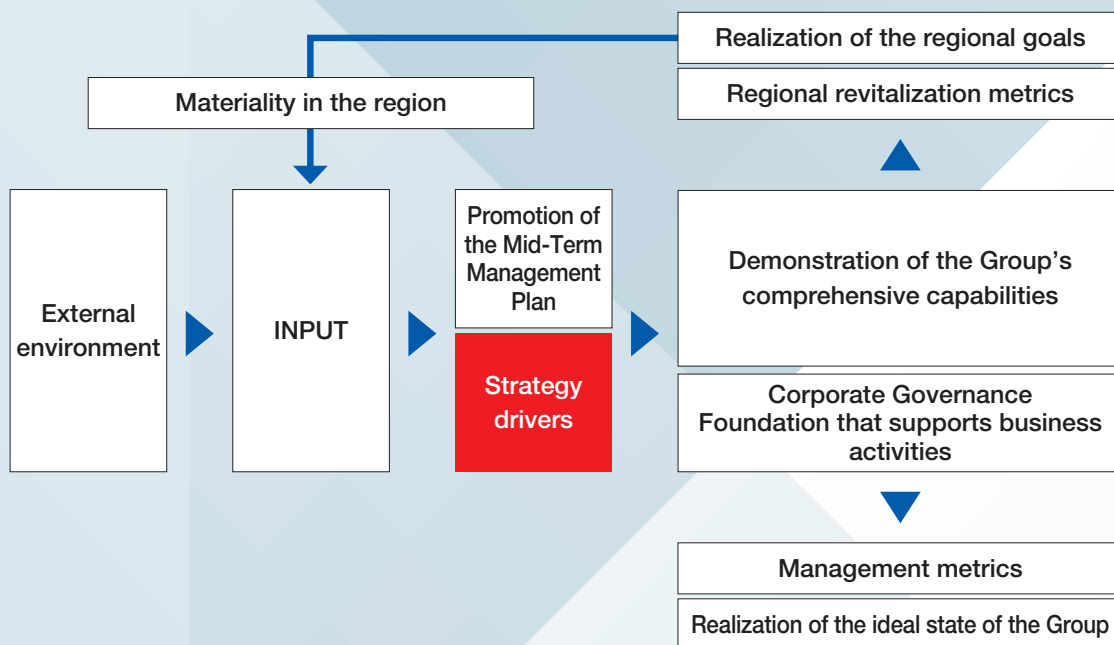


What will we transform

Positioning within the value creation story described in this section



for sustainable growth?

What we want to communicate in this section

- | Approaches and strategies for SX, DX, and AX, which are strategy drivers
- | Approaches and initiatives for human capital management
- | Approaches and initiatives for DX strategies
- | Structures and initiatives to promote carbon neutrality

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SX, DX, and AX (Three Transformations)	71-72
Human Capital Management (Materiality ⑥)	73-84
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Carbon Neutrality (Materiality ⑧)	91-102

SX, DX, and AX (Three Transformations)



Kazuyuki Ishihara

Executive Officer; General Manager,
DX Administration Division



Strategy drivers



Digital transformation

- ▶ Providing new value with DX as the basis for all measures
- ▶ Transforming the mindsets of all employees and proactive initiatives for DX

Value creation strategies

Realizing the ideal

The Hirogin Group promotes DX throughout the Group and with all employees to help to create vibrant regions and achieve growth and development of its customers. Under the Mid-Term Management Plan 2024, which started this fiscal year, we have positioned DX as one of the strategy drivers and are strengthening our company-wide transformation efforts while expanding the scope of our initiatives to customers and local communities. We aim to support the growth of our customers and contribute to the development of the region by providing the know-how and resources we have cultivated to date to promote DX.

We had been operating under the organizational name of the Digital Innovation Division until the previous fiscal year, but we changed the name to the DX

Administration Division in April of this year to clarify our positioning as a division that oversees the DX promotion efforts of each division/department of the Group. We are working on company-wide optimization of internal DX, reiterating that DX needs to be promoted company-wide, not just in specific divisions/departments.

The DX Administration Division promotes and supports DX initiatives in each of the Group's divisions/departments, and is itself responsible for leading cross-organizational transformation initiatives. Without being bound by preconceptions or stereotypes, we will move forward with our efforts with the mindset of all our members to realize our vision of "taking DX as a matter of course and constantly providing new value to the region, customers, and employees."



The Group obtained the DX Certification, established by the Ministry of Economy, Trade and Industry, in October 2022. This certification signifies that the Group has been recognized as a DX Certified Company 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.

* Hirogin Holdings, Inc. obtained the certification following an evaluation of the entire Hirogin Group.

SX

Sustainability transformation

- ▶ Initiatives for climate change and environmental issues (carbon neutrality)
- ▶ Creation of working environments in which diverse human resources can play an active role (diversity, equity, and inclusion)

AX

Alliance transformation

- ▶ Advancing value creation and creating new businesses through external alliances

Management base reinforcement strategies

state 10 years from now



SX

Asako KinoshitaExecutive Officer; General Manager,
Sustainability Coordination Division

The Group established the Sustainability Coordination Division in April 2024. As a strategy driver in the Mid-Term Management Plan 2024, the Group is taking on the challenge of implementing initiatives for sustainability transformation of the Group, business partners, and regions.

In order to accelerate sustainability initiatives and link them to value creation in a way that can be realized by all stakeholders, we need to overcome two barriers. The first is the time barrier. Carbon neutrality and diversity, equity, and inclusion, both key sustainability themes, are often discussed in the medium- to long-term time frame of 2030 and 2050, making it difficult to connect them to the current situation. They are often seen as seemingly in conflict with short-term goals and interests. The second is organizational barriers. Sustainability initiatives are broad and large-scale themes, and there are limits to what a single department or company can do on its own.

The key to overcoming these two barriers and realizing the vision of the region and the Company is how much we can share, verbalize, and put into practice a sound sense of urgency about the current situation and a bold vision for the future with as many people as possible.

In terms of carbon neutrality, we are focusing on engagement with business partners, while also promoting initiatives for cooperation and collaboration

with regional core companies and local governments. In addition, as awareness-raising and penetration within the Company is essential for effective engagement practices, we are also focusing on promoting the acquisition of the Advisor for Decarbonization certificate under the Ministry of the Environment's certification program.

For diversity, equity, and inclusion, we launched a local business network, HATAful, in April 2024. Led by 13 volunteer employees who gathered through an in-house recruitment process, the network has started working with local companies and governments, including Mazda Motor Corporation, The Chugoku Electric Power Co., Inc., and the Hiroshima Prefectural Government. Through this activity, we will discuss ways to increase the attractiveness of Hiroshima as a place to work, leading to a sustainable society where diverse human resources can work in a variety of ways.

Thus, we will promote the sustainability transformation of the Group, our business partners, and local communities, while considering not only the measures but also the awareness of each individual behind them as the scope of the transformation. By doing so, we will aim to realize a virtuous circle of sustainable growth and increased corporate value for the Group, as well as solving environmental and social issues and achieving sustainable growth in the region.



Taking on challenges without fear of failure to realize a vibrant region

Minoru Fujihiro

Managing Executive Officer

Ideal state 10 years from now and current issues (through the “As is - To be” gap analysis)

The Group’s ideal state 10 years from now is to contribute to the realization of a “vibrant region” and demonstrate an overwhelming presence in the region, and we believe that we need to contribute to solving the materiality and social issues in the region. To this end, it is essential to develop human resources who have acquired a high level of expertise to provide advanced solutions and management capabilities to maximize the power of the organization, based on personal integrity we have cultivated over the years. More than ever, we will promote the expansion of human capital investments including reskilling and systematically support autonomous career development through the development of measures in a variety of areas.

We also recognize that it is important to contribute to the revitalization of the region beyond the boundary of the Group, and we will continue to take on challenges without fear of failure, such as providing support to develop local human resources at our newly built training facility and launching a HR development project across companies in the prefecture.

Human resource strategies to enhance corporate value (linkage of management strategies and human resource strategies)

Based on the belief that it is essential for sustainable enhancement of corporate value to effectively recruit, develop, and place human resources as a bearer of management strategy implementation, the Group aims to strategically place human resources to each of its priority areas, including “regional development business,” “corporate business areas (including equity and ship-ping),” “wealth management,” securities investment/ALM, and “IT, digitalization and MEJAR-related.”

Specifically, we will put approximately 240 employees (cumulative total through FY2028) into our priority areas by reviewing our sales structure and improving operational efficiency through the digitalization, etc. We will also promote the reinforcement of portfolio management of specialized human resources primarily by focusing on the recruitment and development of human resources who demonstrate a high level of expertise by means of hiring mid-career professionals and providing employees with experiences beyond the Group boundary through, for example, trainings and traineeships in other companies.

Human resource development policy

We aspire 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. We will develop human resources who can contribute to solving our customers’ challenges, based on “personal integrity” that will be needed in the coming era, by continually striving for self-improvement for the future to become “a generalist with both expertise and management capabilities” or “a specialist capable of generating solutions.”

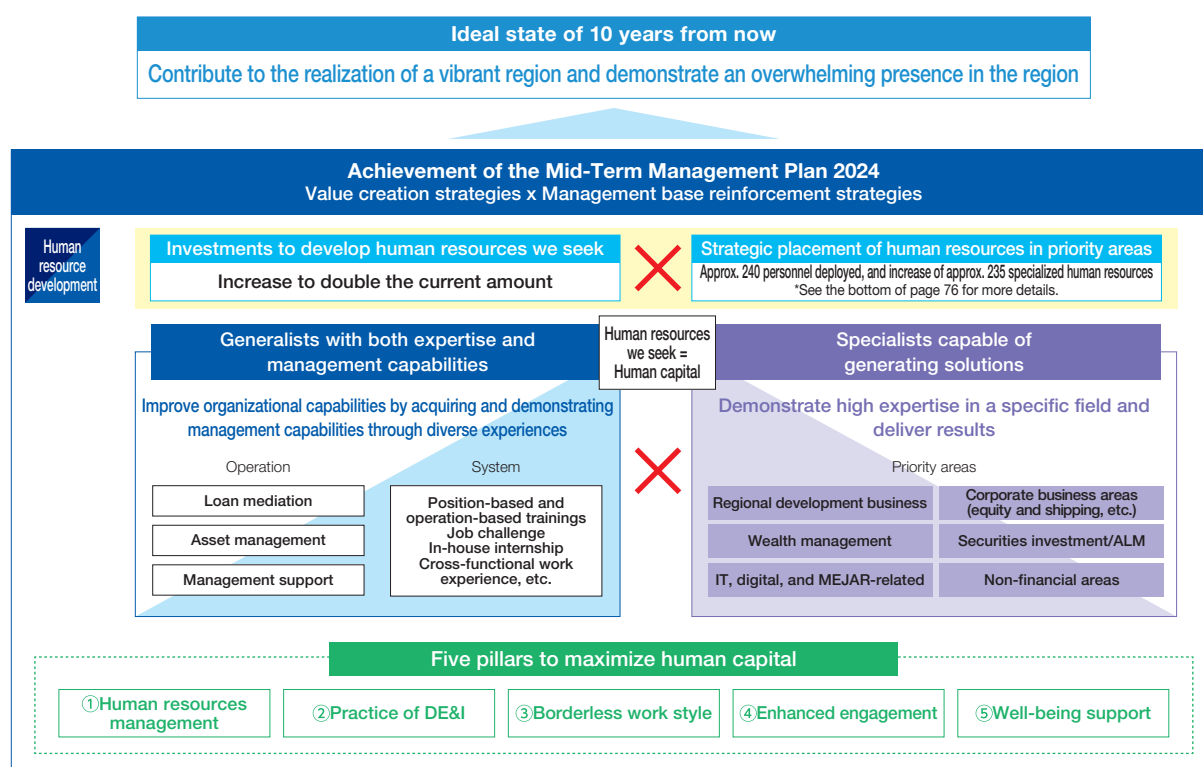
Internal environment development policy

We promote 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.

Overview of Group human resource strategy

We formulated Mid-Term Management Plan 2024 by backcasting from the ideal state 10 years from now. The Plan positions the human resource strategy as one of the core strategies for strengthening the management base to support the value creation strategies for the growth and development of the community and customers, and to accomplish this strategy, we will implement measures in each of the “five pillars to maximize human capital.”

In addition, regarding the Group’s human capital investments, we will work to formulate investment plans, verify their effectiveness, compare them over time and sophisticate our analysis under a framework that clarifies the scope and categories of investments and enables comprehensive and quantitative progress management. As a KPI, we have set the amount of human capital investment per employee and will strive to expand human capital through consistent investments.



The Group’s human capital investment

		(Result)		(Plan)
KPI		FY2023	FY2024	FY2030
Human capital investment per employee		155 thousand yen	205 thousand yen	300 thousand yen
Classification	Specific example	FY2023	FY2024	
Investment in human capital	▶ Investments to develop human resources we seek	240	437	
	▶ Personnel costs to develop human resources we seek	360	360	
	Total development investments	600	797	
	▶ Investments in wellbeing of employees, realization of DE&I, etc.	411	808	
	Total human capital investments	1,011	1,605	
Base-line investment	▶ Investments that serve as the foundation for building an attractive organization	2,093	551	
Grand total		3,104	2,156	

(¥ million)

*Human capital investment per employee = total investment in human resource development / average number of employees during the period

Investment in human capital

▶ For investment in development, we will consider proactively expanding management training, trainee programs aimed at advancing expertise, etc.

▶ We will continue to invest in human resources, recognizing that it is an important investment that also involves employee engagement.

