

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 environmental and social issues and realizing sustainable growth in the region.



Key Progress

(Progress Highlights Since April 2022)

| Carbon Neutrality

Setting of FY2030 and FY2050 targets to realize carbon neutrality	P.28, 30
Achievement of virtually zero greenhouse gas emissions from the Head Office building	P.29
Calculation and disclosure of financed emissions in business loans	P.30

| Human Capital Management

Redefinition of the human resource development policy and internal environment improvement policy	P.40
Increase of FY2025 and FY2030 targets for proactive promotion and support for the career development of female employees	P.42~44
Expansion of measures to support the growth of the Group employees	P.45~48
Development of new measures for the creation of a culture that supports employees trying something new	P.50

| Digital Transformation

Reorganization of new digital strategies and acquisition of DX certification	P.56
Development of initiatives to have all employees acquire the IT Passport for digital reskilling	P.58~59

Carbon neutrality-related targets (Key environmental indicators)

	Targets	Results
	FY2030	FY2022
Scope 1 & 2* ¹	Aiming at achieving carbon neutrality	10,716 t-CO ₂ (Reduction of 41 % from FY2013)
	FY2050	FY2022
Scope 1, 2 & 3* ¹	Aiming at achieving carbon neutrality	Newly calculating and disclosing financed emissions in business loans
	FY2030	FY2022
Sustainable finance (of which environmental finance)	Cumulative amount executed for 10 years ¥2,000 billion (¥1,000 billion)	Cumulative amount executed for two years ¥333.9 billion (¥235.3 billion)

*1 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)

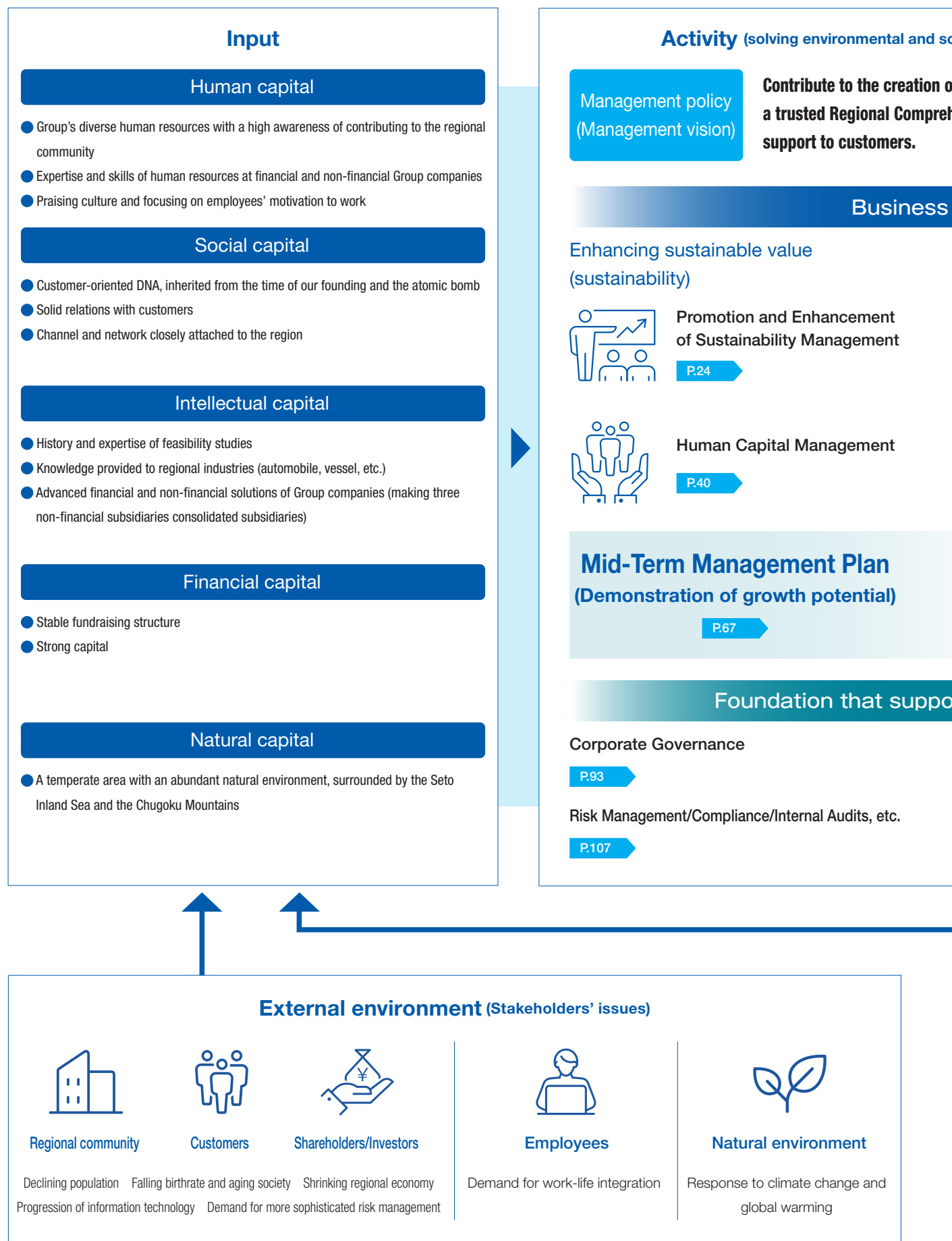
Diversity and inclusion-related targets (Key social indicators)

	Targets		Results
	FY2030	FY2025	FY2022
Ratio of women in managerial positions* ²	Approx. 25 %	Approx. 15 %	7 %
	FY2030	FY2025	FY2022
Ratio of women in managerial and supervisory positions* ³	Approx. 30 %	Approx. 22 %	17 %
	FY2030	FY2025	FY2022
Ratio of women in candidates for managerial and supervisory positions	Approx. 45 %	Approx. 37 %	35 %

*2 The number of persons in managerial positions is the total of those in the position of supervising or managing others pursuant to the Labor Standards Act and persons who possess equivalent authority.

*3 Persons in managerial and supervisory positions include managers and those who have subordinates (those in the position of supervising or managing others pursuant to the Labor Standards Act and those who are placed in positions that require making decisions on daily operations, guiding and nurturing subordinates, and executing assigned operations and generating results).

Value Creation Process



social issues through our core businesses)

of a prosperous future for the regional community as
prehensive Services Group by closely offering thorough

activities



Carbon Neutrality

P.27



Digital Transformation (DX)

P.53

[Pillar 1] Resolve problems of the regional
community

[Pillar 2] Contribute to growth of customers

[Pillar 3] Establish a management base

ports business activities

Communication with Stakeholders

P.103

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
 - Instilling and practicing customer-oriented business operations
 - Increasing the number of companies for which Hiroshima Bank is the main bank

Intellectual capital

- Deepening/expanding business operation base
 - Contributing to solving customers' issues and provide optimal solutions
 - Increasing revenues related to consulting services and profit of the Group companies

Financial capital

- Stable revenue structure by maximizing Group synergy
 - Expanding profit attributable to owners of the parent

Natural capital

- Response to environmental protection and climate change
 - Reducing CO₂ emissions in the Group
 - Reducing CO₂ emissions of the region and business partners

Outcome

Creation of shared value
with stakeholders



Regional community



Customers

Solution to environmen-
tal and social issues of
regional community and
customers and sustain-
able growth through
Group solution



Shareholders/Investors

Enhancing dialogues
Enhancing corporate value



Employees

Employees' workstyle reform
and promoting engagements



Natural environment

Inheritance of rich natural
environment to future genera-
tions

Contribution to achievement of SDGs



Materiality

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

environmental and social issues of the region and achieving sustainable growth through provision of high value-added regional comprehensive services.



Hirogin Group SDGs Declaration materiality (priority matters)

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 industries 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 resources 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

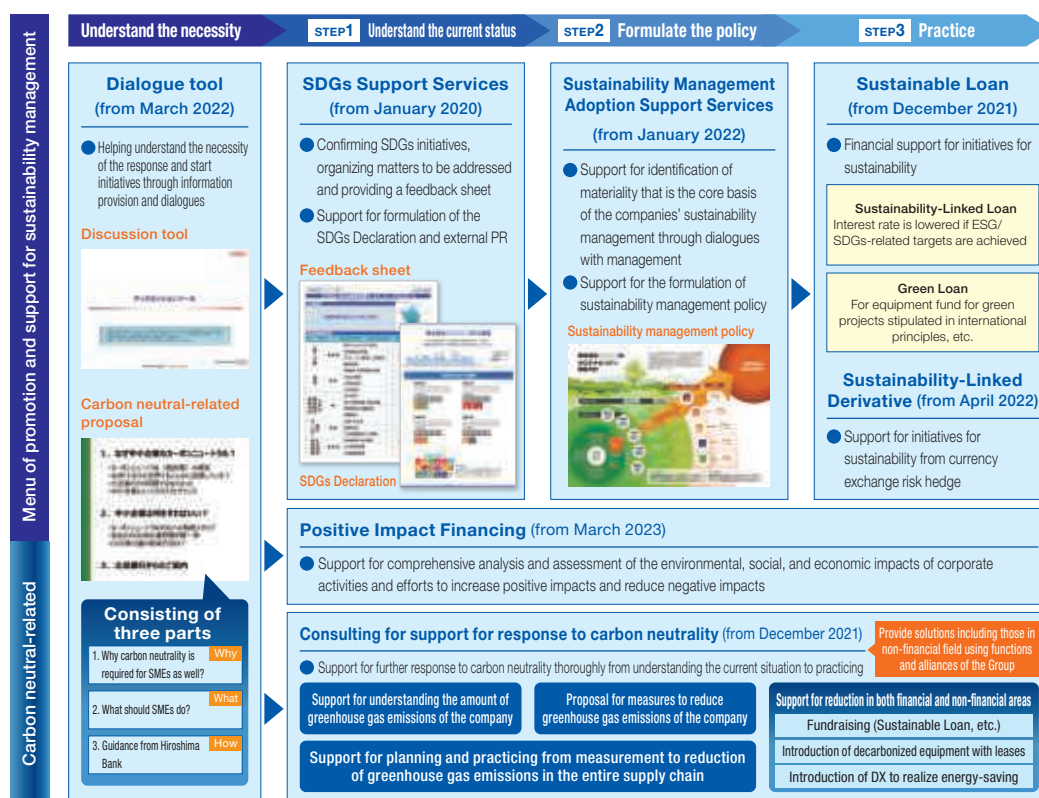
Promotion and Enhancement of Sustainability Management

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 environmental and social issues and realizing sustainable growth in the region.

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 non-financial field using various functions and alliances of the Group.

Overview of comprehensive consulting related to carbon neutrality of business partners



SDGs Support Services

Features of Hirogin SDGs Support Services
<ul style="list-style-type: none"> Confirming SDGs initiatives, organizing matters to be addressed and providing a feedback sheet Support for the formulation of SDGs Declaration
Number of Cases of Hirogin SDGs Support Services
615 (From start of service in January 2020 to March 31, 2023)

Sustainability Management Adoption Support Services

Features of Hirogin Sustainability Management Adoption Support Services
<ul style="list-style-type: none"> Support for identification of materiality that is the core basis of the companies' sustainability management through dialogues with management Support for the formulation of sustainability management policy
Number of Cases of Hirogin Sustainability Management Adoption Support Services
8 (From start of service in January 2022 to March 31, 2023)

Sustainable Loan

Features of Hirogin Sustainable Loan
<ul style="list-style-type: none"> 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
Number of Cases of Hirogin Sustainable Loan
19/¥3 billion (From start of service in December 2021 to March 31, 2023)

Consulting for Support for Response to Carbon Neutrality

Features of Consulting for Support for Response to Carbon Neutrality
<ul style="list-style-type: none"> Integrated support from understanding the current situation to implementing responses to enhance carbon neutrality by leveraging all the Group's functions and alliances
Number of Cases of Consulting for Support for Response to Carbon Neutrality
5 (From start of service in December 2021 to March 31, 2023)

* 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.

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 environmental and social issues and realizing sustainable growth in the region.
- The Group will reduce negative impacts by always considering environmental and social impacts of business activities on future generations and will work on initiatives to continuously increase positive impacts.



