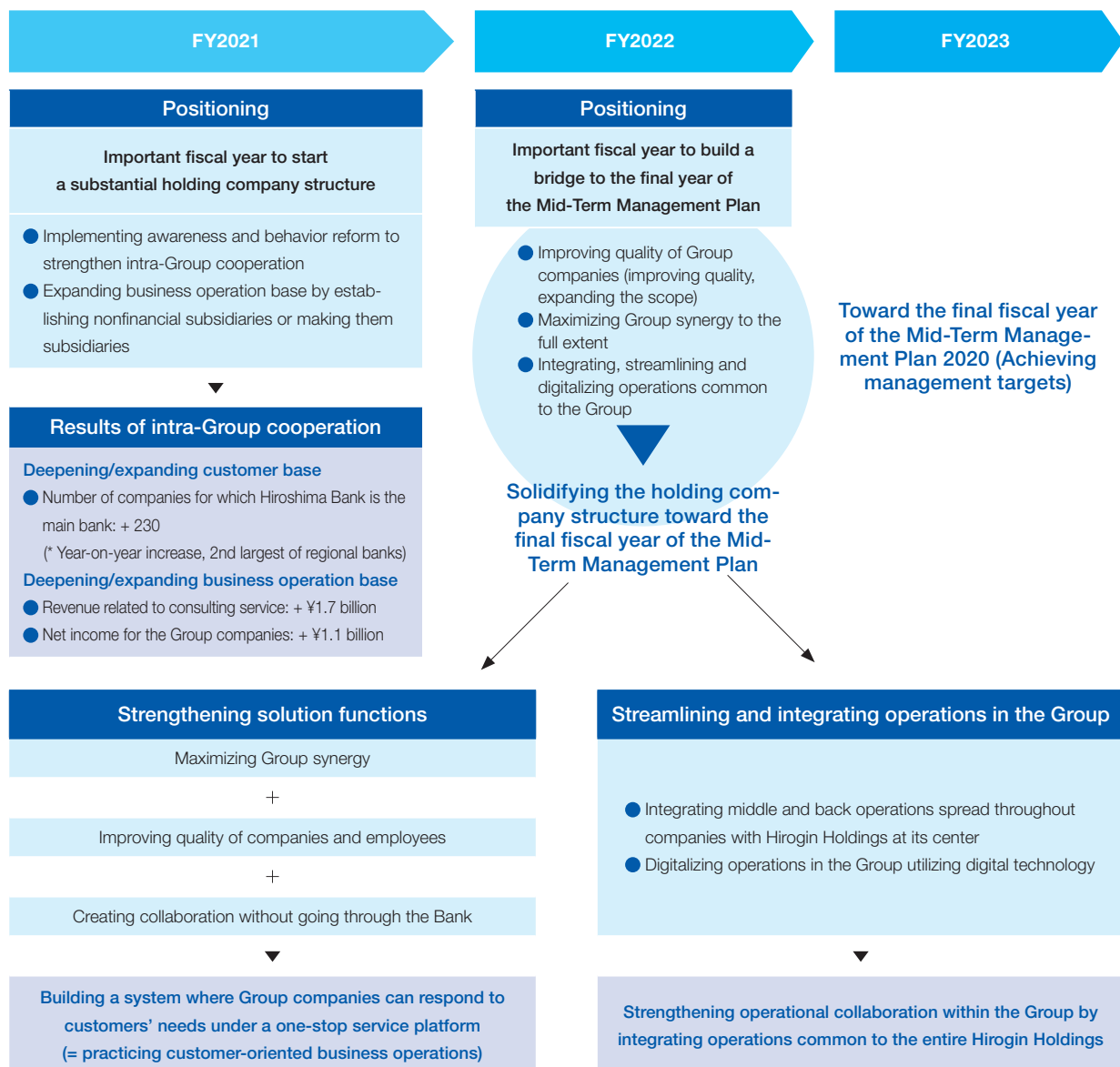
Amid changing and complicated environment, customers' issues and needs diversify further. It is difficult to share true issues and needs unless we drastically carry out customer-oriented business operations, understand customers and build trust relationships with them. Therefore, in order to solve their complicated and diversified issues, we recognize the need to draw on the full range of the Group's capabilities more than before and address them in a speedy manner.

The Group positioned FY2022 as an important fiscal year to build a bridge to the final year of the Mid-Term Management Plan 2020, and will steadily implement strategies described in the Mid-Term Management Plan

by practicing customer-oriented business operations through thorough "market-in" (customer not product first) to solve issues of regional communities and customers as a corporate group rooted in the region.

Under the circumstances, in order to further maximize Group synergy in light of the fact that cooperation between the Bank and non-bank subsidiaries has produced results, we will solidify the holding company structure by building cooperation between non-bank subsidiaries and integrating, streamlining and digitalizing operations common to the Group with Hirogin Holdings at its center in a steady manner.

Positioning of FY2022

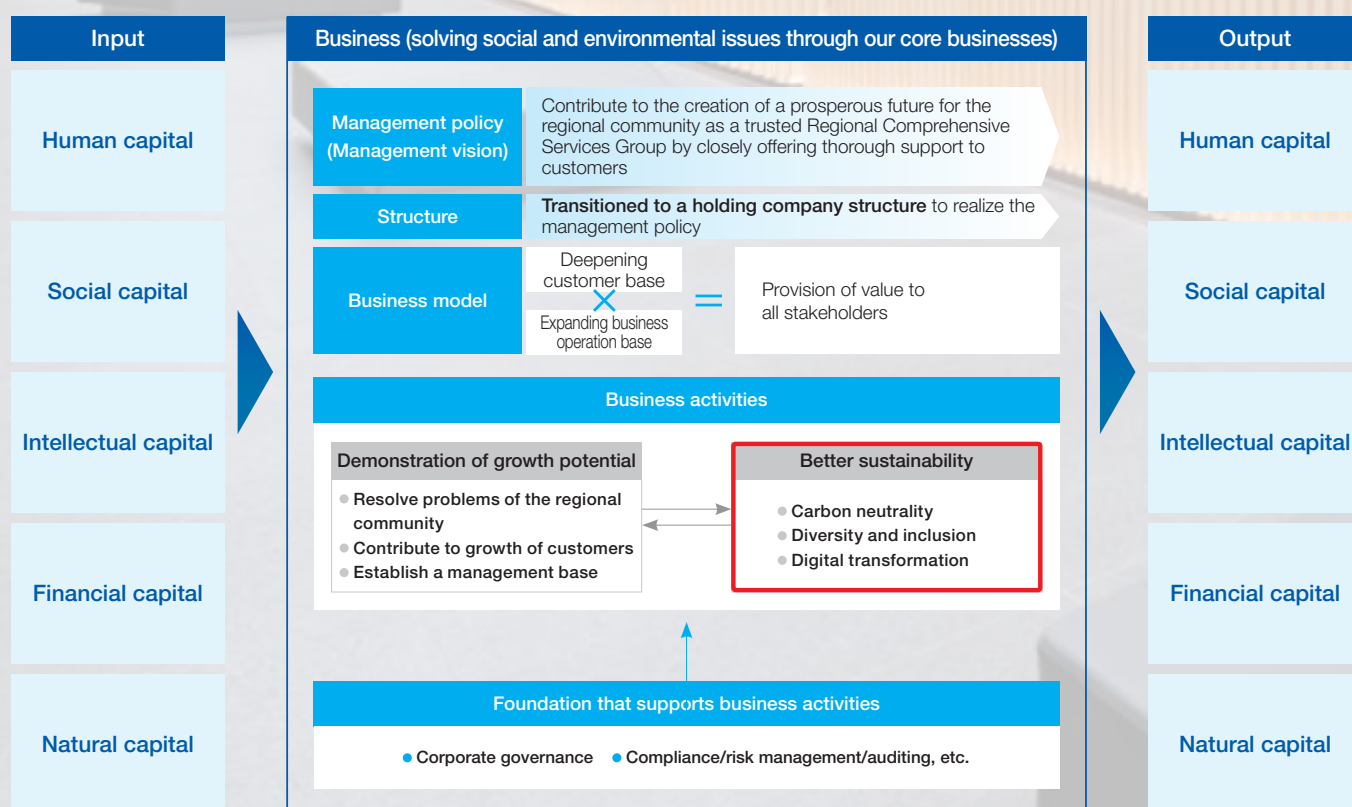


How We Will Enhance Sustainability

– 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.

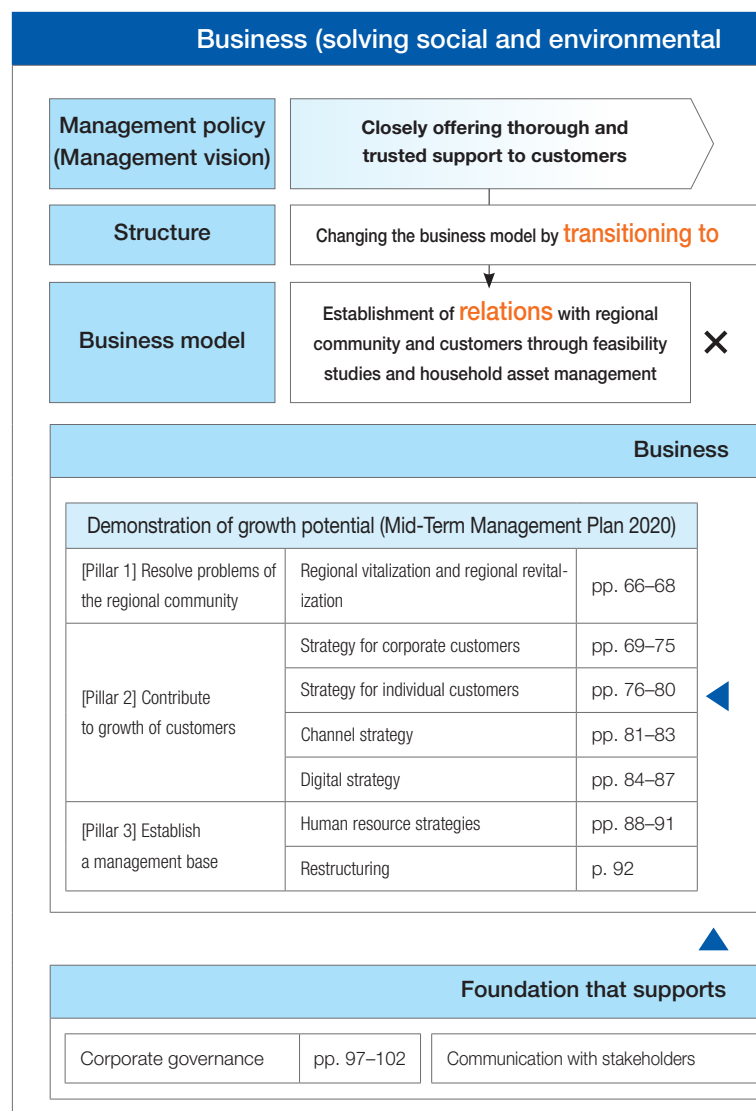
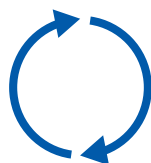
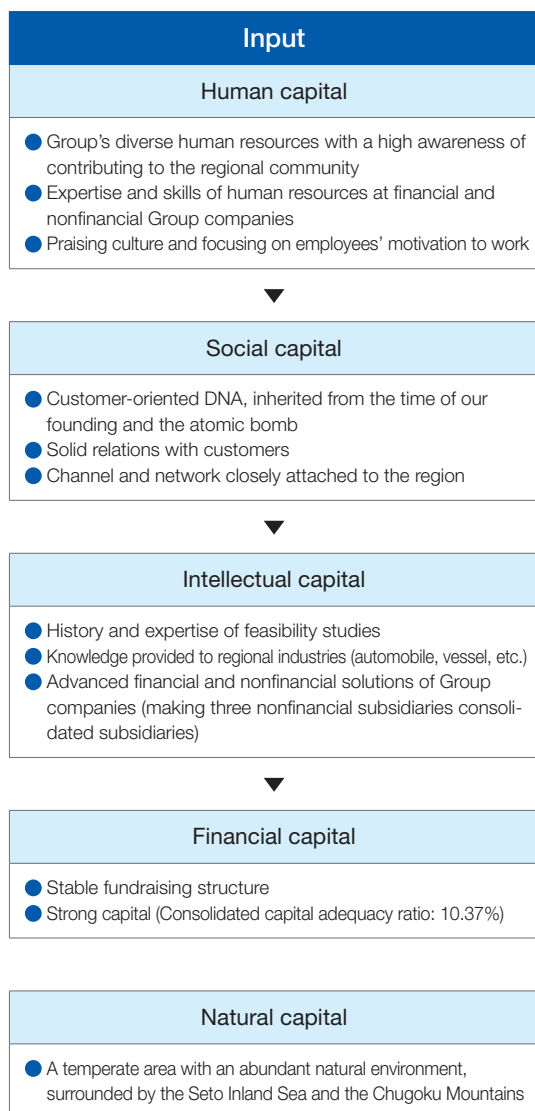
Value Creation Process Map



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



External environment	
Stakeholders' issues	
Regional community	<ul style="list-style-type: none"> Declining population Falling birthrate and aging society
Customers	<ul style="list-style-type: none"> Shrinking regional economy Progression of information technology Demand for more sophisticated risk management
Shareholders/Investors	
Employees	<ul style="list-style-type: none"> Demand for work-life integration
Natural environment	<ul style="list-style-type: none"> Response to climate change and global warming

Materiality	
Identification of materiality (matters to be addressed preferentially)	
1. Region	<ul style="list-style-type: none"> Initiatives to revitalize regional community and economy
2. Aging society	<ul style="list-style-type: none"> Provision of regional comprehensive services suited to aging society
3. Human rights	<ul style="list-style-type: none"> Promotion of diversity and inclusion Building a community where local customers can live in peace
4. Environment	<ul style="list-style-type: none"> Response to climate change and global warming

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



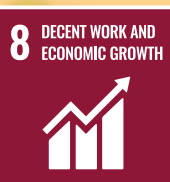
Digital transformation

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.

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

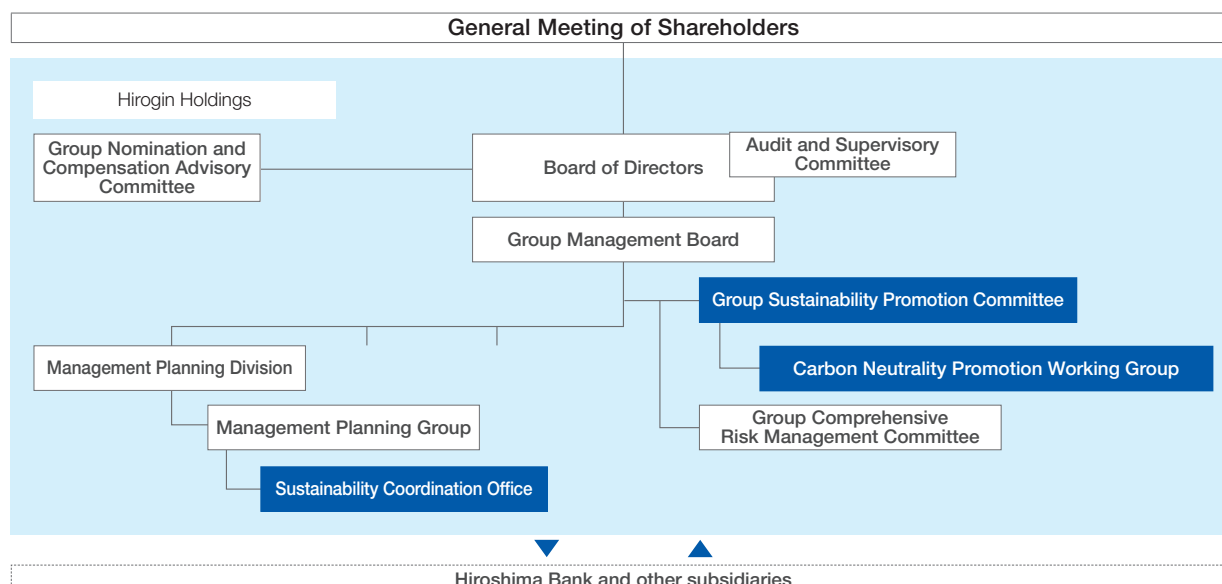
Source: Estimated by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications "Japanese Statistics 2021" and the Ministry of the Environment "Estimation of Current Status of CO₂ Emissions by Field"

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

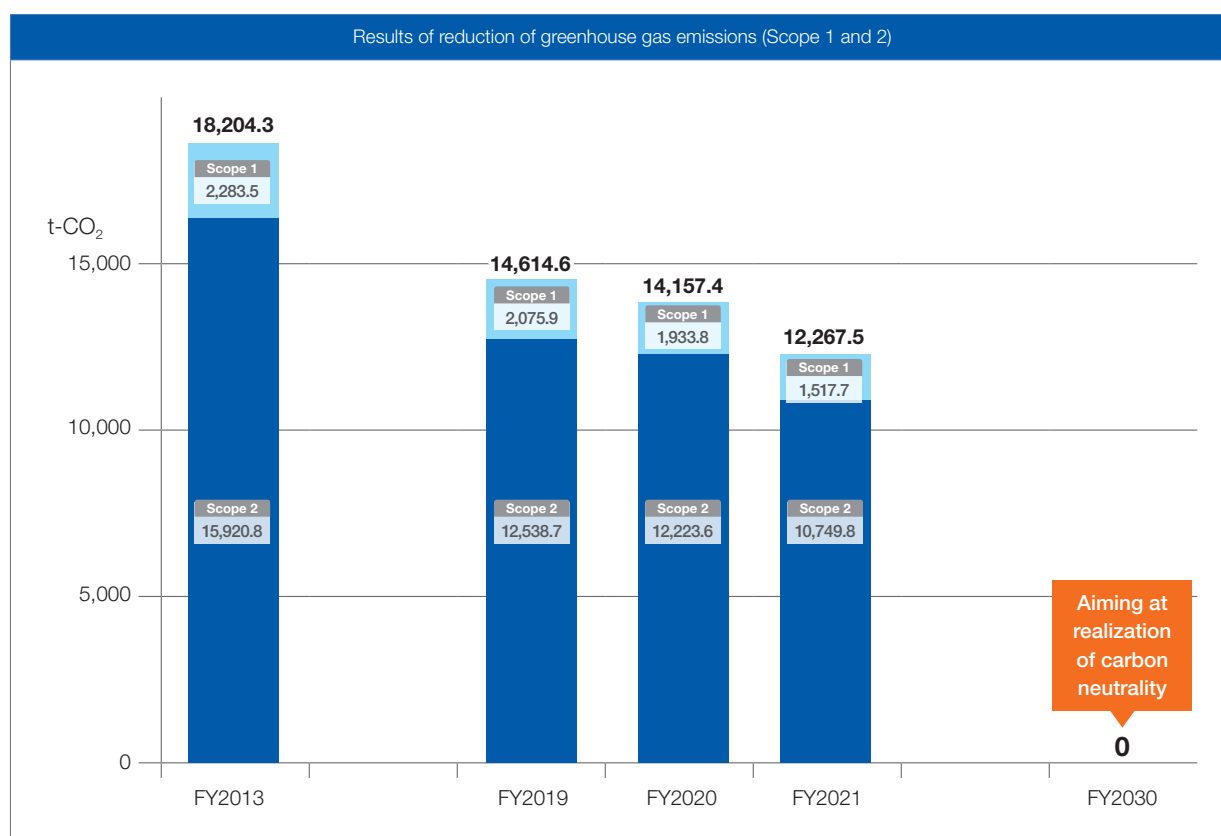
out initiative to reduce greenhouse gas emissions of the Group in the first place.

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)

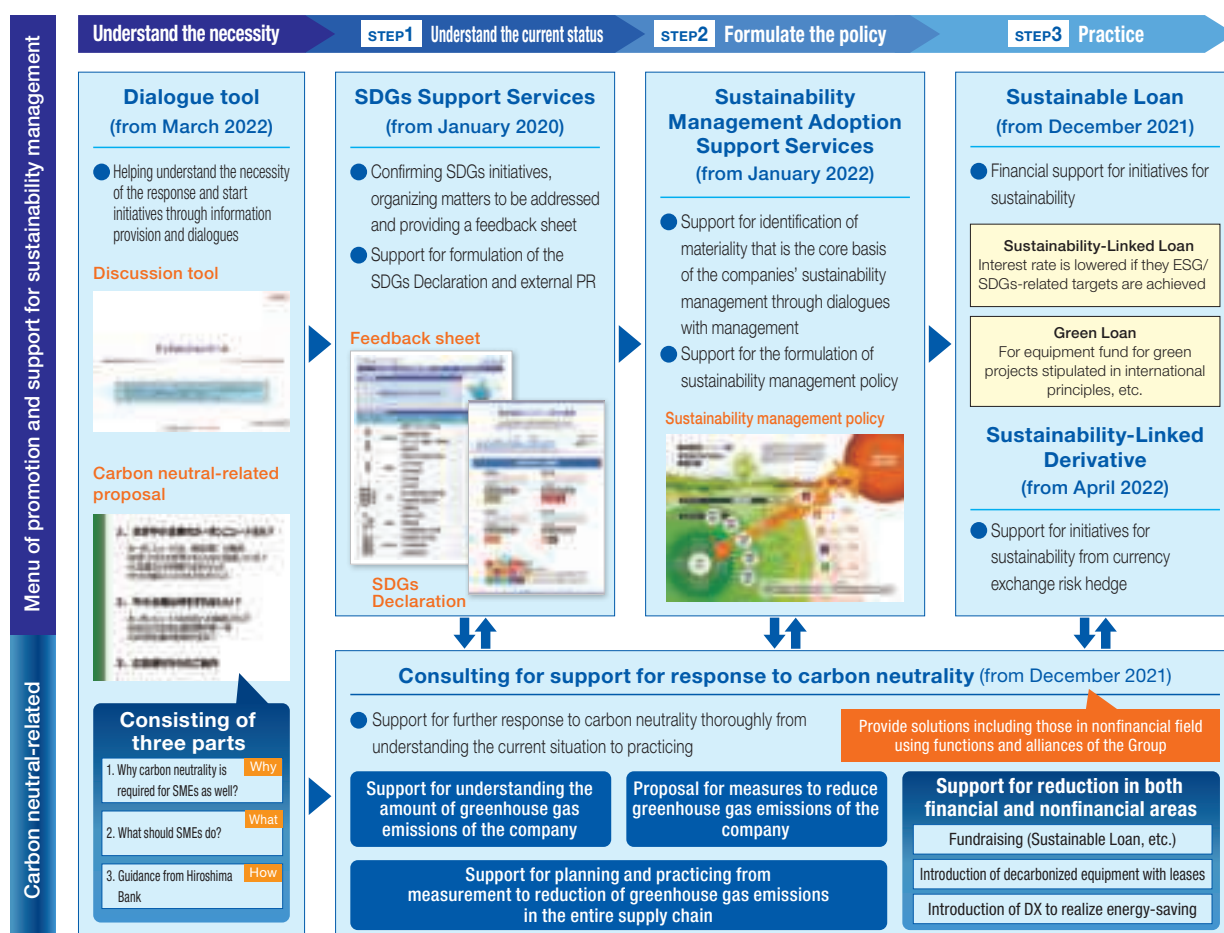
(1) Comprehensive consulting related to carbon neutrality of business partners

- 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

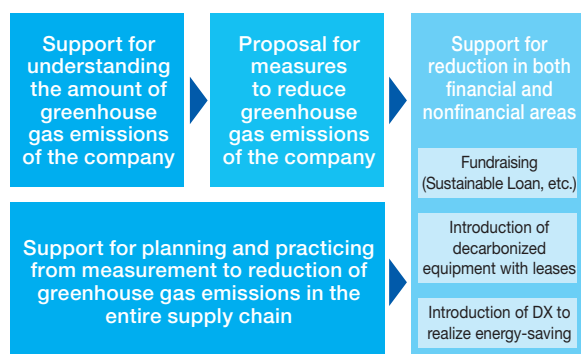
In December 2021, Hiroshima Bank started consulting to support from awareness to practice related to response to carbon neutrality of business partners utilizing functions and alliances within the Group (such as energy saving diagnosis for SMEs and support for introduction to strategies and reduction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

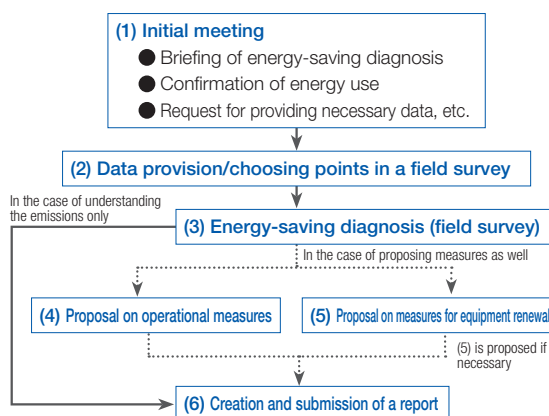
Technos Corporation, the company rooted in Hiroshima and receiving energy-saving diagnosis, etc. from government agencies with its specialized knowledge on energy-saving consulting, to actively promote response to carbon neutrality in the region.

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)



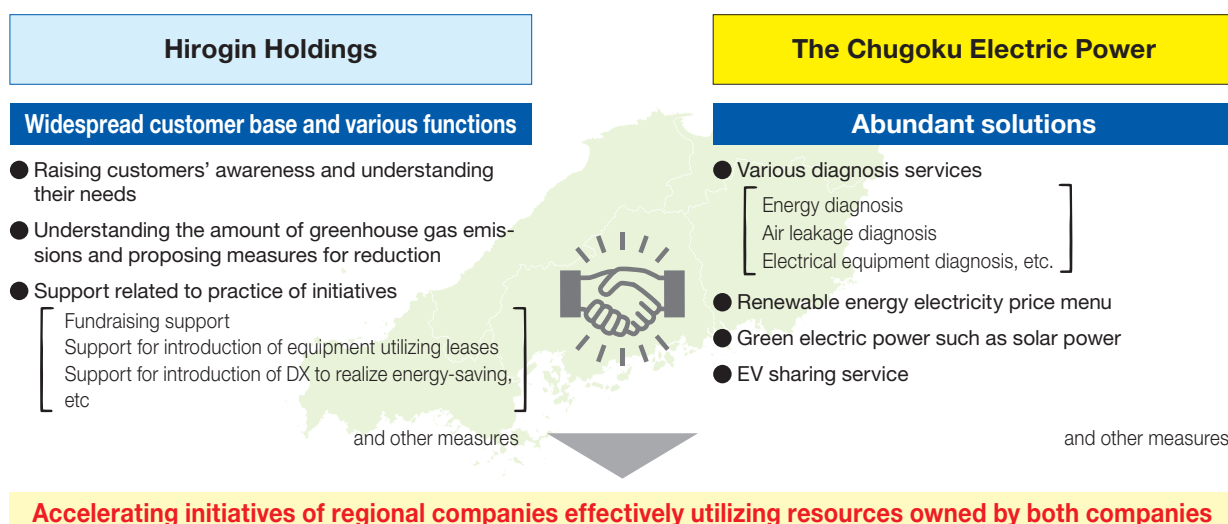
Further collaboration with external stakeholders

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.

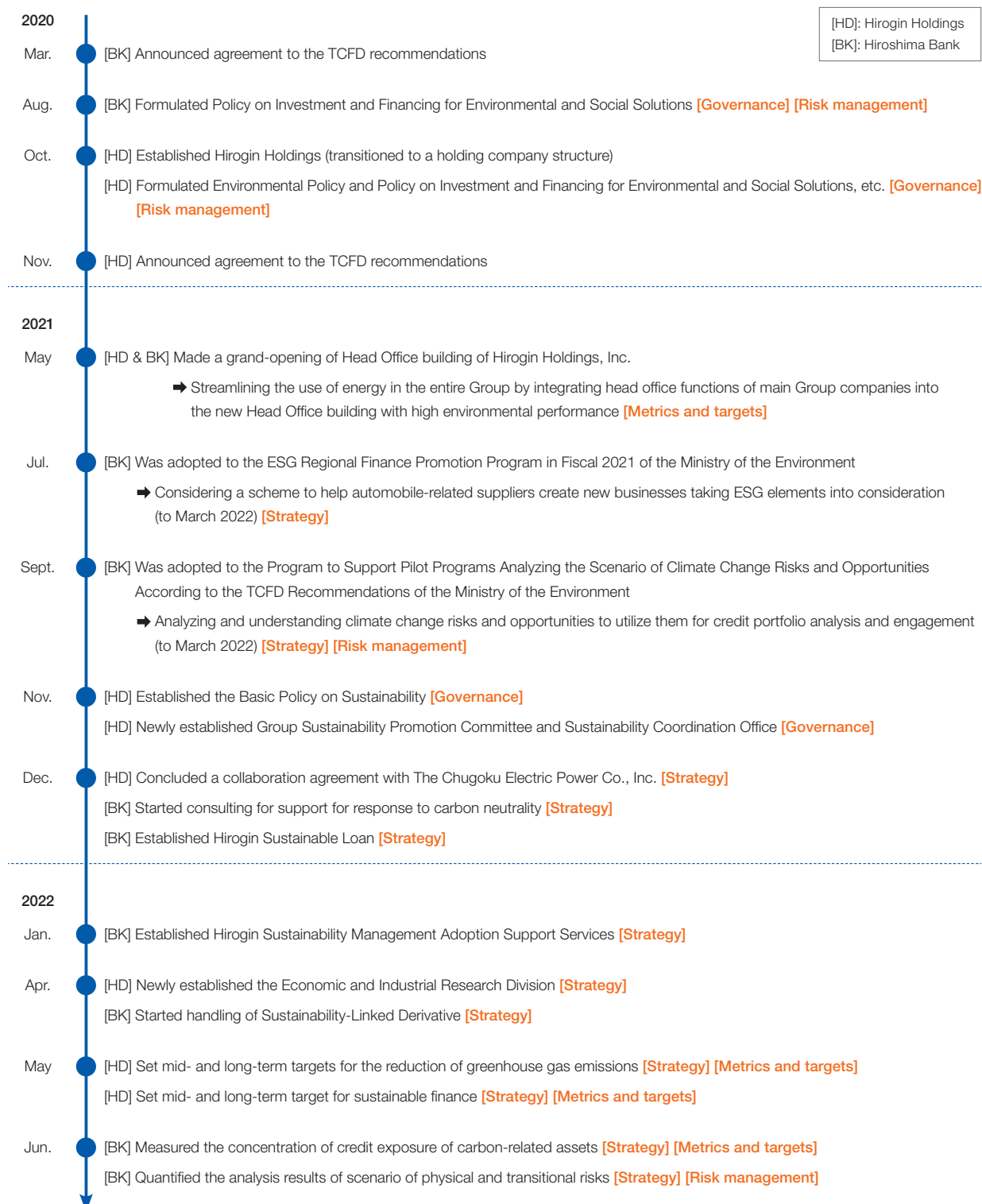


Response to TCFD recommendations

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-top: 10px;"> 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

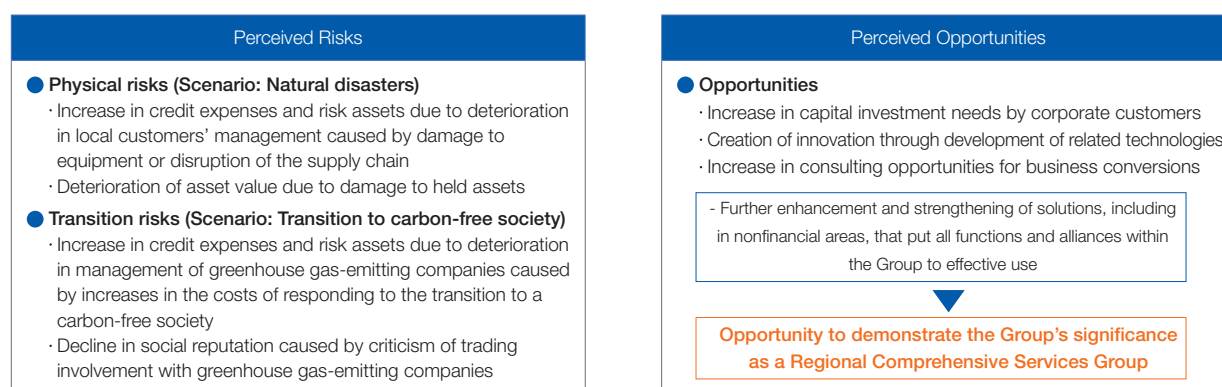
The entire Hirogin Group will strengthen its responses, including the further enhancement and strengthening of solutions, by putting all functions and alliances of the Group to effective use to provide solutions, includ-

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

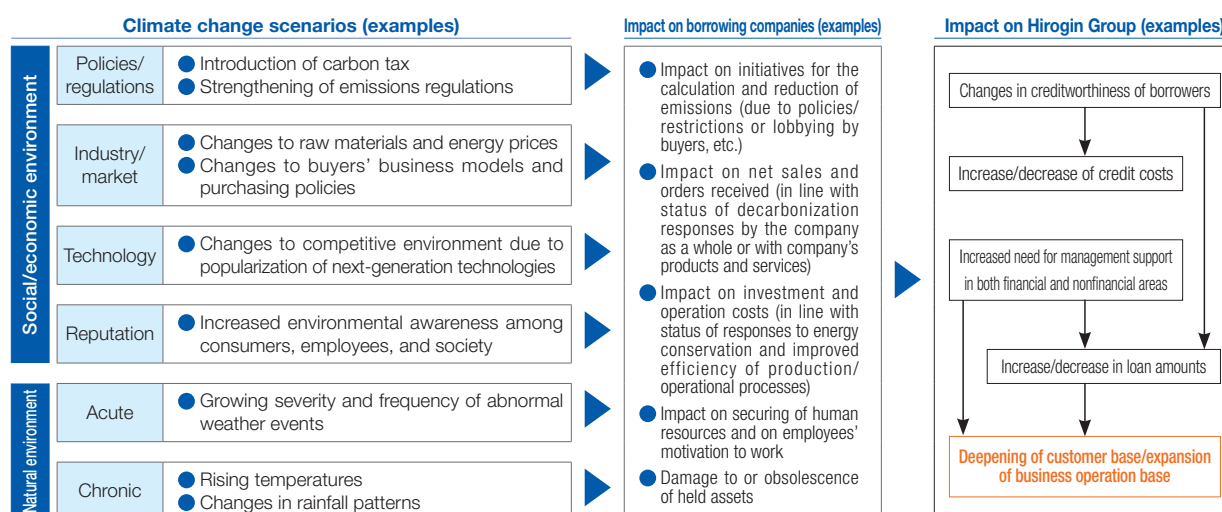
Perceived climate change risks and opportunities at Hirogin Group

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

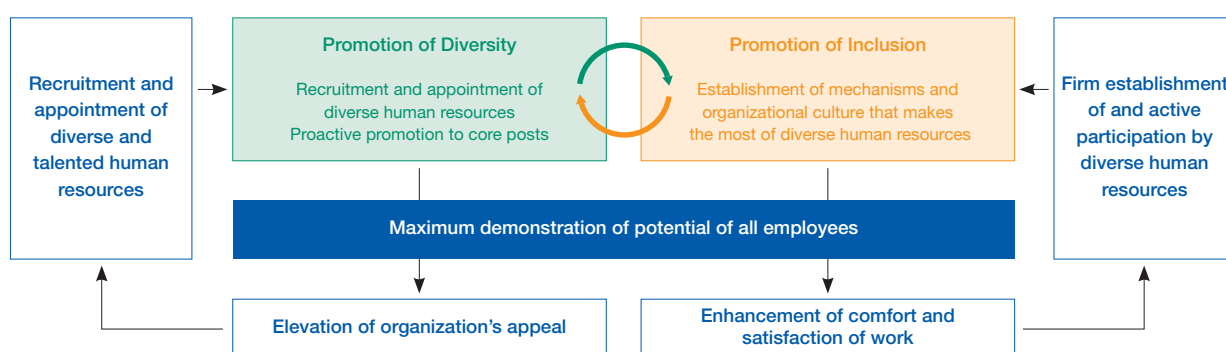
Diversity and Inclusion

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

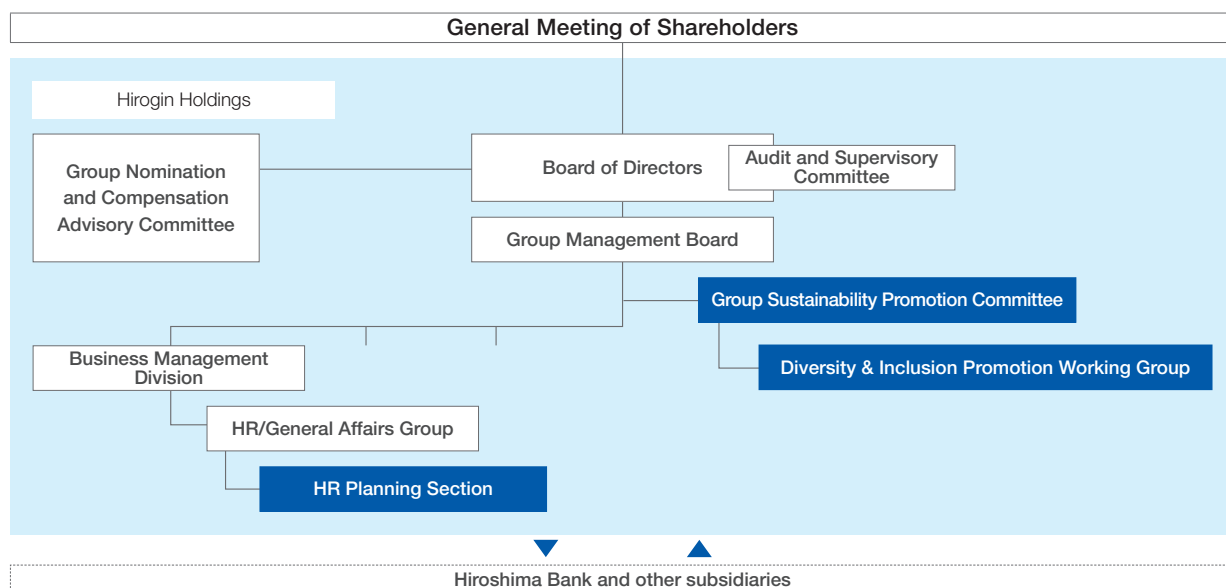


Promotional framework

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.