Base-line investment

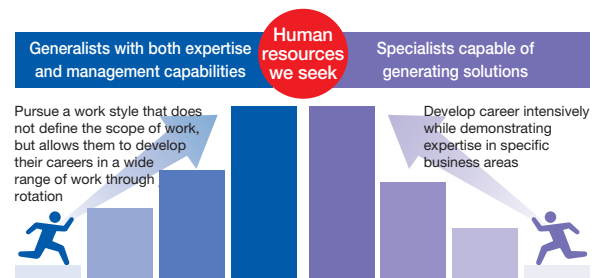
▶ A certain level of investment will be maintained, although it will decline due to the absence of special factors related to the construction of the new training facility and system upgrades.

Human resources management

While clarifying the human resources we seek and putting in place a development system, we aim to build a strong organizational foundation that will continue to contribute to the creation of value for all our stakeholders.

Human resources we seek

The Group defines human resources we seek as generalists with both expertise and management capabilities and specialists capable of generating solutions, and will systematically support their autonomous career development.



Generalists with both expertise and management capabilities

Efforts to improve management capabilities

Based on the belief that the improvement of organizational capabilities through accurate workplace management at manager and supervisor level will lead to fulfilling our Purpose and achieving the management plan, we conduct position-based and theme-based training programs designed to enhance the manage-

ment capabilities of employees. The goal is to enable employees to demonstrate a variety of management styles according to the organization, people, and work situation. At Hiroshima Bank, for example, we also offer training intended for all managers and supervisors.

Development of future executives

The Group conducts the Hirogin Management School as part of its succession plan, which is designed to foster future management candidates. The curriculum of this management school is designed to help participants not only to learn the basic knowledge required for corporate management, but also to gain insights on know-how of building a team that can drive change and decisiveness required of a leader through interaction with participants, and after the training, participants make recommendations to management.

In addition, we continuously dispatch employees to MBA programs in Japan and overseas in an effort to foster future executives at an early stage of their careers.

Number of trainees in the Hirogin Management School (FY2023)

Program	Details	Number of trainees
Hirogin Management School (Practical)	• Program to nurture a sense of mission • Organizational reform	25 persons
Hirogin Management School (Upper)	• Technovate strategies • Design thinking • Leadership	43 persons
Hirogin Management School (Intermediate)	• Business strategy • Marketing • Reinforcing influence on others	34 persons

Company-sponsored enrollment in MBA programs (cumulative total as of March 31, 2024)

Program	Number of employees enrolled
MBA programs outside Japan	24 persons
MBA programs in Japan	22 persons

Illustrative career path and training system

Age group (typical job position)	20s- (general employees)	30s- (supervisors)	40s- (supervisors or managers)	50s- (managers or executives)
Position-based training	Onboarding program Induction training for new employees Follow-up training for new employees Follow-up training for second-year employees	Career development training (age 30) Training for new supervisors Management training for supervisors*	Career development training (age 40) Training for new managers Management training for Managers	Reskilling program for senior employees
	Career development training (third year)		Hirogin Management School	
Theme-based training	Practical communication training Leadership training	Management training Team building training	Facilitation training	
		Udemy Training** HHR Training** Insource offered training**		

*1 In FY2023, it was implemented at the Hiroshima Bank. *2 Training utilizing video content provided by Benesse Corporation

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

*4 Dispatched to public lectures hosted by Insource Co., Ltd. in an effort to expand the themes of theme-based training

Support for advancement in expertise

At Hiroshima Bank, customer service at sales branches is broadly divided into Corporate and Retail sections. We have established a Meister Certification System as a final goal of operational skills for general employees, and has put in place a system to enable them to improve their operational skills according to their careers. In addition, the self-development incentive fund system, which

provides incentives for the acquisition of qualifications, is not limited to finance related qualifications. But it is flexible enough to cover a wide range of qualifications, thereby providing active support for addressing all customer needs, realizing careers, and enhancing expertise.

► Number of certified Meisters (FY2023)

Category of Meister	Number of certified persons	Number of newly certified persons
Consulting*	18 persons	5 persons
Corporate	74 persons	19 persons
Retail	91 persons	11 persons

* Of Corporate or Retail Meisters, a higher level of Meister recognized for those who practice consulting sales at a high level and have a certain level of skill in the other business as well

► Number of major qualification holders (as of March 31, 2024)

Details	Number of holders
Number of FP 1st-grade and CFP holder*	(Group) 466 persons
Senior M&A expert	(Group) 149 persons
IT Passport	(Group) 2,318 persons

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

Specialists capable of generating solutions

Based on the belief that the provision of accurate solutions by specialists with advanced expertise will lead to the development of the region and customers and the accomplishment of the Group's management strategies, we aim to further enhance our expertise not only through internal training but also through the expansion of

external training and the dispatch and secondment of trainees. In addition, by actively hiring mid-career human resources, we believe that knowledge and experience that cannot be obtained only within the company can be returned to the company, and this will lead to further improvement of our specialists.

Strengthen management of specialized human resources portfolio

In order to achieve the goals of the Mid-Term Management Plan 2024, the Group is taking steps to realize strategic placement of human resources. Specifically, among specialists, we define "specialized human resources" as those who demonstrate a high level of expertise in their respective fields and contribute to the enhancement of corporate value through the continuous creation of results, and we are working to strengthen our management of specialized human resource portfolio by focusing on recruitment, development, and allocation of such human resources. In April 2024, a personnel dedicated to the management

of specialized human resources was assigned within the Personnel & General Affairs Group to work closely with the administration divisions in each priority area, with the aim of achieving integrated human resources management linked to the business models of each priority area.

In addition, we plan to introduce a talent management system by the end of the fiscal year, which will lead to the accomplishment of our management strategy through the practice of effective recruitment, development, and placement based on open and digital human resource management.

► Allocation of resources to priority areas

Priority areas	Human resources to be deployed (~FY2028)	Number of specialized human resources in priority areas*1 (FY2028, compared to FY2023)	Revenue effects (FY2028, compared to FY2023)
Regional development business	+ approx. 15 persons (currently 33 persons)	+ approx. 15 persons (currently 15 persons)	+ approx. ¥1.5 billion
Corporate business areas*2 (equity business, shipping, etc.)	+ approx. 100 persons (currently 103 persons)	+ approx. 50 persons (currently 51 persons)	+ approx. ¥5.0 billion
Securities investment and ALM	+ approx. 7 persons (currently 45 persons)	+ approx. 10 persons (currently 42 persons)	+ approx. ¥14.5 billion
Wealth management	Raise about 60 of the current human resources to specialized human resources through development		+ approx. ¥1.0 billion
IT, digital, and MEJAR-related	+ approx. 100 persons (currently 83 persons)	+ approx. 100 persons (currently 62 persons)	*Create new businesses and increase efficiency by coping with MEJAR, utilizing DX, etc.

*1: The definition of requirements for "specialized human resources" in each area will be reviewed in the event of changes in strategy or other changes due to changes in the external environment.

*2: The corporate business areas consist of business revitalization, support for mid-term plan formulation, M&A, business succession, equity business, shipping, and global solutions. The number of specialized human resources is the total number of specialized human resources in each area (if the same person falls under more than one area, he/she is counted in duplicate).

*: In addition to the above, we plan to deploy approximately +15 persons in non-financial areas such as HR and labor consulting by Hirogin Human Resources.

Diversity, equity and inclusion practices

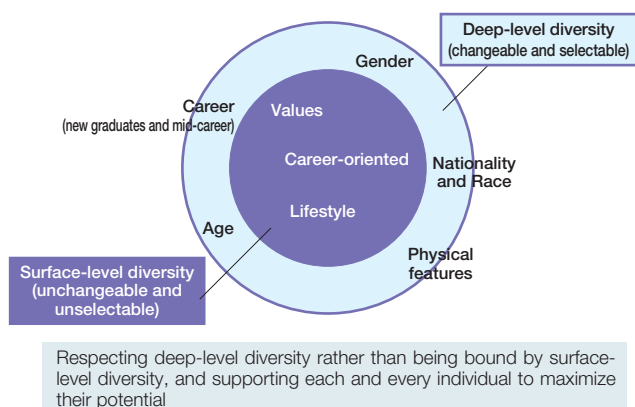
The Group believes that the purpose of diversity, equity and inclusion is to build an organization in which everyone can maximize their potential to take an active role, respecting deep-level diversity, rather than being bound by surface-level diversity.

Aiming to be an organization in which everyone takes an active role, we are hiring a diverse range of human resources (hiring new graduates, half male and half female; strengthening mid-career hiring; achieving the legally mandated employment ratio of people with disabilities; and introducing reemployment until the age of 70). In particular, we aim to actively employ people with disabilities, exceeding the legally mandated employment rate, and have established a special

subsidiary and are employing people with disabilities through inclusion at all Group companies.

Meanwhile, the Group has a long way to go in terms of diverse human resources playing an active part, with less than 10% of women, who account for 40% of the workforce, being promoted to managerial positions. Diversity at the decision-maker level is a key growth driver for us, and we need to increase the percentage of women in managerial and supervisory positions as soon as possible. We are striving to speed up the identification of issues and implementation of measures to achieve our goal of reaching a 30% ratio of women in managerial and supervisory positions by 2030.

DE&I's objective: For everyone to take an active role



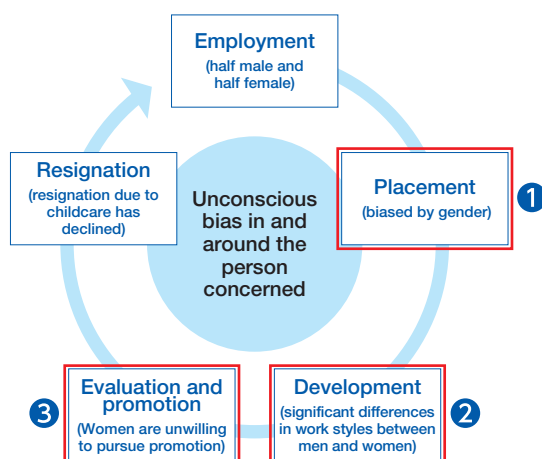
Goals and current status

Indicators	Results (FY ended March 31, 2024)	Goals (FY ending March 31, 2025)	Goals (FY ending March 31, 2031)
Ratio of women in managerial positions	8.6%	12%	Approx. 25%
Ratio of women in managerial and supervisory positions	18.6%	20%	Approx. 30%
Ratio of women in candidates for managerial and supervisory positions	35.1%	36%	Approx. 45%
Ratio of women to new employees	47.1%	Approx. 50%	
Ratio of women to all employees	40.4%	41%	Approx. 45%
Number of mid-career employees	36 persons	70 persons	Approx. 100 persons
Rate of employment of people with disabilities	2.6%	2.7%	3% or more

Proactive promotion and support for the career development of female employees

The Group has identified three reasons why the ratio of women in managerial positions remains low compared to the ratio of male to female employees: ① gender bias in placement, ② differences in work styles between men

and women, and ③ women's attitude toward promotion, and is planning and implementing measures to resolve each issue.

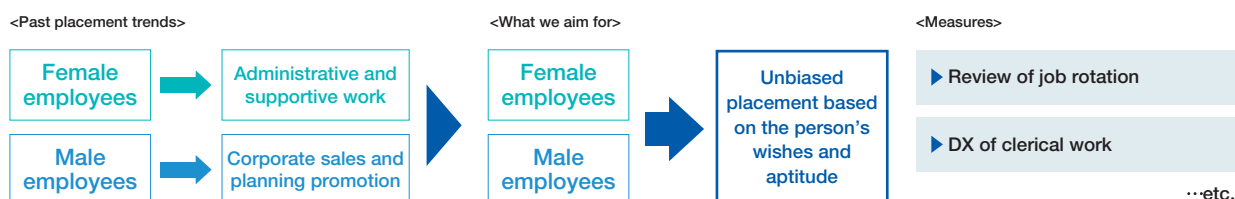


	① Job duties and experience	② Work style	③ Mindset and stance
Challenges	Women are assigned for long periods of time to job positions that do not lead to promotion.	There is a significant gap in work styles between men and women in mid-career (child-rearing years) work.	No change in stance toward higher positions, no desire for promotion
Root cause	Biased notion that administrative and supportive work is women's work (the boss)	Biased notion that childcare is for women (organization-wide)	Biased notion that promotion and family life are not compatible and promotion is not something you aim for yourself (the person concerned)
Measures	Review of job rotation (HBK)	Promotion of male childcare leave	Coaching, Training, Awareness Seminar
Formulation of gender unbiased appointment plans and mentoring for diversity training			

① Gender bias in placement

In the past, regarding employee placements, there has been a tendency to assign women to administrative and supportive work and men to corporate sales, planning promotion, and other work. Such a placement has led to the creation of gender disparities in subsequent

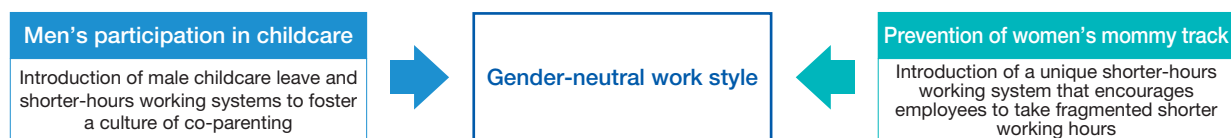
development systems, promotions, and appointments. Based on these issues, we will review job rotations, etc., and promote unbiased placement according to the wishes and aptitude of each individual, regardless of gender.



② Differences in work styles between men and women

To truly achieve DE&I, it is necessary to realize a gender-neutral work style. In view of the current situation in which the burden of housework and childcare is disproportionately placed on women, based on the

assumption that they work long hours, we are trying to achieve a gender-neutral work style by promoting the participation of men in childcare and introducing a unique shorter-hours working system.

