

Expanding the horizons of the future

HIROGIN HOLDINGS INTEGRATED REPORT 2024

HIROGIN HOLDINGS

No growth of the region, No growth of the Hirogin Group

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(PURPOSE / Management Vision, Code of Conduct)

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Editorial Policy

Hirogin Holdings, Inc. (the "Company") has prepared this "Hirogin Holdings INTEGRATED REPORT 2024" to facilitate understanding among stakeholders, particularly investors, of the Company's initiatives aimed at sustainable value creation.

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



Purpose

The Group's raison d'être

**Expanding the horizons
of the **future**
alongside the regional
community through
wide-ranging services.**



Management Vision

The Group's goals

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

Code of Conduct

Our basic approach and commitment to stakeholders when implementing specific initiatives tied to our Management Vision

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

1 Contributing to local communities

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

2 Contributing to customers

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

3 Enhancing corporate value

Continuously enhance the Company's corporate value

4 Increasing job satisfaction

Create a cheerful, rewarding corporate group where everyone works healthfully

5 Compliance

Exercise a high level of compliance

About Hirogin Holdings

The Hirogin Group is a Regional Comprehensive Services Group capable of providing high-value-added solutions in financial areas such as banking, securities, and leasing, as well as in non-financial areas such as IT-related businesses, serving mainly across the prefectures of Hiroshima, Okayama, Yamaguchi, and Ehime.

Hiroshima Bank (Key data) * Some data include results from Group companies.

Financial data



* FY2023

Total custody assets
(Hiroshima Bank and Hirogin Securities)

¥11,116.3 billion

Balance of deposits, etc.
(Deposits and negotiable certificates of deposit)

¥9,399.5 billion

Balance of loans and bills discounted
(Hiroshima Bank)

¥7,745.7 billion

Capital adequacy ratio

Hirogin Holdings
(consolidated)

11.0%

Hiroshima Bank
(non-consolidated)

10.2%

Number of branches



* As of May 31, 2024

157 in Japan

(124 in Hiroshima Prefecture)

Number of companies for which Hiroshima Bank is the main bank



* (Reference) Teikoku Databank Survey

Hiroshima Prefecture

14,520
(37.36%)

Nationwide

15,946
(1.09%)

Number of employees



* As of March 31, 2024

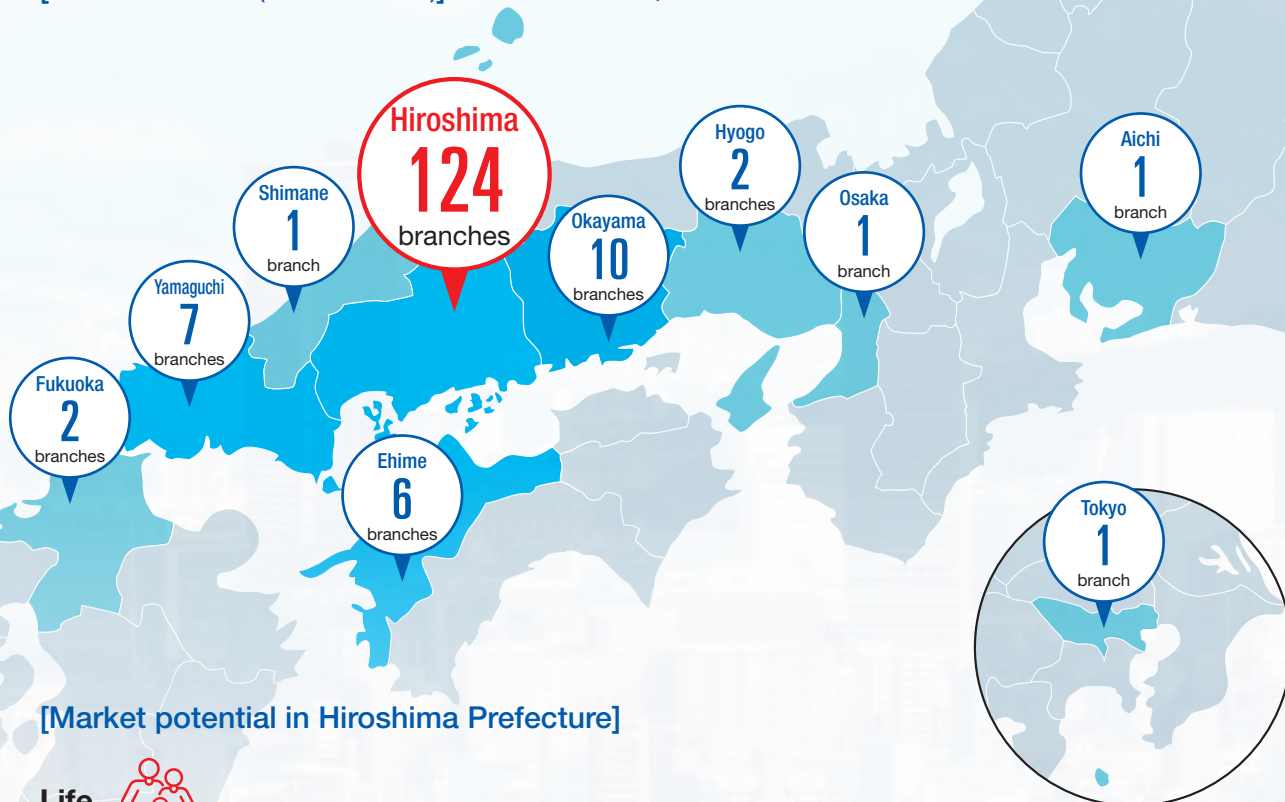
3,682

Group companies

Hiroshima Bank	Banking
Hirogin Securities	Financial instruments business
Hirogin Lease	Leasing businesses
Shimanami Servicer	Receivables management and collection business
Hirogin Capital Partners	Investment business
Hirogin Credit Service	Credit card and credit guarantee services
Hirogin Life Partners	Specialized independent financial advisor
Hirogin IT Solutions	IT-related businesses
Hirogin Area Design	Consulting related to regional vitalization
Hirogin Human Resources	Consulting related to human resources, labor, etc.
Shin-ai Total Service	Non-life insurance agency business

| Business base and market potential

[Business base (Hiroshima Bank)] * Number of branches as of May 31, 2024



[Market potential in Hiroshima Prefecture]



Life

Population:
approx.
2.8 million
12th nationwide
(2020)

Prefectural GDP:
approx.
¥12 trillion
12th nationwide
(FY2021)

Most Desired Relocation
Destination Ranking:
1st nationwide*
(2022)

* Data from the 2021 seminar participant category in the "Most Desired Relocation Destination Ranking" by the Certified Nonprofit Organization Furusato Kaiki (Return-to-Hometown) Support Center

Industry



Shipments of
manufactured products:
¥9,943.9 billion
10th nationwide
(2021)

Tourism



Number of
World Heritage Sites:
2
Number of Japan
Heritage Sites: 5

Agricultural and
fishery products



Lemon production:
1st nationwide

Oyster production:
1st nationwide

- Automotive cluster and transportation machinery, centered on shipbuilding
- General-purpose, production and industrial machinery
- Iron and steel

- Hiroshima Peace Memorial (Genbaku Dome)
- Itsukushima Shinto Shrine

Message from the President



Under Mid-Term Management Plan 2024, which is focused on 10 years from now, we will contribute to creating a prosperous future for the regional community by building a business portfolio that readily fulfills diverse needs.

Toshio Heya

Representative Director and President

Looking back at the previous mid-term management plan that focused on strengthening Group-wide collaboration and optimizing the business portfolio

In October 2020, the Hirogin Group transitioned to a holding company structure and, at the same time, we released Mid-Term Management Plan 2020, covering the period up to and including the fiscal year ended March 31, 2024. Under this plan, we aimed to deepen relations with the regional community and customers through efforts centered on agile Group operations, while also contributing to regional development and the growth of our customers by providing multifaceted solutions, including in non-financial fields.

Now, approximately four years on since our transition to a holding company structure, and after looking back at our efforts under Mid-Term Management Plan 2020, I feel the response has been far greater than I initially expected. Frankly speaking, in the period immediately after the transition, I asked myself whether we had done the right thing. However, I can now say with conviction that I am very glad we made that decision.

To emphasize some of the positive results under a holding company structure, we were able to strengthen collaboration between subsidiaries and we took a big step forward toward unified Group management. Although there are many Group companies that have only been established recently and that are not yet contributing fully to consolidated earnings, we recognize their presence as being extremely significant to the Group in terms of establishing a multifaceted business portfolio that can meet the diverse needs of customers.

Looking at specifics, we were able to further strengthen collaboration between the Group's core companies, namely Hiroshima Bank, Hirogin Securities, Shimanami Servicer, Hirogin Capital Partners, and Hirogin Lease. We also established subsidiaries in non-financial areas, such as Hirogin IT Solutions, Hirogin Area Design, and Hirogin Human Resources. In this way, we were able to build a business portfolio that can readily respond to the diverse issues facing customers, paving the way for capturing new sources of income for the Group.

An example of this is Hirogin Human Resources. As our non-financial subsidiary engaged in operations including introduction of executive-level professionals, personnel dispatch, and consulting on human resources systems, it has already concluded consulting contracts with around 110 client companies. Once a month, representatives visit clients and discuss any human resources-related issues, but to capture over 100 clients in such a short period of time is far greater than anything we imagined when launching the company. I think this is an indication that there is a strong awareness among corporate managers about strengthening human capital, and I really feel that our Group's approach of directly addressing issues, not only financial issues but also management is-

sues, is a perfect fit for the needs of companies.

As a Regional Comprehensive Services Group, we provide optimal solutions to the diverse issues facing the regional community and customers by showcasing and proposing the management resources and various functions possessed by Group companies through Hiroshima Bank, which has many points of contact with customers. People sometimes misunderstand this to mean that we will leave the financial industry, but we do not intend to leave the financial industry as a fundamental premise. We style ourselves as a Regional Comprehensive Services Group which basically means we provide comprehensive services to the region in a way that is centered around finance. This means that we consider how to leverage our financial functions as a starting point and we have various business companies as a means of doing this. Naturally, the needs of each company go beyond just financial matters. An example of these needs is the personnel-related issues I mentioned earlier, and in the current era, there is a trend toward IT application and digitalization. We created Hirogin IT Solutions to provide companies with support for IT application and digitalization. However, it is also understood the purpose of each of these companies is to leverage finance. I am heartened to see each of our employees properly understanding the meaning behind our adoption of a holding company structure and working to effectively use the management resources of each Group company, including non-financial companies, to expand and diversify the value we provide.

One issue that still needs to be addressed is our response to the severe changes in the external environment around the financial business, particularly the markets division. We were late to adapt to interest rates in the US, which rose and have stayed high. This decreased the profitability of the markets division and ultimately led to a year-on-year decrease in profit for the fiscal year ended March 31, 2023, which is a point that requires serious reflection. In the fiscal year ended March 31, 2024, we have increased both sales and profit, meeting some of the quantitative targets we set during the formulation of the plan, including profit attributable to owners of parent of 27.6 billion yen. However, I think that further strengthening profitability by accelerating strategies and measures in accordance with market trends will be essential to realizing the sustainable growth of the Group.

The financial industry in Japan is reaching a historic turning point. In March 2024, the Bank of Japan (BOJ) ended its negative interest rate policy, effectively ending the era of zero interest rates, and as a group centered around a bank, this has been a positive boost for us. On the other hand, the yen has depreciated following the BOJ's monetary easing measures, which is driving increases in the prices of goods, particularly imported goods, and thereby putting pressure on corporate management and the lifestyles of ordinary people. These changes in the external environment are also affecting the management of the Group, and we are now required to steer our operations more carefully, paying close attention to economic and financial trends.

Contributing to the creation of a prosperous future through co-creation with the regional community by implementing Mid-Term Management Plan 2024 developed from the perspectives of young employees and external parties

Based on the achievements and issues of Mid-Term Management Plan 2020, Mid-Term Management Plan 2024 started in April 2024 and it covers the five-year period up to the fiscal year ending March 31, 2029. In association with the formulation of this plan, we set “Expanding the horizons of the future alongside the regional community through wide-ranging services” as our Group Purpose to clarify our *raison d’être* and origins. For the Hirogin Group, regional community development is fundamental to our business and it is the source of our growth. A decline in the regional economy would also send our business into a diminishing equilibrium. To pursue medium- to long-term growth, it is essential that we work with relevant organizations, including governmental bodies, to maintain and strengthen the economic power of the region. Also, it is important that we substantively enhance the Group’s functions and then share the fruits of our success with the regional community to create a positive cycle where we grow together. As a Regional Comprehensive Services Group, we want to create new business opportunities by rejuvenating the regional community to expand the future possibilities open to the region, our customers, our shareholders, and the Group itself. Our Purpose reflects this strong conviction.

Even the way we formulated our new mid-term management plan was very different from previous plans. Before, we would generally envision how we would like indicators such as profit levels to be in three years time and then work out what we would need to do to achieve that. However, this time, we envisioned an ideal future 10 years from now and then planned our strategies for the next five years as the first half of the road to realizing this vision.

Regarding the specific process for formulating the plan, the Future Creation Task Force we formed, comprising 16 Group employees, especially younger employees, kicked off the formulation process by considering a vision for the goals of the region and the Group 10 years from now. We then backcasted from this vision of the future to clarify eight materialities (priorities for the region) and drew up our strategies accordingly. When considering how to formulate the plan, we decided to use young employees because we expect them to be the Group’s mid-level leaders in 10 years time, and we also wanted to foster a corporate culture where each and every employee tackles issues with a sense of ownership, rather than the plan given from above.

The goals of Mid-Term Management Plan 2024 are to realize a vibrant region and to become a Group that can demonstrate a prominent presence in the region by solving the eight materialities (priorities for the region) in a

way that mitigates population decline and enhances productivity. To make this happen, we will focus on “value creation strategies,” “management foundation reinforcement strategies,” and “strategy drivers” and deepen and expand the business axes and maximize human capital while striking a balance among investments in growth, soundness, and shareholder returns. In this way, the new plan aims to further enhance corporate value.

Regarding management metrics, we will work to achieve a PBR of at least 1x by targeting a consolidated ROE of around 7.5%, a consolidated capital adequacy ratio of around 11%, and a consolidated BPS of at least ¥2,000 for the fiscal year ending March 31, 2029, the final year of the plan. In addition to this, we will engage in initiatives such as curbing the outflow of people from Hiroshima Prefecture and increasing the tourism consumption in Hiroshima Prefecture as regional vitalization metrics.

In Mid-Term Management Plan 2024 formulation process, we strived to sincerely listen to the voices of the young employees who will lead the future of the Group, as mentioned previously, and properly reflect in the plan the opinions and advice of our external Directors, who possess abundant insight concerning corporate social missions and value creation. Although the implementation of the plan has started, we still work to considerably evolve our organizational management framework through efforts including increasing opportunities for dialogue between external Directors and employees from various generations in order to incorporate an external perspective into management practices. I have a strong feeling that through the formulation and deployment of this plan, we have made internal communication more dynamic and further enhanced the transparency and agility of our governance.

Contributing to and involving in regional vitalization through urban and regional development

Since peaking in 1999, the population of Hiroshima Prefecture has been gradually declining and there is concern that this will cause a decrease in the economic growth rate. Also, circumstances such as Hiroshima Prefecture suffering the biggest social decrease in population out of all of Japan’s 47 prefectures for three consecutive years mean that countering the outflow of people from the prefecture, especially young people, has become an urgent issue. As a Group based in Hiroshima, it goes without saying that advancing urban development to create highly livable areas which have the power to attract people is a challenge that is key to our business survival. Based on this basic recognition of the situation, we are engaging in urban and regional development that enhances the appeal of the area, including by supporting policy implemented by the Hiroshima City and Hiroshima Prefectural governments and raising issues. In 2021, we established Hirogin Area Design, a wholly-owned subsidiary of Hirogin Holdings, which provides consulting on

Aiming to be a corporate group that can demonstrate a prominent presence in the region



developing and rejuvenating the region. Furthermore, in April 2024, a Structured Finance Office was established in Hiroshima Bank's Solutions Sales Department and it is working with Hirogin Area Design to play a leading role in regional development business by strengthening cooperation with local municipalities and private sector companies.

There are currently many medium-scale or larger redevelopment projects underway in Hiroshima City and the other major cities in the prefecture. The central area of Hiroshima Prefecture was built in the late 60s and early 70s. The center of Hiroshima City has experienced half a century of history and it is now time to renew the buildings, blocks, and various kinds of infrastructure. There is also redevelopment being carried out in the station-front areas of Kure City, which neighbors Hiroshima City, and Fukuyama City in the east of the prefecture. The market for regional revitalization-related business is set to continue growing and we will work together as a Group to contribute to next-generation urban development with a focus on large-scale redevelopment. We will do this through concept design for complex buildings positioned at the core of new-build neighborhoods and by providing support related to finances. We will also strive to facilitate regional branding efforts that leverage Hiroshima City and Prefecture's abundant tourism resources and cultural assets and to create demand for tourism both within and from outside of the prefecture, in order to further rejuvenate the regional economy and community.

Optimizing cash allocation in a way that takes stakeholders' interests into account

Now that we have returned to "a world with positive interest rates," it is a reality that the utilization of stock will have an impact on whether business operations will be successful or not, but we will not recklessly pursue growth in terms of just size. Our lending operations are

centered on Hiroshima and we have positioned the Tokyo Metropolitan area, where there is considerable demand for funding, as a supplementary area. The same applies for our securities investment business. Ultimately, the deposit and lending businesses are our main businesses and the securities investment business plays a supporting role. Our basic approach to cash allocation is to allocate funds in a balanced manner. This includes investing in growth areas, investing in systems that can make operations more efficient, providing shareholder returns with a focus on dividends and share buybacks, and investing in personnel, including improving salaries and benefits and encouraging reskilling.

Within this, we plan to concentrate spending on strengthening our management base, especially by investing in human capital and DX. We will work to develop the abilities of employees through enhanced educational systems and training that enable each individual employee to leverage their characteristics and individuality and to concentrate on operations they excel at. We will also support the self-realization of every employee. Additionally, we will advance efforts to review and rebuild operation processes using the latest digital technologies while also investing in DX-related growth so that we can steadily implement the value creation strategies, the cornerstone of the Mid-Term Management Plan.

Accelerating Mid-Term Management Plan 2024 initiatives by transforming employee mindsets through SX and DX

In Mid-Term Management Plan 2024, we have positioned three types of transformation, SX (sustainability transformation), DX (digital transformation), and AX (alliance transformation), as strategy drivers. Also, in order to signal the areas we intend to focus on both internally and externally, we have strengthened our implementation framework, including by establishing the Sustainability Coordination Division and DX Administration Division



It is the Group's mission and my responsibility to expand the horizons of the future together with the regional community

as dedicated divisions and assigning dedicated executive officers to oversee these areas.

However, just because we have established the dedicated divisions, it does not mean our engagement in the sustainability and digital fields will be limited to these divisions. The specialist divisions will take a leading role in advancing initiatives, but unless other divisions actively cooperate with a sense of ownership, then nothing will change.

Take carbon neutrality for example. Currently, movement on this issue is not really gaining momentum in the region, and in reality, only listed companies and some of the companies in their supply chains are taking action. However, within this situation, companies that are taking action have already started moving. It is important to look at the options regarding each individual issue to see what proposals we can concretely make, and the time has now come for individual companies to formulate specific strategies. There are also companies that have potential to help but which have yet to take action, so it is important for us to anticipate what will happen to these companies in the future and think of how we can reach out to them now. To do this, we need not only the Sustainability Coordination Division, but also sales-related divisions to shift the focus of discussions from general ideas to specific details and turn engagement with individual companies and engagement with business sectors, particularly the auto and shipping sectors, into real action.

Also, bringing up the topic of DX, DX is not just a tool for making operations more efficient through the introduction of digital technology. What means can we use to enable new operations to be carried out smoothly? What can we do to innovate our businesses and business operations? The role of DX is to awaken the mindset that asks these kinds of questions and then visualize processes for innovating and making improvements, and all employees should be engaged in this initiative. There are still some employees who think that DX is something that does not involve them personally, but for some time I have been saying that we cannot stay attached to

previous ways of doing things. We must find new ways. I am continuously asking employees to think seriously about what they can change, so the DX Administration Division and each Group company and division can share a mindset of asking questions, leading to the provision of better services. The true essence of DX is the transformation of corporate culture, so I think that being deeply aware of the transformation of employee mindsets and working together as a Group to make this happen is an important undertaking that will drive the future development of the Group.

Enhancing corporate value through the sophistication of human capital management

Our human resources are the Hirogin Group's greatest asset and also the driving force of our corporate growth. In Mid-Term Management Plan 2024, we have positioned "regional development business," "shipping finance," "corporate sector solutions," "wealth management," and "securities investment/ALM" as our five priority areas and we will prioritize the allocation of human capital to these areas with the aim of establishing them as drivers for profit growth.

When considering how to re-deploy personnel within the Group, my first thought is that each individual employee has their own individual talents, so it is fundamental that each employee is able to engage in work they want to do or they are good at. Investment in human resources development is important in this regard, and in Mid-Term Management Plan 2024, we have been particularly bold by roughly doubling the amount of investment compared to previous levels. We are focusing on using multi-tiered educational and training systems to empower employees and support their self-realization, while at the same time, maintaining people-friendly workplace environments and establishing an employee evaluation system that rewards effort.

I expect the Hirogin Group employees to be one of two types of person. The first is a generalist who has excellent management skills and the second is a specialist who creates solutions in his or her chosen field. At the very least, I respect employees' idea of what they want to do and the direction they want to head in, and I want us to develop both generalists and specialists who can work in tandem to implement our management strategies.

We are also striving to cultivate an open corporate culture where the individuality of each employee is respected. Naturally, there are employees who are able to adapt immediately to new values, and also employees who find it more difficult to break away from previous ways of thinking and to incorporate ideas like gender and diversity. I recognize that it is one of my roles to stubbornly advance the transformations of both employee mindsets and our organizational culture.

At the same time as we formulated the new mid-term management plan, we also put considerable energy into maintaining dialogue with employees, including holding information sessions and town hall meetings. To advance such transformations, I think these kinds of activities are needed now more than ever.

Aiming for a PBR of 1x

Recently, there has been a greater emphasis in Japan on management that is conscious of capital cost and share price and on the importance of maintaining dialogue with shareholders. The Hirogin Group is focusing on strengthening initiatives of "improving RORA," "controlling financial leverage," and "non-financial strategies" with the aim of achieving a PBR of 1x, while also maintaining constructive dialogue with shareholders.

We had already been holding large meetings for investors and analysts for some time. In recent years, we have also greatly increased the number of small and one-on-one meetings we hold and put effort into IR activities targeting overseas investors in areas such as North America, Europe, and Asia. As a result, the response we receive from investors has changed considerably.

In terms of industry trends, until recently Japan had a negative interest rate policy, so regional banks were unfortunately off the radar of many investors. However, now that interest rate policy has changed, investors are starting to pay attention to Japan's regional banks. We are finding that investors from other countries in Asia seem to have a particularly strong interest in Japan.

One reason for this seems to be simply that interest rates are increasing, but another is that investors are beginning to attach more importance to regional perspectives. For example, semiconductor manufacturer TSMC's operation has rejuvenated Kumamoto. In areas where there is a positive outlook for local industry, the share prices of regional banks also rise.

We intend to achieve a PBR of 1x as a matter of course. However, most companies have a similar target or policy, so ultimately, investors will be looking at

whether it is realistically achievable. Or in other words, in our sector there are two focuses, how a company will enhance its profitability and the outlook for the region it is in. With this perspective firmly in mind, we will work to widely publicize the Group's strategies, initiatives, and successes, while also meeting the expectations of a wide range of stakeholders, including shareholders and investors, through even livelier communication with the markets.

Aiming to be a Regional Comprehensive Services Group with close ties to the regional community and which bears the expectations of all our stakeholders

Under Mid-Term Management Plan 2024 for the next 10 years, we at the Hirogin Group are advancing various initiatives to create a regional community for future generations. However, this will not change the fact that our core company is Hiroshima Bank and the Group's foundations will continue to be in Hiroshima. As our Purpose states, it is the Group's mission, as well as my responsibility, to expand the horizons of the future together with the regional community.

To date, the development of Hiroshima Prefecture has been centered around the manufacturing industry, but to further raise the appeal of the region, I think another pillar to drive the local economy needs to be created. Although it will take time, we will focus the Group's energies on developing startup and venture businesses that can create new businesses and services in order to draw a vision for the future of Hiroshima.

Also, it is essential that we embody our Purpose and Management Policy in all the areas we engage in and work to secure stable, medium- to long-term earnings to maximize corporate value. We will work to further enhance profitability through various initiatives, including developing forward-looking personnel who can think for themselves with a sense of ownership of their work, carrying out growth and DX investments that anticipate the future, and practicing sound financial discipline and rational cash allocation.

Taking on challenges has been in our DNA since the Group's establishment and going forward, we will retain this spirit and work determinedly to become a Regional Comprehensive Services Group that is trusted by the regional community and that bears its expectations. I look forward to receiving the continued understanding and support of all our stakeholders.

Message from the President of the Bank



Kazuo Kiyomune

Representative Director and President
Hiroshima Bank

**As the core
of Hirogin Holdings,
we will lead the Group and
strengthen our human
capital as a key management
resource, while emphasizing
contact with customers.**

Emphasizing contact with customers through the abolishment of the performance evaluation system and revision of the personnel evaluation system

Since transitioning to a holding company structure in October 2020, our bank has conducted various system overhauls, one of which was the abolition of the performance evaluation system. When considering the bank's long-term sustainability, maintaining relevance to future customers is crucial. However, the performance evaluation system, which had been in place for many years, was somewhat inward-focused. We judged that the very idea of having our approximately 150 branches compete with each other to achieve results would not enable us to meet the expectations of our customers.

For example, when a new branch manager takes office, they often focus on maximizing achievements during their tenure. However, this approach tends to be self-serving and does not deliver long-term results. Even if the branch's performance temporarily improves, by the time a successor takes over, the branch staff may be exhausted and morale may be low. Such cases have been observed in the past.

When we abolished the evaluation system in fiscal 2023, we surprisingly saw no significant drop in performance;

in fact, I felt that performance had become even stronger. In fiscal 2024 and beyond, we will closely monitor from a management perspective how this change becomes firmly established and whether it contributes to strengthening customer trust.

Another key initiative is the revision of our personnel evaluation system. In the past, we used our performance evaluation system results more or less as-is to assess personnel. Now, we have shifted to an OKR (Objectives and Key Results) system, which evaluates how seriously individuals strived to meet the benchmarks they set for themselves. Although it may take some time for this new system to become fully integrated, we are committed to continuing with it as I believe that it aligns with our goal of transforming from an inward-focused to a customer-centric organization.

Prioritizing human capital as a key management resource and significantly revising our training methods

The most important management resource, in my opinion, is human capital. As both financial and non-financial services become more sophisticated, it is essential to foster talented individuals who have the knowledge, capabilities, and skills to meet the wide-ranging expectations of our

customers. Traditionally, we employed a uniform training approach for all personnel. Moving forward, however, we plan to introduce a training system tailored to each individual's abilities and aptitudes. This includes secondments to other companies to have employees engage in tasks that cannot be experienced within the bank, thereby enabling them to leverage these experiences and skills upon their return. Our Mid-Term Management Plan 2024, which outlines our goals for the five-year period starting in April 2024, has allocated budgets for such human resource development.

In terms of other management resources, we recognize the importance of maintaining a certain level of equity capital. As the economic environment shifts from deflation to inflation and from a world without interest rates to one with interest rates, taking appropriate risks is essential for an aggressive business strategy. Consequently, it is crucial to sustain adequate levels of equity capital. Furthermore, during my tenure, I plan to improve the performance of our securities portfolio, with a focus on increasing return.

We aim to achieve these goals and set Hiroshima Bank on a growth trajectory, and by returning the resulting benefits to the local community, we hope to stimulate the regional economy, which will in turn enhance our performance in a virtuous cycle.

Increasing the number of Hirogin fans

As part of our efforts to increase the number of Hirogin fans, we are implementing Group-wide branding initiatives as laid out in our Mid-Term Management Plan 2024, with our approximately 150 branches serving as the front line of customer interaction.

Hirogin's perceived value to customers is greatly influenced by how employees at each branch engage with customers. We believe that creating a positive impression, including through daily interactions with liaison officers, branch managers, executives, and non-financial staff, plays a crucial role in cultivating customer loyalty.

How do we achieve this? I believe that the key is to provide close support to customers. When customers come to us with concerns, we must place ourselves in their shoes, fully grasp their needs, and respond with genuine sincerity. This profoundly changes the quality of interactions with customers. I myself am committed to sending out these messages to our employees on an ongoing basis until it gets through to all of them.

We have gradually begun to see the effects, with feedback such as, "Recently, the service from Hirogin's sales team has changed," and, "When I consulted them about an issue, they went beyond their assigned responsibilities and coordinated with various people, even beyond their primary responsibilities, to present a solution." These responses indicate that we are gradually seeing a positive change.

Role of Hiroshima Bank from the President's perspective

Even after transitioning to a holding company structure, Hiroshima Bank remains the largest entity within the Group. We recognize that it plays a crucial role in utilizing and developing the Group's strengths by working as the Group's core to deliver solutions that meet customers' needs.

For the time being, Hiroshima Bank will take the lead in managing the holding company. Ideally, as we move forward, we need to build up a brand around the holding company and gradually enable each Group company to operate more independently and grow its customer base.

Hiroshima Bank still leads the Group, and will strive to leverage its strengths—such as customer relationships, wealth of information, and credit creation capabilities—to move forward to the next stage. Furthermore, as a Group, we aim to become an even more valuable partner to our local clients and customers than ever before.

A message to stakeholders

To remain indispensable to both corporate and individual clients in the region, it is essential that we possess and maintain the skills that can genuinely benefit them. Furthermore, we must consistently generate sufficient earnings to sustain the provision of these services. By effectively serving local clients through our operations and redistributing earnings to shareholders and employees, we aim to contribute to the revitalization of the local community in a virtuous cycle that drives our growth to the next stage.

Creating a workplace where employees are motivated to do their best every day is a key responsibility for management and supervisory staff. We are committed to fostering an organization where all personnel can enjoy opportunities and thrive regardless of nationality, gender, age and other attributes, and further enhancing systems and building environments that support diverse work styles suited to each employee's occupational values and family circumstances.

I recognize that implementing institutional reforms and transforming the organizational culture may take some time. However, as President, I am committed to ensuring that Hiroshima Bank remains a valuable and integral part of the community. I take full responsibility for this mission and will strive for continued growth and development towards the future.

Message from the Financial Officer



Yuji Hiroe

Director & Senior Managing Executive Officer

We will enhance the Group's corporate value through the steady and continuous accumulation of profits (retained earnings) and by practicing management with a balanced approach to shareholder returns.

Building a foundation for sustainable growth

My name is Yuji Hiroe and from this fiscal year, I will serve as the Group's financial officer. In this role, I will facilitate the steady implementation of strategy through the appropriate allocation of management resources into our prioritized areas and advance sound financial management and capital policy. I will also work to explain these business operations to investors in an easy-to-understand manner. I look forward to your support.

We have formulated the Mid-Term Management Plan 2024, which covers the period from fiscal 2024 to fiscal 2028. The primary focus of this plan is regional revitalization. Based on our vision of the ideal state of the region in 10 years' time, we created a clear vision of how we want the Group to be 10 years from now and then used backcasting to identify what we should do in the

first five-year period. Our policies for the Mid-Term Management Plan period are to contribute to regional development and enhance the quality of our existing businesses (deepening our business operation base), while also deploying various new strategies, such as reviewing our structures, actively investing in new businesses (expanding our business operation base), and investing in human capital. Through these initiatives, we will develop real strength in the Group and strike a balance between investments in growth, soundness, and shareholder returns to further increase corporate value.

In fiscal 2024, the first year of the Plan, we will work to secure a year-on-year increase in earnings through implementing strategies such as making investments in growth and reallocating management resources to strengthen the Group's profitability, while also building a foundation for sustainable growth.

Business performance in fiscal 2023 and financial results forecasts for fiscal 2024

Business performance in fiscal 2023

In fiscal 2023, the business environment in the region was difficult due to a slowdown in the global economy caused by monetary tightening measures in major countries and the rising prices of goods. However, there were improvements in the conditions of the auto and semiconductor-related industries, which are key industries in the region. Additionally, capital investment and personal consumption were both firm, and the overall trend was for a gradual recovery, boosted by factors such as a considerable increase in tourists to the region, particularly from overseas, following the G7 Hiroshima Summit.

Within this environment, Hiroshima Bank saw steady growth in net interest income due to an increase in loans and discounts, among other factors. Income on service transactions and other fees also increased as a result of fees related to shipping and syndicated loans, as well as strong sales of financial instruments by Hirogin Securities. This strong performance by our main businesses resulted in consolidated gross profit increasing by ¥21.4 billion year-on-year to ¥100.7 billion.

Profit attributable to owners of parent increased by ¥15.1 billion year on year to ¥27.6 billion due the recording of a gain on sale of shareholdings despite the recording of provision of allowances for loan losses resulting from downturns in the business performance of customers impacted by rising raw material prices.

Financial results forecasts for fiscal 2024

In fiscal 2024, the Bank of Japan (BOJ) ended its negative interest rate policy in March, and then raised interest rates again in July. It is also expected to make further changes to its monetary policy going forward. As domestic interest rates in Japan gradually rise, Hiroshima Bank will work to steadily accumulate income from interest on loans and discounts by demonstrating its loan intermediation functions, capturing firm financing demand from regional redevelopment and shipping-related industries.

We will also seek to increase income on service transactions and other fees by meeting the growth investment and business revitalization needs of local companies through the provision of active support for business succession and M&As, while also switching to a recurring revenue-type business under a goal-based approach in the asset management field.

Furthermore, we will enhance human capital investment, including through salary increases, and actively invest in projects that will increase future top-line revenue.

Considering the above, we forecast that profit attributable to owners of parent will increase ¥2.4 billion year-on-year to ¥30.0 billion.

Hirogin Holdings (consolidated)

(¥ billion)	FY2023 results (YoY change)		FY2024 forecast (YoY change)	
Consolidated gross profit	100.7	(+21.4)	—	(—)
Ordinary profit	34.1	(+15.4)	44.0	(+9.9)
Profit attributable to owners of parent	27.6	(+15.1)	30.0	(+2.4)

Hiroshima Bank (non-consolidated)

(¥ billion)	FY2023 results (YoY change)		FY2024 forecast (YoY change)	
Core gross banking profit	92.0	(+5.5)	96.0	(+4.0)
Core banking profit	38.9	(+4.7)	40.0	(+1.1)
Ordinary profit	31.4	(+15.0)	40.0	(+8.6)
Profit	26.5	(+15.0)	27.5	(+1.0)
(Reference) Credit expenses	14.4	(+14.1)	5.0	(-9.4)

(Assumed market scenario for forecasts)

Yen interest rates: (short-term) BOJ policy rate of 0.10%, (long-term), Rate on 10-year JGBs of 1.20%
 Foreign currency interest rates: (short-term) FF rate of 5.00%, (long-term) Rate on 10-year US T-Notes of 4.00%
 Exchange rate (USD/JPY): 140 yen
 Nikkei stock average: 38,000 yen

(Note) As shown in the assumed market scenario for forecasts, the effects of the interest rate hike carried out by the BOJ in July 2024 have not been taken into consideration in the forecasts for FY2024 described above. Any future revisions to the results forecasts will be disclosed in a swift and timely manner.

Message from the Financial Officer

■ (Reference) Summarizing the achievements of Mid-Term Management Plan 2020

Under the Mid-Term Management Plan 2020, we advanced initiatives aimed at solving regional issues and facilitating customer growth, while also working to strengthen the Group's management base.

This included establishing Hirogin Area Design as a subsidiary that can provide consulting on solutions to structural issues facing the regional community, and supporting local companies by conducting evaluation of customers' business potentials. We also worked to provide solutions in non-financial areas by making Hirogin IT Solutions into a subsidiary and establishing Hirogin Human Resources.

Other initiatives included enhancing non-face-to-face transactions using a smartphone app and using IT to strengthen the management base.

As a result of these efforts, we achieved the Plan's targets for profit attributable to owners of parent, consolidated capital adequacy ratio, and consolidated ROE.

On the other hand, we fell short of targets for "Total of revenue related to consulting services for corporate and retail customers and profit for the Group companies," and "Contributions of Group companies to consolidated performance." This was due to changes in the business environment, including a sudden change in the financial market environment and a decline in sales of structured bonds, being far greater than we anticipated when formulating the Plan. The factors resulted in a decrease in asset management revenues at Hiroshima Bank and Hirogin Securities.

■ Achievement of targets in the final year of Mid-Term Management Plan 2020 (fiscal 2023)

	Target	Result
Profit attributable to owners of parent	More than ¥27.0 billion	¥27.6 billion: Achieved
Total of revenue related to consulting services for corporate and retail customers of Hiroshima Bank ^{*1} and profit for the Group companies ^{*2}	¥16.0 billion or more	¥14.8 billion: Not achieved
Contributions of Group companies to consolidated performance ^{*3}	12% or more	9.5%: Not achieved
Consolidated capital adequacy ratio	10% or more	11.0%: Achieved
Consolidated ROE	5% or more	5.4%: Achieved

(*1) Revenue related to consulting services for corporate and retail customers of Hiroshima Bank is the total of revenues from corporate solutions, asset management, and equity business.

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

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

Aiming for a PBR of 1x

We are aiming for a PBR of 1x by fiscal 2028, the final year of the Mid-Term Management Plan 2024.

To raise PBR, we need to raise ROE. Therefore, we will work to raise ROE by improving RORA (Return on Risk-Weighted Assets) and strengthening control over financial leverage.

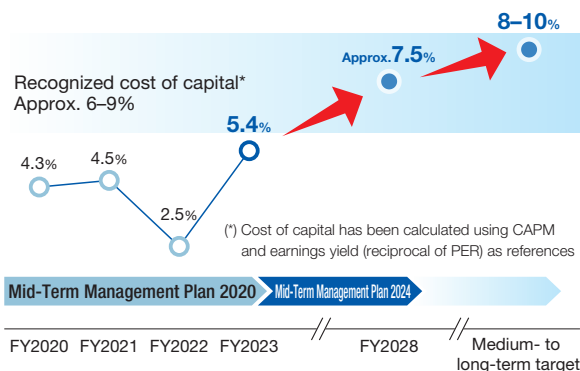
We will also focus on implementing non-financial strategies that will help to raise PER.

	Results (FY ended March 31, 2024)	Target levels for FY2028 (final year of Mid-Term Management Plan 2024)
PBR (corporate value)	0.61x $\frac{\text{Market capitalization}}{\text{Net assets}} = \frac{¥331.4 \text{ billion}}{¥535.2 \text{ billion}}$	Approx. 1x
ROE	5.4% $\frac{\text{Net income}}{\text{Net assets (average balance)}} = \frac{¥27.6 \text{ billion}}{¥516.6 \text{ billion}}$	Approx. 7.5%
RORA	0.7% $\frac{\text{Net income}}{\text{Risk assets}} = \frac{¥27.6 \text{ billion}}{¥3,984.2 \text{ billion}}$	Approx. 1%
Financial leverage	7.4x $\frac{\text{Risk assets}}{\text{Net assets}} = \frac{¥3,984.2 \text{ billion}}{¥535.2 \text{ billion}}$	Approx. 8x
PER	12.1x $\frac{\text{Market capitalization}}{\text{Net income}} = \frac{¥331.4 \text{ billion}}{¥27.6 \text{ billion}}$	Approx. 13x

Medium- to long-term target levels for ROE

Under the Mid-Term Management Plan 2024, we are aiming for a consolidated ROE of 7.5%, but given the cost of capital, we recognize that this is far from a sufficient level.

We recognize the cost of capital of the Company's shares as being in a range of 6 to 9%, and in the medium to long term, we are aiming for a consolidated ROE that exceeds this cost of capital, or in a range of 8 to 10%.



Enhancing RORA

The Mid-Term Management Plan 2024 contains five priority areas, as shown below, and we will raise profitability by developing businesses that leverage the Group's strengths in each of these areas, while carrying out re-structuring in areas where issues have been identified.

We will prioritize the active investment of management resources (people and money) into these priority areas to establish income growth drivers.

Through these efforts, we plan to raise RORA from its current level of about 0.7% to 1% by fiscal 2028.

		Capital investment over the Mid-Term Management Plan period				FY2028 (Compared to FY2023)	
Priority areas		FY2023	(RWA) *Compared to FY2023	(Personnel deployment) *Compared to FY2023	(Human capital investment) *Cumulative total for five years from FY2023		
Developing businesses that leverage the Group's strengths	Regional development business	¥2.0 billion (Related income)	+¥37.0 billion	+Approx. 15 people	¥100 million	→	Approx. ¥3.5 billion (Related income) + Approx. ¥1.5 billion
	Shipping finance	¥10.3 billion (Related income)	+¥100.0 billion	+Approx. 12 people	¥30 million	→	Approx. ¥12.0 billion (Related income) + Approx. ¥2.0 billion
	Corporate solutions	¥5.8 billion	+¥140.0 billion	+Approx. 88 people	¥280 million	→	Approx. ¥8.5 billion + Approx. ¥3.0 billion
Business areas undergoing restructuring	Wealth management	¥10.5 billion	—	*Enhance the expertise of current personnel	¥70 million	→	Approx. ¥11.5 billion + Approx. ¥1.0 billion
	Securities investment and ALM	¥7.6 billion (Net interest income)	+¥50.0 billion	+Approx. 7 people	¥150 million	→	Approx. ¥22.0 billion (Net interest income) + Approx. ¥14.5 billion

(Note) The amount of investment in human capital is the total cost of dispatching trainees to posts including those at external companies, training expenses associated with talent development, and other expenses.

Balance sheet strategy in response to rising yen interest rates

Amid continuing rises in prices and growing movement toward wage hikes, the BOJ raised interest rates in March 2024 for the first time in 17 years. This was followed by another hike in July, marking a considerable turning point in Japan's monetary policy. Since then, interest rates within Japan, including long-term interest rates, have been rising.

In response to these rising interest rates, balance sheet management requires a strategy that anticipates future net interest income while responding differently to various rate hike scenarios.

In a case where the rise in interest rates is gradual, an increase in interest on deposits will come first, which

means it will take time before balance sheet profitability improves. Therefore, we will seek to increase income by incorporating long-term, high-yield assets.

On the other hand, in a case where the rise in interest rates is rapid, we will seek to increase income by raising the proportion of variable interest rate assets through measures such as hedging against long-term fixed loans.

We will also work to procure stable deposits by strengthening the provision of services that can be processed completely online, particularly through the Hirogin app, and by making use of embedded finance.

Message from the Financial Officer

■ (Reference) Impact of interest rate rises

Status of Hiroshima Bank's balance sheet

Status of Hiroshima Bank's balance sheet

The loan-deposit ratio of the yen-denominated balance sheet is 76.9%. On the procurement side, the proportion accounted for by settlement accounts is about 54% and the proportion of deposits covered under the Deposit Insurance Act is about 73%. We recognize that there is a tight and enduring correlation between these.

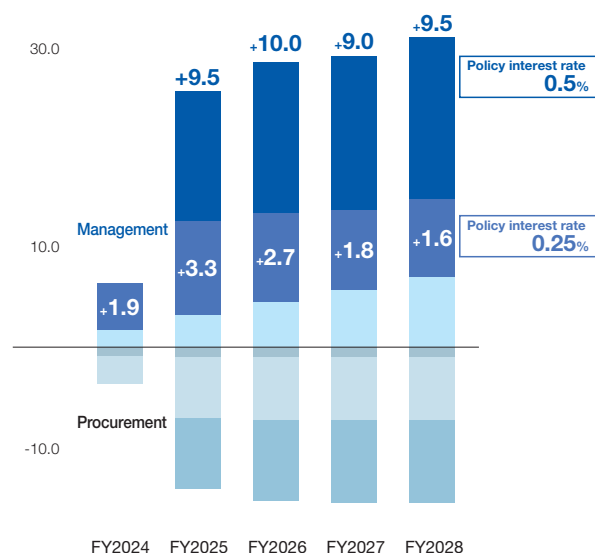
Foreign currency-denominated balance sheet

On the management side, due to the concentration of shipping-related sectors in the region, we anticipate lending to international vessel/ship rental/leasing businesses will increase going forward.

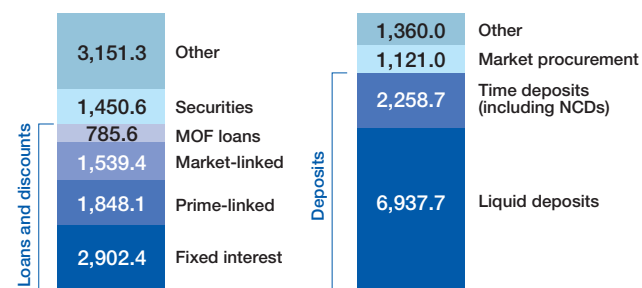
On the procurement side, our market procurement ratio is high and we will work to further strengthen profitability by stabilizing foreign currency procurement based on an increase in loans and discounts.

■ Impact of rises in the BOJ policy interest rate

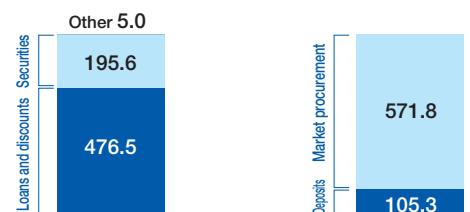
A 0.5% increase in interest rates by the BOJ is forecast to increase annual income by around ¥9 billion to ¥10 billion.