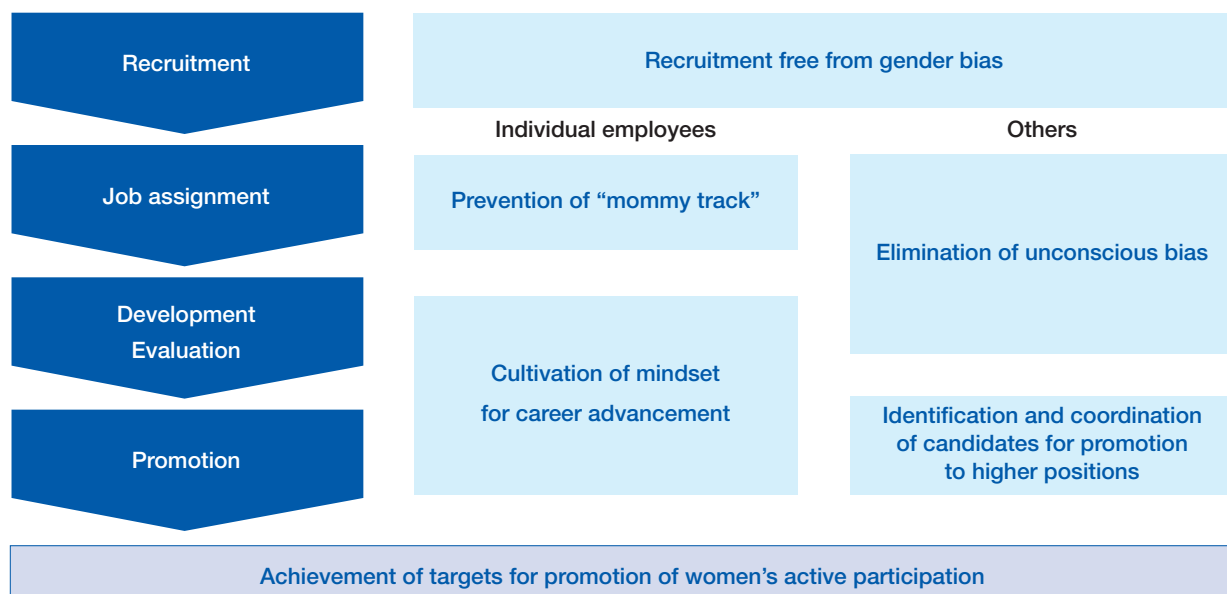
Voluntary, measurable targets and their status

		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.

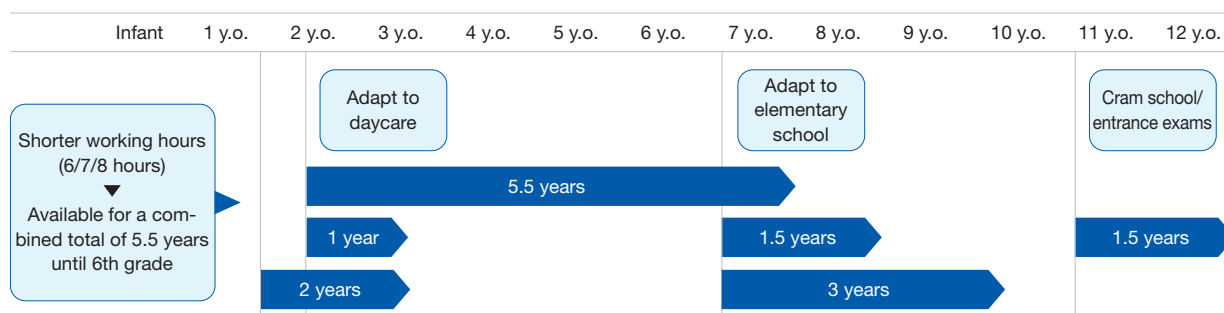
Starting in 2019, the Group companies have revamped their shorter working hours systems. Previously, this system was only available until the children in employees' care were in the lower grades of elementary school, but this has been extended to sixth grade. At the same time, with the objective of spreading 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

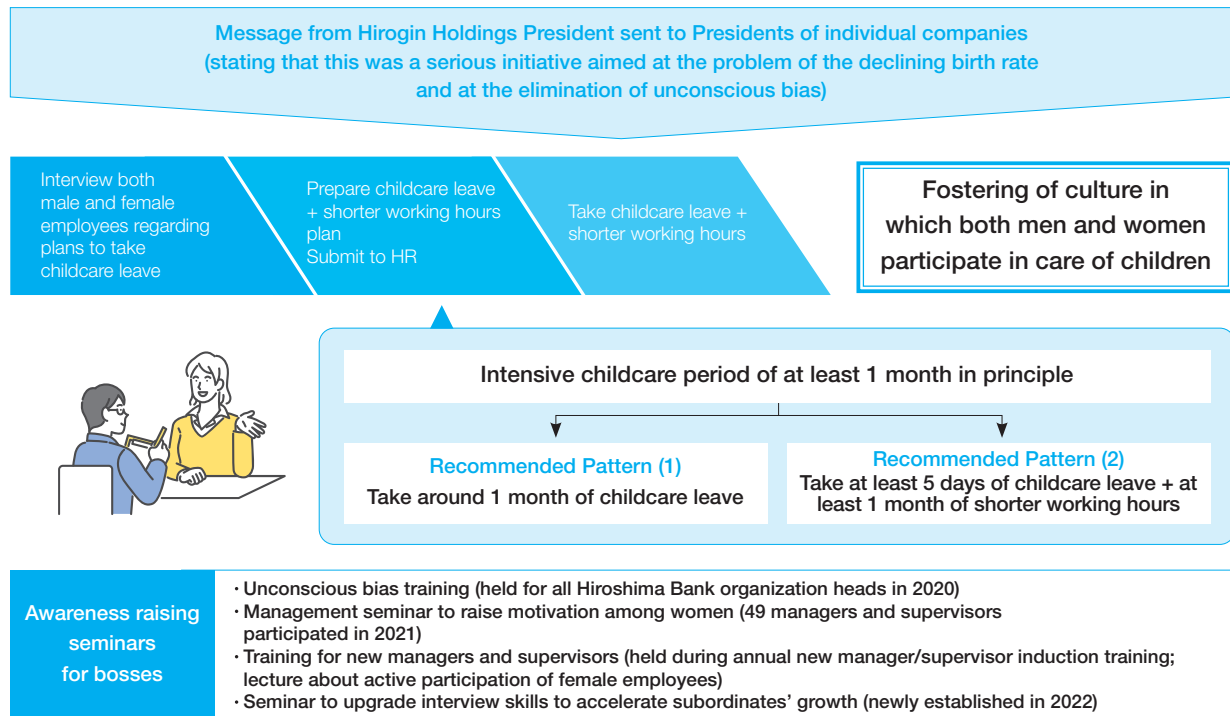
Hirogin Group is engaged in a variety of measures to ensure that employee development and promotion is conducted fairly and free of unconscious bias.

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



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%

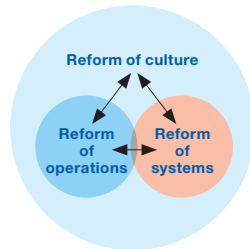
Work placement	Duty	Work details	Remarks
Work Support Center	General affairs	Printing bills and business cards, sealing and sending letters, sorting and sending documents, etc.	We established a better environment where persons with various disabilities can work comfortably, such as barrier-free facilities 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.

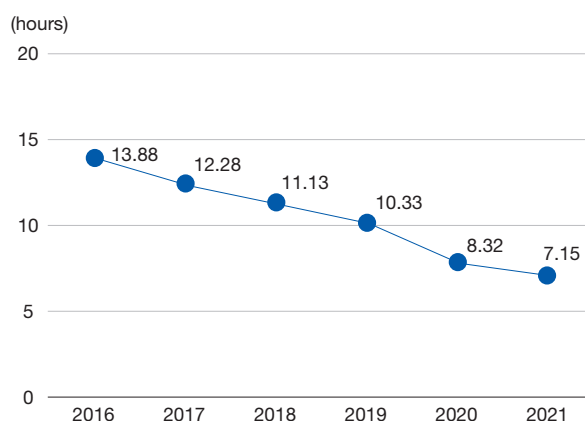
We will continue to strive to offer high value-added services while enhancing job satisfaction of employees by promoting the workstyle reform.



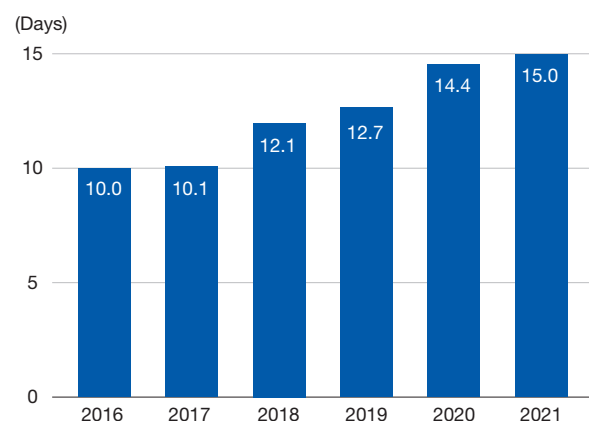
Examples of concrete initiatives for workstyle reform (Hiroshima Bank)

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

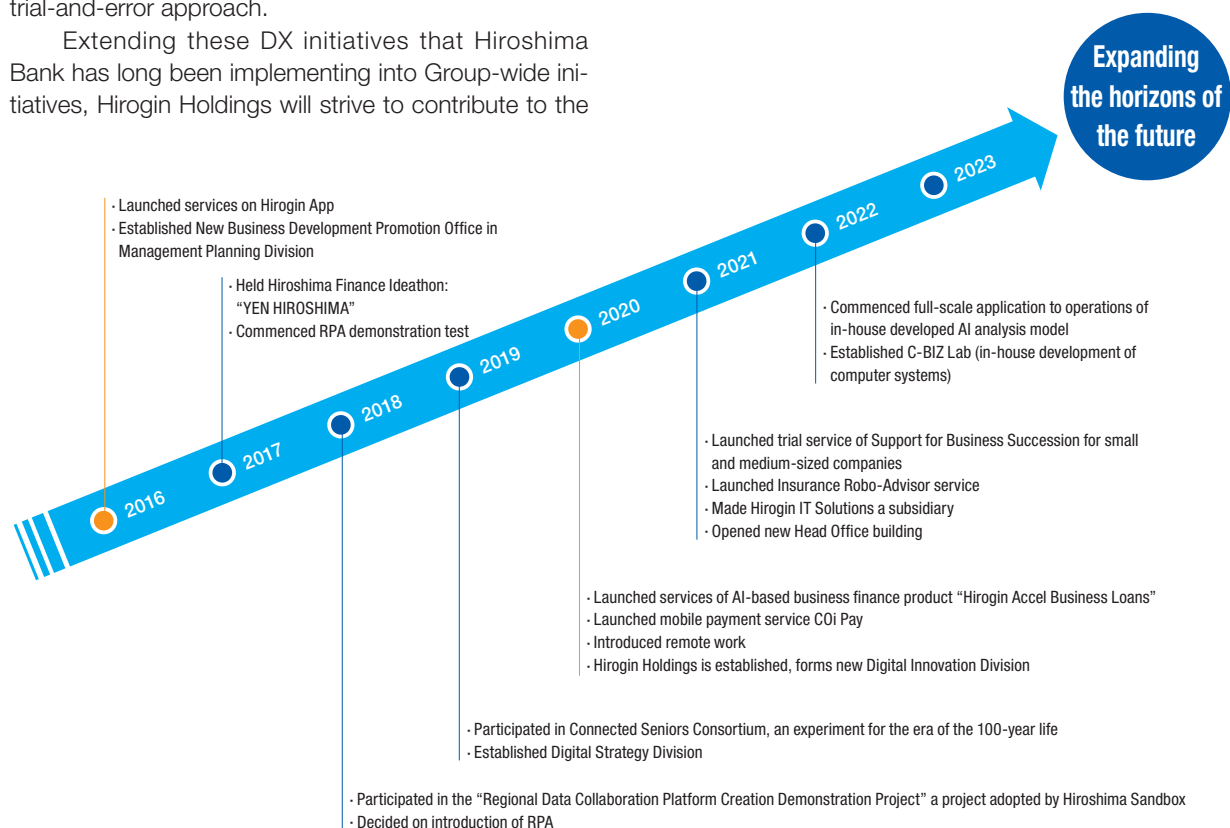
Hirogin Holdings	
October 2020	● Formed the Digital Innovation Division
June 2022	● Review of digital strategy

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

SDGs応援隊
広島銀行では、SDGsに取り組む地域のお客さまを応援します。

SDGsとは、2015年の国連サミットで採択された「持続可能な開発のための2030アジェンダ」に掲げられた目標群(Sustainable Development Goals)のことです。

広島銀行のSDGs応援プロジェクトは、多くの地元企業にご賛同いただいております。

waterpoint **オカワエノクス** **加賀** **山陽建設株式会社**

morimo holdings **中国精塩株式会社** **東洋ナマコ製菓株式会社**

お問い合わせ先 (ひろぎん)の窓口 または(ひろぎん)法人営業部
☎082-504-3991 | 受付時間 | 平日/9:00~17:00 (土・日・祝祭日/大晦日・正月3日は除く)

未来を、ひろげる。
ひろぎんホールディングス 広島銀行

SDGs型私募債
企業SDGs PR型
私募債発行額の0.20%以内の金額で、企業のSDGs関連の取り組みについて中国新聞等へ広告を掲載します。

広告掲載先(一例)
中国新聞、マツダスタジアムのJリーグ得点表示板ビジョン広告、八丁堀C-Vision等

地域まちづくり貢献型
私募債発行額の0.20%以内の金額で、当行が地域社会への貢献を目的とした寄付・寄贈を行います。

寄贈先(一例)
教育機関、医療・介護・福祉関連施設、地元スポーツチーム等

※私募債の引受・売却に際しましては、当行所定の審査がございます。
※寄贈金、寄贈品については、ご希望に沿えない場合がございますので、予めご了承ください。

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>

How We Will Grow

— Progress of Mid-Term Management Plan 2020 —

Hirogin Group is 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, the Group aims 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.

Value Creation Process Map



Onomichi Channel

Onomichi, the birthplace of Hiroshima Bank, is a region of flourishing commerce and industry, including the shipbuilding industry. The region of Hiroshima and other three prefectures (Okayama, Yamaguchi and Ehime) is an attractive market with a population of approximately 7.42 million and a GDP of approximately ¥31 trillion. With abundant tourism resources, such as Itsukushima Shrine and the Hiroshima Peace Memorial (Genbaku Dome), this region possesses enormous growth potential.





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 to capture new revenue opportunities.

Message from Financial Officer

Akira Ogi Director & Senior Managing Executive Officer

Positioning fiscal 2021 as substantively our inaugural fiscal year under the holding company structure, we worked to deepen and expand our customer base through mutual cooperation by Group companies and to expand the scope of our business operations, including enhancing group solution functions by establishing new subsidiaries.

Fiscal 2022 is an important year that will serve as a bridge to fiscal 2023, the final year of Mid-Term Management Plan 2020. In order to consolidate the holding company structure, we will strengthen intra-Group cooperation even further and accelerate the integration and streamlining of operations common to the Group with Hirogin Holdings at the center.

Business performance for fiscal 2021 and financial results forecasts for fiscal 2022

Business performance for fiscal 2021

Regarding the economy in this region during fiscal 2021, while exports and production improved as a whole and there were signs of a recovery in capital investment, the pace of recovery remained slow, with personal spending still at a low ebb amid continued caution about the new coronavirus.

Under such economic circumstances, despite increases in net interest income due to Hirogin Lease being made a wholly-owned subsidiary, increased income in corporate solutions such as support for business succession and M&A, and increases in fees related to shares and investment trusts at Hirogin Securities, the Company's consolidated gross profit fell by ¥3.2 billion year on year to ¥92.0 billion as a result of replacement trading of overseas bonds designed to improve yield, with the aim of improving the soundness of the securities portfolio.

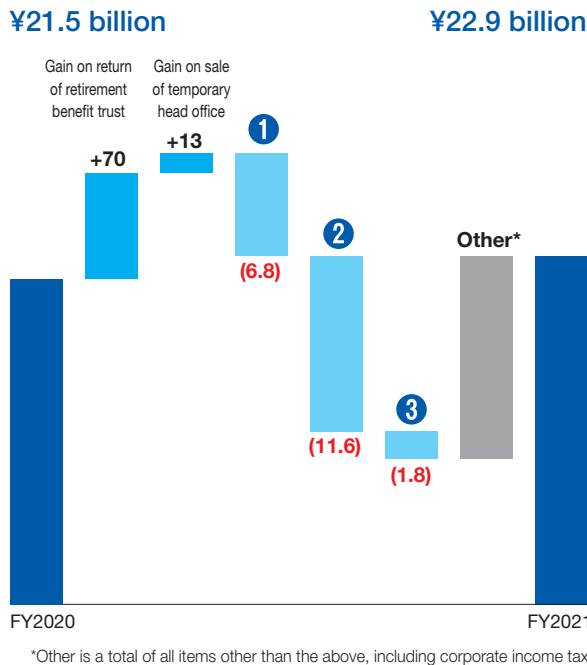
Profit attributable to owners of the parent increased by ¥1.4 billion to ¥22.9 billion due to the recording of gains on return of retirement benefit trust resulting from the partial return of trusts related to the retirement benefit trust, despite the recording of impairment losses on branches, as well as proactive allowances for credit expenses.

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 targets, was ¥14.8 billion, up ¥2.8 billion year on year, and contributions of Group companies to consolidated performance increased by 4.5 pt from the previous year to 15.9%.

Efforts for financial soundness in fiscal 2021

In fiscal 2021, we undertook actions to contribute to financial soundness, such as the sale of U.S. Treasury bonds with low yields of 1.5% or less and the recording of proactive allowances.

Special factors in profit attributable to owners of the parent



Financial results forecasts for fiscal 2022

For fiscal 2022, in addition to the strengthening of provision of Group solutions that go beyond financial areas to corporate customers in anticipation of post COVID needs, we will strive for the strengthening of carbon neutral initiatives in the region as well as working to strengthen stock revenue through the conversion of the fundamental business model in our retail strategy. The total revenue related to consulting services for corporate

1 Loss on replacement trading of overseas bonds [(6.8)]

The Company undertook replacement trading of overseas bonds with the aim of improving yield, including selling all U.S. Treasury bonds with low yields of 1.5% or less (approximately ¥99.0 billion).

Yield (overseas bonds)	End of December, 2021 Approx. 1.3%	End of June, 2022 Approx. 1.9%
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2 Proactive allowance in credit losses [(11.6)]

¥4.5 billion was recorded due to the review of the extension of the calculation period for expected loss ratio and ¥3.0 billion was recorded due to the provision of Group allowances.
We also recorded an additional allowance of ¥4.1 billion for some corporate customers.

Coverage to amounts of loans reported	FY2020 70.6%	FY2021 76.6%
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*Improvement of capital adequacy ratio with proactive allowance: Approx.+0.1 pt (Decrease in shortfall of eligible provisions. Comparison between end of December 2021 and end of March, 2022)

3 Impairment loss on branches [(1.8)]

With the aim of reducing the number of branches, a policy of approximately 20 individual branches (amalgamation, relocation, etc.) was decided, and impairment losses were recorded.

and retail customers of Hiroshima Bank and net income for the Group companies is forecast at ¥14.0 billion.

Credit expenses are forecast at ¥4.0 billion, due mainly to the effect of proactive allowances recorded in fiscal 2021.

For profit attributable to owners of the parent, we expect an increase to ¥25.0 billion due to the effect of financial soundness efforts made in fiscal 2021.

Hirogin Holdings (Consolidated)

(¥ billion)	FY2021 (Results)	FY2022 (Plan)
Consolidated gross profit	92.0	—
Ordinary profit	27.0	37.0
Profit attributable to owners of the parent	22.9	25.0
Total of revenue related to consulting service for corporate and retail customers of Hiroshima Bank*1 and net income for the Group companies*2	14.8	14.0
Contributions of Group companies to consolidated performance*3	15.9%	13.1%
Consolidated capital adequacy ratio*4	10.3%	11.1%
Consolidated ROE	4.5%	4.7%

Hiroshima Bank (Non-consolidated)

(¥ billion)	FY2021 (Results)	FY2022 (Plan)
Core gross banking profit	87.9	86.0
Core banking profit	34.7	32.5
Ordinary profit	22.8	33.5
Net income	20.6	23.0

*1 Bank's revenue related to consulting service for corporate and retail customers is the total of revenues from corporate solutions, asset management, and equity business.

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

*3 Contributions of Group companies to consolidated performance is net income for the Group companies (*2) divided by profit attributable to owners of the parent.

*4 The effect of the early implementation of the finalized Basel III framework under the Basel Regulations (regulations for soundness of banks, etc.) has been factored into forecasts for consolidated capital adequacy ratio for FY2022 (end of March, 2023).

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.

Please see Page 62 for a progress report on Mid-Term Management Plan 2020.

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 amount of risk assets of the Company at the end of March 2022 increased by ¥196.4 billion compared with the end of March 2021 to ¥4,046.8 billion. This was attributable mainly to financing support for companies affected by the coronavirus crisis and active credit risk-taking on equity investment, as well as increases in securities due to the partial return of trusts related to the retirement benefit trust.

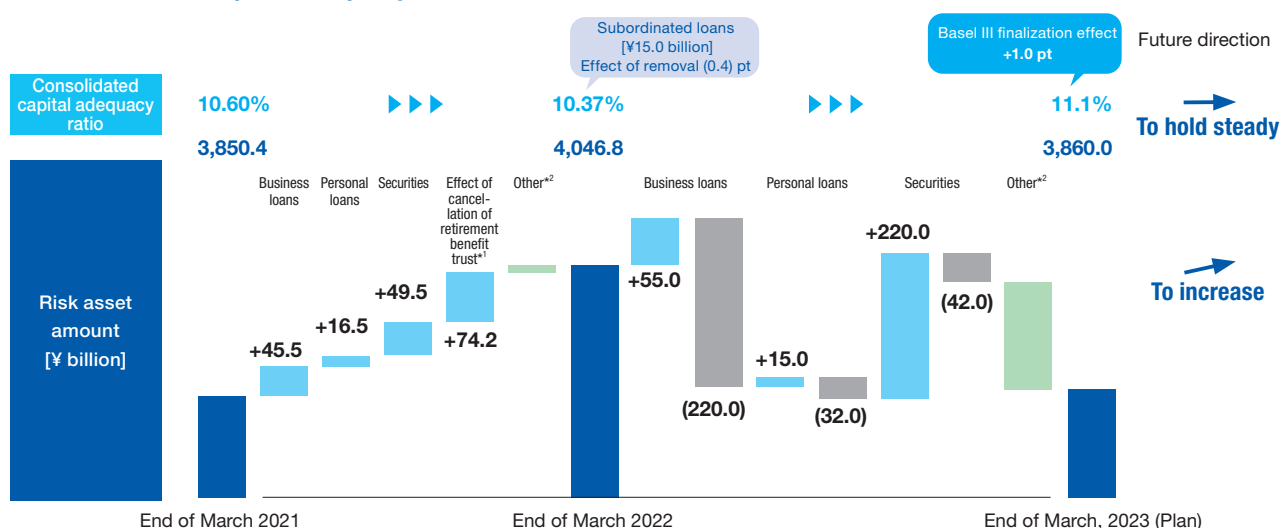
The consolidated capital adequacy ratio at the end of March 2022 was 10.37%, due mainly to the aforementioned increase in risk assets and to the effect of removal of subordinated loans in December 2021.

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, while also taking into account the early implementation of the finalized Basel III standards at the end of March 2023.

We will strive 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



*1 Recording of assets as securities (shares) due to cancellation of retirement benefit trust

*2 Other includes assets of Group companies other than the Bank, fixed assets, operational risk assets, etc.

■ is the effect of early implementation of finalized Basel III standards (effect on operational risk assets is recorded in *2 Other)

<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.

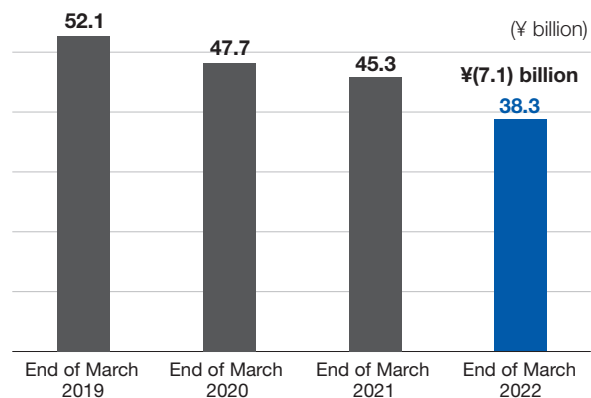
As for shares held, the Group examines the rationale for the shareholding, also taking ESG perspectives into account, and if the Group cannot find sufficient rationale for the shareholding, it will decide whether to continue to hold them after having dialogue with the issuing company.

In fiscal 2021, we reduced our cross-shareholdings by 21 companies (including partial reduction) and by ¥7.1 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.

See page 102 for details of our policy regarding cross-shareholdings, etc.

Shareholding of listed shares and cross-shareholdings (¥ billion; based on acquisition cost; excludes deemed shareholdings)



RORA on cross-shareholdings of listed companies
3.3% (FY2021 results)

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 2021, we paid out an annual ordinary dividend of ¥24 per share and the consolidated payout

ratio came to 32.5%. For fiscal 2022, we plan to pay an annual dividend of ¥27 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 (FY2023).

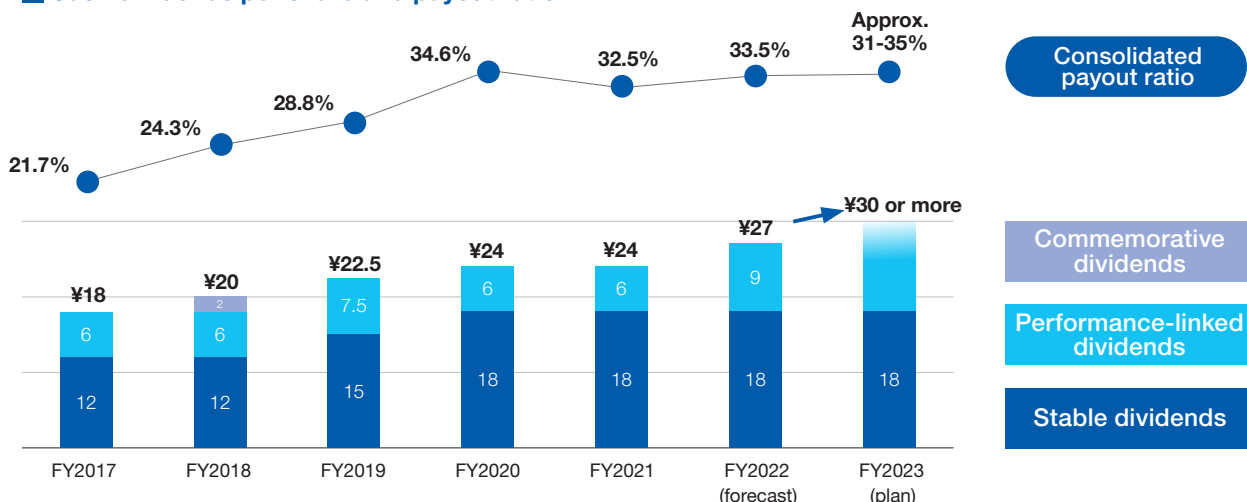
We will continue to aim for enhanced shareholder returns, while steadily increasing retained earnings.

Dividend criteria table

Profit attributable to owners of the parent	Cash dividends per share			Consolidated payout ratio
	(1) Stable dividends	(2) Performance-linked dividends	(1) + (2)	
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

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 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.

Cash dividends per share and payout ratio



Mid-Term Management Plan 2020

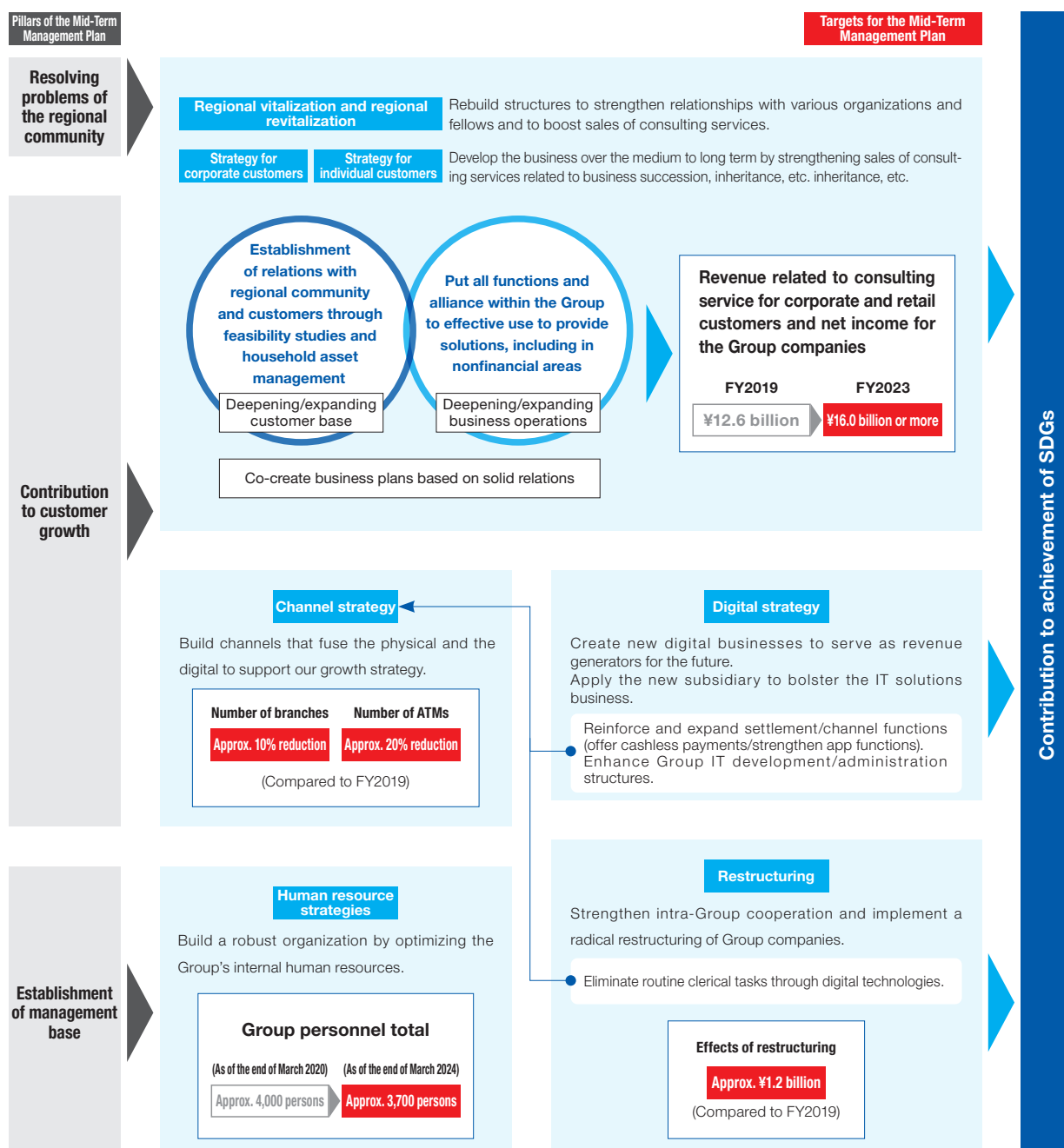
Basic approach to Mid-Term Management Plan 2020

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.