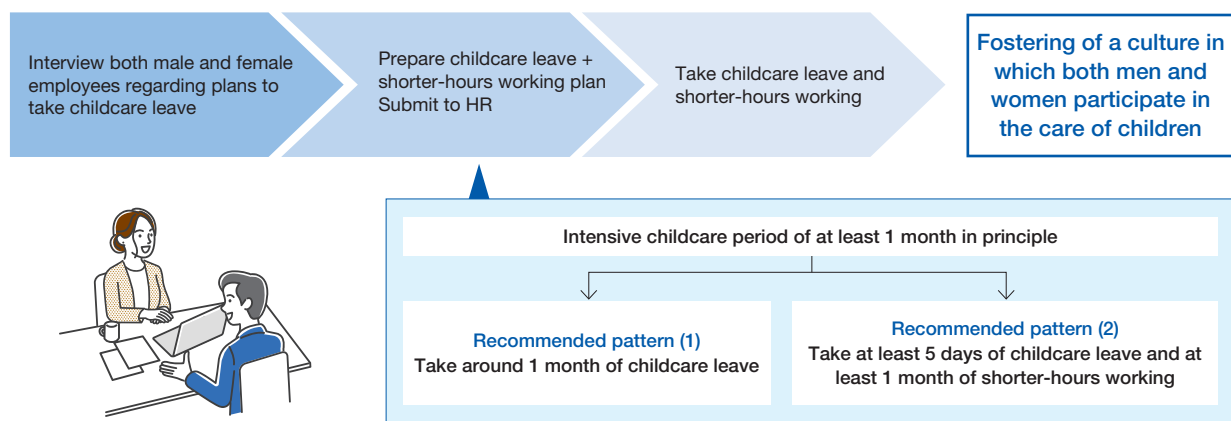


■ Male participation in childcare (introduction of male childcare leave and shorter-hours working systems)

Furthermore, since 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-hours working systems, with the aim of encouraging men to participate in the care of their

children. By incorporating not only childcare leave but also shorter-hours working into the system, we aim to make it normal for men to go home early to pick up their children at nursery school, etc.

Message from Hirogin Holdings President sent to presidents of individual companies (Stating that this was a serious initiative aimed at the problem of the declining birthrate and the elimination of unconscious bias)



Childcare leave usage rate FY2023

Male employees 88%

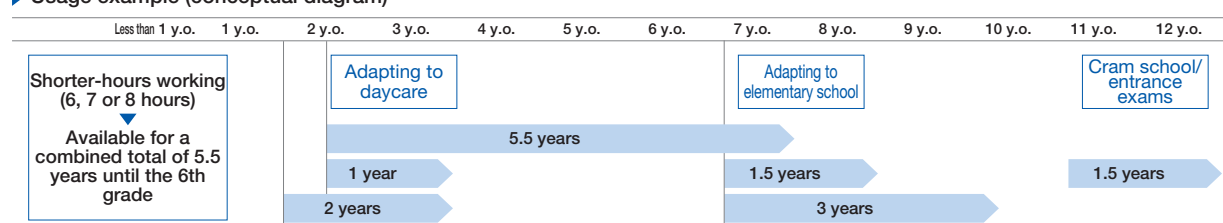
* Based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, the calculation for the period in question (April 1, 2023, to March 31, 2024) is made by dividing the number of workers who took childcare and other care leave by the number of workers who, or whose spouses, gave birth. All workers who, or whose spouse, experienced childbirth in FY2023 will receive childcare leave. (including planned)

■ Prevention of women's mommy track (introduction of our unique shorter-hours working system)

In light of the issue of women taking shorter working hours over longer periods of time being a factor in mommy track, we have revamped our shorter-hours working system at all Group companies beginning in 2019. By extending the period of time that had previously been available only until the children in employees' care were in the lower grades of elementary school, but this has been extended to the 6th grade. At the same time, by setting the total acquisition period to 5 and a half years, we encouraged fragmented acquisition when it was truly necessary. With the revision of this system, the work hours of employees working shorter

hours at Hiroshima Bank have changed significantly. The application period for shorter-hours working has been shortened and more women are reviewing their working hours in a short period of time. In addition, while many female employees caring for children had previously chosen to work 6 hours or less, more than half now have chosen to work 7 hours or more. At the same time, progress has been made in the reduction of overtime hours company-wide, and the gap in work hours between employees working shorter hours and those working regular hours is shrinking.

► Usage example (conceptual diagram)



③ Women's attitude toward promotion

Based on the current situation where many female employees at each company have a passive attitude toward promotion, we are making efforts to enhance

their motivation for promotion by providing a variety of training and coaching programs for female employees.

Target	Measures
Candidates for managerial and supervisory positions	Coaching <ul style="list-style-type: none"> Individual and group coaching for female employees who are candidates for managerial and supervisory positions to enhance their motivation for promotion to higher positions
Mid-career female employees	Career support training <ul style="list-style-type: none"> Training to learn how to think and behave needed to aim for higher positions
Young to mid-career female employees	Role model café <ul style="list-style-type: none"> Networking events with female in managerial and supervisory positions who have ideal work styles and female employees who aspire for managerial and supervisory positions

Measures common to issues ①-③

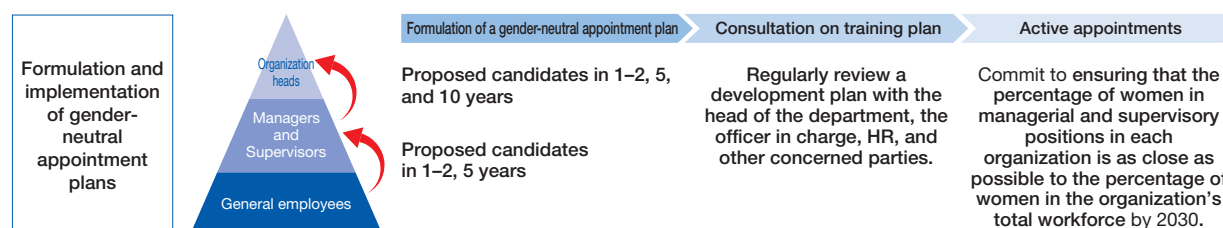
As a common measure to address all three of the following issues: ① gender bias in placement, ② differences in work styles between men and women, and ③ women's attitude toward promotion, diversity training is provided for employees. In addition, in order to ensure

not only a change in attitude or mindset but also a correction of the resulting promotion disparity, we are formulating and putting in place a plan for mid- to long-term training and gender-neutral appointment of manager and supervisor-level employees.

► Diversity management (unconscious bias) training

For managers	In FY2023, diversity management training was conducted for all organization heads at Hiroshima Bank to recognize the existence of unconscious bias and realize the success of diverse human resources.
For supervisors	In FY2024, diversity management training is also being conducted to supervisory positions at Hiroshima Bank, which are pre-managerial positions.

► Formulation of a plan for mid- to long-term development and gender-neutral appointment of manager and supervisor-level personnel



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 fulfillment and job 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 enhancing our follow-up system.

■ Enrichment of job duties at a special subsidiary

In 2022, Hirogin Business Service Co., Ltd., was certified as a special subsidiary. Two courses have been established to enable people with disabilities to engage in work that takes advantage of their characteristics and

Specifically, we have introduced a course-based personnel system at a special subsidiary according to the type of disability, creating an environment in which each individual can engage in work suited to his or her needs. From the viewpoint of inclusion, we have also strengthened recruitment at each company and established a group-wide follow-up system.

Course	Details
F Course (F for frontier; the course for cultivating a wealth of possibilities)	Regular and repetitive tasks requiring knowledge and skills (e.g., data entry by computer)
S Course (S for smile; the course for working with a smile and a sense of fulfillment)	Regular and repetitive tasks (business card printing, rubber stamp creation, clerical work support, cleaning, etc.)

In December 2023, Hirogin Holdings was recognized and awarded as an Ai Support Company* for actively hiring and conducting study sessions for all employees throughout the Group.

(*Certified by Hiroshima Prefecture for companies that actively engage in the Ai Support Movement)



■ Promoting Inclusion

To achieve true diversity, equity and inclusion, we are not only hiring within our special subsidiary but also hiring the right people in the right places at each Group company according to the characteristics of their disabilities.

In 2024, we are strengthening our retention support across the Hirogin Group by assigning specialized human resources holding Certified Social Worker and Mental Health Social Worker qualifications. Moreover, in accordance with the mandatory implementation of the Act for Eliminating Discrimination against Persons with Disabilities, all employees have taken an e-learning course so that people with disabilities can visit our branches with peace of mind.

Group company name	Actual number of employees (June 1, 2024)
Hiroshima Bank	89.5 persons
Hirogin Securities	3 persons
Hirogin IT Solutions	9 persons
Hirogin Business Service	37 persons

■ To be a role model for the regional community

To be a role model for the regional community, we will continue to actively promote the employment of people with disabilities and aim to achieve the legally mandated employment rate of 3% as soon as possible. In addition,

we will proactively return our efforts to the community by accepting tours and practical training at our special subsidiary and through a variety of seminars.

	June 1, 2023	June 1, 2024	Target
Rate of employment of people with disabilities	2.5%	2.7%	3.0%

Borderless work style

The Group is promoting the acquisition of diverse values and skills and active challenges in new environments, while working to create an environment in which all

employees can transcend various boundaries of time, place, organizational affiliation, career, and other factors to maximize the capabilities they possess.

Realizing flexible and efficient work styles

Through the development of various systems that enable flexible working styles regardless of time and location, many employees of the Group are utilizing flextime and remote working systems, and a hybrid working style combining office work and remote work has taken root. Furthermore, with the aim of fostering awareness of the need to reform work styles, Hiroshima Bank has designated every Wednesday as a “day for increasing productivity even more” for departments at the Head Office, making work hours 8 hours or less. We are also

promoting flexible and efficient work styles by introducing a work hour interval system (11 hours) for all employees. The average number of days of paid leave taken per employee is also on the rise, at 15.7 days in FY2023 (a 0.6 day increase from the previous year).

Average number of paid leave taken per employee	15.7 days (a 0.6-day increase from the previous year)
Average monthly overtime hours per employee	8.1 hours (a 0.38-hour increase from the previous year)

Support for proactive challenge and growth

In April 2023, the Group introduced the Cross-functional Work Experience Program “Hirameki ☆ 1Day’s). The program aims to allow employees to create their own opportunities for new experiences, and foster innovative thinking, thereby invigorate the organization, enabling them to raise their hands and take on new challenges that are not currently available on their career path, such as outside companies. In addition, in October 2023, we introduced a system that allows side jobs related to community contribution, learning and growth. The

purpose of the system is to motivate employees to contribute to the local community and to revitalize the region, and to increase the diversity and expertise of employees by acquiring new knowledge and information and forming personal networks, which will lead to organizational revitalization and innovation. As of July 2024, 23 employees are using the side job system to create diverse values for all stakeholders beyond the organizational framework.

Acquisition of diverse values and skills

The Group welcomed 36 mid-career hires on board in FY2023, with the goal of hiring 70 in FY2024. We will continue to actively recruit mid-career human resources with a wealth of experience from other industries than the financial circles, with a focus on those with skills and experience in IT and digital fields.

▶ Number of users of various systems for borderless work styles (Hiroshima Bank)

Details	FY2023 result
Number of internal internship participants	315 persons
Number of users of career change support*	2 persons
Number of transferred employees due to use of job-challenge system	28 persons
Number of applicants for Hirameki ☆ 1Day’s	63 persons

*A system that supports early skill development for employees who wish to advance their careers by providing them with a certain period of time (6 months) of training in a new job that they wish to take on.

Voices of mid-career hires

After joining Hirogin Holdings in 2024, I have been engaged in DX strategy planning and promotion for the Group. I am working to digitize our company and solve local issues while utilizing my previous experience and actively incorporating new knowledge and values. In the DX area, there are many opportunities to collaborate with other departments, but we are able to work based on a relationship of trust because respect for others permeates the culture in which we call each other by san rather than by their job title. On top of that, I am expected to be actively involved in organizational development and human resource development, and I hope to further integrate new values and cultures.



Shingo Kawate

DX Administration Division

Previous job
Integrated consulting and IT venture

Strengthening engagement

The Group's corporate culture is based on a spirit of challenge, which is the foundation of all our efforts, and we are working to motivate each and every employee by

Fostering a culture of challenge

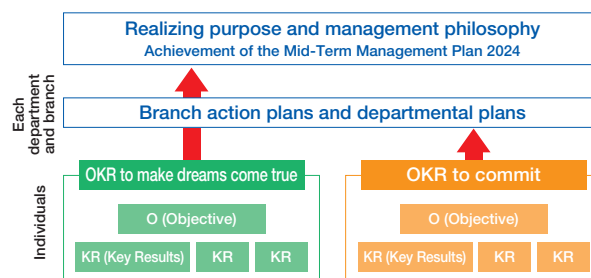
The Group is developing an environment to create an organization that is not afraid of change and where taking on challenges is just a matter of course. Specifically, we are focusing on fostering a culture that encourages taking on bold challenges and supporting individual efforts. We achieve this through various initiatives, such as hosting a Business Contest open to all employees across the Group and forming a Future Creativity Working Group 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.

In FY2023, we also 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

fostering an organizational culture of mutual interest in and praise for the people around them.

made toward achieving those goals. We 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.

► Introduction of Hirogin's version of OKR



Employee retention support

The Group has reviewed the training program for new employees as an onboarding program, dividing it into multiple sessions so that it can be more detailed and appropriately timed. In addition, since April 2020, the Hiroshima Bank has assigned a personnel dedicated to the systematic development of young employees (personnel in charge of human resources development) in the Personnel & General Affairs Division, who regularly follows up and motivates employees up to their third year with the Bank through interviews and other means. 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 on a scale of 1 to 10. The percentage of those who responded with 6 or above was read as high levels of job satisfaction.

