



The Concordia Financial Group, Ltd.

Published by:

Corporate Communications Promotion Office, Corporate Planning Department

July 2023

INTEGRATED REPORT

2023

CONCORDIA Financial Group



“Our Vision”

A solution company rooted in communities and selected as a partner to walk together

Thoughts underscored in the “Our Vision”

“Rooted in the community”

- As a regional financial institution, we sincerely address the issues faced by our customers and local communities.
- We contribute to the sustainable development of vibrant communities.

“Selected as a partner to walk together”

- We provide services that exceed customer expectations and become the most accessible financial institution chosen by customers.
- We continue to take pride in our position as the number one regional bank and our role as a leading regional financial institution in Japan.

- By improving the range and the quality of our solutions and providing solutions to solve the issues faced by our customers and the community, we will continue to be an “indispensable financial group for the community”, as stated in our management philosophy.

The ideas of management and of all employees

Based on the idea that all of us who actually take action should be responsible for those actions, we used questionnaires and opportunities to exchange opinions with our employees to involve all of them in discussions about where we should be heading and we have created a system that incorporates the thoughts and ideas of all employees.

CONTENTS

Management Principles

To Our Stakeholders

- 5 Top Management Commitments
- 13 A Message from the Director of Finance
- 19 Outside Directors Roundtable Discussion
- 23 Initiatives to Raise Corporate Value

The Value Creation Story

- 39 History of the Concordia Financial Group
- 41 Value Creation Process
- 43 Sources of Competitive Advantage/Cultivated Capital
- 45 Sustainability Initiatives
- 49 Six Identified Materialities (Critical Issues That Must be Resolved on a Priority Basis)
- 51 Medium-Term Management Plan
- 55 Financial and Non-Financial Highlights
- 57 Collaborative Value Creation with Stakeholders
- 59 Special Feature 1: Business Integration with THE KANAGAWA BANK
- 61 Special Feature 2: Human Resource Strategy—Creating New Value and Sustainable Growth

Business Strategy for Value Creation

- 81 Special Feature 3: Strengthening and Expanding Business Areas through Strategic Investments, Alliances, etc.
- 83 Supporting the Sustainable Growth of Local Businesses
- 89 Helping People Live in the Age of Centenarians
- 93 Human Resources to Achieve a “Solution Company”
- 95 Workplace Reform and Promotion of Diversity
- 97 Promotion of Financial Digitization (DX)
- 103 Measures Against Global Warming and Climate Change—TCFD Recommendation Initiatives
- 114 Revitalize the local economy

Management Base That Supports Value Creation

- 121 Corporate Governance
- 129 Board of Directors
- 131 Risk Management Initiatives
- 136 Compliance Initiatives
- 139 Internal Audit System
- 140 Customer-Focused Business Operations
- 143 Group Non-Financial Data
- 146 ESG Information

Editorial Policy

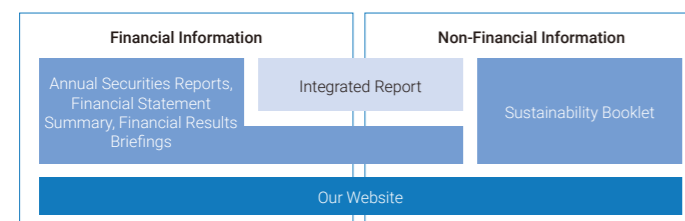
This integrated report seeks to clearly communicate to all stakeholders our desire to remain “a financial group that is trusted by customers and indispensable to the region”, and the specific initiatives we will take to achieve this. We have therefore presented both financial information and non-financial information regarding areas such as value creation and sustainability that can help fuel continuous growth. The editorial process is based on the “International Integrated Reporting Framework” and the “Value Creation Guidance” issued by the Ministry of Economy, Trade and Industry (METI).

This integrated report (main report and reference material) is a disclosure document based on Article 21 and Article 52-29 of the Banking Act. It contains statements regarding future performance, but these statements do not guarantee future performance, which may differ from actual performance due to changes in the business environment and other factors.

What the Report Covers

Period	FY2022 (April 2022 - March 2023) Some information from after April 2023 is also included.
Scope	The Concordia Financial Group and its subsidiaries and affiliates

Information Disclosure Communication



For more information, please visit our website.
<https://www.concordia-fg.jp>





Management Philosophy

Concordia Financial Group management is based on the following management philosophy system, which is positioned as the foundation of our corporate activities.



CONCORDIA
Financial Group

The word “Concordia” is derived from the Latin words “Con” (together) and “Cordia” (heart), and means harmony and cooperation.

TOP COMMITMENT

We consider increasing our corporate value to be our most important mission, and we will work together to create value by resolving issues faced by local customers while placing importance on communication with stakeholders.

Concordia Financial Group

President and
Representative
Director



To improve corporate value

It has already been one year since I was appointed President and Representative Director of the Concordia Financial Group in June 2022. As a publicly traded company, our most important mission is to increase corporate value and that mission has not changed at all.

Since we are entrusted by our shareholders to manage the business in which they have invested, we must pay back our shareholders by increasing our corporate value. To this end, we believe that rewarding stakeholders other than shareholders, namely local customers and our Group's employees, will ultimately lead to an increase in corporate value. So, while solving our customers' problems, we also grow together with them by increasing the value of local communities,

customers' household finances, and companies. We provide employees with opportunities for growth and a comfortable work environment and encourage them to experience their dreams, hopes, and future in their work and life. Only with such steps will our corporate value increase.

Improvement of PBR (Price-to-Book Ratio) is being closely watched as a way to improve the financial value of companies, with the Tokyo Stock Exchange noting that many listed companies have a PBR under 1x. In addition to reaffirming the necessity of facing the capital markets as we aim to increase corporate value, I feel that this is good opportunity for us to increase the areas in which our solution business can

TOP COMMITMENT

assist listed companies with new capital policy and financial strategy issues.

To improve PBR, the most important thing is to improve ROE (return on equity). To achieve this, we tend to focus on capital policies such as purchases of treasury shares and dividend increases. However, to truly improve corporate value, it is important to look at how to leverage capital to grow the business over the medium to long term. At FY2022 Board of Directors meetings, we

Pursuing business practices that are consistent with social causes and ethics

My particular focus over the past year has been to make more contact with each of our stakeholders. It is important to deepen disclosure and dialogue with investors more than ever before, to share our ideas for improving our corporate value, and to gain their understanding of them. In addition, in our contact with customers, it is important to approach our role as a regional financial institution from the standpoint of how we can contribute to the local community and to our local customers.

I had the opportunity to speak with a variety of customers, and among them, one encounter with a person who is a senior manager left a lasting impression on me. Through my dialogue with this person, I realized once again that we should pursue business practices that are in accordance with social causes and ethics. Even if it leads to revenue and business opportunities in the short term, medium- to long-term business growth will not be achieved if we do things that are unethical to local communities and customers. What we have here is precisely the thinking of Eiichi Shibusawa in “Analects and Abacus”. I

discussed how to effectively utilize the capital entrusted to us by our shareholders from this perspective, and what we will proactively do to lower the cost of capital, including a Group Human Resource Strategy that is linked to these management strategies. We will steadily implement the roadmap for improving our corporate value, which we have clearly outlined. I believe that is my role and responsibility.

would like to continue to communicate this within the company in my own words.

If revenue figures do not reach our goals, it is possible that our proposals did not match the customer or that we did not exceed the customer's expectations. Rather than chasing short-term numbers, it is important to think in terms of profit generation by listening carefully to the customer's needs once again, and making proposals that add value. I think it will lead to a fair and pleasant work environment for employees.

In the course of increasing communication with our employees, we have also realized once again that many of our younger employees are not dissatisfied with the company or their jobs, but they do have vague concerns about whether they will be able to grow if they stay here. This was also one of the reasons for formulating a new human resource strategy. We are also reviewing our evaluation system, and by evaluating work processes more than ever, I hope to convey to our employees the work philosophy and management philosophy that I wish to share with them.

The importance of building relationships with customers by providing them solutions remains unchanged today and will remain unchanged 30 years from now.

Compared to the past few decades, the role required of banks is changing dramatically. Companies can raise funds directly from the capital markets, and new means of fundraising, such as crowdfunding, are expanding. While the traditional role of responding to customer demand for funds will remain unchanged, this alone will not allow banks to fulfill their social role. We have been having a lot of contact with our customers. This means that we have relationships with our customers in which we can play a role in solving various issues.

Customer issues are always present. We can be the first to consult with them on these issues, accurately understand the details, and provide fitting solutions. The importance of building such

relationships with customers is the same now and will not change in 30 years. The phrase “a solution company rooted in communities and selected as a partner to walk together”, which is our vision, will live on even after 30 years. If I had to add something more, I would say that we must further increase convenience for customers.

Thirty years from now, for example, the population of Kanagawa Prefecture and Tokyo will be declining even further, even if slightly later than the national average. DX (Digital Transformation), which is now widely talked about, will be the norm, and cashless payments will be more prevalent. The key to our business is how we can provide convenience to our personal customers, from cash management to asset management.



TOP COMMITMENT

Also, depending on changes in the Bank of Japan's monetary policy, interest rates are likely to rise in Japan in the future. I joined the Bank of Yokohama in 1990, and ever since then, domestic interest rates have continued to decline. The fact is that there are only a few people in banking today, including at other banks, who have experience in business during periods of rising interest rates. It will also be important to develop a long-term vision for the business from a broader perspective while preparing for various

changes in the environment, such as rising interest rates.

From the perspective of enhancing the functionality of products and services offered to customers, pursuing economies of scale through expansion may be an option in some cases. We also see great potential in new non-financial businesses. For us, the solution business will be the pillar of our business in the future, but there are still many roles we can play as an extension of the solution business for both personal and corporate customers.

Progress and Challenges of the Medium-Term Management Plan For Becoming a Solution Company

Through the first year of the new medium-term management plan that began in FY2022, we are now seeing two major responses. One is to improve the ability to make proposals. In the past, a specialized unit at headquarters was responsible for proposing advanced solutions, but as a result

of promoting an approach in which sales branches work together to engage in dialogue with customers from a variety of perspectives, the scope of those involved has expanded to include sales branches that take the initiative to connect deals with headquarters and even close deals



themselves. Through education, including trainings and on-the-job training, we are gradually fostering an environment in which each individual's awareness moves in the same direction.

The other is structural reform. As a result of the consolidation of bank branches and the use of DX on the branch floor, the amount of work per employee has visibly decreased. However, some customers prefer the previous way. I believe that we are not mistaken in our direction, and we are determined to continue our structural reform efforts without changing our direction, while carefully addressing the current detailed issues so that all our customers can understand our efforts.

There are three issues to be addressed for the second year of the medium-term management plan. The first is the management of securities. The unrealized losses on foreign bonds held by the company increased due to rising interest rates in the U.S., resulting in negative spreads between foreign currency funding costs and deposit & loan yield. Although these unrealized losses have negligible impact on the capital adequacy ratio, a situation where carry-over earnings turn negative due to negative spreads is not desirable, and we will work to optimize and restore the soundness of the securities portfolio as soon as possible.

Fostering human resources with the mettle of a top bank

While all three stakeholders (shareholders, customers, and employees) are equally important, human resources are the starting point for business activities. By creating a work environment in which employees can improve their abilities and grow, while having each employee find fulfillment in their work, the bank can offer customers more fulfilling proposals and win customer satisfaction, thereby earning profits for the bank. These earnings enable us to return profits to our shareholders in the form of higher share prices and dividends.

The second is business integration with THE KANAGAWA BANK. Following an extraordinary shareholders' meeting of THE KANAGAWA BANK held on June 29, 2023, THE KANAGAWA BANK became a wholly owned subsidiary of the Bank of Yokohama. We feel that there is still room for us to dig deeper into the Kanagawa home market, which is the foundation of our business, and we have decided to proceed with business integration while THE KANAGAWA BANK is in a financially sound position. We will continue to resolutely promote Post-Merger Integration (PMI) to ensure that the integration will be effective by establishing the roles for each bank, improving the efficiency of sales activities, and strengthening solution business.

The third is to further upgrade the functions of the holding company, the Concordia Financial Group. The holding company had two vehicles (entities), the Bank of Yokohama and Higashi-Nippon Bank, and through business integration, THE KANAGAWA BANK became a subsidiary bank of the Bank of Yokohama. We are considering functional improvements, including new businesses, that will lead to increased corporate value, providing benefit to each stakeholder. We would like to present a concrete plan for the holding company as a whole, including both the group companies and affiliated companies, with the appropriate form of functional improvements to be based on the needs of our customers.

TOP COMMITMENT

economies, we should have the mettle to take on a variety of challenges as a top bank or to lead the financial industry as a whole.

In order to nurture human resources capable of doing this, we decided to formulate a Group Human Resource Strategy. The Group human resource strategy clarifies the path to achieve the Group's management objectives, including how many skilled human resources to develop, by when, and in what manner, and it implements measures based on the three pillars of Human Resource Development, Build an Organization and Create an Environment.

Also, for Diversity Equity & Inclusion (DEI), I don't think just using the word diversity means anything. The key is how to make diversity a strength of the organization. Customers' issues are becoming more diverse, and diverse opinions and ideas are essential in order to respond flexibly to such changes. We believe it is important to make the effort to provide services that exceed customer expectations through the collaboration of diverse human resources. In

Significant Upward Revision of Sustainable Finance Targets

Sustainability is ultimately a matter of management philosophy. This is an initiative that can dramatically change the world if we, as a company, work together to promote it from a long-term perspective, and in the light of social morality. Since the adoption of the Paris Agreement, various countries and regions around the world have accelerated their pursuit of efforts to reach the "1.5°C target". The Group considers climate change to be an urgent issue and has set "Measures against Global Warming and Climate Change" as one of its materialities (priority issues to be resolved), and is promoting efforts to realize a decarbonized society. Over the past year, both the Bank of Yokohama and Higashi-Nippon Bank have seen an increase in

the past, I myself have been involved in partnerships with various companies and have had many opportunities to work toward a single goal with people from diverse backgrounds. There are many difficulties in the process of exchanging diverse opinions, but I have firsthand experience that there are many insights and discoveries to be made.

The starting point for realizing our goal of becoming a "solution company" is to share this approach to "human resources" with our employees, who will be the bearers of our solutions. To this end, in addition to the DEI Policy, which clarifies respect for diversity and the provision of fair opportunities, we have established our Group Human Resource Policy, which is premised on the DEI Policy, and are communicating a variety of measures to realize it as our human resource strategy. As a leader, I will continue to maximize human capital, which is the source of value creation, by directly communicating with as many employees as possible and personally sharing my thoughts and ideas about human resources with them.

customer interest in climate change initiatives. Until now, we may have been in the period of educating the world about the SDGs, but now we feel that we have reached a stage where we can think about the SDGs together with our customers.

The Bank of Yokohama has converted all of its own contracted electricity to virtual renewable energy, and is considering investing in its own renewable energy sources to further its efforts to achieve carbon neutrality by FY2030. On the other hand, it is also important to support the decarbonization of corporate customers, including financing for transitions (decarbonization) toward net zero in 2050.

Specifically, we had set a goal of executing ¥2 trillion in sustainable finance and

¥1 trillion in environmental field finance by FY2030, but as of now, sustainable finance has already exceeded ¥2 trillion and environmental field finance has exceeded ¥600 billion. Therefore, the FY2030 targets have been revised upward to ¥4 trillion and ¥2 trillion, respectively.

Scope 3, i.e., GHG (greenhouse gas) emissions of our investment and loan customers, is also disclosed in the Integrated

Report from this year. We must go beyond disclosing information and propose an action plan on how we will reduce emissions. At the larger end of the scale, we are in the process of developing a roadmap for decarbonization for automotive companies, with engagement (dialogue) between sales offices and head office personnel. Together with our customers, we would like to contribute to the decarbonization of the region.

DX for structural reform and DX to improve customer service

For us, DX has two main pillars. The first is DX to reform our own structure or to improve efficiency, and we are promoting DX as a means of reforming our counter operations. Currently, in Bank of Yokohama branches, customers use tablet terminals to input necessary information, which is then directly processed by the core system, such as the account system. Replacing business processes with DX will speed up processing and reduce the human workload, and also make it possible to shift employees previously involved in clerical work to tasks such as problem solving.

The other pillar is to improve service by responding to customer needs with DX. For our corporate customers, we are supporting them in their own DX efforts while introducing new systems etc.

For personal customers, we updated our smartphone application this April. Ultimately, the ideal situation would be to have all banking functions in the palm of the customer's hand (smartphone). When forming alliances with various service companies, the bank is now more often than not seeking partners, but if we become able to provide very good financial services by smartphone, we will naturally be

the one that prospective partners come to wanting to work with. I think that is what we should aim for.

We will continue to work to further enhance our corporate value by contributing to the resolution of issues faced by local customers and working together to create social and economic value by taking on the challenge of new business areas, while placing importance on communication with our stakeholders.

We look forward to your future support for the Concordia Financial Group.



A Message from the Director of Finance



Strengthening discussion of strategies to achieve ROE above cost of capital. We will increase the value of human capital by executing our human resource strategy linked to our management strategy and raise our corporate value by strengthening our solution profitability.

Concordia Financial Group
Director **Nobuo Onodera**

Enhanced discussion of mid-to-long-term strategies to improve corporate value

I was appointed as a Director of the Concordia Financial Group in June 2022. It was also my first year as the officer in charge of finance. I feel that under President Kataoka, we have had a year of discussions for improving corporate value and have been able to steadily move forward step by step toward realizing our strategies and addressing the necessary issues.

In order to enhance discussions on medium and long-term strategies to improve corporate value, the Company selects annual themes related to management policies and strategies at the beginning of each fiscal year, then discusses them at the Board of Directors meetings. In FY2022, the direction of effective utilization of capital, formulation of group human resource strategies, and other themes were selected and we worked to improve the discussions of those themes at the Board of Directors meetings. In particular, we discussed “Upgrading the Risk Appetite Framework (RAF)” to improve the linkage between the allocation of economic and regulatory capital and the financial budget, in order to meet the medium-term management plan and the budget plan. By doing so, we were able to organize more concretely than before the improvement

of ROE and reduction of shareholders' equity cost for the sake of raising our corporate value, and the direction for the optimization of allocated capital by division, as well as improvement of risk and return by division, which lead to these improvements. The Tokyo Stock Exchange has requested that we take action to “realize management that is conscious of the cost of capital and stock price”, and we believe that it is precisely because we have been discussing the upgrading of our RAF that we are able to present our thinking on the matter at this time.

In FY2023, we will continue to further deepen these discussions and flesh out our strategies to promote the sustainable growth of our Group and enhance our corporate value over the medium to long term.

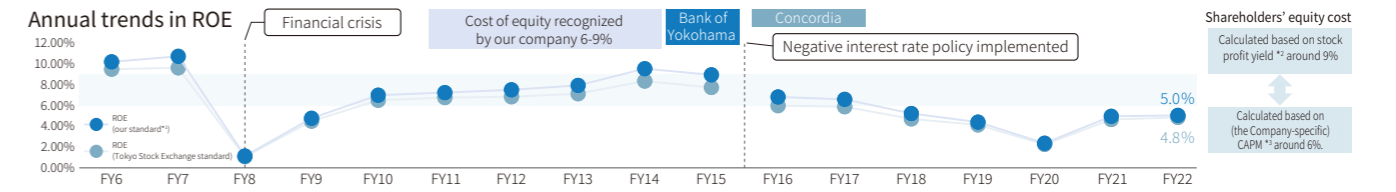
Further increase of corporate value through social value creation

The Group has created social value by providing growth capital to local economies through its financial intermediary functions, while integrating the financial capital and non-financial capital such as human capital that we have cultivated over our nearly 100-year history. By creating social value this way, we have grown together with the community and increased our corporate value.

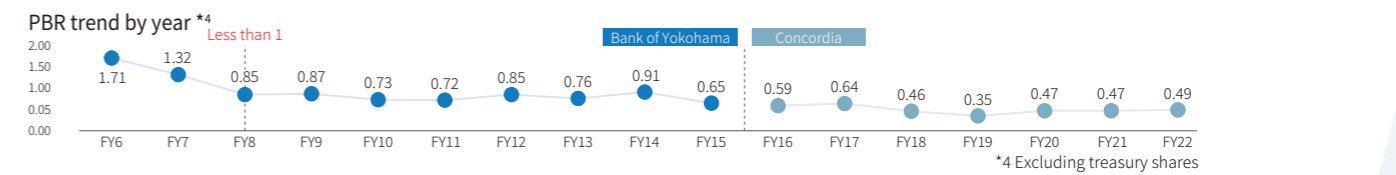
It is shown in the “Value Creation Process” (P. 41) too, but corporate value is the economic value of a company. In addition to business value arising from business activities, we consider corporate value to include the value of intangible assets such as human capital.

These assessments of corporate value are reflected in the total amount of equity securities held (market value) total and in share prices. Looking back at our PBR, it fell below 1 after the Lehman Shock, and has remained at an even lower level since the introduction of negative interest rates in 2016. Currently, it is around 0.6 (as of July 2023).

We recognize that our shareholders' equity cost is around 6.0% to 9.0% based on CAPM (our own standard) and estimates based on stock yield, but our ROE ^(*) for FY2022 was 5.0%, which is below the shareholders' equity cost. This is the main reason why our PBR remains at a low level. In order to steadily increase our PBR in the future, we recognize that it is essential to not only rely on the financial environment but also to make our own efforts to achieve ROE that exceeds the cost of shareholders' equity.



*1 Consolidated ROE, Shareholder's equity basis *2 Calculated as a reciprocal of price-earnings ratio (PER) by assuming the growth rate of 0% and using the market consensus net income projection (available on Bloomberg) *3 Calculated based on the Company's own standard



Increasing corporate value through raising ROE and controlling cost of equity

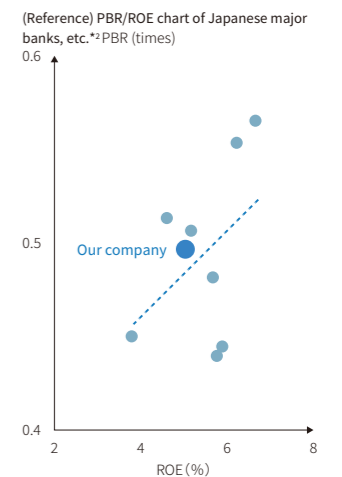
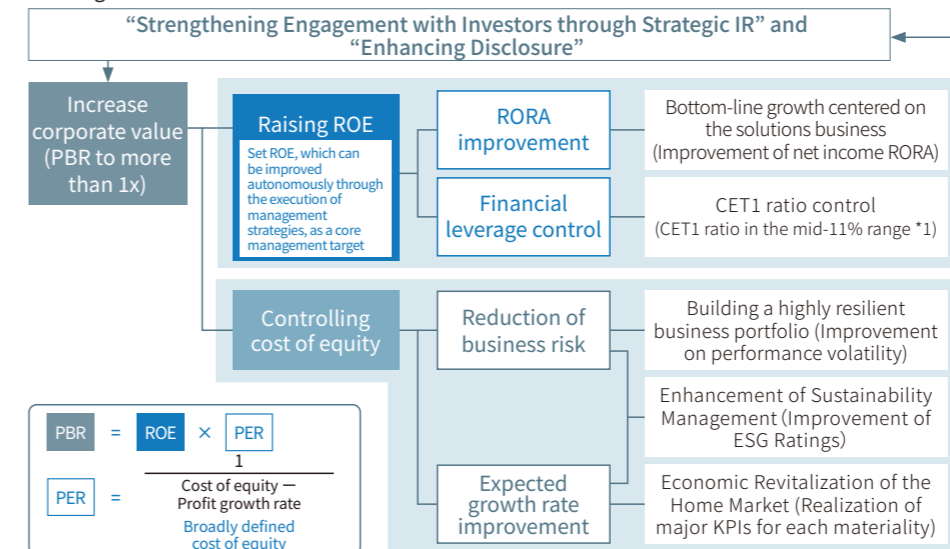
The strategy to increase corporate value by achieving ROE above the shareholders' equity cost can be divided into two pillars.

The first pillar is “ROE improvement”. We organize our efforts to improve ROE into two approaches: “RORA improvement” and “financial leverage control”.

The second pillar is “controlling cost of equity”. We organize out efforts for shareholders' equity cost containment into two approaches: “reduction of business risk” and “expected growth rate improvement”.

Since ROE has a high correlation with PBR and is an indicator that can be improved autonomously through the implementation of management strategies, we have set “raising ROE”, one of these two pillars, as one of our core management objectives.

PBR logic tree



* 1 Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)
 * 2 PBR and ROE were calculated by the Company based on the share prices as of March 31, 2022 and the financial statements for FY2021 of each bank, except for those of the Company, which were calculated based on the share price as of March 31, 2023 and the financial statements for FY2022.

A Message from the Director of Finance

Five Drivers of ROE Improvement

The two approaches of “RORA improvement” and “financial leverage control” for raising our ROE are further embodied in the five initiatives of “strengthen profitability”, “cost control”, “control risk assets”, “allocate capital optimally” and “enhance shareholder returns”.

In the area of “strengthen profitability”, we are working on “strengthening asset allocation to improve risk-return” and “enhance service transactions”.

In order to “strengthen asset allocation to improve risk-return”, in addition to focusing on strengthening loans to small and medium-sized enterprises and loans to HNWIs, which are our forte in the home market, where we have opportunities for investment and financing, we aim to improve the risk-return ratio of our overall loan portfolio by strengthening asset allocation to structured finance with relatively high RORA while carefully selecting deals.

We are working to “enhance service transactions” in order to increase revenues without using allocated capital by leveraging the relationships we have cultivated with a wide range of corporate customers, from listed companies to small and medium-sized enterprises, and asset-rich customers, mainly in the area of lending, and by enhancing the provision of solutions.

Next, in “cost control,” we are working on “expense control” and “credit cost control”.

For “expense control,” we are achieving a reduction in expenses by consolidating and closing branches and reducing the number of administrative staff, taking advantage of the reduction in the volume of work thanks to streamlining branch services and making them less face-to-face. We are allocating part of the surplus created by this reduction of expenses to growth investments, such as systems investments in strategic areas like

mobile banking and human capital investments for human resource development that support our solution business.

For “credit cost control”, in addition to efforts to avoid concentration of risk in specific industries and individual companies, we are also implementing strict credit management to prepare for future downside risk by setting RORA profitability standards and our own screening criteria in order to sustainably strengthen structured finance, which we have positioned as a growth area.

For “control risk assets”, we made the CET1 capital ratio, which has high loss absorbency, one of the medium- to long-term target indicators in the medium-term management plan. We set the target indicator in the mid-11% range based on the assumption that we will control this parameter to stay between 11.0% and 12.0%, taking into account the other Tier 1 portion (equivalent to 1.5%) and the impact of stresses as large as the Lehman Shock (equivalent to 2.5%), in addition to the 7.0% minimum level require by regulation. Based on such control of the CET1 capital ratio, we control risk assets that balance profitability and soundness.

“Allocate capital optimally” is one of the major points for improving ROE. In order to make more effective use of capital and thus increase returns, it is important to organize and analyze the amount of expected return on allocated capital and to allocate it optimally.

Last fiscal year, we organized the divisional ROE (return on allocated capital) by subsidiary bank/division. The division with the highest divisional ROE and the largest contribution to profit was the solution business (domestic sales division), and the Board of Directors has reaffirmed and shared the direction to pursue growth by focusing capital allocation in this area.

On the other hand, we recognize that improving the capital efficiency of the Market Division through the restructuring of our securities portfolio is an urgent management issue,

because the ROE of the Market Division has been stagnant amidst the outlook of continued historic global inflation and prolonged monetary tightening by financial authorities.

In addition, the ROE of cross shareholdings is still inferior to the ROE of the company as a whole, and it will continue to be an issue to hold down allocated capital by reducing cross shareholdings.

For “enhance shareholder returns”, the Company has adopted a dividend policy of “a progressive dividend payout ratio of around 40%” since last fiscal year, which was the first fiscal year of the medium-term management plan. In principle, we do not reduce dividends, but rather we aim to meet investors' expectations by steadily growing net income and increasing dividends each fiscal year. We will flexibly and nimbly conduct purchases of treasury shares according to market conditions and business prospects.

Three initiatives to control cost of equity

Here are three specific initiatives for the second pillar of corporate value enhancement, “controlling cost of equity”.

The first is an improvement in performance volatility. The deviation of net income from the performance forecast was particularly high in FY2018-2020. This was due to a significant decline in Market Division profits. From this perspective, we recognize that improving our securities portfolio is an urgent management issue. By restructuring our securities portfolio, we hope to reduce the volatility of Market Division earnings, thereby reducing the overall volatility of the Company's performance, which should lead to a reduction in the beta value that constitutes the shareholders' equity cost.

The second is economic revitalization of the home market. Although we have a favorable home market in Kanagawa and Tokyo, given the low potential growth rate of Japan itself, this region alone is not guaranteed to remain a superior market environment in the future. As a regional financial institution, we recognize the importance of raising our own expected growth rate through revitalizing the local economy. We will work with the community to achieve sustainable growth by setting materialities (priority issues to be resolved) and achieving KPIs to realize sustainability in the community.

The third is to improve our ESG evaluation. It is said that ESG evaluation and the cost of shareholders' equity are visibly related and that the cost of shareholders' equity tends to be lower for companies with higher ESG evaluations. We understand that creating both social value and economic value will improve the evaluation of our profit growth sustainability, which in turn will lead to a reduction in the stock yield required by investors.

Based on this understanding, in April 2022, we established the Sustainability Committee Secretariat, an organization that oversees the entire Group, and under the continued supervision of the Board of Directors, we have been strengthening our efforts to advance sustainability management. As a result of these efforts, we received an

A rating for our MSCI ESG Rating, two notches higher than the BB rating in the previous fiscal year. In addition, two new stocks were designated for inclusion in the ESG indexes used by the Government Pension Investment Fund (GPIF).

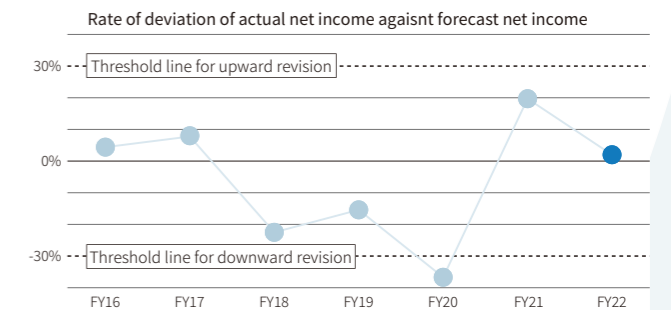
We are not satisfied with these results and will continue to work to further improve our ESG evaluation. We believe that governance is important, especially in the context of ESG. We believe that our management gaining the confidence of investors will lower agency costs, which in turn will lead to lower shareholders' equity costs.

Through these efforts, we will reduce business risks while promoting shareholder's equity cost containment by fulfilling our accountability to the market.

By swiftly and steadily implementing strategies to improve ROE and hold down the cost of shareholders' equity, we aim to achieve our long-term target level of 7% ROE as soon as possible, and through further improvement efforts to achieve ROE that exceeds the cost of capital.

(Improve performance volatility)

- Reduce β by reducing a deviation of actual net income against forecast net income



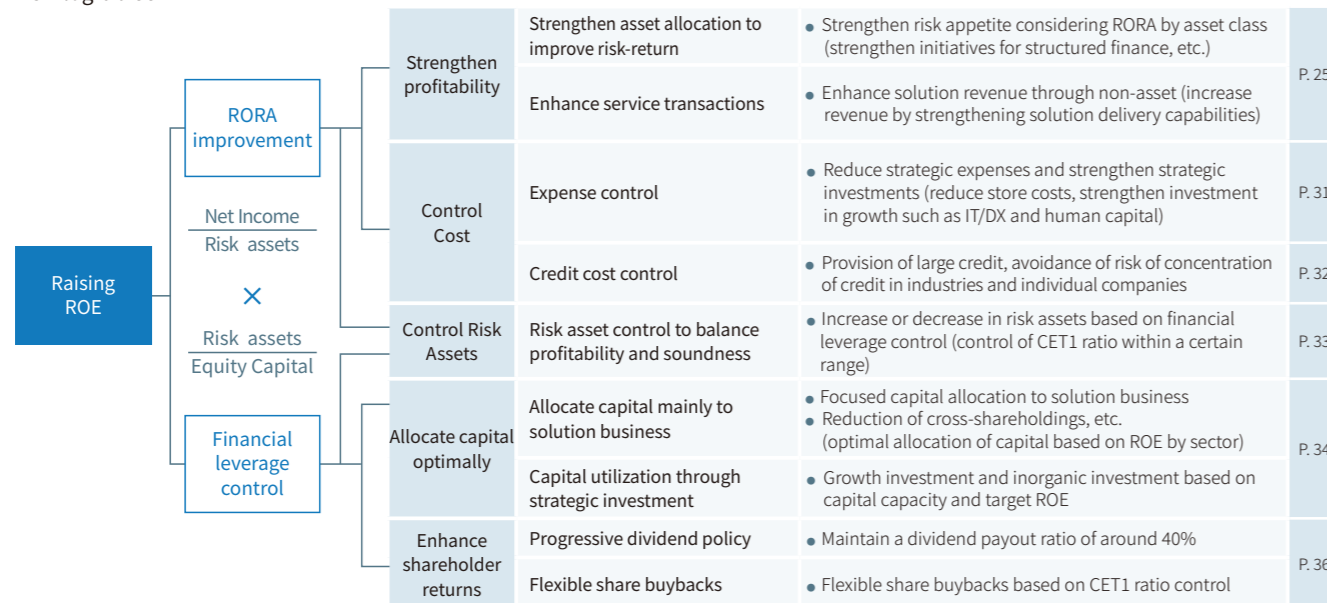
Group consolidated net income was ¥56.1 billion, exceeding the plan, and we are making good progress on medium-term plan targets.

The current medium-term management plan started in FY2022. I would like to talk about our progress toward its target indicators.

In the new medium-term management plan, we have set the following numerical targets for FY2024: ROE improved to around 6%, OHR reduced to the low fifties percent range, and common equity Tier 1 capital ratio in the mid-11% range. In 2022 results, the ROE was 5.0%, the OHR was 58.0%, and the CET1 capital ratio was 11.86% on a Basel III finalization and full implementation basis, so we are making steady progress toward achieving the target indicators for the final fiscal year of the medium-term management plan.

Through the deepening and expansion of the solutions business, a key strategy in the medium-term management plan, we have solidified our operating base. Core net business profit (excluding gains/losses on the termination of investment trusts), which indicates the profitability of the core business driven by the solutions business, increased ¥10.1 billion yen

ROE logic tree



A Message from the Director of Finance

year on year for the two banks combined, providing a particularly positive response. We will continue to expand solution revenues by further strengthening our solutions sales capabilities and by expanding our solution functions.

On the other hand, in securities investment, which is an issue to be addressed, we spent approximately ¥18.6 billion in the previous fiscal year cutting our losses on foreign bonds with negative spreads caused by rising interest rates in the U.S. and other factors. We plan to invest about ¥21 billion yen to improve our securities portfolio this fiscal year as well, which will almost eliminate the impact of negative spreads on foreign bonds.

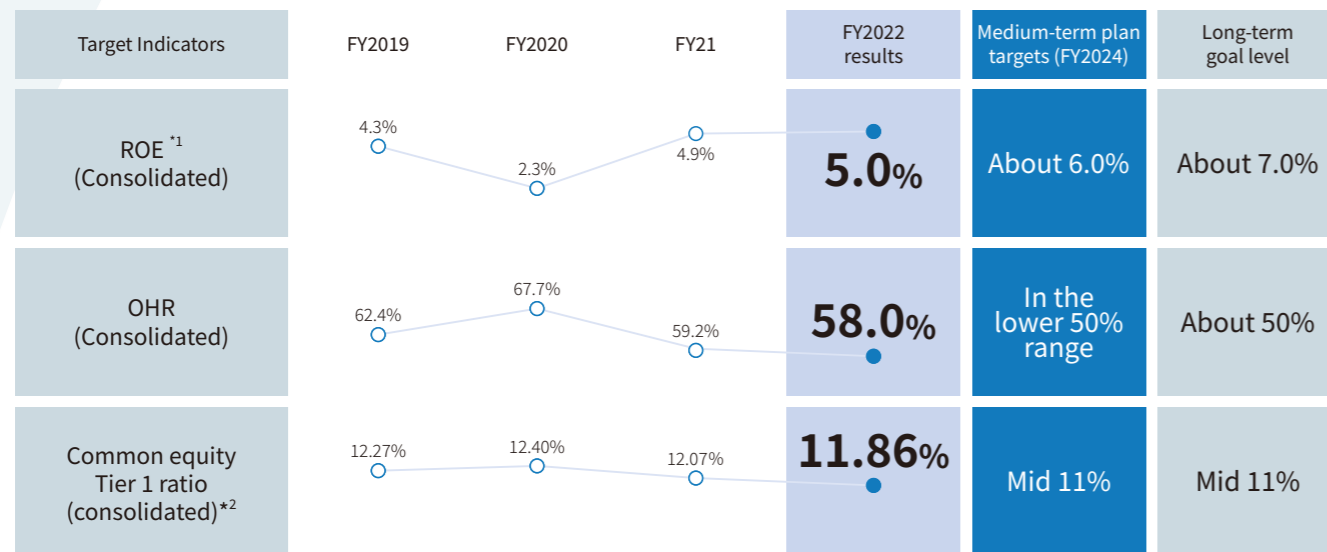
The Group consolidated net income was ¥56.1 billion, up ¥2.2 billion from the previous fiscal year and exceeding the forecast of ¥55.0 billion. For FY2023, we plan to record gains on

negative goodwill incurred as a result of business integration with THE KANAGAWA BANK and we are targeting consolidated net income of ¥63.0 billion. We are determined to make steady progress toward our target of over ¥70 billion for the final fiscal year of the medium-term management plan.

For shareholder returns, the total payout ratio for FY2022 was 50%. For FY2023, we plan to pay a dividend of 22 yen per share, up 3 yen from the previous fiscal year, for a payout ratio of about 41%. We also plan to flexibly implement the purchase of treasury shares.

We feel that we are making steady progress toward attaining various management indices in the final fiscal year of the medium-term management plan. Solution profitability is steadily strengthening and we now have a clear view on how to address the issue of negative spread on foreign bonds.

Medium-term management plan target indicators



*1 Shareholders' equity basis

*2 For FY19-21, before the finalization of Basel III. For actual in FY22 and the level aiming in mid-long term, Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities). Actual in FY22 are estimated number

Human Resource Strategy Linked to Management Strategy

I would like to explain about one of the forms of non-financial capital that we have as a group, “human capital”. As indicated in the “Value Creation Process”, human capital is the source of value creation in management capital and is positioned as one of the most important forms of capital. Maximizing human capital is essential for increasing corporate value through ROE improvement and realizing our vision of being a “Solution Company”. Therefore, we are formulating a human resource strategy in conjunction with our management strategy.

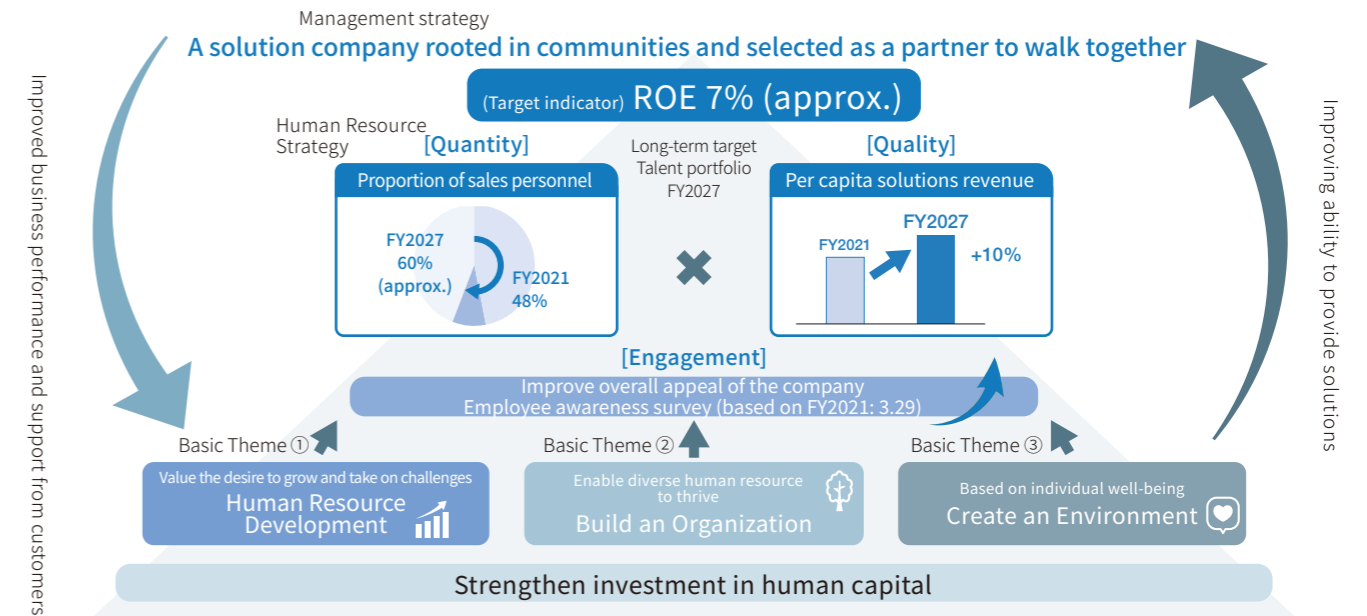
In order to become a Solution Company, it is necessary for us to strengthen the solution revenues obtained by providing solutions that contribute to solving customer issues. In order to raise solution profitability, we will invest in quantity (increasing the proportion of sales personnel), and improve quality (solution revenue per employee) to increase solution

revenue, reinvesting a portion of these revenues into human capital, thereby establishing a virtuous cycle in which the amount of investment in human capital per employee increases annually in tandem with profit growth.

It has long been said that “finance is people”. In order for financial institutions to provide solutions that meet the increasingly diverse and sophisticated needs of their customers, bankers must have a high level of expertise and skills. In terms of the source of our corporate value, it depends on how we develop human assets who have the Group's unique strengths and who can contribute to our financial performance. Developing human assets takes time and money, but if we can develop a large number of human assets with solution skills in a variety of fields, our Group will have a unique strength that is second to none.

To enhance our corporate value, we will continue to strengthen our investment in human capital through the three pillars of “Human Resource Development”, “Build an Organization”, and “Create an Environment”.

Human Resource Strategy Linked to Management Strategy



Toward Further Advancement of Management Through Dialogue with Stakeholders

In April 2022, we established the Corporate Communication Office to strengthen engagement with investors and enhance disclosure, including disclosure of non-financial information.

As IR activities, we regularly provide opportunities to share the content of discussions at Board of Directors meetings with investors at IR Days, which are briefing sessions on management strategies. In FY2022, based on careful consideration of what we heard from you investors, we set the themes of solutions sales, human resource strategy, and climate change initiatives, and took the opportunity to communicate our thoughts on these issues. In addition, the outside directors took the stage to exchange opinions with investors, and I feel that I was able to convey my views on the status of discussions at Board of Directors meetings and other meetings from my position as an outside director.

We also strive to actively participate in dialogues with investors on our own initiative. Opinions received from investors are reported and discussed at Board of Directors meetings to further raise the level of management. Some of the comments we have received relate to cross shareholdings.

We have established a policy of reducing our cross shareholdings, and the balance is steadily decreasing. The ratio of cross shareholding to common equity Tier 1 is 10.6% on an equity securities held (acquisition cost) basis and 15.8% on an Equity Securities Held (market value) basis, remaining low compared to other banks. However, we believe that there is room for improvement in our policy for reduction. Based on the opinions of investors, we have newly presented our thinking on cross

shareholding in the form of a “Flow Chart of Significance and Economic Rationale for Shareholding”. (See Page 35). Although the hurdles for future reductions will increase because of the cumulative reductions we have already made, we will first communicate and disclose our basic stance on cross shareholdings in a more concrete manner, and based on the disclosed information, we would like to further explore reductions through in-depth exchanges of opinions with investors and policy holders.

Through collaborative value creation with our stakeholders, we aim to increase our corporate value and realize sustainable development of local communities, and to be “a solution company rooted in communities and selected as a partner to walk together” as stated in our vision.



Outside Directors Roundtable Discussion



Concordia Financial Group

Outside Director **Yoshinobu Yamada**

Concordia Financial Group

Outside Director **Mitsuru Akiyoshi**

Concordia Financial Group

Outside Director **Mami Yoda**

Toward Transformation into a Solution Company
Deepening the discussion on the maximum use of capital
and contributing to the steady implementation of the
medium-term management plan in light of changes in
the environment, we will contribute to raising our
corporate value over the medium to long term.

Evaluating the New Structure and Strengthening Governance

— One year has passed since the new management structure was put in place. How would you evaluate progress to date?

Akiyoshi The business environment surrounding banks is changing rapidly. At this difficult juncture, we undertook a personnel rejuvenation headed by President Kataoka, while at the same time appointing highly-experienced staff. As a result, we are pleased that we were able to respond to this period of change as a positive opportunity for growth, rather than take a rigid defensive approach.

One of the things that impressed me was the proactive communication both internally and externally. In order to promote the medium-term management plan that started last fiscal year, we have been enhancing our internal engagement to gain understanding not only from investors but also from the front lines.

Yamada I believe that the most important aspect of bank management today is to be agile, to respond to things quickly and flexibly. I believe that the current management team is able to do this. In one initiative, executives traveled to branches and engaged in a series of dialogues with employees. We call these large and small town hall meetings “caravans” and we feel that they are spreading the plan envisioned by the management team throughout the company. We also feel that we are improving our reputation with the market by sincerely addressing the capital market through briefings for institutional investors.

Yoda I, too, find it impressive that communication with employees and the market has been further strengthened with regard to the new structure. I believe that as executives have continued their caravans and have strengthened communication with employees, not only do employees understand management’s thinking, but management is also able to become aware more quickly of opportunities, risks, and signs of change that can be seen from the field. We feel that as a result, we are strengthening our management capabilities to take a medium to long-term view from a company-wide perspective.

— Looking at the current situation, we would appreciate your comments on issues for further strengthening governance.

Akiyoshi In Europe and the U.S., the first aim of governance in banks is to prevent fraud, but in Japan, it is all about strengthening profitability.

In the medium-term management plan, we have indicated our policy for increasing corporate value, but we see it as a challenge to make this policy more concrete and to materialize it in terms of which risks to take on and how much and how to increase productivity and efficiency in order to raise profitability and earning power.

Yamada Management is required to strike a balance among stakeholders. It is important to promote measures that will benefit customers, local communities, employees, and

shareholders alike. For example, digitization generally increases convenience for customers, but may be less convenient for older customers.

Yoda The first step in strengthening governance is to properly manage profitability. Accompanying that is discussion of business portfolios, such as how to strengthen operations outside of the bank itself. It is essential to discuss aggressive strategies for our growth as a solution company. We need to reassess and strengthen our investment strategy in order to aim for a PBR of 1 or more from a long-term perspective.

On the other hand, we are also in a position to be attacked by other financial institutions aiming to make inroads into the attractive Kanagawa and Tokyo markets, which are our main markets. In this sense, it is also important to ask whether we are firmly realizing our policy of being rooted in the community.

— FY2023 also saw the appointment of a new board member. Please tell us about the discussions at the Compensation and Personnel Committee, including those concerning succession.

Akiyoshi I served as chairman of the Compensation and Personnel Committee last fiscal year. First of all, we adopted ESG external evaluation indicators for the evaluation of executive compensation as required by current management. In this way, we will further evolve our evaluation of compensation for our executives to be as closely aligned as possible with the viewpoints of investors and the market.

With the Succession Plan in mind, we have been working on personnel policies with clear objectives, such as dividing personnel into three groups: top management candidates, executive candidates, and senior management candidates. We will continue to select excellent human talent through repeated interviews with prospective candidates and through efforts to understand their daily activities.

Yoda We recognize that the participation of a new director who is well versed in ICT and digital this fiscal year is a sign of expectations for DX. Last fiscal year, I also met with female deputy general managers and was able to recognize the diversity of human resources from various backgrounds that are employed within our group. This fiscal year we have a new female executive officer, which is one of the items that show our positive attitude toward diversity. In the financial industry, the number of women in management is still low, and the Company recognizes that our gender balance is inadequate. The advancement of women is an issue for Japan as a whole, and we will continue to support developing an environment in which many female employees can play an active role.

Yamada We had interviews with about 20 candidates in the Succession Plan the fiscal year before last. Last fiscal year, we interviewed over 30 candidates. These included not only candidates from the Bank of Yokohama but also from Higashi-Nippon Bank, not only men, but also women. I have the impression that they all have a very high awareness of the issues, and that many of them are excellent people as “human resources” who are responsible for management.

Outside Directors Roundtable Discussion

The effect of dialogue is remarkable. The medium-term management plan is progressing well.

— In communication between the Board of Directors and top management and employees and the market, how do we exchange opinions?

Akiyoshi In order to concentrate on discussions at Board of Directors meetings, we carefully confirm the details of agenda items in advance with the departments in charge, and as a result, I feel that discussions are becoming more energized year by year. In particular, not only resolutions, but also important matters for deliberation are divided into several sessions to allow sufficient time for discussion. In addition, since the financial business is greatly affected by the economic environment and monetary policies in Japan and abroad, we outside directors, as well as the internal directors, participate in directors' study sessions as needed to prevent information gaps.

Our directors, both internal and external, come from a variety of backgrounds, and we aim to continue to improve the level of our Board of Directors meetings through a lively exchange of opinions based on their respective knowledge.

Yoda As was mentioned earlier, as a form of communication between management and employees, executives from both the Bank of Yokohama and Higashi-Nippon Bank visit branches to discuss specific goals and other issues. We feel that this has increased the understanding of the content and policies of the medium-term management plan in the field.

As the role of the bank and the way we work continues to change dramatically, sharing where we are headed and what we are aiming for will improve engagement with our employees. Bringing management and employees closer together has a positive impact on each individual's motivation. We outside Directors also hear directly from employees through visits to branches. I believe that frank exchange of opinions between management and employees will lead to mutual understanding and improved relationships.



Yamada We have taken steps to improve our investor relations, which promote communication with shareholders and the stock and bond markets, including by establishing a dedicated department. We feel that the effects of these measures are gradually being felt. For our PBR below 1, we allocated capital by division ROE and presented long-term measures to improve our PBR.



— A new medium-term management plan was launched in April 2022. How do you see its progress?

Yamada The medium-term management plan is progressing well. Core net business profit (excluding gains/losses on the termination of investment trusts) increased ¥10.1 billion yen from the previous fiscal year thanks to strengthening solutions sales. The main reasons for this are the improvement in basic profitability and the growing support of customers.

The issue is the Market Division, but improvements are progressing. As we make progress in disposing of negative spread foreign bonds, we expect to see an improvement in earnings. We also recognize that credit costs will not increase significantly unless a major problem arises.

The results of our efforts to increase ROE by enhancing solution revenues are becoming evident, and we are steadily increasing the probability of achieving our target ROE of around 6.0% and net income of over ¥70 billion in the final fiscal year, which is the prerequisite for reaching that target.

However, since this is only the second year of the plan, we believe that we should continue to steadily increase revenues.

Yoda We see that we are making steady progress in fostering human resources for deepening and expanding our solution business, which is a pillar of our plan.

However, while the horizon is certainly expanding, there is no end in sight to learning, such as strengthening areas of expertise and acquiring knowledge of new products. I believe that it is necessary to further strengthen these efforts throughout the remainder of the mid-term plan period.

Akiyoshi Tokyo Stock Exchange has issued a request for prime listed companies to manage their business with an awareness of

stock prices. Increasing ROE is an eternal theme of corporate management. Making the progress set in our financial targets should result in meeting the Tokyo Stock Exchange requirements. I explained at the financial results briefing that we, the Board of Directors, have been discussing this as an initiative to increase our corporate value. On the other hand, since the PBR is calculated based on the stock price, management's will to improve the stock price has been questioned. It is important that we have investors recognize the company's profitability and growth potential. We have achieved sufficient financial stability, and we will continue to discuss ways to maximize the efficiency of our capital, while keeping an eye on market changes.

Thoughts on the new human resource strategy for the future of the organization and its workers

— What kind of discussions did you have in the Board of Directors meeting to come up with the Group Human Resource Strategy?

Akiyoshi One of our goals is to transform ourselves into a solution company. Our first priority has been to discuss how to develop human resources for this purpose. Another is how to increase productivity, which is the direction that digital operations and re-skilling of human resources are aiming for. For young human resources, what kind of place can management provide for employees who want to change and grow on their own? In these senses, human resource strategy has become very significant. Through continuous efforts, we will nurture important human resources who will transform our company in the future.

Yamada Our human resource strategy is all about employee engagement. How human resources contribute to the organization is a common theme throughout Japan. To this end, we believe that a candidacy system and a more open recruitment system may be necessary. It will be important to raise motivation and willingness to learn. In addition, we believe that increasing the sense of fulfillment in terms of feelings, such as satisfaction through work and from benefiting the community, will increase staff engagement and raise our popularity as a place of employment. In addition to the existing "membership-type" personnel system, the next issue is how to develop specialized human resources who can take on "job-type" responsibilities.

Yoda: When we were formulating our strategy, the expression "transformation mentality" was mentioned as something that is required of our human resources. Since the words "change and reform" imply a drastic change, we asked the directors if they are prepared to do that. I feel it was good that we were able to reaffirm the human resources required for the future of the banking industry and to incorporate this into our human resource policy based on a common understanding.

In addition, selective training for young female leaders was held for the first time last fiscal year. The training content was highly appreciated by the participants for addressing their own career design and for providing opportunities to network across branches and divisions. One of the comments was that men should also receive this training. Through this training, we expect to extend the time for both men and women to think about autonomous career development.



— As the Concordia Financial Group continues to evolve, what is your message about what to expect in the future?

Akiyoshi Regional banks are closely tied to society and local communities. Japan has long maintained a zero-interest-rate policy in a deflationary environment. Globally, we are at a major turning point, with even Japan seeing wage increases and signs of inflation. There are obvious changes in the external environment and market compared to four years ago when I became an outside director. We have focused on aligning the vectors of the entire organization, as we have changed the company-wide policy and organization to respond flexibly to these changes in the environment. We recognize that our biggest challenge is to accelerate this trend and first fulfill the medium-term management plan.

Yoda As a regional financial institution, we are hopeful that we can become a financial group able to chart the future of the region. With the ongoing harsh economic environment, including a weak yen and soaring resource and energy prices, domestic industries are also facing the need for structural reforms. We look forward to being a catalyst for positive change by wisely harnessing the power of finance to enhance the resilience of the community.

Yamada We have talked mainly about shareholders and employees, but customers and local communities are also very important stakeholders.

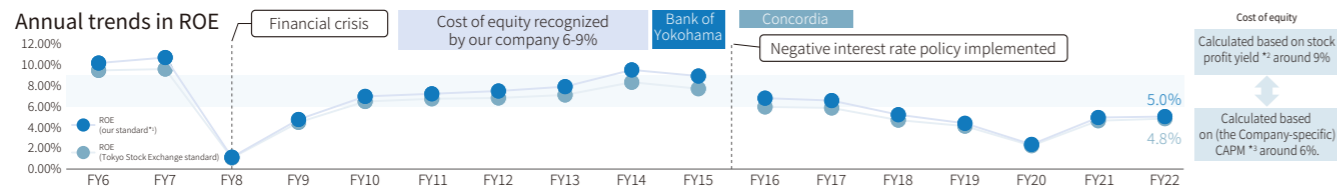
How can THE KANAGAWA BANK brand, a new addition to our group, contribute to local customers? These points should also be noted. The Board of Directors meeting also discussed post-merger integration (PMI). What should be done after integration to maximize the benefits of integration? We have mainly discussed the functions of THE KANAGAWA BANK and its relationship with its customers. We had a similar experience when the Bank of Yokohama and the Higashi-Nippon Bank merged. We will use this to deepen our discussions on how we can contribute to the overall customer base in the region.

Initiatives to Enhance Corporate Value

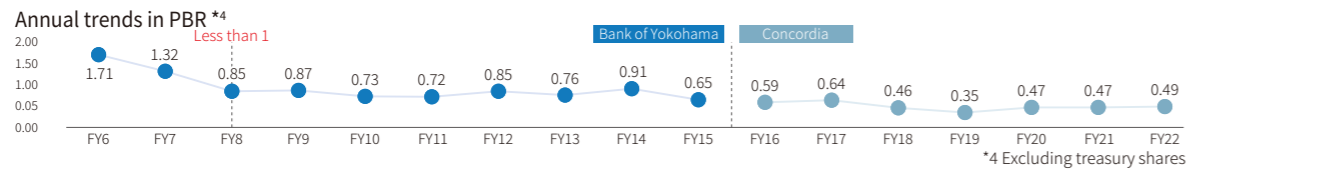
We are working on “raising ROE” and “controlling cost of equity” to increase corporate value. In particular, we have set ROE, which can be improved autonomously through the implementation of management strategies, as a core management objective. “RORA improvement” and “financial leverage control” are necessary to improve ROE. With appropriate financial leverage control, we are pursuing business operations to improve RORA, which has a high correlation with ROE.

Current situation evaluation & analysis

Our PBR fell below 1 after the Lehman Shock, and has remained at an even lower level since the introduction of negative interest rates in 2016. It is currently around 0.6 (as of July 2023). We recognize that our cost of equity is around 6.0% to 9.0% based on CAPM (our own standard) and estimates based on the stock profit yield, but our ROE for FY2022 is 5.0%, which is below the cost of equity. This is the main reason why our PBR remains at a low level. We recognize that in order to raise our PBR, it is essential to achieve ROE that exceeds the cost of equity.



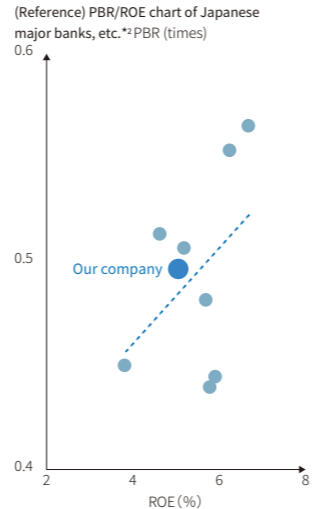
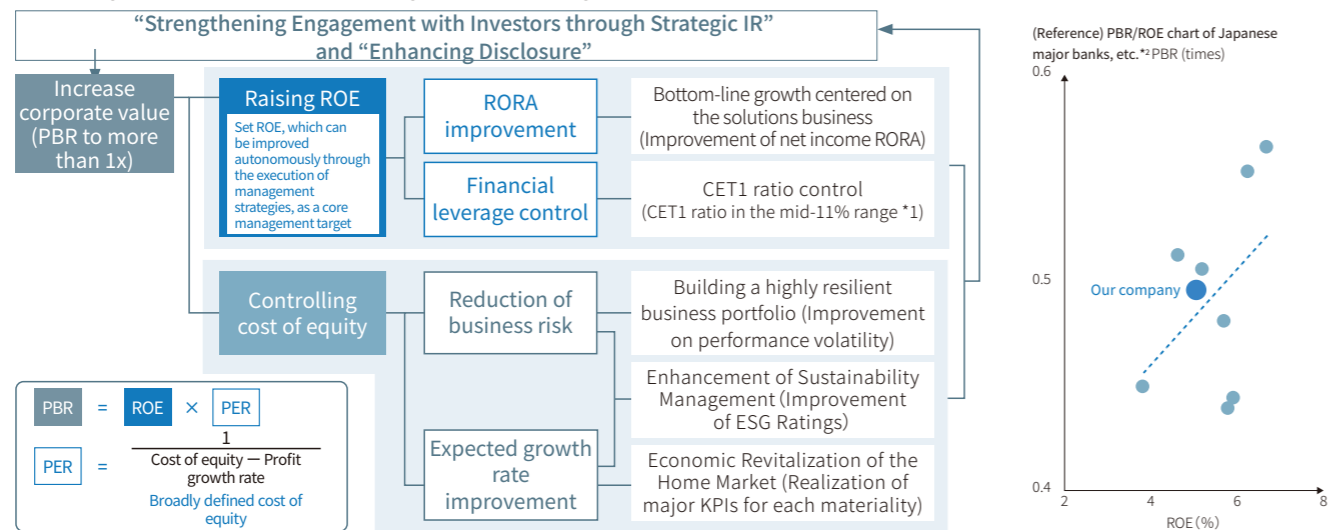
*1 Consolidated ROE, Shareholder's equity basis *2 Calculated as a reciprocal of price-earnings ratio (PER) by assuming the growth rate of 0% and using the market consensus net income projection (available on Bloomberg) *3 Calculated based on a proprietary standard



PBR logic tree

Strategies to increase corporate value can be divided into two pillars: “raising ROE” and “controlling cost of equity”. Since ROE has a high correlation with the PBR and is an indicator that can be improved autonomously through the implementation of management strategies, we have set “raising ROE” as one of our core management objectives. In addition to these two pillars, we will increase our corporate value by strengthening engagement with investors through strategic investor relations and by working to strengthen disclosure, thereby sincerely addressing the opinions of investors and eliminating information asymmetry.

Increasing corporate value by improving ROE and holding down the shareholders' equity cost

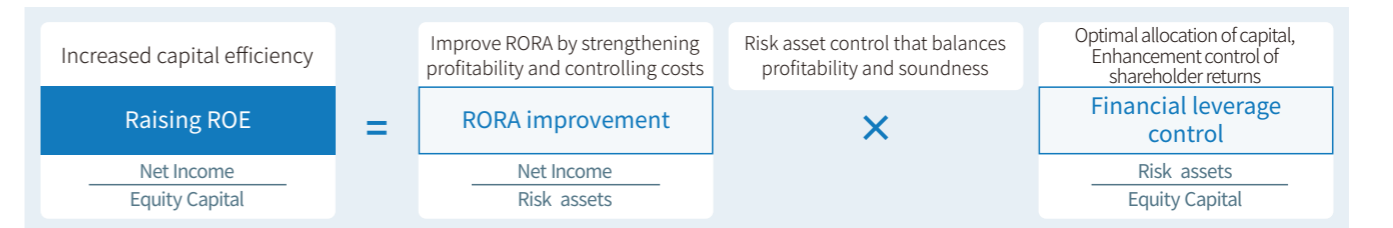


*1 Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities) *2 PBR and ROE were calculated by the Company based on the share prices as of March 31, 2022 and the financial statements for FY2021 of each bank, except for those of the Company, which were calculated based on the share price as of March 31, 2023 and the financial statements for FY2022.

Status of ROE and RORA

We have organized our efforts to raise ROE into two approaches: “RORA improvement” and “financial leverage control”. With appropriate financial leverage control, we pursue RORA improvement, which is highly correlated with ROE.

ROE decomposition



ROE • RORA results



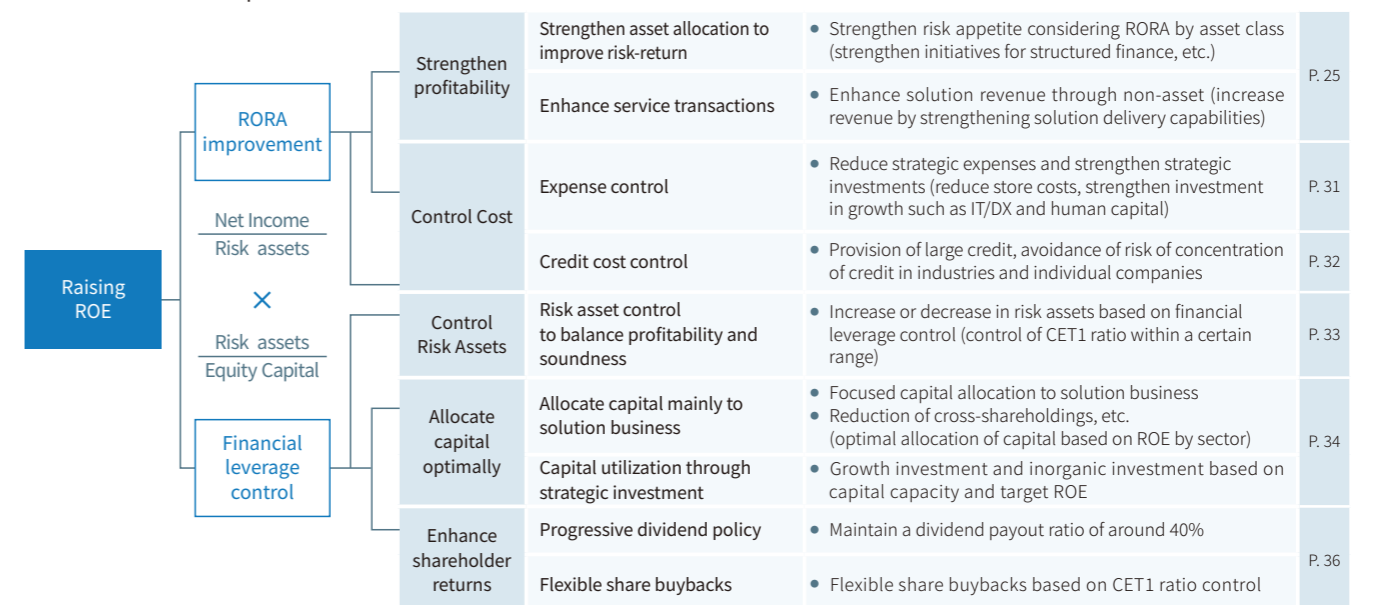
	FY2016 *2	FY2017	FY2018	FY2019	FY2020	FY21	FY2022
ROE *1	6.8%	6.5%	5.2%	4.4%	2.3%	4.9%	5.0%
RORA	0.72%	0.76%	0.64%	0.55%	0.29%	0.60%	0.71%
Financial leverage	9.43	8.60	8.06	7.99	8.13	8.25	7.01

*1 Consolidated ROE, Shareholder's equity basis *2 Net of gain on negative goodwill basis

ROE logic tree

The two approaches of “RORA improvement” and “financial leverage control” for ROE improvement are further embodied in the five initiatives of “strengthen profitability”, “control cost”, “control risk assets”, “allocate capital optimally” and “enhance shareholder returns”.

Five Drivers of ROE Improvement



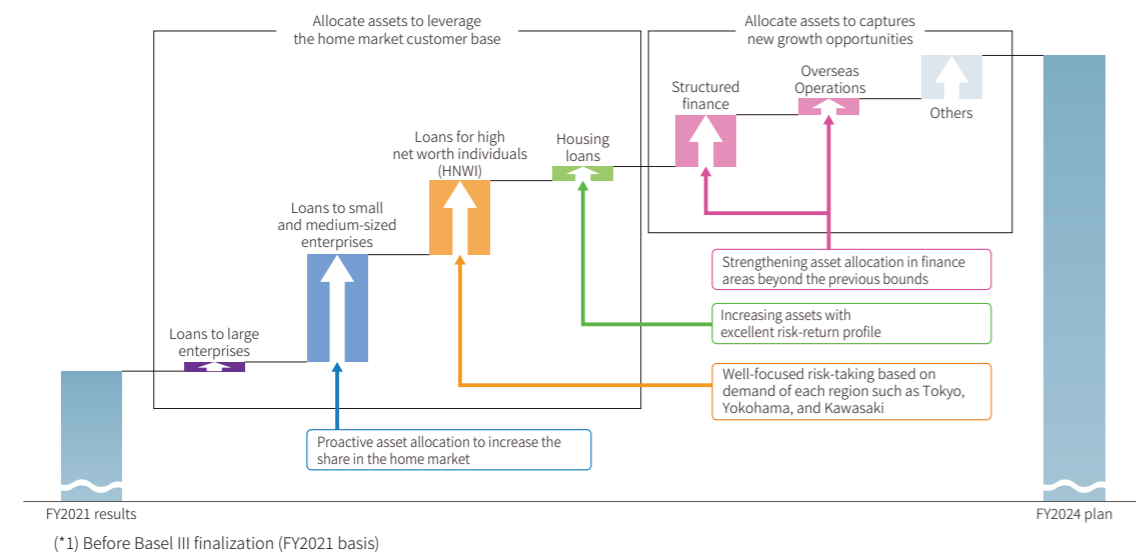
Initiatives to Enhance Corporate Value

Initiatives to Improve ROE (Strengthen profitability)

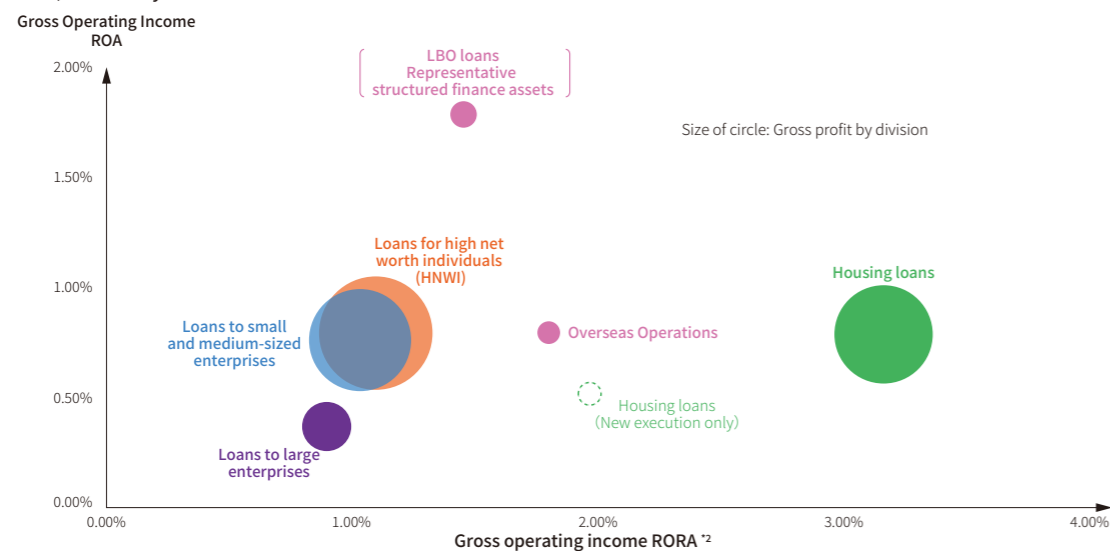
Strengthen asset allocation to improve risk-return

To improve risk-return, we will strengthen asset allocation with RORA in mind. With the aim of strengthening our presence in the home market, we will proceed to aggressively allocate assets to loans for small and medium-sized enterprises (SMEs), and meaningfully strengthen risk-taking by making loans for high net worth individuals, mainly in Tokyo, Yokohama, and Kawasaki. Because housing loans are a quality asset with low risk weighting and positioned as a gateway product for personal transactions, we will work to improve ROA (Loan Yield) while steadily increasing the balance of housing loans. In addition, we will pursue growth opportunities by boosting the allocation of assets to high value-added finance areas beyond the conventional framework, such as structured finance, including LBO loans, and to projects operating overseas, including loans to non-Japanese corporations.

Illustrative chart for changes in risk-weighted assets^{*1}



Risk/Return by Asset Class



^{*2} RORA to loan income (Bank of Yokohama non-consolidated basis)
^{*3} Excluding structured finance and overseas investment projects

Corporate client strategy

We will work to expand service revenues by strengthening the provision of strategic solutions that are deeply connected to the management strategies of business, capital, and financial strategies.

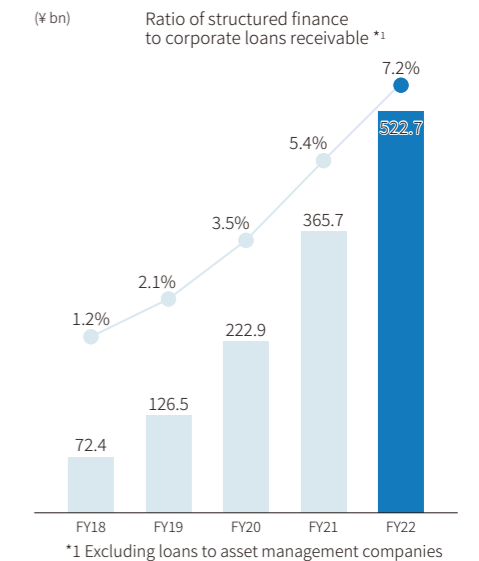
In particular, as a result of our efforts to increase structured finance, since FY 2019, when we started our transformation into a solution business, our group's overall net interest income has turned around and started to increase, and service income has also increased significantly, driven by fees from structured finance origination and participation. As a result of these efforts, the Corporate Division has been able to secure a risk/return on a new executions that exceeds the stock basis, improving both earnings and profitability.

Strategy Overview

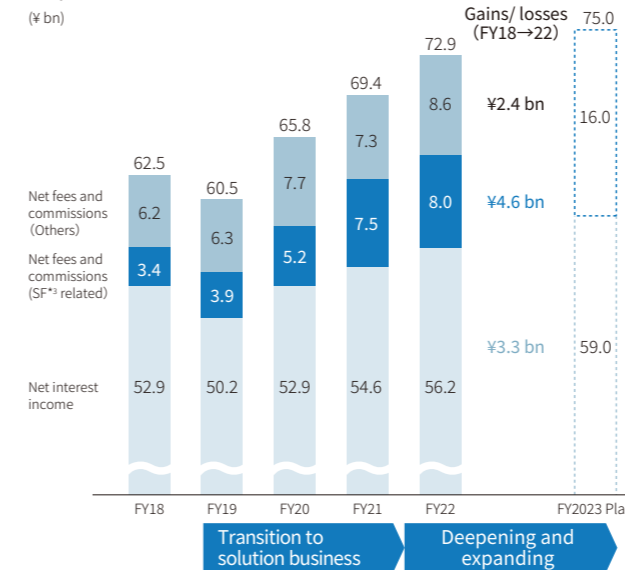


- Provide strategic solutions that are deeply involved in management strategy of customers
- Strengthen structured finance (LBO loans) with high RORA

Structured finance balance

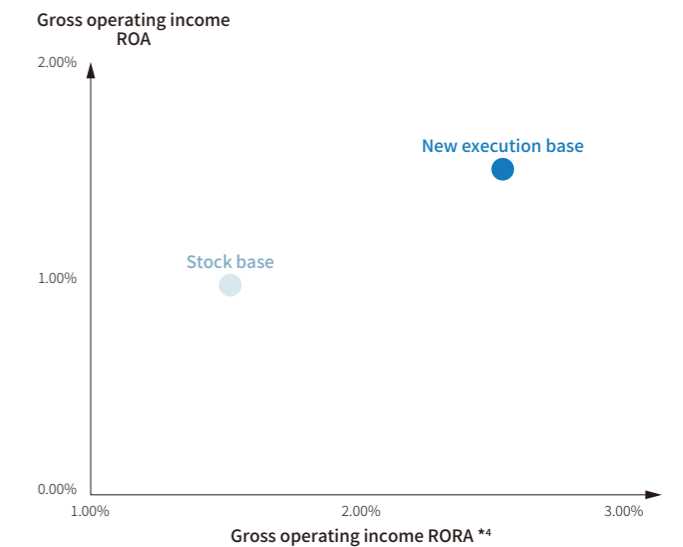


Corporate client service revenue (Two banks combined) ^{*2}



^{*2} Managerial accounting basis. Excluding loans for asset management companies ^{*3} Structured finance

Corporate Division risk/return



^{*4} RORA from loan capital income and loan-related fees and commissions (for the Bank of Yokohama only)

Initiatives to Enhance Corporate Value

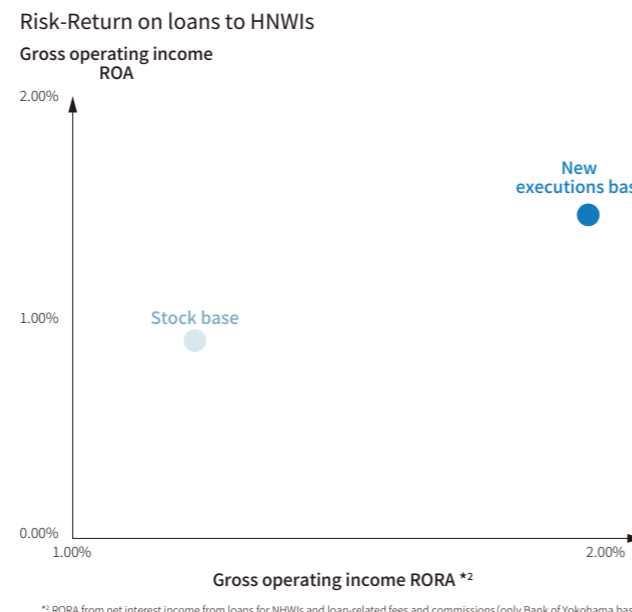
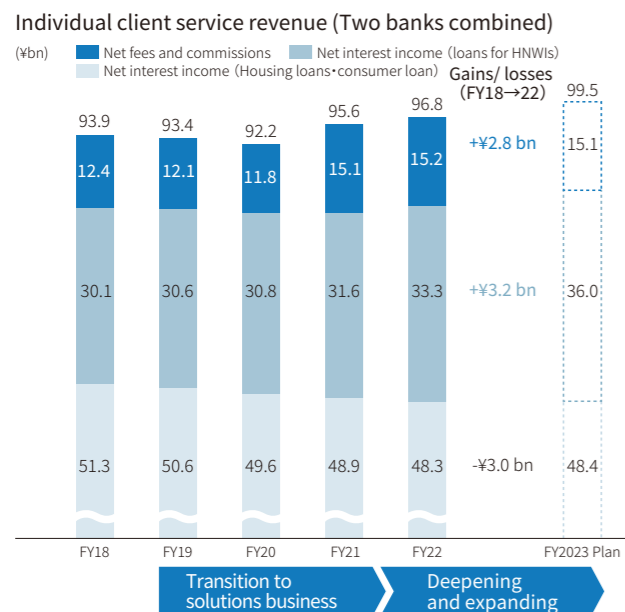
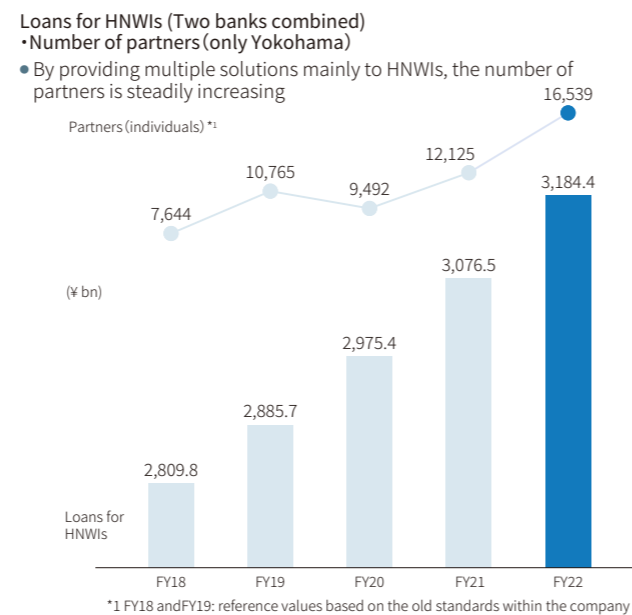
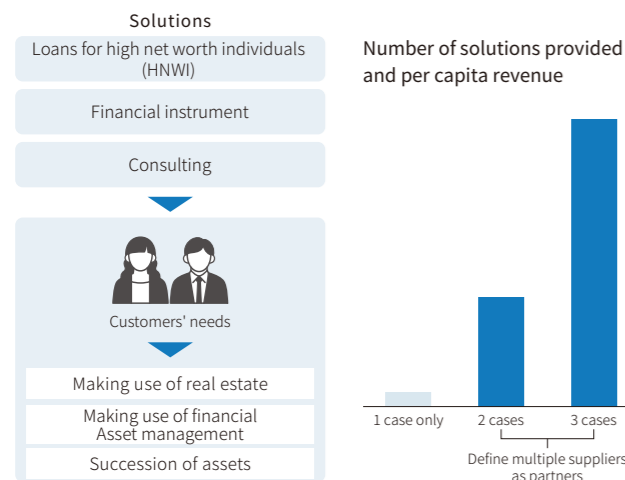
Initiatives to Improve ROE (Strengthen profitability)

Individual client strategy

We are working to increase revenue per customer by providing tailor-made, one-stop solutions to customers and by increasing the number of our partners (multiple solution providers). In particular, we are steadily increasing the number of our partners through our strengthened solution offerings, as we leverage our growing wealthy customer base, which has expanded as a result of our enhanced loans to HNWI initiatives. As a result, in addition to fund revenues in loans to HNWI, service revenues are steadily increasing. In addition, loans to HNWI have been able to secure a risk/return on a newly executed basis that exceeds the stock basis, improving both earnings and profitability.