► Yen-denominated balance sheet (¥ billion)



► Foreign currency-denominated balance sheet (¥ billion)



(As of March 31, 2024)

Assumptions and interest rate scenarios

- Asset and liability balances remain at levels as of March 31, 2024
- The amount of increase is in comparison to a policy interest rate of 0.1% (mid-term plan market scenario)
- The policy interest rate throughout FY2024 is 0.25%. It is assumed that the rise to 0.5% will occur from April 2025 onward
- The corresponding rate for interest on loans and discounts is 100% of the policy interest rate for short-term prime rates, market-linked rates, and long-term fixed rates.
- The corresponding rate for interest on deposits is up to about 40% of the policy interest rate for liquid deposits and up to about 40% of the long-term interest rate for time deposits.
- Each interest rate scenario is as follows.

Policy interest rate		0.25%	0.5%
Base rate	Short-term prime rate	2.125%	2.375%
	Fixed rate (5-year)	0.70%	0.90%
Interest on deposits	Liquid deposits	0.10%	0.20%
	Time deposits (1-year)	0.11%	0.22%

■ (Reference) Profit plan under Mid-Term Management Plan 2024

	FY2023	FY2028	(Change)	Impact of policy interest rate revisions on change	
Hiroshima Bank	Net interest income	¥74.1 billion	¥97.0 billion	¥22.9 billion	¥4.2 billion
	of which, interest on loans and discounts, interest on deposits, etc.	¥63.7 billion	¥73.7 billion	¥10.0 billion	¥4.2 billion
	of which, interest and dividends on securities	¥7.6 billion	¥20.0 billion	¥12.4 billion	—
	Net non-interest income	¥17.8 billion	¥21.5 billion	¥3.7 billion	—
	of which, corporate solutions	¥5.8 billion	¥8.5 billion	¥2.7 billion	—
	Of which, asset management	¥4.9 billion	¥5.5 billion	¥0.6 billion	—
	Core gross banking profit	¥92.0 billion	¥118.5 billion	¥26.5 billion	¥4.2 billion
	Expenses	¥53.0 billion	¥57.0 billion	¥4.0 billion	—
	Core banking profit	¥38.9 billion	¥61.5 billion	¥22.6 billion	¥4.2 billion
	Profit	¥26.5 billion	¥41.0 billion	¥14.5 billion	¥2.9 billion
Excluding Hiroshima Bank	Net income (total)	¥2.6 billion	¥4.0 billion	¥1.4 billion	—
	Profit attributable to owners of parent	¥27.6 billion	¥45.0 billion	¥17.4 billion	¥2.9 billion

Assumed mid-term management plan market scenario (FY2028)

Yen interest rate

BOJ policy interest rate 0.10%

10-year JGB yield 1.50%

Foreign currency interest rate

FF rate 3.00%

10-year US T-Note yield 3.75%

Exchange rate (USD/JPY)

¥135

Nikkei stock average

¥41,000

(Note) Interest on loans and discounts, and interest and dividends on securities represent the amounts after deducting external procurement costs

(Note) As shown in the assumed Mid-Term Management Plan market scenario (FY2028), the effects of the interest rate hike carried out by the BOJ in July 2024 have not been taken into consideration in the profit plan for the Mid-Term Management Plan 2024 described in the table to the left.

Enhancing shareholder returns

We have set a shareholder return policy based on an assumed HD consolidated capital adequacy ratio of 11%. The policy comprises a dividend payout ratio of about 40% and the timely implementation of treasury share buybacks.

The 11% capital adequacy ratio represents a level that can be maintained above regulatory requirements, even during times of stress.

For fiscal 2024, we forecast a dividend of ¥40 per share with a dividend payout ratio of 40.5%, representing an upward trend in dividends.

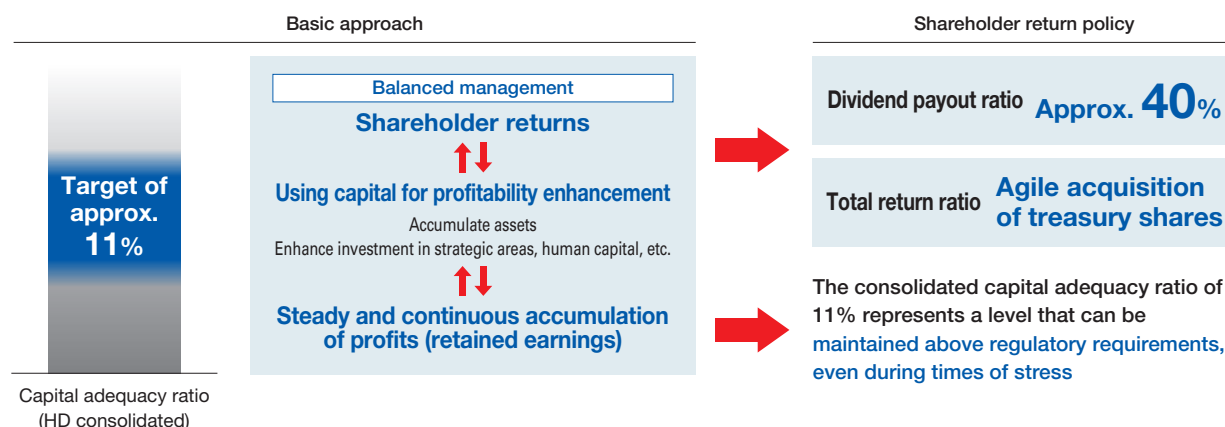
We also plan to repurchase treasury shares totaling around ¥3.5 billion* in fiscal 2024, following repurchases conducted in the previous fiscal year. As a result, we

anticipate that the total return ratio for fiscal 2024 will be 51.8%.

Additionally, we will aim to increase dividend per share during the current Mid-Term Management Plan period by enhancing profits. Our dividend target for fiscal 2028, the final year of the Plan, is ¥60 per share, which will be realized by achieving profit attributable to owners of parent of ¥45.0 billion.

(*) In the timely disclosure "Notice of decision on matters related to the repurchase of treasury shares" (Japanese only) dated July 25, 2024, we announced a repurchase of treasury shares totaling ¥5.0 billion. Of the repurchase, as described in the timely disclosure "Notice of treasury share disposal through a third-party allotment aimed at supporting the Hiroshima Museum of Art" (Japanese only) released on the same day, one million shares (equivalent to ¥1.5 billion) will be disposed of through a third-party allotment, pursuant to approval at the 5th Annual Shareholders Meeting to be held in June 2025. Therefore, we have described the actual amount of shareholder returns as ¥3.5 billion.

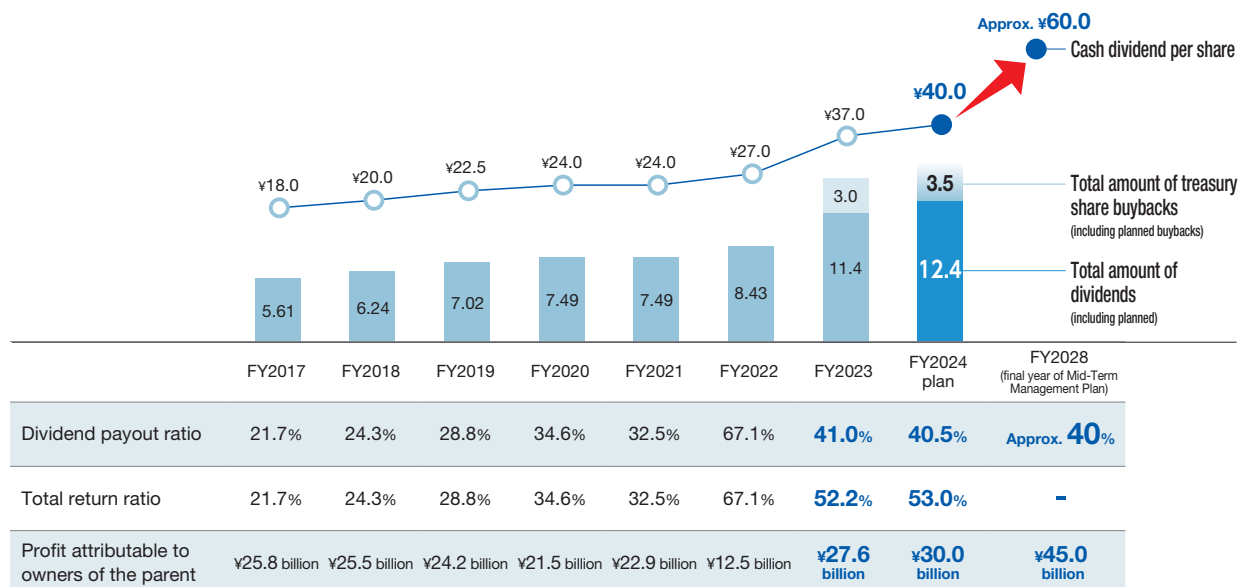
■ Approach to shareholder returns



Message from the Financial Officer

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

(¥ billion)



(Notes) 1. The Company conducted a 1-for-2 consolidation of its common shares on October 1, 2017. Cash dividends per share figures in fiscal 2017 are amounts accounting for the share consolidation.

2. For fiscal 2020, as Hirogin Holdings was established on October 1, 2020, the interim dividend of ¥12 per share (total of dividends paid: ¥3,748 million) paid by Hiroshima Bank is included.

3. For fiscal 2024, the total amount of treasury share buybacks (including planned) is ¥5.0 billion as disclosed on July 25, 2024. However, as described in the "Notice of treasury share disposal through a third-party allotment aimed at supporting the Hiroshima Museum of Art" (Japanese only) released on the same day, one million of these shares (equivalent to ¥1.5 billion) will be disposed of through a third-party allotment to the Hiroshima Museum of Art, pursuant to approval at the 5th Annual Shareholders Meeting to be held in June 2025. Therefore, the total amount of treasury share buybacks above has been set as ¥3.5 billion.

4. As shown above, in the profit plan under the Mid-Term Management Plan 2024 and for FY2028 (the final year of the plan), the effects of the interest rate hike carried out by the BOJ in July 2024 have not been taken into consideration.

Shrink cross-shareholdings

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

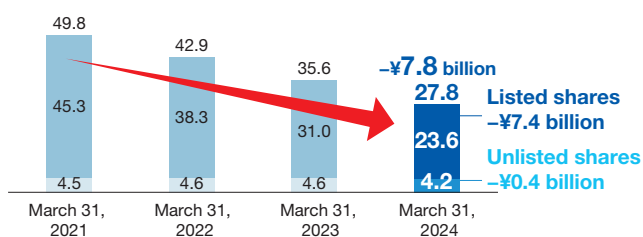
As for shares held, we examine the rationale for each shareholding, also taking ESG perspectives into account, and if we cannot find sufficient rationale for the shareholding, we will decide whether to continue to hold them after having dialogue with the issuing company.

In fiscal 2023, we reduced our cross-shareholdings by ¥7.8 billion (at cost), as a result of dialogue with issuing companies.

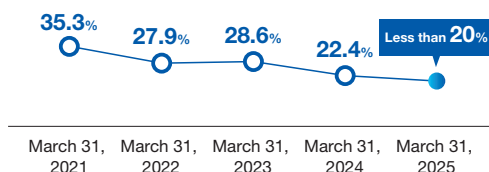
We have set a target of reducing the total market value of cross-shareholdings (listed shares and deemed shareholdings) to less than 20% of consolidated net assets by March 31, 2025.

Changes in cross-shareholdings

(¥ billion; at cost; excluding deemed shareholdings)



Reduction target $\frac{\text{Total market value of cross-shareholdings} + \text{deemed shareholdings}}{\text{Consolidated net assets}}$



Please see page 116 for details of our policy regarding cross-shareholdings, etc.

Engagement with investors and analysts

We think that providing investors with information through active disclosure, including enhancing disclosure content, will foster expectations regarding the Group's growth. We also recognize that this engagement can create extremely important opportunities to become aware about various matters.

Going forward, we will realize more dynamic dialogue with stakeholders by providing information that is easy to understand. We will also share the opinions received through this dialogue with the Board of Directors and other parties in a timely manner so that they can be reflected in our management strategy. In this way, we will further accelerate initiatives aimed at enhancing corporate value.

	FY2022	FY2023	FY2024 (planned)
Briefing sessions for institutional investors	3 sessions	3 sessions	7 sessions
One-on-one meetings with institutional investors	20 companies (including 1 from overseas)	31 companies (including 12 from overseas)	Approx. 40 companies
Briefing sessions for individual investors, etc.	4 sessions	3 sessions	4 sessions

TOPICS

Holding company briefing sessions locally

From fiscal 2023, we have continued to hold the "Hiroshima IR Session," a company briefing for individual investors in the Hiroshima area. The sessions are aimed at having local people rediscover the appeal of local companies and is held jointly with other listed companies based in Hiroshima. They are also held together with promotional events featuring products from local companies that are available through shareholder benefit programs. The event this year attracted a large number of customers.



A briefing session for individual investors

History and Developed Strengths of Hirogin Holdings

1878

1950

1960

1970

1980

In the face of two grave crises—the atomic bombing in 1945 and a sharp drop in share prices in reputational damage and a surge in withdrawals in 1997—we were able to overcome the difficulties and have continued to grow to this day, thanks to warm support from our customers and our employees' sincere and honest effort.

1878

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

1945

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

Trust extended to depositors affected by the atomic bombing



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

At 8:15 a.m. on August 6, the world's first atomic bomb was dropped on Hiroshima, instantly leveling Hiroshima City and causing devastation through a firestorm.

The atomic bomb resulted in the loss of 144 of the approximately 450 officers and employees at the Head Office of what was then Geibi Bank. Most of the survivors were injured. The Head Office and seven other branches were completely destroyed by fire, while three additional branches were severely damaged.

At 10:00 a.m. on August 8, just two days after the atomic bomb was dropped, Hiroshima Bank restarted its operations, with 25 employees, including the bank president, convening in a temporary office within the Bank of Japan. Borrowing from the Bank of Japan, Hiroshima Bank mainly disbursed deposits and processed advance payments for fire insurance claims. However, most of its visiting customers had lost their personal seals and passbooks in the fire. The Bank relied on its depositors' verbal descriptions of their account balances they believed they had and processed refund requests using only a thumbprint and a written statement of their details. Even amid extreme chaos, the Bank implemented flexible crisis measures, prioritizing the reassurance of depositors to ensure their convenience.

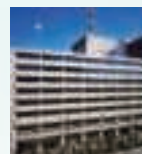
1950

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



1965

February: Completion of new Head Office building



1971

Listed stocks on the first section of the Tokyo Stock Exchange

1973

Pioneered the installation of cash dispensers to enhance customer convenience

In February 1973, we installed the first cash dispenser (CD) in the Head Office Business Department, setting a precedent among financial institutions in the western region of Japan. With the widespread adoption of on-line systems since the 1960s, we introduced CDs to enhance customer convenience as the sole means of withdrawing cash outside of bank counter business hours. Following its sequential adoption by our computer-linked major branches in Hiroshima City and its suburbs, in September 1973, we installed a CD in a department store in the city, marking the first deployment outside of bank branches. This advancement paved the way for further installations in shopping centers, Japanese National Railways (now JR) stations, and various other facilities.

1978

100th anniversary of the founding
Opened Hiroshima Museum of Art



1988

April: Enacted the CI and established the current corporate badge
July: Characters used in Japanese name changed (no change to the English name)

1990

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



1997

Share prices plunged in reputational damage

In November 1997, we faced the second major crisis involving a sharp drop in share prices in reputational damage and a surge in withdrawals. But we were able to recover the market's confidence by actively disclosing our earnings and asset details, having many employees visit customers to explain the situation, and carrying out bold structural reforms.

1990

2000

2010

2020

Hirogin Holdings has inherited Hiroshima Bank's DNA of "customer-oriented business operations," which remains unchanged to this day. This value has become a cornerstone of Hirogin Holdings' organizational culture that supports employees in taking on the challenge of advanced initiatives, such as the transition to a holding company structure.

1998

February: ● "Promise of the 120th year" for structural reforms announced
● Consolidated overseas branches and urban branches as part of a plan to return to a "Bank of the Region"

October: Launched "Reliance 21," a new Long-Term Management Plan

Launched over-the-counter sales of investment trusts to meet investment management needs

In December 1998, in response to deregulation allowing banks to sell investment trusts over the counter, we established a structure to offer a curated selection of high-quality products from both Japan and abroad to effectively meet customers' investment management needs, thereby launching our over-the-counter investment trust sales. In April 1999, we introduced the Corporate Finance Group (CF Group) to provide management support services to companies deeply rooted in the local community, setting us apart from other banks.

2000-2001

Established Financial Services Division to address increasingly diversified and sophisticated customer needs

We established Financial Services Division in June 2000 to address increasingly diversified and sophisticated customer needs that deposit and lending operations alone could not fulfill. The Division proactively expanded new business areas; for example, in February 2001, we became the first regional bank in Japan to enter into a weather derivatives brokerage contract, and in October that year, we launched a defined contribution pension plan (the Japanese equivalent of a 401(k)).

2003

January: Joint system operation with the Bank of Fukuoka introduced

2016

May: Completed the construction of Hirogin Chuo Building

2018

January: Moved Head Office to temporary branch

2020

October: Transitioned to a holding company structure
Established



HIROGIN HOLDINGS

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

History of Group companies

(expansion of the scope of business operations)

- | | |
|------|---|
| 2021 | Made Hirogin IT Solutions Co., Ltd. a subsidiary
Made Hirogin Lease Co., Ltd. a wholly-owned subsidiary
Established Hirogin Area Design Co., Ltd. and Hirogin Human Resources Co., Ltd. |
| 2023 | Merged Hirogin Guarantee Co., Ltd. and Hirogin Card Service Co., Ltd. and changed the name to Hirogin Credit Service Co., Ltd. |
| 2024 | Established Hirogin Life Partners Co., Ltd.
Made Shin-ai Total Service Co., Ltd. an affiliate |

2021

May: Opened new Head Office building



2022

April: Transitioned to the Prime Market of the Tokyo Stock Exchange
November: Announced the establishment of a next-generation backbone system for cloud migration (plan to participate in the MEJAR system in FY2030)

2024

March: Opened Hirogin Career Co-Creation Center

Developed Strengths 01

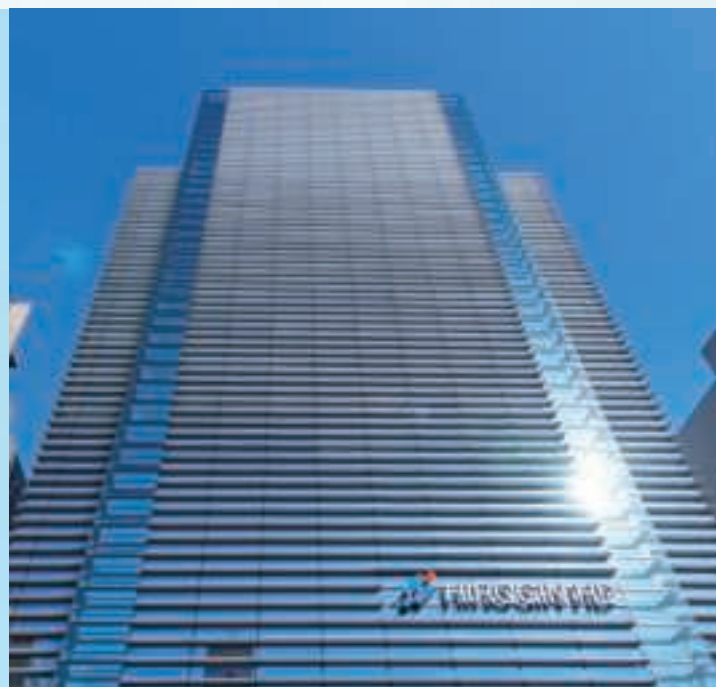
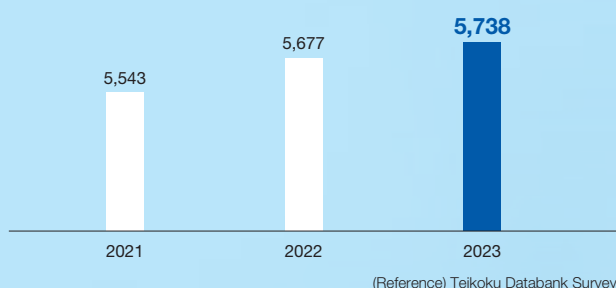
The Group's comprehensive capabilities

“Advanced financial and non-financial solutions of the Group companies” that have been expanded and strengthened through the transition to a holding company structure

Since the transition to a holding company structure in October 2020, we have focused not only on raising employee awareness but also on enhancing solution functions through mutual cooperation among Group companies and expanding the Group's business operation base.

In the approximately three and a half years since then, our subsidiaries' customer base has expanded, and synergies from intra-Group cooperation have led to steady results, including increased revenue and a growing number of companies (with net sales over ¥100 million) for which Hiroshima Bank is the main bank.

▶ Number of companies with net sales over ¥100 million for which Hiroshima Bank is the main bank



▶ Head Office building of Hirogin Holdings

The Head Office building has become the hub for maximizing Group synergies with Group companies moving into the office and sharing the office space to work together with information and human resources of each company.

▶ Synergies generated by intra-Group cooperation (amount of revenue)

¥2.2 billion

Note: Recorded revenues from activities, such as mutual customer referrals among Group companies (FY2023 results on a managerial accounting basis)

Developed Strengths 03

The power of human resources

The Group's diverse human resources with a high-level awareness of contribution to the local community responsible for establishing relations and providing solutions

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

Developed
Strengths
02

Relations with customers

“Solid relations with customers” backed by the history of community-based management practiced by Hiroshima Bank for over 140 years

Through customer-oriented initiatives over its 140-year history of community-based finance practiced by Hiroshima Bank, the Group has worked to build solid relations with customers.

Specifically, consulting services based on evaluation of customers' business potentials in corporate business areas are a major strength of the Group, which have been developed through its contributions to regions where the manufacturing of automobiles, ships, and other products thrives.



► Established
in **1878**

► History of evaluation of customers' business potentials

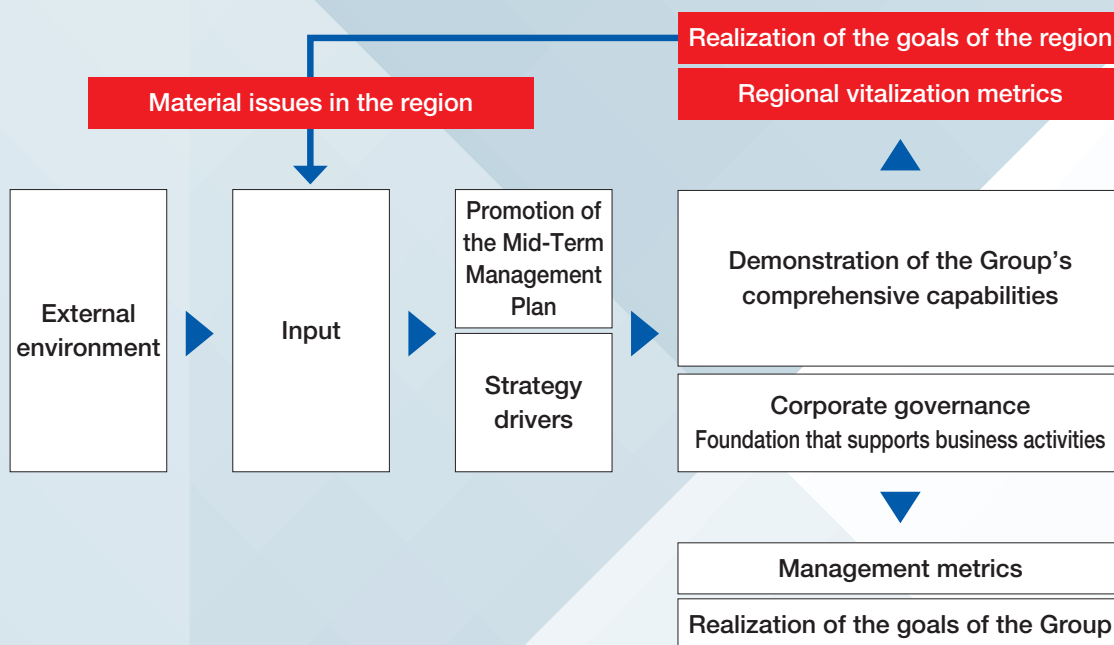
In the 1990s, a decade plagued by the issue of bad debt disposal, suppliers in the automobile industry (components manufacturers) who were corporate customers of Hiroshima Bank, had also faced a severe management environment. However, when the suppliers possess irreplaceable technical expertise, they must be supported if they are in a financially difficult position, even if it means taking a step into management restructuring, or it would deteriorate the automobile industry. It became necessary to place more importance on qualitative information, including its significance (positioning) within the industrial cluster, instead of looking solely at their financial position.

In January 2001, in order to accurately respond to the diversification and sophistication of corporate customers in the automobile-related industries, Hiroshima Bank newly established the “Automobile-related Measures Office” by hiring personnel transferred from the auto industry. Experts visited suppliers' plants and gained an understanding of the technical side of their businesses. To this, the financial analysis made by Hiroshima Bank enabled an understanding of customers' businesses in terms of both “technical” and “financial” aspects. Even in the midst of rapid external changes such as the global financial crisis, we were able to deal with these changes while remaining committed to this approach. This led to the development of Hiroshima Bank's feasibility studies.



What is Our Purpose and

Positioning within the value creation story described in this section



Where are We Headed?

What we want to communicate in this section

- | Our Purpose and goals 10 years from now
- | Our materiality and identification process

Contents

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PURPOSE

The Group's raison d'être

Expanding the horizons of the **future** alongside the regional community through wide-ranging services

As a Regional Comprehensive Services Group, the Group is pushing forward with initiatives to resolve every issue affecting the regional community and its customers. However, to clarify the basis and objective of the Group's businesses and starting point to which the Group and its employees should return, we have newly established the Purpose.

Our aspiration and approach in establishing the Purpose



Future We Seek to Create (Our Goals 10 Years from Now)

With the aim of strengthening our initiatives, more than ever before, to vitalize the region as a Regional Comprehensive Services Group, we considered the state of the region desired 10 years from now in which the Group's management foundations are rooted. We also defined the goals of the Group 10 years from now.

Desired state of the region 10 years from now

A vibrant region = A region in which prefectural GDP is maintained and grows

Cities in which people gather

Tourism-focused prefecture

Smart cities

Leading sustainability region

Goals of the Group 10 years from now

Helping to create a **vibrant region** while establishing a **prominent presence** in it

Increasing corporate value (continuous improvement in ROE and PBR)

TOPICS

Information sessions and town hall meetings held

Following the finalization of the Purpose and Mid-Term Management Plan 2024, we held information sessions in March 2024 in Hiroshima and Fukuyama, drawing approximately 1,200 employees across the two locations combined. At the events, the President of the Company conveyed his passionate aspirations to the employees. Additionally, members of the Future Creativity Working Group shared their impressions and opinions on the Mid-Term Management Plan, along with their individual intentions for its implementation.

Furthermore, town hall meetings are being conducted for each Group company, bank district and branch in turn to instill the Purpose and Mid-Term Management Plan 2024 within the organization (i.e., to foster a sense of ownership among employees).



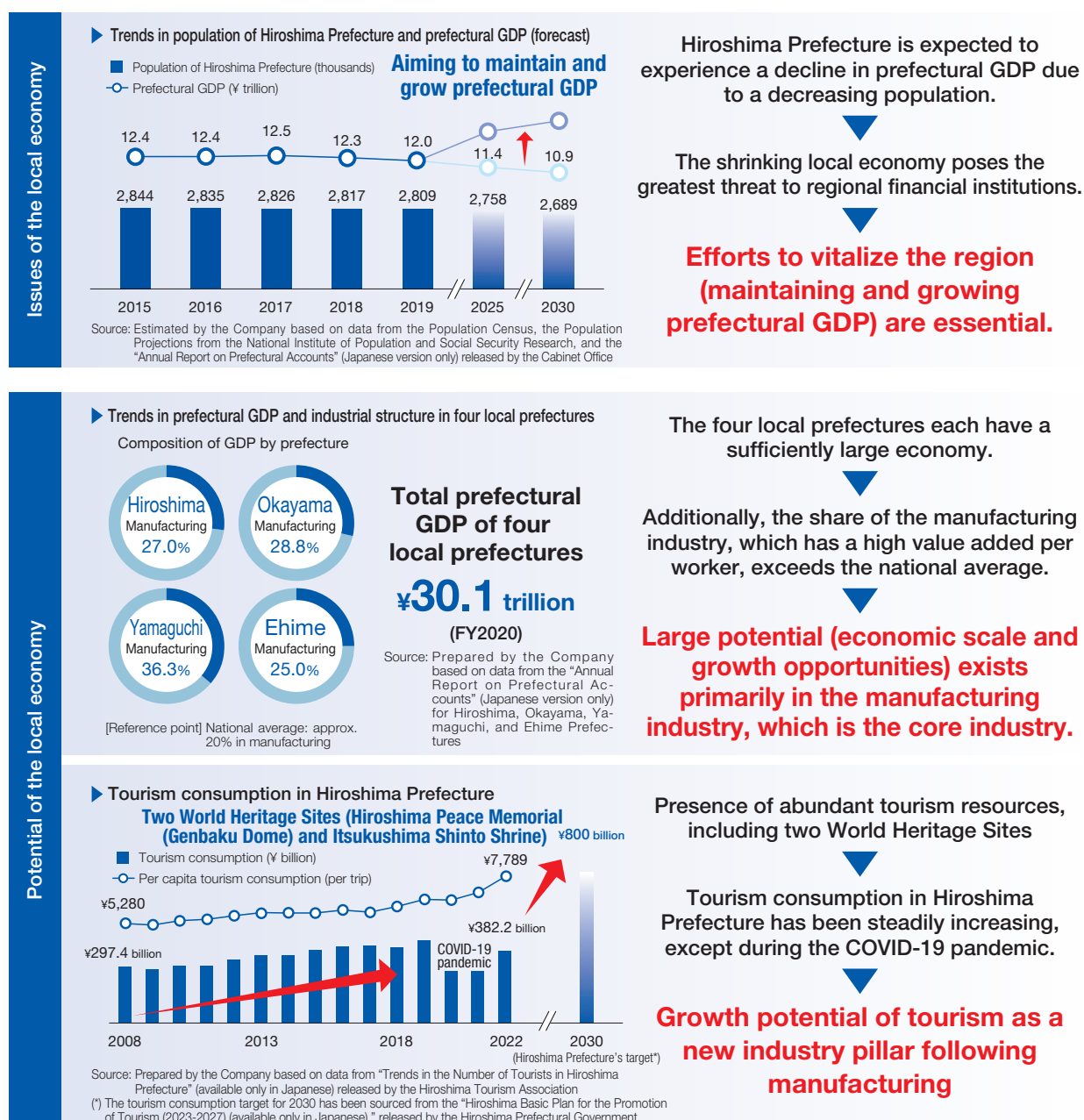
Materiality

Before selecting the matters that must be addressed to realize the desired state of the region 10 years from now (To-Be), which is to create a vibrant region, the Group identified the materialities (priority issues).

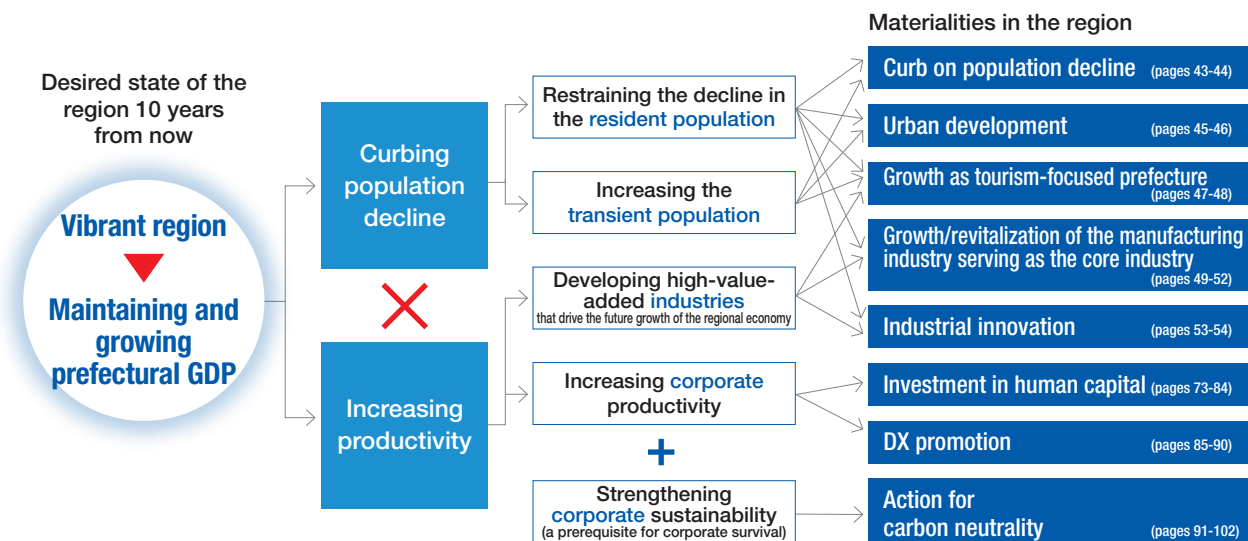
The Group has built coexistence and co-prosperity relations with the region, taking the stance of management thoroughly rooted in the region as a Regional Comprehensive Services Group. Consequently, we have a sense of crisis regarding the current situation (As-Is), where the Group's business will inevitably face diminishing equilibrium unless the regional economic scale is sustained. The eight newly established materialities reflect the Group's commitment to and determination for regional vitalization (maintaining and growing prefectural GDP), which is essential for the Group's sustainable growth.

We are committed to solving social issues (generating impact) and achieving sustainable growth for the Group (enhancing corporate value) through proactive and direct efforts to increase population and productivity, with the goal of maintaining and growing prefectural GDP.

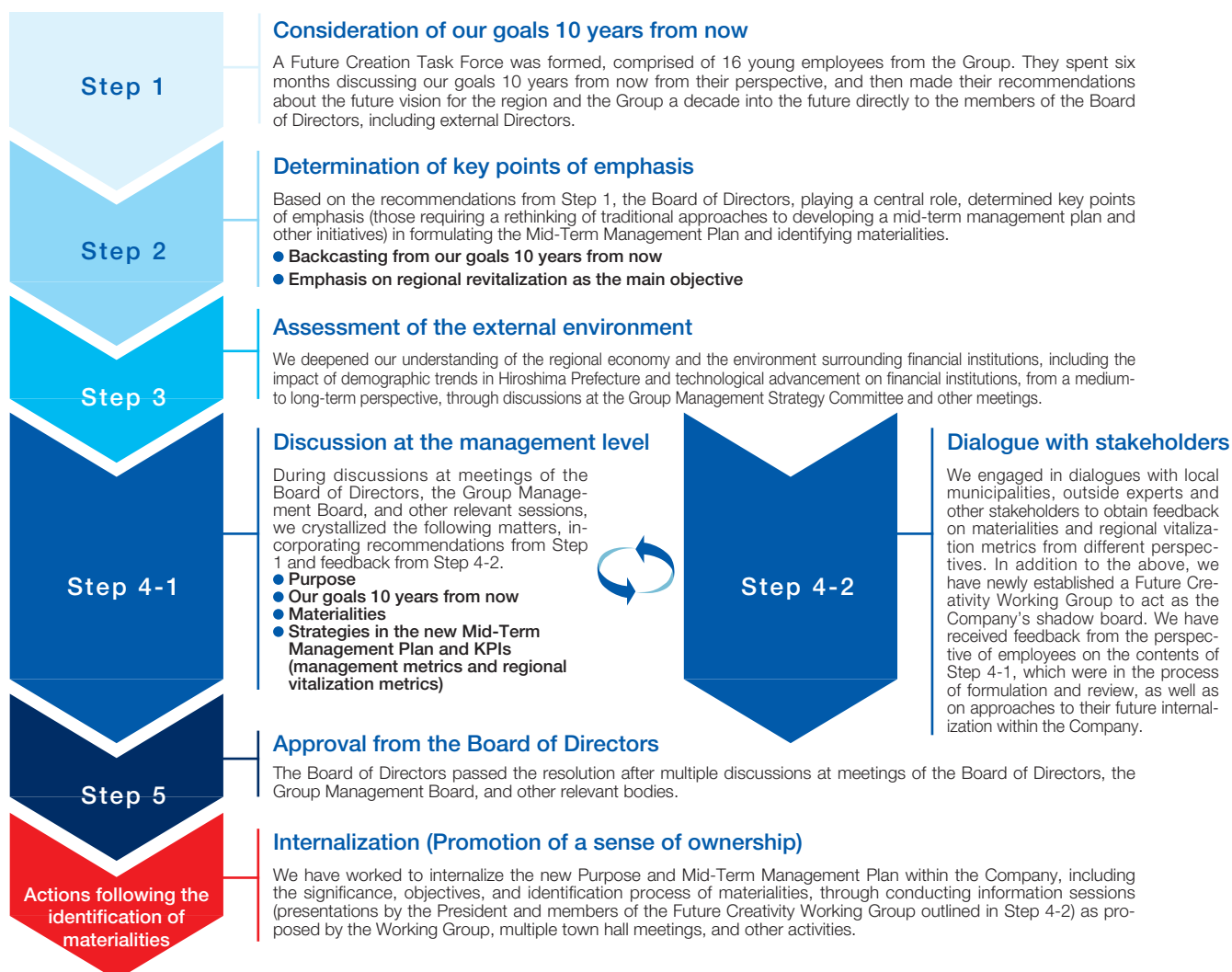
Premise for identifying materialities (regional economic status)



Identified materialities



Steps for identifying materialities



Initiatives to Expand the Horizons of the Future

—Future Creation Task Force and Future Creativity Working Group—



By creating challenging opportunities for employees from various generations to contribute their perspectives to transforming the future of the region and the Group, we are fostering a corporate culture that embodies its role as a Regional Comprehensive Services Group. This approach empowers Group employees to take on the challenge of creating the future of the region and the Group with a sense of ownership and a desire to contribute.

Future
Creation
Task Force

Young employees, the future leaders, recommended their vision of “our goals 10 years from now”!

In October 2022, the Group formed the Future Creation Task Force, comprised of 16 volunteer young employees (mainly in their 20s), as part of its initiatives to incorporate the opinions of young employees, who will lead the next generation, into management before formulating the Mid-Term Management Plan 2024.

In March 2023, following six months of discussions, the Future Creation Task Force made its recommendations (presentations) on the future vision for the region and the Group a decade into the future directly to the members of the Board of Directors (including external Directors).

In April 2023, the Board of Directors held discussions on how to respond to the recommendations of the Future Creation Task Force and outlined its approach, including key points of emphasis, for evaluating our goals 10 years from now and the Mid-Term Management Plan 2024.

Various individual measures proposed by the Future Creation Task Force were also reviewed internally based on discussions at the Board of Directors' meetings and were subsequently developed into concrete initiatives in sequence.



Details of recommendations

- **The vision for the region 10 years from now**
There is no prosperous future for a region losing young people.
We aim to become Japan's No. 1 region for attracting young people!
- **The vision for the Group 10 years from now**
We aim to reverse the trend of children and young people moving away from banks.
We aim to increase the number of Hirogin fans among the younger generation!
- **The vision for employees 10 years from now**
It is up to each one of us as employees to create the future we aim for.
We aim to create more opportunities for “cross-functional experiences,” such as this task force, and to cultivate more individuals with a sense of ownership and a spirit of challenge to transform the future of our region and the Group!



Task Force recommendations implemented

- **Cross-functional work experience program**
Introduction of “Hirameki☆1Day's” (April 2023)
Launched a program that allows employees to spend up to five days each year working in a division, Group company, or external company of their choice
- **Implementation of “Future Hirogin” initiative by Generation Z employees (June 2023)**
Under the theme “What will Gen Z expect from financial institutions when they start working?” Generation Z employees presented their recommendations to the Board of Directors.
- **Establishment of the Future Creativity Working Group, the Company's shadow board (July 2023)**
Established a new committee structure comprised of volunteer employees to create a mechanism for discussing strategies and measures under review, acting as a listening ear for the management team and headquarters
- **Pilot launch of the Reverse Mentoring System (July 2023)**
Initiated a trial program where young and mid-career employees are assigned as mentors to officers, providing advice and feedback (officially introduced in FY2024)
- **Pilot launch of in-house social media (April 2024)**
Introduced a tool as a trial run that allows headquarters, branches, and individual employees to effortlessly disseminate information, enhancing communication across organizations and generations

Future Creativity Working Group

The Company's shadow board now in action! Various generations involved in formulating the Mid-Term Management Plan

In July 2023, the Group established the Future Creativity Working Group based on recommendations from the Future Creation Task Force.

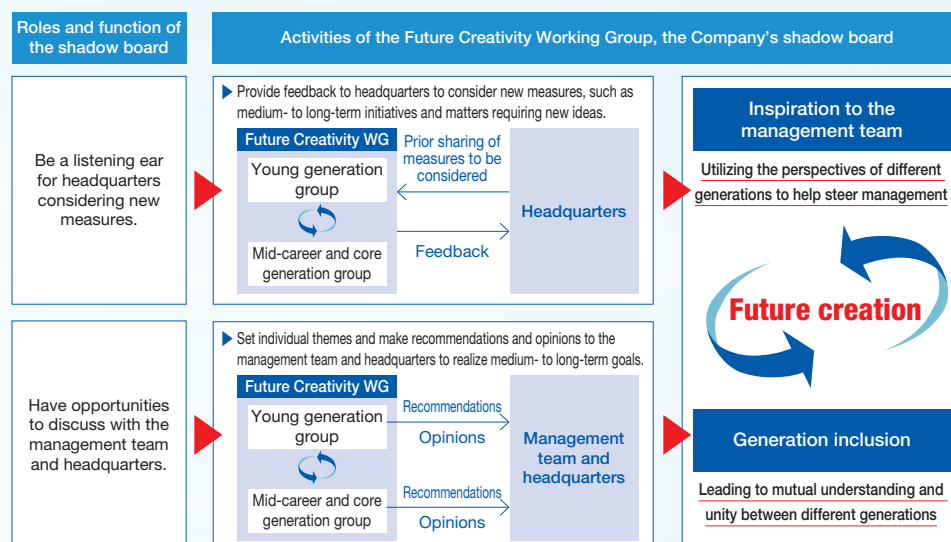
The Future Creativity Working Group comprises 12 employees from various generations, selected through an open recruitment system. This committee structure functions as a shadow board, holding regular meetings to focus on strategies and measures under review, as well as other topics, acting as a listening ear for the management team and headquarters. It also provides recommendations and opinions from both field and employee perspectives and engage in other activities.

In FY2023, each strategic theme in the new Mid-Term Management Plan was a focal point of discussion. Vibrant discussions took place on topics such as: "How would you respond if this content were notified tomorrow?" "What steps should be taken to address this issue?" and "How can we foster better collaboration among employees?" Participants provided candid advice and feedback from both employee and field perspectives. Occasionally, their observations and opinions presented challenges for the headquarters to address.

In January 2024, as the highlight of its discussion activities, the Future Creativity Working Group had the opportunity to present recommendations to the management team and discussed approaches for internalizing the new Purpose and Mid-Term Management Plan 2024 within the organization.

In March 2024, following the recommendations above, information sessions were held to ensure employee ownership of the Purpose and Mid-Term Management Plan 2024. Members of the Future Creativity Working Group, along with the President, delivered presentations and served as a bridge between the management team and field personnel, including participating in panel discussions with the President and other activities.

Starting in FY2024 and moving forward, the Future Creativity Working Group plans to broaden its engagement by selecting members through an open recruitment system on a fiscal year basis, while shifting the focus from formulating and internalizing the Mid-Term Management Plan to its implementation.



VOICE

Aiming to broaden the Future Creation Task Force's engagement!

I joined the Future Creation Task Force with the following aspirations: to help create a community where children, who will lead the future, are eager to continue to live in and return to, and to use this opportunity as a catalyst to become a role model for women who continue to work with a vibrant spirit.

The Future Creation Task Force brought together 16 young employees from the Hirogin Group. Over the course of six months, we explored a future vision for the region and the Group a decade ahead. We were then tasked with presenting recommendations to the management team.

The key phrase in our recommendations is "cross-functional experience." In this task force, we worked together to develop something new in an unfamiliar setting and with people we seldom interact with. These new encounters and experiences have definitely expanded my values and perspective. Reflecting thoroughly on the future of the Company and the region has deepened my connection to both many times over.

Although the task force activities have concluded, I believe we should continue to be a driving force in thoughtfully considering the future of the Company and the region and in tackling new challenges.