► The attrition rate for employees within their first three years (as of March 31, 2024)

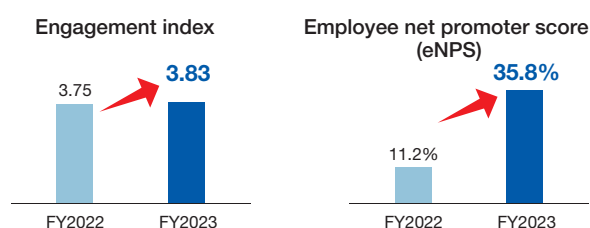
Group company name	FY 2020 Entry	FY 2021 Entry	Reference	
			FY 2022 Entry (after 2 years)	FY 2023 Entry (after 1 year)
Hiroshima Bank	17.8%	14.4%	9.0%	3.1%
Hirogin Securities	30.0%	25.0%	5.6%	0.0%
Hirogin Lease	0.0%	0.0%	16.7%	0.0%
Hirogin IT Solutions	8.7%	13.3%	0.0%	5.9%

* The turnover rate for employees within three years of joining the company (including both new graduates and mid-career hires) is calculated as follows: (Number of people who joined the company in a given fiscal year and left within three years) / (Number of new employees in a given fiscal year) × 100%.

Enhancement of employee engagement

As one indicator of the sustainable growth of the Group, we conduct employee attitude survey from the perspectives of expectations and realities, including their sense of purpose, empathy with our corporate culture, and enthusiasm for their work. In FY2023, the engagement index was 3.83 and the eNPS was 35.8%, both of which were higher than the previous year. We will continue to work to build a relationship of trust with our employees and improve the workplace environment and culture, and strive to create an attractive corporate culture and workplace environment where employees can work with pride.

► Results of the FY2023 attitude survey for employees of Hirogin Holdings



* 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.

* 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.

Well-being support

In order for employees to feel a sense of fulfillment in their jobs, it is essential that the company provides support for their well-being, in addition to their own personal growth. In addition to being certified as a Health & Productivity Management Outstanding Organization (White 500), the Group is also certified as a Sports Yell

Company, and we are focusing on promoting the health of our employees. In April 2024, over 3,000 employees took part in the Hirogin Group Sports Day, aiming to revitalize internal communication and establish a regular exercise routine.

▶ 2024 Health & Productivity Management Outstanding Organization



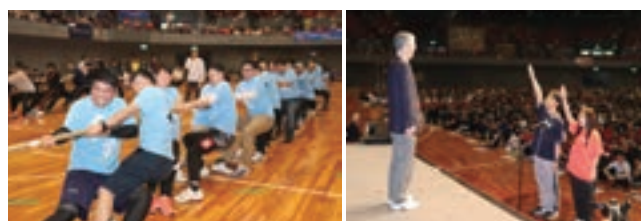
Health & Productivity Management Outstanding Organization 2024 (large enterprise category)
White 500 certified logo mark

▶ Sports Yell Company 2024



Sports Yell Company 2024 certified logo mark

▶ The Hirogin Group Sports Day 2024, etc.



Financial Wellness Initiatives

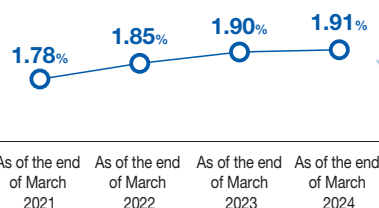
We recognize that having not only job satisfaction, but also an enjoyable personal life is important for our employees when it comes to leading holistically fulfilling lives. On this premise, we are promoting initiatives for the financial wellness of our employees.

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. In August 2023, the amount of the incentive was increased, and in October of the same year, an Employee Stock Ownership Plan (ESOP) Trust was introduced. The employee participation rate in the stock ownership plan is high, at approximately 80% (as of March 2024).

▶ Status of the Employee Stock Ownership Plan

Encouragement of participating in the Employee Stock Ownership Plan

○ Percentage of shares held by the employee stock ownership plan to the number of shares issued (excluding treasury shares)



Employee participation rate
78.7%
(+1.1 pt YoY)

Average contribution per employee
@¥6,453
(+¥1,790 YoY)

Review of employee compensation and treatments of group companies

In order to achieve well-being, it is essential to ensure that the compensation aspect which is a foundation of the lives of employees is substantial. In light of the increased burden associated with the recent surge in prices, the Group is continuously working to improve the

treatment levels of our employees. Under the "Mid-Term Management Plan 2024", we will work to unify the different treatment levels among group companies, and will focus on strengthening the profitability of each company and responding to system revisions, etc.

Company name	FY 2023 (Results)		FY2024 (Results)		FY2025 (Plan)	
	Base salary increase	Base salary increase	Starting salary *		Base salary increase	Starting salary *
Hiroshima Bank	2%	3%	¥225 thousand (+ ¥20 thousand from the previous year)		Considering improvement of treatment through revisions of the personnel system	¥250 thousand (Plan)
Hirogin Securities			¥220 thousand (+ ¥10 thousand from the previous year)			
Hirogin Lease			¥225 thousand (+ ¥24 thousand from the previous year)			
Hirogin IT Solutions			¥220 thousand (+ ¥20 thousand from the previous year)			

*Level for university graduates in a course that do not limit the location of work

Initiatives for helping to create a vibrant region

Opening of the Hirogin Career Co-creation Center

The Hirogin Career Co-creation Center, which opened in March 2024, is used not only for training within the Group, but also as a venue for seminars for executives and employees of local companies, and for counseling for people who want to change jobs or are looking for work. Through reskilling support and human resource exchange, the Center aims to contribute to the revitalization of local communities as a place for developing human resources in the region.

It is used by a wide range of people as a place for developing human resources in the local community.



Yu Futamata

Training Business
Department, Hirogin Human
Resources



Example of public training seminar

[Common Skills Seminar]

- Communication skills training
- Training on how to foster Generation Z

[Training for management]

- Hirogin Top Academy
- Hirogin training for developing brains for the management
- Hirogin training for developing the management

Customers' Voices

- General Manager at a Manufacturing Company -

We used the Center for in-house training for managers. Until now, we have had difficulty holding group training sessions due to issues with access to the head office and the fact that we have multiple bases, such as factories.

This facility is close to Hiroshima Station and is easy to access, so it's easy to get together, and you can also choose a training room that suits the number of participants, so we would like to use it on a regular basis!

The Launch of HATAful - To Enhance the Appeal of Hiroshima as a Place to Work

The Group has launched the HATAful project, a network of companies that creates colorful and attractive "work" that serves as a flag-bearer for the local community. Hiroshima Prefecture continuously experiences excess population outflow. Therefore, we will work as a network of companies in the prefecture to create more attractive workplaces, with the aim of making Hiroshima a place where businesspeople gather, and we will work as a platform to create mechanisms and bring about change.



HATAful Concept

This is a network of people who are changing their local community by thinking about and putting into practice what they can do for the future of their beloved Hiroshima.

Participating companies, etc.

Under the HATAful Concept, Hirogin Holdings, Chugoku Electric Power, Mazda, Hiroshima Prefecture, and other venture companies in the prefecture are working together. HATAful envisions that this will spread to companies in the prefecture.

Content of the initiative

From May to July, members gathered to hold discussions. We will implement the measures in the following steps.

- STEP1** Depict the ideal state of Hiroshima
- STEP2** Consider measures to realize the ideal state
- STEP3** Achieve the goal together with other companies in the prefecture

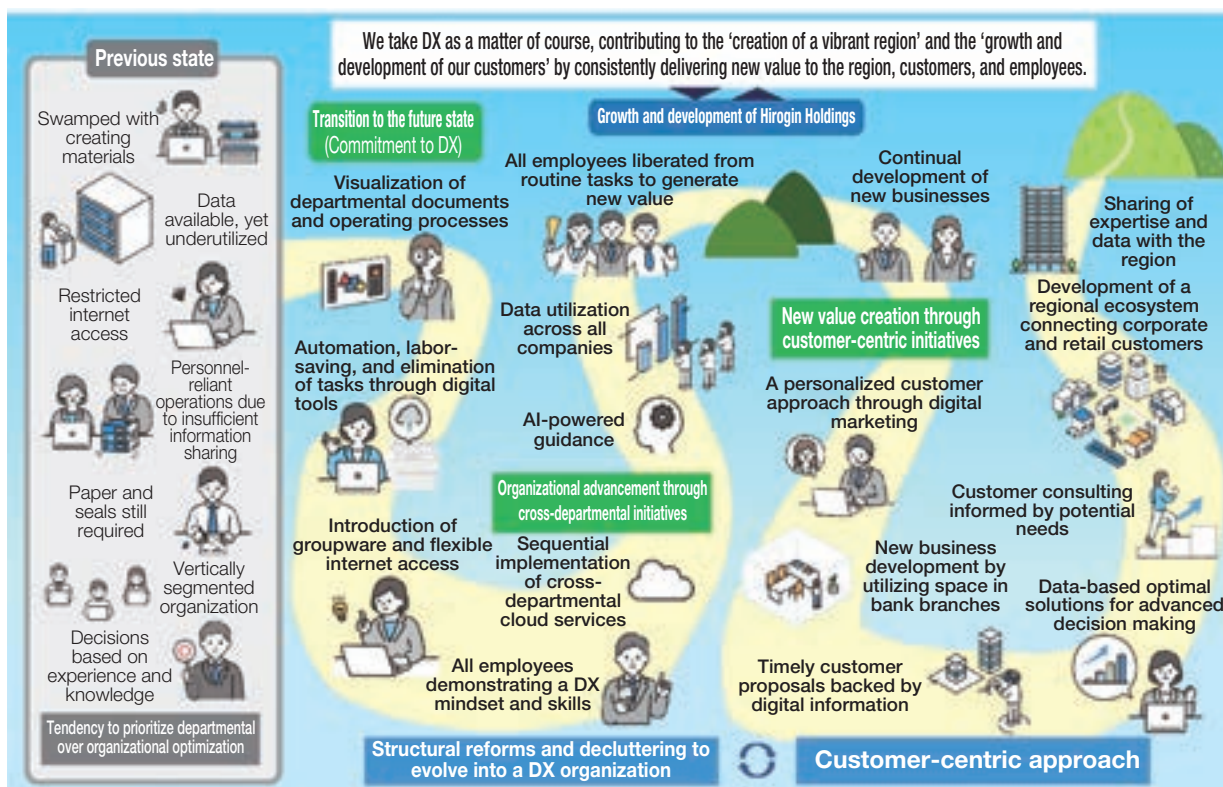


DX in Hirogin Group

In alignment with the Mid-Term Management Plan 2024, which was launched in April 2024, we have formulated DX strategies. A diverse group of participants, ranging from young employees to the management team, contributed to the formulation by defining a DX-driven future vision and identifying key issues using a backcasting approach to realize that vision. The process discussed is illustrated in the graphic below.

To enhance the perception of DX, which is often seen as difficult to understand or uncertain in relevance, graphic visualization effectively clarifies the future vision and aligns the understanding and perspectives of all members, from young employees to top management. Going forward, as all employees recognize DX as their ownership, we will declutter operations for organizational advancement and efficiency with cross-divisional initiatives, while also focusing on creating new value from the customer perspective and other efforts.

► Our DX-driven future vision (visual overview)



Overall picture of strategies to realize DX

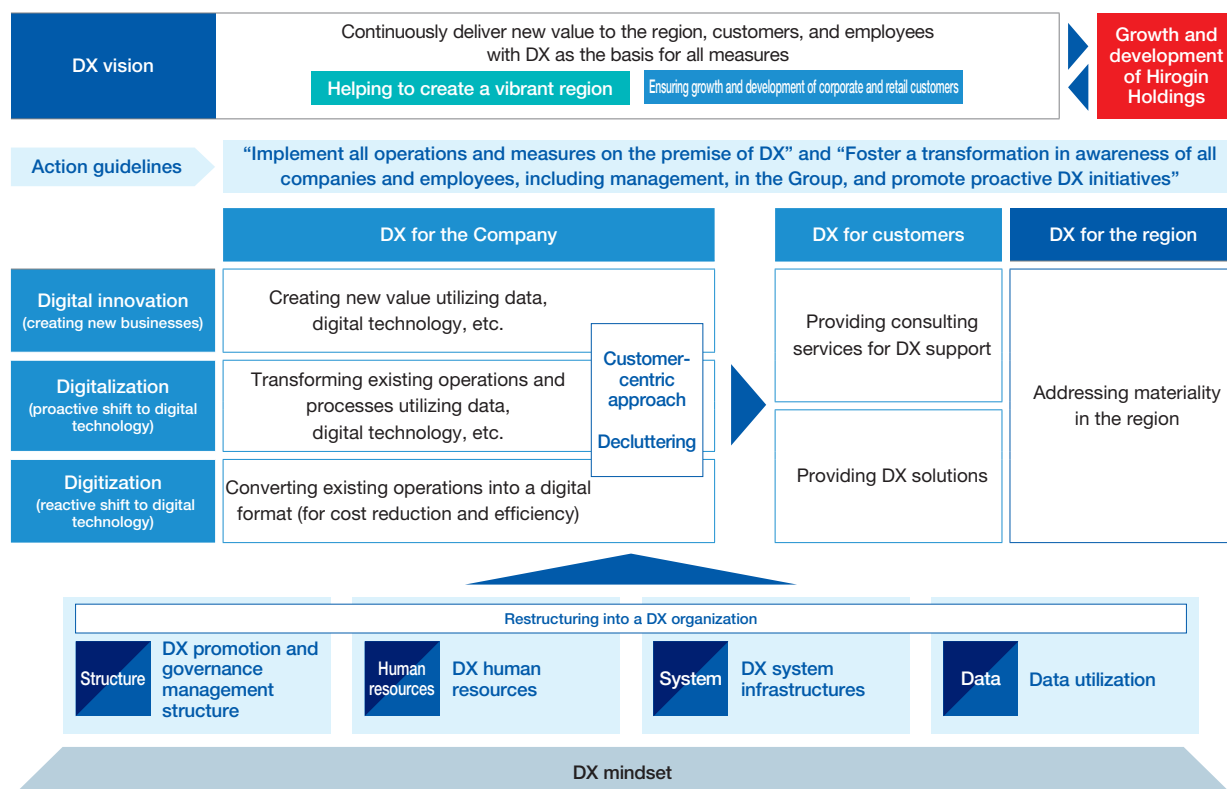
Although the Company has primarily concentrated on promoting DX internally, the Mid-Term Management Plan 2024 will expand our focus to include DX initiatives for our customers and the region. Consequently, we aim to enhance support as the entire Group to solve customers' issues, fulfill their needs, and revitalize the region.