Strategy Overview

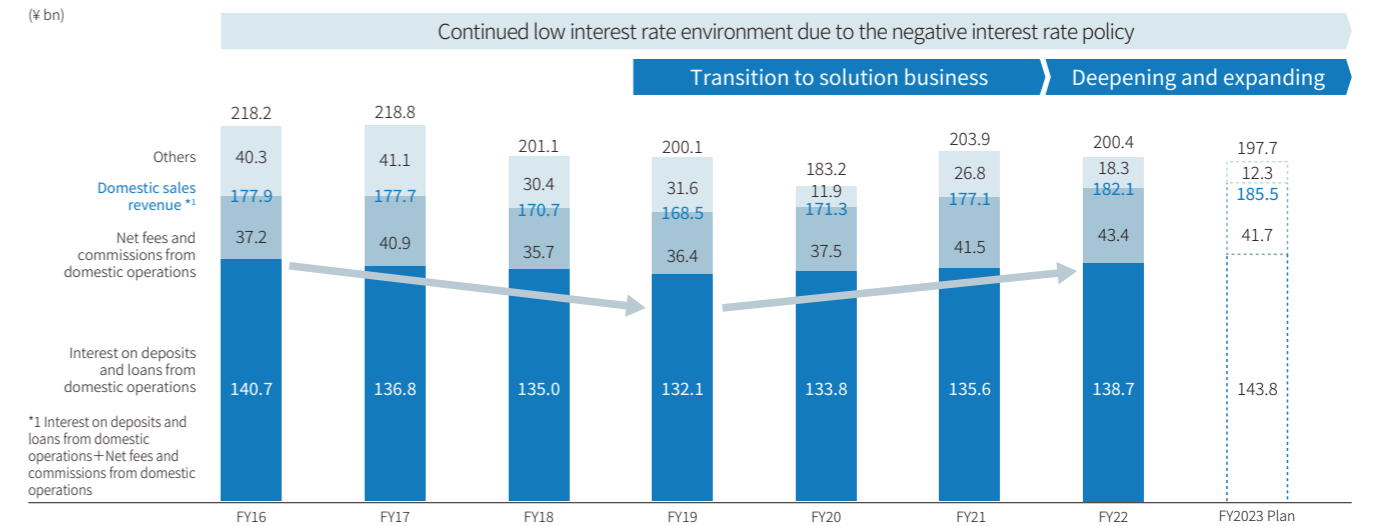
- Propose custom-made and one-stop solutions
- Expand revenue per customer by increasing the number of partners (multiple solution providers)



Changes in topline

From FY2019 onward, as a result of our shift to the solution business, domestic operating division earnings turned around, and in FY2022 they reached the highest level since our establishment, even in the continuing low interest rate environment caused by the negative interest rate policy. We will continue to pursue the deepening and expansion of our solution business and achieve sustainable profit growth, especially in the domestic sales division, which is the core of our earning power.

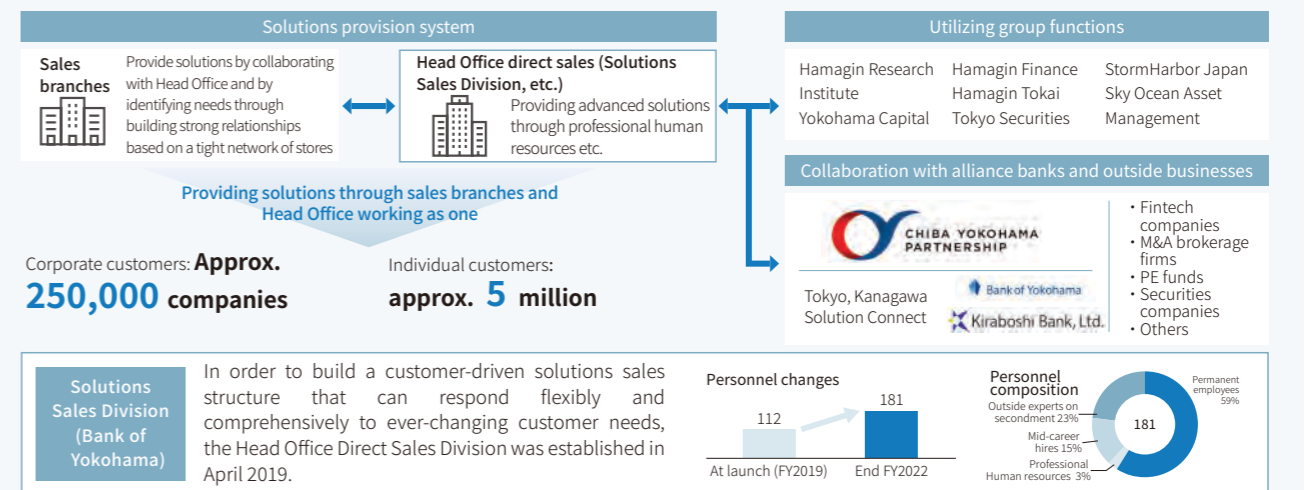
Trends in gross operating income (Two banks combined)



TOPIC Solutions Sales System

The Bank of Yokohama has established a system in which sales branches, which have strong relationships with customers, and the headquarters direct sales division, which has professional human resources and the ability to provide advanced solutions, work together to provide optimal solutions to customers by utilizing group companies and external functions.

In April 2019, we established the Solutions Sales Department in order to build a customer-driven solution sales structure to handle the shift to solution business and to respond flexibly and comprehensively to increasingly diverse and sophisticated customer needs. In addition to our permanent staff, we have strengthened our structure by increasing the number of human resources with strong solution capabilities by hiring professional human resources and mid-career personnel and by receiving seconded outside experts, all to meet the increasingly diverse and sophisticated needs of our clients, including in M&A finance and asset finance.



Initiatives to Enhance Corporate Value

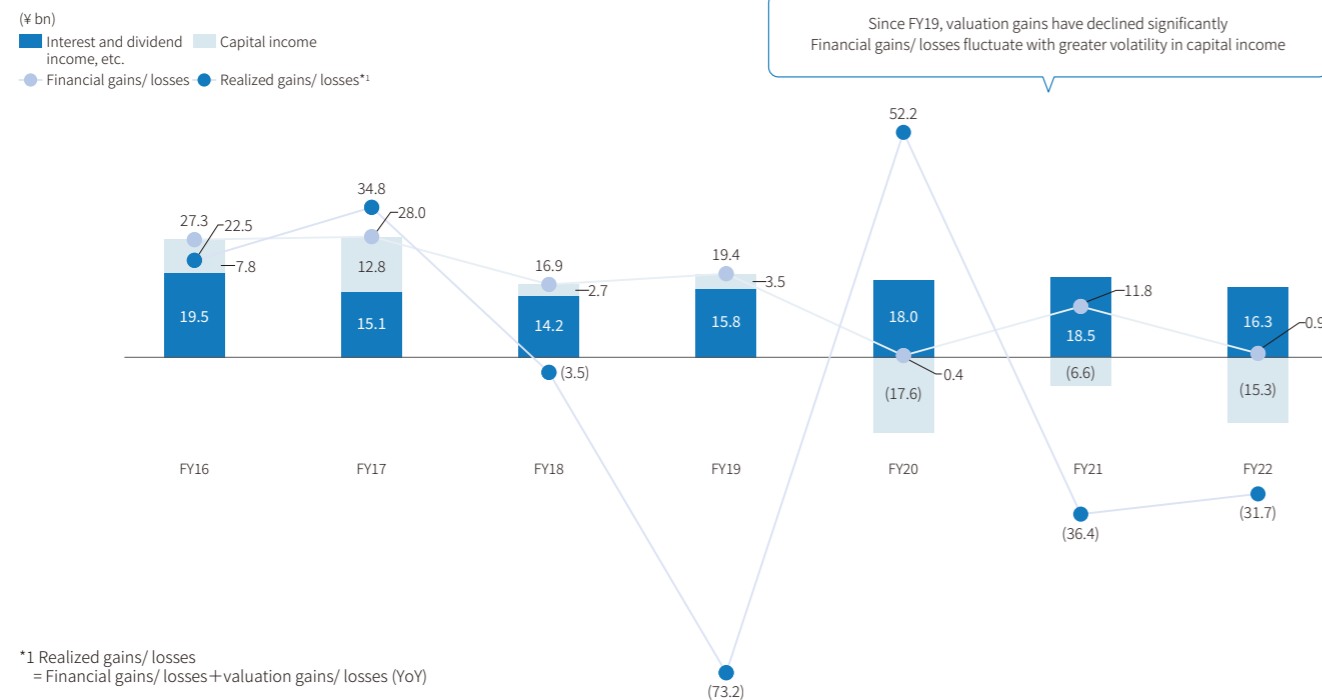
Initiatives to Improve ROE (Restructure securities portfolio)

Market Division Gains/Losses Trends and Issue Recognition

Market Division gains/losses have fluctuated significantly since FY 2019, when securities valuation gains declined significantly, and we have suffered significant capital losses due to dissolution of equity bear funds and cutting our losses on foreign bonds.

We recognize that holding down the volatility of Market Division gains/losses is an urgent management issue that must be addressed in order to stabilize our business performance. To this end, we are restructuring our securities portfolio based on the three key strategies of “securing stable financial income”, “strengthening risk control for stable realized gains/losses”, and “improve valuation gains/losses”.

Market Division Income/total net gains or losses (Two Banks Combined)



*1 Realized gains/losses = Financial gains/losses + valuation gains/losses (YoY)

Net unrealized gains (losses) on securities^{*2}

	FY2016	FY2017	FY2018	FY2019	FY2020	FY21	FY2022
Policy share-holdings	118.0	128.8	101.6	54.4	76.6	56.5	63.0
Other securities	(1.2)	(5.2)	1.5	(43.8)	(14.1)	(42.2)	(81.5)
Total	116.8	123.6	103.2	10.6	62.4	14.2	(18.4)

*2 Excluding securities held to maturity

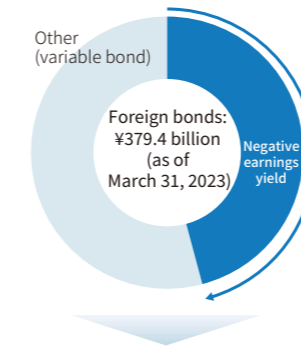
Planning to control securities portfolio of about 21bn yen with reverse foreign bonds in FY23

Directions for restructuring securities portfolio

- Securing stable financial income (Priority issue : Reduce foreign bond with negative earnings yield)
- Strengthen risk control for stable realized gains/losses
- Improve valuation gains/losses

Deal with priority issue (foreign bond with negative earnings yield)

During the first half of FY2023, the Company plans to sell most of its foreign bonds, which have a negative spread of approximately ¥180 billion as of March 31, 2023 because funding costs exceed the investment yield. This will result in a loss on sale of about ¥15 billion, but will virtually eliminate the impact of the negative spread for foreign bonds. We expect future improvement in financial profitability from eliminating the impact of the negative spread, which is estimated to amount to about ¥4 billion per year.



Planning to sell most of the negative earnings yield during the first half of FY23. Negative earnings yield impact on PL has almost disappeared.

< Bond yield levels >
 USD interest rate below 5.00%,
 EUR interest rate below 3.0%
 < Calculation of negative earnings yield >
 Our procurement cost (USD short term interest rate around 5.0%, EUR short term interest rate around 3.0%) - difference in interest income (in case of continuing to hold bonds held as of the end of March 2023)

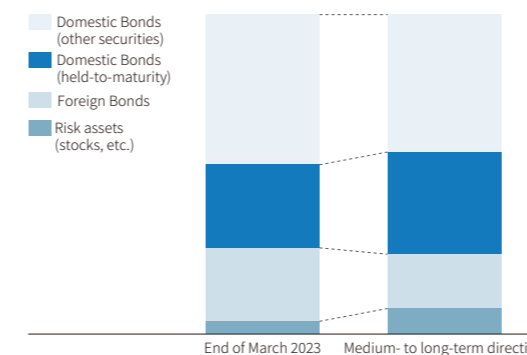
Balance	Approx. ¥180 billion
Valuation gains/losses	Approx. (¥15) billion
Annual negative earnings yield impact	Approx. (¥4) billion

Considering foreign bond recovery investment, mainly US bond in response to market trends

Securities Portfolio Restructuring Direction

In order to secure stable financial income, we will strengthen asset allocation to domestic bonds while flexibly increasing held-to-maturity bonds in response to rising yen interest rates. In order to “strengthen risk control for stable realized gains/losses”, we work to secure stable real gains based on flexible portfolio management that takes advantage of the correlation between safe assets and risky assets. For foreign bonds, which have been a particular issue, we control the amount of risk within a certain range by shifting from fixed-rate to floating-rate bonds. In order to “improve valuation gains/losses”, we will start new long-term and time-distributed equity investments, aiming to accumulate valuation gains.

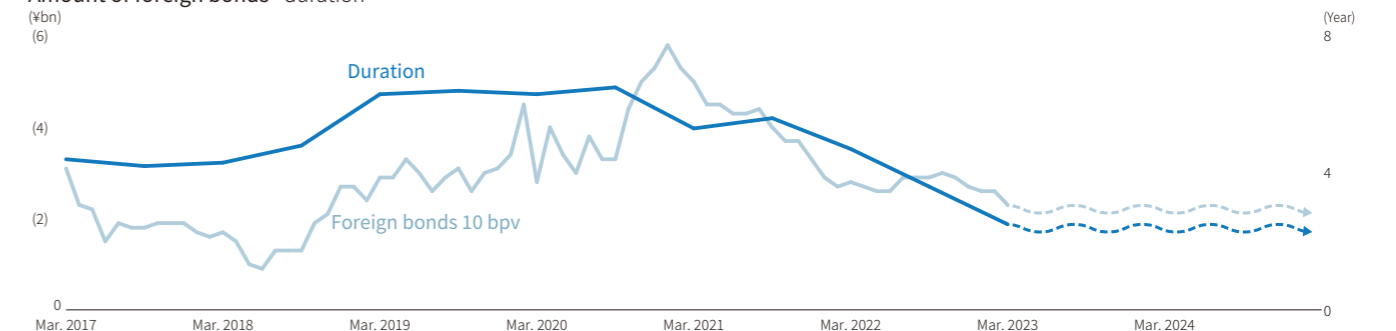
Securities Portfolio



Deal with issues

- Secure stable financial income**
- Strengthen Yen bond allocation in response to rising Yen interest rate (Gradual accumulation of bonds with maturity holdings in consideration of liquidity risk regulations, etc.)
 - Secure CLO buy-and-hold spread revenue
- Strengthen risk control for stable realized gains/losses**
- Agile portfolio operations utilizing the correlation between safe and risk assets
 - Control risk of foreign bonds
- Improve valuation gains/losses**
- Started accumulating valuation gains from stock investment through long-term and time diversification

Amount of foreign bonds · duration

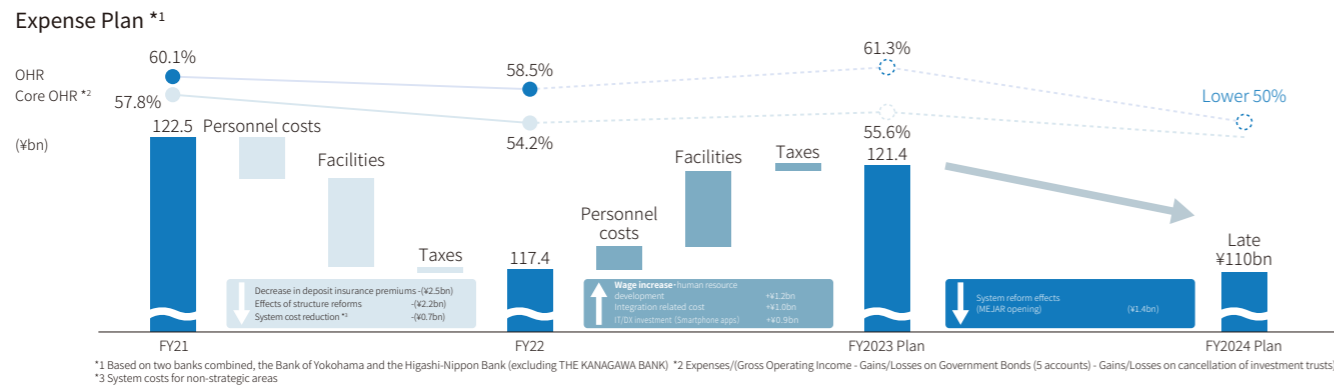


Initiatives to Enhance Corporate Value

Initiatives to improve ROE (Control cost)

Expense control

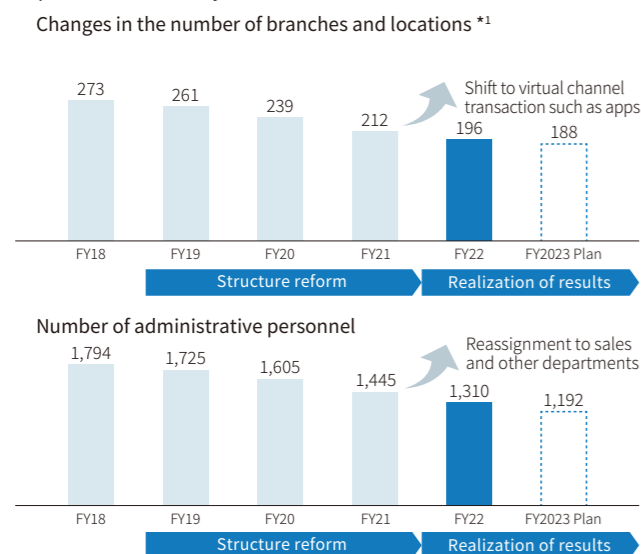
In FY2022, in addition to the reduction of the deposit insurance premium, we achieved a reduction in expenses by realizing the effects of the structural reforms undertaken in the previous medium-term management plan. In FY2023, we plan to increase expenses due to investments for growth, such as wage increases, investments to develop human resources, and IT and digital investments including smartphone apps, etc. In FY2024, the final year of the medium-term plan, we aim to reduce expenses through system reforms such as opening up MEJAR and to achieve an OHR in the low 50% range, as set in the medium-term plan.



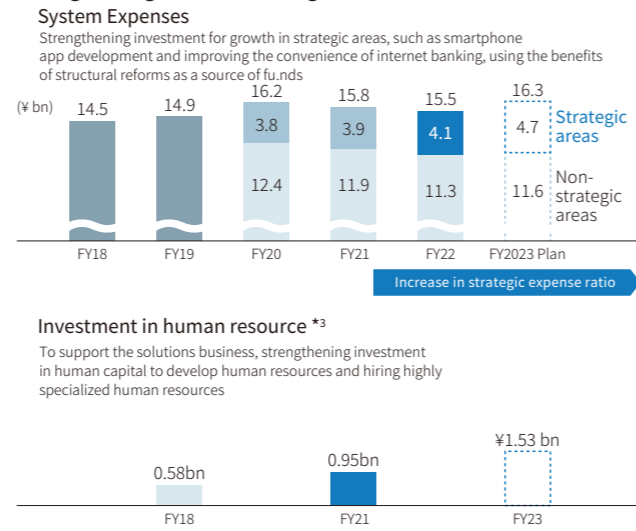
Strengthening investment for growth through structural reforms that reduce expenses

The structural reforms promoted since FY2019 have made concrete expense reductions by consolidating and eliminating branches and reducing clerical personnel, taking advantage of the effects of workloads being reduced through more efficient and non-face-to-face branch services. A portion of the excess capacity created by the reduction of expenses is being allocated to growth investments, including digital investments in strategic areas such as mobile banking, and human capital investments for human resources development to support our solution business. For digital investment, we are increasing the proportion of strategic areas in systems expenses, such as smartphone app development and improvements to make internet banking more convenient.

Expense reduction by structure reform



Strengthening investment for growth

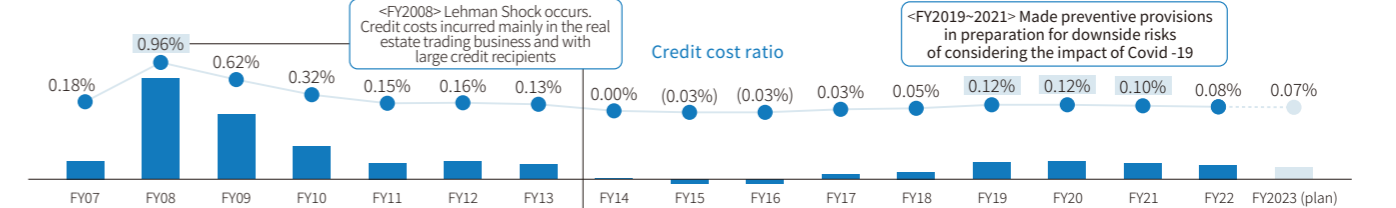


*1 For the Bank of Yokohama, the number of branches (excluding branches-in-branches); for the Higashi-Nippon Bank, the number of locations
 *2 Comparison between FY2018 and FY2022 (personnel expenses, branch and location operation expenses)
 *3 Training participant personnel expenses, education secondment expenses, recruitment activity expenses, etc

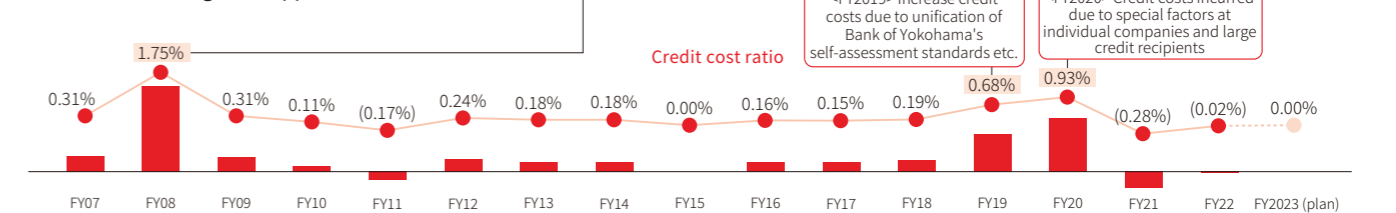
Credit cost control

Although credit costs were incurred during the Lehman Shock, particularly in the real estate trading business and for large credit customers, credit costs have remained low since FY2011 as a result of the credit management practices we have carried out based on lessons learned. The Bank of Yokohama has implemented a precautionary allowance for COVID-19 impacts and other factors since FY2019, and the Higashi-Nippon Bank is working to control credit costs by thoroughly managing credit in preparation for future downside risk, for example by unifying on the Bank of Yokohama's self-assessment standards, which are more stringent.

Credit cost (the Bank of Yokohama)



Credit cost (the Higashi-Nippon Bank)



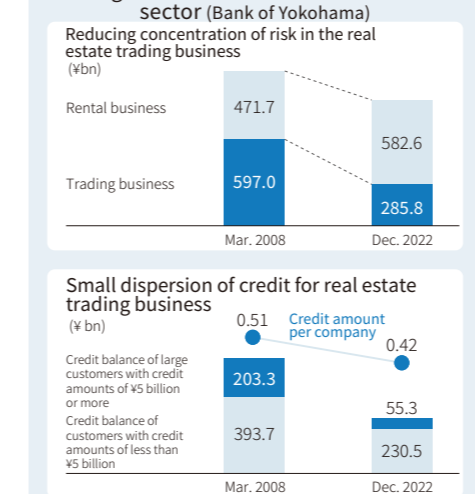
Initiatives to control credit costs

We have reduced credit to the real estate sector by scaling back credit to the real estate trading business and building a portfolio focusing on the leasing business, thereby holding down credit costs incurred due to market fluctuations. In addition, the Company also seeks to diversify small-lot credit to the real estate trading business, thereby reducing the risk of credit costs arising from factors that affect the performance of individual companies.

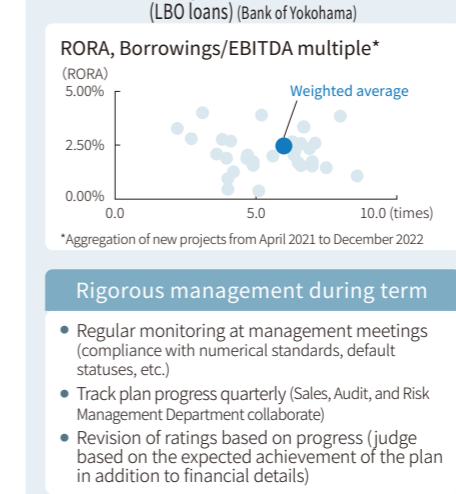
For structured finance, which has been strengthened in recent years, we have thoroughly executed strict credit management to prepare for future downside risk, such as by establishing profitability criteria based on RORA and our own screening criteria.

The Higashi-Nippon Bank has established a highly effective management system that includes stricter self-assessment standards and enhanced monitoring of individual companies.

Avoiding concentrated risk in the real estate sector (Bank of Yokohama)



Credit management for structured finance (LBO loans) (Bank of Yokohama)



Strengthening credit risk management at the Higashi-Nippon Bank

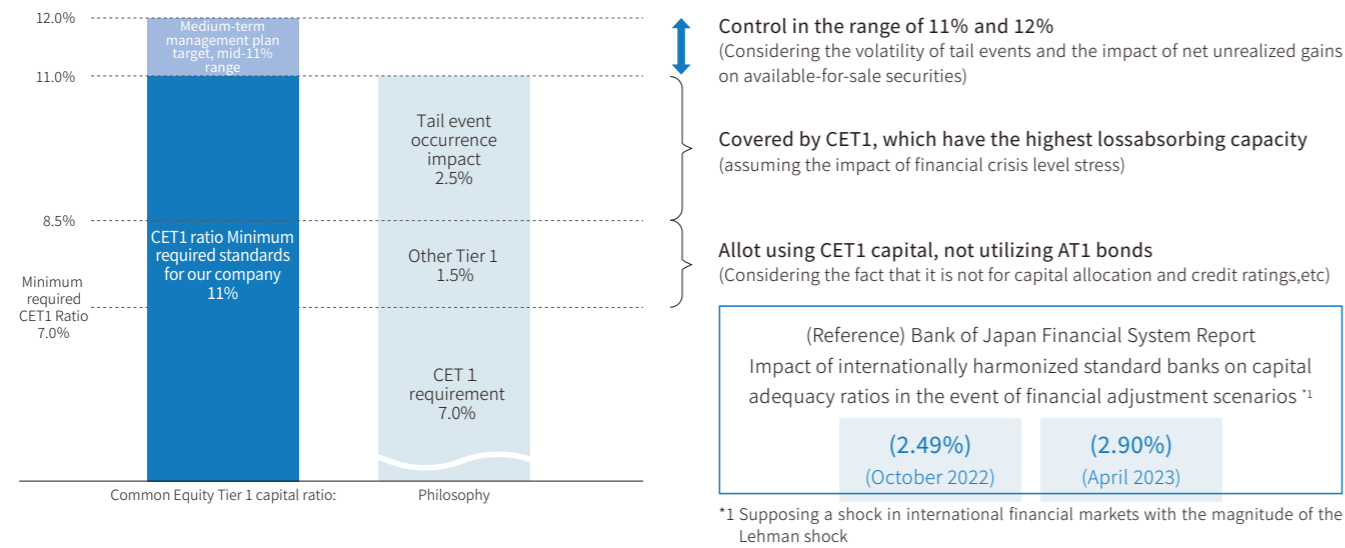
- Stricter self-assessment standards**
- Stricter credit management by unifying self-assessment standards with the Bank of Yokohama
- Small-lot diversification management for the real estate sector**
- Set a maximum credit exposure per company for the real estate sector and manage credit risk with portfolio diversification
- Monitoring and development management for individual companies**
- Branch office stationing (on a weekly basis) by loan department examiners and assignment of credit management staff strengthen monitoring of individual companies

Initiatives to Enhance Corporate Value

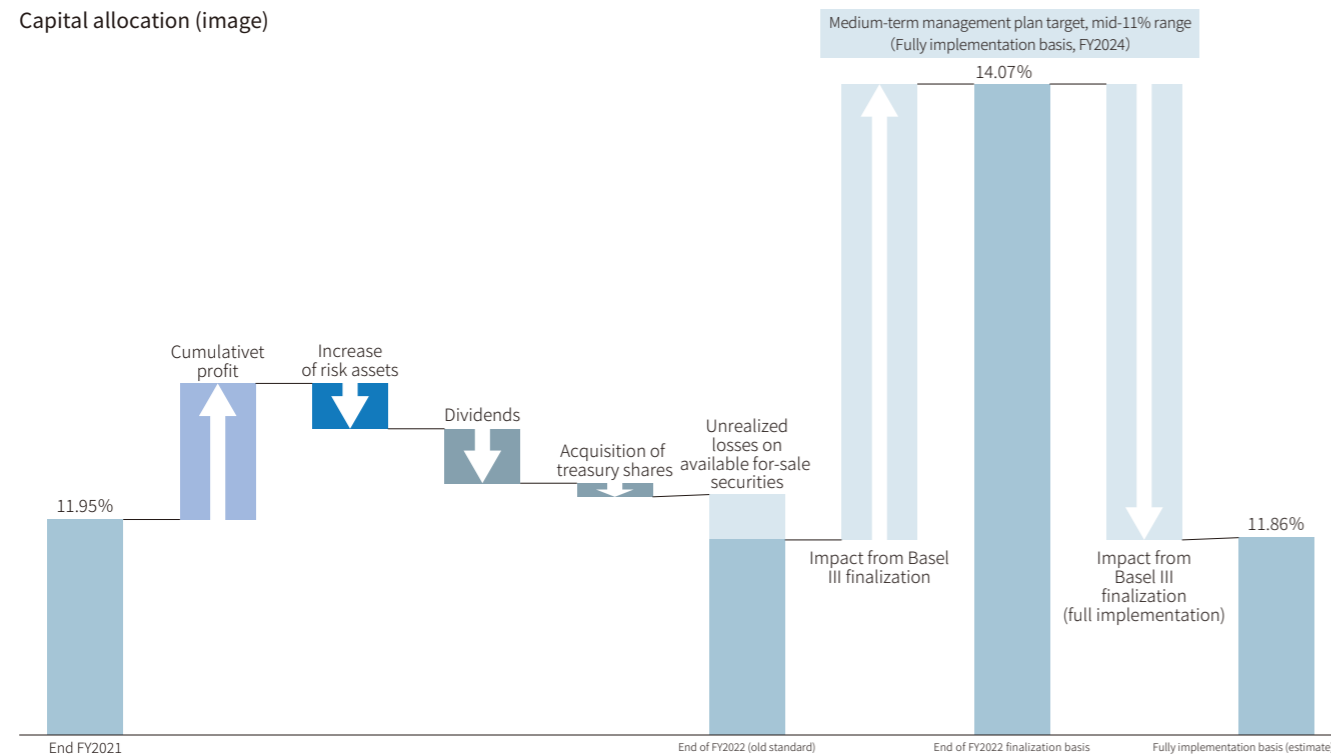
Initiatives to improve ROE (control risk assets)

We made the CET1 capital ratio, which has high loss absorbency, one of the medium and long-term target indicators in the medium-term management plan from the viewpoint of maintaining financial soundness. We set the target indicator in the mid-11% range based on the assumption that we will control this parameter to stay between 11.0% and 12.0%, taking into account the other Tier 1 portion (equivalent to 1.5%) and the impact of stresses as large as the Lehman Shock (equivalent to 2.5%), in addition to the 7.0% minimum level require by regulation. Based on such control of the CET1 capital ratio, we control risk assets that balance profitability and soundness.

Common Equity Tier 1 Capital Ratio Control



Capital allocation (image)



Initiatives to improve ROE (optimal capital allocation)

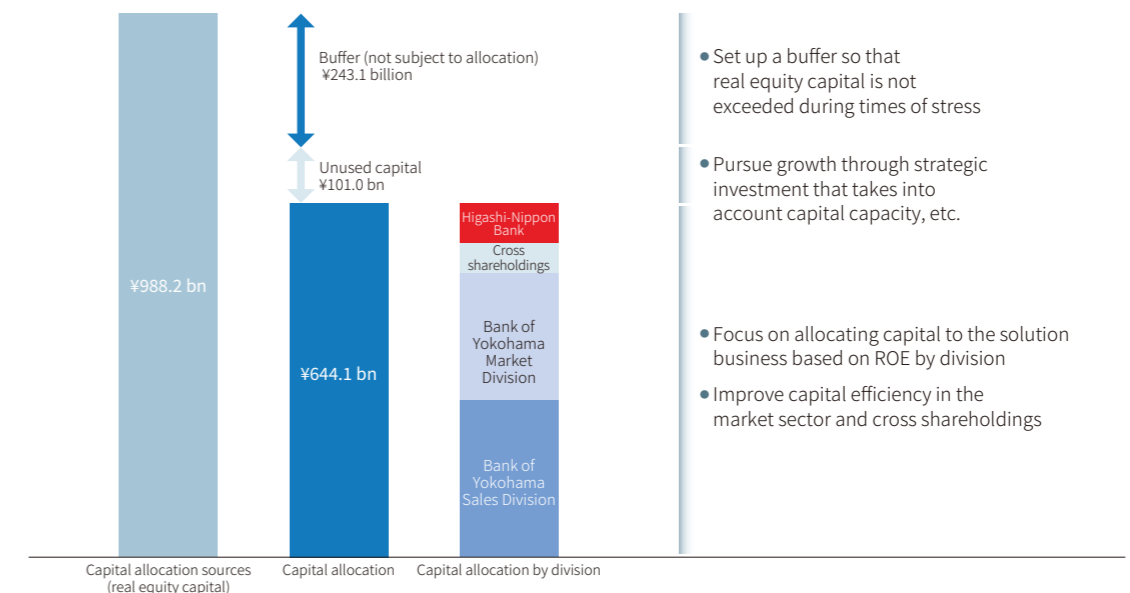
We work to maximize returns on allocated capital by establishing a buffer to ensure capital adequacy even in the event of a tail event risk of the magnitude of the Lehman shock and by allocating capital optimally.

In allocating capital, the Company confirms the sufficiency of buffers to ensure that the Company's real equity capital will not be exceeded in the event of a Lehman shock-level stress.

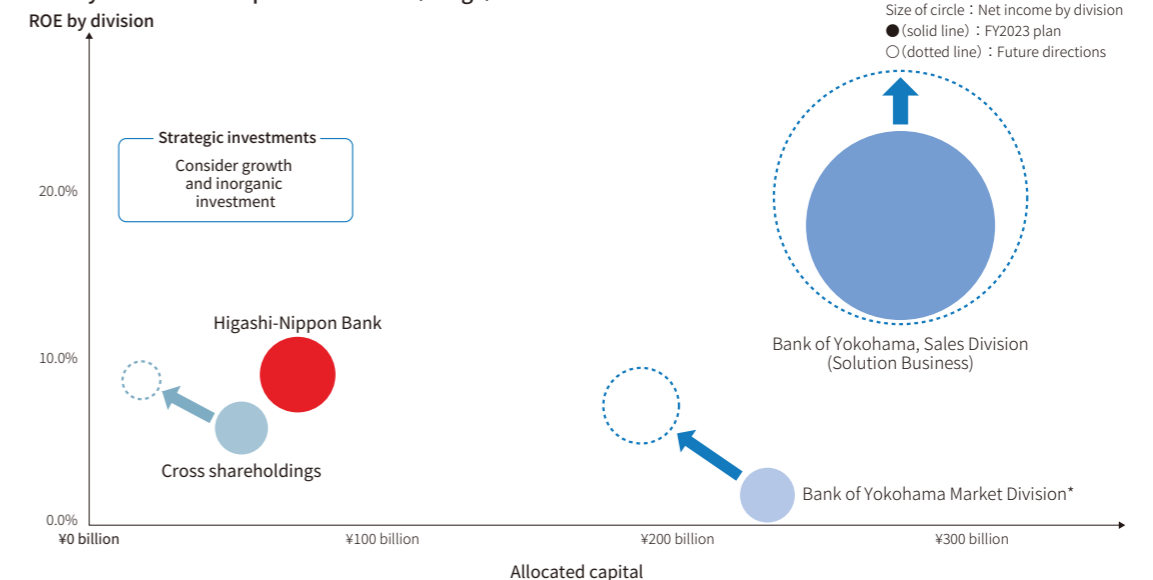
Capital will be allocated with particular emphasis on the Bank of Yokohama's sales divisions (solution business) based on the ROE of each division. For the Market Division, we will work to improve capital efficiency while restructuring our securities portfolio. We have a policy of reducing the balance of cross shareholding and allocated capital.

In addition, we will pursue strategic investment opportunities that will strengthen our solution business and improve our return on capital, taking into consideration our capital capacity and other factors.

Direction of capital allocation (FY2023 plan)



ROE by division and capital allocation (Image)



*Income from securities management, income from trading with customers such as derivatives, etc.. Excluding securities capital gains/ losses and securities held to maturity

Initiatives to Enhance Corporate Value

Initiatives to improve ROE (reduction of cross shareholdings)

Since the late 1990s, prior to the merger, the Company had been reducing its cross shareholdings, and as of the end of FY2022, the ratio of cross shareholdings to CET1 capital had decreased to 15.8% based on market value and 10.6% based on acquisition cost.

From the perspectives of holding down financial risks from stock price fluctuations and of efficiently utilizing capital with an awareness of the cost of equity, we maintain a policy of reducing outstanding balances. We regularly review the significance and economic rationale of our holdings, and if not deemed appropriate to hold, we sell, taking into consideration the impact on the market.

Policy on Cross Shareholdings

The "Policy on Cross Shareholdings" for listed stocks by the Company and its group banks (*1) is as follows.
 The basic policy for cross shareholdings (*2) is to reduce the balance for the sake of controlling financial risk from stock price fluctuations and of efficiently using capital with an awareness of the cost of capital.
 We periodically review the significance and economic rationale of our shareholdings, and if the holdings are not deemed appropriate, we sell them while considering relevant factors, including negotiations to improve profitability and market impact.
 Even in cases where holdings are deemed appropriate, we may sell some of the shares in accordance with our basic policy of reducing outstanding balances, and taking into consideration the market environment, management, and financial strategies.
 Furthermore, where cross shareholders demonstrate an intention to sell Company shares, the Company will take no actions to prevent those sales.

*1 "Group banks" refers to our consolidated subsidiaries, the Bank of Yokohama and Higashi-Nippon Bank.
 *2 Cross shareholdings are classified according to the purpose of the holdings, (1) shares held for operating purposes and (2) shares held for business strategy purposes.
 (1) accounts for the majority. (1) Shares held for operating purposes are shares in companies that play a central role in the regional economy, companies that contribute to regional development such as community development, companies that aim to support revitalization, etc., and companies that offer a risk-return ratio that is commensurate with the cost of capital.
 (2) Shares held for strategic business purposes are shares in companies that are expected to have strategic business effects through business alliances and other means.

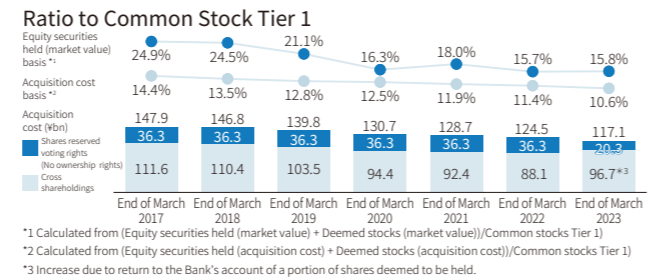
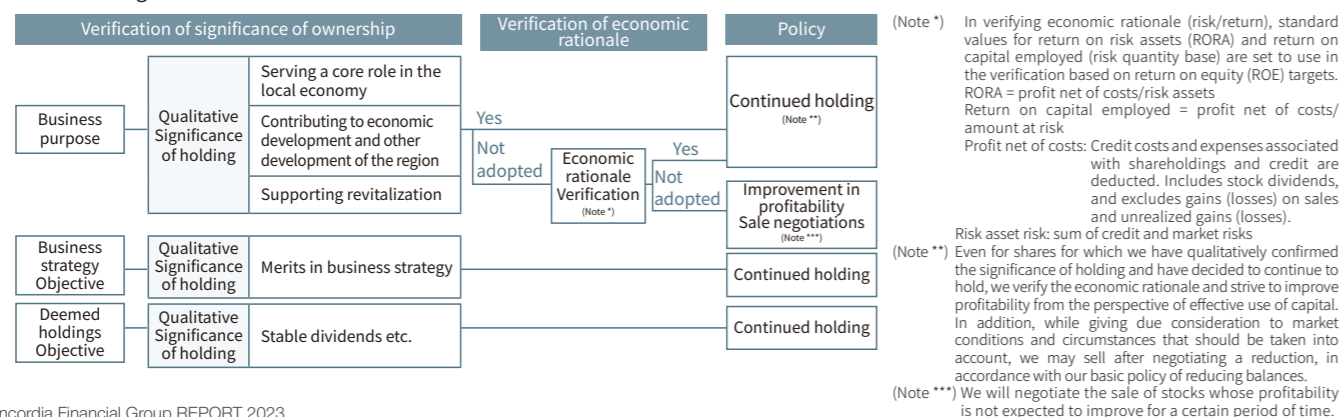
Evaluation of the significance of holdings and the economic rationale

The Board of Directors regularly verifies each company whose listed shares are held by the Company for its contributions to regional development, the strengthening of long-term and stable business relationships, and the economic rationale (risk/return commensurate with cost of capital). In order to verify the economic rationale (risk/return), we set standard values for return on risk-weighted assets (RORA) and for return on capital employed (risk quantity base) according to the return on shareholder's equity (ROE). In addition, the Company periodically checks the progress of sale negotiations and profitability improvement efforts.

Verification results etc.

The Board of Directors verified the significance and economic rationale for holding all listed shares (approximately 150 stocks) as of the end of March 2023, and found that approximately 90% of all stocks met the holding criteria. For stocks that do not meet our holding criteria, the objective is improved profitability, but if they do not improve within a certain period of time, we consider selling. The same verification is also conducted for deemed holdings. In FY2022, the Company sold approximately 3.1 billion yen on an equity securities held (acquisition cost) basis.

Details of verification of the significance and economic rationality of the Company's policy cross shareholdings and deemed-owned shareholdings



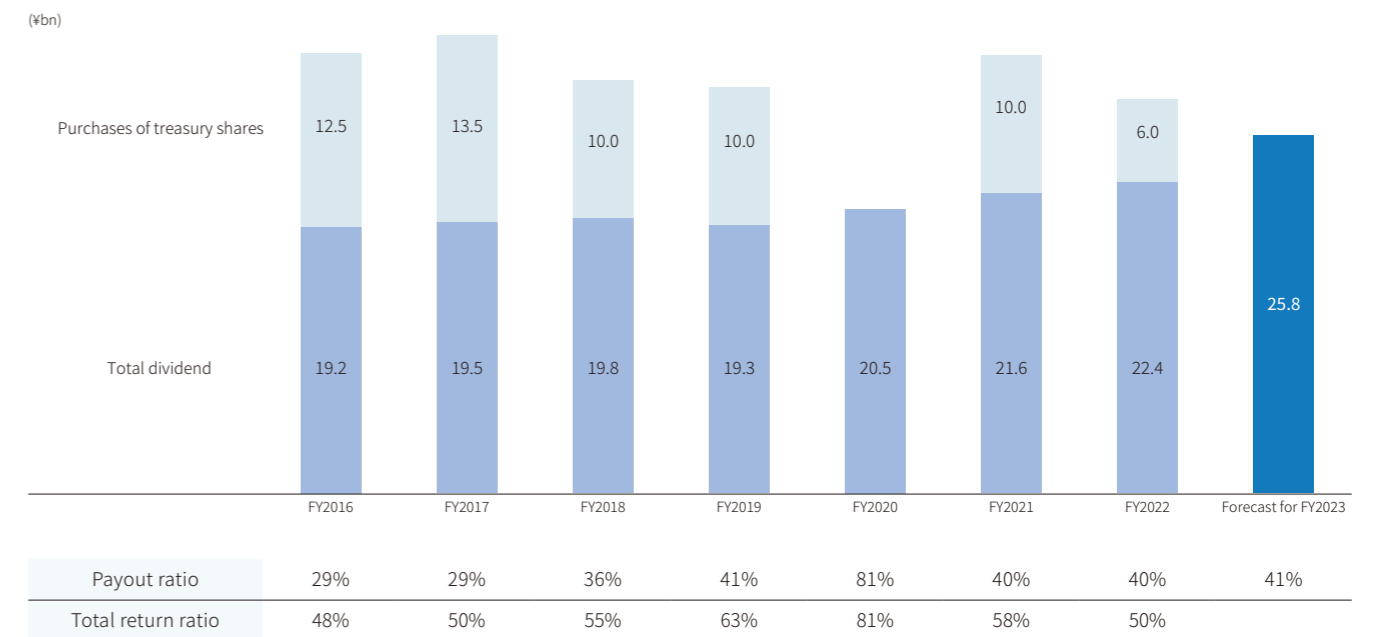
Initiatives to improve ROE (enhancement of shareholder returns)

While keeping in mind the idea of firmly meeting the expectations of investors who hold their shares for the long term, we aim to increase dividends in line with growth in income based on a progressive dividend policy. The Company aims to maintain a dividend payout ratio of approximately 40%, and will flexibly and dynamically implement purchase of treasury shares, taking into consideration market trends and earnings prospects, while also keeping the total payout ratio in mind.

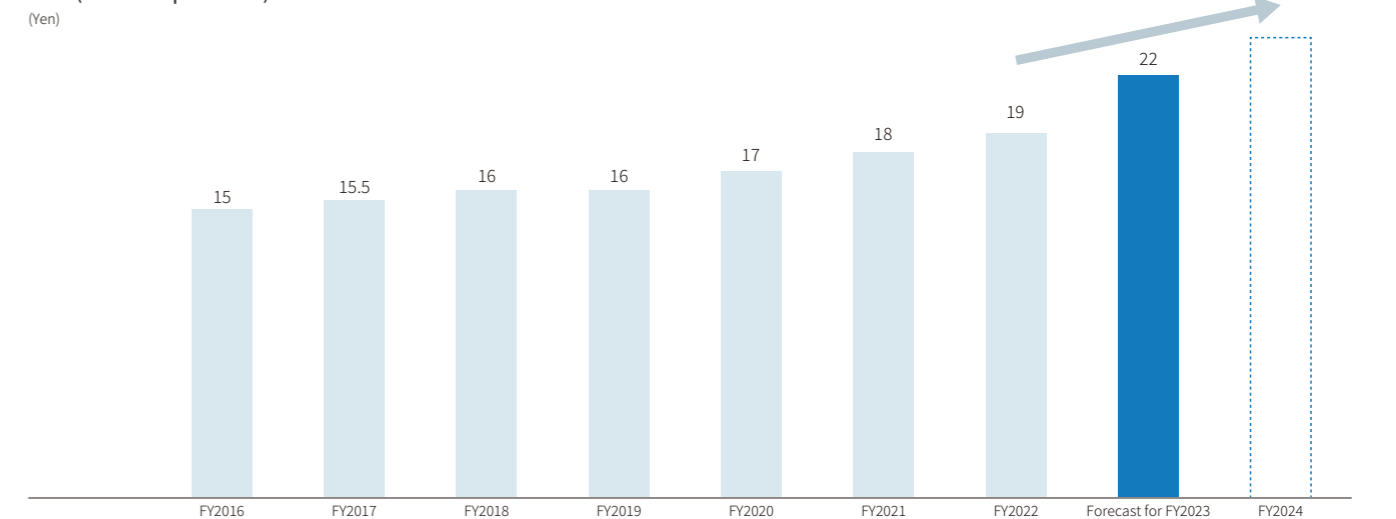
Shareholder returns policy

- Dividend**
 - Target the payout ratio of about 40%, with the basic principle of progressive dividends
- Purchase of treasury shares**
 - Conduct purchases of treasury shares flexibly and expeditiously according to market conditions and business prospects

Historical record of shareholder returns



DPS (dividend per share)

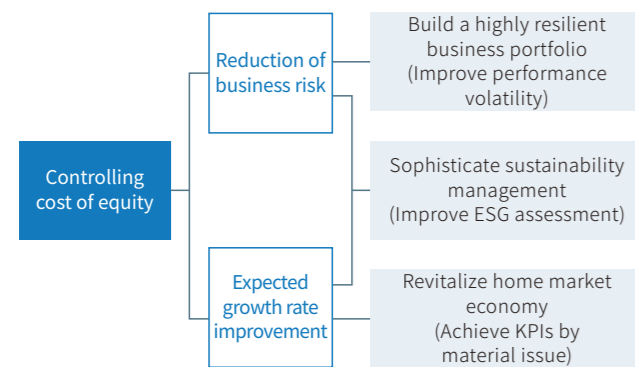


Initiatives to Enhance Corporate Value

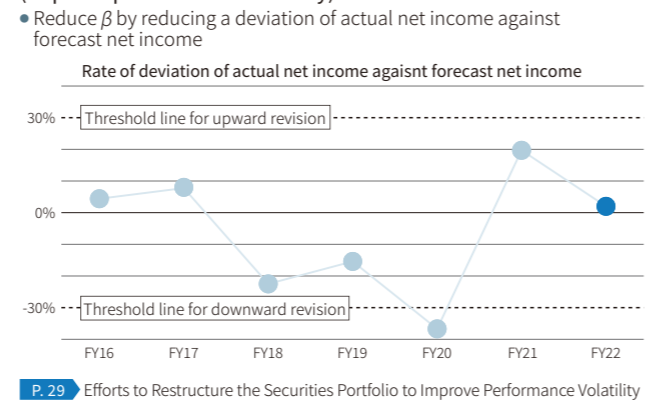
Initiatives to control cost of equity

We recognize that “reduce business risks” and “improve the expected growth rate” are necessary to control cost of equity. The first specific initiative to achieve this is to “Improve performance volatility”. The deviation of net income from the performance forecast was particularly high in FY2018-2020. This was due to a significant decline in Market Division profits. From this perspective, we recognize that improving our securities portfolio is an urgent management issue. By restructuring our securities portfolio, we hope to reduce the volatility of Market Division earnings, thereby reducing the overall volatility of the Company's performance, which should lead to a reduction in the beta value that constitutes the cost of equity.

Initiatives to control cost of equity



(Improve performance volatility)



The second is to revitalize home market economy through the realization of key KPIs for each materiality. As a regional financial institution, we recognize the importance of improving our own expected growth rate by revitalizing the local economy, and we will work with the community to achieve sustainable growth by setting materialities (priority issues to be resolved) and achieving KPIs to realize sustainability in the community.

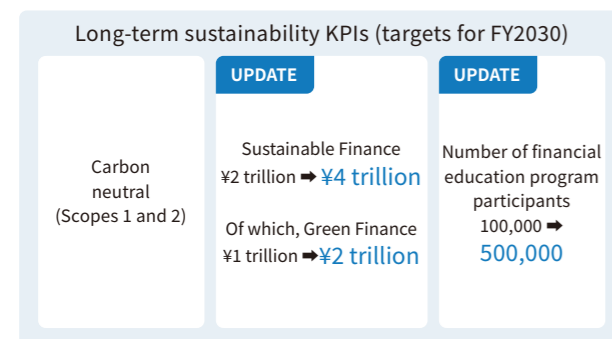
The third is to improve ESG assessment. We recognize that combining social and economic value will enhance our reputation for sustained profit growth, which in turn will lead to lower yield required by investors. As a result of our efforts to advance sustainability management, our ESG assessment has steadily improved.

Achieve KPIs by material issue

- Increase the growth rate by revitalizing the local economy through achieving long-term sustainability KPIs

Improve ESG assessment

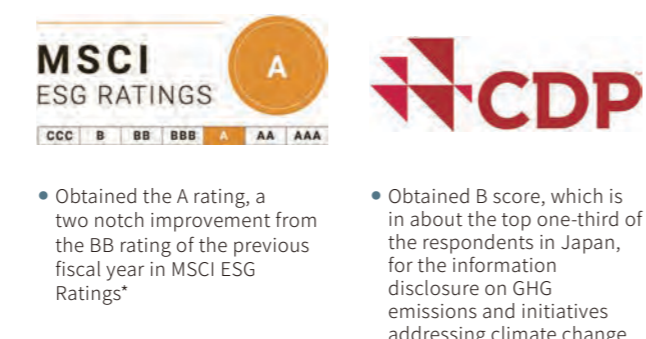
- Reduce the cost of capital by improving ESG assessment, which is correlated with the cost of capital



P. 103 Measures Against Global Warming and Climate Change — TCFD Recommendation Initiatives

P. 92 Initiatives for Financial Education

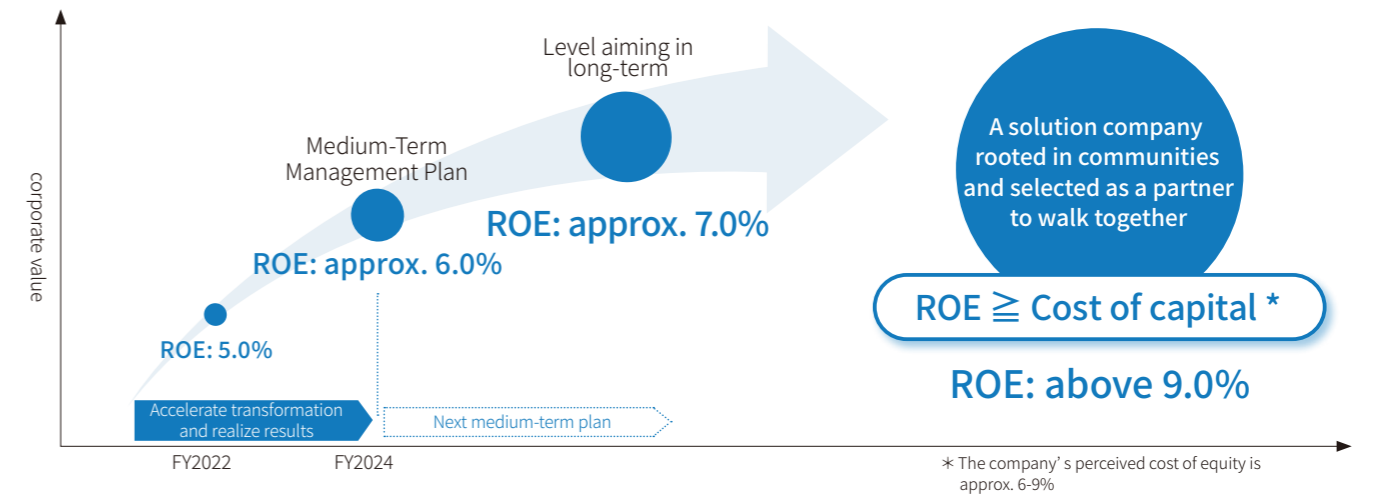
*THE USE BY CONCORDIA FINANCIAL GROUP LTD. OF ANY DATA FROM MSCI ESG RESEARCH LLC OR ITS AFFILIATES (MSCI) AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DOES NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF CONCORDIA FINANCIAL GROUP, LTD. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.



P. 152 ESG Information

Our vision

To realize our vision of being a solution company, we are working to increase ROE in order to raise our corporate value. Through the implementation of various strategies to improve ROE, we aim to achieve an ROE of 6.0%, which is the target indicator in the medium-term management plan, and to achieve an ROE of around 7.0%, which is the long-term goal level, as soon as possible.

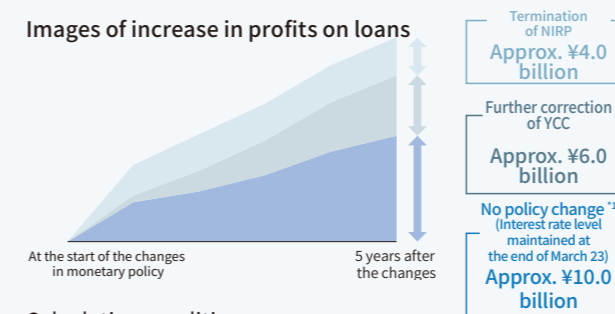


TOPIC

The impact of higher interest rates on loan interest

If the Bank of Japan's monetary policy of yield curve control is further adjusted and negative interest rates are ended, our ROE is expected to improve by about 1% after five years due to an increase in loan interest income.

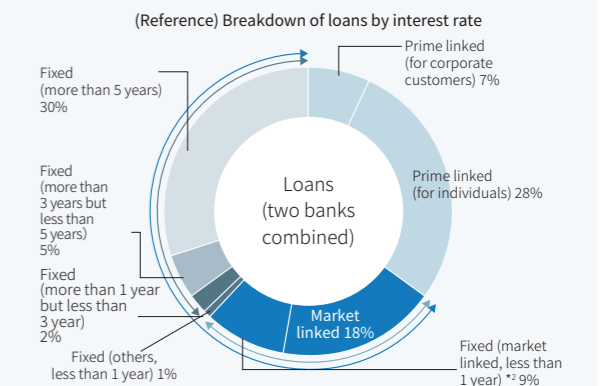
Images of increase in profits on loans



Calculation conditions

- Estimated value in the event of termination of NIRP and correction of YCC
- Termination of NIRP: Impact of a 10 bps increase in TIBOR
- Further correction of YCC: Impact of an increase in the allowable range of long-term interest rates to $\pm 0.75\%$.
- The balance of loans remain unchanged as of the end of Mar 23

Upside effect of ROE approx. 1%



*1 Impact of an increase in fund income by that the market interest rate level as of end-March 23 exceeds the base interest rate level for existing loan receivables
*2 Mainly uses a base interest rate that is highly linked to market-linked interest rates such as the JBA TIBOR.

History of the Concordia Financial Group

100 years together with the community. In order to continue being “a financial group that is indispensable to its region”, we aim to be a solution company solving issues faced by our customers and the community.

1924

HIGASHI-NIPPON BANK

● Tokiwa Mujin (Tokiwa Mutual Financing Association) was established in Mito City, Ibaraki Prefecture, in response to the financial crisis triggered by the Great Kanto Earthquake.



1951

● Changed name to 'Tokiwa Mutual Bank' with the implementation of the Mutual Bank Act.

1975

● Relocated headquarters to the current site in Nihonbashi, Chuo-ku, Tokyo.

1973

● Moved to the First Section of the Tokyo Stock Exchange and changed name to the Tokiwa Mutual Bank, Ltd.

1989

● Changed name to The Higashi-Nippon Bank, Limited with the change from a mutual bank to an ordinary bank.

■ Loan trend
■ Deposit trend

1920.3 1930.3 1940.3 1950.3 1960.3 1970.3

1920

Social Events

1949

● Exchange rate set at 360 yen to the dollar.

1951

● Mutual Bank Act enacted

1956

● The City of Yokohama designated as one of the five ordinance-designated cities of Japan.

1973

● The yen shifted to a floating exchange rate system.

1978

● First oil shock

● Yokohama Stadium opened.

1985

● Plaza Accord and sharp appreciation of the yen.

1989

● Yokohama Exposition opened

● Yokohama Bay Bridge opened

● Consumption tax introduced

1991

● The population of Kanagawa Prefecture reached 8 million people.

1996

● Japan's financial big bang series of mergers of financial institutions etc. follow one after another.

2005

● Complete lifting of the freeze on the payoff system.

2008

● Lehman Shock

2009

● 150th Anniversary of the opening of Yokohama Port

2011

● The Great East Japan Earthquake

2013

● The Bank of Japan introduced quantitative and qualitative monetary easing.

2018

● Kanagawa Prefecture selected as an SDG Future City.

2019

● Final of the Rugby World Cup in Japan held in Yokohama.

● Consumption tax raised to 10%.

2020

● Spread of COVID-19

2021

● Tokyo Olympic and Paralympic Games

2023

1920

Bank of Yokohama

● In response to financial crisis at 74 Bank, which was the largest ordinary commercial bank in Yokohama, the Yokohama business community took the lead in establishing the Yokohama Koshin Bank.



1945

● Relocated headquarters from a temporary post-earthquake location to 4-chome, Sumiyoshi-cho, Naka-ku, Yokohama City.

1957

● Changed name to The Bank of Yokohama, Ltd. for a new era of development in Yokohama and Kanagawa Prefecture.

1969

● Became the top regional bank with approximately ¥700 billion in deposits.

1993

● Relocated headquarters to the current Minato Mirai 21 area as part of the 70th anniversary commemorative project.

1994

● Yokaohama Ekimae Housing Loan Center opened.

● Began establishing housing loan centers.

2008

● Became the first regional bank to surpass ¥10 trillion in deposits.

● Hamagin Tokai Tokyo Securities Co., Ltd. established.

2009

● Only regional bank to open a Shanghai branch.

2014

● Sky Ocean Asset Management Co., Ltd established.

2016

CONCORDIA Financial Group

● Birth of Concordia Financial Group, Ltd.

● Declaration of Fiduciary Duty adopted.

● Collaboration with Sky Ocean Asset Management Co., Ltd. started.

● Collaboration with Hamagin Tokai Tokyo Securities Co., Ltd. started.

2017

● Basic Corporate Governance Policy adopted.

● HamaPay smartphone payment service introduced.

2018

● Basic agreement on acquisition of shares of P.T. Bank Resona Perdania and mutual collaboration with Resona Bank in international business

● Agreement with Kanagawa Prefecture on promotion of SDGs

2019

● Acquisition of shares in StormHarbour Japan Ltd.

● Endorsement of TCFD recommendations

● Hamagin Business Challenged Co., Ltd. launched as an initiative to employ people with disabilities.

● Signed the Chiba-Yokohama Partnership with The ChibaBank, Ltd.

● Began using system shared with The Bank of Yokohama, Ltd.

● Formulated the Higashi-Nippon Bank Sunrise Plan.

2020

● Sector Policy adopted.

● Long-term sustainability KPIs adopted.

● Opened Singapore Branch.

● Centenary of the founding of The Bank of Yokohama, Ltd.

● Formulated the Higashi-Nippon Bank Sunrise Plan - Next 100.

2021

● Signed Tokyo-Kanagawa Solution Connect with Kiraboshi Bank, Ltd.

2022

● New medium-term management plan formulated, accelerating the transformation and starting a three-year period of giving concrete form to the fruits of our efforts.

2023

● Business integration with THE KANAGAWA BANK, LTD.

● 70th Anniversary of THE KANAGAWA BANK, LTD.

2024

● The Higashi-Nippon Bank, Limited celebrates its 100th anniversary.



Our Vision



A solution company rooted in communities and selected as a partner to walk together

Value Creation Process

While making integrated use of the financial capital we have accumulated over our nearly 100-year history and non-financial capital such as human capital, the Group conducts materiality-based business in line with our management philosophy of “being indispensable to our region” and through value creation with our stakeholders, we work to enhance corporate value and to develop sustainable local communities. Our aim is to be a “solution company rooted in communities and selected as a partner to walk together”.

Strengthening management capital

INPUT ■ ACTIVITY

Human Capital

- Number of employees: 5,604
- Solutions Sales staff: 1,388
- Staff with major consulting qualifications: 417
- Number of seconded employees: 492

Intellectual Capital

- Group-wide integrated solutions
- Investment for Open Innovation: approx. ¥9 billion
- Efficient systems operation through regional bank collaboration
- Business integration with regional financial institutions PMI know-how

Social and Relationship Capital

- An established brand in the region
- Customer base Personal customers: about 5 million Corporate customers: about 250,000 companies
- Branch network: 190 branches in Japan (excluding branches-in-branches): 5 overseas locations

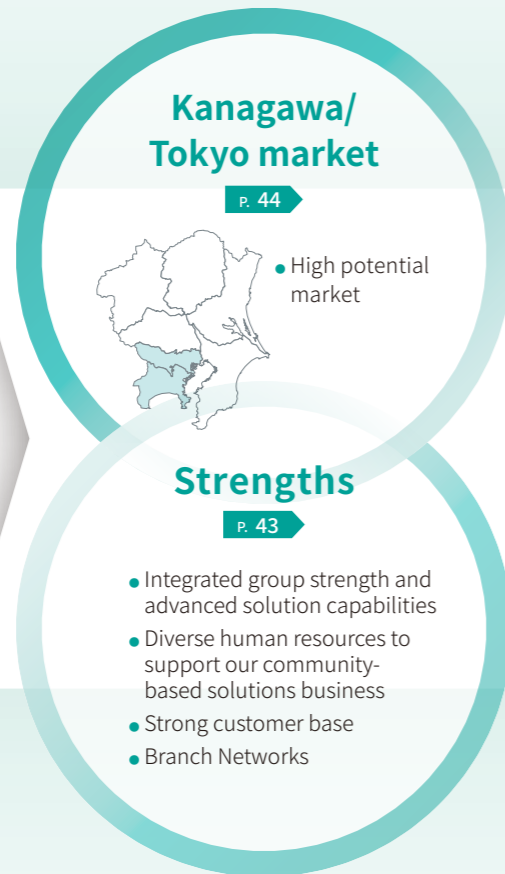
Financial Capital

- Funding from deposits: ¥19,507.4 billion
- Loan assets: ¥15,830.3 billion
- Equity capital: 11.86% (Common Equity Tier 1 ratio)

Natural Capital

- Electricity consumption: 38,120,000 kWh

Pursue growth opportunities by honing our strengths in the Kanagawa and Tokyo markets.



Business development based on materialities

Supporting Sustainable Growth of Local Businesses P. 83	Promotion of Financial Digitization (DX) P. 97
Helping People Live in the Age of Centenarians P. 89	Measures Against Global Warming and Climate Change —TCFD Recommendation Initiatives P. 103
Workplace Reform and Promotion of Diversity P. 95	Revitalize the local economy P. 114

Medium-Term Management Plan (FY2022 - 2024) P. 51

Three years to accelerate transformation and materialize results

Basic Theme: **Growth** **Change** **Sustainability**

Management Foundation supporting value creation

Corporate Governance P. 121	Internal Audit System P. 139
Risk Management Initiatives P. 131	Customer-Focused Business Operations P. 140
Compliance Initiatives P. 136	

Management Philosophy

Recognition of external environment

- Low growth domestic economy • Continued low interest rates • Population decrease • Aging society
- Progress of digitalization • Financial deregulation • Entry into different industries
- Increased awareness of social and environmental issues

OUTCOME

Contributing to solving social issues

Collaborative Value Creation with Stakeholders

 P. 57

Social value Development of a sustainable local community Long-term sustainability KPIs <ul style="list-style-type: none"> • Carbon-neutral by FY2030 • 500,000 participants in financial education by FY2030 	Economic value Increase corporate value Long-term target level <ul style="list-style-type: none"> • ROE: About. 7% • OHR: About. 50% • Common Equity Tier 1 ratio: Mid 11%
--	--

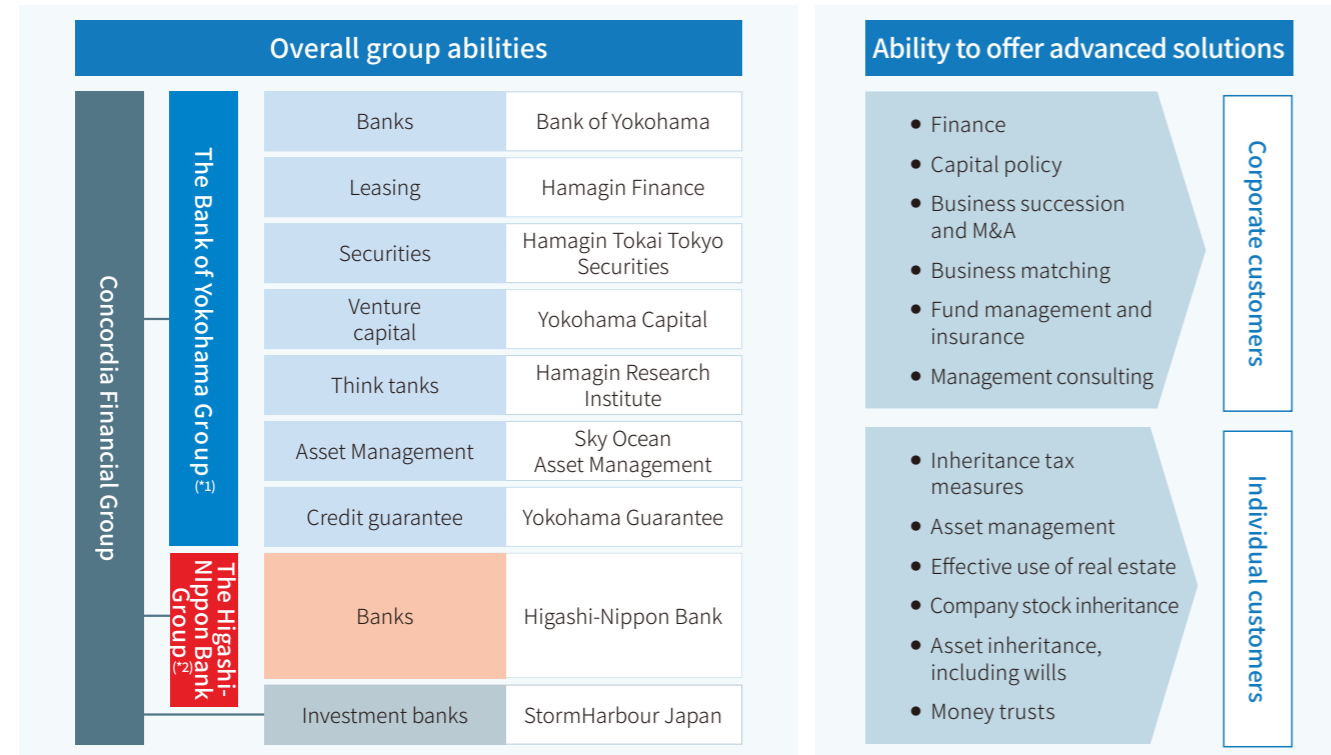


Sources of Competitive Advantage/Cultivated Capital

Strength 1 Integrated group strength and advanced solution capabilities

Intellectual capital

The Group consists of 25 companies serving customers in banking and various other fields and businesses including securities, leasing, and think tanks. Leveraging the Group's integrated strengths, we provide not only traditional lending operations, but also highly specialized solutions such as capital policy, business succession/M&A, and inheritance measures.



(*1) On April 27, 2023, THE KANAGAWA BANK, Ltd. became a consolidated subsidiary.
 (*2) All shares of Higashi-Nippon Surety Service Co., Ltd. were transferred to Zenkoku Hoshou Co., Ltd., in April 2023, and it is no longer a consolidated subsidiary of the Company.

Strength 2 Diverse human resources to support our community-based solutions business

Human capital

In principle, the Bank of Yokohama and Higashi-Nippon Bank, which are both regional financial institutions, start out full-time employees at sales branches^(*), and support the root and branch of the solutions business with personnel who have accumulated experience in dealing with the community and with customers and who strive to provide solutions to customer issues.

Headquarters is staffed by people with a high level of expertise and skills, including mid-career hires from outside the company, to meet increasingly diverse and sophisticated customer needs, mainly in the investment banking and digital/ICT departments. In particular, in the Digital and ICT Division, we are promoting the development of human resources specializing in IT and digital technologies by promoting the acquisition of IT Passports and DX licenses and the improvement of IT-related skills.

In addition, we support local businesses as a regional financial institution by seconding mainly senior human resources to local businesses.

(*3) Excluding specialist human resources, etc.

Holders of major consulting qualifications ^(*)	IT & Digital specialists	Employees seconded externally ^(*)	Percentage of mid-career hires ^(*)	Percentage of female managers	Percentage of mid-career hires in management positions
417	103	492	Financial Solutions Department 26.8% Digital Strategy Department 30.9% ICT Planning & Promotion Department 46.6%	16.6%	12.9%

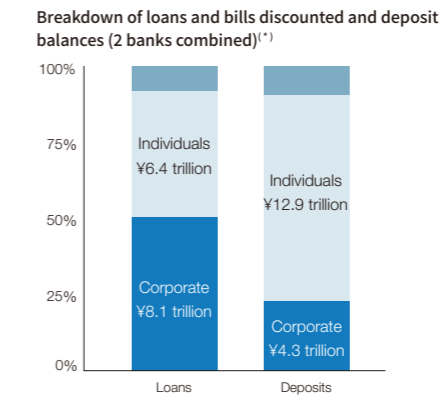
(*4) Number of small and medium-sized enterprise diagnosticians and FP Level 1 holders
 (*5) As of May 2023, the Bank of Yokohama non-consolidated
 (*6) The Bank of Yokohama non-consolidated

Strength 3 Strong customer base

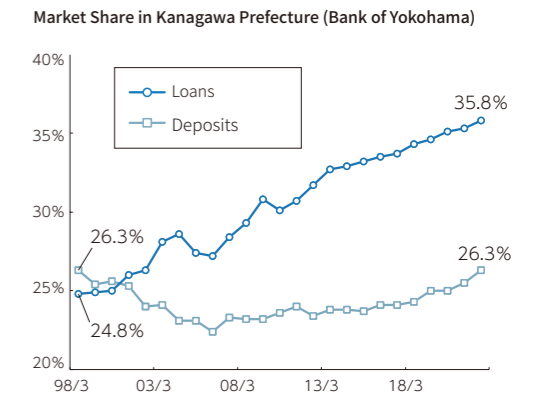
Financial Capital, Social and Relationship Capital

Corporate customers: **Approx. 250,000 companies**
 Personal customers: **Approx. 5 million**

In one of the largest markets in Japan, we are supported by a solid customer base built up over nearly 100 years of history, and both our deposits and loans are among the highest of any regional bank. In addition, our market share in Kanagawa Prefecture, our main market, is expanding year by year.



(*1) Domestic branches excluding Special International Financial Transaction Accounts

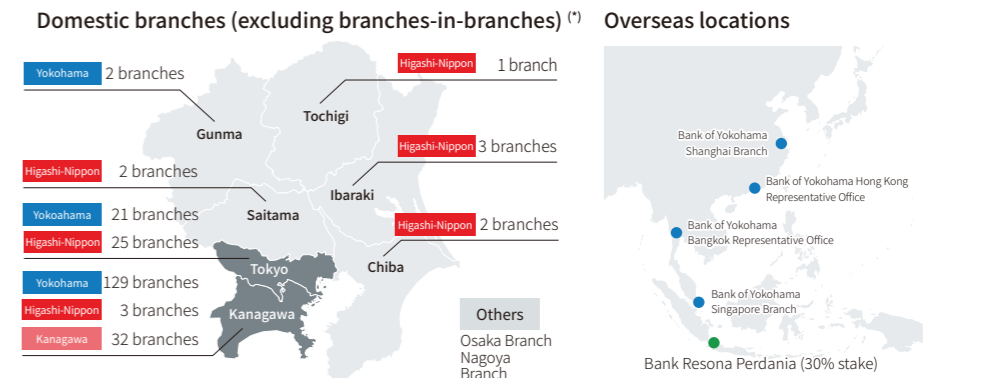


(Source) Compiled from the Monthly Financial Journal (Gekkan Kinyu Jyaanaru).

