

Expanding the horizons of the future



HIROGIN HOLDINGS

HIROGIN HOLDINGS INTEGRATED REPORT 2023

Management Vision

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

Brand Slogan

Expanding
the horizons
of the future

Management Policy

Code of Conduct

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

Contributing to local communities

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

Contributing to customers

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

Enhancing corporate value

Continuously enhance the Company's corporate value

Increased job satisfaction

Create a cheerful, rewarding corporate group where everyone works healthfully

Compliance

Exercise a high level of compliance

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Editorial Policy

Hirogin Holdings, Inc. (the “Company”) has prepared this “Hirogin Holdings INTEGRATED REPORT 2023” to facilitate understanding among stakeholders, particularly investors, of the Company’s initiatives aimed at sustainable value creation.

In editing this report, we referred to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC), the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation advocated by the Ministry of Economy, Trade and Industry, and other guidelines, and the Report details the Company’s business model and explains the mechanisms to sustainably create value.



Aiming to solve familiar regional issues faced by customers and realize further growth for the Hirogin Group through bold risk-taking

Steadily strengthening collaboration toward Group-wide value creation New subsidiaries become profitable

It has been two and a half years since the Group transitioned to a holding company structure with the aim of moving away from a conventional bank-centric approach so that we can also contribute to creating a prosperous future for the regional community through engagement in a wide range of businesses and operations beyond banking.

During this period, the progress we have made in realizing collaboration between Group companies has exceeded my expectations. We have expanded our customer base by providing solutions leveraging all functions and alliances of the Group, including non-financial areas.

For example, we established Hirogin Human Resources in April 2021 to engage in consulting that covers all matters related to human resources and labor, and its business has increased by 50 companies under advisory contracts compared to the end of the fiscal year ended March 31, 2022. Demand for human resources system designs that contribute to personnel recruitment and development, as well as business expansion, is growing in every industry and business category.

On a similar note, in April 2021 we also established Hirogin Area Design to provide consulting that solves regional issues by giving shape to the concepts

of “wanting to continue to live in the region,” “wanting to visit many times,” and “wanting to create work that benefits people and the region” through projects involving communication of information on the community and its people, community revitalization, and urban redevelopment. Thanks to the efforts and support of everyone involved, both of these companies have become profitable in just their second year of operation, which is earlier than planned.

Looking at each of our Group companies in its present state, naturally, the Bank still holds an overwhelmingly advanced position in terms of asset size, earnings, and personnel. However, we are now able to take an approach where we can propose the means and methods possessed by each Group company in its specialist area, depending on the theme. A cycle in which each Group company, including non-financial ones, leverages its unique expertise to cultivate entry points into new areas, facilitating the creation of solutions that enable the Hirogin Group to contribute to the creation of a prosperous future for the regional community is now in sight, and I feel we are picking up speed toward its realization.

Two issues emerged from an increasingly complex local economic environment

However, looking back over the past year, I was struck by the succession of difficulties faced by both the Hirogin Group and our corporate and retail customers.



Message from the President

Toshio Heya

Representative Director and President

Restrictions on activities caused by the COVID-19 pandemic have been lifted and the movement of people is returning to normal. We are also seeing recovery in tourism and the restaurant industry, among other areas. However, the pandemic is not fully over and the risk of another wave of infections remains. The sudden resumption of people going out has made worker shortages more severe, which has added downward pressure to business performance.

There are also many companies that are unable to escape the difficult situation created by overlapping factors such as the situation between Russia and Ukraine, steep rises in resource prices, and high commodity prices. In the auto industry, which is Hiroshima's key industry, a global shortage of semiconductors has forced companies to make adjustments to production.

As described above, the local economic environment is varied, and the business results of our corporate clients have become polarized.

Furthermore, taking a look at the bigger picture, we can see that Hiroshima is facing two issues.

One of these is a lack of a framework for showcasing the appeal of the region as a tourist area. Hiroshima has some of Japan's most recognizable tourist attractions, including the Peace Memorial Park and Miyajima. In addition, the region comprising Hiroshima together with three neighboring prefectures contains many tourist spots, most notably the scenery of the Seto Inland Sea. Unfortunately, at present, each of these spots is still regarded as a standalone tourist site and there is no infrastructure in place to benefit the regional economy by coming together as a tourist area to capture demand, including from inbound tourists.

There are positive signs. Redevelopment projects are emerging at a rapid pace, particularly in Hiroshima City. Projects that are expected to be realized over the next few years include the redevelopment of the south side of Hiroshima Station, multiple plans for the construction of high-rise buildings, and plans for the relocation of the soccer stadium. These will most likely change the cityscape and human traffic flow considerably.

In May 2023, Hiroshima hosted a G7 summit. I think it was a highly significant event in terms of showcasing the potential of the region to the world.

The other issue is that the manufacturing industries that have supported the development of Hiroshima and the other three prefectures in the past, such as the auto and shipbuilding industries, are now standing at an important crossroads. This is epitomized by carbon neutral measures becoming one of the most urgent priorities of the day. If we are to overcome this issue, it will be essential to further develop the region by innovating existing industries and creating new ones.

Addressing the challenges facing our retail customers is also an urgent matter. The deflation that persisted for many years has come to an end, and there is rapidly growing interest in asset formation as a means of tackling inflation.

Responding to increasingly diverse, complex, and sophisticated customer needs as a Regional Comprehensive Services Group

In this way, the business environments around companies and their operating results differ in accordance

with factors such as the type or scale of their business, so the issues being faced by our customers are varied. We will respond to the increasingly diverse, complex, and sophisticated needs of our customers as a Regional Comprehensive Services Group by thoroughly addressing each and every issue.

During the past two and a half years, we have made solid progress in realizing collaboration between Group companies. As a next step, it is important how we link the holding company structure that is on track to the tangible development of the regional community. To achieve this, we have worked to transform our own mindsets. The results of our efforts are now steadily emerging.

First of all, we have changed our approach to funding needs. Previously, branch office activities were centered on understanding the needs for loans, but now we have considerably changed our attitude, and bear in mind that funding is just one of a customer's various needs.

For a long time, banking operations were focused on cultivating borrowers. The business model was for salespeople to visit customers who need funding, lend them operating capital, funding for capital investments, or other such financing, and then profit from the interest.

This was a "product-out" approach, in which we made proposals that only incorporated products and services prepared by the Bank in advance. However, nowadays, the business environment around customers is more diverse, complex, and sophisticated, and even funding needs cannot be met solely through loans. There are other methods, such as equities and investments. We can also offer the option of procuring financing through Hirogin Lease.

We must discern what challenges each customer we serve is facing and what they should do now to facilitate sustainable business growth in the future by evaluating their business situation through thorough dialogue. We can also leverage the resources of the Hirogin Group to propose customized solutions for each customer. In other words, we have transitioned to a "market-in" approach.

If customers are having difficulty recruiting personnel who have the potential to become senior management members, Hirogin Human Resources can help them out. If customers are having difficulties in digital fields, such as building operational systems, we can refer them to Hirogin IT Solutions while the Bank provides support in terms of financing as part of a collaborative solution.

For customers who are struggling to realize growth as an individual company, we can leverage a customer network spanning the entire Group to formulate an M&A plan and also propose potential merge partners. It has now become second nature for Hirogin Group branch offices to thoroughly address the issues of each individual customer by proposing solutions that offer an optimal combination of Group resources.

Our priority is to provide customers with close support as a concierge

We have changed our approach to services for retail customers in the same way.

Previously, the bank focused on selling financial products, such as investment trusts, and growing income from fees. However, from a customer perspective, investment trusts are just one asset management option. In the last few years, the product-centric sales approach to retail customers reached a turning point.

So what should be done? The solution we have been exploring recently is a goal-based approach.

First of all, our sales personnel take some time to properly interview a customer to find out what end result they are hoping for, or in other words, to understand their goal. Then, through further dialogue, they learn things like the customer's life plan and asset management objectives, and then design and present a proposal containing mostly long-term products and services that will help the customer reach their goal. This approach has moved us away from a short-term business model primarily focused on fee income to a branch-wide sales approach that takes a long-term perspective. In this way, we accompany a customer throughout their life, proposing the most appropriate products and services at the most appropriate time.

For both corporate and retail customers, our priority is to provide close support. Therefore, it is essential that our customer-facing staff are good listeners.

During our "product-out" period, in an hour-long conversation with customers, about 80% of the time would consist of our sales personnel recommending products. They would also only attempt to sell their Bank's products.

Now it is different. We now spend about 80% of the time listening to customers to find out what issues and uncertainties they are dealing with. The framework behind our approach has also changed. The transition to a holding company structure has brought our Group companies into alignment and our sales personnel now have knowledge of the products and services offered by each Group company, even in non-financial fields, so they can act as a concierge to provide solutions that exceed customers' expectations.

We are steadily transforming our mindsets in this way.

DX strategy - Building a next-generation backbone system The reasoning behind the acquisition of IT Passports

One of the main features of our DX strategy is our decision to build a next-generation backbone system for Hiroshima Bank, known as MEJAR, which we announced in November 2022.

Our primary objectives are to realize a future-ready system and lower costs. Currently, it is costing us in terms of time and money every time we add new functions to our existing mainframe. Also, the more we add and expand functions, the more bloated and complicated our programs become. As a result, operating the system becomes more work and the risk of a system malfunction grows.

Therefore, we decided to participate in MEJAR, a joint operating system encompassing five regional financial institutions that is scheduled to begin operation in fiscal 2030. It is a cloud-based platform that will

enable us to flexibly deliver financial services while lowering IT investment. Also, advancing our DX strategy in this way will facilitate the growth of our core businesses.

Certainly, there is an initial cost involved in transitioning to a new backbone system. However, we recognize that in the current age, an alliance with other financial institutions is also a strong option for core systems. We are carefully considering what areas we should tackle ourselves and what areas would be more effectively handled through collaboration with other companies, so that we can polish our expertise, raise our competitiveness, and explore the strategic value of bold future-oriented measures.

However, there are still many issues to be addressed regarding our current DX and digital strategies.

One digital strategy challenge is that when a specialist division is established, employees in other divisions come to depend on it and ultimately DX does not advance throughout the entire organization. In April 2019, we established a division to specialize in digital technology but over the first two years, development has not progressed as we had hoped.

Therefore, we have revised our approach to DX.

We started encouraging Group employees, who number about 4,100 people, to acquire the IT Passport certificate. The Digital Innovation Division will advance DX on a Group-wide basis. However, its role will be to act purely as a starting point by considering a DX scheme that is suitable for the Group and then leading its introduction. Our reasoning is that we want each individual employee to understand the advantages offered by DX and then leverage them in their daily work. This will require leaders with a firm understanding of the fundamentals of digital technology who can provide leadership in each workplace.

The IT Passport examination is a national examination for information processing technology professionals, so passing it requires a considerable amount of studying. In June 2022, we set the target of having 30% of employees acquire the certificate by the end of March 2024, but this ratio has already reached 50%. The Hirogin Group has a history of responding to the

issues directly facing us in an agile manner. However, we think the speed with which this initiative has been adopted also reflects the significant change in the mindsets of employees toward the organizations and their work that has occurred over the two and a half years since we transitioned to a holding company structure.

Decluttering operations and the way we think about work **Establishing frameworks that enable the acquisition of knowledge and skills through reskilling**

Another digital strategy challenge is that when you make an operation more efficient, it also takes away some of the work of the person responsible for that operation. It is inevitable that the development and spread of new technologies, such as trending generative AI, will considerably transform the nature of our work.

I have always talked about ‘decluttering operations,’ but now I think it has also become essential to declutter the way we think about work.

The people who will thrive in the coming world of unprecedented development will be the generalists who can combine specializations or the specialists who have extensive knowledge in the specific fields of ‘financial product sales to retail customers’ and ‘business succession and M&A for small- and medium-sized enterprises.’

Reskilling will be crucial.

Since transitioning to a holding company structure, we have worked continuously to reform and renew our organizational and human resource frameworks, including reforming our personnel evaluation system, abolishing the ranking of Bank branch business results, and strengthening the structure of our Business Planning Department. This series of measures seems to have encouraged a change in the awareness of employees toward DX and reskilling.

Actually, I feel there has been an increase in the number of employees who realize that the effort to acquire the knowledge and skills required by the times is

We are acting as a concierge to provide solutions that exceed customers’ expectations.





I am communicating the importance of embracing the core ideals of a Regional Comprehensive Services Group and taking the initiative.

essential to contribute to customers as a member of a Regional Comprehensive Services Group in the future. This is proven by the fact so many of our employees have acquired the IT Passport certificate. As a corporate manager, I will honestly strengthen frameworks for supporting employees in their reskilling efforts and providing programs that they want to learn.

Realizing free and open workplaces where employees can take the initiative Leveraging human capital more fully by transforming organizational culture

Furthermore, I am finding time to visit branch offices and group companies in each region in order to hear from employees directly about their dealings with business partners and to communicate the importance of fully embracing the core ideals of a Regional Comprehensive Services Group and taking the initiative at their own workplaces.

This is because I strongly believe that to fully leverage our human capital, by which I mean our employees, we need to not only help them acquire skills, such as qualifications, but also transform our organizational culture.

Previously, the culture of the Bank was that the Head Office gave directions and branch offices followed them. However, it is the branch offices who can discover the needs of customers and only people on the frontlines can make plans in time to capture these needs.

Rather than waiting for orders from the Head Office, branch offices should move proactively and present the Head Office with proposals for improvements based on things like responses from business partners. In turn, the Head Office should provide these branch offices with its full support. In these times of dramatic change, we must adopt this approach.

After continuous efforts to communicate this idea through dialogue with employees, I feel we have started transitioning into a free and open organization where branch offices can propose ideas that the Head Office then acts on.

Resolving the vulnerability of our capital adequacy ratio Expecting to achieve our management target of ¥27.0 billion in profit

This year is the second consecutive year where we have faced some difficult numbers in our financial results. In the fiscal year ended March 31, 2022, there were increases in defensive costs in anticipation of the future, including credit costs, and in the fiscal year ended March 31, 2023, we recorded losses related to our securities portfolio. For example, we pushed ahead with selling securities, mainly foreign bonds, whose returns were negative due to the steep interest rate hikes in the U.S. and Europe. These factors had an impact on results.

However, when setting our management targets, one of our priorities was the Bank's consulting operations and within this, we put a particular focus on revenues from providing solutions for corporate customers. Happily, these revenues are growing smoothly. In addition to this, factors such as growth in the balance of loans and bills discounted meant that the business results of our core businesses were solid.

In our management plan for fiscal 2023, which is the final year of our mid-term management plan, we will focus capital allocation on areas where we can further strengthen Group collaboration, provide even more sophisticated solutions to the issues faced by communities and business partners, and increase revenues through business restructuring, including organizational restructuring. We expect to achieve our management target of ¥27.0 billion in profit.

Additionally, we have positioned a fundamental review of our securities portfolio as a priority, and over three to four years, we will aim to build a securities portfolio that can ensure stable and continuously high revenues.

One of the issues the Group has faced in recent years is the vulnerability of our capital adequacy ratio. Over the two and a half years since we transitioned to a holding company structure, although we have got Group management on track faster than we initially anticipated, it is a fact that our ability to execute growth

strategies has been limited by our need to prioritize the improvement of our capital adequacy ratio.

We have applied new capital regulations, dubbed the Basel III Endgame, ahead of schedule, and as of the end of March 2023, the Group's consolidated capital adequacy ratio was 11.7% and the Bank's was 10.7%. These numbers confirm that our financial vulnerabilities have been resolved.

We have also revised our capital policy. In regard to shareholder return, our policy is to raise the payout ratio to about 40% and we will take a flexible approach to implementing share buybacks. Meanwhile, we will take a future-oriented perspective to thoroughly invest in growth, such as equipment and facilities, and human resources. We will also accumulate the retained earnings needed to maintain a stable financial base.

Expanding the scope of both business operations and region through bold risk-taking **Becoming a platform that directs the flow of people, goods, and money**

Although it is embarrassing to admit, through consistent dialogue with investors we have learned that up to now, our Group growth strategies have been difficult to discern. However, now that our capital adequacy is robust, we can finally look at carrying out bold risk-taking to take the next big step for the Group. Personally, this has made me feel even more motivated than ever before.

Over the last two and a half years, we have come up with many promising ideas. One of these is to expand our business portfolio, including by establishing new companies. Following the deregulations of banking operations, the businesses we can operate and markets we can enter have increased.

However, this does not mean we can just create companies. How we are going to utilize them is important. We will carefully scrutinize market needs and then act to further evolve Group collaboration in terms of both quality and quantity.

We need to advance a strategy that helps the Group to grow the scope of business operations as well as the scope of the regions we cover. Our base of operations, both now and into the future, comprises the four prefectures of Hiroshima, Okayama, Yamaguchi, and Ehime. However, this does not mean we have to limit our business to only these prefectures forever. We can also play a role as a Regional Comprehensive Services Group by forming alliances with companies in other areas, leveraging their knowledge and expertise to develop new products and services, and then bringing these back to our home prefectures.

We also recognize that we have a huge responsibility to the region in regard to sustainability.

In the four prefectures we operate in, a lot of the industry, including industrial complexes and steel plants, operate by burning fossil fuels, and there is also a tendency for energy mixes in the area to contain a high proportion of electricity from coal-fired power plants. Although the industrial structure is centered on the manufacturing industry, awareness regarding sustainability has yet to change and there is little

movement in this area, particularly among our small- and medium-sized enterprise customers. We will contribute to sustainability in the region by providing these customers with various solutions.

Also, as the target of achieving carbon neutrality by 2030 has been set, how to secure a supply of renewable energy and how to distribute it to companies in the region are pressing issues. We are working with the Japanese government, companies both inside and outside the region, academic institutions, and other partners to not only finance these efforts, but also build a platform to support them. In this way, we think we can realize a cycle where we vitalize the regional economy, which in turn, leads to growth for the Group.

The same applies to the fostering of new industries.

In December 2022, we collaborated with local companies to launch the co-working space "Hiromalab" with the aim of supporting startups that can revitalize the regional economy. New IT and healthcare-related ventures are emerging one after another within the prefecture and we want to boost this trend by creating a startup support platform together with the government and local companies.

In regard to our operational structure, Hiroshima Bank has overall responsibility for the facility and carries out planning and operations, while Hirogin Area Design is in charge of planning and managing events. Our aim is to realize a facility that can facilitate encounters that generate innovation.

The main thrust of our next mid-term management plan will be growth strategies that take advantage of the Group collaboration we have developed over the last two and a half years to expand our scope in terms of both business operations and region. We will draw out the future potential of the four prefectures we operate in by driving the development of the regional economy and becoming a platform that directs the flow of people, goods, and money.

I hope that all of our stakeholders will continue to support us and trust us with their hopes and expectations.



History

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

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

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

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



1878

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

1988

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

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



1945

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

(August 6)
Suffered losses as a result of the atomic bomb (11 branches out of 16 in Hiroshima City together with 144 officers and employees of Hiroshima Bank were lost.)



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

1965

(February)
Completion of new Head Office building



1971

(February)
Listed stocks on the first section of the Tokyo Stock Exchange

1950

(August 6)
Name changed to Hiroshima Bank five years after the atomic bomb, in connection to "Hiroshima, the City of Peace"



1978

(November)
100th anniversary of the founding
Opened Hiroshima Museum of Art



Hiroshima Museum of Art

1990

(February)
The "Genesis Building," a new computing center, completed



1940~

1960~

1970~

1980~

1990~

1945 Atomic bomb dropped

1964 Tokyo Olympics

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

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

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

Expanding the business overseas

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

2021

(May)
Opened new Head
Office building



2018

(January)
Moved Head Office to
temporary branch



2000

1997

(November)
Share prices plunged in
reputational damage

2016

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

2003

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

1998

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

2010

2020

(October)
• Transitioned to a holding
company structure

Established



HIROGIN HOLDINGS

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

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

1978	Established Shinai Guarantee (current Hirogin Credit Service Co., Ltd.)
1980	Established Green Lease (current Hirogin Lease Co., Ltd.)
1987	Established Hirogin Diamond Credit (current Hirogin Credit Service Co., Ltd.)
1989	Established Hirogin Mortgage Service (current Hirogin Business Service)
2001	Established Shimanami Servicer Co., Ltd.
2008	Hirogin Utsumiya Securities (current Hirogin Securities Co., Ltd.) started operation
2015	Made Hirogin Guarantee Co., Ltd. and Hirogin Card Service Co., Ltd. wholly-owned subsidiaries
2017	Made Hirogin Securities Co., Ltd. a wholly-owned subsidiary Established Hirogin REIT Management
2020	Established Hirogin Capital Partners Co., Ltd. Made Hirogin IT Solutions Co., Ltd. a subsidiary
2021	Made Hirogin Lease Co., Ltd. a wholly-owned subsidiary Established Hirogin Area Design Co., Ltd. and Hirogin Human Resources Co., Ltd.
2023	Merged Hirogin Guarantee Co., Ltd. and Hirogin Card Service Co., Ltd. and changed the name to Hirogin Credit Service Co., Ltd.

2000~

2010~

Hiroshima Bank

2020~

Hirogin Holdings

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

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

2020 New coronavirus pandemic
2020 Japanese Government declared its intention to achieve carbon neutrality by 2050
2022 Restructuring of the Tokyo Stock Exchange
2023 The G7 Hiroshima Summit held

11 What We Aim to Achieve

—Evolving into a Regional Comprehensive Services Group—

All employees of the Group are working together to create shared value with all of our stakeholders in order to realize our new management vision of “contribute to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers.”



Key Progress

(Progress Highlights since April 2022)

| Group Management after Transition to Holding Company Structure

Synergies achieved through enhanced intra-Group cooperation (Founding stage of Hirogin Holdings) P.17

Specific actions for the next phase of development based on past achievements and challenges (Second stage of Hirogin Holdings) . . . P.17~18

■ Major achievements of Group companies (Key indicators of intra-Group cooperation)

	Achievements	Cumulative total after transition to a holding company structure
Hiroshima Bank	As of the end of March 2023	Comparison with the end of March 2020
Number of companies for which Hiroshima Bank is the main bank (Source: Tokyo Shoko Research)	17,683	+ 480
Hirogin Securities	As of the end of March 2023	Comparison with the end of September 2020
Number of financial instrument intermediary accounts	28,624	+ 7,581
Hirogin Lease	As of the end of March 2023	Comparison with the end of September 2020
Number of customers	6,412	+ 254
Hirogin Credit Service	As of the end of March 2023	October 2020 onward
Number of corporate customers using card services	8,743	+ 451
Hirogin Capital Partners	As of the end of March 2023	Comparison with the end of September 2020
Balance of investments (Total of fund and principal investment)	¥3.7 billion	+ ¥3.6 billion
Hirogin Human Resources	As of the end of March 2023	April 2021 onward
Number of corporate customers under consulting contracts	81	+ 81
Hirogin IT Solutions	FY2022	January 2021 onward
Number of contracts	203 (during the period)	316 (total)
Hirogin Area Design	FY2022	April 2021 onward
Number of orders received	22 (during the period)	41 (total)

Aiming to Realize Our Management Vision

Evolving from a Comprehensive Financial Services Group to a Regional Comprehensive Services Group

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

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

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

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

Under our new brand slogan “Expanding the horizons of the future,” the Group aspires to realize its new management vision of “Contribute to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers.” To that end, all employees of the Group will work together to create shared value with all of our stakeholders.

What we mean by the trade name

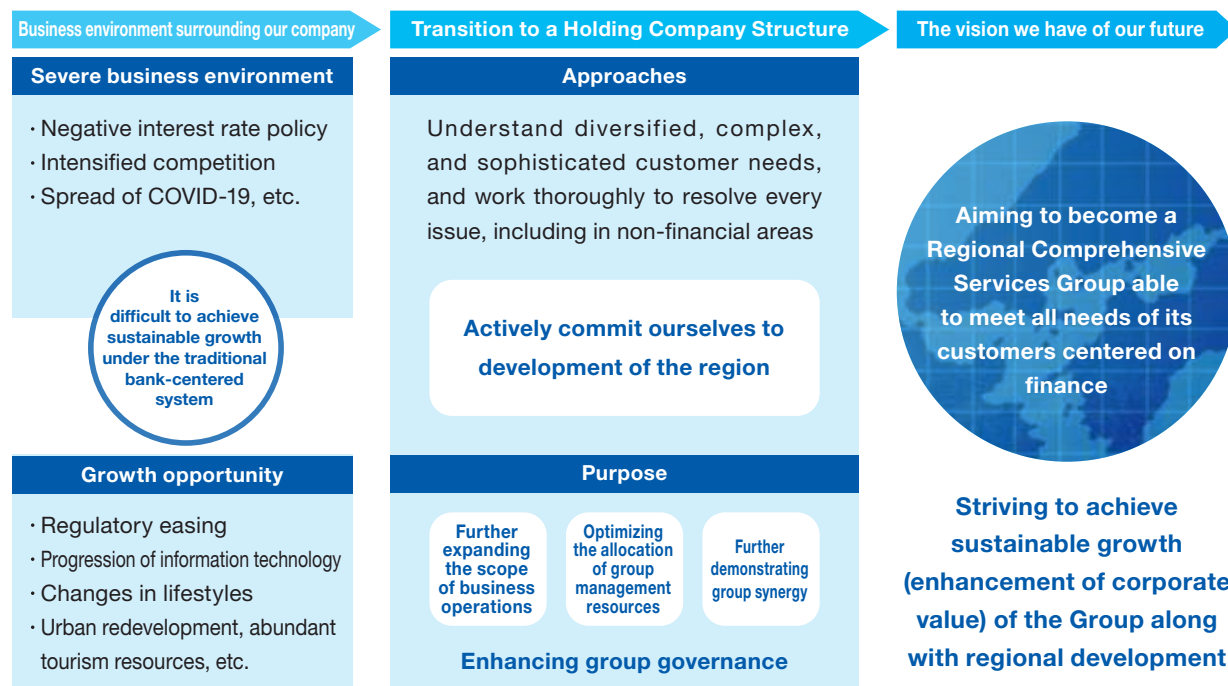


Hirogin Holdings, Inc.

What we mean by the trade name

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

Background and Purpose behind the Transition to a Holding Company Structure



Business Model / Source of Value Creation

Business model after the transition to a holding company

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

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

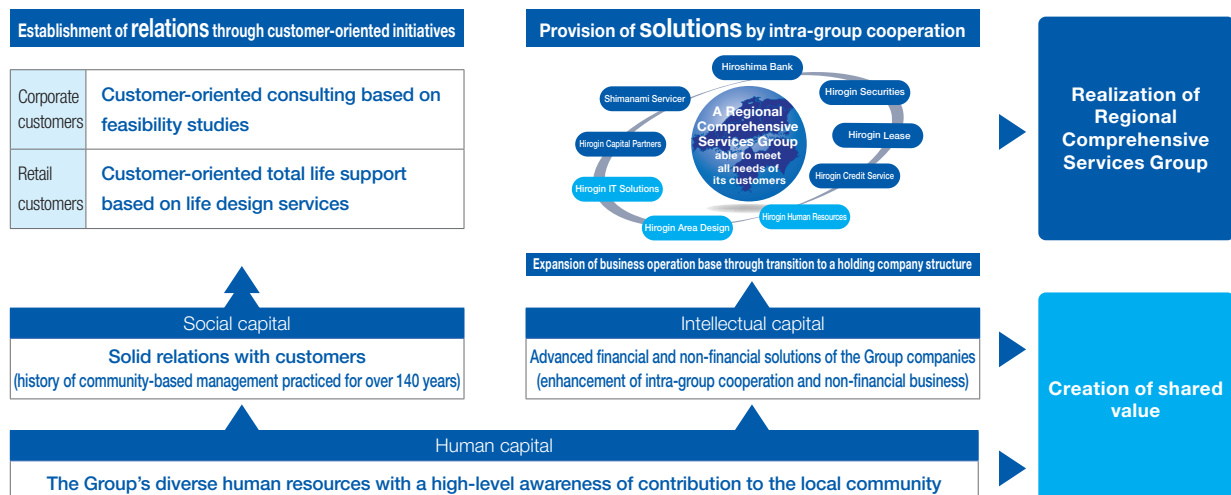
prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential. In our efforts to resolve those issues, we aim to contribute to the development of the region and the growth of our customers by providing solutions not only in the financial areas but also in the non-financial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



Hirogin Group's strengths (source of value creation)

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

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



Group Structure

Group structure as a Regional Comprehensive Services Group

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

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

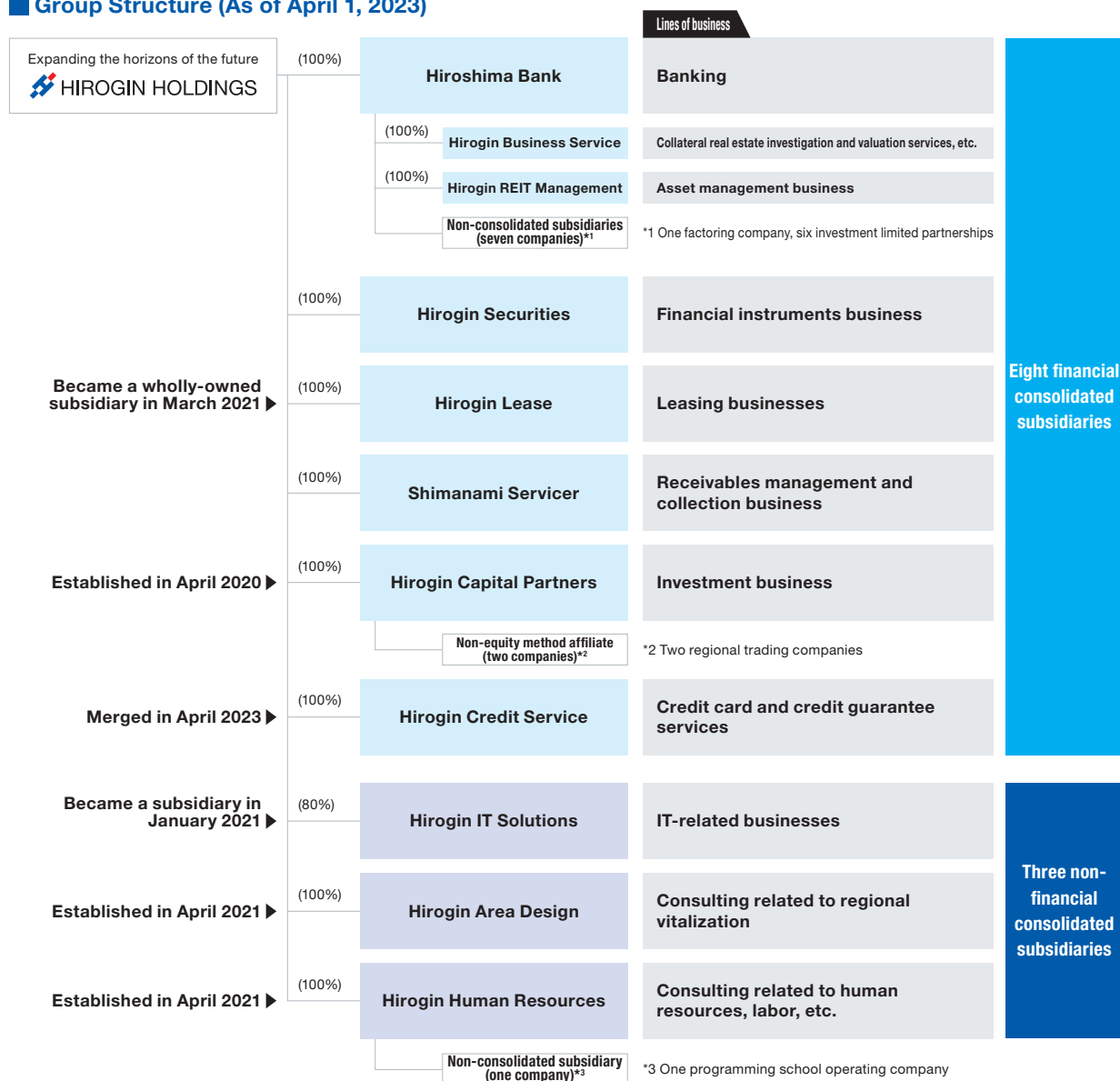
by establishing three non-financial subsidiaries and making them our subsidiaries.

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

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

Period	History	Business domains	
January 2021	Hirogin IT Solutions became a subsidiary (M&A)	IT-related businesses	Non-financial
March 2021	Hirogin Lease became a subsidiary (M&A)	Leasing businesses	Financial
April 2021	Establishment of Hirogin Area Design (spin-out)	Consulting related to regional vitalization	Non-financial
	Establishment of Hirogin Human Resources (spin-out)	Consulting related to human resources, labor, etc.	Non-financial
April 2023	Establishment of Hirogin Credit Service (merger of subsidiaries)	Credit card and credit guarantee services	Financial

Group Structure (As of April 1, 2023)



Growth Driver

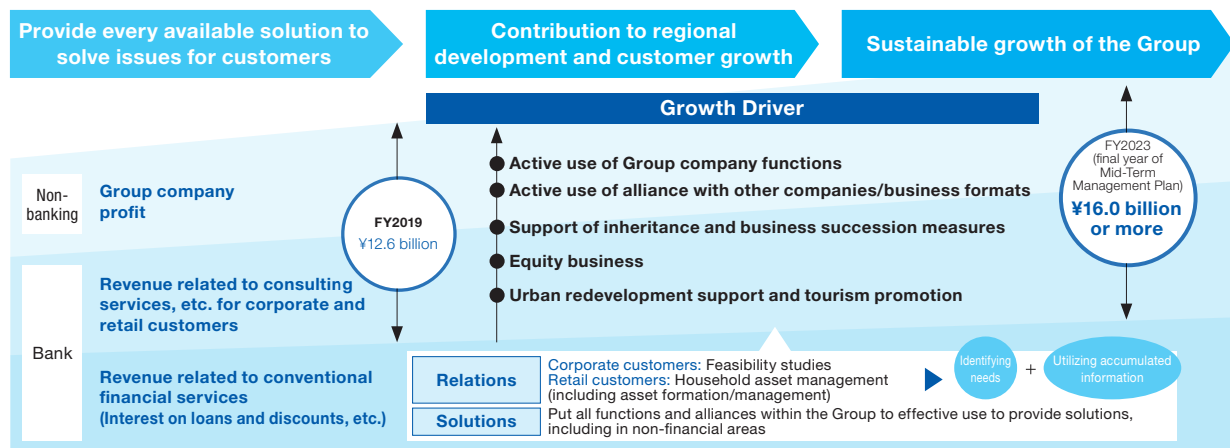
Profit structure reforms

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

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

succession measures, the equity business, and other services that are expected to enjoy further growing demand. We aim to take advantage of every available function within the group and alliances with companies, including those in other industries, and provide solutions in financial and non-financial areas, thereby proceeding with profit structure reforms in order to establish a stable management base.

Outline of profit expansion under Mid-Term Management Plan 2020

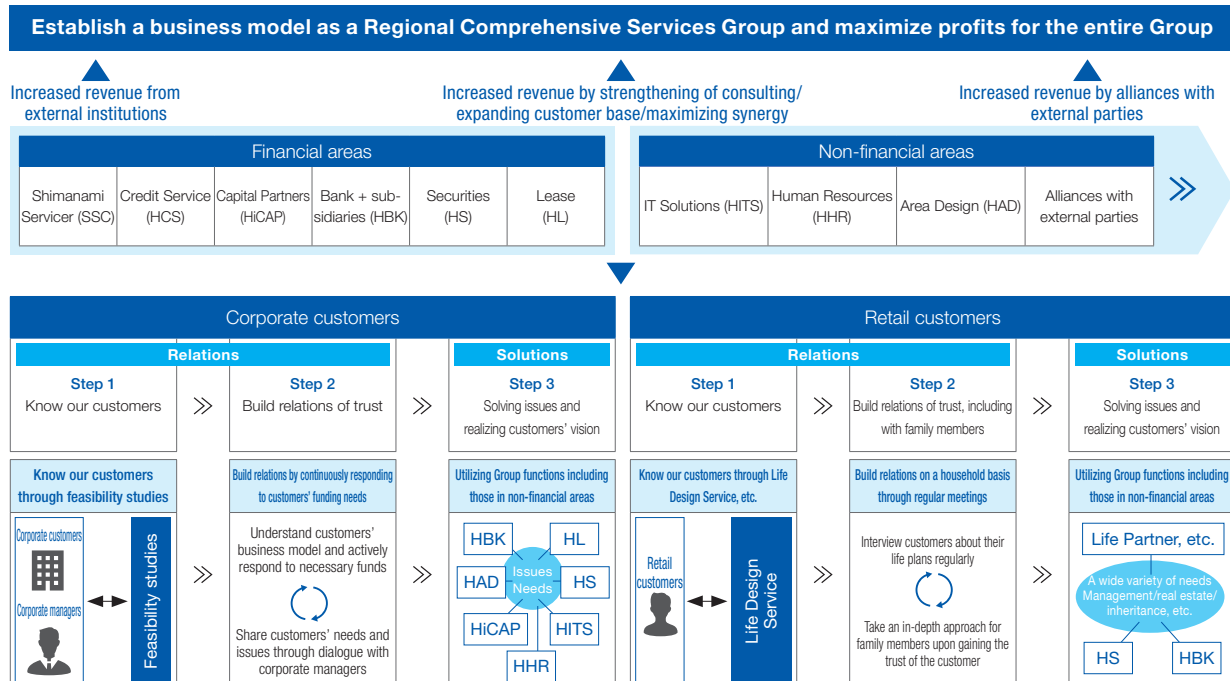


Strengthening intra-group cooperation

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

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

Image of expanding business areas through strengthened intra-group cooperation



Gearing Up for Our Next Growth Stage

Founding stage of Hirogin Holdings

The Group has been promoting employee awareness of being personnel of a Regional Comprehensive Services Group and fostering intra-Group cooperation since its transition to a holding company structure. As a result,

mutual cooperation among Group companies is steadily advancing, and the positive effects of Group synergy are becoming evident as they expand their customer base by offering solutions, including in non-financial areas.

