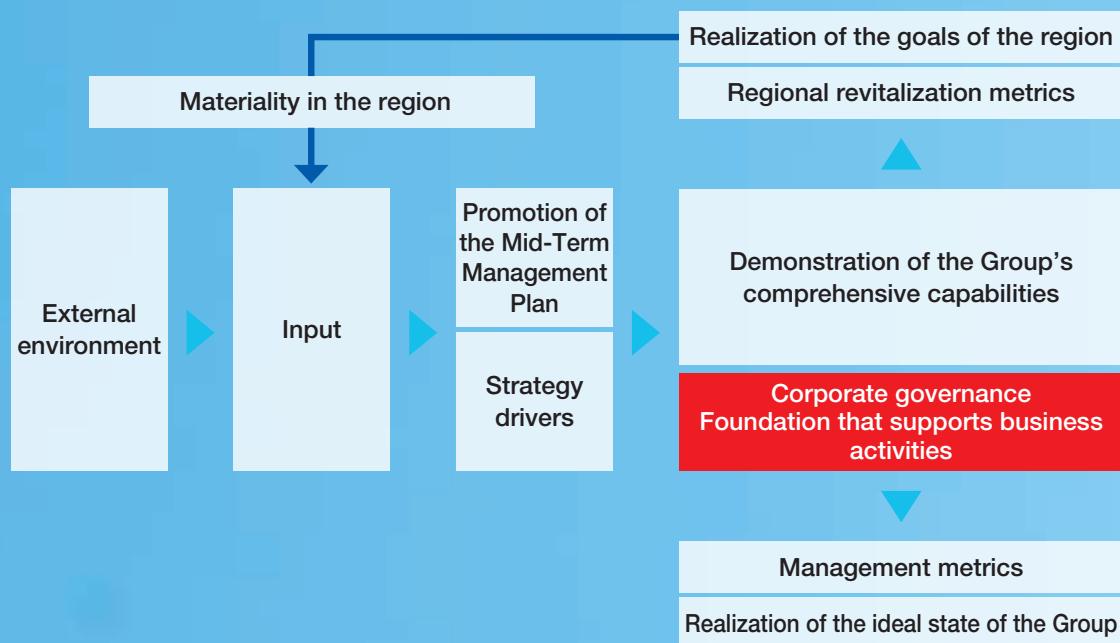


# How We Will Strengthen Our Management Base

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Positioning within the value creation story described in this section



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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# Message from the Chairperson of the Board of Directors



**With the goal of increasing the Group's corporate value, I will continue making persistent efforts as Chairperson of the Board of Directors to enhance the Board effectiveness and ensure that the external Directors fully fulfill their roles.**

Koji Ikeda Representative Director and Chairman

## As a Company with an Audit and Supervisory Committee, we will work to sophisticate the governance through transition to a holding company structure

It has been about five years since we transitioned to a holding company structure in October 2020 as a Company with an Audit and Supervisory Committee.

The goal in adopting the Company with an Audit and Supervisory Committee system was to build highly effective group governance and strengthen group management by separating management supervision and business execution, allowing the holding company to focus on managing and supervising the group management. In addition, by delegating authority over key business execution matters, we aimed to establish a structure that enables faster decision-making and efficient business operations.

Over the past five years, we have steadily advanced the sophistication of the governance and improvement of issues aligned with the purpose of transitioning to a holding company structure and adopting the Company with an Audit and Supervisory Committee system. These include abolishing the concurrent post of holding company president and bank president, introducing free discussions on "important themes in management" in the Board of Directors' meetings and executive presentations by Group company presidents. Going forward, we will continue making persistent efforts to establish a highly effective corporate governance structure.

## As the Chairperson of the Board of Directors, I will continuously enhance the Board effectiveness

One of my main responsibilities as Chairperson is to keep enhancing the Board effectiveness. That requires ensuring external Directors fully fulfill their roles.

It has now been seven years since I assumed the role of Chairperson, including my time at Hiroshima Bank. During this period, I have worked to establish a decision-making and supervision structure that better reflects the opinions of external Directors. Specifically, I have brought important agenda items to the Board of Directors' meetings in formative stages before any direction is finalized, enabling repeated discussion through a rally-type exchange between the execution and supervision sides.

The success of these efforts is continuously evaluated through the annual evaluation and analysis of the Board effectiveness, and we strive to further sophisticate governance and address the issues identified.

On the other hand, one issue that remains is the limited participation of internal Directors in the Board of Directors' meetings. Probably because internal Directors often express their views during preliminary discussions and deliberations on the executive side such as at Management Board meetings, the Board of Directors meetings still tend to be perceived primarily as a forum for hearing the opinions of external Directors. We hope to gradually change this atmosphere.

Revitalizing discussions in Board of Directors' meetings is an important role and responsibility of the Chairperson, and I remain committed to continuously enhancing the Board effectiveness through various approaches.

## ■ Progress in strengthening corporate governance

|  | FY2020  | FY2021   | FY2022  | FY2023  | FY2024  | FY2025 |
|--|---|--|---|---|---|--------|
| <b>Purpose / Management Policy</b>   | • Reviewed the Management Policy  |  |   | • Established the Purpose<br>• Established the Brand Personality  |   |        |
| <b>Basic policy for Corporate Governance</b>                                   | • Newly established   | • Amended based on revisions in CG Code  |   |   |   |        |
| <b>Strategy</b>  | • Formulated and started the Mid-Term Management Plan 2020  |  | • Formulated the Mid-Term Management Plan 2024  | • Started the Mid-Term Management Plan 2024   |   |        |
| <b>Organization</b>  | • Transitioned to a holding company structure   |  |   |   |   |        |
| <b>Separation of supervision and execution</b>                                 | • Adopted the organizational format of a "Company with an Audit and Supervisory Committee"  | • Abolished the concurrent post of holding company president and bank president  |   |   | (Hiroshima Bank: Transitioned to a Company with an Audit and Supervisory Committee)                         |        |
| <b>Nomination and compensation</b>   | • 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 performance-linked monetary compensation system (reviewed the pay scale aligned with the new Mid-Term Management Plan)   | • Reviewed the performance-linked monetary compensation system (added ROE and ESG-related indicators, etc.) |        |
| <b>Sophistication of deliberations and operation of the Board of Directors</b> | <p>★ Introduced free discussions on "important themes in management"<br/>★ Introduced execution presentations by Group company presidents</p>   |  |   |   |   |        |
|  | ★ Reviewed the process of formulating the management plan<br>★ Reviewed the operation of advance explanatory meetings<br>★ 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.) |   |        |
| <b>Strengthening of dialogues with shareholders</b>                            |   | ★ Strengthened and enhanced IR activities by the President and Director & Senior Managing Executive Officers, etc.<br>★ Enhanced feedback to the Board of Directors on opinions and requests from investors and other stakeholders |   |   |   |        |
| <b>Enhancement of officer training</b>   |   | ★ Held two officer training seminars annually  |   |   |   |        |
| <b>Sophistication of the management personnel development process</b>          |   |  | ★ Strengthened discussion on the management personnel development process<br>★ Newly established the Meeting for Exchange of Opinions with External Officers            |   |   |        |
| <b>Diversity of core human resources</b>                                       |   | • 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<br>★ Newly established the DE&I Coordination Office  |   |        |

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

# Interview with External Directors



Harumi Matsumura

External Director

Yoshinori Shinmen

External Director

Q1

**How do you evaluate the first year of the mid-term management plan, and what are your expectations and challenges for realizing a vibrant region?**

**Shinmen:** The financial results for the fiscal year ended March 2025 marked a record high. While this achievement was supported by the increase in policy interest rates, it was primarily the result of efforts by front-line representatives to raise loan interest rates, backed by accurate support from headquarters and branch office management, and made possible by the understanding of our business partners.

**Matsumura:** As the financial results show, performance has been extremely strong, and I find it reasonable that President Heya rated the first-year results of the mid-term management plan at 80 out of 100. I also heard that the remaining 20 points reflected areas where “internalizing the challenges through the backcasting concept” and “awareness of corporate culture transformation” have yet to fully take hold.

I highly value President Heya’s commitment to internalizing challenges through the backcasting concept as demonstrated by his personal visits to locations across Japan where he has engaged in dialogue with the field personnel. In these visits, he has

explained our goals 10 years from now, which indicate the ideal state of the region and the Group, and the significance of advancing the Mid-Term Management Plan 2024 as an effort to instill a sense of ownership within each field organization. One notable achievement was the strong first-year performance in environmental financing, which exceeded initial expectations and led to a major upward revision of the cumulative environmental financing target in Hiroshima Prefecture, to achieve ¥180.0 billion to ¥300.0 billion by FY2028. I see this as a strong example of how the alignment between management and the fields has enhanced frontline capabilities in corporate solutions. I hope this kind of success is shared widely and built upon to create more achievements in the future.