Strength 4 Branch Networks

Social and Relationship Capital

In Japan, we work to solve local issues through a dense network of branches centered in Kanagawa and Tokyo, while overseas, we support our customers' overseas expansion through our network of offices mainly in Asia.



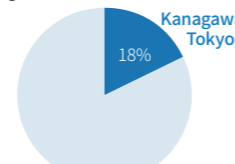
(*1) Number of branches as of March 31, 2023. Private banking offices and sub-branches of the Bank of Yokohama, corporate sales offices and sub-branches of Higashi-Nippon Bank, and branches-in-branches and sub-branches of Kanagawa Bank are not included.

Market potential

Social and Relationship Capital

Kanagawa and Tokyo boast the largest concentration of companies and population in Japan, making them relatively advantageous markets.

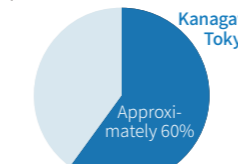
18% of the country's total population is concentrated here.
 Tokyo (14.04 million)
 Kanagawa (9.23 million)^(*)



(*1) 2020 Census

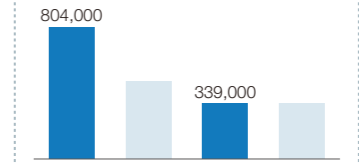
Many listed companies

Approximately 60% of listed companies are concentrated here.



Concentration of private companies^(*)

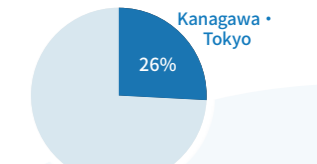
Ranked 1st and 3rd in the nation for the number of privately-owned businesses



(*2) Ministry of Internal Affairs and Communications (Economic Census for Business Activity (Preliminary Report), June 1, 2021)

Concentration of wealthy individuals^(*)

26% of persons subject to inheritance tax are concentrated here.



(*3) Prepared from the disclosure materials of the National Tax Bureau for each prefecture.

Sustainability Initiatives

The Group's approach to sustainability management is to create value together with stakeholders through materiality-based business development while leveraging financial and non-financial capital, and to work for the sustainable enhancement of the Group's corporate value and the sustainable development of local communities. Based on this thinking, the Group has established the Group Sustainability Policy as its basic company-wide policy on sustainability, and based on this policy, has set Sustainability Long-term KPIs through FY2030.

Group Sustainability Policy

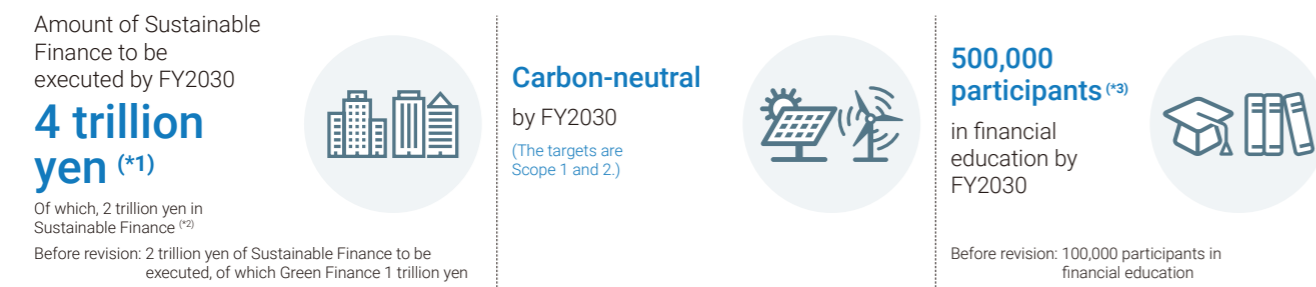
Based on our management philosophy, we will achieve sustainable growth of our corporate value, solve social issues through our core business, and contribute to the sustainable development of society by engaging in activities that contribute to the community as one of its members.

Under this policy, the Group will confer with stakeholders on its initiatives and actively disclose information.

Long-term sustainability KPIs

Based on the Group Sustainability Policy, the Group has established Long-term sustainability KPIs through FY2030.

In June 2023, based on the achievement of our Sustainable Finance goals and changes in the external environment, we revised upward some of our Long-Term Sustainability KPIs in order to further advance our efforts.



(*1) The cumulative amount of the Group's investments and loans executed from FY2019 to FY2030 and used in environmental and social fields and supporting or promoting SDGs initiatives. (Environmental Field Finance is investments and loans whose purposes are in environmental areas.)

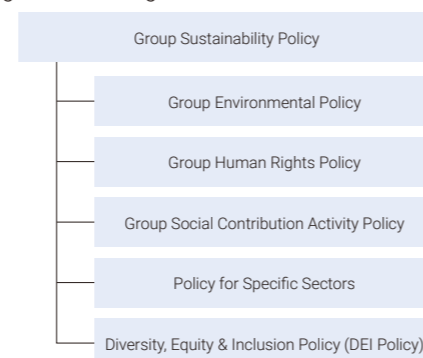
(*2) We changed the name from Green Finance and raised the target amount.

(*3) The total number of participants in various financial seminars, work experience programs, and on-site classes conducted by the Group, and visitors (unique users) to the Hamagin Okane no Kyoshitsu (Money Classroom) and Higashi-Nippon Bank Okane no Kyoshitsu (Money Classroom) websites from FY2019 to FY2030.

Sustainability Governance Structure

The Group has established the Group Sustainability Policy as its basic company-wide policy on sustainability for local communities. Under this policy, the Group has established the Group Environmental Policy as action guidelines for the conservation and protection of the local environment, the Group Human Rights Policy as action guidelines for respecting the human rights of all stakeholders in local communities, and the Group Social Contribution Activity Policy to encourage voluntary, proactive participation by the Group and its employees in activities that contribute to society.

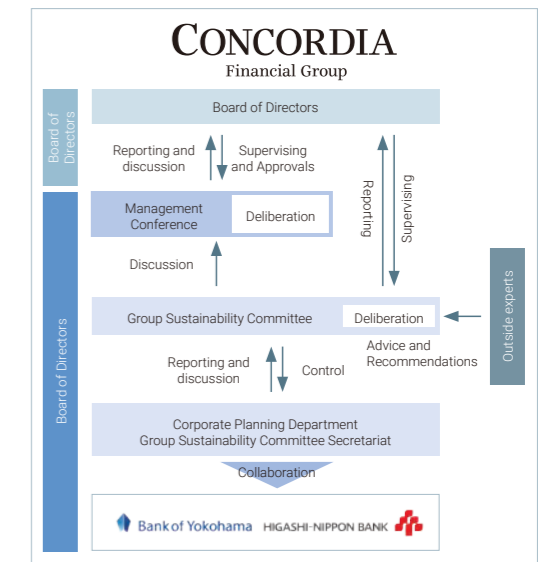
To promote specific initiatives based on these sustainability-related policies, the Group examines and discusses various issues related to sustainability in local communities from the perspective of their importance to stakeholders and priorities for the Group, and identifies materialities (priority issues to be resolved) through deliberations by the Board of Directors. Specifically, six materialities have been identified: Measures against Global Warming and Climate Change, Support for Sustainable Growth of Local Businesses, Revitalizing Local Economies, Lifestyle Support in the Age of Centenarians, Promotion of Financial Digitalization (DX), and Workplace Reform and Promotion of Diversity. We aim to become "a solution company rooted in communities and selected as a partner to walk together" by reflecting risks and opportunities based on these materialities in our business strategies and by achieving sustainable development of local communities and sustainable growth of our group through value creation with our stakeholders.



The Group Sustainability Committee, chaired by the President, deliberates on various sustainability-related policies and business risks and opportunities, as well as other important matters related to sustainability in light of domestic and international conditions.

The activities of the Group Sustainability Committee are reported to the Board of Directors approximately once every three months, and the Board of Directors supervises the status of sustainability-related initiatives.

	Committee	Composition	Major sustainability related items for reporting and deliberation in FY2022
Supervising	Board of Directors	Chairman: President and Representative Director Eight directors (including three outside directors)	<ul style="list-style-type: none"> Status of response to Task Force on Climate-related Financial Disclosures (TCFD) Recommendations Engagement Strategies for a Net Zero Investment and Loan Portfolio Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) Evaluation by ESG Rating Agencies Issues and Policies for Human Capital Disclosures Follow-up on progress on long-term sustainability KPIs Establishment of policy for sustainability initiatives in FY2023 and review of FY2022
	Management Conference	Chairman: President and Representative Director Directors (and Executive Officers), Executive Officers	<ul style="list-style-type: none"> Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) Establishment and Revision of the Group Environmental Policy, Group Human Rights Policy, Group Anti-Corruption Policy, DEI Policy, and Group Social Contribution Activities Policy
Execution	Group Sustainability Committee	Committee Chairman: President and Representative Director Bank president, directors (and Executive Officers), Audit & Supervisory Board members, executive officers, outside experts, etc. (Observers: Outside directors and presidents of affiliated companies)	<ul style="list-style-type: none"> Status of response to Task Force on Climate-related Financial Disclosures (TCFD) Recommendations Engagement Strategies for a Net Zero Investment and Loan Portfolio Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) Evaluation by ESG Rating Agencies Issues and Policies for Human Capital Disclosures Follow-up on progress on long-term sustainability KPIs Establishment of policy for sustainability initiatives in FY2023 and review of FY2022



Invitation and use of outside experts

Since FY2022, we have invited external experts in the field of sustainability to serve as outside members of the Group Sustainability Committee so that we can receive their advice and recommendations on matters to be deliberated and reflect their outside expertise in our sustainability efforts.

Outside experts
Kotaro Fukai
 Nomura Research Institute, Ltd., Financial Consulting Department, Sustainability Management & Finance Group, Group Manager

Initiatives for Raising Sustainability Literacy

We held study sessions with outside experts and others for our directors, Audit & Supervisory Board members, executive officers, and other management-level personnel, and had meaningful exchanges of opinions with these outside experts and others. In addition, study sessions have been held in FY2022 on the following themes.

(Study group theme)

1. Current status and challenges of our ESG evaluation indicators (Lecturer: Partner in a sustainability consulting firm)
2. Current assessment and expectations for our sustainability management from an investor's perspective (Lecturer: ESG analyst from a major Japanese asset management company)

We are also providing internal training for all employees through e-learning and other means, and distributing videos of management-level study sessions to deepen understanding of sustainability throughout the organization and improve the level of our knowledge.

Sustainability Initiatives

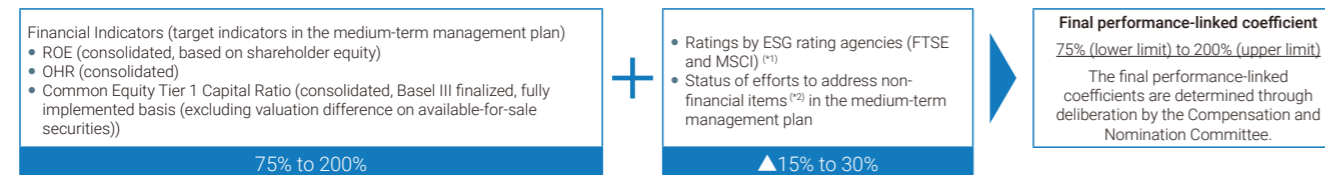
Executive compensation system reflecting ESG factors

We are working to strengthen our management foundation by establishing sustainability management for the sake of solving community issues and by upgrading governance. In order to realize these initiatives, we have added ratings by ESG rating organizations (FTSE and MSCI), and the status of initiatives for non-financial items and qualitative items in "Sustainability", which is one of the basic themes of the medium-term management plan (FY2022-FY2024), to the judgment targets for determining the performance-linked coefficient for stock compensation (Trust II). Directors (including the president, but excluding non-executive and outside directors) and executive officers are eligible to receive executive compensation that incorporates ratings by ESG rating organizations.

Outline of Executive Remuneration System

Remuneration composition	Remuneration type	Payment method
66%	Basic salary	Paid monthly according to position etc.
17%	Short-term performance-linked compensation	The amount paid is the standard amount for each position plus an amount that reflects the company performance for the fiscal year as well as an evaluation based on the individual corporate officer's business performance.
17%	Stock remuneration	Trust I: Monthly accumulation of the Company's shares, etc., equivalent to the standard amount by position, and payment in proportion to the amount deferred until each officer's retirement. Trust II: Company shares etc. equivalent to the standard amount for each position are accumulated monthly and deferred until after the end of the Medium-Term Management Plan and amounts are paid that reflect the performance-linked coefficient.

Performance-linked coefficient for stock-based remuneration



^(*) Evaluation Indicators: FTSE Overall ESG Score, MSCI ESG Ratings

^(**) Non-financial items (See page 128 for overall non-financial items including the basic theme: Growth/Change.)

Basic Theme	Bank of Yokohama Items	Higashi-Nippon Bank Items
Sustainability	Number of sustainability-related solutions provided Company's CO ₂ emission reduction rate (for entire financial group) Number of initiatives to solve local community issues Number of financial education course participants Number of measures for upgrading risk control Compliance Awareness Survey	Number of solutions provided to SDGs business feasibility assessment clients Percentage reduction of the company's CO ₂ emissions Number of employees qualified in business feasibility assessment Disclosed receivables proportion Internal Rating System Compliance Awareness Survey Internal Audit Overall Grading Results Number of serious clerical errors

Materiality (priority issue to be solved) identification process

STEP 1

Identifying issues

We have identified over 60 issues based on the SDGs, issues related to the realization of our management philosophy, engagement with stakeholders, and various guidelines ^(*).

STEP 2

Discussion of issues

The Board of Directors and executive divisions discussed and narrowed down issues based on the "needs of customers and local communities" in order to determine what issues to address and what value to create given the Group's priorities and resources.

STEP 3

Evaluating the priority and importance of issues

In addition, we analyzed and evaluated on two axes: priorities for the Group ^(**) and importance to stakeholders ^(***).

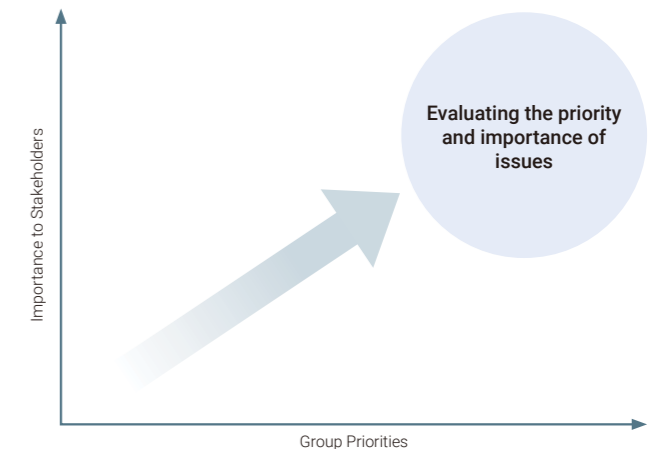
^(*) GRI Standard, SASB, etc.

^(**) Group priorities (evaluated from the following perspectives)

- (1) Degree of contribution to problem-solving for regional companies and to regional revitalization
- (2) Contribution to enhancement of the Group's corporate value

^(***) Level of importance to stakeholders (evaluated from the following perspectives)

- (1) Medium- to long-term impact on stakeholders (social and economic value)
- (2) Stakeholders' contribution to sustainability



STEP 4

Identification of materialities

The issues analyzed and evaluated were organized and integrated from the perspective of the Group's management strategy and sustainability, and deliberated on by the Group Sustainability Committee. Finally, through the Board of Directors, six materialities were identified as key issues to be resolved as a priority.

* Governance-related items are not included in materialities, since they are items that companies will naturally take care of.

STEP 5

PDCA Practice

The identified materialities are incorporated into the medium-term management plan and KPIs are set for each materiality. By managing the progress of these activities, identifying issues, and taking corrective measures, we are implementing the PDCA cycle for the achievement of sustainability management.

Concordia Financial Group
 Corporate Planning Department
 Group Sustainability Committee Secretariat
Chie Kida, Secretary General



Aiming to Achieve Sustainability in Local Communities

Through business based on the six materialities, the Group aims to achieve sustainability in local communities by co-creating value with stakeholders and by both strengthening management capital and solving social issues.

Among the materialities, "Measures against Global Warming and Climate Change" comprise one of the most urgent issues and as a "solution company", one of the most important themes for us is to help our customers decarbonize their businesses. We will strengthen our engagement with customers to provide optimal solutions that match the state of their initiatives and support their efforts toward decarbonization.

In addition, mutual understanding and collaboration among stakeholders are essential for solving social issues, including how to handle decarbonization. Visualizing issues and turning them into "what should be" is not glamorous work, but we feel that the process of pursuing better practices through honest discussion and understanding each other's position is necessary for a convincing, authentic approach. In addition to decarbonization, various social issues surrounding us, such as coexistence with diverse living organisms and human rights issues, cannot be solved on one's own. As a "a solution company rooted in communities and walking together them", we are committed to working together with our customers and local communities to achieve a sustainable society.

Six Identified Materialities (Critical Issues That Must be Resolved on a Priority Basis)

Materialities	Opportunities and Risks	Major Initiatives	Main KPIs	Related Goals
Supporting the Sustainable Growth of Local Businesses P. 83	<p>Opportunities Increase and expansion of strategic solution needs due to increasing diversity and sophistication of corporate management issues</p> <p>Risk Decline in competitiveness due to delay in moving away from traditional lending-based business model Deterioration in corporate performance due to lack of response to changes in social structure</p>	<ul style="list-style-type: none"> • Providing financial and capital strategy solutions, including LBO loans and subordinated loans • Providing rehabilitation and succession strategy solutions, including business succession consulting • Providing solutions utilizing overseas offices, such as overseas loans and overseas expansion support 	<ul style="list-style-type: none"> • Number of corporate partners Approx. 2,900 companies^(*) (FY2024) → 1,871 companies (FY2022 results) • Sustainable Finance execution amount (cumulative) ¥4 trillion, Environmental Field Finance execution amount (cumulative) ¥2 trillion (FY2030) → Sustainable Finance ¥2.2 trillion, Environmental Field Finance ¥0.6 trillion (FY2022 results) 	
Helping People Live in the Age of Centenarians P. 89	<p>Opportunities Increase and expansion of needs for asset formation and asset management as well as increase in financial literacy in preparation for the Age of Centenarians</p> <p>Risk Decline in competitiveness due to inadequate response to the increasing diversity and sophistication of customer needs resulting from changes in social structure, such as the declining birthrate and aging population</p>	<ul style="list-style-type: none"> • Providing solutions for every stage of life (fund wraps, trusts, insurance, etc.) • Providing tailor-made, one-stop solutions (real estate utilization, financial asset management, asset succession) • Initiatives for financial education 	<ul style="list-style-type: none"> • Group deposit assets ¥1.4 trillion^(*) (FY2024) → ¥1.1 trillion (FY2022 results) • Financial education course participants 500,000 (cumulative) (FY2030) → 89,000 (FY2022 actual) 	
Workplace Reform and Promotion of Diversity P. 95	<p>Opportunities Securing human assets, reforming organizational culture, and creating new value by promoting the active participation of diverse human assets</p> <p>Risk Decreased motivation of employees due to a work environment that does not respond to diversifying values and changing social structures and an outflow of human assets</p>	<ul style="list-style-type: none"> • Promoting Women's Activity Promotion Project • Mid-career recruitment for highly specialized human resources • Increasing job satisfaction and engagement • Implementing Maternity/Paternity Leave Reinstatement Support Program 	<ul style="list-style-type: none"> • Percentage of female managers: 22% (FY2024)^(*) → 19% (FY2022 actual) • Percentage of mid-careers in management positions 14% or more (FY 2024)^(*) → 14% (FY2022 actual) 	
Promotion of Financial Digitization (DX) P. 97	<p>Opportunities Increase and expansion of non-face-to-face/non-contact needs and needs for advanced digital solutions due to the progress of digitalization</p> <p>Risk Decline in competitiveness due to delayed response to rapid digitization, entry into other industries, etc.</p>	<ul style="list-style-type: none"> • Expansion of non-face-to-face transactions through the Hamagin 365 smartphone application • Supporting customers' digitalization through digital consulting • Initiatives to promote cashless payment 	<ul style="list-style-type: none"> • Number of users of Hamagin 365 smartphone application: approx. 1.35 million (2024)^(*) → 1.09 million (FY2022 actual)^(*) • Number of digital support implementation cases: 378 (FY2024)^(*) → 308 cases (FY2022 actual) 	
Measures Against Global Warming and Climate Change—TCFD Recommendation Initiatives P. 103	<p>Opportunities Increase and expansion of new financing and solution needs in the transition to a decarbonized society</p> <p>Risk Deterioration in corporate performance due to the occurrence of natural disasters, stricter climate change related regulations, etc., and loss of stakeholder trust due to insufficient response to climate change</p>	<ul style="list-style-type: none"> • Climate change response using the framework of TCFD recommendations • Support for customers' transition to a decarbonized society (sustainable finance, support for calculating GHG emissions, etc.) • The Company's own decarbonization initiatives (e.g., switching to substantially renewable energy sources for the company's contracted electricity) 	<ul style="list-style-type: none"> • Reducing our GHG emissions by 80% from FY2013 levels (FY2024) → 72.9% reduction (FY2022 actual results) • Achieving carbon neutrality for Company (FY2030) 	
Revitalize the local economy P. 114	<p>Opportunities Revitalization and sustainable growth of the local economy through industry-academia-government-finance collaboration.</p> <p>Risk Sluggish local economy due to population decline, industrial decline, etc.</p>	<ul style="list-style-type: none"> • Initiatives to “create sustainable towns” (for example, local decarbonization efforts) • Initiatives to “create a flow of people” in the region (for example, tourism promotion) • Initiatives to “create jobs” in the community (for example, business start-up support and collaboration with universities) 	<ul style="list-style-type: none"> • Initiatives to solve community issues 15 per year^(*) → 20 (FY2022 results) 	

(*1) Bank of Yokohama KPI s
 (*2) Results of Hamagin App before renewal

Medium-Term Management Plan

With the previous medium-term management plan, progress was made in “transformations” that included shifting from business, reducing work volumes, and restructuring our branch network. The new medium-term management plan accelerate the transformation we have been pursuing and realize the fruits of our efforts to transform ourselves into a Under the three basic themes of “Growth”, “Change” and “Sustainability,” we will synergistically promote the implementation realization of results, aiming for steady profit growth, while also planning expansion of the operating base by doing such things problems in local communities and measures to upgrade governance.

a traditional lending-oriented business to a solutions positions us for a three-year period during which we will “Solution Company”. of growth strategies, the acceleration of change, and the as establishing sustainability operations aimed at solving

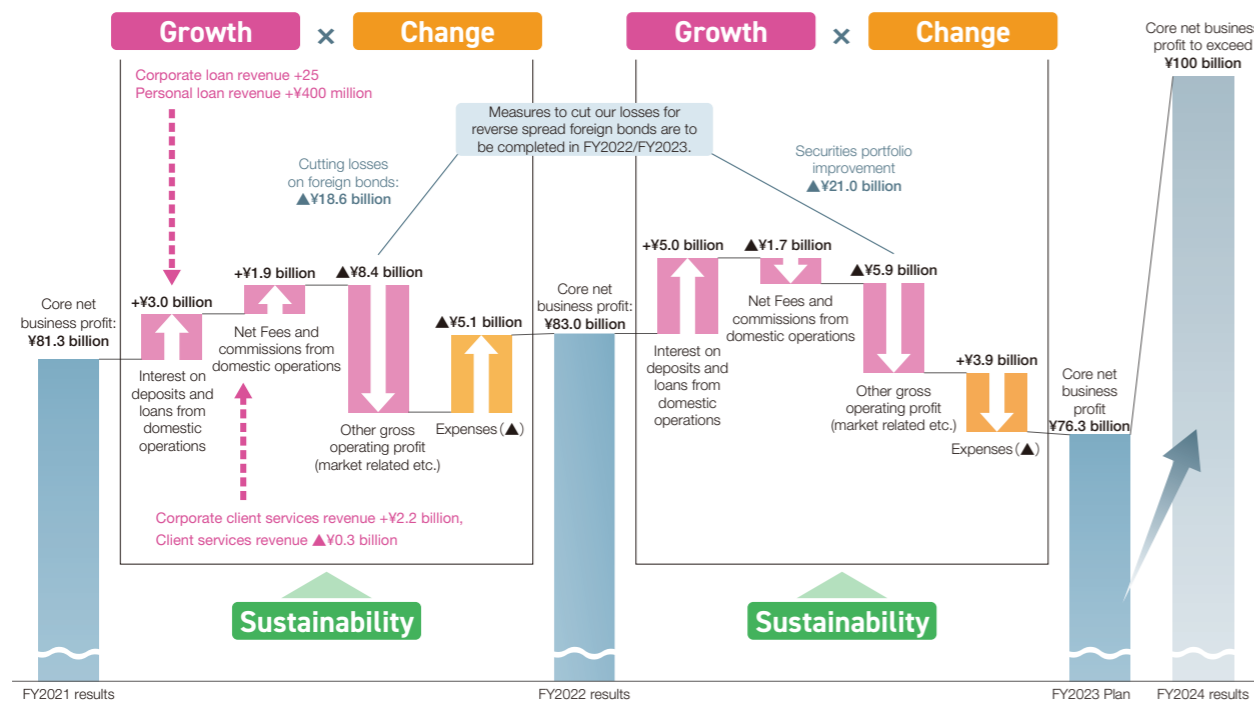


The Medium-Term Management Plan Roadmap

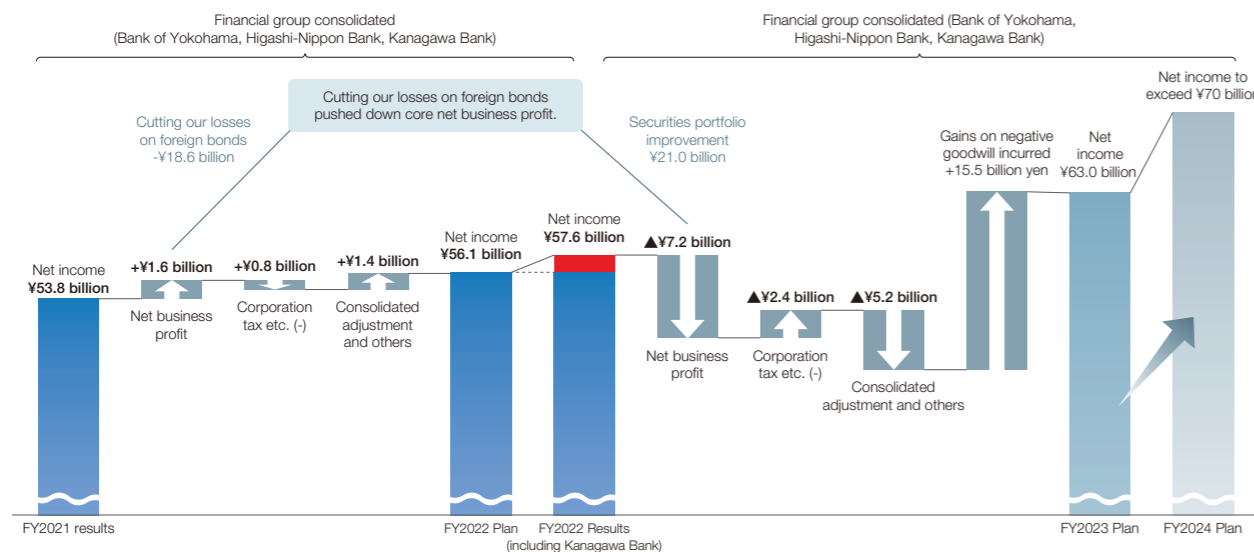
Roadmap 1 Core net business profit and consolidated net income

We will increase interest on deposits and loans and domestic fees and commissions in the home market by deepening and upgrading our solution business, and will reduce expenses by realizing the effects of the structural reforms implemented in the previous medium-term management plan, such as branch consolidation and streamlining of our workforce. In securities management, which is an issue for us, we aim to achieve core net business profit over ¥100 billion and net income over ¥70 billion on a consolidated basis in the final year of the medium-term management plan by completing loss-cutting measures for negative spread foreign bonds by FY2023.

Core net business profit (two banks combined)



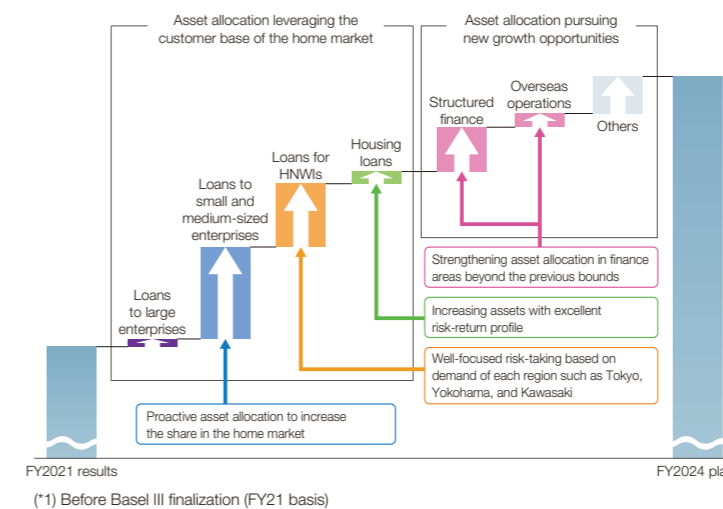
Net income (consolidated)



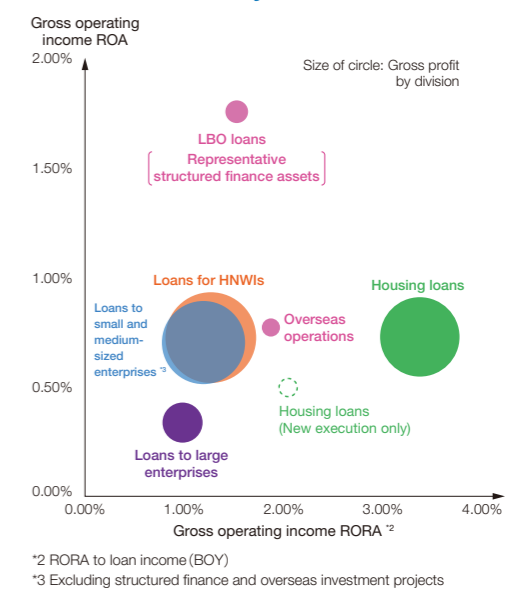
Roadmap 2 Risk assets trend

With the aim of strengthening our presence in the home market, we will proceed to aggressively allocate assets to loans for small and medium-sized enterprises (SMEs), and meaningfully strengthen risk-taking by making loans to asset-rich households, mainly in Tokyo and other areas. In addition, we will pursue growth opportunities by boosting the allocation of assets to high value-added finance areas beyond the conventional framework, such as structured finance, including LBO loans, and to overseas operation projects, including loans to non-Japanese corporations.

Image of risk-weighted asset increase/decrease (two banks combined) (*1)

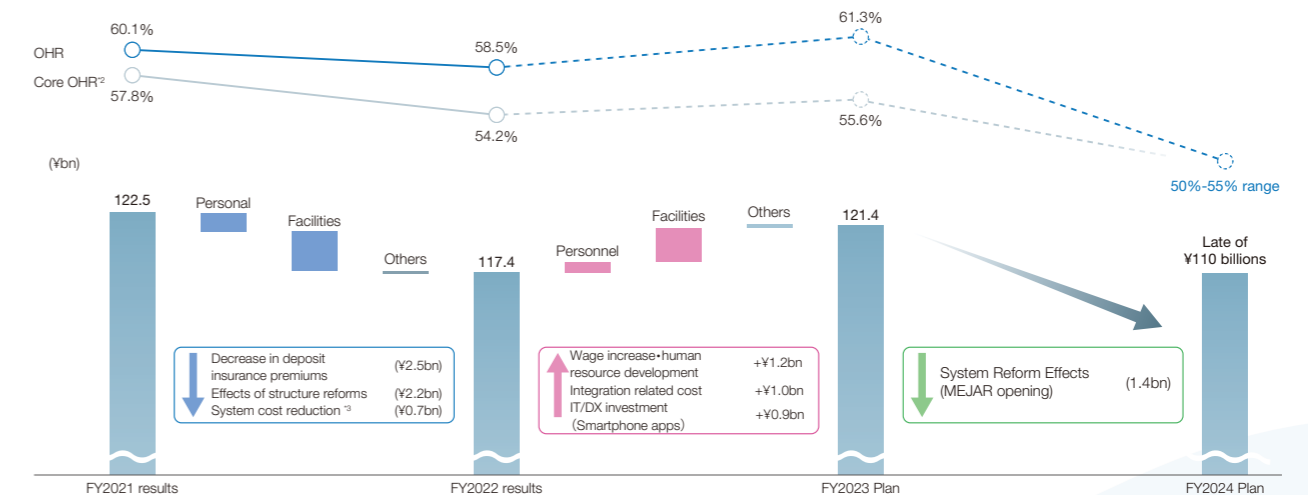


Risk/Return by Asset Class



Roadmap 3 Expense trend (*1)

In addition to the effects of structural reforms implemented under the previous medium-term management plan, such as the consolidation and downsizing of branches and reduction of work volumes through reforms in branch operations, we will also reduce costs through the effects of system reforms, including switching the MEJAR core system to open architecture, secure funds for growth investments, and reduce our OHR to the low-50% range.



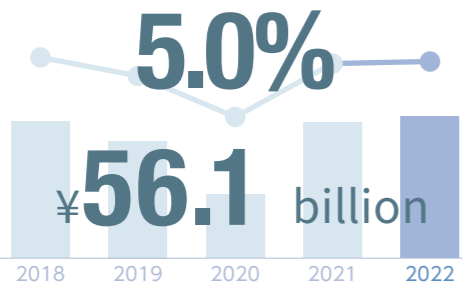
*1 Based on the aggregate for the Bank of Yokohama and Higashi-Nippon Bank (excluding Kanagawa Bank) *2 Expenses/(Gross operating income - Gains or losses on bond transactions (5 accounts) - Gains or losses on surrender of investment trusts) *3 System costs for non-strategic areas

Financial and Non-Financial Highlights

Medium-term management plan target indicators

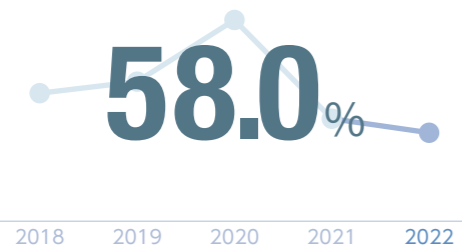
Consolidated net income and ROE (based on shareholders' equity)

FY2024 Target About 6.0% Long-term vision About 7.0%



OHR (consolidated)

FY2024 Target In the lower 50% range Long-term vision About 50%



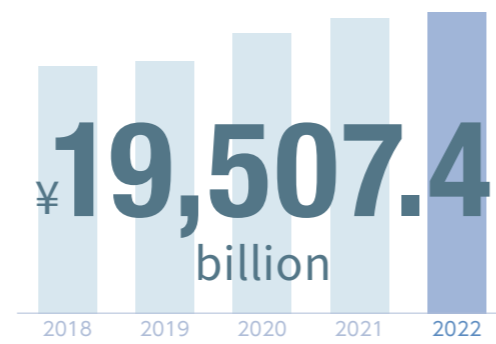
Common Equity Tier 1 ratio (consolidated)*

FY2024 Target Mid 11% Long-term vision Mid 11%

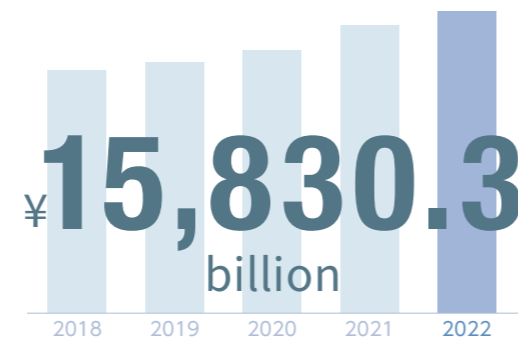


*The values for FY 2018-2021 are the actual results before the finalization of Basel III. The FY2022 results, medium-term targets, and long-term target levels are based on the finalization and full implementation of Basel III (excluding gains from the valuation of available-for-sale securities). FY2022 results are estimated values.

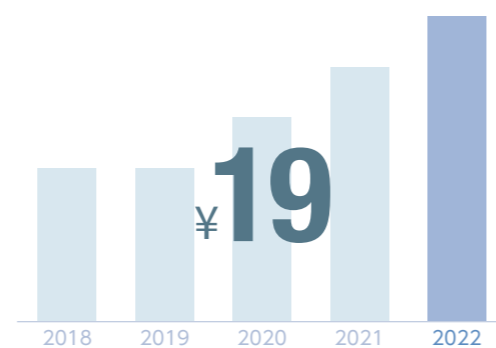
Deposit balance (ending balance - two banks combined)



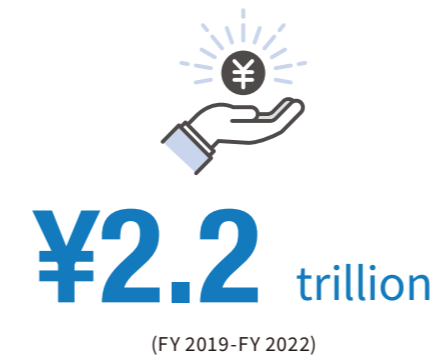
Loan balance (ending balance - two banks combined)



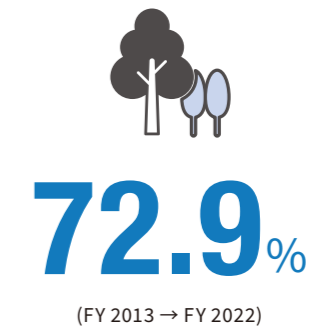
Dividend per share



Total value of sustainable finance executed (cumulative)

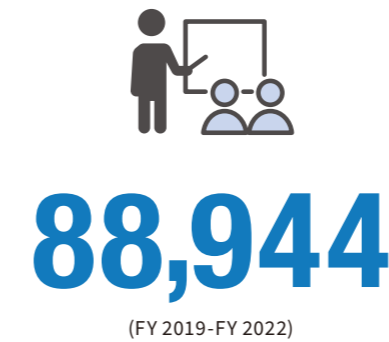


Percentage reduction in GHG emissions^(*)

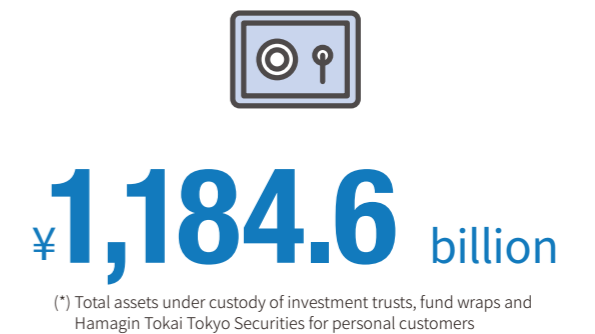


(*) Total for Bank of Yokohama and Higashi-Nippon Bank

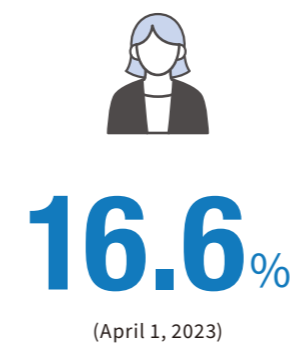
Number of financial education course participants



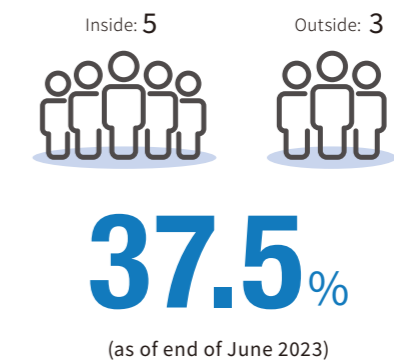
Balance of assets under custody of the Group (*)



Percentage of female managers



Percentage of independent outside directors



Collaborative Value Creation with Stakeholders

The Group works with our stakeholders - customers, local communities, employees, shareholders, and investors - to collaboratively create social and economic value in the region.

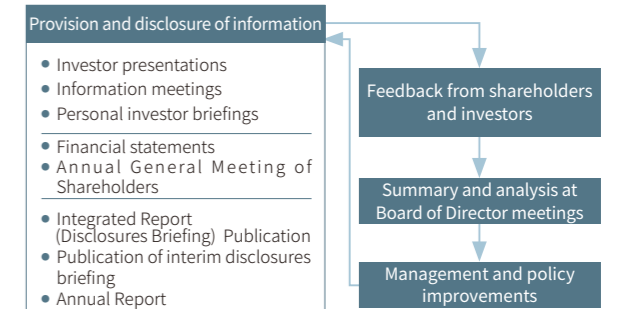


Communication with Shareholders and Investors

We strive to disclose information in a manner that is easy to understand so that shareholders and investors can understand the Group's operations and financial conditions and make appropriate judgments about the soundness of its management. In addition, the Company places importance on opportunities for dialog with shareholders and institutional investors. We have established a policy for initiatives to promote constructive dialog and strive for proactive communication. In April 2022, we established a Corporate Communication Office in the Corporate Planning Department in order to strengthen disclosure of information, including non-financial information, and for dialog with shareholders and investors.

In FY2022, we increased the frequency of financial results briefings for institutional investors from semi-annual to quarterly, and held an IR Day three times to explain the medium-term management plan, our solution business, human resource strategy, climate change initiatives, and governance, with the participation of the President and Representative Director, the director in charge of each strategy, and outside directors.

Comments and requests received during these dialogues are reported to the Board of Directors and management in a timely and appropriate manner. In FY2022, at the July and December Board of Directors meetings, we reported the opinions we received through dialogue with shareholders and investors. In addition, the IR department provides feedback in the form of reports to the directors, Audit & Supervisory Board members, and executive officers on a weekly basis.



Achievements

General Meeting of Shareholders	Financial Results Briefing (for analysts and institutional investors)	IR Day (Management Strategy Briefing)	Number of individual meetings with analysts and institutional investors	Briefing for personal investors
Number of participants: approx. 180 (including online participation)	Number of times held: 4 Number of participants: approx. 230	Number of times held: 3 Number of participants: approx. 100	Total of 201 companies	Number of times held: 3 Number of participants: approx. 1,330

Major Respondents and Achievements in Dialogues with Investors and Shareholders

Respondent	Achievements
President and Representative Director	General meeting of shareholders, results briefing (2 times), quarterly results briefing (1 time), IR Day (3 times), dialogue with domestic and overseas institutional investors, etc. (IR, 13 times)
Director in Charge of Corporate Planning (Finance)	General meeting of shareholders, financial results briefings (2 times), quarterly financial results briefings (2 times), IR Day (2 times), dialogue with domestic and overseas institutional investors, etc. (IR, 48 times), Dialogues with shareholders (SR, 2 times), individual investor meetings (1 time)
Corporate Planning Department, Corporate Communications Promotion Office (responsible for IR)	Dialogues with domestic and overseas institutional investors, etc. (IR, 121 times), dialogues with shareholders (SR, 17 times)

Summary of institutional investors, shareholders, and analysts with whom we held dialogues

Domestic/International	Active/passive, etc.	Respondent's area of responsibility
143 domestic companies	82 institutional investors (active management)	148 fund managers and analysts 32 persons in charge of ESG and voting rights
	20 institutional investors (passive management)	
	35 securities companies (sell-side)	
	6 companies with cross-shareholdings	
58 overseas companies	58 institutional investors (active management)	74 fund managers and analysts

* The number of companies is the total number of companies. The categorization as active or passive is based on our perception.

Main topics of dialogue and shareholder interests

- Growth strategy based on solution business to improve ROE
- Direction of Review of Securities Management Policies in the Wake of Rising Foreign Interest Rates
- Appropriate capital levels and increase of shareholder returns

Items incorporated and their content based on dialogues and subsequent feedback

- Investor Opinions
 - Establishing opportunities to exchange ideas with outside directors
 - In FY2022, outside directors participated in IR Days, the management strategy briefings that we held in April and February, and engaged in dialogues with investors on topics such as governance.

Special Feature 1 Business integration with THE KANAGAWA BANK

The Bank of Yokohama has integrated its business with that of THE KANAGAWA BANK, which is also primarily based in Kanagawa Prefecture. Through this business integration, the two banks will work together to enhance the medium- to long-term corporate value of the Group.

Significance and background of business integration

Kanagawa Prefecture, where both banks operate, is an attractive, leading domestic market with growth potential, having the third largest number of private-sector business establishments and the second largest population in Japan. However, uncertainty is rising in the environment surrounding Kanagawa Prefecture economy due to population decline and aging, changes in social structure caused by post-COVID-19 and digital technology, as well as repercussions from global economic fluctuation risks and geopolitical risks.

Regional financial institutions will have to respond to these accelerating changes in the environment well into the future. Now, more than ever, they are now expected to fulfill their mission and role of contributing to the sustainable development of vibrant local communities. In order to achieve this, the two banks have come to realize that they need to organically combine their management resources through business integration, rather than operating independently, and to work together as a single entity to achieve stable financial intermediary functions.

- Changes in the social structure
- Future uncertainty

by further leveraging financial intermediary functions

Contributing to the sustainable development of local communities and raising the Group's corporate value over the medium to long term

Complementary relationship between the two banks

THE KANAGAWA BANK, like Bank of Yokohama, is a member banks of the Second Association of Regional Banks based in Kanagawa Prefecture and conducts business tightly interwoven with the region, primarily financing for small and medium-size enterprises.

It has little competition with The Bank of Yokohama, Ltd. By being part of the same group, the two banks will be able to complement each other's business base in Kanagawa Prefecture. The two banks will leverage their strengths to provide appropriate solutions to customers.

Comparison between the two banks	Bank of Yokohama	THE KANAGAWA BANK
Strengths	Provide high value-added solutions that are deeply involved in management strategies to relatively large companies	Provide consulting services to small and SMEs to support their core businesses, startups, and second-stage businesses
Breakdown of loan and bill discounted balance		
Loan balance in prefecture	¥9,321.6 billion	¥356.8 billion
Number of loan clients in the prefecture	Approx. 15,000 companies	Approx. 5,000 companies
Number of branches in the prefecture *1	129 branches	32 branches

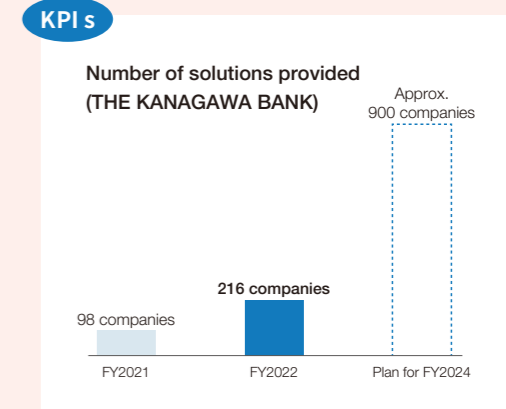
*1 Excluding branches-in-branches and sub-branches (as of March 31, 2023)

Expected effects of business integration

Strengthening the solution business at THE KANAGAWA BANK

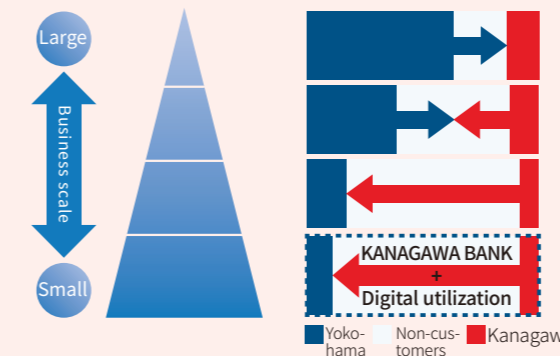
- Sharing in Bank of Yokohama's knowledge and expertise and providing Group functions to further resolve customer issues

THE KANAGAWA BANK will share in Bank of Yokohama's knowledge and expertise in areas such as sustainable finance to solve customers' problems, and will strengthen its solutions business to meet diversifying customer needs by making maximum use of Group functions.



Expansion of transaction base as a regional financial institution

Image of company size and number of clients



- Expanding opportunities to serve customers in the prefecture
- Efficient sales activities for the customer segments in which each company has strengths

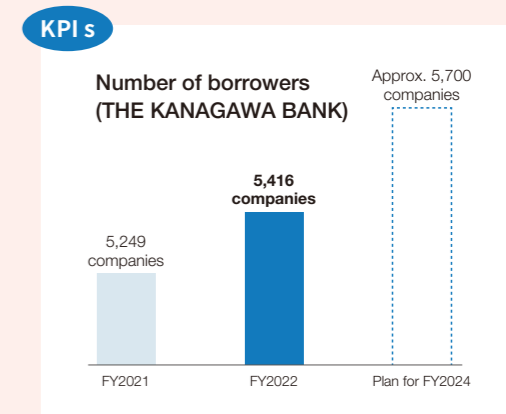
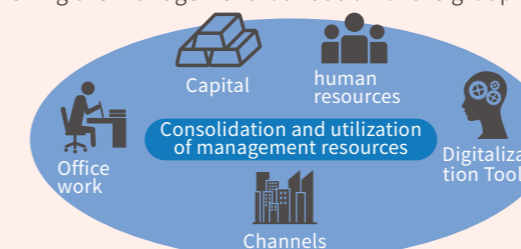
The Bank of Yokohama has strengths in providing high value-added solutions that are deeply engaged with management strategies for relatively large companies, while THE KANAGAWA BANK has strengths in providing consulting services to small and medium-sized companies to support their core businesses, startups, and second foundings.

In addition to expanding the customer base in Kanagawa Prefecture by bringing the two banks, which have few competitive relationships and complement each other, into the same group, the two banks will strengthen face-to-face sales in areas where each bank has strengths, and THE KANAGAWA BANK use of the Bank of Yokohama's digital channel functions to expand customer contact points will be promoted.

Strengthening the management foundation through improved management efficiency

- Improving operational efficiency and creating human resources through DX

We will improve management efficiency by consolidating capital, human resources digital tools, and other management resources and reducing costs through effective utilization of functions, thereby further strengthening the management foundation of the group as a whole.



Special Feature 2 Human Resource Strategy

Creating New Value and Sustainable Growth

The company recognizes that our employees are important human resources indispensable to the realization of our management philosophy, and are capital that is the source of value creation. By actively investing in our human resources and continuously increasing their value, we aim for sustainable development of local communities and our own sustainable growth. In addition, employees are important “stakeholders,” and our management philosophy states that we will “continue to be an attractive company where employees can be proud to work”.

Based on this concept, we have established our Group Human Resource Policy, a basic policy for maximizing human capital to realize our vision of being “a solution company rooted in communities and selected as a partner to walk together” and have formulated the Group Human Resource Strategy linked with our management strategy for building the talent portfolio that we aim to achieve in the mid to long term.

Group Human Resource Policy

We have established our Group Human Resource Policy as our basic policy regarding the human resources of our group based on our management philosophy.

[Basic Concepts]

- The Company recognizes that our employees are important human resources indispensable to the realization of our management philosophy, and capital that is the source of value creation. We will actively invest in our human resources and continuously increase their value, which will lead to the sustainable development of local communities and our own sustainable growth.
- To enhance our ability to provide solutions that meet the increasingly diverse and sophisticated needs of local communities and customers while flexibly responding to drastic changes in the economic and social environment, we nurture human resources who will continuously undertake the challenge of transformation by actively providing areas and opportunities corresponding to each employee’s desire to grow, and we build a diverse talent portfolio with a variety of backgrounds and expertise.
- We create a secure work environment and foster a vibrant organizational culture to enhance the well-being of each one of our employees with their diverse values and lifestyles and to enable them to maximize their capabilities. This leads to increased productivity throughout the organization and keeps the Company an attractive organization for human capital both inside and outside the Company.

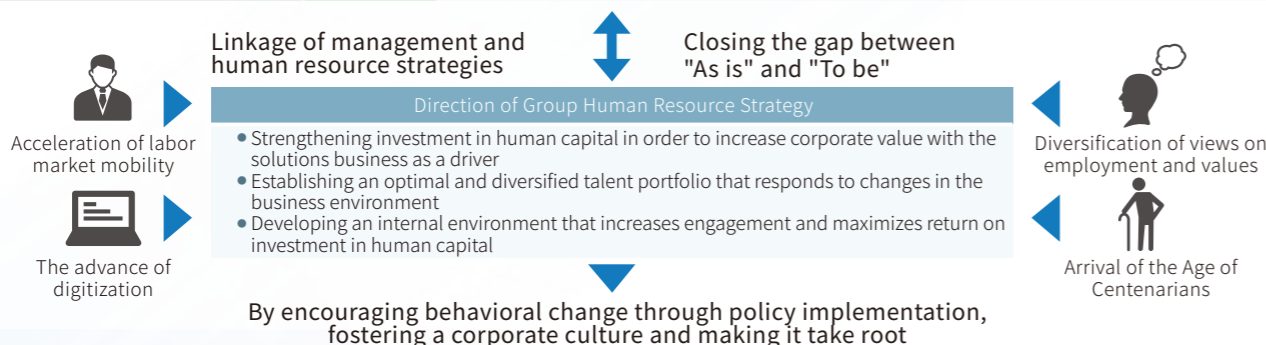
<The human resources we seek>

- Human resources who have a strong sense of pride and awareness in providing value to local communities and customers and who constantly take on challenges with a mindset of change

Formulation of the Group Human Resource Strategy linked to our management strategy

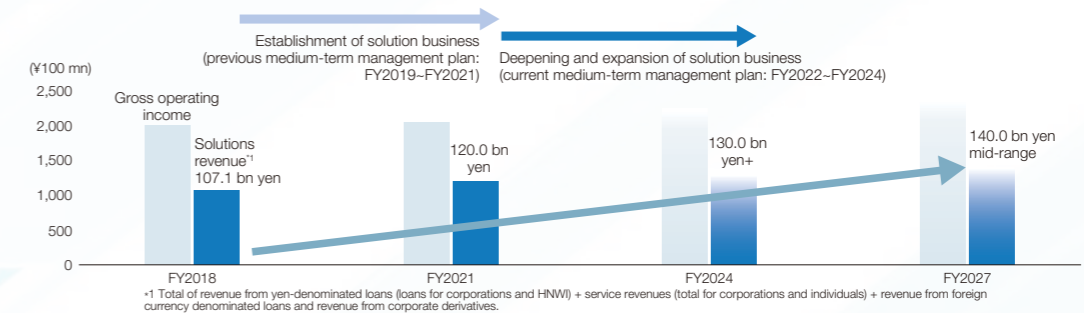
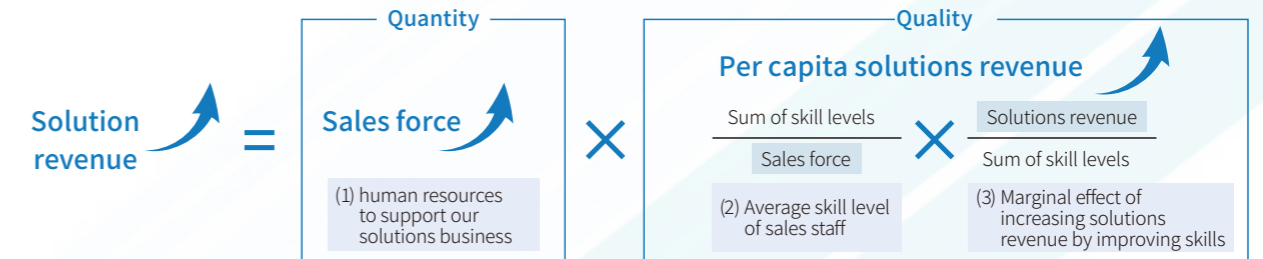
In order to realize our vision while responding to changes in the external environment, we have formulated a Group Human Resource Strategy linked to our management strategy, and are implementing measures related to human resources from a medium to long-term perspective to eliminate the gap between “As is” and “To be”.

Our vision	A solution company rooted in communities and selected as a partner to walk forward together	
Medium-Term Management Plan (FY2022 - 2024) Three years to accelerate transformation toward a shift to a solution company and materialize results	Growth	<ul style="list-style-type: none"> • Moving from the solution business establishment phase to the deepening and upgrading phase • Strengthening and expanding business areas by leveraging strategic investments and alliances
	Change	<ul style="list-style-type: none"> • Taking the investment capacity created by materializing the effects of structural reforms and investing it in growth • Implementing human resources portfolio reforms for the shift to being a “solution company” and accelerating DX to make our systems more customer friendly
	Sustainability	<ul style="list-style-type: none"> • Establishing sustainability management and continuing to upgrade governance to support this • Enhancing dialogues with stakeholders and information disclosure in order to enhance corporate value.



Strengthening Solution Profitability

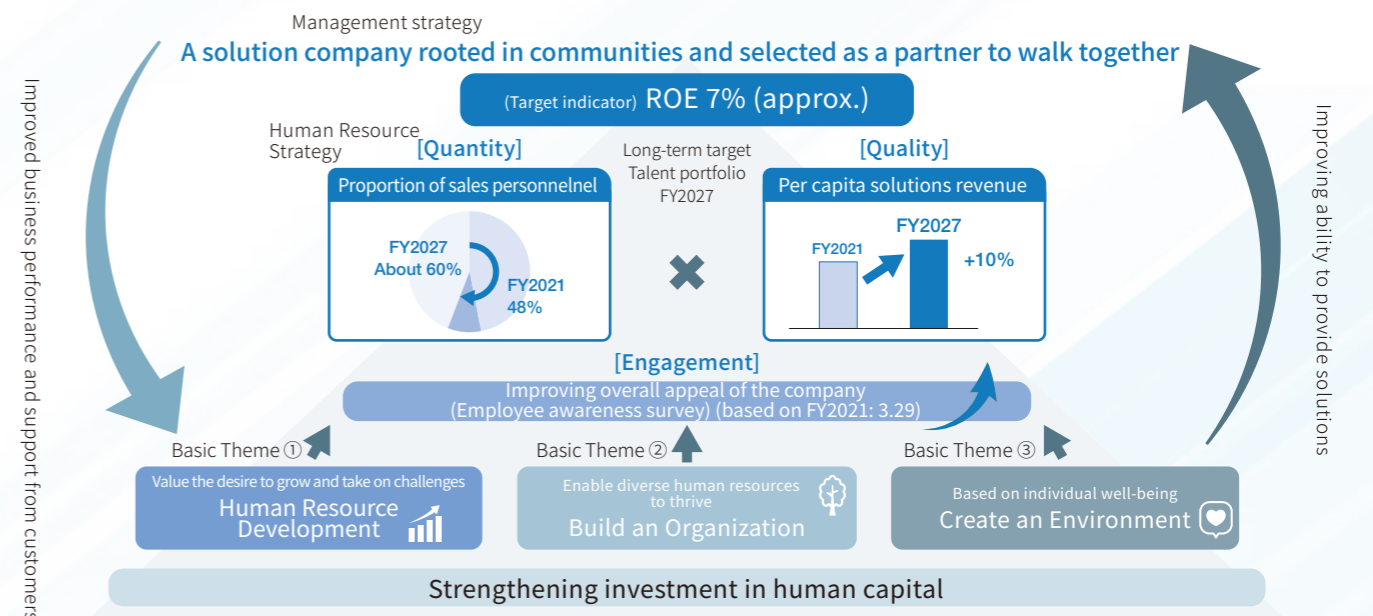
Through investment in human capital, we work to increase the number of sales personnel (=Quantity) and increase solution revenue per capita (=Quality) by improving skill levels, thereby strengthening solution profitability, which is the foundation of profitability.



Overall picture of the Group Human Resources Strategy

The “Group Human Resource Strategy” covers the period up to FY2027 and has three basic themes: ① “Human Resource Development that values the will to grow and to take on challenges”, ② “Build an Organization that enlivens the activities of diverse human resources and ③ Create an Environment that starts with individual well-being”.

Under these three basic themes, we will work on 10 major measures to enhance employee engagement (Total attractiveness of the company) while building a talent portfolio with quantity (ratio of sales personnel) and quality (solution earnings per employee), and as a result, we will aim to achieve the management target of ROE of around 7%.



Special Feature 2 Human Resource Strategy

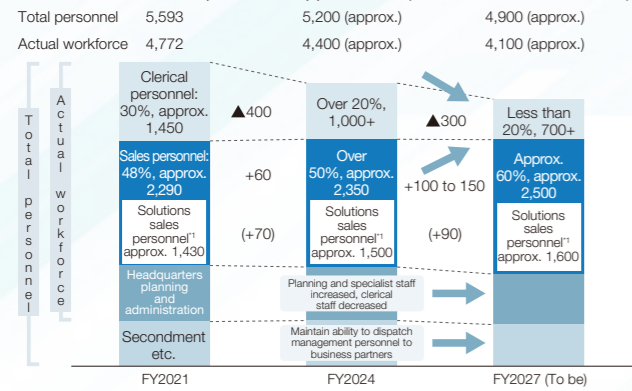
Creating New Value and Sustainable Growth

Increase in sales personnel

While streamlining the total workforce through structural reforms by reducing administrative workloads and improving operational efficiency, we aim to increase the sales workforce by re-skilling administrative staff, aiming for a workforce that is approximately 60% sales personnel in FY2027. Among sales personnel, we define "solutions sales personnel" as those who are especially engaged in providing solutions to customers, and we are systematically securing and developing them.

In order to increase the number of sales personnel, we will work to secure high-quality personnel by reinforcing the recruitment of new graduates, and securing highly specialized human resources by upping our mid-career recruitment.

FY2027: Ratio of sales personnel: approx. 60% (based on actual workforce)



*1 Solutions sales personnel: Headquarters direct sales, corporate liaison and personal liaison (excluding home loans). Excluding supervisors, section managers

Direction of procurement of human resources to strengthen the sales force	Human capital investment item
Shift in weighting through re-skilling	Training participants Staff costs
Competitive strength for high-quality new graduate recruitment	Initial salaries raised equivalent
Strengthening mid-career recruitment in order to secure highly specialized human resources	Recruitment activity expenses

Increasing per capita solutions revenue

By strengthening training programs and self-development support, we will increase the proportion of personnel with advanced skills at sales branches and through inter-disciplinary learning to acquire advanced skills, we will increase the number of direct sales personnel at headquarters and in this way develop human resources with high solution sales capabilities who have high business execution skills and advanced knowledge.

Through these efforts, we aim to achieve a per capita solution revenue of over ¥90 million in FY2027.

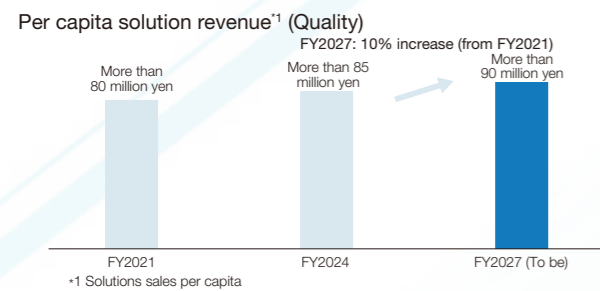


Image of human resources with high solutions sales capabilities (example)

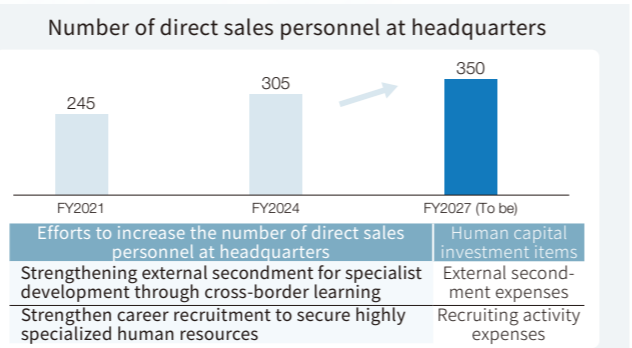
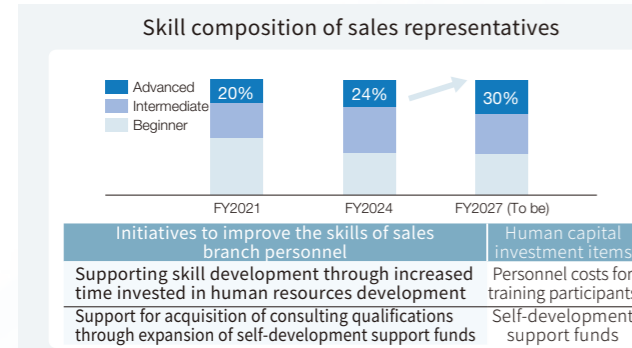
Annual solution revenue: **Approx. ¥300 million**

Work experience: **3 sales branches**

Person with advanced skills: **Person A**

Strategic solutions Number of cases: **5**

Qualifications possessed: **Small and Medium Enterprise Management Consultant**



Initiatives to improve penetration and engagement of the Group Human Resource Strategy

The Group is working to increase the frequency of dialogue between management and employees in order to enhance employees' understanding of our management and human resource strategies and in order to reflect the views of employees in management.

In FY2022, we held 78 (large) town hall meetings, in which management strategies and other information were explained to all employees. In addition, we held 132 small group town hall meetings, mainly for section managers and lower, to listen to the opinions of sales branches and for them to hear directly from officers about management policies and their thoughts on management.

In response to the many requests from employees during these town hall meetings to have more time for personal growth, the Bank of Yokohama launched the "Job Satisfaction Improvement Project Team" to create more time for self-fulfillment by fundamentally reviewing the way business had been done until then in order to improve employee job satisfaction and engagement. By implementing measures across the entire company to resolve management issues highlighted in questionnaires and interviews with employees, we aim to achieve a vibrant workplace through behavioral and cultural reforms.

In addition to these efforts, we aim to enhance the total attractiveness of the company by implementing key measures based on the three basic themes of our human resource strategy.

	General meeting (large)	General meeting (small)
Implementation period	April	Implemented all year-round
Objective	Deepen understanding of business operation policy and human resources strategy	Listening to the voices of sales branches Communicating the bank's direction and thoughts through the voices of its executives
Targets	All bank staff	Section chief and below
Speakers	Bank of Yokohama, Higashi-Nippon Bank directors etc.	Directors and Executive Officers, Headquarters, the Bank of Yokohama and Higashi-Nippon Bank
Meetings held (FY2022)	78	132

Strengthening investment in human capital

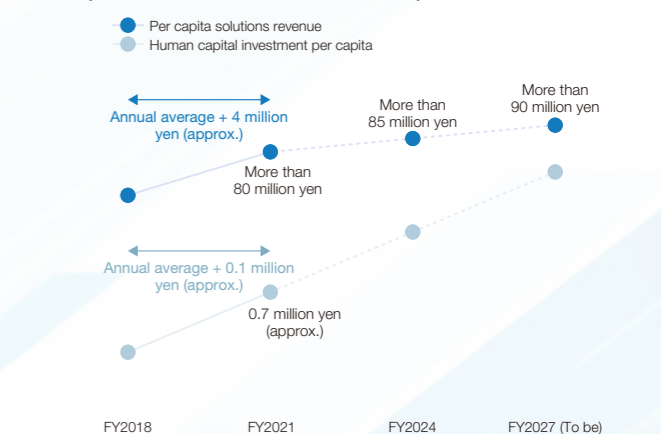
In implementing measures related to human resources based on the Group's Human Resource Strategy, we will strengthen investment in human capital, with a focus on Human Resource Development that emphasizes the development of human resources that support our solutions business, as well as Organizational Development and Environment Development.

Investment in human capital*1 (FY2023)

Total ¥1.53 billion (¥1.0 million per person*2)

- Human resource development: ¥1.05 billion
 - Training participants' human resource costs*3 (including instructor's fee)
 - External secondment expenses
 - Self-development subsidy
- Organizational development: ¥0.24 billion
 - Recruitment activity expenses
 - Starting salary increase equivalent
 - Talent management System function improvement expenses
- Environment development: ¥0.23 billion
 - Evaluator training expenses
 - Employee awareness survey costs
 - Salary increase for young employees Equivalent amount (Excluding uniform basic portion)

Per capita solutions revenues and human capital investment amount



*1 Our definition *2 Investment in human capital ÷ Number of employees in solutions sales at the end of the fiscal year
*3 Number of participants x training hours x hourly salary equivalent

Human Resource Strategy

Creating New Value and Sustainable Growth

Basic Theme ①

Value the desire to grow and take on challenges



Human Resource Development

- More and better solution business leaders
- Strengthening the development of specialized human resources
- Support for self-directed challenge-taking and growth
- Systematically developing of next-generation management personnel

In order to realize our vision of being a solution company, we believe it is important to improve the skills and expertise of those in charge of providing solutions.

Based on this concept, we will implement human resources development that links OJT and Off-JT, expanding opportunities for employees to take on such new challenges as internal recruitment, external secondment, and self-development support, in order to actively respond to each employee's desire to grow.

More and better solution business leaders

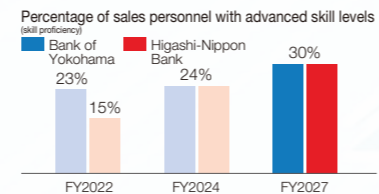
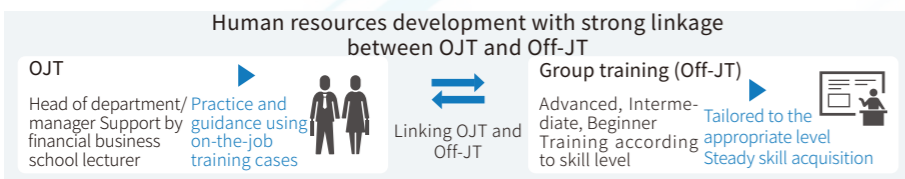
Introduction and operation of skills certification system

The Bank of Yokohama has introduced skill certification systems for its corporate and personal departments in order to define the capacities (skills and knowledge) required of solutions sales personnel, to visualize their proficiency status, and to provide education and training opportunities according to the proficiency level of each individual for the purpose of raising their skill levels. Through the operation of this certification system, we are working to expand the number of solution sales leaders at our sales branches.

This certification system comprehensively visualizes the skill level of solutions sales personnel based on the three elements of "skill proficiency", "education", and "performance" every six months, and measures the skill levels of liaison personnel in the Corporate and Personal Divisions. In addition, Higashi-Nippon Bank measures skill levels in its Corporate Division by judging the check items for each prescribed skill level.

Under this certification system, we are working on "human resources development that strongly links on-the-job training (OJT) and off-the-job training (Off-JT)" in order to effectively improve the skills of solutions sales personnel. Off-JT supports the steady acquisition and retention of skills through group training by department and by skill level, as well as through ongoing follow-up after the group training, while OJT includes assigning employees after group training to projects where they can apply what they learned. We have established a human resource development system that puts staff members into practical work at sales branches early on so that they can feel the improvement in their skills and their growth.

Through these efforts, we will increase the proportion of highly skilled personnel who have advanced solution skills and knowledge and a wealth of experience in providing solutions, thereby enhancing our solutions sales structure.



Strengthening investment in education and training

The Group is strengthening its investment in education and training to develop human resources with high solutions sales capabilities by increasing training hours and training expenditure per employee through group training by division and skill level, by increasing the number of hours spent on e-learning, by proactively utilizing external training programs, and by strengthening group training programs using outside instructors.

Actual investment in education and training in FY2022

	Bank of Yokohama	Higashi-Nippon Bank
Training expenses	¥140 million	¥30 million
Total training hours per year	51,040 hours	8,426 hours
Training hours per capita	14.1 hours	9.6 hours
Number of training participants	1,473	951

Strengthening Our Headquarters Direct Sales Division

To improve the quality of our solutions business, we are working to raise the skill level of our sales branches as a whole based on our skill certification system, are working to give them the capacity to provide high value-added solutions, and are working to strengthen our direct sales departments (such as the Financial Solutions Department), which have the function of offering solutions to customers directly.

The direct sales division of headquarters is systematically increasing its workforce through the transfer of employees with higher skill levels, the dispatch of human resources for training at megabanks, government financial institutions, and funds, and the recruitment of highly specialized mid-career solutions sales personnel.

In parallel with these efforts, we are promoting the advancement of the Group's overall solutions sales posture, including at sales branches, by systematically rotating personnel from direct sales departments at headquarters to positions as branch managers and executives at sales branches.

Young bank employees seconded to training (as of March 31, 2023)

Secondment to	Number of persons
Government financial institutions	4
Megabanks	4
Consulting funds	3
Securities companies	2
Regional bank	1
Media	1
Research organization	1
Customer company	1
Economic organizations	7
Local public entity related	6
Total	30



Strengthening the development of specialized human resources

Systematic development of specialist human resources

To develop human resources with specialized knowledge and skills (hereafter, "specialized human resources") who can work in the Markets, International, and IT and Digital Divisions, the Group implements systematic personnel rotations and supports the acquisition of highly specialized official certifications.

We are systematically increasing the number of employees in the Markets and International Division and employees with experience there (hereafter, "Markets and International Division pool human resources") through a trainee system, personnel rotations using overseas offices, and dispatch of employees to domestic and overseas financial institutions for training, in order to strengthen the continuity of these operations as major profit centers for the Group. We are also working on personnel rotation among sales branches, the Markets and International divisions, as well as overseas offices to strengthen our solution business through the return of human resources who have been nourished by experience in our Markets and International Divisions.

The IT and Digital Division requires high levels of expertise in order to realize the Group's information technology strategy. We have defined the necessary requirements (levels) for specialized human resources and are systematically developing human resources based on skill checks. In addition, as the digitalization of the economy and society accelerates and informatization strategies become increasingly important, in order to strengthen the specialized human resources of the IT and Digital Divisions, we conduct practical training (DX Academy) for selected employees who wish to work in those divisions. In FY2022, 24 graduates of the DX Academy were granted their "DX Licenses" (an in-house certification).

In addition, as an effort to motivate employees to acquire specialized knowledge, we have established the "Platinum Talent Recognition System" to recognize human resources with advanced official certifications. (*) We are also expanding various support funds for employees to obtain certifications and providing career realization support (career change to a desired specialized field, assignment to a desired job or post, etc.) to those certified. Higashi-Nippon Bank plans to expand the support funds for obtaining certifications during FY2023.

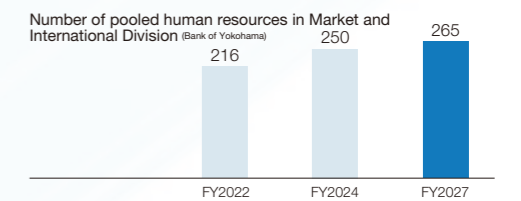
* Small and Medium Enterprise Management Consultant, FP Level 1, Securities Analyst, Advanced Information Processing Engineer, and other such certifications

Expansion of support funds related to obtaining certifications

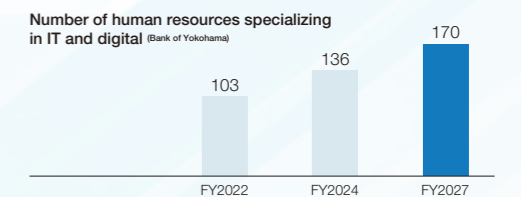
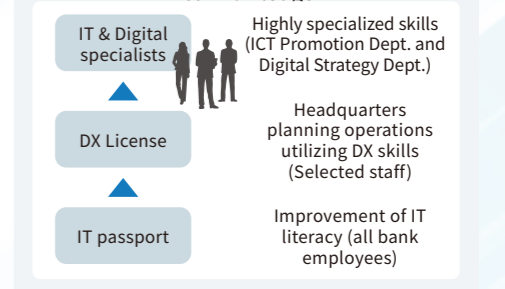
Qualification	Before qualification	When qualification is obtained	After qualification
Small and Medium Enterprise Management Consultant	50% of the certification school fee ¹⁾	¥400,000	¥60,000 per year
FP Level 1, CFP		¥250,000	¥20,000 per year
Securities Analyst (CMA)	—	—	—
Language qualifications	—	—	—
IT- and digital-related qualifications	—	¥100,000	—

¹⁾Up to ¥100,000

Personnel rotated based on a training plan



Increase in human resources with specialist knowledge



Special Feature 2 **Human Resource Strategy**
Creating New Value and Sustainable Growth

Professional Human Resources System

The Bank of Yokohama has been operating a highly specialized “Professional Human Resources System” since FY2019 that provides career paths and a compensation system for “professional human resources” in specialized fields who put their strengths to use and that lays the foundation for strengthening and nurturing professional human resources. The compensation and benefits system is designed to provide incentives for contributions to performance, and the compensation and benefits level can be at the executive or department manager level.

The number of certified professional human resources has been 12 so far.

Support for self-directed challenge-taking and growth

Instilling career ownership

We are promoting “instilling career ownership” in order to foster a culture in which each employee thinks independently about their own career, draws their career design independently, and acts on them. Based on regular interviews in 1-on-1 meetings between superiors and subordinates, we support career development toward the person our employees want to be by combining on-the-job training, seminars, an open recruitment system, and self-development.