We will deliver enhanced, comprehensive support to our customers by integrating DX consulting elements into the tool implementation support and system development efforts that the Group is undertaking. Specifically, by understanding the status of each customer's digital efforts, we assist them in enhancing competitiveness through digitalization. Our consistent support includes raising awareness, identifying and analyzing issues, formulating strategies, implementing tools and solutions, and providing follow-up services.

For the regional community, we contribute to regional revitalization by providing the Group's expertise, human resources, and other resources to support local

government measures. Additionally, we focus on fostering next-generation digital human resources in coordination with regional educational institutions, aiming for sustainable regional development.

By implementing all operations and measures on the premise of DX, fostering a transformation in awareness of all companies and employees, including management, in the Group, and promoting proactive DX initiatives, we will build new relationships via a sales system that leverages data and digital technologies, while deepening existing relationships through customer contact points optimized by integrating technology with specialists. Additionally, we will undertake fundamental operational reforms with a cross-organizational review and decisive decluttering of operating processes, the use of generative AI, and other efforts. Thus, we are committed to generating social impact by means of our initiatives in digitization, digitalization, and digital innovation.



► KPIs (during the Mid-Term Management Plan period)

	Numerical targets	[Reference] as of March 31, 2024
Development of DX human resources	More than 60 DX specialists	21 persons
Improvement of IT literacy across Group companies	Information Technology Passport acquisition rate for Group employees: 80%	60%
DX-related investment	¥10.0 billion (including ¥7.5 billion allocated for DX-focused system investment)	—

Major initiatives for DX and future directions

DX for the Company

Hirogin Quick Pay Access Service

We are currently developing a smartphone app that features balance forecasting, advance payment of salary (for quicker access to pay for employees), and loan functions as part of a Business-to-Business-to-Employee (B2B2E) service. This app aims to connect companies looking to retain and stably secure human resources with employees seeking diverse work styles (scheduled to launch in FY2024).

This service allows employees to secure funds in a timely manner and receive their salary on their own schedule, rather than being limited to a predetermined date. By providing employees with financial support, companies can flexibly accommodate diverse approaches to work styles and financial needs, which is expected to enhance recruitment and retention rates.



Process reform in housing loan services

While working to revamp housing loan services in the Individual loan centers with the department in charge of its business, the Company introduced a web-based pre-screening application process in April, 2024, replacing the previous paper and fax methods.

Inefficient, personnel-reliant business operations will be reviewed concurrently to achieve reform toward more efficient operating processes through the use of digital technology. Additionally, we will proceed with phased reforms to our operating processes, such as considering the implementation of AI-OCR and RPA technologies and responding to the shift to online applications for formal screening, to enhance customer convenience.



Generative AI utilization project

The rapid evolution of AI technology is outpacing expectations. Many companies are exploring the potential of using AI to enhance the efficiency and sophistication of their operations. As part of this trend, we have commenced the use of generative AI to enhance the efficiency of the entire Group's operations.

As a first step, we will identify a wide range of use cases that demonstrate greater effectiveness as a general tool, following Company-wide pilot tests conducted by each department and employee. Subsequently, we intend to review these use cases further, implement the use of generative AI across the Group, and integrate it into individual operations.

We aim to maximize operational efficiency and value creation within the Group by reviewing operating processes in alignment with other measures and increasing the number of projects integrated into individual operations.



DX for customers and DX for the region

Group companies both in financial and non-financial areas collaborate to provide a range of solutions that address customer issues and fulfill their needs. In the context of DX, we are committed to supporting customers in their digital shift by proposing and providing solutions that leverages digital technology to address their challenges.

Certain customers face challenges due to limited resources or difficulties in advancing true DX initiatives when only individually optimized tools are introduced. Others prefer to assess overall business issues before formulating their strategy. Recognizing that supporting those customers in DX initiatives is crucial for a regional financial institution, we will provide escort-runner-style support by strengthening the solution proposal function across the Group and actively engaging our alliance partners to address increasingly diverse and sophisticated business issues and needs going forward.

Specifically, we will focus our efforts on supporting customers in their digital shift based on accurate understanding of their issues and needs through face-to-face interactions, feasibility studies, and other methods. This effort will involve developing and deploying digital specialists at Hiroshima Bank branch offices, which serve as key customer contact points. Furthermore, we plan to strengthen our channel functions that connect with customers, including exploring a mechanism for

direct linkage from non-face-to-face channels, such as corporate portals, to alliance partners. We will expand our collaboration with alliance partners to create a responsive system that addresses extensive and complex issues and needs beyond our Group's capabilities in a timely manner.

Moreover, we will provide our know-how in areas such as DX certification acquisition and strategy formulation, and we will not limit ourselves to introducing digital solutions, a key strength of ours, but will also work to provide escort-runner-style DX support that addresses each customer's specific situation, including enhancing operational efficiency, transforming operating processes, and fundamentally reforming business models, all in collaboration with national and local government agencies and other entities, with the aim of achieving the growth and development of our customers while helping to create a vibrant region.

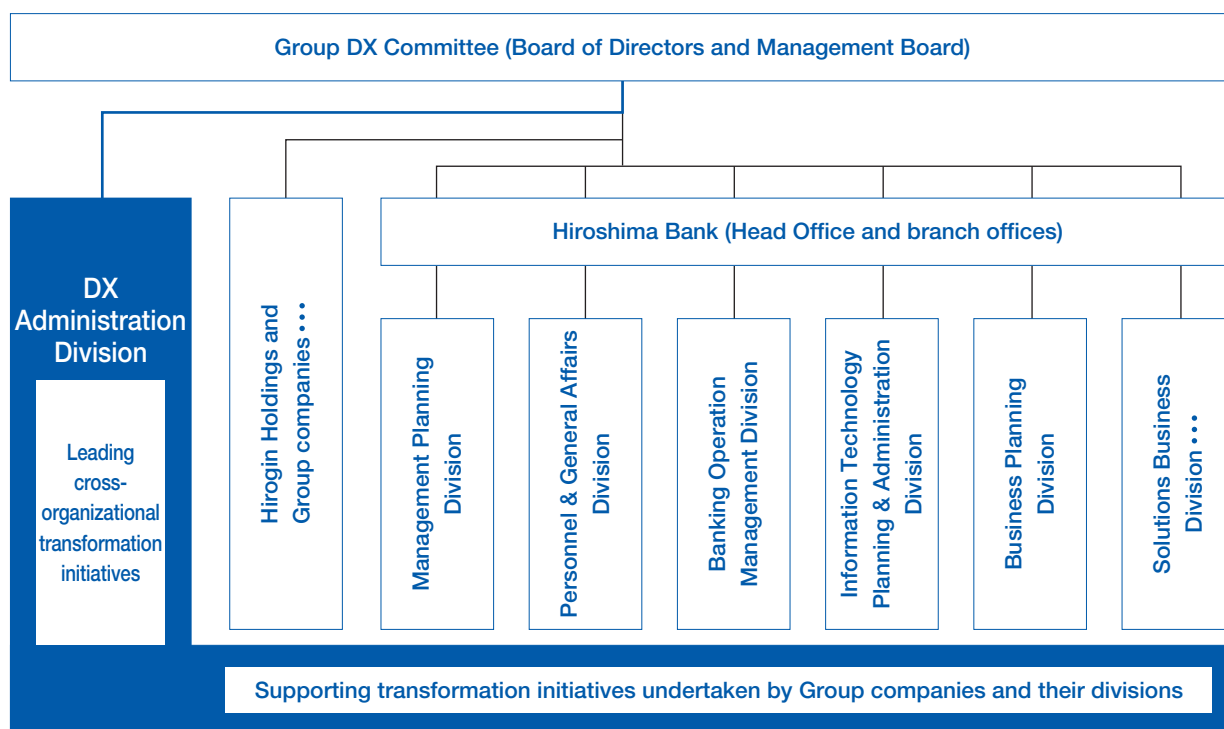
We will collaborate with local companies and organizations to engage in activities that contribute to regional transformation by sharing updates on the Group's DX initiatives, exchanging opinions, and other efforts. Additionally, we will work with local universities and other educational institutions to actively participate in developing the next generation of IT and digital human resources.

DX promotion and governance management structure

Our action guidelines for the DX strategy focus on the planning and implementation of all operations and measures on the premise of DX, and fostering a transformation in awareness among all companies and employees, including management, in the Group, and promoting proactive DX initiatives. Since FY2023, we have appointed and deployed a DX Manager and DX Leader for each operating division/department of the Group companies. This arrangement enables us to address customer issues, fulfill their needs, enhance internal operational efficiency, implement workstyle reforms, and other initiatives in a timely manner, building a structure for promoting DX centered on each operating division/department.

The Group DX Committee, which commenced operations simultaneously, deliberates (policy discussion and overall management) on policies for initiatives and strategic directions for specific DX projects, considering the DX promotion and DX-specific risks, thereby strengthening governance management.

The DX Administration Division manages the operations as office and serves as the executive body, and supports and administers the operating divisions/departments based on the decisions made, to ensure the effectiveness of the Group's overall DX promotion and management structure.



DX human resources

The most important resource for promoting and DX initiatives are human resources.

Therefore, for each of the functions and roles in the DX promotion and management structure, we have defined the types of human resources that are necessary: DX specialists, Human resources for DX promotion, and Human resources for basic DX. All employees will be classified into one of the following categories accordingly. Among them, DX specialists are categorized into five groups, as shown in the figure on the next page. We will define more detailed skill requirements, formulate a procurement and training plan,

and systematically strengthen our efforts towards realizing the Group's DX strategies.

As a prerequisite for that purpose, we have implemented an initiative to ensure that all Group employees, including management, obtain the Information Technology Passport certification, which we have positioned as a "common skill requirement" for all human resources. As of March 31 2024, approximately 60% of all Group employees has obtained the certification. We are steadily establishing the foundation for digital human resource development across the Group companies.

DX specialists

Breakdown of DX specialists	Human resources for DX strategy			Human resources for DX promotion/support			Human resources for data science		
	Current		FY2028	Current		FY2028	Current		FY2028
	4	⇒	5	3	⇒	15	6	⇒	15
	Human resources for digital marketing			Human resources for DX consulting			Total		
	Current		FY2028	Current		FY2028	Current		FY2028
	2	⇒	10	6	⇒	15	21	⇒	60

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 Company 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 have created a dedicated environment for the Group to use generative AI and are currently conducting test runs across the Group companies. While identifying key use cases for operational applications, we will integrate our findings into Group-wide practices for future use.

Data utilization

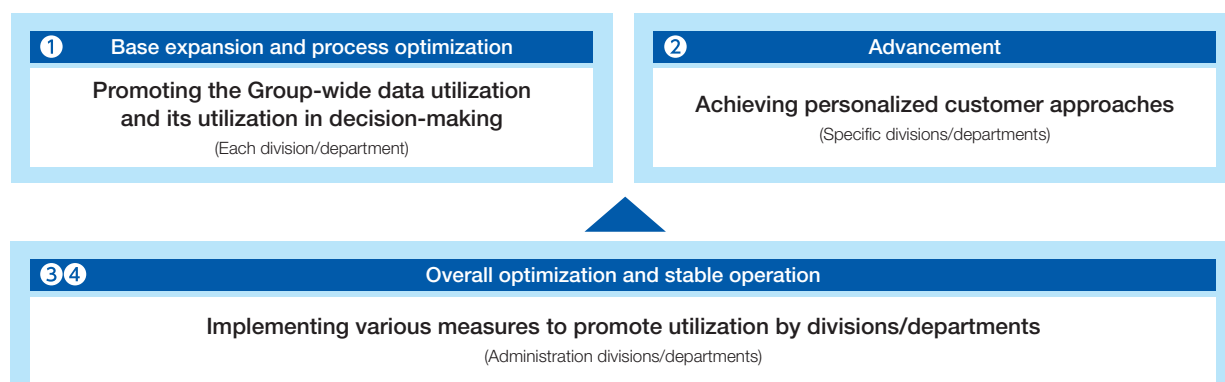
By positioning the sophisticated utilization of data as the core driver that helps to realize various strategies of the Group as a whole, we intend to achieve the optimal states outlined below:

- (1) We will enhance data utilization across operations within the Group, ensuring it is consistently integrated into fundamental discussions and decision-making processes;
- (2) Digital marketing efforts and advanced analytics will operate in a stable manner to support personalized customer approaches, delivering value to customers;
- (3) The Group will share information to present proposals tailored to solve genuine customer issues; and

- (4) To achieve these states, we will accumulate knowledge and expertise, establish processes, infrastructure, and structures, and develop human resources and other essential components.

In June 2024, as part of our initiatives, we introduced the data analysis and visualization system “Tableau,” which was made immediately available for all employees at Hiroshima Bank. This approach marks the beginning of our actions to “promote the Group-wide data utilization and strengthen the data utilization in decision-making.” Moving forward, we will direct our efforts toward promoting data cleansing, developing human resources, establishing structures, formulating operating rules, and implementing other arrangements to achieve our future vision.

Areas of data utilization initiatives



Ideal state 10 years from now and current challenges

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. In particular, the region's leading industries, the automobile and vessel sectors are expected to consider and respond to transitions (smooth transition to a decarbonized society) at the business model level, such as the shift to EVs and next-generation fuel ships.

However, momentum towards carbon neutrality among local SMEs is lacking in breadth, and there is no clear pathway towards a region-wide decarbonized society.