**Shinmen:** At the Board of Directors’ meetings, we continuously discuss about how to revitalize the regional economy. While the current mid-term management plan looks ahead over the next 10 years, I have explained to the future generation that, assuming the regional population decline continues, it is also necessary to think about building the region’s future 20 to 30 years from now.

Hiroshima is a strong region in manufacturing, and our corporate customers have focused on cost reduction. To sustain a vibrant economy in Hiroshima over the long term, I believe it is essential to boldly reallocate management resources by focusing on human resources and capital investment in highly productive

business domains and by working to create new products and services.

Hirogin Group has been actively promoting regional revitalization through various solutions, including hosting the startup development event TSUNAGU Hiroshima, introducing human resources from executive management to operational staff, mainly through Hirogin Human Resources, and offering support services for accepting foreign skilled talent, mainly through Hirogin World Business, which was established last year. From activities such as HATAful, a project across companies in the prefecture that aims to eliminate the excess population outflow from Hiroshima Prefecture, I expect them to serve as initiatives to promote the return of former residents and attract new residents from other regions.

**Matsumura:** What I particularly want to highlight in regional revitalization is that, with the ongoing increase of net outflow of residents in Hiroshima Prefecture, the percentage of women considering returning to Hiroshima to work remains low. I believe there are complex issues not yet reflected in data, such as creating a more work-friendly environment, ensuring equal treatment between men and women, and fostering awareness throughout the region. As a female Director myself, I actively raise these issues not only at Board of Directors' meetings but also in various other areas and I am committed to promoting women's active participation within the Hirogin Group. As a leading company in the region, we have significant influence over other companies, and I am confident that this attitude will serve as a driving force to lead the entire region forward.

Q2

**Please tell us about your efforts to improve the Board effectiveness and communication with the field personnel.**

**Shinmen:** In managing the Board of Directors meetings, continuity with the Board has been strengthened by involving not only the responsible departments but also the executive officers in charge in the advance explanatory meeting held the day before the Board of Directors' meeting. Additionally, Chairman Ikeda, who serves as Chairperson, focuses on creating an atmosphere that encourages open discussion. As a result, new comments from external Directors as well as from executive officers who have already expressed their opinions at the Management Board meetings have increased. Starting this fiscal year, a new initiative was introduced to create opportunities for free exchange of opinions regardless of assigned duties. This approach is advancing efforts to improve the quality of consensus building leading to management decisions.

**Matsumura:** I completely agree with what Mr. Shinmen just explained and I also highly value this new initiative. In the past, external Directors were mainly involved in the discussions, but now, everyone actively

participates and shares their own opinions. Under Chairman Ikeda's leadership, discussions have taken on greater depth.

At a study session for female managers held on a holiday, attendance was optional, yet many employees participated voluntarily, and active exchanges of opinions took place. I see this as a good sign of a workplace with open communication. Furthermore, there are many opportunities for direct exchanges of opinions between young and mid-career employees at branch offices and headquarters and the external Directors. I believe this open dialogue across the entire organization is a major strength in advancing our mid-term management plan.

**Shinmen:** Through repeated exchanges of opinions with employees working at branch offices, I have come to understand that there are many energetic employees who possess both intellectual curiosity and a strong ability to showcase their talents. At the same time, as sales support becomes more centralized and headquarters functions are strengthened, there is a growing proactive awareness around the question, "What should we do as the frontline of sales?" To encourage this awareness, I believe we have transitioned from the phase of listening to ideas from the field to the phase of actively turning them into concrete initiatives.

**Matsumura:** I believe that the distance created between headquarters and the field is partly due to the vertical organizational structure. While everyone in the field works together as one team, multiple departments at headquarters tend to operate independently, which can make coordination more difficult. To address this, it may be worth adopting a more flexible approach, such as an amoeba-based organizational structure that promotes cross-departmental collaboration within headquarters and strengthens communication between headquarters and the field.

Q3

**How is the Group responding to changes in the external environment, from the perspectives of competitive advantages and areas for improvement?**

**Shinmen:** Amid increasing uncertainty in the financial market environment, including geopolitical risks and rising interest rates, the Hirogin Group has been consistently working to improve the profitability of its securities portfolio. Top management and the relevant departments hold monthly discussions to review operations. This also reflects the Group's sincere commitment to addressing management issues.

I also value the fact that the Group is conducting explanatory training sessions for customers in response to environmental changes such as rising in-



# I deeply empathize with the Group's attitude to work in step with regional communities and its challenge to create value beyond finance

terest rates. While valuing a relationship of trust with business partners, building a structure that allows both sides to respond quickly to change is an important attitude to take as a financial institution.

To respond to unavoidable issues such as the declining population and the transition to a decarbonized society, it is essential to support the transformation of the region's industrial structure through assistance for initiatives like expanding the business scale of local companies via M&A and investment, and restructuring the business portfolio. I believe that strengthening the competitiveness of the entire region will strengthen the Group's competitive advantage.

**Matsumura:** Even as a regional bank, I believe it is essential to maintain a strong awareness of speed and competitiveness in order to respond to changes in the external environment. From my experience in the distribution industry, I have come to realize that both speed and a sense of scale are essential when responding to change. I sometimes feel that the regional banking industry tends to act too cautiously, which I also see as one of the issues.

In that context, I am paying close attention to the Group's future strategies, especially given that in March 2025, a collaboration agreement was concluded with Chugin Financial Group under the theme of "regional revitalization in the Sanyo region" in the sustainability area. I think that taking a broad regional perspective and developing ideas with regional competition in mind is a key survival strategy.

**Shinmen:** As Ms. Matsumura pointed out, in today's fast-changing environment, agility is important, and I feel it is essential to break away from fixed ideas and actively leverage the flexible ideas of Group members, including young employees. It is also important to make use of the knowledge of our alliance partners. I am somewhat concerned about the Group's slight delay in moving toward open architecture for its systems, but by leveraging its position as a follower, it can flexibly incorporate practices from other banks and potentially

gain a competitive advantage. Beyond systems, strengthening collaboration will become increasingly important as the Hirogin Group pursues scale benefits and alliance synergies that it cannot achieve alone.

**Matsumura:** I believe the Hirogin Group's competitive advantage lies in its community-based network and its supportive approach that works closely alongside customers. However, although having many local employees is a strength of the organizational culture, there is still an issue with flexibility in responding to change. I want to support efforts to promote understanding of the importance of incorporating diverse viewpoints from both inside and outside the region to strengthen competitiveness.

Q4

**What are your thoughts on the current state and issues of human resources development and succession plan?**

**Shinmen:** Since performance evaluations at branch offices were abolished, a culture of engaging with customers from a medium- to long-term perspective has been gradually taking root. It is important to develop talent who are customer-focused, can identify and deal with issues independently, and are capable of thinking ahead about how to respond to environmental changes over the medium- to long-term.

I also believe it is important to develop human resources ranging from the frontline to management who can think about how to create new workflows, business models, and life and work styles for themselves and their customers, and who can persuade those around them and their customers to help bring these ideas into reality. From among these human resources, the next generation of management should emerge as part of a long-term succession plan. The young generation demonstrates a proactive attitude by

**Through questions and dialogue  
from an external perspective,  
I will continue to provide  
opportunities for change and  
growth to the Group**



expressing ideas with flexibility and taking on new challenges. Also, President Heya and other members of management maintain an open attitude, actively listening to employees. Within this open corporate culture, I expect to see a virtuous cycle in which all levels of the organization, from young employees to top management, collaborate to formulate and share a future vision and work together to develop the human resources needed to bring that vision into reality.

**Matsumura:** I agree with Mr. Shinmen. I also share President Heya's strong belief in the importance of a corporate culture that embraces challenges. I expect that having an attitude that values uniqueness and differentiation will contribute to strengthening the brand going forward.

For the brand renewal project, I was involved in the discussions from a visual perspective. I found that what matters in branding is not just improving how things look, but how effectively the company's culture and values are communicated. I believe that having a clear perspective on the value Hirogin Holdings will provide to society will become increasingly important.

Regarding the succession plan, it is important to identify the next generation of leaders from a fresh perspective, rather than continuing to follow past practices. To achieve this, I believe it is important to pay more attention to the potential of young human resources and create an environment where diverse career paths can be developed.

Q5

**Please share your thoughts on  
the efforts to enhance corporate  
value and the roles expected of  
external Directors.**

**Shinmen:** All Directors are constantly considering how to enhance corporate value and executive management that is conscious of capital cost and share price.

I believe that in order to enhance corporate value for regional financial institutions, the productivity of the local economy as their management base needs to increase, and expanding the scale of local companies that need to achieve this will be the key factor. It is also necessary to enhance corporate competitiveness through human resources development and the use of digital technology.

In particular, improving operational efficiency and service quality through advanced technologies such as AI is an extremely important theme, and this also applies to the Hirogin Group. Promoting initiatives that leverage the strengths of each group company while organically linking them through DX is necessary to avoid the conglomerate discount.