For realization of sustainable environment and society

Target values

Creation of environmental and social 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 Target

Appointment of a DX Manager/DX Leader for each division/department of each company

FY2022 Progress

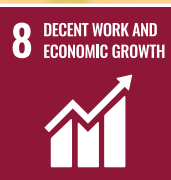
Appointed in June 2023 (Achieved)

FY2023 Target

Ratio of Information Technology Passport acquisition: 30%

FY2022 Progress

Ratio exceeded 54% (Achieved)



Diversity and inclusion

FY2030 Target

Ratio of women in managerial positions: Approx. 25%

FY2022 Progress

7% (+ 2% compared to FY2020)

FY2030 Target

Ratio of women in managerial and supervisory positions: Approx. 30%

FY2022 Progress

17% (+ 2% compared to FY2020)



Carbon neutrality

FY2030 Target

Achievement of carbon neutrality in Scope 1 & 2

FY2022 Progress

Reduction of 41% from FY2013

FY2050 Target

Achievement of carbon neutrality in Scope 1, 2 & 3

FY2022 Progress

Calculation of emissions from business loans

FY2030 Target

Cumulative amount of executed sustainable finance transactions for 10 years: ¥2 trillion (including ¥1 trillion in the environmental field)

FY2022 Achievement

Cumulative amount executed for two years: ¥0.3 trillion (including ¥0.2 trillion in the environmental field)

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

Comprehensive 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 (FY2019)

CO₂ emissions

Rank	Prefecture	Emission (million t-CO ₂)
1	Chiba	64.3
2	Aichi	64.2
3	Tokyo	64.1
4	Kanagawa	58.5
5	Hokkaido	50.0
6	Hyogo	46.5
7	Hiroshima	44.0
8	Osaka	40.7
9	Okayama	38.6
10	Ibaraki	38.1
Nationwide		21.0

CO₂ emissions per population

Rank	Prefecture	Emission/population (t-CO ₂ /person)
1	Oita	23.5
2	Okayama	20.4
3	Yamaguchi	19.6
4	Wakayama	16.5
5	Hiroshima	15.7
6	Ibaraki	13.3
7	Mie	11.9
8	Ehime	11.7
9	Chiba	10.3
10	Aomori	10.0
Nationwide		7.8

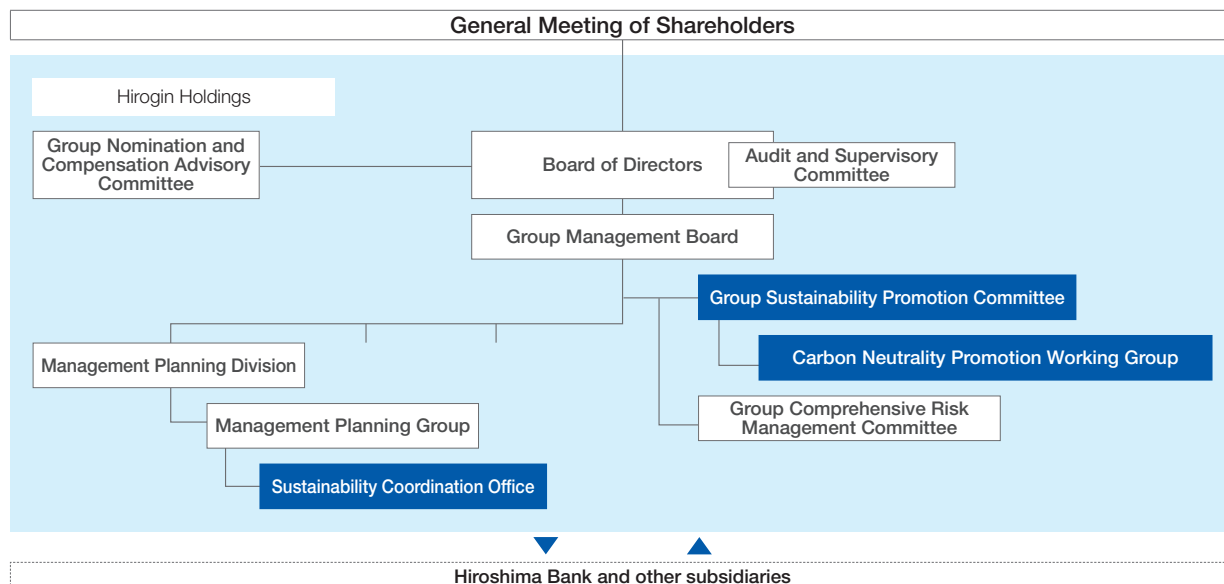
Source: Estimated by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications "Japanese Statistics 2021" and the Ministry of the Environment "Estimation of Current Status of CO₂ Emissions by Field"

Promotional structure

The Group established the Group Sustainability Promotion Committee as a consultation organization of the Company's President to deliberate and consider responses 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 the 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, 2023)



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

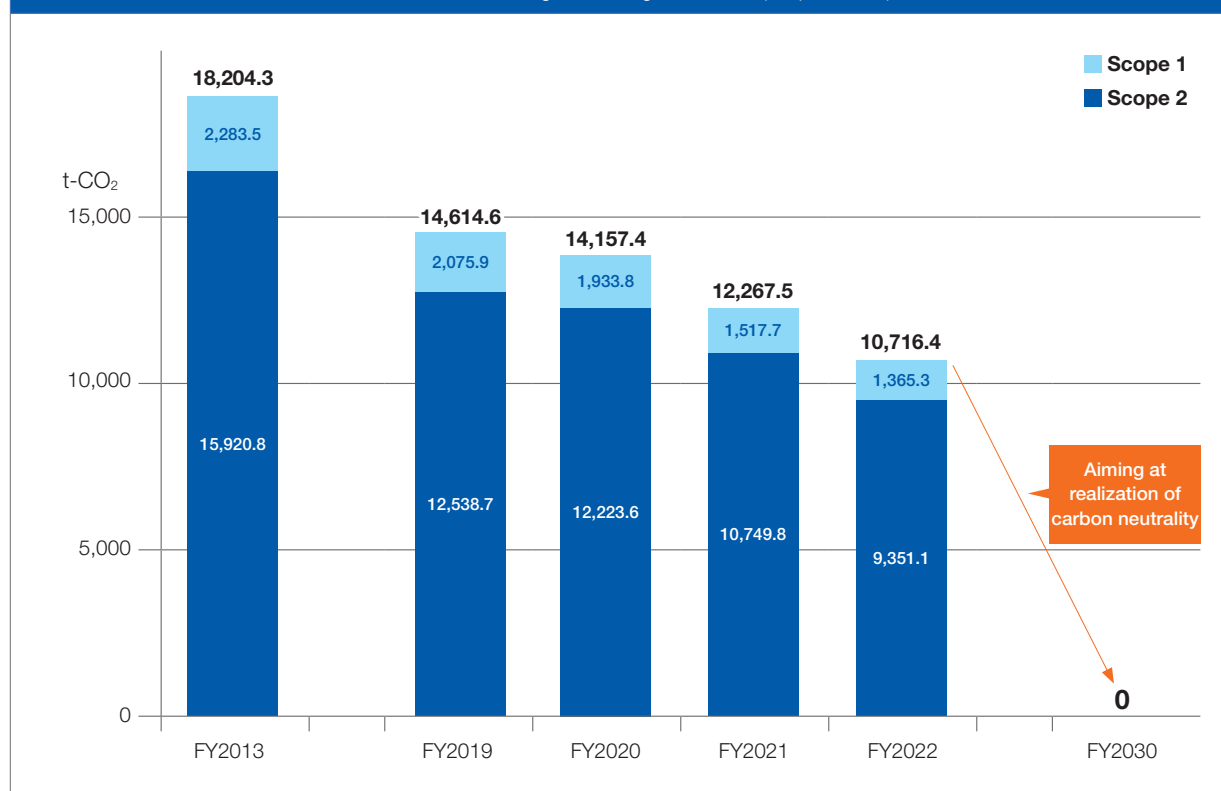
In addition, in order to link the Group’s initiatives to reduce greenhouse gas emissions to dialogues with business partners, the Group encourages its employees to deepen their understanding of carbon neutrality and to take actions by individuals to reduce greenhouse gas emissions caused by the Group’s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

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**

Results of reduction of greenhouse gas emissions (Scope 1 and 2)



Key measures to be taken for the reduction of greenhouse gas emissions (Scope 1 and 2)

(1) Further promotion of energy saving

- Replacement of equipment with energy-saving ones 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

Introduction of electricity from renewable energy sources to the Head Office building (from November 2022)

Sustainable new Head Office building

The Group reduced greenhouse gas emissions by renovating the Head Office building with high environmental performance 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 a 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 to an S grade, the highest grade under

CASBEE Hiroshima (Comprehensive Assessment System for Built Environment Efficiency).

In addition, the Group introduced electricity from renewable energy sources and carbon-neutral city gas to the new Head Office building in fiscal 2022 so that CO₂ emissions from the new building are considered zero.

In the future, we will promote energy saving and renewable energy introduction to our branches and other facilities other than the new Head Office building. We will work systematically to realize carbon neutrality by fiscal 2030 by the Group.

Receiving the Chugoku New Office Promotion Award (Chugoku Bureau of Economy, Trade and Industry Director-General's Award)

The Head Office building of Hirogin Holdings received the Chugoku New Office Promotion Award (Chugoku Bureau of Economy, Trade and Industry Director-General's Award) at the 35th Nikkei New Office Award sponsored by Nikkei Inc. and the New Office Promotion Association.



Evaluated Office Concepts

- | |
|--|
| (1) Demonstration of group synergy effects |
| (2) Improvement of productivity and efficiency |
| (3) Regional revitalization and evolution of CSR |
| (4) Provision of advanced financial services |
| (5) Reinforcement of BCP |

Introduction of electricity from renewable energy sources Introduced in November 2022

At the Head Office building of Hirogin Holdings, we introduced the Special Renewable Energy Plan (an electricity rate menu that reduces CO₂ emissions from electricity to zero by supplying electricity and environmental value together from renewable energy power

plants (hydroelectric power, solar power, and biomass) in the Chugoku region) provided by The Chugoku Electric Power Company, Incorporated. We introduced this plan as a way to contribute to local production and consumption of electricity.



Introduction of carbon-neutral city gas Introduced in January 2023

The Head Office building of Hirogin Holdings introduced the carbon-neutral city gas. It is liquefied natural gas that offsets (carbon offsets) the CO₂ emitted in the process of natural gas mining, liquefaction,

transportation, re-vaporization, and its combustion at the supply site with CO₂ credits provided by Hiroshima Gas Co., Ltd.

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 the 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 particular, Hiroshima Bank, the Company’s major subsidiary, recognizes the importance of efforts to calculate and reduce greenhouse gas emissions (financed emissions) in business loans from the perspective of focusing on engaging in local SMEs as a regional financial institution.

In fiscal 2022, Hiroshima Bank calculated and identified greenhouse gas emissions (financed emissions) in business loans through adoption and participation in the Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project, a publicly solicited project by the Ministry of the Environment, and also studied how to use the results in engagement with client companies.

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 the 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.

Results of greenhouse gas emissions (financed emissions) from Hiroshima Bank’s business loans (* For the fiscal year ended March 31, 2022)

● Total financed emissions in business loans

No.	Industry classification	Total financed emissions (t-CO ₂)
1	Electric power	1,591,000
2	Metals and mining	988,365
3	Marine transportation	889,379
4	Automobile	538,381
5	Building materials and capital goods	498,256
6	Food and beverages	475,269
7	Chemical	357,125
8	Land transportation	325,032
9	Paper and forestry	269,909
10	Real estate management and development	121,426
11	Oil and gas	119,153
12	Agriculture	22,356
13	Air transportation	5,919
14	Other	4,085,708
Total		10,287,278

Especially, destinations where priority engagement is considered necessary

(1) Destinations in local areas
(Hiroshima, Okayama, Yamaguchi, and Ehime Prefectures)

(2) Main and semi-main destinations

● Total of the destinations in local areas and the main and semi-main destinations

No.	Industry classification	Total financed emissions (t-CO ₂)
1	Marine transportation	545,699
2	Metals and mining	448,050
3	Electric power	441,717
4	Food and beverages	308,593
5	Automobile	275,277
6	Building materials and capital goods	219,824
7	Land transportation	213,509
8	Chemical	152,732
9	Paper and forestry	102,467
10	Real estate management and development	91,396
11	Oil and gas	13,558
12	Agriculture	11,356
13	Air transportation	1,650
14	Other	2,712,086
Total		5,537,914

Consulting for support for response to carbon neutrality

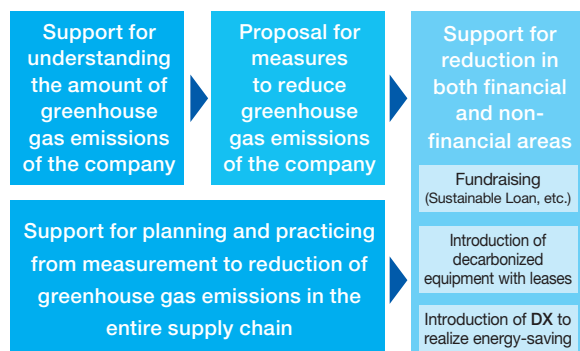
In December 2021, Hiroshima Bank started consulting to support from awareness to practice related to response to carbon neutrality of business partners utilizing functions and alliances within the Group (such as energy saving diagnosis for SMEs and support for introduction to strategies and reduction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

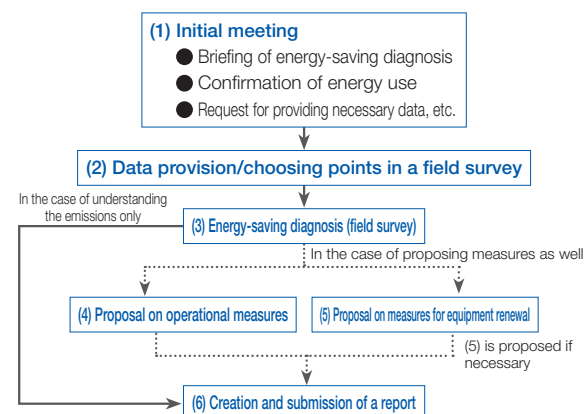
Technos Corporation, a company rooted in Hiroshima and receiving energy-saving diagnosis, etc. from government agencies with its specialized knowledge on energy-saving consulting, to actively promote response to carbon neutrality in the region.