■ Main results of Group companies (FY2022)

	Financial and non-financial needs	Main solution	Results * FY2022 or March 31, 2023	Cumulative total after transition to a holding company structure	
Financial areas	Asset management	Securities	Number of financial instrument intermediary accounts 28,624 (+ 2,503 compared to March 31, 2022)	Compared to September 30, 2020 + 7,581	Synergies generated by intra-Group cooperation (amount of revenue) ¥1.6 billion Note: Recorded revenues from activities, such as mutual customer referrals among Group companies (on a managerial accounting basis)
	Capital investment, utilization of leases	Lease	Number of customers 6,412 (+ 88 compared to March 31, 2022)	Compared to September 30, 2020 + 254	
	Diversification of payment methods	Credit Service	Number of corporate customers using card services + 8,743 (+ 154 compared to March 31, 2022)	October 2020 onward + 451	
	Increase in capital (business succession and revitalization)	Capital Partners	Balance of investments ¥3.7 billion *Total of fund and principal investment (+ ¥0.8 billion compared to March 31, 2022)	Compared to September 30, 2020 + ¥3.6 billion	
Non-financial areas	Securing human resources, building HR systems	Human Resources	Number of corporate customers under consulting contracts 81 (+ 50 compared to March 31, 2022)	April 2021 onward + 81	
	ICT, streamlining of operations	IT Solutions	Number of contracts 203 (+ 103 compared to FY2021)	January 2021 onward 316	
	Solving regional issues	Area Design	Number of orders received during the period 22 (+ 3 compared to FY2021)	April 2021 onward 41	

■ Past achievements, challenges, and next-phase developments

Achievements	<ul style="list-style-type: none"> ● Successfully elevated employee awareness as personnel of a Regional Comprehensive Services Group ● Smoothly advanced mutual cooperation among the Group companies to steadily expand the customer base through the provision of solutions, including in non-financial areas, leveraging various Group functions and alliances 	In the final year of the Mid-Term Management Plan 2020, <ul style="list-style-type: none"> ● Achieve the targets outlined in the Mid-Term Management Plan with a high degree of success (Endeavor to reach ¥27.0 billion of profit attributable to owners of parent) ● Advance initiatives for the next mid-term management plan
	Challenges <ul style="list-style-type: none"> ● Promoting a higher level of the planning and development of strategies centered on the Company (Hirogin Holdings) <ul style="list-style-type: none"> · Formulating and developing strategies to improve future profitability in asset management (retail business areas) and securities management · Streamlining operations and promoting a higher level of consolidation of operations 	
		Next-phase developments <ul style="list-style-type: none"> Strengthen business strategy planning departments in Hirogin Holdings <ul style="list-style-type: none"> · Enhance business strategy planning throughout the Group · Enhance the formulation of policy measures for individual subsidiaries, and deepen engagement with alliances
		Advancing to the second stage of Hirogin Holdings

The second stage of Hirogin Holdings

In April 2023, the Group bolstered its holding company's business strategy planning divisions/departments with eight additional employees. While strengthening the planning of Group-wide business strategies, we are actively engaged in formulating policy measures for each subsidiary and in expanding strategic alliances to boost Group revenues.

In FY2023, the final year of the Mid-Term Management Plan 2020, the business planning section with

enhanced functions in the holding company will take a central role in "Improving quality of Group companies and expanding business operation base," "Further strengthening intra-Group cooperation" and "Reallocating management resources through restructuring." With this approach, Hirogin Holdings will achieve its profit plan while also progressing toward the next mid-term management plan, marking the second stage in the evolution of Hirogin Holdings.

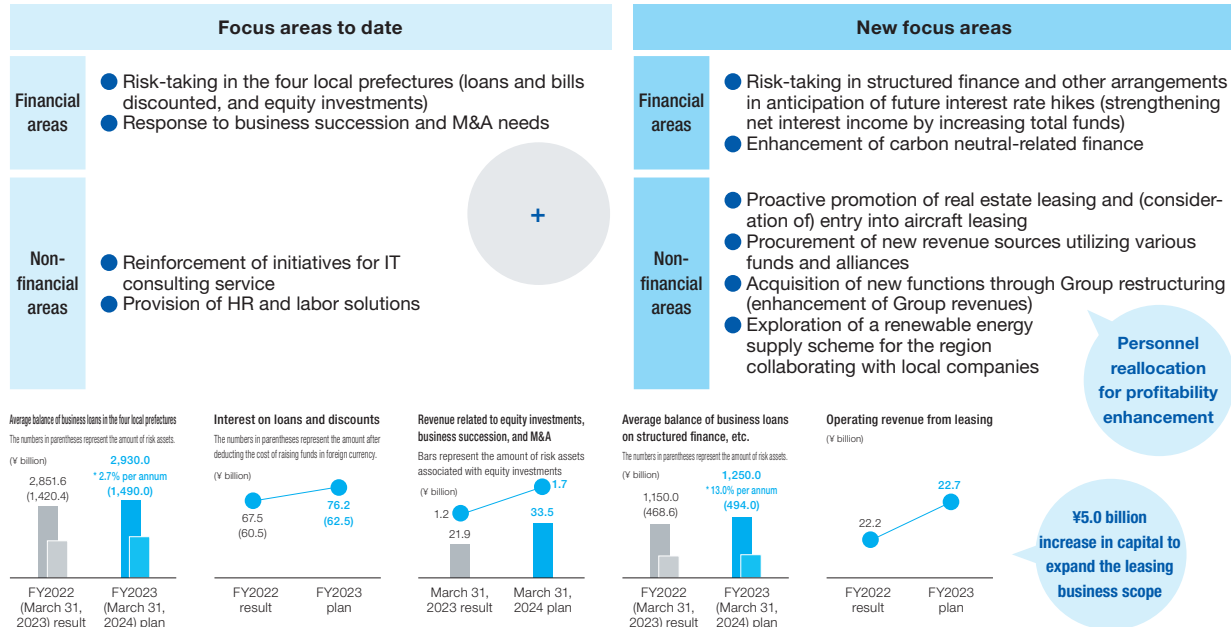
Improving quality of Group companies and expanding business operation base	Further strengthening intra-Group cooperation	Reallocating management resources through restructuring
<ul style="list-style-type: none"> ● Improving the quality of solutions provided by each Group company ● Expanding the scope and scale of solutions through external alliances and other means (including M&A) ● Establishing a new operating company 	<ul style="list-style-type: none"> ● Cooperation among operating companies ● Cooperation between Hirogin Holdings and operating companies ● Facilitating the exchange of human resources among operating companies and establishing a short-term trainee system 	<ul style="list-style-type: none"> ● Reallocating management resources to corporate business and new business areas by restructuring Group companies and conducting a thorough review of their operations ● Proactively investing in prioritized areas ● Securing specialists, including mid-career employment

Working Toward Sustainable Growth

Initiatives for corporate business areas

The Group has been focusing its risk-taking efforts primarily on local credit risks (including loans and bills discounted, and equity investments) while giving careful attention to risk assets. Simultaneously, we have been working on revenue enhancement in corporate business areas, including M&A and business succession without using risk assets in which the Group's strength lies.

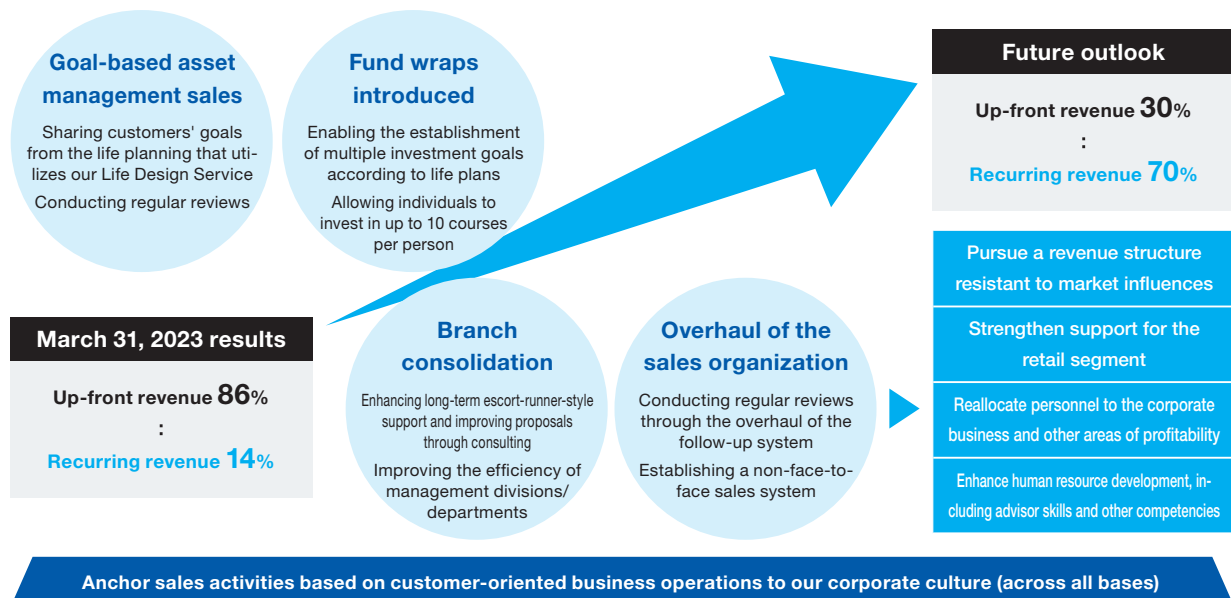
In addition to these ongoing efforts, we will proactively address funding needs in anticipation of rising interest rates and other factors to enhance our net interest income going forward, and concurrently enhance profitability by expanding into new business areas at Hirogin Lease and other Group subsidiaries.



Initiatives for retail business areas

The Group is shifting its focus from conventional product and service-oriented investment proposals to asset management consulting, adopting a goal-based approach. This transition aims to contribute to the realization of affluent lifestyles for our customers through asset investment amidst the growing momentum in asset formation.

Going forward, as we develop these initiatives, we will utilize newly introduced fund wraps and other services to transform our revenue structure from one centered on up-front revenues to one centered on recurring revenues that are less susceptible to market fluctuations.



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)

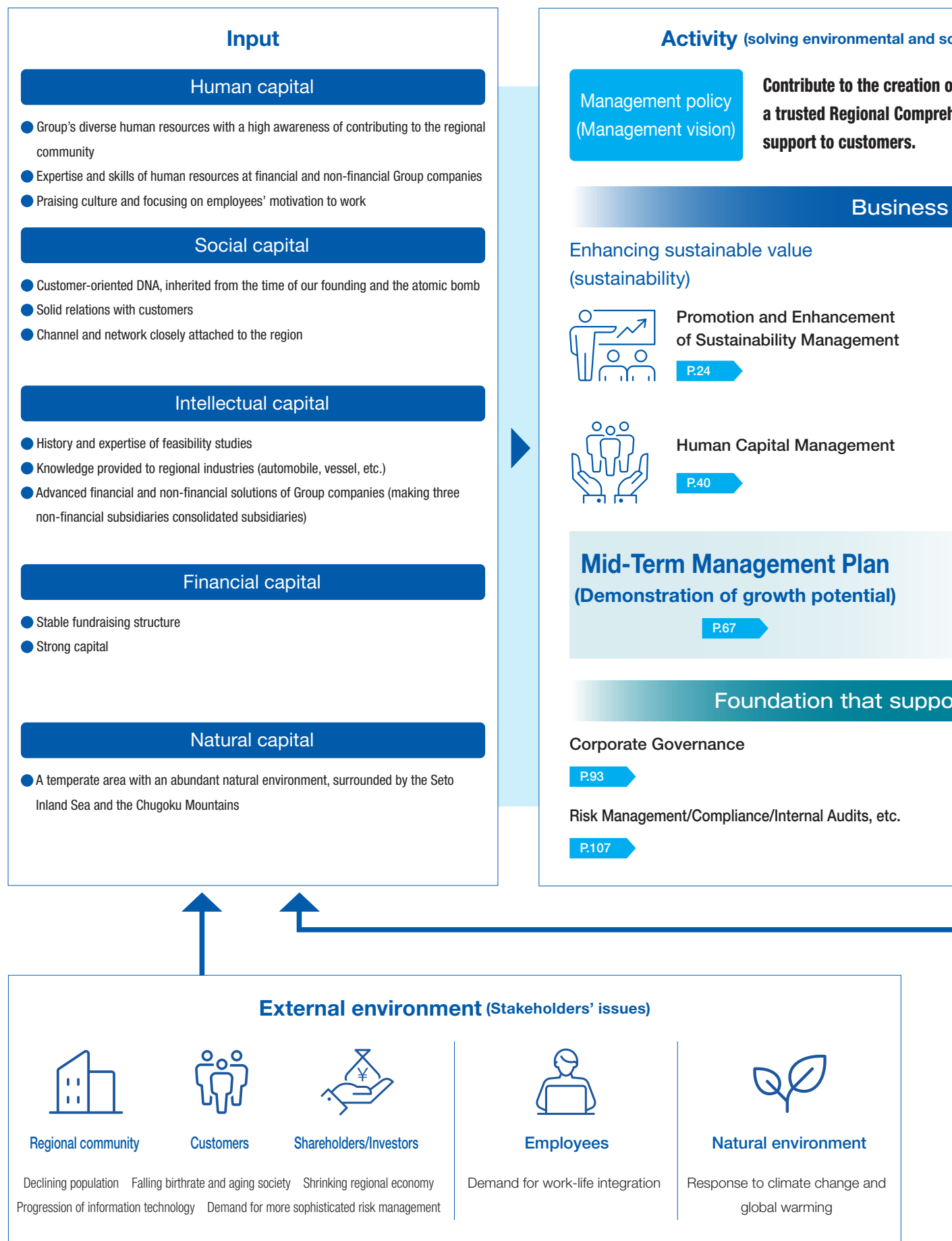
Diversity and inclusion-related targets (Key social indicators)

	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

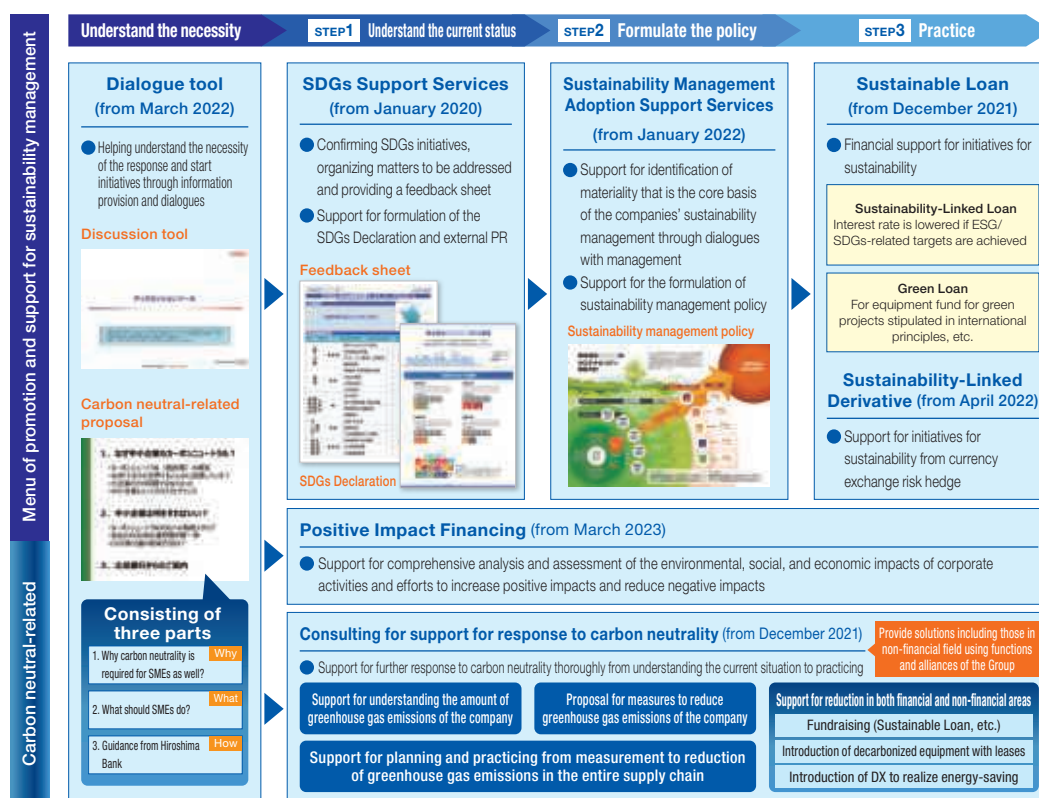
Promotion and Enhancement of Sustainability Management

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

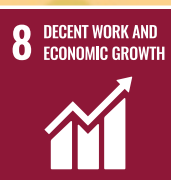
Appointed in June 2023 (Achieved)

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

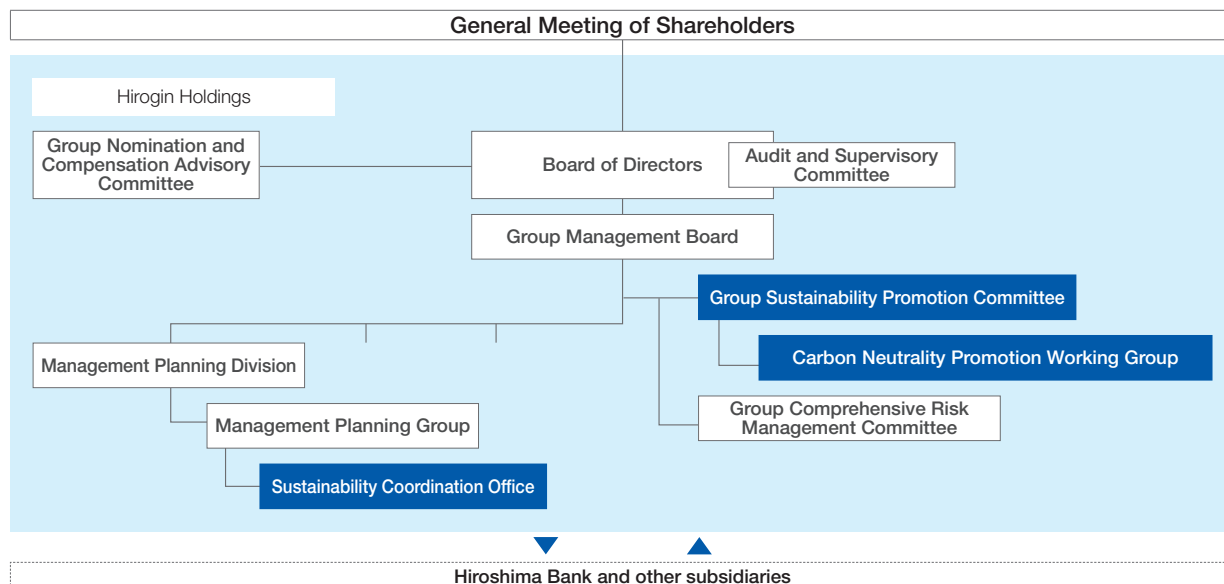
Source: Estimated by the Company based on Statistics Bureau, Ministry of Internal Affairs and Communications "Japanese Statistics 2021" and the Ministry of the Environment "Estimation of Current Status of CO₂ Emissions by Field"

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.

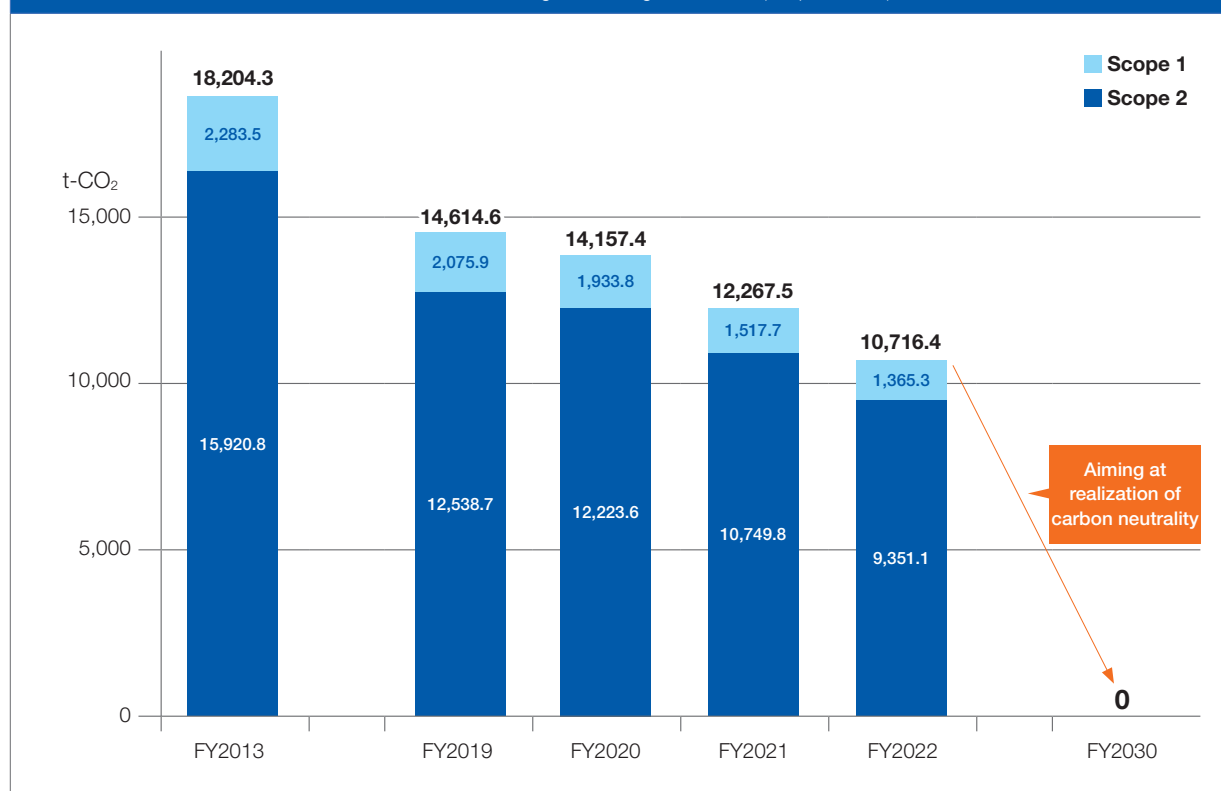
In addition, in order to link the Group’s initiatives to reduce greenhouse gas emissions to dialogues with business partners, the Group encourages its employees to deepen their understanding of carbon neutrality and to take actions by individuals to reduce greenhouse gas emissions caused by the Group’s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

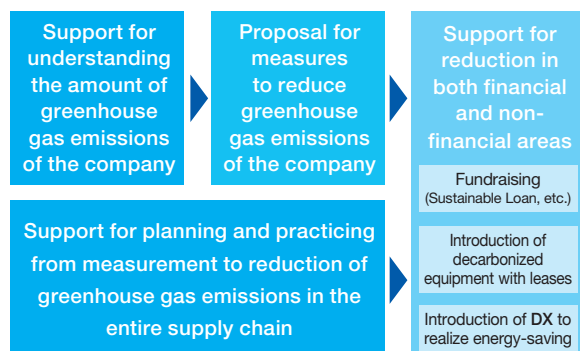
In December 2021, Hiroshima Bank started consulting to support from awareness to practice related to response to carbon neutrality of business partners utilizing functions and alliances within the Group (such as energy saving diagnosis for SMEs and support for introduction to strategies and reduction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

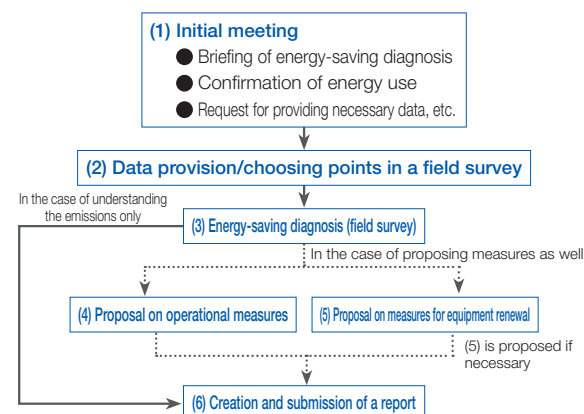
Technos Corporation, a company rooted in Hiroshima and receiving energy-saving diagnosis, etc. from government agencies with its specialized knowledge on energy-saving consulting, to actively promote response to carbon neutrality in the region.

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)



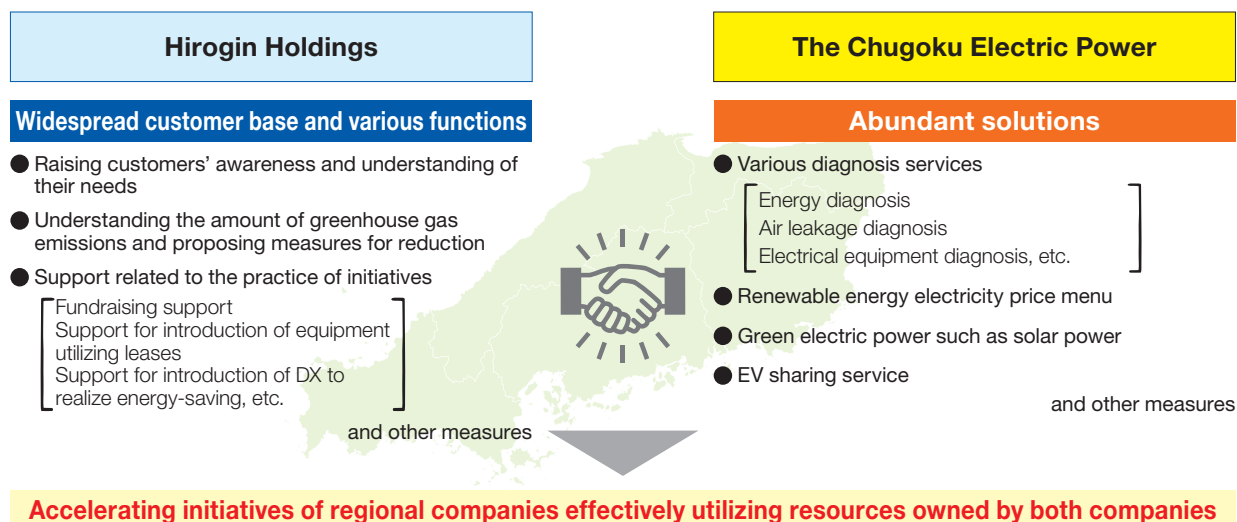
Further collaboration with external stakeholders

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

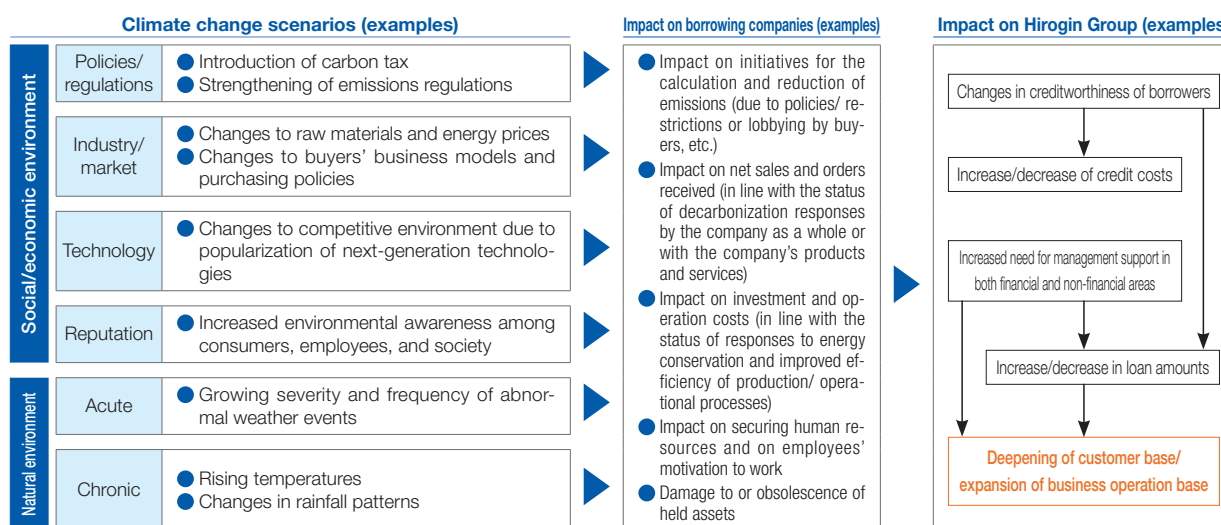
Hirogin Group perceives physical risks resulting from changes in the natural environment in connection with rising temperature and other factors, as well as transition risks resulting from changes in the social and economic environment in connection with the transition to a carbon-free society, as climate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

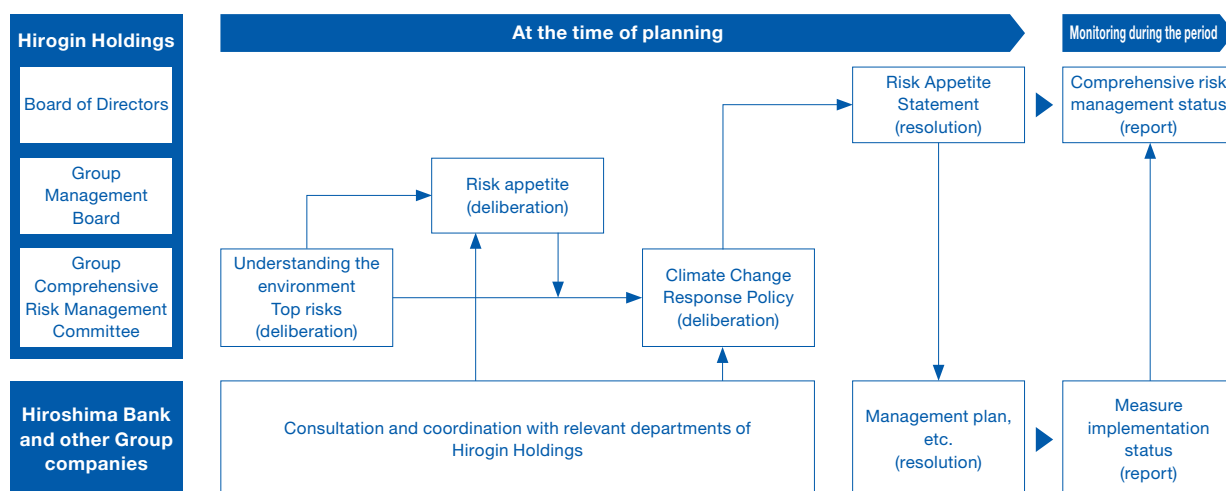
In our comprehensive risk management process based on the risk appetite framework, Hirogin Group has built a climate change risk management structure within the comprehensive risk management framework. This includes the recognition, assessment, and management of climate change risks as “top risks.”

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

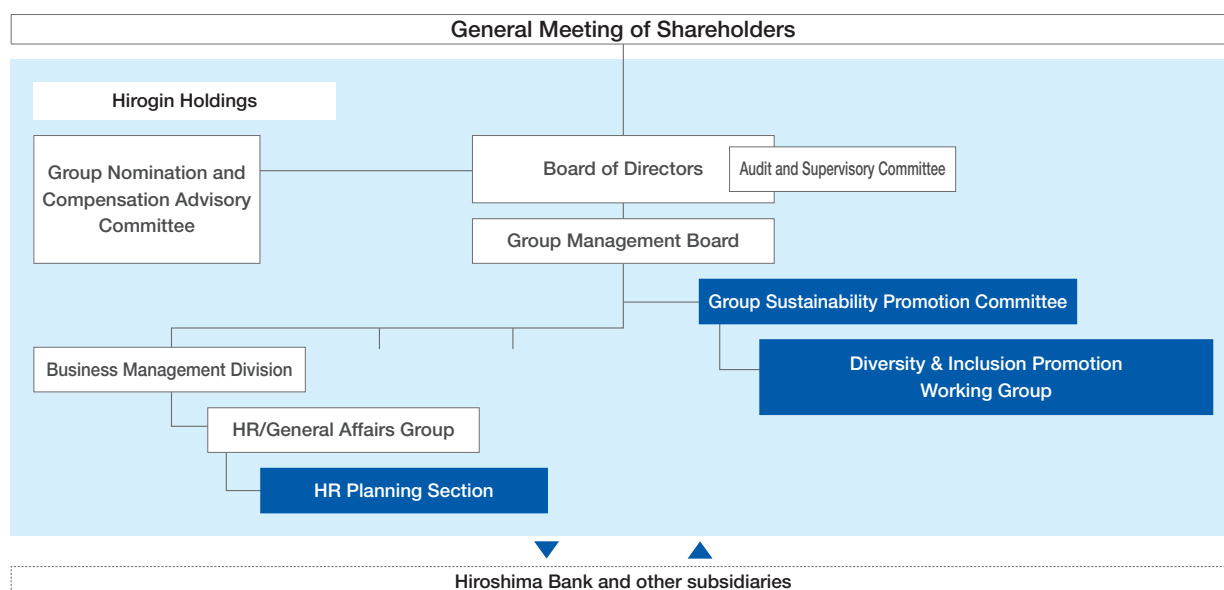
◆ Diversity and Inclusion

Promotional framework

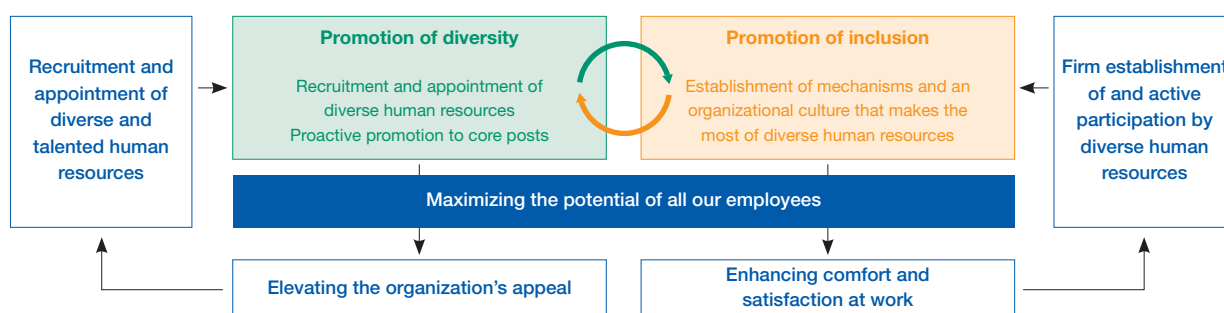
We established the Group Sustainability Promotion Committee in November 2021 as an advisory organization to the President of the Company to deliberate and consider responses to issues surrounding sustainability. We also established the Diversity & Inclusion

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.

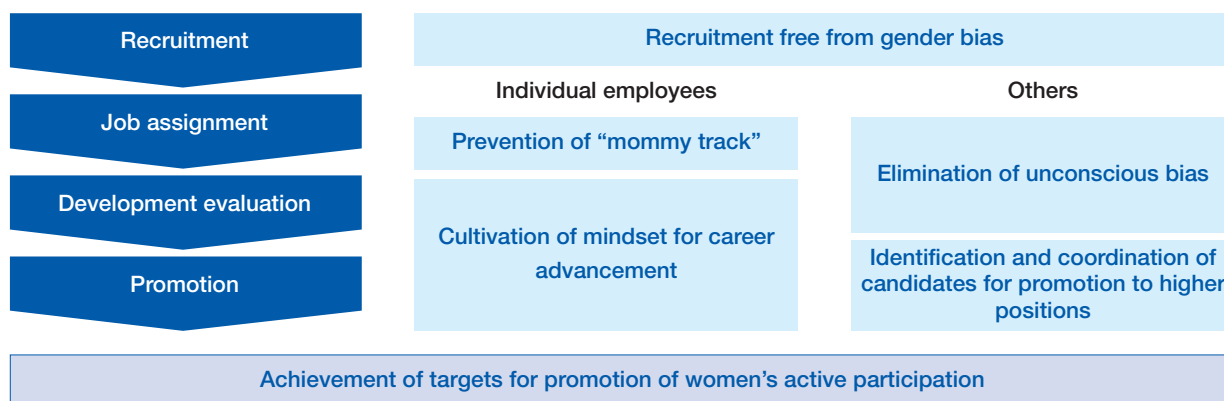
Voluntary, measurable targets and their status

		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%

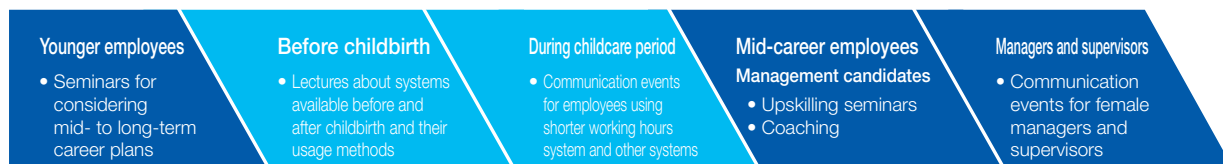
Prevention of "mommy track"

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.