As external Directors, we have the responsibility to contribute to enhancing corporate value by ensuring the soundness and transparency of management by leveraging our diverse backgrounds and expertise. Going forward, we hope to continue working closely with the management team to support better decision-making.

**Matsumura:** I believe that the true value of a regional financial institution lies in how it can contribute to the key industries in the region. By supporting local companies in solving their issues through the solution business and assisting in the realization of carbon neutrality, the Hirogin Group can lead the region in the sustainability area and improve its social evaluation. Although financial business will remain the core, I believe that having a sincere commitment to the region and taking actions toward solving issues will likely be key factors in gaining recognition from shareholders. As external Directors, we hope to contribute to the evolution of the company's business model by offering diverse viewpoints rather than just performing the supervision function.

## Basic approach

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

of corporate value over the medium to long term. To attain this goal, based on the intent and spirit of the Corporate Governance Code of the Tokyo Stock Exchange, Inc., we set out the following five principles in an effort to realize effective corporate governance.

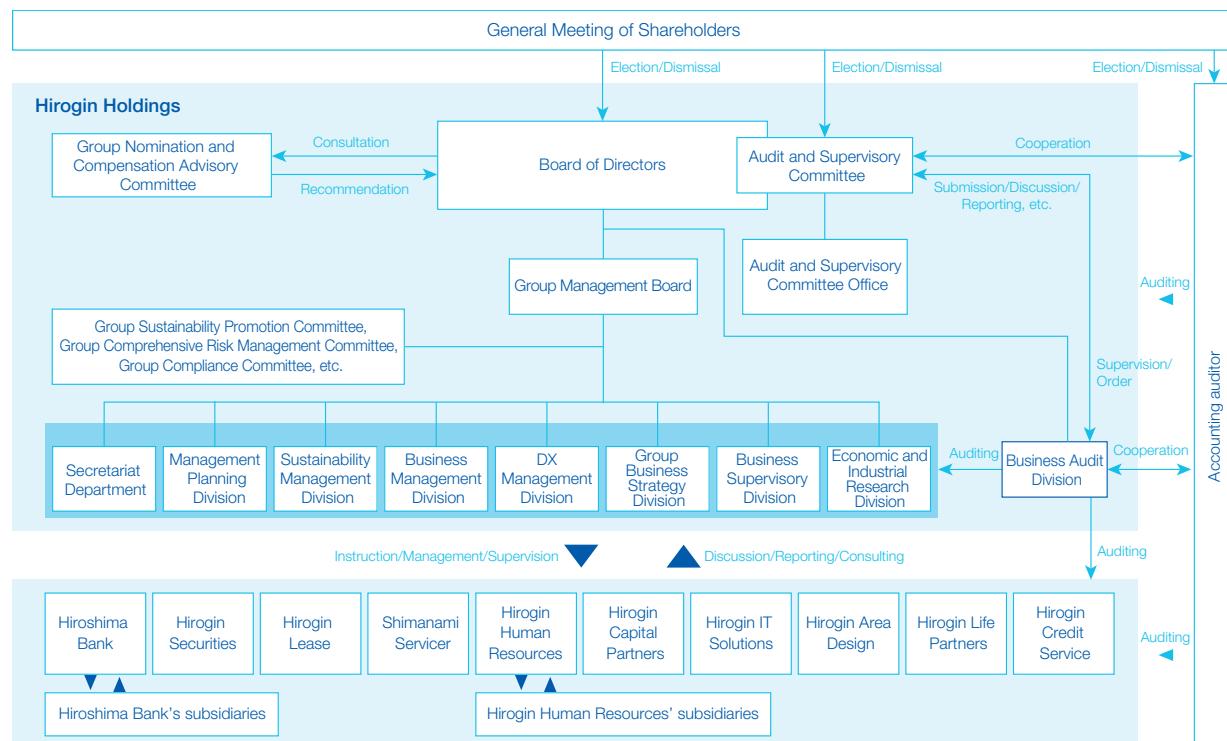
1. We respect shareholders' rights, secure equality and develop an appropriate environment for the exercise of the rights.
2. We strengthen measures in the sustainable development goals (SDGs) adopted by the United Nations and corporate social responsibility (CSR), and work in effective collaboration with all stakeholders, including the regional community, customers and employees, thereby fostering a corporate culture and climate in respect for their rights and standpoints.
3. We maintain transparent management by providing fuller disclosure in a timely and appropriate manner.
4. Our Board of Directors supervises the Company's business execution effectively and makes decisions swiftly, based on its fiduciary responsibility and accountability to shareholders.
5. We promote constructive dialogues with shareholders and respond appropriately.

## Corporate governance structure

By adopting the “Company with an Audit and Supervisory Committee” system, the Company aims to strengthen auditing and supervisory functions by granting voting rights at the Board of Directors to Directors who are Audit and Supervisory Committee Members (including multiple external Directors), and also aims to streamline the management and strengthen its functions by delegating authority over business execution to Representative Directors. Through such measures, we aim to further enhance corporate governance and increase corporate value.

By adopting the “Company with an Audit and Supervisory Committee” system, the Company establishes a system to allow the internal audit departments to support not only the Board of Directors but also the Audit and Supervisory Committee, and thereby aims to ensure the Group’s sound and sustainable growth as well as its social trust through highly effective and systematic auditing utilizing internal control systems by the Audit and Supervisory Committee.

Corporate governance structure (As of April 1, 2025)



## 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 (FY2024)

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

- Status of internalizing and embedding our Purpose
- Branding initiatives
- Response status after formulating the Mid-Term Management Plan 2024
- Group management plan/sales plan
- Status and development of management of each Group company
- Progress of the project to sophisticate Hiroshima Bank's backbone system, etc.

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

- Sustainability transformation (SX)
- Digital transformation (DX)
- Cybersecurity
- Digital marketing
- HR system revision, 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
- Development process for management personnel and management personnel candidates (succession plan)
- Revision of the monetary performance-linked compensation system for officers, 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 FY2024, based on the analysis and evaluation of the effectiveness of the Board of Directors in FY2023, 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, with the goal of realizing effective corporate governance.

### Plan: 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
- (2) Measures to sophisticate the operation of the Board of Directors
- (3) Measures to sophisticate the management personnel development process

### Do: Implementation of measures to enhance effectiveness of the Board of Directors based on the examination and response policy for FY2024

#### (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 Group companies (except for Hiroshima Bank) regarding self-analysis (issue recognition and growth strategies) from a medium- to long-term perspective, etc.

#### Free discussions on "important themes in management" in the Board of Directors and implementation status of execution presentations delivered by Group companies (FY2024)

##### 1. Free discussions on "important themes in management"

- Past initiatives and future actions toward digital transformation (DX) (July 2024)
- Past initiatives and future actions toward sustainability transformation (SX) (August 2024)
- Development process for management personnel and management personnel candidates (succession plan) (August 2024)
- Status of internalizing and embedding our Purpose (February 2025)

##### 2. Execution presentations by Group companies

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Management status of Hirogin Lease (August 2024)</li> <li>• Management status of Hirogin IT Solutions (August 2024)</li> <li>• Management status of Hirogin Capital Partners (August 2024)</li> <li>• Management status of Hirogin REIT Management (August 2024)</li> <li>• Management status of Shimanami Servicer (September 2024)</li> <li>• Management status of Hirogin Human Resources (September 2024)</li> <li>• Management status of Hirogin Knowledge Square (September 2024)</li> </ul> | <ul style="list-style-type: none"> <li>• Management status of Hirogin Life Partners (September 2024)</li> <li>• Management status of HIROGIN GLOBAL CONSULTING (September 2024)</li> <li>• Management status of Hirogin Securities (September 2024)</li> <li>• Management status of Hirogin Credit Service (September 2024)</li> <li>• Management status of Hirogin Area Design (September 2024)</li> <li>• Management status of Hirogin Business Service (September 2024)</li> </ul> |
|---|---|

## Do: Implementation of measures to enhance effectiveness of the Board of Directors based on the examination and response policy for FY2024 (\*Continued)

### (2) Measures to sophisticate 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.
- In order to further invigorate discussions at the Board of Directors and ensure that external officers can adequately access information possessed by the executive side, the Board of Directors has provided more detailed explanation to external officers on the preliminary review process for its agendas by the executive side. Specifically, information such as key opinions expressed at meetings of the Group Management Board and each committee has been provided.

### (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 established the Meeting for Exchange of Opinions with External Officers in FY2023. Also in FY2024, it held a total of six meetings for management personnel and management personnel candidates as well as younger/mid-career employees and others at Group companies to exchange opinions with external officers. The Board of Directors has also implemented measures to sophisticate the management personnel development process, such as holding free discussions on the theme of the development process for management personnel and management personnel candidates (succession plan).