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

Overall picture of Mid-Term Management Plan 2020



Progress toward management targets in Mid-Term Management Plan 2020

FY2023 objectives

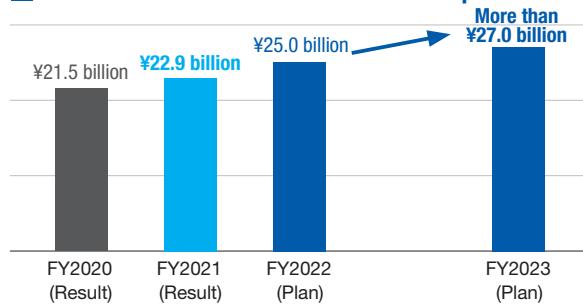
Hirogin Holdings	Profit attributable to owners of the parent	More than ¥27.0 billion
	Consolidated ROE	5% or more
	Consolidated capital adequacy ratio	10% or more
Hiroshima Bank	Revenue related to consulting service for corporate and retail customers of Hiroshima Bank* ¹	¥16.0 billion or more
Excluding Hiroshima Bank	Net income for the Group companies* ²	
Excluding Hiroshima Bank	Contributions of Group companies to consolidated performance* ³	12% or more

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

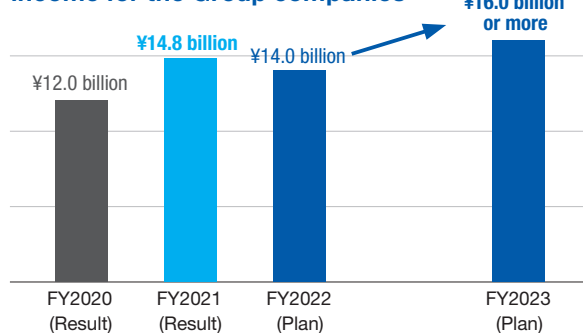
*2 Net income for the Group companies = Total of net income for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

*3 Contributions of Group companies to consolidated performance = Net income for the Group companies (*2) / Profit attributable to owners of the parent

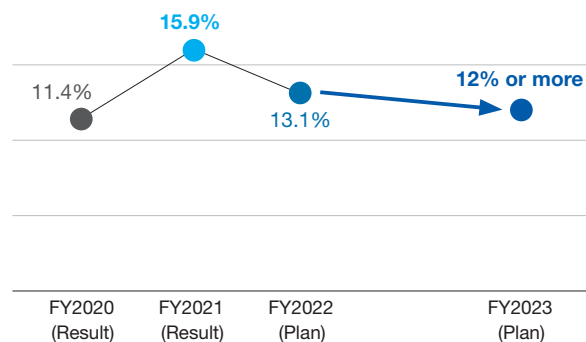
Profit attributable to owners of the parent



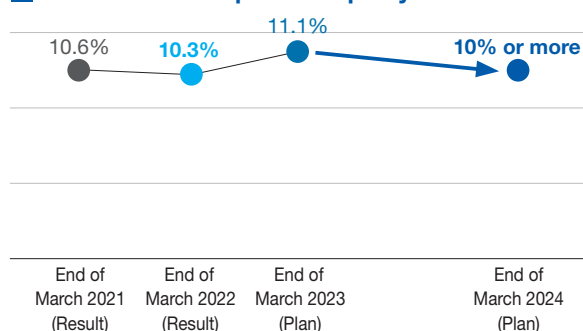
Total of revenue related to consulting service for corporate and retail customers and net income for the Group companies



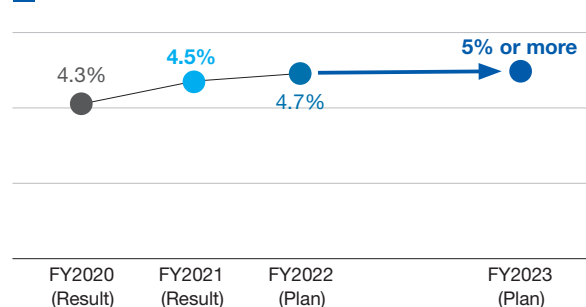
Contributions of Group companies to consolidated performance



Consolidated capital adequacy ratio



Consolidated ROE



Initiatives Aimed at Practicing Customer-Oriented Business Operations

Basic approach

The Group has strived for the development of regional economy while enhancing customers' satisfaction and peace of mind.

However, today, in what has been called the VUCA (volatility, uncertainty, complexity, and ambiguity) era, as changes in the environment surrounding customers grow more intense, customers' concerns and needs are likely to become even more complicated.

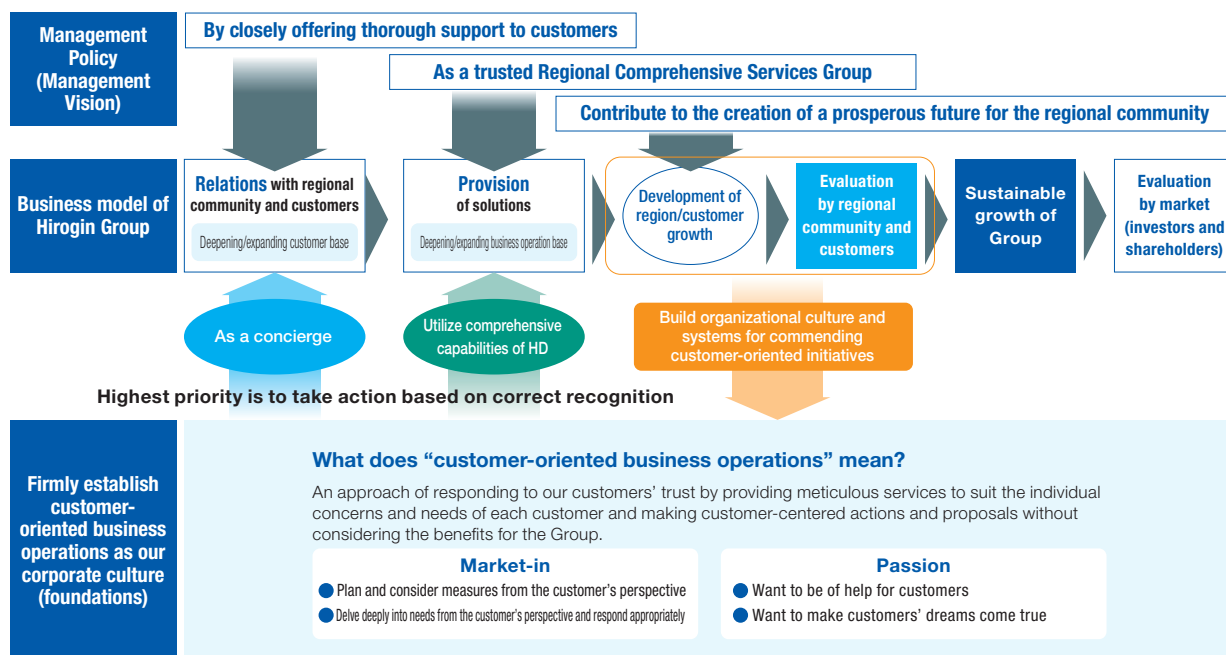
Based on that recognition, the Group reorganized the Group Fiduciary Duty (FD) Committee into the Group Customer-oriented Business Operation Committee in May 2022, based on the concept that "customer-oriented business operations" means to respond to our customers' trust by providing meticulous services to suit the individual concerns and needs of each customer and making customer-centered actions and proposals,

with the aim of realizing a Regional Comprehensive Services Group. In doing so, we will strive for the Group-wide penetration and practice of customer-oriented business operations that go beyond financial products sales.

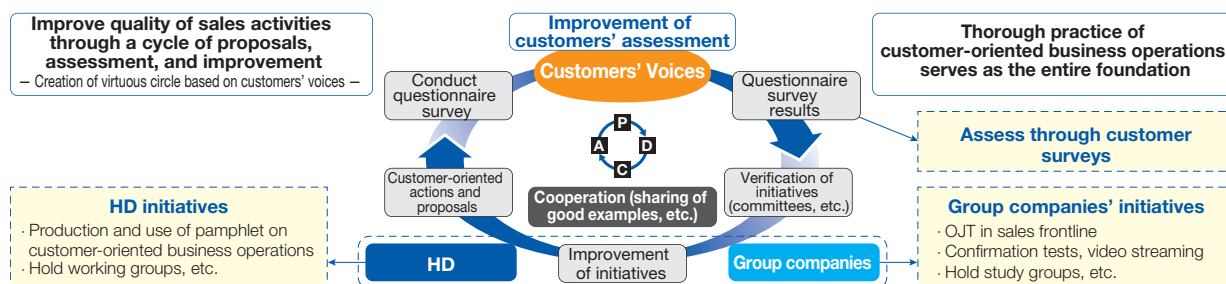
Our DNA of customer-oriented business operation, which has overcome hardships such as the atomic bomb and been passed down over the years, is a valuable intangible asset of the Group.

With "market-in" approach based on customers' voices and "passion" as key words, we will continue in our efforts to give form to our business model of being a Regional Comprehensive Services Group that is our aim and to realize our management policy by further establishing customer-oriented business operations as our corporate culture.

Customer-oriented business operations to realize the Group's management policy



Creation of PDCA cycle based on customers' voices and initiatives to realize a virtuous circle



Policy for initiatives aimed at practicing customer-oriented business operations

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 threaten 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 the provision of 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 com-

mission level, etc.)," which are 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 customer's target asset amounts based on their investment purposes, risk tolerance, needs, knowledge and experience, financial assets, and life plans, and the appropriate proportions of financial products to achieve that target.

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

When proposing a complicated product with high risks, we carefully explain in an easy-to-understand way, using key information sheets, to make it easier for the customer to compare the proposed product with similar products.

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

We explain to the customer the characteristics and management status of products, and verify any changes in the initially identified investment purpose, risk tolerance, needs, and target asset amounts in order to propose reviews of the customer's portfolio and life plans. As such, we provide appropriate and easy-to-understand information regularly from long-term perspectives, according to the degree of 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.

Regional Vitalization and Regional Revitalization

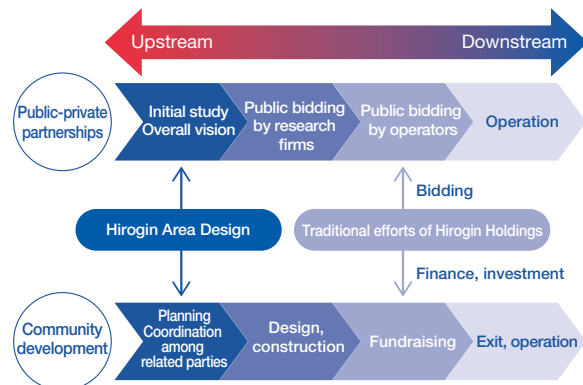
Development of new business related to regional vitalization and regional revitalization

The Group has been working on regional vitalization and regional revitalization, including consulting for tourism promotion, urban redevelopment, and government organizations, mainly through Hiroshima Bank. Most of our involvement has been in the downstream stages, such as bidding for public projects and lending in the financing stage.

However, in order to solve increasingly diverse issues in the regional community, it is important that we be actively involved in projects from the upstream stages, such as initial studies, planning, and coordination among related parties.

To this end, the Group established Hirogin Area Design in April 2021, centralizing Group functions related to regional vitalization and regional revitalization to strengthen our response framework.

The trust and results that we have fostered with stakeholders in the regional community through the history of thorough community-based management are an important intangible asset of the Group.



Going forward, the Group, with Hirogin Area Design at the center, will become a leader in pushing forward with new businesses tied to local vitalization and local revitalization, cooperating with local public bodies and business operators along the way, by becoming actively involved in regional vitalization projects from the upstream stages.

Support for formulation of city promotion strategy by Miyoshi City

In July 2021, Hirogin Area Design was contracted by the City of Miyoshi to perform work for the creation of regional attractions. The company assisted with the formulation of a city promotion strategy designed to attract more people to move into the city, work there, or become involved with the city in one way or another, by conveying Miyoshi's appeal both within and outside the city.

In the formulation of this strategy, as well as appealing to adults, Hirogin Area Design held residents' meetings for high school students in cooperation with local senior high schools and, by absorbing a wide range of opinions from Miyoshi residents, conducted activities to deepen their love for the city and formulated a brand message to express the appeal of the Miyoshi.



Project to make use of Citrus Park in Setodacho, Onomichi City

In November 2021, after a public call was made for proposals for the use of Citrus Park Setoda, which is owned by the City of Onomichi, a consortium comprising Hirogin Area Design and two other companies was selected as project operator.

Hirogin Capital Partners has acquired a stake in the park's operating entity, Setomosu Co., Ltd., and, mainly through Hirogin Area Design, the Group is involved in growing lemons, operating glamping facilities, and other projects to rehabilitate the park.

We will contribute to regional vitalization and regional revitalization by rehabilitating Citrus Park in Setodacho, Onomichi, which is currently closed, to make it a park where everyone can familiarly and casually enjoy with peace of mind. Our contribution will also solve regional issues concerning business succession resulting from the aging of lemon growers in Setoda, which is one of Japan's most prominent lemon-growing regions, as well as tourism-related issues.



Tourism promotion and urban redevelopment initiatives

Our local region, including Hiroshima, is rich in tourism resources, including World Heritage Sites such as the Hiroshima Peace Memorial (Genbaku Dome) and Itsukushima Shinto Shrine, as well as the Seto Inland Sea and surrounding semi-mountainous areas.

With Hirogin Area Design taking the lead, Hirogin Group is pursuing initiatives for communicating these

tourism resources and the appeal of the local region as well as initiatives aimed at the further vitalization of urban functions.

With the G7 Summit to be held in Hiroshima in 2023, the eyes of the world will be on our region. Seeing this as an opportunity, we will focus even more on tourism promotion and urban redevelopment.

Attracting Hilton Hotels

October 2022 will see the grand opening of the Hilton Hotel Hiroshima, the first Hilton-branded hotel to open in the Chugoku/Shikoku region.

Hirogin Group provided investment and financing for this hotel project and is also supporting operations related to the hotel's management, including market research.

In addition to its use as a MICE facility and capturing inbound tourism demand, hotel-related businesses and job creation will contribute to the revitalization of the regional economy.



Operation of Hiroshima Airport

With the privatization of Hiroshima Airport (outsourcing of operations to the private sector), a consortium comprising local influential companies, including Hiroshima Bank and Hirogin Capital Partners, and Tokyo-based real estate companies and trading firms with operational expertise was selected and is now engaged in the operation of the airport. There are plans to expand international routes with the aim of making the airport the sky gateway to Hiroshima to capture inbound tourism and vitalize the region.



Group Collaboration Regional Vitalization and Regional Brand Strategy

Hiroshima Bank

Initiatives for solving structural problems in the regional economy and society have become a matter of urgency. These problems include the outflow of regional industries to other regions, outflow of population to large cities, aging of buildings in city centers, and weak inbound tourism demand due to the coronavirus pandemic.

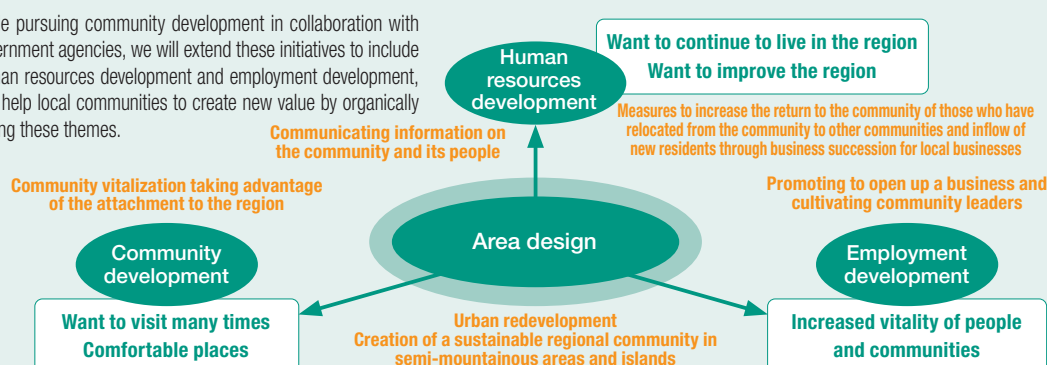
At Hirogin Group, Hiroshima Bank and Hirogin Area Design have cooperated to update the social mechanisms that support

Hirogin Area Design

local activities, from the three dimensions of human resources, community, and employment, to reform and revitalize community networks, through initiatives such as support for community development, communicating information on the community and its people, supporting the development of regional industries, and supporting tourism promotion.

Support for community development / human resources development/employment development

While pursuing community development in collaboration with government agencies, we will extend these initiatives to include human resources development and employment development, and help local communities to create new value by organically linking these themes.



Development of regional industries through acceleration programs

Hirogin Group, through Hirogin Area Design and Hiroshima Bank, is engaged in acceleration programs in cooperation with alliance partners to discover university

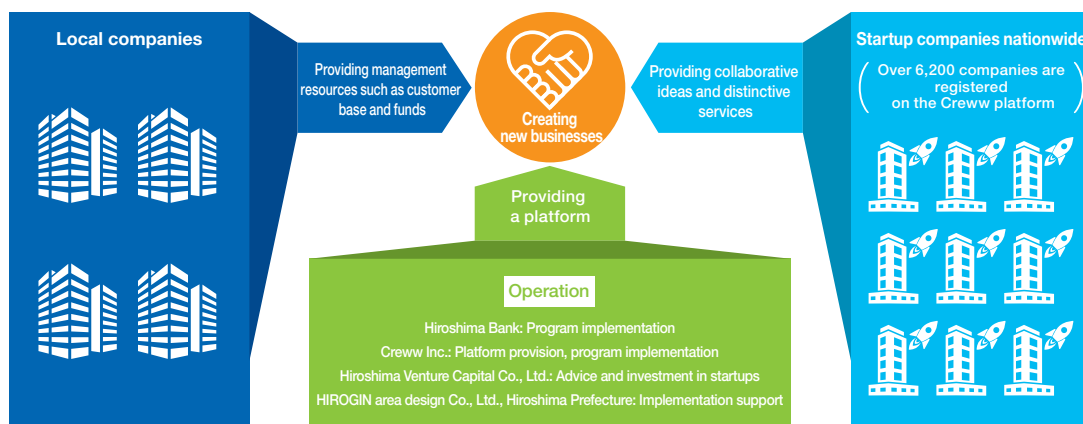
spin-off ventures and support the creation of new businesses by companies, with the aim of developing regional industries.

Hiroshima Open Accelerator

In a collaboration with Creww, Inc., we are implementing acceleration programs with the aim of new business creation through open innovation, linking the management resources of companies in Hiroshima Prefecture with the distinctive services of startup companies nationwide.

Track Record in Holding Hiroshima Open Accelerator

Year held	Participating companies	New business proposals
FY2019	5 companies	8 proposals
FY2020	4 companies	12 proposals
FY2021	6 companies	12 proposals

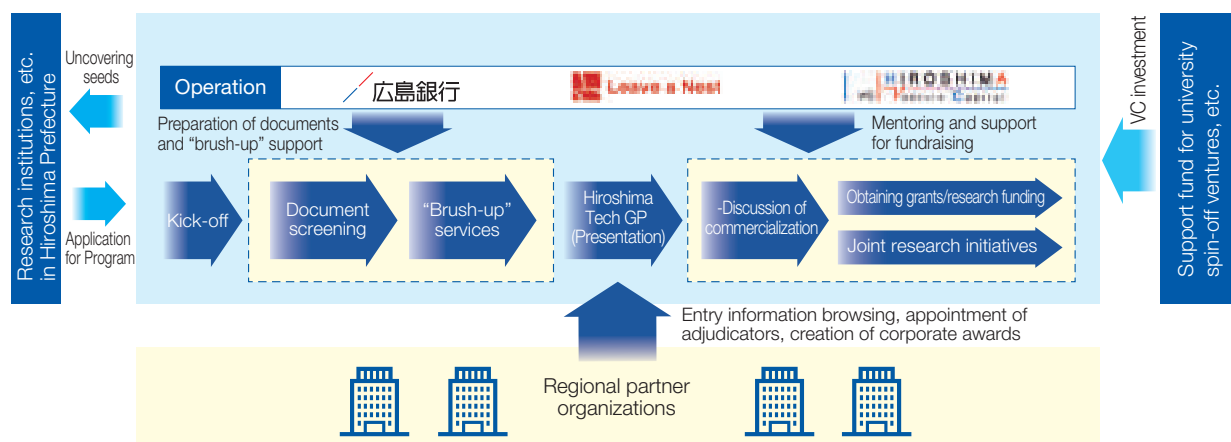


HIROSHIMA TECH PLANTER

In collaboration with Leave a Nest Co., Ltd., we are implementing HIROSHIMA TECH PLANTER, an acceleration program aimed at uncovering the seeds of research at universities and other institutions and providing end-to-end support starting from commercialization to growth.

Track Record in Holding HIROSHIMA TECH PLANTER

Year held	Entry	Business launch support
FY2020	24	9
FY2021	24	9



Strategy for Corporate Customers

Practice of customer-oriented consulting based on feasibility studies

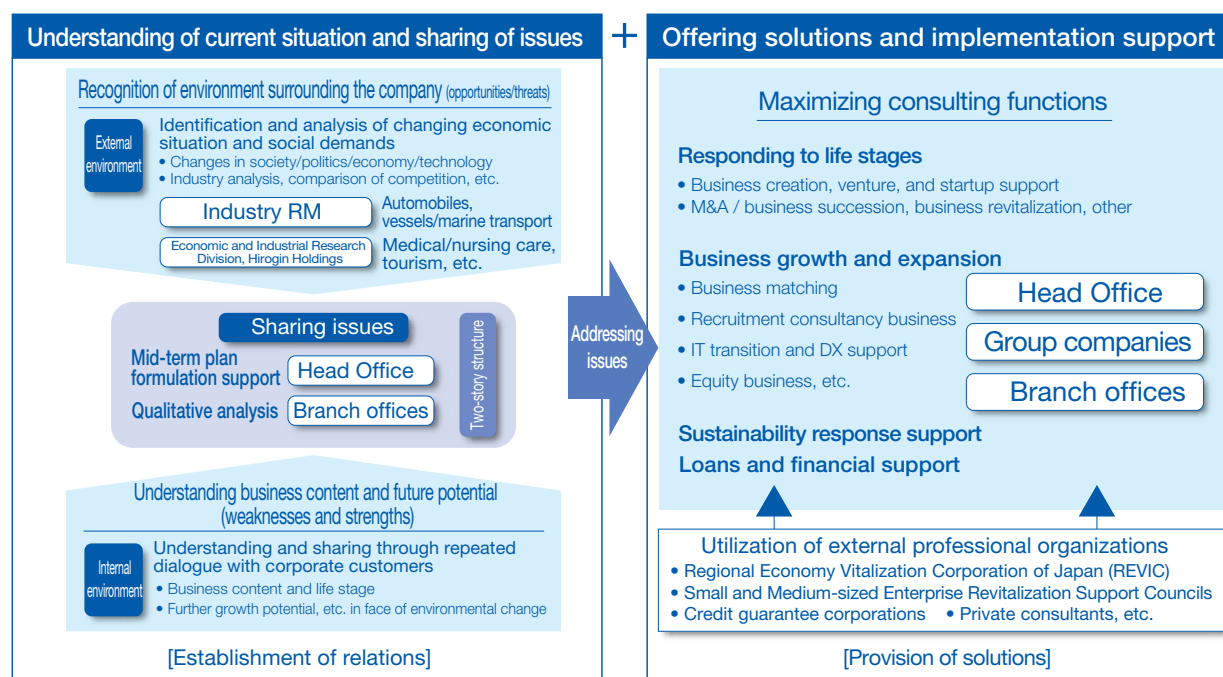
As we previously realized the importance of qualitative information linked to our corporate customers' future business prospects, Hirogin Group has positioned Hiroshima Bank's feasibility studies at the core of consulting sales based on corporate customers' needs.

The history and know-how of these feasibility studies, which we have developed through many years of

providing support suited to characteristics of local industries, are an important intangible asset of the Group.

Going forward, through the provision of high value-added financial and nonfinancial solutions based on these feasibility studies that are our strength, we will pursue initiatives to understand the region and industry and to provide core business support that can lead to customers' growth.

Hiroshima Bank's "feasibility studies"



T O P I C S

History of feasibility studies

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 corporate customers 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 enabled understanding of customers' businesses in terms of both "technical" and "financial" aspects. Even in the midst of rapid external changes such as the global financial crisis, 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.



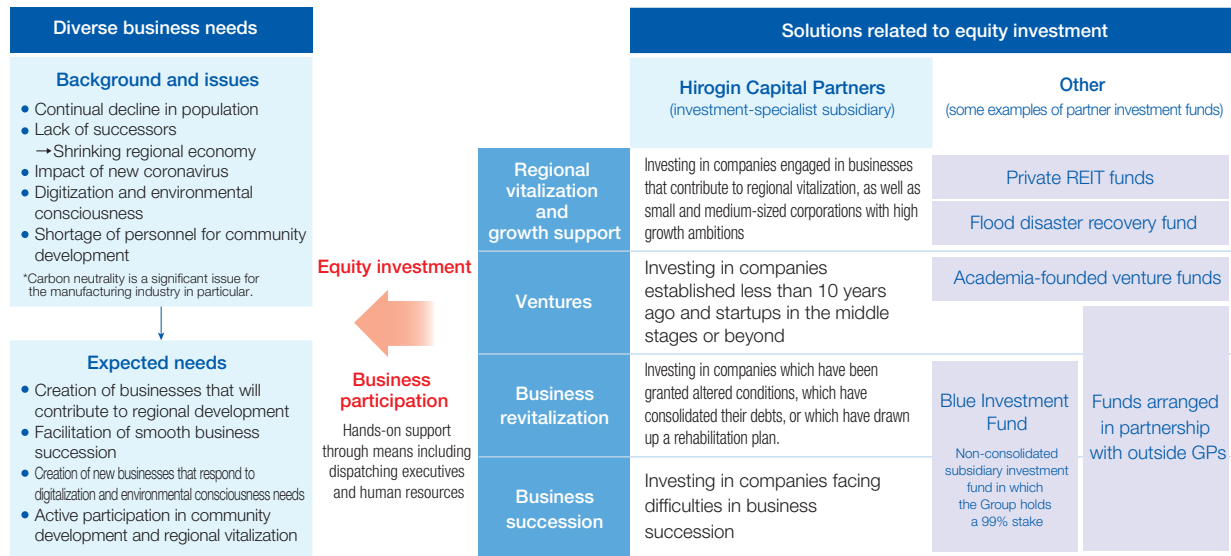
Strengthen initiatives for equity business

Hirogin Group, with Hirogin Capital Partners at the center, provides support in the form of “business participation,” which goes beyond the “escort-runner style support,” by leveraging “equity investment,” targeting customers that contribute to solving regional issues and those working to grow their business, and “consulting functions,” which we have developed over the years.

In April 2022, Hirogin Capital Partners formed a new fund (Regional Vitalization Fund), adding to its three

existing funds, namely the Business Rehabilitation Fund, the Business Succession Fund, and the Venture Fund.

Going forward, leveraging Hiroshima Bank's feasibility studies, we will provide diverse means of fundraising, including equity, and support our regional corporate customers' growth by strengthening our hands-on support initiatives, including the dispatch of personnel.



Cooperation with external alliance partners aimed at strengthening of initiatives for equity business

Alliance domains (outline)	Partner	Alliance description	Timing
Management support for manufacturing companies, etc.	Serendip Holdings and Serendip Financial Services	Business alliance (Hiroshima Bank, Hirogin Capital Partners)	December 2020
Strengthening of fund management business	Frontier Management Inc.	Business alliance (Hiroshima Bank, Hirogin Capital Partners)	December 2020
Initial public offering (IPO) support	Bridge Consulting Group Inc.	Business alliance (Hiroshima Bank) Investment (Hirogin Capital Partners)	December 2021

Group Collaboration Business Creation and New Business Development

Hiroshima Bank

With heightened global awareness of the environment, technological innovations in the automotive industry, the spread of next-generation telecommunications standards such as 5G, and other developments, society is in an era of great transformation. These times could be seen as an excellent opportunity for business

Hirogin Capital Partners

creation and new business development. At Hirogin Group, Hiroshima Bank and Hirogin Capital Partners have cooperated to provide support with fundraising for the roll-out of new businesses and support for ambitious challenges, from business launch assistance to sales support.

New business development assistance

We provide wide-ranging support, including fundraising and business plan formation, to novel and creative venture companies for the creation of next-generation industries and core companies. We also act as a bridge between universities and other research institutions and public administration to promote original technological innovations.

Examples of support for business creation and new business development

Support for venture start-ups

- Grants** ▶ Hiroshima Venture Grant
- Investment** ▶ Investment through venture funds

Industry-academia-government cooperation

- Joint research and development with universities and research institutions, etc.
- Utilization of various policy measures from government, etc.

Strengthen initiatives for IT consulting

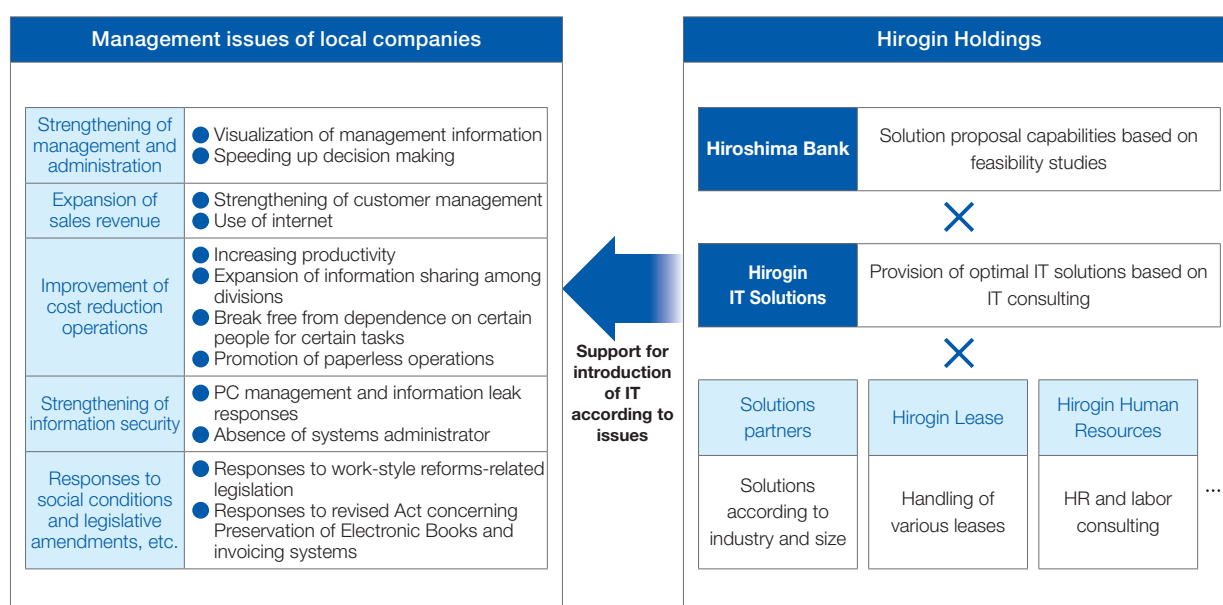
Hirogin Group provides a variety of solutions to help solve customers' management issues and concerns, mainly through Hirogin IT Solutions, which conducts ICT and worker dispatching businesses.

Hirogin IT Solutions is a company (advanced banking service company) formed by a joint venture with an existing business partner, Mighty Net Co., Ltd. Made a subsidiary in January 2021, it possesses extensive human resources and solutions in IT-related

areas. Leveraging Hiroshima Bank's feasibility studies, Hirogin IT Solutions supports management problem-solving through the provision of optimal IT solutions (e.g., introduction of cloud services and outsourcing services, system construction) based on IT consulting.

Going forward, it will cooperate with external solutions partners and Hirogin Holdings Group companies to respond to customers' various IT needs, which are becoming increasingly diverse and advanced.

Solutions to customers' management issues through support for introduction of IT by Hirogin IT Solutions



Group Collaboration Digitalization and Operational Efficiency Improvement

Hiroshima Bank

In the current era of rapid digitalization of society, the introduction of new IT strategies has become a matter of urgency in all industries.

At Hirogin Group, Hiroshima Bank and Hirogin IT Solutions cooperate to support customers' DX through

Hirogin IT Solutions

the provision of optimal IT solutions by specialists with a wealth of IT-related knowledge and skills. Support includes assistance with improving operational efficiency and increasing productivity with the use of digital technologies.

IT solutions strategies

We leverage digital technology to provide highly detailed support for DX at offices, shops, hospitals and clinics, and other settings. The types of support provided include internal operational reforms and productivity improvements, as well as conversion to electronic invoicing, promotion of cashless payments, and the introduction of remote work.

Improvement of operational efficiency

- Total support from organization of issues to improvement measures through IT-based diagnosis of current situation
- Workstyle reforms, etc., such as remote work, online meetings, and RPA

Productivity improvement

- Proposal of IT-based solutions according to customer's company size and operations
- Digitalization of operations with the use of cloud services, etc.

Strengthen initiatives for human resources support

Hirogin Group provides a variety of solutions, including a recruitment consultancy business, training business, and human resources consulting business, mainly through Hirogin Human Resources, to help solve corporate customers' issues related to "people," such as securing human resources, strengthening human resources development, and improving productivity.

Hirogin Human Resources is a subsidiary newly established in April 2021 to support solutions to people-related management issues faced by many company owners. In addition to its recruitment consultancy business, training business, and human resources consulting business, which it has operated since it was first established, it has been pursuing the expansion of its operations, including a worker dispatching business, through M&As, since April 2022.

Top ten challenges facing company owners in Hiroshima Prefecture

Rising prices of raw materials	54.2%
Securing human resources, labor shortage	44.3%
Decreased sales and orders received	35.1%
Improving employee skills, strengthening human resources development	28.4%
Rising costs of production, sales, logistics, etc.	17.7%
Difficulties in procuring raw materials, components, etc.	16.2%
Aging facilities and their replacement	12.4%
Difficulty in raising sales prices	12.2%
Rising labor costs	10.9%
Increasing productivity	9.9%

Source: Hirogin Holdings Survey of Company Owners H1/FY2022

Going forward, leveraging Hiroshima Bank's feasibility studies, we will aim to build a one-stop framework to all manner of HR and labor issues to meet the people-related needs of our customers.

Outline of Hirogin Human Resources businesses and services

Businesses and services	Details	Results
Recruitment consultancy business	● Introduction of management human resources and specialist human resources through cooperation with external recruitment agencies	Number of contracts: 92 (Up 19 from corresponding period of previous year)
Training business	● Holds training programs and seminars for all levels, from new employees to executive management ● Supports implementation of internal training programs such as dispatching lecturers	Number of participants: 1,482 (Up 881 from annual result for previous fiscal year)
Human resources consulting business	● Consulting related to HR and labor (e.g., responding to workstyle reforms, various consulting related to labor management) ● HR system construction consulting (e.g., reviews of evaluation system and compensation system, HR system design support)	Number of contracts: 49 (none in previous fiscal year) Number of consulting contracts: 31 (no results in previous fiscal year)
Worker dispatching business	● Primarily dispatch of clerical personnel (office staff for sales, accounting, general administration, etc.)	Business launched in April 2022 (M&A of other company) NEW
Employee benefits and welfare support	● Provision of "Benefits and Welfare Support," which bundles health management, self-development, asset formation/loans, and discounts and bonuses in a single package	Services scheduled to commence in October 2022 NEW

Group Collaboration Leveraging and Development of Human Resources

Hiroshima Bank

The growth engine of any company is the leveraging of the power of its people. As well as securing capable human resources, it is possible to extend the power of a company's people by various means, including upgrading employees' skills and making use of IT. At

Hirogin Human Resources

Hirogin Group, Hiroshima Bank and Hirogin Human Resources have cooperated to provide customers with various consulting services, including the creation of labor environments for workstyle reform and proposals of human resources utilization measures.

HR and labor consulting business

As well as consulting on securing and development of human resources, we provide HR and labor consulting services, such as advice on labor management and responding to disputes. We also help raise employees' motivation through reviews of various evaluation and compensation systems.

Challenges facing company owners

- Enhancing HR development, improving employee skills
- Securing human resources, labor shortage
- Increasing productivity
- Responding to work-style reforms
- Employment stability and maintenance
- Rising labor costs

Details of solutions

Various types of HR and labor consulting

- Responding to work-style reforms
- Strengthening of introduction of IT related to HR and labor
- Consultations related to labor management etc.

Consulting related to HR systems development

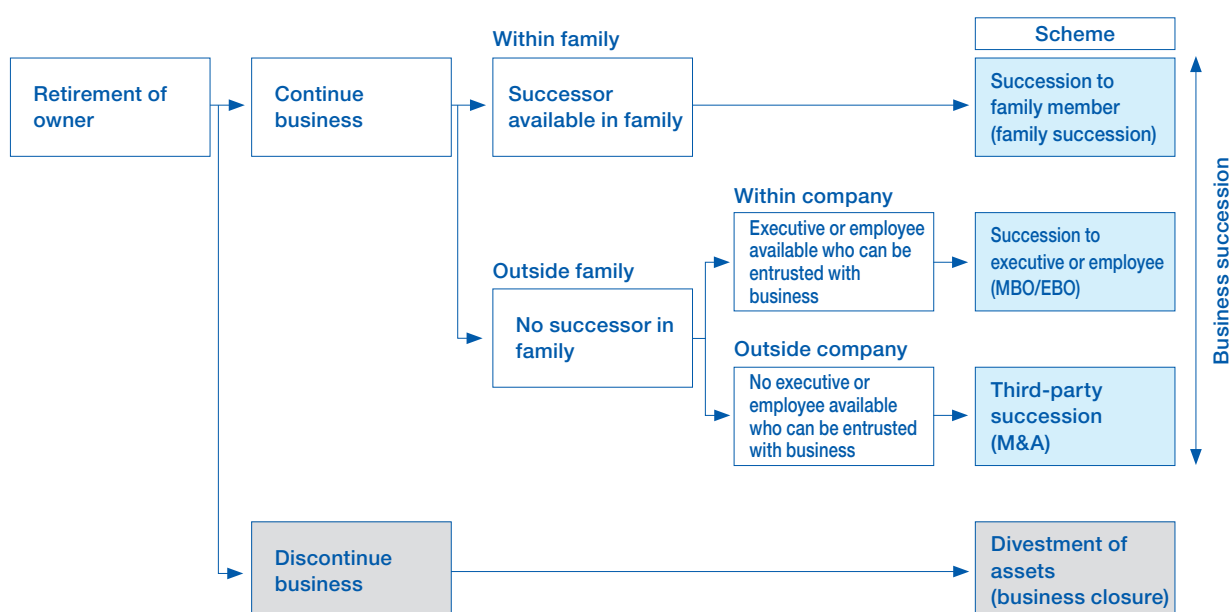
- Reviews of evaluation and compensation systems
- Support for HR system design, etc.