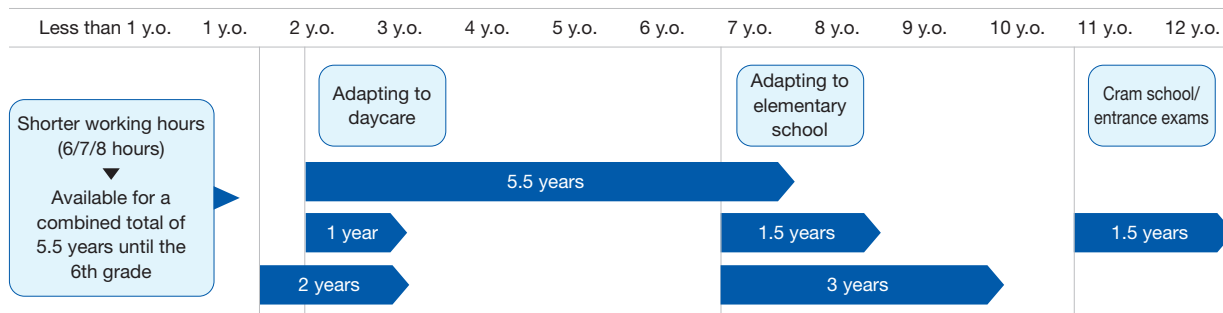
Starting in 2019, the Group companies have revamped their shorter working hours systems. Previously, this system was only available until the children in employees' care were in the lower grades of elementary school, but this has been extended to the sixth grade. At the same time, with the objective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

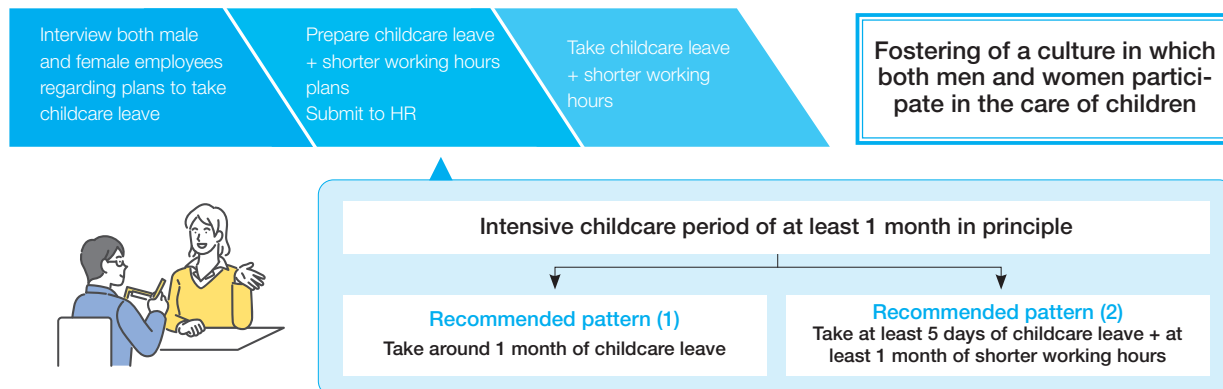
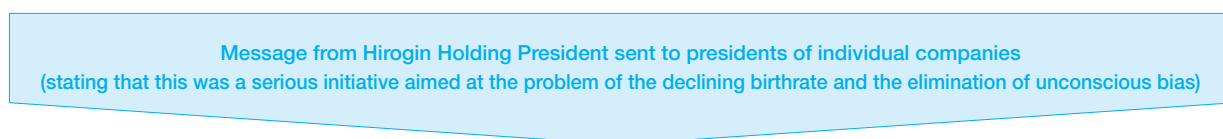
Specifically, we conduct awareness-raising seminars every year for managers and supervisors, who hold the keys to the organization's culture.

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)

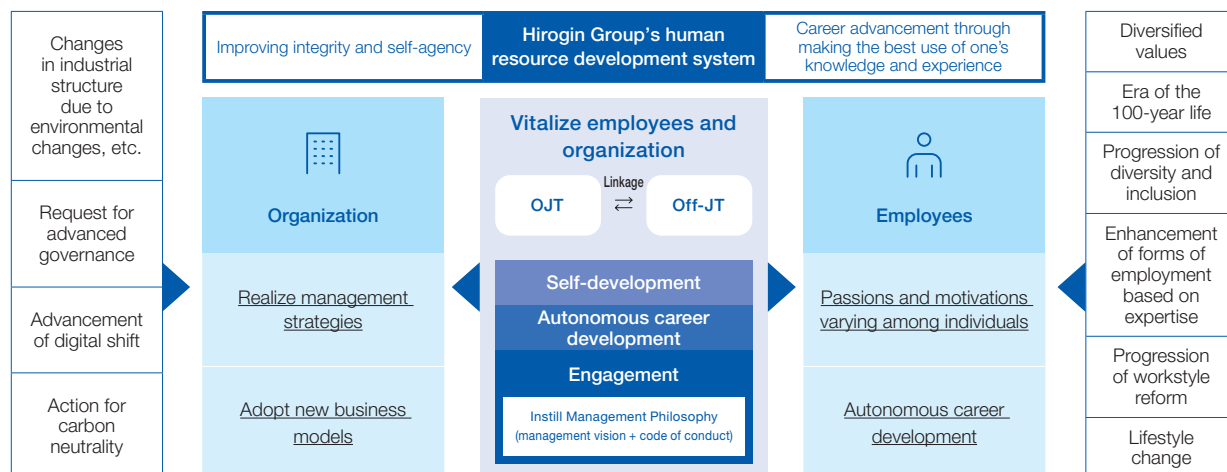
Details	FY2022 results
Number of internal internship participants	107 persons
Number of users of career change support	4 persons
Number of users of the job challenge system	124 persons
Number of transferred employees among these	24 persons
Number of employees seconded externally for the purpose of sophisticating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

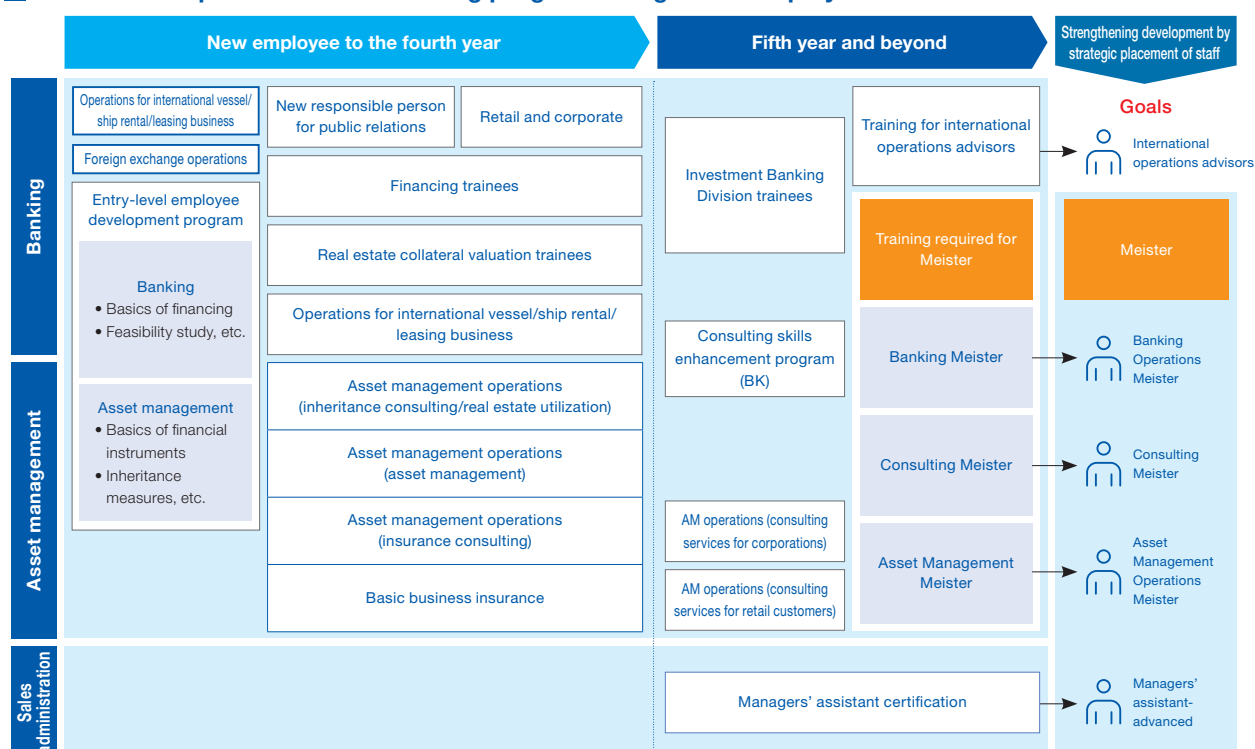
Operations	Number of trainees
Banking	91 persons
Asset management	83 persons

(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

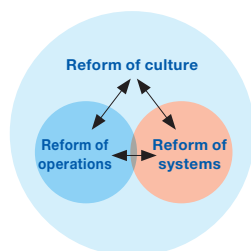
*Individuals holding both of the above qualifications are counted as one.

◆ 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.

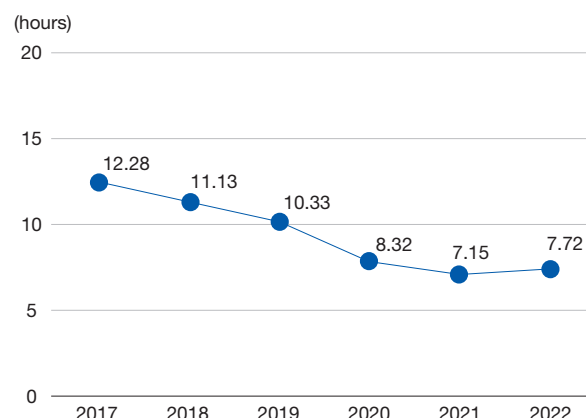
As part of these initiatives, the Group is strongly pursuing workstyle reform, with the reform of culture, operations and systems as its core.



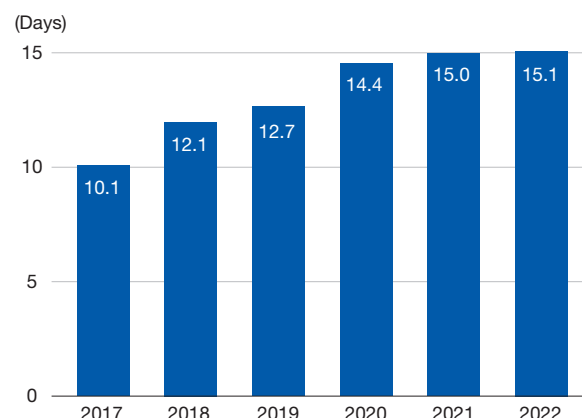
■ Examples of concrete initiatives for workstyle reform (Hiroshima Bank)

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> (Examples of past commendation of branch office employees) <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.

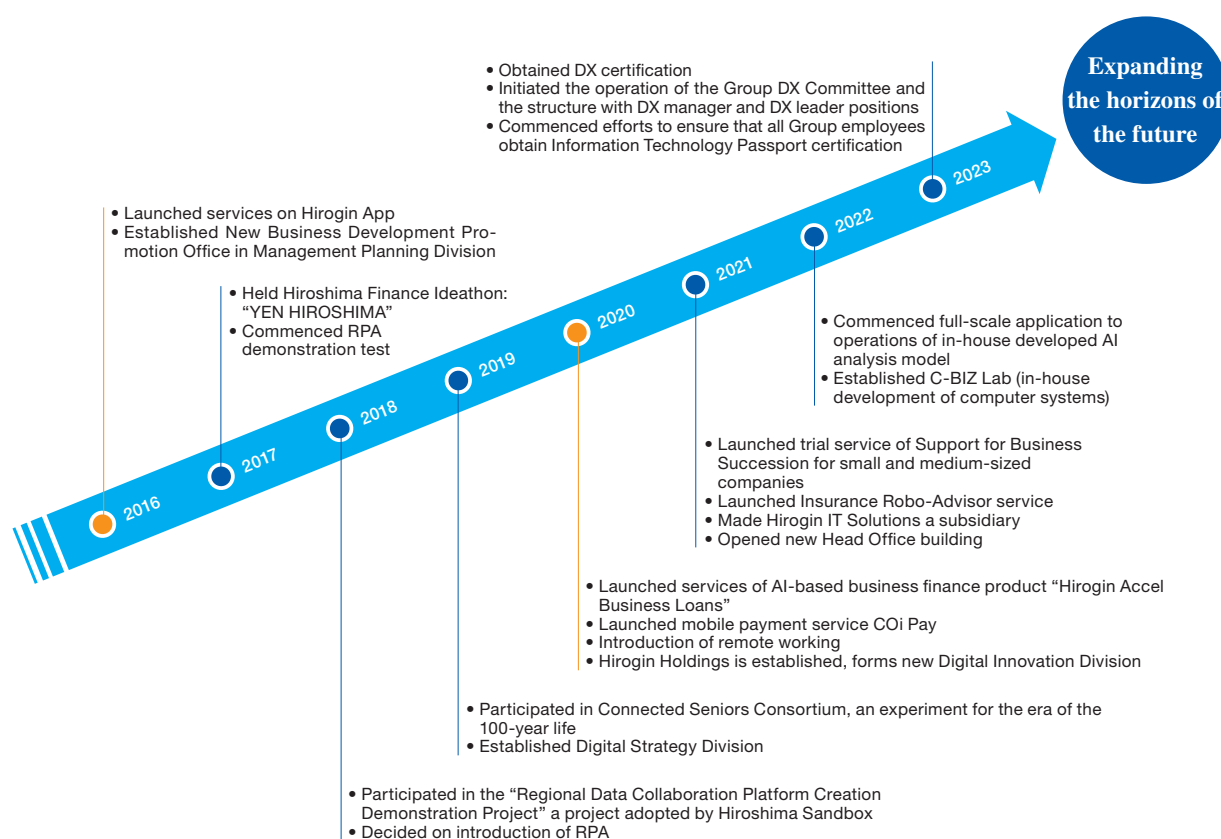
History

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.

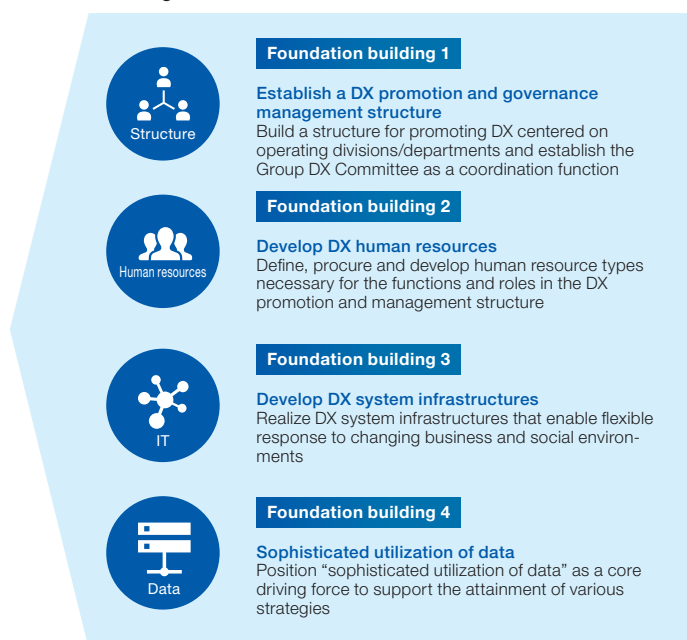
Specifically, the strategy defines “digital innovation,” “digitalization” and “digitization” as the three areas of DX, and requests consideration of benefiting from these in planning every measure. And to build a foundation for that, we will work on the following four items: “establishing a structure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

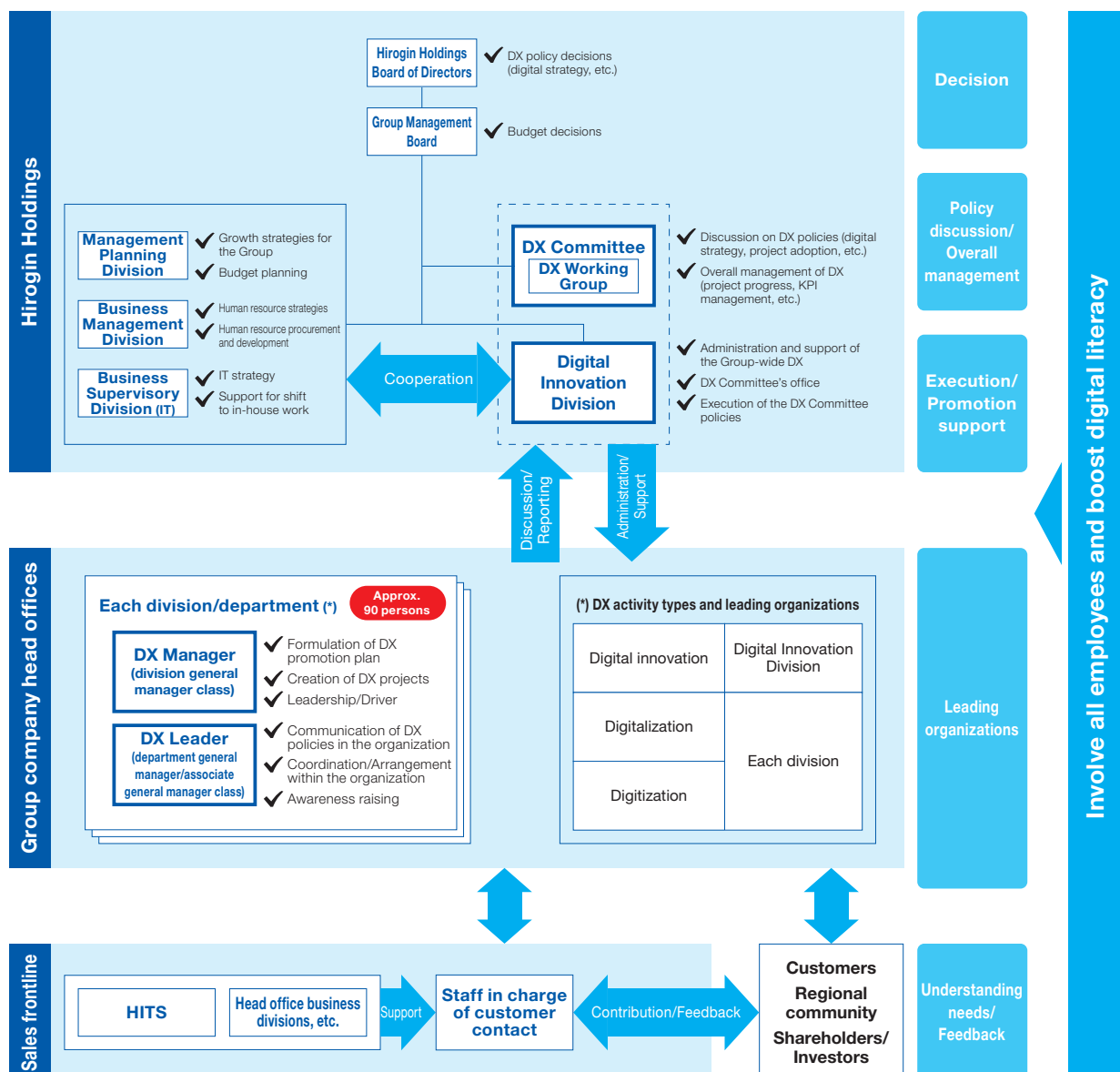
To enhance our drive for DX and governance management in view of risks specific to DX while

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

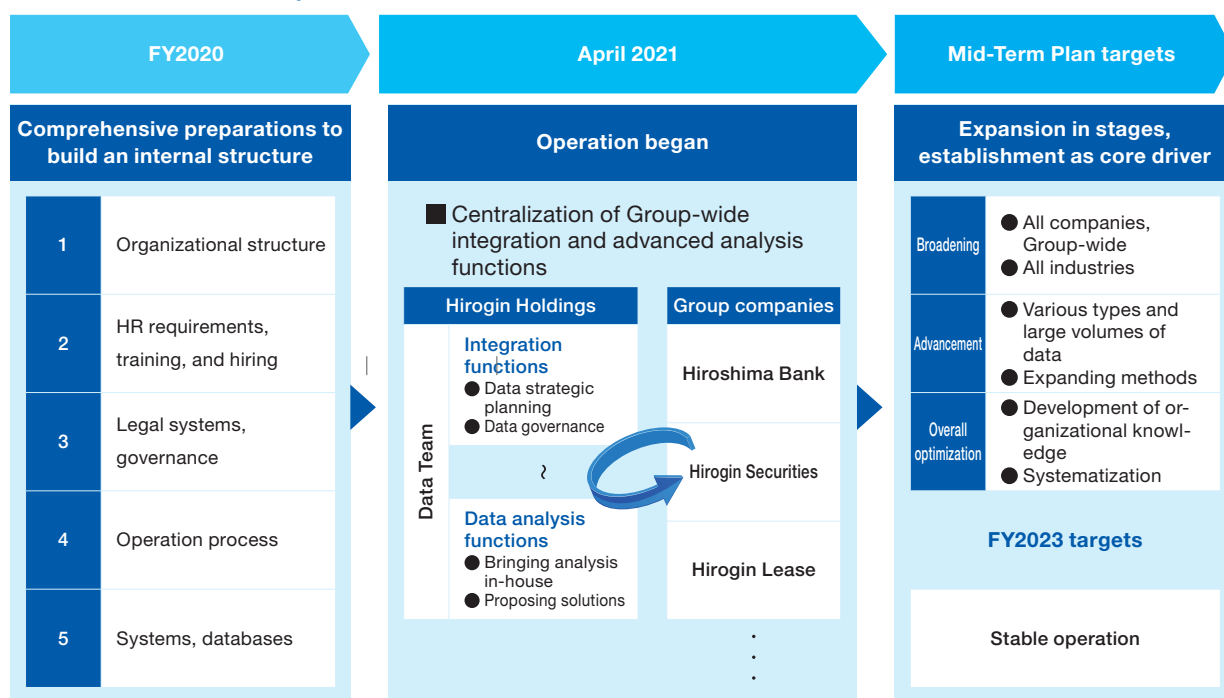
By positioning “sophisticated utilization of data” as the core driver that helps to realize various strategies of the Group as a whole, the Group has started an in-house endeavor using artificial intelligence (AI) in April 2021 by forming a team of data scientists consisting of Group employees (“in-house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



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How We Will Grow

Progress of Mid-Term Management Plan 2020

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



Key Progress

(Progress Highlights Since April 2022)

| Corporate Value Enhancement

Specific actions aligned with ROE-enhancing policies and strategies that contribute to a higher PBR P.65~66

| Regional Vitalization and Regional Revitalization

Promotion of entrepreneurship and launch of “Hiromalab,” a co-working space for community formation P.74

| Strategy for Corporate Customers/Strategy for Retail Customers

Launch of the Hirogin Business Portal, a portal site for business operators P.80

Introduction of fund wrap services to realize a goal-based sales approach P.81

| Channel Strategy/IT Strategy

Revamp of the Hirogin App (with enhanced banking transaction functions and the addition of a digital marketing environment) P.86

Announcement of the establishment of a next-generation backbone system for cloud migration (scheduled to migrate to MEJAR in FY2030) P.87~88

Management targets in the Mid-Term Management Plan 2020 (Key indicators for FY2023, the final year of the Mid-Term Management Plan 2020)

	Targets	Results
	FY2023	FY2022
Profit attributable to owners of the parent	More than ¥27.0 billion	¥12.5 billion
	FY2023	FY2022
Total of revenue related to consulting services for corporate and retail customers*1 and profit for the Group companies*2	¥16.0 billion or more	¥14.8 billion
	FY2023	FY2022
Contributions of Group companies to consolidated performance*3	12% or more	19.0%
	FY2023	FY2022
Consolidated capital adequacy ratio	10% or more	11.7%
	FY2023	FY2022
Consolidated ROE	5% or more	2.5%

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

*2 Profit for the Group companies = Total of profit for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

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



Message from the Financial Officer

We will improve the Group's corporate value by balancing the maintenance of financial soundness with investment for growth and the enhancement of shareholder returns, while also striving to further improve capital efficiency.

Akira Ogi

Director & Senior Managing Executive Officer

In fiscal 2022, which was actually the second year of Mid-Term Management Plan 2020, we worked to deepen and expand our customer base by fostering intra-Group cooperation, and to expand our business operation base, including enhancing Group solution functions.

In fiscal 2023, which is the final year of the plan, we are aiming to achieve our target of more than ¥27.0 billion in profit attributable to owners of the parent. Also, looking toward our next mid-term management plan, we will work to realize sustainable growth by implementing investment for growth that pursues higher profitability, while also advancing a range of strategies, including reallocating management resources through initiatives such as concentrating and streamlining operations with a focus on the holding company.

Business performance for fiscal 2022 and financial results forecasts for fiscal 2023

| Business performance for fiscal 2022

In fiscal 2022, the local economy experienced a weakening of exports and production in some of the core industries, including the auto industry, but capital investment was steady. Additionally, as economic and social activity in Japan returned to normal due to factors such as the easing of restrictions on the movement of people that accompanied the COVID-19 pandemic, consumer spending picked up and the business climate gradually improved.

Under such economic circumstances, consolidated gross profit fell by ¥12.7 billion year on year to ¥79.3 billion. Performance by our core businesses was strong, as the Bank experienced an increase in interest on foreign currency-denominated loans and discounts, and in our consulting operations, which is one of our priorities, corporate solutions that have been a particular focus saw an increase in revenues. However, we recorded a loss on the disposal of foreign bonds as the rise in overseas interest rates overturned the balance of income and expenditure.

Furthermore, regarding shareholdings, we recorded a loss (loss on devaluation of equity securities) due to an increase in valuation losses accompanying falling share prices and as a result, profit attributable to owners of the parent declined by ¥10.4 billion year on year to ¥12.5 billion.

| Financial results forecasts for fiscal 2023

For fiscal 2023, we plan to steadily accumulate revenues through methods such as continuing to increase revenues from interest on loans and discounts at Hiroshima Bank, as well as improving income from asset management as we rebuild our securities portfolio.

On the other hand, we anticipate a decline in asset management revenues from Hiroshima Bank and Hirogin Securities accompanying factors such as a decrease in sales of structured bonds, as well as an increase in credit expenses due to high raw materials prices and an uncertain economic outlook, among other reasons.

Considering the above, we forecast that profit attributable to owners of the parent will increase ¥15.0 billion year on year to ¥27.5 billion.

As a result, we expect to achieve our target for the final year of our mid-term management plan, which is more than ¥27.0 billion in profit attributable to owners of the parent.

Hirogin Holdings (consolidated)

(¥ billion)	FY2022 results (YoY)	FY2023 forecast (YoY)
Consolidated gross profit (excluding gains and losses related to bonds, such as government bonds)	79.3 (−12.7) 96.1 (−3.1)	— (—) — (—)
Ordinary profit	18.7 (−8.3)	39.5 (+20.8)
Profit attributable to owners of the parent	12.5 (−10.4)	27.5 (+15.0)
Total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank* ¹ and profit for the Group companies* ²	14.8 (±0.0)	13.0 (−1.8)
Contributions of Group companies to consolidated performance* ³	19.0% (+3.1 pt)	9.8% (−9.2 pt)
Consolidated capital adequacy ratio	11.7% (+1.4 pt)	11.0% (−0.7 pt)
Consolidated ROE	2.5% (−2.0 pt)	5.6% (+3.1 pt)

Hiroshima Bank (non-consolidated)

(¥ billion)	FY2022 results (YoY)	FY2023 forecast (YoY)
Core gross banking profit	86.5 (−1.4)	85.5 (−1.0)
Core banking profit	34.2 (−0.5)	33.0 (−1.2)
Ordinary profit	16.4 (−6.4)	36.5 (+20.1)
Profit	11.5 (−9.1)	26.0 (+14.5)
(Reference) Credit expenses	0.3 (−11.6)	5.0 (+4.7)

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

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

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

(Reference) Management objectives for Mid-Term Management Plan 2020

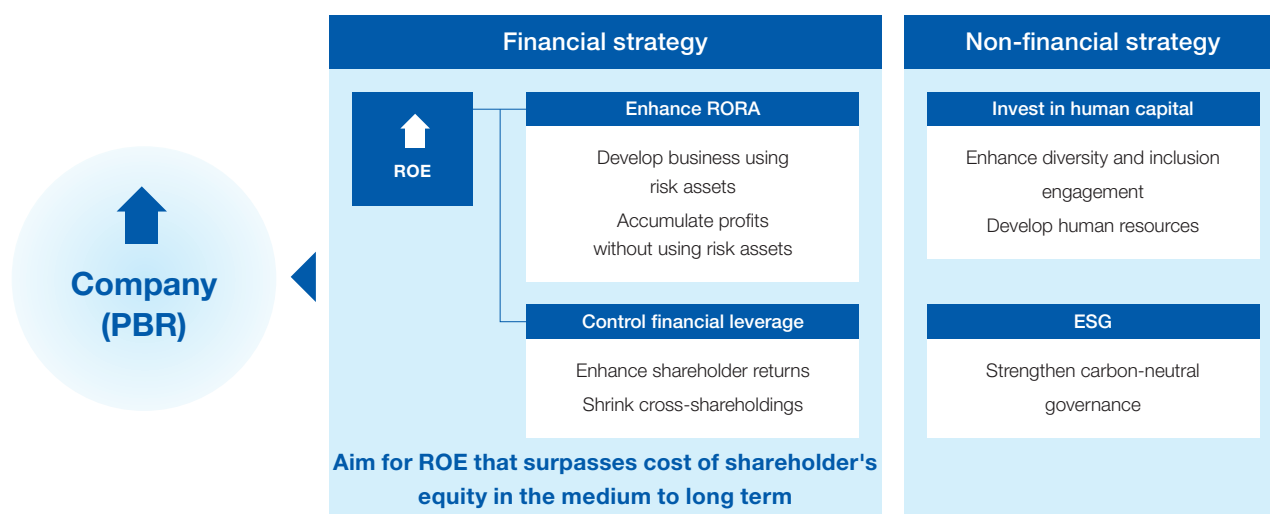
In Mid-Term Management Plan 2020, we are aiming to achieve higher profitability through intra-Group cooperation and have set out management objectives of over ¥16.0 billion in total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank and profit for the Group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

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

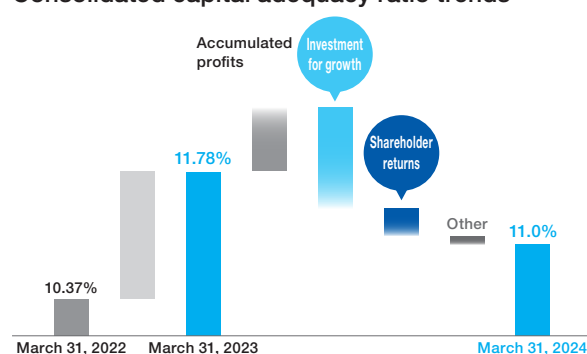
Please see page 68 for a progress report on Mid-Term Management Plan 2020.

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

Working to Enhance Corporate Value



Consolidated capital adequacy ratio trends



Enhancing ROE through investment for growth and strengthening shareholder returns with a target consolidated capital adequacy ratio of 11%

As of the end of March 2023, Hirogin Holdings' consolidated capital adequacy ratio ("capital adequacy ratio") had increased 1.41 percentage points year on year to 11.78% due to the effects of factors such as the early adoption of the Basel III Endgame.

In fiscal 2023, amid efforts to further enhance capital adequacy, we will make investment for growth aimed at improving profitability and strengthen shareholder returns as follows.

Enhance RORA

Develop business using risk assets

Regarding loans and bills discounted, we will be proactive in taking on credit risk by demonstrating our loan mediation function, particularly in our four home prefectures. Furthermore, in anticipation of future rises in interest rates, we will strengthen initiatives for lending to local small- and medium-sized enterprises and take risks in terms of structured finance.

In addition to this, the manufacturing industry accounts for a large proportion of the industry in our four home prefectures, and this industry is notable for generating large volumes of CO₂ emissions, so we anticipate that movement toward carbon neutrality will have a considerable impact on the regional economy. Within this climate, we plan to reinforce net interest income by focusing on sustainability-related finance, including carbon neutrality measures.

Additionally, in its securities asset management activities, Hiroshima Bank will work to rebuild its securities portfolio to ensure stable and continuous net interest income. It will achieve this by proactively using risk assets with the medium- to long-term aim of realizing a 1% yield on securities after taking external procurement costs into consideration.

In order to advance these initiatives, we will allocate additional capital to risk assets as follows.

FY2023 additional risk asset capital allocation

Item	Amount of additional capital allocation
Loans and bills discounted	¥140 billion
Net investment in securities	¥220 billion
Equity investment	¥20 billion

Accumulate profits without using risk assets

In the corporate field, which is one of the Group's strengths, we are working to enhance profits that are not based on interest by providing customers with financial and non-financial solutions covering not only M&A and business succession, but also IT application, DX, and personnel affairs solutions, as well as by strengthening our engagement of areas such as businesses for the elderly.

Through these types of initiatives, we will improve RORA (Return on Risk-Weighted Assets)

Enhance shareholder returns

Previously, we used a dividend criteria table to decide the amount of dividend per share depending on which range the amount of profit attributable to owners of the parent fell under.

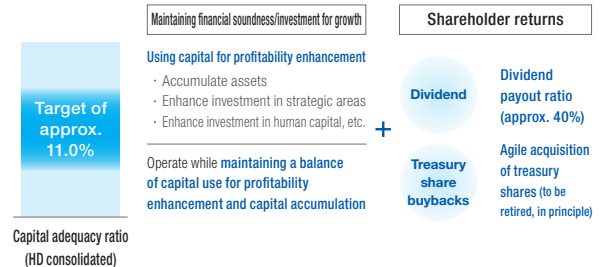
In May 2023, we revised our shareholder return policy, abolishing the dividend criteria table. Our new policy is based on an assumed consolidated capital adequacy ratio for the holding company of 11% and comprises a dividend payout ratio of about 40% and the timely implementation of treasury share buybacks.

Additionally, the 11% capital adequacy ratio represents a level that can be maintained above regulatory requirements, even in a worst-case scenario with the same impact as the 2008 financial crisis.

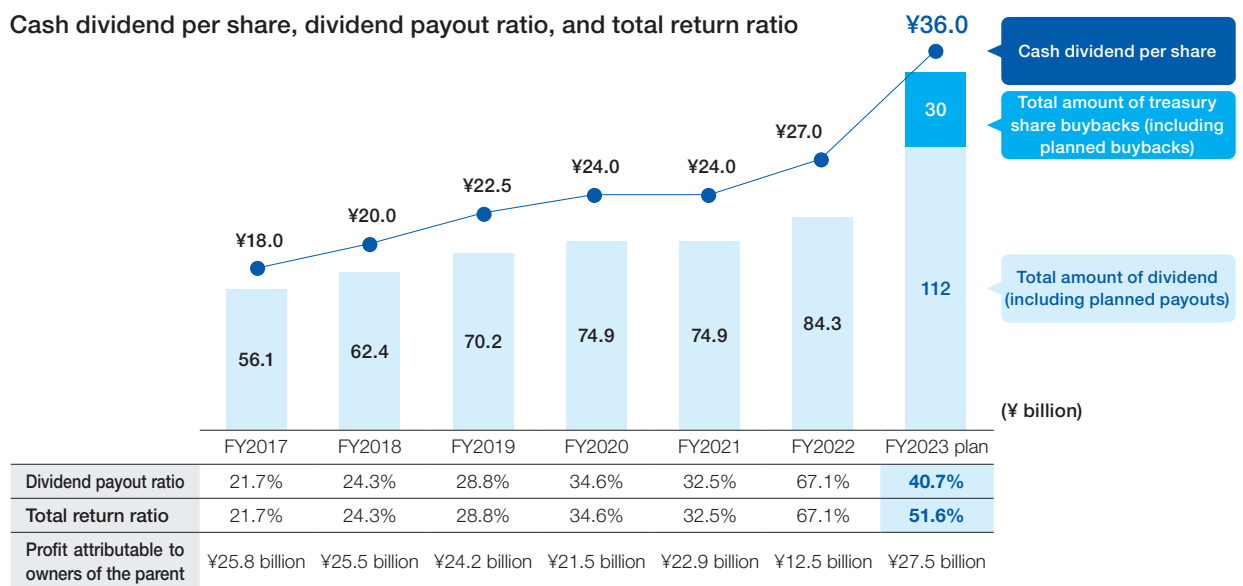
In accordance with this new shareholder return policy, we forecast that the dividend for fiscal 2023 will be ¥36 per share with a dividend payout ratio of 40.7%.

We also plan to repurchase treasury shares totaling ¥3 billion in fiscal 2023. As a result, we anticipate that the total return ratio for fiscal 2023 will be 51.6%.

Approach to shareholder returns



Cash dividend per share, dividend payout ratio, and total return ratio



Note: 1. The Group conducted a share consolidation of common shares at the ratio of 1 share for 2 shares on October 1, 2017. Cash dividends per share figures in fiscal 2017 are amounts accounting for the share consolidation.
2. For fiscal 2020, as Hirogin Holdings was established on October 1, 2020, the interim dividend of ¥12 per share (total of dividends paid: ¥3,748 million) paid by Hiroshima Bank is included.

Shrink cross-shareholdings

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

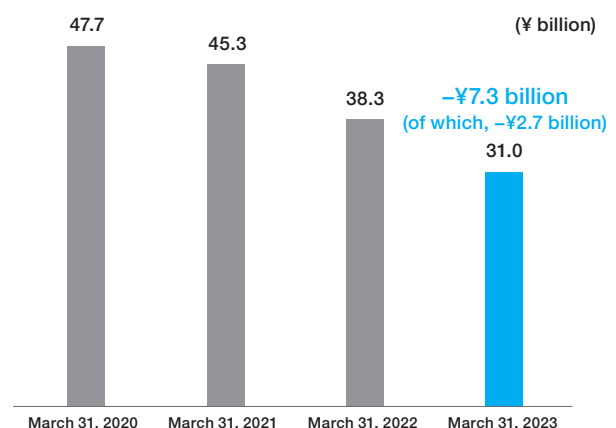
As for shares held, the Group examines the rationale for the shareholding, also taking ESG perspectives into account, and if the Group cannot find sufficient rationale for the shareholding, it will decide whether to continue to hold them after having dialogue with the issuing company.

In fiscal 2022, we reduced our cross-shareholdings by 20 companies (including partial reduction) and by ¥4.6 billion (based on acquisition cost), as a result of dialogue with issuing companies.

Shrink target

Less than 10% of the value of consolidated net assets (based on market value; medium-to long-term target)

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



Please see page 98 for details of our policy regarding cross-shareholdings, etc.