#### Implementation status of the Meeting for Exchange of Opinions with External Officers (FY2024)

- Younger employees at Hirogin Securities, Hirogin Lease, and Hirogin IT Solutions (August 2024)
- Younger employees at Hiroshima Bank branch offices (September 2024)
- Mid-career employees at Hiroshima Bank branch offices (September 2024)
- Management personnel and management personnel candidates at Hiroshima Bank (November 2024)
- Employees seconded from Hiroshima Bank to Group companies (January 2025)
- Mid-career employees at Hirogin Securities, Hirogin Lease, and Hirogin IT Solutions (March 2025)

## Check: Evaluation and analysis of the effectiveness of the Board of Directors in FY2024

### (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 2025 on the status of maintenance and operation of internal control systems for FY2024 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 2025, 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 FY2024 at the Board of Directors meeting held in May 2025 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 FY2024. In particular, the measures taken throughout FY2024 to improve the issues recognized in the effectiveness evaluation of the Board of Directors in FY2023 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 of the Board of Directors and the management personnel development process, and shared the acknowledgment that further initiatives would be required to sophisticate the monitoring function of the Board of Directors.

## Action: Examination and response policy for FY2025 based on the results of analysis and evaluation for FY2024

- (1)Measures to sophisticate the deliberations at Board of Directors meetings
- (2)Measures to sophisticate the monitoring function of the Board of Directors
- (3)Measures to sophisticate the management personnel development process

### Board of Directors and Executive Officers (As of June 25, 2025)

#### 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)



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



**Shinichi Yokomi**  
Director & Senior Managing Executive Officer

April 1989 Joined Hiroshima Bank  
October 2010 General Manager, Kudamatsu Branch, Hiroshima Bank  
April 2013 General Manager, Private Banking Promotion Office of Personal Sales Division, Hiroshima Bank  
April 2017 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, General Manager, Sustainability Office, the Company  
April 2022 Managing Executive Officer, Hiroshima Bank  
June 2022 Managing Executive Officer, Hiroshima Bank  
April 2024 Director & Senior Managing Executive Officer, Hiroshima Bank  
June 2024 Director & Senior Managing Executive Officer (Representative Director), Hiroshima Bank (current position)  
Director & Senior Managing Executive Officer, the Company (current position)

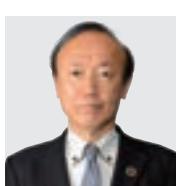


**Ryuichi Aoki**  
Director (Audit and Supervisory Committee Member)

New appointment

April 1989 Joined Hiroshima Bank  
April 2012 Associate General Manager, Risk Management Department of Risk Management Division, Hiroshima Bank  
April 2016 General Manager, Nagoya Branch, Hiroshima Bank  
April 2019 General Manager, Corporate Planning Division, Hiroshima Bank  
April 2021 General Manager, Risk Management Division, Hiroshima Bank  
General Manager, Risk Coordination Group of Business Management Division, the Company  
April 2023 Senior General Manager, Risk Management Division, Hiroshima Bank  
June 2023 Full-time Company Auditor, Hiroshima Bank  
June 2025 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 LIXIL Corporation)  
Senior Executive Officer, LIXIL Corporation  
November 2016 Executive Officer, Executive Vice President, LIXIL Group Corporation (currently LIXIL Corporation)  
Director and Senior Managing Officer, LIXIL 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)  
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  
April 2022 Director, Tokyu Fudosan Holdings Corporation  
June 2022 Representative Director and President, Tokyu Research Institute, Inc.  
July 2022 Special Advisor, TOKYU LAND CORPORATION (current position)  
June 2024 External Director (Audit and Supervisory Committee Member), the Company (current position)  
January 2025 Director and Chairman, Tokyu Research Institute, Inc. (current position)

#### Executive Officers

**Minoru Fujihiro**  
Managing Executive Officer

**Kenichiro Fujii**  
Managing Executive Officer

**Toshihide Horii**  
Executive Officer

**Kazuyuki Ishihara**  
Executive Officer

**Asako Kinoshita**  
Executive Officer

**Noriyoshi Nakamaru**  
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       |        |   | Experience and expertise           |                               |                   |              |
|-----------------|--------|---|------------------------------------|-------------------------------|-------------------|--------------|
| Name            | Gender | Position  | 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      | ●                                  |                               | ●                 | ●            |
| Ryuichi Aoki    | Male   | Director (Audit and Supervisory Committee Member) |                                    | ●                             | ●                 |              |

| External Directors |        |  | Areas of expertise particularly expected |                 |                              |              |
|--------------------|--------|--|--|-----------------|------------------------------|--------------|
| Name               | Gender | Position   | Corporate management/sustainability      | Economy/finance | Financial affairs/accounting | DX/IT/System |
| Yoshinori Shinmen  | Male   | Director   |  | ●               |                              |              |
| Harumi Matsumura   | Female | Director   | ●  |                 |                              |              |
| Hiroko Tani        | Female | Director<br>(Audit and Supervisory Committee Member) |  |                 | ●                            |              |
| Toshiaki Kitamura  | Male   | Director<br>(Audit and Supervisory Committee Member) |  |                 |                              | ●            |
| Yuji Okuma         | Male   | Director<br>(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 77 for details.)

In addition, in order to enhance the exchange of opinions and dialogues between external officers and the executive side, the Board of Directors established the Meeting for Exchange of Opinions with External Officers in FY2023. Also in FY2024, it held a total of six meetings for management personnel and management personnel candidates as well as younger/mid-career employees and others at Group companies to exchange opinions with external officers. The Board of Directors has also implemented measures to sophisticate the management personnel development process, such as holding free discussions on the theme of the development process for management personnel and management personnel candidates (succession plan).

## 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 meet-

ing 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 FY2024 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 customer-oriented business operations in June 2024 and human capital management and financial well-being in December 2024 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.

### ■ 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 following three items shall be used as performance indicators: the Company's profit attributable to owners of parent and capital efficiency (consolidated ROE) as financial factors; and the evaluation from external organizations on sustainability (ESG) initiatives as non-financial factors. 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 indicators, is paid after the end of each business year.

The performance-linked coefficients are as shown in "Attached Table 1".

#### 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.

Furthermore, we updated the monetary performance-linked compensation system for Directors and executive officers in April 2025. Specifically, we reviewed the performance-linked coefficients taking into account the rise in interest rate level (profit level). Also, we added the Company's consolidated ROE and the evaluation from external organizations on ESG initiatives as new performance indicators in order to sustainably enhance capital efficiency and further promote sustainability and ESG management.

#### 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 set so that the ratio of fixed-amount compensation : performance-linked compensation : stock-based compensation satisfies approximately 56 : 16 : 28 when the performance-linked compensation is a standard amount (performance-linked coefficient: 1.000). This ratio reflects the comprehensive consideration on 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).

#### (Attached Table 1) Coefficients used in the calculation of performance-linked compensation

(a) Those using profit attributable to owners of parent as a performance indicator

| Profit attributable to owners of parent (yen) | Performance-linked coefficient |
|---|--------------------------------|
| More than 55 billion                          | 1.500                          |
| More than 50 billion – 55 billion or less     | 1.375                          |
| More than 45 billion – 50 billion or less     | 1.250                          |
| More than 40 billion – 45 billion or less     | 1.125                          |
| More than 35 billion – 40 billion or less     | 1.000                          |
| More than 30 billion – 35 billion or less     | 0.875                          |
| More than 25 billion – 30 billion or less     | 0.750                          |
| More than 20 billion – 25 billion or less     | 0.625                          |
| 20 billion or less                            | –                              |

(b) Those using capital efficiency (consolidated ROE) as a performance indicator

| YoY percentage change in consolidated ROE | Performance-linked coefficient |
|---|--------------------------------|
| 15% or more                               | 1.250                          |
| 5% or more – less than 15%                | 1.125                          |
| 0% or more – less than 5%                 | 1.000                          |
| -15% or more – less than 0%               | 0.875                          |
| Less than -15%                            | 0.750                          |

(c) Those using the evaluation from external organizations on sustainability (ESG) initiatives as a performance indicator

| Degree of YoY improvement in external organizations' ESG evaluation (performance-linked coefficient) | MSCI-ESG ratings |            |          |       |
|--|------------------|------------|----------|-------|
|  | Deteriorated     | Maintained | Improved |       |
| FTSE ESG scores  | Deteriorated     | 0.750      | 0.875    | 1.000 |
|  | Maintained       | 0.875      | 1.000    | 1.125 |
|  | Improved         | 1.000      | 1.125    | 1.250 |

## ■ 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. Our basic policy is not to engage 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.

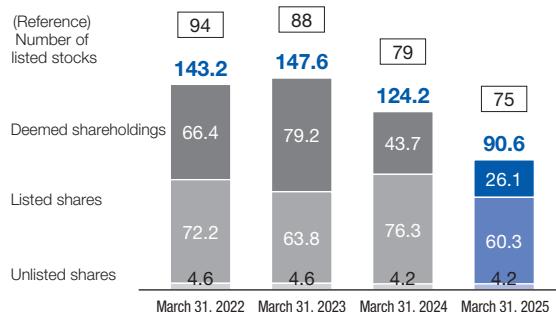
In the event that a company holding the Company's shares as cross-shareholdings expresses an intention to sell or otherwise dispose of the Company's shares, the Group will not prevent them from doing so by implying a reduction in transactions with the Group or by any other means.