Strengthen initiatives for business succession

Against a background of population aging and a shortage of successors, Hirogin Group supports business succession through M&A operations for the solution of corporate customers' issues relating to business succession, mainly through Hiroshima Bank.

Going forward, leveraging Hiroshima Bank's feasibility studies, we will aim to build a one-stop framework to meet all manner of needs concerning business succession, from succession to family members or employees to third-party succession (M&A), to support the smooth succession of our corporate customers' businesses.

Number of successful M&A contracts and consultations offered



Group Collaboration Business Succession and M&A

Hiroshima Bank

The smooth handover to the next generation is a critical management issue for company owners.

At Hirogin Group, mainly through Hiroshima Bank and Hirogin Capital Partners, we properly identify the respective needs of the parties and support the smooth handover to the next generation through the

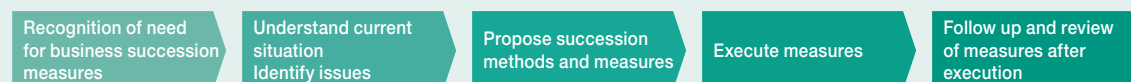
Hirogin Capital Partners

optimal means from a diverse range of methods. These include consulting about business succession methods, introduction of and negotiations with prospective partners or assignees through M&A methods, and invitations to external successor candidates.

Support for inheritance and business succession

In the handing over of management to the next generation, in addition to finance and asset-related concerns, initiatives to enhance corporate value through the selection of an appropriate successor are important. We cooperate with external experts, including legal, tax, and labor experts to propose more effective inheritance and business succession measures.

Process of business succession consulting



Strengthening of core business support for corporate customers in anticipation of post-COVID times

The prolonged COVID-19 pandemic has had a major impact on economic activities in the four prefectures covered by the Hirogin Group. Our corporate customers face growing needs for conversion of their business structure in anticipation of post-COVID times and for digitalization responses that will help raise productivity.

Under these circumstances, mainly through Hiroshima Bank and based on feasibility studies, we

provide cashflow support, management improvement and business revitalization support, as well as equity funds that go beyond conventional lending in response to business conversion and succession needs. In these and other ways, we are strengthening our initiatives for core business support through the provision of financial and nonfinancial solutions that leverage all manner of Group functions.

Strengthening of financial and nonfinancial support for core business in anticipation of post-COVID times

Management issues	Support for corporate customers (examples)
Securing cash flow	<ul style="list-style-type: none"> ● Securing funds to assist with stabilization of business ● Securing of funds for capital investment, etc.
Business succession/management improvement	<ul style="list-style-type: none"> ● Formulation of plans for business succession/management improvement ● M&A, etc.
Securing of sales channels and sales revenue	<ul style="list-style-type: none"> ● Rebuilding of business, including business expansion, new areas, conversion of business type, etc. ● Expansion of online services, e.g. use of e-commerce sites
Securing of human resources	<ul style="list-style-type: none"> ● Development of remote work environments ● Development of systems for acceptance of diverse working styles and workers
Improvement of operational efficiency	<ul style="list-style-type: none"> ● Improvement of productivity, introduction of IT in production management ● Introduction of IT in HR and labor management, etc.

Expansion of corporate solutions using digital technologies

DX

Hirogin Group works with Group companies and alliance partners in other industries to create new busi-

nesses and undertake business reforms (creation/provision of new customer value) using digital technologies.

“Hirogin Bill” BtoB automated billing service

Hiroshima Bank formed a business alliance with Money Forward Kessai, Inc. and, in April 2021, started handling “Hirogin Bill,” 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 to issuing and sending invoices and managing payments.



Online subsidy diagnosis

Hiroshima Bank has formed a business alliance with Writeup Co., Ltd. to start offering a subsidy benefit support service available through non-face-to-face contact 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 the customer is eligible for will be automatically assessed, and consultation for applying can be accessed on the spot.

Portal Site for Business Operators

DX

In a collaboration with NTT DATA Corporation and Credit Engine, Inc., Hiroshima Bank launched Hirogin Business Portal, a portal site for business operators, in June 2022. This is an initiative for the digitalization of various transactions with corporate and individual business owner customers.

This free service enables customers to check their account balances, transaction details on

deposits/withdrawals, and complete financing processes, etc. entirely on the internet.

We will continue to consider the introduction of new services utilizing digital technologies by progressively adding new contents to this service and work to provide greater convenience to customers.

Hirogin Business Portal screen (conceptual image)



Hirogin Business Portal services

Service name	Outline
Transaction Inquiry Service	● Inquiries about current savings balance and transaction details for the past 50 days
Hirogin Business Portal Loan	● Loans that can be processed completely online using this service, from application to contract ● Eligible customers will be shown this service on the service screen
Electronic Issuing Service	● Fee Withdrawal Notice/Receipt, Loan Repayment Schedule, and other various notices that are sent to customers by post can also be viewed on this service's screen

Expansion of alliance SaaS by intragroup cooperation

DX

At Hirogin Group, Hiroshima Bank, Hirogin IT Solutions and Hirogin Lease have cooperated to

expand handling of various SaaS through agency contracts and business matching contracts.

SaaS alliances by intragroup cooperation

SaaS Name	Outline	Date of Introduction	Cooperating Group companies
Smart Mat Cloud	Inventory management/automated order placement service using IoT	From April 2021	Hirogin IT Solutions
MonoRevo	Process management service specialized for manufacturing industry	From April 2021	Hirogin IT Solutions
SmartDrive Fleet	Service combining telematics and vehicle management systems	From June 2021	Hirogin Lease
ANDPAD	Construction management service specialized for construction industry	From July 2021	Hirogin IT Solutions

Strategy for Individual Customers

Offering Customer-Centered Total Life Support Through Our Life Design Service

With the aim of becoming the most trusted “concierge” that closely offers thorough support to each and every customer, Hirogin Group has placed Hiroshima Bank’s Life Design Service at the core of our total support for life plans, including for customers’ households, based on their and their families’ dreams for the future.

For the realization of customers’ and their families’ future dreams, it is first important that we be able to see what their present and future looks like and share their present situation in an objective manner.

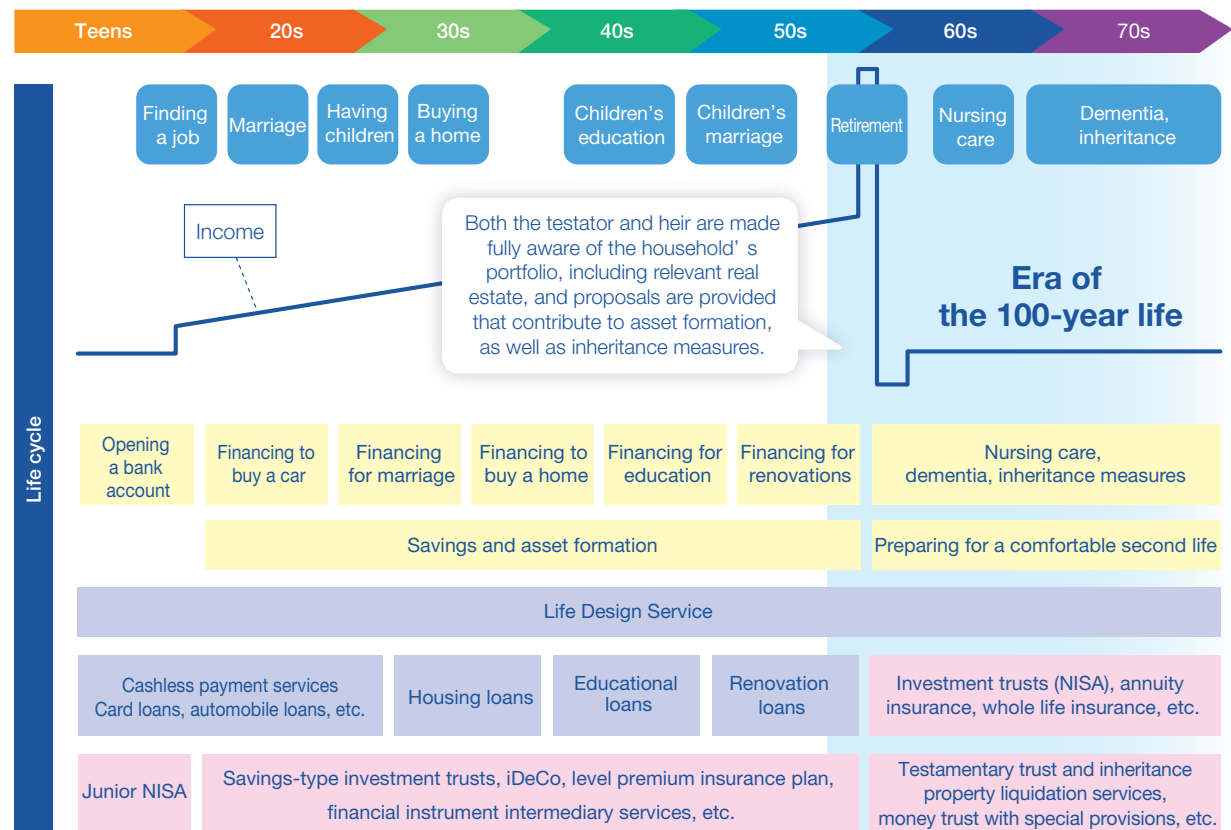
To achieve this, in Hiroshima Bank’s Life Design Service, the Bank asks customers about their life plans, as well as information such as their family structure and asset details, and devises a “life design” blueprint for the future. Having gained a firm understanding of customers’ thoughts and concerns, the Bank goes beyond funding support to provide them with a variety of information and services as needed, including in nonfinancial areas.

The history of our relationships with customers, offering close support for the thoughts and concerns of each and every customer over medium to long-term time frames, is an important intangible asset of the Group.

Going forward, based on our Life Design Service, we will continue to serve as a “concierge” for our customers to help enrich their lives, by offering consistent support from the beginning of the consultation right to the end, through total support for their individual life plans, including for their household.



Total support for life plans



Strengthen initiatives for inheritance consultation business

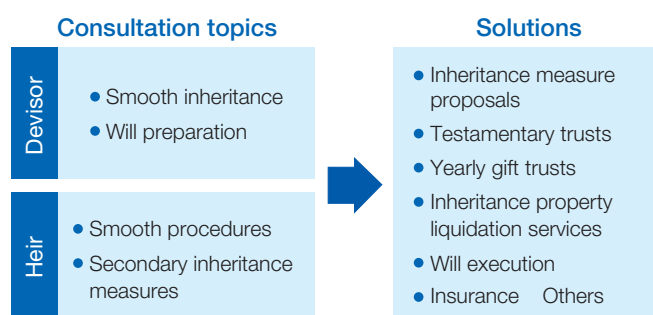
Hirogin Group, mainly through Hiroshima Bank, is strengthening its response to inheritance needs that are increasing as region's population ages.

Specifically, since 2019, we have established two Inheritance Consultation Plazas where staff specialized in inheritance matters give easy-to-understand explanations and provide support for free at dedicated consultation booths, for which customers are asked to make a reservation.

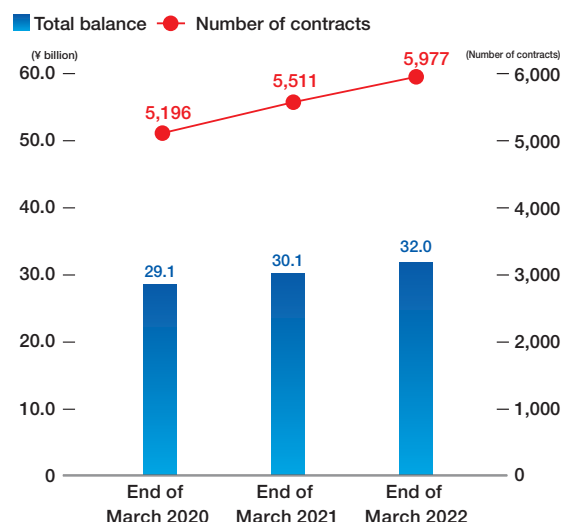
In addition, Hiroshima Bank itself began handling testamentary trust and inheritance property liquidation services in 2018.

Going forward, leveraging Hiroshima Bank's Life Design Service, we will provide optimal solutions to address customers' inheritance needs, from the development of inheritance measures taken before the devisor's death to support for procedures after his or her death.

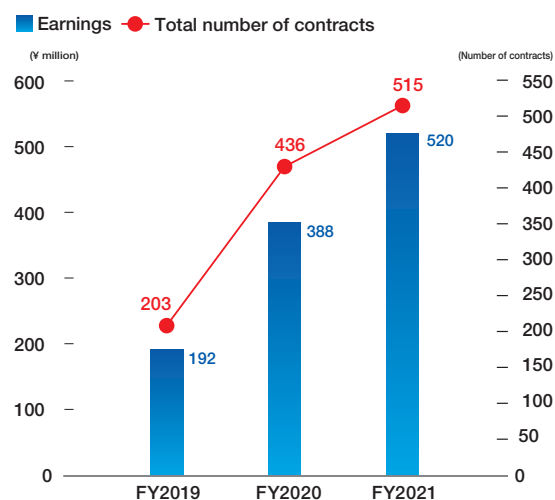
Key solutions for inheritance needs



Number of contracts of inheritance-related trust products and balance



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



T O P I C S

Introduction of goal-based asset management sales

Sales staff had previously been assigned on a geographical area basis, but this has been changed to assignments based on customer segments. Assigning staff to different groups of customers, such as customers who are in the asset formation stage and customers who require handling with more advanced knowledge and experience in areas such as asset management and inheritance measures, will allow us to maximize our function as a concierge.

We have also introduced a goal-based asset management style of sales based on our Life Design Service. This is an "escort-runner" style of sales in which our staff share customers' goals from the life planning stage, make asset management proposals, and accompany them toward those goals through ongoing reviews.

With this approach, we respond to our customers' trust by providing meticulous services to suit the individual concerns and needs of each customer and making customer-centered actions and proposals.

Further strengthen banking-securities collaboration

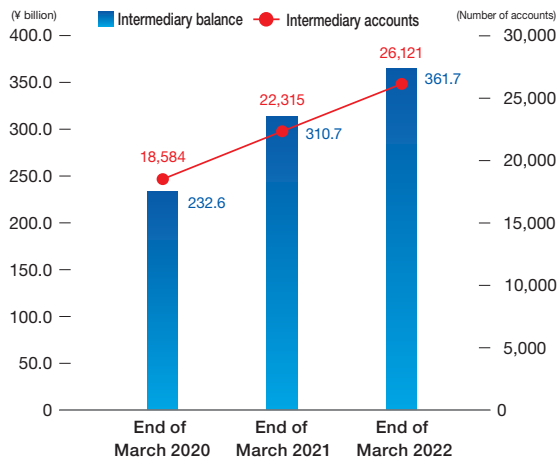
At Hirogin Group, Hiroshima Bank and Hirogin Securities have established a system for responding to customers' consultation needs and requests related to advanced, specialized asset management and inheritance issues, from a one-stop platform, primarily through their 24 joint branches. In doing so, they have built an appropriate operational

management system based on preventive measures against adverse effects (firewall regulations) pursuant to the Financial Instruments and Exchange Act.

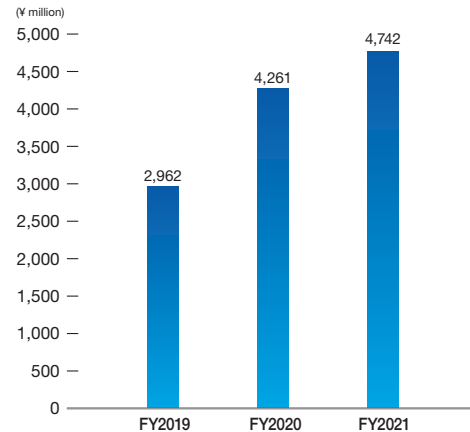
Joint branches established (as of May 31, 2022)

Total 24 branches

Trends in the number of intermediary accounts and balance (Hirogin Securities)



Trends in earnings from intermediary services (Hirogin Securities)



Group Collaboration Banking-Securities Collaboration

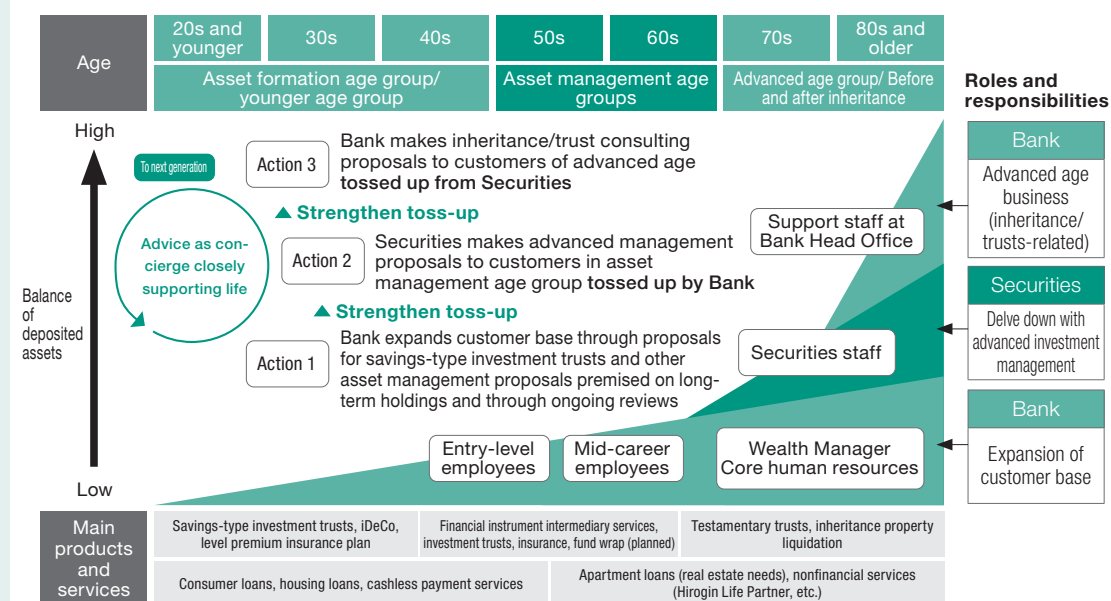
Hiroshima Bank

Hirogin Securities

To further strengthen banking-securities collaboration within the Group, Hirogin Group aims to broaden our customer base and provide optimal solutions to meet customers' diverse asset and investment management

needs, by clarifying the roles of banking and securities according to customer segment (life stage, types of needs, etc.)

Structure of Banking-Securities Collaboration (Diagram)



Enhance solutions for various life's concerns

The Hirogin Life Partner service, started in September 2017, provides an optimum solution for customers'

various everyday concerns and problems.



Action on DX and cashless payment in companies and schools

DX

Hirogin multifunctional IC cards

This solution uses IC cards to add multiple functions to employee IDs, student cards, membership cards and the like. With the digitalization of work and school attendance management, stricter management of building entry and exit, and the promotion of cashless payments on and

off company premises using electronic money, these cards support DX and workstyle reforms where they are introduced by improving convenience for employees and students.

Front

Reverse



COi Pay

By leveraging Hiroshima Bank's proprietary mobile payment service, COi Pay, we provide a cashless environment for local events, etc. and conduct campaigns aimed at regional vitalization. Going forward,

in addition to providing highly convenient services, we will contribute to the expansion of cashless payments in the region through initiatives that are unique to the local community.



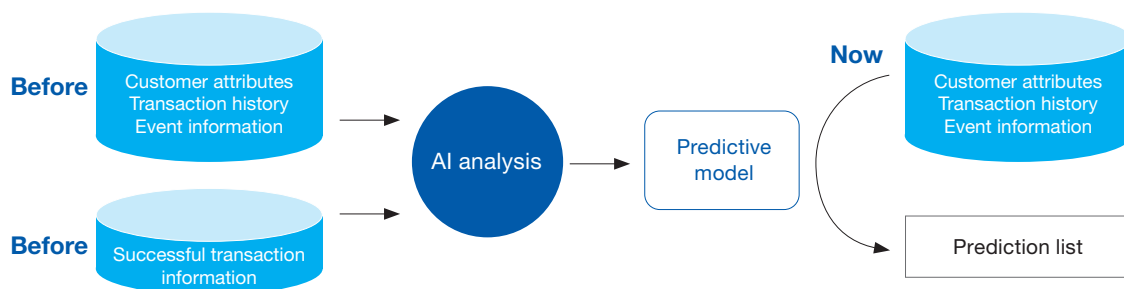
Shift to in-house advanced data analysis for the improvement of marketing precision

DX

Forming a dedicated team in April 2021, Hirogin Group has embarked on an in-house endeavor using artificial intelligence (AI).

As part of this endeavor, the team constructed a model for outputting lists that predict the score of card loan targets using AI and embarked on building functions for proposing optimal products and services to customers at optimal timing.

Since then, the team has continued to work on expanding the analysis parameters and making analysis methods more sophisticated, including working on the construction of a predictive model for applications to Hirogin Securities' multichannel services.



Channel Strategy

Overhaul of physical channels in response to changes in contact points with customers

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 have been undergoing major changes.

While seeking to fuse physical channels and digital channels in light of market changes and progress in digitization, Hiroshima Bank is now working to review its operations at branch offices and the network of branches and ATMs, as well as to reallocate management resources to new business areas including Group companies and non-financial areas, in order to accurately respond to customers' diverse and increasingly sophisticated needs.

Overhaul of sales organization

Since April 2020, Hiroshima Bank has been proceeding with the implementation of efficient branch operations in a sequential manner by clarifying the roles of full-service branches, branches specializing in individual customers

and other branches in accordance with the market characteristics by each area, thereby strengthening its sales organization and optimizing management resources.

Overhaul of operations at branch offices

With a view to eliminating the “two-line system” (back-office clerical tasks conventionally performed at branches) through centralization at headquarters, Hiroshima Bank will set up centralized locations called “area support” 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.

Overhaul of the network of branches and ATMs

Hiroshima Bank will further enhance its non-face-to-face channels and digital channels, and reallocate its management resources to new business areas by

reducing the number of bank branches by 10% and ATMs by approximately 20% in the period of the current Mid-Term Management Plan.

Overhaul of physical channels

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

Overhaul of operations at branch offices and drastic overhaul of physical channels (branches and ATMs)

Overhaul of operations
Improve operations efficiency at branch offices
 → Shifting branch offices to “where consulting services take place”
 → Further sophistication of consulting services

Branch
Overhaul of branches and sales structure
 → Strategic placement of staff
 → Re-allocation of investments for digital channels

ATM
Cutting down on the number of ATMs
 → Promotion for cashless payments
 → Re-allocation of investments for digital channels

Construction of physical channels to enhance consulting functions and sophisticate specialized expertise

The Group is working to construct physical channels to enhance consulting functions and sophisticate specialized expertise to deepen core businesses and

expand business areas, in order to contribute to the growth of customers.

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 operations 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 "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 proceed with considering the integration of functions in the future.

Strengthening digital channels to expand contact points with customers

DX

In light of the progress of digitization, changes in the lifestyles of our customers, etc., the Group has been working to further strengthen digital channels and enhance convenience for customers in order to expand

contact points with customers, through efforts such as reinforcing functions of the Hirogin App and expanding services that can be completed on the internet.

Reinforcing 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.

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 of the Hirogin App

- 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 Hirogin Securities and online brokers (SBI Securities and Rakuten Securities) in functions such as open account request
- Security check function
- FAQ function using automated response "AI support"
- Search for branches and ATMs, etc.



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.

Internet-only branch—Hirogin Carp Branch

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!

Search our website for more on Hirogin Carp Branch!

2022 **ご利用者特典**
1試合につき2回、レアで1回限り

- 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
2021/12/28～2022/07/31

- Win the lottery to get Toyo Carp merchandise and tickets to the game
- Distribution of mail magazine exclusive for Carp Branch customers

Start accepting various notifications via smartphones

As part of the business process reform together with the overhaul of physical channels, Hiroshima Bank 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.

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.

T O P I C S

Cashless payment business

To expand its cashless payment business, the Group is strengthening its systems and integrating operations in phases.

In October 2021, Hiroshima Bank established the Payment Services Division, integrating the planning, promotion management and other functions related to the payment business.

In addition, Hirogin Guarantee Co., Ltd. and Hirogin Card Service Co., Ltd. are scheduled to be merged in April 2023, which will consolidate common and overlapping operations performed by our subsidiaries, as well as pave the way for future expansion and deepening of our business operation base.

Going forward, through continuing to focus on the cashless payment business, we will aim to expand our fee business by increasing active accounts and expanding sales in payment services.

Digital Strategy

Implementing strategies toward digital transformation (DX)

DX

In order to realize its management policy (management vision) and business model, the Group reorganized its digital strategy anew in June 2022, in light of issues that emerged in working in line with its pre-existing digital strategy and the knowledge and knowhow acquired in the course.

The reorganized digital strategy is a concrete strategy for achieving the “digital transformation (DX) at Hirogin Group” mentioned earlier, which clearly defines the areas to be addressed and identifies actions to be taken for building the foundation that will serve as the basis for our DX initiatives. Its aim is to accelerate the Hirogin Group’s DX initiatives and to help achieve the Mid-Term Management Plan 2020, and further to use

these rapidly changing chaotic times as opportunities and a driving force to transform our organization and mindset into those ready to respond immediately to customers.

Specifically, the strategy defines “digital innovation,” “digitalization” and “digitization” as the three areas of DX, and requests consideration of benefiting from these in planning every measures. And to build a foundation for that, we will work on the following four items: “establishing a structure for DX promotion and governance management,” “defining DX human resource types,” “developing DX system infrastructure” and “sophisticated utilization of data.”

New digital strategy in Hirogin Group

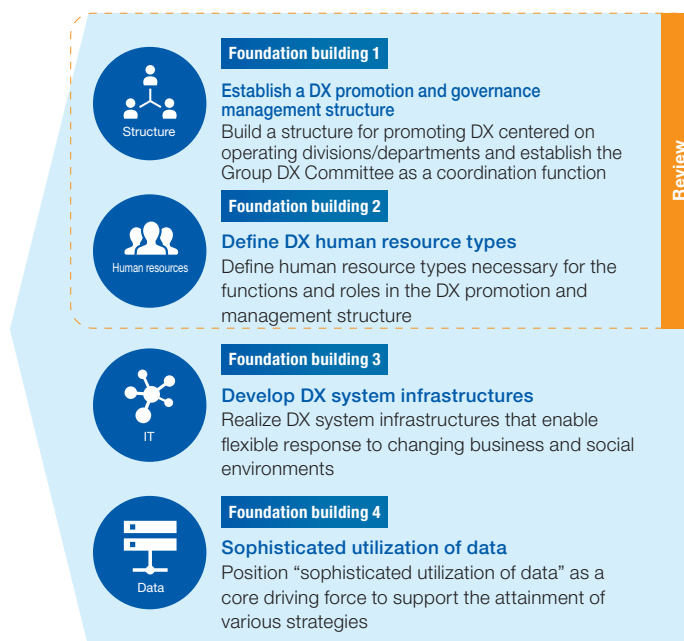
Areas of DX

(= leveraging DX in every measure to take)

Digital innovation (creating new businesses)	Creating new business models and businesses utilizing digital technology Create new and radical added value by creating business models and businesses by utilizing digital technology
Digitalization (proactive shift to digital technology)	Innovating existing operations and processes utilizing digital technology Revamp the organization's entire business models by overhauling existing operations and processes utilizing digital technology to improve customer value
Digitization (reactive shift to digital technology)	Using IT to perform existing operations (for cost reduction and efficiency) Introduce digital technology to improve efficiency without changing existing processes to generate resources for growth (people, goods, money and data)

Building the foundation

to serve as a basis for DX initiatives



Realize the management policy (management vision) and business models

Building the foundation to serve as a basis for DX initiatives (1): Strengthening the DX promotion and governance management structure

DX

To enable speedy actions under the major circumstantial changes that are taking place including changes in customer contact points due to digital shift and the further spread of cashless payments, in October 2020, we consolidated and integrated the Group's DX management and digital strategy planning functions into the Digital Innovation Division of Hirogin Holdings, which is headed by the President of the Company serving concurrently as the general manager. Under the initiative of top management, we have built a structure to press toward a speedier and more challenging digital transformation.

Under the reorganized digital strategy, we are appointing a DX Manager and a DX Leader for each operating division/department of Group companies to further strengthen and make clear the organization for promoting DX centered on operating divisions/departments.

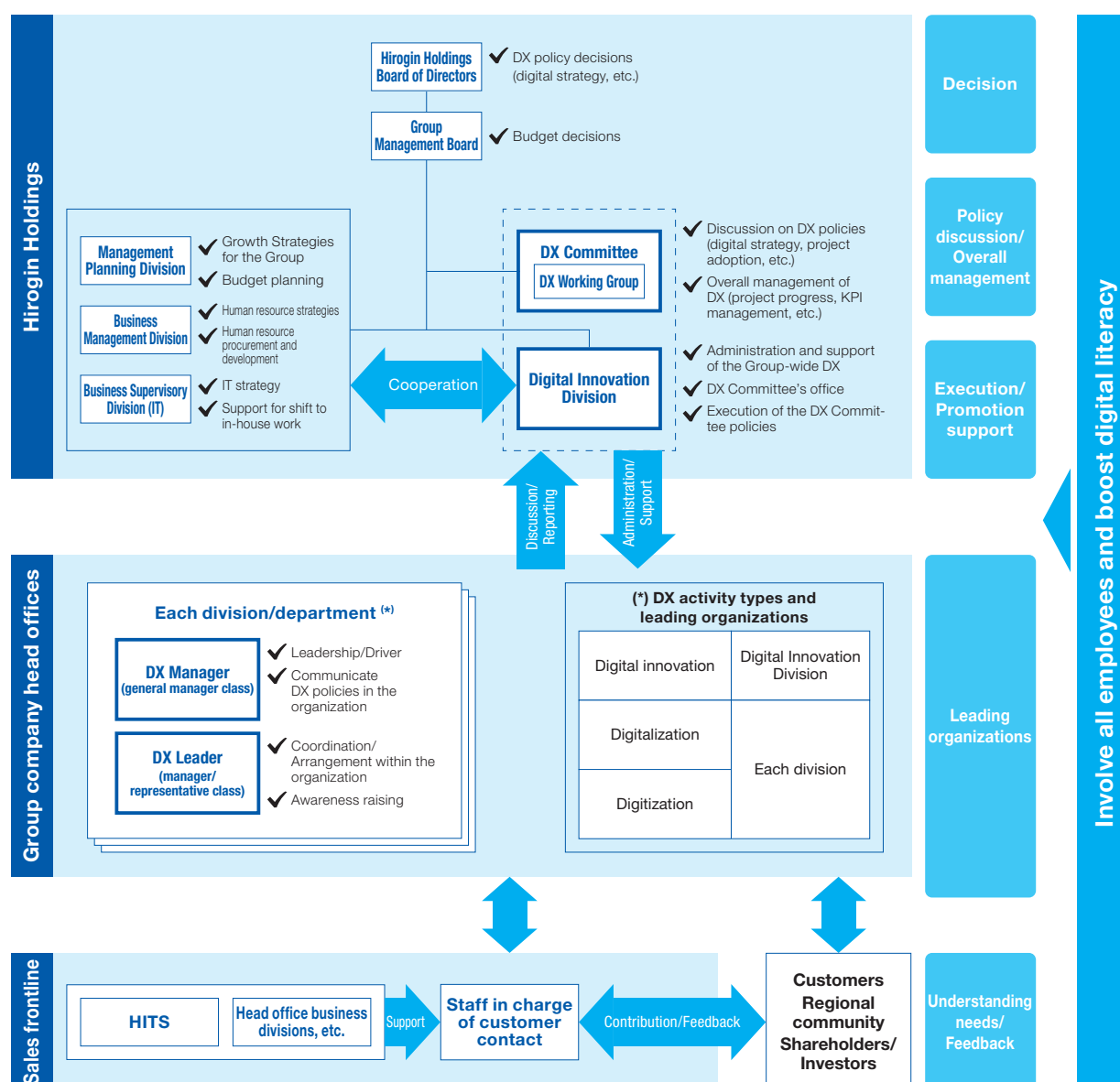
To enhance our drive for DX and governance management in view of risks specific to DX while

ensuring cross-functional communication across the Group based on the Group management policy, we will organize the Group DX Committee involving the top management as a deliberative function (policy discussion and overall management) for these matters, and the DX Working Group as its subordinate organization to discuss practical matters concerning policies for the adoption of DX projects.

The Digital Innovation Division will manage the operations of these bodies as office and serve as their executive body, and will administer and support the operating divisions/departments based on the decisions made, to strengthen and ensure the effectiveness of the Group's overall organization for implementing DX.

At the same time, we will implement specific measures to encourage the active involvement of all employees, including those at branch offices, from the viewpoint of understanding customer needs and obtaining feedback, and boost the overall level of their digital literacy.

DX structure (to start in the second half of FY2022)



Building the foundation to serve as a basis for DX initiatives (2): Defining DX human resource types DX

The Hirogin Group believes that the most important resources for promoting and managing DX are human resources.

For each of the functions and roles in the DX promotion and management structure described in the previous page, we have defined the types of human resources that will be necessary as listed below.

We will further define more detailed skill requirements for each human resource type, formulate a procurement and training plan, and work systematically to strengthen our DX human resource programs in accordance with the Hirogin Group's DX roadmap.