Mid-Term Management Plan 2020

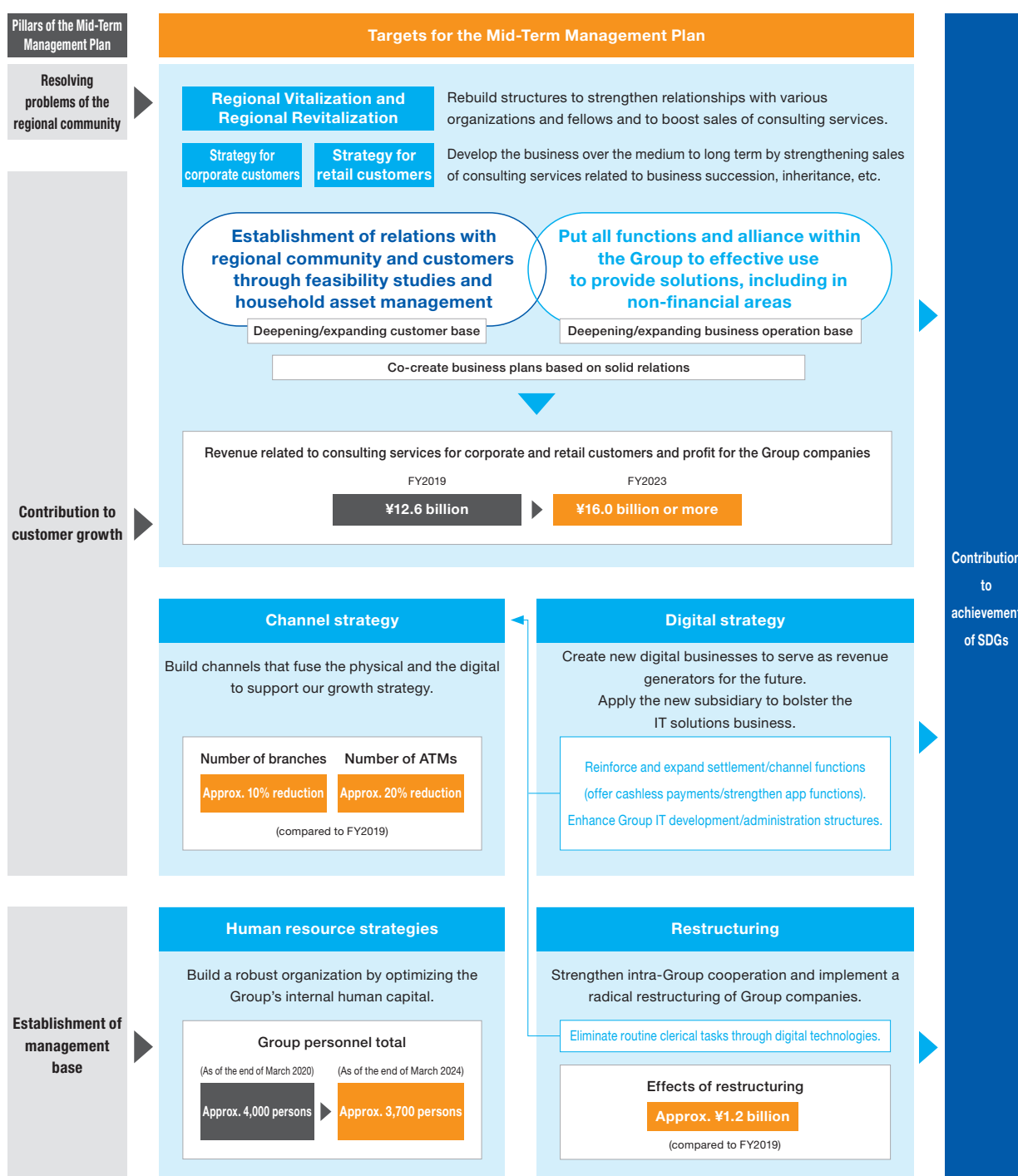
Basic approach to Mid-Term Management Plan 2020

We are deepening and expanding the scope of our business operations and our customer base in the markets of our four local prefectures of Okayama, Yamaguchi, Ehime, and, in particular, Hiroshima, which has enormous potential in terms of the size of economy and growth opportunities. At the same time, we aim

to realize our management philosophy and achieve sustainable growth of the Group by thoroughly working to resolve every issue that faces the local community and customers and actively committing ourselves to development of the region.

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

Overall picture of Mid-Term Management Plan 2020



Progress toward management targets in Mid-Term Management Plan 2020

FY2023 objectives in the Mid-Term Management Plan 2020

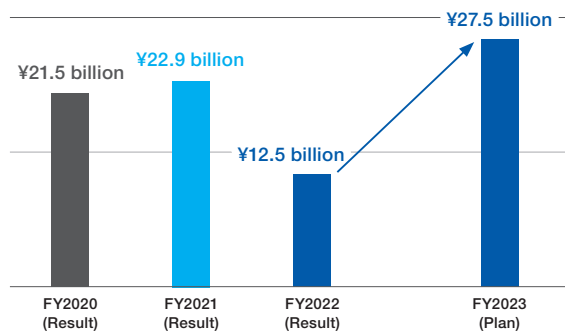
Hirogin Holdings	Profit attributable to owners of the parent	More than ¥27.0 billion
	Consolidated ROE	5% or more
	Consolidated capital adequacy ratio	10% or more
Hiroshima Bank	Revenue related to consulting services for corporate and retail customers of Hiroshima Bank ^{*1}	} Total ¥16.0 billion or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

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

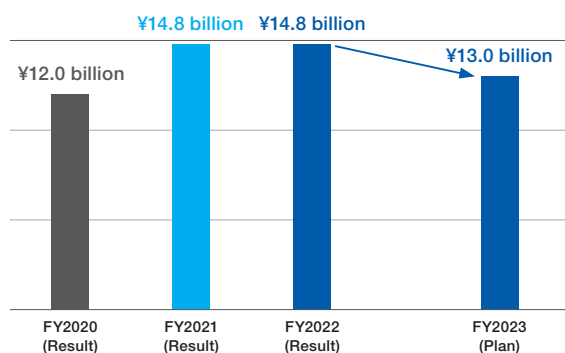
^{*2} Profit for the Group companies = Total of profit for consolidated subsidiaries, excluding Hiroshima Bank, multiplied by investment ratio

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

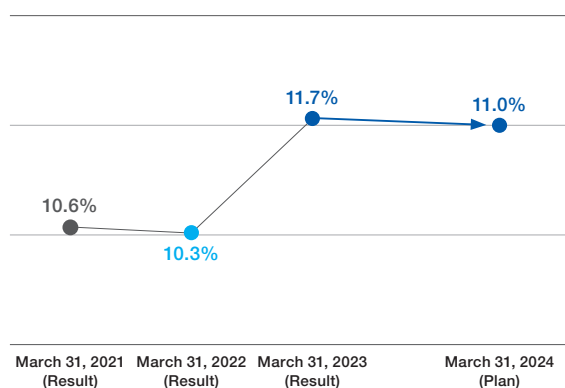
Profit attributable to owners of the parent



Total of revenue related to consulting services for corporate and retail customers and profit for the Group companies



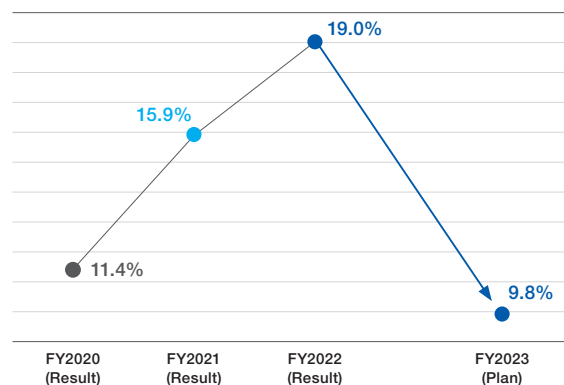
Consolidated capital adequacy ratio



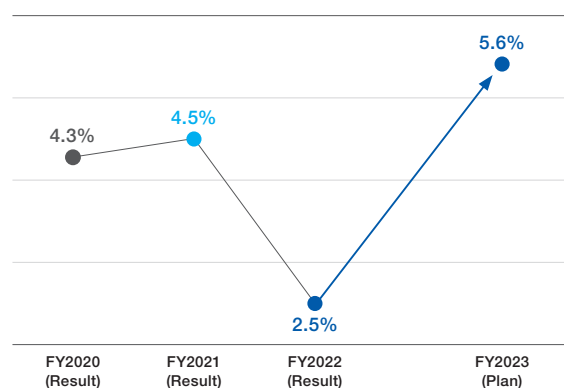
Regarding the plan for fiscal 2023, which marks the final year of the Mid-Term Management Plan 2020, we anticipate meeting the targets for profit attributable to owners of the parent, consolidated capital adequacy ratio, and consolidated ROE through our efforts to enhance intra-Group cooperation.

On the other hand, rapid changes in the market environment, a decrease in structured bond sales

Contributions of Group companies to consolidated performance



Consolidated ROE



and other factors have resulted in a decline in asset management revenue, probably preventing us from reaching the targets set for the total of revenue related to consulting services for corporate and retail customers and profit for the Group companies, and contributions of Group companies to consolidated performance as outlined in the Mid-Term Management Plan.

Initiatives Aimed at Practicing Customer-Oriented Business Operations

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

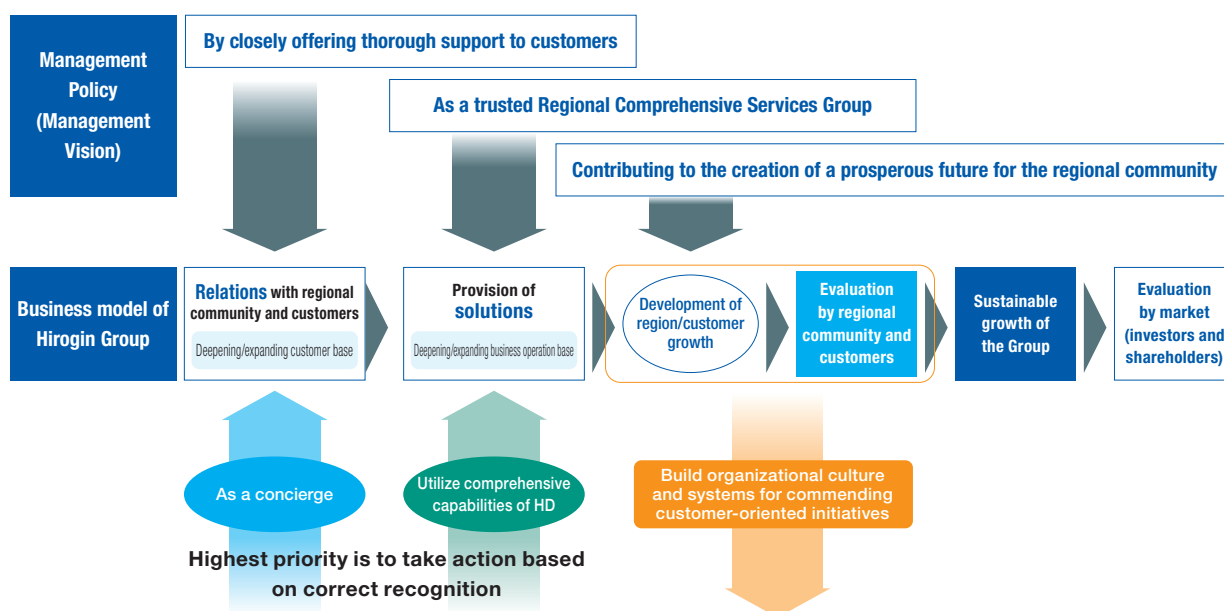
However, as changes in the environment surrounding customers grow more intense, customers' concerns and needs are likely to become even more complicated.

Based on that recognition, the Group has placed customer-oriented business operations at the core of its sales operations, reorganized the Group Fiduciary Duty (FD) Committee into the Group Customer-oriented Business Operation Committee in May 2022, and has undertaken other actions, based on the concept that "customer-oriented business operations" means to respond to our customers' trust by providing meticulous

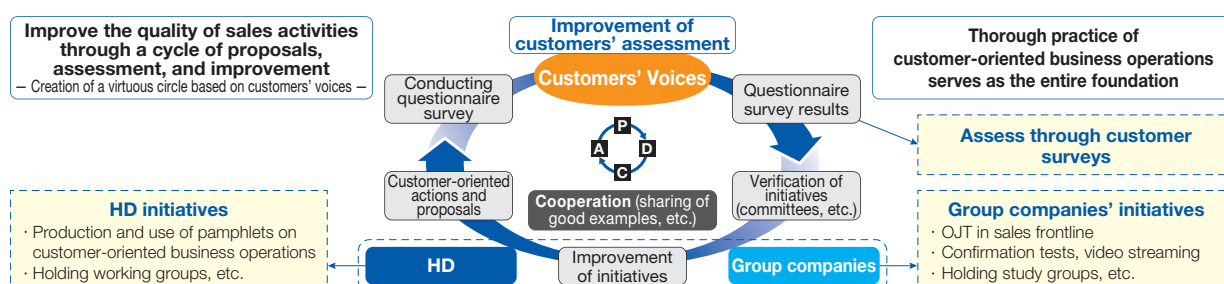
services to suit the individual concerns and needs of each customer and making customer-centered actions and proposals, with the aim of realizing a Regional Comprehensive Services Group. In doing so, we will strive for the Group-wide penetration and practice of customer-oriented business operations that go beyond financial product trading.

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

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



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



Policy for initiatives aimed at practicing customer-oriented business operations

Striving for customer-oriented business operations, the Hirogin Group declares and practices the following basic policy for initiatives and policy for initiatives in financial product transaction business.

Basic policy for initiatives

Basic approach

With the aim of achieving its management vision, “contribute to the creation of a prosperous future for the regional community as a trusted Regional Comprehensive Services Group by closely offering thorough support to customers,” the Hirogin Group deals with customers with sincerity to contribute to solving customer issues, leveraging all functions and alliances within the Group, prepares for terrorism, cyber-attacks, and natural disasters that threaten civilian life and business activities, and provides the highest quality regional comprehensive services with full consideration for appropriate protection of customers’ interests by improving security standards and ensuring business continuity in the event

of disasters. Through these efforts, the Group strives to enhance customer satisfaction and peace of mind and contributes to the sustainable development of the regional economy.

Furthermore, in the provision of products and services, we hold customers’ interests to the maximum priority. In line with this attitude, we demonstrate a high level of expertise and offer high-value-added products and services that encompass both the financial and non-financial areas from a customer perspective, which we believe would result in sustainable growth for the Hirogin Group. Based on such recognition, we will practice our customer-oriented business operations.

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

The Hirogin Group has established frameworks to give appropriate incentives to its employees including various performance evaluation systems that contribute to customer-oriented business operations in order to firmly establish customer-oriented business operations as its corporate culture (foundations).

Furthermore, to better address diversifying and more complicated customer issues by demonstrating a high level of expertise, we promote the development of our human resources by expanding the number of

personnel with professional certification and enhancing the quality of education for our sales staff through training programs to further advance the level of our consulting services.

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

Based on the aforementioned basic policy for initiatives, the Hirogin Group will implement the following policy for initiatives specifically in the financial product transaction business.

Policy for initiatives in financial product transaction business

Customer-oriented lineup of products

Hiroshima Bank and Hirogin Securities work as one to offer a wide range of financial products that meet a variety of asset formation needs depending on the customer’s purpose for asset management, knowledge and experience, asset and liability composition, and risk tolerance.

When adopting new financial products, we thoroughly review “matters to be considered in product selection (merchantability, product structure, and commission level, etc.),” which are set by each group

company, to select products that aid customers’ medium- to long-term asset formation and asset management.

In addition, we periodically verify whether the current lineup of products of each group company complies with the above matters to be considered.

When adopting products, we check matters on credit quality and support systems of asset management companies.

| Proposals for portfolios that contribute to customer asset formation (promotion of long-term, deposit, or diversified investment)

For inexperienced or beginner investors, we help them understand the necessity of asset investment in line with life events, risk and return relationships, and investment procedures.

We precisely identify customers' target asset amounts based on their investment purposes, risk tolerance, needs, knowledge and experience, financial assets, and life plans, and the appropriate proportions of financial products to achieve that target.

When proposing products based on customers' purposes, risk tolerance, needs, target asset amounts, and other information identified, we provide an easy-to-understand explanation of products, including commissions that customers bear, using materials and tools such as a product brochure and a proposal tool in accordance with the customer's level of understanding.

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

In order to reduce customer paperwork for product applications, we are improving operational efficiency.

To meet a variety of customer needs for asset management, we strive to research and actively use FinTech, including the introduction of a robo-advisor.

We hold seminars to help customers improve financial literacy in areas such as understanding market environments and gaining knowledge on finance and investment.

| Customer-oriented follow-up services

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


In case of a drastic change in market trends, we provide customers with information necessary for

making investment decisions, such as forecasts on market value and management status of the products to provide customers with information in a timely and appropriate manner.

We hold periodical seminars to provide customers with information including related market trends and management status necessary for making investment decisions on products that customers hold.

Status of initiatives for customer-oriented business operations

Please refer to our website for a detailed explanation of Key Performance Indicators (KPIs), including the status of initiatives other than those mentioned above.



Regional Vitalization and Regional Revitalization

Development of new business related to regional vitalization and regional revitalization

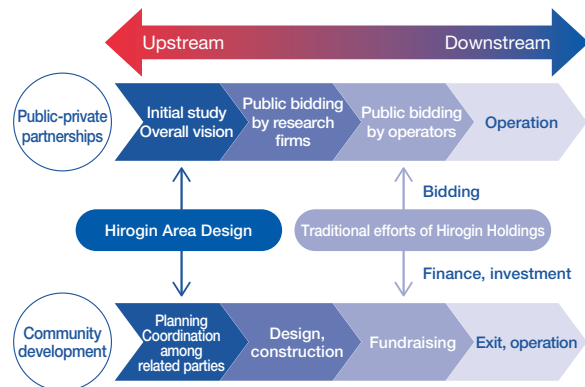
The Group has been working on regional vitalization and regional revitalization, including consulting for tourism promotion, urban redevelopment, and government organizations, mainly through Hiroshima Bank. Most of our involvement has been in the downstream stages, such as bidding for public projects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

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

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

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

Going forward, the Group, with Hirogin Area Design at the center, will become a leader in pushing



forward with new businesses tied to local vitalization and local revitalization, cooperating with local public bodies and business operators along the way, by becoming actively involved in regional vitalization projects from the upstream stages.

Matching support services for the corporate version of Hometown Tax Donations

As the population continues to decline and our society ages, coupled with the intensification of local social issues in terms of complexity and diversity, it is becoming ever more difficult for municipalities to independently address these local issues.

Given this backdrop, starting from fiscal 2021, Hirogin Area Design has been supporting the matching of companies interested in donations through the corporate version of Hometown Tax Donations with

municipalities engaged in regional revitalization. Through these donations, Hirogin Area Design promotes public-private partnerships and helps solve social issues in local communities.

In fiscal 2022, we facilitated the matching of 40 companies and more with four municipalities, including the Hiroshima Prefectural Government, resulting in actual donations.

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

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

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

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



Tourism promotion and urban redevelopment initiatives

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

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

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

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

Providing financial support to the historic Japanese inn *Nishiyama Bekkan*

In March 2022, Hiroshima Bank extended financial support to Setouchi Ryokan Corporation, the operator of *Nishiyama Bekkan*, a historic Japanese inn in Onomichi-shi, Hiroshima. This support was facilitated through funds in which the general incorporated foundation Organization for Promoting Urban Development and regional financial institutions, including Hiroshima Bank, have made investments.

We will continue our efforts to revitalize tourism by offering various forms of support for valuable local tourism resources.



Attracting Hilton Hotels

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

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

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



Operation of Hiroshima Airport

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



Initiatives for developing regional industries

The Group, through Hiroshima Bank and Hirogin Area Design, is engaged in a variety of initiatives to develop regional industries. In December 2022, we launched "Hiromalab," a co-working space designed to bring together the diverse needs of local startups, students,

and individuals from various backgrounds and form a community. In addition to this initiative, we are engaged in acceleration programs to discover university spin-off ventures and support the creation of new businesses by companies.

Co-working space "Hiromalab"

In collaboration with ATOMica Co., we are working to vitalize the region by providing satellite offices, rental conference rooms, and other spaces, as well as hosting events to encourage the exchange of human resources and the formation of a community, ultimately creating new businesses and entrepreneurial ventures.

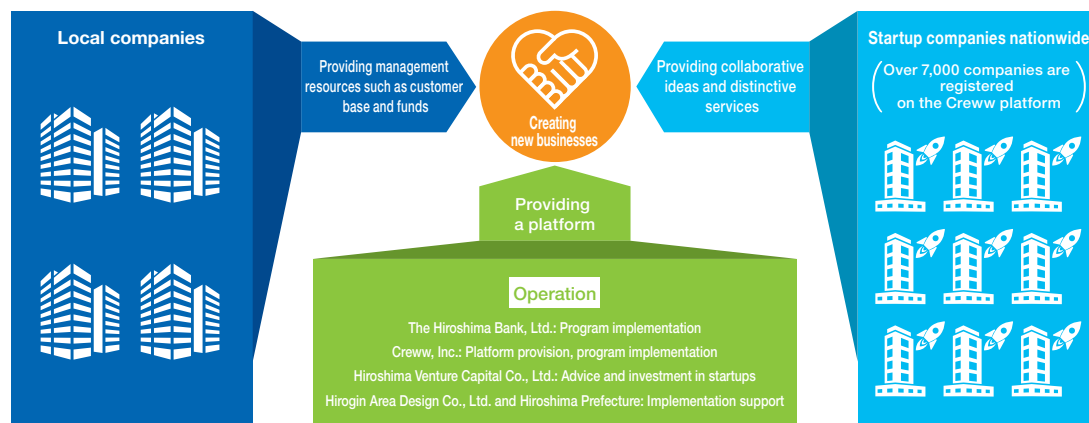


Hiroshima Open Accelerator

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

Track Record in Holding Hiroshima Open Accelerator

Year held	Participating companies	New business proposals
FY2019	5 companies	8 proposals
FY2020	4 companies	12 proposals
FY2021	6 companies	12 proposals
FY2022	3 companies	6 proposals

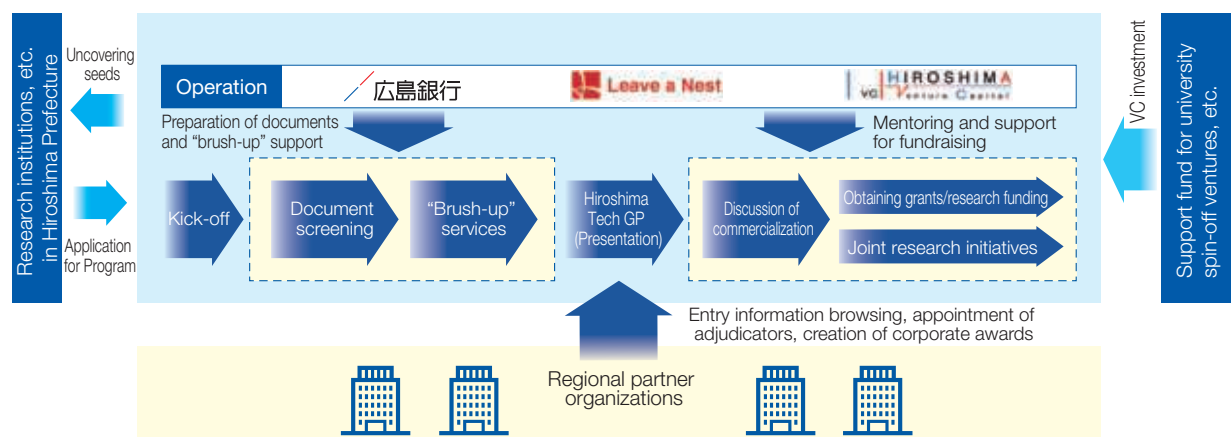


HIROSHIMA TECH PLANTER

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

Track Record in Holding HIROSHIMA TECH PLANTER

Year held	Entry	Business launch support
FY2020	24	9
FY2021	24	9
FY2022	21	9



Strategy for Corporate Customers

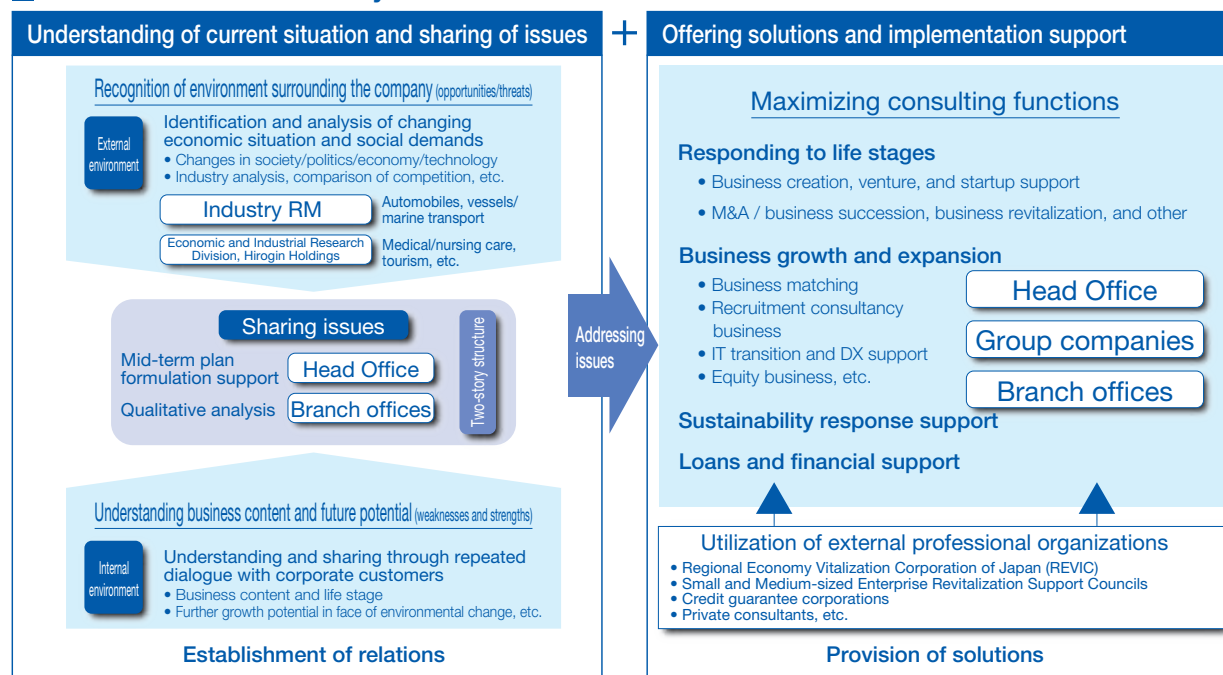
Practice of customer-oriented consulting based on feasibility study

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

The history and know-how of feasibility studies, which we have developed through many years of providing support suited to characteristics of local industries, are an important intangible asset of the Group.

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

Hiroshima Bank's "feasibility studies"



T O P I C S

History of feasibility studies

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

In January 2001, in order to accurately respond to the diversification and sophistication of corporate customers in the automobile-related industries, Hiroshima Bank newly established the "Automobile-related Measures Office" by hiring personnel transferred from the auto industry. Experts visited suppliers' plants and gained an

understanding of the technical side of their businesses. To this, the financial analysis made by Hiroshima Bank enabled an understanding of customers' businesses in terms of both "technical" and "financial" aspects. Even in the midst of rapid external changes such as the global financial crisis, we were able to deal with these changes while remaining committed to this approach. This led to the development of Hiroshima Bank's feasibility studies.

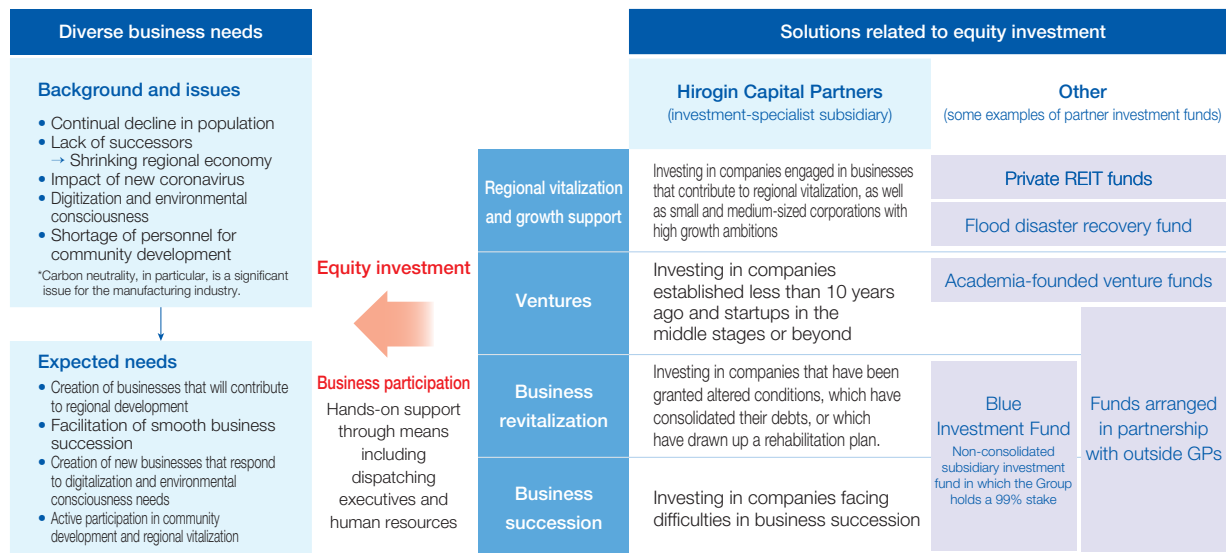


Strengthen initiatives for equity business

Hirogin Group, with Hirogin Capital Partners at the center, provides “equity investment” for customers who work to solve regional issues and grow their business.

In April 2022, Hirogin Capital Partners formed a new fund (Regional Vitalization Fund), adding to its three existing funds, namely the Business Rehabilitation Fund, the Business Succession Fund, and the Venture Fund.

Going forward, leveraging Hiroshima Bank's feasibility studies, we will provide funds through equity investment and support our regional corporate customers' growth by strengthening our hands-on support initiatives, such as formulating a business plan or using our resources including the dispatch of personnel.

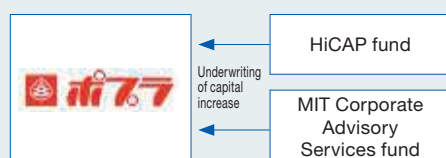


Cooperation with external alliance partners aimed at strengthening of initiatives for equity business

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

Examples of initiative

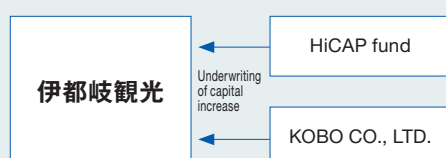
Example (1) Joint investment with other funds



POINT

- We subscribed shares of convenience store chain POPLAR through a third-party allotment, jointly with a fund operated by our alliance partner MIT Corporate Advisory Services, Co., Ltd.
- Through this investment, POPLAR will resolve balance-sheet insolvency and achieve financial soundness, and we support the company to improve performance and grow business by investing the fund in growth areas and implementing restructuring.
- In addition, we support further enhancement of its corporate value by using our group network and consulting function.

Example (2) Joint investment with existing shareholder (parent company)



POINT

- We subscribed shares of Itsuki Kanko K.K., which operates Iwaso Miyajima Japan Inn, through a third-party allotment, jointly with its parent company KOBO CO., LTD.
- Through this investment, Itsuki Kanko will strengthen its financial base, and we support the company to further enhance its corporate value by implementing measures to improve profit margins and operations in coordination with external experts.

Strengthen initiatives for IT consulting

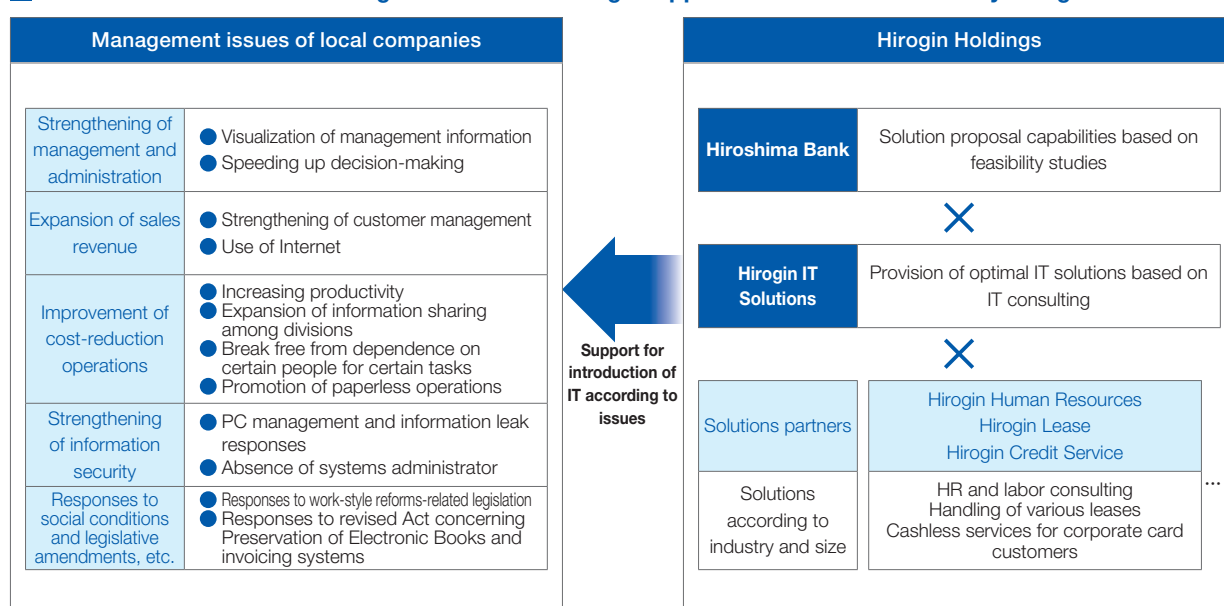
Hirogin Group provides a variety of solutions to help solve customers' management issues and concerns, mainly through Hirogin IT Solutions, which designs and develops information systems and provides cloud services utilizing its own internet data center.

Hirogin IT Solutions is a company formed as a joint venture with an existing business partner, Mighty Net Co., Ltd., which was subsequently made a subsidiary of Hirogin Holdings as an advanced banking service company in January 2021. It possesses extensive human resources and solutions in IT-related areas.

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

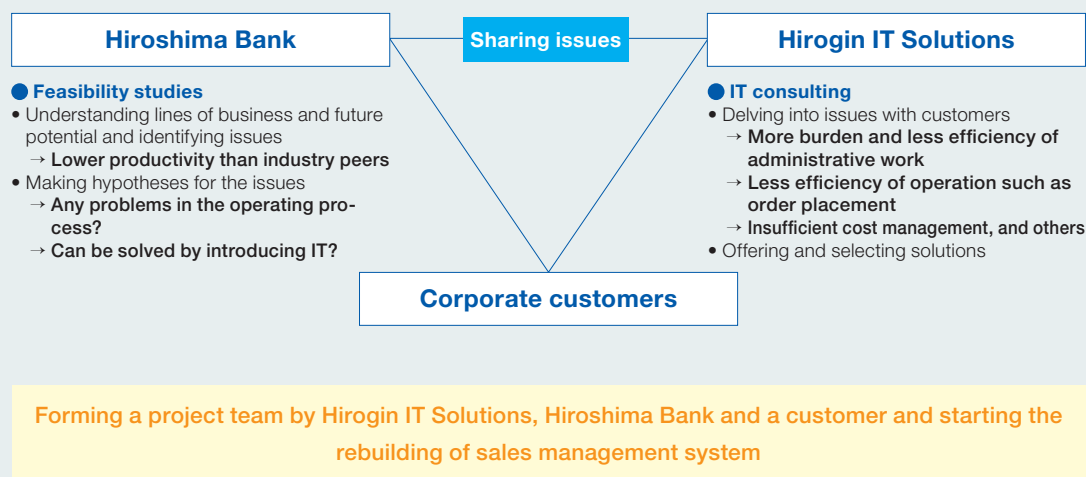
Going forward, it will cooperate with external solutions partners and Hirogin Holdings Group companies to respond to customers' various IT needs, which are becoming increasingly diverse and advanced.

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



Initiatives by IT consultants for solutions to customers' management issues

Amid the rapid development of digital transformation (DX), we provide optimal solutions to the diverse needs of corporate customers through IT consulting.



Strengthen initiatives for human resources support

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

Hirogin Human Resources is a subsidiary newly established in April 2021 to support solutions to people-related management issues faced by many company owners.

In addition to its recruitment consultancy business, training business, and human resources consulting business, which it has operated since it was first established, it has been pursuing the expansion of its operations, including a worker dispatching business, through M&As, since April 2022.

Top ten challenges facing company owners in Hiroshima Prefecture

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

Source: Hirogin Holdings Survey of Company Owners

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

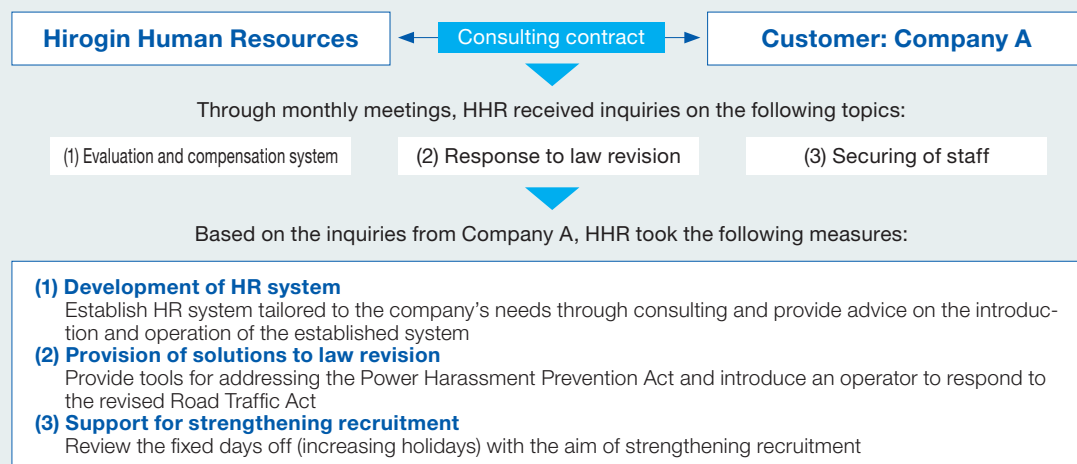
Outline of Hirogin Human Resources businesses and services

Businesses and services	Details	Results (FY ended March 31, 2023)
Recruitment consultancy business	● Introduction of management human resources and specialist human resources through cooperation with external recruitment agencies	Number of contracts executed: 134 (Up 42 year on year)
Training business	● Holds training programs and seminars for all levels, from new employees to executive management ● Supports implementation of internal training programs such as dispatching lecturers	Number of participants: 1,897 (Up 415 year on year)
Human resources consulting business	● Consulting related to HR and labor (e.g., responding to workstyle reforms, various consulting related to labor management) ● HR systems construction consulting (e.g., reviews of evaluation system and compensation system, HR system design support)	Number of consulting contracts signed: 59 (Up 28 year on year)
Worker dispatching business	● Primarily dispatch of clerical personnel (office staff for sales, accounting, general administration, etc.)	Business launched in April 2022 (M&A of other company) Number of contracts executed: 31
Employee benefits and welfare support	● Provision of "Benefits and Welfare Support," which bundles health management, self-development, asset formation/loans, and discounts and bonuses in a single package	Services commenced in October 2022 Number of companies applied: 32

Examples of support for corporate customers

Support for corporate customers with HR and labor consulting as a start

Since Hirogin Human Resources (HHR) concluded a consulting contract with Company A, which was challenged with improving productivity and securing staff, it has received various HR-related inquiries and discussed solutions.