As a medium- to long-term shrink target of cross-shareholdings, the Group aims to reduce the total mar-

ket value of shareholdings of shares other than unlisted shares and deemed shareholdings to "less than 15% of the Group's consolidated net assets" by the end of March 2029 (final fiscal year of the Mid-Term Management Plan 2024).

### ► Cross-shareholdings of shares

(¥ billion; based on the market value)



## ■ (Reference) Policies regarding cross-shareholdings of listed shares and the exercise of voting rights

### (1) Policies regarding cross-shareholdings of listed shares

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

- 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
- 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

## 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.

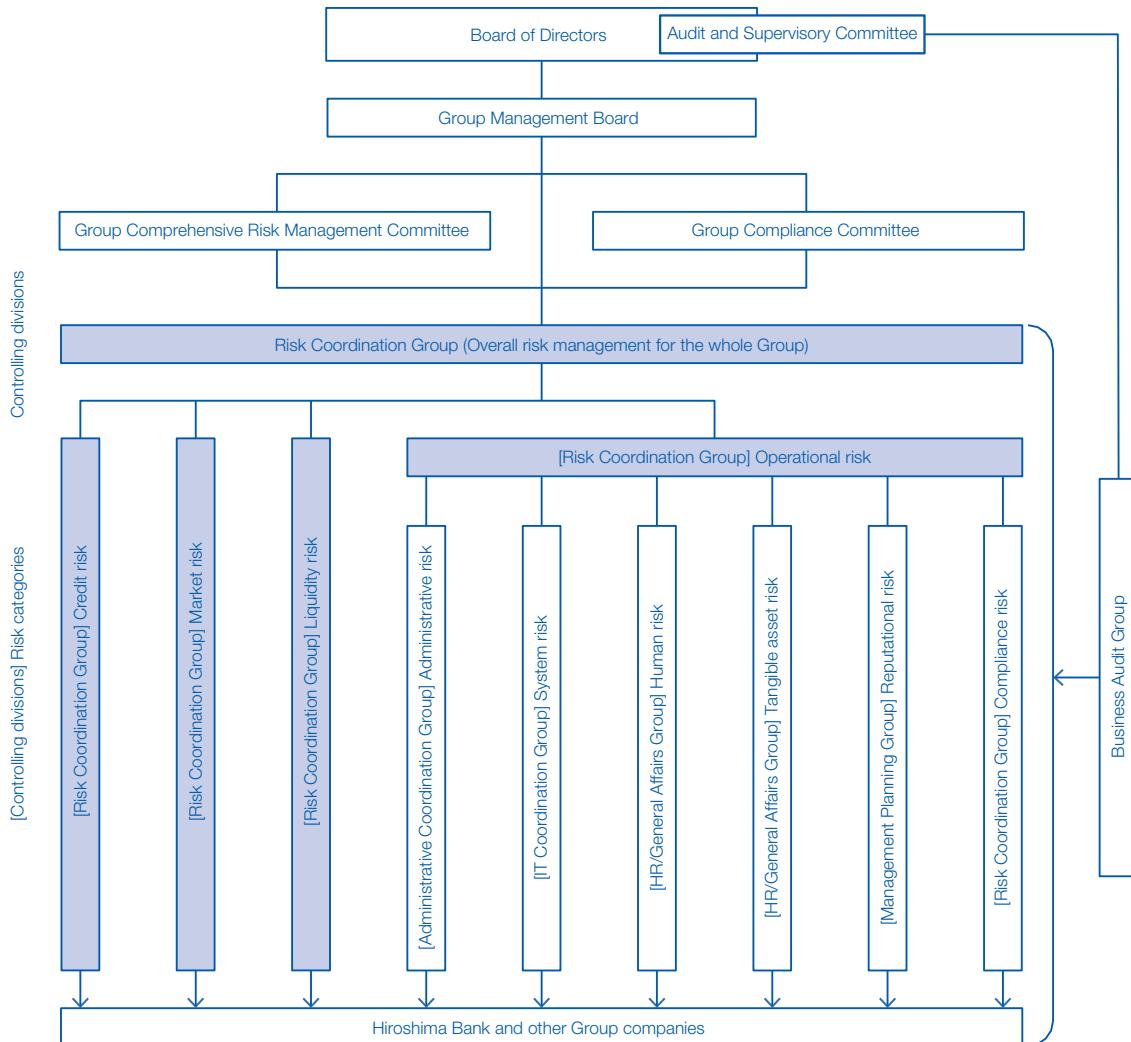
## Risk management framework

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, 2025)



## 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.

### 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 deci-

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.

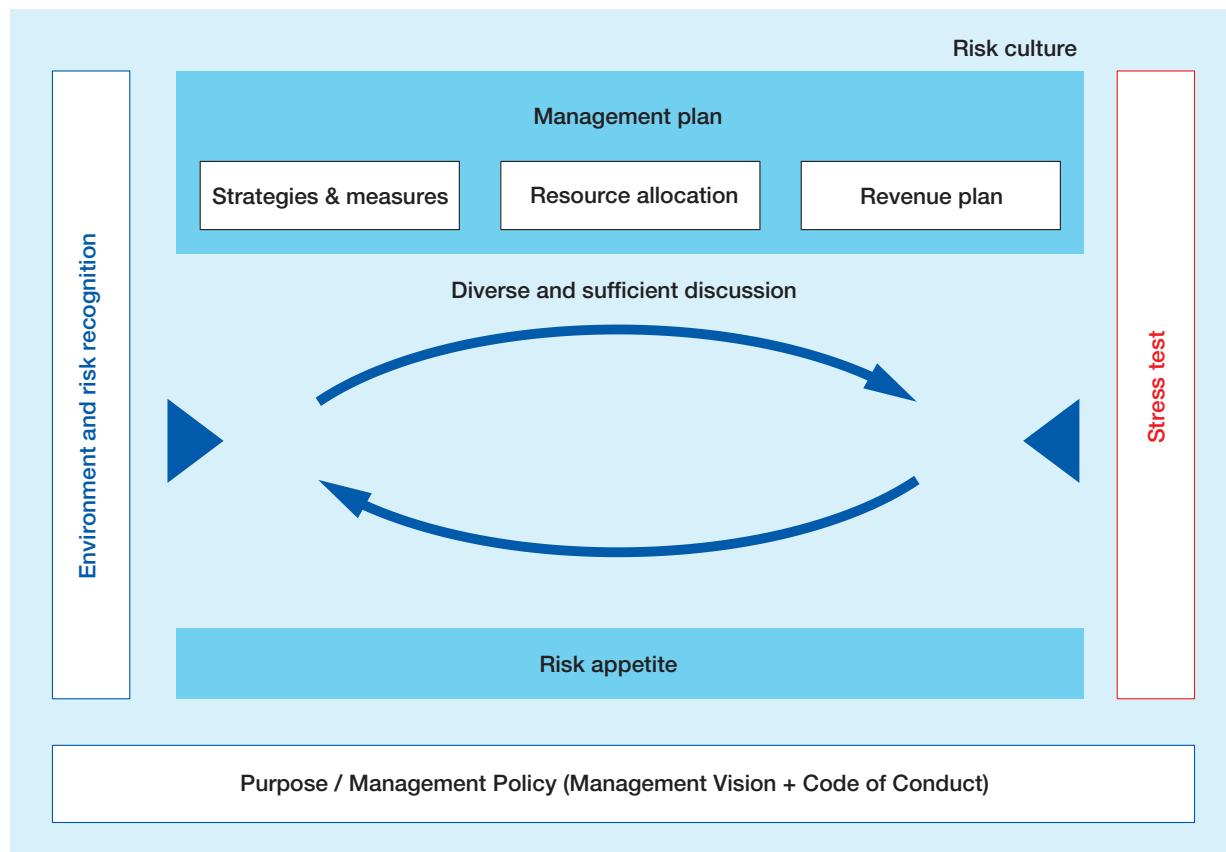
sion-making related to risk recognition, risk-taking, risk management, etc., and that it is a factor to the base for building strong risk governance. Based on that recognition, the Group has established the Hirogin Group's Risk Culture, while ensuring consistency with its Code of Conduct.