Types of human resources required for the DX promotion and management structure of the Hirogin Group

DX promotion and management structure			
Organization	Roles/Functions	Types of DX human resources	General skill requirements
Digital Innovation Division	DX strategy planning/administration	Human resources for digital strategy	· DX strategy planning and general administration
	Support for DX (digitalization/digitization) activities	Human resources for DX promotion/support	· Project management · General DX and business skills
	Creation of new digital businesses (digital innovation)	Human resources for creating new businesses through DX	· Innovation and commercialization · Advanced DX skills
Each division/department of Group companies	Creation and operation of DX (digitalization/digitization)	Human resources for DX promotion DX Manager DX Leader	· Business skills · Understanding of DX
Sales frontline	Understanding needs/Feedback	Human resource for basic DX	· Understanding of DX
Data analysis team	Advanced data analysis	Human resources for data science	· Data analysis

Building the foundation to serve as a basis for DX initiatives (3): Developing DX system infrastructures DX

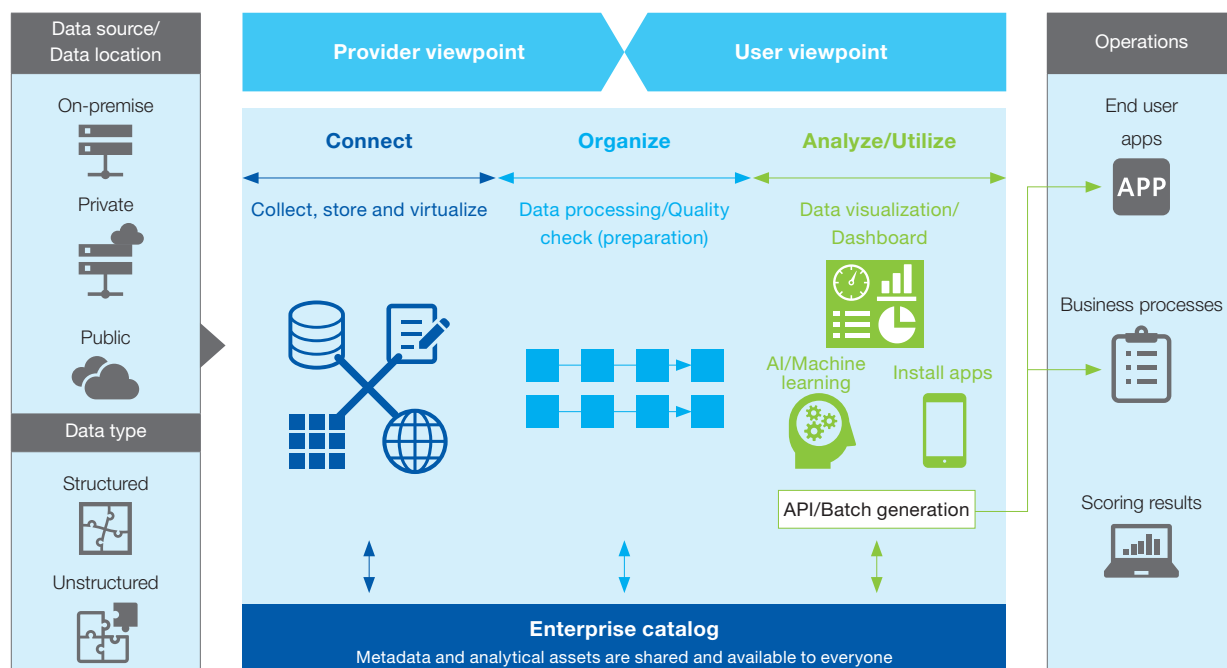
Based on the fundamental premise of “ensuring the stable operation of Group companies’ systems and the safety of their information systems and information assets,” it is essential to build DX system infrastructures that can flexibly respond to changes in business and social environments by utilizing ever-evolving digital technology.

The Hirogin Group has been proactively investing in, developing, and utilizing industry-leading DX system infrastructures, such as an open banking API infrastructure and a public cloud service infrastructure.

In April 2022, we began using an integrated data analysis platform as a public-cloud service, as part of our efforts to build an environment to enable more sophisticated utilization of data in the future through realizing in-house data analysis.

We will continue working to build DX system infrastructures that are necessary from the perspective of overall optimization.

Concept of the integrated data analysis platform as a public-cloud service



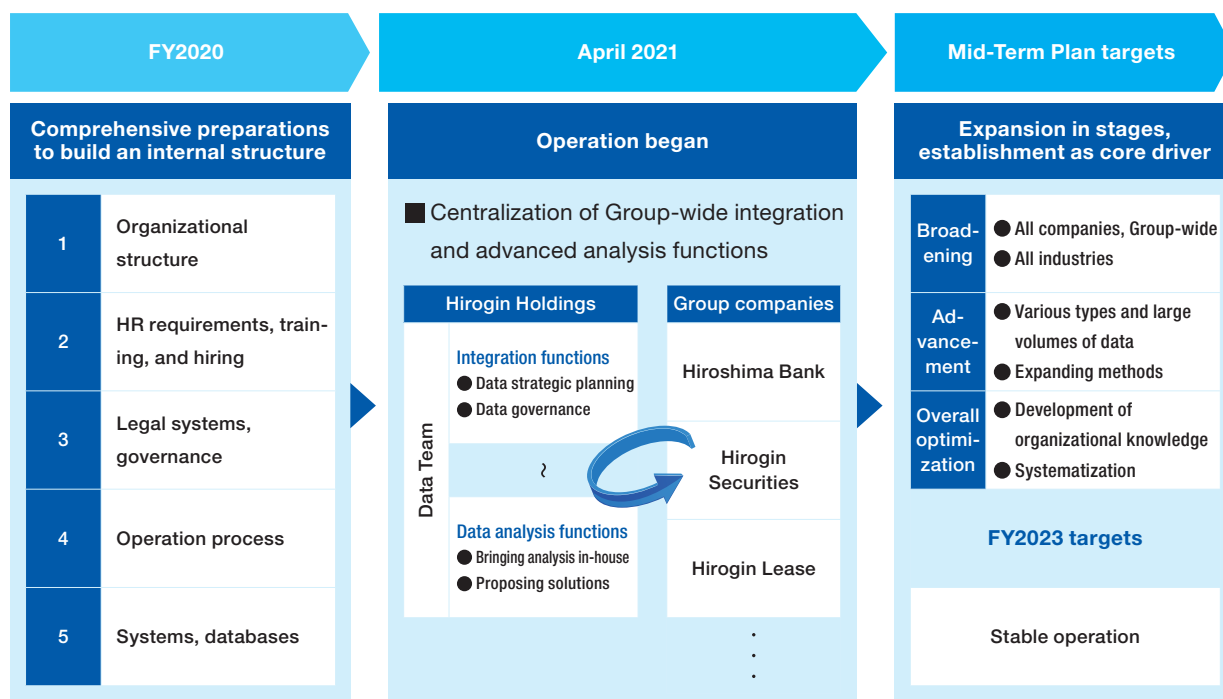
Building the foundation to serve as a basis for DX initiatives (4): Sophisticated utilization of data

DX

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 already started an in-house endeavor using artificial intelligence (AI) in April 2021 by forming a team with dedicated people in charge.

We will gradually expand our initiatives on a Group-wide basis, in order to contribute to addressing business challenges based on speedy, objective, and rational judgment backed by data.

Activities aimed at sophisticated utilization of data



Strategic indicators (KPIs) realizing DX

DX

To align our intentions for promoting DX across the Group and to facilitate goal management, we have established new strategic indicators (KPIs) for promoting DX in the Hirogin Group, based on which we will monitor progress at the Group DX Committee meetings and periodically disclose the results to the public.

In the current Mid-Term Management Plan, we will use the following indicators as KPIs to prepare the structure for promoting DX and human resources before other issues for building the foundation for DX.

Target KPIs (during the current Mid-Term Management Plan period)

1	Overall progress of activities for DX DX Promotion Indices (self-assessment): 2.4 (1.6 in FY2022) (*1)
2	Establishment of a structure for DX promotion Appointment of a DX Manager and DX Leader for each division/department of each company (*2)
3	Improvement of IT literacy across Group companies All Group employees with the Information Technology Passport certification (target: 30%) (*3)

(*1) DX Promotion Indices: Indices established by the Ministry of Economy, Trade and Industry (METI) in July 2019 to provide opportunities for sharing the recognition of current situations and challenges in the efforts for DX promotion among executive managers and other internal stakeholders and utilizing the findings to guide future actions.

(*2) Qualifications for the appointment to these positions include the Information Technology Passport certification and completion of an internal qualification course.

(*3) Information Technology Passport certification: A national examination program through which METI certifies that the examinee's knowledge and skills as an information processing engineer meets a certain minimum standard based on the Act on Facilitation of Information Processing.

Human Resource Strategies

Optimizing the Group's human resources

After the transition to a holding company structure, the Group is proactively allocating its human resources into growing areas including non-financial areas.

We will continue our efforts to build an optimal human resource portfolio for the entire Group to

Active exchange of human resources

We actively exchange human resources within the Group, including two-way secondment of employees among Group companies. This is not only for the optimal allocation of the Group's human resources to support the business development of the Group companies, but also to accelerate awareness and

further accelerate our Groupwide efforts as a "Regional Comprehensive Services Group" aiming to contribute to the revitalization of the region and the growth of our customers.

behavioral reforms to maximize Group synergies under the holding company structure.

Number of employees seconded (exchange of human resources)

After transition to a holding company structure (total number)
111

Efforts to leverage specialized expertise

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.

To enable senior employees with high expertise to continue 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 also in other Group companies in the future.

In addition, under a holding company structure, we introduced job-based employment in July 2021 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, in April 2022, Hiroshima Bank introduced a new "Career Design System" to support the autonomous career development of employees, including an in-house internship program that allows employees to temporarily experience other jobs, and a career change support program that assigns employees in an appropriate additional position (in training) for a certain period to facilitate transition to their desired jobs.

A personnel system where employees can develop their career path on their own (Hiroshima Bank)

July 2020	Introduced a personnel system based on specific course categories (the BK business field or the AM business field)
April 2021	Revised the senior staff employment system
July 2021	Introduced a job-based employment
April 2022	Introduced the new Career Design System

Managing personnel affairs as a unified Group

With the aim of maximizing Group synergy under a holding company structure, the Group is working to manage personnel affairs as an integrated Group

Recruitment activities emphasizing the Hirogin Holdings brand

We have launched a recruiting web page on the Hirogin Holdings website as a single entry point for applicants for employment by all Group companies (the recruitment processes are carried out by respective companies) to emphasize the oneness of the Hirogin Group brand in our recruitment activities.

Alignment of personnel systems within the Group

To maximize the Group synergy, we have been working mainly to enable Group companies to use common systems.

while taking into consideration differences between companies in terms of industrial sector, size, and characteristics of their businesses.

Number of recruitment entries accepted by major Group companies

Graduates in:	March 2022 (entries before a holding company structure)	March 2023 (entries under a holding company structure)
Hiroshima Bank	100%	142%
Hirogin Securities	100%	186%
Hirogin Lease	100%	414%
Hirogin IT Solutions	100%	307%

*Figures as percentage of the number of entries by March 2022 graduates (100%).
Figures include entries for multiple Group companies by a single applicant.

Major actions for the alignment of personnel systems within the Group

- Adopt common benefit programs
- Review the performance-linked bonus systems

Strengthening the development of the Group's human resources

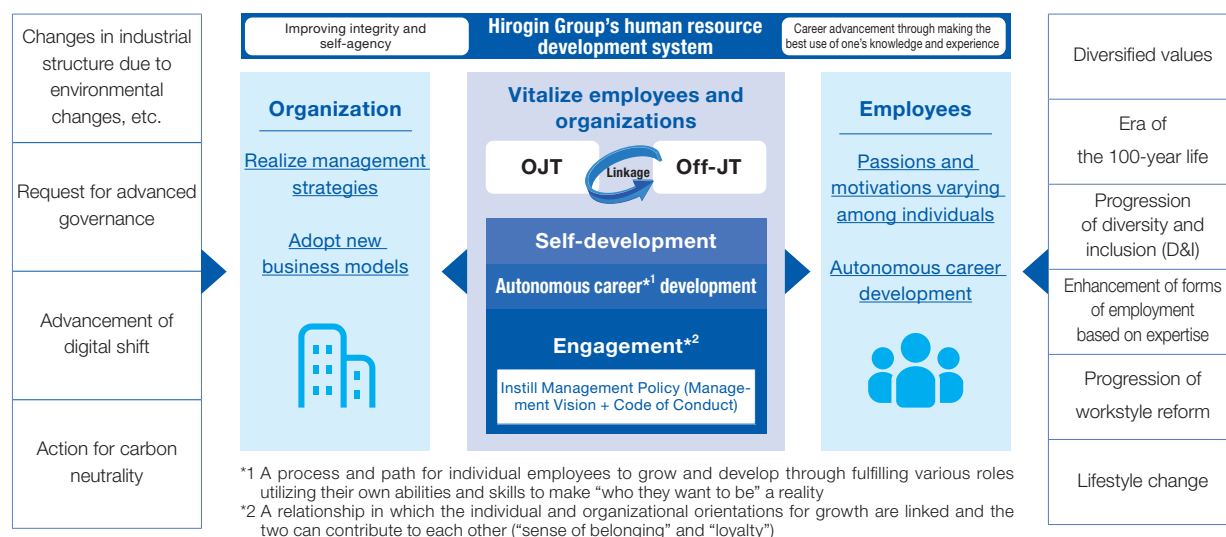
The Hirogin Group focuses on the development of human resources with an aim of realizing sustainable growth by creating a lively organization where all Group employees can demonstrate their abilities and expertise to the fullest while being fully engaged and highly motivated.

From the perspective of human capital management, to respond to changes in the external environment surrounding our organization and employees, we are working to create an environment for employees to pursue active and proactive self-development, which serves as the basis for employee engagement and the autonomous career development of every employee. We are working at the same time to improve linkage between OJT at workplaces and off-the-job training (off-JT), to revitalize employees and the organization.

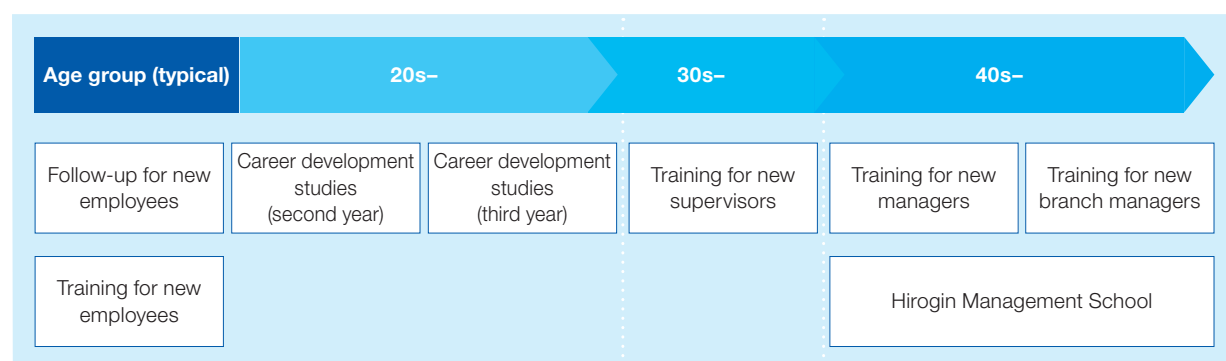
To enhance the development of autonomous human resources under the human resource development systems of the Hirogin Group, we have prepared a list of training programs and show it to all employees as a “syllabus,” to encourage individual employees to think what knowledge and skills they need to acquire to get closer to “who they want to be,” and select training courses by themselves.

With the aim of maximizing Group synergy under a holding company structure, we are taking actions to develop human resources as an integrated Group. This includes conducting theme-based training and position-based training programs on Groupwide basis, which were formerly conducted company by company.

Human resource development system



Structure of position-based training programs



Number of trainees in position-based training programs (FY2021)

Program	Target	Number of trainees
Training for new branch managers	New branch managers	23 persons
Training for new managers	Persons promoted to managers	46 persons
Training for new supervisors	Persons promoted to supervisors	66 persons
Career development studies (third year)	Third year employees	158 persons
Career development studies (second year)	Second year employees	117 persons
Follow-up for new employees	New employees	120 persons
Training for new employees		127 persons

Improving integrity and self-agency

Starting from fiscal 2021, we offer theme-based training programs to those who apply on Groupwide basis to help develop the underlying views and approaches employees hold as an individual, and improve their basic skills as a working member of society (integrity and self-agency).

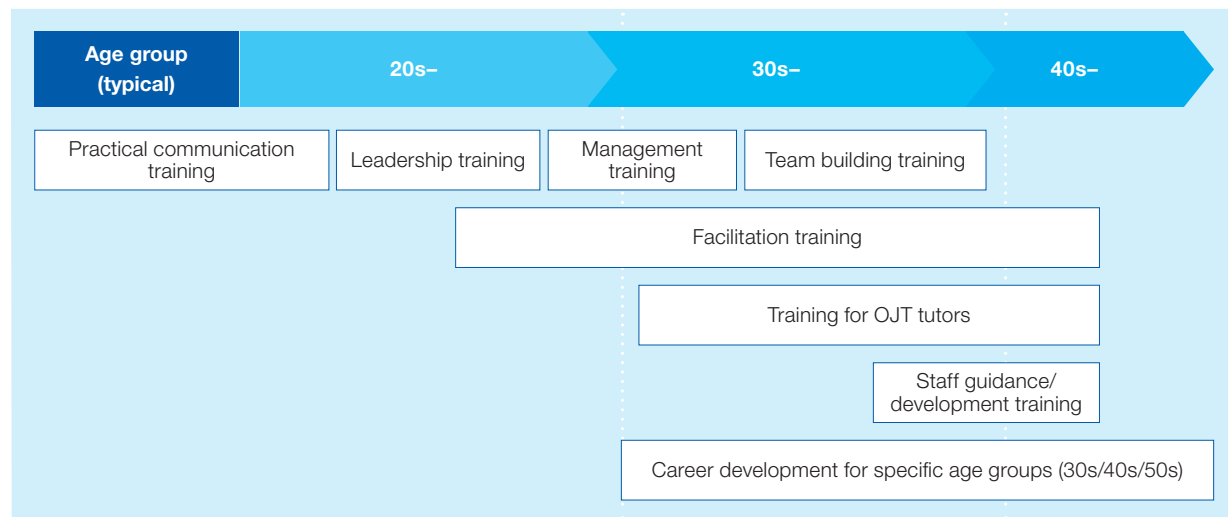
These theme-based training programs often use a “blended learning” approach to maximize their effectiveness, i.e., a learning method that combines multiple methods, such as face-to-face group sessions

and e-learning, or face-to-face group sessions and online training.

Number of trainees in theme-based training programs (FY2021)

Program	Target	Number of trainees
Leadership training	Younger/ Mid-career employees	132 persons
Management training	Mid-career employees	41 persons
Team building training	Supervisors	64 persons
Staff guidance/development training	Managers and supervisors	39 persons

Structure of theme-based training programs



Facilitating the fastest possible growth of younger employees into professionals

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 while valuing their autonomy.

In establishing systems and plans for developing younger employees, we define the three-year period after joining the Company as an important period 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.

Year	Development system
First year	After learning the basic flow of operations at branch offices and through training programs in the first half-year, they will accumulate firsthand experience by visiting customers with superiors or seniors.
Second year	They experience both banking operations and asset management operations by independently visiting customers.
Third year onward	Employees choose from either banking operations or asset management operations themselves, and hone their expertise in the respective areas to grow into core players in the operations.

Furthermore, based on the concept that new employees should be educated organizationally, we have established an instructor system to help their development not only in operation, but also to help them have a happier private life and develop their personal integrity.

To strengthen off-JT, we also 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.

Number of trainees in entry-level employees development programs (FY2021)

Operation	Number of trainees
Banking	105 persons
Asset management	91 persons

(Scope of survey: Hiroshima Bank)

We are improving training effects by proactively by adopting many practical training programs such as group work, in addition to knowledge acquisition through lectures.

We have also 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 proactively on their own initiatives.

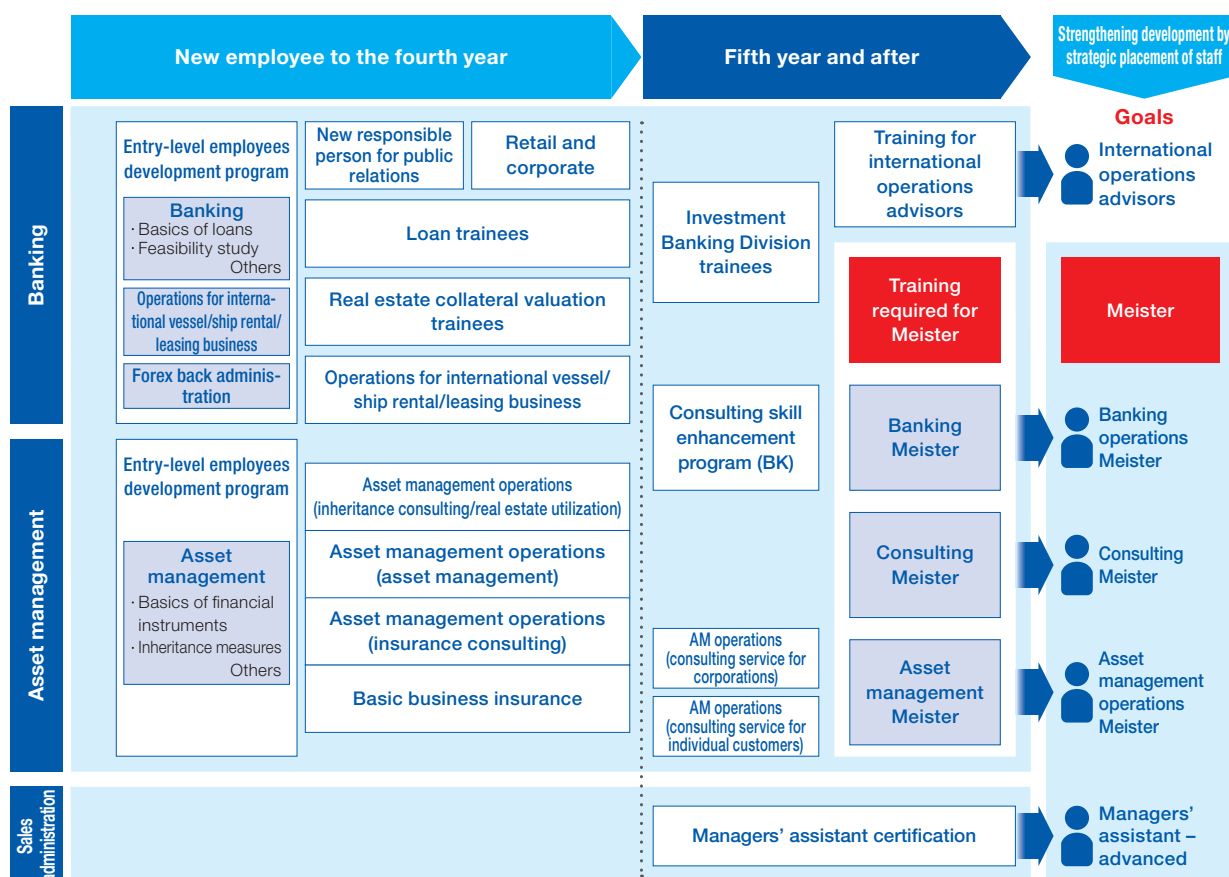
We also refer employees to external resources such as a flat-rate video website to brush up basic skills as a working member of society (integrity and self-agency), apps that summarize the content of books, and Information Technology Passport correspondence course designed to enhance IT literacy.

Strengthening expertise

Amid a rapidly changing environment, we are required to strengthen the expertise of each and every employee to respond to customer needs reliably. Based on this concept, Hiroshima Bank has established the Meister System as a final goal of operational skills for employees as part of its system of operation-based training programs.

We also send employees to business schools in and outside Japan to study as students, as well as to external organizations including government bodies, academia and industries on secondment, which further hones their expertise while increasing their experience outside the company (and the Group).

Structure of operation-based training programs for general employees of Hiroshima Bank



Number of certified Meisters (FY2021)

Classification of Meister	Number of certified persons
Banking operations	18 persons
Consulting	5 persons
Asset management operations	31 persons

Company-sponsored enrollment in MBA programs (cumulative total as of March 31, 2022)

Program	Number of employees enrolled
MBA programs outside Japan	23 persons
MBA programs in Japan	19 persons

Assignments on secondment outside the Group (cumulative total as of April 1, 2022)

Host organization	Number of employees on secondment
Government/University	10 persons
Industry	60 persons

Development of future executives

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.

The Hirogin Management School program has been conducted on Groupwide basis since FY2021, in which participants learn the leadership and management theory and business frameworks with specific cases as examples and ultimately make suggestions on management.

Number of trainees in Hirogin Management School (FY2021)

Program	Main topics	Number of trainees
Practical	<ul style="list-style-type: none"> Program to nurture a sense of mission Organizational reform 	16 persons
Upper	<ul style="list-style-type: none"> Technovate strategies Design thinking Leadership 	19 persons
Intermediate	<ul style="list-style-type: none"> Business strategies Marketing Reinforcing influence on others Business innovation 	35 persons

Restructuring

Strategic cost management

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 the foundation for our growth.

Branch transformation

The Group is working to optimize the allocation of its management resources through revamping branches and other sites mainly of Hiroshima Bank, in view of en-

vironmental changes and looking to new business areas including those of Group companies and nonfinancial businesses.

Major actions for branch transformation

- Achieving the efficiency of branch operations by clarifying the roles of full-service branches, branches specializing in individual customers and other branches, in view of changes in the market
- Offering one-stop service through joint operations of banking and securities services at joint branches that have increased in number and scale
- Reducing the number of branches by the use of a branch-in-branch arrangement
- Reducing the number of ATMs

Targets and results of branch transformation under the Mid-Term Management Plan 2020

Target (by the end of FY2023)	Result (including plans within FY2022)	
Reduction in the number branches: Approx. 20 (approx. 10% down from FY2019)	Reduction in the number branches: 14	Achievement: 70%
Reduction in the number of ATMs: Approx. 170 (approx. 20% down from FY2019)	Reduction in the number of ATMs: Approx. 140	Achievement: 82%

Operational transformation and cost transformation

We pursue Groupwide efforts to reduce costs from medium- to long-term perspectives for reform, including eliminating routine clerical tasks through drastic operational transformation and utilization of digital

technologies in each Group company, which is also intended to allow Group employees to have more time (to allocate to more productive work).

Major actions for operational transformation and cost transformation

- Steady cost reduction through reductions in branch and ATM rents, and revisions of outsourcing contracts and building management operations, etc.
- Eliminating or increasing efficiency of operations through digitizing operations in the Group

Major operations digitized	Description of operations
Electronic contracting service	Using an electronic contract service for business loans (No need for revenue stamps or seals, etc.)
AI translation service	Automatic translation of overseas contracts and market reports (23 languages) by AI
Investment trust robo-advisor service	Finds out customers' preferences in investment and guides them to most suitable funds
AI voice bot	Automated call handling using AI for interactive voice response

- Progress in the shift to self-service for in-store operations using branch tablets and other devices, paperless operation and elimination of *hanko* seals
- Improving efficiency in branch operations through expanding elimination of two-line system (centralize back-office processes at headquarters) from area branches to cover the whole of Hiroshima Prefecture
- Improving efficiency in operations through alliance with other companies in the same or other sector, such as the alliance with Chugoku Bank on fee-free customer use of each other's ATMs (December 2020)

Targets and results of operational and cost transformation under the Mid-Term Management Plan 2020

Target (by the end of FY2023)	Result (including plans within FY2023)	
Revenue increase from restructuring Approx. ¥1.2 billion	Effect of restructuring • Cost reduction: Approx. ¥1 billion (compared to FY2019) • Improvement in balance of service transactions: Approx. ¥0.3 billion (compared to FY2019) Total: Approx. ¥1.3 billion	Expected to achieve the target under the Mid-Term Management Plan

Summary of Business Performance (FY2021)

Consolidated gross profit

¥92 billion

Profit attributable to owners of the parent

¥22.9 billion

Group total credit

¥7,060.6 billion

Total custody assets (Hiroshima Bank and Hirogin Securities)

¥10,631.2 billion

* Group total credit = loans (consolidated) + lease claims + privately placed bonds + private equity investments (pledged investment amount), etc. (including private REIT investments)

* 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.

Consolidated capital adequacy ratio

10.3%

Consolidated ROE

4.5%

Total of revenue related to consulting service for corporate and retail customers and net income for the Group companies

¥14.8 billion

Contributions of Group companies to consolidated performance

15.9%

* 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

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

External credit rating

(As of June 30, 2022)

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

Number of companies for which Hiroshima Bank is the main bank

Japan (ranked No. 13)	Chugoku region (ranked No. 1 for 12 consecutive years)	Hiroshima Prefecture (ranked No. 1 for 12 consecutive years)
16,046 companies (1.10%)	15,613 companies (16.23%)	14,605 companies (37.38%)

Source: Teikoku Databank (as of the end of December 2021)

Nonfinancial Highlights (FY2021)

Initiatives related to sustainability

■ Reduction in greenhouse gas emission (Scope 1 and 2)



32.6%
reduction

Between FY2013 and FY2021

Target reduction in greenhouse gas emission

- Carbon neutrality in Scope 1 and 2 by FY2030
- Carbon neutrality in Scope 1, 2 and 3 by FY2050

■ Investment and financing in sustainable finance



¥122.0 billion
Including ¥85.0 billion
in the environmental field
(FY2021)

Target sustainable finance
(total for FY2021–FY2030)

¥2.0 trillion

Including target environmental finance
(total for FY2021–FY2030)

¥1.0 trillion

■ Promotion of active participation of women (ratio of women in management positions)



16%
(246 persons)

(As of April 1, 2022)

Target

Approx. **20%** by FY2023

Approx. **25%** by FY2030

■ Employment of disabled persons



2.4%
(101 persons)

(As of June 1, 2022)

We plan to increase hires with a target rate of

2.6% or more

beyond the legal requirement for a private company.

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

■ Number of qualified financial planners (Development of human resources with advanced expertise)



CSPFP 1st grade: 439 persons

CSPFP 2nd grade: 1,782 persons

(as of the end of March 2022)

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

■ Number of holders of financial instruments and balances (Enlarged customer base as a result of our efforts)



209,109 customers

¥1,503.7 billion

(as of the end of March 2022)

Endorsement of domestic and international initiatives and third-party evaluations



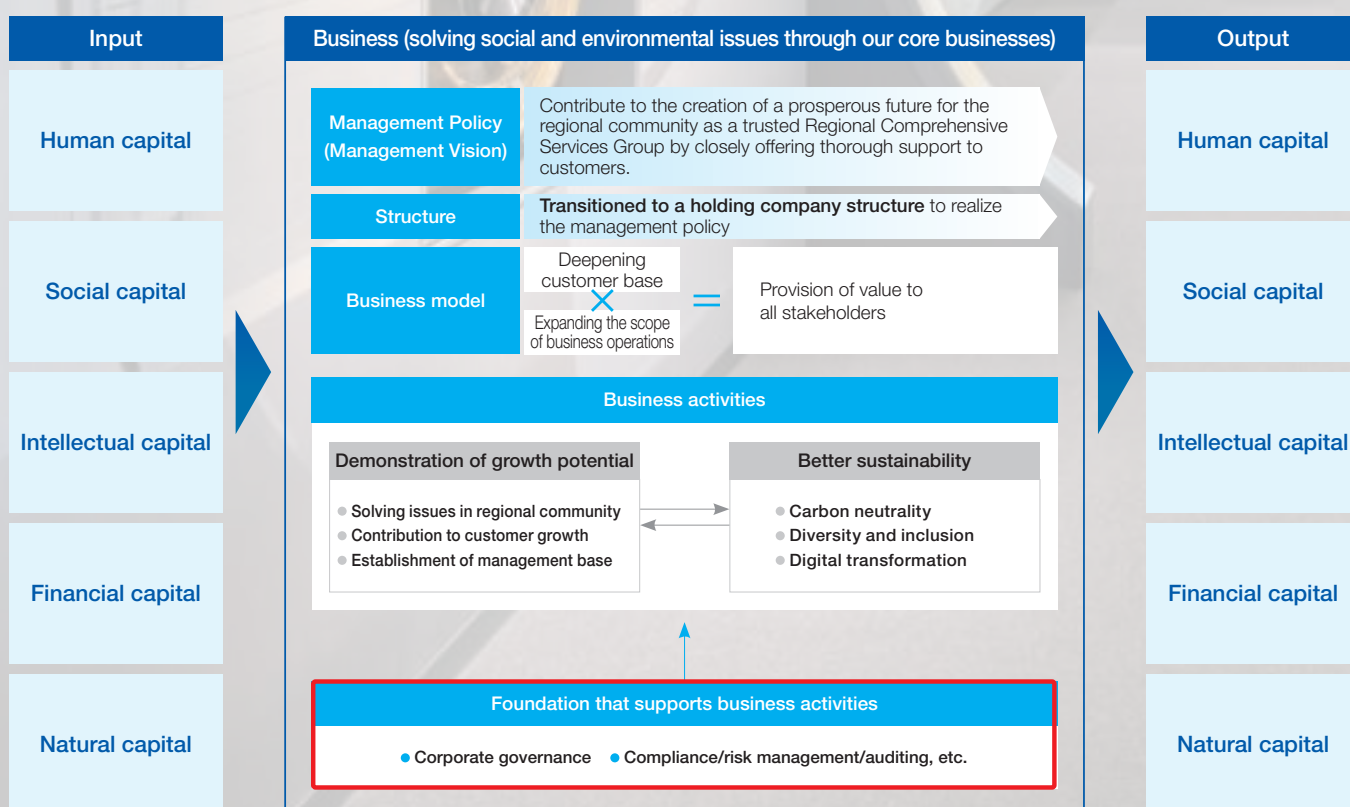
2022
健康経営優良法人
Health and productivity
ホワイト500

Certified as health and productivity
management organization (White 500)
for four consecutive years

How We Support Our Management Base

While fulfilling its social responsibility and public mission, Hirogin Group strives to earn a high evaluation and unshakable trust from our stakeholders such as customers and shareholders, by improving the soundness, efficiency, and transparency of management, and thereby works to achieve sustainable growth and improvement of corporate value over the medium- to long-term.

Value Creation Process Map





Memory Vault Museum (Archive Room)

This exhibition room preserves and displays the historical materials of Hiroshima Bank. Designed in the motif of the basement vault of the former head office business department, it exhibits historical materials and video content showing how the bank overcame hardships and shared joys with people in the region.

Board of 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 Board of Directors determines the basic management policy, management strategy, and management planning of the Group (including responses to issues surrounding sustainability and important

matters relating to strategies utilizing digital technology, etc.) and important matters relating to risk management, compliance and internal audits and other matters. It also stipulates "Basic Policy on the Establishment of Internal Control System," develops an internal control structure based on the policy, etc. and supervises the status of business execution.

Audit and Supervisory Committee

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, and hold a meeting of the Audit and Supervisory Committee once a month in principle. Each of the Directors who are Audit and Supervisory Committee Members actively utilizes the

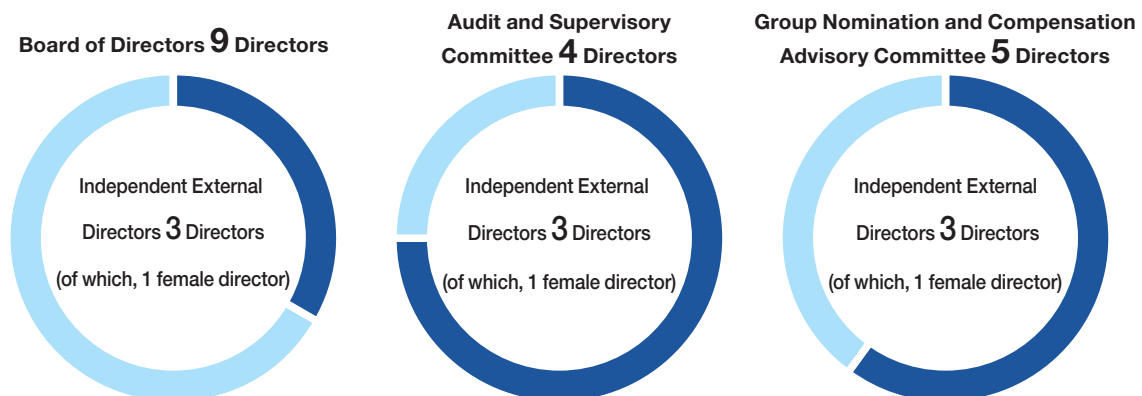
information and knowledge acquired through the execution of audit and other duties for the deliberations and other discussions at the Board of Directors, thereby ensuring the effectiveness of the supervisory functions of the Board of Directors and promoting appropriate decision-making on business matters.

Group Nomination and Compensation Advisory Committee

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 of the Company has established the Group Nomination and Compensation Advisory Committee comprised of Representative Directors and independent external Directors. Regarding

matters relating to the election of and 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 committee.