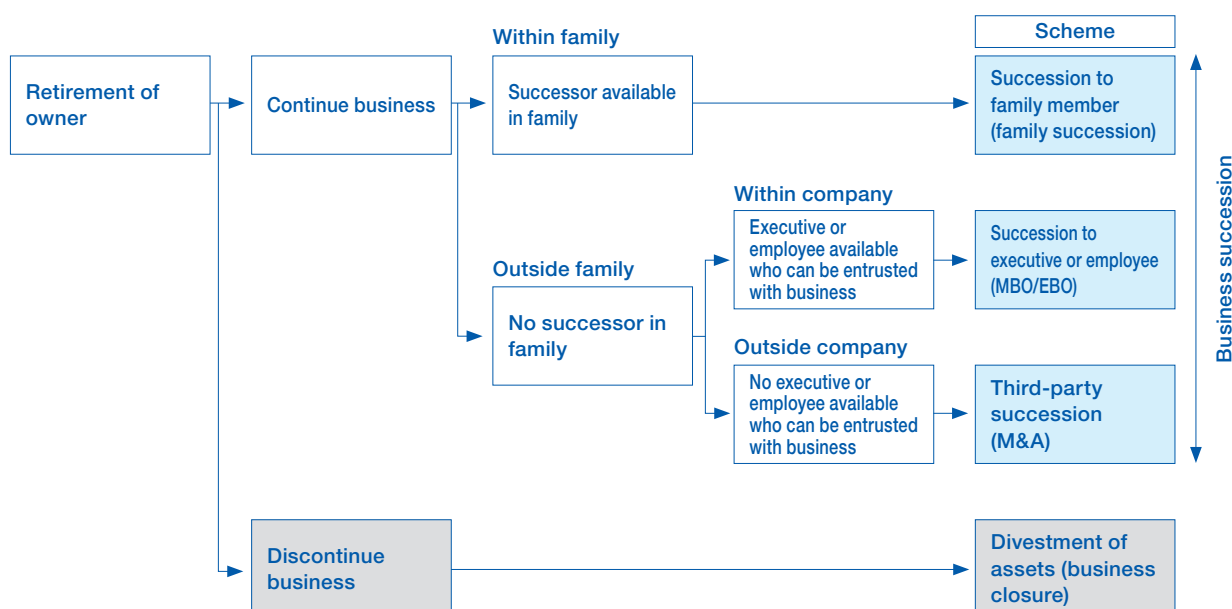
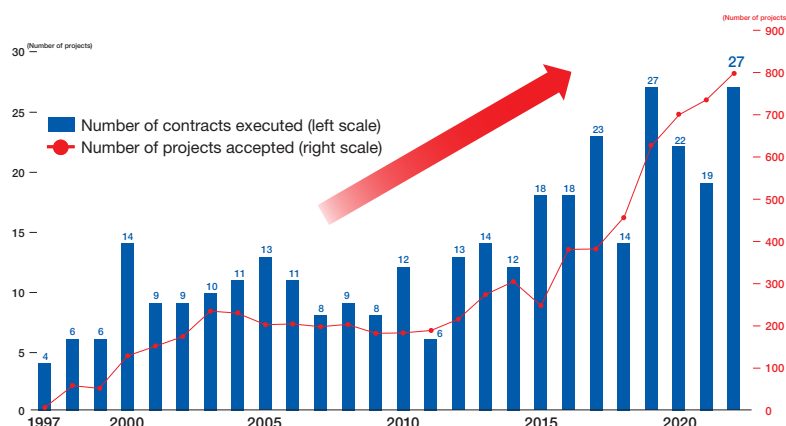


Strengthen initiatives for business succession

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

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

Number of M&A contracts successfully executed and consultations offered



Examples of initiatives for business succession

We support customers as an advisor from the phase of considering the direction of business succession. For customers who have decided the direction, we provide tailored solutions.

We work to support customers to solve the issue of business succession. We provide solutions to their

needs under a one-stop service platform, from succession to family members or employees to M&A, which may change according to the situation of the company or family.

Example of Company A (support for family succession and M&A)

Month and year	Details of support
July 2015	● Discussion continued on the future direction of business succession, whether to succeed the business to the son or transfer it to a third person.
August 2016	● The discussion concluded that the son would take over the business. We provided support for the transfer of the shares.
October 2017	● The son, who had worked for another company, entered the company, participating in management. The transfer of the shares to the son was completed.
April 2018	● The president suddenly passed away. The son assumed the presidency.
December 2021	● We learned from the new president that the company was seeking capital alliance with a large firm, with the aim of further growth.
May 2022	● We introduced a candidate of alliance by which synergy is expected and supported the M&A process until the completion of share transfer.

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

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

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

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

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

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

Expansion of corporate solutions using digital technologies DX

Portal site for business operators DX

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

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

withdrawals, and complete financing processes, etc. entirely on the Internet.

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

Hirogin Business Portal services

Service name	Outline
Transaction Inquiry Service	● Inquiries about current savings balance and transaction details for the past 50 days
Other Banks' Account Inquiry Service	● Inquiries about balances and details of deposits and withdrawals of multiple banks' accounts
Hirogin Business Portal Loan	<ul style="list-style-type: none"> ● Loans that can be processed completely online using this service, from application to contract ● Eligible customers will be shown this service on the service screen
Electronic Issuing Service	● Fee Withdrawal Notice/Receipt, Loan Repayment Schedules, and other various notices that are sent to customers by post can also be viewed on this service's screen

Expansion of alliance SaaS by intragroup cooperation DX

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

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

SaaS alliances by intragroup cooperation

SaaS name	Support for corporate customers (examples)	Date of introduction	Cooperating Group companies
SmartDrive Fleet	Service combining telematics and vehicle management systems	From June 2021	Hirogin Lease
Hirogin Mikatano Works	Groupware with a schedule and workflow management function	From December 2022	Hirogin IT Solutions
Ai-Glies	Power and energy saving system, which reduces electricity rate by controlling air conditioners	From January 2023	Hirogin IT Solutions
b→dash	Marketing system, which enables no-code data analysis	From February 2023	Hirogin IT Solutions

Strategy for Retail Customers

Offering customer-centered total life support through our life design service

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

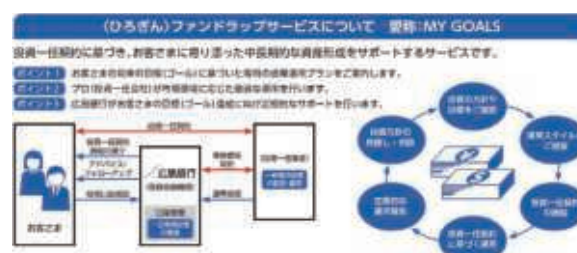
For the realization of customers’ and their families’ future dreams, it is first important that we be able to see what their present and future looks like and share their present situation in an objective manner.

To achieve this, in Hiroshima Bank’s Life Design Service, the Bank asks customers about their life plans, as well as information such as their family structure and asset details, and devises a “life design” blueprint for the future. Having gained a firm understanding

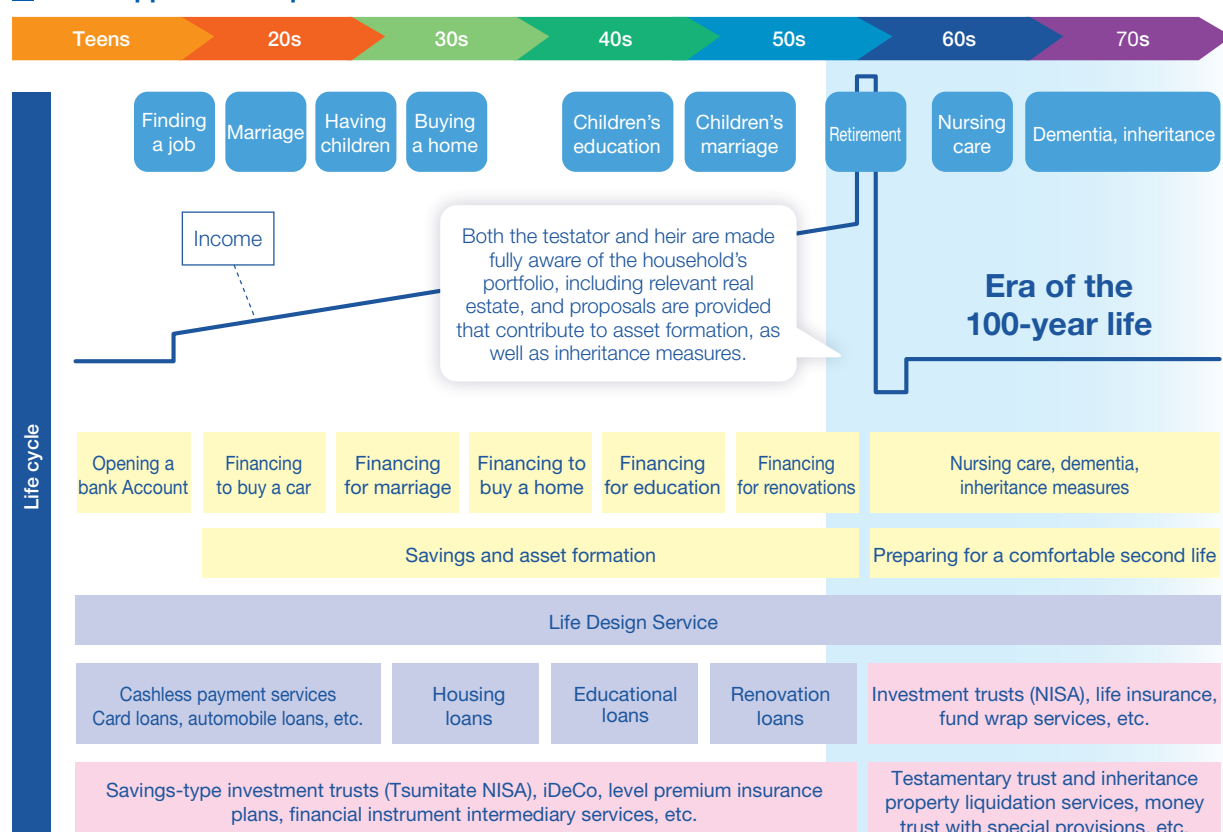
of customers’ thoughts and concerns, the Bank goes beyond funding support to provide them with a variety of information and services as needed, including in non-financial areas.

In May 2023, we introduced a fund wrap service to provide escort-runner-style support for the realization of customers’ dreams through mid- and long-term asset management. We provide customers with the most suitable asset management service toward the achievement of their goals, by offering a series of services including diagnosing risk tolerance, designing management plans, continuing follow-up, and others.

Going forward, we will continue to serve as a “concierge” for our customers to help enrich their lives, through total support for their individual life plans.



Total support for life plans



Strengthen initiatives for inheritance consultation business

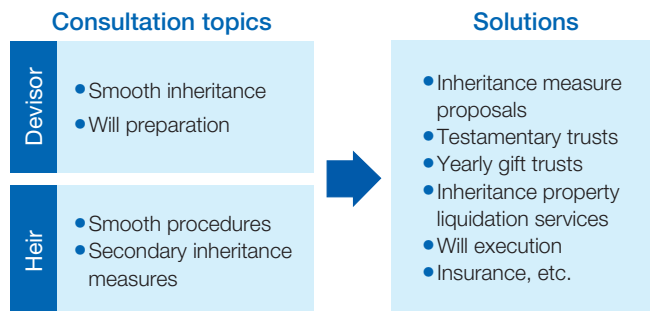
Hirogin Group, mainly through Hiroshima Bank, is strengthening its response to inheritance needs that are increasing as the region's population ages.

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

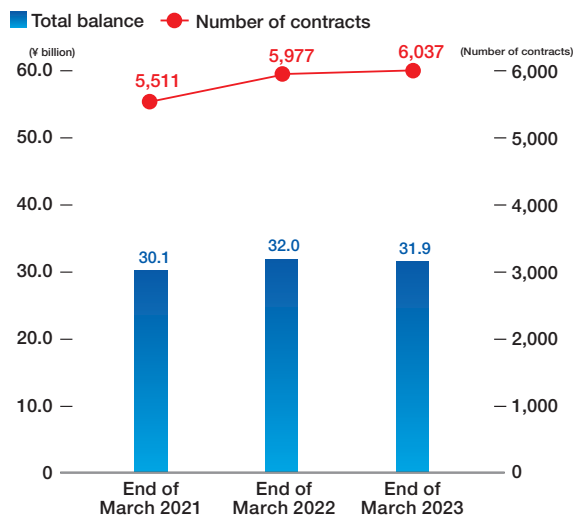
In addition, Hiroshima Bank itself began handling testamentary trust and inheritance property liquidation services in 2018.

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

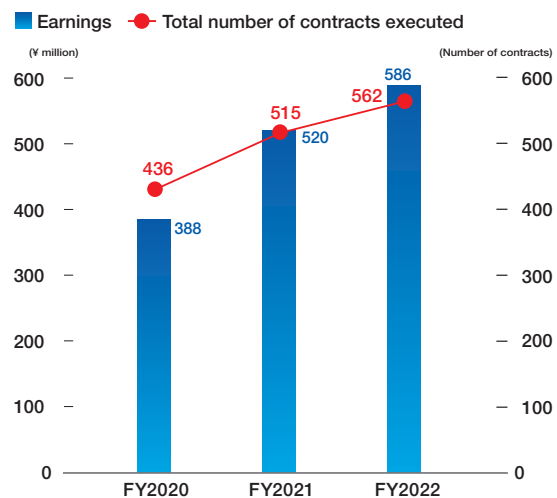
Key solutions for inheritance needs



Number of contracts of inheritance-related trust products and balance



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



Enhance solutions for various life's concerns

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

various everyday concerns and problems.

Further strengthen banking-securities collaboration

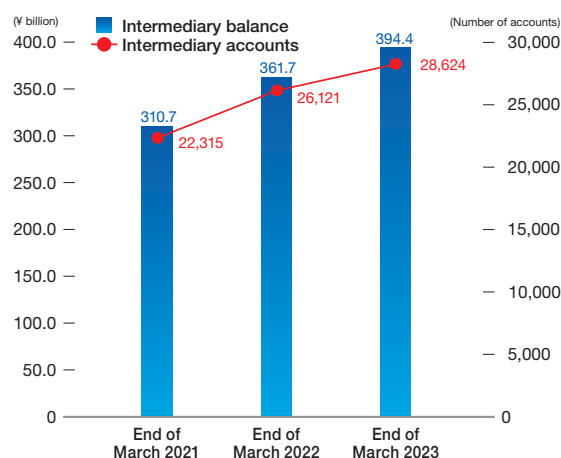
At Hirogin Group, Hiroshima Bank and Hirogin Securities have established a system for responding to customers' consultation needs and requests related to advanced, specialized asset management and inheritance issues, from a one-stop platform, primarily

through their 24 joint branches. In doing so, they have built an appropriate operational management system based on preventive measures against adverse effects (firewall regulations) pursuant to the Financial Instruments and Exchange Act.

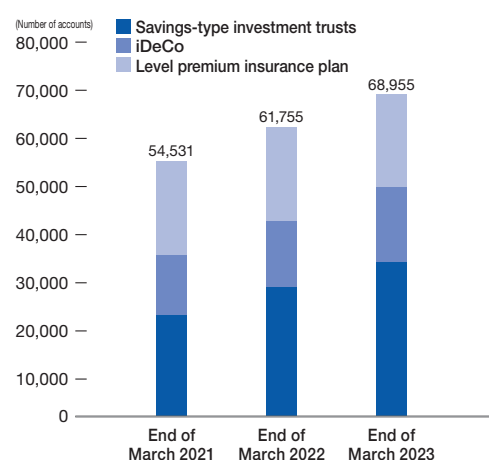
■ Joint branches established (as of May 31, 2023)

Total 24 branches

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



■ Number of customers of products or services conducive to asset formation (Group)



Strengthen financial education initiative

Based on the growing importance of financial education, Hirogin Group assigns financial education advisors within the Business Planning Division of Hiroshima Bank, as a supporter to improve the financial literacy of customers in the region.

As part of the initiative, we provide financial education to students and adults in the region, such as seminars and lectures.



Action on DX and cashless payment in companies and schools DX

Hirogin multifunctional IC cards

This solution uses IC cards to add multiple functions to employee IDs, student cards, and membership cards. With the digitalization of work and school attendance management, stricter management of building entry/exit and key, and the provision of cashless payment tools on and off company premises using electronic money, these cards support DX and workstyle reforms where they are introduced by improving convenience for customers.



COi Pay

By leveraging COi Pay, which is even more convenient with the addition of an individual transfer function, we provide a cashless environment for local events, give two percent of the purchase price back all the time, and conduct attractive campaigns aimed at regional vitalization.

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

Nothing beats Hirogin's smartphone payment solution, which gives you peace of mind.



Establishment of a platform based on Hirogin App DX

We reinforced the banking function of the Hirogin App in August 2022, including transfer, card loan borrowing and repayment, and savings. In July 2023, we redesigned the app and strengthened interaction with Internet banking, thereby enhancing the banking function of the digital channel.

In addition, the Hirogin App implements the communication function to provide information most relevant to the customer. We also established a digital marketing environment, which utilizes marketing automation tools and a customer data platform.

Positioning the Hirogin App as a regular digital contact point with customers, we will strive to enhance its functionality and convenience.



Channel Strategy

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

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

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

Overhaul of sales organization

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

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

Overhaul of operations at branch offices

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

branches in each area. By expanding the "area support" system across Hiroshima Prefecture, we will achieve efficient branch operations in each area rather than each branch office.

Overhaul of the network of branches and ATMs

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

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

Overhaul of physical channels

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



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

<div>Overhaul of operations</div> <div>Improve operations efficiency at branch offices</div> <div>→Shifting branch offices to "where consulting services take place"</div> <div>→Further sophistication of consulting services</div>	<div>Branch</div> <div>Overhaul of branches and sales structure</div> <div>→Strategic placement of staff</div> <div>→Re-allocation of investments for digital channels</div>	<div>ATM</div> <div>Cutting down on the number of ATMs</div> <div>→Promotion for cashless payments</div> <div>→Re-allocation of investments for digital channels</div>
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Construction of physical channels to enhance consulting functions and sophisticate specialized expertise

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

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

Expand channels specialized for consulting

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

Going beyond the scope of services traditionally provided by banks and securities companies to meet the financial needs of customers, a variety of channels (people, branches, and functions) will serve as a “con-cierge” to offer total support for life planning to make each individual customer's life more comfortable. As a channel to realize such Group strategy for individual customers, we will proceed with considering the integration of functions in the future.

Strengthening digital channels to expand contact points with customers DX

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

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

Reinforcing functions of the Hirogin App

Hiroshima Bank positions the Hirogin App as a new digital contact point to emerge after branch counters and ATMs, which are closer to customers and can be very convenient. Aiming to make it a portal app for carrying out daily transactions without physically being at the branches, from balance inquiry and banking transactions to applying for various services, in simple operation, we will continue to further strengthen its functions and enhance its convenience.

Main functions of the Hirogin App

- Open account request (Hirogin Carp Branch)
- Balance inquiry
- Deposit and withdrawal statements inquiry (up to 36 months)
- Inter-account transfer
- Card loan borrowing and repayment
- Deposit for specific purpose
- Request opening of investment trust accounts
- Linkage with Hirogin Securities and online brokers (SBI Securities and Rakuten Securities) in functions such as open account request
- Security check function
- FAQ function using automated response “AI support”
- Search for branches and ATMs, etc.



IT Strategy (Building a Next-Generation Backbone System)

Preparation for a next-generation backbone system (participation in the MEJAR system and the basic agreement on detailed study)

Hiroshima Bank aims for the migration from a main-frame-based system to a cloud-based system, a next-generation backbone system, by 2030.

In order to achieve the migration, Hiroshima Bank participated in the shared system (MEJAR*), which had been operated by the Bank of Yokohama, Ltd., the Hokuriku Bank, Ltd., the Hokkaido Bank, Ltd., the 77 Bank, Ltd., and the Higashi-Nippon Bank, Limited since January 2010. We also concluded the basic

agreement to conduct a detailed study toward sharing the system among the six banks.

By participating in the MEJAR scheme, we will realize a next-generation backbone system based on a cloud platform, which enables the flexible provision of financial services and the reduction of IT investment. At the same time, we will promote the DX strategies to achieve the growth of the core business.

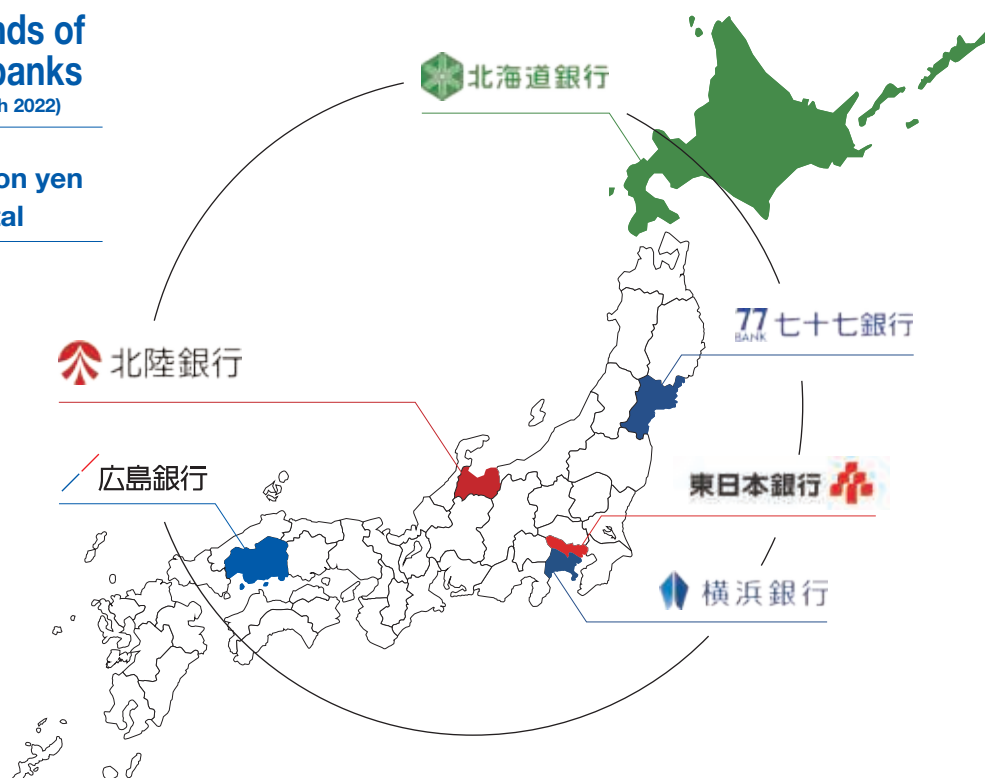
* MEJAR stands for Most Efficient Joint Advanced Regional banking-system.

Scope to be considered for the shared system	In addition to the core banking system MEJAR, which has the operation function of deposit-taking, foreign exchange, and lending businesses, we will consider the possibility of sharing other systems among the six banks. These systems, currently shared by five banks, include data accumulation and analysis systems, support systems for Internet banking, and business loans.
Timing of MEJAR system sharing	We will consider sharing the system on the premise of the start in FY2030.
Other cooperation	In time for sharing MEJAR in FY2030, we will align other systems in stages as well. We also aim to start non-system cooperation as appropriate from the areas in which the mutual operation function is fulfilled.

*With the conclusion of this basic agreement as a springboard, we established the Alliance Promotion Office in the Management Planning Division of Hiroshima Bank, toward enhancing the cooperation with MEJAR participating banks.

Total funds of the six banks
(As of March 2022)

50 trillion yen
in total



Arrangement during the period until migration to a next-generation backbone system (from FY2022 to FY2030)

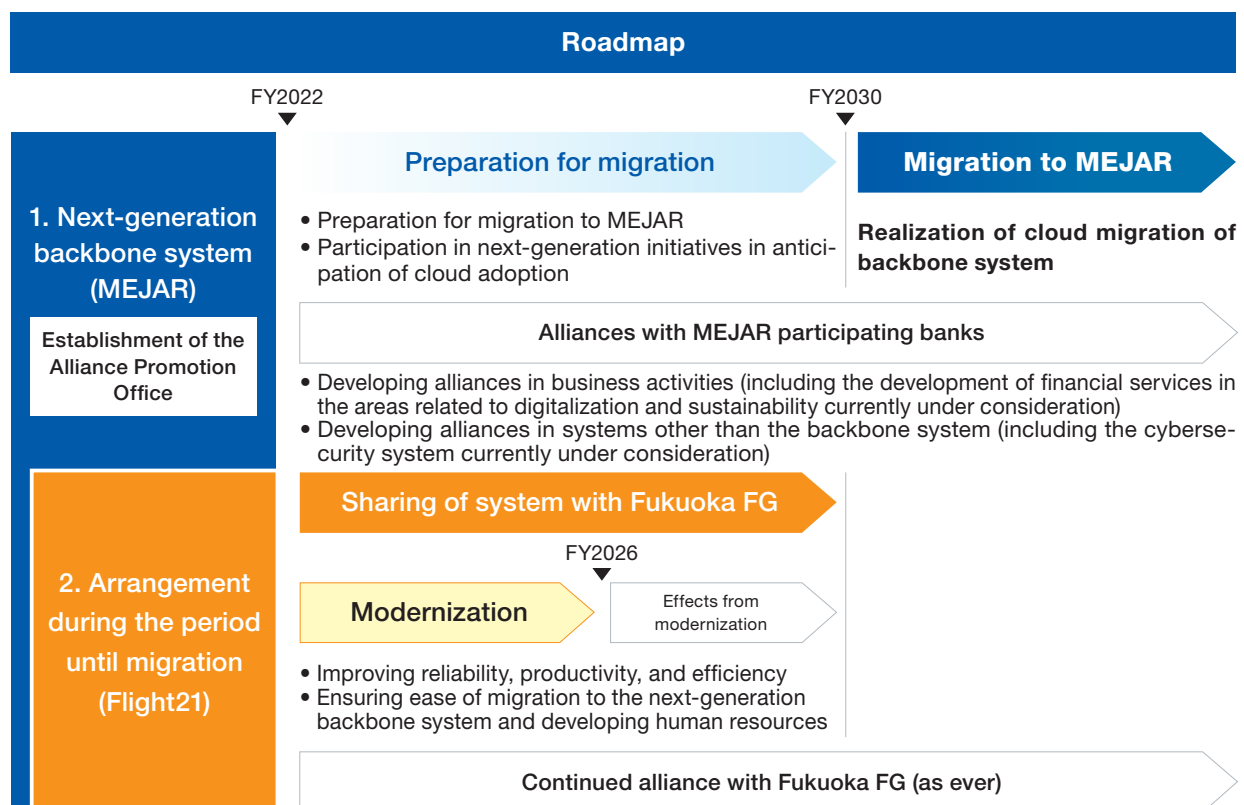
Hiroshima Bank has extended the operation of backbone system Flight21 until FY2030, which has been shared with Fukuoka Financial Group, Inc. (Fukuoka FG), IBM Japan Ltd (General Manager: Akio Yamaguchi) and Kyndryl Japan KK (President: Takashi Uesaka). At the same time, we started the core banking system modernization for the period from FY2022 to FY2026. Through the modernization, we will work with Fukuoka FG to (1) improve efficiency in the accounting and information systems by renewing of the structure and transiting to open architecture and (2) newly establish a

channel integration infrastructure and sophisticate it by enhancing the API infrastructure.

Hiroshima Bank and Fukuoka FG have been working together as important partners both in system and business activities, from the go-live in 2003 of the current backbone system (through system sharing) up until now. As a result of Hiroshima Bank's migration to the next-generation backbone system, the two banks will operate systems separately from FY2030 onward. However, we will maintain the business partnership even after FY2030.

Roadmap for building a next-generation backbone system

1	Preparation for a next-generation backbone system (participation in the MEJAR system and the basic agreement on detailed study) <ul style="list-style-type: none"> Preparation for migration to a cloud-based system in FY2030 Establishment of the Alliance Promotion Office in the Management Planning Division of Hiroshima Bank toward enhancing the cooperation with MEJAR participating banks
2	Arrangement during the period until migration to a next-generation backbone system (from FY2022 to FY2030) <ul style="list-style-type: none"> Continued operation and modernization of the current core banking system (Flight21)



Restructuring

Strategic cost management

Through various reforms as a unified Group, we will implement strategic cost management from a medium- to long-term perspective, aiming to establish a stable

management base that supports the foundation for our growth.

Branch transformation

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

environmental changes and looking to new business areas including those of Group companies and non-financial businesses.

Major actions for branch transformation

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

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

Target (by the end of FY2023)		Result (including plans within FY2023)	
Reduction in the number of branches: Approx. 20 (down approx. 10% from FY2019)	▶	Reduction in the number of branches: 25	Achievement: 125%
Reduction in the number of ATMs: Approx. 170 (down approx. 20% from FY2019)	▶	Reduction in the number of ATMs: Approx. 170	Achievement: 100%

Operational transformation and cost transformation

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

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

Major actions for operational transformation and cost transformation

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

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

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

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

Target (by the end of FY2023)	Result (including plans within FY2023)	
Revenue increase from restructuring Approx. ¥1.2 billion	Effect of restructuring <ul style="list-style-type: none"> • Cost reduction: Approx. ¥1.4 billion (from FY2019) • Improvement in the balance of service transactions: Approx. ¥0.3 billion (from FY2019) Total: Approx. ¥1.7 billion	Expected to achieve the target under the Mid-Term Management Plan

T O P I C S

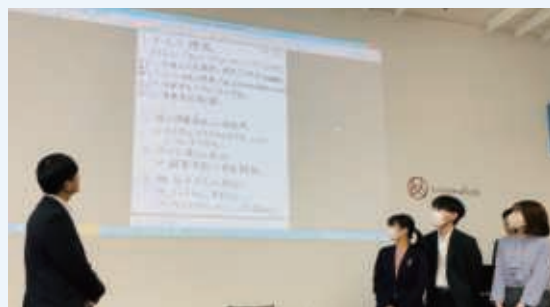
“Future Hirogin” initiative by Generation Z employees

As members of Generation Z (Gen Z), born from 1995 to 2010 are expected to play a central role in society going forward, Hiroshima Bank held a planning event “Future Hirogin” for Gen Z employees in June 2023. It was designed to absorb their ideas so that we can change current “Services and functions,” “Channels,” and “Branches” into new forms to meet the demands of the next generation.

Participated in the two brainstorming sessions of this event were 24 employees in their second or

third years, who had volunteered and been elected. They made recommendations to the officer in charge about “Services and functions,” “Channels,” and “Branches” that Gen Z customers would expect from future financial institutions from their own perspectives.

We will consider adopting their various ideas into our business strategies and measures.



Theme

What will Gen Z expect from financial institutions when they start working?

Services and
functions

Channels

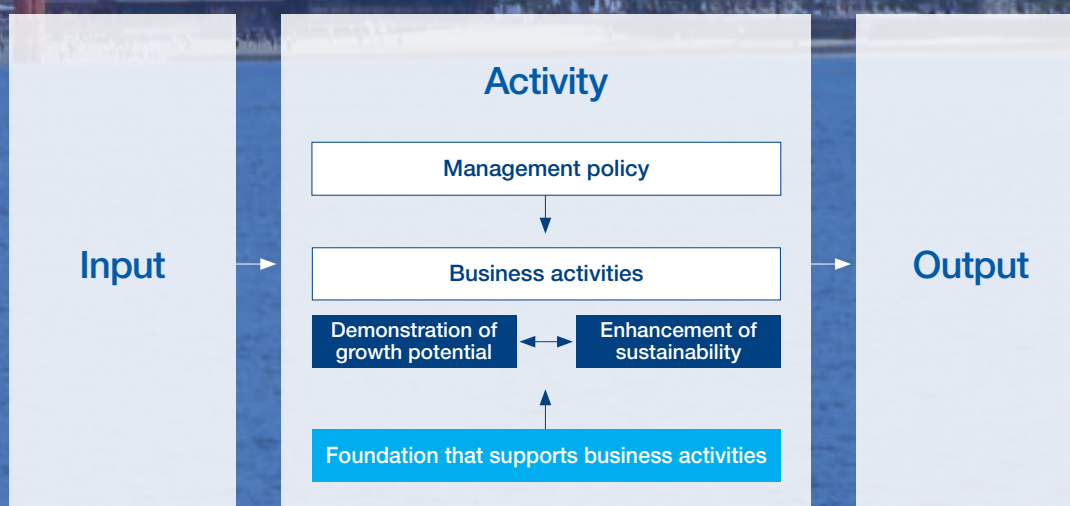
Branches



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How We Support Our Management Base

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



Key Progress

(Progress Highlights since April 2022)

Corporate Governance

Overhaul of executive structure (elimination of the concurrent post of holding company president and bank president; one external Director added) . . . P.94

Development and enhancement of measures for advanced governance based on analysis and evaluation of the effectiveness of the Board of Directors . . . P.95

Communication with Stakeholders

Strengthening of communication between management team and employees and promotion of inclusion among positions and generations . . . P.104

Strengthening of communication with shareholders and investors and enhancement of feedback to the Board of Directors . . . P.105

■ Composition of Officers (Key Governance Indicators)

	Results		
	As of the end of June 2021	As of the end of June 2022	As of the end of June 2023
Ratio of independent external Directors in the Board of Directors	33% (3/9)	33% (3/9)	40% (4/10)
	As of the end of June 2021	As of the end of June 2022	As of the end of June 2023
Ratio of independent external Directors in the Audit and Supervisory Committee	75% (3/4)	75% (3/4)	75% (3/4)
	As of the end of June 2021	As of the end of June 2022	As of the end of June 2023
Ratio of independent external Directors in the Group Nomination and Compensation Advisory Committee	60% (3/5)	60% (3/5)	66% (4/6)
	As of the end of June 2021	As of the end of June 2022	As of the end of June 2023
Female Director (external)	1 person	1 person	1 person
	As of the end of June 2021	As of the end of June 2022	As of the end of June 2023
Status of the concurrent post of Hirogin Holdings President and Hiroshima Bank President	Concurrent	Separated (elimination of the concurrent post)	Separated (elimination of the concurrent post)

Board of Directors

The Company's Board of Directors consists of 10 members, including four external Directors. The board convenes once a month, in principle, and is responsible for making management decisions and overseeing business execution. The Board of Directors determines the basic management policy, management strategy, and management planning of the Group (including responses to issues surrounding sustainability and

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

Specific details to be considered by the Board of Directors

<p>(1) Matters relating to the basic management policy, management strategy, and management planning of the Group</p> <ul style="list-style-type: none"> Group management plan/sales plan Hiroshima Bank's next-generation backbone system Management development of the Group companies, etc. 	<p>(2) Responses to issues surrounding sustainability and matters relating to strategies for utilizing digital technology, etc.</p> <ul style="list-style-type: none"> Setting of medium- to long-term targets to realize carbon neutrality Response to TCFD recommendations Human capital investment plan Special subsidiary company under the Act to Facilitate the Employment of Persons with Disabilities Redefinition of digital strategy, etc.
<p>(3) Matters relating to risk management, compliance and internal audits</p> <ul style="list-style-type: none"> Group Risk Appetite Statement Group compliance program Group's basic plans for internal audit, etc. 	<p>(4) Matters relating to corporate governance</p> <ul style="list-style-type: none"> Evaluation of effectiveness of the Board of Directors Status of maintenance and operation of internal control systems Status of response to revisions to the Corporate Governance Code of the Tokyo Stock Exchange IR implementation status Shareholder return policy Review of "skills matrix" of Directors, etc.

Audit and Supervisory Committee

The Company has four Directors who are Audit and Supervisory Committee Members, three of whom are external Directors. They are tasked with auditing the execution of duties by Directors, and hold a meeting of the Audit and Supervisory Committee once a month in principle. Each of the Directors who are Audit and Supervisory Committee Members actively utilizes

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

Group Nomination and Compensation Advisory Committee

To ensure the transparency and objectivity of the decision-making process for nomination and compensation of Directors, Audit and Supervisory Board Members, and executive officers of the Company and major Group companies, the Board of Directors of the Company has established the Group Nomination and Compensation Advisory Committee comprised of Representative Directors and independent external

Directors. Regarding matters relating to the election of and the amounts of compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) and executive officers, the Company makes decisions by resolutions at the Board of Directors meeting, based on deliberations and reports at the committee.