The Group also provides financial and non-financial 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)



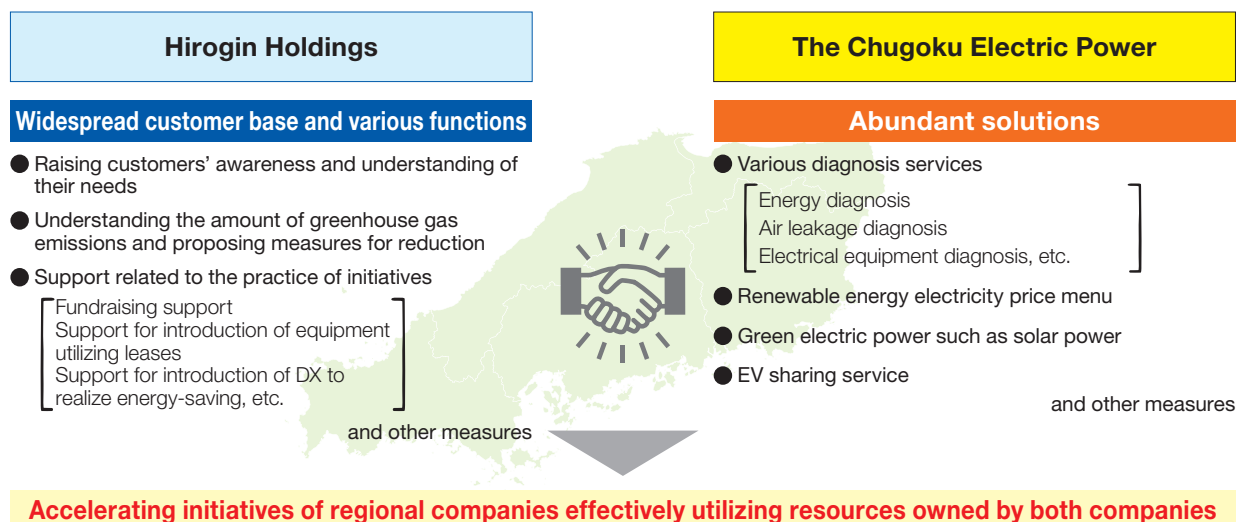
Further collaboration with external stakeholders

The Group strengthens collaboration with external stakeholders including core local 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 the Chugoku Economic Federation as its subordinate organizations, and examines and responds to initiatives to realize regional carbon neutrality together with local 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 the 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.



Major initiatives based on TCFD recommendations after April 2022

[HD]: Hirogin Holdings
[BK]: Hiroshima Bank

2022

- Apr. ● [HD] Newly established the Economic and Industrial Research Division [Strategy]
[BK] Started handling of Sustainability-Linked Derivative [Strategy]
 - May ● [HD] Set mid- and long-term targets for the reduction of greenhouse gas emissions [Metrics and targets]
[HD] Set mid- and long-term targets for sustainable finance [Metrics and targets]
 - Jun. ● [BK] Measured the concentration of credit exposure of carbon-related assets [Strategy] [Metrics and targets]
[BK] Quantified the analysis results of scenario of physical and transitional risks [Strategy] [Risk management]
 - Sept. ● [HD] Set internal carbon pricing [Metrics and targets]
 - Oct. ● [BK] Participated in the Ministry of the Environment the Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project [Strategy] [Metrics and targets]
→ Analyzed and identified greenhouse gas emissions (financed emissions) in business loans for use in engagement (to March 2023)
[HD] Revised the Policy on Investment and Financing for Environmental and Social Solutions [Governance] [Risk management]
→ Newly established a target year (2035) to achieve a zero project financing balance for the construction of coal-fired power plants
→ Newly established a policy on investment and financing for specific sectors (coal mining business, oil and gas mining business, palm oil plantation development business, and large-scale forest logging business)
 - Nov. ● [HD] Introduced electricity from renewable energy sources to the Head Office building [Strategy]
-
- 2023
- Jan. ● [HD] Introduced carbon-neutral city gas to the Head Office building [Strategy]
 - Mar. ● [HD] Revised the skills matrix for Directors [Governance]
→ Added "sustainability" to the required skills to promote and strengthen sustainability management
[BK] Concluded a collaboration agreement with MEJAR participating banks on products and services in the field of sustainability [Strategy]
[BK] Concluded a business alliance agreement with Hiroshima Gas Co., Ltd. to support companies in Hiroshima Prefecture in their efforts for carbon neutrality [Strategy]
[BK] Established Hirogin Positive Impact Finance [Strategy]
 - Apr. ● [HD] Concluded an "Agreement on the Promotion of the Use of Wood in Buildings" with Hiroshima Prefecture
→ Proactively used lumber produced in Hiroshima Prefecture in the construction of our branches and other facilities
 - Jun. ● [BK] Expanded the scope of sectors for measurement of the concentration of credit exposure of carbon-related assets [Strategy] [Metrics and targets]
[HD] Published the TCFD Report



TCFD Report

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

The TCFD Report has been disclosed on our website since June 2023.

For more information on the Group's response to climate change based on the TCFD recommendations, please refer to the TCFD Report.

Status of responses 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 a 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 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.

Details of the Board of Directors deliberations on climate change (FY2022)

(1) 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 at the Group (Scope 1, 2, and 3)
- Setting of mid- and long-term targets for sustainable finance

(2) Direction of responses to the medium-to-long-term targets for the realization of carbon neutrality in the region

- Development of a roadmap to achieve carbon neutrality in the Group's greenhouse gas emissions (Scope 1 and 2)
- Identifying the state of greenhouse gas emissions (Scope 3 / Category 15) at investees and borrowers and providing support to achieve reductions through our engagement
- Expansion of renewable energy supply and demand in the region through cooperation with external companies, local governments, etc.

(3) Revision of the Policy on Investment and Financing for Environmental and Social Solutions

- New establishment of a target year (2035) to achieve a zero project financing balance for coal-fired power plants
- Establishment of a policy on investment and financing for coal, oil and gas mining, palm oil plantations, and large-scale forest logging

(4) Management of climate change risks as a topic risk

- Addition of a climate change response policy to our Risk Appetite Statement

(5) Responses to TCFD recommendations

- Future responses to enhance sophistication and disclosure of climate change responses based on 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, 2023)

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 the 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)

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, including in

non-financial 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

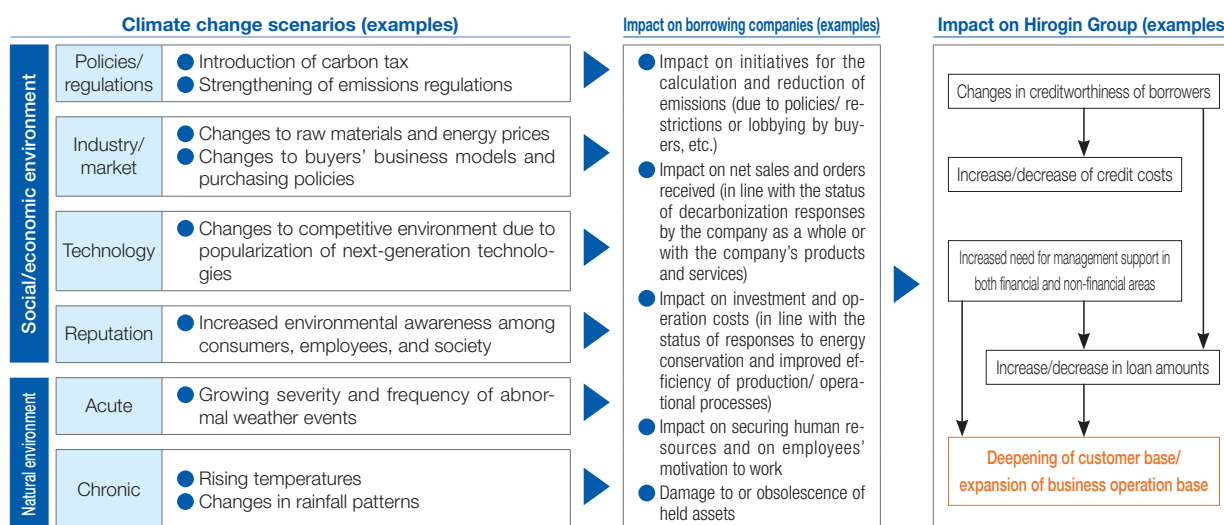
Hirogin Group perceives physical risks resulting from changes in the natural environment in connection with rising temperature and other factors, as well as transition risks resulting from changes in the social and economic environment in connection with the transition to a carbon-free society, as climate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

Perceived Risks	
● Physical risks	<ul style="list-style-type: none"> ● Increase in credit expenses and risk assets due to deterioration in local customers' management caused by extreme weather conditions (damage to equipment or disruption of the supply chain) ● Deterioration of asset value due to damage to held assets
● Transition risks	<ul style="list-style-type: none"> ● Increase in credit expenses and risk assets due to deterioration in local customers' management caused by increases in the costs of responding to the transition to a carbon-free society, etc. ● Decline in public trust caused by delays in responding to social demands, etc.

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.

Perceived Opportunities	
● Opportunities	<ul style="list-style-type: none"> ● Increase in capital investment needs by business partners ● Creation of innovation through development of related technologies ● Increase in consulting opportunities for business conversions
Further enhancement and strengthening of solutions, including in non-financial areas, that put all functions and alliances within the Group to effective use	
Opportunity to demonstrate the Group's significance as a Regional Comprehensive Services Group	

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 March 31, 2023) as follows.

As of March 31, 2023		
Target sector	Percentage of credit balance	
Energy*	2.9%	
Transportation	13.5%	
Materials and buildings	10.4%	
Agriculture, food, and forest products	2.0%	
Total	28.9%	

(Reference) As of March 31, 2022		
Target sector	Percentage of credit balance	
Energy*	2.3%	

* Excluding renewable energy power generation businesses

Revised the scope of "carbon-related assets" based on the revised TCFD Practical Guidelines, etc.

Advancement of climate change responses based on recognition of climate change risks and opportunities

Based on the TCFD Recommendations and discussions at the Group Sustainability Promotion Committee and the Board of Directors, the Group identifies (prioritizes and narrows down) matters that should be genuinely considered and addressed from the strategic

standpoint of the Group's pursuit of opportunities, and risk reduction or avoidance. The Group works to continuously and gradually enhance its responses to climate change.

Major initiatives for advancement of climate change responses based on recognition of climate change risks and opportunities

Purpose and aims	Major initiatives in FY2022	Direction of initiatives in FY2023 (* including those under consideration)
(1) Revision of policies and other systems and enhancement of disclosure in response to changes in regulations, external environment, etc.	<ul style="list-style-type: none"> Added a "sustainability" item to the Directors' skills matrix. Reviewed the Policy on Investment and Financing for Environmental and Social Solutions (investment and financing policy). Revised the scope of carbon-related assets based on the revised TCFD Practical Guidelines. 	<ul style="list-style-type: none"> Continue to enhance the sophistication of TCFD response and disclosure through the annual PDCA cycle of TCFD management.
(2) Systematic reduction of the Group's greenhouse gas emissions (Scope 1 and 2)	<ul style="list-style-type: none"> Set the reduction targets for Scope 1 and 2 (achieve carbon neutrality by FY2030). Developed a roadmap for reduction by FY2030 for Scope 1 and 2. Set internal carbon pricing for Scope 1 and 2. Introduced electricity from renewable energy sources to the Head Office building. 	<ul style="list-style-type: none"> Steadily implement reduction measures based on the reduction roadmap, and use them to build momentum by disseminating information internally and externally. Consider and take measures to obtain third-party guarantees for Scope 1 and 2.
(3) Identifying the state of greenhouse gas emissions (Scope 3 / Category 15) at investees and borrowers and providing support to achieve reductions through our engagement	<ul style="list-style-type: none"> Set the reduction targets for Scope 1, 2, and 3 (achieve carbon neutrality by FY2050). Calculated and understood greenhouse gas emissions (financed emissions) in Hiroshima Bank's business loans (Participated in the Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project, a publicly solicited project by the Ministry of the Environment). Expanded alliance partners (cloud service providers, etc.) to support visualization of CO₂ emissions by business partners. Developed engagement activities focusing on specific industries (automobile, parts, etc.) 	<ul style="list-style-type: none"> Implement a well-balanced dialogue and engagement through the identification of priority sectors and individual companies (segmentation and targeting) based on the results of the portfolio carbon analysis. Expand and refine asset classes subject to financed emission calculation (improve data quality scores) step by step.
(4) Expansion of financial and non-financial solutions to support the decarbonization of business partners	<ul style="list-style-type: none"> Established the Economic and Industrial Research Division within the Company. Completely revised the discussion tool used for feasibility studies (incorporated SDGs/CN elements). Concluded a collaboration agreement with ME-JAR participating banks on products and services in the field of sustainability. Established Hirogin Positive Impact Finance. 	<ul style="list-style-type: none"> Strengthen sales and human resource development systems related to the promotion of sustainability support (e.g., by assigning dedicated personnel in sales-related divisions and using opportunities for secondment to external organizations). Enhance internal understanding of the concept of sustainability and improve skills in dialogue by expanding training programs by job level and job category, for more effective dialogue with and support for our business partners.
(5) Expansion of renewable energy supply and demand in the region through collaboration with external companies, local governments, etc.	<ul style="list-style-type: none"> Participated in the Carbon Neutral Promotion Council and the Carbon Neutral Electric Power Promotion Subcommittee under the Chugoku Economic Federation. Commissioned and implemented the Manufacturing Industry Support Project for Carbon Neutrality, a publicly solicited project by Hiroshima Prefecture. 	<ul style="list-style-type: none"> Strengthen cooperation with core regional companies and governments to enhance efforts to solve regional issues centered on the spread of renewable energy. Strengthen awareness-raising activities by holding seminars, etc.