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)

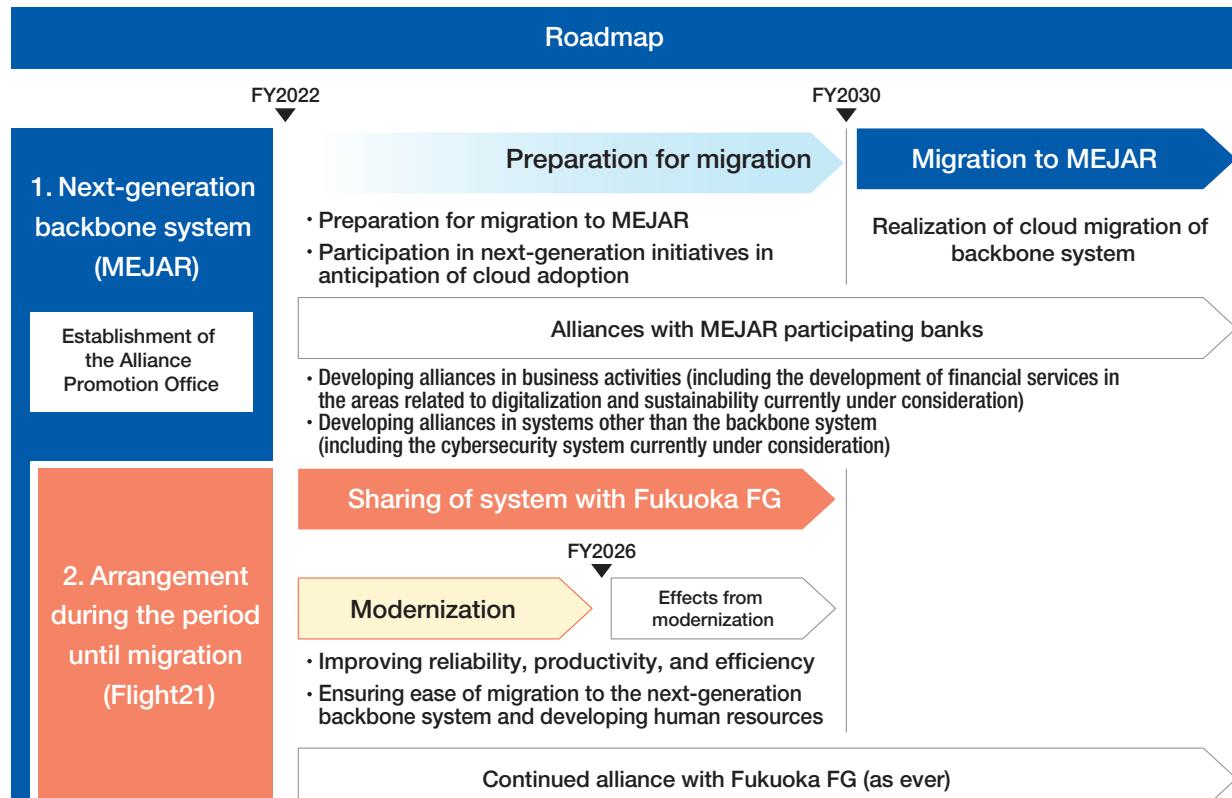
Hiroshima Bank has extended the operation of backbone system Flight21 until FY2030, which has been shared with Fukuoka Financial Group, Inc. (Fukuoka FG), IBM Japan Ltd. (General Manager: Akio Yamaguchi) and Kyndryl Japan KK (President: Takashi Uesaka). At the same time, we started the core banking system 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 inte-

gration infrastructure and sophisticate it by enhancing the API infrastructure.

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

### ► Roadmap for building a next-generation backbone system

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



## Cybersecurity

### Strengthening of cybersecurity measures by establishing specialist division

The Group positions cybersecurity as its top priority management issue with the aim of protecting customers' information assets from increasingly sophisticated cyber-attacks. In April 2024, we newly established the Security Coordination Department specialized in cybersecurity to take various measures.

Specifically, we conduct 24x7 system monitoring jointly with specialized partner companies. At the same time, we take multi-layered technical countermeasures, such as regular vulnerability diagnosis, data encryption, and appropriate management of authentication information. In addition, we are enhancing security with an eye toward migration to the MEJAR next-generation backbone system, which Hiroshima Bank will start sharing from FY2030.

We also adopt people-focused countermeasures in order to raise security awareness and enhance security capabilities of all employees. Examples of people-focused countermeasures include holding regular training

sessions and continuous awareness development through case studies about the importance of information management and the threats of cyber-attacks by using in-house newsletter, e-learning, video content and other media. In this way, we aim to establish their awareness in their daily operation.

Furthermore, we utilize the system of mutual assistance driven by organizations such as Financials ISAC Japan and the CMS-CSIRT, an organization to promote mutual assistance in cybersecurity in cooperation with MEJAR participating banks and NTT Data Regional Banks Joint Center participating banks. We accordingly share information, develop specialists, and continuously conduct practical cyber-attack drills to enhance response capabilities of the entire organization.

Through these initiatives, we will maintain a secure environment that can offer customers peace of mind and reliability.

## Basic approach

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

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

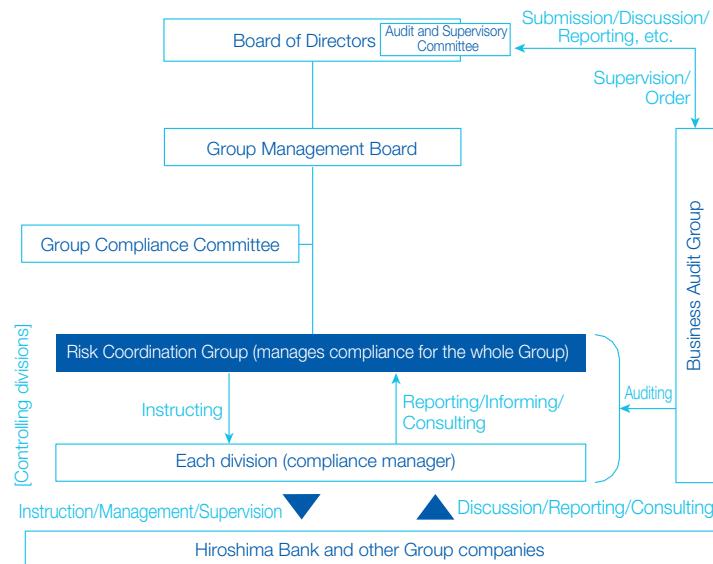
## Compliance structure

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

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

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

### Compliance structure (as of April 1, 2025)



## Compliance program

The Board of Directors resolves on the Group compliance program every 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 compli-

ance 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 half fiscal year. 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

## ■ Establishment of a 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 by a resolution at the Board of Directors meeting 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.

### Human rights policy (outline)

1. Respect for international norms
2. Elimination of discrimination
3. Fostering of corporate culture that encourages respect for human rights
4. Establishment of comfortable work environment
5. Implementation of fair recruitment
6. Implementation of human rights training
7. Treatment to customers
8. Treatment to suppliers
9. Remedial measures
10. Management framework
11. Information disclosure and dialogue

(For more details, please access the Company's website.)  
<https://www.hirogin-hd.co.jp/csr/sdgs/human-rights-policy/index.html>

## ■ Human rights due diligence

Under its human rights policy, the Group respects international norms including the Guiding Principles on Busi-

ness and Human Rights and works on human rights due diligence in accordance with the following process.

| (1) Identify and assess adverse impacts (human rights issues) |  | (2) Prevent and mitigate adverse impacts   | (3) Evaluate effectiveness of initiatives   |
|---|--|--|---|
| Employees   | <ul style="list-style-type: none"> <li>• Implementation of unfair recruitment screening</li> <li>• Discriminatory remarks/actions and prejudice</li> <li>• Infringement of employees' privacy</li> <li>• Harassments (including abusive or aggressive behavior by customers)</li> <li>• Long working hours, non-compliant work environment, and resulting health damages</li> </ul>  | <ul style="list-style-type: none"> <li>• Organizational initiatives for promoting diversity, equity and inclusion</li> <li>• Establishment of hotlines</li> <li>• Enhancement of human rights training for employees based on the human rights policy</li> <li>• Elimination of investigations and questions that may lead to a background investigation in the recruitment screening process</li> </ul>   | <ul style="list-style-type: none"> <li>• Periodic examination of human risks</li> <li>• Implementation of an employee questionnaire survey and examination of its result</li> <li>• Monitoring of work status</li> <li>• Examination of reports to hotlines</li> </ul>  |
| Customers (including investees and borrowers)                 | <ul style="list-style-type: none"> <li>• Discriminatory treatment to customers</li> <li>• Infringement of customers' privacy</li> <li>• Lack of safety and soundness for consumers in providing financial and other services</li> <li>• Discrimination, overworking, forced or compulsory labor, child labor, and infringement of human rights in local communities and on regional residents in business activities of investees and borrowers</li> </ul> | <ul style="list-style-type: none"> <li>• Demonstration of check and balance functions for businesses for which investments and financing are prohibited and businesses that require careful consideration when making such investments and loans under the Policy on Investment and Financing for Environmental and Social Solutions</li> <li>• Establishment of the Customer Consultation Office</li> <li>• Enhancement of dialogue with investees and borrowers on human rights issues using discussion tools for feasibility studies</li> </ul> | <ul style="list-style-type: none"> <li>• Implementation of a corporate customer questionnaire survey and examination of its result</li> <li>• Examination of reports to the Customer Consultation Office</li> <li>• Examination of actual situations through audits for outsourcing partners, investees, and borrowers</li> </ul> |
| Suppliers (procurement and outsourcing partners)              | <ul style="list-style-type: none"> <li>• Discrimination, overworking, forced or compulsory labor, child labor, and infringement of human rights in local communities in business activities of suppliers</li> </ul>  | <ul style="list-style-type: none"> <li>• Preparation of human rights-related check sheets to be used upon new purchase in supplier transactions and outsourcing</li> <li>• Establishment of the Customer Consultation Office</li> </ul>  |   |