Sumire Soejima

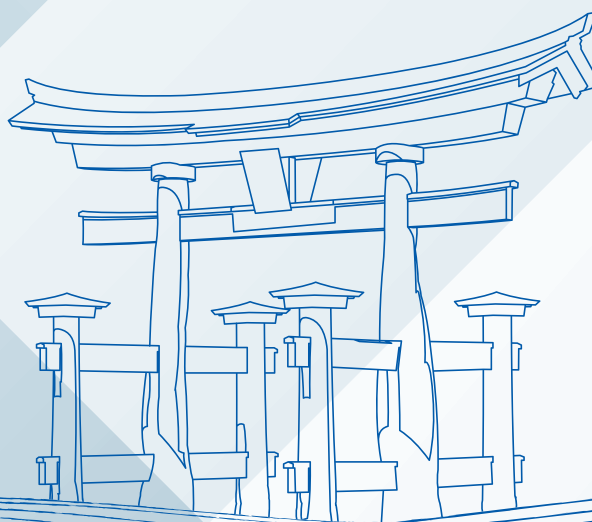
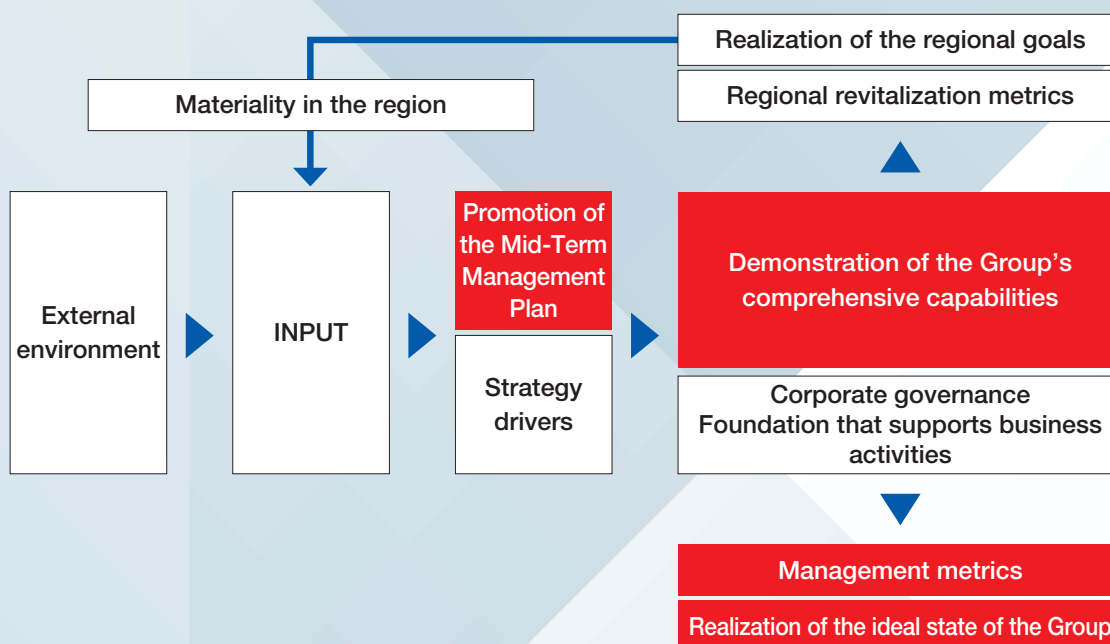
Itsukaichi-Yahata Branch,
Hiroshima Bank (currently
Business Planning Division)



To this end, incorporating second and third phases similar to those provided by this task force would be instrumental. I envision the Company evolving into an organization that empowers the Hirogin Group's employees to take greater ownership and contribute their perspectives to transforming the future of the region and the Group.

How do we create value?

Positioning within the value creation story described in this section



What we want to communicate in this section

- | Overall picture for value creation (Value creation process)**
- | Outline of strategies for value creation**
- | Materiality and initiatives to help to create a vibrant region**
- | Sales strategies for corporate and retail business areas**

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Helping to Create a Vibrant Region

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Growth as Tourism-based Prefecture (Materiality ❸) 47-48

Growth and Regeneration of Manufacturing Businesses Serving
as Key Industries (Materiality ❹) 49-52

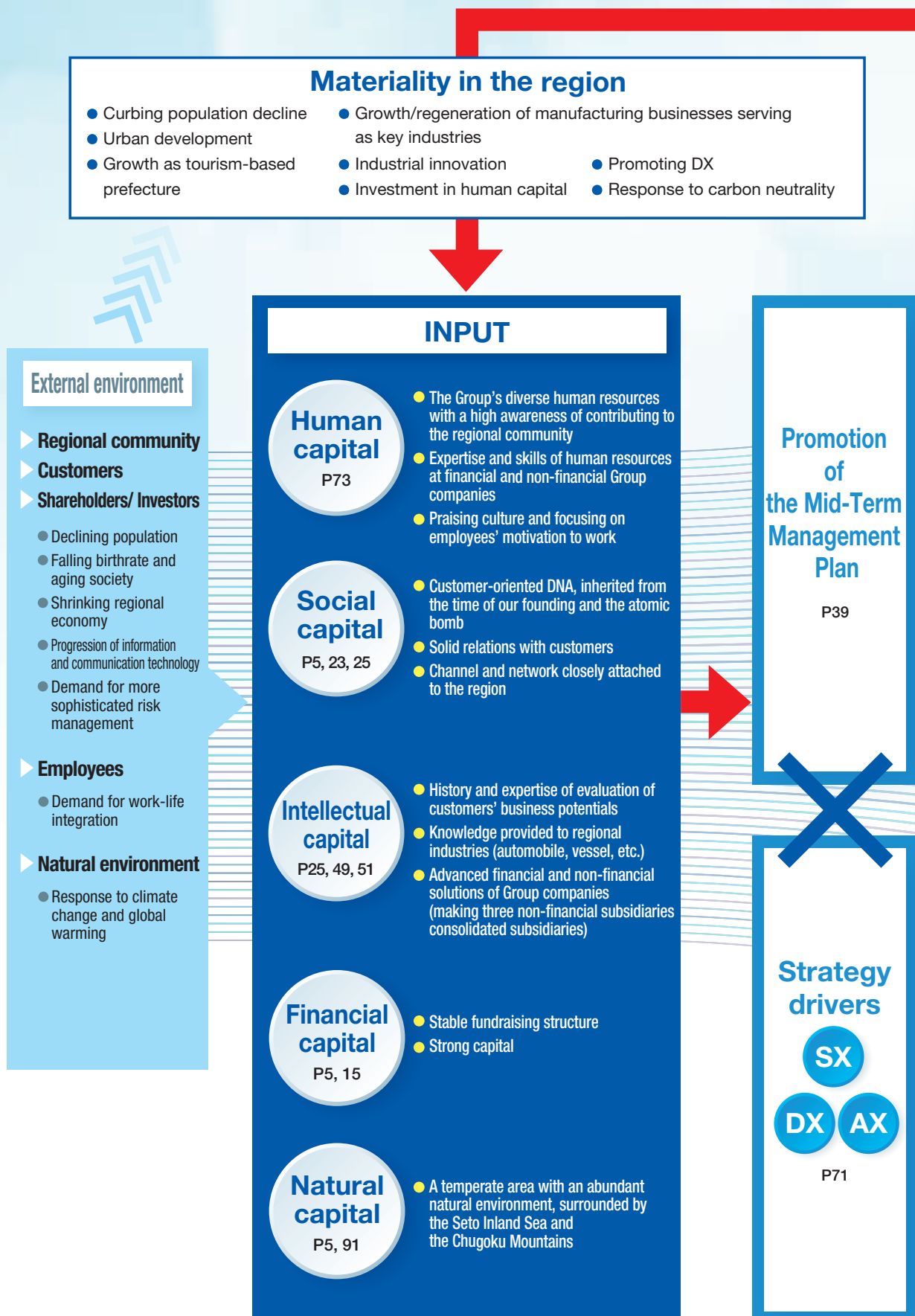
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Value Creation Process



Vibrant region

Maintaining and expanding prefectural GDP

Regional revitalization metrics

	FY2028 targets
Social population change in Hiroshima Prefecture	Reduction in the rate of decline
Tourism consumption in Hiroshima Prefecture	Continuous increase
Greenhouse gas emissions in Hiroshima Prefecture	Continuous reduction



Corporate Governance

Foundation that supports business activities P109

Management metrics

	FY2028 targets
Consolidated ROE	Approx. 7.5%
Consolidated capital adequacy ratio	Approx. 11 %
Consolidated BPS	¥2,000 or higher

Demonstrating overwhelming presence in the region

Enhancing corporate value

Mid-Term Management Plan 2024

Positioning of and approach to Mid-Term Management Plan 2024

We have formulated the Mid-Term Management Plan 2024, marking the second stage following the Mid-Term Management Plan 2020, which was implemented after the transition to a holding company structure.

By backcasting from the ideal state of the region and the Group 10 years from now, we have set the first five-year period as the Plan period.

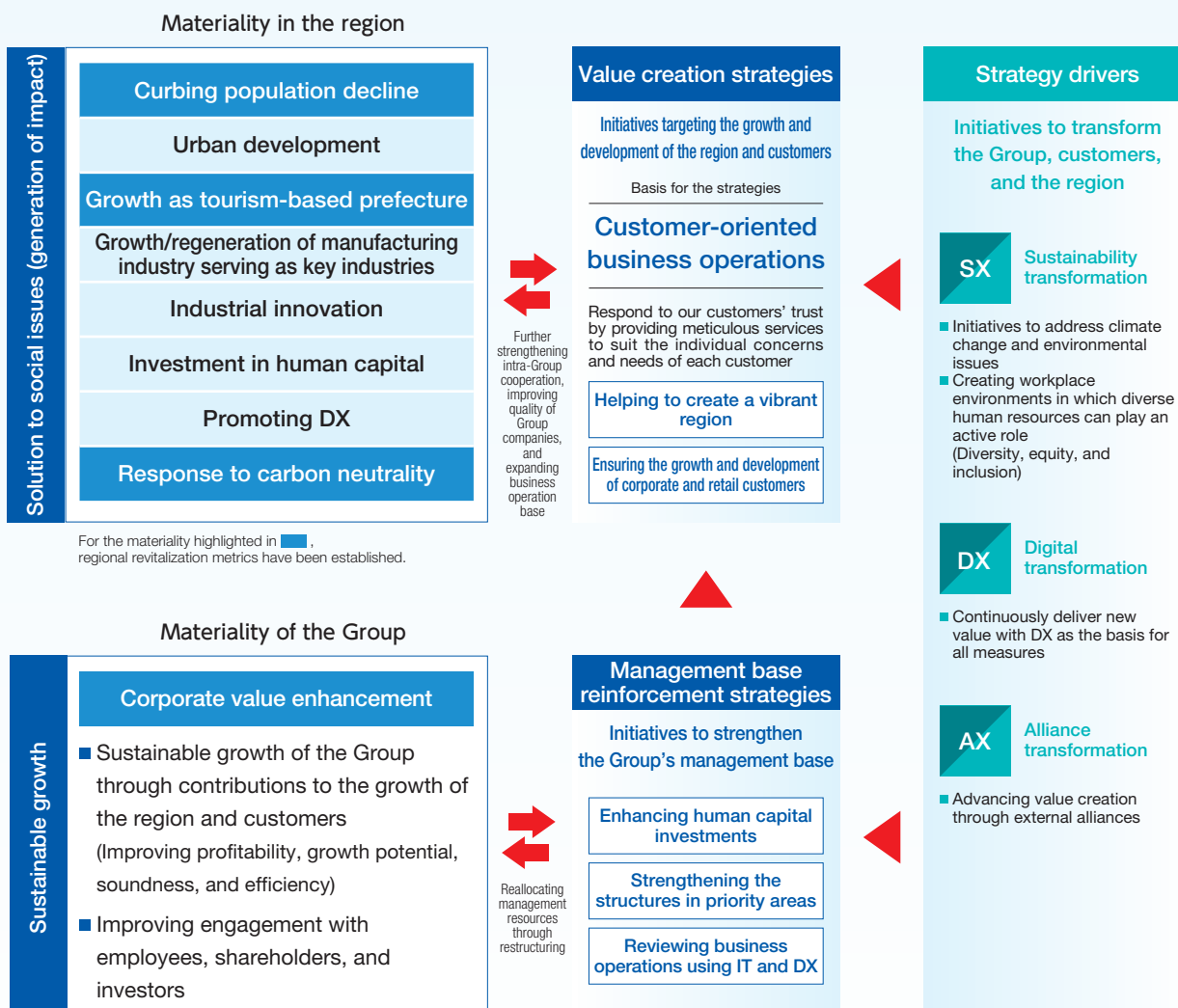
Ideal state of the region and the Group

To realize a vibrant region (i.e., maintaining and expanding prefectural GDP), we will identify materiality facing the region. As part of our efforts to tackle these challenges, we will deepen and expand our business operation base and maximize our human capital to realize the Group's ideal state.

Please see page 30
"Ideal State 10 Years from Now" for details.

Overall picture of strategies

We will further enhance corporate value by balancing investment in growth, financial soundness, and shareholder returns, while focusing our efforts on value creation strategies and management base reinforcement strategies, as well as strategy drivers.



Regional revitalization metrics and management metrics

We will implement management practices that balance the continuous and steady accumulation of profits (retained earnings) with shareholder returns by establishing regional revitalization metrics to address regional issues and management metrics for the Group.

Regional revitalization metrics

The Group's initiatives to achieve regional revitalization metrics (initiatives in Hiroshima Prefecture)

(Cumulative for 5 years)

Number of start-ups and ventures supported:

800

Number of human resources introductions:

350

Number of urban development/regional development projects the Group has been involved in:

120

(Cumulative number of projects involved, including those through March 31, 2024: 200)

Investment and financing in the tourism industry:

¥130.0 billion

(Balance as of March 31, 2029, which includes the balance as of March 31, 2024: ¥200.0 billion)

Amount of executed environmental financing:

¥180.0 billion

(cumulative amount executed from FY2021 to FY2028: ¥300.0 billion)

Regional revitalization metrics

Social population change in Hiroshima Prefecture

Reduction in the rate of decline (2028)

Tourism consumption in Hiroshima Prefecture

Continuous increase (2028)

Greenhouse gas emissions in Hiroshima Prefecture

Continuous reduction (2028)

Hiroshima Prefecture's metrics

Social population change in Hiroshima Prefecture

Equilibrium

* 2023 result: -11,409

Tourism consumption in Hiroshima Prefecture

¥800.0 billion

(2030)

* 2019 result: ¥441.0 billion

Greenhouse gas emissions in Hiroshima Prefecture

-39.4% compared to FY2013 (FY2030)

* from 59.03 million t-CO₂ in FY2013 to 35.74 million t-CO₂ in FY2030

Management metrics (FY2028)

Improving profitability relative to consolidated net assets

Consolidated ROE: **Approx. 7.5%**

Result for FY ended March 2019: **5.3%**

Result for FY ended March 2024: **5.4%**

Consolidated ROE = $\frac{\text{Profit attributable to owners of parent}}{\text{Average net assets at the beginning and end of the fiscal year}^*}$

* Excluding share acquisition rights and non-controlling interests

Ensuring financial soundness

Consolidated capital adequacy ratio: **Approx. 11%**

Result as of March 31, 2019: **11.0%**

Result as of March 31, 2024: **11.0%**

Consolidated capital adequacy ratio = $\frac{\text{Amount of capital adequacy}}{\text{Amount of risk assets}}$

Increasing Book-value Per Share

Consolidated BPS: **¥ 2,000 or higher**

Result as of March 31, 2019: **¥1,564**

Result as of March 31, 2024: **¥1,760**

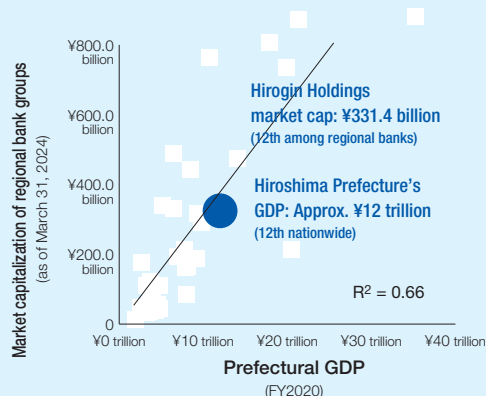
Consolidated BPS = $\frac{\text{Net assets at the fiscal year-end}^*}{\text{Total number of shares issued at the fiscal year-end (excluding treasury shares)}}$

* Excluding share acquisition rights and non-controlling interests

TOPICS

(Reference) Relationship between PBR in the regional banking sector and regional economies

► Relationship between market capitalization of the regional banking sector and prefectural GDPs



Growth of regional banks = Maintaining and expanding regional GDP

(*) Comparison of regional banks' total assets with the GDPs of the prefectures where their headquarters are located. Excluding regional banks in Tokyo, Osaka, Aichi, Saitama, and Hyogo Prefectures, which are the main business bases of megabanks, as well as those ranked second or lower in market capitalization in each prefecture across the country.

► PBR in relation to ROE, prefectural GDP, and capital policy in the regional banking sector

Estimated PBR model $(4.74 \times \text{ROE}) + (0.07 \times \text{prefectural GDP}) + (0.12 \times \text{capital policy}) + 0.02$

PBR components		Coefficients	t-values
ROE (%)	×	4.74	10.76
Prefectural GDP (ln, ¥ trillion)	×	0.07	4.01
Capital policy (total return ratio, %)	×	0.12	2.77
Intercept		0.02	0.55

The t-value measures the significance of each component's impact on the PBR; a higher t-value indicates a stronger impact.

Coefficient of determination: **69.6%**

Approximately 70% of PBR is attributable to the three factors: ROE, prefectural GDP, and capital policy.

To enhance PBR (corporate value), it is crucial to strengthen initiatives focused on ROE, prefectural GDP, and capital policy.

(*) The results are based on a multiple regression analysis using regional banks' PBR (as of March 31, 2024, excluding those in Tokyo, Osaka, Aichi, Saitama, and Hyogo prefectures), ROE (forecast for FY ending March 2024), GDP of the prefecture where each bank's headquarters are located (FY2020), and total return ratio (forecast for FY ending March 2024).

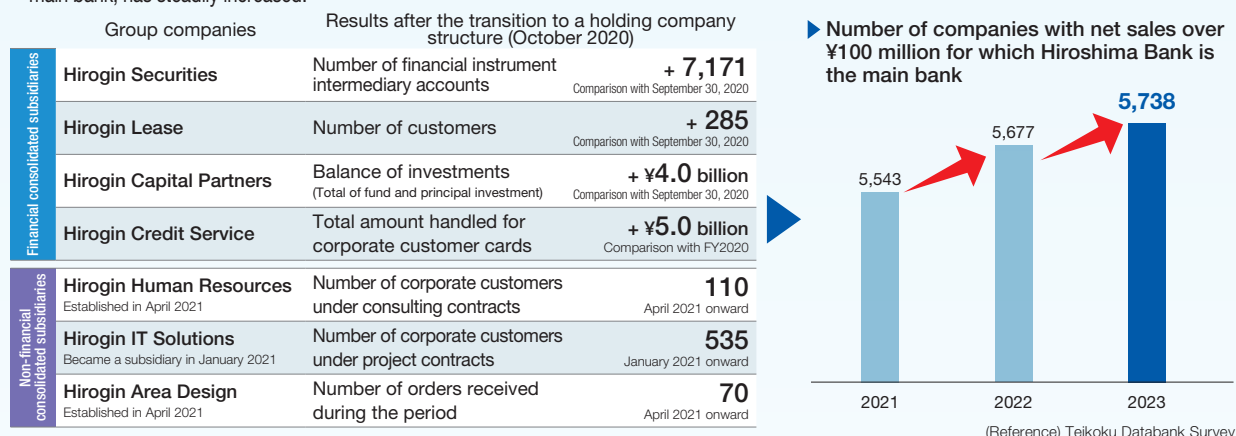
Summary of the Mid-Term Management Plan 2020 (previous Mid-Term Management Plan) achievements

- In the Mid-Term Management Plan 2020, which marked the first stage after the transition to a holding company structure, we focused on three pillars: raising employee awareness, enhancing solution functions through mutual cooperation among Group companies, and expanding the Group's business operation base. These efforts led to strong performance.

- Initiatives to solve regional issues** Established Hirogin Area Design (April 2021) and launched "Hiromalab," a co-working space aimed at helping startups and providing other support (December 2022), among other efforts
- Initiatives to support customer growth** Made Hirogin IT Solutions a subsidiary (January 2021) and established Hirogin Human Resources (April 2021), among other efforts
- Initiatives to strengthen the management base** Implemented DX-driven restructuring, including the expansion of non-face-to-face transactions via smartphones, increased base salaries, and introduced an Employee Stock Ownership Plan (ESOP) Trust, among other efforts

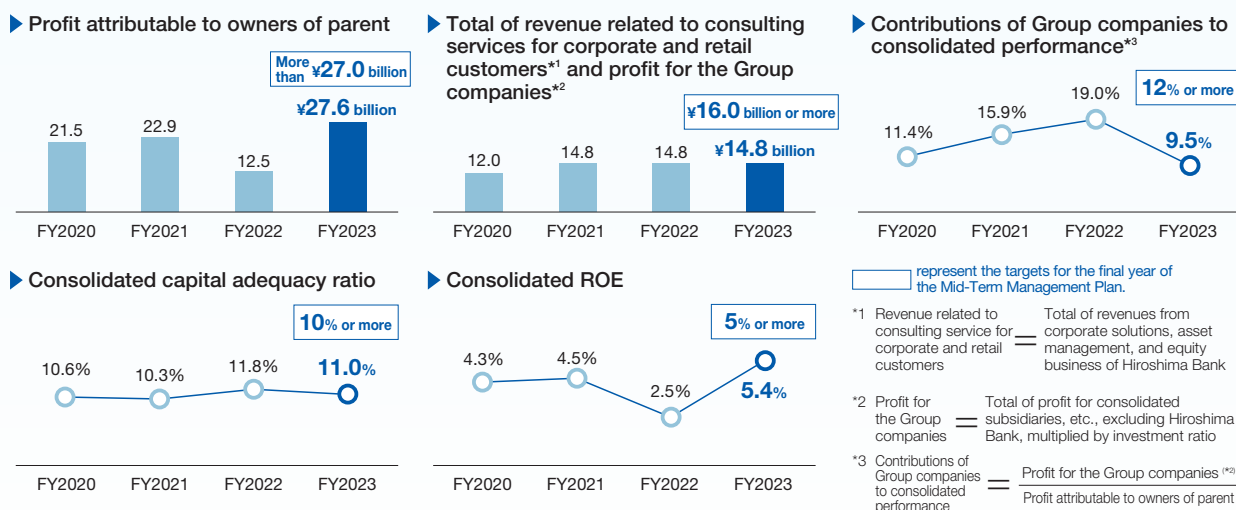
Results of intra-Group cooperation

- With three and a half years having passed since the transition to a holding company structure, subsidiaries' customer bases have steadily expanded.
- With the successful strengthening of solution functions, the number of companies with net sales over ¥100 million, for which Hiroshima Bank is the main bank, has steadily increased.



Status of achievement of management targets

- Targets achieved for profit attributable to owners of parent, consolidated capital adequacy ratio, and consolidated ROE.
- Targets outstanding for total of revenue related to consulting services for corporate and retail customers and profit for the Group companies, and contributions of Group companies to consolidated performance.



Customer-oriented business operations as a basis for strategies

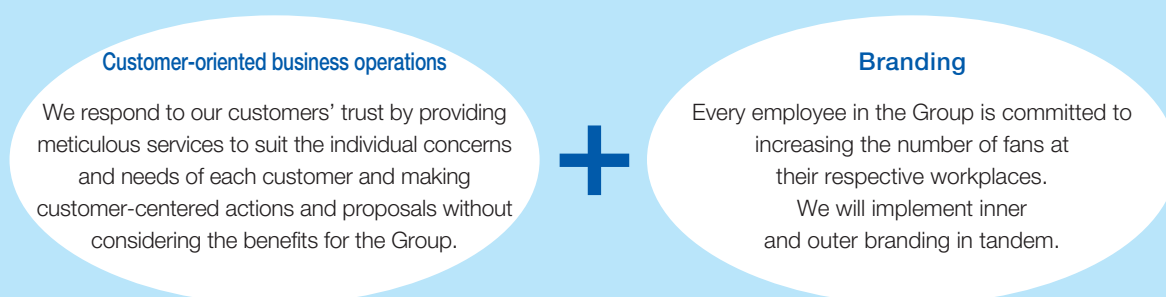
The Group has strived for the development of the regional economy while enhancing customers' satisfaction and peace of mind.

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

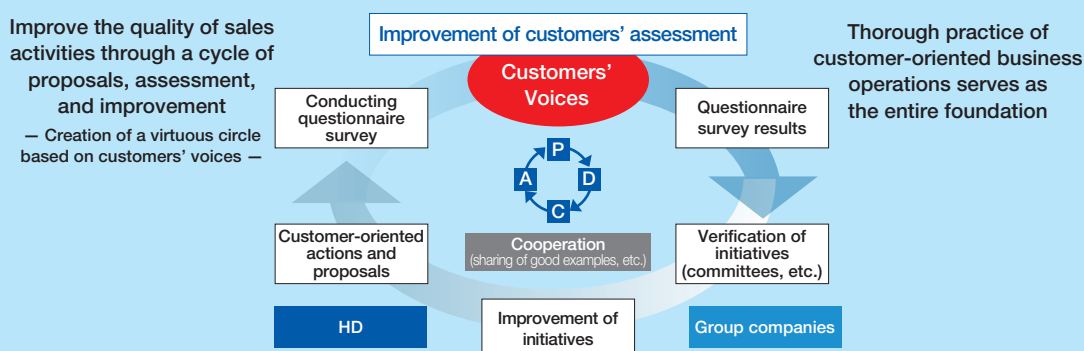
Based on that recognition, the Group has placed customer-oriented business operations at the core of its sales operations, reorganized the Group Fiduciary Duty (FD) Committee into the Group Customer-oriented Business Operation Committee in May 2022, and has undertaken other actions, based on the concept that "customer-oriented business operations" means to respond to our customers' trust by providing meticulous services to suit the individual concerns and needs of each customer and making customer-centered actions and proposals, with the aim of realizing a Regional Comprehensive Services Group. In doing so, we will strive for the Groupwide penetration and practice of customer-oriented business operations that go beyond financial product trading.

Furthermore, as part of the Mid-Term Management Plan 2024, we are advancing initiatives to increase the number of Hirogin Group's fans by implementing customer-oriented business operations that incorporate new branding concepts.

As we drive these initiatives forward, we will strive to sophisticate our approach to ultimately enhance corporate value.



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



Policy for initiatives aimed at practicing customer-oriented business operations

1. Basic policy for initiatives

- (1) Basic approach
- (2) Frameworks to give appropriate incentives to employees for the pursuit of customer-oriented business operations

2. Policy for initiatives in financial product transaction business

- (1) Customer-oriented lineup of products
- (2) Proposals for portfolios that contribute to customer asset formation (promotion of long-term, deposit, or diversified investment)
- (3) Customer-oriented follow-up services



Please refer to our website for the policy for initiatives.

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



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

https://www.hirogin-hd.co.jp/fiduciary-duty/pdf/fd_kpi.pdf



Ideal state 10 years from now

A vibrant region where young people settle down and thrive

Today, Hiroshima Prefecture is faced with a number of regional issues, including the issues related to the environment, regional transport system, and medical and nursing care. We will help realize a vibrant region by confronting each of these regional issues and carefully addressing them together with a variety of partners. We

believe “a vibrant region” is where people of all ages and both genders can take on a challenge with pride to realize their dreams and hopes. We will contribute to enhancing the appeal of Hiroshima where we live and evolving the prefecture into a region loved and selected by many.

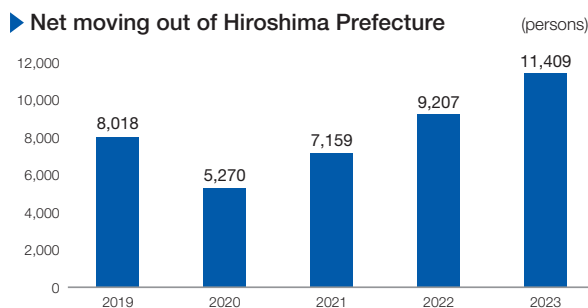
■ Population outflow/labor shortage

Hiroshima Prefecture has marked the highest number of net population moving out nationwide for three consecutive years up to 2023, and the number of net moving out in their 20s represented 60% of the total. As young people tend to leave the prefecture when they start working, it is said that main reasons behind the net moving out are the shortage of attractive job opportunities for them and the lack of entertainment destinations, such as live events and theme parks, in the prefecture. In addition, Japan's so-called 2024 problem has exacerbated the labor shortage especially in the transport and construction industries. According to a questionnaire survey on corporate executives Hirogin Holdings conducted in April 2024, labor shortage represented more than 60% of all concerns they have in operating companies and marked first.

While the declining young population and labor shortage issues have become increasingly apparent, the

Group plans to implement a variety of initiatives that contribute to enhancing the appeal of the region. In September 2023, Hirogin Holdings signed a letter of agreement on Cooperation in Promoting Regional Revitalization with W TOKYO INC. that produces Tokyo Girls Collection (TGC), a highly appealing platform mostly among young generations, we aim to create new value in the region by enhancing entertainments.

To escape from the negative spiral of a decrease in young population, a shortage of manpower to a decline in the vitality of local companies, it is urgent to increase the appeal of the region itself and create Hiroshima where people can live with peace of mind and pride. As a Regional Comprehensive Services Group, we will play a leading role in enhancing the appeal of the region.



Joint press conference with W TOKYO INC. to announce the conclusion of a letter of agreement on cooperation

Key strategies

① Curb on population decline of young people

To stop the population from declining further, it is essential that we make the prefecture an attractive region where young generations choose to stay. We will roll out appropriate measures by accurately identifying the main reasons behind the decline in young residents.

② Countermeasures against labor shortage

The issue of labor shortage, especially in the transport and construction industries faced with the so-called 2024 problem, has become increasingly apparent, which is concerned to undermine the vitality of local companies. We will forge ahead with measures to address labor shortage from the following two aspects: securing diverse human resources including female and foreign workers, and improving productivity through digital transformation (DX) and other measures.

KPI

Social population change in Hiroshima Prefecture

Reduction in the rate of decline

(2028)

We aim to create a town where companies and the types of business attractive to young people grow, entertainments that brighten everyday life flourish, and employment and income are secured, to eventually attract more people.

Our actions

Creating a consortium to connect local companies with young people

We believe one of the main reasons why young people leave the region is the lack of contact between young people and local companies. The region is home to not only the core manufacturing industry, but also a number of unique and top-tier companies in various fields. Nevertheless, this information has not necessarily reached young people.

As one of the initiatives to help young people get to know local companies, we can name the Hiroshima AI Club Management Consortium, for which Hirogin Area Design serves as a secretariat since this fiscal year. The Hiroshima AI Club is an initiative to teach the basics of AI to high school students who are interested in AI, etc., thereby aiming to raise the level of their digital literacy. One of the objectives of the initiative is to develop and secure human resources for the future of the industry by training them as digital specialists. The initiative, however, is focused particularly on creating a point of contact between high school students and local companies, including their employees, by “having young employees of local companies involved as coaches to teach the basics of AI,” “letting high school students learn face-to-face how local companies are using technology and data” as well as through other experiences. More than 130 students have already participated in the Hiroshima AI Club. We expect that by leading them to get to know and have a feeling of closeness to local companies from an early stage, they choose to work for the local companies, for example.



Front page of the Hiroshima AI Club official website



Opening ceremony of the Hiroshima AI Club Management Consortium on June 13

Our people

Being an explorer who constantly ask themselves what can be done to enhance the appeal of the region

The materiality “Curbing population decline” is a highly challenging theme. Hirogin Area Design has worked on a variety of initiatives in a bid to curb population decline. We have worked on initiatives, such as supporting the semiconductor industry; promoting the agricultural, forestry and fishery industries; supporting the revitalization of semi-mountainous areas; and promoting diversity. What is common to all these initiatives is that they are aimed at enhancing the appeal of the region. This is why all communities

in the region need to work closely together. We have been striving to fulfill our day-to-day duties on the assumption that the enhancement of regional appeal could curb population decline, while constantly asking ourselves what we can do to curb the decline.

More than 20 local companies have expressed their intention to join the initiative of the Hiroshima AI Club. Together with all communities in the region, we have shared a sense that we are faced with challenges and feel that we are



Yusuke Okada

Manager, Regional Issues Solution Unit
Hirogin Area Design

steadily making progress by working together in the same direction. Hirogin Area Design, which has a variety of networks in the region, will serve as a hub and strive to make Hiroshima a vibrant and attractive region by promoting impactful initiatives that involve local companies, municipalities, etc.

Ideal state 10 years from now

A town appreciated by residents and chosen by visitors

To create a vibrant region, it is necessary become a town appreciated by residents and chosen by visitors. To this end, we need to continuously enhance the appeal of the region to ultimately increase its value, in addition to providing elements that directly lead to livability including convenience and comfort. By making Hiroshima full of unique attractions and giving people in

the region with a variety of choices, we can turn Hiroshima into a town admired and chosen by people from not only inside but also outside the prefecture. As a result, the town is expected to attract many people and draw in re-investments aimed at developing the region and solving issues, which will ultimately help create a sustainable and vibrant region.

■ Status of urban development initiatives

In urban development, we have worked to help create a vibrant region through participation in area management organizations at the center of Hiroshima City, upstream involvement in a redevelopment entity, and support for the improvement and maintenance of regional infrastructure in collaboration with local government bodies, etc.

Area management refers to proactive initiatives by residents, business owners, landowners, etc. to maintain and improve the good environment and value of a region. Hirogin Area Design, etc. have participated in area management organizations in the central area of Hiroshima City. Specifically, we have been striving to improve the appeal and value of the region by considering the future vision of each area in collaboration with the member companies, etc. of the area management organizations.

In our involvement in urban development and regional development projects, we have been working to

tailor the content of project to regional issues and needs by increasing the level of our involvement in their upstream stages, such as concept planning. We have been also striving to further enhance the value of each project by linking the projects and our existing branches together in an integrated manner.

We have also worked to improve the appeal and value of each region through the development of public spaces including parks in collaboration with partners such as municipalities and businesses in the private sector. In Fukuyama City, to create a town where people feel comfortable walking around JR Fukuyama Station, Hirogin Area Design has joined the Fukuyama Station Square Council as a member.

All of these are the fields where the Group can demonstrate its strengths, including its regional network and finance functions. We are determined to promote urban development through collaboration within the Group.



Area management organizations in the central area of Hiroshima City
(Source: the official website of Urban Hiroshima Meeting)



FUKUYAMA EKIMAE SAISEI VISION (Vision of Regeneration of Fukuyama Station Area)
(Source: Fukuyama City official website)

Key strategies

- ① **Participation in area management organizations in the central area of Hiroshima City**
Promotion of initiatives aimed at enhancing the appeal and value of the region led by the private sector
- ② **Involvement in a redevelopment entity in an upstream stage**
Promoting area-wide urban development based on regional issues and needs
- ③ **Support for the improvement and maintenance of regional infrastructure in collaboration with government bodies, etc.**
Promoting urban development through co-creation with outside partners

KPI

Cumulative number of urban development/ regional development projects the Group has been involved in

200

+120 from the end of FY 2023

Our actions

Creation of a sustainable town through the Kure Station Area Comprehensive Development Project (Phase I)

Kure City is the third-largest core city in Hiroshima Prefecture. With a variety of tourism resources, the city is one of the most famous tourist destinations in Hiroshima Prefecture.

Nevertheless, the areas around Kure Station and central urban areas are losing vitality in the face of declining population and the withdrawal of companies in key industries from the city. In addition, diverse issues unique to the region have become even more apparent than before since its sloping land shape as an urban area is vulnerable to natural disasters and other events. In fact, the region was severely damaged by the West Japan Heavy Rain disaster. We believe it is imperative to quickly reconstruct its urban structure with a focus on consolidating urban and residential functions.

Under these circumstances, the Kure Station Area Comprehensive Development Project (Phase I), with Kure Mirai Consortium acting as the project implementing entity, has worked on the redevelopment of the former site of the SOGO Kure store, which was opened in 1990 in front of Kure Station and was regrettably closed in 2013. As a member of the consortium, Hirogin Area Design has been supporting the project in areas, such as the building of business schemes, the formulation of business income/expenditure plans, and urban development.

On the former site of SOGO Kure store, the consortium plans to build a complex comprising commercial, office, childcare support, youth exchange support, health and welfare, sporting, and other functions, connected directly to the station, as well as a 20-story condominium consisting of approximately 180 housing units. With the integration of diverse urban functions, these facilities are expected to lead the creation of a new Kure station area which will bristle with people of various generations and backgrounds interacting each other. In addition, we plan to provide the complex with cutting-edge technologies to analyze human traffic, ensure the security of facilities, and deliver disaster prevention and tourist information. We will also contribute to realizing a smart city where the lives and stays of citizens and station users will be safer and more fulfilling.

As described above, the Hirogin Group will collaborate with each stakeholder in the urban development having ripple effect throughout Kure City, including the areas around Kure Station. With the creation of a new look of the area in front of Kure Station as the starting point, we will help realize a sustainable city over the medium to long term.



Our people

Urban development and communities building to solve regional issues and maximize the ripple effect on the region

After 11 years from the closure of the SOGO Kure store, the long-cherished redevelopment of the area in front of Kure Station has finally begun.

This is a high-profile project for which the citizens of Kure City also have had extremely large expectations. Since before the establishment of Hirogin Area Design, the Kure Branch and Head office of Hiroshima Bank have long worked closely together to address the significant regional issue of utilizing the former site and creating a new look for the area in front of the station, hand in hand with local government bodies and related parties.

The key to this project is that companies with connections with Kure City or based in Hiroshima Prefecture have been selected as team members.

While teaming up with companies that have connections with Kure City or Hiroshima Prefecture, I've learned from my superiors all about an "urban development that consistently incorporates as much ripple effect on local communities as possible." As a result, we have agreed on the business policy to assign top priority to local communities and local businesses in all situations. We have been able to gain the support of companies based in



Nobutaka Tanihira
Urban Planning Unit
Hirogin Area Design

Tokyo and work on the development with the best possible team members. Further, all the member companies are committed to being involved in the area management for 10 years after the building is completed. We hope to realize "urban development that maximizes the ripple effect on local communities" step by step.

Ideal state 10 years from now

Aiming to increase the tourism GDP ratio

In Hiroshima Prefecture, the manufacturing industry accounts for a significant proportion of its entire industrial structure. The industries in the prefecture are ranging, with *monozukuri* (manufacturing) at its core, from heavy industries such as the shipbuilding, steel, and automobile industries to cutting-edge industries such as the electrical machinery and electronic components industries, forming a well-balanced and layered industrial group. In the tourism industry, however, while Hiroshima has two World Heritage sites — Peace Memorial Park

and Itsukushima Shrine, as the proportion of tourists who visit only these World Heritage sites is significant, the length of their stay is short and the growth of their tourism consumption has slowed.

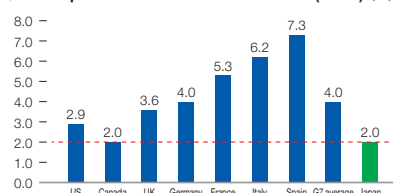
For Hiroshima Prefecture to grow as a tourism-based prefecture, we need to raise its tourism GDP by developing tourism resources in the prefecture and attracting tourists, including inbound tourists, and to turn the economic benefits generated by tourism into the economic foundation of the prefecture.

■ Status of tourism in Hiroshima Prefecture

The ratio of tourism GDP, which is the added value of tourism services produced in Japan, is only 2% and extremely low compared to other countries around the world. The tourism GDP is an indicator for measuring whether tourism is a profitable industry. In fact, the tourism GDP ratio of countries recognized as tourism-based countries in the world are as high as 4% or more. At present, the official data of tourism GDP by prefecture has yet to be published. However, we anticipate that, in Hiroshima Prefecture, the ratio of the manufacturing industry in GDP is high, while the ratio of the tourism GDP is low. From this fiscal year onward, the Company is determined to conduct a survey of the prefecture's tourism GDP so as to set the tourism GDP ratio as a key indicator.

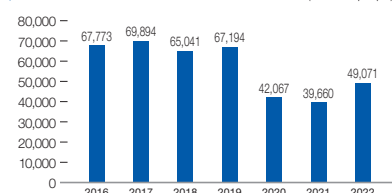
The number of tourists and the amount of their consumption in Hiroshima Prefecture have been recovering steadily, despite the impact of COVID-19, and is expected to increase further. To create more attractive tourist destinations in the region by leveraging its strengths, we have put in place a tourism unit within the Company since fiscal 2024. As incentives to attract investment in and financing to the tourism industry, we have worked on a range of initiatives, such as improving accommodation facilities, promoting cruises in the Seto Inland Sea, solving the secondary transport issues, and making food more attractive.

▶ Comparison of tourism GDP ratio (2019) (%)



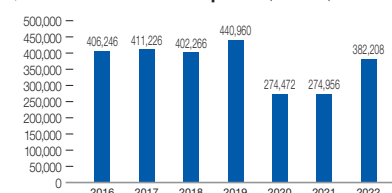
Prepared by the Company based on White Paper on Tourism in Japan, 2023 (Summary) published by Japan Tourism Agency

▶ Tourists to Hiroshima Prefecture (thousand people)



Prepared by the Company based on "Trends in the Number of Tourists in Hiroshima Prefecture" (available only in Japanese) released by the Hiroshima Tourism Association

▶ Tourism consumption (¥ million)



Prepared by the Company based on "Trends in the Number of Tourists in Hiroshima Prefecture" (available only in Japanese) released by the Hiroshima Tourism Association

Key strategies

① Increase in investment in/financing to the tourism industry

To revitalize the tourism industry, we need to create demand and improve the supply side at the same time. We will invest in and finance to the tourism industry in a bid to improve the infrastructure for accepting tourists, including inbound tourists, and to create regional appeal.

② Increase in tourists to Hiroshima Prefecture

Tourists contribute directly to regional economies as they use a variety of services, including accommodation, restaurants, transportation, and souvenir shops. Through our tourism-related initiatives, we aim to increase the number of tourists, including inbound tourists.

③ Increase in tourism consumption

An increase in tourism consumption will make the region look more attractive to a broader audience, thereby attracting new tourists and promoting long-term regional economic growth. Furthermore, this will help mitigate the risk that the regional economy depends heavily on other than the tourism industry to ultimately diversify the regional economy.

KPI

Amount invested in tourism

¥130.0 billion

Balance of tourism-related investments and loans ¥200.0 billion

Number of tourists to Hiroshima Prefecture

100 million people
(up 50,929 thousand people from 2022)

Amount of tourism consumption

¥800.0 billion

(up ¥417.8 billion from 2022)

Our actions

Promotion of tourism through the creation of tourist destinations for inbound tourists

While the demand for tourism is growing, we are seeing a trend of uneven distribution of tourists, especially in urban areas such as the central Tokyo metropolitan area, and concerns about over-tourism are spreading. We are now pressed to distribute tourists to local regions by enhancing the appeal of tourist destinations and improving the infrastructure for accepting them in these areas. To attract tourists to and increase tourism consumption in local regions, we need to strengthen efforts to draw in high-value tourists* who spend more per trip.

Faced with these situations, the Japan Tourism Agency has selected the Setouchi area, which includes Hiroshima Prefecture, as one of 11 model tourist destinations. From now on, the Japan Tourism Agency will provide intensive support for attracting high-value tourists.

In 2023, the Company was commissioned by the Inland Sea, SETOUCHI Tourism Authority, a general incorporated association comprising the SETOUCHI DMO, a project to promote the creation of high-value-added tourist destinations for inbound tourists in the Setouchi area. We supported the formulation of a master plan aimed at focusing strategies on high-value tourists especially from the UK, France, Germany, the US, and Australia. In fiscal 2024, we have been working to support the implementation of measures based on the master plan and also measure performance metrics. From another perspective, this is a large-scale project that we have been working together with 48 municipalities in the SETOUCHI area.

As consumer spending in Japan is expected to decline against the backdrop of declining population, we believe attracting inbound tourists, including high-value tourists, is the most effective way to revitalize the regional economy. The economic impact of one resident is deemed equivalent to that of eight inbound tourists. Thus, the importance of inbound tourists is extremely high. For Hiroshima Prefecture to grow as a tourism-based prefecture, it is also important that the prefecture works together with its surrounding areas. We therefore have collaborated with the SETOUCHI DMO in implementing inbound tourists-related initiatives.

*Visitors who spend more than ¥1 million per trip to Japan are recognized as high-value tourists.

Master Plan for creating high-value tourist destinations in the Setouchi area



The Inland Sea, SETOUCHI Tourism Authority

Our people

As a driver of tourism promotion in Hiroshima Prefecture

When people hear the word “tourism,” many seem to think of things like travel and food. For us, tourism is about generating new consumption and revitalizing regional economies by creating demand and improving supply side. One of the main characteristics of the tourism industry is that the industry spans a broad range of business sectors, from travel and food to accommodation, transportation, and retailing, which has multifaceted effects on not only the economy, such as job creation

and income growth, but also on the preservation of history and culture in the region and the nurturing of civic pride among local residents.

The Company has been working with diverse stakeholders every day towards the major goal of turning Hiroshima Prefecture into a tourism-based prefecture.

For us, as a banking group, it is difficult to directly enter the tourism industry. However, we have worked on all kinds of projects to make Hiroshima



Takayoshi Sasaki
Manager, Tourism Unit
Hirogin Area Design

more attractive for visitors, residents and workers, by joining forces with local tourism-related businesses, local government bodies, DMOs and other organizations, with our extensive local network and financing capacity as our unique advantages.

Growth/Regeneration of Manufacturing Businesses Serving as Key Industries ①

— The Automobile Industry —

Materiality ④

Ideal state 10 years from now

Realizing the growth of the regional economy through strengthened local supply chains

The automobile industry is one of the key industries in the region, comprising approximately 600 suppliers and more than 65,000 employees throughout the Chugoku region. Hiroshima Bank believes that the sustainable development of the regional economy cannot be achieved without the growth of the automobile industry, and thus, has set the support for the growth of the automobile industry as a materiality in its Mid-Term Plan.

As a regional financial institution, we will work to support the core business of local suppliers, and we will

also contribute to the strengthening of local supply chains and the growth of the regional economy by working to increase the amount of products manufactured in and shipped from the region by these suppliers and supporting their carbon neutrality efforts, with the aim of realizing an ideal supply chain with an eye to the major changes to the industrial structure that will be brought about by the future spread of electric vehicles (EVs).

■ Status of the automobile industry in Hiroshima Prefecture

At present, the business environment of the automobile industry is undergoing a dramatic change on the back of technological innovations such as CASE and the rising momentum for carbon neutrality. In fact, such dramatic changes in the business environment are referred to as “once-in-a-century upheaval.” In particular, with the progress of the ongoing shift to EVs, the volume of work for the suppliers engaged in the manufacturing of engine and transmission-related parts could decline sharply in the future. In addition, since new batteries, motors, and other components to be installed in EVs could constitute a factor to push up the manufacturing cost of vehicles, other suppliers may also need to make further efforts to reduce costs. As such, we anticipate that the environment surrounding these suppliers will become more challenging.