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 risks	
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's 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 ¥5.5 billion

Transition risks	
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 the transition to a 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: ¥6.5 billion cumulative

Strategy resilience based on scenario analyses

As a result of the scenario analyses under current circumstances, our assessment is that the 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 the external environment, we have clarified our risk appetite, that is, the type and quantity of risks that we are prepared to accept to achieve our management goals, and built an integrated risk management structure based on a risk appetite framework to achieve both pursuit of profit opportunities and appropriate control of risks at the same time, in line with our management strategies and policies.

Within this framework, risks that are important in management and that should be managed are identified as “top risks.” The Board of Directors determines

policies for managing and operating various top risks based on deliberations by the Group Comprehensive Risk Management Committee and other bodies.

The Group identifies risks associated with environmental and social changes due to climate change as “top risks.” As part of our responses to climate change risks, we have established the Climate Change Response Policy to our Risk Appetite Statement in the second half of fiscal 2022. Through continuous monitoring and other activities, we have developed a framework that enables us to respond flexibly.

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.

In the second half of fiscal 2022, the Group newly added the Climate Change Response Policy to its Risk Appetite Statement and established a semi-annual monitoring system to monitor the implementation status of our subsidiaries’ responses based on the Climate Change Response Policy.

Climate change risk management within the comprehensive risk management framework

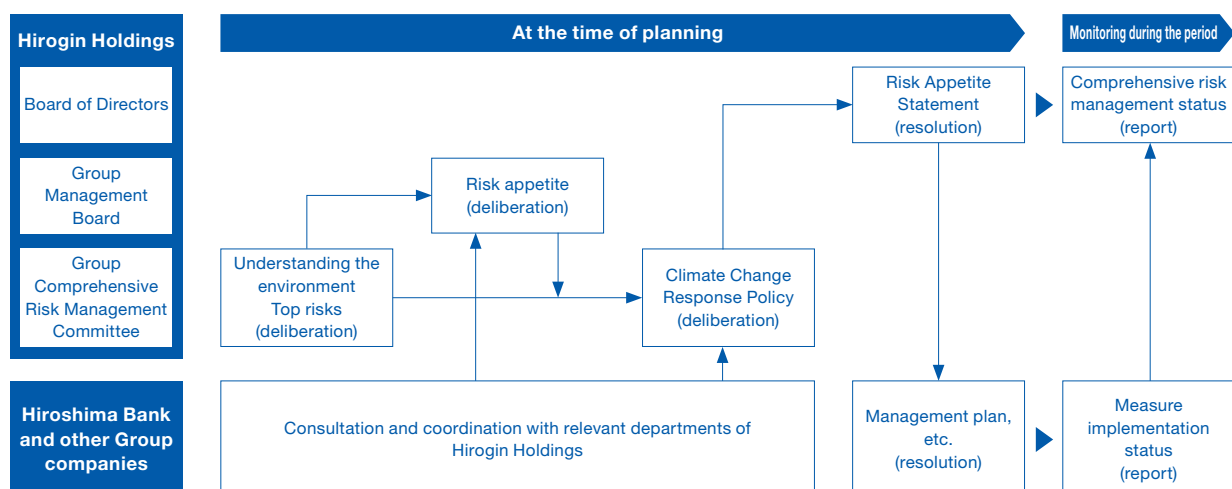
In our comprehensive risk management process based on the risk appetite framework, Hirogin Group has built a climate change risk management structure within the comprehensive risk management framework. This includes the recognition, assessment, and management of climate change risks as “top risks.”

In fiscal 2022, we clarified the position of climate change risks as a risk driver that could increase or decrease credit risks and other risks through the impact

on the environment and society, and established a monitoring system to control the manifestation of 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.

Management cycle related to climate change risks



Management of environmental and social risks in finance

In the Policy on Investment and Financing for Environmental and Social Solutions, Hirogin Group defines businesses for which investments and financing are prohibited and businesses that require careful

consideration when making such investments and financing, based on the significance of the environmental and social risks and impacts.

Businesses for which investments and financing are prohibited

- (1) **Businesses that develop and manufacture inhumane weapons such as nuclear weapons and cluster bombs**
- (2) **Businesses involved in human rights abuses such as human trafficking or forced labor**

Businesses that require careful consideration when making such investments and loans

(1) Coal-fired power generation business

In principle, we will not invest in or finance new construction projects because coal-fired power plants are said to have higher greenhouse emissions than other power generation methods and involve the risk of increasing concerns about climate change and air pollution.

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 eco-friendly technologies such as carbon capture and storage as initiatives to help reduce greenhouse gas emissions.

In light of the above, the Group aims to achieve a zero balance by 2035 for project finance for the construction of coal-fired power plants.

(2) Coal mining business

Coal mining, if not properly managed, may cause industrial accidents due to coal mine accidents and impact the ecosystem due to hazardous waste. After checking our customers' implementation status of environmental and social considerations, we will make careful decisions on new businesses.

We will not invest in or finance new businesses that use the Mountain Top Removal (MTR) method, which has a significant impact on the environment.

(3) Oil and gas mining business

Oil and gas mining may cause pollution of oceans and rivers due to accidental spills and have a negative impact on residents and society. Therefore, we will carefully decide on new businesses after checking our customers' implementation status of environmental and social considerations.

(4) Palm oil plantation development business

While palm oil is an essential raw material for daily life, it may have negative impacts on climate change and residents, such as child labor, human rights abuses, and the cutting and burning of natural forests in development. Therefore, we will require the acquisition of certifications such as RSPO^{*1} and the disclosure of respect for policies such as NDPE^{*2} and carefully decide on new businesses after checking our customers' implementation status of environmental and social considerations.

(5) Large-scale forest logging business

Large-scale forest logging may have negative impacts on climate change and ecosystems. Therefore, we will carefully decide on new businesses after checking the status of acquiring certification, such as FSC^{*3} and PEFC^{*4}, and our customers' implementation status of environmental and social considerations.

^{*1} Roundtable on Sustainable Palm Oil (RSPO) certification: An international certification indicating that products are made from sustainable palm oil-derived raw materials or contribute to their production

^{*2} NDPE: A policy that stipulates environmental and human rights considerations of No Deforestation, No Peat and No Exploitation

^{*3} Forest Stewardship Council (FSC) certification: An international certification indicating that products are produced from properly managed forests

^{*4} Programme for the Endorsement of Forest Certification Schemes (PEFC) certification: An international certification for maintaining sustainable forests

Status of responses to TCFD recommendations (4) – Indicators and targets

Reduction of greenhouse gas emission

Mid- and long-term targets for reduction of greenhouse gas emissions

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

Track record of greenhouse gas emission reductions

(t-CO₂)

Calculated items	Scope	FY2013	FY2020	FY2021	FY2022
Scope 1 (Fuel combustion)	Group overall	2,283.5	1,933.8	1,517.7	1,365.3
Scope 2 (Purchased electricity)		15,920.8	12,223.6	10,749.8	9,351.1
Scope 1 & 2 Total		18,204.3	14,157.4	12,267.5	10,716.4
Scope 3 Category 1 (Purchased goods and services)	Hiroshima Bank (Non-consolidated)	13,261.7	13,661.0	14,815.7	12,112.3
Scope 3 Category 3 (Energy-related activities)		1,236.6	1,665.9	1,601.0	1,508.4
Scope 3 Category 4 (Upstream transportation and distribution)		1,674.7	1,812.3	1,799.7	1,712.0
Scope 3 Category 6 (Business travel)		392.2	411.5	398.2	433.0
Scope 3 Category 7 (Employee commuting)		725.8	761.5	760.9	801.2
Scope 3 Category 15 (Investments and financing)		—	—	—	*2

^{*1} 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)

^{*2} Calculation of Scope 3 Category 15 (Investments and financing)
Among the asset classes subject to Scope 3 Category 15 (Investment and financing), the total amount of financed emissions from business loans is 10,287,278 t-CO₂. These results are based on the data as of March 31, 2022.

Sustainable finance

Mid- and long-term targets of sustainable finance

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

Track record in sustainable finance

Track record in sustainable finance (amount executed)	FY2021	FY2022	Total
Sustainable finance	¥122.0 billion	¥211.9 billion	¥333.9 billion
Of which, environmental finance	¥85.0 billion	¥150.3 billion	¥235.3 billion

Note: Scope of sustainable finance
Investments, loans, and leases that contribute to solving environmental issues: renewable energy, vehicles, ships, and other equipment that reduce environmental impacts, etc.
Investments, loans, and leases that contribute to solving social issues: SDGs-related, medical/welfare/education-related equipment, initial funding for startups, business succession, BCP, public infrastructure, etc.

Internal carbon pricing

Item	Details
Set price	¥14,000/t-CO ₂
Target scope	Scope 1 & 2
Usage	Promoting carbon neutrality of electricity and other major emission sources of the Group
How to use	Used as one of the reference indicators in decision-making for the introduction of renewable energy

Human Capital Management

Overview and policies

Human resource development policy

The Hirogin Group aspires to be an organization where all employees can demonstrate their abilities and expertise to the fullest toward a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers. Based on personal integrity that will be needed in the coming era, we continually strive for self-improvement for the future through developing both generalists equipped with expertise and specialists who deliver solutions. In doing so, we aim to cultivate human resources who will contribute to solving our customers' challenges.

Internal environment development policy

The Hirogin Group promotes the creation of workplaces in which employees with diverse viewpoints and values can perform at their best based on their own intentions and awareness. In order for each and every employee to achieve their own ideal way of working, we are not only fostering a culture where they can develop their career path on their own and take on new initiatives, but also developing an environment where a diverse range of career and experience can be utilized. We will also make conscious efforts to enhance the well-being of all employees with an aim to be a company where they can take pride in being part of the Hirogin Group.



Sustainable growth for the Hirogin Group

Engagement

Building strong engagement by enhancing job satisfaction and promoting autonomous career development through measures and work culture that encourage employees to try new things, unconstrained by precedents

Diversity and inclusion (D&I)

Promoting diversity and inclusion to develop an organization in which employees with diverse viewpoints and values can exercise their abilities, based on their own intentions and awareness

Health

Supporting our employees to enjoy a prosperous social life by strengthening our financial wellness initiatives and proactively investing in employee health to improve well-being

Support for employee growth

Establishing a human resource development and training system aimed at achieving proactive career paths, as well as developing a system to fairly evaluate the growth of and challenges faced by each and every employee

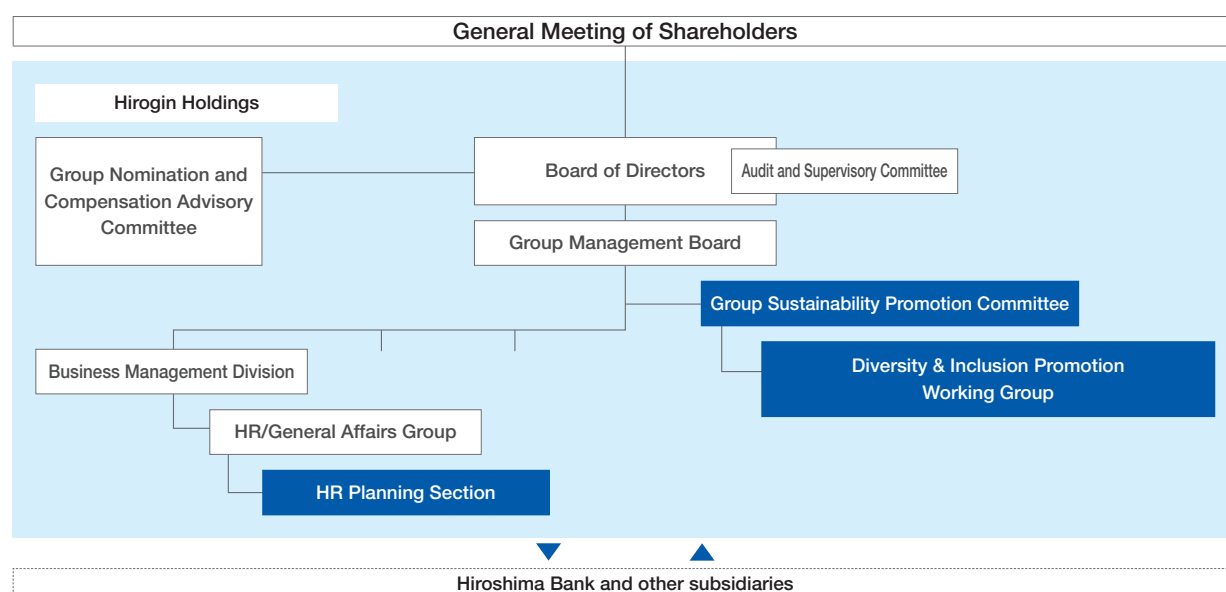
◆ Diversity and Inclusion

Promotional framework

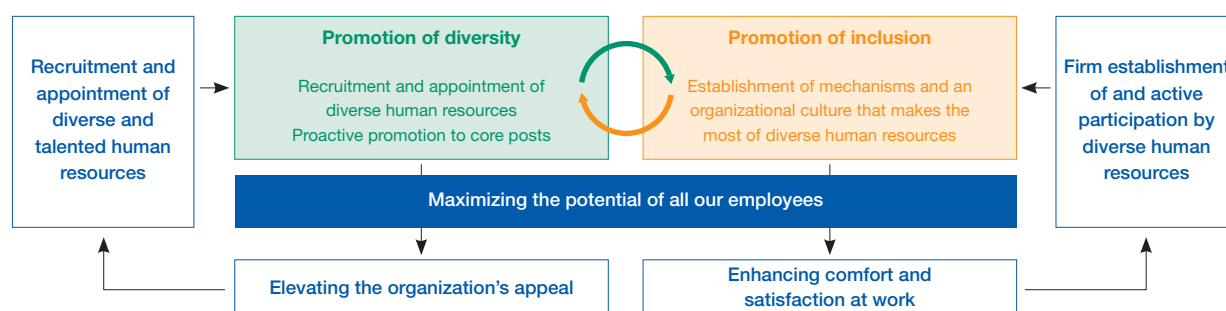
We established the Group Sustainability Promotion Committee in November 2021 as an advisory organization to the President of the Company to deliberate and consider responses to issues surrounding sustainability. We also established the Diversity & Inclusion

Promotion Working Group as its subordinate organization to discuss 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 1 April 2023)



■ Positioning of diversity and inclusion



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 year-round recruitment.