■ Composition of Independent External Directors in each organization



■ Efforts to enhance corporate governance

Hiroshima Bank	
FY2015	<ul style="list-style-type: none"> One external director (woman) was appointed Reduced the number of directors and the term to one year Review performance-linked compensation for directors Review the executive officer system The Nomination and Compensation Advisory Committee was established
FY2016	<ul style="list-style-type: none"> One external director was added
FY2017	<ul style="list-style-type: none"> Introduced the stock compensation scheme (BIP trust) for directors and executive officers

Hirogin Holdings	
FY2020	<ul style="list-style-type: none"> Transition to a holding company structure through sole-share transfer of Hiroshima Bank Adopted the "company with an audit and supervisory committee" organizational format under the Companies Act Established Basic Policy for Corporate Governance Established policies regarding decisions on the details of individual compensation of directors
FY2021	<ul style="list-style-type: none"> Established a skills matrix of directors

Initiatives to enhance effectiveness of the Board of Directors

For the purpose of strengthening its functions, the Board of Directors of the Company strives to further enhance the effectiveness of the Board by analyzing and evaluating its effectiveness every fiscal year in regards

to the composition and operational status of the Board of Directors, based on Directors' self-appraisal, and examining and implementing improvement measures for identified issues.

Plan (Examination and response policy for FY2021 based on the results of analysis and evaluation for FY2020)

1. Measures to sophisticate the deliberations at Board of Directors meetings
2. Measures for streamlining the operation of the Board of Directors

Do (Implementation of measures to enhance effectiveness of the Board of Directors based on the examination and response policy for FY2021)

1. Measures to sophisticate the deliberations at Board of Directors meetings

- In order to deepen strategic discussions on Group management in the Board of Directors, the Board of Directors reviewed the process to formulate a management plan and made free discussions on "important themes in management" after setting the annual schedule.
- In order to promote discussions on the direction of management strategies at Group companies in the Board of Directors, the Board of Directors organized execution presentations delivered by the presidents of Group companies (except for Hiroshima Bank)

Discussion themes of the Board of Directors	
May 2021	Human resource strategies
July 2021	IT strategy
August 2021	Sustainability
	Regulatory easing
October 2021	DX strategy
December 2021	Direction of the management plan for the next year

Execution presentations of Group company presidents	
October 2021	Hirogin Securities
November 2021	Hirogin Lease
	Hirogin IT Solutions
December 2021	Hirogin Capital Partners
	Shimanami Servicer
February 2022	Hirogin Area Design
	Hirogin Human Resources

2. Measures for streamlining the operation of the Board of Directors

- In order to allocate time especially to important issues, the Board of Directors streamlined its operation by separating regular report on business execution, important managerial proposals and other matters and simplifying the briefing of regular report on business execution using a document.

Check (Evaluation and analysis of the Board of Directors' effectiveness in FY2021)

1. Status of maintenance and operation of internal control systems

- Regarding the status of maintenance and operation of internal control systems for FY2021, the Board of Directors received a report at the Board of Directors meeting held in March 2022 and confirmed that there were no issues with effectiveness.

2. Evaluation and analysis of effectiveness of the Board of Directors

- The Board of Directors evaluated and analyzed its effectiveness for FY2021 at the Board of Directors meeting held in April 2022 based on Directors' self-appraisal surveyed in a questionnaire, and confirmed that effectiveness has been secured in the Board of Directors of the Company.
- Regarding issues recognized in the effectiveness evaluation of the Board of Directors in FY2020, in particular, the Board of Directors confirmed that measures to improve them taken throughout FY2021 were all appreciated positively, and that its effectiveness was enhanced throughout FY2021.
- For further enhancement of effectiveness of the Board of Directors for the future, the Board of Directors confirmed that the Board of Directors would continuously take actions to sophisticate the deliberations and streamline the operation of the Board of Directors, and shared the acknowledgement that further initiatives would be required to strengthen dialogues with shareholders and enhance officer training.

Action (Examination and response policy for FY2022 based on the results of analysis and evaluation for FY2021)

1. Measures to sophisticate the deliberations at Board of Directors meetings (continued from FY2021)
2. Measures for streamlining the operation of the Board of Directors (continued from FY2021)
3. Measures to further strengthen dialogues with shareholders (new item to be addressed from FY2022)
4. Measures to further enhance officer training (new item to be addressed from FY2022)

Skills matrix of Directors

In order to identify skills, etc. owned by Directors based on the management strategies of the Company, the Board of Directors of the Company establishes and discloses the skills matrix of Directors based on the de-

liberations at the Group Nomination and Compensation Advisory Committee, and utilizes it when nominating candidates for Directors.

Skills matrix of Directors

Directors					
Name	Position	Experience and expertise			
		Management strategy	Legal affairs/risk management	Business strategy	DX/IT/System
Koji Ikeda	Representative Director and Chairman	●	●	●	●
Toshio Heya	Representative Director and President	●	●	●	●
Kazuo Kiyomune	Director & Senior Managing Executive Officer	●		●	
Akira Ogi	Director & Senior Managing Executive Officer	●		●	●
Fumitsugu Kariyada	Director & Managing Executive Officer	●		●	
Yuji Eki	Director (Audit and Supervisory Committee Member)		●		

External Directors				
Name	Position	Areas of expertise particularly expected		
		Corporate management	Finance/accounting	DX/IT/System
Satoshi Miura	Director (Audit and Supervisory Committee Member)	●		●
Hiroko Tani	Director (Audit and Supervisory Committee Member)		●	
Toshiaki Kitamura	Director (Audit and Supervisory Committee Member)			●

(Note) The above lists do not show all knowledge, experiences, capabilities, etc. possessed by each Director.

Development of successors to management

The Group has put in place 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 91 for details.)

Roles of external Directors and their support system

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.

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.

Officer compensation system

The Company has stipulated policies regarding decisions on the details of individual compensation of Directors 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.

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 described on the left.

■ Policies regarding decisions on the details of individual compensation of 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 The Hiroshima Bank, Ltd., 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

	Fixed amount compensation	Performance-linked compensation	Non-monetary compensation (stock-based compensation*)
Directors (excluding Directors who are Audit and Supervisory Committee Members)	●	●	●
Directors who are Audit and Supervisory Committee Members	●	—	—
Executive officers	●	●	●

* 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.

Cross-shareholdings

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

As a result of evaluations on cross-shareholdings carried out at the Board of Directors meeting in March

2022, 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.

■ Policies regarding cross-shareholdings of listed shares and the exercise of voting rights

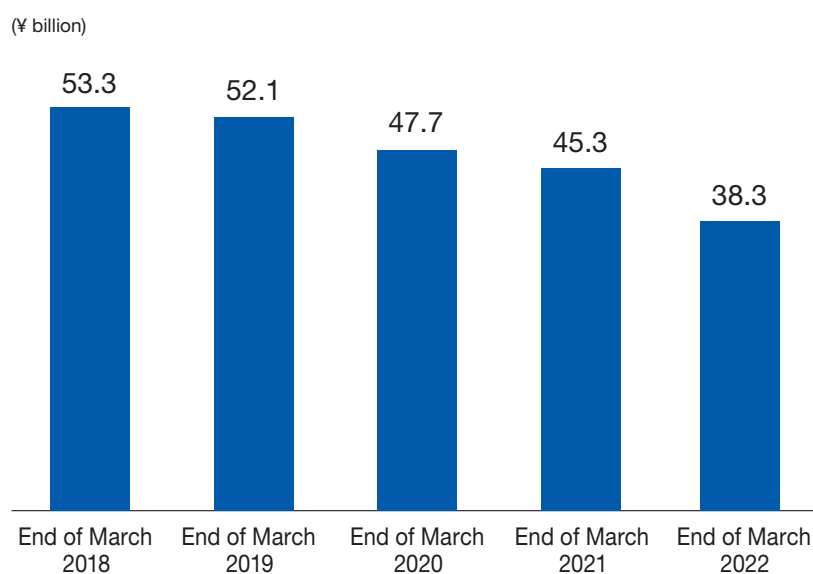
(1) Policies regarding cross-shareholdings of listed shares

- (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 in light of ESG elements, 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

■ Cross-shareholdings of listed shares (based on acquisition cost)





Profile

Born in Onomichi, Hiroshima Prefecture. After serving as Director and Head of Personnel at Nippon Telegraph and Telephone Corporation (NTT), he devoted his efforts toward the reorganization of that company into a pure holding company, and was appointed President of Nippon Telegraph and Telephone East Corporation in 2002. From 2005, he served as Vice President & Representative Director of NTT and Head of its Medium-Term Management Plan Promotion Office and was subsequently appointed as President & CEO in 2007. He was instrumental in achieving Japan's first transition of a company to a holding company structure through large-scale reorganization. He was appointed Chairman of the Board of NTT in 2012 and Special Advisor in 2018, a position he still holds today. He was appointed as an External Director of Hiroshima Bank in 2016, and has served as Director (Audit and Supervisory Committee Member) of Hirogin Holdings since October 2020.

Satoshi Miura External Director

Message from an External Director

Praise for the smoother-than-expected transition to a holding company structure. Toward further common value creation capabilities through the thorough practice of customer-oriented business operations

Effectiveness of Board of Directors

Even viewed from my experience of management to date, I consider Hirogin Holdings' Board of Directors to be highly effective. The composition and specializations of the External Directors are extensive, they offer a wide range of characteristics, and discussions are frank and open, with even the Chair and the President expressing their own opinions.

In terms of involvement in strategies and the like, the Medium-term Management Plan and business plans go through many discussions from the initial drafting stages before they are decided. In addition, we are given opportunities to discuss the individual topics that are set, such as carbon neutrality, human resources strategy, and DX, and the content of those discussions has become extremely profound.

The responsible director or top executive of the Group companies concerned provides briefings on each agenda beforehand, and the detailed contents given at those briefings are conveyed directly at the Board of Directors meetings. I commend the Company for this system, which allows us to debate the agenda items promptly.

As befitting a company with audit and supervisory committee, the reference materials for Board of Directors meetings are prepared in an ingenious way to allow us to confirm the processes to facilitate monitoring, and with key points narrowed down in a concise manner, the materials encourage discussion.

Perceived future issues viewed from the transition to a holding company structure

My view is that the transition to a holding company structure was an excellent opportunity to invigorate discussions from a Group governance perspective and to enhance governance effectiveness. In terms of the effectiveness of business strategies, progress is being made in banking-securities collaboration, cooperation with other subsidiaries, establishment of new subsidiaries, reorganization of intra-Group functions, and personnel exchanges, and the transition has been much smoother than I expected.

As someone who has experience of a transition to a holding company as a management executive, my greatest concern was the balance in the relationship between the holding company and the Group companies. That balance can be difficult to achieve in that, while maintaining a position of fundamentally respecting the independence of the subsidiaries on the one hand, it can be easy to fall into a controlling attitude due to a consciousness of Group governance. Creating new companies within the Group will naturally involve viewpoints different from the bank; indeed, that is the way it should be.

In addition, while there is a tendency to believe that the business domains of the individual subsidiaries should be segregated and not overlap, I personally feel that a slight degree of overlap is just right.

For Hirogin Holdings to maximize its effectiveness, while the companies should all be moving in the same

direction, there is no doubt that it will be crucial to maintain a balance between the subsidiaries' independence and unity within Hirogin Holdings.

To this end, instead of directions coming from foregone conclusions, it is important that the top executives of the companies be willing to talk to each other and communicate as they make and act on decisions. I believe that exchanges of human resources who can come and go between the holding company, the bank, and the various operating companies will be critical.

One day, the directors of the holding company, perhaps even the top executives, may herald from one of the operating companies other than the bank. When that happens, it will be a testament to the way in which Hirogin Holdings has established itself as the Regional Comprehensive Services Group that it aims to become.

The decision to have separate people in the posts of President of the holding company and President of the bank symbolizes the Hirogin Holdings' transition to Phase 2 of its evolution, and it is a manifestation of its consciousness. I hope that the President, Mr. Heya, will take ample time to exchange opinions with the top management of the subsidiaries as he looks toward an appropriate vision for the new era and engages in the development of business.

Roles to be played in the region and perceived issues

The economic scale of the region of Hiroshima and other three prefectures (Okayama, Yamaguchi and Ehime), which is the Group's main sales base, has allowed it to maintain a greater economic strength compared with the national average, and I believe it to be a region with high potential for growth and development. In terms of the region's economic characteristics, given the predominance of manufacturers, which are easily affected by business conditions, in this day and age, it would be impossible to contribute to the region without extensive consulting capabilities. Moreover, Hirogin Group itself needs to take the initiative as a leading company in the region and present highly effective examples, including in areas such as social contributions to the region, including responses to energy issues, and sustainability-oriented management.

The many small and medium enterprises in the region also face issues, such as difficulties in finding successors and recruiting IT experts and other specialist human resources. There are also more problems for retail customers to face in this era of the 100-year life as the birthrate declines and society ages.

For this very reason, the role that Hirogin Holdings must fulfill is the even more thorough pursuit of customer-oriented business operations. It needs to expand its operations base to add more depth to its business and develop human resources who are able to provide consulting services for many different customers. Beyond that, I hope that it will become a company that will produce the kind of people that the region needs, a corporate entity that will be a source of supply of such people.

It is precisely at times of great change that the diversification of human resources is essential. Already in the IT industry, some engineers are earning more than corporate officers, and human resources whose value lies in their specialization are becoming increasingly mobile. To strengthen consulting operations, we need a perspective of developing and recruiting specialists in each area, and there are still many issues that need to be considered, including working styles. There is also a need to open up paths in which specialist human resources can participate actively as generalists. Once these kinds of progressive human resources emerge, it is certain to lead to the leveling up of the company as a whole. As a result, as the saying goes, "A company is its people," Hirogin will develop a corporate character that is able to respond to various changes itself and engage in the creation of new value, which will inevitably lead to the enhancement of corporate value.



Roles of External Directors

I have no objection whatsoever to the Company's current endeavors and aims, but if I may be so bold, there are two issues I would like to see addressed. They are increasing execution speeds and promoting diverse talent to the executive level to work together and proceed with that execution. Companies are living creatures, and there is no one absolute way that organizations or systems should be. For this very reason, so they can change in the optimal way at that time to adapt to their current stage and situation, flexible thinking on the part of the management team, the corporate strength to withstand that change, and shared agreement about the change are all essential. I hope that the Company will take matters forward with decisions that are at once bold and cautious.

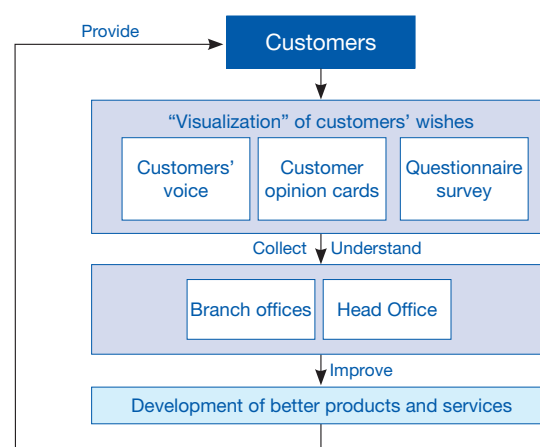
In terms of my own role, first, as I watch over the Company's efforts in its holding company structure, more than my successful experiences in my career in corporate management to date, I believe that my role is to share my failures. In particular, in my experience of involvement in group management, there are many challenges that I left unmet and many causes for reflection. Therefore, I hope to participate seriously in discussions on each occasion from those kinds of perspectives, so that I may contribute to the Company's growth and to the enhancement of its corporate value.

Communication with Stakeholders

Communication with customers

In addition to customers' voice sent to branch offices and the call center mainly of Hiroshima Bank, the Group receives numerous opinions and wishes via customer opinion cards 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 counter-measures.

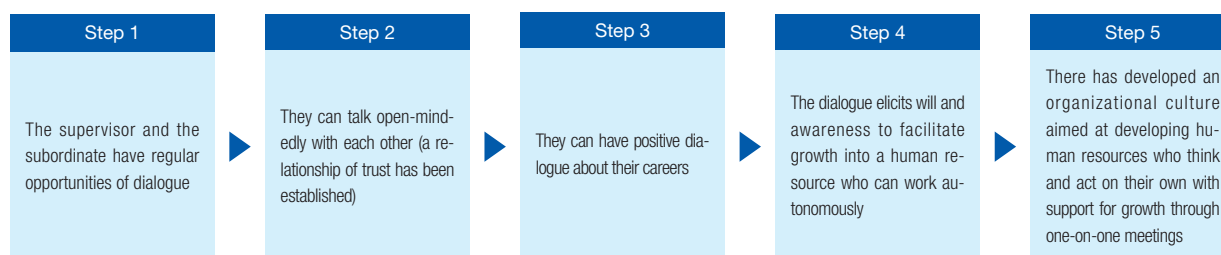


Communication with employees

The Group aims to create a lively organization where all employees can autonomously develop their own careers, demonstrating their abilities and expertise to the fullest while being fully engaged and highly motivated.

As part of these efforts, Hiroshima Bank is promoting interactive communication between supervisors and subordinates to build relations of trust and support their growth, for example, by introducing one-on-one meetings to stimulate communication focused on the ideas and values of individual employees.

Steps for raising the level of communication in one-on-one meetings



Communication with shareholders and investors

Strengthening and enhancing IR activities

We recognize that constructive dialogue with our shareholders is essential for sustainable growth and increasing corporate value over the medium to long term. As part of our efforts to strengthen and enhance our IR activities in view of our shareholder composition, we hold company briefing sessions for institutional investors and individual investors, as well as individual meetings with shareholders in Japan and overseas.

The comments and requests from shareholders, other market participants and stakeholders are

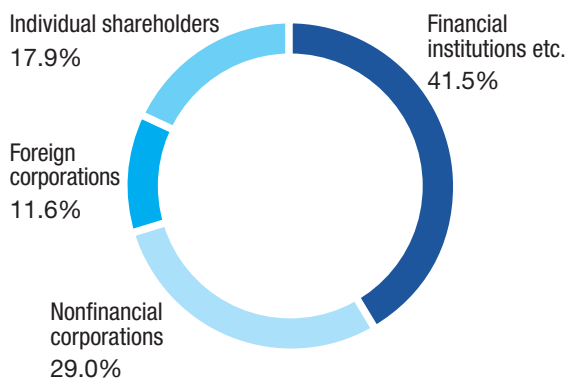
appropriately fed back to the Board of Directors and senior management as input for business management, and are also shared widely within the Group to improve our services and performance.

IR activities in FY2021

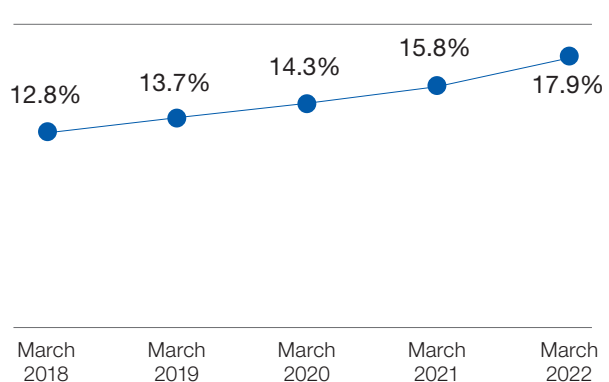
Briefing sessions for institutional investors	2 sessions
Individual meetings with institutional investors	13 meetings (including one with an overseas investor)
Briefing sessions for individual investors	2 sessions (web live)

Distribution of shares (end of March 2022)

[Percentage of shares held by unit shareholders]



[Percentage of shares held by individual unit shareholders]



Shareholder benefits

To express appreciation for our shareholders' support as well as to increase the attractiveness of investing in our shares to invite more people to hold our shares, the Company offers a shareholder benefit system.

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

of March 31 every year are eligible to choose from the following benefit options: (1) Time deposit course/catalog gift of local products/gift card, (2) two tickets for Hiroshima Museum of Art, and (3) the right to participate in the drawing to win tickets for the three major professional sports events and concerts in Hiroshima.

Time deposit course/catalog gift of local products/ gift card (reference date: March 31, 2022)

Name of course		Number of shares held			
		100 shares – below 500 shares	500 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 0.10% to the interest rate presented at branches	Additional 0.30% to the interest rate presented at branches
	Length of time-deposit	—	—	One year	One year
	Upper limit	—	—	¥5 million	¥5 million
Catalog gift of local products/ Gift card	Details of privileges* ²	Gift card worth ¥500	Gift card worth ¥1,000	Catalog gift equivalent to ¥5,000	Catalog gift equivalent to ¥15,000

*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 The privileges for the catalog gift of local products include shipping and other miscellaneous fees.

Communication with regional community

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.

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.

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.

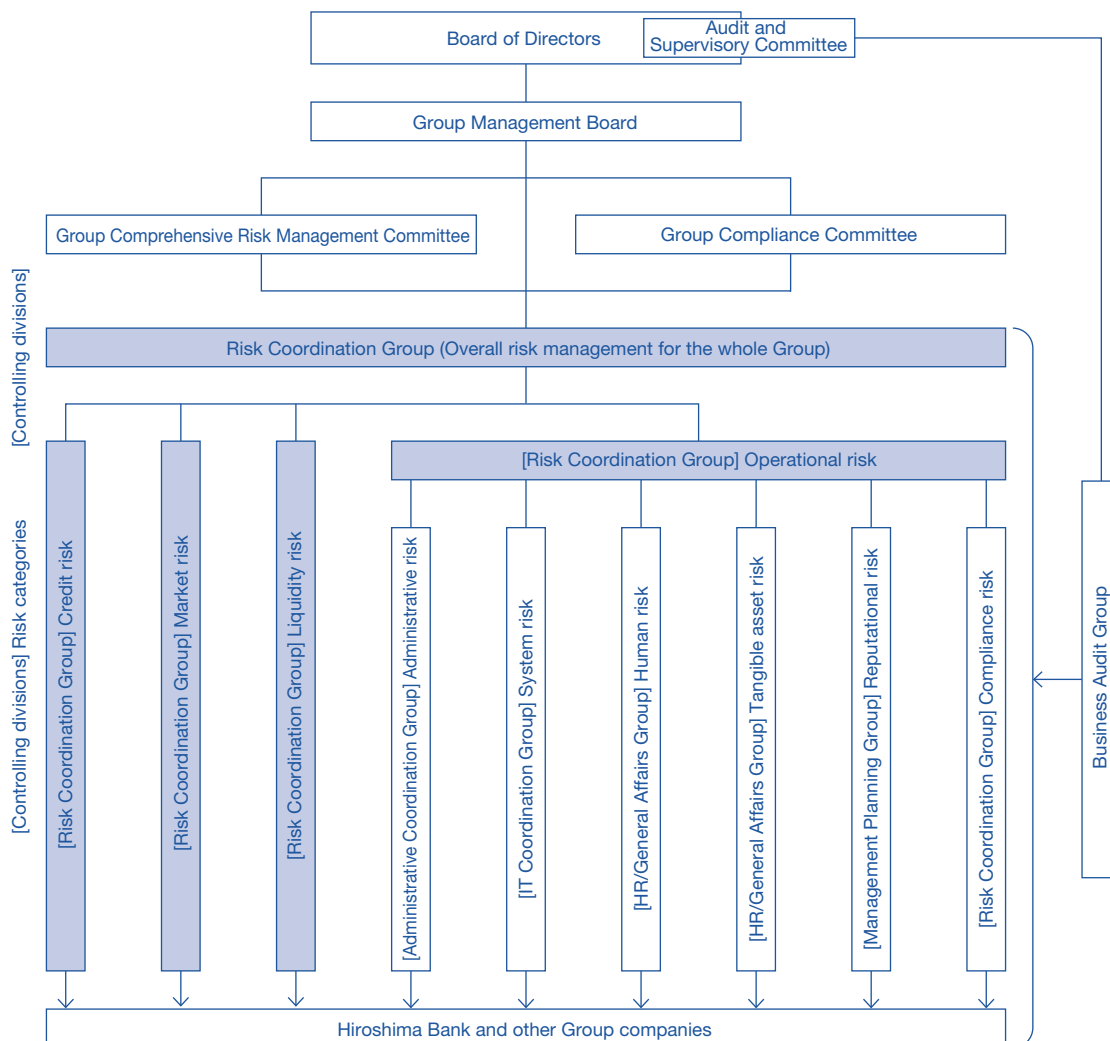
Risk management framework

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, 2022)



Risk appetite framework

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

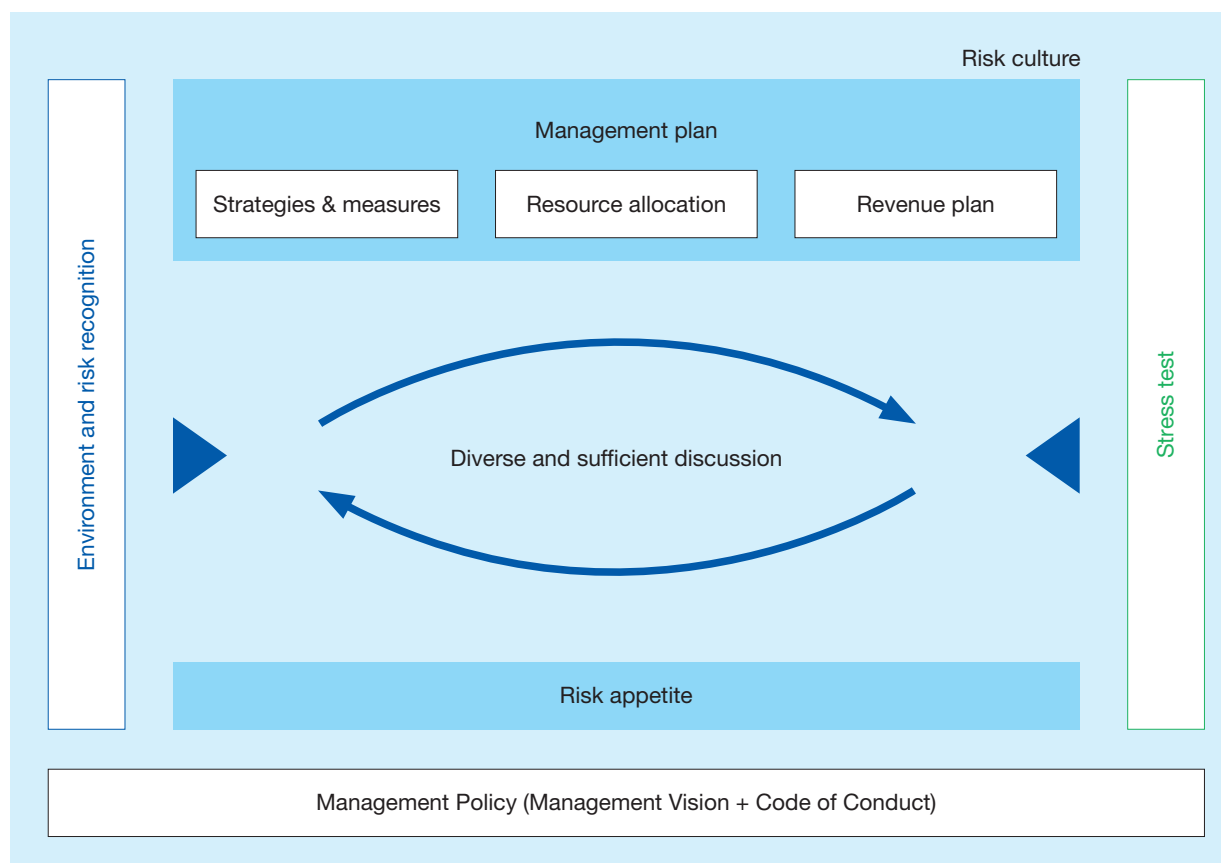
decision-making related to risk recognition, risk-taking, risk management, etc., and that it is a factor to base for building strong risk governance. Based on that recognition, the Group has established the Hirogin Group's Risk Culture, while ensuring consistency with its Code of Conduct.

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

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.



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.

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.

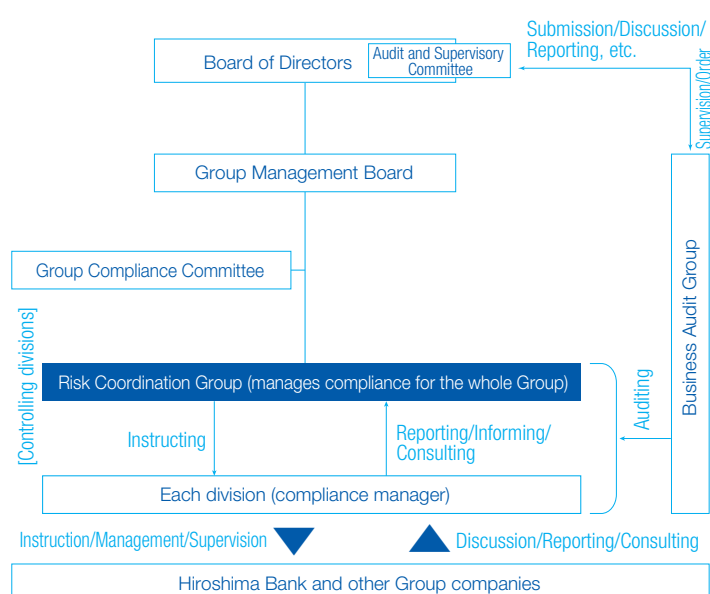
Compliance structure

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

In addition, compliance managers have been placed in divisions and branches of each Group company to exchange legal information and monitor daily compliance status. The Group is also continuously striving to strengthen a central management system relating to compliance and management functions through the Risk Coordination Group.

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

■ Compliance structure (as of April 1, 2022)



Compliance program

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 by the Board of Directors every quarter. While striving to identify and solve problems, the Group has been making persistent efforts for putting high-level compliance into practice.

Customer Protection Management

Basic approach

Fully aware of its social responsibility and public mission, the Group strictly observes all laws, regulations, and rules, and conducts its business honestly and fairly

from the customers' viewpoint in accordance with social norms to protect customers and provide greater convenience to them.

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 the 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 notification of the purpose of use of personal data, disclosure (including disclosure of records of provision to third parties), correction, or suspension of use of personal information is requested by a customer, the Group responds to the request after verifying the customer's identification.

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.

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 achieving our

management plan by adding values to and improving the Group's operation.

Internal audit system

The Group has established internal audit departments independent of audited departments, which perform appropriate checks and balances, 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 under audit, 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.

Hirogin Holdings

The Company has established the Business Audit Division, which is independent from audited departments 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 audited departments.

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 summarizes the results

of internal audits 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 receives reports on internal audit results from Group companies, monitors and examines internal control systems and the status of internal audits of Group companies, and gives instructions or takes other measures if necessary.

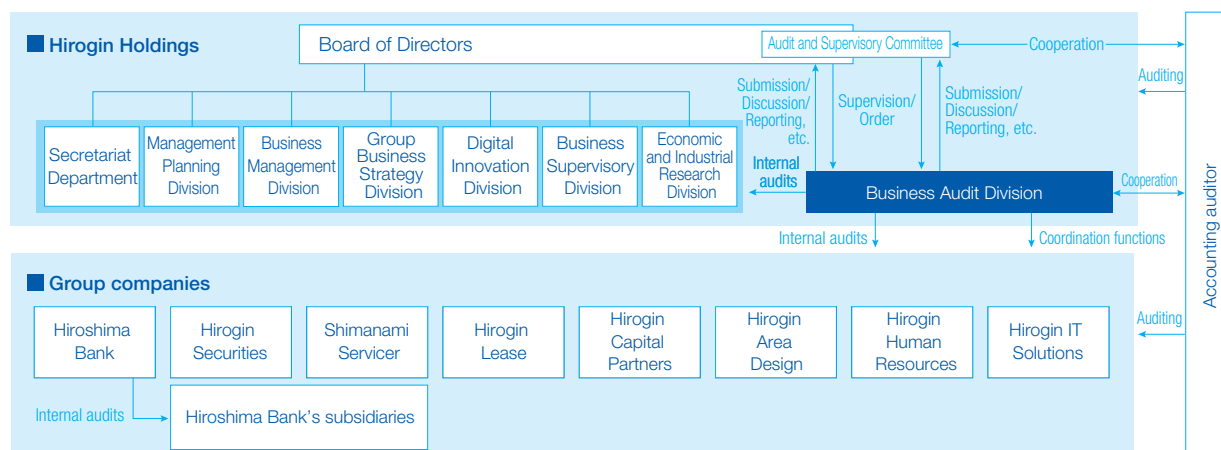
Group companies

At the Group's major subsidiaries such as Hiroshima Bank as well, internal audit departments independent from audited departments 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 of the Company and other Group companies on a regular basis.