On the other hand, many of the electronic components (motors, software, etc.) and semiconductor-related parts that are newly required for

EVs, etc. are procured from outside Hiroshima Prefecture. If these parts can be manufactured locally, we believe we can make up for the loss in work volume caused by the shift to EVs and achieve the growth of the automobile industry in the prefecture. At Hiroshima Bank, we are aiming to build a supply chain that will facilitate the whole local automobile industry to grow by clarifying the ideal vision of the supply chain and the direction that our customers should head for and providing solutions, through a series of dialogues with each stakeholder in the face of this drastic change in the industrial structure.

► Electric vehicles the Company owns



Key strategies

① Promoting initiatives aimed at increasing the amount of products manufactured in and shipped from the region

By bringing the production of automobile parts and electrification-related parts, which are currently procured from overseas/outside the Chugoku region, back to and creating new business in the region, we will work to improve the technical capabilities of local suppliers and expand their production volume, thereby contributing to the growth of the local automobile industry.

② Proposing sophisticated solutions aimed at resolving labor shortage

By leveraging the know-how accumulated through the support of the automobile industry to date, we will identify underlying issues for the industry, and promote the provision of appropriate solutions to resolve labor shortage, such as recruitment consultancy, the dispatch of foreign workers, and DX support enabling automation and labor saving, in collaboration with each of the Hirogin Holdings Group companies and external alliance partners.

③ Strengthening consulting aimed at realizing carbon neutrality in the automobile industry

By providing meticulous engagement and consulting services tailored to the size and business type of suppliers, we will strongly push forward with the realization of carbon neutrality in the region.

KPI

Realizing the local production of some parts currently procured from outside the region, such as electrification-related parts and parts produced overseas

Reducing suppliers' CO₂ emissions by 50% in 2030 from 2013

► Discussion between the Company and suppliers



Our actions

Building a framework for supporting the automobile industry beyond the region

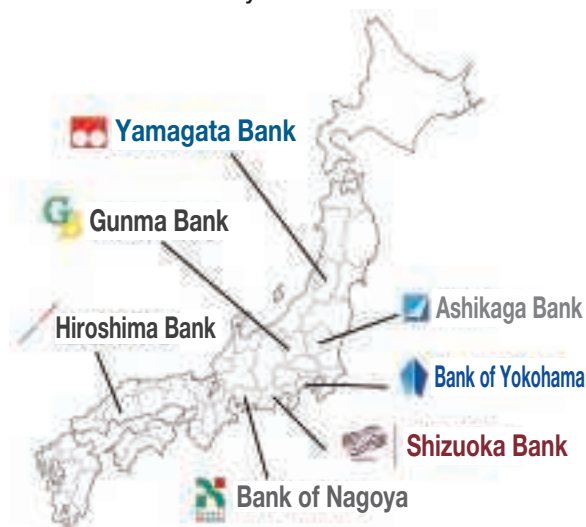
Since Hiroshima Bank established a team dedicated to supporting the automobile industry in 2001, the team has continued to support the local automobile industry for over 20 years. In recent years, however, in the wake of drastic changes in the business environment, an increasing number of regional banks have focused on supporting the automobile industry also in other regions.

Hiroshima Bank started collaborating with the six banks shown in the right diagram in August 2023. This is because the bank believes that bringing in resources from other regions into the prefecture and co-creation through collaborative activities with other regions are the most effective ways to realize the sustainable growth and development of Hiroshima Prefecture's automobile industry in the future.

By leveraging the collaboration, we have worked to further enhance our support to local suppliers. To this end, specifically, we have been making efforts such as gaining a better understanding of trends of the entire industry, including the automobile industry in other regions, and sharing the knowledge and know-how held by each bank.

From now on, we will proactively promote initiatives that contribute to revitalizing the regional economy and strengthening the local supply chains by putting highly effective joint measures into practice.

► Seven banks collaborating in supporting the automobile industry



Our people

[Support for the promotion of carbon neutrality] Initiative for building the supply chain of biomass fuel for foundry using oyster rafts

In the manufacturing process of automobiles, foundry^{*1} is a process with a high environmental burden, representing about 20% of all CO₂ emissions. In particular, the process of melting iron emits a large amount of CO₂ due to the combustion of coal-derived coke which is used as fuel. Faced with such a situation, local foundry suppliers have moved forward with the development of biomass fuels^{*2} that can be a substitute for coal-derived coke in a bid to achieve carbon neutrality.

For this biomass fuel development initiative, Hiroshima Bank has supported the search for fuel materials and the building of a supply chain to ensure stable supply of the fuels. More specifically, we have been studying the feasibility of building a supply chain for the production of biomass fuels using the recycled oyster raft waste, giving special attention to the rafts used for oyster cultivation, the specialty industry of the prefecture.

Moreover, if we can realize a scheme of local production

► Oyster rafts near Miyajima



for local consumption for the biomass fuel, the scheme is expected to lead to a solution to the problem of oyster raft disposal, a significant issue for oyster farmers.

As an initiative that contributes to the establishment of a circular economy within the region, we will continue to focus on efforts to realize such a supply chain, including the search for carbon-neutral fuels in the region besides oyster rafts.

^{*1}: A method of processing metal in which raw material are heated to a temperature higher than their melting points to turn them into liquid, and then the liquid is poured into a mold, cooled, and hardened into desired shapes

^{*2}: An initiative to produce biomass fuels by carbonizing waste or unused resources

Growth/Regeneration of Manufacturing Businesses Serving as Key Industries ②

— Shipbuilding Industry —

Materiality ④

Ideal state 10 years from now

Sustainable growth of the Setouchi maritime cluster

■ Maritime cluster and the shipbuilding industry in the Setouchi area

In the Setouchi area, besides the fact that the shipping industry has long been thriving, the shipbuilding industry has also developed backed by favorable geographical and climate conditions that are suitable for shipbuilding, which has led to the formation of a maritime cluster where related companies concentrate.

At present, the shipbuilding and related industries in the four local prefectures (Hiroshima, Okayama, Yamaguchi, and Ehime) account for approximately 40% of these industries nationwide in terms of both the value of products shipped (¥1.3 trillion, actual results in fiscal 2021) and the number of employees (25,000), thus, underpinning the local economies.

For over 50 years, Hiroshima Bank has supported the development of the maritime cluster, including the shipbuilding industry, through ship financing to ship owners who order new ships from local shipyards. The balance of our loans to the shipbuilding and shipping industries as of the end of March 2024 was ¥956.8 billion.

► Image of a maritime cluster



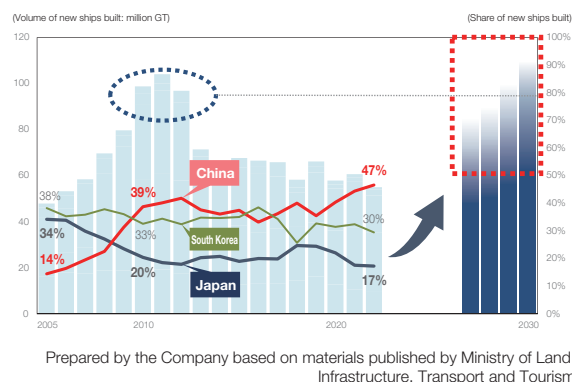
■ Growth potential and issues for the shipbuilding industry

The world's demand for new ships is expected to expand to nearly 100 million gross tons by around 2030 due mainly to the replacement demand for a large number of ships built around 2010. In July 2023, the International Maritime Organization adopted a revised target of achieving net zero greenhouse gas emissions in international shipping by around 2050. This momentum for replacement demand is expected to drive a transition to ships powered by next-generation fuels, such as LNG, methanol, and ammonia, the demand for new ships may remain high also in and after 2030.

In the meantime, although the Japanese shipbuilding industry once accounted for about 50% of the new shipbuilding volume worldwide, the percentage now falls below 20% as the result of intensified competition with China and South Korea since mid-2000s. The industry is faced with the challenge of securing and training human resources, against the

backdrop of declining population in Japan, as well as building a system to supply internationally competitive ships powered by next-generation fuels.

► Trend of the volume of new ships built



Key strategies

① Supporting the growth of a maritime cluster through ship financing

Through ship financing, which is one of Hiroshima Bank's traditional strengths, we provide stable funding to local shipbuilding and shipping industries, irrespective of market conditions, so we can contribute to the sustainable growth of these industries.

② Supporting growth through collaboration among industry, government, academia, and finance

We support the growth of the shipping industry by securing and training of human resources who will work for the industry in the future, as well as by responding adequately to climate change, through collaboration with government agencies, educational institutions, local companies, etc.

KPI

Outstanding loans to the shipbuilding and shipping industries as of the end of March 2029

¥1.1 trillion

Up ¥143.2 billion from the end of March 2024

Our actions

Examples of initiatives through collaboration among industry, government, academia, and finance

Hiroshima Bank has been working in partnership with government agencies, educational institutions, various organizations and companies to support the growth of the shipbuilding and shipping industries.

(1) Setouchi Maritime Industry Supporters workshop (SMIS)

(SMIS : Setouchi Maritime Industry Supporters workshop)

- Established: March 2022
- Participating organizations: Chugoku Transport & Tourism Bureau; Hiroshima Prefecture: Chugoku District Shipbuilding Council; Industry Association of Small Shipbuilders in Chugoku District; Chugoku Regional Innovation Research Center; and Hiroshima Bank
- Purpose: To advance the maritime industry through creation of specific projects such as model projects that are ahead of the rest of the country in the Setouchi area, by providing maritime industry-related businesses with quick and flexible advice and support
- Achievements: Research into the examples of local companies' efforts to save energy, DX, etc., and business matching for Hiroshima Bank's customers, etc.

(2) Kure City and Hiroshima University, Town & Gown Initiative, Maritime Culture City Promotion Council : Kure

- Established: January 2024
- Participating organizations: Kure City, Hiroshima University, Japan Coast Guard Academy, The Sasakawa Peace Foundation, etc.
- Purpose: To proactively promote the development of Kure City as an international hub for marine and maritime affairs
- Matters to be addressed:
 - ① Formation of a base for international education, research, and social collaboration in marine and maritime affairs in Asia
 - ② Collaboration with international organizations related to marine and maritime affairs
 - ③ Human resources development through interdisciplinary degree programs related to marine and maritime affairs
 - ④ Promotion of DX in the fields of marine and maritime affairs using advanced technologies
 - ⑤ Promoting Green Transformation (GX) by making effective use of the natural environment of the Seto Inland Sea
 - ⑥ Collaboration for the creation of new marine and maritime industries
 - ⑦ Other collaboration and cooperation in the formation of international marine and maritime bases

Our people

Contributing to the sustainable development of the region

Kure City in Hiroshima Prefecture, one of our operating areas, was developed as a "town of manufacturing industries," including the shipbuilding industry, in the process of modernization since the Meiji period. In addition, the shipping industry was thriving in the area consisted of islands in various sizes in the city. Thus, Kure City has contributed to the formation of the Setouchi maritime cluster.

Kure Branch traditionally has been quite proactive in supporting local companies, primarily through financing. However, as the population is declining dramatically in the area due to falling birthrate and aging society and withdrawal of large manufacturing businesses, it has become necessary to provide non-financial support as well.



Rie Tachikake
Deputy General Manager
Kure Branch, Hiroshima Bank

In the face of these situations, we would like to contribute to the sustainable development of the region by proactively working together with external parties in collaboration with the Ship Finance Department, a department in charge within the Head Office.

Ideal state 10 years from now

Transforming industrial structure and developing start-ups and ventures

Helping to create a vibrant region We believe, to this end, it is important that the companies and types of businesses attractive to young people will grow and they can secure employment and income in the region. Hirogin Holdings has been working to support local start-ups and ventures that other financial institutions

have not been able to adequately support. The Mid-Term Plan 2024 aims to realize a vibrant region by further strengthening the collaborations among industry, government, academia, and finance based on past initiatives, thereby continuously supporting the development of the regional economy.

Past initiatives

The Group has a solid track record of bringing up industries that contribute to the revitalization and development of the region for more than 20 years, which includes the Hiroshima Venture Subsidy program offering subsidy to ventures through the Hiroshima Venture Development Fund. In April 2019, Hiroshima Bank, Hiroshima Prefecture, Hiroshima University, Hiroshima Industrial Promotion Organization, and Hiroshima Venture Development Fund jointly formed the Hiroshima Next Innovation Council, a consortium of industry, government, academia, and finance. While the consortium regularly exchanges information regarding the development of startups and ventures, the Group has incorporated such information in its measures.

As a specific initiative, the Hiroshima Open Accelerator (from 2019), an acceleration program that

supports the creation of new businesses by companies in Hiroshima Prefecture, has been participated by 22 companies to date, and has made accomplishments such as implementing 44 collaborative projects with startups. Hiroshima Tech Planter (from 2020), which supports the discovery and commercialization of research seeds at universities and other institutions, has discovered 36 promising research seeds and provided support for their commercialization, working to transform the region's industrial structure.

From now on, we will work to realize a vibrant region by organically linking the Group's past initiatives and organizations that are striving to develop startups and ventures, including government bodies and universities within the region.



Hiroshima Tech Grand Prix 4th Award Ceremony



Event held at Hiromalab, a co-working space

KPI

Number of start-ups and ventures supported

800

Key strategies

① Creating new businesses

We will work to assist local businesses in transforming their businesses in line with changes in the external environment and the times. We also support people who aim to start a new business.

② Accelerating the growth of a newly created business

We will make the most of our network as a regional financial group to put newly created businesses on a growth trajectory through efforts, such as the support for expanding sales channels and providing solutions of the Group.

③ Providing financial support necessary for growth

We will provide financial support necessary for growth, such as limited partnership investments in external funds, equity support through Hirogin Capital Partners, and providing new fundraising measures such as ventures debt, depending on the growth stage of the businesses.

Our actions

Transformation of the industrial structure through open innovation

To “connect” regional industries to the next generation, it is essential that each business operator develops its business sustainably through the innovation of its technologies and services. In the era of volatility, uncertainty, complexity, and ambiguity (VUCA) where predicting the future is difficult, we believe it is extremely challenging to adapt to changing external environments and achieve growth on one's own.

On the other hand, it is also true that there are many startups with innovative technologies and services throughout Japan. We believe that by promoting open innovation that “connects”

businesses in the region with startups across the country, we can realize the transformation of the industrial structure of the entire region.

As a foothold for such transformation, we will hold the first TSUNAGU Hiroshima 2024 event in November 2024 for regional businesses and startups, which will be the largest event ever in the Chugoku and Shikoku regions. Through the event, we aim to create a momentum for regional businesses so they can venture into new business domains, and to create specific best practices of co-creation by actually interacting directly with startups around Japan.



[Event overview]

- Participated by about 100 startups as exhibitors
- Booth for one-on-one negotiation
- Keynote speeches, panel discussions, etc. on open innovation
- Introduction of the selected examples of initiatives to support startups and ventures in the region, etc.

Our people

Creating encounters that shape the destiny of Hiroshima in 10 years' time

In December 2022, we opened and started operating the co-working space Hiromalab in central Hiroshima City with the aim of supporting startups and ventures.

Hiromalab provides open spaces that can be used as satellite offices, and rooms such as rental meeting rooms. By holding events to capture the needs of wide-ranging user categories, from regional startups and ventures to students aiming to start

their own businesses, and also encouraging them to interact each other and build communities, we are working to create new entrepreneurs and businesses.

In fiscal 2023, the number of visitors reached 6,599. We worked to promote the interaction among participants by holding as many as 86 events throughout the year. On top of planning and running events on our own, we are also collaborating with the



Kotaro Hara

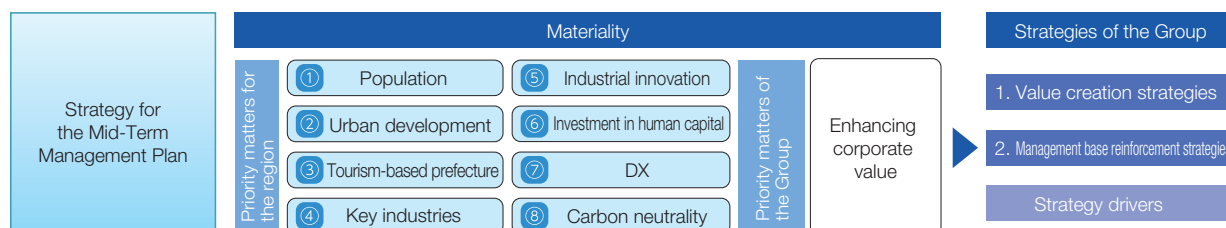
Deputy Manager of the Corporate Planning Office, Business Planning Department, Hiroshima Bank

Hiroshima Unicorn 10 Open Innovation Pitch (January 2024) hosted by Hiroshima prefecture to build a momentum for open innovation among regional businesses.

Initiatives for Corporate Business Areas

Positioning of the initiatives

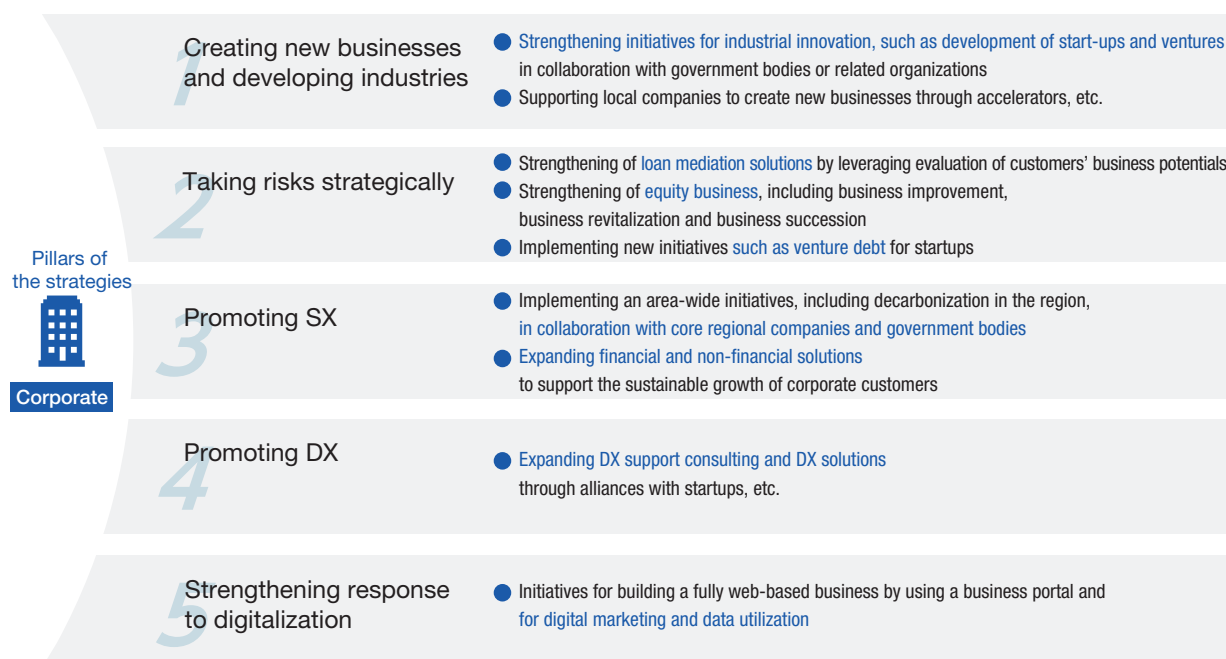
Solving Materiality (priority matters of the region) to create a vibrant region



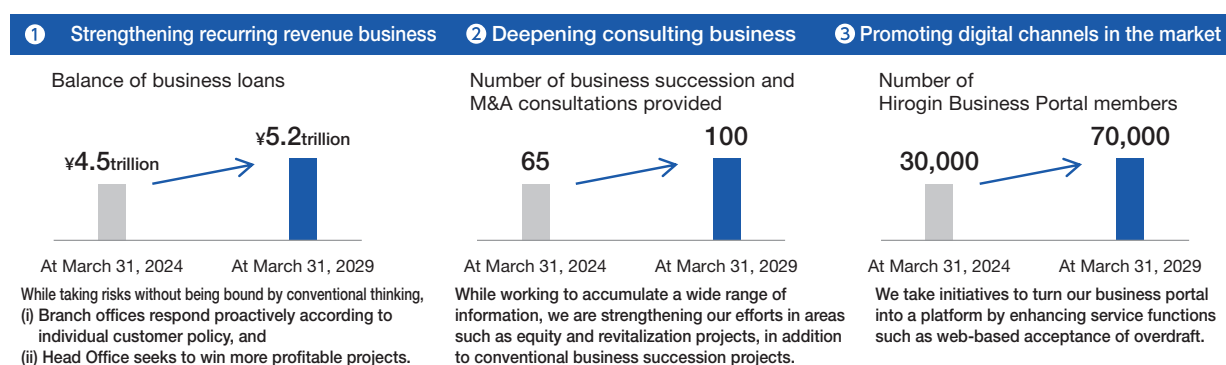
Key points of value creation strategies: Initiatives targeting growth and development of customers (corporate)

- As a complete partner who takes care of every stage of customers from establishment to closure of business, we will expand solutions according to business stage, leading to business creation and industrial innovation.
- We will also strengthen our digital response in the corporate business area with a view to exploring customer contact points that combine the best of digital and human aspects.

Overview of new Mid-Term Management Plan (Mid-Term Management Plan 2024)



Key indicators



The background and current situation of the initiatives

In order to meet the diverse needs of our corporate customers, the Group has been working to provide support tailored to the characteristics of local industries by practicing customer-oriented consulting sales based on feasibility studies.

Under such circumstances, the environment surrounding financial institutions is changing dramatically due to factors such as the shrinkage of the regional economy, intensifying competition due to the entry of companies from different industries, efforts to meet social demands such as decarbonization, and the development of a digital society through DX. In order for the Group to become a company that is needed by customers in the future, it is necessary to strengthen our efforts to revitalize the region, as well as to respond to environmental changes such as the increasingly sophisticated customer needs, decarbonization, and DX.

Going forward, we will contribute to the realization of a vibrant region through the growth and development of our customers by promoting initiatives such as fostering industry through support for startups and ventures, creating new businesses through various alliances, demonstrating our loan mediation functions based on feasibility studies, expanding non-financial solutions, and strengthening our digital response through the best mix of “digital x human” customer contact points.

Creating new businesses and developing industries

Strengthening initiatives toward industrial innovation through collaboration among industry, government, academia and finance

In April 2019, five organizations, Hiroshima Bank, Hiroshima Prefectural Government, Hiroshima University, Hiroshima Industrial Promotion Organization, and Hiroshima Venture Development Fund formed a consortium (Hiroshima Next Innovation Council) with the aim of creating new industries and businesses through innovation.

The consortium regularly exchanges information with the aim of building the Innovation Ecosystem within the region, and also focuses on collaboration between the measures of each organization.

In 2024, as part of the Hiroshima Prefectural Government’s Hiroshima Unicorn 10 project, we were commissioned by the government, in collaboration with the Japan Southeast Asia Innovation Platform, to implement the Hiroshima Unicorn 10 ASIA CO-CREATION PROGRAM, which provides support for startups and small to medium-sized enterprises that seek to develop business in the Southeast Asian market, including support for building the necessary networks, acquiring human resources, and establishing bases, etc., in Southeast Asia. And we are currently working with the six companies selected for this program to support their business development in Southeast Asia.



Creating new businesses by companies in the region

Since FY2019, in collaboration with Creww, Inc., we have been implementing an acceleration program called Hiroshima Open Accelerator with the aim of creating new businesses through open innovation, linking the management resources of companies in Hiroshima Prefecture with the distinctive services of startups nationwide.

The program was held for the 5th time in FY2023, and four companies in Hiroshima Prefecture participated, with a total of six collaboration proposals being adopted.



Initiatives for Corporate Business Areas

Discovery of research seeds from universities and other institutions

Since FY2020, in collaboration with Leave a Nest Co., Ltd., we have been implementing HIROSHIMA TECH PLANTER, an acceleration program aimed at discovering the seeds of research from universities and other institutions and providing consistent support starting from commercialization to growth.

The program was held for the 4th time in FY2023 and nine finalists were selected from the 29 teams that applied. Subsequently, the Hiroshima Tech Plan Grand Prix (presentation by finalists) was held in February 2024.



Support for university spin-of ventures in Hiroshima prefecture

In April 2020, we invested in the Investment Limited Partnership for Supporting Spin-Off Ventures of Hiroshima University and Other Universities in Hiroshima Prefecture, which was established with the aim of regional revitalization through sustainable regional economic development and job creation by investing in ventures that originate from research seeds held by universities and research institutions in Hiroshima Prefecture, including Hiroshima University, and from researchers, students and other related parties, and by improving corporate value.

This investment limited partnership is the first fund to be certified by Hiroshima University, and by obtaining the cooperation of Kyoto University Innovation Capital Co., Ltd., which has a wealth of experience in investing in research seeds and supporting commercialization, it is working to support the growth of promising university spin-off ventures.



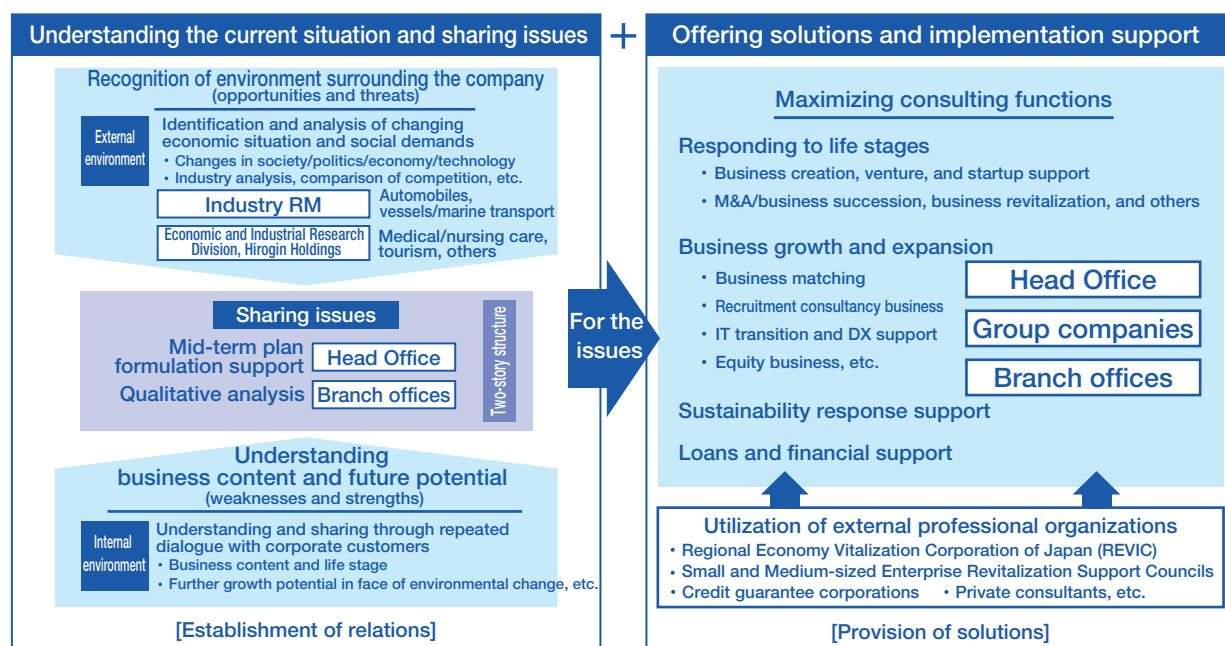
Taking risks strategically

Strengthening loan mediation solutions leveraging feasibility studies

Since the establishment of the Automobile-Related Measures Office in January 2001, we have been working on feasibility studies that enables understanding of customers' businesses from both quantitative (financial) and qualitative perspectives to respond to the funding needs of companies in the region.

To realize the wishes of the management based on a correct understanding of the current situation of the company through feasibility studies, we will work to provide the necessary loan mediation solutions by sharing the issues that need to be addressed with corporate customers.

Hiroshima Bank's feasibility studies



Strengthening financial support in line with the life stages of companies

With Hirogin Capital Partners at the center, we provide equity investment for customers who work to solve regional issues and grow their business.

Going forward, we will also consider taking initiatives for venture debt to meet the needs of startups and venture companies.

Examples of initiative

Example ①

Support for the development of a mid-term plan for a local restaurant chain that struggled due to the COVID-19 pandemic



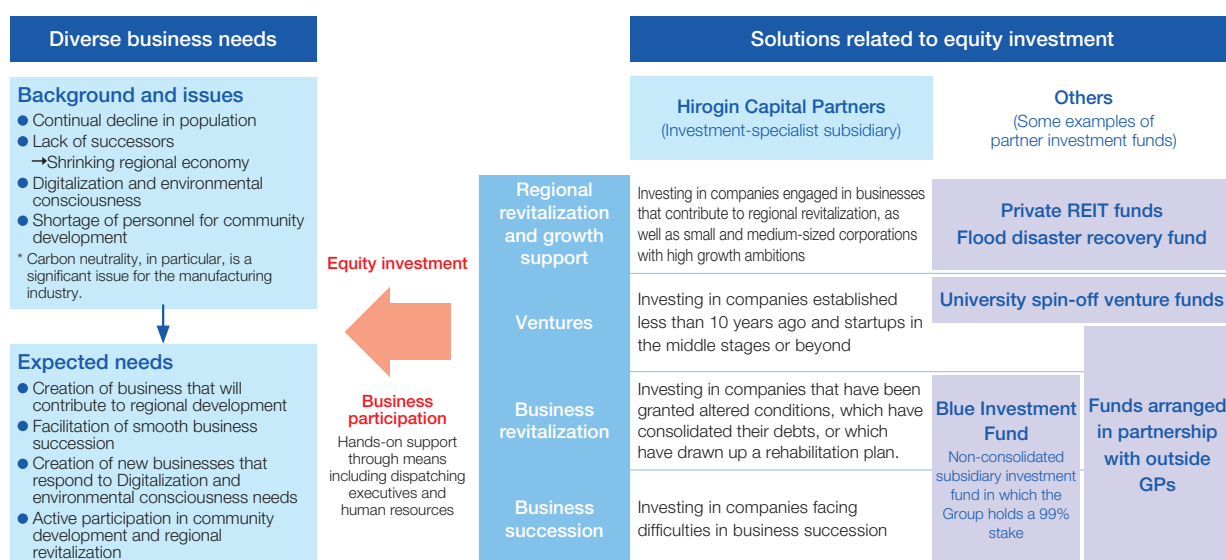
- A restaurant chain that mainly operates in the prefecture
- The company's performance deteriorated significantly due to the COVID-19 pandemic, and its financial position was also damaged.
- As the main bank, we provided escort-runner-style support for the following initiatives through the formulation and implementation of a mid-term plan, including analysis of the current situation.
 - ✓ Financial support to help stabilize cash flows
 - ✓ Consideration for closure of unprofitable restaurants
 - ✓ Financial support for opening new restaurants in business categories with strong performance
 - ✓ Monthly profit and loss management support
 - ✓ Support in preparing materials needed to explain the contents and progress of the mid-term plan to financial institutions they do business with
- Sales recovered due to a rebound in demand for eating out following the end of the COVID-19 pandemic, and the company returned to profitability due in part to its efficiency improvement effort during the pandemic.

Initiatives for Corporate Business Areas

Strengthening initiatives for equity business

In order to contribute to the growth of regional companies, the Group has established four funds at Hirogin Capital Partners: Business Revitalization Fund, Business Succession Fund, Venture Fund, and Regional Revitalization Fund. With these funds in place, we are actively making equity investment in our business partners who are working to solve local issues and grow their businesses.

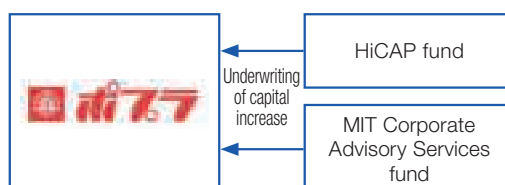
Going forward, leveraging Hiroshima Bank's feasibility studies, we will provide funds through equity investment and support our regional corporate customers' growth by strengthening our hands-on support initiatives, such as formulating a business plan or using our resources including the dispatch of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



Examples of initiative

Example ①

Joint investment with other funds

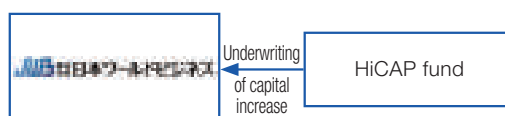


POINT

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

Example ②

Considering joint ventures with investee companies



POINT

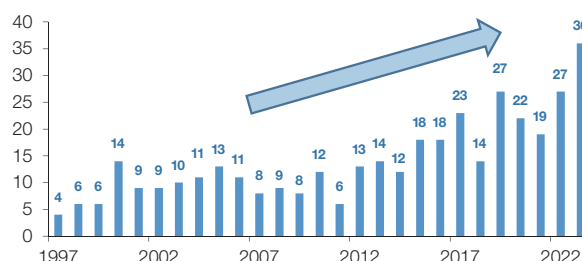
- We subscribed capital increase through a third-party allotment to Japan World Business, which is engaged in worker dispatching business.
- Taking this investment as an opportunity, we are working towards the launch of a joint venture (support business for accepting foreign workers) that will combine the support business for accepting foreign workers of Japan World Business with the solutions and customer base of the Hirogin Group.

Strengthening efforts to support corporate customers for business succession and business expansion

The Group, mainly through Hiroshima Bank, provides support through M&A operations and others for the solution of issues relating to business succession and expansion in order to support sustainable growth of our corporate customers.

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

► Number of M&A contracts successfully executed



Examples of initiatives for business succession

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

We work to support customers to solve the issue of business succession. We provide solutions to their needs under a one-stop service platform, from succession to family members or employees to M&A, which may change according to the situation of the company or family.

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

Month and year	Details of support
~2015	● Discussion continued on the future direction of business succession, whether to succeed the business to the son or transfer it to a third person.
2016~2020	● After a series of discussions, it was decided to transfer the business to a third party. ● We negotiated with several business succession candidates, but we were unable to reach an agreement on the terms.
January 2021	● The president suddenly passed away. The spouse who was a director has been appointed as the new president.
March 2021	● Although the company received a proposal from another M&A intermediary and decided to go ahead with a third-party succession, the decision was temporarily suspended due to the opposition of the employees.
February 2022	● We acted as an intermediary between the employees and began providing support for the third-party succession.
March 2023	● We introduced a candidate by which synergy is expected, and supported the M&A process until the completion of share transfer.

Examples of initiatives for business expansion

We are involved in the phase of building business strategies for companies aiming to expand their business, and we also focus on making optimal M&A proposals that contribute to growth support.

In order to respond to the ever-changing business environment, we are working to solve various issues faced by our corporate customers.

■ Example of Company B (growth support)

Month and year	Details of support
2013~2021	● We were involved in supporting the overseas expansion of the company and the formulation of its mid-term management plan. We identified the current situation and organized the issues, and then decided on an action plan for the future (acquiring companies in the same industry outside the area in a bid to acquire new business partners and technologies).
April 2022~ April 2023	● In addition to making full use of Hiroshima Bank's information network, we also worked with our alliance partners (M&A brokerage firms, consulting firms, external funds, etc.) to search for transfer deals that match the needs for information outside our business area.
February 2024	● We introduced a candidate that matched the needs and supported the M&A process until the completion of share transfer.

Initiatives for Corporate Business Areas

Promoting SX

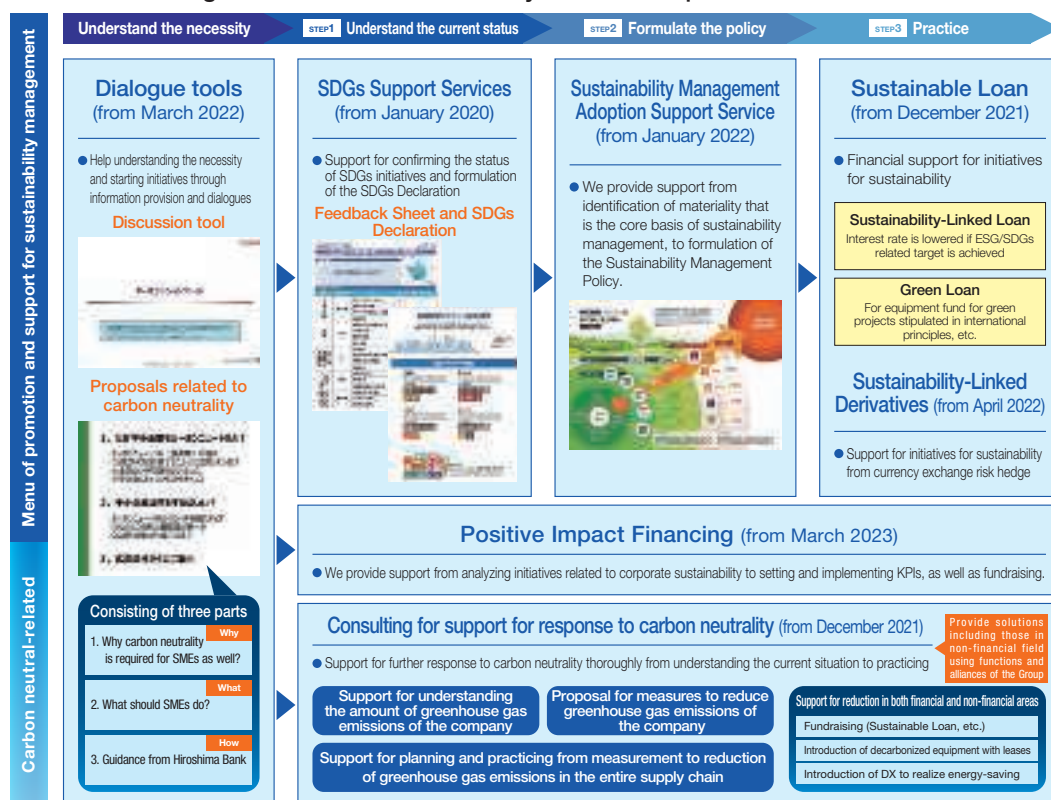
Initiatives to enhance sustainability at business partners

The Group aims to contribute to the growth and development of local companies by leveraging all the Group's functions and alliances to solve the environmental and social issues faced by the region and customers.

In particular, since Hiroshima Bank became the first regional financial institution to establish the SDGs Support Services in January 2020, it has consistently viewed the support of local companies' efforts to improve their sustainability as the responsibility of a regional financial institution, and has developed and expanded solutions that support the introduction and implementation of sustainability management for corporate customers from both financial and non-financial perspectives.

In addition, regarding carbon neutrality, we provide solutions in collaboration with Group companies and alliance partners, mainly in response to the needs and initiatives identified through dialogue with our business partners.

Overview of consulting related to the sustainability of business partners



SDGs Support Services

Features
<ul style="list-style-type: none"> Confirm SDGs initiatives, organizing matters to be addressed and provide a feedback sheet Support for the formulation of SDGs Declaration
Number of cases
704 (from the start of service in January 2020 to March 31, 2024)

Sustainability Management Adoption Support Services

Features
<ul style="list-style-type: none"> Support for identification of materiality that is the core basis of the companies' sustainability management through dialogues with management Support for the formulation of sustainability management policy
Number of cases
25 (from the start of service in January 2022 to March 31, 2024)

Sustainable Loan

Features
<ul style="list-style-type: none"> Provide two types of loans of Sustainability-Linked Loan and Green Loan under a finance framework that is consistent with the guidelines stipulated by the Ministry of the Environment and other organizations
Number of cases
46/¥14.3 billion (from the start of service in December 2021 to March 31, 2024)

Positive Impact Financing

Features
<ul style="list-style-type: none"> Support for comprehensive analysis and assessment of the environmental, social, and economic impacts of corporate activities and efforts to increase positive impacts and reduce negative impacts
Number of cases
4/¥0.7 billion (from the start of service in March 2023 to March 31, 2024)

Strengthening initiatives to support human resources for sustainable management

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

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

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

Going forward, leveraging Hiroshima Bank's feasibility studies, we will aim to build a one-stop

■ Top 10 challenges facing company owners in Hiroshima Prefecture

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

Source: Hirogin Holdings Survey of Company Owners

framework for all manner of HR and labor issues to meet the people-related needs of our customers.

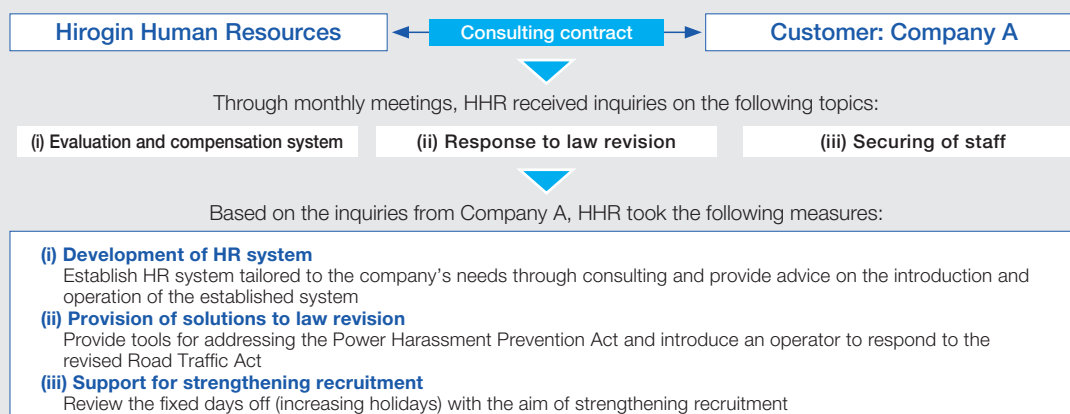
■ Outline of Hirogin Human Resources businesses and services

Businesses and services	Details	Results (FY ended March 31, 2024)
Recruitment consultancy business	<ul style="list-style-type: none"> Introduces management and specialist human resources Provides support for strengthening human resource recruitment 	Number of contracts executed: 121
Training business	<ul style="list-style-type: none"> Holds training programs and seminars for all levels, from new employees to executive management Supports implementation of internal training programs such as dispatching lecturers 	Number of participants: 2,187 (Up 290 year-on-year)
Human resources consulting business	<ul style="list-style-type: none"> Consulting related to HR and labor (e.g., responding to workstyle reforms, various consulting related to labor management) HR system construction consulting (e.g., review of evaluation system and compensation system, HR system design support, etc.) 	Number of consulting contracts signed: 110 (Up 29 year-on-year)
Worker dispatching business	<ul style="list-style-type: none"> Primarily dispatch of clerical personnel (office staff for sales, accounting, general administration, etc.) 	Number of contracts executed: 39 (Up 8 year-on-year)
Employee benefits and welfare support	<ul style="list-style-type: none"> Provision of "Benefits and Welfare Support", which bundles health management, self-development, asset formation/loans, and discounts and special offers in a single package. 	Number of companies applied: 13

Examples of support for corporate customers

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

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



Initiatives for Corporate Business Areas

Promoting DX

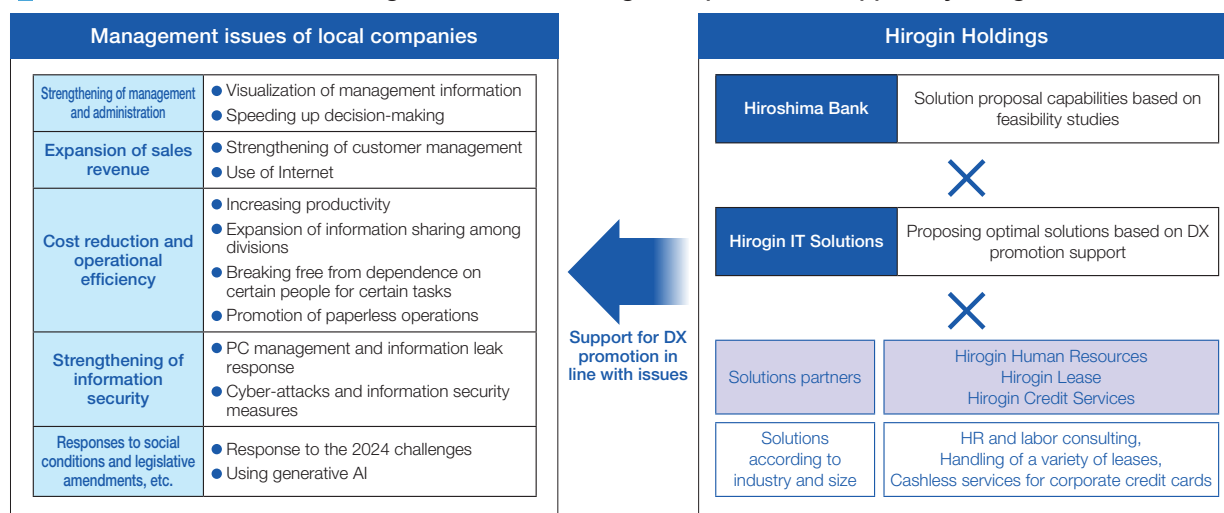
Initiatives for DX promotion support

Hirogin Group provides a variety of solutions to help solve customers' management issues and concerns, mainly through Hirogin IT Solutions, which designs and develops information systems and provides cloud services utilizing its own internet data center (IDC). Hirogin IT Solutions is a company formed as a joint venture with an existing business partner, Mighty Net Co., Ltd., which was subsequently made a subsidiary of Hirogin Holdings as an advanced banking service company in January 2021. It possesses extensive human resources and solutions in IT-related areas.

Leveraging Hiroshima Bank's feasibility studies, Hirogin IT Solutions accompanies our customers in considering DX and supports management problem-solving through the provision of optimal IT solutions (cloud services, system construction, etc.).