Professional Personnel Certification Requirements

Advanced specialized expertise	Expertise and skills and ability to conduct operations in business areas certified by the Bank
Mindset	Understanding of the Bank's management policies, sales strategies, etc. and willingness to fulfill the role required
Self-management and human resources development	Self-directed efforts, ongoing self-improvement, guidance and training of successors

Career Innovation Support System (concurrent/secondary employment)

In October 2021, the Bank of Yokohama introduced the “Career Innovation Support System (Concurrent and Secondary Jobs)” as a system to allow employees to take on outside concurrent or secondary jobs in accordance with certain requirements, such as personal growth, core business, or community contribution. By expanding opportunities for employees to gain a variety of experience outside of banking, this system aims to encourage their self-directed career development and growth outside their existing career paths, as well as to increase the diversity and expertise of human resources, to improve operations productivity, and to reform our corporate culture. Since the system was introduced, 10 people have used it.

Higashi-Nippon Bank too plans to introduce a concurrent/secondary employment system by the end of FY2023.

Career Consultation Desk

To promote and support employees' autonomous career development, we have established a Career Consultation Desk to provide consultation on career development and career paths.

Systematically developing of next-generation management personnel

We provide various types of training related to career design and management, matched to employees' seniority and position, with the aim of encouraging employees to think independently about their future career development.

The Bank of Yokohama is implementing its “Next Generation Management Leader Development Program” as a succession plan for future top management and future executive candidates. We have subjects assessed by external training organizations and give them tough assignments based on themes such as “management skills”, “strategic understanding”, and “ability to involve others” in order to expand the candidate pool and manage appointments. In addition, Higashi-Nippon Bank is implementing a succession plan to develop next-generation management leaders at each level of the organization.



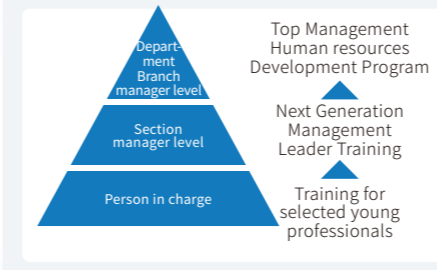
Expanding Opportunities for Challenges

We have implemented “In-house recruitment” and “re-skilling challenges” as an open recruitment system to motivate employees for self-development and to encourage them to take on the challenge of career development on their own initiative.

Our in-house recruitment accepts applications regardless of career stage. In addition to assignments to various divisions of headquarters, we also offer external secondments and MBA programs. With 220 applicants in FY2022, concrete actions for career realization are expanding on a bank-wide scale. In FY2023, the “FA System” was introduced to give bank employees who have certain qualifications and experience the opportunity to widen their skills in a department of their choice.

The re-skilling challenge is an open recruitment system for administrative staff at sales branches and headquarters to take on the challenge of “re-skilling” to close the gap between their current skills and the skills that will be needed in the future. We also provide support such as a career roadmaps to help staff envision the person they want to be and a Job Forum for understanding the operations of each department in headquarters. In FY2021, when we began this initiative, there were 91 applicants, and in FY2022 there were 231 applicants, of which 130 were hired as trainees and 95 have been transferred to new positions in the sales department or headquarters.

Next generation management human resources development Succession plan formulation and execution



Planned succession planning in practice

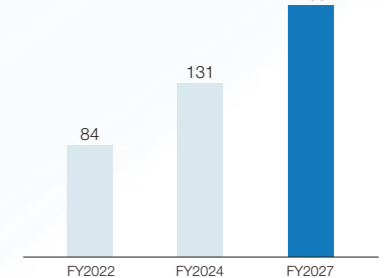
Next generation management leaders to expand the base of human resources who are candidates for top management Started training for development



- Management ability
- Ability to understand strategy
- Ability to involve others

• Selection of human resources with top management potential at the stage when they are section managers about to become department managers

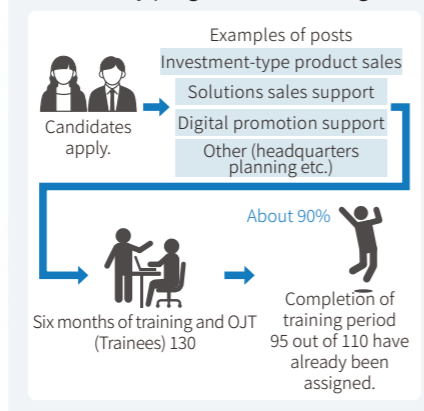
Number of participants in Management Human Resource Development Program (supervisory level)



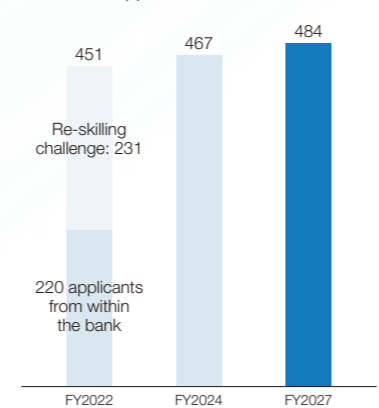
Strengthening provision of challenging opportunities



Steady progress in re-skilling



Number of applicants from within the bank



Special Feature 2 **Human Resource Strategy**
Creating New Value and Sustainable Growth

Basic Theme ②



Enable diverse human resources to thrive

Build an Organization

- Implementing strategic recruitment activities to secure diverse human resources
- Advancement of talent management
- Active promotion of senior human resources
- Further promotion of DEI

In order to flexibly respond to changes in the economic and social environment and to continue to provide optimal solutions to the increasingly diverse and sophisticated needs of local communities and customers, it is important to be an organization in which human resources with various backgrounds and expertise can maximize the use of their individual abilities.

In order to build an organizational foundation, we have positioned the recruitment of human resources as a key management issue for the Group, and we are further strengthening our recruitment activities, upgrading our talent management, promoting the activities of senior human resources, and promoting diversity, equity, and inclusion (DEI), aiming to be an organization where a diverse range of human resources can play active roles.

Implementing strategic recruitment activities to secure diverse human resources (new graduate and mid-career recruitment)

Strengthening information dissemination and expanding points of contact

To effectively communicate the Group's initiatives and make them more appealing than ever before, we are strengthening the dissemination of information on our human resources development system and career development support through the use of social media and other means. In addition, we strive to increase interest in the Group by increasing real contact through open company meetings and corporate information sessions, and by deepening mutual understanding between students and employees through careful discussions about their future career visions prior to joining the company. This reduces mismatches before and after employment, such as differences between the applicant's desired department and actual assignment.

Strengthening information dissemination

- Strengthening disclosure of information on human resources development systems and career paths
- Expanding new points of contact, including social media

Expansion of real contacts

<Recent results (Bank of Yokohama)>

Open company Number of participating students 250 (approx.) (+90 (approx.))	Company information meeting Number of meetings conducted approx. 20 (+16)
---	---

Figures in parentheses are year-on-year changes

Recruitment of specialist human resources

In light of the increasing demand for expertise in the IT and digital fields and the increasing mobility of employment, the Group recognizes the importance of securing human resources with expertise in the IT and digital fields on a stable basis and is actively recruiting new graduates and mid-career personnel.

The Bank of Yokohama has started a course-specific new graduate recruitment system, hiring six new graduates in April 2022 and nine in April 2023, to enable human resources with expertise in IT and digital fields to start their careers in the Digital Strategy Department and ICT Planning & Promotion Department at headquarters, and to play an active role while they raise their level of expertise.

New graduate recruitment by course

Strengthen recruitment from IT and digital specialized courses

- Digital strategy course
- Data science course
- ICT promotion course

Developing competitive compensation and benefits and diversifying recruitment channels

The Bank of Yokohama is strengthening mid-career recruitment and has hired 11 specialized human resources in FY2022, including for the Financial Solutions and the IT and Digital Division.

As competition for human resources in the mid-career recruitment market becomes tougher, we introduced a "professional human resources system" in FY2019 to certify human resources with advanced expertise in specific business fields in order to secure human resources with advanced expertise and have developed competitive compensation and benefits.

In addition, in order to diversify recruitment routes, the Bank of Yokohama Group Alumni Network was established in February 2023 to strengthen referral recruitment and in order to recruit human resources who left the Bank of Yokohama Group and have acquired new specialized skills working outside the Group. As of March 2023, 53 people were registered with this network.



Diversification of recruitment routes

Building our Alumni Network

Utilizing retiree connections and information networks for innovation, collaboration, recruitment, etc.

Advancement of talent management

The Group has introduced a talent management system as a tool to centrally manage information on each employee's skills, knowledge, aptitudes, and career design, and is promoting its use in strategic human resource operations to maximize the utilization of the potential of each employee. We are developing a system that will enable strategic personnel assignment according to the characteristics of each branch and headquarters department, with the aim of "visualizing skills and assigning the right personnel to the right positions."

Active promotion of senior human resources

With the arrival of the "age of centenarians" and the increasingly diverse employment needs of individual employees, it is becoming more and more important to support them in developing fulfilling second careers in which they can work with passion and enthusiasm. We have also received requests from our local business partners to utilize people from our group to achieve sustainable growth. In response to this situation, we are expanding training programs to provide recurrent reskilling training so that senior human resources with a wealth of experience and advanced skills can remain active both inside and outside the bank for a long time. While they utilize the knowledge, skills, and experience that they developed in bank operations up till now, we support them in acquiring the latest knowledge in labor management, DX support, and other areas currently in demand. We are working to further promote the activities of senior human resources by providing new opportunities for them to play active roles within our group, and as a regional financial institution, we are seconding them to our business partners to contribute to the development and growth of local communities.

Increased added value through recurrent re-skilling

New opportunities within the bank

- New job development
- Compensation and benefits in accordance with job responsibilities
- Senior professional human resources system
- Extension of retirement age

Status of staff seconded to external business partners

- Directors, general managers, general managers in charge
- Assistant manager level and below

Number of externally seconded staff: 492 (approx.)

22% (Directors, general managers, general managers in charge)

78% (Assistant manager level and below)

Many members of staff are active in important posts at our business partners.

* As of December 2022, based on the Bank of Yokohama excluding affiliates

Further promotion of DEI

One of our materialities is "promotion of work style reform and diversity," and we are working on each measure as a member of the community.

Concretely, based on our Diversity, Equity, & Inclusion Policy and with the involvement of management, we are promoting Environment Development of a workplace where diverse employees can thrive, by providing training for all employees to promote diversity and understanding of unconscious bias.

The progress of diversity promotion is reviewed semiannually at the Board of Directors' meeting, and under the management and supervision of the officer in charge, issues are addressed and the direction of measures are discussed, actively incorporating the opinions of outside directors and others, to enable our systems to respond quickly to the changing times.

Diversity, Equity, & Inclusion Policy

Through the promotion of diversity, equity, and inclusion, the Concordia Financial Group achieves sustainable growth in corporate value by having all employees, with their diverse ideas and values, make the most of their abilities and create new value.

- 1. Acceptance and Respect for Diversity**
We recognize diversity in race, ethnicity, religion, nationality, birthplace, social status, beliefs, age, disability status, physical characteristics, gender, sexual orientation and gender identity, career, work style, etc., and promote mutual respect.
- 2. Maintenance of Work Environment**
We maintain a system to support taking on new challenges and the desire for growth and have established a healthy work environment in which all can demonstrate their abilities and play an active role through flexible and diverse work styles.
- 3. Ensuring Fairness**
We value the growth of both the company and our employees, provide fair opportunities for each and every employee to play an active role, and give fair evaluations.

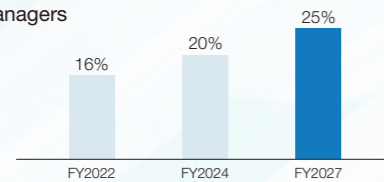
Ensuring diversity among managers (management and executive level) and promoting women's activities

In order to reflect a variety of thinking in our management policies and in order to meet the increasingly diverse and sophisticated needs of local communities and customers, the Group considers ensuring manager diversity and promoting women's activities as important management issues, and actively discusses them at management meetings.

Since FY2022, the Bank of Yokohama has been implementing the Tsubaki Project to promote women in executive and management positions. Through a combination of training and roundtable discussions with outside directors, the project provides career development support with a view to promotion to management positions and fosters human resources who are candidates for management positions. Also, Higashi-Nippon Bank offers Career Support Seminars to support career development for women. Through these efforts, we aim to raise the percentage of female managers in the Group from 16% in FY2022 to 25% in FY2027.

Special Feature 2 Human Resource Strategy
Creating New Value and Sustainable Growth

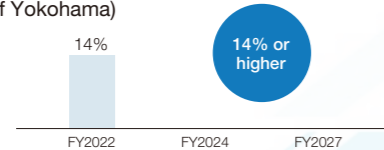
Percentage of female managers



The high proportion of male employees in management positions and above in the Group results in differences in wages between male and female employees. In order to eliminate this difference, we are actively training and promoting female managers.

In addition to promoting the advancement of women, we also focus on the development of mid-career hires and actively promote them to management positions, including promotion to department heads and branch managers. The percentage of mid-career hires in management positions at the Bank of Yokohama was 14% in FY2022. We aim to keep this percentage at least this high.

Proportion of management positions held by mid-career hires (Bank of Yokohama)



Support for maternity and paternity leave recipients to return to work.

The Bank of Yokohama has long provided flexible work arrangements, such as shorter working hours and staggered working hours, to enable employees to work flexibly in response to life events such as childcare. In FY2022, we introduced the Maternity/Paternity Leave Reinstatement Support Program to support employees' self-learning during their leave and to provide seminars to prepare them for a smooth return to work. This program is used by approximately 20% of employees who have taken at least one month of maternity/paternity leave.

At Higashi-Nippon Bank, we have established a work system that allows for flexible work styles, such as shortened working hours and staggered working hours, and we also offer seminars to help employees prepare for a smooth return to work.

Hiring locally and appointing foreign nationals to management positions at overseas offices

In order to realize the Group's overseas strategy, we are actively recruiting talents at our overseas locations for their familiarity with local customs and needs. As of April 1, 2023, we had 48 employees hired overseas.

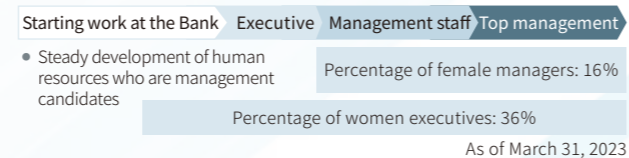
Important matters such as labor standards and compliance regarding working hours, wages, etc. are translated into the languages used at overseas locations, such as English and Chinese, and communicated to all locally hired employees to ensure widespread understanding.

We are actively promoting the appointment of foreign nationals to management positions. As of April 1, 2023, the number of foreign nationals in management positions was 11.

Employment of employees with disabilities

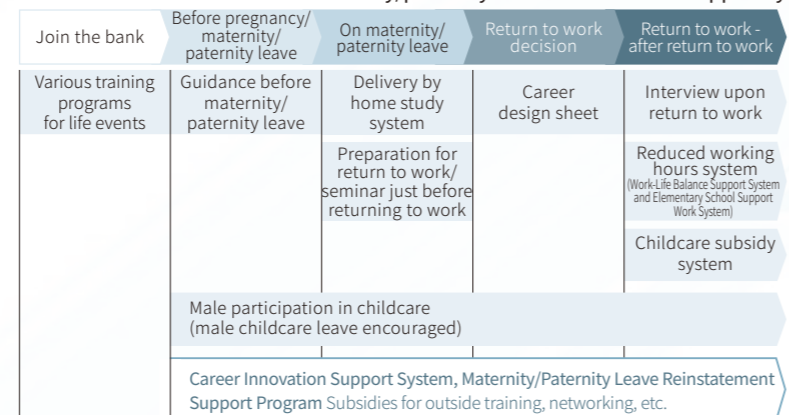
In April 2019, we launched Hamagin Business Challenged Co., Ltd. to support the independence of persons with disabilities and to realize an inclusive society. In April 2020, certification as a special subsidiary, and in May 2021, certification as an affiliated company of a special subsidiary were obtained. (Hamagin Research Institute, Hamagin Finance, and Hamagin Tokai Tokyo Securities, were added to the scope of special subsidiaries). As of March 2023, the Group's employment rate of persons with disabilities was 2.53%.

Status of candidates for management positions to promote female advancement



Wage Differentials between Men and Women	Bank of Yokohama	Higashi-Nippon Bank
All employees	48%	49%
Full-time employees	65%	73%
Of which, management	90%	90%
Non-full time/temporary workers	64%	89%

The Bank of Yokohama - Main maternity/paternity leave reinstatement support system



Basic Theme ③

Based on individual well-being



Create an Environment

- Fostering a vibrant organizational culture
- Establishing a workplace environment where employees can work with peace of mind and good mental and physical health

In order for each and every employee to utilize his or her full potential, it is essential to have a vibrant organizational culture and a work environment in which employees can work with peace of mind and in good mental and physical health. We foster an organizational climate and workplace environment that starts with the wellbeing of each and every employee and their diverse values and lifestyles.

Fostering a vibrant organizational culture

Strengthening skills in career design support and management

To enable each employee to design his or her own career path based on career ownership, we provide model cases for the corporate sales, personal sales, headquarters planning, clerical work, and specialized human resources career paths, as well as a career road map that outlines various measures necessary to realize one's career vision, including training, self-development support, and open recruitment systems.

In addition, we use 1-on-1 meetings to support more effective career attainment through appropriate and timely advice based on relationships of trust between superiors and subordinates.

In addition, since managers are required to have the skills to support their subordinates in realizing their careers from the perspective of increasing the value of human capital, we are working to improve managers' management and coaching skills through training and self-development programs for managers.

Implementation of various measures to enhance job satisfaction



Human resources evaluation system

We have introduced a human resources evaluation system as a mechanism to motivate each employee and to energize the organization, as well as to support the achievement of each employee's career vision and to promote talents development and skills development.

The human resources evaluation system is a flow of operations based on the "Management By Objective (MBO)" objectives for the year and consisting of "goal setting", "performance evaluation", and "feedback" through personal interviews. This evaluation system is implemented and operated in order to bring out individuals' abilities, from short-term evaluations of performance and bonuses to mid- and long-term evaluations of transfers, promotions, and advancement.

Compensation and benefits

The Group ensures fair and equitable treatment in accordance with the weight of responsibility and contribution to performance based on the difficulty, scope, and role of the job, regardless of seniority, gender, or other attributes, thereby increasing each employee's willingness to take on new challenges and grow.

We offer the same benefit programs and growth opportunities to all employees, including part-timers, and we comply with the minimum wage and equal pay laws and regulations in each country.

Establishing a workplace environment where employees can work with peace of mind and good mental and physical health

Work-life balance

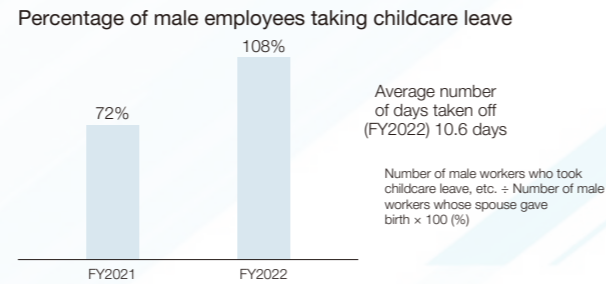
We encourage participation in childcare regardless of gender by developing and encouraging the use of various leave systems, including male childcare leave, special leave for when a spouse gives birth, and leave to support work-life balance that can be taken when a child has a school event.

In addition, we are also focusing on awareness-raising activities by conducting training and holiday seminars on the theme of

Special Feature 2 **Human Resource Strategy**
Creating New Value and Sustainable Growth

“male participation in childcare” for all employees. The male childcare leave utilization rate in FY2022 was 108%.

For caregiving leave and fertility treatment too, we have established a stance that allows each employee to achieve a work-life balance according to his or her own circumstances. We raise understanding through the use of such tools as trainings, creating guidebooks, and introducing video content and we encourage employees to take nursing care leave to care for a family member in need or to take family planning leave when undergoing infertility treatment.



Work style reform
~Hamagin Style and Higashi-Nippon New Style

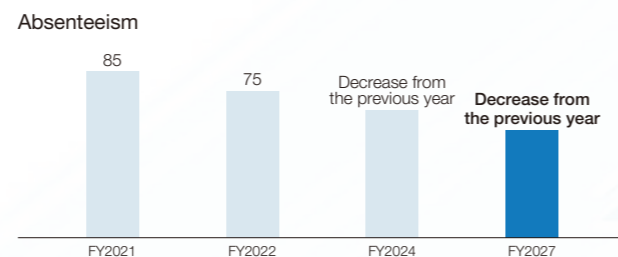
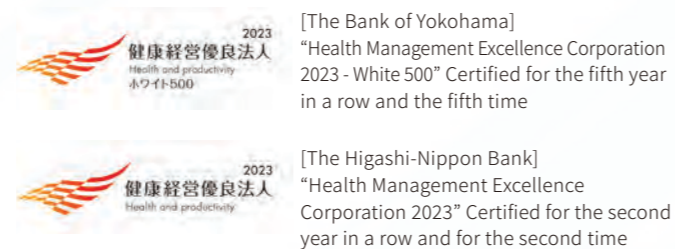
In order to establish flexible and diverse work styles that are not restricted by time or location and to improve well-being, the Bank of Yokohama and the Higashi-Nippon Bank have established teleworking systems and introduced satellite offices as “Hamagin Style” and “Higashi Nippon New Style,” respectively. We also conduct activities to spread the word about using tools and about getting away from paper and “hanko” signature seals.

In addition, we visualize total working hours and have introduced a system to ensure adequate time between one work shift and the next in order to raise awareness of more efficient work styles.

Health management

To ensure that each and every employee can maximize his or her potential through health management initiatives, the Group has formulated the Bank of Yokohama Health Declaration and the Higashi-Nippon Bank Health Declaration. The Health Management Promotion Liaison Committee was established across all departments to implement health management. Various efforts are being made to maintain and promote employee health and reduce absenteeism (employees being absent from work due to ill health or other reasons that affect attendance), including the establishment of a health management center at headquarters, individual consultations with occupational physicians for employees working long hours, a complete ban on smoking at office premises, and the holding of walking events.

The Bank of Yokohama has been certified as a “Health Management Excellent Corporation 2023 - White 500”, and the Higashi-Nippon Bank as a “Health Management Excellent Corporation 2023” in the Large Corporations category of the “Health Management Excellent Corporations Certification System” established by the Ministry of Economy, Trade and Industry and the Japan Health Council.



Creating a Highly Psychologically Safe Workplace

In order for each employee to reach his or her full potential, the workplace must be a healthy place with a high level of psychological safety. The Group uses one-on-one meetings to provide opportunities for superiors and subordinates to discuss everything from work-related concerns to private matters without hesitation, and to ensure psychological safety by building mutual understanding and trust between superiors and subordinates.

In addition, the Group clearly states in its employment regulations that all forms of harassment are prohibited. The Group is working to prevent and appropriately respond to harassment by providing training for all employees on harassment prevention and training for managers on how to report and respond to harassment, by establishing internal and external “harassment consultation offices” for sexual harassment, bullying, harassment related to pregnancy, childbirth, childcare leave, nursing care leave, etc., and SOGI (*) harassment, and by establishing an internal reporting system (hotline).

In addition, we have established a consultation service for employees to discuss matters related to balancing work with childcare and nursing care, as well as matters related to diversity, equity, and inclusion regarding themselves and their surroundings, and we are widely promoting the development of a workplace environment that ensures psychological safety.

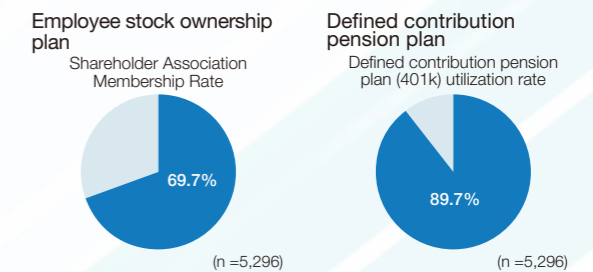
The contents of consultations are kept confidential, and a system is in place to protect the privacy of the consultants and other parties involved.

(*) Acronym for Sexual Orientation and Gender Identity

Financial Wellness (Asset Building Support) initiatives

We are committed to supporting the asset building of our employees so that they can be financially independent and work with peace of mind. We have introduced a defined-contribution pension plan (401k), an employee property savings plan, and an employee stock ownership plan as systems to contribute to the systematic asset building of our employees, and through various training programs and information provision, we support our employees in deepening their understanding of asset building and engaging in their own asset building.

As of March 2023, 69.7% of Bank of Yokohama and Higashi-Nippon Bank employees were members of employee stock ownership plans and 89.7% were using the defined-contribution pension plan (401k).



Employee Awareness Survey

We conduct an annual employee awareness survey to periodically check the awareness of each employee, and to accurately diagnose and understand the current status, strengths, and challenges of the organization, with the aim of utilizing the results in planning and formulating management measures to improve the job satisfaction and engagement of each and every employee.

- Index of total attractiveness of the company: 3.28 in FY2022 on 5-point scale (5 being the highest), weighted average of two banks

Initiatives to promote respect for human rights and understanding of LGBTQ+ issues

Respect for human rights

The Concordia Financial Group has established a Group Human Rights Policy and is promoting initiatives to respect the fundamental human rights of customers, employees, and all other stakeholders. In addition to conducting human rights awareness training to deepen correct knowledge and understanding of human rights, we are working to raise employee awareness of human rights by soliciting slogans related to human rights awareness and presenting awards for outstanding work.



Hamapen & Ponkuma ALLY Seal (Prepared by Hamagin Business Challenged)

Promoting understanding of LGBTQ+.

To promote understanding of sexual minorities (LGBTQ+), we conduct e-learning, study sessions for headquarters executives, and holiday seminars. In addition, as part of awareness-raising activities to increase the number of allies (people who support and endorse the activities of LGBTQ+ people), we have established communities on in-house social networking sites and distributed ALLY stickers to employees who request them. In addition, we are accelerating our efforts to respect the diverse family types of our employees, for example, by installing coed restrooms in the Bank of Yokohama head office building, and including de facto and same-sex marriage partners in the scope of employees’ “spouses” for the purposes of benefit programs such as leaves and payments.

In recognition of these efforts, in FY2022 we became the first regional bank to receive the highest rating of “Gold” in the “Pride Index 2022” (operated by the volunteer organization “Work with Pride”), which evaluates initiatives for sexual minorities (LGBTQ+).



Scenes from Tokyo Rainbow Pride Parade 2023, which was sponsored by the Company and participated in by our employees



Scenes from the Diversity Seminar, cosponsored by the Bank of Yokohama and Yokohama National University and attended by our employees

Special Feature 2 **Human Resource Strategy**
Creating New Value and Sustainable Growth

Round-table discussion

Developing people who support our solution business



Bank of Yokohama
Kamiooka Branch
(Joined the Bank in 2018, Corporate Customer Liaison)

Rikinobu Kanawa

Bank of Yokohama
Director and Executive Officer
In charge of Credit Department and Human Asset Department

Michifumi Katsuta

Bank of Yokohama
Assistant Manager,
Tachikawa Branch
(Joined the bank in 2009, Personal Customer Liaison)

Toshiko Hasegawa

Yokohama Capital
Manager
(Joined the bank in 2010, concurrently in charge of the Financial Solutions Department)

Kento Fukushima

Instilling career ownership

Katsuta In order to raise our sustainable corporate value, the Group has set forth a human resource strategy linked to our management strategy since FY2023 and is strengthening human resource development to become a solution company. In this context, we are particularly asking all of you to build career visions in accordance with career ownership and to proactively create a clear picture of where you yourself want to be in three, five, and ten years. In earlier times, when everyone joined the company as a new graduate, they received the same training and education, and aimed as generalists to become section managers, deputy branch managers, and branch managers. The Group has long had a large number of human resources hired in mid-career. Now for new graduate hires as well, the Company has a training system and personnel system that supports a multi-track career path, so that they can become not only generalists but also specialized human resources with in-depth expertise in markets, international, IT, digital, and other fields. Today, we would like to introduce three people who are working hard to achieve their career goals.

Hasegawa As a personal customer liaison, I am mainly in charge of high-net-worth customers. We strive to provide our customers with optimal solutions to various issues such as inheritance measures and effective utilization of idle land, in cooperation with specialized departments at the head office and affiliated tax accountant offices. Although there is a lot of pressure due to the weight of this responsibility, I find it very rewarding to see the satisfaction of our customers and their families when we are able to find a way solve their problems. Moving forward, I would like to deepen my expertise in this field while gaining experience at branches in Tokyo, where the percentages of consulting and loan operations are high, as well as in the Sales Planning Division at headquarters, where the latest trends and broad knowledge are available.

Katsuta The solution business for wealthy customers requires a wide range of knowledge and expertise, not only in finance but also in taxation and real estate. How do you strive to meet the needs of your customers?

Hasegawa I obtained my FP Level 1 a few years ago with the support of the company. The knowledge I learned at that time is still useful in my work, but I try to keep up-to-date with market and tax information, which changes on a daily basis.

Katsuta With our new human resource strategy, we are linking on-the-job training and off-the-job training more closely than

ever, expanding training and self-development support according to skill level, and working to strengthen employees' solution-providing skills through various open recruitment systems. Mr. Fukushima, you were seconded outside the company for two years through an application to the open recruitment system. How was that?

Fukushima When I had about 10 years of experience in Corporate Liaison at branches in Kanagawa Prefecture and Tokyo, they were recruiting for a secondment to a government-affiliated financial institution, and I raised my hand because I wanted to expand the range of solutions I could propose. During my two-year secondment, I was involved in fund operations, especially in monitoring and supporting the growth of investee companies, which was very valuable experience. Currently, I am engaged in fund operations at Yokohama Capital, a member of the Bank of Yokohama Group, utilizing the know-how I learned at that time.

Katsuta Did your career design change after you were transferred externally?

Fukushima I had previously envisioned a career as a generalist in charge of overall banking operations, but through the operations that I learned while on secondment outside the company, I found fund operations very rewarding and felt strongly that I wanted to become a specialist human resources in this field. In this sense, the external assignment was a major turning point in my life as a bank employee.

Katsuta From management's perspective, we expect all of you to take on management roles in the organization in the future, but with us strongly promoting career ownership, we are



seeing increasing requests for options and opportunities to forge a variety of careers. The Human Resources Department intends to further increase the number of secondments and learning opportunities available. For example, from this fiscal year, we have 14 MBA students who are attending MBA programs in Japan while also carrying out their regular duties. Mr. Kanawa is one of them. It has already been two months since you started attending school. Do you feel any changes?



Kanawa Since I joined the company, I have been a liaison responsible for regional company customers. As a corporate liaison, I have many opportunities to interact with executives, and I feel that the MBA program in Japan has provided me with good experience that promotes understanding of the thinking of top management. Also, every time I make contact with people outside the company, new discoveries are born. I feel that my way of thinking, which was coming under the sway of bank employees, has been loosened up and that I am gradually acquiring the habit of thinking about things from different points of view.

Katsuta So you've gained some great experience. How do you want to apply your current experience in your career?

Kanawa I believe that learning about top management in depth and being able to take on the same perspective as top management will be useful not only in my position as staff, but will surely be helpful when I take the step of becoming a section manager or branch manager in the future. In the future, I would like to take on top management responsibilities and become a talent who can raise the corporate value of the Company. From this perspective, I believe this experience has been extremely meaningful.

Achieving career vision Fostering a culture of taking on challenges

Katsuta We believe that not all of our employees have a clear idea of what they want to do in the future like all of you do, that many of them are struggling with their career plans. I urge all of you to talk to your colleagues, especially the younger ones, about what you have learned outside the bank and your feelings when you decided to take on the challenges of new tasks and qualifications.

Fukushima I try to actively give back based on the experience I gained during my secondment, especially to my colleagues at my workplace. I also had the opportunity to interact with younger people in the sales branches, some of whom were interested in fund operations. When I told them about my experiences, I was pleased to hear some of them say they wanted to pursue a career similar to mine.

Kanawa I am still learning, but I try to share what I have learned and felt through my MBA with the junior members of my sales office. I would also like to teach them the kind of processes to use in making proposals to customers so that they will be able to find out what the customer's issues are and to find starting points for solutions. However, when I talk to the generation younger than myself about the challenges available to us in open recruitment, I sometimes feel that this is not something they are looking at, in part because they are not accustomed to the day-to-day operations.

Katsuta First of all, we will provide group training and on-the-job training for young staff to learn basic banking operations, and to support them so that they can master operations as quickly as



possible. I think that career ownership only be realized when this foundation is in place.

Hasegawa I know it happens in every company, but I have even seen young around me leave the Company. Of course, there are times when people change jobs because there are things they want to do outside of banking, but I feel that the chance to take on challenges and opportunities for growth are steadily increasing even within the field of banking. It may be important for us in the field who have more seniority or are superiors to show them such challenges and growth.

Katsuta It is said that today's younger generation tends to focus on a sense of growth earlier. From this point of view, we believe that the existence of role models such as yourselves is extremely important. We hope that the younger staff members will follow your lead and that the desire to take on challenges will spring up in them. It is also important how to create an organization that improves the engagement and job satisfaction of employees with diverse values, not only for young people, and I believe that more efforts are still needed in this direction.

Kanawa In terms of job satisfaction, personally, I would like to have more time to spend on providing solutions. As a liaison officer, I would like to spend as much time as possible in contact with customers, but sometimes I feel that I cannot spend enough time with customers due to the need to balance this work with clerical work.

Fukushima When I talk with sales branch staff, I hear comments like "we don't have enough people" or "we don't have enough time". On the other hand, you plan to increase the number of direct sales personnel and personnel to be

transferred to the headquarters, but how will this be accomplished? I believe that the personnel at headquarters are able to propose highly specialized solutions because the front-line sales branch representatives build relationships with customers on a day-to-day basis.

Katsuta Time spent in contact with customers is indispensable. On the other hand, I believe that a lot of time is spent on reporting to headquarters and on check work. This year we launched the "Job Satisfaction Improvement Project", and hope to drastically reduce the number of tasks from the viewpoint of whether such tasks are really necessary or not, and whether any of them can be eliminated. We hope that the time thus saved will be spent in contact with customers and on self-development to improve skills. We believe that this will lead to better solutions for our customers and strengthen our group.

Hasegawa Such initiatives are a really good thing. I would like to learn more about the field of trusts, which is directly related to my current work, and when I have more time, I would like to spend more time on self-development. If given the chance, I would like to take on the challenge of being transferred to a trust bank or other institution.

Katsuta The human resource strategy is a topic that our group should work on together. Listening to your opinions today, we, the management team, have reaffirmed the importance of Human Resource Development, and have become more convinced that we must continue to be a company that can respond to our employees' desire to grow and take on new challenges. I hope that all of you, who play a central role in your respective organizations, will not only realize your own career aspirations, but also exert yourselves to help nurture the next generation.





Business Strategy for Creating Value

- P. 81 Special Feature 3: Strengthening and Expanding Business Areas through Strategic Investments, Alliances, etc.
- P. 83 Supporting the Sustainable Growth of Local Businesses
- P. 89 Helping People Live in the Age of Centenarians
- P. 93 Human Resources to Achieve a “Solution Company”
- P. 95 Workplace Reform and Promotion of Diversity
- P. 97 Promotion of Financial Digitization (DX)
- P. 103 Measures Against Global Warming and Climate Change — TCFD Recommendation Initiatives
- P. 114 Revitalize the local economy

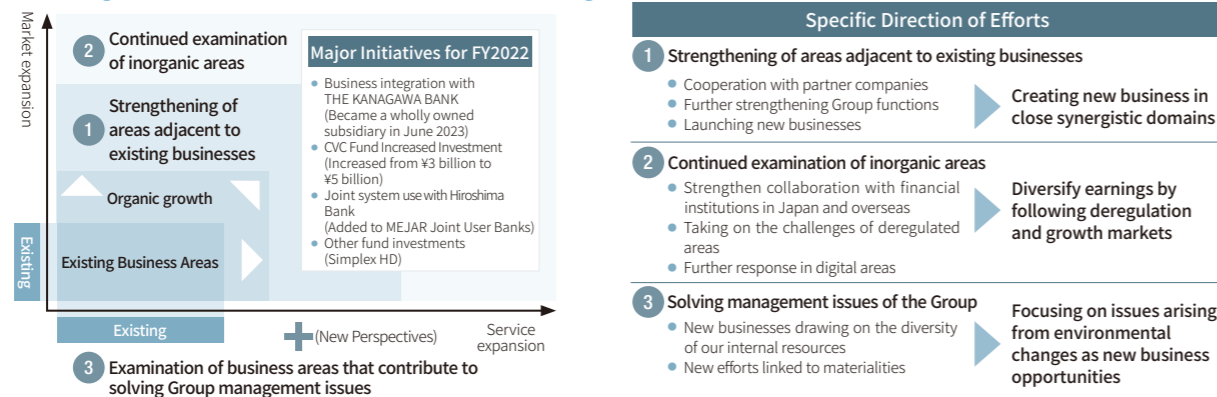
Special Feature 3

Strengthening and expanding business areas through strategic investments, alliances, etc.

We are strengthening and expanding our business areas by “making use of strategic investments and alliances” as a key strategy in the medium-term management plan. Specific directions for our efforts, include strengthening close areas with a high synergy with existing business and continuing to examine inorganic areas that focus on deregulation and growth markets, as well as focusing on issues arising from environmental changes as new business opportunities and examine business areas that contribute to solving the Group’s management issues, thereby achieving sustainable growth.

In the first fiscal year of the medium-term management plan, we started to work toward business integration with Kanagawa Bank (making it a wholly owned subsidiary in June 2023), increasing the amount of CVC funds, and investigating joint use of the core MEJAR system with Hiroshima Bank.

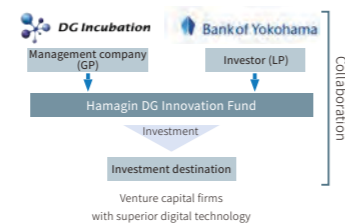
Positioning in the Medium-Term Management Plan



Major initiatives for FY2022

CVC Fund

We will enhance the Bank of Yokohama’s innovation function by investing in venture companies with services etc. that contribute to open innovation in financial institutions and revitalization of the local economy. In November 2022, the fund size was increased from ¥3 billion to ¥5 billion and we will be promoting further collaboration with the companies we have invested in. (As of May 31, 2023: 12 investments totaling ¥1.9 billion)



CVC Fund Collaboration Case Study

MILIZE AI-based management issues Estimation model development

まん福 Utilization of retail premises Business succession consulting for the restaurant industry Share cycle business

Open Street

Joint use of system with Hiroshima Bank

We have agreed with Hiroshima Bank to investigate joint use of the core MEJAR system. We have established the MEJAR Sustainability Solution Collaboration with MEJAR Joint User Banks, and besides core systems, are also actively deepening our collaboration in the areas of products and services.



Business integration with Kanagawa Bank

The Bank of Yokohama has integrated its business with Kanagawa Bank, which is also primarily based in Kanagawa Prefecture. For details on this business integration, please refer to Page 59.



Major Achievements to Date

<p>Overseas</p> <p>Bank Resona Perdana Investment in a local bank in Indonesia</p> <p>evolution Investment in US Silicon Valley venture capital</p>	<p>Digital Garage Enhanced access to technology</p> <p>Strengthening cashless operations</p> <p>beBit Enhanced support for UI/UX</p> <p>TV TOKYO COM Participation in EC operations</p>	<p>Interbank collaboration</p> <p>CHIBA BANK</p> <p>Kiraboshi Bank, Ltd.</p>
<p>Investment banks</p> <p>STORMHARBOUR Investment in a boutique investment bank</p>	<p>Regional Revitalization</p> <p>Regional Revitalization Partners Co., Ltd. Strengthen support for regional creativity</p>	

Chiba-Yokohama Partnership

The Bank of Yokohama and Chiba Bank, both of which are based in the Tokyo metropolitan area, aim to realize sustainable growth for customers and for the two banks by providing high value-added services to customers through the Chiba-Yokohama Partnership, a collaborative effort that brings together their respective expertise.

In FY2022, we achieved steady results from our collaboration, including reaching the five-year cumulative amount of collaboration benefits planned at inception one and a half years ahead of schedule.

Chiba-Yokohama Partnership

- M&A matching
- Providing finance function
- Business matching (Support for expansion of sales channels and suppliers)
- Support for overseas expansion
- Database marketing
- Human resource development
- Personnel exchange

Collaboration effect amount (Total amount for both banks)

Year	Cumulative total
FY2019 results	¥1.5 billion
FY2020 results	¥8.4 billion
FY2021 results	¥16.6 billion
FY2022 results	¥26.8 billion
FY2023 plan	Plan achieved 1.5 years ahead of schedule

Main Achievements

- Corporate banking field**: Collaboration in the areas of finance (syndicated loans, LBO loans) and sustainability
- Personal Banking Field**: Collaboration through sales and promotion of investment-type products (joint products, fund wraps)

TOPIC Co-financing of SDGs Sustainability Linked Loans

As part of the collaboration between the two banks, we provided co-financing to Ricoh Leasing Company, Ltd., under the SDGs Sustainability Linked Loans program.

The loan has variable borrowing terms depending on the degree to which the borrower reaches the Sustainability Performance Targets for sustainability activities aimed at solving environmental and social issues. Through this loan, the company will promote its efforts to “create a clean global environment”, one of the company’s materialities.

Tokyo-Kanagawa Solution Connect

The Bank of Yokohama and Kiraboshi Bank, have been supporting the customers of both banks in resolving issues, and increasing corporate value through “Tokyo-Kanagawa Solution Connect” since August 2021.

The two banks are utilizing each other’s expertise and strengths in advanced financing fields such as structured finance to meet the increasingly large-scale and diverse financing needs of their customers. The collaboration impact exceeded that planned in the second year of the partnership too, achieving steady effects of their cooperation.

Tokyo-Kanagawa Solution Connect

- Structured finance (Syndicated loans/LBO loans, non-recourse loans, etc.)
- Financing for medical institutions
- M&A matching
- Cooperation in administrative areas

Collaboration effect amount (Total amount for both banks)

Year	Cumulative total
FY2021 results	¥2.3 billion
FY2022 results	¥6.6 billion
FY2023 plan	...
FY2025 plan	Cumulative total ¥10 billion

Main Achievements

- Corporate banking field**: Profit effects through co-financing, especially LBO loans and syndicated loans
- Administration field**: Partial sharing of operations delivering cash and documents between sales offices of both banks in the west Tokyo district

TOPIC Cooperation on LBO loans through SDGs Sustainability Linked Loans

As part of the collaboration between the two banks, we provided financial support to Chocolate Design HD through an LBO loan by means of an SDGs Sustainability Linked Loan.

Supporting the Sustainable Growth of Local Businesses



We will contribute to the sustainable growth of local companies by working together as a group to provide high value-added solutions that deeply engage the management strategies of our customers by sincerely addressing the issues they face.

Medium-Term Management Plan Strategy

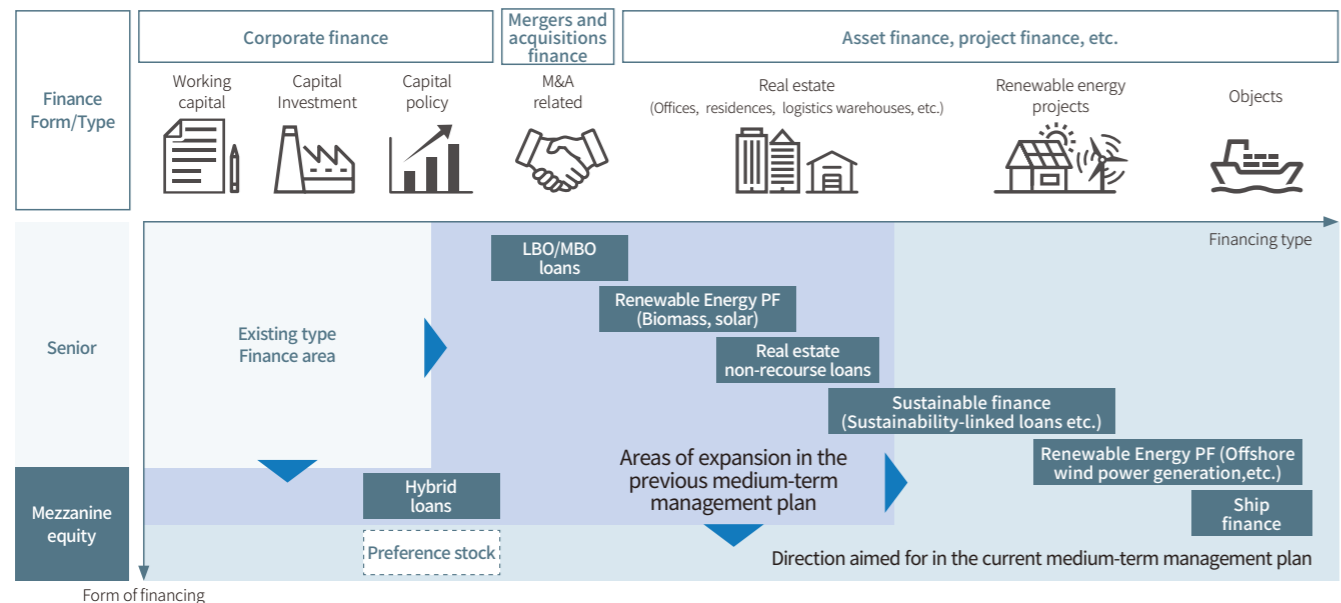
Provide solutions utilizing group and alliance functions etc.

We aim to be the first choice as a partner for our clients by utilizing group functions and deepening cooperation with outside businesses, by strengthening the provision of strategic solutions that deeply engage management strategies for business, finance, and capital, and by responding to increasingly diverse and sophisticated needs.



Deepening and expanding from traditional finance areas

We will improve profitability by strengthening asset allocation in financing areas that go beyond conventional frameworks, such as M&A financing, and by working to provide high value-added financing.



Strengthen provision of strategic solutions

In the medium-term management plan, we have positioned solutions that deeply engage management strategies as “strategic solutions”, and have newly defined customers who select strategic solutions as “partners”.

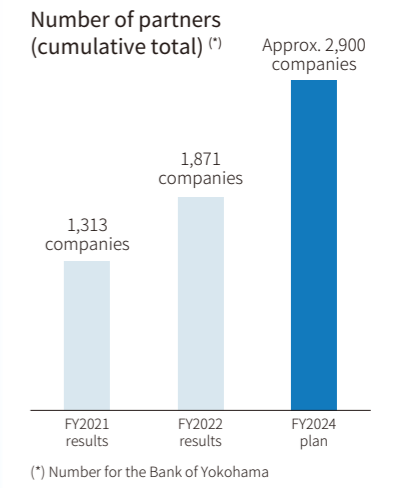
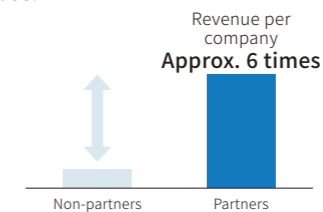
We will expand and strengthen our customer base in the home market by offering solutions not only to loan customers, but also to local companies, including deposit customers and companies that are not customers.

In addition to senior loans, we will also seek to build up our loan assets by providing solutions through high value-added financial support.

The profitability per partner company is high and we are working to improve our profitability through initiatives that customers can choose.

Corporate Loan Revenue and Corporate Service Revenue Plan (two banks combined) (¥ bn)

	FY2018 results	FY2021 results	FY2022 results	FY2024 plan
Corporate lending Capital gains	52.8	54.6	56.2	57.7
Corporate services Earnings	9.5	14.7	16.6	16.9



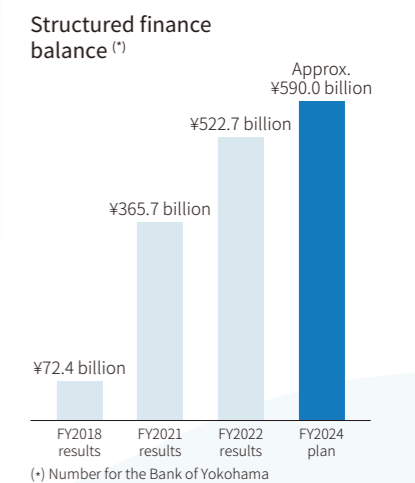
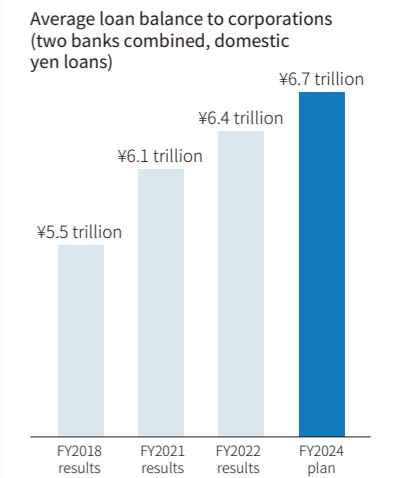
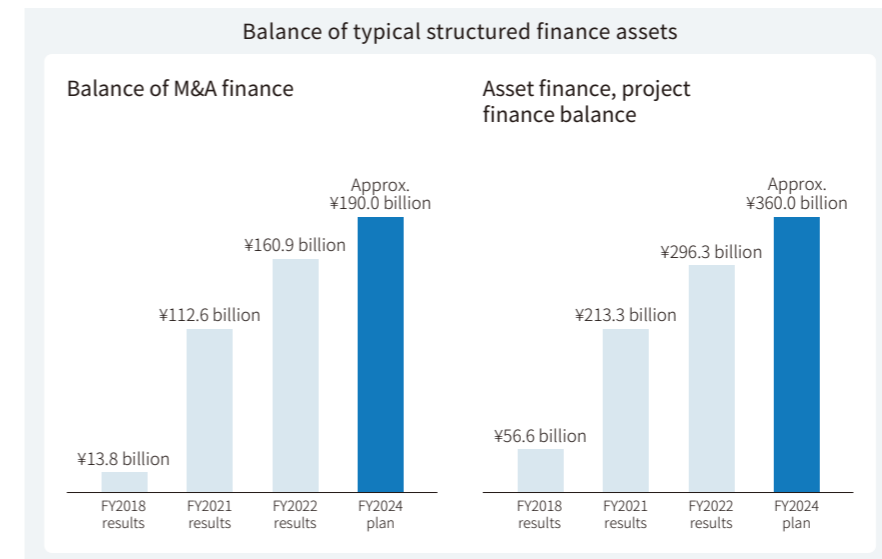
(*) Number for the Bank of Yokohama

Strengthening efforts in areas of finance beyond conventional frameworks

During the previous medium-term management plan, we expanded our efforts from traditional lending centered on senior loans to new areas of finance such as M&A finance.

Under the medium-term management plan, we will further expand finance areas and strengthen our sourcing capabilities by taking the know-how accumulated at headquarters in areas such as M&A finance and project finance and returning it to our sales branches and sharing it with them, thereby increasing our structured finance balance.

We will enhance our earning power by strengthening our allocation to highly profitable assets.



(*) Number for the Bank of Yokohama

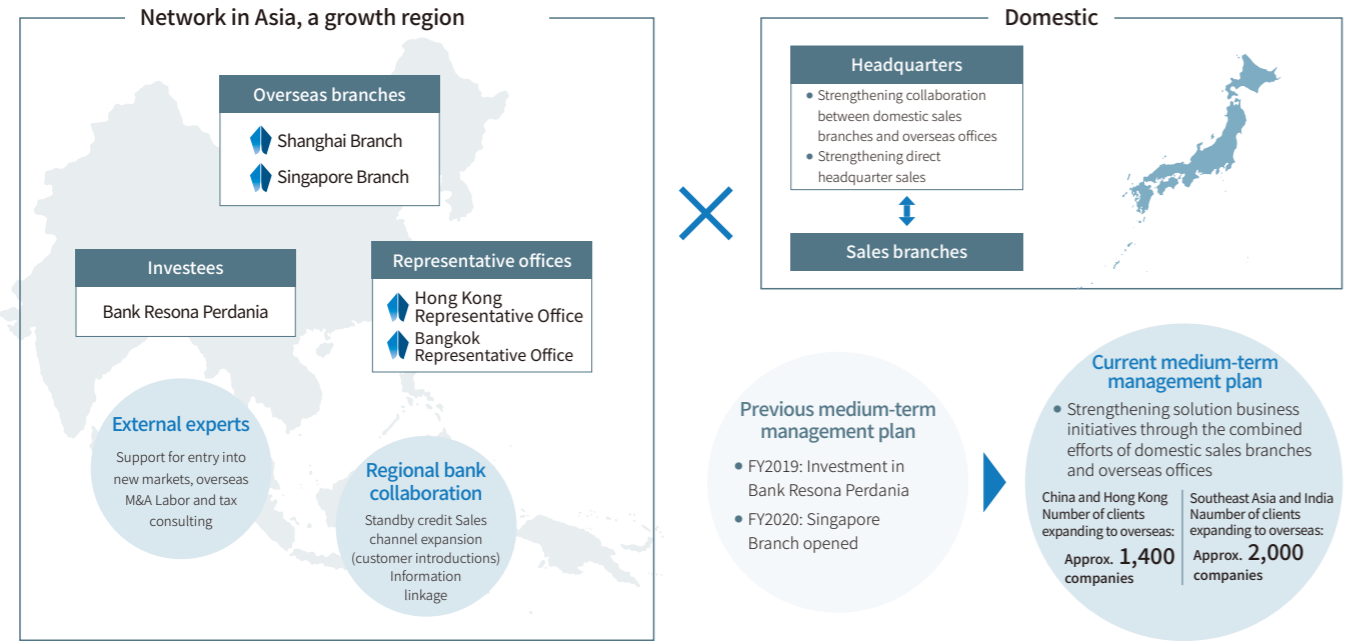
Supporting the Sustainable Growth of Local Businesses



Strengthen solutions business by utilizing overseas bases

With a focus on Asia, which is a growth region, our domestic sales branches and overseas offices will work together to strengthen the provision of solutions to our customers.

Specifically, in addition to strengthening financial support such as loans to overseas subsidiaries of our customers, we will provide solutions such as overseas expansion support and M&A in cooperation with external experts and other regional banks. In addition, we will enhance profitability by strengthening our efforts in overseas operations, including loans to non-Japanese corporations.



International Operations Department Profit Plan (two banks combined) (Units: ¥ bn)

	FY2018 results	FY2021 results	FY2022 results	FY2024 plan
Gross operating income from international operations	4.9	6.6	8.6	7.4
Of which, foreign currency loan revenues				
Foreign currency loan revenues	1.3	2.5	3.9	3.2
Domestic locations	0.3	0.7	1.0	0.8
Overseas locations ^(*)	0.5	0.7	1.0	0.9
Overseas operations projects ^(**)	0.4	1.0	1.7	1.4

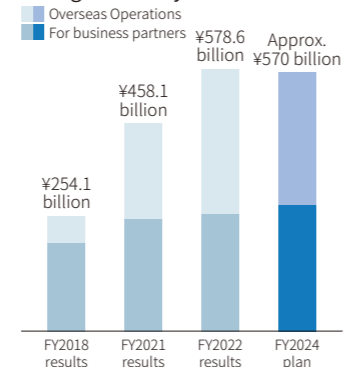
(*) Including foreign currency loan proceeds from overseas operation projects at overseas offices

(**) Foreign currency loan proceeds from overseas operation projects at domestic offices

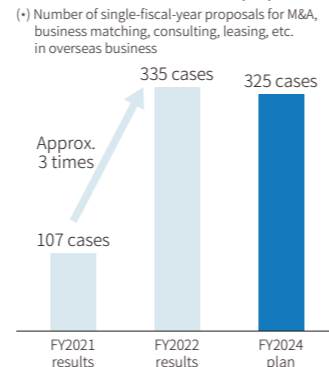
Initiatives (See P. 88 for specific examples.)

- Increase in lending to customers' overseas subsidiaries**
 - Overseas branch loans
 - Cross-border loans
 - Standby credit
- Borderless development of solution business**
 - Expansion support
 - M&A
 - Sales channel expansion
- Strengthening initiatives for overseas operations**
 - Portfolio Diversification (Country/Industry)
 - Strengthening sourcing capabilities (use of overseas offices)
 - Expansion of initiative target areas (non-Japanese high credit areas)

Foreign currency loan balance



Number of overseas solutions proposed ^(*)



Higashi-Nippon Bank's Initiatives (Strategy to Be a Total Partner for Small and Medium-sized Enterprises)

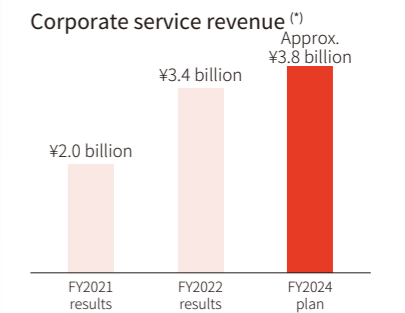
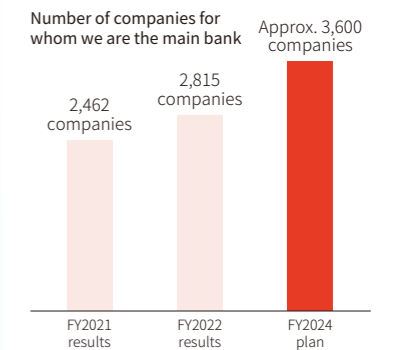
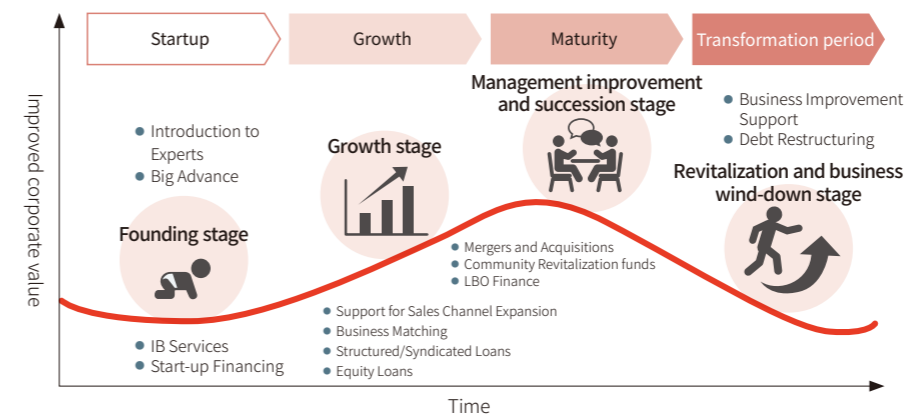
Aiming to be a "total partner for small and medium-sized enterprises," we will provide optimal solutions for each customer's lifecycle by providing sympathetic "face to face" service.

In addition, by increasing branch efficiency, consolidating operations at headquarters, and concentrating management resources in the 23 wards of Tokyo, we will achieve an operating structure that achieves overwhelming efficiency as a regional bank in the 23 wards of Tokyo.

Strengthening support for each stage of corporate life

Through business feasibility assessments, we will better understand the needs and issues of our customers and enhance our solution offerings for all lifecycle issues, thereby contributing to the sustainable enhancement of their corporate value.

Providing solutions to issues according to customers' life stages



(*) Corporate service revenues such as syndicated loans, M&A, business matching, etc. (excluding settlement services and other revenues)

Deepening solutions sales through business feasibility assessments

Continuously providing specific solutions for sales channel expansion, business succession, M&A, etc., based on a good understanding of the customer's industry, actual conditions, needs, and issues

Attaining the status of main bank with a reputation as "the most dependable bank"

Strengthening business with companies that have only been in business for a short time

Expanding business partners

Mutual referral of projects for start-up companies ^(*)

Strengthening real estate initiatives

Strengths in metropolitan area real estate

High liquidity High asset quality High profitability

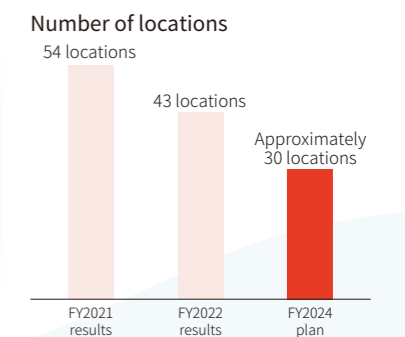
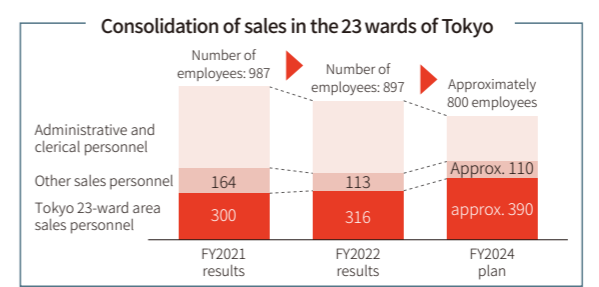
Focusing on the value of real estate to meet diverse financing needs

(*) About 5 years since establishment

Establishment of an efficient sales structure

We will establish an efficient sales structure in the 23 wards of Tokyo by increasing the number of sales personnel in this area and centralizing the administrative work of sales branches into headquarters.

Improving branch efficiency, concentrating operations at headquarters, and concentrating management resources in 23 wards of Tokyo



Supporting the Sustainable Growth of Local Businesses



Specific examples of strategic solutions provided by the Bank of Yokohama

Capital strategy solutions for listed companies

Since the previous medium-term management plan, we have been increasing the sophistication of our solutions business and strengthening our ability to provide solutions for our customers' capital strategies, centered on professional human resources belonging to our headquarters direct sales division. Under the current medium-term management plan, we are strengthening our sourcing capabilities by returning the expertise accumulated at headquarters to the sales branches, and further promoting the provision of capital strategy solutions.

By FY2022, the number of company clients listed on the stock exchange to whom we had proposed solutions climbed to about 500. As our know-how broadens, more and more needs are becoming apparent thanks to the information provided by our sales branches.

For example, we also provide strategic financial and capital solutions through hybrid loans^(*) to listed companies that face the dual challenges of raising funds to implement growth strategies and improving their financial soundness through capital reinforcement.

In FY2022, our sales branches were quick to identify refinancing needs of customers issuing subordinated corporate bonds and to provide them with information, resulting in refinancing through hybrid loans arranged by the Bank of Yokohama. Hybrid loan balances increased ¥40.0 billion from the previous fiscal year to over ¥150.0 billion, reflecting improved sourcing capabilities at sales branches.

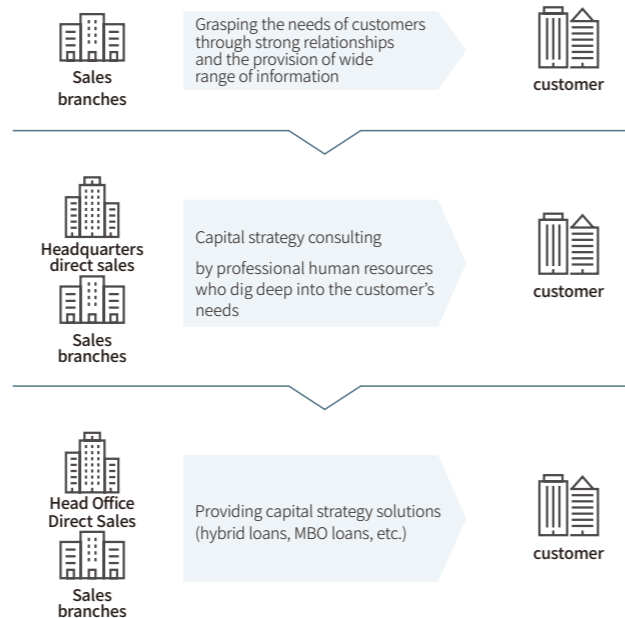
Turnaround and succession strategy solutions for SMEs

Against the backdrop of the aging of business owners and the absence of successors, which is the case for more than 60% of all business owners^(*), we are actively engaged in supporting business succession in order to support the sustainable growth of local companies. We not only have loan clients, but also a wide range of deposit-only clients, including debt-free companies.

For example, in FY2022, for a corporate client concerned about the company's rising stock price, we established a stock succession scheme by establishing a holding company with the successor's daughter as a shareholder, and provided support for the owner to pass on the property. Proposing succession schemes in cooperation with affiliated tax accountant firms has led to business succession consulting contracts, financial cooperation for stock purchases, and solution proposals such as asset management consultation and inheritance consultation for owners as individuals.

(*)1 A loan that is closer to equity than a regular senior loan and has a stronger capital nature. A certain percentage is recognized as equity, depending on the rating agency's assessment.

(*)2 From the Small and Medium Enterprise Agency Business Succession Guidelines (March 2022)



The issues customers face



- Concerns about stock price rising due to strong performance and about succession of shareholdings
- Asset inheritance for daughter and other children

Business succession consulting contracts, financial cooperation for stock purchases, asset management consultation and inheritance consultation for owners as individuals
Provision of solutions

Proposal of succession scheme through external collaboration

Bank of Yokohama

Partner tax accountancy company



Specific examples of the Bank of Yokohama's efforts to strengthen its overseas solutions business

Expansion of support system in Asia

In addition to the Bank of Yokohama's overseas offices, we are expanding our system to support our customers' overseas business through collaboration with other organizations and financial institutions.

In November 2021, we signed a business alliance agreement with Kyoto Bank regarding international operations. Since 2015, the two companies have been collaborating at the Bank of Yokohama's Shanghai branch. This business alliance agreement expands the scope of collaboration from China to ASEAN. By sharing and utilizing the networks and know-how of the two banks and providing higher quality consulting services, we will strengthen our support for our clients' overseas business.

In October 2022, we held a seminar on "The Use of M&A in Vietnam" in collaboration with Kyoto Bank, and in March 2023, we held "Decarbonization and EV Seminars" in Bangkok and Vietnam in collaboration with Hiroshima Bank and Kyoto Bank.



Increase in lending to overseas subsidiaries of our customers

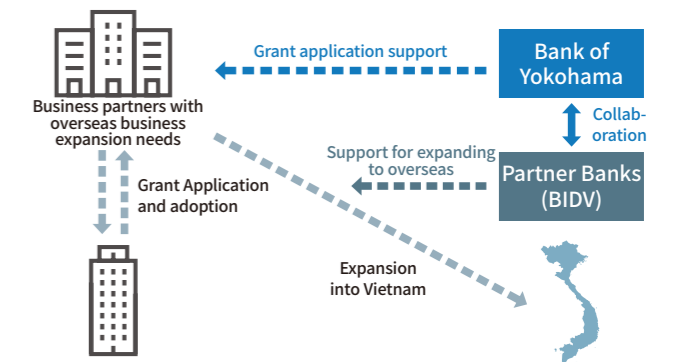
We are enhancing lending to our customers' overseas subsidiaries through overseas branch loans, cross-border loans, and stand-by credit. Through efforts such as strengthening cooperation between headquarters, domestic sales branches, and overseas offices, as well as expanding our overseas network, the foreign currency loan balance increased by more than ¥100 billion to over ¥570 billion during the previous fiscal year. In addition, the Singapore Branch is making use of the concentration of shipping companies and strong demand for funds in the Singapore market and is developing loans to Vietnam, Thailand, and other neighboring countries, such as promoting ship finance for local Japanese-affiliated companies.

Borderless development of solution business

With more than 3,000 business partners expanding into the growing region of Asia, the need for overseas business solutions, such as M&A, new business entry, and local business expansion, is increasing. The Bank of Yokohama is strengthening the borderless development of its solutions business by integrating its domestic sales branches and overseas offices.

For example, in FY2022, when a business partner with overseas business expansion needs applied for a business restructuring subsidy, the Bank of Yokohama supported the application as a support institution, and the application was accepted. We also plan to work with our partner bank (BIDV) when entering Vietnam.

(*) Abbreviation for Joint Stock Commercial Bank for Investment and Development of Vietnam



Specific examples of strategic solutions provided by Higashi-Nippon Bank

Support for start-up and growth companies

For companies that have been relatively recently established, such as those in the start-up or growth stage, we work to provide business matching support with experts and outside businesses in order to support the continued growth of their businesses.

For example, in FY2022, when we proposed various solutions to our customers, we were able to not only identify the construction needs of income-producing properties and introduce construction companies, but to also identify the needs of relatives to open a hospital, which led us to propose the construction of a leased building. By conducting interviews from a wide range of perspectives, we were able to provide support by offering solutions that went one step further.

Through a wide range of introductions tailored to customer needs, the number of business matching contracts concluded in FY2022 totaled 1,593.

Support for mature companies

We are promoting initiatives to support business succession for mature stage companies.

For example, in FY2022, we provided various solutions to customers operating employee cafeterias within several major manufacturers. The company faced a wide range of challenges, including an aging management team, shareholder dispersion, and lack of successors. We collaborated with the Bank of Yokohama and a tax accountancy firm and solved their issues one by one over the course of three years. A stock transfer to another company in the same industry was achieved that took care of the seller management team's desire to "deliver warm and delicious meals to the factory workers".

As a result of these efforts, ten M&A deals triggered by business succession needs were concluded in FY2022.

Helping People Live in the Age of Centenarians

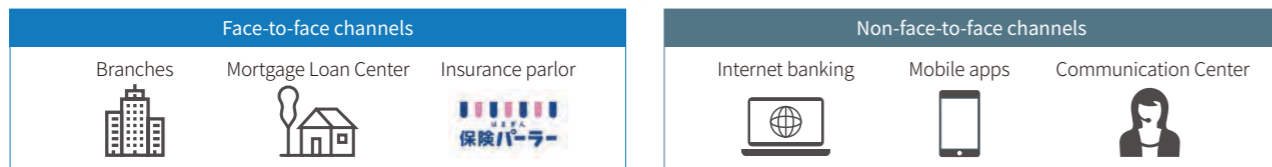
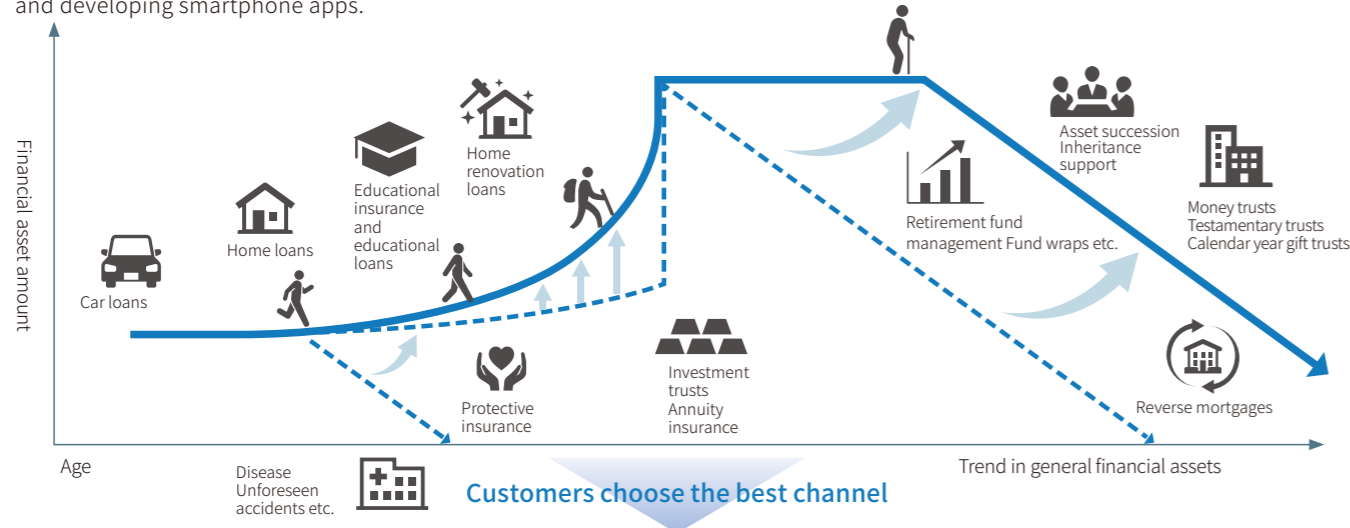


As a lifelong partner, we support our customers' affluent lifestyles in the age of centenarians by providing optimal solutions for each stage of their lives.

Medium-Term Management Plan Strategy

Providing solutions to match the life stage

With a broad menu of financial products such as banking, securities, insurance, and trusts, we provide optimal solutions for the customer's life stage. We will also work to expand face-to-face and non-face-to-face channels, including expanding insurance parlors and developing smartphone apps.

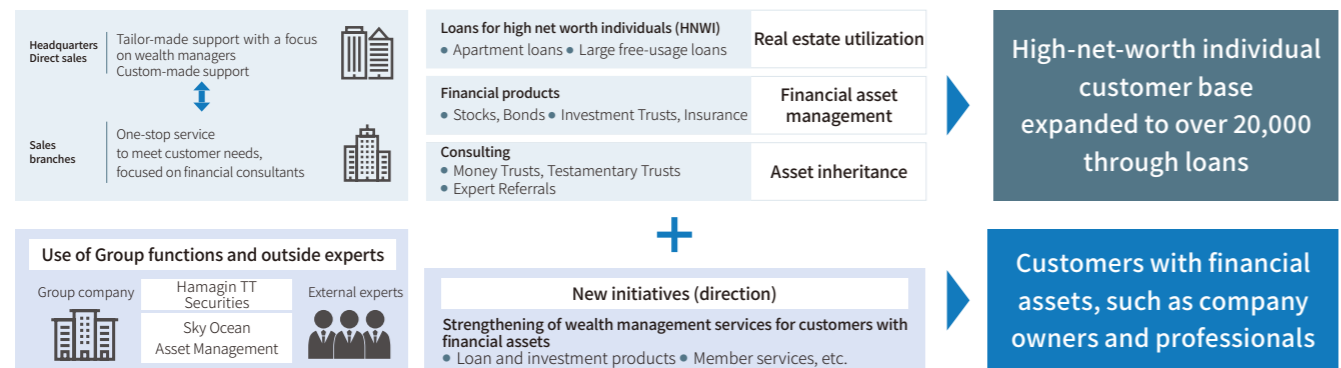


Related pages P. 91 (Expansion of Hamagin Insurance Parlors), P. 99 (Providing "Hamagin 365" smartphone application)

Providing tailor-made, one-stop solutions

We provide tailor-made, one-stop solutions to affluent customers. These have expanded through loan transactions, by utilizing direct sales at headquarters, group functions, and outside experts.

We also work to provide comprehensive solutions to customers with financial assets by strengthening our wealth management services.



Provide solutions for high net worth customers

In the previous medium-term management plan, we worked to strengthen our ability to provide solutions to meet the needs of "real estate utilization," "financial asset management," and "asset succession," thereby expanding our high net worth customer base.

In the current medium-term management plan, we will improve profitability by strengthening our ability to provide tailor-made, one-stop solutions to this customer base.

Initiatives in the Current Medium-Term Management Plan

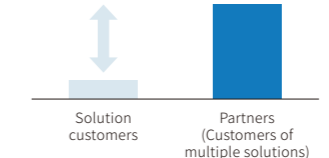
In the current medium-term management plan, we have newly defined those customers who select multiple solutions such as asset-based loans, financial products, and consulting as "partners".

The profitability of each partner is high, and we aim to improve our profitability through initiatives that customers can choose.

Individual loan revenues and individual service revenues per person plan (two banks combined) (¥ bn)

	FY2018 results	FY2021 results	FY2022 results	FY2024 plan
Personal lending Capital gains	81.4	80.5	81.8	83.8
Personal services Earnings	12.4	15.1	15.1	17.1

Revenue per person
Approx. 5 times



Loans to HNWI (real estate utilization)

By allocating resources in line with the characteristics of the market and expanding the number of players by developing human resources, the amount of loans to HNWI, mainly for customers who are waiting for real estate, reached ¥335 billion in FY2022.

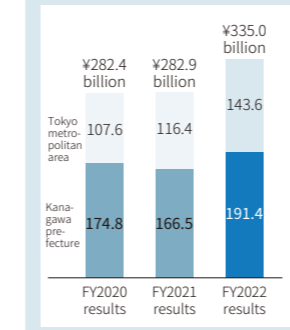
Financial products (financial asset management)

By expanding the product lineup and promoting portfolio proposals based on a goal-based approach, the transition to stock business has steadily progressed, and trust fees, including fund wrap investment advisory fees, amounted to ¥2.77 billion in FY2022.

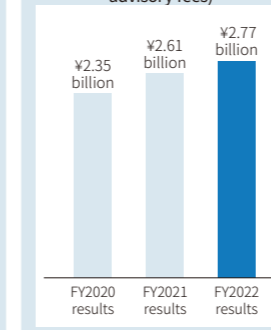
Consulting (asset succession)

The number of consulting cases reached 7,741 in FY2022 as a result of our efforts to provide tailor-made, one-stop solutions through direct sales by headquarters, group functions, and the use of outside experts.