In these circumstances, the Hirogin Group, which is building coexistence and co-prosperity relations with the region, recognizes the urgent need to accelerate its efforts to achieve carbon neutrality in the region, not only from the perspective of the sustainability of the natural environment but also from the perspective of the sustainability of the local industry.

Based on the above recognition, the Mid-Term Management Plan 2024, which started in April 2024, defines the response to carbon neutrality as one of the

CO₂ emissions per population by prefecture (FY2019)

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 average		7.8

Source: Estimated by the Company based on the Ministry of the Environment "Estimation of Current Status of CO₂ Emissions by Field" and the Ministry of Internal Affairs and Communications "Population Estimates"

materiality and positions Sustainability Transformation (SX) as the strategy driver to realize our ideal state 10 years from now; "helping to create a vibrant region" and "increasing corporate value." As a Regional Comprehensive Services Group, we will accelerate our efforts through our core business to achieve a smooth transition to a region-wide decarbonized society by promoting and supporting carbon neutrality within the Group and among our business partners.

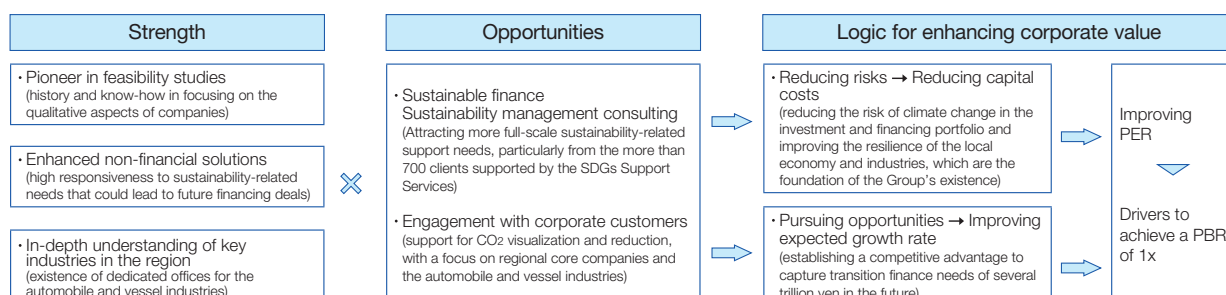
Carbon-neutrality strategies to increase corporate value

We see the movement toward carbon neutrality as a challenge for our business partners and the region and an opportunity for the Group to demonstrate its significance as a Regional Comprehensive Services Group by utilizing the strengths we have built up over the years.

The Group has cultivated a decades-long history of feasibility studies against the backdrop of the vital need to combine not only financial information but also non-financial information (qualitative aspects) of business partners from the perspective of industry clusters to deepen corporate understanding, due to the regional characteristics of manufacturing, particularly in the automobile industry. This history and know-how of focusing on the qualitative aspects of companies has given the Group an excellent position to face the non-financial issues of our business partners, coupled with

the expansion of non-financial solutions accelerated after the transition to a holding company structure in October 2020 and the existence of a dedicated offices for the automobile and vessel sectors.

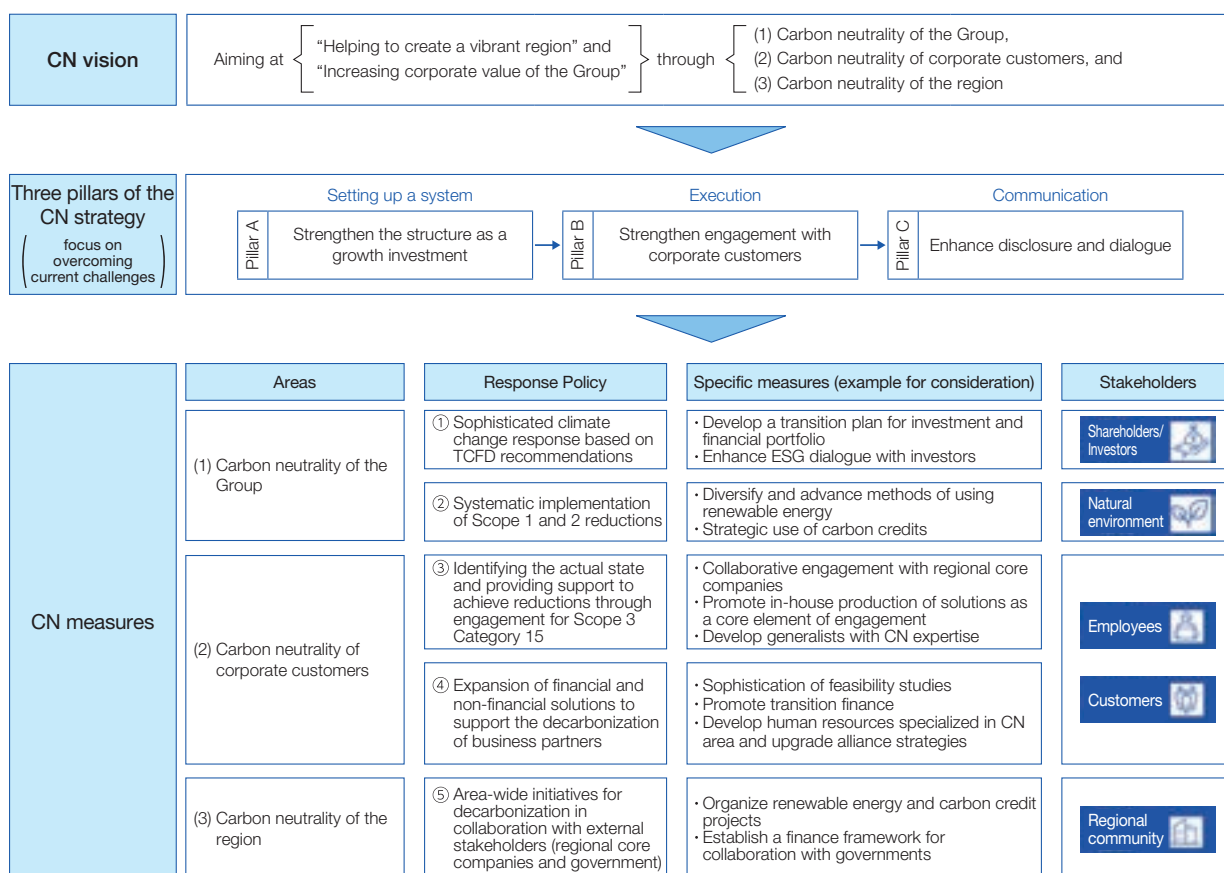
We will further strengthen sustainability management consulting and engagement initiatives with business partners, leveraging these historical strengths. We will also accelerate initiatives to achieve a PBR of 1x through improving our PER by raising investors' expectations for the medium- to long-term sustainable growth of the Group from the perspectives of both reducing risks (reducing the risk of climate change in the investment and financing portfolio and improving the resilience of the local economy and industries, which are the foundation of the Group's existence) and pursuing opportunities (establishing a competitive advantage to capture transition finance needs of several trillion yen in the future).



Overall picture of carbon neutrality strategies

Until now, our efforts have focused on responding to social demands (must-oriented) based on the Paris Agreement and the TCFD Recommendations. However, in the Mid-Term Management Plan 2024, we aim to respond to the “Helping to create a vibrant region” and “Increasing corporate value (will-oriented), and we will promote carbon neutrality (CN) of the Group, our

corporate customers, and regions. We will work to create value in a way that all stakeholders can feel, with the aim of realizing our ideal state 10 years from now: becoming “a leader in the creation of advanced sustainability regions,” “a future creation partner that is closer to companies than anyone else in ten years,” and “a focus for carbon neutral strategies in the regional bank sector.”



Key KPIs

	Areas	Response Policy	KPIs (target year)
CN targets	(1) Carbon neutrality of the Group	① Sophisticated climate change response based on TCFD recommendations	• PER of approx. 13x (2028) * Levels targeted by non-financial strategies, not just CN (reference indicator)
		② Systematic implementation of Scope 1 and 2 reductions	• Scope 2 CN achievement (2028) • Scope 1 & 2 CN achievement (2030)
	(2) Carbon neutrality of corporate customers	③ Identifying the actual state and providing support to achieve reductions through engagement for Scope 3 Category 15	• 1,000 people qualified as advisor for decarbonization under the Ministry of Environment's certification program (2028) • Scope 1, 2, & 3 CN achievement (2050)
		④ Expansion of financial and non-financial solutions to support the decarbonization of business partners	• Cumulative amount of executed sustainable finance transactions: ¥2 trillion (2021 to 2030) • Of which, the cumulative amount of executed environmental finance transactions: ¥1 trillion (2021 to 2030)
	(3) Carbon neutrality of the region	⑤ Area-wide initiatives for decarbonization in collaboration with external stakeholders (regional core companies and governments, etc.)	• Of which, the cumulative amount of executed environmental finance transactions in Hiroshima Prefecture: ¥300 billion (2021 to 2028) and ¥180 billion (2024 to 2028) • Continuous reduction of greenhouse gas emissions in Hiroshima Prefecture (2028)

Carbon neutrality of the Group

The Group has established a 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.

As for progress towards Scope 1 and 2 reduction targets, by fiscal 2023, we have completed the switch to renewable energy for the electricity used at our three main facilities (the Head Office building, the Genesis Building (Data Center), and the Chuo Building (Administration Center)), which account for nearly half of our Scope 2 emissions. We have also reduced greenhouse gas emissions by approximately 53% compared to fiscal 2013.

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 continue to carry out initiatives to reduce greenhouse gas emissions of the Group.

Further promotion of energy saving (reduction in Scope 1 and 2)

We consider “energy saving” to be the basis for Scope 1 and 2 reductions, also from the perspective of economic rationality. In addition to promoting our traditional eco-friendly office activities, we actively invest in energy savings in our buildings.

For example, in May 2021, we rebuilt our new Head Office building with high environmental performance, working to improve energy efficiency.

Furthermore, in November 2023, we reopened the Tokaichi Branch of the Hiroshima Bank and the Miyoshi Branch of Hirogin Securities as sustainable buildings. We are also actively working to switch our buildings to net zero energy buildings (ZEB), for example by obtaining registration as a “ZEB Leading Owner” under the Ministry of the Environment’s “FY2023 ZEB Demonstration Project” at Hiroshima Bank.

Electrification of power sources (shift from Scope 1 to Scope 2)

To reduce the amount of gasoline mobile vehicles use, which accounts for most Scope 1 emissions (direct emissions from fuel consumption, etc.), we systematically replace them with low-emission vehicles (HVs/EVs, etc.). We are also working to reduce Scope 1

Utilization of renewable energy (Scope 2 reduction)

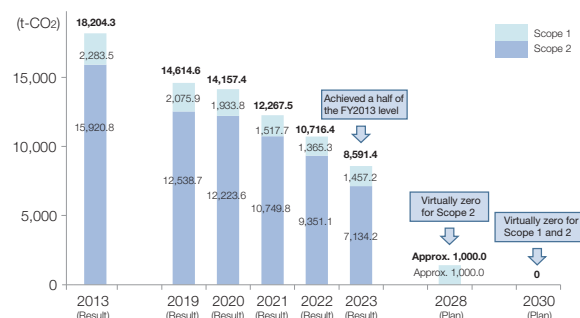
To reduce Scope 2 emissions (indirect emissions from electricity use), we are gradually introducing renewable energy electricity in the order of buildings with the highest electricity use, with a target of approximately 1,500t-CO₂ per fiscal year.

We will continue to expand the scope of renewable energy introduction while paying as much attention as possible to the perspective of local production for local consumption of economic and environmental value.

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 greenhouse gas emissions (Scope 1 and 2)



Four types of ZEB	ZEB-certified buildings	
ZEB ^{*1}	1 Building	Tokaichi Branch
Nearly ZEB ^{*2}	2 Buildings	Hiro Branch and Fukuyama North Branch
ZEB Ready ^{*3}	9 Buildings	Hirogin Career Co-creation Center, Kaita Branch, Midorii Branch, Onomichi Kurihara Branch, Hiroshima Personal Loan Center, Furuichi Branch, Okayama Branch, Kojima Branch, and Kasaoka Chuo Branch
ZEB Oriented ^{*4}	0 Building	—

*1: Buildings that achieve a primary energy consumption reduction of 100% or more through energy saving and energy creation

*2: Buildings that achieve a primary energy consumption reduction of 75% or more through energy saving and energy creation

*3: Buildings that achieve a primary energy consumption reduction of 50% or more through energy-saving

*4: Buildings with a total floor area of 10,000m² or more that achieve a reduction in primary energy consumption stipulated for each use through energy saving



emissions to as close to zero as possible, such as switching from heavy oil to electricity when upgrading air conditioning equipment at Genesis Building (scheduled to be completed during fiscal 2024).

Target buildings	Details of renewable energy introduction	Timing of renewable energy introduction
Head Office building	Introduction of Special Renewable Energy Plan	November 2022
	Signing of off-site PPAs (partial power only)	December 2023
Genesis Building	Introduction of Special Renewable Energy Plan	February 2024
Chuo Building		

Carbon neutrality of corporate customers

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

As the Group indirectly bears the climate change risks of its corporate customers through the financing operations of its main subsidiary, Hiroshima Bank, etc.,

the Group recognizes that climate change risks via its investment and financial portfolio constitute a significant portion of the Group’s climate change risks. Under such circumstances, given the lack of momentum toward carbon neutrality among local SMEs, we are prioritizing efforts to calculate and reduce greenhouse gas emissions (financed emissions) in business loans from the perspective that we, as a regional financial institution, should focus on engagement with local SMEs.