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

Solutions to customers' management issues through DX promotion support by Hirogin IT Solutions

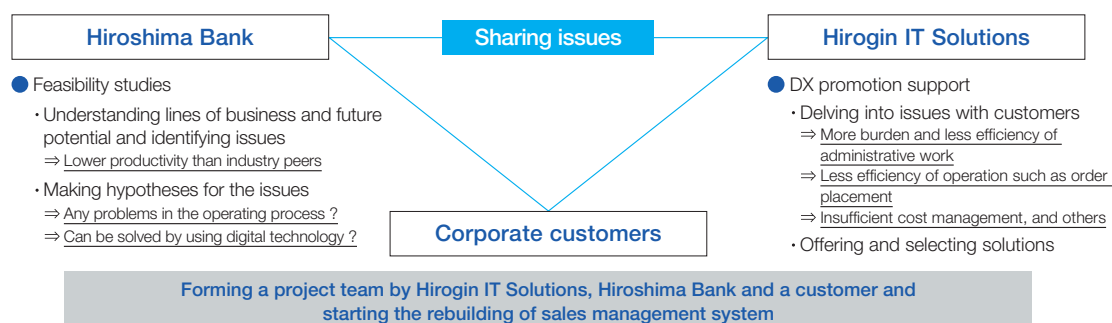


Examples of initiative

Example ①

Initiatives for promoting DX for solutions to customers' management issues

Amid the rapid development of digital transformation (DX), we provide optimal solutions to the diverse needs of corporate customers through our escort-runner style support.



Strengthening digitalization efforts

Expansion of corporate solutions using digital technologies

Portal site for business operators

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

This free service enables customers to check their account balances, transaction details on deposits and withdrawals, and complete financing processes, etc. entirely on the Internet.

In addition, in February 2024, in order to make this service the platform for digital channels with customers, we unified the login path with the Hirogin Business Web Service, which allows customers to make transfers and other transactions over the internet.

In response to the full digitization of bills and checks by the end of fiscal 2026, the Hirogin Business Web Service introduced a new service called Hirogin Business Web Service Inquiry and Transfer Service (Light Plan) in April 2024, which has a monthly free basic fee plan with a limited number of transfers.

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

Details of each service

Item	Hirogin Business Portal	Hirogin Business Web Service: Inquiry and Transfer Service	
		Light Plan	Standard Plan
Monthly basic fee	<ul style="list-style-type: none"> Free of charge 	<ul style="list-style-type: none"> Free of charge 	<ul style="list-style-type: none"> ¥1,650 (tax included)
Services offered	<ul style="list-style-type: none"> Inquiry of balance and deposit/ withdrawal details (bank transfer deposits) Electronic issuing service Other banks' account inquiry service Invoice creation service Management information distribution Hirogin business portal loan Chat 	<ul style="list-style-type: none"> Inquiry of balance and deposit/ withdrawal details (bank transfer deposits) Transfer (up to 10 transactions per month) Payment of taxes and fees Pay-easy Electronic issuing service <p>(Additional services available upon separate application)</p> <ul style="list-style-type: none"> Transaction details option Electronically recorded monetary claims services 	<ul style="list-style-type: none"> Inquiry of balance and deposit/ withdrawal details (bank transfer deposits) Transfer (no limit on the number of transactions) Payment of taxes and fees Pay-easy Electronic issuing service <p>(Additional services available upon separate application)</p> <ul style="list-style-type: none"> Transaction details option Electronically recorded monetary claims services Data transmission service Foreign exchange web service

Expansion of alliance SaaS by intragroup cooperation

At Hirogin Group, Hiroshima Bank, Hirogin IT Solutions and Hirogin Lease have cooperated to expand the handling of various SaaS through agency contracts and business matching contracts.

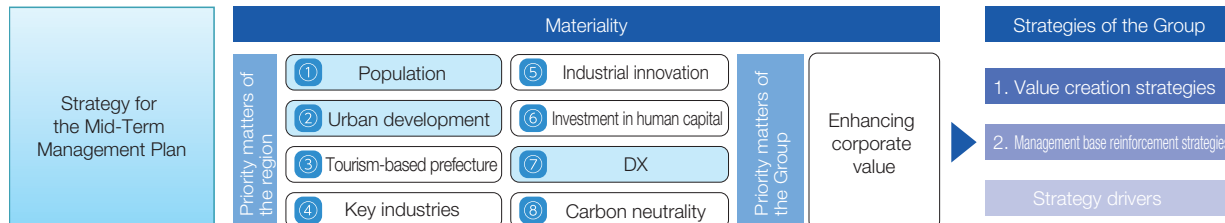
SaaS alliances by intragroup cooperation

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

Initiatives for Retail Business Areas

Positioning of the initiatives

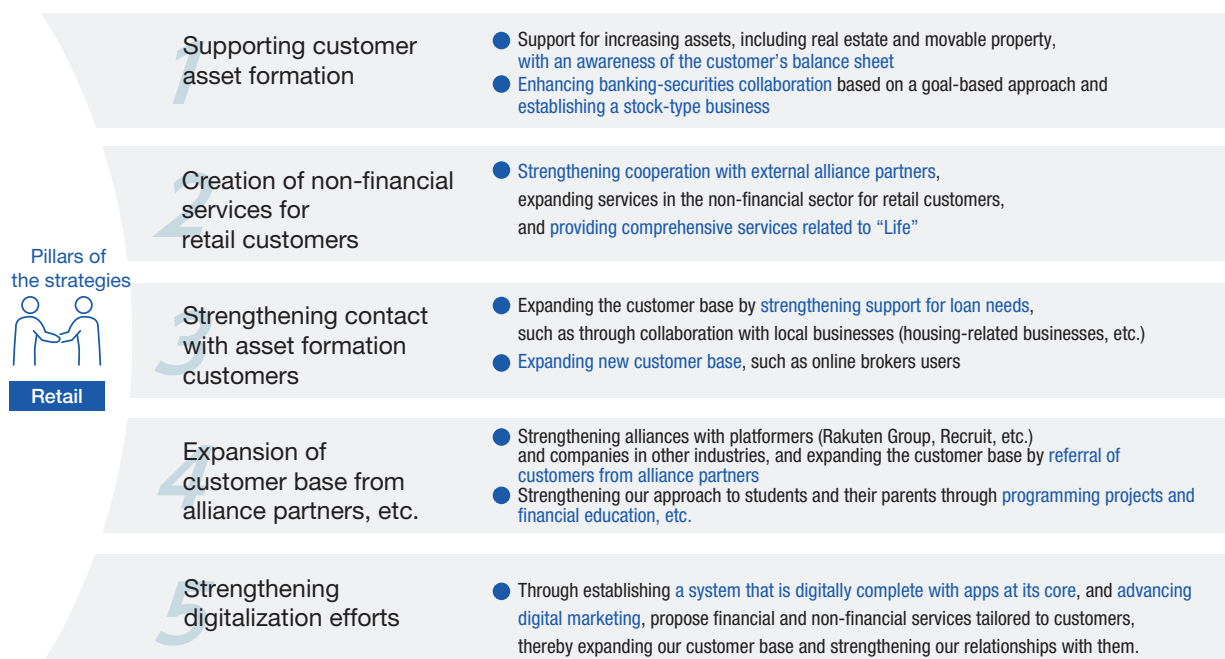
Solving materiality (priority matters of the region) to create a vibrant region



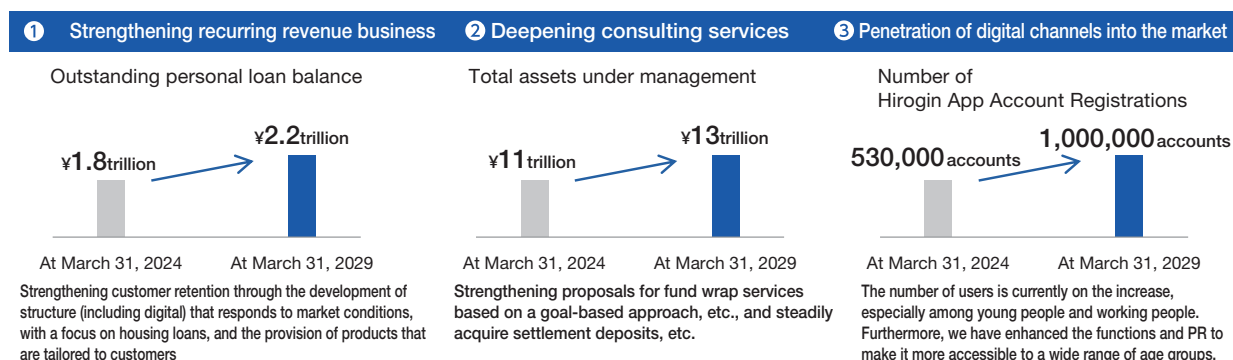
Key points of value creation strategies: Initiatives targeting growth and development of customers (retail)

- In the era of the 100-year life, we contribute to the realization of our customers' affluent lifestyles through the provision of financial and non-financial services.
- We uncover the latent needs of our customers in response to their life events, and provide solutions as a Group to resolve any issues.

Overview of New Mid-Term Management Plan (Mid-Term Management Plan 2024)



Key indicators



The background and current situation of the initiatives

In order to meet all sort of needs of retail customers in line with their life plans, we have been working to strengthen our systems, including strengthening cooperation between banks and securities companies, expanding our inheritance and trust services, improving our Head Office and branch offices (such as our Personal Loan Center and Customer Consultation Plaza, etc.), and penetration of customer-oriented sales activities. In such an environment, facing changes in the investment mindset towards the recent era of the 100-year life and new competitors including those from

different industries, in order to further enhance our support for asset formation and make it a sustainable business, by establishing a sales system (expansion of wealth management, remote interviews, and app-based transactions), strengthening our recurring revenue business through goal-based approaches and escort-runner style support, and creating services that include non-financial services through collaboration with external alliance partners, we will contribute to the realization of affluent lifestyles for our customers in the region.

Supporting customer asset formation

Support for increasing assets, including real estate and movable property, with an awareness of the customer's balance sheet

The Group is working to provide total support for life plans based on the future dreams of our customers and their families, with the Hiroshima Bank's Life Design Service at the core.

At Life Design Service, we ask about our customers' life plans, household income and expenditure, balance sheets (asset status) including non-financial assets such as real estate, etc., and together we create a life design that will serve as a blueprint for the future.

At the same time, we listen carefully to our customers' thoughts and concerns, which have become apparent through the creation of their life designs, and provide a wide range of information and

services, including non-financial fields, at the optimal time, going beyond just financial support.

In May 2023, we introduced a fund wrap service to provide escort-runner style support for the realization of customers' dreams through mid- and long-term asset management. We provide optimal asset management services for each customer, by offering a series of services including diagnosing risk tolerance, designing management plans, continuing follow-up, and others.

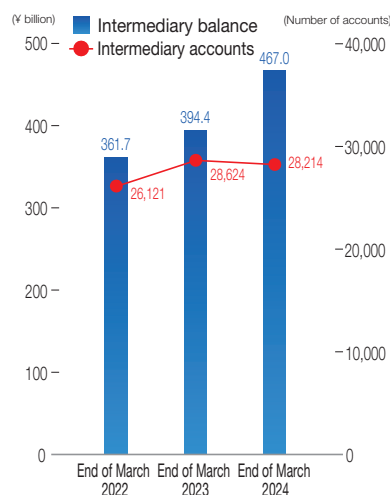
Going forward, we will continue to serve as a concierge for our customers to help enrich their lives, through total support for their individual life plans.

Enhancing banking-securities collaboration

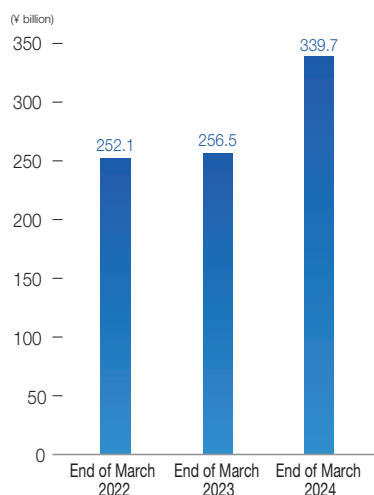
At Hirogin Group, Hiroshima Bank and Hirogin Securities have established a system for addressing customers' consultation needs and requests related to advanced, specialized asset management and inheritance issues, at a one-stop platform, primarily

through their 18 joint branches. In doing so, they have built an appropriate operational management system based on preventive measures against adverse effects (firewall regulations) pursuant to the Financial Instruments and Exchange Act.

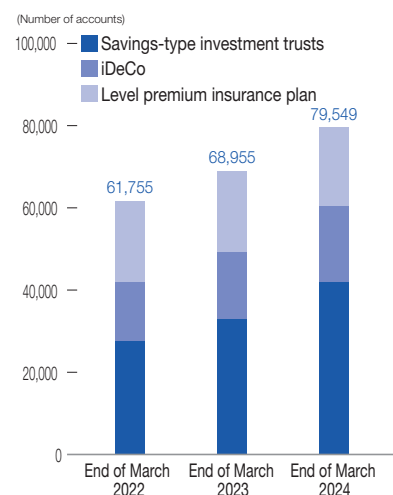
► Trends in the number of intermediary accounts and balance (Hirogin Securities)



► Trends in investment trusts balance (Group)

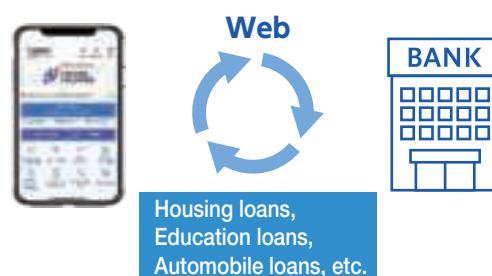
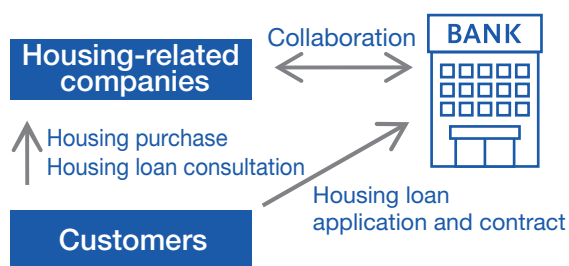


► Number of customers of products or services conducive to asset formation (Group)



Life Partner Service

In addition, in order to strengthen our response to loan needs utilizing DX, we have also started accepting preliminary housing loan applications online (from April 2024 onward). We are also promoting the shift to online services for other loans, with the aim of improving customer convenience.



In July 2024, in order to strengthen our approach to the rapidly expanding number of online brokers users taking advantage of the launch of the new NISA, we started providing asset formation advice through seminars and online consultations at the financial product intermediary company Hirogin Life Partners.

Hirogin Life Partners holds seminars on asset formation for retail customers.

Customers seeking ongoing advice

The diagram illustrates the business model of Hirogin Life Partners, showing the flow of services and information between three main entities: Customers, Hirogin Life Partners Co., Ltd., and Partner securities and insurance companies, etc.

Core Process (Enclosed in a dashed box):

- Customers** send **Consultation and application** to **Hirogin Life Partners Co., Ltd.**
- Hirogin Life Partners Co., Ltd.** sends **Proposals and advice** back to **Customers**.

External Interactions:

- Customers** send **Opening an account, depositing money** to **Partner securities and insurance companies, etc.**
- Partner securities and insurance companies, etc.** send **Outsourcing contract** to **Hirogin Life Partners Co., Ltd.**
- Hirogin Life Partners Co., Ltd.** send **Intermediary for transactions, etc.** to **Partner securities and insurance companies, etc.**
- Partner securities and insurance companies, etc.** send **Account management** back to **Customers**.

Expansion of customer base from alliance partners, etc.

Expanding alliance partners

In addition to expanding our customer base by enhancing our own unique products and services, we will also expand our business base with local

customers by mutually complementing each other's strengths through collaboration with major platformers and companies in different industries.

Strengthening our approach to students and their parents

Based on the growing importance of financial education, Hirogin Group assigns financial education advisors within the Business Planning Division of Hiroshima Bank, as a supporter to improve the financial literacy of customers in the region. As part of the initiative, we provide financial education to students and their parents, adults in the region, such as seminars and lectures.

We also aim to nurture future innovators by expanding our kids' programming school to 6 locations and helping regional elementary school pupils develop their ability to turn ideas into reality and communicate their thoughts.



Strengthening digitalization efforts

Enhancing the Hirogin app functions and digital marketing initiatives

As a digital contact point that is always connected to our customers, we are continuously enhancing its functions, and have also started distributing information via the Hirogin app. In terms of functionality, we have added a new function to allow customers to check the status of their 401K and iDeCo investment at any time, making it easier to manage their assets for the future (released in November 2023). This is the 1st in-house development project that we have built in-house with the aim of speeding up functional enhancements. Moreover, in April 2024, the Hirogin Point Service function was added, allowing users to check the points earned and exchange points using the Hirogin app.

In digital marketing, we started distributing information tailored to customers since last year. In one year, we distributed 9 measures and 25 pieces of

information. We will continue to aim to be a digital concierge, providing information and making proposals that better meet the needs of our customers.



Action on DX or cashless payment in companies and schools

Hirogin multifunctional IC cards

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

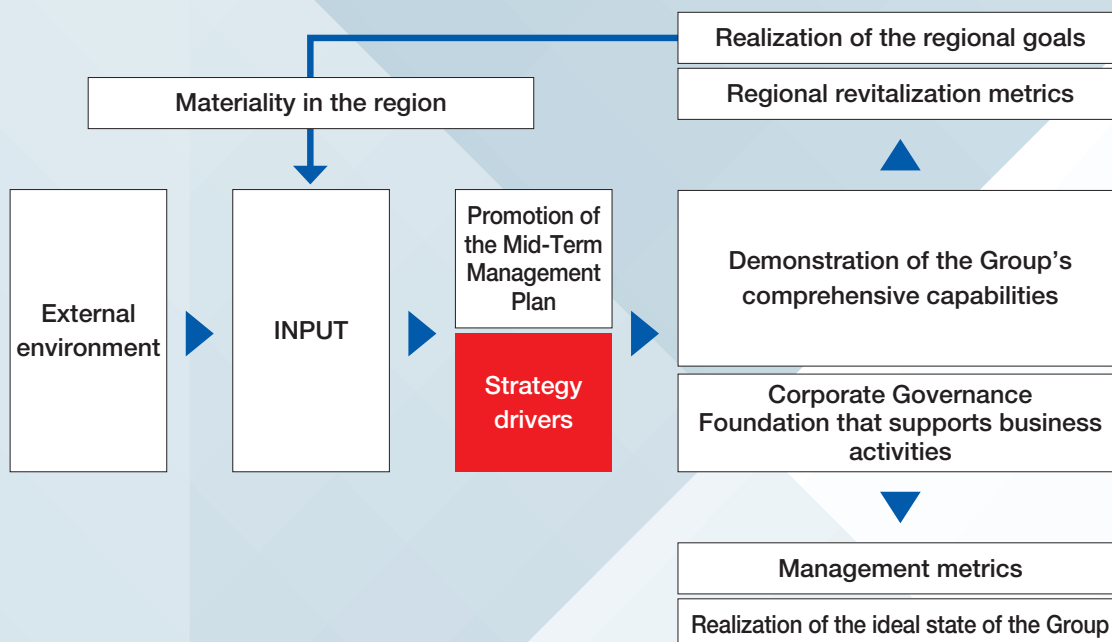
COi Pay

By leveraging COi Pay, which is even more convenient with the addition of an individual transfer function (COTRA), we provide a cashless environment for local events, give 2 percent of the purchase price back (cash back) all the time, and conduct attractive campaigns aimed at regional revitalization.

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

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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Human Capital Management (Materiality ⑥) 73-84

DX (Digital Transformation) (Materiality ⑦) 85-90

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.”

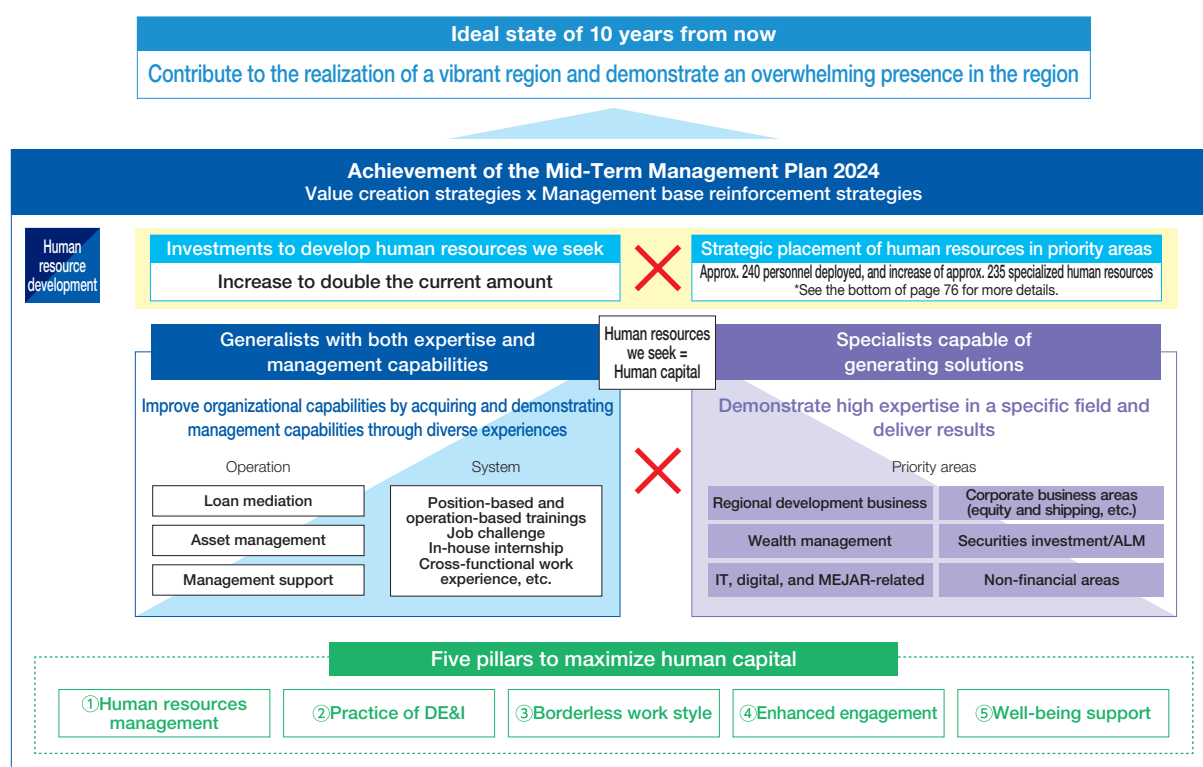
Internal environment development policy

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	

*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

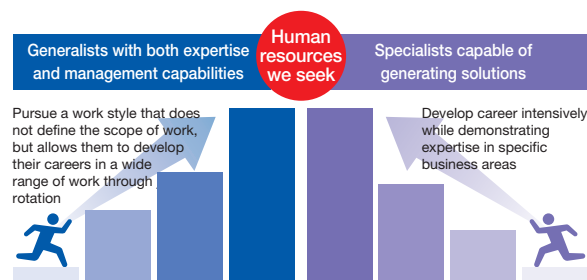
▶ A certain level of investment will be maintained, although it will decline due to the absence of special factors related to the construction of the new training facility and system upgrades.

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		Career development training (age 30)		Career development training (age 40)		Reskilling program for senior employees	
	Induction training for new employees		Training for new supervisors		Training for new managers			
	Follow-up training for new employees		Management training for supervisors ⁴¹		Management training for Managers			
	Follow-up training for second-year employees							
Theme-based training					Hirogin Management School			
	Practical communication training	Leadership training	Management training	Team building training				
			Facilitation training					
			Udemy Training ⁴²	HHR Training ⁴³	Insourse offered training ⁴⁴			

*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 Insourse 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

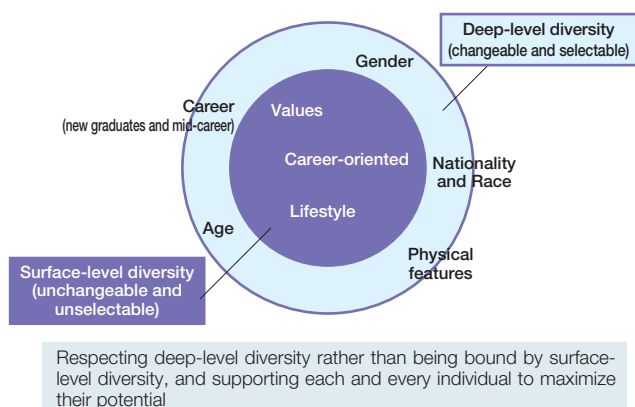
The Group believes that the purpose of diversity, equity and inclusion is to build an organization in which everyone can maximize their potential to take an active role, respecting deep-level diversity, rather than being bound by surface-level diversity.

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



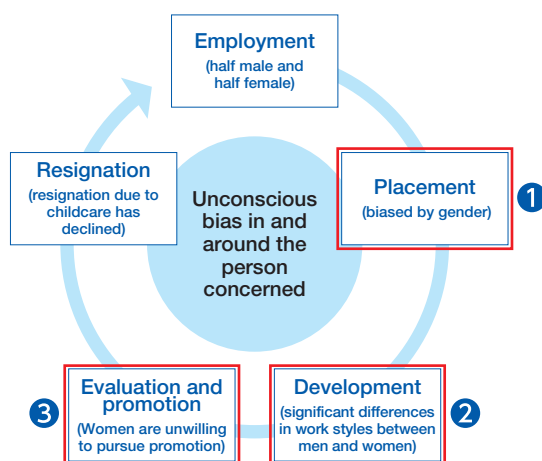
Goals and current status

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.

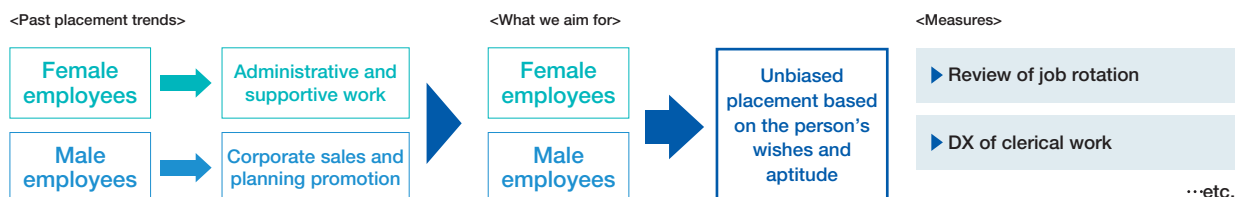


	① Job duties and experience	② Work style	③ Mindset and stance
Challenges	Women are assigned for long periods of time to job positions that do not lead to promotion.	There is a significant gap in work styles between men and women in mid-career (child-rearing years) work.	No change in stance toward higher 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.

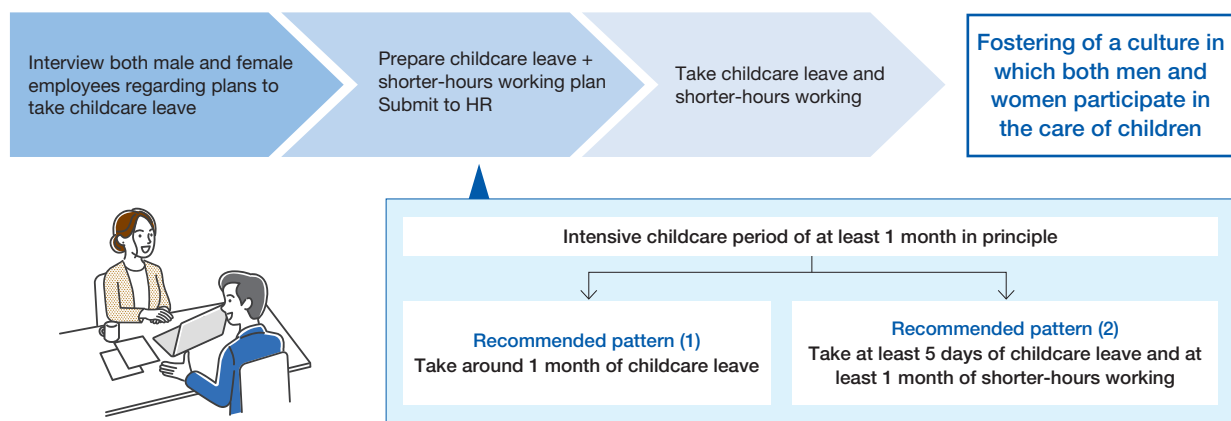


■ Male participation in childcare (introduction of male childcare leave and shorter-hours working systems)

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%

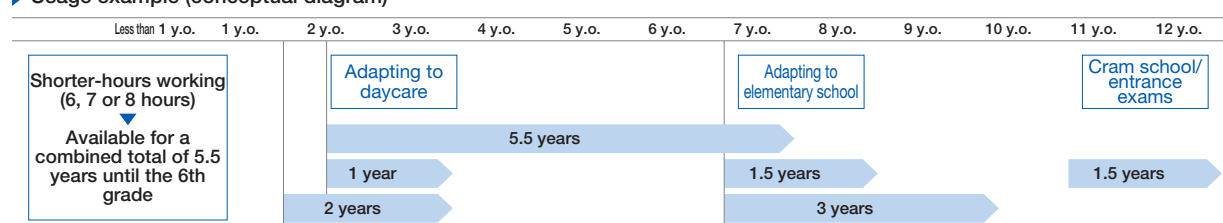
* Based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, the calculation for the period in question (April 1, 2023, to March 31, 2024) is made by dividing the number of workers who took childcare and other care 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

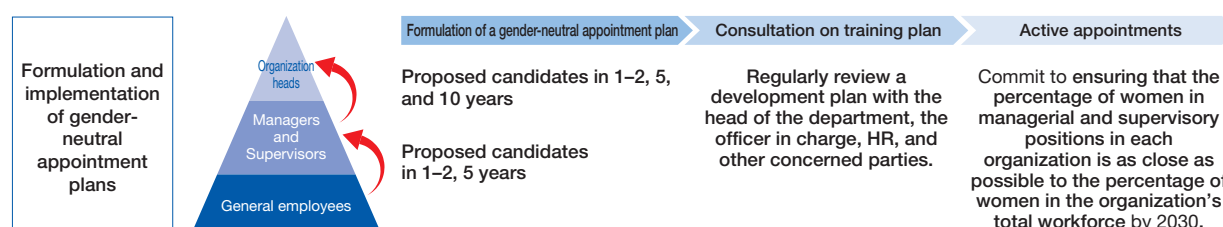
As a common measure to address all three of the following issues: ① gender bias in placement, ② differences in work styles between men and women, and ③ women's attitude toward promotion, diversity training is provided for employees. In addition, in order to ensure

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

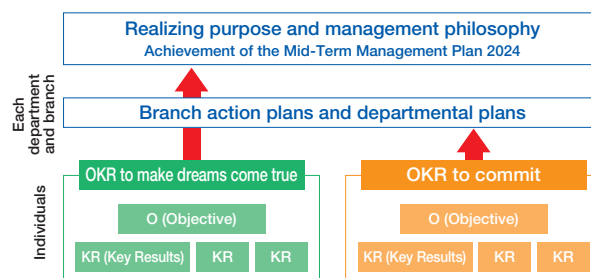
The Group is developing an environment to create an organization that is not afraid of change and where taking on challenges is just a matter of course. Specifically, we are focusing on fostering a culture that encourages taking on bold challenges and supporting individual efforts. We achieve this through 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)

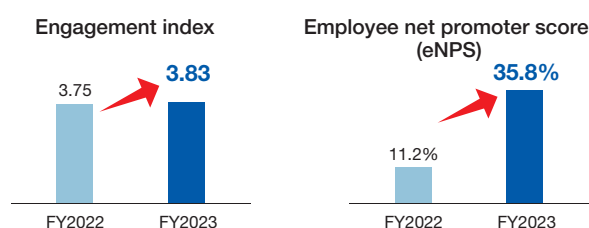
Group company name	FY 2020 Entry	FY 2021 Entry	Reference	
			FY 2022 Entry (after 2 years)	FY 2023 Entry (after 1 year)
Hiroshima Bank	17.8%	14.4%	9.0%	3.1%
Hirogin Securities	30.0%	25.0%	5.6%	0.0%
Hirogin Lease	0.0%	0.0%	16.7%	0.0%
Hirogin IT Solutions	8.7%	13.3%	0.0%	5.9%

* 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



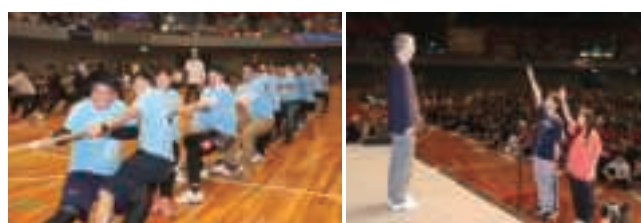
Health & Productivity Management Outstanding Organization 2024 (large enterprise category)
White 500 certified logo mark

▶ Sports Yell Company 2024



Sports Yell Company 2024 certified logo mark

▶ The Hirogin Group Sports Day 2024, etc.



Financial Wellness Initiatives

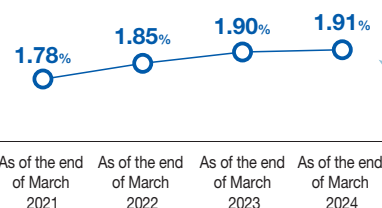
We recognize that having not only job satisfaction, but also an enjoyable personal life is important for our employees when it comes to leading holistically fulfilling lives. On this premise, we are promoting initiatives for the financial wellness of our employees.

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

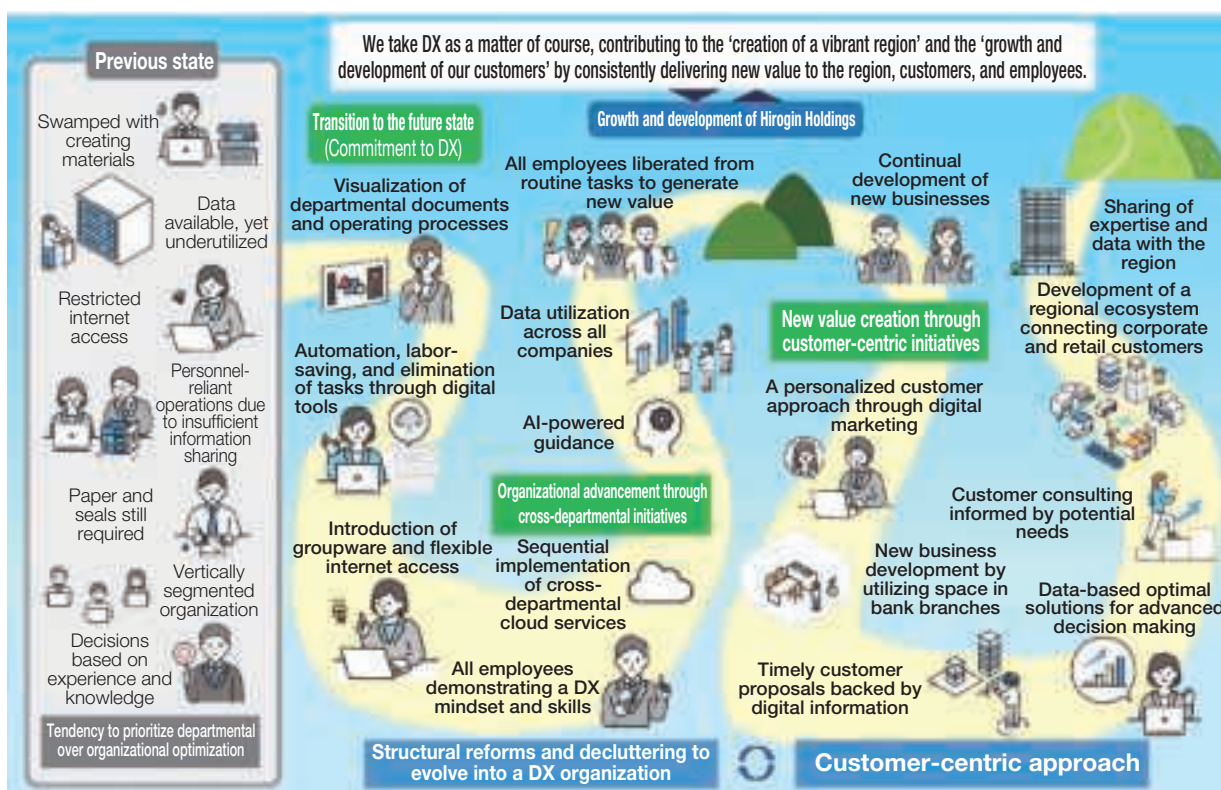


DX in Hirogin Group

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

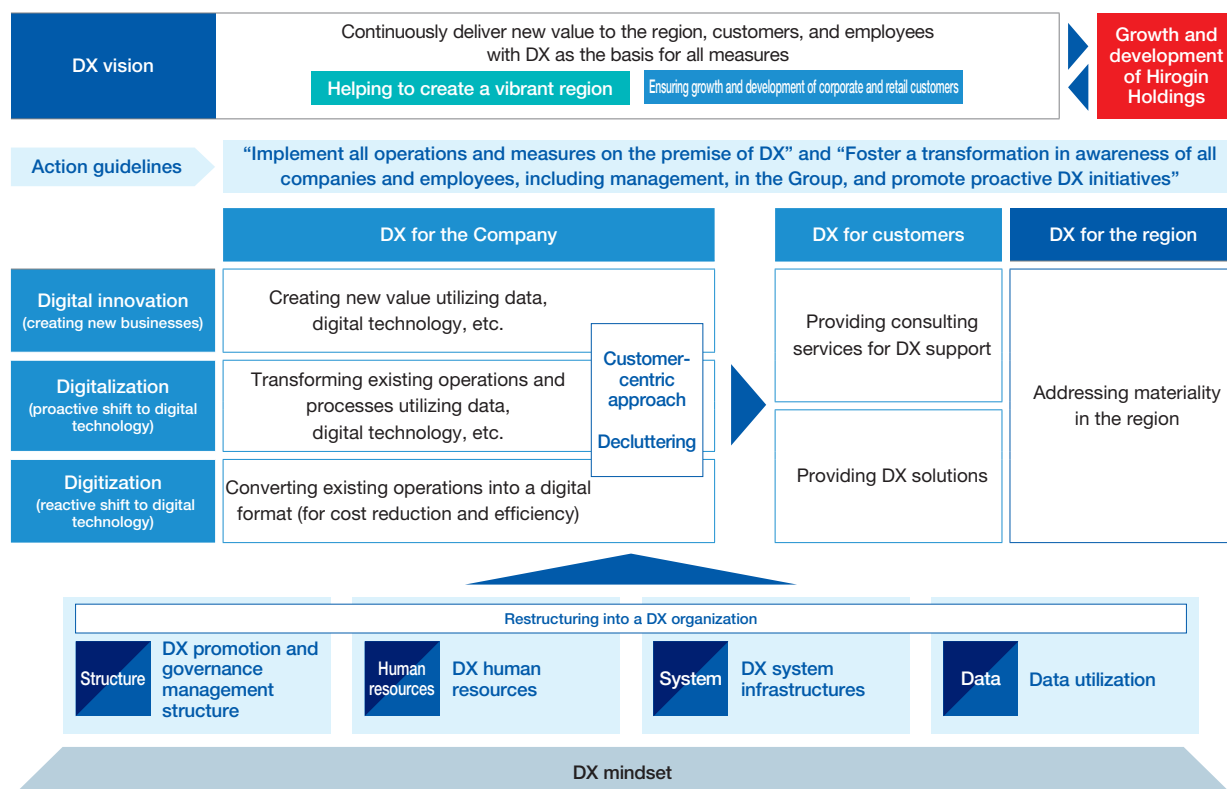
Although the Company has primarily concentrated on promoting DX internally, the Mid-Term Management Plan 2024 will expand our focus to include DX initiatives for our customers and the region. Consequently, we aim to enhance support as the entire Group to solve customers' issues, fulfill their needs,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

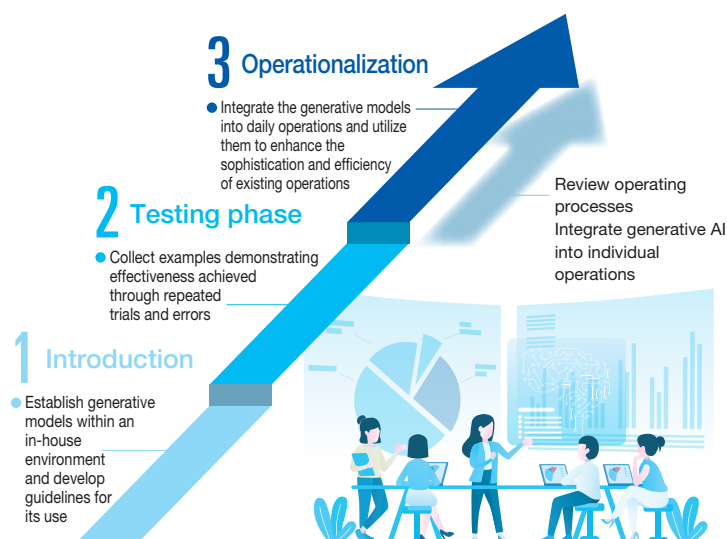


Generative AI utilization project

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.

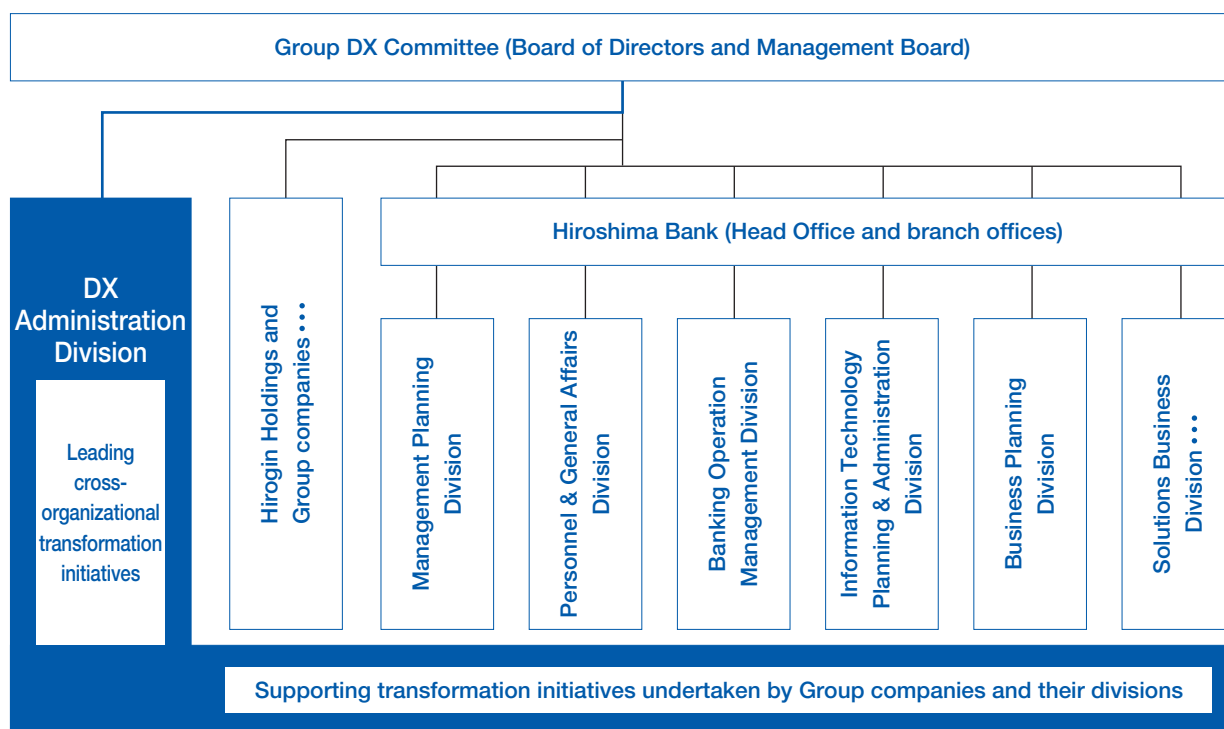
We will collaborate with local companies and organizations to engage in activities that contribute to regional transformation by sharing updates on the Group's DX initiatives, exchanging opinions, and other efforts. Additionally, we will work with local universities and other educational institutions 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

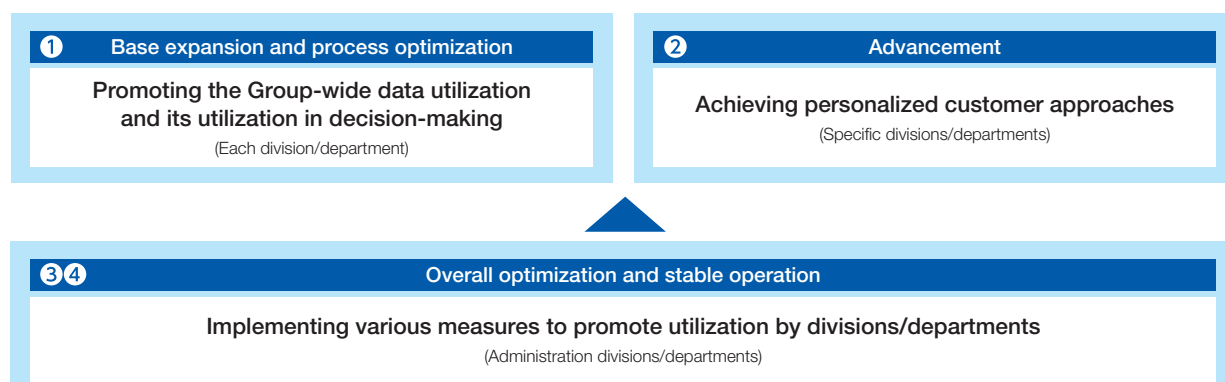
By positioning the sophisticated utilization of data as the core driver that helps to realize various strategies of the Group as a whole, we intend to achieve the optimal states outlined below:

- (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.