Composition of independent external Directors in each organization

Board of Directors 10 Directors



Independent external Directors 4 Directors
(of which, 1 female director)

Audit and Supervisory Committee 4 Directors



Independent external Directors 3 Directors
(of which, 1 female director)

Group Nomination and Compensation Advisory Committee 6 Directors



Independent external Directors 4 Directors
(of which, 1 female director)

HIROGIN HOLDINGS

Hiroshima Bank

FY2015	FY2016	FY2017	FY2020	FY2021	FY2022
<ul style="list-style-type: none"> One external director (woman) was appointed Reduced the number of directors and the term to one year Reviewed performance-linked compensation for directors Reviewed the executive officer system Established the Nomination and Compensation Advisory Committee 	<ul style="list-style-type: none"> One external director was added 	<ul style="list-style-type: none"> Introduced the stock compensation scheme (BIP trust) for directors and executive officers 	<ul style="list-style-type: none"> Transitioned to a holding company structure through sole-share transfer of Hiroshima Bank Adopted the organizational format of a company with an audit and supervisory committee under the Companies Act Established Basic Policy for Corporate Governance Established policies regarding decisions on the details of individual compensation of directors 	<ul style="list-style-type: none"> Established a skills matrix of directors Established policies regarding decisions on the details of individual compensation of directors 	<ul style="list-style-type: none"> Abolished the concurrent post of holding company president and bank president Revised the skills matrix of directors

Implementation status over the past year for enhancement of corporate governance

For the purpose of strengthening its functions, the Board of Directors of the Company strives to further enhance the effectiveness of the Board by analyzing and evaluating its effectiveness every fiscal year in regards to the composition and operational status of the Board of Directors, based on Directors' self-appraisal,

and examining and implementing improvement measures for identified issues.

In FY2022, based on the analysis and evaluation of the effectiveness of the Board of Directors in FY2021, the Company worked on enhancing the effectiveness of the Board of Directors as described below.

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

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Measures to sophisticate the deliberations at Board of Directors meetings 2. Measures to streamline the operation of the Board of Directors | <ol style="list-style-type: none"> 3. Measures to further strengthen dialogues with shareholders 4. Measures to further enhance officer training |
|---|--|

Implementation of measures to enhance effectiveness of the Board of Directors based on the examination and response policy for FY2022

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

- In order to deepen strategic discussions in the Board of Directors, the Board of Directors made free discussions on "important themes in management" from a medium- to long-term perspective after setting the annual schedule.
- In order to promote discussions on the direction of management strategies at Group companies in the Board of Directors, the Board of Directors organized execution presentations delivered by the presidents of Group companies (except for Hiroshima Bank) regarding self-analysis (issue recognition and growth strategies) from a medium- to long-term perspective, etc.

Free discussions on "important themes in management" in the Board of Directors and implementation status of execution presentations delivered by the presidents of Group companies (FY2022)

1. Free discussions on "important themes in management"

- | | |
|--|--|
| <ul style="list-style-type: none"> • Direction of human resource strategies (August 2022) • Direction of carbon neutrality strategies (September 2022) | <ul style="list-style-type: none"> • Direction of DX/digital strategies (November 2022) |
|--|--|

2. Execution presentations by Group company presidents

- | | |
|---|---|
| <ul style="list-style-type: none"> • Management development of Hirogin Lease (August 2022) • Management development of Hirogin Human Resources (August 2022) • Management development of Hirogin Securities (September 2022) • Management development of Hirogin REIT Management (September 2022) • Management development of Shimanami Servicer (October 2022) • Management development of Hirogin Capital Partners (October 2022) | <ul style="list-style-type: none"> • Management development of Hirogin IT Solutions (October 2022) • Management development of Hirogin Area Design (November 2022) • Management development of Hirogin Business Service (November 2022) • Management development of Hirogin Card Service (December 2022) • Management development of Hirogin Guarantee (December 2022) |
|---|---|

2. Measures to streamline the operation of the Board of Directors

- In order to allocate time especially to important issues, the Board of Directors has continued to hold the advance explanatory meetings for the external officers as usual, the day before the Board of Directors meeting, and has implemented measures to separate regular report on business execution, important managerial proposals and other matters, as well as to adjust the level of detail in the presentation materials based on the importance of the content, with the goal of ensuring substantial discussion time.

3. Measures to further strengthen dialogues with shareholders

- The Board of Directors has implemented measures to strengthen and enhance IR activities such as increasing contact points with analysts and institutional investors by the Representative Director and President and Director & Senior Managing Executive Officers and strengthening the provision of information, as well as to enhance feedback to the Board of Directors on opinions and requests from investors and other market participants.

4. Measures to further enhance officer training

- The Board of Directors has implemented measures to enhance and strengthen initiatives aimed at improving the skills of the Directors and the effectiveness of the Board of Directors, including the officer training seminars on the theme of "Corporate governance reforms and sustainability management" in June 2022, as well as "Business management (governance) structure concerning management plan, internal controls, and business portfolio management" in December 2022.

Evaluation and analysis of the Board of Directors' effectiveness in FY2022

1. Status of maintenance and operation of internal control systems

- Regarding the status of maintenance and operation of internal control systems for FY2022, the Board of Directors received a report at the Board of Directors meeting held in March 2023 and confirmed that there were no issues with effectiveness.

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

- The Board of Directors evaluated and analyzed its effectiveness for FY2022 at the Board of Directors meeting held in April 2023 based on Directors' self-appraisal surveyed in a questionnaire, and confirmed that effectiveness has been secured in the Board of Directors of the Company.
- Regarding issues recognized in the effectiveness evaluation of the Board of Directors in FY2021, in particular, the Board of Directors confirmed that measures to improve them taken throughout FY2022 were all appreciated positively, and that its effectiveness was enhanced throughout FY2022.
- For further enhancement of effectiveness of the Board of Directors for the future, the Board of Directors confirmed that the Board of Directors would continuously take actions to sophisticate the deliberations and streamline the operation of the Board of Directors, and shared the acknowledgment that further initiatives would be required to sophisticate the management training process and to ensure the diversity of core human resources.

Examination and response policy for FY2023 based on the results of analysis and evaluation for FY2022

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Measures to sophisticate the deliberations at Board of Directors meetings 2. Measures to streamline the operation of the Board of Directors | <ol style="list-style-type: none"> 3. Measures to sophisticate the management personnel development process 4. Measures to ensure the diversity of core human resources |
|---|---|

The Company will continue to promote efforts to further enhance the effectiveness of the Board of Directors through evaluations of its effectiveness, with the goal of realizing effective corporate governance.

Skills matrix of Directors

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

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

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

External Directors					
Name	Position	Areas of expertise particularly expected			
		Corporate management/sustainability	Economy/finance	Financial affairs/accounting	DX/IT/System
Yoshinori Shinmen	Director		●		
Satoshi Miura	Director (Audit and Supervisory Committee Member)	●			●
Hiroko Tani	Director (Audit and Supervisory Committee Member)			●	
Toshiaki Kitamura	Director (Audit and Supervisory Committee Member)				●

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

Development of successors to management

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

perspective. The Hirogin Management School provides a program in which selective employees who are expected to undertake future management of the Bank learn to demonstrate the “ability of thinking befitting of a corporate manager (management strategy, business reform, etc.).” (Please see page 48 for details.)

Roles of external Directors and their support system

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

We have introduced a system for external Directors to review and check in advance the agenda items

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

Officer training

The Board of Directors continues to implement measures to enhance and strengthen initiatives aimed at improving the skills of the Directors and the effectiveness of the Board of Directors, including the officer training seminars on the theme of “Corporate

governance reforms and sustainability management” in June 2022, as well as “Business management (governance) structure concerning management plan, internal controls, and business portfolio management” in December 2022.

Officer compensation system

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

Regarding matters relating to the amounts of compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) and executive officers, the Company makes decisions by resolutions at the Board of Directors meeting, based on deliberations and reports at the Group Nomination and Compensation Advisory Committee described above.

■ Policies regarding decisions on the details of individual compensation of Directors

a. Basic policy

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

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

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

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

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

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

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

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

The performance-linked coefficients are as follows.

(Coefficients used in the calculation of performance-linked compensation)

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

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

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

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

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

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

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

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

■ Officer compensation system

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

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

Cross-shareholdings

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

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

2023, approximately 80% of the companies in which the Group holds shares satisfy these standards. For shares in companies that fail to satisfy these standards, the Group is currently holding discussions to improve profitability in transactions with the company in question or reduce shareholdings.

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

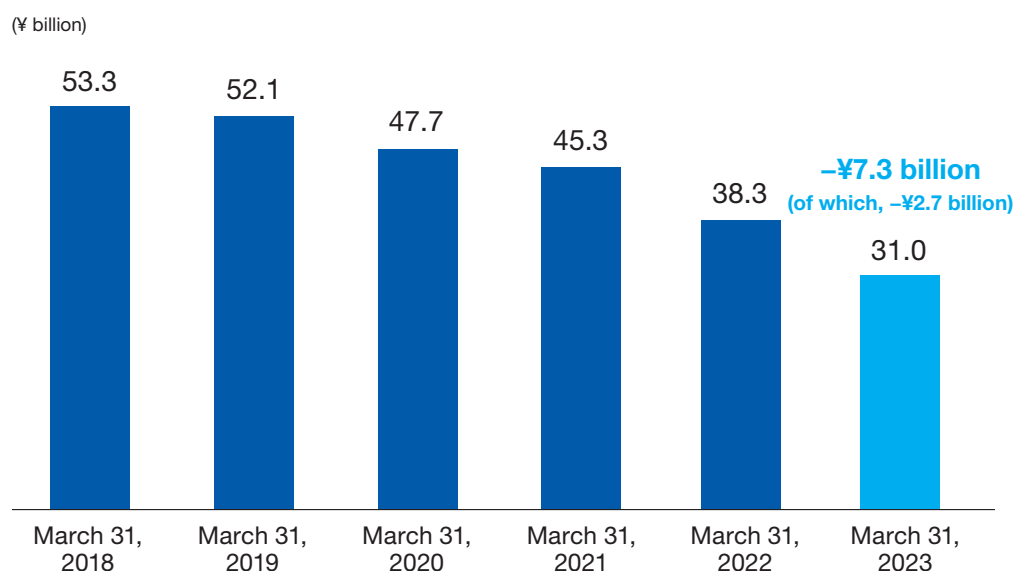
(1) Policies regarding cross-shareholdings of listed shares

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

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

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

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



Conversation Between External Directors



Satoshi Miura

External Director

Hiroko Tani

External Director

Toshiaki Kitamura

External Director

Entering a new stage under the holding company structure The potential for growing non-financial businesses through Group synergies

What do they think about the Group's governance, subsidiary businesses, human resources, digital transformation (DX), and other things from the perspective of the Hirogin Holdings Management Vision and Group strategies?

We asked three external Directors to provide their answers to this question, along with their own contributions to enhancing medium- to long-term corporate value.

Transition into the second stage under the holding company structure Advancing collaboration between companies, personnel exchanges, and realizing synergies

What is your evaluation of the various initiatives carried out by Hirogin Holdings over the past year?

Miura: In April 2022, one and a half years after our transition to a holding company structure, we made the big move of eliminating the concurrent post of Hirogin Holdings President and Hiroshima Bank

President. You could say this was the moment we entered the second stage under the holding company structure.

We have established various subsidiaries and also carried out elimination and consolidation with the aim of advancing Group management. A fair amount of progress has been made on realizing cooperation between Group companies and carrying out personnel exchanges, and synergies are gradually emerging. This gives me the impression that over the last year, the effects of the change in structure are gaining more substance.

What are the views of the two of you who became external Directors in June 2022?

Tani: Previously, my image of Hirogin Holdings was of a financial institution and I honestly had no idea it was engaged in such varied business. As an organization, it is also different from the stiff, formal image I had of banks. I have found it to be an extremely bright and cheerful company.

Young employees are dynamically involved, senior management pays attention to all of the Group companies, and initiatives being implemented include promotion of diversity and the active participation of women, and workstyle reform. This has given me great hopes for the Group.

Kitamura: Previously, my only interactions with banks had been as an individual customer but now that I've had a chance to work in one, I feel that the scope of its operations is pretty broad. Within this, I was impressed with Hirogin's firm understanding of the different characteristics a regional bank can offer compared to a megabank, as demonstrated by its mission statement of "a bank cannot thrive unless its community is thriving."

Raising the effectiveness of Group governance through proactive communication

What are your thoughts about the effectiveness of Hirogin Holdings' Board of Directors?

Miura: If the governance of the holding company is exerting too much influence over Group subsidiaries, then it is a problem, but at the same time, you cannot have all members of the Group on different vectors. Getting the right balance of control and autonomy at subsidiaries is extremely difficult, and this is an issue that many companies that have adopted a holding company structure struggle with.

What I often say is that it is important to realize sufficient communication at each level of the Group, such as senior management, the second level of management, and the third level of management. Last year, there were many opportunities for the senior management of each subsidiary to be invited to give presentations about their business to the Board of Directors of Hirogin Holdings, which was followed by free discussion. This can be evaluated highly from the operational side of our Group governance.

Naturally, the way this Group governance is exerted differs depending on the company, its industry, the nature of its operations, and its position in the Group structure. There is no single correct way of doing things so we have to cover for this through communication. I hope we can continue to ensure that appropriate communication is maintained.

Tani: Management is a truly deep field. Each Group company has its own characteristics and it is not easy to let it grow in its own unique way while still maintaining control. Some people think that the ideal approach is to enact strong governance that ensures the entire Group is in alignment.

Whatever the case, at Board of Directors meetings, there have been many opportunities for officers of Hirogin Holdings and officers of our subsidiaries to get together and engage in free and open discussion, as Mr. Miura pointed out, and I feel that our governance is extremely effective.



One year has passed since President Toshio Heya took charge of Hirogin Holdings. What is your evaluation of his leadership from a Group governance perspective?

Miura: There are various ways in which regional banks operate a holding company structure and you cannot say that one is necessarily better than another. However, I think the elimination of the concurrent post of holding company president and bank president symbolizes a holding company structure and sends a clear message both within and outside the Group.

President Heya has commented that the most appropriate way to make our holding company structure more advanced is to have a dedicated management structure that could watch over the entire Group with an objective eye, and I get the impression that he is truly trying to embody this by proactively communicating with Group subsidiaries.

Initiatives to watch out for at Group subsidiaries include a programming school and regional vitalization consulting

Please share which initiatives at Group companies you are particularly interested in.

Kitamura: Hirogin Knowledge Square is a company that operates a programming school for children. It is an educational business that the Group is operating not only for business purposes, but also with the desire to provide a catalyst for regional vitalization.

I think it would be great if we could create a flow where students who have been learning information science from an elementary or junior high school age go on to study an information-related subject at a university in the region and then join a local company, thereby contributing to regional vitalization. As it is an area that is closely related to my own area of expertise, I want to be of help by advancing collaboration with partners such as universities and companies.

Another subsidiary I am watching closely is Hirogin IT Solutions, an IT-focused company. I get the impression that it is not only building and operating systems for financial institutions as a Group company, but also indirectly supporting the realization of the Hirogin Holdings management policy of being a Regional Comprehensive Services Group by providing IT services and solutions to customers across the region.

Tani: Although Hirogin Knowledge Square was only just established in February this year, I feel that it is very significant that the most trusted corporate group in the region has started a programming school for children.

Teaching children is also an educational experience for the teachers. I have heard that in addition to children, it will also provide programming training

and reskilling/recurrent education for employees and other adults, so I expect it will contribute to creating a prosperous future for the regional community through human resources education and exchange.

Miura: As the financial industry will not be able to grow in terms of market size if things remain as they are, currently regulations are being eased to enable financial institutions to significantly develop non-financial businesses. In light of this, I feel that Hirogin Area Design's consulting business, which is focused on regional development and vitalization, offers something unique within the Group while still being highly compatible with our banking operations.

As we grow our non-financial businesses, we will need to revise our recruitment practices. I think we should avoid recruiting as a financial institution and consider hiring specialist personnel, such as experts in construction and urban planning.

An organization of people who think about the region's future High acclaim for the smooth implementation of DX

Drawing out the maximum value of our human capital has become a big issue, so what is your view of Hirogin Holdings' human resources initiatives and strategies?

Tani: I meet the Group's officers once a month for a meeting. Going forward, I am going to make more of an active effort to interact with our employees on the frontlines.

I had the opportunity to hear a presentation on the Future Creation Task Force, which is an organization comprised of young people in their 20s. Their ideas for business direction and their vision for the future of the region departed greatly from the framework we had thought of, and I was amazed by the bold and extremely unique content that these truly impressive individuals had come up with.

Miura: Senior management has a strong intent to break away from the conventional banking business and transform the Group into a "concierge" that provides services that will satisfy customers. Under this policy, we have implemented various workstyle reforms and significantly revised our human resources development framework to encourage greater specialization. In this way, I think there has been considerable change.

Speaking from my own experience, if you gather together people of the same type, no matter how exceptional they are, they will not be able to generate new ideas. I want to propose that we create an organization that brings together diverse human resources with different areas of expertise, including by hiring both new graduates and mid-career personnel.



What is your evaluation of Hirogin Holdings' digital transformation (DX) efforts?

Kitamura: My honest assessment is that more progress has been made than I expected. "Digitalization is moving forward but there has been little progress on transformation." This is the situation that has been found in investigations of many companies, but in the case of Hirogin Holdings, I get the impression that both sides of the DX wheel are turning, with significant advancements being made regarding not only digitalization (application of IT in existing businesses, reform of existing operations and processes) but also transformation (new business areas, business creation).

Over the last year, one movement that has gained a lot of attention, including being widely reported in newspapers and other media, is the transition to open-architecture accounting systems. Converting an existing mainframe to open architecture requires a monumental amount of costs and labor, and it comes with considerable risk. Although I am certain sufficient preparations will be made toward the target date of FY2030, as this is a long-term undertaking, I will spare no effort on providing proper follow-up and cooperation.

The role external Directors should play toward enhancing corporate value in the medium to long term

What challenges is Hirogin Holdings facing in its efforts to enhance corporate value in the medium to long term? Please also tell us what role you can play in overcoming these challenges.

Tani: Increasing the number of female officers is a major issue and I think this was one of the reasons I was invited to join the Group. Currently, as an external Director, I am the only woman who participates in Board of Directors meetings. I must speak out more in support of the active involvement and promotion of women.

There has been a certain amount of build-up in the past and I recognize the opinion that promoting women in a way that leapfrogs this build-up could create problems in terms of balance. However, look at the situation without preconceptions, and it is clear that I have to get the opinions of women heard and get discussions of the advancement of women going.

Our numerical targets include targets for the ratio of women in managerial positions. However, an even more important priority is to ensure that women are involved in discussions as members of various committees and meetings. I want to stress the importance of being aware of diversity and listening to the opinions of a variety of people.

Kitamura: The young people in the Future Creation Task Force said, "If the region is not in a healthy

condition, then a regional bank will run out of business partners. Therefore, finding ways to energize the region is a major issue." I agree with this. That is not to say that the Bank can do everything by itself. I think the best position we can take is to be an instigator that brings various companies together.

Ideas for vitalizing the region include attracting people from across Japan, including the Tokyo Metropolitan area, by showcasing Hiroshima's appeal as a remote work hub or workcation destination. This appeal includes its rich natural environment, dynamic sports and cultural scene, and an industrial base centered on the manufacturing industry.

I attended Hiroshima City University and have many contacts there. As there are lots of young people at the university, I would like to collaborate with them on initiatives to increase the number of young people living in the region.



Miura: To repeat what we discussed earlier, we have already reached the limit of what can be achieved solely as a bank and we transitioned to a holding company structure so we can engage in non-financial business. One challenge we are facing is to cultivate new fields as a Regional Comprehensive Services Group and expand the scope of the markets we engage in. I want us to aim to become a corporate Group that holds considerable weight in non-financial areas.

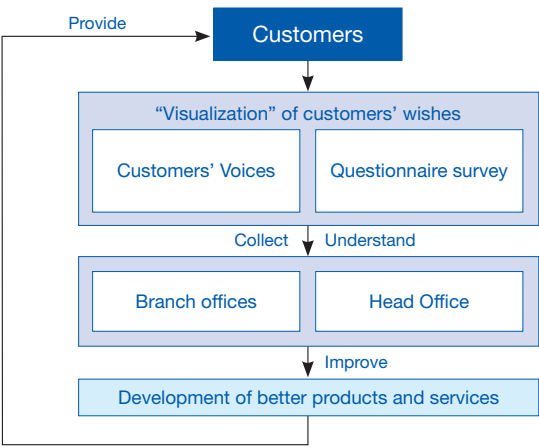
To achieve this, I want to share stories of my own failures and points that I have reflected on as openly as possible. It goes without saying that one's own successes are not that useful to other people. However, when things did not go as planned, there are surely lessons that can be learned. I would be delighted if my failures can be of use to others.

Communication with Stakeholders

Communication with customers

The Group receives numerous opinions and wishes via customers' voices sent to branch offices, the call center, and the website mainly of Hiroshima Bank. In addition, we carry out regular questionnaire surveys aiming at "Visualization" of customers' wishes.

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

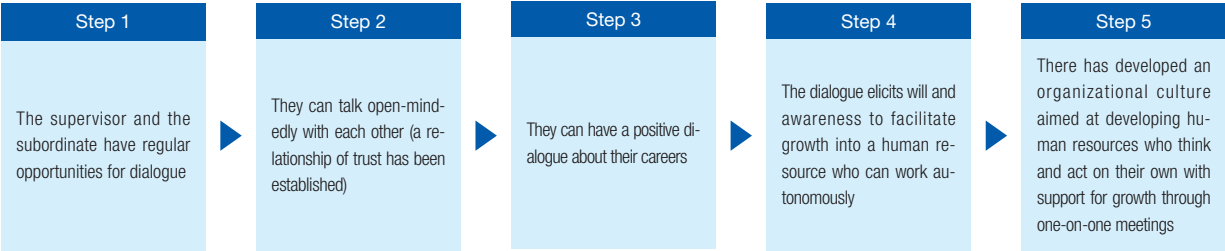


Communication with employees

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

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

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



T O P I C S

Future Creation Task Force (an initiative to incorporate the opinions of young employees into management)

In October 2022, the Group formed the Future Creation Task Force, comprised mainly of young employees in their 20s, as part of its initiatives to incorporate the opinions of young employees into management.

The 16 young employees who participated in the task force spent six months discussing a future vision for the region and the Group a decade into the future. In March 2023, they made their recommendations directly to the members of the Board of Directors.

After the presentation, the young employees exchanged opinions for two hours between the internal and external Directors. Frank and active communication took place between the young employees and the management team on the future vision for the region and the Group.

Furthermore, in April 2023, the Board of Directors held discussions on how to respond to the



recommendations of the Future Creation Task Force. As a result, we decided to implement the following measures to build a process to reflect the diverse knowledge, thoughts, and values of a broader generation in management, not as a one-time measure but as an ongoing mechanism within the Group.

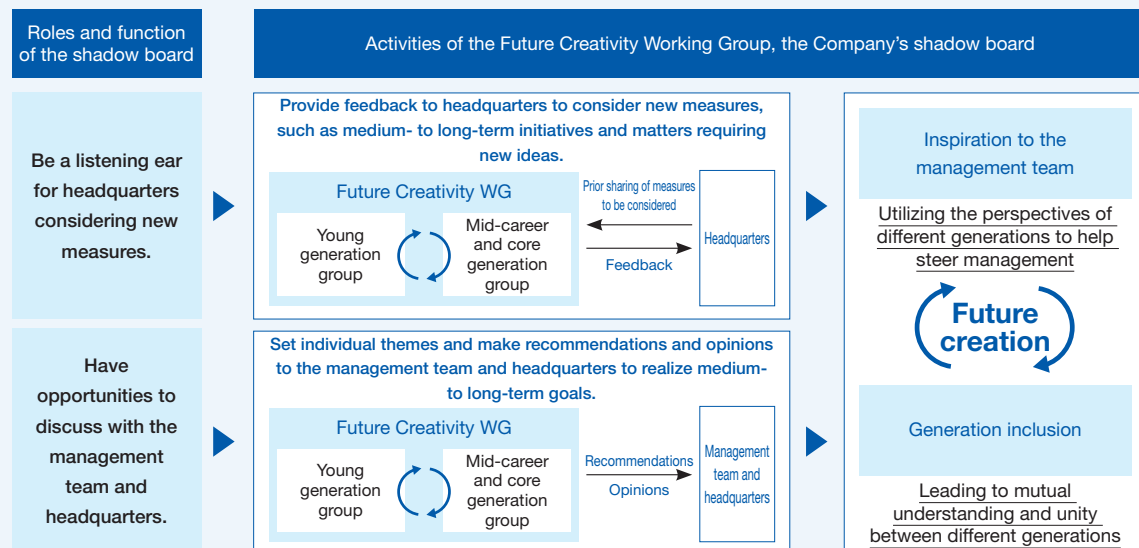
Establishment of the Future Creativity Working Group, the Company's shadow board

Activities started in July 2023

In June 2023, the Group established the Future Creativity Working Group as a subordinate organization under the Group Sustainability Promotion Committee (chaired by the Representative Director and President).

The Future Creativity Working Group comprises mainly 12 employees in their 20s to 40s (selected

through an open recruitment system). It plays a role as a shadow board by holding regular meetings with the management team and headquarters to make recommendations and opinions on matters related to promoting initiatives for the future creation for the region and the Group.



Trial introduction of a reverse mentoring system, in which young and mid-career employees serve as mentors to officers

Activities started in July 2023

The Group decided to introduce on a trial basis a reverse mentoring system, in which two or three young and mid-career employees are assigned as mentors for one officer, starting in FY2023.

In FY2023, the trial introduction period, 11 employees in their 20s and 30s selected through an open recruitment system will serve as mentors for five officers, including the President. Three individual sessions of around one hour will be held.

Communication with shareholders and investors

Strengthening and enhancing IR activities

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

In FY2022, we further developed the measures to further strengthen dialogues with shareholders as part of initiatives to enhance the effectiveness of the Board of Directors. We strengthened and enhanced IR activities such as increasing contact points with analysts and institutional investors by the Representative Director and President and Director & Senior Managing Executive

Officers and strengthening the provision of information. At the same time, we made efforts to enhance feedback to the Board of Directors on opinions and requests from shareholders, other market participants, and related parties.

The comments and requests received are used as input for business management and also shared widely within the Group to improve our services and performance.

IR activities in FY2022

Briefing sessions for institutional investors	2 sessions
Individual meetings with institutional investors	23 meetings (including meetings with overseas investors)
Briefing sessions for individual investors	4 sessions (on-site: 2, web live: 2)

Examples of dialogues that have generated awareness from shareholders and investors

Dialogue theme	Opinions of shareholders and investors obtained through dialogues	Measures by the Group
Governance	Please break down the skills matrix of Directors (adding sustainability, etc.).	Based on the direction of our medium- to long-term management strategy and considering investors' opinions, we revised the skills matrix of Directors (adding sustainability to necessary skills to promote and strengthen sustainability management).
Strategy	Please indicate measures to improve RORA through the use of risk assets and other measures to improve ROE.	We enhanced the disclosure of future RORA improvement measures to improve ROE in IR materials (such as "business development utilizing risk assets" and "profit accumulation without utilizing risk assets").
Capital policy	Regarding the consolidated capital adequacy ratio, it is better to indicate at what level the Company will purchase its own shares. If it is shown, even if the Company's shares are not purchased every fiscal year, the market will fully evaluate it.	We enhanced the disclosure of our approach to shareholder returns in IR materials, such as indicating that we will aim for a consolidated capital adequacy ratio of approximately 11% and develop capital policies (capital utilization to enhance profitability, shareholder returns, etc.) in line with the level of the capital adequacy ratio.
Dialogue with shareholders	Contact with investors should be expanded to hear more from institutional investors.	We increased opportunities for individual meetings with analysts and institutional investors by the Representative Director and President, etc., as well as holding briefings focused on themes of particular interest to institutional investors.

Shareholder benefits

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

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

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

Time deposit course/catalog gift of local products/gift card (record date: March 31, 2023)

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

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

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

Communication with regional community

Contribution to the peace city

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

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



Welfare activities

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

Furthermore, we, together with MetLife, Inc., started donating money to children's homes, infant homes,

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

Hiroshima Museum of Art

The Hiroshima Museum of Art was established in November 1978 by Hiroshima Bank in commemoration of the 100th anniversary of its foundation as we move through history together with the region. In the hope that the museum would bring peace of mind to the people of Hiroshima, the city once reduced to ruins by the atomic bomb on August 6, 1945, the museum came into being as a magnificent edifice of art on the theme of love and peace of mind. It was also built to pray for the repose of the souls of the victims that laid the foundation of today's Hiroshima and to express wishes for peace.



Support for three Hiroshima-based professional bodies

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

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

Risk Management

Basic approach

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

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

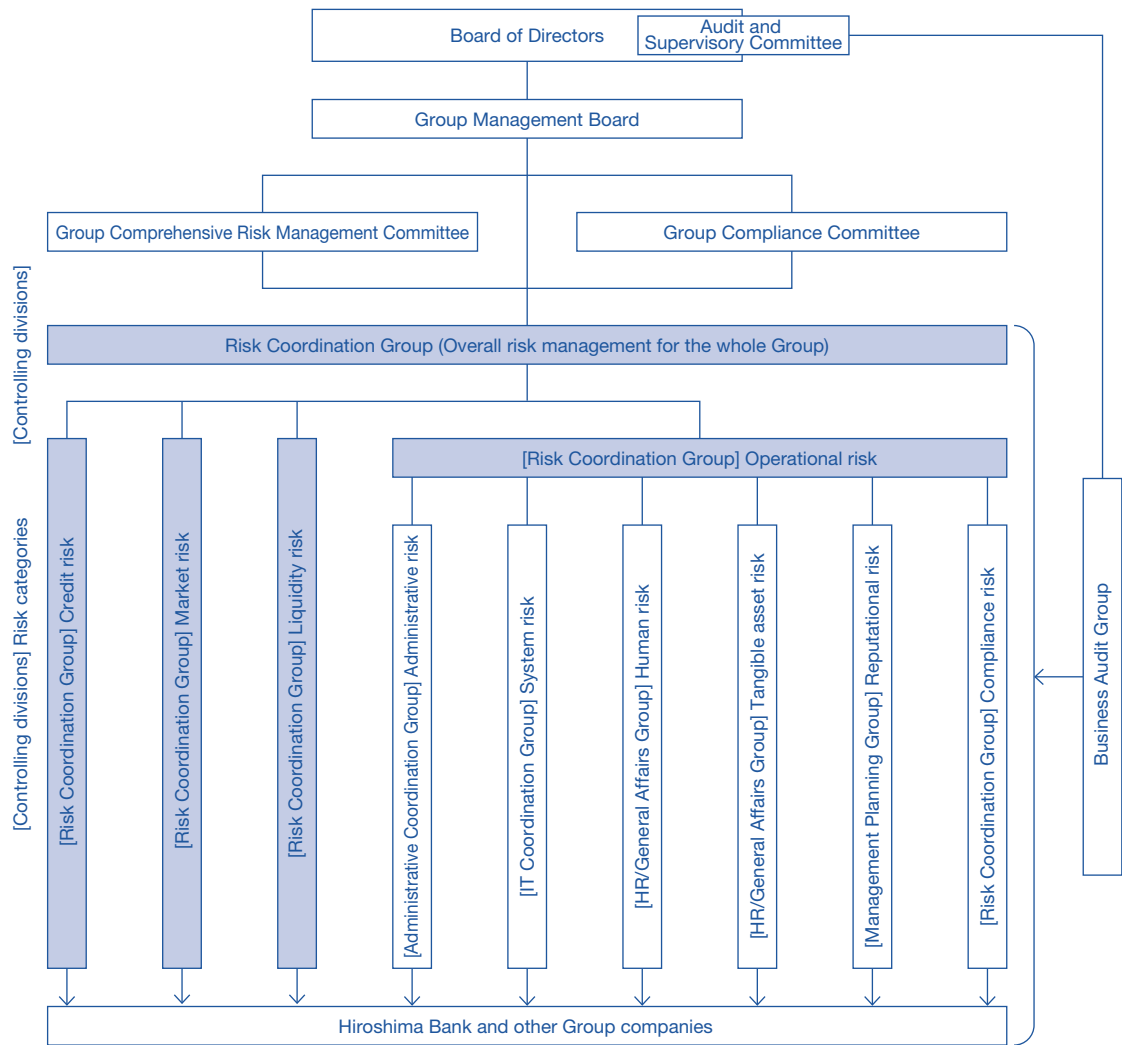
Risk management framework

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

the appropriateness and effectiveness of our risk management systems.

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

Risk management framework (as of April 1, 2023)



Risk appetite framework

Risk governance

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

In addition, to ensure that the risk appetite framework functions effectively, we are working to foster a sound risk culture that encourages everyone in the Group to behave in accordance with the Group's values regarding risk-taking and risk appetite.

Risk culture

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

The Group recognizes that risk culture is the fundamental concept for organizational and individual

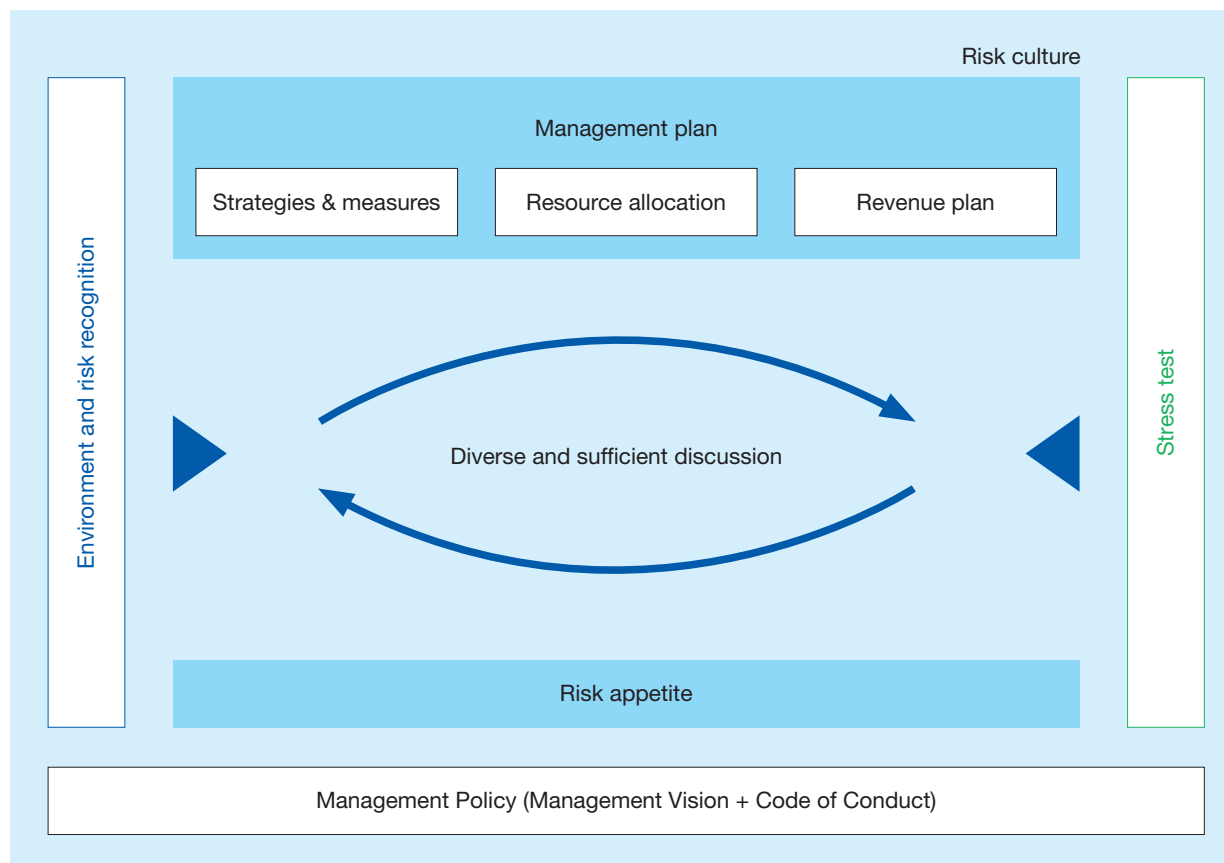
decision-making related to risk recognition, risk-taking, risk management, etc., and that it is a factor to base for building strong risk governance. Based on that recognition, the Group has established the Hirogin Group's Risk Culture, while ensuring consistency with its Code of Conduct.

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

Risk appetite

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

The introduction of the risk appetite framework clarifies the risk appetite (the type and level of risk that the Group is prepared to accept) for achieving the management plan and enables the Group to pursue more profit opportunities and promote appropriate risk-taking.



Compliance

Basic approach

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

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

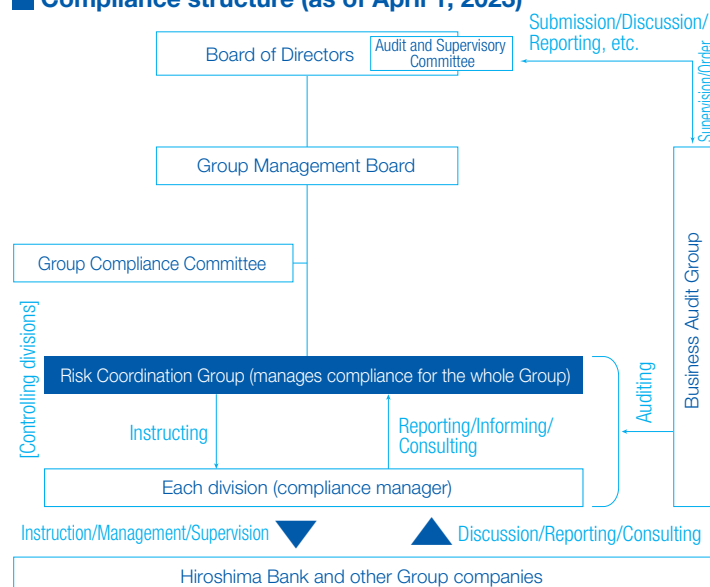
Compliance structure

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

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

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

■ Compliance structure (as of April 1, 2023)



Compliance program

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

Specifically, the Group has formulated and disclosed the compliance manual on the company intranet, etc., and strived to ensure that all employees are familiar with this manual, through various activities such as rank-based training sessions and training sessions

for compliance managers. Also, the Group has been promoting initiatives including the development of a check system by involving executive members actively in compliance and strengthening a central compliance management system.

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

Customer Protection Management

Basic approach

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

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

Structure of customer protection management

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

In the Group Customer Protection Management Regulations, we formulate policies and management matters regarding explanation to customers, customer support (consultation and complaints), customer information, outsourcing, and conflict of interests, making these known to all of the Group's employees.