In terms of mid-career employment, every year we recruit about 20 members with skills and experience in

areas such as IT and digital technologies as well as investment banking. Going forward, the Group has decided to actively hire mid-career human resources who 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 companies-related (certified social insurance labor consultants, 1st class registered architects, etc.)
- Other (specialist talent for insurance plazas, auditing, etc.)

Proactive promotion and support for the 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.

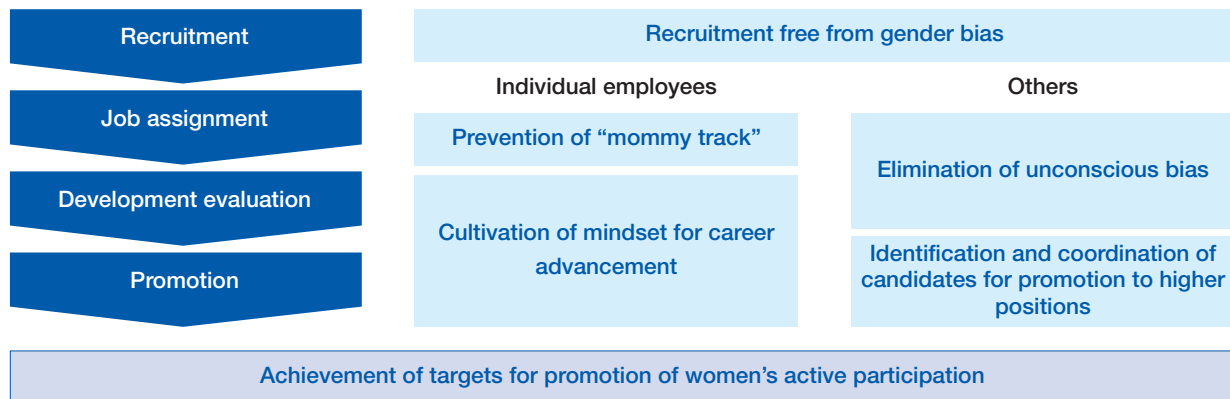
Voluntary, measurable targets and their status

		Current Status for FY2022 (as of April 1, 2023)	FY2025 Targets (as of April 1, 2026)	FY2030 Targets (as of April 1, 2031)
Ratio of women	Managers	7%	Approx. 15%	Approx. 25%
	Management positions	17%	Approx. 22%	Approx. 30%
	Candidates for management positions	35%	Approx. 37%	Approx. 45%
	New employees	42%	Approx. 50%	
	All employees	42%	–	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 45% in FY2022 and 42% in FY2023.

Ratio of female employees among new graduate hires at our major subsidiaries

Name	FY2022	FY2023
Hiroshima Bank	48%	44%
Hirogin Securities	42%	64%
Hirogin Lease	50%	50%
Hirogin IT Solutions	29%	12%

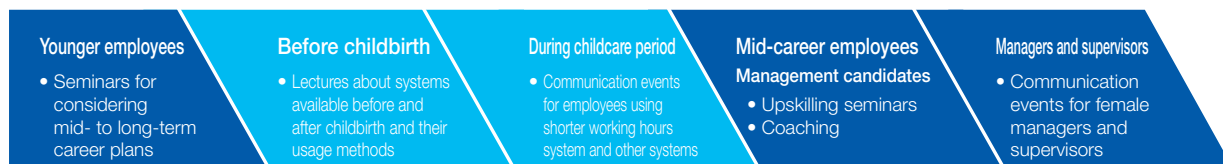
Prevention of "mommy track"

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.

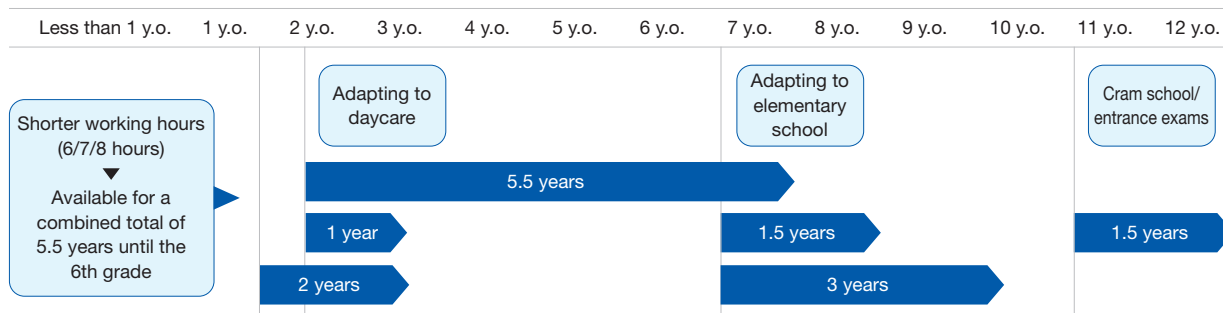
Starting in 2019, the Group companies have revamped their shorter working hours systems. Previously, this system was only available until the children in employees' care were in the lower grades of elementary school, but this has been extended to the sixth grade. At the same time, with the objective 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 have changed significantly compared with 10 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 contracts 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 are conducted fairly and free of unconscious bias.

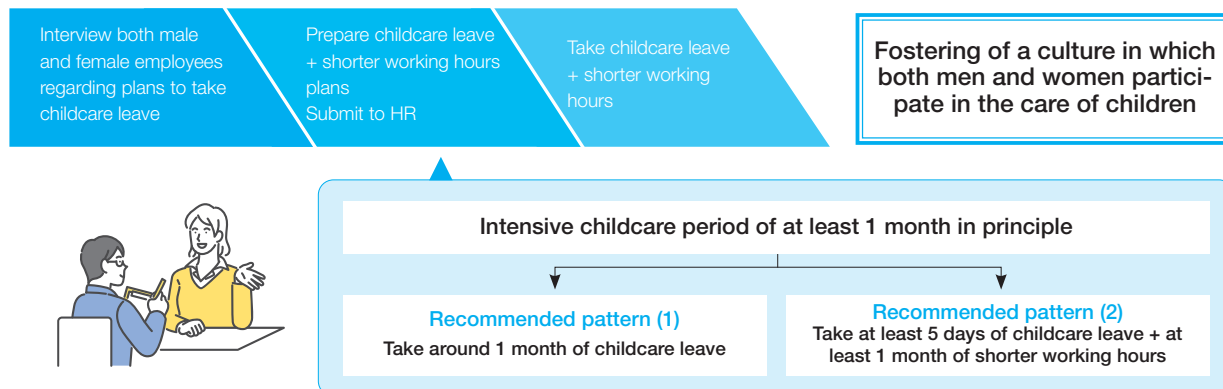
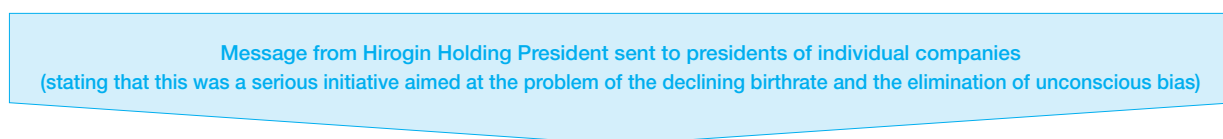
Specifically, we conduct awareness-raising seminars every year for managers and supervisors, who hold the keys to the organization's culture.

Furthermore, from 2022, we have been 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.

Initiatives for the elimination of unconscious bias

Awareness-raising seminars for line managers	<ul style="list-style-type: none"> Unconscious bias training (held for all Hiroshima Bank organization heads in 2020) Management seminar to raise motivation among women (22 managers and supervisors participated in 2022) Training for new managers and supervisors (held during annual new manager/supervisor induction training; lecture about the active participation of female employees) Seminar to upgrade interview skills to accelerate subordinates' growth (27 managers and supervisors participated in 2022)
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Initiatives aimed at encouraging paternity leave among male employees



Childcare leave usage rate	FY2022
Male employees	106%

*Based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, the calculation for the period in question (April 1, 2022, to March 31, 2023) is made by dividing the number of workers who took childcare and other care leave by the number of workers who, or whose spouses, gave birth. Because some leaves extend beyond the fiscal year, the rate exceeds 100%. However, in terms of employees who, or whose spouses, gave birth during FY2022, all have taken childcare leave. (including planned)

Comments from employees who have taken parental leave

How they spent time during the leave and afterward

Thanks to some unexpected encouragement from my boss, who said, “Since you have the opportunity, take a full month off.” I decided to just be brave and take a month of childcare leave.

During my childcare leave, I was busy from early morning preparing my older children for nursery, and during the day, I was swamped with cooking, laundry, and cleaning. This experience made me deeply aware of how much I’ve been able to focus on my work thanks to my wife, and filled me with a newfound sense of gratitude toward her. **My wife is also pleased with the deeper mutual understanding we now have.**



Deputy Branch Manager,
Hiroshima-Higashi Branch
Michiaki Matsuda

Reflections from a chief

It was a big challenge to have a team leader take extended time off, but I felt that a male member of staff taking a month of paternity leave would have a highly positive impact on our company culture. So I encouraged him to take the time off without worry.

If we all make the effort to understand each other's circumstances and adapt accordingly with flexibility, then we'll be better positioned to make a strong and meaningful contribution to our stakeholders as a leading company in the community.



Branch Manager,
Hiroshima-Higashi Branch
Yasutoshi Doi

*The stated affiliation and job titles are shown as they were at the time childcare leave was taken.

Promoting employment of people with disabilities

The Group actively employs staff with disabilities based on its social mission: “Support independent living of people with disabilities.” 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 working environments suitable for different kinds of disabilities and skill sets, as well as a full system of ongoing support.

■ Proportion of Group employees with disabilities

	June 1, 2022	June 1, 2023	Target
Rate of employment of people with disabilities	2.4%	2.5%	3.0%

■ Certification of a special subsidiary company

In November 2022, Hirogin Business Service Co., Ltd., was certified as a special subsidiary company within our Group.

On October 1, 2022, Hirogin Business Service Co., Ltd. launched a new “Heartful Business Division” with the aim of fostering individually tailored growth and increasing job satisfaction for all employees, whether or not they have a disability. Since its inception, 21 people have been hired as part of the team.

Additionally, we have rolled out a meticulous human resource program that offers two distinct career paths to enable individuals with disabilities to progress based on their degrees of skill and independence. The Frontier Path focuses on tasks like computer-based data entry, aiming to unlock employees’ great potential. The Smile Path involves roles such as business card printing, rubber stamp creation and administrative support, designed to bring fulfillment and joy to the workplace.

■ Number of employees with disabilities

To achieve true diversity and inclusion, we go beyond hiring within our special subsidiary company. We also place individuals with disabilities in roles across our various companies, matching them with positions that best suit their unique abilities.

Company name	Number of employees with disabilities (as of June 1, 2023)
Hiroshima Bank	73 persons
Hirogin Securities	3 persons
Hirogin IT Solutions	7 persons
Hirogin Business Service	22 persons

◆ Support for Employee Growth

Optimizing the Group's human capital

In light of our transition to a holding company structure, the Group is proactively allocating its human capital into growth areas, including non-financial fields, while also focusing on developing and retaining specialized human resources.

| Strengthening talent management

To optimize human capital within the Group, it is crucial to accurately understand the aptitude, career aspirations, and skills of each individual employee. We also recognize the importance of fostering strong motivation toward work by placing employees in roles that align with their own aspirations. In the Group, we have decided to introduce a personnel system with talent management capabilities, which will enable us to visualize

We will continue our efforts to build an optimal human resource portfolio for the entire Group to further accelerate our Group-wide efforts as a Regional Comprehensive Services Group aiming to contribute to the revitalization of the region and the growth of our customers.

employees' career aspirations and abilities and place them in the best possible roles for them. We are now preparing for its implementation, aiming for launch in FY2024.