Internal control system (as of April 1, 2022)



Board of Directors and Executive Officers

(As of June 24, 2022)

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
 October 2020 Chairman (Representative Director), the Company (current position)
 April 2022 Chairman, Hiroshima Bank (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
 October 2020 President (Representative Director), the Company (current position)
 April 2022 Director, Hiroshima Bank (retired on June 24, 2022)



Kazuo Kiyomune

Director & Senior 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
 October 2020 Director & Managing Executive Officer, the Company
 April 2022 Director & Senior Managing Executive Officer, Hiroshima Bank (current position)
 President (Representative Director), Hiroshima Bank (current position)



Akiraa 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
 October 2020 Director & Senior Managing Executive Officer, the Company (current position)
 April 2022 Director & Senior Managing Executive Officer (Representative Director), Hiroshima Bank (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, Furuchi 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)



Satoshi Miura

External

Director (Audit and Supervisory Committee Member)

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)



Hiroko Tani

External

Director (Audit and Supervisory Committee Member)

August 1989 Registered as a certified public accountant
 June 2004 Employee of KPMG AZSA & Co. (currently KPMG AZSA LLC)
 July 2018 Representative, Tani Certified Public Accountant Office (current position)
 July 2019 Representative Partner, Choshu Audit Corporation (retired on June 30, 2022)
 June 2020 External Member of the Board of Directors (Audit & Supervisory Committee Member), Kyushu Electric Power Co., Inc. (retired on June 28, 2022)
 June 2022 Director (Audit and Supervisory Committee Member), the Company (current position)



Toshiaki Kitamura

External

Director (Audit and Supervisory Committee Member)

April 1983 Joined Fujitsu Limited
 July 2000 Associate Professor, Center for Information and Multimedia Studies, Kyoto University
 April 2002 Professor, Department of Computer and Network Engineering, Faculty of Information Sciences, Hiroshima City University
 April 2014 Guest Senior Researcher, Green Computing Systems Research Organization, Waseda University (Guest Professor, Research Council) (current position)
 June 2016 Fellow, Oscar Technology Corporation
 July 2016 Professor emeritus, Hiroshima City University (current position)
 June 2022 Director (Audit and Supervisory Committee Member), the Company (current position)

Executive Officers

Shinichi Fukamachi
 Managing Executive Officer

Shinichi Yokomi
 Managing Executive Officer

Kenichiro Fujii
 Executive Officer

Susumu Kodama
 Executive Officer

Website Links

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>)



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

Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2022

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	2022	2022
ASSETS			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,580,736	¥ 2,577,627	\$21,061
Call loans and bills purchased (Note 22)	942	5,899	48
Monetary claims bought (Notes 4 and 22)	7,533	8,000	65
Trading assets (Notes 4 and 22)	6,501	7,577	62
Money held in trust (Notes 5 and 22)	45,727	42,415	347
Securities (Notes 4, 6, 7, 10 and 22)	1,479,829	1,668,228	13,630
Loans and bills discounted (Notes 6, 7, 8 and 22)	6,480,841	6,901,858	56,392
Foreign exchanges (Note 6)	15,463	11,468	94
Lease receivables and investments in lease assets	60,231	63,275	517
Other assets (Notes 6, 7 and 22)	129,018	137,159	1,121
Tangible fixed assets (Note 15)	110,904	107,359	877
Intangible fixed assets	9,308	9,025	74
Net defined benefit assets (Note 17)	85,864	58,164	475
Deferred tax assets (Note 18)	1,487	6,060	50
Customers' liabilities for acceptances and guarantees (Note 6)	36,251	38,859	318
Reserve for possible loan losses (Note 22)	(41,072)	(39,070)	(319)
Total assets	¥11,009,572	¥11,603,909	\$94,811
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 7 and 22)	¥ 8,670,076	¥ 9,067,878	\$74,090
Payables under repurchase agreements (Notes 7 and 22)	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	382,445	448,183	3,662
Trading liabilities	3,607	4,848	40
Borrowed money (Notes 7, 9 and 22)	1,024,872	1,201,839	9,820
Foreign exchanges	1,985	2,714	22
Due to trust account	47	51	0
Other liabilities (Notes 9 and 22)	90,468	97,409	796
Net defined benefit liabilities (Note 17)	670	697	6
Reserve for retirement benefits of directors and Audit & Supervisory Board members	96	130	1
Reserve for reimbursement of deposits	1,745	1,110	9
Reserve for point loyalty programs	137	150	1
Reserve for stock payments	609	799	7
Reserve for dismantling costs for fixed assets	768	307	3
Reserve under Special Laws	28	28	0
Deferred tax liabilities (Note 18)	9,588	—	—
Deferred tax liabilities for land revaluation reserve	13,605	13,241	108
Acceptances and guarantees	36,251	38,859	318
Total liabilities	¥10,492,691	¥11,107,708	\$90,757
Net Assets (Note 11):			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 490
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	206
Retained earnings	361,215	377,217	3,082
Common stock in treasury	(1,311)	(1,237)	(10)
Total stockholders' equity	¥ 445,112	¥ 461,189	\$ 3,768
Net unrealized holding gains on available-for-sale securities (Note 4)	¥ 27,327	¥ 1,367	\$ 11
Net deferred gains (losses) on hedging instruments	(1,938)	908	7
Land revaluation reserve	27,781	26,993	221
Remeasurements of defined benefit plans	18,348	5,476	45
Total accumulated other comprehensive income	¥ 71,519	¥ 34,745	\$ 284
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	121	138	1
Total net assets	¥ 516,880	¥ 496,200	\$ 4,054
Total liabilities and net assets	¥11,009,572	¥11,603,909	\$94,811

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 58,839	¥ 57,085	\$ 466
Interest and dividends on securities	10,132	11,959	98
Other interest income	2,418	4,454	36
Trust fees	128	178	1
Fees and commissions	28,852	33,624	275
Trading income	4,134	4,305	35
Other operating income	5,552	28,018	229
Other income	5,900	14,817	121
Total income	¥ 115,959	¥ 154,443	\$ 1,262
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,291	¥ 878	\$ 7
Interest on borrowings and rediscounts	1,121	843	7
Other interest expenses	2,172	2,241	18
Fees and commissions	9,456	12,686	104
Other operating expenses	797	30,957	253
General and administrative expenses (Note 12)	57,800	58,031	474
Other expenses (Note 13)	12,386	15,877	130
Total expenses	¥ 85,025	¥ 121,517	\$ 993
Income before income taxes	¥ 30,934	¥ 32,926	\$ 269
Income taxes (Note 18):			
Current income taxes	¥ 10,360	¥ 8,296	\$ 68
Deferred income taxes	(1,000)	1,687	14
Total income taxes	¥ 9,360	¥ 9,984	\$ 82
Net income	¥ 21,574	¥ 22,942	\$ 187
Net income attributable to noncontrolling interests	¥ —	¥ 36	\$ 0
Net income attributable to owners of the parent	¥ 21,574	¥ 22,906	\$ 187

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 26):		
Net assets	¥1,664.01	¥1,596.79
Net income	69.26	73.75
Diluted net income	69.22	73.71
Cash dividends applicable to the year (Note 11)	24.00	24.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Net income	¥21,574	¥ 22,942	\$ 187
Other comprehensive income (Note 24):			
Net unrealized holding gains (losses) on available-for-sale securities	12,322	(25,960)	(212)
Net deferred gains on hedging instruments	3,086	3,073	25
Remeasurements of defined benefit plans	6,264	(12,872)	(105)
Share of other comprehensive loss of an affiliated company accounted for by the equity method	(4)	—	—
Total other comprehensive income	¥21,668	¥(35,759)	\$(292)
Comprehensive income	¥43,243	¥(12,817)	\$(105)
Attributable to:			
Comprehensive income attributable to owners of the parent	¥43,243	¥(12,853)	\$(105)
Comprehensive income attributable to noncontrolling interests	—	36	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

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

Item	Millions of yen				
	2022				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥361,215	¥(1,311)	¥445,112
Cumulative effects of accounting changes			(195)		(195)
Balance at the beginning of current period (restated)	¥60,000	¥25,209	¥361,020	¥(1,311)	¥444,917
Changes of items during the period					
Dividends from surplus			(7,496)		(7,496)
Net income attributable to owners of the parent			22,906		22,906
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury		0		75	75
Reversal of land revaluation reserve			788		788
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	16,197	74	16,271
Balance at the end of current period	¥60,000	¥25,209	¥377,217	¥(1,237)	¥461,189

Item	Millions of yen							
	2022							
	Accumulated other comprehensive income							
	Net unrealized holding gains on available-for-sale securities	Net deferred gains (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	¥ 27,327	¥(1,938)	¥27,781	¥ 18,348	¥ 71,519	¥126	¥121	¥516,880
Cumulative effects of accounting changes		(225)			(225)			(421)
Balance at the beginning of current period (restated)	¥ 27,327	¥(2,164)	¥27,781	¥ 18,348	¥ 71,293	¥126	¥121	¥516,459
Changes of items during the period								
Dividends from surplus								(7,496)
Net income attributable to owners of the parent								22,906
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								75
Reversal of land revaluation reserve								788
Net changes of items other than stockholders' equity	(25,960)	3,073	(788)	(12,872)	(36,547)	—	16	(36,530)
Total changes of items during the period	(25,960)	3,073	(788)	(12,872)	(36,547)	—	16	(20,258)
Balance at the end of current period	¥ 1,367	¥ 908	¥26,993	¥ 5,476	¥ 34,745	¥126	¥138	¥496,200

Millions of U.S. dollars (Note 1)					
2022					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$490	\$206	\$2,951	\$(11)	\$3,637
Cumulative effects of accounting changes			(2)		(2)
Balance at the beginning of current period (restated)	\$490	\$206	\$2,950	\$(11)	\$3,635
Changes of items during the period					
Dividends from surplus			(61)		(61)
Net income attributable to owners of the parent			187		187
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury		0		1	1
Reversal of land revaluation reserve			6		6
Net changes of items other than stockholders' equity					
Total changes of items during the period		0	132	1	133
Balance at the end of current period	\$490	\$206	\$3,082	\$(10)	\$3,768

Millions of U.S. dollars (Note 1)								
2022								
Accumulated other comprehensive income								
Item	Net unrealized holding gains on available-for-sale securities	Net deferred gains (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	\$ 223	\$(16)	\$227	\$ 150	\$ 584	\$1	\$1	\$4,223
Cumulative effects of accounting changes		(2)			(2)			(3)
Balance at the beginning of current period (restated)	\$ 223	\$(18)	\$227	\$ 150	\$ 583	\$1	\$1	\$4,220
Changes of items during the period								
Dividends from surplus								(61)
Net income attributable to owners of the parent								187
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								1
Reversal of land revaluation reserve								6
Net changes of items other than stockholders' equity	(212)	25	(6)	(105)	(299)	—	0	(298)
Total changes of items during the period	(212)	25	(6)	(105)	(299)	—	0	(166)
Balance at the end of current period	\$ 11	\$ 7	\$221	\$ 45	\$ 284	\$1	\$1	\$4,054

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes	¥ 30,934	¥ 32,926	\$ 269
Depreciation of fixed assets	4,709	6,052	49
Impairment losses on fixed assets	439	2,272	19
Gain on return of retirement benefit trust	—	(7,035)	(57)
Share of profit of an affiliated company accounted for by the equity method	(181)	—	—
Gain on step acquisition	(86)	—	—
Net change in reserve for possible loan losses	6,853	(2,002)	(16)
Net change in net defined benefit assets	(15,011)	34,736	284
Net change in net defined benefit liabilities	3	27	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	9	34	0
Net change in reserve for reimbursement of deposits	(785)	(635)	(5)
Net change in reserve for point loyalty programs	(4)	12	0
Net change in reserve for stock payments	61	190	2
Net change in reserve under special laws	(9)	(0)	(0)
Net change in reserve for dismantling costs for fixed assets	(408)	(461)	(4)
Interest income	(71,390)	(73,499)	(601)
Interest expense	4,585	3,963	32
Net gains on securities transactions	(7,730)	2,157	18
Net losses on dispositions of fixed assets	135	(1,092)	(9)
Net change in trading assets	(260)	(1,075)	(9)
Net change in trading liabilities	(206)	1,240	10
Net change in loans	(61,449)	(421,016)	(3,440)
Net change in deposits	982,239	397,802	3,250
Net change in borrowed money excluding subordinated loans	383,836	191,966	1,568
Net change in due from banks other than from the Bank of Japan	(1,192)	(943)	(8)
Net change in call loans and bills purchased	6,056	(5,424)	(44)
Net change in call money and bills sold	76,264	(26,228)	(214)
Net change in deposits received for bonds lending/borrowing transactions	61,437	65,737	537
Net change in foreign exchanges (assets)	19,526	3,994	33
Net change in foreign exchanges (liabilities)	(1,516)	729	6
Amortization of goodwill	—	135	1
Interest received	77,497	78,205	639
Interest paid	(4,794)	(4,051)	(33)
Other – net	5,579	(50,254)	(411)
Subtotal	1,495,141	228,464	1,867
Income taxes paid	(8,803)	(11,574)	(95)
Net cash provided by operating activities	1,486,338	216,889	1,772
Cash flows from investing activities:			
Purchases of securities	(831,611)	(921,805)	(7,532)
Proceeds from sales of securities	430,328	597,047	4,878
Proceeds from redemption of securities	88,936	126,735	1,036
Increase in money held in trust	(35,811)	(7)	(0)
Decrease in money held in trust	8	3,004	25
Purchases of tangible fixed assets	(19,977)	(5,211)	(43)
Purchases of intangible fixed assets	(2,342)	(2,706)	(22)
Proceeds from sales of tangible fixed assets	799	4,752	39
Payments for retirement of tangible fixed assets	(14)	(97)	(1)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(719)	(39)	(0)
Net cash used in investing activities	(370,404)	(198,327)	(1,620)
Cash flows from financing activities:			
Repayments of subordinated borrowings	—	(15,000)	(123)
Dividends paid	(7,957)	(7,509)	(61)
Dividends paid to noncontrolling interests	—	(19)	(0)
Purchases of treasury stock	(789)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Payments of lease liabilities	(564)	(107)	(1)
Net cash used in financing activities	(9,312)	(22,637)	(185)
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	23	0
Net change in cash and cash equivalents	1,106,606	(4,052)	(33)
Cash and cash equivalents at the beginning of year	1,463,401	2,570,007	20,999
Cash and cash equivalents at the end of year (Note 14)	¥2,570,007	¥2,565,955	\$20,965

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2022

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. 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 for the year ended March 31, 2021.

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, 2022, which was ¥122.39 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 thirteen (ten in 2021) subsidiaries (collectively the "Group") for the year ended March 31, 2022.

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.

On April 1, 2021, Hirogin Human Resource Co., Ltd. and Hirogin Area Design Co., Ltd. were newly incorporated and have been included in the scope of consolidation from the year ended March 31, 2022.

Furthermore, Hirogin Human Resource Co., Ltd., which is a consolidated subsidiary of the Company, acquired shares of Mighty Net Plus Co., Ltd. on March 31, 2022 and made the company its subsidiary. Accordingly, the company has been included in the scope of consolidation from the year ended March 31, 2022.

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 affiliated company which is accounted for using the equity method as of March 31, 2022.

There are two affiliated companies which are 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 two affiliated companies 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 three consolidated subsidiaries is amortized using the straight-line method over a period of five years.

As of March 31, 2022, the fiscal year ending dates are March 31 for thirteen 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.

However, equity securities, etc. which do not have a market price 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.

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 March 17, 2022) 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, March 17, 2022) 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 and 2022 amounted to ¥46,747 million and ¥47,646 million (\$389 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$104 million) as of March 31, 2021 and 2022, respectively.

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 revalued pursuant to Article 10 of the Act as of March 31, 2021 and 2022 was ¥22,207 million and ¥21,606 million (\$177 million), respectively.

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 and 2022 were ¥18,863 million and ¥30,861 million (\$252 million), respectively.

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, 2022 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 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.

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 current year, 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 consolidated subsidiaries engaged in the banking business 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 and 2022

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Reserve for possible loan losses	¥41,072	¥39,070	\$319
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	(¥38,881)	(¥36,864)	(\$301)

(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, 2022

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

As of March 31, 2022, no modification was made as a result of the consideration of necessary modification such as future projections, in computing the expected loan loss rate.

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, 2022

On the premise that there is a certain correlation between the historical loan loss rate and the future expected loan loss rate, 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 rate computed based on the historical loss rate.

With respect to debtors for which loan conditions were restructured and whose financial conditions are deteriorated after the lapse of a certain period of time, assumptions have been revised to the effect that credit risk is highly likely to increase in the future.

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.

As of March 31, 2021, the Company assumed that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future. Reserve for possible loan losses was 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 consolidated

subsidiaries engaged in the banking business and other financial institutions, although there might be some impacts on certain industries.

As of March 31, 2022, although such assumption is not significantly changed, with respect to debtors in specific industries that are significantly impacted by the spread of COVID-19, assumptions have been revised to the effect that credit risk is highly likely to increase in the future.

The Company, in consideration of the economic environment and changes in internal credit rating for the year ended March 31, 2022, has recorded the reserve for possible loan losses, making additional estimates for losses expected to be incurred in the future with respect to certain debtors belonging to the specific industries according to the level of impacts of the spread of COVID-19 on business performance and the degree of outlook of recovery after the containment of the pandemic.

- 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 rate 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.

Accounting changes

Adoption of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the year ended March 31, 2022. The Company has decided to recognize revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the provision to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the year ended March 31, 2022, with the new accounting policies applied from the beginning balance. There is no impact on the beginning balance of retained earnings.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous period are not presented.

Adoption of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") from the beginning of the year ended March 31, 2022 and changed the method of adjusting fair value in fair value measurement of derivatives in accordance with Paragraph 8 of the Fair Value Measurement Standard to the method of making best use of observable inputs estimated from derivatives, etc. traded in the market. Such change is associated with the application of the Fair Value Measurement Standard, and the Company reflects cumulative effects of retroactive application of the new accounting policy prior to the beginning of the year ended March 31, 2022 in retained earnings, etc. at the beginning of the year ended March 31, 2022, in accordance with the transitional treatment provided for in the additional provision under Paragraph 20 of the Fair Value Measurement Standard.

As a result, at the beginning of the year ended March 31, 2022, retained earnings decreased by ¥195 million (\$2 million), trading assets increased by ¥31 million (\$0 million), other assets decreased by ¥11 million (\$0 million), trading liabilities increased by ¥211 million (\$2 million), other liabilities increased by ¥418 million (\$3 million), deferred tax liabilities decreased by ¥189 million (\$2 million), net deferred gains on hedging instruments decreased by ¥225 million (\$2 million) and net assets per share decreased by ¥1.35 (\$0.01).

In addition, the Company has decided to include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous period are not presented.

Unapplied new accounting standards

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The treatments on fair value measurement of investment trust and related notes and the treatments on notes of fair value of investment in partnerships to be recorded in a net amount equivalent to equity interests in the balance sheet have been defined.

(2) Date of adoption

This guidance is scheduled to be applied from the beginning of the year ending March 31, 2023.

(3) The effect of adopting the accounting standards, etc.

The effect of adopting the accounting standards, etc. is under evaluation.

Changes in accounting estimates

Regarding borrowers whose loan conditions were restructured, the consolidated subsidiaries engaged in banking business decided that a reserve for possible loan losses shall be computed under the assumptions that credit risk is highly likely to increase in the future for those who satisfy certain requirements of financial conditions, etc. after the lapse of a certain period of time and for those in specified industries that are significantly impacted by COVID-19.

In addition, with respect to possibly bankrupt borrowers and borrowers of restructured loans (excluding debtors with more than certain amount of unsecured credits granted), the said certain past period of actual bad debt ratio based on bad debts for three years had been assumed to be 5 years or 10 years at the end of the previous year, but from the year ended March 31, 2022, the Company has decided to calculate a reserve for possible loan losses after making necessary adjustments such as future prospects on a loss rate, which is computed by comparative study after adding long-term calculation period that takes into account business cycle.

As a result of this change in accounting estimates, reserve for possible loan losses at March 31, 2022 and provision for possible loan losses for the year ended March 31, 2022 increased by ¥7,549 million (\$62 million), respectively, and accordingly, income before income taxes decreased by ¥7,549 million (\$62 million) for the year ended March 31, 2022.

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 and ¥1,235 million (\$10 million) at March 31, 2021 and 2022, respectively.
3. The number of the shares of the Company remaining in the trust is 1,895 thousand and 1,786 thousand shares at March 31, 2021 and 2022, respectively.

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 and 2022 are as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Equity securities	¥ 3	¥ 33	\$ 0
Investments in capital	3,850	5,207	43

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2021 and 2022:

a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Amount of net unrealized gains included in the consolidated statement of income	¥1	¥(4)	\$(0)

b) Available-for-sale securities:

March 31, 2021	Millions of yen		
Carrying amount exceeding acquisition 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 acquisition 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

March 31, 2022	Millions of yen		
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 64,037	¥ 25,921	¥ 38,116
Bonds:	170,181	168,910	1,270
National government bonds	48,127	47,804	322
Local government bonds	61,457	61,040	416
Corporate bonds	60,597	60,065	531
Others	44,554	42,309	2,244
Subtotal	278,774	237,142	41,631

Carrying amount not exceeding acquisition cost:			
Equity securities	39,053	45,472	(6,418)
Bonds:	875,833	888,381	(12,548)
National government bonds	452,297	461,076	(8,779)
Local government bonds	202,478	204,606	(2,128)
Corporate bonds	221,057	222,698	(1,640)
Others	462,023	483,205	(21,182)
Subtotal	1,376,910	1,417,059	(40,149)
Total	¥1,655,684	¥1,654,202	¥ 1,482

March 31, 2022	Millions of U.S. dollars		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	\$ 523	\$ 212	\$ 311
Bonds:	1,390	1,380	10
National government bonds	393	391	3
Local government bonds	502	499	3
Corporate bonds	495	491	4
Others	364	346	18
Subtotal	2,278	1,938	340

Carrying amount not exceeding acquisition cost:			
Equity securities	319	372	(52)
Bonds:	7,156	7,259	(103)
National government bonds	3,696	3,767	(72)
Local government bonds	1,654	1,672	(17)
Corporate bonds	1,806	1,820	(13)
Others	3,775	3,948	(173)
Subtotal	11,250	11,578	(328)
Total	\$13,528	\$13,516	\$ 12

c) Held-to-maturity debt securities

There were no held-to-maturity debt securities acquired or sold during the years ended March 31, 2021 and 2022.

(3) Available-for-sale securities sold during the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2021			
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

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2022			
Equity securities	¥ 4,911	¥ 2,110	¥ 295
Bonds:	168,796	2,518	2,482
National government bonds	161,027	2,516	2,371
Local government bonds	—	—	—
Corporate bonds	7,769	2	110
Others	426,765	6,021	9,477
Total	¥600,474	¥10,651	¥12,255

	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2022			
Equity securities	\$ 40	\$17	\$ 2
Bonds:	1,379	21	20
National government bonds	1,316	21	19
Local government bonds	—	—	—
Corporate bonds	63	0	1
Others	3,487	49	77
Total	\$4,906	\$87	\$100

(4) Securities whose holding purpose was reclassified

There were no securities whose holding purpose was reclassified during the years ended March 31, 2021 and 2022.

(5) Impairment of securities

No impairment losses were recognized on securities for the year ended March 31, 2021.

Impairment losses in an amount of ¥525 million (\$4 million) were recognized on equity securities for the year ended March 31, 2022.

(6) Net unrealized holding gains on available-for-sale securities and other money held in trust at March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
March 31			
Net unrealized holding gains (losses):			
Available-for-sale securities	¥ 38,750	¥ 1,482	\$ 12
Other money held in trust	(46)	(361)	(3)
	38,703	1,121	9
Deferred tax assets	2,463	9,481	77
Deferred tax liabilities	(13,839)	(9,234)	(75)
Net unrealized holding gains on available-for-sale securities	¥ 27,327	¥ 1,367	\$ 11

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 and 2022.

(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 and 2022.

(3) Other money held in trust

Millions of yen					
March 31, 2021	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 yen					
March 31, 2022	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥42,415	¥42,777	¥(361)	¥99	¥460

Millions of U.S. dollars					
March 31, 2022	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$347	\$350	\$(3)	\$1	\$4

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 and 2022 is ¥20,891 million and ¥21,925 million (\$179 million), respectively.

6 Loans and bills discounted

(1) Non-performing loans

Loans based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in "Securities" in the consolidated balance sheet (limited to those for which the whole or part of the redemption of the principal and payment of interest is guaranteed and the issuance of such corporate bonds is through private placement of the securities (as provided for in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act)), loans, foreign exchanges, those which are included in the accounts of accrued interest and temporary payments under other assets, customers' liabilities for acceptances and guarantees, etc.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 7,241	¥ 7,999	\$ 65
Risk loans	55,252	37,271	305
Loans which need control	28,716	40,126	328
Delinquent loans past due over three months	4,160	3,601	29
Restructured loans	24,556	36,525	298
Subtotal	91,210	85,398	698
Normal loans	6,474,418	6,906,812	56,433
Total	¥6,565,629	¥6,992,210	\$57,131

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to reasons such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, petition for rehabilitation proceedings.

Risk loans are loans for which it is highly unlikely to be able to collect the principal and interest according to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Delinquent loans past due over three months are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or risk loans.

Restructured loans are loans on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, providing a grace period for the payment of principal or interest, or loan forgiveness, and which are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

(Change in presentation method)

Following the enforcement of the “Cabinet Office Ordinance for Partial Revisions of Regulation for Enforcement of the Banking Act” (Cabinet Office Ordinance No. 3, January 24, 2020) effective on March 31, 2022, the categories of “Risk management loans” of the Banking Act are presented in accordance with the disclosure requirements based on the Act on Emergency Measures for the Revitalization of the Financial Functions.

(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 and ¥17,039 million (\$139 million) at March 31, 2021 and 2022, respectively.

7 Assets pledged

At March 31, 2021 and 2022, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Securities	¥1,029,487	¥1,028,256	\$ 8,401
Loans and bills discounted	912,545	1,291,274	10,550
Other assets	1,119	1,218	10
Total	¥1,943,152	¥2,320,749	\$18,962

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deposits	¥ 1,668	¥ 1,659	\$ 14
Payables under repurchase agreements	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions	382,445	448,183	3,662
Borrowed money	968,132	1,153,966	9,429

In addition, securities and other assets not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Securities	¥ —	¥ 2,118	\$ 17
Other assets	50,000	50,000	409

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deposits for financial instruments	¥31,843	¥38,762	\$317
Security deposits	2,373	2,188	18
Deposits for future trading	552	551	5

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 and ¥19,881 million (\$162 million) at March 31, 2021 and 2022, respectively.

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 and ¥5 million (\$0 million) at March 31, 2021 and 2022, respectively.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the consolidated subsidiaries engaged in the banking business lend 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 and ¥1,874,438 million (\$15,315 million) relating to these contracts at March 31, 2021 and 2022, respectively. 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 and ¥1,766,592 million (\$14,434 million) at March 31, 2021 and 2022, respectively.

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 consolidated subsidiaries engaged in the banking business 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 consolidated subsidiaries engaged in the banking business obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the consolidated subsidiaries engaged in the banking business perform 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 and nil at March 31, 2021 and 2022, respectively.

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2057 was 0.01%. 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, 2022 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
2023	¥591,099	\$4,830	¥73	\$1
2024	335,092	2,738	69	1
2025	151,763	1,240	67	1
2026	86,666	708	67	1
2027	3,624	30	62	1

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in "Securities" was ¥41,545 million and ¥44,277 million (\$362 million) at March 31, 2021 and 2022, respectively.

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, 2022 include the amount representing the year-end cash dividend of ¥3,748 million (\$31 million), ¥12.00 (\$0.10) per share, which was approved at the Board of Directors' meeting held on May 13, 2022.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥25,202 million and ¥26,451 million (\$216 million) for the years ended March 31, 2021 and 2022, respectively.

13 Other expenses

Other expenses for the years ended March 31, 2021 and 2022 include the following:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Loss on sales of equity securities, etc.	¥ 143	¥ 343	\$ 3
Impairment losses on equity securities, etc.	35	552	5
Write-off of loans	1,173	957	8
Loss on sales of loans, etc.	308	240	2
Provision for possible loan losses	9,736	11,251	92
Loss on disposal of fixed assets	149	229	2
Impairment losses on fixed assets	439	2,272	19

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 statements of cash flows at March 31, 2021 and 2022 was as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash and due from banks	¥2,580,736	¥2,577,627	\$21,061
Foreign currency deposits with banks	(10,729)	(11,672)	(95)
Cash and cash equivalents	¥2,570,007	¥2,565,955	\$20,965

Significant non-cash transactions

At March 31, 2021

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
Total assets	¥78,273
Total liabilities	77,501

At March 31, 2022

Not applicable at March 31, 2022

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 and 2022 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Due within 1 year	¥429	¥ 484	\$ 4
Due after 1 year	469	949	8
Total	¥898	¥1,434	\$12

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 and 2022 were as follows:

Interest related:

		Millions of yen			
March 31, 2021	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 yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥180,729	¥160,581	¥ (227)	¥ (227)
	Receive variable, pay fixed	180,729	160,581	1,718	1,718
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	1,466	1,466	(5)	(1)
	Buy	1,466	1,466	4	2
	Total	¥ —	¥ —	¥1,490	¥1,491

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$ 1,477	\$ 1,312	\$ (2)	\$ (2)
	Receive variable, pay fixed	1,477	1,312	14	14
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	12	12	(0)	0
	Buy	12	12	0	(0)
	Total	\$ —	\$ —	\$ 12	\$ 12

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Currency related:

		Millions of yen			
March 31, 2021	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 yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	¥708,452	¥580,914	¥ (137)	¥ 238
	Forward foreign exchange contracts:				
	Sell	61,722	29,657	(3,413)	(3,413)
	Buy	62,020	29,028	4,072	4,072
	Currency options:				
	Sell	75,384	32,651	(2,577)	(544)
	Buy	75,384	32,651	2,536	790
	Total	¥ —	¥ —	¥ 480	¥ 1,143

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	\$5,788	\$4,746	\$ (1)	\$ 2
	Forward foreign exchange contracts:				
	Sell	504	242	(28)	(28)
	Buy	507	237	33	33
	Currency options:				
	Sell	616	267	(21)	(4)
	Buy	616	267	21	6
	Total	\$ —	\$ —	\$ 4	\$ 9

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Others:

		Millions of yen			
March 31, 2021	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,950	¥—	¥(101)	¥—
	Buy	7,050	—	102	—
	Total	¥ —	¥—	¥ 0	¥—

Note: Transactions above whose fair values are not readily determinable are stated at cost.

		Millions of yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,855	¥—	¥(42)	¥—
	Buy	6,855	—	42	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
OTC	Sell	\$56	\$—	\$ (0)	\$—
	Buy	56	—	0	—
	Total	\$—	\$—	\$—	\$—

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2021 and 2022 were as follows:

Interest related:

March 31, 2021			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,			
	Receive fixed, pay variable	securities	¥ 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 2
	Total		¥ —	¥ —	¥(1,523)

March 31, 2022			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	¥ 44
	Receive variable, pay fixed		142,465	117,465	980
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		43,412	43,197	Note 2
	Total		¥ —	¥ —	¥1,024

March 31, 2022			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		\$ 163	\$163	\$0
	Receive variable, pay fixed		1,164	960	8
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		355	353	Note 2
	Total		\$ —	\$ —	\$8

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. 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:

March 31, 2021

March 31, 2021			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	¥105,512	¥105,512	¥(4,818)
	Forward foreign exchange contracts	securities denominated in foreign currencies	230,875	—	(4,631)
	Total		¥ —	¥ —	¥(9,449)

March 31, 2022

March 31, 2022			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	¥170,698	¥158,459	¥(15,957)
	Forward foreign exchange contracts		225,778	—	(7,913)
	Total		¥ —	¥ —	¥(23,871)

March 31, 2022

March 31, 2022			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 securities denominated in foreign currencies	\$ 1,395	\$ 1,295	\$(130)
	Forward foreign exchange contracts		1,845	—	(65)
	Total		\$ —	\$ —	\$(195)

Note: 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).

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

Consolidated subsidiaries engaged in the banking business adopt 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	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Projected benefit obligation at beginning of the year	¥42,534	¥42,390	\$346
Service costs during the year	1,142	1,143	9
Interest cost on projected benefit obligation	15	15	0
Actuarial differences incurred	534	1,461	12
Benefits paid	(2,567)	(2,511)	(21)
Increase due to change in scope of consolidation	623	—	—
Other	107	152	1
Projected benefit obligation at end of the year	¥42,390	¥42,652	\$348

Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Plan assets at beginning of the year	¥113,344	¥127,585	\$1,042
Expected return on plan assets	4,533	5,013	41
Actuarial differences incurred	10,768	(8,204)	(67)
Contribution by the business owner	869	865	7
Benefits paid	(2,034)	(1,900)	(16)
Partial return of equity securities of retirement benefit trust	—	(23,341)	(191)
Other	103	101	1
Plan assets at end of the year	¥127,585	¥100,119	\$ 818

The adjustment of the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit assets

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31			
Funded projected benefit obligation	¥ 41,720	¥ 41,954	\$ 343
Plan assets	(127,585)	(100,119)	(818)
	(85,864)	(58,164)	(475)
Unfunded projected benefit obligation	670	697	6
Net on consolidated balance sheets	¥ (85,194)	¥ (57,466)	\$(470)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31			
Net defined benefit liability	¥ 670	¥ 697	\$ 6
Net defined benefit asset	(85,864)	(58,164)	(475)
Net on consolidated balance sheets	¥ (85,194)	¥ (57,466)	\$(470)

Components of severance and retirement benefit expenses

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Year ended March 31			
Service costs—benefits earned during the year	¥ 1,142	¥ 1,143	\$ 9
Interest cost on projected benefit obligation	15	15	0
Expected return on plan assets	(4,533)	(5,013)	(41)
Amortization of actuarial differences	(1,154)	(1,952)	(16)
Severance and retirement benefit expenses calculated by simplified method	4	51	0
Gain on return of retirement benefit trust (Note)	—	(7,035)	(57)
Severance and retirement benefit expenses	¥ (4,525)	¥ (12,792)	\$(105)

Note: Gain on return of retirement benefit trust is recorded under "Other income."

Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Year ended March 31			
Actuarial differences	¥9,079	¥(18,655)	\$(152)

Components of remeasurements of accumulated defined benefit plans in accumulated other comprehensive income (before tax)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31, 2021			
Unrecognized actuarial differences	¥(26,592)	¥(7,937)	\$(65)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2021 and 2022 is as follows:

	2021	2022
Debt securities	1.8%	2.2%
Equity securities	74.8	68.1
Cash and due from banks	0.1	0.1
Other	23.3	29.6
Plan assets at end of the year	100.0%	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans by 56.3% (65.4% in 2021) and the retirement benefit trust established for lump-sum payment plans by 17.2% (13.2% in 2021) at March 31, 2022..

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 years ended March 31, 2021 and 2022 are as follows:

	2021	2022
Discount rate	0.2%	0.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	3.0%	2.9%

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 and ¥292 million (\$2 million) for the years ended March 31, 2021 and 2022, respectively.

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 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Reserve for possible loan losses	¥ 17,183	¥ 20,437	\$ 167
Net unrealized holding losses on available-for-sale securities	—	246	2
Write-down of securities	700	683	6
Depreciation	1,542	1,023	8
Other	5,019	3,605	29
Subtotal of deferred tax assets	24,445	25,995	212
Valuation allowance for tax loss carryforwards	—	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,271)	(1,236)	(10)
Subtotal of valuation allowance	(1,271)	(1,236)	(10)
Total deferred tax assets	23,173	24,759	202
Deferred tax liabilities:			
Net defined benefit assets	(19,207)	(15,414)	(126)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(691)	(2,872)	(23)
Net unrealized holding gains on available-for-sale securities	(11,375)	—	—
Other	—	(411)	(3)
Total deferred tax liabilities	(31,274)	(18,698)	(153)
Net deferred tax assets (liabilities)	¥ (8,101)	¥ 6,060	\$ 50

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2021 and 2022 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 Revenue recognition

Information about disaggregation of revenue from contracts with customers is presented in Note 20 "Segment information."

20 Segment information

a. Overview of reportable segments

The reportable segment of the Group consists of "Banking business" operated by The Hiroshima Bank, Ltd. and "Leasing business" operated by Hirogin Lease Co., Ltd.

(Changes in reportable segments)

The reportable segment of the Group previously consisted solely of "Banking business," but from the year ended March 31, 2022, "Leasing business" has been added to the segment information, since the quantitative materiality of the leasing business has increased. Accordingly, segment information as of March 31, 2021 and for the year then ended is prepared based on the segmentation method after the change.

b. Basis of measurement for reportable revenue, segment profit or loss, segment assets, segment liabilities and other items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profit of reportable segments is based on ordinary profit. Intersegment revenue is based on the actual transaction price.

c. Information about reportable revenue, segment profit or loss, segment assets, segment liabilities and other items and disaggregation of revenue

Millions of yen								
2021								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from external customers	¥ 106,014	¥ —	¥ 106,014	¥ 9,463	¥ 115,478	¥ —	¥ 115,478	
Intersegment revenue	4,845	—	4,845	13,580	18,426	(18,426)	—	
Total	¥ 110,860	¥ —	¥ 110,860	¥ 23,044	¥ 133,905	¥ (18,426)	¥ 115,478	
Segment profit	31,080	—	31,080	13,118	44,199	(13,157)	31,042	
Segment assets	10,946,017	78,273	11,024,291	503,530	11,527,822	(518,249)	11,009,572	
Segment liabilities	10,478,596	77,501	10,556,098	33,153	10,589,251	(96,560)	10,492,691	
Other items:								
Depreciation	¥ 4,627	¥ —	¥ 4,627	¥ 82	¥ 4,709	¥ —	¥ 4,709	
Interest income	74,770	—	74,770	272	75,043	(3,653)	71,390	
Interest expense	4,550	—	4,550	49	4,599	(14)	4,585	

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, etc. "Other" of "Revenue from external customers" includes profit of share of an affiliate accounted for using the equity method in the amount of ¥181 million.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(13,157) million represents intersegment elimination.

(2) "Adjustment" of "Segment assets" in the amount of ¥(518,249) million represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(96,560) million represents intersegment elimination.

(4) "Adjustment" of "Interest income" in the amount of ¥(3,653) million represents intersegment elimination.

(5) "Adjustment" of "Interest expenses" in the amount of ¥(14) million represents intersegment elimination.