## ■ The Group's initiatives to respect human rights

|   |   |
|---|---|
| Prevention of harassment  | <p>To prevent internal sexual harassment, abuse of power, and other 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. 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.</p> <p>We protect Group employees from external harassment such as abusive or aggressive behavior by customers. To this end, we have developed regulations and case studies and work together with external agencies (police and corporate lawyer) to respond appropriately as an organization.</p> |
| Approach to tackling anti-discrimination and human rights issues (framework and training) | <p>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.</p> <p>The anti-discrimination and human rights training sessions focus on the anti-discrimination issue to deepen correct understanding and awareness thereof. At the same time, they are held on the theme of diversifying human rights issues taking into account the latest human rights situation, while also disseminating the human rights policy formulated in May 2023.</p>   |

## ► Results of training on anti-discrimination and human rights issues for FY2024

| Program   | Target                              |             |
|---|-------------------------------------|-------------|
| Training for new employees  | New employees                       | 135 persons |
| Training for new supervisors                                      | New supervisors                     | 89 persons  |
| Training for new managers   | New managers                        | 62 persons  |
| Training for new branch managers                                  | New branch managers (bank)          | 39 persons  |
| Training for mid-career hires at the time of being hired          | Newly hired mid-career hires (bank) | 32 persons  |
| Training for staff at the time of being appointed                 | Newly appointed staff (bank)        | 87 persons  |
| Workplace training on anti-discrimination and human rights issues | All employees                       |             |

# Establishment of the System of Providing Universally Accessible and Inclusive Services

## ■ Hiroshima Bank's initiatives for improving accessibility

### (Branches)

The entrances of all branches are each equipped with at least one automatic door and free from steps. Furthermore, we are promoting the development of tactile paving tiles and *omoiyari* parking lots (those designated under the Parking Permit System and priority parking lots).

### (Introduction of various communication methods)

We are diversifying communication methods at the counter of each branch. For example, we are ready for written conversation and utilize a communication support board. The board allows customers to indicate their desired procedure by pointing to a picture with their finger to facilitate smooth communication.

We are also working to offer passbooks and ATM cards with Braille markings.

### (Universally designed ATM)

Hiroshima Bank's ATMs are designed to be easily operable by wheelchair users. Each ATM is also equipped with a handset (phone receiver) as a consideration for people with visual disabilities. When you follow the audio guidance to push the corresponding button, you can smoothly make deposit/withdrawal transactions or make a call with staff.

### (With support for the Telephone Relay Service)

Support is provided for the Telephone Relay Service, through which an operator serves as an intermediary for calls between Bank staff and customers with hearing or speech disabilities, using sign language or written words. With this service, we have developed the environment where such customers smoothly receive services such as reporting the loss of their cards and account verification in real time.

## ■ Customer service reform for nurturing an ability to sense customers' inconvenience

We aspire to be a company that provides accessible and inclusive services for diverse people. Underpinned by this aspiration, we strengthened company-wide initiatives relating to reasonable accommodation in FY2024. We strive to help employees not only learn knowledge but also improve Universal Manners through experience, practice, and dialogue.

### [Measures implemented in FY2024]

| Target                                   | Measures   |
|--|--|
| All employees                            | E-learning (Act for Eliminating Discrimination Against Persons with Disabilities)                                    |
| All employees                            | E-learning (reasonable accommodation)  |
| All employees                            | Preparation of the training material Universal Manners Handbook  |
| Persons responsible for customer service | Experiential training for service care casts   |
| Bank branch offices                      | Investigation on the actual situation of customer services   |
| Bank branch offices                      | Implementation of the lecture to convey the investigation result and accessibility check tests inside branch offices |
| Bank branch offices                      | Study sessions on Universal Manners at each branch office  |

\* Universal design and Universal Manners are based on the mindset of valuing an open and comfortable environment and attitude for everyone.



A total of 145 responsible persons playing a core role of providing services at branch offices participated in the experiential training for service care casts with an external lecturer. They learned how to engage appropriately with diverse customers, such as people with disabilities and elderly, pregnant, and LGBTQ+ people to develop practical customer service skills and understanding.

The Universal Manners Handbook, a training material for employees, was prepared by employees with disabilities at our Group company Hirogin Business Service and played a key role in dissemination.



### [Excerpt from Universal Manners Handbook]

#### A specific way to practice Universal Manners



## ■ Strengthening the system of watching over elderly customers

As a member of the regional elderly support network, Hiroshima Bank promotes the cooperation between 23 branch offices in Hiroshima Prefecture and community general support centers to share information as needed and engage in case-by-case handling. In this way, we are working to create society where elderly people live with the sense of security.

To improve their response capabilities for elderly customers, all Bank employees take a dementia sup-

porter training course to properly understand dementia and learn how to appropriately respond to people with dementia.

Going forward, we will create an environment where all customers can comfortably use our services by making polite responses in order to propose optimal solutions to the needs and troubles of each customer, thereby contributing to the realization of financial services that leave no one behind.

# 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 an annual 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 semiannual basis.

## Information management

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

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

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

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

## Solicitation policy

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

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

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

# Internal Audits

## Basic approach

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

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

## Internal audit system

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

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

### Hirogin Holdings

The Company has established the Business Audit Division, which is independent of audited departments and reports to the Board of Directors and the Audit and Supervisory Committee. The Business Audit Division serves as the controlling division of the Group's internal audit departments and cooperates with Group companies. In addition, it conducts internal audits in collaboration with the Board of Directors and the Audit and Supervisory Committee. Through such a cooperative framework, the Business Audit Division strives to enhance governance of the entire Group.

The Business Audit Division formulates the Group's basic plans for internal audit by taking into consideration important risk items across Group companies and making an overall coordination of basic plans for the Group's internal audit. The Group's basic plans for internal audit

are approved by the Board of Directors and the Audit and Supervisory Committee.

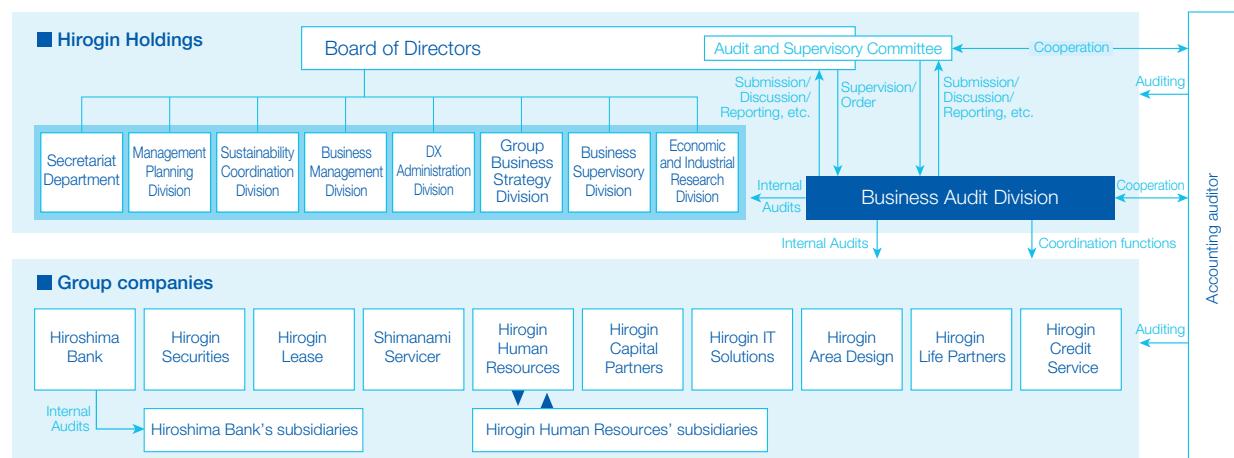
The Group's internal audit departments conduct internal audits in accordance with the Group's basic regulations on internal audit set forth by the Board of Directors and the Audit and Supervisory Committee, as well as with the Group's basic plans for internal audit. The Business Audit Division summarizes the results of internal audits by the Group's internal audit departments and the status of improvements and corrections, and reports to the Board of Directors and the Audit and Supervisory Committee on a regular basis. Through the reports from Group companies' internal audit departments, the Business Audit Division also monitors and examines internal control systems and the status of internal audits of Group companies, and gives instructions or takes other measures if necessary.