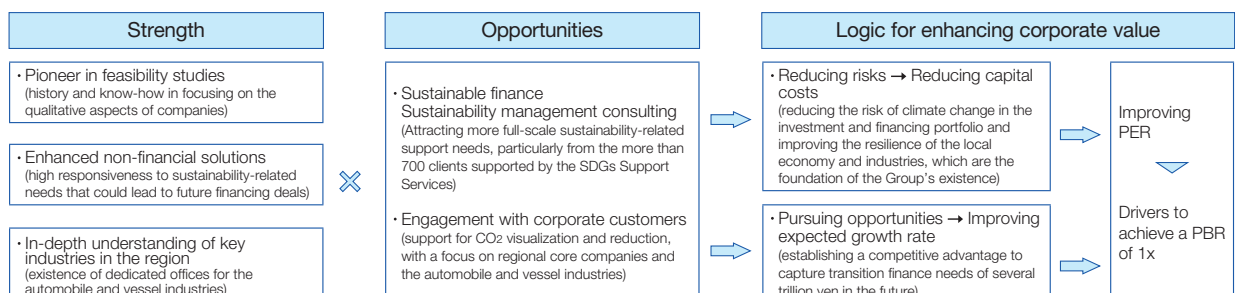
Carbon-neutrality strategies to increase corporate value

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.

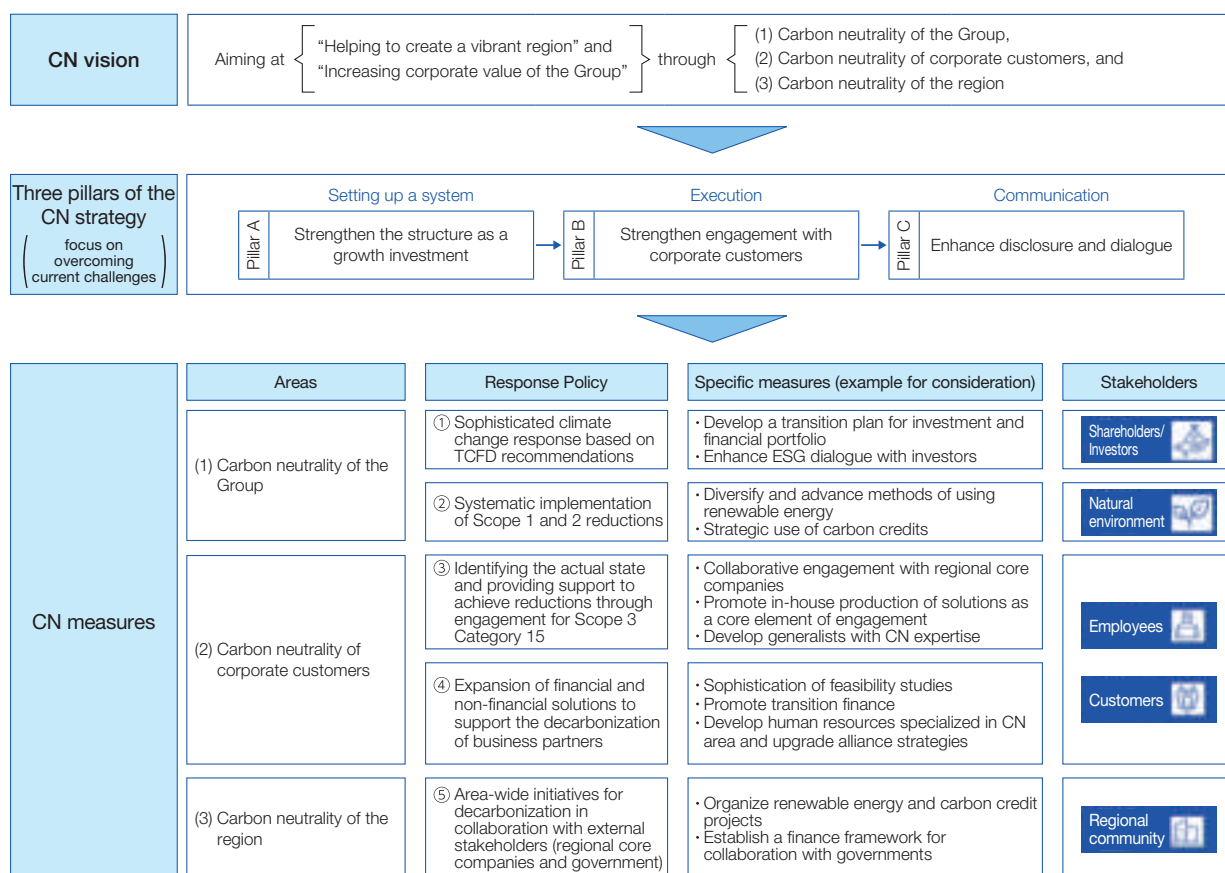
We will further strengthen sustainability management consulting and engagement initiatives with business partners, leveraging these historical strengths. We will also accelerate initiatives to achieve a PBR of 1x through improving our PER by raising investors' expectations for the medium- to long-term 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)

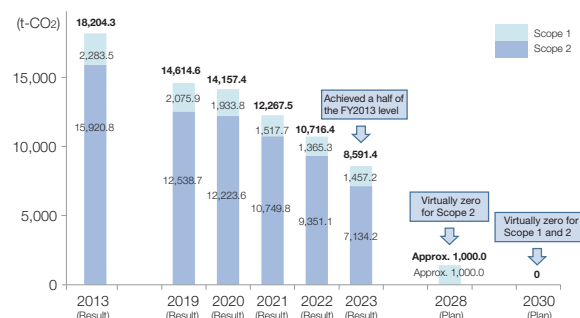
To reduce Scope 2 emissions (indirect emissions from electricity use), we are gradually introducing renewable energy electricity in the order of buildings with the highest electricity use, with a target of approximately 1,500t-CO₂ per fiscal year.

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

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

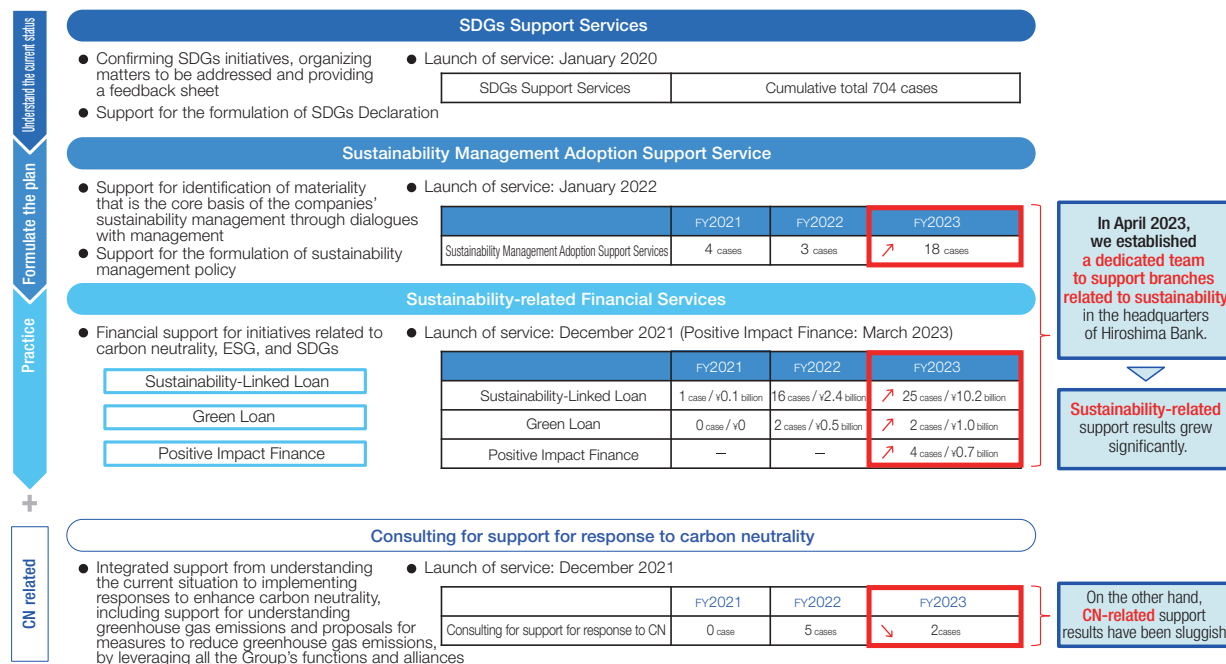
As a fundamental approach to engagement with corporate customers, the Group promotes dialogue and support for carbon neutrality as one of the ESG elements within the sustainability framework.

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.

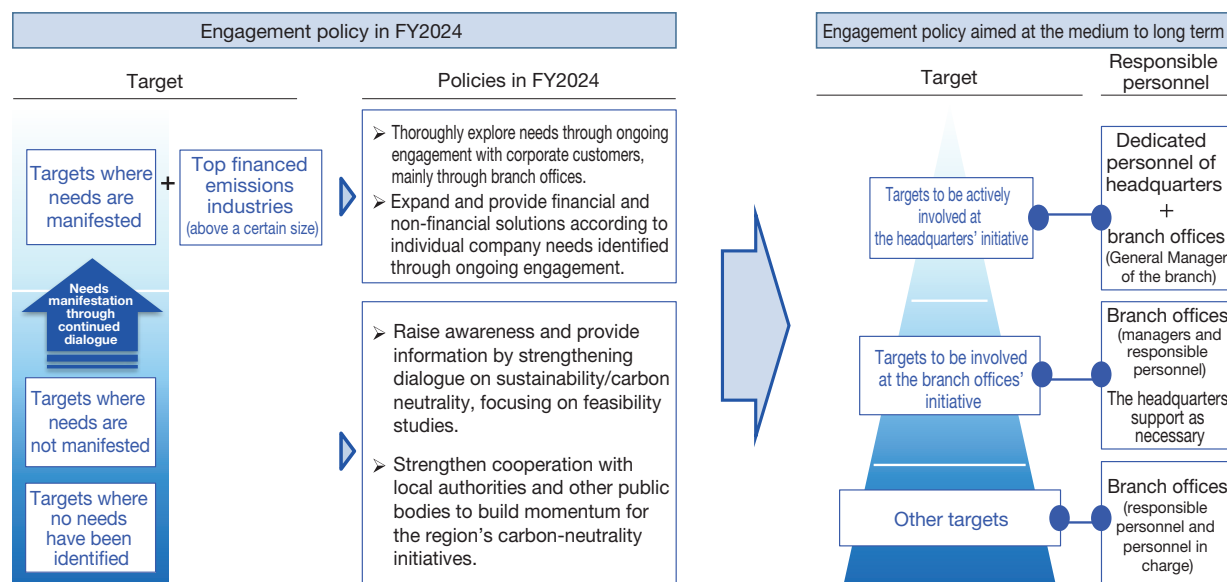


Engagement with corporate customers

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			

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

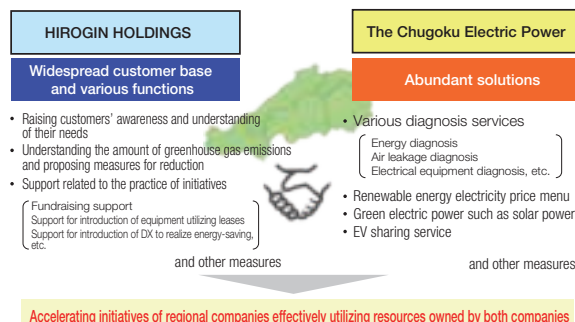
Carbon neutrality of the region

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.

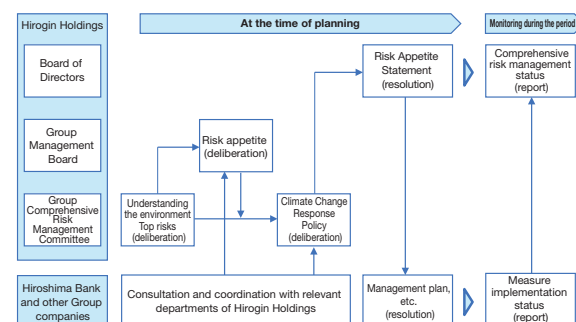
	Physical risks	Transition risks
Risk events analyzed	<ul style="list-style-type: none"> • Impairment of collateral property due to flood and landslide disaster • Deterioration of finances accompanying suspension of borrower's business due to flood 	<ul style="list-style-type: none"> • Deterioration of 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	
①	<p>Coal-fired power generation business</p> <p>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.</p> <p>However, careful consideration may be given to initiatives on an exceptional basis, accounting for matters such as the background and distinguishing features of each project, based on each country's energy policies and circumstances and international guidelines, such as the OECD Arrangement on Officially Supported Export Credits. This prohibition also does not apply in unavoidable cases—for example, to respond to disasters or other emergencies. In addition, support is provided for advanced eco-friendly technologies such as carbon capture and storage as initiatives to help reduce greenhouse gas emissions.</p> <p>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>
②	<p>Coal mining business</p> <p>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.</p> <p>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>
③	<p>Oil and gas mining business</p> <p>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>
④	<p>Palm oil plantation development business</p> <p>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.</p> <p>*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</p> <p>*2 NDPE: A policy that stipulates environmental and human rights considerations of No Deforestation, No Peat and No Exploitation</p>
⑤	<p>Large-scale forest logging business</p> <p>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.</p> <p>*3 Forest Stewardship Council (FSC) certification: An international certification indicating that products are produced from properly managed forests</p> <p>*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.

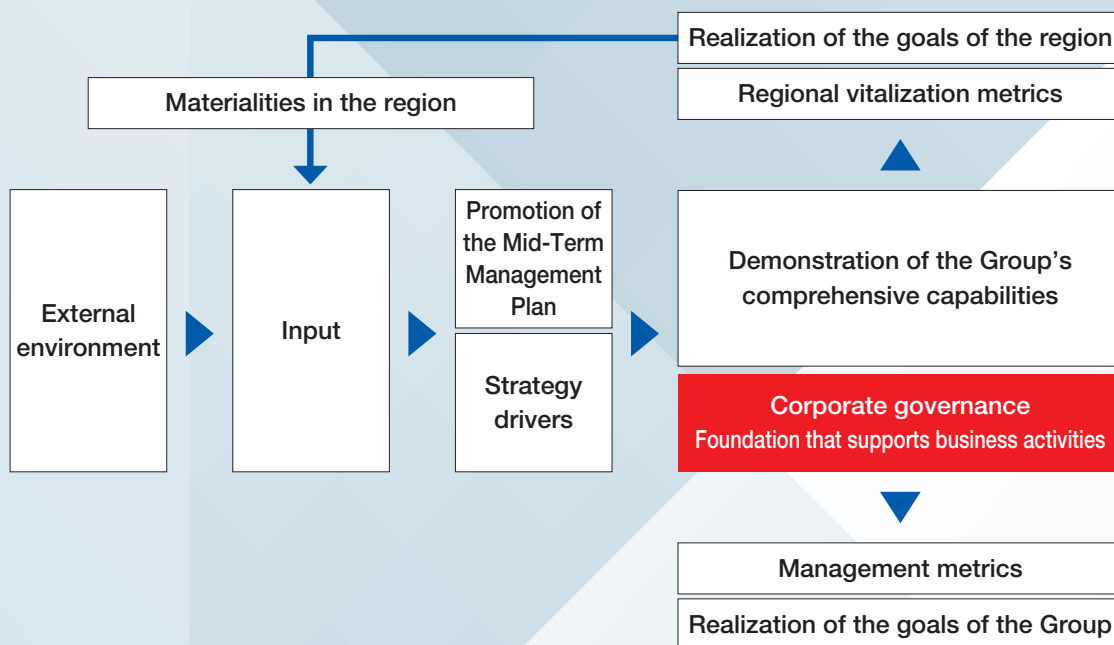
• Investments, loans, and leases that contribute to solving social issues: SDGs-related, medical/welfare/education-related equipment, initial funding for startups, business succession, BCP, public infrastructure, etc.

* 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

How are we Strengthening

Positioning within the value creation story described in this section



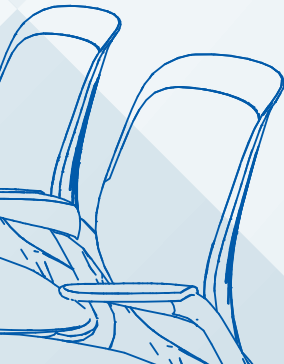
our Management Base?

What we want to communicate in this section

- | Approaches and initiatives for sophistication of governance
- | Various risks and IT-related strategies and security
- | Dialogue and communication with stakeholders

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A portrait of Yoshinori Shinmen, an External Director, smiling. He is wearing a dark suit, a light blue shirt, and a blue tie. The background is a blurred office setting with windows.

Enhancing value of the ever-evolving Hirogin Group together with the local community

Yoshinori Shinmen

External Director

Q1 Please share the story behind the formulation of the Group's Purpose and the Mid-Term Management Plan 2024.

The actual formulation took about a year, but there were a few years of preparation before that during which various discussions were held and concepts evolved.

When I assumed my role of external Director at Hiroshima Bank in 2020, it seemed that local community issues were primarily handled by government bodies, with the bank responding accordingly. However, what has significantly changed in the latest mid-term management plan is that the Hirogin Group has clearly taken the lead in proactively addressing and solving such issues.

Our Purpose contains the slogan "Expanding the horizons of the future." These words express our management philosophy's emphasis on sustainability and our future-oriented stance. In the Mid-Term Management Plan 2024, we look 10 years into the future and backcast

from that point to develop our plan for the first five years. Of particular note is the establishment of a task force composed of young employees from Generation Z, and a working group composed of members ranging from young people to mid-career and core personnel, all of whom provided proposals on the theme of creating the future. External Directors received these proposals directly from members and exchanged opinions. We also held open discussions with executives from Hirogin Holdings and the Group companies, as well as employees from various generations, about the way a company, workplace, and work ought to be. The opinions exchanged provided insights into the frontline operations of the Group, serving as reference for assessing the direction and feasibility of the mid-term management plan.

Q2 From your perspective as an external Director, what are some of the issues that should be prioritized?

From the perspective of shareholders and investors, I think it is important to improve our performance figures. We have established various companies to expand the scope of our business, but the biggest challenge remains how to monetize results of group management and further increase business performance. For the time being, we will leverage the Group's proven collaboration to refer customers among Group companies, primarily Hiroshima Bank, Hirogin Securities, and Hirogin Lease, to enhance overall Group business results. Eventually, we envision reaching a phase where each Group company independently generates revenue.

We are focused on expanding and strengthening our core businesses, and while monetization is naturally a priority, we have companies such as Hirogin Area Design—a consulting firm for regional vitalization involved in the upstream aspects of businesses—that prioritize planting seeds in the community from the medium- to long-term perspective, rather than chasing profits from the short-term perspective. While it remains to be seen just how those seeds will grow in the future, we external Directors emphasize that the profitability of individual companies should not be of immediate concern when it comes to “expanding the horizons of the future” for the local community and the Group as a whole. When we

examine the strategies and plans actually presented by these companies (including Hirogin Area Design), we find proposals that reflect a clear understanding of the potential to generate revenue both independently and in synergy with the Group. I believe that the Group's expansion will proceed with a focus on organic growth.

Diversity issues are also extremely important. A few years ago, the figures proposed by the executives on issues such as the ratio of women in managerial positions, differed from our expectations as external Directors in terms of levels and speed of introduction. However, after discussions at the Board of Directors meetings, the targets were boldly raised.

The Hirogin Group has the agility to dynamically review these issues and integrate changes into its operations. However, as making changes to the personnel affairs as a long-term matter is rather challenging, we, the external Directors, were eager to see how it would be done. Subsequent changes in personnel management have resulted in an obvious increase in the number of female managers and the appointment of the first female executive officer, which indicates the Group's stable implementation of the measures. We will continue to observe the progress in this area.

Q3 From the perspective of your field of expertise, are there any particular aspects of the changing environment surrounding the financial industry that you are concerned about?

Regional financial institutions directly impacted by population decline must evolve their business models. Rather than relying solely on traditional banking services, they need to build new business portfolios and form an ecosystem of mutual support with the local community, positioning themselves as regional comprehensive services providers. The Hirogin Group has both the determination and capability for transformation to do so. This is evident not only from their move to become a holding company with only one bank under its umbrella—a pioneering move within the regional banking industry—but also through their strategic establishment of Group companies, each with a clear vision.

Addressing digital transformation (DX) is also a challenge. The financial business is highly compatible with digital technology, leading to diversification in forms such as online banks and securities firms. We must continue to be prepared for further competition from other sectors. While monitoring the rapid changes in megabanks and major and medium-sized securities firms, we are carefully considering what we should and can do as a regional financial institution, and are collaborating as a group to devise strategies for further development that leverage our strength of being deeply rooted in the community.



Creating chemistry by bringing an external perspective and stimulating each other through communication

Q4 | What are your thoughts on offensive and defensive corporate governance?

We often hear terms like “offensive governance” and “defensive governance,” but basically I think it is important to consider sources of revenue. In order to nurture and protect these sources of revenue, it is important to thoroughly consider the kind of initiatives that are necessary, and then implement them. Since revenue is generated through transactions with customers, it is only natural that our approach should put customers first, and it is also important to enable the Group companies and employees that do business with them to sufficiently demonstrate their abilities. We believe the key is to maintain this perspective when conducting evaluations, and implement governance consistently without bias.

At Hirogin Holdings, a survey is conducted each year among the Board members to assess the effectiveness of the Board of Directors as part of our corporate governance review. The results of this survey are submitted to an external organization, which then provides us with feedback, including comparisons with other companies.

Incorporating views from specialized reference material and discussions with external Board members from other companies, I strive to thoroughly assess the necessary aspects of governance and provide candid recommendations. Taking these opinions into account, the Group has enabled external Directors to access the minutes of management meetings. This has allowed external

Directors to better understand the actions and perspectives of management.

The day before a Board of Directors meeting, an advance explanatory meeting is held to present the agenda and report items, incorporating discussions from the Group Management Board meetings and various committees, which helps to develop a deeper understanding of individual matters. Major topics are brought up as report items at the Board of Directors meeting multiple times from different perspectives, allowing for more comprehensive discussions and thorough examination before any decisions are made. This ensures that there is ample opportunity to repeatedly consider agenda items. So it is fair to say that there are systems and procedures in place that allow the Board of Directors to function effectively as a monitoring board.

The transition to MEJAR banking system, which will be Hiroshima Bank’s next-generation backbone joint system, is a long-term, large-scale project that we aim to follow closely. While joint systems pose inherent challenges in terms of collaboration, the benefits they offer can be substantial. While ensuring a safe transition is of course our top priority, as part of our governance, we also plan to monitor whether efforts are being made to fully leverage the benefits of this system with the other participating banks that are welcoming us as a new member.

Q5 | There seem to be various opinions on the earning power of Japanese companies. What are your thoughts on this matter?

When it comes to the earning power of regional financial institutions, the source is none other than the local community. The Purpose of Hirogin Group is “expanding the horizons of the future alongside the regional community through wide-ranging services.” The phrase “alongside the regional community” signifies our commitment to mutual growth, recognizing that the Group cannot grow unless the local community develops. It underscores our resolve to stimulate regional vitalization and create business opportunities for our Group, thereby achieving mutual prosperity. If we leverage the Hirogin Group’s management capabilities and the potential of each employee, surely we can make this vision a reality.

In our mid-term management plan, we outline how we will grow and enhance our value as a group together with the local community. An equity story that depicts the improvement of corporate value is essential for deepening investor understanding and raising their expectations. The issue of improving corporate value is seriously considered on a daily basis not only by the executive management, but also by each department. However, many initiatives cannot be implemented or publicly disclosed without going through the Board of Directors. Given that fact, we recognize the significant responsibility we have of ensuring that discussions held in Board of Directors meetings are meaningful.

Q6 | How do you view your own responsibilities?

In addition to predictable yet challenging issues like the decrease in population, we are witnessing generational differences in terms of awareness and problem perception, as well as unimaginably rapid technological advancements, notably AI. Given this context, I find myself asking “What actions we should take as a corporate entity?” “How can I personally contribute?” At the very least, it seems that conventional cognitive skills and conventional communication may not be sufficient to adapt to these changes in awareness and technology.

Within the Hirogin Group, there is a palpable enthusiasm from the top management to the younger employees about changing one’s mindset and business practices to confront these changes. To effectively respond to the stream of new changes, it is more essential than ever for every Group member to engage in open and candid discussions and share ideas. This will foster a dynamic workplace and organizational culture where progress and profitability are sustained, enabling the Group to grow, prosper, and become a leading force in the community. I hope to act as a catalyst to facilitate this process. By bringing an external perspective and stimulating each other by means of dialogue with Group members through direct interaction and via communication tools, I will endeavor to create chemistry.

My primary role, needless to say, is to contribute as much as possible to the discussions of the Board of

Directors from my position as an independent external Director. I fully recognize the intentions behind each proposal presented to the Board to grow the Hirogin Group and contribute to the local community, and I constantly ponder how best to support them in a way that will build a group with the resilience to thrive amid these changes while creating future possibilities for the community.



Board of Directors

The Company's Board of Directors consists of 11 members, including five external Directors. The Board convenes once a month, in principle, and is responsible for making management decisions and overseeing business execution. The Board of Directors determines the basic management policy, management strategy, and management planning of the Group (including responses to issues surrounding sustainability and important matters

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

Specific details considered by the Board of Directors (FY2023)

(1) Matters relating to the basic management policy, management strategy, and management planning of the Group

- Next mid-term management plan (Mid-Term Management Plan 2024)
- Group management plan/sales plan
- Hiroshima Bank's next-generation backbone system
- Management development of the Group companies, etc.

(2) Responses to issues surrounding sustainability and matters relating to strategies for utilizing digital technology, etc.

- Carbon neutrality strategies
- Human resource strategies
- Human rights
- DX strategies
- Cybersecurity, etc.

(3) Matters relating to risk management, compliance and internal audits

- Group Risk Appetite Statement
- Group compliance program
- Group's basic plans for internal audit, etc.

(4) Matters relating to corporate governance

- Evaluation of effectiveness of the Board of Directors
- Status of maintenance and operation of internal control systems
- Status of compliance with the Corporate Governance Code of the Tokyo Stock Exchange
- Status of the Company's shares and IR implementation
- Cross-shareholdings, etc.

Audit and Supervisory Committee

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

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

Group Nomination and Compensation Advisory Committee

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

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

► Composition of independent external Directors in each organization

Board of Directors
11 Directors




Independent external Directors
5 Directors
(of which, 2 female directors)

Audit and Supervisory Committee
4 Directors



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

Group Nomination and Compensation Advisory Committee
7 Directors



Independent external Directors
5 Directors
(of which, 2 female directors)

Sophistication of corporate governance through evaluation of effectiveness of the Board of Directors

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

In FY2023, based on the analysis and evaluation of the effectiveness of the Board of Directors in FY2022, the Company worked on enhancing the effectiveness of the Board of Directors as described below.

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

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

- | | |
|--|--|
| <p>(1) Measures to sophisticate the deliberations at Board of Directors meetings</p> <p>(2) Measures to streamline the operation of the Board of Directors</p> | <p>(3) Measures to sophisticate the management personnel development process</p> <p>(4) Measures to ensure the diversity of core human resources</p> |
|--|--|

Do: Implementation of measures to enhance effectiveness of the Board of Directors based on the examination and response policy for FY2023

(1) Measures to sophisticate the deliberations at Board of Directors meetings

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

Implementation status of free discussions at Board of Directors meetings (FY2023)

1. Free discussions on "important themes in management"

- Direction of carbon neutrality strategies in the next mid-term management plan (Mid-Term Management Plan 2024) (September 2023)
- Direction of human resource strategies in the next mid-term management plan (Mid-Term Management Plan 2024) (October 2023)
- Direction of DX strategies in the next mid-term management plan (Mid-Term Management Plan 2024) (November 2023)

2. Execution presentations by Group company presidents

- | | |
|--|---|
| <ul style="list-style-type: none"> Management development of Hirogin Human Resources (August 2023) Management development of Shimanami Servicer (August 2023) Management development of Hirogin Capital Partners (August 2023) Management development of Hirogin Lease (September 2023) Management development of Hirogin IT Solutions (September 2023) | <ul style="list-style-type: none"> Management development of Hirogin Area Design (September 2023) Management development of Hirogin Business Service (September 2023) Management development of Hirogin Credit Service (September 2023) Management development of Hirogin REIT Management (September 2023) Management development of Hirogin Securities (October 2023) |
|--|---|

(2) Measures to streamline the operation of the Board of Directors

- In order to allocate time to important agenda items, the Board of Directors has continued to hold the advance explanatory meetings for the external officers as usual, on the day before the Board of Directors meeting. In addition, the Board of Directors has implemented measures to ensure substantial discussion time for important agenda items, such as deciding in advance which agenda items should be deepened in particular for discussion and allocating more discussion time to those items at the Board of Directors meeting.

(3) Measures to sophisticate the management personnel development process

- In order to enhance the exchange of opinions and dialogues between external officers and the executive side, the Board of Directors newly established the Meeting for Exchange of Opinions with External Officers. It held meetings for the President of the Company and the President of Hiroshima Bank, a subsidiary of the Company, to exchange opinions with external officers on the theme of selection and development process of management personnel / management personnel candidates. The Board of Directors has also implemented measures to sophisticate the management personnel development process, such as holding meetings for external officers and management personnel / management personnel candidates to exchange opinions between them.

Implementation status of exchange of opinions and dialogues between external officers and the executive side (FY2023)

1. Meetings for exchange of opinions with external officers

- The President of the Company and the President of Hiroshima Bank (August 2023)
- Young and mid-career employees (September 2023)
- Management personnel and management personnel candidates (November 2023)
- Mid-career employees at headquarters (March 2024)

2. Lunch meetings with external officers

- Department General Managers and Associate General Managers at headquarters (July 2023)
- Chief Area Officers, General Manager of Business Planning Division (September 2023)
- Female employees at headquarters (October 2023)
- Full-time employees at Group companies (January 2024)
- Presidents of Group Companies (March 2024)



(4) Measures to ensure the diversity of core human resources

- The Company has enhanced and strengthened measures to provide Directors with further knowledge and information for ensuring diversity in core human resources and to improve the effectiveness of the Board of Directors, such as holding an officer training seminar in December 2023 on the theme of women's active participation.
- The Sustainability Management Division was newly established in April 2024. In addition, the Sustainability Coordination Group was established within the Division and the DE&I (Diversity, Equity & Inclusion) Management Office was established within the Group to expand and enhance initiatives related to DE&I.
- In April 2024, the Company appointed the first female executive officer from among the personnel on professional career track who had played the core role in the DE&I departments.

Check: Evaluation and analysis of the effectiveness of the Board of Directors in FY2023

(1) Status of maintenance and operation of internal control systems

- The Board of Directors received a report at the Board of Directors meeting held in March 2024 on the status of maintenance and operation of internal control systems for FY2023 and confirmed that there were no issues with their effectiveness.

(2) Evaluation and analysis of the effectiveness of the Board of Directors

- From February to March 2024, the Company, with the advice of an external organization, conducted a questionnaire survey for all Directors who are members of the Board of Directors to evaluate and analyze the effectiveness of the Board of Directors. The responses were submitted directly to the external organization, thereby ensuring anonymity.
- The Board of Directors evaluated and analyzed its effectiveness for FY2023 at the Board of Directors meeting held in May 2024 based on the report on the survey results compiled by the external organization, and confirmed that effectiveness has been secured in the Board of Directors of the Company.
- The Board of Directors confirmed that its effectiveness was enhanced throughout FY2023. In particular, the measures taken throughout FY2023 to improve the issues recognized in the effectiveness evaluation of the Board of Directors in FY2022 were all appreciated positively.
- For further enhancement of effectiveness of the Board of Directors for the future, the Board of Directors confirmed that the Board of Directors would continuously take actions to sophisticate the deliberations and operation of the Board of Directors, and shared the acknowledgment that further initiatives would be required to sophisticate the management personnel development process.

Action: Examination and response policy for FY2024 based on the results of analysis and evaluation for FY2023

(1) Measures to sophisticate the deliberations at Board of Directors meetings

(3) Measures to sophisticate the management personnel development process

(2) Measures to sophisticate the operation of the Board of Directors

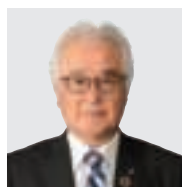
Progress in strengthening corporate governance

	FY2020	FY2021	FY2022	FY2023	FY2024
Purpose / Management Policy	• Reviewed the Management Policy			• Established the Purpose	
Basic policy for Corporate Governance	• Newly established	• Amended based on revisions in CG Code			
Strategy	• Formulated the Mid-Term Management Plan 2020			• Formulated the Mid-Term Management Plan 2024	
Organization	• Transitioned to a holding company structure (established Hirogin Holdings)				
Separation of supervision and execution	• Adopted the organizational format of a "Company with an Audit and Supervisory Committee"			• Abolished the concurrent post of holding company president and bank president	
Nomination and compensation	• Established the Group Nomination and Compensation Advisory Committee	• Newly established a skills matrix	• Revised the skills matrix		
	• 3 external Directors (of which, 1 female director)			• 4 external Directors (of which, 1 female director)	• 5 external Directors (of which, 2 female directors)
	• Established policies regarding decisions on the details of individual compensation of Directors				• Reviewed the monetary performance-linked compensation system
Sophisticating the deliberations and streamlining of the operation of the Board of Directors		★ Introduced free discussions on "important themes in management" ★ Introduced execution presentations by Group company presidents			
		★ Reviewed the process of formulating the management plan ★ Reviewed the operation of advance explanatory meetings ★ Categorized agenda items into regular reports on business execution, important proposals and other matters, and allocated discussion time according to the importance of each category	★ Enhanced information sharing with external officers on the preliminary review process by the executive side (shared in advance materials and minutes of the Group Management Board meeting, etc.)	★ Presented in advance agenda items that should be deepened in particular for discussion (marked those items as [Special] on the agenda of Board of Directors meetings)	★ Strengthened explanations to external officers on the preliminary review process by the executive side (posted materials on key points of opinions expressed at the Group Management Board meeting, etc.)
Strengthening dialogues with shareholders			★ Strengthened and enhanced IR activities by the President and Director & Senior Managing Executive Officers, etc. ★ Enhanced feedback to the Board of Directors on opinions and requests from investors and other stakeholders		
Enhancing officer training			★ Held two officer training seminars annually		
Sophisticating the management personnel development process				★ Strengthened discussion on the management personnel development process ★ Newly established the Meeting for Exchange of Opinions with External Officers	
Ensuring the diversity of core human resources			• Set targets for the ratio of women in managerial positions	★ Raised the targets for the ratio of women in managerial positions, etc.	★ Appointed the Company's first female executive officer ★ Newly established the DE&I Coordination Office

★ mark indicates major measures for improvement and sophistication to address issues identified in the evaluation of effectiveness of the Board of Directors.

Board of Directors and Executive Officers (As of June 26, 2024)

Directors



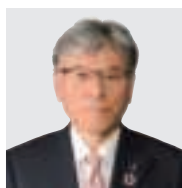
Koji Ikeda
Representative Director and Chairman

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



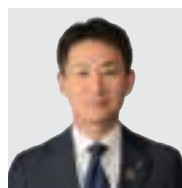
Toshio Heya
Representative Director and President

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



Kazuo Kiyomune
Director & Senior Managing Executive Officer

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



Shinichi Yokomi
Director & Senior Managing Executive Officer

April 1989 Joined Hiroshima Bank
October 2010 General Manager, Private Banking Department of Personal Sales Division, Hiroshima Bank
April 2013 Deputy General Manager, Asset Management Division, Hiroshima Bank
April 2018 General Manager, Asset Management Division, Hiroshima Bank
October 2018 General Manager, Management Planning Division, Hiroshima Bank
April 2020 Executive Officer, General Manager, Management Planning Division, Hiroshima Bank
October 2020 General Manager, Management Planning Group of Management Planning Division, the Company
November 2021 General Manager, Management Planning Group of Management Planning Division, the Company
April 2022 Managing Executive Officer, the Company
June 2022 Managing Executive Officer, Hiroshima Bank
April 2024 Director & Managing Executive Officer, Hiroshima Bank
June 2024 Senior Managing Executive Officer, the Company
Director & Senior Managing Executive Officer (Representative Director), Hiroshima Bank (current position)
Director & Senior Managing Executive Officer, the Company (current position)



Yuji Hiroe
Director & Senior Managing Executive Officer

April 1989 Joined Hiroshima Bank
April 2011 General Manager, Yoshijima Branch, Hiroshima Bank
April 2013 General Manager, Loan Business Planning Department of Loan Business Planning Division, Hiroshima Bank
April 2016 General Manager, Fukuyama Ebisumachi Branch, Hiroshima Bank
April 2018 General Manager, Personnel & General Affairs Division, Hiroshima Bank
April 2020 Executive Officer, General Manager, Kure Branch and Kure City Hall Sub-branch, Hiroshima Bank
April 2022 Managing Executive Officer, Hiroshima Bank
June 2022 Director & Managing Executive Officer, Hiroshima Bank
April 2024 Director & Senior Managing Executive Officer, Hiroshima Bank (current position)
Senior Managing Executive Officer, the Company
June 2024 Director & Senior Managing Executive Officer, the Company (current position)



Tatsuro Kumano
Director
(Audit and Supervisory Committee Member)

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

External Directors



Yoshinori Shinmen
Director

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



Harumi Matsumura
Director

April 1976 Joined Seibu Department Stores, Ltd. (currently Sogo & Seibu Co., Ltd.)
June 2004 Representative Director, HENRI CHARPENTIER Co., Ltd. (currently SUZETTE Co., Ltd.)
July 2011 Senior Executive Officer, JS Group Corporation (currently LXIL Corporation)
November 2016 Senior Executive Officer, LXIL Corporation
Executive Officer, Executive Vice President, LXIL Group Corporation (currently LXIL Corporation)
Director and Senior Managing Officer, LXIL Corporation
July 2019 Outside Director, Rock Field Co., Ltd. (current position)
June 2022 External Director, Kamigumi Co., Ltd. (current position)
June 2023 External Company Auditor, Hiroshima Bank
June 2024 External Director, the Company (current position)



Hiroko Tani
Director
(Audit and Supervisory Committee Member)

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



Toshiaki Kitamura
Director
(Audit and Supervisory Committee Member)

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



Yuji Okuma
Director
(Audit and Supervisory Committee Member)

April 1982 Joined TOKYU LAND CORPORATION
June 2011 Director, TOKYU LAND CORPORATION
October 2013 Director, Tokyu Fudosan Holdings Corporation
April 2015 President and Representative Director, Tokyu Fudosan Holdings Corporation
April 2017 President & CEO, TOKYU LAND CORPORATION
June 2020 Representative Director and Vice Chairman, Tokyu Fudosan Holdings Corporation
Chairman, TOKYU LAND CORPORATION
April 2021 Vice Chairman, Tokyu Fudosan Holdings Corporation
June 2022 Director, Tokyu Fudosan Holdings Corporation
April 2022 Representative Director and President, Tokyu Research Institute, Inc. (current position)
July 2022 Special Advisor, TOKYU LAND CORPORATION (current position)
June 2024 External Director (Audit and Supervisory Committee Member), the Company (current position)

Executive Officers

Minoru Fujihiro
Managing Executive Officer

Kenichiro Fujii
Managing Executive Officer

Susumu Kodama
Managing Executive Officer

Toshihide Horii
Executive Officer

Kazuyuki Ishihara
Executive Officer

Asako Kinoshita
Executive Officer

Skills matrix of Directors

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

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

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

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

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

Development of successors to management

The Group has put in place a rank-based training system and clarifies the standards and abilities required for each job position and rank in order to develop human resources systematically. The training system includes the "Hirogin Management School" aimed at developing management personnel from a medium- to long-term perspective. The Hirogin Management School provides a program in which selective employees who are expected to undertake future management of the Bank learn to demonstrate the "ability of thinking befitting of a corporate manager (management strategy, business reform, etc.)." (Please see page 75 for details.)

In addition, from FY2023, in order to enhance the exchange of opinions and dialogues between external officers

and the executive side, the Board of Directors newly established the Meeting for Exchange of Opinions with External Officers. It held meetings for the President of the Company and the President of Hiroshima Bank, a subsidiary of the Company, to exchange opinions with external officers on the theme of selection and development process of management personnel / management personnel candidates. The Board of Directors has also implemented measures to sophisticate the management personnel development process, such as holding meetings for external officers and management personnel / management personnel candidates to exchange opinions between them.

Roles of external Directors and their support system

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

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

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

Officer training

The Company provides appropriate training opportunities for external Directors to ensure that they can effectively fulfill their roles and responsibilities, such as by arranging and providing training for newly appointed Directors through outside institutions and organizations, as well as by holding presentations on the governance structure and management strategies and policies of the Group.

Furthermore, the Company has enhanced and strengthened measures in FY2023 to provide Directors with further knowledge and information and to improve the effectiveness of the Board of Directors, such as holding officer training seminars on the themes of human rights in June 2023 and women's active participation in December 2023 as part of initiatives to enhance the effectiveness of the Board of Directors.

Officer compensation system

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

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

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

a. Basic policy

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

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

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

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

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

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

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

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

The performance-linked coefficients are as follows.

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

[Profit attributable to owners of parent] (yen)	[Performance-linked coefficient]
More than 45 billion	1.500
More than 40 billion – 45 billion or less	1.375
More than 35 billion – 40 billion or less	1.250
More than 30 billion – 35 billion or less	1.125
More than 25 billion – 30 billion or less	1.000
More than 20 billion – 25 billion or less	0.875
More than 15 billion – 20 billion or less	0.750
More than 10 billion – 15 billion or less	0.625
10 billion or less	—

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

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

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

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

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

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

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

■ Officer compensation system

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

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

Cross-shareholdings

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

As a result of evaluations on cross-shareholdings carried out at the Board of Directors meeting in March 2024 based on the review and deliberations by the Group Cross-shareholdings Review Committee, approximately 80% of the companies in which the Group holds shares satisfy these standards. For shares in companies that fail to satisfy these standards, the Group is currently holding discussions to improve profitability in transactions with the company in question or reduce shareholdings.

In the event that a company holding the Company's shares as cross-shareholdings expresses an intention to sell or otherwise dispose of the Company's shares, the Group will not prevent them from doing so by implying a reduction in transactions with the Group or by any other means.

In addition, as a near-term shrink target of cross-shareholdings, the Group aims to reduce the total market value of shareholdings of shares other than unlisted shares and deemed shareholdings to "less than 20% of the Group's consolidated net assets" by the end of March 2025.

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

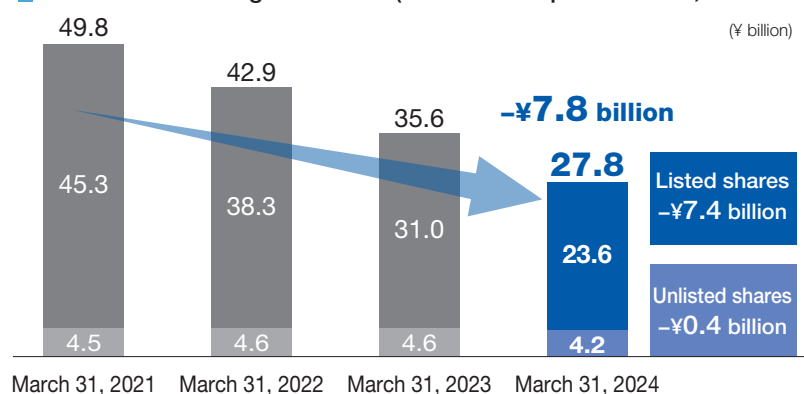
(1) Policies regarding cross-shareholdings of listed shares

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

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

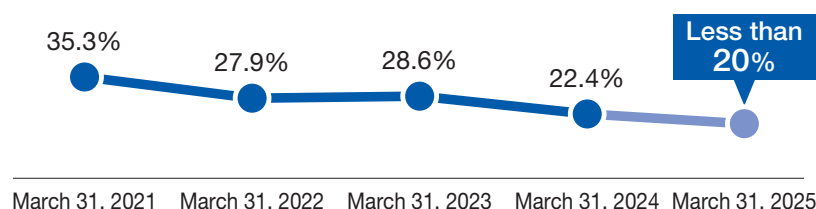
- (a) In exercising voting rights, the Group determines the exercise of voting rights after examining the management principles and the status of maintenance of corporate governance at the company in question, in addition to the policies described below.
 - Whether or not the company is conducting appropriate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

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



Shrink target of cross-shareholdings

● (Total market value of cross-shareholdings + deemed shareholdings) / Consolidated net assets



Risk Management

Basic approach

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

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

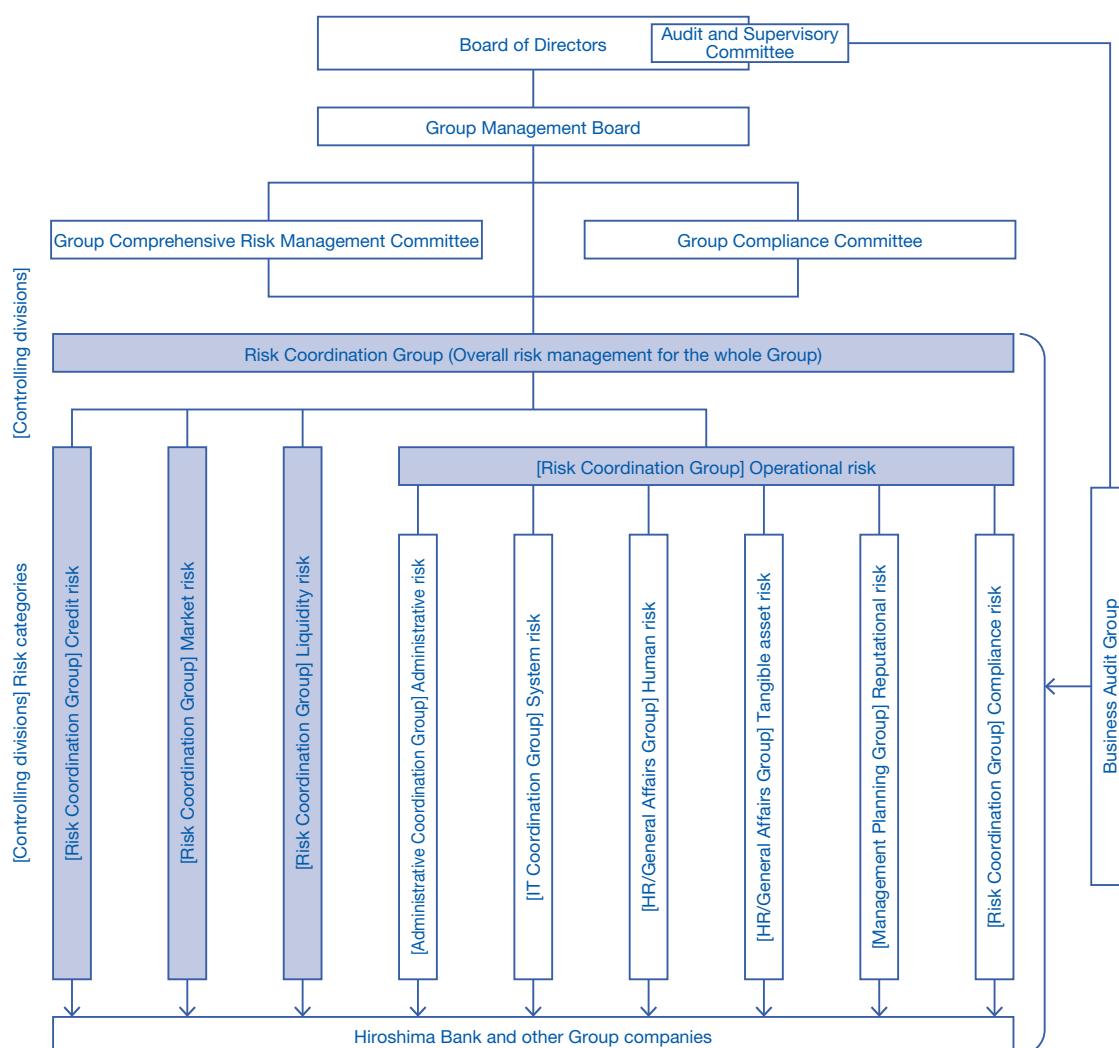
Risk management framework

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

audits through the Business Audit Group into the appropriateness and effectiveness of our risk management systems.