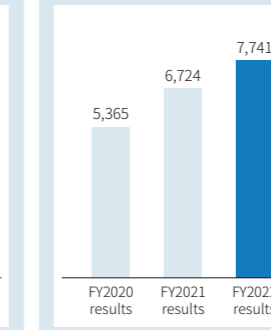
Amount of loans to HNWI executed



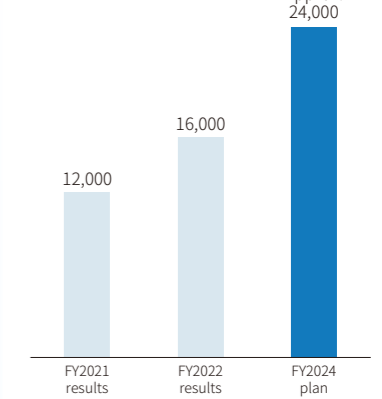
Trust fees (including fund wrap investment advisory fees)



Consulting cases

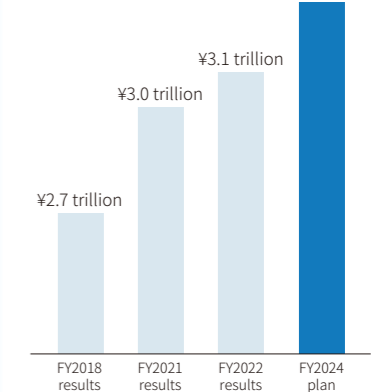


Number of partners^(*)

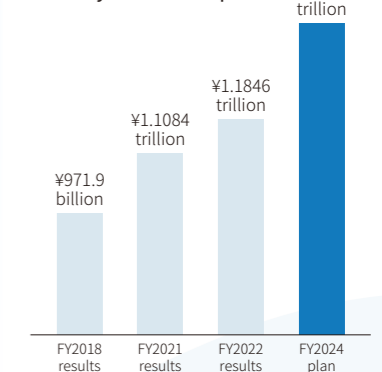


(*) Number of customers who selected multiple solution transactions (Bank of Yokohama figures)

Average balance of loans to high net worth individuals (two banks combined)



Balance of assets under custody in the Group



(*) Total asset balance of investment trusts, fund wraps, and Hamagin TT securities



Providing solutions for asset building customers

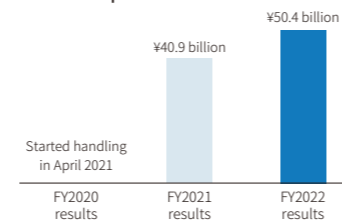
We are working to enhance support for living in the age of centenarians, including support for asset building in accordance with life plans and assistance in managing financial assets in retirement. As a lifelong partner, we will stay close to our customers and help them lead prosperous lives by providing them with financial products and services that best suit their life stages.

Strengthening Bank of Yokohama fund wrap function

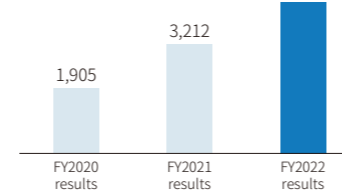
In April 2021, the Bank of Yokohama began offering the “Bank of Yokohama Fund Wrap” as a product that can provide gradual asset growth in line with economic growth and preparation for future life events in the age of centenarians. By regularly confirming our clients’ intentions and reflecting them in our investment proposals, we are able to manage assets in accordance with each client’s needs through fund wraps.

In order to address the risk of interruption of management of policy assets held by elderly customers etc., we began offering a special agreement for representatives in April 2022, which enables continuous asset management by family members.

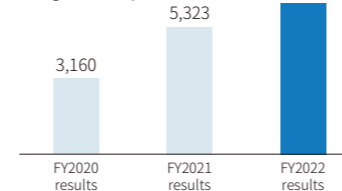
Fund wrap balance



Number of money trust contracts (cumulative total)



Number of protective insurance sales (single fiscal year)



Expansion of trust functions

In October 2019, the Bank of Yokohama began handling the Hamagin Okane Trust, a money trust based on a testamentary substitute function to meet the needs of customers for the management and succession of their financial assets. The cumulative number of such contracts signed now exceeds 4,000.

In September 2022, to meet the needs of more customers, the minimum application amount for adding a special clause for the appointment of a proxy for beneficiaries was lowered from ¥10 million to ¥5 million.

Expansion of Hamagin Insurance Parlors

The Bank of Yokohama has established the “Hamagin Insurance Parlor”, a dedicated insurance consultation service to meet the insurance needs of each stage of life. Our professional staff, who are “insurance professionals” with a thorough knowledge of the characteristics of insurance products, will propose the best insurance plan for you, carefully checking your life plan, your needs, the contents of your existing insurance coverage, and whether or not you need to review it. In order to meet growing insurance needs, we will open new branches in Kamiooka and Mizonoguchi in 2022, for a total of five branches in Kanagawa Prefecture.

Initiatives for Financial Education

The Group regards financial education as an important responsibility from the perspective of sustainable growth of the community and sound upbringing of young people who will lead the next generation. The Group engages in financial education centered on its unique financial education programs, “Hamagin Money Classroom” and “Higashi-Nippon Bank Money Classroom”, for everyone in the community, from children to adults.

In addition, we are also focusing on providing educational opportunities through our website in response to the recent shift of school education to online.

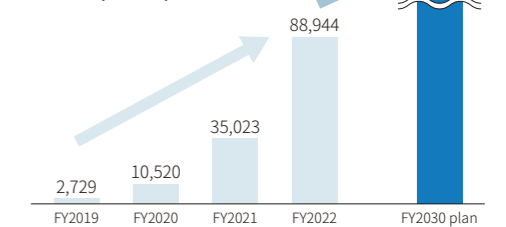
Hamagin Money Classroom Website

In December 2020, we launched the Hamagin Money Classroom website to provide online financial education opportunities in light of the COVID-19 crisis. This site offers videos on basic money education, easily downloadable teaching materials, quizzes, etc., and is used by many people at educational sites and at home.

In November 2022, Higashi-Nippon Bank also launched the Higashi-Nippon Bank Money Classroom to provide video content for learning about basic money education.



Number of financial education course participants



The Concept of Financial Education

Financial education is not only the study of knowledge about money, but also the nurturing of the ability to contribute to a richer life and society by means of money. The Group has positioned “the value of money”, “how to use money”, “earning money” and “money management” as “basic money education”, and has built a program in which students learn about these topics and then learn about financial literacy, including asset building and financial struggles.



Collaboration with educational institutions, local government, and local communities

We work with educational institutions, local governments, and local communities to develop and implement financial education classes.

The Bank of Yokohama has also developed joint classes at a junior high school in Kamakura with the cooperation of the Kamakura City Board of Education, and concluded a partnership agreement with Hadano City with financial education as one of the pillars, and is actively cooperating with educational programs and events held in various regions. In addition, we will work to improve financial literacy in the community by training teachers and other financial education leaders, and educating adults about the new NISA system and iDeCo.

Higashi-Nippon Bank is participating in the Tokyo Metropolitan Government’s Entrepreneurship Education Promotion Project for Elementary and Junior High Schools, and is cooperating with creating environment to familiarize students with corporations and help them choose their future career options.



External evaluation of the website

We have worked on beefing up the content of our “Hamagin Money Classroom Website” and it was awarded the “Minister of State for Special Missions Award” as the most outstanding educational material in the “Consumer Education Material Awards 2023” sponsored by the National Institute on Consumer Education (a public interest incorporated foundation)^(*). This award system recognizes educational materials created by governments, business and industry associations, consumer groups, and NPOs across Japan by March 2022 that can be used effectively in schools. In addition, the Minister of State for Special Missions (in charge of regional revitalization) of the Cabinet Office, Cabinet Secretariat, presented an award to the company as an “example of distinctive efforts by financial institutions and others contributing to regional revitalization in 2022”.

^(*) The National Institute on Consumer Education was established to contribute to the enhancement and development of consumer education in schools, and is a specialized organization that conducts survey research and prepares teaching materials on consumer education for young people.



TOPIC Article Portal site “At Your Side To Help with Your Money and Your Life, Hamacierge” launched.



The Bank of Yokohama will launch an article portal site “At Your Side To Help with Your Money and Your Life, Hamacierge” in September 2022 to help customers solve their money and life troubles. “Hamacierge”^(*) has been launched on the Bank of Yokohama website, and we are making efforts to strengthen content marketing. This website features original articles written by financial planners and other experts for each life event such as marriage, child-rearing, nursing care, and retirement. In addition, the Bank of Yokohama categorizes accumulated data on customer age, assets, transaction details, and other attributes to create marketing scenarios. We match the behavioral data of customers using the Bank of Yokohama website and apps to the relevant scenarios, and distribute the most appropriate articles via e-mail and other means.

^(*) A marketing strategy to create content of interest and concern to customers, and through this information, build relationships with customers to draw attention to the company’s products and services. “Hamacierge” is a portmanteau of Yokohama and concierge.



As the closest partner to our customers, we provide optimal solutions that help resolve issues.

Interview
1

Contributing to sustainable regional development through M&A finance

Kei Shimizu

Bank of Yokohama
Financial Solutions Department
Manager



I am in charge of M&A finance origination, including LBO and MBO loans, in the Financial Solutions Department. In structuring and reviewing M&A finance transactions, I have extensive domestic and international business experience accumulated through my experience as a liaison officer for corporate customers at a sales branch and my experience being seconded to an overseas partner bank.

In recent years, the need for M&A finance has increased in line with the growing needs for business succession and business restructuring, and the number of consultations from customers has also increased. We have to negotiate loan terms and conditions, review projects, and coordinate with other cooperating financial institutions within a tight schedule, so we work as a team for each project. The Financial Solutions Department is staffed by highly specialized human assets, who share their expertise, and work closely with the screening department to make prompt and appropriate decisions.

The project that left the greatest impression on me was when our team devised a structure that we had never handled before in order to meet the needs of a client who was struggling with business succession, and we collaborated with other banks to provide an LBO loan. We were able to meet the wishes of both the seller and the buyer, and the fact that the acquired company was able to continue doing business with the Bank of Yokohama after the share transfer makes it rewarding because we'll be able to assist in further future development.

By meeting the diverse needs of our customers, we will continue to contribute to the sustainable development of the region as one of the M&A finance players.

Interview
2

Listening to customers' concerns, being “A banker you can talk to about anything”

Tomoyoshi Nakajima

Bank of Yokohama
Wealth Management Promotion Office, Financial Solutions
Department Senior Wealth Manager



I joined the Bank of Yokohama as a mid-career hire, and worked as a liaison for corporate customers at a sales branch for a long time. At the previous branch, I was the corporate customer liaison section manager and was also in charge of department loans, gaining experience in both corporate and personal liaison. Currently, I am providing consulting services to wealthy clients, mainly landowners, on inheritance measures and business succession for small and medium-sized enterprises, making the most of my past business experience.

In the inheritance planning process for wealthy clients, we consider what is most important to them. We believe it is then important to draw out hidden needs, and share the customer's thoughts and feelings with the family.

In the business succession for a small business, in addition to dealing with the inheritance for the owner, it is also necessary to consider the impact on those who work for the company and their families, and the company's business partners.

In the past, we had a dialogue with a client who wanted to select a successor from among the best people in the company, but had not yet taken action. Therefore, we informed him that by using a trust, he

could pass the voting rights to his successor employees, and give his daughter the property rights to receive dividends as a shareholder. We were able to implement a business succession plan through a trust scheme of voting rights using a general incorporated association.

In order to solve customers' problems, it is necessary to become “a banker who can be consulted on any matter”, able to listen to their concerns. I will strive to improve myself so that I can be a person who people think, “If I talk to this person, they might be able to solve my problems”.

Interview
3

Becoming a “total partner for small and medium-sized enterprises” by providing “face-to-face” support

Junichi Sato

Higashi-Nippon Bank
Financial Solutions Department, General Consulting Group
Assistant Manager



After working as a corporate customer liaison at a sales branch and being transferred to a trust bank, now I am a business consultant in the Financial Solutions Department.

Our business consultants consist of our “Expert Team” which provides optimal solutions using a wide range of products in cooperation and collaboration with business matching partner companies and sales branches, and our “Professional Team,” which handles medium- to long-term projects with a focus on tax consulting, such as business and asset succession.

I am a member of the Professional Team and am working to provide solutions to meet the needs of our customers who are concerned about business and asset succession, while collaborating with outside specialists. Since many of our customers' issues are not apparent on the surface, we work to draw out their more essential needs by meeting them face to face and comprehending their issues as our own.

For example, when we helped a customer who is a sole proprietor in the real estate leasing business to become a corporation, we examined how real estate owned by the customer should be

transferred to a corporation from various perspectives such as income tax and inheritance, and what methods would be most effective. By listening carefully to the client and understanding the essential issues, we were able to resolve the problem in a way that was both satisfactory and ideal.

We will continue to aim to be a “total partner for small and medium-sized enterprises” and we will provide optimal solutions for each customer's lifecycle by providing sympathetic “face-to-face” service.

Interview
4

Providing tailored solutions to unanswerable issues

Mika Sudo

Hamagin Research Institute
Management Consulting Department
Consultant



As a think tank of the Bank of Yokohama Group, Hamagin Research Institute conducts research commissioned by national and local governments, conducts research on regional industries and macroeconomics, and provides consulting services on various corporate management issues as well as financial support.

I belong to the Human Resource & Organization Management Group, and as a consultant, I provide support to client companies in the area of human resources and organization management, from establishing and supporting human resource systems to providing support for implementation, improving education systems, and providing training within the company.

In recent years, the impact of human resources and organization management has increased, with disclosures on human capital, the 2024 problem in the construction industry^(*), the rapid increase of the minimum wage, the increasingly competitive recruitment front, etc. Support from a medium- to long-term management perspective is required more than ever.

Since each customer has different issues, knowledge and theories do not always lead to solutions. This point is both challenging and rewarding. The human resource system in particular has the role of conveying the thoughts of management to employees, and I feel that there are as many solutions as there are companies, which makes my job so interesting. When I was first assigned here, I felt uneasy about confronting issues for which I had no answers, but my supervisor told me, that “the customer should be the main driver, while we help their organization move ‘autonomously’ in a good direction. To achieve this, how convinced the customer is is more important than creating a mechanism” and I was able to grow step by step.

We will continue to deepen and expand the solutions we provide, and to strive to grow together with our customers.

(*) This refers to the revision of the Labor Standards Law, under which the provisions regarding the maximum overtime limit will apply to the construction industry from April 1, 2024.

Workplace Reform and Promotion of Diversity



We support our company's growth by maximizing the abilities of each of our diverse human resources.

Interview

1

Becoming a role model for women employees by achieving my career vision

Naoko Kishimoto

Bank of Yokohama
Sustainability Promotion Office, Financial Solutions Department
Deputy General Manager

I work in the Sustainability Promotion Office of the Financial Solutions Department, providing support for corporate customers in the area of sustainability management. Since joining the bank, I have worked as a corporate customer liaison at a sales branch and worked my way up to manager of a section. In my current position, I assist the general manager as an administrator and I am also tasked as staff with providing solutions such as support for customers to enhance their sustainability management, financing, and consulting on decarbonization. It is a mission with a very broad scope and heavy responsibility, but it is also a department where I can utilize the experience I have gained in my career as a corporate customer liaison, and I feel proud and fulfilled that I am entrusted with a key area that the company should address moving forward.

My career vision is to continue to support our customers in the corporate field. I often hear about the lack of role models as an issue for women's advancement, but I myself am not so anxious about the lack of role models or precedents, and I am sincerely grateful to the company for allowing me to take on the challenge of becoming the corporate liaison manager of a sales branch after I returned to work after my second maternity leave. I also feel that the Bank of Yokohama provides an environment that encourages the achievement of one's career vision regardless of gender or individual circumstances, such as child rearing. I have heard people around me say, "Mothers have to take care of their



children while they are young." However, when I returned to work after my first maternity leave, he and I took turns taking 3 months of maternity leave, and we have been able to build a cooperative system between husband and wife and between our families while respecting each other's career development.

I hope that my career in the corporate field, where I will be involved in the management of our clients' companies, will be an extension of the relationships of trust that have been fostered by Bank of Yokohama predecessors over the years. And while there are still very few women in the field of corporate customer liaison who aim for higher positions while balancing work and childcare, I have taken childcare leave twice, and will work hard to realize my career vision and grow so that women employees will feel that such a career is possible for them.

Interview

2

Challenging work with a high degree of specialization, making the most of the experience of external secondment

Asami Aoyagi

Higashi-Nippon Bank
Market Sales Department
Manager

Since joining the bank, I focused my career on loan and liaison operations at sales branches, but in 2017 I was transferred to the Market Sales Department, where I am now mainly responsible for fund management operations in the market.

While it is interesting to think about the future, the responsibility of handling large sums of money is very great, and there are many times when we wonder if the decisions we have made are correct. Fortunately, however, the day-to-day operational work is not difficult, because each



member of the team brings his or her knowledge and expertise and we discuss the work as a team. I believe that the most important thing in business is to have a broad perspective, and to think things through in one's own way. The real thrill of the Market Division is being able to directly experience economic trends through the markets, so I feel a great sense of accomplishment when my own economic and financial forecasts come true and I am able to achieve investment results.

When I first received the assignment, I was confused because it required even more expertise and advanced skills than imagined, but one of the reasons I was able to work so energetically during this period was that I had the experience of being seconded to an outside think tank for a year. At the secondment, I learned the profundity and pleasure of considering things from a macro perspective through analysis of economic data and reporting, and gained valuable experience that I could not have gained only through banking operations. Since my work had always been centered on pursuing a single goal, I had come to realize that after returning to the bank, I wanted to take on the challenges of highly specialized work at headquarters and deepen my knowledge and experience.

In addition to the wide range of knowledge required, the Market Division work requires constantly keeping myself up to date on markets and other information. Therefore, I also worked hard on self-development, and after being assigned to my current division, I also obtained a securities analyst certification. In the future, I would like to obtain more specialized qualifications, such as International Certified Investment Analyst, in order to deepen my business knowledge and maximize my performance in my department.

Interview

3

Career change from clerical work to sales, making the most of my experience and knowledge

Marie Sannou

Bank of Yokohama
Business Support Group, International Sales Department

I made a career change in July 2022 from a foreign exchange clerk in a sales office to a foreign exchange promotion assistant in the International Sales Department. Currently, I am accompanying the person in charge of sales branches to propose solutions for foreign exchange transactions for customers who issue letters of guarantee and conduct trade transactions overseas, as well as providing support for sales branch clerical work.



Foreign exchange administration is a field that requires expertise in handling a wide variety of English-language documents on a daily basis, as well as many special administrative procedures for trade transactions. I wanted to be involved in a job where I could use English someday, and I also had the goal of "acquiring expertise through my work", so in my fifth year at the bank, I aspired to this myself and was put in charge of foreign exchange administration.

After working at two sales branches, I was planning to advance my career as a specialist in foreign exchange administration, but I learned that a new position of "foreign exchange promotion assistant" was being offered through an internal recruitment process. I had many doubts, but I decided to take on the challenge of changing careers because I thought that in this job I could make use of my experience and knowledge to help customers.

When I first arrived at my post, I was anxious, but with warm support from my supervisor and colleagues, I was able to quickly become accustomed to the work. When a certain customer asked us about a new trade transaction and the sales branch responsible staff and I spoke with the customer, I took the initiative in coordinating with the headquarters departments and explaining the situation to the customer, making use of my past experience. The customer's words of appreciation left an impression on me.

Now, I am most pleased when a supervisor I work with at a sales branch at the bank says to me, "The customer was pleased," or "We were able to streamline the administrative work in the bank". I feel that this is the most rewarding part of my job. I would like to further expand the scope of my duties and become a specialist in international operations, to become a person on whom not only our employees but also our customers can rely.

Interview

4

Active childcare participation improves wellbeing

Masanori Nakamura

Bank of Yokohama
Tsunashima Branch
Deputy General Manager

I am now an assistant manager of a sales branch and am in charge of about 60 subordinates. For some time, I had been discussing with my branch manager and my immediate superior, the sales department manager, that in order to promote work-life balance, general managers must take the initiative in demonstrating flexible work styles and the use of leaves through their actions.

In the midst of all this, our third child was born, and we considered taking childcare leave. However, given our busy work schedule, we were honestly not sure if we would be able to take time off from our work.

When I discussed this with the general manager and sales manager, they strongly encouraged me to take the childcare leave, and my coworkers were also willing to cooperate, so I was able to take the leave with peace of mind.

Having used the parental leave system myself, as a person in charge of a sales branch, I was able to understand the problems and difficulties faced by those who use the system. So, I am very grateful to my colleagues around me for their cooperation.

During my leave, not only did I actively work on raising my newborn child, but I also made time to spend time with my older children, whom I just do not get to see very often during the week. This gave me the very valuable experience of being close



by, watching them grow up day by day. Furthermore, I am glad that I was able to experience my wife's unknown hardships in childcare, which gave me time to calmly think about the division of household chores and childcare. It was worth it, and now that I have returned to work, my wife and I are working hand in hand to raise our child.

By actively participating in childcare, I feel that I have gained the valuable experience of being in touch with every moment of my child's development, which is only available now, and that this has improved my wellbeing. In the future, when my subordinates ask me for advice on "taking parental leave," I would like to actively encourage them to do so, while sharing my own experience.

Promotion of Financial Digitization (DX)

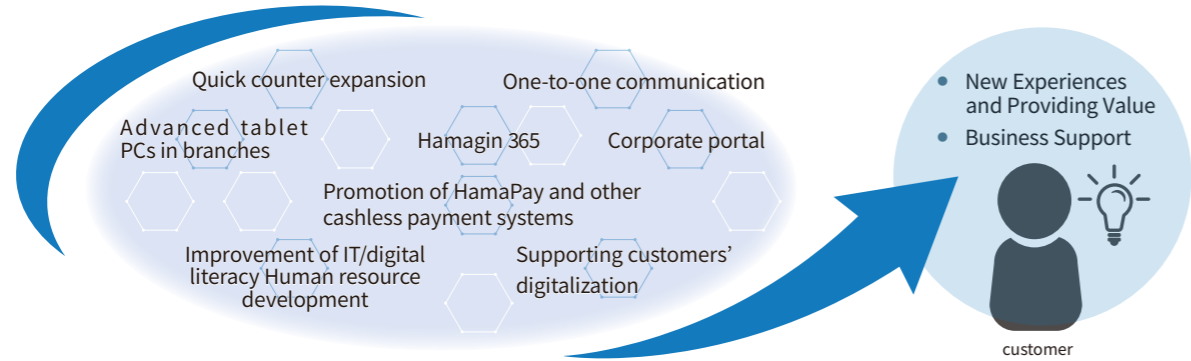


For our vision of being “a solution company rooted in communities and selected as a partner to walk together”, we will contribute to the sustainable development of local communities by delivering new experiences and value to local customers through financial and non-financial services using digital technology, and by supporting business growth by providing advanced digital solutions.

Digital Strategy

In the rapidly advancing digital society, all kinds of information is converted into data and connected, and people enjoy various conveniences by utilizing this data.

The Group will make the best use of this digital society and provide optimal proposals based on one-to-one communication with customers. In addition, we will create new customer experiences by improving customer convenience through the advancement of solution services and the promotion of cashless payments, will support digitalization, and will continue to develop human resources to provide these services.

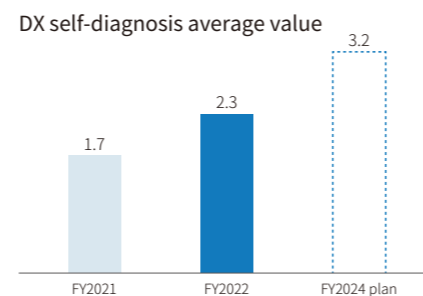


Promotion Status of Digital Transformation

The Company and the Bank of Yokohama were certified as “DX Certified Business Operators” by the Ministry of Economy, Trade and Industry in July 2022 as businesses that are ready to promote digital transformation.

The Company will formulate a group-wide digital strategy, as well as monitor and control subsidiaries that implement the various policies. In addition, our subsidiaries, the Bank of Yokohama and Higashi-Nippon Bank, are working to improve customer convenience and enhance communication through digital, non-face-to-face means.

As a result of these efforts, the Group’s DX Promotion Index has steadily improved to 2.3.



Initiatives by the Bank of Yokohama

Customer Type	Initiatives
Individual customers	<ul style="list-style-type: none"> Improving user friendliness of smartphone app Improving the convenience of our branches
Corporate customers	<ul style="list-style-type: none"> Providing digitalization solution

Initiatives by Higashi-Nippon Bank

Our Corporate Portal (Business Connect) was introduced in December 2022. In addition, we are also promoting the use of RPA to improve operational efficiency within the bank and are promoting internet banking (IB) to our customers.

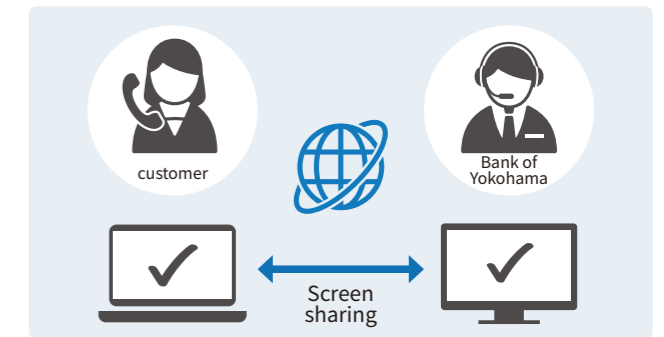
Digital transformation of branch operations

Transition to next-generation branches

The Bank of Yokohama introduced “Semi-Self-Service Teller Machines” at 29 branches by March 31st, 2021, where customers can make deposits and withdrawals themselves using their cash cards with the assistance of Bank of Yokohama staff at “Quick Counter ATMs”. In order to further improve the efficiency of operations at branches and to increase convenience for customers, we will continue to move forward with the introduction of this teller window, as well as the transition to next-generation branches, including the establishment of TV teller windows and the upgrading of the “AGENT” next-generation sales branch tablet terminal.

With “AGENT” we have completed development for major transactions (account opening, change of address, inheritance acceptance, etc.) and are now undertaking in-house development, focusing on functional improvements and operations with high transaction volume. In June 2023, we implemented a cash card replacement/issuance function.

In February 2023, we began offering advance reservations for inheritance procedures through a TV counter at five branches. We are gradually expanding the operations and working to provide detailed services through the specialist departments at headquarters.



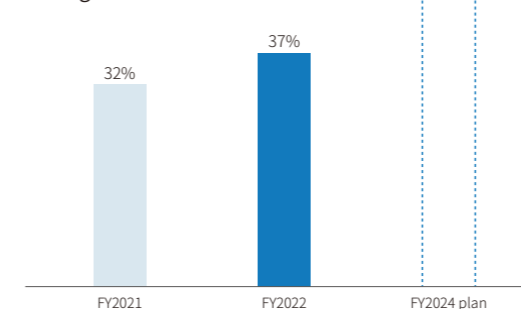
Introduction of Branch Visit Reservation Service

In April 2023, the Bank of Yokohama introduced the “Visit Reservation Service” to all its branches. This service allows customers to reserve a date and time to come in for transactions such as opening an ordinary deposit account, changing personal information and registered seal details, etc. In principle, customers can make such reservations 24 hours a day, 365 days a year, via the Bank of Yokohama website using a smartphone or computer. Customers with reservations are given priority when they visit the branch. Through the introduction of this service, the Bank of Yokohama aims to reduce waiting times when customers visit its branches.

Expansion of non-face-to-face transactions

The Bank of Yokohama has been expanding non-face-to-face transactions focusing on change of address, payment of taxes and various fees, transfers, and account openings, and from March 2023, procedures related to lost/reissued cards and passbooks became available through the application and on the website. In addition, starting in September 2022, we are supporting non-face-to-face customer transactions through our “Hamacierge Online Service,” that allows customers to complete procedures via an app, website, or telephone without going to a counter or ATM. The percentage of non-face-to-face transactions has increased to 37% as of March 31, 2023. We will continue to expand non-face-to-face transactions to enhance customer convenience.

Percentage of transactions through non-face-to-face channels



Promotion of Financial Digitization (DX)

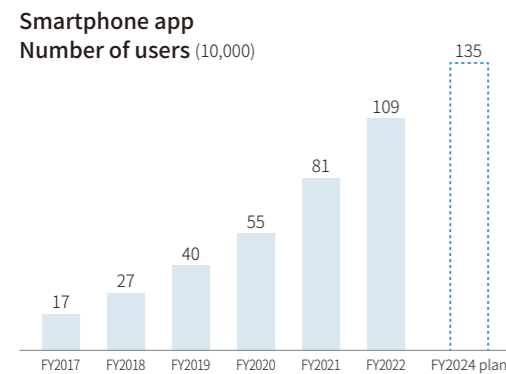


Digital transformation of non-face-to-face services

Providing the smartphone app “Hamagin App”

As contact with customers is shifting from face-to-face to non-face-to-face, the smartphone app “Hamagin App” for personal customers has grown to become the most important channel, and as of March 31, 2023, it is used by 1.09 million Bank of Yokohama customers.

The Bank of Yokohama updated the Hamagin App in April 2023 and provided the smartphone app “Hamagin App”. With Hamagin 365, we will expand non-face-to-face transactions by making all functions available in a single application. At the same time, we will pursue the provision of functions that meet the needs of customers’ lives, such as providing notices to our customers.

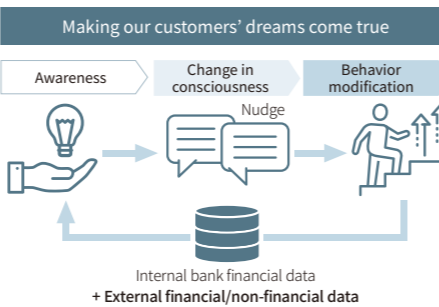


All functions in one app

Delivering customer experience that is like “having the bank in the palm of your hand”



Continuous one-to-one communication based on big data



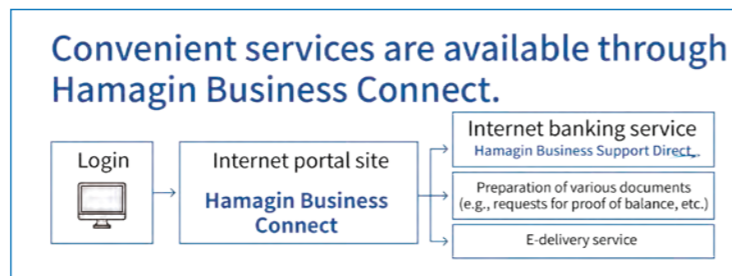
Providing “Business Connect” non-face-to-face functionality to corporate customers

Since January 2020, the Bank of Yokohama has been offering Hamagin Business Connect, a membership portal site for corporate customers, as a non-face-to-face service aimed at improving customer convenience, and as of the end of March 31, 2023, we have 39,000 corporate customers using the site.

From November 2022, with the aim of enhancing digital communication with customers, we integrated the login screen for Hamagin Business Support Direct, our Internet banking service, into Hamagin Business Connect and offer a new Free Monthly Plan. The Free Monthly Plan allows one user to use the fund deposit transfer service and inter-account transfer service, which provide immediate transfers (up to ¥3 million per day) and pay taxes and various fees, free from any basic monthly charge.

In December 2022, we also launched a service to post corporate advertisements on Business Connect for the purpose of helping customers increase sales and promote their products and services.

The Higashi-Nippon Bank also began offering Higashi-Nippon Business Connect from December 2022.



Promote cashless access in the community

Through its smartphone payment service HamaPay, the Bank of Yokohama joined a new payment infrastructure for high-frequency small-lot payments Cotra Money Transfer from October 2022, and started offering the Cotra Money Transfer Service, a fee-free service for remittances of ¥100,000 or less to personal accounts.

In addition, starting in April 2023, HamaPay began handling Cotra Pay Tax, which allows payment of property tax, automobile tax, and other taxes in “Pay Bills”.

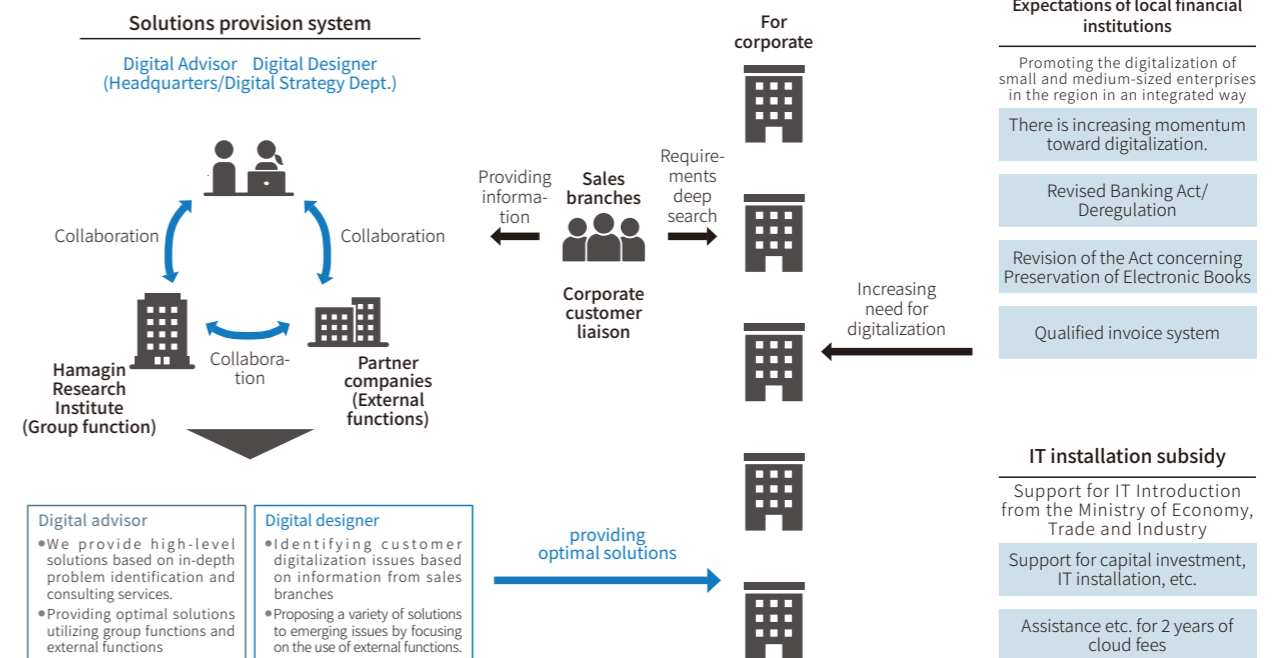
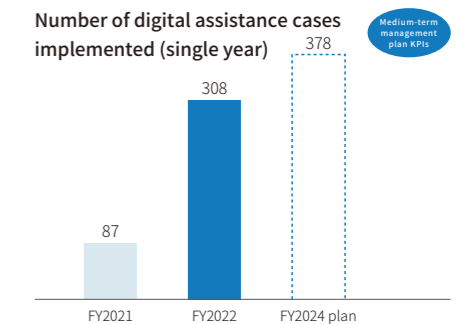


Digital Transformation with Customers and Local Communities

Digitalization support

The Bank of Yokohama is promoting DX within the bank and strengthening its support for digitalization, by improving customer operation efficiency and by complying with legal systems such as invoicing systems and electronic storage requirements under the Act concerning Preservation of Electronic Books.

We understand our customers’ digitalization issues and propose and provide optimal solutions in collaboration with about 50 digital companies, including information sharing with headquarters, in group function collaboration, information processing services, and cloud-based labor and human resource systems. We focus not only on business matching, but also on providing digital consulting services for complex DX-related issues and supporting solutions to management challenges.



Bank of Yokohama
Payment Business Strategy Office, Digital Strategy
Department Digital Support Group

Yuka Isobe



Strengthening Relationships through Digitization Support

We help our customers solve the issues they face, such as personnel shortages and the need for greater operational efficiency, by means of digitalization. We often consult with customers on how to comply with legal systems such as invoicing systems and electronic ledgers, but some customers say they do not know where to start. They thank us for sincerely addressing each individual case. We hope that strengthening our relationship with customers through digitalization support will lead to accompanying and supporting them in various areas as a bank.

I had long handled branch office clerical work, so when I first arrived at my new position, I was anxious about my new duties, but through teaching by my supervisor at work and the training provided by affiliated vendors, I was gradually able to acquire basic sales skills and expertise. We will continue to make further contributions to the revitalization of our customers and the community as a whole through digitalization.

Promotion of Financial Digitization (DX)

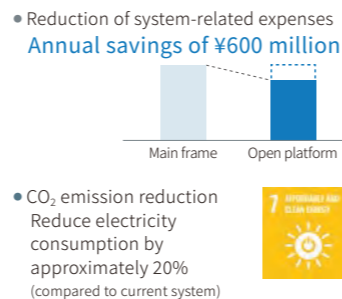


Upgrading IT infrastructure

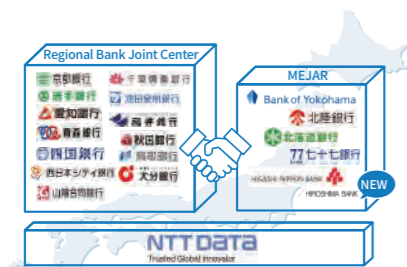
Modernization of accounting systems (shift to open systems and cloud computing)

The Bank of Yokohama and the Higashi-Nippon Bank will switch from their current mainframe-based accounting systems to an open platform in January 2024. This initiative is the first in the industry for a jointly used accounting system. The total annual cost reduction for the two banks is expected to be ¥600 million and this will also reduce CO₂ emissions.

In addition, we will move forward with shifting our accounting systems to cloud computing by 2031. This initiative is being studied by the Regional Bank Joint Center/MEJAR System Working Group (CMS-WG), which was established in November 2021.



19 banks (with over ¥100 trillion in funds) participating in the Regional Bank Joint Center, MEJAR System Working Group



Use of BeSTA package (makes joint development of peripheral systems easy)
Reap the benefits of economies of scale (effects from dividing over a larger number)

(Concept) Joint/common infrastructure using cloud computing

Scheme	MEJAR	BeSTA [®] used Other integration Group	Others
Accounting system AP	AP	AP	AP
Middleware	PITON™(*)		
OS	Providing a cloud dedicated to banking		
Hardware	Sequential expansion		
Data center			

*Middleware that can safely open systems that require high reliability To be provided by NTT DATA Corporation

Introduction of the Sales Loan Support System

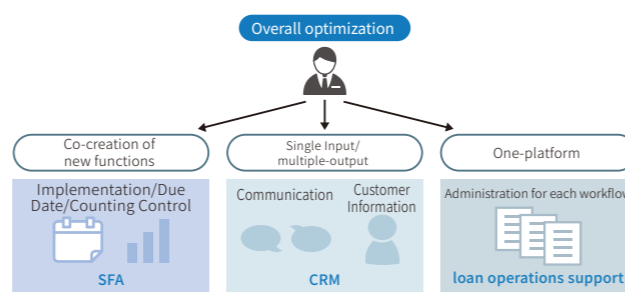
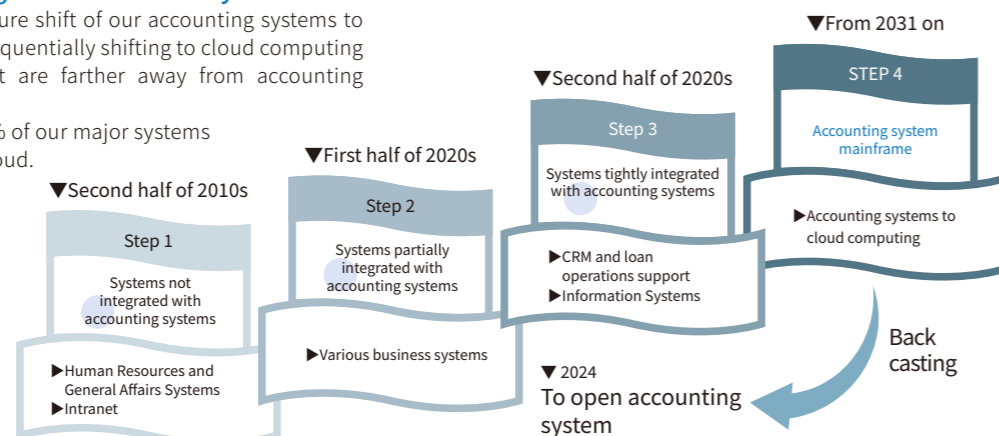
In January 2024, the Bank of Yokohama and the Higashi-Nippon Bank will introduce the Sales Loan Support System, a next-generation SFA/CRM/loan screening system that will enable us to reform our external liaison operations. This system will be used jointly by the five MEJAR banks.

With the introduction of this system, we expect to achieve efficiency gains in many operations. By allocating the time thus saved to liaison activities, we will further refine our efforts to strengthen relationships with customers.

Cloud computing for the entire system

In anticipation of the future shift of our accounting systems to cloud computing, we are sequentially shifting to cloud computing starting with systems that are farther away from accounting systems.

As of March 31, 2023, 28% of our major systems have been moved to the cloud.



Structure for Realization of Digital Strategy

Strategic Investment Control

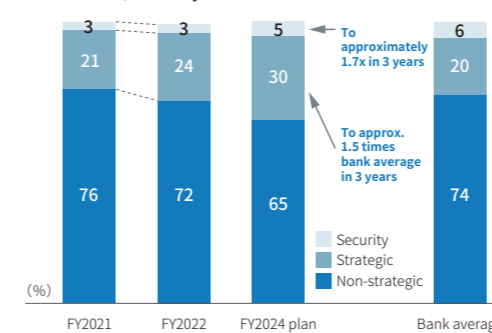
To achieve our digital strategy and to deal with increasingly sophisticated cybersecurity risks, we will allocate management resources to strategic investments ^(*) and security investments ^(**) in a focused manner. As of March 31, 2023, we had allocated 24% to strategic investments and 3% to security investments, and will continue to focus on these allocations.

On the other hand, the cost of the existing systems must be significantly reduced. We will establish a Productivity Improvement Committee at Higashi-Nippon Bank and use the System Strategy Liaison Meeting that we host and control the investments of both banks. We will also actively promote cost sharing through alliance expansion.

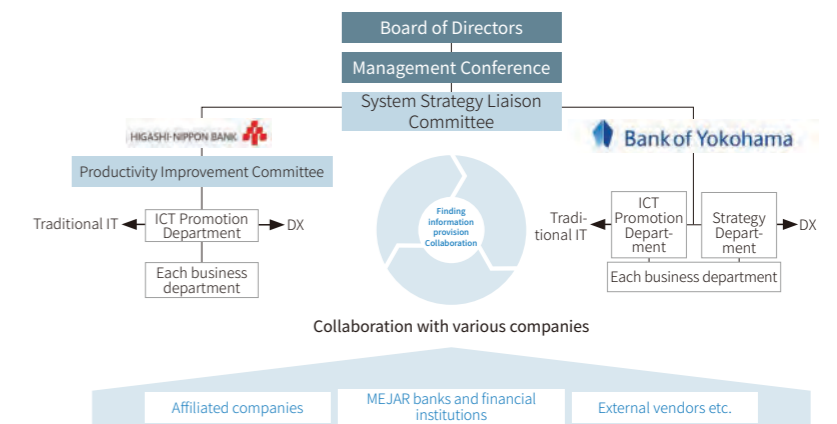
^(*) Investments related to IT and digital are classified into three areas: transformation, growth, and operations. Investments classified as transformation or growth are defined as strategic investments.

^(**) Defined as investments in measures related to cybersecurity.

Percentage of IT/digital investment that is strategic investment; security investment ratio



Source: From a survey by a foreign research firm

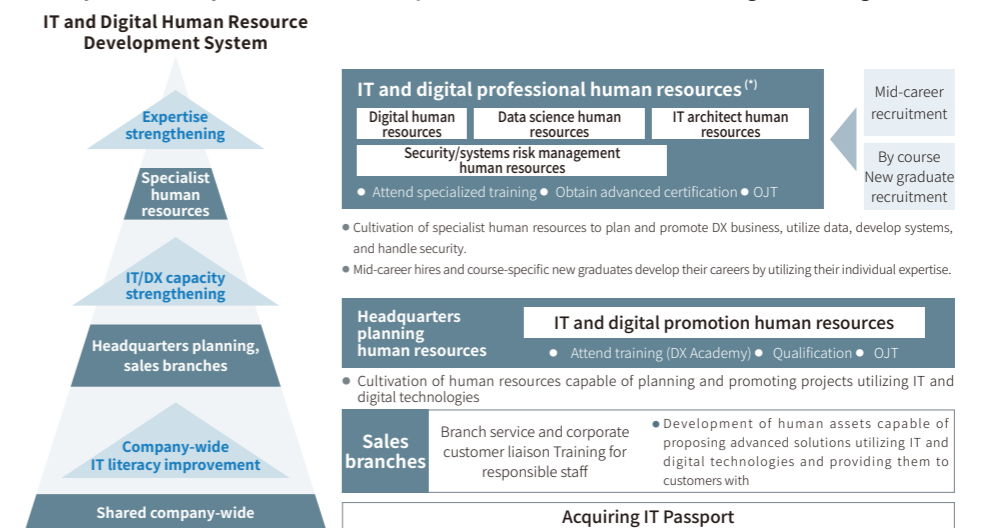


Organization and Human Resources

In order to improve IT literacy at the Bank of Yokohama and to strengthen specialist human resources, we define human resource images and expected roles for each training system and promote planned recruitment and training. In addition, we set targets for the number of persons to be trained in each training system. In October 2022, we launched DX Academy, a digital human resources development program to foster human resources to promote IT and digital. As of March 31, 2023, we had produced 24 successful applicants.

The Bank of Yokohama and Higashi-Nippon Bank will continue to further develop human resources specializing in IT and digital.

Systematically recruit and develop human resources to execute digital strategies.



	End FY2021	End FY2022	End FY2024
IT and digital personnel	64	103	136
Number of human resources specializing in IT and digital (Bank of Yokohama)	—	24	100
Number of IT Passport holders - both banks	1,291	2,039	2,380

Measures Against Global Warming and Climate Change TCFD Recommendation Initiatives



The Group recognizes that global warming and climate change is an important issue whose solution must be given a priority. Since endorsing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)^(*) in December 2019, we have disclosed information in accordance with its disclosure framework.

(*) Task Force on Climate-Related Financial Disclosures: A private-sector-led task force established by the Financial Stability Board (FSB) in December 2015 to encourage companies to disclose climate-related information

Governance

For details on governance, please refer to page 45 "Sustainability Governance Structure".

Strategy

"Measures against Global Warming and Climate Change comprise one of the Concordia Financial Group's materialities (priority issues to be resolved). Climate change refers to a change in the global environment itself, which is the foundation of people's lives and business activities. The world is rapidly transitioning to a decarbonized society as various impacts that threaten the sustainable development of regions and companies have arisen, including more severe natural disasters and extreme weather.

In the process of transitioning to a decarbonized society, there are expected to be significant changes in the economy and society, such as stricter policies and regulations in countries throughout the world to achieve carbon neutrality, technological innovation to mitigate climate change, and changes in the values of consumers and investors as a result of greater interest in climate change. We recognize that these changes will lead to both risks and opportunities for the Group, and for both, we are examining the impact that the climate-change-driven transition to a decarbonized society will have on our business and we are formulating and implementing strategies for responding to climate change in order to handle these risks and opportunities.

1 Risk

Risks related to climate change

The Group is working to identify and assess two types of risks related to climate change in line with TCFD recommendations – that is, risks associated with the transition to a decarbonized society (transition risks) and risks associated with severe natural disasters and extreme weather events (physical risks). Transition risks and physical risks for each of the risks that the Group categorizes and manages (credit risk, market risk, liquidity risk, operational risk, and reputational risk) are as follows.

	Envisioned cases [transition risks]	Time axis	Envisioned cases [physical risks]	Time axis
Credit risk	<ul style="list-style-type: none"> Risk of financial deterioration of customers due to stricter greenhouse gas emission regulations or the introduction of a carbon tax Risk of customers' businesses becoming stranded assets due to technological advances associated with the transition to a decarbonized society Risk of damage to our brand value due to rumors about our global warming countermeasures and fossil fuel related industry investment and financing Risk of an increase in credit-related expenses due to the above 	Medium to long term	<ul style="list-style-type: none"> Risks from acute natural disasters such as flooding exacerbated by extreme weather events, and changes in rainfall and weather patterns Risk of building damage or business interruption due to chronic climate change Risk of impairment of collateral, decrease in sales, or other financial deterioration due to damage to the client's buildings or facilities from flooding caused by the above risks, resulting in an increase in credit-related expenses 	Short to long term
Market risk	<ul style="list-style-type: none"> Risk that the value of related securities, financial derivatives, etc. may fluctuate due to a decrease in earnings or existing assets etc. of customers affected by the transition to a decarbonized society 	Short to long term	<ul style="list-style-type: none"> Risk of price fluctuations of securities, financial derivatives, etc. due to market disruptions caused by abnormal weather conditions etc. 	Short to long term
Liquidity risk	<ul style="list-style-type: none"> Risk of decline in the ability to raise funds due to deterioration in creditworthiness and deterioration in cash flow as a result of an outflow of deposits because of an inadequate response to climate change 	Short to long term	<ul style="list-style-type: none"> Risks due to an increase in the outflow of funds due to greater demand for funds from customers affected by natural disasters and their need to undertake restoration, reconstruction, etc. 	Short to long term
Operational risk	<ul style="list-style-type: none"> Risk of incurring damage due to the sale of inappropriate products and services, including those of our partners and contractors 	Short to long term	<ul style="list-style-type: none"> Risk that the Company's head office and branches may be damaged by natural disasters, resulting in losses 	Short to long term
Reputational risk	<ul style="list-style-type: none"> Risk of deterioration in the Company's reputation due to inadequate response to climate change or due to our response being perceived as inappropriate or inadequate by stakeholders 	Short to long term		Short to long term

(Short term: 1-3 years; Medium term: 3-10 years; Long term: over 10 years)

Implementation of Scenario Analysis

Scenario analysis was conducted for transition and physical risks under certain scenarios based on TCFD recommendations. The results of the analysis conducted in FY2023 are as follows.

For transition risks, in addition to the electricity and automotive sectors analyzed last fiscal year, we analyzed the oil and gas, iron and steel, and automobile-related sectors^(*), which are thought to be easily impacted by transition risks as they have relatively large GHG emissions. Risk events for the scenario analysis include the introduction of a carbon tax due to climate change, increased energy costs due to changes in the energy mix^(**), and increased costs due to GHG emission regulations. We also considered the mutual impact between related sectors, such as the impact of fluctuations in the price of electricity on each sector's cost of sales. We will continue to increase the sophistication of our analytical methods and to refine them.

Considering the impact of recent river flooding and other disasters in our operating areas, we included flood disasters in the physical risk analysis. We also expanded the scope of the analysis from domestic business corporations to also include individual business owners and changed the analysis period from "through 2050" to "through 2100" in order to check the impact of higher temperatures over the long term. Furthermore, we increased the sophistication of our analysis through such changes as expanding the scope of analysis from collateral properties and headquarters to production bases in some manufacturing industries and measuring how the damage impact changes with the number of floors in a building.

(*) Automobile-related: auto parts, gas stations, etc.

(**) Energy mix: Optimizing the composition of power sources (thermal, hydro, nuclear, renewable energy, etc.) with an emphasis on economy, environment, supply stability, and safety in power generation

	Transition risks	Physical risks
Risk event	<ul style="list-style-type: none"> Increased energy costs due to introduction of carbon tax Changes in demand and additional capital expenditures and R&D costs due to the transition to a decarbonized society 	<ul style="list-style-type: none"> Due to flooding Financial deterioration due to business interruption or direct damage to business locations Damage to collateral
Scenarios	<ul style="list-style-type: none"> Of the NGFS (Network for Greening the Financial System) scenarios, Net Zero 2050, below 2°C scenario, and Current Policies scenario 	<ul style="list-style-type: none"> RCP (representative concentration pathway) scenarios by the Intergovernmental Panel on Climate Change (IPCC) (RCP2.6: 2°C scenario, RCP8.5: 4°C scenario)
Analytical method	<ul style="list-style-type: none"> The increase in credit cost is calculated by analyzing the impact by combining a technique that uses estimates of the financial position of each individual company through 2050 based on the transition scenarios and a technique that expands the scope to the sector level, then using the results of this analysis to determine the change in borrower category. 	<ul style="list-style-type: none"> The increase in credit cost is calculated by calculating the impact of flooding on customers' finances and on their collateral based on hazard map data, then taking into account the probability of flooding through 2100 as estimated based on the scenarios.
Target of analysis	<ul style="list-style-type: none"> Domestic business corporations with loans (not including financial institutions) Of which, <ul style="list-style-type: none"> Power sector (excluding renewable energy) Automobile and automobile-related sectors Oil and gas sector Iron and steel sector 	<ul style="list-style-type: none"> Domestic business corporations (not including financial institutions) and personal business owners with loans
Analysis period	Through 2050	Through 2100
Analysis Results	Credit cost: ¥10.3 billion to ¥75.4 billion ^(*) Net Zero 2050: ¥75.4 billion Below 2°C: ¥10.3 billion	Credit cost: ¥18.2 billion to ¥40.9 billion

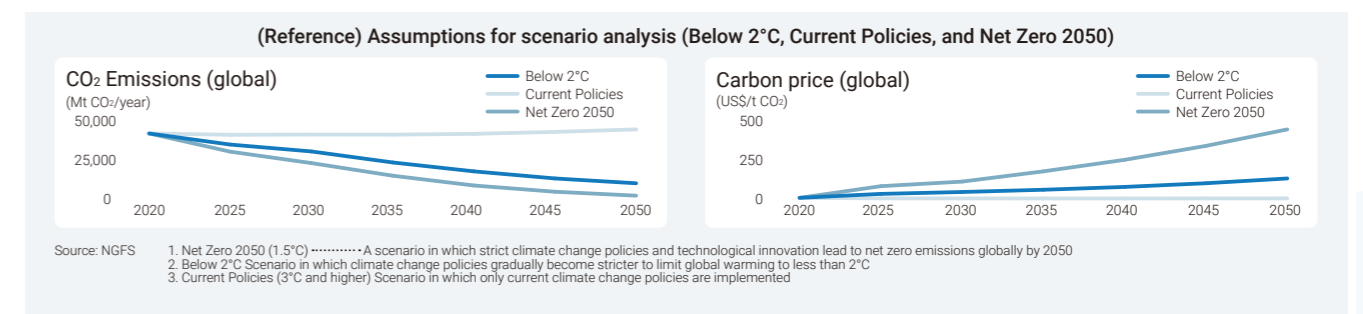
(*) Difference from Current Policies scenario

Scenario Analysis Results

For transition risks, credit costs increased ¥75.4 billion for the Net Zero 2050 scenario and ¥10.3 billion for the Below 2°C scenario compared to the Current Policies scenario, which assumes the continuation of current policies. Credit costs for physical risks are ¥18.2 billion to ¥40.9 billion.

Credit costs increased compared to the results for the previous analysis because the target of analysis for both transition and physical risks was expanded, and particularly for physical risk, there is a greater probability of flooding and heavy rainfall due to the change in the period of analysis. Under both both scenarios, there could be a relatively large financial impact on the Group in the medium to long term, but the short-term financial impact will be limited.

We will continue to expand the target sectors and increase the sophistication of our scenario analysis, and we will work to reduce these risks with decarbonization initiatives through engagement with our customers.



Measures Against Global Warming and Climate Change TCFD Recommendation Initiatives



Carbon-related assets

One of the Group's efforts to ascertain climate change risk is to calculate the loans and bills discounted balance ⁽¹⁾ of carbon-related assets for FY2022 based on TCFD recommendations.

Since FY2021, the Concordia Financial Group has identified eight industries as carbon-related sectors ⁽²⁾, industries recognized for significant climate change impacts, and monitors them. The credit balance of these sectors at the end of FY2022 ⁽³⁾ was ¥397.8 billion, which accounted for 2.5% of total loans and bills discounted for all sectors (¥15,750.3 billion) at the end of FY2022, which is the same share as last year. We will manage risks by monitoring the impact of climate change through our engagement in carbon-related sectors and by increasing the sophistication of our analysis.

⁽¹⁾ Based on the revised 2021 TCFD proposal, the loans and bills discounted balance includes loans and bills discounted, acceptances, guarantees, etc. In addition, we have used the GICS standard since FY2023.

⁽²⁾ Eight industries: iron and steel; electricity, gas, heat supply, and water; fiber; petroleum & coal; ceramics and earthenware; pulp and paper; mining, quarrying and gravel extraction; and nonferrous metals Carbon-related sectors are classified using Bank of Japan industry sectors and may differ from GICS sectors.

⁽³⁾ The total credit balance includes loans and bills discounted, foreign exchange, acceptances, guarantees, and open lines of credit such as commitment lines.

⁽⁴⁾ Real estate management and development includes personal apartment loans etc.

¥100 million

Sector	End FY2021		End FY2022	
	Loans and bills discounted balance	Percent (%)	Loans and bills discounted balance	Percent (%)
Energy and utilities	845	0.6	904	0.6
Oil and Gas	373	0.2	402	0.3
Electric power	472	0.3	501	0.3
Transportation	6,469	4.3	6,528	4.1
Trucking service	1,514	1.0	1,628	1.0
Maritime	806	0.5	820	0.5
Air cargo	7	0.0	6	0.0
Air passengers	109	0.1	100	0.1
Automotive	3,232	2.2	3,198	2.0
Railroads	801	0.5	775	0.5
Materials & buildings	50,193	33.5	54,075	34.3
Chemicals	1,402	0.9	1,710	1.1
Metals and mining	1,475	1.0	1,547	1.0
Building materials	341	0.2	358	0.2
Capital goods (buildings, etc.)	6,196	4.1	6,473	4.1
Real estate management and development ⁽⁴⁾	40,779	27.2	43,988	27.9
Agriculture, food, and forest products	1,669	1.1	1,874	1.2
Beverages	320	0.2	364	0.2
Paper and forest products	385	0.3	404	0.3
Agriculture	115	0.1	185	0.1
Packaged foods and meat	850	0.6	921	0.6
Total for above sectors	59,177	39.5	63,380	40.2
Loans and bills discounted total for all sectors	149,972	100	157,503	100

2 Opportunities

We recognize that if in the process of transitioning to a decarbonized society due to climate change, the value of our customers' business is damaged as a result of tighter policies and regulations, technological innovation, or changes in consumer values (transition risks), or the impact of more severe natural disasters and extreme weather business (physical risks), through our business relationships with such customers, this would also affect the Group's business as well. Therefore, the Concordia Financial Group thinks that proactively helping customers address climate change by engaging with them on this as part of our efforts to support their core businesses will strengthen their business foundation, thereby leading to greater growth opportunities and business stability for our Group itself.

Japan has set a goal of achieving carbon neutrality by 2050 and is promoting the decarbonization of companies and industry. As a financial institution, we recognize that we can contribute to achieving this goal through initiatives to achieve net zero GHG emissions in our investment and loan portfolio and our own net zero GHG emissions. The main initiatives based on this recognition are as follows.

Initiatives to achieve net zero GHG emissions in the investment and loan portfolio

Calculating GHG emissions for our investment and loan portfolio

In FY2022, we joined the Partnership for Carbon Accounting Financials (PCAF), an international initiative to promote the measurement and disclosure of GHG emissions from investment and loan portfolios. For the first time, we calculated the GHG emissions (financed emissions) for domestic corporate loans (of the ¥7.5 trillion total, a total of approximately ¥6.8 trillion, which excludes loans such as those for which there was insufficient data) in accordance with standards established by the PCAF.

	Energy			Transportation						Materials and buildings					Agriculture, food, and forest products				Others
	Electric power	Coal	Oil and Gas	Air cargo Transport	Air passengers Transport	Maritime	Rail transport	Trucking service	Automobiles and parts	Metals, mining	Chemicals	Building materials	Capital goods (building materials, etc.)	Real estate management and development	Beverages	Agriculture	Packaged foods and meat	Paper and forest products	
Financed emissions (Mt)																			
Scopes 1 and 2	1.14	-	0.13	0.00	0.02	0.25	0.02	0.04	0.11	0.53	0.26	0.21	0.36	0.06	0.01	0.09	0.07	0.08	0.66
Scope 3	0.08	-	0.18	0.00	0.00	0.22	0.02	0.15	0.85	0.86	0.40	0.14	1.88	0.14	0.05	0.04	0.37	0.14	2.13
Data Quality Score (numerical value indicating the quality of GHG emission data on a 5-point scale; The closer to 1, the higher the quality of the data, and the closer to 5, the more estimates are used.)																			
Scopes 1 and 2	3.12	-	3.24	4.00	1.17	3.23	2.96	3.99	3.74	3.81	3.03	3.48	3.56	3.92	2.31	4.00	3.97	3.57	3.92
Scope 3	4.00	-	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Loan balance used for calculation (¥100 million)																			
Scopes 1, 2, and 3	1,459	0	247	7	45	628	801	1,407	3,042	1,405	1,206	331	5,916	19,042	320	102	749	367	31,449
Number of loans																			
Scopes 1, 2, and 3	159	0	77	9	5	122	27	949	626	349	353	101	3,328	7,157	26	60	268	144	14,460
Calculation coverage ratio (loan balance used for calculating GHG emissions for each sector/loan balance for that sector)																			
Scopes 1, 2, and 3	96.8%	-	92.9%	100.0%	62.7%	98.6%	100.0%	93.5%	99.3%	98.9%	94.6%	99.6%	98.4%	95.6%	100.0%	99.6%	99.0%	99.7%	90.7%

(Preconditions etc.)

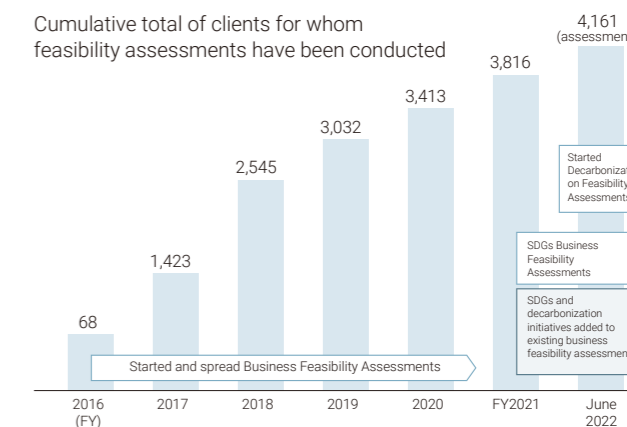
- These cover domestic corporate loans and project financing for FY2021. The classification is based on sectors for which the TCFD recommends that related information be disclosed, etc. Overseas corporate loans and customers for whom we have insufficient financial data are not included.
- Calculations are based on PCAF standards and utilize data disclosed by companies, CDP data, etc. If data is not available, estimates are made using emission coefficients and other data taken from the PCAF database. Note that the PCAF database does not include emission coefficients downstream of Scope 3.
- Financed emissions = Attribute coefficient x GHG emissions of the financed project (Attribute coefficient: amount of investment/each customer's/project's debt + equity)
- Calculation results may change significantly in the future for any of a number of reasons, including broader disclosure of customers' GHG emissions, changes in PCAF calculation standards, and changes in industry classification.

Engagement with customers to achieve net zero GHG emissions for our investment and loan portfolio

Based on the results of the GHG emissions calculations for our investment and loan portfolio, we developed an action plan to help our customers reduce their GHG emissions toward net zero emissions. Concrete details are as follows.

① All sectors

Since FY2016, we have engaged with our customers to resolve their business challenges through business feasibility assessments. ⁽¹⁾ This service has taken root and more than 4,000 companies have had business feasibility assessments through FY2022. In April 2022, we introduced SDGs business feasibility assessments ⁽²⁾, a more advanced business feasibility assessment, and in December 2022, we launched decarbonization business feasibility assessments, which focus on customers' management issues related to decarbonization. With decarbonization business feasibility assessments, we engage with customers using a newly created Decarbonization Check Sheet to organize and share management issues related to decarbonization, including visualizing GHG emissions. Through this type of engagement, we will continue to provide optimal solutions for our customers' business challenges and support their sustainability management, including decarbonization.



⁽¹⁾ This is an initiative to assess a customer's business and growth potential without relying on financial data.

⁽²⁾ This is an initiative to score items related to SDGs that were newly added to business feasibility assessments and to tie them to strategic planning and policy proposals.

Measures Against Global Warming and Climate Change TCFD Recommendation Initiatives



② Sectors with GHG emission reduction targets set

Electric power	Coal	Oil and Gas
----------------	------	-------------

The power, coal, and oil & gas sectors are designated as carbon-intensive sectors ^(*) by the NZBA ^(*) and are sectors with high carbon intensity in the Group's portfolio, so these three sectors were selected as "sectors for GHG emission reduction targets". We will provide support for visualizing and reducing GHG emissions through detailed engagement with individual companies.

^(*) NZBA: Net-Zero Banking Alliance International initiative for banks to achieve net zero GHG emissions in their investment and loan portfolios by 2050

^(*) Carbon-intensive sectors: electricity, coal, oil and gas, transportation, aluminum, iron and steel, cement, commercial and residential real estate, agriculture

(3) Priority sectors for engagement

Automobiles and parts

We selected the automotive and auto parts sector, one of the first sectors we engaged with in transitional risk scenario analysis and industry outlook, as a priority sector for engagement because of its broad supply chain and the long time required for decarbonization efforts. We expect these efforts to spread throughout the whole supply chain and we promote engagement from upstream customers and provide support for activities such as visualizing GHG emissions and setting reduction goals.

Engagement with automotive suppliers

We selected the automotive and auto parts sector, one of the first sectors we engaged with in transitional risk scenario analysis and industry outlook, as a priority sector for engagement because of its broad supply chain and the long time required for decarbonization efforts. We expect these efforts to spread throughout the whole supply chain and we promote engagement from upstream customers and provide support for activities such as visualizing GHG emissions and setting reduction goals.

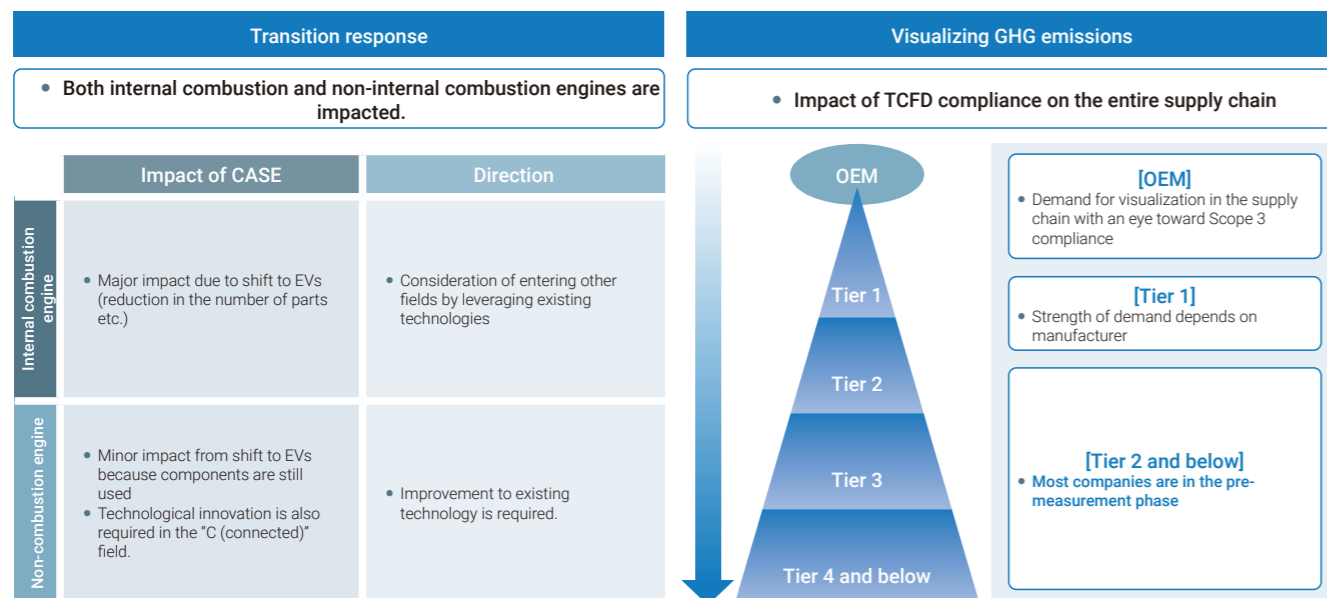
The executive in charge of the Bank of Yokohama's Sales Division engaged with the management of several primary subcontractors that manufacture internal combustion engines and non-internal combustion engines in the automobile industry regarding their awareness of the shift to EVs, the challenges involved, demand for visualizing GHG emissions, and the status of their response to that demand.

Through this engagement, we shared with customers in the automotive industry that for both internal combustion and non-internal combustion engines, in addition to CASE^(*) and other transition responses, visualizing GHG emissions is a major issue for the entire supply chain.

Although the depth and speed of the demand on the entire supply chain for visualizing GHG emissions depends on the OEM (completed vehicle manufacturer), it is expected that demands for such visualization will grow stronger in the future, and that the impact will spread throughout the entire automotive industry.

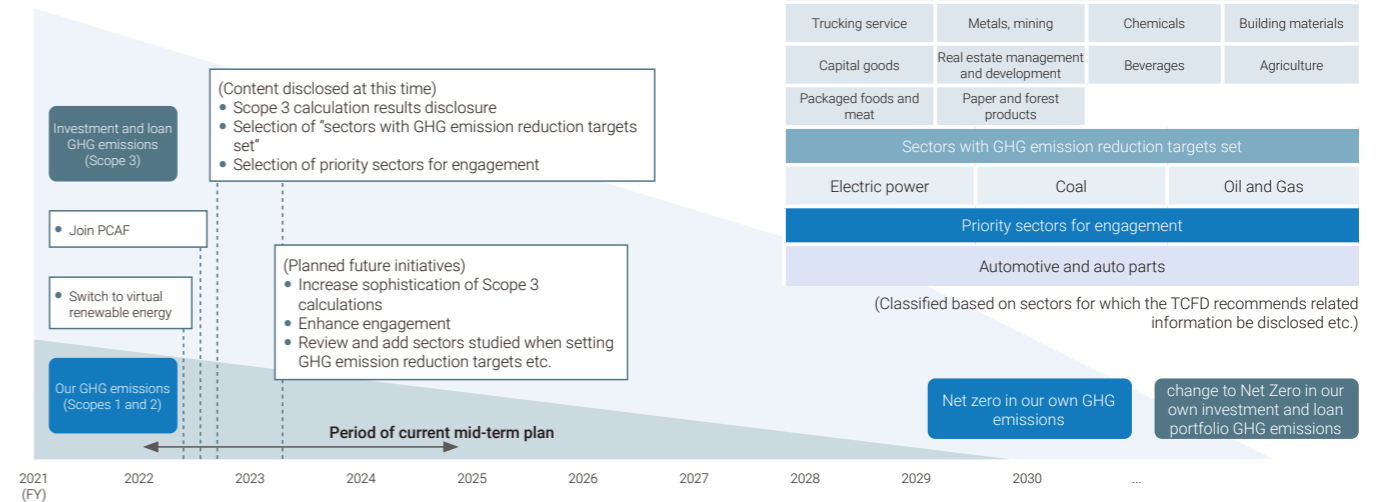
We will work to ascertain and share our customers' challenges and work to mitigate the impact of climate change and support their transition by continuing this type of engagement.

^(*) CASE: Technological innovation in new areas such as Connected cars (IoT), Autonomous/automated driving, Shared cars, and Electric vehicles.



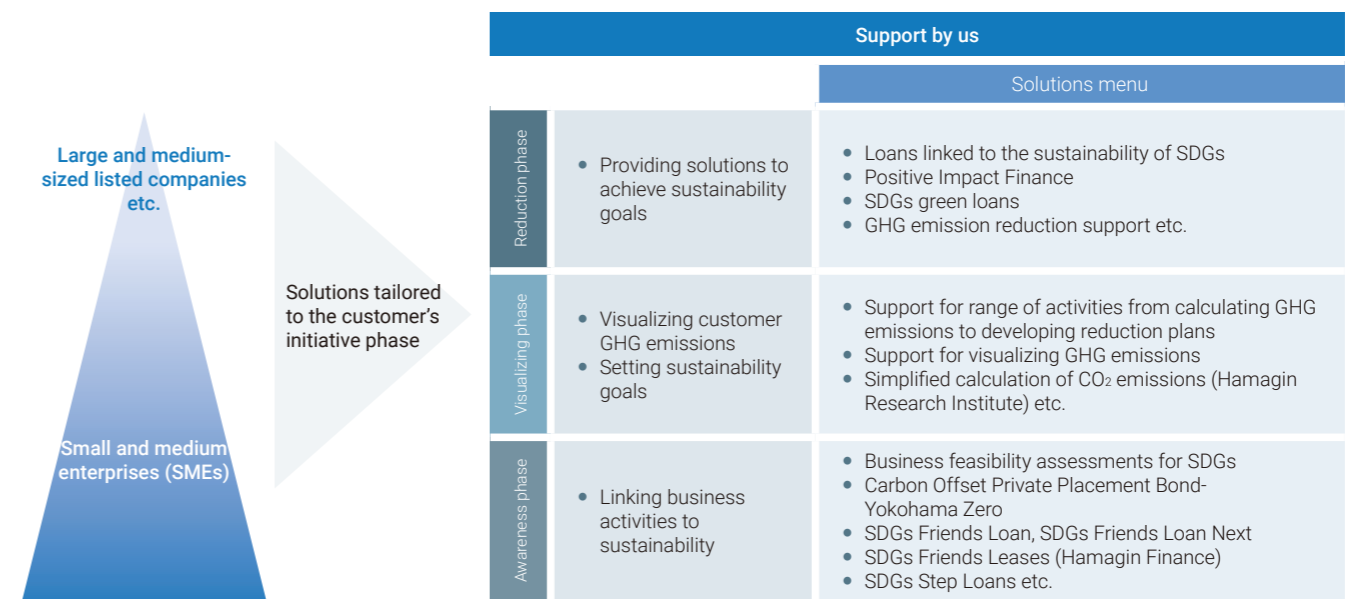
■ Future roadmap toward net zero GHG emissions

To achieve net zero emissions, we will accelerate our own GHG emission reduction initiatives and those of the companies we invest in and lend to.



■ Providing optimal solutions for the phase of the customer's initiative

The Concordia Financial Group conducts business with a wide range of customers, including SMEs, listed companies located upstream in the supply chain, and regional core companies. Through engagement with these customers, we share information on issues related to mitigating transition risks and physical risks and to expanding growth opportunities, we work to expand our lineup of solutions that help customers resolve their problems, and we recognize the importance of providing optimal solutions tailored to each customer's phase of initiatives. The support system and lineup of our main solutions for the particular phase of the customer's initiatives are as follows.

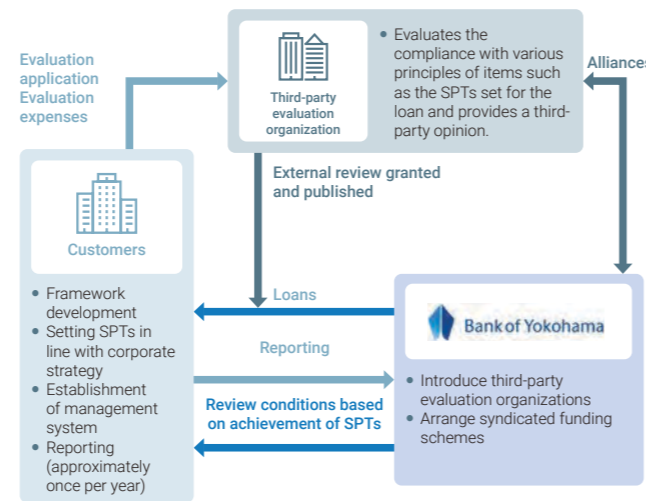


Measures Against Global Warming and Climate Change TCFD Recommendation Initiatives



(Customer case study)

The Bank of Yokohama provided a syndicated SDGs Sustainability Linked Loan to Feed One Corporation in August 2022. The SDGs Sustainability Linked Loan is a loan product in which customers set sustainability performance targets (SPTs) for sustainability activities aimed at solving environmental and social issues. The terms of the loan depend on the degree to which those targets are achieved. We obtained a third-party opinion from an independent evaluation agency concerning how well the SPTs set for the loan comply with various international principles etc. Feed One intends to use this loan to advance its commitment to environmental conservation.



■ Sector policy

The Concordia Financial Group has established a Sector Policy regarding investments and loans likely to exacerbate the negative impact on the environment and society so that decisions about them are carefully made so as to reduce or avoid environmental and social impacts.

In April 2023, we revised our Sector Policy to address such issues as climate change, respect for human rights, and biodiversity conservation. These revisions were deliberated on by the Group Sustainability Committee, decided on by the Management Conference, and supervised by the Board of Directors. The Group Sustainability Committee will continue to regularly review this Sector Policy to see if revisions are necessary and make revisions when changes in the our business activities or in external environment call for them.

Sector Policy summary		
All sectors	Prohibited	<ul style="list-style-type: none"> Businesses with illegal purposes Businesses that are offensive to public order and morals and not permitted under socially accepted norms Projects that negatively impact Ramsar Convention designated wetlands Projects that negatively impact UNESCO-designated World Heritage sites Projects that violate the Washington Convention on International Trade in Endangered Species (CITES) Projects that use child labor or forced labor
	Considered carefully	<ul style="list-style-type: none"> Projects with negative impacts on indigenous communities Projects that involve eminent domain that lead to involuntary resettlement Projects that negatively impact areas of high conservation value
Designated sectors	<ul style="list-style-type: none"> Coal-fired thermal power generation Coal mining Oil and gas extraction Large-scale hydroelectric power generation 	<ul style="list-style-type: none"> Manufacture of inhumane weapons Large-scale plantations Palm oil plantation development Deforestation

* Underlined parts revised in April 2023.

1. Governance

- Formulated to ensure that environmental and social issues and risks are properly identified and managed, this Sector Policy sets forth our investment and loan policy related to environmental and social issues.
- This Sector Policy has been decided by the Management Committee and supervised by the Board of Directors.
- In order to deepen understanding of this Sector Policy, we provide ongoing education and training to all officers and employees to ensure that they comply with the rules and procedures.
- When managing environmental and social issues and risks, we raise the effectiveness of this Sector Policy by engaging in dialog with various stakeholders, including customers, investors, and those involved in our initiatives.

2. Blanket Prohibition on Investments and Loans for Certain Sectors

We do not provide investments or loans for the following projects because they are considered to entail significant risks for or negative impacts on the environment and society.