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

Information management

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

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

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

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

Solicitation policy

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

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

Internal Audits

Basic approach

The Group believes it is necessary and crucial to construct an effective internal audit system within the Group for the purpose of contributing to achieving our

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

Internal audit system

The Group has established internal audit departments independent of audited departments, which perform appropriate checks and balances, in the Company and our major Group companies. They evaluate the appropriateness and effectiveness of each process

of governance, risk management, and risk control at departments under audit, while adopting an attitude of compliance with rules. They also express objective opinions and request improvement on issues identified, or recommend corrections and provide advice.

Hirogin Holdings

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

The Business Audit Division is responsible for the overall coordination of basic plans for the Group's internal audit. The Group's basic plans for internal audit in light of important risk items across Group companies are determined by the Board of Directors and the Audit and Supervisory Committee. Regarding the results of internal audit, the Business Audit Division summarizes the results

of internal audits by the Group's internal audit departments and the status of improvements and corrections, and reports to the Board of Directors and the Audit and Supervisory Committee on a regular basis.

Furthermore, acting as a controlling division responsible for the Group's internal audit function, the Business Audit Division receives reports on basic plans for internal audit from Group companies and confirms consistency with the Group's basic plans for internal audit. While conducting internal audits in cooperation with Group companies' internal audit departments, the Business Audit Division also receives reports on internal audit results from Group companies, monitors and examines internal control systems and the status of internal audits of Group companies, and gives instructions or takes other measures if necessary.

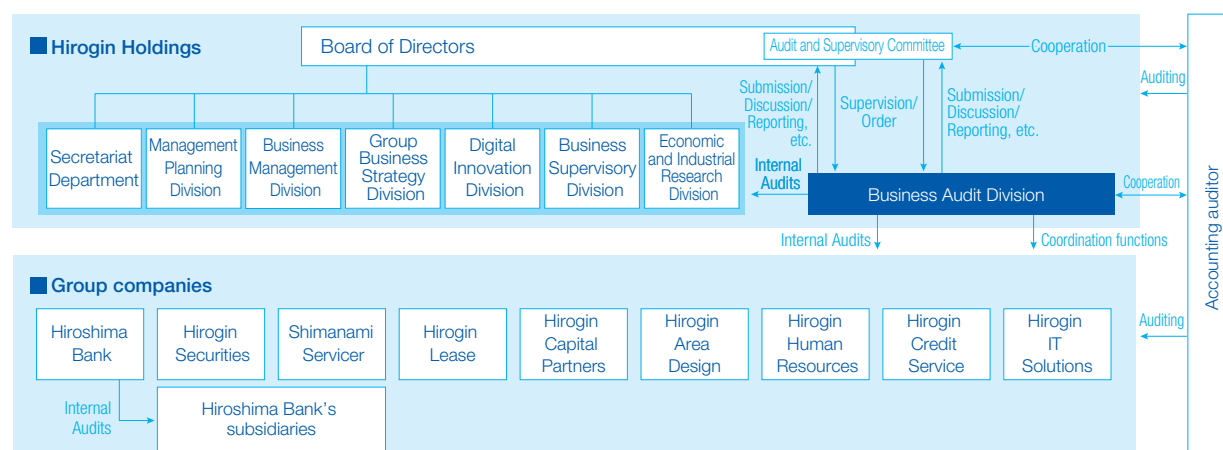
Group companies

At the Group's major subsidiaries such as Hiroshima Bank as well, internal audit departments independent from audited departments are established to conduct internal audits. Each of these Group companies formulates basic plans for internal audit in accordance with the Group's basic plans for internal audit, and the plans

are determined by the Board of Directors and other organs.

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

Internal audit system (as of April 1, 2023)



Board of Directors and Executive Officers (As of June 27, 2023)

Director



Koji Ikeda

Representative Director and Chairman

April 1977 Joined Hiroshima Bank
April 2006 Executive Officer; General Manager, Fukuyama Sales Division, Hiroshima Bank
April 2008 Managing Executive Officer; General Manager, Fukuyama Sales Division, Hiroshima Bank
April 2009 Managing Executive Officer; General Manager, Management Planning Division, Hiroshima Bank
June 2009 Managing Director; General Manager, Management Planning Division, Hiroshima Bank
April 2011 Managing Director, Hiroshima Bank
June 2012 President (Representative Director), Hiroshima Bank
June 2018 Chairman (Representative Director), Hiroshima Bank
October 2020 Chairman (Representative Director), the Company (current position)
April 2022 Chairman, Hiroshima Bank (current position)



Toshio Heya

Representative Director and President

April 1983 Joined Hiroshima Bank
April 2008 General Manager, Hiroshima-Higashi Branch, Hiroshima Bank
April 2011 General Manager, Management Planning Division, Hiroshima Bank
April 2013 Executive Officer; General Manager, Head Office Business Department, Hiroshima Bank
April 2015 Managing Executive Officer; General Manager, Head Office Business Department, Hiroshima Bank
April 2016 Managing Executive Officer, Hiroshima Bank
June 2016 Director & Managing Executive Officer, Hiroshima Bank
June 2018 President (Representative Director), Hiroshima Bank
October 2020 President (Representative Director), the Company (current position)
April 2022 Director, Hiroshima Bank



Kazuo Kiyomune

Director & Senior Managing Executive Officer

April 1986 Joined Hiroshima Bank
October 2008 General Manager, Loan Business Planning Department of Banking Business Planning Division, Hiroshima Bank
April 2010 General Manager, Loan Business Planning Department of Loan Business Planning Division, Hiroshima Bank
April 2013 General Manager, Honkawa Branch, Hiroshima Bank
April 2015 General Manager, Otemachi Branch, Hiroshima Bank
April 2018 Executive Officer; General Manager, Kure Branch and Kure City Hall Sub-branch, Hiroshima Bank
April 2020 Managing Executive Officer, Hiroshima Bank
June 2020 Director & Managing Executive Officer, Hiroshima Bank
October 2020 Director & Managing Executive Officer, the Company
April 2022 Director & Senior Managing Executive Officer, the Company (current position)
President (Representative Director), Hiroshima Bank (current position)



Akira Ogi

Director & Senior Managing Executive Officer

April 1986 Joined Hiroshima Bank
April 2008 General Manager, Business Planning Department of Banking Business Planning Division, Hiroshima Bank
April 2013 General Manager, Hiro Branch, Hiroshima Bank
April 2015 General Manager, Personnel & General Affairs Division, Hiroshima Bank
April 2016 General Manager, Management Planning Division, Hiroshima Bank
April 2017 Executive Officer; General Manager, Management Planning Division, Hiroshima Bank
October 2018 Managing Executive Officer, Hiroshima Bank
June 2019 Director & Managing Executive Officer, Hiroshima Bank
April 2020 Director & Senior Managing Executive Officer, Hiroshima Bank
October 2020 Director & Senior Managing Executive Officer, the Company (current position)
April 2022 Director & Senior Managing Executive Officer (Representative Director), Hiroshima Bank (current position)



Fumitsugu Kariyada

Director & Managing Executive Officer

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



Yoshinori Shinmen

External New appointment

Director

April 1980 Joined Bank of Japan
March 2007 General Manager, Kyoto Branch, Bank of Japan
July 2009 Internal Auditor, Bank of Japan
November 2010 Consultant, The Securities Analysts Association of Japan
October 2011 Director-General, The Securities Analysts Association of Japan
August 2015 Chair, The Securities Analysts Association of Japan
August 2017 Director, The Securities Analysts Association of Japan
June 2020 External Director, Hiroshima Bank
June 2023 External Director, the Company (current position)



Tatsuro Kumano

New appointment

Director (Audit and Supervisory Committee Member)

April 1988 Joined Hiroshima Bank
October 2011 Associate General Manager, Personnel Planning Department, Personnel & General Affairs Division, Hiroshima Bank
April 2014 General Manager, Furuchi Branch, Hiroshima Bank
April 2016 General Manager, Official Business Sales Department, Hiroshima Bank
April 2019 General Manager, Yokogawa Branch, Hiroshima Bank
April 2021 Senior General Manager, Risk Management Division, Hiroshima Bank
June 2021 Full-time Audit & Supervisory Board Member, Hiroshima Bank
June 2023 Director (Audit and Supervisory Committee Member), the Company (current position)



Satoshi Miura

External

Director (Audit and Supervisory Committee Member)

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



Hiroko Tani

External

Director (Audit and Supervisory Committee Member)

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



Toshiaki Kitamura

External

Director (Audit and Supervisory Committee Member)

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

Executive Officers

Shinichi Fukamachi
Managing Executive Officer

Shinichi Yokomi
Managing Executive Officer

Kenichiro Fujii
Executive officers

Susumu Kodama
Executive officers

Toshihide Horii
Executive officers

Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2023

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

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

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
ASSETS			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,577,627	¥ 2,188,107	\$16,387
Call loans and bills purchased (Note 22)	5,899	34,784	260
Monetary claims bought (Notes 4 and 22)	8,000	8,682	65
Trading assets (Notes 4 and 22)	7,577	10,598	79
Money held in trust (Notes 5 and 22)	42,415	40,200	301
Securities (Notes 4, 6, 7, 10 and 22)	1,668,228	1,580,832	11,839
Loans and bills discounted (Notes 6, 7, 8 and 22)	6,901,858	7,224,123	54,101
Foreign exchanges (Note 6)	11,468	11,579	87
Lease receivables and investments in lease assets	63,275	66,358	497
Other assets (Notes 6, 7 and 22)	137,159	133,877	1,003
Tangible fixed assets (Note 15)	107,359	107,570	806
Intangible fixed assets	9,025	10,835	81
Net defined benefit assets (Note 17)	58,164	74,580	559
Deferred tax assets (Note 18)	6,060	2,473	19
Customers' liabilities for acceptances and guarantees (Note 6)	38,859	40,795	306
Reserve for possible loan losses (Note 22)	(39,070)	(39,372)	(295)
Total assets	¥11,603,909	¥11,496,027	\$86,093
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 7 and 22)	¥ 9,067,878	¥ 9,252,256	\$69,290
Call money and bills sold (Note 22)	—	50,000	374
Payables under repurchase agreements (Notes 7 and 22)	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	448,183	402,712	3,016
Trading liabilities	4,848	7,996	60
Borrowed money (Notes 7, 9 and 22)	1,201,839	1,013,860	7,593
Foreign exchanges	2,714	2,377	18
Due to trust account	51	51	0
Other liabilities (Notes 9 and 22)	97,409	81,212	608
Net defined benefit liabilities (Note 17)	697	709	5
Reserve for retirement benefits of directors and Audit & Supervisory Board members	130	144	1
Reserve for reimbursement of deposits	1,110	437	3
Reserve for point loyalty programs	150	176	1
Reserve for stock payments	799	914	7
Reserve for dismantling costs for fixed assets	307	—	—
Reserve under Special Laws	28	28	0
Deferred tax liabilities for land revaluation reserve	13,241	13,215	99
Acceptances and guarantees	38,859	40,795	306
Total liabilities	¥11,107,708	¥10,997,422	\$82,359
Net Assets (Note 11):			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 449
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	189
Retained earnings	377,217	381,782	2,859
Common stock in treasury	(1,237)	(1,071)	(8)
Total stockholders' equity	¥ 461,189	¥ 465,920	\$ 3,489
Net unrealized holding gains (losses) on available-for-sale securities (Note 4)	¥ 1,367	¥ (8,502)	\$ (64)
Net deferred gains on hedging instruments	908	3,490	26
Land revaluation reserve	26,993	26,971	202
Remeasurements of defined benefit plans	5,476	10,461	78
Total accumulated other comprehensive income	¥ 34,745	¥ 32,421	\$ 243
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	138	135	1
Total net assets	¥ 496,200	¥ 498,604	\$ 3,734
Total liabilities and net assets	¥11,603,909	¥11,496,027	\$86,093

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
Income:			
Interest income:			
Interest on loans and discounts	¥ 57,085	¥ 67,726	\$ 507
Interest and dividends on securities	11,959	15,586	117
Other interest income	4,454	3,799	28
Trust fees	178	142	1
Fees and commissions	33,624	33,262	249
Trading income	4,305	3,288	25
Other operating income	28,018	30,960	232
Other income	14,817	5,507	41
Total income	¥ 154,443	¥ 160,273	\$ 1,200
Expenses:			
Interest expenses:			
Interest on deposits	¥ 878	¥ 1,803	\$ 14
Interest on borrowings and rediscounts	843	7,609	57
Other interest expenses	2,241	11,422	86
Fees and commissions	12,686	12,590	94
Other operating expenses	30,957	41,969	314
General and administrative expenses (Note 12)	58,031	58,064	435
Other expenses (Note 13)	15,877	8,558	64
Total expenses	¥ 121,517	¥ 142,018	\$ 1,064
Income before income taxes	¥ 32,926	¥ 18,255	\$ 137
Income taxes (Note 18):			
Current income taxes	¥ 8,296	¥ 1,160	\$ 9
Deferred income taxes	1,687	4,556	34
Total income taxes	¥ 9,984	¥ 5,717	\$ 43
Net income	¥ 22,942	¥ 12,538	\$ 94
Net income attributable to noncontrolling interests	¥ 36	¥ 29	\$ 0
Net income attributable to owners of the parent	¥ 22,906	¥ 12,508	\$ 94

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 26):		
Net assets	¥1,596.79	¥1,603.30
Net income	73.75	40.25
Diluted net income	73.71	40.22
Cash dividends applicable to the year (Note 11)	24.00	27.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
Net income	¥ 22,942	¥12,538	\$ 94
Other comprehensive income (Note 24):			
Net unrealized holding losses on available-for-sale securities	(25,960)	(9,869)	(74)
Net deferred gains on hedging instruments	3,073	2,582	19
Remeasurements of defined benefit plans	(12,872)	4,984	37
Total other comprehensive income	¥ (35,759)	¥ (2,302)	\$(17)
Comprehensive income	¥ (12,817)	¥10,235	\$ 77
Attributable to:			
Comprehensive income attributable to owners of the parent	¥ (12,853)	¥10,206	\$ 76
Comprehensive income attributable to noncontrolling interests	36	29	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2023

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

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

Item	Millions of yen				
	2023				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥377,217	¥(1,237)	¥461,189
Changes of items during the period					
Dividends from surplus			(7,965)		(7,965)
Net income attributable to owners of the parent			12,508		12,508
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury				166	166
Reversal of land revaluation reserve			21		21
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	—	4,565	165	4,730
Balance at the end of current period	¥60,000	¥25,209	¥381,782	¥(1,071)	¥465,920

Item	Millions of yen							
	2023							
	Accumulated other comprehensive income							
	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,367	¥ 908	¥26,993	¥ 5,476	¥34,745	¥126	¥138	¥496,200
Changes of items during the period								
Dividends from surplus								(7,965)
Net income attributable to owners of the parent								12,508
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								166
Reversal of land revaluation reserve								21
Net changes of items other than stockholders' equity	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	(2,327)
Total changes of items during the period	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	2,403
Balance at the end of current period	¥(8,502)	¥3,490	¥26,971	¥10,461	¥32,421	¥126	¥135	¥498,604

Millions of U.S. dollars (Note 1)

2023					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$449	\$189	\$2,825	\$(9)	\$3,454
Changes of items during the period					
Dividends from surplus			(60)		(60)
Net income attributable to owners of the parent			94		94
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury				1	1
Reversal of land revaluation reserve			0		0
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	—	34	1	35
Balance at the end of current period	\$449	\$189	\$2,859	\$(8)	\$3,489

Millions of U.S. dollars (Note 1)

2023								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 10	\$ 7	\$202	\$41	\$260	\$1	\$ 1	\$3,716
Changes of items during the period								
Dividends from surplus								(60)
Net income attributable to owners of the parent								94
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								1
Reversal of land revaluation reserve								0
Net changes of items other than stockholders' equity	(74)	19	(0)	37	(17)	—	(0)	(17)
Total changes of items during the period	(74)	19	(0)	37	(17)	—	(0)	18
Balance at the end of current period	\$(64)	\$26	\$202	\$78	\$243	\$1	\$ 1	\$3,734

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
Cash flows from operating activities:			
Income before income taxes	¥ 32,926	¥ 18,255	\$ 137
Depreciation of fixed assets	6,052	6,111	46
Impairment losses on fixed assets	2,272	228	2
Gain on return of retirement benefit trust	(7,035)	—	—
Net change in reserve for possible loan losses	(2,002)	302	2
Net change in net defined benefit assets	34,736	(16,416)	(123)
Net change in net defined benefit liabilities	27	12	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	34	13	0
Net change in reserve for reimbursement of deposits	(635)	(672)	(5)
Net change in reserve for point loyalty programs	12	25	0
Net change in reserve for stock payments	190	114	1
Net change in reserve under special laws	(0)	(0)	(0)
Net change in reserve for dismantling costs for fixed assets	(461)	(307)	(2)
Interest income	(73,499)	(87,112)	(652)
Interest expense	3,963	20,835	156
Net losses on securities transactions	2,157	19,093	143
Net losses (gains) on dispositions of fixed assets	(1,092)	308	2
Net change in trading assets	(1,075)	(3,021)	(23)
Net change in trading liabilities	1,240	3,148	24
Net change in loans	(421,016)	(322,265)	(2,413)
Net change in deposits	397,802	184,377	1,381
Net change in borrowed money excluding subordinated loans	191,966	(187,978)	(1,408)
Net change in due from banks other than from the Bank of Japan	(943)	(21,481)	(161)
Net change in call loans and bills purchased	(5,424)	(29,567)	(221)
Net change in call money and bills sold	(26,228)	(48,923)	(366)
Net change in deposits received for bonds lending/borrowing transactions	65,737	(45,470)	(341)
Net change in foreign exchanges (assets)	3,994	(110)	(1)
Net change in foreign exchanges (liabilities)	729	(337)	(3)
Amortization of goodwill	135	140	1
Interest received	78,205	88,340	662
Interest paid	(4,051)	(19,458)	(146)
Other – net	(50,254)	(23,457)	(176)
Subtotal	228,464	(465,272)	(3,484)
Income taxes paid	(11,574)	(3,469)	(26)
Net cash provided by (used in) operating activities	216,889	(468,742)	(3,510)
Cash flows from investing activities:			
Purchases of securities	(921,805)	(587,510)	(4,400)
Proceeds from sales of securities	597,047	583,708	4,371
Proceeds from redemption of securities	126,735	76,726	575
Increase in money held in trust	(7)	(6,006)	(45)
Decrease in money held in trust	3,004	8,004	60
Purchases of tangible fixed assets	(5,211)	(4,546)	(34)
Purchases of intangible fixed assets	(2,706)	(4,748)	(36)
Proceeds from sales of tangible fixed assets	4,752	239	2
Payments for retirement of tangible fixed assets	(97)	(39)	(0)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(39)	—	—
Net cash provided by (used in) investing activities	(198,327)	65,827	493
Cash flows from financing activities:			
Repayments of subordinated borrowings	(15,000)	—	—
Dividends paid	(7,509)	(7,957)	(60)
Dividends paid to noncontrolling interests	(19)	(32)	(0)
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	—	—
Payments of lease liabilities	(107)	(109)	(1)
Net cash used in financing activities	(22,637)	(8,100)	(61)
Effect of foreign exchange rate changes on cash and cash equivalents	23	12	0
Net change in cash and cash equivalents	(4,052)	(411,002)	(3,078)
Cash and cash equivalents at the beginning of year	2,570,007	2,565,955	19,216
Cash and cash equivalents at the end of year (Note 14)	¥2,565,955	¥2,154,953	\$16,138

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2023

1 Basis of presenting consolidated financial statements

Hirogin Holdings, Inc. (the "Company"), incorporated on October 1, 2020, is a holding company of The Hiroshima Bank, Ltd. (the "Bank") and other 19 subsidiaries and two affiliated companies (collectively the "Group"). The Group engages mainly in banking business together with leasing business, financial instruments business, managing and collecting loans, consulting business, investment business, IT-related services and other.

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

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

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and 12 (13 in 2022) subsidiaries for the year ended March 31, 2023.

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

Mighty Net Plus Co., Ltd., a consolidated subsidiary of the Company, was dissolved in an absorption-type merger with Hirogin Human Resource Co., Ltd., which is also a consolidated subsidiary of the Company, as the surviving company. Accordingly, it was excluded from the scope of consolidation from the year ended March 31, 2023.

All significant intercompany balances and transactions have been eliminated.

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

There is no unconsolidated subsidiary nor affiliated company which is accounted for using the equity method as of March 31, 2023.

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

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

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

As of March 31, 2023, the fiscal year ending dates are March 31 for 12 consolidated subsidiaries.

3 Significant accounting policies

Trading assets and trading liabilities

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

Securities

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

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

However, equity securities, etc. which do not have a market price are carried at cost determined by the moving-average method.

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

If the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies not consolidated, nor accounted for by the equity method, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available,

such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

When fair values of available-for-sale securities decline by 50% or more of the acquisition cost at the balance sheet date, the Group writes down such securities to the fair values and records the related write-downs as loss in its consolidated statements of income. When fair values of available-for-sale securities decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair values may be recognized for certain issuers based on evaluation of issuers' debtor classification.

Derivatives and hedge accounting

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

(1) Hedging against interest rate fluctuations

The consolidated banking subsidiary (the "Bank") applies deferred hedge accounting pursuant to the treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24 on March 17, 2022) to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities. The Bank assesses the hedge effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and the hedging instruments such as interest rate swaps by their maturity.

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

(2) Hedging against foreign currency fluctuations

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

The Bank applies the hedge accounting pursuant to "Treatment of Accounting and Auditing Concerning

Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 25 on October 8, 2020) to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge effectiveness by confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) do not exceed the corresponding foreign-currency-denominated monetary receivables and payables as hedged items.

(3) Exceptional treatment

For some assets and liabilities, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Out of the above hedging relationships, all the hedging relationships included in the scope of application of the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issue Task Force (“PITF”) Report No. 40, March 17, 2022) apply the special treatments defined by the PITF Report No. 40. The contents of hedging relationships to which the PITF Report No. 40 is applied are as follows:

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

Tangible fixed assets (except for lease assets)

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

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives.

Estimated useful lives of major items are as follows:

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

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

Accumulated depreciation for tangible assets as of March 31, 2022 and 2023 amounted to ¥47,646 million and ¥48,078 million (\$360 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$95 million) as of March 31, 2022 and 2023, respectively.

Land revaluation reserve

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

Date of revaluation: March 31, 1998

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

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

The difference between the total fair values and the total carrying amounts of land for business purposes which was revaluated pursuant to Article 10 of the Act as of March 31, 2022 and 2023 was ¥21,606 million and ¥20,751 million (\$155 million), respectively.

Intangible fixed assets (except for lease assets)

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

Lease assets

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

Reserve for possible loan losses

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

For loans to borrowers who are legally bankrupt due to special liquidation, etc. (“legally bankrupt” borrowers) or borrowers in a similar financial condition (“virtually bankrupt” borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned

below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

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

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

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

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

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2022 and 2023 were and ¥30,861 million and ¥24,879 million (\$186 million), respectively.

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

Employees' severance and retirement benefits

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

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2023 based on the

estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

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

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

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

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

Reserve for reimbursement of deposits

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

Reserve for point loyalty programs

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

Reserve for stock payments

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

Reserve for dismantling costs for fixed assets

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

Reserve under Special Laws

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

Foreign currency translation

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

Income taxes

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

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

Consolidated statements of cash flows and cash equivalents

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

Amounts per share

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

Net income per share is calculated by dividing net income attributable to owners of the parent by the average number of shares of common stock outstanding during the year (excluding "treasury stock").

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

Significant accounting estimates

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

• Reserve for possible loan losses

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

(1) Amount recorded in the consolidated financial statements as of March 31, 2022 and 2023

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Reserve for possible loan losses	¥ 39,070	¥ 39,372	\$ 295
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	¥(36,864)	¥(37,124)	\$(278)

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

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2023

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

As of March 31, 2023, no modification was made as a result of the consideration of necessary modification such as future projections, in computing the expected loan loss rate.

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

b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2023

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

With respect to debtors for which loan conditions were restructured and whose financial conditions are deteriorated after the lapse of a certain period of time, the Group continues to assume that credit risk is highly likely to materialize.

The Group determines the debtor classification, based on the credit risk rating system, by comprehensively taking into account the following: i) projections about business continuity and profitability, considering not only the immediate business continuity but also the absence of significant concerns about eventual collectability, ii) reasonableness of management improvement plans, etc., iii) ability to repay debt and iv) the status of support from financial institutions, in consideration of the characteristics of the industry, etc., after investigating the debtor's ability to repay the debt based on the actual financial position, cash management status, profitability, etc. of the debtor, and confirming the lending terms and the fulfilment status of loans.

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

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

As of March 31, 2022, the Company assumed that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future. Reserve for possible loan losses was recorded on the assumption that credit risk is highly likely to increase in the future for debtors in specific industries that are significantly impacted by the spread of COVID-19, although significant losses would not arise from the loans thanks to economic measures taken by national and local governments as well as support from consolidated subsidiaries engaged in the banking business and other financial institutions.

As of March 31, 2023, although such assumption that significant losses would not arise from the loans is not changed, the Company records reserve for possible loan losses, taking the impact of previous years into account, based on assumptions that credit risk is highly likely to materialize for debtors in specific industries that are still significantly impacted by the spread of COVID-19.

The Company, in consideration of the economic environment and changes in internal credit rating for the year ended March 31, 2023, has recorded the reserve

for possible loan losses, making additional estimates for losses expected to be incurred in the future with respect to certain debtors belonging to the specific industries according to the level of impacts of the spread of COVID-19 on business performance and the degree of outlook of recovery after the containment of the pandemic.

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

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

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

Accounting changes

Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the Company has decided to apply this new accounting policy stipulated by the Fair Value Measurement Accounting Standard Implementation Guidance prospectively. Accordingly, for certain investment trusts, previously included in securities whose fair values are very difficult to be determined and shown in the consolidated balance sheet at acquisition cost, they were changed to be recorded at fair value in the consolidated balance sheet.

Further, in accordance with Paragraph 27-3 of the Fair Value Measurement Accounting Standard Implementation Guidance, the notes on investment trusts for the year ended March 31, 2022 is not disclosed in Note 22 "Financial instruments and related disclosures, 3. Fair value information by level within the fair value hierarchy."

Unapplied new accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The standards and guidance prescribe the accounting category of income taxes when other comprehensive income is subject to taxation and the treatment of tax effect accounting for sale of subsidiaries' shares when the group taxation system is applied.

(2) Date of adoption

These standards and guidance are scheduled to be applied from the beginning of the year ending March 31, 2025.

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

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

Additional information

Transactions vesting treasury stocks through trust

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

(1) Outline

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

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

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying value.
2. The carrying value of treasury stock remaining in the trust is ¥1,235 million and ¥1,069 million (\$8 million) at March 31, 2022 and 2023, respectively.
3. The number of the shares of the Company remaining in the trust is 1,786 thousand and 1,545 thousand shares at March 31, 2022 and 2023, respectively.

4 Securities

- (1) Trading securities included in "Trading assets," certificates of deposit with banks included in "Cash and due from banks," and trust beneficiary rights included in "Monetary claims bought," which are separately reported from "Securities" in the consolidated balance sheets, are included in this section.

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in "Securities" as of March 31, 2022 and 2023 are as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Equity securities	¥ 33	¥ 118	\$ 1
Investments in capital	5,207	4,670	35

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2022 and 2023:

a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Amount of net unrealized gains included in the consolidated statement of income	¥(4)	¥(5)	\$ (0)

b) Held-to-maturity debt securities:

There were no held-to-maturity debt securities as of March 31, 2022.

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	¥ —	¥ —	¥—
Local government bonds	9,080	9,121	41
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	9,080	9,121	41

Fair value not exceeding carrying amount:	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	¥9,080	¥9,121	¥41

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	\$—	\$—	\$—
Local government bonds	68	68	0
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	68	68	0
Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	\$68	\$68	\$ 0

c) Available-for-sale securities:

March 31, 2022	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	¥ 64,037	¥ 25,921	¥ 38,116
Bonds:	170,181	168,910	1,270
National government bonds	48,127	47,804	322
Local government bonds	61,457	61,040	416
Corporate bonds	60,597	60,065	531
Others	44,554	42,309	2,244
Subtotal	278,774	237,142	41,631
Carrying amount not exceeding acquisition cost:			
Equity securities	39,053	45,472	(6,418)
Bonds:	875,833	888,381	(12,548)
National government bonds	452,297	461,076	(8,779)
Local government bonds	202,478	204,606	(2,128)
Corporate bonds	221,057	222,698	(1,640)
Others	462,023	483,205	(21,182)
Subtotal	1,376,910	1,417,059	(40,149)
Total	¥1,655,684	¥1,654,202	¥ 1,482

March 31, 2023	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	¥ 91,902	¥ 50,301	¥ 41,601
Bonds:	127,063	126,262	801
National government bonds	10,089	9,993	95
Local government bonds	58,594	58,339	254
Corporate bonds	58,379	57,928	451
Others	60,515	57,856	2,658
Subtotal	279,482	234,419	45,062

Carrying amount not exceeding acquisition cost:			
Equity securities	13,012	13,948	(936)
Bonds:	902,700	924,898	(22,198)
National government bonds	421,117	435,215	(14,098)
Local government bonds	250,230	254,808	(4,578)
Corporate bonds	231,352	234,874	(3,522)
Others	382,224	416,717	(34,493)
Subtotal	1,297,937	1,355,565	(57,628)
Total	¥1,577,419	¥1,589,985	¥(12,566)

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	\$ 688	\$ 377	\$ 312
Bonds:	952	946	6
National government bonds	76	75	1
Local government bonds	439	437	2
Corporate bonds	437	434	3
Others	453	433	20
Subtotal	2,093	1,756	337

Carrying amount not exceeding acquisition cost:			
Equity securities	97	104	(7)
Bonds:	6,760	6,927	(166)
National government bonds	3,154	3,259	(106)
Local government bonds	1,874	1,908	(34)
Corporate bonds	1,733	1,759	(26)
Others	2,862	3,121	(258)
Subtotal	9,720	10,152	(432)
Total	\$11,813	\$11,907	\$ (94)

d) Held-to-maturity debt securities sold

There were no held-to-maturity debt securities sold during the years ended March 31, 2022 and 2023.

(3) Available-for-sale securities sold during the years ended March 31, 2022 and 2023 were as follows:

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

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2023			
Equity securities	¥ 8,902	¥2,008	¥ 125
Bonds:	210,084	3,832	3,243
National government bonds	208,012	3,832	3,205
Local government bonds	—	—	—
Corporate bonds	2,072	0	38
Others	354,271	2,855	19,065
Total	¥573,258	¥8,696	¥22,434

	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2023			
Equity securities	\$ 67	\$15	\$ 1
Bonds:	1,573	29	24
National government bonds	1,558	29	24
Local government bonds	—	—	—
Corporate bonds	16	0	0
Others	2,653	21	143
Total	\$4,293	\$65	\$168

(4) Securities whose holding purpose was reclassified
There were no securities whose holding purpose was reclassified during the years ended March 31, 2022 and 2023.

(5) Impairment of securities

Impairment losses in an amount of ¥525 million and ¥5,314 million (\$40 million) were recognized on equity securities for the years ended March 31, 2022 and 2023, respectively.

(6) Net unrealized holding gains (losses) on available-for-sale securities and other money held in trust at March 31, 2022 and 2023 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net unrealized holding gains (losses):			
Available-for-sale securities	¥1,482	¥(12,566)	\$ (94)
Other money held in trust	(361)	(578)	(4)
	1,121	(13,144)	(98)
Deferred tax assets	9,481	16,750	125
Deferred tax liabilities	(9,234)	(12,108)	(91)
Net unrealized holding gains (losses) on available-for-sale securities	¥1,367	¥(8,502)	\$ (64)

5 Money held in trust

(1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2022 and 2023.

(2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2022 and 2023.

(3) Other money held in trust

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

Millions of yen					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥40,200	¥40,779	¥(578)	¥86	¥664

Millions of U.S. dollars					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$301	\$305	\$(4)	\$1	\$5

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2022 and 2023 is ¥21,925 million and ¥21,349 million (\$160 million), respectively.

6 Loans and bills discounted

(1) Non-performing loans

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

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

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 7,999	¥ 6,955	\$ 52
Risk loans	37,271	48,306	362
Delinquent loans past due over three months	3,601	1,909	14
Restructured loans	36,525	28,977	217
Total	¥85,398	¥86,150	\$645

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

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

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

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

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

(2) Bills discounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥17,039 million and ¥16,597million (\$124 million) at March 31, 2022 and 2023, respectively.

7 Assets pledged

At March 31, 2022 and 2023, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Securities	¥1,028,256	¥ 865,727	\$ 6,483
Loans and bills discounted	1,291,274	981,578	7,351
Other assets	1,218	1,313	10
Total	¥2,320,749	¥1,848,620	\$13,844

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deposits	¥ 1,659	¥ 1,704	\$ 13
Payables under repurchase agreements	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions	448,183	402,712	3,016
Borrowed money	1,153,966	957,119	7,168

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

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Securities	¥ 2,118	¥ 2,143	\$ 16
Other assets	50,000	50,000	374

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deposits for financial instruments	¥38,762	¥27,976	\$210
Security deposits	2,188	2,037	15
Deposits for future trading	551	540	4

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥19,881 million and ¥17,604 million (\$132 million) at March 31, 2022 and 2023, respectively.

Bills rediscounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥5 million and ¥4 million (\$0 million) at March 31, 2022 and 2023, respectively.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the consolidated subsidiaries engaged in the banking business lend to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits totaled ¥1,874,438 million and ¥1,836,913 million (\$13,757 million) relating to these contracts at March 31, 2022 and 2023, respectively. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,766,592 million and ¥1,726,243 million (\$12,928 million) at March 31, 2022 and 2023, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that consolidated subsidiaries engaged in the banking business refuse customers’ applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of contracts, the consolidated subsidiaries engaged in the banking business obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the consolidated subsidiaries engaged in the banking business perform periodic review of the customers’ business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

9 Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2058 was 0.03%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in “Other liabilities” within five years at March 31, 2023 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2024	¥403,640	\$3,023	¥70	\$1
2025	153,196	1,147	68	1
2026	88,207	661	67	1
2027	329,808	2,470	63	0
2028	3,505	26	62	0

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in "Securities" was ¥44,277 million and ¥47,645 million (\$357 million) at March 31, 2022 and 2023, respectively.

11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March 31, 2023 include the amount representing the year-end cash dividend of ¥4,216 million (\$32 million), ¥13.50 (\$0.10) per share, which was approved at the Board of Directors' meeting held on May 12, 2023.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥26,451 million and ¥27,143 million (\$203 million) for the years ended March 31, 2022 and 2023, respectively.

13 Other expenses

Other expenses for the years ended March 31, 2022 and 2023 include the following:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Loss on sales of equity securities, etc.	¥ 343	¥ 131	\$ 1
Impairment losses on equity securities, etc.	552	5,355	40
Write-off of loans	957	—	—
Loss on sales of loans, etc.	240	572	4
Provision for possible loan losses	11,251	1,923	14
Loss on disposal of fixed assets	229	335	3
Impairment losses on fixed assets	2,272	228	2

14 Supplementary cash flow information

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2022 and 2023 was as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Cash and due from banks	¥2,577,627	¥2,188,107	\$16,387
Foreign currency deposits with banks	(11,672)	(33,154)	(248)
Cash and cash equivalents	¥2,565,955	¥2,154,953	\$16,138

15 Lease transactions

Finance leases

Tangible fixed assets in lease assets mainly consisted of branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2022 and 2023 were as follows:

As lessee:
Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Due within 1 year	¥ 484	¥ 522	\$ 4
Due after 1 year	949	896	7
Total	¥1,434	¥1,419	\$11

16 Derivative transactions

Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2022 and 2023 were as follows:

Interest related:

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

		Millions of yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥165,395	¥153,536	¥(2,582)	¥(2,582)
	Receive variable, pay fixed	165,395	153,536	3,995	3,995
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,150	3,150	(36)	27
	Buy	3,150	3,150	35	(0)
	Total	¥ —	¥ —	¥ 1,411	¥ 1,440

		Millions of U.S. dollars			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$1,239	\$1,150	\$(19)	\$(19)
	Receive variable, pay fixed	1,239	1,150	30	30
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	24	24	(0)	0
	Buy	24	24	0	(0)
	Total	\$ —	\$ —	\$ 11	\$ 11

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

Currency related:

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

		Millions of yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
			Over one year		
	Currency swaps	¥1,142,503	¥846,060	¥ (155)	¥ 789
	Forward foreign exchange contracts:				
	Sell	124,008	34,483	(2,392)	(2,392)
	Buy	97,607	33,890	3,368	3,368
	Currency options:				
	Sell	239,953	164,164	(8,131)	1,703
	Buy	239,953	164,164	8,048	(446)
	Total	¥ —	¥ —	¥ 737	¥ 3,022

		Millions of U.S. dollars			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Currency swaps	\$8,556	\$6,336	\$ (1)	\$ 6
	Forward foreign exchange contracts:				
	Sell	929	258	(18)	(18)
	Buy	731	254	25	25
	Currency options:				
	Sell	1,797	1,229	(61)	13
	Buy	1,797	1,229	60	(3)
	Total	\$ —	\$ —	\$ 6	\$ 23

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

Others:

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

		Millions of yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,220	¥—	¥(46)	¥—
	Buy	6,220	—	46	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
	Sell	\$47	\$—	\$ (0)	\$—
	Buy	47	—	0	—
	Total	\$—	\$—	\$—	\$—

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

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2022 and 2023 were as follows:

Interest related:

March 31, 2022

March 31, 2022			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		¥ 20,000	¥ 20,000	¥ 44
	Receive variable, pay fixed		142,465	117,465	980
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			Note 2
	Receive variable, pay fixed		43,412	43,197	
	Total		¥ —	¥ —	¥1,024

March 31, 2023

March 31, 2023			Millions of yen		
			Contracted amount		Fair value
Method of hedge accounting	Type	Main hedge items	Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥62,367	¥62,367	¥2,873
Exceptional treatment of interest rate swaps	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted	41,422	40,422	Note 2
Total			¥ —	¥ —	¥2,873

March 31, 2023

March 31, 2023			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	\$467	\$467	\$22
Exceptional treatment of interest rate swaps	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted	310	303	Note 2
Total			\$ —	\$ —	\$22

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.
2. Interest rate swaps which meet specific matching criteria are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "22. Financial instruments and related disclosures."