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

► Risk management framework (as of April 1, 2024)



Risk appetite framework

Risk governance

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

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

Risk culture

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

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

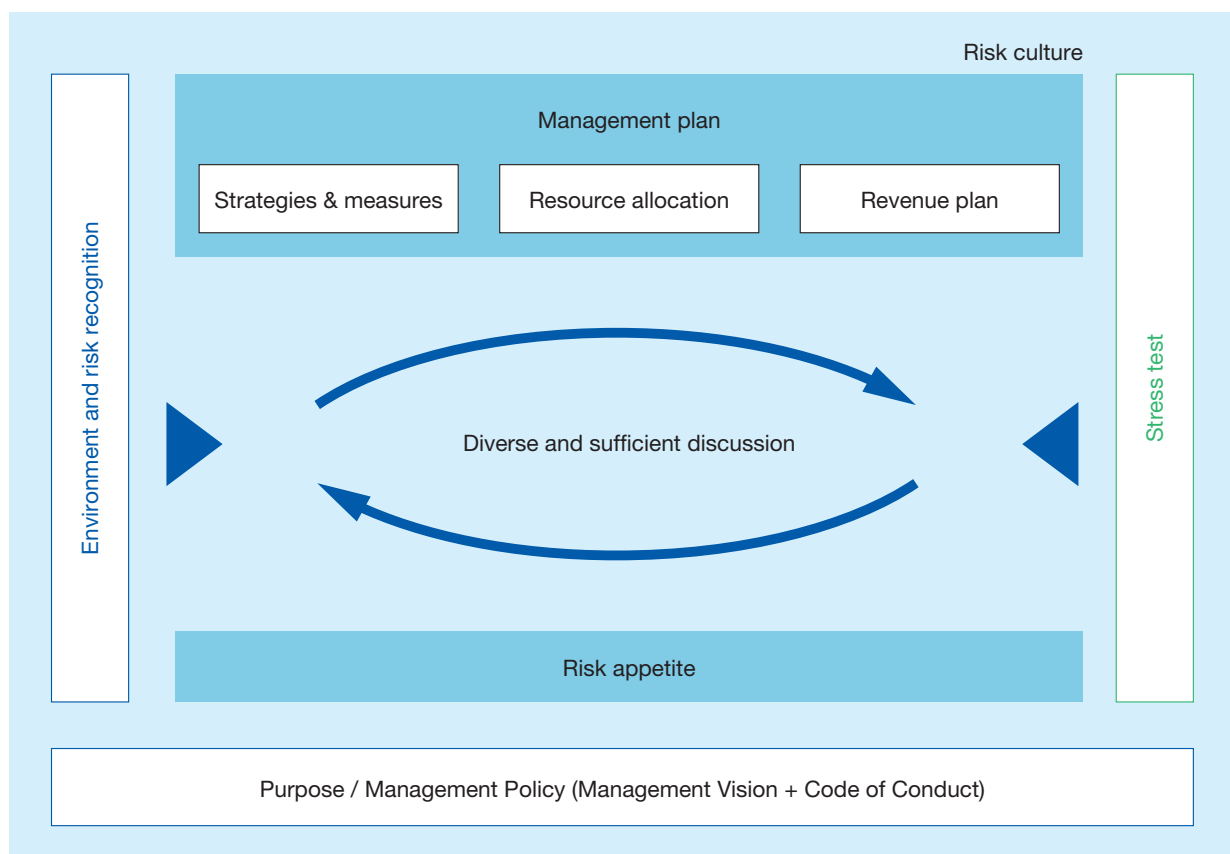
decision-making related to risk recognition, risk-taking, risk management, etc., and that it is a factor to the base for building strong risk governance. Based on that recognition, the Group has established the Hirogin Group's Risk Culture, while ensuring consistency with its Code of Conduct.

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

Risk appetite

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

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



IT Strategy (Building a Next-Generation Backbone System)

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

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

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

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

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

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

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

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

integration infrastructure and sophisticate it by enhancing the API infrastructure.

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

► Roadmap for building a next-generation backbone system

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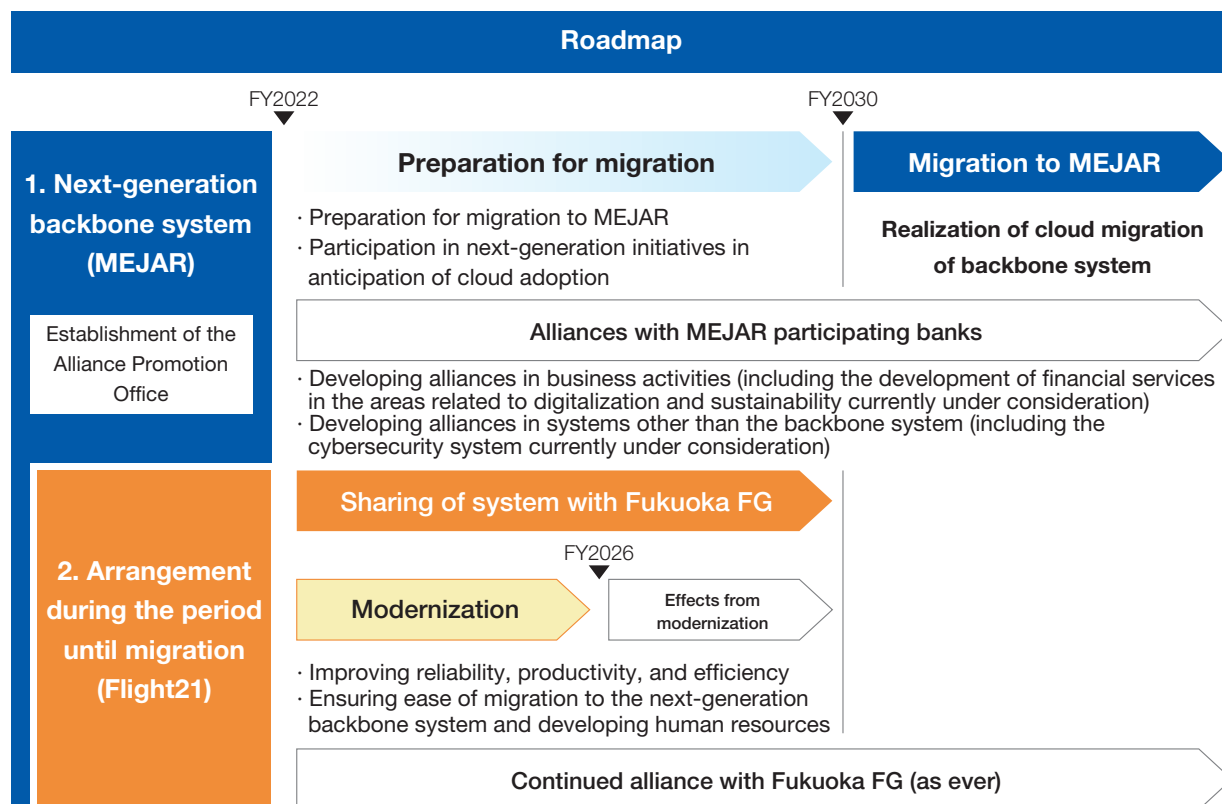
Preparation for a next-generation backbone system (participation in the MEJAR system and the basic agreement on detailed study)

- Preparation for migration to a cloud-based system in FY2030
- Establishment of the Alliance Promotion Office in the Management Planning Division of Hiroshima Bank toward enhancing the cooperation with MEJAR participating banks

2

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

- Continued operation and modernization of the current core banking system (Flight21)



Cybersecurity

Establishment of specialist division

In April 2024, the Group newly established the Security Coordination Department at the Company and Hiroshima Bank in order to advance IT governance, including

security measures against increasingly sophisticated cyber-attacks.

Joint establishment of CMS-CSIRT

Given the recent increase in cyber-crimes, cyber-attacks, and other threats to the financial industry, many regional financial institutions recognize the need for further security enhancements. MEJAR participating banks (Hiroshima Bank is scheduled to share the MEJAR system from FY2030) and NTT Data Regional Banks Joint Center

participating banks have cooperated to establish the CMS-CSIRT, an organization to promote mutual assistance in cybersecurity and to enhance security measures such as facilitating exchanges among security divisions, planning joint security response drills and exercises, etc.

Compliance

Basic approach

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

Compliance structure

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

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

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

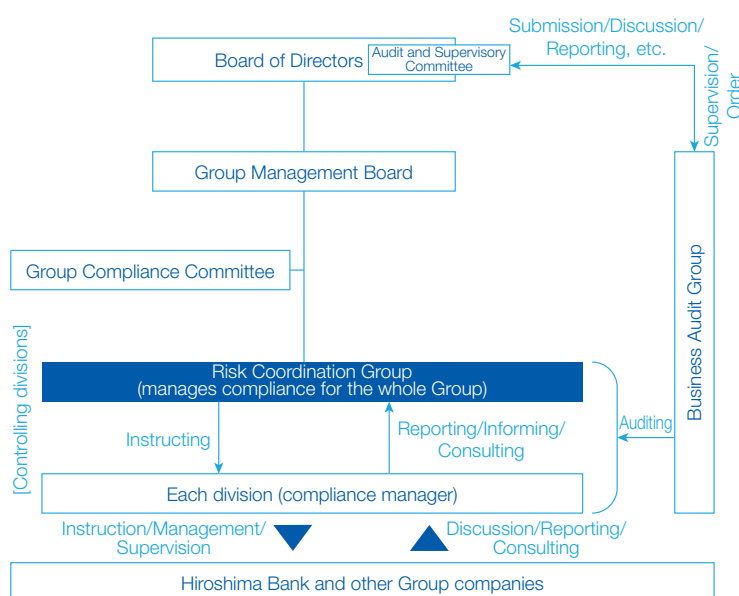
Compliance program

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

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

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

Compliance structure (as of April 1, 2024)



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

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

Respect for Human Rights

Human rights policy

Given that the situation surrounding human rights is increasingly diverse and complex day by day, and that corporations are increasingly responsible for respecting human rights both domestically and internationally, the Group established its human rights policy in May 2023.

Based on this policy, we will respect the human rights of our various stakeholders, including customers and employees, and thereby contribute to building a society in which everyone can engage in their work with satisfaction and lead fulfilling lives.

We are also attentive to the negative impact on human rights of corporate activities of our customers (including investees and borrowers) and suppliers (procurement and outsourcing partners). If our customers or suppliers have negative impacts on human rights, the Group will take appropriate measures to address such impacts.

Prevention of harassment

The Group is striving to prevent sexual, power and other harassment behaviors as they must be strictly forbidden.

Specifically, to prevent harassment behaviors in advance, the Group conducts awareness-raising at the Meeting of All Group Companies held at the beginning of every six months ending September and March, and conducts a periodic anonymous questionnaire survey for

all employees to detect such behaviors at their early stage.

In addition, we set up hotlines in the Risk Coordination Group and an external law firm for consultation and complaints about harassment and any perpetrators are strictly punished.

Anti-discrimination and human rights initiatives

Amid the growing demand for corporate responsibility to respect human rights, the Group positions the anti-discrimination and human rights issue as an important issue that we should proactively address in the course of our corporate activities. In particular, we recognize that the anti-discrimination issue is the source of various human rights issues. For the purpose of deepening a proper understanding and recognition of the anti-discrimination issue and executing the Group's social responsibility, we

established the Anti-discrimination Issue Awareness Raising Promotion Committee in 1977. The committee has been restructured into the Group Human Rights Issue Awareness Raising Promotion Committee and has been working to raise awareness not only of the anti-discrimination issue but also of various human rights issues through anti-discrimination and human rights training in order to accurately address such issues.

Implementing anti-discrimination and human rights training

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

proactively engaging in regular awareness-raising activities, such as conducting lectures on anti-discrimination and human rights issues during training sessions for staff upon joining the company, being promoted and other occasions.

Results of training on anti-discrimination and human rights issues for FY2023

Program	Target	
Training for new employees	New employees	108 persons
Training for new supervisors	New supervisors	79 persons
Training for new managers	New managers	40 persons
Training for new branch managers	New branch managers (bank)	19 persons
Training for mid-career hires at the time of being hired	Newly hired mid-career hires (bank)	19 persons
Training for staff at the time of being appointed	Newly appointed staff (bank)	73 persons
Workplace training on anti-discrimination and human rights issues	All employees	

Customer Protection Management

Basic approach

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

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

Structure of customer protection management

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

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

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

Information management

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

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

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

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

Solicitation policy

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

1. The Bank endeavors to solicit customers for suitable products in consideration of the customer's knowledge of the product, experience, asset composition, and investment purpose.
2. The Bank endeavors to provide the customer with adequate information on important matters such as the content of the product and details of risks to enable the customer to carry out transactions at their own discretion.

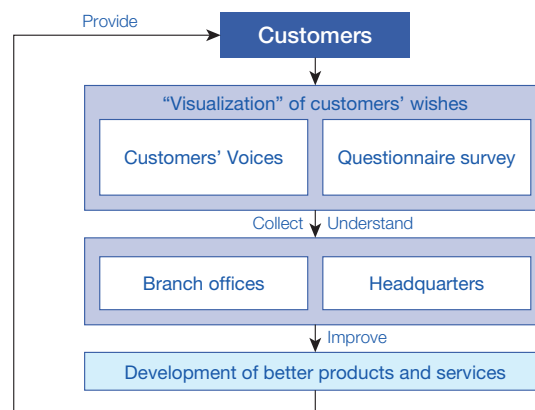
3. The Bank does not solicit customers by providing misleading statements, such as arbitrary decisions or false information.
4. The Bank does not solicit customers in a time or a place causing inconvenience to them.
5. The Bank continues to develop knowledge of products to make sound and appropriate solicitations that satisfy customers.

Communication with Stakeholders

Communication with customers

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

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

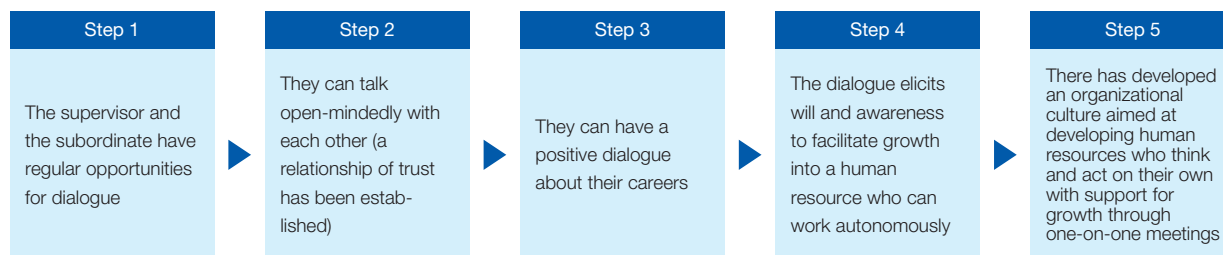


Communication with employees

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

Hiroshima Bank is promoting interactive communication between supervisors and subordinates, for example, by introducing one-on-one meetings to stimulate communication focused on the ideas and values of individual employees.

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



Communication with shareholders and investors

Strengthening and enhancing IR activities

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

In FY2023, we developed the measures to further strengthen dialogues with shareholders as part of initiatives to enhance the effectiveness of the Board of Directors. We strengthened and enhanced IR activities such as increasing contact points with analysts and institutional investors by the Representative Director and President and Director & Senior Managing Executive Officers and

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

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

IR activities in FY2023

Briefing sessions for institutional investors	3 sessions
On-on-one meetings with institutional investors	31 meetings (including meetings with overseas investors)
Briefing sessions for individual investors	3 sessions (on-site: 3)

Examples of dialogues that have generated awareness from shareholders and investors

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

Shareholder benefits

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

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

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

Time deposit course/catalog gift of local products/gift card (record date: March 31, 2024)

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

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

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

Third-Party Assurance

Independent Assurance Report

August 20, 2024

To Representative Director and President of Hirogin Holdings, Inc.

KPMG AZSA Sustainability Co., Ltd.
3-5-29 Kitahama, Chuo-ku, Osaka, Japan
Keisuke Inoue, Director

We were engaged by Hirogin Holdings, Inc. (the “Company”) to undertake a limited assurance engagement of the environmental performance indicators marked with “★” (the “Indicators”) for the period from April 1, 2023 to March 31, 2024 included in its Integrated Report 2024 (the “Report”) for the fiscal year ended March 31, 2024.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the “International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information” and the “ISAE 3410, Assurance Engagements on Greenhouse Gas Statements” issued by the International Auditing and Assurance Standards Board.

The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the methods used to collect and process the Indicators and the design status of internal control.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s headquarters selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Notes to Readers of the Independent Assurance Report: This is a copy of the Independent Assurance Report (available in Japanese only). The original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2024

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

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

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
ASSETS			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,188,107	¥ 2,839,819	\$18,756
Call loans and bills purchased (Note 22)	34,784	50,355	333
Monetary claims bought (Notes 4 and 22)	8,682	8,779	58
Trading assets (Notes 4 and 22)	10,598	6,956	46
Money held in trust (Notes 5 and 22)	40,200	24,787	164
Securities (Notes 4, 6, 7, 10 and 22)	1,580,832	1,783,523	11,779
Loans and bills discounted (Notes 6, 7, 8 and 22)	7,224,123	7,689,192	50,784
Foreign exchanges (Note 6)	11,579	7,064	47
Lease receivables and investments in lease assets	66,358	69,683	460
Other assets (Notes 6, 7 and 22)	133,877	137,582	909
Tangible fixed assets (Note 15)	107,570	113,173	747
Intangible fixed assets	10,835	13,485	89
Net defined benefit assets (Note 17)	74,580	51,236	338
Deferred tax assets (Note 18)	2,473	1,826	12
Customers' liabilities for acceptances and guarantees (Note 6)	40,795	44,432	293
Reserve for possible loan losses (Note 22)	(39,372)	(51,517)	(340)
Total assets	¥11,496,027	¥12,790,381	\$84,475
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 7 and 22)	¥ 9,252,256	¥ 9,362,190	\$61,833
Call money and bills sold (Note 22)	50,000	819,300	5,411
Payables under repurchase agreements (Notes 7 and 22)	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	402,712	301,697	1,993
Trading liabilities	7,996	4,443	29
Borrowed money (Notes 7, 9 and 22)	1,013,860	1,377,528	9,098
Foreign exchanges	2,377	661	4
Due to trust account	51	56	0
Other liabilities (Notes 9 and 22)	81,212	126,157	833
Net defined benefit liabilities (Note 17)	709	695	5
Reserve for retirement benefits of directors and Audit & Supervisory Board members	144	150	1
Reserve for reimbursement of deposits	437	1,827	12
Reserve for point loyalty programs	176	199	1
Reserve for stock payments	914	1,043	7
Reserve under Special Laws	28	38	0
Deferred tax liabilities (Note 18)	—	5,031	33
Deferred tax liabilities for land revaluation reserve	13,215	12,899	85
Acceptances and guarantees	40,795	44,432	293
Total liabilities	¥10,997,422	¥12,255,132	\$80,940
Net Assets (Note 11):			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 396
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	166
Retained earnings	381,782	400,829	2,647
Common stock in treasury	(1,071)	(7,111)	(47)
Total stockholders' equity	¥ 465,920	¥ 478,927	\$ 3,163
Net unrealized holding gains (losses) on available-for-sale securities (Note 4)	¥(8,502)	¥ 23,949	\$158
Net deferred gains on hedging instruments	3,490	1,303	9
Land revaluation reserve	26,971	26,269	173
Remeasurements of defined benefit plans	10,461	4,529	30
Total accumulated other comprehensive income	¥ 32,421	¥ 56,052	\$ 370
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	135	142	1
Total net assets	¥ 498,604	¥ 535,249	\$ 3,535
Total liabilities and net assets	¥11,496,027	¥12,790,381	\$84,475

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 67,726	¥ 82,770	\$ 547
Interest and dividends on securities	15,586	20,137	133
Other interest income	3,799	3,586	24
Trust fees	142	175	1
Fees and commissions	33,262	36,233	239
Trading income	3,288	2,300	15
Other operating income	30,960	29,303	194
Other income	5,507	18,683	123
Total income	¥ 160,273	¥ 193,191	\$ 1,276
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,803	¥ 4,106	\$ 27
Interest on borrowings and rediscounts	7,609	10,697	71
Other interest expenses	11,422	18,776	124
Fees and commissions	12,590	12,268	81
Other operating expenses	41,969	27,905	184
General and administrative expenses (Note 12)	58,064	57,991	383
Other expenses (Note 13)	8,558	21,498	142
Total expenses	¥ 142,018	¥ 153,245	\$ 1,012
Income before income taxes	¥ 18,255	¥ 39,945	\$ 264
Income taxes (Note 18):			
Current income taxes	¥ 1,160	¥ 17,711	\$ 117
Deferred income taxes	4,556	(5,500)	(36)
Total income taxes	¥ 5,717	¥ 12,211	\$ 81
Net income	¥ 12,538	¥ 27,734	\$ 183
Net income attributable to noncontrolling interests	¥ 29	¥ 42	\$ 0
Net income attributable to owners of the parent	¥ 12,508	¥ 27,691	\$ 183

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 26):		
Net assets	¥1,603.30	\$11.63
Net income	40.25	0.60
Diluted net income	40.22	0.60
Cash dividends applicable to the year (Note 11)	27.00	0.24

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Net income	¥12,538	¥27,734	\$183
Other comprehensive income (Note 24):			
Net unrealized holding gains (losses) on available-for-sale securities	(9,869)	32,452	214
Net deferred gains (losses) on hedging instruments	2,582	(2,187)	(14)
Remeasurements of defined benefit plans	4,984	(5,931)	(39)
Total other comprehensive income	¥ (2,302)	¥24,332	\$161
Comprehensive income	¥10,235	¥52,066	\$344
Attributable to:			
Comprehensive income attributable to owners of the parent	¥10,206	¥52,023	\$344
Comprehensive income attributable to noncontrolling interests	29	42	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

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

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

Millions of yen					
2024					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥381,782	¥(1,071)	¥465,920
Changes of items during the period					
Dividends from surplus			(9,794)		(9,794)
Net income attributable to owners of the parent			27,691		27,691
Purchase of common stock in treasury				(6,294)	(6,294)
Disposal of common stock in treasury		0		435	435
Increase in retained earnings arising from increase of associates accounted for using equity method			447		447
Increase in treasury shares arising from increase of associates accounted for using equity method				(181)	(181)
Reversal of land revaluation reserve			701		701
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	19,046	(6,039)	13,006
Balance at the end of current period	¥60,000	¥25,209	¥400,829	¥(7,111)	¥478,927

Millions of yen								
2024								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total netassets
Balance at the beginning of current period	¥ (8,502)	¥ 3,490	¥26,971	¥10,461	¥32,421	¥126	¥135	¥498,604
Changes of items during the period								
Dividends from surplus								(9,794)
Net income attributable to owners of the parent								27,691
Purchase of common stock in treasury								(6,294)
Disposal of common stock in treasury								435
Increase in retained earnings arising from increase of associates accounted for using equity method								447
Increase in treasury shares arising from increase of associates accounted for using equity method								(181)
Reversal of land revaluation reserve								701
Net changes of items other than stockholders' equity	32,452	(2,187)	(701)	(5,931)	23,630	—	7	23,637
Total changes of items during the period	32,452	(2,187)	(701)	(5,931)	23,630	—	7	36,644
Balance at the end of current period	¥23,949	¥ 1,303	¥26,269	¥ 4,529	¥56,052	¥126	¥142	¥535,249

Millions of U.S. dollars (Note 1)					
2024					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$396	\$166	\$2,522	\$ (7)	\$3,077
Changes of items during the period					
Dividends from surplus			(65)		(65)
Net income attributable to owners of the parent			183		183
Purchase of common stock in treasury				(42)	(42)
Disposal of common stock in treasury		0		3	3
Increase in retained earnings arising from increase of associates accounted for using equity method			3		3
Increase in treasury shares arising from increase of associates accounted for using equity method				(1)	(1)
Reversal of land revaluation reserve			5		5
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	126	(40)	86
Balance at the end of current period	\$396	\$166	\$2,647	\$(47)	\$3,163

Millions of U.S. dollars (Note 1)								
2024								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ (56)	\$ 23	\$178	\$ 69	\$214	\$ 1	\$1	\$3,293
Changes of items during the period								
Dividends from surplus								(65)
Net income attributable to owners of the parent								183
Purchase of common stock in treasury								(42)
Disposal of common stock in treasury								3
Increase in retained earnings arising from increase of associates accounted for using equity method								3
Increase in treasury shares arising from increase of associates accounted for using equity method								(1)
Reversal of land revaluation reserve								5
Net changes of items other than stockholders' equity	214	(14)	(5)	(39)	156	—	0	156
Total changes of items during the period	214	(14)	(5)	(39)	156	—	0	242
Balance at the end of current period	\$158	\$ 9	\$173	\$ 30	\$370	\$ 1	\$1	\$3,535

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2024

	Millions of yen		Millions of U.S. dollars (Note 1)
	2023	2024	2024
Cash flows from operating activities:			
Income before income taxes	¥ 18,255	¥ 39,945	\$ 264
Depreciation of fixed assets	6,111	6,566	43
Impairment losses on fixed assets	228	1,110	7
Gain on return of retirement benefit trust	—	(6,423)	(42)
Share of loss of entities accounted for using equity method	—	17	0
Net change in reserve for possible loan losses	302	12,144	80
Net change in net defined benefit assets	(16,416)	29,767	197
Net change in net defined benefit liabilities	12	(14)	(0)
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	13	5	0
Net change in reserve for reimbursement of deposits	(672)	1,390	9
Net change in reserve for point loyalty programs	25	22	0
Net change in reserve for stock payments	114	128	1
Net change in reserve under special laws	(0)	10	0
Net change in reserve for dismantling costs for fixed assets	(307)	—	—
Interest income	(87,112)	(106,494)	(703)
Interest expense	20,835	33,581	222
Net losses (gains) on securities transactions	19,093	(5,185)	(34)
Net losses (gains) on dispositions of fixed assets	308	(492)	(3)
Net change in trading assets	(3,021)	3,642	24
Net change in trading liabilities	3,148	(3,552)	(23)
Net change in loans	(322,265)	(465,068)	(3,072)
Net change in deposits	184,377	109,933	726
Net change in borrowed money excluding subordinated loans	(187,978)	363,667	2,402
Net change in due from banks other than from the Bank of Japan	(21,481)	(3,626)	(24)
Net change in call loans and bills purchased	(29,567)	(15,667)	(103)
Net change in call money and bills sold	(48,923)	835,544	5,518
Net change in deposits received for bonds lending/borrowing transactions	(45,470)	(101,015)	(667)
Net change in foreign exchanges (assets)	(110)	4,514	30
Net change in foreign exchanges (liabilities)	(337)	(1,715)	(11)
Amortization of goodwill	140	140	1
Interest received	88,340	104,357	689
Interest paid	(19,458)	(32,377)	(214)
Other – net	(23,457)	(25,458)	(168)
Subtotal	(465,272)	779,400	5,148
Income taxes refund (paid)	(3,469)	3,934	26
Net cash provided by (used in) operating activities	(468,742)	783,335	5,174
Cash flows from investing activities:			
Purchases of securities	(587,510)	(417,446)	(2,757)
Proceeds from sales of securities	583,708	228,069	1,506
Proceeds from redemption of securities	76,726	72,916	482
Increase in money held in trust	(6,006)	(5,503)	(36)
Decrease in money held in trust	8,004	21,803	144
Purchases of tangible fixed assets	(4,546)	(11,573)	(76)
Purchases of intangible fixed assets	(4,748)	(5,865)	(39)
Proceeds from sales of tangible fixed assets	239	1,350	9
Payments for retirement of tangible fixed assets	(39)	(28)	(0)
Purchases of stocks of associates accounted for using equity method	—	(3,109)	(21)
Net cash provided by (used in) investing activities	65,827	(119,386)	(788)
Cash flows from financing activities:			
Dividends paid	(7,957)	(9,772)	(65)
Dividends paid to noncontrolling interests	(32)	(35)	(0)
Purchases of treasury stock	(0)	(6,294)	(42)
Proceeds from sales of treasury stock	—	277	2
Payments of lease liabilities	(109)	(93)	(1)
Net cash used in financing activities	(8,100)	(15,919)	(105)
Effect of foreign exchange rate changes on cash and cash equivalents	12	56	0
Net change in cash and cash equivalents	(411,002)	648,085	4,280
Cash and cash equivalents at the beginning of year	2,565,955	2,154,953	14,233
Cash and cash equivalents at the end of year (Note 14)	¥2,154,953	¥2,803,038	\$18,513

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2024

1 Basis of presenting consolidated financial statements

Hirogin Holdings, Inc. (the “Company”), incorporated on October 1, 2020, is a holding company of The Hiroshima Bank, Ltd. (the “Bank”) and other 20 subsidiaries and three affiliated companies (collectively the “Group”). The Group engages mainly in banking business together with leasing business, financial instruments business, managing and collecting loans, consulting business, investment business, IT-related services and other.

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

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

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and 12 (12 in 2023) subsidiaries for the year ended March 31, 2024.

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

Hirogin Card Service Co., Ltd., a consolidated subsidiary of the Company, was dissolved in an absorption-type merger with Hirogin Guarantee Co., Ltd., which is also a consolidated subsidiary of the Company, as the surviving company. Accordingly, it was excluded from the scope of consolidation from the year ended March 31, 2024.

On April 1, 2023, Hirogin Guarantee Co., Ltd. changed its business name to Hirogin Credit Service Co., Ltd. In addition, on January 30, 2024, Hirogin Life Partners Co., Ltd. was newly established and included in the scope of consolidation from the year ended March 31, 2024.

All significant intercompany balances and transactions have been eliminated.

As of March 31, 2024, there are nine subsidiaries (eight in 2023) which are not consolidated because the total assets, total income, net income, retained earnings and total other comprehensive income of these companies would not have a material effect on the consolidated financial statements.

As of March 31, 2024, there is no unconsolidated subsidiary (none in 2023) but one affiliated company (none in 2023) which is accounted for using the equity method. From the year ended March 31, 2024, Shin-ai Total Service Co., Ltd. was included in the scope of equity method due to share acquisition.

As of March 31, 2023 and 2024, there are two affiliated companies which are not accounted for using the equity method because net income (corresponding to the share of interests), and other comprehensive income of the company would not have a material effect on the consolidated financial statements.

As of March 31, 2024, nine unconsolidated subsidiaries (eight in 2023) and two (two in 2023) affiliated companies are not accounted for using the equity method, but they are stated at cost, because these companies would not have a material effect on the consolidated financial statements even if they are excluded from the scope of equity method.

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

As of March 31, 2023 and 2024, the fiscal year ending dates are March 31 for 12 consolidated subsidiaries.

3 Significant accounting policies

Trading assets and trading liabilities

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

Securities

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

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

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

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

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

securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

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

Derivatives and hedge accounting

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

(1) Hedging against interest rate fluctuations

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

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

(2) Hedging against foreign currency fluctuations

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

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

For securities denominated in foreign currencies, the Bank identifies the issues of securities denominated in foreign currencies as hedged items in advance and applies market value hedging to those securities as comprehensive hedging under the condition of spot-forward liabilities in excess of acquisition costs on a foreign currency basis and other.

(3) Exceptional treatment

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

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

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

Tangible fixed assets (except for lease assets)

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

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives. Estimated useful lives of major items are as follows:

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

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

Accumulated depreciation for tangible assets as of March 31, 2023 and 2024 amounted to ¥48,078 million and ¥48,663 million (\$321 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$84 million) as of March 31, 2023 and 2024, respectively.

Land revaluation reserve

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

Date of revaluation: March 31, 1998

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

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

The difference between the total fair values and the total carrying amounts of land for business purposes which was revalued pursuant to Article 10 of the Act as of March 31, 2023 and 2024 was ¥20,751 million and ¥18,891 million (\$125 million), respectively.

Intangible fixed assets (except for lease assets)

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

Lease assets

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

Reserve for possible loan losses

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

For loans to borrowers who are legally bankrupt due to special liquidation, etc. ("legally bankrupt" borrowers) or borrowers in a similar financial condition ("virtually bankrupt" borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

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

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

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

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

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2023 and 2024 were ¥24,879 million and ¥20,422 million (\$135 million), respectively.

Other consolidated subsidiaries record the reserve for possible loan losses at the necessary amounts considering

the historical bad debt ratio for general loans, and at the estimated uncollectible amounts for specific loans to possibly bankrupt borrowers.

Employees' severance and retirement benefits

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

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2024 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

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

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

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

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

Reserve for reimbursement of deposits

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

Reserve for point loyalty programs

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

Reserve for stock payments

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

Reserve under Special Laws

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

Foreign currency translation

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

Income taxes

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

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

Consolidated statements of cash flows and cash equivalents

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

Amounts per share

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

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

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

Significant accounting estimates

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

• Reserve for possible loan losses

Accounting estimates associated with reserve for possible loan losses are considered to be material, since loans and other receivables of consolidated subsidiaries engaged in the

banking business account for a relatively high portion in the consolidated balance sheet of the Group and therefore the recording of reserve for possible loan losses have a significant impact on the operating performance and financial position of the Group.

(1) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2024

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Reserve for possible loan losses	¥ 39,372	¥ 51,517	\$ 340
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	¥(37,124)	¥(48,929)	\$(323)

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

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2024

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

As of March 31, 2024, no modification was made as a result of the consideration of necessary modification such as future projections, in computing the expected loan loss rate.

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

b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2024

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

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

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

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

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

As of March 31, 2023, the Company assumed that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future. Although such assumption that significant losses would not arise from the loans is not changed, the Company recorded reserve for possible loan losses, based on assumptions that credit risk is highly likely to increase in the future for debtors in specific industries that were still significantly impacted by the spread of COVID-19.

As of March 31, 2024, although COVID-19 was reclassified as Class 5, the Company records reserve for possible loan losses, taking the impact of previous years into account, based on assumptions that credit risk is still highly likely to materialize for debtors in specific industries.

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

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

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

Accounting changes

Valuation method of available-for-sale securities

As for translation differences of available-for-sale securities denominated in foreign currencies, the Group previously accounted for the translation differences arising from foreign currency fluctuations as "Net unrealized holding gains (losses) on available-for-sale securities" and accounted for other differences as foreign exchange gains and losses. Effective from the year ended March 31, 2024, the Group has changed the accounting treatment to record all translation differences as "Net unrealized holding gains (losses) on available-for-sale securities."

The Group recognizes that it is beneficial to include securities denominated in foreign currencies for building a medium- to long-term securities investment portfolio, and that investments in foreign bonds denominated in yen may lead to increased profitability depending on market conditions. However, under the previous accounting treatment, the short-term exchange rate trends gave a large impact on operational results due to recent highly volatile foreign exchange rates, making it impossible to adopt a medium- to long-term strategy. Accordingly, aiming to establish a stable portfolio, the Group has changed the accounting policy after reviewing part of its investment policy from the year ended March 31, 2024.

This accounting policy change is not applied retroactively since the impact from this change is insignificant.

Unapplied new accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, March 22, 2024)

(1) Overview

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

(2) Date of adoption

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

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

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

Additional information

Transactions vesting treasury stocks through trust to directors, etc.

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

(1) Outline

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

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

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying amount.
2. The carrying amount of the Company's shares remaining in the trust is ¥1,069 million and ¥1,652 million (\$11 million) at March 31, 2023 and 2024, respectively.
3. The number of the shares of the Company remaining in the trust is 1,545 thousand and 2,176 thousand shares at March 31, 2023 and 2024, respectively.

Transactions in which the Company's shares are issued to employees, etc. through a trust

The Company has introduced an employee incentive plan, the Employee Stock Ownership Plan ("ESOP") Trust, for the Group's employees. This plan aims to provide incentives for medium- to long-term stock price improvement, achieve performance targets, and enhance awareness of participating in management.

(1) Outline

The Company establishes a trust for employees, who are members of the "Hirogin Holdings For Employee Stock Ownership Plans" (hereinafter, the "Hirogin ESOP") and satisfy certain requirements, as beneficiaries. The trust will acquire the number of the Company's shares expected to be acquired by the Hirogin ESOP during the predetermined trust period. Thereafter, the trust sells the Company's shares to the Hirogin ESOP on a certain date each month. At the end of the trust, if there is any trust income due to an increase in the stock price, the money will be distributed to each beneficiary in proportion to the contribution ratio. In the event that a loss on sale is incurred due to a decline in the stock price and the liability for the trust assets remains, the Company will repay the Bank in a lump sum in accordance with the guarantee clause in the loan agreement. Thus, there will be no additional burden on the employees.

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

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying amount.
2. The carrying amount of the Company's shares remaining in the trust is ¥2,274 million (\$15 million) at March 31, 2024.
3. The number of the shares of the Company remaining in the trust is 2,538 thousand shares at March 31, 2024.

(3) Carrying amount of borrowed money accounted for by applying the gross method.

The carrying amount of borrowed money accounted for by applying the gross method is ¥2,295 million (\$15 million) as of March 31, 2024.

4 Securities

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

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in “Securities” as of March 31, 2023 and 2024 are as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Equity securities	¥ 118	¥3,588	\$24
Investments in capital	4,670	4,888	32

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2023 and 2024:

a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Amount of net unrealized gains included in the consolidated statement of income	¥(5)	¥0	\$0

b) Held-to-maturity debt securities:

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	¥ —	¥ —	¥—
Local government bonds	9,080	9,121	41
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	9,080	9,121	41
Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	¥9,080	¥9,121	¥41

March 31, 2024	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	¥24,484	¥24,581	¥ 96
Local government bonds	7,280	7,304	24
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	31,764	31,885	120

Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	22,230	22,148	(81)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	22,230	22,148	(81)
Total	¥53,994	¥54,033	¥ 39

March 31, 2024	Millions of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Fair value exceeding carrying amount:			
National government bonds	\$162	\$162	\$ 1
Local government bonds	48	48	0
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	210	211	1

Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	147	146	(1)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	147	146	(1)
Total	\$357	\$357	\$ 0

c) Available-for-sale securities:

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

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

March 31, 2024	Millions of yen		
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 100,750	¥ 38,876	¥ 61,873
Bonds:	54,586	54,320	266
National government bonds	—	—	—
Local government bonds	27,601	27,521	80
Corporate bonds	26,984	26,798	186
Others	238,543	209,001	29,541
Subtotal	393,879	302,198	91,681

Carrying amount not exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	35,979	36,791	(812)
Bonds:	950,118	979,171	(29,053)
National government bonds	414,156	431,067	(16,911)
Local government bonds	271,568	277,746	(6,177)
Corporate bonds	264,392	270,357	(5,964)
Others	357,309	385,613	(28,304)
Subtotal	1,343,407	1,401,577	(58,170)
Total	¥1,737,286	¥1,703,775	¥ 33,510

March 31, 2024	Millions of U.S. dollars		
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	\$ 665	\$ 257	\$ 409
Bonds:	361	359	2
National government bonds	—	—	—
Local government bonds	182	182	1
Corporate bonds	178	177	1
Others	1,575	1,380	195
Subtotal	2,601	1,996	606

Carrying amount not exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	238	243	(5)
Bonds:	6,275	6,467	(192)
National government bonds	2,735	2,847	(112)
Local government bonds	1,794	1,834	(41)
Corporate bonds	1,746	1,786	(39)
Others	2,360	2,547	(187)
Subtotal	8,873	9,257	(384)
Total	\$11,474	\$11,253	\$ 221

d) Held-to-maturity debt securities sold

There were no held-to-maturity debt securities sold during the years ended March 31, 2023 and 2024.

(3) Available-for-sale securities sold during the years ended March 31, 2023 and 2024 were as follows:

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

	Millions of yen		
March 31, 2024	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	¥ 37,827	¥ 7,999	¥ 44
Bonds:	79,324	5,067	4,881
National government bonds	76,047	5,067	4,828
Local government bonds	—	—	—
Corporate bonds	3,277	—	53
Others	106,539	3,254	5,192
Total	¥223,692	¥16,320	¥10,118

	Millions of U.S. dollars		
March 31, 2024	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equity securities	\$ 250	\$ 53	\$ 0
Bonds:	524	33	32
National government bonds	502	33	32
Local government bonds	—	—	—
Corporate bonds	22	—	0
Others	704	21	34
Total	\$1,477	\$108	\$67

(4) Securities whose holding purpose was reclassified
There were no securities whose holding purpose was reclassified during the years ended March 31, 2023 and 2024.

(5) Impairment of securities

Impairment losses in an amount of ¥5,314 million on equity securities and ¥49 million (\$0 million) on bonds were recognized for the years ended March 31, 2023 and 2024, respectively.

(6) Net unrealized holding gains (losses) on available-for-sale securities and other money held in trust at March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Millions of U.S. dollars
March 31	2023	2024	2024
Net unrealized holding gains (losses):			
Available-for-sale securities	¥(12,566)	¥33,510	\$ 221
Other money held in trust	(578)	307	2
	(13,144)	33,818	223
Deferred tax assets	16,750	15,326	101
Deferred tax liabilities	(12,108)	(25,196)	(166)
Net unrealized holding gains (losses) on available-for-sale securities	¥ (8,502)	¥23,949	\$ 158

5 Money held in trust

(1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2023 and 2024.

(2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2023 and 2024.

(3) Other money held in trust

Millions of yen					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥40,200	¥40,779	¥(578)	¥ 86	¥664

Millions of yen					
March 31, 2024	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥24,787	¥24,479	¥ 307	¥307	¥ —

Millions of U.S. dollars					
March 31, 2024	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$164	\$162	\$2	\$2	\$—

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2023 and 2024 is ¥21,349 million and ¥19,962 million (\$132 million), respectively.

6 Loans and bills discounted

(1) Non-performing loans

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

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

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 6,955	¥ 7,367	\$ 49
Risk loans	48,306	56,320	372
Delinquent loans past due over three months	1,909	1,977	13
Restructured loans	28,977	33,383	220
Total	¥86,150	¥99,048	\$654

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

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

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

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

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

(2) Bills discounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥16,597million and ¥16,898 million (\$112 million) at March 31, 2023 and 2024, respectively.

7 Assets pledged

At March 31, 2023 and 2024, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Securities	¥ 865,727	¥1,100,416	\$ 7,268
Loans and bills discounted	981,578	958,560	6,331
Other assets	1,313	1,650	11
Total	¥1,848,620	¥2,060,627	\$13,610

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deposits	¥ 1,704	¥ 1,634	\$ 11
Payables under repurchase agreements	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions	402,712	301,697	1,993
Borrowed money	957,119	1,316,894	8,698

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

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Securities	¥ 2,143	¥ 1,207	\$ 8
Other assets	50,000	50,000	330

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deposits for financial instruments	¥27,976	¥34,675	\$229
Security deposits	2,037	2,007	13
Deposits for future trading	540	521	3

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥17,604 million and ¥28,051 million (\$185 million) at March 31, 2023 and 2024, respectively.

Bills rediscounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥4 million and ¥2 million (\$0 million) at March 31, 2023 and 2024, respectively.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the consolidated subsidiaries engaged in the banking business lend to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits totaled ¥1,836,913 million and ¥1,825,298 million (\$12,055 million) relating to these contracts at March 31, 2023 and 2024, respectively. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,726,243 million and ¥1,716,154 million (\$11,334 million) at March 31, 2023 and 2024, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that consolidated subsidiaries engaged in the banking business refuse customers’ applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of contracts, the consolidated subsidiaries engaged in the banking business obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the consolidated subsidiaries engaged in the banking business perform periodic review of the customers’ business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

9 Borrowed money and lease obligations

The weighted average interest rate on the term-end balance of borrowed money maturing in November 2058 was 0.02%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in “Other liabilities” within five years at March 31, 2024 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2025	¥225,640	\$72	¥1,490	\$0
2026	89,393	69	590	0
2027	330,791	66	2,185	0
2028	693,558	65	4,581	0
2029	3,260	35	22	0

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in "Securities" was ¥47,645 million and ¥51,306 million (\$339 million) at March 31, 2023 and 2024, respectively.