In the future, we will continue to actively invest in people, along with accelerating our human capital management.

| Efforts to leverage specialized expertise

Hiroshima Bank revised its personnel system in July 2020 with the aims of building a system that can enhance and leverage specialized expertise, and utilizing abilities and skills in the right places.

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, 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. In July 2023, we established a new course category aimed at further increasing the number of skilled professionals.

To enable senior employees with high expertise to continue to play active roles, in April 2021 Hiroshima Bank introduced a system to secure employment opportunities for human resources up to 70 years old. This system is also being introduced in other Group companies in stages.

In addition, under a holding company structure, we introduced job-based employment in July 2021 to accelerate the assignment of the right resources to the right places at each Group company, as well as to secure human resources with high expertise, knowledge, and skills, including within operations other than banking.

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 to an appropriate position (in training) for a certain period to facilitate transition to their desired jobs. In April 2023, the scope of the internal internship program was expanded to include the entire Group. Additionally, a new system called "Hirameki☆1Day's" was introduced. This allows employees to create their own opportunities for new experiences (such as observing other jobs), aiming to foster innovative thinking and thereby invigorate the organization through cross-functional work experiences.

In addition to these, we have implemented various initiatives to encourage career advancement and enhance expertise. These include an open recruitment system for desired positions (known as the job challenge system), external secondments and trainee programs aimed at advancing specialization, as well as sending employees on MBA programs.

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

Launch date	Details
July 2020	Introduced a personnel system based on specific course categories (Hiroshima Bank)
April 2021	Revised the senior staff employment system (Hiroshima Bank)
July 2021	Introduced a job-based employment system (Hiroshima Bank)
April 2022	Introduced the Career Design System (Hiroshima Bank)
April 2023	Introduced the new Hirameki☆1Day's System (all Hirogin Holdings companies)

■ Number of users of each system (Hiroshima Bank)

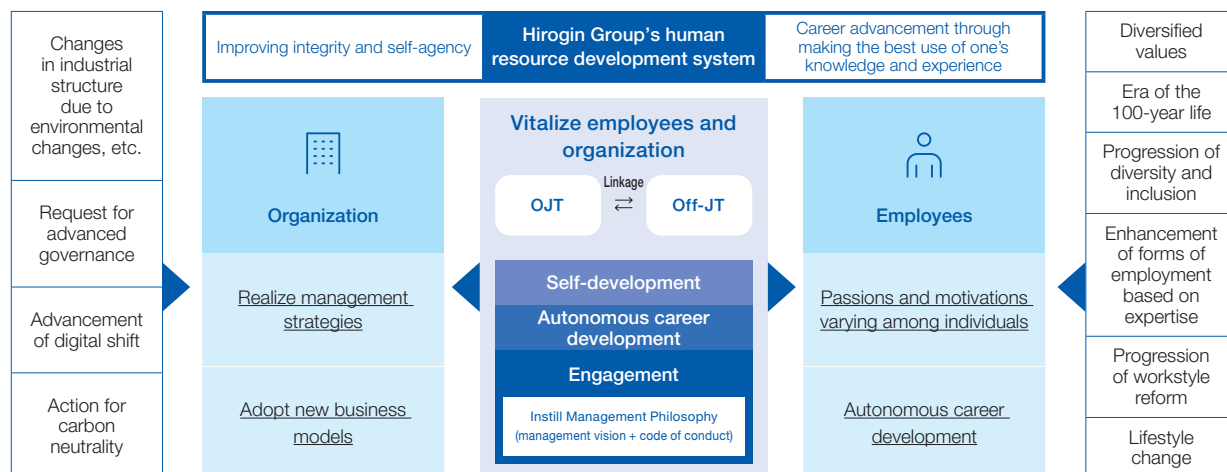
Details	FY2022 results
Number of internal internship participants	107 persons
Number of users of career change support	4 persons
Number of users of the job challenge system	124 persons
Number of transferred employees among these	24 persons
Number of employees seconded externally for the purpose of sophisticating expertise	87 persons
Number of trainees dispatched	9 persons

Strengthening the development of the Group's human resources

Within the Group, under the direction of our human resource development policy, we have established a Group human resource development system that aims for career advancement for employees while leveraging their knowledge and experience as far as possible, all based on personal integrity that will be needed in the coming era. This system primarily consists of

position-based training, aimed at the development of skills and qualities required for specific positions, and theme-based training, where individual employees proactively develop their abilities in line with their own career paths. These core programs are supplemented with other initiatives and e-learning content to support autonomous career development.

Human resource development system



Structure of training programs

Age group (typical)	20s–			30s–	40s–
Position-based training	Training for new employees	Career development training (second year)	Career development training (third year)	Training for new supervisors	Training for new managers
	Follow-up training for new employees	Self-management training (second year)	Self-management training (third year)		Hirogin Management School
Theme-based training	Practical communication training	Leadership training	Management training	Team building training	
				Facilitation training	
				Career development training for specific age groups (30s/40s/50s)	
				Udemy Training* ¹	
				HHR Training* ²	

*1 Training utilizing video content provided by Benesse Corporation

*2 With the aim of broadening perspectives through theme expansion and cross-functional learning, employees are sent to seminars for clients hosted by Hirogin Human Resources

Number of training participants, total investment in training fees etc., and training hours per employee (FY2022)

Details	FY2022 results
Total number of training participants (cumulative)	3,638 persons
Total investment in training fees, etc.* ¹	283 million yen
Training hours per employee* ²	13 hours

*1 Includes personnel costs for the human resource development departments as well as for the training participants

*2 Training hours calculated by multiplying the training hours per session by the number of participants, then dividing by the total number of employees in the Hirogin Group

Number of participants in position-based training programs (FY2022)

Program	Target	Number of trainees
Training for new managers	Persons promoted to managers	32 persons
Training for new supervisors	Persons promoted to supervisors	76 persons
Career development training (third year)	Third-year employees	103 persons
Self-management training (third year)		113 persons
Career development training (second year)	Second-year employees	112 persons
Self-management training (second year)		130 persons
Follow-up training for new employees	New employees	91 persons
Training for new employees		96 persons

Number of trainees in theme-based training programs (FY2022)

Program	Target	Number of trainees
Practical communication training	Younger employees	40 persons
Leadership training	Younger/ Mid-career employees	33 persons
Management training	Mid-career employees	28 persons
Facilitation training	All employees at middle management level and above	23 persons
Team building training	Supervisors	20 persons
Training for OJT tutors	Managers and supervisors	50 persons
Staff guiding / development training	Managers and supervisors	16 persons
Career development training for employees in their 30s, 40s and 50s	All employees aged 30 and above	67 persons

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 time for becoming independent and growing 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.

Furthermore, based on the concept that new employees should be educated organizationally, we have

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

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

established an instructor system and appointed personnel in charge of human resources development within the Personnel & General Affairs Division, who is responsible for providing support for the sophisticated operation of the system. This structure not only lends itself to enhancing operations, but also helps employees to have a more fulfilling private life and to develop their personal integrity.

To strengthen off-JT, we also have development programs and training systems for each operational area through which entry-level employees can step up to mid- or high-level roles in a steady manner.

Number of trainees in entry-level employee development programs (FY2022)

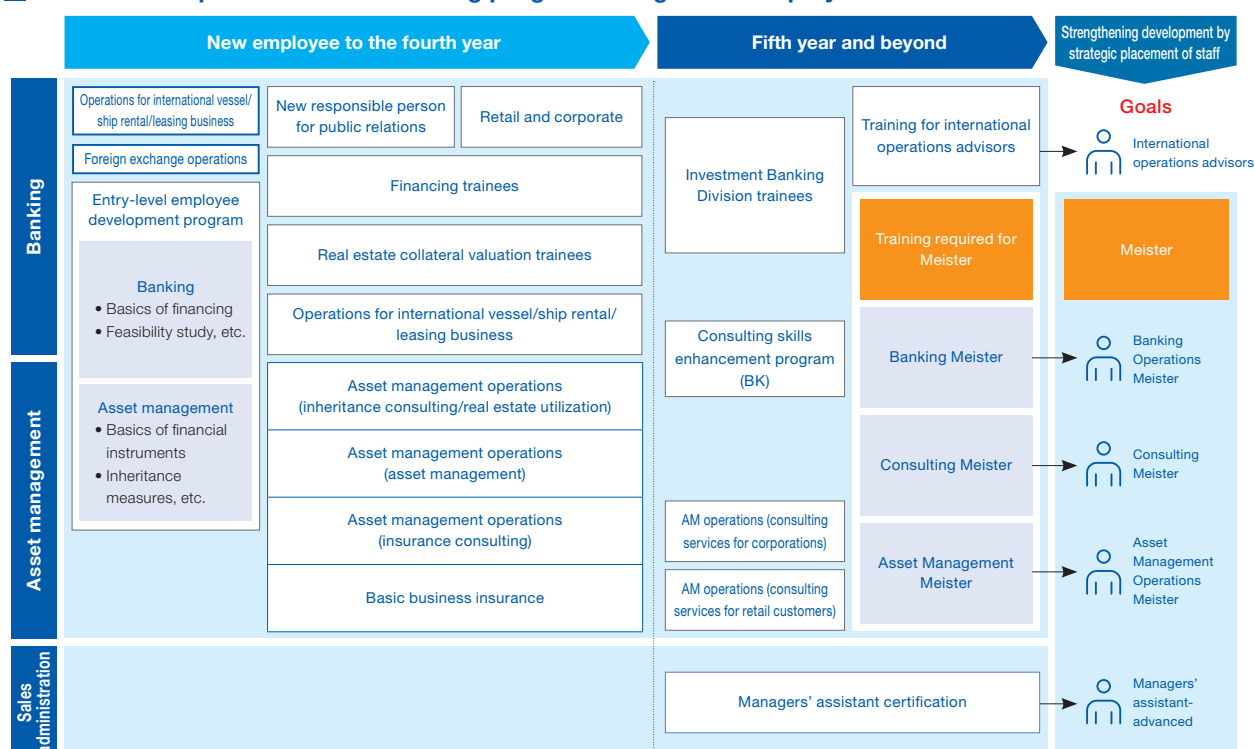
Operations	Number of trainees
Banking	91 persons
Asset management	83 persons

(Scope of survey: Hiroshima Bank)

Not only do we offer training that is focused on classroom-based knowledge acquisition, but we also actively include practical training programs that feature a lot of group work. In addition to this, we build on pre-assignments done through e-learning and other methods, and stagger our group training sessions to complement OJT in the field. We employ this multi-faceted approach through a learning method called “blended learning.”

employees as part of its system of operation-based training programs. Training programs are categorized into two main fields: banking operations and asset management operations.

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



We also send employees to business schools in and outside Japan to study as students, as well as to external organizations including government bodies,

■ Number of certified Meisters (FY2022)

Category of Meister	Number of certified persons	Number of newly certified persons
Banking operations	63 persons	20 persons
Consulting	16 persons	6 persons
Asset management operations	87 persons	22 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 is a program, in which participants learn the leadership and management theory and business frameworks with specific cases as examples and ultimately make suggestions on management.

■ Initiatives to support self-development

We are fostering an environment for proactive and positive learning by holding freely-attended seminars called “Free College” on Saturdays and weekdays after work, and having adopted the home learning support system @Home-Web, which enables online learning using a household computer and smartphone. In this way, we encourage employees to develop themselves proactively on their own initiative.

Additionally, we arrange access to content on subscription-based video sites to enhance foundational skills for working adults, such as personal integrity and autonomy. We also provide access to content such as online courses for the financial planner (FP) 1st-grade exam and mock exam practice to enable employees to cater to a wide range of customer needs regarding their assets.

■ Investment in self-development incentive fund and other reskilling initiatives (FY2022)

Details	FY2022 results
Investment in self-development incentive fund and other reskilling initiatives	52 million yen

academia and industries on secondment, which further hone their expertise while increasing their experience outside the company (and the Group).

■ Company-sponsored enrollment in MBA programs (cumulative total as of March 31, 2023)

Program	Number of employees enrolled
MBA programs outside Japan	23 persons
MBA programs in Japan	21 persons

■ Number of trainees in Hirogin Management School (FY2022)

Program	Main topics	Number of trainees
Hirogin Management School (Practical)	<ul style="list-style-type: none"> Program to nurture a sense of mission Organizational reform 	16 persons
Hirogin Management School (Upper)	<ul style="list-style-type: none"> Technovate strategies Design thinking Leadership 	23 persons
Hirogin Management School (Intermediate)	<ul style="list-style-type: none"> Business strategy Marketing Reinforcing influence on others Business innovation 	33 persons

We have established a self-development incentive fund system at each of our Group companies, which provides a set monetary incentive for employees who obtain public certifications and qualifications. This system supports employees in their proactive efforts toward self-improvement.

Additionally, as part of our efforts aimed at reskilling employees, we have formulated the Hiroshima Prefecture Reskilling Initiative in FY2022 for Hiroshima Bank, Hirogin Securities, Hirogin Lease, and Hirogin IT Solutions. With the goal of improving company-wide digital literacy, we have decided to subsidize the examination fees for the Information Technology Passport certification exam for all employees and to provide special incentive funds. We are implementing these measures in stages.

■ Number of FP 1st-grade / CFP holders (as of March 31, 2023)

Details	Number of holders
Number of FP 1st-grade / CFP holders*	455 persons

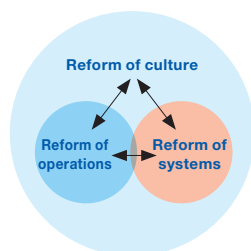
*Individuals holding both of the above qualifications are counted as one.