- Businesses with illegal purposes
- Businesses that are offensive to public order and morals and not permitted under socially accepted norms
- Projects that negatively impact Ramsar Convention designated wetlands
- Projects that negatively impact UNESCO-designated World Heritage sites (except with the prior consent of the government of the country concerned and UNESCO)
- Projects that violate the Washington Convention on International Trade in Endangered Species (CITES)(with due consideration given to each country's reservations)
- Projects that use child labor or forced labor

3. Sectors for which investments and loans require careful cross-sectional consideration

When considering investments and loans for the following projects, which may entail significant risks or negative impact on the environment and society, we are careful when making decisions and check the customers' measures to reduce or avoid the risks.

- Projects with negative impacts on indigenous communities
- Projects involving eminent domain leading to involuntary resettlement of residents
- Projects that negatively impact areas highly valuable for conservation

Solutions Sales Department, Bank of Yokohama
General Manager of the Sustainability Promotion Office

Daisaku Shimizu



Reaffirming the Importance of Supporting Sustainability Management

The Sustainability Promotion Office provides support for the development of plans that contribute to the achievement of advanced sustainability management and proposes sustainable finance to our customers.

Our proposal to FEED ONE CO., LTD. involved support as a financial institution for that company's efforts to address environmental issues, and our wish that this lead to their communicating their positive attitude toward promoting sustainable economic activities. We think that promoting a company's initiatives to address climate change and solve social issues enhances its value, and feedback from FEED ONE CO., LTD. this time that the project helped foster a sense of mission for sustainability management within the company strongly reinforced our sense that our current work is an important role that regional financial institutions should fulfill.

As awareness of sustainability grows both in Japan and overseas, we want to continue to make proposals that lead to the sustainable growth of our customers.

■ Initiatives to achieve net zero GHG emissions in our own business activities

As a member of the local community, we have set "achieving carbon neutrality (Scopes 1 and 2) by FY2030" as a long-term sustainability KPIs in order to actively promote local decarbonization. We are working to achieve this goal through energy conservation, through switching to virtual renewable energy for power we contract for our own use, and through other initiatives. By April 2023, we converted all of the Group's own electricity contracts to virtual renewable energy.

Risk management

For risk events that may have a significant impact on the Group's management, the importance of the risk event is determined based on its impact and probability, and risk events recognized as requiring the most attention are selected by the Board of Directors as "top risks". For "top risks," we set key risk indicators (KRIs), work to identify warning signs through continuous monitoring, and have a system in place so that we can respond flexibly if a risk materializes. We recognize "transition to a decarbonized society" (transition risk) and "occurrence of large-scale natural disasters" (physical risk) as the top risks related to climate change.

In addition, the Basic Risk Management Rules approved by the Board of Directors stipulate not only the basic policy regarding credit risk but also a prohibition on loans that exacerbate significant risks or negative impacts on the environment and society.

We will continue to work to build a system that makes it possible to manage those risks within the framework of comprehensive risk management.



4. Designated sectors

i. Coal-fired thermal power generation

We will not, in principle, engage in new investments or loans for coal-fired power generation projects, which are highly likely to have a negative impact on the environment.

However, when examining a project as a possible exception to this general rule, we refer to international guidelines, etc., and give careful consideration to the individual project's background and characteristics, such as power generation efficiency and performance, impact on the environment, impact on local communities, etc.

(Note that the balance of existing investments and loans for coal-fired power generation is scheduled to be reduced to zero in FY2037.)

ii. Coal mining

We do not provide investments or loans for the following projects because coal mine development may negatively impact the environment and society, such as by increasing greenhouse gas emissions, by impacting the ecosystem through toxic waste from the coal mine, by causing casualties from mine collapses, and through human rights violations.

- Coal mining projects employing mountain top removal (MTR)
- General coal mining projects for new power generation

iii. Oil and gas extraction

Oil and gas extraction projects have the potential to negatively impact the natural environment, biodiversity, and living conditions of residents. Therefore, we handle investments and loans for the following types of projects carefully, giving due consideration to the impact on the environment and on local communities.

- Oil sands mining
- Shale oil and gas extraction
- Oil and gas extraction in the Arctic (the region north of 66 degrees 33 minutes north latitude)
- Pipeline installation

iv. Large-scale hydroelectric power generation

Dam construction may negatively impact the natural environment, biodiversity, the living environment of residents, etc. Therefore, we handle carefully investments and loans for large-scale hydroelectric power generation projects (with output of 30 MW or greater and dam wall height of 15 meters or higher), giving due consideration to the impact on the environment and local communities.

v. Manufacture of inhumane weapons

In light of the inhumanity of nuclear, biological, and chemical weapons, anti-personnel land mines, and cluster munitions, all investments and loans to companies that manufacture these inhumane weapons are prohibited, regardless of the use of the funds.

vi. Large-scale plantations

Large-scale plantation ^(*) development projects may negatively impact the natural environment, biodiversity, living conditions of residents, etc. Therefore, we handle investments and loans that will be used for such projects carefully, giving due consideration to the status of NDPE ^(**) and other policies, as well as the impact on the environment and local communities.

^(*) 10,000 hectares or larger (including projects for the cultivation of soybeans, natural rubber, cacao, coffee, etc. or for use as grazing land etc.)

^(**) NDPE (No Deforestation, No Peatland Development, No Exploitation): A policy of no deforestation, no peatland development, and no exploitation, created primarily by companies in the palm oil sector

vii. Palm oil plantation development

From the perspectives of forest resources, biodiversity conservation, and human rights protection, we prohibit all new investments and loans for the development of palm oil plantations that may involve illegal logging or human rights violations, such as child labor. In addition, we handle investments and loans for palm oil plantation development carefully, giving due consideration to local communities, the environment, and the status of certification by such entities as the RSPO ^(***), which provides international certification for sustainable palm oil.

^(***) Roundtable on Sustainable Palm Oil (RSPO): An organization that creates globally trusted certification standards to promote sustainable palm oil production and use

viii. Deforestation

We handle new investments and loans for forest harvesting projects carefully, giving due consideration to local communities, the environment, and whether the project has received international certification (FSC ^(*), PEFC ^(**), etc.)

^(*) Forest Stewardship Council (FSC): A non-profit organization that operates an international forest certification system based on the principle of forest management that is appropriate from the perspective of protecting the environment, socially beneficial, and economically sustainable

^(**) Programme for the Endorsement of Forest Certification (PEFC): An international umbrella organization that screens forest certification systems developed by individual countries based on the Intergovernmental Process for Sustainable Forest Management, which covers 85% of the world's forests and promotes mutual recognition of these systems.

Indicators and Targets

The Group has set targets for Sustainable Finance, Environmental Field Finance, and GHG emission reductions as long-term sustainability KPIs related to Measures against Global Warming and Climate Change.

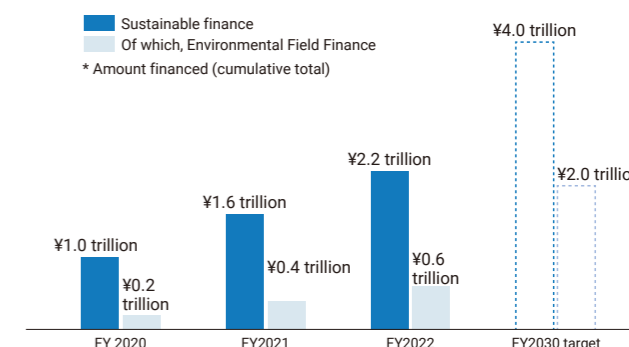
■ Sustainable Finance and Environmental Field Finance

In order to strengthen solutions to the environmental and social issues faced by our customers, including solutions for addressing climate change, and to contribute to the sustainable growth of our local customers, we have set targets for the cumulative amount of Sustainable Finance and Environmental Field Finance as long-term sustainability KPIs.

Since the Group reached its target for the cumulative amount of Sustainable Finance (¥2 trillion by FY2030) by the end of FY2022, we raised the target to ¥4 trillion (¥2 trillion more) in Sustainable Finance by FY2030, including ¥2 trillion (¥1 trillion more) in finance to the Environmental Field.

Indicator	Target	FY2022 (actual)
Sustainable Finance provided (cumulative)	¥4 trillion by FY2030	¥2.2 trillion
Environmental Field Finance provided (cumulative)	¥2 trillion by FY2030	¥0.6 trillion

* The total for the Bank of Yokohama and Higashi-Nippon Bank

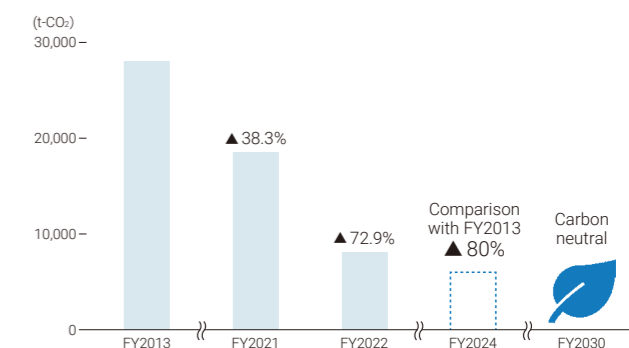


■ GHG emissions from our own business activities

As a member of the local community, we have set "achieving carbon neutrality (Scopes 1 and 2) by FY2030" as a long-term sustainability KPI in order to actively promote local decarbonization. As a result of the switch to virtual renewable energy for all of the Group's own electricity contracts, our FY2022 GHG emissions were 72.9% less than in FY2013.

Indicator	Target	FY2022 (actual)
GHG emissions (Scopes 1 and 2)	80% reduction from FY2013 level by FY2024	7,587 t-CO ₂
	Carbon neutral by FY2030	72.9% reduction compared to FY2013

* Total for the Bank of Yokohama and Higashi-Nippon Bank



■ GHG emissions calculation and third-party verification

For calculating the Group's FY2022 GHG emissions, Scope 1 and Scope 2 were expanded from the Bank of Yokohama and Higashi-Nippon Bank to the Concordia Financial Group and its consolidated subsidiaries. Scope 3 covers the Bank of Yokohama and Higashi-Nippon Bank and is calculated for Categories 1–15. Please refer to page 149 for actual results for Categories 1–14 and page 106 for actual results for Category 15 (investments and loans). In addition, since FY2021, the Bank of Yokohama and Higashi-Nippon Bank have received third-party verification of their GHG emissions by the Japan Quality Assurance Organization (JQA). In FY2022, energy consumption was added to the scope of verification, and the scope of organizations subject to verification was expanded to include the entire Concordia Financial Group and its consolidated subsidiaries. We will continue to improve the reliability of our calculations.

Measures Against Global Warming and Climate Change TCFD Recommendation Initiatives

Biodiversity Conservation



Biodiversity Conservation Promotion System

Based on the Group Environmental Policy, the Concordia Financial Group recognizes that preserving and protecting the global environment is one of its important responsibilities, and is actively addressing environmental issues through its core business activities and its own corporate activities and promoting activities to preserve local environments and ecosystems. The Group Sustainability Committee, chaired by the president, deliberates on the state of these initiatives and the Board of Directors supervises.

(Group Environmental Policy: <https://www.concordia-fg.jp/csr/ecofriendly/environment/index.html>)

Efforts to Conserve Biodiversity

(Hamagin) Decarbonization Private Placement Bonds - Protecting Forests and Water Sources

The Bank of Yokohama invites local companies to support its efforts to achieve SDGs and realize a decarbonized society. In commemoration of the issuance of private placement bonds by customers, Bank of Yokohama donates 0.1% of the issuance amount to Kanagawa Prefecture's "Designated Donations for Water Source and Forest Maintenance Expenses"^(*). Through these donations, the Bank of Yokohama promotes local water source and forest maintenance efforts.

^(*) Donations are an important source of funding for undertaking water source reforestation projects that enhance the public benefit of forests, such as water source protection and soil runoff prevention.

Green Foreign Currency Deposits with Donation

The Bank of Yokohama donates 0.3% (equivalent to the interest rate) of the amount of new customer deposits in Green Foreign Currency Time Deposits^(**) to Kanagawa Prefecture's "Designated Donations for Water Source Forest Maintenance Expenses"^(***). Through this initiative, we contribute to solving social issues through loans to the Environmental Field using Green Foreign Currency Time Deposits as the source of funds, and promote local water source and forest maintenance efforts through donations.

^(**) Customer funds placed in foreign currency time deposits are used as a source of funds for loans to the Environmental Field that meet Bank of Yokohama's eligibility criteria (criteria for loans to be covered by Green Deposits).

^(***) We donate 0.3% (equivalent to the interest rate) of new deposits during the campaign period to the Designated Donations for Water Source Forest Maintenance Expenses. For this initiative, the campaign period is from April 2023 to July 2023.

Sector policy

As one of its initiatives related to investments and loans for purposes that are likely to exacerbate the negative impact on the environment and society, the Concordia Financial Group has established a Sector Policy to mitigate or avoid impacts on the environment and society by carefully deciding on financing etc. (Sector policy: <https://www.concordia-fg.jp/csr/ecofriendly/sector/index.html>)

In April 2023, this Sector Policy was revised to address such issues as climate change, respect for human rights, and biodiversity conservation. These revisions were discussed by the Group Sustainability Committee, decided on by the Management Conference, and supervised by the Board of Directors. We will continue to revise the policy in response to changes in our business activities and the external environment.

Switching to a Web account (no-passbook account)

The Bank of Yokohama made a donation to the Kanagawa Prefecture Water Source Environmental Conservation and Restoration Fund^(*), which was established by Kanagawa Prefecture, for each account that the customer switched from a passbook to a Web account^(**) (campaign period: November 2022–March 2023).



The goals of this initiative were to reduce resource consumption and CO₂ emissions from the production of passbooks and to contribute to environmental conservation by donating ¥39^(***) to this fund for each customer who switched from a passbook to a web account (no-passbook account). As a result of this initiative, many customers agreed to the switch, and we donated approximately ¥1.07 million to the fund.

Through this fund, this donation will be used to pass on the rich blessings of forests to the next generation and to ensure the stable availability of quality water into the future.

Customers switching to Web accounts (no-passbook accounts) reduced our CO₂ emissions about 1.5 tons, which is equivalent to the amount of CO₂ that 110 cedar trees can absorb each year.

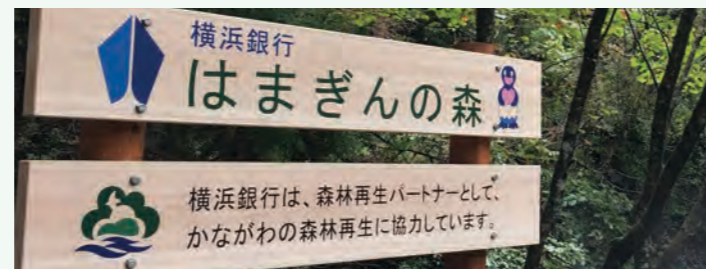
^(*) This service eliminates the need to issue paper passbooks and makes it possible for customers to check their balance and deposit/withdrawal details using an application or via Internet banking. This environmentally friendly service reduces CO₂ emissions generated during the production of passbooks.

^(**) The purpose of this fund is to promote forest maintenance efforts by Kanagawa Prefecture and its efforts to solve problems related to water pollution caused by domestic wastewater etc. in order to preserve the prefecture's water source environment.

^(***) We donated ¥39 per passbook as a token of our appreciation for our customers' switching. (In Japanese, the word for "39" sounds like "Thank You".)

Activities as reforestation partner (Hamagin Forest)

The Bank of Yokohama supports the Kanagawa Reforestation 50 Year Plan, a plan to pass on the rich bounty of Kanagawa Prefecture's forests to the next generation, and serves as a "reforestation partner", meaning a company or organization committed to reforestation. We named the forest on the banks of Lake Tanzawa "Hamagin no Mori" and are striving to conserve the rich forest and water source environment.



Revitalize the local economy



Policy on Initiatives

As a regional financial institution, the Group hopes to achieve a "sustainable virtuous circle" in which we also grow by proactively working to resolve regional and social issues and contributing to making the region attractive and the revitalization of local economies.

Based on these policies, we support the implementation of measures to realize the regional vision of the government and are moving forward with initiatives (regional strategy promotion activities) to solve regional and social issues such as "creating towns", "creating flows of people", and "creating jobs". We are fulfilling our role as a regional hub, expanding the scope of industry-academia-government-finance collaboration, and strengthening our efforts to revitalize local communities and solve their problems.



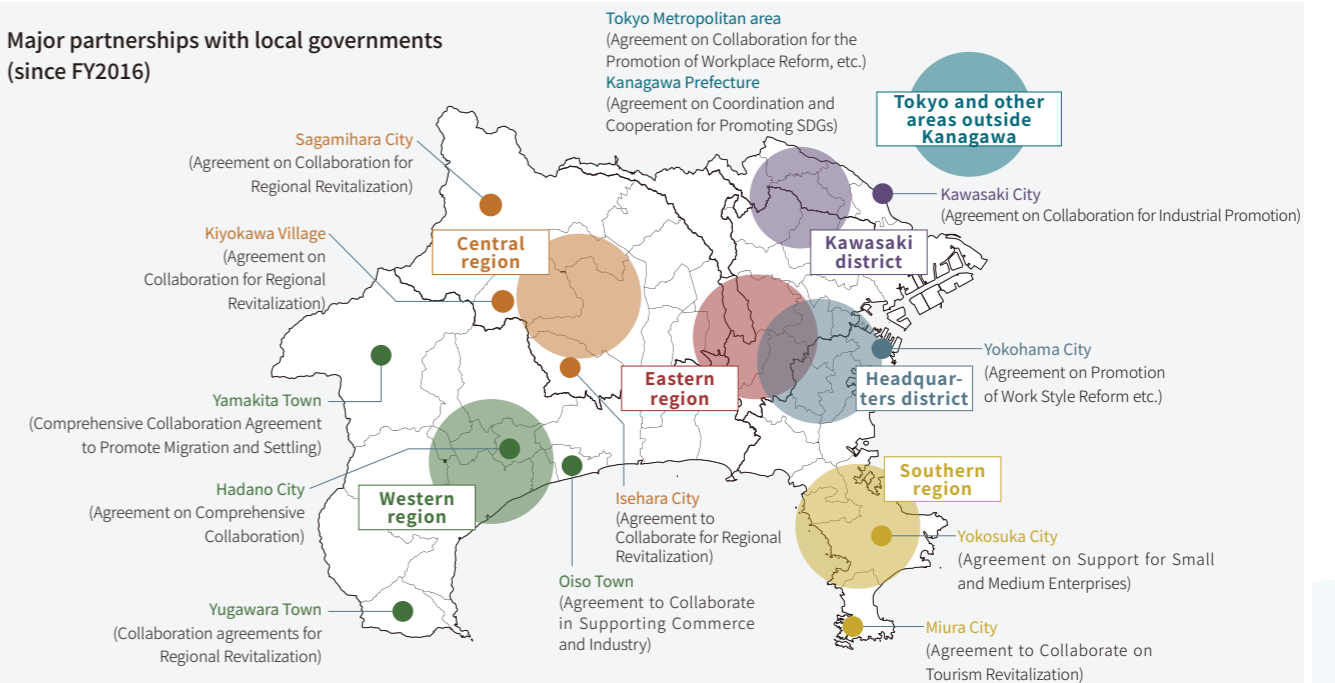
Our visualization study of the social effects expected to be brought about by regional strategy promotion activities continues.



Regional Strategy Promotion Systems

In its headquarters, the Bank of Yokohama has a Regional Strategic Planning Department that is responsible for formulating visions for regions and plans to achieve them, and a regional headquarters structure that organizes our business area into three areas (headquarters, Kawasaki and Tokyo, and outlying areas), and four regions (eastern, western, southern, and central) to raise the effectiveness of regional strategy promotion activities.

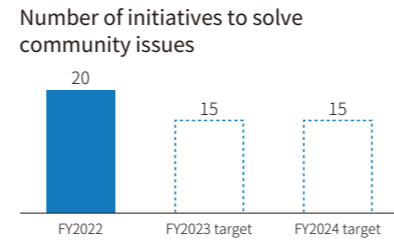
Major partnerships with local governments (since FY2016)



Revitalize the local economy



Based on this policy, the Bank of Yokohama is working to revitalize local communities and to resolve issues with the regional strategy promotion system. As a result, we achieved our single fiscal year target of 20 projects in FY2022, exceeding the target of 15 projects in the medium-term management plan.



Initiatives for sustainable “town building”

Public-private partnerships through the Regional Decarbonization Platform

The Bank of Yokohama established the Regional Decarbonization Platform for local governments in Kanagawa Prefecture in May 2022 in order to contribute to the promotion of regional decarbonization. Through this platform, issues commonly faced by public entities in each region were identified, and subcommittees were set up for each issue to study them and discuss how to formulate projects. In May 2023, as concrete projects, the “Environmental Education Project” and “EV Car Share Project” were launched.

Environmental Education Project

The participation of local residents is essential to achieving a decarbonized society. In this project, we focused on children with high environmental awareness and developed an investigation-based learning program in which children themselves engage in problem-solving. The topic will be sustainable aviation fuel (SAF), produced by utilizing waste cooking oil from households and other sources, and the learning program will be implemented through public-private partnerships.

(In cooperation with:Yokohama Nishimae Elementary School, Saffaire Sky Energy, Revo International, Inc. and the Yokohama Junior Chamber International)

EV Car Share Project

EV car sharing is attracting attention as a measure to reduce CO₂ emissions in the transportation sector, and this platform too has been sharing knowledge for its introduction. The Bank of Yokohama has concluded partnership agreements with Isehara City, ENEOS Corporation, and Hamagin Finance to develop an EV car sharing business through public-private partnership. In normal times, they will be used for car sharing, and in times of disaster, they will be used as “movable storage batteries” at evacuation centers and other places.

(Partners: Isehara City, ENEOS Corporation, Hamagin Finance)



Participation in Yokohama City’s PPP Platform

The Bank of Yokohama participated as the operating secretariat in the Yokohama PPP Platform (Yopp), which was established by the City of Yokohama to promote participation in PPP/PFI projects by companies in the city and to work with a variety of private sector companies on PPP/PFI projects. The Bank held the first seminar in November 2022 and the first PPP study session in January 2023. We will support activities on this platform through financial cooperation, matching companies with each other, etc. to solve local issues and to create local attractions, thereby contributing to the sustainable growth and revitalization of the local economy.



Initiatives to “create human flows” to regions

Participation in ‘Kanagawa Pay’, Kanagawa Prefecture’s cashless consumption stimulation project

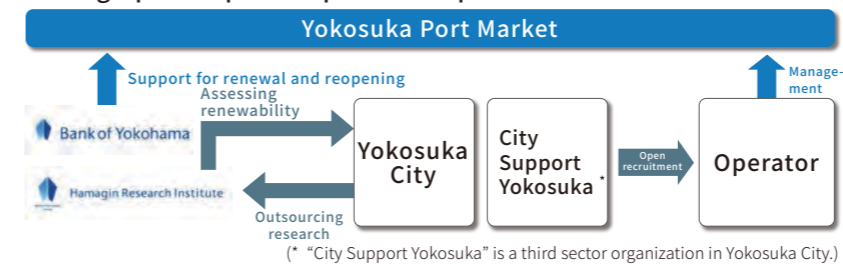
The Bank of Yokohama implemented “Kanagawa Pay,” a cashless consumption stimulus project that it is working on together with Kanagawa Prefecture. (First phase: October 2021, Second phase: July 2022, Third phase: July 2023) This project is an initiative to reward consumers with points equivalent to up to 20% of the amount of QR code payments made through “Kanagawa Pay” when paying at participating merchants in the prefecture. The Bank of Yokohama, as a representative organization of the joint venture, was entrusted by Kanagawa Prefecture with the management of this project and promoted cashless payments as a payment provider that offers the HamaPay smartphone payment service.



Support for achieving the reopening of the Yokosuka Port Market

The Bank of Yokohama Group supported the renewal of the Yokosuka Port Market (Port Market). Port Market features restaurants and souvenir stores selling local fresh foods under the concept of “Miura Peninsula Food Experience” of enjoying food from Miura Peninsula. Launched in 2013 as part of Yokosuka City’s local production for local consumption promotion project, Port Market closed in 2019 due to poor performance. Subsequently, the Bank of Yokohama Group investigated the site that Hamagin Research Institute was considering for renewal and evaluated it as an area with potential to be revitalized as a tourist attraction facility, and the Bank of Yokohama worked to assist in attracting tenants. As a result, Port Market reopened in October 2022, helping to revitalize tourism.

Supporting the reopening of tourist attraction facilities through public-private partnerships



Revitalization of tourism in Miyagase district

The Bank of Yokohama signed a “Collaboration Agreement on Community Revitalization” with Kiyokawa Village in November 2019 and an “Agreement on Collaboration and Cooperation for Sustainable Community Revitalization” with Coen Co., Ltd. in November 2021, and has been attracting business partners in the restaurant industry and planning and implementing events such as the Money Classroom. In October 2022, in cooperation with Sunautus Corporation, we supported the introduction of an electric scooter rental business at the Coen Miyagase store to revitalize tourism.



Bank of Yokohama
Regional Business Planning & Promotion Department
Regional Strategy and SDGs Promotion Group
Deputy Group Leader **Yusuke Kanai**



Promoting regional decarbonization by serving as a hub for industry, academia, government & finance

We work with local governments and local businesses in the prefecture and leverage diverse networks to resolve regional issues.

In May 2022, we launched the Regional Decarbonization Platform to promote regional decarbonization and enjoy the participation of 31 local governments in the prefecture, including Kanagawa Prefecture itself.

While decarbonization is indispensable for the sustainable development of the region, municipal officials are often struggling with common issues, so we provide a platform where horizontal connections can be created. One year has passed since the establishment of this platform. Little by little, the exchange of opinions among those in charge has become more active and concrete projects have begun to move forward.

The decarbonization movement is accelerating. The Bank believes that supporting local decarbonization will enhance the competitiveness of Kanagawa Prefecture as a whole and strengthen the Bank’s long-term operating base. As a financial institution with deep roots in the community, we will continue to serve as a hub for industry, academia, government, and finance to promote decarbonization together with everyone.

Revitalize the local economy



Initiatives to “create jobs” in the region

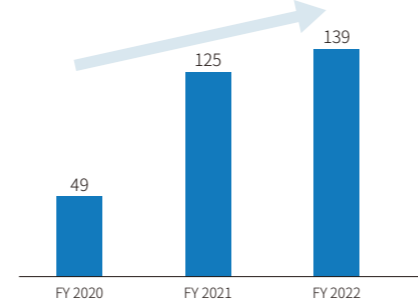
Support for commercialization through industry-academia-government-finance collaboration

The Bank of Yokohama is committed to solving local community issues by strengthening collaboration between industry, academia, government, and finance.

Yokohama National University, a national university with which we have concluded a comprehensive collaboration agreement, has appointed Bank of Yokohama employees as “Yokohama National University Industry-Academia-Government-Finance Collaboration Coordinators” to serve as a bridge between the university, which conducts research that contributes to solving problems, and corporate customers, who have technical problems to solve. In July 2022, the Bank of Yokohama concluded a comprehensive partnership agreement with Aoyama Gakuin University to accelerate sustainable growth and revitalization of the local economy through industry-academia-government-finance collaboration. In October of the same year, Bank of Yokohama employees were appointed by Aoyama Gakuin University as “Aoyama Gakuin University Industry-Academia-Government-Finance Collaboration Coordinators”.

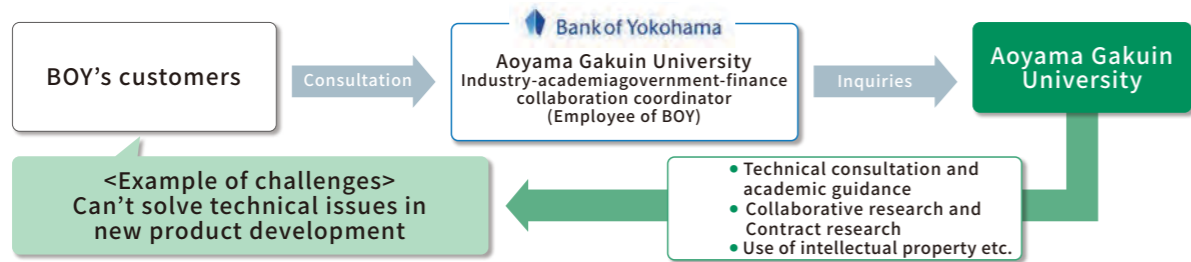
Furthermore, in February 2023, we held the “Tokyo Institute of Technology-Bank of Yokohama Collaboration New Technology Matching Meeting” with the Tokyo Institute of Technology. As a result of these efforts, the number of consultations on industry-academia-government-finance collaboration has increased year after year.

Number of consultations with industry-academia-government-finance collaboration coordinators



Comprehensive Collaborative Agreement with Aoyama Gakuin University for the growth and revitalization of the local economy

Provide solutions to issues regarding product and technology development for corporate customers



Supporting venture businesses through grants

The Group gives grants to support venture businesses. The Bank of Yokohama of this Group, together with the Hamagin Industrial and Cultural Promotion Foundation, operates “Frontiers”, a program that promotes the commercialization of seed businesses held by venture companies and researchers. In FY2022, we donated a total of ¥13 million to 5 companies.

FY	Number of companies	Total amount of grants
FY2022	5 companies	¥13 million
FY2021	4 companies	¥12 million
FY2020	4 companies	¥12 million
Cumulative total	13 companies	¥37 million



Support for expansion of sales channels for local companies

Since October 2021, the Bank of Yokohama operates “KanaColle”, a new e-commerce site that supports local companies' efforts to develop products and expand sales channels through the “New Product Development Support Project Silent Partnership,” which both TV Tokyo Communications Corporation (TXCOM) and Yokohama Shinko Co., Ltd., have invested in since October 2021. On “KanaColle”, newly developed bags, shoes, cushions, sweets, coffee, etc. from local companies are sold as original products in collaboration with TXCOM's characters, programs, and other intellectual property (IP).



Social Contribution Activities Initiative

Approach to Social Contribution

Based on the Group Social Contribution Activity Policy, the Group is actively engaged in social contribution activities to fulfill its social roles and responsibilities as a regional financial institution.

We have designated “the next generation,” “local communities,” and “the environment” as priority areas in our social contribution activities, and are developing a variety of activities that contribute to the sustainable development of society.

(Group Social Contribution Activities Policy: <https://www.concordia-fg.jp/en/csr/sustainability/social-contributions/index.html>)

The next generation

The Group's Bank of Yokohama is implementing the “Hamagin Building the Future Action Program”, an initiative to provide activity incentive funds to NPOs in Kanagawa Prefecture that are working to solve the problem of child poverty. In the first round of the program in FY2022, a total of ¥2.51 million in activity incentives was provided to three selected NPOs, and in cooperation with Kanagawa Prefecture, which has concluded an SDGs promotion agreement, we called for support for NPOs and promoted mutual aid efforts.

In addition, from November 2022, we have been providing support through donations to the overseas scholarship program for high school students offered by the Hamagin Industrial and Cultural Promotion Charitable Foundation. The program provides high school students with opportunities to study abroad and encourages the development of global human resources who will contribute to the economic development of Kanagawa Prefecture.



Local communities

As a member of the local community, the Group actively participates in local festivals, events, and volunteer activities.

We also believe that employee participation in social contribution activities is conducive to the growth of each and every employee, and we support such activities. For example, the Bank of Yokohama has established a system for work-life balance time off that can be taken when participating in community and volunteer activities and also offers a points subsidy system for employee participation in volunteer activities and provides opportunities for volunteer activities such as food drives.



Environment

The Group participates in cleanups and other activities in cooperation with local residents.

In November 2022, the Bank of Yokohama participated in a beach cleanup activity led by government, businesses, NPOs, and local residents to protect beautiful beaches.





Management Base That Supports Value Creation

- P. 121 Corporate Governance
- P. 129 Board of Directors
- P. 131 Risk Management Initiatives
- P. 136 Compliance Initiatives
- P. 139 Internal Audit System
- P. 140 Customer-Focused Business Operations
- P. 143 Group Non-Financial Data
- P. 146 ESG Information

Corporate Governance

Basic Concepts

We have a Corporate Governance Basic Policy that establishes policies and frameworks for achieving effective corporate governance with the aim of promoting sustainable growth of the Group and improving corporate value over the medium to long term. We constantly review our philosophy of corporate governance and work to improve it.

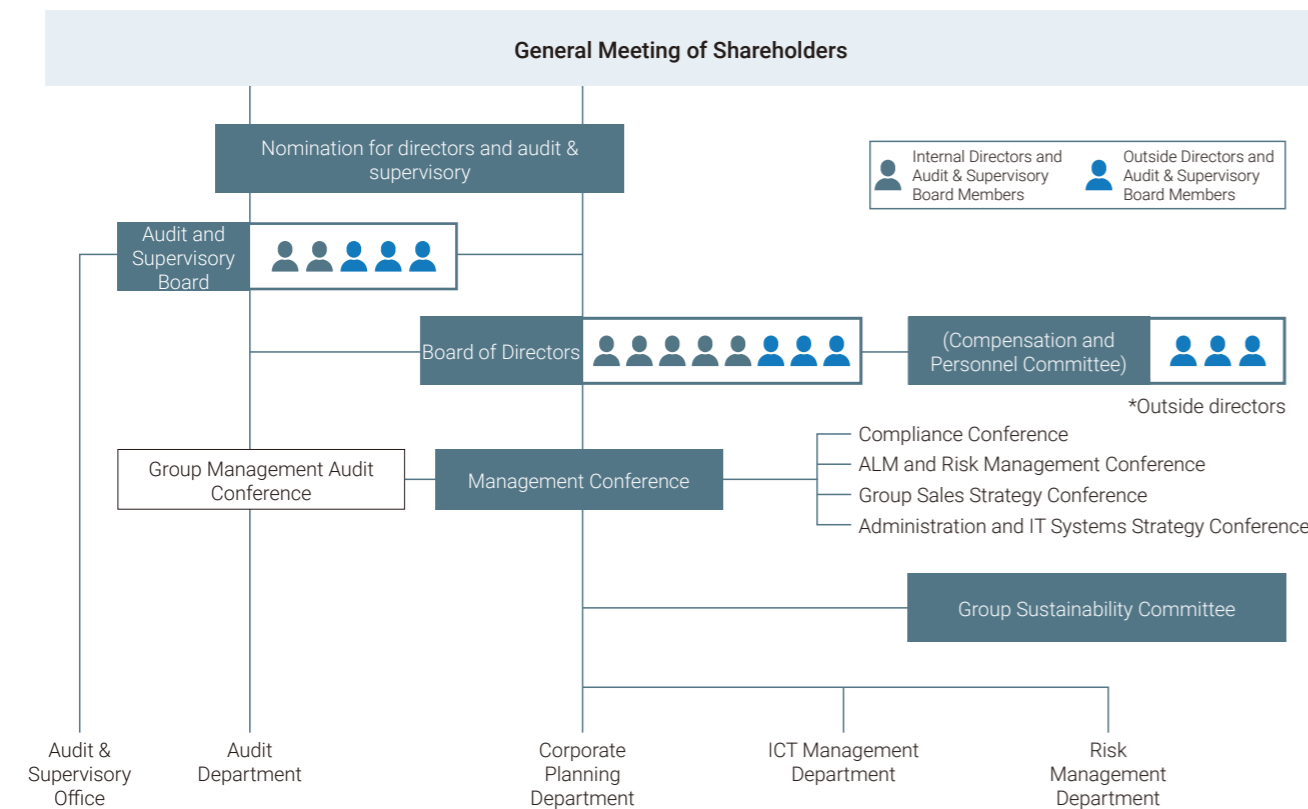
Furthermore, based on our Management Philosophy, we manage in a way that contributes to value creation for various stakeholders such as shareholders, customers, employees, and local communities, we are ensuring the fairness, transparency, and speed of decision-making, and we are building a corporate governance system appropriate for a regional financial group.

Basic Policy on Corporate Governance

Refer to our website. <https://www.concordia-fg.jp/shared/pdf/company/base/governance/pdf-kihon.pdf>

Corporate Governance System

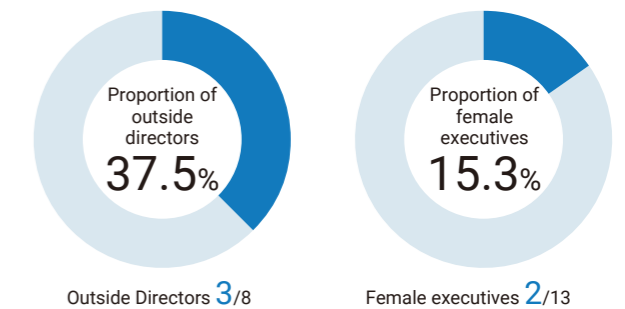
The Company has an Audit and Supervisory Board, and its Board of Directors, auditors, and Audit and Supervisory Board are responsible for supervising management. Auditors, including independent outside auditors, audit the legality and appropriateness of the directors' execution of their duties by attending meetings of the Board of Directors and reviewing important documents, thereby fulfilling their management auditing function. In addition, independent outside directors supervise management from an independent standpoint and provide opinions and proposals to ensure the appropriateness of decision-making. The Company has adopted the current corporate governance system because it thinks that this system adequately fulfills the auditing and supervisory functions.



Composition of the Board of Directors and the Audit and Supervisory Board

In order to ensure that the Board of Directors functions most effectively and efficiently, and from the perspective of revitalizing the Board of Directors, the Articles of Incorporation stipulate that the number of directors be no more than 10. In order to ensure the independence of the Board of Directors and to demonstrate that it functions fairly and transparently, the Company appoints a number of outside directors who maintain views that are independent from the Group, making up at least one-third of the members. By combining internal directors who are familiar with the Group's business with outside directors with extensive experience and knowledge outside the Company and giving the Board of Directors diverse members with different backgrounds of specialist knowledge and experience, different, the group ensures a good balance of knowledge, experience and skills on the Board of Directors. As of June 21, 2023, of the eight directors (seven men and one woman), three are independent outside directors. To ensure the effectiveness of audits, the Articles of Incorporation stipulate that the Audit & Supervisory Board has no more than five members, with at least half being outside members. As of June 21, 2023, of the five Audit & Supervisory Board members (four men and one woman), three are independent from the outside.

Ensuring independence and diversity



Specialization and experience of directors, Audit & Supervisory Board members, and executive officers (skill matrix)

We believe that the specific expertise and experience required by the Company are in Regional Sales, which is indispensable in light of the business model of our subsidiary companies, which are regional financial institutions, and in Corporate Management and Organizational Operations, in Legal Affairs and Risk Management, and in Finance and Accounting, which are universally required for corporate management, and in International and Market Operations, and ICT and Digital Transformation (DX), which require higher levels of specific expertise in order to respond to changes in the business environment. The combination of skills of the Board of Directors as a whole, including the Audit & Supervisory Board members and executive officers who actually make up the Company's Board of Directors in addition to the directors, and details of the skills of each, are as follows.

Name	Position	Expertise & experience					
		Corporate management & organizational operation	Regional sales	Legal affairs & risk management	Finance & accounting	International & market operations	ICT and digital (DX)
Tatsuya Kataoka	President and Representative Director	●	●		●	●	
Yoshiyuki Oishi	Representative Director	●	●	●	●		
Nobuo Onodera	Directors	●	●		●		●
Tomoki Arai	Directors		●		●	●	
Toshihiko Onuki	Directors						●
Mitsuru Akiyoshi	Directors Outside	●		●	●	●	●
Yoshinobu Yamada	Directors Outside			●	●	●	●
Mami Yoda	Directors Outside	●		●	●	●	
Kazuhiro Maehara	Full-time Audit & Supervisory Board Member		●	●	●		
Mitsuhiro Hara	Audit & Supervisory Board Member		●	●			
Keiichiro Hashimoto	Audit & Supervisory Board Member Outside	●		●	●	●	●
Seichi Fusamura	Audit & Supervisory Board Member Outside	●		●			
Mayumi Noguchi	Audit & Supervisory Board Member Outside			●	●		
Yutaro Koshiba	Executive Officers		●	●			
Kazuhiro Sukegawa	Executive Officers		●				
Toshiya Kubota	Executive Officers		●				
Kazumi Nobe	Executive Officers			●	●		

Corporate management & organizational operation	Knowledge, experience, and abilities related to corporate and other management and organizational operation
Regional sales	Knowledge, experience, and abilities related to sales in providing funding and solutions in order to stimulate the regional economy
Legal affairs & risk management	Knowledge, experience, and abilities in legal matters and compliance, risk management, loan reviews, and industry and corporation analysis
Finance & accounting	Knowledge, experience and abilities in financial strategy, accounting, and taxation
International & market operations	Knowledge, experience and skills concerning global perspectives, overseas business, and market operation
ICT and digital (DX)	Knowledge, experience and skills concerning system planning, operation, management, digital fields, etc.

Corporate Governance

Efforts to Improve Governance

FY2016

- Compensation and Personnel Committee established as an internal committee of the Board of Directors.

FY2017

- Basic Corporate Governance Policy established.
- Stock compensation for directors etc. shifted from stock option compensation to a stock compensation system utilizing a trust.

FY2018

- Evaluation of the effectiveness of the Board of Directors using an external evaluation organization started.

FY2021

- Skill Matrix Disclosure
- Integrated meetings of the Boards of Directors of the Company and of the Bank of Yokohama started.
- Directors and Audit and Supervisory Board members of the Company began to participate as observers in Bank of Yokohama management conferences.

FY2022

- Integrated management conferences of the Company and the Bank of Yokohama started.
- Directors and Audit and Supervisory Board members of the Company began to participate as observers in Higashi-Nippon Bank management conferences.

Board of Directors

The Board of Directors defines the scope of matters to be resolved by the Board of Directors in accordance with the rules of the Board of Directors, clarifies the scope of delegation to the Management Conference and management group, and makes important decisions on policy associated with risk compliance, as well as providing management oversight for more effective management. In addition, in order to enhance strategic discussions at Board of Directors meetings, we establish "annual themes" focusing on strategies for increasing corporate value over the medium to long term.

Points Discussed at Board of Directors Meetings (FY2022)	FY2022 Topics (Results)
(1) Management Plan <ul style="list-style-type: none"> • Group Management Policy • Overall Group Budget • Group Capital Plan • Group Human Resources Strategy 	2022 May: Direction of Capital Utilization to Increase Corporate Value July: Direction of Regional Bank Platform and System Strategies August: Direction of International Strategy October: Direction of Medium- to Long-Term Securities Operations November: Follow-up on Progress of the Medium-Term Management Plan and Direction of Group Business to Increase Corporate Value December: Discussion Points and Direction for Higher-Level Risk Appetite Framework, Group Human Resources Strategy
(2) Items related to sustainability <ul style="list-style-type: none"> • Revision of Sector Policies • Issues and Policies for Human Capital Disclosures • Engagement Strategies for a Net Zero Investment and Loan Portfolio 	2023 January: Direction for the 2023 Risk Appetite Statement February: Marketing with Next-Generation Apps and Data Utilization, and Direction of Securities Operations in FY2023
(3) Items related to corporate governance <ul style="list-style-type: none"> • Risk Appetite Statement • Evaluation of effectiveness of Board of Directors 	
(4) Risk and compliance matters <ul style="list-style-type: none"> • Internal audits and compliance programs • Risk management policy 	

Evaluation of Board of Directors effectiveness

The Company works for continuous improvement in the effectiveness of the Board of Directors by sharing and discussing issues to be addressed and enhancements to be made based on the results of the annual analysis and self-assessment of the effectiveness of the Board of Directors as a whole.

Evaluation method

Our effectiveness assessment is based on questionnaires and interviews from the perspective of utilizing third party viewpoints, the results of which are tabulated and analyzed, before the self-assessment is conducted. The specific assessment method is as follows.

1. We had all the directors and auditors, who make up the Board of Directors, complete a questionnaire, which was handled by a third party to ensure objectivity and anonymity.
2. Interviews were conducted with each director and Audit & Supervisory Board member in order to confirm and gather specific opinions on the results of the questionnaire.



Main evaluation items

- Composition of Board of Directors
- Operation of the Board of Directors
- Discussions at board meetings
- Support system for directors and members of Audit & Supervisory Board

3. After compiling and analyzing the results of 1 and 2 above, the Board of Directors deliberates on and shares about whether the Board of Directors as a whole is effective in light of the roles and responsibilities it should fulfill, and conducts a self-assessment.

Summary of the Results of the FY2022 Board of Directors Effectiveness Assessment

For FY2022, in light of the roles and responsibilities to be fulfilled by the Board of Directors, we set the themes of "1. Strengthening discussion of medium- to long-term strategies to enhance corporate value," "2. Enhancing Board of Directors' Management and Making It More Efficient," and "3. Improving Monitoring Functions", and the Board of Directors conducted and shared a self-assessment that "the Board of Directors as a whole continued to be generally effective in FY2022" as a result of efforts to improve its effectiveness.

For FY2023, in addition to the themes that had been addressed up to FY2022, we added the theme "4. Enhancement of Stakeholder Communication". We will work to further improve the effectiveness of the Board of Directors in order to promote sustainable corporate growth and enhance corporate value over the medium to long term.

For more information on our Board of Directors Effectiveness Assessment, please see our Corporate Governance Report.

Themes for action to improve the effectiveness of the Board of Directors in FY2023

1. Strengthening discussions of medium- to long-term strategies
2. Raising the level of Board of Directors operations
3. Improving monitoring functions
4. Strengthening stakeholder communication

Audit and Supervisory Board

Audit & Supervisory Board members audit the legality and appropriateness of Board of Directors' business execution by attending important meetings, such as Board of Directors meetings, by examining the state of operations and assets, by reviewing documents related to important decisions, and also by communicating with internal audit and supervisory departments and group companies, and by exchanging information with accounting auditors and similar parties, as stipulated in the audit policy and audit plan set by the Audit & Supervisory Board. In FY2022, we mainly focused on the "Status of initiatives aimed at sustainable growth and raising of corporate value over the medium to long term", the "Status of development and operations of the Group's internal control systems" and the "Status of operation of the Risk Appetite Framework" as key monitoring items.

Audit & Supervisory Board members interview executives and employees of the Company and its subsidiaries, visit sales branches of subsidiaries, summarize their findings, and report them to the Board of Directors. In addition, while discussing key audit matters (KAMs) with the accounting auditors, they receive reports on the status of their audits.

Main Topics of Audit & Supervisory Board Meetings (FY2022)

Matters to be resolved	Audit policy of Audit & Supervisory Board members (including key audit items), audit plan and methods, assignment of audit work, reappointment of accounting auditors, audit report drafts, etc.
Matters to be reported	Audit & Supervisory Board monthly activity reports, management meeting reports, Risk Management Department regular reports, Audit Department regular reports, accounting auditor reports, etc.

Management Conference

The Management Conference, which consists of representative directors, directors, and others, was established under the Board of Directors. Based on the basic policy and management plans decided by the Board of Directors, the Management Conference discusses and decides on important business execution matters and strategies for flexible business execution within the Group, and also holds preliminary discussions on resolutions of the Board of Directors as necessary. In addition, for important matters related to the Group's business execution, the meetings listed on the right are positioned as part of the Management Conference, and these meetings conduct intensive deliberation on items within their respective jurisdictions.

Compliance Conference	The conference discusses and makes resolutions on basic policy etc. related to Group-wide compliance and management matters such as customer protection and monitors the status of subsidiary companies.
Asset-Liability Management & Risk Management Conference	This management conference discusses and makes resolutions on basic policy, planning, and key measures relating to the Group's asset-liability management (ALM), integrated risk management, credit risk management, market risk management, liquidity risk management, operational risk management, and profit management, and monitors the status of subsidiary companies.
Group Sales Strategy Conference	The strategy conference discusses and makes resolutions on basic policy, planning, and key measures relating to the Group's sales and alliance strategies, and monitors the progress of the medium-term management plan.
Administration and Systems Strategy Conference	The Strategy Conference discusses and makes resolutions on basic policy, planning, and key measures on optimization of business operations and integration of systems and business processes across the Group, and monitors the progress of each measure at subsidiary companies.
Group Management Audit Committee	This Committee discusses, makes resolutions on, and reports on important matters related to internal audits, and reports on and discusses matters relating to the results of internal audits and audits by Audit and Supervisory Board Members of the Group as a whole.

Corporate Governance

Considerations for the Appointment of Directors and Audit & Supervisory Board Members

■ Directors

Candidates for Director are appointed by the Board of Directors after any deliberation by the Compensation and Personnel Committee, based on factors such as views on the composition of the Board of Directors. Persons satisfying the following items are appointed from among candidates for outside directors.







- A. Persons who meet the Company's criteria for independence and who have no risk of a conflict of interest with general shareholders
- B. Persons with extensive experience and extensive knowledge in the fields of corporate management, fiscal affairs, finance, economics, accounting, taxation, legal affairs, etc.
- C. Persons who, based on their experience and expertise, can provide timely and appropriate views and proposals to directors and the management team from the perspective of promoting sustainable growth of the Group and raising medium- to long-term corporate value

■ Audit & Supervisory Board Member

After obtaining the consent of the Audit & Supervisory Board, candidates for Audit & Supervisory shall be appointed by the Board of Directors. Persons satisfying the following items are appointed from among candidates for outside Audit & Supervisory Board Members.

- A. Persons who meet the Company's criteria for independence and who have no risk of a conflict of interest with general shareholders
- B. Persons with extensive experience and extensive knowledge in the fields of corporate management, fiscal affairs, finance, economics, accounting, taxation, legal affairs, etc.
- C. Persons who can be expected to contribute to securing sound and sustainable growth of the Group and to enhancing its corporate value over the medium to long term by forming and expressing audit opinions in a timely and appropriate manner based on their own experience and views, given that the appointment of such persons is mandatory in order to further strengthen the neutrality and independence of the audit system

Reasons for Appointment of Outside Officers

Name	Reason for appointment
 <p>Outside Director Mitsuru Akiyoshi</p>	He has a wealth of experience as a corporate manager, having served as a representative director and executive vice president of Marubeni Corporation, and president and representative director of Mizuho Marubeni Leasing Co., Ltd. He has a wide range of expertise thanks to having worked in finance, IT and legal departments at Marubeni Corporation. He has been appointed as an outside director with the expectation that he will continue to provide opinions and recommendations to directors and top management in a timely and appropriate manner from the perspectives of promoting sustainable growth of the Group and of improving corporate value over the medium to long term.
 <p>Outside Director Yoshinobu Yamada</p>	He has abundant experience as an analyst and a high level of expertise in analysis and DX in the financial sector. He has been appointed as an outside director in the expectation that he will provide timely and appropriate opinions and suggestions to the directors and management from the perspective of promoting the sustainable growth of the Group and enhancing its corporate value over the medium to long-term.
 <p>Outside Director Mami Yoda</p>	She engaged in work rating and researching companies at Standard & Poor's International LLC for many years, and currently teaches at Sagami Women's University and its graduate school as an expert in business administration. She has been appointed as an outside director in the expectation that she will provide timely and appropriate opinions and suggestions to the directors and management from the perspective of promoting the sustainable growth of the Group and enhancing its corporate value over the medium and long term.
 <p>Outside Audit & Supervisory Board Member Keiichiro Hashimoto</p>	He has served as General Manager of the International Business Division of the Bank of Tokyo-Mitsubishi, Ltd. He has also served as Representative Director, Executive Vice President, and Chief Financial Officer of Mitsubishi Motors Corporation and Representative Director, Chairman, and President of the Metropolitan Expressway Company, Ltd. Accordingly, he possesses substantial experience and broad insight as a bank and corporate executive. He is judged to be capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent position, and we have therefore appointed him as an Outside Auditor.
 <p>Outside Audit & Supervisory Board Member Seiichi Fusamura</p>	He has a wealth of experience and a wide range of knowledge as a legal expert, including holding senior positions in the legal profession. He is judged to be capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent position, and we have therefore appointed him as an Outside Auditor.
 <p>Outside Audit & Supervisory Board Member Mayumi Noguchi</p>	She has served as the head of a certified public accountant firm for many years and has experience in auditing at an auditing firm. She has a wealth of experience and a wide range of knowledge as a specialist in finance and accounting, and we have judged that she is capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent standpoint, and have therefore appointed her as an Outside Auditor.

* For details on reasons for the selection of the above personnel as directors and Audit & Supervisory Board members, and an overview of the independence criteria, refer to Reference Materials for the General Meeting of Shareholders in the Notice of the 4th Annual General Meeting of Shareholders, Notice of the 5th Annual General Meeting of Shareholders and Notice of the 7th Annual General Meeting of Shareholders posted on the Company website. (<https://www.concordia-fg.jp/en/shareholder/stock/meeting/index.html>)

Succession Plan

In order to promote sustainable growth and to raise corporate value over the medium to long term, the Group has formulated a Succession Plan for top management of the company and its major subsidiaries, the Bank of Yokohama, and Higashi-Nippon Bank. By implementing training programs according to the abilities, qualities, and experience of candidates, we systematically train personnel to lead future management.

The status of the formulation and operation of the plan is regularly reported to the Compensation and Personnel Committee, which is composed solely of outside directors. Outside directors not only receive reports, but also strive to improve the effectiveness of the Succession Plan by gaining a multifaceted understanding of the candidates through various meetings, interviews, and discussions, and by providing advice and recommendations to the candidates based on their extensive knowledge and experience.

Support for Directors and Audit & Supervisory Board Members

In order to enhance Board of Directors meetings, the Company provides outside directors and outside members of the Audit & Supervisory Board with advance explanations of the agenda of the Board of Directors meetings, as well as opportunities for on-site visits to sales branches of the Group companies. In order to ensure that directors obtain information about the company in a timely and appropriate manner, a staff member is assigned to the Corporate Planning Department to assist directors in obtaining information. To ensure that audits are conducted effectively, we have a dedicated staff member in the Audit & Supervisory Office to support audits by the Audit & Supervisory board. We also provide opportunities for directors to obtain knowledge and information, as well as advice from outside experts, so that they can fulfill their roles and responsibilities.

When outside directors and outside members of the Audit & Supervisory Board are appointed, they are provided with the opportunity to acquire knowledge and information about the Group's management philosophy, management policies, business plans, and business structure. Furthermore, we work for coordination between the outside directors and the representative director, the Audit & Supervisory Board members, internal audit departments, and accounting auditors, as well as for interchange between the outside directors and the directors of the Group companies.

FY2022 (actual)	Contents
Briefings before board meeting for outside directors and outside Audit & Supervisory Board members	Briefings beforehand on the meeting agenda
Inspection of Group company sales branches by outside directors	Visits to sales offices of the Bank of Yokohama and Higashi Nippon Bank and meetings with branch managers
Exchange of opinions between outside directors and auditing firms	Exchange of opinions with accounting auditors
Meetings between outside directors, outside Auditor & Supervisory Board members and the Audit Department to exchange opinions	Briefings and reports from the Audit Department
Exchange of opinions between outside directors and Auditor & Supervisory Board members	Exchange of opinions with Auditor & Supervisory Board members
Exchange of opinions between outside directors and internal directors	Exchange of opinions with internal directors
Study groups	Study sessions by outside experts

Discussions between outside directors and investors/analysts.

At our Investor Relations Day in February 2023, outside directors had an opportunity to meet with investors and analysts in order to directly hear and understand voices from the market.

Study sessions by outside experts

In order to enhance Board of Directors deliberations and improve governance, study sessions were held by outside experts, focusing on themes related to digital/IT, sustainability, and open innovation. In addition, we held study sessions on trends in new businesses of other companies in the industry with the aim of expanding our business areas utilizing strategic investments.

Visits to Bank of Yokohama and Higashi-Nippon Bank branches

In July and October 2022 and February 2023, we visited several branches of the Bank of Yokohama and Higashi-Nippon Bank in order to deepen our understanding of the operations and business sites of our subsidiary banks. At sales branches, we observed business operations and held interviews and discussions with regional head office and branch managers.

Compensation and Personnel Committee

We have established a discretionary Compensation and Personnel Committee consisting entirely of outside directors in order to ensure objectivity and transparency in the compensation and appointments of directors and executive officers. This committee deliberates on compensation and personnel matters for directors and executive officers.

Members of Compensation and Personnel Committee

Name	Job title	Number of meetings attended/held in FY2022 (excluding written discussions)
Chair: Mitsuru Akiyoshi	Outside Director	15/15
Board Member: Yoshinobu Yamada	Outside Director	15/15
Board Member: Mami Yoda	Outside Director	15/15

Major Deliberations for FY 2022

- (Matters related to personnel)
- Group executive personnel
 - Succession Plan Operation and Status
- (Matters related to remuneration)
- Verification of the Executive Compensation Table by an external research organization based on executive compensation data
 - Group and Subsidiary Bank Executive Compensation Table
 - Medium- to Long-Term Executive Compensation
 - Review of Stock Acquisition and Ownership Guidelines
 - Policy on and evaluation etc. of compensation linked to short-term performance

Corporate Governance

Executive Compensation System

1. Directors

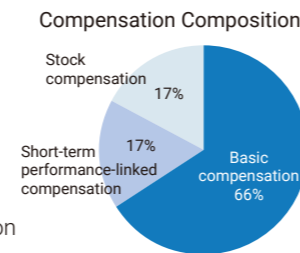
The Company has adopted by resolution of the Board of Directors a policy ('the Policy') concerning decisions on the details of remuneration etc. for individual directors. The outline of the document is as follows. This policy was decided on after deliberation by the Compensation and Personnel Committee, which is comprised solely of outside directors.

(1) Basic policy

- The compensation system for directors is to function as an appropriate incentive to promote the sustainable growth of the Group and increase its corporate value over the medium to long term, while minimizing excessive risk-taking.
- Compensation composition, compensation composition proportions, and compensation levels are determined through periodic comparisons and verification based on data on executive compensation from external research organizations and objective survey data, using as benchmarks a group of companies with performance and business conditions similar to those of the Company.

(2) Compensation Composition and Details

[Directors (excluding non-executive directors and outside directors)]



A. Compensation composition

- Compensation consists of base compensation (fixed), short-term-performance-linked compensation (performance-linked), and stock compensation (Trust I: not performance-linked, Trust II: performance-linked).
- The amount of basic compensation, short-term-performance-linked compensation and stock compensation is determined by position. The composition of the different compensation items is 66% for basic compensation, 17% for short-term performance-linked compensation and 17% for stock compensation (when short-term performance-linked compensation and stock compensation are paid in standard amounts).

B. Details of each compensation item

(a) Basic compensation

- Basic compensation is paid monthly based on role and responsibilities.

(b) Short-term performance-linked compensation

- Short-term-performance-linked compensation is an annual payment based on the Company's performance and evaluation of personal performance for the fiscal year.
- The indicators used to evaluate company performance are "core net business profit (the total for the Group's banks)", which indicates the profitability of the core business, and "profit attributable to owners of parent", which is the final operating result. The base amount for each position is determined in accordance with the evaluation of company performance. The base amount for each position ranges from 0% to 150% of the standard amount for the position.
- Personal performance is evaluated based on the degree of achievement of targets set at the beginning of each fiscal year. (Roughly five items are set for each person based on the department in charge, such as achievement of budget, development of each measure, and establishment of the risk management system.) The amount of pay for each position varies from 70% to 130% of the standard amount for the position, in accordance with the evaluation of the individual. Note that the final evaluation of the performance of the Company and of individual officers is subject to deliberation by the Compensation and Personnel Committee.



(c) Stock compensation

- "Stock compensation" is a program in which Company shares and an amount equivalent to the cash proceeds from the conversion of the Company's shares (hereinafter, "Company shares etc.") are issued and paid (hereinafter, "issued etc.") to the trust. Two types of trusts (Trust I and Trust II) have been established as follows.
- In the event of a serious violation of the contract of appointment between the Company and an officer with respect to the officer's duties, or in the event of a sudden deterioration in business performance or a serious incident or scandal that damages corporate value, the Company may require that the officer forfeits stock delivery points (malus), returns the granted Company stock (clawback), or provides compensation.

* The Company has established "Stock Acquisition and Ownership Guidelines" and encourages directors etc. of the company and its subsidiaries to acquire and hold a certain number of shares of the company's common stock in order to make them aware of management from the perspective of shareholders. Stock Acquisition and Ownership Guidelines: <https://www.concordia-fg.jp/company/base/governance/guideline/index.html>

1) Trust I

- Company shares etc. equivalent to the standard amount for each position are accumulated monthly and deferred until the retirement of each officer.

2) Trust II

- Company shares etc. equivalent to the standard amount for each position are accumulated monthly and deferred until the end of the medium-term management plan and Company shares etc. equivalent to the amount reflecting the performance-linked coefficient are issued etc.
- The performance-linked coefficient fluctuates within the range between 75% and 200% depending on the degree of achievement of performance targets in the medium-term management plan. In order to increase incentives to achieve the goals of the medium-term management plan, the following three target indicators in the medium-term management plan (FY2022- FY2024) are the financial indicators used to determine the performance-linked coefficient. The final performance-linked coefficient is determined after deliberation by the Compensation and Personnel Committee, with additions and subtractions within the range of -15% to +30% based on ESG external evaluation indicators, the status of efforts to address non-financial items in the Medium-term Management Plan, and qualitative matters. However, the final performance-linked coefficient to be determined shall not exceed a maximum of 200% or a minimum of 75%.

(Financial Indicators)

- ROE (consolidated basis, based on shareholders' equity (average of beginning and ending balances))
- OHR (consolidated basis)
- Common Equity Tier 1 capital ratio (consolidated basis, Basel III finalized, fully implemented basis (excluding valuation difference on available-for-sale securities))

(ESG Evaluation)

Assessment Index FTSE Overall ESG Score, MSCI ESG Ratings

(Non-financial Indicators)

Basic Themes	Bank of Yokohama Items	Higashi-Nippon Bank Items
Growth	Number of corporate partners, number of personal partners, number of companies for whom we are the main settlement bank, number of personal customers for whom we are the main bank, number of proposals for overseas solutions	Number of core clients, number of companies for whom we are the main bank, number of clients evaluated for business feasibility, number of business matching contracts, number of new loan clients within 5 years of establishment of company, number of business succession solutions provided, number of business improvement plans formulated, and IB set-up rate for clients under corporate management
Change	Percentage of employees with advanced skill levels, number of employees with major consulting qualifications, number of specialized headquarters personnel (IT/digital division), number of specialized headquarters personnel (market/international division), hours invested per person in human resources development, number of re-skilling places offered, percentage of female managers, percentage of career professional managers hired, employee awareness survey results, number of users of next-generation smartphone applications, number of digital support cases, percentage of strategic expenses among IT and digital expenses, percentage of transactions through non face-to-face channels, number of sales branches and headquarters administrative personnel,	number of successful applicants for SME diagnostician (primary examination), number of successful applicants for SME diagnostician (secondary examination), number of successful applicants for FP Level 2 (SMEs), number of successful applicants for IT Passport, training hours per employee, percentage of female managers, health management, number of offices, number of offices with business support offices, number of head office (management, etc.) personnel actually working
Sustainability	Number of sustainability-related solutions provided, percentage of reduction of the entire financial group's own CO ₂ emissions, number of initiatives to solve local community issues, number of participants in financial education, number of measures to improve risk control, compliance awareness survey	Number of solutions provided to clients for SDGs feasibility evaluation, percentage of reduction of the Company's own CO ₂ emissions, number of employees with business assessment qualifications, percentage of disclosed claims, internal rating system, compliance awareness survey, results of comprehensive internal audit evaluation, number of serious administrative errors

[Non-Executive Directors/Outside Directors]

A. Compensation composition

- In view of the role in supervising execution of business, their compensation is not linked to performance, but is only basic (fixed) compensation.

A. Compensation details

- Basic compensation is paid monthly based on role and responsibilities.

2. Audit & Supervisory Board Member

The details of compensation etc. for Audit & Supervisory Board members are determined through discussions with them.

A. Compensation composition

- To ensure neutrality and independence of Audit & Supervisory Board members, compensation is not linked to performance, but is only basic (fixed) compensation.


B. Compensation details

- Basic compensation is paid monthly based on role and responsibilities.

▶ (Reference Materials) page 137 Disclosure Items for Compensation, etc.


Board of Directors

Directors




Tatsuya Kataoka
President and Representative Director
 (Concurrently, Representative Director, President of the Bank of Yokohama Ltd.)

Year appointed	Profile
1990	Joined the Bank of Yokohama, Ltd.
2018	Executive Officer and General Manager of the Corporate Planning Department of the Company
2019	Executive Officer and General Manager of the General Planning Department, the Bank of Yokohama, Ltd. Director, Higashi-Nippon Bank, Ltd.
2022	Representative Director, President, the Bank of Yokohama Ltd. (currently) President and Representative Director of the Company (currently)




Yoshiyuki Oishi
Representative Director
 (Concurrently, Representative Director, President, Higashi-Nippon Bank)

Year appointed	Profile
1985	Joined the Bank of Yokohama, Ltd.
2013	Executive Officer and General Manager of Loans Department of the above
2014	Executive Officer and General Manager of Human Resources Department of the above
2016	Director and Executive Officer of the above
2017	Director and Managing Executive Officer of the above
2018	Representative Director and Managing Executive Officer of the above
2019	Managing Executive Officer of the Company Representative Director, President, Higashi-Nippon Bank, Ltd. (currently)
2020	Director of the company
2022	Representative Director for same (currently)




Nobuo Onodera
Directors
 (Concurrently, Representative Director and Managing Executive Officer, the Bank of Yokohama Ltd.)

Year appointed	Profile
1995	Joined the Bank of Yokohama, Ltd.
2021	Executive Officer and General Manager of Sales Strategy Department for same
2022	Executive Officer of the Company Director and Executive Officer, the Bank of Yokohama, Ltd. Director of the Company (currently)
2023	Representative Director and Managing Executive Officer, the Bank of Yokohama, Ltd. (currently)




Tomoki Arai
Directors
 (Concurrently, Director and Managing Executive Officer of the Bank of Yokohama Ltd.)

Year appointed	Profile
1994	Joined the Bank of Yokohama, Ltd.
2019	Executive Officer of same and Market Sales Department General Manager
2021	Executive Officer of Higashi-Nippon Bank, Ltd.
2022	Executive Officer of the Company Managing Executive Officer of the Bank of Yokohama, Ltd.
2023	Director and Managing Executive Officer (currently) Director of the Company (currently)




Toshihiko Onuki
Directors
 (Concurrently, Director and Managing Executive Officer of the Bank of Yokohama)

Year appointed	Profile
1991	Joined the Bank of Yokohama, Ltd.
2020	Executive Officer and ICT Management Department General Manager Executive Officer and ICT Promotion Department General Manager, the Bank of Yokohama, Ltd. Executive Officer of Higashi-Nippon Bank, Ltd.
2023	Managing Executive Officer, the Bank of Yokohama, Ltd. (currently) Director of the Company (currently)



Mitsuru Akiyoshi
Director (outside)

Year appointed	Profile
2015	Executive Vice President and Representative Director, Marubeni Corporation CEO, Food & Consumer Products Group
2019	MG Leasing Corporation (currently Mizuho Marubeni Leasing Corporation) President and Representative Director Outside Director of the Company (currently) Outside Audit & Supervisory Board Member of INPEX Corporation and Teikoku Oil (currently, INPEX Corporation) (currently)
2022	Advisor (Part-time), Mizuho Marubeni Leasing Corporation (currently)



Yoshinobu Yamada
Director (outside)

Year appointed	Profile
1995	Managing Director, Merrill Lynch Japan Securities Co.
2008	Representative Partner, Olivant Advisors
2009	Managing Director, Deutsche Securities Inc.
2019	Senior Advisor, PwC Advisory LLC
2020	Outside Director of the Company (currently)



Mami Yoda
Director (outside)
 (Concurrently, Director (non-executive), the Bank of Yokohama, Ltd.)


Year appointed	Profile
2005	Managing Director, Standard & Poor's International, LLC
2017	Associate Professor, Department of English Language and Culture Communication, Faculty of Arts and Sciences, Sagami Women's University
2020	Associate Professor, Graduate School of Social Entrepreneurship, Sagami Women's University Outside Director of the Company (currently)
2022	Professor, Department of English Language, Culture, and Communication, Faculty of Arts and Sciences of Sagami Women's University (currently) Professor, Graduate School of Social Entrepreneurship, Sagami Women's University (currently)

Audit & Supervisory Board Member




Kazuhiro Maehara
Full-time Audit & Supervisory Board Member

Year appointed	Profile
1988	Joined the Bank of Yokohama, Ltd.
2016	Executive Officer and General Manager of Risk Management Department of the above
2017	Executive Officer and Deputy General Manager of Sales Head Office of the above
2018	Executive Officer and General Manager of Risk Management Department of the Company
2019	Full-time member of Audit and Supervisory Board of same (currently)




Mitsuhiro Hara
Audit & Supervisory Board Member
 (Concurrently, Full-time Audit & Supervisory Board Member, the Bank of Yokohama)

Year appointed	Profile
1985	Joined the Bank of Yokohama, Ltd.
2013	Executive Officer and General Manager of Corporate Planning Department of the above
2015	Executive Officer and Manager, Sagamihara Ekimae Branch of same Concurrently, General Manager, Prefecture North Block Sales Division
2017	Executive Officer and General Manager of Loans Department of the above
2018	Full-time member of Audit and Supervisory Board of same (currently) Auditor, Saikaya Co.
2021	Audit & Supervisory Board Member of the Company (currently)



Keiichiro Hashimoto
Audit & Supervisory Board Member (Outside)

Year appointed	Profile
2001	General Manager, International Business Department, the Bank of Tokyo-Mitsubishi, Ltd.
2003	Representative Director, Mitsubishi Motors Corporation Executive Vice President and Chief Financial Officer
2010	Representative Director, Chairman and President, Metropolitan Expressway Company, Limited
2015	Auditor, Higashi-Nippon Bank, Ltd.
2016	Outside Audit & Supervisory Board Member of the Company (currently)
2020	Outside Director, FANCL Corporation (currently)
2021	President of T Art Life Village, a general incorporated association Director (non-executive), Maeda Road Construction Co., Ltd. (currently) Outside Director, Infreer Holdings Inc. (currently)



Seiichi Fusamura
Audit & Supervisory Board Member (Outside)

Year appointed	Profile
2009	Sendai High Court Chief Justice
2011	Nagoya High Court Chief Justice
2012	Registered attorney Outside Auditor, Nippon Paper Industries Co., Ltd. Chairman of Public Safety Examination Committee
2016	Outside Audit & Supervisory Board Member, the Bank of Yokohama, Ltd.
2020	Outside Audit & Supervisory Board Member of the Company (currently) Outside Director, Nippon Kayaku Co., Ltd. (currently)



Mayumi Noguchi
Audit & Supervisory Board Member (Outside)

Year appointed	Profile
1998	Joined Asahi Audit Corporation (now KPMG AZSA & Co., Ltd.)
2008	Head of Noguchi Certified Public Accountant Office (currently)
2015	Auditor, National Archives of Japan (currently)
2018	Outside Director, Fenwal Controls of Japan, Ltd. (currently)
2021	Outside Audit & Supervisory Board Member of the Company (currently)
2022	Auditor, Japan Green Investment Corp. for Carbon Neutrality (JICN) (currently)

Executive Officers

Yutaro Koshiba
Kazuhiro Sukegawa
Toshiya Kubota
Kazumi Nobe

(Concurrently, Director and Managing Executive Officer of the Bank of Yokohama Ltd.)
 (Concurrently, Director and Managing Executive Officer of Higashi-Nippon Bank Ltd.)
 (Concurrently, Director and Managing Executive Officer of Higashi-Nippon Bank Ltd.)
 (Concurrently, Executive Officer of the Bank of Yokohama)

Risk Management Initiatives

Basic Concepts

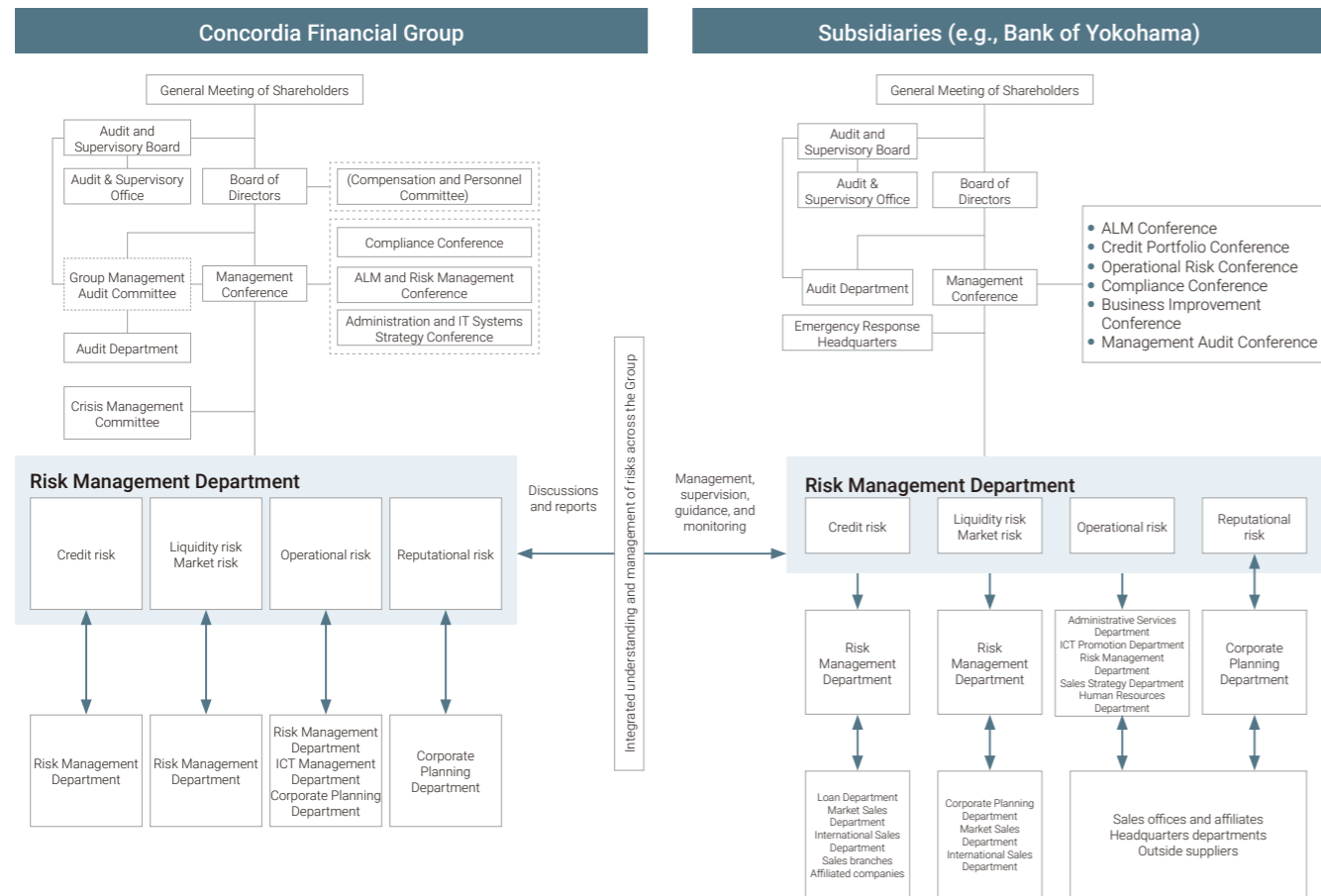
In order to foster and instill a risk culture, the Group manages risk based on the following basic policies.

- To minimize the negative impact of economic fluctuations, and to provide stable and continuous financial services as a financial group trusted by the community, the Group will conduct appropriate risk management.
- The Company ensures sound management by identifying, assessing, monitoring, and controlling the risks for the entire Group as comprehensively as possible, and strives to secure stable earnings commensurate with the risks through the appropriate allocation of management resources.
- In order to ensure objectivity and account for the interaction between risks, we strive to quantify and manage various risks in an integrated manner.

Risk Management System

The Group subsidiaries (the Bank of Yokohama and Higashi-Nippon Bank) manage risk by setting up risk control and management departments for each risk type, while the holding company manages risk for the entire group in an integrated manner, and a risk officer independent of the Audit Department reports regularly to the Board of Directors on the status of risk.

Specifically, subsidiaries appropriately manage risks in accordance with their risk profiles and report to the holding company on the status of risks. The holding company provides subsidiaries with necessary guidance, and the board of directors and the ALM and Risk Management Conference (Top Management Conference) provide supervision by monitoring, discussing, and making decisions related to the various types of risks and the risk for the Group as a whole.

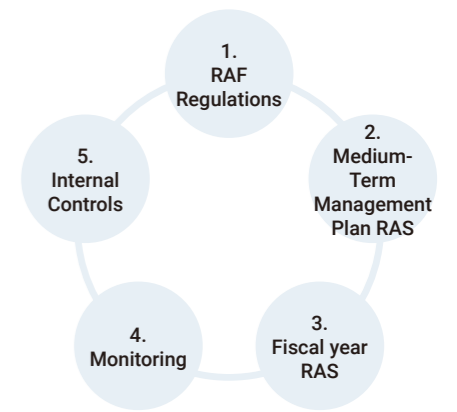


Risk Appetite Framework

Risk Appetite Framework (RAF) in Practice

As a risk governance framework, the Group has introduced a Risk Appetite Framework (RAF) to monitor and clarify the type and amount of risk taken on during operations, while taking into account the balance of earnings, risk, and our capital buffer. When formulating the medium-term management plan and budget for each financial year, a risk appetite statement (RAS), which defines the types and amounts of risks that management should willingly accept or avoid, is adopted at a Board of Directors' meeting. In addition, in order to utilize the RAF as a framework that contributes to ROE improvement and effective capital utilization, the Board of Directors is discussing the enhancement of asset allocation based on capital allocation that takes into account the risk-return ratio of each division. We plan to optimize risk-return, using the RAF to constantly monitor risk assets and their relationship to return, which are incorporated in the budget.