Currency related:

March 31, 2022

March 31, 2022			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥170,698	¥158,459	¥(15,957)
	Forward foreign exchange contracts		225,778	—	(7,913)
	Total		¥ —	¥ —	¥(23,871)

March 31, 2023

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥189,774	¥180,928	¥(21,201)
	Forward foreign exchange contracts		313,409	411	(4,644)
	Total		¥ —	¥ —	¥(25,846)

March 31, 2023

March 31, 2023			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	\$ 1,421	\$ 1,355	\$(159)
	Forward foreign exchange contracts		2,347	3	(35)
	Total		\$ —	\$ —	\$(194)

Note: The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

Consolidated subsidiaries engaged in the banking business adopt funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries mainly adopt lump-sum payment plans, all of which are unfunded.

2. Defined benefit plans

Changes in projected benefit obligation during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Projected benefit obligation at beginning of the year	¥42,390	¥42,652	\$319
Service costs during the year	1,143	1,131	8
Interest cost on projected benefit obligation	15	16	0
Actuarial differences incurred	1,461	408	3
Benefits paid	(2,511)	(2,665)	(20)
Other	152	142	1
Projected benefit obligation at end of the year	¥42,652	¥41,686	\$312

Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Plan assets at beginning of the year	¥127,585	¥100,119	\$750
Expected return on plan assets	5,013	4,004	30
Actuarial differences incurred	(8,204)	8,772	66
Contribution by the business owner (Note)	865	4,506	34
Benefits paid	(1,900)	(1,944)	(15)
Partial return of equity securities of retirement benefit trust	(23,341)	—	—
Other	101	98	1
Plan assets at end of the year	¥100,119	¥115,557	\$865

Note: For the year ended March 31, 2023, the Company made a contribution to cover risks that may arise in the future,

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

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Funded projected benefit obligation	¥ 41,954	¥ 40,976	\$ 307
Plan assets	(100,119)	(115,557)	(865)
	(58,164)	(74,580)	(559)
Unfunded projected benefit obligation	697	709	5
Net on consolidated balance sheets	¥ (57,466)	¥ (73,871)	\$(553)

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net defined benefit liability	¥ 697	¥ 709	\$ 5
Net defined benefit asset	(58,164)	(74,580)	(559)
Net on consolidated balance sheets	¥(57,466)	¥(73,871)	\$(553)

Components of severance and retirement benefit expenses

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Service costs—benefits earned during the year	¥ 1,143	¥ 1,131	\$ 8
Interest cost on projected benefit obligation	15	16	0
Expected return on plan assets	(5,013)	(4,004)	(30)
Amortization of actuarial differences	(1,952)	(1,139)	(9)
Severance and retirement benefit expenses calculated by simplified method	51	43	0
Gain on return of retirement benefit trust (Note)	(7,035)	—	—
Severance and retirement benefit expenses	¥(12,792)	¥(3,952)	\$(30)

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

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

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Actuarial differences	¥(18,655)	¥7,224	\$54

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

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Unrecognized actuarial differences	¥(7,937)	¥(15,161)	\$(114)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2022 and 2023 is as follows:

	2022	2023
Debt securities	2.2%	1.7%
Equity securities	68.1	70.7
Cash and due from banks	0.1	0.1
Other	29.6	27.5
Plan assets at end of the year	100.0%	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans by 60.3% (56.3% in 2022) and the retirement benefit trust established for lump-sum payment plans by 14.8% (17.2% in 2022) at March 31, 2023.

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

Major assumptions for actuarial computation for the years ended March 31, 2022 and 2023 are as follows:

	2022	2023
Discount rate	0.2%	0.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	2.9%	2.9%

Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥292 million and ¥289 million (\$2 million) for the years ended March 31, 2022 and 2023, respectively.

18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

Significant components of deferred tax assets and liabilities at March 31, 2022 and 2023 were as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Reserve for possible loan losses	¥ 20,437	¥ 18,818	\$ 141
Net unrealized holding losses on available-for-sale securities	246	4,641	35
Write-down of securities	683	663	5
Depreciation	1,023	969	7
Other	3,605	3,256	24
Subtotal of deferred tax assets	25,995	28,349	212
Valuation allowance for tax loss carryforwards	—	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,236)	(1,266)	(9)
Subtotal of valuation allowance	(1,236)	(1,266)	(9)
Total deferred tax assets	24,759	27,082	203
Deferred tax liabilities:			
Net defined benefit assets	(15,414)	(20,262)	(152)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(2,872)	(2,771)	(21)
Other	(411)	(1,574)	(12)
Total deferred tax liabilities	(18,698)	(24,609)	(184)
Net deferred tax assets (liabilities)	¥ 6,060	¥ 2,473	\$ 19

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2022 and 2023 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

19 Revenue recognition

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

20 Segment information

a. Overview of reportable segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millions of yen								
2023								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 22,575	¥ —	¥ 22,575	¥ 12,028	¥ 34,603	¥ (4,828)	¥ 29,775	
Other revenue	106,463	22,276	128,740	22,143	150,883	(20,424)	130,458	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Revenue from external customers	¥ 126,442	¥21,969	¥ 148,411	¥ 11,823	¥ 160,234	¥ —	¥ 160,234	
Intersegment revenue	2,597	307	2,904	22,348	25,252	(25,252)	—	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Segment profit	16,445	928	17,374	18,636	36,011	(17,230)	18,780	
Segment assets	11,432,524	80,732	11,513,257	504,422	12,017,680	(521,653)	11,496,027	
Segment liabilities	10,984,650	73,677	11,058,327	25,376	11,083,704	(86,281)	10,997,422	
Other items:								
Depreciation	¥ 5,382	¥ 523	¥ 5,906	¥ 212	¥ 6,118	¥ (6)	¥ 6,111	
Interest income	88,257	0	88,258	16,083	104,341	(17,229)	87,112	
Interest expense	20,795	209	21,005	39	21,044	(208)	20,835	

Millions of U.S. dollars								
2023								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	\$ 169	\$ —	\$ 169	\$ 90	\$ 259	\$ (36)	\$ 223	
Other revenue	797	167	964	166	1,130	(153)	977	
Total	\$ 966	\$167	\$ 1,133	\$ 256	\$ 1,389	\$ (189)	\$ 1,200	
Revenue from external customers	\$ 947	\$165	\$ 1,111	\$ 89	\$ 1,200	\$ —	\$ 1,200	
Intersegment revenue	19	2	22	167	189	(189)	—	
Total	\$ 966	\$167	\$ 1,133	\$ 256	\$ 1,389	\$ (189)	\$ 1,200	
Segment profit	123	7	130	140	270	(129)	141	
Segment assets	85,618	605	86,222	3,778	90,000	(3,907)	86,093	
Segment liabilities	82,264	552	82,815	190	83,005	(646)	82,359	
Other items:								
Depreciation	\$ 40	\$ 4	\$ 44	\$ 2	\$ 46	\$ (0)	\$ 46	
Interest income	661	0	661	120	781	(129)	652	
Interest expense	156	2	157	0	158	(2)	156	

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

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

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(17,230) million (\$ (129) million) includes intersegment elimination of ¥(17,095) million (\$ (128) thousand) and amortization of goodwill of ¥(135) million (\$ (1) million).

(2) "Adjustment" of "Segment assets" in the amount of ¥(521,653) million (\$ (3,907) million) represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(86,281) million (\$ (646) million) represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(6) million (\$ (0) million) represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(17,229) million (\$ (129) million) represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(208) million (\$ (2) million) represents intersegment elimination.

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

Income by service

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Ordinary revenue from external customers:			
Lending	¥ 57,061	¥ 67,563	\$ 506
Investment in securities	26,312	26,112	196
Fees and commissions	33,624	33,262	249
Leasing	21,308	21,955	164
Other	7,778	11,340	85
Total	¥146,085	¥160,234	\$1,200

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

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

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

	Millions of yen				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	265	265	161	426

	Millions of U.S. dollars				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	2	2	1	3

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

21 Related party transactions

Information about related party transactions for the years ended March 31, 2022 and 2023 is omitted since they are immaterial.

22 Financial instruments and related disclosures

1. Status of financial instruments

(1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

(2) Nature and extent of risk arising from financial instruments

Loans and bills discounted are primarily provided to domestic customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of equity securities, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

(3) Risk management for financial instruments

Credit risk management

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

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

Market risk management

(i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

(ii) Quantitative information relating to market risk

(a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2023, the entire VaR of the Group was ¥10 million (\$0 million) (¥4 million in 2022).

(b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2023 was ¥108,871 million (\$815 million) (¥52,915 million in 2022).

(c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the “Group Liquidity Risk Management Rule” which provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments is based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

2. Fair value of financial instruments

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

March 31, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,376	¥ 1,376	¥ —
(2) Money held in trust	42,415	42,415	—
(3) Securities:			
Available-for-sale securities	1,654,363	1,654,363	—
(4) Loans and bills discounted	6,901,858		
Reserve for possible loan losses* ³	(36,702)		
Net	6,865,155	6,981,040	115,884
Total assets	¥ 8,563,311	¥ 8,679,196	¥115,884
(1) Deposits	¥ 9,067,878	¥ 9,068,100	¥ 221
(2) Borrowed money	1,201,839	1,201,770	(68)
Total liabilities	¥10,269,718	¥10,269,870	¥ 152

Derivative instruments*⁴:

Hedge accounting is not applied	¥ 1,970	¥ 1,970	¥ —
Hedge accounting is applied* ⁵	(22,846)	(22,846)	—
Total derivative instruments	¥ (20,875)	¥ (20,875)	¥ —

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,345	¥ 1,345	¥ —
(2) Money held in trust	40,200	40,200	—
(3) Securities:			
Held-to-maturity debt securities	9,080	9,121	41
Available-for-sale securities* ²	1,561,285	1,561,285	—
(4) Loans and bills discounted	7,224,123		
Reserve for possible loan losses* ³	(36,878)		
Net	7,187,245	7,280,080	92,835
Total assets	¥ 8,799,156	¥ 8,892,033	¥92,876
(1) Deposits	¥ 9,252,256	¥ 9,252,435	¥ 179
(2) Borrowed money	1,013,860	1,012,019	(1,840)
Total liabilities	¥10,266,116	¥10,264,455	¥ (1,661)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	¥ 2,149	¥ 2,149	¥ —
Hedge accounting is applied* ⁵	(22,972)	(22,972)	—
Total derivative instruments	¥ (20,823)	¥ (20,823)	¥ —

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	\$ 10	\$ 10	\$ —
(2) Money held in trust	301	301	—
(3) Securities:			
Held-to-maturity debt securities	68	68	0
Available-for-sale securities* ²	11,692	11,692	—
(4) Loans and bills discounted	54,101		
Reserve for possible loan losses* ³	(276)		
Net	53,825	54,520	695
Total assets	\$65,896	\$66,592	\$696
(1) Deposits	\$69,290	\$69,291	\$ 1
(2) Borrowed money	7,593	7,579	(14)
Total liabilities	\$76,882	\$76,870	\$(12)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	\$ 16	\$ 16	\$ —
Hedge accounting is applied* ⁵	(172)	(172)	—
Total derivative instruments	\$ (156)	\$ (156)	\$ —

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

*2. Available-for-sale securities include investment trusts whose standard value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance.

*3. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted."

*4. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

*5. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied principally. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, March 17, 2022) is applied to these hedging relationships.

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

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Unlisted equity securities (*1) (*2)	¥5,731	¥5,796	\$43
Investments in partnerships (*3)	5,207	4,670	35
Real estate investment trusts (*4)	2,925	—	—
Other	0	0	0

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

(*2) The Company recognized an impairment loss in an amount of ¥26 million and ¥40 million (\$0 million) on unlisted equity securities for the years ended March 31, 2022 and 2023, respectively.

(*3) Investments in partnerships are investments in unconsolidated subsidiaries.

(*4) Real estate investment trusts are subject to fair value disclosure requirement by applying Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance from the year ended March 31, 2023.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2022 and 2023

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2022						
Due from banks	¥2,503,483	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	5,899	—	—	—	—	—
Monetary claims bought	8,000	—	—	—	—	—
Money held in trust	42,415	—	—	—	—	—
Securities	52,043	147,278	165,082	136,805	506,856	462,826
Available-for-sale:	52,043	147,278	165,082	136,805	506,856	462,826
National government bonds	14,000	10,000	4,000	2,000	317,000	150,200
Local government bonds	5,370	29,210	53,909	32,735	92,056	51,585
Corporate bonds	14,516	57,916	48,999	12,538	15,069	132,263
Others	18,156	50,152	58,173	89,531	82,730	128,778
Loans and bills discounted*	1,058,972	638,411	762,026	582,987	851,951	2,252,903
Total	¥3,670,816	¥785,690	¥927,108	¥719,793	¥1,358,807	¥2,715,730

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2023						
Due from banks	¥2,110,344	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	34,784	—	—	—	—	—
Monetary claims bought	8,682	—	—	—	—	—
Money held in trust	40,200	—	—	—	—	—
Securities	40,448	145,651	175,499	113,141	413,580	450,385
Held-to-maturity:	—	—	1,150	—	7,930	—
Local government bonds	—	—	1,150	—	7,930	—
Available-for-sale:	40,448	145,651	174,349	113,141	405,650	450,385
National government bonds	—	—	15,000	34,000	292,000	95,200
Local government bonds	4,590	53,300	81,920	43,835	77,744	51,000
Corporate bonds	17,132	69,388	50,784	19,653	5,870	128,810
Others	18,725	22,963	26,644	15,652	30,035	175,374
Loans and bills discounted*	1,133,914	652,738	830,004	650,766	887,858	2,283,532
Total	¥3,368,375	¥798,389	¥1,005,503	¥763,908	¥1,301,438	¥2,733,917

	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2023						
Due from banks	\$15,804	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	260	—	—	—	—	—
Monetary claims bought	65	—	—	—	—	—
Money held in trust	301	—	—	—	—	—
Securities	303	1,091	1,314	847	3,097	3,373
Held-to-maturity:	—	—	9	—	59	—
Local government bonds	—	—	9	—	59	—
Available-for-sale:	303	1,091	1,306	847	3,038	3,373
National government bonds	—	—	112	255	2,187	713
Local government bonds	34	399	613	328	582	382
Corporate bonds	128	520	380	147	44	965
Others	140	172	200	117	225	1,313
Loans and bills discounted*	8,492	4,888	6,216	4,874	6,649	17,101
Total	\$25,226	\$5,979	\$7,530	\$5,721	\$9,746	\$20,474

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥43,583 million and ¥53,880 million (\$404 million), are not included in the above table as of March 31, 2022 and 2023, respectively. Loans that do not have contractual maturity, amounting to ¥711,020 million and ¥731,429 million (\$5,478 million), are not included either.

(Note 3) Maturity analysis for interest-bearing liabilities at March 31, 2022 and 2023

At March 31, 2022	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥8,855,254	¥183,331	¥ 17,423	¥11,019	¥ 849	¥ —
Payables under repurchase agreements	229,457	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	448,183	—	—	—	—	—
Borrowed money	591,099	486,856	90,290	3,092	7,037	23,462
Total	¥10,123,994	¥670,187	¥107,714	¥14,112	¥7,887	¥23,462

At March 31, 2023	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥ 9,052,709	¥171,900	¥ 20,989	¥ 5,858	¥ 798	¥ —
Call money and bills sold	50,000	—	—	—	—	—
Payables under repurchase agreements	130,533	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	402,712	—	—	—	—	—
Borrowed money	403,640	241,404	333,313	5,958	4,478	25,065
Total	¥10,039,595	¥413,305	¥354,302	¥11,817	¥5,276	¥25,065

At March 31, 2023	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	\$67,795	\$1,287	\$ 157	\$44	\$ 6	\$ —
Call money and bills sold	374	—	—	—	—	—
Payables under repurchase agreements	978	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	3,016	—	—	—	—	—
Borrowed money	3,023	1,808	2,496	45	34	188
Total	\$75,186	\$3,095	\$2,653	\$88	\$40	\$188

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

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

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

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

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

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

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

(1) Financial instruments measured at fair value

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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Money held in trust	¥ —	¥ 40,200	¥ —	¥ 40,200
Trading assets and securities				
Trading securities:				
National and local government bonds	118	1,227	—	1,345
Available-for-sale securities:				
National and local government bonds	431,206	308,824	—	740,031
Corporate bonds	—	235,321	54,411	289,732
Equity securities	104,915	—	—	104,915
Other	76,545	336,286	—	412,832
Derivatives:				
Interest related	—	8,050	—	8,050
Currency related	—	14,673	3,614	18,288
Other	—	—	46	46
Total assets	¥612,786	¥944,584	¥58,071	¥1,615,442
Derivatives:				
Interest related	¥ —	¥ 3,765	¥ —	¥ 3,765
Currency related	—	39,609	3,786	43,396
Other	—	—	46	46
Total liabilities	¥ —	¥ 43,375	¥ 3,833	¥ 47,208

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Money held in trust	\$ —	\$ 301	\$ —	\$ 301
Trading assets and securities				
Trading securities:				
National and local government bonds	1	9	—	10
Available-for-sale securities:				
National and local government bonds	3,229	2,313	—	5,542
Corporate bonds	—	1,762	407	2,170
Equity securities	786	—	—	786
Other	573	2,518	—	3,092
Derivatives:				
Interest related	—	60	—	60
Currency related	—	110	27	137
Other	—	—	0	0
Total assets	\$4,589	\$7,074	\$435	\$12,098
Derivatives:				
Interest related	\$ —	\$ 28	\$ —	\$ 28
Currency related	—	297	28	325
Other	—	—	0	0
Total liabilities	\$ —	\$ 325	\$ 29	\$ 354

(*1) As of March 31, 2022, investment trusts to which the transitional measure provided for in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥181,875 million.

As of March 31, 2023, investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥3,990 million (\$30 million).

(*2) As of March 31, 2022, investments in partnerships to which the transitional measure provided for in Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,350 million.

As of March 31, 2023, investments in partnerships to which Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance is applied are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,782 million (\$73 million).

(*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,846 million and ¥22,972 million (\$172 million) as of March 31, 2022 and 2023, respectively.

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

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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥—	¥ 9,121	¥ —	¥ 9,121
Loans and bills discounted	—	—	7,280,080	7,280,080
Total assets	¥—	¥ 9,121	¥7,280,080	¥ 7,289,201
Deposits	¥—	¥ 9,252,435	¥ —	¥ 9,252,435
Borrowed money	—	1,002,454	9,565	1,012,019
Total liabilities	¥—	¥10,254,889	¥ 9,565	¥10,264,455

March 31, 2023	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities:				
National and local government bonds	\$—	\$ 68	\$ —	\$ 68
Loans and bills discounted	—	—	54,520	54,520
Total assets	\$—	\$ 68	\$54,520	\$54,588
Deposits	\$—	\$69,291	\$ —	\$69,291
Borrowed money	—	7,507	72	7,579
Total liabilities	\$—	\$76,798	\$ 72	\$76,870

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

Assets:

Money held in trust

The fair value of securities managed as trust assets in individually managed money held in trust whose primary purpose is to manage securities is based on the price at the exchange for equity securities, and on the price presented by the counterpart financial institutions or the price at the exchange for bonds, and is classified as Level 2 based on the level of the components. In addition, for money held in trust whose primary purpose is not to manage securities, the carrying amount is considered to be the fair value and classified as Level 2 since the contract terms is short and the fair value approximates the carrying amount.

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

Trading assets and securities

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

The fair value based on the published quoted price of inactive markets is classified as Level 2. Principally, local government bonds, corporate bonds, and housing loan mortgage-backed securities are classified in this category. In addition, for investment trusts with no transaction prices in the market, the standard value is considered to be the fair value and classified as Level 2 if there are no material restrictions that would require compensation for the risk from market participants with respect to cancelation or repurchase requests.

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

Loans and bills discounted

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

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

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

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

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

Liabilities:

Deposits

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

Borrowed money

The fair value of borrowed money is determined by discounting future cash flows at the interest rate assumed in similar new financing by type of financing. If the contract term is short, the carrying amount is considered to be the fair value since the fair value approximates the carrying amount.

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

Derivatives:

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

However, most of derivatives are traded over the counter and published quoted price does not exist, and accordingly, the fair value is determined using the valuation techniques such as the present value method or Black-Sholes model according to the type of deals and the period until maturity.

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

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

(1) Quantitative information on significant unobservable inputs

At March 31, 2022

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

At March 31, 2023

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.27%-8.09%	0.53%
Private placement bonds				

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

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

	Millions of yen	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
March 31, 2023		
Beginning balance	¥50,759	¥(124)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	18	(47)
Recorded in other comprehensive income (*2)	114	—
Net amount of purchases, sales, issuances, and settlements	3,517	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	54,411	(172)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(47)

March 31, 2023	Millions of U.S. dollars	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
Beginning balance	\$380	\$(1)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	0	(0)
Recorded in other comprehensive income (*2)	1	—
Net amount of purchases, sales, issuances, and settlements	26	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	407	(1)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(0)

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

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

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

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

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

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

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

23 Stock options

1. No stock option expense was recorded for the year ended March 31, 2023.

2. Outline, size and changes of stock options in the year ended March 31, 2023

(1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

(2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2023

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding at April 1, 2022	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2023	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2022	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2023	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2023

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	4.88	644	4.82	446	3.34	820	6.14

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	6.84	1,346	10.08	654	4.90

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

24 Other comprehensive income

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net unrealized holding losses on available-for-sale securities:			
Amount arising during the period	¥(39,954)	¥(32,820)	\$(246)
Reclassification adjustments	2,372	18,554	139
Before adjustments for tax effect	(37,582)	(14,265)	(107)
Amount of tax effect	11,621	4,395	33
Net unrealized holding losses on available-for-sale securities	(25,960)	(9,869)	(74)
Net deferred gains (losses) on hedging instruments, net of tax:			
Amount arising during the period	2,936	(2,626)	(20)
Reclassification adjustments	1,517	6,368	48
Before adjustments for tax effect	4,454	3,742	28
Amount of tax effect	(1,380)	(1,160)	(9)
Net deferred gains on hedging instruments, net of tax	3,073	2,582	19
Remeasurements of defined benefit plans:			
Amount arising during the period	(9,666)	8,364	63
Reclassification adjustments	(8,988)	(1,139)	(9)
Before adjustments for tax effect	(18,655)	7,224	54
Amount of tax effect	5,783	(2,239)	(17)
Remeasurements of defined benefit plans	(12,872)	4,984	37
Total other comprehensive income	¥(35,759)	¥ (2,302)	\$ (17)

25 Business combinations

(Merger between subsidiaries)

Hirogin Human Resources Co., Ltd., a subsidiary of the Company, absorbed Mighty Net Plus Co., Ltd., a subsidiary of the Company, on April 1, 2022.

1. Outline of transaction

(1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Human Resources Co., Ltd.

Its business: Consulting business

Name of the acquired company: Mighty Net Plus Co., Ltd.

Its business: Human resource outsourcing business

(2) Date of business combination

April 1, 2022

(3) Legal form of business combination

Absorption-type merger between Hirogin Human Resources Co., Ltd. as a surviving company and Mighty Net Plus Co., Ltd. as an absorbed company

(4) Name of company after business combination

Hirogin Human Resources Co., Ltd.

(5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

26 Per share information

Per share information at March 31, 2022 and 2023 for the years then ended is as follows:

	Yen		U.S. dollar
	2022	2023	2023
Net assets per share	¥1,596.79	¥1,603.30	\$12.01
Net income per share	73.75	40.25	0.30
Diluted net income per share	73.71	40.22	0.30

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net assets	¥496,200	¥498,604	\$3,734
Amounts to be deducted from net assets	265	262	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	138	135	1
Net assets at March 31 attributable to common stock	¥495,935	¥498,342	\$3,732

	Number of shares (in thousands)	
	2022	2023
Number of shares of common stock at end of the year which was used to compute net assets per share	310,581	310,821

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net income per share:			
Net income attributable to owners of the parent	¥22,906	¥12,508	\$94
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥22,906	¥12,508	\$94

	Number of shares (in thousands)	
	2022	2023
Average number of shares of common stock outstanding during the year	310,556	310,772

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2022	2023
Number of shares of common stock that increased during the year	171	171
(Of which, stock acquisition rights)	171	171

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account 76131) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2022 and 2023 and the average number of shares of the treasury stock during the years were 1,786 thousand and 1,545 thousand shares, respectively and 1,812 thousand shares and 1,595 thousand shares, respectively.

27 Significant subsequent events

(Merger between subsidiaries)

Hirogin Guarantee Co., Ltd., a subsidiary of the Company, absorbed Hirogin Card Service Co., Ltd., a subsidiary of the Company, on April 1, 2023.

1. Outline of transaction

- (1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Guarantee Co., Ltd.

Its business: Credit guarantee business

Name of the acquired company: Hirogin Card Service Co., Ltd.

Its business: Credit card business and credit guarantee

- (2) Date of business combination

April 1, 2023

- (3) Legal form of business combination

Absorption-type merger between Hirogin Guarantee Co., Ltd. as a surviving company and Hirogin Card Service Co., Ltd. as an absorbed company

- (4) Name of company after business combination

Hirogin Credit Service Co., Ltd.

- (5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

(Purchase of treasury stock)

At the Board of Directors' meeting held on May 12, 2023, the Company resolved the following matters pertaining to the purchase of treasury stock, pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same act.

1. Reason for purchase of treasury stock

In order to enhance corporate value through the improvement of capital efficiency, while comprehensively considering performance trends, market conditions, etc. with maintaining the Company's consolidated capital adequacy ratio of approximately 11%, based on the Company's "Shareholder Return Policy."

2. Details of purchase

- (1) Class of shares subject to purchase

Common stock

- (2) Total number of shares to be purchased

5,000,000 shares (Maximum)

(Percentage of total number of shares issued (including treasury stock): approximately 1.6%)

- (3) Total purchase amount

¥3,000 million (\$22 million) (Maximum)

- (4) Purchase period

From May 15, 2023 to March 29, 2024

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2022 and 2023

	Millions of yen		Millions of U.S. dollars (Note)
	2022	2023	2023
ASSETS			
Cash and due from banks	¥ 2,576,507	¥ 2,187,010	\$16,378
Call loans and bills purchased	5,899	34,784	260
Monetary claims bought	6,525	6,906	52
Trading assets	7,577	10,598	79
Money held in trust	29,815	29,600	222
Securities	1,669,030	1,581,536	11,844
Loans and bills discounted	6,965,573	7,275,335	54,485
Foreign exchanges	11,468	11,579	87
Other assets	116,945	111,995	839
Tangible fixed assets	104,713	104,912	786
Intangible fixed assets	8,222	10,172	76
Prepaid pension cost	50,226	59,419	445
Deferred tax assets	6,980	5,788	43
Customers' liabilities for acceptances and guarantees	37,956	40,008	300
Reserve for possible loan losses	(36,864)	(37,124)	(278)
Total assets	¥11,560,579	¥11,432,524	\$85,618
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 9,095,033	¥ 9,277,473	\$69,479
Call money	—	50,000	374
Payables under repurchase agreements	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions	448,183	402,712	3,016
Trading liabilities	4,848	7,996	60
Borrowed money	1,198,104	1,002,041	7,504
Foreign exchanges	2,714	2,377	18
Due to trust account	51	51	0
Other liabilities	70,868	56,849	426
Reserve for reimbursement of deposits	1,110	437	3
Reserve for point loyalty programs	110	133	1
Reserve for stock payments	759	818	6
Reserve for dismantling costs for fixed assets	307	—	—
Deferred tax liabilities for land revaluation reserve	13,241	13,215	99
Acceptances and guarantees	37,956	40,008	300
Total liabilities	¥11,102,747	¥10,984,650	\$82,264
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 409
Issued – 312,370,921 shares in 2022 and 2023			
Capital surplus	30,634	30,634	229
Retained earnings	343,334	340,693	2,551
Total stockholders' equity	¥ 428,543	¥ 425,902	\$ 3,190
Net unrealized holding gains (losses) on available-for-sale securities	¥ 1,386	¥ (8,489)	\$ (64)
Net deferred gains on hedging instruments	908	3,490	26
Land revaluation reserve	26,993	26,971	202
Total valuation and translation adjustments	¥ 29,288	¥ 21,972	\$ 165
Total net assets	¥ 457,831	¥ 447,874	\$ 3,354
Total liabilities and net assets	¥11,560,579	¥11,432,524	\$85,618

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.
Years ended March 31, 2022 and 2023

	Millions of yen		Millions of U.S. dollars (Note)
	2022	2023	2023
Income:			
Interest income:			
Interest on loans and discounts	¥ 57,071	¥ 67,714	\$507
Interest and dividends on securities	13,177	16,768	126
Other interest income	4,428	3,774	28
Trust fees	178	142	1
Fees and commissions	24,560	24,345	182
Trading income	641	1,497	11
Other operating income	6,670	8,954	67
Other income	15,034	5,881	44
Total income	¥121,761	¥129,078	\$967
Expenses:			
Interest expenses:			
Interest on deposits	¥ 879	¥ 1,804	\$ 14
Interest on borrowings and rediscounts	821	7,570	57
Other interest expenses	2,239	11,420	86
Fees and commissions	10,185	10,278	77
Other operating expenses	11,912	22,325	167
General and administrative expenses	51,612	51,520	386
Other expenses	15,300	8,230	62
Total expenses	¥ 92,950	¥113,151	\$847
Income before income taxes	¥ 28,811	¥ 15,927	\$119
Income taxes:			
Current income taxes	¥ 6,417	¥ (12)	\$ (0)
Deferred income taxes	1,733	4,403	33
Total income taxes	¥ 8,150	¥ 4,390	\$ 33
Net income	¥ 20,660	¥ 11,536	\$ 86

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Major Shareholders

(As of March 31, 2023)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	34,456	11.03
Custody Bank of Japan, T.	18,630	5.96
Meiji Yasuda Life Insurance	9,504	3.04
Sompo Japan Insurance	7,500	2.40
CP Chemical Inc.	7,463	2.38
Sumitomo Life Ins.	6,038	1.93
Hirogin Holdings For Employee Stock Ownership Plans	5,920	1.89
The Bank of Fukuoka	5,500	1.76
Nippon Life Ins.	4,833	1.54
JP MORGAN CHASE BANK 385781	3,965	1.26

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

*3 Shareholding ratio is calculated by deducting treasury stock (3,000 shares).

Stock Information

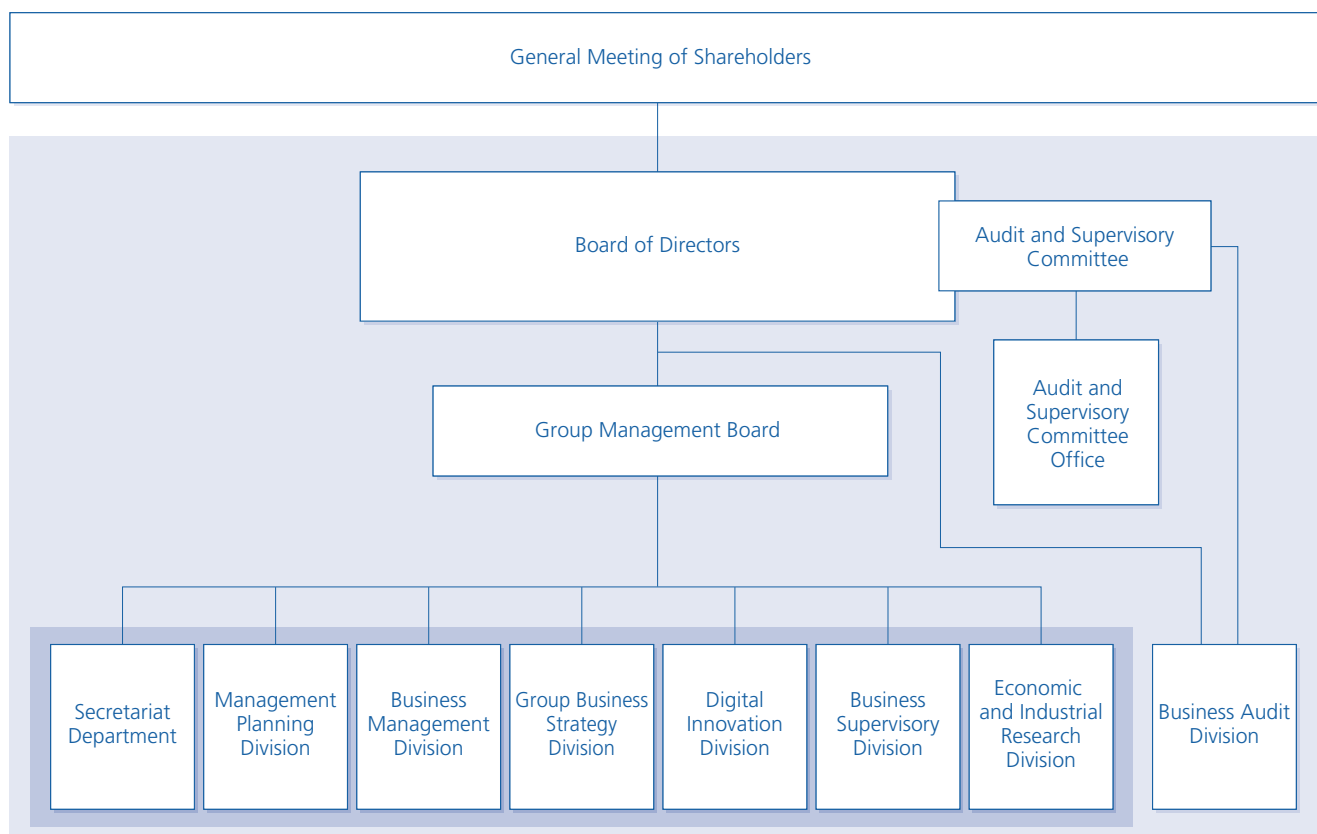
(As of March 31, 2023)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,367 thousand (excluding treasury stock (3,000 shares))
Number of Shareholders	103,232

Organization

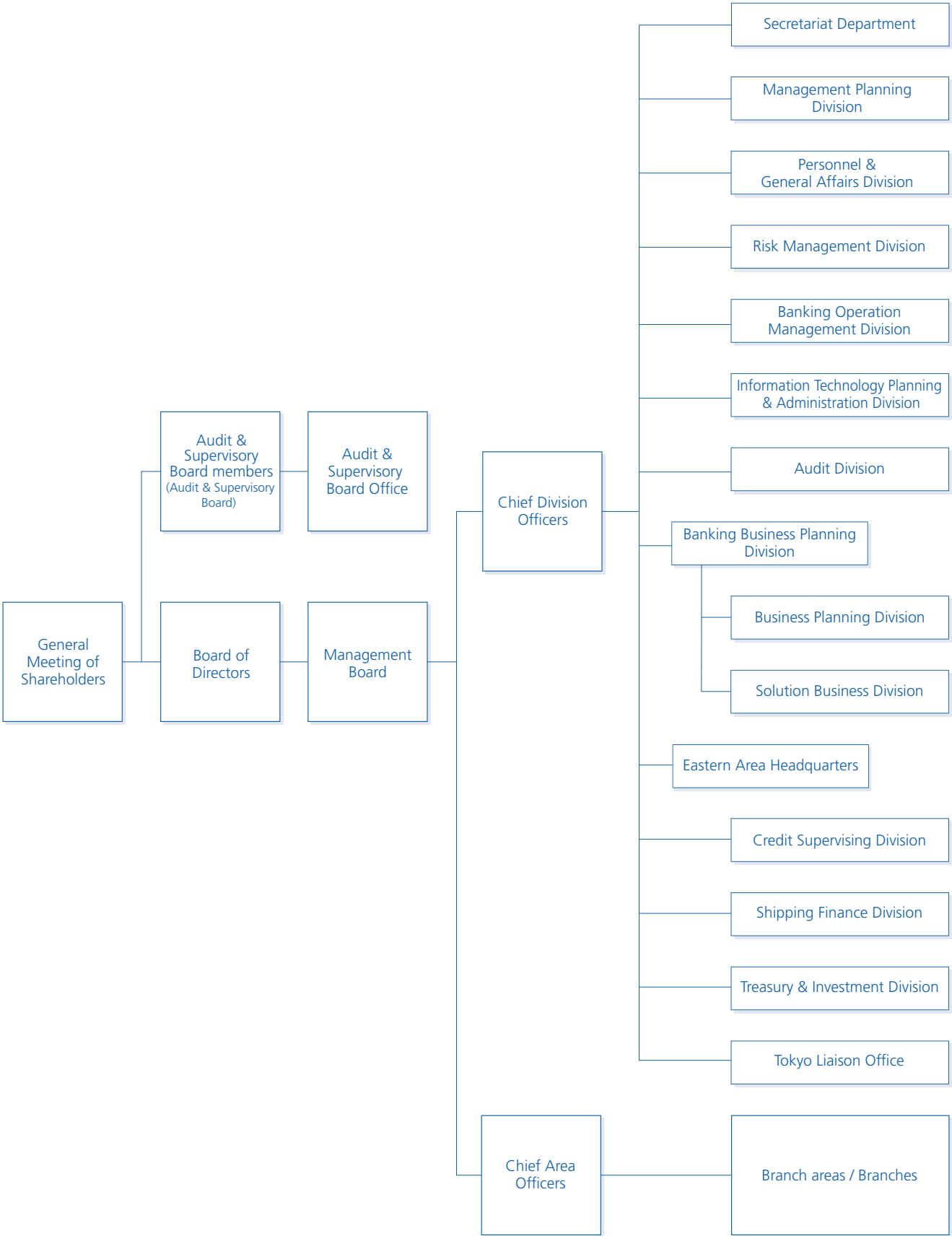
HIROGIN HOLDINGS

(As of April 1, 2023)



Organization

HIROSHIMA BANK
(As of April 1, 2023)



Expanding the horizons of the future



HIROGIN HOLDINGS

Securities
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1-3-8, Kamiya-cho, Naka-ku, Hiroshima City, Hiroshima
730-8691, Japan

Phone: +81-82-245-5151

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