11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March 31, 2024 include the amount representing the year-end cash dividend of ¥5,866 million (\$39 million), ¥19.00 (\$0.13) per share, which was approved at the Board of Directors' meeting held on May 13, 2024.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥27,143 million and ¥27,272 million (\$180 million) for the years ended March 31, 2023 and 2024, respectively.

13 Other expenses

Other expenses for the years ended March 31, 2023 and 2024 include the following:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Loss on sales of equity securities, etc.	¥ 131	¥ 1,859	\$12
Provision for reserve for reimbursement of deposits	—	1,827	12
Impairment losses on equity securities, etc.	5,355	966	6
Write-off of loans	-	858	6
Loss on sales of loans, etc.	572	300	2
Provision for possible loan losses	1,923	13,907	92
Loss on disposal of fixed assets	335	204	1
Impairment losses on fixed assets	228	1,110	7
Provision of reserve for financial instruments transaction liabilities	—	10	0

14 Supplementary cash flow information

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2023 and 2024 was as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Cash and due from banks	¥2,188,107	¥2,839,819	\$18,756
Foreign currency deposits with banks	(33,154)	(36,781)	(243)
Cash and cash equivalents	¥2,154,953	¥2,803,038	\$18,513

15 Lease transactions

Finance leases

Tangible fixed assets in lease assets mainly consisted of branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2023 and 2024 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Due within 1 year	¥ 522	¥1,123	\$ 7
Due after 1 year	896	1,674	11
Total	¥1,419	¥2,798	\$18

16 Derivative transactions

Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2023 and 2024 were as follows:

Interest related:

		Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
March 31, 2023	Type				
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥165,395	¥153,536	¥(2,582)	¥(2,582)
	Receive variable, pay fixed	165,395	153,536	3,995	3,995
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,150	3,150	(36)	27
	Buy	3,150	3,150	35	(0)
	Total	¥ —	¥ —	¥ 1,411	¥ 1,440

		Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
March 31, 2024	Type				
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥146,735	¥125,882	¥(2,649)	¥(2,649)
	Receive variable, pay fixed	146,735	125,882	3,845	3,845
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,083	3,083	(54)	47
	Buy	3,083	3,083	54	(13)
	Total	¥ —	¥ —	¥ 1,196	¥ 1,230

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$969	\$831	\$(17)	\$(17)
	Receive variable, pay fixed	969	831	25	25
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	20	20	(0)	0
	Buy	20	20	0	(0)
	Total	\$ —	\$ —	\$ 8	\$ 8

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

Currency related:

		Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
March 31, 2023	Type				
	Currency swaps	¥1,142,503	¥846,060	¥ (155)	¥ 789
	Forward foreign exchange contracts:				
	Sell	124,008	34,483	(2,392)	(2,392)
	Buy	97,607	33,890	3,368	3,368
	Currency options:				
	Sell	239,953	164,164	(8,131)	1,703
	Buy	239,953	164,164	8,048	(446)
	Total	¥ —	¥ —	¥ 737	¥ 3,022

		Millions of yen			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
			Over one year		
	Currency swaps	¥755,215	¥645,759	¥ 21	¥ 1,182
	Forward foreign exchange contracts:				
	Sell	115,378	42,329	(6,944)	(6,944)
	Buy	89,159	41,094	8,026	8,026
	Currency options:				
	Sell	200,662	123,472	(4,990)	2,042
	Buy	200,662	123,472	4,989	(1,111)
	Total	¥ —	¥ —	¥ 1,102	¥ 3,195

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Currency swaps	\$4,988	\$4,265	\$ 0	\$ 8
	Forward foreign exchange contracts:				
	Sell	762	280	(46)	(46)
	Buy	589	271	53	53
	Currency options:				
	Sell	1,325	815	(33)	13
	Buy	1,325	815	33	(7)
	Total	\$ —	\$ —	\$ 7	\$ 21

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

Others:

		Millions of yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,220	¥—	¥(46)	¥—
	Buy	6,220	—	46	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of yen			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,770	¥—	¥(51)	¥—
	Buy	6,770	—	51	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2024	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
	OTC				
	Sell	\$45	\$—	\$ (0)	\$—
	Buy	45	—	0	—
	Total	\$—	\$—	\$—	\$—

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

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2023 and 2024 were as follows:

Interest related:

March 31, 2023

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥ 62,367	¥ 62,367	¥2,873
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted	41,422	40,422	Note 2
	Total		¥ —	¥ —	¥2,873

March 31, 2024

March 31, 2024			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥200,000	¥200,000	¥714
	Total		¥ —	¥ —	¥714

March 31, 2024

March 31, 2024			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	\$1,321	\$1,321	\$5
	Total		\$ —	\$ —	\$5

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.
2. Interest rate swaps which meet specific matching criteria at March 31, 2023 are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "22. Financial instruments and related disclosures."

Currency related:

March 31, 2023

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥189,774	¥180,928	¥(21,201)
	Forward foreign exchange contracts		313,409	411	(4,644)
		Total	¥ —	¥ —	¥(25,846)

March 31, 2024

March 31, 2024			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥224,484	¥166,318	¥(36,249)
	Forward foreign exchange contracts		386,678	—	1,376
	Total		¥ —	¥ —	¥(34,872)

March 31, 2024

March 31, 2024			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	\$ 1,483	\$ 1,098	\$(239)
	Forward foreign exchange contracts		2,554	—	9
	Total		\$ —	\$ —	\$(230)

Note: The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

Consolidated subsidiaries engaged in the banking business adopt funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries mainly adopt lump-sum payment plans, all of which are unfunded.

2. Defined benefit plans

Changes in projected benefit obligation during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Projected benefit obligation at beginning of the year	¥42,652	¥41,686	\$275
Service costs during the year	1,131	1,104	7
Interest cost on projected benefit obligation	16	16	0
Actuarial differences incurred	408	(1,296)	(9)
Benefits paid	(2,665)	(2,687)	(18)
Other	142	139	1
Projected benefit obligation at end of the year	¥41,686	¥38,963	\$257

Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Plan assets at beginning of the year	¥100,119	¥115,557	\$ 763
Expected return on plan assets	4,004	4,581	30
Actuarial differences incurred	8,772	(1,160)	(8)
Contribution by the business owner (Note)	4,506	6,280	41
Benefits paid	(1,944)	(1,972)	(13)
Partial return of equity securities of retirement benefit trust	—	(33,876)	(224)
Other	98	95	1
Plan assets at end of the year	¥115,557	¥ 89,504	\$ 591

Note: Note: For the years ended March 31, 2023 and 2024, the Company made a contribution to cover risks that may arise in the future.

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

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Funded projected benefit obligation	¥ 40,976	¥ 38,267	\$ 253
Plan assets	(115,557)	(89,504)	(591)
	(74,580)	(51,236)	(338)
Unfunded projected benefit obligation	709	695	5
Net on consolidated balance sheets	¥ (73,871)	¥(50,540)	\$(334)

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net defined benefit liability	¥ 709	¥ 695	\$ 5
Net defined benefit asset	(74,580)	(51,236)	(338)
Net on consolidated balance sheets	¥(73,871)	¥(50,540)	\$(334)

Components of severance and retirement benefit expenses

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Service costs—benefits earned during the year	¥ 1,131	¥ 1,104	\$ 7
Interest cost on projected benefit obligation	16	16	0
Expected return on plan assets	(4,004)	(4,581)	(30)
Amortization of actuarial differences	(1,139)	(2,309)	(15)
Severance and retirement benefit expenses calculated by simplified method	43	44	0
Gain on return of retirement benefit trust (Note)	—	(6,423)	(42)
Severance and retirement benefit expenses	¥(3,952)	¥(12,147)	\$(80)

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

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

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Actuarial differences	¥7,224	¥(8,596)	\$(57)

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

At March 31	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Unrecognized actuarial differences	¥(15,161)	¥(6,564)	\$(43)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2023 and 2024 is as follows:

	2023	2024
Debt securities	1.7%	13.3%
Equity securities	70.7	60.7
Cash and due from banks	0.1	0.2
Other	27.5	25.8
Plan assets at end of the year	100.0%	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans by 33.0% (60.3% in 2023) and the retirement benefit trust established for lump-sum payment plans by 25.7% (14.8% in 2023) at March 31, 2024.

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

Major assumptions for actuarial computation for the years ended March 31, 2023 and 2024 are as follows:

	2023	2024
Discount rate	0.2%	1.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	2.9%	3.1%

Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥289 million and ¥280 million (\$2 million) for the years ended March 31, 2023 and 2024, respectively.

18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

Significant components of deferred tax assets and liabilities at March 31, 2023 and 2024 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Reserve for possible loan losses	¥ 18,818	¥ 21,154	\$ 140
Net unrealized holding losses on available-for-sale securities	4,641	—	—
Write-down of securities	663	971	6
Depreciation	969	970	6
Other	3,256	5,052	33
Subtotal of deferred tax assets	28,349	28,148	186
Valuation allowance for total temporary differences deductible in future periods	(1,266)	(1,181)	(8)
Subtotal of valuation allowance	(1,266)	(1,181)	(8)
Total deferred tax assets	27,082	26,966	178
Deferred tax liabilities:			
Net defined benefit assets	(20,262)	(17,337)	(115)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(2,771)	(2,370)	(16)
Net unrealized holding gains (losses) on available-for-sale securities	—	(9,869)	(65)
Other	(1,574)	(595)	(4)
Total deferred tax liabilities	(24,609)	(30,172)	(199)
Net deferred tax assets (liabilities)	¥ 2,473	¥ (3,205)	\$ (21)

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2023 and 2024 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

19 Revenue recognition

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

20 Segment information

a. Overview of reportable segments

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

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

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

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

	Millions of yen							
	2023							
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 22,575	¥ —	¥ 22,575	¥ 12,028	¥ 34,603	¥ (4,828)	¥ 29,775	
Other revenue	106,463	22,276	128,740	22,143	150,883	(20,424)	130,458	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Revenue from external customers	¥ 126,442	¥21,969	¥ 148,411	¥ 11,823	¥ 160,234	¥ —	¥ 160,234	
Intersegment revenue	2,597	307	2,904	22,348	25,252	(25,252)	—	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Segment profit	16,445	928	17,374	18,636	36,011	(17,230)	18,780	
Segment assets	11,432,524	80,732	11,513,257	504,422	12,017,680	(521,653)	11,496,027	
Segment liabilities	10,984,650	73,677	11,058,327	25,376	11,083,704	(86,281)	10,997,422	
Other items:								
Depreciation	¥ 5,382	¥ 523	¥ 5,906	¥ 212	¥ 6,118	¥ (6)	¥ 6,111	
Interest income	88,257	0	88,258	16,083	104,341	(17,229)	87,112	
Interest expense	20,795	209	21,005	39	21,044	(208)	20,835	

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

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

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(17,230) million includes intersegment elimination of ¥(17,095) million and amortization of goodwill of ¥(135) million.

(2) "Adjustment" of "Segment assets" in the amount of ¥(521,653) million represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(86,281) million represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(6) million represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(17,229) million represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(208) million represents intersegment elimination.

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

Millions of yen							
2024							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	¥ 23,503	¥ —	¥ 23,503	¥ 14,864	¥ 38,367	¥ (5,567)	¥ 32,800
Other revenue	130,713	22,405	153,118	24,020	177,139	(23,868)	153,270
Total	¥ 154,216	¥22,405	¥ 176,622	¥ 38,884	¥ 215,506	¥ (29,435)	¥ 186,071
Revenue from external customers	¥ 151,569	¥22,113	¥ 173,682	¥ 12,388	¥ 186,071	¥ —	¥ 186,071
Intersegment revenue	2,647	292	2,939	26,495	29,435	(29,435)	—
Total	¥ 154,216	¥22,405	¥ 176,622	¥ 38,884	¥ 215,506	¥ (29,435)	¥ 186,071
Segment profit	31,487	1,042	32,530	22,302	54,833	(20,682)	34,151
Segment assets	12,720,169	88,988	12,809,158	522,447	13,331,605	(541,223)	12,790,381
Segment liabilities	12,234,566	81,201	12,315,767	39,238	12,355,006	(99,874)	12,255,132
Other items:							
Depreciation	¥ 5,736	¥ 666	¥ 6,403	¥ 184	¥ 6,587	¥ (20)	¥ 6,566
Interest income	107,666	0	107,667	19,534	127,201	(20,706)	106,494
Interest expense	33,500	252	33,752	46	33,798	(217)	33,581

Millions of U.S. dollars							
2024							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	\$ 155	\$ —	\$ 155	\$ 98	\$ 253	\$ (37)	\$ 217
Other revenue	863	148	1,011	159	1,170	(158)	1,012
Total	\$ 1,019	\$148	\$ 1,167	\$ 257	\$ 1,423	\$ (194)	\$ 1,229
Revenue from external customers	\$ 1,001	\$146	\$ 1,147	\$ 82	\$ 1,229	\$ —	\$ 1,229
Intersegment revenue	17	2	19	175	194	(194)	—
Total	\$ 1,019	\$148	\$ 1,167	\$ 257	\$ 1,423	\$ (194)	\$ 1,229
Segment profit	208	7	215	147	362	(137)	226
Segment assets	84,011	588	84,599	3,451	88,050	(3,575)	84,475
Segment liabilities	80,804	536	81,341	259	81,600	(660)	80,940
Other items:							
Depreciation	\$ 38	\$ 4	\$ 42	\$ 1	\$ 44	\$ (0)	\$ 43
Interest income	711	0	711	129	840	(137)	703
Interest expense	221	2	223	0	223	(1)	222

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

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

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(20,682) million (\$ (137) million) includes intersegment elimination of ¥(20,547) million (\$ (136) million) and amortization of goodwill of ¥(135) million (\$ (1) million).

(2) "Adjustment" of "Segment assets" in the amount of ¥(541,223) million (\$ (3,575) million) represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(99,874) million (\$ (660) million) represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(20) million (\$ (0) million) represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(20,706) million (\$ (137) million) represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(217) million (\$ (1) million) represents intersegment elimination.

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

Income by service

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Ordinary revenue from external customers:			
Lending	¥ 67,563	¥ 82,350	\$ 544
Investment in securities	26,112	37,484	248
Fees and commissions	33,262	36,233	239
Leasing	21,955	22,079	146
Other	11,340	7,922	52
Total	¥160,234	¥186,071	\$1,229

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

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

	Millions of yen				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	265	265	161	426

	Millions of yen				
	2024				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	176	176	109	286

	Millions of U.S. dollars				
	2024				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	1	1	1	2

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

21 Related party transactions

Information about related party transactions for the years ended March 31, 2023 and 2024 is omitted since they are immaterial.

22 Financial instruments and related disclosures

1. Status of financial instruments

(1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

(2) Nature and extent of risk arising from financial instruments

Loans and bills discounted are primarily provided to domestic customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of equity securities, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of sustaining losses due to reduction or loss of value of assets due to deteriorating credit circumstances at a borrower.

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

Market risk management

(i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

(ii) Quantitative information relating to market risk

(a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2024, the entire VaR of the Group was ¥8 million (\$0 million) (¥10 million in 2023).

(b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2024 was ¥125,376 million (\$828 million) (¥108,871 million in 2023).

(c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the “Group Liquidity Risk Management Rule” which provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments is based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

2. Fair value of financial instruments

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

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,345	¥ 1,345	¥ —
(2) Money held in trust	40,200	40,200	—
(3) Securities:			
Held-to-maturity debt securities	9,080	9,121	41
Available-for-sale securities* ²	1,561,285	1,561,285	—
(4) Loans and bills discounted	7,224,123		
Reserve for possible loan losses* ³	(36,878)		
Net	7,187,245	7,280,080	92,835
Total assets	¥ 8,799,156	¥ 8,892,033	¥92,876
(1) Deposits	¥ 9,252,256	¥ 9,252,435	¥ 179
(2) Borrowed money	1,013,860	1,012,019	(1,840)
Total liabilities	¥10,266,116	¥10,264,455	¥ (1,661)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	¥ 2,149	¥ 2,149	¥ —
Hedge accounting is applied* ⁵	(22,972)	(22,972)	—
Total derivative instruments	¥ (20,823)	¥ (20,823)	¥ —

March 31, 2024	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	¥ 1,294	¥ 1,294	¥ —
(2) Money held in trust	24,787	24,787	—
(3) Securities:			
Held-to-maturity debt securities	53,994	54,033	39
Available-for-sale securities* ²	1,716,302	1,716,302	—
(4) Loans and bills discounted	7,689,192		
Reserve for possible loan losses* ³	(48,366)		
Net	7,640,825	7,718,986	78,160
Total assets	¥ 9,437,203	¥ 9,515,403	¥78,200
(1) Deposits	¥ 9,362,190	¥ 9,362,353	¥ 163
(2) Borrowed money	1,377,528	1,374,027	(3,500)
Total liabilities	¥10,739,718	¥10,736,380	¥ (3,337)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	¥ 2,298	¥ 2,298	¥ —
Hedge accounting is applied* ⁵	(34,158)	(34,158)	—
Total derivative instruments	¥ (31,859)	¥ (31,859)	¥ —

March 31, 2024	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets* ¹			
Trading securities	\$ 9	\$ 9	\$ —
(2) Money held in trust	164	164	—
(3) Securities:			
Held-to-maturity debt securities	357	357	0
Available-for-sale securities* ²	11,335	11,335	—
(4) Loans and bills discounted	50,784		
Reserve for possible loan losses* ³	(319)		
Net	50,464	50,981	516
Total assets	\$62,329	\$62,845	\$516
(1) Deposits	\$61,833	\$61,834	\$ 1
(2) Borrowed money	9,098	9,075	(23)
Total liabilities	\$70,931	\$70,909	\$ (22)
Derivative instruments* ⁴ :			
Hedge accounting is not applied	\$ 15	\$ 15	\$ —
Hedge accounting is applied* ⁵	(226)	(226)	—
Total derivative instruments	\$ (210)	\$ (210)	\$ —

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

*2. Available-for-sale securities include investment trusts whose standard value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Accounting Standard Implementation Guidance").

*3. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted."

*4. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

*5. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied principally. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, March 17, 2022) is applied to these hedging relationships.

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

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Unlisted equity securities (*1) (*2)	¥5,796	¥8,337	\$55
Investments in partnerships (*3)	4,670	4,888	32
Other	0	0	0

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

(*2) The Company recognized an impairment loss in an amount of ¥40 million and ¥966 million (\$6 million) on unlisted equity securities for the years ended March 31, 2023 and 2024, respectively.

(*3) Investments in partnerships are investments in unconsolidated subsidiaries.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2023 and 2024

Millions of yen						
At March 31, 2023	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,110,344	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	34,784	—	—	—	—	—
Monetary claims bought	8,682	—	—	—	—	—
Money held in trust	40,200	—	—	—	—	—
Securities	40,448	145,651	175,499	113,141	413,580	450,385
Held-to-maturity:	—	—	1,150	—	7,930	—
Local government bonds	—	—	1,150	—	7,930	—
Available-for-sale:	40,448	145,651	174,349	113,141	405,650	450,385
National government bonds	—	—	15,000	34,000	292,000	95,200
Local government bonds	4,590	53,300	81,920	43,835	77,744	51,000
Corporate bonds	17,132	69,388	50,784	19,653	5,870	128,810
Others	18,725	22,963	26,644	15,652	30,035	175,374
Loans and bills discounted*	1,133,914	652,738	830,004	650,766	887,858	2,283,532
Total	¥3,368,375	¥798,389	¥1,005,503	¥763,908	¥1,301,438	¥2,733,917

Millions of yen						
At March 31, 2024	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	¥2,772,608	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	50,355	—	—	—	—	—
Monetary claims bought	8,779	—	—	—	—	—
Money held in trust	24,787	—	—	—	—	—
Securities	76,584	145,700	201,231	250,408	343,381	491,699
Held-to-maturity:	—	—	6,830	—	47,680	—
National government bonds	—	—	—	—	25,000	—
Local government bonds	—	—	6,830	—	22,680	—
Available-for-sale:	76,584	145,700	194,401	250,408	295,701	491,699
National government bonds	—	—	23,000	153,000	192,500	55,200
Local government bonds	24,620	66,549	61,821	49,242	54,702	47,736
Corporate bonds	40,922	47,782	49,982	17,810	11,397	128,462
Others	11,041	31,368	59,598	30,354	37,102	260,299
Loans and bills discounted*	1,125,673	688,118	950,640	751,487	943,530	2,410,969
Total	¥4,058,788	¥833,819	¥1,151,871	¥1,001,895	¥1,286,911	¥2,902,668

Millions of U.S. dollars						
At March 31, 2024	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Due from banks	\$18,312	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	333	—	—	—	—	—
Monetary claims bought	58	—	—	—	—	—
Money held in trust	164	—	—	—	—	—
Securities	506	962	1,329	1,654	2,268	3,247
Held-to-maturity:	—	—	45	—	315	—
National government bonds	—	—	—	—	165	—
Local government bonds	—	—	45	—	150	—
Available-for-sale:	506	962	1,284	1,654	1,953	3,247
National government bonds	—	—	152	1,011	1,271	365
Local government bonds	163	440	408	325	361	315
Corporate bonds	270	316	330	118	75	848
Others	73	207	394	200	245	1,719
Loans and bills discounted*	7,435	4,545	6,279	4,963	6,232	15,923
Total	\$26,807	\$5,507	\$7,608	\$6,617	\$8,500	\$19,171

*Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥53,880 million and ¥62,305 million (\$411 million), are not included in the above table as of March 31, 2023 and 2024, respectively. Loans that do not have contractual maturity, amounting to ¥731,429 million and ¥756,467 million (\$4,996 million), are not included either.

(Note 3) Maturity analysis for interest-bearing liabilities at March 31, 2023 and 2024

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2023						
Deposits*	¥ 9,052,709	¥171,900	¥ 20,989	¥ 5,858	¥ 798	¥ —
Call money and bills sold	50,000	—	—	—	—	—
Payables under repurchase agreements	130,533	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	402,712	—	—	—	—	—
Borrowed money	403,640	241,404	333,313	5,958	4,478	25,065
Total	¥10,039,595	¥413,305	¥354,302	¥11,817	¥5,276	¥25,065

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2024						
Deposits*	¥ 9,151,806	¥156,269	¥ 47,286	¥ 994	¥ 5,832	¥ —
Call money and bills sold	819,300	—	—	—	—	—
Payables under repurchase agreements	196,778	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	301,697	—	—	—	—	—
Borrowed money	225,640	420,185	696,819	5,487	4,242	25,153
Total	¥10,695,222	¥576,455	¥744,105	¥6,481	¥10,075	¥25,153

	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2024						
Deposits*	\$60,444	\$1,032	\$ 312	\$ 7	\$39	\$ —
Call money and bills sold	5,411	—	—	—	—	—
Payables under repurchase agreements	1,300	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	1,993	—	—	—	—	—
Borrowed money	1,490	2,775	4,602	36	28	166
Total	\$70,637	\$3,807	\$4,915	\$43	\$67	\$166

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

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

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

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

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

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

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

(1) Financial instruments measured at fair value

	Millions of yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 40,200	¥ —	¥ 40,200
Trading assets and securities				
Trading securities:				
National and local government bonds	118	1,227	—	1,345
Available-for-sale securities:				
National and local government bonds	431,206	308,824	—	740,031
Corporate bonds	—	235,321	54,411	289,732
Equity securities	104,915	—	—	104,915
Other	76,545	336,286	—	412,832
Derivatives:				
Interest related	—	8,050	—	8,050
Currency related	—	14,673	3,614	18,288
Other	—	—	46	46
Total assets	¥612,786	¥944,584	¥58,071	¥1,615,442
Derivatives:				
Interest related	¥ —	¥ 3,765	¥ —	¥ 3,765
Currency related	—	39,609	3,786	43,396
Other	—	—	46	46
Total liabilities	¥ —	¥ 43,375	¥ 3,833	¥ 47,208

	Millions of yen			
	Fair value			
March 31, 2024	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 24,787	¥ —	¥ 24,787
Trading assets and securities				
Trading securities:				
National and local government bonds	46	1,247	—	1,294
Available-for-sale securities:				
National and local government bonds	414,156	299,170	—	713,327
Corporate bonds	—	234,519	56,858	291,377
Equity securities	136,729	—	—	136,729
Other	137,271	423,205	—	560,476
Derivatives:				
Interest related	—	5,244	—	5,244
Currency related	—	15,511	658	16,169
Other	—	—	51	51
Total assets	¥688,204	¥1,003,684	¥57,567	¥1,749,456
Derivatives:				
Interest related	¥ —	¥ 3,333	¥ —	¥ 3,333
Currency related	—	49,279	660	49,940
Other	—	—	51	51
Total liabilities	¥ —	¥ 52,613	¥ 711	¥ 53,325

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2024				
Money held in trust	\$ —	\$ 164	\$ —	\$ 164
Trading assets and securities				
Trading securities:				
National and local government bonds	0	8	—	9
Available-for-sale securities:				
National and local government bonds	2,735	1,976	—	4,711
Corporate bonds	—	1,549	376	1,924
Equity securities	903	—	—	903
Other	907	2,795	—	3,702
Derivatives:				
Interest related	—	35	—	35
Currency related	—	102	4	107
Other	—	—	0	0
Total assets	\$4,545	\$6,629	\$380	\$11,554
Derivatives:				
Interest related	\$ —	\$ 22	\$ —	\$22
Currency related	—	325	4	330
Other	—	—	0	0
Total liabilities	\$ —	\$ 347	\$ 5	\$ 352

(*1) Investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥3,990 million and ¥4,250 million (\$28 million) as of March 31, 2023 and 2024, respectively.

(*2) Investments in partnerships to which Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance is applied are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,782 million and ¥10,141 million (\$67 million) as of March 31, 2023 and 2024, respectively.

(*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,972 million and ¥34,158 million (\$226 million) as of March 31, 2023 and 2024, respectively.

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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥—	¥ 9,121	¥ —	¥ 9,121
Loans and bills discounted	—	—	7,280,080	7,280,080
Total assets	¥—	¥ 9,121	¥7,280,080	¥ 7,289,201
Deposits	¥—	¥ 9,252,435	¥ —	¥ 9,252,435
Borrowed money	—	1,002,454	9,565	1,012,019
Total liabilities	¥—	¥10,254,889	¥ 9,565	¥10,264,455

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2024				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥24,581	¥ 29,452	¥ —	¥ 54,033
Loans and bills discounted	—	—	7,718,986	7,718,986
Total assets	¥24,581	¥ 29,452	¥7,718,986	¥ 7,773,020
Deposits	¥ —	¥ 9,362,353	¥ —	¥ 9,362,353
Borrowed money	—	1,364,548	9,478	1,374,027
Total liabilities	¥ —	¥10,726,902	¥ 9,478	¥10,736,380

March 31, 2024	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities:				
National and local government bonds	\$ 162	\$ 195	\$ —	\$ 357
Loans and bills discounted	—	—	50,981	50,981
Total assets	\$ 162	\$ 195	\$ 50,981	\$ 51,338
Deposits	\$ —	\$ 61,834	\$ —	\$ 61,834
Borrowed money	—	9,012	63	9,075
Total liabilities	\$ —	\$ 70,847	\$ 63	\$ 70,909

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

Assets:

Money held in trust

The fair value of securities managed as trust assets in individually managed money held in trust whose primary purpose is to manage securities is based on the price at the exchange for equity securities, and on the price presented by the counterpart financial institutions or the price at the exchange for bonds, and is classified as Level 2 based on the level of the components. In addition, for money held in trust whose primary purpose is not to manage securities, the carrying amount is considered to be the fair value and classified as Level 2 since the contract terms is short and the fair value approximates the carrying amount.

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

Trading assets and securities

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

The fair value based on the published quoted price of inactive markets is classified as Level 2. Principally, local government bonds, corporate bonds, and housing loan mortgage-backed securities are classified in this category. In addition, for investment trusts with no transaction prices in the market, the standard value is considered to be the fair value and classified as Level 2 if there are no material restrictions that would require compensation for the risk from market participants with respect to cancelation or repurchase requests.

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

Loans and bills discounted

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

loans, type of loan interest, certain period, and internal rating.

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

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

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

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

Liabilities:

Deposits

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

Borrowed money

The fair value of borrowed money is determined by discounting future cash flows at the interest rate assumed in similar new financing by type of financing. If the contract term is short, the carrying amount is considered to be the fair value since the fair value approximates the carrying amount.

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

Derivatives:

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

However, most of derivatives are traded over the counter and published quoted price does not exist, and accordingly, the fair value is determined using the valuation techniques such as the present value method or Black-Sholes model according to the type of deals and the period until maturity.

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

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

(1) Quantitative information on significant unobservable inputs

At March 31, 2023

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.27%-8.09%	0.53%
Private placement bonds				

At March 31, 2024

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.31%-7.89%	0.68%
Private placement bonds				

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

	Millions of yen	
	Securities: Available-for-sale securities Private placement bonds	Derivatives: Currency related (*3)
March 31, 2023		
Beginning balance	¥50,759	¥(124)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	18	(47)
Recorded in other comprehensive income (*2)	114	—
Net amount of purchases, sales, issuances, and settlements	3,517	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	54,411	(172)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(47)

	Millions of yen	
	Securities: Available-for-sale securities Private placement bonds	Derivatives: Currency related (*3)
March 31, 2024		
Beginning balance	¥54,411	¥(172)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	(49)	170
Recorded in other comprehensive income (*2)	(163)	—
Net amount of purchases, sales, issuances, and settlements	2,660	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	56,858	(1)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	170

March 31, 2024	Millions of U.S. dollars	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
Beginning balance	\$359	\$(1)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	(0)	1
Recorded in other comprehensive income (*2)	(1)	—
Net amount of purchases, sales, issuances, and settlements	18	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	376	(0)
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	1

(*1) Included in "Interest income," "Trading income" and "Other operating income" in the consolidated statement of income for the year ended March 31, 2023. Included in "Trading income" and "Other operating expenses" in the consolidated statement of income for the year ended March 31, 2024.

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

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

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

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

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

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

23 Stock options

1. No stock option expense was recorded for the year ended March 31, 2024.

2. Outline, size and changes of stock options in the year ended March 31, 2024

(1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

(2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2024

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding at April 1, 2023	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2024	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2023	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2024	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2024

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	4.31	644	4.25	446	2.95	820	5.42

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥ 1	\$0.01	¥ 1	\$0.01	¥ 1	\$0.01
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	6.04	1,346	8.89	654	4.32

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

24 Other comprehensive income

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net unrealized holding gains (losses) on available-for-sale securities:			
Amount arising during the period	¥(32,820)	¥ 54,372	\$359
Reclassification adjustments	18,554	(7,409)	(49)
Before adjustments for tax effect	(14,265)	46,963	310
Amount of tax effect	4,395	(14,511)	(96)
Net unrealized holding gains (losses) on available-for-sale securities	(9,869)	32,452	214
Net deferred gains (losses) on hedging instruments, net of tax:			
Amount arising during the period	(2,626)	(13,636)	(90)
Reclassification adjustments	6,368	10,465	69
Before adjustments for tax effect	3,742	(3,170)	(21)
Amount of tax effect	(1,160)	982	6
Net deferred gains (losses) on hedging instruments, net of tax	2,582	(2,187)	(14)
Remeasurements of defined benefit plans:			
Amount arising during the period	8,364	135	1
Reclassification adjustments	(1,139)	(8,732)	(58)
Before adjustments for tax effect	7,224	(8,596)	(57)
Amount of tax effect	(2,239)	2,665	18
Remeasurements of defined benefit plans	4,984	(5,931)	(39)
Total other comprehensive income	¥ (2,302)	¥ 24,332	\$161

25 Business combinations

(Merger between subsidiaries)

Hirogin Guarantee Co., Ltd., a subsidiary of the Company, absorbed Hirogin Card Service Co., Ltd., a subsidiary of the Company, on April 1, 2023.

1. Outline of transaction

(1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Guarantee Co., Ltd.

Its business: Credit guarantee business

Name of the acquired company:

Hirogin Card Service Co., Ltd.

Its business: Credit card business and credit guarantee

(2) Date of business combination

April 1, 2023

(3) Legal form of business combination

Absorption-type merger between Hirogin Guarantee Co., Ltd. as a surviving company and Hirogin Card Service Co., Ltd. as an absorbed company

(4) Name of company after business combination

Hirogin Credit Service Co., Ltd.

(5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

26 Per share information

Per share information at March 31, 2023 and 2024 for the years then ended is as follows:

	Yen		U.S. dollar
	2023	2024	2024
Net assets per share	¥1,603.30	¥1,760.62	\$11.63
Net income per share	40.25	90.35	0.60
Diluted net income per share	40.22	90.30	0.60

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net assets	¥498,604	¥535,249	\$3,535
Amounts to be deducted from net assets	262	269	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	135	142	1
Net assets at March 31 attributable to common stock	¥498,342	¥534,979	\$3,533

	Number of shares (in thousands)	
	2023	2024
Number of shares of common stock at end of the year which was used to compute net assets per share	310,821	303,857

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Net income per share:			
Net income attributable to owners of the parent	¥12,508	¥27,691	\$183
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥12,508	¥27,691	\$183

	Number of shares (in thousands)	
	2023	2024
Average number of shares of common stock outstanding during the year	310,772	306,484

	Millions of yen		Millions of U.S. dollars
	2023	2024	2024
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2023	2024
Number of shares of common stock that increased during the year	171	171
(Of which, stock acquisition rights)	171	171

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account: 76,131 units and ESOP trust account: 76,905 units) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2023 and 2024 and the average number of shares of the treasury stock during the years were 1,545 thousand shares and 4,715 thousand shares, respectively and 1,595 thousand shares and 3,437 thousand shares, respectively.

27 Significant subsequent events

Not applicable.

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2023 and 2024

	Millions of yen		Millions of U.S. dollars (Note)
	2023	2024	2024
ASSETS			
Cash and due from banks	¥ 2,187,010	¥ 2,838,661	\$18,748
Call loans and bills purchased	34,784	50,355	333
Monetary claims bought	6,906	6,793	45
Trading assets	10,598	6,956	46
Money held in trust	29,600	10,487	69
Securities	1,581,536	1,779,230	11,751
Loans and bills discounted	7,275,335	7,745,781	51,158
Foreign exchanges	11,579	7,064	47
Other assets	111,995	116,239	768
Tangible fixed assets	104,912	106,294	702
Intangible fixed assets	10,172	12,818	85
Prepaid pension cost	59,419	44,671	295
Deferred tax assets	5,788	—	—
Customers' liabilities for acceptances and guarantees	40,008	43,744	289
Reserve for possible loan losses	(37,124)	(48,929)	(323)
Total assets	¥11,432,524	¥12,720,169	\$84,011
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 9,277,473	¥ 9,399,588	\$62,080
Call money	50,000	819,300	5,411
Payables under repurchase agreements	130,533	196,778	1,300
Deposits received for bonds lending/borrowing transactions	402,712	301,697	1,993
Trading liabilities	7,996	4,443	29
Borrowed money	1,002,041	1,360,488	8,985
Foreign exchanges	2,377	661	4
Due to trust account	51	56	0
Other liabilities	56,849	89,055	588
Reserve for reimbursement of deposits	437	1,827	12
Reserve for point loyalty programs	133	150	1
Reserve for stock payments	818	889	6
Deferred tax liabilities	—	2,985	20
Deferred tax liabilities for land revaluation reserve	13,215	12,899	85
Acceptances and guarantees	40,008	43,744	289
Total liabilities	¥10,984,650	¥12,234,566	\$80,804
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 360
Issued – 312,370,921 shares in 2023 and 2024			
Capital surplus	30,634	30,634	202
Retained earnings	340,693	348,889	2,304
Total stockholders' equity	¥ 425,902	¥ 434,098	\$ 2,867
Net unrealized holding gains (losses) on available-for-sale securities	¥ (8,489)	¥ 23,931	\$ 158
Net deferred gains on hedging instruments	3,490	1,303	9
Land revaluation reserve	26,971	26,269	173
Total valuation and translation adjustments	¥ 21,972	¥ 51,504	\$ 340
Total net assets	¥ 447,874	¥ 485,602	\$ 3,207
Total liabilities and net assets	¥11,432,524	¥12,720,169	\$84,011

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.
Years ended March 31, 2023 and 2024

	Millions of yen		Millions of U.S. dollars (Note)
	2023	2024	2024
Income:			
Interest income:			
Interest on loans and discounts	¥ 67,714	¥ 82,751	\$ 547
Interest and dividends on securities	16,768	21,339	141
Other interest income	3,774	3,575	24
Trust fees	142	175	1
Fees and commissions	24,345	25,928	171
Trading income	1,497	1,328	9
Other operating income	8,954	7,206	48
Other income	5,881	19,031	126
Total income	¥129,078	¥161,337	\$1,066
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,804	¥ 4,107	\$ 27
Interest on borrowings and rediscounts	7,570	10,622	70
Other interest expenses	11,420	18,770	124
Fees and commissions	10,278	10,827	72
Other operating expenses	22,325	8,363	55
General and administrative expenses	51,520	51,111	338
Other expenses	8,230	20,221	134
Total expenses	¥113,151	¥124,024	\$ 819
Income before income taxes	¥ 15,927	¥ 37,312	\$ 246
Income taxes:			
Current income taxes	¥ (12)	¥ 15,849	\$ 105
Deferred income taxes	4,403	(5,063)	(33)
Total income taxes	¥ 4,390	¥ 10,786	\$ 71
Net income	¥ 11,536	¥ 26,525	\$ 175

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Major Shareholders

(As of March 31, 2024)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	36,642	11.86
Custody Bank of Japan, T.	21,708	7.03
Meiji Yasuda Life Insurance	8,204	2.65
Sompo Japan Insurance	7,500	2.42
CP Chemical Inc.	7,463	2.41
Sumitomo Life Ins.	6,038	1.95
Hirogin Holdings For Employee Stock Ownership Plans	5,904	1.91
The Bank of Fukuoka	5,500	1.78
Nippon Life Ins.	4,833	1.56
JP MORGAN CHASE BANK 385781	3,908	1.26

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

*3 Shareholding ratio is calculated by deducting treasury stock (3,600 shares).

Stock Information

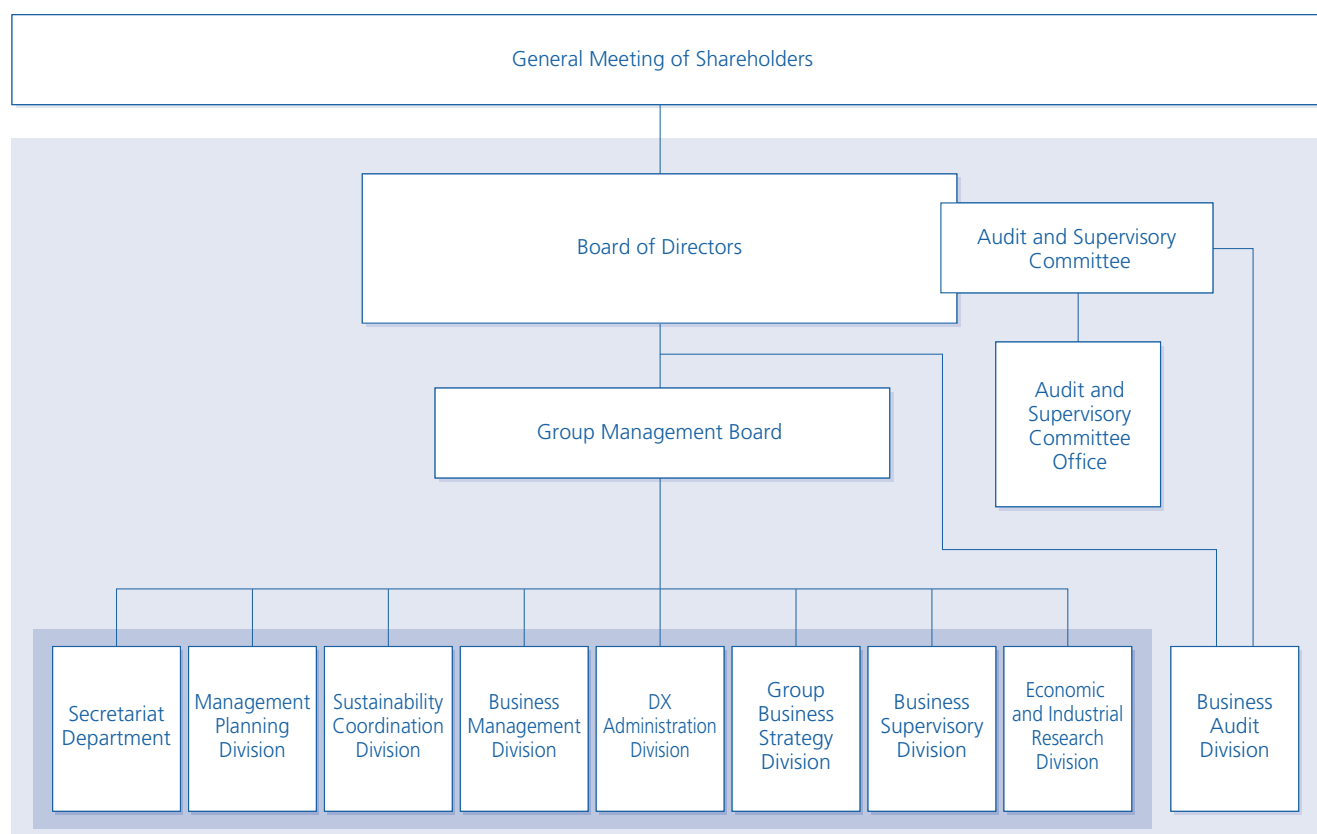
(As of March 31, 2024)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	308,770 thousand (excluding treasury stock (3,600 shares))
Number of Shareholders	100,289

Organization

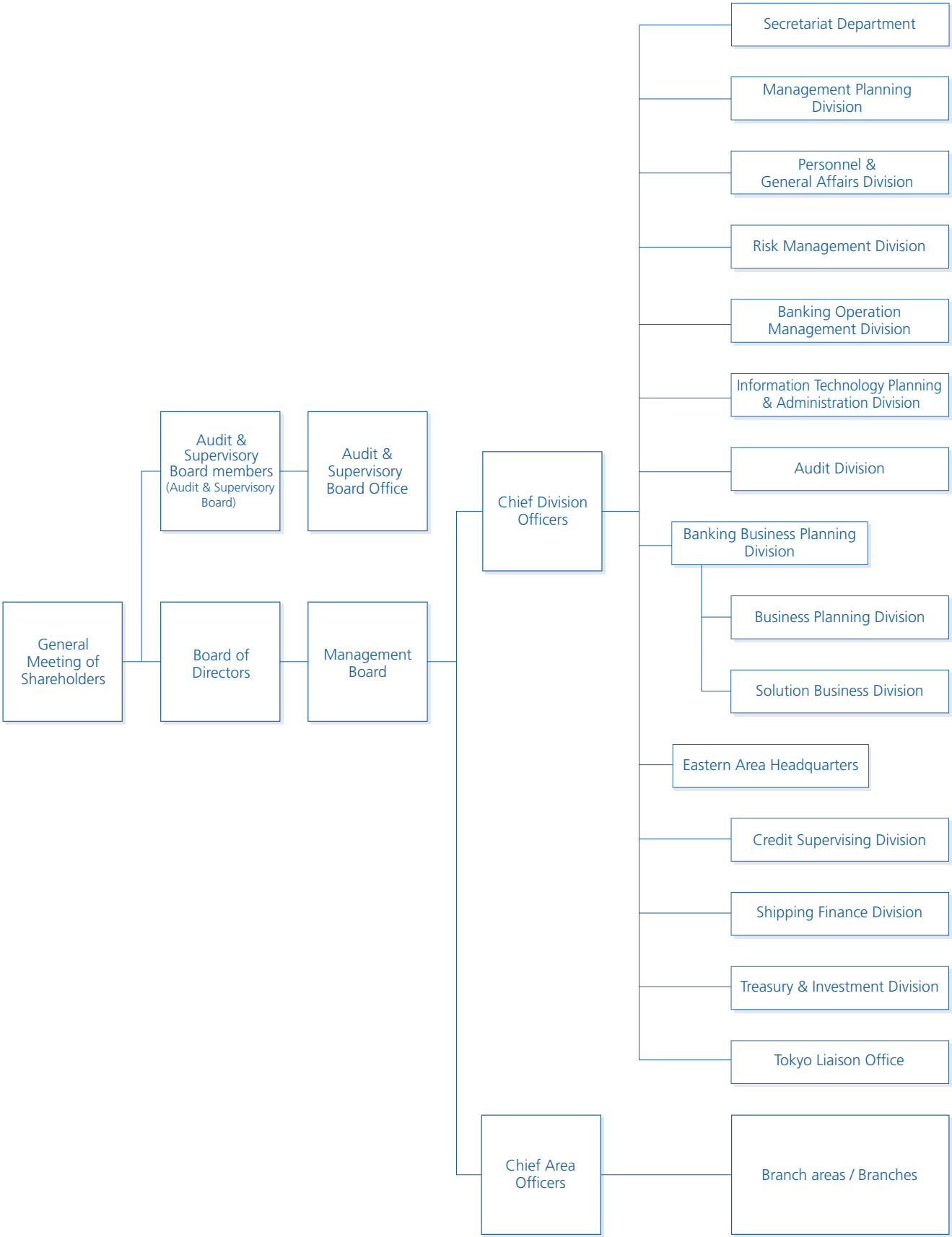
HIROGIN HOLDINGS

(As of April 1, 2024)



Organization

HIROSHIMA BANK
(As of April 1, 2024)



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