In addition, in order to foster and instill the risk culture embodied in the RAF, risk management workshops are held as needed for officers, including directors. (For FY2022, such a workshop was held in January 2023.)



Overview of Risk Appetite Framework (RAF) Management System

A Capital allocation and risk capacity based capping

The potential maximum loss (risk amount) for each risk is measured using value-at-risk (VaR) and other measures, and capital is allocated to each risk type in order to limit the amount of risk to the amount of equity capital available for risk-taking. For risk assets, the risk appetite is set so as not to exceed measured risk capacity.

B Stress testing

The Company verifies the appropriateness of risk-taking by estimating losses for each type of risk and measuring the impact on capital, earnings, risk-weighted assets, and risk volume using group-wide stress scenarios to confirm the adequacy of capital in budgetary plans and to ensure that the profit level is acceptable to management in times of stress.

C Top Risk Management

In order to manage top risks, we set key risk indicators (KRI) as warning indicators in order to as much as possible detect the possibility of risks materializing in the future. We continuously monitor these KRIs to detect early signs of problems and we prepare to respond flexibly in the event that risks do materialize.

The items listed above are monitored, discussed, decided upon, and supervised by the Board of Directors.

Top Management Risks

The Group defines as "Top Risks" those risk events that are important to management and should be managed. We continuously monitor our top management risks and strive to perceive the signs and are prepared to respond flexibly in the event that a risk manifests.

Main Top Risks

- Deterioration in business conditions of companies due to external environmental factors in Japan and abroad
 - Changes in monetary policy
 - Emerging China risks
 - Development of digitization and intensifying competition with other business categories
 - Large-scale damage due to cyberattacks
 - Major damage due to system failure
 - Major natural disasters
 - Transition to a carbon neutral society
 - Sanctions for inadequate anti-money laundering measures, etc.
- * These are some of the risks that the Company has recognized, but risks other than these may have a particularly significant adverse effect on our business.

Crisis Management

The Group has a crisis management system in place to ensure the safety of its customers and employees, the smooth execution of financial operations, and the protection of customers' assets even in the event of an earthquake or other large-scale disaster, system failure, infectious disease epidemic, etc. In the event of a crisis, the Crisis Management Committee, which is chaired by the president and representative director, instructs companies within the Group to set up an emergency headquarters to centrally manage the response to the situation.

Furthermore, we prevent system problems that could have a serious impact on customers and have put in place a problem response system.

The Group places the highest priority on the health and safety of its customers and related parties, and will strive to maintain and continue its financial functions as part of the financial infrastructure essential to the maintenance of social functions.

Risk Management Initiatives

Integrated Risk Management

Basic Concepts

The Group classifies and manages overall Group risks in the following categories: credit risk, market risk, liquidity risk, operational risk, and reputational risk. In addition, we ensure the soundness of management by identifying, evaluating, monitoring, and controlling risks in an integrated manner to the greatest extent possible, including risks related to the development, provision and revision of products and services, as well as risks related to outsourcing of operations. We are also prepared to secure stable earnings through the appropriate allocation of management resources, commensurate with the risks involved.

<p>Credit risk</p> <p>Risk of loss due to a decline in the value of assets due to deterioration of the financial condition of the borrower</p>	<p>Market risk</p> <p>Risk of loss due to fluctuations in the value of assets and liabilities held resulting from changes in various market risk factors, such as those for interest rates and securities</p>	<p>Liquidity risk</p> <p>Risk of losses due to unexpected outflows of funds (cash flow risk and market liquidity risk)</p>	<p>Operational risk</p> <p>Risk of losses due to inadequate administration, inadequate systems, violations of laws or regulations, natural disasters, and health hazards for executives and employees</p>	<p>Reputational risk</p> <p>Risk of incurring losses due to negative external publicity as a result of the words, actions and behavior of the Group, its officers, employees, etc.</p>
---	--	---	--	---

Integrated Risk Management Framework

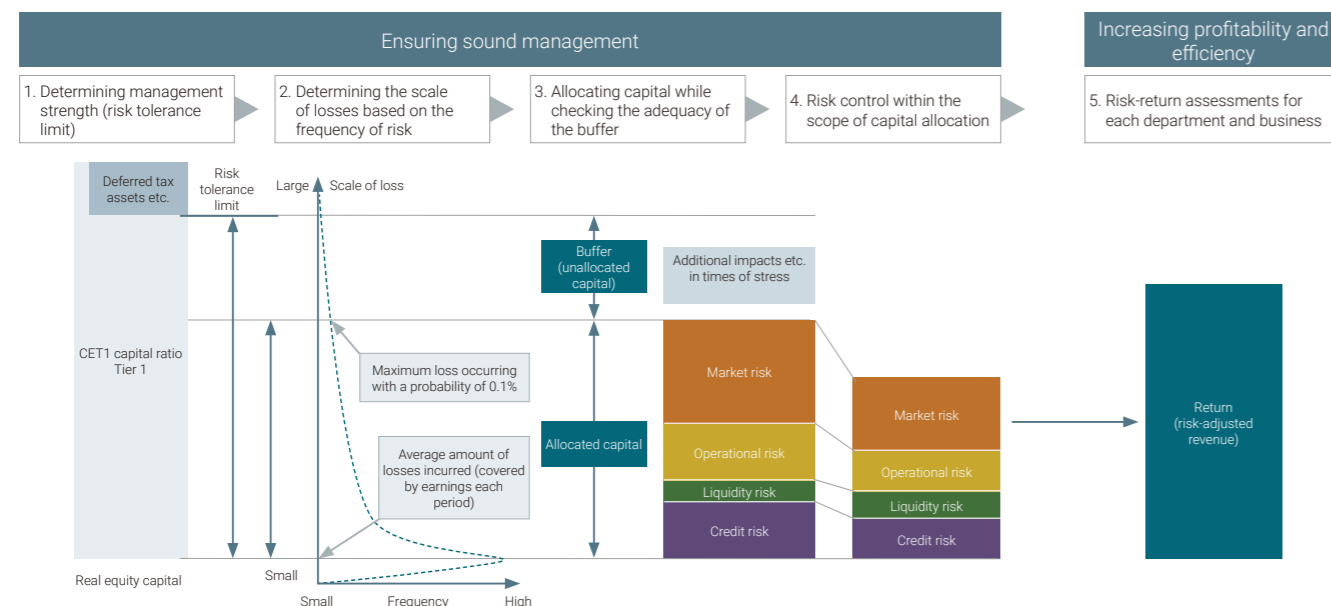
Ensuring soundness through capital allocation

The Group measures the potential maximum loss (amount of risk) for each risk using VaR (value-at-risk) and other measures, and allocates capital by risk type in order to keep the amount of risk within the range of real equity capital (the risk tolerance limit, which is defined as Tier 1 common equity less deferred tax asset equivalents etc.) When allocating capital, we check the sufficiency of the buffer (unallocated capital) to ensure that our real equity capital is not exceeded in times of stress.

Ensuring soundness through stress testing

In order to assess the adequacy of the buffer (unallocated capital) and to confirm the appropriateness of risk-taking, the Group conducts stress tests in which stress scenarios are established and the amount of loss and risk in the event of the stress event is estimated across the risk categories.

Stress scenarios have been established for the Group taking into consideration past sharp economic downturns and future environmental changes.



Cybersecurity

Cybersecurity Governance

External audit system

The Group has been strengthening its cybersecurity measures not only through external audits based on the Cybersecurity Framework international standard guidelines developed by the National Institute of Standards and Technology (NIST), but also through threat-led penetration tests (TLPT), in which ethical hackers from a specialized security firm actually penetrate internal systems to assess vulnerabilities and identify issues. From FY2021, in addition to conducting the annual TLPT, we also began conducting external audits using the FFIEC (Federal Financial Institutions Examination Council) "Cybersecurity Assessment Tool", which is widely used by financial institutions in the U.S., with the aim of achieving the security standards of global financial institutions, and we will continue to strengthen our efforts to address the issues identified.

Involvement of Top Management

To clarify that we implement management-driven cybersecurity measures, we formulated the "Cybersecurity Management Declaration" in April 2022. In terms of the system, our security policy stipulates that the director in charge of the ICT Management Department is the security officer in charge of security for the entire Group. In addition, at regular ALM and Risk Management Meetings and President Reporting and CSIRT Meetings, which are composed mainly of directors, reports are given on threats and regulatory trends, security measures based on these trends, and their current status as agenda items, and management provides appropriate guidance and checks concerning the contents of the reports. Furthermore, the contents of these reports are reported to the Board of Directors on a regular basis and as circumstances change, and the Board of Directors oversees the execution status.

Management of contractors etc.

When using cloud services or entrusting our Group's information to contractors, we evaluate how the contractors and subcontractors comply with our Group's security standards not only at the time of contract, but also periodically after the contract is concluded. For highly important information, we verify compliance at least once a year. Specifically, we evaluate the security of the systems of contractors and subcontractors and such things as the state of their training of employees (including those of their contractors and subcontractors) about information management systems. When standards are not met, we request improvements or change the subcontractor.

Protection of Personal Information

As initiatives to protect personal information, we publish our purposes of use for personal information on our homepage and elsewhere in accordance with the relevant laws and regulations, manage this information appropriately, and in order to prevent information from being leaked outside the company or viewed by persons whose work does not require it, we control access physically and systematically, including by granting authorization according to role. We have also developed various rules and regulations, strictly classify and define information, and ensure that all executives and employees are fully aware of this.

During the planning and development stages, system specifications are reviewed for security by personnel specializing in security and system risk, and in order to enhance safety, we have an external security vendor carry out periodic vulnerability assessments before and after a new system is released to the public. When storing personal information such as customer information in our systems, we control access physically and systematically, including by granting authorization according to role, and encrypting the data using dedicated tools. We also encrypt communications when customers connect to our official website and Internet banking from their devices. The head of each department is responsible for these systems, for their security, and for managing them. The Audit Department conducts objective checks to ensure the appropriate and safe handling of customers' personal information. In addition, we run our credit card issuance operations in compliance with PCIDSS, the international security standard for the credit card industry.

Concordia Financial Group ICT Management Department Security Management Office Business Leader, and The Bank of Yokohama, ICT Promotion Department Security Management Office, Business Leader

Takeshi Sakai



We want to deliver peace of mind to our customers.

I have been working on cyber security for more than 15 years in the Air Self-Defense Force, at a company specializing in cyber security, and at a major financial institution. I joined the Bank of Yokohama in 2022 because I wanted to contribute the skills and experience I had gained to my local area.

My current duties are diverse, including security product implementation projects, cyber-attack monitoring, training in preparation for possible damage, liaising with external organizations, and employee training. It was easy for me to make use of my previous skills and experience, and combined with the Bank's culture of recruiting career professionals over many years, I believe that I was able to become an asset immediately after joining the Bank.

Our goals for the future are for employees enrolled through the Bank's education system to successfully complete their graduate school programs and for us to further strengthen cyber security measures not only at the Bank of Yokohama, but also throughout the Concordia Financial Group, so that our customers can feel even more secure.

Risk Management Initiatives

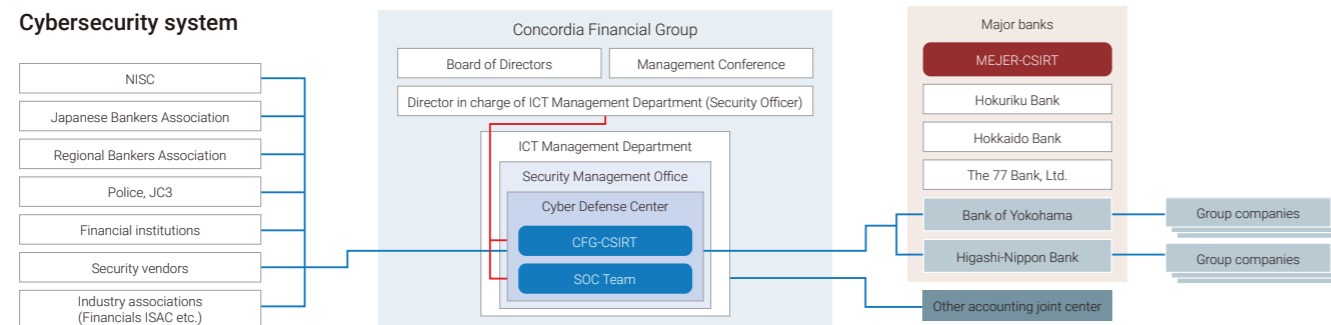
Incident Response Posture

In order to respond to the evolving threat of cyberattacks, from FY2023 we have formed a Cyber Security Office within the ICT Management Department and established a Cyber Defense Center within that office. The Cyber Defense Center consists of the Concordia Financial Group CSIRT, which comprises the CSIRT members from each group company, and a private SOC.

In addition to collecting and disseminating routine threat information and investigating and responding to attacks when they are detected, the Concordia Financial Group CSIRT prepares for emergencies by regularly participating in training organized by the National Center of Incident Readiness and Strategy for Cybersecurity (NISC), the Financial Services Agency (FSA), and Financials ISAC Japan in order to verify cooperation among government agencies, industry organizations, and Group companies. In order to regularly exchange information, verify systems, and conduct joint training, we have also formed the MEJAR-CSIRT with the regional financial institutions that operate the MEJAR core system and with NTT DATA. From FY2023, the "CMS-CSIRT" will be established with banks participating in the NTT Data Regional Bank Joint Center in order to strengthen the security position of regional financial institutions, not only through joint training and study sessions, but also through joint procurement of products and resource sharing.

The private SOC utilizes the latest integrated log monitoring tools and automation tools for early detection of security incidents and to respond to them. In addition to establishing an organizational structure, we have formulated response plans for different types of incidents, such as ransomware infection, DDoS attacks, information leaks, etc., in case a security incident should occur. This response plan is continuously improved based on the results of the various drills mentioned above. In the event of an incident, we investigate the cause and take measures to correct the situation and to prevent recurrence (preventive actions) in cooperation with the relevant departments.

Cybersecurity system



Education and training

Education and training exercises for Group executives and staff

To improve cybersecurity literacy, the Group provides all officers and employees (including part-time and temporary employees) with training and education based on the Security Policy. For drills, we conduct suspicious e-mail drills and other drills multiple times a year in order that our response to any emergency situation that may arise will be quick and smooth. The training is conducted in an E-learning format and covers topics such as recent cyber-attack cases and content for ensuring the safety of information assets. We also provide level-specific training for new employees, newly appointed and existing managers, supervisors, etc. and hold seminars for management-level employees taught by outside experts. Through these efforts, we maintain our cybersecurity skills and further improve our response procedures for each particular type of incident (ransomware infection, DDoS attack, information leak, etc.)

Full-time employees of the Cyber Defense Center are encouraged to obtain CISSP and Registered Information Security Specialist certification. (All certification training, acquisition, and maintenance costs are covered by the company.)

We also work to improve the knowledge and skills of our full-time employees by providing training for more specialized international certifications such as the Global Information Assurance Certification (GIAC) and the Offensive Security Certified Professional (OSCP) certification, by sending them to security conferences, and by sending them to the Institute of Information Security (Master's Program). In addition to this, we have set targets for mid-career specialists and will continue to recruit and train them.

Customer education

In response to the high frequency of fraudulent remittances caused by phishing and other scams, we have joined the Japan Cyber Crime Center (JC3) and are working to collect information on Internet-based financial crimes. When we obtain information on fraudulent remittance methods, suspicious e-mails that fraudulently use our name, SMS (text message) cases, or the launch of phishing sites, we post such information on our website to alert our customers.

In addition, the Bank of Yokohama has been working to improve and promote cybersecurity measures among enterprises in the prefecture. These efforts have included holding the March 2022 Kanagawa Cybersecurity Forum, a cybersecurity educational event for companies in Kanagawa Prefecture. In June 2022, the bank joined the Kanagawa Prefecture Enterprise Cybersecurity Public-Private Joint Project, which aims to raise cybersecurity levels among companies in the prefecture. By joining this project, the bank is working to improve its own technology through information sharing with companies that have cutting-edge technology and expertise and is supporting efforts to improve the level of cybersecurity at companies in the prefecture.

Compliance Initiatives

Basic Concepts

The Group recognizes compliance as one of the most important issues for management, with executives and employees working together to enhance the compliance system based on our Basic Compliance Policy (*).

(*): Basic Compliance Policy: <https://www.concordia-fg.jp/compliance/index.html>

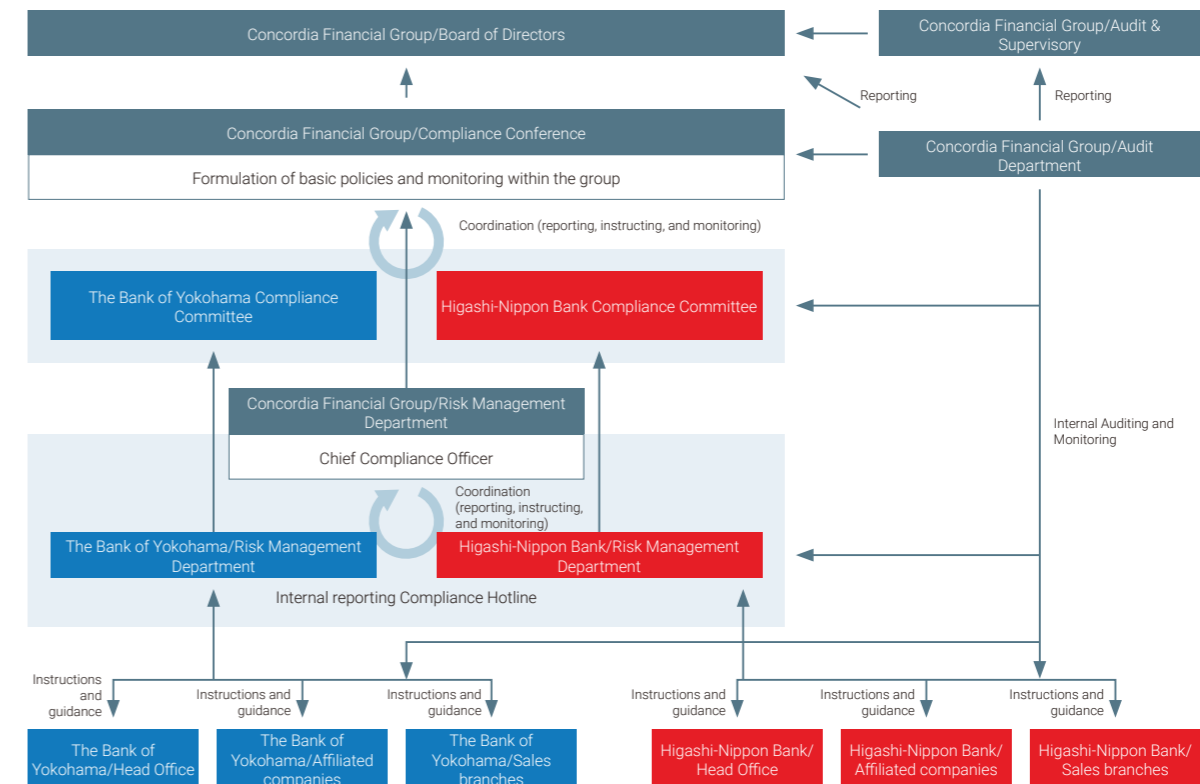
Compliance System

The Group's Chief Compliance Officer is in charge of the Risk Management Department and is responsible for overall group compliance, while the Risk Management Department, as the department responsible for compliance, centrally manages and guides compliance-related operations for the entire group and reports any serious matters to the Board of Directors.

In order to ensure compliance throughout the Group, the Group continuously conducts training for all officers and employees (including part-time and temporary employees). In addition, as a specific plan of practice to achieve compliance, we establish a Compliance Program for each financial year in accordance with the Basic Compliance Policy, and establish action principles for the realization of this program. In our FY2023 compliance program, we are focusing on maintaining a thorough awareness of compliance and a common-sense sales attitude, on conducting customer-oriented services, managing information rigorously, on combating money laundering and the financing of terrorism, on taking appropriate action against antisocial elements and financial crime, and on other initiatives.

In addition, in order to raise the effectiveness of the compliance program, we hold Compliance Conferences attended by directors, executive officers, and general managers regularly to monitor the progress of the program and the status of compliance, including the handling of whistleblowing and corrupt practices, and we report to the Board of Directors. The Board of Directors also receives the above reports and supervises the group companies.

(*): Abuse of authority to obtain improper benefits, such as bribery, embezzlement, breach of trust, extortion of benefits, and offering or receiving entertainment or gifts that exceed socially accepted norms



Compliance Initiatives

Whistleblower system

In order to facilitate early detection and correction of compliance-related problems, such as violations of laws and regulations, fraud, corruption (*1), violation of internal rules, and harassment, the Group has established a Compliance Hotline, which is an internal reporting desk, at the Company, at the Bank of Yokohama, and at Higashi-Nippon Bank so that all employees in the Group (including part-time and temporary employees) can directly report and consult about problems related to compliance (*2).

The reporting desk is operated in accordance with the spirit and intent of the revised Whistleblower Protection Act and its guidelines, which went into effect in June 2022. For the protection of whistleblowers, information is accepted from both anonymous and confidential whistleblowers. A limited number of whistleblower response personnel handle the information and do so under strict information management. Investigations are carried out so as not to identify the whistleblower, and the whistleblower is not investigated or subject to unfair personnel or other treatment because of their whistleblowing activity.

When a whistleblowing report is received, an investigation is carried out to determine the facts of the case in accordance with the information received. If a violation of compliance is confirmed, corrective measures are taken and recurrence prevention measures are formulated, personnel measures such as disciplinary action against the subject of the whistleblowing are considered and implemented, and feedback is provided to the whistleblower to the extent necessary. Reports are also received at an external contact point set up at a lawyer's office and forwarded to the risk management personnel of each Group company via the Company's Risk Management Department. Each company takes action to resolve the problem after consulting with its lawyer.

The Group is making efforts to disseminate knowledge of the whistle-blowing system, including the protection of whistleblowers, by displaying posters, making a user's manual, and holding study sessions for all officers and employees.

(*1) Abuse of authority to obtain improper benefits, such as bribery, embezzlement, breach of trust, extortion of benefits, and offering or receiving entertainment or gifts that exceed socially accepted norms

(*2) For the number of hotline calls received, refer to page 151 "Group Non-Financial Data".

Internal Reporting Desk

Concordia Financial Group	Internal contact (Risk Management Department)
	External contact (lawyer's office)
	Auditor Reporting Desk* (Auditor's Office)
Bank of Yokohama	Internal contact (Risk Management Department)
	Auditor Reporting Desk* (Auditor's Office)
Higashi-Nippon Bank	Internal contact (Risk Management Department)
	Auditor Reporting Desk* (Auditor's Office)

* The Auditor Reporting Desk is a reporting desk that allows internal and external parties to directly report to Audit & Supervisory Board members any legal violations or inappropriate accounting matters involving directors and executive officers.

Initiatives to Prevent Money Laundering

With the increasingly widespread transfer of funds by criminal groups, terrorists, and other such groups, with international terrorist organizations showing more activity, and with the trend to the global proliferation of weapons of mass destruction, there is an increasing risk that financial institutions will become enmeshed in money laundering, terrorist financing, and proliferation financing.

In order to be ready for such risks, the Group not only complies with basic items such as confirmation at the time of transaction as stipulated in the "Act on Prevention of Transfer of Criminal Proceeds", the "Act on Foreign Exchange and Foreign Trade", and other relevant laws and regulations, but also plays its role as a participant in maintaining the soundness of the financial system by taking effective measures against money laundering and terrorist financing in accordance with the "Guidelines Concerning Measures against Money Laundering and Terrorist Financing" published by the Financial Services Agency.

Specifically, each company within the Group prepares the document prepared by specified operator based on the Act on Prevention of Transfer of Criminal Proceeds as its risk assessment document, comprehensively and concretely identifies and assesses risk, and takes risk reduction measures, such as proper notification of suspicious transactions. In addition, we continue our efforts to enhance our risk mitigation measures through the "Anti-Money-Laundering Program," which is established annually to verify the effectiveness of our risk mitigation measures.

Elimination of Anti-Social Elements

The Group is always aware of the importance that banks must place on their public mission and social responsibilities. The Group absolutely refuses financing for antisocial elements that pose a threat to the order and safety of civil society. Our organization as a whole works towards the elimination of all relationships, including transactions, with antisocial elements, and takes a firm stance against unjustified demands and intervention by such elements.

Specifically, the Concordia Financial Group has used this basic principle to formulate a Basic Policy on Anti-Social Forces (*) from the perspective of preventing harm caused by antisocial forces. Executives and employees are provided with training and guidance, and the department responsible for action in each Group company works with lawyers and public administration agencies such as law enforcement to prevent transactions and interactions with anti-social elements.

(*) Basic Policy on Antisocial Forces <https://www.concordia-fg.jp/company/base/compliance/antisocial/index.html>

Initiatives to Strengthen Customer Protection and Customer Information Management Systems

The Group considers the management of customer protection to be one of the most crucial areas of corporate management. We stand in the customer's perspective, strictly follow all laws and regulations, and conduct our corporate activities fairly and in good faith.

The Group is working to ensure thorough customer protection and compliance by providing e-learning and group training every year to all officers and employees (including part-time and temporary employees), according to their duties and positions, on topics such as fiduciary duty, management of customer information, abuse of dominant bargaining position, conflict of interest management, etc.

The Group has established a central department to centrally manage complaints in accordance with its regulations, and accepts consultations and complaints from customers. The Complaints Management Department consolidates complaints that have occurred, and provides instructions and guidance to the departments complained about and others to resolve the complaints. The Compliance Committee and the Compliance Conference (Management Committee) deliberate on analysis of the details and causes of complaints and the status of measures for improvement, then report to the Board of Directors. Ongoing efforts are made for improvement based on instructions and guidance by the Compliance Conference, the Board of Directors, etc. In addition, we have entered into a basic agreement with the Japanese Bankers Association, which is a "designated dispute resolution organization" under the Banking Law, to conduct the Financial ADR System, a procedure for resolving disputes with customers through the involvement of a third party.

As part of our efforts to protect personal information, we publicly announce the purpose of our use of personal information on our website etc. in accordance with laws and regulations, and we manage such information appropriately.

Anti-Corruption Initiatives

Our Group Anti-Corruption Policy prohibits bribery of public officials, both directly and indirectly, in Japan and overseas, ensures fair and sound relationships with all stakeholders, including customers, shareholders, outsourcing partners, and business partners, and prohibits all forms of corrupt behavior, including embezzlement, breach of trust, and offering or receiving entertainment or gifts that exceed socially accepted norms.

In order to disseminate and ensure compliance with our Group Anti-Corruption Policy, the Group conducts e-learning sessions on the policy for all officers and employees (including part-time and temporary employees), as well as study sessions on specific examples of corrupt behavior, such as embezzlement and breach of trust. In addition, in order to prevent corrupt practices, the Company prepares accounting records for all transactions, expenditures, and disposition of assets in a timely and accurate manner in accordance with various laws, accounting regulations, and company rules, and properly maintains relevant documents. In addition, we conduct appropriate due diligence when selecting and renewing outsourcing and business partnerships.

Thanks to these efforts, there were zero disciplinary actions or dismissals for corruption in FY2022 and no fines or settlement expenses were incurred. We also comply with laws and regulations regarding donations for political activities. We did not make any donations for political activities in FY2022.

The Audit Department conducts internal audits of all departments at least once every three years, independent of the executive divisions, concerning the status of compliance with the Group Anti-Corruption Policy and compliance initiatives, and makes recommendations for correction and improvement in problem areas.

Internal Audit System

Role of Internal Auditing

The Audit Department (the Group's internal audit department), verifies and evaluates the effectiveness and appropriateness of internal management systems and internal controls, including compliance and risk management, from a standpoint independent of the executive divisions, with the aim of ensuring the sound and appropriate operation of business and contributing to the achievement of management goals, and makes recommendations for correcting and improving issue points.

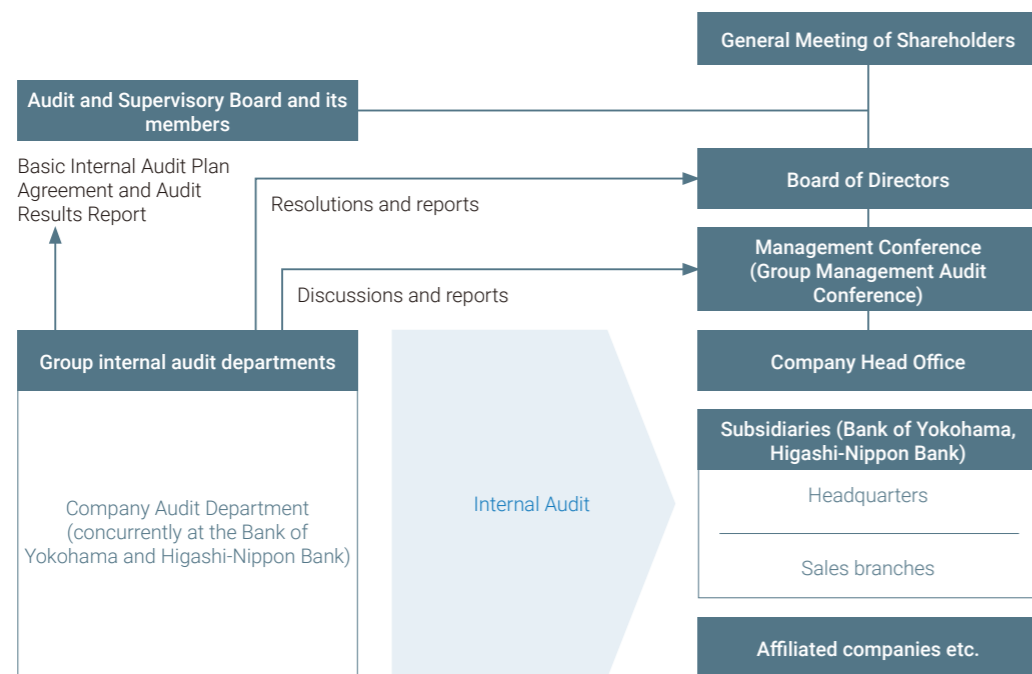
Group Internal Audit System

In order to ensure that internal audits can be conducted using uniform methods and standards within the Company, the Company and its subsidiaries have established the "Basic Rules for Internal Audits" to be followed when establishing policies and rules.

The members of the Audit Department of the Company are generally assigned concurrently to the Audit Departments of the Bank of Yokohama and Higashi-Nippon Bank. This establishes a system for efficient and effective internal audits on a group-wide basis and conducts consistent internal audits, thus strengthening the internal audit function.

The Company's Audit Department conducts internal audits of each department and consolidated subsidiary based on the basic internal audit plan formulated each fiscal year, and reports the results and the status of the executive department responses to issues to the Group Management Audit Committee, the Board of Directors, and the Audit and Supervisory Board.

In order to conduct more effective internal audits, we collaborate with auditors, accounting auditors, and departments in charge of internal control functions by periodically exchanging information.



Efforts to Improve Internal Audit Performance and Efficiency

In order to be forward looking in preventing the emergence of risks, which fluctuate due to changes in the internal and external environment and in order to effectively and efficiently allocate limited audit resources to audit targets, our Audit Department conducts risk-based audits by assessing risks inherent in departments and operations subject to internal audits (risk assessment) and by determining audit targets, frequency, and depth according to the results. In addition, for audit areas that require advanced expertise, we are working to enhance the sophistication of internal audits by conducting joint audits with external organizations as necessary.

Furthermore, in order to maintain and improve audit quality, in addition to securing diverse specialized personnel, we work to strengthen internal audit resources for the entire group, including by formulating a training plan for auditing staff and by systematically working on personnel development.

Customer-Focused Business Operations

Policy on Initiatives

As part of our commitment to customer-oriented business operations, we have formulated and published our "Declaration of Fiduciary Duty", which was approved by the Board of Directors. The Bank of Yokohama and Higashi-Nippon Bank have adopted a policy based on this Declaration and are working on proposals for customer-oriented asset management. Refer to our website for the Fiduciary Duty Declaration.

<https://www.concordia-fg.jp/company/base/fd/index.html>

Each group company has established a department to supervise customer-oriented business operations and a risk management department. The supervising departments oversee overall customer-oriented business operations by formulating annual plans based on the Declaration and report regularly to the Management Committee etc., developing internal systems, reviewing and monitoring products and services, enhancing training, and conducting customer surveys. The risk management departments monitor customer-oriented business operations from the perspective of customer protection, ensuring the suitability of product proposals and the provision of information, ensure the suitability and sufficiency of each function through periodic reports to the Board of Directors, and provide guidance for relevant departments. In addition, the Board of Directors of the Group supervises the efforts of each Group company.

In addition to complying with all applicable laws, regulations, and rules in the sale of financial products, we will solicit business appropriately in accordance with the solicitation policies set forth by each company and comply with relevant laws, ordinances, etc. concerning the protection of customers' personal information and work in accordance with the policies set by the company.

Customer-Focused Support for Asset Formation and Management

The Bank of Yokohama has adopted a policy based on this Declaration, and is working on proposals for customer-oriented asset management. We disclose indicators related to the results of our customer-oriented asset management proposals.

Furthermore, we have prepared an informative document entitled "Four Promises and Two Ideas" summarizing our approach to asset management based on the Declaration in an easy-to-understand manner and using it in asset management proposals and during follow-up.

Four Promises For customers considering investment trusts

- <Promise 1> To make customer-focused proposals for asset formation and management**
 - We listen carefully to the customer's ideas and propose a plan that contributes to medium- to long-term asset development based on the customer's investment experience and knowledge, income, asset situation, investment objectives, etc.
- <Promise 2> To provide optimal investment products**
 - We offer a wide variety of products to meet customer investment objectives and risk appetite.
 - We propose portfolios that provide stable asset management over the medium to long term.
- <Promise 3> To provide customers with information and to give them highly satisfactory service**
 - We stay close to our customers after purchase, and provide timely and appropriate information as needed.
 - We are committed to creating an environment in which customers can consult us with confidence.
- <Promise 4> To work with financial professionalism**
 - In order to provide optimal financial services, we develop human resources with a strong sense of responsibility to deserve the trust placed in us by our customers.

Two Ideas For customers with investment trusts

- <Idea 1> Approach 1: Invest slowly and carefully from a long-term perspective rather than attempting to guess the market.**
 - We convey the importance of holding long-term.
- <Idea 2> When in doubt, return to the two "starting points".**
 - If a customer becomes confused by market price fluctuation, we recommend that they return to the two starting points, namely the 'purpose' of their investment and the 'term' of the investment they were thinking about at the time of purchase.
 - Bank of Yokohama representatives are there for customers when the market is unstable and to help them in returning to the starting points of the investment.



Customer-Focused Business Operations

The Bank of Yokohama is committed to realizing the true interests (best interests) of its customers, and proposes portfolios that contribute to medium- to long-term asset building that meet the true needs and interests of its customers. In making proposals to customers, we adopt a “goal-based approach” (*). We check the customer’s investment experience and knowledge, income, asset situation, and investment objectives, and carefully listen to their thoughts on their goals for their future life plan.

Using the “Wealth Advisor”, a portfolio analysis tool, and the “Money Plan Guidebook”, an information provision tool, we engage in dialogue with clients to support optimal asset building and asset management, including asset diversification and time diversification, in order to accurately meet the needs of each client in pursuit of their respective goals. During follow-up visits, we check to see if there have been any changes in their thinking or life plan. If so, we redefine the goals and continue to provide operational support to help them achieve their goals.

(* This is a method of considering asset development in accordance with the future goals of each individual customer, and is based on the concept of setting an ultimate goal and working backwards from there to determine investment policy.

Developing a Product Lineup in Line with Customer Needs

In selecting products, we take into account the economic environment and market trends. We offer a lineup of products to meet the needs of our customers, from among not only those handled by our group companies, but also from among those handled by a wide range of money-management firms and insurance companies. In addition, we monitor and check the quality of the products even after their introduction. Twice a year, we have a third-party evaluation organization* analyze their performance. If the results are not satisfactory, we consider stopping sale of the product.

(* Third-party evaluator for FY2022 Investment trusts: Nomura Fiduciary Research & Consulting, Inc. and Mitsubishi Asset Brains, Inc. Life Insurance: Investment Trust & Insurance Business Research Institute Co.

Provision of Information to Customers (Use of Important Information Sheets)

The Bank of Yokohama has introduced Important Information Sheets for both financial service providers and for individual products in order to provide customers with easy-to-understand important information on medium- to long-term asset development and asset management and in order to enable easy comparison of the following items.

- Basic profits (returns), losses and other risks, as well as transaction conditions for financial products and services that we sell and recommend to customers
- Attributes of potential customers of financial service providers involved in the development of financial products that we sell and recommend to customers
- Reasons for the selection of the financial products and services that we sell and recommend to customers (including reasons for judging that they are based on customer needs and intentions)
- If there is a potential conflict of interest with respect to financial products or services that we sell and recommend to customers, specific details of such conflict (including commissions received from third parties), and the impact of such conflict of interest on transactions or operations

The Important Information Sheets also provide a clear comparison of the level of fees for each product. We use the Important Information Sheets to provide easy-to-understand explanations of the investment products we handle across the board, while listening to the thoughts of our customers.

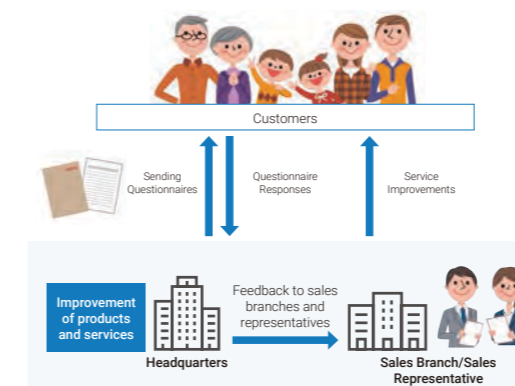
Taking a Stance Prioritizing Customer Satisfaction and Developing and Securing Human Resources

The Bank of Yokohama conducts an annual customer satisfaction survey to gauge customer satisfaction in order to seek the candid opinions of our customers. We ask our customers to evaluate our efforts directly and use the results to improve our products and services. We continue to improve our efforts to become the bank and staff of choice by offering proposals that contribute to long-term asset development and asset management and by providing regular follow-up services to give customers confidence after purchase (signing of contracts).

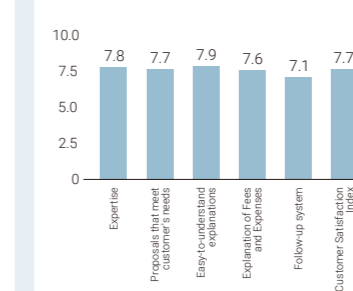
We conducted training, study sessions, and e-learning related to customer protection and compliance for all employees responsible for personal customers throughout the year to raise awareness. In addition, we are working to develop human resources with advanced expertise by encouraging staff to acquire qualifications related to customer protection etc. In particular, we are actively working to develop human resources with expertise and skills appropriate for financial professionals by encouraging them to acquire FP (financial planner) qualifications.

The status of our efforts for customer-oriented business operations is reflected in the personnel evaluations of both management and staff members. We are working to raise awareness of customer-oriented business operations from the standpoint of personnel evaluations of both management and staff members.

Customer survey methods and the flow of feedback to supervisors

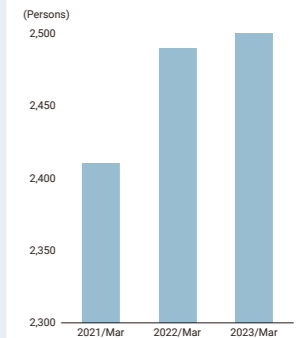


Customer survey results (10-point scale)^(*)



(* Average score, on a 10-point scale, of customers who contracted for investment-type products for their satisfaction with their transactions with the Bank.

Number of FP Level 1 and 2 Qualification Holders



The Bank of Yokohama, Yokohama Ekimae Branch
Personal Liaison Section
Natsumi Sato



Sincere and careful dialogue with customers

We are involved in consulting services such as advising individual customers on the management of financial assets, mainly investment-type products, and asset inheritance. We always ask our clients about their investment objectives and future goals. Then, while engaging in a thorough dialogue with each client, we carefully listen to each person’s thoughts and information, such as their age, family structure, and thoughts on investments, and work to make proposals that are suited to that individual. When we are able to make proposals from the customer’s point of view, we are often told, “You understand us very well”. “It’s the first time I’ve received such information.” When we get such good feedback, it’s very rewarding. We will continue to work sincerely with our customers, and strive to make useful proposals.

External Evaluation of Customer-Oriented Initiatives

The Bank of Yokohama and Hamagin TT Securities, a Bank of Yokohama Group company, received S+ and S ratings respectively in June 2023 in the R&I Customer-Focused Investment Trust Distributor Evaluation published by Rating and Investment Information Inc. (R&I), which is a credit rating agency. https://www.boy.co.jp/shared/pdf/boy/RandI_hyouka.pdf



Key points of R&I's evaluation of the Bank of Yokohama (excerpts from the evaluation report)

- 1. Formulation and publication of policies etc. related to customer-oriented business operations**
Fiduciary duty (FD) is positioned as a key issue for customer-oriented business operations. We take a flexible approach to solving issues at sales sites particularly through departments dedicated to promoting the penetration and establishment of fiduciary duty practices and fiduciary duty promotion team meetings. The status of fiduciary duty efforts has been revised for easy understanding and is focused on improvement through detailed action plans.
- 2. Pursuit of customers' best interests**
The company has established a basic system for human resource development with systematic educational programs, and is also making efforts to promote universal service. The company accurately grasps the proposal skills of each responsible staff person and improves their skills according to their level of proficiency. In addition, a sense of fiduciary duty is being inculcated through e-learning and other means, and the success of these efforts is continuously verified through customer questionnaires and other means.
- 3. Investment trust sales policy development and sales and review**
Results have been achieved by promoting goal-based approaches, core-satellite strategies and accumulation, including fund wraps with improved product features. Follow-up with customers has improved and is now excellent. The Bank of Yokohama did not previously handle structured bonds and Hamagin TT Securities, a member of the Group, has stopped handling them.
- 4. Selection and monitoring of investment trusts**
Investment trusts, insurance products, and other products are selected, monitored, and sales suspended based on clear processes and rules. Information from external rating organizations is also used to improve our product lineup of investment trusts and insurance.
- 5. Appropriate motivational framework for employees**
For performance awards targeting regions, districts, etc., evaluation term dates corresponding to the medium-term management plan have been adopted, earnings are weighted substantially lower, and fiduciary duty items have been incorporated. In addition, profit items have been eliminated from personal evaluations and the status of fiduciary duty efforts and the results of customer surveys have been incorporated.

Group Non-Financial Data

Human capital (human asset development)

Item	Unit	FY 2020			FY2021			FY2022		
		Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG
Number of people using the bank's internal recruitment system		141	8	149	239	6	245	440	11	451
Number of job titles or employment types changed (bank employee change)		6	0	6	3	0	3	14	3	17
Number of job titles or employment types changed (course change)		3	4	7	18	10	28	16	20	36
Annual training expenses	¥1,000	-	-	-	98,897	30,317	129,214	140,343	29,574	169,917
Total training hours per year	Hours	-	-	-	37,393	7,249	44,642	51,040	8,426	59,466
Average training hours per person	Hours	-	-	-	10 hours 12 minutes	7 hours 45 minutes	9 hours 42 minutes	14 hours 6 minutes	9 hours 37 minutes	13 hours 14 minutes
Number of training participants (total)		-	-	-	1,483	1,191	2,674	1,473	951	2,424

Social Contribution Activities

Item	Unit	FY 2020			FY2021			FY2022		
		Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG
Social contribution activity expenditures ⁽¹²⁾	¥1,000	145,100	673	146,084	125,344	870	126,789	96,396	1,074	100,051
Of which, donations to non-profit organizations	¥1,000	60,478	42	61,550	47,355	24	47,954	38,539	20	41,139
Number of financial education course participants ⁽¹³⁾		7,666	125	7,791	24,338	165	24,503	50,942	2,979	53,921

⁽¹²⁾ Data for FY2020 and FY2021 have been revised due to refinement of the aggregation method.

⁽¹³⁾ The number of participants in various financial seminars, work experience programs, and on-site classes, as well as the number of visitors (unique users) to the websites "Hamagin Money Classroom" and "Higashi-Nippon Bank Money Classroom" are aggregated.

Governance

Corporate Governance

(Concordia Financial Group)

Item	Unit	FY 2020	FY2021	FY2022
Number of Directors		7	7	7
Of which, number of outside directors		3	3	3
Number of Audit & Supervisory Board Members		5	5	5
Of which, number of outside members of Audit and Supervisory Board		3	3	3
Number of female directors ⁽¹⁴⁾		1	1	1
Of which, proportion of women	%	16.7	16.7	16.7
Average attendance rate for Board of Directors meetings	%	100	99.4	97.6

<The Bank of Yokohama, Higashi-Nippon Bank>

Item	Unit	FY 2020			FY2021			FY2022		
		Bank of Yokohama	Higashi-Nippon Bank	Total	Bank of Yokohama	Higashi-Nippon Bank	Total	Bank of Yokohama	Higashi-Nippon Bank	Total
Number of Directors		7	6	13	6	6	12	8	6	14
Of which, number of outside directors		2	1	3	2	1	3	1	1	2
Number of female directors ⁽¹⁴⁾		1	-	1	1	-	1	1	-	1
Average attendance rate for Board of Directors meetings	%	100.0	100.0	-	99.0	97.6	-	100.0	100.0	-

⁽¹⁴⁾ Including outside directors

Compliance

Item	Unit	FY 2020			FY2021			FY2022		
		Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG	Bank of Yokohama	Higashi-Nippon Bank	CFG
Number of customer consultations	Cases	5,375	259	5,634	5,878	154	6,032	5,653	181	5,834
Of which, telephone consultations	Cases	4,132	189	4,321	4,780	88	4,868	4,586	59	4,645
Complaints	Cases	1,175	172	1,347	1,625	88	1,713	1,686	59	1,745
Inquiries	Cases	2,957	17	2,974	3,155	0	3,155	2,900	0	2,900
Of which, number of Customer's Voice cards received	Cases	24	20	44	26	16	42	32	28	60
Of which, number of Customer Voices received on website	Cases	1,219	50	1,269	1,072	50	1,122	1,035	94	1,129
Complaints	Cases	723	28	751	622	17	639	565	22	587
Requests	Cases	451	17	468	385	31	416	421	5	426
Compliments	Cases	45	5	50	65	2	67	49	0	49
Others	Cases	0	0	0	0	0	0	0	67	67
Number of internal and external reports received (on hotline)	Cases	29	7	36	27	10	37	32	5	37

ESG Information

External evaluation

■ MSCI ESG Ratings

We have received an A as our MSCI ESG Rating*, which analyzes and evaluates the degree to which a company manages environmental, social, and governance risks.

* Use by the Concordia Financial Group, Ltd. of any data from MSCI ESG Research LLC or its affiliates (MSCI) and the use of MSCI logos, trademarks, service marks or index names herein, does not constitute a sponsorship, endorsement, recommendation, or promotion of Concordia Financial Group, Ltd. by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided "as-is" and without warranty. The MSCI name and logos are trademarks or service marks of MSCI.



■ CDP

We received a B as our CDP (*) 2022 score.

An organization that requests companies to disclose information about their greenhouse gas emissions and their efforts to address climate change



■ Pride Index 2022

We received the highest rating of "Gold" in the "Pride Index 2022," which evaluates the company's commitment to LGBTQ+ and other sexual minorities from the voluntary organization "Work with Pride".



■ Excellent Health Management Corporation

The Bank of Yokohama has been certified as a "Health Management Excellent Corporation 2023 - White 500", and Higashi-Nippon Bank as a "Health Management Excellent Corporation 2023" in the Large Corporations category of the "Health Management Excellent Corporations Certification System" established by the Ministry of Economy, Trade and Industry and the Japan Health Council.



■ Platinum Kurumin, Kurumin

The Bank of Yokohama has been certified by the Ministry of Health, Labour and Welfare as "Platinum Kurumin" and Higashi-Nippon Bank as "Kurumin" as defined by the Act on Advancement of Measures to Support Raising Next-Generation Children.



■ Eruboshi

The Bank of Yokohama has acquired the third level of "Eruboshi" (L Star) certification, which is granted to companies that have formulated and submitted a general business owner action plan and that meet certain requirements, such as excellent implementation of measures to promote women's activities.



■ R&I Customer-Oriented Investment Trust Distributor Evaluation

The Bank of Yokohama and Hamagin TT Securities, a member of our group, have received "S+" and "S" ratings, respectively, in the "R&I Customer-Oriented Investment Trust Distributor Evaluation" published by Rating and Investment Information, Inc., which rates trusts.



■ DX Certified Enterprises

Our company and the Bank of Yokohama have been certified as "DX Certified Enterprises" in the "DX (Digital Transformation) Certification System" established by the Ministry of Economy, Trade and Industry (METI).



Participation in Initiatives

The Group participates in and endorses various initiatives to fulfill its social responsibilities as a financial institution, to meet the demands of the international community, and to contribute to the attainment of a sustainable society.

Principles for Financial Action for the 21st Century

Task Force on Climate-related Financial Disclosures (TCFD)

CDP

GX League

Partnership for Carbon Accounting Financials (PCAF)

Included in ESG Indexes (as of June 30, 2023)

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

2023 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)

FTSE4Good

* The inclusion of the Concordia Financial Group, Ltd., in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of the Concordia Financial Group, Ltd., by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Consolidated Financial Statements

Concordia Financial Group

••• Consolidated Balance Sheet

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
ASSETS:			
Cash and due from banks (Notes 3, 12, and 27)	¥ 6,426,095	¥ 5,637,213	\$ 48,121,128
Call loans and bills bought (Note 27)	108,146	119,366	809,841
Monetary claims bought (Note 5)	24,747	26,930	185,318
Trading assets (Note 4)	3,266	4,908	24,458
Securities (Notes 5, 12, and 27)	2,868,336	2,718,311	21,479,233
Loans and bills discounted (Notes 6, 12, and 27)	15,750,299	14,997,171	117,944,430
Foreign exchanges (Notes 6 and 7)	25,230	27,200	188,933
Lease receivables and investment assets (Note 26)	74,730	71,841	559,609
Other assets (Notes 8 and 12)	239,020	232,855	1,789,876
Property, plant and equipment (Note 9)	164,406	167,834	1,231,137
Intangible assets (Note 10)	17,450	16,649	130,676
Net defined benefit asset (Note 17)	44,629	54,213	334,203
Deferred tax assets (Note 25)	30,540	20,387	228,702
Customers' liabilities for acceptances and guarantees (Note 11)	35,499	40,762	265,836
Allowance for loan losses	(82,845)	(74,855)	(620,383)
TOTAL	¥25,729,552	¥24,060,792	\$192,672,997
LIABILITIES:			
Deposits (Notes 12, 13, and 27)	¥19,441,721	¥19,045,992	\$145,587,253
Negotiable certificates of deposit (Note 27)	303,670	309,470	2,274,000
Call money and bills sold (Note 27)	1,998,420	856,869	14,964,961
Payables under repurchase agreements (Note 12)	66,194	10,915	495,692
Payables under securities lending transactions (Notes 12 and 27)	163,659	64,530	1,225,545
Trading liabilities (Note 4)	52	33	392
Borrowed money (Notes 12, 14, and 27)	2,176,516	2,217,421	16,298,614
Foreign exchanges (Note 7)	458	462	3,437
Bonds payable (Note 15)	60,000	80,000	449,304
Due to trust account	34,603	26,152	259,121
Other liabilities (Note 16)	261,622	217,576	1,959,133
Provision for bonuses	4,591	4,818	34,384
Provision for directors' bonuses	46	40	348
Provision for share-based compensation	245	430	1,839
Net defined benefit liability (Note 17)	677	602	5,073
Provision for reimbursement of deposits	2,229	1,593	16,695
Provision for contingent losses	1,716	2,109	12,857
Reserves under special laws	25	25	190
Deferred tax liabilities (Note 25)	73	33	548
Deferred tax liabilities for land revaluation	16,270	16,325	121,838
Acceptances and guarantees (Note 11)	35,499	40,762	265,836
Total liabilities	24,568,296	22,896,166	183,977,060
EQUITY (Notes 18 and 19):			
Capital stock – common stock – authorized, 3,000,000 thousand shares in 2023 and 2022; issued, 1,209,616 thousand shares in 2023 and 2022	150,078	150,078	1,123,847
Capital surplus	247,364	247,365	1,852,366
Subscription rights to shares	8	30	62
Retained earnings	741,440	708,456	5,552,198
Treasury shares – common stock – at cost, 35,502 thousand shares in 2023 and 9,594 thousand shares in 2022	(17,366)	(4,292)	(130,046)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(10,342)	11,355	(77,449)
Deferred gains or losses on hedges	3,457	3,020	25,895
Revaluation reserve for land	36,360	36,487	272,286
Foreign currency translation adjustment	779	421	5,839
Remeasurements of defined benefit plans	3,657	5,703	27,387
Total	1,155,439	1,158,626	8,652,385
Noncontrolling interests	5,815	6,000	43,552
Total equity	1,161,255	1,164,626	8,695,937
TOTAL	¥25,729,552	¥24,060,792	\$192,672,997

See notes to consolidated financial statements.

••• Consolidated Statement of Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥156,255	¥141,246	\$ 1,170,102
Interest and dividends on securities	27,808	22,915	208,238
Interest on call loans and bills bought	1,391	257	10,421
Interest on due from banks	6,732	5,595	50,415
Other interest income	4,874	2,109	36,499
Trust fees	266	252	1,997
Fees and commissions	70,670	68,671	529,207
Trading income	1,317	3,218	9,868
Other operating income (Note 21)	35,797	34,611	268,066
Other income (Note 22)	10,779	8,647	80,724
Total income	315,893	287,526	2,365,537
EXPENSES:			
Interest expenses:			
Interest on deposits	10,809	2,139	80,942
Interest on negotiable certificates of deposit	18	19	140
Interest on call money and bills sold	2,984	480	22,346
Interest on payables under repurchase agreements	566	16	4,242
Interest on payables under securities lending transactions	2,876	243	21,541
Interest on borrowed money	2,896	403	21,693
Interest on bonds payable	371	477	2,785
Other interest expenses	8,723	1,629	65,326
Fees and commissions	14,515	14,998	108,701
Trading expenses	15	4	114
Other operating expenses (Note 23)	44,899	37,136	336,222
General and administrative expenses	125,540	131,131	940,093
Provision of allowance for loan losses	12,021	5,142	90,019
Other expenses (Note 24)	9,121	15,118	68,307
Total expenses	235,360	208,941	1,762,471
INCOME BEFORE INCOME TAXES	80,533	78,584	603,066
INCOME TAXES (Note 25):			
Current	24,279	21,954	181,812
Deferred	48	2,284	365
Total income taxes	24,327	24,238	182,177
NET INCOME	56,205	54,345	420,889
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(45)	(464)	(344)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 56,159	¥ 53,881	\$ 420,545
		Yen	U.S. Dollars
PER SHARE INFORMATION (Notes 2.x and 20):			
Basic net income per share	¥47.39	¥44.67	\$0.35
Diluted net income per share	47.39	44.67	0.35
Dividend on common stock	19.00	18.00	0.14

See notes to consolidated financial statements.

••• Consolidated Statement of Comprehensive Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥ 56,205	¥ 54,345	\$ 420,889
OTHER COMPREHENSIVE INCOME (Note 29):			
Valuation difference on available-for-sale securities	(21,697)	(33,305)	(162,482)
Deferred gains or losses on hedges	437	4,340	3,276
Remeasurements of defined benefit plans	(2,040)	3,909	(15,284)
Share of other comprehensive income of entities accounted for using equity method	353	870	2,649
Total other comprehensive (loss) income	(22,947)	(24,185)	(171,841)
COMPREHENSIVE INCOME	¥ 33,257	¥ 30,160	\$ 249,048
Comprehensive income attributable to owners of the parent	¥ 33,212	¥ 29,695	\$ 248,705
Comprehensive income attributable to noncontrolling interests	45	464	343

See notes to consolidated financial statements.

••• Consolidated Statement of Changes in Equity

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Thousands	Millions of Yen												
		Number of Shares of Common Stock Outstanding	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests
BALANCE, APRIL 1, 2021	1,206,467	¥150,078	¥247,363	¥ 51	¥675,707	¥ (1,342)	¥ 44,661	¥(1,319)	¥36,661	¥(416)	¥ 1,760	¥1,153,205	¥5,894	¥1,159,099
Cumulative effects due to revision of accounting standards for foreign affiliates					(754)							(754)		(754)
Restated BALANCE, APRIL 1, 2021	1,206,467	¥150,078	¥247,363	¥ 51	¥674,953	¥ (1,342)	¥ 44,661	¥(1,319)	¥36,661	¥(416)	¥ 1,760	¥1,152,450	¥5,894	¥1,158,345
Net income attributable to owners of the parent					53,881							53,881		53,881
Cash dividends, ¥17.0 per share for common stock					(20,552)							(20,552)		(20,552)
Purchases of treasury shares	(6,569)					(3,001)						(3,001)		(3,001)
Disposals of treasury shares	123		2			52						54		54
Retirements of treasury shares														
Change in shareholders' interest of parent due to transactions with non-controlling interests			0											
Reversal of revaluation reserve for land					174							174		174
Net change in the year				(21)			(33,305)	4,340	(174)	837	3,942	(24,381)	105	(24,275)
BALANCE, MARCH 31, 2022	1,200,021	¥150,078	¥247,365	¥ 30	¥708,456	¥ (4,292)	¥ 11,355	¥ 3,020	¥36,487	¥ 421	¥ 5,703	¥1,158,626	¥6,000	¥1,164,626
Net income attributable to owners of the parent					56,159							56,159		56,159
Cash dividends, ¥18.0 per share for common stock					(23,301)							(23,301)		(23,301)
Purchases of treasury shares	(26,680)					(13,402)						(13,402)		(13,402)
Disposals of treasury shares	772		(0)			328						327		327
Retirements of treasury shares														
Change in shareholders' interest of parent due to transactions with non-controlling interests														
Reversal of revaluation reserve for land					126							126		126
Net change in the year				(21)			(21,697)	437	(126)	358	(2,045)	(23,095)	(184)	(23,279)
BALANCE, MARCH 31, 2023	1,174,113	¥150,078	¥247,364	¥ 8	¥741,440	¥(17,366)	¥(10,342)	¥ 3,457	¥36,360	¥ 779	¥ 3,657	¥1,155,439	¥5,815	¥1,161,255

	Thousands of U.S. Dollars (Note 1)												
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2022	\$1,123,847	\$1,852,372	\$ 226	\$5,305,199	\$ (32,141)	\$ 85,033	\$22,619	\$273,232	\$3,154	\$ 42,707	\$8,676,248	\$44,930	\$8,721,178
Net income attributable to owners of the parent				420,545							420,545		420,545
Cash dividends, \$0.15 per share for common stock				(174,492)							(174,492)		(174,492)
Purchases of treasury shares					(100,366)						(100,366)		(100,366)
Disposals of treasury shares		(6)		2,461							2,455		2,455
Retirements of treasury shares													
Change in shareholders' interest of parent due to transactions with non-controlling interests													
Reversal of revaluation reserve for land				946							946		946
Net change in the year			(164)			(162,482)	3,276	(946)	2,685	(15,320)	(172,951)	(1,378)	(174,329)
BALANCE, MARCH 31, 2023	\$1,123,847	\$1,852,366	\$ 62	\$5,552,198	\$ (130,046)	\$ (77,449)	\$25,895	\$272,286	\$5,839	\$ 27,387	\$8,652,385	\$43,552	\$8,695,937

See notes to consolidated financial statements.

••• Consolidated Statement of Cash Flows

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 80,533	¥ 78,584	\$ 603,066
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation	13,152	13,724	98,490
Impairment loss	193	255	1,447
Share of (profit) loss of entities accounted for using equity method	221	1,246	1,661
Increase (decrease) in allowance for loan losses	7,990	(1,279)	59,839
Increase (decrease) in provision for bonuses	(226)	10	(1,699)
Increase (decrease) in provision for directors' bonuses	6	11	46
Increase (decrease) in provision for share-based compensation	(184)	107	(1,385)
Decrease (increase) in net defined benefit asset	8,928	(2,666)	66,860
Increase (decrease) in net defined benefit liability	74	65	559
Increase (decrease) in provision for reimbursement of deposits	636	202	4,765
Increase (decrease) in provision for contingent losses	(392)	(76)	(2,937)
Interest income	(197,061)	(172,123)	(1,475,675)
Interest expenses	29,247	5,409	219,015
Loss (gain) related to securities	12,883	5,418	96,477
Foreign exchange losses (gains)	(25,551)	(39,784)	(191,341)
Loss (gain) on disposals of non-current assets	1,298	3,416	9,726
Loss (gain) on return of assets from retirement benefits trust	(2,154)	—	(16,135)
Net decrease (increase) in trading assets	1,642	(710)	12,299
Net increase (decrease) in trading liabilities	19	(24)	144
Net decrease (increase) in loans and bills discounted	(753,127)	(1,277,303)	(5,639,718)
Net increase (decrease) in deposits	395,728	1,030,695	2,963,373
Net increase (decrease) in negotiable certificates of deposit	(5,800)	126,750	(43,433)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(40,904)	786,663	(306,307)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	(28,315)	(41,267)	(212,034)
Net decrease (increase) in call loans and others	13,232	(55,738)	99,091
Net increase (decrease) in call money and others	1,196,830	690,556	8,962,337
Net increase (decrease) in payables under securities lending transactions	99,128	(90,864)	742,317
Net decrease (increase) in foreign exchanges – assets	1,970	1,523	14,755
Net increase (decrease) in foreign exchanges – liabilities	(3)	265	(26)
Net decrease (increase) in lease receivables and investment assets	(3,305)	(518)	(24,753)
Net decrease (increase) in due to trust account	8,450	10,220	63,281
Interest and dividends received	193,482	172,723	1,448,871
Interest paid	(25,825)	(5,473)	(193,388)
Other, net	8,975	18,997	67,212
Subtotal	991,774	1,259,019	7,426,800
Income tax paid	(26,234)	(11,729)	(196,453)
Net cash provided by (used in) operating activities	¥ 965,540	¥ 1,247,289	\$ 7,230,347
INVESTING ACTIVITIES:			
Purchases of securities	(1,048,114)	(1,496,789)	(7,848,690)
Proceeds from sales of securities	615,316	1,258,515	4,607,734
Proceeds from redemption of securities	295,835	474,349	2,215,334
Purchases of property, plant and equipment	(5,576)	(12,321)	(41,757)
Proceeds from sales of property, plant and equipment	1,452	1,319	10,877
Purchases of intangible assets	(6,713)	(4,942)	(50,272)
Other, net	(248)	(1,380)	(1,858)
Net cash provided by (used in) investing activities	(148,046)	218,750	(1,108,632)
FINANCING ACTIVITIES:			
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	(20,000)	(20,000)	(149,768)
Purchases of treasury shares	(13,402)	(3,001)	(100,366)
Proceeds from sales of treasury shares	0	0	0
Cash dividends paid	(23,301)	(20,552)	(174,492)
Cash dividends paid to non-controlling interests	(229)	(338)	(1,722)
Purchase of common shares from non-controlling interests	—	(20)	—
Net cash provided by (used in) financing activities	(56,934)	(43,912)	(426,348)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	7	9	56
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	760,566	1,422,136	5,695,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,496,374	4,074,238	41,159,015
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	¥ 6,256,941	¥ 5,496,374	\$46,854,438

See notes to consolidated financial statements.

••• Notes to Consolidated Financial Statements

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts. Yen amounts, other than per share amounts, have been rounded down to millions of yen. Yen per share amounts have been rounded down to two decimal places.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.54 to U.S. \$1, the rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation — The consolidated financial statements include the accounts of the Company, its consolidated subsidiaries and its associates accounted for using equity method.

The number of consolidated subsidiaries as of March 31, 2023 and 2022 was 12.

The number of associates accounted for by the equity method as of March 31, 2023 and 2022 was four.

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

The balance sheet dates of the consolidated subsidiaries are the same as the balance sheet date of the Company.

The consolidated financial statements do not include the accounts of eight subsidiaries in 2023, and 2022, because the total assets, total income, net income, retained earnings, and accumulated other comprehensive income of these entities would not have had a material effect on the consolidated financial statements.

Investments in the unconsolidated subsidiaries and associates to which the equity method accounting is not applied are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances, transactions, and unrealized profits included in assets have been eliminated in consolidation.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 5 to 10 years.

b. Trading-Purpose Transactions — “Transactions for trading purposes” (for the purpose of capturing gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from arbitrage opportunities) are included in “Trading assets” and “Trading liabilities” on a trade-date basis. Trading securities and monetary claims bought for trading purposes recorded in these accounts are stated at fair value and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as “Trading income” or “Trading expenses” on a trade-date basis.

c. Securities — Securities are classified and accounted for, depending on management’s intent, as follows:

(1) Held-to-maturity debt securities, which are expected to be held to maturity with a positive intent and ability to hold to maturity, are reported at amortized cost computed using the straight-line method.

(2) Available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities for which there is no market value are recorded at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

d. Property, Plant and Equipment — Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation of property, plant and equipment owned by the Group is computed mainly using the straight-line method.

The range of useful lives is from 2 to 60 years for buildings and from 2 to 20 years for equipment.

Depreciation of leased property and equipment owned by consolidated subsidiaries is calculated by the straight-line method over the lease periods.

e. Software — Cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of 5 to 7 years.

f. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. Revaluation Reserve for Land — Under the “Law of Land Revaluation,” The Bank of Yokohama, Ltd. (“BOY”) elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting revaluation reserve for land represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly, such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥34,438 million (\$257,891 thousand) and ¥34,416 million as of March 31, 2023 and 2022, respectively.

h. Deferred Charges — Bond issue expenses are recognized as expense when incurred.

i. Allowance for Loan Losses — Allowance for loan losses of major consolidated subsidiaries is provided based on the following categories of borrowers in accordance with the policy and guidelines for write-offs and provisions.

Legal bankruptcy: borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings

Virtual bankruptcy: borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation

Possible bankruptcy: borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy in the future

In need of special caution: borrowers in need of caution whose debts consist, in whole or in part, of substandard loans (accruing loans contractually past due for three months or more and restructured loans)

In need of caution: borrowers requiring careful management in the future, e.g., those with problematic loan terms and repayment conditions or those with weak or unstable business conditions

Normal: borrowers with good business conditions and no particular financial issues identified

(1) For claims to borrowers who are in the “Legal bankruptcy” category and “Virtual bankruptcy” category, the allowance for loan losses is provided based on the amounts of claims, after the write-off described below, net of the expected amounts of recoveries from collateral and guarantees.

(2) For claims to borrowers whose loans are classified as “Possible bankruptcy” category or “In need of special caution” category over a certain amount, for which future cash flows from the principals and interests could be reasonably estimated, the allowance for loan losses is provided for the difference between the present value of expected future cash flows discounted at the initial contractual interest rate and the carrying value of the claims (the “DCF method”). In addition, for claims for which the allowance for loan losses has been provided based on the DCF method in the previous period and for which certain requirements are met during the period of the business improvement plans, the allowance for loan losses is provided using the DCF method continuously.

(3) For claims to borrowers that are in the “Possible bankruptcy” category other than (2), the allowance for loan losses is provided based on the expected credit losses over the next three years. The expected credit losses are calculated based on the carrying amount of the loans less the estimated recoverable amounts of collaterals and guarantees, multiplied by the loss ratio based on the average of the actual historical loan loss ratio over a certain period in the past with necessary adjustments such as future prospects.

(4) For claims other than the above, the allowance for loan losses is provided based on the expected credit losses over the next three years for borrowers in the “In need of special caution” category and over the next one year for borrowers in the “In need of caution” category and “Normal” category. The expected credit losses are calculated based on the carrying amount of the loans less the estimated recoverable amounts of collaterals and guarantees for borrowers in the “In need of special caution” category (for borrowers in the “In need of caution” category and “Normal” category, based on the carrying amount of the loans), multiplied by the loss ratio based on the average of the actual historical loan loss ratio over a certain period in the past with necessary adjustments such as future prospects.

For collateralized or guaranteed claims to borrowers who are in the “virtual bankruptcy” category or “legal bankruptcy” category, the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2023 and 2022, the deducted amounts were ¥ 18,660 million (\$139,736 thousand) and ¥ 25,494 million, respectively.

Other consolidated subsidiaries maintain allowances for possible loan losses that are provided as deemed necessary to cover expected losses based on their own experience.

j. Provision for Bonuses — Provision for bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. Provision for Directors’ Bonuses — Provision for directors’ bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

l. Provision for Share-Based Compensation — Provision for share-based compensation is provided in the amount of the estimated payment based on the stock compensation system for directors, etc. of the Company and major consolidated subsidiaries that are attributable to each fiscal year.

m. Provision for Reimbursement of Deposits — Provision for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

n. Provision for Contingent Losses — Provision for contingent losses is provided for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

o. Reserve under Special Laws — Reserve under special laws is provided for contingent liabilities from brokering of security transactions in accordance with Section 1 of Article 46-5 of the Japanese Financial Instruments and Exchange Act.

p. Retirement and Pension Plans — Major consolidated subsidiaries have contributory funded defined benefit pension plans, lump-sum payment plans, and defined contribution pension plans for employees. Other consolidated subsidiaries have lump-sum payment plans, and some of these subsidiaries have defined contribution pension plans.

Past service costs: Past service costs are amortized using the straight-line method over a certain number of year (10 years) within the average remaining service period of employees when the costs are incurred.

Major consolidated subsidiaries accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 to 15 years within the average remaining service period. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

q. Stock Options — Compensation expenses for employee stock options are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (“ASBJ”) Statement No. 8, “Accounting Standard for Stock Options”. Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as subscription rights to shares as a separate component of equity until exercised.

r. Leases — Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

Lease revenue and lease costs are recognized over the lease period.

s. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. Translation of Foreign Currencies — Assets and liabilities denominated in foreign currencies and accounts of overseas branches held by the Group are translated at exchange rates prevailing as of the balance sheet date.

u. Derivatives and Hedging Activities — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the statement of income or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

Consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Audit Committee Report No. 24 for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

Consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 for currency swaps and funding swaps used for the purpose of currency exchange.

v. Cash and Cash Equivalents — For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

w. Cash Dividends — Cash dividends charged to retained earnings are dividends paid during the year and represent year-end dividends for the preceding year and interim dividends for the current fiscal year.

x. Per Share Information — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

y. Application of Japanese Group Tax Sharing System — The Company and major consolidated subsidiaries have applied Japanese Group Tax Sharing System.

z. Significant Accounting Estimates — Items for which amounts are recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a significant effect on the consolidated financial statements for the next fiscal year are as follows:

Allowance for loan losses: ¥82,845 million (\$620,383 thousand).

The Group calculates the amount of allowance for loan losses as described in Note 2, “Summary of Significant Accounting Policies, i. Allowance for Loan Losses.” and uses the following key assumptions in recognizing the amount.

- Future prospects of borrowers in determining the borrower classification based on their status and business improvement plans,
- Estimation of disposable amounts of real estate collaterals in the future based on the past results,

- Prospects for the collection of principal and interest of receivables based on the current performance under the cash flow estimation method, and

- Future prospects based on long-term historical results and trends to be taken into account in making necessary adjustments to the loss rate based on the historical average in calculating the expected credit losses.

These assumptions may be affected by changes in uncertain economic conditions in the future. If there is a material difference between the assumptions and the actual results, the balance of allowance for loan losses and the amount of provision for loan losses for the next fiscal year may be significantly affected.

While the impact of the Novel Coronavirus Infectious Disease on domestic economic activities has weakened, the impact on the credit risk of debtors remains unclear. Accordingly, the allowance for loan losses is estimated as follows: the Group expects credit losses from some debtors due to deterioration of business performance and cash flows, and the Group collects the latest detailed information as much as possible and determines the debtor classification based on the future prospects to calculate the allowance for loan losses. In addition, for some debtors in certain industries whose business activities have been significantly affected by the Novel Coronavirus Infectious Disease, the Group calculates the amount of expected credit losses with additional necessary adjustments considering the uncertainty of future prospects and credit risk. The assumption of the impact of the Novel Coronavirus Infectious Disease is uncertain, and actual credit losses may exceed the expected credit losses if the deterioration of debtors’ business performance and the period required for recovery exceed the assumption based on the latest available information due to sluggish consumer spending and stagnant production activities.

aa. Change in Accounting Policies

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied “Implementation Guidance on Accounting Standard for Fair Value Measurement”(ASBJ Guidance No.31, June 17, 2021) from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has prospectively applied the new accounting policy set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement. There are no effects on consolidated financial statements due to the application of the Implementation Guidance. In accordance with Paragraph 27-3 of Implementation Guidance on Accounting Standard for Fair Value Measurement, matters related to investment trusts in the breakdown of fair value of financial instruments by input level in the Note to “Financial instruments” have not been disclosed for the previous consolidated fiscal year.

ab. Additional Information

(Stock compensation system that utilizes trusts)

(1) Outline of Transactions

The Company introduced a stock compensation system that utilizes trusts (the “System”) for the purpose of sharing interests with its shareholders, and boosting the motivation to promote the sustainable growth of the Company group as a whole and to enhance corporate value over the medium to long term.

The System applies to the directors (excluding outside directors and non-executive directors) and the executive officers of the Company and major consolidated subsidiaries. In the System, the Company entrusts the trust bank with cash to the extent approved by resolution at the general meeting of shareholders of the Company, combined with the cash contributed by the subsidiaries to the extent approved by resolution at the general meeting of shareholders of the subsidiaries, and creates the trust in which the beneficiaries are directors, etc. who satisfy the beneficiary requirements. The trust acquires shares of the Company from the stock market by using the cash entrusted as the source of financing.

During the trust period, beneficiaries receive: a certain number of points that are awarded in accordance with the respective stock-granting rules of each company; shares of the Company that are granted in the number accounting for a certain ratio of the number of such points; and cash in the amount equivalent to the conversion value of shares of the Company corresponding to the number of remaining points after the conversion of the shares in accordance with the provisions of the trust agreement.

Under the System, two types of trusts are created. One type is the trust which executes the granting or payment (the “Granting, etc.”) of shares of the Company and cash in the amount equivalent to the conversion value of the Company shares (the “Shares of the Company, etc.”) after the retirement of directors, etc. according to their respective job positions, and the other type is the trust which executes the Granting, etc. of the Shares of the Company, etc. after the end of the medium-term management plan period according to the extent to which performance targets of the medium-term management plan have been fulfilled.

(2) Shares of the Company Residing in the Trust

Shares of the Company residing in the trust are recognized as treasury shares in equity at the carrying amounts in the trust. The carrying amounts of such treasury shares as of March 31, 2023 and 2022, were ¥1,103 million (\$8,267 thousand) for 2,581 thousand shares and ¥1,008 million for 2,388 thousand shares, respectively.

(Transition from Consolidated Tax Return Filing System to Japanese Group Tax Sharing System)

The Company and major consolidated subsidiaries have adopted Japanese Group Tax Sharing System in place of Consolidated Tax Return Filing System from the current fiscal year. Accordingly, the accounting treatments and disclosures of income taxes, local corporate taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42). Based on the treatment of Paragraph 32 (1) of ASBJ PITF No.42, it is deemed that there is no impact of changes in accounting policies due to the adoption of ASBJ PITF No. 42.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and due from banks	¥6,426,095	¥5,637,213	\$48,121,128
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(169,153)	(140,838)	(1,266,690)
Cash and cash equivalents	¥6,256,941	¥5,496,374	\$46,854,438

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Trading assets:			
Trading securities	¥3,144	¥4,730	\$23,544
Trading-related financial derivatives	122	178	914
Total	¥3,266	¥4,908	\$24,458
Trading liabilities — trading-related financial derivatives	¥ 52	¥ 33	\$ 392

5. SECURITIES

Securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Japanese national government bonds	¥ 384,260	¥ 442,500	\$ 2,877,490
Japanese local government bonds	772,463	637,420	5,784,509
Japanese corporate bonds	508,447	534,570	3,807,455
Japanese corporate stocks	166,257	150,217	1,244,999
Other securities	1,036,908	953,602	7,764,780
Total	¥2,868,336	¥2,718,311	\$21,479,233

The carrying amounts and aggregate fair value of securities and monetary claims bought as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 92,579	¥65,540	¥ 1,991	¥ 156,128
Debt securities	1,088,530	976	17,287	1,072,218
Other securities	1,051,174	9,817	75,085	985,906
Held-to-maturity	595,960	1,131	9,907	587,184

March 31, 2022	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 84,523	¥59,042	¥ 3,107	¥ 140,458
Debt securities	1,232,157	2,109	10,451	1,223,815
Other securities	953,985	13,441	47,479	919,947
Held-to-maturity	390,676	641	4,384	386,933

March 31, 2023	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 693,275	\$490,791	\$ 14,914	\$1,169,152
Debt securities	8,151,345	7,310	129,458	8,029,197
Other securities	7,871,607	73,517	562,271	7,382,853
Held-to-maturity	4,462,786	8,475	74,190	4,397,071

The above balances do not include non-listed shares and equity investments in non-consolidated subsidiaries and associates, accounted for by the equity method or the cost method, of ¥59,525 million (\$445,752 thousand) and ¥47,703 million as of March 31, 2023 and 2022, respectively. "Other securities" includes monetary claims bought whose fair value can be reliably determined, of ¥1,403 million (\$10,507 thousand) and ¥4,290 million as of March 31, 2023 and 2022, respectively.