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

► Results of greenhouse gas emissions (Scope 3 Category 15)

Unit: (t-CO₂)

Total financed emissions in business loans

Industry	FY2022	FY2023
Food and beverages	2,996,170	3,178,060
Marine transportation	1,588,080	1,993,077
Electric power	1,809,869	1,838,322
Building materials and capital goods	600,293	537,732
Metals and mining	387,676	372,761
Chemical	204,200	183,689
Paper and forestry	154,526	159,991
Oil and gas	158,498	124,727
Automobile	75,203	81,836
Agriculture	4,975	33,376
Real estate management and development	23,075	22,599
Land transportation	9,292	10,864
Air transportation	3,859	2,580
Others	854,393	870,827
Total	8,870,108	9,410,440

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

Industry	FY2022	FY2023
Food and beverages	2,321,538	2,455,485
Marine transportation	719,150	846,407
Building materials and capital goods	372,726	350,459
Electric power	281,357	210,528
Metals and mining	138,237	133,068
Automobile	56,836	63,886
Oil and gas	50,888	52,725
Paper and forestry	43,622	49,189
Chemical	44,994	45,796
Agriculture	3,291	31,119
Real estate management and development	6,724	7,589
Land transportation	4,128	4,125
Air transportation	0	0
Others	546,592	555,075
Total	4,590,084	4,805,452

* Scope 3 Category 15 emissions

* Scope of calculation: The calculation covers business loans within the asset class of Hiroshima Bank only.

* Calculation method: From fiscal 2022, we use a carbon accounting system that conforms to the GHG Protocol and PCAF provided by Persefoni and calculate the emissions based on actual measurements for some listed companies (CDP disclosing companies) and estimated values based on the emission factors used by Persefoni’s carbon accounting system for other companies.

* Data quality score: 3.7 (FY2022), 3.7 (FY2023)

► Results of interviews with corporate customers on their carbon neutrality status

(1) Status of requests from corporate customers

Request status	1st		2nd	
	Number of customers	Percentage	Number of customers	Percentage
① There are specific requests	68	3.9%	74	4.7%
② To be requested in the future	155	9.0%	154	9.7%
③ There are no requests	1,506	88.1%	1,361	85.6%
Total	1,729	100.0%	1,589	100.0%

(2) Status of understanding of the company’s CO₂ emissions

Response status	1st		2nd	
	Number of customers	Percentage	Number of customers	Percentage
① Already responded	211	12.2%	232	14.6%
② Response under review	78	4.5%	63	4.0%
③ Plan to respond in the future	328	19.0%	252	15.8%
④ No plan to respond	1,112	66.3%	1,042	65.6%
Total	1,729	100.0%	1,589	100.0%

* Period of interviews: 1st in the second half of FY2021, 2nd in the first half of FY2023

* Main targets of interviews: Companies with sales of ¥500 million or more

Sustainable finance

The Group has set a mid- and long-term target of “aiming to execute a cumulative total of ¥2 trillion in sustainable finance (including ¥1 trillion in environmental finance) between FY2021 and FY2030” to solve environmental and social issues.

In addition, from April 2024, as an initiative of the Group (initiative in Hiroshima Prefecture) to achieve “regional revitalization metrics” of the Mid-Term Management Plan 2024, we have newly set an environmental finance target for Hiroshima Prefecture.

In fiscal 2023, we made investments and financing exceeding ¥200 billion in sustainable finance (including ¥100 billion in environmental finance), which is the guideline for the amount to be executed in a single fiscal year. The cumulative progress rate over the three years against each target has been generally steady.

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) between FY2021 and FY2030.

Aim to execute a cumulative total of ¥300 billion in environmental finance in Hiroshima Prefecture between FY2021 and FY2028.

Track record in sustainable finance

Calculated items	FY2021	FY2022	FY2023	Cumulative for 3 years	Cumulative progress rate
Amount executed in sustainable finance	¥122.0 billion	¥211.9 billion	¥220.0 billion	¥553.9 billion	27.7% (3 years/10 years)
Of which, the amount executed in environmental finance	¥85.0 billion	¥150.3 billion	¥158.7 billion	¥394.0 billion	39.4% (3 years/10 years)
Of which, the amount executed in environmental finance in Hiroshima Prefecture	¥26.8 billion	¥51.0 billion	¥52.2 billion	¥130.1 billion	43.4% (3 years/8 years)

Sustainability management support consulting

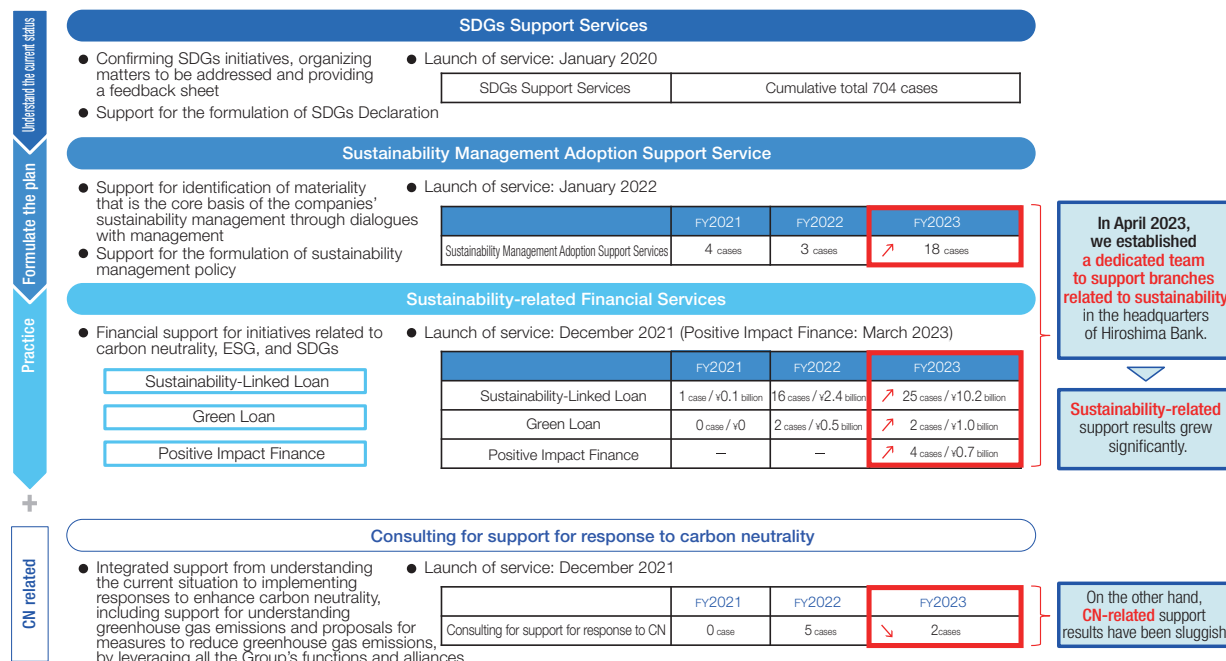
As a fundamental approach to engagement with corporate customers, the Group promotes dialogue and support for carbon neutrality as one of the ESG elements within the sustainability framework.

Specifically, we approach the sustainability/SDGs, an area in which local SMEs are likely to have interest and awareness, and prioritize ESG issues through setting targets for materiality, ESG and SDGs, etc. If climate change response is an important management issue, the approach will lead to individual support for carbon neutrality.

In fiscal 2023, the results of our support grew significantly from the previous fiscal year due to the increased interest and awareness of sustainability/SDGs

among corporate customers, as well as the in-house awareness raising and accompanying support provided by a dedicated team newly established to support branches related to sustainability within Hiroshima Bank.

On the other hand, as a recognition of the current issues, against the backdrop of a shortage of human resources, and a growing momentum for human capital investment, etc., the ESG issues recognized by corporate customers are primarily social, not environmental. Therefore, the initiatives for sustainability management support are not necessarily leading to individual support initiatives related to carbon neutrality, and it is necessary to consider and respond to more effective engagement practices.



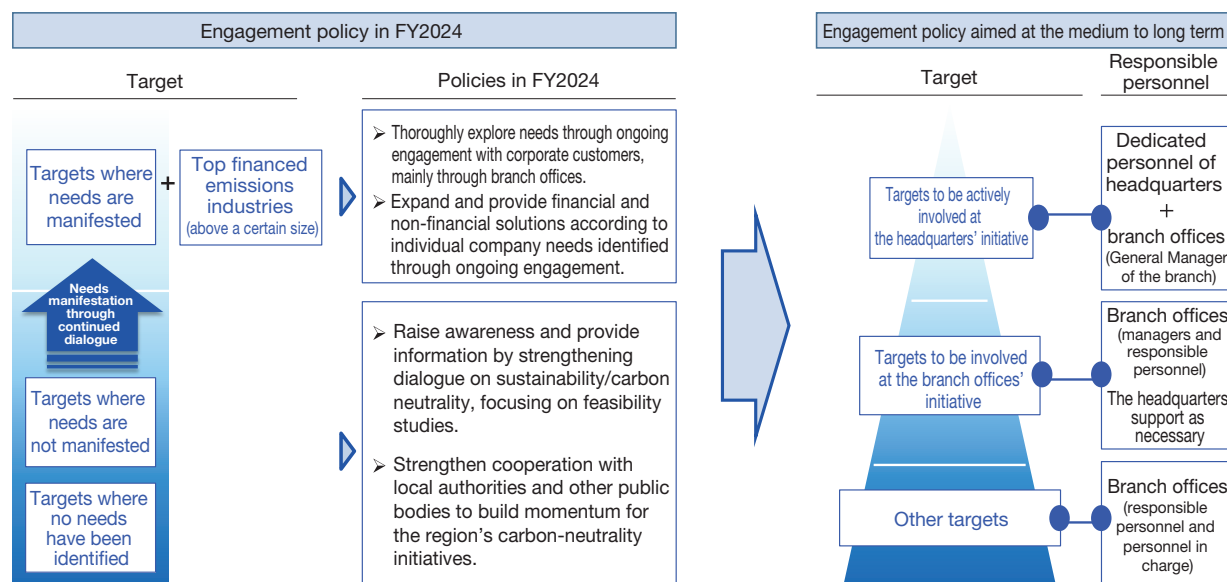
On the other hand, **CN-related** support results have been sluggish.

Engagement with corporate customers

Recognizing that our corporate customers' needs for carbon neutrality have not been realized, Hiroshima Bank was selected for the Engagement Practice Program Based on TCFD Disclosure for Regional Financial Institutions, a publicly solicited project by the Ministry of the Environment. Through engagement activities with corporate customers of various industries and sizes, from listed companies to SMEs, we examined and took measures such as formulating policies and measures and creating dialogue tools for more effective engagement practices.

Since April 2024, based on the lessons learned and insights gained from the support project, we reviewed (narrowed down) the priority targets for carbon neutrality dialogues and interviews, introduced a free CO₂ emissions calculation tool, and newly promoted the acquisition of the carbon offset advisor certificate under the Ministry of the Environment's certification program for corporate liaison staff at Hiroshima Bank's branch offices. Through these activities, we have strengthened our efforts to develop more effective engagement with our corporate customers.

Engagement policy



Engagement tools

	General purpose door-knocking tool Review	Simple calculation tool Newly established	Proposal to specific target Newly established
Tool name	Proposals related to carbon neutrality	CO ₂ emissions calculation tool (free of charge)	Tool for checking industry trends and emissions results
Tool creation background	<ul style="list-style-type: none"> Created as an introductory guide to understand the background and needs for carbon neutrality 	<ul style="list-style-type: none"> Designed to encourage initiatives for carbon neutrality, which are not fully addressed by existing tools, by calculating actual emissions and providing industry-specific information 	
Illustrative image of the tool	<p>Introducing necessary responses and the support menu provided by Hiroshima Bank</p>	<p>Enter "fuel" and "electricity" usage. Calculate emissions by site and in total</p>	<p>Status of requests to suppliers and actual CO₂ emissions by industry</p>

Engagement with the automobile sector

Hiroshima Bank focuses on engagement in the automobile sector, a key industry in the region, to achieve carbon neutrality throughout the parts supply network (supply chain) of parts manufacturers centered on Mazda Motor Corporation.

In fiscal 2023, we have begun to study and support the carbon-neutralization of the casting process for the production of automobile parts (establishing a supply chain for the fuel conversion from coal coke to biomass). We also signed a memorandum of understanding for sophisticated support for the automobile industry with

six regional banks focusing on supporting the automobile industry and established a framework for supporting the automobile industry across regions to promote carbon neutrality.

Going forward, we will expand our solution menu in line with our efforts in the three pillars of Mazda's carbon-neutral initiatives: energy conservation, renewable energies, and carbon neutral fuels, through such means as considering the establishment of carbon-neutrality consulting services for automotive suppliers.

FY2021	FY2022	FY2023	FY2024
<ul style="list-style-type: none"> Conduct scenario analysis on transition risks in the automobile sector^{*1} Consider support for automobile suppliers to create new businesses in consideration of ESG factors^{*2} 	<ul style="list-style-type: none"> Analyze the composition of CO₂ emissions in the automobile sector on a sub-sectoral basis^{*3} Provide support for four automobile-related manufacturing companies to visualize CO₂ emissions and formulate reduction plans^{*4} 	<ul style="list-style-type: none"> Consider support for assisting carbon neutrality of casting processes in the manufacture of automobile parts^{*5} Sign a memorandum of understanding for sophisticated support for the automobile industry with six regional banks that are focusing on supporting the automobile industry 	<ul style="list-style-type: none"> Consider the establishment of a carbon-neutral consulting service for automobile suppliers

^{*1}: Initiatives through the adoption of and participation in the TCFD Climate Risk/Opportunity Scenario Analysis Pilot Program Support Project, a publicly solicited project of the Ministry of the Environment

^{*2}: Initiatives through the adoption of and participation in the FY2021 Community ESG Finance Promotion Project, a publicly solicited project of the Ministry of the Environment

^{*3}: Initiatives through the adoption of and participation in the Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project, a publicly solicited project of the Ministry of the Environment

^{*4}: Initiatives in the commissioning of the Manufacturing Industry Support Project for Carbon Neutrality, a project by Hiroshima Prefecture

^{*5}: Initiatives through the adoption of and participation in the FY2023 Community ESG Finance Promotion Project, a publicly solicited project of the Ministry of the Environment

Engagement with the vessel sector

Hiroshima Bank focuses on engagement with the vessel sector, a key industry in the region, focusing on the international vessel/ship rental/leasing business (ship owners), which accounts for a large proportion of its financing portfolio.