4. Segment profit is reconciled with ordinary profit in the consolidated income statement.

Millions of yen								
2022								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 23,018	¥ —	¥ 23,018	¥ 11,608	¥ 34,627	¥ (4,413)	¥ 30,214	
Other revenue	90,384	21,675	112,060	16,308	128,368	(12,497)	115,871	
Total	¥ 113,403	¥21,675	¥ 135,078	¥ 27,917	¥ 162,996	¥ (16,910)	¥ 146,085	
Revenue from external customers	¥ 110,442	¥21,370	¥ 131,813	¥ 14,272	¥ 146,085	¥ —	¥ 146,085	
Intersegment revenue	2,960	304	3,265	13,644	16,910	(16,910)	—	
Total	¥ 113,403	¥21,675	¥ 135,078	¥ 27,917	¥ 162,996	¥ (16,910)	¥ 146,085	
Segment profit	22,882	1,133	24,016	12,605	36,621	(9,551)	27,070	
Segment assets	11,560,579	80,429	11,641,008	499,999	12,141,007	(537,098)	11,603,909	
Segment liabilities	11,102,747	78,951	11,181,698	27,925	11,209,623	(101,914)	11,107,708	
Other items:								
Depreciation	¥ 5,371	¥ 475	¥ 5,847	¥ 206	¥ 6,053	¥ (1)	¥ 6,052	
Interest income	74,676	1	74,678	8,423	83,101	(9,602)	73,499	
Interest expense	3,939	206	4,145	36	4,182	(218)	3,963	

Thousands of U.S. dollars							
2022							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	\$ 188	\$ —	\$ 188	\$ 95	\$ 283	\$ (36)	\$ 247
Other revenue	738	177	916	133	1,049	(102)	947
Total	\$ 927	\$177	\$ 1,104	\$ 228	\$ 1,332	\$ (138)	\$ 1,194
Revenue from external customers	\$ 902	\$175	\$ 1,077	\$ 117	\$ 1,194	\$ —	\$ 1,194
Intersegment revenue	24	2	27	111	138	(138)	—
Total	\$ 927	\$177	\$ 1,104	\$ 228	\$ 1,332	\$ (138)	\$ 1,194
Segment profit	\$ 187	\$ 9	\$ 196	\$ 103	\$ 299	\$ (78)	\$ 221
Segment assets	94,457	657	95,114	4,085	99,199	(4,388)	94,811
Segment liabilities	90,716	645	91,361	228	91,589	(833)	90,757
Other items:							
Depreciation	\$ 44	\$ 4	\$ 48	\$ 2	\$ 49	\$ (0)	\$ 49
Interest income	610	0	610	69	679	(78)	601
Interest expense	32	2	34	0	34	(2)	32

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, IT related business, etc.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(9,551) million (\$78) million includes intersegment elimination of ¥(9,416) million (\$77) thousand and amortization of goodwill of ¥(135) million (\$1) million.

(2) "Adjustment" of "Segment assets" in the amount of ¥(537,098) million (\$4,388) million represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(101,914) million (\$833) million represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(1) million (\$0) thousand represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(9,602) million (\$78) million represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(218) million (\$2) million represents intersegment elimination.

4. Segment profit is reconciled with ordinary profit in the consolidated income statement.

Income by service

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary revenue from external customers:			
Lending	¥ 58,832	¥ 57,061	\$ 466
Investment in securities	22,219	26,312	215
Fees and commissions	28,852	33,624	275
Leasing	—	21,308	174
Other	5,573	7,778	64
Total	¥115,478	¥146,085	\$1,194

Note: "Ordinary revenue" corresponds to net sales of general companies.

Information on the amortization and unamortized portion of goodwill by reportable segment

	Millions of yen				
	2021				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at year-end	—	442	442	233	675

Note: "Other" represents an amount of IT related business.

	Millions of yen				
	2022				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥ —	¥ 88	¥ 88	¥ 46	¥135
Unamortized balance at year-end	—	353	353	213	567

Millions of U.S. dollars					
2022					
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	3	3	2	5

Note: "Other" represents amounts of IT related business and worker dispatch business.

21 Related party transactions

Information about related party transactions for the years ended March 31, 2021 and 2022 is omitted since they are immaterial.

22 Financial instruments and related disclosures

1. Status of financial instruments

(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 customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of equity securities, 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 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, 2022, the entire VaR of the Group was ¥4 million (\$0 million) (¥4 million in 2021).

(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 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, 2022 was ¥52,915 million (\$432 million) (¥62,744 million in 2021).

(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) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments is 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.

2. Fair value of financial instruments

Carrying amount, fair value and related difference are as follows. Equity securities, etc. which do not have a market price are not included in the table below (see (Note 1)). In addition, cash and due from banks, call loans and bills purchased, monetary claims bought, foreign exchanges (assets and liabilities), payables under repurchase agreements and deposits received for bonds lending/borrowing transactions are omitted since the fair value approximates the carrying amount because of short maturities.

March 31, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	¥ 1,305	¥ 1,305	¥ —
(2) Money held in trust	45,727	45,727	—
(3) Securities:			
Available-for-sale securities	1,467,796	1,467,796	—
(4) Loans and bills discounted	6,480,841		
Reserve for possible loan losses ^{*2}	(38,677)		
Net	6,442,163	6,577,881	135,717
Total assets	¥ 7,956,994	¥ 8,092,712	¥ 135,717
(1) Deposits	¥ 8,670,076	¥ 8,670,366	¥ 290
(2) Borrowed money	1,024,872	1,025,974	1,101
Total liabilities	¥ 9,694,948	¥ 9,696,340	¥ 1,391

Derivative instruments^{*2, *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)	¥ —

March 31, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	¥ 1,376	¥ 1,376	¥ —
(2) Money held in trust	42,415	42,415	—
(3) Securities:			
Available-for-sale securities	1,654,363	1,654,363	—
(4) Loans and bills discounted	6,901,858		
Reserve for possible loan losses ^{*2}	(36,702)		
Net	6,865,155	6,981,040	115,884
Total assets	¥ 8,563,311	¥ 8,679,196	¥ 115,884
(1) Deposits	¥ 9,067,878	¥ 9,068,100	¥ 221
(2) Borrowed money	1,201,839	1,201,770	(68)
Total liabilities	¥ 10,269,718	¥ 10,269,870	¥ 152
Derivative instruments ^{*3} :			
Hedge accounting is not applied	¥ 1,970	¥ 1,970	¥ —
Hedge accounting is applied ^{*4}	(22,846)	(22,846)	—
Total derivative instruments	¥ (20,875)	¥ (20,875)	¥ —

March 31, 2022	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	\$ 11	\$ 11	\$ —
(2) Money held in trust	347	347	—
(3) Securities:			
Available-for-sale securities	13,517	13,517	—
(4) Loans and bills discounted	56,392		
Reserve for possible loan losses ^{*2}	(300)		
Net	56,092	57,039	947
Total assets	\$ 69,967	\$ 70,914	\$ 947
(1) Deposits	\$ 74,090	\$ 74,092	\$ 2
(2) Borrowed money	9,820	9,819	(1)
Total liabilities	\$ 83,910	\$ 83,911	\$ 1
Derivative instruments ^{*3} :			
Hedge accounting is not applied	\$ 16	\$ 16	\$ —
Hedge accounting is applied ^{*4}	(187)	(187)	—
Total derivative instruments	\$ (171)	\$ (171)	\$ —

*1. Derivative instruments are not included in trading assets.

*2. 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.

*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 principally. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) The carrying amount of equity securities, etc. which do not have a market price is as follows: These amounts are not included in "Available-for-sale securities" in the above table.

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Unlisted equity securities (*1) (*2)	¥ 5,250	¥ 5,731	\$ 47
Other	6,781	8,133	66

(*1) Unlisted equity securities are not subject to fair value disclosure requirement in accordance with paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Company recognized an impairment loss in an amount of ¥35 million and ¥26 million (\$0 million) on unlisted equity securities for the years ended March 31, 2021 and 2022, respectively.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2021 and 2022

	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
At March 31, 2021						
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

	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
At March 31, 2022						
Due from banks	¥2,503,483	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	5,899	—	—	—	—	—
Monetary claims bought	8,000	—	—	—	—	—
Money held in trust	42,415	—	—	—	—	—
Securities	52,043	147,278	165,082	136,805	506,856	462,826
Available-for-sale:	52,043	147,278	165,082	136,805	506,856	462,826
National government bonds	14,000	10,000	4,000	2,000	317,000	150,200
Local government bonds	5,370	29,210	53,909	32,735	92,056	51,585
Corporate bonds	14,516	57,916	48,999	12,538	15,069	132,263
Others	18,156	50,152	58,173	89,531	82,730	128,778
Loans and bills discounted*	1,058,972	638,411	762,026	582,987	851,951	2,252,903
Total	¥3,670,816	¥785,690	¥927,108	¥719,793	¥1,358,807	¥2,715,730

	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
At March 31, 2022						
Due from banks	\$20,455	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	48	—	—	—	—	—
Monetary claims bought	65	—	—	—	—	—
Money held in trust	347	—	—	—	—	—
Securities	425	1,203	1,349	1,118	4,141	3,782
Available-for-sale:	425	1,203	1,349	1,118	4,141	3,782
National government bonds	114	82	33	16	2,590	1,227
Local government bonds	44	239	440	267	752	421
Corporate bonds	119	473	400	102	123	1,081
Others	148	410	475	732	676	1,052
Loans and bills discounted*	8,652	5,216	6,226	4,763	6,961	18,408
Total	\$29,993	\$6,420	\$7,575	\$5,881	\$11,102	\$22,189

* 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 and ¥43,583 million (\$356 million), is not included in the above table as of March 31, 2021 and 2022, respectively. Loans that do not have contractual maturity, amounting to ¥781,890 million and ¥711,020 million (\$5,809 million), are not included either.

(Note 3) Maturity analysis for interest-bearing liabilities at March 31, 2021 and 2022

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*	¥8,450,593	¥183,204	¥ 24,568	¥ 5,724	¥ 5,984	¥ —
Payables under repurchase agreements	255,685	—	—	—	—	—
Deposits received for bonds lending/ borrowing 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, 2022	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*	¥ 8,855,254	¥183,331	¥ 17,423	¥11,019	¥ 849	¥ —
Payables under repurchase agreements	229,457	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	448,183	—	—	—	—	—
Borrowed money	591,099	486,856	90,290	3,092	7,037	23,462
Total	¥10,123,994	¥670,187	¥107,714	¥14,112	¥7,887	¥23,462

At March 31, 2022	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*	\$72,353	\$1,498	\$142	\$ 90	\$ 7	\$ —
Payables under repurchase agreements	1,875	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	3,662	—	—	—	—	—
Borrowed money	4,830	3,978	738	25	57	192
Total	\$82,719	\$5,476	\$880	\$115	\$64	\$192

* Deposits on demand are included in "Less than 1 year."

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, fair value is categorized into the lowest level of priority in the fair value measurement among the levels to which each of these inputs belongs.

(1) Financial instruments measured at fair value

March 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 42,415	¥ —	¥ 42,415
Trading assets and securities				
Trading securities:				
National and local government bonds	122	1,253	—	1,376
Available-for-sale securities:				
National and local government bonds	500,424	263,935	—	764,360
Corporate bonds	—	230,894	50,759	281,654
Equity securities	103,091	—	—	103,091
Other	166,830	147,201	—	314,031
Derivatives:				
Interest related	—	5,574	—	5,574
Currency related	—	8,031	1,345	9,377
Other	—	—	53	53
Total assets	¥770,468	¥699,307	¥52,158	¥1,521,934
Derivatives:				
Interest related	¥ —	¥ 3,059	¥ —	¥ 3,059
Currency related	—	31,296	1,470	32,767
Other	—	—	53	53
Total liabilities	¥ —	¥ 34,356	¥ 1,523	¥ 35,880

March 31, 2022	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ —	\$ 347	\$ —	\$ 347
Trading assets and securities				
Trading securities:				
National and local government bonds	1	10	—	11
Available-for-sale securities:				
National and local government bonds	4,089	2,157	—	6,245
Corporate bonds	—	1,887	415	2,301
Equity securities	842	—	—	842
Other	1,363	1,203	—	2,566
Derivatives:				
Interest related	—	46	—	46
Currency related	—	66	11	77
Other	—	—	0	0
Total assets	\$6,295	\$5,714	\$426	\$12,435
Derivatives:				
Interest related	\$ —	\$ 25	\$ —	\$ 25
Currency related	—	256	12	268
Other	—	—	0	0
Total liabilities	\$ —	\$ 281	\$ 12	\$ 293

(*1) Investment trusts to which the transitional measure provided for in paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥181,875 million (\$1,486 million).

(*2) Investment in partnerships to which the transitional measure provided for in paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, is not included in the above table. The carrying amount of such investment in partnerships recorded in the consolidated balance sheet is ¥9,350 million (\$76 million).

(*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,846 million (\$187 million).

(2) Financial instruments other than those measured at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
Loans and bills discounted	¥—	¥ —	¥6,981,040	¥ 6,981,040
Total assets	¥—	¥ —	¥6,981,040	¥ 6,981,040
Deposits	¥—	¥ 9,068,100	¥ —	¥ 9,068,100
Borrowed money	—	1,192,037	9,733	1,201,770
Total liabilities	¥—	¥10,260,137	¥ 9,733	¥10,269,870

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
Loans and bills discounted	\$—	\$ —	\$57,039	\$57,039
Total assets	\$—	\$ —	\$57,039	\$57,039
Deposits	\$—	\$74,092	\$ —	\$74,092
Borrowed money	—	9,740	80	9,819
Total liabilities	\$—	\$83,831	\$ 80	\$83,911

(Note 1) Description of the valuation techniques and inputs used in the fair value measurements

Assets:

Money held in trust

The fair value of securities managed as trust assets in individually managed money held in trust whose primary purpose is to manage securities is based on the price at the exchange for equity securities, and on the price presented by the counterpart financial institutions or the price at the exchange for bonds, and is classified as Level 2 based on the level of the components.

Notes on money held in trust by holding purpose are described in Note 5 "Money held in trust."

Trading assets and securities

The fair value of trading assets and securities are classified as Level 1 if the unadjusted quoted price in the active market is available. Principally, listed equity securities and national government bonds are classified in this category.

The fair value based on the published quoted price of inactive markets is classified as Level 2. Principally, local government bonds, corporate bonds, and housing loan mortgage-backed securities are classified in this category.

The fair value of private placement bonds is determined by discounting the sum of the principal and interest at a discount rate reflecting risk factors such as credit risk, etc. by each category based on internal rating and period, and is classified as Level 3, since such discount rate is unobservable.

Loans and bills discounted

The fair value of loans and bills discounted is determined(*) by discounting future cash flows at an interest rate assumed in similar new loans by each category based on the type of loans, type of loan interest, certain period, and internal rating.

(*) The fair value of long-term loans subject to exceptional treatment for interest rate swaps, etc. is determined by adding the fair value of interest rate swaps, etc. to the fair value of such long-term loans.

In addition, the fair value of claims against legally bankrupt, virtually bankrupt and possibly bankrupt borrowers approximates the amount obtained by deducting the amount of reserve for possible loans losses from the carrying amount on the fiscal closing date since bad debts are estimated based on the amount expected to be recoverable from collaterals, guarantees, etc. Accordingly, such amount is considered to be the fair value.

The fair value of loans whose payment due date is not set forth is assumed to approximate the carrying amount from a viewpoint of the estimated payment term, interest rate conditions, etc. Accordingly, the carrying amount is considered to be the fair value.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Liabilities:

Deposits

The fair value of demand deposits is considered to be the payment amount (carrying amount) when required on the fiscal closing date. In addition, the fair value of time deposits is determined as the present value discounting future cash flows categorized by the type of deposit instruments and certain period. The interest rate applicable when accepting new deposits is used as the discount rate. Such fair value is classified as Level 2.

Borrowed money

The fair value of borrowed money is determined by discounting future cash flows at the interest rate assumed in similar new financing by type of financing. If the contract

term is short, the carrying amount is considered to be the fair value since the fair value approximates the carrying amount.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Derivatives:

With respect to derivatives, if the unadjusted quoted price in the active market is available, the fair value is classified as Level 1, and principally, bond futures and interest rate futures are included in this category.

However, most of derivatives are traded over the counter and published quoted price does not exist, and accordingly, the fair value is determined using the valuation techniques such

as the present value method or Black-Sholes model according to the type of deals and the period until maturity. Main inputs used in such valuation techniques include interest rate, foreign exchange rate, volatility, etc. Furthermore, price adjustment based on counterparty credit risk and credit risk of consolidated subsidiaries engaged in the banking business is performed. If unobservable inputs are not used, or the effects of such inputs are not significant, the fair value is classified as Level 2. Plain-vanilla type interest rate swaps, foreign exchange forward contracts are included in this category. If significant unobservable inputs are used, the fair value is classified as Level 3 and currency related derivatives and other (such as earthquake derivatives, etc.) are included in this category.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

(1) Quantitative information on significant unobservable inputs

At March 31, 2022

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.35%-10.92%	0.56%
Private placement bonds				

(2) Reconciliation from the beginning balances to the ending balances and gains or losses on valuation included in profit or loss for the period

	Millions of yen		
	Securities:	Derivatives:	
	Available-for-sale securities Private placement bonds	Currency related (*3)	Other (*3)
March 31, 2022			
Beginning balance	¥47,477	¥(59)	¥0
Profit or loss or other comprehensive income:			
Recorded in profit or loss (*1)	2	(65)	—
Recorded in other comprehensive income (*2)	(1,156)	—	—
Net amount of purchases, sales, issuances, and settlements	4,437	—	(0)
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Ending balance	50,759	(124)	—
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(65)	—

	Millions of U.S. dollars		
	Securities:	Derivatives:	
	Available-for-sale securities Private placement bonds	Currency related (*3)	Other (*3)
March 31, 2022			
Beginning balance	\$388	\$(0)	\$0
Profit or loss or other comprehensive income:			
Recorded in profit or loss (*1)	0	(1)	—
Recorded in other comprehensive income (*2)	(9)	—	—
Net amount of purchases, sales, issuances, and settlements	36	—	(0)
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Ending balance	415	(1)	—
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(1)	—

(*1) Included in "Trading income" and "Other operating income" in the consolidated statement of income.

(*2) Included in "Net unrealized holding gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(*3) Assets/liabilities and gains/losses arising from derivatives are presented in net amounts and net liabilities and net losses are presented with brackets.

(3) Description of valuation processes used for fair value measurements

The back office of the Group has established policies and procedures for measuring fair value and procedures for use of fair value assessment models. The middle office ensures appropriateness regarding whether such models, inputs used, and fair value resulting from the measurement are compliant with these policies and procedures. The back office determines the level of fair value based on the result of the confirmation. When quoted prices obtained from third parties are used as the fair value, the appropriateness of such prices is verified by appropriate methods such as valuation techniques used and identification of inputs.

(4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

The discount rate is an adjustment rate for standard market interest rates such as TIBOR and swap rates and primarily comprises risk premium which is remuneration required by market participants on uncertainties of cash flows of financial instruments arising from credit risk. In general, a significant increase (decrease) in the discount rate will result in a significant decline (increase) in fair value.

23 Stock options

1. No stock option expense was recorded for the year ended March 31, 2022.

2. Outline, size and changes of stock options in the year ended March 31, 2022

(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, 2022

	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 at April 1, 2021	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2022	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2021	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2022	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2022

	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	\$0.01	¥1	\$0.01	¥1	\$0.01	¥1	\$0.01
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	5.33	644	5.26	446	3.64	820	6.70

	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	\$0.01	¥1	\$0.01	¥1	\$0.01
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	7.47	1,346	11.00	654	5.34

(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.

24 Other comprehensive income

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net unrealized holding gains (losses) on available-for-sale securities:			
Amount arising during the period	¥26,012	¥(39,954)	\$(326)
Reclassification adjustments	(8,177)	2,372	19
Before adjustments for tax effect	17,834	(37,582)	(307)
Amount of tax effect	(5,512)	11,621	95
Net unrealized holding gains (losses) on available-for-sale securities	12,322	(25,960)	(212)
Net deferred gains on hedging instruments, net of tax:			
Amount arising during the period	3,122	2,936	24
Reclassification adjustments	1,350	1,517	12
Before adjustments for tax effect	4,473	4,454	36
Amount of tax effect	(1,386)	(1,380)	(11)
Net deferred gains on hedging instruments, net of tax	3,086	3,073	25
Remeasurements of defined benefit plans:			
Amount arising during the period	10,233	(9,666)	(79)
Reclassification adjustments	(1,154)	(8,988)	(73)
Before adjustments for tax effect	9,079	(18,655)	(152)
Amount of tax effect	(2,814)	5,783	47
Remeasurements of defined benefit plans	6,264	(12,872)	(105)
Share of other comprehensive loss of an affiliated company accounted for using the equity method:			
Amount arising during the period	(4)	—	—
Reclassification adjustments	—	—	—
Share of other comprehensive loss of an affiliated company accounted for using the equity method	(4)	—	—
Total other comprehensive income	¥21,668	¥(35,759)	\$(292)

25 Business combinations

(Business combination through acquisition)

Hirogin Human Resources Co., Ltd., a subsidiary of the Company, acquired shares in Mighty Net Plus Co., Ltd. and made the company its subsidiary on March 31, 2022 in accordance with the share transfer agreement entered into with Mighty Net Co., Ltd. on January 28, 2022. Furthermore, Hirogin Human Resources Co., Ltd. absorbed Mighty Net Plus Co., Ltd. on April 1, 2022.

1. Outline of business combination

(1) Name and business of the acquired company

Name of acquired company: Mighty Net Plus Co., Ltd.
Business of acquired company: Human resource outsourcing business

(2) Major reason for business combination

To enter the human resource outsourcing business

(3) Date of business combination

March 31, 2022

(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

100%

(7) Basis for acquiring the company

It is based on the fact that Human Resources Co., Ltd., a subsidiary of the Company, acquired shares in consideration for cash.

2. Performances of the acquired company included in the consolidated financial statements

Not applicable

3. Matters concerning calculation of acquisition cost

(1) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition: Cash ¥110 million (\$1 million)
Acquisition cost: ¥110 million (\$1 million)

(2) Main acquisition-related costs and amount thereof

Due diligence costs, etc.: ¥7 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	¥116	\$1
Non-current assets	15	0
Total assets	¥132	\$1
Current liabilities	¥ 49	\$0
Total liabilities	¥ 49	\$0

(2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred:	¥27 million (\$0 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. Estimated amount of the impact on the consolidated financial statements assuming the business combination was completed on the commencement date of the current fiscal year and its calculation method

This information is omitted since the estimated amount of the impact is immaterial.

26 Per share information

Per share information at March 31, 2021 and 2022 for the years then ended is as follows:

	Yen		U.S. dollar
	2021	2022	2022
Net assets per share	¥1,664.01	¥1,596.79	\$13.05
Net income per share	69.26	73.75	0.60
Diluted net income per share	69.22	73.71	0.60

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net assets	¥516,880	¥496,200	\$4,054
Amounts to be deducted from net assets	248	265	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	121	138	1
Net assets at March 31 attributable to common stock	¥516,632	¥495,935	\$4,052

	Number of shares (in thousands)	
	2021	2022
Number of shares of common stock at end of the year which was used to compute net assets per share	310,473	310,581

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
	2021	2022	2022
Net income per share:			
Net income attributable to owners of the parent	¥21,574	¥22,906	\$187
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥21,574	¥22,906	\$187

	Number of shares (in thousands)	
	2021	2022
Average number of shares of common stock outstanding during the year	311,472	310,556

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2021	2022
Number of shares of common stock that increased during the year	176	171
(Of which, stock acquisition rights)	176	171

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 2022 and the average number of shares of the treasury stock during the years were 1,895 thousand and 1,786 thousand shares, respectively and 870 thousand and 1,812 thousand shares, respectively.

4. The average number of shares of common stock during the year ended March 31, 2021 was 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.

27 Significant subsequent events

(Merger between subsidiaries)

Hirogin Human Resources Co., Ltd., a subsidiary of the Company, absorbed Mighty Net Plus Co., Ltd., a subsidiary of the Company, on April 1, 2022.

1. Outline of transaction

- (1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Human Resources Co., Ltd.

Its business: Consulting business

Name of the acquired company: Mighty Net Plus Co., Ltd.

Its business: Human resource outsourcing business

- (2) Date of business combination

April 1, 2022

- (3) Legal form of business combination

Absorption-type merger between Hirogin Human Resources Co., Ltd. as a surviving company and Mighty Net Plus Co., Ltd. as an absorbed company

- (4) Name of company after business combination

Hirogin Human Resources Co., Ltd.

- (5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

(Merger between subsidiaries)

At the Board of Directors' meeting held on May 13, 2022, the Company resolved to merge its subsidiaries, Hirogin Guarantee Co., Ltd. and Hirogin Card Services Co., Ltd. (collectively the "Both Companies") subject to the approval of relevant authorities, and entered into a merger agreement after the resolution at the Board of Directors' meetings of the Both Companies.

1. Outline of transaction

- (1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Guarantee Co., Ltd.

Its business: Credit guarantee business

Name of the acquired company: Hirogin Card Service Co., Ltd.

Its business: Credit card business and credit guarantee

- (2) Date of business combination (planned)

April 1, 2023

- (3) Legal form of business combination

Absorption-type merger between Hirogin Guarantee Co., Ltd. as a surviving company and Hirogin Card Service Co., Ltd. as an absorbed company

- (4) Name of company after business combination

Hirogin Guarantee Co., Ltd. (trade name will be changed.)

- (5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is scheduled to be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
ASSETS			
Cash and due from banks	¥ 2,579,575	¥ 2,576,507	\$21,052
Call loans and bills purchased	942	5,899	48
Monetary claims bought	6,133	6,525	53
Trading assets	6,501	7,577	62
Money held in trust	30,127	29,815	244
Securities	1,486,384	1,669,030	13,637
Loans and bills discounted	6,540,880	6,965,573	56,913
Foreign exchanges	15,463	11,468	94
Other assets	107,467	116,945	956
Tangible fixed assets	108,515	104,713	856
Intangible fixed assets	8,427	8,222	67
Prepaid pension cost	59,272	50,226	410
Deferred tax assets	—	6,980	57
Customers' liabilities for acceptances and guarantees	35,207	37,956	310
Reserve for possible loan losses	(38,881)	(36,864)	(301)
Total assets	¥10,946,017	¥11,560,579	\$94,457
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 8,699,667	¥ 9,095,033	\$74,312
Payables under repurchase agreements	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions	382,445	448,183	3,662
Trading liabilities	3,607	4,848	40
Borrowed money	1,023,250	1,198,104	9,789
Foreign exchanges	1,985	2,714	22
Due to trust account	47	51	0
Other liabilities	58,559	70,868	579
Reserve for reimbursement of deposits	1,745	1,110	9
Reserve for point loyalty programs	93	110	1
Reserve for stock payments	599	759	6
Reserve for dismantling costs for fixed assets	768	307	3
Deferred tax liabilities	1,326	—	—
Deferred tax liabilities for land revaluation reserve	13,605	13,241	108
Acceptances and guarantees	35,207	37,956	310
Total liabilities	¥10,478,596	¥11,102,747	\$90,716
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 446
Issued – 312,370,921 shares in 2021 and 2022			
Capital surplus	30,634	30,634	250
Retained earnings	329,081	343,334	2,805
Total stockholders' equity	¥ 414,289	¥ 428,543	\$ 3,501
Net unrealized holding gains on available-for-sale securities	¥ 27,288	¥ 1,386	\$ 11
Net deferred losses on hedging instruments	(1,938)	908	7
Land revaluation reserve	27,781	26,993	221
Total valuation and translation adjustments	¥ 53,131	¥ 29,288	\$ 239
Total net assets	¥ 467,420	¥ 457,831	\$ 3,741
Total liabilities and net assets	¥10,946,017	¥11,560,579	\$94,457

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, 2022, which was ¥122.39 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, 2021 and 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 58,614	¥ 57,071	\$466
Interest and dividends on securities	13,770	13,177	108
Other interest income	2,385	4,428	36
Trust fees	128	178	1
Fees and commissions	24,366	24,560	201
Trading income	809	641	5
Other operating income	5,521	6,670	54
Other income	5,775	15,034	123
Total income	¥111,372	¥121,761	\$995
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,292	¥ 879	\$ 7
Interest on borrowings and rediscounts	1,087	821	7
Other interest expenses	2,170	2,239	18
Fees and commissions	10,517	10,185	83
Other operating expenses	797	11,912	97
General and administrative expenses	52,605	51,612	422
Other expenses	11,878	15,300	125
Total expenses	¥ 80,348	¥ 92,950	\$759
Income before income taxes	¥ 31,024	¥ 28,811	\$235
Income taxes:			
Current income taxes	¥ 9,223	¥ 6,417	\$ 52
Deferred income taxes	(592)	1,733	14
Total income taxes	¥ 8,630	¥ 8,150	\$ 67
Net income	¥ 22,393	¥ 20,660	\$169

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, 2022, which was ¥122.39 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, 2022)

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.	39,711	12.71
Custody Bank of Japan, T.	18,308	5.86
Meiji Yasuda Life Insurance	9,504	3.04
Sompo Japan Insurance	7,500	2.40
CP Chemical Inc.	7,463	2.38
Sumitomo Life Ins.	6,038	1.93
Chugoku Electric Power	5,864	1.87
Hirogin Holdings For Employee Stock Ownership Plans	5,758	1.84
Bank of Fukuoka	5,500	1.76
Nippon Life Ins.	4,833	1.54

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

*3 Shareholding ratio is calculated by deducting treasury stock (2,000 shares).

Stock Information

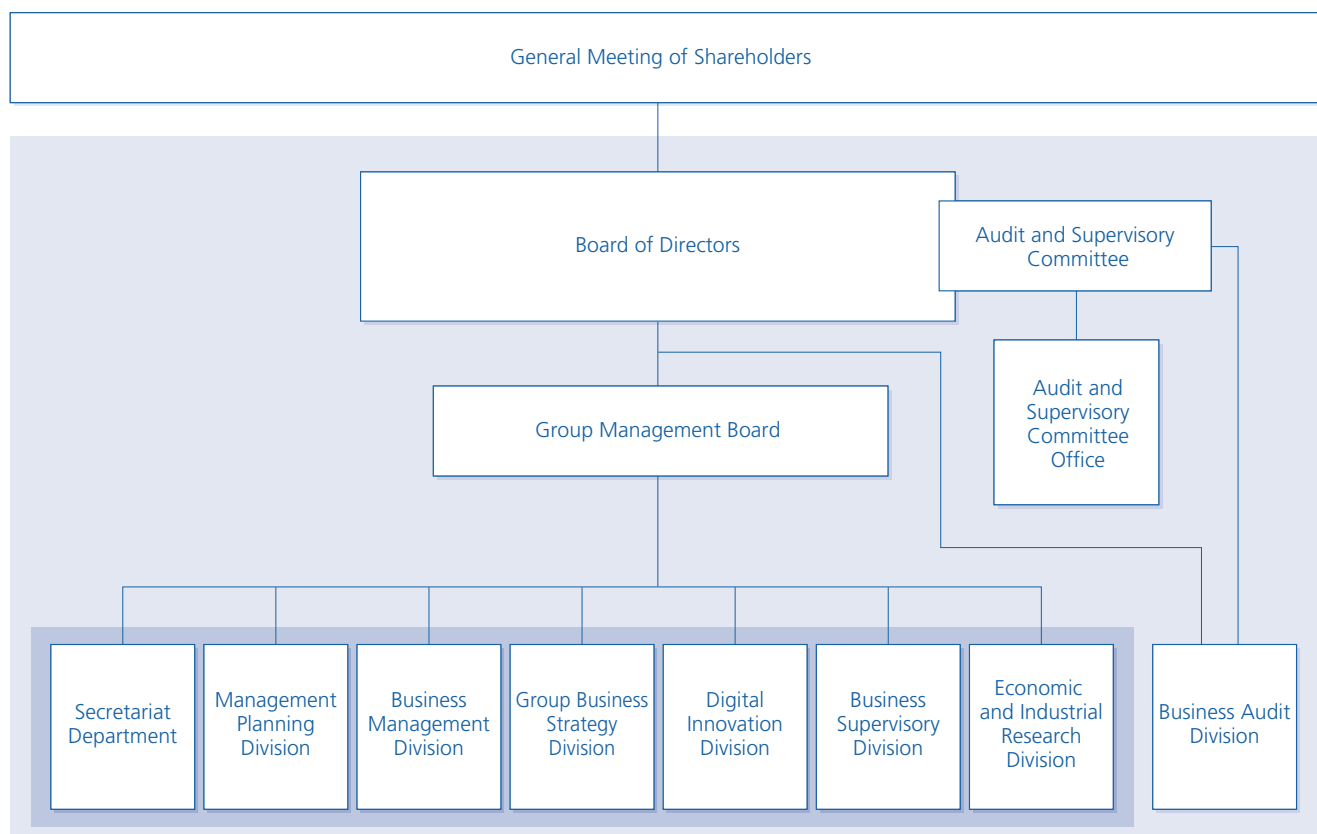
(As of March 31, 2022)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,368 thousand (excluding treasury stock (2,000 shares))
Number of Shareholders	96,114

Organization

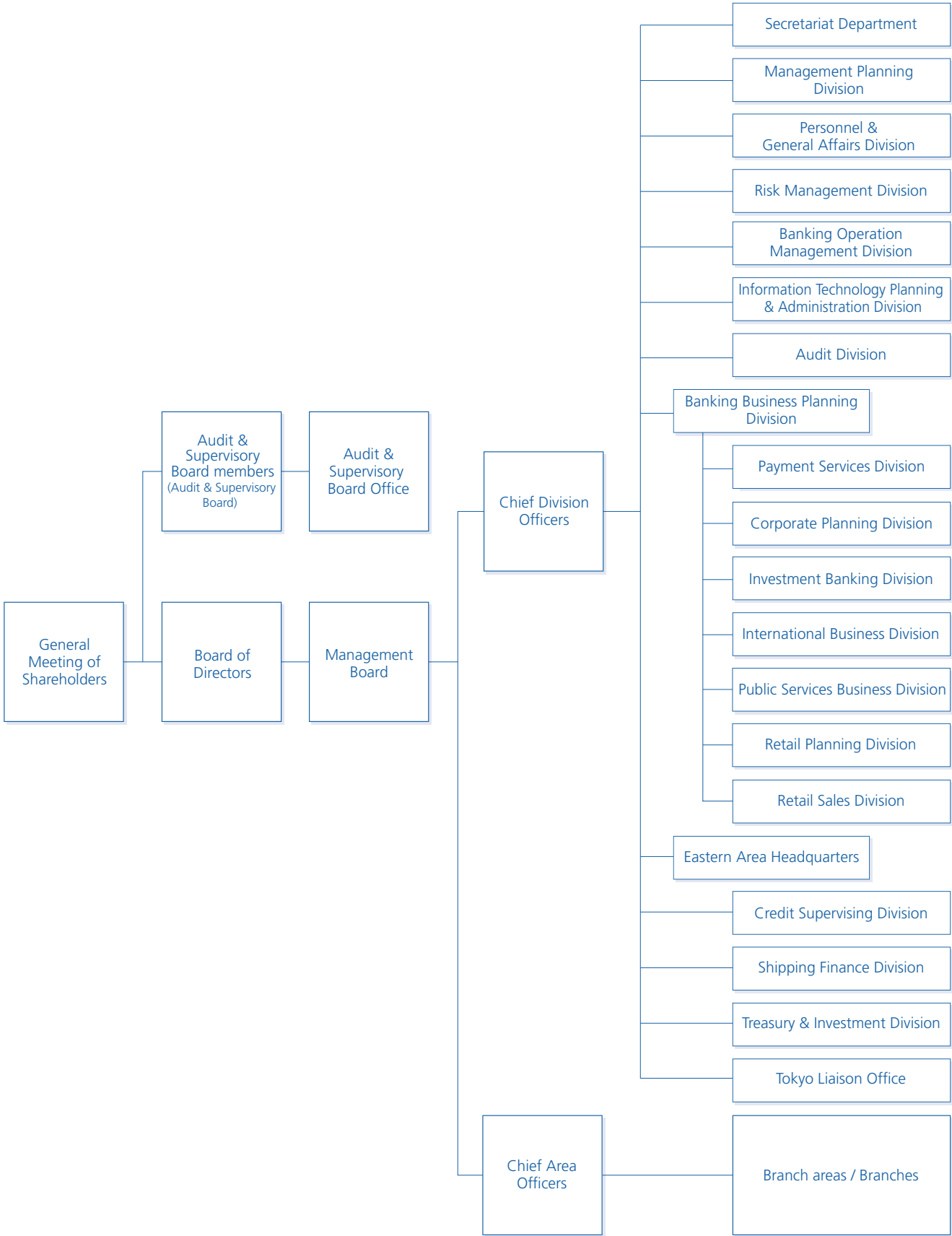
HIROGIN HOLDINGS

(As of April 1, 2022)



Organization

HIROSHIMA BANK
(As of April 1, 2022)



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HIROGIN HOLDINGS

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