### Group companies

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

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

### Internal audit system (as of April 1, 2025)

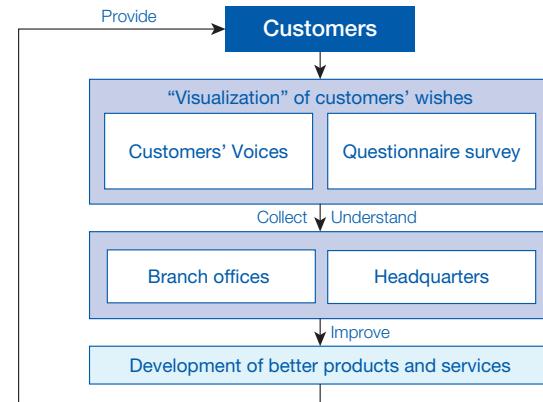


# Communication with Stakeholders

## 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 FY2024, 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 FY2024

|   |  |
|---|--|
| Briefing sessions for institutional investors         | 6 sessions   |
| One-on-one meetings with institutional investors      | 43 meetings (including meetings with overseas investors) |
| Briefing sessions for individual investors and others | 4 sessions   |

### ► Examples of dialogues that have generated awareness from shareholders and investors

| Dialogue theme             | Opinions of shareholders and investors obtained through dialogues  |
|----------------------------|--|
| Governance                 | Please break down the skills matrix of Directors (adding sustainability, etc.).  |
| Strategy                   | Please indicate measures to improve RORA through the use of risk assets and other measures to improve ROE.   |
| 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. |
| Dialogue with shareholders | Contact with investors should be expanded to hear more from institutional investors.   |

| Measures by the Group  |
|--|
| 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).   |
| 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").  |
| 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. |
| We increased opportunities for individual meetings with analysts and institutional investors by the Representative Director and President, etc.<br>We held quarterly briefing sessions (small meetings) for 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 benefit options on the table below: (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, 2025)

| 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 <sup>*1</sup> | —                               | —                                 | Additional 0.10% to the interest rate presented at branches |
|   | Length of time-deposit              | —                               | —                                 | One year  |
|   | Upper limit                         | —                               | —                                 | ¥5 million  |
| Catalog gift of local products/ Gift card | Details of privileges <sup>*2</sup> | 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.

# Financial Data

## Group financial data (for five years)

|  | FY2020      | FY2021      | FY2022      | FY2023      | FY2024      |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Summary of consolidated performance</b> (¥ million)               |             |             |             |             |             |
| Consolidated gross profit  | 95,220      | 92,018      | 79,370      | 100,752     | 112,830     |
| Net interest income  | 66,805      | 69,535      | 66,276      | 72,913      | 85,759      |
| Net fees and commissions   | 19,524      | 21,115      | 20,814      | 24,140      | 26,058      |
| Net gain on trading account transactions                             | 4,134       | 4,305       | 3,288       | 2,300       | 2,357       |
| Net other ordinary income  | 4,755       | (2,939)     | (11,008)    | 1,398       | (1,344)     |
| Of which, gain (loss) related to bonds                               | [3,210]     | [(7,230)]   | [(16,795)]  | [(2,443)]   | [(6,294)]   |
| General and administrative expenses                                  | 57,800      | 58,031      | 58,064      | 57,991      | 64,194      |
| Credit costs   | 11,216      | 12,447      | 665         | 15,025      | 2,925       |
| Gain (loss) related to equity securities                             | 4,517       | 5,073       | (2,297)     | 7,628       | 5,557       |
| Share of profit (loss) of entities accounted for using equity method | 181         | —           | —           | (17)        | 56          |
| Others   | 138         | 457         | 437         | (1,194)     | 851         |
| Ordinary profit  | 31,042      | 27,070      | 18,780      | 34,151      | 52,176      |
| Extraordinary income (loss)  | (107)       | 5,856       | (525)       | 5,794       | (1,135)     |
| Income taxes   | 9,360       | 9,984       | 5,717       | 12,211      | 15,196      |
| Profit attributable to owners of parent                              | 21,574      | 22,906      | 12,508      | 27,691      | 35,835      |
| <b>Summary of consolidated balance sheets</b> (¥ million)            |             |             |             |             |             |
| Total assets   | 11,009,572  | 11,603,909  | 11,496,027  | 12,790,381  | 12,131,905  |
| Securities   | 1,479,829   | 1,668,228   | 1,580,832   | 1,783,523   | 1,916,703   |
| Loans and bills discounted   | 6,480,841   | 6,901,858   | 7,224,123   | 7,689,192   | 7,934,540   |
| Total liabilities  | 10,492,691  | 11,107,708  | 10,997,422  | 12,255,132  | 11,627,269  |
| Deposits   | 8,344,597   | 8,729,837   | 8,925,494   | 9,225,779   | 9,277,057   |
| Negotiable certificates of deposit                                   | 325,478     | 338,041     | 326,762     | 136,410     | 160,242     |
| Total net assets   | 516,880     | 496,200     | 498,604     | 535,249     | 504,636     |
| Shareholders' equity   | 445,112     | 461,189     | 465,920     | 478,927     | 497,905     |
| Retained earnings  | 361,215     | 377,217     | 381,782     | 400,829     | 423,980     |
| Accumulated other comprehensive income                               | 71,519      | 34,745      | 32,421      | 56,052      | 6,503       |
| Non-controlling interests  | 121         | 138         | 135         | 142         | 100         |
| <b>Financial indicators</b>  |             |             |             |             |             |
| Capital adequacy ratio (%)   | 10.6        | 10.37       | 11.78       | 11.04       | 11.04       |
| Cash dividend per share (¥)  | 24.0        | 24.0        | 27.0        | 37.0        | 48.0        |
| Dividend payout ratio (%)  | 34.6        | 32.5        | 67.1        | 41.0        | 40.5        |
| Total return ratio (%)   | 34.6        | 32.5        | 67.1        | 52.2        | 51.7        |
| Book-value per share (BPS) (¥)                                       | 1,664.01    | 1,596.79    | 1,603.30    | 1,760.62    | 1,679.10    |
| Basic earnings per share (EPS) (¥)                                   | 69.26       | 73.75       | 40.25       | 90.35       | 118.55      |
| ROE (%)  | 4.3         | 4.5         | 2.5         | 5.4         | 6.9         |
| Number of shares issued (including treasury shares) (shares)         | 312,370,921 | 312,370,921 | 312,370,921 | 312,370,921 | 308,775,621 |
| Share price (¥)  | 677         | 648         | 626         | 1,091       | 1,211.5     |
| Market capitalization* (¥ billion)                                   | 211.5       | 202.4       | 195.5       | 340.8       | 374.1       |
| P/B ratio (times)  | 0.41        | 0.41        | 0.39        | 0.62        | 0.72        |
| P/E ratio (times)  | 9.8         | 8.5         | 15.5        | 12.0        | 10.3        |

\* Calculated based on the share prices at the end of fiscal years

|                          |           |           |           |           |           |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Nikkei stock average (¥) | 29,178.80 | 27,821.43 | 28,041.48 | 40,369.44 | 35,617.56 |
| Exchange rate (USD/JPY)  | 110.71    | 122.41    | 133.54    | 151.33    | 149.53    |

## Independent Practitioner's Limited Assurance Report

August 25, 2025

To Toshio Heya, Representative Director and President  
of Hirogin Holdings, Inc.

KPMG AZSA Sustainability Co., Ltd.

Osaka Office, Japan

Keisuke Inoue, Engagement Partner

### **Conclusion**

We have performed a limited assurance engagement on whether selected environmental performance indicators (the “subject matter information” or the “SMI”) for the period from April 1, 2024 to March 31, 2025 included in the Integrated Report 2025 (the “Report”) of Hirogin Holdings, Inc. (the “Company”) have been prepared in accordance with the criteria (the “Criteria”), which are established by the Company. The SMI subject to the assurance engagement is indicated in the Report with the symbol “★.”

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company’s SMI for the year ended March 31, 2025 is not prepared, in all material respects, in accordance with the Criteria.

### **Basis for Conclusion**

We conducted our engagement in accordance with the “International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements” issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the “Our responsibilities” section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies the International Standard on Quality Management (ISQM) 1, Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the IAASB. This standard requires the firm to 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Other information**

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (“other information”). We have read the other information but have not performed any procedures with respect to the other information. We do not express any conclusions for other information.

### **Responsibilities for the SMI**

Management of the Company is responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and
- preparing the SMI in accordance with the Criteria.

### **Inherent limitations in preparing the SMI**

As described in the calculation method of greenhouse gas (GHG) emissions in the Report, GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials.

Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

### **Our responsibilities**

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management.

#### Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures including trend analysis;
- identifying and assessing the risks of material misstatements;
- performing a site visit at the Company's headquarters which was determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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