Information on available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, was as follows:

March 31, 2023	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 7,042	¥3,636	¥ 6
Debt securities	479,057	1,606	494
Other securities	133,108	1,439	16,864
Total	¥619,207	¥6,682	¥17,366

March 31, 2022	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 8,124	¥3,849	¥ 530
Debt securities	805,737	792	1,796
Other securities	378,560	3,815	9,522
Total	¥1,192,421	¥8,457	¥11,848

March 31, 2023	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$ 52,739	\$27,233	\$ 52
Debt securities	3,587,367	12,029	3,705
Other securities	996,766	10,782	126,289
Total	\$4,636,872	\$50,044	\$130,046

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2023, was ¥23 million (\$176 thousand), which consisted of ¥0 million (\$7 thousand) for equity securities and ¥22 million (\$169 thousand) for debt securities.

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2022, was ¥323 million, which consisted of ¥178 million for equity securities, ¥145 million for debt securities.

Securities also include corporate stocks and investments in unconsolidated subsidiaries and affiliates, which totaled ¥14,577 million (\$109,159 thousand) and ¥12,019 million as of March 31, 2023 and 2022, respectively.

Japanese national government bonds and others as of March 31, 2023 and 2022, included bonds of ¥92,904 million (\$695,702 thousand) and ¥84,714 million, respectively, which were being rented to third parties without collateral under lending contracts.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2023 and 2022, was ¥77,132 million (\$577,597 thousand) and ¥74,967 million, respectively.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Bills discounted	¥ 24,755	¥ 26,341	\$ 185,378
Loans on bills	215,542	214,360	1,614,066
Loans on deeds	14,256,031	13,599,043	106,754,763
Overdrafts	1,253,970	1,157,426	9,390,223
Total	¥15,750,299	¥14,997,171	\$117,944,430

Claims in accordance with the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims are included in corporate bonds in "Securities" (limited to those issued in private placement of securities prescribed in Section 3 of Paragraph 2 in the Financial Instruments and Exchange Act, and those with wholly or partially guaranteed redemption of the principal and payment of the interest), loans and bills discounted, foreign exchanges, accrued interest and advances in "Other assets" and customers' liabilities for acceptances and guarantees in the consolidated balance sheet, and securities loaned (limited to those under a loan for use or lease contract) provided in the notes.

Bankrupt or De facto bankrupt are those claims that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings or submission of an application to start rehabilitation proceedings and quasi-loans. The loans and bills discounted include "Bankrupt or De facto bankrupt" totaling ¥56,678 million (\$424,429 thousand) and ¥54,373 million as of March 31, 2023 and 2022, respectively.

Doubtful claims are those claims with a strong likelihood that claim principals cannot be recovered and interest cannot be received according to the contract because of difficulties in the financial conditions and business performance of debtors who are not yet legally bankrupt, excluding those claims classified as Bankrupt or De facto bankrupt. Doubtful claims were ¥163,211 million (\$1,222,194 thousand) and ¥160,685 million as of March 31, 2023 and 2022, respectively.

Loans past due over three months are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as Bankrupt or De facto bankrupt and Doubtful claims. Loans past due over three months were ¥4,029 million (\$30,176 thousand) and ¥2,808 million as of March 31, 2023 and 2022, respectively.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as Bankrupt or De facto bankrupt, Doubtful claims or Loans past due three months or more.

Restructured loans were ¥21,063 million (\$157,733 thousand) and ¥22,051 million as of March 31, 2023 and 2022, respectively.

The above loans are presented at the amounts prior to deduction of allowances for loan losses.

Contracts of overdraft facilities and loan commitment limits are contracts under which the Group lends to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2023 and 2022, the amounts of unused commitments were ¥2,775,683 million (\$20,785,411 thousand) and ¥2,689,931 million, respectively. As of March 31, 2023 and 2022, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,451,481 million (\$10,869,264 thousand) and ¥1,584,404 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby the Group can refuse customer applications for loans or decrease the contract limits for certain reasons (e.g., changes in financial situation and deterioration in customers' creditworthiness). At the inception of the contracts, the Group obtains real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the Group performs periodic reviews of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2023 and 2022, the Group has the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought, and their total face value was ¥24,848 million (\$186,079 thousand) and ¥26,627 million, respectively.

7. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets			
Foreign exchange bills bought	¥ 93	¥ 286	\$ 701
Foreign exchange bills receivable	742	1,621	5,557
Due from foreign correspondent accounts	24,394	25,293	182,675
Total	¥25,230	¥27,200	\$188,933
Liabilities			
Foreign exchange bills sold	¥ 1	¥ —	\$ 9
Foreign exchange bills payable	457	462	3,428
Total	¥ 458	¥ 462	\$ 3,437

8. OTHER ASSETS

Other assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Accrued income	¥ 20,826	¥ 15,890	\$ 155,958
Derivatives other than for trading – assets	38,438	30,622	287,844
Cash collateral paid for financial instruments	22,894	34,564	171,444
Temporary advances	71,551	71,565	535,804
Installments receivable	29,610	24,705	221,735
Other	55,698	55,506	417,091
Total	¥239,020	¥232,855	\$1,789,876

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Buildings, net	¥ 58,952	¥ 61,443	\$ 441,457
Land	93,184	94,658	697,805
Construction in progress	1,738	327	13,021
Other	10,530	11,404	78,854
Total	¥164,406	¥167,834	\$1,231,137

The accumulated depreciation of property, plant and equipment as of March 31, 2023 and 2022, amounted to ¥178,785 million (\$1,338,816 thousand) and ¥180,283 million, respectively.

10. INTANGIBLE ASSETS

Intangible assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Software	¥17,074	¥16,258	\$127,864
Other	375	391	2,812
Total	¥17,450	¥16,649	\$130,676

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the Group's rights of indemnity from the applicants.

12. ASSETS PLEDGED

Assets pledged as collateral and the related liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets pledged as collateral:			
Cash and due from banks	¥ 36,624	¥ 19,787	\$ 274,261
Securities	1,516,763	1,341,286	11,358,120
Loans and bills discounted	1,777,400	1,949,735	13,309,877
Other	859	938	6,438
Relevant liabilities to above assets:			
Deposits	¥ 34,127	¥ 67,223	\$ 255,563
Payables under repurchase agreements	66,194	10,915	495,692
Payables under securities lending transactions	163,659	64,530	1,225,545
Borrowed money	2,142,689	2,181,259	16,045,304

In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Securities	¥32,355	¥34,560	\$242,287
Other assets amounting	71,030	71,036	531,901

Additionally, initial margins of futures markets, cash collateral paid for financial instruments liabilities, and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Initial margins of futures markets	¥ 1,653	¥ 1,653	\$ 12,378
Cash collateral paid for financial instruments	22,894	34,564	171,444
Guarantee deposits on office space	6,032	7,211	45,172

13. DEPOSITS

Deposits as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current deposits	¥ 706,941	¥ 737,494	\$ 5,293,857
Ordinary deposits	14,451,855	13,945,788	108,221,172
Savings deposits	224,008	227,392	1,677,464
Deposits at notice	84,843	86,674	635,341
Time deposits	3,473,372	3,600,049	26,009,977
Other deposits	500,700	448,593	3,749,442
Total	¥19,441,721	¥19,045,992	\$145,587,253

14. BORROWED MONEY

As of March 31, 2023 and 2022, the weighted-average annual interest rate applicable to borrowed money was 0.22% and 0.03%, respectively.

Annual maturities of borrowed money as of March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 444,956	\$ 3,332,008
2025	4,084	30,589
2026	638,109	4,778,415
2027	1,068,274	7,999,657
2028	15,394	115,279
2029 and thereafter	5,697	42,666
Total	¥2,176,516	\$16,298,614

15. BONDS PAYABLE

Bonds payable as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured fixed (0.40% interest until February 2023) and floating (Libor linked interest after February 2023) subordinated bonds, payable in Japanese yen, due February 2028	¥ —	¥20,000	\$ —
Unsecured fixed (0.49% interest until March 2024) and floating (Libor linked interest after March 2024) subordinated bonds, payable in Japanese yen, due March 2029	10,000	10,000	74,884
Unsecured fixed (0.49% interest until March 2024) and floating (Swaps mid rate linked interest after March 2024) subordinated bonds, payable in Japanese yen, due March 2029	10,000	10,000	74,884
Unsecured fixed (0.37% interest until September 2024) and floating (Libor linked interest after March 2024) subordinated bonds, payable in Japanese yen, due September 2029	10,000	10,000	74,884
Unsecured fixed (0.45% interest until March 2025) and floating (Swaps mid rate linked interest after March 2025) subordinated bonds, payable in Japanese yen, due March 2030	10,000	10,000	74,884
Unsecured fixed (0.60% interest until September 2025) and floating (Swaps mid rate linked interest after September 2025) subordinated bonds, payable in Japanese yen, due September 2030	20,000	20,000	149,768
Total	¥60,000	¥80,000	\$449,304

Annual maturities of bonds payable as of March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2029 and thereafter	¥60,000	\$449,304

16. OTHER LIABILITIES

Other liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Income taxes payable	¥ 13,565	¥ 10,899	\$ 101,587
Accrued expenses	10,533	7,542	78,876
Unearned revenue	45,396	41,973	339,950
Derivatives other than for trading – liabilities	24,994	37,204	187,172
Suspense receipts	69,997	78,066	524,171
Other	97,133	41,889	727,377
Total	¥261,622	¥217,576	\$1,959,133

17. RETIREMENT AND PENSION PLANS

Major consolidated subsidiaries have defined benefit corporate pension plans, lump-sum payment plans, and defined contribution pension plans for their employees. In addition, it is possible for major consolidated subsidiaries to pay additional retirement benefits.

Major consolidated subsidiaries contribute to a retirement benefit trust to fund defined benefit corporate pension plans and lump-sum payment plans.

Other consolidated subsidiaries have lump-sum payment plans, and some of these subsidiaries have defined contribution pension plans. These subsidiaries recorded their net defined benefit liability at the amount that would be required if employees retired at each balance sheet date (the “simplified method”).

(1) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥92,893	¥99,132	\$695,621
Current service cost	2,087	2,245	15,629
Interest cost	646	556	4,838
Actuarial losses	(4,890)	(793)	(36,620)
Benefits paid	(5,966)	(5,298)	(44,680)
Past service costs	—	(3,042)	—
Other	88	92	666
Balance at end of year	¥84,858	¥92,893	\$635,454

In the above schedule, the amount of retirement benefit plans is calculated by applying the simplified method for other consolidated subsidiaries.

(b) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥146,503	¥144,331	\$1,097,079
Expected return on plan assets	2,976	2,856	22,287
Actuarial losses	(5,858)	928	(43,873)
Contributions from the employer	1,533	2,198	11,481
Benefits paid	(3,962)	(3,903)	(29,671)
Return of assets from retirement benefits trust	(12,470)	—	(93,385)
Other	88	92	666
Balance at end of year	¥128,810	¥146,503	\$ 964,584

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 84,181	¥ 92,290	\$ 630,381
Plan assets	(128,810)	(146,503)	(964,584)
	(44,629)	(54,213)	(334,203)
Unfunded defined benefit obligation	677	602	5,073
Net liability (asset) arising from defined benefit obligation	¥ (43,952)	¥ (53,610)	\$(329,130)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Net defined benefit liability	¥ 677	¥ 602	\$ 5,073
Net defined benefit asset	(44,629)	(54,213)	(334,203)
Net liability (asset) arising from defined benefit obligation	¥(43,952)	¥(53,610)	\$(329,130)

In the above schedule, the amount of retirement benefit plans is calculated by applying the simplified method for other consolidated subsidiaries.

(d) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current service cost	¥ 2,087	¥ 2,245	\$ 15,629
Interest cost	646	556	4,838
Expected return on plan assets	(2,976)	(2,856)	(22,287)
Recognized actuarial losses	769	1,071	5,765
Past service costs	(304)	(202)	(2,278)
Gain on return of assets from retirement benefits trust	(2,154)	—	(16,135)
Other	168	186	1,258
Net periodic benefit costs	¥(1,764)	¥ 1,000	\$(13,210)

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Past service costs	¥ (304)	¥2,839	\$ (2,279)
Actuarial losses	(2,636)	2,793	(19,744)
Total	¥(2,940)	¥5,633	\$(22,023)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized past service costs	¥2,535	¥2,839	\$18,986
Unrecognized actuarial losses	2,712	5,348	20,310
Total	¥5,247	¥8,188	\$39,296

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Domestic equity investments	21%	31%
[Of which, domestic equity investment contributed to retirement benefit trusts]	[11]	[18]
Overseas equity investments	13	12
Domestic debt investments	17	18
Overseas debt investments	33	29
Other	16	10
Total*	100%	100%

* In "Total", retirement benefit trusts for lump-sum payment plans and defined benefit corporate pension plans for the years ended March 31, 2023 and 2022, were included as 17% and 23%, respectively.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined by considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended March 31, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	1.1-1.2%	0.6-0.8%
Expected rate of return on plan assets	2.0-2.5	2.0-2.5
Future salary growth	5.7-8.7	5.9-9.0

(2) Defined contribution plans

The required amount contributed to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022, was ¥421 million (\$3,155 thousand) and ¥427 million, respectively.

18. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury shares.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal retained earnings may be reversed without limitation. The Companies Act also provides that capital stock, legal retained earnings, additional paid-in capital, other capital surplus, and other retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the stockholders.

c. Treasury Shares and Treasury Subscription Rights to Shares

The Companies Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury shares. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

19. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

The amount of stock options expensed was nil for the fiscal years ended March 31, 2023 and 2022.

The stock options outstanding as of March 31, 2023, are as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
4th Stock Option	6 directors of BOY and an executive officer of BOY	70,800	April 1, 2016	¥1	From April 1, 2016 to July 6, 2041
5th Stock Option	7 directors of BOY and 3 executive officers of BOY	109,500	April 1, 2016	1	From April 1, 2016 to July 5, 2042
6th Stock Option	7 directors of BOY and 7 executive officers of BOY	102,700	April 1, 2016	1	From April 1, 2016 to July 4, 2043
7th Stock Option	7 directors of BOY and 12 executive officers of BOY	118,500	April 1, 2016	1	From April 1, 2016 to July 4, 2044
8th Stock Option	7 directors of BOY and 14 executive officers of BOY	96,800	April 1, 2016	1	From April 1, 2016 to July 6, 2045
13th Stock Option	7 directors and executive officers of the Company, 19 directors and executive officers of BOY, and 6 directors of HNB	281,200	July 15, 2016	1	From July 16, 2016 to July 15, 2046

The stock option activity is as follows:

Year Ended March 31, 2022	4th Stock Option	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	13th Stock Option
Non-vested (shares):						
April 1, 2021 — outstanding	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	—	—
March 31, 2022 — outstanding	—	—	—	—	—	—
Vested (shares):						
April 1, 2021 — outstanding	8,800	9,800	13,700	18,100	18,900	40,600
Vested	—	—	—	—	—	—
Exercised	—	—	(7,200)	(11,400)	(8,100)	(15,400)
Canceled	—	—	—	—	—	—
March 31, 2022 — outstanding	8,800	9,800	6,500	6,700	10,800	25,200

Year Ended March 31, 2023	4th Stock Option	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	13th Stock Option
Non-vested (shares):						
April 1, 2022 — outstanding	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	—	—
March 31, 2023 — outstanding	—	—	—	—	—	—
Vested (shares):						
April 1, 2022 — outstanding	8,800	9,800	6,500	6,700	10,800	25,200
Vested	—	—	—	—	—	—
Exercised	(8,800)	(9,800)	(6,500)	(6,700)	(5,900)	(12,200)
Canceled	—	—	—	—	—	—
March 31, 2023 — outstanding	—	—	—	—	4,900	13,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥ 463	¥ 463	¥ 463	¥ 463	¥ 463	¥ 464
	\$3.47	\$3.47	\$3.47	\$3.47	\$3.47	\$3.47
Fair value price at grant date	¥ 367	¥ 326	¥ 486	¥ 548	¥ 691	¥ 375
	\$2.75	\$2.44	\$3.64	\$4.10	\$5.17	\$2.81

20. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2023 and 2022, was as follows:

Year Ended March 31, 2023	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common stockholders	¥56,159	1,184,912	¥47.39	\$0.35
Effect of dilutive warrants	—	19	—	—
Diluted EPS — Net income for computation	¥56,159	1,184,931	¥47.39	\$0.35
Year Ended March 31, 2022				
Basic EPS — Net income available to common stockholders	¥53,881	1,206,016	¥44.67	—
Effect of dilutive warrants	—	73	—	—
Diluted EPS — Net income for computation	¥53,881	1,206,089	¥44.67	—

* In the calculation of basic EPS and diluted EPS, shares of the Company residing in the trust related to stock compensation system which are recognized as treasury shares in equity are included in treasury shares deducted in the calculation of weighted-average shares during the period. The average number of such treasury shares deducted is 2,419 thousand and 2,402 thousand, for the years ended March 31, 2023 and 2022, respectively.

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gain on foreign exchange transactions – net	¥ 1,851	¥ 1,482	\$ 13,868
Gain on sales and redemption of bonds and other securities	2,954	3,458	22,123
Gain on derivatives	1,840	1,581	13,780
Lease receipts	27,675	26,622	207,243
Other	1,475	1,467	11,052
Total	¥35,797	¥34,611	\$268,066

22. OTHER INCOME

Other income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gain on sales of stock and other securities	¥ 3,759	¥5,022	\$28,156
Recovery of claims previously charged-off	2,342	1,677	17,545
Gain on disposals of non-current assets	755	546	5,660
Gain on return of assets from retirement benefits trust	2,154	—	16,135
Other	1,766	1,401	13,228
Total	¥10,779	¥8,647	\$80,724

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Losses on sales and redemption of bonds and other securities	¥18,907	¥12,332	\$141,588
Losses on write-downs of bonds and other securities	450	349	3,371
Lease costs	25,473	24,400	190,757
Other	67	53	506
Total	¥44,899	¥37,136	\$336,222

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Losses on sales of stocks and other securities	¥ 98	¥ 798	\$ 741
Losses on write-downs of stocks and other securities	140	419	1,056
Loss on disposals of non-current assets	2,054	3,963	15,386
Impairment loss*	193	255	1,447
Direct charge-off of loans	3,415	4,637	25,576
Other	3,218	5,043	24,101
Total	¥9,121	¥15,118	\$68,307

25. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses	¥30,656	¥29,642	\$229,571
Net defined benefit liability	—	3,330	—
Write-downs of securities	2,658	2,610	19,906
Valuation difference on available-for-sale securities	5,435	—	40,706
Other	12,418	11,579	92,993
Less valuation allowance	(5,343)	(4,924)	(40,014)
Total deferred tax assets	45,825	42,238	343,162
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	—	4,097	—
Gain on contribution of the employees' retirement benefit trust	5,037	6,243	37,719
Other	10,321	11,543	77,289
Total deferred tax liabilities	15,358	21,884	115,008
Net deferred tax assets	¥30,467	¥20,354	\$228,154

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2023 and 2022, and the actual effective tax rates reflected in the accompanying consolidated statement of income is not required under Japanese accounting standards due to immaterial differences.

The Company and certain of its consolidated subsidiaries has Japanese Group Tax Sharing System from the current fiscal year. Accordingly, the accounting treatments and disclosures of income taxes, local corporate taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42).

26. LEASES

Lessor

A consolidated subsidiary leases certain equipment and other assets to various customers.

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gross lease receivables	¥67,811	¥64,933	\$507,797
Unguaranteed residual values	1,733	1,648	12,979
Unearned interest income	(3,593)	(3,638)	(26,909)
Lease investment assets	¥65,951	¥62,942	\$493,867

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥4,226	\$31,650
2025	2,404	18,007
2026	1,324	9,921
2027	699	5,239
2028	160	1,198
2029 and thereafter	104	782
Total	¥8,920	\$66,797

Maturities of lease investment assets for finance leases that are not deemed to transfer ownership of the leased property to the lessee were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥20,751	\$155,396
2025	16,009	119,882
2026	12,209	91,428
2027	8,658	64,837
2028	5,114	38,299
2029 and thereafter	5,068	37,955
Total	¥67,811	\$507,797

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 534	¥ 560	\$3,999
Due after one year	690	992	5,171
Total	¥1,224	¥1,553	\$9,170

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

The Group engages in banking as its mainstay business, as well as securities, leasing, conducting survey research and other information services, venture capital, and other financial service businesses. As the Group positions services exclusively for local small- and medium-sized businesses and individuals as its core business, it is a fundamental policy of the Group to aim to minimize any adverse effects of economic fluctuations and the changing market environment and to provide financial services reliably. Under this policy, the Group endeavors to maintain sound management by continuously identifying, assessing, monitoring, and controlling the various risks inherent in financial instruments that correspond to the strategic goals of the Company, including medium-term management plans and management policies.

(2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets of the Group, which mainly consist of loans to small- and medium-sized businesses and personal housing loans, are exposed to customer credit risk. Securities mainly consist of debt securities, equity securities, and investment trusts, and are accounted for as trading securities, held-to-maturity securities, and available-for-sale securities. These securities are exposed to issuers' credit risk and the risk of market price fluctuations.

The financial liabilities of the Group are mainly personal deposits, which consist of liquidity deposits and fixed deposits. These deposits are exposed to liquidity risk, such as losses generated by unexpected withdrawals.

There are certain mismatches in interest rates and contract periods between financial assets, such as loans, and financial liabilities, such as deposits, that are exposed to market risks from changes in variable interest rates. However, a part of this risk is mitigated by using interest-rate swap derivatives.

Assets and liabilities denominated in foreign currencies are exposed to foreign exchange risk that affects those values with changes of foreign currency exchange rates.

The Group uses swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates, or securities prices. These financial instruments are used in trading activities to generate trading revenues and fee income and are also used in Asset and Liability Management ("ALM") activities to control exposure to fluctuations in such market rates or prices.

The Group uses derivatives to provide customers with risk-hedging methods, to complement their ALM activities, to hedge market risks, and to strengthen earnings. The Group carefully studies the risks involved with derivative transactions and maintains a policy of limiting the volume of the risks within a range that it is capable of controlling based on its financial strength.

Derivatives used for hedging purposes are recorded on the basis of hedge accounting in accordance with the Japanese accounting standard for financial instruments. Such derivatives are interest rate swaps, currency swaps, and forward exchange contracts that are utilized to control the risks from loans and bills discounted, bonds, foreign currency monetary claims and debt, and equity. The Group reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

Similar to other market transactions, derivative transactions are subject to a variety of risks, including market, credit, and liquidity. Among those risks, the Group emphasizes establishing a risk management structure to understand and manage market risk and credit risk.

Certain consolidated subsidiaries hold lease receivables and installment receivables. These financial instruments are exposed to market risks from changes in variable interest rates and credit risk.

(3) Risk Management for Financial Instruments

(a) Credit risk management

Under the consensus that credit risk is the risk with most influence on the Group's financial stability, the Company has established a "Credit Policy" and takes every initiative to optimize its credit portfolio management and credit control of individual accounts.

In addition, the Company has developed an "Internal Credit Rating System" and a "Self-Assessment System" to categorize the credibility of debtors and individual loan projects from an independent point of view.

The Company monitors the credit risk management situation of the Group and the credit concentration risk of the whole our group. The Company provides guidance and advice as needed.

(b) Market risk management (foreign exchange risk and interest risk)

It is a fundamental policy of the Company to enter into market transactions that appropriately meet customers' needs, which have been increasingly diversified due to the development of financial engineering (such as the emergence of various derivative transactions), as well as in transactions that enhance the profitability of the Group.

Management obtains the information related to the characteristic of the subsidiaries' market risks for the risk evaluation and decision. Those actions are for monitoring whether the subsidiaries undertake appropriate risks with its financial strength and the returns are appropriate for those risks.

The compliance status of the various risk limits and the market business's profit and loss situation are directly reported to management on a daily basis. These are based on reports from the risk management division of the subsidiary. The status of the market risk is reported in the ALM and risk management meeting held every month.

Each bank of the Group separates the market operations into trading operations and banking operations. Each bank of the Group's trading operations include profit-generating trading transactions that take advantage of short-term fluctuations and differences in value among markets in indices, such as interest rates, foreign exchange rates, and market quotations of financial instruments. The trading operations also deal with transactions for the purpose of mitigating possible losses incurred from the above-mentioned transactions. The financial instruments that are allowed to be dealt with in the trading operations include Japanese government bonds ("JGBs"), JGB futures, interest rate swaps, and interest rate futures. Operations other than trading operations are defined as banking operations. The trading operations are carried out in a rigid manner in compliance with each bank of the Group's internal rules on definition of trading transactions, authorities for fair value calculation, and its methods.

The Group currently utilizes various effective measurement methods suitable for operational features and investment policies, in addition to Value-at-Risk ("VaR") and Basis Point Value, to quantify market risk.

The Group performs quantitative analysis on market risks relating to all financial instruments in principle, using mainly VaR. In calculating VaR, the Company uses the historical simulation method (confidence interval: 99.9%, observation period: 1,250 days). As for holding periods, the Group has set 10 days for financial instruments for trading purposes and periods considered appropriate (primarily from one month to one year, based on the position settlement periods and other factors) for financial instruments for nontrading purposes (those for banking operations).

The aggregate amount of the market risks (estimated loss amount) of the Group's trading business was ¥94 million (\$703 thousand) and ¥91 million as of March 31, 2023 and 2022, respectively. The aggregate amount of the market risks of the banking business, excluding market risks of unlisted equity securities and other financial instruments whose fair value cannot be reliably determined, stood at ¥325,394 million (\$2,436,678 thousand) and ¥252,445 million as of March 31, 2023 and 2022, respectively. It should be noted that the aggregate amounts of market risks represent a simple sum of amounts of each market risk categorized by risk type.

It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risks cannot be captured in such situations where market conditions are changing dramatically beyond what was experienced historically.

(c) Liquidity risk management

Managing liquidity risk is recognized as a top-priority issue for the Group. Each bank of the Group closely stipulates its internal regulations and the methods of liquidity risk management to be used in day-to-day operations, as well as appropriate countermeasures to be taken in case of concern or in critical situations regarding liquidity risk.

The risk supervisory department directly reports the status of compliance with various risk limits to management on a daily basis. These are based on reports from the risk management division of the subsidiary. The status of the liquidity risk and the fund raising are reported in ALM and risk management meeting held every month.

In case of concern or in critical situations related to liquidity risk for the subsidiary, the Company will take necessary actions for those issues. The crisis committee will set up a task force at the subsidiary if the committee concludes it is necessary based on the reports from the subsidiary.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments may differ depending on the adoption of certain assumptions.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Cash and due from banks, call loans and bills bought, call money and bills sold, and Payables under securities lending transactions are settled in a short period of time and their carrying amounts approximate fair value; therefore, notes are omitted.

(a) Fair value of financial instruments

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	¥ 595,960	¥ 587,184	¥ (8,775)
Available-for-sale securities ^{*1}	2,212,850	2,212,850	—
(2) Loans and bills discounted	15,750,299	—	—
Allowance for loan losses ^{*2}	(81,355)	—	—
Net	15,668,943	15,711,320	42,376
Total assets	¥18,477,754	¥18,511,355	¥33,600
(1) Deposits	¥19,441,721	¥19,442,046	¥ 324
(2) Negotiable certificates of deposit	303,670	303,670	0
(3) Borrowed money	2,176,516	2,176,516	—
Total liabilities	¥21,921,908	¥21,922,233	¥ 324
Derivative instruments ^{*3} :			
Hedge accounting is not applied	¥ 10,155	¥ 10,155	—
Hedge accounting is applied ^{*4}	3,357	3,357	—
Total derivative instruments	¥ 13,513	¥ 13,513	—

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	¥ 390,676	¥ 386,933	¥ (3,742)
Available-for-sale securities	2,279,932	2,279,932	—
(2) Loans and bills discounted	14,997,171	—	—
Allowance for loan losses ^{*2}	(73,903)	—	—
Net	14,923,268	14,978,353	55,085
Total assets	¥17,593,876	¥17,645,219	¥51,342
(1) Deposits	¥19,045,992	¥19,046,431	¥ 438
(2) Negotiable certificates of deposit	309,470	309,470	0
(3) Borrowed money	2,217,421	2,217,421	—
Total liabilities	¥21,572,884	¥21,573,322	¥ 438
Derivative instruments ^{*3} :			
Hedge accounting is not applied	¥ 7,598	¥ 7,598	—
Hedge accounting is applied ^{*4}	(14,034)	(14,034)	—
Total derivative instruments	¥ (6,435)	¥ (6,435)	—

March 31, 2023	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	\$ 4,462,786	\$ 4,397,071	\$ (65,715)
Available-for-sale securities ^{*1}	16,570,694	16,570,694	—
(2) Loans and bills discounted	117,944,430	—	—
Allowance for loan losses ^{*2}	(609,221)	—	—
Net	117,335,209	117,652,539	317,330
Total assets	\$138,368,689	\$138,620,304	\$251,615
(1) Deposits	\$145,587,253	\$145,589,683	\$ 2,430
(2) Negotiable certificates of deposit	2,274,000	2,274,000	0
(3) Borrowed money	16,298,614	16,298,614	—
Total liabilities	\$164,159,867	\$164,162,297	\$ 2,430
Derivative instruments ^{*3} :			
Hedge accounting is not applied	\$ 76,052	\$ 76,052	—
Hedge accounting is applied ^{*4}	25,141	25,141	—
Total derivative instruments	\$ 101,193	\$ 101,193	—

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are included in the available-for-sale securities.

*2 Allowances for loan losses relevant to loans and bills discounted have been deducted.

*3 Derivative instruments include derivative transactions, both in trading assets and liabilities and other assets and liabilities. Derivative instruments are presented net of assets and liabilities associated with derivative transactions.

*4 The Group has applied the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Issues Task Force No. 40) to hedging relationships included in the scope of application of the Practical Solution, such as deferred hedging through interest rate swap transactions that aim to reduce market fluctuation risk in available-for-sale securities (debt securities) and deferred hedging through currency swap transactions that aim to reduce foreign exchange fluctuation risk in monetary receivables and payables denominated in foreign currencies in accordance with the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA) Industry Audit Committee Report No.25).

(b) The carrying amounts of non-marketable securities and investments in partnerships in the consolidated balance sheet are as follows. These are not included in "available-for-sale securities" in the fair value information of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Non-marketable equity securities ^{*1*2*3}	¥ 9,810	¥ 9,379	\$ 73,467
Investments in partnerships ^{*3*4*5}	35,137	26,304	263,127

*1 Non-marketable equity securities are not subject to the fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

*2 Equity securities in affiliates are not included and totaled ¥7,774 million (\$58,216 thousand) and ¥7,642 million as of March 31, 2023 and 2022, respectively.

*3 During the year ended March 31, 2023, impairment losses on equity securities without a readily available market price of ¥140 million (\$1,049 thousand) and on investments in partnerships of ¥4 million (\$34 thousand) were recognized.

During the year ended March 31, 2022, impairment losses on equity securities without a readily available market price of ¥241 million and on investments in partnerships of ¥3 million were recognized.

*4 Investments in partnerships are not subject to disclosure under Paragraph 24-16 of the Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31).

*5 Investments in unconsolidated subsidiaries and affiliates are not included, and totaled ¥6,802 million (\$50,943 thousand) and ¥4,377 million as of March 31, 2023 and 2022, respectively.

(6) Maturity Analysis for Financial Assets and Liabilities with Contractual Maturities

March 31, 2023	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥6,267,230	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	108,146	—	—	—	—	—
Securities:	—	—	—	—	—	—
Held-to-maturity securities	3,018	12,700	90,003	118,930	296,550	78,656
Available-for-sale securities with contractual maturities	148,567	246,949	186,257	116,808	236,081	1,114,337
Loans and bills discounted	3,299,489	2,617,444	2,145,558	1,336,193	1,456,157	4,529,175
Total	¥9,826,452	¥2,877,094	¥2,421,819	¥1,571,931	¥1,988,788	¥5,722,169

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥5,450,420	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	119,366	—	—	—	—	—
Securities:	—	—	—	—	—	—
Held-to-maturity securities	—	6,700	10,102	2,426	342,139	29,315
Available-for-sale securities with contractual maturities	101,198	256,767	225,826	123,832	318,263	1,086,181
Loans and bills discounted	3,357,276	2,383,448	1,969,348	1,284,242	1,421,471	4,221,434
Total	¥9,028,261	¥2,646,916	¥2,205,277	¥1,410,500	¥2,081,874	¥5,336,930

March 31, 2023	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	\$46,931,485	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	809,841	—	—	—	—	—
Securities:	—	—	—	—	—	—
Held-to-maturity securities	22,606	95,103	673,983	890,598	2,220,683	589,009
Available-for-sale securities with contractual maturities	1,112,533	1,849,256	1,394,772	874,705	1,767,872	8,344,599
Loans and bills discounted	24,707,876	19,600,453	16,066,782	10,005,941	10,904,277	33,916,249
Total	\$73,584,341	\$21,544,812	\$18,135,537	\$11,771,244	\$14,892,832	\$42,849,857

Note: As of March 31, 2023, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥219,121 million (\$1,640,870 thousand) and loans and bills discounted with no contractual maturities amounting to ¥147,691 million (\$1,105,970 thousand) are not included.

As of March 31, 2022, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥214,033 million and loans and bills discounted with no contractual maturities amounting to ¥146,714 million are not included.

March 31, 2023	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	¥18,745,354	¥454,493	¥ 232,758	¥ 4,248	¥ 4,866	—
Negotiable certificates of deposit	303,670	—	—	—	—	—
Call money and bills sold	1,998,420	—	—	—	—	—
Payables under securities lending transactions	163,659	—	—	—	—	—
Borrowed money	444,956	642,194	1,083,668	1,691	4,006	—
Japanese corporate bonds	—	—	—	40,000	20,000	—
Total	¥21,656,061	¥1,096,688	¥1,316,427	¥45,939	¥28,872	—

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	¥18,315,399	¥487,344	¥230,804	¥ 7,346	¥5,097	—
Negotiable certificates of deposit	309,470	—	—	—	—	—
Call money and bills sold	856,869	—	—	—	—	—
Payables under securities lending transactions	64,530	—	—	—	—	—
Borrowed money	1,488,417	8,678	714,578	2,023	3,722	—
Japanese corporate bonds	—	—	—	40,000	40,000	—
Total	¥21,034,686	¥496,023	¥945,383	¥49,370	¥48,820	—

March 31, 2023	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	\$140,372,583	\$3,403,430	\$1,742,988	\$ 31,811	\$36,441	—
Negotiable certificates of deposit	2,274,000	—	—	—	—	—
Call money and bills sold	14,964,961	—	—	—	—	—
Payables under securities lending transactions	1,225,545	—	—	—	—	—
Borrowed money	3,332,008	4,809,005	8,114,935	12,666	30,000	—
Japanese corporate bonds	—	—	—	299,536	149,768	—
Total	\$162,169,097	\$8,212,435	\$9,857,923	\$344,013	\$216,209	—

Note: The cash flow from demand deposits is included in "Due in 1 Year or Less."

(7) Breakdown of fair value of financial instruments by input level

The fair values of financial instruments are classified into the following three levels based on the observability and significance of the inputs used in fair value measurement

Level 1 fair value: fair value measured using (unadjusted) quoted market prices in active markets for the identical assets or liabilities

Level 2 fair value: fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: fair value measured using significant unobservable inputs

If multiple inputs are used that have a significant impact on the fair value measurement, the fair value is classified at the lowest priority level to which each input belongs.

(a) Financial instruments measured at fair value in the consolidated balance sheet

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	¥279,860	¥ 34,234	¥ —	¥ 314,094
Japanese local government bonds	—	249,876	—	249,876
Japanese corporate bonds	—	424,446	83,801	508,247
Stocks	144,826	11,301	—	156,128
Other securities ^{*1}	63,589	723,889	158,649	946,128
Total	¥488,276	¥1,443,748	¥242,450	¥2,174,476

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Derivative instruments ^{*2} :				
Interest rate contracts	¥ —	¥11,449	¥ —	¥11,449
Foreign exchange	—	2,039	—	2,039
Stock contracts	—	—	—	—
Bond contracts	(18)	—	—	(18)
Other contracts	—	—	42	42
Total	¥ (18)	¥13,488	¥ 42	¥13,513

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is ¥31,942 million, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is ¥6,431 million.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	¥354,508	¥ 64,116	¥ —	¥ 418,625
Japanese local government bonds	—	270,619	—	270,619
Japanese corporate bonds	—	454,670	79,900	534,570
Stocks	133,480	6,978	—	140,458
Other securities ^{*1}	90,183	135,954	84,158	310,297
Total	¥578,173	¥932,339	¥164,058	¥1,674,571

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Derivative instruments ^{*2} :				
Interest rate contracts	¥ —	¥ 9,451	¥ —	¥ 9,451
Foreign exchange	—	(15,936)	—	(15,936)
Stock contracts	—	—	—	—
Bond contracts	8	—	—	8
Other contracts	—	—	40	40
Total	¥ 8	¥ (6,484)	¥ 40	¥ (6,435)

*1 Investment trusts for which transitional measures have been applied in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) are not included in the above table. The amount of the investment trusts in the consolidated balance sheet is ¥605,360million.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	\$2,095,705	\$ 256,362	\$ —	\$ 2,352,067
Japanese local government bonds	—	1,871,174	—	1,871,174
Japanese corporate bonds	—	3,178,419	627,537	3,805,956
Stocks	1,084,519	84,633	—	1,169,152
Other securities ^{*1}	476,186	5,420,770	1,188,028	7,084,984
Total	\$3,656,410	\$10,811,358	\$1,815,565	\$16,283,333

March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Derivative instruments ^{*2} :				
Interest rate contracts	\$ —	\$ 85,738	\$ —	\$ 85,738
Foreign exchange	—	15,272	—	15,272
Stock contracts	—	—	—	—
Bond contracts	(138)	—	—	(138)
Other contracts	—	—	321	321
Total	\$ (138)	\$101,010	\$ 321	\$101,193

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is \$239,194 thousand, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is \$48,159 thousand.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

① Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-3

	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	—	—
Profit or loss or other comprehensive income for the current period	—	—
Included in profit or loss (*1)	—	—
Included in other comprehensive income (*2)	(57)	(430)
Net purchases, sales and redemptions	32,000	239,629
Transfers into the treatment of Paragraph 24-3	—	—
Transfers out of the treatment of Paragraph 24-3	—	—
Ending balance	31,942	239,199
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	—	—

(*1) Included in "Other ordinary income" and "Other ordinary expenses" presented in the Consolidated Statement of Income.

(*2) Included in "Valuation difference on available-for-sale securities" presented in the Consolidated Statements of Comprehensive Income.

② Details of the restrictions on the cancellation of investment trusts that apply the treatment of Paragraph 24-3 as of the end of the current fiscal year

Investment trusts that require several months from the time of application for cancellation to the time of execution of cancellation: ¥ 31,942 million(\$239,194 thousand)

③ Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-9

	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	4,887	36,603
Profit or loss or other comprehensive income for the current period	—	—
Included in profit or loss (*1)	61	461
Included in other comprehensive income (*2)	24	181
Net purchases, sales and redemptions	1,458	10,918
Transfers into the treatment of Paragraph 24-9	—	—
Transfers out of the treatment of Paragraph 24-9	—	—
Ending balance	6,431	48,163
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	—	—

(*1) Included in "Other ordinary income" and "Other ordinary expenses" presented in the Consolidated Statement of Income

(*2) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" presented in the Consolidated Statements of Comprehensive Income.

(b) Financial instruments not measured at fair value in the consolidated balance sheet

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	¥69,625	¥ —	¥ —	¥ 69,625
Japanese local government bonds	—	514,347	—	514,347
Japanese corporate bonds	—	202	—	202
Other	—	3,008	—	3,008
Loans and bills discounted	—	—	¥15,711,320	15,711,320
Total	¥69,625	¥517,559	¥15,711,320	¥16,298,504

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Deposits	—	¥19,442,046	—	¥19,442,046
Negotiable certificates of deposit	—	303,670	—	303,670
Borrowed money	—	2,176,516	—	2,176,516
Total	—	¥21,922,233	—	¥21,922,233

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	¥23,873	¥ —	¥ —	¥ 23,873
Japanese local government bonds	—	363,060	—	363,060
Japanese corporate bonds	—	—	—	—
Loans and bills discounted	—	—	¥14,978,353	14,978,353
Total	¥23,873	¥363,060	¥14,978,353	¥15,365,287

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Deposits	—	¥19,046,431	—	¥19,046,431
Negotiable certificates of deposit	—	309,470	—	309,470
Borrowed money	—	2,217,421	—	2,217,421
Total	—	¥21,573,322	—	¥21,573,322

March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	\$521,382	\$ —	\$ —	\$ 521,382
Japanese local government bonds	—	3,851,639	—	3,851,639
Japanese corporate bonds	—	1,519	—	1,519
Other	—	22,531	—	22,531
Loans and bills discounted	—	—	117,652,539	117,652,539
Total	\$521,382	\$3,875,689	\$117,652,539	\$122,049,610

March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Deposits	—	\$145,589,683	—	\$145,589,683
Negotiable certificates of deposit	—	2,274,000	—	2,274,000
Borrowed money	—	16,298,614	—	16,298,614
Total	—	\$164,162,297	—	\$164,162,297

(Note 1) Valuation techniques and inputs in measuring fair value

Securities

Shares are measured at market prices and are classified mainly as Level 1 based on their market activity. Bonds are measured based on the Trading Reference Statistics issued by the Japan Securities Dealers Association or quoted prices by the financial institutions with which they are traded. Japanese government bonds are classified mainly as Level 1, and Japanese municipal and corporate bonds (excluding private placements) are classified mainly as Level 2. The asset-backed securities included in other securities are measured based on the quoted prices by the financial institutions with which they are traded, which are classified as Level 3.

The fair value of private placement bonds is measured by discounting the future cash flows at the risk-free interest rate plus credit risk premium estimated based on internal ratings, which is classified as Level 3.

The fair value of investment trusts is measured based on their published net asset value.

The fair value of investment trusts is classified mainly as Level 2.

Loans and bills discounted

The fair value of loans and bills discounted with variable interest rates approximates the carrying amount as long as borrowers' credit risks have not changed significantly after lending because market interest rates are promptly reflected in the variable interest rates. The fair value of loans and bills discounted with fixed interest rates is measured mainly by discounting future cash flows at the risk-free interest rate plus credit risk premium estimated based in internal ratings. The fair value of loans and bills discounted with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

For loans and bills discounted to the borrowers in the "Legal bankruptcy," "Virtual bankruptcy" and "Possible bankruptcy," the estimated amount of bad debts is measured based on the present value of the estimated future cash flows or the expected recoverable amount of collaterals and guarantees. The fair value approximates the amount reported in the consolidated balance sheet less the allowance for loan losses at the consolidated balance sheet date, and therefore, such value is used as the fair value.

The fair value of loans and bills discounted is classified as Level 3.

Deposits and negotiable certificates of deposit

The fair value of demand deposits is the amount that would be required to be paid at the consolidated balance sheet date (carrying amount). The fair value of time deposits and negotiable certificates of deposit is measured as the present value of future cash flows, grouped by product and remaining term, discounted at market interest rates. The fair value of deposits with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

The fair value of deposits and negotiable certificates of deposit is classified as Level 2.

Borrowed money

The fair value of borrowed money with variable interest rates approximates the carrying amount because market interest rates are promptly reflected in the variable interest rates and credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is the present value of future cash flows discounted using a rate that reflects the remaining term and the credit risk of the borrowed money. The fair value of borrowed money with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

The fair value of borrowed money is classified as Level 2.

Derivative transactions

For derivative transactions, unadjusted quoted prices in active markets are classified as Level1, which include bond futures.

However, since most derivative transactions are over-the-counter transactions and there is no observable quoted price, the fair value is measured using valuation techniques such as the discounted cash flow method and option pricing models based on the type of transactions and maturity period. The major inputs used in the valuation techniques are interest rates, foreign exchange rates and volatility. Price adjustments are also made based on the credit risks for counterparties and consolidated subsidiaries themselves. If unobservable inputs are not used or the effect is immaterial, the fair value is classified as Level 2, which includes interest rate swap and forward exchange contracts. If significant unobservable inputs are used, the fair value is classified as Level 3.

(Note 2) Level 3 fair value of financial instruments measured at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

March 31, 2023	Valuation technique	Significant unobservable inputs	Range	Weighted average
Securities classified as:				
Available-for-sale:				
Private placement bonds	Discounted cash flow	Probability of default	0.0% — 13.3%	0.4%
		Loss given default	20.0% — 100.0%	72.3%
March 31, 2022				
Securities classified as:				
Available-for-sale:				
Private placement bonds	Discounted cash flow	Probability of default	0.0% — 13.6%	0.6%
		Loss given default	20.0% — 100.0%	71.6%

(2) Reconciliation from the beginning balances to the ending balances and net unrealized gains or losses recognized in profit or loss for the current fiscal year

Millions of Yen								
	March 31, 2022	Total gains (losses) for the period		Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2023	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2023
		Included in earnings ¹	Included in other comprehensive income ²					
Securities classified as:								
Available-for-sale:								
Japanese corporate bonds	¥ 79,900	¥ (15)	¥ 63	¥ 3,853	—	—	¥ 83,801	—
Other securities	84,158	5,182	(1,629)	70,937	—	—	158,649	—
Total	¥164,058	¥5,167	¥(1,566)	¥74,791	—	—	¥242,450	—
Derivative instruments								
Other contracts	40	(0)	—	2	—	—	42	—
Total	¥ 40	¥ (0)	—	¥ 2	—	—	¥ 42	—

Millions of Yen								
	March 31, 2021	Total gains (losses) for the period		Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2022	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2022
		Included in earnings ¹	Included in other comprehensive income ²					
Securities classified as:								
Available-for-sale:								
Japanese corporate bonds	¥ 80,855	¥ (145)	¥(312)	¥ (497)	—	—	¥ 79,900	—
Other securities	41,921	6,944	(570)	35,863	—	—	84,158	—
Total	¥122,776	¥6,799	¥(883)	¥35,366	—	—	¥164,058	—
Derivative instruments								
Other contracts	34	(41)	—	47	—	—	40	—
Total	¥ 34	¥ (41)	—	¥ 47	—	—	¥ 40	—

Thousands of U.S. Dollars							
March 31, 2022	Total gains (losses) for the period		Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2023	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2023 ¹
	Included in earnings ¹	Included in other compreh ensive income ²					
Securities classified as:							
Available-for-sale:							
Japanese corporate bonds	\$ 598,324	\$ (118)	\$ 473	\$ 28,858	—	\$ 627,537	—
Other securities	630,212	38,810	(12,203)	531,209	—	1,188,028	—
Total	\$1,228,536	\$38,692	\$(11,730)	\$560,067	—	\$1,815,565	—
Derivative instruments							
Other contracts	303	(2)	—	20	—	321	—
Total	\$ 303	\$ (2)	—	\$ 20	—	\$ 321	—

*1 Included in "Other operating income" and "Other operating expenses" in the consolidated statements of income.

*2 Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statements of comprehensive income.

(3) Description of the valuation process for fair value measurement

The Group has established policies and procedures for fair value measurement in the Risk Management Department and verified the appropriateness of the fair value measurement. The fair value is measured using appropriate valuation models that reflect the nature, characteristics and risks of individual assets. When using quoted prices obtained from third parties, the Group verifies the appropriateness of the prices through appropriate methods such as valuation techniques and inputs used and comparison with its own estimates.

(4) Effects on fair value measurement when changing significant unobservable inputs

Probability of default (PD)

PD is an estimate of the likelihood of default events. A significant increase (decrease) in the PD results in a significant decrease (increase) in the fair value.

Loss given default (LGD)

LGD is an estimate of the ratio of losses expected to be incurred in the default events to the total outstanding balance of bonds and loans. A significant increase (decrease) in the LGD results in a significant decrease (increase) in the fair value.

28. DERIVATIVE INFORMATION

Derivative Transactions to Which Hedge Accounting is Not Applied at March 31, 2023 and 2022

The Group's derivative contracts that were quoted on listed exchanges, outstanding as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures written	¥1,018	—	¥(18)	¥(18)	\$7,626	—	\$(138)	\$(138)

March 31, 2022	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures written	¥2,253	—	¥8	¥8				

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥1,006,736	¥ 919,848	¥ 3,617	¥ 3,617	\$7,538,840	\$6,888,184	\$ 27,090	\$27,090
Receive floating and pay fixed	974,428	828,768	4,848	4,848	7,296,900	6,206,141	36,304	36,304
Receive floating and pay floating	1,200,570	1,029,530	(1,165)	(1,165)	8,990,340	7,709,525	(8,730)	(8,730)
Caps and others written	14,809	14,792	(271)	33	110,897	110,769	(2,035)	252
Caps and others purchased	13,370	13,370	269	269	100,120	100,120	2,018	2,018
Foreign exchange:								
Forward exchange contracts — written	256,551	48,471	(568)	(568)	1,921,162	362,976	(4,258)	(4,258)
Forward exchange contracts — purchased	259,983	47,676	3,394	3,394	1,946,860	357,021	25,422	25,422
Options written	35,196	20,770	(1,610)	140	263,568	155,539	(12,056)	1,050
Options purchased	35,568	20,770	1,617	323	266,351	155,359	12,114	2,419
Other:								
Earthquake derivatives:								
Written	4,420	—	(4)	—	33,099	—	(32)	—
Purchased	4,420	—	47	—	33,099	—	353	—

March 31, 2022	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥ 858,626	¥ 787,279	¥13,734	¥13,734				
Receive floating and pay fixed	816,385	697,471	(4,028)	(4,028)				
Receive floating and pay floating	1,848,370	1,061,070	(2,948)	(2,948)				
Caps and others written	5,688	5,583	(56)	36				
Caps and others purchased	4,544	4,300	55	55				
Foreign exchange:								
Forward exchange contracts – written	261,325	41,688	(3,014)	(3,014)				
Forward exchange contracts – purchased	253,552	42,128	3,781	3,781				
Options written	12,899	3,891	(544)	(108)				
Options purchased	13,433	3,891	569	267				
Other:								
Earthquake derivatives:								
Written	4,120	—	(3)	—				
Purchased	4,120	—	44	—				

Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2023 and 2022

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Deferral hedge accounting:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	¥ 65,000	¥65,000	¥4,151	\$ 486,746	\$486,746	\$31,091
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	378,836	86	(794)	2,836,877	644	(5,950)
Special hedging treatment:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	62,702	62,702	—	469,541	469,541	—

March 31, 2022	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Deferral hedge accounting:				
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	¥165,000	¥165,000	¥ 2,745
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	100,000	—	(51)
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	422,865	175	(16,728)
Special hedging treatment:				
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	66,636	66,636	—
Interest rate contracts – Interest rate swaps – receive floating and pay floating		43,511	—	—

The above interest rate swaps with special hedging treatment that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 27 is included in the hedged items (i.e., loans and bills discounted).

29. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥(42,147)	¥(50,924)	\$(315,620)
Reclassification adjustments to profit or loss	10,939	2,971	81,916
Amount before income tax effect	(31,208)	(47,953)	(233,704)
Income tax effect	9,510	14,647	71,222
Total	¥(21,697)	¥(33,305)	\$(162,482)
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	¥ (4,942)	¥ 4,760	\$ (37,014)
Reclassification adjustments to profit or loss	5,573	1,494	41,734
Amount before income tax effect	630	6,254	4,720
Income tax effect	(192)	(1,913)	(1,444)
Total	¥ 437	¥ 4,340	\$ 3,276
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ (968)	¥ 4,764	\$ (7,253)
Reclassification adjustments to profit or loss	(1,972)	868	(14,770)
Amount before income tax effect	(2,940)	5,633	(22,023)
Income tax effect	899	(1,723)	6,739
Total	¥ (2,040)	¥ 3,909	\$ (15,284)
Share of other comprehensive income of entities accounted for using equity method:			
Total	¥ 353	¥870	\$2,649
Total other comprehensive (loss) income	¥(22,947)	¥(24,185)	\$(171,841)

30. SEGMENT INFORMATION

Under the ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Segment information has been omitted because the Group operates in one segment, the banking business.

31. RELATED PARTY TRANSACTIONS

a. Related Party Transactions

Transactions between subsidiaries of the Company and Related Parties
Directors of the Company or major shareholders (individuals only), etc.

For the fiscal year ended March 31, 2023

None

For the fiscal year ended March 31, 2022

Party Classification	Name of Company or Individual	Address	Capital	Type of Business	Percentage of Voting Rights Held by the Company	Relations with Related Party	Type of Transaction	Amounts of the Transactions	Account Classification	Balance at the fiscal year-end
Director or Close relative of a director	Masaru Fujino			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥10 million

* The terms and conditions of transactions and policies of determining the terms and conditions are similar to general cases.

b. Notes to the Parent Company or Major Affiliated Companies

None

32. SUBSEQUENT EVENTS

a. Dividends

On May 12, 2023, the Board of Directors resolved the following appropriation of retained earnings:

Appropriation of Retained Earnings as of March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends - common stock (¥9.50 - \$0.07 per share)	¥11,178	\$83,709

b. Business Combination through Acquisition

BOY acquired 3,477,304 shares of common stock and 103,500 shares of Series 1 Class A Preferred Stock of THE KANAGAWA BANK, LTD. through a tender offer on April 27, 2023. As a result, THE KANAGAWA BANK, LTD. became a consolidated subsidiary of BOY on the same day because the ratio of voting rights held by BOY in THE KANAGAWA BANK, LTD. reached 84.10%.

As a series of procedures to make THE KANAGAWA BANK, LTD. a wholly owned subsidiary of BOY, THE KANAGAWA BANK, LTD. implemented a share consolidation effective from June 29, 2023. As a result, all shares of common stock held by shareholders other than BOY became fractional shares, and BOY held 100% of voting rights in THE KANAGAWA BANK, LTD. BOY acquired all the fractional shares, and THE KANAGAWA BANK, LTD. became a wholly owned subsidiary of BOY.

1. Outline of the business combination

(1) Name and type of business of the acquiree

THE KANAGAWA BANK, LTD., banking business

(2) Main purpose of the business combination

BOY and THE KANAGAWA BANK, LTD., both of which is based in Kanagawa Prefecture, will work together to further demonstrate their financial intermediation functions for all customers in the region. Through this initiative, The Group will fulfill its mission and role more than ever before as a regional financial institution to contribute to the sustainable development of vibrant local communities and aim to enhance the medium to long term corporate value of the Group.

(3) Business combination date

April 27, 2023 (Deemed acquisition date: April 1, 2023)

(4) Legal form of the business combination

Acquisition of shares for cash consideration

(5) Name of the acquiree after the business combination

The name remains unchanged.

(6) Ratio of voting rights acquired

Ratio of voting rights immediately before the business combination: 6.26%

Ratio of voting rights after the tender offer: 84.10%

Ratio of voting rights after the share consolidation: 100.00%

Series 1 Class A Preferred Stock have no voting rights. The Group has treated a series of share acquisitions for the purpose of acquiring all shares of the acquiree as an integrated transaction.

(7) Main grounds for determining the acquirer

This is because BOY acquired the shares for cash consideration.

2. Acquisition cost of the acquiree and breakdown by type of consideration for the acquisition

Consideration for the acquisition

Fair value of the shares held immediately before the business combination at the business combination date:

¥1,533 million (*1)

Cash paid for additional acquisitions: ¥9,559 million (*2)

Acquisition cost: ¥11,092 million

(*1) Common stock: ¥567 million, Series 1 Class A Preferred Stock: ¥966 million

(*2) Common stock: ¥8,523 million, Series 1 Class A Preferred Stock: ¥1,036 million

3. Difference between the acquisition cost of the acquiree and the total acquisition cost of each transaction resulting in the acquisition

Loss on step acquisitions: ¥154 million

4. Amount and cause of gain on negative goodwill

(1) Amount of gain on negative goodwill

¥15,579 million

(2) Cause of gain on negative goodwill

Because the acquisition cost was less than the net amount allocated to the assets received and liabilities assumed, the difference was recognized as gain on negative goodwill.



Deloitte Touche Tohmatsu LLC
 Marunouchi Nijubashi Building
 3-2-3 Marunouchi
 Chiyoda-ku, Tokyo 100-8360
 Japan
 Tel: +81 (3) 6213 1000
 Fax: +81 (3) 6213 1005
 www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Concordia Financial Group, Ltd.:

Opinion

We have audited the consolidated financial statements of Concordia Financial Group, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of
 Deloitte Touche Tohmatsu Limited

Appropriateness of Borrower Classifications in Determination of Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group determines the allowance for loan losses by classifying borrowers based on their financial position, business performance and other factors in accordance with its policy and guidelines for the self-assessment of asset quality, and calculating the allowance based on the classifications determined, as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses." The Group recorded an allowance for loan losses of ¥82,845 million on the consolidated balance sheet as of March 31, 2023.</p> <p>In determining the allowance for loan losses, several key assumptions are used, as described in Note 2, "Summary of Significant Accounting Policies, z. Significant Accounting Estimates." Such assumptions, including an assessment of the impact of the COVID-19, involve uncertainty in the estimates. Among them, the determination of borrower classifications involves more subjective judgments by management as it is based on a comprehensive consideration of the actual conditions of the borrowers. Therefore, the Group has a system in place where, in case of borrowers meeting certain criteria for the determination of borrower classifications, the classification determined by operating divisions shall be subject to approval by the division at the head office in charge of secondary assessment so that a more prudent determination is made.</p> <p>In the case of borrowers whose business results or financial position has long been unfavorable or unstable, but who have nevertheless been classified as "in need of caution" based on the prospects for improvement in their business performance on the basis of their business improvement plans, the determination of borrower classifications involves a relatively higher degree of management's subjective judgment as the rationality and achievability of such future prospects are highly uncertain.</p> <p>A higher degree of management judgment is required in the case of large borrowers in particular, as the classification determination may have a relatively larger impact on the consolidated financial statements.</p> <p>Based on the above reasons, we determined the appropriateness of the classification determination of large borrowers which involves a relatively higher degree of subjective judgment by management about future prospects of borrowers in the determination of the allowance for loan losses as a key audit matter.</p>	<p>We performed the following audit procedures, among others, to examine the appropriateness of the classification determination of large borrowers which involves a relatively higher degree of subjective judgment by management about future prospects of the borrowers in the determination of the allowance for loan losses:</p> <p>Tests of internal controls</p> <p>We tested the design and operating effectiveness of controls over the approval of operating divisions' determination of borrower classifications by the division at the head office in charge of secondary assessment, by making inquiries and inspecting internal approval documents and other relevant materials. In addition, regarding significant underlying information used in the aforementioned controls, such as the borrowers' financial figures, we tested the design and operating effectiveness of controls over the accuracy and completeness of such information by making inquiries and inspecting internal approval documents and other relevant materials.</p> <p>Substantive procedures</p> <p>We performed the following audit procedures, among others, to evaluate the reasonableness of management judgment on the rationality and achievability of future prospects of the borrowers who have been classified as "in need of caution" based on the prospects for improvement in their business performance on the basis of their business improvement plans:</p> <ul style="list-style-type: none"> • We made inquiries and inspected relevant documents to understand the basis for management judgment mentioned above. • We inspected the history of discussions between the borrowers and operating divisions. • We examined the prospects for improvement in the borrowers' business performance by comparing them with actual results. • We examined the forecasts of market conditions and other factors that may have a significant impact on the rationality and achievability of future prospects of the borrowers by comparing them with available external information.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Non-Consolidated Financial Statements

Bank of Yokohama

••• Non-Consolidated Balance Sheet

The Bank of Yokohama, Ltd.
March 31, 2023 — Unaudited

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

September 20, 2023

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS:			
Cash and due from banks	¥ 6,331,196	¥ 5,248,548	\$ 47,410,491
Call loans	268,146	119,366	2,007,983
Monetary claims bought	19,871	21,467	148,805
Trading assets	3,266	4,908	24,458
Securities	2,530,882	2,369,376	18,952,242
Loans and bills discounted	14,165,974	13,454,393	106,080,384
Foreign exchanges	23,195	25,667	173,700
Other assets	177,210	180,587	1,327,019
Property, plant and equipment	141,215	143,090	1,057,481
Intangible assets	14,273	12,823	106,889
Prepaid pension costs	35,977	44,326	269,415
Deferred tax assets	23,296	12,318	174,456
Customers' liabilities for acceptances and guarantees	30,690	31,947	229,824
Allowance for loan losses	(65,578)	(58,137)	(491,076)
TOTAL	¥23,699,620	¥21,610,683	\$177,472,071
LIABILITIES:			
Deposits	¥17,834,262	¥17,318,431	\$133,549,965
Negotiable certificates of deposit	247,850	249,150	1,855,998
Call money	1,950,420	756,869	14,605,518
Payables under repurchase agreements	66,194	10,915	495,693
Payables under securities lending transactions	161,689	64,530	1,210,793
Trading liabilities	52	33	393
Borrowed money	2,192,218	2,012,611	16,416,194
Foreign exchanges	541	505	4,052
Due to trust account	34,603	26,152	259,121
Other liabilities	185,246	148,970	1,387,198
Provision for bonuses	3,689	3,729	27,632
Provision for directors' bonuses	22	14	165
Provision for share-based compensation	157	276	1,182
Provision for reimbursement of deposits	1,772	1,078	13,271
Provision for contingent losses	507	608	3,798
Deferred tax liabilities for land revaluation	16,270	16,325	121,838
Acceptances and guarantees	30,690	31,947	229,824
Total liabilities	22,726,189	20,642,150	170,182,635
EQUITY:			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2023 and 2022; issued, 1,204,576 thousand shares in 2023 and 2022	215,628	215,628	1,614,712
Capital surplus	177,244	177,244	1,327,276
Retained earnings:			
Legal retained earnings	38,384	38,384	287,435
Other retained earnings	514,414	489,814	3,852,142
Valuation difference on available-for-sale securities	(12,059)	7,954	(90,309)
Deferred gains or losses on hedges	3,457	3,020	25,895
Revaluation reserve for land	36,360	36,487	272,285
Total equity	973,431	968,533	7,289,436
TOTAL	¥23,699,620	¥21,610,683	\$177,472,071

••• Non-Consolidated Statement of Income

The Bank of Yokohama, Ltd.
Year Ended March 31, 2023 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥136,383	¥121,041	\$1,021,296
Interest and dividends on securities	26,521	22,153	198,601
Interest on call loans	1,391	258	10,421
Interest on due from banks	6,552	5,252	49,071
Other interest income	4,398	1,279	32,938
Trust fees	266	252	1,997
Fees and commissions	57,006	56,356	426,885
Trading income	19	48	143
Other operating income	5,884	5,592	44,062
Other income	8,890	6,346	66,576
Total income	247,314	218,581	1,851,990
EXPENSES:			
Interest expenses:			
Interest on deposits	10,676	1,956	79,948
Interest on negotiable certificates of deposit	8	9	65
Interest on call money	3,007	486	22,518
Interest on payables under repurchase agreements	566	16	4,242
Interest on payables under securities lending transactions	2,874	243	21,528
Interest on borrowed money	3,195	804	23,929
Other interest expenses	8,723	1,607	65,325
Fees and commissions	17,443	17,550	130,620
Trading Expenses	15	4	114
Other operating expenses	18,846	12,452	141,131
General and administrative expenses	99,884	103,983	747,976
Provision of allowance for loan losses	12,236	12,919	91,631
Other expenses	4,554	6,328	34,108
Total expenses	182,033	158,364	1,363,135
INCOME BEFORE INCOME TAXES	65,281	60,217	488,855
INCOME TAXES:			
Current	21,567	19,137	161,504
Deferred	(2,442)	(1,259)	(18,289)
Total income taxes	19,124	17,878	143,215
NET INCOME	¥ 46,156	¥ 42,339	\$ 345,640

Non-Consolidated Financial Statements

Higashi-Nippon Bank

••• Non-Consolidated Balance Sheet

The Higashi-Nippon Bank, Limited
March 31, 2023 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS:			
Cash and due from banks	¥ 98,120	¥ 390,887	\$ 734,763
Securities	345,032	358,417	2,583,741
Loans and bills discounted	1,664,359	1,622,547	12,463,379
Foreign exchanges	2,129	1,605	15,945
Other assets	15,058	16,281	112,763
Property, plant and equipment	25,293	26,561	189,403
Intangible assets	2,677	3,290	20,048
Prepaid pension costs	3,882	2,307	29,074
Deferred tax assets	5,907	7,485	44,237
Customers' liabilities for acceptances and guarantees	1,449	1,615	10,858
Allowance for loan losses	(17,002)	(22,558)	(127,319)
TOTAL	¥2,146,908	¥2,408,443	\$16,076,892
LIABILITIES:			
Deposits	¥1,673,177	¥1,800,519	\$12,529,408
Negotiable certificates of deposit	110,400	118,400	826,719
Call money	208,000	100,000	1,557,586
Payables under securities lending transactions	1,970	—	14,752
Borrowed money	21,900	260,700	163,996
Foreign exchanges	12	29	96
Other liabilities	7,617	8,216	57,042
Provision for bonuses	360	481	2,697
Provision for directors' bonuses	10	10	76
Provision for share-based compensation	33	43	249
Provision for reimbursement of deposits	457	515	3,424
Provision for contingent losses	1,209	1,500	9,059
Deferred tax liabilities for land revaluation	2,551	2,554	19,109
Acceptances and guarantees	1,449	1,615	10,858
Total liabilities	2,029,149	2,294,585	15,195,071
EQUITY:			
Capital stock — common stock — authorized, 388,000 thousand shares in 2023 and 2022; issued, 176,869 thousand shares in 2023 and 2022	38,300	38,300	286,805
Capital surplus	24,600	24,600	184,216
Retained earnings:			
Legal retained earnings	1,904	1,904	14,260
Other retained earnings	46,010	39,650	344,548
Valuation difference on available-for-sale securities	1,282	3,735	9,602
Revaluation reserve for land	5,660	5,668	42,390
Total equity	117,758	113,857	881,821
TOTAL	¥2,146,908	¥2,408,443	\$16,076,892

••• Non-Consolidated Statement of Income

The Higashi-Nippon Bank, Limited
Year Ended March 31, 2023 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥19,969	¥20,284	\$149,540
Interest and dividends on securities	3,017	2,730	22,597
Interest on call loans	—	(1)	—
Interest on due from banks	179	342	1,343
Other interest income	2	—	17
Fees and commissions	5,293	4,192	39,637
Other operating income	785	1,064	5,879
Other income	1,638	6,501	12,273
Total income	30,885	35,115	231,286
EXPENSES:			
Interest expenses:			
Interest on deposits	133	183	999
Interest on negotiable certificates of deposit	10	10	81
Interest on call money	(22)	(5)	(172)
Interest on payables under securities lending transactions	1	—	13
Other interest expenses	49	21	371
Fees and commissions	1,148	1,205	8,602
Other operating expenses	516	371	3,869
General and administrative expenses	18,455	19,977	138,200
Other expenses	1,714	2,017	12,841
Total expenses	22,007	23,781	164,804
INCOME BEFORE INCOME TAXES	8,878	11,333	66,482
INCOME TAXES:			
Current	(132)	(261)	(992)
Deferred	2,656	3,169	19,895
Total income taxes	2,524	2,907	18,903
NET INCOME	¥ 6,353	¥ 8,425	\$ 47,579

Financial Highlights

	Millions of Yen*		Thousands of U.S. Dollars**
	2023	2022	2023
Concordia Financial Group			(Consolidated)
Years Ended March 31			
At year-end:			
Total assets	¥25,729,552	¥24,060,792	\$192,672,997
Cash and due from banks	6,426,095	5,637,213	48,121,128
Deposits	19,441,721	19,045,992	145,587,253
Loans and bills discounted	15,750,299	14,997,171	117,944,430
Securities	2,868,336	2,718,311	21,479,233
Total equity	1,161,255	1,164,626	8,695,937
Capital stock	150,078	150,078	1,123,847
For the year:			
Total income	¥ 315,893	¥ 287,526	\$ 2,365,537
Total expenses	235,360	208,941	1,762,471
Net income attributable to owners of the parent	56,159	53,881	420,545

* Yen amounts have been rounded down to millions of yen.

** U.S. dollar amounts are translated, for reference only, at the rate of ¥133.54=\$1 effective on March 31, 2023

	Millions of Yen*		Thousands of U.S. Dollars**
	2023	2022	2023
Bank of Yokohama			(Non-Consolidated)
Years Ended March 31			
At year-end:			
Total assets	¥23,699,620	¥21,610,683	\$177,472,071
Cash and due from banks	6,331,196	5,248,548	47,410,491
Deposits	17,834,262	17,318,431	133,549,965
Loans and bills discounted	14,165,974	13,454,393	106,080,384
Securities	2,530,882	2,369,376	18,952,242
Total equity	973,431	968,533	7,289,436
Capital stock	215,628	215,628	1,614,712
For the year:			
Total income	¥ 247,314	¥ 218,581	\$ 1,851,990
Total expenses	182,033	158,364	1,363,135
Net income	46,156	42,339	345,640

* Yen amounts have been rounded down to millions of yen.

** U.S. dollar amounts are translated, for reference only, at the rate of ¥133.54=\$1 effective on March 31, 2023

	Millions of Yen*		Thousands of U.S. Dollars**
	2023	2022	2023
Higashi-Nippon Bank			(Non-Consolidated)
Years Ended March 31			
At year-end:			
Total assets	¥2,146,908	¥2,408,443	\$16,076,892
Cash and due from banks	98,120	390,887	734,763
Deposits	1,673,177	1,800,519	12,529,408
Loans and bills discounted	1,664,359	1,622,547	12,463,379
Securities	345,032	358,417	2,583,741
Total equity	117,758	113,857	881,821
Capital stock	38,300	38,300	286,805
For the year:			
Total income	¥ 30,885	¥ 35,115	\$ 231,286
Total expenses	22,007	23,781	164,804
Net income	6,353	8,425	47,579

* Yen amounts have been rounded down to millions of yen.

** U.S. dollar amounts are translated, for reference only, at the rate of ¥133.54=\$1 effective on March 31, 2023

Capital Ratio

Concordia Financial Group (International standard)		
	[Consolidated]	
(Billions of yen)	As of March 31, 2023	As of March 31, 2022
(1) Total capital ratio (4)/(7)	14.90%	13.04%
(2) Tier 1 capital ratio (5)/(7)	14.07%	12.08%
(3) Common equity Tier 1 capital ratio (6)/(7)	14.07%	12.07%
(4) Total capital	1,162.6	1,169.4
(5) Tier 1 capital	1,097.9	1,083.3
(6) Common equity Tier 1 capital	1,097.8	1,083.1
(7) Risk-weighted assets	7,800.8	8,966.4
(8) Total required capital (7)×8%	624.0	717.3

Bank of Yokohama (International standard)		
	[Consolidated]	
(Billions of yen)	As of March 31, 2023	As of March 31, 2022
(1) Total capital ratio (4)/(7)	16.09%	13.26%
(2) Tier 1 capital ratio (5)/(7)	15.15%	12.22%
(3) Common equity Tier 1 capital ratio (6)/(7)	15.15%	12.22%
(4) Total capital	1,028.3	1,026.3
(5) Tier 1 capital	968.2	946.1
(6) Common equity Tier 1 capital	968.1	945.9
(7) Risk-weighted assets	6,388.9	7,737.2
(8) Total required capital (7)×8%	511.1	618.9

Higashi-Nippon Bank (Domestic standard)		
	[Consolidated]	
(Billions of yen)	As of March 31, 2023	As of March 31, 2022
(1) Capital adequacy ratio (2)/(3)	8.53%	8.12%
(2) Total capital	111.6	107.5
(3) Risk-weighted assets	1,308.5	1,323.5
(4) Total required capital (3)×4%	52.3	52.9

Board Members

(As of June 22, 2023)

Concordia Financial Group			
Directors		Outside Audit & Supervisory Board Members	
Representative Director, President	Tatsuya Kataoka		Keiichiro Hashimoto
Representative Director	Yoshiyuki Oishi		Seiichi Fusamura
Directors	Nobuo Onodera		Mayumi Noguchi
	Tomoki Arai		
	Toshihiko Onuki		Executive Officers
	Mitsuru Akiyoshi		Executive Officers
Outside Directors	Yoshinobu Yamada		Yutaro Koshiba
	Mami Yoda		Kazuhiro Sukegawa
			Toshiya Kubota
			Kazumi Nobe
Supervisory Board Members			
Full-time Audit & Supervisory Board Member	Kazuhiro Maehara		
Audit & Supervisory Board Member	Mitsuhiro Hara		

Bank of Yokohama			
Directors		Executive Officers	
Representative Director, President	Tatsuya Kataoka	Managing Executive Officers	
Representative Director, Managing Executive Officer	Nobuo Onodera		Akira Ohki
Directors and Managing Executive Officers	Yutaro Koshiba	Executive Officers	
	Tomoki Arai		Toshihiko Onuki
Directors and Executive Officers	Michifumi Katsuta		Akihiko Bandai
	Hiroaki Suzuki		Takeshi Hiram
Outside Director	Shigeru Ishii		Masatoshi Akahori
Director	Mami Yoda		Yutaka Ota
			Tohru Ikeda
Supervisory Board Members			Junichi Nihei
Full-time Audit & Supervisory Board Members	Mitsuhiro Hara		Kazumi Nobe
	Keigo Makino		
Outside Full-time Audit & Supervisory Board Member	Junichi Iwabuchi		
Outside Audit & Supervisory Board Member	Hidekazu Hayashi		

Higashi-Nippon Bank			
Directors		Executive Officers	
Representative Director, President	Yoshiyuki Oishi	Managing Executive Officer	
Directors and Managing Executive Officers	Kazuhiro Sukegawa	Executive Officers	
	Toshiya Kubota		Isao Tsukada
Directors and Executive Officers	Kouji Ogawa		Tatsuhiko Hasegawa
	Akira Okuzumi		Maki Uchida
Outside Director	Masataka Ueda		Yasuhiro Ishihara
			Isao Ueda
			Kouich Ishizaka
Supervisory Board Members			
Full-time Audit & Supervisory Board Member	Shigeo Iida		
Outside Audit & Supervisory Board Members	Yoshikazu Suzuki		
	Hitomi Yamada		

Corporate Information

CORPORATE DATA

Concordia Financial Group

(As of March 31, 2023)

Company Name
Concordia Financial Group, Ltd.

Date of Establishment
April 1, 2016

Internet Address
<https://www.concordia-fg.jp/e/index.html>

Head Office
7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo
(Tokyo Nihombashi Tower, 34th floor)
Tel: +81 (3) 5200-8201

Paid-in Capital
¥150,000 million

Bank of Yokohama

(As of March 31, 2023)

Company Name
The Bank of Yokohama, Ltd.

Date of Establishment
December 16, 1920

Number of Branches and Offices (As of June 30, 2023)
637
Domestic: 632 (202 branches, 4 sub-branches, 426 ATM locations)
Overseas: 2 Branches, 3 Representative offices

Head Office
1-1, Minatomirai 3-chome, Nishi-ku,
Yokohama, Kanagawa 220-8611, Japan
Tel: +81 (45) 225-1111

Paid-in Capital
¥215,628 million

Number of Employees
4,274

Internet Address
<https://www.boy.co.jp/e/index.html>

Higashi-Nippon Bank

(As of March 31, 2023)

Company Name
The Higashi-Nippon Bank, Limited

Date of Establishment
April 5, 1924

Number of Branches and Offices (As of June 30, 2023)
Domestic: 94 (84 branches, 6 sub-branches, 4 Unmanned branch offices)

Head Office
11-2, Nihonbashi 3-chome, Chuo-ku,
Tokyo 103-8238, Japan
Tel: +81 (3) 3273-6221

Paid-in Capital
¥38,300 million

Number of Employees
1,022

Internet Address
<https://www.higashi-nipponbank.co.jp/>

INTERNATIONAL NETWORK (Bank of Yokohama)

(As of July 1, 2023)

Asia

Shanghai Branch:
19F, Shanghai World Financial Center,
100 Century Avenue, Pudong New Area,
Shanghai 200120,
People's Republic of China
Tel: +86 (21) 6877-6800
Fax: +86 (21) 6877-6680
GENERAL MANAGER
Aki Murakami

Bangkok Representative Office:
No. 57 Park Ventures Ecoplex, Unit1005,
10th Floor, Wireless Road, Lumpini,
Patumwan Bangkok 10330, Thailand
Tel: +66 2254-7251
Fax: +66 2254-7255
CHIEF REPRESENTATIVE
Shinichiro Mori

Hong Kong Representative Office:
Suite 2109, Tower 6, The Gateway,
Harbour City, 9 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong,
S.A.R., People's Republic of China
Tel: +852-2523-6041
Fax: +852-2845-9022

Singapore Branch:
5 Shenton Way #22-01 UIC Building,
Singapore 068808
Tel: +65 6216-1500
GENERAL MANAGER
Masafumi Baba

CHIEF REPRESENTATIVE
Kensuke Sato

North America

New York Representative Office:
780 Third Avenue., 32nd Floor,
New York, NY 10017, U.S.A.
Tel: +1 (212) 750-0022
Fax: +1 (212) 750-8008
CHIEF REPRESENTATIVE
Takashige Shimotori