◆ Engagement

Creating a bright and fulfilling work environment

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.

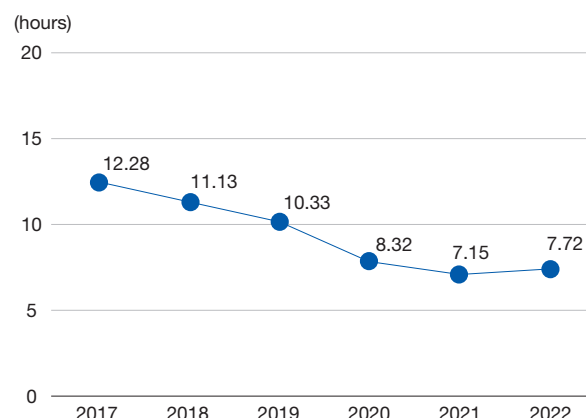
As part of these initiatives, the Group is strongly pursuing workstyle reform, with the reform of culture, operations and systems as its core.



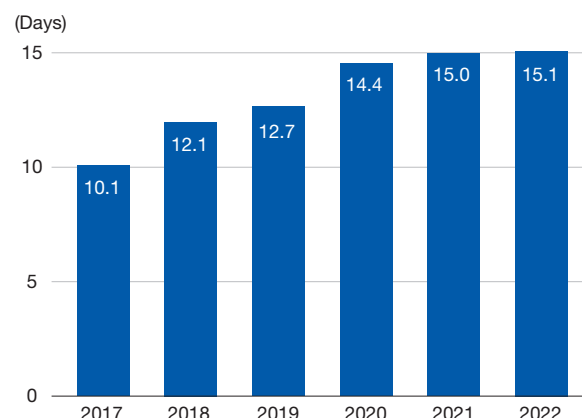
■ Examples of concrete initiatives for workstyle reform (Hiroshima Bank)

Reform type	Examples of concrete initiatives
Reform of culture	<ul style="list-style-type: none"> ● Introduction of a new evaluation system that focuses on goal-setting based on the intrinsic motivation of the employees themselves. This system assesses the efforts made toward achieving those goals.
Reform of operations	<ul style="list-style-type: none"> ● Adoption of an electronic approval workflow ● Paperless meetings ● Use of tablets at branch counters ● Introduction of remote working
Reform of systems	<ul style="list-style-type: none"> ● Lowered the upper limit of hours regarding the application of the 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) ● Introduction of one-on-one meetings (from April 2022)

■ Average monthly overtime per person (Hiroshima Bank)



■ Average amount of paid leave taken per person (Hiroshima Bank)



■ Support for retaining younger employees (Hiroshima Bank)

At Hiroshima Bank, since April 2020, we've had a personnel in charge of human resources development within the Personnel & General Affairs Division. This role involves regularly following up with employees who are in their first three years at the company through interviews and other methods to keep them motivated.

As a result, in a survey* concerning job satisfaction among employees within their first three years at the company, approximately 80% reported high levels of job satisfaction. Furthermore, the attrition rate for employees within their first three years has also been on the decrease.

*Job satisfaction evaluated on a 10-point scale. The proportion of respondents who gave a rating of 6 or above is considered to indicate high levels of job satisfaction.

■ Attrition rate for employees within their first three years (as of March 31, 2023)

Company name	FY2020	FY2021	FY2022
Hiroshima Bank	17.8%	8.0%	6.3%
Hirogin Securities	30.0%	28.6%	8.3%
Hirogin Lease	0.0%	0.0%	0.0%
Hirogin IT Solutions	8.7%	8.7%	8.6%

* The attrition rate for employees within their first three years (including both new graduates and mid-career hires) is calculated as follows: (Number of employees who left the company among those who joined in the applicable fiscal year) / (Total number of hires in the applicable fiscal year) × 100%.

■ Results of the FY2022 employee attitude survey for the holding company

We conduct an employee attitude survey targeting all staff to consider necessary measures aimed at achieving a work environment where everyone is healthy, cheerful, and finds their work fulfilling within our corporate Group. The survey covers areas such as engagement, HR systems, job satisfaction, and workstyle reforms, as well as management and company conditions. For FY2022, the engagement index was 3.75, and the eNPS (employee net promoter score) was 11.2%.

Engagement index	3.75
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* The engagement index is a metric that represents the enthusiasm, motivation, and depth of trust employees have in the company. It is based on a 5-point scale, with 5 being the highest, and represents the average value

Employee net promoter score (eNPS)	11.2%
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* The employee net promoter score (eNPS) is a metric that indicates how much employees would recommend their workplace to people to whom they are close. It is calculated by subtracting the percentage of detractors from the percentage of promoters

Creation of a culture that supports employees in 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 position-based training programs, branch manager meetings, and other avenues, and taking time to develop the necessary environment.

Specifically, we are focusing on fostering a culture that encourages taking on bold challenges and

supporting individual efforts. We achieve this through various initiatives, such as hosting a Business Contest open to all employees across the Group and forming a Future Creation Task Force, comprised of our younger employees, with the objective of envisioning the future of both the community and the Group. Alongside these efforts, we are also working to instill a "culture of praise" within the organization.

Examples of concrete initiatives for the creation of a culture that supports employees in 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 to investigate its feasibility for commercialization. In March 2023, Hirogin Knowledge Square Co., Ltd. was established to operate programming classes for kids.
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"> Promotion of collaboration between industry and academia through the hosting of recruitment events (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>
Hosting the Future Creation Task Force	Group overall (Held in FY2022)	<ul style="list-style-type: none"> Formed the Future Creation Task Force consisting solely of younger employees from the Group, with the aim of envisioning the future landscape of the region and the Group. Compiled a vision for what the region and our Group should aim for 10 years from now, and presented it to members of the Board of Directors in March 2023.
Introduction of a new evaluation system	Hiroshima Bank only (Introduced in FY2023)	<ul style="list-style-type: none"> Introduced a new evaluation system aimed at breaking away from a top-down corporate culture. The new system focuses on goal-setting based on the intrinsic motivation of the individual employee, rather than being solely caught up in internal competition or short-term results, and evaluates efforts made toward achieving those goals. Implemented a goal-setting framework called OKR (objectives and key results) with the aim of aligning all employee activities with the direction of the Group's management philosophy. This is intended to enhance job satisfaction and motivation among our employees.

◆ Health

Pursuit of employee happiness

■ Promotion of health and productivity management (improving well-being)

Based on the recognition that maintaining and enhancing the mental and physical health of employees and their families are indispensable for the 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.

Specifically, we host sporting events and health seminars aimed at establishing regular exercise habits and improving lifestyle habits. In addition, we offer financial support for quitting smoking and flu vaccinations to prevent the worsening of lifestyle-related diseases.

As a result of these initiatives, Hiroshima Bank, a major subsidiary of the Group, has seen a consistently high rate of employee participation in detailed health check-ups, exceeding 90% for six consecutive years (92% in FY2021). This improvement in employee health awareness has led to the bank being selected as a Health & Productivity Management Outstanding Organization (White 500) for five consecutive years.



■ Financial wellness initiatives

We recognize that having not only job satisfaction, but also an enjoyable personal life is important for our employees when it comes to leading holistically fulfilling lives. On this premise, we are promoting initiatives for the financial wellness of our employees.

Specifically, to contribute to our employees' wealth building, we have organized the Hirogin Holdings Employee Stock Ownership Plan, whereby we subsidize 10% of the contribution amount as an incentive. Beginning in August 2023, we plan to increase the incentive amount, and we are scheduled to introduce an Employee Stock Ownership Plan (ESOP) Trust in October 2023. The employee participation rate in the stock ownership plan is high, at approximately 80% (as of March 2023).

Additionally, within the Hirogin Group Shinai-kai, a mutual aid organization aimed at enhancing the welfare of its members, we offer disaster relief payments and provide loans for significant life events. This scheme has become an indispensable financial safety net for many.

At Hiroshima Bank, a major subsidiary of the Group, there are 11 different types of welfare benefits related to wealth building (including severance pay, retirement pension plans (defined contribution), matching contribution schemes, and asset-building savings plans), and we are implementing various support measures aimed at achieving financial wellness for our employees.

◆ Respect for Human Rights

| Establishing a human rights policy

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

society in which everyone can engage in their work with satisfaction and lead fulfilling lives, based on social and individual diversity. To this end, we established a human rights policy in May 2023.

| 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 and human rights initiatives

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). Furthermore, in May 2023, alongside the establishment of our human rights policy, the committee was restructured into the Group Human Rights Issue Awareness Raising Promotion Committee to further promote initiatives on a wide range of human rights issues, including discrimination issues.

| Implementing anti-discrimination and human rights training

We believe that promoting respect for human rights necessitates an accurate recognition and deepened understanding and concern for a wide range of human rights issues, including discrimination issues, among our employees. Based on this understanding, we conduct lectures on anti-discrimination and human rights issues for

staff upon joining the company, during initial training for new hires, as well as during training sessions for staff being promoted. Moreover, beginning in FY2023, we have been proactively engaging in regular awareness-raising activities, such as incorporating human rights training for executives into their leadership training.

■ Results of training on anti-discrimination and human rights issues for FY2022

Program	Target	
Training for new employees	New employees	96 persons
Training for new supervisors	New supervisors	76 persons
Training for new managers	New managers	32 persons
Training for new branch managers	Training for new branch managers (bank)	25 persons
Training for staff at the time of being appointed	Newly appointed staff (bank)	68 persons
Workplace training on anti-discrimination and human rights issues	All employees	

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 the Group's management policy, management

vision, and business model. They are also essential business activities for the enhancement of sustainability.

The 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.

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, the 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 structure

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 non-financial 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 resources. 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.

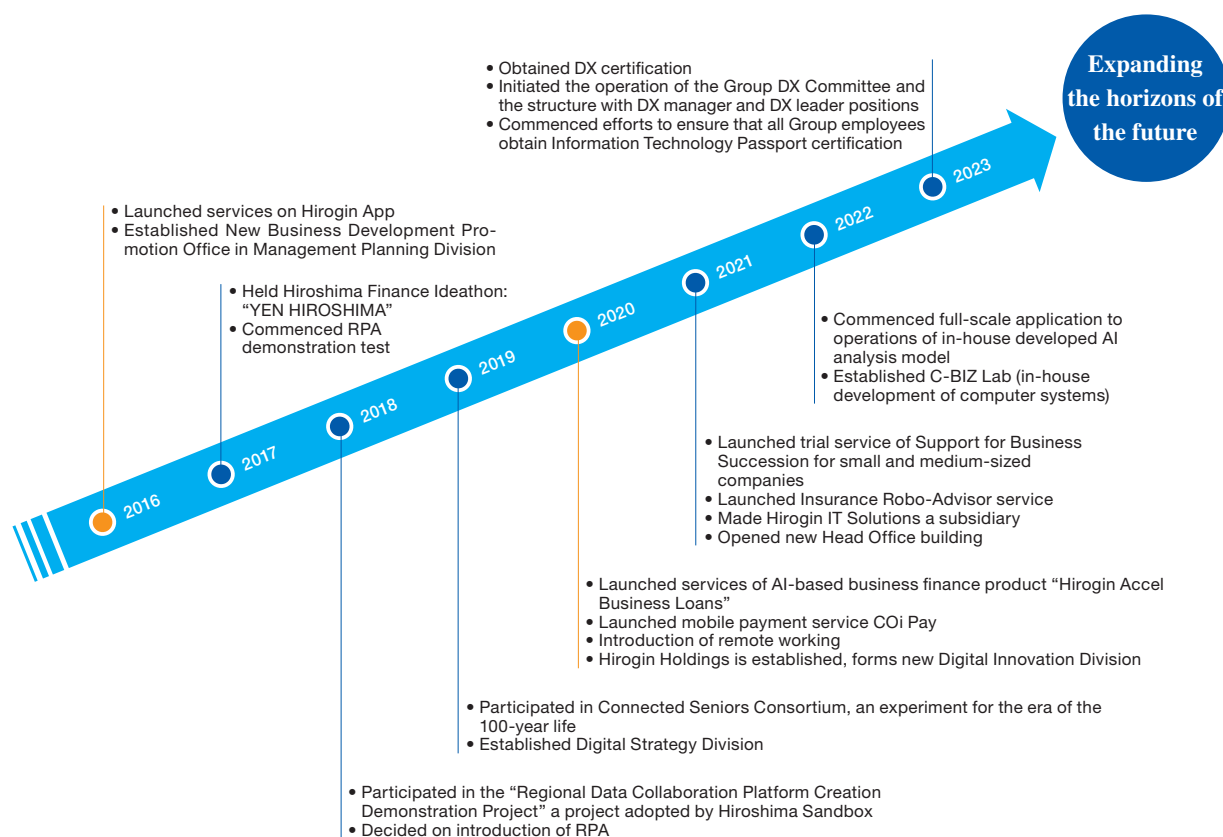
History

August 2016	● Formed the New Business Development Promotion Office, Management Planning Division (Hiroshima Bank)
February 2018	● Reorganized into the Digital Innovation Office, Management Planning Division (Hiroshima Bank)
April 2019	● Integrated into the Digital Strategy Division (Hiroshima Bank)
October 2020	● Formed the Digital Innovation Division (Hirogin Holdings)
June 2022	● Reviewed digital strategy (Hirogin Holdings)

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, the Group first considers the potential for the use of DX.