In fiscal 2023, we signed up to the Poseidon Principles, which were established to contribute financially to the greenhouse gas emission reduction targets for international shipping adopted by the International Maritime Organization.

Based on this principle, we calculate and publish the contribution of the entire portfolio of ship financing to the reduction of greenhouse gas emissions every year from fiscal 2024. In addition, based on the knowledge gained through this initiative and future trends in environmental regulations, we will continue to promote dialogue with our corporate customers to ensure their sustainable growth.

FY2021	FY2022	FY2023	FY2024
<ul style="list-style-type: none"> Conduct scenario analysis on transition risks in the vessel sector^{*1} 	<ul style="list-style-type: none"> Analyze the composition of CO₂ emissions in the vessel sector on a sub-sectoral basis^{*2} Provide support for four shipbuilding-related manufacturing companies to visualize CO₂ emissions and formulate reduction plans^{*3} 	<ul style="list-style-type: none"> Sign up to the Poseidon Principles 	<ul style="list-style-type: none"> Conduct a dialogue to measure the CO₂ emissions of the vessels financed under the Poseidon Principles and to assess the contribution of the entire ship financing portfolio to CO₂ emission reductions

^{*1}: Initiatives through the adoption of and participation in the TCFD Climate Risk/Opportunity Scenario Analysis Pilot Program Support Project, a publicly solicited project of the Ministry of the Environment

^{*2}: Initiatives through the adoption of and participation in the Financial Institutions Portfolio Carbon Analysis Pilot Program Support Project, a publicly solicited project of the Ministry of the Environment

^{*3}: Initiatives in the commissioning of the Manufacturing Industry Support Project for Carbon Neutrality, a project by Hiroshima Prefecture

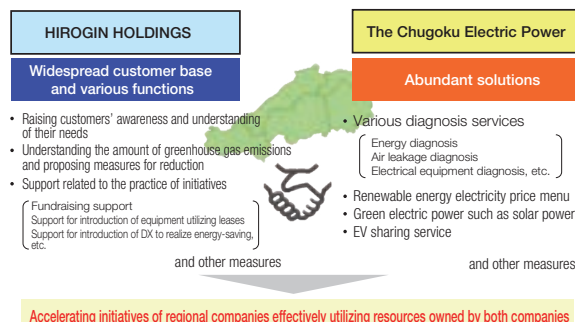
Carbon neutrality of the region

To effectively engage with our corporate customers, we recognize that it is necessary to have engagement at the local level in cooperation with regional core companies and local governments (area), in addition to engagement by company (dots) and engagement by industry (lines), given the current situation where many local SMEs have no incentive (external requests/intrinsic motivation) to work on carbon neutrality.

In December 2021, we concluded a collaboration agreement with The Chugoku Electric Power Co., Inc. to help regional companies respond to carbon neutrality. In addition to working together on solutions, we regularly hold decarbonization seminars for local companies. We are also working with local governments to study and respond to the development of area-wide measures in the region.

We will continue to work closely with regional core companies and governments to build momentum for carbon neutrality in the region.

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



► Major collaboration agreements concluded with regional core companies and local governments

Date of conclusion	Counterparty	Name of the agreement
December 2021	The Chugoku Electric Power Co., Inc.	Collaboration agreement to help regional companies respond to carbon neutrality
March 2023	Hiroshima Gas Co., Ltd.	Business alliance agreement to support companies in Hiroshima Prefecture in their efforts for carbon neutrality
February 2024	Kure City, Sojitz Corporation, NEC Networks & System Integration Corporation	Comprehensive collaboration agreement for realizing a decarbonized society

Biodiversity (nature positive) x decarbonization (carbon neutrality) initiatives

In August 2023, Hiroshima Bank purchased J-Blue Credit (equivalent to 13.4 t-CO₂), which was created as part of the “Creating Sato-umi through the Restoration of Cradle (Tidal Flat and Seaweed Bed) of the Onomichi Sea” project in Onomichi, Hiroshima.

Blue carbon ecosystems, such as tidal flats and seaweed beds, are rich in biodiversity and provide fishery resources as growing grounds for clams and other species. In addition, they are attracting attention as new sources of CO₂ absorption.

We do not simply purchase the credit for offsetting but are involved in and contribute to this initiative in a multifaceted way, for example, by cooperating in the introduction and mediation of credit purchasing companies and planning and conducting environmental education at neighboring primary schools and other institutions. We will continue to promote initiatives that

focus on the local nature of the Seto Inland Sea to promote regional decarbonization and conserve biodiversity and natural capital.

► Certificate of J-Blue Credit Purchase



Resource circulation (circular economy) x decarbonization (carbon neutrality) initiatives

In fiscal 2023, Hiroshima Bank made efforts towards the carbon neutralization of the casting process in manufacturing automobile parts through the adoption of and participation in a publicly solicited project of the Ministry of the Environment. Specifically, we identified and searched for unused resources in the region as an

alternative fuel to coal coke. We focused on the fact that the disposal of oyster rafts used for oyster farming, a specialty of Hiroshima Prefecture, has become a regional issue. Through such measures, we studied and took action to establish a supply chain for biomass fuel for casting using oyster rafts. (Please see page 50 for details.)

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.

TCFD Report

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

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



Governance (Four pillars of the TCFD recommendations (1))

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 (FY2023)

① Progress of mid- and long-term targets to realize carbon neutrality in the region

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

② Direction of carbon neutrality strategies in the next mid-term management plan (Mid-Term Management Plan 2024)

- Setting of regional revitalization metrics for reducing greenhouse gas emissions in Hiroshima Prefecture
- Identification of matters that require particular focus to realize the ideal state 10 years from now
 - (1) Strengthen the structure as a growth investment
 - (2) Strengthen engagement with corporate customers
 - (3) Enhance disclosure and dialogue

③ Management of climate change risks as a top risk

- Status of implementation of responses based on a climate change response policy in our Risk Appetite Statement

④ Response to TCFD recommendations

- Status of 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 Sustainability Coordination Division for the purpose of strengthening coordinating functions related to response to climate change and other issues surrounding sustainability.

Strategy (Four pillars of the TCFD recommendations (2))

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

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

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

Perceived Risks
<ul style="list-style-type: none"> • 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.

Perceived Opportunities
<ul style="list-style-type: none"> • 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 <p>Further enhancement and strengthening of solutions, including in non-financial areas, that put all functions and alliances within the Group to effective use</p> <p>Opportunity to demonstrate the Group's significance as a Regional Comprehensive Services Group</p>

■ Degree of concentration of credit exposure of carbon-related assets

Based on the TCFD Recommendations, Hiroshima Bank, the Group'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 degree of concentration of credit exposure in those sectors (as of March 31, 2024).

Target sector	Percentage of credit balance
Energy*	2.7%
Transportation	14.6%
Materials and buildings	10.2%
Agriculture, food, and forest products	2.1%
Total	29.6%

* Excluding renewable energy power generation businesses

■ Scenario analysis

The Group conducts scenario analysis of physical and transition risks at its major subsidiary, Hiroshima Bank. As a result of the current scenario analysis, we assess that the impact on our credit portfolio is limited.

However, by further promoting and supporting corporate customers' carbon neutrality action, we will strive to improve not only the Group's resilience but also that of our corporate customers.

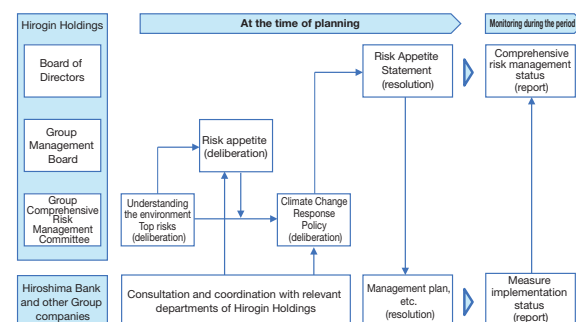
	Physical risks	Transition risks
Risk events analyzed	<ul style="list-style-type: none"> • Impairment of collateral property due to flood and landslide disaster • Deterioration of finances accompanying suspension of borrower's business due to flood 	<ul style="list-style-type: none"> • Deterioration of 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"> • Business loans in Japan 	<ul style="list-style-type: none"> • Three sectors: Power utilities, Automobiles and components, and Marine transport
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) 	<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"> • Estimated degree of impact on borrower's collateral properties in light of the location, structure, etc. of business facilities 	<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: Up to ¥6.0 billion 	<ul style="list-style-type: none"> • Increase in credit expenses likely by 2050: ¥6.0 billion cumulative

Risk management (Four pillars of the TCFD recommendations (3))

In our comprehensive risk management process based on the risk appetite framework, the 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.”

Specifically, the Group defined the Climate Change Response Policy in 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.

► Diagram of the management cycle related to climate change risks



■ Investment and financing policy

In the Policy on Investment and Financing for Environmental and Social Solutions (the investment and financing policy), 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
<p>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.</p> <p>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.</p> <p>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.</p> <p>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. *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</p> <p>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. *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</p>

Indicators and targets (Four pillars of the TCFD recommendations (4))

The Group has set targets for reducing greenhouse gas emissions and promoting sustainable finance and is taking steps to achieve carbon neutrality for itself and its business partners. In addition, we will strengthen measures to realize carbon neutrality in the region,

including establishing a new target for reducing greenhouse gas emissions in Hiroshima Prefecture as “regional revitalization metrics” under the “Medium-Term Management Plan 2024” from April 2024.

Reduction of greenhouse gas emission

Target setting items	Details of targets	Target fiscal year
Greenhouse gas emissions (Scope 1 and 2)	Realization of carbon neutrality	FY2030
Greenhouse gas emissions (Scope 1, 2, and 3)	Realization of carbon neutrality	FY2050
Greenhouse gas emissions in Hiroshima Prefecture	Continuous reduction	FY2028

Unit: (t-CO₂)

Calculated items	Scope of calculation	FY2013	FY2021	FY2022	FY2023	Compared to FY2013
Scope 1 (Fuel combustion)	Consolidated	2,283.5	1,517.7	1,365.3	★ 1,457.2	Reduced by 36.2%
Scope 2 (Purchased electricity)		15,920.8	10,749.8	9,351.1	★ 7,134.2	Reduced by 55.1%
Scope 1 & 2 Total		18,204.3	12,267.5	10,716.4	★ 8,591.4	Reduced by 52.8%
Scope 3 Category 1 (Purchased goods and services)	Hiroshima Bank (Non-consolidated)	13,261.7	14,815.7	12,112.3	9,050.9	Reduced by 31.7%
Scope 3 Category 3 (Energy-related activities)		1,236.6	1,601.0	1,508.4	1,424.6	Increased by 15.2%
Scope 3 Category 4 (Upstream transportation and distribution)		1,674.7	1,799.7	1,712.0	1,626.7	Reduced by 2.8%
Scope 3 Category 6 (Business travel)		392.2	398.2	433.0	580.6	Increased by 48.0%
Scope 3 Category 7 (Employee commuting)		725.8	760.9	801.2	1,074.3	Increased by 48.0%
Scope 3 Category 15 (Investments and financing)		Please see page 94 for the calculation of financed emissions.				

* Scope 1 and 2 emissions

* Scope of calculation: The Company and its consolidated subsidiaries are covered.

* Emission factor: The emission factor for electricity for the current fiscal year (market-based) is the adjusted emission factor from the List of Emission Factors by Electric Utility (for submission in 2024). The emissions based on adjusted emission factors take into account the CO₂ reduction effect of renewable electricity and off-site PPAs introduced at some sites, such as the Head Office building. The CO₂ emission factors for other than electricity are based on the List of Calculation Methods and Emission Coefficients in the Calculation, Reporting, and Publication System (Updated on December 12, 2023 (partially revised on January 16, 2024)) (Ministry of the Environment and Ministry of Economy, Trade and Industry).

* Calculation method: The Group's greenhouse gas emissions are calculated by our calculation standards, which were developed with reference to the GHG Protocol.

* Third-party assurance: Third-party assurance (limited assurance) by KPMG AZSA Sustainability Co., Ltd. has been obtained for indicators marked with ★.

Sustainable finance

Target setting items	Details of targets	Target fiscal year
Amount executed in sustainable finance	¥2 trillion (cumulative for 10 years)	FY2021 to FY2030
Of which, the amount executed in environmental finance	¥1 trillion (cumulative for 10 years)	FY2021 to FY2030
Of which, the amount executed in environmental finance in Hiroshima Prefecture	¥300 billion (cumulative for 8 years) ¥180 billion (cumulative for 5 years)	FY2021 to FY2028 FY2024 to FY2028

Calculated items	FY2021	FY2022	FY2023	Cumulative for 3 years	Cumulative progress rate
Amount executed in sustainable finance	¥122.0 billion	¥211.9 billion	¥220.0 billion	¥553.9 billion	27.7% (3 years/10 years)
Of which, the amount executed in environmental finance	¥85.0 billion	¥150.3 billion	¥158.7 billion	¥394.0 billion	39.4% (3 years/10 years)
Of which, the amount executed in environmental finance in Hiroshima Prefecture	¥26.8 billion	¥51.0 billion	¥52.2 billion	¥130.1 billion	43.4% (3 years/8 years)

* Scope of calculation 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.

* Scope of calculation of environmental finance

* Of the above scope of calculation of sustainable finance, those that fall within the scope of investments and financing, and leases that contribute to solving environmental issues