In our recently reorganized digital strategy that is described below, we are currently implementing the following initiatives in each of the defined DX areas in the Group. (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,” “developing DX human resources,” “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, the Group aims 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
Digitalization (transformation of existing operations and processes)	Hirogin App	Hirogin Business Portal	Develop DX human resources
	COi Pay	Hirogin Bill	Develop DX system infrastructures
	AI voice bot	Automatic diagnosis system for subsidies and grants	
	In-house production of video content	Employee benefits and welfare support	Sophisticated utilization of data
Digitization (introducing IT to existing operations)	Reservation service for branch visits	Electronic contracting	
	Online meetings	RPA	

Implementing strategies toward digital transformation (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 know-how 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.

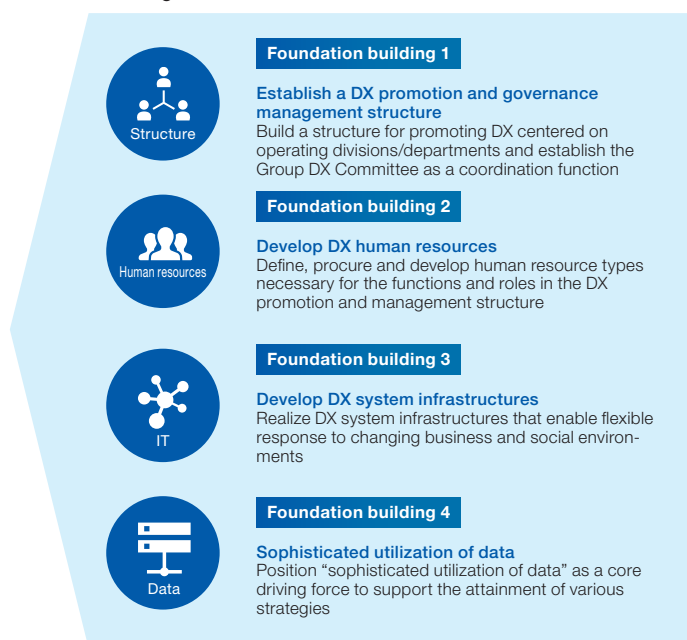
Specifically, the strategy defines “digital innovation,” “digitalization” and “digitization” as the three areas of DX, and requests consideration of benefiting from these in planning every measure. And to build a foundation for that, we will work on the following four items: “establishing a structure for DX promotion and governance management,” “developing DX human resources,” “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 by reviewing 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

Attainment of DX Certification

Following its efforts to formulate a new digital strategy, the Group applied for and obtained the DX Certification,^{*1} which was established by the Ministry of Economy, Trade and Industry (METI), in October 2022^{*2}. This certification signifies that the Group has been recognized as a DX-Certified Business Operator by the government, indicating its readiness exceeds a certain

level for promoting DX transformation. We regard this certification as evidence of our commitment to DX for our customers and shareholders. Simultaneously, we will utilize this as an opportunity for all Group employees to collaborate together on DX initiatives, going forward.

^{*1} DX Certification: Based on the Act on Facilitation of Information Processing enacted in May 2020, the METI certifies companies that meet the basic requirements specified in the Digital Governance Code and implement excellent initiatives (companies that are prepared for digital business transformation) as DX-Certified Business Operators.

^{*2} Hirogin Holdings, Inc. obtained the certification following an evaluation of the entire Hirogin Group.



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

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.

Since April 2023, under the new digital strategy, we have trained and appointed DX Managers and DX Leaders for each operating division/department of Group companies, totaling approximately 90 persons, to further strengthen and make clear the organization for promoting DX centered on operating divisions/departments.

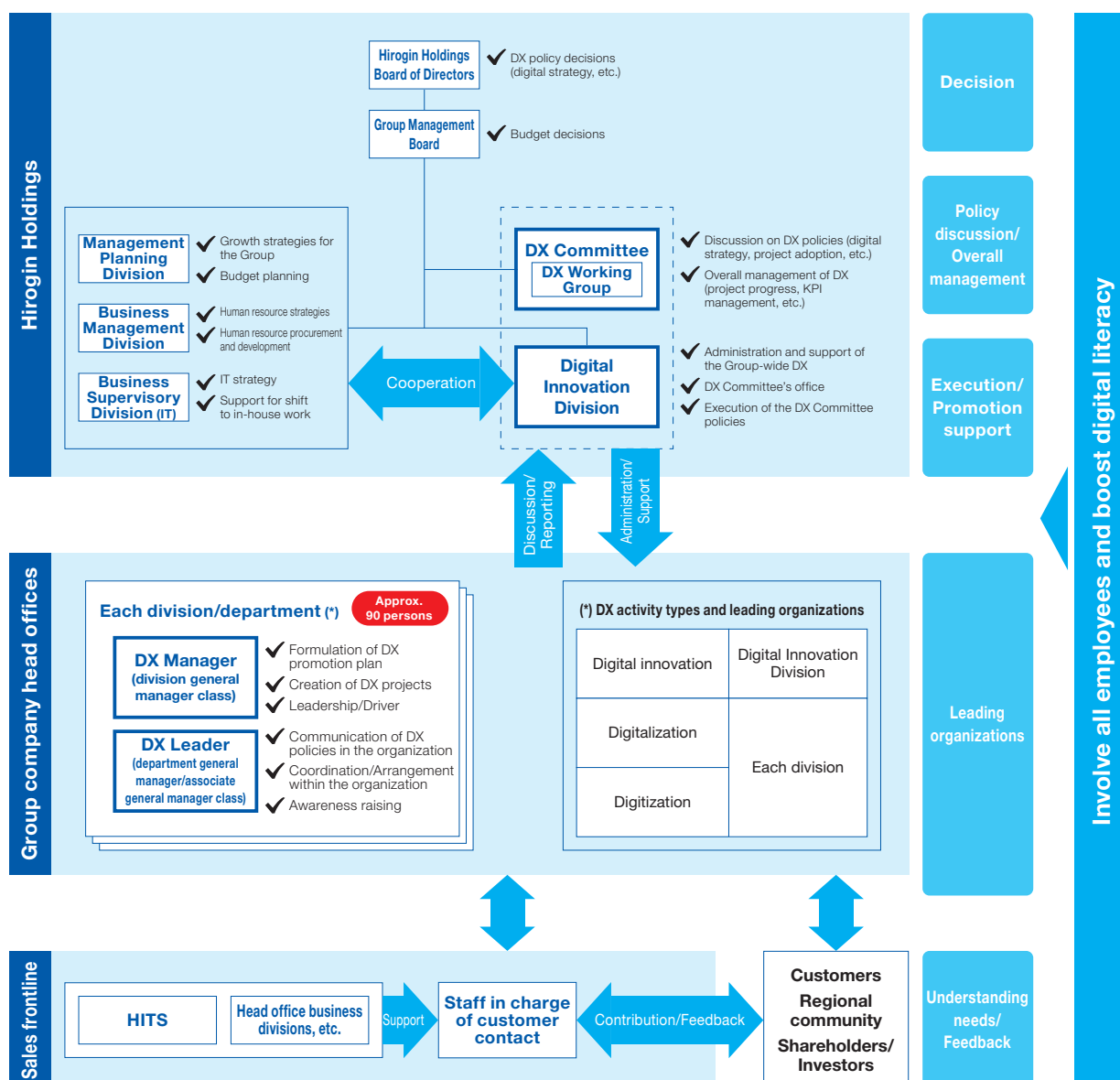
To enhance our drive for DX and governance management in view of risks specific to DX while

ensuring cross-functional communication across the Group based on the Group management policy, we have organized the Group DX Committee involving the top management as a deliberative function (policy discussion and overall management) for these matters, and have launched 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 have implemented 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



Building the foundation to serve as a basis for DX initiatives (2) – Developing DX human resources

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

Therefore, 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 are necessary as listed below. All employees will be classified into one of the human capital categories accordingly.

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 Group's DX roadmap.

As a prerequisite for that purpose, we launched an initiative in October 2022 to ensure that all Group employees, including management, obtain the Information Technology Passport certification, which we have positioned as a “common minimum skill requirement” for all DX human resources. As of March 2023, over 2,200 persons in the Group have obtained the certification, exceeding 50% of the total number of employees designated to obtain the certification. We are steadily establishing the foundation for DX human resource development across the Group companies.

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) and formulation of DX promotion plan	▶ 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

Status of Information Technology Passport certification*1 (as of March 31, 2023; Group total)

(1) Total number of employees	(2) Number of employees designated to obtain certification*2	(3) Number of employees with IT Passport or higher-level certification*3	Percentage of certified employees to those designated to obtain certification ((3) / (2))	Percentage of certified employees to total employees ((3) / (1))
Approx. 5,900 persons	Approx. 4,100 persons	2,238 persons	Approx. 54%	Approx. 37%

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

*2 Number of employees designated to obtain certification: Directors, officers and permanent employees

*3 Any of the national examinations for information technology engineers conducted by the Information-technology Promotion Agency, Japan (IPA)

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

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 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.

We are ongoingly working on developing multiple advanced foundations, including the data utilization foundation.

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

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

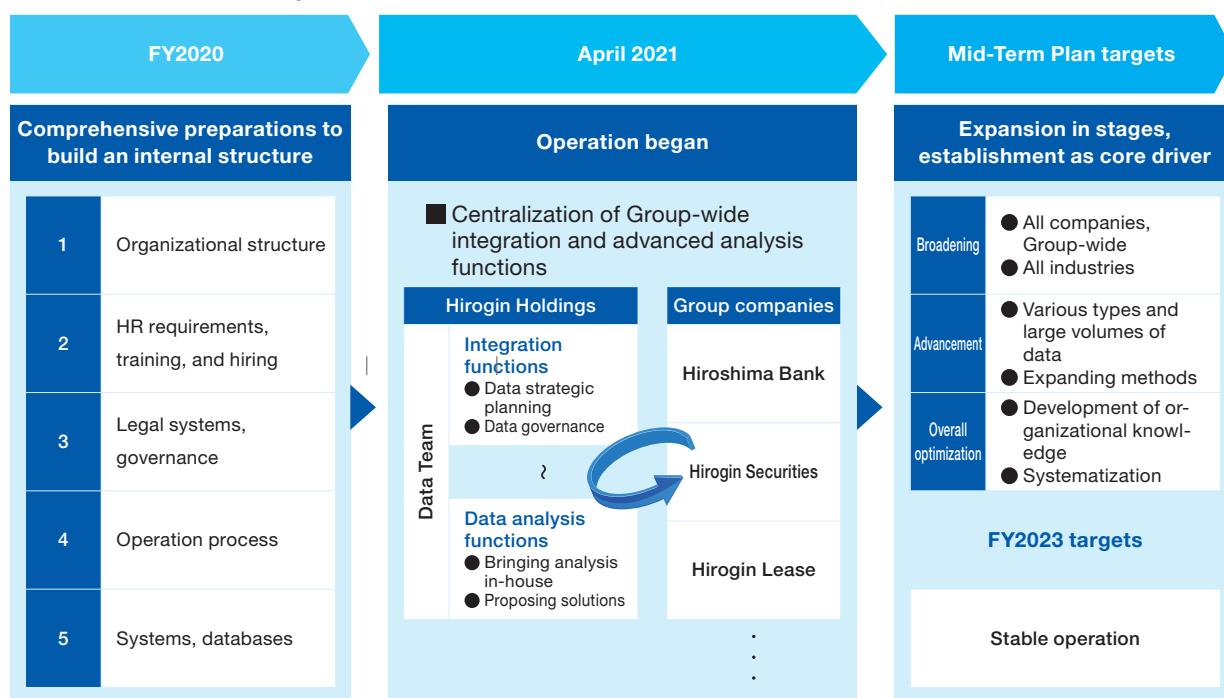
By positioning “sophisticated utilization of data” as the core driver that helps to realize various strategies of the Group as a whole, the Group has started an in-house endeavor using artificial intelligence (AI) in April 2021 by forming a team of data scientists consisting of Group employees (“in-house advanced data analysis using AI”).

Moreover, as an additional approach, we have initiated efforts to “promote the Group-wide data

utilization (democratization of data utilization)” and “strengthen the data utilization in decision-making (data-driven management).”

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

To align our intentions for promoting DX across the Group and to facilitate goal management, we have established strategic indicators (KPIs) for promoting DX in the 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. However, two of these indicators have already been achieved ahead of schedule.

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	Monitoring (diagnosis) scheduled at the end of the Mid-Term Management Plan (March 31, 2024)
2	Establishment of a structure for DX promotion Appointment of a DX Manager and DX Leader for each division/department of each company *2	Completed Appointed in June 2023 (approximately 90 persons)
3	Improvement of IT literacy across Group companies All Group employees with the Information Technology Passport certification (target: 30%)	Completed Exceeded 54% as of March 31, 2023

*1 DX Promotion Indices: Indices established by the 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.

TOPICS

Contribution to achievement of SDGs

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

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

186 bonds / ¥18.41 billion
(From launch of service in November 2019 to March 31, 2023)

Example of corporate SDGs PR-type advertisement

Project to vitalize SDGs initiatives by companies in Hiroshima Prefecture

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

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

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TEAM HIROSHIMA SDGs

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.

